

SAINT VINCENT AND THE GRENADINES



EASTERN CARIBBEAN CENTRAL BANK

ANNUAL ECONOMIC AND FINANCIAL REVIEW 2023

EASTERN CARIBBEAN CENTRAL BANK



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ECONOMIC AND FINANCIAL REVIEW

SAINT VINCENT
AND THE
GRENADINES

EASTERN CARIBBEAN CENTRAL BANK





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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

Saint Vincent and the Grenadines
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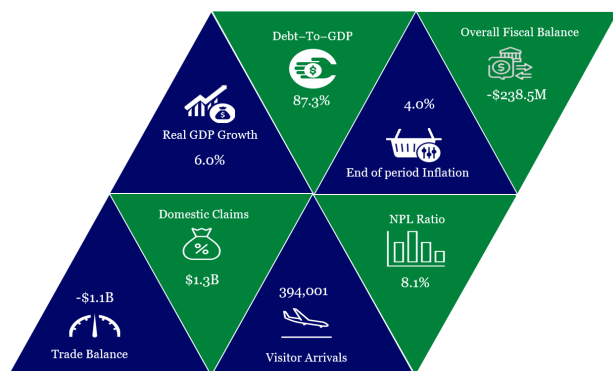
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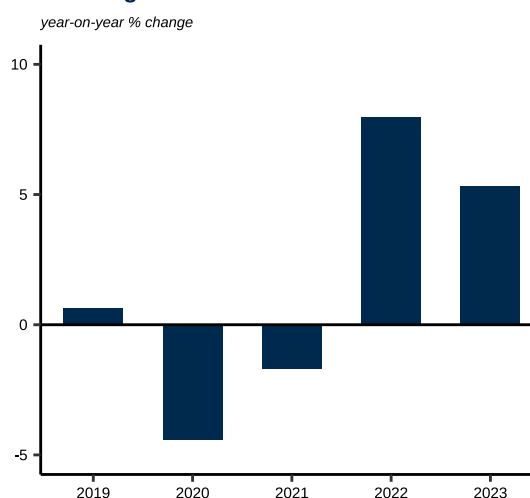
Overview¹

- Economic activity expanded in 2023 despite global headwinds. GDP growth of 6.0 per cent was driven by activities in construction and tourism.
- Tourism continued to rebound, reaching near pre-pandemic levels. Visitor expenditure and cruise ship arrivals, however, surpassed 2019 levels.
- There are risks to the economic outlook of Saint Vincent and the Grenadines including renewed global inflationary pressures and supply chain constraints from geopolitical aggressions in the Red Sea.



global headwinds; recording growth of 6.0 per cent at the end of 2023 (Figure 1). The expansion of the domestic economy, though at a decelerated pace, was brought about by growth in key economic sectors, including, construction (8.0 per cent), transportation and storage (25.9 per cent) and accommodation and food service activities (31.2 per cent). Combined, these three sectors accounted for 25.1 per cent of economic activity.

Figure 1: Real GDP Growth Rates



Source: ECCB

The Economy (Real Sector)

The economy of Saint Vincent and the Grenadines remained resilient in the midst of

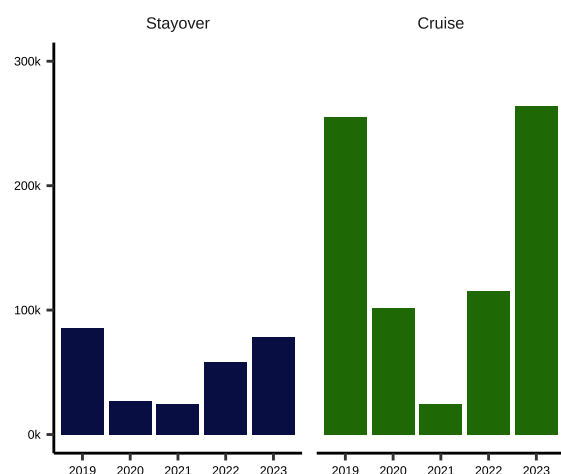
By contrast, declines were recorded in sector outputs for agriculture, forestry and fishing (2.9 per cent) as

¹Photo Credit: Planet of Hotels

a result of drought conditions, manufacturing (3.0 per cent) and wholesale and retail trade; repair of motor vehicles and motorcycles (2.0 per cent). GDP growth in 2022 was 7.2 per cent.

Visitor arrivals continued to rebound in 2023, reaching near pre-pandemic levels supported by a surge of cruise visitors. Total visitor arrivals increased by 88.3 per cent to 394,001, just shy of 2019 arrivals of 404,097. Total visitors at the end of 2023 were buoyed by robust growth in cruise ship passengers, which increased to 264,340, from 115,544 at the end of 2022. Cruise arrivals in 2023 surpassed 2019 arrivals of 255,255.

