

GRENADA

ECONOMIC AND FINANCIAL REVIEW

June 2024

Eastern Caribbean Central Bank



JUNE 2024

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

Economic and Financial Review - June 2024

Eastern Caribbean Central Bank

Contents

Overview	3
The Economy (Real Sector)	3
Consumer Prices	3
Government Operations	4
Debt	4
Banking Developments	4
External Trade	5
Outlook	5
Box 1: Side-by-Side Comparison of Grenada's 2024 Budgets: Original vs. Supplementary	6
Selected Economic Indicators	7



Total visitor arrivals increased by 3.4 per cent to 309,138 visitors



Inflation rose by 1.4 per cent, down from 2.2 per cent in the prior year



Public sector debt rose by 4.0 per cent to \$2,208.2m compared with \$2,122.3m one year earlier



The government recorded an overall fiscal surplus of \$186.8m relative to one of \$170.6m over the same period in 2023



Non-performing loans fell from 4.0 to 3.1 per cent, year-on-year



The merchandise trade deficit narrowed from \$697.9m to \$660.8m

“The economic outlook for Grenada is broadly positive, premised on robust tourism and construction sector activity”

Overview¹

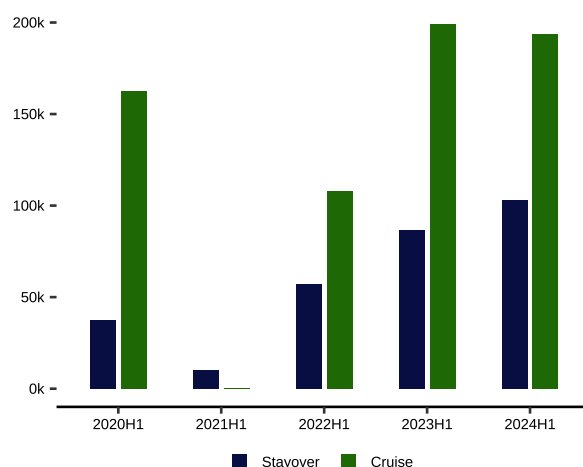
- The economy of Grenada strengthened over the first half of 2024, as tourism sector activity continued apace.
- Consumer prices rose marginally, but remained broadly stable.
- The fiscal performance of the government resulted in larger overall and primary surpluses. Growth in non-tax revenue was the key contributor.
- The economy is expected to sustain growth in 2024, barring any major global or climactic shocks.

The Economy (Real Sector)

Grenada's economy expanded during the first half of 2024, driven by growth in the tourism industry and its consequent knock-on effects on ancillary sectors. Growth was supported by activity in the construction sector, as major private sector projects such as Six Senses La Sagesse were completed and work on other tourism assets continued. Additional support in the construction sector was provided by the ongoing renovation of the National Cricket Stadium, continued work on the Molinere Land Slip project, as well as other road works.

On the tourism front, targeted marketing and rebranding efforts, coupled with ongoing 50th anniversary of independence celebrations, resulted in a 3.4 per cent (10,309) increase in total visitor arrivals to 309,138 relative to the same period one year earlier. Stayover arrivals were the standout segment, growing by 18.9 per cent (16,386) to 103,027. Moderating the increase in total visitor arrivals was a 2.8 per cent contraction (5,502) in the number of cruise ship passengers, coupled with a 4.3 per cent decline (575) in the number of yacht passengers (Figure 1).

Figure 1: Visitor Arrivals in Selected Categories



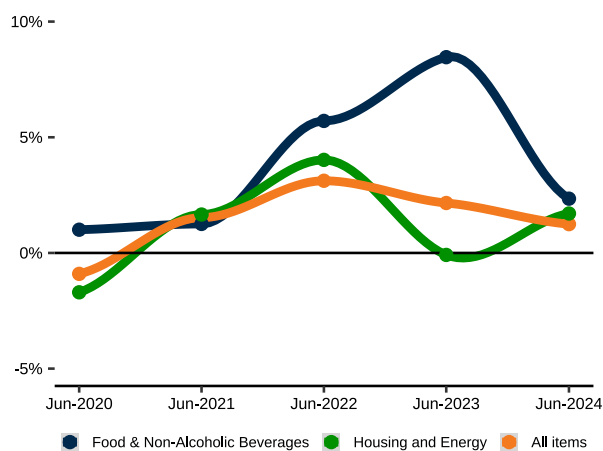
Source: ECCB

Consumer Prices

Inflationary pressures as at June 2024 were broadly contained, with the CPI index rising by 1.4 per cent, compared with 2.2 per cent, one year earlier (Figure 2). Driving prices higher were increased costs for household furnishings, supplies and materials (7.5 per cent); health (3.5 per cent); food and non-alcoholic beverages (2.3 per cent); and housing, utilities, gas and other fuels (1.9 per cent). Marginal declines in costs associated with the hotels and restaurants, clothing and footwear, and transport sub-categories, moderated the overall price increase.

