

FISCAL REPORT
ON
ANTIGUA AND BARBUDA

PERIOD ENDING JUNE 2004

PREPARED BY
MINISTRY OF FINANCE AND THE ECONOMY

OCTOBER 2004

INTRODUCTION

- **REPORT FORMS PART OF OVERALL MONITORING AND REVIEW MECHANISM**
- **FOCUSES ON GOVERNMENT'S QUARTERLY FISCAL PERFORMANCE**

INTRODUCTION – Cont'd

- **REPORT OUTLINES GOVERNMENT'S FISCAL OPERATIONS AND PERFORMANCE FOR FIRST HALF 2004**
- **COMPARES PERFORMANCE IN FIRST HALF 2004 WITH PERFORMANCE IN FIRST HALF 2003**
- **ALSO CONTRASTS PERFORMANCE IN SECOND QUARTER 2004 WITH PERFORMANCE IN SECOND QUARTER 2003**

INTRODUCTION – Cont'd

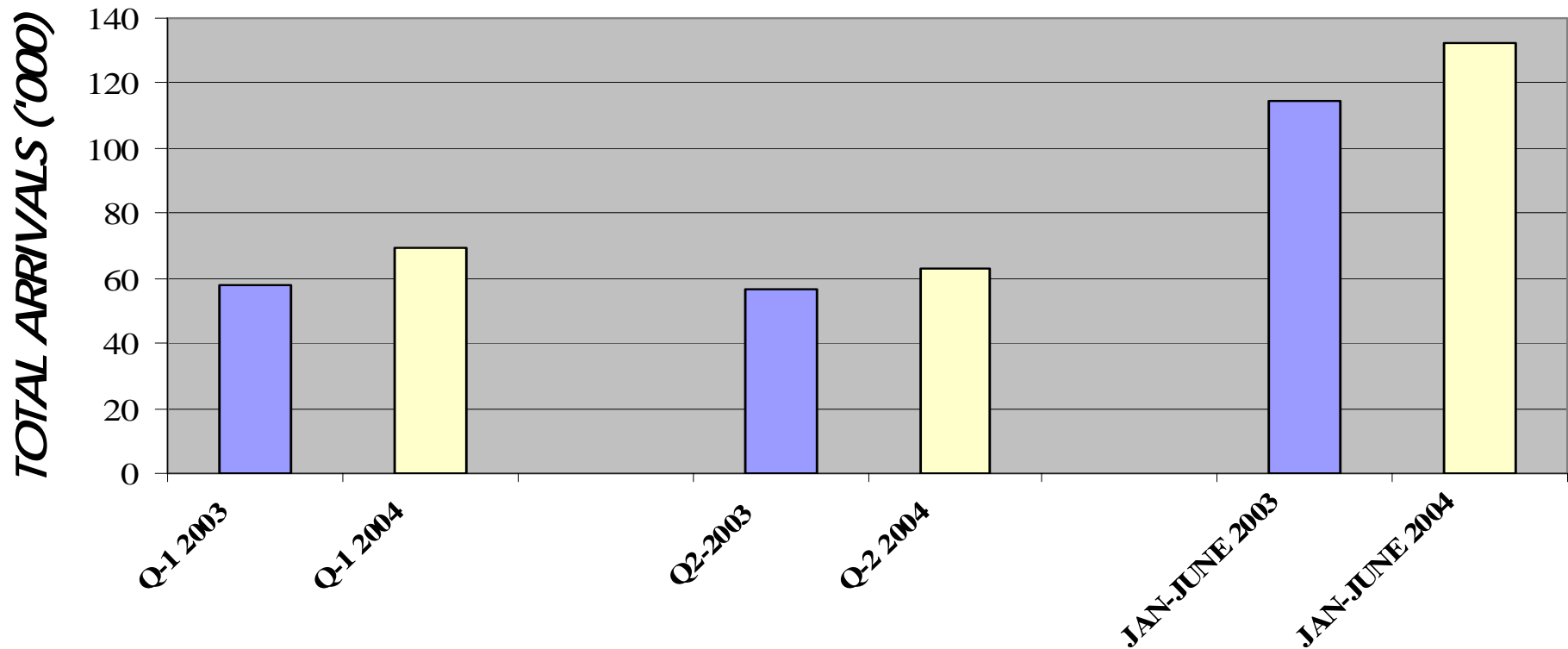
- **FORMAT OF PRESENTATION:**
 1. **SUMMARY OF PERFORMANCE IN TOURISM SECTOR**
 2. **GOVERNMENT FISCAL BALANCES**
 3. **REVENUE PERFORMNACE**
 4. **EXPENDITURE PERFORMANCE**
 5. **SUMMARY OF PUBLIC DEBT**
 6. **PERFORMANCE OF FISCAL INDICATORS RELATIVE TO TARGETS**
 7. **CONCLUSION**

PERFORMNANCE IN TOURISM SECTOR

- **SIGNIFICANT INCREASE IN STAY-OVER VISITOR ARRIVALS AND CRUISE PASSENGER ARRIVALS IN FIRST HALF 2004**
 - **15.35 % INCREASE IN VISITOR ARRIVALS BY AIR**
 - **45.2 % INCREASE IN CRUISE PASSENGER ARRIVALS**

