



MINISTRY OF FINANCE

GRENADA

# 2022 ANNUAL ECONOMIC REVIEW

November 2022

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## 1. Overview

Grenada's economy continues to recover from the acute 13.8 percent decline in GDP experienced in 2020 because of the COVID-19 pandemic. Real output expanded by 4.7 percent in 2021 driven by recoveries in the tourism, construction, agriculture, and fishing sectors. The recovery forecasted persisted in 2022 and real GDP growth is expected to be 6.0 percent at the end of 2022, on account of vibrant economic activity, especially in the construction, tourism, and wholesale and retail trade sectors. Grenada's inflation continues to climb on account of fuel and food price shocks in the international market. The financial sector remained solid and well capitalised and is performing well with increases in deposits and loans. Public finances continue to bolster in 2022 with an expanded primary surplus and public debt on the decline.

## 2. International Developments

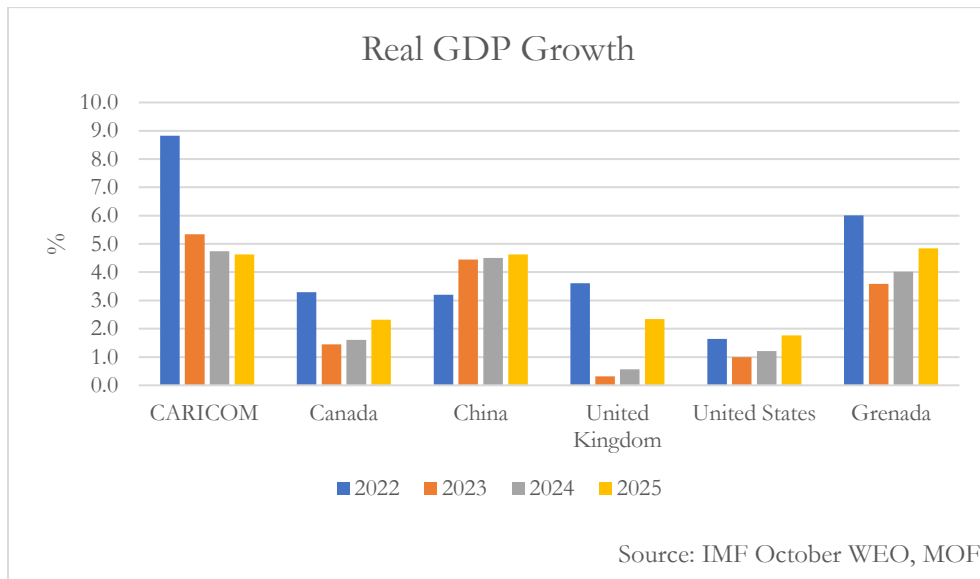
According to the International Monetary Fund (IMF) October 2022 update of its World Economic Outlook (WEO), the global economy faces an acute economic slowdown and downside risks. Some of these downside risks include: the possible protraction if the Russia-Ukraine war and its adverse socio-economic global impacts; high inflation becoming entrenched; further tightening of financial conditions that can create debt distress in developing and emerging economies; new COVID-19 variants and lockdowns, especially in China, which is a global export hub; and geopolitical tensions that can adversely affect global trade.

In the IMF's baseline scenario, global growth decelerates from 6.0 percent in 2021 to an estimated 3.2 percent in 2022 and 2.7 percent in 2023. Growth in Grenada's major source markets for goods and services is projected to moderate over the medium term. In the United States, the largest source market for Grenada's tourists, growth is projected to slow down from 1.6 percent in 2022 to 1.0 percent in 2023 (a downward revision from July 2022 WEO). Growth over the medium term will average 1.3 percent, which is relatively low. In the United Kingdom, growth is projected to be tepid over the medium term, averaging 1.1 percent in 2023-2025. In Canada, the medium-term average growth is a modest 1.8 percent. In China, a major source market for manufactured goods, growth is projected to average 4.5 percent, a marked deceleration relative to pre-pandemic growth rates.

Figure 1 shows real GDP growth rates for Grenada and its major trading partners.

Global inflation is anticipated to climb to 8.8 percent in 2022 and decline to 6.5 percent in 2023. This upswing in inflation is mostly seen among advanced economies such as the United States, the United Kingdom and countries within the Euro Area. Fuel and food price shocks could further drive inflation upwards in the medium term.

