ANGUILLA

ANNUAL ECONOMIC AND FINANCIAL REVIEW

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EASTERN CARIBBEAN CENTRAL BANK

DECEMBER 2024

ECONOMIC AND FINANCIAL REVIEW

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EASTERN CARIBBEAN CENTRAL BANK

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The analysis in this report uses data available as at September 2024 to estimate 2024 full-year figures. For the most recent updates and detailed statistics, please refer to the Statistics page on the ECCB's website.

Anguilla

Economic and Financial Review - December 2024

Eastern Caribbean Central Bank

Contents

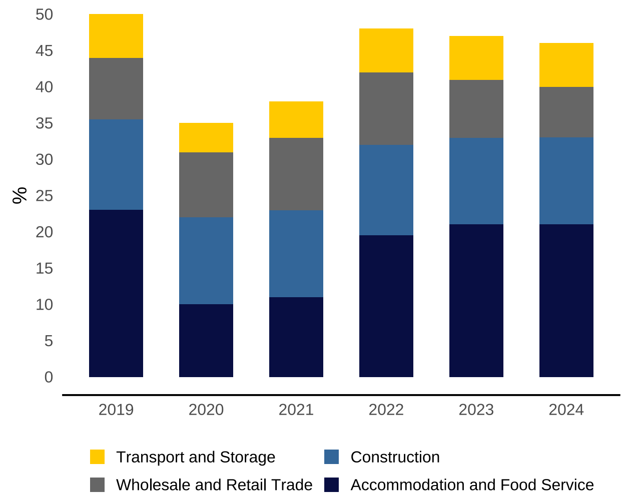
Overview

- Anguilla's economy saw a significant increase in growth during 2024,[1] exceeding its performance from before the pandemic.Key economic drivers (tourism and construction) performed strongly but remained vulnerable to disasters and external shocks.
- A combination of increased economic activity, improved tax revenue collection, and strong performance of .ai domain sales led to the positive fiscal outcomes
- Improved fiscal outcomes allowed for greater public investment while still maintaining a significant primary balance surplus and decreasing debt levels. Additionally, the government met two of its three borrowing ratio targets and is on track to meet the third.[2]
- Money supply and domestic credit increased in line with economic activity. Net deposits of the government contracted due to higher capital expenditure over the review period.
- In the external sector, the current account surplus narrowed. This was primarily driven by an increase in imports, partly associated with higher capital expenditure.

Recent Economic Developments

Anguilla has maintained a strong overall economic performance with improved growth and fiscal performance consistent with fiscal targets. As of 2023, the government received a windfall from the sale of its domain name - .ai. Demand for this domain name has surged, following the launch of ChatGPT, resulting in a new and stable revenue source for the government.

Figure 1: Key Economic Sectors Contributing to Anguilla's Economy



Sources: Central Statistics Office, Anguilla and ECCB

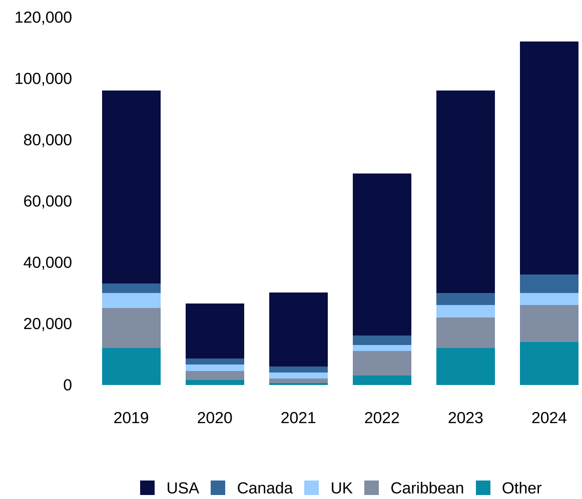
Real Sector Developments

Anguilla's economy grew by a modest 3.7 per cent in 2024, marking an improvement over the 1.4 per cent growth recorded in 2023. This expansion also enabled the economy to surpass its 2019 pre-pandemic level. Growth in tourism-related sectors fueled this increase in economic activity. Specifically, the accommodation and food service subsector, sustained activity in wholesale and retail trade and the construction sector (Figure 1). With higher tourism numbers also came increased demand for road transport and rental services.

