

# **GRENADA**

## **JUNE 2023**



# **ECONOMIC AND FINANCIAL REVIEW**

**Eastern Caribbean Central Bank**



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## GRENADA

EASTERN CARIBBEAN CENTRAL BANK





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Grenada  
Economic and Financial Review - June 2023

Eastern Caribbean Central Bank

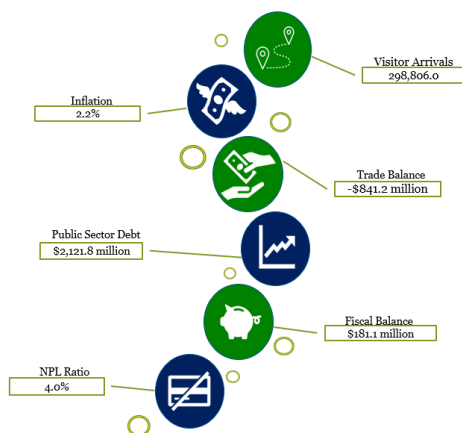
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## Overview

- The economy of Grenada strengthened further over the first half of 2023, as the tourism industry continued to rebound and the St George’s University, another major economic player, returned to full in-person classes.
- The economy is expected to sustain growth in 2023, barring any major shocks such as an escalation in the Russia-Ukraine war, a spike in global inflation and contraction in major source markets.
- Consumer prices rose by 2.2 per cent, influenced by higher prices for food and non-alcoholic beverages.
- The fiscal performance of the government improved, resulting in larger overall and primary surpluses. Growth in non-tax revenue was the key contributor.
- Public sector debt declined over the first six months, mainly driven by a fall in domestic debt. Both central government and public corporation debt contracted.

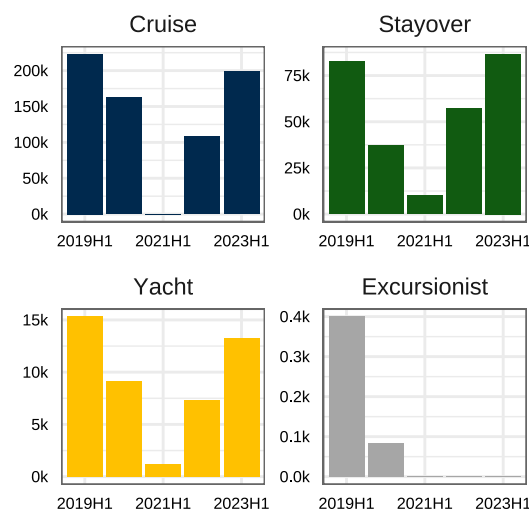


## The Economy (Real Sector)

Grenada’s economy expanded during the first half of 2023, driven by growth in the tourism industry and its knock-on effects on ancillary sectors. Growth in total output was moderated by reduced activity in construction. In addition, lower public sector capital expenditure in the first half of the year, softened the overall growth performance.

On the tourism front, total visitor arrivals increased by 73.5 per cent to 298,806 visitors compared with 172,240 in same period of the prior year, as international travel continued to rebound. The three main categories of visitors rose appreciably, led by cruise passengers which increased by 84.3 per cent. Similarly, the number of yacht passengers and stayover arrivals rose by 81.4 per cent and 52.0 per cent, respectively (Figure 1).

**Figure 1: Visitor Arrivals by Category**



Source: ECCB

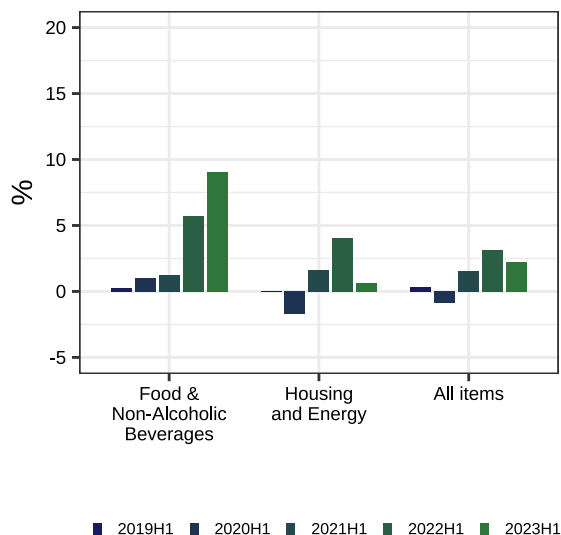
Grenada’s fishing industry also rebounded in the first half of the year, reflected by a more than four-fold increase in the value of fish caught to \$96.0m relative to \$20.5m one year earlier. This was influenced by improved training, marketing and storage facilities for fisher folk. By contrast, value added in the construction industry is estimated to have declined as both public and private sector investments slowed.