Figure 2: Selected Categories of Inflation

end-of-period, year-over-year



Source: ECCB

¹Photo Credit: Leon Bullen

Government Operations

Consistent with an improving economy, the government of Grenada generated both primary and overall surpluses (after grants) in the first half of 2024. The data as at end June reflect an overall surplus of \$186.8m, up from a surplus of \$170.6 over the comparable period in 2023 (Table 1). Likewise, a primary surplus of \$212.3m was generated relative to one of \$195.4m one year earlier.

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

Item	2020H1	2021H1	2022H1	2023H1	2024H1
Current Revenue	349.0	357.5	430.7	624.4	727.5
Tax Revenue	324.7	320.0	359.8	437.7	458.2
Non-Tax Revenue	24.3	37.5	70.9	186.7	269.4
Current Expenditure	322.8	318.9	310.6	346.7	435.1
Current Account Balance (after Grants)	37.3	57.9	201.1	278.5	292.5
Capital Revenue	0.0	0.0	0.0	0.0	0.0
Grants	37.3	71.6	151.4	9.1	9.7
Capital Expenditure and Net Lending	32.3	86.3	169.9	116.2	115.4
Primary Balance (after Grants)	56.8	49.2	126.3	195.4	212.3
Overall Balance (after Grants)	31.2	23.9	101.6	170.6	186.8

* Sources: ECCB and National Statistics Office

This fiscal outturn was driven by larger inflows of current revenue relative to current expenditure, with the former growing by \$103.1m to \$727.5m, while the latter rose by \$88.4m to \$435.1m. Consequently, the government recorded a current account surplus of \$292.5m relative to one of \$278.5m in the prior year. While all the major tax line items improved, year-on-year, the growth in current revenue was dominated by the non-tax component, which saw a 44.3 per cent increase to \$269.4m, mainly on account of the Citizenship by Investment (CBI) receipts.

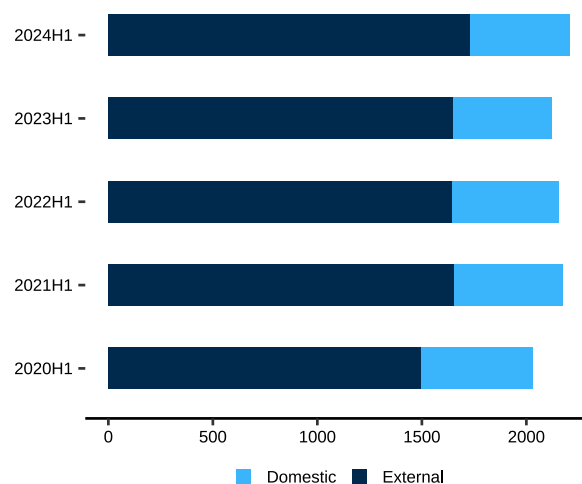
On the current expenditure side, increased outlays for goods and services, wages and salaries (consistent with the ongoing regularization of public sector workers), and transfers and subsidies, accounted for the upward movement. Capital expenditure fell marginally over the first half of 2024 (\$0.8m) to \$115.4 as work on major projects, including the Moliniere Landslip Rehabilita-

tion Project and the St. John's River Flood Mitigation project continued.

Debt

Public sector debt rose by 4.1 per cent (\$85.9m) to \$2,208.2m compared with that of \$2,122.3m one year earlier (Figure 3). In respect of the composition, central government debt increased by \$67.5m, while that of public corporations rose by \$18.4m. Most of the new debt was sourced externally, with that component expanding by \$79.2m. This movement was due to net disbursements on new and existing loans, primarily to support capital programs. Domestic debt saw a \$6.6m increase year-on-year.

