

## Government of Anguilla

### RATINGS UPDATE:

Government of Anguilla Ratings Upgraded by one notch to *CariA-* (Foreign and Local Currency Ratings) on the regional scale; Outlook maintained at Stable.

### RATING ACTION:

On September 20, 2024, CariCRIS upgraded by one notch the Issuer/Sovereign Credit ratings to *CariA-* (Foreign and Local Currency Ratings) on its regional rating scale assigned to the **The Government of Anguilla (GOA)**. A **stable** outlook was maintained.

### 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%.

## RATING RATIONALE

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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**.

CariCRIS has also maintained a **stable** outlook on the ratings. 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.

The ratings are supported by the following:

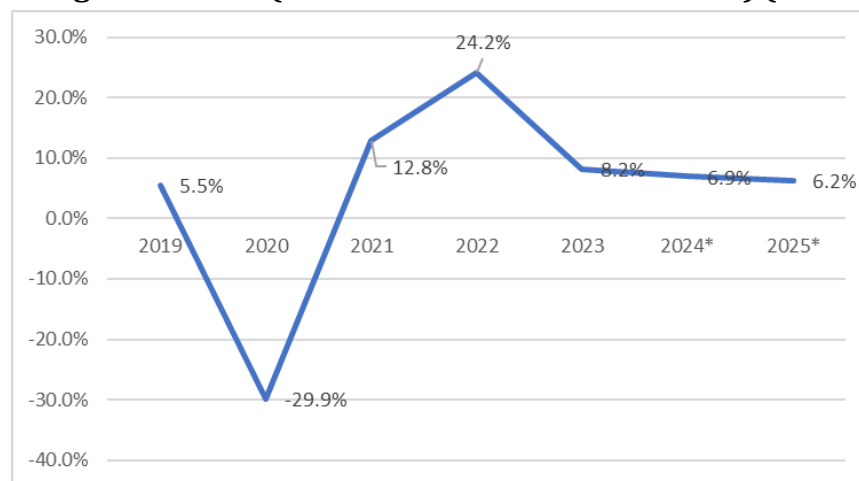
RATING DRIVERS	
Key Strengths	Key Risks
Support from the UK Government as an Overseas Territory	Small Island Developing State with significant capacity constraints
The rebuilding of the economy and infrastructure continues following the passage of Hurricane Irma and continued FDIs, particularly towards tourism.	Breached debt management benchmarks albeit improving considerably
Fiscal performance remains carefully managed to control debt accumulation and improved debt servicing capacity.	Financial sector is characterized by high non-performing loans and low but improving capitalization levels.

### *Income and Economic Structure: B+ (Weak)*

Anguilla the 2<sup>nd</sup> smallest economy in the Organization of Eastern Caribbean States (OECS). In 2023, real GDP (at constant 2006 market prices) increased by 8.2% to EC \$781.2 million from EC \$722.4 million in 2022 (Table 1). Real GDP is projected by the ECCB to increase by 6.9% in 2024 (Chart 1). Export earnings, primarily dependent on tourism and fiscal revenues, are derived from a narrow base of productive sectors and a small labour force. These characteristics of the territory impose significant capacity

constraints and have resulted in large fluctuations in economic growth, underscoring the country’s vulnerability to external shocks.

**Chart 1**  
**Real GDP growth rates (at Constant 2006 Market Prices) (2019-2025)**



*\*Projected*

*Source: ECCB*

The COVID-19 pandemic plunged GDP by 29.9% in 2020. There was significant impact on the tourism sector, which is the main generator of GDP for the economy, and adverse knock-on effects for other sectors of the economy. However, strong economic recovery has been seen. Real GDP in 2023 was 6.4% above pre-COVID-19 output in 2019. Economic growth is expected to moderate in upcoming years but still remain robust.

The GOA devised a COVID-19 ‘Exit Strategy’, which was approved by the Executive Council and implemented in April 2021. The full reopening of the economy was completed in June 2022. The return of tourism owing to pent-up travel demand has resulted in the high overall GDP growth. Leading the continued recovery of GDP in 2023, were growth in the following sectors: Hotels and Restaurants (↑31.7%), Construction (↑13.1%), Manufacturing (↑13.1%), Transport, Storage and Communications (↑10.4%), Agriculture, Livestock and Forestry (↑9.6%), and Fishing (↑8.6%). Other sector showed smaller increases, with the only sector decreasing in 2023 being Wholesale and Retail Trade (↓5.1%).

The significant growth in the Hotels and Restaurants sector in 2023 was supported by a 62.6% increase in total number of visitors in 2023 from 2022<sup>1</sup> (Chart 2). As a result, visitor expenditure expanded by 21.8% to EC \$460.8 million<sup>2</sup>. This buoyant demand bodes well for the continued recovery of Anguilla’s tourism industry and by extension, the performance of the economy.