Figure 2: Visitor Arrivals in Selected Categories



Source: ECCB

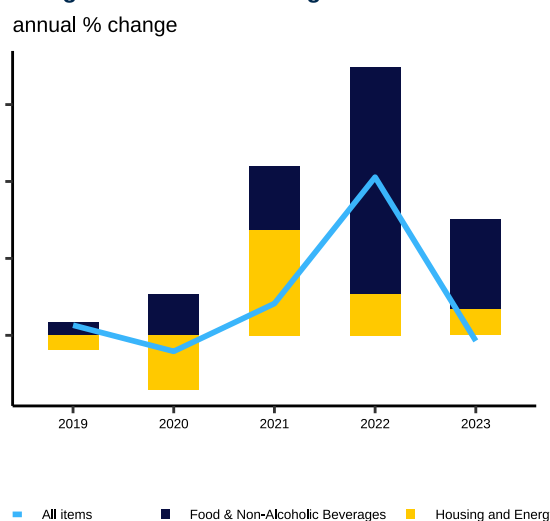
At the end of 2023, stay-over arrivals totaled 78,359 compared with 58,081 stay-overs in 2022 (Figure 2). Growth in 2023 arrivals coincided with the incentive and award programme for travel advisors and improved air-lift. Visitors from the USA (29,908) and the Caribbean (17,519) dominated the market.

Total visitor expenditure for 2023 rose by 40.2 per cent to \$563.1m, representing 19.6 per cent of GDP compared with 15.4 per cent of GDP in the previous year.

Consumer Prices

Inflationary effects decelerated as global inflation subsided at the end of 2023. Inflation at the end of 2023 was 4.0 per cent compared with 6.7 per cent at the end of 2022 (Figure 3). The deceleration in inflation at the end of 2023 was motivated by lower inflation rates for food and non-alcoholic beverages (5.9 per cent), housing, water, and energy (1.7 per cent) and transport (2.1 per cent) compared with prices in 2022; reflective of global cooling of energy prices and interest rates.

Figure 3: Selected Categories of Inflation



Source: ECCB

Government Operations

Central Government fiscal accounts registered a current account deficit of \$35.9m (1.2 per cent of GDP) at the end of 2023 in contrast to a surplus of \$8.4m in the previous year. Current Revenue at the end of 2023 was \$703.1m (24.4 per cent of GDP) buoyed by rental income. Tax revenues increased marginally by \$1.5m to \$643.4m in 2023 reflecting a mixed performance in the major tax categories. Current expenditure rose by \$66.3m to \$739.0m, roughly 25.7 per cent of GDP, reflecting greater spending in all categories (Table 1).

Table 1: Central Government Fiscal Operations (EC\$M)

Item	2019	2020	2021	2022	2023
Current Revenue	601.7	606.3	679.5	681.2	703.1
Tax Revenue	557.9	564.5	637.1	641.8	643.4
Non-Tax Revenue	43.9	41.8	42.4	39.3	59.7
Current Expenditure	600.4	641.8	694.0	672.8	739.0
Current Account Balance (after Grants)	1.3	-35.6	-14.5	8.4	-35.9
Capital Revenue	4.2	46.2	32.5	2.7	2.9
Grants	74.1	63.2	61.7	50.4	66.7
Capital Expenditure and Net Lending	159.6	211.2	231.6	243.0	272.2
Primary Balance (after Grants)	-22.4	-84.4	-90.5	-119.0	-164.2
Overall Balance (after Grants)	-80.0	-137.3	-151.8	-181.5	-238.5
Financing	80.0	137.3	151.8	181.5	238.5

Note:

Sources: ECCB and National Statistics Office

Higher spending for Public Sector Investment Projects and Programmes resulted in a widening of central government's overall deficit to \$238.5m. Capital expenditure rose by \$29.1m to \$272.2m (9.5 per cent of GDP) to support infrastructure developments, including the port modernization project. The deficit represented 8.3 per cent of GDP compared with a deficit of 7.0 per cent of GDP at the end of 2022 (Table 1).

