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Overview

- Saint Vincent and the Grenadine’s economic activity is estimated to have expanded modestly in the first six months of 2023, relative to the corresponding period in 2022.

- 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 economy’s recovery is accelerated by growth in the tourism sector which continued to pick-up post-pandemic-and volcanic eruptions. Total visitor arrivals for the first half of June 2023 exceeded 2019 pre-pandemic levels highlighting improved traveller confidence.

- The risks to the economy’s output are tilted to the downside as geo-political tensions continue to affect global crude oil supplies, fuelling higher global rates of inflation.

The Economy (Real Sector)

The country’s economic activity is estimated to have expanded modestly in the first half of 2023 on account of higher output in a few key sectors of the economy, particularly, the rebounding of the tourism sector and its spill-over effect on ancillary sectors.

The economy continued to recover from the effects of the COVID-19 pandemic and the volcanic erup-
Tourism activity continued to rebound, as total arrivals exceeded its 2019 pre-pandemic level. Total visitor arrivals in the first half of 2023 exceeded the corresponding period of 2019 by 4.6 per cent and is 75.3 per cent greater than the five-year average (2018 to 2022). This marked improvement in tourist arrivals is driven primarily by increases in cruise ship passengers (229.9 per cent) and stayover arrivals (50.8 per cent). The expansion in stayover arrivals was largely influenced by greater visits from the Caribbean (87.7 per cent), the USA (39.7 per cent), and the UK (18.7 per cent), signalling greater flight availability.

The number of cruise passengers more than tripled (126,100 passengers) in the first half of 2023 to 180,946 passengers compared to 54,846 passengers in the same period of 2022. Similarly, yacht passengers rose significantly (57.8 per cent) in the first six months of 2023 to 30,440 passengers when compared with a post-pandemic recovery of visitors to 19,289 passengers in the same period of 2022 (Figure 1).

The construction sector also contributed to the expansion of economic activity during the first six months of 2023. Public investment stood at $58.4m for the January to June 2023 period—which was above (41.5 per cent) the five-year average (2018 to 2022) of $41.2m.

Despite investments in the previous year to revive the sector, agricultural activity declined evidenced by reduced exports of food and live animals, and banana. Manufacturing output is also estimated to have contracted, on account of declines in the production of feeds (28.7 per cent), flour (23.9 per cent), and beer (18.8 per cent).

The declines in output for the agricultural and manufacturing sectors were outstripped by the gains from the tourism sector. These gains have positive spill-over effects that will bolster economic activity in other key sectors, such as, wholesale and retail trade, transport, financial intermediation and real estate, renting and business activities.

**Consumer Prices**

The annual inflation rate at the end of June 2023 stood at 5.3 per cent, in contrast to a rate of 5.2 per cent increase for the twelve months ended June 2022(Figure 2). The increase in the consumer price index was due to higher prices for food and non-alcoholic beverages (12.5 per cent), furnishing, household equipment and routine household maintenance (11.7 per cent), and Transport (6.4 per cent), reflective of supply chain issues and rising global prices, exacerbated by the Russian war on Ukraine. The sub-index for housing, water, electricity, gas, and other fuels rose minimally by 0.5 per cent in June 2023, a stark contrast to the 5.4 per cent increase in the comparable period of 2022—reflective of the global cooling of energy prices (Figure 2).
Government Operations

As at June 2023, government’s fiscal operations improved, reflected by a narrowing of the overall deficit to $33.5m compared to a deficit of $53.7m during the same period of 2022 (Figure 3). Similarly, a primary surplus of $1.8m and a current account surplus of $1.4m were realised in the first six months of 2023 in contrast to primary and current account deficits of $25.6m and $7.4m, respectively, in the equivalent period of 2022 (Figure 3).

The improvement in the balances was due to a strong performance in current revenue, outpacing the increases in government’s current spending in the same period. This first half 2023 performance is compared to an underperformance of current revenues in 2022, which declined slightly by 0.9 per cent while current expenditure rose by 3.6 per cent within the same period (Figure 3).

Current revenue rose by 10.9 per cent to $355.0m within the January to June period of 2023 compared to $319.9m in the same period of 2022 (Figure 4). The chief driver of the increase in government revenues is higher tax receipts on domestic goods and services which increased by $25.4m—motivated by higher VAT receipts ($16.1m). The increased VAT collections are reflective of greater economic activity and a rise in consumer spending due to inflation.

Growth of tax receipts in the first half of 2023 was however subdued by reduced collections from all other tax types (Figure 4). These included a 40.1 per cent decrease in taxes on property a 4.0 per cent decline in taxes on income and profits; and a 1.5 per cent decline in taxes on international trade and transactions. Current revenue for the period was however, 20.1 per cent higher than the previous five-year average of $295.5m.
Current expenditure in the first six months of 2023 increased by 8.0 per cent to $353.6m, relative to a more modest increase of 3.6 per cent in the first half of 2022 to $327.3m. The increase in outlays in the first half of 2023 was primarily due to increases in personal emoluments (5.1 per cent), reflective of a 2.5 per cent salary increase for all categories of public officers; and government transfers and subsidies (2.6 per cent) (Figure 5). Expenditure on goods and services within the first half of 2023 rose to $48.3m, an $8.7m increase (brought about by greater outlays for government supplies and materials), relative to a $2.0m increase within the first half of 2022 (Figure 5). Current expenditure in the first six months of 2023 remained elevated above the previous five-year average of $304.5m (16.1 per cent).