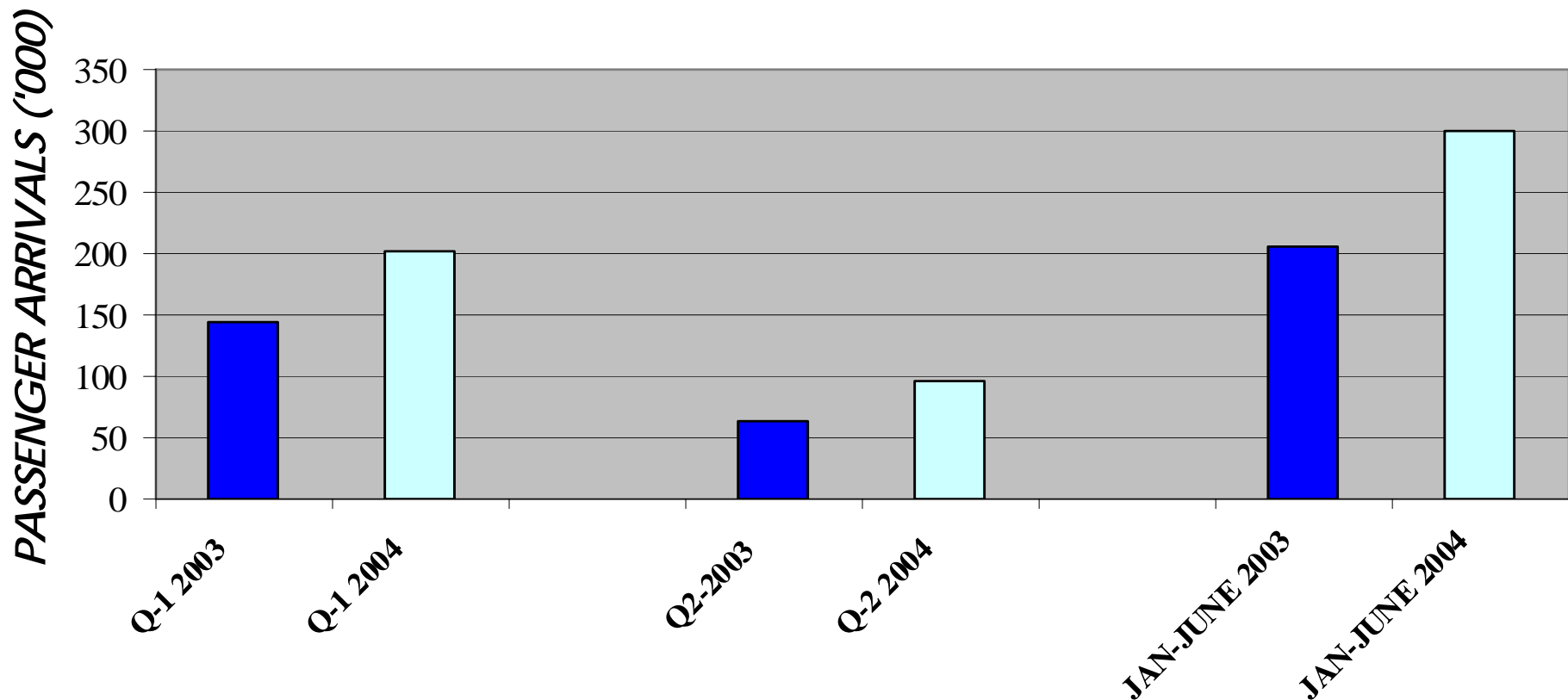
PERFORMNANCE IN TOURISM SECTOR - Cont'd

GRAPH-1
VISITOR ARRIVALS BY AIR



PERFORMNANCE IN TOURISM SECTOR - Cont'd

GRAPH-2
CRUISE PASSENGER ARRIVALS



PERFORMANCE IN TOURISM SECTOR - Cont'd

- **IMPROVED PERFORMANCE DUE TO:**
 - ✓ **INCREASED NUMBER OF FLIGHTS FROM UK**
 - ✓ **ADDITIONAL 1,000 VISITORS EACH WEEK DUE TO INCREASE SEAT CAPACITY ON FLIGHTS ORIGINATING IN USA**
 - ✓ **ADDITIONAL CRUISE CALLS**

PERFORMANCE IN TOURISM SECTOR - Cont'd

- **RENEWED MARKETING OF ANTIGUA AND BARBUDA IN MAJOR MARKETS AND AN EXPECTED INCREASE IN THE NUMBER OF CRUISE SHIP CALLS SHOULD RESULT IN AN ACTIVE TOURIST SEASON**
- **EXPECT SPILL-OVER BENEFITS INTO OTHER SECTORS OF ECONOMY**

GOVERNMENT FISCAL BALANCES

- **FISCAL BALANCES:**
 - **OVERALL FISCAL BALANCE – DIFFERENCE OF TOTAL REVENUE AND TOTAL EXPENDITURE**
 - **CURRENT ACCOUNT BALANCE – DIFFERENCE OF CURRENT REVENUE AND CURRENT EXPENDITURE**

GOVERNMENT FISCAL BALANCES – Cont'd

- **STRONG FISCAL
PERFORMANCES IN FIRST
HALF 2004 COMPARED TO
FIRST HALF 2003:**
 - **58 % DECLINE IN OVERALL
FISCAL DEFICIT**
 - **79 % DECLINE IN CURRENT
ACCOUNT DEFICIT**

GOVERNMENT FISCAL BALANCES – Cont'd

- **PERFORMANCE IN SECOND QUARTER 2004 ALSO IMPROVED OVER PERFORMANCE IN SECOND QUARTER 2003:**
 - **OVERALL DEFICIT 64 % LESS IN SECOND QUARTER 2004**
 - **CURRENT ACCOUNT DEFICIT 88 % LESS IN SECOND QUARTER 2004**

GOVERNMENT FISCAL BALANCES – Cont'd

OVERALL FISCAL BALANCE:

FIRST HALF 2003: -EC\$55.09 million

FIRST HALF 2004: - EC\$23.11 million

SECOND QUARTER 2003: -EC\$42.03 million

SECOND QUARTER 2004: -EC\$15.13 million

GOVERNMENT FISCAL BALANCES – Cont'd

CURRENT ACCOUNT BALANCE:

FIRST HALF 2003: -EC\$45.58 million

FIRST HALF 2004: - EC\$9.43 million

SECOND QUARTER 2003: -EC\$36.13 million

SECOND QUARTER 2004: -EC\$4.19 million

GOVERNMENT FISCAL BALANCES – Cont'd

**IMPROVEMENT IN
GOVERNMENT'S FISCAL
BALANCES RESULT OF 15 %
INCREASE IN REVENUES AND
RELATIVELY FLAT
EXPENDITURE**

REVENUE PERFORMANCE

- **GOVERNMENT CURRENT REVENUE IN FIRST HALF 2004 WAS EC\$235.7 MILLION**
- **IN FIRST HALF 2003 CURRENT REVENUE WAS EC\$205.4 MILLION**
- **THIS 15 % INCREASE IN REVENUE REFLECTS AN ATTEMPT TO INCREASE COLLECTION FROM EXISTING REVENUE STREAMS; ESPECIALLY FROM CUSTOMS DUTIES AND CONSUMPTION TAX**

REVENUE PERFORMANCE – Cont'd

- A COMPARISON OF SECOND QUARTER OF 2003 AND 2004 SHOWS A 20 % INCREASE IN REVENUE FROM EC\$97.03 MILLION IN SECOND QUARTER 2003 TO EC\$116.85 MILLION IN SECOND QUARTER 2004

