

**SAINT VINCENT
AND THE
GRENADINES**

JUNE 2022



**ECONOMIC AND
FINANCIAL REVIEW**

Eastern Caribbean Central Bank



JUNE 2022

Economic and Financial Review

HALF-YEAR REVIEW

SAINT VINCENT AND THE GRENADINES

EASTERN CARIBBEAN CENTRAL BANK





ADDRESS

Headquarters: P O Box 89
Basseterre
St Kitts and Nevis
West Indies

Telephone: (869) 465-2537
Facsimile: (869) 465-5615
Email: rsdad@eccb-centralbank.org
Website: www.eccb-centralbank.org

Saint Vincent and the Grenadines

Economic and Financial Review: 2022 Half-Year (2022H1)

Research, Statistics and Data Analytics Department

Contents

1 Overview	2
2 The Economy (Real Sector)	2
2.1 Consumer Prices	4
3 Government Operations	4
3.1 Debt	6
4 Banking Developments (Monetary)	6
5 External Trade	8
6 Outlook	8
7 Selected Economic Indicators	10

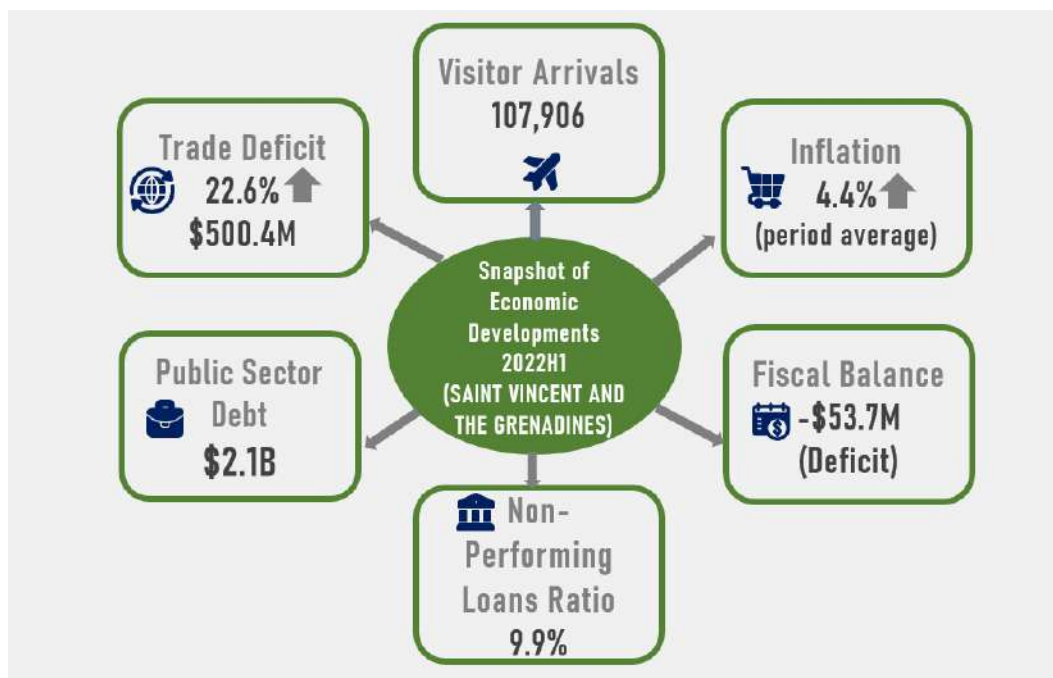


Figure 1: Snapshot of Economic and Financial Developments for 2022H1

1 Overview

- Economic activity in Saint Vincent and the Grenadines is estimated to have expanded in the first half of 2022, relative to the corresponding period of 2021. The economy has started to recover from the consequence of a pandemic and the explosive eruptions of La Soufriere Volcano.¹
- The improved performance reflected recoveries in all major sectors in the economy.
- The risk is tilted to the downside with rising geo-political tensions fueling high inflation on the global market; and already fragile global supply chains negatively affecting the pace of growth in Saint Vincent and the Grenadines.