**Figure 1: Real GDP Growth Rates – Major International Trading Partners**



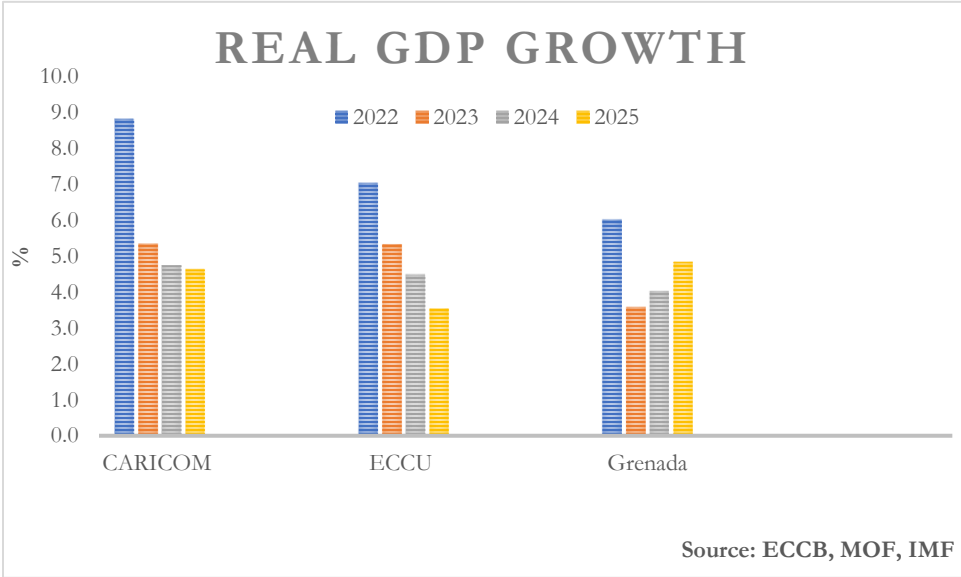
### 3. Regional Developments

The Member States of the Eastern Caribbean Currency Union (ECCU) and the CARICOM region are gradually recovering from the economic downturn brought on by the COVID-19 pandemic. In 2021, the regional block recovered from the acute decline recorded in 2020, and growth continues in 2022. Average growth of 8.8 percent is estimated for the CARICOM region, driven mainly by the 57.8 percent growth in Guyana. Guyana continues to perform exceptionally well and is one of the fastest-growing economies in the world. Growth in Guyana will persist over the medium-term, averaging 24.9 percent. Average growth of the ECCU economies is estimated at 7.0 percent in 2022. Anguilla, St. Kitts and Nevis, and Saint Lucia are the top 3 performers and contributors of this positive outcome,

reflecting growth rates of 10.7, 9.1, and 9.8 percent respectively.

Growth over the medium term is forecasted to decelerate within the region. An average medium-term growth rates of 4.9 and 4.4 percent for both groups are forecasted. Grenada’s medium-term growth is projected to be on par with regional peers.

**Figure 2: Real GDP Rates (Grenada, ECCU and CARICOM)**



## 2022 Mid-Year Economic Review and Estimated 2022 Performance

### 3.1. Real Sector

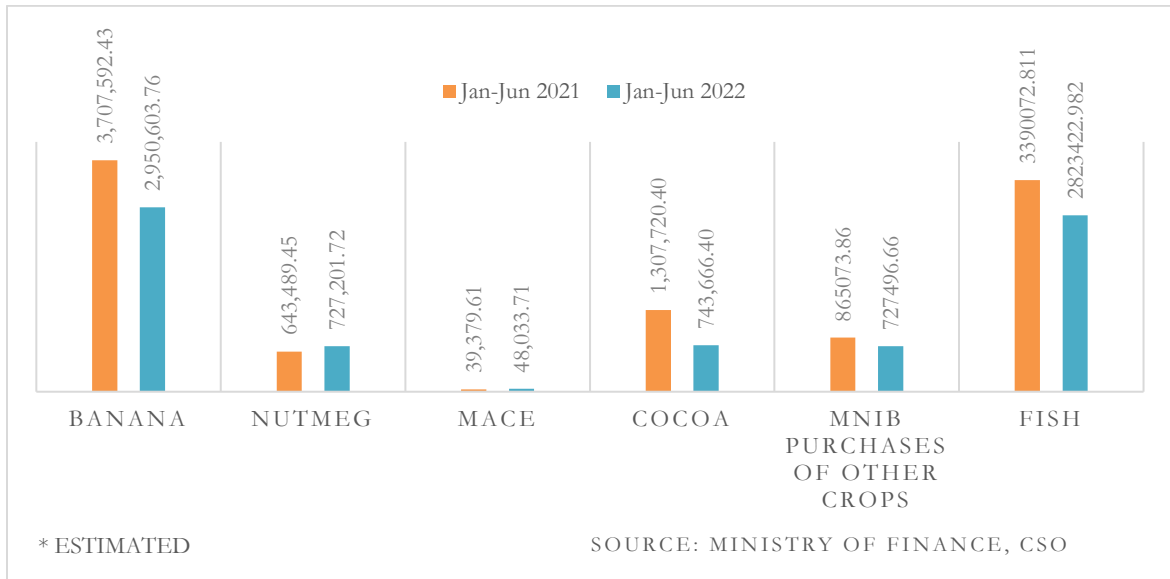
The Grenadian economy recovered considerably well in 2022, in comparison to 2021; however, the improvement in economic performance was still below pre-COVID-19 levels. Data for the first half and estimates for the last half of 2022 indicate that overall growth in 2022 will be 6.0 percent. Nevertheless, challenges affecting the global economy continue to spill over into Grenada, impacting various sectors. The Russian-Ukraine war poses further risk to the economy. Supply Chain disruptions, high freight costs, increased costs of raw materials, and the elevated cost of food, pose serious threats to growth.

