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**Statement by IMF Staff at the Conclusion of the 2007 Article IV  
Consultation Mission to Antigua and Barbuda**

An International Monetary Fund (IMF) mission led by Mr. Guy Meredith, Assistant Director in the Western Hemisphere Department, issued the following statement today in St. John's:

"A mission of the IMF visited Antigua and Barbuda from September 25 to October 5, 2007, to conduct the 2007 Article IV Consultation. The discussions covered recent developments and economic policies, as well as the medium-term economic outlook. The mission received excellent cooperation, and benefited from a constructive exchange of views with the Honorable Dr. Cort, Minister for Finance, members of the Cabinet, Financial Secretary Mr. Harris, Director of Budget Mr. Matthias, and other senior government officials, as well as representatives from the private sector and financial sector. Representatives from the ECCB and CDB also participated in the discussions.

"Macroeconomic outcomes have strengthened significantly in recent years. Real GDP growth averaged about 5 percent during 2003–05, and is estimated to have reached about 12 percent in 2006. Economic activity was sustained by construction—mainly in hotels, but also public investment related to the Cricket World Cup. In 2007, growth is expected to moderate to about 6 percent, as activity in the construction sector slows. The external current account deficit widened to 16½ percent of GDP in 2006 due to surging world oil prices and construction-related imports, but is expected to narrow as construction activity slows. While recent growth outcomes have been favorable, Antigua and Barbuda remains vulnerable to exogenous shocks, given its dependence on imported oil, volatile tourism receipts, a tightening of conditions in regional and international credit markets, and exposure to natural disasters.

"Discussions centered on the importance of restoring Antigua and Barbuda's fiscal and debt sustainability, enhancing medium-term growth prospects, and reducing financial sector vulnerabilities.

“The mission supported the authorities’ medium-term intention to deepen fiscal consolidation and reduce public debt. Achieving fiscal consolidation to ensure debt sustainability remains the key challenge. Antigua and Barbuda’s public debt is one of the highest in the ECCU, and rising debt-servicing costs have crowded out expenditures on public services and constrained the room for maneuver in the event of adverse shocks. Strong spending discipline is essential in this regard, combined with revenue increases to address large fiscal imbalances while providing appropriate public services. Uniform and comprehensive administration of the strong tax measures introduced over the last two years is essential to ensure that the system operates efficiently and that the impact is distributed fairly.

“The mission welcomed the establishment of the new Investment Authority and encouraged further efforts to enhance productivity and efficiency by improving the investment climate. In addition, enhancing labor market flexibility will facilitate adjustment to shocks.

“The mission observed that competition in mortgage lending, including from insurance companies, has lowered interest rates and compressed spreads in the financial sector. The mission recommends that positive steps be taken to enhance the regulation and supervision of banks, nonbank financial intermediaries and international financial service providers. The importance of enhancing risk mitigation and disaster management cannot be emphasized enough. The mission welcomed Antigua and Barbuda’s participation in the World Bank’s Catastrophic Risk Insurance Facility and urged that strong efforts be made to bolster disaster mitigation and preparedness.”