REVENUE

PERFORMANCE – Cont'd

- **SOURCES OF GOVERNMENT'S CURRENT REVENUE ARE TAX AND NON-TAX REVENUE**
- **TAXES PROVIDE ABOUT 90 % OF GOVERNMENT CURRENT REVENUE**
- **NON-TAX REVENUE IS 10 % OF CURRENT REVENUE**

REVENUE

PERFORMANCE – Cont'd

- TAX REVENUE IN FIRST HALF 2003 WAS EC\$171.4 MILLION
- IN FIRST HALF 2004 TAX REVENUE WAS 27% HIGHER AT EC\$217.18 MILLION
- FOR SECOND QUARTER 2003 AND 2004, TAX REVENUE INCREASED 24% FROM EC\$86.73 MILLION IN SECOND QUARTER 2003 TO EC\$107.43 MILLION IN SECOND QUARTER 2004

REVENUE

PERFORMANCE – Cont'd

- **THE MAJOR SOURCE OF TAX REVENUE IS INDIRECT TAXES – MAINLY TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS OF WHICH CUSTOMS DUTIES AND THE CONSUMPTION TAX ARE KEY SOURCES**
- **IN FIRST HALF 2004 INDIRECT TAXES YIELDED EC\$182.86 MILLION.**
- **FOR FIRST HALF 2003 INDIRECT TAX REVENUE WAS 30% LESS AT EC\$140.61 MILLION**

REVENUE

PERFORMANCE – Cont'd

- **TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS AMOUNT TO OVER 50% OF TOTAL CURRENT REVENUE**
- **IN FIRST HALF 2004 REVENUE FROM TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS WAS EC\$123.13 MILLION**
- **FOR FIRST HALF 2003 REVENUE FROM THIS SOURCE WAS EC\$100.04 MILLION**

REVENUE

PERFORMANCE – Cont'd

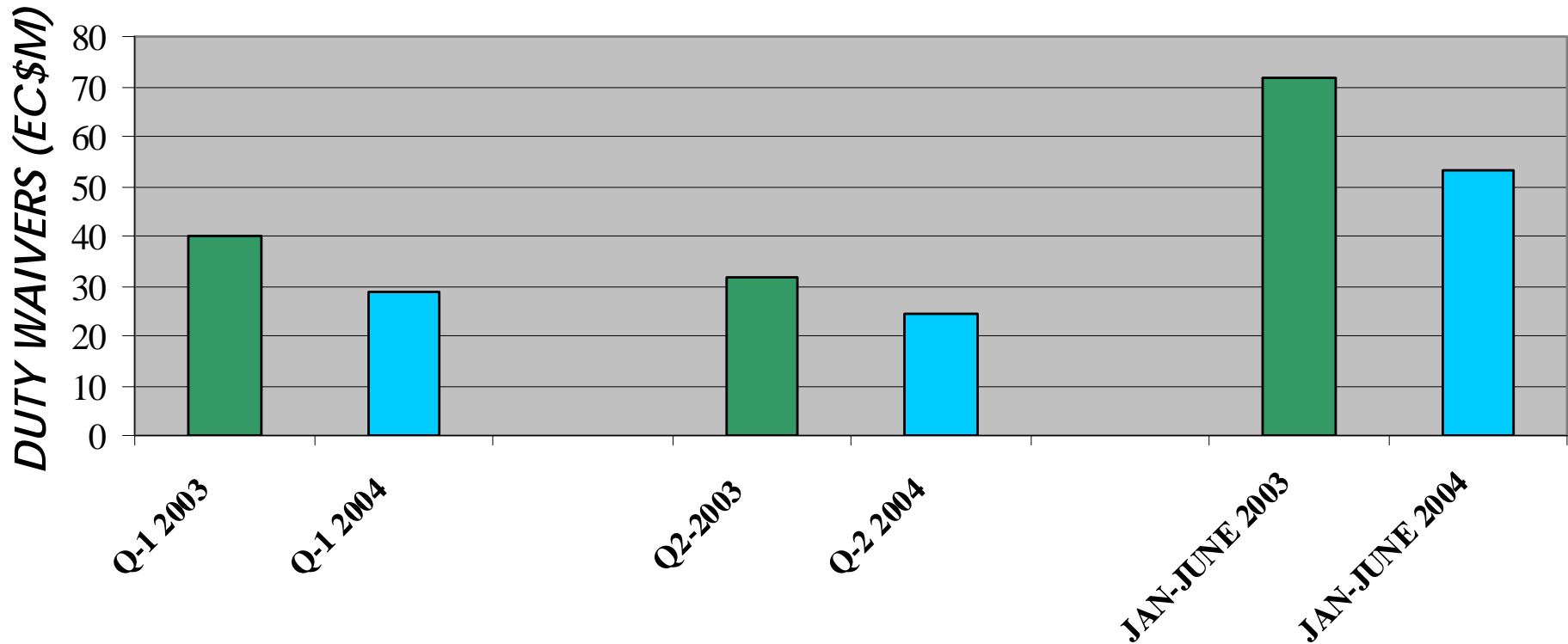
- **THE INCREASE IN TAX REVENUE IS MAINLY ATTRIBUTED TO A 25.7% DECLINE IN THE VALUE OF DUTY CONCESSIONS GRANTED.**
- **FOR FIRST HALF 2004 DUTY CONCESSIONS AMOUNTED TO EC\$53.19 MILLION OR 23% OF TOTAL CURRENT REVENUE**
- **FOR FIRST HALF 2003, DUTY CONCESSIONS AMOUNTED TO EC\$71.58 MILLION OR 35% OF TOTAL CURRENT REVENUE**

REVENUE PERFORMANCE – Cont'd

- FOR THE SECOND QUARTER OF 2004 AND THE SECOND QUARTER OF 2003 DUTY CONCESSIONS AMOUNTED TO EC\$24.24 MILLION AND EC\$31.7 MILLION RESPECTIVELY

