

**SAINT  
CHRISTOPHER  
AND NEVIS  
DECEMBER 2022**



**ECONOMIC AND  
FINANCIAL REVIEW**

**Eastern Caribbean Central Bank**



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**ANNUAL REVIEW**

**SAINT CHRISTOPHER  
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**EASTERN CARIBBEAN CENTRAL BANK**





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# Saint Christopher and Nevis Annual Economic and Financial Review - 2022

Eastern Caribbean Central Bank

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## Overview

- Following a marginal decline in economic activity last year, preliminary data indicate that the real GDP of Saint Christopher (St Kitts) and Nevis increased by 7.7 per cent in 2022, as the country recovered from the COVID-19 pandemic.



- Economic activity is projected to continue to recover in 2023, as tourism continues to rebound and the implementation of key infrastructure projects by the government advances.

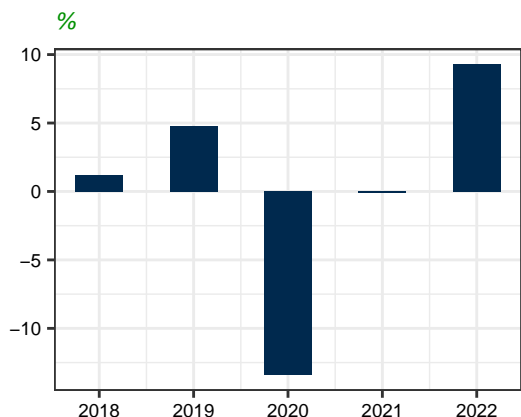
## The Economy (Real Sector)

Following a marginal economic contraction in 2021, activity recovered in 2022, as the government fully opened the economy and eased COVID-19 and associated containment measures. Preliminary estimates point to an upturn of 7.7 per cent, reflecting increases in major sectors of the economy (Figure 1).

- The Federation's growth prospects are however, subject to significant risks including the reduction in Citizen by Investment funds, Russian-Ukraine war, rising inflation and adverse weather.



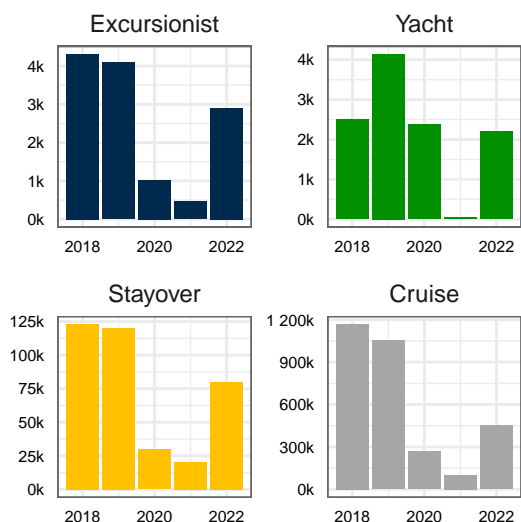
**Figure 1: Real GDP Growth Rates (%)**



Source: ECCB

Most notably, value added in the hotels and restaurants sector expanded by 124.5 per cent reflecting a robust increase in visitor arrivals, due to the removal of travel restrictions and measures imposed to contain the COVID-19 virus. Specifically, total visitor arrivals rose four-fold to 537,308 during the year (Figure 2). This development had positive knock-on effects in supporting sectors including transport, storage and communication and wholesale and retail, expanded by 21.2 per cent and 30.0 per cent respectively.

**Figure 2: Visitor Arrivals by Category**



Source: ECCB

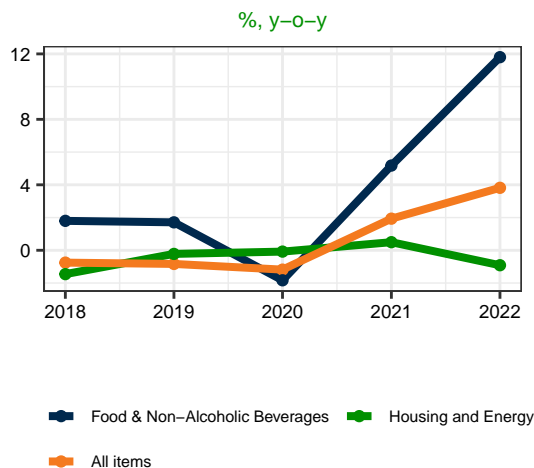
Growth was also recorded in the value added for finan-

cial intermediation, public administration, and construction among others. The increase in economic activity was however, moderated by adverse developments in the agriculture, livestock and forestry sector declined by 6.1 per cent.

