

GRENADA



EASTERN CARIBBEAN CENTRAL BANK

ANNUAL ECONOMIC AND FINANCIAL REVIEW 2023

EASTERN CARIBBEAN CENTRAL BANK



DECEMBER 2023

ECONOMIC AND FINANCIAL REVIEW

GRENADA

EASTERN CARIBBEAN CENTRAL BANK





©Eastern Caribbean Central Bank

Address:

P. O. Box 89
Basseterre
St Kitts and Nevis
West Indies

Telephone

(869) 465-2537

Fax:

(869) 465-5615

Website

www.eccb-centralbank.org

Email

rsdad@eccb-centralbank.org

Grenada

Annual Economic and Financial Review - 2023

Eastern Caribbean Central Bank

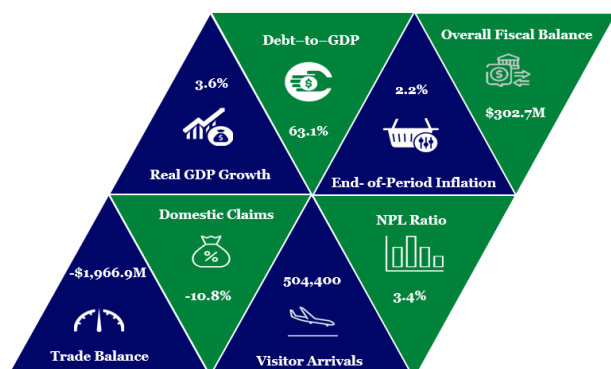
Contents

Overview	2
The Economy (Real Sector)	2
Consumer Prices	3
Employment	4
Government Operations	4
Debt	5
Banking Developments	5
External Trade	6
Outlook	6
Selected Economic Indicators	7



Overview¹

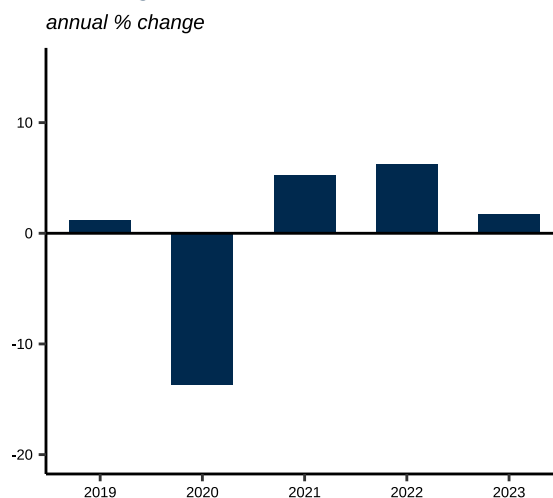
- Preliminary estimates indicate that the economy expanded by 3.6 per cent, compared with growth of 7.3 per cent in 2022.
- Inflation rates were broadly contained during the year.
- Labour markets improved, with unemployment rates returning to below pre-Covid 19 levels.
- Public finances improved in 2023, with record primary and overall balances.
- Public sector debt to GDP is estimated to have declined relative to the previous year. As at December 2023, the debt to GDP ratio stood at 63.1 per cent.



The Economy (Real Sector)

The Grenadian economy proved to be resilient in 2023, amidst ongoing geopolitical tensions, moderate global inflation and the coordinated tightening of monetary policies across the world's major central banks. Accordingly, the economy is estimated to have expanded by 3.6 per cent in 2023, down from the previous year's mark of 7.3 per cent (Figure 1).

Figure 1: Real GDP Growth Rates



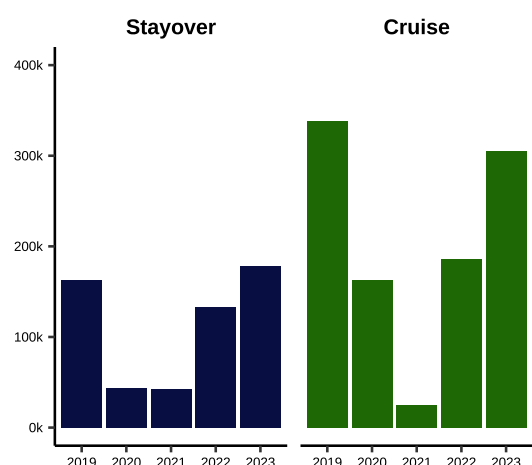
Source: ECCB

¹Photo Credit: Pure Grenada

This economic outturn was shaped by the ongoing robust recovery in the tourism industry, proxied by the hotels and restaurants sub-sector (26.6 per cent); transport, storage and communications (6.6 per cent); and manufacturing (6.0 per cent), among others (Figure 2). Growth in total value added was moderated by contractions in agriculture, livestock and forestry (22.9 per cent) and construction (12.0 per cent).

