

**SAINT VINCENT
AND THE
GRENADINES
DECEMBER 2022**



**ECONOMIC AND
FINANCIAL REVIEW**

Eastern Caribbean Central Bank



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FINANCIAL REVIEW**

ANNUAL REVIEW

**SAINT VINCENT
AND THE
GRENADINES**

EASTERN CARIBBEAN CENTRAL BANK





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Saint Vincent and the Grenadines Annual Economic and Financial Review - 2022

Eastern Caribbean Central Bank

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Overview

- The economy of Saint Vincent and the Grenadines is estimated to have expanded further in 2022 relative to the previous year.
- The improved performance largely reflected recoveries in the tourism, construction and wholesale and retail trade sectors.
- More recent geo-political developments, however, particularly the war in Ukraine which has increased commodity prices, have tilted the balance of risks slightly to the downside..



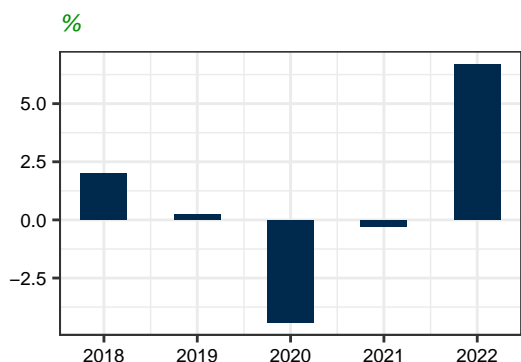
The Economy (Real Sector)

The economy of Saint Vincent and the Grenadines is estimated to have expanded by 5.0 per cent in 2022, compared to an increase of 0.8 per cent in the previous year (Figure 1). Increases in value added were recorded for



some pivotal sectors, contributing positively to GDP.

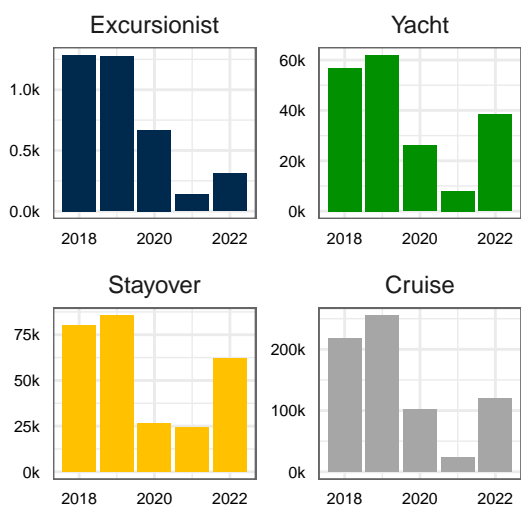
Figure 1: Real GDP Growth Rates (%)



Source: ECCB

One such key sector was Accommodation and Food Services, which rose by 47.1 per cent. This outturn reflected higher performance in the tourism industry, as total visitor arrivals increased to 221,379 from 56,759 in 2021. The outturn, however, was still below the 5-year average of 254,959. Expansion was seen in the number of visitors from all major markets. Likewise, all visitor categories recorded higher performances primarily, cruise ship passengers from 24,311 to 120,315 in 2022 and yacht passengers from 8,079 to 38,452 in 2022. The stay-over category, which is relatively more important due to its higher average daily visitor expenditure, grew from 24,230 in 2021 to 62,303 during the period under review (Figure 2).

Figure 2: Visitor Arrivals by Category



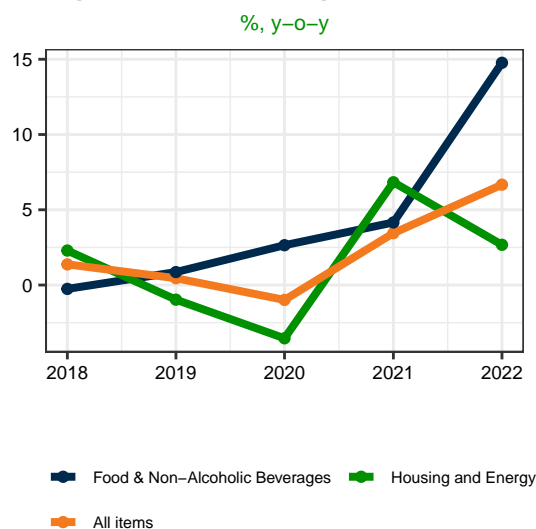
Source: ECCB

This development had positive knock-on effects in supporting sectors including transportation and storage (33.0 per cent), wholesale and retail trade (10.0 per cent), construction (15.0 per cent) and manufacturing (12.0 per cent). The performance was tempered by declines in agriculture, forestry and fishing (6.1 per cent), and financial and insurance activities (1.2 per cent).

