

# ECONOMIC AND FINANCIAL REVIEW - JUNE 2021



## SAINT CHRISTOPHER (ST KITTS) AND NEVIS

Economic activity in St Kitts and Nevis is projected to remain subdued in 2021 as the country continues to grapple with the COVID-19 pandemic.

# OVERVIEW



Following an unprecedented decline in the economy last year, economic activity in Saint Christopher (St Kitts) and Nevis remained subdued in the first six months of 2021.



The effects of the COVID-19 pandemic are anticipated to continue to weigh on output for the remainder of the year.

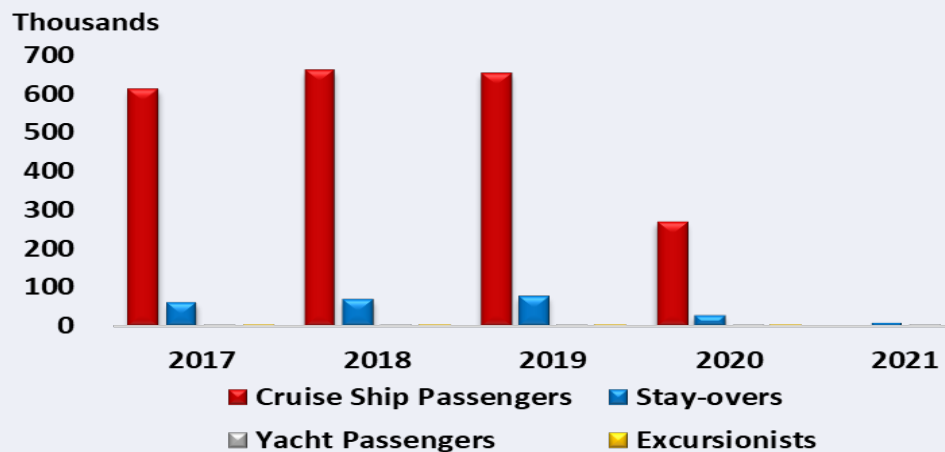


Pent up travel demand, supported by the recovery in advanced economies and fiscal support by the federal government could accelerate the economic recovery.

## ECONOMY (REAL SECTOR)

Muted economic activity in the first half of 2021 reflected declines in critical sectors of the economy, as COVID-19 and associated containment measures, continued to constrain economic activity. While activity is estimated to have remained below pre-pandemic levels in the construction sector, several private sector projects in the hotels sub-sector, including a luxury villa project at the Royal St Kitts Hotel and the Hillsboro Suites and Residences projects continue. Additionally, in the public sector, spending on the government's capital programme rose by 3.3 per cent.

*Figure 1 - Saint Christopher (St Kitts) and Nevis Visitor Arrivals (Jan-June)*



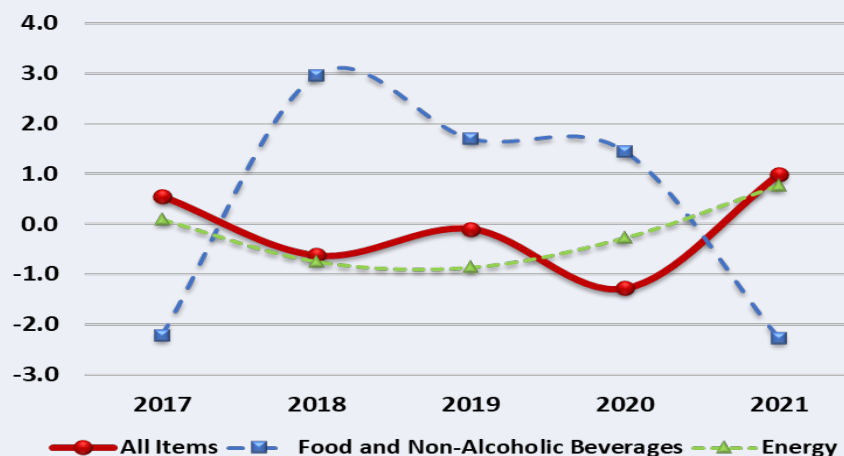
Activity in the tourism industry plummeted in the first six months of 2021, relative to the same period last year, as entry protocols for visitors remained stringent. The total number of visitor arrivals decreased by 97.9 per cent to 6,389, reflecting a decline in stay-over visitors from all source markets, yacht passengers and excursionists. Cruise passengers were absent, since there were no cruise calls (see figure 1). This total represents the lowest number of visitor arrivals recorded in the first half of any year in recent history.