**Table 1**  
**Real GDP (in Constant 2006 Market Prices) (2020-2024)**

	2020		2021		2022		2023		2024*	
	EC\$M	% Change	EC\$M	% Change	EC\$M	% Change	EC\$M	% Change	EC\$M	% Change
Agriculture, Livestock and Forestry	1.29	-41.36	1.32	2.33	1.25	-5.30	1.37	9.60	1.46	6.57
Fishing	3.22	-79.19	3.72	15.53	3.95	6.18	4.29	8.61	4.42	3.03
Mining & Quarrying	2.79	31.60	3.14	12.54	2.85	-9.24	2.88	1.05	2.88	0.00
Manufacturing	14.49	0.76	15.19	4.83	15.68	3.23	17.74	13.14	19.51	9.98
Electricity & Water	27.29	-6.44	29.57	8.35	31.26	5.72	32.98	5.50	33.34	1.09
Construction	42.49	-19.89	54.30	27.79	57.40	5.71	64.92	13.10	74.66	15.00
Wholesale & Retail Trade	38.73	-32.47	52.43	35.37	60.60	15.58	57.52	-5.08	58.38	1.50
Hotels & Restaurants	45.62	-71.69	51.00	11.79	133.10	160.98	175.34	31.74	210.40	20.00
Transport, Storage and Communications	29.87	-34.65	27.61	-7.57	37.05	34.19	40.90	10.39	43.98	7.53
Financial Intermediation	48.44	-6.40	48.25	-0.39	47.99	-0.54	48.08	0.19	48.40	0.67
Real Estate, Renting and Business Activities	73.60	-15.46	75.85	3.06	83.39	9.94	85.06	2.00	86.35	1.52
Public Administration, Defence & Compulsory Social Security	61.15	2.33	61.18	0.05	61.23	0.08	62.57	2.19	63.82	2.00
Education	17.70	-1.88	17.94	1.36	17.76	-1.00	17.78	0.11	18.06	1.57
Health and Social Work	14.32	-7.25	14.47	1.05	14.29	-1.24	14.40	0.77	14.40	0.00
Other Community, Social & Personal Services	20.11	-2.19	20.31	0.99	20.42	0.54	20.52	0.49	20.62	0.49
Activities of Private Households as Employers	3.54	-0.56	3.55	0.28	3.57	0.56	3.59	0.56	3.61	0.56
Less: FISIM	11.10	4.72	10.58	-4.68	11.50	8.70	15.04	30.78	15.19	1.00
<b>GDP in Market Prices</b>	<b>515.42</b>	<b>-29.87</b>	<b>581.51</b>	<b>12.82</b>	<b>722.44</b>	<b>24.24</b>	<b>781.72</b>	<b>8.21</b>	<b>835.83</b>	<b>6.92</b>

Source: ECCB Data Centre  
\* Projected

**Chart 2**  
**Total Visitor Arrivals and Expenditure 2018 - 2023**



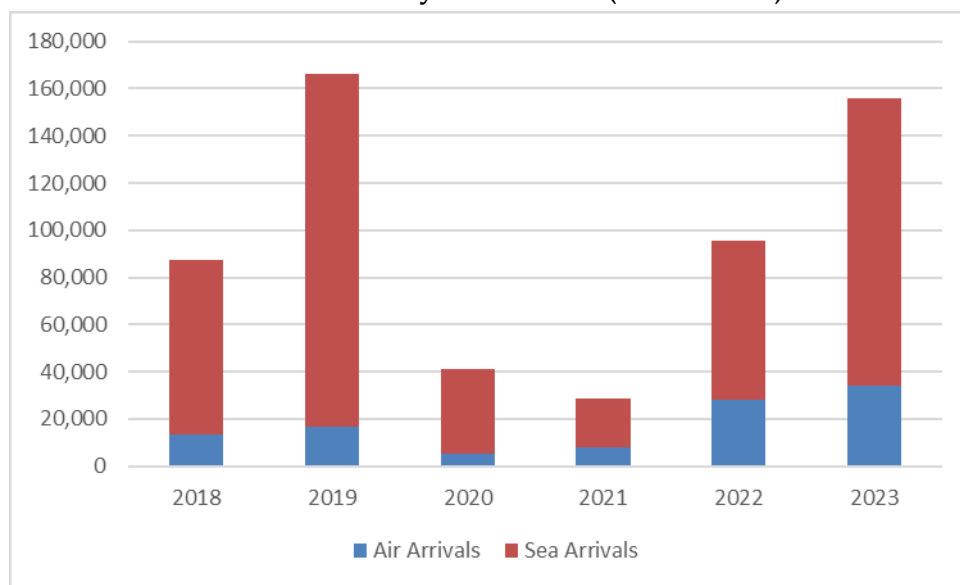
Source: ECCB Data Centre

<sup>1</sup> Nominal GDP was positively impacted by higher room prices.

<sup>2</sup> Source: ECCB; Real Sector Statistics - Selected Tourism Statistics.

Supporting the rise in tourist arrivals throughout 2023 was the increased accessibility to the island via greater availability of flights<sup>3</sup>. A key three-phased<sup>4</sup> airport development project is being undertaken to further improve accessibility to the island. The project is expected to be completed by the end of 2027. In 2023, total tourist arrivals by air increased by 23.4 % to 34,039 from 27,582 one year prior. The main source of sea arrivals is from the ferry into Anguilla from St. Maarten/Martin. The completion of the restorative construction works to the Blowing Point Ferry Terminal in January 2023 further improved tourist arrival numbers via sea, increasing by 161.8% to 121,693 from 46,471 in 2022.

**Chart 3**  
**Visitor Arrival by Air and Sea (2018 to 2023)**



Source: Anguilla Statistics Department

<sup>3</sup> American Airlines (AA) will continue this winter (December 2024 to March 2025) with its two direct flights a day to Anguilla from Miami but three on Saturdays. Skyhigh Aviation operates between Anguilla and the Dominican Republic. WinAir, also offers flights into Anguilla on occasion, while some interest has been received from Caribbean Airlines. Additionally, GOA is currently exploring opportunities to have flights added to its schedule from Canada, South American and the Dominican Republic following the completion of airport development works.

<sup>4</sup> The 3-phased airport development project includes a) Phase I: Resurfacing of the runway to increase the load-bearing strength of the runway, addition of parking spaces for vehicles and additional lighting b) Phase II: Preliminary development & remodelling of the terminal and c) Phase III: Land acquisition and development works for expansion of the runway by approximately 7000 feet.

Tourism developments and offering enhancements include marina projects<sup>5</sup>, heritage tourism<sup>6</sup> product, advancing a well-regulated gaming industry, and offshore tertiary education<sup>7</sup>. To attract investments, the GOA will promote available opportunities via the development of an investment promotion online platform. In the next 12 months, major tourism works are planned on the following properties: Altamer, Aurora, the Four Seasons, Frangipani, and ANI Private Resorts. Broader diversification efforts include initiatives in fishing<sup>8</sup>, farming and manufacturing. These sectors have benefited from duty concessions and exemptions from the newly implemented Goods and Services Tax (GST). Going forward, the GOA expects to further discussions with the UKG to commence an offshore fishing licensing regime and investments in agricultural technology to transition its traditional agricultural practices<sup>9</sup>. Notwithstanding these diversification efforts, sustained medium-term economic growth will continue to be heavily dependent on the performance of the tourism industry and investments in Anguilla's tourism stock. Meaningful transformation of the economy is also being planned to be supported by digital transformation of the economy, the development of the financial services sector<sup>10</sup> and special economic zones<sup>11</sup>, the utilisation of latent natural resources<sup>12</sup>, and impetus to the boat building and maintenance services sector.