REVENUE PERFORMANCE – Cont'd

GRAPH-3
TOTAL DUTY WAIVERS

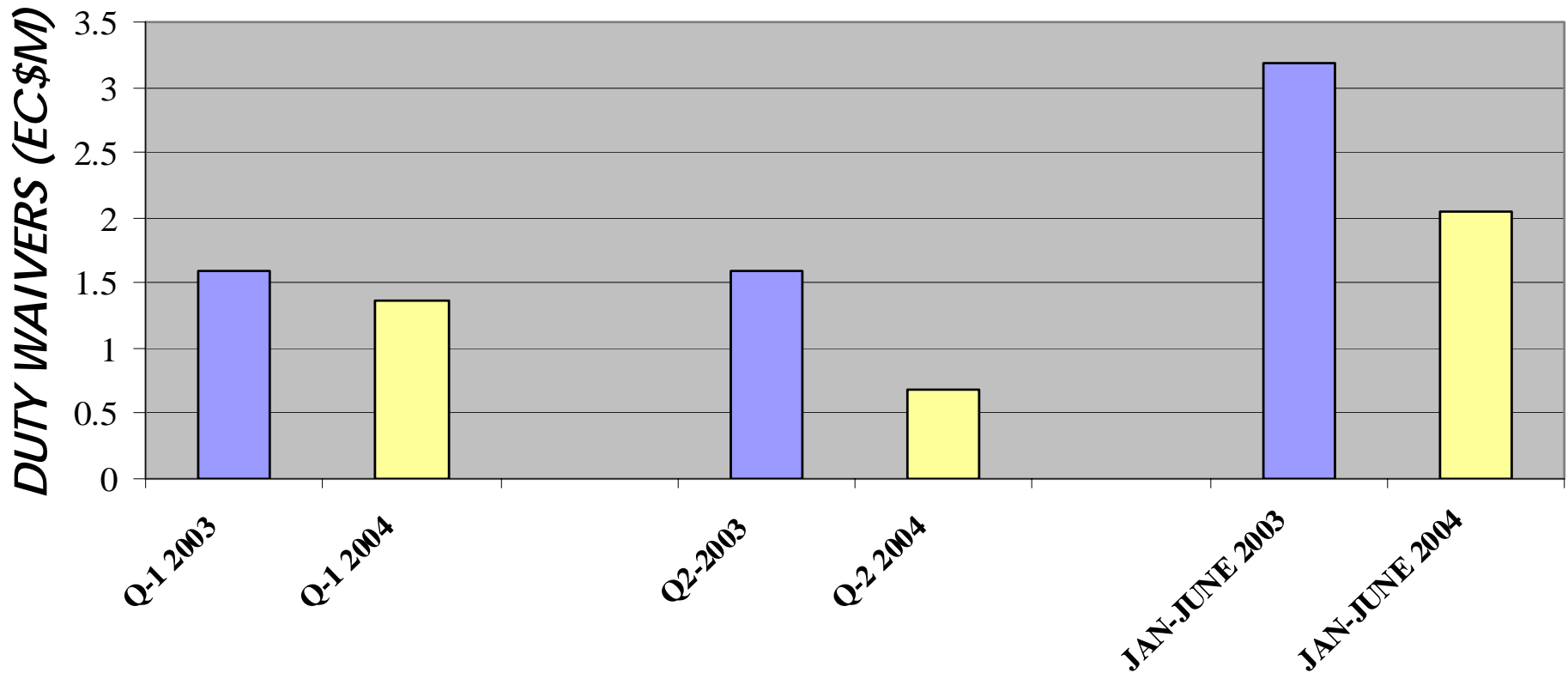


REVENUE PERFORMANCE – Cont'd

- **DUTY CONCESSIONS ON VEHICLES DECLINED 35.5% FROM EC\$3.18 MILLION IN FIRST HALF 2003 TO EC\$2.05 MILLION IN SECOND HALF 2004**
- **DUTY CONCESSIONS ON VEHICLES WERE 50% LESS IN SECOND QUARTER 2004 COMPARED TO SECOND QUARTER 2003**

REVENUE PERFORMANCE – Cont'd

GRAPH-4
DUTY WAIVERS: VEHICLES



REVENUE PERFORMANCE – Cont'd

- FOR NON-TAX REVENUE THERE WAS A 12.5% DECLINE FROM EC\$21.2 MILLION IN FIRST HALF 2003 TO EC\$18.5 MILLION IN FIRST HALF 2004
- THIS WAS MAINLY DUE TO A DECLINE IN WORK PERMIT FEES AND GOVERNMENT'S SHARE IN WEST INDIES OIL PROFITS

EXPENDITURE PERFORMANCE

- GOVERNMENT'S CURRENT EXPENDITURE DECREASED 2.3% IN THE FIRST HALF OF 2004
- IN FIRST HALF 2003 CURRENT EXPENDITURE AMOUNTED TO EC\$250.94 MILLION
- FOR FIRST HALF 2004, CURRENT EXPENDITURE WAS EC\$245.13 MILLION

EXPENDITURE PERFORMANCE-Cont'd

- **EXPENDITURE ALSO
DECLINED 9.1% FROM
EC\$133.16 MILLION IN SECOND
QUARTER 2003 TO EC\$121.02
MILLION IN SECOND
QUARTER 2004**

EXPENDITURE PERFORMANCE-Cont'd

- **AT ABOUT 49% OF TOTAL CURRENT EXPENDITURE AND ABOUT 51% OF CURRENT REVENUE, WAGES, SALARIES AND RELATED ALLOWANCES REPRESENT GOVERNMENT'S MAJOR LIABILITY**
- **FOR THE FIRST HALF OF 2003 AND 2004, EXPENDITURE ON WAGES AND SALARIES AMOUNTED TO ABOUT EC\$120 MILLION**

EXPENDITURE PERFORMANCE-Cont'd

- **WAGES AND SALARIES
DECLINED SLIGHTLY
FROM EC\$63.5 MILLION IN
SECOND QUARTER 2003 TO
EC\$62.4 MILLION IN
SECOND QUARTER 2004**

EXPENDITURE PERFORMANCE-Cont'd

- **EXPENDITURE ON GOODS AND SERVICES IS THE OTHER KEY COMPONENT OF GOVERNMENT CURRENT EXPENDITURE**
- **IN FIRST HALF 2003, EXPENDITURE ON GOODS AND SERVICES AMOUNTED TO EC\$49.69 MILLION**
- **FOR THE FIRST HALF OF 2004, THIS DECREASED 19% TO EC\$40.18 MILLION**

EXPENDITURE PERFORMANCE-Cont'd

- **FOR THE SECOND QUARTER OF 2003, EXPENDITURE ON GOODS AND SERVICES AMOUNTED TO EC\$30.84 MILLION.**
- **IN THE SECOND QUARTER OF 2004, THIS DECLINED 43% TO EC\$17.7 MILLION**

EXPENDITURE PERFORMANCE-Cont'd

- **FINALLY, CAPITAL EXPENDITURE IN THE FIRST HALF OF 2003 AMOUNTED TO EC\$10.24 MILLION**
- **IN THE FIRST HALF OF 2004, THIS INCREASED 79% TO EC\$18.35 REFLECTING GOVERNMENT'S UNDERTAKING A NUMBER OF INFRASTRUCTURAL DEVELOPMENT PROJECTS**

