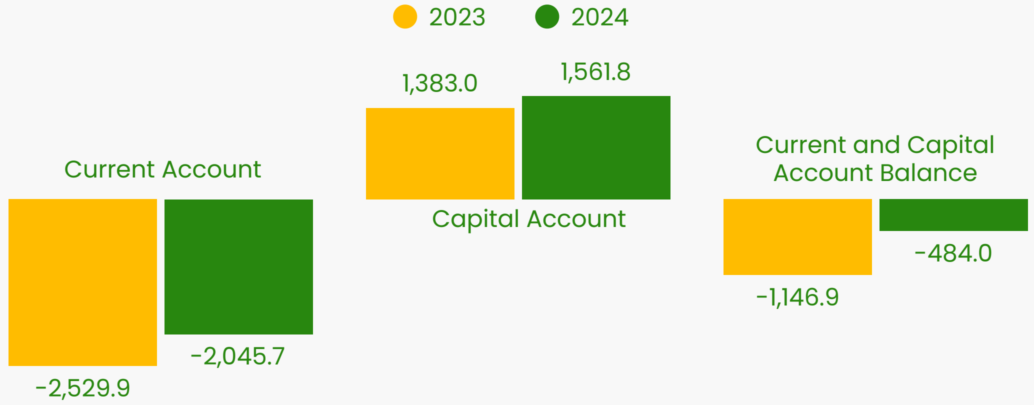
PRELIMINARY EXTERNAL SECTOR PERFORMANCE 2024

2024 ECCB ESTIMATES

HIGHLIGHTS

- The Eastern Caribbean Currency Union's (ECCU) net borrowing balance (deficit) on the current and capital account stood at $484.0 million in 2024, a significant decline from $1,146.9 million in 2023.
- This notable improvement was primarily driven by a narrowing of the current account deficit by $484.2 million. The narrowing of the deficit was underpinned by robust tourism receipts, which partially offset persistent pressures from goods imports and income outflows.
- The 2024 current and capital account deficit was financed through a combination of:
    - Strong direct investment inflows with net liabilities totaling $2,235.2 million;
    - An increase in foreign deposit liabilities of deposit-taking institutions amounting to $635.6 million; and
    - A rise in governments' external debt, with loan liabilities increasing by $597.9 million on the financial account.
- These financing inflows not only met the external financing needs but also facilitated:
    - An accumulation of foreign reserve assets totaling $236.3 million; and
    - A significant increase in foreign debt security assets held by deposit-taking institutions, which grew by $1,848.9 million, taking advantage of higher international interest rates.

Current Account and Capital Account Balances in EC$ million



ACKNOWLEDGEMENTS

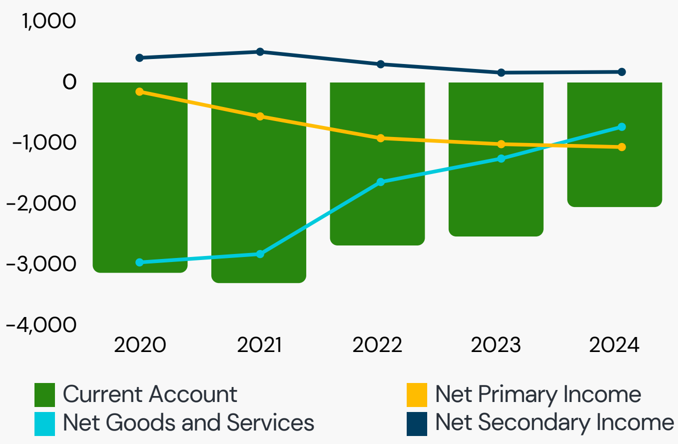
This report is a product of the Research, Statistics and Data Analytics Department of the Eastern Caribbean Central Bank (ECCB). External Sector Statistics, namely the Balance of Payments (BOP) and International Investment Position (IIP) Statistics are compiled by the ECCB in collaboration with the Central Statistics Offices of the Eastern Caribbean Currency Union (ECCU).

CURRENT ACCOUNT

In 2024, the ECCU's current account deficit narrowed to $2,045.7 million, reflecting an improvement of $484.2 million relative to 2023.

