Annex I. Implementation of Previous Staff Advice

Recommendations from the 2017 Common Policies Discussion	Policy Actions
Further Improve the Health and Stability of the Financial System	
Order corrective actions, including capital calls, as soon as possible from undercapitalized-but-viable banks identified in the asset quality reviews	
i. Update the 2014 asset quality reviews	No direct action has been taken.
ii. Undercapitalized but viable banks to submit sound capitalization plans to the ECCB. Unviable banks to exit the market in an orderly fashion.	While the 2014 AQRs have not been updated, section 44 (1) of the new Banking Act requires a minimum capital of EC$20 million for commercial banks. This represents an augmentation from EC$5 million under the previous Banking Act. Non-compliant banks continue working towards compliance by the statutory deadlines. Capital augmentation plans were submitted by banks as required and several have since received capital injections that support their compliance.
iii. Banks carry out their plans by a fixed deadline	Following the commencement of the Banking Act, banks have either implemented or altered their plans to satisfy the stipulated capital requirements. Further capital raising may be required to address capital shortfalls that may arise based on implementation of IFRS 9 and the ECCB's new prudential standards on collateral valuation (issued December 2017 and implemented June 2018) and treatment of impaired assets (for issue by end 2018 and implementation Q1 2019). The ECCB is assessing potential capital shortfalls to inform corrective measures to be required of the affected institutions.
iv. Noncompliant viable banks merge with or are acquired by other banks	These remain some of the options for undercapitalized banks and will be pursued if required.
v. ECCB to explore bank merger options that would reduce concentration and liquidity risks while improving profitability prospects.	The capital adequacy, corporate governance, concentration and liquidity risks, and profitability of the resulting institution(s) are some of the factors that will be properly assessed prior to applying/approving the merger option.
Operationalize the ECAMC	The ECAMC has been operating since July 2017, with a chief executive, its own staff, and a Board of Directors. By law, it has a dual mandate to: (i) conduct asset management business, including the purchase (in whole or in part), dealing with, managing and/or disposing of assets or liabilities from/of approved financial institutions (AFIs); and (ii) be the receiver for

Recommendations from the 2017 Common Policies Discussion	Policy Actions
	failed financial institutions (currently it is receiver for one of the three previous failed banks in the region). The ECAMC is now at a crossroads. Progress to full operationalization of its asset management mandate, supported by IMF TA, will require coordinated efforts by the ECAMC, the ECCB, and the stakeholder governments in terms of funding modalities, among other issues, as well as banks that are motivated to sell NPLs at realistic values. While the ECCB is not advocating that governments issue bonds to fund the ECAMC due to capacity constraints, territories with previously failed banks are prepared to provide more funding if necessary. However, if the ECAMC fails to identify sufficient workable (largely private sector) funding options and progress adequately towards acquiring a critical mass of NPLs within the statutory deadline of July 2019, IMF TA will be suspended and policy makers may decide that the ECAMC should limit its activities instead to a single mandate as a receiver.
Reform alien land holding laws in some jurisdictions (e.g., Anguilla) to facilitate the ECAMC's sale of the assets.	Limited progress. Due to constitutional issues, the ECAMC Law does not provide for exclusion from the Alien Landholding Law, as originally intended. In Grenada, OECS citizens purchasing land must obtain a non-citizen land holding license, but there is no license fee. However, they are required to pay a property transfer tax of 10 percent of the property's market value. In St. Kitts and Nevis, cabinet swiftly and frequently approves alien land holding.
Finalize harmonized legislation on credit unions and insurance sector. Extend it to building societies. Improve the frequency of financial reporting. Specify sanctions for non-compliant entities. Clarify definition of capital and procedures to address NPLs.	While a Harmonized Co-operative Societies Act was enacted between 2010 and 2012 by all but 2 countries, implementation—including for credit unions and building societies—remains outstanding as regulations to govern implementation of the Act continue to be subject to ongoing consultation and revisions among national regulators. The final responsibility and structure for oversight of these financial cooperatives is being considered by the ECCB and ECCU governments.
Enhance supervisory processes with respect to:	
i. Loan classification	Following extensive consultations with the accounting and banking industries, the ECCB's draft prudential standard on treatment of impaired assets (developed with input from the IMF and CARTAC TA) is being finalized for issue by year end 2018 and implementation in Q1 2019.

Recommendations from the 2017 Common Policies Discussion	Policy Actions
ii. Collateral valuation	The ECCB's prudential standard on collateral valuation was issued in December 2017 and implemented in June 2018. Bank examiners will continue to receive training in collateral valuation and the 2018/2019 pilot on-site examinations using the new risk based supervisory approach incorporate a compliance review in this regard.
iii. On- and off-site inspections	The enhanced risk based supervisory framework is being further developed with IMF TA. This includes the approach to risk-based supervision, streamlining the onsite examination process, surveillance and onsite examination reports, and developing supervisory manuals. Pilot RBS on-site examinations commenced in Q4, 2018. In addition to findings and required actions from on-site examinations being shared with the Boards of licensed financial institutions and the respective Ministers of Finance, they are now also shared with country representatives on the ECCB Board, to avoid the risk of respective governments not being briefed on a problem entity in their territory.
iv. Implementation of Basel II	The ECCB is currently receiving TA from CARTAC in this area. This includes technical advice, training and mentoring staff and assisting with enhancements to the risk-based supervisory framework and Basel II implementation. With CARTAC assistance, an initial roadmap for implementation is being finalized. A suite of draft Prudential Standards were submitted to the banking sector for comments by August 2016 and those not yet issued are being reviewed for finalization.
Eliminate the minimum saving deposit rate or restrict its applicability to small saving deposits	In 2015, the Monetary Council reduced the minimum savings rate from 3.0 percent to 2.0 percent. The impact on credit growth has been muted; banks continue to limit their risk exposure with tighter credit standards, despite the lowered cost of funds. Eliminating the minimum savings rate will be considered only when a deposit insurance system is in place.
Implement other structural reforms that would facilitate improving access to credit and reducing lending rates	
i. Draft regional foreclosure bill that aims to reduce the time and cost of resolving problem loans and securing collateral	The ECCB commissioned a very comprehensive report recommending reforms in land registration systems and foreclosure practices and procedures. These have been submitted for the consideration and approval of member governments. The governments of St Vincent and the Grenadines, Antigua and Barbuda, Grenada, Dominica, and Anguilla have approved the recommendations. The ECCB has identified a legislative drafting consultant to assist with the drafting of

Recommendations from the 2017 Common Policies Discussion	Policy Actions
	appropriate legislation and has contacted the World Bank for assistance with this project following approval by member governments. However, finalization and implementation of the legislation remains outstanding.
ii. Establish a regional credit bureau	Following passage of the credit reporting legislation in 2018, an operator was selected and is to be licensed by the first half of 2019. Operationalization of the oversight framework is being supported with TA from the IFC.
Improve the functioning of the RGSM by simplifying issuing procedures, reviewing auction mechanisms and brokers' fee structures	No significant steps have been taken.
Mitigate the risk of withdrawal of correspondent banking relationships	
Strengthen regulatory frameworks	
i. Strong governance of CBI programs	Regional vetting policy and procedures are being discussed by a committee of regional institutions charged with the issue by the OECS Authority. In line with the October 2016 decision by the Monetary Council, the ECCB has encouraged other ECCU countries to publish information on their programs as in Grenada; publication templates were submitted to the countries.
ii. Effective implementation of AML/CFT standards, including full compliance with the 2012 FATF standards and tax transparency standards	The ECCB assumed responsibilities as Competent Authority for AML/CFT for all institutions licensed under the Banking Act, as decided by the Monetary Council in July 2016. The ECCB is receiving TA from the U.S. Department of the Treasury. A needs assessment was completed in March 2017. Pending the legislative transfer of the authority for AML/CFT to the ECCB by all member territories, the ECCB and the relevant national regulators have commenced efforts towards the establishment of a Memorandum of Understanding for cooperation in information sharing and the conduct of AML/CFT assessments for institutions licensed under the Banking Act.
iii. Accelerate CARTAC-supported Basel II implementation and risk-based supervision in banking and non-banking sector	In 2018, the ECCB did pilot examinations of 3 banks using risk-based supervision methodology.
iv. Increase information sharing with correspondent banks	Regional national banks have registered on the SWIFT KYC Registry Portal, accessible by correspondent banks.
v. Bank consolidation	The ECCB has engaged the 12 indigenous banks at the Board and CEO levels and published a consultation paper on consolidation in the Union. In 2018, as a first

