Annual Economic and Financial Review

EASTERN CARIBBEAN CENTRAL BANK

ECCB

2017

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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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DOMESTIC ECONOMIC DEVELOPMENTS

Overview

An assessment of preliminary data indicates that, economic activity in the Eastern Caribbean Currency Union (ECCU) expanded in 2017, albeit at a slower rate than the prior year. Notwithstanding the deceleration, economic growth was facilitated by positive global developments, particularly in the economies of the major trading partners, and supported by increased output in a number of sectors in the regional economy. **Real GDP in the Currency Union is provisionally estimated to have expanded for the sixth consecutive year, at a rate of 1.8 per cent[1], compared with 2.9 per cent in 2016.** Expansions in value added were recorded in a few key sectors, namely construction, transport, storage and communications and wholesale and retail trade. On a country basis, economic activity is estimated to have expanded in six of the eight territories and was partially moderated by contractions in Anguilla and Dominica. Inflationary conditions prevailed in all of the ECCU's member states in contrast to overall deflation during the prior year.

The overall surplus on the consolidated fiscal operations of member governments contracted, largely attributable to developments on the current account, supported by higher capital outlays. Notwithstanding the deterioration on the overall fiscal accounts, the outstanding debt of the public sector fell, driven by lower external obligations. In the banking sector, monetary liabilities and net foreign assets expanded while domestic credit contracted. Liquidity in the commercial banking system improved, associated in part with an expansion in the deposit base, coupled with the decline in credit. The spread between commercial banks' weighted average lending and deposit interest rates narrowed. On the external side, the merchandize trade deficit widened, largely driven by growth in import

[1] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

payments, coupled with a contraction in export receipts.

The forecast for growth in the ECCU economy for the short to medium term is favourable with expectations for further expansion in 2018 and 2019. This outlook is premised, inter alia, on anticipated buoyancy in the construction sector, supported by a turnaround in the hotels and restaurants and agriculture, livestock and forestry sectors. Any improvement in these sectors is likely to have associated positive knock-on effects on a number of the other key sectors, including transport, storage and communications, wholesale and retail trade and real estate, renting and business activities. Inflationary pressures are likely based on developments in commodity prices. It is anticipated that the positive economic performance, coupled with continued fiscal and debt consolidation efforts may contribute to an overall surplus, albeit smaller, given an expected increase in spending. Importantly, the economic outlook for the ECCU region remains contingent on developments in the global economy, which is forecasted to continue the current momentum. On the upside, global growth is projected to expand at a faster pace in 2018, driven by improved activity in the advanced economies, particularly the USA. Downside risks include - increasing commodity prices, a sudden stop in foreign direct investment inflows, on-going geopolitical tension, a very active hurricane season and other adverse weather conditions associated with global warming and climate change.

Output

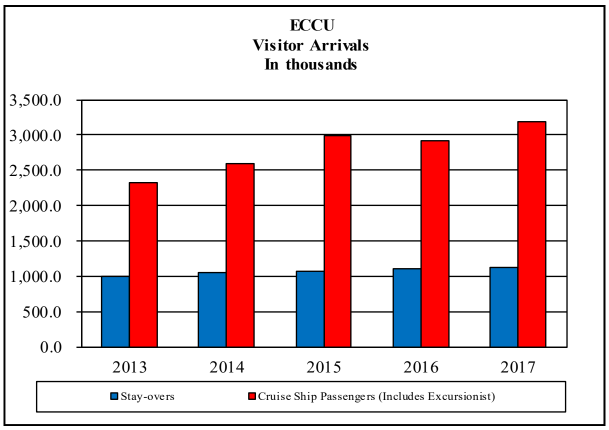
The improvement in value added in the construction sector, a main contributor to economic growth in the ECCU, was noted by an expansion of 12.0 per cent in 2017, compared with growth of 9.6 per cent in the prior year. The performance of this sector was a reflection of higher levels of activity in seven of the eight member territories. Improvements in the external environment, coupled with positive developments in the domestic economy contributed to the increase in construction activity. Elevated private-sector-led activity across these member territories, largely accounted for this outcome, which was supplemented by activity in the public sector. Private sector construction in the ECCU focused largely on hotel and resort properties, residential homes and a few commercial establishments. Meanwhile, public sector activity concentrated on rehabilitation of infrastructure, including roads and schools, and the development of the housing stock.

On a country basis, the impact of the increase in the construction sector was greatest in Grenada and Dominica, where value added rose by 22.8 per cent and 20.0 per cent, respectively. This impact was influenced largely by private sector projects in Grenada and reconstruction work in Dominica, associated with tropical storm Erika and hurricane Maria. Value added in construction also increased in Antigua and Barbuda (16.0 per cent), Saint Lucia (10.0 per cent), Anguilla (9.0 per cent), St Kitts and Nevis (9.0 per cent) and St Vincent and the Grenadines (1.5 per cent). Higher value added in the construction sector was moderated somewhat by lower activity in Montserrat, where a decline of 45.0 per cent was recorded as the implementation rate of public sector investment projects fell.

Spill-over effects from increased construction activity are estimated to have contributed favourably to value added in sectors such as mining and quarrying (10.7 per cent), transport, storage and communications (3.7 per cent) and wholesale and retail trade (2.0 per cent). Performance was relatively favourable in a few of the other economic sectors, including health and social work (2.0 per cent), education (1.9 per cent), financial intermediation (1.1 per cent) and real estate, renting and business activities (0.5 per cent).

Despite an increase in the number of visitors, developments in the hotels and restaurants sector, a proxy for activity in the tourism industry, were marked by an estimated contraction of 1.4 per cent in value added in contrast to growth of 2.4 per cent in the previous year. On an individual territory basis, four countries recorded declines in tourism output, which more than offset gains in the remaining territories. The reduced overall value added in the hotels and restaurants sector of the Currency Union was partly associated with a decline of 1.3 per cent in total visitor expenditure.

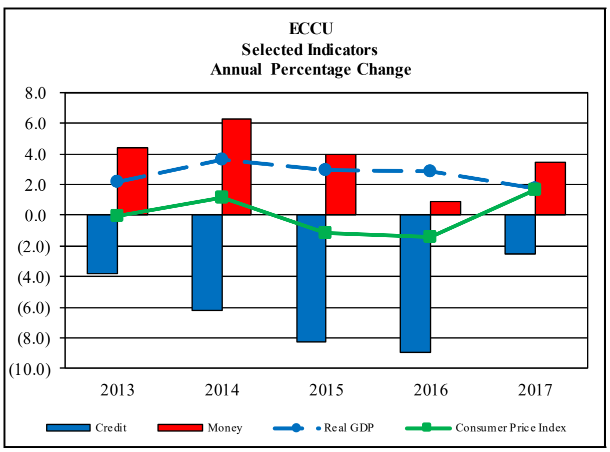
Stay-over visitor arrivals rose marginally (0.6 per cent) to 1.1m, a deceleration from growth of 3.1 per cent recorded in 2016. The performance in this sub-category was mainly associated with growth in the number of visitors from Canada (7.6 per cent) and the Caribbean (0.5 per cent). Reductions were observed in two of the other major source markets, namely the UK (2.3 per cent) and the largest market, the USA (0.5 per cent). Six of the ECCU territories experienced decreases in stay-over arrivals, ranging from 1.4 per cent in St Kitts and Nevis to 15.7 per cent in Anguilla. The exceptions were Saint Lucia and Grenada, which both recorded growth of 11.0 per cent and 8.2 per cent, respectively.



The number of cruise ship passengers, which represented 69.3 per cent of total visitor arrivals, grew by 10.2 per cent to 3.1m in contrast to a 2.0 per cent decline recorded in the prior year. The improved performance in the cruise sub-sector stemmed from growth in that category of arrivals in five member countries. This outturn was bolstered by an increase of 10.1 per cent to 2002 in the number of cruise ship calls to the region. The maximum expansion in the cruise ship sub-category was noted in Antigua and Barbuda, where arrivals grew by 29.3 per cent (174,109), supported by increases of 9.2 per cent (85,632) in St Kitts and Nevis, 13.7 per cent (80,585) in Saint Lucia and 85.1 per cent (80,085) in St Vincent and the Grenadines. The impact of these increases was partially offset by declines of 43.7 per cent (121,105) in Dominica and 4.9 per cent (15,484) in Grenada.

Of the other categories of visitors, the number of excursionists and yacht passengers fell by 18.4 per cent and 0.3 per cent, respectively. Consequently, there was an overall increase of 6.4 per cent in the total number of visitors to the ECCU region. This outturn was in contrast to a 0.9 per cent decline recorded in 2016.

Value added in the manufacturing sector is estimated to have declined marginally (0.8 per cent) in the review period, following contraction of the same magnitude in 2016; as the sector continues to be constrained by a number of factors, including reduced demand and competitiveness. Two member countries are estimated to have recorded decreases in manufacturing activity, which more than offset growth in the other six territories. Manufacturing performance seemed to have been worse in Dominica, where a decline of 32.7 per cent was recorded. The outturn for Dominica partly reflected the adverse impact of tropical storm Erika, coupled with the devastation of hurricane Maria. Manufacturing activity also declined in St Kitts and Nevis (6.5 per cent) for the second consecutive year. This outturn was mainly a result of lower demand from the regional market. By contrast, increases were recorded in Anguilla (5.0 per cent), St Vincent and the Grenadines (5.0 per cent), Grenada (2.6 per cent), Saint Lucia (1.7 per cent), Antigua and Barbuda (1.0 per cent) and Montserrat (1.0 per cent).



Output in the agriculture, livestock and forestry sector is estimated to have contracted by 4.2 per cent, in contrast to marginal growth of 0.3 per cent last year. The lower contribution to value added by that sector was driven primarily by a decline of 4.6 per cent in traditional crop production, reflecting decreases in most of the islands. Additionally, a decline of 4.3 per cent was recorded in output of non-banana crops, predominantly driven by contractions in Grenada (24.3 per cent), owing to excessive rainfall; and Dominica (6.0 per cent), largely driven by the devastation of hurricane Maria. These declines were partially offset by an increase in the output of bananas, resulting from expansions of 15.0 per cent and 3.2 per cent in St Vincent and the Grenadines and Grenada, respectively. The tonnage of banana produced and exported is estimated to have increased, contributing to higher revenues from banana exports. Value added from the livestock and forestry sub-sectors remained relatively unchanged.

Prices, Wages and Employment

All ECCU member states experienced inflationary conditions during the period under review. The increases in consumer prices ranged from 0.2 per cent in St Kitts and Nevis to 3.0 per cent in St Vincent and the Grenadines. Antigua and Barbuda recorded an inflation rate of 2.4 per cent, Saint Lucia, 2.0 per cent, Montserrat 1.7 per cent and Anguilla, 1.4 per cent. Most of the inflation was a consequence of higher prices for a number of food items and gas and fuels.

Information with regard to wage movements in the public sector indicated mixed developments in member territories. Public servants did not receive any pay increases in Anguilla and Antigua and Barbuda. In Anguilla, the number of persons employed in both private and public sector declined, while in Antigua and Barbuda, both sectors registered increases in the numbers employed. Although the number of persons employed in the public service in Dominica decreased, civil servants there received a double salary and a 3.0 per cent wage increase. Public officers in Grenada also got a 3.0 per cent raise in 2017, along with retroactive payments. Those in St Kitts and Nevis received a one-month salary bonus in December. While there was no wage increase in Saint Lucia, the number of public sector employees grew. The total number of insured persons in St Vincent and the Grenadines rose, as recorded by the social security systems there.

Recent data on private sector wage movements and official unemployment for all countries in the currency union were unavailable. However, preliminary information point to a decline in the unemployment rate in a number of territories – Grenada, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. In Anguilla, however, both the number of employers and active employees fell, an indication of a deterioration in labour market conditions, following the adverse impact of hurricane Irma. On average, however, the rate of unemployment in the ECCU is estimated to have inched downwards. Notwithstanding the slight improvement this year, the level of unemployment across territories, particularly among youth, remains a policy concern.

Central Government Fiscal Operations

On aggregate, preliminary data on the fiscal operations of the central governments indicate that an overall surplus (after grants) of $28.2m (0.2 per cent of GDP) was generated, down from one of $676.3m (3.7 per cent of GDP) recorded a year ago. The contraction in the overall surplus was largely attributable to developments on the current account, as that surplus more than halved, relative to the one in 2016. Also, the deterioration on the current account was supported by growth in capital expenditure, and a simultaneous reduction in capital revenue. The overall fiscal outturn was also reflected in the primary balance (after grants), as it yielded a surplus of $451.6m (2.4 per cent of GDP) compared with one of $1,132.4m (6.1 per cent of GDP) in the prior year. The worsening of the primary balance indicates that generally fiscal policy was expansionary in 2017, particularly in four member territories. Antigua and Barbuda, St Kitts and Nevis and St Vincent and the Grenadines had smaller primary surpluses, while Dominica moved to a deficit position from a large primary surplus last year. The primary balance position improved in Anguilla, Grenada, Montserrat and Saint Lucia.

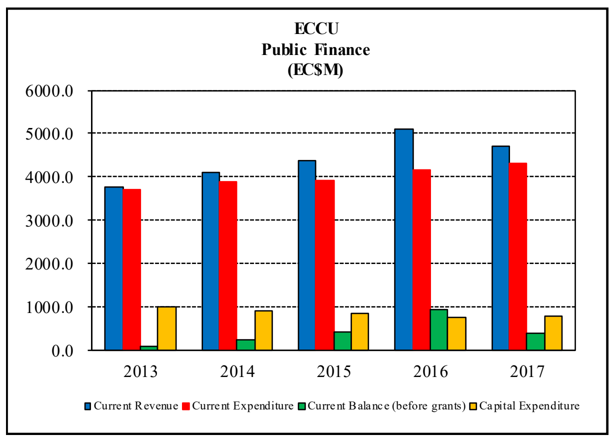
The governments' current operations yielded a surplus of $28.2m (0.1 per cent of GDP) compared with one of $676.3m (3.7 per cent of GDP), as the rate of decline in revenue collections received support from growth in current expenditure. Current revenue contracted by 7.6 per cent to $4,708.9m (24.7 per cent of GDP) in contrast to growth of 16.9 per cent to $5,098.7m (27.7 per cent of GDP) recorded at the end of 2016. The decrease in current revenue was primarily the result of lower collections from the non-tax category, which outpaced growth in the intake from taxes.

Non-tax revenue fell by 34.0 per cent ($454.8m) to $881.9m (4.6 per cent of GDP), primarily due to a reduction in the proceeds associated with the citizenship by investment programmes in Dominica and St Kitts and Nevis. This performance contrasts the outturn in 2016, when non-tax revenue grew by 64.5 per cent ($524.0m) to $1,336.7m (7.3 of GDP), which largely reflected an uptick in the intake by Dominica.

Tax revenues rose by 1.7 per cent ($65.0m) to $3,827.1m (20.1 per cent of GDP) compared with growth of 6.0 per cent to $3,762.1m (20.4 per cent of GDP) recorded in the previous year. Growth in tax revenue was buoyed by higher intakes from all categories of taxes, except domestic goods and services. Receipts from taxes on international trade and transactions increased by 4.4 per cent ($49.0m) to $1,163.1m, mainly driven by higher yields from the customs service charge and import duties. Proceeds from taxes on income and profits grew by 2.7 per cent ($22.0m), buoyed by higher yields from the corporation tax (9.3 per cent), which more than offset a decline in receipts from the personal income tax (4.4 per cent).

Also contributing to the uptick in tax revenue, was an increase of 12.5 per cent ($16.1m) to $144.6m, from property taxes. On the contrary, yields from taxes on domestic goods and services fell by 1.3 per cent ($22.0m), led by lower collections from the value added tax (VAT), supported by a decline in the intake from the sales tax and licenses. VAT receipts were down by 2.0 per cent to $973.7m (5.1 per cent of GDP), reflecting worse performances in two of the territories - Dominica, where tax receipts were adversely impacted by the passage of hurricane Maria and Saint Lucia, where the VAT rate was adjusted downwards earlier in the year. In addition, yields from the sales tax fell by 5.6 per cent, a reflection of reduced collections from the Antigua and Barbuda Sales Tax, occasioned by the impact of hurricane Irma on businesses and the tourism industry. On a disaggregated basis, all countries, except Dominica, recorded growth in tax revenue ranging from 0.1 per cent in Antigua and Barbuda to 8.6 per cent in Grenada.

Current expenditure expanded by 3.7 per cent to $4,324.0m (22.7 per cent of GDP), compared with an increase of 6.2 per cent to $4,168.4m (22.6 per cent of GDP) in the prior year. Despite growth in current spending, that category of expenditure remained within the Monetary Council's target of an upper limit of 26 per cent of GDP. The upward movement in current outlays was largely associated with higher spending on transfers and subsidies, goods and services and to a lesser extent, personal emoluments.



Spending on transfers and subsidies rose by 11.6 per cent ($117.3m), influenced largely by increases in subventions and contributions to statutory corporations and other institutions by the governments of Antigua and Barbuda, Saint Lucia, St Vincent and the Grenadines, Grenada and St Kitts and Nevis. The overall increase in outlays on transfers and subsidies was moderated somewhat by a marginal decline in spending in Anguilla.

The increase in outlays on goods and services (6.3 per cent) was mainly driven by developments in Saint Lucia, Dominica and Grenada, where that category of spending rose by $18.3m, $114.7m and $8.9m, respectively.

Spending on personal emoluments rose marginally (0.5 per cent), the consequence of higher outlays in Dominica ($26.8m), Grenada ($13.6m), St Vincent and the Grenadines ($5.5m) and Montserrat ($1.5m). The impact of these increases were mitigated by declines in Saint Lucia ($18.2m), St Kitts and Nevis ($17.5m), Antigua and Barbuda ($1.4m) and Anguilla ($1.1m).

Mitigating the impact of the increases in outlays towards transfers and subsidies, goods and services and personal emoluments, was a reduction of 7.2 per cent ($32.6m) in interest payments, reflecting declines of 8.6 per cent ($21.3m) and 5.4 per cent in domestic and external interest payments, respectively. Lower interest payments were attributable to decreases in the stock of outstanding public debt. Although the results in the territories were mixed, lower interest payments in five of the member territories more than offset increases in St Vincent and the Grenadines ($5.8m), Anguilla ($4.4m) and St Kitts and Nevis ($1.6m). The largest decrease in interest payments was recorded in Saint Lucia ($33.1m), due to falling domestic obligations, concomitant with that country's lower domestic debt.

Capital expenditure at the ECCU level grew by 3.8 per cent to $783.0m (4.1 per cent of GDP), which was below the targeted lower band of 5.0 per cent of GDP, recommended by the Monetary Council of the ECCB. This outturn contrasts a decline of 10.3 per cent to $754.5m (4.1 per cent of GDP) recorded in 2016. The expansion in capital outlays was observed in four of the territories: Dominica ($97.9m), St Kitts and Nevis ($38.2m), Anguilla ($15.0m) and Saint Lucia ($4.4m). Higher outlays on capital expenditure largely reflected increased spending on reconstruction and rehabilitation of vital infrastructure following the passage of hurricanes Irma and Maria in September 2017.

Total grant inflows increased by 24.0 per cent to $403.0m (2.1 per cent of GDP), in contrast to a contraction of 25.6 per cent to $325.0m (1.1 per cent of GDP) in the previous year. This outturn was associated with higher inflows in six of the territories, more so in Montserrat ($45.3m), Anguilla

($28.2m), St Kitts and Nevis ($18.7m) and Saint Lucia ($10.7m). By contrast, total grant flows to Grenada and Dominica fell by $21.9m and $8.1m, respectively.

Public Sector Debt

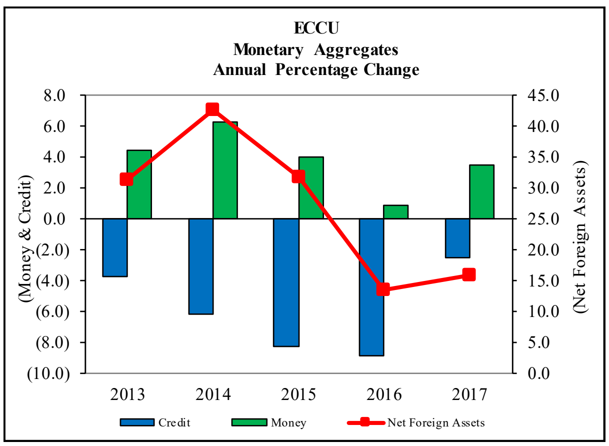
The total stock of outstanding public sector debt of the ECCU member countries decreased marginally (0.1 per cent) to $13,364.5m at the end of December 2017, in contrast to an expansion of 3.1 per cent during the prior year. Concomitant with the decline in the debt level, the debt to GDP ratio fell to 70.1 per cent from 72.6 per cent at the end of December 2016. The contraction in the disbursed outstanding debt was directly influenced by a slight decrease (0.6 per cent) to $11,692.2m in the outstanding debt of the central government, while the debt of public corporations increased. The fall in central government's indebtedness stemmed from a 1.7 per cent decline in external obligations, which more than offset a marginal increase (0.7 per cent) in domestic borrowing. The contraction was driven largely by lower indebtedness in Anguilla, Dominica, Grenada, Saint Lucia and St Vincent and the Grenadines. This outturn was partially offset by growth in the public debt levels of Antigua and Barbuda, Montserrat and St Kitts and Nevis.

The stock of debt by public corporations grew by 3.6 per cent and primarily reflected growth of 11.2 per cent in domestic obligations, despite a decline of 5.1 per cent in external commitments. Compared with the total at the end of December 2016, debt service payments (principal plus interest) by central governments fell by 2.6 per cent to $1,343.7m (28.5 per cent of current revenue), mainly on account of lower payments obligations in Anguilla, Antigua and Barbuda, Dominica, St Kitts and Nevis, and Saint Lucia.

Monetary and Financial Developments

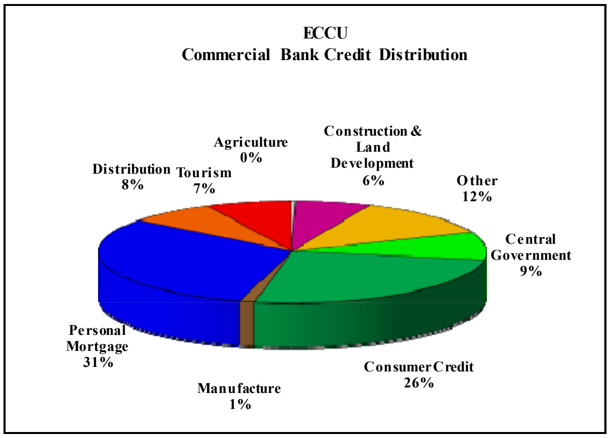
Money and Credit

At the ECCU level, monetary liabilities (M2) expanded by 3.5 per cent to $16,405.2m during 2017, compared with marginal growth of 0.9 per cent during the previous year. Growth in M2 was sustained by expansions in both quasi money and narrow money (M1). Quasi money grew by 1.2 per cent to $12,211.4m driven by increases of 5.9 per cent and 1.1 per cent in private sector savings deposits and private sector foreign currency deposits, respectively. The performance of quasi money was moderated by a reduction of 13.4 per cent in private sector time deposits. M1 increased by 10.7 per cent to $4,193.9m fuelled largely by an 11.6 per cent ($333.6m) rise in private sector demand deposits. Growth in M1 was also supported by increases of 7.7 per cent ($64.4m) in currency with the public and 10.7 per cent ($8.2m) in EC$ cheques and drafts issued.



Domestic credit contracted by 1.8 per cent to $9,840.4m, following a decline of 9.6 per cent during the previous year. The contraction primarily reflected a lower level of borrowing by the government. Net credit to the central government fell by 13.0 per cent ($120.3m), mainly associated with an increase of 7.6 per cent in their deposits at commercial banks, despite an increase in loans and advances from these institutions. Outstanding credit to the private sector fell marginally (0.1 per cent) to $11,049.3m, driven largely by a decline of 7.5 per cent in lending to businesses, which more than offset growth of 3.5 per cent in credit extended to households. In the rest of the private sector, credit to subsidiaries and affiliates decreased by 6.5 per cent, while that to non-bank financial institutions grew by 27.7 per cent. The net deposit position of non-financial public enterprises grew by 2.3 per cent, reflecting increases in both deposits and commercial banks' credit.

An analysis of the distribution of commercial banks' credit by economic activity indicates that outstanding loans and advances fell marginally. Credit extended to all sectors of the economy declined, except for agriculture and fisheries and personal use. Consistent with reduced value added by the hotel and restaurant sector, lending to tourism fell by 7.0 per cent ($66.3m), albeit at a slower pace than the 15.0 per cent recorded in 2016. Notwithstanding an improvement in construction activity, credit extended to that sector declined by 4.6 per cent ($37.6m). In addition, decreases of 19.0 per cent ($42.5m) and 3.7 per cent ($34.8m) were recorded in outstanding credit for manufacturing & mining and quarrying, and distributive trades, respectively. By contrast, credit for personal use grew by 3.1 per cent ($205.8m), driven mainly by increased lending for acquisition of property ($75.2m) and house and land purchase ($38.2m).



The net foreign assets of the Currency Union's banking system rose by 15.6 per cent to $8,551.1m, compared with an increase of 13.3 per cent during the last year. This development reflected an increase in the net foreign assets position of both the commercial banking sector and the Central Bank. Commercial banks' net external position expanded by 35.2 per cent to $3,844.2m, primarily influenced by a 17.3 per cent rise in their foreign assets, despite a 2.0 per cent increase in their foreign liabilities. The net external position of the Central Bank rose by 3.3 per cent to $4,706.9m, mainly reflecting growth of 3.5 per cent in their foreign assets.

The commercial banking system is assessed to have remained liquid during 2017. The ratio of liquid assets to total deposits plus liquid liabilities increased by 3.2 percentage points to 47.8 per cent, well above the 25.0 per cent minimum established by the ECCB's prudential guidelines. The loans and advances to total deposits ratio fell by 1.8 percentage points to 58.7 per cent, which persists below the ECCB's stipulated lower limit of 75.0 per cent.

The weighted average deposit rate continued on its downward trajectory since the Monetary Council of the Eastern Caribbean Central Bank took a decision in 2105 to reduce the minimum savings deposit rate to 2.0 per cent. That rate moved down to 1.63 per cent at the end of December 2017, from 1.71 per cent at the end of the previous year. The weighted average lending rate also fell to 8.41 per cent from 8.53 per cent at the end of last year. Consequently, the spread between the average weighted interest rate on deposits and loans narrowed by 3 basis points to 6.78 per cent.

Developments on the RGSM

Activity on the Regional Government Securities Market (RGSM) increased during 2017, as indicated by growth in both the volume and value of issuance on the primary market. Preliminary data indicate an increase in the total number of auctions by member governments to 59 from 51 in the previous year, while the total value of issues grew by 12.1 per cent to $1,231.6m. This year's outturn compares with marginal growth (0.3 per cent) in gross issuance recorded for the previous year. Of the total securities, 52 were Treasury bills, while seven were bonds. The expansion in the volume and value of outstanding security issuances emanated from a confluence of factors, mainly an increase in issuance by all the governments on the RGSM.

An analysis of activity by the tenor of the security indicates that the instruments were predominantly of short-term maturity, with Treasury bills making up about 88.1 per cent of the total securities issued. The volume of short dated securities issued - Treasury bills, expanded by 8.3 per cent and the value rose by 8.9 per cent to $1,109.3m. The higher value was primarily the result of increased issuance by the governments of Antigua and Barbuda, Dominica, Saint Lucia and St Vincent and the Grenadines. The volume of the longer-term securities (bonds) increased by 52.5 per cent to $122.3m. This outturn was partly the result of re-issuance of five-year and seven-year bonds by the governments of Antigua and Barbuda, Dominica, Saint Lucia and St Vincent and the Grenadines.

Commercial banks continued to hold the highest proportion of the value of successful bids, which increased to 45.2 per cent from 41.4 per cent at the end of 2016. Investor confidence appeared to have remained elevated, as evidenced by a 9.8 per cent increase in total annual subscriptions to $1,647.9m. There was a slight decline in demand by investors for all instruments issued on the market during the year, as indicated by the behavior of the bid-to-cover ratio (value of bids received/value of bids accepted), which moved to 1.34 from 1.37 at the end of December last year. Both the value of bids received and the value accepted increased, an indication of persistent appetite for debt by the participating governments.

The government of Saint Lucia remained the most active on the RGSM, accounting for 30.5 per cent of the volume of auctions. However, the Government of St Vincent and the Grenadines held 31.5 per cent of the gross value of securities, the highest level for the second consecutive year. The government of Saint Lucia followed with 27.4 per cent of the total value issued. Issuances by governments of Antigua and Barbuda, Grenada and Dominica accounted for 17.1 per cent, 14.8 per cent and 9.2 per cent, respectively. Member governments improved their participation in 2017, when compared with issuance activities in the prior year, with the largest increase coming from Antigua and Barbuda (65.2m).

The rates on the instruments differed based on the term to maturity and tended to be lower for short-dated securities and higher for long-term issues. The average weighted yield on 91-day T-bills fell by 76 basis points to 3.01 per cent at the end of 2017. For 180-day T-bills, the rates decreased by 33 basis points to 3.43 per cent. The weighted average yield on the 365-day T-bills fell by 42 basis points to 4.48 per cent. With regard to the rates for limited medium-term instruments, the weighted average yields on the 5-year and 7-year bonds, which were not issued last year, were 7.00 per cent and 6.93 per cent, respectively. The yield on a 10-year bond was 7.25 per cent, 25 basis points lower than December 2016.

Trade[2] and Payments

Preliminary estimates indicate that the merchandise trade deficit widened by 6.4 per cent in the year under review, after having deteriorated by 6.8 per cent in 2016. This outturn was largely driven by growth in import payments, coupled with a contraction in export receipts. The value of imports expanded by 5.4 per cent ($381.4m), largely attributable to higher outlays for machinery and transport equipment as well as manufactured goods. Higher import payments were recorded in Antigua and Barbuda, Grenada and Saint Lucia. Export revenue declined by 1.4 per cent to $909.5m, largely reflecting a fall of 5.4 per cent ($30.6m) in domestic exports, which more than offset growth of 4.9 per cent in re-exports. Reduced exports earnings from food and live animals and machinery and transport equipment, mostly in Dominica, Grenada and

[2] by SITC

Saint Lucia, were mainly responsible for this outturn.

Gross travel receipts were estimated to have contracted by 1.3 per cent to $5,289.8m, associated partially with declines in stay-over arrivals from the UK, one of the high spending markets and the USA, the major source market. Decreases in such receipts were more pronounced in Dominica (19.5 per cent), Antigua and Barbuda (6.7 per cent) and Montserrat (6.3 per cent). Gross external disbursements to the central governments totalled $558.1m, an increase of 14.8 per cent, while external debt repayment amounted to $531.4m, approximately 17.7 per cent above the amount recorded at the end of last year. Consequently, the central governments were in a net disbursement position of $26.7m, compared with a net disbursement position of $34.9m in the prior year. Gross inflows of official grants to the central governments were up by 24.0 per cent, a stark contrast to a contraction of 25.6 per cent in 2016. This outturn reflected higher grant receipts by six territories, namely, Anguilla, Antigua and Barbuda, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines. Commercial banks' external transactions led to a net outflow of $1,001.8m in short term capital, relative to one of $515.5m during the prior year.

Prospects

According to the IMF's World Economic Outlook (January 2018 update), global economic activity is forecasted to remain robust in the near-term. Despite downside risks, growth in the advanced economies, the main impetus for global expansion, is projected to average about 2.3 per cent for 2018 and 2019. Activity in the United States of America, one of the region's major trading partners, is anticipated to be robust (2.7 per cent in 2018 and 2.5 per cent for 2019, reflective of its modified tax policy. Other economies, significant to trade in the ECCU include the UK and Canada are forecasted to expand by 1.5 per cent and 2.3 per cent, respectively, in 2018.

Consistent with the positive global forecasts, economic activity in the ECCU is expected to improve in the short to medium term. All the member territories, except Dominica, are forecasted to record positive economic growth in 2018. It is anticipated that the improvement will be influenced by continued robustness in the construction sector, supported by positive developments in some of the major economic sectors, including hotels and restaurants, agriculture, livestock and forestry and other auxiliary sectors. In addition, growth is likely to be positively impacted by increased foreign direct investments as some member countries continue to benefit from the Citizenship by Investment Programmes.

The construction sector is expected to maintain its buoyancy and strengthen overall output through improved activity in both the private and public sectors. In the private sector, activity will likely be driven by on-going works and rehabilitation of a number of tourism-related plants in member territories, including Antigua and Barbuda, St Kitts and Nevis and Saint Lucia. Reconstruction work is expected in Anguilla, Barbuda and Dominica, following the destruction of some hotels and tourism related infrastructure by the recent hurricanes. Public sector construction activity is also projected to rise in most ECCU countries and will focus mainly on roads, bridges, and other infrastructural developments, including the completion of the government housing and port projects in Antigua and Barbuda, road rehabilitation in Saint Lucia, as well as the construction of a new secondary school in St Kitts and Nevis. Additionally, a rebound in activity is likely in Anguilla, Barbuda and Dominica, as these countries seek to recover from the adverse impact of hurricanes Irma and Maria.

Increased value added in the hotels and restaurants sector is anticipated, buoyed by greater demand for leisure services from major source markets, as the outlook for these economies remains favourable. Intensified marketing and sales efforts, increased airlift, combined with new initiatives and augmented room stock are expected to further boost the performance of the tourism industry. The cruise sub-sector is also expected to perform more favourably than the previous year. This anticipated improvement in tourism is likely to have positive spill-over effects on ancillary sectors including wholesale and retail trade, real estate, renting and business activities and transport, storage and communications, hence a further boost for the economy.

Output in the agriculture, livestock and forestry sector is likely to strengthen, largely based on expected developments in all crops, particularly non-banana production. Continued efforts by most of the territories towards investment in agriculture, diversification within the sector and building external linkages, augur well for boosting overall value added in agriculture. Anticipated recovery in the banana industry in Saint Lucia and Dominica, coupled with strengthening production in St Vincent and the Grenadines, underpinned by initiatives under the EU Banana Accompany Measures, are likely to add impetus to agricultural production.

Against the backdrop of projected improvement in economic activity, the consolidated fiscal operations of member governments are projected to remain in an overall surplus position, as they continue to consolidate their fiscal and debt situation. That surplus is forecasted to be smaller, driven by increased spending. Although some territories anticipate improvements on their current accounts, further fiscal challenges are expected for the others, especially those that were hit by the recent hurricanes. These countries, particularly Dominica, had to sacrifice tax collection to expedite the rebuilding process and also increase transfers and subsidies to address the plight of a hurricane-battered population. Capital expenditure is also projected to rise in some countries, as infrastructural development continues. The expected developments on the fiscal accounts and the forecasted growth trajectory, however, may not be sufficient to translate to socioeconomic impetus needed to push the region's production possibility frontier outwards. Governments have to persist with efforts to address growth enhancement and competitiveness policies with fiscal and debt sustainability at the forefront. Policies to address the social issues of poverty and unemployment, particularly among the youth, remain paramount to the ECCU's developmental process.

On the external accounts, the merchandise trade deficit is expected to widen, on the premise of larger import payments. The total import bill for the region is likely to increase, associated with the anticipated buoyancy in the construction sector and rebuilding and renovating activities in hurricane ravaged territories. Further developments in the tourism industry are also expected to contribute to a higher import bill in the region.

Conditions in the financial sector are expected to remain stable, led by the

continuous efforts of the ECCB to strengthen that sector. Monetary aggregates are expected to expand, driven by increases in private sector savings and demand deposits, consistent with positive forecast for growth in 2018. Credit to the private sector, however, is likely to continue to decline as lending conditions remain tight. Consequently, liquidity is projected to ease further in the short term as the economic activity improves. Continued efforts to tackle any weaknesses in the banking system, address and mitigate the impact of potential risks and overall strengthening of the financial sector remain a top priority for regional development.

While global dynamics indicate economic expansion in 2018, there are still inherent uncertainties; hence risks have been tilted to the downside. These downside risks include increasing commodity prices, especially oil, and overall financial market developments. These vulnerabilities have the potential to interrupt growth forecasts for the economies of the ECCU, considering their openness to exogenous shocks. Consequently, countries are encouraged to pursue policies to enhance both output and financial resilience. Most of the planned private sector construction projects depend on external funding and a sudden stop in flows, especially with the citizenship by investment programmes can be detrimental to economic activity. The tourism product in the region hinges profoundly on developments in the advanced economies, particularly the USA (the major market), which has opened to the Cuban tourism product and other important markets like the UK and Canada; so any adverse change in these economies pose a threat to the industry. Further, the ECCU faces a myriad of domestic socioeconomic challenges, including the loss of correspondent banking relationships, competitiveness, labour market rigidities, unemployment and underemployment, poverty and crime. Other downside risks to economic prospects for the region include on-going geopolitical tension and imminent threats of terrorism; appreciation of the US dollar, the prediction of a very active and intense hurricane season and other weather conditions associated with global warming and climate change.

ANGUILLA

Overview

Economic activity in Anguilla is provisionally estimated to have contracted by 5.1 per cent in 2017 in contrast to growth of 1.7[3] per cent in 2016. The contraction in economic output was primarily attributable to declines in major sectors including wholesale and retail trade, hotels and restaurants, and transport, storage and communications. However, the downturn was tempered by growth in construction, manufacturing, and mining and quarrying. Consumer prices grew by 1.4 per cent during 2017, on an end of period basis, following an increase of 1.7 per cent during the previous year. **The fiscal operations of the central government resulted in an overall surplus relative to the deficit position achieved in 2016. With respect to debt, the disbursed outstanding public sector obligations decreased, largely on account of declines in both domestic and external debt.** In the banking system, monetary liabilities, domestic credit and net foreign assets all increased. The spread between the weighted average interest rates on loans and deposits rose year-on-year, and the liquidity position of the banking system improved.

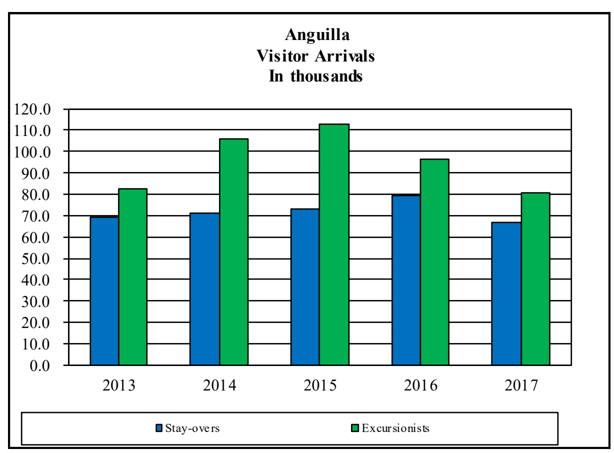
Economic activity is expected to rebound in 2018 on account of a buoyant construction sector, with knock-on effects on mining and quarrying, wholesale and retail trade, manufacturing and transport, storage and communications. The increased activity in these sectors is consistent with the ramping up of reconstruction efforts by both the public and private sectors as the country seeks to recover following the passage of hurricane Irma in September 2017. Activity in the pivotal tourism sector is anticipated to decline in 2018, primarily on account of the reduction in room stock during the first quarter, the most active quarter of the year. Total visitor arrivals are also expected to be negatively impacted by a lack of access to the island, as Anguilla's chief hub, St Maarten, was also devastated by the passage of

[3] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

hurricane Irma. The Central Government's capital programme is projected to receive a boost from grant aid to be provided by the UK government as part of a three-year package of assistance to rebuild critical infrastructure. Additional support is also anticipated from the 2nd tranche of the 11th European Development Fund (EDF) in support of recovery efforts. **Key downside risks relate to the potential for an active hurricane season and the pace at which UK grant aid will be released for the rebuilding of critical infrastructure. In addition, access issues to Anguilla continue to weigh heavily on the performance of the tourism industry and the unemployment situation may pose a threat to the stability of the banking system through a deterioration in asset quality.**

Output

Economic output across most sectors declined in 2017, on account of the devastation wrought by hurricane Irma. Value added in the hotels and restaurants sector, a proxy for activity in the tourism industry, is estimated to have contracted by 10.4 per cent in 2017, following growth of 3.8 per cent in 2016. The lower level of activity in the sector was primarily driven by a decline of 15.7 per cent in the number of stay-over visitors to 66,789 in contrast to growth of 8.2 per cent in 2016. The number of excursionists also reflected a decline of 16.9 per cent to 80,396, over the review period. Stay-over arrivals fell across most source markets, with the two largest, the USA and the Caribbean, contracting by 15.0 per cent and 24.0 per cent respectively. In addition, arrivals from the Canadian market declined by 21.9 per cent, and those from other countries fell by 13.3 per cent. The exception to the aforementioned contractions is the United Kingdom (UK), which saw growth of 10.1 per cent in the number of visitors from that market. The contribution of the hotels and restaurants sector to GDP fell to 21.4 per cent from 23.1 per cent in the prior year.



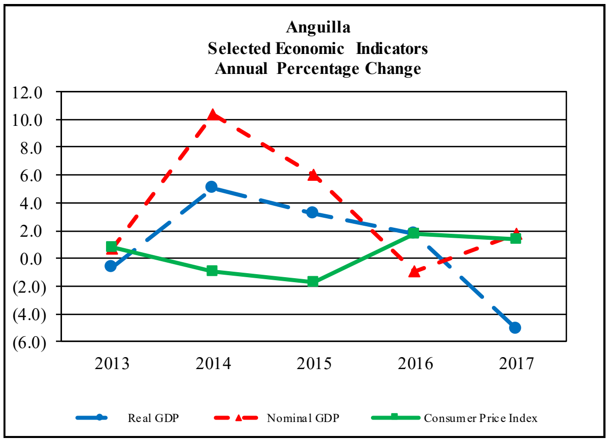
The real estate, renting and business activities sector, which accounts for 14.1 per cent of GDP, and represents the second largest contributor to economic output, recorded a 0.8 per cent contraction in value added in contrast to a 2.4 per cent increase in 2016. Developments in this sector were largely associated with the level of activity in the tourism industry and the availability of investment capital in the global real estate market.

