

ANTIGUA AND BARBUDA DECEMBER 2022



ECONOMIC AND FINANCIAL REVIEW

Eastern Caribbean Central Bank



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FINANCIAL REVIEW**

ANNUAL REVIEW

**ANTIGUA
AND
BARBUDA**

EASTERN CARIBBEAN CENTRAL BANK





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Antigua and Barbuda Annual Economic and Financial Review - 2022

Eastern Caribbean Central Bank

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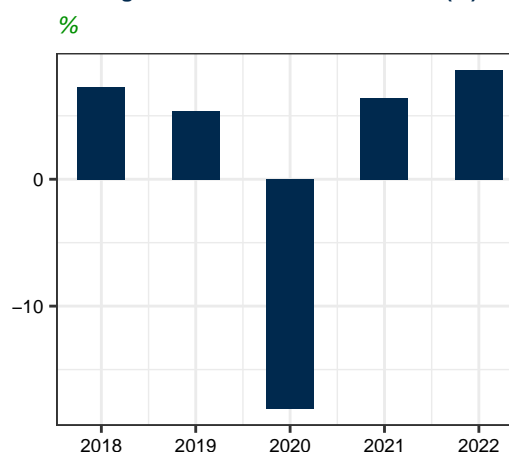
Overview

The economy of Antigua and Barbuda is estimated to have recorded its second consecutive year of expansion in 2022, post the contractionary effects of the pandemic in 2020 and a rebound in 2021. Economic growth is expected to maintain an upward trajectory in 2023, as real sector output normalises and converges to pre-pandemic levels following the adverse economic effects of the COVID-19 pandemic and the gradual resolution of supply chain disruptions and travel restrictions.

hotels and restaurants and construction sectors.



Figure 1: Real GDP Growth Rates (%)



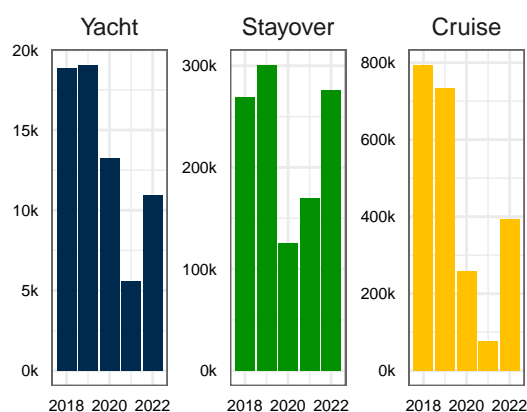
Source: ECCB

The Economy (Real Sector)

Economic activity expanded by a further 8.5 per cent in 2022, following growth of 6.6 per cent in the previous year (Figure 1). The expansion in 2022 was largely driven by sustained rebounds in services, particularly the

Value added in the hotels and restaurants sector, which constituted 13.7 per cent of GDP, is estimated to have risen by 56.4 per cent in 2022, extending the 18.7 per cent gain in the previous year. The expansion was underpinned by a surge in the number of stay-over visitors (56.4 per cent), buttressed by rebounds in the cruise passenger and yachting segments.

Figure 2: Visitor Arrivals by Category



Source: ECCB

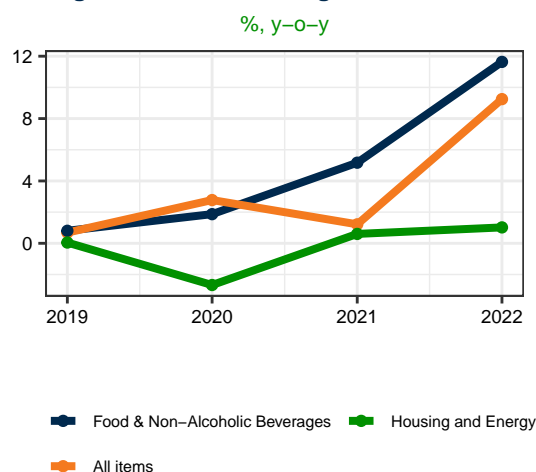
The performance of the stayover segment of the market reflected growth from all source markets (Figure 2). However, the most impactful increases were recorded for Europe (71.0 per cent), the United States of America (26.4 per cent), Canada and the Caribbean which saw visitor increases of more than four-fold and nearly three-fold respectively. The number of cruise passengers rose to 373,713 from 77,140 in 2021, while visitors by yacht nearly doubled to 10,948 from 5,609 in the previous year. All together the rebound in all the major segments of the tourism industry sector contributed to total visitors of 649,757 in 2022 compared with 252,218 in 2021. The construction sector, which accounted for the largest contribution of GDP at 15.5 per cent, expanded by 20.0 per cent, outpacing the 12.9 per cent expansion from the preceding year. The performance of the sector was supported by activity in both the private and public sector, including the Peace Love and Happiness luxury resort and residential development on Barbuda.

