

ECONOMIC AND FINANCIAL REVIEW - JUNE 2021



GRENADA

The economy is expected to expand in 2021, predicated on more optimistic tourist arrivals in the second half of the year.

OVERVIEW



Economic activity in Grenada in the first half of 2021 was mixed. While several sectors such as agriculture, manufacturing and construction experienced growth, the tourism industry remained depressed.



The economy is expected to expand in 2021, predicated on enhanced tourist arrivals in the second half of the year, a resumption of in-person learning at St Georges University (SGU) and the roll-out of the public sector capital programme.

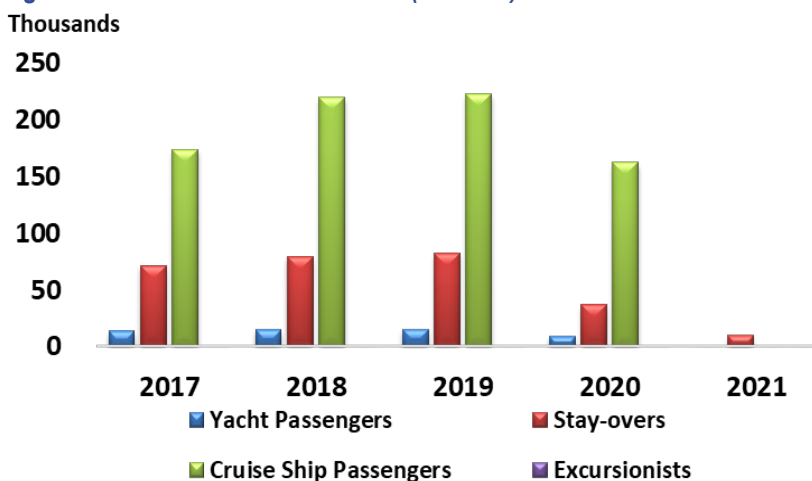


The COVID-19 pandemic remains a major downside risk.

REAL SECTOR

Economic activity in various sectors strengthened in the first half of 2021 coming from a recessionary base in 2020. There were expansions in output in the agriculture, fishing, manufacturing, mining and quarrying, and construction sectors. Growth in the agricultural sector was associated with increased production of bananas, cocoa, and fruits and vegetables. The manufacturing sector got a boost from the production of higher volumes of beverages, prepared animal feed, oxygen and paint. Construction imports rose by 37.4 per cent signifying an increase in construction activity. Public sector construction projects, along with activity in the private sector, were the catalyst for the expansion observed in the construction sector.

Figure 1 - Grenada Visitor Arrivals (Jan-Jun)

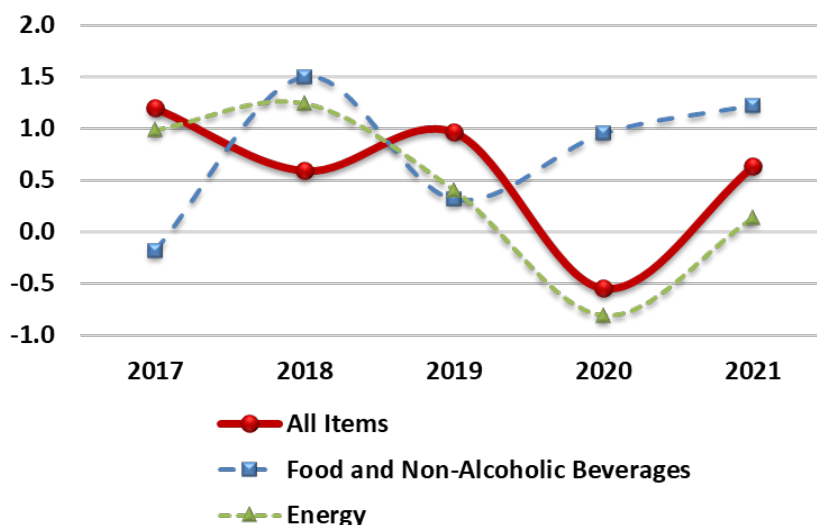


On the downside, the tourism industry continued to be hard hit by the COVID-19 pandemic. The total number of visitors amounted to 11,211, just 5.4 per cent of the amount recorded in the first half of 2020 (209,025) and 96.0 per cent below the recent 5-year average. Stay over arrivals fell by 73.1 per cent to 10,027, of which approximately 59.0 per cent came from the USA and 24.0 per cent were Grenadians residing abroad. Yacht passengers fell by 87.0 per cent to 1,184 (see Figure 1).

