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July 15, 2021

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From: The Secretary
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***At the time of circulation of this paper to the Board, the authorities have indicated that they need more time to consider whether they will consent to the Fund's publication of this paper. Publication will only proceed upon the receipt by the Fund of the member's explicit consent.**



ANTIGUA AND BARBUDA

July 14, 2021

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

KEY ISSUES

Context. Antigua and Barbuda's tourism-dependent economy was hit hard by the global COVID-19 pandemic. The collapse of tourism and output has exacerbated pre-existing imbalances associated with a weak fiscal position due to declining tax revenues and persistent problems in public financial management. The pandemic has intensified cash flow pressures, led to a further accumulation of domestic and external arrears, and sharply increased the public debt and gross financing needs. The authorities have embarked on an economic plan centered on a Medium-Term Fiscal Strategy which seeks to restore debt sustainability and gradually resolve outstanding domestic and external arrears; prioritize policies that tackle COVID-19 and improve healthcare delivery; protect the vulnerable; and create the conditions for durable growth and job creation.

Outlook and risks. The economy is projected to contract by 1 percent in 2021, following a steep decline of 17.3 percent in 2020. A recovery is, however, expected to start in the second half of 2021 with GDP returning to pre-COVID-19 levels by 2024. Public debt is unsustainable and gross financing needs will remain elevated. Downside risks to the outlook are significant, including a more prolonged pandemic, lower-than-expected citizenship-by-investment inflows, potential fiscal liabilities from the reorganization of the regional airline, delays in fiscal reform implementation, and recurring natural disasters.

Policy advice. The authorities' plans to mobilize domestic revenue and rationalize spending are essential to achieve a sustained deficit reduction and stabilize public finances. Additional revenue measures will, though, be needed to ensure that the government's fiscal targets are met. Further efforts by the government to secure long-term financing on favorable terms will be required to meet the large gross financing needs and restore debt sustainability. To support the economic recovery and enhance long-term competitiveness, reforms should focus on eliminating arrears, developing a comprehensive public sector wage strategy, improving the governance and efficiency of state-owned enterprises, strengthening the public financial management system and customs and tax administration, safeguarding financial stability, improving the business environment, and building climate resilience.

Approved By
Nigel Chalk (WHD)
 and **Chad Steinberg (SPR)**

The mission team comprised Varapat Chensavasdijai (head), Salma Khalid, Weicheng Lian, Manuel Rosales Torres (all WHD), and Takahide Koike (SPR), and was accompanied by Martina Regis (ECCB) and Kevin Hope (Caribbean Development Bank). Discussions were held virtually from Washington, DC during June 14–25, 2021. The team met with Prime Minister and Finance Minister Gaston Browne, Minister of State in the Ministry of Finance Lennox Weston, Financial Secretary Whitfield Harris, and other senior officials; the ECCB and Financial Services Regulatory Commission; representatives of the private sector; and labor unions. Ms. Smith (OED) attended some meetings. Ms. Levonian and Mr. O’Brolchain (OED) participated in the concluding meetings. Anahit Aghababyan, Soungbe Konate, and Huilin Wang (all WHD) assisted in the preparation of the report.

CONTENTS

CONTEXT	4
ECONOMIC PROSPECTS	4
A. The Pre-COVID-19 Landscape	4
B. The Impact of COVID-19	5
C. Near-Term Risks	9
LAYING THE FOUNDATIONS FOR A SUSTAINED RECOVERY	10
A. Restoring Debt Sustainability	10
B. Resolving Arrears	15
C. Decisively Tackling COVID-19	15
D. Protecting the Vulnerable	15
E. Achieving Durable Growth and Job Creation	16
F. Safeguarding Financial Stability	16
DATA ISSUES	18
AUTHORITIES’ VIEWS	19
STAFF APPRAISAL	20

BOXES

1. COVID-19 Developments	6
2. The Reorganization of Leeward Islands Air Transport Service	10
3. Medium-Term Fiscal Strategy	14

FIGURES

1. Economic Developments	22
2. Fiscal Sector Developments	23
3. External Sector Developments	24
4. Banking System Developments	25

TABLES

1. Selected Economic and Financial Indicators	26
2. Gross Financing Needs	27
3a. Central Government Operations, (Millions of Eastern Caribbean dollars)	28
3b. Central Government Operations, (Percent of GDP)	29
4. Monetary Survey	30
5. Central Government Debt	31
6. Central Government Debt Arrears	32
7. Balance of Payments	33

ANNEXES

I. Implementation of Past Fund Policy Advice	34
II. Risk Assessment Matrix	36
III. External Sector Assessment	37
IV. Debt Sustainability Analysis	41

APPENDIX

I. Draft Press Release	50
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CONTEXT

1. **Antigua and Barbuda entered the COVID-19 crisis with important, pre-existing vulnerabilities.** The economy experienced strong growth in 2014–19, averaging 4½ percent, buoyed by robust tourism inflows and construction activity linked to the expansion of hotel capacity. Despite this favorable economic situation, the fiscal position had been deteriorating steadily leading to cash flow pressures and the accumulation of expenditure and debt service arrears. Structural bottlenecks and competitiveness issues have continued to represent a headwind to growth and job creation and the country remains highly susceptible to climate-related shocks (typified by the devastation of Hurricane Irma in 2017).
2. **The tourism-dependent economy was hit hard by the global pandemic.** The domestic lockdown and closure of borders in March 2020, which were necessary to contain the spread of the virus, prompted a collapse of tourism-related activities and continued to weigh against the recovery. Public finances have been under stress with further arrears accumulation. The pandemic was well contained in 2020, even after the reopening of borders in the summer, but the winter tourism season saw a temporary surge in COVID-19 cases. Infection rates have since stabilized with about one-third of the population fully vaccinated.

ECONOMIC PROSPECTS

A. The Pre-COVID-19 Landscape

3. **Growth was very strong prior to the COVID-19 shock.** Following Hurricane Irma in 2017,¹ growth was boosted by reconstruction efforts, private investment in hotel capacity, and the diversion of cruises (from other islands affected by hurricanes). Inflation had remained low, but the current account deficit was large (averaging close to 10 percent of GDP in 2017–19), largely financed by FDI inflows.
4. **The fiscal deficit had been on an upward path.** The fiscal deficit reached 4 percent of GDP in 2019, primarily due to weak tax compliance and widespread tax exemptions (estimated to cost almost one-half of potential revenue). The government introduced a windfall income tax, raised the sales tax (ABST) on hotels in 2020, and applied the ABST to tour operators, but the rising deficit and longstanding problems in fiscal management led to increasing arrears (reaching about 20 percent of

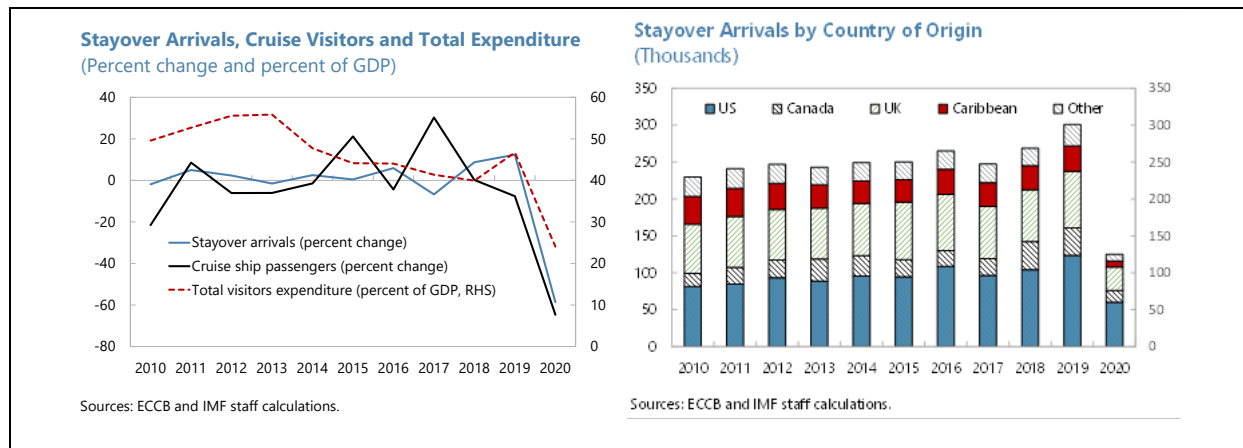
¹ Hurricane Irma destroyed infrastructure and homes in sparsely populated Barbuda (1.7 percent of the total population and less than 10 percent of total GDP) but Antigua was relatively untouched. The overall damage amounted to 9.3 percent of GDP.

GDP).² Nonetheless, prior to the pandemic the debt-to-GDP ratio was falling, in part as a result of debt write-offs.³

5. The financial sector was liquid and well-capitalized. At end-2019, banks’ capital and liquidity ratios were above regulatory norms and non-performing loan ratios were well below the ECCU average. However, credit union lending had been expanding rapidly (15 percent year-on-year in 2019) which was of concern given their weaker financial position, lower capital levels, less stringent oversight, and links to the banking system.

B. The Impact of COVID-19

6. The COVID-19 pandemic has taken a heavy toll on the economy (Box 1). Tourism came to a halt, hotel occupancy fell to a fraction of normal levels, and the economy contracted by an estimated 17.3 percent.

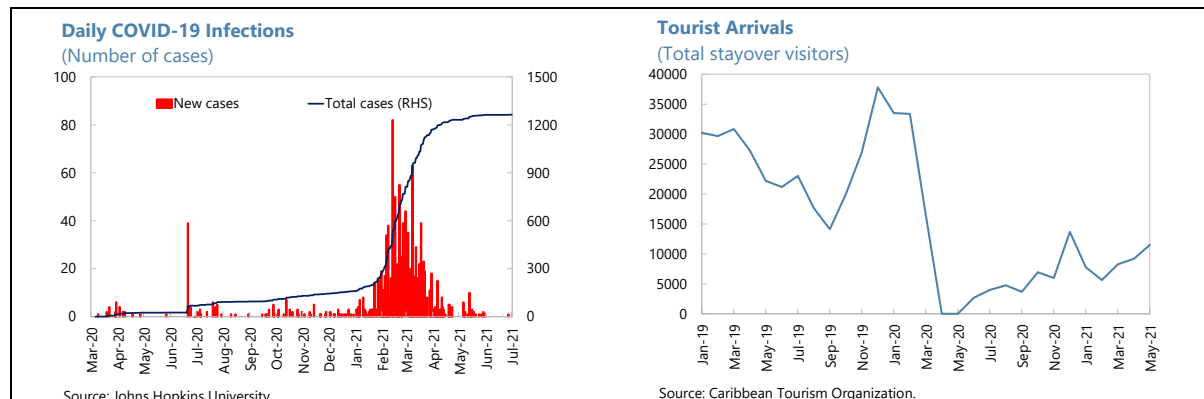


² Domestic arrears include debts to SOEs.

³ In 2019, as part of a 30-year PPP with the government, Global Port Holdings took over cruise port operations and assumed debt owed by the Antigua Pier Group (an SOE) for about 1.3 percent of GDP. In 2021, Republic Bank of Trinidad and Tobago (RBTT) wrote off about 0.6 percent of GDP in government debt.

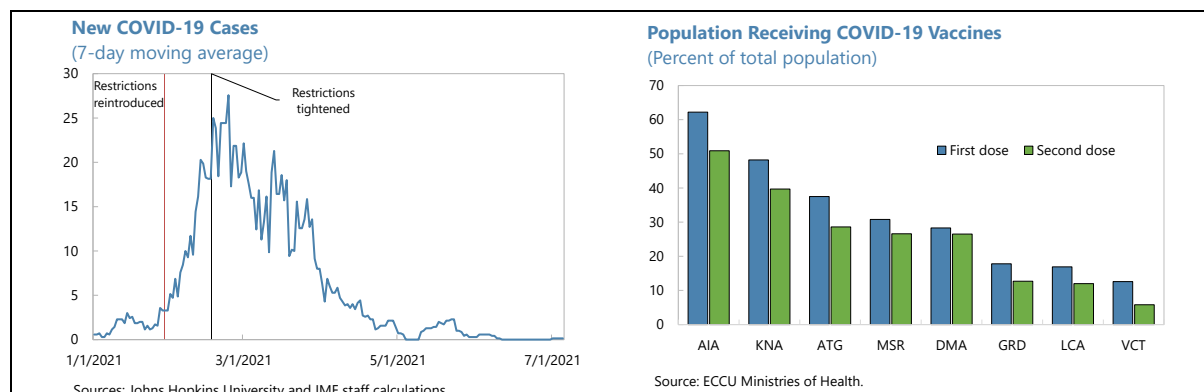
Box 1. COVID-19 Developments

Antigua and Barbuda was successful in containing the early spread of COVID-19. Stringent measures were introduced in March 2020 to reduce community spread with nightly curfews, closure of non-essential businesses, and mandatory mask wearing. As a result, during 2020 the country experienced only 148 total infections and 5 deaths. A phased reopening of the domestic economy began in mid-April 2020 and international borders were reopened on June 4, 2020. However, tourism numbers remained low.



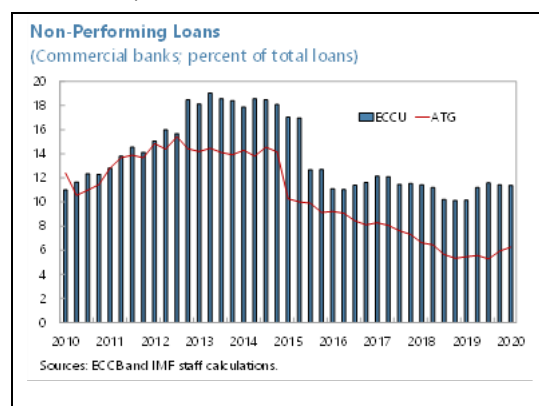
In early 2021, though, there was a new wave of infections. The increase in caseloads coincided with higher mobility in areas of retail and recreation as well as a recovery in the international travel market. This led the government to reinstate a nightly curfew, close bars and gyms, limit outdoor gatherings, and prohibit dining-in at restaurants which resulted in an overall decline in mobility and in tourist arrivals. The number of COVID-19 cases stabilized in early April and there were only a few new cases in June.

Vaccine coverage has continued to increase, but more is needed to achieve herd immunity. The government received 65,000 donated vaccines from China, Dominica and India, and 40,800 doses through the COVAX facility. Efforts are ongoing to procure additional vaccines through a CARICOM arrangement for member countries. A vaccination program began in mid-February 2021 for healthcare workers, teachers, and other priority groups. Phase 2 of the vaccination program, expanding eligibility to the general population, began on April 13. As of end-June, about one-third of the population has been fully vaccinated.



7. The government promptly took measures to contain the pandemic and support the vulnerable. Public health measures were prioritized, including social distancing, stringent quarantine and testing protocols, increased hospital capacity, creation of an infectious disease control center and quarantine facilities, and purchases of medicines and medical equipment. An emergency food assistance program was introduced to help the elderly, disabled and the poor. Discounts on electricity bills were given to households and commercial users, fuel subsidies to fishermen, and reduced water fees to farmers with a view to increase domestic food production. Tax incentives were provided to spur home renovation and construction. Import duties on household food and self-care items were suspended and there were duty exemptions on clothing and shoes. Additional social support was provided through pre-existing programs.⁴

8. Commercial banks are well-capitalized. Banks' capital levels have remained adequate, but profitability has fallen.⁵ Deposits have declined moderately, and liquid assets fell from 46 percent of total assets at end-2019 to 37 percent by end-2020. In March 2020, the ECCB announced a six-month moratorium on all loan repayments by households, corporates, and the government. In September 2020, the moratorium was extended in a more targeted manner for up to 12 months. This has kept NPLs low.⁶ These programs will wind down in September 2021, which could create further pressure on NPLs, capital adequacy, and profitability. Banks have been able to maintain their corresponding banking relationships in spite of the pandemic and the reduced presence of foreign banking groups, suggesting no deterioration of cross-border payment channels.



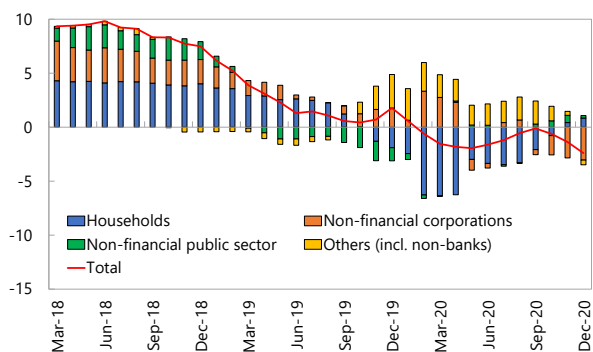
⁴ These were run through PDV Caribe Antigua and Barbuda Limited, a wholly government-owned entity which conducts social programs and other activities under the PetroCaribe Initiative.

⁵ Around two-thirds of the decline in net income in 2020 were driven by higher provisioning, with the rest largely reflecting a drop in net interest income.

⁶ In Antigua and Barbuda, 50 percent of loans were under moratorium in the initial phase, and 30 percent opted for the subsequent extension in the moratorium (see ECCU Staff Report for the 2021 Discussion on Common Policies of Member Countries). Supervisory flexibility for certain regulatory requirements allowed for a temporary classification freeze for loans under moratoria, hence the FSIs understate the negative impact of COVID-19 on the sector. This classification freeze is not in line with Fund advice.

Commercial Bank Deposits

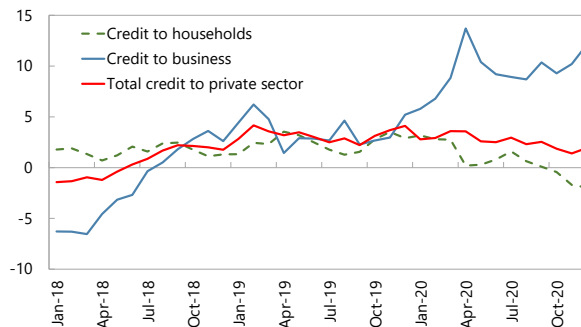
(Percentage contribution to deposit growth, 3-month moving average)



Sources: ECCB; and IMF staff calculations.

Commercial Bank Credit

(Year-on-year percent change)



Sources: Country authorities; and IMF staff calculations.

Antigua and Barbuda: Selected Financial Soundness Indicators

(Percent)

	Dec 2017	Dec 2018	Dec 2019	Dec 2020
Capital adequacy ratio (CAR) 1/	36.6	36.3	39.4	34.6
Tier-1 CAR 2/	30.2	29.1	27.9	27.5
Nonperforming loans (NPLs) to total gross loans	7.9	6.4	5.3	6.3
Total provisions to NPLs	34.0	36.3	58.7	90.0
Net NPLs to capital 3/	34.0	26.5	17.3	11.7
Liquid asset to total assets	57.0	57.7	46.4	36.9
Return on assets (ROA)	1.3	1.4	1.4	0.4

Sources: Country authorities and IMF staff calculations.

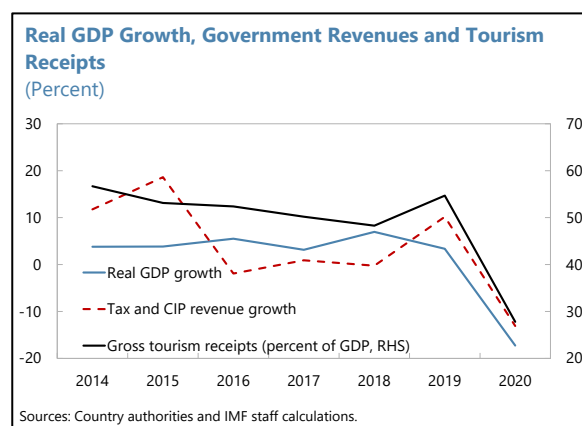
1/ Regulatory capital to risk-weighted assets

2/ Regulatory Tier 1 capital to risk-weighted assets

3/ Net NPLs = NPLs - provisions

9. The financial position of credit unions is of concern. Credit unions granted loan moratoria to their members, although at a smaller scale than for the banks. NPLs rose to 24 percent at end-2020 (from 7 percent at end-2019). Credit unions do, however, have significant holdings of liquid assets.