Recommendations from the 2017 Common Policies Discussion	Policy Actions
	step, indigenous banks are considering an approach for shared costs and services, and functional cooperation in support services such as audit and compliance. Some amount of consolidation/building market share may also result from the exit of foreign banks from certain jurisdictions.
Strengthen fiscal policy	
Pass national fiscal responsibility legislation (FRA) to enshrine the regional debt target and specify fiscal rules	Only Grenada and Anguilla have FRA. The ECCB is encouraging other member states to adopt FRA as well.
i. Include escape clauses in fiscal rules to suspend the rules temporarily in the event of a natural disaster	Only Grenada has an escape clause for natural disasters.
ii. Articulate medium-term fiscal adjustment strategies in the 2017 budgets, focused on primary balance targets excluding CBI revenues.	ECCU finance ministers have agreed to present their medium-term fiscal frameworks and discuss interim debt targets for 2020 and 2025 at the ECCB's Monetary Council on July 2017.
Internalize the expected costs of natural disasters in macro fiscal frameworks, including building necessary buffers.	Limited progress. Being considered in some jurisdictions.
Improve the overall PFM/PIMA framework	
i. Accounting practices to include a broader fiscal perimeter	Limited progress.
ii. Funding capital projects using CBI resources requires rigorous project evaluation and selection and sufficient resources to finance the project until completion (to avoid contingent liabilities for the government)	While there is limited progress in some countries (Annex IV), in Dominica the Public Sector Investment Plan explicitly accounts for the use of available CBI deposits as a source of financing, including in a three-year projection. Projects account for resilience against natural disasters.
iii. Improve capacity to design and manage PSIPs	Limited progress.
Adopt a comprehensive governance framework to mitigate increased risks from CBI programs	
i. Develop a regionally accepted set of principles and code of conduct that would set regional standards	Regional vetting policy and procedures are being discussed by a committee of regional institutions.
ii. Use CBI resources to reduce debt where possible.	

Recommendations from the 2017 Common Policies Discussion	**Policy Actions**
Build resilience to natural disasters	
Shifting from ex-post relief to ex-ante preparation	
i. Prepare plans for investment in climate change adaptation, financing, risk management	St. Lucia has undertaken a Climate Change Policy Assessment (CCPA) pilot, finalized a National Adaptation Plan, but the costing needs to be completed. Grenada is finalizing a comprehensive strategy and is about to undertake a CCPA pilot.
ii. Save a significant portion of CBI resources to a fund to address natural disaster shocks and finance disaster resilient infrastructure.	Some countries are considering setting up saving funds for natural disasters or are in the process of doing it.
iii. Enforce building codes	Limited progress.
Enhance Competitiveness and Potential Growth	
Implement national plans to diversify energy sources	Progress has been made, but there are delays relative to the national targets. Dominica and St. Vincent and the Grenadines are investing in geothermal electricity to replace all or most diesel generation. Projects are targeted for completion by end-2018.
Continue to move forward with regional collaboration	
i. Develop a single domestic space	Agreement was reached on the guidelines for the free circulation of goods regime and a draft bill on the free circulation of goods is being reviewed by OECS member states. OECS nationals are free to work in any ECCU country without work permits and given indefinite stay, Revised Treaty of Chaguaramas (RTC). The market integration strategy includes the Integrated labor market/movement of persons, common market for goods, strengthening ICT systems, harmonizing taxes and administrative procedures, single jurisdiction for business, common market for services, the establishment of the OECS Competitiveness Business Unit (CBU), policy harmonization on agriculture, tourism, education, human, social and environment.
ii. Identify systems for harmonized border management	Is part of the newly adopted regional integration strategy. On-going.
iii. Visitors to move freely within the region	On-going.
iv. Address issues with the regional airline	In November 2016, the OECS Economic Affairs Council approved a Regional Air Services Agreement on the harmonization of air services in the OECS. The

Recommendations from the 2017 Common Policies Discussion	Policy Actions
	agreement is approved by Third meeting of the Economic Affairs Council.
v. Implement single regional regulatory authority for non-banks	The Eastern Caribbean Financial Services Commission has completed the initial stage of the process, including public consultations on draft legislation. A revised plan for the next phases is expected to be approved soon.
Adopt policies to reduce unit labor costs and boost employment	
i. Better align wage growth with productivity growth	Limited progress.
ii. Improve labor market flexibility	Some attempts to introduce personnel shifts in hotels and port operations.
iii. Control public wage growth, including by implementing civil service reform	Grenada has developed a public service reform strategy to be implemented in 2017-2019. Wage freezes and attrition policies are still in effect in some countries.
iv. Strengthen labor-training programs	Some programs are being revaluated and reformed, such as in St. Kitts and Nevis. Grenada has implemented several well operationalized training programs.
Improve macroeconomic statistics	
Strengthen labor market, balance of payments, and government finance statistics	
i. Remove legal obstacles to the use of fiscal information to supplement business survey data when response rate is low	Limited progress.
Ensure consistency of CBI flows with BPM6	A survey form prepared for BPM6 is administered in each country for the compilation of the BOP, which entities use to report on receipts and payments of CBI flows.

Annex II. Risk Assessment Matrix[1]

Source and direction of risks	Relative Likelihood	Impact/Time Horizon	Policy response
Rising protectionism and security risks (↓). Uncertainty and financial market volatility increases in the short term, with negative consequences on investment. Security risks intensify in the Middle East, Africa, Asia, and Europe. Lower global growth impacts the region, mainly though reduced tourist inflows.	**High**	**High/ST, MT**	Reduce external and fiscal vulnerabilities. Accelerate fiscal adjustment, particularly where it is needed to reduce debt rollover risks and attain sustainability. Implement structural reforms to improve the business environment and enhance competitiveness.
Sharp tightening of global financing conditions (↓) triggered by a sharper-than-expected increase in U.S. interest rates.	**High**	**High/ST**	Pursue fiscal adjustment to reduce financing risks and the risk premium.
Larger and more frequent natural disasters (↓). Hurricanes and floods intensify, causing increasing damage, destruction of physical capital, and lower tourist arrivals.	**High**	**High/MT**	Build a consistent framework with investment in resilience and appropriate ex ante financing, including fiscal buffers.
Reduced financial services by correspondent banks (↓). The significant curtailment of cross-border financial services, in emerging and developing economies, seems to have stabilized in the ECCU.	**Medium**	**Medium/ST, MT**	Continue efforts to strengthen compliance with AML/CFT and tax transparency standards. Promote bank consolidation. Further enhance transparency in CBI programs. Explore alternative options for correspondent banking services.
Macroeconomic instability in systemic countries (↓). Debt sustainability issues in the Euro area; binding capacity constraints in the U.S.; insufficient progress in deleveraging and rebalancing in China; unsustainable macroeconomic policies in other systemic countries.	**Medium**	**High/MT**	Reduce external and fiscal vulnerabilities. Strengthen the fiscal position and implement structural reforms.
Sizeable deviations from baseline energy prices (↓↑). Growth in the ECCU would suffer/benefit from higher/lower oil prices.	**Medium**	**High/ST, MT**	Address cost and structural competitiveness disadvantages, including high dependence on hydrocarbon fuels, high energy prices, and other bottlenecks that weigh on businesses.
Cyber-attacks and pressure on traditional bank business models (↓) may trigger systemic financial instability or disrupt socio-economic activities.	**Medium**	**Medium/ST, MT**	Prepare appropriate crisis management plans. Strengthen financial sector regulation and supervision.
Financial sector weakness (↓) High NPLs are increasing again; fast narrowing window for ECAMC to acquire NPLs; distress in non- bank financial sector has materialized.	**High**	**High/MT**	Promptly implement remaining elements of the ECCU strategy to strengthen indigenous banks. Enhance regulatory and supervisory frameworks for non-banks.