Positive externalities from the hotels and restaurants and constructions sectors, favourably impacted other major ancillary sectors, including transport, storage and communication (13.5 per cent), wholesale and retail (5.0 per cent) and real estate, renting and business activities (6.7 per cent). Growth in value added in public administration expanded more slowly by 8.4 per cent compared to a 9.1 per cent expansion in the prior year. Meanwhile, output in the manufacturing sector is estimated to have contracted by 2.8 per cent during the period from lower activity, in contrast to 6.0 per cent growth of in 2021.

Consumer Prices

Cost of living pressures intensified further, as the consumer price index rose by 9.3 per cent in 2022 on an end of period basis compared to a more moderate increase of 1.2 per cent at the end of the previous year. All of the sub-indices registered increases with the major contributors to the advance in the index in 2022 related to transport (23.5 per cent); food and non-alcoholic beverages (11.6 per cent); miscellaneous items (17.7 per cent) and furnishings and household equipment (11.6 per cent). The upward price pressures were tempered by increase for sub-indices with lower weights in the basket including; restaurants and hotels (11.9 per cent); clothing and footwear (13.0 per cent) and housing, water, electricity and gas (1.0 per cent).

Figure 3: Selected Categories of Inflation



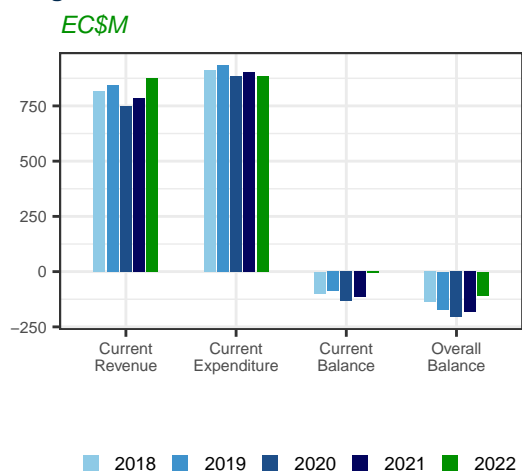
Source: ECCB

Government Operations

The central government's fiscal operations yielded an overall deficit of \$107.9m, (2.3 per cent of GDP), compared with one of \$183.6m (equivalent to 4.4 per cent of GDP) in 2021. The primary deficit narrowed to \$8.1m (0.2 per cent of GDP) from \$85.1m (2.0 per cent of GDP) in 2021. The major contributor to the narrowing of the overall deficit was a reduction in the current imbalance to \$7.3m (0.2 per cent of GDP), compared to one of \$116.1m (2.8 per cent of GDP). A surge in revenue receipts coupled with lower expenditure outlays contributed to the reduction in the deficit on the current

account.

Figure 4: Central Government Fiscal Balance



Source: ECCB

Current revenue rose by 11.7 per cent (\$92.1m) to \$877.3m (18.5 per cent GDP) largely driven by increases in all of the major tax categories with the exception of property tax, which declined by 0.8 per cent during the period. Notable increases were observed in taxes on income profit and capital gains (12.5 per cent) and goods and services (21.5 per cent). Non-tax revenue receipts recovered by 7.3 per cent after declining (15.0 per cent) the previous year, driven by higher collections from fees fines and sales and the rental of government property. The rate of increase in non-tax receipts was moderated by lower citizenship by investment (CBI/CIP) receipts, which declined by 1.7 per cent to \$71.3m.

Concurrently, current expenditure decreased by 1.9 per cent to \$884.6m (18.6 per cent of GDP) in contrast to a 2.1 per cent increase in 2021. The outturn reflected declines in expenditure related to transfers and subsidies (11.5 per cent) and personal emoluments (0.4 per cent) which were offset to some extent by increased outlays for goods and services and interest payments of 10.5 per cent and 1.2 per cent respectively.

Debt

Total public sector debt ¹ increased by 4.0 per cent on average over the five-year period (Figure 5). As at December 2022, the total Public Sector debt stock stood at \$4,025.7m (84.8 per cent of GDP) having recorded a 3.3 per cent increase in the stock relative to December 2021. The increase in the debt was partly due to the provision of financial support for the lingering effects of the pandemic. In 2022, the Government of Antigua and Barbuda contracted \$542.3m in new debt and accumulated \$109.9m in arrears. Of the newly contracted debt, \$239.5m was externally sourced and \$89.2m of the arrears are owed to external creditors.

