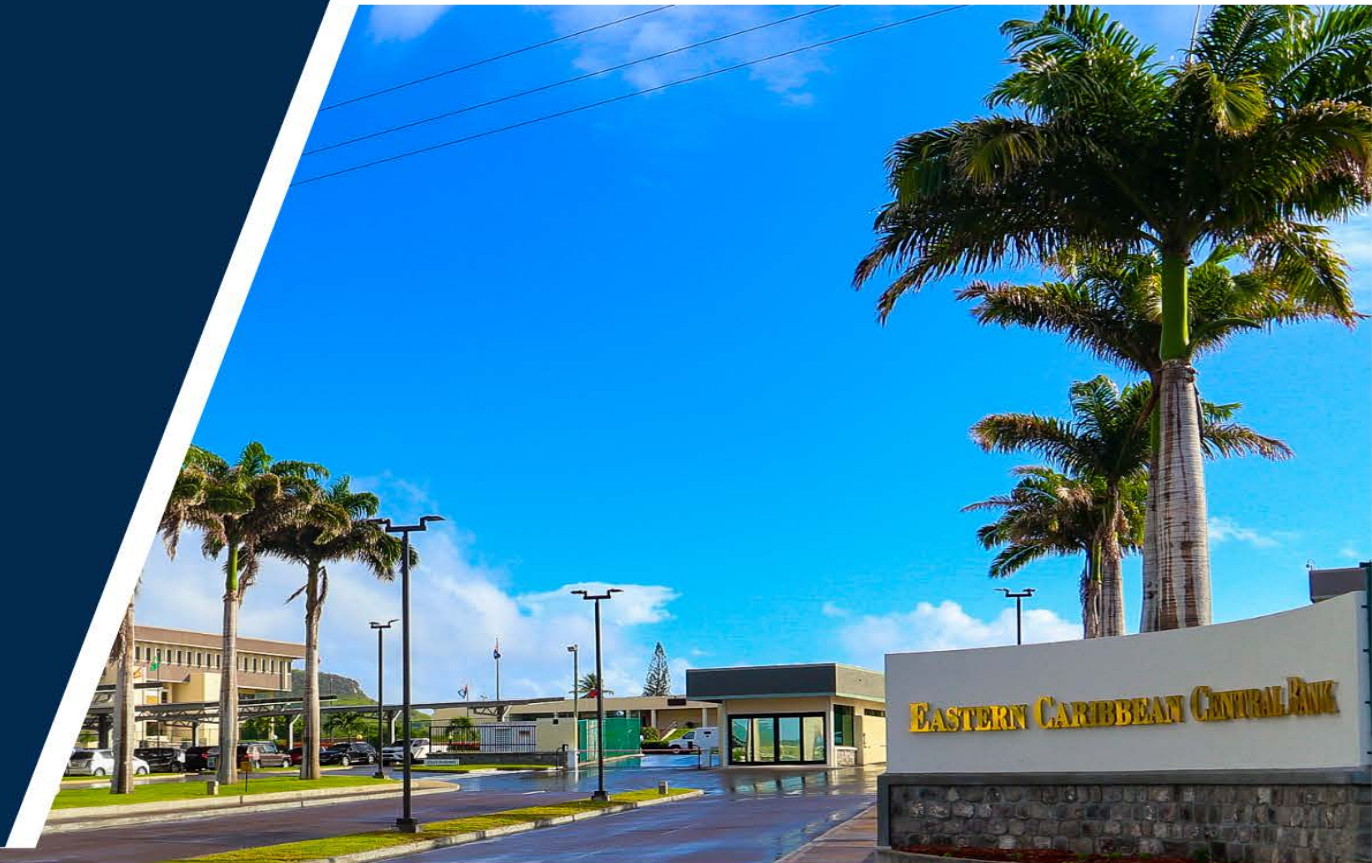


# **SAINT CHRISTOPHER AND NEVIS**

**JUNE 2023**



## **ECONOMIC AND FINANCIAL REVIEW**

**Eastern Caribbean Central Bank**



JUNE 2023

# ECONOMIC AND FINANCIAL REVIEW

## SAINT CHRISTOPHER AND NEVIS

EASTERN CARIBBEAN CENTRAL BANK





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Saint Christopher and Nevis  
Economic and Financial Review - June 2023