[1] The data presented for 2024 in this report reflect estimates based on data available through September 2024. Readers should note that these figures are subject to change as more complete data becomes available. Updated data for 2024 may be accessed via the statistics page on our website, and readers are encouraged to refer to this resource for the latest information.

[2] The three (3) borrowing ratios agreed to in the Framework for Fiscal Sustainability and Development (FSSD) include: (i) Net debt not to exceed 80.0 per cent of recurrent revenue; (ii) Debt service not to exceed 10.0 per cent of recurrent revenue; and (iii) Liquid Assets should be sufficient to cover at least 25.0 per cent or 90 days of recurrent expenditure.

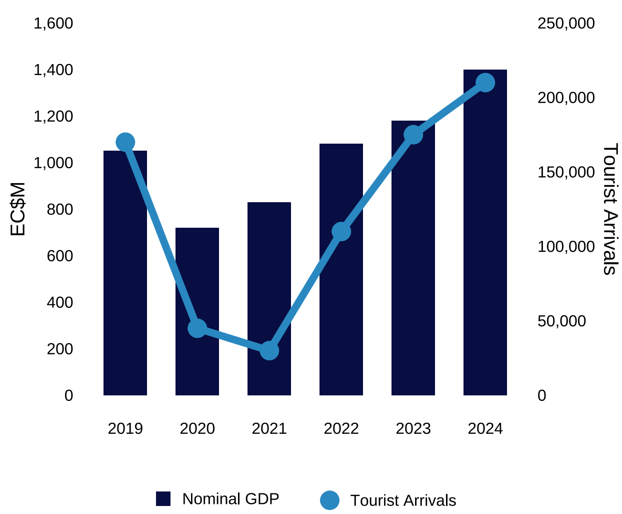
Figure 2: Stayover Visitors Market Share 2019-2024



Sources: Central Statistics Office, Anguilla and ECCB

The strong performance of the tourism sector was underpinned by improved visitor arrivals. In 2024, total visitor arrivals are estimated to have increased by 31.0 per cent. Notably, the first quarter realised the highest number of visitors to Anguilla in over two (2) decades.

Figure 3: GDP and Tourist Arrivals Cycle 2019-2024



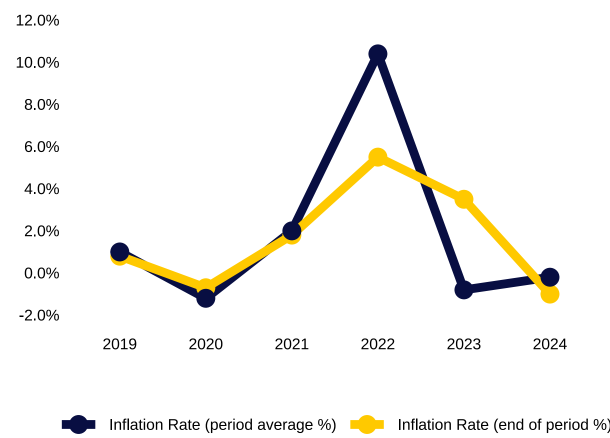
Sources: Central Statistics Office, Anguilla and ECCB

This growth was driven by increased marketing efforts to promote the destination in anticipation of hosting the 50th Summer Festival and the Caribbean-Mexico Incentive Travel Exchange in July and August 2024, respectively. Stay over arrivals are estimated to have increased by 14,722 passengers, to 110,666 in 2024 up from 95,944 passengers in 2023, primarily driven by visitor arrivals from the United States of America (Figure 2).

Strong tourist arrivals significantly bolstered the overall economic performance. Figure 3 highlights this correlation. Significant contractions in both visitor arrivals and economic activity during the COVID-19 pandemic. followed by a robust recovery in subsequent years, continue to highlight the inherent vulnerability of this sector to shocks.

