

# ANGUILLA

## **ECONOMIC AND FINANCIAL REVIEW**

*June 2024*

**Eastern Caribbean Central Bank**



JUNE 2024

# ECONOMIC AND FINANCIAL REVIEW

# ANGUILLA

EASTERN CARIBBEAN CENTRAL BANK





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# Anguilla

## Economic and Financial Review - June 2024

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Total arrivals **increased by 22.8 per cent** to **109,745** in H1-2024, surpassing the previous five-year (2019-2023) average (**54,918**).



Consumer price index **rose marginally by 0.5 per cent** as at June 2024 relative to 5.4 per cent in June 2023.



Public sector aggregate debt stock **declined by 9.9 per cent** to **\$352.7m** relative to \$391.4m in 2023.



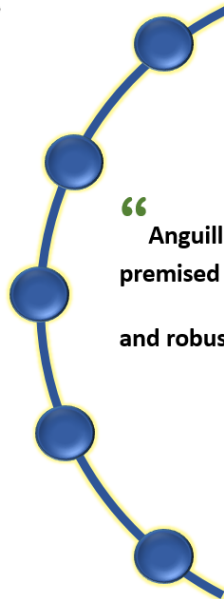
Operations of the central government resulted in an **overall surplus** (after grants) of **\$102.1 m** in the first half of 2024.



Commercial banks asset quality improved as non-performing loans (NPL) ratio **stood at 13.3 per cent** in June 2024.



The estimated merchandise trade deficit **contracted by 4.7 per cent** to **\$323.3m** over the first six months of 2024, following a 7.6 per cent expansion in 2023.



“  
**Anguilla’s economy is forecasted to forge strongly ahead premised on a surge in tourism, high levels of construction and robust fiscal performance.**  
 ”

## Overview<sup>1</sup>

- Driven by construction and tourism, the economy of Anguilla expanded over the review period, January to June 2024.
- The fiscal performance of the government improved over the half year, as reflected in a larger overall surplus.
- The economy is expected to continue on an upward trajectory in the second half of 2024 as the country stages its 50th summer festival, which is anticipated to have a significant impact on tourism and other auxiliary industries.

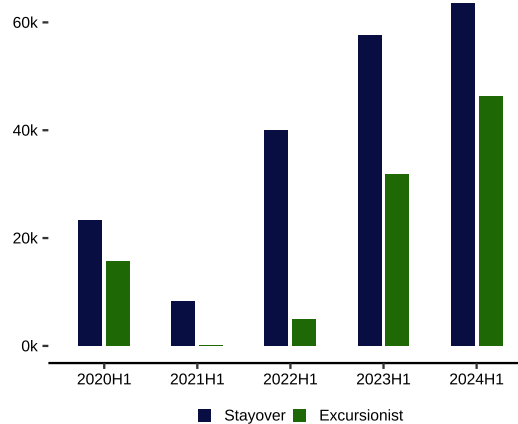
## The Economy (Real Sector)

**Economic activity in Anguilla was buoyant in the first half of the year on account of developments in the tourism and construction industries.** Improved activity in these industries is expected to have positively affected ancillary sectors such as wholesale and retail trade; transport, storage and distribution; and renting and business activity.

**Total arrivals increased in the first half of the year, exceeding the average number of arrivals seen over the past five years (2019H1-2023H1) of 54,918.** Total arrivals increased by 22.8 per cent moving from 89,350 in 2023 to 109,745 in 2024, surpassing the pre-COVID January to June levels (Figure 1). Among the major markets, stayover arrivals came predominantly from the United States of America (73.9 per cent), Europe (9.9 per cent) and the Caribbean (7.4 per cent).

Following a similar trend, the number of excursionists climbed to 46,204, a significant increase from the 31,856 recorded one year earlier. This figure also surpassed the average number of excursionists over the past five years.

**Figure 1: Visitor Arrivals in Selected Categories**



Substantial projects were undertaken, resulting in a notable uptick in construction activity. Despite a decline in the value of imported construction materials, capital expenditure experienced substantial growth. Several investment projects were undertaken over the review period, including the redevelopment of the Landsome Bowl Cultural Center and the Clayton J Lloyd Customs Cargo Facility and Airport. Concurrently, private sector construction initiatives, such as the Ani Villas resort, and Altamer Marina projects progressed steadily.