10. The government's cash flow pressures were exacerbated by the rising fiscal deficit. The fiscal deficit was 6¼ percent of GDP in 2020 with the loss of revenue only partially offset by spending cuts. Arrears were accumulated (6.9 percent of GDP) and public debt—including government guaranteed debt—rose to 100 percent of GDP in 2020, partly due to the abrupt drop in nominal GDP (16.4 percent).



11. The financial position of state-owned enterprises (SOEs) was weakened by the pandemic. Most SOEs and statutory corporations cannot adequately finance their operations without transfers from the central government. The bulk of transfers were to the public hospital, Social Security, and Medical Benefits Scheme. The increased demand for healthcare during the pandemic has put additional strain on them. Loan guarantees are close to 10 percent of GDP and pose substantial fiscal risks. Also, LIAT airline was severely impacted by the pandemic and has been declared insolvent (Box 2).

12. The external position in 2020 is assessed to be weaker than the level consistent with medium-term fundamentals and desirable policies. The current account deficit widened to an estimated 7.8 percent of GDP in 2020 with the collapse of tourism receipts largely offset by import compression linked to weaker activity. Based on preliminary data and the EBA-Lite model, the current account gap was 3.1 percent of GDP in 2020 and the real effective exchange rate was overvalued by around 6.7 percent (Annex III).

13. The economy is projected to contract further in 2021 before a recovery takes hold in the second half of the year. The state of emergency was extended through end-September 2021 and tourism arrivals fell by 50 percent year-on-year in the first five months of the year. Hotel occupancy was 27 percent and flights from Canada remained suspended. Real GDP is projected to decline by 1 percent in 2021. However, in June Antigua and Barbuda was placed on the lowest travel risk ratings of the UK and U.S. and the first cruise ship will arrive in July. A recovery is expected to start in the second half of 2021 with GDP returning to pre-COVID-19 levels by 2024. The government's goal is to have 70 percent of the population fully vaccinated by end-2021.

C. Near-Term Risks

14. Downside risks are significant (Annex II). A more prolonged pandemic due to the spread of new COVID-19 variants and limited vaccine availability—either domestically or abroad—would weaken tourism prospects, put additional strain on healthcare resources, and worsen public

finances. Citizenship-by-investment program (CIP) inflows could fall short of expectations due to regional competition and the reorganization of LIAT could give rise to fiscal costs. The implementation of planned fiscal reforms could also be delayed. In addition, there is the ever-present risk of natural disasters. On the upside, a faster vaccination rollout at home and abroad could boost confidence and activity and there is the potential for several large tourism projects to begin construction.

Box 2. The Reorganization of Leeward Islands Air Transport Service

- **Background.** LIAT 1974 is a regional airline operating in the Eastern Caribbean since 1956 and headquartered in Antigua and Barbuda. It incurred significant losses over the past decade due to inefficient management, overstaffing, costly service routes, and inadequate infrastructure. It suspended operations in March 2020, as the COVID-19 pandemic halted air travel and regional tourism, and was placed under administration in July 2020.
- **Financial situation.** Liabilities include Caribbean Development Bank (CDB) loans; employee severance payments (US\$30 million); debt to governments (travel taxes and fees collected on behalf of governments), and trade credit from suppliers of parts and services. Except for the CDB loans, the government of Antigua and Barbuda is not legally liable for other liabilities, and former employees are expected to be partly compensated from the liquidation of LIAT.
- **Restructuring plan.** A new company (LIAT 2020 LTD) will be set up, supported by capital injections from the government of Antigua and Barbuda and other investors. The plan is for LIAT 2020 LTD to be majority privately-owned. Several other Caribbean governments have also expressed interest in LIAT.
- **Current status.** LIAT under administration has resumed limited flight service since November 2020. It currently uses 3 aircrafts to 9 destinations 5 days a week and employs 160 staff, compared to 10 aircrafts and 667 employees pre-pandemic. It incurred losses in 2020 and early 2021, which were borne by the government of Antigua and Barbuda.
- **Viability of the new LIAT.** Whether LIAT 2020 LTD will succeed depends on multiple factors, including the speed of recovery of air travel as the pandemic recedes, and over a longer term, how effectively it can leverage its brand name in the region, and if private sector involvement will improve its profitability.

LAYING THE FOUNDATIONS FOR A SUSTAINED RECOVERY

A. Restoring Debt Sustainability

15. **The authorities have embarked on an ambitious Medium-Term Fiscal Strategy (MTFS)** (Box 3). There is broad-based political support for the MTFS, which envisages fiscal consolidation during 2021–24 supported by an increase in tax revenue (from an expansion of the property and sales tax bases, streamlining tax concessions and exemptions⁷, and introducing a Tourism Accommodation Levy). The plan also proposes a real wage freeze for public sector workers, limits on

⁷ Tax exemptions were reduced from 45 percent of potential revenue in 2019 to 39 percent in 2020.

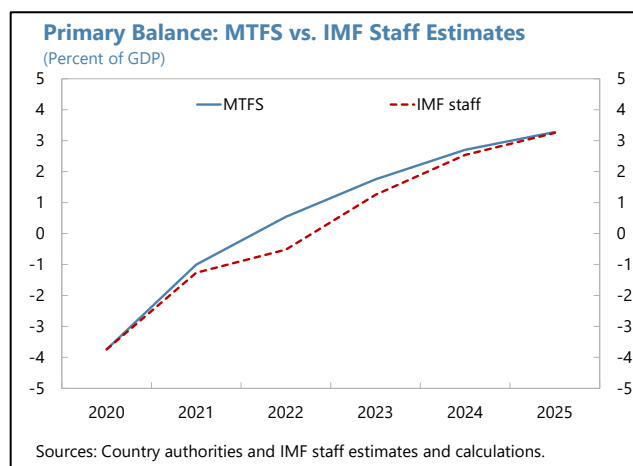
new hiring, greater oversight of SOEs and statutory bodies, and a strengthening of public procurement⁸. The government also intends to create a Climate Resilience and Development Fund (CRDF)⁹ to help finance climate resilience projects and build a fiscal buffer against natural disasters. However, the earmarking of tax revenues will reduce budget flexibility and spending undertaken by the CRDF will be prioritized separately from the annual budget process.

16. The MTFS envisages a sizeable deficit reduction through revenue gains and expenditure savings. Staff's

estimates of the yields from revenue measures in the MTFS (cumulative yield of 3.1 percent of GDP by 2024) are consistent with the authorities' fiscal package. The plan to contain recurrent spending should produce savings of 2.6 percent of GDP by 2024, which would accommodate 0.5 percent of GDP in extra capital spending. However, staff's estimates

reflect more cautious revenue projections under unchanged policies relative to the authorities, including lower CIP revenue flows over the medium term. An additional 0.6 percent of GDP in revenue measures (generating a total cumulative yield of 3.7 percent of GDP by 2024) would thus allow the primary surplus to reach 2.5 percent of GDP by 2024 and achieve the authorities' primary surplus target of 3.3 percent of GDP by 2025. These could include:

- Limiting or prohibiting waivers, discounts, or concessions with respect to the ABST.
- Harmonizing the ABST rate for tourism activities (currently at 14 percent) to the standard 15 percent rate.
- Applying zero-rating on the ABST only to exports with a few, narrowly focused exemptions applicable to imported and domestic supplies.
- Limiting duty-free shopping.
- Extending the ABST to new residential construction and online purchases.
- Replacing the current system of generous depreciation rules and investment tax credits with a simpler system of immediate expensing of capital spending to incentivize new investments.
- Regularly reassessing property values based on their market value for taxation purposes.



⁸ The Procurement Administration Act was approved in 2011 and provides for competitive bidding, publication of contract awards, and establishes a complaints resolution mechanism. The provisions of the Act entered into force on June 1, 2021.

⁹ The fund will operate within the central government consolidated fund (i.e., Treasury Single Account) and be funded by dedicated revenue sources.

Central Government Operations (Percent of GDP)						Contributions from MTFS Measures (Cumulative change from 2020, percent of GDP)				
	Prel. 2020	Projections				2021	Projections			
		2021	2022	2023	2024		2021	2022	2023	2024
Total revenue and grants	20.1	23.7	22.7	23.8	24.3					
Tax revenue	16.3	16.8	18.7	19.8	20.4					
Total expenditure	26.4	27.8	26.1	25.6	24.7					
Total primary expenditure	23.9	24.9	23.2	22.6	21.7					
Current expenditure	23.5	24.4	22.7	22.2	21.3					
Wages and salaries	10.4	10.6	9.7	9.7	9.3					
Employment contributions	1.0	1.0	0.9	0.9	0.9					
Goods and services, incl. utilities	3.4	3.9	3.7	3.5	3.4					
Pensions	1.9	1.9	1.7	1.6	1.6					
Other transfers	4.4	4.0	3.6	3.4	3.3					
Capital expenditure and net lending	2.8	3.4	3.4	3.4	3.4					
Interest payments	2.5	2.9	2.9	3.0	2.9					
Primary balance	(3.7)	(1.3)	(0.5)	1.3	2.5					
Overall balance	(6.3)	(4.1)	(3.5)	(1.7)	(0.4)					
Memorandum items:										
Central government debt stock	86.7	95.9	90.5	85.8	81.0					
Nominal GDP (EC\$ millions)	3,752	3,791	4,194	4,518	4,812					

Sources: Country authorities and IMF staff estimates and projections.

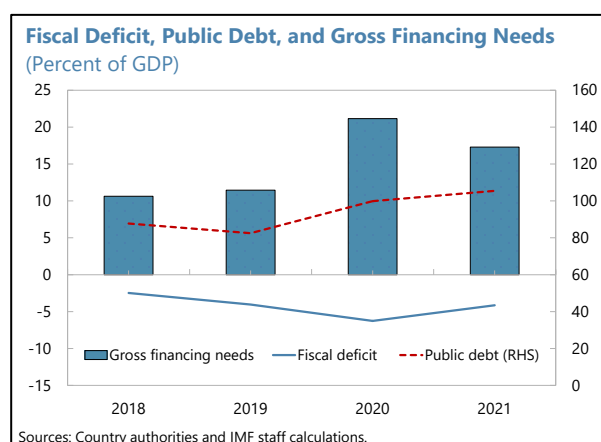
	Projections			
	2021	2022	2023	2024
Revenue measures	1.5	2.7	3.4	3.7
Increase income and profits tax compliance	0.0	0.0	0.2	0.3
Increase property tax compliance - broaden tax base	0.2	0.4	0.4	0.4
Reduce concessions on ABST - broaden tax base	0.4	0.6	0.6	0.8
Reduce concessions and waivers on import duties	0.3	0.5	0.6	0.7
Reduce concessions and waivers on RRC	0.5	0.9	1.0	1.0
Introduce the Tourism Accommodation Levy	0.1	0.4	0.5	0.5
Expenditure measures	1.1	(0.7)	(1.3)	(2.1)
Compensation to employees	0.2	(0.7)	(0.7)	(1.1)
Goods and services, incl. utilities	0.6	0.4	0.2	0.0
Pensions	0.0	(0.1)	(0.2)	(0.3)
Other transfers	(0.4)	(0.8)	(1.0)	(1.2)
Capital expenditure and net lending	0.6	0.6	0.6	0.5
Total structural measures	0.4	3.4	4.6	5.9
One-off adjustments to tax revenue	(0.8)	0.0	0.0	0.0
Cyclical impact	(0.0)	(0.1)	0.3	0.4
Capital revenue	0.1	0.0	0.1	(0.0)
One-off (grants)	2.8	0.0	0.0	0.0
Primary balance	2.4	3.2	5.0	6.3
Primary balance (fiscal year)	(1.3)	(0.5)	1.3	2.5

Sources: Country authorities and IMF staff estimates and projections.

17. Antigua and Barbuda's debt is unsustainable, given the large outstanding stock of arrears and elevated gross financing needs, which are likely to be financed, in part, by the accumulation of new arrears over the medium term (Annex IV). Public debt is

expected to peak at 105½ percent of GDP in 2021 and then steadily decline to 78½ percent of GDP by 2026, underpinned by the fiscal consolidation and growth recovery. Gross financing needs, though, are estimated at 17 percent of GDP in 2021 and remain elevated over the medium term due to high debt service obligations on privately-held securities and bilateral loans. It is unclear, at this stage, how these financing needs will be

met. Limitations on the use of international reserves also mean that part of the financing needs is likely to be filled by new accumulation of external arrears. A comprehensive plan is, therefore, needed to support the MTFS which would encompass arrears clearance and securing long-term financing on favorable terms, including through debt restructuring. The proposed global SDR allocation of US\$650 billion, if approved by the IMF Board of Governors, is estimated to lead to a US\$27 million (2 percent of GDP) allocation for Antigua and Barbuda, which would help increase international reserves. In case budget financing fails to materialize or the financing costs become more expensive than planned, some of the allocation could be used to meet the financing gap.



18. A comprehensive public sector reform would help address the large wage bill on a permanent basis. The authorities will maintain a real wage freeze until 2023 and apply an attrition policy (replacing essential staff through redeployment within government institutions). Nonetheless, a longer-term, comprehensive strategy to lessen the public sector wage bill will need to be

developed.¹⁰ The authorities plan to conduct a public sector employment census and develop a skills database. Consideration could also be given to a voluntary early retirement scheme for public sector workers, scaling back the scope of government functions and allowances, and compensating based on performance and skills.

19. There is a need to strengthen the operations and financial positions of statutory bodies and SOEs. This would include a review of their employment and compensation framework and fee structures. The authorities intend to introduce a report card system to monitor key performance indicators, with the objectives of reducing fiscal risks and enhancing the efficiency of commercially strategic SOEs. These measures along with the enforcement of the Finance Administration Act regarding SOEs' financial reporting, and imposition of limits on government guarantees, will contribute to reduce their dependence on government transfers. Once the restructuring process has been completed, LIAT should be required to operate on a commercial basis without further reliance on government support.

20. Efforts are being made to create a more robust and transparent public financial management system. The authorities plan to undertake a Public Expenditure and Financial Accountability (PEFA) self-assessment and design a roadmap to improve fiscal management (with technical support from the EU and CARTAC). Action is required to establish a Macro-Fiscal Unit and Fiscal Resilience Oversight Committee (FROC)¹¹ to monitor compliance with fiscal targets and undertake fiscal analysis. To avoid future arrears, there is a need for stricter commitment controls and more effective cash planning and management. Also, to strengthen governance, all spending should be explicitly appropriated by parliament. Extra-budgetary funds have been largely phased out with only a few Special Funds remaining. New budget manuals are being prepared to focus on public investment and post-disaster spending which will help incorporate climate resilience in a structured way into fiscal planning.

21. Improvements in tax compliance need to be accelerated. With support from the EU, the tax administration information system will be modernized to accommodate electronic registration, filing and payment of taxes. The Inland Revenue Department is undertaking forensic audits in key sectors (e.g., tourism and telecommunications) to address incidences of tax avoidance and evasion. At the outset, there should be mandatory e-filing and e-payment for large taxpayers, followed by medium taxpayers a short time later. Additionally, risk assessment and post-clearance audit at Customs are being strengthened. A holistic action plan is needed, though, to fully implement the recommendations from the 2019 Tax Administration Diagnostic Assessment Tool with a program to collect tax arrears and strengthen the compliance of larger taxpayers.

¹⁰ The government employs almost 12 percent of the population and accounts directly for about 9 percent of economic activity. Civil service has increased by nearly 20 percent since 2013. The wage bill is the largest expenditure item in the government's budget, equivalent to about 40 percent of total expenditure and 50 percent of revenue.

¹¹ The FROC will be responsible for assessing compliance with the general fiscal responsibility principles and advising on fiscal and budgetary matters, including on the annual budget, medium-term economic and fiscal outlook, and mid-year budget review. The FROC will consist of three to five members appointed by the Cabinet and drawn from the public and private sectors.

Box 3. Medium-Term Fiscal Strategy

The MTFS aims to strengthen the fiscal position and ensure debt sustainability by boosting tax revenues while controlling recurrent spending. The table below shows key fiscal targets under the MTFS:

MTFS Targets (Percent of GDP)						
	2021	2022	2023	2024	2025	2030
Tax revenues	17.9	18.7	19.3	20.0	20.0	
Wage bill	10.8	9.6	9.5	9.0	8.6	
Primary balance	-1.1	-0.1	1.2	2.2	2.7	
Overall balance	-3.8	-3.5	-2.2	-1.1	-0.6	
Public debt						below 70
Sources: 2021 Budget Statement and IMF staff calculations.						

- Tax-to-GDP ratio to increase to at least 18 percent by 2023 and be maintained at least at 20 percent over the medium term.
- Recurrent spending to be kept below 20 percent of GDP over the medium.
- Wages and salaries below 9 percent of GDP by 2025 by freezing real wages and limiting hiring.
- Primary surplus between 0.5 and 1 percent of GDP by 2023.
- Overall deficit less than 1.5 percent of GDP by 2024.
- Public debt-to-GDP ratio to fall below 70 percent by 2030.

Revenue reforms include:

Eliminate tax exemptions and duty-free waivers for anything not firmly linked to provisions under the law to effectively reduce exemption to no more than 25 percent of potential revenue, while lowering the effective waiver in support of business activity and major investments to no more than 50 percent of the applicable charge. *Expected yield: 0.5 percent of GDP in 2021 to 0.8 percent of GDP by 2024.*

Amend the Revenue Recovery Charge Act, effective March 1, 2021, to limit the waiver of the 10 percent charge. Exemptions will continue to apply to agriculture and fisheries inputs and equipment, and medicines and pharmaceutical supplies. *Expected yield: 0.6 percent of GDP in 2021 to 1 percent of GDP by 2023.*

Eliminate exemptions for imports below a CIF value of EC\$10,000, effective February 1, 2021.

Increase property tax compliance from less than 50 percent in 2020 to 70 percent in 2021, 75 percent in 2022, and up to 80 percent by 2024–25. *Expected yield: 0.3 percent of GDP from 2021 and 0.5 percent of GDP from 2023.*

Increase the corporate income tax and unincorporated business tax compliance by 15 percent by 2023 through tax audits and improved tax administration. *Expected yield: 0.3 percent of GDP by 2024.*

Introduce in 2021 a Tourism Accommodation Levy of US\$3 and US\$5 per night per guest, for rooms rates of US\$150 or less and over US\$150, respectively. The levy is applicable to all tourism accommodations including hotels, guest houses, apartments, Airbnb rentals, and villas. *Expected yield: 0.1 percent of GDP in 2021 and up to 1 percent of GDP by 2023.*

B. Resolving Arrears

22. The authorities should put in place a concrete plan to clear their arrears.¹² Long-standing external arrears have precluded access to potential official financing. The government has initiated discussions with the Paris Club and arrears to other official creditors are being treated and cleared. The government's strategy should include an audit of accumulated domestic arrears and the announcement of a detailed plan for their clearance. The authorities have indicated their intention to clear domestic arrears through cash payouts, write-offs, land swaps, and the securitization of the debt with new bonds issued at below-market interest rates.

C. Decisively Tackling COVID-19

23. Investment in healthcare infrastructure and development of a National Health Insurance (NHI) program will enhance health service delivery outcomes. The authorities plan to build and operationalize a renal and cardiac center to enhance domestic healthcare access while expanding possibilities for export of health services in the region. The authorities also plan, through the NHI, to expand coverage of the existing medical benefits system, widen the range of covered services, and improve integration of the insurance system with private healthcare providers so as to reduce reliance on the single public hospital. The authorities are also exploring options to procure additional doses of COVID-19 vaccines and have earmarked EC\$1.8 million for vaccine acquisition to meet the 70 percent vaccination target and EC\$1 million for healthcare personnel expenses.

D. Protecting the Vulnerable

24. The authorities are seeking to improve the targeting of social programs. The recently approved National Social Protection Act of 2020 aims to enhance the integration and efficiency of existing social welfare programs and strengthen their legislative frameworks. In collaboration with UNICEF, the authorities are making efforts to digitize beneficiary information on cash transfer programs to improve targeting, pursue proxy means testing, and establish a central beneficiary registry for all social programs. Tools to better target programs need to be developed and then shared with the many agencies that operate social programs. In addition, a new country poverty assessment could be conducted to gauge the size of the vulnerable population and recalibrate social programs.¹³

25. Ongoing parametric reforms to the social security system include increases in retirement age and contribution rates. However, the loss of contribution income during the pandemic, combined with demographic shifts, threaten the sustainability of the social security

¹² Staff's baseline projections assume no accumulation of new domestic arrears and a reduction in the 2020 outstanding stock of arrears to domestic suppliers by 60 percent over the projection period, in line with the authorities' plans.