The fiscal measures implemented by the Government had a positive effect on businesses and improved business operations (based on the views of business owners who participated in the Ministry of Finance's sectoral consultations in May 2022 and further engagements that took place in October 2022); however, more assistance is needed to help cushion the inflationary pressures being experienced. Despite these challenges, the 2022 outlook is positive as many sectors are expecting growth. The increased activity within the construction sector is expected to have broad-based positive spin-offs, impacting the finance sector, manufacturing, wholesale and retail trade, and other sectors. The performance of the tourism sector improved in 2022 as COVID-19 protocols were being relaxed globally and people started to travel again. However, pre-COVID-19 performance was not reached in 2022 on a nominal basis.

#### 3.1.1. Agriculture & Fishing

Preliminary data for the first half of 2022 shows a decline in the production of all crops apart from nutmeg and mace when compared to the previous period in 2021 (Figure 3). Crop production was affected by heavy rainfall, which resulted in shortages of many vegetable crops such as lettuce, cabbages, and tomatoes. The trend in growth continued in the second half of 2022 given heavy rains. However, an improvement in the agriculture sector is anticipated in 2023. Government plans to put more focus on aiding agriculture farmers through the provision of fertilizers, feed, and equipment. In addition, Government aims to streamline the Marketing and National Importing Board (MNIB) by placing emphasis on consolidation for export and local distribution.

**Figure 3: Production in Agriculture and Fishing**



### *Nutmeg and Mace*

The production of nutmeg and mace increased in the first half of 2022 over 2021, by 13.0 and 22.0 percent respectively. However, there are several challenges that hinder farmers ability to expand production. Poor road infrastructure is the major issue that seriously affects production levels and deters farmers from accessing nutmeg farms. The production of nutmeg and mace could further improve in 2023 if these issues are rectified as the Government continues to implement farm road projects. There is a positive demand for these crops in markets such as India, Argentina and Dubai; however, the limited supply prevents farmers from effectively meeting this demand.

### *Cocoa*

A significant decline in cocoa production of 43.1 percent, was realized at the end of June 2022 compared to 2021. According to the stakeholders, 2022 was supposed to be a good year for cocoa; however, the cocoa trees did not bear as much as anticipated. Factors such as the infestation of rodents affected the production of cocoa during the review period. Some external factors that affected the cocoa sector are the increased price of fertilizers, oil and bags. Considering that the cocoa season begins in October of each year, the last quarter should show promising production levels; however, production will not surpass 2021 levels.



### *MNIB Purchases of Other Crops*

MNIB's Purchase of other Crops, such as fruits and vegetables, declined by 15.9 percent in the first 6 months of 2022. This is the proxy indicator<sup>1</sup> used to measure the production of root and vegetable crops as well as fruits. However, this data does not accurately measure activity in this sector especially as the MNIB has been experiencing cash flow issues this year compared to last year, which constrained their ability to purchase crops. Vegetable crops (such as lettuce, cabbages, and tomatoes), and fruits such as oranges and other citrus were affected by heavy rainfall during the second half of the year and resulting in shortages during that period. In contrast, root crops such as potatoes and yams did better during that same period. An overall decline in the production of these agricultural products is expected for 2022.

### *Fishing*

Fish data remains an issue in Grenada and figures at the end of June 2022 represent mainly estimates using historical data. Based on these estimates, a decline of 16.7 percent is recorded for the end of June 2022 over June 2021. An overall decline in fish production of 11.1 percent is expected at the end of 2022. This decline reflects the shortage of fish in the first 9 months of 2022. The high cost of diesel prevented fisherfolks from fishing as much as they usually do. Therefore, fish catch decreased significantly and would persist for the rest of the year. Lack of airlift remains an issue and led to a decline in fish exports. Inferior fish quality also affects fish exports because fishing methods practiced by some fishermen do not meet international standards. The low standards in fish catch and production could negatively affect the fishing industry of Grenada as a whole. More training is required to ensure that fish production conforms to international standards. The fishing sector will likely improve in 2023 as measures will be taken to improve the collection of data and provide support to fisherfolks. The Government is expecting to embark on project that will be used to improve food security in the agriculture and fishing sectors. This funding will assist fisherfolks with the issue of high diesel costs and will ensure an increase in the production of fish on the island.

