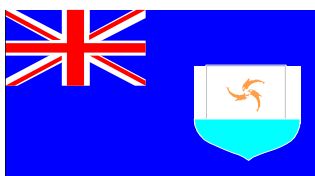


ANGUILLA

BALANCE OF PAYMENTS ESTIMATES FOR  
2001

AND

PROJECTIONS FOR  
2002 – 2004



Research Department  
Eastern Caribbean Central Bank  
and  
The Statistics Unit  
Anguilla  
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## **Revisions**

1. Financial Services revised to reflect actual data from Financial Services department.
2. Estimate made for decrease in fixed assets of insurance agencies captured in 'Other Liabilities – debit'.

# ANGUILLA

## PERFORMANCE OF THE EXTERNAL ACCOUNTS FOR 2001

### OVERVIEW

The overall balance of the external accounts of Anguilla recorded a surplus of \$10.5m in 2001, up from the surplus position of \$1.1m in 2000. The larger surplus was associated with lower net outflows on the current account and sufficient net inflows on the capital and financial account.

During 2001, the current account deficit narrowed to 32.0 per cent of GDP from a previous revised position of 51.5 per cent of GDP. This improvement was influenced by lower outflows on the goods and services accounts, primarily imports, coupled with a marginal increase in exports.

Net inflows on the capital and financial account declined by almost 50.0 per cent to represent 23.4 per cent of GDP during the year under review. This development represented a fall off in activity associated with foreign direct investment into Anguilla as well as precarious movements in the net foreign assets of commercial banks.

### CURRENT ACCOUNT

During the year under review, the current account deficit narrowed to \$95.2m or 32.0 per cent of GDP. This reflected an improvement over 2000 when the deficit stood at \$150.1m or 51.5 per cent of GDP. The major influences on the performance of this account were the narrowing of the goods accounts coupled with an increase in flows related to services during 2001.

#### a. Goods

The deficit usually recorded on the goods account narrowed by 17.6 per cent in 2001 compared with nominal growth of 1.0 per cent in 2000. Expressed as a ratio to GDP, the deficit on the goods account was 58.5 per cent, down from 73.0 per cent in 2000.

#### Merchandise Imports

The importation of merchandise goods into Anguilla declined by 18.0 per cent, to \$184.6m during 2001. As a ratio to GDP, imports represented 62.0 per of GDP from 77.0 per cent in 2000. The slower growth recorded in the value of imports was associated with a fall off in construction activity in Anguilla coupled with the importation of used, lower-cost vehicles compared to new vehicles.

#### b. Services

The surplus on the services account increased to 88.1 per cent of GDP in 2001, up from 66.3 per cent in the previous year, reflecting in part an increase in net inflows related to travel.

#### Travel

Travel receipts expanded by approximately 9.6 per cent to \$168.7m in 2001 as a result of a corresponding increase in the number of stay-over visitors to Anguilla. In fact, the number stay-over visitors, the largest spending group of tourists, expanded 9.5 per cent during 2001.

#### c. Income

The deficit usually recorded on the income account is representative of the operations of oil-importing companies, direct investment enterprises, foreign-owned hotels coupled with flows

related to deposits and loans held by non-residents in commercial banks. During 2001, the deficit widened to 3.2 per cent of GDP, up from 2.6 per cent in 2000. These developments are the direct result of lower interest rates on loans and deposits to non-residents as well as external net balances of commercial banks, which affected both sides of the income account.

d. Current Transfers

In nominal terms, the net balance on the current transfers account moved from a surplus position of 1.4 per cent of GDP to one of 0.1 per cent in 2001. Although there was a nominal increase in technical assistance from aid agencies to general government, this was insufficient to offset the reduction in inflows associated with insurance settlements.

## **CAPITAL AND FINANCIAL ACCOUNT**

The deficit recorded on the current account is usually offset by surpluses on the capital and financial account and more directly flows related to investment by foreigners in Anguilla.

Net inflows on the Capital and Financial Account amounted to 23.4 per cent of GDP, down from 42.3 per cent in 2000. This represents the fall off in direct investment activity as well as the volatility of flows related to commercial banks.

### **CAPITAL ACCOUNT**

In Anguilla, the surplus on the capital account is generally dominated by flows with respect to aid agencies and migrant transfers. During 2001, the net surplus on this account grew to 6.4 per cent compared to 4.5 per cent during the previous period. This development is the result of an expansion of 57.8 per cent in reported capital grants.

### **FINANCIAL ACCOUNT**

During 2001, the net surplus on the financial account fell to 17.1 per cent of GDP from a previous position of 37.9 per cent. Developments in the financial account mirrors activity with respect to direct investment into Anguilla coupled with the external activities commercial banks.

a. Direct Investment

Net flows with respect to direct investment into Anguilla fell to 29.6 per cent of GDP in 2001, a decline of approximately 17.1 per cent over 2000. This represents the slow down in activity with respect to hotel/villa construction that has dominated foreign investment in Anguilla over the last few years. Projects that were ongoing during 2001 included the Altamer Development and Temenos.

Notwithstanding the above, land sales to non-residents increased during 2001 moving from inflows of \$5.2m in 2000 to \$23.0m in 2001. This represents not only direct land sales of \$6.7m but also land sales including property of approximately \$16.4m.

b. Commercial Banks Net Foreign Assets

The movement in the net foreign assets of commercial banks was reversed during 2001. Commercial banks accumulated net foreign assets overseas in the amount of \$38.7m compared to the draw down of funds during the last two previous periods. This represents the volatility of the foreign assets as commercial banks source and fund their operations as necessary.

## **Projections for the medium 2002 – 2004**

### Current Account

Over the medium, the shape of the current account would be mainly influenced by developments in merchandise imports and the tourism industry. Although a further narrowing the current account deficit is anticipated in 2002, this situation would not be sustained based on intensifying work on public sector projects (airport and road resurfacing) coupled with private sector investment, namely the golf course development project – both scheduled to being in early 2003 which will affect merchandise imports and consequently the current account deficit. In addition, some recovery is also expected in the tourism sector following the initial fall off in 2002 representing developments in the USA economy.

### Capital and Financial Account

Developments in the capital and financial account would also mirror that of the current account. Foreign direct investment is expected to escalate around 2003 with realization of the golf course project which is estimated at US\$90m/EC\$243.0m. Conversely, with the airport expansion project and the road resurfacing project will have implications for future disbursements to central government in the form of grant and loan assistance.