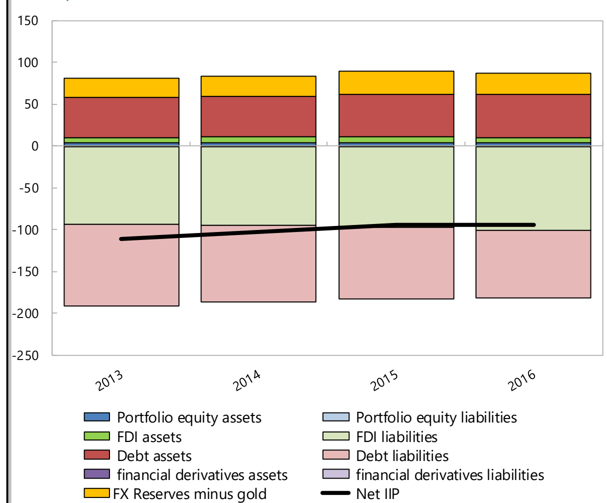
[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" (ST) and "medium term" (MT) are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex III. External Assessment

The external position of the ECCU in 2017 was weaker than implied by medium-term fundamentals and desirable policies. EBA-Lite analysis indicates that the REER for the union is overvalued. In 2018, the current account deficit is projected to widen as recovery in hurricane-hit countries continues. Imbalances at the national level remain sizeable and considerable policy adjustments are needed, especially on the fiscal front. Structural competitiveness indicators point to a need to raise productivity and competitiveness mainly through improving business indicators, reducing energy and unit labor costs.

1. Foreign asset and liability position. The net international investment position (NIIP) of the ECCU has reached -83 percent of GDP in 2016, with an improvement of about 4 percent of GDP since 2015. Gross foreign positions were about 92 percent of GDP of assets (US$6.3 billion, mostly debt and foreign exchange reserves) and 175 percent of GDP (US$12 billion, mostly FDI and debt) for liabilities in 2016.[1] Net external liabilities remain high in almost all countries, especially in Grenada and St. Vincent and Grenadines. The region's overall NIIP financing vulnerabilities appear to be high, especially in the outer years of the projected period when large FDI projects fade away.

IIP Composition, by Instrument
(in percent of GDP, based on IIP data from IMF BOPS)



Source: IMF Balance of Payments Statistics, IMF World Economic Outlook

2. Current Account. Revised BPM6 statistics released in September 2018 show slightly widened current account deficits compared to the June release for all years, but still presents smaller external deficits throughout the region, compared to BPM5 estimates. With trends broadly similar, the current account in 2016 is now largely negative. Most of the revision is explained by services, as travel expenditures are now based on updated tourist expenditure surveys and include some activities at offshore universities. These changes present a challenge in evaluating the magnitude of misalignments for individual countries.

[1] The ECCB will publish the 2017 IIP position for the union in March 2019.

Current Account Data Revisions
(In percent of GDP 1/)

	2014					2015					2016				
	BPM5	BPM6	*change*	Revised BPM6 2/	*change*	BPM5	BPM6	*change*	Revised BPM6	*change*	BPM5	BPM6	*change*	Revised BPM6	*change*
Current Account Balance															
ECCU	**-13.6**	**-4.7**	*8.9*	**-5.4**	*8.2*	**-10.0**	**-1.4**	*8.6*	**-4.3**	*5.7*	**-11.9**	**-5.4**	*6.5*	**-7.7**	*4.2*
Anguila	-20.9	-25.5	*-4.6*	-24.0	*-3.1*	-21.3	-18.1	*3.2*	-26.9	*-5.6*	-24.6	-29.4	*-4.8*	-27.0	*-2.4*
Antigua and Barbuda	-12.5	2.0	*14.5*	0.6	*13.1*	-5.2	6.8	*12.0*	3.8	*9.0*	-5.9	0.2	*6.1*	-2.7	*3.2*
Dominica	-9.5	-7.2	*2.3*	-6.9	*2.6*	-8.0	-1.9	*6.1*	-6.9	*1.1*	-11.8	0.8	*12.6*	-8.4	*3.4*
Grenada	-17.5	-4.4	*13.1*	-10.9	*6.6*	-17.5	-3.8	*13.7*	-11.0	*6.5*	-14.6	-3.2	*11.4*	-10.1	*4.5*
Montserrat	-20.3	-20.5	*-0.2*	-21.0	*-0.7*	-2.8	-9.7	*-6.9*	-9.9	*-7.1*	-9.8	-14.1	*-4.3*	-21.4	*-11.6*
St. Kitts and Nevis	-8.1	-4.9	*3.2*	-0.7	*7.4*	-9.2	-9.7	*-0.5*	-10.3	*-1.1*	-16.0	-11.4	*4.6*	-12.6	*3.4*
St. Lucia	-8.9	3.3	*12.2*	0.8	*9.7*	-2.6	6.8	*9.4*	4.2	*6.8*	-6.7	-1.9	*4.8*	-3.4	*3.3*
St. Vincent	-25.1	-25.7	*-0.6*	-25.8	*-0.7*	-21.2	-14.9	*6.3*	-14.5	*6.7*	-18.9	-15.8	*3.1*	-15.2	*3.7*

Sources: ECCB; Central Statistics offices.
1/ BPM5 columns show IMF staff estimates, BPM6 columns show official ECCB data.
2/ September 2018 revision by ECCB.

The current account (CA) deficit of the ECCU reached an estimated 8.0 percent of GDP in 2017, slightly up from 7.7 percent in 2016.[2] Most ECCU countries are running CA deficits but have shown some improvement in their external balances compared to 2016 with newly released data. The current account deficit is projected to worsen in 2018, reflecting increased construction imports to Dominica and Antigua and Barbuda. In the medium term, the deficit should stabilize around 6.7 percent of GDP. The EBA-Lite model estimates a CA norm of -5.2 percent of GDP excluding volatile CBI flows and -3.1 percent including them. This implies a CA gap -6.0 percent of GDP, excluding CBI flows, and -2.4 percent of GDP, including CBI flows, and an overvaluation of 14.6 and 5.9 percent respectively.[3] Fiscal policy adjustment is needed in many countries to reduce overvaluation in the context of the quasi-currency board.[4]

EBA-Lite Estimates

	CA approach						I-REER approach
	CA norm	Actual CA	CA gap	Policy Gap	REER Gap	Residual	REER Gap
ECCU aggregated (incl. CBI)	-3.1	-5.6	-2.4	-0.3	5.9	-2.1	0.2
ECCU aggregated (excl. CBI)	-5.2	-11.2	-6.0	1.7	14.6	-7.7	0.0
ECCU weighted average (GDP) 1/	-2.5	-7.5	-3.9	0.4	9.9	-5.4	1.6
ECCU weighted average (GDP) 1/	-1.5	-7.7	-5.1	-0.1	13.1	-6.1	1.4

1/ Including CBI.
Source: IMF staff calculations.

[2] The EBA-Lite estimates use an adjusted figure for current account as described in the footnotes to the table for EBA-Lite estimates.

[3] The relatively large residuals in the estimates could also indicate structural policy gaps further hampering competitiveness.

[4] The IMF EBA-Lite analysis for the ECCU covers eight members, which are Anguilla, Antigua and Barbuda, Dominica, Grenada, Monserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. The assessments of CA and REER gaps for the ECCU are derived from the aggregate template treating the union as a single country. A comparative analysis is also done by GDP-weighted averages of the assessments of the individual countries listed above with similar results.

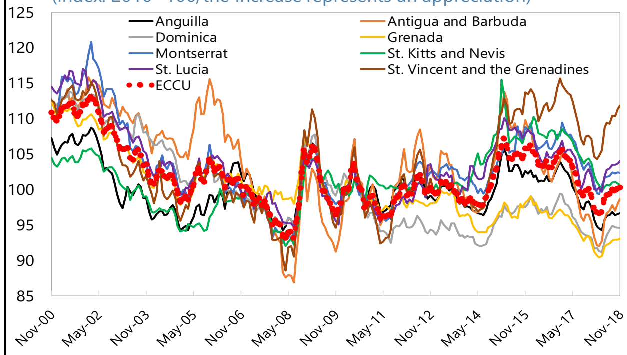
3. **Real Exchange Rate.** The CPI-based real effective exchange rate depreciated by about 4.2 percent in 2017, mostly reflecting the weakening of the U.S. dollar during the same period and low inflation levels in the ECCU. The EBA-Lite index REER model points to a misalignment of less than 1 percent, which reflects the recent REER adjustment. Although there are large differences in individual country REER gaps, most countries show an overvaluation.

4. **Capital and financial accounts.** The 2017 CA deficit is largely financed by FDI inflows, capital transfers and other investment, particularly commercial bank financing. In the medium term, FDI inflows will be substantially reduced following the completion of construction projects, particularly in hurricane-hit countries.