#### 3.1.2. Construction and Mining

The importation of construction materials improved significantly at the end of June 2022 compared to 2021 by 49.2 percent. In addition, Retail sales of construction materials also increased during the first half of 2022 by 15.8 percent (Figure 4). Inflation also had a major role to play in the increase in the value of construction-related

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<sup>1</sup> Mindful of the limitations of this indicator, the MoF is in the process of reassessing this with the aim to improve data collection and reporting.

imports. While the value of these rose substantially, the quantity grew by 3.9 percent. Nevertheless, the construction sector is performing well on account of the various public and private sector projects in implementation. Some of the public projects include the St. John’s River project, the Grenville market, St. Patrick Roads Rehabilitation and upgrading project, Simon (Seamoon) Cultural Center, Maurice Bishop International Airport (MBIA) Expansion project, and the G-Crews project. Major construction work on the Molinere road began in October and will continue in 2023.

Some of the major CBI-related private-sector projects include the Singapore Heng Sheng (Grenada) Development Pte Ltd., Hartman University Town Project, Hartman Resort Project, Range Development Gda Ltd., and the Ora Caribbean/Beach House. Despite this positive outlook, issues such as scarcity of materials, delivery delays, price increases of construction materials and freight costs, still affect the construction sector. Foreign competition and shortages of skilled labour are other challenges that pose a threat to local construction companies. Nevertheless, growth is estimated at 19.2 percent in 2022.

**Figure 4: Construction and Mining Indicators**



The Mining and Quarrying sector is currently measured by the production of gravel and sand produced by the Gravel, Concrete and Emulsion Production Corporation. Based on data received for the first half of 2022, mining activity declined by 7.8 percent compared to the first half of 2021. The decline in mining activity was due to the lack of proper mining equipment during the period and the organization’s inability to produce as much as it did last year. However, mining activity is expected to improve during the last 6 months of 2022 and would be

driven by activity in the construction sector. This increase will reflect activity that is currently being undertaken at the Maurice Bishop International Airport under the St. George’s Airport Runway and Road Upgrade and Rehabilitation Project. This mining data was not captured in the first half of 2022 at the time, hence the decline in the mining sector. Nonetheless, mining activity at the airport began in the first Quarter of 2022 and will continue for the rest of the year and 2023.

### 3.1.3. Tourism

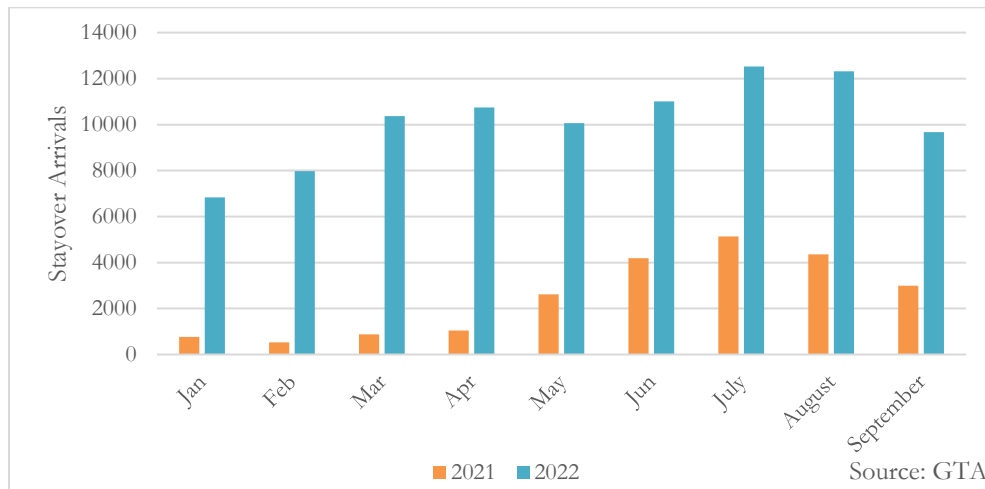
The tourism sector has improved significantly during the first nine months of 2022, compared to last year. Pent-up demand for travel and the removal of travel bans and Covid-19 protocols boosted arrivals numbers in 2022 over 2021. However, 2019 arrival figures have not yet been achieved. For the period Jan-Sept 2022, there have been significant increases in tourist arrivals from Grenada’s largest markets which are the United States and Canada. Arrivals from those markets increased by 55% and 20% respectively, compared to pre-pandemic levels. Overall, stayover arrivals increased by 306.6 percent at the end of September 2022 compared to 2021 (Table 1).

**Table 1: Visitor Arrivals**

Visitor Arrivals	Jan -Sep-2021	Jan -Sept-2022	% Change
United States	16,289	55,553	241.0
Europe	426	2,149	404.5
United Kingdom	2,697	17,073	533.0
Canada	628	4,407	601.8
Caribbean	1,685	10,209	505.9
Other	780	2,124	172.3
Total Stayover Arrivals	22,505	91,515	306.6
Cruise Passengers	-	107,937	100.0
			Source: GTA

For the first 3 quarters of 2022, the largest number of visitors to the island was recorded in the months of July and August because of the Carnival-related activities that took place during those months. 122, 530 visitors came to the island in the month of July and 12,320 in the month of August (Figure 5).