¹³ The last such assessment was undertaken in 2006.

system. The Social Security Board should develop solutions to make social security sustainable and reduce the reliance on government transfers.

E. Achieving Durable Growth and Job Creation

26. The government is pursuing a multi-pronged strategy to boost economic growth and job creation. It is anchored in public and private investment projects and initiatives to diversify the economy away from tourism. Key private sector projects in the hospitality sector currently exceed US\$3 billion and will strengthen the sector. The government is also facilitating the development of new and emerging sectors such as health and education services (e.g., through the construction of a state-of-the-art hospital and medical center and the positioning of the West Indies University campus to attract foreign students) and promoting the agriculture sector through the construction of an agro-industrial park.

27. Steps are being taken to improve the business environment. Recent revisions to the Tax Code have helped clarify taxpayers' rights and obligations. The electronic tax services that are under way will facilitate the payment and refund of taxes. Other ongoing efforts to enhance trade include the introduction of a single window system to submit documentation for customs clearance and permits and the operationalization of non-intrusive detection systems (i.e., scanners) to reduce processing times while strengthening security at customs. Public infrastructure needs to be upgraded to increase energy efficiency, reduce utility costs, and improve resilience. ICT investments are needed to support the digitalization of the economy and drive innovation, competitiveness, and growth.

28. Building resilience to climate change and natural disasters will improve long-term economic outcomes. The country gained accreditation with the Adaptation Fund and the Green Climate Fund, increasing access to concessional financing. To secure financing for climate resilience projects, the Sustainable Island Resource Framework Fund was set up. Projects include reducing flooding in densely populated areas and upgrading community shelters and public buildings. Stronger physical resilience should enhance the country's effectiveness in post-disaster management. The National Adaptation Plan (NAP) is expected to be completed in 2022 and will aim to further strengthen physical and financial resilience and mainstream the disaster risk management.¹⁴ Progress is being made to expand renewable energy and increase energy efficiency. There are ongoing projects in solar and wind energy with a goal of increasing the share of renewables in electricity generation to over 80 percent by 2030.

F. Safeguarding Financial Stability

29. Near-term policy priorities should be geared toward mitigating any financial stability fallout from the pandemic and ensuring the financial sector's ability to support the recovery.

¹⁴ The NAP follows UNFCCC guidelines.

The pandemic has caused a decline in asset quality and profitability in the financial system. Key steps to mitigate risks should include:

- The government and the Financial Services Regulatory Commission (FSRC) should collaborate with the ECCB to formalize a national crisis management plan to effectively contain system-wide risks from a potential worsening of financial conditions or deterioration in credit quality. The plan should acknowledge the increased macro-significance of the indigenous banking system following the acquisition of foreign banking groups' local operations¹⁵, and the interconnectedness between banks and the non-bank financial sector.
- Regulators should closely monitor credit union asset quality, including by strengthening provisioning of impaired assets and monitoring the impact of the expiry of loan moratoria. Credit unions should be required to strengthen internal controls and conserve capital until the full impact of the pandemic is clear.
- The authorities should seek to further modernize the insolvency law and upgrade foreclosure legislation, which would help financial institutions preserve their capital and lending capacity. In addition, the authorities should work with the ECCB to facilitate prudent restructuring of loans, provide guidance on NPL management strategies, and intensify the monitoring of banks and non-banks to assess the impact of the pandemic on their asset quality and financial health, including with the expiration of loan moratoria.

30. The government should seek to gradually mitigate the risks arising from sovereign-bank linkages. The locally-owned banks' gross exposures (loans and securities) to the government amounted to 18 percent of their total assets and banks have already reached their own internal loan exposure limits to the government. There are additional sizeable exposures to state-owned enterprises.¹⁶ The authorities should find strategies to gradually decrease the reliance on domestic bank financing to reduce sovereign-bank feedback loops.

31. Efforts should continue to enhance the effectiveness of the AML/CFT framework. While the legislative frameworks to address AML/CFT deficiencies identified in the Mutual Evaluation Report¹⁷ are largely in place, capacity needs to be strengthened to improve the effectiveness of implementation. Key challenges include updating the National Risk Assessment, bolstering financial intelligence, enhancing investigations and prosecutions capacity in the area of money laundering,

¹⁵ Scotiabank reached an agreement to sell its operations in Antigua and Barbuda to the wholly ECCU-owned Eastern Caribbean Amalgamated Bank. The ECCB approved the sale of Royal Bank of Canada's Eastern Caribbean banking operations to a consortium of ECCU banks which includes Antigua Commercial Bank. The one foreign bank remaining in Antigua and Barbuda (CIBC-FCIB) did not receive approval from Caribbean supervisors for the proposed sale of its regional bank franchise.

¹⁶ In 2020, commercial banks' loans accounted for 17 percent of total public sector debt (in the form of central government debt and debt of public corporations/publicly guaranteed debt).

¹⁷ Caribbean Financial Action Task Force, "Antigua and Barbuda – Mutual Evaluation Report", July 2018.

and pursuing confiscation of ill-gotten proceeds. The authorities should press for reforms in the following areas as priorities, with IMF technical support:

- Strengthen risk-based AML/CFT supervision governing international financial services, domestic financial institutions and the Designated Non-Financial Businesses and Professions (DNFBPs), including onsite and offsite inspections and imposition of effective sanctions when appropriate, and improving the level and quality of suspicious transaction reporting for DNFBPs.
- To ensure legal persons and arrangements are prevented from misuse for money laundering or terrorist financing, the FSRC should provide timely access to accurate beneficial ownership information for international business companies and consider making the information available to the public.
- Continue to strengthen the supervisory measures applicable to CIP agents to ensure that they are subject to relevant AML/CFT obligations as well as consider additional measures to reduce financial integrity risks, such as granting access to listings of successful CIP applicants. The Office of National Drug and Money Laundering Control Policy (ONDPCP) should also take steps to enforce sanctions for breaches committed by CIP agents.

32. An update safeguards assessment of the ECCB in 2021 is substantially completed. The ECCB continues to maintain sound external audit and financial reporting practices. The digital currency pilot will need to be carefully managed on related risks. The ratification of draft amendments to the ECCB Agreement to include digital currencies should be prioritized by the participating governments that have not yet completed the process. In addition, the operational autonomy of the ECCB should be strengthened, consistent with observations in the 2019 ECCU Staff Report. Necessary legal reforms to the ECCB Agreement Act center around governance arrangements for stronger delineation of the division of responsibilities on oversight and policy formulation among the decision-making bodies (Monetary Council, ECCB Board, and the Governor and Deputy Governor).

DATA ISSUES

33. Efforts are needed to improve data quality and timeliness. Data provision is broadly adequate for surveillance but has important shortcomings. CARTAC has provided technical assistance on national accounts, CPI, and external sector statistics. However, there is room to improve with the development of high-frequency indicators; preparation of national accounts; a comprehensive reporting of CIP inflows and external grants in the fiscal accounts; monitoring and publishing financial statements of key SOEs; collection and compilation of labor market statistics; and balance of payments data. Regular dissemination of high-quality data would help inform the government and business decision-making process.

AUTHORITIES' VIEWS

34. The authorities broadly agreed with staff's growth outlook and assessment of risks.

The economy will rebound in 2022, with tourist arrivals returning to the 2019 level towards the end of 2023 or early 2024. The authorities' view on medium-term growth was more positive in light of large private investment projects in the pipeline and the government's own capital spending program. On downside risks, the authorities concurred with the uncertainty surrounding the pandemic but were more optimistic about citizenship-by-investment prospects and LIAT's performance after restructuring.

35. The authorities' agreed on the potential need for further fiscal efforts but took a different approach on addressing the wage bill. Additional revenue measures recommended by staff could be considered in case yields from existing measures in the MTFS fall short of expectations. The authorities underscored their commitment to reduce tax exemptions and waivers and to rationalize public sector spending, including non-statutory transfers to SOEs. However, they will continue to rely on a wage and hiring freeze and attrition to manage the wage bill, rather than pursue a comprehensive public sector reform that may result in unemployment, as the private sector would not be able to absorb the job transfers.

36. The authorities reiterated their strategy to seek long-term financing on favorable terms. They acknowledged the large fiscal financing needs and noted their efforts to gradually shift away from short-term borrowing toward debt with longer maturities. They noted that Antigua and Barbuda was ineligible for IFI concessional financing during the pandemic owing to its income status, which put additional strain on their resources. They also intend to clear the stock of arrears and avoid accumulation of new arrears. They expressed interest in resuming negotiations with the Paris Club on outstanding arrears but noted unresolved legacy issues related to a number of the loans and to a 2007 WTO ruling on a trade in services dispute between the U.S. and Antigua and Barbuda. They indicated their intention to save a portion of the prospective SDR allocation as a buffer against a prolonged pandemic, climate shocks, and any unexpected financing shortfall from the Regional Government Securities Market (RGSM).

37. There was agreement on the need to make further progress on structural fiscal reforms, with external technical support. The public procurement legislation was finally brought into effect in June 2021. The authorities are working with consultants funded by the EU toward a PEFA self-assessment and aim to establish the Macro-Fiscal Unit and Fiscal Resilience Oversight Committee (FROC) later this year. The Finance Administration Act is being reviewed and any necessary amendments will be made by 2022. The authorities are seeking technical assistance to help develop a report card system for SOEs and operationalize the single window system at customs.

38. The authorities agreed that non-bank financial institutions required greater attention. The loss of employment due to the pandemic was an important factor behind the significant rise in NPLs at credit unions, which deserves close monitoring. There are ongoing efforts between the FSRC

and ECCB to develop a consolidated supervision framework for the financial sector. The authorities also recognized the need to strengthen capacity to effectively address remaining AML/CFT challenges.

39. The authorities were determined to press ahead with their climate resilience plans.

They are actively seeking donor support in financing climate resilient and renewable energy projects. They are committed to achieve carbon neutrality by 2040. The development of the National Adaptation Plan (NAP) was delayed by the pandemic, but it is expected to be completed within the original timeframe. The authorities recognized the need to integrate disaster risk management into the NAP, especially considering the high cost of private insurance against natural disasters.

STAFF APPRAISAL

40. A gradual recovery is envisaged in line with the tourism revival. Economic activity is expected to pick up starting in the second half of 2021, with tourist arrivals and GDP returning to pre-COVID-19 levels by 2024. Downside risks to the outlook stem from a more prolonged pandemic, weaker-than-expected CIP inflows, potential fiscal costs from LIAT's operations, delays in fiscal reform implementation, and natural disasters.

41. The authorities' medium-term fiscal plan represents an important step toward restoring debt sustainability, but additional measures will be required. Full implementation of the plan will help stabilize public finances over the medium term. However, further efforts will be necessary to ensure that the government's fiscal targets are achieved and to secure long-term financing on favorable terms. Ongoing efforts to enhance the integration and efficiency of social welfare programs would help target support toward vulnerable groups.

42. A longer-term, comprehensive strategy to decisively tackle the public sector wage bill needs to be developed. The government should undertake a public sector employment census and develop a skills database as planned. Consideration could also be given to a voluntary early retirement scheme for public sector workers, curtailing the scope of government functions and allowances, and compensating public employees based on performance and skills.

43. A concrete plan to clear arrears should be put in place. The government should develop a systematic verification process and conduct an audit of arrears, and then announce a detailed plan for their clearance, while ensuring no further accumulation of arrears. It will be important to engage with domestic and official bilateral creditors to resolve these arrears.

44. The financial position of SOEs should be strengthened. The pandemic has increased SOEs' financing constraints and loan guarantees provided to SOEs pose substantial fiscal risks. Reforms to improve the governance and efficiency of SOEs should be implemented as planned, including developing a report card system to monitor performance and enforcing financial reporting requirements.

45. Continued efforts are needed to implement reforms in fiscal management and tax administration. The government should promptly establish the Macro-Fiscal Unit and Fiscal Resilience Oversight Committee to monitor fiscal targets and enhance fiscal discipline. A public expenditure and financial accountability self-assessment should be undertaken. There is also a need for strict commitment controls to avoid expenditure arrears. Climate resilience considerations should be integrated into budget management decisions. An action plan should be developed to strengthen tax compliance.

46. Improving the business environment is critical to boost potential growth. Recent revisions to the Tax Code have clarified taxpayers' rights and obligations, while a planned single window system would facilitate trade. In addition, the electronic tax filing and payment system would help lower business transaction costs. Public infrastructure should be upgraded to reduce utility costs and support the digitalization of the economy. The government's plan to clear arrears and remain current with domestic suppliers will further help support growth.

47. A comprehensive climate resilience strategy should be developed. Investments in renewable energy and public shelters and hurricane-resistant homes should continue. The National Adaptation Plan should be developed, with a view to build ex-ante physical and financial resilience to climate change and natural disasters and to mainstream the disaster risk management.

48. Priority should be placed on safeguarding financial stability to support the recovery. The rapid rise in NPLs at credit unions should be closely monitored and credit unions should be encouraged to conserve capital. Steps to modernize the insolvency law and upgrade foreclosure legislation should be taken to accelerate the asset recovery process. Rising interconnectedness between banks and non-banks requires a coordinated supervisory approach. A national crisis management plan needs to be formalized in collaboration with the ECCB to ensure system-wide risks can be effectively contained. The government should gradually reduce reliance on domestic bank financing to limit sovereign financial risks. Finally, capacity needs to be strengthened to improve the effectiveness of AML/CFT activities.

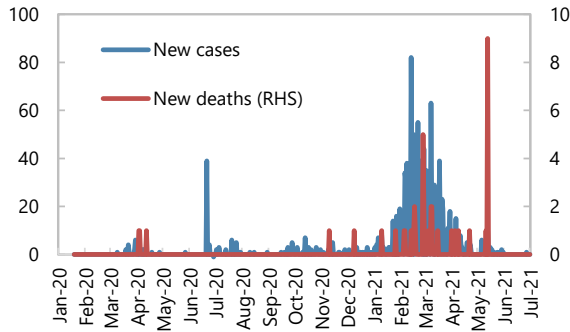
49. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. Antigua and Barbuda: Economic Developments

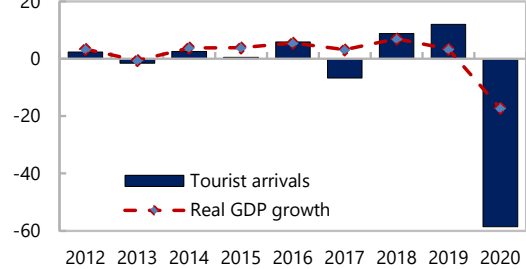
Although the local COVID-19 outbreak was relatively well contained...

...the domestic lockdowns and border closures had led to a collapse in tourism...

COVID-19 Cases and Deaths



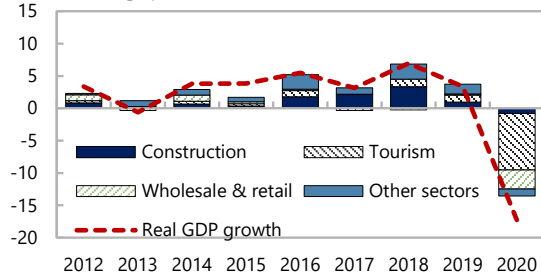
Tourist Arrivals and Real GDP Growth
(Annual percentage change)



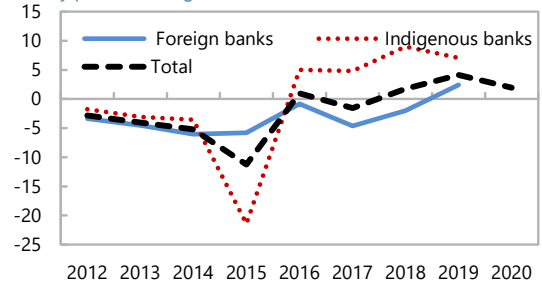
...with spillover effects to most sectors of the economy.

Credit growth to the private sector was anemic despite ECCB support measures.

Contribution to Growth
(Percentage points)



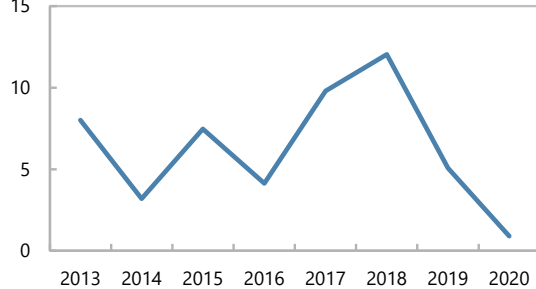
Private Credit Growth by Type of Bank
(Y-o-y percent change)



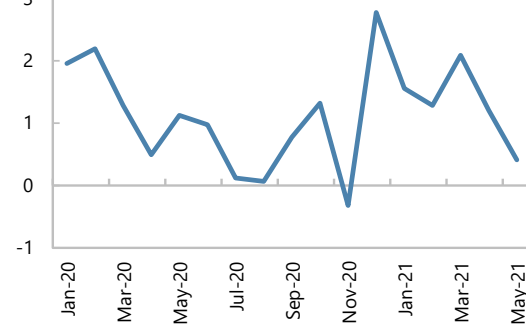
FDI inflows fell with increased uncertainty.

Inflation remained subdued.

Foreign Direct Investment
(Percent of GDP)



CPI Inflation
(Y-o-y percent change)

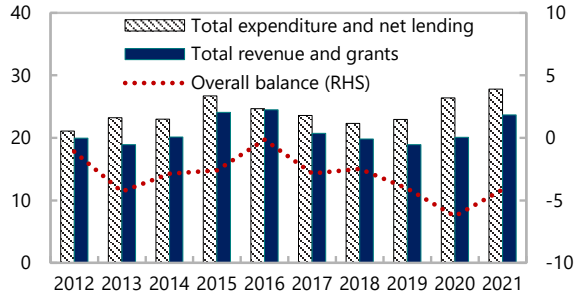


Sources: Country authorities, ECCB, and IMF staff calculations.

Figure 2. Antigua and Barbuda: Fiscal Sector Developments

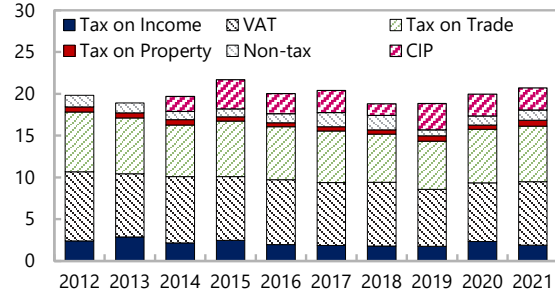
The fiscal deficit widened in 2020 due to the twin impact of the pandemic on revenues and expenditures...

Fiscal Performance
(Percent of GDP)



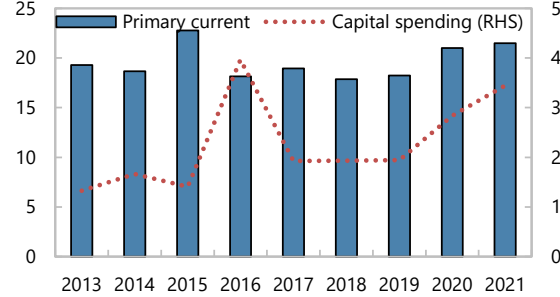
...with most categories of revenues declining in nominal terms.

Revenue
(Percent of GDP)



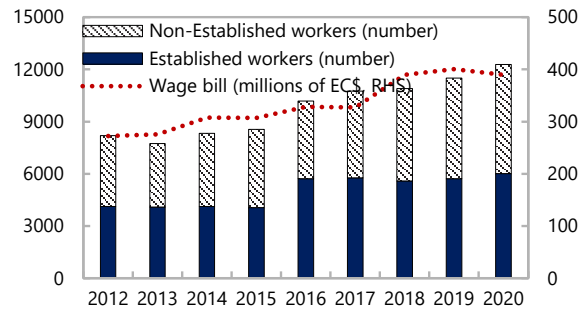
Spending was reallocated toward priorities to tackle the pandemic.

