

ANGUILLA

DECEMBER 2022



ECONOMIC AND FINANCIAL REVIEW

Eastern Caribbean Central Bank



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ANNUAL REVIEW

ANGUILLA

EASTERN CARIBBEAN CENTRAL BANK





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Anguilla

Annual Economic and Financial Review - 2022

Eastern Caribbean Central Bank

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Overview

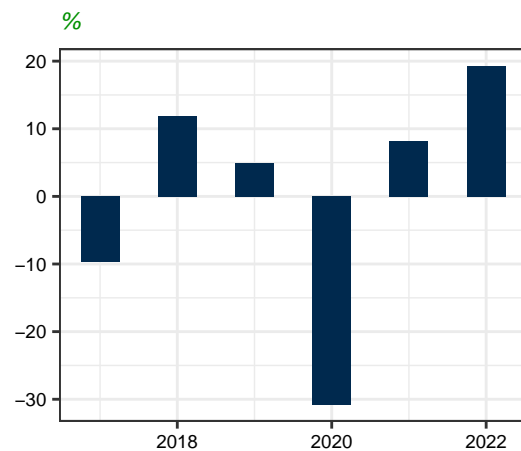
- The economy of Anguilla largely driven by tourism expenditure and tourism related construction activity, expanded at an accelerated rate (21.6 per cent) relative to a 12.8 per cent recovery in 2021 (Figure 1).
- The development represents a dramatic turnaround from the sharp contraction in economic activity due to the adverse effects of the pandemic in 2020 during which economic activity fell by 29.9 per cent with attendant negative consequences on current revenue and labour market conditions.
- The economy is expected to expand in 2023 at a more moderate pace predicated on continued construction activity and a sustained improvement in visitor arrivals in tandem with the slower global expansion.



The Economy (Real Sector)

Developments in the real sector were enhanced by a sharp recovery in the tourism industry underscored by recoveries in all of the visitor categories. Growth in value added in the hotels and restaurants sector, a proxy for tourism activity, exceeded 100.0 per cent in 2022 relative to the 11.8 per cent increase in the previous year.

Figure 1: Real GDP Growth Rates (%)



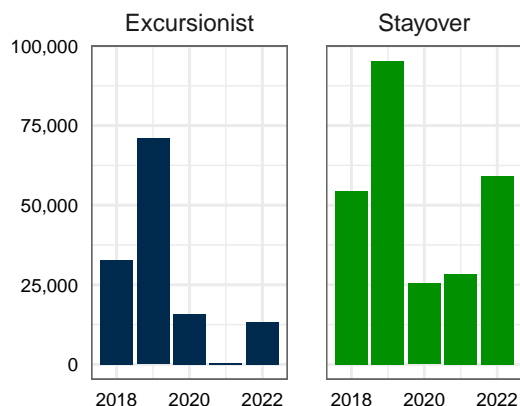
Source: ECCB

The total number of visitors amounted to 72,457 compared with 28,696 the prior year. This outturn reflected across the board increases in stay over arrivals; 59,145 compared to 28,376 in 2021 and excursionists; 13,311

compared with 320 in 2021.

Consequently, there were positive knock-on effects on other major sectors such as transport, storage and communications (22.3 per cent) and wholesale and retail trade (13.4 per cent).

Figure 2: Visitor Arrivals by Category



Source: ECCB

The construction sector which rebounded in 2021 after the effects of the pandemic the previous year, advanced a further 16.0 per cent as work recommenced on the construction of villas and other residential projects. Activity in the residential component was stimulated by the lower cost lending offered by the local banks.

Real sector performance was buttressed further by growth in real estate, renting and business activities (11.7 per cent), financial intermediation (2.6 per cent) and public administration, defense and compulsory social security (1.4 per cent). Value added in the agriculture, livestock and forestry sector decreased by (5.8 per cent).