2 The Economy (Real Sector)

The estimated expansion in economic activity in the first six months of 2022 was attributable to higher output in all major sectors; particularly due to a recovery in the tourism industry and ancillary sectors.

As the economy recovers from the COVID-19 pandemic and the eruption of La Soufriere volcano, total visitors rose over tenfold to 107,906, in contrast to a 95 per cent decline the first six months of 2021 (see Figure 2). The number of tourist arrivals, however, remains below pre-pandemic levels. The average of the previous five years (2017 to 2021) totalled 154,388 visitors. Stay-over arrivals stood at 27,719, compared

¹The review period for this report is the first 6 months of 2022, and is abbreviated 2022H1 in this report.



with in the comparable period of 2021; while yacht passengers and excursionists by over tenfold and 128 per cent respectively. There was also a significant increase in cruise ship calls, hence cruise passengers rose to 57,329 (see Figure 2).

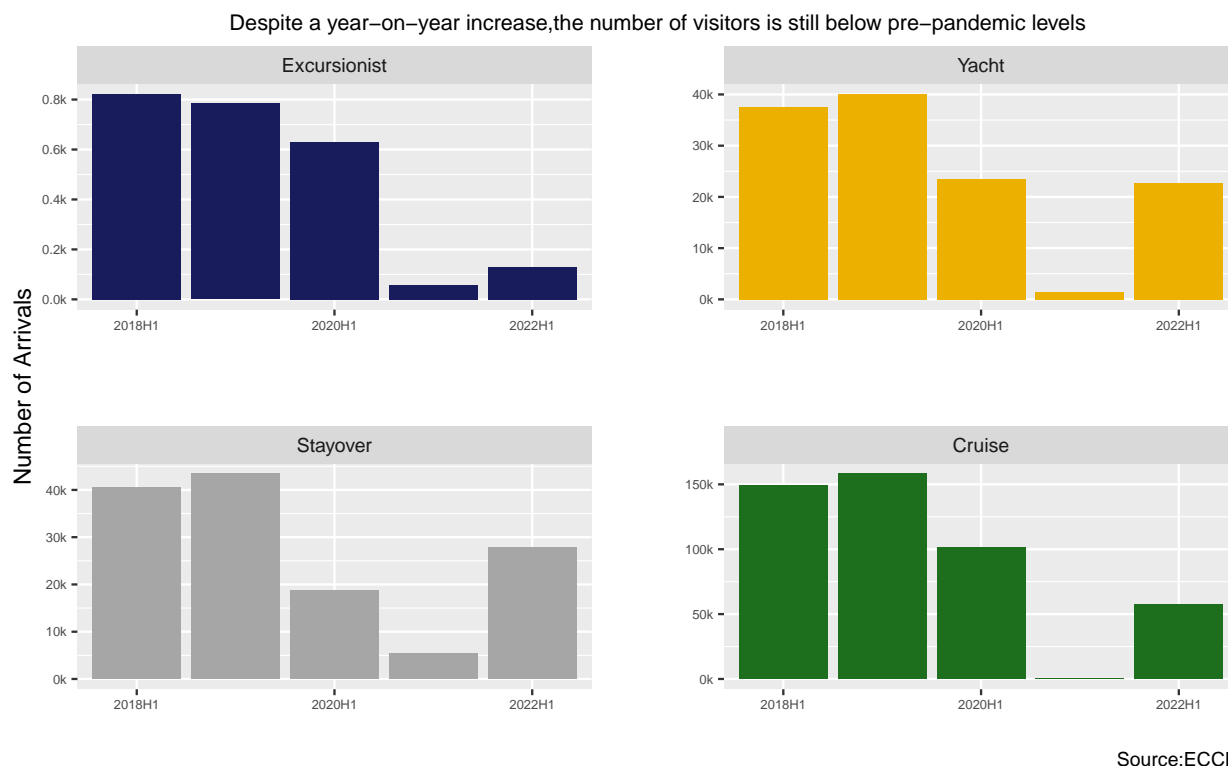


Figure 2: Visitor Arrivals to Saint Vincent and the Grenadines by Category

The construction sector also contributed to economic activity in the first half of 2022. Public investment stood at \$47.3m for the first six months of 2022, which is above the five-year average of \$31.8m.