## Consumer Prices

Grenada’s annual inflation rate rose by 2.2 per cent in June 2023 (end of period basis), down from 3.1 per cent recorded in June 2022 (Figure 2). Driving the consumer price index higher were increased costs for food and non-alcoholic beverages (9.1 per cent); housing, utilities, gas and fuels (0.7 per cent); and household furnishings, supplies and maintenance (2.3 per cent). Moderating the

overall price increase was a 1.5 per cent decline in the cost of transport, primarily passenger transport by air, while the cost of communication remained unchanged.

**Figure 2: Selected Categories of Inflation**

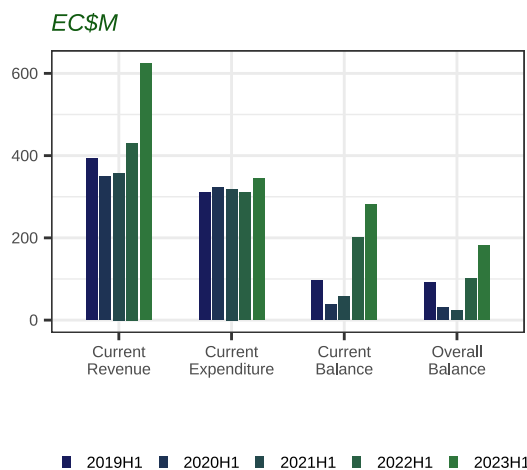


Source: ECCB

## Government Operations

Consistent with an improving economy, the government of Grenada generated both primary and overall surpluses (after grants) in the first half of 2023. The data as at end June reflect an overall surplus of \$181.1m, up from a surplus of \$101.6 over the comparable period in 2022 (Figure 3).

**Figure 3: Central Government Fiscal Balance:**



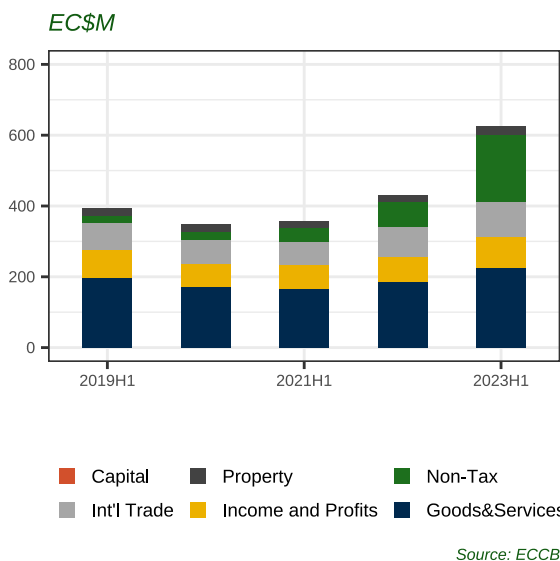
Source: ECCB

The positive fiscal outturn was primarily driven by

stronger growth in current revenue relative to current expenditure over the six-month period. As such, current revenue grew by 45.0 per cent to \$624.7m compared with growth of 20.5 per cent to \$430.7m in the comparable period of 2022. By comparison, current expenditure rose by 10.6 per cent to \$343.7m, reversing the 2.6 per cent contraction to \$310.6m in the prior year. Accordingly, the government recorded a current account surplus (after grants) of \$281.8m, up from a surplus of \$201.1m over the comparable period last year.

Non-tax revenue was the largest contributor to the growth in current revenue, more than doubling to \$187.0m relative to \$70.9m one year earlier. This performance reflected a near five-fold increase in Citizenship by Investment (CBI) inflows to \$157.0m compared with \$31.5m in January to June 2022. The noteworthy increase is explained by the change in the accounting treatment for CBI flows in which all receipts, except those set aside for emergency purposes, and fees will be brought on to the government’s consolidated fund as of 2023. Prior to this, only fees and grants sourced from the National Transformation Fund (NTF) were accorded this treatment.