Subdued activity in key productive sectors contributed to lower output in significant service sectors such as transport, storage, and communications.

Positive developments in other productive sectors, however, helped to buoy economic activity. Agricultural output increased in the first half of 2021, partially reflecting increased public investment targeted at boosting agricultural production. Total crop production rose by 25.0 per cent to 605.4 kilograms, above the past five years' average. Livestock production and output in the fishing sector, which also benefitted from increased public investment, rose. Production in the manufacturing sector also increased relative to the corresponding period of the previous year, as manufacturing plants remained open for most of the period and restrictions on movement eased.

The general price level increased in the first six months of 2021, a deviation from the deflationary pressures observed in recent years. More specifically, the consumer price index rose by 1.0 per cent, on a period average basis, a reversal of the 1.3 per cent decline recorded one year earlier (see figure 2). The inflationary pressures mainly reflected increases in the price of communication (7.4 per cent), transport (6.2 per cent), and housing, utilities, gas, and fuels (0.8 per cent).

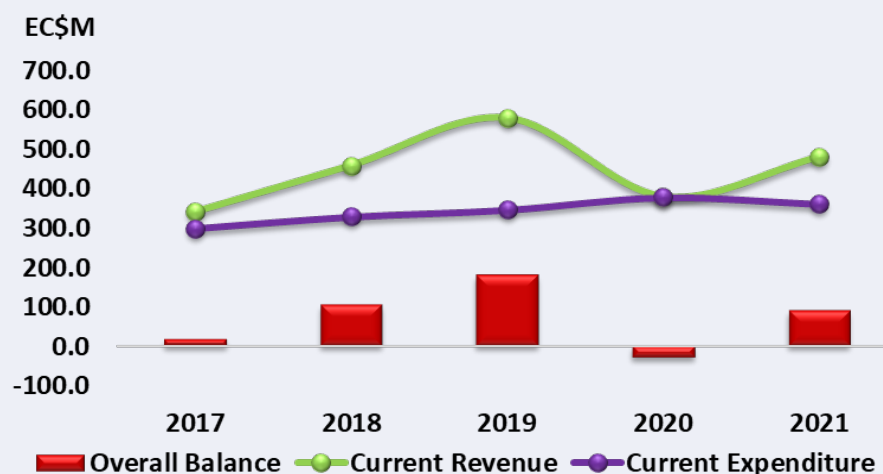
Figure 2 - Saint Christopher (St Kitts) and Nevis Consumer Price Index Percentage Change (period average)



## GOVERNMENT OPERATIONS (FISCAL AND DEBT)

In the first half of 2021, the government’s fiscal operations returned to its medium-term trend of a surplus position. An overall surplus of \$89.4m was recorded, following an overall deficit of \$28.3m in the corresponding period of 2020, when strict lockdown measures were first implemented (see figure 3).

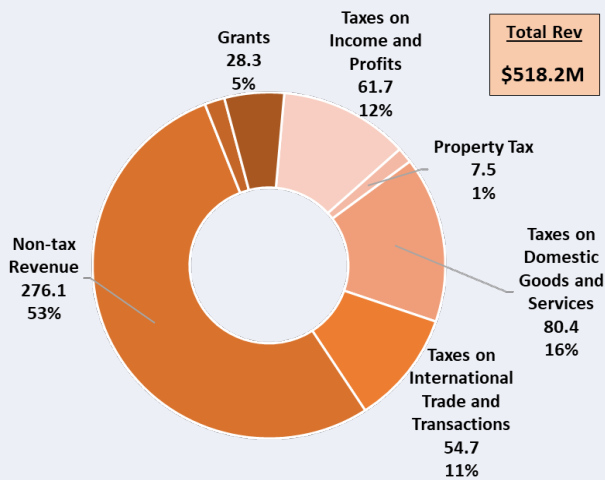
Figure 3 - Saint Christopher (St Kitts) and Nevis Public Finance (June)