Manufacturing activity is estimated to have increased, attributable to increases of 112.6 per cent and 11.3 per cent in the output of beer and flour respectively. Higher manufacturing output was aided by growth of 10.5 per cent in the output of feeds for the first half of 2022.

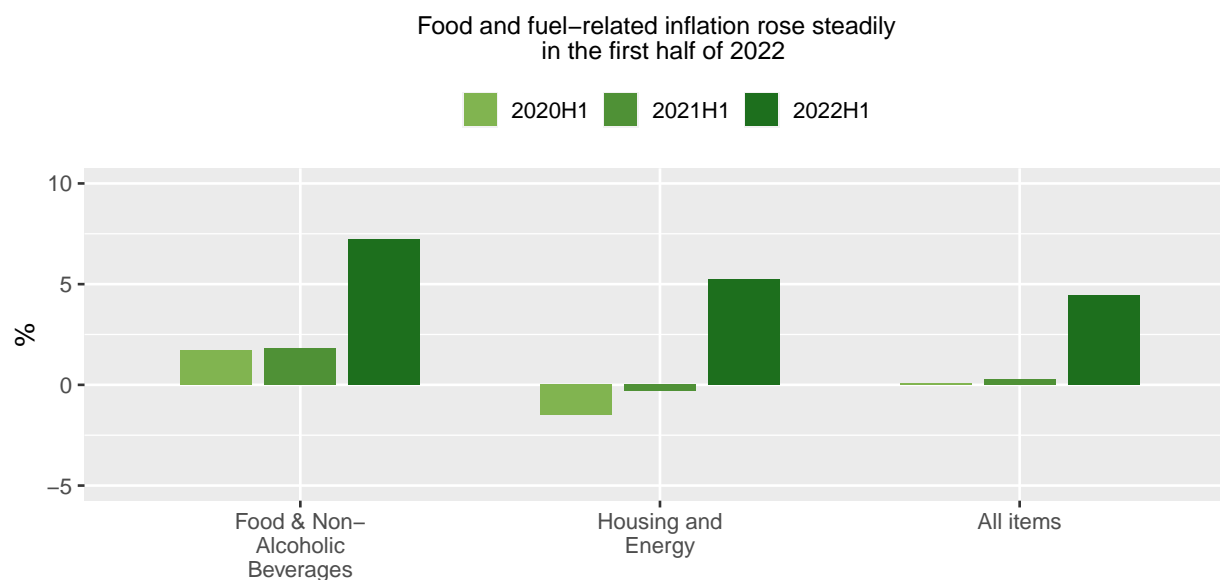
Agricultural activity is estimated to have expanded, as output of both crops and livestock continues to rebound. Much of the growth in output is due to the impact of investments to rebuild the sector after the destruction by the volcanic eruption.

Higher output in the productive sectors generated positive externalities, which favourably impacted the wholesale and retail trade, transport, storage and communications; financial intermediation and real estate, renting and business activities sectors.



2.1 Consumer Prices

The consumer price index increased by 4.4 per cent on a period average basis during the first six months of 2022, compared with a 0.3 per cent increase during the corresponding period of 2021 (Figure 3). Much of the increase in the indices reflected higher prices for food and non-alcoholic beverages (7.2 per cent), for housing, water, electricity and other fuels (5.2 per cent) and for transport (5.3 per cent), largely reflecting the impact of rising global fuel prices.



