INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/22

ANTIGUA AND BARBUDA

2023 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

January 2024

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2023 Article IV consultation with Antigua and Barbuda, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its November 29, 2023 consideration of the staff report that concluded the Article IV consultation with Antigua and Barbuda.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on November 29, 2023, following discussions that ended on September 29, 2023, with the officials of Antigua and Barbuda on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 9, 2023.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

PRESS RELEASE

PR24/22

IMF Executive Board Concludes 2023 Article IV Consultation with Antigua and Barbuda

FOR IMMEDIATE RELEASE

Washington, DC – **January 23, 2024:** On November 29, 2023, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Antigua and Barbuda.

Antigua and Barbuda's economy continues to bounce back from the sharp contraction experienced during the COVID-19 pandemic. Real activity is expected to return to pre-pandemic levels this year, with growth projected at 5.7 percent, driven by a rebound in tourism and construction activity. Inflation has declined from 2022 peaks but remains elevated (at 6.6 percent in August this year), accompanied by moderating core inflation. The financial sector is well capitalized and liquid and the share of nonperforming loans is stable, with credit growth remaining weak.

The fiscal position has improved as the deficit and debt have declined, though gross financing needs remain high. Improved revenues and continued public sector payroll restraint, along with a rise in nominal GDP, have brought down the primary deficit to 1.7 percent of GDP and the public debt to 87 percent of GDP in 2022. However, gross financing needs remain high at 14 percent of GDP, and an inability to access international capital markets continues to limit financing options. Despite some progress, the stock of outstanding arrears owed to external creditors and domestic suppliers persists.

Growth is expected to moderate and gradually converge to its long-term trend, and price pressures are expected to dissipate in 2024. However, Antigua and Barbuda faces a number of downside risks. Inflation may persist longer than expected from higher global commodity prices. The fiscal position may deteriorate if arrears continue to accumulate, or if the current financing options become unavailable or unaffordable, particularly if the planned deficit reduction is not realized. Real activity growth may decline due to slower-than-expected growth in trading partners and a further strengthening of the U.S. dollar. Climate change may lead to droughts and hurricanes of higher severity and frequency.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed Antigua and Barbuda's robust recovery over the past two years, with real GDP expected to return to pre-pandemic levels this year, and the declining debt ratio and inflation rate. Directors concurred that while the near-term growth outlook is favorable, it remains subject to downside risks, including from weaker tourism performance, unfavorable financing conditions, and natural

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

disasters. They emphasized the need for decisive actions to address fiscal and external imbalances and further efforts to improve growth prospects and build resilience. Directors highlighted the importance of continued close collaboration with the Fund and other development partners to address imbalances and build capacity.

Directors underscored the need for fiscal adjustment and welcomed the authorities' focus on revenue mobilization and expenditure restraint. Important measures include limiting discretionary tax exemptions and broadening the Antigua and Barbuda Sales Tax (ABST) base. Directors agreed that these measures should be supported by a sound cash and debt management strategy, focused on lengthening debt maturities and contingency planning. Recognizing the importance of restoring debt sustainability, Directors stressed the need for close engagement with creditors and domestic suppliers and a concrete plan to resolve existing arrears and avoid new arrears. They also recommended strengthening the social safety net to provide more targeted support for the vulnerable and centralizing programs to reduce coverage gaps and avoid duplication.

Directors agreed that fiscal institutions should be enhanced to support the credibility of the fiscal framework. Addressing shortcomings in the transparency and exchange of information frameworks for tax purposes would facilitate an exit from the EU list of noncooperative jurisdictions for tax purposes.

Directors welcomed that the financial sector remains stable and liquid and encouraged continued measures to strengthen financial stability. They recommended enhancing the oversight and regulation of credit unions and incorporating climate risks into the stress testing framework. Directors welcomed the authorities' commitment to continue to strengthen the AML/CFT and Citizenship-by-Investment Program (CIP) frameworks.

Directors recognized the ongoing initiatives to boost growth and build resilience. They recommended continuing efforts to boost tourism, including by increasing flight connectivity. While welcoming the investments in education and training, Directors encouraged further steps to strengthen active labor market policies and expand opportunities for vocational training. Noting the challenges associated with transition to renewable energy, Directors welcomed the efforts to increase donor support for climate change-related projects.

It is expected that the next Article IV Consultation with Antigua and Barbuda will be held on the standard 12-month cycle.

Antigua and Barbuda: Selected Economic and Financial Indicators

	2018	2019	2020	2021	Prel. 2022	Projections 2023	2024	2025	2026	2027	2028
	(Annual percentage change)										
National Income and Prices											
Real GDP	6.8	4.3	-17.5	6.6	8.5	5.7	5.5	4.2	2.8	2.8	2.8
Nominal GDP	9.3	4.4	-15.5	10.2	12.6	11.0	8.6	6.7	4.9	4.9	4.9
Consumer prices (end of period)	1.7	0.7	2.8	1.2	9.2	4.0	2.5	2.0	2.0	2.0	2.0
Consumer prices (period average)	1.2	1.4	1.1	1.6	7.5	5.0	2.9	2.4	2.0	2.0	2.0
Money and Credit											
Net foreign assets	6.2	-0.9	-4.6	18.2	3.3	2.8	4.1	3.2	2.2	1.8	1.6
Net domestic assets	0.1	1.7	-0.6	-4.4	2.0	8.2	4.4	3.5	2.7	3.1	3.3
Broad money (M2)	6.3	0.8	-5.2	13.9	5.3	11.0	8.6	6.7	4.9	4.9	4.9
Credit to private sector	1.8	1.3	4.8	-4.1	-2.1	5.0	5.0	5.0	5.0	5.0	5.0
	(Percent of GDP)										
Central Government											
Primary balance	0.0	-1.2	-3.7	-2.3	-1.7	-0.4	0.9	0.9	1.0	1.0	1.0
Overall balance	-2.5	-4.0	-6.2	-4.6	-4.2	-2.1	-1.0	-1.0	-0.9	-0.9	-1.0
Total revenue and grants	19.8	18.8	19.7	19.4	19.3	20.2	20.6	20.6	20.6	20.7	20.8
Total expenditure	22.3	22.8	25.9	24.0	23.5	22.3	21.6	21.6	21.6	21.6	21.8
External Sector											
Current account balance	-14.6	-7.2	-16.3	-15.6	-16.2	-12.4	-11.7	-11.2	-10.6	-10.3	-10.1
Trade balance	-36.1	-34.4	-28.7	-30.6	-37.7	-34.2	-33.8	-33.1	-32.6	-32.5	-32.4
Nonfactor service balance	30.2	35.2	18.2	23.3	28.9	29.0	31.9	31.9	32.2	32.5	32.7
Of which: Gross tourism receipts	48.4	53.9	29.2	34.5	44.0	46.3	49.2	49.3	49.7	50.2	50.5
Overall balance	-0.5	-4.1	-6.5	3.8	0.1	-1.5	2.0	0.9	0.0	-1.2	-2.2
External public sector debt	36.8	39.0	47.3	46.7	41.8	42.8	45.0	47.0	48.4	49.9	51.8
Savings-Investment Balance	-14.6	-7.2	-16.3	-15.6	-16.2	-12.4	-11.7	-11.2	-10.6	-10.3	-10.1
Savings	22.9	27.4	17.3	26.8	24.7	25.2	26.3	26.3	26.4	26.3	26.1
Investment	37.4	34.6	33.6	42.4	40.9	37.6	38.0	37.5	37.0	36.5	36.2
Memorandum Items											
Net imputed international reserves (US$ million)	329	279	222	324	346	390	462	522	566	604	640
(Months of prospective imports)	3.3	4.5	3.1	3.3	3.2	3.3	3.7	4.0	4.2	4.2	4.4
GDP at market prices (EC$ million)	4,333	4,524	3,824	4,213	4,746	5,268	5,720	6,103	6,403	6,717	7,047
Public debt stock (EC$ million) 1/, 2/	3,783	3,803	3,829	4,021	4,134	4,255	4,388	4,511	4,623	4,738	4,865
(Percent of GDP)	87.3	84.1	100.1	95.4	87.1	80.8	76.7	73.9	72.2	70.5	69.0

Sources: Country authorities, ECCB, UN Human Development Report, World Bank, and IMF staff estimates and projections.

1/ Includes stock of principal and interest arrears, unpaid vouchers, and suppliers' credits.

2/ Includes central government guarantees of state enterprises' and statutory bodies' debt.

ANTIGUA AND BARBUDA

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION

November 9, 2023

KEY ISSUES

Context. Antigua and Barbuda's economy continues its solid expansion with growth projected at 5.7 percent for 2023. Tourism and construction activity have both been strong, with real activity expected to return to its pre-pandemic level during 2023. After reaching 9.2 percent at end-2022, inflation fell to 6.6 percent by August of this year, with core inflation steadily declining. The current account deficit widened to an estimated 16.2 percent of GDP in 2022 with higher tourism receipts more-than-offset by an increase in goods imports and a worsening in the terms of trade. The current account deficit is expected to fall to around 12 percent of GDP this year. The rebound in nominal GDP lowered public debt to 87 percent of GDP at end-2022, from 95 percent of GDP at end-2021. Nonetheless, gross financing needs are high, and there has been limited progress in resolving arrears to creditors and domestic suppliers. Financial sector balance sheets are healthy. However, credit union lending has continued to grow rapidly, albeit from a low base, raising concerns about future credit quality.

Policy priorities. The strong recovery from the pandemic provides a window of opportunity to decisively address Antigua and Barbuda's fiscal and external imbalances, build buffers, and invest in resilience. The public debt and fiscal financing needs should be reduced further by higher revenues and expenditure restraint. A sound cash and debt management strategy should focus on preventing the accumulation of new arrears, clearing past arrears, reducing the risk of financing shortfalls, increasing climate financing and disaster insurance, and planning for downside contingencies. The social safety net should provide more targeted support to the vulnerable. Stronger fiscal institutions are needed to enhance the credibility of fiscal plans. There is scope to improve the oversight and regulation of credit unions. Supply side constraints would be eased by tackling transportation bottlenecks, further investing in skills, accelerating climate resilience building and transitioning to renewable sources of energy.

Approved By
Nigel Chalk (WHD) and Martin Čihák (SPR)

Discussions took place in St. John's during September 18–29, 2023. The mission team comprised Emine Boz (head), Alexander Amundsen, Weicheng Lian, Yibin Mu and Hou Wang (all WHD), and was accompanied by Kevin Woods (Eastern Caribbean Central Bank) and Justin Carter (Caribbean Development Bank). The team met with Prime Minister and Finance Minister Gaston Browne, Financial Secretary Rasona Davis-Crump and other senior government officials; the Financial Services Regulatory Commission, representatives of the private sector, labor unions, and the opposition party. Ann Marie Wickham (OED) attended most meetings and Philip Jennings (OED) participated in the concluding meeting. Anahit Aghababyan and Archit Singhal (both WHD) assisted in the preparation of the report. Carlos Goncalves (FAD), Marius van Oordt and Sophia Chen (WHD) provided contributions.

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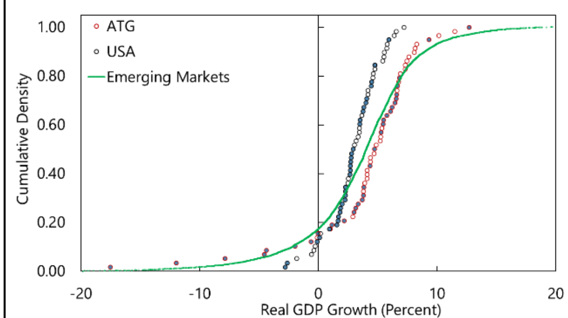
CONTEXT

1. Antigua and Barbuda's economy has been repeatedly hit by large negative shocks. Located in the hurricane belt, the country has been hit by five Category 4-5 hurricanes since 1990 and it is also strongly affected by global shocks, largely via their impact on tourism and foreign direct investment inflows (e.g., 9/11, the global financial crisis, and the COVID-19 pandemic). Antigua and Barbuda is also highly sensitive to fluctuations in global food and fuel prices, seen most recently with the Russian invasion of Ukraine in 2022. As a consequence, growth over the past 30 years has been characterized by sharp contractions and relatively protracted, and sometimes incomplete, recoveries.[1] The country faces limited opportunities to diversify away from tourism to mitigate the effects of such external shocks and, given the size of the shocks it faces, is unable to effectively smooth their impact through countercyclical policies. The repeated impact and increased size and frequency of shocks have lowered growth outturns and made it more challenging to address fiscal and external imbalances.

Cumulative Distribution of Real GDP Growth 1/



Sources: WEO and IMF staff calculations.
1/ Filled circles reflect points after 1990.

2. The current administration is led by the Antigua and Barbuda Labour Party, who have been in power since 2014. The party won again in the January 2023 general election and currently holds 9 of 17 seats in the parliament, a narrower majority than it previously had.

RECENT DEVELOPMENTS

3. Economic activity continues to bounce back from the sharp decline seen during the pandemic. Growth is projected at 8.5 and 5.7 percent for 2022 and 2023, respectively, with tourism and construction activity proving to be particularly strong. The number of stayover tourists reached 97 percent of pre-pandemic levels for the period from January to August, with arrivals from the U.S. surpassing previous levels (Annex V). Growth in the number of cruise ship visitors has been slower, while the number of yacht visitors has fully recovered. Thanks to this rebound in tourism and the ongoing construction activity, real GDP is expected to reach its pre-pandemic level this year.

Formal Employment

	2019	2022	Percent change
Public sector	14,141	14,237	0.7
Private sector	30,809	30,436	-1.2
Self-employed	2,367	1,867	-21.1
Male	21,714	21,023	-3.2
Female	25,603	25,517	-0.3
16-19 year old	1,048	776	-26.0
20-29 year old	11,092	11,319	2.0
Total employed	**47,317**	**46,540**	**-1.6**

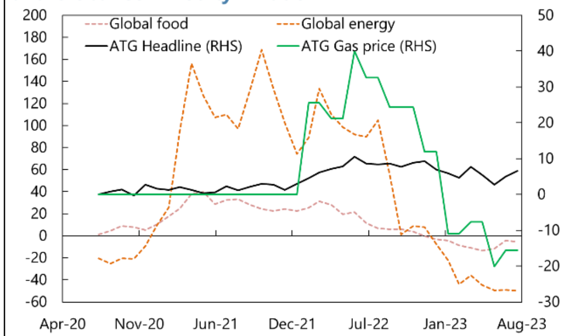
Sources: Antigua and Barbuda Social Security Board and IMF staff calculations.

[1] The recovery from the global financial crisis has been particularly weak and coupled with several hurricanes and the COVID-19 pandemic, resulted in almost no real GDP growth since 2007.

4. The rebound in formal employment has been uneven. Estimates based on data for social security contributions suggest that overall employment in 2022 was almost at its 2019 level. However, the recovery has been uneven across different groups. For example, the number of self-employed and employed persons between the ages of 16-19 is more than 20 percent below pre-pandemic levels.

5. Global commodity prices have kept inflation at relatively high levels. Declining food and fuel prices over the course of this year has allowed headline inflation to fall from 9.2 percent at end-2022 to 6.6 percent by August 2023. Core inflation has also been steadily declining. A factor decomposition (Box 1) shows that the recent inflationary episode has been predominantly driven by global factors.

Headline and Domestic Energy Price Inflation in ATG and Global Commodity Inflation

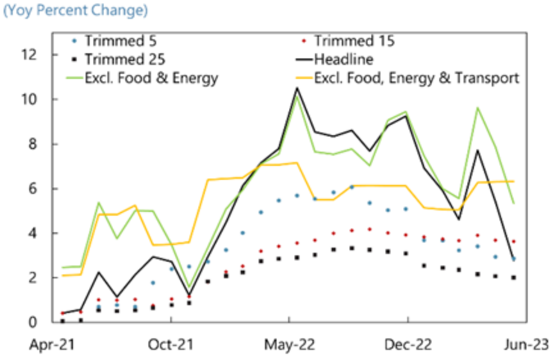


Sources: Country authorities, Haver, and IMF staff calculations.

Box 1. Understanding Inflation in Antigua and Barbuda

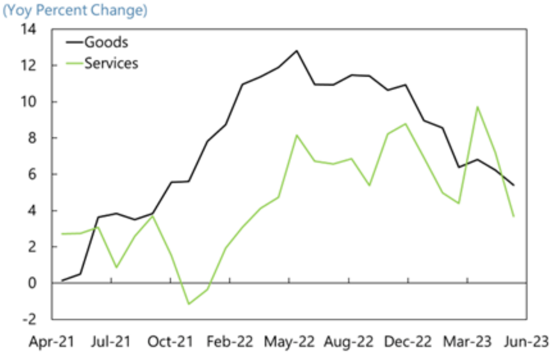
Measures of core inflation and services inflation point to broad-based but moderating price pressures. Excluding items that tend to have volatile prices (food, energy and transport) or items with the largest price changes helps to gauge underlying inflation. The results suggest that price pressures were broad-based across the CPI basket but have gradually been moderating — a pattern observed across goods and services.

Headline and Core Inflation in ATG
(Yoy Percent Change)



Sources: Country authorities and IMF staff calculations.

Goods and Services Inflation
(Yoy Percent Change)

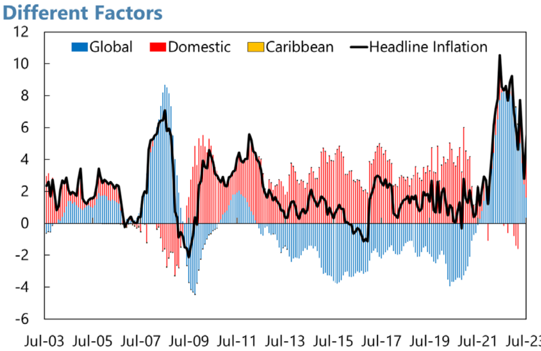


Sources: Country authorities and IMF staff calculations.

A dynamic factor model is estimated to decompose the country's inflation into global, regional, and country-specific factors. The sample includes 49 emerging market and developing economies (EMDEs) spanning four regions, Asia, Caribbean, Europe, and Latin America, and covers the period from December 2001 to July 2023.

Antigua and Barbuda's recent inflation has been almost entirely accounted for by global factors. The analysis reveals an "EMDE" global factor that remains elevated, despite falling global food and energy prices. This finding suggests that, even though underlying mechanisms could be different across countries,

Decomposition of ATG inflation: Contributions of Different Factors



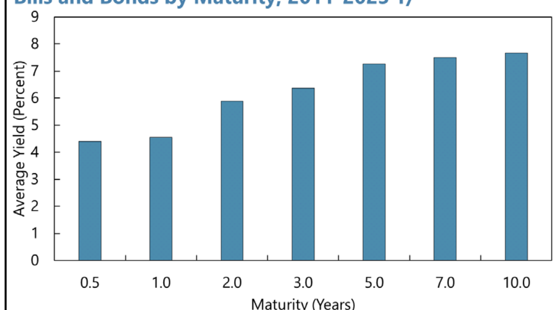
Sources: Country authorities, Haver, and IMF staff calculations.

Box 1. Understanding Inflation in Antigua and Barbuda (Concluded)

persistent inflationary forces have been synchronized across EMDEs due to a series of common global shocks. Antigua and Barbuda's inflation traces this global factor closely and is estimated to account for 87 percent of its inflation between January 2022 and June 2023. Relatedly, Antigua and Barbuda's loading of the global factor is relatively high at 0.63 (consistent with its high degree of trade openness).

The Caribbean regional factor and the domestic factor had more limited contributions to Antigua and Barbuda's recent inflation dynamics. The Caribbean regional factor is estimated to have had a modest rise during 2022-23. In addition, the loading of the Caribbean regional factor for Antigua and Barbuda is small (0.02), and therefore its impact is negligible. While the domestic factor's contribution has been limited during the pandemic, its contribution has increased in recent months relative to the global factor, which has been dissipating.

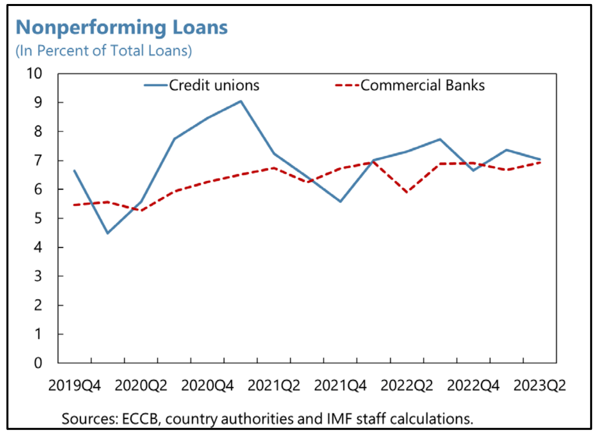
Average Yield of Antigua and Barbuda Government Bills and Bonds by Maturity, 2011-2023 1/



Sources: ECCB and IMF staff calculations.
1/ Number of issuances are 49, 54, 5, 4, 3, 2, 3 for each of the maturity periods on the axis from left to right respectively.

6. The debt and deficit have declined but gross financing needs remain elevated. Fiscal measures put in place to limit the pass through of higher global food and fuel prices in 2022 were offset by improved revenue performance and wage restraint. As a result, the primary deficit fell to 1.7 percent of GDP (from 2.3 percent of GDP in 2021). The rapid rise in nominal GDP is estimated to have brought public debt to 87 percent of GDP by end-2022 (from 95 percent at end-2021). An inability to access international capital markets (Annex VI) has resulted in financing needs being met by issuing securities mainly in the Regional Government Securities Market (RGSM), borrowing from domestic banks and regional institutions, and accumulating arrears. While RGSM yields have remained low due to ample liquidity in the region's financial system, the government has had to shorten maturities, resulting in gross financing needs of around 14 percent of GDP in 2022. Despite some progress in resolving arrears to certain external creditors and domestic suppliers, the stock of outstanding arrears remains large.