Eastern Caribbean Central Bank

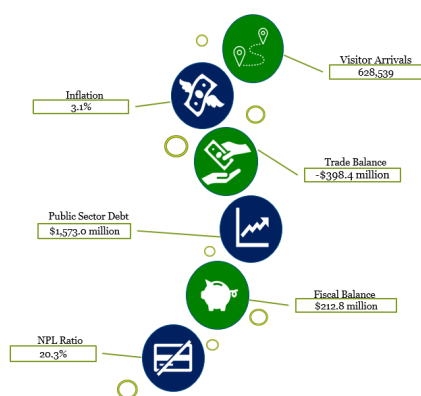
## Contents

<b>Overview</b> . . . . .	<b>2</b>
<b>The Economy (Real Sector)</b> . . . . .	<b>2</b>
Consumer Prices . . . . .	3
<b>Government Operations</b> . . . . .	<b>3</b>
Debt . . . . .	4
<b>Banking Developments (Monetary)</b> . . . . .	<b>4</b>
<b>External Trade</b> . . . . .	<b>5</b>
<b>Outlook</b> . . . . .	<b>6</b>
<b>Selected Economic Indicators</b> . . . . .	<b>7</b>



## Overview

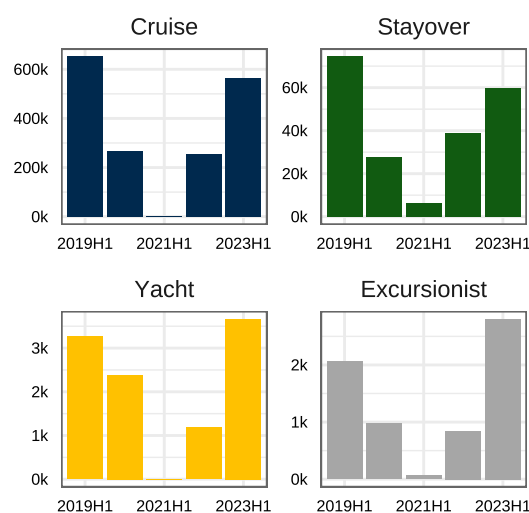
- Economic activity in St Christopher (St Kitts) and Nevis expanded in the first six months of 2023 in relation to the corresponding period in 2022. The economy continues to rebound from the negative impact of the pandemic.
- The economy’s recovery is accelerated by growth in major sectors. Tourism continues to surge in 2023, however, given the delayed reopening of the sector it has not rebounded to pre-pandemic levels.
- The risk to the economy’s output is tilted to the downside as geo-political tensions continue to affect global supplies, thus fueling higher rates of inflation. Also, a reduction in the Citizen by Investment funds could dampen the growth prospects for the Federation.



## The Economy (Real Sector)

Economic activity in the first half of 2023 reflected increases in critical sectors of the economy, as the Federation continued to rebound albeit not back to pre-COVID-19 pandemic levels. Activity in the tourism industry surged in the first six months of 2023, relative to the same period last year. The total number of visitor arrivals is estimated to have increased to 628,539, more than doubling that from the previous year. This, reflected a rise in stay-over visitors from all source markets, yacht passengers, excursionists and cruise passengers (See Figure

**Figure 1: Visitor Arrivals by Category**



Source: ECCB

Preliminary data in the construction sector is mixed as capital expenditure declined by 65.3 per cent in the first half of 2023. However, private sector constructions continues with projects namely, a luxury villa project at the Royal St Kitts Hotel and the Hillsboro Suites and Residences. This is supported by an increase in the importation of building materials during the period under review.