Interest payments in the January to June 2023 period rose by 25.7 per cent ($7.2m) to $35.3m, as compared to a 17.4 per cent increase ($4.2m) in the comparable period of 2022 (Figure 5). The increase in interest payments was attributable to increased payments for both domestic (25.7 per cent) and external (45.9 per cent) loans.

Capital expenditure increased by 23.5 per cent to $58.4m in the first half of 2023, in relation to a 33.9 per cent decline in expenditure to $47.3m in of the same period of 2022 (Figure 5). Capital expenditure in the first half of 2023 is 54.3 per cent higher than the average of the previous five years of $37.8m, this increase is reflective of large-scale public investment projects.

**Debt**

Although government’s fiscal operations improved over the first half of 2023, total public sector debt disbursements increased by 13.1 per cent to $2,401.2m during June 2023 in comparison to a 7.4 per cent increase to $2,122.3m at the end of June 2022 (Figure 6). The higher debt stock was due to higher incurrences of domestic (10.2 per cent) and external debt (14.3 per cent), mainly influenced by central government liabilities. Albeit, the movement in the debt stock was tapered slightly by lower incurred liabilities by public corporations (8.3 per cent) in June 2023.

**Banking Developments (Monetary)**

Domestic claims (credit) decreased marginally by 0.3 per cent ($3.3m) to $1,094.7m during the twelve months ended June 2023 period, in contrast to a 3.1 per cent decline ($35.1m) to $1,098.0m during the equivalent period ending June 2022. The change dur-
Saint Vincent and the Grenadines

ing June 2023, was chiefly attributed to Government’s net lending position which expanded by 83.6 per cent ($14.2m) to $31.2m during June 2023, compared to a 256.5 per cent or $27.9m decline to $17.0m during June 2022 (Figure 7). Household and non-profit claims reduced marginally (3.8 per cent) to $886.2m during June 2023, compared to a 3.4 per cent reduction to $921.7m during June 2022 (Figure 7). At the end of June 2023, claims on businesses stood at $233.1m, 31.2 per cent higher than the previous year’s June figure of $177.6m (Figure 7). Outstanding credit was mainly targeted toward real estate activities, land development and other construction-related activity.

Growth in M2 remained subdued on account of a 4.2 per cent or $44.1m contraction of Quasi money—motivated by declines in foreign currency deposits of 46.7 per cent (Figure 8). On the other hand, other EC deposits rose by 2.9 per cent to $933.9m during June 2023 (Figure 8). At the end of June 2023, broad money was 12.7 per cent higher than the average five-year period, 2018-2022.

The broad money supply (M2) increased moderately by 2.8 per cent during June 2023 and was driven by a 12.4 per cent increase in narrow money (M1) to $870.4m. This increase was brought about by a 12.9 per cent increase in currency outside depository corporations and a 12.3 per cent rise in transferable EC deposits for the year ending June 2023, in comparison to 13.9 per cent and 21.1 per cent increases in currency outside depository corporations and transferable EC deposits, respectively during June 2022 (Figure 8).

The commercial banking system continued to be liquid, manifested through higher liquidity ratios. Customer deposits to total loans increased from 157.9 per cent for the year ended June 2022 to 160.7 per cent during the corresponding period of 2023. Concurrently, the ratio of non-performing loans (NPLs) de-
creased slightly to 9.3 per cent during June 2023 from 9.9 per cent during 2022’s equivalent period (Figure 9). The NPL ratio continues to trend above the ECCB’s prudential guideline of 5.0 per cent (Figure 9).

**External Trade**

Within the first six months of 2023, the country’s merchandise trade balance narrowed to -$446.6m compared to a balance of -$497.8m in the same period of 2022 (Figure 10). Exports in the first half of 2023 stood at $52.8m, 7.3 per cent less than the same of 2022 largely due to declines in the export of food and live animals (17.3 per cent) and beverages and tobacco (10.9 per cent). Despite the decline in exports, the improvement in the merchandise trade balance was driven by a 10.0 per cent decline in imports ($55.3m) motivated by curtailing imports of mineral fuels and related materials (82.3 per cent), beverages and tobacco (15.0 per cent), and food and live animals (1.1 per cent).

Total travel receipts recorded for the first six months of 2023 stood at $129.4m in contrast to $87.5m in the same period of 2022. These receipts are reflective of a significant increase in visitor arrivals within the period, symbolic of increased willingness to travel and flight calls.

Despite its improvement, the merchandise trade balance for January to June 2023 remained elevated above the comparable period’s five-year average (2018-2022) of -$402.69m.