Figure 5: Outstanding Public Sector Debt



Source: ECCB

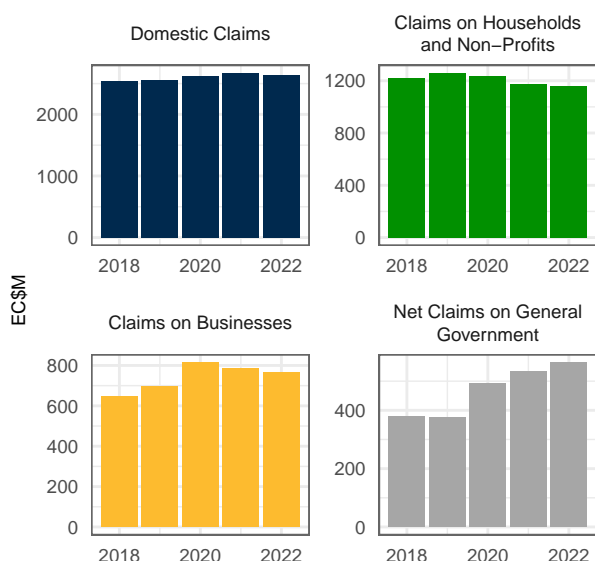
Banking Developments (Monetary)

Banking sector credit fell in 2022, owing to decreases mainly to the private sector and to statutory and public non-financial corporations. Domestic claims (credit) decreased by 1.3 per cent in 2022 to \$2,634.9m, in contrast to a 1.9 per cent increase the prior year (Figure 6). The downward movement in credit was partly driven by reduced claims to statutory and public non-financial organisations by 14.3 per cent to \$142.1m, after more than doubling to \$165.8m during the corresponding period of 2021. Additionally, reduced claims on the private sector (2.1 per cent), reflecting reductions in claims to households and businesses of 1.8 per cent and 2.5 per cent respectively. Concurrently, there was a 20.0 per cent in-

¹Figures include principal and interest arrears

crease in government deposits in contrast to a decrease in the previous year.

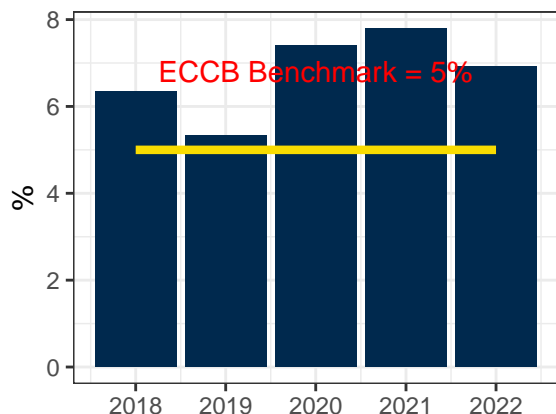
Figure 6: Claims (Credit) to Selected Sectors in EC\$M



Source: ECCB

The banking system liquidity remained within acceptable parameters at the end of December 2022. The ratio of net liquid assets to total deposits nudged up slightly to 47.7 per cent, compared with one of 46.1 per cent at the end of the previous year and substantially above the ECCB minimum benchmark of 20.0 per cent. Likewise, asset quality improved in 2022, as the ratio of non-performing loans (NPL) to gross loans fell to 6.9 per cent, from 7.8 per cent in 2021, above the ECCB’s benchmark rate of 5.0 per cent (Figure 7).

Figure 7: Non-Performing Loans Ratio % of Total Loans



Source: ECCB

External Trade

The merchandise trade deficit widened to \$2,114.5m (44.6 per cent of GDP) from one of \$1,556.2m (36.9 per cent of GDP) in 2021, a combination of the strength of the economic recovery and higher price pressures associated with supply chain constraints, partly tempered by a recovery in in export earnings. Import payments rose by 35.2 per cent, outpacing higher receipts from exports (13.2 per cent). The impact of the Ukraine war coupled with the protracted logistics issues related to global trade on commodity and energy markets also contributed to surging food and energy prices.