Value added in the financial intermediation sector, which constitutes 10.3 per cent of GDP, declined by 0.3 per cent, following growth of 0.3 per cent in 2016. The outturn was largely influenced by the added level of prudence exercised by banks in the wake of hurricane Irma and the higher level of unemployment and under employment among residents.

By contrast, public administration, defence and compulsory social security, which accounts for 9.6 per cent of GDP, rose by 0.5 per cent as against a contraction of 6.2 per cent in 2016. The expansion in output was influenced by larger outlays on capital investment as well as goods and services following the passage of hurricane Irma.

The construction sector, another critical component of real GDP and representing 9.5 per cent of total output, is estimated to have grown by 9.0 per cent in 2017 in contrast to a decline of 12.6 per cent in 2016. The higher level of activity was primarily driven by reconstruction work among hoteliers, homeowners and government agencies following the passage of hurricane Irma. This development was further corroborated by an increase in bank credit extended for construction and land development as well as for the acquisition of property.

Value added in the wholesale and retail trade sector, accounting for 8.3 per cent of GDP, fell by 8.0 per cent in contrast to growth of 2.5 per cent in 2016. This development was consistent with the lower level of excursionists and stay-over visitors as well as the decline in disposable incomes of residents, especially during the fourth quarter of 2017. The latter was a direct result of many residents being unemployed or underemployed in the wake of the hurricane. Additionally, the transport, storage and communications sector recorded an 11.8 per cent decline in value added, following a marginal contraction of 0.6 per cent in 2016. Within the subcomponents, activity in the transport and storage subsector fell by 9.2 per cent, consistent with the decline in excursionists, while that for the communications subsector contracted by 14.0 per cent as overall tourism activity fell.



Prices, Wages and Employment

The consumer price index rose by 1.4 per cent, on an end-of-period basis, following growth of 1.7 per cent during 2016. The increase in prices was primarily driven by expansions in the sub-indices for transport (5.9 per cent), hotels and restaurants (4.5 per cent), recreation and culture (3.1 per cent), alcoholic beverages, tobacco and narcotics (2.4 per cent), communication (1.4 per cent) and food and non-alcoholic beverages (1.3 per cent). The increase in the transport sub-index was mainly influenced by the higher cost of air transport in the fourth quarter of 2017 as well as the increased cost of fuel and lubricants. The hotels and restaurants sub-index rose on account of higher prices for food provided by restaurants, while recreation and culture was impacted by the increased cost for games, toys and sporting equipment, among others. For the alcoholic beverages, tobacco and narcotics sub-index, increases in all sub-categories drove prices higher, while the greater cost of operations post hurricane Irma impacted the communications sub-index. All sub-categories of food, except bread, cereals, mineral water and vegetable juices, recorded increases, thus pushing up the food and non-alcoholic beverages sub-index.

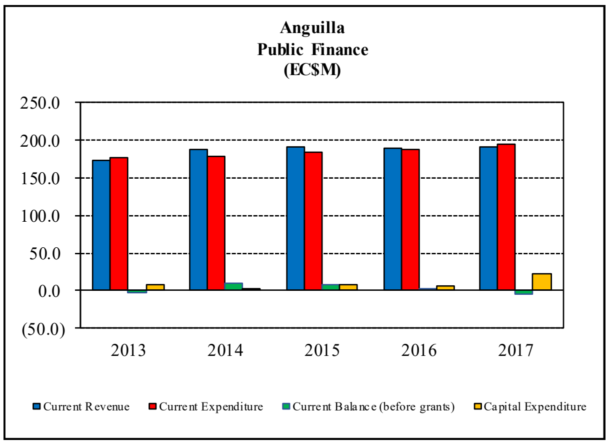
By contrast, the increase in the general price index was mitigated by declines in the sub-indices for clothing and footwear; housing, utilities, gas and fuels; health; and household furnishings, supplies and maintenance. The downward movement in prices for men's and women's apparel drove the decline in the clothing and footwear sub-index, while the lower cost of rental housing and house maintenance resulted in a decline in the housing, utilities, gas and fuels sub-index. With respect to health, a decrease in the cost of over-the-counter pharmaceuticals drove prices lower.

Data available for the first nine months of 2017 indicate that the number of active employees fell by an estimated 22.5 per cent (1,708) compared with the level as at December 2016. Similarly, the number of employers is estimated to have declined by 29.7 per cent (315) over the same period. It is surmised that the devastation caused by hurricane Irma would have been the primary contributing factor to this development, as the largest private sector employer on the island, the hotel sector, was greatly impacted by the hurricane.

Central Government Fiscal Operations

The fiscal operations of the central government resulted in an overall surplus of $4.3m (0.5 per cent of GDP) in 2017, in contrast to a deficit of $3.2m (0.4 per cent of GDP) in 2016. This outturn was largely driven by an increase in grant inflows, mainly associated with post hurricane Irma relief efforts. The central government's recurrent operations resulted in a current account deficit of $4.7m in contrast to a surplus of $1.1m in 2016, as current expenditure growth outpaced that of current revenues. A primary surplus (after grants) of $20.7m was recorded compared with one of $8.8m one year prior.

Current revenue increased by 1.0 per cent to $190.7m (21.2 per cent of GDP) in contrast to a decline of 1.2 per cent to $188.7m (21.4 per cent of GDP) one year prior. The expansion in current revenue was mainly influenced by a 2.0 per cent ($3.2m) increase in tax revenue, with receipts on domestic goods and services and properties being the key drivers. However, the expansion in these receipts was mitigated by contractions in collections from taxes on international trade and transactions, and taxes on income and profits as well as non-tax revenue. In respect of the increase in receipts from taxes on domestic goods and services, the main drivers were stamp duties ($8.8), accommodation tax ($2.6m), and the bank deposit levy ($1.7m). Also, property tax receipts grew by $1.1m. By contrast, the yield from taxes on international trade and transactions and non-tax revenue fell by $9.3m and $1.3m respectively. All sub-categories of taxes on international trade and transactions declined, with the import duty falling by $6.3m, consistent with a decline in economic activity, especially in the fourth quarter, following the passage of hurricane Irma. In addition, this line item was impacted by the granting of concessions by the central government for construction materials in the wake of the hurricane. Earnings from taxes on income and profits fell marginally ($0.3m) consistent with the decline in the stabilisation levy as many persons were either unemployed or underemployed in the fourth quarter of 2017.



Current expenditure increased by 4.1 per cent to $195.4m (21.7 per cent of GDP), compared with growth of 2.3 per cent to $187.7m (21.3 per cent of GDP) in 2016. This outturn was primarily driven by expansions in outlays on goods and services as well as domestic and external interest payments. The largest expansion in expenditure was observed for goods and services, which increased by $4.5m to $48.8m, mainly attributable to larger outlays on utilities. Interest payments rose by $4.4m to $16.4m in 2017, consistent with growth in the stock of debt as at end December 2016. The latter was primarily attributable to debt incurred by the central government as part of the resolution of the two indigenous banks on the island. Mitigating the increase in current expenditure were declines in spending on personal emoluments and transfers and subsidies of $1.1m and $0.2m respectively. The reduction in outlays on personal emoluments was mainly due to attrition among senior staff of the civil service.

Capital expenditure more than doubled to $21.5m (2.4 per cent of GDP) in contrast to a decline of $0.8m to $6.6m (0.7 per cent of GDP) in 2016. The larger capital outlays were primarily associated with reconstruction work on key infrastructure following the passage of hurricane Irma.

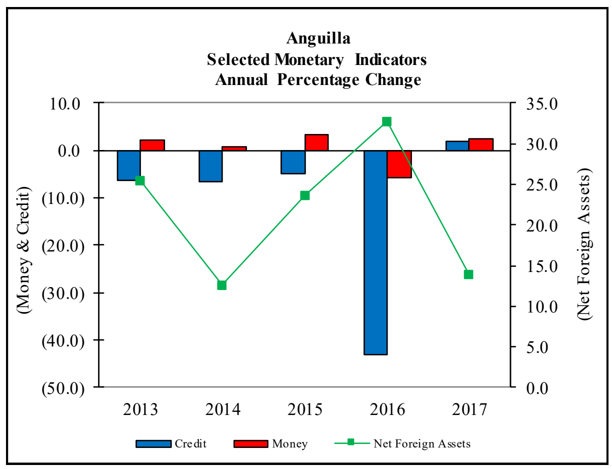
Public Sector Debt

The total disbursed outstanding public sector debt stood at $517.2m at the end of 2017, representing a reduction of 6.3 per cent ($34.9m) relative to the levels recorded at the end of 2016. As a percentage of GDP, the debt ratio fell to 57.6 per cent from 62.5 per cent one year prior, as amortization continued apace without the accumulation of new debt. Central government debt accounted for 98.0 per cent of total disbursed outstanding debt, while that of statutory bodies represented the remaining 2.0 per cent. Further, domestic debt represented 62.6 per cent of total debt, while external debt accounted for 37.4 per cent.

Money and Credit

Monetary liabilities (M2) expanded by 2.5 per cent to $1,036.0m during 2017, in contrast to a decline of 5.9 per cent to $1,011.0m during 2016. Growth in M2 was influenced by expansions in both quasi money and narrow money (M1). In respect of quasi money, both private sector savings deposits and foreign currency deposits grew by 8.6 per cent ($11.5m) and 1.5 per cent ($10.4m) respectively. Private sector time deposits, however, contracted by 8.2 per cent ($8.1m) over the review period. In respect of M1, all three subcomponents recorded expansions, with private sector demand deposits recording the strongest growth of 17.6 per cent ($7.6m) during 2017.

Domestic credit grew by 1.8 per cent to $541.5m, in contrast to a decline of 43.1 per cent to $532.0m during 2016. This development was largely attributable to a 3.4 per cent ($22.2m) increase in outstanding credit to the private sector. The main driver of credit growth to the private sector was business credit which rose by 6.4 per cent to $302.1m, which is in stark contrast to a decline of 58.5 per cent in 2016. Credit to households grew marginally by 0.8 per cent ($2.8m) to $358.9m during 2017.



The net deposit position of the central government fell by 3.9 per cent ($3.0m) to $73.6m, largely due to a decline in deposits at the commercial banks ($5.5m) to $39.8m. The reduction in deposits was influenced by a draw-down of government's reserves to fund some of its commitments, especially in the wake of hurricane Irma. Commercial bank credit to the central government also declined by 24.3 per cent ($3.5m) due to ongoing amortizations. Mitigating the overall decline in credit to the central government was a 6.7 per cent ($0.9m) increase in credit from the Central Bank. In the rest of the public sector, the net deposit position of non-financial public enterprises increased by 40.0 per cent ($15.6m), largely reflecting an increase in their deposits at commercial banks as credit remained virtually unchanged.

An analysis of changes in the distribution of credit indicates growth in several sectors, while others recorded contractions. Some of the major sectors driving credit growth include distributive trade ($15.3m), construction and land development ($9.6m) and professional and other services ($3.1m). Within the personal sector, credit for the acquisition of property increased by $6.2m to $177.3m. By contrast, credit growth contracted for government and statutory bodies ($3.5m), transport ($3.4m), tourism ($3.3m) and manufacturing ($2.1m), among others. Within the personal sector, credit for "other personal", which includes items such as education loans, retreated by $3.9m to $171.5m.

The net foreign assets of the banking system rose by 13.9 per cent to $492.4m compared with an increase of 32.7 per cent to $432.2m during 2016. The outturn was primarily driven by a 37.5 per cent ($56.2m) increase in Anguilla's imputed share of the ECCB's reserves, coupled with a 17.8 per cent ($49.1m) expansion in commercial banks' external assets. Growth in the net foreign asset position was mitigated by a 35.1 per cent ($37.3m) increase in commercial bank liabilities held within the ECCU.

Liquidity in the commercial banking system improved during the review period. This was evidenced by a 4.3 percentage point increase to 47.2 per cent in the ratio of liquid assets to total deposits plus liquid liabilities, exceeding the prudential benchmark range of 20.0 to 25.0 per cent. Additional support to the liquidity situation was provided by a 1.5 percentage point decline in the loans and advances to total deposits ratio to 54.1 per cent, well below the prudential benchmark of 80.0 to 85.0 per cent.

The spread between the weighted average interest rates on loans and deposits increased by 1.3 percentage points to 7.70 per cent during the review period. This development was attributable to a 1.1 percentage point increase to 9.91 per cent in the weighted average lending rate, coupled with a 0.1 percentage point decline to 2.21 per cent in the weighted average deposit rates.

Trade[4] and Payments

Anguilla is estimated to have generated a merchandise trade deficit of $484.6m in 2017, representing an improvement of 3.6 per cent ($17.9m) relative to the deficit recorded one year earlier. The narrowing of the merchandise trade deficit was mainly influenced by a larger decline in import payments relative to a fall in export receipts. Total import payments fell by 5.5 per cent ($28.7m), while the decline in total export receipts more than halved to $10.8m. Gross travel receipts are estimated to have declined by 0.6 per cent ($2.0m) to $353.4m over the year, as both stay-over arrivals and the number of excursionists were negatively impacted by hurricane Irma. Commercial banks' transactions resulted in a net outflow of $3.9m in short term capital compared with an outflow of $86.5m during 2016. The government of Anguilla did not receive any external disbursements in 2017, but made external principal payments totalling $13.2m, marginally below the payment of $13.4m in the prior year. At end 2017, public sector external debt stood at 21.5 per cent of GDP, compared with a ratio of 23.5 per cent in 2016.

Prospects

Economic growth for the United States of America, Anguilla's largest trading partner, is expected to accelerate to 2.7 per cent in 2018 and remain at a relatively strong 2.5 per cent rate in 2019, on the heels of business friendly tax reforms. Growth in the Euro Area economy is also expected to stabilise in 2018 and 2019 at 2.2 per cent and 2.0 per cent, respectively. Similarly, the economies of Canada and the United Kingdom, important trading partners for Anguilla, are forecast to grow by at least 2.0 per cent and 1.5 per cent, respectively, over the next two years.

[4] by SITC

In the wake of the devastation caused by hurricane Irma in September 2017, the Anguillian economy is projected to rebound sharply in 2018, powered by the construction sector as reconstruction work gathers pace in both the public and private sectors. Some of the major hotels are expected to reopen in the first half of 2018, with the remainder coming back on stream in the fourth quarter. In the public sector, major works include the rebuilding of the Blowing Point Ferry Terminal, renovation of the Clayton J Lloyd International Airport and the Princess Alexandra hospital, and the construction/renovation of primary and secondary schools. While tourism is expected to gain momentum throughout the year, activity in the most important first quarter is expected to fall short of the levels in the comparable period of 2017, when tourism was booming. However, it is anticipated that value added in the industry will return to pre-hurricane levels in the fourth quarter and set the stage for a full recovery in 2019.

Support for Anguilla's recovery is also anticipated to come from a strengthening US economy as the labour market remains vibrant and the demand for leisure increases.

Inflationary pressures are expected to edge up somewhat, consistent with the general increase in oil prices on the global market. However, the increase in oil prices will be largely dependent on the level of discipline exercised by members of the Organisation of Petroleum Exporting Countries (OPEC) and other countries in adhering to the agreed oil cuts into 2019. Additional downward pressure on oil prices is likely to come from the shale boom in the United States of America which continues unabated.

The fiscal operations of the Central Government are expected to generate a small overall deficit in 2018. On the recurrent side, the central government is projected to record a deficit, largely influenced by the fall-off in tax revenues from the vital tourism industry as it slowly rebounds. Although the construction sector is expected to boom in 2018, tax revenues from that sector are not projected to increase appreciably, as many construction workers fall outside the formal tax net. However, the increased activity in the sector is broadly expected to positively impact wholesale and retail trade, manufacturing, and the transport, storage and communications sectors, thus providing an avenue for additional revenue for the government and mitigating the fall-off in tourism tax receipts. Additionally, capital revenue of approximately $24.0m, from the divestiture of government shares in the Anguilla Electricity Company (ANGLEC), is expected to fill the projected current account deficit. Recurrent expenditures, on the other hand, are expected to increase somewhat, owing primarily to higher interest costs on a much larger level of debt.

Capital expenditure is projected to increase in 2018, consistent with the level of grants to be provided by the UK government as part of its three-year assistance package for Anguilla. For 2018, a sum of $68.3m has been programmed from a total aid envelope of $220.0m. In addition, the release of the second tranche of the 11th European Development Fund (EDF) is anticipated in 2018, thus providing additional resources to aid in reconstruction work. On the external front, the merchandise trade deficit is expected to widen, consistent with a projected increase in imports of construction related materials as the sector propels growth. In addition, gross inflows from travel are projected to be lower in 2018, broadly in line with current capacity constraints.

Despite the strong growth projections for Anguilla, key downside risks persist, which, if they materialised, could greatly impact the current growth trajectory. Chief among these is the possibility of another direct hit by an Atlantic storm, as 2018 is forecast to have an even busier season than 2017. On the macroeconomic side, access to Anguilla continues to hinder the growth of its tourism product. This issue is exacerbated by the less-than-optimal functioning of the Princess Juliana Airport in St Maarten, the principal gateway to Anguilla. Should the current state of affairs persist over a protracted period, it is likely that tourists could choose other destinations to vacation.

The restoration of key infrastructure is critical to the future growth of the Anguillian economy. However, to the extent the grant envelope promised by the UK government is not released in a timely manner, the above mentioned access issues could be further exacerbated as the Blowing Point Ferry Terminal, the key entry port to the island, was completely demolished following the

2017 hurricane. Moreover, the Clayton J Lloyd International Airport is in need of extensive renovation.

Financial stability issues also pose some concerns going forward. Following the damage caused by hurricane Irma to Anguilla's tourism plant, many persons became either unemployed or underemployed. While the unemployment situation is expected to improve over the next year, it is likely that many persons, whose incomes have been adversely affected, may not be able to service current loan obligations with commercial banks. As such, there is a possibility that non-performing loans (NPLs) could deteriorate in the banking system, thus making it even more difficult to access credit from these financial institutions.

A N T I G U A A N D B A R B U D A

Overview

Preliminary estimates indicated that the economy of Antigua and Barbuda expanded at a rate of 3.3 in 2017[5], down from the rate of expansion of 5.3 per cent in 2016. This decelerated pace of economic activity was largely due to a contraction in the hotels and restaurants sector. Meanwhile, strong growth was recorded in the construction; wholesale and retail trade; and transport, storage and communications sectors. The consumer price index rose by 2.4 per cent, on an end of period basis. Provisional fiscal data indicated a widening of the overall fiscal deficit on account of a reduction in total revenue. Consequently, the total disbursed outstanding debt of the public sector rose in 2017. In the banking system, monetary liabilities and net foreign assets rose while the stock of domestic credit contracted. Commercial bank liquidity eased and the spread between the weighted average interest rate on loans and deposits narrowed during the period under review.

The pace of economic activity in Antigua and Barbuda is likely to accelerate in 2018 as construction activity intensifies on major public and private sector projects. A recovery in tourism is also expected. The positive developments in these two sectors is likely to spill over in other major auxiliary sectors such as transport, storage and communications; real estate, renting and business activities and wholesale and retail trade. The rate of inflation will likely inch up, concomitant with the increasing trend in international oil prices. Based on the 2018 National Budget, the central government foresees an overall fiscal deficit driven by higher levels of expenditure including debt service payments. The growth projection is subjected to a number of downside risks and challenges including: a slowdown in the growth rates of its main trading partners such as United States of America (USA), the United Kingdom (UK) and the Euro Area due to trade protectionism policies and other

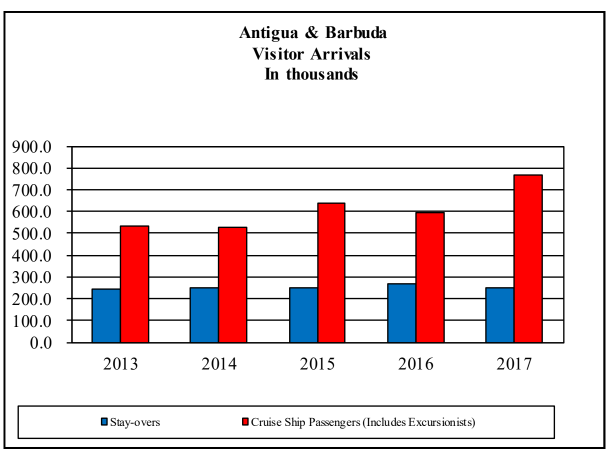
[5]. In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

geopolitical tensions; adverse weather; the inability to raise financing for the implementation of announced capital projects; and increasing crime levels and the possible impact on the business environment and the tourism industry. Opportunities for growth stem from relatively stable global oil prices and new hotel room stock which will positively affect tourism demand. The economy could also see a major boost if a number of new tourism projects and public investments come on stream during the year.

Output

Against the backdrop of a stable global economy, economic activity expanded in Antigua and Barbuda, albeit at a lower rate. The deceleration in economic activity largely stemmed from a contraction in the value added of the hotels and restaurants sector. Economic activity in this sector contracted by 5.8 per cent in 2017, a reversal of the 5.8 per cent growth rate recorded in 2016. Consequently, the hotels and restaurants sector contribution to GDP, fell to 12.9 per cent from 14.4 per cent in 2016. Notwithstanding the decrease in value added, the combined developments in the various visitor categories, notably cruise tourism, yielded a 17.9 per cent increase in total visitors to 1.0m, the first time in recorded history. Cruise tourism recorded solid growth in 2017. The number of cruise ship passengers rose by 29.3 per cent in contrast to a contraction of 6.6 per cent in 2016. This performance reflected gains from the investment made in the cruise ship pier infrastructure which contributed to an increase in cruise ship calls by 111 to 424, the largest number of calls in six years. Furthermore, the island benefited from port closures in the Northern Caribbean which suffered damages due to hurricanes Irma and Maria. Regarding the yachting sector, the number of yacht calls rose by 10.4 per cent to 4,411 with a contemporaneous 6.6 per cent increase in the number of yacht passengers to 19,543. This increase in the number of yachters was largely associated with sailing events and races such as Antigua Sailing Week and the RORC Caribbean 600.

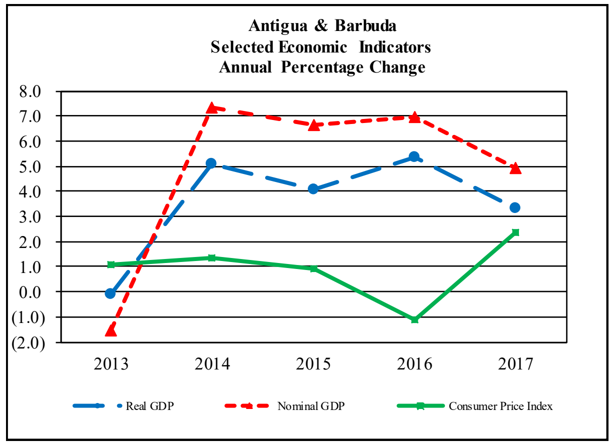
The number of stay-over visitors fell by 6.7 per cent to 247,311, from a rate of growth of 5.9 per cent in 2016. Stay-over visitors from the USA, the destination's leading source market, fell by 11.3 per cent, after growing by 14.8 per cent a year earlier. The decline was partly influenced by increasing competition from other source markets and cautious behaviour by leisure travellers especially in the aftermath of hurricane Irma. Stay over arrivals from Europe declined by 5.8 per cent, with a drop in arrivals from the UK being the most prominent at 7.6 per cent, owing to a depreciation of the British Pound against the US and Brexit uncertainty. Other declines were noted from Germany (2.1 per cent); France (1.4 per cent) and Italy (0.9 per cent). These decreases were partially tempered by an increase in stay over visitors from Switzerland (1.0 per cent) and other unlisted European Countries (6.6 per cent). The Caribbean market also underperformed, recording a contraction of 5.7 per cent after solid growth of 11.3 per cent in 2016. In contrast, the number of stay-over visitors from the Canadian market increased for the first time in four years, at a rate of 8.2 per cent associated with improved airlift capacity from November 2016.



Construction sector output is estimated to have expanded by 16.0 per cent in 2017, following a rate of growth of 18.4 per cent in 2016. The contribution of the sector to real GDP inched up to 11.4 per cent from 10.3 per cent in 2016. Construction activity was driven by both public and private sector developments. In the public sector construction works were largely concentrated on the Government Affordable Housing Development, repairs to government buildings, the construction of a new secondary school, and upgrades to the Heritage Quay Pier to accommodate larger ships. In the private sector construction works continued apace on several hotel projects, and CIP funded developments including Pearns Point, Hodges Bay Resort and Spa, and Tamarind Hills, among others. Buoyed by increased production of aggregates to support demand in the construction sector, value added in the associated mining and quarrying sector is estimated to have expanded by 12.0 per cent, a little higher than the rate of growth of 11.4 per cent recorded in 2016.

Given the strong linkages with activities in the construction and tourism sectors, value added in wholesale and retail trade; transport, storage and communications; and real estate, renting and business activity is estimated to have increased in 2017. These sectors together contributed 38.6 per cent to real GDP. Value added in the wholesale and retail trade sector grew by 8.4 per cent relative to an increase of 1.6 per cent in 2016, associated with an uptick in domestic consumption along with cruise tourism. Similarly, value added in the transport, storage and communications sector rose at a rate of 10.3 per cent, above the rate of growth of 2.0 per cent in 2016. Output from the real estate, renting and business activities sector is also estimated to have increased by 2.1 per cent, albeit at a slower pace than the 5.7 per cent recorded in 2016.

Value added in the public administration defence and social security sector advanced at a lesser rate of 3.0 per cent in 2017, compared with 8.0 per cent in 2016 driven by higher pension payments as government spending on personal emoluments was virtually unchanged. Other increases in gross value added were recorded for electricity and water (5.5 per cent); health and social work (2.8 per cent); education (2.5 per cent); fishing (2.0 per cent); manufacturing (1.0 per cent); and agriculture, livestock and forestry (0.6 per cent).



Prices, Wages and Employment

The Consumer Price Index (CPI) rose by 2.4 per cent in 2017 in contrast to a 1.1 per cent decline in 2016. Inflationary pressures stemmed primarily from increases in the three main sub-indices of food (2.6 per cent); housing (7.4 per cent); and transport and communications (2.2 per cent); and the lesser weighted sub-index of medical care and expenses (2.8 per cent). The rise in the food index, the highest weighted, mainly reflected higher prices for fruits and vegetables. A revision of rental prices was the main reason for the increase in the housing index. The transport and communications sub-index increased mainly on account of higher airfares and the operational costs of personal transportation. Other increases were reported in the sub-indices of alcoholic beverages and tobacco

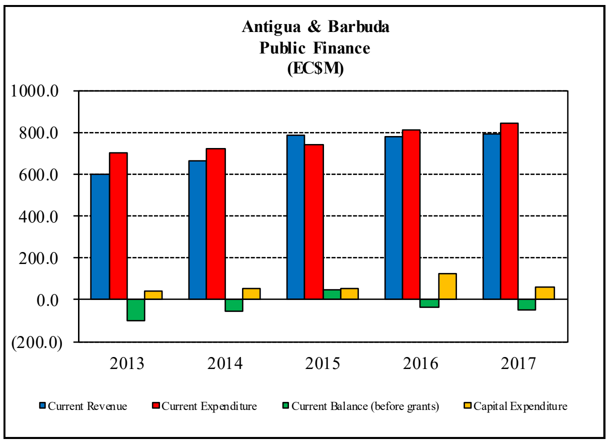
(1.1 per cent); personal services (0.5 per cent) and education (0.3 per cent). The only decline in prices during the year was for household furnishings and supplies (0.3 per cent) while there was no change in the fuel and light; and the clothing and footwear sub-indices.

During the year, there were no changes in the salaries and wages of the public service. In the absence of labour force statistics, provisional data from the Antigua and Barbuda Social Security Board for 2017 indicated that the number of public sector employees including State Owned Enterprises increased by 3.6 per cent to 13,061 and the number of private sector employees rose by 1.5 per cent to 31,223. Meanwhile, the number of self-employed persons contracted by 3.8 per cent to 1,847.

Central Government Fiscal Operations

According to provisional fiscal data, the fiscal balances deteriorated in 2017. The central government reported a higher overall deficit of \$96.8m (2.3 per cent of GDP) in 2017, an increase from one of \$14.8m (0.4 per cent of GDP) in 2016. This outturn was mainly on account of a decline in capital revenue. The primary surplus fell to \$4.4m (0.1 per cent of GDP) from \$88.9m (2.3 per cent of GDP) in 2016. The central government fiscal deficit was financed through the issuance of Treasury bills issued on the Regional Government Securities Market and through private placements, along with new loans from multilateral institutions and the accumulation of arrears.

The current account deficit widened during the period under review. A current account deficit of \$49.0m (1.2 per cent of GDP) was recorded in 2017, higher than the one of \$35.0m (0.9 per cent of GDP) in 2016. The deterioration in the current account balance was largely driven by a rise in current expenditure. Current expenditure rose by 3.6 per cent (\$29.4m) to \$841.2m in 2017, albeit at a slower rate when compared with the 9.9 per cent recorded in 2016. As a percentage of GDP, current expenditure declined to 20.3 per cent from 20.6 per cent in 2016. The increase in current expenditure was attributable to higher outlays on goods and services and transfers and subsidies. The amount spent on goods and services increased by 2.7 per cent to \$131.7m partly associated with the costs of Barbuda rehabilitation. Likewise, spending on transfers and subsidies rose by 11.9 per cent to $281.1m. Personal emoluments, which amounted to 38.9 per cent of current expenditure, contracted marginally by 0.4 per cent to $327.2m. Interest payments fell by 2.4 per cent to $101.2m associated with an $8.9m reduction in external payments, moderated by an escalation of $6.4m in domestic payments.



Current revenue rose by 2.0 per cent ($15.5m) to $792.2m, a reversal of the 0.8 per cent contraction recorded in 2016. As a percentage of GDP, current revenue fell to 19.2 per cent from 19.7 per cent in 2016. Tax revenue, grew at a decelerated rate of 0.1 per cent to $641.8m (15.5 per cent of GDP), compared with a rate of growth of 3.0 per cent in 2016. Collections from taxes on domestic goods and services fell by 1.0 per cent to $298.4m, primarily on account of lower receipts from the Antigua and Barbuda Sales Tax (ABST). Despite the expansion in economic activity, and improved tax administration and collection efforts, revenue from the ABST fell by 5.6 per cent ($14.0m) to $236.9m, largely due to the impact of hurricane Irma on business and tourism activity. In contrast, stamp duties rose by 18.7 per cent ($7.9m) to $50.0m. Receipts from taxes on international trade and transactions grew by 1.0 per cent ($2.5m) to $249.2m as a result of higher receipts from the import duty ($7.5m) and the revenue recovery charge ($2.0m). Meanwhile, revenue collection of the consumption tax fell by 17.2 per cent ($13.3m) due to higher global oil prices. Inflows from taxes on income and profits fell by 2.0 per cent ($1.5m) to $74.1m driven by lower inflows of personal income tax which was repealed on 1 July 2016. This outturn was tempered by a 44.5 per cent ($22.2m) increase in collections from corporate taxes. The stark improvement in the collection of corporate taxes reflected the combined effects of increased audits by the Inland Revenue Department (IRD), inflows from the unincorporated business tax and higher profitability of some companies. Receipts from property taxes rose to $20.1m from

$17.5m in 2016, owing to greater efforts by the Inland Revenue Department. Non tax revenue grew by 11.0 per cent to $150.4m (3.6 per cent of GDP) largely influenced by higher receipts from the CIP Unit operational account as revenue into the National Development Fund dipped.

On the capital account, capital revenue amounted to $10.8m (0.3 per cent of GDP), significantly lower than the amount of $174.1m (4.4 per cent of GDP) recorded in 2016 when forfeited proceeds were received. Consequently, capital expenditure was cut by 51.0 per cent ($63.2m) to $60.7m (1.5 per cent of GDP).

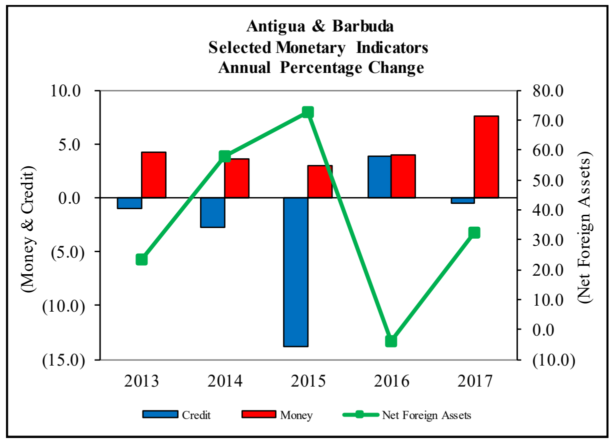
Public Sector Debt

Preliminary data for 2017 indicated that the debt portfolio of the public sector increased by 2.9 per cent to $3,269.7m from $3,177.4m at the end of 2016. However, as a percentage of GDP, the total debt fell to 79.0 per cent from 80.6 per cent at the end of 2016. Central government debt, the largest component, rose by 2.5 per cent to $2,695.0m reflecting, exchange rate movements, and the issuance of debt securities on the Regional Government Securities Market and through private placements/investors, and new loans from the Caribbean Development Bank. There was also an acceleration in the debt position of public corporations by 5.0 per cent to $574.8m mainly due to increased borrowing from domestic commercial banks. Further disaggregation of the debt stock indicated that the domestic stock of debt rose by 5.0 per cent ($82.2m) to $1,743.0m and the external debt stock grew by 0.7 per cent ($10.1m) to $1,526.7m.

Money and Credit

Total monetary liabilities (M2) of the banking system grew by 7.6 per cent to $3,470.1m during 2017, nearly doubling the 4.0 per cent rate of expansion during 2016. The expansion in M2 reflected increases in both narrow money supply (M1) and quasi money. M1 rose by 17.0 per cent to $925.2m, on account of increases in all its components. Private sector demand deposits, its largest component, saw an expansion of 20.3 per cent ($120.6m), followed by currency with the public which grew by 5.3 per cent ($8.8m). Eastern Caribbean dollars cheques and draft issued, the smallest component, rose by 16.5 per cent. Quasi money rose by 4.6 per cent to $2,544.9m fuelled by increases in both private sector savings deposits (8.8 per cent or $130.0m) and private sector foreign currency deposits (23.0 per cent or $78.0m). Meanwhile, private sector time deposits fell by 15.6 per cent ($96.8m), likely transferred to private sector demand deposits.

The stock of domestic credit in the economy decreased during 2017, after increasing for the first time in seven years in 2016. Domestic credit contracted by 0.5 per cent to $2,324.5m during 2017, following an increase of 3.8 per cent during 2016. This performance mirrored a decline in the credit stock of the private sector. The stock of private sector credit fell by 1.6 per cent ($30.6m) to $1,897.7m mainly due to a reduction in business credit (11.4 per cent). This decline was partly tempered by increases in household credit (1.9 per cent or $22.5m) and loans to Non-Bank Financial Institutions, which almost tripled to $47.2m. The net credit position of the general government fell by 4.5 per cent ($17.6m) to $376.2m, largely on account of a rise in deposits. Government deposits rose by 33.8 per cent ($32.2m) mainly attributable to higher deposits held with the Central Bank. Meanwhile, total credit with the banking system rose at a lesser rate of 3.0 per cent ($14.1m). Net credit to the Non-Financial Public Enterprises rose to $50.7m from $14.7 during 2016 as the increase in borrowing more than offset the drawdown of deposits.



The disaggregation of the credit stock according to economic activity, revealed that outstanding credit declined for most of the major sectors. Decreases in credit outstanding were recorded in tourism (19.9 per cent); utilities, electricity and water (19.3 per cent); manufacturing and mining and quarry (18.1 per cent); professional and other services (13.8 per cent) and construction (10.2 per cent). These decreases were partly mitigated by increases in outstanding credit for public administration (2.8 per cent); and personal loans (1.7 per cent) - namely for durable consumer goods and other personal uses while loans for home construction and renovation fell.

The net foreign assets of the banking system rose by 32.2 per cent ($470.7m) to $1,931.9m, compared with a decline of 4.1 per cent during 2016. The growth in net foreign assets was driven by commercial banks transactions. The net foreign assets of commercial banks rose by 90.2 per cent ($514.7m) due to an increase in the assets position with banks outside the Currency Union and to a lesser extent with banks within the Union. Meanwhile, Antigua and Barbuda's imputed share of the Central Bank's reserves fell by 4.9 per cent ($44.0m) to $846.5m on account of a reduction in banker's reserves.

Commercial bank liquidity increased during 2017. This was evidenced by a decrease in the loans and advances to total deposits ratio to 65.7 per cent during 2017 from 69.8 per cent during 2016, below the benchmark range of 75.0 - 85.0 per cent. The ratio of liquid assets to total deposits plus liquid liabilities increased by 4.6 percentage points to 67.7 per cent, significantly above the minimum prudential limit of 25.0 per cent.

The spread between the weighted average interest rate on loans and deposits decreased to 7.39 per cent from 7.43 per cent at the end of 2016. The decline in the interest rate spread reflected a reduction in the weighted average deposit rate by 5 basis points to 1.63 per cent along with a fall in the weighted average lending rate by 9 basis points to 9.02 per cent. The decline in the weighted average deposit rate was mainly due to a fall in the interest rates offered on time deposits and that of the lending rate was because of reductions in the interest rates on commercial and residential mortgages.

Trade[6] and Payments

Preliminary trade statistics for 2017 indicated that the trade deficit widened by 30.0 per cent to $1,532.1m (37.0 per cent of GDP), from $1,178.2m (29.9 per cent of GDP) in 2016. The larger trade deficit resulted from higher import payments. The import bill amounted to $1,700.6m, an increase of 26.6 per cent ($357.8m) over the

[6] by SITC

amounted recorded in 2016. Greater imports of mineral fuels, lubricants and related materials; food and live animals; manufactured goods; machinery and transport equipment and miscellaneous manufactured articles accounted for the significant increase in the import bill. Export receipts rose at a marginal rate of 2.4 per cent ($3.9m) to $168.5m due to an increase in re-exports of machinery and transport equipment.

Associated with the fall in the number of stay-over visitors, gross travel receipts are estimated to have decreased by 6.7 cent ($107.1m) to $1,502.6m. Commercial banks' transactions resulted in a net outflow in short-term capital of $514.7m, much higher than the amount of $6.5m recorded in the 2016. This outturn primarily represented a rise in the asset position with banks outside the ECCU region. External loan disbursements to the central government more than doubled to $200.9m on account of loans received primarily from the Caribbean Development Bank and external investors who took up debt issued on the RGSM. External principal payments rose by 57.0 per cent to $215.3m mainly as a result of payments made to multilateral creditors, some bilateral creditors and RGSM investors. These developments contributed to a net amortization position of $14.4m.

Prospects

The growth prospects for Antigua and Barbuda are largely positive, due to the country's high correlation with the business cycles of many advanced economies including the USA, the UK and to a lesser extent the Euro area. Along with the global impetus, domestic developments are also anticipated to advance growth above the level obtained in 2017. Primarily, the acceleration in economic activity is anticipated to emanate from construction and tourism activities. Construction sector activity will be boosted by major public sector investments including the Roads and Infrastructure Rehabilitation Project partly funded by a grant from the UK Caribbean Infrastructure Partnership Fund (UK- CIF); the expansive St John's Port Modernization Project; the Government Affordable Housing Project; routine capital stock maintenance, and investments in renewable energy. Furthermore, on Barbuda, there will be public investments in the port and airport infrastructure and the rehabilitation of housing and other public infrastructure damaged by hurricane Irma. In the private sector, construction activity will continue apace on several tourism and CIP related projects including the Tamarind Heights and Pearns Point, among others while construction works are expected to begin on several new hotel developments. Output in the hotels and restaurants sector is expected to expand, reversing the contraction experienced in 2017, as the destination benefits from additional airlift, rebranding, greater marketing and sales efforts and upgrades to the hotel room stock. These positive expectations in the construction and tourism sectors are likely to catalyze growth in the main auxiliary sectors. Inflationary pressures are likely to inch up in 2017 due to an uptick in global oil prices.

The fiscal position of the government is anticipated to remain fairly stable in 2018, with a similar outturn projected as in 2017, based on the 2018 Budget Statement. Tax administration will be strengthened through the enactment of an updated Tax Administration Procedures Act, which is expected to harmonise and simplify tax administration and procedures, thus increasing the compliance rate. Also on the revenue front, the country is expected to continue to reap gains from the reduction in the CIP processing fees across all investment options. To support its entrepreneurial development programme, the authorities will introduce a 5 cents per minute telecommunication tax on incoming calls – expected to yield additional revenue of \$3.0m. These revenue efforts will be moderated by increases in both current and capital expenditure. Salaries and wages are projected to rise as the government indicated that it will give a 5.0 per cent salary increase to public servants along with a one-time payment to settle outstanding back pay due from 2002. Furthermore, capital expenditure is forecasted to rise above the level of 2017, as the authorities implement a number of capital projects, including the rehabilitation of Barbuda and other public investments, aforementioned.

In the external sector, the merchandise trade deficit may widen due to the likely increase in imports associated with the commencement of major construction projects and the incremental increase in international oil prices. Gross travel receipts are forecasted to grow in line with the expected upturn in the number of stay-over and cruise visitors. On the capital and financial account, higher inflows for real estate investment in the CIP and some tourism projects are likely to increase the surplus.