5. **Reserve adequacy.** The relevant statistics for measuring reserve adequacy for a quasi-currency board like the ECCU are reserves in percent of broad money, which are adequate at 28.5 percent. Following Mwase (2012) to account for reserve adequacy needs for small states that are subject to natural disasters and external shocks, staff applied the revised metric taking into account now exports and short-term debt in addition to broad money metric. With this metric staff finds ECCB's reserves adequate at 100 percent of the proposed threshold. For the medium term, with some deterioration owing to large current account deficits in Dominica and Antigua and Barbuda, reserves position in months of imports is expected to be slightly lower than the 2017 levels.

Real Effective Exchange Rate

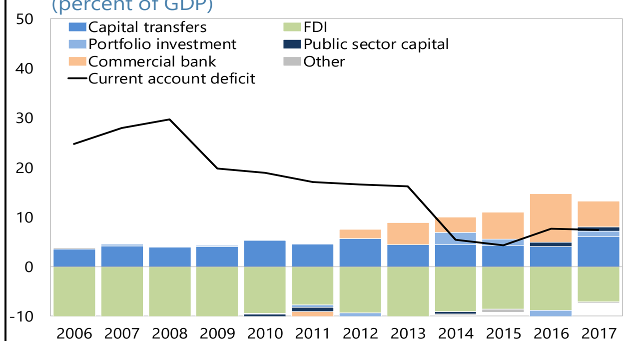
(Index: 2010=100; the increase represents an appreciation)



Source: IMF, *International Financial Statistics (IFS)*.

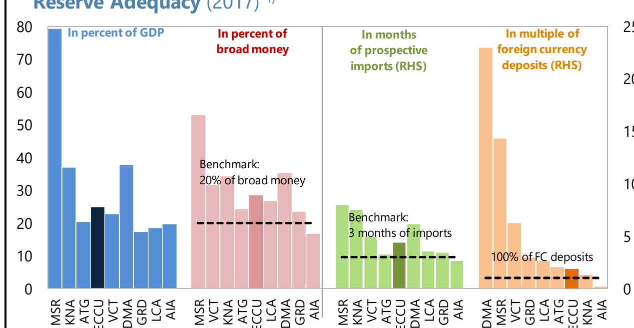
Current Account Financing

(percent of GDP)



Sources: IMF estimates and calculations.

Reserve Adequacy (2017) [1/]



[1/] Reserves in percent of respective statistics.

Sources: ECCB; Country authorities; and IMF staff calculations.

Reserve Metric for the Currency Unions

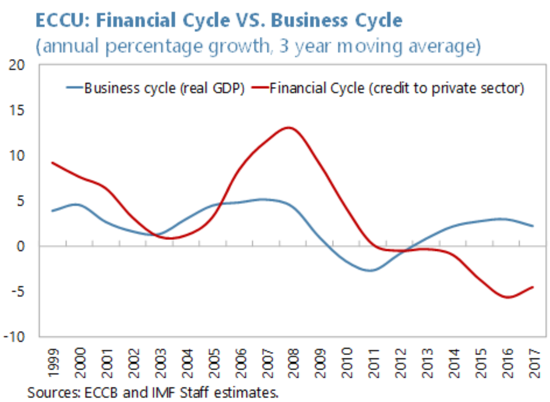
(million US dollars)

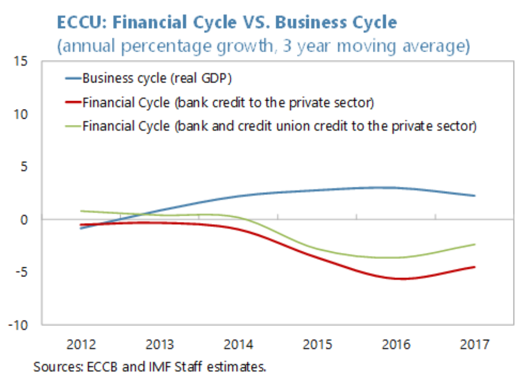
	2017
20 percent of exports	75.7
20 percent of broad money	1223.3
80 percent of short term debt	352.2
Total	**1455.6**
in percent of GDP	7.6
Threshhold 75 percent	1091.7
100 percent	1455.6
Actual, 2017	**1745.2**
in percent of GDP	9.1

Source: Mwase (2012).

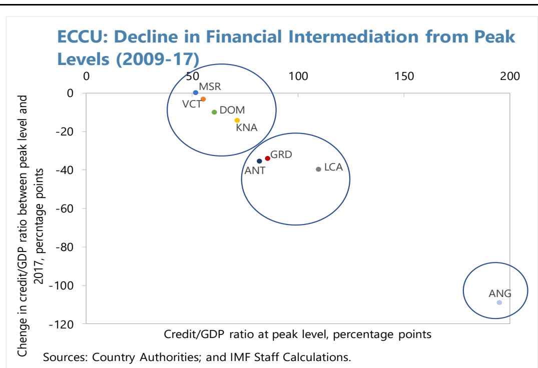
Annex IV. Real and Financial Cycles in the ECCU

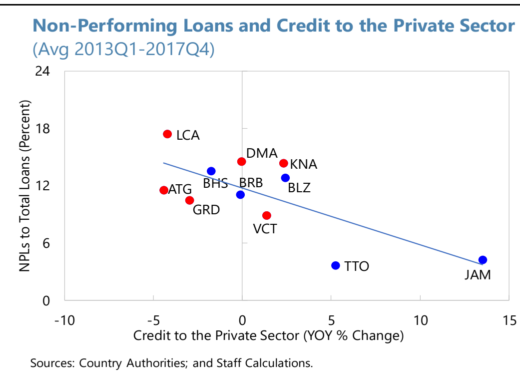
1. **As in other parts of the world, ECCU's financial cycles tend to have a larger amplitude and duration than business cycles**. After the global financial crisis (GFC), this difference became more pronounced in the ECCU, with a lengthening of the credit cycle and a protracted period of financial disintermediation. While real activity began to recover in 2011, financial activity kept declining through 2017, and currently remains well below trend. The inclusion of credit unions—data are available only for recent years—moderates the decline in total credit but does not change the picture significantly.





2. **Pressures for the withdrawal of CBRs in the region may have contributed to the reduction of financial intermediation, but country-specific factors had a key role**. These include the resolution of failed banks in Anguilla and Antigua and Barbuda and significant increases in CBI-related NPLs.

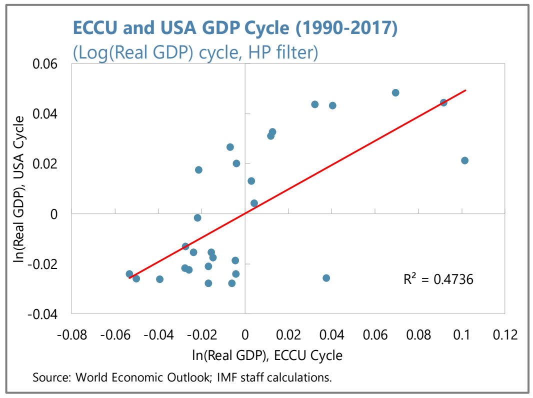




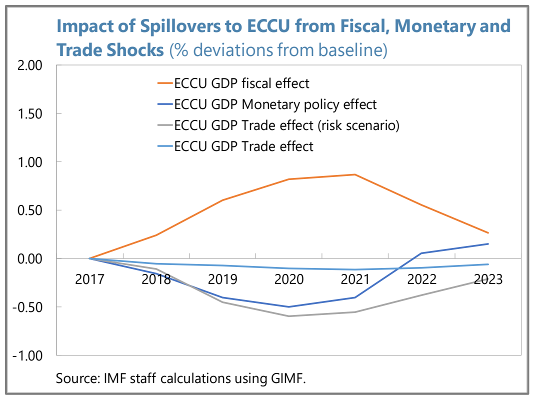
3. **The overall decline in NPLs after 2015 and the return of the credit-to-GDP ratio to levels prevailing 20 years ago should support the incipient credit recovery, though its pace may continue to lag real activity**. Important differences remain across ECCU members: the ongoing turnaround in Grenada —where the NPL ratio declined rapidly and credit is now below the regional average in terms of GDP— looks more robust than in St. Kitts and Nevis or St. Lucia, where the credit-to-GDP ratio remains relatively high. Enhanced supervision and regulation, upgrading of the insolvency and foreclosure laws, and faster NPL resolution would further sustain the turnaround in credit.