## Consumer Prices

Inflationary pressures continued in Saint Christopher (St Kitts) and Nevis during 2022, amid rising global prices. The consumer price index, which measures the rate of inflation, rose by 3.8 per cent, compared with an increase of 1.9 per cent in the previous year (Figure 3). Inflationary pressures were underpinned by an increase in the prices of food, and non-alcoholic beverages (11.8 per cent); transport (9.9 per cent) and alcoholic beverages, tobacco and related items (8.4 per cent).

**Figure 3: Selected Categories of Inflation**



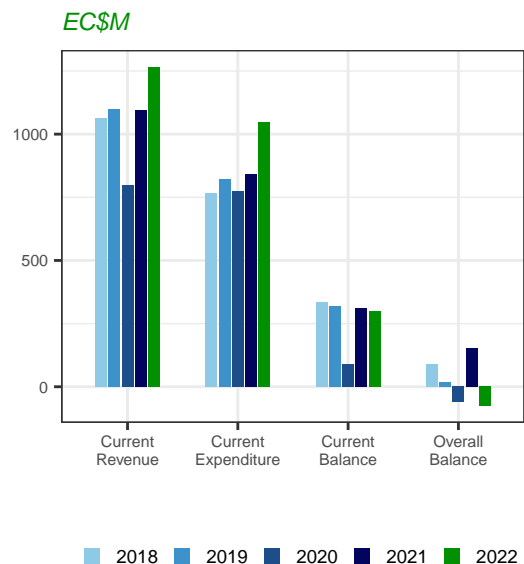
Source: ECCB

## Government Operations

The government's fiscal operations recorded a deficit position in 2022, as depicted in Figure 4. More specifically, an overall deficit of \$75.3m (2.8 per cent of GDP) was recorded, following an overall surplus of \$150.5m (6.5 per cent of GDP) observed in the previous year.



**Figure 4: Central Government Fiscal Balance**



Source: ECCB

Developments on the capital account mainly influenced the turnaround in the fiscal balance. Capital expenditure grew by 102.3 per cent to \$391.0m (14.8 per cent of GDP) on account of the government re-purchasing land for over \$200m in June 2022. Current revenue increased by 15.6 per cent to \$1,265.9m (47.9 per cent of GDP), associated with a 17.5 per cent expansion in non-tax revenue. This outturn was largely driven by a 25.0 per cent increase of Citizenship by Investment receipts. Also, tax revenue which started to rebound, grew by 12.7 per cent to \$497.4m, slightly above the five-year average of \$496.0m. Meanwhile, current expenditure rose, by 24.5 per cent to \$1,048.8m (39.7 per cent of GDP) mainly influenced by an increase of 15.8 per cent in personal emoluments and a \$15.8m subsidy for utilities as the government protected consumers from the rising cost in electricity. These developments led to a narrowing of the current account surplus to \$297.1m (11.2 per cent of GDP) from \$310.5m (13.4 per cent of GDP) in 2021, which is above the average surplus recorded in the past five years

### Debt

As depicted in Figure 5, the total disbursed outstanding public sector debt<sup>1</sup> decreased by 0.4 per cent to \$1,594.9m (60.2 per cent of GDP) at the end of De-

<sup>1</sup>Includes ECCB estimates for June 2022

ember 2022, as the government continued to service its obligations. The lower total debt level reflected a decline of 2.5 per cent (\$12.6m) in the indebtedness of public corporations. The decrease was partly offset by the debt of the central government that grew by 0.5 per cent (\$5.5m). Over the past five years, domestic debt averaged 77.2 per cent of the country's total debt portfolio which expanded annually on average by 5.5 percentage points relative to external debt.

