ANTIGUA AND BARBUDA

JUNE 2023

ECONOMIC AND FINANCIAL REVIEW

Eastern Caribbean Central Bank

JUNE 2023

ECONOMIC AND FINANCIAL REVIEW

ANTIGUA AND BARBUDA

EASTERN CARIBBEAN CENTRAL BANK

Address:
P. O. Box 89
Basseterre
St Kitts and Nevis
West Indies

Telephone
(869) 465-2537

Fax:
(869) 465-5615

Website
www.eccb-centralbank.org

Email
rsdad@eccb-centralbank.org

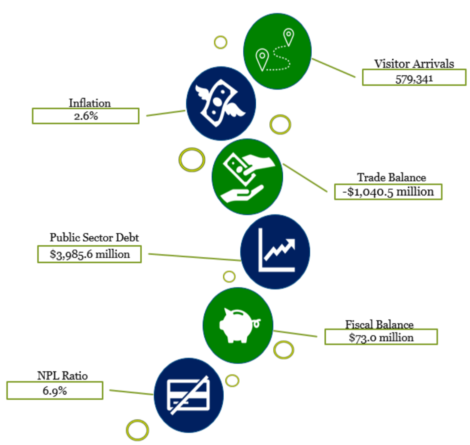
Antigua and Barbuda
Economic and Financial Review - June 2023

Eastern Caribbean Central Bank

Contents

Overview

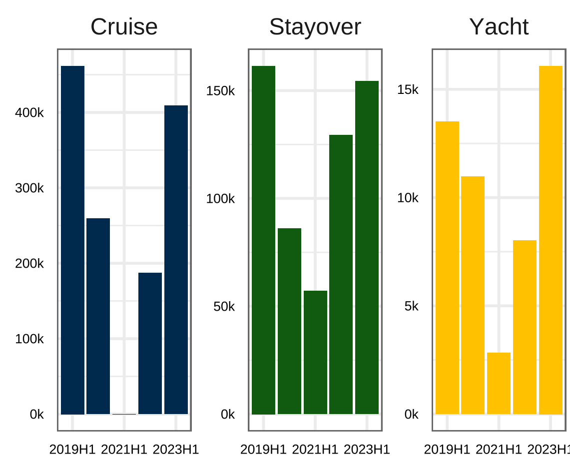
- With the effects of the COVID-19 pandemic gradually receding, economic activity in Antigua and Barbuda continued to expand supported by the strengthening of international travel associated with the global recovery and developments on the domestic front.
- The sustained recovery was buttressed by positive developments in the hotels and restaurants sector with associated positive spill-offs on wholesale and retail trade, and private sector construction. Government finances recorded an increase in the overall surplus and the financial system continued to exhibit signs of recovery from the lingering effects of the pandemic.
- The outlook for the remainder of 2023, remains positive, contingent on a robust high tourist season and continued public and private sector investment. Uncertainty underpins the near-term prospects due to a weaker global recovery, the protracted Ukraine/Russia conflict and the spectre of new COVID-19 variants. The possibility of damage by tropical storms also remains a clear and present risk.



The Economy (Real Sector)

Economic activity remained robust in the first six months of 2023, following the sharp recovery in the corresponding period of 2022. A combination of increased international travel and vibrant real sector activity spurred by private sector construction, drove developments in the real sector during the period under review. Total visitors rose by 78.4 per cent (254,646) to 579,341 in the first half of 2023. The performance reflected an increase in stay-overs by 19.2 per cent to 154,331 and a more than doubling of cruise arrivals to 408,931, compared with 187,242 the previous year (see Figure 1).

Figure 1: Visitor Arrivals by Category



Source: ECCB

Both stay-overs and cruise passengers have surpassed their five–year averages (2018 to 2022) and stay-overs visitors specifically are approaching levels, not seen since prior to the pandemic. The sustained increase in stay-overs reflected higher visitors from all major source markets except the United Kingdom. Visitors from the United States, which accounts for over 49 per cent of stay-overs, increased to 76,178 from 63,080. Similarly, stay-over visitors from Canada rose to 17,780 from 6,723 and from the Caribbean to 12,652 from 8, 429. Recovery in the Caribbean market has been spurred by the expansion of flights by an inter-regional carrier and the entry of new players in the market. By contrast, the UK market recorded a 12.0 per cent decline in visitors to 38,464. Visitors landing by yacht doubled to 16,079.

Allied ancillary service sectors, including transport, storage and communication, wholesale and retail trade and real estate, renting and business activities are all estimated to have benefitted by the knock on effects of developments in the hotels and restaurant sector.