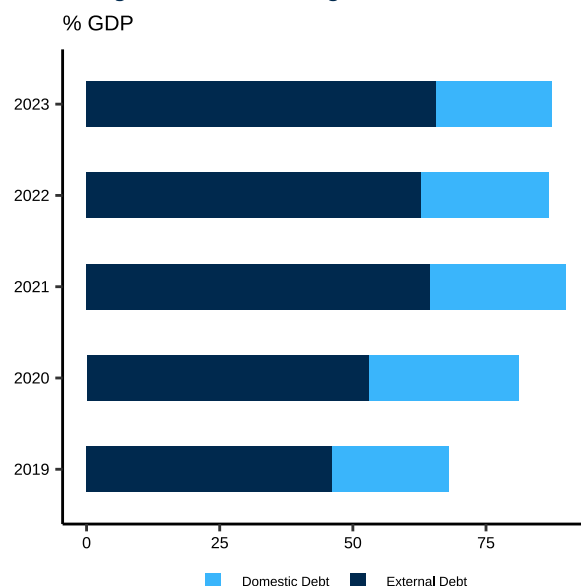
Debt

Debt remains elevated fueled by Public Sector Investment Projects. Total public sector debt at the end of 2023 increased by 11.2 per cent to \$2.5b relative to the level at the end of 2022 (Figure 4). At the end of 2023, total public sector debt to GDP remained elevated at 87.3 per cent, slightly higher than the previous year's estimate of 86.7 per cent and above the ECCB target of 60.0 per cent by 2035.

Central government debt increased by 12.5 per cent to \$2.5b at the end of 2023, representing 99.0 per cent of total debt. The increase was as a result of multilateral and bilateral financing received for the development of several public sector investment projects including the

Port Modernization Project which ramped up activities in 2023. The project is anticipated to conclude in 2025. Debt levels are anticipated to taper off at the conclusion of the project.

Figure 4: Outstanding Public Sector Debt

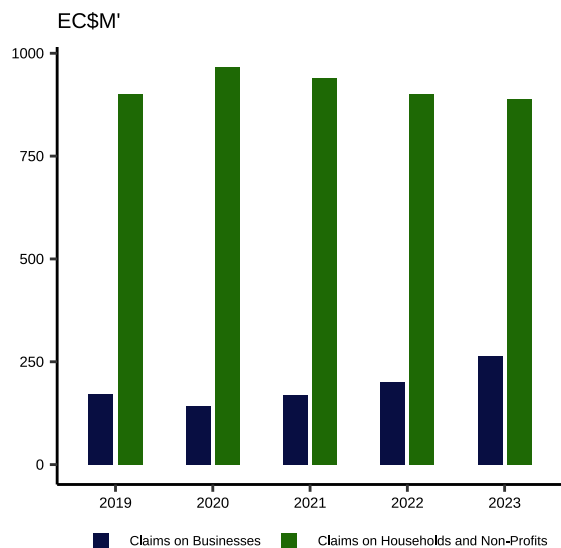


Source: ECCB

Banking Developments

Credit within the domestic economy increased by \$178.6m. Domestic credit increased by 16.4 per cent to \$1.3b driven by lending activities in both the private and public sectors (Figure 5). Net claims to general government increased to \$112.6m at the end of 2023 in contrast to -\$29.4m at the end of 2022. These net claims were influenced by a drawdown of deposits and higher credit to general government of \$351.6m.

Lending to the private sector increased by 4.7 per cent to \$1.2b at the end of 2023; credit to households however declined slightly by 1.4 per cent (year on year) to \$887.6m.

Figure 5: Claims (Credit) on Selected Sectors

Source: ECCB

The money supply expanded despite significant drawdowns in foreign currency deposits. Broad money rose by \$74.6m to \$1.9b (67.1 per cent of GDP) at the end of 2023 driven by increases in other deposits (6.2 per cent) and transferrable deposits (9.3 per cent), despite a 40.0 per cent (\$57.0m) decline in foreign currency deposits.

Liquidity and non-performing loans within the commercial banking system remained elevated despite moderate tapering. The liquid assets to total assets ratio declined (year on year) by 5.3 percentage points to 43.1 per cent at the end of 2023 reflective of increased lending within the system. The non-performing loans (NPL) ratio improved from 10.1 per cent at the end of 2022 to 8.1 per cent in 2023. In spite of the decline, the NPL ratio remained above the ECCB's recommended guide of 5.0 per cent.

External Trade

The trade imbalance widened to \$1.1b as imports outpaced dwindling exports of major categories. The visible trade balance widened by \$62.9m, registering a trade deficit equivalent to 39.0 per cent

of GDP at the end of 2023. Total imports for the 2023 period rose by 4.2 per cent to \$1.2b (42.8 per cent of GDP) reflecting higher imports of manufactured goods (\$33.8m) and machinery and transport equipment (\$56.5m). Food imports continued to be a major contributor to the trade deficit in 2023. Food and live animal imports increased by \$1.5m compared to \$33.6m in the previous year. Despite its moderation in 2023, the category represented 9.6 per cent of the country's GDP.