SUMMARY OF PUBLIC DEBT

- **TOTAL PUBLIC SECTOR DEBT = DOMESTIC AND EXTERNAL DEBT OF CENTRAL GOVERNMENT + GOVERNMENT GUARANTEED DEBT TO STATUTORY BODIES**
- **AT END OF 2003 TOTAL PUBLIC DEBT AMOUNTED TO EC\$2.82 BILLION**

SUMMARY OF PUBLIC DEBT – Cont'd

- **BY THE END OF THE FIRST HALF OF 2004, TOTAL DEBT DECLINED SLIGHTLY TO EC\$2.79 BILLION**
- **THIS DECLINE DUE TO GOVERNMENT'S PRINCIPLE PAYMENTS ON AND CONSOLIDATION OF A NUMBER OF DOMESTIC DEBTS**

SUMMARY OF PUBLIC DEBT – Cont'd

- **CENTRAL GOVERNMENT DEBT AT
END OF FIRST HALF 2004
AMOUNTED TO EC\$2.63 BILLION**
- **52% OF THIS WAS EXTERNAL
DEBT WHILE DOMESTIC DEBT
WAS ABOUT 48%**

SUMMARY OF PUBLIC DEBT – Cont'd

- **ARREARS ON CENTRAL GOVERNMENT DEBT AMOUNTED TO EC\$366.5 MILLION**
- **OF THIS, EC\$263.8 MILLION WAS ARREARS ON EXTERNAL DEBT AND EC\$102.7 REPRESENTED ARREARS ON DOMESTIC DEBT**

SUMMARY OF PUBLIC DEBT – Cont'd

- **REQUIRED DEBT SERVICE PAYMENTS WHICH IS EQUAL TO INTEREST AND PRINCIPLE PAYMENTS ON OUTSTANDING DEBT IS ABOUT 5% OF GDP OR ABOUT EC\$110 MILLION**
- **THE DEBT SERVICE RATIO CURRENTLY STANDS AT ABOUT 49%**

FISCAL PERFORMANCE RELATIVE TO TARGETS

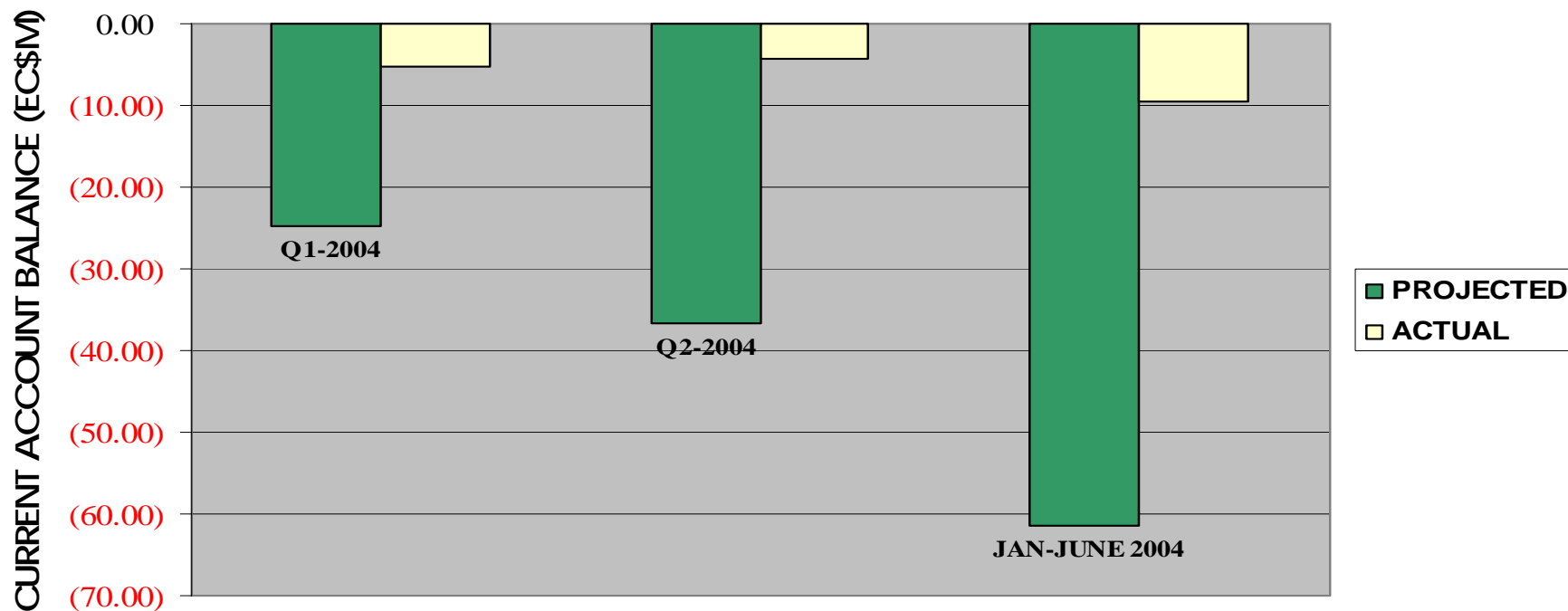
- **IN COLLABORATION WITH ECCB AND CARTAC, THE MINISTRY OF FINANCE MADE A NUMBER OF QUARTERLY PROJECTIONS IN RESPECT OF KEY GOVERNMENT FISCAL VARIABLES**
- **ACTUAL PERFORMANCE RELATIVE TO THESE PROJECTIONS IS AS FOLLOWS:**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **THE ACTUAL CURRENT
ACCOUNT DEFICIT WAS
LESS THAN PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-5
**CURRENT ACCOUNT BALANCE:
PROJECTED VS ACTUAL**

