



UNITED KINGDOM—MONTSERRAT— BRITISH OVERSEAS TERRITORY

2011 ARTICLE IV CONSULTATION DISCUSSIONS

January 2012

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2011 Article IV consultation discussions with United Kingdom—Montserrat—British Overseas Territory, the following documents have been released and are included in this package:

- **Staff Report** for the 2011 Article IV consultation discussions, prepared by a staff team of the IMF, following discussions that ended on July 18, 2011, with the officials of United Kingdom—Montserrat—British Overseas Territory on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 15, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- **Informational Annex** prepared by the IMF.
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UNITED KINGDOM—MONTserrat— BRITISH OVERSEAS TERRITORY

November 15, 2011

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION DISCUSSIONS

KEY ISSUES

Setting: Montserrat has made enormous progress in its recovery from the 1995 eruption of a long dormant volcano, with substantial support from the UK and the EU. However, the volcano, which remains intermittently active, has had a large and lasting demographic, economic, and social impact, and in some respects the recovery is still under way. Donor support also buffered the impact of the global crisis in 2009–10. The 2011 Article IV Consultation Discussions represent the Fund’s first formal bilateral dialogue with this British overseas territory, building on the annual Eastern Caribbean Currency Union Common Policies discussions.

Addressing financial vulnerabilities: The recession and the failure of two regional insurance companies (CLICO/BAICO) have weakened several financial institutions, and the authorities are developing a strategy to address vulnerabilities. It will be important to clean up the balance sheets of the financial institutions with impaired assets and to obtain new capital where necessary. An action plan is needed that spells out the respective roles of the Eastern Caribbean Central Bank, the Montserratian government, and the Financial Services Commission (FSC) of Montserrat. Efforts to strengthen nonbank supervision should continue.

Increasing fiscal independence: The guiding principles for fiscal policy have been to target an overall balance while reducing dependence on UK grants over time. The medium-term fiscal framework needs to be revisited to close financing gaps from 2012 onwards, as the roadmap for reducing dependence was built on assumptions for growth and revenue that have not been borne out. Efforts to simplify the tax system and to improve tax administration should continue. The immediate policy challenge is to agree with the UK on a revised quantitative framework and reform timetable.

Enhancing growth prospects: There are several promising opportunities to enhance long-term growth prospects and viability. The construction of a new capital and port is the keystone of the public investment program, and overcoming implementation delays should be a key short-run policy priority. There is substantial scope to enhance the tourism product and access to the island. A new framework is being put in place for the mining of volcanic sands, the only goods export. Looking ahead, lowering energy costs including through geothermal sources could improve economic prospects.

Approved By
**David Vegara and
Jan Kees Martijn**

Discussions took place in Brades during July 12–18, 2011. The consultation discussions form part of the Article IV consultation with the United Kingdom. The staff team comprised H. Monroe (head), M. Mrkaic, A. Viseth (all WHD) and F. Yang (FIN) with an overlapping visit by Mr. Akçakoca (MCM expert).

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SETTING

1. Montserrat, a small island with limited natural resources, was devastated by the eruption beginning in 1995 of a long dormant volcano, which has continued to cycle through periods of activity and inactivity.

The eruption took place at a time when a vibrant economy had reemerged after Hurricane Hugo destroyed 95 percent of the island's structures in 1989. The volcano left more than half of the island uninhabitable, including the former capital, airport, port, and the best agricultural land. Although the volcano has been inactive since early 2010, certain areas are subject to evacuation during periods of high volcanic activity.

2. The island has made enormous progress in its recovery, with substantial support from the UK government, the European Union, and other donors.

Nevertheless, the eruption has had a large and lasting demographic, economic and social impact. In a number of key respects the economy has not fully adapted to living with a volcano (Box 1). Much of the government remains in temporary quarters, and the construction of a new capital city and of a permanent port is at an early stage. The government dominates the economy and accounts for over half of employment.

3. The volcano led about three quarters of the population to emigrate, redefining the island's demographics.

There remain skill shortages from significant brain drain, an aging population, and inadequate housing. Unemployment is estimated at 14 percent. The population shrank from about 14,000 persons to a low of around 3,500, and

has since recovered to about 5,000. A significant portion of emigration was to the UK where Montserratians are automatically citizens, and also to North America and other Caribbean countries.

4. The economy has been losing ground, with tourism in a continued decline.

First, residential tourism by part-year residents and retired expatriates has had to confront volcano-related hassles, including ash clouds and evacuations of certain areas during periods of high volcanic activity. Second, access to the island has become more difficult. The discontinuation of fast ferry service in 2005 led to a large drop in day visitors from Antigua, and the current limited ferry service has faced operational difficulties over the past year. Two air carriers provide service with small airplanes (less than ten seats) after a regional carrier flying larger planes (with 19 seats) rationalized its routes in December 2010. Cruise ship visits are sporadic.

5. The island's only goods export is volcanic sand used for construction, and import dependence is very high.

The small capacity of the port and unpredictable weather conditions further increase the cost of importing and exporting. There has been progress toward self sufficiency in some agricultural products, complicated by concentration in land ownership. The island is a net sender of remittances, despite the high level of emigration, reflecting remittances by relatively more recent immigrants. Foreign investment, largely in residential real estate, is limited.

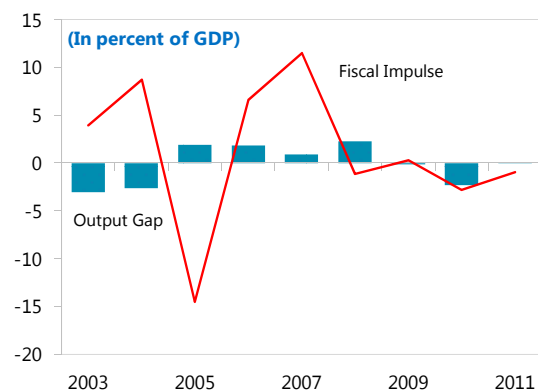
6. Montserrat's budget is sustained by grants from the UK, which finance around half of expenditure. The ability to mobilize revenue domestically is constrained by the dominant role of the government and donor activity which is not taxable.

7. Resources mobilized by the two commercial banks are primarily directed abroad due to limited domestic lending opportunities. Most domestic lending is for real estate and personal loans. The banking system does not finance the government.

RECENT DEVELOPMENTS AND OUTLOOK

8. UK grants buffered the impact of the global crisis on Montserrat. Although the economy grew in 2009, it contracted in 2010 due in part to a small volcanic eruption and the passage of Hurricane Earl in 2010. These events contributed to a decline in the number of stayover visitors and weak import demand. However, growth in credit to the (very small) private sector was sustained at previous levels. Inflation remained low at around 2.5 percent in 2009–10.

9. Although grants sustained expenditure in 2009, the fiscal stance in 2010 was contractionary. In that year, grants and to a lesser extent revenue fell off, notwithstanding a tax amnesty which yielded 0.6 percent of GDP, and current expenditure was curtailed. The fiscal stance and weak activity reflect in part implementation delays in key capital projects.



10. Public sector debt is low at 5 percent of GDP. The debt consists primarily of borrowing from the Caribbean Development Bank for the construction of the former port. However, the large exposures of the public sector and financial system to CLICO/BAICO (49 percent of GDP) are to some extent explicit or implicit contingent liabilities of the government.

11. Loan quality deteriorated since the onset of the global crisis, but not to the same extent as the rest of the ECCU. Loan write-offs have reduced profitability and capital ratios, but capital adequacy is well above required levels.

12. The economic outlook hinges upon progress with major public capital projects, improving access to the island, and strengthening the private sector. Staff projections assume that capital projects contribute to an initial burst of growth in near term, and that growth converges in the medium-term to 3 percent.

POLICY ISSUES

The key policy challenges are addressing financial sector vulnerabilities, increasing fiscal independence, and enhancing growth prospects.

A. Addressing Financial Vulnerabilities

13. Due in part to limited domestic investment opportunities, Montserrat's financial and public sector institutions became heavily exposed to CLICO/BAICO.

The overall exposure is EC\$ 76 million (nearly half of GDP). The only indigenous commercial bank, although exposed to CLICO/BAICO, has been provisioning for its exposures, and plans to be fully provisioned by 2012. The bank is solvent, based on available information, but has recognized the need to strengthen its capital base.

14. Nonbank financial institutions also have significant exposures. These institutions are supervised by a single regulatory unit, the Financial Services Commission (FSC), with the exception of the Building Society which is conservatively managed and does not pose risks to the financial sector.¹ Nevertheless, it should be brought under the authority of the FSC.

- **The only credit union has been running a loss.** In addition to its exposure to CLICO/BAICO, its NPLs have been increasing, and it has not published audited accounts since 2007.
- **The Government Savings Bank (GSB) also has significant exposure to**

¹ The FSC reports to the UK-appointed Governor of Montserrat, who also has responsibility for external relations for external affairs and security.

Estimated Exposure to CLICO and BAICO 1/	
(In millions of EC\$)	
Total	76.0
of which	
Financial institutions	30.8
Public Sector	34.6
CLICO	47.0
of which	
Financial institutions	21.4
Public Sector	25.6
BAICO	23.6
of which	
Financial institutions	4.0
Public Sector	9.0
Other CL Financial	5.4
of which	
Financial institutions	5.4
Public Sector	0.0
(In percent of 2010 GDP)	
Total	48.8
CLICO	30.2
BAICO	15.1
Other CL Financial	3.5

Source: Data provided by Authorities.

1/ As of June 2011

- **CLICO/BAICO and indigenous banks.** The GSB is a statutory institution operated, supervised, and legally backed by the government that takes deposits from the public and invests both regionally and overseas.

15. The offshore banking sector has been shrinking in assets and deposits. There are six offshore banks, all subsidiaries of banks outside the Caribbean subject to home country supervision, and none with a physical presence in Montserrat. The indigenous bank also has an offshore license as it takes deposits from individuals who are not full year residents. The offshore banking sector does not appear to be a source of vulnerability to Montserrat's financial system.

16. The authorities should continue to strengthen the regulation and supervision of the financial sector. A joint regional task force is being formed to determine the size of the liquidity and capital shortfalls in indigenous institutions, assess direct and indirect linkages, and develop resolution strategies. It will be important to move urgently and preemptively to shore up the balance sheets of those institutions with impaired assets and to obtain new capital where necessary. An action plan is needed that spells out the respective roles of the Montserratian government, the Eastern Caribbean Central Bank, and the FSC.

17. The authorities welcomed the staff's assessment and recognized the need to shore up weak financial institutions, pointing to several initiatives in this regard. In particular, the government is working closely with the indigenous bank to strengthen its capital base, including by converting its claims on the bank to equity. At the same time, they recognize the need for a regional approach.² The government has retained a consultant to assess options for strengthening

² The Premier of Montserrat is now Chair of the ECCB's Monetary Council.

the credit union, relying on new legislation which has strengthened the FSC's powers. The government is defining options to shore up the GSB's finances and to restructure its operations.

B. Increasing Fiscal Independence

18. The guiding principles for fiscal policy have been to target an overall balance, while reducing dependence on UK grants over time. In 2011, UK current grants are expected to fall below the unusually high levels in 2009-10 and the reduction in current grants is expected to continue in 2013 and beyond. As a result, although revenue is expected to improve, expenditure will fall by 3 percentage points of GDP.