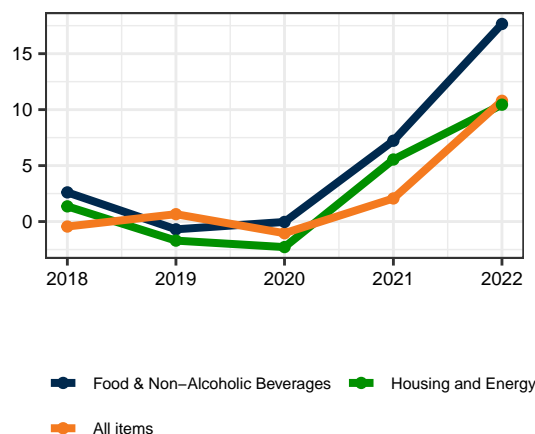
Consumer Prices

As a corollary to the uptick in economic activity, higher commodity prices and trade related supply constraints, the inflation rate as measured by the consumer price index rose sharply by 10.8 per cent (on an end of period basis) during 2022, compared with a more modest increase of 2.1 per cent during 2021. Most of the sub-indices recorded increases of which the major impact on the goods basket originated from household utilities, gas

and fuels (10.4 per cent), food and non-alcoholic beverages (17.7 per cent), and transport (13.4 per cent).

Figure 3: Selected Categories of Inflation

%, y-o-y



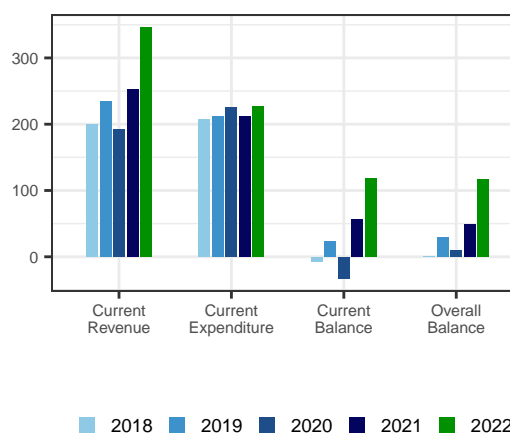
Source: ECCB

Government Operations

The central government of Anguilla recorded an overall fiscal surplus of \$117.5m (10.3 per cent of GDP) compared to a smaller surplus of \$49.6m (6.1 per cent of GDP) in 2021. A higher current surplus and lower capital expenditure accounted for the stronger overall position.

Figure 4: Central Government Fiscal Balance:

EC\$m



Source: ECCB

Current revenue collections rose sharply by 37.3 per cent to \$346.3m (30.4 per cent of GDP) as real sector activity rebounded and the negative impacts of the COVID-19 pandemic abated. Tax revenue amounted

to \$291.5m, representing an increase (44.9 per cent) over the \$201.1m in receipts 2021. All tax revenue categories except those associated with international trade and transactions, recorded higher collections. Non tax revenue receipts rose by \$3.8m to \$54.9m.

Current expenditure increased by \$15.3m to \$227.3m (20.0 per cent of GDP), primarily the result of greater outlays on transfers and subsidies (\$8.2m) and goods and services (\$6.8m). The other sub-categories of interest payments and personal emoluments remained relatively constant at the end of 2022 compared to 2021. The faster pace of growth in current revenue relative to modest growth in current expenditure contributed to a current account surplus of \$119.0m (10.4 per cent of GDP), compared with one of \$56.4m (6.9 per cent of GDP) in 2021. By contrast expenditure on capital projects declined to \$1.5m, from \$4.1m the previous year.

Debt

In nominal terms, the public sector debt continued on a downward trajectory for the fifth consecutive year. As at December 2022, the total debt stock amounted to \$395.4m (34.8 per cent of GDP) following an 8.3 per cent reduction in the stock relative to December 2021 (Figure 5). The repayment of the debt obligations resulted in the reduction of the external and domestic portfolios to \$174.1m and \$221.3m respectively. Further, the central government debt which accounts for 99.5 per cent of the public sector debt contracted by 8.1 per cent to \$34.7m.