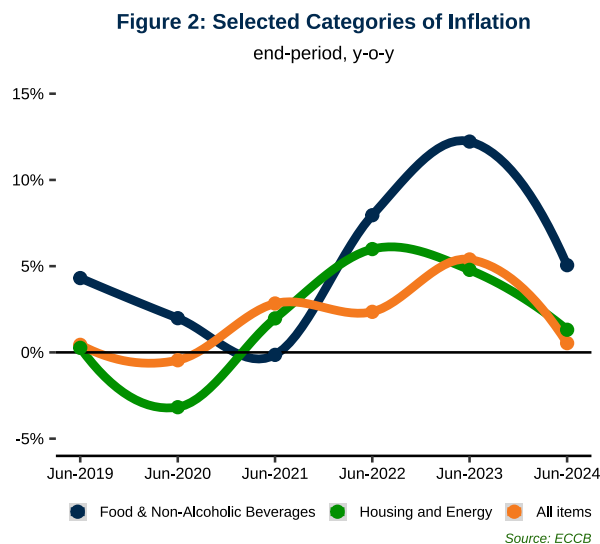
## Consumer Prices

**Domestically, the inflation rate stood at 0.5 per cent as at June 2024 relative to 5.4 per cent in June 2023.** This movement was in line with global expectations for a deceleration in prices in 2024 compared to 2023.

The overall consumer price index for June 2024 moved upward to 119.5 from 118.9 in June 2023. Major sub-categories accounting for this movement are ‘Housing, Utilities, Gas and Fuels (1.3 per cent) and Food and Non-Alcoholic Beverages (5.1 per cent) (Figure 2). One sub-category, which curbed this increase, was Transport where prices declined by 16.8 per cent on average.

<sup>1</sup>Photo Credit: PlanetWare

This may be attributed to a reduction in fuel prices and the average price of transport services throughout the half year.



## Government Operations

The government’s fiscal position strengthened as current revenue surpassed expenditure, resulting in the largest surplus in the last five (5) comparable periods (June 2019 to June 2023). In line with an expanding economy, the operations of the central government resulted in an overall surplus of \$102.1m in the first half of 2024. This surplus represented a 3.2 per cent improvement over the previous year’s surplus of \$98.9m (Table 1).

Current revenue earnings increased by 18.0 per cent (\$37.7m) to \$247.3m, up from \$209.6m in the comparable 2023 period. This growth was attributable to expansions in both tax (11.2 per cent) and non-tax (38.6 per cent) revenue.

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

Item	2020H1	2021H1	2022H1	2023H1	2024H1
Current Revenue	99.9	123.4	166.1	209.6	247.3
Tax Revenue	84.5	97.4	137.6	157.6	175.3
Non-Tax Revenue	15.4	26.0	28.5	52.0	72.0
Current Expenditure	98.7	102.4	103.4	107.0	125.3
Current Account Balance (after Grants)	1.2	37.2	62.7	102.6	122.1
Capital Revenue	0.9	0.0	0.0	1.3	5.2
Grants	0.0	16.2	0.0	0.0	0.0
Capital Expenditure and Net Lending	3.3	1.2	0.3	5.0	25.2
Primary Balance (after Grants)	7.8	43.1	68.8	106.4	109.1
Overall Balance (after Grants)	-1.1	36.0	62.4	98.9	102.1

\* Sources: ECCB and National Statistics Office

Tax revenue accounted for 70.9 per cent of current revenue collections. Taxes on goods and services, specifically the goods and services tax (GST), was the primary contributor. Lower receipts on property taxes, which fell by 33.2 per cent, curbed the increase in tax revenue.

Non-tax revenue rose by 38.6 per cent to \$72.0m from \$52.0m in the previous year, accounting for 29.1 per cent of current revenue. The sale of the “.ai” domain name is mainly responsible for this improvement (see Box 1).

Current expenditure rose by 17.1 per cent to \$125.3m (Figure 3) driven by a 45.9 per cent rise in payments for Goods and Services to \$32.6m. This increase in current expenditure was moderated by lower outflows for interest payments and transfers and subsidies.