19. The immediate fiscal policy challenge is to agree on a revised quantitative framework and timetable for reforms in discussion with the UK. The roadmap agreed in 2009 with the UK to reduce dependence on current grants, from EC\$ 57 million in 2009 to EC\$ 44 million in 2014, was built upon assumptions for economic growth and revenue which have not been borne out.³ This in part reflects delays in the implementation of capital projects, including the construction of a new capital and port that would have stimulated economic activity. Given that the scope in the near term to increase revenue appears limited given the small size of the private sector, a new medium term framework could define new trajectories for current grants and expenditure. Transfers

³ The fiscal projections in Tables 2a-b incorporate the roadmap's trajectory for grants with staff projections for revenue and expenditure.

should be targeted toward vulnerable groups, while allowing full passthrough of changes in international prices, in accordance with a 2008 ECCB Monetary Council decision.⁴ In addition, the fiscal framework should also address contingent liabilities stemming from the territory's large BAICO/CLICO exposure.

20. The medium-term trajectory for capital expenditure will be determined primarily by the pace of implementation of the major donor-financed projects. The authorities should assess with particular care any future projects with a loan financing component to ensure that they will generate a revenue stream sufficient to repay the loan.

21. Significant efforts have been made to improve tax administration. The merger of Inland Revenue and Customs has led to efficiency gains, and the merged services have increased the yield of taxes on international trade, launched an income tax amnesty program which has yielded EC\$ 1 million, and increased compliance with tax legislation. The planned creation of a single Taxpayer Identification Number and the addition of an income tax module to the existing ASYCUDA World system for customs would provide a single technology platform for tax administration.

22. The staff also supports plans to simplify the tax system. The authorities intend to replace the Service Tax and the multi-rate Consumption Tax with a General Consumption Tax in a revenue neutral manner.

⁴ The UK's subsequent mid-term budget review recognized that current revenue and expenditure targets are no longer achievable and it was agreed to develop a new roadmap and reform timetable later this year.

The tax is envisioned to have a single rate of 15 percent with limited exemptions for food and other necessities. In addition, the authorities will introduce excise taxes on goods with inelastic demand to be identified. Taxation of income will become more progressive, with the introduction of a higher 40 percent tax rate for individuals with high income while reducing the tax burden for tax payers below a threshold. The staff encourages the authorities to take the opportunity to rationalize the system of fees and non-tax revenues and to remove nuisance taxes. When the new framework for the export of volcanic sands is in place, the government should consider raising the royalty on sand mining. A levy on over-flights of the volcano originating in Antigua could also be explored.

23. The government has adopted measures to improve the sustainability of the Social Security Fund. According to a 2005 actuarial review, the Fund will extend the expected date of asset depletion beyond 2034. The Legislative Council adopted a Pension Amendment which will gradually increase the retirement age of civil servants from 55 to 65, adjust the pension accrual rate from two to one percent, and cap the combination of Social Security payments and Civil Service Pension at 85 percent of salary. The next actuarial review should assess to what extent the passage of the Pension Amendment has stabilized the Social Security Fund finances and indicate if any additional measures are needed. The review will also need to account for the Fund's CLICO/BAICO exposure, which was over one third of the Fund's investment portfolio at end-2009. In addition, the government should settle its obligations to the Social Security Fund of EC\$ 21 million per an agreement in June 2009.

24. The authorities recognized the needs to revise the medium-term framework. They observed that the scope for cutting current expenditure was limited without scaling back government services or labor shedding that would lead to additional

emigration to the UK, undercutting population objectives. They recognized the desirability of rationalizing the system of fees and non-tax revenue, and will explore the scope for higher royalties from sand mining once the new framework is in place.

C. Enhancing Growth Prospects

25. Montserrat has a number of promising opportunities to enhance its growth prospects and the viability of its economy. These include constructing a new capital and port, enhancing the tourism product and access to the island, putting in place a sound framework for the export of volcanic sand, lowering energy costs, and harnessing the resources of the diaspora.

scope to gain more benefit from volcano-based tourism.

26. The keystone of this investment program, the construction of a new capital and port in Little Bay, has faced delays in implementation. A larger port would allow simultaneous docking of a cruise ship and the ferry to Antigua. A new capital would provide a focal point for public and private sector activity, which could encompass government buildings, offices and retail outlets, and a foreign financed hotel. The project is likely to be completed in 2013. The short-run priority should be to accelerate the investment program by overcoming implementation constraints and obtaining grant financing.

28. The current problematic approach for the mining of volcanic sands, the only goods export, is being replaced with a sound and sustainable strategy. The mining of sand, which flowed during the eruption through a quiet center of residential tourism, and trucking it across the island has entailed numerous negative externalities while placing the industry at a cost disadvantage. The new strategy would put in place a new dedicated jetty near the mining operations with legal and regulatory safeguards aimed at minimizing negative environmental impacts while increasing industry and government revenue. Establishing a national consensus behind the new strategy will be crucial for it to succeed in resolving a highly controversial issue.

27. Improving access to the island and enhancing the tourism product are also priorities. The government and its development partners are exploring options to restore fast ferry service and to reestablish service by a regional airline. In addition, an investment program is underway to enrich the tourist experience by taking advantage of Montserrat's unique characteristics. There is

29. Lowering energy costs including through geothermal energy would improve economic prospects. In the near term, a new diesel generation facility to be financed by the Caribbean Development Bank will improve efficiency and help reduce the state electricity company's operating losses, which may also require tariff revisions. Prospects for geothermal energy production are good, and the authorities are seeking financing to drill an exploratory production well, which if successful could become operational in two years. Subsequently, exporting electricity to

neighboring islands is a realistic possibility, and there have been early consultations with potential foreign investors. The island, which was dropped from the Caribbean fiber optic link after the eruption, is also seeking to improve communications linkages.

30. Improving the business environment will be essential to rebuilding a viable private sector.

The business community noted some strengths, such as the ability to clear items through customs within the day taking advantage of the full computerization of customs using ASYCUDA World. However, some other administrative and legal procedures are cumbersome. Staff recommended establishing a one-stop shop for investors, making a more formal assessing of the business environment to provide a diagnostic and benchmark for progress. Although two of three quantitative methods used to assess the level of the exchange rate suggest large overvaluations of 39–56 percent (Box 2), these may reflect Montserrat's grant-driven balance of payments and significant data limitations, and private sector representatives did not raise the issue.

31. The authorities have recognized the need to increase the population in order to achieve a viable scale for the economy.

The population has been growing gradually in recent years, driven more by immigration from the Caribbean region rather than from returning residents. Nevertheless, there would be significant gains from better harnessing the resources of the diaspora. The staff noted the potential for an investors' conference to shift perceptions by highlighting the numerous initiatives that are approaching fruition, and the authorities plan several events aimed at foreign investors and former residents.

32. The authorities with concurred with the staff on the range of opportunities available to enhance growth.

They recognized the need to accelerate the investment program. They are hopeful the new framework for sand mining, which was developed after extensive consultation, will address widespread concerns in a mutually beneficial manner. They are exploring measures to monitor and enhance the business environment, and have already held several events directed at investors and former residents.

STAFF APPRAISAL

33. Montserrat has made considerable progress in recovering from the eruption of the volcano, which remains intermittently active.

However, in many respects, the island's economy is still out of equilibrium, as it adapts to living with the volcano while exploiting related opportunities. The economy is sustained by grants from the UK and is expected to gradually recover and reduce its dependence.

34. The authorities need to undertake a range of actions to take advantage of

opportunities to promote long run growth.

Access to the island is an important bottleneck that impedes economic growth generally and the growth of tourism specifically. Restoration of fast ferry service and expansion of the port would address this concern. Construction of a new capital would provide a focal point for private and public activity, and the short-run priority should be to accelerate the investment program by overcoming implementation constraints and obtaining grant financing. The authorities are putting in place a sound

framework for the mining of volcanic sands, which is a promising export industry, but has also imposed several negative externalities on the island. Notwithstanding indicators of possible overvaluation, the private sector did not identify the level of the exchange rate as an issue.

35. Ensuring a reliable energy supply and minimizing its cost is essential for faster growth. The authorities should continue with the development of the diesel generating capacity and also fully explore the possibility to develop geothermal energy sources. Lower energy costs could transform the island's economy.

36. Reducing dependence on recurrent and capital grants is a key objective of fiscal policy. After the volcanic eruption, fiscal operations have centered on maintaining an overall balance. The immediate challenge is to reach agreement with the UK on a revised

fiscal framework and timetable for reforms in light of implementation delays in key projects and the current economic environment.

37. The authorities have made commendable progress in improving the tax administration. They should maintain this momentum through further progress with its reform strategy including introducing a single Taxpayer Identification Number and integrating IT systems.

38. The government has already developed a strategy for addressing financial vulnerabilities and made initial progress. Urgent and preemptive action is essential, as is an action plan spelling out the roles of the key players. Regulation and supervision of the nonbank financial sector needs to be further improved, and the building society should be brought under the purview of the FSC.

Box 1. Living with the Volcano

After a long period of dormancy, the volcano’s eruption in 1995 redefined the island geographically, economically and demographically. The eruption affected most of the southern part of the island, destroying the economic center of the island, including the capital city, the port, the airport, and the best agricultural land. The volcano has subsequently gone through five cycles of activity and inactivity, and it is unpredictable if and when the current period of inactivity will end. Certain zones must be evacuated during periods of high activity, which along with other hassles has led some expatriates to leave over time.

Despite progress toward recovery, in many respects the economy is still adjusting to a new equilibrium:

- **The post-eruption economy has been sustained by grants, although the eventual goal is to reduce dependence.** The public sector employs the majority of the labor force, and tourism, which is largely residential, has been declining, with the number of total visitors falling from 40,000 annually prior to the volcanic eruption to about 9,400 in 2010. The island’s only goods export is volcanic sand used for construction, while the island imports 95 percent of its consumption.
- **The construction of a new port and capital in Little Bay is at an early stage, and much of the government is still in temporary quarters.** The redevelopment of the existing port is expected to take several years to complete.

Efforts to exploit the economic benefits of the volcano are at an early stage.

- **The mining of volcanic sand has entailed many negative externalities.** The sand is mined in a valley where many expatriates have homes. Furthermore, it is trucked to the other end of the island along the main highway to the port at Little Bay, which has damaged the road and increased costs. A new framework is being implemented to address these issues.
- **The potential for volcano-based tourism is also not fully developed.** Tourists can see the volcano and its impact on the former capital city, described as a modern Pompei, by air and by sea, and a museum is being developed. However, the only air tours are based in Antigua, with no benefit to Montserrat.
- **There is a high probability of an exploitable geothermal system which could be used to produce energy.** The next step is to find financing to drill a production well to prove the existence of a viable resource before approaching private investors. The well would be in the exclusion zone, while the generation facility would not.

Box 2. Exchange Rate Assessment

Both the customer- and the competitor-based real effective exchange rates (REERs) have been on a declining trend in the last two years. The customer-based real effective exchange rate has been on a declining trend since 2009, when it appreciated due to increases in global food and fuel prices. It then moved in line with US dollar depreciation against major customer currencies. The competitor-based real effective exchange rate has stayed broadly constant since 2005.

The assessment of the exchange rate using CGER methodologies is constrained by significant data limitations.

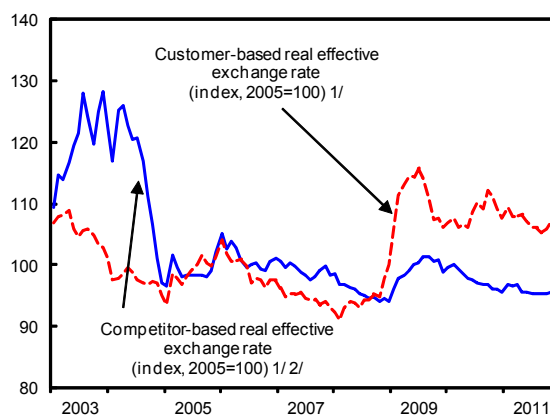
The fundamentals-based equilibrium real exchange rate (ERER) approach, which looks at fundamentals that are believed to determine the equilibrium REER, indicates that the actual real effective exchange rate has been close to its long-run equilibrium.¹ During 2004–10, the REER has indeed remained within a 90 percent confidence interval around the equilibrium.