**Figure 5: Monthly Stayover Arrivals**



The Hotel and Restaurant Sector will continue to benefit from the high influx of tourists visiting the island in 2022 compared to 2021. The Christmas season is anticipated to bring in many visitors as seen in the past years. Further improvements in November and December are expected as additional airlifts will be added in those months. Airlines such as British Airways, Air Canada, Condor, and Sunwing, will add additional flights and this would bring more visitors to the island. Also, there has been a notable increase in forward bookings for the last quarter of 2022. The trend in tourist arrivals is consistent with what is being recorded regionally and internationally. In the hotel sector, growth is driven by the high influx of stayover arrivals with an average length of stay of about 7 days, which is lower than in 2021 (average length of stay was approx. 10 days). Growth in the Restaurant sector is also driven by tourist arrivals as well as the increase in demand from locals.

Despite this positive outlook, there are some challenges that are still being experienced by various hotels, restaurants, and other tourism-related businesses. Although many of these businesses have benefitted from the Government’s economic support programme since 2020, some of the smaller hotels are still operating at low occupancy levels and extremely low profit margins. In the medium-term, the high cost of airline tickets, driven by higher jet fuel costs could deter travelers from visiting the island; however, efforts are being made to boost tourism in 2023 and the medium-term.

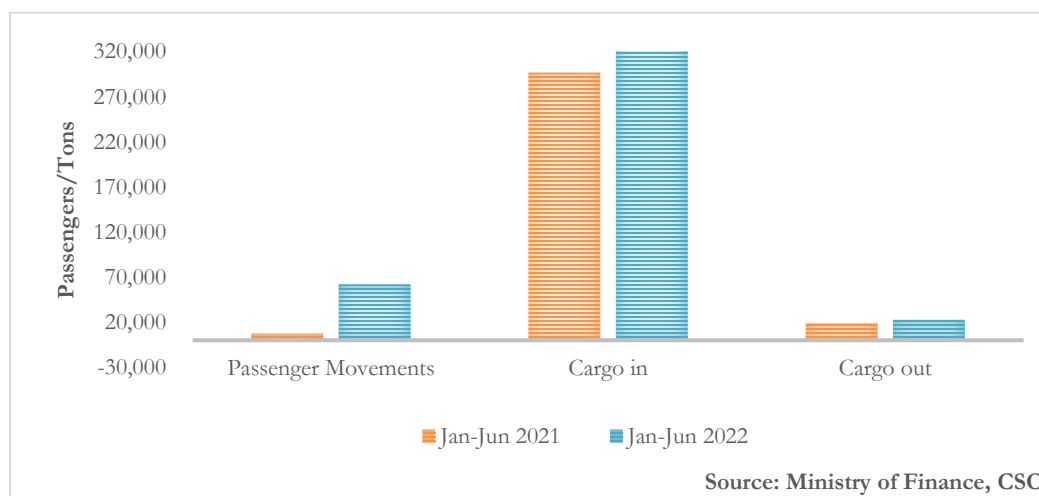
In terms of the cruise subsector, the 2022/2023 cruise season began on October 21<sup>st</sup>, 2022, and will close in May 2023. During this period 202 calls are scheduled to bring a total of 377,394 passengers on the island. This will have a positive effect on the Restaurant and Transport sectors during the last quarter of 2022 and first half of

2023.

### 3.1.4. Transport and Storage

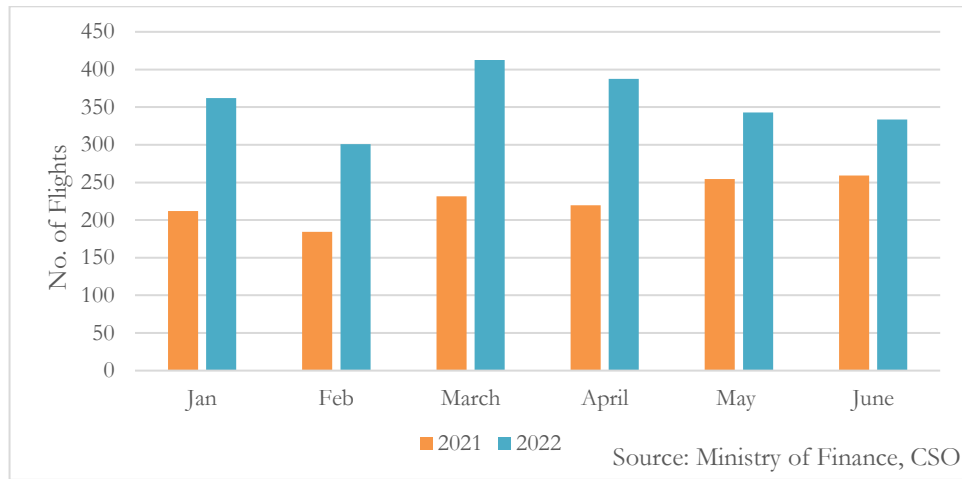
The Transport and Storage Sector performed well during the first half of 2022, on account of the improvement within the tourism and construction sectors. Sea transport grew by 20.4 percent as Cargo entering the port rose from 296,371 tons in Jan-June 2021 to 357,211 tons in Jan-June 2022, representing an overall increase of 20.5 percent. Cargo going out of the port rose by 18.6 percent, increasing from 18,786 tons to 22,279 tons during the period (Figure 6).