Total exports contracted by 10.6 per cent to \$110.2m (3.8 per cent of GDP) marked by declines in the export of bananas, flour, feeds and beer. Although rice exports increased by 638.5 tonnes (\$1.5m), it was insufficient to affect the overall decline of total exports.

Outlook

The economic outlook for Saint Vincent and the Grenadines remains positive, driven by bustling construction and tourism activities. The economy has done well to weather pandemic, volcanic eruption and local weather shock woes and has recuperated past its pre-pandemic size, in nominal and real terms. The economy is anticipated to grow further in 2024 at a rate of 4.6 per cent, anchored by strong growth in construction and tourism.

The economy has done well to weather the pandemic, volcanic eruption and local weather shock woes and has recuperated past its pre-pandemic level, both in nominal and real terms.

Tourist activity is expected to be robust and reach pre-pandemic levels as Sandals Hotel and Holiday Inn Express begin to welcome guests, coupled with improved airlift and cruise activity. Construction activity will continue to improve as the Marriott Hotel begins construction and work continues on the port modernization



project to meet its 2025 deadline.

Downside risks to the growth prospect of the economy of Saint Vincent and the Grenadines include natural and

climatic events and renewed global inflationary pressures from geopolitical tensions and supply chain disruptions from geopolitical aggressions in the Red Sea.



Selected Economic Indicators

Item	2019	2020	2021	2022	2023
National Income and Prices (Annual % change)					
Nominal Gross Domestic Product (GDP) at Market Prices	3.0	-4.6	0.4	10.8	10.3
Real GDP at Market prices ¹	0.7	-3.7	0.8	7.2	6.0
Consumer Prices (end of period)	0.5	-1.0	3.4	6.7	4.0
Consumer Prices (period average)	0.9	-0.6	1.6	5.7	4.6
Real Gross Value Added (GVA) at basic prices (%)					
Agriculture, forestry and fishing	-1.6	1.6	-29.4	-6.2	-2.9
Manufacturing	-14.6	-5.2	-0.2	3.7	-3.0
Construction	-2.4	-13.5	14.8	12.9	8.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	-6.6	-4.2	7.6	11.2	-2.0
Transportation and storage	-0.9	-20.9	-10.3	47.6	25.9
Accommodation and food service activities	22.3	-36.3	-33.2	101.5	31.2
Financial and insurance activities	1.8	8.3	1.5	-5.1	-1.9
Real estate activities	0.7	0.8	0.8	2.7	1.0
Public administration and defence; compulsory social security	2.9	5.8	3.4	-0.4	5.0
Total Public Sector Debt (% GDP)					
Total Public Sector Debt	67.9	81.2	89.9	86.7	87.3
Public Sector External Debt (end-of-period)	46.1	53.1	64.4	62.8	65.7
Central Government Finances (in XCD millions)					
Current Account Balance	1.3	-35.6	-14.5	8.4	-35.9
Current Revenue	601.7	606.3	679.5	681.2	703.1
Current Expenditure	600.4	641.8	694.0	672.8	739.0
Capital Expenditure and Net Lending	159.6	211.2	231.6	243.0	272.2
Overall Fiscal Balance	-80.0	-137.3	-151.8	-181.5	-238.5
Monetary Sector (% p.a.)					
Weighted Deposit Interest Rates	1.7	1.6	1.6	1.2	1.2
Weighted Lending Interest Rates	8.3	7.8	7.5	7.3	7.2
Non-Performing Loans Ratio (%)	6.4	7.4	7.8	10.1	8.1
Memo (in XCD millions, unless otherwise stated)					
Nominal GDP at Market Prices	2,459.1	2,346.6	2,355.0	2,609.5	2,878.1
Real GDP at Market Prices	2,403.5	2,313.6	2,331.1	2,498.0	2,648.2
GDP per capita (EC\$)	18,917.1	17,912.8	17,528.8	19,556.1	21,406.6
Merchandise Imports (f.o.b)	904.7	866.6	1,005.9	1,182.6	1,232.4
Merchandise Exports (f.o.b)	106.6	149.0	95.4	123.2	110.2
Gross Visitor Expenditure	603.1	225.3	128.4	401.7	563.1
Net Foreign Assets	826.6	904.7	1,238.0	1,104.1	921.7
Domestic Credit	1,071.7	1,128.0	1,076.6	1,086.1	1,264.7
Money Supply (M2)	1,758.8	1,643.5	1,853.5	1,856.9	1,931.5
Currency in Circulation	174.0	186.7	226.5	252.6	271.3

Note:

Data as at 23 February 2024

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

² GDP rebased to the year 2018

2023

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