

# **GRENADA**

## **JUNE 2022**



# **ECONOMIC AND FINANCIAL REVIEW**

**Eastern Caribbean Central Bank**



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# **Economic and Financial Review**

## **HALF-YEAR REVIEW**

# **GRENADA**

**EASTERN CARIBBEAN CENTRAL BANK**





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# Grenada

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

Research, Statistics and Data Analytics Department

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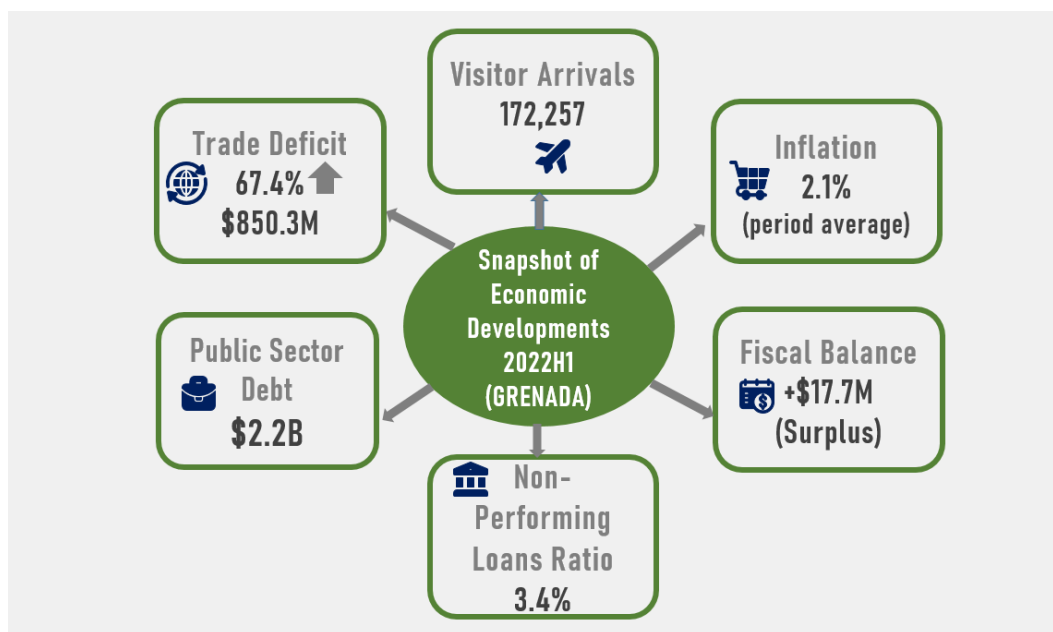


Figure 1: Snapshot of Economic and Financial Developments for 2022H1

## 1 Overview

- The Grenadian economy continued to show signs of recovery in the first half of 2022,<sup>1</sup> as the tourism sector recovered somewhat and the Government stepped up its capital investments.
- The government's fiscal performance improved as current revenue growth outpaced that of current expenditure; debt levels contracted.
- The economy is expected to remain on the path to recovery in 2022, but faces some potentially severe headwinds including an escalation of the Russia-Ukraine war, sustained high prices for commodities and crude oil, and a looming recession in the economies of its major trading partners.

## 2 The Economy (Real Sector)

Grenada's economy is estimated to have expanded during the first six months of 2022, after contracting over the same period one year earlier. This outcome is premised on a rebound in activity in the tourism sector as well as increased public sector investments.

On the tourism front, total visitor arrivals increased over fourteen-fold to 172,257 compared with 11,210 in 2021 and above the five-year (2017 to 2021) average of 223,189 (Figure 2). Stayover arrivals dominated the landscape with a near five-fold increase to 56,991, while cruise ship passengers registered 107,937, following a complete shutdown of the cruise industry in the prior year.