**Figure 5: Outstanding Public Sector Debt**

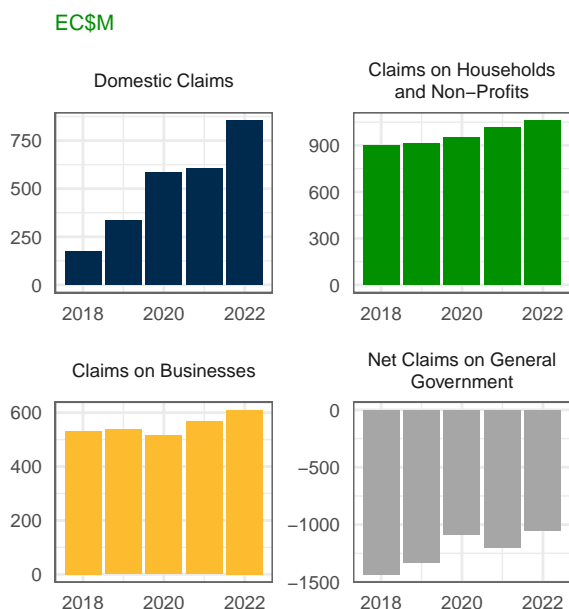


Source: ECCB

### Banking Developments (Monetary)

Broad money liabilities (M2) rose by 3.7 per cent to \$3,129.9m at the end of 2022. This increase reflected an uptick in foreign currency deposits, and currency in circulation. Domestic claims (credit) expanded by 41.4 per cent to \$854.9m at the end of 2022 (Figure 6), more than double the average domestic claims recorded over the past five years. This outturn was mainly influenced by 12.3 per cent increase in claims on the government as well as a 5.8 per cent in claims on the private sector, which constitutes the largest proportion of claims. Also, the reduction in the liabilities to general government (9.3 per cent) aided the overall rise in domestic claims.

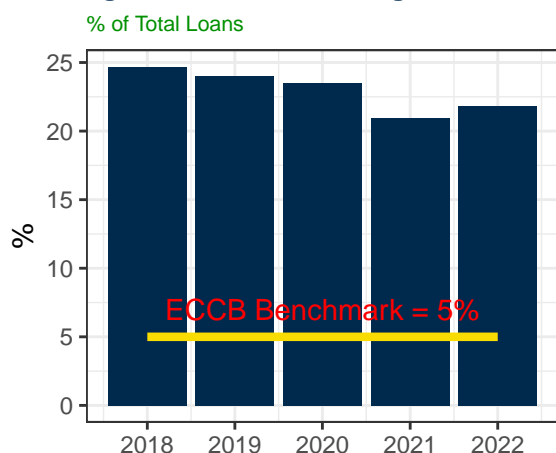
**Figure 6: Claims (Credit) to Selected Sectors**



Source: ECCB

The ratio of nonperforming loans to gross loans in the banking sector stood at 21.8 per cent (Figure 7), 16.8 percentage points above the ECCB’s tolerable limit and 0.4 percentage points higher than the average ratio over the prior five years. Notwithstanding the high level of impaired assets, the Federation’s banking system remained liquid at the end of December 2022. The ratio of net liquid assets to total deposits stood at 54.7 per cent, well above the ECCB minimum benchmark of 20.0 per cent.

**Figure 7: Non-Performing Loans Ratio**



Source: ECCB

## External Trade

The merchandise trade deficit grew by 39.6 per cent to \$800.8m (30.3 per cent of GDP) in 2022, the highest trade deficit recorded in the past five years (Figure 8). The larger deficit was mainly due to an expansion in import payments, as demand increased given the reopening of the domestic economy fully. Also, lower export receipts contributed to the growth in the deficit. Consistent with the uptake in visitor arrivals, gross travel receipts are estimated to have increased to \$311.1m in 2022 from \$77.0m in 2021.

**Figure 8: Selected Categories of External Sector**



Source: ECCB

## Outlook

Following an expansion in 2022, further growth in economic activity in Saint Christopher (St Kitts) and Nevis is projected in 2023, underpinned by investments in key projects by the private and public sectors and an anticipated uptick in visitor arrivals.

- Activity in the tourism industry is expected to pick up, as global travel continues to rapidly increase after most countries have eased all COVID-19 protocols. Notwithstanding this, challenges to regional travel could constrain growth in the regional tourism market. Agricultural output is also likely to expand owing to greater investment in food secu-





rity.