Source: ECCB

Figure 3: Trends in Period-Average Inflation

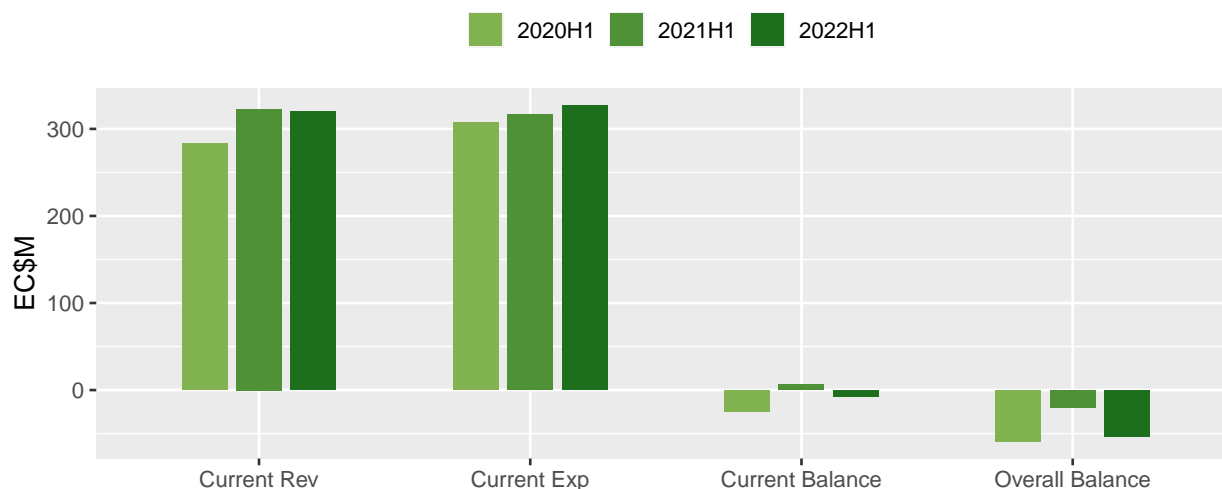
3 Government Operations

Government's operations resulted in an overall deficit of \$53.7m in the first six months of 2022, compared with one of \$20.5m in the corresponding period of 2021 (see figure 4). A primary deficit of \$25.6m was realized following a primary surplus of \$3.4m in the corresponding period of the prior year. A current account deficit of \$7.4m was recorded, in contrast with a surplus of \$6.7m in the comparable period of last year (Figure 4).

Current expenditure rose by 3.6 per cent to \$327.3m, mainly attributable to increased spending on transfers and subsidies (see Figure 5B). The current expenditure outlays exceeded the average of \$293.3m for the previous five years.



Government's operations resulted in a wider overall deficit in 2022H1



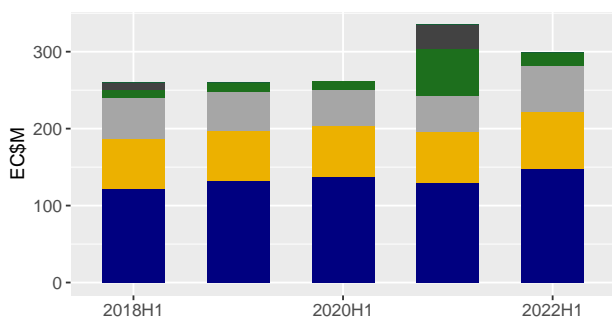
Source: ECCB

Figure 4: Half-Year Trends in Fiscal Operations.

Current revenue declined (0.9 per cent) to \$319.9m, largely on account of a decrease in receipts of taxes on property, particularly stamp duty and alien land holding licence, as gains realised in the first half of 2021 were not repeated (see Figure 5A). By contrast, the collection of taxes on domestic goods and services rose by 15.1 per cent (\$195.m), principally as a result of increases in receipts from value added tax, and excise duty on imports (Figure 5A).

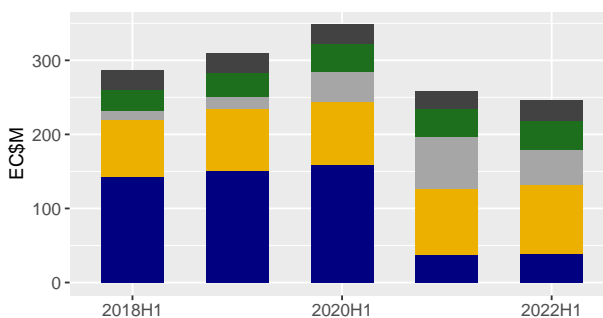
Following a large increase in inflows of official assistance in the first half of 2021 in response to the impact of the La Soufrierre volcano, official assistance returned to its trend level. Current receipts averaged \$285.7m over the last five years.