<sup>1</sup>The review period for this report is the first 6 months of 2022, and is abbreviated 2022H1 in this report



## 2.1 Consumer Prices

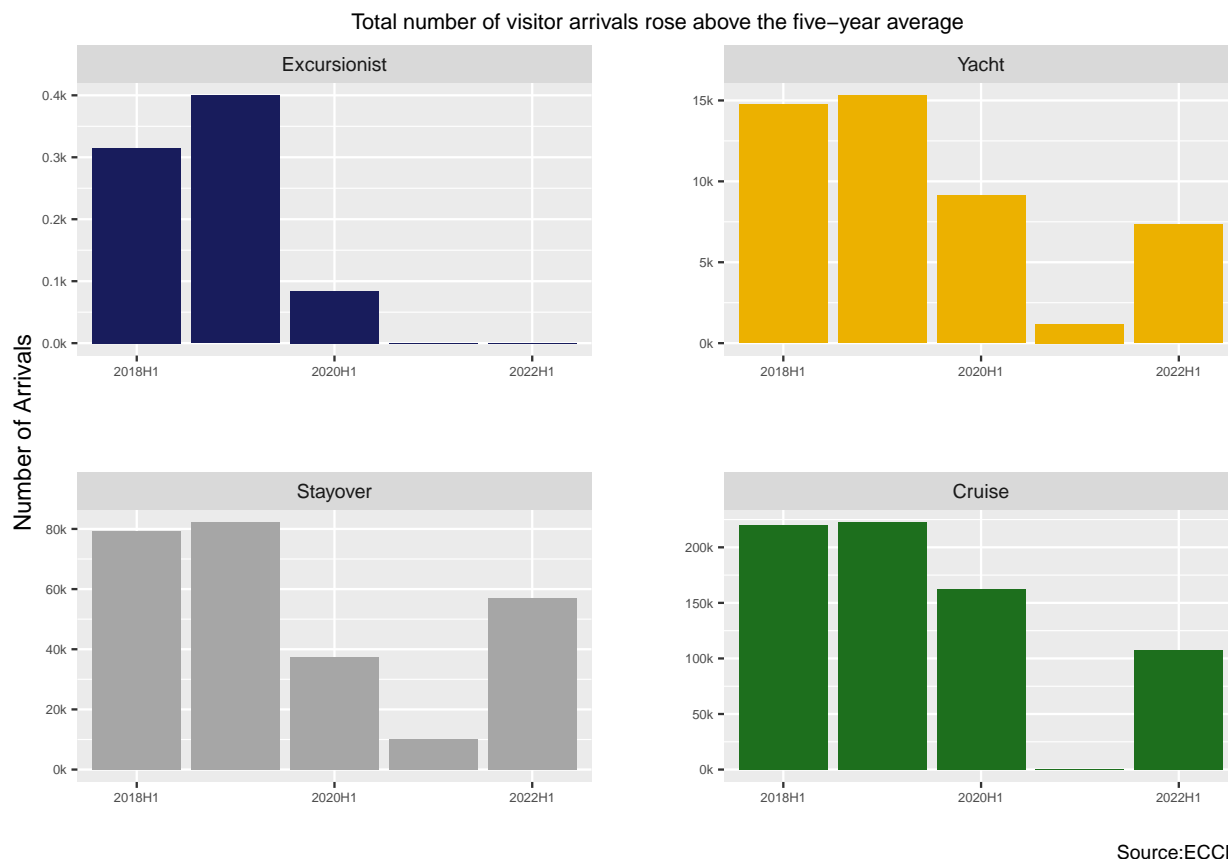
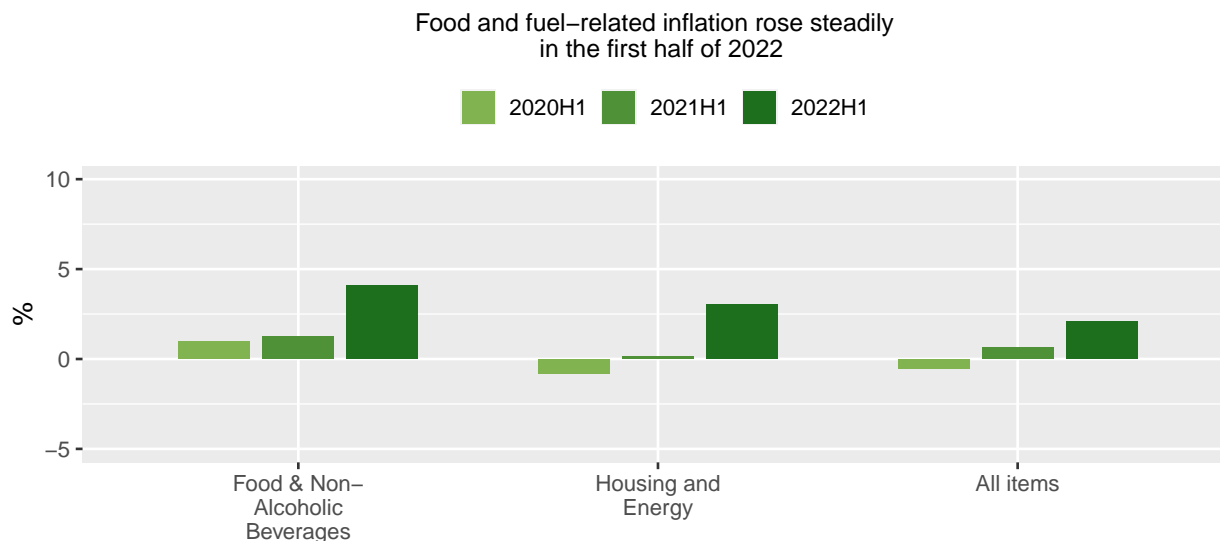