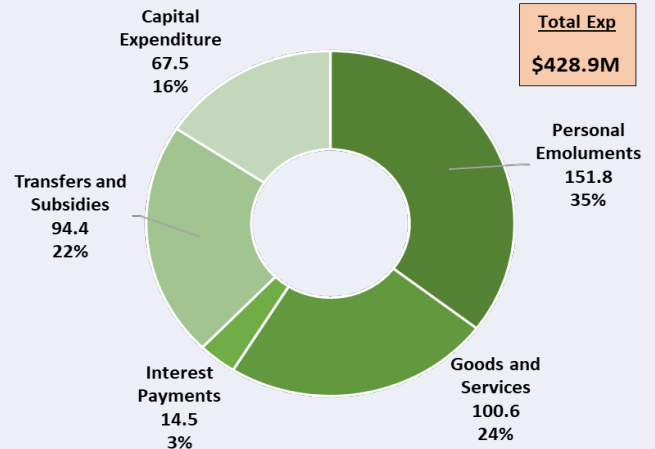
Developments on the current account mainly influenced the turnaround in the fiscal balance. Current revenue is estimated to have increased by 26.4 per cent to \$480.4m, associated with a 77.5 per cent expansion in non-tax revenue (Citizenship by Investment receipts being the most significant component). However, a 9.0 per cent contraction in tax revenue mitigated the rise in current revenue as economic activity remained slow (see figure 4). Meanwhile, current expenditure declined by 4.5 per cent to \$361.3m (see figure 5).

These developments led to a widening of the current account surplus from \$2.0m to \$119.0m in the first half of 2021, which is 18.8 per cent higher than the average surplus recorded in the past five years. On the capital account, expenditure rose by 3.3 per cent to \$67.7m.

**Figure 4 - Government Revenue, Jan-Jun 2021 (EC\$M)**

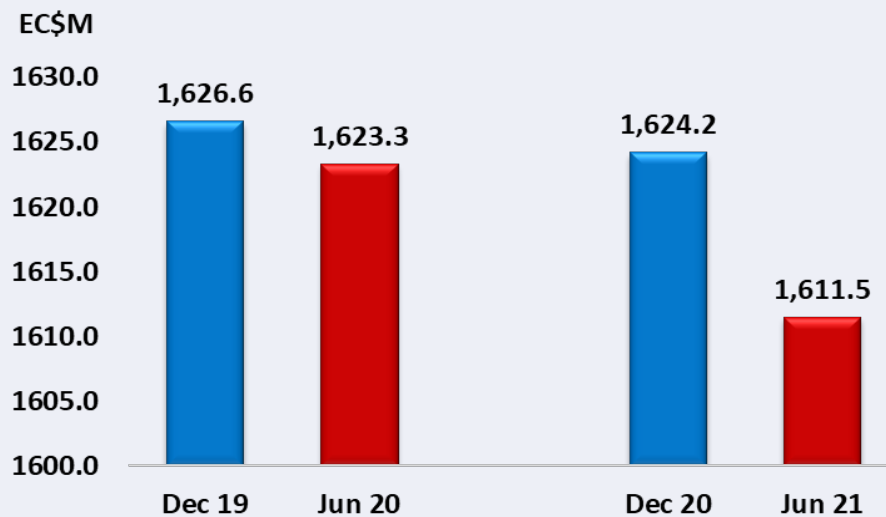


**Figure 5 - Government Expenditure, Jan-Jun 2021 (EC\$M)**



The total disbursed outstanding public sector debt decreased by 0.8 per cent to \$1,611.5m at the end of June 2021, as the government continued to service its obligations (see figure 6). The lower total debt level reflected declines of 0.7 per cent and 0.9 per cent in the indebtedness of central government and public corporations, respectively.