A Total Revenue Composition



Source: ECCB

B Total Expenditure Composition



Source: ECCB

Figure 5: Half-Year Trends in the Composition of Revenue and Expenditure



3.1 Debt

In lockstep with fiscal developments, total disbursed outstanding public sector debt rose by 5.9 per cent to \$2,092.9m at the end June 2022, from \$1,975.7m at the end of June 2021 (Figure 6). Higher indebtedness of the central government (6.5 per cent) to \$2,030.5m buoyed total liabilities, moderated by lower (8.8 per cent) obligations of public corporations. The outstanding public sector debt was 15.0 per cent above the average public sector debt over the previous five years.

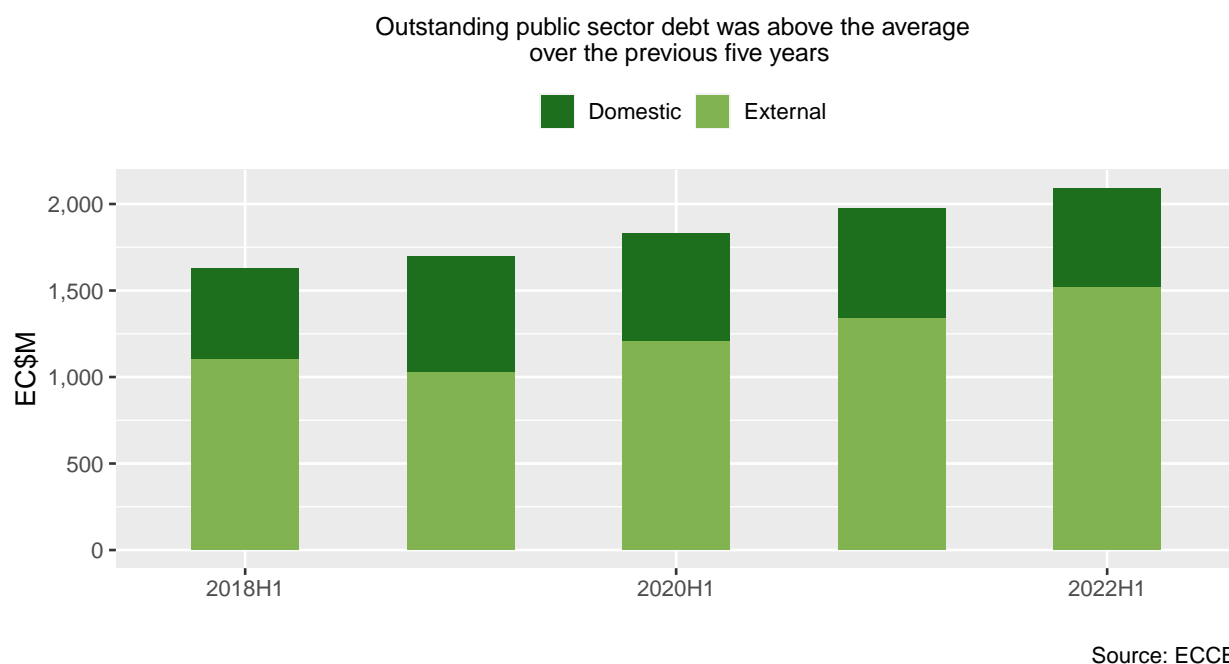


Figure 6: Trends in Outstanding Public Sector Debt

4 Banking Developments (Monetary)

Broad money liabilities (M2) expanded by 4.8 per cent to \$1,832.6m, compared with an increase of 14.7 per cent during the first half of 2021. The major components that drove the expansion in M2 were increases in currency issued by the Central Bank as well as growth in foreign currency deposits (Figure 7). At the end of June 2021, broad money was 12.9 per cent higher than the average of the five-years prior.