Figure 3: Outstanding Public Sector Debt (EC\$m)
Stock, end-period



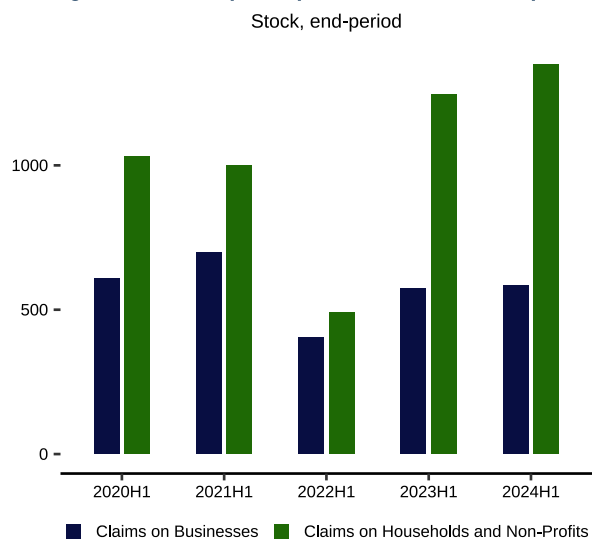
Source: ECCB

Banking Developments

Consistent with real sector activity, claims on the private sector (credit) rose by 6.2 per cent (\$113.2m) to \$1,933.0m in the first half of 2024 (Figure 4). Within the private sector, claims to households expanded by 8.2 per cent, while business claims grew marginally by 1.9 per cent. Credit allocated for construction and land development recorded the strongest gains, growing by \$70.5m, year-on-year.

Meanwhile, the net deposit position of the central government rose by 50.5 per cent to \$816.9m, associated with increased flows from the Citizenship by Investment Programme. Given the aforementioned developments, net domestic claims (credit) fell by 10.6 per cent to \$1,198.3m.

Figure 4: Claims (Credit) on Selected Sectors (EC\$m)



Broad money liabilities (M2) also increased, year-on-year, expanding by 5.8 per cent to \$3,216.7m, primarily driven by growth in deposits in the banking system on aggregate. Specifically, transferable deposits in national currency and other deposits in national currency grew by 9.4 per cent and 4.4 per cent, respectively. However, the increase in broad money was moderated by a 2.7 per cent contraction in foreign currency deposits.

Also of note was the improvement in the asset quality of commercial banks over the first half of the year. Accordingly, non-performing loans as a percentage of gross loans fell by 89 basis points to 3.1 per cent, compared with the 4.0 per cent one year earlier. Additionally, the liquidity position of commercial banks strengthened, reflected by an increase in the ratio of liquid assets to short-term liabilities of 48 basis points to 56.4 per cent, relative to 55.9 per cent, one year ago.

External Trade

Grenada's merchandise trade deficit narrowed in the first half of the year by 5.3 per cent to \$660.8m. Influencing this development was a 5.8 per cent (\$43.5m) contraction in import payments, while export receipts fell by 12.8 per cent (\$6.4m). Declines were recorded for the export of both manufactured and agricultural products, including paper products, animal feed, nutmegs, cocoa, fish and flour. In respect of services, total visitor expenditure expanded by 22.1 per cent to \$513.6m, primarily attributable to the stayover segment.

Outlook

The outlook for Grenada is broadly positive, despite the devastation caused by hurricane Beryl on the sister isles of Carriacou and Petite Martinique and the northern parts of mainland Grenada. While the agricultural sector has been compromised, key tourism assets were unaffected and activity in the industry is expected to continue to expand. The latter is premised on more targeted marketing, improved airlift and the introduction of new tourism properties on the mainland, such as Six Senses La Sagesse and Silversands Beach House. Additionally, activity in the construction sector is expected to accelerate as the rebuilding of homes and businesses affected by the passage of hurricane Beryl begins in earnest and accelerates into 2025. Moreover, ongoing work on the construction of the 150-room Intercontinental Hotel and Villas as well as the Port Louis Expansion project should support broader economic activity, with positive spillovers to ancillary sectors. These will be complemented by ongoing infrastructural projects by the government.

Despite the positive projection, Grenada faces several downside risks, including ongoing geopolitical tensions in the Middle East, which could negatively impact the price of oil and global inflation. In addition, the perennial threat of natural

disasters, such as Hurricane Beryl, is a constant concern, especially given the forecast for an active Atlantic hurricane season. Additionally, any unanticipated slowdown in Grenada's key source markets of the United

States of America, the United Kingdom and Canada, would negatively affect the tourism sector, employment and output levels.