7. The external position in 2022 is assessed to be weaker than the level implied by medium-term fundamentals and desirable policies. The current account deficit widened to an estimated 16.2 percent of GDP in 2022 with higher tourism receipts offset by an increase in goods imports, including for construction projects, and a worsening in the terms of trade. The EBA-Lite model estimates the current account gap at -3.3 percent of GDP in 2022 and the real effective exchange rate was overvalued by 7.4 percent (Annex III). FDI inflows have so far been resilient to tightening global financial conditions and continued to support large-scale hotel construction. Reserves are adequate at above 3 months of prospective imports, especially considering that Antigua and Barbuda is a member of the Eastern Caribbean Currency Union (ECCU).



8. The financial sector continues to be stable and liquid. As of 2023Q2, non-performing loans (NPLs) of commercial banks stood at 6.9 percent, moderately above the prudential requirement of 5 percent. Loan loss provisioning was high at 78 percent. Bank lending to the private sector has been falling as a share of GDP with weak credit growth for households and for small and medium-sized enterprises (SMEs) due to borrowers' difficulties in meeting documentation and collateral requirements for new loans. However, lending to businesses has experienced an uptick in recent months, partly driven by large hotels utilizing relatively low-cost domestic funding. The credit union loans, driven by mortgage lending, have continued to grow rapidly, although make up a small share (13 percent) of total credit.[2] Credit unions' NPL ratio has been stable at 7 percent. Marketing and outreach efforts have helped increase awareness of the Eastern Caribbean Central Bank's (ECCB) digital currency (DCash) but its usage remains low.

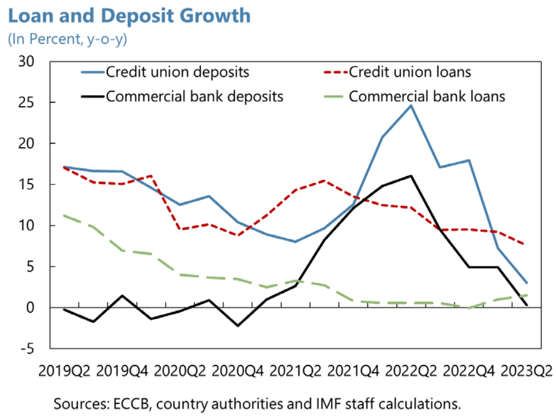
9. The ECCB is making progress in addressing the 2021 safeguards recommendations. The outstanding recommendations include legal reforms to further strengthen the operational autonomy of the ECCB and align its Agreement Act with leading practices, an enhanced project governance framework for DCash to mitigate associated risks and strengthening the risk management function.

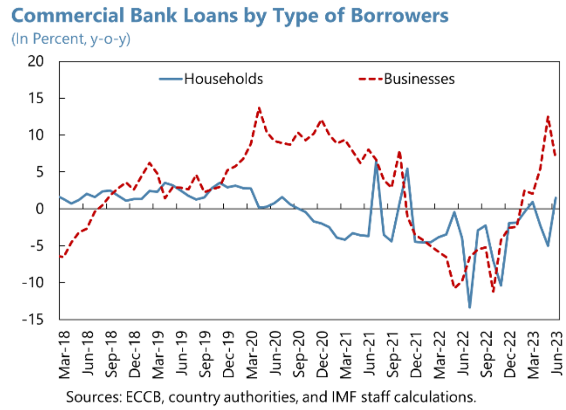
Selected Financial Soundness Indicators of the Banking Sector
(Percent)

	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023
Capital adequacy ratio (CAR) 1/	36.3	39.4	34.6	32.8	30.8	32.6	26.1	26.7	23.1	23.3
Tier-1 CAR 2/	27.6	31.9	28.6	27.9	26.2	28.1	21.5	21.3	17.6	17.2
Nonperforming loans (NPLs) to total gross loans	6.4	5.3	7.4	7.8	8.5	7.7	6.9	6.9	6.7	6.9
Total provisions to NPLs	36.3	58.7	90.0	84.3	85.9	97.2	85.7	88.8	91.9	78.4
Net NPLs to capital 3/	26.5	17.3	18.4	17.6	17.6	14.8	9.9	7.2	5.9	10.1
Liquid asset to total assets	57.7	46.4	36.9	40.5	46.8	46.4	44.0	43.6	44.8	43.2
Return on assets (ROA)	1.4	1.4	0.4	0.7	0.7	0.2	0.4	0.8	1.0	1.6

Sources: Country authorities and IMF staff calculations.
1/ Regulatory capital to risk-weighted assets
2/ Regulatory Tier 1 capital to risk-weighted assets
3/ Net NPLs = NPLs - provisions

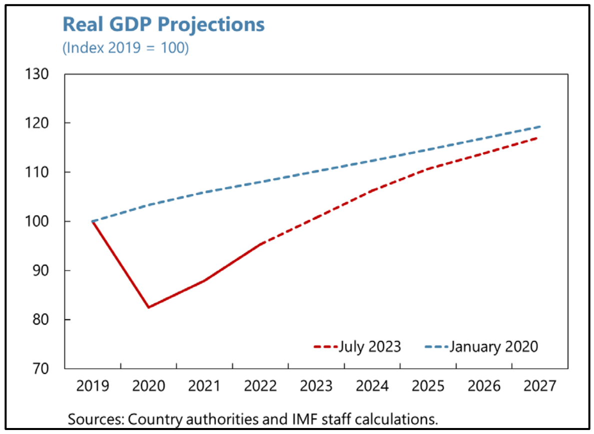
[2] The penetration of credit unions in terms of membership is the lowest in Antigua and Barbuda among ECCU countries.





OUTLOOK AND RISKS

10. Growth is projected to gradually converge to its long-term average of around 3 percent. The demand for tourism services is expected to moderate with the availability of passenger flights an increasingly binding constraint. Global food and fuel prices are expected to keep inflation at around 4 percent this year, but inflation should dissipate in 2024. Fiscal efforts and a return of output to its pre-pandemic trend should lower public debt to around 69 percent of GDP by 2028. However, gross financing needs are forecasted to remain at around 10 percent of GDP over the medium term.



11. Antigua and Barbuda faces important risks ahead (Annex II). Higher global commodity prices would bring renewed price pressures and erode household incomes. Slower-than-expected growth in trading partners could hinder the strength of tourism demand. Global financial conditions could tighten further and make the government's efforts to access international capital markets even more difficult. A strengthening of the U.S. dollar could weaken competitiveness, particularly with respect to European and Canadian tourists. The cost and availability of fiscal financing through the regional or domestic debt markets could become more restrictive, potentially worsening debt dynamics and increasing the recourse to arrears. This would be exacerbated if the planned deficit reduction is not realized, including due to an underperformance of CIP revenues. Climate change could lead to more frequent and extensive droughts and/or more severe hurricanes. An upside risk is stronger-than-expected FDI inflows that could further boost construction activity or stronger demand in the U.S. that could boost tourism (particularly during the low season when supply constraints on short-term accommodation are less binding).

POLICY PRIORITIES

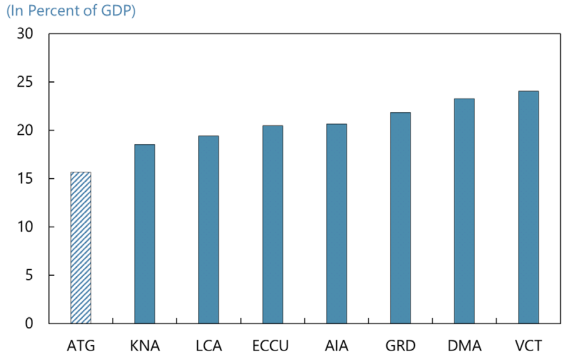
A. Addressing Fiscal Imbalances

12. The authorities plan to reduce the primary deficit through a combination of revenue measures and expenditure restraint. Tax exemptions, including both statutory and discretionary exemptions, constituted 47 percent of potential revenues in 2023 (through August). To mitigate the loss of revenues, the authorities have decided to cap discretionary exemptions on import duties and suspend exemptions on other taxes and charges. An update of valuations for property taxes is scheduled to be completed in Fall 2023 and a higher tax rate is planned to be applied to high-end properties (from 0.3 percent to 0.5 percent). The authorities are planning to transition to the Harmonized System 2022 classifications at customs, which is expected to result in higher revenues from import duties. There is an ongoing effort to contain public sector wages and employment. A timely and strong implementation of these combined policy initiatives is likely to generate a small primary surplus over the medium term, as incorporated in the staff's baseline scenario.[3] This would allow public debt-to-GDP to come down to 69 percent by 2028 and to 61 percent by 2035 (marginally above the ECCB Monetary Council's target of 60 percent by 2035).

13. Public debt is assessed to be unsustainable due to the large outstanding stock of arrears and the fact that paying down these arrears appears infeasible over the medium term without a broader debt restructuring (Annex IV). Limited access to financing is likely to lead to financing gaps, potentially causing new arears.[4]

14. The country's susceptibility to frequent, large adverse shocks warrants building stronger fiscal buffers. Bringing debt safely below medium-term targets, reducing gross financing needs and financing gaps, and clearing arrears will require fiscal measures of around 1 percent of GDP, in addition to those incorporated in the staff's baseline scenario. These could include:

Average Tax Revenue from 2017-22
(In Percent of GDP)



Sources: Country authorities and IMF staff calculations.

[3] These measures are expected to result in a cumulative improvement of the primary balance by around 1.3 percent of GDP, of which around 0.8 percent of GDP is due to the cap on discretionary tax exemptions, with the changes to property valuations and taxes, transition to HS 2022 and containment of the wage bill accounting for about 0.15 percent of GDP each.

[4] The staff's baseline scenario assumes a financial instrument to fill the financing gaps in the projection years with a maturity of 5 years and an interest rate of 5.5 percent, as detailed in Annex IV. New arrears could be accumulated if such financing does not materialize. The baseline scenario also assumes that part of the outstanding arrears, including to the Paris Club, will remain unresolved, however, the arrears to the Social Security Board, domestic suppliers and several official creditors will be cleared in the medium term. The stock of arrears, part of which is subject to reconciliation, stood at 18 percent of GDP at end-2022.

- Broadening the Antigua and Barbuda Sales Tax (ABST) base by reducing items subject to exemptions or zero-rating (those that do not serve social and economic objectives or were introduced in response to the COVID-19 pandemic).
- Applying the standard rate of 15 percent to short-term accommodation (currently at 14 percent), and extending the ABST to online purchases (Box 2).
- Increasing the standard ABST rate, particularly if other tax revenue measures do not yield the anticipated revenues.
- Introducing excise taxes on tobacco, alcohol, and sugar.
- Improving the collection of property taxes.
- Expediting the introduction of a single window system at customs.
- Fully operationalizing systems to allow e-filing, e-payment and e-registration of taxes.
- Strengthening auditing capacity at the tax services.

Box 2. Revenue Potential from the Antigua and Barbuda Sales Tax (ABST)

The ABST is a value-added tax with a narrow base. At a standard rate of 15 percent, it has a reduced rate of 14 percent applied to short-term accommodation and an extensive list of zero-rated or exempt items. Forgone tax revenues from the zero-rated or exempt items are estimated at 2.8 percent of GDP, with the largest expenditures on foodstuffs (0.7 percent), real estate (0.4 percent), passenger transport (0.3 percent), fuels (0.3 percent) and electricity (0.2 percent).

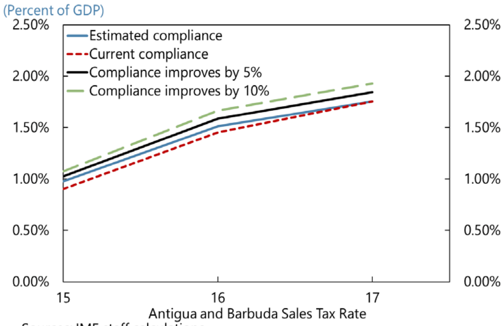
The ABST has weak compliance, which relates to its narrow base. The ABST's compliance gap is estimated at 3.8 percent of GDP. Compliance can be improved through more effective tax administration and a broadening of the ABST base by reducing the number of items subject to exemptions/zero-rating.

Revenues from the ABST can be increased by broadening its base or raising its standard rate. The revenue impact of alternative tax policies with varying compliance are considered.

- Estimated compliance: For every percentage point increase in the standard rate, ABST compliance on those items affected weakens by 4.1 percent.
- Current compliance: Compliance remains unchanged even if the standard rate changes.
- Improved compliance: For every percentage point increase in the standard rate, compliance increases by 5 or 10 percent.

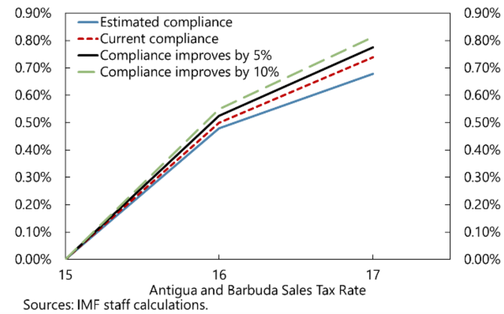
Box 2. Revenue Potential from the Antigua and Barbuda Sales Tax (ABST) (Concluded)

Revenue Gains from a Broader Tax Base for Different Standard Rates
(Percent of GDP)



Sources: IMF staff calculations.

Revenue Gains for Different Higher Standard Rates
(Percent of GDP)



Sources: IMF staff calculations.

The ABST could be broadened through a comprehensive review of items that are subject to exemptions or zero-rating, while being mindful of their social and economic objectives. For example, base broadening across standard-rating fuels, electricity, the first sale of newly constructed residential accommodation and passenger transport by air could provide around 1 percent of GDP in additional revenue.

Raising the standard rate would yield higher tax revenues. Increasing the rate to 17 percent, including on short-term accommodation, would increase revenues by 0.7-0.8 percent of GDP. Combining this higher rate of 17 percent with base broadening would yield revenues of close to 2 percent of GDP.

15. **Better cash and debt management would be essential to lessen cashflow pressures and reduce the risks to fiscal financing.** A sound cash and debt management strategy should focus on lengthening the maturity of debt to mitigate rollover risk, clearing outstanding debt arrears to external creditors and domestic suppliers, avoiding new arrears, and defining a strategy to increase access to climate financing and insurance against natural disasters. The authorities are scheduled to receive technical assistance on the recording and reconciliation of debt, which will be valuable. It would be pivotal to undertake contingency planning for adverse scenarios where the availability of financing falls short of budgetary needs.

16. **There is a need to enhance the social safety net and transition toward targeted programs to better support the vulnerable.** Antigua and Barbuda has many social assistance programs administered in an uncoordinated way by various public entities (Box 3). Consolidating these programs would improve efficiency and reduce administrative costs. At a minimum, there is a need for a centralized beneficiary database to provide an accurate record of all beneficiaries to keep track of the support they receive and identify gaps in coverage and duplication.[5] There is a need to move from generalized subsidies and support (e.g., through broad-based price subsidies for fuel) toward targeted programs, with benefits periodically recalibrated to reflect cost of living changes. In addition, digitalizing the system would help facilitate targeting and minimize fraud.

[5] UNICEF is working with the authorities to establish a central beneficiary registry for all social programs, but progress has been slow.

Box 3. Social Protection: Landscape and Policies

Antigua and Barbuda has numerous social assistance programs. These programs comprise universal and targeted contributory programs, providing cash and in-kind benefits as well as subsidies and assistance on a regular, emergency, or post-disaster basis. The Financial Assistance Program is the largest program providing a monthly stipend of EC$216.67 for adults, EC$162.50 for children and EC$238.33 for visually impaired persons. For comparison, the income per capita in Antigua and Barbuda stood at EC$4,078 per month in 2022 and the poverty line set by the World Bank for upper-middle-income countries corresponds to around EC$555 per month. Beneficiaries of this program are selected by the Social Protection Board with no established threshold on income.

The social assistance programs can be streamlined to improve efficiency and ensure sufficient support. A comprehensive review of program eligibility and benefits would help obtain an up-to-date picture of the current social assistance program landscape, which could then be used to identify duplication and coverage gaps. The benefits should also be periodically recalibrated to reflect cost of living changes. As many programs are administered in an uncoordinated way by various public entities, there is a need to improve coordination among different entities and streamline the system, so as to reduce the cost of program administration and case management.

Continued progress is needed to centralize and digitize information and payment systems. With support from UNICEF, a centralized beneficiary database is being developed but progress has been slow. Comprehensive, accurate, and timely data can play a key role in monitoring program administration in real time. Digital payment systems can accelerate the distribution of benefits, while reducing administrative costs.

The social safety net should be considered holistically. Social assistance programs should work in coordination with social insurance and active labor market policies to reduce poverty and provide a strong safety net. Since Antigua and Barbuda does not have unemployment insurance, the social assistance programs could help provide support during unemployment. Active labor market policies, including vocational training, can help enhance the skill sets and employability of the vulnerable.

17. Stronger fiscal institutions would improve the credibility of the fiscal framework. Fiscal targets and polices outlined in the Medium-Term Fiscal Strategy (MTFS) and Fiscal Resilience Guidelines (FRG) should be enshrined in legislation to enhance fiscal discipline and enforceability, and build political consensus.[6] The establishment of the Fiscal Responsibility Oversight Committee should be expedited and it should be tasked with assessing the government's fiscal strategy. Moreover, the Finance Administration Act and the Customs Act should be amended to codify the planned restraint on discretionary tax exemptions. Statutory exemptions should be consistent with

[6] See Selected Issues Paper on the ECCU, IMF Country Report No. 22/254.

the Antigua and Barbuda Investment Authority Act with the Antigua and Barbuda Investment Authority monitoring the approved projects.

18. The authorities should work to address shortcomings in the transparency and exchange of information frameworks for tax purposes as identified in the Global Forum's 2023 Peer Review**.** These include but are not limited to: (i) providing additional guidance to reporting entities on properly identifying the beneficial owner of companies; (ii) ensuring beneficial ownership obligations are extended to other types of legal persons and arrangements (such as partnerships and trusts); (iii) ensuring that there is a comprehensive supervisory program in place to monitor compliance with record-keeping obligations by all relevant entities and arrangements; (iv) fully using access powers to seek out all possible information, including from third parties when necessary, regarding legal ownership and banking information; (v) monitoring the functioning of the rationalized Exchange of Information Unit and revising its Exchange of Information (EOI) manual to ensure it provides appropriate and comprehensive guidance. These measures will significantly enhance Antigua and Barbuda's AML/CFT framework and tax transparency, and assist the country in exiting the EU's listing of non-cooperative jurisdictions for tax purposes.

Authorities' Views

19. The authorities broadly agreed with the recommended fiscal measures. While emphasizing the ongoing efforts to reduce discretionary tax exemptions, they agreed that there is room to increase tax revenues as a share of GDP to bring it closer to the rest of the ECCU. In addition to discretionary tax exemptions, the authorities are exploring the possibility of limiting statutory exemptions to the construction phase of projects. They agreed that the ABST base should be broadened while minimizing adverse impacts on the vulnerable. Depending on the yields from base broadening and implementation of the HS 2022 by the Customs and Excise Department, the authorities agreed to consider other fiscal measures, including a possible increase in the ABST standard rate. They do not have plans to conduct a public sector employment census or set up a skills database, but underscored their commitment to contain the public sector wage bill.

20. The authorities concurred with staff that the vulnerability from large gross financing needs and rollover risks should be reduced. They noted the decline in debt as a share of GDP, however, lack of access to international capital markets and to concessional financing has been creating cashflow pressures. They agreed with the need to extend the maturity profile of debt but are concerned about higher interest rates associated with longer term financing. They emphasized their ongoing efforts in reengaging with creditors and resolving arrears, including with domestic suppliers. They are keen to improve their access to climate finance to support resilience building efforts and recognized the need to improve contingency planning.

21. The authorities broadly agreed that consolidating the numerous social assistance programs would reduce cost and improve efficiency. They acknowledged the slow progress in establishing a centralized beneficiary database and agreed that it would help reduce duplication and coverage gaps. They do not have plans to implement an automatic fuel pricing mechanism, and agreed that more efforts were needed to enhance the targeting of social assistance programs.

22. The authorities are updating the MTFS and gradually making progress in strengthening fiscal institutions. While there are no plans to legislate it, the authorities are updating the MTFS with a discussion by the Cabinet planned for the Fall, followed by the budget preparations. They are working on operationalizing the Fiscal Resilience Oversight Committee and confirmed that the Fiscal Resilience Guidelines were approved by the Cabinet, though there is no intention for it to be also approved by the Parliament. They agreed that the Finance Administration Act and the Customs Act should be amended to institutionalize the planned caps in discretionary tax exemptions.

B. Bolstering the Financial System

23. The Financial Services Regulatory Commission (FSRC) should strengthen the oversight and regulation of credit unions. On-site examinations are being conducted annually for two credit unions classified as systematically important and less frequently for smaller ones. These examinations should target risks presented by the fast loan expansion and be guided by stress testing, the framework for which should be further improved. Supervisors should strenghten the standards for recognizing, provisioning for, and resolving NPLs. Recent efforts to require all institutions to have an internal auditing capacity, qualified board members, and (for the larger credit unions) to have dedicated risk managers should help the governance and risk controls of credit unions. Efforts are being made to harmonize the regulation of credit unions across the ECCU, and risk-based capital requirements should be instituted, to place them on a level playing field with the banks.[7]

24. The FSRC should accelerate the incorporation of climate risks into financial oversight. Ongoing initiatives to incorporate climate-related risks into supervisory and regulatory frameworks should be accelerated. As part of the broader national resilience strategy, efforts are ongoing to assess the financial sector's resilience to climate shocks. The FSRC is collecting information from non-banks for this assessment, while their cooperation with the ECCB on the supervision of climate risks is ongoing. There is a need to revamp the insurance stress testing framework due to the adoption of International Financial Reporting Standards 17. The FSRC should step up these efforts with support from CARTAC.