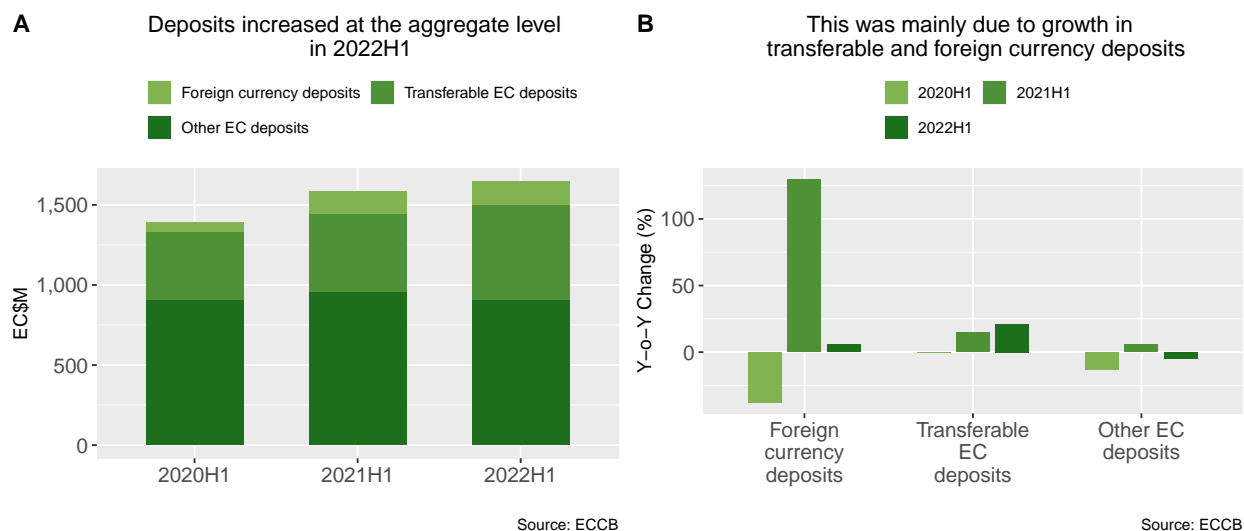


Figure 7: Domestic Deposit trends in the First Half of 2020 to 2022

Domestic claims (credit) declined by 3.1 per cent to \$1,098.0m, in contrast to an increase of 6.0 per cent in the first half of 2021. A shift (\$27.9m) to a net lending position of \$17.0m for the central government, from a net claims position at the end of June 2021 was the reason for the lower domestic claims (Figure 8). Compared with the average of the previous five-years, domestic claims were 1.2 per cent lower.

The commercial banking system remained liquid as evidenced by a 53.8 per cent ratio of liquid assets to non-interbank deposits, above the ECCB prudential benchmark of 20.0 per cent. Meanwhile, the ratio of non-performing loans to gross loans was 9.9 per cent, compared with 7.5 per cent at the end of June 2021 (Figure 8). The ratio of non-performing loans is slightly higher relative to the average for the previous five-years.

