ECONOMIC AND FINANCIAL REVIEW - JUNE 2021



ANGUILLA

Forecasts based on tourism expectations point to a marginal expansion in annual GDP in 2021.

OVERVIEW



Anguilla's economy continued to be adversely impacted by the COVID-19 pandemic during the first six months of 2021.



The tourism industry suffered deeper losses when compared with the first six months of 2020.



The economy is expected to gradually recover from its recessionary state during the second half of the year, buoyed by stronger tourist arrivals and construction activity.



As a result, annual growth for 2021 is expected to be marginally positive, though subject to a number of unfavourable risks.

THE ECONOMY (REAL SECTOR)

Tourism dominates the economic landscape of Anguilla. Its interlinkages with other major economic sectors means that a downturn in tourism will constrain activity in those sectors, which together contribute nearly 70.0 per cent of GDP. During the first half of 2021, Anguilla recorded 6,984 tourist visitors, of which 6,974 were stayover arrivals. This performance was a stark decline from the 38,922 visitors reported in the first half of 2020 (see figure 1) and 91.0 per cent below the 5-year average. The US market was the strongest, accounting for 87.0 per cent of total visitor arrivals. The Canadian, United Kingdom and Caribbean markets each accounted for less than 2.0 per cent of stay over arrivals.

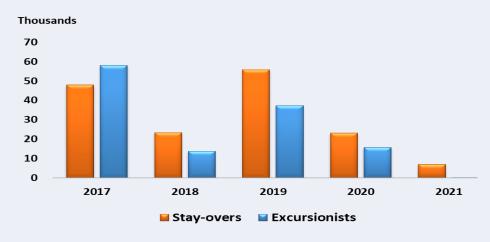


Figure 1 - Anguilla Visitor Arrivals (Jan-June)

Notably, in August 2020, Anguilla launched a Digital Nomad programme, which is a remote working programme where international travelers can work in Anguilla for three to twelve months. As of June 2021, the programme had attracted 285 applications with an average length of stay of 193 days at various accommodations (see figure 2). These Digital Nomads would have contributed to economic activity during the first half of 2021.

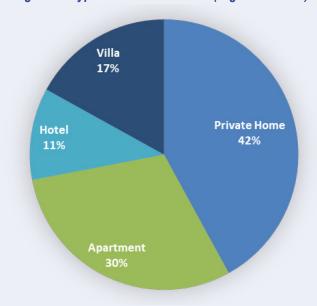


Figure 2 - Type of Accommodation (Digital Nomads)

Construction activity is estimated to have slowed as many projects under the Anguilla Programme will soon be completed. Overall, the economy is estimated to have contracted in the first six months, driven by the fall in tourism activity and the concomitant decline in other major sectors including wholesale and retail trade, transport, storage and communications and real estate, renting and business activities.

CONSUMER PRICES.

Consistent with the global increase in energy and food prices during the period under review, households in Anguilla spent more on goods and services. The Consumer Price index (period average) rose by 1.8 per cent in the period January to June 2021 (see figure 3). For the comparable period last year, the CPI declined by 0.3 per cent. Anguillans paid notably higher prices for food (meats, fruits, fish and seafood), fuel prices and household appliances, airline tickets to some destinations and outpatient health services.

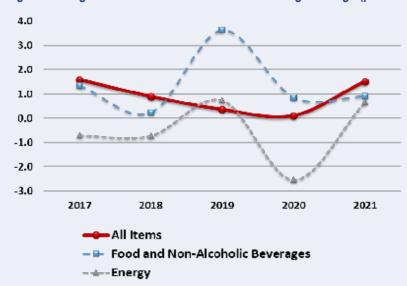
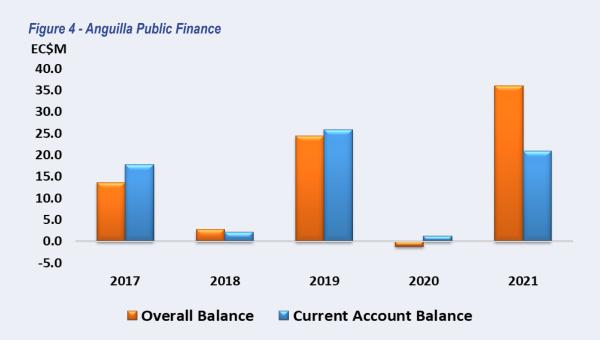


Figure 3 - Anguilla Consumer Price Index Percentage Change (period average)

GOVERNMENT OPERATIONS (FISCAL AND DEBT)

The fiscal balance of the central government improved in the first six months of 2021 mainly associated with stronger tax revenue. An overall surplus of \$36.1m was recorded, relative to a deficit of \$1.2m for the comparable six months of 2020 (see figure 4).