CONSUMER PRICES

The consumer price index (period average) rose by 0.8 per cent during the first half of 2021. Upward pressures stemmed from higher prices for food, alcoholic beverages, communication, health and education. During the same period last year, the consumer price index fell by 0.6 per cent (see figure 2).

Figure 2 - Grenada Consumer Price Index. Percentage Change (period average)

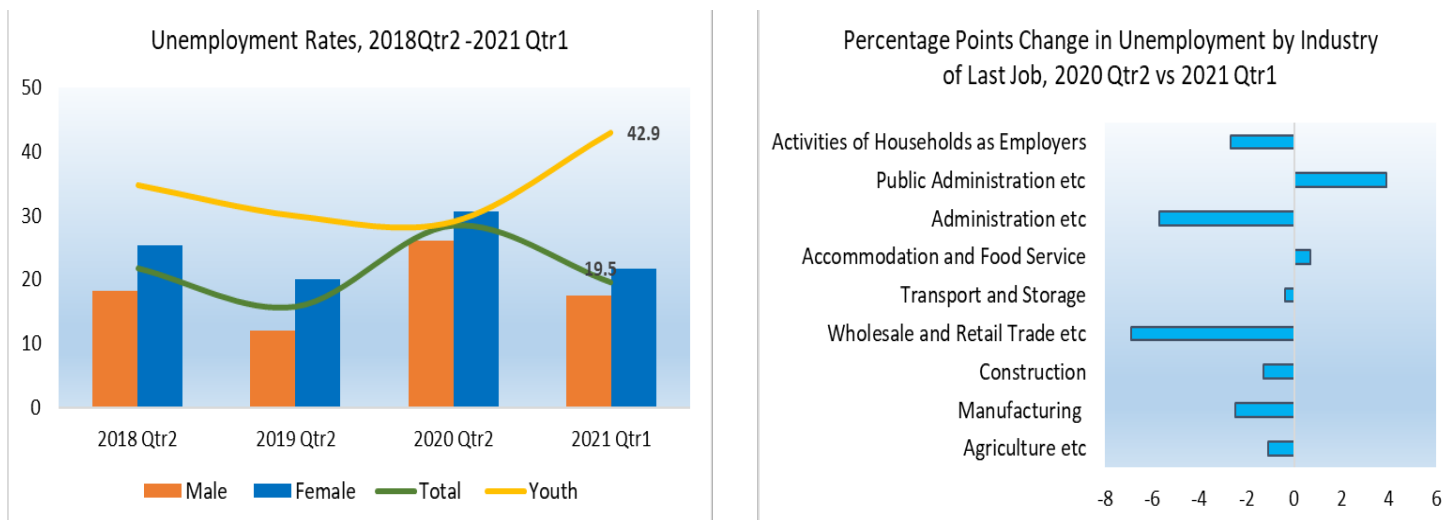


UNEMPLOYMENT

Labour market conditions improved in the first quarter of 2021, when compared with the second quarter of 2020 (see figure 3). The unemployment rate declined to 19.5 per cent from 28.4 per cent in the second quarter of 2020.

However, youth unemployment rose sharply to 42.9 per cent from 29.0 per cent, as the rate of absorption of new entrants fell by over 50 per cent, reflective of a pandemic induced cautious business environment. The gap between male and female unemployment narrowed over the referenced periods.

