



# International Monetary Fund

## **IMF Executive Board Completes First Post-Program Monitoring for Antigua and Barbuda**

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On April 21, 2014, the Executive Board of the International Monetary Fund (IMF) concluded the first Post Program Monitoring discussion for Antigua and Barbuda.

On June 5, 2013, the Board concluded the tenth and final review of the 36-month Stand-By Arrangement (SBA). Given that outstanding Fund credit was 500 percent of quota, Directors agreed that post-program monitoring should be initiated.

Antigua and Barbuda's economy is facing headwinds. In 2013, economic growth was somewhat lower than projected at the time of the SBA review and the fiscal deficit widened substantially. This year, the economy is expected to grow by 1.6 percent, up from 0.5 percent in 2013; and inflation is expected to remain subdued at around 1 percent. However, risks to this outlook are high, stemming in particular from the country's unsustainable fiscal situation, and the large share of nonperforming loans in the banking system.

### **Executive Board Assessment**

Executive Directors noted with concern that the macroeconomic performance has deteriorated in the months following the conclusion of the SBA with the Fund, weakening the growth outlook and exacerbating downside risks.

Directors recognized the progress made in bank resolution, but stressed that delays in reforms are exacerbating fiscal risks and undermining the stability of the banking system. They urged the authorities to move quickly to resolve the Antigua and Barbuda Investment Bank, in close collaboration with the Eastern Caribbean Central Bank. Directors cautioned that the resolution strategy should not weaken the fiscal position further.

Directors stressed the importance of swiftly reversing fiscal slippages and encouraged the authorities to articulate a comprehensive medium-term fiscal consolidation program

to put the public debt on a sustainable path.

Directors called for a redoubling of efforts to implement pending tax administration reforms, including the long-delayed Tax Administration and Procedures Act, and scale back tax exemptions. They also recommended that wage restraint to reduce personnel costs should be an important element of the authorities' fiscal strategy. More broadly, the recent increase in current expenditure should be reversed and transfers to state-owned enterprises reduced, while protecting capital spending.

Directors considered that the recently launched Citizenship by Investment Program (CIP) could bring benefits to Antigua and Barbuda, if managed prudently. Noting the inherent uncertainty associated with income from such a program, they recommended that CIP revenues be targeted primarily for paying down debt and for creating a buffer to smooth spending in the event of adverse shocks.

Directors stressed the importance of measures to improve the business climate and external competitiveness over the medium term, and welcomed the initiatives underway in this area.

**Antigua and Barbuda: Selected Economic Indicators, 2009–13**

	2009
	2010
	2011
	2012
	2013
(Annual percentage change, unless otherwise indicated)	
<b>National income and prices</b>	
GDP at constant factor cost	-10.7
	-8.6
	-2.1
	2.8
	0.5
Nominal GDP at market prices	-10.5
	-5.9
	-0.7
	5.9
	1.5
Consumer prices (e.o.p)	2.4
	2.9
	4.0

	1.8	
	1.1	
<b>Central government</b>		(Percent of GDP)
Primary balance	-11.0	
	1.9	
	-1.5	
	1.1	
	-1.4	
Overall balance	-18.2	
	-0.3	
	-3.6	
	-1.2	
	-3.3	
Total revenue and grants	18.7	
	22.5	
	20.5	
	20.0	
	18.4	
Total expenditure	36.9	
	22.7	
	24.1	
	21.2	
	21.8	
<b>Money and credit</b>		(Changes in percent of beginning of period broad money)
Net foreign assets	-5.5	
	1.1	
	-2.2	
	4.1	
	2.2	
Net domestic assets	6.1	
	-0.8	
	-4.6	
	-4.4	
	-0.1	
<i>Of which:</i>		
Net credit to the public sector	10.7	
	-3.3	
	0.8	
	-3.0	
	3.3	
Credit to the private sector	-0.7	
	0.2	
	-3.7	
	-2.4	
	-2.5	
Broad money	0.5	

	0.3
	-6.9
	-0.4
	2.1
Average deposit rate (in percent per annum)	3.3
	3.2
	3.1
	3.1
	3.0
Average lending rate (in percent per annum)	9.5
	10.2
	10.1
	9.4
	9.4
<b>External sector</b>	
(Annual percentage change, unless otherwise indicated)	
Exports, f.o.b.	-22.4
	-10.0
	22.8
	5.1
	0.8
Imports, f.o.b.	-28.5
	-5.2
	-5.1
	12.3
	-2.4
Travel receipts (gross)	-8.6
	-2.4
	4.7
	2.3
	-1.9
Nominal effective exchange rate (e.o.p, depreciation -)	-5.5
	8.2
	4.6
	-1.1
	0.4
Real effective exchange rate (e.o.p, depreciation -)	-5.9
	7.2
	4.2
	-2.5
	-2.5
	(Percent of GDP)
Current account balance	-14.0
	-14.7
	-10.4
	-14.0

	-13.8
Trade balance	-35.5
	-35.9
	-33.2
	-35.6
	-34.0
Nonfactor service balance	23.5
	22.3
	24.0
	23.3
	22.0
<i>Of which: Gross tourism receipts</i>	25.3
	26.2
	27.7
	26.7
	25.8
Overall balance	-4.0
	-1.3
	-0.6
	-1.0
	-1.4
External government debt (end of year)	35.8
	38.7
	39.1
	37.0
	39.3
<b>Memorandum items</b>	
Nominal GDP at market prices (in millions of EC\$)	3,257
	3,066
	3,043
	3,224
	3,273
Central government debt stock 1/ (In millions of EC\$)	3,337
	2,783
	2,820
	2,831
	3,019
(In percent of GDP)	102.5
	90.8
	92.7
	87.8
	92.2

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Sources: Antigua and Barbuda authorities; ECCB; World Bank; and IMF staff estimates and projections.

1/ Includes central government guarantees of state enterprises' and statutory bodies' debt. For 2012 and 2013, the debt

figures include debt renegotiation agreements that reduce debt by 3.2 percent of GDP.

**IMF COMMUNICATIONS DEPARTMENT**

Public Affairs

Media Relations

E-mail: [publicaffairs@imf.org](mailto:publicaffairs@imf.org)

E-mail: [media@imf.org](mailto:media@imf.org)

Fax: 202-623-6220

Phone: 202-623-7100