**Figure 6 - Total Public Sector Debt**



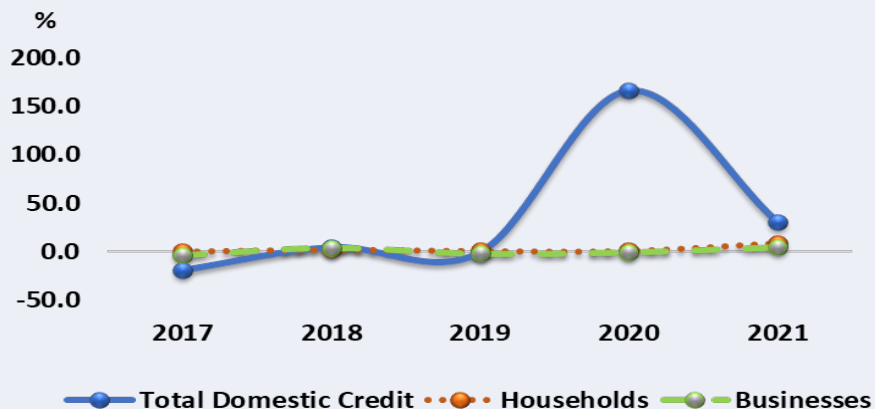
## BANKING DEVELOPMENTS (MONETARY)

Broad money liabilities (M2), which comprises currency in circulation and deposits, rose by 1.3 per cent to \$2,867.8m in the first six months of 2021. This increase mainly reflected an uptick in other deposits in national currency, but was partly mitigated by declines in transferrable deposits in national currency (mainly demand deposits and current accounts) and foreign currency deposits.

Domestic claims (credit) rose by 30.6 per cent to \$653.8 in the first half of 2021, nearly double the average domestic claims recorded over the past five years, as the government continued to draw down on its deposits amidst the pandemic. Hence, a 4.5 per cent decline in net liabilities (deposits) to the general government was observed. A

7.1 per cent increase in private sector claims, reflecting an uptick in both household (8.9 per cent) and business (4.1 per cent) claims, also contributed to the growth in domestic claims (see figure 7).

**Figure 7 - Saint Christopher (St Kitts) and Nevis Domestic Credit Percentage Change (June)**



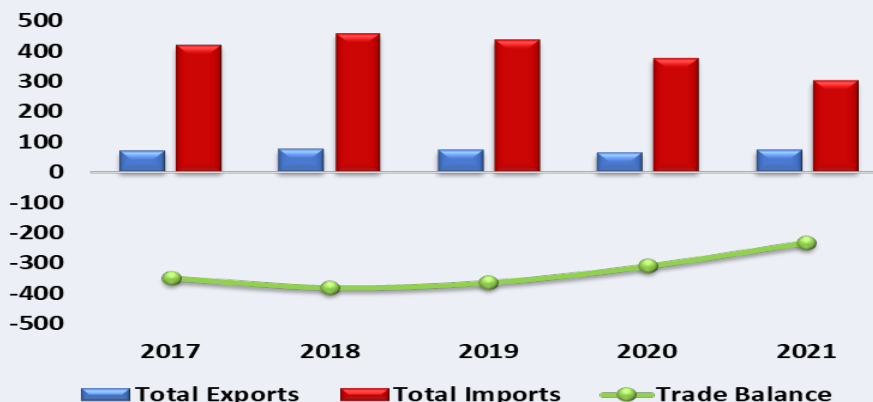
The ratio of nonperforming loans to gross loans in the banking sector stood at 24.4 per cent, 19.4 percentage points above the ECCB’s tolerable limit and 2.2 percentage points higher than the average ratio over the prior five years. Notwithstanding, the Federation’s banking system remained liquid at the end of June 2021.

## EXTERNAL TRADE

The merchandise trade deficit narrowed by 25.1 per cent to \$232.4m during the first half of 2021, the lowest trade deficit recorded in the past five years. This development was mainly driven by a contraction in import payments, partly associated with the decline in household and business incomes. An uptick in export receipts also contributed to the narrowing of the trade balance (see figure 8).

Consistent with the decline in visitor arrivals, gross travel receipts are estimated to have decreased by 82.7 per cent to \$20.3m in the first six months of 2021.

**Figure 8 - Saint Christopher (St Kitts) and Nevis Visible Trade (June)**



# OUTLOOK

Following an unparalleled contraction in 2020, economic activity in St Kitts and Nevis is projected to remain subdued in 2021 as the country continues to grapple with the COVID-19 pandemic.