**Figure 6: Passenger and Cargo Movements**



Regarding the air transport sector, preliminary data for the first quarter of 2022 shows an increase in passenger movement of 732.5 percent over the first quarter of 2021. The number of aircraft that arrived on the island during the first six months of 2022 was 57.2 percent greater than the first six months of 2021 (Figure 7). This increase in air transport is consistent with activity in the tourism sector. Many airlines resumed flights in 2022 and some added extra flights from countries such as Canada and the United States. There was a total of 2,140 flights arriving in Grenada in the first half of 2022; 549 of those were private aircraft and 414 were cargo. There was also growth in the road transport sector, driven by construction-related activity and cargo movements within the wholesale and retail sector.

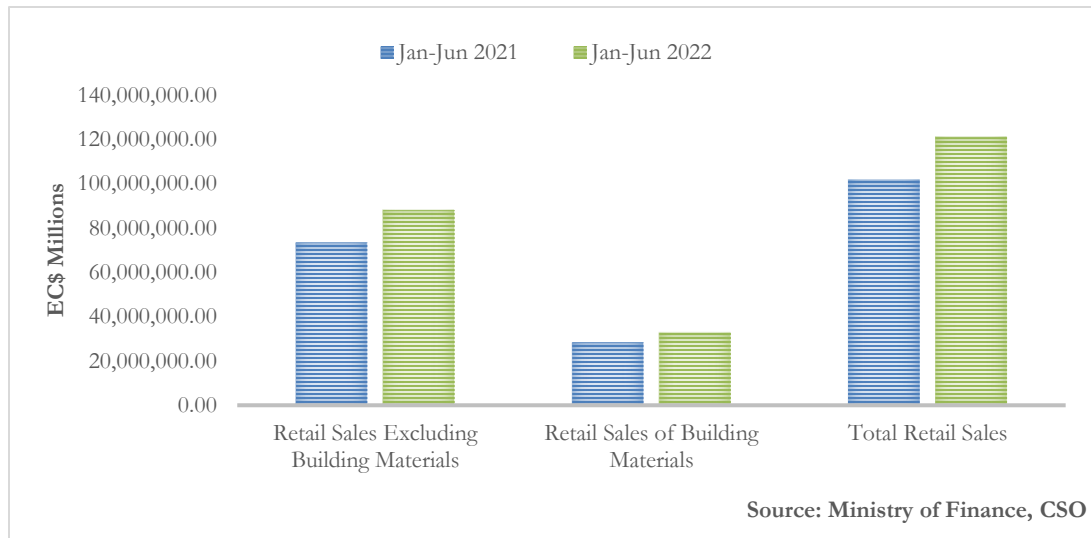
**Figure 7: Monthly Aircraft Arrivals**



### 3.1.5. Wholesale and Retail Trade

Preliminary data for the Wholesale and Retail Trade sector indicate improvement from January to June 2022 over the 2021 period. This sector continues to grow because of the uptick in construction activities as well as the return of SGU students to the Island in August 2022. Supermarkets, hardware stores, and local supplies shop experienced an uptick in retail activity as indicated by stakeholders within that sector. Total retail sales expanded by 18.6 percent. Retail sales of building materials, and retail sales excluding building materials, both grew by 15.8 percent (Figure 8). Growth in retail sales of building materials was driven by the increase in residential and commercial construction of both private and public sectors. Growth in retail sales of other materials was driven by the increase in the purchase of food items, household items, for example. Despite the growth within this sector, there were several challenges experienced during the period under review. These challenges include supply chain issues (sourcing goods from suppliers), high freight costs, shortages of items, and shipping delays.