**Figure 4: Total Revenue Composition**



Source: ECCB

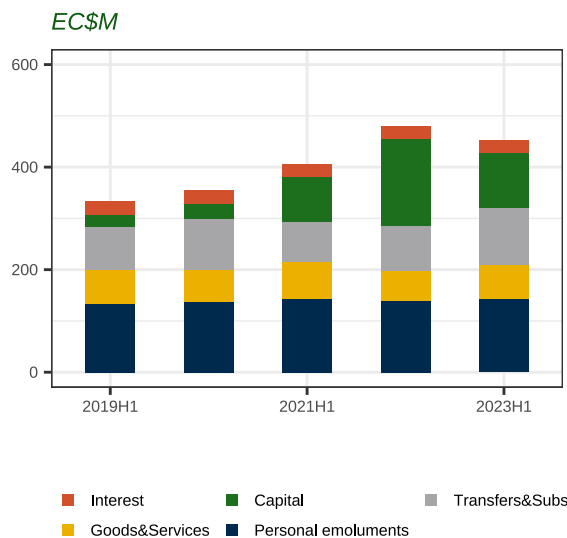
Tax revenue also grew strongly over the review period, rising by 21.6 per cent to \$437.7m. Key contributors in this category of revenue were taxes on goods and services (\$226.8m), taxes on international trade and transactions (\$101.2m) and taxes on income, profit and capital gains



(\$85.0m).

On the current expenditure side, higher outflows for transfers and subsidies (25.8 per cent), goods and services (13.1 per cent) and personal emoluments (1.9 per cent), were the primary drivers for the increased expenditure.

**Figure 5: Total Expenditure Composition**



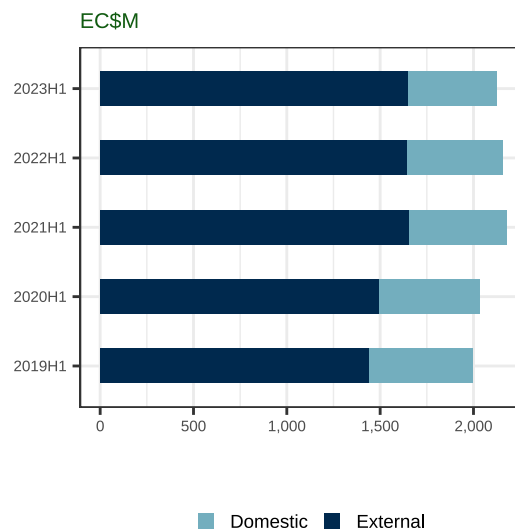
Source: ECCB

By contrast, capital expenditure fell by 35.9 per cent to \$108.9m, compared with \$169.9m in the prior year. This development is partly explained by increased spending in 2022 associated with an election year as well as the delays experienced in 2023 on some major projects such as the Moliniere Landslip Rehabilitation Project. Continued earth movement in the Moliniere area has exacerbated the construction challenges there and has slowed the pace of construction.

## Debt

Nominal public sector debt as at end June 2023 stood at \$2,121.8m, representing a 1.5 per cent (\$33.2m) decline relative to June 2022 levels. The debt stock comprised external debt of \$1,649.3m and domestic debt of \$472.5m, respectively, as illustrated in Figure 6.

**Figure 6: Outstanding Public Sector Debt**



Source: ECCB

Domestic debt declined by \$40.6m, primarily due to net outflows during the period. By contrast, the external debt stock rose (\$7.3m) due to net disbursements on new and existing loans, primarily to support capital programs. On aggregate, both central government and public corporation debt fell over the first half of 2023.

## Banking Developments

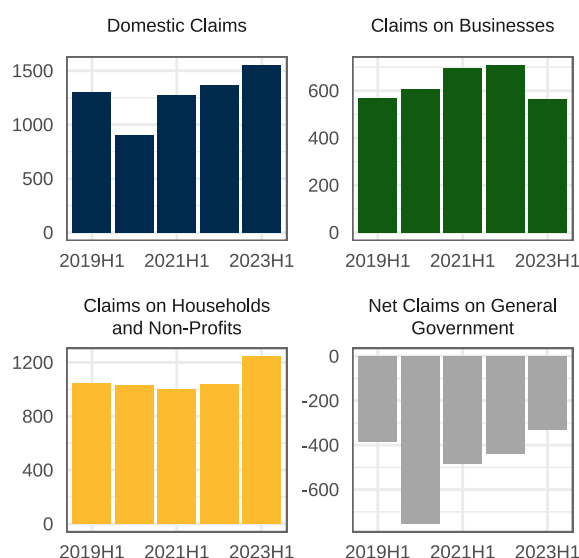
As the economy continued to recover, domestic claims (credit) rose by 7.9 per cent in the first half of 2023, following the 6.9 per cent growth recorded in the comparable period of 2022 (Figure 7). The rise in claims was dominated by the private sector, which saw growth of 3.8 per cent to \$1,809.9m, up from the 2.7 per cent expansion in the prior year.