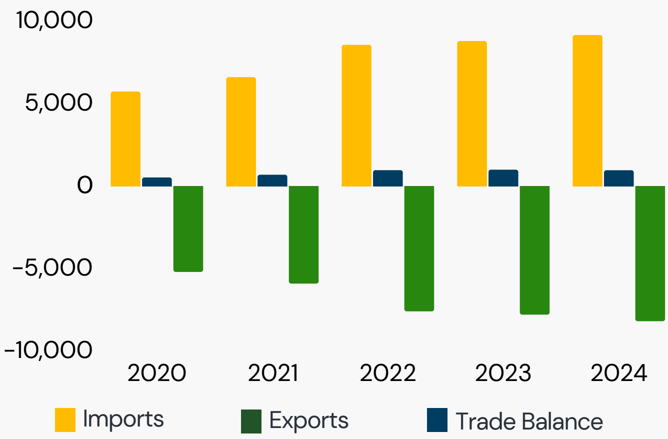
This improvement primarily resulted from a stronger services surplus and a modest increase in the secondary income surplus, which helped to partially offset a widening goods trade deficit and a larger primary income shortfall.

Current Account Main Contributors in EC$ million



Goods

Merchandise Trade in EC$ million



The goods account deficit widened to $8,187.0 million, fueled by persistently high import demand and relatively subdued export activity.

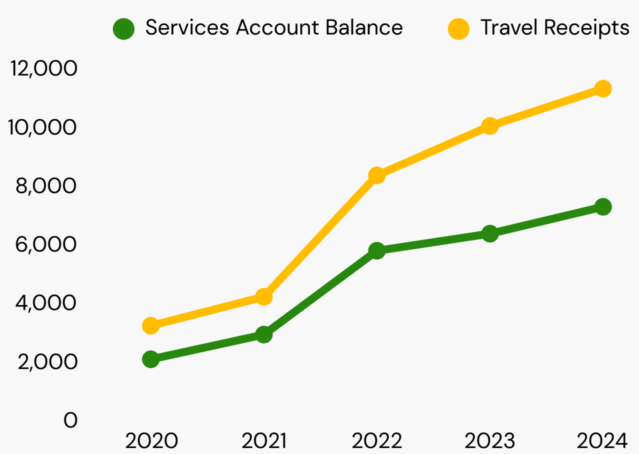
Imports of goods increased by 4.1 per cent to $9,143.0 million underpinned by higher demand for consumer and capital goods. Meanwhile, earnings from goods exports declined slightly by $33.1 million to $955.9 million.

Services

The services account continued to provide a critical buffer to the goods trade imbalance with the surplus expanding by 14.3 per cent to $7,315.7 million in 2024.

This improvement was largely influenced by a strong performance in the travel sub-account, where travel receipts, the primary source of external earnings for the ECCU increased by $1,272.7 million. At the same time, outbound travel payments increased modestly, from $581.6 million to $684.5 million.