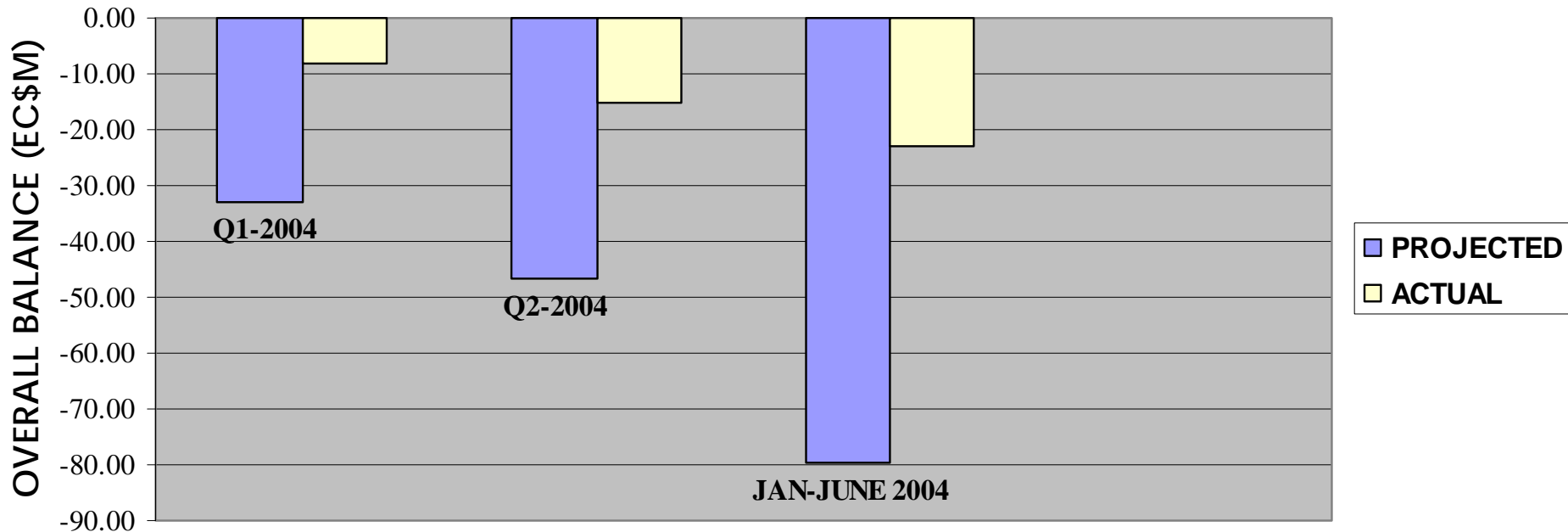


FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **THE ACTUAL OVERALL
FISCAL DEFICIT WAS ALSO
LESS THAN PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-6
**OVERALL BALANCE:
PROJECTED VS. ACTUAL**

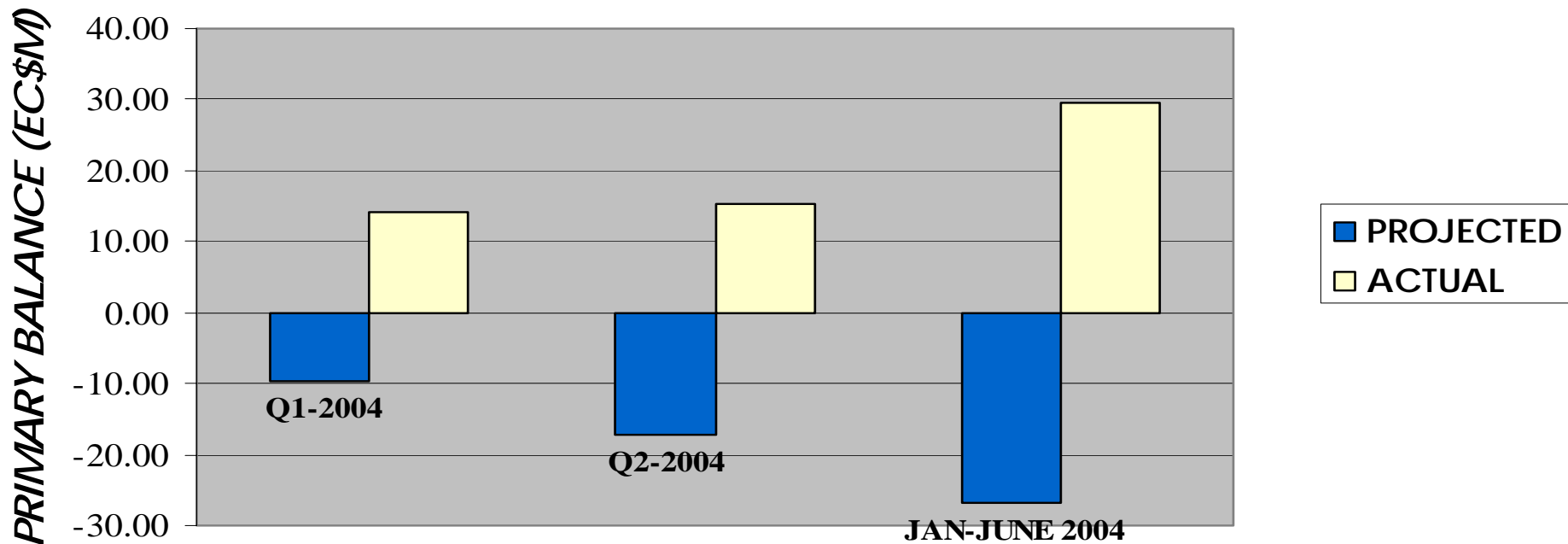


FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **THE ACTUAL PRIMARY
BALANCE SHOWED A
SURPLUS COMPARED TO
THE DEFICIT THAT WAS
PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-7
**PRIMARY BALANCE:
PROJECTED VS ACTUAL**