Consumer Prices

Figure 3 shows the movements in the consumer price index, which were broadly consistent with improved real sector developments and global price pressures. The consumer price index rose by 6.7 per cent during 2022, in comparison to a 3.4 per cent increase during 2021. Upward movement of the index, largely reflected higher prices for food and non-alcoholic beverages (14.8 per cent), housing, water, electricity, gas and other fuels (2.7 per cent), transport (13.3 per cent) and restaurants and hotels (13.8 per cent).

Figure 3: Selected Categories of Inflation



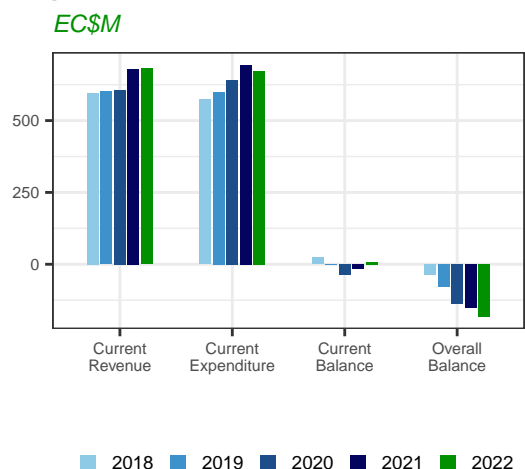
Source: ECCB

Government Operations

Given the recovery from the pandemic and the volcanic eruption in 2021, the central government's fiscal operations resulted in a widening of the overall deficit (Figure 4) to \$181.4m (7.1 per cent of GDP), compared with one of \$151.8m (6.4 per cent of GDP) in 2022. The ex-

pansion in the overall deficit was attributable to increase in spending on the capital account. Capital expenditure rose by 5.0 per cent to \$243.1m (9.5 per cent of GDP) compared with a 9.7 per cent expansion in the previous year, as work continued on a number of public infrastructure projects. Also, accounting for the widening of the overall deficit was the decline in grants from \$61.8m (2.6 per cent of GDP) to \$50.4m (2.0 per cent of GDP) in 2022.

Figure 4: Central Government Fiscal Balance:



Source: ECCB

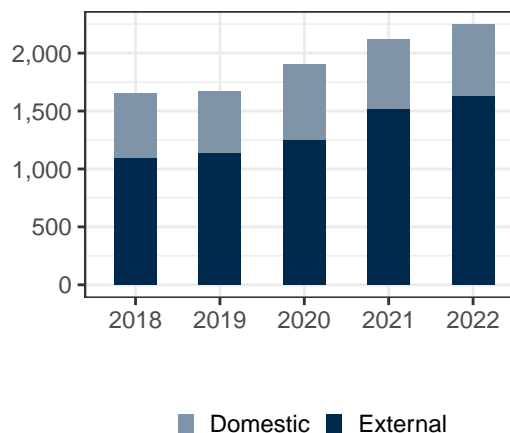
However, there was a slight improvement on the revenue side. Current revenue grew by 0.3 per cent to \$681.3m (26.6 per cent of GDP) in 2022 compared with \$679.5m (28.9 per cent of GDP) in the prior year. This was driven by an increase of 0.8 per cent in tax revenue to \$641.8m (25.1 per cent of GDP) in 2022 compared with an increase of 12.9 per cent to \$637.1m (27.1 per cent of GDP) in the previous year. Improvements were seen in all tax categories, except for taxes on property, which saw a decline of 60.3 per cent as higher than normal land sales occurred in the Grenadines in the prior year.

There was also, a reduction on the current expenditure account. Current expenditure declined by 3.1 per cent to \$915.8m (35.8 per cent of GDP) in 2022 in contrast to an increase of 8.1 per cent to \$925.6m (39.3 per cent of GDP) in the previous year. Major contributors to the lower expenditure included a reduction in compensation of employees and transfers and subsidies.

Debt

The total disbursed outstanding public sector debt¹ rose by 6.2 per cent to \$2,247.9m (87.8 per cent of GDP) at the end of 2022, from \$2,117.7m (89.9 per cent of GDP) the year prior (Figure 5).