These macroeconomic projections could be adversely affected by several downside risks and challenges, originating from the international environment and the domestic landscape. Internationally, global growth projections could be thwarted by lower than expected growth in the US economy, especially if the tariffs announcement comes into effect, erasing some of the gains of the Trump Administration tax cuts. In Europe, the uncertainty of Brexit, along with anti-migrant policies may adversely impact the level of global production. Terrorist attacks and other geopolitical tensions are also constant threats to global economic growth. Domestically, downside risks include the inability to raise financing to implement the public sector investment programme either due to lower than expected revenue inflows from taxes and the CIP; high debt commitments, or other unforeseen fiscal shocks. The islands are also highly vulnerable to adverse weather systems like tropical storms and hurricanes. Hurricane Irma which struck and disseminated Barbuda on 6 September 2017 provides a vivid example of this vulnerability. Rising crime levels are also a threat to the tourism industry and the overall quality of life of the citizens. In addition to these domestic downside risks, the Antiguan economy is challenged by a double digit unemployment rate; low rankings in many of the World Bank Doing Business indicators; the high cost of energy along with other infrastructural challenges; and the inability to receive concessional financing. On the upside, global activity could be stronger than anticipated if the policy stimulus in the USA and China surpasses expectation and trade protectionists actions are derailed. Growth in the Antiguan economy could also be further catalysed if a number of announced construction projects come on stream in 2018. This could be further supported by upgrading the existing tourism stock to improve competitiveness and the implementation of policies to mitigate fiscal risks, build natural disaster resilience; tackle crime and specifically target the high level of unemployment. Strengthening institutions to tackle the shortfalls in doing business should also be a priority.

D O M I N I C A

Overview

Preliminary data indicate that economic activity in Dominica contracted by 4.2 per cent in 2017, following growth of 2.6 per cent in the previous year. While the growth in 2016 was marked by recovery from tropical storm Erika, the downturn in 2017 was characterised by considerable damage to the island following the passage of hurricane Maria and a resultant decline in economic activity. Consumer prices rose by 0.6 per cent on an end of period basis. The central government's fiscal operations resulted in an overall deficit, in contrast to a surplus recorded in the previous year. However, the total disbursed outstanding debt is estimated to have decreased. Monetary liabilities and net foreign assets in the banking system expanded, while domestic credit declined. The commercial banking system remained highly liquid, while the weighted average interest rate spread narrowed during the review period.

Economic activity is expected to further contract in 2018 based on the damage to the productive sectors and supporting infrastructure by hurricane Maria. Furthermore, the overall fiscal balance is anticipated to deteriorate mainly owing to an increase in expenditure for the recovery effort while the merchandise trade deficit is expected to deteriorate. Risks to this outlook are skewed to the downside and include a deceleration in Citizenship by Investment programme inflows; the receipt of fewer grants than expected that can slow down the pace of recovery and rehabilitation efforts; and adverse weather. On the upside, the advancement of public and private sector projects would positively contribute to the economy.

Output

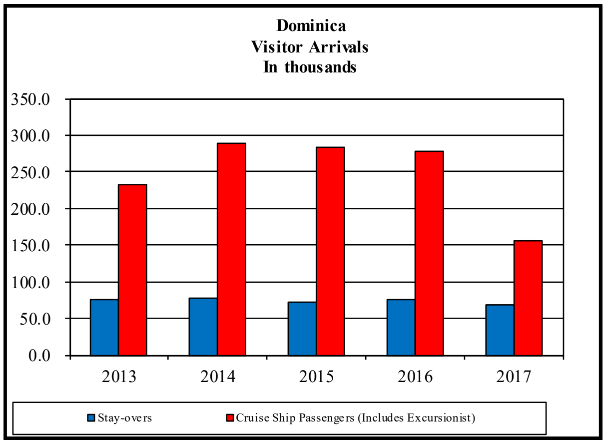
On 18 September 2017, hurricane Maria made landfall on Dominica as a category five storm, affecting the entire population's wellbeing and halting economic activity. Productive sectors were severely compromised as well as supporting sectors. Prior to the passage of this event, Dominica was on the path to recovery from tropical storm Erika in August 2015. Therefore, notwithstanding

the assessed expansion in output in the first nine months of 2017, preliminary estimates indicate that economic activity contracted by 4.2 per cent in 2017[7] following growth of 2.6 per cent in 2016.

Value added in the agriculture, livestock and forestry sector is estimated to have deteriorated by 6.5 per cent, reflecting declines in contributions from all sub-sectors. More specifically, total value added in the banana sub-sector fell by 7.5 per cent while that of non-banana crops including root crops and citrus fell by 6.0 per cent. This outturn was influenced by the destruction of crops and limited access to farms in the wake of hurricane Maria. Similarly, value added in the livestock and forestry sub-sectors fell by 11.0 per cent and 7.0 per cent respectively, each also impacted by the hurricane. Accordingly, the sector's contribution to total GDP fell to 12.6 per cent from 12.9 per cent in 2016.

[7] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

The hotels and restaurants sector, a proxy for activity in the tourism industry, is estimated to have contracted by 17.9 per cent in 2017, evidenced by a decrease in tourist arrivals. The total number of visitors was estimated to have declined by 35.3 per cent to 236,876 driven by a sharp reduction in both the number of stay over visitors and the number of cruise ship passengers following the passage of hurricane Maria in September. The number of cruise ship passengers fell by 43.7 per cent to 156,026 in 2017 as the damage to the cruise ship infrastructure; tourist attractions and associated services led to the cancellation of cruise calls in the last quarter of the year which is traditionally the start of the cruise season. Accordingly, the total number of cruise calls in 2017 fell by 61 to 102. A decrease of 8.6 per cent was also observed in the number of stayover visitors reflecting a fall in arrivals from major source markets including the Caribbean (14.0 per cent); the USA (9.8 per cent); Canada (5.5 per cent) and the United Kingdom (4.8 per cent). This outcome was largely influenced by significant damage to the tourism infrastructure, particularly in the accommodation sector and limited air access following hurricane Maria. Further deepening the contraction in activity in the industry, the number of excursionists and yacht passengers declined by 40.0 and 10.2 per cent respectively. The sector's contribution to total output decreased from 1.8 per cent to 1.5 per cent in 2017.

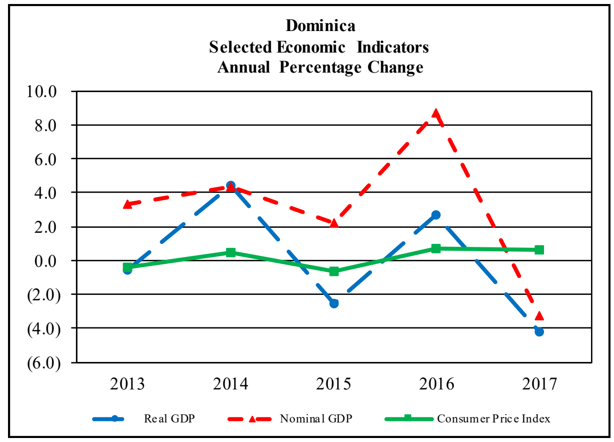


Output in the manufacturing sector is preliminarily estimated to have declined by 32.7 per cent in 2017, following three consecutive contractions, as productive capacity shrank after the passage of the hurricane. The sector's contribution to total output therefore moved downwards to 1.7 per cent from 2.3 per cent in the previous year. Specifically, output of beverages declined by 33.2 per cent while the production of paints fell by 31.3 per cent.

Value added in the real estate, renting and business activities sector was compressed by 16.8 per cent, mainly reflecting damages sustained by owner occupied and rental dwellings. Reportedly, about 90.0 per cent of the buildings have sustained damages to varying degrees. Hence, in addition to a reduced customer base, considerable damage to infrastructure and a consequent decline in production also led to a 20.3 per cent decrease in the electricity and water sector. Meanwhile, activity in the education sector, which contributed 12.3 per cent to total output, decelerated to a rate of 0.6 per cent as much of the growth recorded in the first three quarters of the year was eroded by the temporary closure of the Ross University School of Medicine campus following hurricane Maria.

Consistent with the decline in activity in most of the productive sectors, performance in the supporting sectors was impeded. Transport, storage and communications, which contributed 14.5 per sent to total output making it the largest sector, remained flat as mild growth in road transport was offset by contractions in sea and air transport. Partially owing to damages to commercial properties and other disruptions in business operations following hurricane Maria, the wholesale and retail sector recorded a decline of 10.4 per cent.

The contraction in economic activity was partially offset by growth in the construction sector whose contribution to total output increased to 6.6 per cent from 5.2 per cent in the previous year. Construction activity is estimated to have increased by 22.0 per cent during the year under review, mainly influenced by developments in the public sector. Capital spending by the central government rose by $97.9m to $258.7m, largely associated with reconstruction activities following tropical storm Erika in 2015; other infrastructural improvements; and rehabilitation works post hurricane Maria. Public sector construction was complemented by ongoing private sector projects, most notably the construction of the 160-room Range Developments' Cabrits Resort Kempinski project. Additionally, while household repairs following the hurricane are ongoing, private sector construction was tempered by an estimated decline in residential building. Accordingly, only 38 residential start were recorded in 2017, relative to 83 in the previous year. Accordingly, the value added for the mining and quarrying sector is estimated to have increased by 15.0 per cent. Expansions in financial intermediation (2.0 per cent); and public administration, defence and compulsory social security (1.9 per cent) also tempered the decline in economic activity.



Prices, Wages and Employment

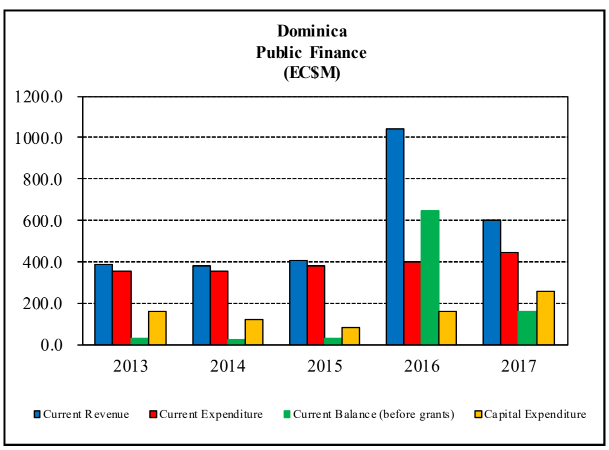
The consumer price index is estimated to have risen by 0.6 per cent in 2017, compared to an increase of 0.7 per cent observed in 2016. The modest inflation was mainly influenced by a 1.7 per cent increase in the price of housing, utilities, gas and other fuels, the largest sub-index, as gas became more expensive. Additionally, the sub-index of transport which is the second largest, rose by 0.8 per cent. The inflation was also supported by upticks in the prices paid for communication (0.5 per cent); health (0.5 per cent) and; household furnishings, supplies and maintenance (0.3 per cent). Inflationary pressures were however suppressed due to decreases in the prices of miscellaneous goods and services (0.6 per cent); alcoholic beverages, tobacco and narcotics (0.5 per cent); recreation and culture (0.1 per cent); education (0.1 per cent) and food and non-alcoholic beverages (0.1 per cent). There was no change in the sub-index for hotels and restaurants.

With regard to wages and employment, complete data are unavailable for the private sector. In the public sector, public officers received a double salary and retroactive payments related to a 3.0 per cent salary increase which took effect for the fiscal year 2017/2018. The total number of persons employed in the public service is estimated to have declined by 6.3 per cent to 4,175 at the end of 2017 following growth of 2.2 per cent in the previous year. Among the categories of workers, decreases were registered for non-established officers (21.0 per cent) and established officers (6.9 per cent). The contraction in the public service was however moderated by a more than threefold increase in the number of contractual officers as well as a rise in officers on special assignment (18.2 per cent).

Central Government Fiscal Operations

The fiscal operations of the central government resulted in a preliminary overall deficit of $87.9m (5.8 per cent of GDP), in contrast to the overall surplus of $508.5m (33.5 per cent of GDP) recorded in 2016. Likewise, the primary balance contracted to a deficit of $65.7m (4.3 per cent of GDP) from a surplus of $535.4m (35.3 per cent of GDP) in the previous year. The deterioration in the overall balance was mainly attributable to developments on both the capital and current accounts.

The current account surplus narrowed to $156.9m (10.3 per cent of GDP) from one of $647.5m (42.6 per cent of GDP) in 2016 largely reflecting a decrease in current revenue. Current revenue contracted markedly by $441.7m to $601.5m (39.6 per cent of GDP) in 2017. This contraction was mainly driven by a decline in non-tax revenue by $416.1m to $276.4m (18.2 per cent of GDP). The fall in current revenue was also influenced by a reduction in tax revenue by $25.6m to $325.1m, (21.4 per cent of GDP) as a consequence of decreases in collections for all major tax categories except taxes on property, which yielded $8.7m in revenue, up by $1.5m from 2016. The decline in tax revenue was particularly noticeable in the last four months of 2017, owing to the passage of hurricane Maria in September. Receipts from taxes on domestic goods and services, the largest source of tax revenue, amounted to $186.9m, a decline of $15.7m from that collected in the previous year. This outturn was mainly associated with reductions in receipts from the value added tax ($12.6m) and the excise tax ($3.3m). A $5.7m fall in the intake of taxes on international trade and transactions to $66.9m was also observed partially due to lower collections from import duty. Similarly, a decline of $5.7m to $62.6m was recorded for taxes on income and profits, largely attributable to a decline in corporation tax collections.



Current expenditure grew by $48.9m to $444.6m (29.3 per cent of GDP) during the year under review, reflecting increases in spending on all subcategories with the exception of interest payments which fell by $4.6m to 22.2m. Spending on personal emoluments rose by $26.8m to $179.6m, largely reflecting a double salary paid to public officers in November. Payments for goods and services increased by $14.7m to $136.8m, partially attributable to an uptick in professional and consultancy fees. Also contributing to the overall expansion in current expenditure, outlays for transfers and subsidies rose by $12.1m to $106.0m reflecting an increase in contributions to local and regional institutions.

Capital grants amounted to $13.4m (0.9 per cent of GDP), a decrease of $8.1m from that recorded in 2016. Concurrently, capital expenditure rose by $97.9m to $258.7m (17.0 per cent of GDP), partially associated with relief and rehabilitation activities following the passage of hurricane Maria. Other infrastructural improvements such as works at the Douglas-Charles Airport; the dredging of rivers; the construction of the new West Bridge in the capital city and investments in human capital and housing; all of which were primarily funded by the

Government of Dominica, also contributed to the rise in capital expenditure.

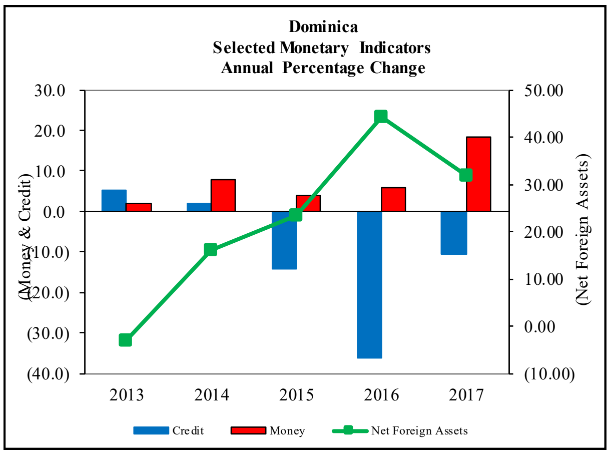
Public Sector Debt

The total disbursed outstanding debt of the public sector is estimated to have declined by 1.3 per cent to $1,048.9m (69.1 per cent of GDP) in 2017. This outturn resulted from a reduction in both central government and public corporations' debt. A 1.4 per cent fall to $881.1m was recorded in central government's debt, largely reflecting a decrease in its domestic component (6.7 per cent) but moderated by an increase in its external component (0.8 per cent). The stock of public corporations' debt also contracted, by 0.5 per cent per cent to $167.8m reflecting a fall in their external debt (3.4 per cent) but tempered by an expansion in their domestic debt (3.9 per cent).

Money and Credit

Monetary liabilities (M2) expanded by 18.4 per cent to $1,628.7m at the end of 2017, compared with growth of 6.0 per cent at the end of 2016. Growth in M2 reflected increases in both quasi money, the larger component of M2, and narrow money. Quasi money rose by 10.9 per cent to $1,190.6m, reflecting a 16.2 per cent upsurge in private sector savings deposits. This increase was however moderated by declines in private sector foreign currency deposits (21.8 per cent) and private sector time deposits (3.8 per cent). The growth in monetary liabilities was also supported by a 44.9 per cent expansion in narrow money. This outturn was associated with a more than doubling of EC$ Cheques and Drafts and upticks in private sector demand deposits (44.3 per cent) and currency with the public (38.9 per cent).

Domestic credit fell by 10.5 per cent to $360.0m during the period under review, driven by a reduction in private sector credit and an increase in the net deposit positions of central government and non-financial public enterprises. Private sector credit, which constitutes the largest proportion of credit in the economy, decreased by 1.6 per cent to $785.0m, reflecting declines in credit to households (2.1 per cent); non-bank financial institutions (1.4 per cent); and businesses (1.0 per cent). Also supporting the fall in domestic credit, the net deposit position of central government improved to $322.6m as credit extended to the government contracted whilst its deposits grew. Similarly, an upturn in the net deposit position of non-financial public enterprises to $102.5m was observed in 2017 on account of growth in deposits and a decrease in credit extended.



An analysis of the distribution of commercial bank credit by economic activity revealed that total outstanding loans and advances decreased in 2017. Contractions in lending were observed in all major sectors with the exception of distributive trades which recorded a 4.2 per cent increase in credit. More specifically, there were declines in credit extended to most productive sectors including agriculture and fisheries (28.0 per cent); manufacturing and mining and quarrying (12.6 per cent); tourism (3.2 per cent) and construction (1.5 per cent). Downturns in credit were also recorded for other sectors including transportation and storage (25.8 per cent); professional and other services (14.7 per cent); public administration (14.2 per cent); utilities, electricity, water (11.9 per cent); entertainment and catering (9.4 per cent); and financial institutions (1.6 per cent). A 0.1 per cent decline in credit extended for personal use was also observed.

The net foreign assets position of the banking system stood at $1,437.2m at the end of December 2017, registering an increase of 31.8 per cent from the end of December 2016. This development was mainly the result of a 75.7 per cent expansion in the net foreign assets position of commercial banks, associated with growth in their net assets position with institutions outside of the ECCU territories and in other ECCU territories. The overall upsurge in net foreign assets was however moderated by a 4.5 per cent decline in Dominica's imputed share of the Central Bank's reserves.

The commercial banking system remained highly liquid in 2017. The ratio of liquid assets to total deposits plus liquid liabilities rose by 8.4 percentage points to 65.7

per cent at the end of December 2017. However, the loans and advances to total deposits ratio fell by 6.6 percentage points to 41.3 per cent, still considerably below the ECCB's benchmark of 75.0 to 85.0 per cent.

The weighted average total deposits rate fell by 10 basis points to 1.60 per cent at the end of December 2017. Concomitantly, the weighted average lending rate declined by 15 basis points to 7.97 per cent in the period under review. Consequently, the weighted average interest rate spread narrowed to 6.37 percentage points at the end of December 2017 from 6.42 percentage points at the end of December 2016.

Trade[8] and Payments

Preliminary estimates indicate that the merchandise trade deficit narrowed to $478.0m (31.5 per cent of GDP) during 2017, relative to a deficit of $515.7m (34.0 per cent of GDP) recorded in the corresponding period of 2016. This development was mainly attributed to a decline in the value of imports, supported by an estimated decrease in the value of exports. Import payments fell by 7.5 per cent to $533.4m, largely on account of the disruption to the official supply chain and business activities following the hurricane in September 2017. Export receipts also declined, partially attributable to the disruption in domestic production following hurricane Maria. Banana exports declined by 4.4 tonnes. Additionally, receipts from beverages and paints decreased by $8.3m and $0.9m respectively. The decline in export receipts was however moderated by a 2.2 per cent uptick in re-exports.

Gross travel receipts are estimated to have decreased by 19.5 per cent to $308.7m. Commercial bank activities led to a net outflow of $373.8m relative to one of 77.1m in the prior year. In the public sector, external loan disbursements to the central government totalled $26.1m compared with $7.2m in the comparable period of the previous year. On the other hand, external principal repayments amounted to $44.5m, up from the $39.4m recorded at the end of December 2016. These transactions led to a net outflow of $18.4m compared with one of $32.2m in 2016.

[8] by SITC

Prospects

The economy was forecasted to expand in 2018, prior to the passage of hurricane Maria. However, given the colossal impact of the hurricane[9] on the productive and supporting sectors of the economy, a protracted recovery is expected, leading to a further decline in the overall level of economic activity in 2018.

The agricultural sector is expected to contract further owing to significant damage to farming infrastructure, crop and livestock production. Similarly, activity in the tourism industry is also likely to deteriorate. The number of stayover visitors are expected to decline, partially as a result of significant damage to the tourism infrastructure, with about half of the accommodation properties severely damaged by the passage of the hurricane. The number of cruise ship passengers are also predicted to decrease, on account of the anticipated cancellations of cruise calls following the devastation caused by the hurricane. Growth in the construction sector is expected to continue, supported by ongoing reconstruction and rehabilitation activities in the public sector. Private sector projects such as the continuation of the Range Developments and Jungle Bay resorts in addition to the repair and reconstruction of residential homes is expected to contribute to the acceleration in construction activity. Manufacturing output is projected to contract as the productive capacity of facilities in the sector were considerably reduced following the hurricane. Notably, the temporary closure of Ross University School of Medicine campus is expected to severely impact the education sector. This development is also likely to have additional implications for complementary sectors.

The overall fiscal balance is anticipated to deteriorate, mainly as a consequence of increased expenditure on the recovery and reconstruction effort. This outturn is likely to be compounded by lower tax revenue as a consequence of reduced incomes and economic activity; and concessions granted on relief supplies. This deterioration is expected to be partially mitigated by an increase in grants. In the external sector, the merchandise trade deficit is likely to deteriorate partially reflecting increased imports of construction materials in addition to depressed exports. This outcome is

[9] The World Bank has estimated total damage and losses from hurricane Maria to be 226.0 per cent of Dominica's 2016 gross domestic product (GDP) or $3,539.0m.

however anticipated to be tempered by a decline in the import of consumer goods, resulting from the expected decline in economic activity.

Risks to this outlook are skewed to the downside. A deceleration in inflows from the Citizenship by Investment Programme; the receipt of fewer grants than expected and/or delays in the disbursement of loan or grant funds, could slow down the implementation of the impending recovery and reconstruction effort and worsen debt implications. The recovery process could be additionally affected by administrative and implementation capacity constraints. In addition, Dominica remains vulnerable to external shocks such as adverse weather and a weakening of growth prospects of trading partners and friendly governments, which would compound the unfavourable economic outlook. On the upside, businesses in the productive sectors can benefit from concessional financing opportunities currently being provided by the government. This initiative can potentially support the recovery of the private sector following hurricane Maria. Finally, the advancement of public sector projects such as the geothermal energy plant and private sector tourism projects would contribute positively to the economy.

GRENADA

Overview

Grenada's economy expanded by 3.7 per cent in 2017[10], on par with the rate of growth obtained in 2016. The stable growth performance was attributable in part to reforms and initiatives implemented under the three-year Home-grown Structural Adjustment Programme, which concluded during the year. There were strong performances in major sectors such as tourism, construction, and education with positive spin off effects in auxiliary sectors such as transport, storage and communications; wholesale and retail trade; and real estate, renting and business services. Meanwhile, output in the agricultural sector declined. Consumer prices advanced at a slower rate of 0.5 per cent, on an end of period basis. **The central government registered a higher overall surplus in 2017 - the second consecutive year of surplus.** The disbursed outstanding public sector debt fell from its end of December 2016 level. In the banking sector there was growth in monetary liabilities and net foreign assets, while domestic credit contracted. The liquidity position of commercial banks increased while the spread between the weighted average interest rates on deposits and loans narrowed.

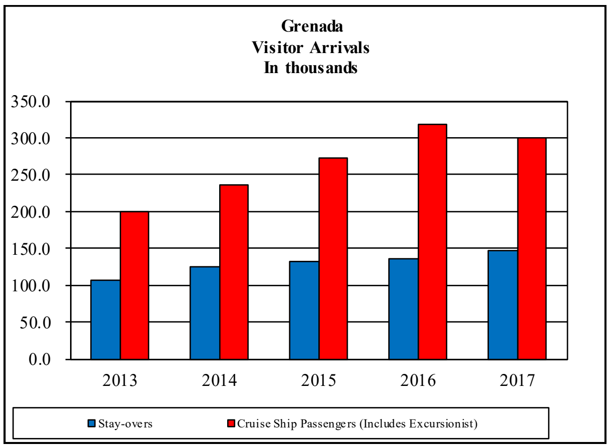
Premised on the commitment to retain the gains from the Home-grown Programme, along with continued buoyancy in the construction and tourism sectors, the economy is expected to register robust growth in 2018. Positive spin off effects in auxiliary sectors are also very likely given the strong linkages. The rate of inflation is anticipated to increase, though at a moderate pace, in line with global oil and food prices. The merchandise trade deficit is forecasted to widen as imports increase to support demand in the construction sector as well as in the wholesale and retail trade sector. Based on the 2018 Budget Estimates of Revenue and Expenditure, a larger fiscal overall surplus of

[10] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

2.5 per cent of GDP is projected, with a consequent reduction in public sector debt levels. **However, macroeconomic challenges and downside risks remain.** These include but are not limited to: high unemployment and poverty levels; increasing crime; low ratings in several indicators of the Doing Business Ranking; vulnerability to external growth shocks and adverse weather; the continued negative impact of Brexit on UK tourist's arrivals and other uncertainties in the global economy; and domestic developments that could reverse the gains made under the Home-grown programme. On the upside, the economy is likely to strengthen further if there are no hindrances in the execution of a number of announced public and private construction projects. Furthermore, the continued implementation of structural reforms to boost growth, productivity, competitiveness and small business development along with improvements in tax administration should rebound to an overall improvement in the economic landscape.

Output

The hotels and restaurants sector is estimated to have increased by 2.5 per cent in 2017, a slower pace than the 9.3 per cent realized in the prior year. The sector's contribution to total GDP declined slightly to 5.9 per cent from 6.0 per cent in 2016. Total arrivals to Grenada fell by 1.1 per cent to 468,825 on account of a slump in the number of cruise ship passengers, despite an increase in cruise calls by 34 to 291. Cruise ship arrivals contracted by 4.9 per cent to 299,429 reversing the growth of 16.4 per cent recorded in 2016, as the load factor of some ships was lower. Stay-over visitors grew by 8.2 per cent to 146,341, accelerating from the 2.1 per cent rate of growth registered in the previous year. There were positive outcomes from the majority of the stay-over source markets. The USA market topped the growth in stay-over arrivals, registering growth of 20.9 per cent as a result of increased airlift and continued growth in the US economy. Arrivals from the Caribbean were also strong, increasing by 9.2 per cent as the country hosted a number of regional events including the Grenada Invitational, the OECS Games, and the Windward Islands Football Competition. Canadian arrivals grew by 6.2 per cent, influenced by strong marketing efforts and direct airlift all year round. However, the European market suffered a decrease of 2.7 per cent, on account of a 6.7 per cent decline in UK visitors, a likely symptom of increased uncertainty in the UK economy as Brexit talks intensified. On the contrary, stay-over arrivals increased from West Germany (21.4 per cent) and Italy (10.0 per cent) partly due to the appreciation of the Euro against the US dollar, especially during the summer months.



Recent improvements in yachting facilities and services continued to advance Grenada's yachting industry in 2017. The yachting sub-sector registered an increase of 8.1 per cent to 21,993, recovering from an 8.0 per cent decrease in the previous year. The number of excursionists declined by 70.2 per cent to 1,062, after more than doubling to 3,566 in 2016.

Performance of the construction sector was robust, increasing by 22.8 per cent from a rate of growth of 13.1 per cent in 2016. The sector's contribution to overall GDP was 8.8 per cent, compared to 7.4 per cent in 2016. The sector was bolstered by continued construction of private sector projects along with the execution of public sector investment projects. Major ongoing private sector projects include the Point at Petite Calivigny Resort, Silver Sands Resort Development, Levera Nature and Beach Resort and the Kimpton Kawana Bay Grenada Resort. In the public space, work commenced or continued on a number of projects including: the Parliament building; Phase II of the St George's Hospital expansion project; the Lance Bridge Construction Project; Phase I of the Chinese-built Low Income Housing Project, the Basic Needs Trust Fund Projects and upgrades and maintenance of roads. This buoyancy in the construction sector was an enabling agent for the mining and quarrying sector which grew by 27.7 per cent over the period.

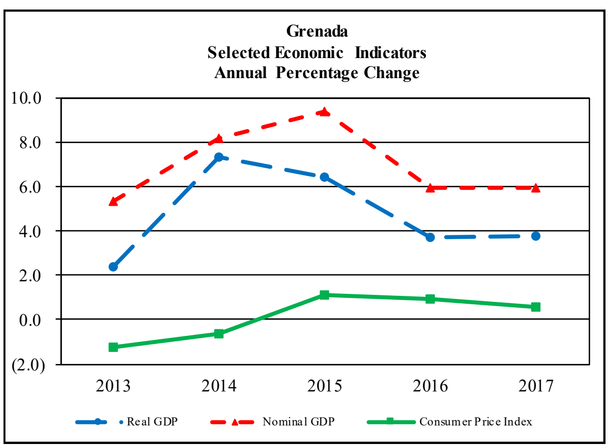
Education, the economy's leading economic sector, grew by 2.5 per cent as a result of increased enrolment at the St George's University. Total enrolment increased by an estimated 3.6 per cent to 7,719 during the 2017 academic year. The contribution of education to the country's GDP was 18.3 per cent, 0.2 percentage points below the

2016 value. The closely related sector of real estate, renting and business activities grew positively at a rate of 1.3 per cent, a likely outcome of higher matriculation.

The favourable outturns of the above sectors (tourism, construction and education) provided a conducive climate for growth in other sectors, particularly, the transport, storage and communications sector and the wholesale and retail trade sector, which grew by 5.7 per cent and 6.1 per cent, respectively. The latter sector recovered from a contraction of 3.5 per cent in 2016. As a collective, these sectors accounted for 20.8 per cent of total GDP in 2017, slightly above the 20.4 per cent they contributed in the prior year.

As it relates to manufacturing, the valued added in the sector climbed at a slower pace of 2.6 per cent in 2017, after registering growth of 4.6 per cent in the preceding year. The sector's overall contribution to GDP was relatively static at 3.4 per cent, essentially equivalent to the previous year's outcome. There was an increase in the production of all beverage categories, with the exception of rum, which declined by 14.0 per cent. Beer output rose by 11.1 per cent, and that of stout and malt production increased by 1.6 per cent and 1.9 per cent, respectively. Output of acetylene, oxygen, and paint all declined, as production in chemicals and paints waned. With respect to grain mill and bakery products, flour production fell by 16.0 per cent. The country ceased production of macaroni in 2017. Animal feed production registered an overall increase of 6.7 per cent, though output of wheat bran fell by 16.4 per cent, eclipsed by a 14.5 per cent rise in poultry feed. The volume of toilet paper produced increased by 5.0 per cent in 2017, after suffering a contraction of 8.3 per cent in the year prior. The positive outturn in the manufacturing sector contributed to increased electricity and water usage. As a result, that sub-sector registered growth of 1.4 per cent during the review period.

Two sectors of the economy registered overall declines; the agriculture, livestock and forestry sector and the fishing sector. Value added in the former sector declined by 5.3 per cent in 2017. However, this was an improvement over a decline of 13.9 per cent observed in 2016. The sector's total contribution to GDP fell to 6.1 per cent, from 6.6 per cent in 2016. The outturn can be attributed to a further slump in the crops sub-sector, the largest component. Crops value added declined by 6.4 per cent as the output of other crops including fruits and vegetables fell by 24.3 per cent to 2.3m pounds, owing in part to unusually high levels of rainfall. Cocoa production also fell by 14.7 per cent as the rapid spread of the black pod disease affected the plants. Nutmeg production rebounded during the period, growing by 17.2 per cent which lead to a 35.0 per cent increase in value added. Similarly, there was an increase in the value added of the banana sub-sector which rose by 3.2 per cent. The livestock and forestry sub-sectors both registered positive growth of 2.9 per cent and 2.6 per cent, respectively. Value added in the fishing sector declined by 4.3 per cent, in contrast to growth of 6.4 per cent in 2016.



Prices, Wages and Employment

Growth in consumer prices slowed to 0.5 per cent in 2017, from 0.9 per cent in 2016. The majority of the sub-indices posted increases, save for transport; and household furnishings, supplies and maintenance, which declined by 1.4 per cent and 0.6 per cent, respectively. The largest sub-index, housing, utilities, gas and other fuels, increased marginally by 0.6 per cent. Food and non-alcoholic beverages registered an increase of 1.2 per cent. Other notable increases were observed in the sub-indices for education (6.3 per cent) and communication (3.2 per cent). Higher costs for pre-primary and primary education, and telephone services, respectively, contributed to the rise in these latter sub-indices.

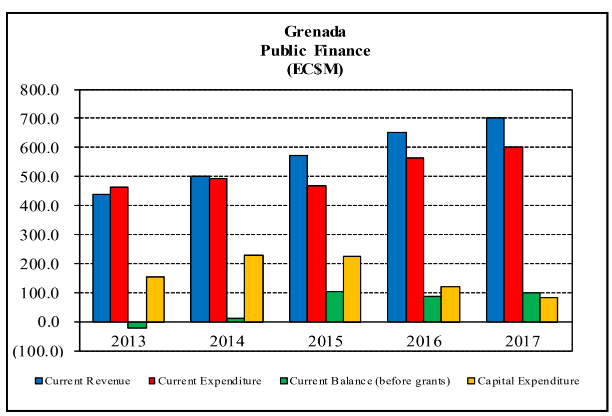
In 2017, the government of Grenada signed an agreement that would see the wages and salaries of public employees increase by 10.0 per cent over the period 2017 to 2019. The amount paid to the workers in 2017 was 3.0 per cent or $6.5m. The government also delivered on a one-time payment to public officers that amounted to an estimated $7.0m, to cover the negotiating period of 2013-2016. Notwithstanding the above, government was able to maintain a salaries and wages level that fell below 9.0 per cent of GDP, which complies with its Fiscal Responsibility Legislation.

Preliminary results of the 2017 Labour Force Survey indicated an unemployment rate of 24.0 per cent, a decline from the rate of 28.2 per cent in 2016. Youth unemployment, which remains a major concern, was reported at 39.2 per cent in 2017 down from approximately 51.0 per cent in 2016. The downward trend in the unemployment rate was attributable to job creation mainly in the tourism and construction sectors and the government's IMANI programme.

Central Government Fiscal Operations

On the fiscal front, Grenada's Home-grown Structural Adjustment Programme continued to bear fruit. The fiscal operations of the central government resulted in an overall surplus of $97.4m (3.2 per cent of GDP), an impressive increase from the overall surplus of $51.5m (1.8 per cent of GDP) in 2016. A primary surplus of $175.4m (5.8 per cent of GDP) was registered, up from $133.8m (4.7 per cent of GDP) in 2016.

A current account surplus of $99.9m (3.3 per cent of GDP) was realized, which was an increase from one of $86.1m (3.0 per cent of GDP) posted in 2016. Growth in current expenditure was weaker than that of current revenue, leading to the higher surplus on the current account. Current expenditure is estimated to have expanded by 6.2 per cent ($35.2m) to $600.7m (19.8 per cent of GDP), a noted slowdown from the 21.1 per cent growth rate recorded in the previous year. Increases were recorded in goods and services (7.6 per cent or $8.9m), and transfers and subsidies (15.0 per cent or $17.0m). Personal emoluments, which is the largest expenditure item under this category, rose by 5.4 per cent ($13.6m) as a result of the granting of salary increments and a one-time payment to public officers. On the contrary, interest payments declined by 5.2 per cent ($4.3m), as domestic debt obligations continued to diminish.



Current revenue grew by 7.5 per cent ($49.0m) to $700.6m (23.2 per cent of GDP), a much slower pace when compared with the rate of growth of 14.1 per cent in 2016. Tax revenues amounted to $670.0m (22.2 per cent of GDP), exceeding the prior year's level by approximately 8.6 per cent ($52.9m). Growth performance across the major tax categories was strong, though not at the levels observed in the previous year. The impact of real sector growth and tax policy changes on revenue growth were still evident during the period. Revenue from taxes on international trade and transactions rose by 9.1 per cent ($18.6m), primarily associated with growing receipts from import duties and customs service charges. Receipts from taxes on domestic goods and services advanced by 7.9 per cent ($20.6m), primarily associated with an increase of $17.5m to $235.6m (7.8 per cent of GDP) in Value-added Tax (VAT) receipts. Taxes on income and profits rose by 10.5 per cent ($13.3m), mainly as a result of increased collections from corporations, a 17.7 per cent ($12.0m) improvement on last year's outcome. Revenue from taxes on property grew by 1.6 per cent ($0.4m). Non-tax revenue declined for a second consecutive year, falling by 11.3 per cent ($3.9m) to $30.6m, likely on account of lower revenue contribution from the Citizenship by Investment Programme (CBI).

By way of other developments on the current account, current grants amounted to $13.9m (0.5 per cent of GDP) in 2017, a decline of 46.6 per cent ($12.1m) when compared to the $26.0m (0.9 per cent of GDP) in current grants collected in the previous year.

On the capital account, $64.2m (2.1 per cent of GDP) was recorded in capital grants, below the $74.0m (2.6 per cent of GDP) received in 2016. Capital expenditure totaled $80.6m (2.7 per cent of GDP), down from $120.1m (4.2 per cent of GDP) in 2016.

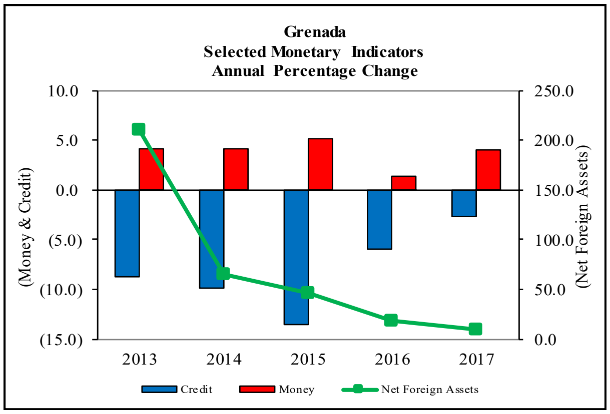
Public Sector Debt

Persistent efforts at fiscal consolidation by the Grenadian government has resulted in further declines in its debt obligations. During the review period, continued progress with public sector debt restructuring and repayment was observed. The outcome of these activities led to reductions in the public sector debt stock and arrears. The total outstanding debt of the public sector decreased to $2,118.2m (70.1 per cent of GDP) at the end of 2017, down from $2,292.9m (80.4 per cent of GDP) at the end of 2016. The total disbursed outstanding debt of the central government fell by 8.0 per cent to $1,997.1m along with that of public corporations, which contracted by 0.8 per cent to $121.1m. Total domestic debt increased by 1.2 per cent ($8.2m), while the external portion fell by 11.3 per cent ($182.9m), in line with debt relief and other initiatives under the debt restructuring exercise.

Money and Credit

Monetary liabilities (M2) rose by 4.0 per cent to $2,236.2m during 2017, above the 1.4 per cent growth registered in the former year. This expansion was primarily driven by growth of 8.2 per cent ($47.2m) to $625.1m in the narrow money supply (M1). Quasi money also advanced by 2.4 per cent ($38.1m) to $1,611.2m over the review period. There were increases in all components of M1: currency with the public (11.6 per cent); EC$ cheques and drafts issued (9.9 per cent) and private sector demand deposits (7.0 per cent). Growth of 3.5 per cent in private sector savings deposits and 15.0 per cent in private sector foreign currency deposits prevailed over a contraction of 11.1 per cent in private sector time deposits, resulting in an overall expansion in quasi money.

The net foreign assets of the banking system grew by 9.4 per cent to $1,097.9m at the end of December 2017, decelerating from the pace of 17.7 per cent recorded at the end of 2016. Transactions at the commercial banks prevailed over a contraction in Central Bank transactions, leading to a rise in the net foreign assets. The net foreign assets of commercial banks rose by 24.5 per cent to $571.8m. Commercial banks enlarged their net foreign asset position with financial institutions outside the Currency Union by 74.5 per cent, while reducing their net foreign asset position with financial institutions in other ECCU territories by a marginal rate of 0.2 per cent. Grenada’s imputed share of the ECCB’s reserves totaled $526.1m, approximately 3.2 per cent below the level recorded at the end of 2016.



Domestic credit declined by a further 2.8 per cent to $1,206.8m, albeit, a slower contraction from the rate of 6.0 per cent recorded at the end of 2016. This outturn was predominantly led by the changing leverage position of the central government. The government's net deposit position more than doubled to $120.6m. This was attributed to an overall 40.0 per cent increase in deposits combined with a 12.7 per cent reduction in commercial bank credit. Private sector credit grew for the first time since 2012, posting a gain of 0.6 per cent during 2017, a full recovery from the 0.2 per cent contraction during 2016. Growth of 5.9 per cent in credit to businesses counterbalanced a reduction in credit to both non-bank financial institutions (25.7 per cent) and households (1.6 per cent).

Growth in total loans and advances was negligible, progressing to $1,634.9m in 2017 from $1,634.7m in 2016. Nonetheless, this outcome compares favourably to a 1.8 per cent decline registered in 2016. Just about half of the economic sectors registered contractions in credit, particularly; utilities, electricity, water (14.0 per cent); manufacturing, mining and quarry (11.3 per cent); construction (4.7 per cent); and public administration which deteriorated by more than 50.0 per cent. Outstanding loans for personal use, the largest component of credit, decreased by 1.1 per cent, resulting from contractions in credit for both home construction and renovation (3.5 per cent) and house and land purchase (3.1 per cent). Positive credit outcomes were observed for financial institutions (33.1 per cent); tourism (7.3 per cent); and transport and storage which more than doubled over the period.

