



# Antigua

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<b>COUNTRY</b>		
Real GDP growth (%) 2015	2.2% (IMF)	Major Trade Partners: Poland, Algeria, U.S., U.K. and Guyana.
Next General Election	N/A	Major Exports : Passenger and Cargo Ships, Refined Petroleum, Soybean.
Exchange Rate (XCD/ USD)	2.70	GDP Composition: Services (81.4%), Industry (16.4%) and Agriculture (2.2%)

## RECENT ECONOMIC DEVELOPMENTS

### ECONOMIC OUTLOOK

**POSITIVE**

The Antiguan economy is expected to grow to 2.5% in 2016 due to slightly better demand for tourism and an increase in construction. Current low price conditions are projected to assist growth, keep inflation low and reduce the current account deficit. Additionally the U.S. economic recovery and the opening of the new airport in August 2015 are positives for the economy. Antigua will experience an increase in tourism related foreign direct investment in the coming years as the industry sees demand increase. Large hotel and hospitality chains on the island are expected to expand facilities in order to accommodate the rising arrivals. Ports are also expected to moderately expand to take in additional anticipated cruise arrivals.

### POLITICAL SYSTEM

**STABLE**

In June 2014, the opposition Antigua Labor Party returned to power obtaining 14 out of 17 seats in parliament. Prime Minister Gaston Browne's immediate plan was to increase foreign investment, help ease the housing shortage, and lower the unemployment rate. The IMF has urged the government to adopt new structural fiscal reforms, including enhancing the tax effort noting that current policies regarding fiscal expenditures do not appear to be sustainable. Antigua and Barbuda is part of the ECCU. The ECCU has maintained a common central bank and currency area with an Eastern Caribbean Dollar since 1976. The currency is pegged to the US Dollar at the rate of EC\$2.70 to US\$1.

### TRADE BALANCE/ BOP

**NEGATIVE**

Current account shortfall will moderately expand in the years ahead. Rising services trade surpluses will help to mitigate, though not fully offset the impact of widening goods trade and income account deficits. As such, BMI forecasts that through the next five years, Antigua and Barbuda's current account deficit will be 15.1% of GDP on average compared with an average of 13.6% over the previous five. Nonetheless, due to a stronger tourism industry, investments into expanding hospitality facilities will drive the financial account surplus higher, ensuring that the country's foreign currency reserves remain stable. This is expected to bolster the country's financial account, and in line with the historical trend, be enough to cover the country's large current account deficit. At USD202.6 million at the beginning of 2015, reserves are expected to increase to USD228.0 million by the end of 2019.

### FISCAL ACCOUNTS

**STABLE**

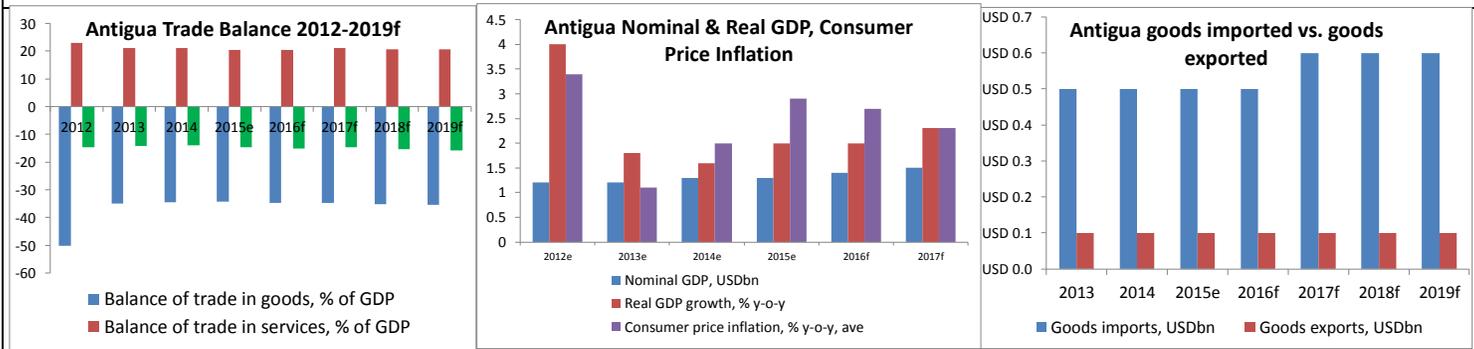
The fiscal performance of Antigua has improved in 2015 but financing pressures remain severe. The underlying primary balance (excluding citizenship-by-investment program revenues and bank resolution costs) is projected to register a deficit of 0.2% of GDP in 2015, compared with a deficit of 2.0% in 2014. This comes on the back of higher corporate income tax collections, higher consumption taxes on fuel and under execution of the capital budget. Given the limited sources of available financing on account of Antigua and Barbuda's elevated debt levels, the central government continues to cover financing shortfalls through accumulation of arrears, which are projected to rise by 2% of GDP in 2015. The government recently announced the discontinuation of personal income tax on the island, which may put further pressure on the fiscal account.

### Citizenship by Investment Program (CIP)

Strong inflows from the Citizenship by Investment Program (CIP) have helped ease financing pressures. However, CIP revenues are inherently volatile, and carry risks of a sudden stop. Consequently, the prospect of CIP inflows should not weaken the government's resolve to undertake strong fiscal adjustment measures to durably improve the public finances. The IMF has suggested that CIP revenues should not be used to fund recurrent government expenditure but rather to clear arrears, pay down debt, build buffers, and fund key strategic infrastructure projects. On the IMF consultation and fourth post-program monitoring mission a recommendation was made to develop the accountability framework for CIP-related resources to ensure their prudent use and management.

## OUTLOOK

The Antiguan government continues to work on ways to improve the balance of payment statistics and collection of labor data. While the current authorities are making an attempt to improve Antigua's growth agenda, FDI inflows continue to lag behind expectations. However continued initiatives to attract investment projects and improve the tourism product, including upgrades to the hotels augurs well for growth and aims to counter the trade balance problem therefore **First Citizens Research & Analytics holds a stable view on Antigua.**



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