Box 1: Side-by-Side Comparison of Grenada's 2024 Budgets: Original vs. Supplementary

In his original budget presentation on 4 December 2023, the Minister for Finance, Honourable Dennis Cornwall, outlined a total budget allocation of EC\$1.6b compared with EC\$1.2b in the prior year. This allocation was comprised of \$901.4m in recurrent expenditure, \$419.6m in capital expenditure and \$335.5m in principal repayments. In addition, primary and overall surpluses after grants of \$57.1m and \$0.5m, respectively, were projected.

Following the passage of Hurricane Beryl and the destruction wrought upon the sister isles of Carriacou and Petite Martinique, as well as portions of the northern part of mainland Grenada, a supplementary budget^a for \$269.6m was passed in September 2024 to expedite the recovery and reconstruction efforts. Accordingly, the revised fiscal forecast points to a 17.2 per cent (\$227.2m) increase in total expenditure relative to the originally budgeted amount. The bulk of the increase is to facilitate greater capital expenditures (\$608.0m) in light of the reconstruction work required by the affected areas. As a result of the foregoing, the government of Grenada is projected to generate an overall fiscal deficit of \$144.0m in 2024 in contrast to a surplus of \$0.5m in the original budget. Importantly, the government intends to avoid increasing its debt burden through new borrowing, but may explore a drawdown of existing loans to help fill the financing gap. In addition, the government has the option of drawing down on some of its reserves in the banking system for this purpose. Significantly, on 6 September 2024, Grenada activated the suspension clause of the Fiscal Resilience Act (FRA) which grants the Finance Minister the authority to temporarily waive the public debt target and primary balance rule during a fiscal year when the condition for suspension is applicable. Due to the extensive damage caused by Hurricane Beryl, the country has invoked a natural disaster clause, which is a special feature included in some of its bond contracts, allowing the authorities to postpone debt payments in the wake of a major natural disaster.

	Original Budget (\$M)	Supplementary Appropriation (\$M)	Variance
Recurrent Revenue	1,216.8	1,331.4	114.6
Recurrent Expenditure	901.4	940.1	38.7
Current Account Balance	315.4	391.3	75.9
Capital Grants	104.6	78.1	(26.5)
Capital Expenditure	419.6	608	188.4
Primary Balance	57.1	(88.2)	(145.3)
Overall Balance	0.5	(144.0)	(144.5)

^aSource: Ministry of Finance, Government of Grenada

Selected Economic Indicators

Item	2020H1	2021H1	2022H1	2023H1	2024H1
Banking and Monetary					
Net Foreign Assets (EC\$M)	1,840.8	1,894.0	1,543.5	2,266.1	2,566.4
Domestic Credit (EC\$M)	904.1	1,277.1	586.7	1,341.0	1,198.3
M2 (EC\$M)	2,430.9	2,822.4	1,810.0	3,040.9	3,216.7
Currency in Circulation (EC\$M)	201.4	206.7	249.3	249.2	272.5
Liquid assets to total assets	47.4	48.9	50.2	49.6	50.5
Liquid assets to short-term liabilities	53.4	55.6	37.2	55.9	56.4
Customer deposits to total (noninterbank)loans	179.6	184.1	196.9	183.9	185.6
Weighted Average Deposit Rate (%)	1.1	1.1	0.8	0.8	0.8
Weighted Average Lending Rate (%)	6.5	6.3	6.0	6.8	7.0
Interest Rate Spread (%)	5.4	5.2	5.2	6.1	6.2
Non-Performing Loans to Total Loans (%)	3.0	2.6	6.9	4.0	3.1
Real Sector and Prices					
Inflation Rate (year-on-year)(end-June) (%)	-0.9	1.5	3.1	2.2	1.4
Inflation Rate (half-year) (%)	-1.2	1.1	2.3	1.5	0.6
Total Visitor Arrivals	209,025	11,210	172,240	298,829	309,138
Total Visitor Expenditure (EC\$M)	127.5	41.6	423.6	420.7	513.6
Government Finances					
Current Revenue (EC\$M)	349.0	357.5	430.7	624.4	727.5
Current Expenditure (EC\$M)	322.8	318.9	310.6	346.7	435.1
Current Balance (EC\$M)	37.3	57.9	201.1	278.5	292.5
Primary Balance (EC\$M)	56.8	49.2	126.3	195.4	212.3
Overall Balance (EC\$M)	31.2	23.9	101.6	170.6	186.8
Total Public Sector Debt (EC\$M)	2,030.7	2,176.3	2,155.0	2,122.3	2,208.2
Data as at August 2024					



2024

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

E A S T E R N C A R I B B E A N
C E N T R A L B A N K