Figure 3 - Grenada Unemployment Indicators

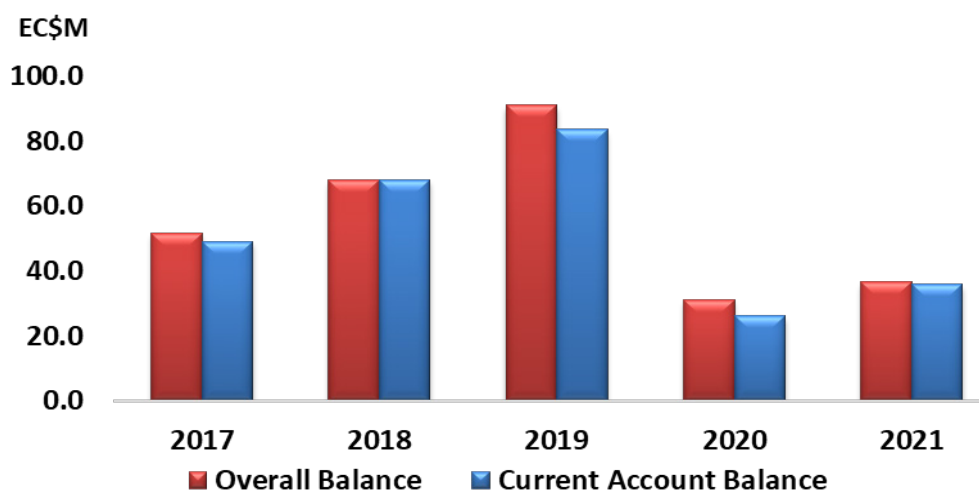


Source: Central Statistical office, Grenada

GOVERNMENT OPERATIONS (FISCAL AND DEBT)

The fiscal performance of the central government improved during the first six months of 2021. The overall fiscal balance increased to \$36.6m, up from the level obtained (\$31.2m) at the end of June 2020 (see figure 4).

Figure 4 - Grenada Public Finance (June)



Current revenue inched up by 1.3 per cent to \$353.4m, slightly below the 2016-2020 5-year average of \$360.2m, fueled by greater receipts from non-tax revenue. Non-tax revenue increased by \$11.4m to \$35.7m as Citizenship by Investment inflows surpassed the amount received a year ago. However, tax revenue continued to be impacted by lower domestic demand associated with the downturn in tourism and online learning by St Georges University. Tax revenue fell by 2.2 per cent to \$317.7m mainly due to lower receipts from taxes levied on domestic goods and services (see figure 5). Marginal decreases in revenue were also noted on income and profit, and property while higher levels were reported on international trade and transactions. Current expenditure fell by 1.6 per cent to \$317.7m reflecting a reduction in transfers and subsidies. This amount trended slightly upwards from the 5-year average by 3.9 per cent. Notable movements in current expenditure were increases in personal emoluments and goods and services (see figure 6). Consequently, the current account balance improved, rising by \$9.7m to \$35.9m.

On the capital account, grants rose by \$14.9m to \$52.2m, fueling a 59.5 per cent increase in capital expenditure to \$51.5m for the first half of 2021. These expenditures were the highest over the recent 5-year period.

The total outstanding public sector debt rose by \$145.6m to \$2,176.3m at the end of June 2021 (see figure 7). Central government debt increased by 7.6 per cent to \$2,112.6m while that of public corporations fell by 5.7 per cent to \$63.7m.

Figure 5 - Government Revenue Jan - June (EC\$M)

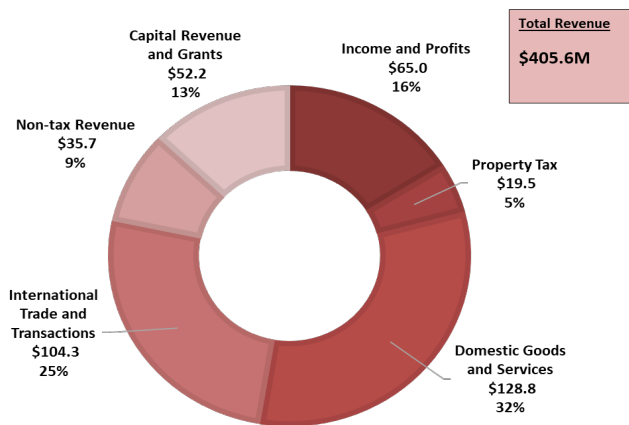


Figure 6 - Government Expenditure Jan-June (EC\$M)