Anguilla's expansive Public Sector Investment Programme (PSIP) for 2024 supported sustained activity in the construction sector, which accounted for 8.2 per cent of GDP in 2024 (Figure 1). Key infrastructural projects undertaken included the redevelopment of the airport, improvements in road networks, school buildings, and sports and cultural facilities.

Figure 4: Trends in Inflation 2019-2024



Sources: Central Statistics Office, Anguilla and ECCB

Inflation remained contained in 2024. As an open economy, Anguilla imports inflation from its trading partners. Slowing global inflation, resulting from falling energy prices, was consequently reflected in local inflation (Figure 4). As of December 2024,3 the inflation

[3] ECCB estimates

rate is estimated at -0.3 per cent[3] (end of period) relative to -0.6 as at December 2023.

Fiscal Developments

Strong economic growth in 2024 led to a notable increase in government revenue, which yielded a fiscal surplus. In 2024, Anguilla registered a fiscal surplus of $96.6m or 7.3 per cent of GDP. Current revenue grew by 17.1 per cent to $464.8 m (35.1 per cent of GDP), up from $396.8m (34.2 per cent of GDP) in the previous year. Although both tax ($40.2m) and non-tax revenue ($27.8m) increased, tax revenue accounted for 68.2 per cent of the growth in current revenue. Improved taxes on goods and services receipts, specifically from the Good and Services Tax (GST), drove this increase, accounting for 73.3 per cent of tax revenue.

Table 1: Central Government Fiscal Operations

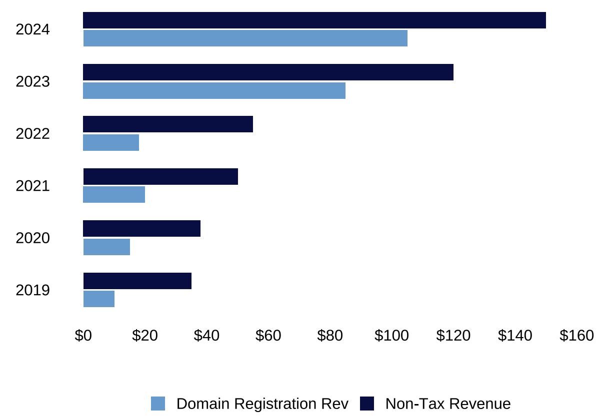
as per cent GDP unless otherwise stated

Indicator	2019	2020	2021	2022	2023	2024
Current Revenue	22.9	27.3	30.6	32.3	34.2	35.1
of which AI Domain Sales	1.3	1.3	1.7	1.6	6.2	7.1
Current Expenditure	20.7	32.0	25.7	21.2	20.6	21.6
Capital Expenditure	1.0	1.2	0.5	0.1	1.8	6.5
Primary Balance	4.7	3.9	8.3	12.3	13.2	8.3
Overall Balance	2.9	1.5	6.7	11.0	12.0	7.3
Financing	-29.3	-10.4	-55.0	-117.5	-139.1	-96.6
Domestic	-20.2	0.3	-38.0	-99.3	-119.3	-75.5
External	-9.1	-10.8	-17.0	-18.2	-19.8	-21.1
Total Public Sector Debt ($ECM)	493.2	476.5	448.0	409.9	371.0	332.1
Total Public Sector Debt to GDP	48.1	67.5	54.4	38.3	32.0	25.1

Sources: Ministry of Finance and ECCB

Similarly, non-tax revenue rose to $148.0m(11.2 per cent of GDP) from $120.2m (10.4 per cent of GDP) in 2023 as .ai domain sales exceeded budgeted estimates (Table 1). Domain sales revenue capped off at $104.3m as at the end of 2024, $40.0m over the estimated receipts. This windfall has become a strong source of income for the government of Anguilla accounting for 70.5 per cent of non-tax revenue and 7.1 per cent of GDP (Figure 5). Additionally, revenue from the water department, after its reintegration into the government accounts, contributed $20.0m.