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<sup>5</sup> Marina projects include the Sandy Ground and Rendezvous Bay Marinas.

<sup>6</sup> Heritage tourism involves visiting historical or industrial sites on island.

<sup>7</sup> Currently, there are interests and discussions ongoing with medical Universities from the US and the EU.

<sup>8</sup> The Blue Anguilla (BANG) Task Force was established in February 2021. Building on the work of the BANG Task Force which produced the Blue Anguilla. Implementation Plan 2022 to 2024, the Ministry of Sustainability, Innovation and Environment will be joining the United Kingdom's Blue Belt programme and forging partnerships with UK and other international agencies to develop a programme of support for Anguilla in the development of its blue economy. Support provided will focus on local capacity building, scientific research and analysis, marine spatial planning, and increased protection of marine parks.

<sup>9</sup> Given the small size of the country, there is a lack of arable land to practice large-scale agriculture using traditional techniques.

<sup>10</sup> This includes trust services and management of digital assets.

<sup>11</sup> Anguilla's Special Economic Zone is called AZUR. AZUR is designed to attract businesses with a focus on global trade and aiming to leverage low administrative costs, access to new markets and tax benefits. This includes 0% import duties and 0% corporation tax for 20 years.

<sup>12</sup> This primarily includes solar energy and fish stocks.

### ***Fiscal Policy: BB+ (Below Average)***

Anguilla's fiscal position is hampered by a small taxable base. Fiscal planning is done within the confines of key debt performance metrics agreed with the UKG. After recording a significant fall in fiscal performance in 2020 due to the COVID-19 pandemic, the government's accounts quickly rebounded in the subsequent three years (Table 2)<sup>13</sup>. In 2023, the favourable fiscal outturn was the result of a 15.2% increase in total revenue to EC \$398.8 million, overshadowing a 13.5% increase in total expenditure to EC \$259.7 million.

Total revenue and grants rose as a result of historically high earnings from non-tax revenue (↑119.2%) which more than compensated for lower tax revenue receipts (↓5.1%). Taxes on income, profit and capital gains declined 5.9% to EC \$18.8 million; however, the loss was more than made up for by a 6.4% increase in receipts from goods and services which returned EC \$195.0 million in collections. Goods & services tax (GST) revenues were the largest component. GST earnings climbed 167.8% to EC \$143.8 million, as 2023's receipts represented the first full year of GST collections. Taxes on international trade and transactions fell by 31.8% to EC \$51.9 million as citizens benefited from inflation relief concessions. Non-tax revenue's stellar 2023 performance was due to earnings from domain ".ai" registrations. This revenue category contributed EC \$120.24 million in 2023. A national plan for saving this windfall is being devised but currently it is being used to support significant capital expenditure.

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<sup>13</sup> Notably, the GOA has reclassified its revenues lines for its fiscal accounts for 2021 and 2022 to better capture its revenue sources. The GOA's tax revenue lines were income, property, domestic goods & services, licenses, international trade & transactions and duties. The new revenue lines include taxes on income, profits & capital gains, payroll & workforce, property, goods & services and international trade & transactions. Also, its non-tax revenue lines were fees, fines & permits, rents, interests & dividends, other revenue, and UK grants. This was changed to now include property income, sales of goods & services, fines & penalties and transfers not elsewhere classified.

**Table 2**  
**Fiscal Summary 2020-2023**

	2021	2022	2023
<b>TOTAL REVENUE</b>	<b>289,481,133</b>	<b>347,639,441</b>	<b>413,695,404</b>
<b>RECURRENT REVENUE</b>	<b>270,510,681</b>	<b>346,804,009</b>	<b>411,722,181</b>
<b>Tax Revenue</b>	<b>201,494,699</b>	<b>291,942,921</b>	<b>290,023,242</b>
Taxes on Income, Profits and Capital Gains	4,251,510	4,525,326	5,690,298
Taxes on Payroll and Workforce	16,021,823	19,241,848	20,226,543
Taxes on Property	11,382,498	12,104,967	11,025,416
Taxes on Goods and Services	122,746,286	200,928,778	199,227,852
Taxes on International Trade and Transactions	47,092,582	55,142,002	53,853,134
<b>Nontax Revenue</b>	<b>52,767,222</b>	<b>54,861,088</b>	<b>121,698,939</b>
Property Income	3,693,737	2,171,549	1,434,126
Sales of Goods and Services	47,924,641	51,558,186	118,576,527
Fines and Penalties	84,547	52,702	148,279
Transfers not elsewhere classified	1,064,297	1,078,651	1,540,008
<b>Grants</b>	<b>18,970,452</b>	<b>835,432</b>	<b>1,973,223</b>
Current - UK Grant	16,248,760		
Capital	2,721,692	835,432	1,973,223
<b>TOTAL EXPENDITURE</b>	<b>218,974,388</b>	<b>234,408,681</b>	<b>277,470,551</b>
<b>RECURRENT EXPENDITURE</b>	<b>215,020,015</b>	<b>227,305,896</b>	<b>247,263,809</b>
<b>Wages and Salaries</b>	<b>88,965,327</b>	<b>88,789,322</b>	<b>106,032,299</b>
Wages	6,516,814	6,239,154	6,882,058
Salaries	82,448,513	82,550,168	99,150,242
<b>Retiring Benefits</b>	<b>12,218,279</b>	<b>10,396,675</b>	<b>10,984,484</b>
<b>Interest Payments</b>	<b>13,684,850</b>	<b>13,824,282</b>	<b>14,450,670</b>
Domestic	7,369,305	7,458,954	6,241,717
Foreign	6,315,545	6,365,328	8,208,953
<b>Goods and Services</b>	<b>44,679,209</b>	<b>50,279,510</b>	<b>52,190,042</b>
Travel & Subsistence	639,732	955,640	1,444,975
Utilities	2,835,877	4,327,204	5,631,929
Supplies & Materials	4,371,756	4,380,849	4,578,253
Operating & Maintenance	7,950,153	12,304,918	12,823,755
Rental	7,456,704	6,262,549	6,050,683
Communications	934,321	856,661	1,145,562
Consultancy & Training	7,978,363	8,860,064	9,772,081
Other	12,512,303	12,331,625	10,742,805
<b>Current Transfers</b>	<b>55,472,350</b>	<b>64,016,107</b>	<b>63,606,314</b>
Grants & Contributions	42,955,946	44,549,628	50,062,837
Social Services	12,516,404	19,466,479	13,543,476
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>3,954,373</b>	<b>7,102,785</b>	<b>30,206,743</b>
<b>CURRENT ACCOUNT (Surplus/(Deficit))</b>	<b>55,490,666</b>	<b>119,498,113</b>	<b>164,458,373</b>
<b>CAPITAL BALANCE</b>	<b>(1,232,681)</b>	<b>(6,267,353)</b>	<b>(28,233,520)</b>
<b>PRIMARY ACCOUNT</b>	<b>67,942,835</b>	<b>127,055,042</b>	<b>150,675,523</b>
<b>OVERALL BALANCE(Surplus/(Deficit)) before amortization</b>	<b>54,257,985</b>	<b>113,230,760</b>	<b>136,224,853</b>
<b>Debt Amortisation</b>	<b>32,822,584</b>	<b>35,540,835</b>	<b>36,256,474</b>
<b>OVERALL BALANCE(Surplus/(Deficit)) incl. Amortisation</b>	<b>21,435,401</b>	<b>77,689,925</b>	<b>99,968,379</b>
<b>FINANCING:</b>	<b>21,077,982</b>	<b>1,199,312</b>	<b>-</b>
CDB (PBL)	20,250,000		
CDB (ACC)	827,982	1,199,312	
<b>Opening Consolidated Fund Balance</b>			
<b>Cumulative Balance after Financing</b>	<b>42,513,383</b>	<b>78,889,237</b>	<b>99,968,379</b>