There was a slight increase in the liquidity position of commercial banks during 2017. The ratio of liquid assets to total deposits plus liquid liabilities increased by 1.0 percentage point to 45.9 per cent at the end of December 2017. Meanwhile, there was further deleveraging in the banking space as the loans to deposits ratio declined by 2.6 percentage points to 56.2 per cent.

The weighted average total deposits rate fell to 1.33 per cent at the end of December

2017, from 1.44 per cent at the end of December 2016. This reflected the commercial banking sector's continued realignment of their deposit rates, since the reduction of the Minimum Savings Rate from 3.0 per cent to 2.0 per cent on 1st May 2015. Meanwhile, the weighted average interest rate on loans fell to 7.99 per cent from 8.43 per cent during 2016. Accordingly, the weighted average interest rate spread between loans and deposits tapered to 6.66 per cent at the end of December 2017, down from 6.99 per cent at the end of the previous year.

Trade[11] and Payments

A merchandise trade deficit of $1,067.6m (35.3 per cent of GDP) was recorded in 2017, above the $866.6m (30.3 per cent of GDP) recorded in the corresponding period of 2016. This widening deficit was largely associated with higher import payments, while export revenues declined. The value of imports grew by 19.9 per cent ($188.4m) to $1,134.8m, influenced primarily by larger outlays for machinery and transport equipment, manufactured goods and beverages and tobacco. The value of exports contracted by 15.9 per cent ($12.7m) to $67.2m, reflecting a combined decline in the value of domestic exports and re-exports. Domestic export earnings were down by 12.9 per cent to $61.2m on account of reductions in both agricultural and manufactured exports. Revenue from agricultural exports decreased by a further 20.3 per cent ($7.2m), as trade volumes declined for a number of commodities, specifically, for nutmeg (17.9 per cent), cocoa (6.2 per cent), and fish (12.2 per cent). The receipts from manufactured exports contracted by 4.2 per cent ($1.4m), attributed to a large extent by reduced earnings from flour (26.1 per cent).

Travel receipts are estimated to have risen by 4.2 per cent to $388.2m, recovering from a contraction of 5.1 per cent during 2016. The acceleration primarily mirrored the significant growth in stay-over visitors (8.2 per cent). Commercial banks' transactions resulted in a net outflow of $112.0m in short-term capital, compared with one of $116.0m during 2016. External disbursements to the central government were down by 35.8 per cent to $42.7m, reflecting central government's policy to limit the growth of non-concessional external debt. Meanwhile,

[11] by SITC

external amortization rose further to $90.3m from $82.4m in 2016, as the government continued its efforts to restructure and repay outstanding debts. As a result, the central government's net amortization position expanded to $47.6m in 2017 from $15.9m in 2016.

Prospects

The Grenadian economy is poised to grow at a similar pace this year as in 2017. The economy will continue to benefit from the fiscal, structural and institutional reforms that were undertaken during the Home-grown Programme. The effective management of fiscal risks coupled with efforts to improve the business climate and build economic resilience are expected to continue to strengthen growth in the major sectors. Activity in the tourism industry will be boosted by intensified marketing; the rehabilitation of existing room stock as well as new hotel developments. The industry should also be positively impacted by higher disposable incomes in the USA emanating from the Trump Administration tax cuts. The construction sector is expected to maintain its robust momentum in 2018, as works progress and come on stream in both the public and private sectors. The education sector is also expected to expand in 2018, although at a moderate pace. Positive value added is also expected in the manufacturing sector while uncertainty in the agricultural sector persists.

Consumer price inflation is expected to increase moderately in 2018, in line with the uptick in international oil and food prices.

The external trade deficit position is projected to widen, premised on the combined effects of higher international oil prices and additional construction related imports. The deficit is likely to be moderated by greater travel receipts.

According to the 2018 Budget Estimates, a higher fiscal overall surplus is expected, protecting the gains made under the Home-grown programme and in conjunction with the requirements of Fiscal Responsibility Law (FRL). An overall surplus of 2.5 per cent of GDP and a primary surplus of 4.7 per cent of GDP is projected – above the 3.5 per cent of GDP required by the FRL. The attainment of this primary surplus will allow the debt level to continue to trend downwards. This projected fiscal outturn reflects continuous improvements in tax administration, and the implementation of structural reforms to boost growth and competitiveness. Current revenue is expected to surpass the level obtained in 2017, while current expenditure is forecasted to increase at a moderate pace. Although increases in salaries and wages are envisioned during 2018, honoring the government's wage agreement for a 3.0 per cent increase, it is not expected to exceed the 9.0 per cent of GDP established by the FRL. Meanwhile, capital expenditure is anticipated to exceed the level recorded in 2017 as the central government move ahead with its public sector investment programme. This will be tempered by an increase in capital grants.

Grenada like the rest of the ECCU is faced with a number of challenges including high unemployment and poverty levels; increasing crime levels and low rankings in the World Bank Doing Business survey. While recent data on crime and poverty are not yet available, the high unemployment and youth unemployment rates, poses a major challenge to the authorities, especially in its fight against crime. Therefore, it is imperative that economic growth is as inclusive as possible and initiatives targeting unemployment are implemented in earnest. Efforts must also continue to improve the business climate by the modernizing the public sector, investing in renewable energy and improving tax administration. Grenada is also highly susceptible to the vagaries of natural disasters and should continue its plan of action towards climate adaptation and mitigation; protection of natural and marine resources; and proper physical planning. Furthermore, there are major global risks to the outlook such as downturns in the economies of leading trading partners which could undermine the attainment of key fiscal and debt targets. The continued unfavorable impact of BREXIT on the UK tourist source market and other global uncertainties including geopolitical tensions and trade protectionism have the potential to adversely affect tourism, grants and remittance inflows, trade and investment. On the upside, subdued oil prices and the Trump Administration tax plan could lead to higher demand for tourism services. Increasing the pace of implementation of construction projects in the public and private sector along with other initiatives to spur growth could boost overall economic activity in the near term.

MONTSERRAT

Overview

Economic activity in Montserrat is estimated to have expanded in 2017, with real output growing by 0.7 per cent in 2017, compared with an increase of 2.0 per cent in 2016. The expansion in real GDP reflected positive contributions from two key sectors, namely public administration and tourism. The consumer price index rose by 1.7 per cent, on an end of period basis. The central government recorded an overall surplus largely due to an uptake in external grant receipts. In the banking system, domestic credit increased while total monetary liabilities and net foreign assets decreased. The spread between weighted average interest rate on loans and on deposits narrowed. Commercial banks remained highly liquid.

The outlook for the economy in 2018 is positive, as economic growth is expected to continue. This projection is premised on developments in the major contributors to economic activity, namely government services, construction, financial intermediation and tourism, which are likely to pick up in 2018 and have spill-over effects on the performance of allied sectors. Improvements in the central government's fiscal balances in 2018 will depend on increases in current revenue, the containment of expenditure on transfers and subsidies, and goods and services and an improvement in the level of budgetary aid from the United Kingdom; which, on average, has financed over two-thirds of total expenditure. However, the uncertainty around the Brexit negotiations, limited air access, possible disruptions in the implementation of development projects to restore the island's infrastructure and untimely access to budgetary aid pose significant risks to the economic growth prospects. Additionally, there remains the threat of volcanic eruption and adverse weather conditions during the 2018 hurricane season.

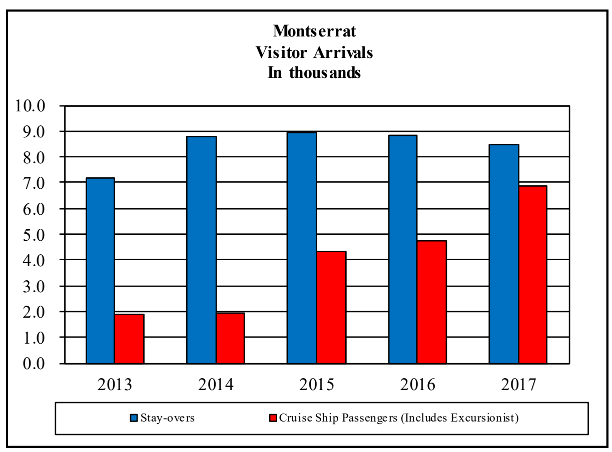
Output

The estimated value of total goods and services in 2017 grew by 0.7 per cent[12],

[12] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate

largely attributable to increased activity in the main sectors of the economy. Value added in the public administration, defence and compulsory social security sector, which contributes one-third of total GDP, grew by 3.5 per cent. The growth in the sector was driven by a 3.5 per cent increase in expenditure on personal emoluments.

Value added in the hotels and restaurants sector is estimated to have increased by 10.2 per cent, following a reduction of 7.2 per cent in the prior year. This development was associated with growth of 8.3 per cent to 16,690 in total visitors' arrivals. An increase in the number of cruise passengers by 45.1 per cent to 5,218, compared with a 38.8 per cent uptake in 2016 contributed to the improved performance in the tourism industry. This increase was due to greater cruise ship calls 31 from 22 in 2017. There was also an expansion in the number of excursionists by 40.1 per cent (467) during 2017. The improvement was underpinned by greater access to the island and improved economic conditions in some of its major source markets. However, this improved performance was slightly tapered by a decline in the number of stay-over visitors. Stay-over arrivals which accounted for approximately 50.7 per cent of the sector's outturn, decreased by 4.4 per cent to 8,456. This outturn was associated with reduced arrivals from the United Kingdom (10.5 per cent); and the United States of America (8.8 per cent) but was partly offset by increases in the number of visitors from the Canada (6.7 per cent) and Caribbean (2.1 per cent). Value added for tourism-related services also increased, namely the transport, storage and communications sub-sector (2.0 per cent); and the real estate, renting and business activities (1.7 per cent) sector.



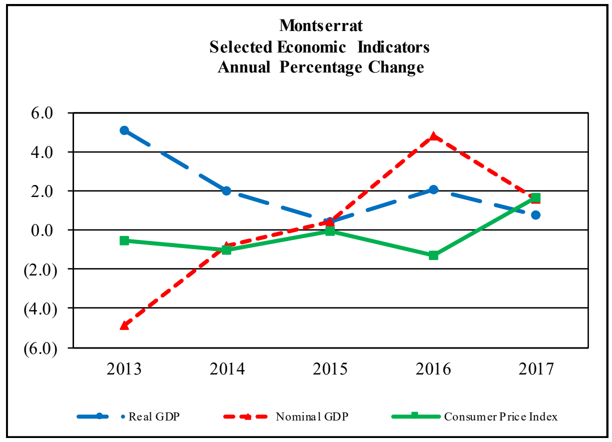
Other sectors that contributed positively to the level of economic activity in 2017 were health and social work (4.3 per cent);

effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

education (2.0 per cent); financial intermediation (1.9 per cent); electricity and water (1.3 per cent) and manufacturing (1.0 per cent). These sectors combined contributed 27.8 per cent of GDP.

The construction sector which contributed 2.3 per cent to GDP, decreased by 45.0 per cent in 2017 in contrast to an increase of 7.5 per cent in 2016 when it contributed 4.3 per cent to GDP. The fall in output was attributable to a decline in public sector activity. There was a slowdown in the implementation rate of public sector investment projects, including the hospital, the new port and town centre development. The deceleration in public sector activity was further evidenced by a 73.9 per cent ($15.4m) contraction in capital expenditure to $5.5m.

The overall increase in real output was also moderated by an estimated 10.0 per cent reduction in value added in the mining and quarrying sector. Other sectors that recorded decreases in value added were fishing (12.0 per cent) and agriculture, livestock and forestry (8.2 per cent).



Prices, Wages and Employment

The rate of inflation rose by 1.7 per cent, on an end of period basis. This outturn was largely associated with a 7.1 per cent increase in the transport sub-index. The overall growth in prices was also reflective of upward movements in the housing, utilities, gas and fuels (2.9 per cent), clothing and footwear (1.9 per cent) and recreation and culture (1.1 per cent) sub-indices. However, the increase in the general price level was tempered by decreases in the sub-indices for household furnishings, supplies and maintenance (1.4 per cent), communication (0.8 per cent) and food and non-alcoholic beverages (0.7 per cent).

Survey based labour market conditions data were unavailable for the period under review, however information from the Social

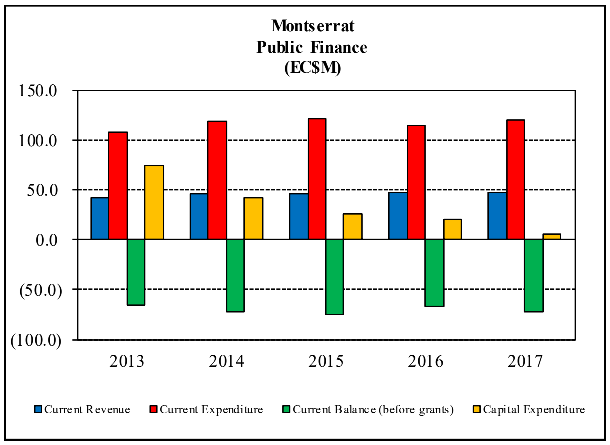
Security System provided useful proxy metrics to gauge developments. Preliminary data indicated that the number of persons employed increased by 0.8 per cent to 1,995, representing 38.4 per cent of the population. The number of self-employed persons decreased from 286 to 280.

Central Government Fiscal Operations

The fiscal operations of the central government improved in 2017 relative to 2016, due to an increase in grants, as well as a reduction in capital spending. The overall balance (after grants) recorded a surplus of \$52.5m (30.8 per cent of GDP) in contrast to a deficit of \$0.6m (0.4 per cent of GDP) in the prior year. Consequently, the primary balance after grants registered a surplus of \$52.5m (30.8 per cent of GDP), in contrast to a deficit of \$0.6m (0.4 per cent of GDP) in 2016. The current account (after grant) recorded a surplus of \$3.9m (2.3 per cent of GDP), compared with to a surplus of \$7.1m (4.3 per cent of GDP) in 2016. This development was largely reflective of an increase in external grant receipts, despite an estimated upturn in current expenditure.

Current revenue increased by 0.1 per cent to \$47.0m (27.6 per cent of GDP), compared with an increase of 3.2 per cent to \$47.0m (28.1 per cent of GDP) in 2016. This development was largely on account of an increase in non-tax revenue, which rose by 7.4 per cent to \$5.6m (3.3 per cent of GDP). The increase in current revenue was partly offset by a decline in tax revenue (\$0.4m). Particularly, a decrease in collections from taxes on international trade and transactions of \$1.4m, largely on account of a \$0.6m drop in import duty contributed to the reduction in tax revenue. Additionally, there were declines in receipts from taxes on domestic goods and services (\$0.3m) and taxes on property (\$0.1m). The decline in tax revenue was partly tempered by an increase in receipts from taxes on income and profits (\$1.4m).

Current expenditure increased by 4.7 per cent to \$119.6m (70.2 per cent of GDP), in contrast to a decline of 5.3 per cent to \$114.3m (68.2 per cent of GDP). This outturn was primarily due to a 6.6 per cent (\$2.0m) hike in spending on transfers and subsidies to \$31.7m. This category accounted for 26.5 per cent of current expenditure in 2017. The increase in transfers and subsidies were due to the resumption of payment the ferry as operations returned to normalcy. Additionally, there was an upturn in outlays for personal emoluments of 3.5 per cent ($1.5m) to $43.6m as civil servants received an increase in wages and salary in June 2017. Outlays on goods and services went up by 4.5 per cent ($1.9m).



Current grants receipts increased by 2.8 per cent to $76.5m (44.9 per cent of GDP) compared with inflows of $74.4m (44.4 per cent of GDP) in 2016, due to increased external financial support for recurrent expenditure from the United Kingdom. Additionally, total grant receipts increased to $132.9m as capital grants rose a little more than three-fold to $56.4m in 2017.

Capital expenditure fell by 73.9 per cent to $5.5m (3.2 per cent of GDP) in 2017, compared with $21.0m (12.5 per cent of GDP) in the prior year. This fall in capital expenditure is directly related to delays in the implementation of various public sector infrastructural projects.

Public Sector Debt

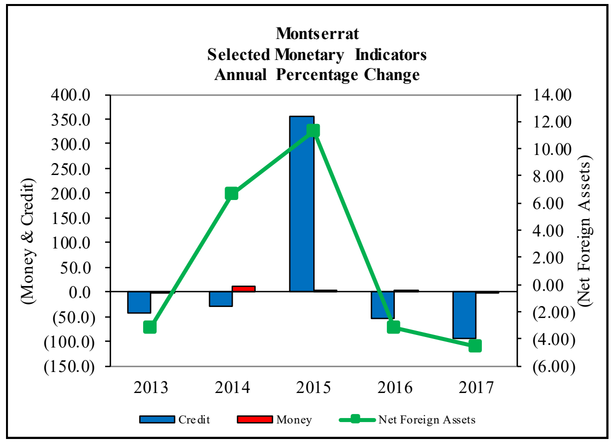
The stock of public sector external debt stood at $10.5m at the end of December 2017, compared with a balance of $8.6m at the end of December 2016. The increase in debt stock is attributable to a Caribbean Development Bank (CDB) loan to build a new power plant. The new power plant would increase the power generating capacity of the country. Of the $10.5m total debt, $6.8m was held by the central government, while the public corporation accounted for $3.7m.

Money and Credit

In the banking system, monetary liabilities (M2) decreased by 1.8 per cent to $242.8m during 2017, in contrast to an increase of 1.0 per cent during 2016. This outturn was largely due to a reduction of 1.7 per cent in quasi money to $182.1m. Within this category, private sector savings deposits declined by 1.3 per cent ($1.8m) and private sector foreign currency deposits fell by 13.8 per cent ($1.4m). Another contributing factor to the lower level of M2 was a 2.3 per cent reduction in the narrow money supply (M1) to $60.8m, which was mainly attributable to a 5.7 per cent ($2.4m) decrease in private demand deposits.

The net deposit position of commercial banks declined to $0.7m at the end of 2017, from $14.6m in 2016. This outcome resulted from the central government holding fewer deposits at commercial banks, as it decreased by 8.7 per cent. The net deposit position of non-financial public enterprises decreased to $14.5m from $18.5m. Private sector borrowing increased by 4.1 per cent, largely associated with 4.6 per cent growth in credit to households to $73.8m. Additionally, business credit increased by 1.0 per cent to $9.8m.

Personal loans, which accounted for an estimated 84.3 per cent of credit outstanding, rose by 6.0 per cent to $84.8m. This upturn was reflected primarily in lending of $2.4m for acquisition of property to $68.8m and $1.5m for durable consumer goods to $4.6m. Lending for tourism grew by $2.3m to $6.3m and credit to manufacturing and mining and quarry increased by 11.4 per cent to $1.5m in 2017. However, credit extended for construction fell by 3.8 per cent to $4.7m in 2017 in contrast to an increase of 118.6 per cent to $4.8m in 2016. Also, there was a decline in credit to the distributive trades ($0.2m).



The net foreign assets (NFA) in the banking system declined by 4.6 per cent to $295.9m. This decline was largely attributable to a 5.4 per cent reduction in the net foreign assets of commercial banks which totalled $167.5m. The fall in net external assets of commercial bank was fuelled by a decrease of 23.5 per cent in net assets held with institutions within the Currency Union. At the same time Montserrat's imputed share of reserves held with the Central Bank, fell by 3.6 per cent to $128.5m due to a drawdown of their assets as well as an increase in liabilities.

Liquidity in the banking system remained high and stable in 2017. The ratio of liquid assets to total deposits and liquid liabilities was 84.9 per cent well above the minimum prudential benchmark of 25.0 per cent indicative of a lack of bankable projects. The surplus liquidity condition is further evidenced by a ratio of loans and advances to total deposit of 29.3 per cent at the end of the review period, below the prudential guidelines of 75.0 per cent to 85.0 per cent.

The spread between the weighted interest rate on loans and deposits decreased to 5.76 per cent in 2017, from 5.97 per cent at the end of 2016. The weighted average lending rate decreased to 6.89 per cent from 7.07 per cent, and the weighted average deposit rate increased to 1.13 per cent in 2017 from 1.10 per cent in 2016.

Trade[13] and Payments

The merchandise trade deficit totalled $66.5m in 2017, compared with one of $86.8m in 2016. This narrowing of the trade deficit resulted from an increase of 53.7 per cent in export earnings, coupled with a 14.8 per cent reduction in the import bill. The reduced import bill resulted in savings of $14.5m, generated mainly by a fall in the payments for the imports of machinery and transport equipment ($5.2m), manufactured goods ($4.8m) and miscellaneous manufactured articles ($3.5m). Export earnings increased by $5.8m to $16.5m due to a 47.9 per cent ($4.5m) increase in domestic exports. The main categories that contributed to the increase in domestic exports were crude materials, inedible except fuels and machinery and transport equipment.

Developments on the services account were influenced by a decline in stay-over arrivals which translated into a 6.3 per cent reduction in gross travel receipts to $21.5m. Commercial bank activity resulted in a net inflow of $9.5m during 2017, in comparison to a net inflow of $4.6m during 2016. However, total grant inflows rose by 51.7 per cent to $132.9m.

Prospects

The economy of Montserrat is projected to expand by 1.8 per cent in 2018 as the performance of key economic drivers is expected to pick up. The increase in salary

[13] by SITC

for civil servants along with the allocation of USD$20.3 towards Phase 1 of the Little Bay Port development is expected to fuel growth in 2018. Phase 1 of the development (which is expected to start in 2018) consists of the construction of safe docking and mooring facility to cater for cruise and cargo vessels. However, Montserrat, a British Overseas territory, depends heavily on grant financing from the Government of the UK and this could be affected by the uncertainty around Brexit. Also, any depreciation of the Sterling would adversely impact the level of budgetary support received by the Government.

The slowdown in construction activity in 2017 may be reversed, if maintenance and other infrastructural projects addressing road works, social housing, water supply and drainage and sanitation works are implemented within first quarter of 2018. Improvement is also expected in the construction sector, in light of the announcements in the 2017-2018 budget for duty-free concessions on building materials for the construction of selected homes. Also, the government announced a few public sector projects namely; refurbishment of the Golden Years' home; repairs to the roof and external canopies of the Montserrat Port Authority's (MPA) ferry terminal and refurbishment of the Brades and Salem Primary Schools.

The tourism industry is likely to improve in 2018 as a ferry has commenced operations between Montserrat and Antigua in 2017 at least four times per week and this service is expected to increase to five times per week. With enhanced access and marketing, there should be a recovery in the number of stay-over visitors, excursionists and yacht passengers to the country. These developments are likely to positively contribute to improvements in the ancillary sectors such as wholesale and retail trade and transport, storage and communications.

Improvement in tax collection and compliance as well as enforcement of tax legislative requirements should provide for gains in revenues collected for 2018. Expenditure is expected to increase in 2018 as the government implement several capital projects.

The economic performance of Montserrat in 2018 is largely dependent on the availability and timeliness of budgetary aid, positive developments in the global macro-economic environment, access to the country and a lower incidence of threats from natural disasters. **The downside risks are the Brexit negotiations, limited air access, possible disruptions in the implementation of development projects to restore the island's infrastructure and untimely access to budgetary aid.**

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

Overview

Available data indicate that the economy of St Kitts and Nevis expanded at a decelerated rate in 2017 compared with the performance in 2016. Real GDP is estimated to have risen by 1.7 per cent[14] in the period under review, compared with an expansion of 2.2 per cent in the previous year. The economic outturn reflected expansions in the major economic drivers; the construction and hotels and restaurants sectors with positive knock-on effects on the financial intermediation and wholesale and retail trade sectors. Consumer prices rose by 0.2 per cent, on an end of period basis, mainly attributable to moderate international commodity prices pressures and low domestic price pressures. The fiscal operations of the Federal Government resulted in a smaller overall surplus, driven by a fall in non-tax revenue supplemented by a rise in capital expenditure. The total outstanding public sector debt rose during the period under review. In the banking system, monetary liabilities, and net foreign assets fell while domestic credit increased. The commercial banking system remained liquid and the spread between the weighted average interest rates on loans and deposits narrowed.

The economy of St Kitts and Nevis is expected to expand at an accelerated pace in 2018, compared with developments in 2017. Economic activity fuelling the improved outlook include higher value added contributions from the construction, hotels and restaurants and agricultural sectors. An increase in construction will reflect continued work on a number of public sector projects as well as intensified activity on private sector projects some of which will near completion in 2018. Increased investment in enhancing the room stock in St Kitts and Nevis as well as a number of other service related private investments will buttress the service options and enhance the

[14] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

number of luxury accommodations that appeal to high net worth visitors. The performance of the tourism industry will also be strengthened by additional investments in the cruise industry. Associated with projected increases in the major productive sectors are positive knock-on effects on other major sectors including real estate, renting and business activities; financial intermediation; transport, storage and communications and the wholesale and retail trade sectors. Higher real sector activity is also likely to increase inflationary pressures in the domestic economy.

The overall fiscal surplus of the Federal Government is anticipated to narrow. Increases in capital expenditure are likely to further constrain the size of the overall surplus. Nevertheless, tax revenue is estimated to increase buoyed by a pick-up in real sector activity. A higher level of current expenditure is also estimated reflecting increased public investment.

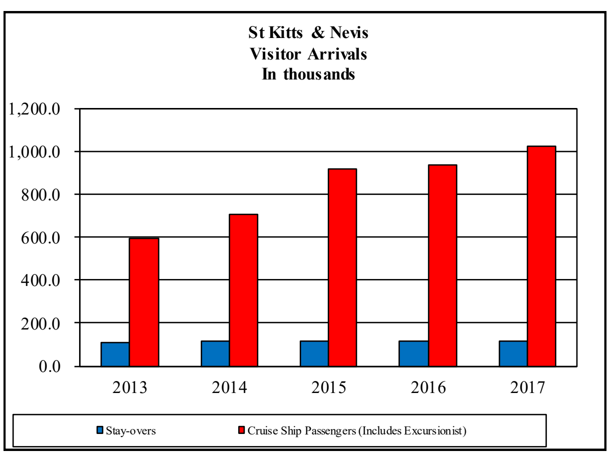
On the downside, risks to the economic outlook reflect a possible strengthening in commodity prices with associated negative implications on the overall fiscal balance and the domestic cost of doing business. Other financial risks reflect increased credit costs in the Federation's major trading partners, the USA, as the Federal Reserve Bank gradually unwinds asset purchases and seeks to contain inflation through interest rate increases in anticipation of robust economic growth. Other risks included a further slowing in receipts from the Citizenship by Investment programme as well as possible disruption to economic activity posed by weather related threats from hurricanes and flooding.

Output

Value added in the construction sector, is estimated to have risen by 9.0 per cent in 2017, compared with a 7.6 per cent expansion in 2016. Improvement in the performance of construction was fuelled by robust activity in both the private and public sectors. This assessment was supported by increases in the quantity of sand produced by the government quarry of 5.2 per cent to 85,642 tonnes and stones of 2.1 per cent to 43,379 tonnes. However, a 34.9 per cent decrease was recorded in the volume of imported construction related materials another gauge of activity in the sector. Private sector activity in St Kitts consisted of major completion work on the Park Hyatt Hotel, Christophe Harbour which opened for business on 1 November 2017. Other on-going projects consisted of accelerated work on the Heldens Estate Condo Resort & Residences in the north of St Kitts to be managed by Ramada Resorts, Koi Resort at Half-moon Bay and the T-Loft Pirates Nest, Radisson branded development in Frigate Bay. Construction work also continued on the second phase of the Kittitian Hill development, while other private fixed capital investment included both commercial and residential construction. In Nevis, work continued on the Four Seasons Resort Estates, the Butlers Estate Resort and Residences and the Tamrind Cove Marina Development. Public sector investment rose, sustained by a 38.0 per cent increase in capital outlays over the review period. In St Kitts, higher public investment reflected maintenance work on public infrastructure including; the coast guard headquarters, roads, other public buildings and tourism sites, while in Nevis capital investment was buoyed by continued work on the Mondo athletics track, the Caribbean Development Bank funded water distribution project and the resurfacing of a number of roads and expansion work on the Alexander hospital.

Value added in the hotels and restaurants sector, a proxy of activity in the tourism industry, is estimated to have risen by 0.9 per cent in 2017, similar to the rate of expansion in the previous year. Developments in the sector were driven by an 8.1 per cent increase to 1,139,655 in total visitors, compared with a 2.0 per cent improvement in 2016. Total visitor arrivals strengthened, attributable to the improved performance in the number of cruise ship passengers as stay-over arrivals declined. The number of stay-over visitors, whose contribution to value added is relatively more important, fell by 1.4 per cent to 113,686 in 2017, compared with a 0.9 per cent decrease observed in 2016. The decrease in stay-over arrivals was for the most part attributed to reductions from the United States of America the largest source market, by 1.8 per cent (1,250). Stay-over arrivals from the UK, the second largest market also fell (0.3 per cent). The reduction in performance of both the USA and UK markets is in part attributable to negative publicity in these source markets associated with the passage of hurricanes Irma and Maria in September 2017. Prior to the storms in September, the major mitigating factor to the growth in stay-over visitors was the November 2016, Federal

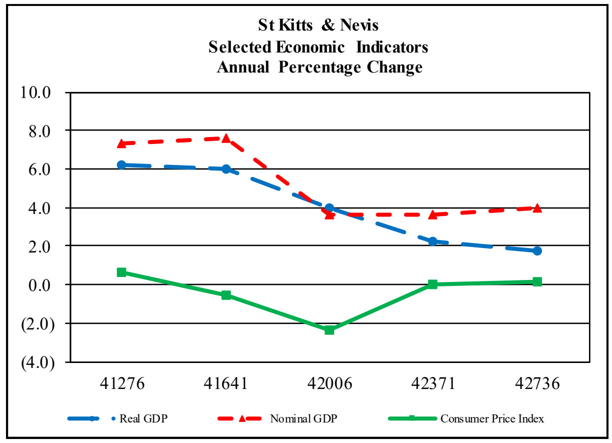
Elections in the USA, during which time residents from that market are less likely to travel. Decreases in stay-over arrivals were also observed in the Canadian and Caribbean markets of 2.4 per cent (168) and 0.3 per cent (77) respectively. In 2017, cruise ship passenger arrivals rose by 9.2 per cent to 1,017,862 compared with a 2.4 per cent increase in 2016. The outturn was consistent with a 6.9 per cent (29) increase in the number of cruise ship calls to 451 at the cruise ports in St Kitts and Nevis. A significant contributing factor to a higher level of cruise passenger arrivals was the diversion of ships from other destinations which were adversely affected by the passage of hurricanes in the latter part of 2017. The number of visitors by yacht rose by 44.9 per cent to 4,177 while the number of excursionists fell by 5.8 per cent to 3,930.



Value added in the agriculture, livestock and forestry sector is estimated to have risen by 10.4 per cent, on account of an increase in crops, partly moderated by declines in livestock production. Total crop production rose by 21.5 per cent to 1.1m kilograms compared with an increase of 21.7 per cent in 2016. Higher output in most of the reported crops was largely attributable to on-going recovery from the effects of drought conditions which negatively impacted the sector in 2015. The output of major crops such as watermelon rose by 62.8 per cent and that of sweet pepper more than doubled. Increases were also recorded for onions (48.2 per cent); squash (37.7 per cent) and cucumber output of which more than doubled. These results were moderated by declines in other crops including pumpkins, tomatoes and cabbages of 4.3 per cent, 9.5 per cent and 18.7 per cent respectively. The expansion in the output of crops was partly moderated by a reduction in livestock production attributable to beef and mutton, which fell by 16.7 per cent and 5.1 per cent respectively largely impacted by losses associated with the passage of the hurricanes in September. Livestock declines were further influenced by a decrease in the production of pork (0.2 per cent). In contrast, higher output was recorded for goat meat (10.5 per cent). Increases were recorded in the output of eggs (10.1 per cent), partly offset by declines in the output of broilers (22.4 per cent).

Higher value added contributions were also estimated for financial intermediation (1.3 per cent), wholesale and retail trade (3.5 per cent) and public administration, defence and compulsory social services (3.1 per cent). These developments were consistent with generally higher real sector activity.

Positive developments in the real sector were constrained by lower output in manufacturing; real estate, renting and business activities and the transport storage and communications sectors. Manufacturing output is estimated to have declined by 6.5 per cent, evidenced by a 17.1 per cent decrease in the export of alcoholic beverages.



Prices, Wages and Employment

Consumer prices rose in 2017 (0.2 per cent), ahead of the increase registered in 2016 (0.1 per cent). This represented successive years of increases in the average price level after two consecutive years in which the index of consumer prices declined. The gradual increase in consumer prices, reflected upward price pressures for most of the sub-indices with the greatest weight in the goods and services basket. The most significant contributors to this development were increases in the sub-indices for food and non-alcoholic beverages (2.9 per cent), transport (1.5 per cent) and clothing and footwear (2.2 per cent). Further inflationary pressures were also recorded for the hotels and restaurants, communication and education sub-indices of 1.1 per cent, 0.3 per cent and 0.6 per cent respectively. Inflationary pressures were generally, associated with higher commodity prices globally, attributable to higher energy and food prices. The overall increase in prices for items in the goods and services basket was moderated primarily by lower prices for recreation and culture (0.6 per cent) and health (0.3 per cent). When analysed by territory, prices increased in St Kitts (0.8 per cent), in contrast to a decline in Nevis (1.1 per cent).

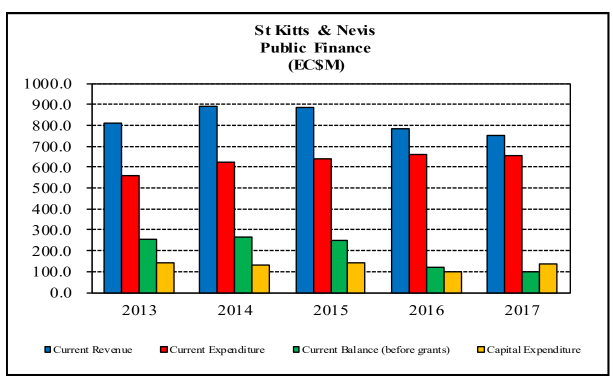
Official data on wages and unemployment levels are unavailable for the review period. However, the continuation of employment programmes such as the Skills Training and Empowerment Programme (STEP), coupled with the awarding of public servants with a 13th month salary in December would have positively impacted the labour market. The level of unemployment is estimated to have declined in 2017, consistent with new employment opportunities in the labour market associated with the opening of the Park Hyatt St. Kitts resort and continued buoyancy in the construction sector relative to the previous year.

Federal Government Fiscal Operations

The fiscal operations of the Federal Government resulted in an estimated overall surplus (after grants) of $51.2m (2.0 per cent of GDP), compared with one of $112.1m (4.6 per cent of GDP) in 2016. Likewise, the primary surplus contracted by 39.2 per cent to $92.1m 3.6 per cent of GDP), compared with one of $151.4m (6.2 per cent of GDP) in 2016. The lower overall fiscal surplus was largely attributable to a narrowing of the surplus on the current account, owing to reductions in non-tax receipts, and an increase in capital expenditure.

Current revenue fell by 4.2 per cent to $750.5m in 2017 (29.4 per cent of GDP), compared with an 11.7 per cent decrease to $783.3m (31.9 per cent of GDP) in 2016. A decline in non-tax revenue largely accounted for the decrease in current revenue. Meanwhile, collections of tax revenue, rose by 2.1 per cent to $496.9m (23.2 per cent of GDP), attributable to buoyancy in receipts from income and profits (14.8 per cent). Increases across the board accounted for the higher collections for income and profits including; company tax (27.7 per cent), withholding tax (4.5 per cent) and housing and social development levy (3.8 per cent). The rise in tax receipts was constrained by declines in the remaining major tax categories. Lower receipts from taxes on domestic goods and services mainly reflected the reduced revenue intake from stamp duties (29.1 per cent). Value added tax (VAT) receipts, a major component of taxes on domestic goods and services, increased by 1.3 per cent to $142.4m (5.6 per cent of GDP) compared with $140.7m (5.7 per cent of GDP) in 2016. Reduced tax collections on international trade and transactions were mainly attributable to lower receipts of excise duty (21.2 per cent), import duty (3.0 per cent) and customs service charge (1.0 per cent). Property tax revenues were lower on account of a decrease in the performance of the condominium tax (58.8 per cent), attributable to lower condominium sales. Non tax receipts, the other major current revenue category, fell by 14.5 per cent to $253.6m (9.9 per cent of GDP), for the most part influenced by a reduction in inflows from the Citizenship by Investment Programme. The performance compares with 2016, during which non-tax revenues were 21.8 per cent lower to $296.6m (12.1 per cent of GDP). At that time lower proceeds from the CBI Programme which declined by 18.2 per cent represented the major contributor to the reduced performance.

The reduction in the current account surplus was moderated by lower current expenditure which fell by 1.2 per cent to $654.2m (25.6 per cent of GDP), in contrast to an increase of 3.7 per cent to $662.2m (27.0 per cent of GDP), in 2016. The primary factor contributing to the outturn was an estimated 5.6 per cent ($17.5m) decrease in personal emoluments. A reduction in outlays of goods and services by 3.1 per cent also contributed to the decrease in current expenditure. The decline in current expenditure was moderated by increases in the other major current expenditure categories including interest payments and transfers and subsidies of 4.1 per cent and 8.0 per cent respectively. Higher interest payments reflected increases in domestic debt held by commercial banks.



Capital expenditure increased by 38.0 per cent to $138.7m (5.4 per cent of GDP) in contrast to a 30.3 per cent decrease to $100.5m (4.1 per cent of GDP) in 2016, as work advanced on various capital projects including the rehabilitation of the coast guard headquarters and the construction of the new ferry terminal in St Kitts and the construction of an athletics track and upgrades to the water distribution system and road infrastructure in Nevis.

Inflows of official assistance (grants) rose by 28.1 per cent to $85.2m (3.3 per cent of GDP), compared to a 19.5 per cent increase to $66.5m (2.7 per cent of GDP) in 2016. The major contributor to the increase was a doubling in the receipt of current grants to $30.8m, supplemented by a more moderate 2.5 per cent ($1.3m) increase in capital grants.

The overall surplus of the central government of St Kitts narrowed to $67.4m from a balance of $115.8m in 2016, reflecting a decline in non-tax revenue combined with higher capital expenditure.

Current revenue fell by 4.7 per cent to $621.6m, attributable to lower non-tax receipts. Revenue from taxes rose by 2.9 per cent to $400.2m, reflecting improved collections for taxes on income and profits (18.5 per cent). Higher collections for taxes on income and profits were due to greater receipts of income tax (29.7 per cent), housing and social development levy (9.4 per cent) and withholding tax (4.5 per cent). In contrast, decreases were recorded for the remaining tax sub-categories; domestic goods and services (2.2 per cent), property (14.4 per cent) and international trade and transactions (1.2 per cent). Lower receipts from taxes on domestic goods and services mainly reflected decreases in receipts from stamp duties. This development was moderated by a 1.6 per cent ($1.8m) increase in the collection of VAT. The decline in property tax receipts was driven by a 58.8 per cent ($3.3m) decrease in condominium tax, meanwhile, reduced tax receipts on international trade and transactions were mainly attributable to decreases in collections from import duty ($2.4m), environmental levy ($0.7m) and customs duty ($0.6m).

Non-tax revenue receipts fell by 16.0 per cent to $221.4m, influenced primarily by an 18.2 per cent decline in proceeds from the Citizenship by Investment Programme.

Current expenditure fell by 2.5 per cent to $513.7m in 2017, in contrast to a 1.9 per cent rate of growth in the previous year. This outturn was largely influenced by an estimated 8.7 per cent ($20.5m) decrease in outlays on personal emoluments and wages. Lower current expenditure was also associated with a 5.8 per cent decline in outlays of goods and services. The reduction in current expenditure was mitigated by increases in other expenditure categories including; transfers and subsidies (10.1 per cent) associated primarily with budgetary support to the Nevis Island Administration and interest payments (0.6 per cent), attributed to the continued amortization of the outstanding debt. Capital expenditure rose to $75.2m, compared with outlays of $65.7m in 2016, as public infrastructure works continued on a number of public buildings.

The fiscal operations of the Nevis Island Administration (NIA) recorded an overall deficit of $16.1m in 2017 compared with one of $3.6m recorded in 2016. The widening of the deficit was directly attributable to a higher imbalance on the current account combined with an increase in capital expenditure. Current revenue amounted to $128.9m in 2017, roughly 1.5 per cent lower than total collections in 2016. The decrease in current revenue collections reflected unfavourable outcomes in tax revenue. Tax revenues fell by 1.1 per cent, influenced by smaller receipts of taxes on domestic goods and services by 2.1 per cent ($1.0m) and taxes on income and profits by 4.8 per cent ($0.9m). However, collections from all other major categories rose, including taxes on international trade and property by 1.6 per cent and 15.2 per cent respectively. Non-tax revenue fell by 2.6 per cent ($0.9m) to $33.2m. Grant receipts, in the form of budgetary assistance from the Federal Government, rose by 66.2 per cent to $59.0m in 2017 from $35.5m in the previous year.

Current expenditure increased by 4.0 per cent to $140.6m, compared with an increase of 11.0 per cent in 2016. The rise in current expenditure was attributable to higher outlays for the major expenditure categories; personal emoluments and wages (4.0 per cent), largely attributable to an increase in employment in the civil service and interest payments (9.6 per cent), fuelled by an increase in domestic borrowings. However, the increase in current expenditure was moderated by decreases in and transfers and subsidies (10.7 per cent). Capital expenditure rose by 82.5 per cent to $63.5m compared with $34.8m spent in 2016, driven largely by on-going work on the CDB funded water drilling project, an athletics track and enhancements to the road network.