Figure 5: Trends in Domain Registration and Non-Tax Revenue



Sources: Ministry of Finance, Anguilla and ECCB

Total expenditure expanded by 43.8 per cent from $295.7m(22.4 per cent of GDP) in fiscal year 2023 to $373.4m in 2024 (28.2 per cent of GDP). In April 2024, the Health Authority and Water Corporation were reintegrated into the government. This initiative resulted in a decline in transfers and subsidies but an increase in other expenditure to include personal emoluments. Additionally, capital expenditure more than quadrupled in 2024 to $86.6m (6.5 per cent of GDP) due to higher levels of investment. Project financing came from reserves, support from the UK as well as other investors.

Recurring fiscal surpluses have allowed for a decrease in the debt level. Overall debt stock stood at $332.1m (25.1 per cent of GDP) as at December 2024, a 10.5 per cent decline over the $371.0m (32.0 per cent of GDP) December 2023 debt stock. A reduction in both domestic debt ($16.6m) and external debt ($22.3m) contributed to the decline.

The Monetary Council has set a target of 60.0 per cent debt-to-GDP ratio for its member countries, with a goal of achieving this by 2035. Having met the 60.0 per cent debt-to-GDP anchor in 2021, Anguilla's debt situation continued to improve. The public sector debt-to-GDP ratio was 32.0 per cent in 2023 and was estimated at 25.1 per cent as of December 2024 (Table 1).

Anguilla's strong fiscal performance has underpinned the progress made in meeting its borrowing ratios established with the U.K. government. As a British Overseas Territory, the Government of Anguilla must comply with three (3) borrowing ratios established within the Framework for Fiscal Sustainability and Development (FFSD). Anguilla was required to comply with these ratios by 2017.[4] The target year was revised several times with 2030 finalized as the new target year.

The government has complied with two (2) out of the three (3) ratios. The liquidity ratio was met in 2022 and the Net Debt Ratio in 2023. Current projections suggest that Anguilla will be on track to meet the required debt service ratio by fiscal year 2027 (Anguilla Medium Term Economic Framework).

External Developments

Anguilla maintained a net lending balance of $275.7min 2024, down 26.3 per cent from the $374.2m recorded in 2023. The current account surplus declined by 26.8 per cent to $258.6m, equivalent to 19.5 per cent of the country's GDP (Table 2). This development was driven by higher imports resulting in a larger merchandise trade deficit. This wasmoderated by strong net earnings from services.

Table 2: External Sector: Selected Indicators

per cent GDP

Indicator	2019	2020	2021	2022	2023	2024
Balance of Trade	−61.4	−47.6	−54.9	−49.8	−45.8	−42.9
Travel Receipts (Net)	40.7	16.2	18.5	56.9	76.8	66.8
Current Account	−43.0	−33.0	−46.8	−3.3	30.4	19.5

Source: ECCB

This surplus was channeled into debt reduction and foreign asset accumulation. Net inflows of direct investments declined further by 23.1 per cent to $50.9m in 2024 (3.8 per cent of GDP), as government and other local entities play a more active role in construction-related projects. Simultaneously, commercial banks in Anguilla increased their lending activity accumulating foreign assets particularly through loans and debt securities.

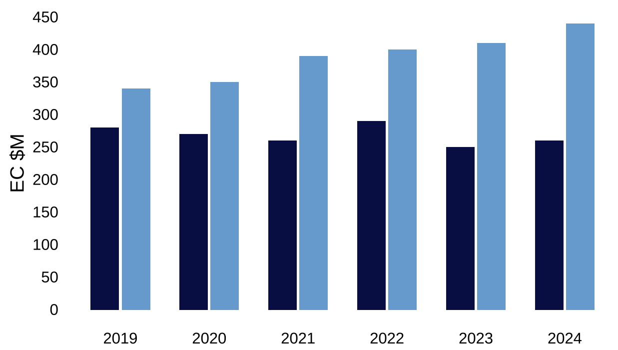
Additionally, general government loan liabilities is estimated to have declined consistent with government's commitment to gradually reduce its external debt exposure

Banking and Monetary Developments

With higher levels of economic activity, domestic credit is estimated to have expanded by 21.5 per cent relative to a contraction in the year prior. The net deposit position of the government, contracted by $57.4m as a direct result of the increased investment in capital projects. Funding for several projects came from prior surpluses and reserves, consequently reducing the deposits of the government. Credit to the private sector to both households and businesses expanded. Of note, credit to households accounted for 63.3 per cent of private credit with business credit trailing at 36.7 per cent.

