ANTIGUA AND BARBUDA

ANNUAL ECONOMIC AND FINANCIAL REVIEW

2023

EASTERN CARIBBEAN CENTRAL BANK

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ECONOMIC AND FINANCIAL REVIEW

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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
Annual Economic and Financial Review - 2023

Eastern Caribbean Central Bank

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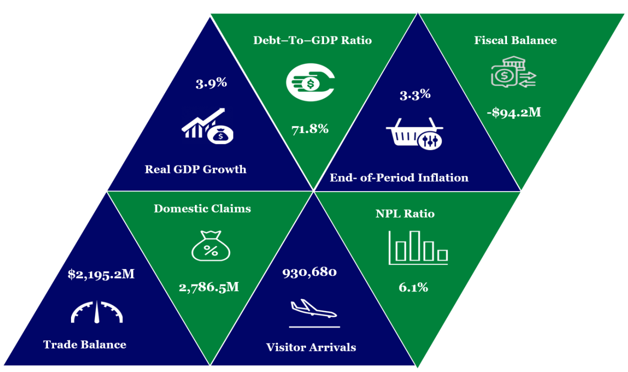
Overview[1]

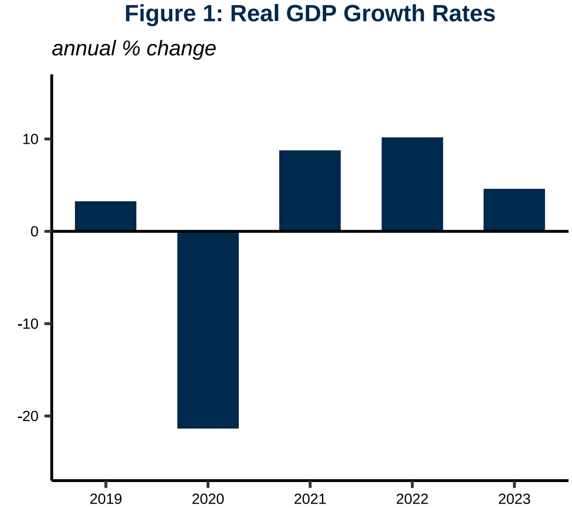
For a third consecutive year, the economy of Antigua and Barbuda continued its recovery from the effects of the pandemic, buoyed by continued resilience in the hotels and restaurants and constructions sectors. Performance is estimated to be sustained into 2024 attributable to a combination of both international and domestic developments. Closely associated with the gradual strengthening of the economy was an improved fiscal outturn and a gradual strengthening of the financial sector.



The Economy (Real Sector)

Economic activity increased by 3.9 per cent in 2023, compared with a 4.8 per cent expansion in the previous year. Robust activity in the accommodation and food service activities and construction sectors underpinned the recovery and impacted favourably other related sectors.

Figure 1: Real GDP Growth Rates



Source: ECCB

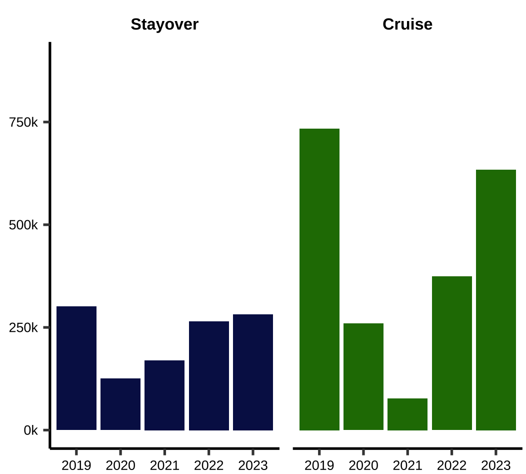
[1] Photo Credit: Antigua and Barbuda Tourism Authority

[2] Formerly, the Hotels and Restaurants sector

Value added in the accommodation and food service activities sector[2] which contributed about 14.6 per cent of GDP expanded by 10.0 per cent compared with 59.4 per cent growth in the previous year. Performance of the sector was attributable to robust increases in all of the major visitor categories; stay-overs, cruise and yacht passengers (Figure 2).