25. There is scope to address longstanding constraints to financial intermediation. The upcoming regional credit bureau should help streamline the lending process, reduce information asymmetries, facilitate prudent risk taking and improve credit quality. SMEs' challenges in accessing credit include informality, lack of information recording and financial planning, and limited collateral. The Eastern Caribbean Partial Credit Guarantee Corporation has been supporting access to credit by helping SMEs meet documentation and collateral requirements. Additional efforts to incentivize SMEs to register their businesses would boost their ability to utilize this guarantee scheme. The regional efforts to modernize the national insolvency law will help facilitate the resolution of NPLs and provide greater clarity to lenders.

[7] Credit unions do not have deposit insurance and hold credit lines in commercial banks to manage liquidity.

26. A stronger AML/CFT framework would reduce risks to the financial system and the Citizenship-by-Investment Program (CIP) . The strenghtening of the AML/CFT framework should include further improving risk-based AML/CFT supervision of financial institutions and designated nonfinancial businesses and professions, and ensuring that licensing requirements extend to the beneficial owners of applicants for business licenses. The recently-expanded sanctioning powers should be deployed where needed. The Office of National Drug and Money Laundering Control Policy should increase its capacity to undertake supervisory functions for business licenses under the Digital Assets Business Act for AML/CFT purposes. The databases of the Financial Intelligence Unit should be utilized to assess applicants for CIP agents. Consideration should be given to additional mechanisms, such as the development of a regional approach to standardize best practices and enhance information sharing, which should help maintain the integrity and long-term sustainability of the program.

Authorities' Views

27. The authorities are committed to continuing to strengthen the supervision and regulation of non-banks through their prudential framework and to enhance AML/CFT and CIP frameworks. They highlighted that the two largest credit unions have relatively low NPLs compared with peers in the region. They agreed that the stress testing framework could be improved further, including in the area of climate risk assessment, and are scheduled to receive technical assistance from CARTAC. They underscored the progress in credit union regulation harmonization at the ECCU level, where recent efforts have been made in enhancing governance and risk control, including the training of board members. They agreed with the importance of a crisis management framework (particularly as there is no lender-of-last-resort for credit unions), and reiterated their interest in receiving technical assistance for a comprehensive and in-depth assessment of non-banks. The authorities are addressing the recommendations of the Caribbean Financial Action Task Force regarding the AML/CFT and CIP frameworks. They are committed to further improving the CIP legislation and are engaging in outreach initiatives to geographically diversify the pool of CIP applicants.

28. The authorities are looking for ways to improve the private sector's access to credit. They expressed concern about continued weak credit growth even as economic activity rebounds. They underscored the financial inclusion role of credit union loan expansion and agreed that further efforts could enhance credit access without jeopardizing financial stability. They highlighted that the regional credit bureau would improve the screening and risk assessment of borrowers.

C. Improving Growth Prospects and Building Resilience

29. Ongoing efforts to increase flight connectivity and expand cruise ship homeporting could help sustain the growth of tourism activity. Initiatives to boost tourism during the low season would make the country a more attractive destination for airlines and help to smooth hotel occupancy rates throughout the year. Resuming LIAT service on profitable routes would help improve intra-regional flight connectivity and complement the recent expansion of other airline companies' presence in Antigua and Barbuda. Several cruise lines plan to use Antigua and Barbuda as a homeport, leveraging the upgraded airport and the country's proximity and connectivity to other cruise ports. The further expanded capacity of the Antigua Cruise Port will facilitate the arrival of larger cruise ships and the ongoing construction of a dedicated cruise terminal is expected to increase the attractiveness of Antigua and Barbuda to cruise visitors.

30. The recent investment in vocational training and local university is expected to enhance the quality of, and access to, tertiary education programs. The quality of vocational training should be further improved with an eye to increase the number of graduates finding jobs. The New Work Experience Programme, which provides on-the-job training, could be made more effective by routinely evaluating outcomes and ensuring participants' successful exit from the program. The One Stop Employment Centre should enhance its capabilities to match employers with employees.

31. Given the limited fiscal space, building resilience to climate change will necessitate a further mobilization of donor support.[8] The authorities are utilizing funding from the Green Climate Fund, Adaptation Fund and Global Environment Facility to support projects of various sizes, which are grant-based or concessional. They are upgrading accreditation levels to increase access limits and shifting to larger projects to reduce reporting and implementation costs. The authorities have operationalized the Climate Resilience and Development Fund, which would co-finance climate-related projects. An updated National Adaptation Plan, which will guide resilience building efforts, is planned to be completed in February 2024. The authorities are actively looking to expand their access to climate finance through blue bonds or a debt-for-climate swap, although progress has so far been limited.

32. A shift to renewables could reduce energy costs and insulate the economy from swings in global prices. According to the International Renewable Energy Agency, a successful energy transition, which could reduce the country's energy costs by up to 40 percent (and reduce the impact of swings in global energy prices), would require up-front capital costs of up to around 25 percent of GDP (to upgrade the electricity grid, expand the use of electric vehicles, and invest in new wind and solar generation). It will be important to mobilize donor funding to support these initiatives. Efforts are being made to explore new solar and wind projects but the transition to renewable energy has been gradual as regulatory barriers have been slowing the utilization of solar power by households and businesses. The Antigua and Barbuda Institute of Continuing Education is adjusting its curriculum to train workers for the energy transition.

Authorities' Views

33. The authorities broadly agreed with the policy efforts needed to further boost tourism activity and to up-skill the labor force. They underscored the progress made in restoring the flight routes lost during the pandemic and their efforts in marketing and public relations to attract more tourists. They stressed their preference is not to provide government guarantees to airline companies, while agreeing that intra-regional connectivity was facing challenges. They are looking for ways to carefully integrate cruise homeporting with the rest of the tourism sector, making sure not to crowd out stayover tourism. They highlighted the significant investments being made to

[8] See Annex VIII of 2022 Antigua and Barbuda Article IV Staff Report (Antigua and Barbuda: 2022 Article IV Consultation-Press Release and Staff Report (imf.org)).

expand the local university and vocational training programs which will contribute to enhancing human capital.

34. The authorities are making steady progress in resilience building but see challenges in making the transition to renewable energy. They are enforcing building codes for new construction to be resilient to Category 4 and 5 hurricanes and are improving the resilience of existing buildings. They expect to gain access to larger climate change-related projects after updating accreditations with the green funds. They stressed the need to strengthen the collection of the Tourism Guest Levy to ensure the funding of the Climate Resilience and Development Fund. They pointed to several challenges in transitioning to renewables, including an existing long-term energy purchase contract with a traditional electricity producer, up-front costs of installing battery storage, and a need to upgrade the grid to improve capacity.

D. Data Issues

35. Progress is being made to improve data quality, but further efforts are needed. Data provision is broadly adequate for surveillance, but with important shortcomings. Ongoing data initiatives include the construction of a Producer Price Index for services, completing the 2023 Labor Force Survey, rebasing the national accounts data along with methodological improvements, and improving external statistics. Rental costs have been reintroduced in the Consumer Price Index using interpolation, and surveys will resume once the census is completed next year. Efforts are underway to produce poverty indices based on the results of the Labor Force Survey. Conducting a household expenditure survey would enable the analysis of the distributional impact of potential fiscal measures. Timely reporting on central government and state-owned enterprise operations would help inform policy decisions.

Authorities' Views

36. The authorities agreed that more efforts should be made to enhance data quality and availability. They highlighted the progress made to publish the results of the Labor Force Survey this year, improvements to the national accounts statistics, and improvements to the Consumer Price Index and FDI statistics. Challenges in obtaining granular information due to privacy issues have slowed progress in constructing the Producer Price Index for services. The authorities recognized the importance of providing timely statistics on central government and state-owned enterprise operations.

STAFF APPRAISAL

37. The bounce back from the COVID-19 pandemic has been strong but fiscal and external imbalances remain and the economy is highly exposed to large, negative shocks. Economic activity, boosted by tourism and construction sectors, is expected to reach its pre-pandemic levels this year and gradually moderate to its long-run trend. Inflation remains elevated although underlying price pressures are gradually dissipating. The fiscal deficit and debt have been declining as a share of GDP but both the stock of outstanding arrears and gross financing needs are large. The external position in 2022 is assessed to be weaker than the level implied by medium term fundamentals and desirable policies. Downside risks emanate from the potential for slower growth in trading partners, higher global commodity prices, a stronger U.S. dollar, weaker-than-expected fiscal outturns, more restrictive fiscal financing, and climate-related events.

38. Addressing fiscal imbalances will require both revenue measures and expenditure restraint. The authorities' ongoing initiatives to improve the primary balance include imposing caps on discretionary tax exemptions, transitioning to HS 2022 classification in customs, reassessing property values, raising the tax rate for high end properties, and continuing expenditure restraint. In addition to a strong and timely implementation of these initiatives, additional revenues should be mobilized by broadening the ABST base, introducing excise taxes on tobacco, alcohol, and sugar, and improving the collection of property taxes. Increasing the standard ABST rate could be considered. Efforts to introduce a single window system at customs and to operationalize systems to allow e-filing, e-payment and e-registration of taxes should be accelerated. Tax administration should be further strengthened through additional auditing capacity.

39. Fiscal adjustment should be accompanied by a sound cash and debt management strategy. This strategy should focus on mitigating rollover risks by extending the debt maturity profile, engaging with creditors, clearing past arrears and avoiding the accumulation of new arrears, exploring avenues for increasing climate financing and disaster insurance, and undertaking contingency planning.

40. The social safety net should be strengthened to provide more targeted support to the vulnerable. Ongoing efforts to establish a centralized beneficiary database should be accelerated to avoid duplication and gaps in coverage. Consolidating the numerous programs would help ease their coordination and administration. There should be a shift from generalized subsidies and support to more targeted programs with benefits periodically adjusted to reflect cost of living changes.

41. Fiscal institutions could be enhanced to buttress the credibility of the fiscal framework. To enhance fiscal discipline and oversight, the MTFS and FRG should be endorsed by the parliament. The establishment of the Fiscal Responsibility Oversight Committee should be accelerated. The Finance Administration Act and the Customs Act should be amended to codify the planned restraint on discretionary tax exemptions. Statutory exemptions should be consistent with the Antigua and Barbuda Investment Authority Act and the Antigua and Barbuda Investment Authority should monitor the approved projects. The shortcomings in the transparency and exchange of information frameworks for tax purposes as identified in the Global Forum's 2023 Peer Review should be addressed, which would also help Antigua and Barbuda exit the EU's listing of non-cooperative jurisdictions for tax purposes.

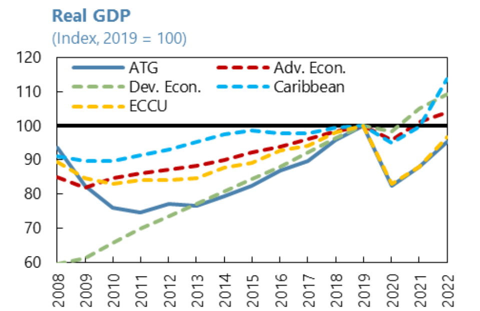
42. There is scope to bolster financial stability through stronger frameworks and address constraints to intermediation. The oversight and regulation of credit unions should be strengthened, and the stress testing framework should be further improved by incorporating climate risks. The AML/CFT and CIP frameworks should continue to be enhanced including by improving risk-based AML/CFT supervision and mitigating risks to the integrity and sustainability of CIP. The regional efforts to modernize the national insolvency law should continue.

43. Continued efforts are needed to boost tourism, increase human capital, and undertake climate change-related investments. Efforts should continue to increase flight connectivity and cruise ship homeporting. Active labor market policies could be strengthened and opportunities could be further enhanced for vocational education. Donor support should be mobilized to finance improvements in climate resilience and the transition to renewable energy.

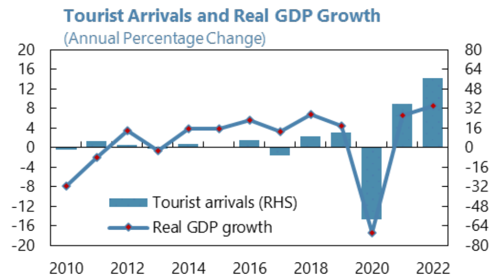
44. It is recommended that the next Article IV consultation with Antigua and Barbuda take place on the standard 12-month cycle.

Figure 1. Antigua and Barbuda: Economic Developments

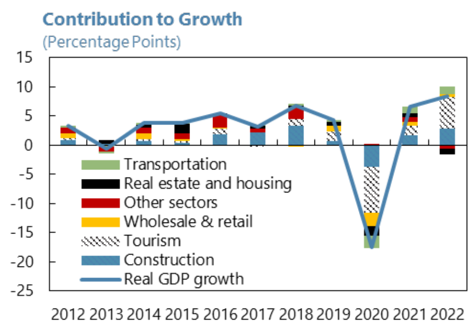
The economy is steadily recovering from the pandemic shock….



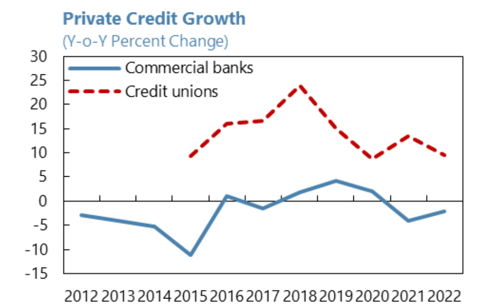
…supported by the return in tourist arrivals.



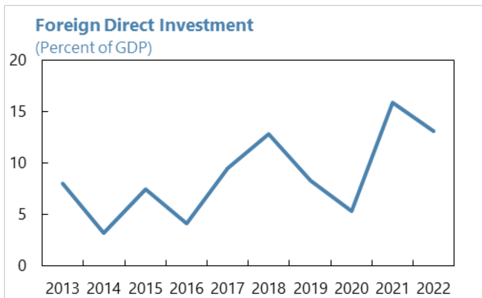
The recovery is broad-based….



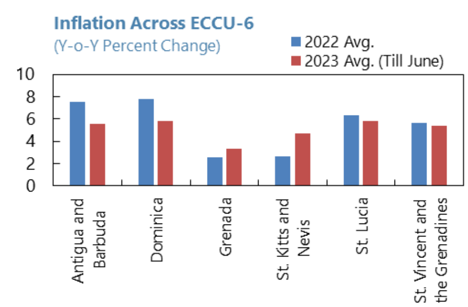
…despite credit to the private sector (dominated by commercial banks) remaining weak.



FDI inflows, mainly to the hospitality sector, have been strong post pandemic.



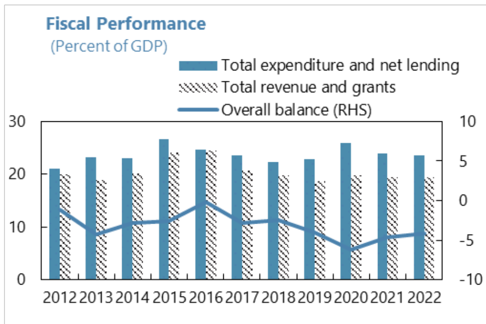
Inflation was elevated in 2022 compared to ECCU peers but has since begun to recede.



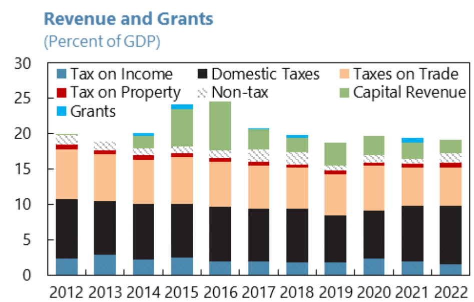
Sources: Country authorities, ECCB and IMF staff calculations.

Figure 2. Antigua and Barbuda: Fiscal Sector Developments

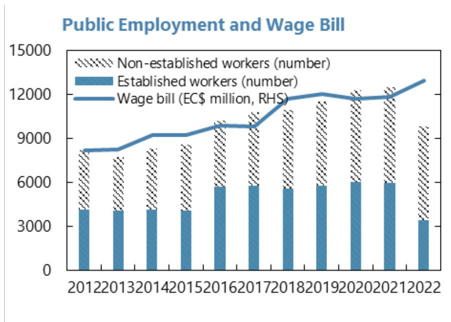
The fiscal balance improved in 2022 mostly due to a decline in expenditures as a share of GDP.



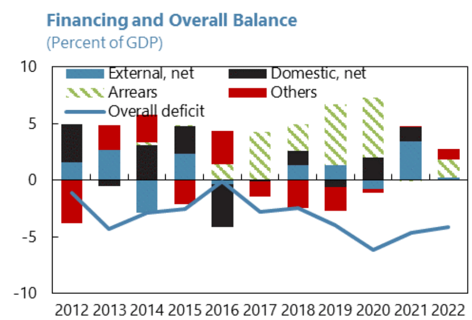
Revenues excluding grants grew largely in line with GDP in 2022.



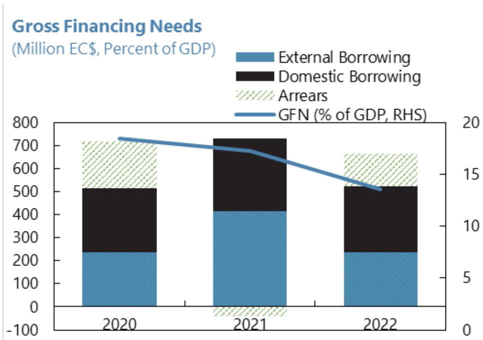
The backpay contributed to the increase in the wage bill in 2022.



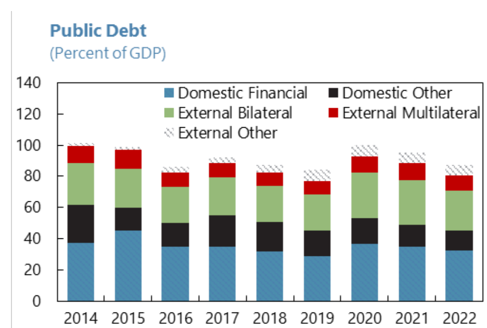
The fiscal deficit in 2022 was mainly financed by securities issuances and accumulation of arrears.



The gross financing needs in 2022 were mainly met by external sources, domestic borrowing, and accumulation of arrears.



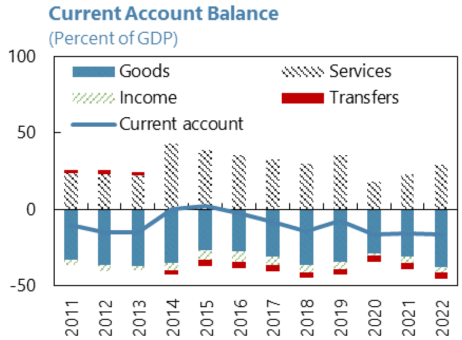
Public debt has declined in 2022 owing to rising nominal GDP with the fiscal balance remaining in deficit.



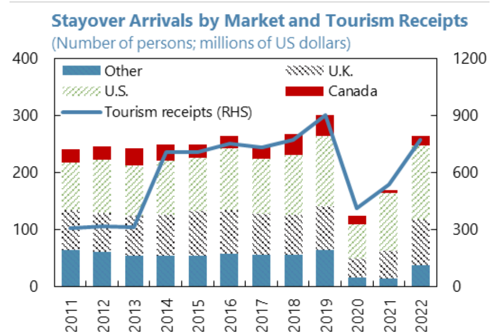
Sources: Country authorities, ECCB and IMF staff calculations.

Figure 3. Antigua and Barbuda: External Sector Developments

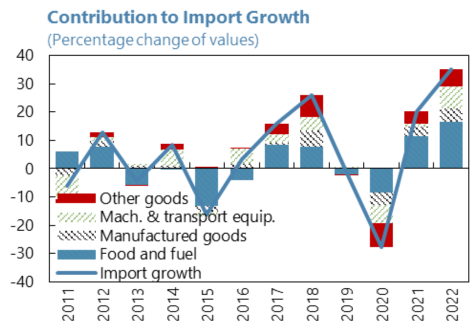
Current account deficit in 2022 remained large due to strong imports.



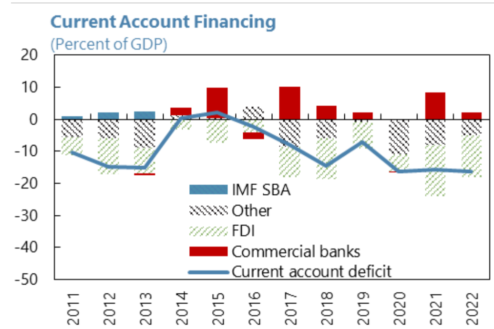
Tourism rebound in 2022 was led by those from the U.S. and U.K.



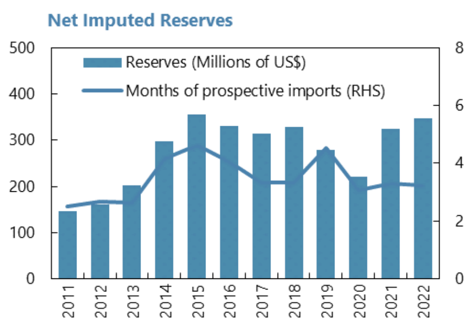
Import growth in 2022 continued to be broad-based.



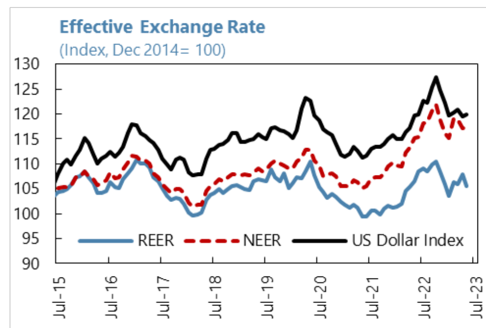
Large current account deficit in 2022 continued to be mainly financed by FDI.



Reserve coverage remained broadly stable.