[4] Anguilla's borrowing is constrained by ratios agreed to within the Framework for Fiscal Sustainability and Development signed in April 2013 and legislated in October 2013. The Fiscal Responsibility Act 2013 replaced the 2003 Borrowing Guidelines Agreement

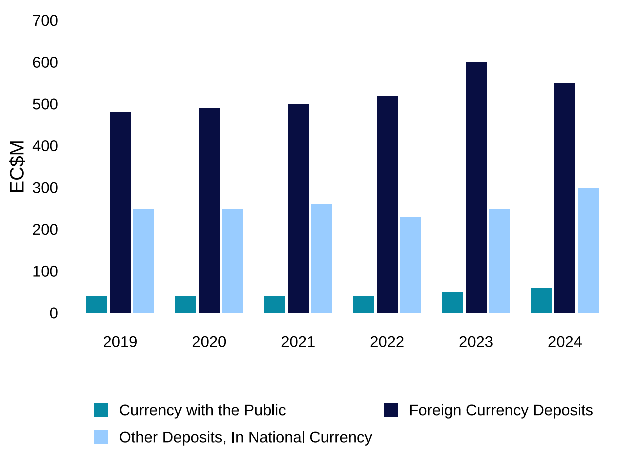
Figure 6: Private Sector Credit



Source: ECCB

Broad money liabilities expanded by 13.3 per cent ($166.3m) to $1,430.4 in 2024[5] and was attributable to a rise in foreign currency deposits by $113.7m. Net foreign assets rose by 28.6 percent to $1,241.8m in 2024, up from $965.8m in 2023.

Figure 7: Trends in Banking and Monetary Indicators



Source: ECCB

Supported by solid economic activity, the asset quality of commercial banks also improved with a 1.7 percentage point decline in the non-performing loan ratio to 12.8 per cent in 2024. Although there was a slight improvement over the previous year, the ratio remains 7.8 percentage points above the ECCB target of 5.0 per cent. Policies and initiatives to encourage the repayment ofloans should continue to bring Anguilla into compliance with the set benchmark.

Outlook and Risks

Outlook

Anguilla's economy is projected to sustain growth over the medium term of 3.7 per cent in 2025 and 2.4 per cent in 2026 fueled by activity in tourism and construction sectors. The public sector investment plan (PSIP) presented in the 2025 Budget is projected to drive growth in the construction and transport sectors. Construction work on the redevelopment of the Clayton J Lloyd International Airport remains a priority in addition to the Albena Lake Hodge Comprehensive School Technical Block and road works, among other projects.

Additionally, a boost in sectors like Agriculture, Forestry and Fishing is forecasted to materialize in the medium term due to increased investment in food security initiatives (Box 1). Due to the anticipated increase in import volumes resulting from rising economic activity and rising global prices, the merchandise trade balance is projected to deteriorate. It is projected that the current balance will improve in 2026 due to higher travel receipts. Public sector debt is anticipated to decrease further from $322.1m to $293.7m in 2025, with no new borrowing expected.

Risks

Risks for Anguilla are tilted to the downside driven by global risks. The matrix below highlights the range of risks facing the economy in the near to medium-term.