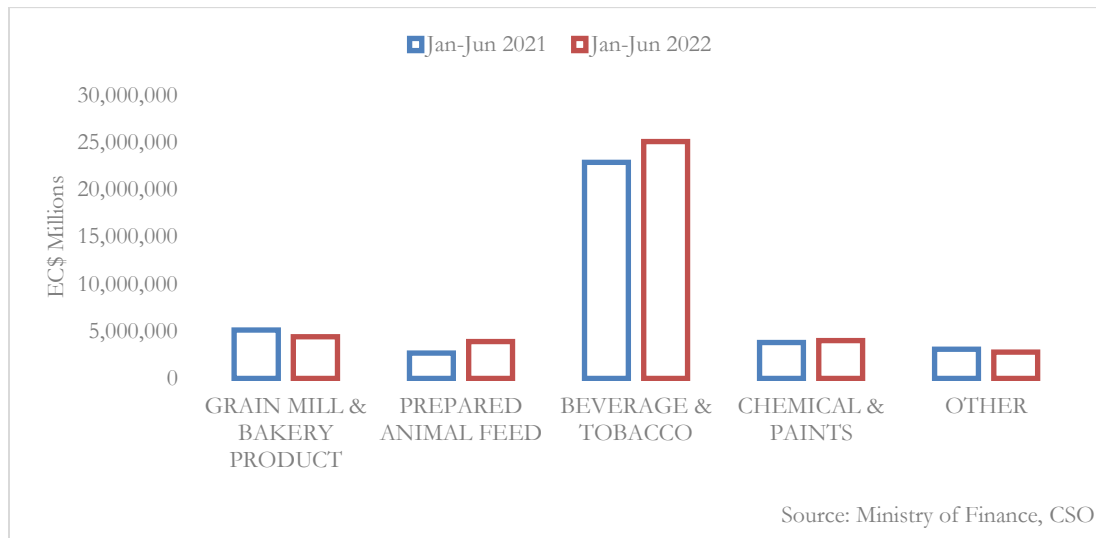
**Figure 8: Retail Sales**



### 3.1.6. Manufacturing

The Manufacturing Sector recorded an overall growth of 7.0 percent in the first half of 2022 compared to 2021. The production of grain mill and bakery products declined at the end of the 2<sup>nd</sup> Quarter of 2022 due to lower production of flour for export purposes. Competition from other producers affected Grenada's production. The production of flour continued to be affected by the non-implementation of Article 164 of the Treaty of Chaguaramas. Article 164 is meant to give a slight advantage to products produced in the lesser developed countries (LDCs) in CARICOM. Without these special provisions, products such as flour, that are produced in Grenada, cannot compete pricewise with products produced in more developed countries (MDCs) such as Trinidad and Jamaica. This non-implementation has been a recurring issue that has been raised by the manufacturer of flour for many years. Major improvements regarding production capacity cannot be realised until this issue is rectified. Prepared animal feed grew by 44.9 percent, beverages by 9.6 percent, and chemical paints by 5.5 percent at the end of the second quarter of 2022 compared to 2021 (Figure 9).

**Figure 9: Industrial Production**



### 3.1.7. Private Education

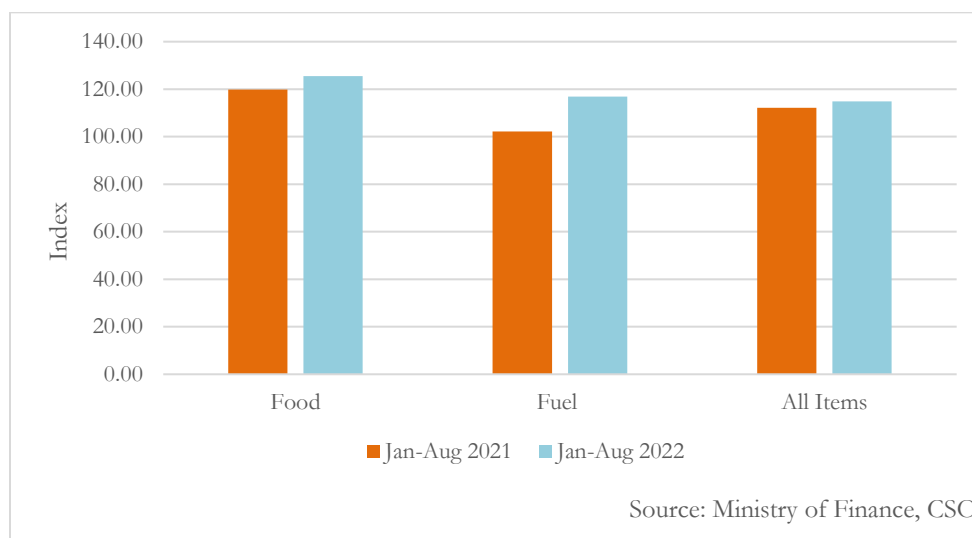
Enrollment at the St. George's University, which is the largest contributor to private education, is estimated to have declined by 30.0 percent in academic year 2022/2023 over the academic year 2021/2022. Enrollment is anticipated to grow during the 2023/2024 academic year as efforts are being made to attract more students. There are plans to increase course offerings within the Arts and Sciences departments (Tourism and Information Technology degrees). Efforts are also being made to achieve accreditation of the Business Studies programmes, and this would further attract more learners seeking accredited degrees. So far, accreditation has been achieved for the Marine Biology course. Growth in enrollment is expected during the medium term and this will boost the growth in private education in 2023.

### 3.1.8. Inflation

The average consumer price index (CPI) for January to August 2022 rose by 3.1 percent for all items compared to 2021. Electricity and Gas and Food prices grew by 2.1 and 5.7 percent respectively. The average Electricity and Gas index increased from 102.2 during the period January to August 2021, to 116.9 during the same period in 2022, whereas, food prices grew from 119.9 to 125.5 (Figure 10). This increase is largely due to the inflationary pressures caused by the Russian-Ukraine, which increased the international prices of major commodities including grains and fuel. Grenada imports inflation from its main trading partners, which all recorded high inflation rates.