- While activity in the tourism industry was muted in the first half of the year, tourist arrivals are expected to increase in the latter half, particularly in the last quarter, as vaccination rates rise and stringent entry protocols ease. Agricultural output and production in the manufacturing sector are expected to continue to expand. Ongoing public and private sector projects will contribute to construction activity in the last half of the year.
- Risks to this outlook are, however, skewed to the downside. Slower than expected vaccination rates and the emergence of new variants could delay containment of the virus globally, which could decelerate the Federation's rebound. St Kitts and Nevis also remain vulnerable to natural disasters, particularly in the second half of the year.
- On the upside, pent up travel demand and the economic recovery in advanced economies could accelerate demand for tourism services in St Kitts and Nevis and boost economic activity in the latter part of the year. Moreover, the continued fiscal support by the Federal Government could continue to bolster economic activity.

# TABLES

**The five-year formatted tables for Saint Christopher (St Kitts) and Nevis' main economic sectors**

- Table K1 - Central Government Fiscal Operations
- Table K2 - Monetary Survey
- Table K3 - Selected Trade Statistics
- Table K4 - Consumer Price Index
- Table K5 - Selected Tourism Statistics



**Table K1**  
**St Kitts and Nevis - Central Government Fiscal Operations**  
**(In millions of Eastern Caribbean dollars)**

	January to June					Average 2015 to 2019	Average 2016 to 2020
	2017	2018	2019	2020	2021		
<b>Current Revenue</b>	341.40	458.71	579.04	380.13	480.37	444.12	433.59
Tax Revenue	243.83	254.00	263.36	224.60	204.31	253.50	247.06
Taxes on Income and Profits	67.64	69.95	78.10	66.46	61.68	69.74	69.87
Of Which:							
Personal	26.17	24.78	25.62	24.96	22.71	25.69	25.56
Company/Corporation	31.71	33.41	40.60	31.83	33.57	33.84	33.85
Taxes on Property	7.55	8.79	8.96	3.62	7.54	9.45	7.94
Taxes on Domestic Goods and Services	98.05	100.45	102.07	90.99	80.38	102.50	98.68
Of Which:							
Licences	4.60	4.97	5.17	4.32	3.92	4.74	4.75
Value Added Tax	72.52	77.03	76.17	66.47	56.21	74.39	72.33
Stamp Duties	11.18	8.24	10.64	10.36	12.80	13.85	11.91
Unincorporated Business Levy	3.04	3.89	4.07	3.25	1.76	3.52	3.54
Island Enhancement Levy	2.52	2.52	2.64	1.69	0.44	2.58	2.34
Taxes on International Trade and Transactions	70.58	74.81	74.23	63.53	54.71	71.81	70.57
Of Which:							
Import Duty	30.69	33.28	33.35	30.07	27.11	30.77	31.59
Customs Service Charge	21.21	22.82	21.85	18.45	16.21	21.82	21.13
Excise Tax	7.03	6.62	7.00	4.93	5.66	8.70	6.92
Non-Refundable Duty Free Store Levy	2.41	3.27	2.99	1.80	0.34	2.65	2.46
Non-Tax Revenue	97.57	204.72	315.69	155.53	276.06	190.61	186.53
Of which: Citizenship by Investment	47.40	154.32	270.58	119.61	233.11	144.29	141.03
<b>Current Expenditure</b>	299.86	329.35	346.61	378.17	361.34	319.71	333.40
Personal Emoluments	140.52	142.54	147.87	150.64	151.81	138.81	143.70
Goods and Services	68.60	90.58	94.34	110.30	100.61	78.96	86.04
Interest Payments	21.99	21.24	17.76	18.19	14.50	21.51	20.27
Domestic	17.77	16.37	13.28	13.67	10.65	16.40	15.65
External	4.23	4.87	4.47	4.53	3.85	5.10	4.62
Transfers and Subsidies	68.74	75.00	86.64	99.04	94.41	80.43	83.39
Of Which: Pensions	18.23	19.52	23.85	24.19	25.57	18.74	20.47
<b>Current Account Balance</b>	41.54	129.36	232.44	1.96	119.04	124.40	100.20
<b>Capital Revenue</b>	4.60	5.46	3.75	3.22	9.52	4.24	4.02
<b>Grants</b>	32.76	23.42	20.69	31.80	28.34	26.66	26.17
Of which: Capital Grants	27.57	8.36	4.90	2.51	5.51	13.57	10.49
<b>Capital Expenditure and Net Lending</b>	59.89	52.50	77.64	65.27	67.52	60.13	55.73
Of which: Capital Expenditure	60.09	52.55	77.96	65.56	67.73	60.12	60.01
<b>Primary Balance after grants</b>	41.01	126.98	197.00	(10.11)	103.87	116.69	94.92
<b>Overall Balance after grants</b>	19.02	105.74	179.24	(28.30)	89.37	95.18	74.66
<b>Financing</b>	(19.02)	(105.74)	(179.24)	28.30	(89.37)	(95.18)	(74.66)
Domestic	(6.40)	(94.10)	(170.85)	38.87	(79.99)	(72.69)	(58.26)
ECCB (net)	(0.31)	5.39	40.97	(6.04)	19.65	13.54	5.19
Commercial Banks (net)	14.98	(103.59)	(45.62)	195.21	(53.09)	(203.46)	2.24
Other	(21.07)	4.10	(166.20)	(150.30)	(46.55)	117.23	(65.69)
External	(12.62)	(11.65)	(8.39)	(10.57)	(9.38)	(22.49)	(16.39)
Net Disbursements/(Amortisation)	(12.62)	(11.65)	(8.39)	(10.57)	(9.38)	(22.49)	(16.39)
Disbursements	0.61	0.14	1.82	1.44	1.94	0.81	0.91
Amortisation	13.23	11.79	10.21	12.01	11.32	23.30	17.30
Change in Government Foreign Assets	-	-	-	-	-	-	-
Arrears	-	-	-	-	-	-	-
Domestic	-	-	-	-	-	-	-
External	-	-	-	-	-	-	-
Other Financing	-	-	-	-	-	-	-