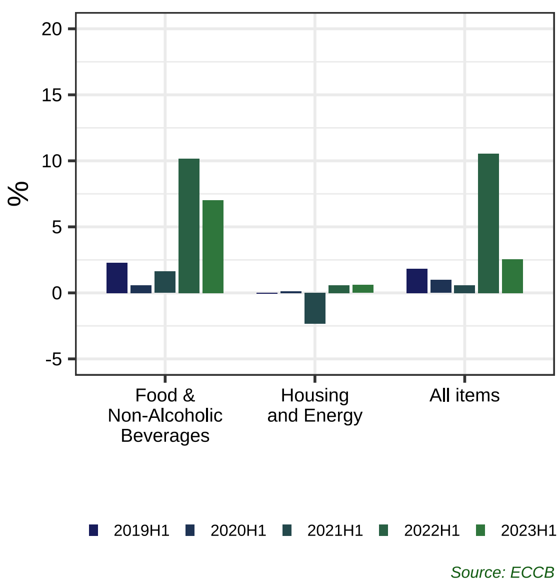
Activity in the construction sector continued to increase fuelled by the private sector as work continued on the Peace Love and Happiness (PLH) development on the island of Barbuda, the Royalton Chic and the Jolly Beach Resort refurbishment. Performance in the sector was augmented by higher investment by the public sector (29.7 per cent), However, public investment remains below the six-month average of $29.8m over the previous five years. Notwithstanding the expansion in private and public investments, the volume of cement imports, an indicator of construction activity, dipped by 6.7 per cent, but remained above the half-yearly average volume for the last five years (2018 – 2022).

Consumer Prices

Following periods of high and sustained inflationary pressures, prices in Antigua and Barbuda moderated over the year ended June 2023 as the rate of increase in the consumer price index (CPI) decelerated.

The CPI rose by 2.6 per cent on an end of period basis, for the 12 months ended June 2023, a marked deceleration from the 10.5 per cent rise during the corresponding period of 2022 (see Figure 2).

Figure 2: Selected Categories of Inflation

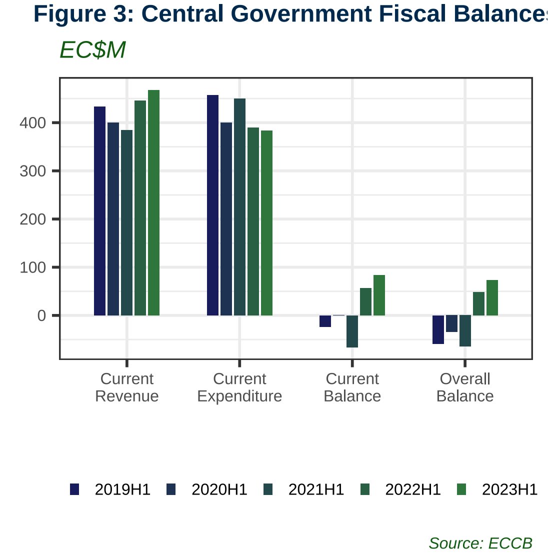


Major contributors to the increase in the CPI, based on the movement and weights of the sub-components included; higher prices for communication (14.5 per cent), hotels and restaurants (19.6 per cent), food and non-alcoholic beverages (7.0 per cent) and clothing and footwear (12.2 per cent). Inflationary pressures were curtailed somewhat by a 12.2 per cent decrease in the price for transportation related to declines in airfares and motor vehicle maintenance costs.

Government Operations

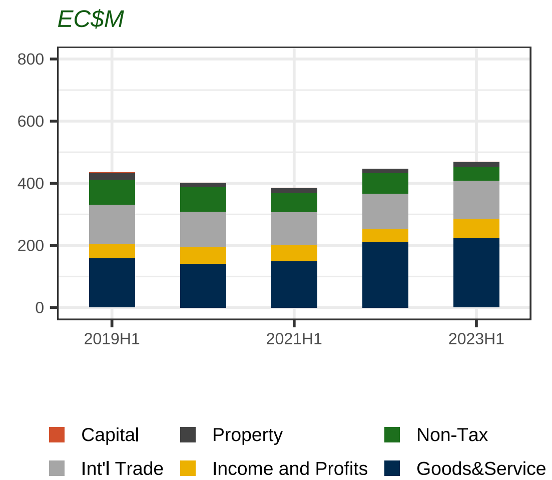
Preliminary estimates for the fiscal operations of the government yielded an overall surplus of $73.0m, above the $48.0m balance recorded in the first six months of 2022, as the fiscal position strengthened, consistent with heightened economic activity (see figure 3). The higher overall surplus was well above the five-year average deficit of $31.6m. This performance was largely attributable to a 47.9 per cent increase in the current account surplus to $83.9m.