Figure 5: Outstanding Public Sector Debt

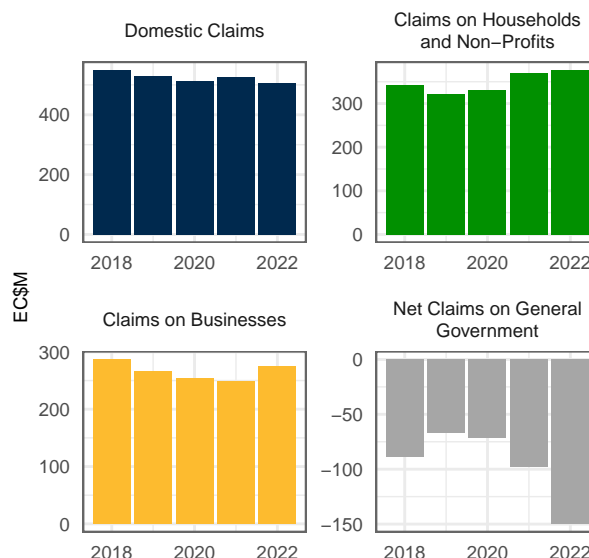


Source: ECCB

Banking Developments (Monetary)

The rebound in real sector activity was also reflected in developments in the banking sector as financial aggregates converged to pre-pandemic levels. Net foreign assets rose by 3.9 per cent to \$727.0m while credit to the domestic economy declined by a further 3.8 per cent to \$505.3m. Credit extended to the general government fell by 60.3 per cent while lending to the private sector rose by 5.2 per cent, fuelled mainly by higher business credit (10.5 per cent). Meanwhile, general government deposits trended higher by \$51.6m to \$150.2m as government finances gradually stabilised post the COVID-19 pandemic.

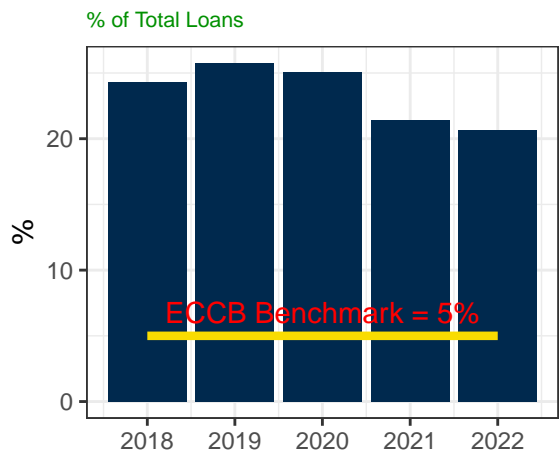
Figure 6: Claims (Credit) to Selected Sectors
in EC\$M



Source: ECCB

Liquidity in the banking system improved as the total loans to deposits ratio contracted by 0.5 percentage point to 47.9 per cent and the ratio of non-performing loans to gross loans fell to 20.7 per cent from 21.4 per cent in 2021.

Figure 7: Non-Performing Loans Ratio



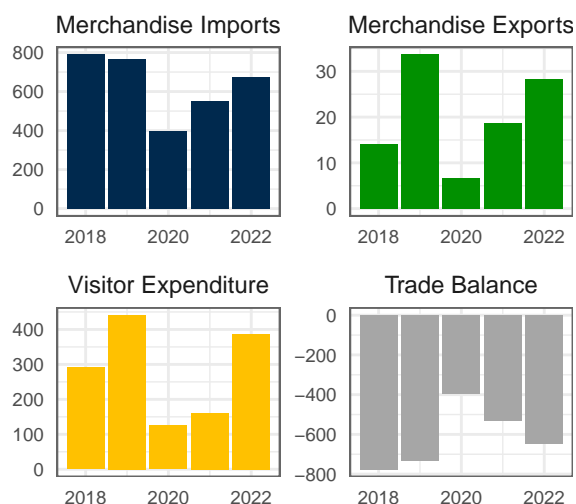
Source ECCB

External Trade

A wider merchandise trade deficit of \$645.1m (56.7 per cent of GDP) from one of \$533.2m (65.6 per cent of GDP) in 2021, was fuelled by a recovery in imports outpacing that of exports. Import payments increased by 22.0 per cent (\$121.4m) partly reflecting inflationary price effects of commodities, while exports expanded by 50.9 per cent (\$9.5m).