*Source: Ministry of Finance*

Current expenditure rose by 18.4% to EC \$277.5 million. Wages and Salaries increased by 19.4% to EC \$106.0 million. The uptick in wages and salaries expenditure represented a reinstatement of salaries to prior years' levels. This was done in two phases resulting in the shown year-on-year increase. There was moderate control over goods and services expenditure, especially given inflation, and this category of expenditure rose by 3.8% to EC \$52.2 million. Current transfers and subsidies fell by 0.6% to EC \$63.6 million, as better economic conditions meant that less support from the central government was needed. Interest payments remained a small outlay but increased by 4.5% to EC \$14.4 million for the year. Capital expenditure significantly expanded by 325.3% to EC \$30.2 million. Capital expenditure included airport development, road and school repairs and various security and social programs.

A primary balance of EC \$150.7 million (10.4% of GDP) and an overall balance of EC \$136.2 million (9.4% of GDP) was achieved in 2023. These were 18.6% and 20.3% better than achieved in the prior year.

The GOA's fiscal position remained healthy for the first six months of 2024 (Table 3). Total revenue increased 10.6% over the first six months of 2023. Both tax and non-tax revenue contributed. The higher revenue allowed for more expansive capital expenditure while still generating overall and primary surpluses.

The greater fiscal space is advantageous given that the expected subsumption of the Water Corporation of Anguilla under the Ministry of Infrastructure, Communications, Utilities, Housing & Tourism (MICUHT) is likely to create the need for additional fiscal support to improve the efficiency of the Territory's water infrastructure and address accumulated debts. Additionally, it is the incumbent on the GOA to ensure the continued sustainability of the Social Security Fund<sup>14</sup> which is expected to be depleted by 2037.

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<sup>14</sup> As per the 12<sup>th</sup> Actuarial Review of the Social Security Fund as of December 2020, it is expected that the fund will be exhausted by 2037 under the best estimate scenario. It is recommended that an increase in contributions, an increase in the pensionable age to 67 and/or special transfers from government may be required.

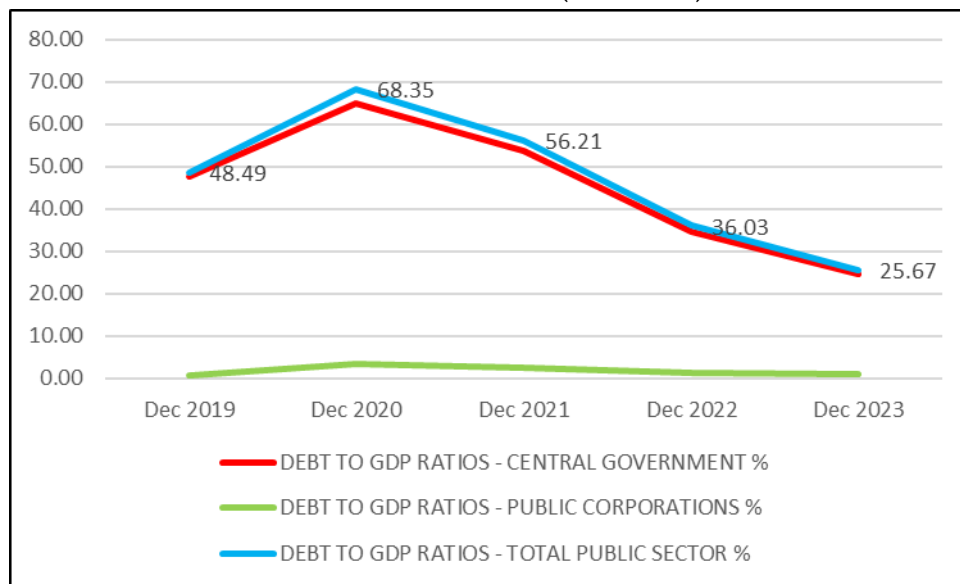
**Table 3**  
**Summary Interim 6-month performance of GOA (Jan-Jun 2024)**