Figure 3: Central Government Fiscal Balance



Current revenue rose by 4.8 per cent ($21.3m) to $467.4m, fuelled mainly by a strengthening in tax revenue collections. Tax receipts from income, profits and capital gains; goods and services and international trade and transactions rose by 44.1 per cent, 6.3 per cent and 7.5 per cent respectively. However, higher tax receipts were moderated by declines in non-tax inflows (32.5 per cent) due to reduced yields from the Citizenship Investment Programme (CIP).

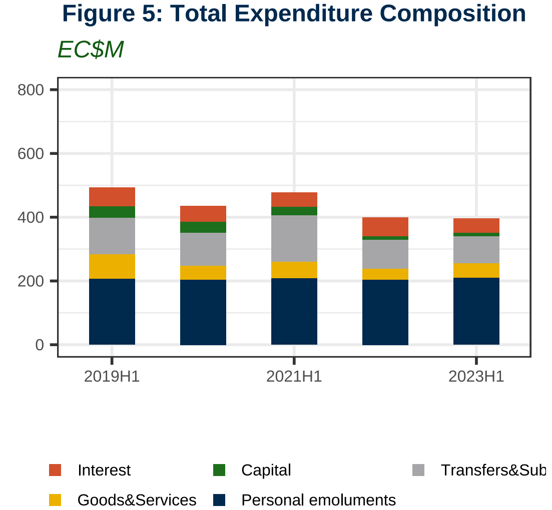
Figure 4: Total Revenue Composition



Source: ECCB

Current expenditure declined by 1.5 per cent ($5.8m) to $383.4m, constrained by lower interest payments and a decrease in transfers. The payment of interest on outstanding debt fell by 24.7 per cent while transfer payments shrank by 8.5 per cent. Partially mitigating the reduction in current outlays was an increase in spending on goods and services 30.2 per cent) and personal emoluments (2.9 per cent) (see figure 5). Meanwhile, public sector capital investment rose by $2.9m to $12.6m and capital revenue nearly doubled to $1.6m.

Figure 5: Total Expenditure Composition

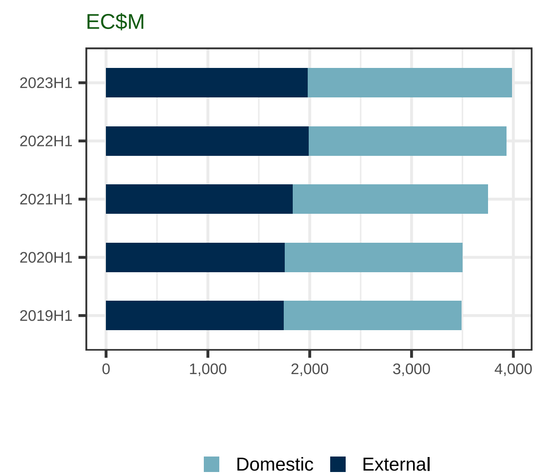


Source: ECCB

Debt

The debt obligations of the central government are estimated to have decreased by 0.6 per cent to $3,985.6m at the end of June 2023 relative to December 2022. This contrasts with a 0.9 per cent increase in the corresponding period ended June 2022. The debt stock comprised domestic debt $2,007.1m and external debt $1,978.5m. Much of the decrease reflected lower central government obligations (1.1 per cent) primarily to external creditors. During the period June 2022 to June 2023, the Government of Antigua and Barbuda contracted $100.8m in new debt and accumulated $113.9m in arrears.

Figure 6:Outstanding Public Sector Debt

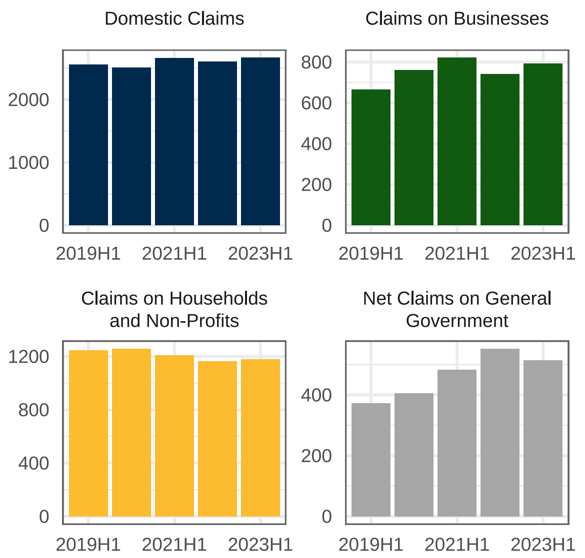


Source: ECCB

Banking Developments (Monetary)