Figure 8: Selected Categories of the External Sect

EC\$m



Source: ECCB

Outlook

The preliminary forecast for Anguilla points to an estimated 5.5 per cent expansion in economic activity in 2023, buoyed by a sustained, albeit slower global expansion, driving increases in the number of visitors to the destination and FDI related construction activity.

- The completion of the blowing Point Terminal augers well for the visitor experience going forward and represents a significant enhancement to the tourism product.
- In 2023 public investment will resume in earnest with the commencement of development work on the airport including the terminal building and resurfacing of the runway. Other ongoing residential construction could also reignite activity.
- The fiscal outturn is projected to generate lower overall surpluses in 2023 on account of an increase in current and capital expenditure outlays.
- Significant downside risks cloud the outlook, including an escalation in geo-political tensions, ongoing supply chain challenges and a weak global recovery.
- Other risks include Anguilla's susceptibility to climate change factors including; adverse weather, hurricanes and drought conditions.



Selected Economic Indicators

Indicators	2018	2019	2020	2021	2022
National Income and Prices (Annual % change)					
Real GDP at Market Prices	8.5	5.5	-29.9	12.8	21.6
Deflator	5.7	10.7	-2.2	2.6	15.8
Consumer Prices (end of period)	-0.4	0.7	-1.0	2.1	10.8
Agriculture, Livestock and Forestry	-46.7	11.4	-41.4	3.0	-5.8
Fishing	-25.9	90.5	-79.2	15.4	6.3
Real Gross Value Added (GVA) at basic prices (%)					
Manufacturing	12.3	2.3	0.8	4.8	18.0
Construction	157.1	-53.8	-19.9	27.8	16.0
Wholesale and Retail Trade	48.6	-14.4	-32.5	35.4	13.4
Hotels and Restaurants	-23.3	75.5	-71.7	11.8	102.6
Transport, Storage and Communications	2.0	1.4	-34.7	-7.6	22.3
Financial Intermediation	0.7	23.4	-6.4	-0.4	2.6
Real Estate, Renting and Business Activities	-2.7	8.3	-15.5	3.1	11.7
Public Administration, Defence & Compulsory Social Security	-0.4	0.6	2.3	0.0	1.4
Total Public Sector Debt (% GDP)					
Total Public Sector Debt	60.3	48.5	65.6	53.1	34.6
Public Sector External Debt (end-of-period)	25.2	20.4	27.5	23.9	15.3
Central Government (in XCD millions)					
Current Account Balance	-7.4	22.8	-33.2	56.4	119.0
Current Revenue	200.2	234.9	192.5	252.2	346.3
Current Expenditure	207.6	212.2	225.7	212.0	227.3
Capital Expenditure and Net Lending	25.6	10.2	8.3	4.1	1.5
Overall Fiscal Balance	1.2	29.3	10.5	49.6	117.5
Monetary Sector (% p.a.)					
Weighted Deposit Interest Rates	2.3	2.4	2.4	2.4	2.2
Weighted Lending Interest Rates	9.7	9.8	8.9	7.7	7.7
Non-Performing Loans Ratio (%)	24.3	25.8	25.1	21.4	20.7
Memo (in XCD millions, unless otherwise stated)					
Nominal GDP at Market Prices	870.6	1,017.2	697.8	812.6	1,137.4
Real GDP at Market Prices	696.5	735.0	515.4	581.5	707.3
GDP per Capita (EC\$)	48,439.7	55,681.4	37,866.8	42,781.3	59,388.1
Merchandise Imports (f.o.b)	789.4	767.7	399.4	551.9	673.3
Merchandise Exports	14.0	33.7	6.7	18.7	28.2
Gross Visitor Expenditure	291.4	440.7	125.7	160.3	386.7
Net Foreign Assets	544.8	612.7	669.4	699.8	727.0
Domestic Credit	549.7	529.6	513.7	525.4	505.3
Money Supply (M2)	1,072.9	1,085.5	919.2	950.0	1,129.9
Currency in Circulation	31.5	34.7	35.0	30.2	39.4

Note:

Data as at February 2023

¹ Sources: Central Statistics Office and Eastern Caribbean Central Bank