Public Sector Debt

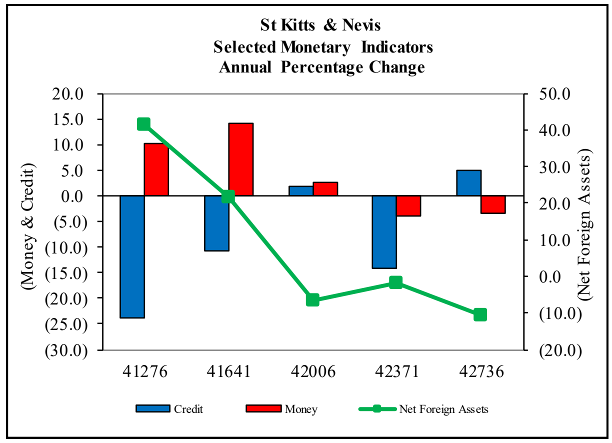
The total disbursed outstanding public sector debt increased marginally by 0.3 per cent to $1,598.8m (62.6 per cent of GDP) at the end of 2017, in contrast to a decline of 2.1 per cent to $1,553.2m (63.2 per cent of GDP) in 2016. This development largely reflected an increase in the outstanding debt of both the central government and public corporations. The liabilities of the central government, which accounted for 80.1 per cent of total debt, rose by 0.1 per cent to $1,281.4m. Meanwhile, that of public corporations, which accounted for the remaining 19.9 per cent of total debt outstanding rose by 0.9 per cent to $317.4m. Of the debt held by residency, domestic debt rose by 1.4 per cent to $1,173.5m, and represented 73.4 per cent of the public sector debt portfolio at the end of 2017. The increase in domestic debt reflected new borrowings by the Nevis Island Administration. In contrast, the external debt component fell by 1.9 per cent to $423.5m.

Money and Credit

Monetary liabilities (M2) fell by 3.4 per cent to $2,808.0m compared with a decrease of 4.0 per cent in 2016. The monetary base fell on account of a 4.1 per cent ($96.9m) reduction in quasi money in combination with a 0.5 per cent ($2.7m) reduction in the narrow money supply (M1). Quasi money fell largely on account of lower private sector foreign currency and time deposits of 12.0 per cent and 8.1 per cent respectively. The decrease in M1 was largely attributable to lower levels of private sector demand deposits (5.2 per cent).

Domestic credit increased by 5.0 per cent to $931.1m in 2017, in contrast to a decline of 14.1 per cent in 2016, largely reflective of an increase in lending to the private sector, an upward movement in the net credit position of the Federal Government. Credit to the private sector expanded by 1.5 per cent and net credit to the Federal Government rose by 4.7 per cent ($20.6m) to

$457.2m, largely driven by a 15.7 per cent rise in the net lending position of the Nevis Island Administration government. Of the private sector, outstanding loans to non-bank financial institutions also increased by 79.3 per cent ($17.6m). Lending to households and businesses rose by 7.0 per cent and 0.1 per cent respectively.



An analysis of the distribution of credit by economic activity indicates that increases were recorded in lending for other purposes (11.0 per cent); personal uses (1.1 per cent) and manufacturing and mining and quarrying (2.4 per cent). Among the loans extended for other uses, the major categories were public administration; and professional and other services which recorded increases in credit of 11.7 per cent and 6.8 per cent respectively. Among the increase in personal loans extended, major influences included higher credit for the acquisition of property (0.3 per cent) and house and land purchase (0.5 per cent). The rise in credit to those segments of the loan portfolio was tempered mainly by declines in lending to construction, distributive trades and tourism of 5.1 per cent, 6.4 per cent and 0.4 per cent respectively.

Net foreign assets of the banking system fell by 10.5 per cent ($227.1m) to $1,940.0m in 2017, compared with a decrease of 1.8 per cent ($39.0m) in 2016. The lower position was largely due to a 26.2 per cent ($346.2m) contraction in the net foreign asset position of commercial banks to $976.1m, attributable to higher net liabilities held with financial institutions outside of and within the Currency Union. St Kitts and Nevis's imputed share of the Central Bank's reserves increased by 14.1 per cent to $963.8m.

The commercial banking system remained relatively liquid in the period under review. The ratio of liquid assets to total deposits rose by 5.9 percentage points to 78.8 per cent, while the ratio of loans and advances to total deposits increased by 2.0 percentage points to 39.8 per cent. At the same time the ratio of liquid assets to total deposits plus liquid liabilities fell by 0.1 percentage points to 55.2 per cent. Ample liquidity in the financial system coupled with competition among banks for lending opportunities may have contributed to a narrowing in the spread between the weighted average interest rate on loans and deposits to 6.64 percentage points in 2017 compared with 6.71 percentage points in 2016. The smaller spread reflected a 7 basis points decline in the weighted average deposit rate to 1.78 per cent, in combination with a 14 basis points decrease in the weighted average lending rate to 8.42 per cent.

Trade[15] and Payments

A deficit of $719.2m (28.2 per cent of GDP) was recorded on the visible trade account in the period under review, below an imbalance of $762.1m (31.0 per cent of GDP) in 2016, attributable primarily to lower imports. The value of imports (CIF) fell by 7.3 per cent to $834.1m, mainly influenced by decreases in the value of machinery and transport equipment; manufactured goods; food and live animals and chemicals and related products. The value of total exports was $114.9m compared with $137.9m recorded in 2016, reflective of a decrease in the value of machinery and transport equipment; commodities and transactions, and beverages and tobacco exported. Domestic exports contracted by 19.1 per cent to $85.6m, while re-exports fell by 2.8 per cent to $29.3m. The volume of trade in goods (both exports and imports) contracted by 4.1 per cent to 389,617 tonnes. Lower exports for alcoholic beverages were influenced by reduced demand from a regional export market, following elevated demand over the previous three years. The export of electronic components a major contributor to domestic exports, is also estimated to have declined.

Gross travel receipts are estimated to have risen by 13.3 per cent to $423.2m in 2017 compared with a 3.8 per cent increase in the previous year. Commercial banks' transactions resulted in a net inflow of $346.2m in short-term capital, compared with an inflow of $126.5m in 2016. Government transactions resulted in a reduction in the net outflow of funds attributable to lower external principal repayments ($25.2m), compared with

[15] By SITC

$56.3m in the previous year. Loan disbursements totalled $0.9m in 2017 compared with $1.2m in 2016.

Prospects

A positive outlook for economic prospects in St Kitts and Nevis for 2018 is buttressed on economic expansions for the Federation's major trading partners; the USA, the UK and the European Union.

In the context of an optimistic global forecast, combined with positive growth estimates for the major trading partners, investment opportunities in St Kitts and Nevis could result in positive developments in the construction; real estate, renting and business activities and hotels and restaurants sectors. Real sector developments will be sustained by the imminent commencement of a major public sector investment; the second cruise pier at a cost of US$48.0m to begin construction in April 2018. Other major infrastructural projects include the resurfacing of the island main road and the construction of a new secondary school. In the private sector on-going commercial developments and the recent announcement that the destination has attracted more luxury branded resorts, is estimated to favourably impact the construction sector going forward. Besides this, work continues on a number of hospitality resorts, of which the Koi Resort and Residences, the T-Loft Pirates Nest to be managed by Radisson and the Heldens Estate Resort to be managed by Ramada, feature most prominently. The performance of the tourism industry is estimated to strengthen incrementally, fuelled by targeted marketing initiatives in the major source markets; the east coast of the USA and luxury destination seekers from the UK and Canadian markets. The recent opening of the 5-star Park Hyatt St Kitts Christophe Harbour Resort, on 1 November 2017, coupled with continued expansion at the Kittitian Hill, a high-end boutique resort may likely strengthen visitor arrivals. The recent refurbishment of the St Kitts Marriot Resort and the planned refurbishment of the Four Seasons Resort on Nevis, represent major enhancements to the attractiveness of the tourism product. These developments should complement recent investments in securing increased airlift into the Federation from United Airlines and American Airlines along with pre-existing seasonal airlift arrangements from Delta Airlines and winter service from Air Canada Rouge. The cruise industry in particular should see growth associated with an increase in the number of cruise ship calls, partly the result of hurricane damage to other major regional cruise destinations. Consequently, the number of total visitors is projected to increase driven by higher stay-over and cruise ship passenger arrivals. Other key sectors; wholesale and retail trade, transport, storage and communications are likely to benefit.

Inflationary pressures are likely to strengthen as global commodity prices, for energy, and food track global economic growth.

The fiscal operations of the Federal Government are expected to generate a lower overall surplus in 2018 influenced by the planned increases in capital expenditure. An increase in tax revenue is estimated, premised on a likely uptick in economic activity, however the effects may be muted by higher capital investment. Notwithstanding the lower overall fiscal outturn, the increase in capital investment by the central government will likely influence a recovery in receipts from taxes on international trade and transactions and on domestic goods and services. Non-tax revenue is estimated to decline, attributable to lower collections from the CBI programme. The lower performance may be moderated by inflows from the recently established Hurricane Relief Fund (HRF) component of the CBI program. Total current expenditure is estimated to decline, attributable to a decrease in outlays for wages and salaries in the absence of a new triennium wage agreement. Savings in this area may be moderated by an increase in spending on goods and services in line with higher capital outlays. The size of the overall surplus will be further constrained by lower inflows of official grants.

The merchandise trade deficit is projected to widen, fuelled by the commencement of major capital projects led by the new cruise pier and other construction related developments in the hotels and restaurants sector. Activity in construction and the hotels and restaurants sector is also estimated to sustain higher growth in the wholesale and retail trade and real estate, renting and business activity sectors.

While generally risks are tilted to the upside, some downside risks include uncertainty about the performance of the CBI. The close relationship between the level of activity in the CBI programme and the magnitude and pace of tourism-related construction projects, also poses a risk to the sustainability of on-going and planned FDI construction projects if CBI inflows continue to decline. Second order risks to the economic expansion include geo-political risk, from isolated regimes, protectionist sentiments currently framing policy in the USA and the UK, an escalation in commodity prices particularly petroleum and adverse weather related events.

On the upside, the establishment of the Hurricane Relief Fund (HRF) on 23 September 2017, as a separate component of the Citizenship by Investment Unit, could attract new investors to the programme before its closing date at the end of March 2018. Additionally, the positive international press attributed to the destination could further strengthen the attractiveness of the destination to more high end foreign investment.

SAINT LUCIA

Overview

Provisional data suggest that economic activity in Saint Lucia accelerated in 2017. Real GDP (market prices) is estimated to have expanded by 2.7 per cent[16], following growth of 1.7 per cent in the previous year. The expansion in economic activity was driven largely by improved performances from a number of the major contributors to real output, including construction, hotels and restaurants, wholesale and retail trade and transport, storage and communications. On an end of period basis, the general price level increased by 2.0 per cent. There was a turnaround on the overall balance on the central government's fiscal accounts, which recorded a surplus position, occasioned by developments on the current account. Total disbursed outstanding public sector debt stock rose during 2017, reflecting growth in the borrowings of both central government and public corporations. Developments in the banking system were marked by growth in monetary liabilities and net foreign assets and a fall in domestic credit. Commercial banks remained liquid and the spread between the weighted average interest rates on lending and deposit narrowed during the review period. In the external sector, the merchandise trade deficit shrank, as the value of exports increased.

Prospects for the Saint Lucian economy in 2018 are largely positive, as activity is projected to expand in the near term, mainly emanating from developments in a number of the major economic sectors. The forecasted improvement in overall economic output is likely to be supported by anticipated gains on the fiscal account. Construction output is expected to be buoyed by private sector activity, including on-going work on tourism-related plants, which are likely to be bolstered by upcoming projects under the Citizenship by Investment Programme. Additionally, infrastructural rehabilitation and maintenance works in the

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[16]In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

public sector will likely subsidize value added in the construction sector. Growth may be supported by an anticipated increase in the number of stay-over visitors and positive forecasts for the agricultural sector. The overall surplus is likely to persist, based on expected improvements on the current account. Inflationary pressures are anticipated, mainly from commodity price movements, particularly fuel. On balance, risks are skewed to the downside and include exogenous shocks, a sudden stop in foreign investments, the inability of the Citizenship by Investment Programme to deliver according to expectations, the negative impact of global warming and climate change, and labour market impediments.

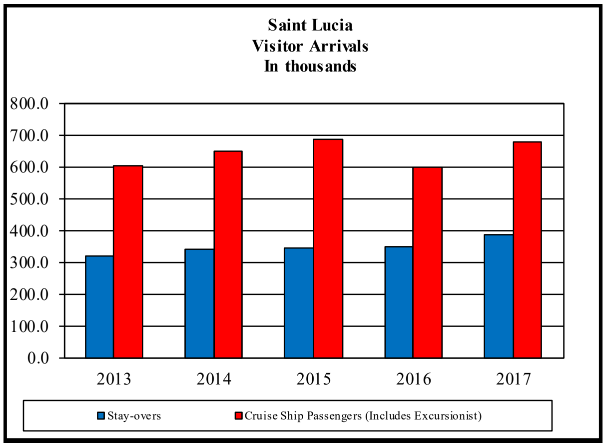
Output

Value added in the construction sector is estimated to have increased by 10.0 per cent in 2017, a slower pace than growth of 8.0 per cent recorded in the preceding year. Construction's share of GDP grew to 9.1 per cent from 8.5 per cent in 2016. The overall expansion in construction activity was partly reflective of a 12.1 per cent increase in the value of imported construction materials. The improvement in value added in the construction sector was predominantly led by higher levels of investments in the private sector. Work progressed on a number of projects including tourism-related plants like the Royalton, the Coconut Bay Resort, the Harbour Club and the Sandals Resort. That activity was supported by an uptick in the public sector, as reflected by an increase in capital expenditure. Public sector construction activity concentrated largely on infrastructural reconstruction, including the rehabilitation of major roadways.

The mining and quarrying sector moved in tandem with construction activity, hence recording an expansion of 10.0 per cent in 2017, a recovery from a contraction of 12.0 per cent noted last year. However, the sector's share to overall GDP remained relatively small and unchanged at 0.8 per cent. Improvements were also recorded in the transport, storage and communications sector and in real estate, renting and business activities, where value added increased by 3.5 per cent and 2.2 per cent, respectively. Also, a marginal improvement of 0.5 per cent was recorded in financial intermediation. The contribution of transport, storage and communications to overall economic activity remained unchanged at 18.5 per cent; while that of real estate, renting and business activities and financial intermediation declined slightly by 0.3 and 0.2 percentage points, respectively.

Value added in the hotels and restaurants sector, a proxy measure of activity in the tourism industry, is estimated to have increased by 8.1 per cent in 2017, in contrast to a contraction of 2.8 per cent recorded in the prior year. The sector's contribution to GDP grew to 10.2 per cent from 9.8 per cent in 2016. This performance was suggestive of strengthened activity in the hotels sub-sector, complemented by a marginal improvement in the performance of restaurants. This year's performance also reflected growth in the total number of visitors, which increased by 10.9 per cent to 1,113,579, primarily attributable to an improvement in the cruise ship sub-category. The number of cruise ship passengers grew by 13.7 per cent to 668,006, in contrast to a decline of 13.3 per cent in the prior year. The expansion in the number of cruise passengers largely reflected an increase in the number of cruise ship calls to 423 from 381 in 2016.

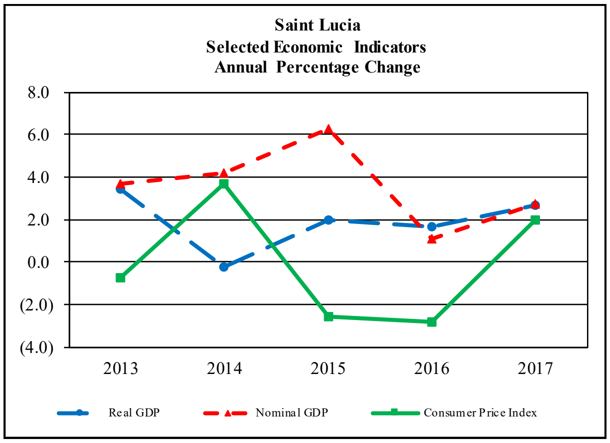
Stay-over arrivals grew by 11.0 per cent to 386,127, compared with a marginal increase of 0.9 per cent in 2016. The performance in the stay-over sub-category was attributable to growth in the number of visitors from all source markets. Visitor arrivals from Europe, the second largest source market, increased by 15.4 per cent to 92,494, mainly the result of growth in arrivals from the UK (12.5 per cent) and France (57.9 per cent). The number of stay-over visitors from the Caribbean, the third major market, grew by 13.6 per cent, compared with growth of 7.1 per cent recorded in 2016. Stay-over arrivals from Canada rose by 12.7 per cent to 42,578, which contrasts a decline of 2.3 per cent in that market in the previous year. The largest market, the USA, which represented about 43.6 per cent of total stay-over arrivals, recorded growth of 6.8 per cent compared with an increase of 3.2 per cent in the prior year. Of the other categories of visitors, the number of excursionist and yacht arrivals fell by 26.2 per cent and 10.7 per cent, respectively.



Other sectors in the economy experienced positive spinoffs from the improvements in construction and tourism activities. Value added in the wholesale and retail sector increased by 4.6 per cent in 2017, a deceleration from growth of 16.2 per cent one year ago. A turnaround was recorded in the transport, storage and communications sector, which posted growth of 3.5 per cent, in contrast to a 6.6 per cent contraction noted in 2016. As a percentage of GDP, both sectors' share remained unchanged from the previous year at 6.3 per cent (wholesale and retail) and 18.5 per cent (transport, storage and communications).

Manufacturing activity is estimated to have continued its growth path, albeit at a decelerated pace. Value added in that sector rose by 1.7 per cent in 2017, compared with growth of 3.8 per cent in the prior year. The expansion in the sector's output was attributable to an estimated 8.5 per cent increase in the production of a number of manufactured goods, supported by growth of 2.1 per cent in output of miscellaneous manufactured articles. Notwithstanding the increase in activity, the sector's contribution to overall GDP declined marginally to 5.5 per cent from 5.6 per cent in 2016.

Agricultural-related activity is provisionally estimated to have contracted, a reversal of the outturn recorded for the last two years. Value added in the agriculture, livestock and forestry sector declined by 9.0 per cent, in contrast to growth of 4.0 per cent in 2016. The sector's contribution to GDP fell marginally to 1.7 per cent from 2.0 per cent one year earlier. This outturn was largely associated with declines in all the sub-sectors, with the exception of forestry. Output of crops was down by 10.1 per cent in contrast to an increase of 2.4 per cent last year. Contributing to the overall outturn in the sector was a 6.3 per cent fall in value added from the output of livestock.



Prices, Wages and Employment

Prices of goods and services in the Saint Lucian economy are estimated to have risen by 2.0 per cent during 2017, on an end of period basis, as indicated by upward movements in the consumer price index. This outturn contrasts a deflation rate of 2.8 per cent recorded during 2016. The inflationary pressure was largely influenced by increases in four of the major sub-indices. The sub-index for housing, utilities, gas and fuels, the second largest weighted in the basket of goods and services, grew by 12.5 per cent in contrast to a decline of 4.8 per cent during the prior year. This outturn was mainly the result of increases in the price of gasoline and rent for housing. Other upward price movements were recorded in the sub-indices for communication (8.8 per cent), transport (6.3 per cent) and education (0.1 per cent). Those increases more than offset declines in all the other sub-indices including food and non-alcoholic beverages (0.3 per cent), alcoholic beverages, tobacco and narcotics (3.3 per cent), household furnishings, supplies and maintenance (3.8 per cent), health (4.0 per cent) and clothing and footwear (6.2 per cent).

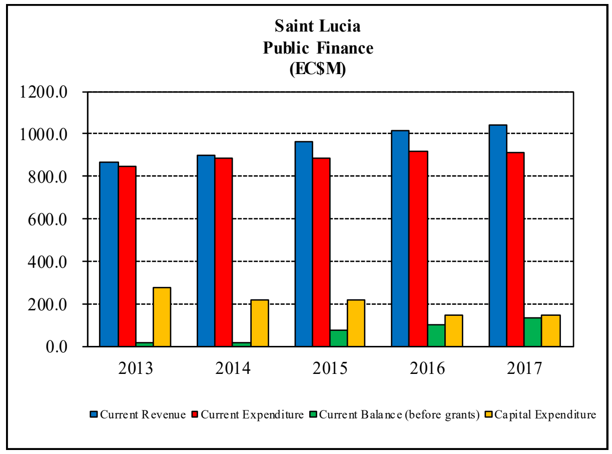
Official data on wage movements and employment in the private sector were not available. The rate of unemployment was estimated at 20.2 per cent, from 21.3 per cent at the end of 2016. The youth unemployment rate declined marginally to an estimated 38.5 per cent, partly due to an increase in the number of construction-related jobs, as the performance of that sector improved in the year under review. The number of public sector employees increased by 2.1 per cent from last year, owing partially to growth in the number of nurses.

Central Government Fiscal Operations

The fiscal operations of the central government resulted in an overall surplus of $14.6m (0.3 per cent of GDP), a stark

contrast to years of deficits, more recently one of $23.1m (0.5 per cent of GDP) at the end of 2016. The improved fiscal performance was predominantly attributed to positive developments on the current account, which recorded a surplus for the fifth consecutive year. These developments were also supported by a lower deficit on the capital account. A primary surplus of $130.8m (2.8 per cent of GDP) was realised, compared with one of $126.2m (2.8 per cent of GDP) in 2016.

The current account yielded a surplus of $130.3m (2.8 per cent of GDP), an increase of 31.8 per cent over the outturn at the end of 2016. This improvement was largely the result of an expansion in current revenue, supported by a fall in current expenditure. Current revenue grew by 2.7 per cent to $1,043.1m (22.6 per cent of GDP) compared with a rise of 5.6 per cent to $1,015.6m (22.6 per cent of GDP) at the end of the prior year. Current revenue growth was influenced by increases in both tax and non-tax revenue yields. An increase of 25.1 per cent ($12.5m) was noted for non-tax revenue, as yields from fees, fines and sales almost doubled, associated largely with receipts from the Citizenship by Investment Programme. Tax revenue grew by 1.6 per cent ($15.0m), reflecting increases in collections from all sub-categories of taxes, except taxes on domestic goods and services.



Receipts from taxes on international trade and transactions grew by 17.5 per cent to $326.8m (7.1 per cent of GDP), primarily reflecting increases in the collections from the excise tax on imports ($19.2m), the airport tax ($12.3m), import duty ($9.3m) and the service charge ($5.2m). Yields from taxes on income and profits increased by 1.0 per cent to $254.2m (5.5 per cent of GDP), compared with growth of 9.3 per cent to $251.6m (5.6 per cent of GDP) recorded in the previous year. The increase was largely associated with growth of 11.9 per cent ($4.3m) and 3.4 per cent ($3.2m) in inflows from tax arrears and the corporation tax, respectively. Receipts from the property tax grew by 10.0 per cent to record a total of $12.7m in the year under review.

Contrastingly, revenue from taxes on domestic goods and services was 8.8 per cent ($37.5m) below the 2016 collections, attributable largely to a decline in yields from the value added tax (VAT). The VAT, which constitutes 81.1 per cent of taxes on domestic goods and services, fell by 9.2 per cent ($31.6m) in 2017, as the rate was adjusted downwards in the first quarter of the year. As a percentage of GDP, the revenue from VAT fell to 8.4 per cent in 2017, from 9.4 per cent the year before. Declines were also recorded for the yields from licenses ($4.9m) and stamp duties ($2.4m).

Current expenditure fell marginally (0.4 per cent) to $912.8m, reflecting a decline in two of the major components, which more than offset growth in the other two components. As a percentage of GDP, current expenditure fell to 19.7 per cent, from 20.4 per cent in 2016. Interest payments decreased by 22.1 per cent to $116.2m, in contrast to marginal growth of 0.4 per cent in the previous year. The decline was largely driven by lower domestic interest obligations, consistent with falling domestic debt. Outlays on personal emoluments, which accounted for 41.9 per cent of current expenditure, fell by 4.5 per cent ($18.2m), the result of a 33.4 per cent ($23.0m) decline in wages, as the number of daily paid workers fell. By contrast, expenditure on goods and services grew by 11.0 per cent ($18.3m), following two consecutive years of decline. Also recording growth was spending on transfers and subsidies ($29.0m) mainly reflecting a higher level of transfers.

Capital expenditure grew by 3.1 per cent to $147.9m (3.2 per cent of GDP), in contrast to a contraction of 34.5 per cent to $143.6m (3.2 per cent of GDP) in the previous year. This outturn was largely attributed to higher capital grant receipts, which amounted to $32.1m (0.7 per cent of GDP), from $21.4m (0.5 per cent of GDP) at the end of December 2016.

Public Sector Debt

The outstanding debt of the public sector was estimated at $3,119.9m at the end of 2017, representing an increase of 3.4 per cent over the total at the end of December 2016. As a percentage of GDP, the outstanding debt increased marginally to

67.5 per cent from 67.0 per cent at the end of the previous year. Overall growth in public sector debt was largely the consequence of an increase in borrowing by the central government. The disbursed outstanding debt of the central government, which accounted for 95.8 per cent of the total debt stock, grew by 3.1 per cent to $2,989.8m (64.7 per cent of GDP), reflecting increased external borrowing. The stock of external debt of the central government rose by 15.7 per cent ($218.3m), while its domestic debt decreased by 8.6 per cent ($129.6m), as the authorities' sort to replace higher interest domestic debt with more concessional external borrowing. Preliminary estimates of the outstanding debt of the public corporations indicated growth of 12.3 per cent to $130.1m. The debt service payments fell by 25.3 per cent to $244.5m, influenced primarily by a 22.1 per cent decline in interest payments.

Money and Credit

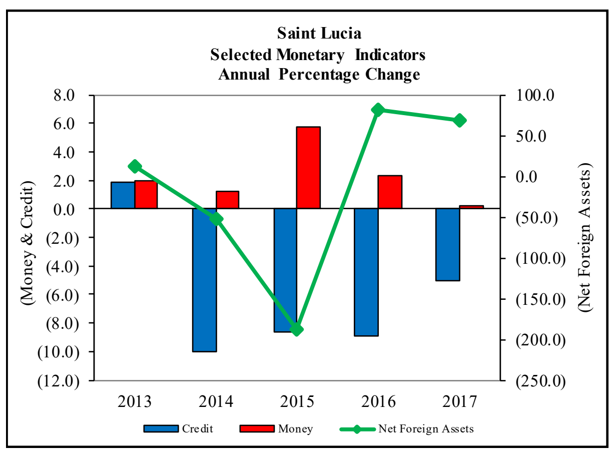
Broad money supply (M2) grew marginally (0.2 per cent) to $3,132.4m, compared with an increase of 2.3 per cent during 2016. The slight expansion was attributed to growth in narrow money (M1), which was partially offset by a contraction in quasi money. M1 rose by 5.8 per cent ($50.2m), owing largely to an increase of 8.7 per cent in private sector demand deposits, with support from growth of 1.6 per cent in cash at commercial banks. By contrast, quasi money contracted by 1.9 per cent to $2,222.5m, influenced by a decline of 23.4 per cent ($84.8m) in private sector time deposits.

Domestic credit contracted by 5.0 per cent to $2,827.5m, compared with a decline of 9.0 per cent recorded during 2016. The contraction was primarily influenced by decreased private sector borrowing, supported by a fall in credit to central government. Outstanding credit to the private sector fell by 1.9 per cent, reflecting a decline of 15.7 per cent in business credit, which more than offset growth of 11.2 per cent in lending to households. The central government's transactions resulted in a net credit position of $191.8m compared with one of $205.0m at the end of 2016. This development was largely attributable to an increase of $34.2m in government's deposits in the banking system. Additionally, the net credit position of non-bank financial institutions decreased by 34.7

per cent to $11.4m, driven by a decline in loans. Outstanding loans to non-financial public enterprises fell by 15.5 per cent to $37.9m, while their deposits grew by 13.2 per cent.

An analysis of the distribution of commercial banks' credit by economic activity indicates that outstanding loans and advances decreased by 3.9 per cent, compared with a decline of 5.7 per cent during the prior year. The outcome was associated with declines in lending for all categories, except personal lending, which increased by 8.8 per cent to $1,891.1m. The contraction was most pronounced in lending for other uses, particularly for professional and other services ($181.8m) and to a lesser extent, entertainment and catering services ($10.2m). Contractions were recorded in lending to tourism ($43.5m), distributive trades ($32.2m), manufacturing ($27.8m) and construction ($15.5m). Outstanding loans to the agriculture and fisheries sector declined by 9.4 per cent ($1.3m). These declines were partially offset by an increase of 8.8 per cent in credit for personal uses, largely driven by lending for acquisition of property ($49.3m) and for the purchase of durable consumer goods ($12.5m).

The banking system recorded $820.0m in net foreign assets at the end of 2017, up from $486.3m one year earlier. This outturn was mainly associated with a 96.6 per cent decrease in the net liabilities position of commercial banks, as they concurrently grew their asset base and lowered their liabilities. Assets held within the ECCU grew by 20.3 per cent ($79.2m), and those held with institutions outside the region increased by 7.3 per cent ($69.7m). Foreign liabilities held outside and within the ECCU contracted by 9.8 per cent ($74.1m) and 6.9 per cent ($61.1m), respectively. Also contributing to the overall improvement in the country's position was an increase of 6.4 per cent ($49.5m) in Saint Lucia's imputed share of the Central Bank's reserves.



Liquidity in the commercial banking system improved during the year. At the end of December, the ratio of liquid assets to total deposits plus liquid liabilities stood at 42.0 per cent, which was above the recommended minimum of 25.0 per cent and about 4.4 percentage points higher than the level recorded at the end of 2016. The ratio of loans and advances to total deposits fell by 4.3 percentage points to 83.5 per cent, which was within the ECCB's stipulated range of 75.0 to 85.0 per cent.

The weighted average interest rate on deposits continued on its downward trajectory since the reduction of the minimum savings rate on deposits. That rate declined to 1.48 per cent from 1.62 per cent at the end of December 2016. The weighted average interest rate on lending fell by 16.0 basis points to 7.99 per cent. As a consequence, the spread between the weighted average interest rate on loans and deposits narrowed to 6.51 percentage points during the year, from 6.53 percentage points at the end of December 2016.

Trade[17] and Payments

A merchandise trade deficit of $1,425.6m is estimated for 2017, marginally below one of $1,444.8m recorded one year earlier. The smaller deficit was mainly attributable to growth of 6.1 per cent in the value of exports to $342.9m. The increase in total export receipts largely reflected developments in the re-exports sub-category, where receipts were 24.3 per cent above that of the previous year. By contrast, domestic exports receipts fell by 2.9 per cent to $209.4m, partially the result of contractions of 19.8 per cent and 6.8 per cent in the value of machinery and transport equipment and beverages and tobacco, respectively. Import payments increased marginally to $1,768.5m, largely influenced by higher outlays for manufactured goods (13.7 per cent), food and live animals (6.7 per cent) and machinery and transport equipment (2.2 per cent).

Gross travel receipts are estimated to have grown by 3.3 per cent to $2,035.4m, concomitant with growth in the number of stay-over visitors, particularly from USA and Europe, two of the major source markets. The activities of commercial banks resulted in a net outflow of $284.2m in short-term capital during the year, compared with an outflow of $242.4m recorded during 2016.

[17] by SITC

In the review period, external loan disbursements to the central government totalled \$229.3m, up from \$144.6m in the previous year. Principal repayment on debt grew by 5.4 per cent to \$78.1m; consequently, the central government was in a net disbursement position of \$151.2m, compared with one of \$70.5m at the end of 2016.

Prospects

Despite downside risks, global economic activity continues to pick up and prospects remain favourable. **Concomitant with a strengthening global economy, supported by enhanced activity in the USA and other major trading partners, economic conditions in Saint Lucia are expected to improve in 2018 and into the near term. The uptick is likely to be led by increased activity in the construction sector, with support from the tourism industry and other productive sectors.**

The construction sector, one of the main drivers of economic growth, is expected to provide some impetus for the economy, led by anticipated robust activity in the private sector. Activity in that sector is expected to be driven by ongoing work on tourism-related plants, including the Royalton Property, the Harbour Club Hotel, the Coconut Bay Resort, the Sandals Resort and a few other projects in the pipeline, under the Citizenship by Investment Programme. Also, support is anticipated from a few private residential and commercial buildings, coupled with infrastructural development from the public sector.

Another critical element to the near-term outlook is the expectation for tourism. Subsequent to the improvement in airlift to Saint Lucia and a number of marketing initiatives, it is anticipated that increased stay-over arrivals will boost activity in the hotels and restaurants sector. These prospects are strengthened by the anticipated expansion in the hotel room stock, enhancements in the product quality and a number of positive reviews that the Saint Lucian destination has been receiving. Additionally, the favourable growth projections for the global economy may positively impact stay-over arrivals, especially from the UK, Canada and USA, the main source market, where tax policy changes are likely to stimulate economic activity. Support is anticipated through increased airlift from international airlines like Delta, United, JetBlue, British Airways, Virgin Atlantic and Sun Wing. Regional visitors are likely to bolster the tourism numbers through continued collaboration between the French West Indies and local communities in Saint Lucia. The cruise sub-sector is also expected to perform better in 2018, as the frequency of ships increase. Positive developments in the tourism industry will have spill-over effects on other ancillary sectors, like wholesale and retail trade and transport, storage and communications.

Growth in value added for agriculture is anticipated, based on an improvement in the output of all sub-sectors particularly non-banana crops. A recovery in the banana production is likely as the demand for Saint Lucian bananas increases following crop devastation in the neighbouring island. Continuous investments and initiatives towards diversification within the agricultural sector, along with strengthening linkages with other economic sectors remain fundamental to augment overall agricultural output.

Effective fiscal consolidation and debt management policies play an integral role in the thrust towards sustainable growth and development. The overall improvement on the fiscal account has been the result of revenue enhancement and expenditure reduction measures. Persistence in augmenting revenue and curtailing expenditure augurs well for continued improvement in the country's fiscal position. A projected increase in capital expenditure, to support a number of public sector projects, is likely to be outweighed by gains on the current side, supporting a fiscal surplus. Notwithstanding these positive fiscal developments, debt refinancing remains a concern to the authorities. Saint Lucia's medium term debt strategy, seeks to address its future borrowing plan, particularly given the quantum of bonds which becomes due next year.

In the external sector, the merchandise trade deficit is projected to narrow in the short to medium term, mainly due to a likely improvement in export earnings, despite an anticipated increase in import payments to accommodate the projected expansion in construction activity. Inflows associated with travel are expected to increase concomitant with the expectations of the stay-over visitor sub-category. Additionally, it is likely that foreign investment flows may improve in the short to medium term in line with positive global economic prospects and the expectations of the Citizenship by Investment Programme. Inflationary pressures may persist, largely contingent on developments regarding global commodity prices, especially fuel.

Although global dynamics point to continuous momentum in the near term, risks to the medium term are downwardly skewed and significant. These risks, which include financial market developments and higher-than-expected inflation, could inhibit overall growth and confidence. In this light, countries are urged to implement structural reforms that are likely to enhance their potential output, boost financial resilience and make growth more inclusive. In the case of Saint Lucia, along with the aforementioned, major reforms, including education, labour market and debt sustainability are imperative for the achievement of at least 5.0 per cent growth. **Major downside risks persist if policies, especially those geared towards growth enhancement, are not leveraged with opportunities such as the Citizenship by Investment Programme.** Apart from the external shocks, a number of domestic challenges persist. Among these are the tourism industry's dependence on developments in the advanced economies, a sudden stop in foreign investments used for the major tourism-related projects, the adverse effects of global warming and climate change, unemployment, poverty and crime.

ST VINCENT AND THE GRENADINES

Overview

Economic activity in St Vincent and the Grenadines is provisionally estimated to have posted another year of positive growth in 2017. Real GDP is estimated to have expanded by 1.6 per cent in 2017,[18] slightly higher than the 1.3 per cent increase in 2016. The pickup in growth was supported by moderate expansions in the construction, manufacturing and transport, storage and communications sectors, but with a notable decline in the hotels and restaurants sector. The contraction in that sector was largely attributed to the continued closure of Buccament Bay Resort. The growth in economic activity was accompanied by a 3.0 per cent increase in the inflation rate on an end of period basis, mainly reflecting upward price movements in telecommunications rates and a minimum wage increase for domestic workers. There was also some weakening in central government's operations, which resulted in an overall fiscal deficit, influenced by developments in the current account. The stock of total outstanding public sector debt fell, largely on account of debt forgiveness granted by the Government of the Bolivarian Republic of Venezuela. Favourable financing conditions continued to characterize developments in the commercial banking system, which reflected a decline in average lending rates, a narrowing interest rate spread and an increase in total outstanding credit. A fractional narrowing in the overall deficit was generated on the external account from a reduction in import payments.

Although still at a moderate pace, economic activity is expected to improve in 2018, supported by the first full year of operations at the Argyle International Airport, a benign international environment and initiatives from the 2018 budget. The outlook for the hotels and restaurants and other service sectors is expected to rebound during the course of

[18] In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

2018 given the introduction of direct flights between New York and St Vincent and the Grenadines by the Caribbean Airlines (CAL) beginning in March. Upgrades in a number of local tourism plants and a swift resolution and re-opening of the Buccament Bay Resort would also contribute positively to this outlook. Construction activity is projected to contribute positively to growth with anticipated spending by the private and public sectors, including new investments in tourism plants and a comprehensive programme by government for the rehabilitation of the road network. Government balances are expected to deteriorate in light of a number of the fiscal measures announced in the 2018 budget, although higher growth may help to mitigate this impact. The most recent World Economic Outlook update by the International Monetary Fund (IMF) suggests that global economic developments are likely to improve, which could have positive knock-on effects on the country's links to trade, investment and remittances. While the country is on track for positive growth, there are some domestic and international developments which could pose potential risks to the economic outlook. Domestically, the impact of hurricanes and other natural disasters and the continued uncertainty among the domestic corporate sector could limit potential gains to growth. Meanwhile, international concerns relate to geopolitical tensions, which could derail global economic prospects.

Output

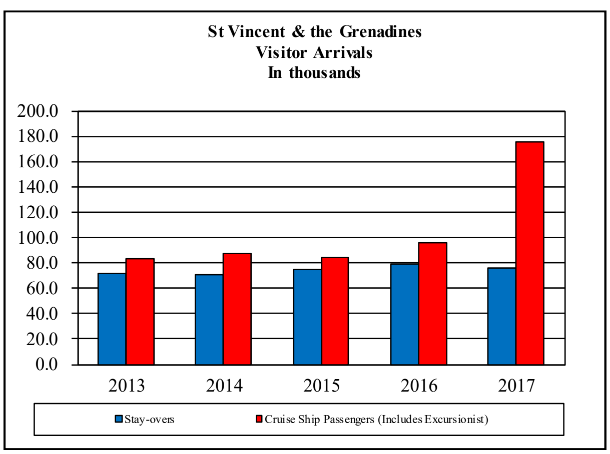
Real GDP in St Vincent and the Grenadines expanded further by 1.6 per cent in 2017, following growth of 1.3 per cent in the prior year, reflecting mixed trends across sectors. The manufacturing sector, which consists of the grains, beverages and building materials sub-sectors, maintained its favourable growth trend in 2017. Value-added in the sector expanded by 5.0 per cent, following growth of 2.1 per cent in the preceding year. Manufacturing output was mainly attributable to an expansion in the building material sub-sector, as these manufacturers benefitted from increased external demand which was driven by reconstruction activity in the islands affected by hurricanes Irma and Maria. This expansion was however mitigated by estimated contractions in the output of beer (17.0 per cent), feeds (6.8 per cent) and flour (6.0 per cent).

The initial data also point to greater momentum in the transport, storage and communications sector for the review period. With a contribution of almost 14.5 per cent to output, activity in the sector grew by 4.5 per cent up from a mild 0.9 per cent expansion in 2016. The relatively robust activity in the sector was supported by an acceleration in the cruise sub-sector, particularly during the fourth quarter, after several cruise ships re-routed to St Vincent and the Grenadines following the devastation of a number of economies from hurricanes Irma and Maria. This improvement in the sector was also propelled by increased activity in the road transport sub-sector which was driven by a strong pickup in activity by taxis and tour operators which benefitted from the influx of cruise ship passengers. Activity in this sector was however tempered by a decline in air transport resulting from lower stay-over arrivals in 2017.

This favourable performance was supported by a modest expansion in the utilities sector. Activity in the electricity and water sector is estimated to have advanced by 2.5 per cent, largely reflecting an estimated 10.0 per cent increase in output in the water sub-sector.

There was a modest rebound in the construction sector, driven mainly by the residential sub-sector and ongoing work in Canouan. Value added in this sector, which accounted for approximately 8.1 per cent of overall output, is provisionally estimated to have risen by 1.5 per cent, following 0.8 per cent decline in the previous year. The expansion was largely predicated on a modest improvement in the imports of construction materials and supplies. Value added in the sector was driven by private sector activity which helped to cushion weaker public sector capital expenditure, which slid by 12.6 per cent in the year. In addition to ongoing work at Glossy Bay marina in Canouan, activity in the sector was positively influenced by residential activity, as observed by the 3.5 per cent growth in credit to residential construction and renovation over the period. Meanwhile, value added in the mining and quarrying sector, which contributed negligibly to GDP, is estimated to have risen by 7.0 per cent reflecting the ongoing work in Canouan and some rehabilitation of the road network.

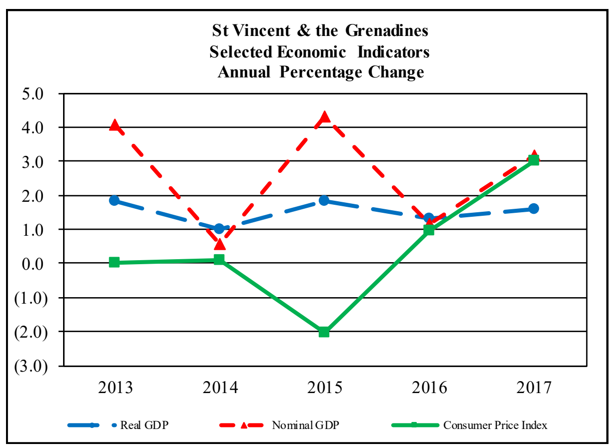
According to preliminary estimates, activity in the agricultural sector is estimated to have slowed, reflecting both recent and ongoing issues associated with the sector. These include the recent challenges faced by farmers and hucksters in obtaining foreign exchange from Trinidad and Tobago from the sale of produce as well as the lagged effects usually associated with the implementation of many agricultural initiatives. Following a 7.8 per cent expansion in 2016, output in the sector is estimated to have decelerated, with growth of 0.7 per cent in 2017. The relatively weak performance in 2017 was primarily driven by a decline in banana output (15.0 per cent). This contraction was partly offset by a marginal improvement in the cultivation of other crops. Fish production is estimated to have accelerated by 8.0 per cent in 2017, partly attributable to increased activity in traditional fishing as well as lobster and other shellfish for local and external consumption.