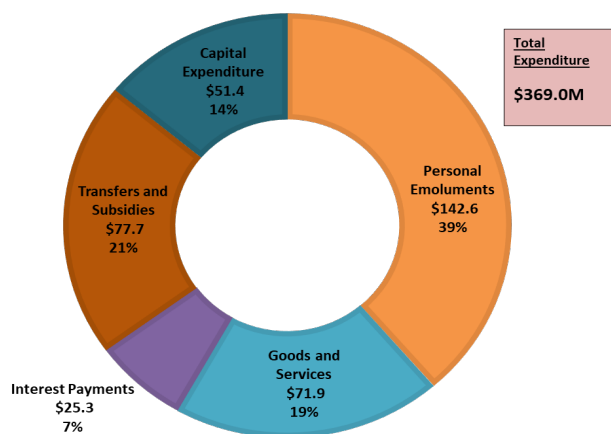
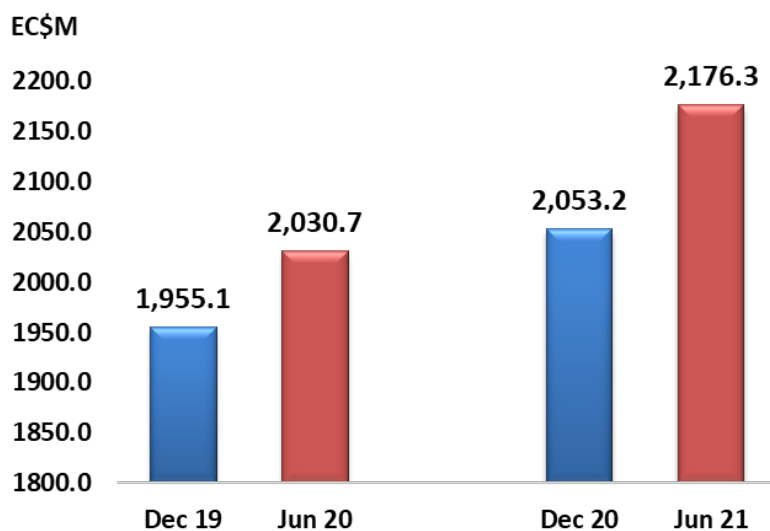


Figure 7 - Total Public Sector Debt (EC\$M)

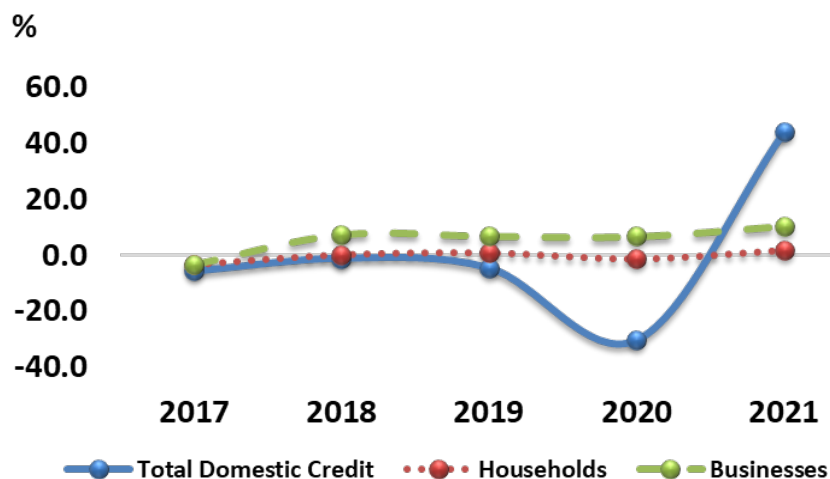


BANKING DEVELOPMENTS (MONETARY)

The net domestic assets of the banking system rose by 60.1 per cent to \$944.7m mainly because of government transactions. Net claims on the General Government fell to \$479.4m from \$754.0m at the end of June 2020 as a result of a significant drawdown of deposits in the amount of \$265.7m. Net claims averaged \$1.160.6m during the previous 5-years. Meanwhile, government borrowing rose on aggregate by \$9.0m associated with disbursements from the Central Bank while credit from depository corporations contracted. Domestic claims on the private sector advanced by 4.9 per cent as loans granted to both businesses (10.4 per cent) and households (1.7 per cent) grew (see figure 8). Growth was recorded in all categories of deposits year-on-year to June 2021: transferable deposits (\$170.6m), foreign currency deposits (\$109.6m) and other deposits (\$105.8m).