Primary Current and Capital Spending
(Percent of GDP)



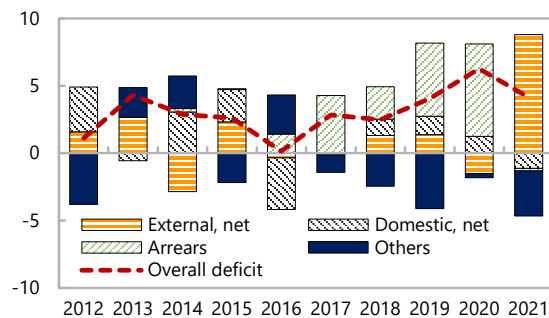
The wage bill stabilized following a one-time payment in 2018 to compensate for a decade-long wage freeze.

Public Employment and Wage Bill



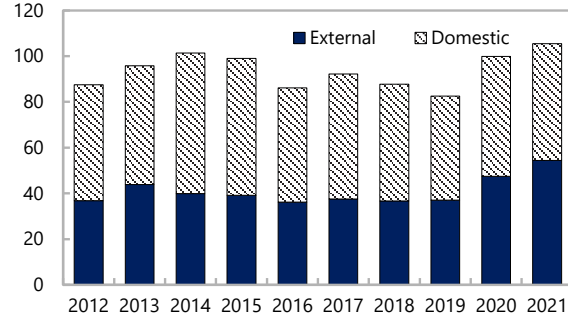
The fiscal deficit in 2020 was financed by domestic debt and accumulation of arrears.

Financing and Overall Balance
(Percent of GDP)



The larger fiscal deficits and collapse in economic activity drove up the public-to-GDP ratio.

Public Debt
(Percent of GDP)

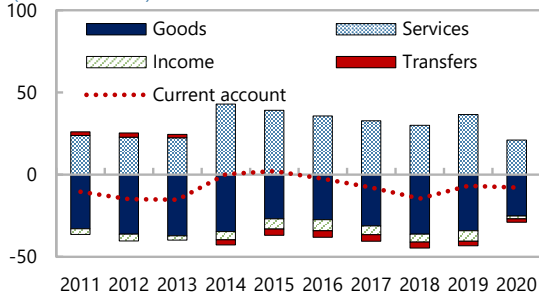


Sources: Country authorities, ECCB, and IMF staff calculations.

Figure 3. Antigua and Barbuda: External Sector Developments

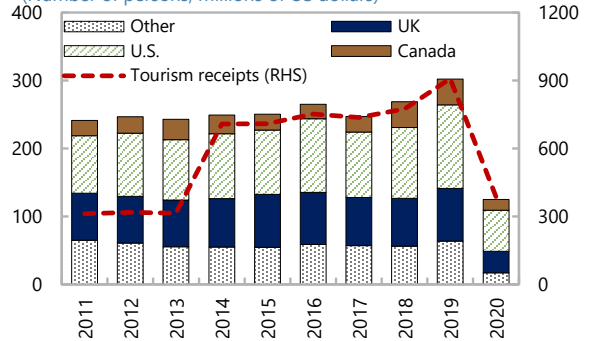
The current account deficit widened in 2020 driven by a sharp fall in tourism export receipts...

Current Account Balance
(Percent of GDP)



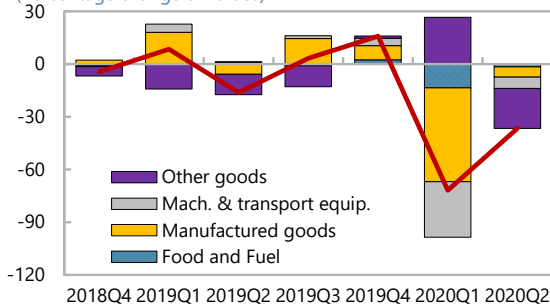
...with declines in tourist arrivals from all key source markets.

Stayover Arrivals by Market and Tourism Receipts
(Number of persons; millions of US dollars)



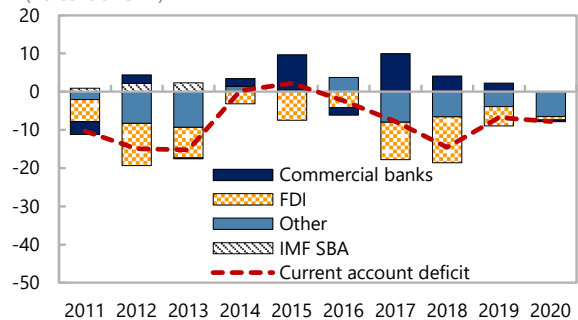
Lower demand in tourism and hospitality sectors and weak FDI both weighed on import of goods.

Contribution to Import Growth
(Percentage change of values)



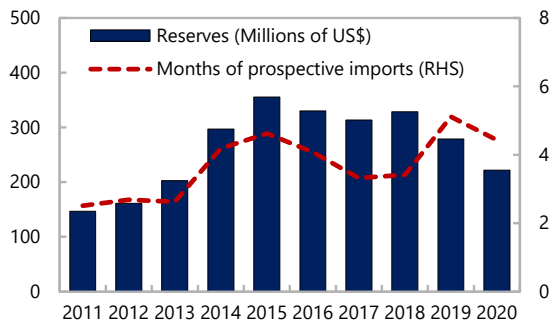
The current account deficit was financed largely by FDI, but less so in the last two years.

Current Account Financing
(Percent of GDP)



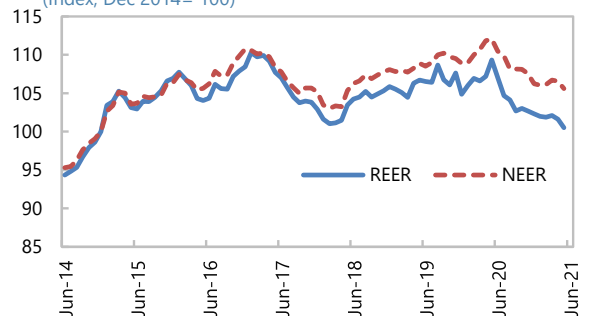
Reserve coverage declined in 2020 relative to prospective imports.

Net Imputed Reserves



The real effective exchange rate has depreciated since mid-2020.

Effective Exchange Rate
(Index, Dec 2014= 100)



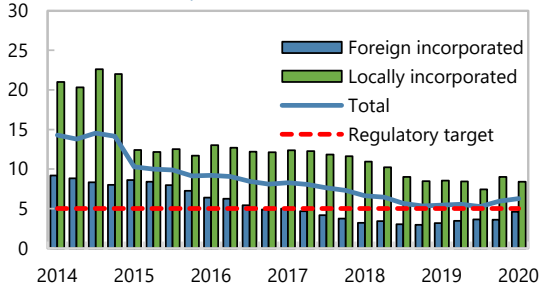
Sources: Country authorities, ECCB, and IMF staff calculations.

Figure 4. Antigua and Barbuda: Banking System Developments

NPLs rose marginally despite the pandemic.

Non-Performing Loans

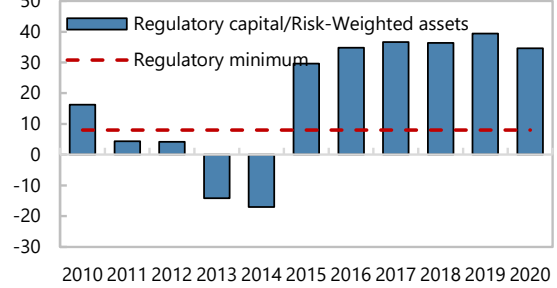
(Commercial banks; percent of total loans)



Banks remain well-capitalized.

Commercial Banks' Capital Adequacy

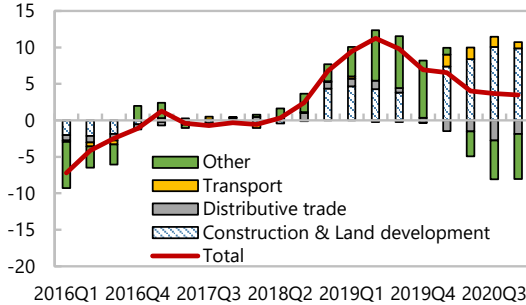
(Regulatory Capital/Risk Weighted Assets; percent)



Credit to the private sector continued to grow, primarily on account of construction activities.

Commercial Banks Private Credit by Economic Activity

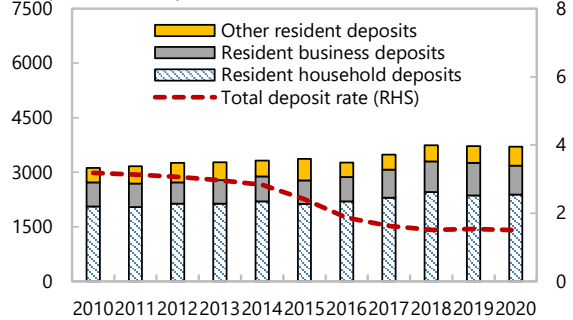
(Percent, contribution to growth)



Deposits have remained steady amidst low deposit rates.

Commercial Banks Resident Deposits

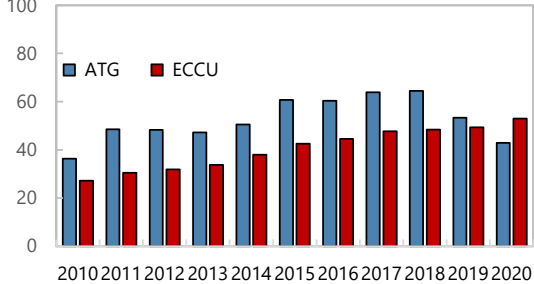
(Millions of EC\$)



Liquidity, long in excess of the ECCU average, is now on a declining trend.

Liquid Assets to Liquid Liabilities and Deposits

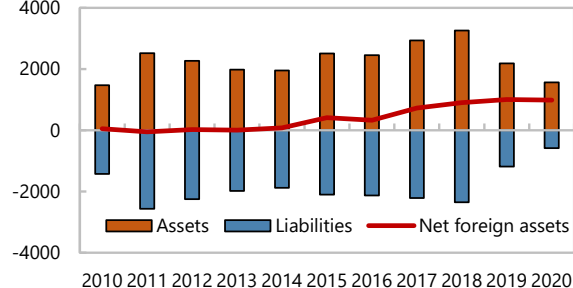
(Percent)



While foreign assets have declined, foreign liabilities have fallen in lockstep.

Net Foreign Assets of Commercial Banks

(Millions of EC\$)



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

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

Population (2019)	97,118											Adult literacy rate (2015)	99
GDP per capita (US\$, 2019)	17,113											Human Development Index	78
Life expectancy at birth (years, 2019)	77											(2019, of 189 economies)	
Mortality rate (under 5, per 1,000 live births, 2019)	6.6												
					Prel.	Projections							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
National income and prices	(Annual percentage change)												
Real GDP	5.5	3.1	7.0	3.4	-17.3	-1.0	8.5	5.6	4.4	3.4	2.7		
Nominal GDP	7.5	2.2	9.4	3.5	-16.4	1.0	10.6	7.7	6.5	5.4	4.8		
Consumer prices (end of period)	-1.1	2.4	1.7	0.7	2.8	2.0	2.0	2.0	2.0	2.0	2.0		
Consumer prices (period average)	-0.5	2.4	1.2	1.4	1.1	2.0	2.0	2.0	2.0	2.0	2.0		
Money and credit													
Net foreign assets	-4.5	10.9	6.2	-0.9	-4.6	0.0	2.4	2.6	3.0	2.6	1.7		
Net domestic assets	2.8	-3.3	0.1	1.7	-0.6	1.0	6.0	1.0	-0.2	3.3	3.1		
<i>Of which:</i>													
Credit to the public sector	2.0	0.6	0.1	-0.5	4.1	-2.2	-0.1	-0.5	-0.8	-0.9	-0.5		
Credit to the private sector	0.6	-1.0	1.0	2.2	1.0	0.8	1.2	0.3	1.7	3.5	3.1		
Central government	(Percent of GDP)												
Primary balance	2.4	-0.1	0.0	-1.2	-3.7	-1.3	-0.5	1.3	2.5	3.3	3.3		
Overall balance	-0.1	-2.8	-2.5	-4.0	-6.3	-4.1	-3.5	-1.7	-0.4	0.5	0.7		
Total revenue and grants	24.5	20.7	19.8	18.9	20.1	23.7	22.7	23.8	24.3	24.4	24.3		
Total expenditure	24.7	23.6	22.3	23.0	26.4	27.8	26.1	25.6	24.7	23.9	23.6		
External sector													
Current account balance	-2.4	-7.8	-14.5	-6.7	-7.8	-12.3	-9.9	-8.1	-7.6	-7.5	-7.2		
Trade balance	-27.4	-31.1	-36.1	-34.1	-25.1	-25.1	-31.5	-33.6	-34.8	-34.7	-34.7		
Nonfactor service balance	35.7	32.7	30.1	36.5	21.1	17.4	28.5	32.2	33.8	33.7	33.8		
<i>Of which: Gross tourism receipts</i>	52.4	50.2	48.3	54.7	27.8	21.5	38.6	46.2	51.0	50.8	50.9		
Overall balance	-0.4	-2.4	-0.5	-4.3	-7.0	-3.6	-3.0	-2.5	-0.7	-0.9	-0.9		
External public sector debt	36.2	37.5	36.7	37.1	47.4	54.4	53.8	52.7	51.4	50.1	48.4		
Savings-Investment balance	-2.4	-7.8	-14.5	-6.7	-7.8	-12.3	-9.9	-8.1	-7.6	-7.5	-7.2		
Savings	9.7	15.2	23.0	25.7	16.0	15.2	21.9	23.5	25.2	25.2	25.3		
Investment	12.2	23.1	37.5	32.5	23.9	27.5	31.8	31.6	32.8	32.7	32.5		
Memorandum items													
Net imputed international reserves (US\$ million)	330	314	328	279	222	221	253	290	335	374	401		
(In months of prospective imports)	4.1	3.3	3.4	5.1	4.4	2.9	2.7	2.7	3.0	3.2	3.3		
GDP at market prices (EC\$ million)	3,879	3,964	4,334	4,487	3,752	3,791	4,194	4,518	4,812	5,073	5,316		
Public debt stock (EC\$ million) 1/, 2/	3,341	3,654	3,803	3,702	3,748	3,997	4,109	4,193	4,220	4,203	4,173		
(In percent of GDP)	86.1	92.2	87.7	82.5	99.9	105.4	98.0	92.8	87.7	82.8	78.5		

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

	Projections					
	2021	2022	2023	2024	2025	2026
	(Millions of Eastern Caribbean dollars)					
Total gross financing needs	656	568	573	521	494	473
Deficit financing	157	145	79	18	-26	-38
Central government external amortization	285	253	310	297	312	328
Multilateral	39	42	51	51	52	55
Bilateral Paris Club	36	35	32	16	0	0
Bilateral non-Paris Club	19	55	55	58	62	54
Securities	191	106	135	107	114	114
Additional securities to close financing gap	0	14	37	64	84	106
Central government domestic amortization	214	171	185	206	207	183
Commercial Banks	10	24	26	29	35	41
ECCB	55	21	21	24	22	11
Securities	149	126	137	153	150	131
Financing sources	541	385	357	364	322	325
External	504	234	167	183	174	175
Caribbean Development Bank	24	22	20	19	19	19
World Bank	1	0	0	0	0	0
Abu Dhabi Fund for Development	12	41	0	0	0	0
Securities	413	135	107	114	114	114
ALBA Bank	16	0	0	0	0	0
CARICOM/IDB	17	1	0	0	0	0
Other bilateral 1/	21	35	40	49	40	42
Domestic	171	177	180	170	151	151
Commercial banks	27	33	20	20	20	20
ECCB	0	7	7	0	0	0
Securities	144	137	153	150	131	131
Change in arrears	-7	-27	9	12	-3	-1
Domestic	-39	-74	-19	-16	-13	-11
External	32	48	28	27	11	10
Change in deposits	0	0	0	0	0	0
Central government sale/purchase of domestic assets 2/	-127	0	0	0	0	0
Financing gap 3/	115	184	217	157	172	148

Sources: Country authorities and IMF staff estimates and projections.

1/ In 2021, this reflects restructuring of debt to China Eximbank.

2/ In 2021, this reflects the portion of new bond issuance that is used to retire external debt of SOEs.

3/ 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)

	2016	2017	2018	2019	2020	Projections					
						2021	2022	2023	2024	2025	2026
(Millions of Eastern Caribbean dollars)											
Total revenue and grants	951	822	859	849	755	897	951	1,077	1,168	1,237	1,292
Current revenue	683	704	756	704	651	684	834	949	1,036	1,102	1,153
Tax revenue	641	636	680	672	610	639	785	897	982	1,045	1,092
o/w Income	76	74	78	79	87	72	75	92	98	105	110
o/w Domestic production and consumption	301	298	330	306	264	288	336	372	406	430	450
o/w AB Sales Tax	251	237	278	253	207	224	255	279	307	325	341
o/w Stamp duties	42	50	41	43	38	41	44	47	50	53	55
o/w International transactions	247	244	251	259	241	252	342	396	438	468	488
o/w Import duties	82	88	97	98	82	90	126	150	170	184	192
o/w Revenue Recovery Charge (RRC)	74	75	84	80	66	90	134	153	169	179	186
o/w Consumption duties	78	64	53	64	79	57	67	76	82	87	91
o/w Taxes on property	18	20	21	29	18	27	32	37	40	42	44
Non-tax revenue	42	68	76	31	41	46	49	52	55	58	60
Capital revenue	268	116	88	146	103	108	116	128	132	134	140
Of which: CIP revenue	93	105	60	142	98	101	107	118	120	122	126
Total grants	0	2	16	0	0	105	0	0	0	0	0
Current grants 1/	0	0	0	0	0	23	0	0	0	0	0
Capital grants	0	2	16	0	0	82	0	0	0	0	0
Total expenditure	956	935	966	1,031	990	1,054	1,095	1,156	1,187	1,211	1,254
Total primary expenditure	858	827	857	905	895	945	972	1,021	1,046	1,072	1,116
Current expenditure	803	858	883	943	883	923	952	1,002	1,024	1,041	1,073
Primary current expenditure	704	751	774	818	789	815	829	866	884	901	935
Wages and salaries	329	327	389	400	390	403	408	437	446	455	468
Employment contributions 2/	25	28	33	36	36	39	40	42	43	44	45
Goods and services, incl. utilities	128	134	129	152	126	150	156	159	162	165	173
Pensions	65	82	71	78	70	71	73	74	75	77	80
Other transfers	157	181	151	151	167	152	153	155	158	161	169
Capital expenditure and net lending	154	76	84	87	107	130	144	155	162	170	181
Interest payments	99	107	109	126	94	109	123	135	141	139	139
External	27	31	35	50	42	45	63	70	81	86	90
Domestic	72	76	74	75	52	64	61	65	60	53	49
Primary balance	93	-5	2	-56	-140	-48	-22	57	122	165	176
Overall balance	-6	-113	-107	-181	-235	-157	-145	-79	-18	26	38
Financing	6	113	107	181	235	157	145	79	18	-26	-38
External (net)	-14	-1	58	53	-57	219	-19	-143	-114	-138	-153
External borrowing	-14	-1	58	53	-57	334	165	74	43	34	-5
Disbursement	93	183	224	254	278	504	234	167	183	174	175
Amortization 3/	-106	-184	-166	-201	-335	-285	-253	-310	-297	-312	-328
Domestic (net)	-11	-36	85	77	-21	-42	6	-4	-36	-56	-32
ECCB	-19	-10	-6	1	92	-55	-14	-14	-24	-22	-11
Banks (loans, net)	-75	-31	-27	22	9	17	9	-6	-9	-15	-21
Government securities	-38	22	37	53	-47	-5	11	16	-3	-19	0
Issuances	193	138	191	164	134	144	137	153	150	131	131
Amortization	-231	-117	-154	-111	-181	-149	-126	-137	-153	-150	-131
Others	-1	15	49	0	-56	0	0	0	0	0	0
Changes in deposits (increase -)	121	-32	31	1	-19	0	0	0	0	0	0
Change in arrears 4/	55	169	104	243	257	-7	-27	9	12	-3	-1
External 3/	22	38	54	59	85	32	48	28	27	11	10
Amortization	11	27	44	42	70	26	44	29	26	9	9
Interest	11	11	10	17	15	6	3	-1	2	1	1
Domestic 1/, 4/	32	131	50	184	172	-39	-74	-19	-16	-13	-11
Other (including asset purchases)	0	0	0	0	0	-127	0	0	0	0	0
Statistical discrepancy	-25	-20	-139	-191	55	0	0	0	0	0	0
Financing gap	...	...	...	...	0	115	184	217	157	172	148
Memorandum items:											
IMF financing (net)	-58	-65	-23	0	0	0	0	0	0	0	0
Central government debt stock	2,867	3,113	3,261	3,257	3,255	3,636	3,795	3,876	3,896	3,873	3,836
Central government debt (incl. guarantees)	3,341	3,654	3,803	3,702	3,748	3,997	4,109	4,193	4,220	4,203	4,173
GDP at market prices	3,879	3,964	4,334	4,487	3,752	3,791	4,194	4,518	4,812	5,073	5,316

Sources: Country authorities and IMF staff estimates and projections.