Annex V. Impact of US Shocks on the ECCU

1. **Staff used several methodologies to assess the impact of recent economic events in the US on ECCU**. Staff considered: (i) the passage of the Tax Cuts and Jobs Act in December 2017 in the US; ii) adoption of an array of import tariffs in the US and major trading partners[1] and the (iii) monetary policy normalization in the US. The impact of the highlighted isolated shocks is simulated using a version the IMF's Global Integrated Monetary and Fiscal model (Kumhof et al, 2010); and a Global VAR model (Vargas et. al., 2018, forthcoming).



2. **Stylized facts indicate that the impact of these shocks on the ECCU could be relatively sizable**. First, about 40 percent of all tourist arrivals to ECCU are from the US. Second, following the methodology of Sun and Wendel (2009), staff found a high degree of co-movement between US and ECCU business cycles.



3. **While the expansionary fiscal policy in the US will have a positive impact on ECCU economies, the outcomes of trade tensions would have an adverse effect**. In both cases, the main channel for transmission is the effect of these policy shocks on US output, and therefore on US demand for tourism services provided by the ECCU. The results from the pure fiscal effect indicate a large positive impulse for the ECCU for the projected period. The effects of recent trade tensions can however have negative effects on the growth path of the ECCU, especially if trade disputes exacerbate with adverse confidence and market effects (risk scenario).

4. **More-rapid-than-expected normalization of monetary policy creates negative spillovers to the ECCU**. The main channel of transmission is the need to tighten monetary policy in the ECCU by an equivalent magnitude, given the peg of the EC dollar and the assumption of interest rate parity in GIMF. However, results from a Global VAR model suggests that impact could be more muted, since the interest rate parity holds only partially.

5. **The overall impact of these three policies in isolation would reduce ECCU GDP by about 0.3 percent over the simulation period if the trade dispute exacerbates**.

[1] The tariff scenario is based on recent analysis done at the IMF (Fall 2018 WEO). It incorporates already implemented tariff hikes on U.S. imports of steel (25 percent) and aluminum (10 percent); a 25 percent tariff on US$50 billion worth of U.S. imports from China; with retaliation from all affected regions consisting of an increase in tariffs on an equivalent amount of U.S. exports. The alternative scenario also adds an additional 25 percent tariff on US$267 billion worth of U.S. imports from China, with retaliation, and a possible 25 percent increase in tariffs on U.S. imports of vehicles, again with retaliation from all affected regions on an equivalent amount of U.S. exports. Tariffs are raised permanently. Adverse confidence and market effects are also included in the alternative scenario.

Annex VI. Competitiveness in Tourism Markets

1. **The ECCU, as well as the broader Caribbean, enjoys a competitive advantage for its proximity to the North-American tourism market.** Following Romeu (2014) and Acevedo et al. (2017), staff estimated a gravity model using countries and regions included in the Week- at-the-Beach index (IMF, 2018) as comparators for the period of 1977-2017. Results show that proximity to North America provides an important competitive edge in those markets, controlling for supply side factors, such as the number of hotel rooms, natural disasters, number of airlines or air flights, or demand factors, such as unemployment or income in the source countries or cultural and historical relations.

Regression Results: Gravity Model [1/]

Distance 2/	-0.00068***
	(0.00000)
Common language	4.35278***
	(0.00000)
Colonial ties	3.50044***
	(0.00000)
	0 .62909***
Weighted average of US, Canada and UK incomes per Laframboise (2014) 3/	(0.00000)
Real Effective exchange rate	-0.16236
	(0.18140)
Homocide rate	0.04879
	(0.71620)
Hurricanes	-2.96071
	(0.14820)
Number of airlines	-0.43938
	(0.06410)
Number of hotel rooms	2.5778***
	0.0000
Number of observations 5/	12,931
R- squared	0.9637
Adjusted R- squared	0.9472

Sources: CEPII GeoDist database; Country authorities; IMF staff estimates.

[1/] The dependent variable is the log of bilateral stay-over tourist arrivals to ECCU destination i from advanced economy j (grouped as US, Canada, Europe and Other).

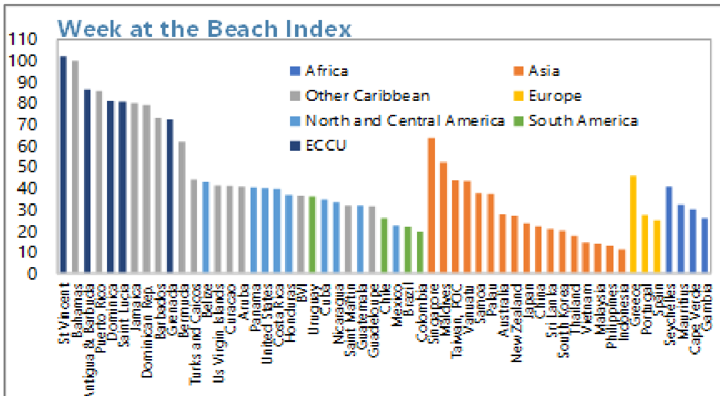
[2/] Distance is measured in population weighted kilometers.

[3/] The results replacing US income are also significant.

[4/] p values in parenthesis

[5/] Our sample size is reduced significantly with the specification that includes hurricanes.

2. **Available indicators, however, suggest that the ECCU tourism product is relative expensive.** The Week-at-the-Beach index shows that the cost of one week at the beach in the Caribbean is significantly higher than in other tourism destinations around the world. This likely reflects high unit labor and electricity costs, which are a competitive disadvantage for the region.



Source: IMF staff estimates.
Note: Week at the Beach Index (W@TB)" measures the average cost of a 7-day-trip in a country's beach destinations. The Index is a composition of an average hotel price (3 to 4 'bubble' rating) from TripAdvisor and over 80 million crowdsourced data on meals, taxi fares, water, coffee and beer. The database covers 155 beach destinations from 56 countries.

3. **Evidence shows that price is an important determinant of tourism arrivals in the ECCU.** Proximity and traditional links identify North America and the U.K. as the most important source markets for the region. Staff's analysis confirms that income and unemployment in source markets, price, and airlift are the most important determinants of tourism arrivals to the Caribbean (Laframboise et al., 2014). To gauge the specific impact on ECCU countries, staff has re-estimated Laframboise et al. (2014) only for ECCU countries extending the sample to 2017. While the results for the ECCU are less reliable owing to the smaller sample, they suggest that: (i) ECCU tourism is more sensitive to REER than the rest of the Caribbean, despite the high-end, less-price sensitive tourism that characterizes some of the ECCU destinations; (ii) income and unemployment in source countries are consistently significant; (iii) the number of airlines is also a significant factor.

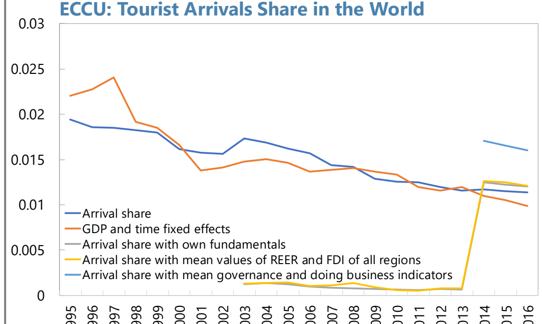
Determinants of Tourism Arrivals and Expenditure 1/