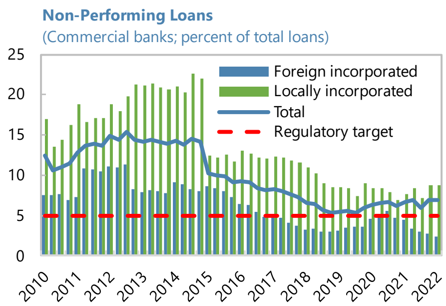
The real effective exchange rate moved with U.S. dollar.



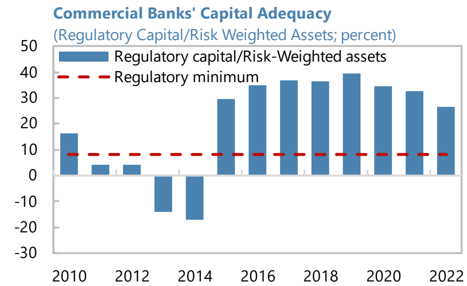
Sources: Country authorities, ECCB and IMF staff calculations.

Figure 4. Antigua and Barbuda: Banking System Developments

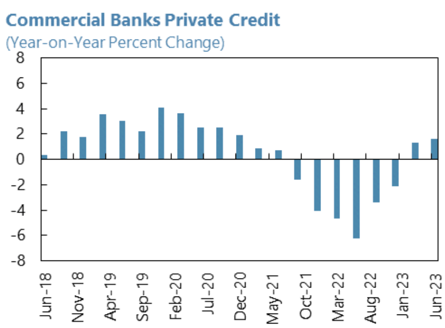
Commercial banks saw stable NPLs, which at the sector level, were moderately elevated.



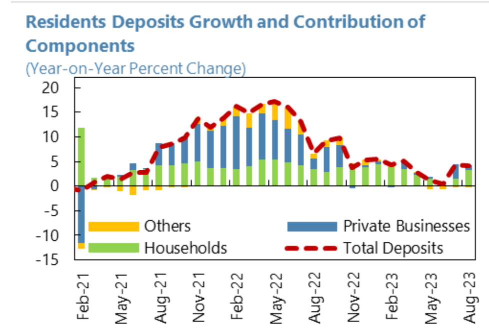
They had adequate capital, albeit lower than pre-pandemic levels.



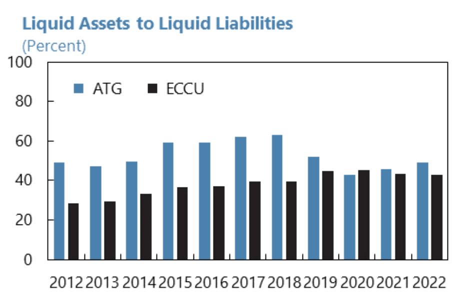
Commercial bank credit to the private sector has resumed growing in 2023, …



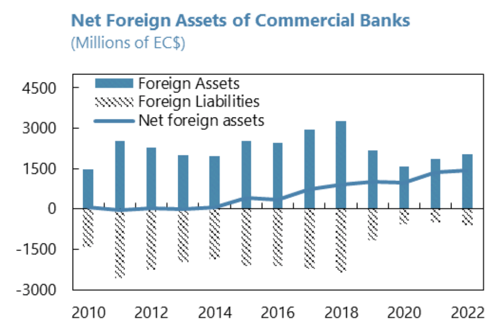
… amid a slower growth in deposits.



Liquidity plateaued and was lower than pre-pandemic levels.



The upward trend of net foreign assets flattened in 2022.



Sources: Country authorities, ECCB and IMF staff calculations

Table 1. Antigua and Barbuda: Selected Economic and Financial Indicators

Population (2022)	100,772	Adult literacy rate (2015)	99
GDP per capita (EC$, 2022)	17,441	Mean years of schooling (2021)	9.3
Life expectancy at birth (years, 2021)	78.0	Human Development Index rank	71
Mortality rate (under 5, per 1,000 live births, 2021)	6	(2021, of 191 economies)	

					Prel.	Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
					(Annual percentage change)						
National Income and Prices											
Real GDP	6.8	4.3	-17.5	6.6	8.5	5.7	5.5	4.2	2.8	2.8	2.8
Nominal GDP	9.3	4.4	-15.5	10.2	12.6	11.0	8.6	6.7	4.9	4.9	4.9
Consumer prices (end of period)	1.7	0.7	2.8	1.2	9.2	4.0	2.5	2.0	2.0	2.0	2.0
Consumer prices (period average)	1.2	1.4	1.1	1.6	7.5	5.0	2.9	2.4	2.0	2.0	2.0
Money and Credit											
Net foreign assets	6.2	-0.9	-4.6	18.2	3.3	2.8	4.1	3.2	2.2	1.8	1.6
Net domestic assets	0.1	1.7	-0.6	-4.4	2.0	8.2	4.4	3.5	2.7	3.1	3.3
Broad money (M2)	6.3	0.8	-5.2	13.9	5.3	11.0	8.6	6.7	4.9	4.9	4.9
Credit to private sector	1.8	1.3	4.8	-4.1	-2.1	5.0	5.0	5.0	5.0	5.0	5.0
					(Percent of GDP)						
Central Government											
Primary balance	0.0	-1.2	-3.7	-2.3	-1.7	-0.4	0.9	0.9	1.0	1.0	1.0
Overall balance	-2.5	-4.0	-6.2	-4.6	-4.2	-2.1	-1.0	-1.0	-0.9	-0.9	-1.0
Total revenue and grants	19.8	18.8	19.7	19.4	19.3	20.2	20.6	20.6	20.6	20.7	20.8
Total expenditure	22.3	22.8	25.9	24.0	23.5	22.3	21.6	21.6	21.6	21.6	21.8
External Sector											
Current account balance	-14.6	-7.2	-16.3	-15.6	-16.2	-12.4	-11.7	-11.2	-10.6	-10.3	-10.1
Trade balance	-36.1	-34.4	-28.7	-30.6	-37.7	-34.2	-33.8	-33.1	-32.6	-32.5	-32.4
Nonfactor service balance	30.2	35.2	18.2	23.3	28.9	29.0	31.9	31.9	32.2	32.5	32.7
Of which: Gross tourism receipts	48.4	53.9	29.2	34.5	44.0	46.3	49.2	49.3	49.7	50.2	50.5
Overall balance	-0.5	-4.1	-6.5	3.8	0.1	-1.5	2.0	0.9	0.0	-1.2	-2.2
External public sector debt	36.8	39.0	47.3	46.7	41.8	42.8	45.0	47.0	48.4	49.9	51.8
Savings-Investment Balance	-14.6	-7.2	-16.3	-15.6	-16.2	-12.4	-11.7	-11.2	-10.6	-10.3	-10.1
Savings	22.9	27.4	17.3	26.8	24.7	25.2	26.3	26.3	26.4	26.3	26.1
Investment	37.4	34.6	33.6	42.4	40.9	37.6	38.0	37.5	37.0	36.5	36.2
Memorandum Items											
Net imputed international reserves (US$ million)	329	279	222	324	346	390	462	522	566	604	640
(Months of prospective imports)	3.3	4.5	3.1	3.3	3.2	3.3	3.7	4.0	4.2	4.2	4.4
GDP at market prices (EC$ million)	4,333	4,524	3,824	4,213	4,746	5,268	5,720	6,103	6,403	6,717	7,047
Public debt stock (EC$ million) 1/, 2/	3,783	3,803	3,829	4,021	4,134	4,255	4,388	4,511	4,623	4,738	4,865
(Percent of GDP)	87.3	84.1	100.1	95.4	87.1	80.8	76.7	73.9	72.2	70.5	69.0

Sources: Country authorities, ECCB, UN Human Development Report, World Bank, and IMF staff estimates and projections.

1/ Includes stock of principal and interest arrears, unpaid vouchers, and suppliers' credits.

2/ Includes central government guarantees of state enterprises' and statutory bodies' debt.

Table 2. Antigua and Barbuda: Gross Financing Needs

	2020	2021	Prel. 2022	Projections 2023	2024	2025	2026	2027	2028
			(Millions of Eastern Caribbean dollars)						
Total Gross Financing Needs	**705**	**729**	**644**	**579**	**523**	**599**	**574**	**682**	**842**
(in percent of GDP)	18.4	17.3	13.6	11.0	9.1	9.8	9.0	10.2	12.0
Deficit Financing	**235**	**196**	**198**	**109**	**59**	**61**	**61**	**61**	**71**
Central Government External Amortization	**269**	**272**	**228**	**270**	**233**	**307**	**356**	**436**	**544**
Multilateral	20	34	35	43	51	52	55	53	47
Bilateral Paris Club	0	0	0	0	0	0	0	0	0
Bilateral non-Paris Club	7	7	23	45	62	54	44	64	84
Securities	245	231	171	182	75	95	75	85	79
Additional securities to close financing gap	0	0	0	0	45	107	182	261	369
Central Government Domestic Amortization	**201**	**261**	**218**	**200**	**231**	**230**	**158**	**185**	**227**
Commercial Banks	6	23	16	19	15	17	18	18	19
ECCB	30	78	44	60	24	15	7	9	3
Securities	158	144	158	119	165	177	114	140	190
Financing Sources	**500**	**786**	**501**	**353**	**214**	**225**	**179**	**143**	**153**
External	**238**	**414**	**237**	**232**	**146**	**146**	**110**	**74**	**74**
IMF	0	0	0	0	0	0	0	0	0
Caribbean Development Bank	39	101	23	141	0	0	0	0	0
World Bank	5	0	0	0	0	0	0	0	0
Abu Dhabi Fund for Development	0	1	0	11	0	0	0	0	0
Securities	192	238	214	42	74	74	74	74	74
ALBA Bank	3	0	0	0	0	0	0	0	0
CARICOM/IDB	0	1	0	1	0	0	0	0	0
SDR	0	73	0	0	0	0	0	0	0
Other bilateral	0	0	0	36	72	72	36	0	0
Domestic	**278**	**317**	**286**	**120**	**68**	**79**	**69**	**69**	**79**
Commercial banks	15	44	20	0	0	0	0	0	0
ECCB	122	46	61	13	0	0	0	0	0
Securities	141	227	205	108	68	79	69	69	79
Change in Deposits	**-15**	**39**	**-22**	**0**	**0**	**0**	**0**	**0**	**0**
Central Government Sale/Purchase of Domestic Assets 1/	**0**	**15**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing Discrepancy/Gaps 2/	**205**	**-57**	**142**	**227**	**309**	**374**	**395**	**539**	**689**
Valuation adjustment, write off, and debt relief	**55**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financing gap 2/	**150**	**-57**	**142**	**227**	**309**	**374**	**395**	**539**	**689**

Sources: Country authorities and IMF staff estimates and projections.

1/ In 2021, it reflects the government's sale of 10 percent of its equity stake in the state oil company (WIOC).

2/ Financing gaps for 2023 and beyond. Discrepancy for 2022 and before. Financing gaps are assumed to be filled by unidentified long-term financing sources.

Table 3a. Antigua and Barbuda: Central Government Operations

(Millions of Eastern Caribbean Dollars)

					Prel.						
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Revenue and Grants	**859**	**849**	**755**	**816**	**918**	**1,064**	**1,177**	**1,258**	**1,320**	**1,391**	**1,463**
Current revenue	756	704	651	694	825	915	1,029	1,109	1,175	1,245	1,310
Tax Revenue	**680**	**672**	**610**	**667**	**752**	**840**	**950**	**1,025**	**1,086**	**1,151**	**1,213**
o/w Income	**78**	**79**	**87**	**83**	**71**	**81**	**101**	**110**	**115**	**121**	**127**
o/w Domestic Production and Consumption	**330**	**306**	**264**	**331**	**397**	**455**	**502**	**543**	**576**	**610**	**641**
o/w AB Sales Tax	278	253	207	242	305	338	375	408	434	461	485
o/w Stamp duties	41	43	38	69	64	71	77	82	86	91	95
o/w International Transactions	**251**	**259**	**241**	**229**	**252**	**270**	**301**	**323**	**344**	**367**	**389**
o/w Import duties	97	98	82	93	110	115	126	137	143	151	158
o/w Revenue Recovery Charge (RRC)	84	80	66	74	91	96	104	110	116	123	132
o/w Consumption duties	53	64	79	48	35	40	50	54	62	70	73
o/w Taxes on Property	**21**	**29**	**18**	**24**	**32**	**35**	**46**	**49**	**51**	**54**	**56**
Non-Tax Revenue	**76**	**31**	**41**	**28**	**67**	**75**	**79**	**85**	**89**	**93**	98
Capital revenue	88	146	103	93	93	124	118	118	117	121	126
o/w CIP revenue	60	142	98	91	86	100	93	93	91	93	98
Total grants	16	0	0	29	0	25	30	30	28	26	26
Current grants	0	0	0	0	0	0	0	0	0	0	0
Capital grants 1/	16	0	0	29	0	25	30	30	28	26	26
Total Expenditure	**966**	**1,031**	**990**	**1,012**	**1,116**	**1,172**	**1,236**	**1,319**	**1,381**	**1,452**	**1,534**
Total primary expenditure	857	905	895	915	998	1,085	1,125	1,202	1,258	1,325	1,392
Current expenditure	883	943	883	912	972	1,011	1,059	1,129	1,184	1,241	1,309
Primary current expenditure	774	818	789	816	854	924	948	1,012	1,062	1,114	1,168
Wages and salaries	389	400	389	394	430	461	462	493	518	543	570
Employment contributions 2/	33	36	36	38	38	41	45	48	50	52	55
Goods and services, incl. utilities	129	152	126	130	159	184	191	204	214	224	235
Pensions	71	78	70	70	73	74	77	82	86	90	94
Other transfers	151	151	167	183	153	164	174	185	195	204	214
Capital expenditure and net lending	84	87	107	99	144	161	177	190	197	211	224
Interest payments	109	126	95	97	118	87.38	111	117	123	128	141
External	35	50	43	47	43	31	46	60	73	82	94
Domestic	74	75	52	50	75	57	65	57	50	46	47
Primary Balance	**2**	**-56**	**-140**	**-99**	**-80**	**-21**	**52**	**56**	**62**	**67**	**70**
Overall Balance	**-107**	**-181**	**-235**	**-196**	**-198**	**-109**	**-59**	**-61**	**-61**	**-61**	**-71**
Financing	**107**	**181**	**235**	**196**	**198**	**109**	**59**	**61**	**61**	**61**	**71**
External (net)	58	53	-31	142	9	-38	-87	-161	-246	-362	-470
Disbursement	224	254	238	414	237	232	146	146	110	74	74
Amortization 3/	-166	-201	-269	-272	-228	-270	-233	-307	-356	-436	-544
Domestic (net)	55	-6	71	95	46	-80	-163	-152	-89	-116	-148
ECCB	-6	1	92	-32	17	-47	-24	-15	-7	-9	-3
Banks (loans, net)	-27	11	9	22	4	-19	-15	-17	-18	-18	-19
Government securities	37	-18	-17	83	47	-11	-96	-98	-45	-71	-111
Issuances	191	165	141	227	205	108	68	79	69	69	79
Amortization	-154	-183	-158	-144	-158	-119	-165	-177	-114	140	190
Others	49	0	-13	-17	0	-3	-27	-22	-19	-17	-15
Changes in deposits (increase -)	2	-10	-15	39	-22	0	0	0	0	0	0
Asset sales/purchases 4/	0	0	0	15	0	0	0	0	0	0	0
Valuation adjustments & write-offs	0	0	40	0	0	0	0	0	0	0	0
Statistical discrepancy	-6	135	155	-56.8	142.5	0	0	0	0	0	0
Financing Discrepency/Gap	**…**	**…**	**…**	**…**	**…**	**227**	**309**	**374**	**395**	**539**	**689**
Memorandum Items:											
Central government debt stock	3,241	3,259	3,300	3,433	3,529	3,582	3,659	3,733	3,806	3,881	3,966
Central government debt (incl. guarantees)	3,783	3,803	3,829	4,021	4,134	4,255	4,388	4,511	4,623	4,738	4,865
GDP at market prices	4,333	4,524	3,824	4,213	4,746	5,268	5,720	6,103	6,403	6,717	7,047
Change in arrears 5/	104	243	201	-2	79	-75	5	6	-15	0	2
External 3/	54	59	70	50	68	10	29	24	1	13	14
Amortization	44	42	56	41	58	13	16	0	0	0	0
Interest	10	17	15	8	11	-6	5	28	6	18	19
Domestic 1/, 5/	50	184	132	-52	11	-85	-24	-19	-16	-13	-11

Sources: Country authorities and IMF staff estimates and projections.

1/ For 2021, it reflects EC$29 million in arrears write-off by Republic Bank of Trinidad and Tobago (RBTT).

2/ Includes contributions to social security, medical benefits, and education.

3/ Projection reflects amortization due (accrual basis).

4/ In 2021, it reflects the government's sale of 10 percent of its equity stake in WIOC.

5/ Includes interest and amortization arrears, unpaid vouchers to domestic creditors, personnel payables, and unpaid contributions. For 2021, it reflects EC$29 million in arrears write-off by RBTT.

Table 3b. Antigua and Barbuda: Central Government Operations
(Percent of GDP)

					Prel.	Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Total Revenue and Grants	**19.8**	**18.8**	**19.7**	**19.4**	**19.3**	**20.2**	**20.6**	**20.6**	**20.6**	**20.7**	**20.8**
Current revenue	17.4	15.6	17.0	16.5	17.4	17.4	18.0	18.2	18.3	18.5	18.6
Tax Revenue	**15.7**	**14.9**	**15.9**	**15.8**	**15.8**	**15.9**	**16.6**	**16.8**	**17.0**	**17.1**	**17.2**
o/w Income	**1.8**	**1.7**	**2.3**	**2.0**	**1.5**	**1.5**	**1.8**	**1.8**	**1.8**	**1.8**	**1.8**
o/w Domestic Production and Consumption	**7.6**	**6.8**	**6.9**	**7.8**	**8.4**	**8.6**	**8.8**	**8.9**	**9.0**	**9.1**	**9.1**
o/w AB Sales Tax	6.4	5.6	5.4	5.7	6.4	6.4	6.6	6.7	6.8	6.9	6.9
o/w Stamp duties	1.0	1.0	1.0	1.6	1.3	1.3	1.3	1.3	1.3	1.3	1.3
o/w International Transactions	**5.8**	**5.7**	**6.3**	**5.4**	**5.3**	**5.1**	**5.3**	**5.3**	**5.4**	**5.5**	**5.5**
o/w Import duties	2.2	2.2	2.1	2.2	2.3	2.2	2.2	2.3	2.2	2.2	2.2
o/w Revenue Recovery Charge (RRC)	1.9	1.8	1.7	1.8	1.9	1.8	1.8	1.8	1.8	1.8	1.9
o/w Consumption duties	1.2	1.4	2.1	1.1	0.7	0.8	0.9	0.9	1.0	1.0	1.0
o/w Taxes on Property	**0.5**	**0.6**	**0.5**	**0.6**	**0.7**	**0.7**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**
Non-Tax Revenue	**1.8**	**0.7**	**1.1**	**0.7**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	**1.4**	1.4
Capital revenue	2.0	3.2	2.7	2.2	2.0	2.4	2.1	1.9	1.8	1.8	1.8
o/w CIP revenue	1.4	3.1	2.6	2.2	1.8	1.9	1.6	1.5	1.4	1.4	1.4
Total grants	0.4	0.0	0.0	0.7	0.0	0.5	0.5	0.5	0.4	0.4	0.4
Current grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital grants 1/	0.4	0.0	0.0	0.7	0.0	0.5	0.5	0.5	0.4	0.4	0.4
Total Expenditure	**22.3**	**22.8**	**25.9**	**24.0**	**23.5**	**22.3**	**21.6**	**21.6**	**21.6**	**21.6**	**21.8**
Total primary expenditure	19.8	20.0	23.4	21.7	21.0	20.6	19.7	19.7	19.7	19.7	19.8
Current expenditure	20.4	20.9	23.1	21.7	20.5	19.2	18.5	18.5	18.5	18.5	18.6
Primary current expenditure	17.9	18.1	20.6	19.4	18.0	17.5	16.6	16.6	16.6	16.6	16.6
Wages and salaries	9.0	8.9	10.2	9.4	9.1	8.7	8.1	8.1	8.1	8.1	8.1
Employment contributions 2/	0.8	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Goods and services, incl. utilities	3.0	3.4	3.3	3.1	3.4	3.5	3.3	3.3	3.3	3.3	3.3
Pensions	1.6	1.7	1.8	1.7	1.5	1.4	1.3	1.3	1.3	1.3	1.3
Other transfers	3.5	3.3	4.4	4.3	3.2	3.1	3.0	3.0	3.0	3.0	3.0
Capital expenditure and net lending	1.9	1.9	2.8	2.4	3.0	3.1	3.1	3.1	3.1	3.1	3.2
Interest payments	2.5	2.8	2.5	2.3	2.5	1.7	1.9	1.9	1.9	1.9	2.0
External	0.8	1.1	1.1	1.1	0.9	0.6	0.8	1.0	1.1	1.2	1.3
Domestic	1.7	1.7	1.4	1.2	1.6	1.1	1.1	0.9	0.8	0.7	0.7
Primary Balance	**0.0**	**-1.2**	**-3.7**	**-2.3**	**-1.7**	**-0.4**	**0.9**	**0.9**	**1.0**	**1.0**	**1.0**
Overall Balance	**-2.5**	**-4.0**	**-6.2**	**-4.6**	**-4.2**	**-2.1**	**-1.0**	**-1.0**	**-0.9**	**-0.9**	**-1.0**
Financing	**2.5**	**4.0**	**6.2**	**4.6**	**4.2**	**2.1**	**1.0**	**1.0**	**0.9**	**0.9**	**1.0**
External (net)	1.3	1.2	-0.8	3.4	0.2	-0.7	-1.5	-2.6	-3.8	-5.4	-6.7
Disbursement	5.2	5.6	6.2	9.8	5.0	4.4	2.6	2.4	1.7	1.1	1.1
Amortization 3/	-3.8	-4.4	-7.0	-6.5	-4.8	-5.1	-4.1	-5.0	-5.6	-6.5	-7.7
Domestic (net)	1.3	-0.1	1.9	2.3	1.0	-1.5	-2.9	-2.5	-1.4	-1.7	-2.1
ECCB	-0.1	0.0	2.4	-0.8	0.4	-0.9	-0.4	-0.2	-0.1	-0.1	0.0
Banks (loans, net)	-0.6	0.2	0.2	0.5	0.1	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3
Government securities	0.9	-0.4	-0.4	2.0	1.0	-0.2	-1.7	-1.6	-0.7	-1.1	-1.6
Issuances	4.4	3.6	3.7	5.4	4.3	2.0	1.2	1.3	1.1	1.0	1.1
Amortization	-3.5	-4.1	-4.1	-3.4	-3.3	-2.3	-2.9	-2.9	-1.8	2.1	2.7
Others	1.1	0.0	-0.3	-0.4	0.0	-0.1	-0.5	-0.4	-0.3	-0.3	-0.2
Changes in deposits (increase -)	0.1	-0.2	-0.4	0.9	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Asset sales/purchases 4/	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation adjustments & write-offs	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy	-0.1	3.0	4.1	-1.3	3.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap	**…**	**…**	**…**	**…**	**…**	**4.3**	**5.4**	**6.1**	**6.2**	**8.0**	**9.8**
Memorandum Items:											
Central government debt stock	74.8	72.1	86.3	81.5	74.4	68.0	64.0	61.2	59.4	57.8	56.3
Central government debt (incl. guarantees)	87.3	84.1	100.1	95.4	87.1	80.8	76.7	73.9	72.2	70.5	69.0
Change in arrears 5/	2.4	5.4	5.3	-0.1	1.7	-1.4	0.1	0.1	-0.2	0.0	0.0
External 3/	1.2	1.3	1.8	1.2	1.4	0.2	0.5	0.4	0.0	0.2	0.2
Amortization	1.0	0.9	1.5	1.0	1.2	0.2	0.3	0.0	0.0	0.0	0.0
Interest	0.2	0.4	0.4	0.2	0.2	-0.1	0.1	0.5	0.1	0.3	0.3
Domestic 1/, 5/	1.1	4.1	3.4	-1.2	0.2	-1.6	-0.4	-0.3	-0.2	-0.2	-0.2

Sources: Country authorities and IMF staff estimates and projections.