Within the private sector, claims to households grew by 20.6 per cent, while business claims contracted by 20.5 per cent, reversing the 1.6 per cent growth in the previous year. Meanwhile, the net deposit position of the central government fell by 6.8 per cent to \$410.6m.



**Figure 7: Claims (Credit) to Selected Sectors**

EC\$M

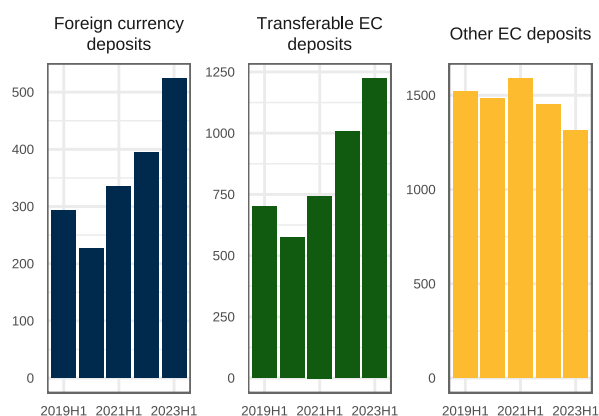


Source: ECCB

Similar to domestic claims, deposits in the banking system rose on aggregate (Figure 8). Broad money liabilities increased by 7.2 per cent, marginally below the 7.5 per cent expansion in 2022. This was reflected in stronger growth in transferable deposits in national currency (21.8 per cent) and foreign currency deposits (32.8 per cent). However, the increase in broad money was moderated by a 9.3 per cent contraction in other deposits in national currency.

**Figure 8: Selected Categories of Deposits**

EC\$M



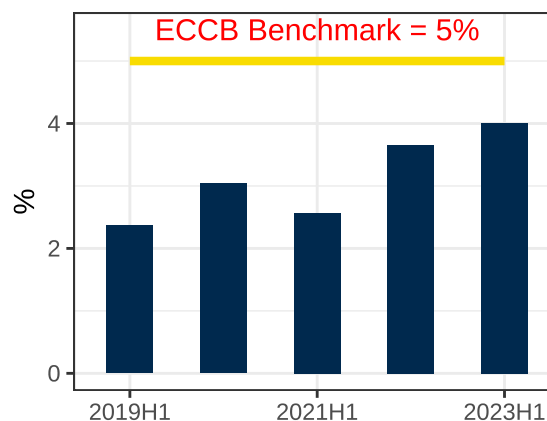
Source: ECCB

The asset quality of commercial banks in Grenada deteriorated marginally over the first half of the year. Accordingly, non-performing loans as a percentage of gross

loans rose by 34 basis points to 4.0 per cent, compared with the 3.7 per cent mark in 2022 (Figure 9). Similarly, commercial banks' liquidity positions retreated as the ratio of liquid assets to short-term liabilities fell by 8.6 percentage points to 55.9 per cent. However, the latter was marginally lower than the five-year (2018-2022) average of 56.2 per cent.

