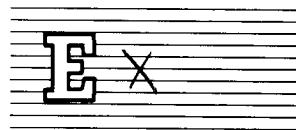


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**ECONOMIC SURVEY
OF LATIN AMERICA**

1982

MONTSERRAT

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.

Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

MONTSERRAT

1. Recent economic trends: Introduction and summary

The island of Montserrat is 104 square kilometres in area, with a population of around 12 000 people. The resident population has increased by 0.13% per year during the last decade. Although there is a large natural increase, there is also high outward migration.

The economy of Montserrat registered real growth of 2.0% and 1.2% during 1981 and 1982, respectively. The most important sectors of the economy are government services, wholesale and retail trade, construction, and enclave-type industries. Agriculture, which was previously the mainstay of the economy, has declined sharply and now accounts for only 5% of the gross domestic product (GDP) (see table 1).

2. Trends in economic activity

a) *Growth of the main sectors*

i) *Agriculture.* In real terms, agriculture remained virtually static. The volume of output has changed little, and the prices have increased less rapidly relative to other commodities. The fisheries and livestock sectors are still very small, and although their output has increased slightly their contribution to the GDP has remained almost unchanged.

There is virtually no organized production for export. Small volumes of surplus vegetables and food crops are exported to neighbouring islands. Efforts are being made to establish a small-scale hot pepper production capability for export and to plant approximately 65 hectares of sea island cotton each year as the primary component of an integrated sea island cotton industry.

ii) *Basic services.* Utilities are fairly well developed and distributed throughout the island. Most of the water is obtained from wells; in some areas, yield during the dry season is critical and care must be exercised to avoid incursions of saline water into some aquifers.

All municipal water services are metered. The total number of connections has increased from 2 950 in 1976 to 3 500 in 1982 but the total sales of water have remained at approximately 1.14 million litres per year. This explains the importance of the water storage tanks attached to most houses for conservation of run-off from house roofs.

There is one electric company serving the island. Both total and per capita consumption increased during the period 1977 to 1980, remained unchanged in 1981, and declined during 1982 (see table 2).

Both domestic and external telecommunications are managed by the transnational company Cable and Wireless. The domestic service is of a high standard; external links are efficient and provide worldwide connections.

iii) *Tourism.* Tourist facilities —especially hotels— are relatively under-developed. However, there is a trend toward building villas and condominiums. The average number of tourists has remained at about 22 000 during the last three years. North America is the most important tourist market although European and intra-Caribbean tourism have shown steady growth.

Earnings from tourism increased from approximately US\$ 4.3 million in 1980 to US\$ 5.4 million in 1981 and US\$ 5.8 million in 1982 (see table 3).

3. The external sector

a) *Merchandise trade*

i) *Exports.* In recent years light manufactures from enclave and assembly-type operations have formed the bulk of exports. Re-exports comprise a significant part of the total exports, accounting for approximately 40% of the total in 1981 and 1982.

It is noticeable that although total exports have shown rapid growth in money terms 108%, the performance of the various contributing sectors has been erratic (see table 4). In fact there was an extraordinary increase in 1982 in the exports of manufactured goods and of items labelled "miscellaneous", after having dropped in 1981.

Table 1

MONTserrat: GROSS DOMESTIC PRODUCT, BY KIND OF ECONOMIC ACTIVITY, AT FACTOR COST

	Millions of EC\$ at 1977 prices		Percentage breakdown		Growth rates	
	1981	1982 ^a	1981	1982	1981	1982 ^a
Total gross domestic product	41.1	41.6	100.0	100.0	2.0	1.2
Goods	9.7	9.6	23.5	23.0	5.4	-1.0
Agriculture, fishing and forestry	1.5	1.5	3.6	3.6	7.1	-
Livestock	0.6	0.6	1.5	1.4	20.0	-
Mining	0.3	0.3	0.7	0.7	-	-
Manufacturing	3.5	3.4	8.5	8.2	12.9	-2.9
Construction	3.8	3.8	9.2	9.1	-2.6	-
Basic services	3.0	3.0	7.3	7.2	3.4	-
Electricity and water	1.1	1.1	2.7	2.6	0.0	-
Transport and communications	1.9	1.9	4.6	4.6	5.6	-
Other services	28.4	29.0	69.1	69.7	-0.4	2.1
Wholesale and retail trade	7.0	7.1	17.0	17.1	4.5	1.4
Hotels and restaurants	1.1	1.1	2.7	2.6	-15.4	-
Government services	7.9	8.3	19.2	20.0	-3.7	5.1
Others	12.4	12.5	30.2	30.0	0.8	0.8

Source: Department of Statistics, Office of the Chief Minister, Plymouth, Montserrat.

^aPreliminary figures.