1/ For 2021, it reflects EC$29 million (equal to 0.7 percent of GDP) in arrears write-off by Republic Bank of Trinidad and Tobago (RBTT).

2/ Includes contributions to social security, medical benefits, and education.

3/ Projection reflects amortization due (accrual basis).

4/ In 2021, it reflects the government's sale of 10 percent of its equity stake in WIOC.

5/ Includes interest and amortization arrears, unpaid vouchers to domestic creditors, personnel payables, and unpaid contributions. For 2021, it reflects EC$29 million (equal to 0.7 percent of GDP) in arrears write-off by RBTT.

Table 4. Antigua and Barbuda: Monetary Survey

						Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	(Million of Eastern Caribbean Dollars)										
Net Foreign Assets	**1,793**	**1,759**	**1,588**	**2,231**	**2,363**	**2,481**	**2,676**	**2,839**	**2,958**	**3,059**	**3,156**
Antigua and Barbuda, imputed reserves	887	753	599	874	935	1,053	1,247	1,410	1,529	1,630	1,728
Commercial banks' net foreign assets	906	1,006	989	1,356	1,429	1,429	1,429	1,429	1,429	1,429	1,429
Net Domestic Assets	**1,896**	**1,960**	**1,937**	**1,783**	**1,865**	**2,212**	**2,420**	**2,599**	**2,747**	**2,925**	**3,122**
Net credit to public sector	430	411	564	647	652	588	549	518	501	484	467
Claims on central government (net) 1/	393	384	493	481	502	438	399	368	351	335	317
ECCB net credit to central government	60	70	136	114	130	83	58	43	43	44	44
Commercial banks' net credit to government	333	314	358	367	373	355	340	325	308	291	273
Net credit to other public sector	36	26	71	166	150	150	150	150	150	150	150
Credit to private sector	1,931	1,955	2,049	1,965	1,924	2,020	2,121	2,227	2,338	2,455	2,578
Other items (net)	-465	-406	-677	-829	-711	-395	-250	-146	-93	-14	77
Monetary Liabilities (M2) 1/	**3,689**	**3,719**	**3,525**	**4,014**	**4,228**	**4,694**	**5,096**	**5,437**	**5,705**	**5,984**	**6,278**
Money (M1)	969	1,076	1,070	1,217	1,257	1,396	1,515	1,617	1,696	1,779	1,867
Quasi-money	2,720	2,642	2,455	2,796	2,971	3,298	3,581	3,821	4,009	4,205	4,411
	(Change in percent of M2 at beginning of period)										
Net Foreign Assets	**6.2**	**-0.9**	**-4.6**	**18.2**	**3.3**	**2.8**	**4.1**	**3.2**	**2.2**	**1.8**	**1.6**
Antigua and Barbuda, imputed reserves	1.2	-3.6	-4.2	7.8	1.5	2.8	4.1	3.2	2.2	1.8	1.6
Commercial banks' net foreign assets	5.1	2.7	-0.5	10.4	1.8	0.0	0.0	0.0	0.0	0.0	0.0
Net Domestic Assets	**0.1**	**1.7**	**-0.6**	**-4.4**	**2.0**	**8.2**	**4.4**	**3.5**	**2.7**	**3.1**	**3.3**
Credit to public sector (net)	0.1	-0.5	4.1	2.3	0.1	-1.5	-0.8	-0.6	-0.3	-0.3	-0.3
Claims on central government	0.5	-0.2	2.9	-0.3	0.5	-1.5	-0.8	-0.6	-0.3	-0.3	-0.3
Credit to rest of the public sector	-0.4	-0.3	1.2	2.7	-0.4	0.0	0.0	0.0	0.0	0.0	0.0
Credit to private sector	1.0	0.7	2.5	-2.4	-1.0	2.3	2.2	2.1	2.0	2.0	2.1
Other items (net)	-1.0	1.6	-7.3	-4.3	2.9	7.5	3.1	2.0	1.0	1.4	1.5
	(12-month percentage change)										
Broad Money	**6.3**	**0.8**	**-5.2**	**13.9**	**5.3**	**11.0**	**8.6**	**6.7**	**4.9**	**4.9**	**4.9**
Money (M1)	4.7	11.1	-0.6	13.8	3.2	11.0	8.6	6.7	4.9	4.9	4.9
Quasi-money	6.9	-2.9	-7.1	13.9	6.2	11.0	8.6	6.7	4.9	4.9	4.9
Memorandum Items:											
Income velocity of M2	1.2	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.1
Credit to private sector (net)	1.8	1.3	4.8	-4.1	-2.1	5.0	5.0	5.0	5.0	5.0	5.0
	(Percent of GDP)										
Credit to private sector	44.6	43.2	53.6	46.6	40.5	38.3	37.1	36.5	36.5	36.6	36.6
GDP at market prices (EC$ million)	4,333	4,524	3,824	4,213	4,746	5,268	5,720	6,103	6,403	6,717	7,047

Sources: Country authorities, ECCB, and IMF staff estimates and projections.

1/ The Eastern Caribbean Central Bank revised the methodology used in the compilation of monetary and financial Statistics in 2020 by sectoring the National Insurance Scheme and Public Nonfinancial Corporations (Group 1) within general government, resulting in changes to some aggregates including central government deposits and broad money.

Table 5. Antigua and Barbuda: Central Government Debt

	2021			2022		
		Percent of			Percent of	
	Stock	Total Debt	GDP	Stock	Total Debt	GDP
(Outstanding debt including arrears; Millions of U.S. dollars, unless noted otherwise)						
Total Central Government Debt 1/	**1,271.3**	**85.4**	**81.5**	**1,306.9**	**85.4**	**74.4**
Central Government Domestic Debt	**660.7**	**44.4**	**42.3**	**695.5**	**45.4**	**39.6**
ECCB	44.7	3.0	2.9	50.8	3.3	2.9
Bank loans	143.6	9.6	9.2	145.9	9.5	8.3
Of which: Overdraft	7.6	0.5	0.5	9.5	0.6	0.5
Debt to statutory bodies	148.6	10.0	9.5	151.1	9.9	8.6
Medical Benefits Scheme	55.6	3.7	3.6	55.6	3.6	3.2
Social Security	93.0	6.2	6.0	95.5	6.2	5.4
Government securities	253.1	17.0	16.2	272.5	17.8	15.5
Suppliers' credits and others 2/	70.7	4.7	4.5	75.2	4.9	4.3
Central Government External Debt	**610.6**	**41.0**	**39.1**	**611.3**	**39.9**	**34.8**
Multilateral	169.3	11.4	10.8	165.0	10.8	9.4
Caribbean Development Bank	163.9	11.0	10.5	159.7	10.4	9.1
EIB	0.8	0.1	0.1	0.7	0.0	0.0
World Bank	4.1	0.3	0.3	4.0	0.3	0.2
Bilateral	368.9	24.8	23.6	357.9	23.4	20.4
Paris Club	149.1	10.0	9.6	150.6	9.8	8.6
Non-Paris Club	219.7	14.8	14.1	207.3	13.5	11.8
Government securities	72.5	4.9	4.6	88.5	5.8	5.0
Government Guaranteed Domestic Debt	**99.4**	**6.7**	**6.4**	**100.6**	**6.6**	**5.7**
Government Guaranteed External Debt	**118.5**	**8.0**	**7.6**	**123.7**	**8.1**	**7.0**
Total Public Sector Debt	**1,489.2**	**100.0**	**95.4**	**1,531.1**	**100.0**	**87.1**

Sources: Country authorities and IMF staff calculations.

1/ Includes principal and interest arrears and reflects reconciliation of outstanding debt from statutory bodies.

2/ Includes vouchers for capital as well as for goods and services, and floating del

Table 6. Antigua and Barbuda: Balance of Payments

					Est.	Projections					
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	(Million of US Dollars)										
Current Account	**-233.7**	**-119.9**	**-230.7**	**-243.7**	**-284.5**	**-242.8**	**-248.2**	**-252.1**	**-251.3**	**-255.2**	**-263.4**
Trade balance	-579.8	-576.7	-405.9	-477.7	-662.8	-666.8	-715.2	-747.9	-774.3	-808.4	-846.6
Exports (f.o.b.)	43.0	50.1	34.5	47.6	51.0	57.9	63.0	67.2	70.5	73.9	77.6
Imports (f.o.b.)	622.7	626.8	440.3	525.2	713.8	724.7	778.1	815.0	844.8	882.3	924.2
Non-factor services balance	484.8	590.4	257.4	363.1	508.7	565.4	675.7	722.2	764.3	808.5	854.0
Of which : Gross tourist receipts	776.0	903.6	412.9	538.9	773.2	903.6	1,041.8	1,113.6	1,179.3	1,248.0	1,318.7
Income (net)	-80.2	-80.3	-20.0	-63.2	-58.0	-67.2	-123.0	-135.0	-145.4	-154.7	-165.2
Of which : Interest on public sector debt	-10.6	-12.1	-10.5	-13.2	-11.4	-16.2	-21.6	-28.4	-34.7	-39.7	-45.7
Current transfers (net)	-58.5	-53.3	-62.2	-65.8	-72.4	-74.1	-85.7	-91.4	-95.9	-100.6	-105.6
Capital and Financial Account	**187.2**	**171.6**	**207.3**	**198.9**	**225.6**	**242.8**	**248.2**	**252.1**	**251.3**	**255.2**	**263.4**
Capital Account	**23.3**	**30.4**	**40.3**	**38.3**	**26.4**	**46.3**	**45.6**	**45.5**	**44.1**	**44.1**	**45.8**
Capital transfers	23.3	30.4	40.3	38.3	26.4	46.3	45.6	45.5	44.1	44.1	45.8
Financial Account	**-163.9**	**-141.2**	**-167.0**	**-160.6**	**-199.2**	**-196.5**	**-202.7**	**-206.6**	**-207.2**	**-211.1**	**-217.6**
a. Official flows	-23.7	-31.2	33.8	-56.0	-22.3	-13.5	-73.9	-67.1	-53.0	-50.6	-53.9
Portfolio liabilities	-3.7	-18.8	9.8	-3.1	-4.9	0.0	0.0	0.0	0.0	0.0	0.0
Public sector loans	-20.0	-12.4	24.0	-52.9	-17.4	-13.5	-73.9	-67.1	-53.0	-50.6	-53.9
Of which: Central government	...	...	...	-27.6	-7.6	14.5	-45.3	-41.5	-30.5	-26.6	-30.9
Of which: Public sector corporations	...	...	...	-25.2	-9.9	-28.0	-28.6	-25.7	-22.4	-24.1	-23.0
Disbursements	62.4	90.0	72.0	141.2	93.4	103.2	155.7	169.3	160.8	182.2	218.8
Amortization (-)	42.4	77.6	96.0	88.4	75.9	89.7	81.8	102.1	107.8	131.5	164.9
b. Non-official flows 1/	-132.2	-40.8	-108.9	-163.4	-178.3	-190.4	-219.5	-218.8	-218.3	-217.7	-217.1
Foreign direct investment (net)	-205.7	-139.4	-74.8	-248.2	-230.7	-190.4	-219.5	-218.8	-218.3	-217.7	-217.1
Portfolio investment (net)	87.0	37.6	-48.3	-1.0	42.7	0.0	0.0	0.0	0.0	0.0	0.0
Other private (net)	-13.6	61.0	14.2	85.9	9.7	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Commercial banks	66.2	33.1	-1.5	130.8	34.5	0.0	0.0	0.0	0.0	0.0	0.0
c. Overall Balance 2/	**-7.9**	**-69.1**	**-91.9**	**58.7**	**1.4**	**7.4**	**90.8**	**79.3**	**64.1**	**57.2**	**53.5**
Financing	**7.9**	**69.1**	**91.9**	**-58.7**	**-1.4**	**-7.4**	**-90.8**	**-79.3**	**-64.1**	**-57.2**	**-53.5**
Change in imputed international reserves (increase -) 3/	-15.0	49.6	57.2	-102.1	-22.3	-43.8	-72.1	-60.3	-44.0	-37.6	-36.1
Net use of IMF resources	-8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Caribbean Development Bank financing (net)	11.4	-2.3	7.2	25.0	-4.2	36.4	-18.6	-18.9	-20.0	-19.5	-17.2
World Bank financing (net)	0.0	-0.1	1.7	-0.1	-0.1	0.0	-0.1	-0.1	-0.2	-0.2	-0.2
Other IFIs (net)	...	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Drawing Rights	0.1	0.0	-0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
External Financing Gap 4/	...	...	...	...	**0.0**	**36.1**	**49.1**	**59.6**	**63.0**	**85.9**	**109.8**
Errors and Omissions	**46.5**	**-51.7**	**23.4**	**44.8**	**58.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
	(Percent of GDP, unless otherwise indicated)										
Memorandum items:											
Current account	-14.6	-7.2	-16.3	-15.6	-16.2	-12.4	-11.7	-11.2	-10.6	-10.3	-10.1
Of which:											
Gross tourist receipts	48.4	53.9	29.2	34.5	44.0	46.3	49.2	49.3	49.7	50.2	50.5
Export growth (annual percent change)	15.6	16.5	-31.2	38.1	7.2	13.5	8.7	6.7	4.9	4.9	4.9
Import growth (annual percent change)	26.1	0.6	-29.7	19.3	35.9	1.5	7.4	4.7	3.6	4.4	4.7
Net imputed international reserves (US$ million) 3/	328.5	278.9	221.7	323.8	346.1	389.9	462.0	522.3	566.3	603.9	639.9
Net imputed international reserves (in months of prospective imports)	3.3	4.5	3.1	3.3	3.2	3.3	3.7	4.0	4.2	4.2	4.4
GDP at market prices (US$ million)	1,605	1,675	1,416	1,561	1,758	1,951	2,118	2,260	2,372	2,488	2,610

Sources: Country authorities, ECCB, and IMF staff estimates and projections.
1/ Net acquisition of assets. A positive sign means an outflow of funds.
2/ Overall balance includes financing sources from changes in reserves, and net borrowings from IFIs.
3/ Assumes external financing gap is filled.
4/ The part of the synthetic instrument that will be financed by external investors.

Annex I. Implementation of Fund's Past Policy Advice

Recommendations from 2022 Article IV	Authorities' Actions
Fiscal sustainability	
Achieve the targets of the Medium-Term Fiscal Strategy by limiting tax exemptions, introducing new tax measures, and containing the wage bill.	**Ongoing.** The authorities have decided to cap discretionary tax exemptions, increase property taxes for high end properties and are considering further tax measures to achieve medium-term targets.
Conduct a public sector employment census and skills database as part of a longer-term strategy to address the wage bill.	**Limited.** To control the wage bill, the authorities have contained wage and employment growth. There are currently no plans to conduct a public sector employment census or set up a skills database.
Fiscal structural	
Legislate the MTFS and Fiscal Resilience Guidelines by parliament.	**No progress**. There are currently no plans to legislate MTFS or the Fiscal Resilience Guidelines.
Operationalize the Climate Resilience and Development Fund, Fiscal Resilience Oversight Committee, and single window system at customs.	**Partial.** The Climate Resilience and Development Fund has been made operational. The work on the establishment of the Fiscal Resilience Oversight Committee is ongoing where committee members need to be identified and appointed.
Put in place e-filing and e-payment of taxes.	**Partial.** The e-filing, e-payment and e-registration system has been put in place, but its usage remains limited due to transaction fees.
Operationalize the single window system at customs.	**Partial.** Operationalizing the single window system at customs has been facing funding constraints.
Implement the amended Finance Administration Act and Procurement Administration Act.	**Ongoing.** Amended Finance Administration Act and Procurement Administration Act are under review.
Introduce a performance report card system for SOEs.	**Ongoing**. Work on the performance card for SOEs is in progress.
Develop a public financial management action plan based on results of the recent Public Expenditure and Financial Accountability self-assessment.	**Partial.** Public financial management action plan has been drafted and is under review.

Recommendations from 2022 Article IV	Authorities' Actions
Social protection	
Implement a clear framework for coordination between different government entities responsible for social safety net programs.	**Ongoing** but with limited progress.
Allocate sufficient resources towards the completion and maintenance of the centralized beneficiary registry.	**Limited**. The work with UNICEF support to develop a centralized beneficiary system is ongoing but progress has been slow.
Put in place an automatic fuel pricing mechanism, with full pass-through of international prices in conjunction with targeted social protection programs.	**No progress**. The authorities do not have plans for introducing an automatic fuel pricing mechanism at the present.
Debt and arrears	
Maintain efforts to extend the maturity profile of public debt in the domestic and external markets.	**Ongoing.** Efforts are ongoing to extend the maturity of public debt.
Closely engage with creditors to put in place feasible strategies for clearing remaining arrears and to avoid new arrears.	**Partial/Limited.** A reengagement strategy is being developed to clear arrears and secure financing on favorable terms.
Social security pension system	
Gradually increase the contribution rate and automatic adjustments to the retirement age in line with the increase in life expectancy at retirement.	**Limited**. The authorities continue to execute the planned increase in the retirement age, minimum number of work weeks, and contribution rates, as set by the 2016 parametric pension reform. However, no concrete plan has been made for 2026 and beyond.
Develop a revamped investment strategy to help address liquidity constraints and increase longer-term returns.	**Ongoing** but with limited progress.
Financial stability	
Closely monitor asset quality and provisioning buffers of financial institutions.	**Ongoing**. The FSRC has required credit unions to strengthen governance and risk controls by requiring all institutions to have internal auditing capacity and qualified board members, and for the large credit unions to have dedicated risk managers.

Recommendations from 2022 Article IV	Authorities' Actions
Financial stability	
Formulate a national crisis management plan in collaboration with the ECCB to address potential risks to the financial system.	**Limited.** The FSRC has identified systematically important financial institutions (SIFIs) for tighter regulations but there has been limited progress towards a crisis management plan.
Strengthen the AML/CFT and CIP frameworks to help protect correspondent banking relationships and strengthen the integrity of the CIP.	**Ongoing**. Work is ongoing to implement the FATF 40 recommendations.
Financial intermediation	
Increase the role of the regional credit bureau and partial credit guarantee scheme in enhancing credit quality, accelerating the lending process, and alleviating collateral constraints of borrowers.	**Ongoing.** The regional credit bureau is expected to be operational in 2024. Efforts are ongoing to further increase utilization of the partial credit guarantee scheme, including helping SMEs with documentation requirements.
Modernize the insolvency law to help incentivize lending.	**Partial.** Efforts are being made on harmonizing the insolvency law across the CARICOM region.
Structural policies, climate change and resilience building	
Emphasize training, vocational education, and skills certification, together with job search assistance to reintegrate workers into the labor force.	**Ongoing**. There has been investments in vocational training and local universities.
Continue efforts to leverage donor resources and other international financing for climate resilience projects. Accelerate shift to renewables, supported by private sector financing.	**Partial.** The authorities are working on updating accreditation levels with the climate funds and shifting focus towards larger projects. The Climate Resilience and Development Fund is operational.