**Figure 9: Non-Performing Loans Ratio**

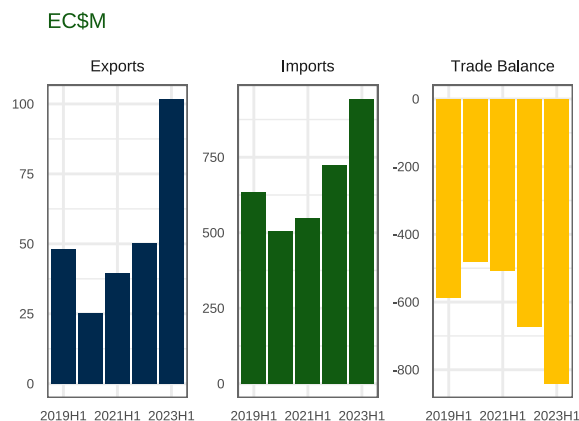
% of Total Loans



Source: ECCB

## External Trade

Consistent with an expanding economy, marked by a buoyant tourism industry and an easing in supply chain bottlenecks, Grenada's merchandise trade deficit widened in the first half of the year by 25.1 per cent to \$841.2m. Import payments rose to their highest level in the past 5 years, surpassing the 2022 mark by 30.5 per cent to \$943.0m, reflecting greater domestic demand and generally higher global prices (Figure 10). Similarly, total exports peaked in 2023, amounting to \$101.8m compared with \$50.2m one year earlier. Manufactured products, including flour, paper products and animal feed, featured prominently in Grenada's domestic exports, while declines were seen for agricultural produce such as nutmegs, cocoa, and fruits and vegetables. In respect of services, total visitor expenditure is estimated to have declined by 7.3 per cent to \$393.0m during January to June 2023, attributable to longer average stays of visitors during the first half of 2022 as the country slowly made its transition to fully reopening its borders.

**Figure 10: Selected Categories of External Sector**

Source: ECCB

## Outlook

Grenada's economy is projected to expand further in 2023, in line with increased activity in the tourism industry, coupled with support from public and private sector construction projects. Additionally, the resumption of full in-person classes at the St George's University (SGU) is likely to have positive spill-over effects on a number of sectors including, wholesale and retail trade, transport, storage and communications, and real estate, renting and business activities. However, risks to global

economic activity are still tilted to the downside, on account of persistently high inflation, continued tightening of monetary policy among major central banks and the prospect of escalation in the Russia/Ukraine conflict. In addition, Grenada faces the perennial threat of hurricanes and other natural disasters in the second half of the year. As a result, Grenada remains susceptible to a slowdown in its key tourism markets, with potentially negative economic spillovers to the domestic economy and all related sectors.

Should the aforementioned risks not materialize, the expansion of the Grenadian economy is expected to be driven by:

- The Public Sector Investment Programme, including major road works, the improvements to the Maurice Bishop International Airport, the St John's River Flood Mitigation Project, and investments in the agriculture and the marine industries, among others.
- Private sector construction projects to include Six Senses La Sagesse, Silversands Legacy (at Mount Cinnamon) and Ora Caribbean Beach House.
- Increased domestic and regional demand for agricultural and manufactured goods.



## Selected Economic Indicators

Indicators	2019H1	2020H1	2021H1	2022H1	2023H1
Current Revenue (EC\$M)	393.5	349.0	357.5	430.7	624.7
Current Expenditure (EC\$M)	310.0	322.8	318.9	310.6	343.7
Current Balance (EC\$M)	95.4	37.3	57.9	201.1	281.8
Primary Balance (EC\$M)	118.3	56.8	49.2	126.3	205.9
Overall Balance (EC\$M)	91.0	31.2	23.9	101.6	181.1
Total Public Sector Debt (EC\$M)	1,995.9	2,030.7	2,176.3	2,155.0	2,121.8
Inflation Rate (Y-o-Y)(end of period %)	0.3	-0.9	1.5	3.1	2.2
Total Visitor Arrivals	321,168.0	209,025.0	11,210.0	172,240.0	298,806.0
Total Visitor Expenditure (EC\$M)	298.3	127.2	45.8	442.0	409.9
Net Foreign Assets (EC\$M)	1,445.8	1,840.8	1,894.0	2,054.3	2,351.1
Domestic Credit (EC\$M)	1,300.5	904.1	1,277.1	1,364.9	1,473.3
M2 (EC\$M)	2,640.0	2,430.9	2,822.4	3,034.3	3,253.5
Currency in Circulation (EC\$M)	176.1	201.4	206.7	249.3	249.2
Liquid assets to total assets	47.6	47.4	48.9	47.7	49.6
Liquid assets to short-term liabilities	51.6	53.4	55.6	64.5	55.9
Customer deposits to total (noninterbank)loans	175.1	179.6	184.1	185.5	182.9
Weighted Average Deposit Rate (%)	1.3	1.1	1.1	0.8	0.8
Weighted Average Lending Rate (%)	7.3	6.5	6.3	6.0	6.8
Interest Rate Spread (%)	6.1	5.4	5.2	5.2	6.1
Non-Performing Loans to Total Loans (%)	2.4	3.0	2.6	3.7	4.0

Data as at August 2023

Sources: ECCB & Central Statistics Office