

RATING RELEASE

October 8, 2024

CariCRIS upgrades the ratings of the Government of Anguilla by one notch to *CariA-* (Foreign and Local Currency); Outlook is Stable

CariA- (Regional Scale Foreign Currency)
CariA- (Regional Scale Local Currency)

Caribbean Information and Credit Rating Services Limited (CariCRIS) has upgraded by one notch the ratings of the notional debt of USD 25 million of the Government of Anguilla (GOA) to *CariA-* (Foreign and Local Currency) on the regional rating scale. These ratings include a 6-notch uplift for the high likelihood of support from the United Kingdom (UK). The notched-up regional scale ratings indicate that the level of creditworthiness of this obligation, adjudged in relation to other obligations in the Caribbean is **good**.

The ratings are driven by the following strengths: (1) support from the UK Government as an Overseas Territory, (2) the rebuilding of the economy and infrastructure continues following the passage of Hurricane Irma and there remains robust flows of capital investments, particularly towards tourism, and (3) Anguilla's fiscal performance remains carefully managed to control debt accumulation and improved debt servicing capacity. These rating strengths are tempered by the following factors: (1) Anguilla is a small island developing state with significant capacity constraints, (2) there continues to be breach of the Territory's debt management benchmarks, notwithstanding improvements, and (3) Anguilla's financial sector is characterized by high non-performing loans and low capitalization levels.

The stable outlook is based on the strong fiscal and debt management support from the United Kingdom, in addition to the ongoing satisfactory recovery path following the impacts of the coronavirus (COVID-19) pandemic on the tourism industry and wider economic activity.

Rating Sensitivity Factors

Factors that could lead to an improvement in the Ratings and/ or Outlook include:

- Annual real GDP growth in excess of 5% sustained for at least 2 years.
- A fiscal surplus of more than 5% of GDP recorded for at least 2 consecutive fiscal periods, with no breaches of debt metrics.
- Meaningful diversification of the economy into sustainable productive sectors (i.e., not directly related to Tourism) that adds at least 10% to real GDP over two consecutive years.

Factors that could lead to a lowering of the Ratings and/ or Outlook include:

- An increase in debt to GDP ratio to above 50%.
- A change in the country's status as a British Overseas Territory or a material change in the level of support rendered to Anguilla.
- The banking sector's capitalization ratio falling below 8%.

ABOUT THE SOVEREIGN

Anguilla is the most northerly of the Leeward Islands in the Eastern Caribbean. Apart from the main island of Anguilla itself, which is sixteen (16) miles long and a maximum of three (3) miles wide, the territory includes several smaller uninhabited islands and cays. Anguilla's estimated population is 11,407¹. Its official language is English. The island is noted for its ecologically important coral reefs. Anguilla is a parliamentary representative democratic dependent Overseas Territory of the United Kingdom. The 1982 Constitution (amended in 1990) provides for a Governor, an Executive Council and a House of Assembly. The current Governor, Her Excellency, Ms. Julia Crouch, took office in September 2023. The Governor is responsible for external affairs, offshore finance, defence and internal security (including the police force), and the public service. General Elections for Anguilla were last held in June 2020. Premier, the Honourable, Dr. Ellis Webster of the Anguilla Progressive Movement (APM) was inaugurated on June 30, 2020. The APM currently holds seven out of the eleven parliamentary seats. General Elections are next due in 2025.

Construction and tourism are the main sources of economic output. Construction activity is typically driven by private sector investments in hotel developments. Anguilla's

¹ <https://www.eccb-centralbank.org/member-countries/anguilla>; accessed: September 4th, 2024

economy is highly vulnerable to global macro-economic shocks, including downturns in the global economy and high international oil prices. The Territory is also occasionally impacted by hurricanes.

For more information on the Government of Anguilla's ratings, please visit www.caricris.com or contact:

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