1/ For 2021, it reflects EC\$23 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/ Includes interest and amortization arrears, unpaid vouchers to domestic creditors, personnel payables, and unpaid contributions. For 2021, it reflects EC\$23 million in arrears write-off by RBTT.

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

	2016	2017	2018	2019	2020	Projections					
						2021	2022	2023	2024	2025	2026
	(Percent of GDP)										
Total revenue and grants	24.5	20.7	19.8	18.9	20.1	23.7	22.7	23.8	24.3	24.4	24.3
Current revenue	17.6	17.8	17.4	15.7	17.4	18.0	19.9	21.0	21.5	21.7	21.7
Tax revenue	16.5	16.1	15.7	15.0	16.3	16.8	18.7	19.8	20.4	20.6	20.5
o/w Income	1.9	1.9	1.8	1.8	2.3	1.9	1.8	2.0	2.0	2.1	2.1
o/w Domestic production and consumption	7.8	7.5	7.6	6.8	7.0	7.6	8.0	8.2	8.4	8.5	8.5
o/w AB Sales Tax	6.5	6.0	6.4	5.6	5.5	5.9	6.1	6.2	6.4	6.4	6.4
o/w Stamp duties	1.1	1.3	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.0	1.0
o/w International transactions	6.4	6.2	5.8	5.8	6.4	6.6	8.2	8.8	9.1	9.2	9.2
o/w Import duties	2.1	2.2	2.2	2.2	2.2	2.4	3.0	3.3	3.5	3.6	3.6
o/w Revenue Recovery Charge (RRC)	1.9	1.9	1.9	1.8	1.8	2.4	3.2	3.4	3.5	3.5	3.5
o/w Consumption duties	2.0	1.6	1.2	1.4	2.1	1.5	1.6	1.7	1.7	1.7	1.7
o/w Taxes on property	0.5	0.5	0.5	0.6	0.5	0.7	0.8	0.8	0.8	0.8	0.8
Non-tax revenue	1.1	1.7	1.8	0.7	1.1	1.2	1.2	1.2	1.1	1.1	1.1
Capital revenue	6.9	2.9	2.0	3.2	2.8	2.8	2.8	2.8	2.7	2.6	2.6
<i>Of which: CIP revenue</i>	2.4	2.6	1.4	3.2	2.6	2.7	2.6	2.6	2.5	2.4	2.4
Total grants	0.0	0.1	0.4	0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0
Current grants 1/	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
Capital grants	0.0	0.1	0.4	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0
Total expenditure	24.7	23.6	22.3	23.0	26.4	27.8	26.1	25.6	24.7	23.9	23.6
Total primary expenditure	22.1	20.9	19.8	20.2	23.9	24.9	23.2	22.6	21.7	21.1	21.0
Current expenditure	20.7	21.7	20.4	21.0	23.5	24.4	22.7	22.2	21.3	20.5	20.2
Primary current expenditure	18.2	18.9	17.9	18.2	21.0	21.5	19.8	19.2	18.4	17.8	17.6
Wages and salaries	8.5	8.3	9.0	8.9	10.4	10.6	9.7	9.7	9.3	9.0	8.8
Employment contributions 2/	0.7	0.7	0.8	0.8	1.0	1.0	0.9	0.9	0.9	0.9	0.9
Goods and services, incl. utilities	3.3	3.4	3.0	3.4	3.4	3.9	3.7	3.5	3.4	3.3	3.3
Pensions	1.7	2.1	1.6	1.7	1.9	1.9	1.7	1.6	1.6	1.5	1.5
Other transfers	4.1	4.6	3.5	3.4	4.4	4.0	3.6	3.4	3.3	3.2	3.2
Capital expenditure and net lending	4.0	1.9	1.9	1.9	2.8	3.4	3.4	3.4	3.4	3.4	3.4
Interest payments	2.5	2.7	2.5	2.8	2.5	2.9	2.9	3.0	2.9	2.7	2.6
External	0.7	0.8	0.8	1.1	1.1	1.2	1.5	1.6	1.7	1.7	1.7
Domestic	1.9	1.9	1.7	1.7	1.4	1.7	1.4	1.4	1.2	1.0	0.9
Primary balance	2.4	-0.1	0.0	-1.2	-3.7	-1.3	-0.5	1.3	2.5	3.3	3.3
Overall balance	-0.1	-2.8	-2.5	-4.0	-6.3	-4.1	-3.5	-1.7	-0.4	0.5	0.7
Financing	0.1	2.8	2.5	4.0	6.3	4.1	3.5	1.7	0.4	-0.5	-0.7
External (net)	-0.3	0.0	1.3	1.2	-1.5	5.8	-0.4	-3.2	-2.4	-2.7	-2.9
Disbursement	2.4	4.6	5.2	5.7	7.4	13.3	5.6	3.7	3.8	3.4	3.3
Amortization 3/	-2.7	-4.6	-3.8	-4.5	-8.9	-7.5	-6.0	-6.9	-6.2	-6.2	-6.2
Domestic (net)	-0.3	-0.9	2.0	1.7	-0.6	-1.1	0.2	-0.1	-0.7	-1.1	-0.6
ECCB	-0.5	-0.3	-0.1	0.0	2.4	-1.4	-0.3	-0.3	-0.5	-0.4	-0.2
Banks (loans, net)	-1.9	-0.8	-0.6	0.5	0.2	0.5	0.2	-0.1	-0.2	-0.3	-0.4
Government securities	-1.0	0.6	0.9	1.2	-1.2	-0.1	0.3	0.4	-0.1	-0.4	0.0
Issuances	5.0	3.5	4.4	3.6	3.6	3.8	3.3	3.4	3.1	2.6	2.5
Amortization	-5.9	-2.9	-3.5	-2.5	-4.8	-3.9	-3.0	-3.0	-3.2	-3.0	-2.5
Others	0.0	0.4	1.1	0.0	-1.5	0.0	0.0	0.0	0.0	0.0	0.0
Changes in deposits (increase -)	3.1	-0.8	0.7	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Change in arrears 4/	1.4	4.3	2.4	5.4	6.9	-0.2	-0.6	0.2	0.2	-0.1	0.0
External 3/	0.6	1.0	1.2	1.3	2.3	0.8	1.1	0.6	0.6	0.2	0.2
Amortization	0.3	0.7	1.0	0.9	1.9	0.7	1.1	0.6	0.5	0.2	0.2
Interest	0.3	0.3	0.2	0.4	0.4	0.2	0.1	0.0	0.0	0.0	0.0
Domestic 1/, 4/	0.8	3.3	1.1	4.1	4.6	-1.0	-1.8	-0.4	-0.3	-0.3	-0.2
Other (including asset purchases)	0.0	0.0	0.0	0.0	0.0	-3.4	0.0	0.0	0.0	0.0	0.0
Statistical discrepancy	-0.6	-0.5	-3.2	-4.2	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	...	...	...	...	0.0	3.0	4.4	4.8	3.3	3.4	2.8
Memorandum items:											
IMF financing (net)	-1.5	-1.6	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government debt stock	73.9	78.5	75.2	72.6	86.7	95.9	90.5	85.8	81.0	76.3	72.2
Central government debt (incl. guarantees)	86.1	92.2	87.7	82.5	99.9	105.4	98.0	92.8	87.7	82.8	78.5

Sources: Country authorities and IMF staff estimates and projections.

1/ For 2021, it reflects EC\$23 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/ Includes interest and amortization arrears, unpaid vouchers to domestic creditors, personnel payables, and unpaid contributions. For 2021, it reflects EC\$23 million in arrears write-off by RBTT.

Table 4. Antigua and Barbuda: Monetary Survey

	2016	2017	2018	2019	2020	Projections					
						2021	2022	2023	2024	2025	2026
(Millions of Eastern Caribbean dollars)											
Net foreign assets	1,225	1,576	1,793	1,759	1,588	1,586	1,673	1,774	1,894	1,999	2,073
Antigua and Barbuda, imputed reserves	890	846	887	753	599	597	684	784	904	1,009	1,084
Commercial banks' net foreign assets	335	730	906	1,006	989	989	989	989	989	989	989
Net domestic assets	1,999	1,894	1,896	1,960	1,937	1,973	2,188	2,227	2,219	2,354	2,489
Net credit to public sector	408	427	430	411	564	486	482	463	431	392	371
Claims on central government (net) 1/	394	376	393	384	493	455	451	432	400	361	340
ECCB net credit to central government	65	37	60	70	136	81	67	52	29	7	7
Commercial banks' net credit to government	329	339	333	314	358	375	385	380	371	354	333
Net credit to other public sector	15	51	36	26	71	31	31	31	31	31	31
Credit to private sector	1,928	1,898	1,931	2,011	2,049	2,079	2,124	2,134	2,203	2,348	2,483
Other items (net)	-337	-431	-465	-462	-684	-592	-418	-371	-415	-385	-365
Monetary liabilities (M2) 1/	3,225	3,470	3,689	3,719	3,525	3,559	3,861	4,000	4,113	4,353	4,562
Money (M1)	791	925	969	1,076	1,070	1,086	1,184	1,237	1,278	1,348	1,412
Quasi-money	2,434	2,545	2,720	2,642	2,455	2,474	2,677	2,763	2,835	3,005	3,150
(Change in percent of M2 at beginning of period)											
Net foreign assets	-4.5	10.9	6.2	-0.9	-4.6	0.0	2.4	2.6	3.0	2.6	1.7
Antigua and Barbuda, imputed reserves	-2.1	-1.4	1.2	-3.6	-4.2	0.0	2.4	2.6	3.0	2.6	1.7
Commercial banks' net foreign assets	-2.4	12.2	5.1	2.7	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Net domestic assets	2.8	-3.3	0.1	1.7	-0.6	1.0	6.0	1.0	-0.2	3.3	3.1
Credit to the public sector (net)	2.0	0.6	0.1	-0.5	4.1	-2.2	-0.1	-0.5	-0.8	-0.9	-0.5
Claims on central government	1.8	-0.5	0.5	-0.2	2.9	-1.1	-0.1	-0.5	-0.8	-0.9	-0.5
Credit to the rest of the public sector	0.3	1.1	-0.4	-0.3	1.2	-1.1	0.0	0.0	0.0	0.0	0.0
Credit to the private sector	0.6	-1.0	1.0	2.2	1.0	0.8	1.2	0.3	1.7	3.5	3.1
Other items (net)	0.2	-2.9	-1.0	0.1	-6.0	2.6	4.9	1.2	-1.1	0.7	0.5
(12-month percentage change)											
Broad money	-1.7	7.6	6.3	0.8	-5.2	1.0	8.5	3.6	2.8	5.8	4.8
Money (M1)	14.0	17.0	4.7	11.1	-0.6	1.5	9.0	4.5	3.3	5.4	4.8
Quasi-money	-5.9	4.6	6.9	-2.9	-7.1	0.8	8.2	3.2	2.6	6.0	4.8
Memorandum items:											
Income velocity of M2	1.2	1.2	1.2	1.2	1.0	1.1	1.1	1.1	1.2	1.2	1.2
Credit to the private sector (net)	1.0	-1.6	1.8	4.1	1.9	1.5	2.1	0.5	3.3	6.5	5.8
(Percent of GDP)											
Credit to the private sector	49.7	47.9	44.6	44.8	54.6	54.8	50.6	47.2	45.8	46.3	46.7

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

	2019			2020		
	Stock	Percent of		Stock	Percent of	
		Total Debt	GDP		Total Debt	GDP
(Outstanding debt including arrears; Millions of U.S. dollars, unless noted otherwise)						
Total central government debt 1/	1,206.4	88.0	72.6	1,205.4	86.8	86.7
Central government domestic debt	645.5	47.1	38.8	627.2	45.2	45.1
ECCB	22.4	1.6	1.3	56.5	4.1	4.1
Bank loans	136.5	10.0	8.2	137.8	9.9	9.9
<i>Of which: Overdraft</i>	11.4	0.8	0.7	11.5	0.8	0.8
Debt to statutory bodies	143.6	10.5	8.6	146.1	10.5	10.5
Medical Benefits Scheme	55.6	4.1	3.3	55.6	4.0	4.0
Social Security	88.1	6.4	5.3	90.6	6.5	6.5
Government securities	215.9	15.7	13.0	206.6	14.9	14.9
Suppliers' credits and others 2/	127.0	9.3	7.6	80.2	5.8	5.8
Central government external debt	560.9	40.9	33.8	578.2	41.6	41.6
Multilateral	135.6	9.9	8.2	144.7	10.4	10.4
Caribbean Development Bank	131.8	9.6	7.9	139.0	10.0	10.0
EEC/EIB	1.4	0.1	0.1	1.6	0.1	0.1
World Bank	2.4	0.2	0.1	4.1	0.3	0.3
Bilateral	336.3	24.5	20.2	363.9	26.2	26.2
Paris Club	145.7	10.6	8.8	148.8	10.7	10.7
Brazil	22.7	1.7	1.4	22.7	1.6	1.6
France	47.1	3.4	2.8	48.0	3.5	3.5
Germany	0.0	0.0	0.0	1.0	0.1	0.1
Japan	42.6	3.1	2.6	43.3	3.1	3.1
Netherlands	5.3	0.4	0.3	6.0	0.4	0.4
United Kingdom	1.9	0.1	0.1	2.0	0.1	0.1
United States	25.3	1.8	1.5	26.1	1.9	1.9
Non-Paris Club	190.5	13.9	11.5	215.1	15.5	15.5
China	99.4	7.3	6.0	105.3	7.6	7.6
Kuwait	17.6	1.3	1.1	18.1	1.3	1.3
United Arab Emirates	9.6	0.7	0.6	10.5	0.8	0.8
Venezuela	64.0	4.7	3.8	65.4	4.7	4.7
ALBA Bank	0.0	0.0	0.0	15.8	1.1	1.1
Government securities	89.1	6.5	5.4	69.6	5.0	5.0
Government guaranteed domestic debt	109.6	8.0	6.6	102.1	7.4	7.3
Government guaranteed external debt	55.2	4.0	3.3	80.8	5.8	5.8
Total public sector debt	1,371.1	100.0	82.5	1,388.3	100.0	99.9

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 debt.

Table 6. Antigua and Barbuda: Central Government Debt Arrears

	2020		Total
	Principal	Interest	
	(Millions of Eastern Caribbean dollars)		
Total arrears	591.9	153.5	745.4
External arrears	246.3	104.7	351.0
Multilateral	2.1	0.1	2.2
Caribbean Development Bank	0.6	(0.2)	0.4
European Investment Bank	1.4	0.2	1.7
World Bank	0.0	0.1	0.1
Bilateral	244.2	104.5	348.8
Paris Club	149.0	72.4	221.4
Government of Brazil	0.0	0.0	0.0
Government of France	45.2	43.3	88.5
Government of Japan	63.6	18.1	81.7
Government of the Netherlands	6.4	3.0	9.5
Government of the United Kingdom	2.3	0.6	2.9
Government of the United States	31.5	7.4	38.8
Non-Paris Club	95.2	32.2	127.4
Abu Dhabi Fund for Development	0.0	0.0	0.0
El Fondo De Desarrollo Nacional S.A.	65.3	27.4	92.7
China Eximbank	18.3	2.7	20.9
Kuwait Fund for Arab Economic Development	8.1	2.1	10.2
People's Republic of China	3.6	0.0	3.6
Securities	0.0	0.0	0.0
Domestic arrears	345.6	48.8	394.4
Commercial banks	14.3	21.1	35.5
Social Security & Medical Benefits Scheme	150.0	21.0	171.0
Social Security	0.0	21.0	21.0
Medical Benefits Scheme	150.0	0.0	150.0
Securities	6.1	6.7	12.9
Old securities & floating debt	175.1	0.0	175.1

Sources: Country authorities and IMF staff calculations.

Table 7. Antigua and Barbuda: Balance of Payments

	2016	2017	2018	2019	Est.	Projections					
					2020	2021	2022	2023	2024	2025	2026
(Millions of U.S. dollars)											
Current account	-34.9	-115.0	-233.4	-112.0	-109.0	-173.2	-153.2	-135.4	-135.2	-140.5	-142.1
Trade balance	-393.1	-456.7	-579.8	-567.3	-349.0	-352.7	-489.1	-561.9	-620.0	-652.3	-682.5
Exports (f.o.b.)	50.1	37.2	43.0	55.1	36.4	31.5	33.4	36.6	39.1	39.9	40.8
Imports (f.o.b.)	443.2	493.9	622.7	622.3	385.4	384.3	522.5	598.5	659.1	692.3	723.4
Non-factor services balance	513.0	480.4	483.2	607.1	292.6	243.9	443.0	538.4	602.4	633.0	664.6
Of which: Gross tourist receipts	752.7	736.7	775.0	908.8	386.2	302.0	600.3	773.2	909.1	955.0	1,002.9
Of which: Citizen-by-Investment budgetary fees	34.6	38.8	22.1	52.7	36.3	37.4	39.7	43.7	44.4	45.0	46.6
Income (net)	-97.1	-78.7	-78.0	-106.1	-24.7	-32.2	-66.4	-71.2	-76.8	-80.4	-83.4
Of which: Interest on public sector debt	-14.7	-9.8	-10.6	-8.6	-10.1	-17.9	-24.0	-26.9	-31.0	-33.0	-34.7
Current transfers (net)	-57.7	-59.9	-58.9	-45.7	-28.0	-32.1	-40.6	-40.7	-40.7	-40.8	-40.8
Capital and financial account	84.2	103.4	174.6	124.4	123.5	173.2	153.2	135.4	135.2	140.5	142.1
Capital account	27.7	33.6	23.3	47.9	28.3	51.2	22.9	24.7	26.3	27.7	29.0
Capital transfers	27.7	33.6	23.3	47.9	28.3	51.2	22.9	24.7	26.3	27.7	29.0
Of which: Migrant transfers (net)	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1	4.1
Financial account	-56.5	-69.8	-151.3	-76.5	-95.1	-122.0	-130.3	-110.7	-108.9	-112.8	-113.1
Official flows	-21.2	14.4	-23.7	-62.9	-10.1	-100.4	-66.8	-45.1	-34.2	-31.2	-18.1
Portfolio liabilities	-5.0	5.3	-3.7	-18.8	-15.3	0.0	0.0	0.0	0.0	0.0	0.0
Public sector loans	-16.1	9.2	-20.0	-44.1	5.2	-100.4	-66.8	-45.1	-34.2	-31.2	-18.1
Of which: Central government	...	...	...	...	...	-128.4	-68.5	-38.5	-27.3	-24.4	-11.3
Of which: Public sector corporations	...	...	...	...	...	28.0	1.7	-6.7	-6.9	-6.9	-6.9
Disbursements	36.5	32.7	62.4	90.0	86.9	225.8	146.7	149.1	132.9	135.2	127.1
Amortization (-)	20.3	41.8	42.4	45.9	92.1	125.4	79.9	104.0	98.7	104.0	108.9
Non-official flows 1/	-29.0	-48.9	-119.6	57.1	12.5	-14.1	-85.4	-103.5	-120.6	-128.5	-131.8
Foreign direct investment (net)	-59.4	-143.9	-193.3	-84.3	-12.5	-14.1	-85.4	-103.5	-120.6	-128.5	-131.8
Portfolio investment (net)	16.1	-16.4	87.0	40.1	-33.6	0.0	0.0	0.0	0.0	0.0	0.0
Other private (net)	14.3	111.4	-13.4	101.3	58.6	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Commercial banks	-29.2	146.3	65.3	37.1	-6.3	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-6.3	-35.4	-7.9	-70.7	-97.6	-7.5	21.9	37.9	45.9	46.9	36.8
Financing	6.3	35.4	7.9	70.7	97.6	7.5	-21.9	-37.9	-45.9	-46.9	-36.8
Change in imputed international reserves (increase -) 2/	25.7	16.3	-15.0	49.6	57.2	0.6	-32.2	-37.1	-44.5	-38.9	-27.5
Net use of IMF resources	-21.5	-24.0	-8.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Caribbean Development Bank financing (net)	-6.2	28.7	11.4	-0.6	7.9	-5.0	-7.3	-11.1	-11.5	-11.9	-13.0
World Bank financing (net)	0.0	0.3	0.0	-0.1	1.0	0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Change in arrears	8.3	14.2	20.0	21.9	31.5	11.8	17.7	10.4	10.1	3.9	3.8
External financing gap	...	...	...	...	...	42.6	68.1	80.3	58.1	63.6	55.0
Errors and omissions	-49.4	11.6	58.8	-12.4	-14.4	0.0	0.0	0.0	0.0	0.0	0.0
(Percent of GDP, unless otherwise indicated)											
Memorandum items:											
Current account	-2.4	-7.8	-14.5	-6.7	-7.8	-12.3	-9.9	-8.1	-7.6	-7.5	-7.2
Of which:											
Gross tourist receipts	52.4	50.2	48.3	54.7	27.8	21.5	38.6	46.2	51.0	50.8	50.9
Export growth (annual percent change)	-25.9	-25.7	15.6	28.2	-34.0	-13.3	5.9	9.6	6.9	2.2	2.2
Import growth (annual percent change)	4.0	11.4	26.1	-0.1	-38.1	-0.3	36.0	14.5	10.1	5.0	4.5
External public sector debt service											
(in percent of exports of goods and services)	3.4	5.2	5.1	4.6	17.1	29.1	11.9	12.0	10.2	10.3	10.3
Foreign direct investment (net)	4.1	9.8	12.0	5.1	0.9	1.0	5.5	6.2	6.8	6.8	6.7
Net imputed international reserves 2/	23.0	21.4	20.5	16.8	16.0	15.7	16.3	17.4	18.8	19.9	20.4
Net imputed international reserves (US\$ million) 2/	329.8	313.5	328.5	278.9	221.7	221.1	253.4	290.5	335.0	373.9	401.4
(In months of prospective imports)	4.1	3.3	3.4	5.1	4.4	2.9	2.7	2.7	3.0	3.2	3.3
GDP at market prices (US\$ million)	1,436.6	1,468.0	1,605.3	1,662.0	1,389.8	1,404.1	1,553.3	1,673.4	1,782.0	1,878.8	1,968.9

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

1/ Net acquisition of assets. A positive sign means an outflow of funds.