The macroeconomic balance approach, points to an overvaluation of 39 percent. The CGER methodology based on a world sample of 111 countries suggests that the current account (CA) norm is minus 17.3 percent of GDP against the underlying CA of minus 23.7 percent of GDP. Closing the gap between the norm and the current account in the medium term would therefore require the specified large depreciation. The implied overvaluation reflects the island's high dependence on imports, imports being greater than exports, inducing a very low CA balance to GDP elasticity.

¹ The estimation of the equilibrium exchange rate takes into account productivity differential in the tourism sector (using per capital tourist arrivals instead of per capital GDP), terms of trade for tourism, government consumption, and net foreign assets. For more details see: Pineda, Cashin and Sun, 2009, "Assessing Exchange Rate Competitiveness in the ECCU," IMF Working Paper 09/78 (Washington: International Monetary Fund).

The external sustainability approach² suggests an overvaluation of 56 percent. This approach indicates that the NFA-stabilizing CA is minus 14.6 percent of GDP while the underlying CA is minus 23.7 percent of GDP, implying a large depreciation would be needed to stabilize net foreign assets.

Montserrat: External Competitiveness, 2003–2011 (July)

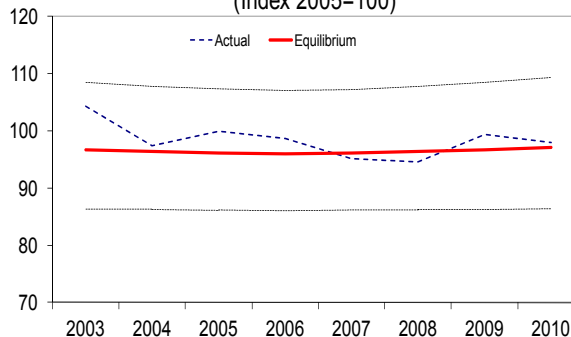


Sources: Fund staff estimates.

1/ An increase (decrease) indicates an appreciation (depreciation).

2/ The sharp movements in the competitor-based real exchange rate in 2002–04 were largely driven by the Dominican Republic's peso.

Montserrat: Actual and Equilibrium REER, 2003–2010 1/ (Index 2005=100)



Sources: IMF, Information Notice System; and Pineda, Cashin and Sun (2009), "Assessing Exchange Rate Competitiveness in the ECCU," IMF Working Paper 09/78 (Washington: International Monetary Fund).
1/ The dotted lines around the equilibrium exchange rate represent 90 percent confidence intervals of the prediction.

² Unlike in the standard CGER methodology, capital account transfers including grants were included in the estimation for the ECCU region, as they represent an important source of financing.

Table 1. Montserrat: Selected Indicators, 2006–12

I. Social and Demographic Indicators 1/							
Population (thousands, estimate)	5.0		Gini coefficient				0.3
Average life expectancy at birth (years)	73.2		GDP per capita (US\$), estimate				9,056
Literacy rate (percent of population)	97.0		GDP at market prices (US\$ million)				45.5
Infant mortality rate (deaths / 1000 live births)	15.8		Share in regional GDP (percent)				1.1
II. Economic and Financial Indicators							
	2006	2007	2008	2009	2010	Proj.	
						2011	2012
(Annual percentage change)							
National income and prices							
Real GDP	1.3	4.9	2.8	1.0	-5.6	0.5	5.0
GDP deflator	6.2	0.6	2.1	3.8	2.1	3.5	4.0
Consumer prices, average	1.9	2.7	4.9	2.8	2.5	3.5	4.0
Consumer prices, end-period	1.0	4.0	4.5	2.5	2.5	4.5	3.5
Monetary sector							
Broad money (M2)	6.1	7.7	1.6	8.3	2.8	7.1	8.0
(Annual change, in percent of M2 at the beginning of the year)							
Net foreign assets	2.0	1.1	-2.6	11.5	0.9	7.5	4.4
Net domestic assets	4.1	6.6	4.2	-3.2	2.2	-0.5	3.6
<i>Of which:</i>							
Private sector credit	4.2	4.9	3.8	4.6	5.2	1.5	4.3
(In percent of GDP)							
Public sector							
Primary central government balance	-2.8	-4.8	-9.1	3.7	1.7	0.0	-1.3
Overall central government balance	-2.8	-4.9	-9.1	3.6	1.7	0.0	-1.4
Revenue and grants	69.5	75.9	75.9	86.2	91.7	81.1	86.3
<i>Of which: Grants</i>	45.0	51.6	50.3	61.6	66.0	53.7	58.8
Expenditure and net lending	72.3	80.7	85.0	82.6	90.0	81.1	87.7
Foreign financing	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Domestic financing including arrears	1.2	1.8	6.0	-6.0	-1.4	0.1	0.3
Central government current account balance	3.2	1.0	-0.5	1.9	1.0	0.0	-1.4
Total public debt (end-of-period)	8.5	7.6	7.1	5.5	5.4	5.0	4.7
(Annual percentage change)							
External sector							
Exports of goods and nonfactor services	-0.8	5.9	2.4	-16.2	-12.2	6.6	20.7
Imports of goods and nonfactor services	2.1	-1.5	26.7	-20.9	-4.2	-18.3	42.3
(In percent of GDP)							
External current account balance	-15.2	-19.5	-33.9	-21.1	-20.5	-13.7	-28.4
Trade balance	-47.4	-42.1	-50.7	-37.9	-41.3	-30.1	-38.0
Services, incomes and transfers	32.2	22.6	16.8	16.8	20.8	16.4	9.5
<i>Of which:</i>							
Travel (net)	14.8	13.7	12.2	10.1	10.8	10.6	10.0
Capital and financial account	9.3	17.5	25.8	18.6	32.1	17.4	29.6
<i>Of which:</i>							
Foreign direct investment	5.2	12.0	21.7	4.3	4.3	4.3	4.3
Memorandum item:							
GDP at market prices, current prices (in EC\$ mn)	141.3	147.2	156.5	162.6	155.8	162.1	177.0
Sources: Authorities; ECCB; and Fund staff estimates and projections.							
1/ Estimates are for the year 2010, except where noted.							

Table 2a. Montserrat: Central Government Operations 2006–13^{1/}

	2006	2007	2008	2009	Est.	Proj		2013
					2010	2011	2012	
(In millions of EC dollars)								
Revenue and grants	98.1	111.7	118.8	140.3	144.3	134.5	154.7	140.7
Current revenue	34.5	35.8	40.2	40.1	40.5	45.5	49.2	51.7
Tax revenue	29.7	29.4	32.0	33.3	34.9	36.7	39.7	41.7
International trade	13.4	12.4	14.8	14.2	14.6	15.3	16.6	17.4
Income	13.5	14.4	15.0	16.8	18.2	19.3	20.9	21.9
Goods and services	1.4	1.3	1.3	1.2	1.2	1.2	1.3	1.4
Other 2/	1.4	1.4	1.0	1.1	0.9	0.9	1.0	1.0
Nontax revenue	4.8	6.4	8.1	6.8	5.6	8.8	9.5	10.0
External grants	63.6	76.0	78.7	100.2	103.8	89.0	105.5	89.0
Current	53.4	58.0	56.7	60.3	57.3	52.1	48.0	45.0
Capital	10.2	18.0	22.0	39.9	46.5	37.0	57.5	44.0
Expenditure	102.1	118.9	133.1	134.4	141.7	134.6	157.2	146.6
Current	83.4	92.3	97.6	97.3	96.2	97.6	99.7	102.6
Wages and salaries	35.5	37.9	39.2	41.4	42.9	45.3	46.9	48.1
Goods and services	25.7	30.8	32.3	23.9	22.7	24.3	25.1	25.8
Interest	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Domestic	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
External	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Transfers 3/	11.5	11.4	12.5	14.6	16.5	16.4	16.0	17.0
Pensions	10.7	12.1	13.4	17.3	14.0	11.6	11.6	11.6
Capital	18.6	26.6	35.5	37.1	45.5	37.0	57.5	44.0
Current balance (after grants)	4.5	1.4	-0.8	3.1	1.6	0.0	-2.5	-5.9
Primary balance (after grants)	-3.9	-7.0	-14.2	6.0	2.7	0.1	-2.3	-5.8
Overall balance (after grants)	-4.0	-7.2	-14.3	5.9	2.6	0.0	-2.5	-5.9
Statistical discrepancy	2.4	4.6	5.1	4.0	-0.2	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	2.0	4.0
Financing	1.6	2.5	9.2	-9.9	-2.4	0.0	0.5	1.9
External	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net borrowing	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Domestic	1.7	2.7	9.3	-9.8	-2.3	0.1	0.6	2.0
Bank	1.7	2.7	9.3	-9.8	-2.3	0.1	0.6	2.0
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Gross central government debt (end of period)	4.2	3.8	4.0	2.2	2.1	2.1	2.6	4.5
External	2.4	2.2	2.1	1.7	1.9	1.8	1.7	1.5
Domestic	1.9	1.5	1.9	0.5	0.2	0.3	0.9	3.0
Gross public sector debt (end of period)	12.0	11.2	11.1	8.9	8.5	8.2	8.4	10.0
External	10.2	9.6	9.1	8.4	8.3	7.9	7.5	7.1
Domestic	1.9	1.5	1.9	0.5	0.2	0.3	0.9	3.0

Sources: Authorities; ECCB; and Fund staff estimates and projections.

1/ The fiscal year coincided with the calendar year until 2009, and thereafter the fiscal year is April to March of the

2/ Includes property transfer tax.

3/ Includes transfers to public utilities and state enterprises.

Table 2b. Montserrat: Central Government Operations, 2006–13^{1/}

	2006	2007	2008	2009	Est. 2010	Proj		2013
						2011	2012	
	(In percent of GDP)							
Revenue and grants	69.5	75.9	75.9	86.2	91.7	81.1	86.3	74.7
Current revenue	24.4	24.3	25.7	24.6	25.7	27.4	27.4	27.4
Tax revenue	21.0	19.9	20.5	20.5	22.2	22.1	22.1	22.1
International trade	9.5	8.4	9.4	8.8	9.3	9.2	9.2	9.2
Income tax	9.5	9.7	9.6	10.4	11.6	11.6	11.6	11.6
Goods and services	1.0	0.8	0.9	0.7	0.7	0.7	0.7	0.7
Other 2/	1.0	0.9	0.6	0.7	0.6	0.5	0.5	0.5
Nontax revenue	3.4	4.3	5.2	4.2	3.6	5.3	5.3	5.3
External grants	45.0	51.6	50.3	61.6	66.0	53.7	58.8	47.3
Current	37.8	39.4	36.2	37.1	36.4	31.4	26.8	23.9
Capital	7.2	12.2	14.1	24.5	29.5	22.3	32.1	23.4
Expenditure	72.3	80.7	85.0	82.6	90.0	81.1	87.7	77.8
Current	59.1	62.7	62.4	59.8	61.1	58.8	55.6	54.5
Wages and salaries	25.1	25.8	25.1	25.5	27.2	27.3	26.1	25.6
Goods and services	18.2	20.9	20.7	14.7	14.4	14.6	14.0	13.7
Interest	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1
Domestic	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers 3/	8.1	7.8	8.0	9.0	10.5	9.9	8.9	9.0
Pensions	7.5	8.2	8.6	10.6	8.9	7.0	6.5	6.2
Capital	13.2	18.0	22.7	22.8	28.9	22.3	32.1	23.4
Current balance (after grants)	3.2	1.0	-0.5	1.9	1.0	0.0	-1.4	-3.1
Primary balance (after grants)	-2.8	-4.8	-9.1	3.7	1.7	0.0	-1.3	-3.1
Overall balance (after grants)	-2.8	-4.9	-9.1	3.6	1.7	0.0	-1.4	-3.1
Statistical discrepancy	1.7	3.1	3.2	2.5	-0.1	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	1.1	2.1
Financing	1.1	1.7	5.9	-6.1	-1.5	0.0	0.3	1.0
External	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net borrowing	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Change in assets abroad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	1.2	1.8	6.0	-6.0	-1.4	0.1	0.3	1.1
Bank	1.2	1.8	6.0	-6.0	-1.4	0.1	0.3	1.1
Nonbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Gross central government debt (end of period)	3.0	2.6	2.6	1.4	1.3	1.3	1.4	2.4
External	1.7	1.5	1.4	1.1	1.2	1.1	0.9	0.8
Domestic	1.3	1.0	1.2	0.3	0.1	0.2	0.5	1.6
Gross public sector debt (end of period)	8.5	7.6	7.1	5.5	5.4	5.0	4.7	5.3
External	7.2	6.6	5.8	5.2	5.3	4.8	4.2	3.8
Domestic	1.3	1.0	1.2	0.3	0.1	0.2	0.5	1.6

Sources: Authorities; ECCB; and Fund staff estimates and projections.