Independent variables	Tourism arrivals: Laframboise et al. (2014) 2/	Tourism arrivals: ECCU only 3/	Tourism expenditures: Laframboise et al. (2014) 2/	Tourism expenditures: ECCU only 3/
ΔLn (Tourism weighted real exchange rate)	-0.158***	-.459**	-0.105***	-1.222***
	(0.00982)	(0.19486)	(0.0312)	(0.45698)
ΔLn (US income) 4/	1.04***	1.145**	1.95***	1.139*
	(0.22)	(0.48896)	-0.53	(0.68453)
ΔLn (weighted average of US, Canada and UK incomes)	0.30***	.616***	0.67***	.681**
	(0.07)	(0.19362)	(0.14)	(0.27237)
ΔTourism weighted unemployment rate	-2.081***	-2.439**	-3.724***	-.5094
	(0.429)	(1.078)	(0.492)	(2.102)
Δ Hurricane 5/	-0.0138**	0.0353	-0.0224**	0.0185
	(0.00597)	(.02491)	(0.00965)	(.02915)
ΔSept.11 terrorist attacks	-0.0229***	-.0303***	-0.0286**	-0.01325
	(0.00625)	(0.00692)	(0.0122)	(.01266)
ΔHomicide rate	-0.0011	0.0012	-0.00141	-0.00088
	(0.00101)	(0.00072)	(0.00130)	(.00161)
ΔLn(Number of airlines)	0.0846***	.0644**	0.0928***	0.05652
	(0.0175)	(.02759)	(0.0313)	(0.0463)
ΔLn(Number of hotel rooms)	-0.0104	-.0591	0.0263	0.1053
	(0.0659)	(.03164)	(0.0668)	(0.1079)
Country fixed effects	Yes	Yes	Yes	Yes
Observations	141	72	139	72
Number of instruments	133	70	131	70

Sources: Caribbean Tourism Organization; Country Authorities; Staff Estimates.
1/ Robust standard errors in parenthesis.
2/Sample 2000-2013.
3/Sample 2000-2017. To deal with the endogeneity between hotel rooms/airlines with tourism arrivals and expenditure, staff uses GMM-Arellano-Bond regressions.
4/ Laframboise et al. (2014) use ΔLn(US household net wealth), which also significantly affects tourism arrivals and expenditures. Subsequent updates of this work use both US and weighted average income of major tourism destinations with significant results. The authors only run panel OLS fixed effects model including these variables.
5/ Hurricanes are significant in panel OLS regressions.

4. **Relaxing supply-side constraints and bottlenecks would improve ECCU's competitiveness on the global tourism market and allow the region to regain market shares.** Using a time fixed-effects model, staff analyzes the impact of supply-side factors (doing business and governance indicators, tariffs, crime and security, and natural disasters) while controlling for GDP, FDI, and the REER and compare the results with tourism destinations included in the Week-at-the-Beach index for the period 1995-2016. Our results show that improving on doing business and governance indicators to the sample average would increase the ECCU's global market share by 40 percent.

ECCU: Tourist Arrivals Share in the World

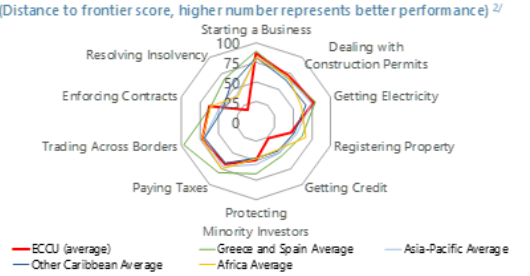


Sources: Caribbean Tourism Organization (CTO); World Bank, *Doing Business 2018, Worldwide Governance Indicators (WGI)*, IMF staff calculations.

Improving non-Price Indicators

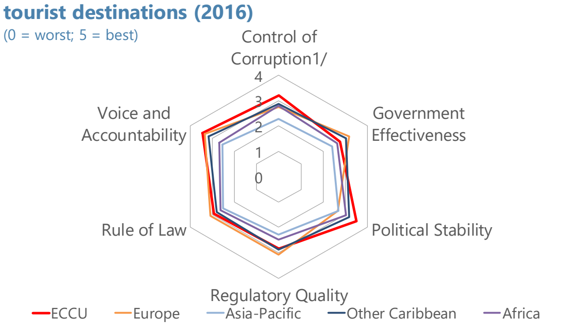
5. Ease of doing business and governance. According to the World Bank Doing Business indicator, critical areas are access to credit and insolvency resolution. Rankings in ease of trading across borders, registering property, and paying taxes are largely in line regional peers, but well below advanced economies. Progress in any of these areas since the 2010 has been marginal. Governance indicators, such as government effectiveness, regulatory quality, and rule of law, lag behind peers.

ECCU: Ease of Doing Business, Relative to Peers (2018) [1/]
(Distance to frontier score, higher number represents better performance) [2/]



Source: World Bank Doing Business Report 2018.
1/ These indicators should be interpreted with caution due to a limited number of respondents, a limited geographical coverage, and standardized assumptions on business constraints and information availability.
2/ Distance to frontier (DTF) score measures the deviation of a country from the best perfomer, 0 representing the worst performer and 100 the fontier.
Note: The set of 11 indicators in Doing Business measure business regulation and protection of property rights and their effect on businesses since 2004.

ECCU: Governance Indicators, Average Relative to Peers in tourist destinations (2016)
(0 = worst; 5 = best)



1/ The index captures perceptions of the extent to which public power is exercised for private gain. The rankings used are subject to uncertainty around the point estimate. Rankings reflect the relative, not the absolute performance of the country.
Source: Worldwide Governance Indicators (WGI) is a dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries.

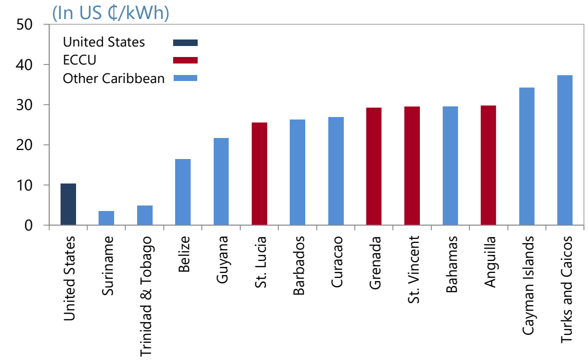
6. Electricity and transportation costs. Despite some reduction in electricity tariffs in recent years, energy costs are still very high, reflecting dependence on imported petroleum products, inefficiencies in the power sector—owing to lack of economies of scale and a difficult terrain, slow progress in renewable energies, weak institutional capacity both at national and regional levels related to energy efficiency standards, and deficiencies in regulatory frameworks. They also affect directly consumers, with average monthly electricity bill three times bigger than in the U.S. and double that in most Latin American countries. The potential for increasing the use of renewable energies in the region is significant and could a have considerable impact on reducing oil dependency, tariffs, and transportation costs.

Implied Effects of Renewable Energy Targets

		Implied Effects		
Country	**Renewable Target of Electricity**	Implied reduction in oil imports	Implied reduction in electricity tariffs	Implied impact on long-term GDP level
Antigua and Barbuda	15%	8%	3%	1%
St. Kitts and Nevis	20%	15%	11%	4%
St. Lucia	30%	19%	14%	6%
St. Vincent and the Grenadines	60%	20%	22%	9%
Dominica	100%	33%	31%	13%
Grenada	100%	49%	49%	20%

Sources: CARICOM Caribbean Sustainable Energy Roadmap, Costalia Report, IDB, WEO, IMF staff estimations.

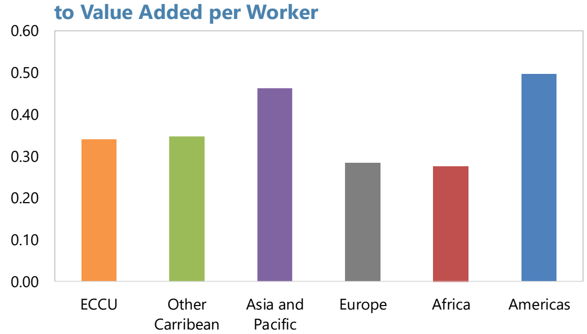
Domestic Electricity Tariffs, 2017
(In US ₵/kWh)



Source: CARILEC and US EIA.

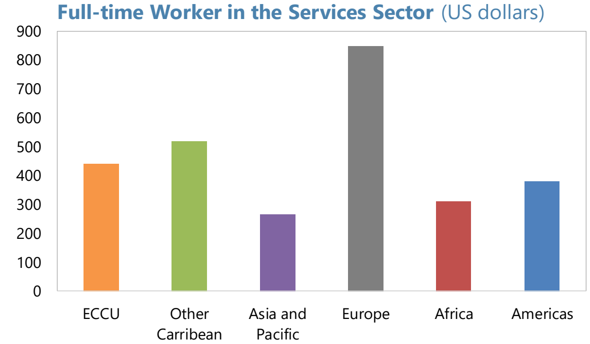
7. Labor markets. Evidence shows that wages in public sector and tourism lead other sectors, regardless of productivity development. Public wages in the majority of ECCU countries are higher than the median public wage in small states, in terms of expenditure and revenue, and minimum wages in the services sector are higher than in most comparable tourist destinations globally —although lower than in other Caribbean countries. Skill mismatches are mainly related to the shift from agricultural employment towards public sector and tourism. The de-link between wages and productivity, together with large skill mismatches, can help explain high structural unemployment, particular among the youth. Enhancing education and vocational training should help alleviate the skills mismatch problem in the region. Regional integration would help address the small size of internal markets and high costs.