2/ Assuming external financing gap is filled.

Annex I. Implementation of Past Fund Policy Advice

2017 Article IV Staff Recommendations	Implementation Status
Fiscal Policy	
Implement fiscal measures of 5.5 percent of GDP through 2021 by broadening the tax base and containing spending to fund the reconstruction of Barbuda.	Ongoing. Waivers on Corporate Income Tax was revoked in 2019. A temporary (24 months) 10 percent tax on net profits of telecom companies, financial institutions, and the West Indies Oil Company was identified to fund the operations of a university, and amendments to the ABST special rate on hotels became effective in 2020. Most of the revenue measures proposed in the 2020 budget (about 2 percent of GDP) were postponed due to the COVID-19 pandemic. The Medium-Term Fiscal Strategy seeks to boost revenues by 4 percent of GDP by 2025 by broadening the tax base and introduction of the TAL.
Strengthen revenue administration by passing and applying the Tax Administration Procedures Act (TAPA), increasing tax compliance, reducing tax evasion, and improving and fully using IT systems.	Ongoing. The TAPA was enacted in August 2018. The 2019 budget noted that the government will be tightening control over tax concessions. The Customs Department continues to track exemptions monthly. ASYCUDA modules to improve administration and collections (e.g., efficiencies and closing loopholes) are in progress.
Engage suppliers, creditors and SOEs to quantify debt and establish a time-bound plan to clear arrears .	Ongoing. The MTFS seeks to develop a comprehensive arrears clearance strategy. Ad hoc clearance (domestic and external) is ongoing, through a mix of cash payouts, write-offs, set-offs, asset swaps, and securities.
Streamline government transfers to SOEs.	Ongoing. Some progress made, including by the winding up of Antigua Pier Group in 2019 and eliminating transfers to St. John's Development Corporation.
Use CIP revenues to clear arrears and repay expensive debt, build buffers for external shocks including natural disasters.	Ongoing. CIP revenues continue to cover debt payments and part of recurring transfers to statutory bodies, including Antigua and Barbuda Social Security Board and National Solid Waste Management Authority.
Implement Public Financial Management (PFM) Action Plan to address PEFA deficiencies by strengthening the PFM legal framework. Include the CIP Unit surplus and associated expenditure on budget to improve fiscal management.	Limited progress. The EU is providing support for a PFM and tax administration project. However, the PFM legal framework has not been strengthened and PEFA deficiencies have not been addressed. Oversight of PFM project activities by a Steering Committee. Cabinet Finance Sub-Committee meeting weekly to discuss cash flow, revenue performance, and interventions to improve fiscal performance.
Improve the staffing for SOE oversight and implement the recommended corrective actions to address weak financial performance and low operational efficiency of key SOEs.	Limited progress. SOE oversight is conducted by the Budget Department and Debt Unit. SOEs expected to submit to the MFCG Quarterly Management Reports; however, compliance is weak and there are no sanctions in the laws to enforce requirements.

2017 Article IV Staff Recommendations	Implementation Status
Financial Sector	
Facilitate the resolution of NPLs and revive credit growth.	Limited progress. There has been no progress in upgrading the insolvency law and foreclosure legislation. The ECCB established stronger collateral appraisal guidelines and efforts to establish the regional credit bureau are ongoing.
Effectively implementing international AML/CFT and tax transparency standards.	Ongoing. ECCB has responsibility for AML/CFT supervision of all institutions licensed under the Banking Act. The Miscellaneous Amendments Act in December 2018 strengthens the effectiveness of laws relating to tax transparency and incidental and related matters. The 2018 CFATF Mutual Evaluation report indicates significant improvement over 2017. Further steps to eliminate compliance gaps will be undertaken in preparation for the CFATF re-evaluation in 2021.
Increase information-sharing between indigenous and correspondent banks. Monitor existing CBRs and changes in fees.	Ongoing. ECCB is monitoring the developments closely, in Antigua and Barbuda as well as the whole ECCU region.
Growth Policy	
Improve monitoring and evaluation of the Medium-Term Development Strategy (MTDS) . Accountability and transparency would be improved through the publication of regular reports and assessments of the MTDS implementation.	Limited progress. No report on previous progress is publicly available. Assessment of MTDS implementation for the final year (2020) ongoing and is to be finalized before work on new/updated MTDS for 2021–26.
Improve the business environment. Targeted reforms should include streamlining property registration, reinforcing corporate governance, providing VAT refunds, simplifying customs procedures and reducing port charges, and strengthening building quality control and supervision.	Ongoing. Customs procedures have been simplified with the implementation of ASYCUDA World, which facilitates a paperless and smoother customs process that enhances the efficiency of customs administration. The land registry launched an online platform which makes it easier to do searches. Implemented Post Clearance Audit and Risk Management Unit to facilitate move to Single Window System and Authorized Economic Operators. The Intellectual Property Office has launched an online portal for registering businesses.
Adopt the Comprehensive Disaster Management Act , formulate plans to build resilience to natural disasters and embed their costs in macro-fiscal projections.	Ongoing. Environment Protection and Management Act passed in 2019 provides policy and legal framework for climate change mitigation and adaptation. Established the Sustainable Island Resource Framework Fund for climate mitigation and adaptation projects. Reviewing the National Energy Policy and National Adaptation Plan to incorporate resilience.
Enhance macroeconomic statistics , including reporting the CIP surplus, publishing recent financial statements of SOEs, and improving collection and compilation of labor statistics.	Limited progress. Improvements in balance of payments statistics in line with BPM6 have been made and the results of the 2015 Labor Force Survey were released. Limited progress on the release of SOE financial statements and regular and timely provision of other macroeconomic statistics to support policy formulation, monitoring, and macroeconomic analysis.

Annex II. Risk Assessment Matrix¹

Risk	Likelihood	Impact	Policy Response and Recommendations
Global Risks			
Global resurgence of the COVID-19 pandemic. Local outbreaks lead to a global resurgence of the pandemic (possibly due to vaccine-resistant variants), which requires costly containment efforts and prompts persistent behavioral changes rendering many activities unviable.	Medium	Medium A recovery in tourism delays further, dipping growth and resulting in long-run scarring effects, with corporate distress and protracted joblessness.	Extend COVID-19 related discretionary fiscal measures to support people and firms affected by the crisis.
Cyber-attacks on critical infrastructure, institutions, and financial systems trigger systemic financial instability or widespread disruptions in socio-economic activities and remote work arrangements.	Medium	Low Payment and financial systems are disrupted, raising financial sector stability risk.	Prepare appropriate crisis management plans. Strengthen financial sector regulation and supervision. Pursue a prudent approach to financial innovation.
Higher frequency and severity of natural disasters related to climate change cause severe economic damage to smaller economies susceptible to disruptions.	Medium	High Reduce growth and worsen fiscal and external positions.	Build a consistent framework with investment in resilience and appropriate ex ante financing, including fiscal buffers.
Domestic Risks			
Financial sector. High NPLs, increasing market risk in indigenous banks, and distress in non-bank financial sector trigger a confidence shock.	Medium	Medium Deposit outflows lead to financial instability and economic disruptions.	Promptly implement remaining elements of the ECCU strategy to strengthen indigenous banks. Enhance regulatory and supervisory frameworks for non-banks.
CIP flows could be lower than expected.	Medium	Medium Worsen fiscal and external positions.	Rationalize spending and mobilize revenue from other sources.

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. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

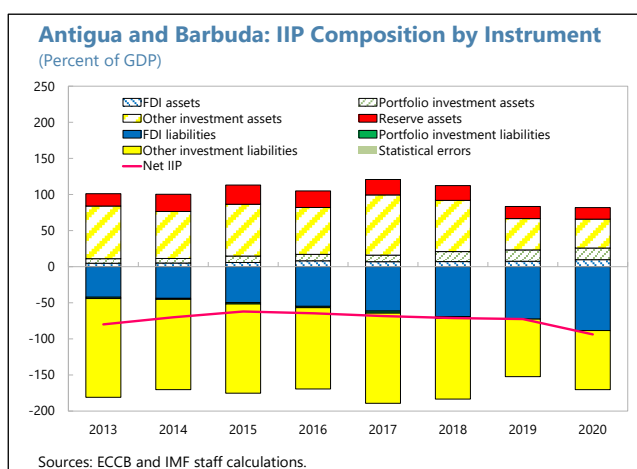
Annex III. External Sector Assessment

Overall Assessment: Based on preliminary data and EBA-Lite model results, the external position of Antigua and Barbuda in 2020 was weaker than the level implied by fundamentals and desirable policies.

Potential Policy Responses: Near-term policies should continue to support the recovery. As the COVID-19 crisis recedes and the recovery takes hold, the commitment to sustain fiscal consolidation efforts would be essential to ensure debt sustainability. External sustainability is not a major concern, as external liabilities are mostly attributed to FDI inflows. Structural reforms aimed at improving the business environment would strengthen the economy's competitiveness and facilitate a realignment of the real effective exchange rate.

Foreign Assets and Liabilities: Position and Trajectory

Background. The NIIP has been trending down since 2015, reflecting the current account deficits, and is projected at -93.7 percent of GDP in 2020. In 2020, nonresident portfolio equity holdings were negligible, while FDI and external debt were both sizeable liabilities, at 94.4 and 87.3 percent of the NIIP respectively. On the asset side, reserves, portfolio investment, and other investment (currency and deposits of banks and other financial institutions; bank long-term loans) together constitute around 77 percent of the NIIP. Most of the external debt consists of other investment liabilities, such as long-term loans, trade credit and government advances (63 percent of other investment liabilities), and interbank positions in currency and long-term deposits (10 percent).



Assessment. The substantial and growing share of FDI in Antigua and Barbuda's liabilities mitigate potential risks. The deterioration of the NIIP in 2020 should not present a concern for external debt sustainability. The expected improvement in the current account starting from 2022 could stabilize the NIIP trend, and the NIIP as a share of GDP is expected to improve over time.

2020 (% GDP)	NIIP: -93.7	Gross Assets: 81.8	Debt Assets: 56.2	Gross Liab.: -184.4	Debt Liab.: -86.7
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Current Account

Background. The current account deficit widened slightly to 7.8 percent of GDP in 2020 from 6.7 percent of GDP in 2019. Despite a sharp decrease in tourism receipts, which led the services balance to decline from 36.5 percent of GDP in 2019 to 21.1 percent of GDP in 2020, a contraction in goods imports (from 37.4 percent of GDP in 2019 to 27.7 percent of GDP in 2020) and an improvement in primary and secondary income accounts (from -6.4 percent of GDP in 2019 to -1.8 percent of GDP in 2020, and from -2.8 percent of GDP in 2019 to -2.0 percent of GDP in 2020, respectively) largely offset it. As these offsetting

changes likely also reflected the impact of the COVID-19 pandemic, the COVID-19 adjustor for Antigua and Barbuda is set to zero. Notably, the decline in goods imports was driven by a collapse in tourism sector demand for imported goods, reinforced by substantially weaker FDI inflows in 2020 relative to 2019. With a prolonged impact from the COVID-19 pandemic, the current account deficit is expected to be larger in 2021. The deficit is projected to narrow only gradually over the medium term, reflecting a gradual pick-up in tourism and FDI.

Assessment. The EBA-Lite Current Account (CA) model suggests a current account gap of -3.1 percent of GDP in 2020. The model estimates a multilaterally-consistent cyclically adjusted CA norm at -5.1 percent. This implies that the current account deficit is higher than predicted by the model when policies are set at desirable medium-term levels. The EBA-Lite External Sustainability (ES) model, which assesses the current account gap based on the sustainability of the NIIP, suggests a similar CA gap of -3.2 percent of GDP in 2020. These results consistently suggest that the overall external position was weaker than the level implied by fundamentals and desirable policies.

Antigua and Barbuda: Model Estimates for 2020

(Percent of GDP, unless otherwise indicated)

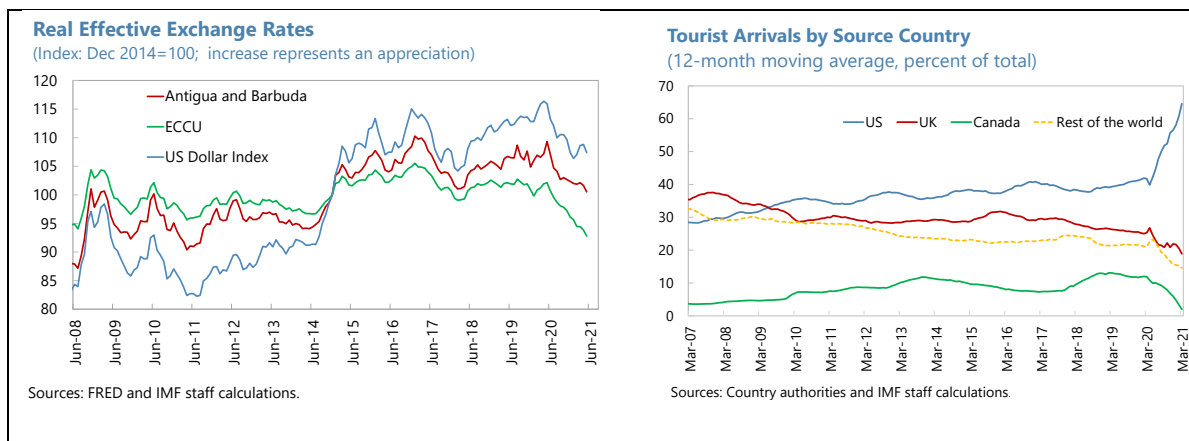
	CA model	REER model	ES model
CA-Actual	-7.9		
Cyclical contributions (from model) (-)	0.8		
COVID-19 adjustor (+)	0.0		
Additional temporary/statistical factors (+)	0.0		
Natural disasters and conflicts (-)	-0.6		
Adjusted CA	-8.1		
CA Norm (from model) 1/	-5.1		
Adjustments to the norm (+)	0.0		
Adjusted CA Norm	-5.1		
CA Gap	-3.1	-1.5	-3.2
o/w Relative policy gap	0.4		
Elasticity	-0.45		
REER Gap (in percent)	6.7	3.4	7.0
1/ Cyclically adjusted, including multilateral consistency adjustments.			

Real Exchange Rate

Background. Antigua and Barbuda's currency, the Eastern Caribbean dollar, has been pegged to the U.S. dollar and maintained a constant dollar exchange rate since July 1976. The combination of the exchange rate peg and the U.S. being a key source of tourists led to a strong link between the REER and the U.S. dollar. The currency appreciated significantly in late 2014, comoving with the U.S. dollar, with some reversal during the COVID-19 pandemic.

Some indicators, however, point to the competitiveness challenges faced by Antigua and Barbuda. The size of goods production sectors in Antigua and Barbuda seems to be small compared with peer countries. An analysis of countries with a small population (below one million) and that report positive international

tourism receipts in the World Development Indicator database reveals that higher tourism dependency is associated with lower goods exports as a share of non-tourism GDP (defined as GDP minus international tourism receipts).¹ This ratio was on average 11 percent between 2014–18 for Antigua and Barbuda, significantly lower than the median within this country group of 16.4 percent. Moreover, goods exports excluding re-exports—constituting around 40.3 percent of Antigua and Barbuda’s goods exports between 2014–18—are even smaller.²

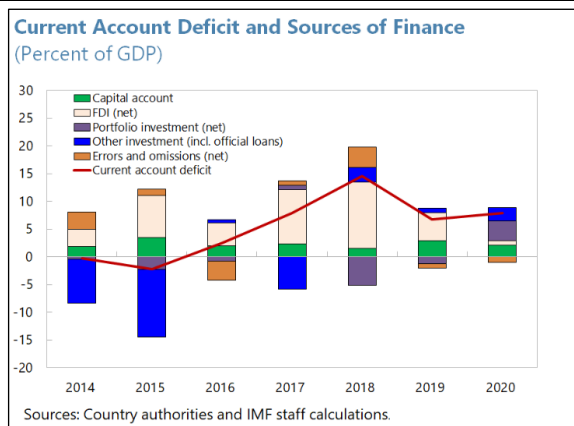


Assessment. The EBA-Lite Real Effective Exchange Rate (REER) index model suggests an overvaluation of 3.4 percent. However, it does not have sufficient granularity to capture the determinants of Antigua and Barbuda’s currency fluctuations.³ The exchange rate gap is better evaluated based on the gap from the CA model. Based on the staff-estimated elasticity of CA to REER of -0.45, the REER is overvalued by 6.7 percent. The ES model gives a consistent picture, with a REER overvaluation of 7.0 percent.