The stayover category recorded increases in most of the major markets. Stayover visitors rose by 6.3 per cent to 281,896 in 2023, compared with a more robust 26.4 per cent expansion last year. The most significant increases were observed for Canada (63.4 per cent), the Caribbean (28.5 per cent) followed by the United States of America (5.9 per cent). The United States of America represents the largest source market accounting for over 48.7 per cent of total stayovers, and that segment of the market has returned to pre-pandemic levels of visitors. In contrast, tourist arrivals from the European market declined by 11.2 per cent. This performance reflected lower visitor arrivals from the United Kingdom (14.6 per cent).

Figure 2: Visitor Arrivals in Selected Categories



Source: ECCB

The number of cruise passengers rose by 69.6 per cent to 633,897 compared with 373,713 in 2022 and visitors by yacht increased by 36.0 per cent to 14,887, after almost doubling in the previous year. Developments generally reflected the effects of pent up visitor demand post-pandemic and marketing initiatives which contributed to total visitors of 930,680 in 2023, compared with 649,780 in 2022.

Meanwhile, construction another major contributor to GDP (14.6 per cent), expanded by 10.0 per cent, compared with a 5.3 per cent increase in 2022. The uptick in activity reflected sustained private sector developments, such as, the Peace Love and Happiness luxury resort (PLH) development on Barbuda, the Royalton Chic and the Jolly Beach Resort refurbishment projects on Antigua. Public sector construction, albeit lower than the same period in 2022, was buoyed by road and residential construction.

Developments in the accommodation and construction sectors resulted in positive spill-offs which favourably impacted a number of ancillary sectors of which increases in transport and storage (15.6 per cent); wholesale and retail trade; repair of motor vehicles and motorcycles (1.4 per cent) and financial and insurance services[3] (6.1 per cent). Value added in the public administration and defence compulsory social security sector grew by 1.7 per cent, below the 6.2 per cent expansion recorded in 2022. Meanwhile, value added in the manufacturing sector is estimated to have increased by 0.1 per cent partly reversing a 1.3 per cent reduction in 2022.

Consumer Prices

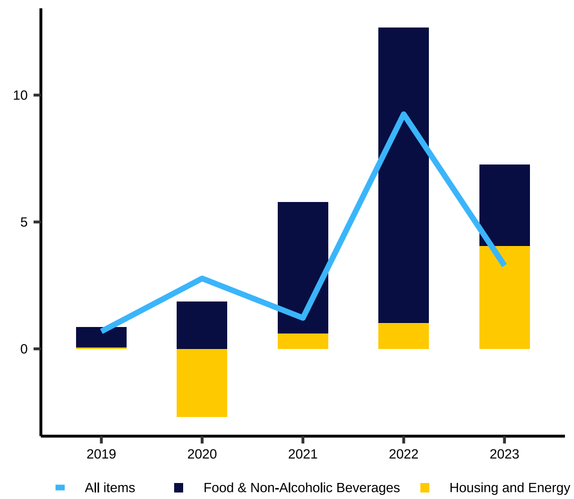
Consumer prices moderated relative to the previous period when inflationary pressures peaked. The consumer price index rose, albeit more slowly, by 3.3 per cent in 2023 on an end of period basis, compared to an increase of 9.3 per cent at the end of the previous year[4]. Factors contributing to slower rate of inflation includes; a decline in the price for transport (8.5 per cent) coupled with more gradual price increases

[3]Formerly financial intermediation
[4]The CPI was rebased in January 2019

for other sub-indices.

Figure 3: Selected Categories of Inflation

year-on-year, % change



Source: ECCB

Slower increases were recorded for food and non-alcoholic beverages (3.2 per cent) clothing and footware (7.3 per cent); health (7.3 per cent); restaurants and hotels (8.9 per cent) and furnishing, household equipment and routine household maintenance (3.2 per cent. The increase in the miscellaneous goods and services sub index also slowed to 5.3 per cent. More moderate increases in the CPI, however, were tempered by accelerated price increases for communication (17.1 per cent); housing, water, electricity, gas, and other fuels (4.1 per cent) and alcohol beverages, tobacco and narcotics (3.9 per cent) which represented about 38.8 per cent of the goods basket.

Government Operations

Central government's fiscal operations yielded a narrower overall deficit of $94.1m, (1.7 per cent of GDP), compared with one of $170.9m (equivalent to 3.4 per cent of GDP) in 2022. This narrowing was on account of lower capital and current expenditure coupled with higher inflows of tax revenue. The stronger fiscal position resulted in a primary surplus of $36.5m (0.7 per cent of GDP) from a deficit of $48.8m (1.0 per cent of GDP) in 2022. A lower current account deficit of $3.1m (0.1 per cent of GDP) was also recorded compared to one of $44.9m (0.9 per cent of GDP).