Despite a 35.8 per cent expansion in total visitors to St Vincent and the Grenadines, value added in the hotels and restaurants sector, a proxy for tourism activity, is estimated to have contracted by 6.5 per cent in 2017, following marginal growth of 0.2 per cent in 2016. This outturn largely reflected a 4.3 per cent decline in the number of stay-over visitors to 75,972, compared to growth of 5.3 per cent in 2016. A 30.1 per cent decline in the number of visitors from the United Kingdom contributed to this contraction. The sharp reduction may have been driven largely by the closure of Buccament Bay Resort. The luxury resort which closed in December 2016, had a room stock of approximately 140, and was quite popular with guests from the United Kingdom. The falloff in the United Kingdom market was partly offset by gains in stay-over arrivals from all other source markets. The largest expansion was recorded in stay-over arrivals from Canada, which grew steadily at 9.9 per cent, following growth of 5.2 per cent in the previous year. Accounting for about a third of stay-over arrivals in the period, stay-over arrivals from the Caribbean rose by a modest 2.2 per cent, much lower than the rate of 13.1 per cent observed in 2016. The growth in arrivals from the Caribbean may be attributable to the 40th anniversary of 'Vincy Mas' carnival celebrations and the country's hosting of regional meetings and conferences in 2017. A more subdued growth of 1.0 per cent was registered in stay-over arrivals from the United States of America, the second largest source market, following an increase of 4.6 per cent in the previous year. Following a decline of 2.1 per cent in 2016, the pace of growth in stay-over arrivals from the other less-established markets turned positive with growth of 1.8 per cent in 2017.

The decline in stay-over arrivals was offset by significant expansions in all other categories of visitors. Advances were recorded in the number of cruise passengers (85.1 per cent), as 19 more cruise ships made calls to St Vincent and the Grenadines. The momentum in this sub-sector may have been partly related to the devastation caused to a number of islands further north, following the passage of two major hurricanes in the third quarter of 2017. An improvement was also recorded in the yachting sub-sector as the number of yacht passengers grew steadily by 6.4 per cent in 2017 relative to an uptick of 1.7 per cent in the previous year. Following three consecutive years of decline in arrivals, the number of excursionists rebounded with growth of 10.8 per cent in 2017. Despite the increase in total visitor arrivals, visitor expenditure is estimated to have declined by 5.0 per cent to $256.8m in the year, in tandem with the decline in stay-over arrivals.

After a mild contraction in 2016, activity in the wholesale and retail trade sector fell further in 2017. The sector, which is the third largest in terms of its contribution to GDP, is estimated to have declined by 5.5 per cent, evident by a contraction in several categories of imports. Meanwhile, growth in the real estate, renting and business activities sector, which accounts for the largest contribution to GDP, remained subdued with a growth rate of 1.0 per cent, slightly lower than its performance in the previous year.



Prices, Wages and Employment

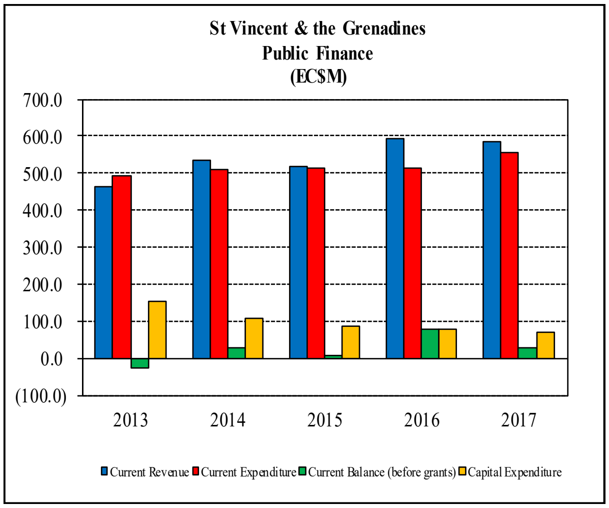
Upward pressures from the price of cooking gas, mobile rates and the increase in minimum wages for domestic workers, contributed to a pick-up in consumer prices in St Vincent and the Grenadines during the year. The inflation rate, as measured by the annual change in the Consumer Price Index (CPI) on an end-of-period basis, rose by 3.0 per cent in 2017, following a 1.0 per cent rise in 2016. This outturn reflected higher price levels in all sub-categories. The largest movement was registered in the household supplies, furnishing and maintenance sub-index which was 7.7 per cent higher, on account of increases in the minimum wages for domestic workers as well as the price of bedding. This was followed by the communication sub-index which rose by 4.8 per cent as a result of higher mobile rates. Additionally, the housing, utilities, gas and other fuels sub-index, which accounts for the highest weight to the index, rose by 2.2 per cent underpinned by an increase in the price of LPG cooking gas and electricity rates. Higher prices for poultry and selected vegetables contributed to gains in the second largest-weighted sub-index comprising food and non-alcoholic beverages which rose by 3.9 per cent. Higher airfares to selected Caribbean countries contributed to the upward pressure in the average price level of the transport sub-index, the third largest category, which advanced by 1.5 per cent.

Labour market conditions continued to improve in 2017, evidenced by data from workers' contributions to the National Insurance Services (NIS). Preliminary data from the NIS revealed that the total number of active insured persons rose by 1.0 per cent in 2017, albeit a slower pace to the 2.5 per cent increase in the preceding year. Among the economic sectors tracked by the NIS, advances were registered in transport and storage, accommodation and food service activities, manufacturing and public administration and social security. On the other hand, declines were observed in administrative and support services, real estate activities, wholesale and retail trade and households, health and social activities. The preliminary data from paid contributions also pointed to an increase of 2.2 per cent in average annual wages relative to 0.6 per cent in 2016.

Central Government Fiscal Operations

The operations of the government are estimated to have resulted in an overall deficit of $7.2m (0.3 per cent of GDP) in contrast to a surplus of $45.8m (2.2 per cent of GDP) in the corresponding period of 2016. This deterioration was largely driven by developments in the current account. Over the same period, a primary surplus of $41.4m (1.9 per cent of GDP) was recorded, following one of $88.5m (4.2 per cent of GDP) in 2016.

The current account surplus deteriorated to $27.8m (1.3 per cent of GDP) following one of $78.0m (3.7 per cent of GDP), reflecting a decline in revenue, which was compounded by a higher level of expenditure. Current revenue fell by 1.6 per cent to $583.3m (27.4 per cent of GDP) from $592.6m (27.8 per cent of GDP) in 2016, reflecting declines in four of the seven major tax categories. Lower yields were recorded from taxes on international trade, income and profits, property income and other current revenue. Collections from taxes on income and profits, which accounted for approximately a quarter of current revenue fell by 3.4 per cent ($5.1m) largely on account of lower corporate tax inflows. Additionally, the falloff in the volume and value of imports resulted in a 5.8 per cent ($3.4m) decline in receipts from taxes on international trade. Property income, which includes interest and rent earned on government assets and dividends from statutory companies, yielded a fraction of the intake of the previous year and stood at $5.8m, down from $16.9m in 2016. The miscellaneous revenue category (Other current revenue) fell by less than a half to $8.9m over the twelve-month period from $16.7m in the previous year. These declines were mitigated by higher receipts from taxes on property (19.6 per cent), taxes on goods and services (2.8 per cent) and sale of goods and services (0.8 per cent). Higher collections from stamp duty on property ($6.5m) and the issuance of aliens landholding licenses ($4.6m) partially led to the expansion in the inflows from taxes on property. The additional intake in revenue from taxes on goods and services was positively affected by advances in the collection from the value-added tax (VAT). VAT receipts for the period rose by $5.5m (3.4 per cent) following the one percentage point increase in the tax rate to 16.0 per cent in 2017. Meanwhile, the improved outturn in receipts from the sale of goods and services partially reflected the higher yields from driver's licenses, but was dampened by a falloff in the intake from customs service charge.



Current expenditure rose by 7.4 per cent ($40.9m) to $555.6m (26.1 per cent of GDP), reflecting higher outlays in all of the major expenditure categories. Compensation to employees, which comprised approximately half of current expenditure, advanced by 2.0 per cent ($5.5m), due mainly to the annual increments granted to public sector workers. Spending on transfers and other social benefits, the second largest expenditure component, grew by 11.1 per cent ($14.9m) due to investments in tourism marketing, ongoing negotiations with airlines and the operationalisation and maintenance of the Argyle International Airport. There was a concurrent expansion of 8.7 per cent ($6.1m) in the expenditure on goods and services, largely due to increased outlays related to government's operating expenses and maintenance services. A 12.0 per cent advance in interest payments was recorded attributable to increases of 19.8 per cent and 7.1 per cent in domestic and external obligations. A notable increase ($8.6m) was registered in the sundry expenditure category (other expenses).

Investment in the government's capital programme contracted for the third consecutive year by 12.6 per cent ($8.7m) and stood at $69.4m for the period under review. The three consecutive declines were consistent with the culmination of construction activity related to the Argyle International Airport; the modern medical complex and the post-disaster housing rehabilitation programme. The capital programme was partially funded by capital revenue and grants which totalled $34.5m, a 33.3 per cent decline from the intake of the prior year. Grants accounted for the vast majority of this total, with a value of $28.7m in the period, $3.0m (10.3 per cent) higher than the amount received in the comparable period in 2016. Meanwhile, capital revenue fell by more than half of the 2016 level, owing to lower sales of government assets, including land.

Public Sector Debt

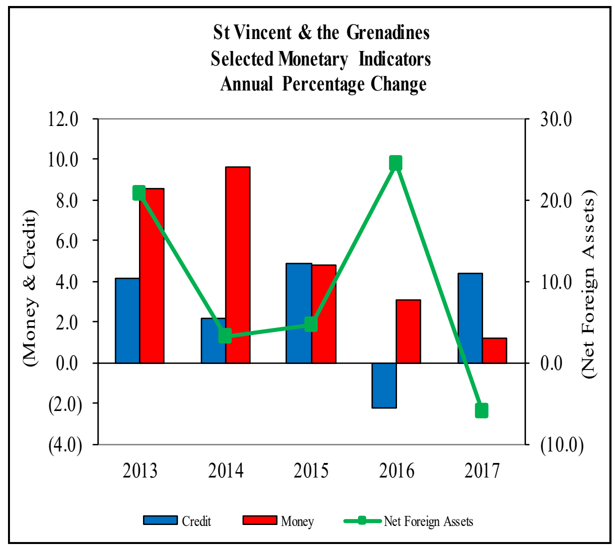
The stock of disbursed outstanding debt of the public sector was estimated at $1,681.2m at the end of 2017, approximately 2.1 per cent lower than that recorded in 2016. Consequently, the debt-to-GDP ratio fell to 78.9 per cent from 83.1 per cent in December 2016. The contraction in the debt stock was attributable to a decline in external debt of the central government. The central government's external debt stock fell by 8.2 per cent to $873.7m, the result of an $81.0m write-off (including principal and arrears) from the Government of the Bolivarian Republic of Venezuela. Conversely, the central government's domestic portfolio was $460.3m, which was 12.0 per cent higher than the previous year. The expansion was associated with a bond issuance for the repurchase of 31.0 per cent stake in the Bank of St Vincent and the Grenadines. Meanwhile, the debt stock of public corporations was 2.0 per cent lower at the end of the period and stood at $347.2m, attributable to principal repayments and a decline in accounts payable of public corporations.

Money and Credit

Provisional data indicate that financial conditions in St Vincent and the Grenadines remained mixed during 2017, characterised by an expansion in monetary liabilities and an increase in outstanding credit directed largely to the household sector. Consistent with the general expansion in economic activity, total monetary liabilities (M2) of the banking system grew by 1.2 per cent to $1,539.2 during 2017, when compared to growth of 3.1 per cent during 2016. The expansion in M2 largely reflected developments in quasi money, as it accounted for more than two-thirds of M2. Quasi money rose by 2.2 per cent to $1,063.4m, primarily on account of a 3.6 per cent expansion in private sector saving deposits, its largest component. Meanwhile, foreign currency deposits and time deposits of the private sector declined by 4.9 per cent and 3.6 per cent respectively. The period also witnessed a 0.8 per cent decline in narrow money to $475.8m, reflecting a 2.2 per cent decline in private sector demand deposits. The decline was dampened by a 4.5 per cent advance in currency with the public.

Domestic credit rose by 4.4 per cent to $1,091.0m during 2017, as against the 2.2 per cent contraction during 2016. This expansion was due to advances in credit to central government and the private sector. The net indebtedness of the central government rose by 57.5 per cent to $95.2m during 2017, in contrast to a 45.7 per cent decline in the previous year. The expansion was largely associated with growth in commercial bank credit. Meanwhile, the net deposit position of non-financial public enterprises rose by 6.2 per cent to $105.1m, reflecting an expansion in their deposits coupled with a contraction in credit.

Driven by the continued expansion of credit to households, private sector credit grew by1.6 per cent ($16.9m) during 2017, a marginally faster pace than in the preceding year (1.3 per cent). Lending to households continued to dominate this category, as it accounted 80.0 per cent of private sector credit in 2017. Credit extended to that sector maintained a favourable growth trend of 3.7 per cent during the period, following a rate of 3.6 per cent during the previous year. Conversely, banking sector data indicated continued weakness in outstanding credit to the corporate sector. Following a 9.8 per cent contraction in the previous year, credit to that sector plunged further by 11.2 per cent, which may be reflective of business uncertainty or limited investment opportunity.



An analysis of the allocation of bank credit by economic activity revealed that gross financing raised by the private sector recovered to grow 2.6 per cent to $1,231.2m during 2017, following a 0.5 per cent decline recorded during 2016. The moderate expansion was largely attributable to an increase in loans to the personal sector. Lending continued to expand by 3.3 per cent in the personal category, albeit at a slightly slower pace than the previous year (3.5 per cent). Credit extended to this category was mainly allocated to the purchase, construction and upgrading of property and consumer durables. Lending for consumer durables grew by 8.0 per cent, while credit extended to home construction and renovation increased by 3.7 per cent and may be explained by lower mortgage rates offered by some commercial banks.

Lending to most of the productive sectors fell, with the notable exception of tourism, which rose by 12.4 per cent during the twelve-month period. Declines were registered in gross credit extended to construction (28.5 per cent), distributive trades (21.8 per cent), agriculture and fishing (20.2 per cent) and manufacturing (1.0 per cent). These contractions were moderated by a 20.9 per cent expansion in credit extended to the miscellaneous category comprising, inter alia, professional and other services, financial services and public administration. The continued decline in business lending, particularly in the productive sectors, may be a cause for concern, as it could adversely impact growth and the employment outlook for 2018.

Net foreign assets of the banking system fell by 5.9 per cent to $622.5m, at the end of 2017, following an accelerated pace of 24.4 per cent during 2016. This contraction was mainly fuelled by a 6.9 per cent decline in the net foreign assets of commercial banks to $135.5m, and was largely associated with a lower (15.3 per cent) asset position with banks outside the currency union. This was accompanied by an expansion in St Vincent and the Grenadines' imputed share of the Central Bank reserves of 5.7 per cent.

The commercial banking system remained relatively liquid during the period under review. This was evidenced by an increase in the ratio of liquid assets to total deposits plus liquid liabilities, which stood at 43.5 per cent as at end 2017, a 2.8 percentage point decline from the rate recorded during 2016. In addition, the ratio of loans and advances to total deposits rose by 1.5 percentage points to 68.9 per cent, still below the maximum threshold of 75.0 to 85.0 per cent.

Deposit rates were relatively stable during the period as the average weighted deposit rate remained unchanged at 1.82 per cent during 2017. On the other hand, a 32 basis point reduction was recorded in the weighted average lending rate which stood at 8.58 per cent from 8.90 per cent in the previous year. Consequently, commercial banks weighted average interest rate spread narrowed to 6.76 at the end of 2017, from 7.09 per cent at the end of 2016.

Trade[19] and Payments

Provisional trade data indicate that there was a fractional improvement of the merchandise trade deficit which stood at \$776.2m (36.4 per cent of GDP) for the twelve-month period ending December 2017 relative to a deficit of \$777.6m (37.6 per cent of GDP) in 2016. The marginal narrowing of the deficit was mainly the result of a decline in import payments, which fell by 1.4 per cent to \$890.9m. Meanwhile, the total value of exports fell by 9.1 per cent to \$114.7m. Declines in the value of all but four of the categories of imports resulted in the fall in import payments, and included inter alia mineral fuels and related materials (22.0 per cent), crude materials (25.1 per cent), miscellaneous manufactured articles (4.1 per cent) and animal and vegetable oils (3.7 per cent). These declines were only partially offset by increases in the payments for manufactured goods (10.3 per cent), machinery and equipment (3.5 per cent) and food and live animals (2.7 per cent). The reduction in export receipts reflected lower earnings from the export of domestic goods which fell by 13.5 per cent to \$100.2m, associated in part, with a decline in the exports of agricultural produce and some manufactured goods to the regional market. Notable declines have been observed in the export receipts from flour, beer and rice. The decline was partly mitigated by a 39.3 per cent expansion in the value of re-exports.

In tandem with the fall in stay-over arrivals, gross travel receipts are estimated to have declined by 5.0 per cent to \$256.8m. Preliminary estimates indicate that the transactions of commercial banks resulted in a net inflow of \$10.1m in short-term capital during the twelve months to December 2017, relative to a net outflow of \$58.4m recorded during the corresponding period of 2016. Concurrently, total disbursements from external loans to the central government stood at \$55.8m, approximately half as much as the total disbursed amount of \$114.2m during the preceding year. The value of external principal repayments rose by 24.8 per cent and stood at \$64.7m.

[19] by SITC

Prospects

The momentum in economic activity is expected to continue in 2018, driven by the first full year of operations at the Argyle International Airport, a favourable international environment and developments from the 2018 budget. Regarding developments related to Argyle International Airport, the Government has announced the introduction of direct flights between New York and St Vincent and the Grenadines by Caribbean Airlines (CAL). The weekly service is expected to begin on 14 March 2018, and is projected to boost tourism, exports and other areas of commerce between St Vincent and the Grenadines and the United States of America. This also complements the winter service by Air Canada Rouge and Sunwing Airlines, which began in 2017. Consistent with this development, activity in tourism, as well as the transport, storage and communications and agricultural sectors are projected to improve. In addition, the recently-commissioned airport is expected to stimulate business confidence which has waned in previous years. This favourable outlook is however contingent on productivity improvements as well as enhanced marketing in both traditional and non-traditional source markets. The upgrade of a number of local tourism plants and the expected re-opening of the Buccament Bay Resort would also contribute positively to this outlook. Additionally, the yachting subsector could benefit from the full operationalisation of the Glossy Bay marina in Canouan in 2018.

Construction activity is projected to maintain a positive performance in the coming year with anticipated spending by the private and public sectors. Private sector activity would include upgrades and new investments in tourism properties, while the Government has announced a comprehensive programme for the construction and rehabilitation of roads and bridges, including the commencement of work on secondary and feeder roads.

The outlook for the agricultural sector is favourable, supported by a range of ongoing donor-funded initiatives related to the Banana Accompanying Measures (BAM). In 2017, the sector continued to be negatively impacted by the difficulties faced by hucksters in remitting their funds to St Vincent and the Grenadines after selling their agricultural produce to selected regional markets. However, some recovery in the agricultural sector is expected in 2018, supported by interim measures instituted by the Government to ensure that farmers and other exporters receive timely payments for their sales to Trinidad and Tobago. Activity in the fishing sector is also likely to improve in light of a proposed seafood packaging facility in Calliaqua, to facilitate export of fish, lobster and other shellfish to regional and international markets.

Output in the selected sub-sectors in manufacturing is projected to strengthen on account of the expected reconstruction activity in a number of the islands which were severely impacted by hurricanes Irma and Maria. Demand for building material such as galvanize sheet is projected to expand and contribute positively to activity in this sector. These developments are likely to be tempered by competitive pressure in the grains and beverages sub-sectors.

Government balances are expected to deteriorate in light of a number of the fiscal measures announced in the 2018 budget. An appreciable increase in expenditure is projected for 2018, associated with higher allocations for health and hospital services as well as for law and order, police and security-related services. This increase in expenditure will be compounded by a number of fiscal incentives announced, which include reductions in the rates of corporate and income tax. Measures to improve the efficiency in tax administration and higher economic growth however, may help to mitigate this impact.

With respect to external developments, global economic activity is projected to gain further momentum in 2018. The International Monetary Fund (IMF) in its January 2018 World Economic Outlook raised the global economic growth forecast for 2018 to 3.9 per cent, marking the largest upswing in global growth since 2010. Preliminary GDP data indicated that economic activity in fourth quarter was favourable in the USA, United Kingdom and European Union, which if sustained in 2018, could have positive knock-on effects on the economies of the ECCU, including St Vincent and the Grenadines.

This optimistic outlook for economic growth should however be tempered by a few downside risks related to both the domestic and external environment. Domestically, the operationalisation of the airport may not result in the improvements in tourism as envisaged. Enhancements in major tourist sites and improved room stock may have to complement this development. Negative effects may also stem from the low implementation of capital projects in light of the historically low rates of implementation in St Vincent and the Grenadines. Concerted efforts are being made to actively monitor and raise implementation efforts in 2018.

In light of the contractions in corporate investment in recent years, business credit may not recover due to increased uncertainty about domestic economic prospects. Similarly, while there may be opportunities for export growth from the opening of the Argyle International Airport and potential external demand, exports have remained sluggish as a result of increased external competition and lack of competitiveness by domestic producers.

In addition, one of the most notable risks for small island states such as St Vincent and the Grenadines, is the threat of extreme climatic events. Climate experts have predicted an above average hurricane season this year, which if realized, may pose devastating human, social and economic costs for these islands. In the international environment, policy uncertainty, inflationary concerns and geopolitical tensions could derail global growth and weaken domestic economic prospects. Global policy uncertainty continues to be a concern in light of a recent announcement by President Trump to impose tariffs on steel and aluminum imports to the United States. These protectionist measures, if implemented, could increase trade tensions and undermine global economic growth.

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.

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Table 1
ECCU - Selected Economic Indicators

	2013^{R}	2014^{R}	2015^{R}	2016^{R}	2017^{P}
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Marke	3.05	5.66	5.79	3.94	3.34
Real GDP at Market Prices*	2.16	3.61	2.96	2.86	1.77
Deflator	0.84	1.98	2.74	1.03	1.55
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	5.54	6.26	9.89	0.32	(4.22)
Fishing	3.21	(5.15)	6.98	7.51	0.32
Manufacturing	4.50	(0.45)	0.68	(0.82)	(0.83)
Mining & Quarrying	42.30	6.14	(2.97)	(2.44)	10.72
Electricity & Water	(0.60)	(0.33)	3.89	2.97	(0.13)
Construction	10.97	0.95	5.41	9.55	11.97
Wholesale and Retail	(1.40)	3.56	(0.20)	3.17	1.95
Hotels and Restaurants	1.33	6.94	1.04	2.39	(1.35)
Transport, Storage and Communications	0.20	4.21	2.30	(1.32)	3.73
Transport and Storage	(0.17)	7.34	2.52	(1.53)	6.41
Communications	0.73	(0.11)	1.99	(1.00)	(0.25)
Financial Intermediation	(0.38)	(0.31)	5.53	3.43	1.10
Real Estate, Renting and Business Activities	2.97	2.43	3.44	2.59	0.45
Public Administration, Defence & Compulsory	3.11	5.87	1.78	1.84	2.14
Education	3.72	3.07	1.92	2.80	1.85
Health and Social Work	0.83	3.22	2.68	3.22	1.99
Other Community, Social & Personal Services	(2.86)	1.37	1.37	0.06	1.50
Activities of Private Households as Employers	1.65	(2.22)	(5.35)	(1.84)	(0.31)
FISIM	(0.13)	(2.09)	1.44	(1.21)	(1.40)
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	45.90	44.17	40.43	39.44	37.39
Central Government					
Current Account Balance	0.48	1.36	2.46	5.05	2.02
Current Revenue	23.78	24.47	24.59	27.65	24.71
Current Expenditure	23.30	23.12	22.13	22.61	22.69
Capital Expenditure and Net Lending	6.36	5.38	4.89	4.23	4.12
Overall Fiscal Balance	(3.30)	(0.94)	0.60	3.67	0.15
	(in percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.85	2.58	1.98	1.71	1.63
Weighted Lending Interest Rates	8.94	8.92	8.74	8.53	8.41
	(in millions of EC dollars, unlesss otherwise stated)				
Memo					
Nominal GDP at Market Prices*	15,871.27	16,768.82	17,739.97	18,438.85	19,054.47
Real GDP at Market Prices*	11,767.17	12,132.65	12,476.01	12,796.11	13,083.26
Merchandise Imports (f.o.b)	6,039.77	6,187.29	6,001.44	6,210.12	6,545.78
Merchandise Exports	1,067.76	999.34	1,037.49	922.76	909.51
Gross Visitor Expenditure	4,780.16	5,259.94	5,421.02	5,357.23	5,289.80
GDP per capita (EC$)	25,878.14	27,135.34	28,444.66	29,281.77	29,971.79

Source: ECCU Central Statistics Offices and Eastern Caribbean Central Bank
Data as at 13 March 2018
* In Keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices, as was used in previous reports of the Economic and Financial Review (EFR). However, GVA would remain applicable for output by sector.

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

	2013	2014[R]	2015[R]	2016[R]	2017[P]
CURRENT REVENUE	**3,774.2**	**4,103.4**	**4,361.8**	**5,098.7**	**4,708.9**
Tax Revenue	3,117.2	3,326.8	3,549.1	3,762.1	3,827.1
Taxes on Income and Profits [1]	653.6	703.8	773.4	826.4	848.4
of which:					
Personal [1]	317.2	344.1	357.2	366.6	350.5
Company [2]	236.4	257.3	319.9	371.2	405.6
Taxes on Property	73.2	114.5	113.6	128.5	144.6
Taxes on Domestic Goods & Services	1,496.2	1,544.6	1,591.2	1,693.0	1,671.0
of which:					
Accommodation Tax	16.8	19.0	19.4	17.7	20.6
Licenses	139.2	97.8	92.9	97.5	92.0
Sales Tax [3]	209.4	229.2	231.7	251.0	236.9
Consumption Tax [4]	1.0	0.4	0.3	0.1	0.0
Value Added Tax [5]	857.9	900.1	927.4	993.1	973.7
Stamp Duties	118.0	111.4	102.6	110.1	110.1
Taxes on International Trade & Transac	894.1	963.9	1,071.0	1,114.1	1,163.1
of which:					
Consumption Tax [6]	40.5	52.0	75.3	89.9	75.7
Import Duties	416.2	446.6	470.2	498.2	502.2
Customs Service Charge	197.4	210.5	227.5	235.1	242.8
Non-Tax Revenue	657.0	776.6	812.6	1,336.7	881.8
CURRENT EXPENDITURE	**3,698.4**	**3,876.2**	**3,926.1**	**4,168.4**	**4,324.0**
of which:					
Personal Emoluments	1,653.0	1,719.8	1,712.6	1,846.6	1,855.8
Goods and Services	790.4	783.9	781.0	838.4	891.6
Interest Payments	437.8	480.3	452.1	456.1	423.4
Domestic	257.9	272.9	250.2	246.5	225.2
External	179.9	207.5	201.9	209.6	198.2
Transfers and Subsidies	817.1	885.3	974.5	1,013.5	1,130.8
Pensions	289.7	283.9	288.7	318.4	332.2
Current Account Balance (before grant	**75.79**	**227.23**	**435.71**	**930.34**	**384.91**
Capital Revenue	**60.5**	**37.7**	**101.3**	**200.1**	**25.1**
Grants	**350.3**	**478.3**	**436.8**	**325.0**	**403.0**
Current Grants	75.8	112.0	138.9	113.8	121.1
Capital Grants	274.5	366.3	297.9	211.2	281.8
Capital Expenditure and Net Lending	**1,010.0**	**901.7**	**866.6**	**779.2**	**784.7**
Captial Expenditure	1,008.7	901.0	840.7	754.5	783.0
Primary Balance after grants	**(85.63)**	**321.89**	**559.23**	**1,132.37**	**451.60**
Overall Balance after grants	**(523.5)**	**(158.4)**	**107.1**	**676.3**	**28.2**
Financing	**523.5**	**158.4**	**(107.1)**	**(676.3)**	**(28.2)**
Domestic	235.5	(150.6)	(499.7)	(728.2)	(127.6)
ECCB(net)	54.5	(63.7)	(60.4)	(41.8)	(2.6)
Commercial Banks(net)	(100.3)	139.1	(298.5)	(284.1)	(115.2)
Other	281.4	(226.0)	(140.8)	(402.2)	(9.8)
External	233.0	194.5	217.0	23.7	27.1
Net Disbursments/ (Amortisation)	236.2	203.0	139.6	34.9	26.7
Disbursement	587.7	573.1	602.4	486.3	558.1
Amortisation	351.4	370.1	462.8	451.4	531.4
Change in Govt. Foreign Assets	(3.3)	(8.6)	77.4	(11.2)	0.4
Other Foreign Financing [7]	-	-	-	-	-
Arrears	55.0	114.6	23.2	(2.3)	72.3
Domestic	(12.2)	26.6	(14.2)	(25.9)	34.8
External	67.1	88.0	37.4	23.6	37.5
Other Financing (residual)	-	-	152.3	30.4	-

Source: ECCU Ministries of Finance and Eastern Caribbean Central Bank
/1 Taxes on Income & Profits include stabilization levy collected in Anguilla 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 28 March 2018

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

	2012	2013	2014	2015	2016	2017P
Net Foreign Assets	**2,653.67**	**3,481.20**	**4,960.27**	**6,532.89**	**7,399.67**	**8,551.13**
Central Bank (Net)	**3,031.40**	**3,149.94**	**3,804.49**	**4,205.97**	**4,557.25**	**4,706.94**
External Assets	3,036.61	3,156.59	3,810.30	4,211.41	4,565.64	4,725.76
External Liabilities	(5.21)	(6.64)	(5.81)	(5.44)	(8.39)	(18.82)
Commercial Banks (Net)	**(377.73)**	**331.26**	**1,155.78**	**2,326.92**	**2,842.42**	**3,844.19**
External Assets	4,045.46	4,205.66	4,940.18	5,904.76	6,159.17	7,227.98
External Liabilities	(4,423.20)	(3,874.41)	(3,784.40)	(3,577.84)	(3,316.75)	(3,383.79)
Net Domestic Assets	10,986.90	10,755.91	10,165.47	9,189.81	8,458.32	7,854.08
Domestic Credit	**13,396.80**	**12,888.29**	**12,088.16**	**11,084.55**	**10,017.41**	**9,840.38**
Central Government (Net)	1,575.75	1,529.90	1,605.30	1,246.39	922.97	802.64
Other Public Sector (Net)	(1,512.94)	(1,621.12)	(1,893.77)	(2,002.93)	(1,965.81)	(2,011.52)
Private Sector	13,333.99	12,979.51	12,376.63	11,841.09	11,060.26	11,049.26
Household	6,685.98	6,715.87	6,872.24	6,776.08	6,543.74	6,774.31
Business	6,134.33	5,822.04	5,166.43	4,719.03	4,144.78	3,834.98
Non-Bank Financial Institution	305.15	276.71	180.67	199.12	270.55	345.35
Subsidiaries & Affiliates	208.53	164.89	157.30	146.86	101.19	94.62
Other Items (Net)	**(2,409.90)**	**(2,132.38)**	**(1,922.68)**	**(1,894.74)**	**(1,559.09)**	**(1,986.30)**
Monetary Liabilities (M2)	**13,640.57**	**14,237.11**	**15,125.74**	**15,722.70**	**15,857.99**	**16,405.22**
Money Supply (M1)	**2,870.37**	**2,925.59**	**3,253.35**	**3,525.93**	**3,787.66**	**4,193.86**
Currency with the Public	633.82	667.57	715.80	763.92	833.99	898.38
Demand Deposits	2,170.30	2,187.67	2,456.96	2,697.48	2,877.44	3,211.09
EC$ Cheques and Drafts Issued	66.25	70.34	80.59	64.52	76.23	84.39
Quasi Money	**10,770.20**	**11,311.52**	**11,872.39**	**12,196.77**	**12,070.32**	**12,211.36**
Savings Deposits	5,968.92	6,399.91	6,787.27	7,002.09	7,201.48	7,628.79
Time Deposits	3,025.87	2,903.67	2,731.55	2,572.90	2,349.61	2,035.64
Foreign Currency Deposits	1,775.42	2,007.94	2,353.57	2,621.79	2,519.24	2,546.92

Source: Eastern Caribbean Central Bank
Data as at 13MAR2018

Table 4
ECCU - Selected Tourism Statistics

	2013^R	2014^R	2015^R	2016^R	2017^P
Total Visitors	3,485,418	3,809,473	4,230,384	4,191,714	4,461,546
Stay-Over Visitors	998,056	1,054,213	1,073,229	1,106,440	1,113,496
USA	396,536	424,744	444,065	471,219	468,687
Canada	96,363	105,211	93,619	91,239	98,180
UK	193,131	203,314	208,046	202,604	197,933
Caribbean	210,039	204,464	213,126	227,315	228,505
Other Countries	101,987	116,480	114,373	114,063	120,191
Excursionists	102,117	124,598	132,310	120,488	98,339
Cruise Ship Passengers[/1]	2,227,815	2,475,312	2,860,932	2,804,171	3,089,615
Yacht Passengers[/2]	157,430	155,350	163,913	160,615	160,096
Number of Cruise Ship Calls[/3]	1,485	1,652	1,796	1,819	2,002
Total Visitor Expenditure (EC$M)	**4,780.16**	**5,259.94**	**5,421.02**	**5,357.23**	**5,289.80**

Source: ECCU Central Statistics Offices, Tourist Boards and Eastern Caribbean Central Bank

[/1] Cruiseship passengers excludes Anguilla but includes Excursionists for Antigua and Barbuda

[/2] Yacht passengers excludes Anguilla

[/3] Cruiseship calls excludes Anguilla

Data as at 13 March 2018

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

	2013^R	2014^R	2015^R	2016^R	2017^P
Anguilla	231.64	221.90	212.71	552.14	517.24
Antigua and Barbuda	3,223.86	3,380.18	3,137.18	3,177.39	3269.71
Dominica	1,047.89	1,096.71	1,082.72	1,062.30	1048.92
Grenada	2,358.68	2,384.23	2,384.50	2,292.89	2118.20
Montserrat	6.83	6.26	9.04	8.62	10.50
St Kitts and Nevis	2,115.11	1,774.08	1,586.49	1,553.22	1598.84
Saint Lucia	2,754.60	2,894.38	2,949.12	3,016.98	3119.91
St Vincent and the Grenadines	1,390.23	1,577.72	1,613.85	1,717.02	1681.22
TOTAL ECCU	**13,128.83**	**13,335.46**	**12,975.60**	**13,380.56**	**13,364.53**

Source: ECCU
* Includes arrears of principal
Data as at 6 April 2018

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

	2013^R	2014^R	2015^R	2016^R	2017^P
Anguilla	216.77	209.15	201.52	539.88	506.90
Antigua and Barbuda	2,509.41	2,836.02	2,566.17	2,630.00	2694.95
Dominica	875.42	916.00	934.01	893.63	881.11
Grenada	2,151.09	2,204.51	2,226.69	2,170.80	1997.07
Montserrat	1.63	1.44	4.60	4.56	6.83
St Kitts and Nevis	1,635.81	1,482.43	1,278.55	1,262.77	1281.43
Saint Lucia	2,558.69	2,731.52	2,802.88	2,901.13	2989.84
St Vincent and the Grenadines	1,150.88	1,349.25	1,379.22	1,362.77	1334.02
TOTAL ECCU	**11,099.69**	**11,730.32**	**11,393.66**	**11,765.54**	**11692.15**

Source: ECCU
Data as at 6 April 2018

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

	2013^R	2014^R	2015^R	2016^R	2017^P
Anguilla	15.71	16.07	17.97	42.61	37.32
Antigua and Barbuda	232.24	228.75	371.43	545.31	504.30
Dominica	60.45	58.73	61.97	69.11	67.71
Grenada	153.45	197.21	157.22	206.86	230.53
Montserrat	0.15	0.15	0.15	0.14	0.14
St Kitts and Nevis	143.37	229.65	242.67	102.18	95.39
Saint Lucia	321.22	240.03	254.27	269.80	244.53
St Vincent and the Grenadines	131.80	155.30	134.91	144.08	163.81
TOTAL ECCU	**1,058.39**	**1,125.90**	**1,240.59**	**1,380.10**	**1343.72**

Source: ECCU
Data as at 6 April 2018

Table 8
ECCU - Participation on the RGSM

	2013R	2014R	2015R	2016R	2017P
Treasury Bills					
Number of Auctions	43	47	46	48	52
Amount Raised (EC$M)	832.4	958.6	955.06	1018.56	1109.29
Subscriptions (EC$M)	1086.5	1178.4	1326.68	1419.43	1525.23
Bonds					
Number of Auctions	10	9	7	3	7
Amount Raised (EC$M)	235.0	220.8	139.9	80.2	122.3
Subscriptions (EC$M)	235.9	222.8	142.46	81.01	122.71
Total number of auctions	53	56	53	51	59
Total Amounts Raised (EC$M)	1067.4	1179.5	1094.96	1098.77	1231.59
Total Subscriptions (EC$M)	1322.3	1401.2	1469.14	1500.45	1647.93

Source: Eastern Caribbean Central Bank
Data as at 6 April 2018

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

	2013R	2014R	2015R	2016R	2017P
91-day Treasury Bill	3.94	3.68	3.41	3.77	3.01
180-day Treasury Bill	6.00	5.01	4.31	3.76	3.43
365-day Treasury Bill	5.93	6.21	5.34	4.90	4.48
2-year Bonds	**	4.50	4.95	**	**
3-year Bonds	6.75	5.25	6.50	6.50	**
4-year Bonds	**	**	**	**	**
5-year Bonds	7.25	6.46	6.80	**	7.00
6-year Bonds	6.90	**	7.25	7.00	**
7-year Bonds	7.34	7.28	**	**	6.93
8-year Bonds	7.10	**	**	**	**
10-year Bonds	7.32	7.50	**	7.50	7.25
15-year Bonds	**	7.95	**	**	**

Source: Eastern Caribbean Central Bank
Data as at 6 April 2018

Table 10
Secondary Market Activity (EC$M)

	2013R	2014R	2015R	2016R	2017P
Volume	10,175.00	21,069.75	989.70	15,673.38	19,713.78
Value	10,326.31	21,372.64	990.50	16,210.13	22,422.78

Source: Eastern Caribbean Securities Exchange
Data as at 6 April 2018

Table 11
Anguilla - Selected Economic Indicators

	2013^R	2014^R	2015^R	2016^R	2017^P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Market F	0.65	10.41	6.06	(0.96)	1.76
Real GDP at Market Prices	(0.61)	5.01	3.17	1.73	(5.07)
Deflator	1.27	5.14	2.80	(2.64)	7.19
Consumer Prices (end of period)	1.63	(0.92)	(1.71)	1.72	1.35
Consumer Prices (period average)	3.20	(0.26)	(0.97)	(0.52)	1.30
Real Gross Value Added (GVA) at basic prices					
Agriculture, Livestock and Forestry	5.21	(2.37)	15.72	0.36	(12.21)
Fishing	(18.19)	2.27	5.00	41.46	(1.00)
Manufacturing	(1.35)	16.49	1.34	(5.80)	5.00
Mining and Quarrying	(8.63)	30.22	1.77	(25.69)	5.00
Electricity and Water	(3.82)	0.35	2.85	8.98	(1.00)
Construction	7.07	38.86	7.22	(12.59)	8.96
Wholesale and Retail Trade	(4.30)	15.43	2.03	2.54	(8.00)
Hotels and Restaurants	6.22	2.92	2.24	3.84	(10.41)
Transport, Storage and Communications	(2.19)	5.26	6.56	(0.56)	(11.77)
Transport and Storage	10.07	16.95	8.04	(9.05)	(9.18)
Communications	(10.34)	(4.29)	5.08	8.15	(14.00)
Financial Intermediation	(4.12)	(9.63)	6.96	0.27	(0.27)
Real Estate, Renting and Business Activities	1.39	2.31	2.31	2.42	(0.82)
Public Administration, Defence & Compulsory Sc	(0.15)	0.95	4.18	(6.20)	0.50
Education	7.35	(2.17)	1.35	(2.87)	0.71
Health and Social Work	(3.52)	2.39	2.43	8.98	(0.29)
Other Community, Social and Personal Services	2.07	1.88	1.00	3.03	0.50
Activities of Private Households as Employers	1.09	1.09	3.53	2.45	(2.00)
FISIM	(0.42)	(10.08)	9.32	(48.04)	2.54
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	22.46	19.98	18.23	23.51	21.51
Central Government					
Current Account Balance	(0.31)	1.17	0.84	0.12	(0.52)
Current Revenue	22.78	22.37	21.43	21.37	21.22
Current Expenditure	23.09	21.20	20.59	21.25	21.74
Capital Expenditure and Net Lending	1.09	0.41	0.82	0.74	2.40
Overall Fiscal Balance	0.67	2.53	0.44	(0.36)	0.48
	(in per cent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.32	2.97	2.65	2.35	2.21
Weighted Lending Interest Rates	9.17	9.25	9.07	8.78	9.91
	(in millions of EC dollars, unlesss otherwise stated)				
Memo					
Nominal GDP at Market Prices	761.25	840.53	891.44	882.87	898.38
Real GDP at Market Prices	647.43	679.88	701.42	713.52	677.34
Merchandise Imports (f.o.b)	366.11	414.69	484.94	459.21	433.93
Merchandise Exports	13.52	14.17	29.11	19.40	8.56
Gross Visitor Expenditure	331.56	346.08	346.09	355.46	353.44
GDP per Capita (EC$)	54,908.22	59,104.91	62,095.34	60,292.93	60,148.72