Driving the resurgence in the tourism sector was a 50.7 per cent increase in total visitor arrivals to 504,400 passengers compared with 334,799 in the prior year, as the demand for leisure continued to strengthen. It is noteworthy that, despite the strong gains in visitor arrivals over the past two years, the tourism sector has not fully recovered to its 2018 high when 528,711 arrivals were recorded. However, the three main categories of visitors rose appreciably, year-on-year, with the number of cruise ship passengers increasing by 64.5 per cent to 305,627, while stayover arrivals and yacht passengers grew by 33.7 per cent and 31.1 per cent, respectively (Figure 2). In addition, stayover visitors from the key source markets of the United States of America, the United Kingdom and Canada, have surpassed their 2019 levels, while the Caribbean market posted a 9.3 per cent shortfall relative to 2019.

Figure 2: Visitor Arrivals in Selected Categories



Source: ECCB

For the agriculture, forestry and livestock sector, output is estimated to have declined by 22.9 per cent, on account of contractions mainly in the production of other

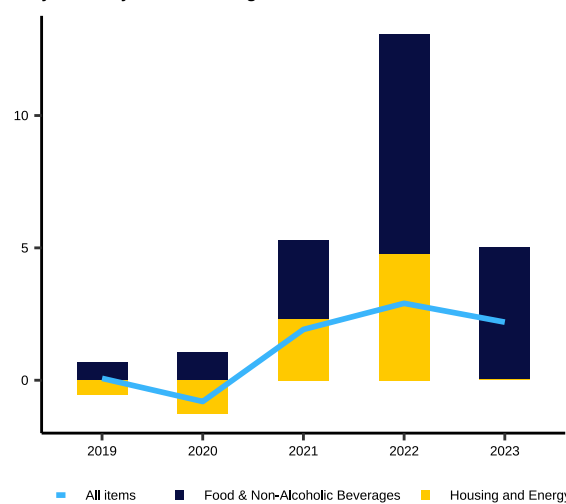
crops (34.4 per cent). The contraction in the sector is primarily attributable to adverse weather events, which negatively impacted production.

Value added in the construction sector is also estimated to have fallen by 12.0 per cent as the government experienced delays in the execution of some of its key projects, including the Molinere Landslip Rehabilitation Project, the Western Main Road Corridor project and the St John's River Flood Mitigation Project (Phase II). In addition, there were no new hotel constructions starts, but work continued on existing projects including the Six Senses La Sagesse and the Intercontinental Resort, while the Silver Sands Beach House Resort was completed in 2023.

Consumer Prices

Grenada's inflation rate is estimated to have risen by 2.2 per cent (end of period basis), down marginally from 2.9 per cent in 2022 (Figure 3). Driving the consumer price index upwards were increased costs for food and non-alcoholic beverages (5.1 per cent); transport (3.1 per cent); and alcoholic beverages, tobacco and narcotics (9.3 per cent). Given relatively stable oil prices on the global market in 2023, the housing, utilities, gas and fuels sub-index remained virtually unchanged, rising by 0.02 per cent.

Figure 3: Selected Categories of Inflation
year-on-year, % change

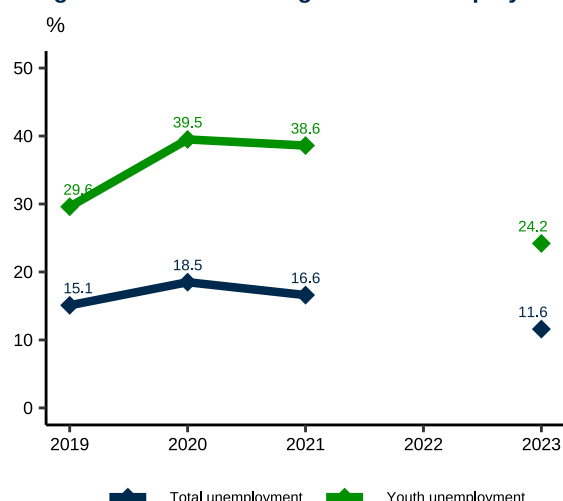


Source: ECCB

Employment

A key positive outcome of the economy's expansion has been the recovery of jobs across critical sectors such as tourism and wholesale and retail trade. As such, the unemployment rate in Grenada improved to 11.6 per cent as at September 2023, down from 16.6 per cent in 2021 and less than the pre-COVID-19 low of 15.1 per cent (Figure 4). Within the past five years, the unemployment rate peaked at 18.5 per cent in 2020, due to the onset of COVID-19 and the subsequent contraction of the economy. Further analysis reveals the gender imbalance in employment levels, with the unemployment rate for males recorded at 6.0 per cent compared with 18.1 per cent for females as at September 2023.