Source: Ministry of Finance, St Kitts and Nevis and ECCB Estimates  
Data as at 12 August 2021

**Table K2**  
**St Kitts and Nevis - 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
<b>Net Foreign Assets</b>	<b>2,494.66</b>	<b>2,511.00</b>	<b>2,584.10</b>	<b>2,549.46</b>	<b>2,580.02</b>	<b>2,511.05</b>	<b>2,537.54</b>
<b>Claims On Non-Residents</b>	<b>4,532.59</b>	<b>4,829.32</b>	<b>4,973.81</b>	<b>4,305.40</b>	<b>3,589.59</b>	<b>4,582.77</b>	<b>4,590.21</b>
Central Bank	913.98	964.34	897.36	1,049.91	972.58	897.89	950.54
Other Depository Corporations (Commercial Banks)	3,618.62	3,864.97	4,076.44	3,255.49	2,617.02	3,684.88	3,639.67
<b>Liabilities To Non-Residents</b>	<b>2,037.93</b>	<b>2,318.31</b>	<b>2,389.70</b>	<b>1,755.94</b>	<b>1,009.58</b>	<b>2,071.72</b>	<b>2,052.66</b>
Central Bank	10.62	8.90	39.70	39.37	28.03	17.24	21.87
Other Depository Corporations (Commercial Banks)	2,027.32	2,309.41	2,350.00	1,716.57	981.55	2,054.48	2,030.80
<b>Net Domestic Assets</b>	<b>500.56</b>	<b>396.65</b>	<b>371.58</b>	<b>281.34</b>	<b>287.77</b>	<b>518.07</b>	<b>427.87</b>
<b>Domestic Claims</b>	<b>181.37</b>	<b>189.67</b>	<b>188.26</b>	<b>500.73</b>	<b>653.75</b>	<b>213.24</b>	<b>256.86</b>
<b>Net Claims On General Government</b>	<b>(1,310.95)</b>	<b>(1,382.79)</b>	<b>(1,421.01)</b>	<b>(1,132.11)</b>	<b>(1,080.99)</b>	<b>(1,312.65)</b>	<b>(1,302.17)</b>
<b>Claims On General Government</b>	<b>354.71</b>	<b>350.09</b>	<b>355.53</b>	<b>370.38</b>	<b>405.30</b>	<b>347.20</b>	<b>354.75</b>
From Central Bank	-	-	30.44	29.90	27.49	6.86	12.07
From Other Depository Corporations	354.71	350.09	325.08	340.48	377.81	340.34	342.68
Liabilities To General Government	1,665.66	1,732.88	1,776.54	1,502.49	1,486.29	1,659.85	1,656.91
Claims On Other Sectors	1,492.33	1,572.46	1,609.27	1,632.85	1,734.74	1,525.89	1,559.03
Claims On Other Financial Corporations (Non-Bank Financial Institutions)	73.25	78.77	79.07	89.71	87.55	71.29	75.35
Claims On Public Non-Financial Corporations	36.21	73.01	110.30	115.56	117.74	58.49	74.27
Claims On Private Sector	1,382.87	1,420.68	1,419.91	1,427.58	1,529.45	1,396.11	1,409.42
Claims On Other Non-Financial Corporations (Business Credit)	516.60	534.67	524.87	522.06	543.52	522.32	526.38
Claims On Other Resident Sectors (Households and Non-profit institution)	866.27	886.01	895.04	905.52	985.92	873.79	883.03