Annex II. Risk Assessment Matrix[1]

Risks	Relative Likelihood	Impact	Policy Response
		Conjunctural Risks	
Intensification of regional conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	**High**	**Medium. ST/MT.** Renewed inflationary pressures, lower real incomes, slower economic growth.	Strengthen the social safety net. Monitor financial risks closely, including risks to FDI, in coordination with the ECCB.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	**High**	**Medium. ST/MT.** Renewed inflationary pressures, lower real incomes, dampening demand, and worsening fiscal and external imbalances.	Strengthen the social safety net to better support the vulnerable, allow pass-through of international prices to domestic prices and avoid broad-based measures. Accelerate transition to renewable energy.
Abrupt global slowdown or recession. Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with recessions in some countries, adverse spillovers through trade and financial channels, and market fragmentation causing sudden stops in EMDEs. • **U.S.:** Amid tight labor markets and/or commodity price shocks, inflation remains elevated, prompting the Fed to keep rates higher for longer and resulting in more abrupt financial, housing and commercial real estate market correction, and "hard landing". • **Europe:** Intensifying fallout from the war in Ukraine, recurrent energy crisis and supply disruptions, and monetary tightening exacerbate economic downturns, and housing and commercial real estate market corrections.	**Medium**	**High. ST/MT.** Weaker external demand for tourism services with large adverse spillovers to the broader economy and worsening fiscal and external imbalances.	Strengthen the social safety net to better support the vulnerable. Adopt measures to assist job search and upskill workers and improve labor mobility. Monitor financial risks closely, in coordination with the ECCB.
Systemic financial instability. Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers.	**Medium**	**Low. ST/MT.** Increasing NPLs and reducing liquidity in the financial system.	Intensify supervision of financial institutions and tighten regulations.
Sovereign debt distress. Domino effects of higher global interest rates, a growth slowdown in AEs, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, resulting in capital outflows, an increase in risk premia, and loss of market access.	**Medium**	**Low. ST/MT.** Reducing lending and slowing economic recovery.	Intensify supervision of financial institutions and tighten regulations.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Risks	Relative Likelihood	Impact	Policy Response
Fiscal under-performance. Lower yields of revenue measures than expected, and a decline in CIP revenues due to increased scrutiny by the EU and the U.S.	Medium	**High. ST/MT.** Larger fiscal imbalances and higher public debt, and weaker growth.	Strengthen fiscal institutions and public financial management. Improve the AML/CFT framework. Engage closely with EU and U.S. regulators regarding CIP regulations.
Structural Risks			
Deepening geo-economic fragmentation. Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, and lower potential growth.	High	**Medium. ST/MT.** Higher inflation, lower FDI inflows and CBI revenues.	Reduce reliance on CBI to finance capital expenditures. Improve competitiveness through structural reforms.
Extreme climate events. Extreme climate events driven by rising temperatures cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.	Medium	**High. MT/LT.** Lower long-term growth and FDI inflows.	Continue seeking donor financing to build structural resilience, strengthen financial resilience by reducing debt and better disaster risk layering, enhance post-disaster response, and accelerate shift to renewables.
Cyberthreats. Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability.	Medium	**Low. ST/MT.** Disruption of payment and financial systems with adverse spillovers to economic activity.	Enhance digital security of payment and financial system, improve public awareness, and prepare a contingency plan.

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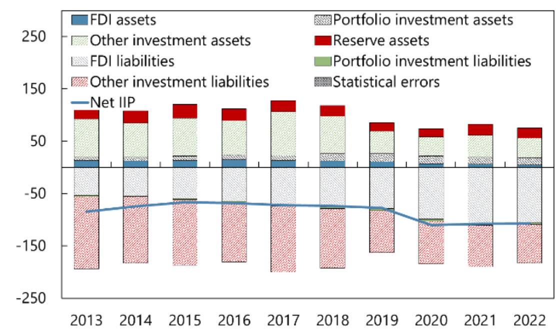
Annex III. External Sector Assessment

Overall Assessment: *Based on preliminary data and EBA-lite model results, the external position of Antigua and Barbuda in 2022 was weaker than the level implied by fundamentals and desirable policies.*

Potential Policy Responses: *Near-term policies should facilitate further economic growth to reduce unemployment, under-employment, and informality. Stronger fiscal consolidation efforts are essential to ensure debt sustainability. External sustainability is underpinned by FDI inflows. Structural reforms that enhance flight connectivity and cruise ship homeporting, improve labor force skills, and strengthen climate resilience can help improve competitiveness and strengthen the external position.*

Foreign Assets and Liabilities: Position and Trajectory

Antigua and Barbuda: IIP Composition by Instrument
(Percent of GDP)



Sources: ECCB and IMF staff calculations.

Background. The net IIP displayed a downward trend before the pandemic, declining from -66 percent of GDP in 2015 to -78 percent in 2019. During the pandemic, due to a contraction in GDP, it fell sharply to -110 percent in 2020, and improved slightly to -104 percent in 2022 (due to strong FDI, partly driven by a large mega resort project). Its largest components are other investment and reserves on the asset side, and FDI and other investment on the liability side.

Assessment. The net IIP has been financed by FDI (mainly hotel and resort projects). Tightening global financial conditions so far seem to have had a small impact on net capital inflows to Antigua and Barbuda, and do not lead to external stability concerns.

2022 (% GDP)	NIIP: -104.4	Gross Assets: 73.3	Debt Assets: 59.5	Gross Liab.: -177.7	Debt Liab.: -71.5

Current Account

Background. The current account (CA) deficit widened substantially during the pandemic, from the average of 6.0 percent of GDP between 2015 and 2019 to 16.3 percent and 15.6 percent in 2020 and 2021 respectively, due to the collapse in tourism. It stayed elevated at 16.2 percent in 2022 due to FDI inflows—which are import-intensive, and high import prices. Trade deficit (more than half of CA deficit in 2022) and the secondary income deficit (around one-quarter of the CA deficit) were larger than pre-pandemic levels (measured as share of GDP), whereas the primary income deficit (around one-fifth of the CA deficit) was smaller than its pre-pandemic value.

Assessment. The EBA-lite CA model suggests a CA gap of -3.3 percent of GDP in 2022, implying that the CA deficit is higher than the desirable medium-term level. The model estimates a multilaterally consistent cyclically adjusted CA norm at -7.1 percent of GDP. The CA model is preferred over the REER model and the ES model in assessing the CA gap for Antigua and Barbuda, given its superior historical performance.

Antigua and Barbuda: EBA-lite Model Results, 2022

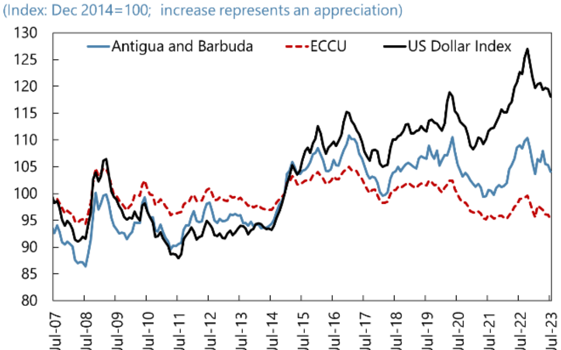
	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-16.2**	
Cyclical contributions (from model) (-)	0.7	
COVID-19 adjustors (-) 2/	-2.4	
Additional temporary/statistical factors (-) 3/	-2.6	
Natural disasters and conflicts (-)	-1.4	
Adjusted CA	**-10.4**	
CA Norm (from model) 4/	**-7.1**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	**-7.1**	
CA Gap	**-3.3**	**-4.9**
o/w Relative policy gap	2.8	
Elasticity	-0.4	
REER Gap (in percent)	**7.4**	**11.0**

1/ Based on the EBA-lite 3.0 methodology.
2/ Additional cyclical adjustment to account for the temporary impact of the tourism.
3/ FDI in 2022 exceeded the pre-pandemic projection by 6.7 percent of GDP, which estimated to increase the CA deficit by 2.6 percent.
4/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The real effective exchange rate (REER) appreciated by 4.6 percent in December 2022 relative to December 2021, driven mainly by the strong U.S. dollar given the currency peg. The co-movement between the REER of Antigua and Barbuda and the strength of the U.S. dollar has been stronger than the ECCU, reflecting inflation differentials (e.g., Antigua and Barbuda's experienced higher inflation in 2022 than the ECCU).

Real Effective Exchange Rates
(Index: Dec 2014=100; increase represents an appreciation)



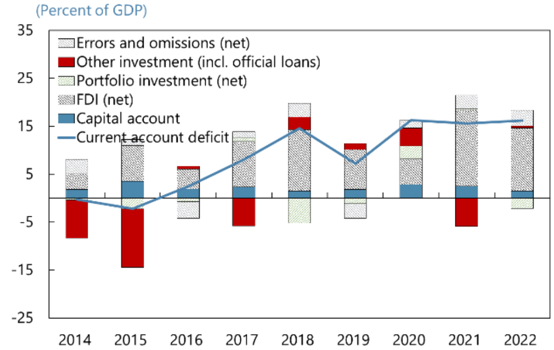
Sources: FRED and IMF staff calculations.

Assessment. The EBA-Lite Index-REER model suggests an overvaluation of 11.0 percent. However, it does not have sufficient granularity to capture the determinants of Antigua and Barbuda's currency fluctuations. The exchange rate gap is better evaluated based on the gap from the CA model. Based on the staff-estimated elasticity of CA to REER of -0.4, the REER is overvalued by 7.4 percent.

Capital and Financial Accounts

Background. Antigua and Barbuda has attracted large FDI inflows in supporting the development of its tourism sector. Measured as a share of GDP, the average inward FDI between 2000 and 2022 was around 12 percent. A mega resort project in Barbuda has contributed to a surge in FDI since 2021. Among non-FDI flows, portfolio investment and other investment have mostly seen net outflows in the recent decade, which have been largely offset by capital account inflows, whose main component is citizen-by-investment (CBI) inflows.

Current Account Deficit and Sources of Finance
(Percent of GDP)



Sources: Country authorities and IMF staff calculations.

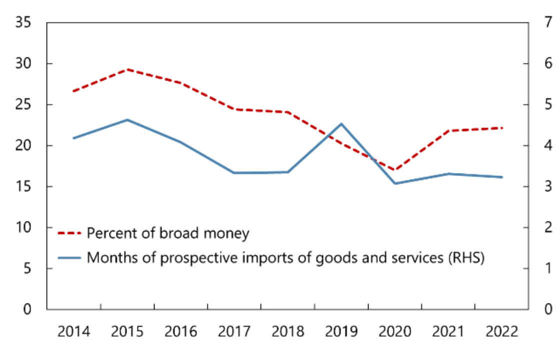
Assessment. Financial account inflows of Antigua and Barbuda mainly consist of equity financing, especially FDI. Households lack direct access to U.S. securities markets. These factors limit the impact of global financial conditions on net capital inflows to Antigua and Barbuda. CBI inflows, which are relatively small, face downside risks if the U.S. and the Europe restrict entry of CIP passport holders.

Reserves Level

Background. Net imputed international reserves as a share of imports declined slightly in 2022 compared with 2021, as the continued tourism recovery and strong FDI inflows led to an increase in imports.[1]

Assessment. Net imputed international reserves in 2022 corresponded to 3.2 months of prospective imports and 22.1 percent of broad money, compared with ECCB benchmarks of 3 months of imports and 20 percent of broad money.[2]

Reserve Adequacy Level



Sources: Country authorities and IMF staff calculations.

[1] Imputed reserves are calculated for each member country of the ECCU as the difference between the country's reserve money (currency issued in the country) and net domestic assets (net claims of the ECCB on the government and the country's commercial banks).

[2] Data gaps for short-term debt and other liabilities preclude reserve adequacy assessments based on the IMF's ARA EM metric.

Annex IV. Sovereign Risk and Debt Sustainability Analysis

Antigua and Barbuda's public debt-to-GDP ratio declined to 87 percent at end-2022 after peaking at 100 percent in 2020, driven by strong nominal GDP growth and continued improvement in the primary balance. Public debt is projected to gradually decline in staff's baseline, in absence of additional efforts, it will likely meet authorities' debt target of 70 percent of GDP by 2030 but remain marginally above the regional debt target of 60 percent of GDP by 2035. Public debt is deemed to be unsustainable due to the large outstanding stock of arrears and the fact that paying down these arrears seems infeasible over the medium term without a broader debt restructuring. Limited access to financing is likely to lead to financing gaps, potentially causing new arrears. Debt dynamics could deteriorate in case of a slowdown in economic growth, fiscal underperformance, with high exposure to natural disasters and contingent liabilities. Restoring debt sustainability will require a mix of fiscal measures, a plan to clear arrears in the context of improved cash and debt management, and structural fiscal reforms.

1. **Public debt has declined since 2020 but remains elevated.** After peaking at 100 percent of GDP in 2020, debt-to-GDP has been declining, helped by a strong recovery in tourism and construction activity. Narrowing fiscal deficit also contributed to the improved debt dynamics, but amortization obligations kept gross financing needs elevated. Debt-to-GDP is projected to gradually decline as post-pandemic recovery continues and deficit financing is further reduced in line with the staff's baseline scenario. It is likely that the authorities will meet their target of 70 percent of GDP by 2030 but stay marginally above the regional debt target of 60 percent of GDP by 2035 in the baseline scenario. Gross financing needs are expected to remain elevated with sizeable financing gaps over the medium term.

2. **The baseline scenario and debt sustainability assessment reflect several assumptions.** Baseline scenario assumes that the fiscal financing gaps are filled by a synthetic instrument, with 5.5 percent interest rate and 5-year maturity, half of which will be financed domestically, and the remaining half being financed externally.[1] While the authorities continue to engage with Paris Club creditors, the baseline scenario assumes that arrears to the Paris Club will not be cleared and will continue to accumulate. In addition, the baseline scenario assumes that the arrears to El Fondo De Desarrollo Nacional S.A. will grow in line with the authorities' projections and those to the Medical Benefits Scheme will remain unchanged. All arrears to the Paris Club creditors and other unresolved domestic and external arrears are included in the debt stock throughout the projection horizon. The stock of arrears to the Paris Club is assumed to grow 3 percent per year after 2024, which is when the entire restructured amounts fall due as per the country's 2010 agreement with Paris Club creditors.

3. **Staff assesses climate adaptation risks to be high over the long term.** The estimates inputted to the module related to costs of climate adaptation investments add up to around 1.6 percent of GDP, which includes 1.5 percent of GDP of adaptation coastal protection coast

[1] More specifically, the synthetic instrument is assumed to be financed by domestic banks (23.3 percent), other domestic investors (30.9 percent), external official creditors (35.0 percent) and external private creditors (10.8 percent).

estimate based on 2019 SIP (Building Ex-Ante Resilience to Natural Disasters (Eastern Caribbean Currency Union: Selected Issues Paper (imf.org)) as staff believes that the default estimate on this may be too low relative to the country's needs for resilience building (though uncertainty around the climate adaptation cost estimates is substantial).

Table 1. Antigua and Barbuda: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	…	**High**	The overall risk is assessed to be high, reflecting vulnerabilities in the near-, medium-, and long-term horizons.
Near term 1/	n.a.	n.a.	The near-term risk assessment was not undertaken because of the presence of arrears.
Medium term	Moderate	**High**	Mechanical signals suggest moderate risk based on both the Fanchart and GFN methodologies. The actual risks are likely underestimated for the following reasons: (i) the gross financing needs do not capture the full financing implications of arrears; and (ii) synthetic instrument, for which no source is identified, is used as a financing instrument to close the financing gaps.
Fanchart	Moderate	…	
GFN	Moderate	…	
Stress test	…	…	
Long term	…	**High**	In the long term, standardized scenario with staff adjusted estimate for adaptation coastal protection costs suggests significant impact on GFN and debt dynamics. Long-term risks are high as the country has high exposure to natural disasters and contingent liabilities.
Sustainability assessment 2/		Unsustainable	The mechanical signals downplay the risks because gross financing needs do not fully capture the potential financing implications associated with repayment of arrears and low share of identified financing among financing sources.
Debt stabilization in the baseline			Yes

DSA summary assessment

Public debt is deemed to be unsustainable due to the large outstanding stock of arrears and the fact that paying down these arrears seems infeasible over the medium term without a broader debt restructuring. Limited access to financing is likely to lead to financing gaps causing arrears to rise to around 10 percent of GDP by 2028. Debt dynamics could deteriorate in case of a slowdown in economic growth, fiscal underperformance, with high exposure to natural disasters and contingent liabilities.

Source: Fund staff.
Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Table 2. Antigua and Barbuda: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					0	
2. Subsectors included in the chosen coverage in (1) above:						

Coverage		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	No	Not applicable
CPS / NFPS / GG: expected / CG	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	NO	
CPS / NFPS / GG: expected	5	Local governments	NO	
CPS / NFPS	6	Public nonfinancial corporations	Yes	
CPS	7	Central bank	NO	
CPS	8	Other public financial corporations	no	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

(Chosen coverage: CG; Budgetary central government, Social security funds, Public nonfinancial corporations; Currency & deposits, Loans, Debt securities, Oth acct. payable; Cash basis; Nominal value; Non-consolidated. Missing from recommended coverage: Extra budgetary funds, State governments, Local governments, IPSGSs. Not applicable: Central bank, Other public financial corporations.)

Reporting on intra-government debt holdings

Coverage		Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
CPS / NFPS / GG: expected / CG	1	Budget. central govt									0
CPS / NFPS / GG: expected / CG	2	Extra-budget. funds									0
CPS / NFPS / GG: expected / CG	3	Social security funds									0
CPS / NFPS / GG: expected	4	State govt.									0
CPS / NFPS / GG: expected	5	Local govt.									0
CPS / NFPS	6	Nonfin pub. corp.									0
CPS	7	Central bank									0
CPS	8	Oth. pub. fin. corp									0
		Total	0	0	0	0	0	0	0	0	0

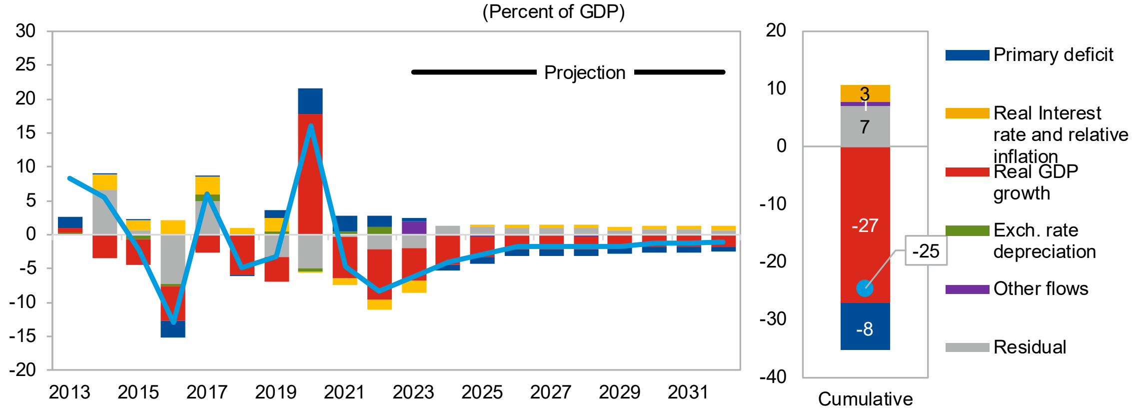
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: Debt covers the central government as well as central government guaranteed debt of state-owned enterprises and statutory bodies. Gross financing needs only cover the central government due to the lack of information on state-owned enterprise primary balances.

Table 3. Antigua and Barbuda: Baseline Scenario
(Percent of GDP Unless Otherwise Indicated)

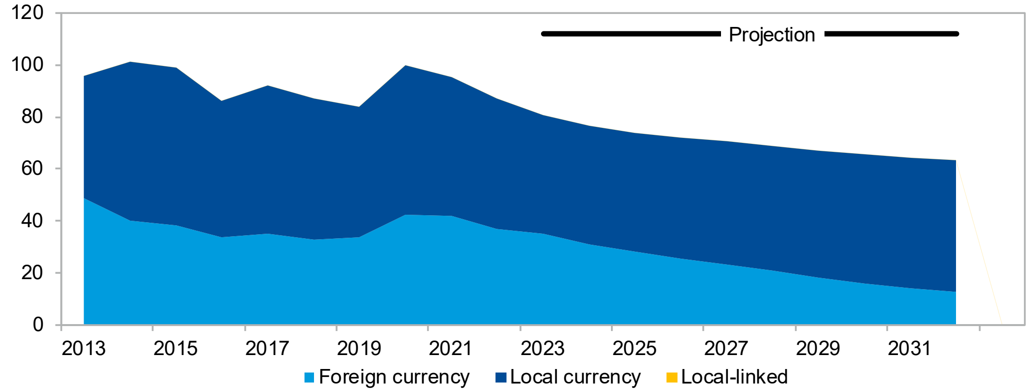
	Actual	Medium-term projection						Extended projection			
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Public debt	87.1	80.9	76.9	74.0	72.3	70.6	68.8	67.1	65.8	64.5	63.4
Change in public debt	-8.3	-6.2	-4.0	-6.9	-4.6	-1.7	-1.7	-1.7	-1.3	-1.3	-1.1
Contribution of identified flows	-6.2	-4.2	-5.4	-4.0	-2.7	-2.7	-2.7	-2.3	-2.0	-2.0	-1.8
Primary deficit	1.7	0.4	-0.9	-0.9	-1.0	-1.0	-1.0	-1.0	-0.8	-0.8	-0.6
Noninterest revenues	19.3	20.2	20.6	20.6	20.6	20.7	20.8	20.8	20.6	20.6	20.5
Noninterest expenditures	21.0	20.6	19.7	19.7	19.7	19.7	19.8	19.8	19.8	19.9	19.9
Automatic debt dynamics	-7.8	-6.6	-4.2	-2.8	-1.6	-1.5	-1.5	-1.3	-1.3	-1.2	-1.2
Real interest rate and relative inflation	-1.5	-1.9	0.0	0.3	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Real interest rate	-0.4	-2.3	-0.3	0.1	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Relative inflation	-1.1	0.4	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-7.4	-4.7	-4.2	-3.1	-2.0	-2.0	-2.0	-1.9	-1.9	-1.8	-1.8
Real exchange rate	1.1	…	…	…	…	…	…	…	…	…	…
Other identified flows	0.0	2.0	-0.2	-0.3	-0.1	-0.2	-0.3	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	2.0	-0.2	-0.3	-0.1	-0.2	-0.3	0.0	0.0	0.0	0.0
Contribution of residual	-2.2	-2.0	1.3	1.2	0.9	1.0	1.0	0.6	0.8	0.8	0.7
Gross financing needs	14.4	11.1	9.3	9.8	9.0	10.1	11.7	10.7	11.7	12.1	12.3
of which: debt service	12.7	10.7	10.2	10.7	9.9	11.1	12.7	11.7	12.5	12.9	12.9
Local currency	10.8	8.6	7.7	8.6	8.0	9.4	11.1	9.9	10.6	11.4	11.9
Foreign currency	1.9	2.1	2.4	2.2	2.0	1.7	1.7	1.7	1.9	1.5	1.1
Memo:											
Real GDP growth (percent)	8.5	5.7	5.5	4.2	2.8	2.8	2.8	2.9	2.9	2.9	2.9
Inflation (GDP deflator; percent)	3.8	5.0	2.9	2.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	12.6	11.0	8.6	6.7	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Effective interest rate (percent)	3.4	2.1	2.6	2.6	2.6	2.7	2.7	2.9	2.9	2.9	2.9

Contribution to Change in Public Debt
(Percent of GDP)



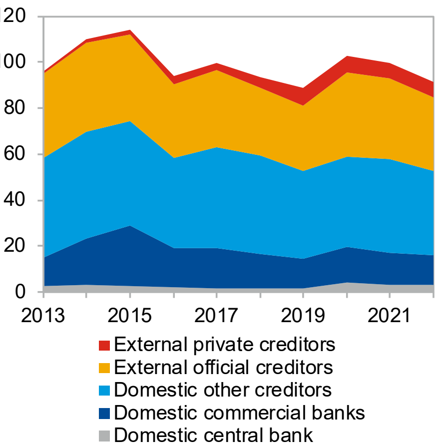
Staff Commentary: Debt stock is expected to decline as a share of GDP due to a favorable real interest-growth differential as well as fiscal effort. Gross financing needs are underestimated because they do not fully capture the potential financing implications associated with repayment of arrears.