ECCU versus Other Regions: Ratio of Minimum Wage to Value Added per Worker



Source: World Bank, *Doing Business 2018*.

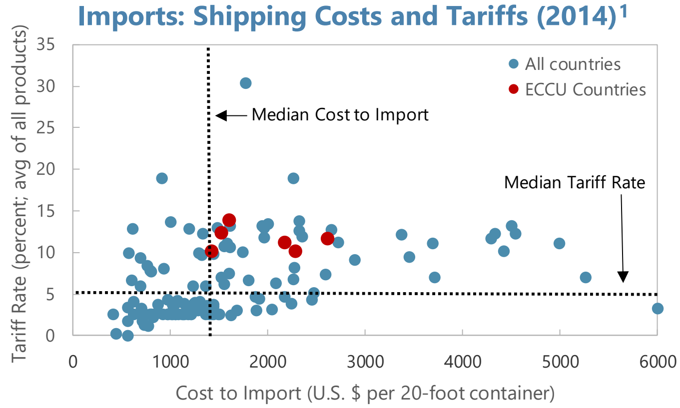
ECCU versus Other Regions: Minimum Wage of the Full-time Worker in the Services Sector (US dollars)



Source: World Bank, *Doing Business 2018*.

8. Tariffs and costs to import. Import costs are high compared to other countries in the world. This is especially critical as tourism, a key industry in the region, requires substantial amounts of imported intermediate goods. Elevated shipping costs and tariffs compromise the ability of businesses to operate profitably.

Imports: Shipping Costs and Tariffs (2014)[1]



Sources: World Bank, *Doing Business 2014* and *WDI*.
[1]Tariffs for Dominica, Grenada, and St. Vincent and the Grenadines correspond to 2015.
Note: Excludes three countries with shipping costs above $6,000/container.

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Annex VII. United Kingdom Overseas Territories—Anguilla and Montserrat

Anguilla

1. **Real GDP growth in Anguilla is expected to recover following the catastrophic impact of hurricane Irma in 2017.** Real GDP declined by 7.7 percent in 2017, largely driven by the sudden stop of tourism inflows by 15.5 percent in the last part of the year. Hotels and supporting infrastructures were severely damaged and value added in hotels and restaurants fell by 16 percent. Activity also declined in mining, construction, manufacturing, financial, and the utilities sectors. With tourism slowly recovering and reconstruction-related activity rising strongly, growth is expected to rise to 4 percent in 2018. The overall fiscal balance was slightly positive at 0.6 percent of GDP in 2017. Owing to additional needs arising from the debt obligations of two SOEs, Water Corporation and Anguilla Development Board, the fiscal balance is expected to worsen to -0.2 percent of GDP in 2018. Growth is to settle in the medium term at around 3 percent based on continued growth of high-end tourism, the progress made in stabilizing the financial sector, and expected success in fiscal consolidation.

2. **Progress has been made in the resolution of two insolvent banks, but uncertainty still exists over the valuation of the exchanged assets and extent of fiscal cost borne by the government.** Pursuant to a Purchase and Assumption Agreement (P&AA), certain assets and all liabilities—except deposits of off-shore subsidiaries and customers deposit balances place in the Deposit Trust—of two intervened legacy commercial banks (National Commercial Bank (NCB) and the Caribbean Commercial Bank (CCB)) were transferred to a newly-created bridge bank, National Commercial Bank of Anguilla (NCBA) in 2016. The failed banks were placed in receivership. A Depositor Trust was created in which the deposits' balances over EC$2.8 million were placed with repayments to be effected by the government over a ten year period at low interest rates. NCBA was subsequently fully recapitalized by the government in mid-2018 with the proceeds of a loan from the CDB following the signing of a put back agreement between the receiverships and the bank to exchange assets within a pool of NPLs. The ECCB is to appoint an independent valuator to value the pool of assets subject to exchange. On conclusion of that valuation, the put back transaction will be finalized and NCBA plans to move into NPL collections. The bank is also considering selling NPLs to the ECAMC. Losses on valuation under the put back arrangement will be borne by the receiverships and the net flows from NPL realization would be used to offset the cost of the trust borne by the government. Transfer to the ECAMC of the receivership functions is expected after the finalization of the put back transaction.

3. **The exit of FCIB and the announced intended exit of Scotiabank from the ECCU region will materially impact Anguilla's commercial bank market.** The shrinkage from three to two banks will result in less competition. Although the remaining franchises currently hold equal market share of 45 percent each, concentration is expected to deepen. Additionally, notwithstanding the positive prospect in the gain of a regional bank, the exit of two global banks in quick succession could result in heightened withdrawal risk.

Annex Table 1. Anguilla: Selected Indicators, 2014-24

I. Social and Demographic Indicators [1/]

Population (thousands, estimate)	14.9	Infant mortality rate (deaths/1000 live birth	3.4
Population below poverty line (percent, 2002)	23.0	GDP per capita (US$)	18,826
Average life expectancy at birth (years, 2016)	81.3	GDP at market prices (US$ million)	281.2
Literacy rate (percent of population, 2016)	95.0	Share in regional GDP (percent)	4.0

II. Economic and Financial Indicators

					Proj.						
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(Annual percentage change)										
National income and prices											
Real GDP	5.1	3.1	-1.3	-7.7	4.0	6.0	3.0	2.8	2.8	2.8	2.8
GDP deflator	-0.3	-1.0	-0.5	1.3	1.4	2.0	2.3	2.3	2.3	2.3	2.3
Consumer prices, average	-0.3	-1.0	-0.5	1.3	1.4	2.0	2.3	2.3	2.3	2.3	2.3
Consumer prices, end period	-0.9	-1.7	1.7	1.3	1.6	2.0	2.3	2.3	2.3	2.3	2.3
Monetary sector											
Broad money (M2)	0.9	3.2	-5.9	-11.3	5.5	8.1	5.3	5.1	5.1	5.1	5.1
	(Annual change, in percent of M2 at the beginning of the year)										
Net foreign assets	2.9	6.0	9.9	-13.0	3.5	5.7	2.8	2.6	2.6	1.9	1.3
Net domestic credit	-2.0	-2.8	-15.8	1.5	2.0	2.4	2.5	2.5	2.5	3.1	3.8
Of which											
Private sector credit	-4.8	-4.3	-53.6	0.8	1.9	2.3	2.4	2.3	2.3	2.3	2.3
Credit to central government	-0.8	0.9	-1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(In percent of GDP)										
Public sector											
Primary central government balance	3.6	1.4	1.0	2.7	2.1	3.9	5.3	4.1	2.9	1.8	1.9
Overall central government balance	2.5	0.4	-0.4	0.6	-0.2	1.6	3.3	2.6	1.6	0.6	0.6
Revenue and grants	24.1	21.8	22.3	29.1	35.7	36.8	32.0	29.8	28.7	26.5	25.3
Of which: Grants	1.8	0.4	0.3	4.0	10.6	12.2	7.2	5.0	4.1	1.9	1.8
Expenditure and net lending 2/	21.6	21.4	22.7	28.6	36.0	35.1	28.5	26.9	27.0	25.7	24.2
Foreign financing	-0.1	-0.5	5.4	-1.1	-1.4	-1.5	-1.8	-1.7	-1.6	-1.5	-1.4
Domestic financing including arrears	-3.1	-0.6	-5.4	5.5	10.0	7.7	7.3	6.5	5.8	5.7	5.2
Total public debt (end-of-period)	26.4	24.2	59.1	65.8	62.4	55.8	49.2	43.8	39.8	36.9	34.0
External	20.0	19.1	24.2	26.1	23.2	19.8	16.9	14.3	11.9	9.7	9.7
Domestic	6.4	5.1	34.8	39.7	39.2	35.9	32.3	29.5	27.9	27.3	26.3
	(Annual percentage change)										
External sector											
Exports of goods and nonfactor services	n.a.	8.8	-1.8	-2.6	4.5	4.2	3.7	3.7	3.6	3.5	3.5
Imports of goods and nonfactor services	n.a.	10.0	-1.0	-11.5	14.6	2.9	5.4	4.6	4.7	4.9	4.9
	(In percent of GDP)										
External current account balance	-24.0	-26.9	-27.0	-21.1	-28.9	-26.4	-27.3	-27.5	-27.9	-28.6	-29.2
Trade balance	52.6	58.8	57.2	57.8	65.4	60.9	61.1	60.8	60.7	60.7	60.7
Services, incomes and transfers	22.1	23.0	23.4	28.7	28.6	27.1	26.5	26.2	25.8	25.4	24.9
Of which:											
Travel (net)	47.4	44.5	47.2	54.6	54.2	52.4	51.7	51.1	50.5	49.8	49.2
Capital and financial account	14.7	14.1	6.5	21.1	28.9	26.4	27.3	27.5	27.9	32.3	33.3
Of which:											
Foreign direct investment	-28.0	-20.7	-19.4	-22.3	-21.7	-20.6	-19.9	-19.2	-18.6	-18.0	-17.3
Memorandum Item:											
GDP at market prices, current prices (in EC$ mn)	840.5	892.4	856.2	759.2	800.6	865.2	911.2	957.4	1006.0	1056.9	1110.5