The asset quality of the banking system improved. This was evidenced by a reduction in the non-performing loans ratio to 2.6 per cent from 3.0 per cent at the end of June 2020.

Figure 8 - Grenada Domestic Credit Percentage Change (June)



EXTERNAL TRADE

Grenada's export performance improved in the first six months of the year. Total export receipts rose by \$14.9m to \$40.0m, led by greater receipts from the trade of nutmeg, cocoa and manufactured exports. The increase in import payments was less buoyant; rising by \$7.6m to total \$513.6m (see figure 9). Those movements in exports and imports gave rise to a 1.5 per cent decline in the trade deficit to \$473.6m. This was below the 5-year average trade deficit of \$504.1m.

Figure 9 - Grenada Visible Trade EC\$m (June)



OUTLOOK

The short-term economic outlook for Grenada is positive, with an increasing probability that the economy could return to growth in 2021 based on the following assumptions:

- Resumption of in-person learning at St Georges University (SGU) effective August 2021.
- A stronger performance of the tourism industry in the second half of the year supported by a recommencement of airlift from the United Kingdom.
- The execution of the public sector capital programme will continue to catalyze growth in the construction sector along with auxiliary sectors.
- Continued expansion in the agriculture, fishing, manufacturing, and mining and quarrying sectors.
- The fiscal position will continue to improve in line with the expected uptick in economic activity.

However, there are some downside risks to the forecast.

- Grenada remains vulnerable to climate change related risks and the now protracted COVID-19 pandemic, which could derail the forecasted positive outturn.
- Price pressures are likely to increase further in the latter half of the year influenced by unfavorable global commodity price developments.

TABLES

The five-year formatted tables for Grenada main economic sectors

- Table G1 - Central Government Fiscal Operations
- Table G2 - Monetary Survey
- Table G3 - Selected Trade Statistics
- Table G4 - Consumer Price Index
- Table G5 - Selected Tourism Statistics

Table G1
Grenada - Central Government Fiscal Operations
(In millions of Eastern Caribbean dollars)