Figure 1. Antigua and Barbuda: Public Debt Structure Indicators
(Percent of GDP)



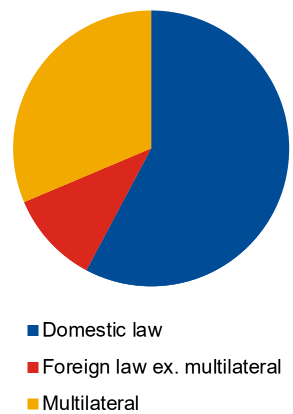
Note: The perimeter shown is central government.

Public Debt by Holder (Percent of GDP)



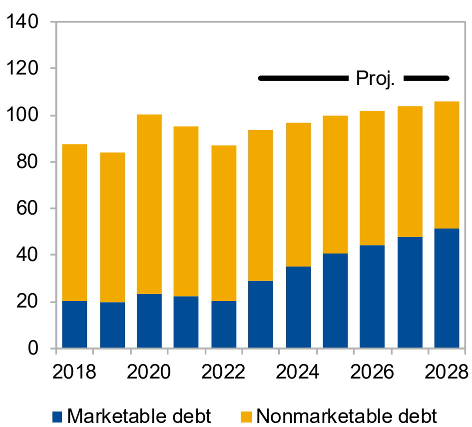
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2022 (Percent)



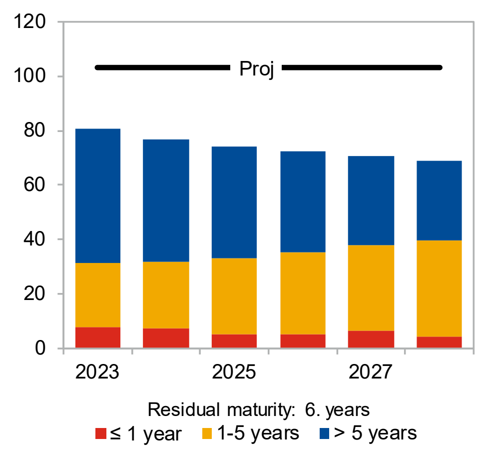
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

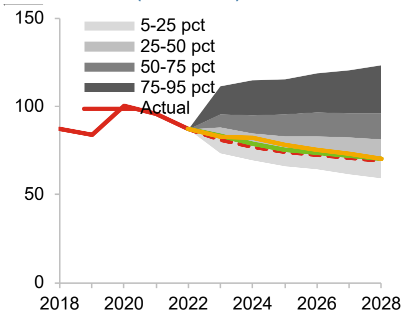
Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

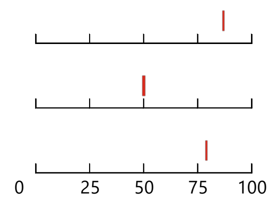
Figure 2. Antigua and Barbuda: Medium-Term Risk Analysis: Debt Fan Chart and GFN Financeability Indexes
(Percent of GDP Unless Otherwise Indicated)

Final Fanchart (Pct of GDP)

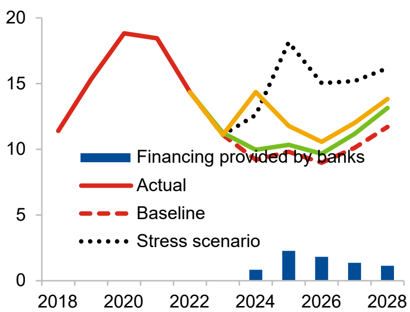


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	63.6	0.9	
Probability of debt non-stabilizaiton *(percent)*	19.0	0.2	
Terminal debt-to-GDP x institutions index	45.7	1.0	
Debt fanchart index (DFI)		2.1	
Risk signal: 3/		**Moderate**	

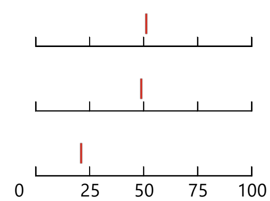


Gross Financing Needs (Pct of GDP



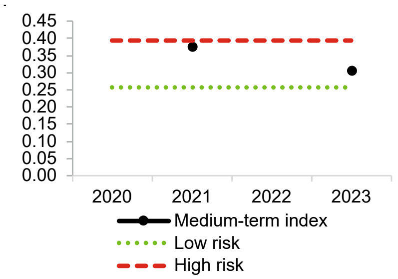
Gross financing needs (GFN) module

	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	10.2	3.5	
Banks' claims on the gen govt *(pct bank assets)*	9.1	2.9	
Chg. In banks' claims in stress *(pct banks' assets)*	4.4	1.5	
GFN financeability index (GFI)		7.9	
Risk signal: 4/		**Moderate**	



Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	Norm. Value	Weight	Contribution
Debt fanchart index	2.08	0.46	0.50	0.23
GFN finaceability index	7.88	0.15	0.50	0.08
Medium-term index		0.3		
Risk signal: 5/		**Moderate**		
Final assessment:		**High**		

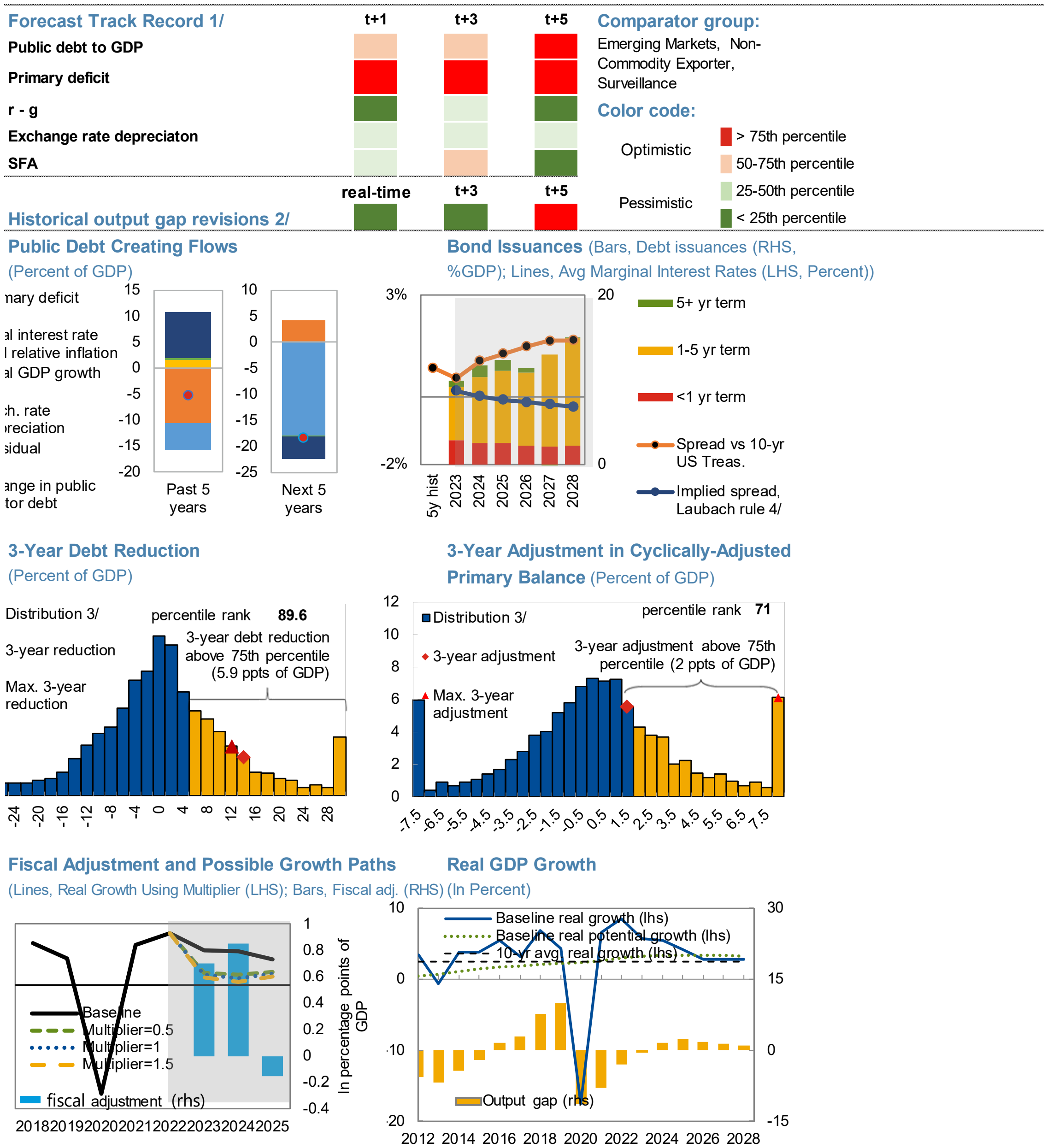
Prob. of missed crisis, 2023-2028, if stress not predicted: 18.2 pct.
Prob. of false alarms, 2023-2028, if stress predicted: 26.1 pct.

Staff Commentary: Mechanical signals from Debt Fanchart Module and GFN Financeability Model point to moderate levels of risk. Final medium-term risk assessment is high considering large stock of arrears and limited access to financing.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is emerging markets, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 3. Antigua and Barbuda: Realism of Baseline Assumptions



Commentary: As a tourism dependent country, Antigua and Barbuda's economic contraction during the COVID-19 pandemic far exceeded those experienced historically or by its comparator group (non-commodity exporting emerging markets). As the economy has been recovering strongly, projected reduction in debt-to-GDP is larger than the historical averages and those of the comparator group.

Source : IMF Staff.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates and final estimates in the latest October WEO) in the total distribution of revisions across the data sample.

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

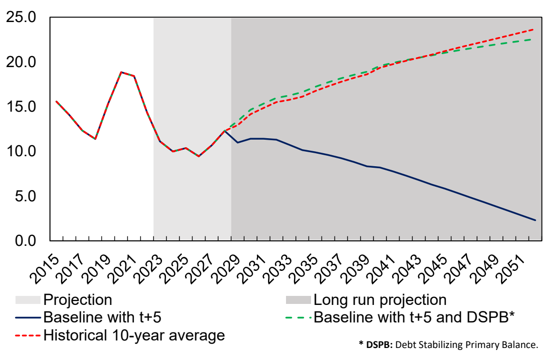
Figure 4. Antigua and Barbuda: Long-Term Risk Modules

Large Amortization Trigger

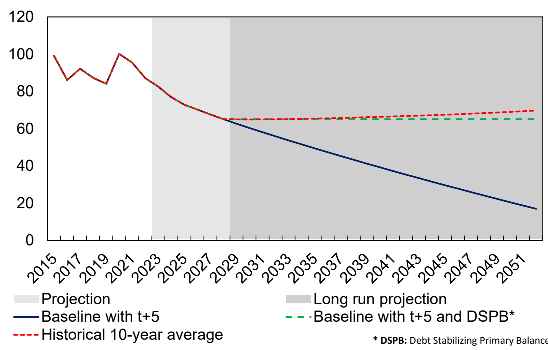
Projection	Variable	Risk Indication
Medium-term extrapolation	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Medium-term extrapolation with debt stabilizing primary balance	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Historical average assumptions	GFN-to-GDP ratio Amortization-to-GDP ratio Amortization	
Overall Risk Indication		

Alternative Baseline Long-term Projections

GFN-to-GDP ratio



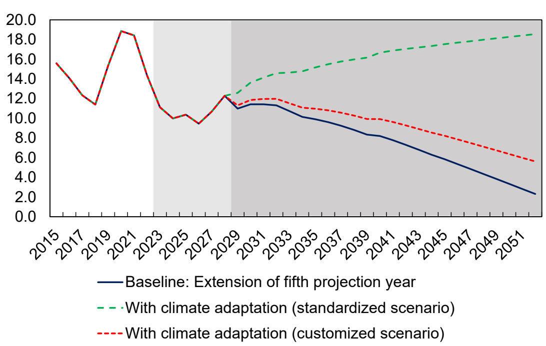
Total Public Debt-to-GDP ratio



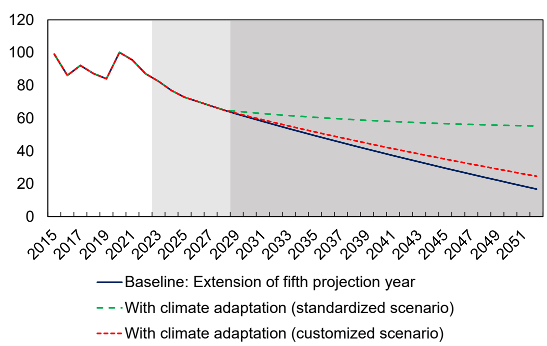
Commentary: Alternative baseline long-term scenarios assuming a primary balance in line with historical averages or with the debt stabilizing primary balance will result in an increasing GFN path and a stable debt-to-GDP ratio.

Climate Change: Adaptation

GFN-to-GDP ratio



Total Public Debt-to-GDP ratio



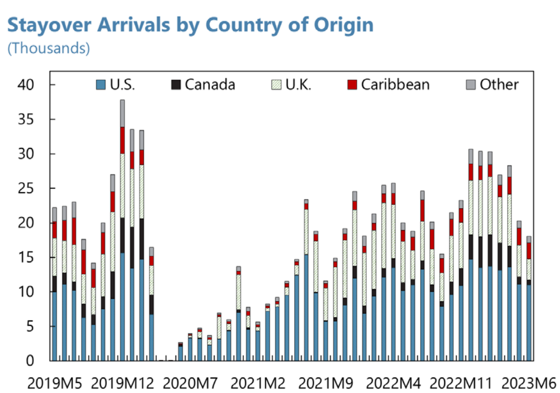
Commentary: In the long term, standardized scenario with staff adjusted estimate for adaptation coastal protection costs suggests significant impact on GFN and debt dynamics.The estimates inputted to the module related to costs of climate adaptation investments add up to around 1.6 percent of GDP, which includes 1.5 percent of GDP of adaptation coastal protection coast estimate based on 2019 SIP (Building Ex-Ante Resilience to Natural Disasters (Eastern Caribbean Currency Union: Selected Issues Paper (imf.org)) as staff believes that the default estimate on this may be too low relative to the country's needs for resilience building (though uncertainty around the climate adaptation cost estimates is substantial).

Annex V. Tourism Recovery and Prospects[1]

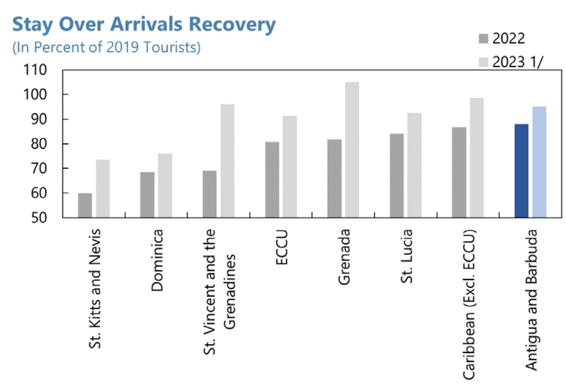
Tourism activity in Antigua and Barbuda is close to recovering to its pre-pandemic level. Higher vaccination rates and relaxation of health restrictions led to a faster recovery in the country relative to other ECCU countries, but these differences have narrowed in recent quarters. Strong demand by U.S. visitors has outpaced those from other source countries. Ongoing initiatives to boost homeporting of cruise ships and regional tourists are expected to sustain demand going forward. Reopening of hotels that were closed during the pandemic along with new construction projects will help to avoid accommodation shortages. Flight connectivity has been improving but airlift lost during the pandemic, including intra-regional, has not fully recovered. Risks going forward include an economic slowdown in source countries, a continued rise in airfare costs and limited airlift, and a further strengthening of the dollar that would impact non-U.S. visitors.

1. **Recovery of stayover arrivals post-pandemic has been robust.** From the period of January to June, stayover arrivals in 2023 reached 95 percent of 2019 levels. This was driven by strong demand from the U.S., where arrivals equaled 111 percent of its pre-pandemic level. Demand continues to lag from other source countries, including the U.K., Canada and the Caribbean at 97 percent, 79 percent and 83 percent, respectively. The lack of recovery from these countries may be driven by the appreciation of the dollar and the slower recovery of airlift.

2. **The recovery of stayover arrivals in 2022 has been the strongest in the ECCU but since then others have been catching up.** With stayover arrivals in 2022 reaching 88 percent of levels in 2019, Antigua and Barbuda has outperformed other ECCU countries and the average of the rest of the Caribbean. However, more recent data for 2023 suggests robust growth across the region, with other ECCU countries catching up and some surpassing that of Antigua and Barbuda.



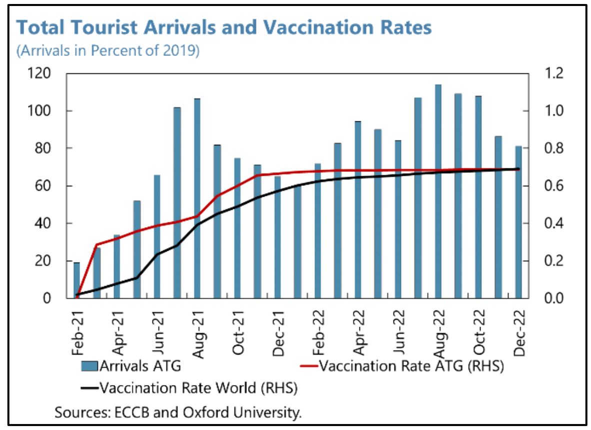
Sources: Country authorities and IMF staff calculations and projections.



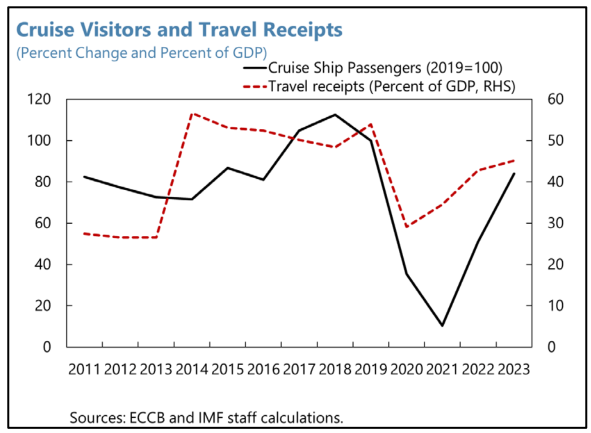
Sources: Caribbean Tourism Organisation and IMF staff calculations.
1/ Till latest available month.

[1] Prepared by Alexander Amundsen and Archit Singhal.

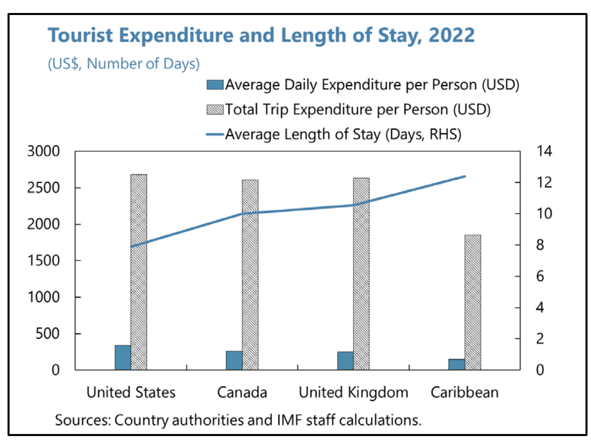
3. Earlier gains in tourist arrivals may be partly due to higher vaccination rates. Antigua and Barbuda's vaccination rate grew significantly following the availability of vaccines in February 2021. It quickly surpassed the world rate, equaling 66 percent by December 2021 and remaining above the world rate until end of 2022. This higher uptake would have increased the resilience of the population to future outbreaks and created conditions, such as greater confidence from visitors and fewer economic disruptions from sick persons, for the tourism sector to recover compared to other countries.



4. Growth in the number of cruise ship passengers has been slow but strengthening. The number of cruise ship passengers in 2022 equaled only 51 percent of 2019 levels, though this has strengthened between January – June 2023 to 89 percent. Recovery in yacht passengers has been stronger, equaling 119 percent between January – June 2023. The share of pre-booked tours among cruise ship passengers has increased and with cruise lines planning to spend longer periods in port, the economic benefits of the cruise industry to the local economy, especially the transportation and entertainment sectors, may become greater.