**Outlook**

Economic output in Saint Vincent and the Grenadines is anticipated to improve during the second half of 2023, based on new and continued developments in major sectors of the economy as it continues to bounce back from the effects of the pandemic and volcanic eruptions of La Soufriere.

- Construction activity is projected to be bolstered by continued projects in the public sector (Kingstown Port Development and major bridge restoration and rebuilding works) as well as the progression of private sector projects, such as Beaches Resort by the Sandals Group, the Marriott Resort, and the Holiday Inn.

- Tourism activity is anticipated to ramp up in the second half of 2023 as airlines expand their winter services via more flights and seats. The economy’s room stock is also anticipated to expand with the culmination of select hotel construction during the second half of 2023.

- The government’s operational balances are anticipated to improve further into 2023 once outlays for major capital projects and investments have subsided and government continues to exercise fiscal prudence.

- Despite the global recovery, Saint Vincent and the Grenadines still faces headwinds with the possibility of inflation rates remaining elevated—affecting imports and domestic prices, and further eroding disposable incomes. Downside risks also include a worsening of the terms of trade due to an abrupt slowdown in economic activity of trading partners, a knock-on effect from the predicted economic slowdown of China. A stalling of major private and public sector projects due to lingering sup-
ply chain issues and implementation delays can also suppress economic activity. Additionally, the risk of natural disasters remains an ever present threat to growth, particularly as recent climatic events have increased in intensity and frequency, which can affect key sectors such as tourism and agriculture and widen government deficits.
## Selected Economic Indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2019H1</th>
<th>2020H1</th>
<th>2021H1</th>
<th>2022H1</th>
<th>2023H1</th>
</tr>
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<tbody>
<tr>
<td>Current Revenue (EC$M)</td>
<td>283.2</td>
<td>282.8</td>
<td>322.8</td>
<td>319.9</td>
<td>355.0</td>
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<tr>
<td>Current Expenditure (EC$M)</td>
<td>295.3</td>
<td>307.2</td>
<td>316.1</td>
<td>327.3</td>
<td>353.6</td>
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<tr>
<td>Current Balance (EC$M)</td>
<td>-12.0</td>
<td>-24.4</td>
<td>6.7</td>
<td>-7.4</td>
<td>1.4</td>
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<tr>
<td>Primary Balance (EC$M)</td>
<td>5.9</td>
<td>-33.5</td>
<td>3.4</td>
<td>-25.6</td>
<td>1.8</td>
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<tr>
<td>Overall Balance (EC$M)</td>
<td>-20.7</td>
<td>-59.3</td>
<td>-20.5</td>
<td>-53.7</td>
<td>-33.5</td>
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<tr>
<td>Total Public Sector Debt (EC$M)</td>
<td>1,701.0</td>
<td>1,829.3</td>
<td>1,975.7</td>
<td>2,122.3</td>
<td>2,401.2</td>
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<tr>
<td>Inflation Rate (Y-o-Y)(end of period %)</td>
<td>0.9</td>
<td>-0.8</td>
<td>1.9</td>
<td>5.2</td>
<td>5.3</td>
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<tr>
<td>Total Visitor Arrivals</td>
<td>242,530.0</td>
<td>144,383.0</td>
<td>6,932.0</td>
<td>102,102.0</td>
<td>253,722.0</td>
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<tr>
<td>Total Visitor Expenditure (EC$M)</td>
<td>180.0</td>
<td>91.8</td>
<td>19.4</td>
<td>87.5</td>
<td>129.4</td>
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<td>Net Foreign Assets (EC$M)</td>
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<td>812.8</td>
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<tr>
<td>Domestic Credit (EC$M)</td>
<td>1,117.3</td>
<td>1,068.6</td>
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<tr>
<td>M2 (EC$M)</td>
<td>1,678.2</td>
<td>1,525.7</td>
<td>1,749.2</td>
<td>1,832.6</td>
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<tr>
<td>Currency in Circulation (EC$M)</td>
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<td>163.0</td>
<td>190.1</td>
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<td>Liquid assets to total assets</td>
<td>40.8</td>
<td>41.8</td>
<td>45.1</td>
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<tr>
<td>Liquid assets to short-term liabilities</td>
<td>44.8</td>
<td>45.6</td>
<td>49.5</td>
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<td>50.6</td>
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<tr>
<td>Customer deposits to total (noninterbank)loans</td>
<td>132.2</td>
<td>139.0</td>
<td>146.5</td>
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<td>Weighted Average Deposit Rate (%)</td>
<td>1.7</td>
<td>1.7</td>
<td>1.6</td>
<td>1.2</td>
<td>1.3</td>
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<td>Weighted Average Lending Rate (%)</td>
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<td>8.0</td>
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<td>7.5</td>
<td>7.1</td>
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<td>Interest Rate Spread (%)</td>
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<td>6.4</td>
<td>6.2</td>
<td>6.3</td>
<td>5.8</td>
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<td>Non-Performing Loans to Total Loans (%)</td>
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<td>7.3</td>
<td>7.5</td>
<td>9.9</td>
<td>9.3</td>
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Data as at August 2023

Sources: ECCB & Central Statistics Offices

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