Outstanding credit in the banking system in Antigua and Barbuda expanded marginally at the end of June 2023 relative to the end of June 2022. Deposits however contracted year-on-year for the review period. Domestic claims (credit) expanded by 2.2 per cent to $2,664.4m at the end of June 2023, following a 2.0 per cent expansion at the end of June 2022 (see Figure 7). Outstanding domestic claims, remained about 4.0 per cent higher than the average for the previous five years (2018 to 2022). The increase was largely attributable to higher outstanding claims (credit) to businesses (6.8 per cent) as business opportunities expanded in lockstep with the economic recovery, post-pandemic. Credit to households and non-profit institutions also expanded by 1.3 per cent year-on-year.

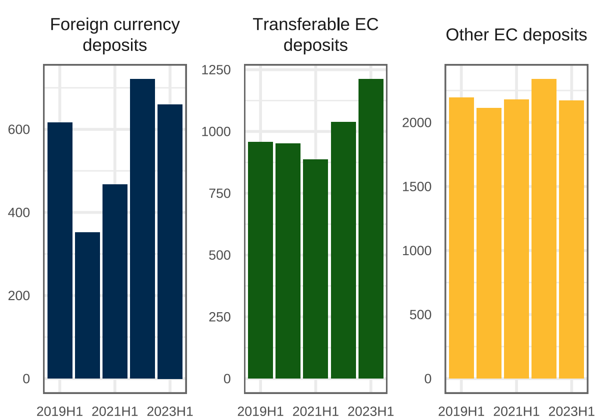
Figure 7: Claims (Credit) to Selected Sectors
EC$M



Source: ECCB

In contrast banking deposits fell by 0.8 per cent to $4,295.6m, owing to declines in other EC-currency deposits (7.2 per cent) and foreign currency deposits (8.4 per cent). The contraction in other EC-currency and foreign currency deposits was moderated by increases in narrow money (15.1 per cent).

Figure 8: Selected Categories of Deposits
EC$M

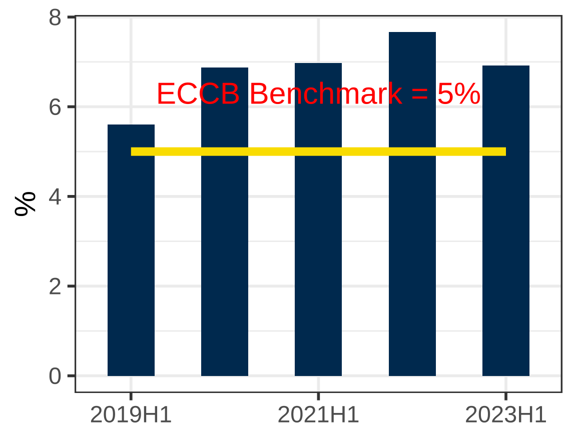


Source: ECCB

Asset quality in the banking system improved further as at the end of June 2023, as the ratio of commercial banks' non-performing loans to total loans (NPL) fell to 6.9 per cent, from 7.7 per cent end of June 2022, inching closer to the recommended 5.0 per cent prudential benchmark.

Liquidity in the banking system fell, at the end of June to 43.19 per cent from 46.42 per cent at the end of June 2022.

Figure 9: Non-Performing Loans Ratio
% of Total Loans

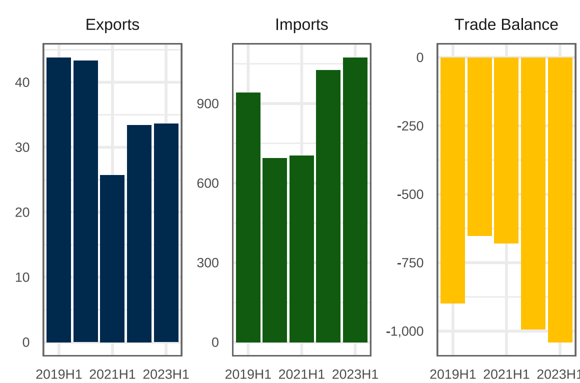


Source ECCB

External Trade

The merchandise trade account recorded an overall deficit of $1,040.5m, an increase of 4.8 per cent above the $993.2m trade imbalance during the first half of 2022 (see Figure 10).