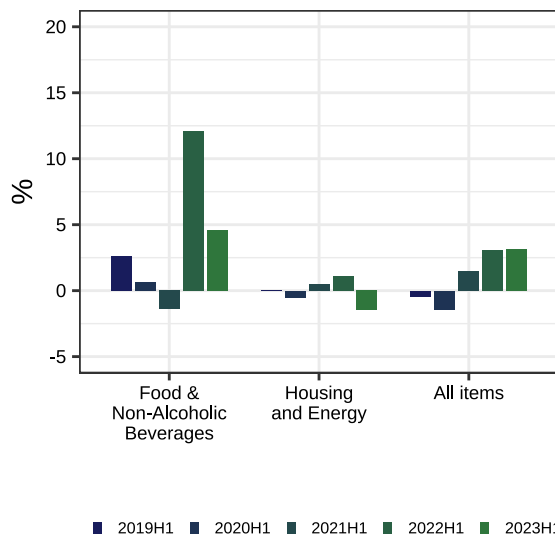
Positive developments in other productive sectors also helped to buoy economic activity. Agricultural output is estimated to have increased in the first half of 2023, partially reflecting higher public investment targeted at boosting agricultural production. Total crop production rose by 5.7 per cent to 669.0 tonnes, above the past five years' average. Livestock production is also estimated to have improved. However, output in the fishing sector, is estimated to have declined during the period under review.

The increase in activity in key productive sectors would have contributed to higher output in significant service sectors such as transport, storage, and communications.

## Consumer Prices

The general price level increased in the first six months of 2023. More specifically, the consumer price index rose by 3.1 per cent (end of period), compared with the 3.1 per cent increase recorded one year earlier (see Figure 2). The inflationary pressures mainly reflected increases in the price of food and non-alcoholic beverages (4.6 per cent) recreation and culture (20.1 per cent), hotels and restaurants (11.8 per cent), clothing and footwear (8.8 per cent), and household furnishings, supplies and maintenance (6.4 per cent).

**Figure 2: Selected Categories of Inflation**



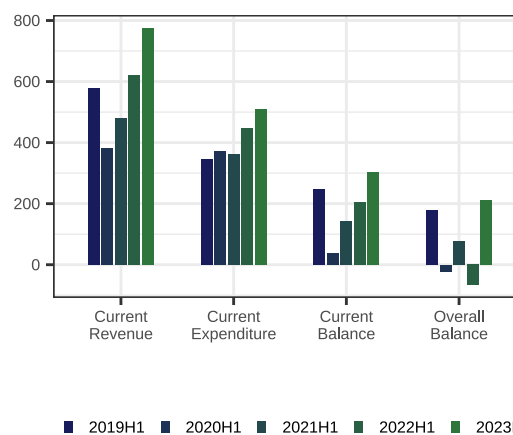
Source: ECCB

## Government Operations

In the first half of 2023, the government has reverted to a fiscal surplus position from a fiscal deficit position in the same period in 2022. An overall surplus of \$212.8m was recorded, following an overall deficit of \$66.0m in the corresponding period of 2022. (See Figure 3).

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

EC\$M



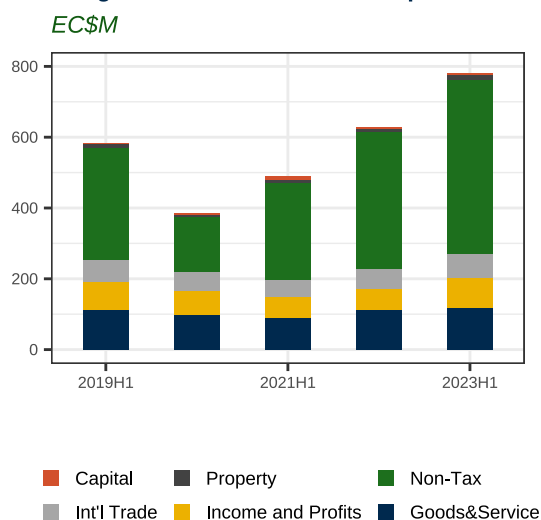
Source: ECCB

Developments on the current account mainly influenced the turnaround in the fiscal balance. Current revenue is estimated to have increased by 24.7 per cent to \$775.6m, associated with a 28.4 per cent expansion in non-tax revenue (Citizenship by Investment receipts being the most significant component). This was coupled with growth of 18.7 per cent in tax revenue as economic activity in