1/ The fiscal year coincided with the calendar year until 2009, and thereafter the fiscal year is April to March of the

2/ Includes property transfer tax.

3/ Includes transfers to public utilities and state enterprises.

Table 3. Montserrat: Summary of Balance of Payments, 2006–16

	2006	2007	2008	2009	Est. 2010	Proj.					
						2011	2012	2013	2014	2015	2016
(In millions of US dollars)											
Current account	-7.9	-10.6	-19.7	-12.7	-11.8	-8.2	-18.6	-16.7	-17.1	-17.6	-18.1
Trade balance	-24.8	-22.9	-29.4	-22.8	-23.8	-18.1	-24.9	-21.6	-21.1	-20.8	-20.8
Exports	1.8	3.1	4.1	3.2	1.1	1.7	4.2	6.2	7.5	8.3	9.1
Imports	-26.6	-26.1	-33.5	-26.1	-25.0	-19.8	-29.1	-27.8	-28.7	-29.1	-29.9
Services and income	-4.9	-8.3	-13.9	-9.4	-8.9	-9.3	-10.4	-11.2	-11.7	-12.3	-13.0
Services	-2.6	-4.3	-9.5	-5.8	-4.8	-5.2	-6.4	-7.0	-7.5	-8.1	-8.7
Services (receipts)	14.7	14.4	13.9	11.8	12.1	12.4	12.7	13.1	13.6	14.0	14.4
<i>Of which: Travel (net)</i>	4.9	4.6	3.8	3.1	3.4	3.4	3.3	3.4	3.4	3.5	3.5
Services (payments)	-17.3	-18.7	-23.4	-17.6	-16.9	-17.5	-19.2	-20.1	-21.1	-22.1	-23.1
<i>of which: travel payments</i>	-2.8	-2.9	-3.2	-3.0	-2.8	-3.0	-3.2	-3.4	-3.6	-3.7	-3.9
Income	-2.3	-4.0	-4.4	-3.6	-4.1	-4.1	-4.0	-4.2	-4.2	-4.2	-4.3
Compensation of employees	0.0	-0.6	-0.5	-0.8	-0.7	-0.8	-0.8	-0.9	-0.9	-1.0	-1.0
Investment income	-2.3	-3.4	-3.9	-2.9	-3.4	-3.4	-3.2	-3.3	-3.3	-3.3	-3.3
Current transfers	21.7	20.6	23.7	19.5	20.9	19.2	16.7	16.2	15.7	15.6	15.7
Official	19.8	21.5	21.0	22.3	21.2	19.3	17.8	16.7	16.3	16.3	16.3
Private	1.9	-0.8	2.7	-2.8	-0.3	-0.1	-1.1	-0.5	-0.6	-0.7	-0.6
Capital and financial account	4.9	9.5	15.0	11.2	18.5	10.5	19.4	15.1	14.8	15.3	15.8
Capital transfers (net)	1.8	4.7	6.0	12.6	15.1	11.5	19.1	14.2	14.6	15.1	15.7
Official	3.8	6.7	8.1	14.8	17.2	13.7	21.3	16.3	16.8	17.3	17.8
Private	-1.9	-2.0	-2.1	-2.2	-2.1	-2.2	-2.2	-2.1	-2.1	-2.1	-2.1
Financial account (net)	3.0	4.8	8.9	-1.4	3.4	-1.1	0.2	0.9	0.2	0.1	0.2
Direct investment	2.7	6.5	12.6	2.6	2.5	2.6	2.8	2.9	3.1	3.2	3.4
Portfolio investment	0.1	0.1	-0.5	0.5	0.0	0.0	0.2	0.0	0.1	0.1	0.1
Public sector capital	-0.2	-0.4	-0.2	-0.2	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3
Commercial banks	-0.4	-0.6	-1.4	-3.9	2.0	-2.5	-1.5	-0.9	-1.8	-1.9	-1.9
Other capital	0.8	-0.7	-1.5	-0.3	-0.7	-0.9	-0.9	-0.9	-0.9	-1.0	-1.1
Errors and omissions	3.7	1.0	1.9	4.2	-4.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.6	-0.1	-2.8	2.6	2.5	2.2	0.7	-1.6	-2.3	-2.3	-2.3
Financing	-0.6	0.1	2.8	-2.6	-2.5	-2.2	-0.7	1.6	2.3	2.3	2.3
Change in imputed reserves (- accumulation)	-0.6	0.1	2.8	-2.6	-2.5	-2.2	-1.5	0.1	0.1	0.1	0.1
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.7	1.5	2.2	2.2	2.2
(In percent of GDP)											
Current account balance	-15.2	-19.5	-33.9	-21.1	-20.5	-13.7	-28.4	-24.2	-23.8	-23.3	-22.9
Trade balance	-47.4	-42.1	-50.7	-37.9	-41.3	-30.1	-38.0	-31.4	-29.3	-27.6	-26.3
Exports	3.4	5.8	7.0	5.4	2.0	2.8	6.5	9.0	10.4	10.9	11.5
Imports	-50.8	-47.8	-57.8	-43.3	-43.3	-32.9	-44.4	-40.3	-39.7	-38.5	-37.8
Services and income	-9.3	-15.2	-24.0	-15.6	-15.4	-15.5	-15.9	-16.2	-16.3	-16.3	-16.4
<i>Of which: Travel (net)</i>	9.4	8.4	6.6	5.2	5.8	5.7	5.1	4.9	4.7	4.6	4.5
Current transfers	41.5	37.8	40.9	32.4	36.2	31.9	25.5	23.4	21.8	20.6	19.8
<i>Of which: Official transfers</i>	37.8	39.4	36.2	37.1	36.8	32.1	27.1	24.2	22.6	21.6	20.6
Capital and financial account	9.3	17.5	25.8	18.6	32.1	17.4	29.6	21.9	20.6	20.2	20.0
<i>Of which: Direct investment (net)</i>	5.2	12.0	21.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Overall balance	1.2	-0.2	-4.9	4.4	4.4	3.7	1.1	-2.3	-3.2	-3.0	-2.9
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	1.1	2.1	3.1	2.9	2.8
(Annual percentage change)											
Exports of goods and nonfactor services	-0.8	5.9	2.4	-16.2	-12.2	6.6	20.7	13.9	9.1	5.6	5.6
Imports of goods and nonfactor services	2.1	-1.5	26.7	-20.9	-4.2	-18.3	42.3	-3.6	3.2	1.9	2.9
Travel (net)	-23.0	-7.1	-16.1	-18.9	8.6	1.2	-2.4	1.1	1.6	1.6	1.7
Memorandum Items:	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
End year imputed gross reserves, US\$ million	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
in months of current year imports (month)	1.4	1.4	1.1	1.4	1.5	1.7	1.3	1.3	1.2	1.2	1.2
GDP at market prices, US\$ millions	52.3	54.5	58.0	60.2	57.7	60.0	65.6	68.9	72.2	75.6	79.1

Sources: Eastern Caribbean Central Bank (ECCB); Authorities and Fund staff estimates and projections.

Table 4. Montserrat: Monetary Survey, 2006–12							
	2006	2007	2008	2009	2010	Proj.	
						2011	2012
(In millions of Eastern Caribbean dollars, end of period)							
Net foreign assets	167.6	169.2	165.3	182.9	184.3	197.1	205.1
Central bank (imputed reserves)	39.3	39.1	31.5	38.6	45.4	51.4	55.4
Commercial banks (net)	128.3	130.0	133.8	144.3	138.9	145.7	149.7
Net domestic assets	-28.0	-18.8	-12.5	-17.3	-13.8	-14.7	-8.2
Public sector credit, net	-43.8	-40.6	-34.1	-43.3	-46.7	-50.1	-51.4
Central government	-23.5	-25.5	-19.3	-21.0	-27.5	-30.2	-29.6
ECCB	-2.7	-3.4	-4.6	-5.4	-5.8	-5.8	-5.8
Commercial banks	-20.8	-22.1	-14.7	-15.7	-21.8	-24.4	-23.9
Rest of the public sector	-20.3	-15.1	-14.8	-22.2	-19.2	-19.9	-21.8
Credit to private sector	33.6	40.5	46.2	53.2	61.8	64.3	72.1
Other items (net)	-17.9	-18.7	-24.6	-27.3	-28.9	-28.9	-28.9
Money and quasi-money (M2)	139.6	150.4	152.8	165.5	170.2	182.4	197.0
Money	36.5	41.9	39.2	37.9	35.1	37.6	40.6
Currency outside banks	14.2	15.1	11.6	14.9	16.0	17.1	18.5
Demand deposits	22.3	26.8	27.6	23.1	19.2	20.5	22.2
Quasi-money	103.1	108.5	113.7	127.6	135.1	144.7	156.3
Time deposits	5.0	5.6	6.1	9.2	10.4	11.2	12.1
Savings deposits	91.3	93.4	99.8	110.6	118.0	126.4	136.5
Foreign currency deposits	6.8	9.5	7.7	7.8	6.7	7.2	7.7
(12-month percentage change)							
Net foreign assets	1.6	0.9	-2.3	10.6	0.8	6.9	4.1
Net domestic assets	-16.0	-32.9	-33.6	39.0	-20.5	6.7	-44.4
<i>Of which:</i> Credit to the private sector	19.8	20.3	14.1	15.2	16.1	4.0	12.2
Broad money	6.1	7.7	1.6	8.3	2.8	7.1	8.0
Money	7.6	14.8	-6.4	-3.2	-7.4	7.1	8.0
Quasi-money	5.6	5.2	4.7	12.3	5.9	7.1	8.0
(12-month change in percent of M2 at the beginning of the period)							
Net foreign assets	2.0	1.1	-2.6	11.5	0.9	7.5	4.4
Net imputed reserves	1.2	-0.1	-5.1	4.6	4.1	3.5	2.2
Commercial banks NFA	0.8	1.2	2.5	6.9	-3.2	4.0	2.2
Net domestic assets	4.1	6.6	4.2	-3.2	2.2	-0.5	3.6
Public sector credit (net)	2.9	2.3	4.3	-6.0	-2.1	-2.0	-0.7
<i>Of which:</i> Central government	5.2	-1.4	4.1	-1.1	-3.9	-1.6	0.3
Credit to the private sector	4.2	4.9	3.8	4.6	5.2	1.5	4.3
Other items (net)	-3.1	-0.6	-3.9	-1.7	-1.0	0.0	0.0
Memorandum item:							
Income velocity of M2	1.0	1.0	1.0	1.0	0.9	0.9	0.9
Sources: Eastern Caribbean Central Bank; and Fund staff estimates and projections.							