Capital and Financial Accounts

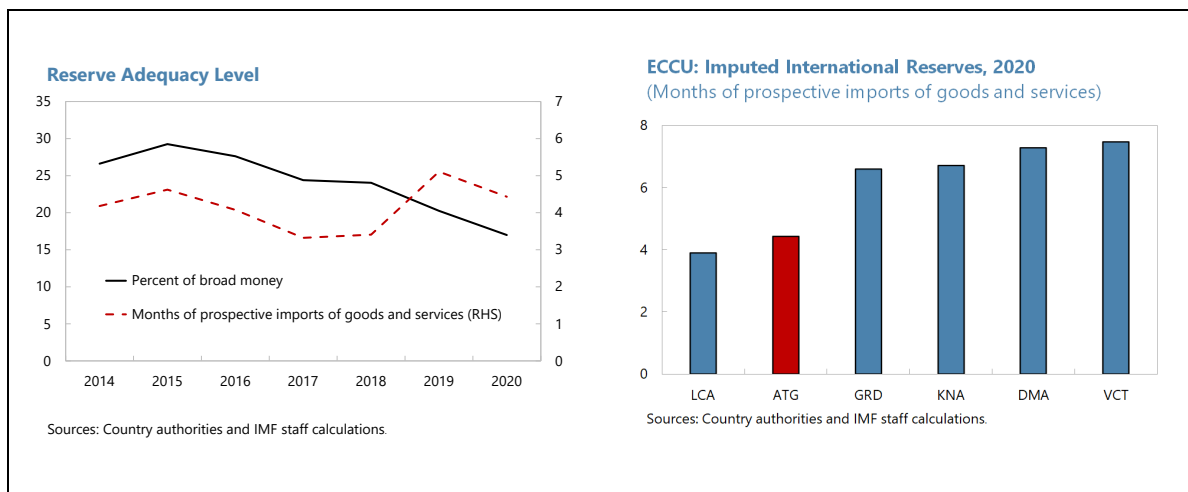
Background. As a small country with limited domestic savings to support growth of the tourism sector, Antigua and Barbuda has heavily relied on FDI to finance domestic investment. The FDI boom prior to the COVID-19 pandemic was relatively short-lived, so did not lead to external imbalances. The government’s cash flow management and tax erosion issues, however, resulted in significant external financing needs.

Assessment. Antigua and Barbuda’s capital inflows have been predominantly FDI flows. The COVID-19 shock resulted in a larger current account deficit, which was financed by FDI, portfolio investment flows, and drawdown in international reserves. IFI financing would be critical to fill the external financing needs in the near term.



Reserves Level

Background. Net imputed international reserves fell significantly in 2019 and 2020, as current account deficits were not fully financed by FDI.⁴ The increase in the ratio of reserves to prospective imports during 2019–20 was due to the strong contraction of goods imports. It also fell below 20 percent of broad money in 2020.



Assessment. Net imputed international reserves in 2020 correspond to 4.4 months of imports and 17 percent of broad money, compared with ECCB benchmarks of 3 months of imports and 20 percent of broad money.⁵

¹ Tourism receipts are likely to exceed the contribution of the tourism sector and its suppliers to GDP. This ratio contains an upward bias for countries highly dependent on the tourism sector such as Antigua and Barbuda in terms of measuring the share of goods exports in non-tourism GDP. This bias, however, should further strengthen the argument that Antigua and Barbuda faces competitiveness challenges.

² Two caveats are: first, other countries also have re-exports as part of their total goods exports. Second, the ratio is also low for other ECCU countries, suggesting that the competitiveness issue created by the U.S. dollar peg and the high tourism dependency is a common challenge in the region.

³ The currency peg is not the only reason for the link with the US dollar. For example, other ECCU countries, despite having the same currency peg, have REERs that are on average less linked with the U.S. dollar.

⁴ 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). All ECCB bank notes are coded according to the country to which they are issued.

⁵ Data limitations for short-term debt and other liabilities preclude reserve adequacy assessments based on the IMF's Assessing Reserve Adequacy (ARA) EM metric.

Annex IV. Debt Sustainability Analysis

The COVID-19 pandemic has further exacerbated public imbalances and increased financing needs. With the gradual economic recovery and implementation of fiscal measures under the Medium-Term Fiscal Strategy (MTFS), public debt is projected to decline to 78.3 percent of GDP by 2026 from a peak of 105.3 percent of GDP in 2021, and meet the regional debt target of 60 percent of GDP before 2035. Nevertheless, public debt is deemed to be unsustainable due to the large outstanding stock of arrears and elevated gross financing needs, which are likely to be financed, in part, by the accumulation of new arrears over the medium term. Debt dynamics are highly vulnerable to a sharp economic downturn, a deterioration in the primary balance, and exposure to natural disasters and contingent liabilities. Further efforts to secure long-term financing sources on favorable terms, including through debt restructuring, together with a steadfast implementation of the MTFS and a plan to clear arrears, will be required to restore debt sustainability.

Background

1. Public sector debt rose sharply in 2020 as a result of pandemic-induced growth contraction and revenue shortfalls. Public sector debt declined from 101 percent of GDP in 2014 to 83 percent of GDP in 2019, with the trend decline being driven by real GDP growth. Central government debt (excluding publicly guaranteed debt) decreased over this period from 89 percent of GDP to 73 percent of GDP. The COVID-19 pandemic in 2020 resulted in a sharp contraction in GDP growth, lower revenue mobilization, and higher health and social spending needs. Implementation of revenue measures contained in the 2020 budget were delayed, creating further fiscal pressures. The fiscal deficit widened and central government debt rose to 87 percent of GDP in 2020, with total public sector debt increasing to 100 percent of GDP. The debt stock is projected to continue to trend upwards in 2021 owing to a persistent deficit and weak prospects for growth. As growth rebounds and deficit financing is reduced as part of the authorities' Medium-Term Fiscal Strategy (MTFS), the debt to GDP ratio will return to a declining trend, with total public sector debt declining below 80 percent by 2026.

2. Debt arrears to bilateral lender and domestic suppliers increased during the pandemic. Weaker revenue mobilization and cash flow constraints arising from the pandemic led to arrears accumulation to domestic and external creditors. With loans from domestic banks under the ECCB moratorium, increases in arrears during 2020 were driven primarily by arrears to domestic suppliers and bilateral external creditors. The stock of central government arrears stood at EC\$745 million (20 percent of GDP or 23 percent of central government debt stock) at end-2020, of which 47 percent comprised arrears to external bilateral creditors.¹

3. The authorities have initiated efforts to resolve outstanding arrears and seek debt treatment with domestic and external creditors. The government intends to limit further arrears accumulation and made efforts to start clearing external arrears with some multilateral and bilateral creditors during the first half of 2021. The authorities have begun discussions with the Paris Club for

¹ This stock includes outstanding payables to suppliers as well as some outstanding securities.

a debt treatment. In addition, the authorities are assessing rescheduling options with domestic banks as the ECCU moratorium is set to expire in September 2021. The government's domestic arrears clearance strategy in the medium term includes cash payments, set-offs, write-offs, land swaps, and securitization. The DSA reflects the authorities' current intention to clear arrears with all non-Paris Club bilateral creditors², and a gradual reduction in the outstanding stock of arrears to domestic suppliers by 60 percent of the 2020 stock over the projection period.

4. The baseline scenario of the DSA reflects the medium-term macroeconomic projections and policies under the MTFS and the staff's recommended additional fiscal measures. The baseline scenario assumes fiscal adjustment but no debt restructuring. Under this scenario, the debt-to-GDP ratio is expected to rise in 2021, reflecting the negative growth, but begin to decline from 2022 onwards on account of fiscal measures to enhance revenues and rationalize expenditures. These measures will reduce the need for deficit financing, allowing the government to turn a primary surplus by 2023. However, financing needs to cover debt service obligations will remain elevated in the near term, at over 17 percent of GDP in 2021. Gross financing needs in the medium term depend critically on the borrowing terms for debt acquired to fill the financing gap. For the purpose of the DSA, financing gaps are assumed to be filled by long-term borrowing from mostly unidentified creditors (assuming 6.5 percent interest rate and 8-year maturity).³

Baseline Scenario and Realism of Projections (Figures 1, 2 and 3)

5. DSA debt coverage. The DSA covers central government debt and all domestic and external publicly guaranteed debt. Central government debt also includes the stock of principal and interest arrears, unpaid vouchers, and suppliers' credits. The debt dynamics in the DSA are governed by the central government fiscal accounts only due to lack of information on SOEs' financial statements.

6. Debt level. Under the baseline scenario, the public sector debt-to-GDP ratio is projected to decrease from a peak of 105.3 percent of GDP in 2021 to 78.3 percent in 2026. The decline is largely driven by strong growth dynamics and an improvement in the primary balance over the medium term. Growth recovery is predicated on a revival of the tourism sector which experienced severe contraction due to the pandemic. Attaining the primary surplus target hinges on steadfast implementation of the fiscal adjustment plan and continued reliance on considerable citizenship-by-investment program (CIP) revenue flows, which by nature remain unpredictable.

7. Debt profile. The debt profile points to significant risks stemming from public debt held by non-residents (Figure 1). However, the bulk of debt held by non-residents relates to multilateral and official bilateral debt, and therefore represents less risk than privately-held debt.

8. Growth. GDP experienced a strong contraction in 2020 of 17.3 percent, and uncertainty in tourism recovery is expected to cause a further decline in 2021. Real GDP growth is expected to

² Excluding Venezuela which is currently under sanctions. Paris Club debt is assumed to remain in arrears.

³ The financing gap will need to be filled through new credit. Any debt restructuring during the projection period will lower gross financing needs and hence provide additional resources to fill the financing gap.

average 7 percent in 2022–25, above average growth of 4.7 percent for 2016–19, owing to the release of pent-up domestic and external demand (especially tourism) following expanded vaccine coverage, domestically and globally.

9. Fiscal adjustment. Staff projections target an average primary deficit of 0.2 percent of GDP over 2021–23, followed by an average primary surplus of 3 percent of GDP over 2024–26, supported by steady implementation of the MTFS. Accordingly, there will be an average reduction in the underlying primary balance during 2021–26 of 1 percent of GDP per annum.

10. Financing needs. Annual gross financing needs are projected to average 14.5 percent of GDP between 2021–23, declining to 9.8 percent of GDP between 2024–26. Although the central government budget is projected to record primary surpluses in the latter half of this period, gross financing needs will remain elevated mainly due to a high debt service burden. As shown in Table 2 (Gross Financing Needs), there will be financing gaps in the projection period which are financed by unidentified long-term financing sources.⁴ The decline in gross financing needs over the medium term critically depends on the long-maturity instruments assumed to fill the financing gaps.

11. Interest rate profile. The average effective interest rate is around 1.9 percent in 2020, lower than the historical average of over 3 percent, partly owing to the moratorium on domestic debt service. In the medium term, the effective interest rate is assumed to stabilize at 3.1 percent.

12. Forecast track record. Projections of growth and the primary balance have exhibited significant forecast errors in recent years, owing to a large natural disaster shock in 2017 (Figure 2, top panel).

13. Realism of projected fiscal adjustment. The baseline fiscal adjustment is reasonable, with the average 3-year adjustment in the cyclically adjusted primary balance well below the top quartile (Figure 2, bottom panel).

14. Fan charts. The fan charts in Figure 1 highlight the risks surrounding the baseline projections. The asymmetric fan chart shows that the debt-to-GDP ratio would be above the projected path in case where the probability of positive shocks to the primary balance is zero.

Shocks and Stress Tests (Figures 4 and 5)

The stress tests further highlight vulnerabilities of the debt profile to various shocks.

15. Growth shock. A real output growth shock of 1 standard deviation in 2021 would have a significant impact on the path of the debt-to-GDP ratio. Specifically, debt would peak at approximately 116.7 percent in 2023 and would then decline gradually to around 101 percent (i.e. 23 percentage points higher than in the baseline scenario) by 2026. Concurrently, gross financing needs increase to 20.6 percent of GDP by 2023 (approximately 7 percentage points higher

⁴ The residual financing gap is assumed to be financed by unidentified sources at 6.5 percent interest rate and 8-year maturity.

than in the baseline scenario). Should upside risks to growth materialize, such as large investments in the tourism sector, the decline in debt-to-GDP ratio could be sharper than in the baseline scenario.

16. Primary balance shock. The scenario assumes a 2.3 percentage point cumulative deterioration in the primary balance, relative to the baseline scenario in 2022–26, owing to a slowdown in CIP revenues. The debt-to-GDP ratio would be relatively unaffected, but gross financing needs are elevated by 1 percent per annum between 2023–26.

17. Interest rate shock. The stress test assumes a permanent increase of 273 basis points in the nominal interest rate starting in 2022, reflecting higher sovereign risks. Results suggest that the debt-to-GDP ratio would be relatively unaffected, but gross financing needs would be 2 percentage point higher by 2026.

18. Combined macro-fiscal shock. A combination of the above shocks leads to a sizeable increase in the debt-to-GDP ratio. Under this scenario, the debt ratio would peak at 120 percent in 2023, before declining to 108 percent in 2026. At the same time, gross financing needs would increase to 22 percent of GDP by 2023, well above the staff's baseline projection.

19. Natural disaster shock. The scenario is based on the assumptions of 5 percent lower growth in 2022 (and a smaller reduction in 2023) as well as 8 percent higher expenditure in 2022. Consequently, the debt-to-GDP ratio would be 14 percentage points higher than in the baseline scenario by 2026, with gross financing needs reaching 22 percent of GDP in 2023.

20. Financial contingent liability shock. This scenario is based on a one-time increase in non-interest expenditures of 10 percent of GDP, leading to a real GDP shock of 1 standard deviation of GDP for 2 consecutive years and higher interest rates from a decrease in the primary balance and a decline in inflation. The debt trajectory under this scenario would reach 106.7 percent of GDP in 2026 (28 percentage points higher than the baseline), and gross financing needs reaching 25 percent of GDP in the year of the shock.

21. Public debt is unsustainable given the large outstanding stock of arrears and high gross financing needs that are likely to be met, in part, by new arrears over the medium term. The debt-to-GDP ratio and gross financing needs decline markedly over the projection horizon. This, however, hinges on steady implementation of the fiscal adjustment plan, as well as continued robust CIP revenue flows. Restoring debt sustainability is predicated on filling the large financing needs through additional new long-term low-interest debt and/or debt restructuring, while definitively resolving the large arrears with domestic and external creditors. Debt service obligations and arrears clearance with Paris Club creditors will further raise financing needs, which are not reflected in the DSA baseline. The debt trajectory remains vulnerable to several shocks, including lower growth, reduction in CIP revenues, natural disasters, and contingent liabilities. This further highlights the need for strong commitment to the fiscal consolidation plan.

Figure 1. Antigua and Barbuda: Public DSA – Risk Assessment

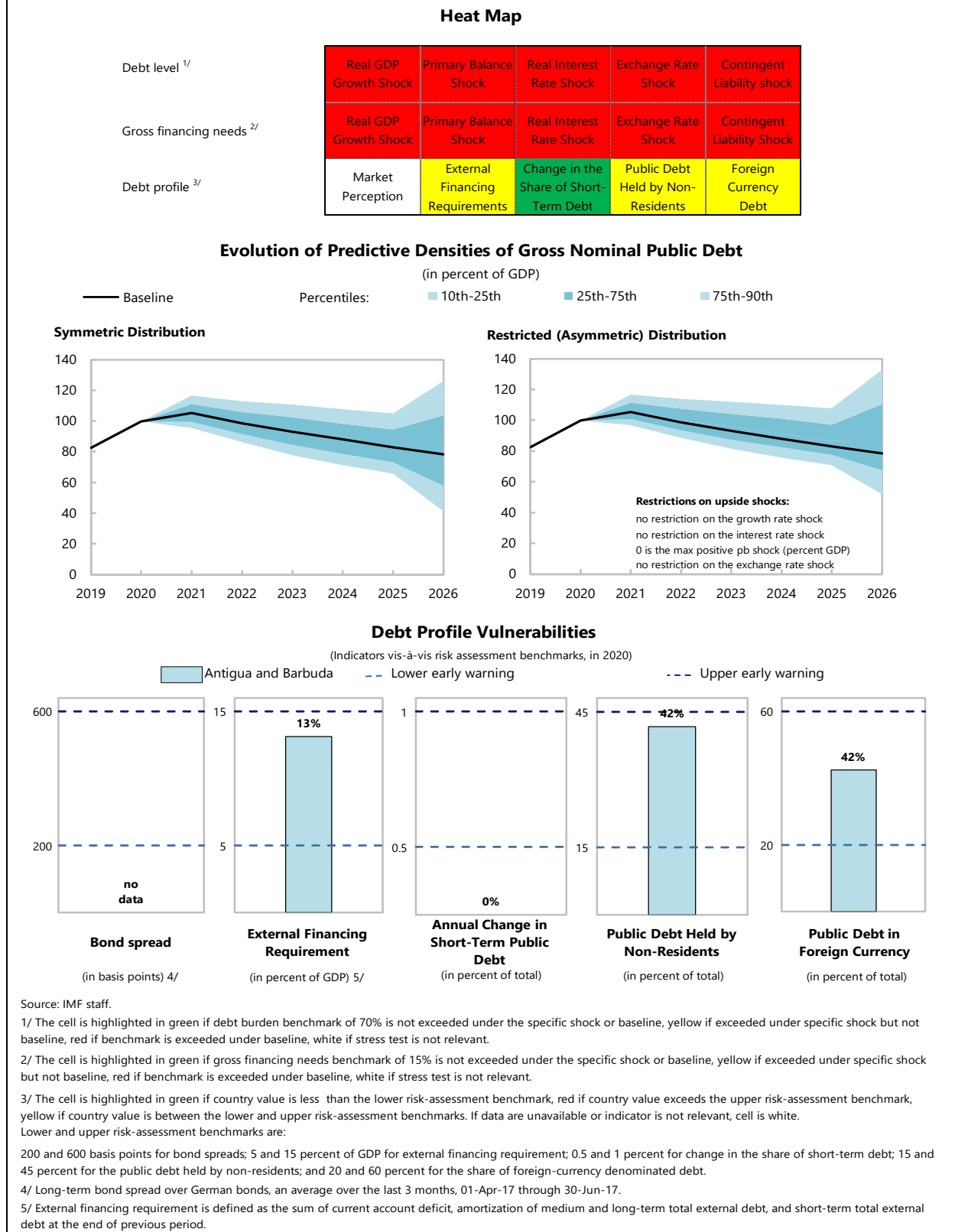
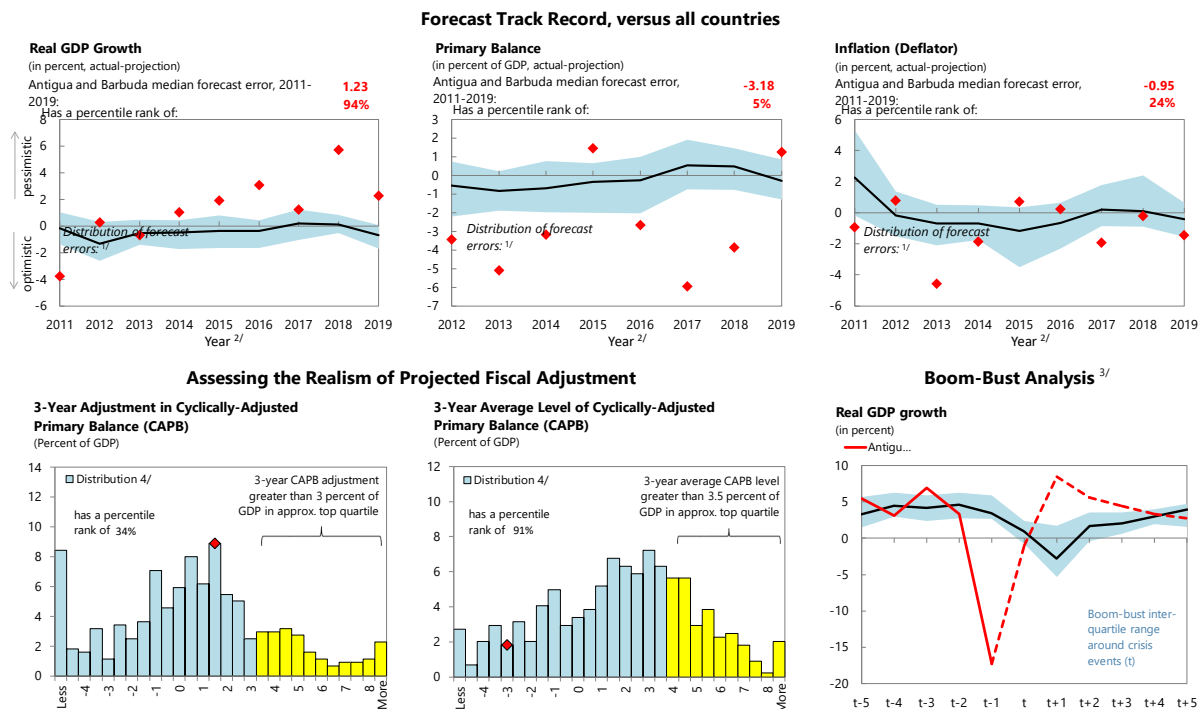


Figure 2. Antigua and Barbuda: Public DSA – Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.
2/ Projections made in the spring WEO vintage of the preceding year.