Figure 2: Visitor Arrivals to Grenada by Visitor Category.

The public sector's contribution to economic activity was also significant, as capital expenditure doubled to \$169.9m from \$86.3m in 2021 and surpassing the five-year average of \$39.9m.

## 2.1 Consumer Prices

Consumer prices over the first six months of 2022 continued their upward trend, fueled by sustained high prices for crude oil and key staples (Figure 3). The Consumer Price Index (period average) rose by 2.1 per cent as at June 2022, more than doubling the 0.7 per cent increase recorded over the comparable period in the prior year. Higher prices for food; housing, utilities, gas and fuels; health; and hotels and restaurants were the main contributors to the spike in prices.

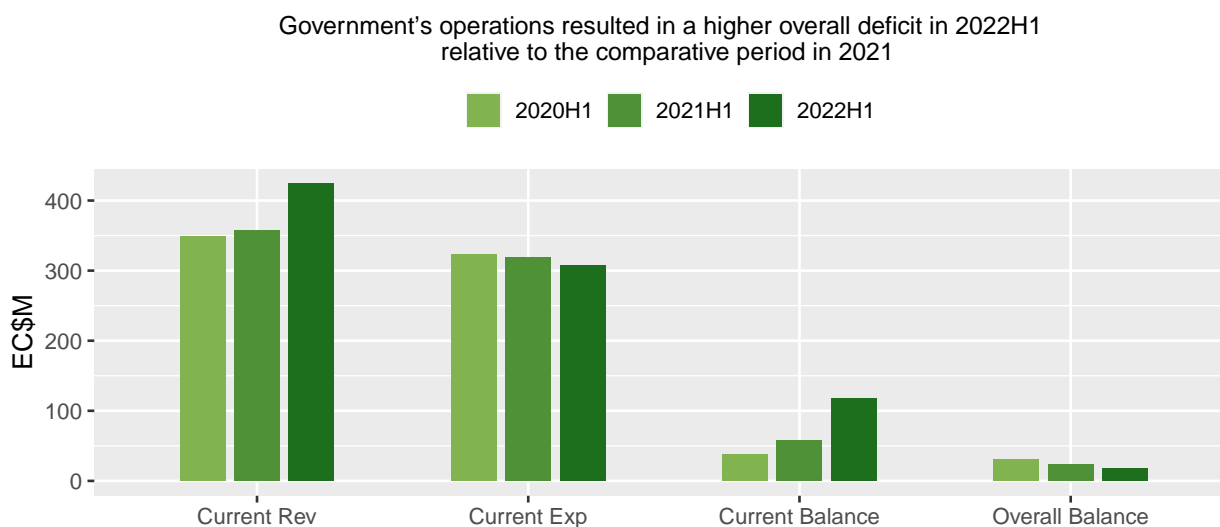


Source: ECCB

Figure 3: Half-Year Trends in Period-Average Inflation

### 3 Government Operations

Despite sizeable concessions on fuel, increased social transfers and larger capital expenditures, the government recorded an overall fiscal surplus of \$17.7m during the first half of 2022, albeit smaller than the \$23.9m surplus recorded one year earlier (see Figure 4). This performance also trailed the five-year average surplus of \$53.1m.



Source: ECCB

Figure 4: Half-Year Trends in Fiscal Operations



### 3.1 Debt

Driving the fiscal result was an 18.6 per cent increase in current revenue to \$424.1m, following the 2.4 per cent gain in the comparable period of 2021. Tax revenue accounted for the largest share of the increase, rising by \$39.8m, with taxes on goods and services and on international trade and transactions recording the largest gains (Figure 5A).

Non-tax receipts also grew by \$26.9m, as flows associated with the citizenship by investment programme (CBI) and dividends from non-financial enterprises showed strong growth. Despite a 7.8 per cent increase in transfers and subsidies, current expenditure declined by 3.8 per cent to \$306.9m (Figure 5B). Reduced outlays on personal emoluments (2.4 per cent) and goods and services (19.2 per cent), were the key explanatory factors.