Table 5. Montserrat: Vulnerability Indicators 2006–11						
(In percent, unless otherwise indicated)						
	2006	2007	2008	2009	2010	2011 2/
Real sector indicators						
Real GDP growth (percent)	1.3	4.9	2.8	1.0	-5.6	...
CPI inflation (period average, in percent)	1.9	2.7	4.9	2.8	2.5	...
Financial indicators 1/						
Capital/risk weighted assets	31.1	33.4	47.7	29.8	28.4	29.4
<i>Of which: Tier 1 capital/risk weighted assets</i>	29.0	28.1	40.8	28.0	26.6	27.2
Liquid assets/total assets	76.8	79.1	79.9	80.2	77.0	78.7
Liquid assets/current liabilities	87.3	90.8	89.5	89.2	87.1	88.5
Total loans/total deposits	18.3	20.5	23.6	24.4	27.2	24.6
Net liquid assets/total deposits	86.0	86.1	84.0	84.2	82.0	84.0
Nonperforming loans/total loans	9.5	6.3	5.5	8.8	8.2	8.7
Foreign banks	7.8	0.2	2.5	4.5	6.2	8.0
Provisions for loan losses/nonperforming assets	126.3	162.3	162.1	85.2	60.7	58.3
Foreign banks	10.2	7.1	46.2	30.9	47.3	26.3
Gross government claims/total assets	14.2	11.0	9.8	9.8	14.4	14.5
FX deposits/total deposits	4.0	5.5	4.6	4.5	4.0	4.3
Contingent liabilities/capital (indigenous banks)	25.6	14.8	34.8	19.2	20.4	12.2
Before-tax profits to average assets (percent)	1.4	1.8	1.7	1.3	-0.6	0.1
Broad money (percent change, 12-month basis)	6.1	7.7	1.6	8.3	2.8	7.1
Private sector credit (percentage change, 12-month basis)	19.8	20.3	14.1	15.2	16.1	...
U.S. treasury bill rate (percent per annum)	4.7	4.4	1.5	0.2	0.1	...
External indicators						
Exchange rate (per US\$, end of period)	2.7	2.7	2.7	2.7	2.7	2.7
Exports of goods and nonfactor services (percent change, 12-month basis)	-0.8	5.9	2.4	-16.2	-12.2	...
Imports of goods and nonfactor services (percent change, 12-month basis)	-15.5	2.1	26.9	-23.2	-4.2	...
Travel receipts (gross, percent change, 12-month basis)	-13.8	-3.9	-5.4	-13.9	2.3	...
Current account balance (percent of GDP)	-15.2	-19.5	-33.9	-21.1	-20.5	...
Capital and financial account balance (percent of GDP)	9.3	17.5	25.8	18.6	32.1	...
Net FDI inflows (percent of GDP)	5.2	12.0	21.7	4.3	4.3	...
Gross international reserves (GIR) in the ECCB (in US\$ millions)	14.6	14.5	11.7	14.3	16.8	...
GIR in months of current year imports of goods and nonfactor services	1.4	1.4	1.1	1.4	1.5	...
GIR to broad money (percent)	28.2	26.0	20.6	23.3	26.7	...
Public gross external debt (in US\$ million)	3.8	3.6	3.4	3.1	3.1	...
Public gross external debt to exports of goods and services (percent)	26.3	18.2	20.3	18.9	17.6	...
Public gross external interest payments to exports of goods and services (percent)	0.2	0.2	0.2	0.2	0.2	...
Public gross external interest payments to fiscal revenue (percent)	0.2	0.3	0.2	0.2	0.2	...
Public Sector Indicators						
Central government overall balance (excluding grants, percent of GDP)	-47.8	-56.5	-59.4	-58.0	-64.3	...
External public debt (percent of GDP)	7.2	6.6	5.8	5.2	5.3	...
Sources: Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.						
1/ All banks include indigenous and foreign banks.						
2/ As of June, 2011.						

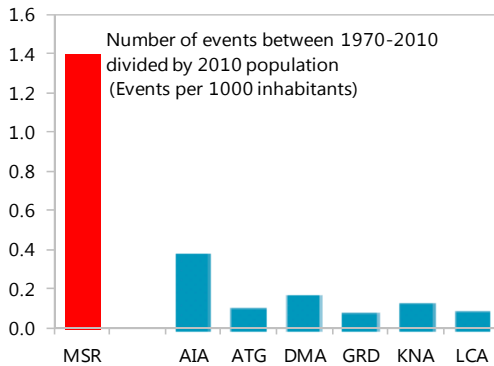
Table 6. Montserrat: Medium Term Macro Framework, 2006–16

	2006	2007	2008	2009	Est. 2010	Proj.					
						2011	2012	2013	2014	2015	2016
(Annual percentage change)											
National income and prices											
Real GDP	1.3	4.9	2.8	1.0	-5.6	0.5	5.0	2.0	2.1	2.5	2.6
GDP deflator	6.2	0.6	2.1	3.8	2.1	3.5	4.0	3.1	2.5	2.2	2.0
Consumer prices, average	1.9	2.7	4.9	2.8	2.5	3.5	4.0	3.1	2.5	2.2	2.0
Consumer prices, end period	1.0	4.0	4.5	2.5	2.5	4.5	3.5	2.7	2.3	2.1	1.9
(In percent of GDP)											
Central government											
Revenue and grants	69.5	75.9	75.9	86.2	91.7	81.1	86.3	74.7	72.8	71.4	70.0
Revenue	24.4	24.3	25.7	24.6	25.7	27.4	27.4	27.4	27.4	27.4	27.4
<i>Of which:</i> Tax revenue	21.0	19.9	20.5	20.5	22.2	22.1	22.1	22.1	22.1	22.1	22.1
Grants	45.0	51.6	50.3	61.6	66.0	53.7	58.8	47.3	45.3	43.9	42.6
Total expenditure and net lending	72.3	80.7	85.0	82.6	90.0	81.1	87.7	77.8	76.7	75.2	73.6
Current expenditure	59.1	62.7	62.4	59.8	61.1	58.8	55.6	54.5	53.8	52.6	51.4
<i>Of which:</i>											
Wages and salaries	25.1	25.8	25.1	25.5	27.2	27.3	26.1	25.6	25.0	24.3	23.7
Goods and services	18.2	20.9	20.7	14.7	14.4	14.6	14.0	13.7	13.4	13.0	12.7
Interest payments	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.2
Capital expenditure	13.2	18.0	22.7	22.8	28.9	22.3	32.1	23.4	23.0	22.6	22.2
Primary balance	-2.8	-4.8	-9.1	3.7	1.7	0.0	-1.3	-3.1	-3.9	-3.7	-3.4
Overall balance (including grants)	-2.8	-4.9	-9.1	3.6	1.7	0.0	-1.4	-3.1	-4.0	-3.8	-3.6
Total public sector debt	8.5	7.6	7.1	5.5	5.4	5.0	4.7	5.3	5.9	6.4	6.8
External debt	7.2	6.6	5.8	5.2	5.3	4.8	4.2	3.8	3.4	3.0	2.7
Domestic debt	1.3	1.0	1.2	0.3	0.1	0.2	0.5	1.6	2.5	3.4	4.1
(Annual percentage change)											
External sector											
Exports of goods and nonfactor services	-0.8	5.9	2.4	-16.2	-12.2	6.6	20.7	13.9	9.1	5.6	5.6
Imports of goods and nonfactor services	2.1	-1.5	26.7	-20.9	-4.2	-18.3	42.3	-3.6	3.2	1.9	2.9
(In percent of GDP)											
External current account balance	-15.2	-19.5	-33.9	-21.1	-20.5	-13.7	-28.4	-24.2	-23.8	-23.3	-22.9
Trade balance	-47.4	-42.1	-50.7	-37.9	-41.3	-30.1	-38.0	-31.4	-29.3	-27.6	-26.3
Services, income and transfers	32.2	22.6	16.8	16.8	20.8	16.4	9.5	7.2	5.5	4.3	3.4
<i>Of which:</i>											
Travel (net)	14.8	13.7	12.2	10.1	10.8	10.6	10.0	9.8	9.7	9.5	9.4
Capital and financial account	9.3	17.5	25.8	18.6	32.1	17.4	29.6	21.9	20.6	20.2	20.0
<i>Of which:</i>											
Foreign direct investment	5.2	12.0	21.7	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Memorandum item:											
GDP at market prices, current prices (in EC\$ mn)	141.3	147.2	156.5	162.6	155.8	162.1	177.0	186.2	194.8	204.1	213.6

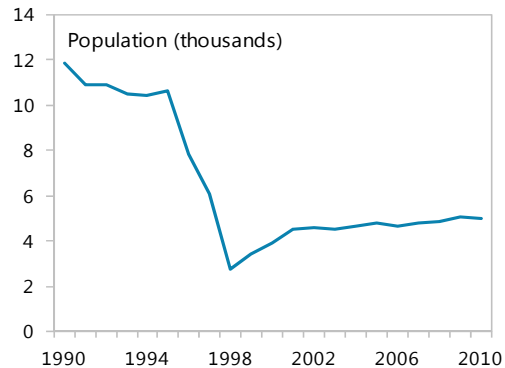
Sources: Authorities; and Fund staff estimates and projections.

Figure 1. Montserrat: Real Sector Developments

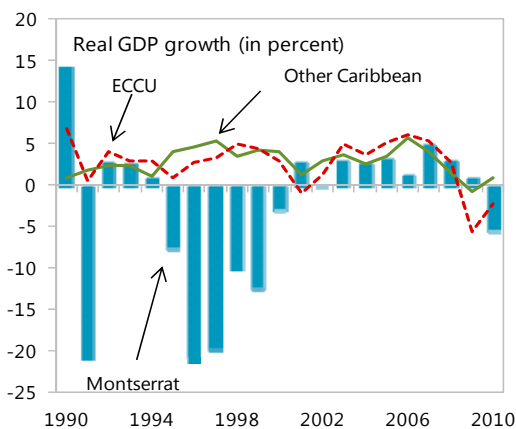
Montserrat has been the most vulnerable to natural disasters within the ECCU, due to an active volcano and weather events.



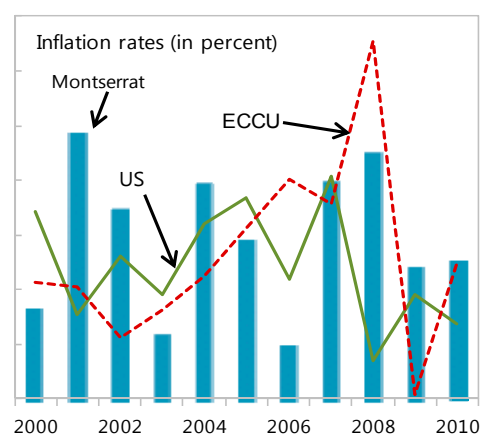
Since the volcanic eruption, population has significantly declined...



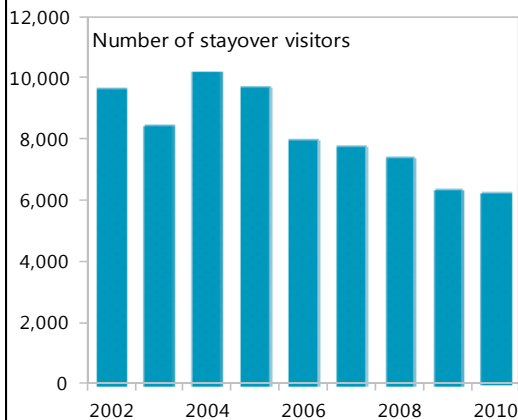
UK grants buffered the economy from the global crisis.