Figure 4: Selected Categories of Unemployment



Source: Government of Grenada
Data for 2022 not available

Of note is the fact that youth unemployment also improved, falling to 24.2 per cent, relative to 39.5 and 38.6 per cent recorded for 2020 and 2021, respectively. While positive, this rate is still high and is compounded by low participation rates of 47.8 and 49.9 per cent among young males and females, respectively.

Government Operations

On the fiscal front, the Government of Grenada recorded both primary and overall surpluses of \$361.1m (10.2 per cent of GDP) and \$302.7m (8.5 per cent of GDP), respectively, in 2023 (Ta-

ble 1). This compares with primary and overall surpluses of \$84.4m (2.6 per cent of GDP) and \$30.7m (0.9 per cent of GDP), respectively, one year earlier. The stronger fiscal outturn was mainly influenced by an outsized current account surplus after grants of \$535.1m (15.1 per cent of GDP), on account of the inclusion of CBI inflows as part of non-tax revenues, an accounting treatment which was implemented in 2023. Prior to that, only fees associated with the National Transformation Fund (NTF) were captured in this category. As a result, current revenue increased by 44.7 per cent (\$385.8m) to \$1.25b. Notwithstanding the tripling in non-tax revenue, tax revenue also improved by 14.9 per cent to \$842.6m, consistent with an expanding economy. Of note, all the major tax categories improved year-on-year.

Table 1: Central Government Fiscal Operations (ECSM)

Item	2019	2020	2021	2022	2023
Current Revenue	778.0	689.6	727.1	863.9	1,249.7
Tax Revenue	737.4	642.2	642.6	733.5	842.6
Non-Tax Revenue	40.6	47.4	84.5	130.4	407.1
Current Expenditure	623.5	650.8	686.8	717.4	715.3
Current Account Balance (after Grants)	172.4	57.0	87.4	254.5	535.1
Capital Revenue	0.0	0.0	0.0	0.0	0.0
Grants	93.5	103.1	230.0	224.4	33.7
Capital Expenditure and Net Lending	85.7	269.9	260.4	340.2	265.4
Primary Balance (after Grants)	223.0	-72.2	64.1	84.4	361.1
Overall Balance (after Grants)	162.4	-128.1	9.9	30.7	302.7
Financing	-162.4	128.1	-9.9	-30.7	-302.7

Note:

Sources: ECCB and National Statistics Office

By contrast, current expenditure declined by 0.3 per cent (\$2.1m) to \$715.3m, influenced by a decrease in transfers and subsidies (17.0 per cent) as pension and gratuity payments fell, following the historic retroactive payment of pensions to retired public servants in 2022. Moderating the contraction in current expenditure were larger outlays for goods and services (14.8 per cent), interest payments (8.8 per cent) and wages and salaries (6.6 per cent).

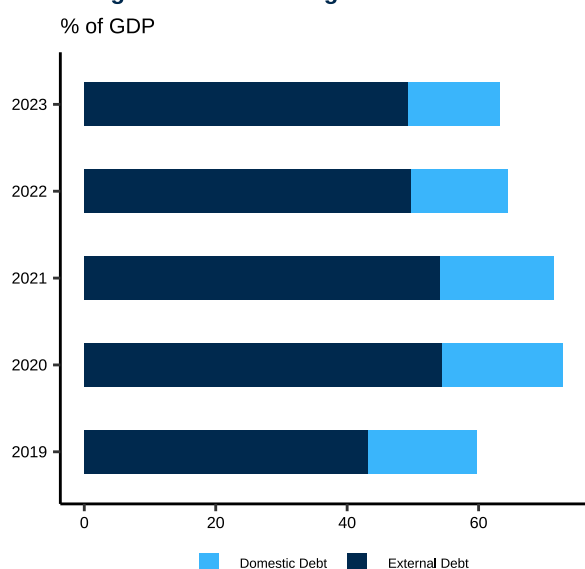
On the capital side, the government reduced its spending by 22.0 per cent (\$74.8m) to \$265.4m, relative to

\$340.2m in 2022. Dominating this spending were outflows associated with the acquisition of 83.9 acres of land to serve as the future home for a national teaching hospital, the Grenada Climate Resilient Water Sector project (G-CREWS), and the Digital Government for Resilience Project. These outflows were supplemented by continued work, albeit at a reduced level, on key projects including the Molinere Landslip Rehabilitation Project and the St John's River Flood Mitigation Project (Phase II), among others.