Table 2

MONTserrat: INSTALLED CAPACITY, PRODUCTION AND CONSUMPTION OF ELECTRICITY

Year	Capacity (thousands of kW)	Production (millions of kWh x 10 ⁶)	Consumption (millions of kWh)	Per capita consumption (kWh)
1977	3.8	9.4	7.9	680
1978	3.6	10.0	8.6	740
1979	3.6	10.2	8.8	760
1980	3.6	11.7	9.9	860
1981	3.6	12.0	9.9	860
1982	3.6	12.0	9.6	820

Source: Montserrat Electric Company.

Table 3

MONTserrat: SELECTED TOURIST INDICATORS

	1980	1981	1982 ^a	Growth rates			
				1979	1980	1981	1982 ^a
Total visitors^b	20.5	21.4	24.9	9.7	12.1	4.4	16.4
Stopover visitors ^b	15.5	15.6	15.0	12.9	18.3	0.6	-3.8
Cruise-ship visitors ^b	4.1	5.2	9.1	-6.6	3.2	26.8	75.0
Air excursionists	849.0	697.0	776.0	31.0	24.1	-17.9	11.3
Hotel and guesthouse beds	184.0	184.0	176.0	-8.4	-6.1	0.0	-4.3
Occupancy rate ^c	44.0	48.0	36.0	28.6	22.2	9.1	-25.0
Average length of stay ^d	8.0	7.5	8.0	-1.3	2.6	-6.2	6.7
Estimation tourists expenditure ^e	4.3	5.4	5.8	25.0	16.0	25.9	7.5

Source: *Tourism Report* 1981 and 1982 update, Statistical Office, Government Headquarters, Plymouth, Montserrat.

^aPreliminary figures.

^bThousands.

^cPercentages.

^dNumber of nights.

^eMillions of U.S. dollars, current values.

Table 4

MONTserrat: EXPORTS OF GOODS

	Thousands of U.S. dollars				Percentage breakdown		Growth rates	
	1979	1980	1981	1982 ^a	1981	1982	1981	1982 ^a
Total exports	551	1 184	1 291	2 684	100.0	100.0	9.0	107.8
Food, beverages and tobacco	244	85	154	145	11.9	5.4	81.2	-5.8
Crude materials	71	91	131	152	10.1	5.7	42.9	16.4
Manufactured goods	12	155	66	525	5.1	19.6	-57.3	692.2
Machinery	146	241	130	347	10.1	12.9	-46.4	168.0
Miscellaneous manufactured goods	78	489	810	802	62.7	29.9	65.9	-1.0
Miscellaneous commodities	1	123	1	712	0.1	26.5	-99.4	-

Source: Statistics Office, Government of Montserrat.

^aPreliminary figures.

Table 5

MONTserrat: IMPORTS OF GOODS

	Millions of U.S. dollars				Percentage breakdown		Growth rates	
	1979	1980	1981	1982 ^a	1981	1982	1981	1982 ^a
Total imports	12.0	16.5	18.9	20.2	100.0	100.0	14.6	7.1
Food, beverages and tobacco	3.3	4.1	4.8	5.1	25.3	25.5	6.6	7.8
Raw materials	0.6	0.5	0.6	0.6	3.1	2.9	23.1	-
Fuel	1.1	1.8	2.3	2.2	12.2	10.8	29.2	-4.8
Manufactured goods	2.4	2.6	3.0	3.6	15.9	17.6	15.7	18.5
Machinery and transport equipment	2.4	4.1	3.6	4.6	19.0	22.5	-11.8	26.8
Other	2.2	3.1	4.6	4.2	24.5	20.7	50.6	-9.6

Source: Statistics Office, Government of Montserrat.

^aPreliminary figures.

During 1981, some 66% of exports were sold to other member States of the Caribbean Common Market; of these, 46% went to the member States of the Organization of East Caribbean States and 20% to Barbados and Trinidad and Tobago. Other Caribbean islands accounted for 6%, the United Kingdom 16% and North America 12%.

ii) *Imports.* The value of total imports at current prices increased by 7.1% during 1982, the lowest rate since 1975. Imports of food, beverages and tobacco increased almost 8% and accounted for 25% of the total import bill, as in 1981 (see table 5). Machinery and transport equipment, which accounts for about 20% of total imports, is dominated by the importation of motor cars. Construction materials and petroleum products are also major import items, the latter representing 11% of total imports in 1982.

Nearly all commodities, including much of the food consumed, are imported. Although the value of exports as a percentage of imports increased from 4.6 in 1979 to 13.3 in 1982, the deficit in current values went down by less than 1% in 1982 (see table 6).

b) *Balance of payments*

The balance of payments managed to achieve a balanced inflow and outflow during 1980 and 1981 (see table 7). Data are not yet available for 1982. Receipts from tourism and remittances are the most important sources of inward money flows. The removal of any one of these sources would result in a significant adverse balance of payments.

Table 6
MONTSERRAT: BALANCE OF VISIBLE TRADE 1975-1982
(Thousands of US dollars)

Year	Total exports	Total imports	Balance of trade	Exports as percentage of imports
1979	551	11 971	-11 420	4.6
1980	1 184	16 500	-15 316	7.2
1981	1 291	18 896	-17 605	6.8
1982 ^a	2 684	20 222	-17 538	13.3

Source: Statistics Department, Government of Montserrat.