Services Account Balance in EC$ million

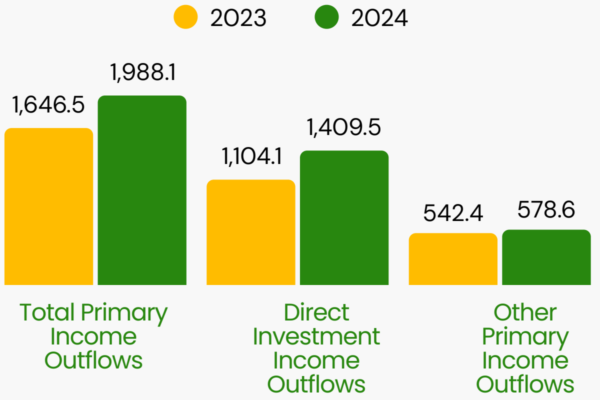


Primary Income

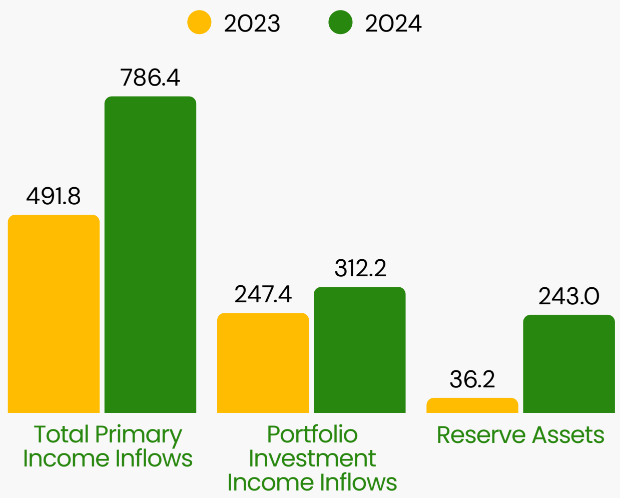
The primary income account deficit widened to $1,201.7 million in 2024, compared to $1,154.7 million in 2023.

This deterioration was primarily influenced by increased investment income outflows, particularly from direct investments, which rose by $305.5 million, reflecting higher repatriation of profits by foreign-owned entities operating within the ECCU.

Primary Income Outflows in EC$ million



Primary Income Inflows in EC$ million



On the inflows side, total primary income receipts increased by EC$294.6 million to EC$786.4 million, supported by higher returns on portfolio investments and reserve assets. Income from reserve assets increased by $206.7 million, while portfolio income rose by EC$64.8 million to EC$312.2 million, resulting from higher returns on foreign debt securities held by commercial banks.

Despite these gains, inflows were insufficient to offset the larger outflows. Compensation of employees remained broadly unchanged.

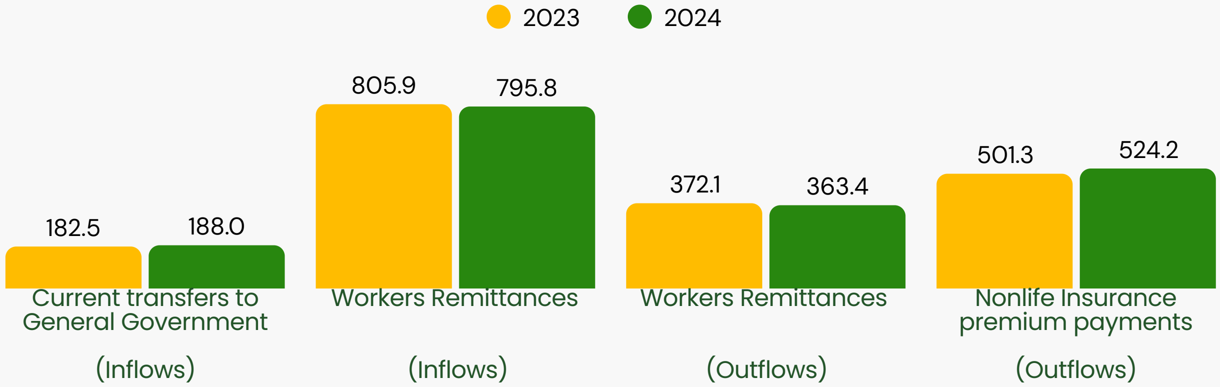
Secondary Income

The secondary income account recorded a surplus of $27.3 million in 2024, an improvement from $15.3 million in the previous year. This was mainly attributed to increased inflows by 6.7 per cent to the general government in the form of budgetary support to government and current transfers to nonprofit institutions amounting to $253.1 million.

These increased inflows helped counterbalance the higher outflows of non-life insurance premium payments by ECCU residence to foreign insurance companies, resulting in a stronger net secondary income position.

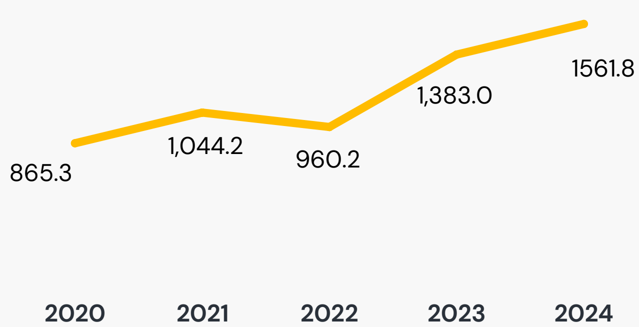
Workers remittances, the largest inflow to this account remained relatively stable at $795.8 million.