	January to June					Average	Average
	2017	2018	2019	2020	2021	2015 to 2019	2016 to 2020
Current Revenue	354.04	376.91	393.53	349.00	353.40	346.40	360.24
Tax Revenue	338.20	358.71	373.60	324.72	317.67	327.65	340.84
Taxes on Income and Profits	75.54	74.43	78.25	65.47	65.02	69.88	72.52
Of which:							
Personal	31.52	33.20	38.06	35.25	34.05	32.30	33.94
Company/Corporation	44.01	41.23	40.19	30.23	30.97	37.58	38.59
Taxes on Property	17.67	19.60	20.33	21.59	19.51	17.65	38.59
Taxes on Domestic Goods and Services	142.10	149.60	154.89	135.86	128.82	138.22	142.06
Of which:							
Value-added Tax	114.41	123.84	125.54	111.10	102.49	113.54	116.38
Stamp Duties	3.52	1.56	2.11	2.16	0.08	2.23	2.25
Licences	10.49	11.38	12.58	11.79	13.68	10.73	11.16
Taxes on International Trade and Transactions	102.90	115.08	120.12	101.79	104.32	101.90	107.18
Of which:							
Import Duty	33.95	38.91	40.69	33.68	35.87	34.55	35.69
Customs Service Charge	24.48	29.01	30.05	25.20	26.61	25.59	26.29
Non-Tax Revenue	15.84	18.20	19.94	24.28	35.73	18.75	19.40
of which: Citizenship by Investment	2.43	1.96	3.78	8.17	14.18	3.81	3.59
Current Expenditure ^{1/}	305.00	308.77	310.05	322.84	317.55	286.22	305.52
Personal Emoluments	137.02	140.10	133.13	136.82	142.65	128.42	133.98
Goods and Services	61.48	66.14	66.07	62.27	71.88	56.59	62.61
Interest Payments	36.33	28.29	27.27	25.61	25.33	34.17	31.17
Domestic	5.95	5.34	4.98	5.33	5.25	6.80	6.00
External	30.38	22.95	22.29	20.28	20.08	27.37	25.17
Transfers and Subsidies	70.17	74.25	83.57	98.14	77.69	67.05	77.76
Of which: Pensions	17.47	19.12	22.29	23.81	23.66	18.04	19.72
Current Account Balance	49.05	68.14	83.49	26.16	35.86	60.18	54.72
Capital Revenue	-	-	-	-	-	0.02	0.00
Grants	29.68	30.08	31.17	37.29	52.23	34.29	34.09
Of which: Capital Grants	23.06	23.21	19.22	26.11	32.30	26.11	23.68
Capital Expenditure	27.13	30.24	23.67	32.26	51.45	45.80	33.20
Of which: Capital Expenditure	27.13	30.24	23.67	32.26	51.45	43.84	31.24
Primary Balance after grants	87.93	96.27	118.26	56.80	61.96	-	-
Overall Balance after grants	51.60	67.98	90.98	31.19	36.64	-	-
Financing	(51.60)	(67.98)	(90.98)	(31.19)	(36.64)	-	-
Domestic	(43.41)	(33.90)	(61.32)	(115.67)	(150.31)	-	-
ECCB (net)	5.76	6.48	(12.65)	(107.16)	(25.56)	-	-
Commercial Banks (net)	(58.68)	(54.21)	(29.45)	(110.02)	(112.50)	-	-
Other	9.51	13.83	(19.22)	101.51	(12.26)	-	-
External	(8.18)	(34.08)	(29.67)	84.48	113.68	-	-
Net Disbursements/(Amortisation)	(8.18)	(34.08)	(29.67)	84.48	113.68	-	-
Disbursements	37.59	14.78	16.40	127.77	161.35	-	-
Amortisation	45.77	48.86	46.07	43.29	47.68	-	-
Change in Government Foreign Assets	-	-	-	-	-	-	-
Arrears	-	-	-	-	-	-	-
Domestic	-	-	-	-	-	-	-
External	-	-	-	-	-	-	-
Other Financing	-	-	-	-	-	-	-

Source: Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and the ECCB

^{1/} Some reclassifications were made from January 2016 to reflect the New Chart of Accounts, where necessary

Data as at 17 November 2021

Table G2
Grenada- Monetary Survey
(EC\$M at end of period)