- In addition, activity in the construction sector is expected to accelerate as the Government continues its infrastructural projects and launch its housing projects. Also, private sector housing projects continue in 2023 namely Residences at Dewar a TDC project. These developments are anticipated to have positive knock-on effects on supporting service sectors.
- The Federation's growth prospects are, however, subject to major downside risks. These include the

geopolitical tensions associated with the Russian-Ukraine war, rising commodity prices stemming from geopolitical tensions and supply chain disruptions, challenges to regional travel and lower than expected inflows from the Citizenship by Investment Programme. Saint Christopher (St Kitts) and Nevis also remains vulnerable to adverse weather.

- On the other hand, continued fiscal support by the Federal Government and faster than expected global growth may augur well for this outlook.



## Selected Economic Indicators

Indicators	2018	2019	2020	2021	2022
<b>National Income and Prices (Annual % change)</b>					
Nominal Gross Domestic Product (GDP) at Market Prices	1.7	2.9	-20.2	-2.7	13.8
Real GDP at Market Prices	2.1	4.0	-14.5	-0.9	7.7
Deflator	0.0	-1.6	-8.4	-2.3	4.1
Consumer Prices (end of period)	-0.8	-0.8	-1.2	1.9	3.8
Consumer Prices (period average)	-1.0	-0.3	-1.2	1.2	2.7
<b>Real Gross Value Added (GVA) at basic prices (%)</b>					
Agriculture, Livestock and Forestry	-6.4	12.0	-9.5	6.5	-6.1
Construction	-11.7	14.5	-11.1	4.1	1.0
Wholesale and Retail Trade	10.0	1.4	-21.6	-3.7	30.0
Hotels and Restaurants	1.3	-2.0	-63.1	-17.6	124.5
Transport, Storage and Communications	3.1	6.4	-15.1	-4.1	21.2
Financial Intermediation	3.2	3.6	-3.3	3.7	2.3
Real Estate, Renting and Business Activities	2.3	2.5	-3.6	1.9	5.9
Public Administration, Defence & Compulsory Social Security	3.5	4.9	-1.7	-0.7	4.0
<b>Total Public Sector Debt (% GDP)</b>					
Total Public Sector Debt	53.8	54.3	68.0	69.0	60.2
Public Sector External Debt (end-of-period)	13.8	12.8	15.4	14.8	12.7
<b>Central Government (in XCD millions)</b>					
Current Account Balance	334.3	318.4	90.6	310.5	297.1
Current Revenue	1,064.7	1,097.3	798.1	1,095.5	1,265.9
Current Expenditure	767.8	820.5	774.0	842.7	1,048.8
Capital Expenditure and Net Lending	303.5	332.0	178.8	192.9	390.9
Overall Fiscal Balance	88.0	17.5	-61.0	150.5	-75.3
<b>Monetary Sector (% p.a.)</b>					
Weighted Deposit Interest Rates	1.7	1.7	2.0	1.8	1.7
Weighted Lending Interest Rates	8.1	7.9	7.0	6.8	6.8
Non-Performing Loans Ratio (%)	24.7	24.0	23.5	20.9	21.8
<b>Memo (in XCD millions, unless otherwise stated)</b>					
Nominal GDP at Market Prices	2,907.7	2,991.2	2,388.2	2,324.3	2,643.9
Real GDP at Market Prices	2,310.1	2,403.6	2,054.3	2,036.2	2,192.2
GDP per capita (EC\$)	52,292.9	53,626.3	42,335.1	41,123.6	46,555.4
Merchandise Imports (f.o.b)	903.2	912.8	733.0	701.2	880.3
Merchandise Exports	146.4	155.7	140.7	127.4	79.5
Gross Visitor Expenditure	528.6	509.7	122.9	77.0	311.1
Net Foreign Assets	2,368.6	2,554.5	2,542.9	2,794.2	2,582.5
Domestic Credit	172.2	334.1	585.6	604.4	854.9
Money Supply (M2)	2,857.6	3,016.6	2,771.5	3,017.1	3,129.9
Currency in Circulation	246.4	258.7	258.6	265.6	285.8

Note:

Data as at February 2023

<sup>1</sup> Sources: Central Statistics Office and Eastern Caribbean Central Bank