A decrease in capital expenditure (27.4 per cent) to $96.0m, largely contributed to the improvement in the overall balance.

Table 1: Central Government Fiscal Operations (EC$M)

Indicators	2019	2020	2021	2022	2023
Current Revenue	846.0	749.4	785.2	906.2	**923.9**
Tax Revenue	672.2	609.9	666.6	752.1	**810.7**
Non-Tax Revenue	173.8	139.5	118.6	154.1	**113.1**
Current Expenditure	933.5	883.0	901.3	951.1	**927.0**
Current Account Balance (after Grants)	-87.5	-133.6	-116.1	-44.9	**-3.1**
Capital Revenue	3.1	5.3	2.0	6.3	**5.0**
Grants	0.0	30.0	28.9	0.0	**0.0**
Capital Expenditure and Net Lending	87.2	106.7	98.4	132.3	**96.0**
Primary Balance (after Grants)	-56.0	-140.5	-114.0	-48.8	**36.5**
Overall Balance (after Grants)	-171.5	-204.9	-183.6	-170.9	**-94.1**
Financing	171.5	204.9	183.6	170.9	**94.1**

Note:

Sources: ECCB and National Statistics Office

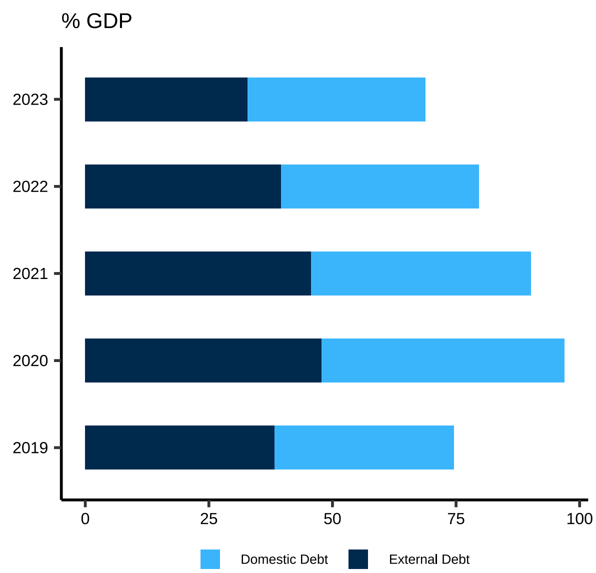
Additionally, current expenditure decreased by 2.5 per cent to $927.0m (16.9 per cent of GDP) in contrast to a 5.5 per cent increase in 2022, attributable to declines in personal emoluments and goods and services of 5.4 per cent and 5.8 per cent respectively. The decline in the outlays of current expenditures was moderated by higher interest payments (6.9 per cent).

Conversely, current revenue rose by 2.0 per cent ($17.6m) to $923.9m, driven by increases in all of the major tax categories exception of property tax, which declined by 31.1 per cent during the period. Notable increases were observed in taxes on income profit and capital gains (52.8 per cent) and goods and services (5.4 per cent). Revenue inflows were tempered by lower collections of non-tax revenue receipts (primarily services and fees) which fell by 26.6 per cent after recovering (29.9 per cent) the previous year. Citizenship by investment (CBI) receipts, decreased by 1.5 per cent to $66.9m.

Debt

As a percent of GDP, public sector debt declined by 7.7 percentage points to 71.8 per cent ($3.942.4m) from 79.6 per cent of GDP ($4,010.3m) at the end December 2022. The decline in the debt was attributable to a 5.9 per cent ($117.1m) reduction in the stock of external debt, primarily that of the central government. The decline was mitigated by an increase in the stock of domestic debt, also attributable to the activities of the central government.