	2017	2018	2019	2020	2021 E	June Moving Averages	
	June	June	June	June	June	2015 - 2019	2016 - 2020
Net Foreign Assets	1,047.63	1,181.44	1,445.85	1,840.84	1,875.48	1,049.88	1,276.02
Claims On Non-Residents	1,613.98	1,741.53	2,071.73	2,216.65	2,325.54	1,622.77	1,813.97
Central Bank	557.79	520.50	626.59	862.12	880.02	539.78	620.03
Other Depository Corporations (Commercial Banks)	1,056.19	1,221.03	1,445.13	1,354.52	1,445.52	1,082.99	1,193.94
Liabilities To Non-Residents	566.35	560.09	625.88	375.81	450.06	572.89	537.94
Central Bank	0.64	0.10	0.08	0.09	36.00	5.32	1.66
Other Depository Corporations (Commercial Banks)	565.71	559.99	625.80	375.72	414.06	567.58	536.28
Net Domestic Assets	1,308.25	1,281.53	1,194.15	590.05	944.69	1,340.37	1,160.57
Domestic Claims	1,379.64	1,363.85	1,300.55	904.12	1,301.98	1,417.32	1,282.62
Net Claims On General Government	(209.42)	(260.94)	(385.23)	(754.01)	(479.38)	(219.78)	(356.42)
Claims On General Government	63.31	54.57	52.79	102.26	111.22	67.74	68.12
From Central Bank	0.61	0.03	-	-	35.87	5.24	1.59
From Other Depository Corporations	62.70	54.53	52.79	102.26	75.35	62.50	66.54
Liabilities To General Government	272.73	315.51	438.02	856.27	590.60	287.52	424.54
Claims On Other Sectors	1,589.06	1,624.79	1,685.78	1,658.13	1,781.36	1,637.10	1,639.04
Claims On Other Financial Corporations (Non-Bank Financial Institutions)	6.18	5.85	1.16	1.11	1.71	5.63	4.03
Claims On Public Non-Financial Corporations	47.34	46.56	68.56	18.63	60.37	50.95	44.03
Claims On Private Sector	1,535.55	1,572.39	1,616.06	1,638.39	1,719.28	1,580.53	1,590.98
Claims On Other Non-Financial Corporations (Business Credit)	497.16	533.48	569.37	606.92	670.09	521.43	544.51
Claims On Other Resident Sectors (Households and Non-profit institutions)	1,038.39	1,038.91	1,046.70	1,031.47	1,049.20	1,059.10	1,046.47
Other Items (Net)	(71.39)	(82.32)	(106.40)	(314.07)	(357.29)	(76.94)	(122.05)
Broad Money Liabilities (M2)	2,355.89	2,462.97	2,640.00	2,430.89	2,820.17	2,390.26	2,436.59
Narrow Money (M1)	689.45	771.15	828.72	720.97	894.83	705.30	734.00
Currency Outside Depository Corporations	129.78	134.29	128.08	148.05	151.35	127.57	132.84
Currency Issued By Central Bank (Currency In Circulation)	166.71	175.92	176.08	201.43	204.46	168.69	177.05
Less Holdings Of National Currency By Odc (Commercial Banks)	36.93	41.63	47.99	53.38	53.11	41.12	44.21
Transferable Deposits, In National Currency	559.67	636.86	700.63	572.92	743.48	577.73	601.17
Quasi Money	1,666.44	1,691.82	1,811.29	1,709.92	1,925.34	1,684.96	1,702.59
Other Deposits, In National Currency	1,478.79	1,504.80	1,518.30	1,483.96	1,589.75	1,495.52	1,491.92
Foreign Currency Deposits	187.66	187.02	292.98	225.96	335.59	189.44	210.67
Memo Items							
Liquidity Ratios							
Liquid assets to total assets	42.62	44.72	47.45	47.41	48.95	41.90	46.23
Liquid assets to short-term liabilities	46.56	49.01	51.56	53.36	n.a.	45.50	50.12
Customer deposits to total (noninterbank) loans	164.66	169.70	175.08	179.63	184.09	161.27	174.63
Weighted Average Interest Rate							
Total Deposits Rate	1.38	1.32	1.27	1.11	1.06	1.42	1.23
Lending Rate	8.19	7.68	7.35	6.54	6.29	8.11	7.21
Spread between reference lending and deposit rates (basis points)	6.80	6.36	6.08	5.43	5.23	6.69	5.98
Nonperforming loans to gross loans	5.25	3.06	2.37	3.04	2.56	6.31	3.26
Source: Eastern Caribbean Central Bank Data as at 06 August 2021							

Table G3
Grenada - Selected Trade Statistics
(Value: EC\$M; Volume: tonnes)

	January to June					Average 2015 to 2019	Average 2016 to 2020
	2017	2018	2019	2020	2021		
Visible Trade Balance	(470.24)	(580.09)	(586.76)	(480.94)	(473.59)	(487.89)	(504.09)
Total Imports	512.53	626.19	634.03	505.98	513.56	533.85	544.82
Total Exports	42.29	46.10	47.27	25.03	39.97	45.96	40.73
Re-Exports	2.33	3.31	2.35	3.45	2.10	2.91	2.92
Domestic Exports	39.97	42.79	44.92	21.58	37.87	43.06	37.81
Of Which:							
Nutmeg							
Volume	200.00	268.07	317.79	167.33	419.09	256.25	251.96
Value	4.32	5.80	6.39	2.77	7.40	5.84	5.36
Mace							
Volume	35.98	38.88	26.05	18.72	27.28	29.09	26.51
Value	0.96	1.16	0.76	0.54	0.82	0.83	0.76
Cocoa							
Volume	431.31	381.79	411.51	244.93	318.81	446.35	377.71
Value	4.69	4.19	4.50	2.62	3.49	4.90	4.10
Manufactured Exports							
Value	15.20	16.72	18.73	10.46	15.91	17.31	15.66