^aPreliminary figures.

Table 7
MONTSERRAT: BALANCE OF PAYMENTS, 1980 AND 1981
(Millions of US dollars)

	1980	1981 ^a
Inward flows		
Loans	0.7	0.7
Public sector grants and gifts	2.6	2.6
Investment funds	1.9	1.9
Miscellaneous transfers	1.5	1.5
Tourism receipts	4.8	5.6
Receipts from exports	1.1	2.6
Remittances from abroad	3.7	5.2
Total	16.3	20.0
Outward flow		
Imports	16.3	20.4

Source: Data supplied to ECLA.

^aPreliminary figures.

Table 8

MONTSERRAT: EVOLUTION OF DOMESTIC PRICES

	Variation between annual averages			Variation Dec.-Dec.
	1980	1981	1982	1982
Global consumer price index	29.8	10.6	6.3	8.4
Food and beverages	23.8	5.3	4.9	2.3
Alcohol and tobacco	15.3	9.2	5.8	2.3
Housing	39.1	-4.3	-	-
Utilities	52.3	9.9	20.9	25.0
Clothing	15.4	16.7	8.0	17.8
Miscellaneous household goods	26.3	15.5	16.0	9.0
Others, including services	22.9	21.1	1.2	2.9

Source: Statistics Office, Government of Montserrat.

Table 9

MONTSERRAT: GOVERNMENT INCOME AND EXPENDITURE

(Current prices)

	Millions of EC\$			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
1. Current income	15.8	18.0	19.8	33.9	13.9	10.0
Tax revenue	12.8	15.4	15.9	42.2	20.3	3.2
Direct	4.9	5.6	6.5	32.4	14.3	16.1
Indirect	7.9	9.8	9.4	49.1	24.0	-4.1
Budgetary aid	1.1	-	-	-15.4	-100.0	-
Other current revenue	1.9	2.6	3.9	26.7	36.8	50.0
2. Current expenditure	13.5	15.7	18.0	23.9	16.3	14.6
3. Savings on current account (1-2)	2.3	2.3	1.8	155.6	-	-21.7
4. Capital income	5.8	9.8	14.9	141.7	69.0	52.0
Grants	5.4	5.8	14.4	134.8	7.4	148.3
Loans	0.4	4.0	0.5	185.7	900.0	-87.5
5. Capital expenditure	7.5	10.9	...	87.5	45.3	...
6. Total income	21.6	27.8	34.7	52.1	28.7	24.8
7. Total expenditure (2+5)	21.0	26.6	...	40.9	26.7	...
8. Government surplus	0.6	1.2	100.0	...

Source: Statistics Department, Government of Montserrat.

^a Preliminary figures.

4. Employment and prices

a) *Employment*

The 1980 census indicated a total labour force of 4 872 persons. The unemployment rate of 6.1% in 1980 is estimated to have fallen to just over 5% in 1982. Although this is a low rate of unemployment, two important factors emerge: some 60% of the unemployed are youths under age twenty and there is considerable underemployment, with over 25% of the workers being employed for less than 10 months in the year.

During the last decade, the public sector and the services sector such as finance, social and personal services, and commerce have employed increasing numbers of workers. The construction sector is also important, employing 20 to 25% of the male work force. Agriculture accounts for about 9%, but most of these workers are part-time or experience severe underemployment.

b) *Prices*

Changes in domestic prices are conditioned by external factors mainly the cost of imported goods. The rate of price increases decreased considerably during 1981 and 1982. However, a large increase was recorded in the cost of utilities in response to the increase in the cost of materials (see table 8). It is noteworthy that housing and services determined by local factors either remained unchanged or increased only marginally.

5. Fiscal policy

a) *Government revenues and expenditures*

Government current revenues increased by 10% in 1982 (see table 9). The tax system is well developed and accounted for approximately 80% of Government's current income in that year. Direct taxes contributed 41% of the total tax revenue and indirect taxes 59%. In addition to taxes, the Government derives revenues from various other sources, mainly the hire of public equipment, licenses, stamp duties, philatelic sales and interest on various financial transactions.

Government policy is to balance its budgeted annual recurrent revenue and expenditure. Since grants-in-aid from the British Government ceased in 1980, tax collection has been given added priority.

The economy of Montserrat is unable to achieve the capital formation that is required to fund development and infrastructure needs. Such activities are therefore funded by aid donors, of which the British Government and the European Economic Community are the most important, accounting for some 75% of the EC\$ 14.9 million development fund, for 1982. Loans account for only 2.8% of the development fund.

Infrastructural projects were allocated 81% of the fund's resources during 1982, priority being given to road development, port equipment, airport services, municipal water supplies, the development of small farming, and agricultural and industrial plant for an integrated sea island cotton industry. Social services were allocated 15% and natural resources 3% of the development fund.