[5] ECCB estimates

Risks	Likelihood	Impact
Global/External Risks		
Intensification of Geopolitical conflict. Escalation of conflict in the Middle East can disrupt trade routes and flows of key commodities including energy. Similarly, protectionist policies can upset global trade and worsen trade balances.	High	**High** Tariffs introduced by the United States on its trading partners has potential to evolve into a looming trade war negatively impacting trade routes and supply chains - intensifying inflationary pressures in the U.S. and globally. Anguilla is susceptible to the shocks experienced by its source markets and further imports inflation from its trading partners. This may lead to higher prices, and further increase cost of living. Further, this will negatively affect disposable income in source markets and in turn travel, potentially hurting Anguilla's tourism sector.
Commodity price volatility Exacerbated supply chain woes due to conflict and OPEC+ decisions can result in commodity (food and energy) price upswings.	High	**High** Increased international oil prices would heighten inflationary pressures, local energy prices and increase the cost of living. Further affecting growth and Anguilla's tourism sector.
Intensified Climatic Events. Rising temperatures can result in heat waves, droughts and devastating tropical cyclones.	High	**High** Risks of increased frequency and strength of natural disasters and rising sea levels hold adverse impacts for Anguilla. The country's tourism sector and in turn economic growth would be negatively impacted as recent development initiatives and food security measures would be counteracted. Regular occurrences of such events would erode the fiscal positon of Anguilla.
Domestic/Local Risks		
Single Sector Economy Reliance on one source of revenue remains a concern due to the open nature of the economy and susceptibility to external shocks	Medium	**Medium** Notably, Anguilla is susceptible to natural and external shocks, which affect the stability of its Tourism sector. Diversification of economic activity is necessary as there is heavy reliance on the US as a source market. Shocks in this market will trickle down to Anguilla's tourism sector and can result in a reduction in revenue. GDP and tourism maintain a co-positive movement; therefore, a decline in tourism levels will adversely impact growth.
Limited availability of labour supply	Medium/ High	**High** Increased levels of investment and projects locally require availability of labour to undertake these projects. Considering Anguilla's small population, there is the need to augment labor supply, specifically skilled labour.
Higher Expenditure Outlays Higher expenditure result in an outturn of deficits, which may negatively affect Anguilla's compliance with its debt ratios.	Medium/ High	**Medium** Building of buffers, reserves and the consolidated fund should remain a priority for the government amidst development plans due to economic uncertainty and mandated compliance with debt ratios.

Policy Recommendations

1. **In pursuing greater resilience, the government may consider opportunities for diversification of the tourism sector.** Expansion within the tourism sector to augment existing tourism offerings is a viable option for Anguilla. Diversification of source markets to reduce dependency on the US market through a revamped marketing programme and promotion of new tourism types, culture and entertainment may also be considered. Ongoing support to other areas, such as animal production and fishing, would also contribute to growth.

2. **Channeling a fraction of the receipts from the .ai domain sales into the proposed National Wealth Fund**, the country could build its reserves and fund key initiatives, such as enhancing skills digital training to support the

modernization of the services sector.

3. **Increased digitalization, supported by a stronger skills development programme will contribute to improving local business conditions by eliminating bureaucratic red tape.** This would facilitate private investment and improve labour mobility. Reducing red tape to improve the ease of entry of skilled workers to support economic growth while local talent is being enhanced.

4. **Improvement of the business environment for small businesses may prove useful in augmenting the work of the Anguilla Youth Business Foundation and increasing international opportunities for local entrepreneurs.** This initiative would help entrepreneurs develop their business and connect to the wider market to access grants and training programmes.

5. **Recognising the high fiscal costs associated with climate and renewable-energy initiatives, Anguilla may consider strategically pursuing external funding and negotiating flexible borrowing terms.** Countries such as Anguilla face significant costs in financing climate-related projects. Where capital expenditure is being earmarked for these projects, there may be room for further negotiation.

6. **Strengthening resilience to climate change should be a core policy objective.** Integrating climate risks into policy may however require legislative changes such as requiring investment plans to adhere to standards for climate resilience[6]. This may also include the development of a strategic framework to assess infrastructure investments.

7. **Enhance data systems to improve collection** and reporting of statistics to support and enhance evidence-based policy-making.