Debt

Nominal public debt (excluding PetroCaribe) as at end December 2023 stood at \$2,244.7m (63.1 per cent of GDP), marginally below the 64.5 per cent debt to GDP ratio recorded one year earlier. The balances comprised external debt of \$1,752.3m (49.3 per cent of GDP), while domestic debt came in at \$492.4 million (13.9 per cent of GDP), respectively, as illustrated in Figure 5. Although the debt ratio declined marginally, the stock of debt increased by 5.3 per cent (\$112.0m). Most of the increase was attributable to external debt, which rose by 6.4 per cent (\$105.2m), while the domestic component advanced by 1.4 per cent (\$6.8m).

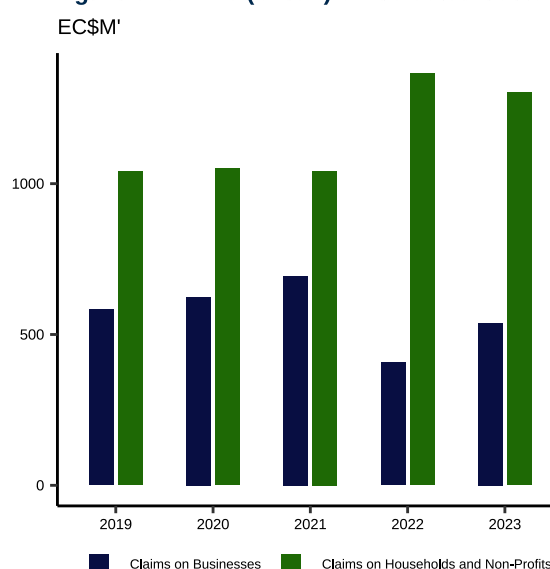
Figure 5: Outstanding Public Sector Debt



Banking Developments

In a reversal of developments one year prior, domestic claims (credit) contracted by 10.8 per cent (\$157.8m) in 2023, relative to the 8.6 per cent growth recorded in 2022. This outturn was dominated by the central government, which saw a 67.7 per cent increase in its net deposit position to \$623.7m, compared with one of \$371.8m in 2022. Meanwhile, private sector claims rose by 3.8 per cent (\$67.4m) to \$1,839.78m, with claims to businesses expanding by 31.8 per cent (\$129.7m), moderated by a 4.6 per cent (\$62.3m) drop in claims to households (Figure 6).

Figure 6: Claims (Credit) on Selected Sectors



Consistent with a growing economy, broad money liabilities increased by 1.4 per cent (\$43.2m), following a 9.9 per cent expansion in 2022. This was reflected in the growth of deposits in the banking system on aggregate. Specifically, transferable deposits and other deposits in national currency rose by 10.1 per cent and 1.8 per cent, respectively. However, this growth was moderated by a 25.4 per cent contraction in foreign currency deposits.

A key feature of the Grenadian banking system is its strong asset quality. Accordingly, the ratio of non-performing loans to gross loans fell by 18 basis points to 3.4 per cent, compared with 3.6 per cent one year

earlier, but remained above the low of 2.2 per cent in 2019. Additionally, banks' liquidity positions improved marginally, as the ratio of liquid assets to short-term liabilities rose by 77 basis points to 56.0 per cent.

External Trade

Buoyed by a resurgent tourism industry, Grenada's merchandise trade deficit widened by 31.4 per cent, year-on-year, to \$1,966.9m. Import payments rose to their highest level in over 5 years, surpassing the 2022 mark by 36.6 per cent to \$2,169.7m, reflecting a combination of greater domestic demand and generally higher global prices. Similarly, export receipts posted their highest levels, more than doubling to \$202.7m, compared with \$92.3m in 2022. In respect of services, total visitor expenditure rose by 1.5 per cent to \$882.6m, as the recovery in the tourism industry gained traction.