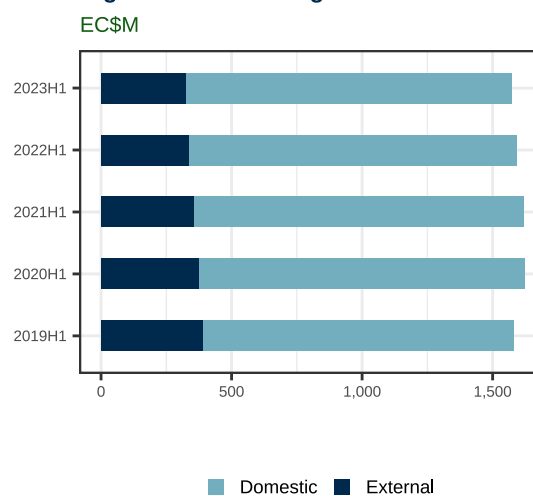
the country continues to rebound from the effects of COVID-19. Tax revenue for the first six months of 2023 (\$281.2m) surpassed any tax revenue collected during the same period over the last 5 years (See figure 4). Meanwhile, current expenditure also increased by 14.1 per cent to \$510.0m (see Figure 5) reflecting higher outlays in all categories of expenses, except for interest payment that saw a marginal decline during the period. Capital expenditure fell by 65.3 per cent to \$96.5m as several government projects have been paused for review.

**Figure 4: Total Revenue Composition**



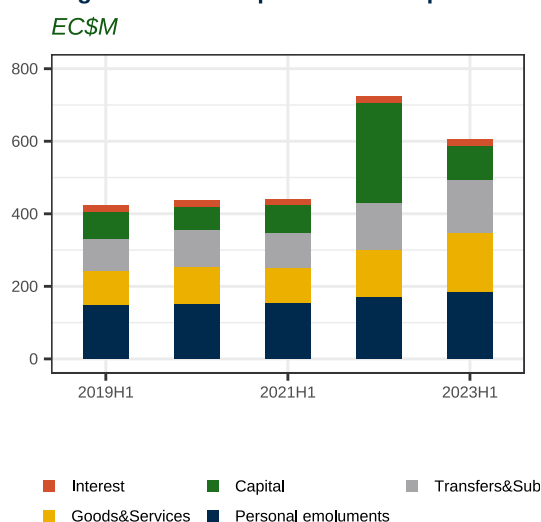
Source: ECCB

**Figure 6: Outstanding Public Sector Debt**



Source: ECCB

**Figure 5: Total Expenditure Composition**



Source: ECCB

## Debt

The total disbursed outstanding public sector debt trended downward by an estimated \$19.2m (or by 1.2

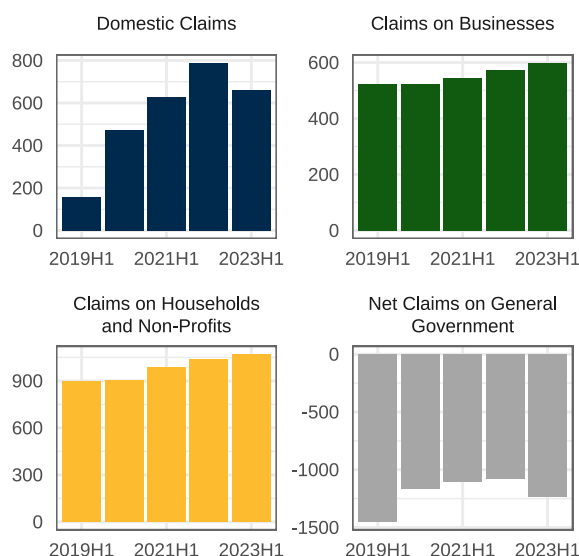
per cent) to \$1,573.0m at the end of June 2023, compared with an outstanding amount of \$1,592.2 at the end of June 2022, as the government continued to service its obligations (see figure 6). The lower total debt level was driven by regular amortization of total public sector debt. Domestic and external debt declined by 0.9 per cent and 2.9 per cent respectively during the period under review.

