

Assessing Economic Performance in the Eastern Caribbean Currency Union

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The countries of the Eastern Caribbean Currency Union (ECCU) originally operated under the Treaty of Basseterre (1981) which established the Organisation of Eastern Caribbean States [OECS] for the harmonisation of policies among the member states. The Revised Treaty of Basseterre of 2010 allowed for the establishment of the OECS Economic Union as a single economic and financial space, characterized by the free movement of labour and capital. The Revised Treaty was expected to further deepen the prospects for integration among the eight countries of the Eastern Caribbean Currency Union [ECCU].

The success of the Economic Union depends on the effective implementation of harmonized policies and programmes for the benefit of all the participating countries. It is therefore necessary to be able to analyse the impact of policies based on data that is comparable among the countries. The synchronisation of data is necessary to properly evaluate the impact of policies and programmes, and to compare impacts among the countries in the OECS Economic Union.

The importance of statistics is recognized in the Treaty of Basseterre (1981) and Revised Treaty of Basseterre (2010). The Revised Treaty in Article 4.2 states: “In achieving the purposes of the Organisation the Member States shall implement decisions of the Organisation under this Treaty and otherwise endeavour to co-ordinate, harmonise and undertake joint actions and pursue joint policies particularly in the fields of – Statistics” (Revised Treaty of Basseterre Establishing the Organisation of Eastern Caribbean States Economic Union 2010).

Statistics is important as the objective of the Economic Union is to achieve economic development in such a manner that would improve the lives of the population by enhancing economic growth, increasing employment, and reducing income related and multi-dimensional poverty. There are therefore some important macro-economic data that need to be synchronized among the countries of the ECCU to allow for realistic comparisons.

The macro-economic data that is generally used for comparisons in the Eastern Caribbean Currency Union are economic growth as derived from the Gross Domestic Product (GDP), inflation as measured by the Consumer Price Index (CPI), unemployment as determined by quarterly labour-force surveys, and poverty as determined by the Poverty Assessment Survey.

There is a renewed call for the strengthening of the OECS Economic Union. Therefore, there should be a focus on developing comparative data bases among the countries of the ECCU.

The process could commence with the inflation rate as measured by the Consumer Price Index (CPI). The Consumer Price Index is based on a basket of goods which reflects the expenditure pattern of a typical household. The 'Basket of Goods' on which the inflation rate is determined is outdated for most of the countries in the ECCU. Except for Antigua and Barbuda [2019], and Saint Lucia [2018], the 'basket of goods' was derived from the poverty assessments that were undertaken between 2007 and 2012, and the base year for the calculation of the Consumer Price Index is generally 2010.

Over the past decade, the expenditure pattern of households would have changed. It is therefore time to develop a new basket of goods and services to be renamed the 'basket of goods and services' to reflect the movement of the countries to more service oriented economies. The year for the conducting of the Household Budget Survey for constructing the Consumer Price Index, should not deviate significantly among the countries in the ECCU.

The poverty assessments that determine the rate of poverty and provide information on living conditions also need to be updated. Except for Grenada and Saint Lucia, where poverty assessments were undertaken in 2019 and 2016 respectively, the poverty assessments for the other countries were undertaken between 2007 and 2012. Again, there should not be significant divergence in the years the poverty assessments are undertaken among the countries of the Eastern Caribbean Currency Union.

The infrequency of undertaking labour-force surveys, renders the data on unemployment outdated and leads to the absence of labour market information. Except for Grenada and Saint Lucia, which have conducted labour-force surveys in 2021, current labour market information is lacking.

The foundation to making reliable comparisons of economic growth is the consistency of the measurement of the components of GDP among the countries of the ECCU. There are disparities and these must be addressed by the experts in national accounts. The growth in the service economy, the development of creative industries, and the move to a digital economy have transformed business transactions. A deep analysis of how these emerging and innovative

economic activities are captured in the compilation of the balance of payments and the calculation of the GDP is warranted.

The deepening of the economic integration among the countries of the Eastern Caribbean Currency Union [ECCU] must be accompanied by the synchronisation of the data systems. There is potential for the harmonization of policies and programmes, functional cooperation and joint provision of goods and services within the ECCU. The analysis of the economic and social impacts of policies and programmes and the overall economic performance of the economies, should be based on comprehensive and comparable data.

Knowledge is power and experience is the greatest teacher.

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