Outlook

The prospects for Grenada's economy are positive and are expected to mirror the performance of its critical tourism industry. Additionally, the focus of the present administration on laying the basic infrastructure for improved outcomes in the areas of

health, education and skills training; and fostering the creative economy, augur well for the continued growth and development of the country. As such, the economy is expected to continue on its current growth trajectory, with the intensity of the expansion partially dependent on the level of implementation of programmes and key projects in both the public and private sectors. In addition, the hosting of the 2024 CARIFTA games is expected to add an additional boost to growth in 2024.

The recent focus on laying the basic infrastructure for improved outcomes in the areas of health, education and skills training; and fostering the creative economy, augur well for the continued growth and development of the country

Despite the aforementioned, key downside risks exist and include the possibility of freight charges returning to their 2022 highs, on account of continued vessel attacks in the Red Sea; higher oil prices, driven by a larger regional war between Iran and Israel; the ongoing war between Russia and the Ukraine and its implications for food prices; as well as the potential winding down of CBI inflows as the European Union considers imposing stricter policies for countries engaged in such programmes.

Selected Economic Indicators

Item	2019	2020	2021	2022	2023
National Income and Prices (Annual % change)					
Nominal Gross Domestic Product (GDP) at Market Prices	4.0	-14.0	7.6	9.1	7.5
Real GDP at Market Prices	0.7	-13.8	4.7	7.3	3.6
Consumer Prices (end of period)	0.1	-0.8	1.9	2.9	2.2
Consumer Prices (period average)	0.6	-0.7	1.2	2.6	2.7
Real Gross Value Added (GVA) at basic prices (%)					
Agriculture, Livestock and Forestry	-3.6	-15.0	15.0	-22.5	-22.9
Manufacturing	5.0	-8.2	18.9	11.0	6.0
Construction	-3.6	-20.5	25.7	25.5	-12.0
Wholesale and Retail Trade	1.8	-15.4	6.5	0.1	2.5
Hotels and Restaurants	4.1	-68.2	37.6	60.9	26.6
Transport, Storage and Communications	0.5	-25.6	-8.5	16.5	6.6
Financial Intermediation	2.9	4.3	4.1	4.5	3.6
Real Estate, Renting and Business Activities	1.5	-7.0	0.8	3.4	2.4
Public Administration, Defence & Compulsory Social Security	-0.8	-2.0	0.1	3.5	1.1
Total Public Sector Debt (% GDP)					
Total Public Sector Debt	59.7	72.9	71.4	64.5	63.1
Public Sector External Debt (end-of-period)	43.1	54.5	54.1	49.8	49.3
Central Government Finances (in XCD millions)					
Current Account Balance	778.0	689.6	727.1	863.9	1,249.7
Current Revenue	623.5	650.8	686.8	717.4	715.3
Current Expenditure	85.7	269.9	260.4	340.2	265.4
Capital Expenditure and Net Lending	162.4	-128.1	9.9	30.7	302.7
Overall Fiscal Balance	162.4	-128.1	9.9	30.7	302.7
Monetary Sector (% p.a.)					
Weighted Deposit Interest Rates	1.2	1.1	1.2	0.8	0.8
Weighted Lending Interest Rates	7.2	6.4	6.2	6.9	7.0
Non-Performing Loans Ratio (%)	2.2	2.2	2.9	3.6	3.4
Memorandum items (in XCD millions, unless otherwise stated)					
Nominal GDP at Market Prices	3,276.4	2,817.2	3,031.6	3,306.4	3,555.2
Real GDP at Market Prices	2,489.7	2,147.2	2,247.9	2,412.4	2,498.4
GDP per capita (EC\$)	24,416.4	20,897.2	22,471.6	24,361.2	25,745.3
Merchandise Imports (f.o.b)	1,281.5	1,061.0	1,214.5	1,588.8	2,169.7
Merchandise Exports	84.5	60.2	79.6	92.3	202.7
Gross Visitor Expenditure	570.6	156.1	160.3	869.9	882.6
Net Foreign Assets	1,400.4	1,720.7	1,919.1	2,211.7	2,405.0
Domestic Credit	1,326.2	1,243.9	1,348.7	1,464.2	1,306.4
Money Supply (M2)	2,691.3	2,658.8	2,884.7	3,169.8	3,213.0
Currency in Circulation	202.8	225.2	259.0	277.1	283.5

Note:

Data as at 23 February 2024

¹ Sources: Central Statistics Office and Eastern Caribbean Central Bank (ECCB)

2023

Find more ECCB publications by visiting
www.eccb-centralbank.org/research-and-publications

EASTERN CARIBBEAN
CENTRAL BANK