	Total 2024 Actual (Jan-Jun)	Actuals 2023 (Jan- Jun)
<b>TOTAL REVENUE</b>	<b>252,406,229</b>	<b>225,674,123</b>
<b>RECURRENT REVENUE</b>	<b>247,229,255</b>	<b>224,340,263</b>
<b>Tax Revenue</b>	<b>175,300,760</b>	<b>171,017,854</b>
Taxes on Income, Profits and Capital Gains	6,398,139	2,627,181
Universal Social Levy	11,367,095	10,520,215
Taxes on Property	5,713,898	8,641,113
Taxes on Goods and Services	124,288,468	122,556,613
Taxes on International Trade and Transactions	27,533,160	26,672,732
<b>Nontax Revenue</b>	<b>71,928,495</b>	<b>53,322,409</b>
Property Income	1,187,555	727,908
Sales of Goods and Services	69,940,123	51,592,624
Fines and Penalties	80,571	73,050
Transfers not elsewhere classified	720,246	928,827
<b>Grants</b>	<b>5,176,974</b>	<b>1,333,860</b>
Current - UK Grant	-	-
Capital	5,176,974	1,333,860
<b>TOTAL EXPENDITURE</b>	<b>149,626,827</b>	<b>113,495,263</b>
<b>RECURRENT EXPENDITURE</b>	<b>125,315,125</b>	<b>108,489,236</b>
<b>Personal Emoluments</b>	<b>54,185,671</b>	<b>42,919,864</b>
Wages	3,933,032	3,126,732
Salaries	50,252,640	39,793,132
<b>Retiring Benefits</b>	<b>6,192,224</b>	<b>5,104,277</b>
<b>Interest Payments</b>	<b>6,593,253</b>	<b>7,474,720</b>
Domestic	2,958,259	3,173,261
Foreign	3,634,994	4,301,459
<b>Goods and Services</b>	<b>30,971,299</b>	<b>21,877,311</b>
Travel & Subsistence	844,673	566,362
Utilities	4,625,996	2,440,177
Supplies & Materials	2,962,872	1,909,500
Operating & Maintenance	5,474,889	5,576,233
Rental	3,398,821	2,718,337
Communications	468,020	528,870
Consultancy & Training	5,747,560	3,902,580
Other	7,448,470	4,235,252
<b>Current Transfers</b>	<b>27,372,678</b>	<b>31,113,064</b>
Grants & Contributions	19,917,027	26,493,720
Social Services	7,455,651	4,619,344
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>24,311,702</b>	<b>5,006,027</b>
<b>CURRENT ACCOUNT (Surplus/(Deficit))</b>	<b>121,914,129</b>	<b>115,851,027</b>
<b>CAPITAL ACCOUNT (Surplus/(Deficit))</b>	<b>(19,134,728)</b>	<b>(3,672,167)</b>
<b>PRIMARY ACCOUNT</b>	<b>109,372,655</b>	<b>119,653,580</b>
<b>OVERALL BALANCE(Surplus/(Deficit)) before amortization</b>	<b>102,779,402</b>	<b>112,178,860</b>
<b>Debt Amortisation</b>	<b>19,057,597</b>	<b>17,793,807</b>
<b>OVERALL BALANCE(Surplus/(Deficit)) w/ Amortisation</b>	<b>83,721,804</b>	<b>94,385,053</b>
<b>FINANCING:</b>	<b>866,389</b>	<b>-</b>
Drawdown on Financial Assets	-	-
CDB: (ACC)	866,389	-
<b>Opening Consolidated Fund Balance</b>	<b>286,472,698</b>	
<b>Cumulative Balance after Financing</b>	<b>371,060,891</b>	<b>94,385,053</b>

Source: Ministry of Finance

In 2023, Anguilla’s Debt to GDP improved significantly to 25.7% from 36.0% one year prior. Debt to GDP was also lower than the 5-year average of 47.0%<sup>15</sup> (Chart 4) and below the ECCB’s recommendation of 60%. The significant fall in the Debt to GDP ratio was driven by both the expansion of GDP and the reduction in total debt (↓10.5%).

**Chart 4**  
**GOA’s Debt to GDP (2018-2023)**



Source: ECCB’s Data Centre, GOA Ministry of Finance

The GOA incurs debt within a debt management framework, set and approved by the UKG<sup>16</sup>. Prior to FY2022, the GOA was in breach of all three key performance benchmarks (Table 4). The GOA is now in compliance with net debt to recurrent revenue and liquid assets to recurrent expenditure and is anticipating being in compliance with debt service to recurrent revenue by FY2026. Nevertheless, the timeline for full compliance was extended from 2025<sup>17</sup> to 2030. The extension was granted due to the negative economic impacts from Hurricane Irma.

<sup>15</sup> Source: ECCB

<sup>16</sup> Fiscal rules, called the Framework for Fiscal Sustainability and Development (FFSD), were enshrined in law in 2013.

<sup>17</sup> Original target was 2017 but was extended to 2025 due to the Banking Resolution, and subsequently, in the aftermath of Hurricane Irma.

**Table 4**

**Debt Management Benchmarks for Fiscal Sustainability and Development 2018 – 2024**

Debt Indicators (%)	Targets	2020	2021	2022	2023	2024*
Net Debt/Recurrent Revenue	≤ 80%	202.53%	165.42%	100.30%	46.34%	13.10%
Debt Service/Recurrent Revenue	≤ 10%	22.24%	18.49%	14.95%	12.70%	11.10%
Liquid Assets/Recurrent Expenditure	≥ 25%	0.2%	0.3%	26.7%	72.7%	86.8%

\* Projected based on 2024 Medium Economic Term Fiscal plan

Source: Government of Anguilla

Anguilla’s debt position is expected to continue to improve in 2024 onward. As the economy continues to recover from the effects of the pandemic and barring any other major economic shocks, the GOA’s fiscal position should strengthen in upcoming fiscal periods. It is anticipated that the GOA’s revenue base will strengthen alongside increased expenditure efficiencies. The GOA anticipates full compliance with its fiscal sustainability and development benchmarks by 2026, ahead of its 2030 timeline.

GOA’s debt profile is projected to be relatively stable and sustainable (Table 5). Currency risks are low as borrowings are primarily in EC and US dollars. The Anguilla Social Security Board is projected to remain the largest domestic source of borrowing in 2024, holding 52.3% of GOA’s debt, whereas the Caribbean Development Bank is expected to continue dominating sources of external debt at 99.7%. The average time to maturity of the debt stock reduced slightly to 6.23 years in 2023 from 6.58 years in 2022. The percentage of debt with maturities of more than 5 years has continued a downward trend and is projected at 50.1% in 2024, compared to its 3-year average of 54.1%. The GOA is fairly insulated from variations in interest rates, as 59.6% of the loans in its debt portfolio have fixed interest rates.