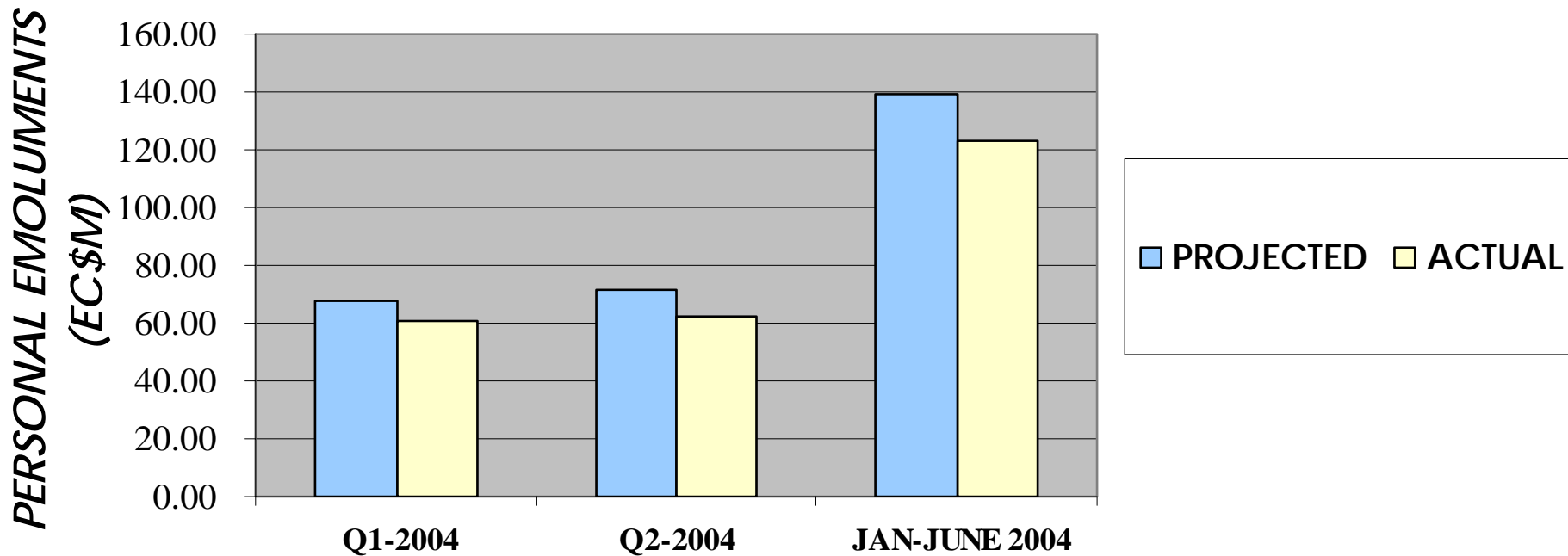


FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **ACTUAL EXPENDITURE ON
WAGES AND SALARIES WAS
11.5% LESS THAN
PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-8
**GOVERNMENT WAGE BILL: PROJECTED VS
ACTUAL**

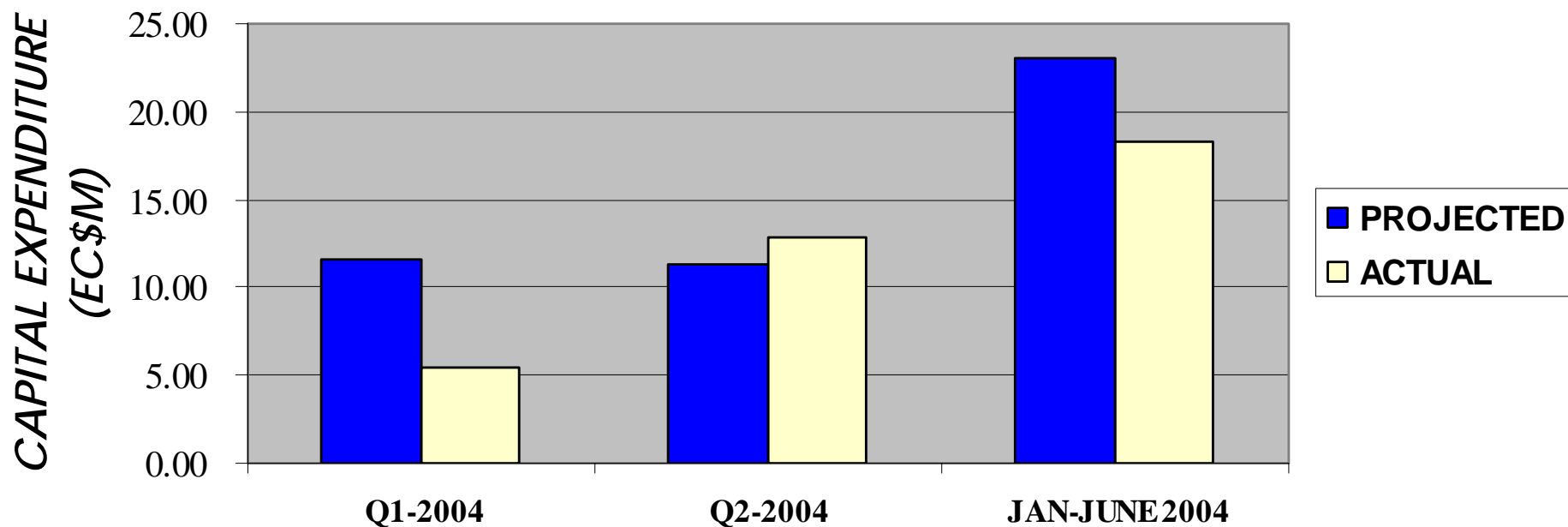


FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **CAPITAL EXPENDITURE
WAS 20% LESS THAN
PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-9
**GOVERNMENT CAPITAL EXPENDITURE:
PROJECTED VS ACTUAL**