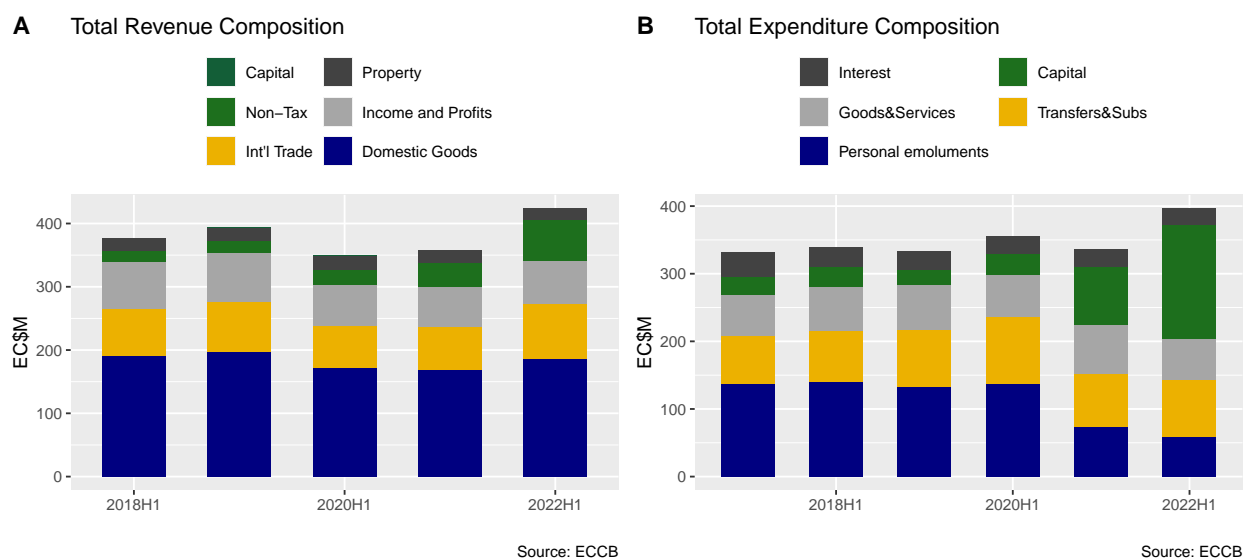


Figure 5: Half-Year Trends in the Composition of Revenue and Expenditure

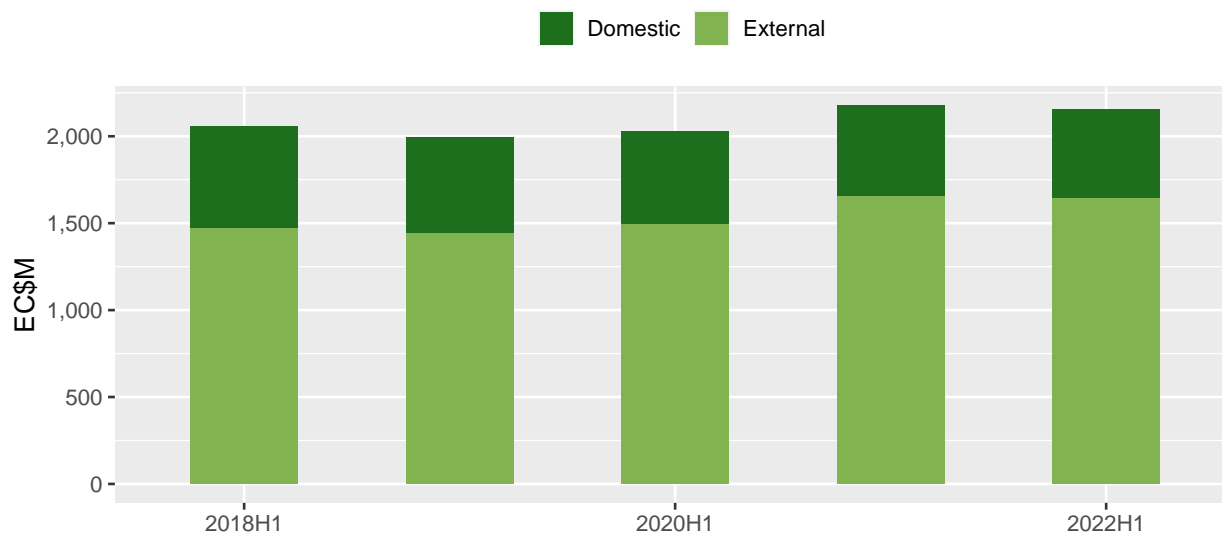
On the capital account, grants rose by 34.7 per cent to \$70.4m, supporting a near doubling of capital expenditure to \$169.9m. Grant inflows surpassed the 5-year average of \$28.8m, mainly on account of contributions into the National Transformation Fund from the CBI.

### 3.1 Debt

Consistent with the improved fiscal performance, the public sector debt portfolio fell by \$21.2m to \$2,155.1m over the balance as at June 2021. This was driven by a decline in both external and domestic debt (Figure 6). External debt, which accounts for 76.2 per cent of total debt, declined by 0.6 per cent (\$10.7m), moving from \$1,652.7m to \$1,641.9m, as the value of principal repayments marginally exceeded disbursements over the period (Figure 6). Similarly, total domestic debt registered a 2 per cent (\$10.5m) decline moving from \$523.6m to \$513.1m mainly due to RGSMS securities redemptions and amortization of existing domestic liabilities.



Public sector debt fell in 2022H1  
over the balance in the comparative period in 2021



Source: ECCB

Figure 6: Outstanding Public Sector Debt by Country

## 4 Banking Developments (Monetary)

Domestic claims (credit) expanded by 6.9 per cent to \$1,364.9m in the first half of 2022, down from the 41.3 per cent increase recorded over the comparable period in 2021 (See Figure 7). Credit to the private sector dominated the financial landscape, with claims growing by 2.7 per cent, albeit below the 3.6 per cent growth recorded one year earlier.