Box 1: Food Security Investments and Initiatives

Government of Anguilla undertook several initiatives towards bolstering food security throughout 2024. These initiatives included:

- Training opportunities and workshops focused on Aquaponics and Modern Farming
- Installation of Shade Houses and Water Tanks
- Construction of an Abattoir and Hatchery
- Needs assessment for farmers focused on crop, livestock and poultry was completed in collaboration with University of Florida
- Fishers Development Plan continued to be executed with considerations for establishment of a fish processing plant
- Soil Drive to encourage backyard farming
- Hatchery and Brooder Nursery Project under which chicks are sold at subsidized costs to poultry farmers

These measures are a useful start towards reducing food imports and enhancing food security. Anguilla's current water scarcity and environmental characteristics may present hurdles to conventional agricultural development.

Given ongoing economic uncertainty in source markets, the government should keep prioritizing food security. This could involve exploring containerized farming and the adoption of "blue economy" to boost local production. Boosting local food production can help cut food import costs and create a stable revenue stream by enabling smaller resorts and hotels to buy local.

[6] Climate Change policy being developed could consider the inclusion of project requirements

Selected Economic Indicators

in EC$M, unless otherwise stated

in EC$M unless stated otherwise	2019	2020	2021	2022	2023	2024	2025P	2026P
Real Sector								
Nominal GDP (EC$M)	1,025.1	705.7	824.1	1,070.6	1,159.5	1,325.2	1,389.5	1,460.1
Real GDP (EC$M)	912.6	643.8	713.4	922.4	934.9	969.1	1,002.7	1,025.9
Real GDP Growth	6.8	−29.4	10.8	29.3	1.4	3.7	3.5	2.3
Inflation (end of period; per cent)	0.7	−1.0	2.1	10.3	−0.6	−0.3	1.5	1.8
Government Sector								
Current Revenue	234.9	192.4	252.2	346.3	396.8	464.8	493.9	499.8
Current Expenditure	212.2	225.7	212.0	227.3	239.1	286.8	335.9	356.5
Capital Expenditure	10.2	8.3	4.1	1.5	20.6	86.6	160.0	150.0
Primary Balance	48.1	27.5	68.7	131.3	153.6	109.7	9.5	2.0
Overall Balance	29.3	10.4	55.0	117.5	139.1	96.6	−0.2	−6.7
Debt Servicing as a share of Current Revenue	18.6	23.6	26.5	14.2	12.8	11.3	10.7	10.4
Financing	−29.3	−10.4	−55.0	−117.5	−139.1	−96.6	0.2	6.7
External Sector								
Balance of Trade	−629.4	−336.2	−452.8	−532.9	−531.3	−568.7	−598.9	−617.0
Travel Receipts	417.5	114.6	152.6	608.7	890.9	885.4	884.6	911.3
Current Account	−441.1	−233.3	−385.8	−35.7	353.1	258.6	234.8	241.9
Foreign Direct Investment	−381.0	−202.7	−322.3	−95.3	−74.0	−50.8	−8.2	−8.4
Monetary Sector								
Money Supply	1,085.5	1,108.9	1,142.5	1,129.9	1,264.1	1,430.4	1,499.8	1,576.1
Net Foreign Assets	612.7	669.4	699.8	727.0	965.8	1,241.8	1,420.2	1,518.8
Net Domestic Assets	472.8	439.6	442.7	403.0	298.3	188.6	79.6	57.2
Domestic credit	529.6	513.7	525.4	505.3	371.4	451.4	529.9	417.2
of which credit to the Private Sector	587.6	583.5	619.9	652.1	628.1	651.3	682.9	717.6
of which credit to Businesses	265.8	253.4	249.2	275.3	233.8	239.0	250.6	263.3
of which credit to Households	321.8	330.1	370.8	376.8	394.3	412.3	432.3	454.3
Memo Items								
Total Public Sector Debt (EC$M)	493.2	476.5	448.0	409.9	371.0	332.1	293.7	254.0
Total Public Sector Debt to GDP	48.1	67.5	54.4	38.3	32.0	25.1	21.1	17.4

Source: Central Statistics Office and ECCB. Data as at September 2024