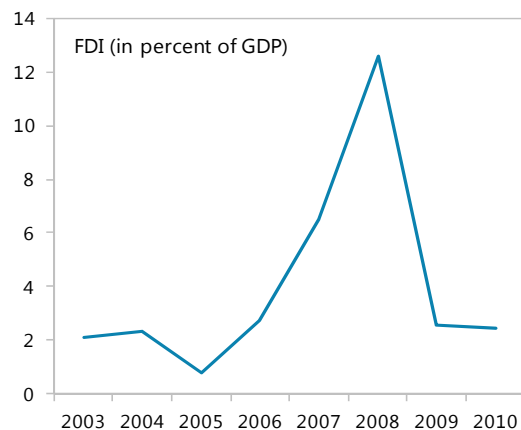
Inflation has remained relatively low and stable.



The number of stay-over arrivals has declined over time...



...while FDI is very weak.



Source: ECCB; EM-DAT; and Fund-staff estimates.

1/ AIA stands for Anguilla; ATG Antigua and Barbuda; DMA Dominica; GRD Grenada; KNA St. Kitts and Nevis; LCA St. Lucia; MSR Montserrat; VCT St. Vincent and the Grenadines

Figure 2. Montserrat: Fiscal Developments

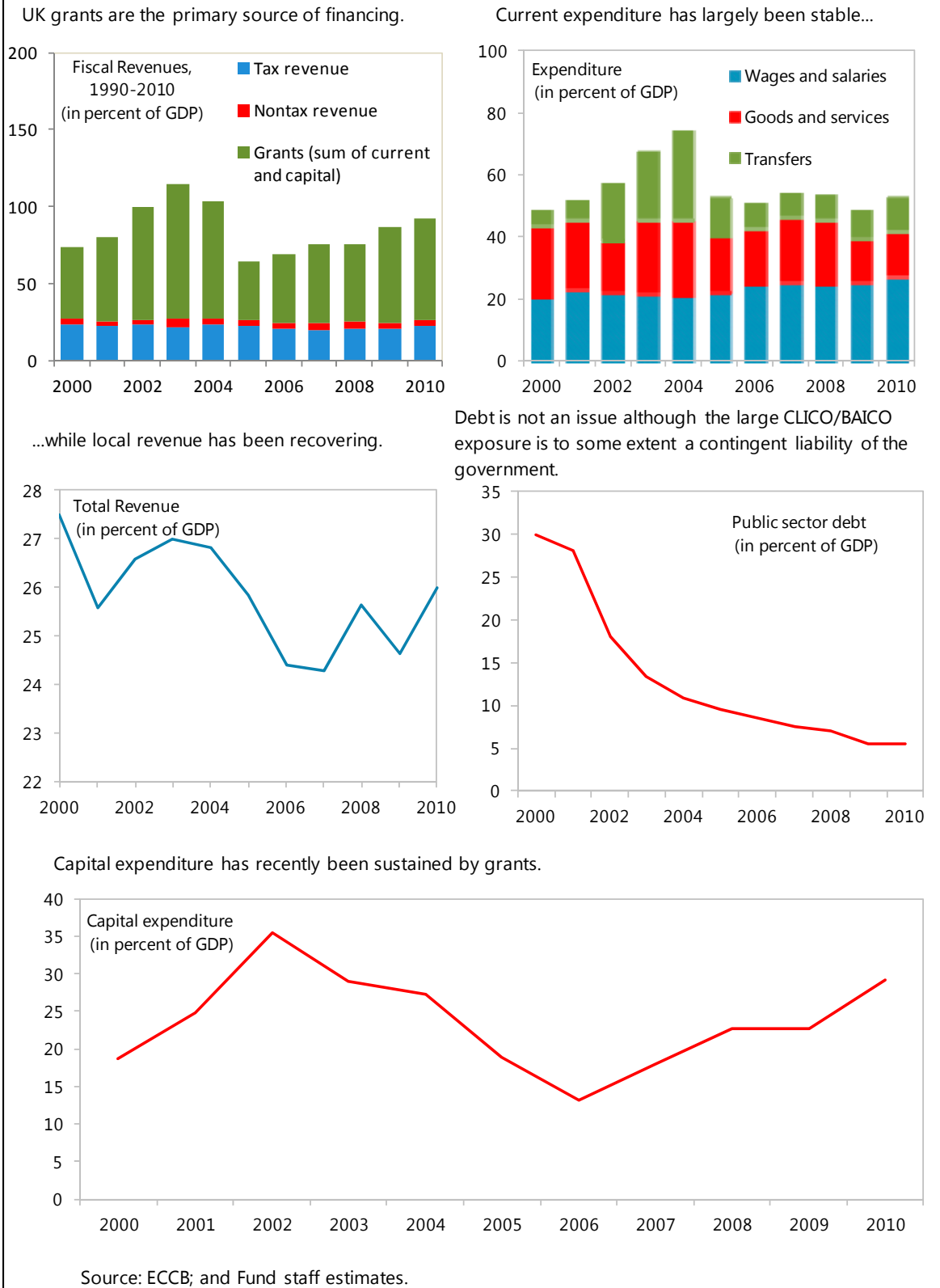
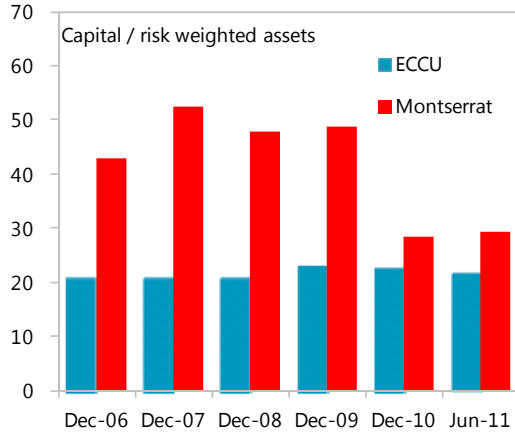
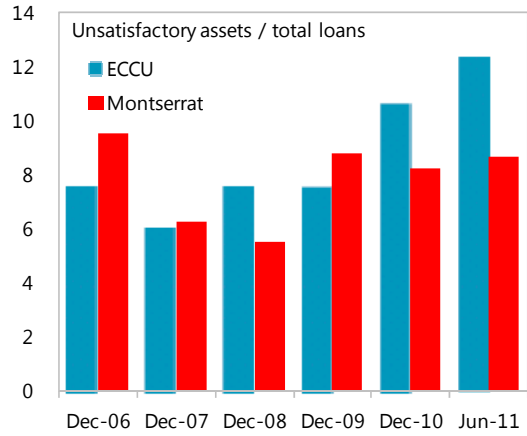


Figure 3. Montserrat: Financial Soundness Indicators, 2006-11

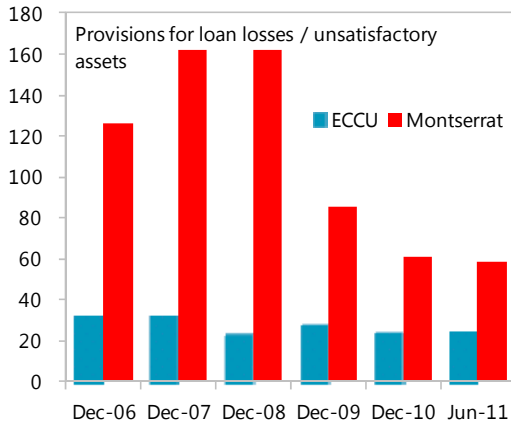
Bank capital was significantly impaired due to recent write-offs.



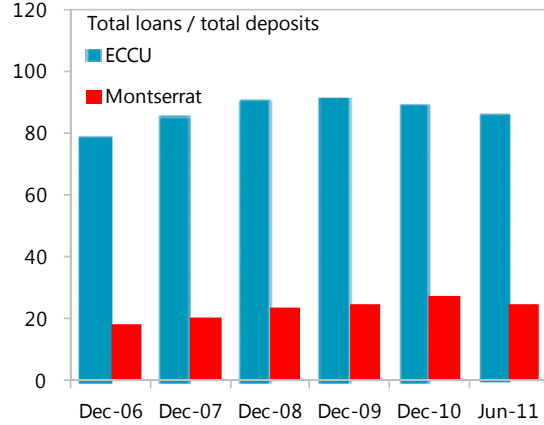
Reported NPLs are not high compared to the ECCU average.



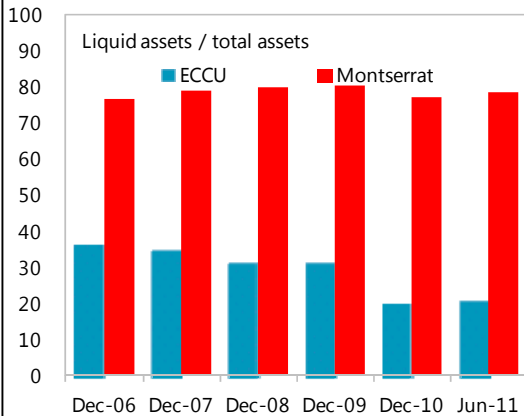
Provisioning exceeds the ECCU average.



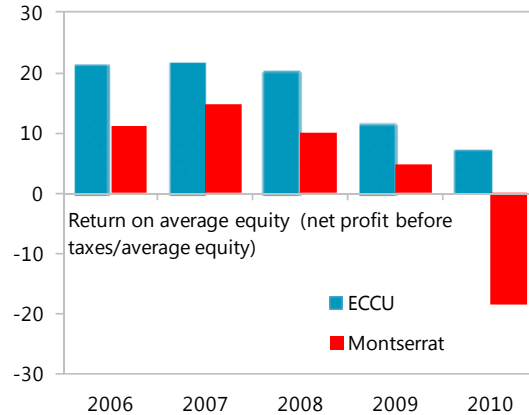
The low loan-to-deposit ratio reflects limited lending opportunities...



...as does the high liquidity ratio.



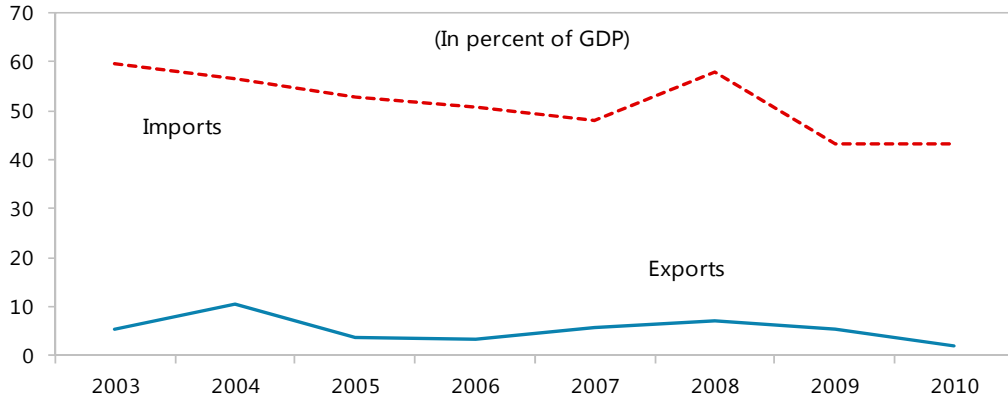
The global crisis has weighed heavily on bank profits as elsewhere.