Additional analysis shows that the expansion in business credit slowed (1.6 per cent), while claims to households reversed course from 2021, growing by 3.5 per cent in the current period versus the contraction in the comparable period of 2021. By contrast, public sector lending fell by 26.7 per cent as debt owed to the Central Bank was repaid.

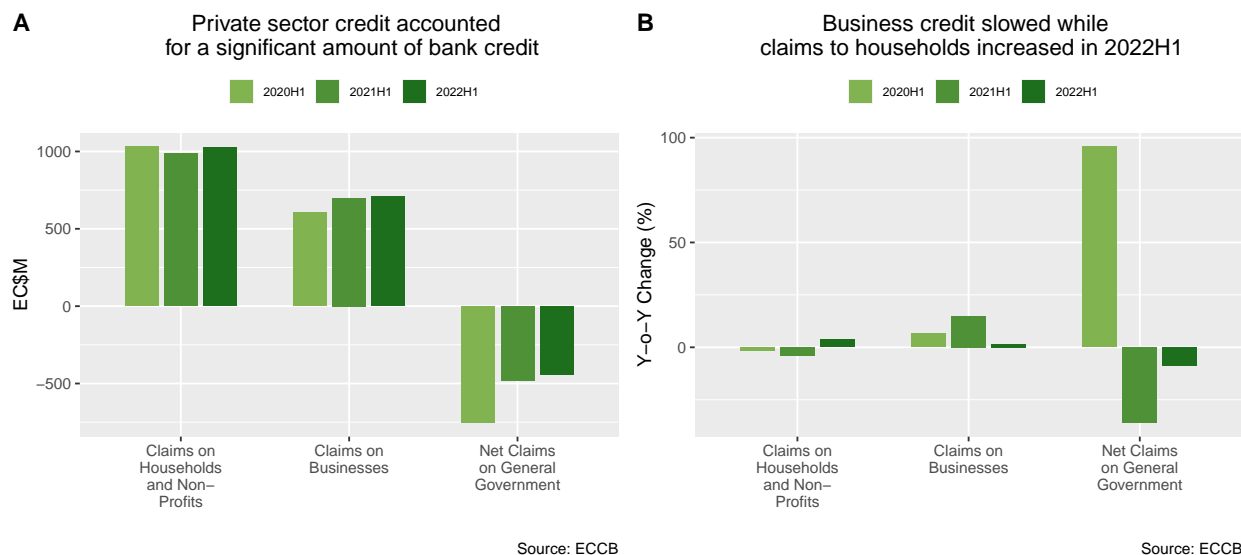


Figure 7: Claims to Selected Sectors

Consistent with the general uptick in economic activity, deposits in the banking system rose on aggregate. Broad money liabilities increased by 7.5 per cent, after expanding by 16.1 per cent in the previous year. This development reflected stronger growth in transferable deposits<sup>2</sup> in national currency (35.2 per cent) and foreign currency deposits (17.6 per cent) (Figure 8).