## Banking Developments (Monetary)

Domestic claims (credit) declined by 16.3 per cent to \$659.9 as at June 2023, as the net deposit position of the general government increased during the period under review. The overall decline in domestic claims was partially offset by a 3.5 per cent increase in private sector claims. Private sector claims, saw an uptick in both business (4.4 per cent) and household (3.0 per cent) claims (See Figure 7).

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

EC\$m

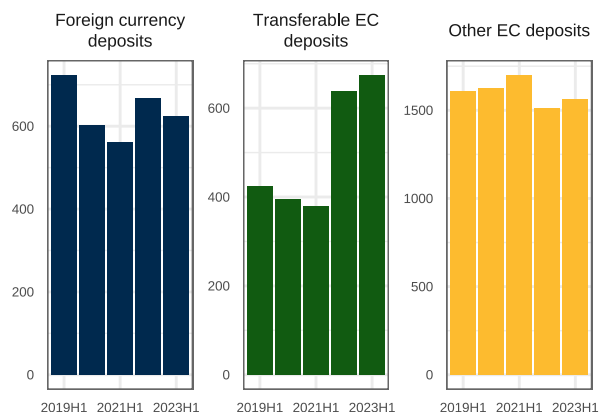


Source: ECCB

Broad money liabilities (M2), which comprises currency in circulation and deposits, rose by 1.4 per cent to \$3,090.7m during the twelve months ended June 2023. This increase mainly reflected an uptick in transferrable deposits in national currency (mainly demand deposits and current accounts) and other deposits in national currency but was partly mitigated by a decline in foreign currency deposits (See Figure 8).

**Figure 8: Selected Categories of Deposits**

EC\$m



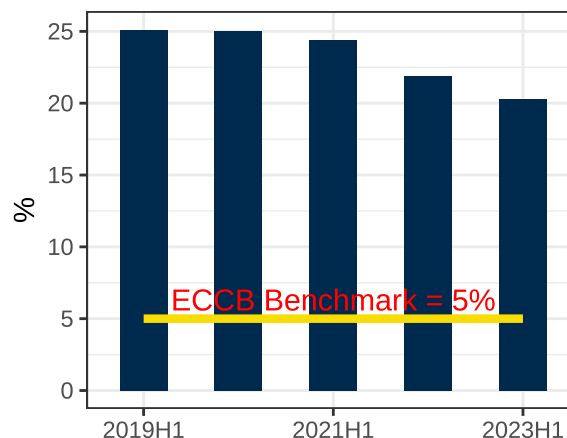
Source: ECCB

The ratio of nonperforming loans to gross loans in the banking sector stood at 20.3 per cent (See figure 9), 15.3 percentage points above the ECCB’s tolerable limit and

3.1 percentage points lower than the average ratio over the prior five years. Notwithstanding, the Federation’s banking system remained liquid at the end of June 2023 as deposits to total loans increased from 192.0 per cent in 2022 to 197.1 per cent at the end of June 2023.