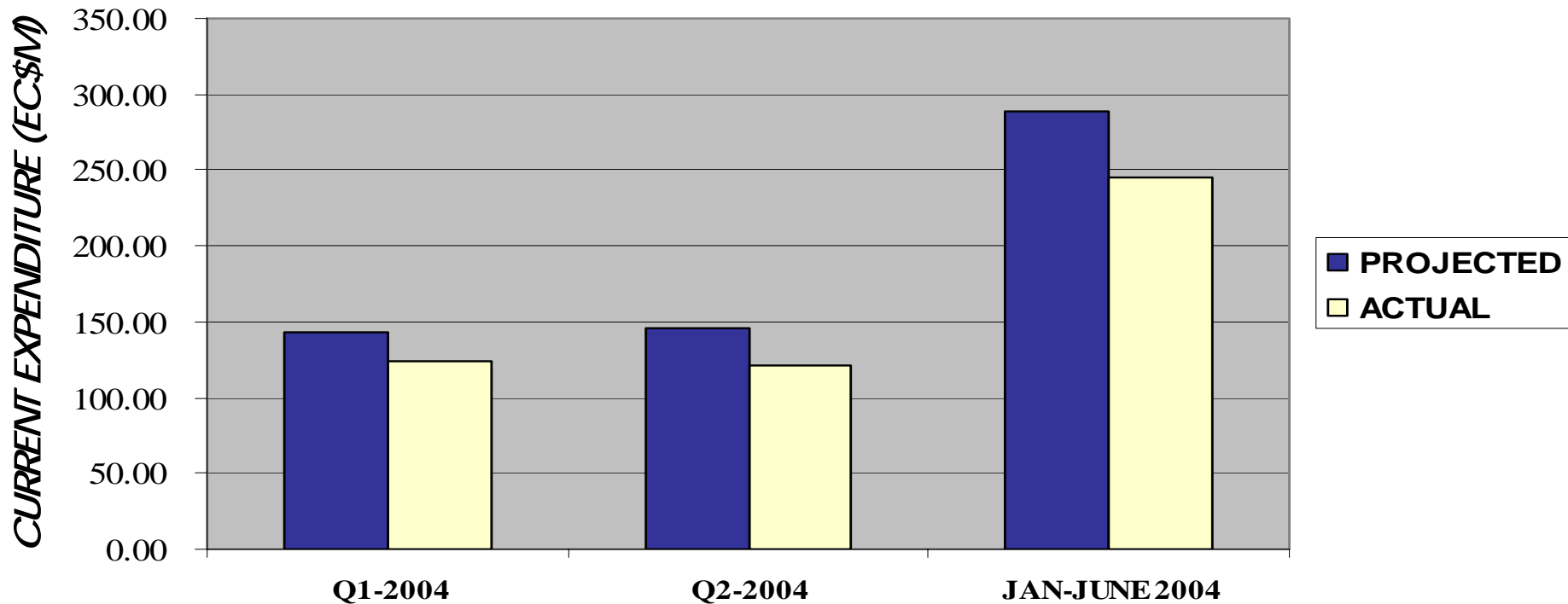


FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **ACTUAL CURRENT
EXPENDITURE WAS ABOUT
15% LESS THAN
PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-10
**GOVERNMENT CURRENT EXPENDITURE:
PROJECTED VS ACTUAL**

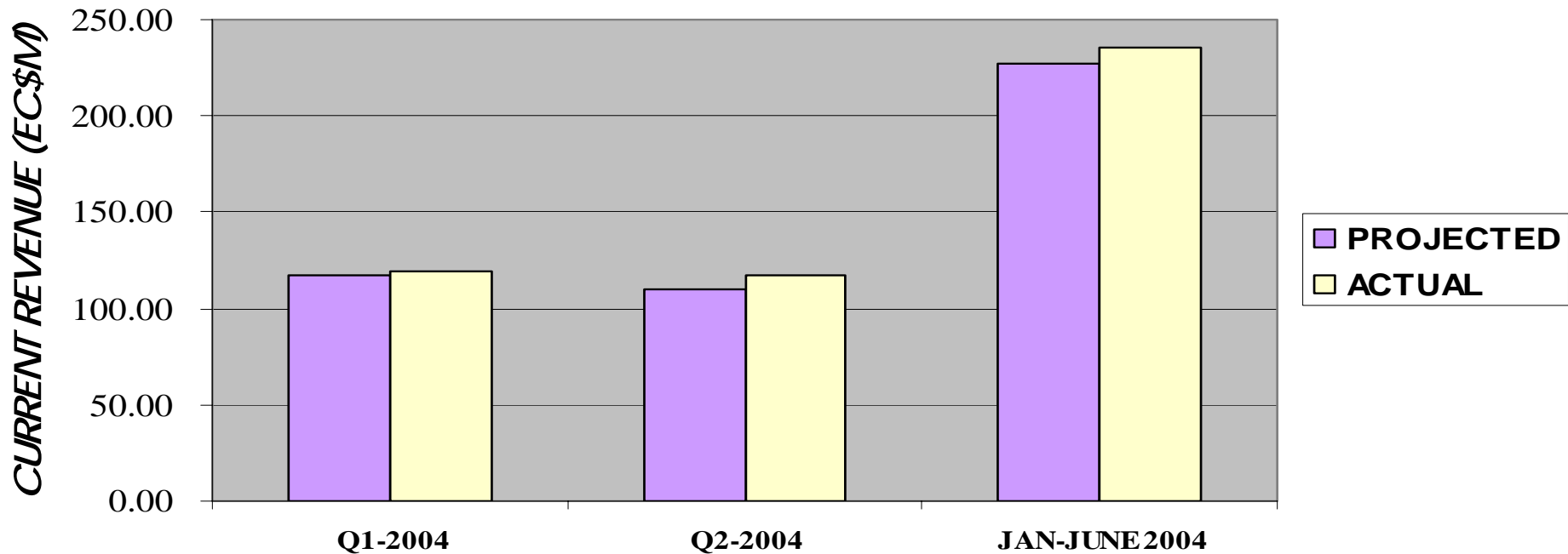


FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

- **FINALLY, ACTUAL
CURRENT REVENUE WAS
4% HIGHER THAN
PROJECTED**

FISCAL PERFORMANCE RELATIVE TO TARGETS – Cont'd

GRAPH-11
**GOVERNMENT CURRENT REVENUE:
PROJECTED VS ACTUAL**



CONCLUSION

- THE IMPROVEMENT IN FISCAL PERFORMANCE IN THE FIRST HALF OF 2004; PARTICULARLY IN THE SECOND QUARTER WAS A RESULT OF ENHANCED REVENUE PERFORMANCE AND A SLIGHT DECLINE IN CURRENT EXPENDITURE

CONCLUSION – Cont'd

- **DESPITE THIS IMPROVEMENT, GOVERNMENT STILL FACES SIGNIFICANT CASH FLOW PROBLEMS SO THAT ALL OF ITS LIABILITIES ARE NOT BEING ADEQUATELY MET:**
- **EG. EXPENDITURE ON GOODS AND SERVICES; DEBT SERVICING; PAYMENTS TO REGIONAL AND INTERNATIONAL ORGANISATIONS; DEVELOPMENTAL AND SOCIAL INVESTMENTS**

CONCLUSION – Cont'd

- **THIS IS AN UNSUSTAINABLE APPROACH TO FISCAL ADMINISTRATION AND THEREFORE REQUIRES GOVERNMENT COMMITMENT TO A FISCAL ADJUSTMENT STRATEGY**

CONCLUSION – Cont'd

- **THE STRATEGY WOULD FOCUS ON:**
 - **CREATING A MORE EFFECTIVE TAX SYSTEM THROUGH TAX REFORM**
 - **ENHANCING PUBLIC SECTOR EFFICIENCY AND CREDIBILITY THROUGH PUBLIC SECTOR REFORM**
 - **ESTABLISHING MORE EFFICIENT MECHANISMS FOR DEBT MANAGEMENT**

CONCLUSION – Cont'd

- **THROUGH FISCAL ADJUSTMENT, THE GOVERNMENT WOULD BE IN A BETTER POSITION TO PURSUE MORE PRUDENT FISCAL MANAGEMENT POLICIES AND UNDERTAKE DEVELOPMENTAL AND SOCIAL INVESTMENTS THAT ARE KEY STIMULANTS TO PRIVATE INVESTMENT AND OVERALL ECONOMIC PERFORMANCE**



END