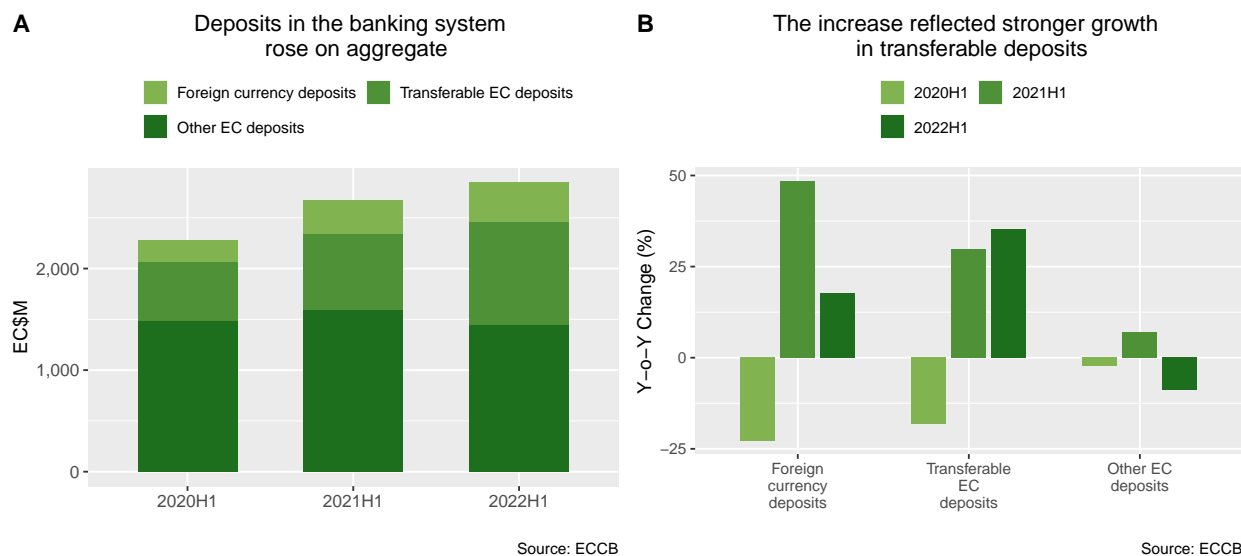


Figure 8: First Half-Yearly Trends in Domestic Deposits

Commercial banks' asset quality, represented by non-performing loans as a percentage of gross loans, inched up by 0.83 basis points to 3.4 per cent, but remained below the ECCB benchmark of 5.0 per cent. Meanwhile, the liquidity position improved, as the aggregate loans to deposits ratio declined by 150 basis points to 49.8

<sup>2</sup>Transferable deposits include chequing accounts and other demand deposits

per cent from 51.3 per cent in 2021.

## 5 External Trade

The trade deficit widened by 67.4 per cent, year-on-year, to \$850.3m, surpassing the previous 5-year average by 61.9 per cent (See Figure 9). Import payments surged above the previous year's total by 64.5 per cent to \$900.6m, reflecting greater domestic demand and higher global commodity and fuel prices. Export receipts returned to pre-pandemic levels amounting to \$50.3m as a result of greater inflows from agricultural and manufactured goods.