Figure 5: Outstanding Public Sector Debt
EC\$M



Source: ECCB

During the year, the stock of external debt grew by 7.1 per cent to \$1,625.6m. Loan funding for new and ongoing public sector initiatives, such as the Port Modernization Project, as well as the recovery efforts in support of volcanic eruption contributed to the growth in the external portfolio. Meanwhile, growth of 3.7 per cent was recorded in the domestic portfolio. The domestic portfolio stood at \$622.3m as at end 2022. The upward trajectory in public sector debt was attributed to a 6.6 per cent increase to \$2,189.0m in the indebtedness of the central government. By contrast, the liabilities of public corporations registered an 8.0 per cent decline to \$59.9m.

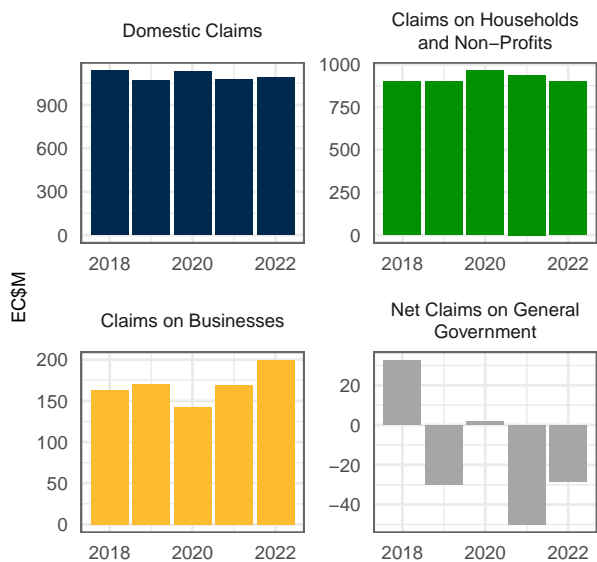
Banking Developments (Monetary)

Broad money in the banking system expanded by 0.2 per cent to \$1,856.9m (72.5 per cent of GDP), compared with a 12.8 per cent increase at the end of 2021. This increase reflected an uptick in currency in circulation. Domestic claims (credit) grew by 1.0 per cent to \$1,087.2m (Figure 6), largely driven by an increase in claims on the central government (17.9 per cent). The expansion in the latter was attributable in part by an increase in claims

¹Figures adjusted to include short term liabilities

from the central bank of 39.1 per cent, and mitigated by an uptick in central government deposits of 7.4 per cent.

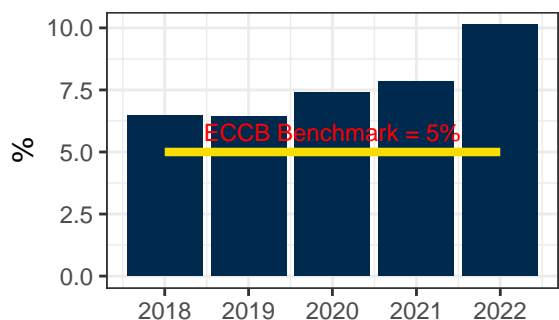
Figure 6: Claims (Credit) to Selected Sectors
in EC\$M



Source: ECCB

Liquidity in the domestic banking system remained adequate as the net liquid asset to total deposits ratio rose a further 0.9 percentage points to 48.1 per cent at the end of December 2022. Non-performing loans to gross loans rose to 10.1 per cent, 2.3 percentage points above the ratio at the end of 2021 and above the ECCB prescribed ceiling of 5.0 per cent (Figure 7).

Figure 7: Non-Performing Loans Ratio
% of Total Loans



Source: ECCB

External Trade

A merchandise trade deficit of \$1,075.9m (42.0 per cent of GDP) was recorded, compared with one of \$912.3m (38.7 per cent of GDP) in 2021 (Figure 8). The widening of the imbalance was largely attributable to an increase in import payments (19.5 per cent) to \$1,202.3m from \$1,005.8m, consistent with the economic recovery. Growth in import payments was tapered by an increase in export earnings, which rose to \$126.5m from \$93.4m in 2021. The rebound in visitor arrivals resulted in an expansion in, gross travel receipts to \$169.5m from \$77.9m in 2021. This outturn was still, significantly below the 5-year average of \$210.6m. On the services account, gross travel receipts rose by 52.5 per cent to \$2,321.4m associated with buoyant tourism inflows.