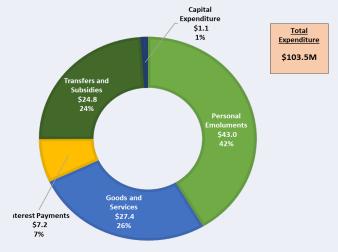


Intake from current revenue (see figure 5) rose by 23.5 per cent to \$123.4m, which was \$23.5m higher than the level reported one year ago and 14.6 per cent greater than the recent 5-year average. Tax revenue, which accounted for 79.0 per cent of current revenue, increased by 15.3 per cent (\$12.9m). This was largely due to an exceptional intake from stamp duties, representing a windfall from the sale of a leading resort and spa. Non-tax revenue grew by \$10.6m to \$26.0m. Current expenditure (see figure 6) expanded by 3.8 per cent to \$102.4m, reflecting higher outlays on personal emoluments, goods and services, and transfers and subsidies. This was 6.0 per cent higher than the recent 5-year average. Current grants amounted to \$16.3m which contributed to a current account surplus of \$37.2m, up from \$1.3m at the end of June 2020 and significantly above the average of the last 5 years. Capital expenditure remained marginal at \$1.1m.

Figure 5 - Government Expenses, Jan-Jun 2021 (ECM\$M)



Figure 6 - Government Expenditure, Jan -Jun 2021 (EC\$M)



At the end of June 2021, the total public sector debt amounted to \$435.1m. This represented a decrease of 4.9 per cent (\$22.4m) from December 2020 (see figure 7) due to regular amortisation. The debt levels of both central government and public corporations fell by \$21.5m and \$0.9m, respectively.

EC\$M 500.0 493.2 490.0 483.2 480.0 470.0 457.5 460.0 450.0 435.1 440.0 430.0 420.0 410.0 400.0 Dec 19 Jun 20 Dec 20 Jun 21

Figure 7 - Total Public Sector Debt

BANKING DEVELOPMENTS (MONETARY)

At the end of June 2021, the net domestic assets of the banking sector stood at \$274.3m. This was 20.2 per cent above the level attained at the end of June 2020, reflecting an expansion in credit to the domestic economy. Overall claims on the private sector rose by 7.8 per cent, primarily associated with a 16.6 per cent increase in credit to households. In contrast, lending to businesses fell by 3.1 per cent (see figure 8). Banking sector credit to the government fell by \$18.0m while deposits rose by \$6.2m, yielding an increase in the net deposit position of the government to \$74.3m. Transferable deposits rose by \$5.6m as hotels resumed operations and the job market improved incrementally. Foreign currency deposits also rose by \$17.7m while other deposits declined by \$2.2m



Figure 8 - Anguilla Domestic Credit Percentage Change (June)

The asset quality of the banking sector improved as the ratio of non-performing loans to gross loans fell by 2.1 percentage points to 24.2 per cent. Most of these NPLs were inherited from the bank resolution process.

EXTERNAL TRADE

Consistent with the gradual reopening of the economy, the merchandise trade deficit increased to \$216.5m from \$201.7m in the first half of 2020 (see figure 9). Over the 5-year period ended 2020, the merchandise trade deficit averaged \$272.0m. This outturn reflected a 10.4 per cent (\$21.3m) rise in imports, while exports more than doubled to \$10.4m.



OUTLOOK

ike many ECCU economies, the economic outlook for Anguilla is fraught with uncertainty as the more contagious and highly fatal Delta variant of the coronavirus spreads through the region. Construction works will continue to wind down on a number of public sector projects during the second half of the year. However, forecasts based on tourism expectations point to a marginal expansion in annual GDP in 2021. The tourism industry is anticipated to benefit from:

- An increase in air access. American Airlines will begin direct flights from Miami to Anguilla in early December 2021. Negotiations are ongoing with Caribbean Airlines and Cape Air.
- The Digital Nomad programme, which should continue to add impetus to domestic economic activity.
- Strategic marketing by the Anguilla Tourist Board to tap into the global pent-up demand for travel.