<b>Other Items (Net)</b>	<b>319.18</b>	<b>206.99</b>	<b>183.32</b>	<b>(219.40)</b>	<b>(365.98)</b>	<b>304.83</b>	<b>171.01</b>
<b>Broad Money Liabilities (M2)</b>	<b>2,995.22</b>	<b>2,907.71</b>	<b>2,955.69</b>	<b>2,830.79</b>	<b>2,867.79</b>	<b>3,029.13</b>	<b>2,965.43</b>
<b>Narrow Money (M1)</b>	<b>594.63</b>	<b>583.57</b>	<b>623.10</b>	<b>604.88</b>	<b>605.81</b>	<b>619.48</b>	<b>612.95</b>
Currency Outside Depository Corporations	175.68	191.81	199.50	210.81	225.91	176.73	188.46
Currency Issued By Central Bank (Currency In Circulation)	199.24	213.86	222.81	239.65	244.83	200.06	213.05
Less Holdings Of National Currency By Odc (Commercial Banks)	23.56	22.05	23.31	28.84	18.92	23.33	24.59
Transferable Deposits, In National Currency	418.95	391.75	423.60	394.07	379.90	442.76	424.49
<b>Quasi Money</b>	<b>2,400.59</b>	<b>2,324.14</b>	<b>2,332.59</b>	<b>2,225.91</b>	<b>2,261.97</b>	<b>2,409.65</b>	<b>2,352.48</b>
Other Deposits, In National Currency	1,548.48	1,607.32	1,609.15	1,622.87	1,699.80	1,588.52	1,597.57
Foreign Currency Deposits	852.12	716.83	723.44	603.05	562.17	821.13	754.91
<b>Memo Items</b>							
<b>Liquidity Ratios</b>							
Liquid assets to total assets	59.41	60.17	61.00	59.06	53.10	58.23	58.55
Liquid assets to short-term liabilities	62.03	62.87	66.52	75.32	n.a.	62.18	66.68
Customer deposits to total (noninterbank) loans	254.76	238.70	234.62	203.95	190.37	250.29	224.48
<b>Weighted Average Interest Rate</b>							
Total Deposits Rate	1.75	1.66	1.68	1.93	1.97	1.81	1.80
Lending Rate	8.48	8.35	7.98	7.22	6.94	8.37	7.80
Spread between reference lending and deposit rates (basis points)	6.73	6.69	6.30	5.29	4.97	6.56	6.00
<b>Nonperforming loans to gross loans</b>	<b>16.42</b>	<b>19.95</b>	<b>25.13</b>	<b>25.02</b>	<b>24.39</b>	<b>18.55</b>	<b>22.18</b>

Source: Eastern Caribbean Central Bank  
Data as at 06 August 2021

**Table K3**  
**St Kitts and Nevis - Selected Trade Statistics**  
**(Value: EC\$M)**

	January to June					Average	Average
	2017	2018	2019	2020	2021	2015 to 2019	2016 to 2020
Visible Trade Balance	(349.45)	(381.45)	(364.80)	(310.45)	(232.43)	(357.97)	(357.31)
Total Imports <sup>/1</sup>	417.71	456.92	436.34	375.19	303.11	430.10	427.40
Total Exports	68.26	75.47	71.55	64.74	70.68	72.13	70.09
Total Domestic Exports	52.96	57.49	52.82	50.41	56.11	55.75	52.35
Total Re-Exports	15.30	17.98	18.73	14.33	14.57	16.39	17.74