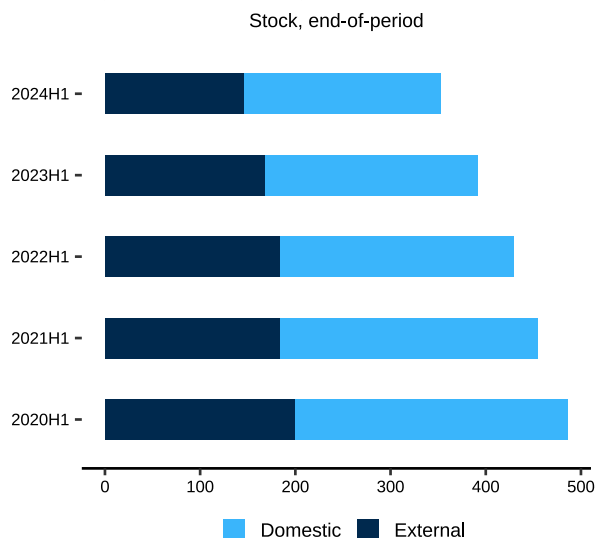
On the capital side, capital expenditure grew to \$25.2m in 2024, up from \$5.0m one year earlier. This stemmed from investments in several capital projects, including the redevelopment of the Clayton J Lloyd International Airport and other public sector projects previously mentioned.

## Debt

**Public sector debt continued to decline steadily during the period.** The aggregate debt stock as at June 2024 fell by 9.9 per cent (\$38.7m) to \$352.7m rel-

ative to \$391.4m at the end of June 2023. Both central government and public corporation debt reduced over the review period, given regular debt amortization, no new borrowing and good fiscal management.

**Figure 3: Outstanding Public Sector Debt (EC\$m)**



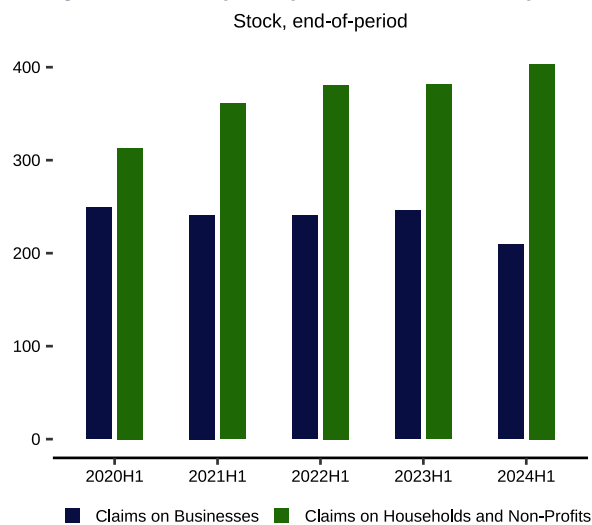
Source: ECCB

## Banking Developments

Within the banking sector, net domestic claims (credit) contracted further in the first half of 2024 by 28.3 per cent (\$108.9m) to \$275.3m, following a decline of 23.6 per cent in the comparable 2023 period (Figure 4). This development was influenced by an increase in the net deposit position of the central government, which rose by 38.4 per cent (\$94.5m); consistent with the governments’ thrust to build reserves while achieving economic resilience.

There were contractions in both public and private credit. Private sector claims decreased marginally by 2.3 per cent to \$612.9m led by a 14.8 per cent decline in business credit. Alternatively, claims on households rose by 5.7 per cent over the review period.

**Figure 4: Claims (Credit) on Selected Sectors (EC\$m)**



Source: ECCB

Broad money liabilities in the domestic economy expanded by 6.9 per cent to \$1,323.1m over the year ended June 2024, up from the 2.2 per cent (\$27.1m) expansion in the prior year. This expansion was fueled by increases in both narrow money (\$17.4m) and quasi money (\$67.6m). Foreign currency deposits constituted the primary driver of quasi-money growth, expanding by 6.0 per cent (\$54.1m) over the period.

Commercial banks asset quality improved in the first half of 2024 as the non-performing loans (NPL) ratio narrowed by 6.7 percentage points to 13.3 per cent compared to 20.0 per cent over the same period in 2023, but still considerably above the ECCB benchmark of 5.0 per cent.

On the other hand, the ratio of liquid assets to short-term liabilities contracted slightly by 2.4 percentage points to 61.7 per cent relative to 64.1 per cent one year prior.

## External Trade

**The estimated merchandise trade deficit contracted by 4.7 per cent (\$16.0m) to \$323.3m over the first six months of 2024, subsequent to a 7.6 per cent (\$24.1m) expansion in 2023.** Imports decreased by 4.7 per cent to \$333.3m compared with





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growth of 4.5 per cent in the previous year. Total exports contracted by 3.9 per cent (\$0.4m) to \$10.0m, down from \$10.4m in the comparable period.