Figure 10: Selected Categories of External Sector
EC$M



Source: ECCB

The widening of the trade deficit reflected a 4.6 per cent ($47.4m) increase in total imports to $1,074.1m, sustained by the gradual return of economic activity to near pre-pandemic levels. Increases in the import value of machinery and transport equipment, food and live animals and manufactured goods, largely accounted for the higher import bill. In contrast, fuel related imports fell. Export earnings rose marginally by 0.6 per cent ($0.2m), attributable to domestic exports (manufactured goods). The trade deficit for the first half of 2023 was 27.5 per cent higher than the average over the corresponding period of the previous five years.

Outlook

Notwithstanding the backdrop of a slowing global expansion, the economy of Antigua and Barbuda is provisionally estimated to expand in 2023, albeit at a decelerated rate relative to 2022. A sustained rebound in tourism coupled with relative buoyancy in construction continue to fuel the economic recovery. While the outlook is positive, it is not without uncertainties, underscored by a number of downside risks;

- The International Monetary Fund (IMF)) in its July 2023 World Economic Outlook update, forecasts that the global economic recovery will slow to 3.0 per cent in 2023 from 3.5 per cent in 2021.
- Persistent inflationary pressures may compel global central banks to continue monetary tightening, further constraining economic growth, thereby weakening the post-pandemic global economic recovery.
- The ongoing Russian/Ukrainian conflict threatens; further loss of lives, lower global economic output and sustained business and economic uncertainty.
- The threat of damage to the capital stock and growth prospects due to hurricane damage remains elevated.
- Notwithstanding the estimated improvement in the fiscal accounts, government finances particularly for capital investment remain constrained.
- Continued threats to regional Citizenship by Investment Programmes could derail the economic recovery and upend fiscal outcomes.
- Rising geopolitical tensions could further dampen growth.
- Reports of new and emerging variants of the COVID-19 virus may threaten travel prospects and introduce renewed health concerns.
- Tourism activity continues to rebound strongly with broad based positive impacts on the domestic economy and public finances.

Risks appear to be tilted to the downside globally. However, to the extent that policy makers in Antigua and Barbuda can manage the emerging challenges through prudent fiscal management and strategic policy interventions in support of the major foreign exchange earning sectors and social stability, it may be possible to navigate the economic turbulence relatively unscathed.

Selected Economic Indicators

Indicators	2019H1	2020H1	2021H1	2022H1	2023H1
Current Revenue (EC$M)	433.6	400.0	384.0	446.0	467.4
Current Expenditure (EC$M)	457.1	400.0	449.7	389.3	383.4
Current Balance (EC$M)	−23.5	0.1	−65.7	56.8	83.9
Primary Balance (EC$M)	0.3	14.8	−19.7	107.4	117.7
Overall Balance (EC$M)	−58.6	−34.4	−64.4	48.0	73.0
Total Public Sector Debt (EC$M)	3,488.6	3,498.4	3,750.4	3,931.5	3,985.6
Inflation Rate (Y-o-Y)(end of period %)	1.8	1.0	0.6	10.5	2.6
Total Visitor Arrivals	636,496.0	356,441.0	59,928.0	324,695.0	579,341.0
Total Visitor Expenditure (EC$M)	1,121.4	585.9	443.7	915.3	1,102.0
Net Foreign Assets (EC$M)	1,761.9	1,768.4	1,906.7	2,597.6	2,405.0
Domestic Credit (EC$M)	2,556.9	2,509.0	2,659.0	2,606.4	2,664.4
M2 (EC$M)	3,961.8	3,619.7	3,742.4	4,331.3	4,295.6
Currency in Circulation (EC$M)	233.5	249.8	257.2	283.6	308.9
Liquid assets to total assets	55.9	44.4	37.4	46.4	43.2
Liquid assets to short-term liabilities	60.2	51.6	42.3	51.6	48.7
Customer deposits to total (noninterbank)loans	140.1	132.2	132.6	151.1	149.4
Weighted Average Deposit Rate (%)	1.6	1.5	1.5	1.4	1.1
Weighted Average Lending Rate (%)	8.6	7.7	7.6	7.6	7.1
Interest Rate Spread (%)	7.0	6.2	6.1	6.2	5.9
Non-Performing Loans to Total Loans (%)	5.6	6.9	7.0	7.7	6.9

Data as at August 2023

Sources: ECCB & Central Statistics Offices