Sources: Authorities; and Fund staff estimates and projections.

[1/] Estimates are for the year 2017, except otherwise noted.

[2/] Includes bank resolution transfers, all above the line for 2016.

Montserrat

1. Preliminary indicators point to a moderate recovery in economic growth after a contraction in 2017. GDP fell by 2.8 percent in 2017 reflecting the weak performance of tourism, agriculture, and construction, but the banking sector showed signs of recovery with credit to the private sector increasing by 1.3 percent. Tourism inflows picked up in the first half of 2018 and growth is projected to reach 2.4 percent in 2018. The recovery in tourism relates to renewed interest in Montserrat's attractions, including the volcano and the 'Pompeii-like' city of Plymouth. The fiscal position improved greatly in 2017 after a grant was secured from the UK and public debt remains very low at 6.6 percent of GDP. The fiscal and growth outlook, however, are subject to a large uncertainty owing to the impact that Brexit may have on the steady flow of UK grants. The current account deficit, which reached 43.9 percent of GDP in 2017, is expected to decline gradually.

2. The medium-term growth outlook is contingent on the financing of key new infrastructure and the completion of on-going government projects. Growth is projected to average about 2.2 percent of GDP over the medium term. However, this is predicated on enhancing connectivity by: (i) implementing the planned Little Bay port development and expanding the currently limited facilities and their capacity to absorb larger tourist flows; (ii) broadening airlift options; (iii) further promoting Montserrat's tourism; and (iv) adopting a phased approach to improving the physical and administrative access to areas in the Exclusion Zone.[1] Social programs to improve health and education, combined with capital projects to enhance energy independence, are also critical. Efforts should continue to expand access to social housing, upgrade health and educational infrastructures, and improve social and human development. In addition, the authorities should continue implementing key infrastructure projects to upgrade roads and bridges, electricity and water distribution, and waste management systems. Continued assistance from the UK government, which finances about 60-70 percent of total expenditures, is key for the successful realization of these projects.

3. The authorities target total independence from fossil fuels by 2020. The authorities aim to exploit favorable conditions for solar, wind, and geothermal energy production, which would reduce the island's exposure to volatile oil prices and lower high energy costs. There have also been several projects aimed at improving water and electricity networks. There is high interest in expanding the geothermal energy exploration. Combined with easier access to the island by tourism, this would significantly reduce the costs of doing business.

[1] In July 1995, Montserrat's Soufrière Hills volcano, dormant for centuries, erupted and buried the island's capital, Plymouth, destroyed its airport and docking facilities, and rendered the southern part of the island, now termed the "Exclusion zone," uninhabitable and not safe for travel.

Annex Table 2. Montserrat: Selected Indicators, 2014-24

I. Social and Demographic Indicators 1/

Population (thousands, estimate)	5.3	Gini coefficient	0.3
Average life expectancy at birth (years)	73.2	GDP per capita (US$), estimate	11,389
Literacy rate (percent of population)	97.0	GDP at market prices (US$ mln)	60.0
Infant mortality rate (deaths / 1000 live births)	15.8	Share in regional GDP (percent)	0.8

II. Economic and Financial Indicators

					Proj.						
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(Annual percentage change)										
National income and prices											
Real GDP	2.2	-1.9	0.5	-2.8	2.4	2.2	2.2	2.2	2.2	2.2	2.2
GDP deflator	-0.3	-1.1	-0.2	1.2	0.6	1.2	1.7	2.0	2.0	2.0	2.0
Consumer prices, average	-0.3	-1.1	-0.2	1.2	0.6	1.2	1.7	2.0	2.0	2.0	2.0
Consumer prices, end-period	-1.0	-0.1	-1.3	1.6	0.6	1.3	1.7	2.0	2.0	2.0	2.0
Monetary sector											
Broad money (M2)	11.1	2.4	1.0	-1.9	3.0	3.5	3.9	4.2	4.2	4.2	4.2
	(Annual change, in percent of M2 at the beginning of the year)										
Net foreign assets	8.4	13.6	-4.2	-5.8	-2.6	-0.2	3.3	3.3	3.3	3.4	3.5
Net domestic assets	2.7	-11.2	5.2	4.0	5.4	3.7	0.7	0.9	0.9	0.8	0.8
Of which:											
Private sector credit	0.1	1.5	3.9	1.3	1.7	1.7	1.8	1.9	1.9	2.0	2.0
	(In percent of GDP)										
Public sector											
Primary central government balance (including natural disaster costs)	-6.1	19.5	-0.4	32.4	-5.6	-4.4	0.1	0.0	0.0	0.1	0.2
Overall central government balance (including natural disaster costs)	-6.2	19.5	-0.4	32.4	-5.6	-4.4	0.0	-0.1	-0.1	0.0	0.1
Revenue and grants	94.4	113.5	79.3	111.1	92.8	87.4	83.1	80.8	77.1	77.1	77.4
Of which: Grants	65.9	85.1	51.6	82.1	64.6	57.8	53.0	50.2	45.9	44.0	42.3
Expenditure and net lending	100.6	94.0	79.7	78.7	98.5	90.5	81.8	79.6	75.9	75.7	75.8
Foreign financing	-0.1	2.0	0.0	1.4	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Domestic financing including arrears	6.2	-21.5	0.4	-33.8	5.7	3.2	-1.2	-1.1	-1.1	-1.3	-0.5
Central government current account balance	-1.7	14.9	4.2	2.4	0.4	1.5	1.3	1.2	1.2	1.4	1.6
Total public debt (end-of-period)	4.3	6.0	5.3	6.6	6.1	9.9	4.9	4.5	4.0	3.4	3.8
	(Annual percentage change)										
External sector											
Exports of goods and nonfactor services	n.a.	-0.1	3.6	4.6	3.3	5.4	6.1	6.4	6.5	6.5	6.5
Imports of goods and nonfactor services	n.a.	3.9	-5.6	35.6	-2.1	-6.1	1.2	1.5	0.9	1.5	1.6
	(In percent of GDP)										
External current account balance	-21.0	-9.9	-21.4	-43.9	-40.1	-31.3	-30.3	-29.0	-27.2	-25.9	-24.8
Trade balance	-56.2	-50.9	-43.6	-78.2	-75.6	-64.9	-62.4	-60.0	-56.8	-54.3	-52.1
Services, incomes and transfers	35.2	41.0	22.2	34.3	35.4	33.6	32.1	31.0	29.7	28.4	27.3
Of which:											
Travel (net)	14.6	14.6	14.2	15.6	15.9	16.2	16.5	16.8	17.2	17.5	17.9
Capital and financial account	20.6	15.7	23.1	43.9	40.1	31.3	30.3	29.0	27.2	25.9	24.8
Of which:											
Foreign direct investment	8.6	8.3	2.7	2.9	2.7	2.7	2.6	2.6	2.6	2.6	2.6
Memorandum item:											
GDP at market prices, current prices (in EC$ mn)	159.2	165.7	169.7	161.9	166.8	172.6	179.3	186.9	194.8	203.0	211.6

Sources: Authorities; ECCB; and Fund staff estimates and projections.
1/ Estimates are for the year 2017, except where noted.