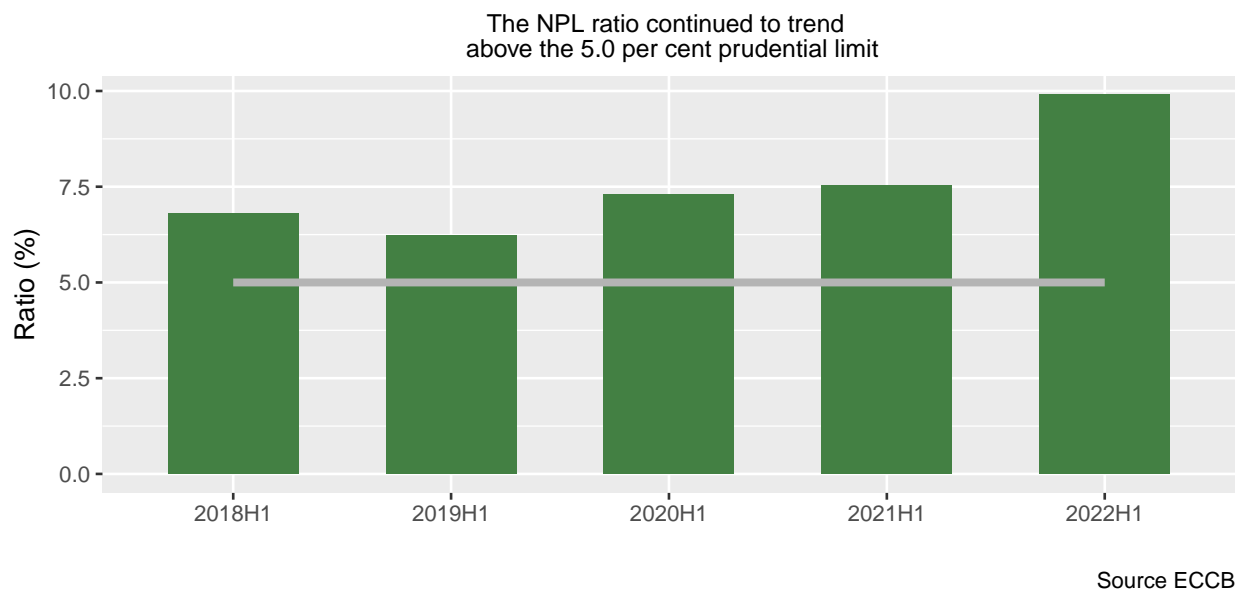
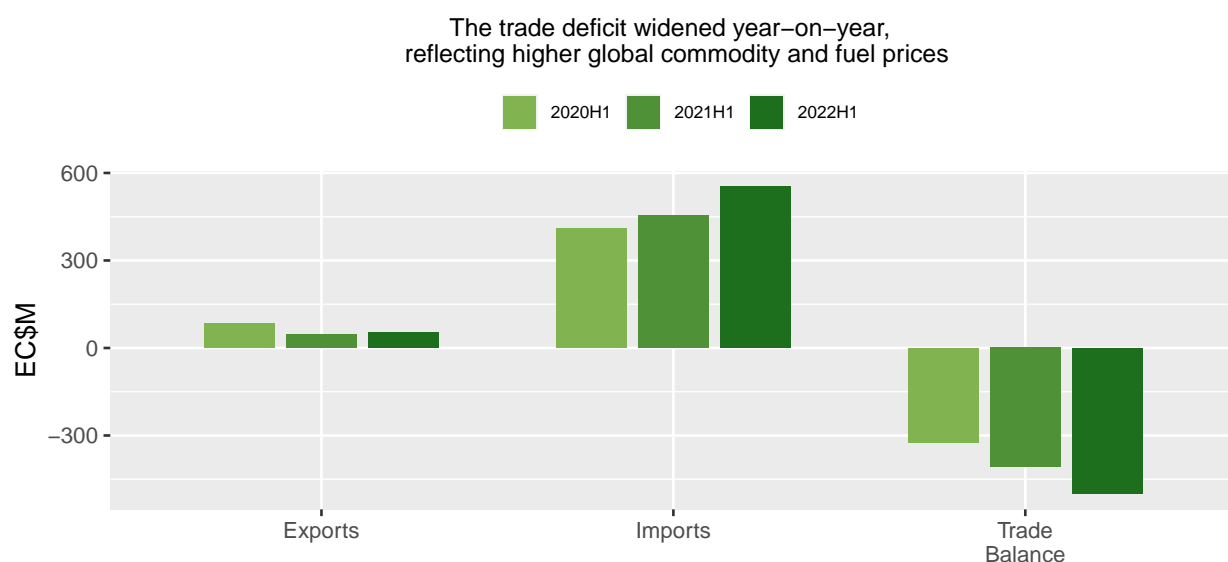


Figure 8: Trends in Non-Performing Loans Ratio

5 External Trade

A merchandise trade deficit of \$500.4m was recorded in the first half of 2022, compared with one of \$408.0m in the corresponding period last year. An increase in import payments (22.3 per cent or \$101.0m) contributed to the widening of the trade imbalance (see Figure 9). The rapid importation of mineral fuels and related materials (133 per cent) increase would have been the main contributor to the increase in imports. The overall trade deficit recorded in 2022 is 33.1 per cent higher than the average of the preceding five-years.

