

A scenic photograph of Antigua and Barbuda at dusk. The sky is a mix of deep blue and soft pink. In the foreground, several white and red yachts are docked at a wooden pier in a harbor with clear, turquoise water. The middle ground shows a town with colorful buildings in shades of blue, yellow, and pink. In the background, a large, historic stone church with two prominent domes sits atop a hill. The overall atmosphere is peaceful and picturesque.

**COUNTRY  
ECONOMIC  
REVIEW 2019**

**ANTIGUA AND  
BARBUDA**

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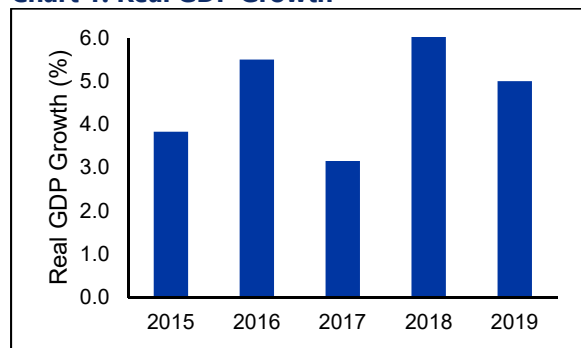
## ANTIGUA AND BARBUDA ECONOMIC BRIEF 2019

### OVERVIEW

**Economic growth in Antigua and Barbuda decelerated to 5.0%, following a robust performance in 2018.** The slowdown was attributed to an easing of construction-related activity. Moderate inflation and improved labour market conditions are positive signals for household expenditure. Expansion in domestic credit and improved asset quality signalled increased banking sector resilience. The fiscal deficit widened as current expenditure rose; but the public debt ratio fell. The merchandise trade deficit widened, driven by an expansion in the value of imports.

### KEY DEVELOPMENTS IN 2019

Chart 1: Real GDP Growth



Source: International Monetary Fund (IMF)

**Real gross domestic product (GDP) grew by 5.0%, relative to 7.4% in 2018** (see Chart 1). Total visitor arrivals contracted by 2.1% to 715,833 in the first nine months of 2019, due to a 7.1% (37,267) decline in cruise passenger arrivals. This marked a reversal of

the robust performance of the previous two years when port closures in the Northern Caribbean increased the number of cruise ship calls into Antigua. Meanwhile, stayover arrivals rose by 11% to 222,875, the result of strategic marketing and improved airlift. Construction sector activity moderated. Imported construction materials, an indicator of construction activity, increased by 11% in the first nine months of 2019, compared with the 27% average growth in the corresponding periods for 2017 and 2018. This reflected the completion of the Hodges Bay Resort and Spa and the Royalton Antigua Hotel, and a slowdown in the pace of Government's capital projects.

**Inflation grew by 0.6% in the year to the end of September.** Overall price rises were registered in the food and non-alcoholic beverages, transport, and household and furniture equipment indices.

**The number of employed persons grew.** The Social Security Board estimates a 2%-rise in active employment, coinciding with the increase in economic activity<sup>1</sup>.

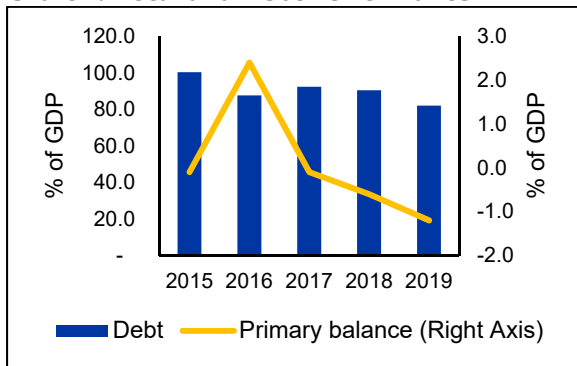
**Central Government's overall fiscal deficit widened, due in large part to higher recurrent and capital spending and a slowdown in recurrent revenue collection.** In the first nine months of 2019, non-interest expenditure rose by 12% (EC\$67.6 million [mn]), driven by employment costs and purchases of goods and services. The growth in spending was tempered by the fall in

<sup>1</sup> The last official unemployment data was at December 2015, when the unemployment rate was 13.7%.

transfer payments and interest expenditure. On the capital investment side, expenditure was 25% higher at EC\$55.1 mn, attributed to the implementation of the road rehabilitation and expansion programme, and the affordable housing project.