The country now has moderate reserves (EC \$179.8 million as at December 2023) to support debt repayment, following depletion of reserves in response to hurricane Irma. Debt amortization structures also are adequate to make repayment manageable for the GOA.

**Table 5**  
**Composition of GOA's Debt (2022-2024)**

		2022	2023	2024*
		%		
<b>Currency</b>	<i>US\$</i>	45.7	40.8	42.8
	<i>EURO\$</i>	0.1	0.1	0.1
	<i>EC\$</i>	54.2	51.0	57.1
<b>Origin</b>	<i>Domestic</i>	57.8	59.0	60.6
	<i>External</i>	42.2	41.0	39.4
<b>Maturity</b>	<i>1 Year</i>	9.7	11.0	N/A
	<i>2 - 5 Years</i>	39.1	44.8	N/A
	<i>More than 5 Years</i>	51.2	44.1	N/A
<b>Interest Rate</b>	<i>Variable</i>	41.5	40.4	N/A
	<i>Fixed</i>	58.5	59.6	N/A

\* *Projected*

*N/A = Not Available*

*NB: Currency and Origin are proportionate to Total Public Debt*

*2023's Currency and Origin proportions are updated to reflect the actuals and not initial*

*Source: Government of Anguilla*

Anguilla's fiscal position continues to improve. Additionally, the territory's debt management ratios are trending towards sustainable compliance with benchmarks. These factors underscore improvements in its credit fundamentals and fiscal capacity to comfortably service its short to medium term obligations as they come due. We believe that Anguilla's fiscal position is strong and has shown drastic improvements over the past few years. We anticipate that this will continue in the medium term and suggest an upgrade of the parameter.

## *Monetary, Financial and Exchange Rate Policies: B (Weak)*

Anguilla’s banking system consists of three offshore banks and two domestic banks. The offshore Banks are: The Caribbean Commercial Investment Bank Limited (CCIB), National Bank of Anguilla (Private Banking and Trust) Limited<sup>18</sup> and Foreign Commerce Bank Limited<sup>19</sup> (FCB), while the domestic commercial banks are the National Commercial Bank of Anguilla<sup>20</sup> Limited (NCBA) and Republic Bank<sup>21</sup> (Anguilla) Limited. There is also one credit union, Liberty Co-operative Credit Union. Domestic commercial banks<sup>22</sup> in Anguilla are licensed and regulated by the ECCB and supervised by the Anguilla Financial Services Commission (AFSC)<sup>23</sup> for compliance with anti-money laundering and combating the financing of terrorism (AML/CFT). The ECCB has established several ‘Core Financial Soundness Indicators for Commercial Banks’. The sector’s performance in three of these key soundness indicators are given in Table 6:

**Table 6**  
**Banking Sector Metrics 2019 - 2023**

	2019	2020	2021	2022	2023
Liquid assets to total assets	48.5%	45.0%	50.4%	47.2%	55.2%
Nonperforming loans to total gross loans	25.8%	25.1%	21.4%	20.7%	16.2%
Regulatory capital to risk-weighted assets	8.6%	8.6%	8.5%	9.6%	12.7%
Source: ECCB					

<sup>18</sup>Caribbean Commercial Investment Bank Limited (CCIB) is an affiliated offshore bank of Caribbean Commercial Bank (Anguilla) Limited (CCBA) and similarly National Bank of Anguilla (Private Banking and Trust) Limited is an affiliated offshore bank of National Bank of Anguilla Limited (NBA). On August 12<sup>th</sup>, 2013, the Eastern Caribbean Central Bank (ECCB) assumed the control of these then 2 largest banks which operated in Anguilla: CCBA and NBA. Since 2018, Caribbean Commercial Investment Bank Limited (CCIB) and the National Bank of Anguilla (Private Banking and Trust) have been under administration.

<sup>19</sup> Foreign Commerce Bank Limited (FCB) is a locally licensed offshore bank in Anguilla. FCB is a captive bank, whose client base is restricted to the Corporacion Multi-Inversiones (CMI) Group and companies. CMI is a large industrial and financial group based in Guatemala with operating entities mainly throughout Central America, Dominican Republic, and the USA. The Group operates two main industrial areas: Foodstuffs, such as milling, poultry and a restaurant franchise called Pollo Campero, and Capital which includes energy, telecommunications, and finance.

<sup>20</sup> NCBA was incorporated in December 2015 and began operations on April 25, 2016. The Bank is an amalgamation of two former indigenous banks: National Bank of Anguilla and Caribbean Commercial Bank (Anguilla) Limited.

<sup>21</sup> Effective 1 November 2019, the Bank of Nova Scotia’s operations in Anguilla, the Commonwealth of Dominica, Grenada, St Lucia, St Kitts & Nevis, and St Vincent & the Grenadines ceased, and Republic Financial holdings Limited commenced operations in these countries. Source: ECCB.

<sup>22</sup> Including other institutions deemed to be carrying on banking activities.

<sup>23</sup> The Anguilla Financial Services commission is an independent body with its own funding source and reports directly to the Governor.

Liquidity remained adequate in the banking system as at December 2023, with an increase in its liquid assets to total assets ratio to 55.2% from 47.2% one year prior. The ratio was above the 5-year average of 49.2% and is considerably above the ECCB's minimum benchmark of 20.0%. The ratio of non-performing loans (NPLs) to gross loans showed improvement moving to 16.2% as at December 2023 from 20.7% one year prior. The current NPL ratio is lower than the 5-year average of 21.8% but remains significantly above ECCB's 5.0% limit. Driving the y-o-y improvement was the recovery in tourism and construction related activities and consequent improving economic conditions in 2023. Further supporting the improved NPL ratio, was an increased level of financial intermediation via the disbursement of additional loans alongside improved credit risk management practices following the implementation of the Treatment of Impaired Asset Standard<sup>24</sup> (TIAS) and the Consolidated Supervision Standard<sup>25</sup> in 2022.

The Regulatory Capital to Risk-Weighted Assets<sup>26</sup> (CAR) improved to 12.7% as at December 2023 from 9.6% as at December 2022. This was higher than the 5-year average of 9.6% and above the regulatory requirements<sup>27</sup>. The improvement in the CAR ratio was driven by a general improvement in the quality of credits held on the books thus reducing the risk weighting. The increase in the CAR above the regulatory minimum augers well for building a buffer against black swan type events and the onset of financial crises.