Figure 8: Selected Categories of the External Sec EC\$M



Source: ECCB

Outlook

The economy of Antigua and Barbuda is expected to expand by 9.4 per cent in 2023, sustained by the global economic recovery, with broad based positive impacts on international travel and construction through greater foreign direct investments inflows (FDI). The outlook reflects a number of developments of which:

- The strong recovery recorded in the tourism industry post-pandemic is likely to be sustained in the medium-term as the country ramps up to full capacity in its tourism offerings, including the hosting



- of Antigua Sailing Week, and summer Carnival celebrations.
- Stayover visitors are forecasted to surpass pre-pandemic levels by the end of 2023.
 - Major construction developments will continue headlined by the Peace Love and Happiness (PLH) mega-development on Barbuda and ongoing infrastructural enhancements particularly to the road network in Antigua.
 - Ongoing recovery in the real sector could positively contribute to a gradual improvement in the fiscal outturn and alleviate pressure on public finances and borrowing needs.
 - Notwithstanding the positive domestic outlook, significant external downside risks remain which could potentially spill-over into the domestic economy.
 - The protracted Russia/Ukraine conflict continues to cloud global economic forecasts with uncertainty and could negatively impact international travel and FDI flows if the conflict were to escalate further.
 - Surging inflationary pressures fomented by rising geo-political tensions and the persistent supply chain debacle will continue to exact hardships on all economic players, particularly poor and vulnerable groups.



Selected Economic Indicators

Indicators	2018	2019	2020	2021	2022
National Income and Prices (Annual % change)					
Nominal Gross Domestic Product (GDP) at Market Prices	9.3	4.4	-15.5	10.2	12.6
Real GDP at Market Prices	6.8	4.3	-17.5	6.6	8.5
Deflator	2.3	0.1	2.5	3.4	3.8
Consumer Prices (end of period)*	0.0	0.7	2.8	1.2	9.3
Consumer Prices (period average)*	0.0	1.4	1.1	1.6	7.5
Real Gross Value Added (GVA) at basic prices (%)					
Agriculture, Livestock and Forestry	-0.8	0.5	2.3	0.9	2.4
Construction	27.1	5.0	-25.2	12.9	20.0
Wholesale and Retail Trade	-1.9	7.4	-18.0	4.7	5.0
Hotels and Restaurants	8.3	11.8	-53.4	18.7	56.4
Transport, Storage and Communications	6.5	0.6	-26.8	9.7	13.5
Financial Intermediation	5.5	4.6	-7.0	2.7	0.6
Real Estate, Renting and Business Activities	3.0	4.9	-12.5	5.4	-6.7
Public Administration, Defence & Compulsory Social Security	6.5	5.7	-5.3	1.4	1.0
Total Public Sector Debt (% GDP)					
Total Public Sector Debt	78.9	76.8	96.5	92.5	84.8
Public Sector External Debt (end-of-period)	38.3	39.4	46.7	46.1	42.0
Central Government (in XCD millions)					
Current Account Balance	-98.9	-87.5	-133.6	-116.1	-7.3
Current Revenue	815.3	846.0	749.4	785.2	877.2
Current Expenditure	914.1	933.5	883.0	901.3	884.6
Capital Expenditure and Net Lending	83.6	87.2	106.7	98.4	104.5
Overall Fiscal Balance	-138.6	-171.5	-204.9	-183.6	-107.9
Monetary Sector (% p.a.)					
Weighted Deposit Interest Rates	1.4	1.5	1.5	1.4	1.4
Weighted Lending Interest Rates	8.4	8.5	7.6	7.5	7.5
Non-Performing Loans Ratio (%)	6.4	5.3	7.4	7.8	6.9
Memo (in XCD millions, unless otherwise stated)					
Nominal GDP at Market Prices	4,332.9	4,523.6	3,824.1	4,213.4	4,745.5
Real GDP at Market Prices	3,497.9	3,649.8	3,011.0	3,208.4	3,479.8
GDP per capita (EC\$)	39,720.5	41,260.5	34,129.3	37,008.0	41,146.8
Merchandise Imports (f.o.b)	1,886.6	1,892.4	1,344.9	1,607.9	2,173.0
Merchandise Exports	69.8	101.7	59.9	51.7	58.5
Gross Visitor Expenditure	1,730.7	2,095.5	945.2	1,318.4	1,831.4
Net Foreign Assets	1,793.2	1,759.5	1,587.8	2,230.6	2,361.7
Domestic Credit	2,537.3	2,563.9	2,621.2	2,670.2	2,634.9
Money Supply (M2)	3,865.7	3,861.7	3,525.0	4,013.7	4,198.2
Currency in Circulation	247.1	264.0	272.9	297.6	309.2

Note:

Data as at February 2023

¹ Sources: Central Statistics Office and Eastern Caribbean Central Bank