Visitor expenditure rose by 7.8 per cent, recorded at \$278.5m for January to June 2024 compared to the similar period in 2023.

## Outlook

**Anguilla’s economy is forecasted to forge strongly ahead throughout second half of 2024.**

This forecast is premised mainly on the following:

- Growth in tourism activity driven by the hosting of 50th summer festival as well as other events

such as the Caribbean Meetings and Incentive Travel Exchange (CMITE).

- Buoyant construction activity as a number of capital projects continue.
- Improvement in the fiscal performance due to increased revenue from the main tax and non-tax revenue streams.

On the downside, Anguilla faces several risks, which include:

- The impact of global economic developments that may negatively affect tourism demand.
- Threats of natural disasters that can be devastating to the domestic economy.

### Box 1: Policy Response to Anguilla’s .AI Spark

This overview is a summary of a brief which analyzed how the AI phenomenon has influenced the economy of Anguilla beyond the IT sector.<sup>a</sup>

The Government of Anguilla has maintained the .ai domain name since February 1995. Sale of the domain name gathered momentum in 2016, achieving double-digit income in 2019. Subsequent to the launch of CHATGPT in 2023, the sale of the domain name has spiked, creating an unexpected stream of revenue. Domain revenue earned was \$86.8m – tripling the estimate for this revenue source. This stream accounted for 6.0 per cent of the estimated nominal GDP (\$1,445.4 million) and 21.8 per cent of total revenue and grants for the fiscal year 2023 (ECCB Estimates as at 31 Dec 2023). It is expected that this revenue stream will continue to expand in the medium term and become a stable source of revenue in the long term due to burgeoning demand for the “.ai” domain.

Anguilla sees this additional revenue as a positive development, especially considering its need to maintain responsible borrowing levels and its economic dependence on tourism. These constraints necessitated a diversification of revenue streams and the prudent use of funds. Strategic planning is crucial to ensure that the anticipated revenue increase is allocated effectively. Without proper planning, there is a risk of misallocating funds. Consequently, the policy brief explored four strategies that can be employed to ensure efficient use of this new stream of income and capitalize on the popularity of the domain name to promote Anguilla. These included, inter alia, earmarking a portion of the revenue for specific projects and the establishment of a sovereign wealth fund.

<sup>a</sup>ECCB unpublished manuscript, December 2023

## Selected Economic Indicators

Item	2020H1	2021H1	2022H1	2023H1	2024H1
<b>Banking and Monetary</b>					
Net Foreign Assets (EC\$M)	644.8	628.9	724.4	965.3	1,198.8
Domestic Credit (EC\$M)	510.7	526.9	502.7	384.2	275.3
M2 (EC\$M)	1,056.7	1,079.1	1,211.0	1,238.1	1,323.1
Currency in Circulation (EC\$M)	33.4	33.7	33.0	44.5	55.0
Liquid assets to total assets	50.5	48.8	49.5	57.0	47.0
Liquid assets to short-term liabilities	58.1	54.1	54.4	64.1	61.7
Customer deposits to total (noninterbank) loans	187.5	183.2	215.5	232.3	209.3
Weighted Average Deposit Rate (%)	2.5	2.4	2.0	2.2	1.8
Weighted Average Lending Rate (%)	9.2	8.6	7.5	8.3	7.7
Interest Rate Spread (%)	6.7	6.1	5.5	6.1	5.9
Non-Performing Loans to Total Loans (%)	26.1	24.2	22.3	20.0	13.3
<b>Real Sector and Prices</b>					
Inflation Rate (year-on-year)(end-June) (%)	-0.5	2.8	2.4	5.4	0.5
Inflation Rate (half-year) (%)	-1.3	2.5	2.8	-1.7	-0.6
Total Visitor Arrivals	38,922	8,333	44,783	89,350	109,745
Total Visitor Expenditure (EC\$M)	107.8	45.9	188.3	258.3	278.5
<b>Government Finances</b>					
Current Revenue (EC\$M)	99.9	123.4	166.1	209.6	247.3
Current Expenditure (EC\$M)	98.7	102.4	103.4	107.0	125.3
Current Balance (EC\$M)	1.2	37.2	62.7	102.6	122.1
Primary Balance (EC\$M)	7.8	43.1	68.8	106.4	109.1
Overall Balance (EC\$M)	-1.1	36.0	62.4	98.9	102.1
Total Public Sector Debt (EC\$M)	486.2	454.0	429.7	391.4	352.7
Data as at August 2024					



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