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and ECCB
 Estimates

Data as at 30 August 2021

Table G4
Grenada- Consumer Price Index
January 2010 = 100

	Period Average		January to June					Percentage Change*	
			Period Average					Jun-20	Jun-21
	January to December		2017	2018	2019	2020	2021	Dec-19	Dec-20
All Items	111.97	111.10	110.17	110.82	111.89	111.28	111.98	(0.58)	0.80
Food & Non-Alcoholic Beverages	116.71	117.94	114.22	115.94	116.31	117.41	118.85	4.90	6.58
Alcoholic Beverages, Tobacco and Narcotics	124.22	124.63	125.15	125.68	124.04	124.63	124.33	11.35	11.50
Clothing and Footwear	104.46	103.53	102.87	102.68	104.31	104.05	103.79	(7.03)	(6.92)
Housing, Utilities, Gas and Fuels	103.95	102.53	102.34	103.61	104.03	103.19	103.33	(7.80)	(7.34)
Household Furnishings, Supplies and Maintenance	111.63	111.47	111.61	111.16	111.61	111.63	111.37	(0.26)	(0.13)
Health	138.46	140.57	133.69	134.01	138.39	139.14	145.20	24.32	30.22
Transport	112.13	108.20	111.32	108.87	112.37	108.54	110.30	(3.02)	(1.08)
Communication	125.15	125.29	121.06	124.72	124.82	125.29	124.56	11.94	11.70
Recreation and Culture	111.98	112.30	110.94	111.99	111.91	112.16	112.73	0.21	1.09
Education	149.07	149.44	133.32	141.44	148.82	149.44	149.56	33.52	34.12
Hotels and Restaurants	100.92	104.06	99.32	99.32	99.32	104.06	104.06	(7.03)	(6.68)
Miscellaneous	107.44	107.46	107.29	106.89	107.44	107.53	108.24	(3.93)	(2.94)

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada

*January to June average index / January to December Average index of the previous year

Data as at 30 August 2021

Table G5
Grenada - Selected Tourism Statistics

	January to June					Average	Average
	2017	2018	2019	2020	2021	2015 to 2019	2016 to 2020
Total Visitors	259,960	314,580	321,168	209,025	11,211	284,603	279,449
Stay-Over Visitors	71,682	79,373	82,399	37,287	10,027	73,254	67,765
Of which:							
USA	25,898	31,406	31,488	14,581	5,873	26,266	25,390
Canada	6,508	7,234	8,908	3,647	163	7,040	6,466
United Kingdom	11,774	11,764	12,445	6,098	291	12,418	10,918
Caribbean	11,834	12,473	13,022	4,678	647	11,729	10,617
Other Countries	1,858	2,340	2,431	1,199	439	2,597	2,027
Excursionists	660	315	400	84	0	731	657
Cruise Ship Passengers	173,989	220,125	223,051	162,517	0	196,368	197,668
Yacht Passengers	13,629	14,767	15,318	9,137	1,184	14,249	13,359
Number of Cruise Ship Calls	156	155	161	99	0	148	145
Total Visitor Expenditure (EC\$M) ^{1/}	200.56	296.61	298.26	127.24	46.32	234.09	220.77

Source: Grenada Tourism Authorities

^{1/} Expenditure of stay over visitors and cruiseship passengers only

Data as at 30 August 2021

Table G6
Grenada - Selected Agricultural Production

Unit		January to June					Average 2015 to 2019	Average 2016 to 2020
		2017	2018	2019	2020	2021		
Bananas	(tonnes)	3,786	3,580	2,243	1,243	1,685	3,353	2,938
Cocoa	(tonnes)	453	462	517	439	594	519	471
Nutmeg	(tonnes)	374	274	332	298	292	305	305
Mace	(tonnes)	33	18	28	25	13	26	25

Source: Central Statistics Office, Ministry of Finance, Planning, Economy, Energy and Cooperatives, Grenada and ECCB Estimates
Data as at 30 August 2021



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