Main Contributors to the Secondary Income Account in EC$ million



CAPITAL ACCOUNT

Capital Account Inflows in EC$ million



The capital account surplus rose by 12.9 per cent to $1,561.8 million in 2024. This increase was spurred by higher capital transfers, primarily in the form of receipts from citizenship-by-investment programmes (CBI/CIP) into the various development funds and to a lesser extent, investment-related transfers to general government including funds received for hurricane relief.

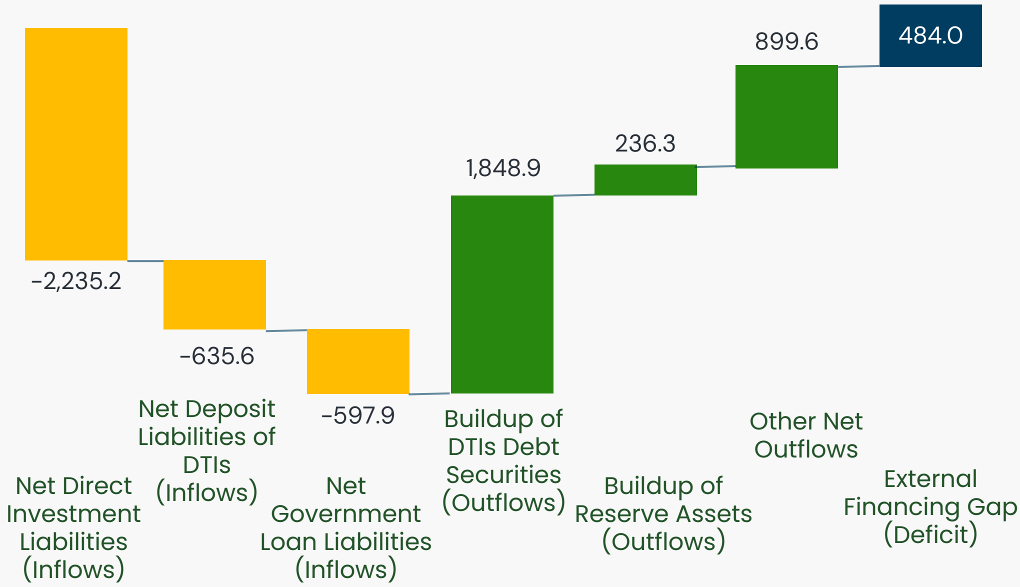
FINANCIAL ACCOUNT- FINANCING THE CURRENT AND CAPITAL ACCOUNT DEFICIT

In 2024, the net borrowing requirement on the current and capital account narrowed sharply to $484.0 million from $1,146.9 million in 2023. This external financing gap (deficit) was mainly financed through an increase in external liabilities. These liabilities included mainly direct investments inflows, an increase in deposit liabilities of deposit-taking institutions (DTIs) and an increase in general government external loan liabilities.

Net direct investment liabilities remained strong at $2,235.2 million, driven largely by equity injections into the tourism sector. General government external loan liabilities rose by $597.9 million to support infrastructural developments and budgetary needs. Meanwhile, deposit-taking institutions increased their foreign deposit liabilities by $635.6 million.

These inflows not only financed the external gap but also supported an accumulation of official reserves by $236.3 million and a substantial buildup in commercial banks' foreign holdings of debt securities totaling $1,848.9 million as they took advantage of higher-yielding debt securities abroad.

Financing the External Gap (deficit) in 2024 in EC$ million



RESERVES

Total reserve assets held by the Eastern Caribbean Central Bank (ECCB) and member countries increased by $279.5 million, reflecting an asset accumulation of $236.3 million and a valuation gain of $43.2 million. The reserve buildup resulted from a $573.0 million increase in "other claims" (money at call) held by the ECCB, which more than offset a $341.4 million decline in currency and deposit holdings (comprising mainly of term deposits). This shift highlights a strategic reallocation of reserves by the ECCB toward more flexible and shorter-term instruments while maximizing returns.

Valuation changes largely stemmed from a $66.1 million increase in the market value of securities. This was partially offset by a depreciation in the value of both Special Drawing Rights (SDRs) held by member countries at the International Monetary Fund and currency and deposit holdings of the ECCB totaling $22.9 million.

Main Components of Reserves in EC$ million