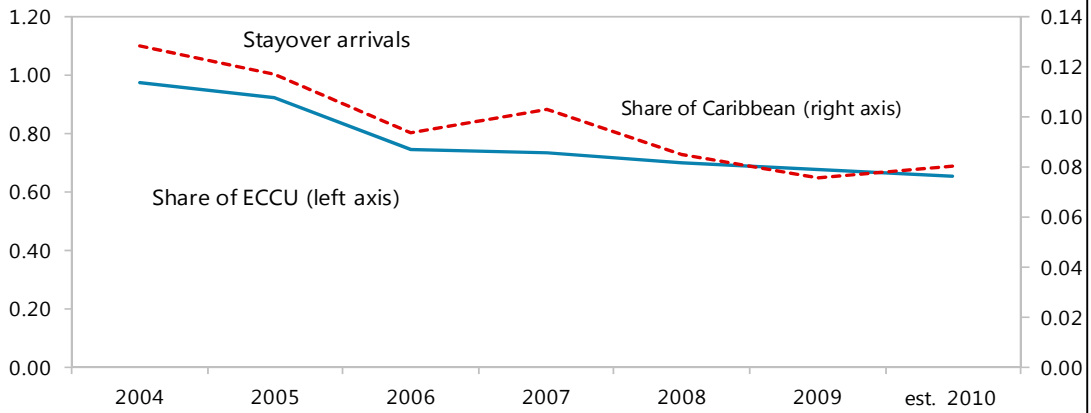
Source: ECCB.

Figure 4. Montserrat: External Sector Developments

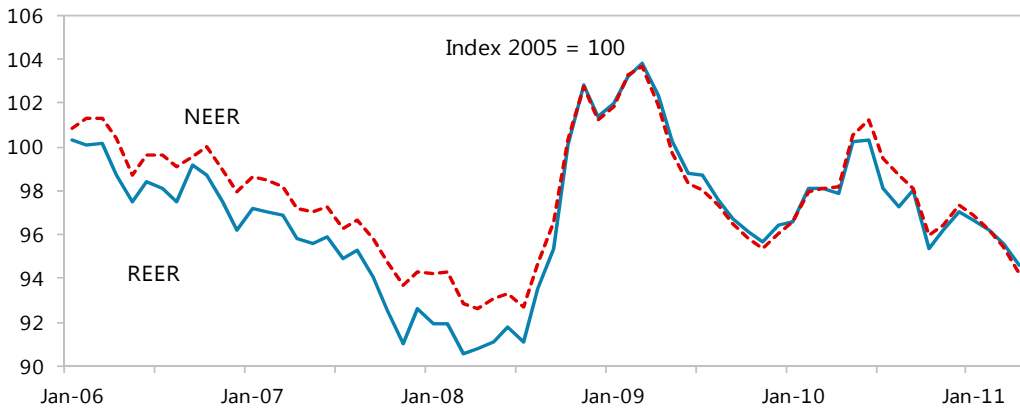
Montserrat depends highly on imports, while exports are low.



Tourism has been on a declining trend.



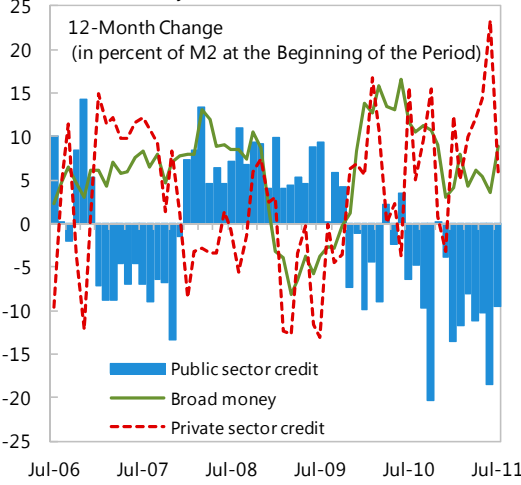
The real effective exchange rate has not exhibited a clear upward or downward trend.



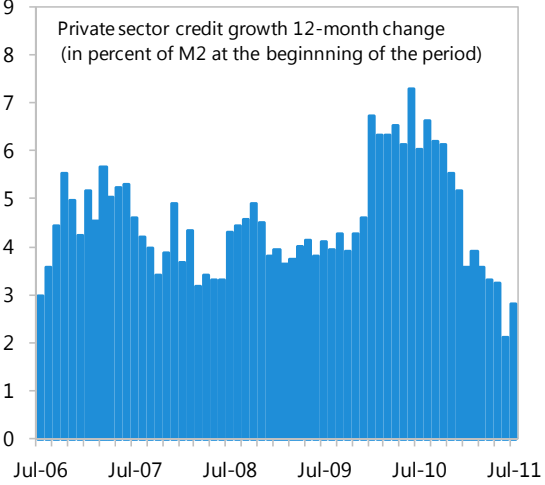
Source: ECCB; and Fund staff estimates.

Figure 5. Montserrat: Monetary Developments

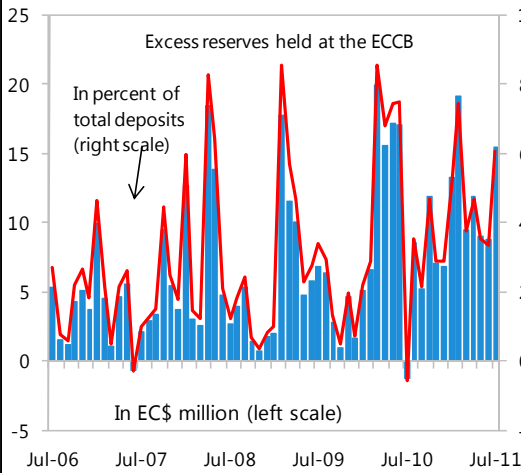
Broad money sharply decelerated in 2010, and recovered in early 2011.



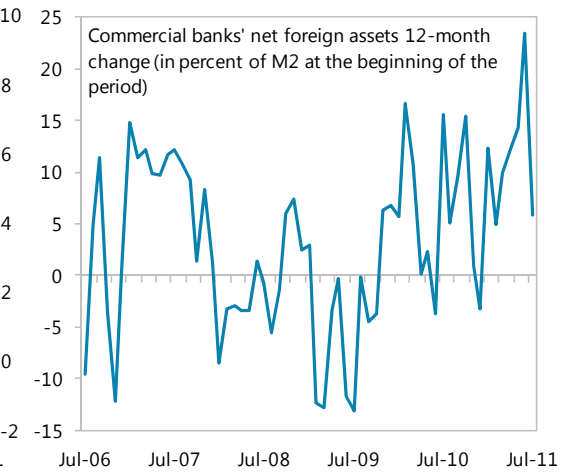
Private sector credit growth slowed in 2011...



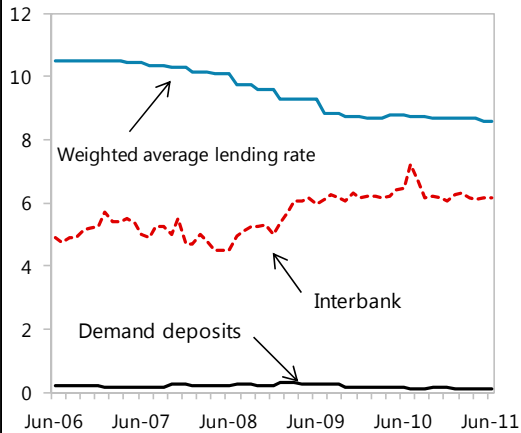
...while liquidity has been increasing.



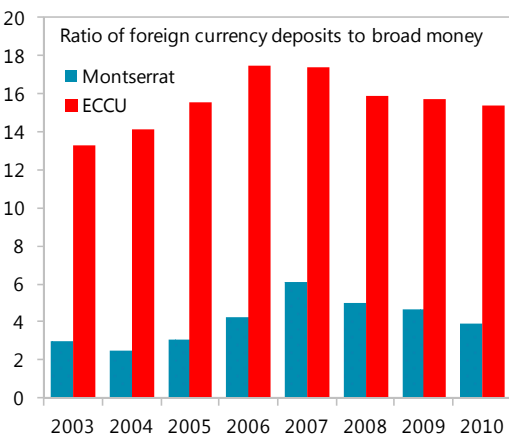
Banks' net foreign assets have been volatile.



Interest rates have remained stable since 2010...



...and foreign currency deposits have moderately declined.



Source: ECCB; and Fund staff calculations.



INTERNATIONAL MONETARY FUND

*Public Information Notice*EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 11/156
FOR IMMEDIATE RELEASE
December 13, 2011

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2011 Article IV Consultation Discussions with United Kingdom–Montserrat–British Overseas Territory

On November 28, 2011, the Executive Board of the International Monetary Fund (IMF) concluded the first ever Article IV consultation discussions with United Kingdom–Montserrat–British Overseas Territory.¹

Background

Montserrat has made enormous progress in its recovery from the 1995 eruption of a long dormant volcano, which remains intermittently active. The economy is sustained by grants from the UK. Low growth is expected in 2011 after sharp output contractions in 2009–10. Stress in the financial sector and slower than expected development of the major capital investment projects continue to limit prospects for growth.

The island has made enormous progress in its recovery, with generous support from the UK government, the European Union, and other donors. Nevertheless, the eruption has had a large and lasting demographic, economic and social impact.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country or territory, collects economic and financial information, and discusses with officials the economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the authorities. An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.

Grants from the UK finance around half of expenditure. The ability to mobilize revenue domestically is constrained by the dominant role of government and donor activity which is not taxable. UK grants buffered the impact of the global crisis on Montserrat. The economy contracted in 2009–10 due in part to a small volcanic eruption and the passage of Hurricane Earl in 2010. Inflation remained low at around 2.5 percent in 2009–10. Although UK grants sustained expenditure in 2009, the fiscal stance in 2010 was contractionary. The fiscal stance and weak activity reflect in part implementation delays in key capital projects. The economic outlook hinges upon progress with major public capital projects, improving access to the island, and strengthening the private sector.

Executive Board Assessment

The Executive Directors welcomed Montserrat's significant progress in recovering from the eruption of the volcano, which remains intermittently active. At the same time, they noted that in many respects the island's economy is still out of equilibrium, as it adapts to living with the volcano while exploiting related opportunities. They supported the authorities in their efforts with support from the United Kingdom to gradually reduce dependence on external grants.

Directors welcomed the development of a strategy for addressing financial vulnerabilities and the initial progress in implementing it. They supported preemptive action to minimize costs and risks and preparation of an action plan spelling out the roles of the key players. They urged the authorities to further improve regulation and supervision of the nonbank financial sector and bringing the building society under the purview of the Financial Services Commission.

Directors agreed that reducing dependence on recurrent and capital grants should be a key objective of fiscal policy. They urged the authorities to reach agreement with the United Kingdom on a revised fiscal framework and timetable for reforms in light of implementation delays in key projects and the current economic environment. Directors commended the authorities' progress in improving tax administration and urged them to maintain momentum with reforms including by introducing a single Taxpayer Identification Number and integrating IT systems.

Directors encouraged the authorities to take advantage of a range of opportunities to promote long-run growth. They noted that improving access to the island would remove an important bottleneck that impedes economic growth generally and tourism in particular. In addition, construction of a new capital would provide a focal point for private and public activity. They suggested that the short-run priority should be to accelerate the investment program by overcoming implementation constraints and obtaining grant financing. Directors welcomed steps toward putting in place a sound framework for the mining of volcanic sands which would facilitate exports while addressing negative externalities.

Directors underscored that ensuring a reliable energy supply and minimizing its cost would be essential for faster growth. They encouraged the authorities to continue improving energy generating capacity and fully exploring the possibility to develop geothermal energy sources.