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

% of Total Loans



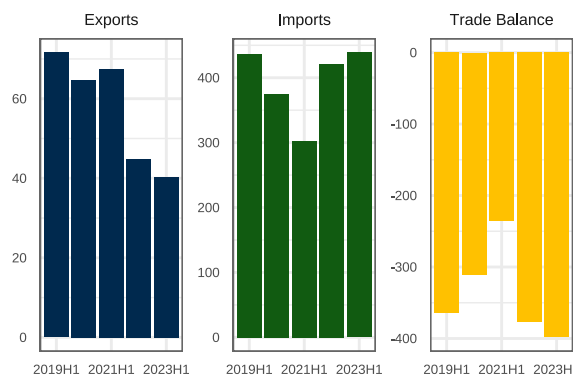
Source: ECCB

## External Trade

The merchandise trade deficit expanded by 5.8 per cent to \$398.4m during the first half of 2023, higher than those obtained in the past five years. This development was mainly driven by the growth in import payments, coupled with a decline in export receipts (see figure 10). However, with the increase in visitor arrivals, gross travel receipts are estimated to have increased by 68.3 per cent to \$260.5m in the first six months of 2023, partially offsetting the foreign exchange outflows from the merchandise trade deficit.

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

EC\$m



Source: ECCB





## Outlook

Following an expansion during the first six months of 2023, economic activity in St Kitts and Nevis is projected to continue to expand in 2023, underpinned by investments in key projects by the private and public sectors and an anticipated uptick in visitor arrivals in the last quarter of the year.

- While activity in the tourism industry recovered in the first half of the year, tourist arrivals are expected to increase in the latter half, particularly in the last quarter, as the Federation has been significantly increasing its tourism marketing. Agricultural output is 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. The Federation's growth prospects depend on geopolitical tensions in the world, slower than expected global growth, rising commodity prices and supply chain disruptions. Also, a reduction in proceeds from Citizenship by Investment could also have an impact the government's fiscal account. Saint Christopher (St Kitts) and Nevis remain vulnerable to natural disasters, particularly in the second half of the year.
- On the upside, pent up travel demand 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.



## Selected Economic Indicators

Indicators	2019H1	2020H1	2021H1	2022H1	2023H1
Current Revenue (EC\$M)	579.0	380.6	479.7	622.0	775.6
Current Expenditure (EC\$M)	346.6	372.6	361.0	446.9	510.0
Current Balance (EC\$M)	248.2	37.3	141.6	203.3	303.6
Primary Balance (EC\$M)	197.0	-4.1	91.2	-48.3	230.3
Overall Balance (EC\$M)	179.2	-22.3	76.7	-66.0	212.8
Total Public Sector Debt (EC\$M)	1,580.0	1,622.9	1,618.2	1,592.2	1,573.0
Inflation Rate (Y-o-Y)(end of period %)	-0.4	-1.4	1.4	3.1	3.1
Total Visitor Arrivals	731,262.0	298,789.0	6,392.0	293,481.0	628,539.0
Total Visitor Expenditure (EC\$M)	315.9	117.1	20.3	154.7	260.5
Net Foreign Assets (EC\$M)	2,614.6	2,579.4	2,637.0	2,647.4	2,686.6
Domestic Credit (EC\$M)	157.8	470.8	627.6	788.6	659.9
M2 (EC\$M)	2,955.7	2,830.8	2,861.6	3,046.6	3,090.7
Currency in Circulation (EC\$M)	222.8	239.7	238.7	257.0	257.3
Liquid assets to total assets	61.1	59.1	53.1	51.8	51.5
Liquid assets to short-term liabilities	66.5	75.3	61.4	60.8	56.7
Customer deposits to total (noninterbank)loans	234.6	204.0	190.4	192.0	197.1
Weighted Average Deposit Rate (%)	1.7	1.9	2.0	1.7	1.7
Weighted Average Lending Rate (%)	8.0	7.2	6.9	6.7	6.5
Interest Rate Spread (%)	6.3	5.3	5.0	5.0	4.8
Non-Performing Loans to Total Loans (%)	25.1	25.0	24.4	21.9	20.3

Data as at August 2023

Sources: ECCB & Central Statistics Office