Inflationary pressures are envisioned to persist for the rest of year as projections for global oil and food prices indicate end of year average prices significantly above those recorded for 2020. As a result, the CPI should approach 2.0 per cent by the end of the year. The fiscal surplus is likely to improve relative to the outcome of 2020, as a result of greater economic activity, grant inflows and the containment of expenditure.

TABLES

The five-year formatted tables for the Anguilla's main economic sectors

- Table A1 Central Government Fiscal Operations
- Table A2 Monetary Survey
- Table A3 Selected Trade Statistics
- Table A4 Consumer Price Index
- Table A5 Selected Tourism Statistics

Table A1
Anguilla- Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

		7 =					
	2017	2018	201P	2020	2021	2015 to 2019	2016 to 2020
Cannal Revenue	112.10	98.77	126.70	99.93	L23-30	108.41	107.43
Tax Ferrison	P8.04	79.70	108.70	\$4.50	97.4L	92.51	91.4P
Trans on Excess and Profits Of which Subdistinatory	7.5P 7.5P	6.PP	0.52 0.52	7.00 7.00	7.43 7.43	7.41 7.47	7,71 7,47
Time on Property	2.12	1.50	5.7L	2.44	2.84	2.90	2.00
Tame on Donneth Goods and Services Of white	49.40	25.40	44.02	25.PP	49.3 7	79.54	₹7.€7
Linera	10.45	10.40	11.OL	0.03	P.43	10.30	10.74
Accordant Tex Wasp Duths	14.0P	5.14 6.40	20.5P 3.52	17.49 2.55	10.54 18.02	19.41 4.70	14.32 5.73
Tame on International Trade and Transc Of which	38.74	45.72	20.44	\$7.83	34.54	49.77	49.02
Import Duty	30.12	35,44	39.43	16.70	17.72	275.00	30.55
Cuitosa Visulango	8.24	P.85	10.56	1.75	1.49	P.18	7.80
Bubelouton Tax Interior Goode Tax	0.13	o-o1	ο̈́οι	0.00 13.73	14.55	0.33	0.13 2.73
Hon-Tax Services	14.06	19.07	18.00	15.45	25.04	15.90	16.14
Correct Expresident	P4.2P	94.40	100.00	78.47	102.44	94.48	94.42
Personal Suplements Good and Survives	41.07	42.43	40.97 25.70	41.32	42.00	41.75	41.41
Laborat Payments	21.71 7.70	21,54 9,92	P.43	24.P3	27.44 7.15	21,94 7,12	29.09
Doggett	4.92	5.2P	4.44	4.33	3.84	3.73	4.34
External	2.75	3.43	3.O.L	4.64	3.33	3.30	3.70
Transfers and Pobeldhe Of which: Penalose	29.00 4.42	29.30 4.27	24.68 4.29	29.44 4.30	24.83 4.31	29.47 4.40	29.73 4.29
Current Arresant Britains	17.02	2.17	25.90	1.24	20.93	19.09	11.09
Capital Revenue	-	-	0.03	O.UL	-	-	-
Counts.	0.00	3.93	-	-	14.23	1.32	0.97
Of which Capital Greats	0.00	3.03	-	-	-	1.32	0.P7
Ongithal Expensioner and Net Leading Of which: Capital Expensions	4.94	3.27 3.27	1.42 1.42	3.2P 3.2P	1.0P 1.0P	2.74 2.74	3.01 3.01
Prisonery Bullianes In-Stee growth	20.50	7.72	33.04	7.74	27.04	-	-
Privately Bulance after grants	21.75	11.44	35.P4	7.74	44.29	-	-
Orners Balance to han greate	12.00	(1.10)	24.50	(1.22)	19.84	-	-
Overall Balance after grants	13.40	2.92	24.50	(1.22)	34.1L	-	-
Regarding	(12.49)	(2.02)	(24.50)	1.72	Q45.112	-	-
Donasti: MCCD (ast)	(L1.47) 0.80	(0.74) (0.74)	(12.49) (6.04)	14.54 5.14	(4.P4)	Ī	Ï
Commencial States (and	(3.46)	11.55	(20.19)	10.83	3.52		:
Other	(8.48)	(10.70)	18.63	(8.45)	(21.42)	÷	÷
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Assatings	4.35	3.2P	9.40	11.20	4.33	Ţ	:
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Arrest	4.50	W. 72	(2.24)	(5.55)	(P.349)	-	-
Domesti:	4.37	W. 72	(2.24)	(5,55)	(P.34)	-	-
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Table A2
Anguilla - Monetary Survey
(EC\$M at end of period)