Figure 8: Selected Categories of External Sector
EC\$M



Source: ECCB

Outlook

The economy of Saint Vincent and the Grenadines has made significant progress in the recovery process after it was adversely affected by the dual shock in 2021; specifically, the eruption of the La Soufriere Volcano and the COVID-19 pandemic. This recovery was fueled by key government support and planned public and private sector investments. The economy is projected to continue on its trend of expansion in 2023. Notwithstanding the improved domestic outlook, emerging risks threaten



to upend economic prospects. Prominent among these risks are: geo-political conflicts in Russia and Ukraine, the rising commodity prices, and supply chain disruption. Risks are therefore skewed to the downside and include:

- The legacy effects of the pandemic and volcanic eruption on government finances.
- An associated debt overhang with the need to repair damaged infrastructure and increase social protection during the reconstruction phase.
- The looming hurricane season and associated susceptibility to storm damage.
- The rising geo-political tensions and the impact on economic growth and already fragile global supply chains.
- On the upside, domestic prospects appear favourable based on 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.



Selected Economic Indicators

Indicators	2018	2019	2020	2021	2022
National Income and Prices (Annual % change)					
Nominal Gross Domestic Product (GDP) at Market Prices	4.8	3.0	-4.6	0.4	8.8
Real GDP at Market prices	3.2	0.7	-3.7	0.8	5.0
Deflator	1.5	2.3	-0.9	-0.4	3.6
Consumer Prices (end of period)	1.4	0.5	-1.0	3.4	6.7
Consumer Prices (period average)	2.3	0.9	-0.6	1.6	5.7
Real Gross Value Added (GVA) at basic prices (%)					
Agriculture, forestry and fishing	5.6	-1.6	1.6	-29.4	-6.1
Construction	1.9	-2.4	-13.5	14.8	15.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.9	-6.6	-4.2	7.6	10.0
Transportation and storage	5.1	-0.9	-20.9	-10.3	33.0
Accommodation and food service activities	16.2	22.3	-36.3	-33.2	47.1
Financial and insurance activities	-0.8	1.8	8.3	1.5	-1.2
Real estate activities	1.0	0.7	0.8	0.8	1.5
Public administration and defence; compulsory social security	-2.1	2.9	5.8	3.4	-0.8
Total Public Sector Debt (% GDP)					
Total Public Sector Debt	69.3	67.9	81.2	89.9	87.8
Public Sector External Debt (end-of-period)	45.8	46.1	53.1	64.4	63.5
Central Government (in XCD millions)					
Current Account Balance	23.4	1.3	-35.6	-14.5	8.5
Current Revenue	596.4	601.7	606.3	679.5	681.3
Current Expenditure	573.0	600.4	641.8	694.0	672.8
Capital Expenditure and Net Lending	98.9	159.6	211.2	231.6	243.0
Overall Fiscal Balance	-34.8	-80.0	-137.3	-151.8	-181.4
Monetary Sector (% p.a.)					
Weighted Deposit Interest Rates	1.8	1.7	1.6	1.6	1.2
Weighted Lending Interest Rates	8.4	8.3	7.8	7.5	7.3
Non-Performing Loans Ratio (%)	6.5	6.4	7.4	7.8	10.1
Memo (in XCD millions, unless otherwise stated)					
Nominal GDP at Market Prices	2,387.7	2,459.1	2,346.6	2,355.0	2,561.1
Real GDP at Market Prices	2,387.7	2,403.5	2,313.6	2,331.1	2,446.5
GDP per capita (EC\$)	21,604.1	22,232.3	21,198.6	21,257.7	23,194.4
Merchandise Imports (f.o.b)	954.8	904.7	866.6	1,005.8	1,202.3
Merchandise Exports (f.o.b)	117.9	106.6	149.0	93.4	126.5
Gross Visitor Expenditure	281.8	318.3	118.1	77.9	169.5
Net Foreign Assets	599.2	826.6	904.7	1,238.0	1,116.5
Domestic Credit	1,137.2	1,071.7	1,128.0	1,076.6	1,087.2
Money Supply (M2)	1,595.1	1,758.8	1,643.5	1,853.5	1,856.9
Currency in Circulation	140.3	174.0	186.7	226.5	252.6

Note:

Data as at February 2023

¹ Sources: Central Statistics Office and Eastern Caribbean Central Bank