Source: Statistics Department, Sustainable Development, St Kitts

<sup>/1</sup> Excludes some fuel imports

**Data as at 12 August 2021**

**Table K4**  
**St Kitts and Nevis - Consumer Price Index**  
**January 2010 = 100**

	Period Average		January to June							Percentage Change*	
			Period Average							Jun-20	Jun-21
	January to December	2019	2020	2017	2018	2019	2020	2021	Dec-19	Dec-20	
<b>All items</b>	<b>105.88</b>	<b>104.64</b>	<b>106.89</b>	<b>106.22</b>	<b>106.12</b>	<b>104.76</b>	<b>105.80</b>		<b>(1.07)</b>	<b>1.11</b>	
Food and Non-Alcoholic Beverages	102.56	103.01	97.31	100.19	101.89	103.36	101.00		0.78	(1.95)	
Alcoholic Beverages, Tobacco & Narcotics	122.07	122.87	123.69	120.35	124.01	123.55	118.65		1.21	(3.43)	
Clothing and Footwear	120.04	118.13	117.14	118.99	120.95	118.18	110.50		(1.55)	(6.45)	
Housing, Utilities, Gas and Fuels	99.29	99.05	100.93	100.18	99.32	99.05	99.82		(0.24)	0.77	
Household Furnishings, Supplies and Maintenance	109.22	108.12	108.94	108.95	109.71	108.50	107.46		(0.67)	(0.62)	
Health	107.07	106.89	109.04	107.63	107.50	106.23	106.17		(0.78)	(0.68)	
Transport	106.81	98.87	114.88	109.43	108.18	99.04	105.21		(7.27)	6.41	
Communication	107.36	111.51	106.62	106.90	106.91	110.63	118.01		3.05	5.83	
Recreation and Culture	108.02	109.83	107.95	105.94	107.71	109.95	111.28		1.79	1.32	
Education	118.92	113.51	129.54	127.04	121.13	113.44	113.67		(4.60)	0.14	
Hotels and Restaurants	115.86	114.64	116.52	117.01	116.23	114.83	114.72		(0.89)	0.07	
Miscellaneous Goods and Services	107.90	109.50	106.85	108.01	108.07	108.76	108.49		0.79	(0.92)	

Source: Central Statistics Department, Sustainable Development, St. Kitts

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

Data as at 12 August 2021

**Table K5**  
**St Kitts and Nevis - Selected Tourism Statistics**

	January to June					Average 2015 to 2019	Average 2016 to 2020
	2017	2018	2019	2020	2021		
Total Visitors	678,384	732,109	731,263	298,810	6,389	661,603	605,997
Stay-Over Visitors	60,477	66,443	74,417	27,874	6,314	65,972	58,490
Of which:						41,054	36,399
USA	36,750	41,340	47,564	17,777	5,136	4,236	3,882
Canada	4,048	4,250	4,357	2,517	187	5,043	4,417
UK	5,021	4,491	5,204	2,062	113	1,414	1,320
Caribbean	11,289	13,233	13,437	4,094	591	12,199	10,741
Other Countries	3,369	3,129	3,855	1,424	287	2,026	1,731
Excursionists	2,102	2,220	2,055	973	67	2,099	1,912
Cruise Ship Passengers	612,685	661,550	651,532	267,562	-	590,831	542,989
Yacht Passengers	3,120	1,896	3,259	2,401	8	2,701	2,605
Number of Cruise Ship Calls	262	356	293	165	-	-	-
Total Visitor Expenditure (EC\$M)	223.32	289.50	315.93	117.08	20.29	246.12	117.08

Source: Central Statistics Department, St Kitts; and Central Statistics Office, Nevis and ECCB Estimates

**Data as at 12 August 2021**



Eastern Caribbean Central Bank  
P O Box 89  
Bird Rock  
Saint Christopher (St Kitts) and Nevis  
**Tel No:** 1 869 465 2537  
**Email:** [info@eccb-centralbank.org](mailto:info@eccb-centralbank.org)  
**Website:** <https://www.eccb-centralbank.org>  
Visit us on social media: ECCB Connects