Furthermore, the longstanding currency peg<sup>28</sup> and monetary arrangements with the ECCB contributed to price stability, attracting foreign direct investments (FDIs) and facilitating real GDP growth for members of the Organization of Eastern Caribbean States<sup>29</sup> (OECS). As a member of the ECCU, the minimum savings deposit rate of 2.0% is set by the ECCB, while lending rates are

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<sup>24</sup> Treatment of Impaired Asset Standard (TIAS) outline standards to guide the treatment of credit risk assessment, and recognition, measurement, classification, provisioning, and accounting for impaired facilities.

<sup>25</sup> The Consolidated Supervision Standard seeks to ensure that the licensee and its affiliated entities in a group structure are subject to effective consolidated supervision where all the risk of a financial group are accounted for.

<sup>26</sup> Source: ECCB website.

<sup>27</sup> Basel III requires banks to maintain a minimum Capital Adequacy Ratio (CAR) of 8%.

<sup>28</sup> Fixed exchange rate of EC \$2.70 to US \$1.00, which has been in effect since July 1976.

<sup>29</sup> The Organization of Eastern Caribbean States includes 11 members, including the GOA.

determined by the market, promoting a stable interest rate environment within the OECS.

Inflation averaged 3.5% in 2023, down from 5.6% in 2022. Over the next 12-15 months, CariCRIS expects continued recovery in economic performance and resultant improvements in the financial sector's asset quality, profitability, and liquidity. Though some inflationary pressures are expected to persist, the GOA has implemented policies to curtail the impacts of higher prices on the most vulnerable such as GST exemptions and electricity subsidies. The implementation of a minimum wage<sup>30</sup> will assist lower income families but can have negative inflation impacts.

### ***External Sector: BB+ (Below Average)***

In 2023, Anguilla's US dollar earnings improved y-o-y driven by a 125.6% rise in travel services receipts (Table 7). The significant increase in travel services was on account of better airlift availability and strong global travel demand. Tempering the improvement in exports was a 21.8% rise in imports. Imports increased as a result of higher prices and greater demand associated with tourism's and broader economic rebound. The current account deficit improved by 11.1% to EC \$ -341.48 million.

To further improve the current account, the GOA is focused on implementing several initiatives aimed at stimulating growth in sectors such as fishing, farming and light manufacturing. These initiatives are hoped to curb the food import bill and potentially also create export opportunities. Though weaker than in 2021, the still elevated fuel and shipping costs threaten the gains made on the current account. Additionally, US and UK economic and weather conditions<sup>31</sup> can also weigh down future performance. Notwithstanding these risks, as current tourist arrivals continue to rise, coupled with the increased room rates, the services account earnings are on course to return to pre-pandemic levels. Furthermore,

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<sup>30</sup> US \$6 minimum wage; effective January 2024.

<sup>31</sup> Mild winters in these source markets tend to reduce travel demand to tropical destinations.



the GOA is also seeking to expand its financial services offerings to include trust services and the management of digital assets.

**Table 7**  
**External Sector Data (2019-2023), EC \$ Millions**

	2019	2020	2021	2022	2023
<b>I. Current Account</b>	-441.09	-233.26	-389.36	-298.41	-202.49
<b>Goods</b>	-629.38	-336.18	-452.79	-532.92	-534.24
Exports	47.77	16.17	33.63	60.95	51.35
Imports	677.15	352.34	486.42	593.87	585.58
<b>Services</b>	283.15	28.07	48.93	236.81	317.8
Exports	517.05	181.71	217.95	471.4	565.45
Imports	233.9	153.63	169.01	234.6	247.66
<i>of which Travel</i>	417.53	114.6	152.51	375.56	452.54
<b>Primary Income</b>	-101.32	35.09	12.61	21.4	32.94
<i>of which:</i>					
Compensation of Employees	-0.08	-3.28	0.26	0.5	1.76
Investment Income	-101.24	38.37	12.35	20.91	31.18
<b>Secondary Income</b>	6.46	39.76	1.89	-23.7	-18.99
<i>of which: Workers' remittances</i>	-25.15	-18.66	-17.49	-16.28	-20.8
<b>II. Capital account</b>	-1.59	9.54	2.42	1.4	5.6
<b>Net lending (+)/net borrowing (-) (balance on current and capital account)</b>	-442.68	-223.71	-386.94	-297.01	-196.89
<b>III. Financial Account</b>	-337.61	-108.57	-309	-224.71	-160.56
Direct Investment	-381.03	-204.45	-324.71	-270.91	-389.79
Portfolio Investment	230.04	325.03	534.8	537.1	-17.88
Financial derivatives (other than reserves) and employee stock options	0	0	0	0	0
Other investment	-168.25	-213.22	-528.45	-542.65	183.41
Imputed Reserve Assets	-18.37	-15.93	9.36	51.76	63.7
<b>IV. Net errors and omissions</b>	105.07	115.14	77.94	72.3	36.33

Source: ECCB

The financial account benefitted from inflows for tourism investments such as development works of Aurora Anguilla Resort & Golf Club<sup>32</sup>, upgrades to Belmond Cap Juluca, Quintessence, the Four Seasons, Malliouhana, Zemi Beach House and Frangipani, as well as the development of a second resort<sup>33</sup> in Anguilla by ÀNI Private Resorts<sup>34</sup>. Rising tourist arrival numbers will justify continued inflows of FDIs.

GOA's net official reserves as of December 2023 increased by 61.1% to EC \$289.7 million which provided 3.6 months of import cover.

<sup>32</sup>Previously Cuisinart.

<sup>33</sup> ÀNI Private Resorts currently has a 10-bedroom private resort in Little Bay, Anguilla. The new 15-suite estate will be located on Shoal Bay and is planned for a 2024 opening. It will have a tennis court, a gym, an ÀNI Spa, a beach-fronted pavilion for living and dining and experiential pursuits such as a waterslide.

<sup>34</sup> ÀNI Private Resorts is the world's first private resort collection with fully staffed, coastal retreats in Thailand, Sri Lanka, the Dominican Republic, and Anguilla.