Gross travel receipts amounted to \$101.0m in the first half of 2022 compared with \$19.4m in the corresponding period of 2021. This outturn reflected higher visitor arrivals during the period under review compared with the first half of 2021 when Tourism was negatively impacted by the COVID-19 pandemic and the eruption of the La Soufriere volcano.



Source: ECCB

Figure 9: Selected Components of External Trade

6 Outlook

Economic activity in the St Vincent and the Grenadines is projected to accelerate over the remainder of 2022, based on anticipated positive developments in key sectors, as the country recovers from the impact of COVID-19 and explosive eruptions of La Soufriere Volcano.

- The construction sector is expected to expand with the continuation of projects in the public sector (Kingstown Port Development) and the advancement of private sector projects, such as the Holiday Inn, Marriott Resort and Beaches Resort by the Sandals Group.
- Growth in the agricultural sector is expected to continue and positively contribute to the country's economy.



-
- Tourism is expected to continue on its recovery as seen in the first half of the year. In addition, the easing of entry restrictions should positively impact the arrival of tourists.
 - Downside risks include: legacy effects of the pandemic and volcanic eruption on government finances, damage by hurricanes, and flooding as well as surging commodity prices. Rising geo-political tensions and fragile global supply chains are also likely to negatively impact economic.



7 Selected Economic Indicators

Table 1:

Indicator	2018H1	2019H1	2020H1	2021H1	2022H1
Current Revenue (EC\$M)	268.9	283.2	282.8	322.8	319.9
Current Expenditure (EC\$M)	276.6	295.3	307.2	316.1	327.3
Current Balance (EC\$M)	-7.7	-12.0	-24.4	6.7	-7.4
Primary Balance (EC\$M)	21.9	5.9	-33.5	3.4	-25.6
Overall Balance (EC\$M)	-4.3	-20.7	-59.3	-20.5	-53.7
Total Public Sector Debt (EC\$M)	1628.4	1701.0	1829.3	1975.7	2092.9
Inflation (Period Average %)	2.6	1.1	0.1	0.3	4.4
Total Visitor Arrivals ('000)	227.6	242.5	144.4	6.9	107.9
Total Visitor Expenditure (EC\$M)	160.3	180.0	91.8	19.4	101.0
Net Foreign Assets (EC\$M)	598.4	727.6	812.8	1066.3	1107.1
Domestic Credit (EC\$M)	1138.7	1117.3	1068.6	1133.1	1098.0
M2 (EC\$M)	1577.4	1678.2	1525.7	1749.2	1832.6
Currency in Circulation (EC\$M)	111.7	131.9	163.0	190.1	224.8
Liquid assets to total assets	37.8	40.8	41.8	45.1	45.8
Liquid assets to short-term liabilities	41.9	44.8	45.6	49.5	49.6
Customer deposits to total (noninterbank) loans	127.1	132.2	139.0	146.5	157.9
Weighted Average Deposit Rate (%)	1.7	1.7	1.7	1.5	1.2
Weighted Average Lending Rate (%)	8.4	8.4	8.0	7.7	7.5
Interest Rate Spread (%)	6.7	6.6	6.4	6.2	6.3
Non-Performing Loans to Total Loans (%)	6.8	6.2	7.3	7.5	9.9



EASTERN CARIBBEAN CENTRAL BANK

P. O Box 89

Basseterre

ST KITTS, W.I

Tel: 1 (869) 465 2537

Fax: 1 (869) 465 5615

www.eccb-centralbank.org