Source: Anguilla Statistics and Customs Departments, Ministry of Finance, Economic Development, Investment, Commerce and Tourism and Eastern Caribbean Central Bank
Data as at 21 February 2018

Table 12
Anguilla - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2013	2014	2015	2016	2017[P]
Current Revenue	173.41	188.04	191.04	188.71	190.65
Tax Revenue	147.47	156.31	162.75	160.35	163.56
Taxes on Income and Profit	12.77	13.21	13.85	14.44	14.14
of which: Stabilisation Levy	12.77	13.21	13.85	14.44	14.14
Taxes on Property	3.62	4.46	4.80	5.82	6.90
Taxes on Domestic Goods and Servic	52.45	58.21	58.98	55.60	67.30
of which:					
Licenses	13.52	12.33	13.86	17.35	14.60
Accommodation Tax	13.62	16.11	18.34	17.08	19.67
Stamp Duties	9.37	12.97	10.93	7.08	15.87
Taxes on International Trade and Tran	78.62	80.43	85.12	84.49	75.23
of Which:					
Import Duty	56.77	61.80	65.13	65.19	58.85
Customs Surcharge	15.89	16.48	17.69	17.32	15.67
Embarkation Tax	4.97	1.19	1.39	1.27	0.11
Non-tax Revenue	25.94	31.72	28.30	28.36	27.08
Current Expenditure	175.78	178.17	183.52	187.65	195.35
Personal Emoluments	80.32	81.15	82.82	84.93	83.84
Goods and Services	40.45	42.20	42.79	44.24	48.76
Interest Payments	9.11	9.39	8.38	11.99	16.42
Domestic	3.08	3.09	2.41	7.34	10.12
External	6.03	6.30	5.97	4.64	6.30
Transfers and Subsidies	45.91	45.43	49.54	46.49	46.33
of which: Pensions	8.21	7.95	9.19	8.51	8.72
Current Account Balance	(2.37)	9.87	7.53	1.07	(4.70)
Capital Revenue	-	-	-	-	-
Grants					
Of which Capital Grants	15.72	14.82	3.74	2.34	30.55
Capital Expenditure and Net Lending	8.27	3.43	7.34	6.56	21.52
Of which: Capital Expenditure	8.27	3.43	7.34	6.56	21.52
Primary Balance before grants	(1.53)	15.83	8.56	6.49	(9.81)
Primary Balance after grants	14.19	30.65	12.30	8.83	20.74
Overall Balance before grants	(10.64)	6.44	0.19	(5.49)	(26.22)
Overall Balance after grants	5.08	21.26	3.93	(3.15)	4.32
Financing	(5.08)	(21.26)	(3.93)	3.15	(4.32)
Domestic	(4.03)	(20.26)	0.12	(43.35)	8.87
ECCB (net)	0.14	(0.04)	0.05	(54.98)	1.01
Commercial Banks (net)	(8.27)	(8.53)	9.51	43.32	1.98
Other	4.10	(11.69)	(9.45)	(31.69)	5.89
External	(1.04)	(1.12)	(4.04)	46.50	(13.20)
Net Disbursements/(Amortisation)	(1.04)	(1.12)	(4.04)	46.50	(13.20)
Disbursements	-	-	-	59.87	0.00
Amortisation	1.04	1.12	4.04	13.37	13.20
Change in Government Foreign Assets	-	-	-	-	-
Arrears	(0.01)	0.12	0.00	0.00	-
Domestic	(0.01)	0.12	0.00	0.00	-
External	-	-	-	-	-
Other financing					

Source: Treasury Department, Anguilla and the Eastern Caribbean Central Bank
Data as at 21 February 2018

Table 13
Anguilla - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016	2017P
Net Foreign Assets	**186.28**	**233.83**	**263.46**	**325.69**	**432.23**	**492.38**
Central Bank (Net)	**108.04**	**110.82**	**127.66**	**129.99**	**149.99**	**206.21**
Commercial Banks (Net)	**78.24**	**123.01**	**135.80**	**195.70**	**282.25**	**286.17**
External (Net)	12.11	77.39	31.26	35.02	187.59	231.16
Assets	224.43	203.04	182.71	198.07	275.56	324.67
Liabilities	212.33	125.65	151.45	163.05	87.97	93.51
Other ECCB Territories (Net)	66.14	45.62	104.54	160.68	94.66	55.01
Assets	173.75	135.07	157.56	201.08	201.10	198.77
Liabilities	107.61	89.45	53.02	40.40	106.44	143.76
Net Domestic Assets	**821.31**	**797.07**	**776.88**	**748.25**	**578.78**	**543.65**
Domestic Credit	**1123.55**	**1053.11**	**983.29**	**934.13**	**532.01**	**541.51**
Central Government (Net)	(57.81)	(65.95)	(74.52)	(64.95)	(76.61)	(73.62)
Other Public Sector (Net)	(184.35)	(198.64)	(210.23)	(224.05)	(39.10)	(54.74)
Private Sector	1365.72	1317.70	1268.04	1223.13	647.72	669.87
Household	565.42	539.74	521.37	517.30	356.19	358.94
Business	776.95	751.46	724.74	684.15	283.80	302.09
Non-Bank Financial Institutions	5.67	5.30	4.13	3.88	1.01	2.12
Subsidiaries & Affiliates	17.68	21.20	17.80	17.80	6.72	6.72
Other Items (Net)	**(302.24)**	**(256.04)**	**(206.42)**	**(185.88)**	**46.77**	**2.14**
Monetary Liabilities (M2)	**1007.59**	**1030.90**	**1040.34**	**1073.94**	**1011.02**	**1036.03**
Money Supply (M1)	**42.62**	**43.06**	**51.51**	**70.14**	**64.10**	**75.35**
Currency with the Public	11.19	12.21	12.31	17.38	19.97	22.39
Demand Deposits	29.93	30.13	38.35	52.04	42.87	50.43
EC$ Cheques and Drafts Issued	1.51	0.73	0.85	0.72	1.26	2.52
Quasi Money	**964.96**	**987.83**	**988.84**	**1003.80**	**946.92**	**960.69**
Savings Deposits	106.24	107.84	121.66	131.43	134.76	146.30
Time Deposits	127.03	130.09	134.50	121.40	99.37	91.23
Foreign Currency Deposits	731.69	749.90	732.68	750.97	712.80	723.16

Source: Eastern Caribbean Central Bank
Data as at 21 FEB 2018

Table 14
Anguilla - Selected Tourism Statistics

	2013	2014	2015	2016	2017[P]
Total Visitor Arrivals	151,303	176,780	186,068	175,970	147,185
Stay-Over Arrivals	69,068	70,927	73,232	79,239	66,789
Of Which:					
USA	45,510	45,446	47,248	50,508	42,927
Canada	3,575	3,709	3,397	3,501	2,735
UK	2,796	2,750	2,753	2,968	3,269
Caribbean	10,454	11,445	12,497	13,435	10,206
Other Countries	6,733	7,577	7,337	8,827	7,652
Excursionists	82,235	105,853	112,836	96,731	80,396
Total Visitor Expenditure (EC$M)	**331.56**	**346.08**	**346.09**	**355.46**	**353.44**

Note: Includes ECCB estimates
Source: Anguilla Statistics Department, Ministry of Finance, Economic Development, Investment, Commerce and Tourism
Data as at 21 February 2018

Table 15
Antigua and Barbuda - Selected Economic Indicators

	2013[R]	2014[R]	2015[R]	2016[R]	2017[R]
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Market Prices*	(1.53)	7.31	6.62	6.98	4.95
Real GDP at Market Prices*	(0.10)	5.10	4.06	5.34	3.34
Deflator	(1.42)	2.10	2.46	1.56	1.56
Consumer Prices (end of period)	1.06	1.33	0.90	(1.12)	2.36
Consumer Prices (period average)	1.06	1.09	0.97	(0.49)	2.43
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	(3.23)	2.88	(2.28)	3.00	0.62
Fishing	13.25	(30.22)	29.20	5.00	2.00
Mining and Quarrying	40.46	4.67	(11.11)	11.42	12.00
Manufacturing	17.59	3.88	1.52	0.22	1.00
Electricity and Water	(1.98)	(1.82)	6.93	0.35	5.52
Construction	2.83	7.08	3.94	18.39	16.00
Wholesale and Retail Trade	(2.31)	6.78	2.07	1.55	8.37
Hotels and Restaurants	(0.01)	2.96	2.22	5.80	(5.81)
Transport, Storage and Communications	(1.86)	2.86	1.63	1.98	10.31
Transport	(5.17)	3.89	(1.64)	0.11	16.56
Communication	3.46	1.35	6.56	4.57	2.00
Financial Intermediation	(6.21)	6.08	4.16	3.93	1.70
Real Estate, Renting and Business Activities	4.70	4.70	12.09	5.73	2.13
Public Administration, Defence & Compulsory Social Security	1.69	15.51	4.37	8.00	3.00
Education	11.53	4.58	(5.99)	4.81	2.49
Health and Social Work	1.07	7.84	5.76	6.35	2.83
Other Community, Social & Personal Services	7.75	2.59	0.82	(9.27)	2.07
Activities of Private Households as Employers	(0.66)	(3.24)	(18.69)	(12.57)	2.27
FISIM	(5.84)	(6.75)	(4.18)	(4.81)	(1.00)
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	48.34	43.72	42.01	38.47	36.90
Central Government					
Current Account Balance	(3.19)	(1.56)	1.20	(0.89)	(1.18)
Current Revenue	18.56	19.22	21.25	19.70	19.15
Current Expenditure	21.75	20.78	20.05	20.59	20.33
Capital Expenditure and Net Lending	1.34	1.59	1.39	3.90	1.47
Overall Fiscal Balance	(4.49)	(2.71)	2.17	(0.38)	(2.34)
	(in percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.93	2.81	2.04	1.68	1.63
Weighted Lending Interest Rates	9.47	9.45	9.30	9.11	9.02
	(in millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Market Prices*	3,220.88	3,456.32	3,685.16	3,942.43	4,137.47
Real GDP at Market Prices*	2,817.86	2,961.62	3,081.88	3,246.53	3,354.85
Merchandise Imports (f.o.b)	1,372.87	1,489.73	1,318.61	1,342.79	1,700.56
Merchandise Exports	88.89	62.32	70.90	164.58	168.45
Gross Visitor Expenditure	1,493.49	1,622.29	1,624.02	1,609.68	1,502.57
GDP per capita (EC$)	36,572.27	38,665.22	40,605.60	42,779.46	44,212.75

Data as at 6 April 2018
Source: Statistics Division, Ministry of Finance, The Economy and Public Administration, Antigua and Barbuda and Eastern Caribbean Central Bank
[R:] **Revised**
* In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

Table 16
Antigua and Barbuda - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2013	2014	2015R	2016R	2017P
Current Revenue	597.82	664.41	782.96	776.71	792.23
Tax Revenue	555.24	571.12	622.65	641.21	641.79
Taxes on Income and Profit	84.69	72.56	89.48	75.58	74.09
of which:					
Personal Income	40.34	37.00	37.28	25.64	1.93
Corporation	44.17	35.55	52.20	49.94	72.16
Taxes on Property	18.30	21.85	18.34	17.52	20.11
Taxes on Domestic Goods and Services	244.69	268.25	274.39	301.41	298.41
of which:					
Antigua and Barbuda Sales Tax	209.34	228.94	231.62	250.94	236.90
Stamp Duties	27.02	30.59	33.95	42.13	50.02
Taxes on International Trade and Transactions	207.56	208.46	240.43	246.70	249.18
of which:					
Import Duty	79.13	79.07	82.19	82.07	89.53
Consumption Tax	29.05	39.99	63.61	77.57	64.24
Embarkation Tax	-	0.23	0.33	0.15	0.31
Revenue Recovery Charge	69.91	75.96	75.28	74.20	76.18
Non-Tax Revenue	42.58	93.29	160.31	135.51	150.43
Current Expenditure	700.66	718.32	738.73	811.75	841.19
Personal Emoluments	276.88	307.61	307.22	328.53	327.17
Goods and Services	147.65	124.74	106.65	128.24	131.72
Interest Payments	66.27	88.88	87.44	103.72	101.22
Domestic	48.64	57.74	64.17	66.07	72.45
External	17.63	31.14	23.27	37.65	28.77
Transfers and Subsidies	209.85	197.09	237.42	251.27	281.09
of Which: Pensions	75.63	60.58	63.37	64.77	75.84
Current Account Balance	(102.84)	(53.91)	44.23	(35.04)	(48.96)
Capital Revenue	1.30	1.38	65.86	174.07	10.76
Grants	-	13.79	21.13	-	2.09
of which: Capital Grants	-	13.79	21.13	-	2.09
Capital Expenditure and Net Lending	43.08	55.10	51.37	153.86	60.67
of which: Capital Expenditure	43.08	55.10	51.37	123.86	60.67
Primary Balance (before grants)	(78.34)	(18.75)	146.16	88.90	2.35
Primary Balance (after grants)	(78.34)	(4.96)	167.29	88.90	4.44
Overall Balance (before grants)	(144.62)	(107.62)	58.72	(14.82)	(98.87)
Overall Balance (after grants)	(144.62)	(93.83)	79.85	(14.82)	(96.78)
Financing	144.62	93.83	(79.85)	14.82	96.78
Domestic	84.23	128.83	(297.90)	7.27	43.11
ECCB (net)	(17.79)	0.74	(88.05)	61.33	(27.63)
Commercial Banks (net)	(10.41)	(8.89)	(92.29)	(2.88)	10.03
Other	112.43	136.98	(117.56)	(51.18)	60.70
External	79.61	(80.17)	66.74	(47.87)	(14.12)
Net Disbursements/(Amortisation)	82.85	(80.59)	63.92	(44.57)	(14.44)
Disbursements	138.88	16.95	145.65	92.58	200.87
Amortisation	56.03	97.54	81.73	137.15	215.31
Change in Govt. Foreign Assets	(3.24)	0.42	2.82	(3.30)	0.31
Arrears	(19.22)	45.17	(0.96)	24.98	67.80
Domestic	(27.46)	6.36	7.83	3.73	30.27
External	8.24	38.81	(8.79)	21.25	37.53
Other Financing	-	-	152.27	30.44	-

Source: Ministry of Finance and Corporate Governance, Antigua and Barbuda and Eastern Caribbean Central Bank
Data as at 7 March 2018

Table 17
Antigua and Barbuda - Monetary Survey
(EC$M at end of period)

	2013	2014	2015	2016	2017P
Net Foreign Assets	**559.09**	**883.06**	**1,524.05**	**1,461.15**	**1,931.88**
Central Bank (Net)	**546.72**	**801.47**	**959.86**	**890.46**	**846.49**
Commercial Banks (Net)	12.37	81.59	564.19	570.69	1,085.39
External (Net)	(359.60)	(265.85)	319.59	175.47	639.53
Assets	594.52	540.00	1,090.41	904.94	1,362.38
Liabilities	954.11	805.84	770.82	729.46	722.85
Other ECCB Territories (Net)	371.97	347.44	244.60	395.22	445.86
Assets	1,393.47	1,418.89	1,422.33	1,549.32	1,589.67
Liabilities	1,021.50	1,071.45	1,177.73	1,154.10	1,143.81
Net Domestic Assets	**2,349.35**	**2,128.72**	**1,576.46**	**1,763.50**	**1,538.23**
Domestic Credit	**2,684.34**	**2,610.89**	**2,251.10**	**2,336.75**	**2,324.54**
Central Government (Net)	523.80	515.65	335.31	393.76	376.16
Other Public Sector (Net)	(109.00)	(56.38)	6.32	14.66	50.70
Private Sector	2,269.54	2,151.63	1,909.47	1,928.33	1,897.68
Household	1,250.66	1,238.91	1,173.93	1,184.71	1,207.21
Business	942.39	846.94	713.57	706.14	625.59
Non-Bank Financial Institutions	30.64	21.78	14.95	15.82	47.22
Subsidiaries & Affiliates	45.85	44.01	7.02	21.66	17.66
Other Items (Net)	**(334.99)**	**(482.17)**	**(674.63)**	**(573.25)**	**(786.31)**
Monetary Liabilities (M2)	**2,908.44**	**3,011.78**	**3,100.51**	**3,224.65**	**3,470.11**
Money Supply (M1)	**597.23**	**632.21**	**694.15**	**790.98**	**925.19**
Currency with the Public	136.59	149.23	159.59	167.53	176.33
Demand Deposits	431.63	450.67	510.67	594.61	715.25
EC$ Cheques and Drafts Issued	29.02	32.32	23.89	28.84	33.61
Quasi Money	**2,311.21**	**2,379.57**	**2,406.36**	**2,433.66**	**2,544.92**
Savings Deposits	1,181.61	1,310.85	1,375.93	1,474.92	1,604.93
Time Deposits	898.51	824.34	664.57	619.97	523.21
Foreign Currency Deposits	231.09	244.38	365.86	338.78	416.79

Source: Eastern Caribbean Central Bank
Data as at 19 February 2018

Table 18
Antigua and Barbuda - Selected Tourism Statistics

	2013	2014	2015	2016[R]	2017[P]
Total Visitor Arrivals	805,552	792,587	905,674	878,243	1,035,692
Stay-Over Arrivals	243,219	249,316	250,450	265,187	247,311
of which:					
USA	88,619	95,332	94,617	108,652	96,347
Canada	30,235	27,701	23,270	21,196	22,932
UK	68,854	71,193	77,890	76,512	70,701
Caribbean	31,645	30,282	30,460	33,898	31,978
Other Countries	23,866	24,808	24,213	24,929	25,353
Cruise Ship Passengers\1	533,280	525,349	636,458	594,729	768,838
Cruise Calls\2	321	315	339	313	424
Yacht Passengers	29,053	17,922	18,766	18,327	19,543
Yacht Calls	3,825	3,774	3,941	3,996	4,411
Total Visitor Expenditure (EC$M) \3	**1493.49**	**1622.29**	**1624.02**	**1609.68**	**1502.57**

Source: Ministry of Tourism and Central Statistics Office, Antigua and Barbuda and Eastern Caribbean Central Bank Estimates

\1 includes Excursionists

\2 Includes Windjammer Calls

\3 Includes only the expenditure of Stay Over Visitors

Data as at 7 March 2018

Table 19
Dominica - Selected Economic Indicators

	2013[R]	2014[R]	2015[R]	2016[R]	2017[P]
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Market Prices*	3.29	4.32	2.18	8.67	(3.26)
Real GDP at Market Prices*	(0.61)	4.43	(2.54)	2.64	(4.21)
Deflator	3.92	(0.10)	4.85	5.88	1.00
Consumer Prices (end of period)	(0.44)	0.46	(0.65)	0.72	0.58
Consumer Prices (period average)	(0.05)	0.81	(0.85)	0.14	0.50
*Real Gross Value Added (GVA) at basic prices*C18*					
Agriculture, Livestock and Forestry	4.85	(1.45)	(3.52)	9.87	(6.48)
Fishing	(4.92)	49.16	15.44	22.98	(5.00)
Manufacturing	3.26	(6.80)	(9.51)	(21.00)	(32.73)
Mining and Quarrying	6.00	(5.00)	(10.91)	17.57	15.00
Electricity and Water	(1.41)	3.22	5.87	3.21	(20.30)
Construction	(7.96)	9.24	(19.02)	31.83	22.00
Wholesale and Retail Trade	(7.59)	5.12	(7.34)	(0.70)	(10.35)
Hotels and Restaurants	3.79	12.23	(6.73)	(12.81)	(17.90)
Transport, Storage and Communications	1.98	2.86	(4.04)	(2.70)	0.01
Transport and Storage	3.39	5.50	(6.08)	(2.34)	0.01
Communications	0.06	(0.83)	(1.01)	(3.23)	-
Financial Intermediation	3.49	4.22	3.40	7.76	2.00
Real Estate, Renting and Business Activities	0.51	0.52	(1.61)	0.79	(16.79)
Public Administration, Defence & Compulsory Social Secur	2.20	13.48	2.20	0.62	1.93
Education	1.01	6.09	3.24	4.76	0.63
Health and Social Work	2.48	1.77	0.72	3.78	1.94
Other Community, Social and Personal Services	(3.90)	(1.07)	2.80	2.46	1.99
Activities of Private Households as Employers	16.96	12.50	(9.33)	(0.49)	(5.00)
FISIM	0.57	(2.03)	2.13	19.16	2.00
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	54.78	54.86	53.29	46.47	48.15
Central Government					
Current Account Balance	2.26	1.52	1.87	41.24	10.33
Current Revenue	28.25	26.70	27.94	66.45	39.60
Current Expenditure	25.99	25.18	26.06	25.21	29.27
Capital Expenditure and Net Lending	11.87	8.61	5.69	10.22	17.01
Overall Fiscal Balance	(9.56)	(1.68)	(1.76)	32.39	(5.79)
	(in percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.02	2.80	2.09	1.70	1.60
Weighted Lending Interest Rates	8.96	8.76	8.43	8.12	7.97
	(in millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Market Prices*	1,355.34	1,413.90	1,444.76	1,570.01	1,518.86
Real GDP at Market Prices*	1,171.64	1,223.52	1,192.40	1,223.86	1,172.29
Merchandise Imports (f.o.b)	545.47	569.66	527.40	507.53	469.39
Merchandise Exports	95.83	97.21	81.57	61.01	55.45
Gross Visitor Expenditure	277.00	343.46	336.97	383.28	308.73
GDP per capita (EC$)	19,624.18	20,443.00	20,479.67	21,818.68	20,693.98

Includes ECCB Estimates
Source: Central Statistical Office, Dominica and Eastern Caribbean Central Bank
Data as at 12 March 2018
**In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.*

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

	2013^R	2014^R	2015^R	2016^R	2017^P
Current Revenue	382.91	377.58	403.61	1043.22	601.48
Tax Revenue	303.29	314.94	329.81	350.76	325.13
Taxes on Income and Profits	58.60	58.15	65.60	68.30	62.59
Of which:					
Personal	34.31	33.78	32.54	32.17	34.24
Company/Corporation	26.30	26.57	35.19	39.02	29.73
Taxes on Property	7.80	6.82	7.78	7.15	8.69
Taxes on Domestic Goods and Servic	180.22	186.96	190.06	202.64	186.93
Of which:					
Value Added Tax (VAT)	123.31	129.09	127.59	135.06	122.45
Licenses	18.73	17.96	20.39	20.21	20.91
Excise Tax	36.56	37.44	40.12	45.37	42.10
Taxes on International Trade and Tran	56.67	63.01	66.37	72.66	66.92
Of which:					
Import Duty	32.82	35.44	37.54	39.39	32.66
Customs Service Charge	13.27	14.70	15.09	18.03	18.36
Environmental Levy	7.93	8.56	9.61	10.10	9.24
Non-Tax Revenue	79.61	62.64	73.80	692.46	276.35
Current Expenditure	352.29	356.07	376.53	395.73	444.62
Personal Emoluments	149.80	148.42	163.73	152.86	179.62
Goods and Services	107.30	112.10	105.99	122.10	136.77
Interest Payments	28.06	25.01	25.44	26.81	22.20
Domestic	10.48	10.65	6.72	7.28	6.94
External	17.58	14.36	18.72	19.53	15.27
Transfers and Subsidies	67.13	70.53	81.38	93.95	106.03
Of which: Pensions	17.42	18.13	18.94	19.72	20.66
Current Account Balance	30.61	21.51	27.08	647.49	156.86
Capital Revenue	0.25	0.34	0.07	0.11	0.19
Grants	0.49	76.14	29.66	21.44	13.37
Of which: Capital Grants	0.49	76.14	29.66	21.44	13.37
Capital Expenditure and Net Lendi	160.87	121.79	82.27	160.50	258.33
Of which: Capital Expenditure	160.45	121.75	82.57	160.84	258.71
Primary Balance after grants	(101.45)	1.20	(0.03)	535.35	(65.70)
Overall Balance after grants	(129.52)	(23.81)	(25.47)	508.54	(87.91)
Financing	129.52	23.81	25.47	(508.54)	87.91
Domestic	98.62	(0.27)	(25.64)	(460.64)	102.32
ECCB (net)	25.32	(8.90)	(5.77)	(17.79)	(32.98)
Commercial Banks (net)	34.80	14.36	(104.81)	(230.17)	10.00
Other	38.50	(5.73)	84.95	(212.68)	125.30
External	25.01	30.36	44.05	(40.12)	(18.31)
Net Disbursements/Amortisation	25.04	39.34	32.92	(32.21)	(18.38)
Disbursements	50.49	65.86	65.51	7.19	26.14
Amortisation	25.45	26.51	32.59	39.39	44.52
Change in Government Foreign Ass	(0.03)	(8.98)	11.13	(7.91)	0.08
Arrears	5.88	(6.28)	7.05	(7.78)	3.89
Domestic	5.88	(6.28)	7.05	(7.78)	3.89
External	0.00	0.00	0.00	0.00	0.00
Other Financing	0.00	0.00	0.00	0.00	0.00

Source: Ministry of Finance, Dominica and Eastern Caribbean Central Bank
Data as at 12 March 2018

Table 21
Dominica - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016	2017p
Net Foreign Assets	**544.98**	**527.87**	**611.91**	**755.48**	**1,090.32**	**1,437.19**
Central Bank (Net)	**247.96**	**230.48**	**269.79**	**338.65**	**596.43**	**569.50**
Commercial Banks (Net)	297.02	297.39	342.13	416.83	493.89	867.69
External (Net)	8.99	36.13	66.81	147.03	248.73	597.47
Assets	252.95	280.67	331.65	423.54	514.08	862.17
Liabilities	243.97	244.54	264.84	276.51	265.35	264.70
Other ECCB Territories (Net)	288.03	261.26	275.32	269.80	245.16	270.22
Assets	333.42	305.82	333.88	353.82	326.59	349.34
Liabilities	45.38	44.56	58.57	84.02	81.43	79.12
Net Domestic Assets	**593.37**	**630.67**	**637.02**	**542.99**	**285.91**	**191.54**
Domestic Credit	**687.42**	**722.45**	**737.36**	**631.72**	**402.11**	**359.98**
Central Government (Net)	(6.62)	53.50	58.96	(51.62)	(299.58)	(322.56)
Other Public Sector (Net)	(102.44)	(121.98)	(94.80)	(92.26)	(96.43)	(102.54)
Private Sector	796.48	790.93	773.20	775.60	798.13	785.09
Household	443.08	456.59	456.38	464.38	449.58	440.36
Business	332.64	318.64	297.83	284.68	280.82	277.95
Non-Bank Financial Institutions	14.20	11.13	12.41	26.53	67.74	66.78
Subsidiaries & Affiliates	6.57	4.57	6.57	-	-	-
Other Items (Net)	**(94.06)**	**(91.79)**	**(100.34)**	**(88.73)**	**(116.21)**	**(168.45)**
Monetary Liabilities (M2)	**1,138.35**	**1,158.54**	**1,248.94**	**1,298.47**	**1,376.23**	**1,628.73**
Money Supply (M1)	**227.83**	**212.86**	**234.69**	**260.78**	**302.42**	**438.12**
Currency with the Public	45.61	41.59	46.89	46.59	52.61	73.10
Demand Deposits	175.67	169.03	185.55	212.31	248.10	357.95
EC$ Cheques and Drafts Issued	6.56	2.24	2.25	1.88	1.71	7.07
Quasi Money	**910.52**	**945.68**	**1,014.25**	**1,037.69**	**1,073.80**	**1,190.60**
Savings Deposits	628.20	686.38	760.39	802.30	818.02	950.31
Time Deposits	248.77	235.76	217.49	208.18	224.13	215.54
Foreign Currency Deposits	33.55	23.54	36.36	27.21	31.66	24.76

Source: Eastern Caribbean Central Bank
Data as at 19 February 2018

Table 22
Dominica - Selected Tourism Statistics

	2013	2014	2015	2016[R]	2017[P]
Total Visitors	320,362	378,812	367,395	366,120	236,876
Stay-Over Visitors	75,096	78,135	71,419	75,250	68,814
USA	14,521	15,853	14,101	15,792	14,245
Canada	2,636	2,582	2,545	2,679	2,533
UK	4,619	4,866	4,979	5,030	4,791
Caribbean	41,437	41,890	37,273	38,665	33,235
Other Countries	11,883	12,944	12,521	13,084	14,010
Excursionists	1,904	2,195	1,494	1,031	619
Yachts Passengers	12,775	11,909	12,938	12,708	11,417
Cruise Ship Passengers	230,587	286,573	281,544	277,131	156,026
Number of Cruise Ship Calls	162	199	187	163	102
Total Visitor Expenditure (EC$M)	**277.00**	**343.46**	**336.97**	**383.28**	**308.73**

Includes ECCB Estimates

Sources: Discover Dominica Authority; Central Statistical Office, Dominica and Eastern Caribbean Central Bank

Data as at 13 March 2018

Table 23
Grenada - Selected Economic Indicators
In Percent

	2013R	2014R	2015R	2016R	2017P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Marke	5.34	8.17	9.38	5.94	5.93
Real GDP at Market Prices*	2.35	7.34	6.44	3.68	3.73
Deflator	2.92	0.77	2.77	2.17	2.12
Consumer Prices (end of period)	(1.24)	(0.63)	1.11	0.92	0.54
Consumer Prices (period average)	(0.04)	(0.98)	(0.52)	1.64	0.91
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	3.56	53.74	44.81	(13.85)	(5.33)
Fishing	21.27	4.25	(3.08)	6.38	(4.30)
Mining and Quarrying	27.02	2.97	40.73	(34.59)	27.70
Manufacturing	(2.26)	1.56	3.65	4.58	2.60
Electricity and Water	0.06	0.53	2.32	5.45	1.40
Construction	26.90	(4.69)	6.97	13.05	22.80
Wholesale and Retail Trade	3.62	3.70	9.53	(3.50)	6.06
Hotels and Restaurants	(2.93)	40.33	0.46	9.25	2.52
Transport, Storage and Communications	4.94	8.68	(2.32)	3.89	5.71
Transport and Storage	4.79	9.06	4.74	9.50	8.19
Communication	5.16	8.18	(12.05)	(5.32)	1.00
Financial Intermediation	(4.35)	(1.61)	11.96	4.30	1.82
Real Estate, Renting and Business Activities	1.47	3.54	2.01	1.97	1.25
Public Administration, Defence & Compulsory	(3.18)	0.07	0.16	0.29	1.04
Education	3.94	4.56	5.23	2.80	2.54
Health and Social Work	(2.87)	(0.14)	(2.00)	(0.75)	0.94
Other Community, Social & Personal Services	0.01	2.21	(1.03)	3.57	0.50
Activities of Private Households as Employers	0.91	0.73	0.66	0.79	0.84
FISIM	(6.14)	0.39	9.94	3.93	(2.50)
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	73.35	69.55	61.52	57.02	47.78
Central Government					
Current Account Balance	(1.08)	0.45	3.87	3.02	3.31
Current Revenue	19.23	20.41	21.22	22.85	23.19
Current Expenditure	20.31	19.97	17.35	19.83	19.88
Capital Expenditure and Net Lending	6.78	9.21	8.31	4.72	2.67
Overall Fiscal Balance	(6.49)	(4.68)	(1.19)	1.81	3.22
	(in percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.46	2.23	1.57	1.44	1.33
Weighted Lending Interest Rates	9.10	9.01	8.70	8.43	7.99
	(in millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Market Prices*	2,275.07	2,461.04	2,691.92	2,851.71	3,020.81
Real GDP at Market Prices*	1,914.16	2,054.74	2,187.02	2,267.59	2,352.18
Merchandise Imports (f.o.b)	875.41	806.78	883.85	832.81	998.60
Merchandise Exports	99.40	99.75	87.86	79.82	67.15
Gross Visitor Expenditure	327.53	362.25	392.52	372.40	388.19
GDP per capita (EC$)	20,952.98	22,501.17	24,450.67	25,698.25	27,037.14

Data as at 6 April 2018
Source: Central Statistics Office, Ministry of Finance and Energy, Grenada and the Eastern Caribbean Central Bank
R: **Revised;** P: **Preliminary**

*In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

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

	2013	2014	2015	2016[R]	2017[P]
Current Revenue	437.57	502.32	571.26	651.58	700.62
Tax Revenue	419.34	478.15	530.24	617.12	670.04
Taxes on Income and Profit	66.11	89.90	101.74	127.27	140.60
Of which:					
Personal[1]	29.67	45.88	52.86	59.31	60.60
Company/Corporation	36.44	44.02	48.89	67.96	80.00
Taxes on Property	15.08	21.35	23.32	23.89	24.28
Taxes on Domestic Goods and Servic	213.05	223.40	232.41	261.48	282.08
Of which:					
Value Added Tax	157.50	176.66	197.01	218.09	235.62
Consumption Duty	0.03	0.30	0.25	0.06	-
Stamp Duties	3.52	5.78	4.24	8.66	5.07
Licenses	42.56	30.04	18.40	16.65	18.22
Taxes on International Trade and Tran	125.10	143.50	172.76	204.48	223.08
Of which:					
Import Duty	50.38	56.56	62.99	69.82	76.51
Consumption Tax	0.01	-	0.00	-	-
Customs Service Charge	35.61	45.22	46.88	49.56	55.02
Non-Tax Revenue	18.24	24.17	41.03	34.46	30.58
Current Expenditure	462.13	491.36	466.98	565.46	600.68
Personal Emoluments	243.49	242.45	215.25	251.64	265.24
Goods and Services	75.89	72.19	75.86	117.62	126.51
Interest Payments	70.58	86.78	89.91	82.28	77.97
Domestic	15.17	26.96	28.74	22.96	18.56
External	55.41	59.82	61.17	59.32	59.41
Transfers and Subsidies	72.17	89.95	85.95	113.93	130.96
Of which: Pensions	29.18	33.43	30.96	31.83	35.27
Current Account Balance	(24.55)	10.96	104.28	86.12	99.94
Capital Revenue	0.05	0.09	0.13	0.00	-
Grants	31.26	100.46	87.18	99.99	78.07
of which: Capital Grants	31.26	90.56	87.18	74.01	64.20
Capital Expenditure and Net lending	154.32	226.69	223.64	134.57	80.62
of which: Capital Expenditure	154.32	226.69	223.64	120.13	80.62
Primary Balance before grants	(108.24)	(128.86)	(29.32)	33.83	97.29
Primary Balance after grants	(76.98)	(28.40)	57.86	133.82	175.36
Overall Balance before grants	(178.83)	(215.65)	(119.23)	(48.45)	19.32
Overall Balance after grants	(147.56)	(115.19)	(32.05)	51.54	97.39
Financing	147.56	115.19	32.05	(51.54)	(97.39)
Domestic	37.22	(25.92)	(101.90)	(39.85)	(49.78)
ECCB (net)	(12.43)	(27.48)	(46.04)	(0.69)	14.50
Commercial Banks (net)	(42.83)	(7.43)	(37.18)	7.75	(76.32)
Other	92.48	8.99	(18.68)	(46.92)	12.04
External	51.45	76.77	87.82	(15.86)	(47.60)
Net Disbursements/(Amortisation)	51.45	76.77	87.82	(15.86)	(47.60)
Disbursements	106.06	120.29	134.88	66.53	42.69
Amortisation	54.61	43.51	47.06	82.40	90.30
Change in Government Foreign Assets	-	-	-	-	-
Arrears	58.89	64.33	46.13	4.17	-
Domestic	-	15.18	(0.05)	1.78	-
External	58.89	49.16	46.19	2.40	-
Other Financing	-	-	-	-	-

Source: Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and Eastern Caribbean Central Bank
[1] Includes Debt Service Levy
Debt Restructuring not included
Data as at 06 April 2018

Table 25
Grenada - Monetary Survey
(EC$M at end of period)

	2013	2014	2015	2016	2017P
Net Foreign Assets	**352.39**	**582.15**	**852.48**	**1,003.20**	**1,097.94**
Central Bank (Net)	**365.60**	**427.31**	**508.98**	**543.71**	**526.12**
Commercial Banks (Net)	(13.21)	154.85	343.50	459.49	571.81
External (Net)	(187.69)	(144.40)	12.21	151.70	264.66
Assets	285.24	339.54	493.91	604.88	712.55
Liabilities	472.93	483.93	481.70	453.19	447.90
Other ECCB Territories (Net)	174.48	299.24	331.29	307.79	307.16
Assets	260.99	333.20	362.00	361.94	380.06
Liabilities	86.51	33.96	30.71	54.15	72.90
Net Domestic Assets	**1,586.33**	**1,435.83**	**1,269.88**	**1,147.82**	**1,138.30**
Domestic Credit	**1,695.39**	**1,526.92**	**1,320.07**	**1,240.91**	**1,206.78**
Central Government (Net)	52.25	17.34	(65.88)	(58.81)	(120.63)
Other Public Sector (Net)	(57.26)	(104.29)	(166.44)	(248.87)	(231.14)
Private Sector	1,700.40	1,613.87	1,552.39	1,548.60	1,558.55
Household	1,147.75	1,119.40	1,073.59	1,054.61	1,037.97
Business	541.65	485.36	469.46	485.32	514.13
Non-Bank Financial Institutions	11.01	9.11	9.34	8.67	6.44
Subsidiaries & Affiliates	-	-	-	-	-
Other Items (Net)	**(109.06)**	**(91.10)**	**(50.19)**	**(93.10)**	**(68.48)**
Monetary Liabilities (M2)	**1,938.72**	**2,017.98**	**2,122.37**	**2,151.01**	**2,236.23**
Money Supply (M1)	**381.04**	**466.47**	**543.00**	**577.89**	**625.05**
Currency with the Public	115.69	124.09	131.55	135.66	151.38
Demand Deposits	253.71	332.27	402.11	430.65	460.96
EC$ Cheques and Drafts Issued	11.64	10.11	9.34	11.58	12.72
Quasi Money	**1,557.68**	**1,551.51**	**1,579.37**	**1,573.12**	**1,611.18**
Savings Deposits	1,143.12	1,167.94	1,160.49	1,174.66	1,216.30
Time Deposits	318.24	287.13	271.43	242.57	215.58
Foreign Currency Deposits	96.33	96.44	147.45	155.89	179.30

Source: Eastern Caribbean Central Bank
Data as at 19 FEBRUARY 2018

Table 26
Grenada - Selected Tourism Statistics

	2013^R	2014^R	2015^R	2016^R	2017^P
Total Visitor Arrivals	327,067	386,674	426,869	474,138	468,825
Stay-Over Arrivals	105,984	125,224	132,547	135,306	146,341
Of Which:					
USA	29,289	35,145	40,914	45,316	54,801
Canada	9,039	13,229	10,790	10,723	11,383
UK	20,478	23,285	24,681	24,108	22,498
Caribbean	23,793	21,790	22,364	23,122	25,247
Other Countries	23,385	31,775	33,798	32,037	32,412
Excursionists	1,611	1,660	1,579	3,566	1,062
Yacht Passengers	22,163	24,650	22,115	20,353	21,993
Cruise Ship Passengers	197,309	235,140	270,628	314,913	299,429
Number of Cruise Ship Calls	144	156	193	257	291
Total Visitor Expenditure (EC$M) 1/	**327.53**	**362.25**	**392.52**	**372.40**	**388.19**

Source: Grenada Tourism Authority

1/ Expenditure of stay over visitors and cruiseship passengers only

Data as at 06 April 2018

Table 27
Montserrat - Selected Economic Indicators

	2013[R]	2014[R]	2015[R]	2016[R]	2017[P]
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Market I	(4.87)	(0.84)	0.38	4.80	1.61
Real GDP at Market Prices*	5.06	1.97	0.42	2.03	0.74
Deflator	(4.61)	(2.45)	0.26	4.10	1.31
Consumer Prices (end of period)	(0.54)	(1.02)	(0.08)	(1.30)	1.65
Consumer Prices (period average)	0.87	(0.29)	(1.15)	(0.25)	1.19
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	(6.66)	17.79	(7.27)	22.63	(8.28)
Fishing	(0.82)	1.18	(16.94)	(8.00)	(12.00)
Manufacturing	(2.54)	(3.14)	(15.03)	(2.50)	1.00
Mining and Quarrying	34.01	66.66	47.97	(10.00)	(10.00)
Electricity and Water	1.15	(11.32)	7.78	3.18	1.34
Construction	8.33	4.86	(39.25)	7.50	(45.00)
Wholesale and Retail Trade	4.97	(2.29)	1.57	(4.00)	3.50
Hotels and Restaurants	4.25	12.45	(1.16)	(7.18)	10.18
Transport, Storage and Communications	4.67	0.21	18.36	(0.32)	1.57
Transport and Storage	12.79	16.01	24.93	(2.04)	2.01
Communications	(1.60)	(13.76)	10.53	2.00	1.00
Financial Intermediation	5.22	(0.73)	16.59	3.16	1.88
Real Estate, Renting and Business Activities	1.51	0.54	1.31	2.15	1.68
Public Administration, Defence & Compulsory Soc	8.42	(4.32)	(3.19)	1.00	3.50
Education	(10.57)	8.51	2.34	2.91	2.04
Health and Social Work	7.62	15.14	1.75	4.07	4.30
Other Community, Social and Personal Services	1.38	4.15	0.84	1.50	1.00
Activities of Private Households as Employers	14.49	(7.60)	(5.48)	1.50	(4.00)
FISIM	(2.07)	3.90	2.20	4.00	2.00
	(as a percentage of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	4.21	3.93	5.65	5.14	6.17
Central Government					
Current Account Balance (before grants)	(41.10)	(45.55)	(47.03)	(40.14)	(42.62)
Current Revenue	25.98	28.45	28.49	28.06	27.62
Current Expenditure	67.08	74.00	75.51	68.19	70.24
Capital Expenditure and Net Lending	45.77	26.50	18.52	12.52	4.61
Overall Fiscal Balance	(17.02)	(6.15)	19.51	(0.38)	30.83
	(percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	1.83	1.95	1.10	1.10	1.13
Weighted Lending Interest Rates	8.02	8.05	7.49	7.07	6.89
	(in millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Market Prices*	160.61	159.26	159.87	167.54	170.24
Real GDP at Market Prices*	166.98	170.27	170.99	174.46	175.75
Merchandise Imports (f.o.b)	100.01	97.94	91.79	85.82	73.08
Merchandise Exports (f.o.b)	16.10	9.12	8.04	10.76	16.53
Gross Visitor Expenditure	18.33	22.20	22.88	22.92	21.47
GDP per capita (EC$)	32,388	32,005	31,897	33,189	33,478

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat and Eastern Caribbean Central Bank
Rebased CPI for Montserrat only available for 2014 and 2015
Data as at 19 February 2018
*In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.