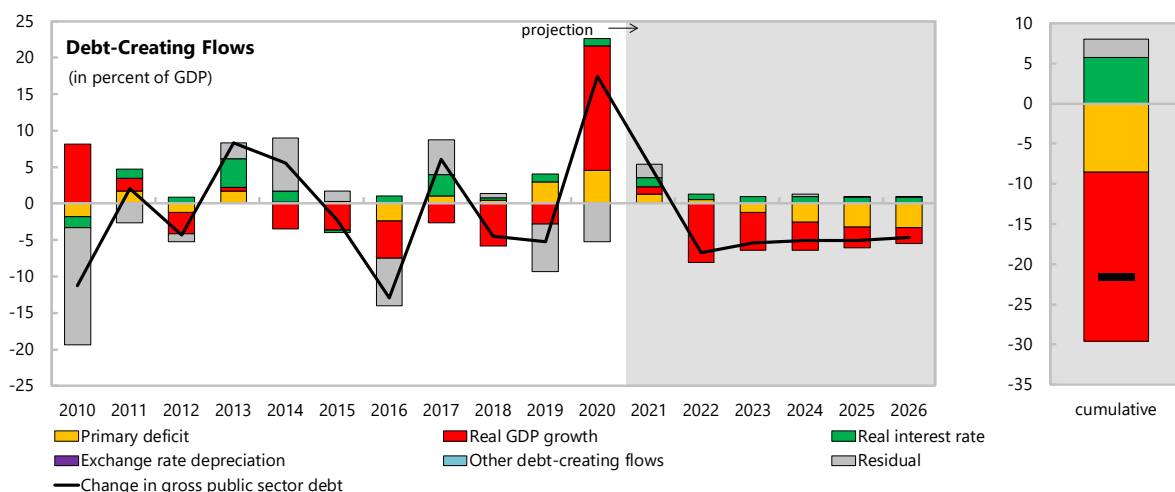
3/ Antigua and Barbuda has had a positive output gap for 3 consecutive years, 2018-2020. For Antigua and Barbuda, t corresponds to 2021; for the distribution, t corresponds to the first year of the crisis.

4/ Data cover annual observations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 3. Antigua and Barbuda: Public DSA – Baseline Scenario
(Percent of GDP, unless otherwise indicated)

	Debt, Economic and Market Indicators ^{1/}										As of June 30, 2021		
	Actual			Projections									
	2010-2018 ^{2/}	2019	2020	2021	2022	2023	2024	2025	2026				
Nominal gross public debt	92.4	82.5	99.9	105.3	98.5	93.1	88.0	82.9	78.3	Sovereign Spreads			
Of which: guarantees	13.7	9.9	13.2	0.0	0.0	0.0	0.0	0.0	0.0	EMBIG (bp) 3/			
Public gross financing needs	8.9	9.8	20.0	17.3	13.5	12.7	10.8	9.8	9.0	5Y CDS (bp)			
Real GDP growth (in percent)	1.8	3.4	-17.3	-1.0	8.5	5.6	4.4	3.4	2.7	Ratings	Foreign	Local	
Inflation (GDP deflator, in percent)	1.3	0.2	1.1	2.0	2.0	2.0	2.0	2.0	2.0	Moody's	n.a.	n.a.	
Nominal GDP growth (in percent)	3.2	3.5	-16.4	1.0	10.6	7.7	6.5	5.4	4.8	S&Ps	n.a.	n.a.	
Effective interest rate (in percent) ^{4/}	2.9	1.5	1.9	3.3	3.0	3.2	3.2	3.1	3.1	Fitch	n.a.	n.a.	

	Contribution to Changes in Public Debt										debt-stabilizing primary balance ^{9/}
	Actual			Projections							
	2010-2018	2019	2020	2021	2022	2023	2024	2025	2026	cumulative	
Change in gross public sector debt	-1.5	-5.2	17.4	5.4	-6.7	-5.4	-5.1	-5.1	-4.6	-21.6	
Identified debt-creating flows	-0.3	1.2	22.6	3.5	-6.7	-5.4	-5.4	-5.2	-4.6	-23.8	
Primary deficit	0.0	2.9	4.6	1.3	0.5	-1.3	-2.5	-3.3	-3.3	-8.6	-1.3
Primary (noninterest) revenue and grants	21.2	18.9	20.1	23.7	22.7	23.8	24.3	24.4	24.3	143.1	
Primary (noninterest) expenditure	21.2	21.9	24.7	24.9	23.2	22.6	21.7	21.1	21.0	134.6	
Automatic debt dynamics ^{5/}	-0.3	-1.7	18.1	2.3	-7.2	-4.2	-2.9	-1.9	-1.3	-15.2	
Interest rate/growth differential ^{6/}	-0.3	-1.7	18.1	2.3	-7.2	-4.2	-2.9	-1.9	-1.3	-15.2	
Of which: real interest rate	1.1	1.1	1.0	1.3	0.8	1.0	1.0	0.9	0.8	5.8	
Of which: real GDP growth	-1.5	-2.8	17.0	1.0	-8.1	-5.1	-3.8	-2.8	-2.2	-21.0	
Exchange rate depreciation ^{7/}	0.0	0.0	0.0	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes ^{8/}	-1.1	-6.5	-5.3	1.8	0.0	0.0	0.3	0.1	0.0	2.2	



Source: IMF staff.

1/ Public sector is defined as central government and includes public guarantees, defined as guaranteed debt held by SOEs included in debt stock.

2/ Based on available data.

3/ Long-term bond spread over German bonds.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Derived as $[(r - \pi(1+g) - g + ae(1+r))/(1+g+\pi+grt)]$ times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

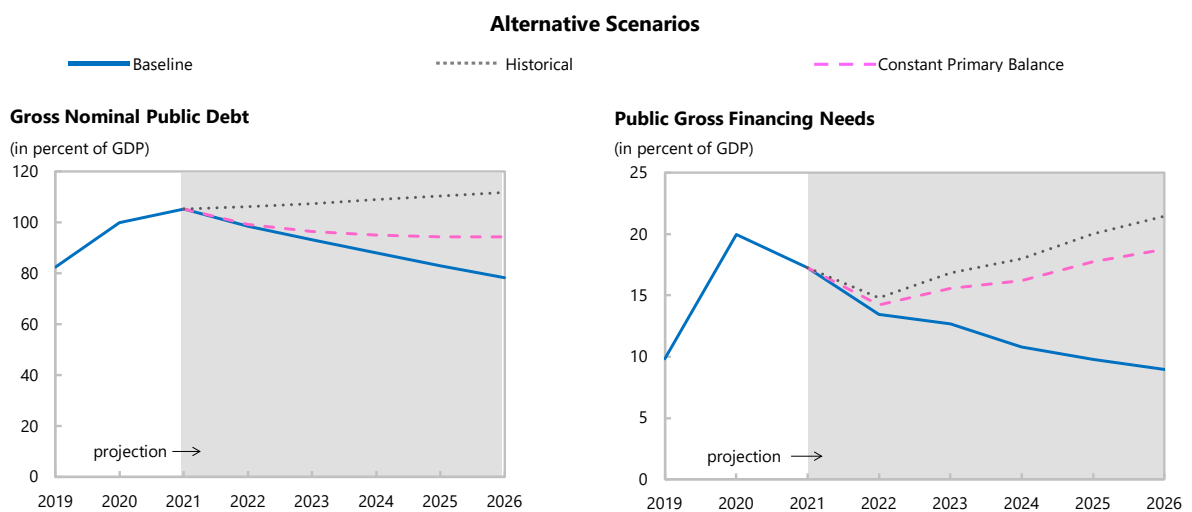
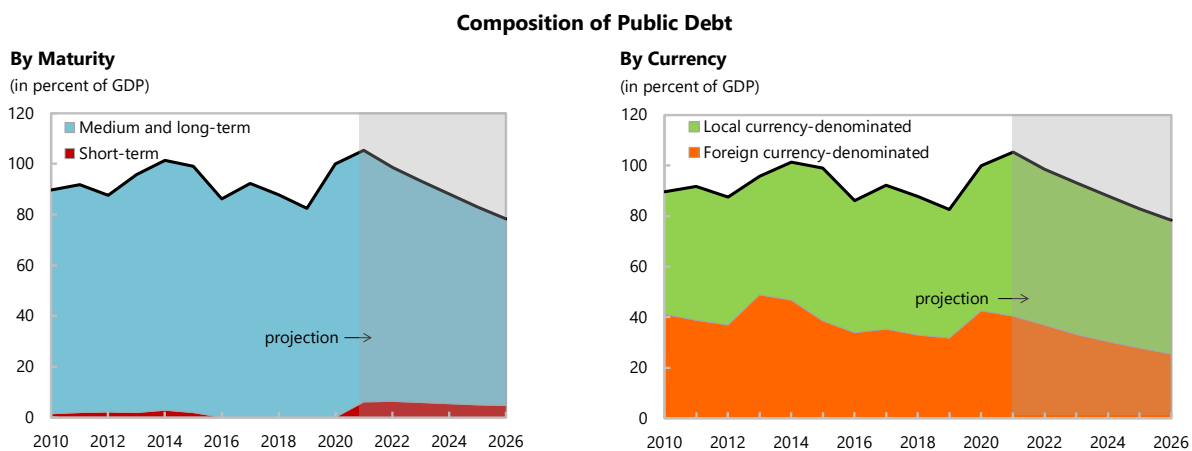
6/ The real interest rate contribution is derived from the numerator in footnote 5 as $r - \pi(1+g)$ and the real growth contribution as $-g$.

7/ The exchange rate contribution is derived from the numerator in footnote 5 as $ae(1+r)$.

8/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

9/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

Figure 4. Antigua and Barbuda: Public DSA – Composition of Public Debt and Alternative Scenarios

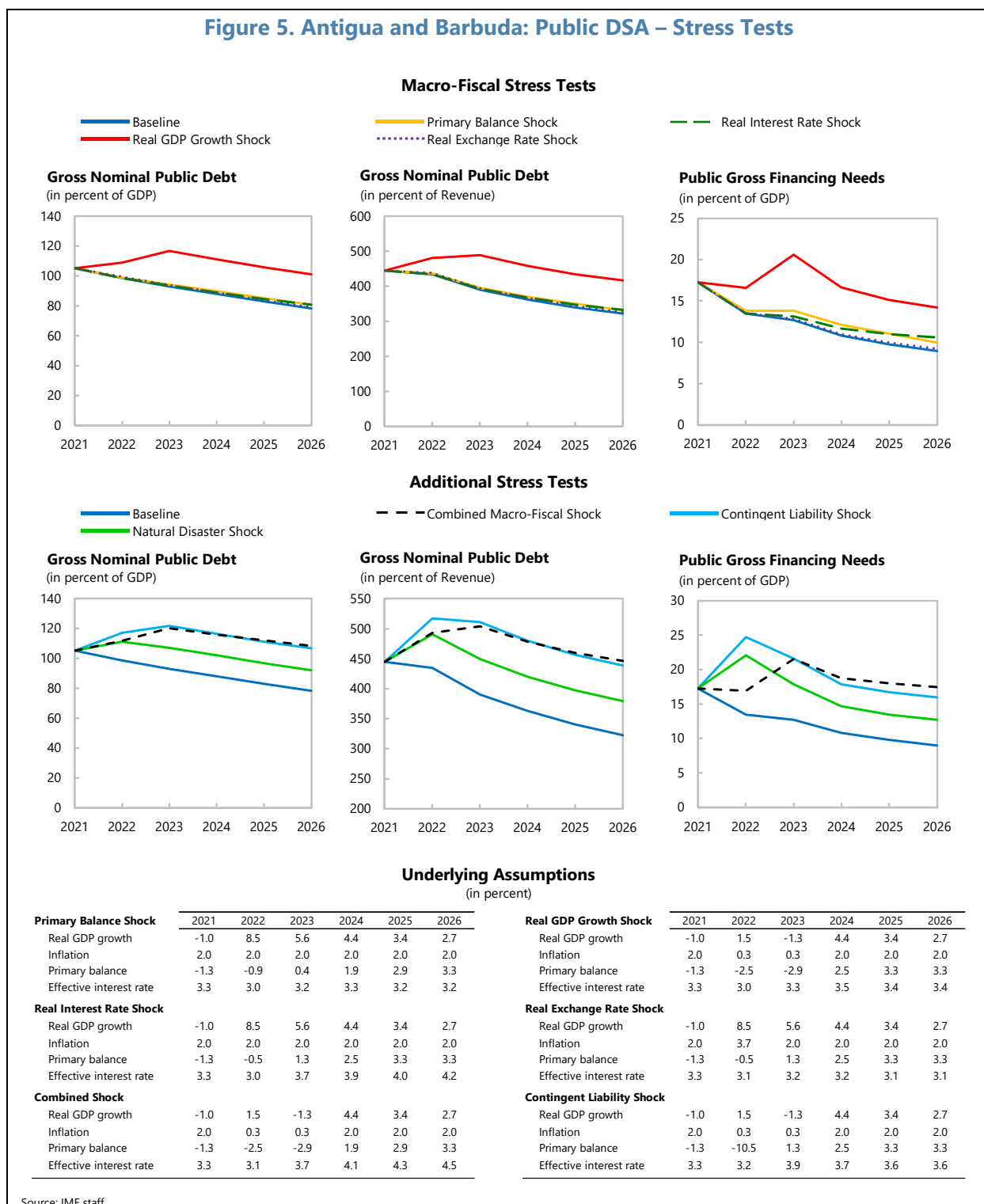


Underlying Assumptions (in percent)

Baseline Scenario	2021	2022	2023	2024	2025	2026	Historical Scenario	2021	2022	2023	2024	2025	2026
Real GDP growth	-1.0	8.5	5.6	4.4	3.4	2.7	Real GDP growth	-1.0	1.0	1.0	1.0	1.0	1.0
Inflation	2.0	2.0	2.0	2.0	2.0	2.0	Inflation	2.0	2.0	2.0	2.0	2.0	2.0
Primary Balance	-1.3	-0.5	1.3	2.5	3.3	3.3	Primary Balance	-1.3	-0.9	-0.9	-0.9	-0.9	-0.9
Effective interest rate	3.3	3.0	3.2	3.2	3.1	3.1	Effective interest rate	3.3	3.0	3.3	3.4	3.4	3.5
Constant Primary Balance Scenario													
Real GDP growth	-1.0	8.5	5.6	4.4	3.4	2.7							
Inflation	2.0	2.0	2.0	2.0	2.0	2.0							
Primary Balance	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3							
Effective interest rate	3.3	3.0	3.2	3.3	3.3	3.4							

Source: IMF staff.

Figure 5. Antigua and Barbuda: Public DSA – Stress Tests



Source: IMF staff.



Appendix I. Draft Press Release

IMF Executive Board Concludes 2021 Article IV Consultation with Antigua and Barbuda

FOR IMMEDIATE RELEASE

Washington, DC – July [28], 2021: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ with Antigua and Barbuda.

Antigua and Barbuda has been hit hard by the global pandemic. The domestic lockdown and border closure in early 2020 prompted a collapse of tourism-related activities. The economy contracted by an estimated 17.3 percent in 2020. The government promptly took public health measures to limit the spread of the virus and introduced social programs to support the vulnerable. The pandemic was well contained in 2020, even after the reopening of borders in the summer, but the winter tourism season saw a temporary surge in COVID-19 cases. Infection rates have since stabilized with about one-third of the population fully vaccinated.

The economy is projected to contract by 1 percent in 2021 before a recovery takes hold in the second half of this year. A gradual pick-up in tourism activity is expected with the first cruise ship arrival in July and Antigua and Barbuda's favorable travel risk ratings in key source markets. Downside risks to the outlook are significant, primarily from a more prolonged pandemic due to the spread of new COVID-19 variants and limited vaccine availability both at home and abroad.

The pandemic has intensified cash flow pressures, led to a further accumulation of domestic and external arrears, and sharply increased the public debt and gross financing needs. The government has embarked on an economic plan centered on a Medium-Term Fiscal Strategy which seeks to restore debt sustainability and gradually resolve outstanding domestic and external arrears; prioritize policies that tackle COVID-19 and improve healthcare delivery; protect the vulnerable; and create the conditions for durable growth and job creation.

Executive Board Assessment²

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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>.

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

Population (2019)	97,118											Adult literacy rate (2015)	99
GDP per capita (US\$, 2019)	17,113											Human Development Index	78
Life expectancy at birth (years, 2019)	77											(2019, of 189 economies)	
Mortality rate (under 5, per 1,000 live births, 2019)	6.6												
					Prel.	Projections							
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026		
National income and prices	(Annual percentage change)												
Real GDP	5.5	3.1	7.0	3.4	-17.3	-1.0	8.5	5.6	4.4	3.4	2.7		
Nominal GDP	7.5	2.2	9.4	3.5	-16.4	1.0	10.6	7.7	6.5	5.4	4.8		
Consumer prices (end of period)	-1.1	2.4	1.7	0.7	2.8	2.0	2.0	2.0	2.0	2.0	2.0		
Consumer prices (period average)	-0.5	2.4	1.2	1.4	1.1	2.0	2.0	2.0	2.0	2.0	2.0		
Money and credit													
Net foreign assets	-4.5	10.9	6.2	-0.9	-4.6	0.0	2.4	2.6	3.0	2.6	1.7		
Net domestic assets	2.8	-3.3	0.1	1.7	-0.6	1.0	6.0	1.0	-0.2	3.3	3.1		
<i>Of which:</i>													
Credit to the public sector	2.0	0.6	0.1	-0.5	4.1	-2.2	-0.1	-0.5	-0.8	-0.9	-0.5		
Credit to the private sector	0.6	-1.0	1.0	2.2	1.0	0.8	1.2	0.3	1.7	3.5	3.1		
Central government	(Percent of GDP)												
Primary balance	2.4	-0.1	0.0	-1.2	-3.7	-1.3	-0.5	1.3	2.5	3.3	3.3		
Overall balance	-0.1	-2.8	-2.5	-4.0	-6.3	-4.1	-3.5	-1.7	-0.4	0.5	0.7		
Total revenue and grants	24.5	20.7	19.8	18.9	20.1	23.7	22.7	23.8	24.3	24.4	24.3		
Total expenditure	24.7	23.6	22.3	23.0	26.4	27.8	26.1	25.6	24.7	23.9	23.6		
External sector													
Current account balance	-2.4	-7.8	-14.5	-6.7	-7.8	-12.3	-9.9	-8.1	-7.6	-7.5	-7.2		
Trade balance	-27.4	-31.1	-36.1	-34.1	-25.1	-25.1	-31.5	-33.6	-34.8	-34.7	-34.7		
Nonfactor service balance	35.7	32.7	30.1	36.5	21.1	17.4	28.5	32.2	33.8	33.7	33.8		
<i>Of which: Gross tourism receipts</i>	52.4	50.2	48.3	54.7	27.8	21.5	38.6	46.2	51.0	50.8	50.9		
Overall balance	-0.4	-2.4	-0.5	-4.3	-7.0	-3.6	-3.0	-2.5	-0.7	-0.9	-0.9		
External public sector debt	36.2	37.5	36.7	37.1	47.4	54.4	53.8	52.7	51.4	50.1	48.4		
Savings-Investment balance	-2.4	-7.8	-14.5	-6.7	-7.8	-12.3	-9.9	-8.1	-7.6	-7.5	-7.2		
Savings	9.7	15.2	23.0	25.7	16.0	15.2	21.9	23.5	25.2	25.2	25.3		
Investment	12.2	23.1	37.5	32.5	23.9	27.5	31.8	31.6	32.8	32.7	32.5		
Memorandum items													
Net imputed international reserves (US\$ million)	330	314	328	279	222	221	253	290	335	374	401		
(In months of prospective imports)	4.1	3.3	3.4	5.1	4.4	2.9	2.7	2.7	3.0	3.2	3.3		
GDP at market prices (EC\$ million)	3,879	3,964	4,334	4,487	3,752	3,791	4,194	4,518	4,812	5,073	5,316		
Public debt stock (EC\$ million) 1/, 2/	3,341	3,654	3,803	3,702	3,748	3,997	4,109	4,193	4,220	4,203	4,173		
(In percent of GDP)	86.1	92.2	87.7	82.5	99.9	105.4	98.0	92.8	87.7	82.8	78.5		

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.