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Curind Back	196.35	20.27	131.86	120	161.6T	HRII	1677
Clar Depoting Companion (Commont State)	4835	30.0	747.60	69.17	685.64	33.4	575.4
AND TO Fig. Buildings	273.48	773-69	38.5	127.00	146.86	28.4	2544
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Jose Olar Depulsy Organism	11.47	15.25	116	14.65	1.25	829	11.
Linkfiller To Consell Structural	14.30	10.35	136,03	77.00	8.57	136.00	1330
China Co-Other Section	607.64	60.00	304.61	539.77	68.7	707.06	671
Chin Cu Cite Humbi Cupration (No. Sub Martific Substitution)	7.00	7.07	133	1.05	1.00	H.9	6.5
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Consey Could Departury Congestion	3.0	XUZ	35.71	33 5	35.5	2.4	×
Covery breed by County in Clarification	27	30.57	3 1.1 6	77.39	23.54	26.00	24
Lea Siding Columni Conney Sy Cds (Channell State)	461	6.49	3.65	445	480	189	Ų
Terretolle Dagode, in Hulbart Corner	4.0	4.5	34.50	250	3.3	47.0	•
Curl Res	247.00	1842	PH X	666.90	136.00	90.6	NR:
Other Deposits, in National Company	26.65	27.6	343.70	257.50	2635	241.65	250
Partic Oceany Deputs	727.14	767.25	79.6 0	579.44	397.14	76.0	7000
New York							
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Table A3
Anguilla - Selected Trade Statistics
(Value: EC\$M)

Tancary to June										
	2017	2018	2019	2020	2021	Average 2015 to 2019	Average 2016 to 2020			
Total Experts	8.57	838	15.02	3.92	10.36	10.70	8.95			
Total Imports	234.72	370.87	34150	205.57	226.86	303.03	280.98			
Trade Balance	(226.15)	(362.49)	(326.49)	(201.65)	(21 <u>65</u> 1)	(292.32)	(277.00)			

Source: Anguilla Customs Department and HCCB Estimates

Data as at 21 August 2021

Table A4
Anguilla- Consumer Price Index
June 2010 = 100

				January to							
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		20	70	20	26	26	33	32	De-B	De-2	
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	239	IKM	re X	183	1834	11509	15.72	19,7	(22)	7.7	
Tespet	1596	1540	MST	M.S	15.09	18. 5	IRA	116.77	(25)	4.01	
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Table A5
Anguilla - Selected Tourism Statistics

	January to June								
	20 17	2018	2019	2020	2021	Average 2015 to 2019	Avesage 2016 to 2020		
Total Visitors	105,924	37,100	93,203	38,922	6,984	87,528	74,400		
Stay-Over Visitors Of which	47,894	23,279	55 ,£78	23,220	6,974	42,555	31,921		
USA	32,890	13,986	39,432	16,066	6,044	29,075	26,531		
Canada	2,313	820	2,706	1,399	135	2,025	1,875		
UK	2,09 7	1,150	2,263	194	149	1,688	-		
Caribbean	5,418	4,940	5,527	1,192	107	5,376	4,705		
Other Countries	1,755	1,063	2,168	1,002	338	1,515	1,473		
Exusionsk	S8,034	13,1221	37,325	15,702	10	44,973	35,472		
Total Visitor Expenditure (EC\$M)	225.45	130.02	245.02	107.07	40.59	196.96	179.5%		

Source: Angulla Customs Department and ECCB Estimates

Data as at 21 August 2021



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