Notwithstanding the expansion in economic activity, recurrent revenue grew by only 2.8% (EC\$16.9 mn) due to higher receipts from taxes on property and on international trade. Taxes on income and profits, and domestic goods and services fell below the budget target during the review period, highlighting key challenges the authorities faced concerning tax collection and administration. A 28.8%-increase in non-tax revenue to EC\$24.5 mn was associated with a surge in receipts from the Citizenship by Investment Programme (CIP), mitigated the fallout in total revenue performance.

**Chart 2: Fiscal and Debt Performance**



Source: Government of Antigua and Barbuda, IMF.

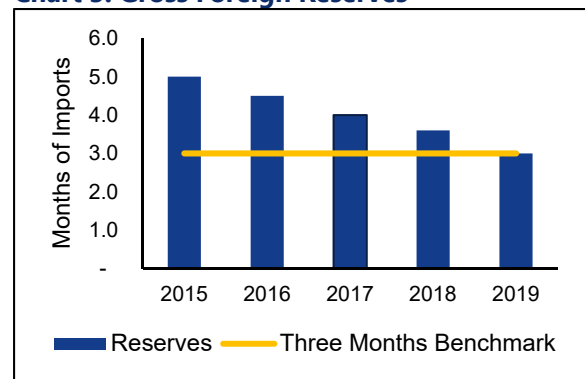
**As a result of weakened fiscal performance, arrears accumulated.** Total arrears stood at EC\$70 mn compared with EC\$47 mn for the comparable period in the prior year. Despite the deficit, the public debt ratio fell to 82% of GDP (see Chart 2) due to strong economic growth and a debt write-off with

<sup>2</sup> The Eastern Caribbean Central Bank does not allocate foreign reserves to any particular member

Venezuela. Over the past five years, debt servicing (interest and amortisation) has accounted for an average of 53% of revenue collected on an annual basis, with interest payments accounting for some 12%.

**Financial sector developments were positive.** Private sector credit, which accounts for the largest share of domestic credit, rose by 2.2% to EC\$1,983 mn. This was driven by growth in loans and advances to businesses (distributive trades, entertainment and catering, financial institutions, and tourism) and households (durable goods and other personal loans). The resilience of the banking system was enhanced by improvements in commercial banks’ asset quality and profitability. The ratio of gross non-performing loans to total loans fell to 5.3% at the end of September; and banks remained well capitalised, with a capital adequacy ratio of 36.5%.

**Chart 3: Gross Foreign Reserves**



Source: Eastern Caribbean Central Bank (ECCB)

**Imputed reserves<sup>2</sup> met the three months of imports global benchmark.** Imputed reserves declined to an estimated three months of import cover as at September, compared with 3.8 months in December 2018 (see Chart 3).

country in the Currency Union but pool reserves at the aggregate level.

**The current account deficit widened due in part to a rise in imports.** The merchandise trade deficit widened by 1.5% to EC\$1,292 mn in the first nine months, because of higher imports of food, fuels, manufactured goods, and machinery and transport equipment. The expansion of tourism receipts, associated with improved stayover visitors, partially offset the effects of the merchandise trade deficit on the current account balance.

## OUTLOOK

**The outlook for Antigua and Barbuda has become clouded by the outbreak of COVID-19, which has significantly affected developed and developing economies.** In early 2020 the tourism sector has seen mass cancellations. Construction activity has slowed, and government finances have come under increasing pressure.

Given the uncertainty as to how long this situation will persist, it is very difficult to forecast how the economy will perform in 2020 and beyond. This will be addressed in an updated Economic Brief later this year.

## DATA

The table below summarises the key economic and social indicators underpinning this country brief. These data are taken from a number of sources, and are the latest available at time of publication. Some are subject to revision.

### Selected Indicators

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019<sup>e</sup></b>
Real GDP Growth (%)	3.8	5.5	3.2	7.4	5.0
Average Inflation (%)	1.0	(0.5)	2.4	1.2	0.6
Unemployment (%)	n.a	13.7	n.a	n.a	n.a
Primary Balance (% of GDP)	(0.1)	2.4	(0.1)	(0.6)	(1.2)
Public Sector Debt (% of GDP)	100.3	87.6	92.3	90.4	82.0

Sources: IMF, ECCB, Caribbean Development Bank.

Notes: e – estimate (as at January 31, 2020); n.a – not available.

\*Inflation in 2019, average 12 months to the end of September.



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