Figure 4: Outstanding Public Sector Debt



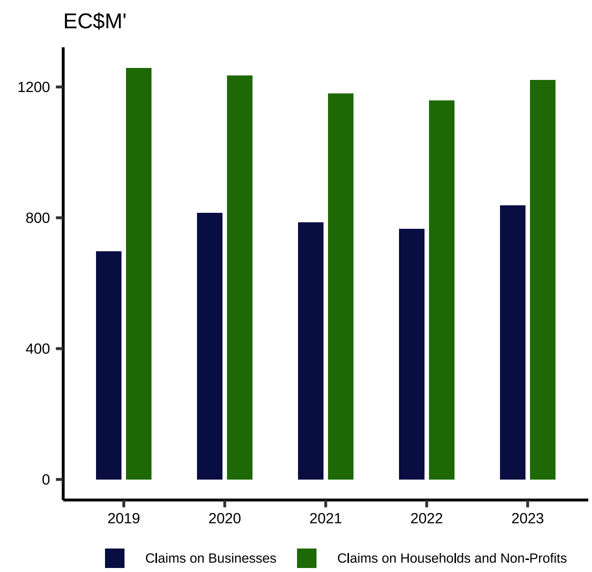
Source: ECCB

Banking Developments

Provisional data indicate a recovery in banking sector credit in 2023, reversing a decline in lending to the private sector and to statutory and public non-financial corporations last year. Domestic claims (credit) expanded by 5.8 per cent in 2023 to $2,786.4m, in contrast to a 1.4 per cent decrease in 2022. The recovery in credit outstanding was fueled largely by an increase in claims to the private sector (7.0 per cent), to $2,058.6m which accounts for 73.9 per cent of total domestic claims. The development was attributable to rebounds in claims to households and businesses of 5.5 per cent and 9.4 per cent respectively.

Additionally, claims to statutory and public non-financial organisations rose by 43.1 per cent to $203.3m, after contracting (14.3 per cent) during the corresponding period of 2022. These developments generally point to improving credit worthiness and a more optimistic economic outlook. Net claims on the government fell by 7.5 per cent on account of declining credit (6.0 per cent) relative to unchanged liabilities (deposits).

Figure 5: Claims (Credit) on Selected Sectors



Source: ECCB

Liquidity in the banking system remained at acceptable levels at the end of December 2023. The ratio of net liquid assets to total deposits fell slightly to 46.4 per cent, compared with one of 47.7 at the end of the previous year, however the ratio was well above the 20.0 per cent prudential minimum as recommended by the ECCB. An improvement in asset quality was also indicated by the reduction in the ratio of non-performing loans (NPL) to gross loans to from fell to 6.1 per cent, from 6.9 per cent in 2023, 1.9 percentage points above ECCB's 5.0 per cent benchmark.

External Trade

A slightly wider merchandise trade deficit of $2,195.2m (40.0 per cent of GDP), from one of

$2,155.5m (42.7 per cent of GDP) recorded in 2022, was driven by an increase in the value of imports relative to that of exports. The value of import payments rose by 2.8 per cent ($63.0m), while the value of goods exported was 39.4 per cent ($23.3m) higher. Of total exports, the majority (84.2 per cent) represented re-exports of petroleum and machinery. Increases in the value of imported goods mainly reflected an increase in machinery imports used in construction, higher food prices and manufactured goods imports associated with the economic recovery. A decrease in the value of imports of fuel related products (9.4 per cent) tempered the overall increase in the value of imports.

Barring any disruption to the global economic recovery caused be a rapid escalation in geo-political tensions, the economy of Antigua and Barbuda is expected to expand by a further 8.2 per cent in 2024.

Outlook

Barring any disruption to the global economic recovery caused by a rapid escalation in geo-political tensions, the economy of Antigua and Barbuda is expected to expand by a further 4.8 per cent in 2024. Antigua and Barbuda is well placed to be positively impacted by the surge in international travel, and this is expected to continue in the medium term, supplemented by sustained inflows of foreign direct investment (FDI) which will fuel construction activity. The outlook is not without risks, however, and they include inter-alia:

- On the upside, the destination continues to benefit from pent-up travel demand, and marketing efforts to promote the destination coupled with efforts to restore airlift to pre-pandemic levels will gradually bear fruit.
- Recent initiatives to increase the number and quality of tourism offerings will likely position the country to benefit further from the recent surge in demand for tourism services.
- Consequently, strong inflows of construction related FDI should ensure that construction activity remains buoyant which will create positive externalities through stability in the labour market as jobs continue to be created in the sector.
- The improvement in real sector activity has favourably impacted government's fiscal operations. Combined with a diminished need to maintain pandemic related social transfers, an improvement in revenue collections could generate sizable primary and current account surpluses.
- On the downside, the failure of stayover visitors to surpass pre-pandemic levels by the end of 2023 as was originally forecasted, speaks to the return of cyclicality in tourism demand. This however, may require more modest visitor forecasts going forward.
- Geo-political tensions continue to mount, headlined by the Russia/Ukraine conflict, the Israel/Hamas war in Gaza and the US/UK offensive against the attack on shipping by the Houthi rebels.
- Inflationary pressures associated with shipping disruptions and increases in borrowing costs related to monetary tightening by central banks globally.
- Recent fiscal announcements to increase the Value Added Tax and tax on Foreign Exchange will alleviate some of the immediate fiscal imbalances, however more comprehensive fiscal reforms will be needed in the long term.
- The persistent threat of climate change and climate related catastrophes namely hurricanes, floods and drought all of which Antigua and Barbuda has experienced recently.

Selected Economic Indicators

Item	2019	2020	2021	2022	2023
National Income and Prices (Annual % change)					
Nominal Gross Domestic Product (GDP) at Market Prices	3.8	-18.2	13.5	16.6	8.9
Real GDP at Market Prices	3.1	-18.9	8.2	9.5	3.9
Consumer Prices (end of period)	0.7	2.8	1.2	9.2	3.3
Consumer Prices (period average)	1.4	1.1	1.6	7.5	5.1
Real Gross Value Added (GVA) at basic prices (%)					
Agriculture, Livestock and Forestry	0.7	1.6	0.6	3.4	3.7
Manufacturing	1.5	-24.0	5.0	-1.3	0.1
Construction	1.4	-23.4	16.5	5.3	4.3
Wholesale and Retail Trade	2.8	-18.2	8.7	13.1	1.4
Hotels and Restaurants	11.2	-56.9	34.1	59.4	10.0
Transport, Storage and Communications	14.7	-44.9	26.7	18.9	15.6
Financial Intermediation	0.6	-1.9	2.0	-3.3	6.1
Real Estate, Renting and Business Activities	2.0	-8.7	8.1	2.5	0.3
Public Administration, Defence & Compulsory Social Security	5.7	-5.0	1.4	6.2	1.7
Total Public Sector Debt (% GDP)					
Total Public Sector Debt	74.6	96.9	90.1	79.6	71.8
Public Sector External Debt (end-of-period)	38.3	47.8	45.7	39.6	34.2
Central Government Finances (in XCD millions)					
Current Account Balance	-87.5	-133.6	-116.1	-44.9	-3.1
Current Revenue	846.0	749.4	785.2	906.2	923.9
Current Expenditure	933.5	883.0	901.3	951.1	927.0
Capital Expenditure and Net Lending	87.2	106.7	98.4	132.3	96.0
Overall Fiscal Balance	-171.5	-204.9	-183.6	-170.9	-94.1
Monetary Sector (% p.a.)					
Weighted Deposit Interest Rates	1.5	1.5	1.4	1.4	1.2
Weighted Lending Interest Rates	8.5	7.6	7.5	7.5	4.7
Non-Performing Loans Ratio (%)	5.3	7.4	7.8	6.9	6.1
Memorandum items (in XCD millions, unless otherwise stated)					
Nominal GDP at Market Prices	4,658.4	3,809.1	4,323.7	5,042.9	5,489.3
Real GDP at Market Prices	4,625.2	3,752.0	4,059.3	4,445.6	4,617.3
GDP per capita (EC$)	43,934.2	35,424.4	39,529.8	44,965.1	47,820.9
Merchandise Imports (f.o.b)	1,892.4	1,344.9	1,607.9	2,214.5	2,277.5
Merchandise Exports	101.7	59.9	51.7	59.1	82.3
Gross Visitor Expenditure	2,095.5	945.2	1,318.4	1,877.1	1,951.7
Net Foreign Assets	1,759.5	1,587.8	2,230.6	2,363.1	2,370.6
Domestic Credit	2,563.9	2,621.2	2,670.2	2,633.5	2,786.4
Money Supply (M2)	3,861.7	3,525.0	4,013.7	4,198.2	4,390.1
Currency in Circulation	264.0	272.9	297.6	309.2	330.8

Note:

Data as at 23 February 2024

[1] Sources: Central Statistics Office and Eastern Caribbean Central Bank (ECCB)

[a] GDP rebased to the year 2018

2023

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