## ***Political Environment: A- (Good)***

Anguilla's political environment remained stable over the 2023 fiscal year. The governing Anguilla Progressive Movement (APM)<sup>35</sup> is serving its 4<sup>th</sup> year in office since winning 7 out of 11 parliamentary seats in the June 2020<sup>36</sup> general elections. While the overall political governance was stable over the last year, there was some fallout over the implementation of the GST in July 2022. Agitation emanated from opposition parties, members of the general public and, some members of the ruling party. There were two resignations from the government over the issue<sup>37</sup>. Cabinet and ministerial portfolios were redistributed in August 2022<sup>38</sup> to better align with government's strategy. Noteworthy, over the previous three general elections, the incumbent parties were not re-elected to office. Anguilla's next general election is constitutionally due in 2025.

In October 2022, the European Union (EU) returned Anguilla to its blacklist of tax-havens, as the Territory, according to the EU, failed to demonstrate<sup>39</sup> adequate controls to ensure that economic substance requirements can be met<sup>40</sup>. Additional EU concern relates to beneficial interests' disclosures. The GOA is currently engaged in resourcing the Commercial Registry at the AFSC. The GOA has met the Forum on Harmful Tax Practices (FHTP) standard but improvements to compliance and monitoring are needed and are being addressed. Additionally, the Bribery Act has been passed which expands the coverage of scrutinized persons and circumstances. These actions are expected to further solidify Anguilla's creditable ranking of 56 of a total of 207 countries on the control of corruption metric by the World Bank<sup>41</sup>. A new Commissioner of Police<sup>42</sup> has been added to Anguilla's Royal Police Force in May 2023, primarily tasked with

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<sup>35</sup> *Anguilla Progressive Movement (APM), led by Dr. Ellis Webster, was established from the Anguilla United Movement.*

<sup>36</sup> *General elections are usually held every 5 years.*

<sup>37</sup> *The two members who resigned were the Minister of Economic Development, Commerce, Information Technology and Natural Resources, and the Minister of Education and Social Development. The Minister of Education accepted reappointment shortly thereafter.*

<sup>38</sup> *The Government's new ministries are the Ministry of Finance & Health, Ministry of Home Affairs, Immigration, Labour, Information and Broadcasting & Physical Planning, Ministry of Infrastructure, Communications, Utilities, Housing & Tourism, Ministry of Social Development, Education & Library and Ministry of Sustainability, Innovation & the Environment.*

<sup>39</sup> *Despite implementing its economic substance rules in 2019 which is aimed at promoting transparency and discouraging harmful tax practices, the EU deemed enforcement of same to be a concern.*

<sup>40</sup> *See: [International Business Companies \(Economic Substance\) Regulations, 2019.](#)*

<sup>41</sup> *Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Source: World Bank 2021 (latest available).*

<sup>42</sup> *Mr. Robert Muir Clark has more than 30 years of operational policing experience with extensive firearms command, public order command, roads, and community policing expertise.*

improving community policing and the morale of the Royal Anguilla Police Force as well as arresting the increased gun and gang related crimes and road traffic crimes. Under his guidance and within the remit of their responsibilities, the Royal Anguilla Police Force also assists in minimizing instances of white-collar crimes. Regardless, Anguilla has a low level of criminality as compared to many of its Caribbean peers.

The GOA's macroeconomic conditions are closely monitored by its UK representative, the Governor<sup>43</sup>. The UKG has a broad responsibility to support its Caribbean Overseas Territories (OTs), including Anguilla, through the provision of technical and development assistance, particularly in the areas of national security and foreign policy, and international financial services. As such, there is a strong moral and possibly legal incentive for the UKG to assist Anguilla in the event of a financial or other national crises, since to do otherwise could lead to the suspension of Anguilla's Constitution and negatively impact the UKG's international and domestic reputation. Consistent with its strategy to maximise economic growth and promote self-sufficiency in its OTs, the UKG has operationalised a debt management framework, geared towards ensuring that its territories manage their fiscal affairs in a prudent and sustainable manner. Furthermore, the British Foreign, Commonwealth and Development Office (FCDO), through the representative Governor, provides effective oversight over all budgetary measures.

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<sup>43</sup> Her Excellency, Ms. Julia Crouch was appointed Governor of Anguilla in May 2023, in succession to Ms. Dileeni Daniel-Selvaratnam. Ms. Crouch assumed office in September, 2023.

**Type of Rating:** Sovereign Issuer Credit Rating

**Outlook:** Stable

**Summary Overall Risk Assessment:**

	<i>Ratings Currently Assigned</i>	<i>Ratings Recommended</i>
Income and Economic Structure	B+	B+
Fiscal Policy	BB	BB+
Monetary, Financial and Exchange Rate Policies	B	B
External Sector	BB+	BB+
Political Environment	A-	A-
<b>OVERALL SOVEREIGN RISK</b>	<i>Cari B+</i>	<i>Cari BB-</i>
<b>FINAL RATING (AFTER NOTCH-UP) *</b>	<i>Cari BBB+</i>	<i>Cari A-</i>
<b>OUTLOOK</b>	<i>Stable</i>	<i>Stable</i>

Source: CariCRIS

\* Notch up is for the strong likelihood of support from the UK Government, as an overseas territory, which has been demonstrated over the years.

RATING HISTORY		
Date	Foreign Currency	Instrument/Remarks
September 20, 2024	<i>CariA-</i>	USD 25 million Debt Issue (Notional)
September 14, 2023	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 15, 2022	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 23, 2021	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 18, 2020	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 19, 2019	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 20, 2018	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 20, 2013	<i>CariBBB+</i>	USD 25 million Debt Issue (Notional)
September 28, 2012	<i>CariA-</i>	USD 25 million Debt Issue (Notional)
November 7, 2011	<i>CariA-</i>	USD 25 million Debt Issue (Notional)
October 25, 2010	<i>CariA</i>	USD 25 million Debt Issue (Notional)
September 30, 2009	<i>CariA+</i>	USD 25 million Debt Issue (Notional)
September 21, 2007 <sup>^</sup>	<i>CariAA</i>	USD 25 million Debt Issue (Notional)

<sup>^</sup> Initial rating assigned

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