5. Capacity to host cruise ships and homeporting has been expanding. Several cruise lines are interested in homeporting in Antigua and Barbuda next season, with luxury brand Emerald Cruises beginning in November 2023 with full turnaround calls. Homeporting is expected to expand to other cruise lines throughout the season. The country will benefit from the provisioning and bunkering from these operations, as well as from the higher expenditures from homeporting visitors as some are expected to stay overnight before or after their cruise. With dredging work aimed for completion in October 2023, the country will be able to receive the largest cruise ships (the Oasis-class), which will help accelerate the growth of the industry.

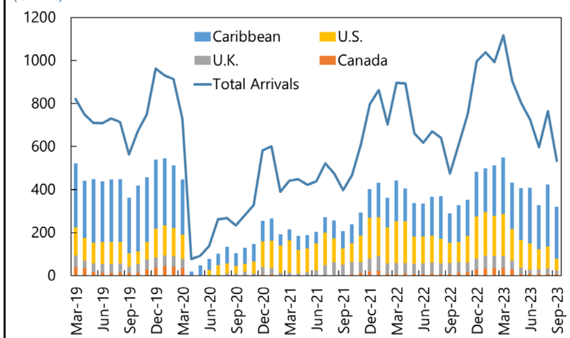


6. Shifts in the composition of visitors have had limited impact on travel receipts. The average daily expenditure of visitors is higher for U.S. arrivals than for the U.K., Canada and the

Caribbean. Although U.S. visitors tend to stay for shorter durations than those from the other source countries, their total trip expenditure per person is slightly higher than the other regions. Therefore, compositional shifts did not have a material impact on the overall travel receipts.

7. The supply of short-term accommodation is expected to meet strong demand, but airlift remains more limited. Reopening of hotels that were closed during the pandemic and new construction and expansion projects are expected to ensure supply constraints do not become binding. The average hotel occupancy rate was 69 percent in 2022, roughly in line with 2019 at 64 percent. Homeporting is expected to create some demand for accommodation and will provide a new source of revenue for hotels. However, short stays are not as profitable for hotels compared to longer stays, and so it will be important to ensure crowding out between visitor types does not occur. Flight connectivity has been improving but airlift lost from some destinations has not fully recovered amid lingering effects from the pandemic, including LIAT's administration, and the seasonality in tourism demand. Flights between January to September 2023 is below pre-pandemic levels for the U.K., Canada and the Caribbean at 84 percent, 80 percent and 84 percent, respectively. Flights from the U.S. have exceeded pre-pandemic levels at 129 percent. The excess of flights compared to stayover arrivals for the U.S., 129 percent versus 111 percent, suggests capacity for further tourism growth from the country.

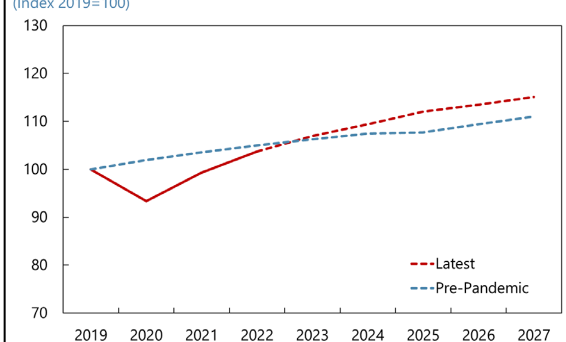
Flight Arrivals by Country of Origin
(Count)



Sources: Flight Radar and IMF staff calculations.

8. The baseline is for continued growth in the tourism sector, but there are downside risks. Staff's baseline projections are for tourism to continue to recover. This view is consistent with projections of U.S. private services consumption demand, which has recovered strongly from the pandemic. One downside risk around these projections is for source country demand to slow down. Another risk is for the dollar to strengthen. Although U.S. visitors constitute half of total stayover arrivals, a further strengthening of the dollar could impact demand from other source countries, which as of January to June 2023 have not recovered to pre-pandemic levels. Other potential headwinds include rising airfare costs and ongoing limited airlift.

U.S. Private Services Consumption Projections
(Index 2019=100)

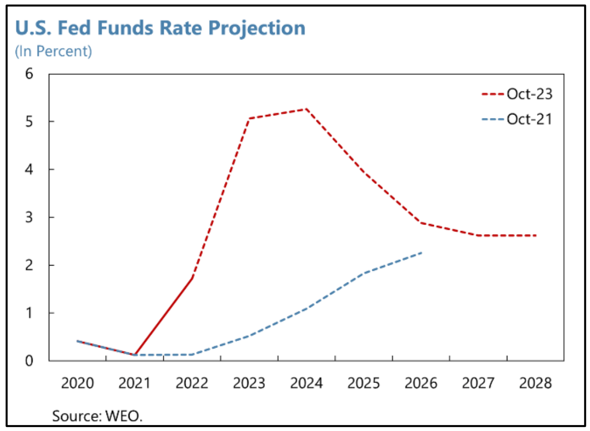


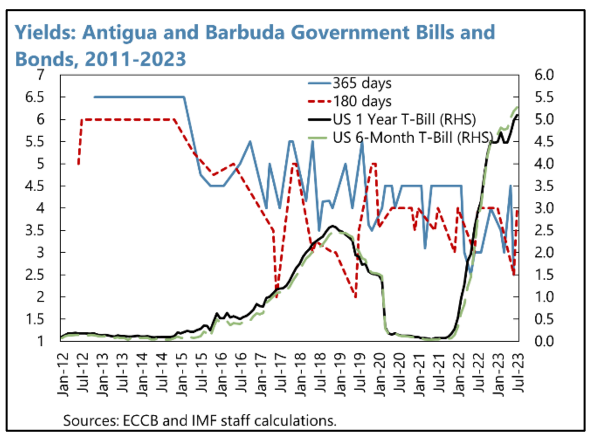
Sources: Country authorities and IMF staff calculations.

Annex VI. Impact of Tighter Global Financial Conditions on Antigua and Barbuda[1]

Tighter global financial conditions can affect the Antigua and Barbuda economy through financial and real channels. The financial channel consists of the impact on public debt financing and the balance sheets of financial institutions. On the real side, the impact is mainly from services exports and FDI. The impact of the recent tightening of global financial conditions appears to have been limited. However, given the expected persistence of tight financial conditions and the country's inherent vulnerabilities (e.g., large financing needs, high dependence on tourism), these channels should continue to be monitored closely.

1. Global financial conditions have tightened significantly over the past year and could tighten further in a persistent manner. As advanced economies increased their interest rates to combat inflation, financial conditions tightened globally. For example, the U.S. 6-month and 1-year T-Bill rates were both less than 25 bps in November 2021, rising to above 5 percent in September 2023, with higer rates expected to persist. According to the staff projections in October, to bring inflation in the U.S. firmly back to target will require an extended period of tight monetary policy, with the federal funds rate remaining at 5¼–5½ percent until late in 2024.[2]





2. The transmission of tightening global financial conditions to the Antigua and Barbuda economy can take place through several channels.

Public Debt Financing

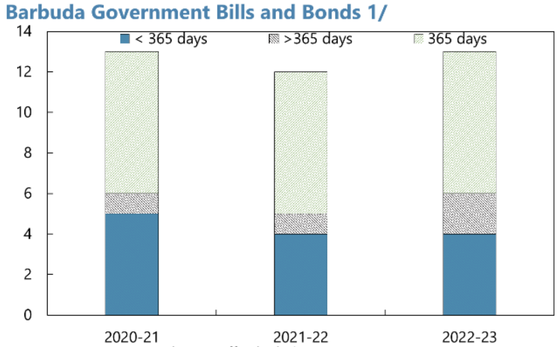
- The higher cost of borrowing, which combined with a decline in the risk appetite of international investors, can limit public debt financing options and make its efforts to extend debt maturities more difficult.

[1] Prepared by Weicheng Lian and Hou Wang.

[2] Notably, the spread between 6-month and 1-year is larger for ATG issuances in the RGSM than for the U.S. treasury bill.

- As a recent example, to meet large gross financing needs (around 13 percent of GDP in 2022), the government of Antigua and Barbuda planned to issue a Eurobond in Fall 2022, but the issuance did not materialize on the back of tightening global financial conditions.

Number of Issuances by Maturities: Antigua and Barbuda Government Bills and Bonds 1/

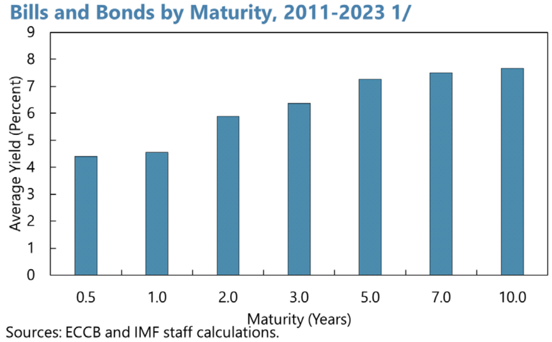


Sources: ECCB and IMF staff calculations.
1/ Each fiscal year covers a 1 year period from 31st July.

- The government has continued to tap on the Regional Governments Securities Market (RGSM) to meet its financing needs. Auctions in RGSM have been mostly on short-term treasury bills, with steeply higher costs for longer maturities. Those yields have not increased along with rising global interest rates. In fact, in June 2023, two issuances with maturities of 6-month and 1-year had their yields falling to 2.5 percent, respectively.

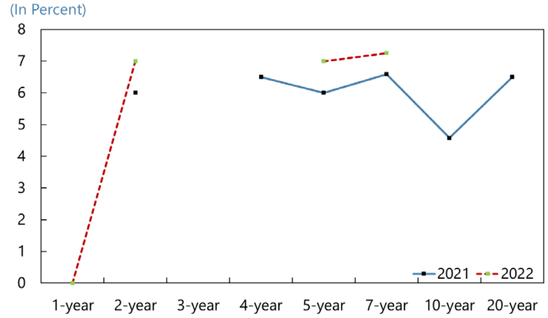
- Private bond placements, which account for a smaller share of total securities issuances (around 30 percent in 2021–22) and are mostly with longer duration than RGSM, have seen a modest increase in the yields and shortening of tenors in 2022 compared to 2021.

Average Yield of Antigua and Barbuda Government Bills and Bonds by Maturity, 2011-2023 1/



Sources: ECCB and IMF staff calculations.
1/ Number of issuances are 49, 54, 5, 4, 3, 2, 3 for each of the maturity periods on the axis from left to right respectively.

Average Private Placement Yields 1/
(In Percent)



Sources: Country authorities.
1/ Number of issuances are 1, 2, 1, 4, 9, 2, 7 for each of the maturity periods on the axis from left to right respectively.

Balance Sheets of Financial Institutions

- Financial institutions in Antigua and Barbuda seem to have weathered the recent shocks well because of their limited direct exposures. As of June 2023, around 43 percent of commercial bank assets are liquid, and capital is close to 10 percent of total assets. Banks' foreign assets account for about 6.8 percent of total assets, of which about two-thirds have some exposure to non-Caribbean countries, mostly in the forms of investments or dues from foreign banks. This implies that the non-Caribbean asset exposure is less than 5 percent of commercial banks' total assets.

- Given abundant liquidity and limited exposure to foreign assets, various lending rates of commercial banks and credit unions have been mostly insensitive to the increase in global interest rates. The floor for banks' prime loan rates increased in early 2023, by only 25 bps and has been stable since. The floors for various savings and time deposit rates, set by the ECCB, remain unchanged. The interest rate spreads between lending and deposit rates have not materially changed since late-2021.

- Similarly, credit unions and insurance companies have little exposure to overseas long-duration assets, partly due to regulatory constraints, and the impact on them have also been limited.

Services Trade

- Higher interest rates, necessitated by the need to fight inflation, can lead to an economic slowdown in the global economy, negatively impacting small-open economies like Antigua and Barbuda who rely heavily on international tourism.

- Despite the sharp tightening in financial conditions that took place since end-2021 and the expected persistence of such tightening, services demand from main tourism source country has been robust. For instance, the staff forecast for U.S. private services consumption made in July 2023 has not been materially different from two years ago. As the U.S. is a key tourism source market contributing to about half of stayover tourist arrivals for Antigua and Barbuda, the overall impact on services trade has been muted.

FDI

- Higher global interest rates can make financing of FDI more expensive and global investors could generally be more reluctant to invest in emerging markets.

- FDI dominates private financial inflows to Antigua and Barbuda (Annex III), which are largely invested in the hospitality industry. FDI has so far remained strong since the beginning of the global tightening cycle. In 2021, a mega project in Barbuda has contributed to a surge in FDI. As the project has a multi-year horizon, and started prior to the rise in global interest rates, those investments are expected to continue.

3. The impact of recent tighter global financial conditions appears to have been contained so far but continued monitoring is needed. Inflation could remain high in advanced economies thus triggering more restrictive monetary policy. Given the downside risks, monitoring of financial institutions' balance sheets should continue to ensure that the persistent interest rate differentials are not leading to large capital outflows or a decline in deposits, which would subsequently impact the debt rollover ability of the government. Similarly, a reduction in demand for tourism or foreign investment, would have adverse consequences on real economic activity, and spillover effects on the financial system as well as public finances.

INTERNATIONAL MONETARY FUND

ANTIGUA AND BARBUDA

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 9, 2023

Prepared By

Western Hemisphere Department (in consultation with other departments)

CONTENTS

FUND RELATIONS

(As of September 30, 2023)

Membership Status: Joined February 25, 1982; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	20.00	100.00
IMF's Holdings of Currency (Holdings Rate)	19.96	99.79
Reserve Tranche Position	0.05	0.26

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	31.67	100.00
Holdings	0.29	0.92

Outstanding Purchases and Loans: None

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
Stand-By	June 7, 2010	June 6, 2013	67.50	67.50

Overdue Obligations and Projected Payments to Fund[1/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2023	2024	2025	2026	2027
Principal					
Charges/Interest	0.32	1.30	1.30	1.30	1.30
Total	0.32	1.30	1.30	1.30	1.30

1/ When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not Applicable

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Article IV Consultation: The 2022 Article IV Consultation was concluded by the IMF Executive Board on November 30, 2022. The staff report was published on May 30, 2023.

Exchange Arrangements: The exchange rate arrangement is a currency board. Antigua and Barbuda participates in a currency union with seven other members of the Eastern Caribbean Currency Union and has no separate legal tender. The Eastern Caribbean Central Bank (ECCB) manages monetary policy and the exchange system for its eight members. The common currency, the Eastern Caribbean dollar, has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar since July 1976. Antigua and Barbuda has accepted the obligations of Article VIII, Sections 2(a), 3 and 4, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

Safeguards Assessment: The ECCB made progress in addressing the 2021 safeguards recommendations. Outstanding recommendations include legal reforms to further strengthen operational autonomy of the ECCB and align its Agreement Act with leading practices, enhanced project governance framework for DCash to mitigate associated risks and strengthening the risk management function.

Technical Assistance: Several missions from FAD, MCM, and STA, supported by the Caribbean Regional Technical Assistance Centre (CARTAC), have visited the country. The table below is the compilation of technical assistance delivered during 2019–23.

Antigua and Barbuda: Fund Technical Assistance, 2019–23	
Date	**Mission Description**
February 2019	**Tax Administration** – TADAT Assessment
June 2019	**Macroeconomic Program** – Assisting with medium-term macroeconomic forecasting
July 2019	**External Sector Statistics** – Data sources and backcasting
July 2020	**External Sector Statistics** – Collection and compilation in the context of the COVID-19 pandemic
July 2021	**Customs Administration** – Strengthening performance management (creating an action plan to develop performance targets and key performance indicators)
August 2021	**External Sector Statistics** – Data sources and estimation techniques
September 2021	**Tax Administration** – Strengthening audit capacity
September 2021	**Tax Administration** – Implementation of a performance management system for the Internal Revenue Department
October 2021	**Tax Administration** – Enhancing compliance risk management for large and medium taxpayers
November 2021	**Real Sector Statistics** – Development of services producer price indices
July 2022	**Real Sector Statistics** – Review of rental component of the consumer price index
September 2022	**External Sector Statistics** – Provisional 2021 balance of payments
February 2023	**Real Sector Statistics** – Development of producer price indices for services
February 2023	**Real Sector Statistics** – Compiling supply and use tables, rebasing national accounts
February 2023	**Tax Policy** – Rationalization of VAT exemptions, zero-ratings and concessions plus property tax diagnostic
August 2023	**External Sector Statistics** – BOP/IIP – source data

FSAP Participation: Antigua and Barbuda participated in the regional Eastern Caribbean Currency Union FSAP conducted in September and October 2003. The Financial System Stability Assessment is IMF Country Report No. 04/293

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

(As of October 6, 2023)

- World Bank

WBG Finances - Country Details - Antigua and Barbuda (worldbank.org)

- Caribbean Development Bank

Antigua and Barbuda | Caribbean Development Bank (caribank.org)

STATISTICAL ISSUES

(As of October 13, 2023)

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance, but with important shortcomings. One key area that requires attention is the timely publication of reports on central government and SOEs' operations.
Real Sector Statistics: The national accounts are being rebased to reference year 2018 along with methodological improvements and the compilation of supply and use tables. Work is ongoing to construct a Producer Price Index for services and update the Labor Force Survey and the Skills Demand Survey. Rental costs have been reintroduced in the Consumer Price Index using interpolation and surveys will resume once the census is completed next year. Efforts are underway to produce poverty indices based on the results of the Labor Force Survey.
Government Finance Statistics: Annual and quarterly data on central government finances published by the ECCB are compiled broadly in line with the methodology set out in the 1986 *Government Financial Statistics Manual*. To better understand the underlying fiscal situation of member countries, the ECCB has expressed interest in aligning the fiscal statistics of the ECCU with the methodology of the *Government Finance Statistics Manual 2014 (GFSM 2014)* and the *Public Sector Debt Statistics Guide (PSDS Guide)*. Limited progress has been made in this area. The authorities are working on addressing recent delays in the submission of central government statistics due to upgrades in the information system. Reports on SOEs' financial operations are not available.
Monetary and Financial Statistics: Monthly monetary statistics are compiled and reported to the Fund by the ECCB, based on standardized report forms for the central bank and for other depository corporations, since July 2006. The main shortcomings of the monetary statistics relate to incomplete institutional coverage of other depository corporations. Specifically, mortgage companies, finance companies, building societies, and credit unions—all of which accept deposits—are not covered by the monetary statistics. Also, accrued interest is not incorporated in the value of the interest-bearing assets and liabilities, and valuation adjustments are included in other liabilities. To achieve better coverage, close coordination between the ECCB and the single regulatory unit (which supervises financial corporations other than those licensed under the Banking Act) is crucial. The ECCB has implemented a new reporting system for commercial banks addressing the recommendations made by the 2014 MFS mission and has been reporting data in the new format since 2020. Antigua and Barbuda reports data for several series and indicators of the Financial Access Survey including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals.

Financial Sector Surveillance: The ECCB reports quarterly data for Antigua and Barbuda's eighteen core and seven additional FSIs for deposit takers, covering commercial banks only. Two additional FSIs for the real estate markets are also reported. The Financial Services Regulatory Commission reports credit unions' balance sheets on a quarterly basis upon request.
External Sector Statistics: The ECCB has implemented new BOP survey forms and released revised BOP statistics consistent with the *BPM6* methodology. BOP and International Investment Position (IIP) Statistics are timely and regularly disseminated on the ECCB website, although data are irregularly provided to the IMF's Statistics Department (STA). Data coverage needs to be improved, particularly to include international banks and international business companies. The response rate to surveys to the nonfinancial private sector could be strengthened with a strong legal basis for the compilation. With support from STA, Antigua and Barbuda's Statistics Division was able to backcast the balance of payments for 2000-13 series compiled under a discontinued methodology that had several deviations from the current international standards. Current account deficits narrowed and better fit with the *BPM6* estimates for 2014 onwards. Compilation of data on FDI flows can be strengthened, especially given information gaps on project spending.
II. Data Standards and Quality
Antigua and Barbuda, which has been a participant in the IMF's General Data Dissemination System (GDDS) since October 31, 2000, is in its successor data dissemination initiative, Enhanced GDDS (e-GDDS). Metadata is posted in the Fund's Dissemination Standards Bulletin Board (http://dsbb.imf.org) but is outdated for most data categories, and data is yet to be disseminated under the e-GDDS. A data ROSC mission was conducted in April 2007; however, the report was not published.

Antigua and Barbuda: Table of Common Indicators Required for Surveillance
(As of October 2, 2023)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication
Exchange Rates[1]	Fixed rate	NA	NA	NA	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[2]	07/2023	10/2023	M	M	M
Reserve/Base Money	07/2023	10/2023	M	M	M
Broad Money	07/2023	10/2023	M	M	M
Central Bank Balance Sheet	07/2023	10/2023	M	M	M
Consolidated Balance Sheet of the Banking System	07/2023	10/2023	M	M	M
Interest Rates[3]	06/2023	10/2023	M	M	M
Consumer Price Index	07/2023	09/2023	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4]—General Government	06/2023	09/2023	Q	Q	Q
Stock of Central Government and Central Government-Guaranteed Debt[5]	06/2023	09/2023	Q	Q	A
External Current Account Balance	2022	05/2023	A	A	A
Exports and Imports of Goods and Services[6]	2022	05/2023	A	A	A
International Investment Position[4]	2022	03/2023	A	A	A
GDP/GNP	2021	06/2022	A	A	A
Gross External Debt	6/2023	09/2023	Q	Q	A

[1] Antigua and Barbuda is a member of the Eastern Caribbean Currency Union, in which the common currency of all members states (E.C. dollar) is pegged to the U.S. dollar at US$1 = EC$2.70.
[2] Includes reserve assets pledged or otherwise encumbered.
[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[4] Foreign, domestic bank, and domestic nonbank financing.
[5] Including currency and maturity composition.
[6] Exports and imports of goods are reported at the monthly frequency, with the latest available data as of June 2022.
[7] Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I), and Not Available (NA).