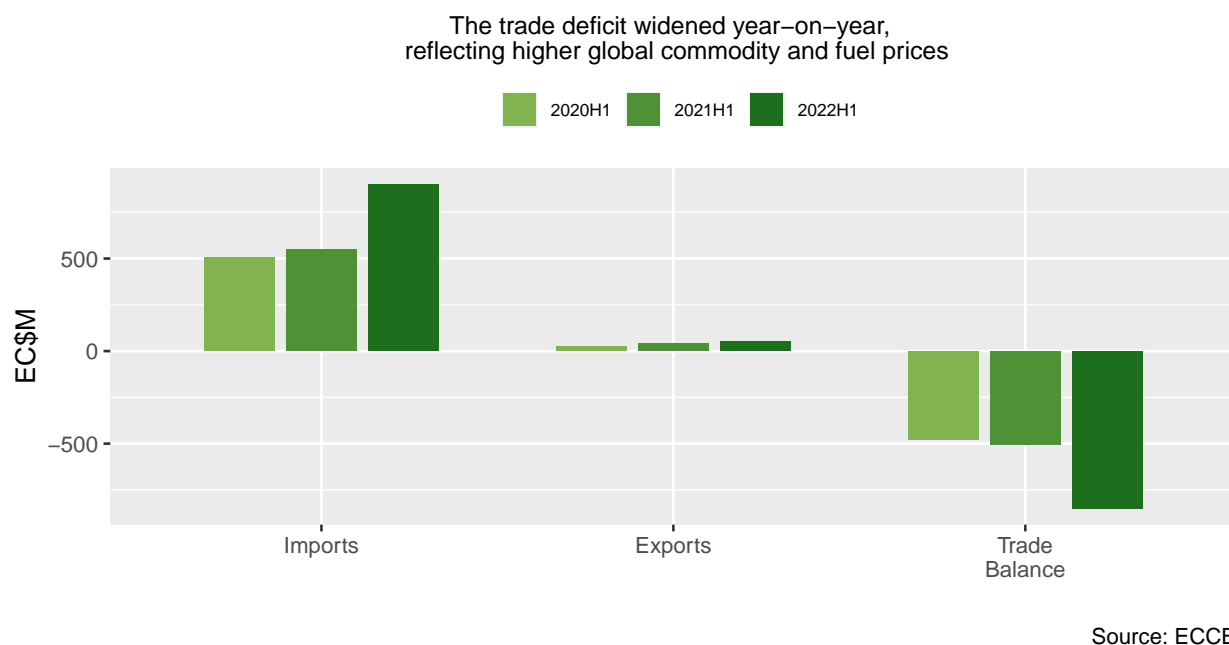


Figure 9: Selected Components in External Trade

## 6 Outlook

Grenada's economy is poised for continued recovery in 2022, premised on a number of factors to include:

- Greater demand for its tourism offerings;
- Increased agricultural and manufacturing activity;
- Higher levels of capital investments, as the new government pursues its transformation agenda. Notwithstanding, the ongoing recovery could potentially be derailed by some developing headwinds, which could dampen economic prospects for the rest of the year and over the medium term. These risks are varied and include, among others:
- Further escalation of the Russia-Ukraine war, potentially spilling over into NATO countries;



- Sustained inflationary pressures, which could further reduce real incomes and simultaneously increase costs for the productive sectors;
- The threat of recession in Grenada's major trading partners, as central banks tighten monetary policy to curb inflation;
- Inherent vulnerability to climatic shocks, including hurricanes, earthquakes and volcanic eruptions.

## 7 Selected Economic Indicators

Indicator	2018H1	2019H1	2020H1	2021H1	2022H1
Current Revenue (EC\$M)	376.9	393.5	349.0	357.5	424.1
Current Expenditure (EC\$M)	308.8	310.0	322.8	318.9	306.9
Current Balance (EC\$M)	75.0	95.4	37.3	57.9	117.2
Primary Balance (EC\$M)	96.3	118.3	56.8	49.2	42.4
Overall Balance (EC\$M)	68.0	91.0	31.2	23.9	17.7
Total Public Sector Debt (EC\$M)	2057.4	1995.9	2030.7	2176.3	2155.0
Inflation (Period Average %)	0.6	1.0	-0.5	0.7	2.1
Total Visitor Arrivals ('000)	314.6	321.2	209.0	11.2	172.3
Total Visitor Expenditure (EC\$M)	296.6	298.3	127.2	45.8	199.9
Net Foreign Assets (EC\$M)	1181.4	1445.8	1840.8	1894.0	2054.3
Domestic Credit (EC\$M)	1363.8	1300.5	904.1	1277.1	1364.9
M2 (EC\$M)	2463.0	2640.0	2430.9	2822.4	3034.3
Currency in Circulation (EC\$M)	175.9	176.1	201.4	206.7	249.3
Liquid assets to total assets	44.9	47.6	47.4	48.9	47.7
Liquid assets to short-term liabilities	49.0	51.6	53.4	55.6	52.9
Customer deposits to total (noninterbank) loans	169.7	175.1	179.6	184.1	185.5
Weighted Average Deposit Rate (%)	1.3	1.3	1.1	1.1	0.8
Weighted Average Lending Rate (%)	7.7	7.3	6.5	6.3	6.0
Interest Rate Spread (%)	6.4	6.1	5.4	5.2	5.2
Non-Performing Loans to Total Loans (%)	3.1	2.4	3.0	2.6	3.4



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