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

	2013	2014	2015	2016	2017P
Current Revenue	41.73	45.31	45.55	47.00	47.03
Tax Revenue	35.70	40.46	39.03	41.84	41.48
Taxes on Income and Profit	14.98	16.70	15.82	16.58	17.93
of which:					
Personal	11.90	12.35	11.85	12.30	13.56
Corporation	2.43	3.59	3.01	3.41	3.73
Taxes on Property	1.02	0.81	0.66	0.74	0.65
Taxes on Domestic Goods and Services	3.69	4.92	4.25	5.15	4.89
of which:					
Insurance Company Levy	0.16	0.22	0.21	0.26	0.20
Stamp Duty and Licenses	2.33	3.40	2.74	2.82	2.50
Taxes on International Trade and Transac	16.02	18.04	18.30	19.37	18.00
of which:					
Import Duty	5.11	5.80	6.16	6.99	6.36
Consumption Tax	10.00	11.11	10.91	11.37	10.89
Customs Service Charge	0.00	0.00	0.00	0.00	0.00
Non-Tax Revenue	6.03	4.85	6.51	5.17	5.55
Current Expenditure	107.74	117.86	120.72	114.25	119.58
Personal Emoluments	41.77	42.72	41.75	42.15	43.60
Goods and Services	26.23	29.37	40.45	42.33	44.25
Interest Payments	0.03	0.03	0.03	0.03	0.02
Domestic	0.00	0.00	0.00	0.00	0.00
External	0.03	0.03	0.03	0.03	0.02
Transfers and Subsidies	39.70	45.74	38.49	29.75	31.71
of which: Pensions	11.51	15.11	12.41	11.68	12.43
Current Account Balance (before grants)	(66.01)	(72.55)	(75.18)	(67.25)	(72.55)
Current Grants	31.16	69.79	99.00	74.39	76.48
Current Account Balance (after grants)	(34.85)	(2.76)	23.82	7.14	3.93
Capital Grants	81.03	35.15	36.98	13.20	56.41
Capital Expenditure and Net Lending	73.51	42.20	29.61	20.98	7.84
of which: Capital Expenditure	73.51	42.20	26.33	20.90	5.46
Primary Balance (before grants)	(139.52)	(114.75)	(104.79)	(88.23)	(80.40)
Primary Balance (after grants)	(27.30)	(9.77)	31.22	(0.61)	52.51
Overall Balance (before grants)	(139.52)	(114.75)	(104.79)	(88.23)	(80.40)
Overall Balance (after grants)	(27.33)	(9.80)	31.19	(0.64)	52.49
Financing	27.33	9.80	(31.19)	0.64	(52.49)
Domestic	27.45	9.92	(34.35)	0.67	(54.76)
ECCB (net)	(0.10)	(13.90)	14.03	(0.20)	0.97
Commercial Banks (net)	7.78	17.77	(44.02)	6.48	5.65
Other	19.77	6.05	(4.36)	(5.61)	(61.38)
External	(0.12)	(0.12)	3.16	(0.04)	2.27
Net Disbursements/(Amortisation)	(0.12)	(0.12)	3.16	(0.04)	2.27
Disbursements	0.00	0.00	3.28	0.08	2.39
Amortisation	0.12	0.12	0.12	0.12	0.12
Change in Govt. Foreign Assets	-	-	-	-	-
Arrears	-	-	-	-	-
Domestic	-	-	-	-	-
External	-	-	-	-	-

Source: Ministry of Finance, Montserrat and Eastern Caribbean Central Bank
Data as at 19 February 2018

Table 29
Montserrat - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016	2017[p]
Net Foreign Assets	**278.87**	**270.08**	**288.10**	**320.51**	**310.18**	**295.92**
Central Bank (Net)	**86.63**	**109.38**	**121.77**	**138.96**	**133.26**	**128.47**
Commercial Banks (Net)	192.24	160.70	166.33	181.55	176.92	167.46
External (Net)	69.94	85.61	84.06	117.04	108.16	114.87
Assets	121.48	140.84	147.33	186.35	178.72	189.27
Liabilities	51.53	55.23	63.27	69.31	70.56	74.40
Other ECCB Territories (Net)	122.30	75.09	82.27	64.51	68.77	52.58
Assets	128.24	82.09	90.45	77.92	81.03	71.74
Liabilities	5.95	7.00	8.18	13.41	12.26	19.16
Net Domestic Assets	**(58.03)**	**(54.75)**	**(48.89)**	**(75.65)**	**(62.88)**	**(53.10)**
Domestic Credit	**(17.04)**	**(9.71)**	**(6.77)**	**(30.88)**	**(14.64)**	**(0.74)**
Central Government (Net)	(64.31)	(56.63)	(52.76)	(82.75)	(76.46)	(69.84)
Other Public Sector (Net)	(27.87)	(19.94)	(21.14)	(18.89)	(18.50)	(14.53)
Private Sector	75.14	66.86	67.13	70.76	80.32	83.64
Household	65.29	58.36	59.70	63.67	70.62	73.84
Business	9.85	8.51	7.43	7.10	9.70	9.80
Non-Bank Financial Institutions	-	-	-	-	-	-
Subsidiaries & Affiliates	-	-	-	-	-	-
Other Items (Net)	**(40.99)**	**(45.04)**	**(42.12)**	**(44.77)**	**(48.24)**	**(52.37)**
Monetary Liabilities (M2)	**220.84**	**215.33**	**239.20**	**244.86**	**247.31**	**242.82**
Money Supply (M1)	**47.37**	**53.62**	**45.07**	**47.64**	**62.19**	**60.76**
Currency with the Public	25.69	18.39	18.36	20.20	20.69	21.38
Demand Deposits	21.55	35.10	26.57	27.31	41.41	39.06
EC$ Cheques and Drafts Issued	0.13	0.13	0.15	0.14	0.09	0.32
Quasi Money	**173.47**	**161.71**	**194.13**	**197.22**	**185.11**	**182.06**
Savings Deposits	148.63	119.65	140.47	143.39	144.23	142.39
Time Deposits	15.94	33.71	46.00	45.40	30.48	30.71
Foreign Currency Deposits	8.91	8.36	7.66	8.44	10.40	8.96

Source: Eastern Caribbean Central Bank
Data as at 19 Feb 2018

Table 30
Montserrat - Selected Tourism Statistics

	2013	2014	2015	2016	2017[P]
Total Visitor Arrivals	10,461	12,334	15,090	15,409	16,690
Stay-Over Arrivals	7,201	8,804	8,944	8,842	8,456
Of Which:					
USA	1,775	2,041	2,326	2,446	2,231
Canada	516	678	540	510	544
UK	1,821	2,164	2,339	2,317	2,074
Caribbean	2,591	3,528	3,321	3,116	3,180
Other Countries	498	393	418	453	427
Excursionists	1,519	1,749	1,740	1,165	1,632
Cruise Ship Passengers	364	184	2,591	3,596	5,218
Yacht Passengers	1377	1597	1815	1806	1384
Number of Yacht	346	368	474	450	582
Number of Cruise Ship Calls	4	2	11	22	31
Total Visitor Expenditure (EC$M)	**18.33**	**22.20**	**22.88**	**22.92**	**21.47**

Note: Includes ECCB estimates

Source: Statistics Department, Ministry of Finance and Economic Development, Montserrat and Eastern Caribbean Central Bank

Data as at 19 February 2018

Note: *Includes ECCB Estimates*

Table 31
St Kitts and Nevis - Selected Economic Indicators

	2013^{R}	2014^{R}	2015^{R}	2016^{R}	2017^{P}
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestics Product (G	7.31	7.56	3.60	3.59	3.96
Real GDP at Market Prices Prices*	6.22	5.96	3.98	2.21	1.74
Deflator	1.03	1.51	(0.36)	1.36	2.18
Consumer Prices (end of period)	0.61	(0.55)	(2.40)	0.03	0.16
Consumer Prices (period average)	1.11	0.25	(2.30)	(0.69)	0.58
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	5.12	(8.46)	(8.39)	(0.63)	10.40
Fishing	(18.36)	3.13	1.20	(16.77)	23.18
Manufacturing	1.95	(7.61)	1.73	(8.37)	(6.52)
Mining and Quarrying	75.95	5.22	(6.91)	(21.08)	(11.08)
Electricity and Water	1.05	1.55	2.88	(1.82)	1.23
Construction	24.30	14.82	6.74	7.64	9.04
Wholesale and Retail Trade	5.91	0.35	9.13	10.30	3.45
Hotels and Restaurants	3.14	4.99	3.54	0.93	0.93
Transport, Storage and Communic	1.13	6.30	6.75	1.49	(0.29)
Transport and Storage	3.00	9.38	12.35	0.59	2.64
Communications	(0.74)	3.11	0.60	2.60	(3.82)
Financial Intermediation	6.84	5.66	5.92	2.76	1.33
Real Estate, Renting and Business	3.48	2.24	2.45	2.70	(0.68)
Public Administration, Defence &	8.49	5.62	3.46	3.02	3.14
Education	(2.19)	2.09	4.30	3.20	2.43
Health and Social Work	8.90	3.32	6.48	4.71	4.75
Other Community, Social and Pers	(2.24)	10.86	8.30	2.76	2.99
Activities of Private Households as	-	(16.18)	(2.76)	8.07	(4.77)
FISIM	4.26	1.50	7.01	2.78	(4.05)
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-pe	40.61	33.48	24.32	21.46	16.65
Central Government					
Current Account Balance	11.85	11.68	10.45	4.93	3.77
Current Revenue	38.19	38.85	37.39	31.89	29.39
Current Expenditure	26.34	27.17	26.94	26.95	25.62
Capital Expenditure and Net Lending	6.67	5.67	6.98	3.30	5.42
Overall Fiscal Balance	13.23	10.53	6.20	4.57	2.01
	(in percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	3.01	2.49	2.05	1.85	1.78
Weighted Lending Interest Rates	8.81	8.62	8.54	8.56	8.42
	(in millions of EC dollars, unlesss otherwise stated)				
Memo					
Nominal GDP at Market Prices*	2,128.04	2,289.00	2,371.36	2,456.61	2,553.81
Real GDP at Market Prices*	1,868.06	1,979.45	2,058.16	2,103.63	2,140.29
Merchandise Imports (f.o.b)	591.40	637.83	705.37	792.03	734.01
Merchandise Exports	150.34	153.48	149.58	137.92	114.93
Gross Visitor Expenditure	314.72	339.09	360.01	373.56	423.22
GDP per capita (EC$)	44,545	47,677	49,145	50,659	52,402

SOURCE: Central Statistics Office, St Kitts and Eastern Caribbean Central Bank
Data as at 01 March 2018
**In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices as was used in previous reports of the Economic and Financial Review (EFR). However, GVA will remain applicable for output by sector.*

Table 32
St Kitts and Nevis - Federal Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2013	2014	2015	2016	2017[P]
Current Revenue	812.74	889.19	886.60	783.30	750.54
Tax Revenue	421.26	474.88	507.47	486.75	496.93
Taxes on Income and Profits	81.99	94.44	127.03	116.86	134.15
of which:					
Personal[1]	37.68	42.92	49.93	52.57	54.58
Company/Corporation	34.45	44.49	65.19	53.32	68.10
Taxes on Property	15.20	16.63	20.22	16.67	15.09
Taxes on Domestic Goods and Services	215.93	238.08	216.99	207.87	203.32
of which:					
Licences	8.78	9.10	10.25	9.91	10.18
Value Added Tax	148.25	161.52	142.28	140.68	142.44
Stamp Duties	38.23	46.88	41.19	36.31	25.75
Taxes on International Trade and Transa	108.14	125.74	143.23	145.35	144.37
of which:					
Import Duty	49.78	57.07	59.46	67.61	65.61
Customs Service Charge	37.61	41.13	43.63	43.70	43.28
Export/Excise Duty	10.24	15.72	22.38	17.04	13.44
Non Refundable Duty Free Levy	3.85	4.41	5.52	4.17	5.05
Non-Tax Revenue	391.49	414.30	379.14	296.55	253.61
Current Expenditure	560.58	621.92	638.79	662.16	654.24
Personal Emoluments	236.91	257.82	257.55	310.73	293.19
Goods and Services	158.67	159.63	167.23	154.01	149.30
Interest Payments	81.05	77.94	47.33	39.22	40.82
Domestic	69.42	62.11	32.75	29.47	32.61
External	11.63	15.83	14.58	9.75	8.21
Transfers and Subsidies	83.95	126.53	166.68	158.20	170.93
of which: Pensions	29.29	31.49	31.69	49.55	37.21
Current Account Balance	252.16	267.26	247.81	121.14	96.30
Capital Revenue	24.12	34.32	9.06	5.46	8.13
Grants	147.29	69.22	55.66	66.53	85.22
Of which: Capital Grants	102.62	36.92	39.17	53.13	54.44
Capital Expenditure and Net Lending	141.94	129.82	165.49	80.99	138.42
of which: Capital Expenditure	141.01	129.17	144.08	100.48	138.70
Primary Balance before grants	215.39	249.70	138.71	84.84	6.83
Primary Balance after grants	362.68	318.92	194.37	151.37	92.06
Overall Balance before grants	134.34	171.76	91.38	45.61	(33.98)
Overall Balance after grants	281.63	240.98	147.04	112.15	51.24
Financing	(281.63)	(240.98)	(147.04)	(112.15)	(51.24)
Domestic	(296.58)	(159.10)	26.52	(57.11)	(26.90)
ECCB (net)	(8.00)	19.82	75.43	(25.61)	(3.90)
Commercial Banks (net)	(202.33)	70.33	(28.59)	(46.80)	24.47
Other	(86.25)	(249.24)	(20.32)	15.30	(47.48)
External	14.95	(81.88)	(173.56)	(55.04)	(24.34)
Net Disbursement/Amortisation	14.95	(81.88)	(173.56)	(55.04)	(24.34)
Disbursements	46.18	8.67	2.02	1.21	0.90
Amortisation	31.23	90.55	175.57	56.25	25.24
Change in Govt. Foreign Assets	0.00	0.00	0.00	0.00	0.00
Arrears	0.00	0.00	0.00	0.00	0.00
Domestic	0.00	0.00	0.00	0.00	0.00
External	0.00	0.00	0.00	0.00	0.00

Source: Ministry of Finance - St Kitts, Nevis and Eastern Caribbean Central Bank
[1]Data reflects Housing and Social Development Levy
Data as at 01 March 2018

Table 33
St Kitts and Nevis - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016	2017[P]
Net Foreign Assets	**1,377.56**	**1,945.84**	**2,363.88**	**2,206.09**	**2,167.07**	**1,939.98**
Central Bank (Net)	**679.43**	**786.50**	**859.71**	**757.19**	**844.71**	**963.84**
Commercial Banks (Net)	698.13	1,159.34	1,504.17	1,448.91	1,322.36	976.14
External (Net)	667.01	1,100.22	1,578.86	1,600.48	1,698.67	1,605.88
Assets	1,558.09	1,920.89	2,434.82	2,388.23	2,447.43	2,515.64
Liabilities	891.07	820.67	855.96	787.75	748.76	909.76
Other ECCB Territories (Net)	31.12	59.11	(74.69)	(151.57)	(376.31)	(629.74)
Assets	644.34	690.12	735.16	809.89	676.52	637.19
Liabilities	613.22	631.00	809.85	961.47	1,052.84	1,266.93
Net Domestic Assets	**969.40**	**642.71**	**591.25**	**821.93**	**740.59**	**868.05**
Domestic Credit	**1,490.31**	**1,133.02**	**1,012.58**	**1,031.99**	**887.00**	**931.14**
Central Government (Net)	582.38	372.05	462.19	509.03	436.63	457.20
Other Public Sector (Net)	(500.61)	(635.31)	(854.14)	(926.04)	(1,011.46)	(1,010.35)
Private Sector	1,408.54	1,396.28	1,404.53	1,448.99	1,461.83	1,484.29
Household	883.81	878.65	866.64	865.43	875.34	882.37
Business	433.84	428.51	479.42	527.07	523.79	523.85
Non-Bank Financial Institutions	49.18	46.88	16.20	15.22	22.15	39.71
Subsidiaries & Affiliates	41.71	42.24	42.28	41.28	40.56	38.36
Other Items (Net)	**(520.91)**	**(490.31)**	**(421.33)**	**(210.06)**	**(146.41)**	**(63.10)**
Monetary Liabilities (M2)	**2,346.96**	**2,588.54**	**2,955.13**	**3,028.02**	**2,907.67**	**2,808.03**
Money Supply (M1)	**541.33**	**521.09**	**582.11**	**624.28**	**567.40**	**564.68**
Currency with the Public	107.60	133.10	154.64	168.26	178.13	196.36
Demand Deposits	419.37	375.25	411.05	441.59	373.42	353.92
EC$ Cheques and Drafts Issued	14.36	12.74	16.42	14.43	15.85	14.40
Quasi Money	**1,805.63**	**2,067.45**	**2,373.02**	**2,403.75**	**2,340.27**	**2,243.34**
Savings Deposits	753.36	827.89	908.94	936.64	955.38	1,002.92
Time Deposits	555.00	606.56	585.53	620.45	560.05	514.84
Foreign Currency Deposits	497.27	633.01	878.55	846.65	824.84	725.58

Source: Eastern Caribbean Central Bank
Data as at 09 MAR2018

Table 34
St Kitts and Nevis - Selected Tourism Statistics

	2013	2014	2015	2016[R]	2017[P]
Total Visitors	709,935	823,284	1,034,445	1,054,634	1,139,655
Stay- Over Visitors	107,137	112,936	116,348	115,349	113,686
of which:					
USA	68,385	68,507	70,058	67,843	66,593
Canada	7,231	8,607	6,885	6,953	6,785
UK	8,512	9,136	10,184	10,181	10,150
Caribbean	17,853	20,127	22,900	23,463	23,386
Other Countries	3,135	4,188	4,008	3,919	3,936
Excursionists	3,958	3,463	3,849	4,172	3,930
Yacht Passengers	6,868	5,441	4,010	2,883	4,177
Cruise Ship Passengers	591,972	701,444	910,238	932,230	1,017,862
Number of Cruise Ship Calls	301	372	448	422	451
Total Visitor Expenditure (EC$M)	**314.72**	**339.09**	**360.01**	**373.56**	**423.22**

Note: Includes ECCB estimates
SOURCE: Central Statistics Office, St Kitts, Nevis and Eastern Caribbean Central Bank
Data as at 01 March 2018

Table 35
Saint Lucia - Selected Economic Indicators

	2013R	2014R	2015R	2016R	2017P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Market Pı	3.70	4.16	6.26	1.09	2.71
Real GDP at Market Prices*	3.39	(0.22)	1.96	1.65	2.69
Deflator	0.29	4.39	4.22	(0.56)	0.02
Consumer Prices (end of period)	(0.74)	3.67	(2.60)	(2.83)	1.98
Consumer Prices (period average)	1.47	3.52	(0.98)	(3.08)	0.10
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	12.53	(18.26)	8.98	4.03	(9.00)
Fishing	(5.92)	(0.62)	0.25	(0.79)	0.24
Manufacturing	8.86	(0.82)	0.66	3.83	1.72
Mining and Quarrying	89.55	4.22	0.44	(12.00)	9.96
Electricity and Water	1.03	(1.04)	1.83	2.86	2.67
Construction	7.40	(16.44)	10.01	8.00	9.96
Wholesale and Retail Trade	(7.31)	(0.74)	(9.10)	16.16	4.61
Hotels and Restaurants	1.56	6.87	(1.63)	(2.84)	8.10
Transport, Storage and Communications	(0.98)	4.28	5.52	(6.57)	3.48
Transport and Storage	(2.31)	11.34	3.19	(7.86)	5.37
Communications	0.70	(4.37)	8.83	(4.84)	1.00
Financial Intermediation	0.16	(11.39)	3.88	3.93	0.47
Real Estate, Renting and Business Activities	3.72	1.93	1.55	1.80	2.16
Public Administration, Defence & Compulsory So	2.19	0.01	(0.85)	0.01	(0.07)
Education	1.51	(0.26)	(1.33)	0.39	0.16
Health and Social Work	(0.90)	3.47	1.45	1.41	1.02
Other Community, Social & Personal Services	(11.40)	(3.67)	(0.74)	2.63	1.00
Activities of Private Households as Employers	(2.31)	(8.13)	4.17	(2.38)	1.00
FISIM	6.84	(0.35)	(0.84)	3.69	(1.74)
	(In percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	32.75	33.92	30.84	31.74	35.65
Central Government					
Current Account Balance	0.43	0.43	1.66	2.20	2.82
Current Revenue	21.51	21.51	21.60	22.56	22.56
Current Expenditure	21.08	21.09	19.94	20.37	19.74
Capital Expenditure and Net Lending	6.87	5.13	4.92	3.19	3.20
Overall Fiscal Balance	(5.99)	(3.28)	(2.09)	(0.51)	0.32
	(In percent per annum)				
Monetary Sector					
Weighted Deposit Interest Rates	2.79	2.58	1.94	1.62	1.48
Weighted Lending Interest Rates	8.41	8.50	8.35	8.15	7.99
	(In millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Market Prices*	4,022.81	4,190.19	4,452.68	4,501.11	4,623.23
Real GDP at Market Prices*	3,390.06	3,382.76	3,449.18	3,506.22	3,600.55
Merchandise Imports (f.o.b)	1,474.12	1,490.52	1,354.82	1,555.69	1,556.30
Merchandise Exports	470.87	433.56	486.84	323.07	342.90
Gross Visitor Expenditure	1,768.20	1,975.12	2,080.02	1,969.60	2,035.39
GDP per capita (EC$)	23,542.40	24,273.63	25,538.75	25,560.86	25,994.36

Source: Central Statistical Office, Saint Lucia and Eastern Caribbean Central Bank
Data as at 19 February 2018
* In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices, as was used in previous reports of the Economic and Financial Review (EFR). However, GVA would remain applicable for output by sector.

Table 36
Saint Lucia - Central Government Fiscal Operations
(In Million of Eastern Caribbean Dollars)

	2013	2014	2015	2016	2017^P
Current Revenue	865.41	901.38	961.95	1,015.61	1,043.07
Tax Revenue	814.25	855.50	913.40	965.88	980.85
Taxes on Income & Profits	223.05	218.79	230.19	251.59	254.15
Of which:					
Personal	93.96	100.55	102.35	106.86	104.63
Company/Corporation	62.07	62.89	69.13	92.70	95.86
Taxes on Property	8.30	8.10	9.41	11.56	12.72
Taxes on Domestic Goods and Services	362.87	383.21	413.11	424.61	387.16
Of which:					
Stamp Duty	12.94	14.19	11.60	14.91	12.51
Hotel Occupancy Tax	3.04	2.67	0.66	0.42	0.14
Licenses	26.68	23.53	25.61	28.82	23.94
Value Added Tax	298.14	322.02	345.36	345.44	313.84
Taxes on International Trade and Transa	220.03	245.41	260.69	278.11	326.82
Of which:					
Consumption Tax	0.50	0.24	0.03	0.25	0.00
Import Duty	93.92	101.54	104.50	110.41	119.68
Service Charge	61.31	60.06	66.77	69.24	74.45
Excise Tax	54.75	65.72	73.06	80.97	100.13
Non-Tax Revenue	51.16	45.88	48.55	49.73	62.22
Current Expenditure	847.94	883.56	887.91	916.74	912.82
Personal Emoluments	372.92	379.52	375.44	400.64	382.50
Goods and Services	168.13	169.71	168.80	165.65	183.94
Interest Payments	134.81	146.61	148.74	149.29	116.23
Domestic	81.66	93.94	97.43	98.43	65.93
External	53.15	52.68	51.31	50.86	50.30
Transfers and Subsidies	172.09	187.72	194.94	201.17	230.15
Of which: Pensions	64.07	70.78	73.13	81.54	82.60
Current Account Balance	17.46	17.82	74.03	98.86	130.26
Capital Revenue	0.42	0.18	0.06	0.23	0.15
Grants	17.33	59.48	52.04	21.39	32.10
Of which: Capital Grants	17.33	59.48	52.04	21.39	32.10
Capital Expenditure and Net Lending	276.24	215.07	219.10	143.55	147.93
Of which: Capital Expenditure	276.24	215.07	219.10	143.55	147.93
Primary Balance before grants	(123.55)	(50.46)	3.73	104.83	98.71
Primary Balance after grants	(106.21)	9.02	55.77	126.21	130.81
Overall Balance before grants	(258.36)	(197.07)	(145.00)	(44.46)	(17.52)
Overall Balance after grants	(241.02)	(137.59)	(92.97)	(23.07)	14.58
Financing	241.02	137.59	92.97	23.07	(14.58)
Domestic	274.25	37.00	(14.25)	(47.45)	(165.77)
ECCB (net)	65.74	(34.10)	(26.69)	(11.26)	59.16
Commercial Banks (net)	79.88	(16.72)	(3.76)	(10.48)	(72.36)
Other	128.63	87.83	16.19	(25.71)	(152.58)
External	(33.22)	100.59	107.22	70.52	151.20
Net Disbursements (Amortisation)	(33.22)	100.59	43.72	70.52	151.20
Disbursements	100.02	168.83	119.90	144.59	229.26
Amortisation	133.24	68.24	76.18	74.07	78.06
Change in Govt. Foreign Assets	-	-	63.50	-	-
Arrears	-	-	-	-	-
Domestic	-	-	-	-	-
External	-	-	-	-	-
Other financing	-	-	-	-	-

Source: Ministry of Finance, Saint Lucia and Eastern Caribbean Central Bank
Data as at 19 February 2018

Table 37
Saint Lucia - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016	2017[P]
Net Foreign Assets	**(576.84)**	**(646.15)**	**(305.18)**	**268.38**	**486.28**	**820.00**
Central Bank (Net)	**562.22**	**454.85**	**635.38**	**804.87**	**780.38**	**829.92**
Commercial Banks (Net)	(1,139.07)	(1,101.00)	(940.56)	(536.49)	(294.11)	(9.93)
External (Net)	(485.18)	(390.10)	(200.75)	91.17	204.15	347.93
Assets	558.28	605.91	748.36	892.87	960.03	1,029.72
Liabilities	1,043.46	996.01	949.12	801.69	755.89	681.79
Other ECCB Territories (Net)	(653.88)	(710.90)	(739.81)	(627.66)	(498.25)	(357.86)
Assets	314.40	300.91	236.83	333.34	390.34	469.58
Liabilities	968.29	1,011.82	976.64	961.00	888.59	827.44
Net Domestic Assets	**3,375.33**	**3,499.35**	**3,193.12**	**2,786.32**	**2,638.74**	**2,312.45**
Domestic Credit	**3,903.51**	**3,977.32**	**3,579.47**	**3,269.23**	**2,976.69**	**2,827.51**
Central Government (Net)	162.38	307.99	257.17	226.72	204.98	191.78
Other Public Sector (Net)	(343.46)	(382.10)	(456.29)	(480.38)	(477.41)	(553.05)
Private Sector	4,084.59	4,051.43	3,778.60	3,522.89	3,249.12	3,188.77
Household	1,568.14	1,572.07	1,785.54	1,771.13	1,683.54	1,871.39
Business	2,438.25	2,435.26	1,962.33	1,689.50	1,547.59	1,305.42
Non-Bank Financial Institutions	37.01	28.10	19.17	14.93	17.40	11.36
Subsidiaries & Affiliates	41.19	16.01	11.56	47.34	0.59	0.61
Other Items (Net)	**(528.17)**	**(477.97)**	**(386.35)**	**(482.92)**	**(337.95)**	**(515.06)**
Monetary Liabilities (M2)	**2,798.49**	**2,853.20**	**2,887.94**	**3,054.70**	**3,125.02**	**3,132.44**
Money Supply (M1)	**701.03**	**695.44**	**748.57**	**769.09**	**859.73**	**909.96**
Currency with the Public	163.01	159.97	154.89	153.85	165.76	159.62
Demand Deposits	528.78	527.61	583.57	610.27	685.58	745.36
EC$ Cheques and Drafts Issued	9.24	7.86	10.10	4.97	8.39	4.98
Quasi Money	**2,097.46**	**2,157.76**	**2,139.37**	**2,285.61**	**2,265.28**	**2,222.48**
Savings Deposits	1,448.31	1,543.19	1,526.49	1,556.01	1,584.80	1,624.34
Time Deposits	486.90	443.79	369.54	387.72	362.13	277.32
Foreign Currency Deposits	162.25	170.78	243.34	341.88	318.35	320.82

Source: Eastern Caribbean Central Bank
Data as at 19 FEB 2018

Table 38
Saint Lucia - Selected Tourism Statistics

	2013	2014	2015	2016	2017P
Total Visitor Arrivals	960,617	1,034,068	1,088,181	1,004,044	1,113,579
Stay Over Arrivals	318,626	338,158	344,908	347,872	386,127
USA	128,331	142,582	152,738	157,576	168,223
Canada	35,985	41,502	38,677	37,772	42,578
UK	70,868	73,960	68,175	64,514	72,580
Caribbean	60,521	55,516	62,745	67,226	76,349
Other Countries	22,921	24,598	22,573	20,784	26,397
Excursionists	8,227	7,526	9,080	12,483	9,215
Cruise Ship Passenger	594,118	641,452	677,394	587,421	668,006
Yacht Passengers	39,646	46,932	56,799	56,268	50,231
Number of Cruise Ships	341	386	387	381	423
Total Visitor Expenditure (EC$M) 1/	1,768.20	1,975.12	2,080.02	1,969.60	2,035.39

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

Source: Saint Lucia Tourist Board and Eastern Caribbean Central Bank

Data as at 19 February 2018

Table 39
St Vincent and the Grenadines - Selected Economic Indicators

	2013R	2014R	2015R	2016R	2017P
	(Annual Percentage Change Unless Otherwise Indicated)				
National Income and Prices					
Nominal Gross Domestic Product (GDP) at Market	4.08	0.58	4.30	1.16	3.15
Real GDP at Market prices*	1.83	0.98	1.81	1.30	1.57
Deflator	2.21	(0.40)	2.45	(0.13)	1.55
Consumer Prices (end of period)	-	0.10	(2.05)	0.95	3.02
Consumer Prices (period average)	0.81	0.20	(1.73)	(0.15)	2.15
*Real Gross Value Added (GVA) at basic prices**					
Agriculture, Livestock and Forestry	5.94	2.82	(4.29)	7.77	0.65
Fishing	6.60	2.31	8.61	(13.26)	8.00
Mining and Quarrying	(10.87)	62.06	(7.13)	2.00	7.00
Manufacturing	(4.06)	6.01	1.56	2.14	5.00
Electricity and Water	(0.45)	(1.13)	3.30	3.58	2.49
Construction	6.60	(11.70)	8.74	(0.75)	1.50
Wholesale and Retail Trade	3.36	0.54	(3.45)	(0.26)	(5.50)
Hotels and Restaurants	(3.20)	(3.22)	3.94	0.18	(6.47)
Transport , Storage and Communications	(0.67)	(0.09)	(2.09)	0.89	4.45
Transport	(0.30)	(0.25)	(0.58)	0.24	5.43
Communication	(1.72)	0.37	(6.47)	2.90	1.50
Financial Intermediation	2.69	3.13	3.09	0.12	(0.60)
Real Estate, Renting and Business Activities	1.32	0.76	1.75	1.24	1.00
Public Administration, Defence & Compulsory So	6.59	5.88	0.92	(1.38)	3.00
Education	2.69	(3.42)	5.74	0.76	1.68
Health and Social Work	(0.81)	(3.67)	2.05	0.65	0.53
Other Community, Social and Personal Services	(0.52)	3.12	2.75	2.90	1.50
Activities of Private Households as Employers	2.68	(2.00)	0.78	(1.00)	1.00
FISIM	(15.78)	3.32	(0.30)	2.02	1.00
	(in percent of GDP)				
External Sector					
Public Sector External Debt (end-of-period)	49.13	53.41	52.72	59.46	53.72
Central Government					
Current Account Balance	n.a	1.34	1.44	3.77	1.30
Current Revenue	n.a	27.33	25.40	28.67	27.36
Current Expenditure	n.a	25.98	25.11	24.90	26.06
Capital Expenditure and Net Lending	n.a	5.49	4.22	3.78	3.26
Overall Fiscal Balance	n.a	(2.07)	(0.21)	2.21	(0.34)
	(in percent per annum)				
Monetary Sector					
Weighted Average Deposit Interest Rate	2.63	2.51	1.92	1.82	1.82
Weighted Average Lending Interest Rate	9.41	9.30	9.22	8.90	8.58
	(in millions of EC dollars, unless otherwise stated)				
Memo					
Nominal GDP at Market Prices*	1,947.26	1,958.58	2,042.78	2,066.57	2,131.69
Real GDP at Market Prices*	1,684.42	1,700.96	1,731.72	1,754.21	1,781.80
Merchandise Imports (f.o.b)	879.14	858.91	792.90	795.38	783.96
Merchandise Exports (f.o.b)	132.81	129.73	123.58	126.21	114.70
Gross Visitor Expenditure	249.33	249.44	258.51	270.34	256.79
GDP per capita (EC$)	17,682.58	17,771.19	18,520.34	18,728.63	19,303.33

Source: Statistical Office, Central Planning Division, Ministry of Finance and Economic Planning and Eastern Caribbean Central Bank
Data as at 19 February 2018
**In keeping with international standards, the ECCB has updated the terminology used to describe economic activity in the ECCU. Accordingly, with immediate effect, the Bank will report real change in the economy using real Gross Domestic Product (GDP) at market prices, and not Gross Value Added (GVA) at basic prices, as was used in previous reports of the Economic and Financial Review (EFR). However, GVA would remain applicable for output by sector.*

Table 40
St Vincent and the Grenadines – Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	2014	2015	2016	2017[p]
Current Revenue	535.19	518.82	592.58	583.32
Taxes on Income and Profits	140.03	129.70	155.83	150.74
Individuals	71.65	70.43	77.80	80.92
Corporate	40.18	46.31	64.89	56.07
Non Resident	28.21	12.96	13.14	13.75
Taxes on Property	34.49	29.02	45.11	56.13
Taxes on Domestic Goods and Services	181.55	201.02	234.24	240.91
of which:				
Telecomm Broadcast licence	4.17	7.43	0.85	3.07
Excise Tax	33.04	35.29	41.32	39.40
Value Added Tax	110.83	115.14	153.85	159.32
Motor Vehicle Licence	10.17	10.79	13.11	13.60
Taxes on International Trade and Transact	79.34	84.07	62.98	59.53
of which:				
Import Duties	49.35	52.27	56.72	53.03
Other Revenue	99.77	75.01	94.42	76.02
Current Expenditure	508.92	512.90	514.63	555.55
Compensation of Employees	260.11	268.87	275.14	280.63
Use of Goods and Services	73.95	73.26	64.24	70.36
Interest Payments	45.67	44.84	42.73	48.53
Domestic	18.37	17.97	14.93	18.62
External	27.29	26.87	27.79	29.91
Transfers and Subsidies	122.31	120.12	118.74	133.63
of which:				
Other Grants and Contributions	54.59	51.73	42.63	51.89
Employment Related Social Benefit	46.45	49.00	50.84	59.50
Current Account Balance	26.27	29.32	77.95	27.78
Capital Revenue	1.42	26.09	20.26	5.83
Grants				
Of which: Capital Grants	39.48	28.02	25.72	28.67
Capital Expenditure	107.62	86.24	78.16	69.43
Primary Balance before grants	(34.26)	(10.96)	62.77	12.71
Primary Balance after grants	5.22	40.46	88.50	41.38
Overall Balance before grants	(79.93)	(55.79)	20.05	(35.82)
Overall Balance after grants	(40.45)	(4.37)	45.77	(7.15)
Financing	40.45	4.37	(45.77)	7.15
Domestic	(120.86)	(52.30)	(87.71)	15.35
Central Banks (net)	2.18	6.73	(1.57)	0.77
Commercial Banks (net)	22.35	15.82	(49.17)	33.98
Other	(145.38)	(74.85)	(36.97)	(19.39)
External	150.04	85.65	65.58	(8.82)
Net Disbursements/(Amortisation)	150.04	85.65	65.58	(8.82)
Disbursements	192.51	131.19	114.21	55.83
Amortisation	42.47	45.54	48.63	64.65
Change in Govt. Foreign Assets	0.00	0.00	0.00	0.00
Arrears	11.26	(28.98)	(23.64)	0.61
Domestic	11.26	(28.98)	(23.64)	0.61
External	0.00	0.00	0.00	0.00
Other Financing	0.00	0.00	0.00	0.00

Source: Ministry of Finance and Economic Planning, St Vincent and the Grenadines and Eastern Caribbean Central Bank
VAT is a tax on goods and services therefore all receipts including those payable on imports of goods and services have been consolidated under Taxes on Domestic Goods and Services
Data as at 14 February 2017

Table 41
St Vincent and the Grenadines - Monetary Survey
(EC$M at end of period)

	2012	2013	2014	2015	2016	2017P
Net Foreign Assets	**408.78**	**493.08**	**508.23**	**531.94**	**661.82**	**622.50**
Central Bank (Net)	**294.66**	**359.42**	**421.43**	**444.81**	**516.24**	**487.00**
Commercial Banks (Net)	114.12	133.66	86.80	87.13	145.58	135.50
External (Net)	(88.05)	(30.71)	5.79	4.38	67.95	42.70
Assets	119.86	174.55	215.78	231.39	273.52	231.58
Liabilities	207.91	205.26	209.99	227.01	205.58	188.88
Other ECCB Territories (Net)	202.17	164.37	81.01	82.75	77.64	92.80
Assets	300.24	276.13	200.15	200.27	197.52	200.43
Liabilities	98.07	111.77	119.13	117.52	119.89	107.63
Net Domestic Assets	**775.17**	**791.95**	**900.40**	**943.84**	**858.90**	**916.72**
Domestic Credit	**959.54**	**998.91**	**1,020.24**	**1,069.38**	**1,045.43**	**1,091.00**
Central Government (Net)	49.53	64.09	88.61	111.16	60.42	95.17
Other Public Sector (Net)	(124.31)	(113.02)	(113.63)	(111.66)	(99.04)	(105.13)
Private Sector	1,034.32	1,047.84	1,045.26	1,069.89	1,084.05	1,100.96
Household	670.32	777.08	789.59	817.52	846.62	877.96
Business	343.40	250.34	235.61	232.88	210.02	186.45
Non-Bank Financial Institutions	16.60	16.43	16.06	15.49	23.41	32.55
Subsidiaries & Affiliates	4.00	4.00	4.00	4.00	4.00	4.00
Other Items (Net)	**(184.37)**	**(206.96)**	**(119.84)**	**(125.54)**	**(186.53)**	**(174.28)**
Monetary Liabilities (M2)	**1,183.95**	**1,285.03**	**1,408.62**	**1,475.78**	**1,520.72**	**1,539.22**
Money Supply (M1)	**360.94**	**374.21**	**426.30**	**437.83**	**479.79**	**475.84**
Currency with the Public	43.87	48.14	53.61	64.62	91.72	95.87
Demand Deposits	310.58	320.08	364.30	364.05	379.55	371.21
EC$ Cheques and Drafts Issued	6.50	5.99	8.39	9.16	8.51	8.75
Quasi Money	**823.01**	**910.82**	**982.33**	**1,037.95**	**1,040.93**	**1,063.38**
Savings Deposits	632.95	717.40	779.44	820.61	845.21	875.79
Time Deposits	153.73	136.28	130.09	126.90	114.25	110.10
Foreign Currency Deposits	36.32	57.15	72.79	90.44	81.47	77.48

Source: Eastern Caribbean Central Bank
Data as at19FEB2018

Table 42
St Vincent and the Grenadines - Selected Tourism Statistics

	2013	2014	2015	2016[R]	2017[P]
Total Visitor Arrivals	200,121	204,934	206,662	223,156	303,044
Stay-Over Arrivals	71,725	70,713	75,381	79,395	75,972
Of Which:					
USA	20,106	19,838	22,063	23,086	23,320
Canada	7,146	7,203	7,515	7,905	8,690
UK	15,183	15,960	17,045	16,974	11,870
Caribbean	21,745	19,886	21,566	24,390	24,924
Other Countries	7,545	7,826	7,192	7,040	7,168
Excursionists	2,663	2,152	1,732	1,340	1,485
Yacht Passengers	45,548	46,899	47,470	48,270	51,351
Cruise Ship Passengers	80,185	85,170	82,079	94,151	174,236
Cruise Ship Calls	212	222	231	261	280
Total Visitor Expenditure (EC$M)	**249.33**	**249.44**	**258.51**	**270.34**	**256.79**

Note: Includes ECCB estimates

Source: St Vincent and the Grenadines Tourism Authority and Eastern Caribbean Central Bank

Data as at 19 February 2018