Directors welcomed the Montserratian authorities' decision to propose the first ever Article IV Consultation Discussions, which had helped provide context for the 2011 Eastern Caribbean Currency Union Common Policies Discussions, and hoped that the close dialog developed would continue.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

Montserrat: Selected Indicators, 2006–12

	2006	2007	2008	2009	2010	Proj.	
						2011	2012
(Annual percentage change)							
National income and prices							
Real GDP	1.3	4.9	2.8	1.0	-5.6	0.5	5.0
GDP deflator	6.2	0.6	2.1	3.8	2.1	3.5	4.0
Consumer prices, average	1.9	2.7	4.9	2.8	2.5	3.5	4.0
Consumer prices, end-period	1.0	4.0	4.5	2.5	2.5	4.5	3.5
Monetary sector							
Broad money (M2)	6.1	7.7	1.6	8.3	2.8	7.1	8.0
(Annual change, in percent of M2 at the beginning of the year)							
Net foreign assets	2.0	1.1	-2.6	11.5	0.9	7.5	4.4
Net domestic assets	4.1	6.6	4.2	-3.2	2.2	-0.5	3.6
<i>Of which: Private sector credit</i>	4.2	4.9	3.8	4.6	5.2	1.5	4.3
(In percent of GDP)							
Public sector							
Primary central government balance	-2.8	-4.8	-9.1	3.7	1.7	0.0	-1.3
Overall central government balance	-2.8	-4.9	-9.1	3.6	1.7	0.0	-1.4
Revenue and grants	69.5	75.9	75.9	86.2	91.7	81.1	86.3
<i>Of which: Grants</i>	45.0	51.6	50.3	61.6	66.0	53.7	58.8
Expenditure and net lending	72.3	80.7	85.0	82.6	90.0	81.1	87.7
Foreign financing	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Domestic financing including arrears	1.2	1.8	6.0	-6.0	-1.4	0.1	0.3
Central government current account balance	3.2	1.0	-0.5	1.9	1.0	0.0	-1.4
Total public debt (end-of-period)	8.5	7.6	7.1	5.5	5.4	5.0	4.7
(Annual percentage change)							
External sector							
Exports of goods and nonfactor services	-0.8	5.9	2.4	-16.2	-12.2	6.6	20.7
Imports of goods and nonfactor services	2.1	-1.5	26.7	-20.9	-4.2	-18.3	42.3
(In percent of GDP)							
External current account balance	-15.2	-19.5	-33.9	-21.1	-20.5	-13.7	-28.4
Trade balance	-47.4	-42.1	-50.7	-37.9	-41.3	-30.1	-38.0
Services, incomes and transfers	32.2	22.6	16.8	16.8	20.8	16.4	9.5
<i>Of which: Travel (net)</i>	14.8	13.7	12.2	10.1	10.8	10.6	10.0
Capital and financial account	9.3	17.5	25.8	18.6	32.1	17.4	29.6
<i>Of which: Foreign direct investment</i>	5.2	12.0	21.7	4.3	4.3	4.3	4.3
Memorandum item:							
GDP at market prices, current prices (in EC\$ mn)	141.3	147.2	156.5	162.6	155.8	162.1	177.0

Sources: Authorities; ECCB; and Fund staff estimates and projections.



UNITED KINGDOM—MONTSERRAT— BRITISH OVERSEAS TERRITORY

November 15, 2011

STAFF REPORT FOR THE 2011 ARTICLE IV CONSULTATION DISCUSSIONS—
INFORMATIONAL ANNEX

Prepared By

The Western Hemisphere Department.

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ANNEX II. MONTSERRAT'S RELATIONS WITH THE CARIBBEAN DEVELOPMENT BANK (CDB)	4
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ANNEX I. FUND RELATIONS

- The consultation discussions with the authorities in Montserrat, which are part of the 2011 Article IV consultation discussions with the United Kingdom, were held in The Valley during July 20–29, 2011. The staff team comprised Messrs. Monroe (head), Mrkaic, and Ms. Viseth (all WHD), Ms. Yang (FIN) and Mr. Akçakoca (external consultant). It met with the Governor of Montserrat, the Chief Minister (who is also the Minister of Finance) and senior officials of the government of Montserrat, members of the Montserratian parliament, and representatives of labor unions, business associations, banks, and pension and health care funds.
- As a British Overseas Territory, Montserrat falls under UK sovereignty. The UK has accepted the obligations under Article VIII. Montserrat maintains an exchange system free of restrictions.

United Kingdom

I. **Membership Status:** Joined: December 27, 1945.

II. General Resources Account:	SDR million	Percent of Quota
Quota	10,738.50	100.00
Fund holdings of currency	7,427.25	69.16
Reserve position in Fund	3,311.37	30.84
Lending to the Fund	1,126.00	

III. SDR Department:	SDR million	Percent of Allocation
Net cumulative allocation	10,134.20	100.00
Holdings	9,334.54	92.11
Designation Plan	0.00	

IV. **Outstanding Purchases and Loans: None**

V. **Financial Arrangements: None**

VI. **Projected Payments to Fund** (SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2011	2012	2013	2014	2015
Principal					
Charges/Interest	0.64	2.12	2.12	2.12	2.12
Total	0.64	2.12	2.12	2.12	2.12

Montserrat

VII. **Exchange Rate Arrangement:**

The Eastern Caribbean Dollar has been pegged to the U.S. dollar at EC\$2.7 per US\$1 since July 7, 1976.

VIII. **Article IV Consultation Discussions:**

The 2011 Article IV consultation discussions are the first bilateral Fund discussions with Montserrat.

IX. **Financial Sector Supervision, FATF Evaluation, and OFC Assessment:**

The evaluation of Montserrat's compliance with the Financial Action Task Force (FATF) 40+9 Recommendations on AML/CFT was conducted jointly by the FATF and the Caribbean Financial Action Task Force during July 2011.

X. **Technical Assistance:**

CARTAC is providing technical assistance to Montserrat in the areas of macroeconomic analysis, forecasting and performance monitoring, public finance management, budget preparation, Chart of Accounts reform, cash management and forecasting, and pension reform.

ANNEX II. MONTserrat'S RELATIONS WITH THE CARIBBEAN DEVELOPMENT BANK (CDB)

(As of July 31, 2011)

The CDB's interventions in Montserrat in the aftermath of the volcanic eruptions which began in 1995 have been primarily limited to the provision of technical assistance (TA) for capacity building and small-scale infrastructure projects financed under the Basic Needs Trust Fund (BNTF) programme. However, even these capacity building efforts are challenged by human resource deficiencies which are evident as the country seeks to restore viability through the rebuilding of social and economic infrastructure.

Under the BNTF programme, TA is being provided in a number of critical areas relevant to community upliftment and empowerment, leading to the enhancement of social and human capital. Table 1 shows the grant amounts approved and disbursed within the various categories during the 2006–10 period.

Between October 2006 and December 2009, a number of public servants in Montserrat benefited from a CDB sponsored Project Cycle Management Training Programme designed to improve project administration capacity within the Bank's borrowing member countries. In addition to attending a number of training modules in Trinidad and Tobago, a separate module on Procurement and Contract Management was delivered in Montserrat in recognition of the dearth of skills and hence the need to build expertise within the country.

Montserrat has further benefited from other regional TA programs sponsored or co-sponsored by CDB. In April 2011, representatives from Montserrat participated in a Public Sector Investment Planning workshop jointly funded by CDB and the Eastern Caribbean Central Bank designed to build capacity in PSIP formulation, implementation and management. During the same month, the country also participated in TA training to enhance long-term social and economic development through improving capacity for long-range planning.

In May, 2011, CDB Board of Directors approved a soft loan to the Government of Montserrat (GOM) in the amount of USD2.5 million for the construction of a permanent power station to provide efficient, secure and reliable electricity services. This loan was accompanied by a TA grant of US\$364,170 for institutional strengthening of the Finance and Accounting Division of Montserrat Utilities Limited. The total cost of the project is estimated at USD13.4 million with the United Kingdom Department for International Development providing a grant equivalent to 62% of the cost.

GOM has not borrowed externally since the volcanic eruptions started in 1995 and as at July 29, 2011, loans outstanding to CDB by GOM totalled USD2.9 million.

TABLE 1: BNTF GRANT FUNDING APPROVED TO MONTSERRAT 2006–10

(USD'000)

	2006	2007	2008	2009	2010
ACCESS - ROADS		180.6	180.2		82.2
EDUCATION FACILITIES				336.0	26.5
HEALTH FACILITIES				230.1	
MAINTENANCE		8.0		8.0	
SKILLS TRAINING	28.0	22.5	18.7	28.0	69.5
WATER SUPPLY SYSTEMS			149.5		48.0
TOTAL	28.0	211.1	348.3	602.1	226.1

ANNEX III. STATISTICAL ISSUES

As of November 15, 2011

I. Assessment of Data Adequacy for Surveillance	
General: Macroeconomic statistics have some shortcomings, but are broadly adequate for surveillance. There are shortcomings in coverage, accuracy, frequency, and timeliness. Priority should be given to compilation and dissemination of labor market data.	
Real Sector: National account data are based on the 1993 System on National Accounts. They are compiled and disseminated annually; Montserrat does not disseminate quarterly GDP data. Montserrat recently rebased its national accounts to base year 2006 for the period 2000 to 2009 and new GDP data have 2006 for the base year. The rebasing led to a significant increase in the nominal GDP due to an extension of data compilation to previously underestimated sectors and activities, for example communication. GDP data by type of expenditure are not available at constant prices. Private final consumption expenditure is estimated as a residual. Monthly CPI data are reported regularly but with a long lag. An important weakness of macroeconomic statistics is the lack of appropriate labor market data.	
External Sector Statistics: The Eastern Caribbean Central Bank monitors the external sector in collaboration with member countries' statistical offices. BOP data are published annually in a format that is consistent with the fifth edition of the IMF Balance of Payments Manual. There are no data on private external debt.	
Government Finance Statistics: The data on central government finances are published by the ECCB and are broadly in line with the methodology in the Government Finance Statistics Manual 1986. The data are published annually with a lag of approximate six months.	
Monetary and Financial Statistics: Monetary data are compiled by the ECCB on a monthly basis and reported regularly to the Fund. There is a need to improve the institutional coverage that currently only comprises the ECCB and commercial banks.	
II. Data Standards and Quality	
Montserrat does not participate in the General Data Dissemination System.	No data ROSC is available.
III. Reporting to STA	
The authorities do not report fiscal data for publication in IFS. The ECCB provides monetary and financial statistics data to STA.	

Montserrat—Table of Common Indicators Required for Surveillance

(As of November 15, 2011)

	Date of latest observation (dd/mm/yy)	Date received (dd/mm/yy)	Frequency of data¹	Frequency of reporting¹	Frequency of publication¹
Exchange rates ²	1/15/2011	1/15/2011	D	D	D
International reserve assets and reserve liabilities of the monetary authorities ³	08/2011	19/10/2011	M	M	M
Reserve/base money	08/2011	19/10/2011	M	M	M
Broad money	08/2011	19/10/2011	M	M	M
Central bank balance sheet	09/2011	19/10/2011	W	W	W
Consolidated balance sheet of the banking system	08/2011	19/10/2011	M	M	M
Interest rates ⁴	1/11/2011	1/11/2011	I	D	D
Consumer price index	03/2011	07/01/2011	M	M	M
Revenue, expenditure, balance and composition of financing ⁵ — General government ⁶			A	A	A
Revenue, expenditure, balance and composition of financing ⁵ — Central government	2010	07/2011	A	A	A
Stocks of central government and central government-guaranteed debt ⁷	2010	07/2011	A	A	A
External current account balance Exports and imports of goods and services	2010	07/2011	A	A	A
GDP/GNP	2010	07/2011	A	A	A
Gross external debt	2010	07/2011			
International investment position ⁸			NA	NA	NA

¹ Daily (D); weekly (W); monthly (M); quarterly (Q); annually (A); irregular (I); and not available (NA).

² The Eastern Caribbean Dollar is pegged to the US Dollar.

³ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

⁴ Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁵ Foreign, domestic bank, and domestic nonbank financing.

⁶ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁷ Including currency and maturity composition.

⁸ Includes external gross financial asset and liability positions vis-à-vis nonresidents.