**Figure 10: Consumer Price Index (Jan-Aug Average)**



**Table 2: Consumer Price Index (Year on Year)**

CPI	Aug-21	Aug-22	Inflation (%)
Food	121.1	128.9	6.5
Electricity and Gas	104.7	123.2	17.7
Total	112.8	116.6	3.3

On a year-on-year basis, inflation for all items grew by 3.3 percent. Food prices increased by 6.5 percent at the end of August 2022 compared to the end of August 2021; and Electricity and Gas prices increased by 17.7 during the same period (Table 2).

### 3.1.9. Unemployment

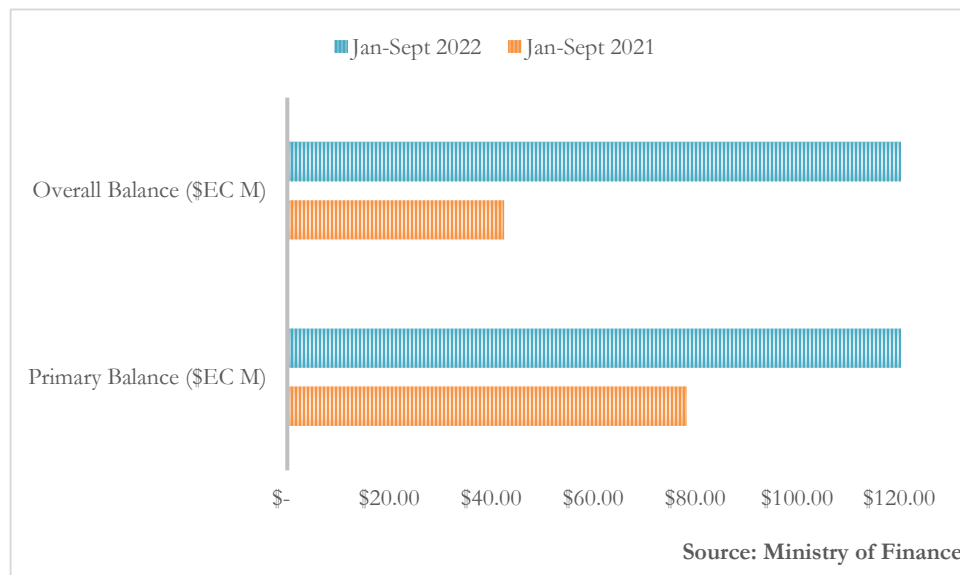
Preliminary unemployment data based on the information from the National Census collected during the first half of the year points to a reduction in the unemployment rate to 13.9 percent at the end of the second quarter of 2022 from 16.6 percent in the same period in 2021. However, the estimated participation rate was 63.2 percent, lower than the participation rate of 67.1 percent in the second quarter of 2021. Taken together, the two estimates (the unemployment rate and the participation rate) suggest that although there was a decline in the unemployment rate, it may not solely be as a result of job creation because more persons becoming economically

inactive and/or leaving the labour force (lower participation rate) may have also contributed to the drop in the unemployment rate.

### 3.2. Fiscal Sector


Grenada’s fiscal position has strengthened despite the lingering impact of the COVID-19 pandemic, the War on Ukraine, and Shipping and Logistics Issues to date. During the first three quarters of 2022, the Primary and Overall balances including Grants were \$155.4 million and \$123.4 million respectively, which were significantly higher than 2021’s comparable period by 103.5 percent and 190.3 percent respectively (Figure 11).

**Figure 11: Primary Balance and Overall Balance after grants 2022 vs 2021 (Jan-Sept)**



Total revenue and grants for the first three quarters of 2022 amounted to \$836.5 million of which total revenue was \$636.6 million and total grants were \$199.9 million. Total revenue and grants were 24.0 percent more than that received in the same period of 2021, primarily because of improved performances in tax revenue, non-tax revenue and total grants receipts during the 2022 period. Grant

**Table 3: Total Revenue and Grants 2021 vs 2022 (Jan-Sept)**


	2021	2022	Variance	
	January-September			
	EC\$M	EC\$M	EC\$M	%
<b>Total Revenue &amp; Grants</b>	674.7	836.5	161.8	23.98
<b>Total Revenue</b>	534.7	636.6	102.0	19.07
<b>Tax Revenue</b>	459.4	519.7	60.3	13.13
Taxes on Income	91.2	98.4	7.2	7.90
Taxes on Property	24.8	23.1	-1.7	-6.84
Taxes on Domestic Goods & Consumption	95.1	118.6	23.5	24.70
Taxes on International Trade & Transactions	248.4	279.7	31.3	12.61
<b>Non - Tax Revenue</b>	<b>75.3</b>	<b>116.9</b>	41.6	55.33
<b>Grants</b>	<b>140.1</b>	<b>199.9</b>	59.8	42.71

*Source: Ministry of Finance*

receipts reflect a one-off grant received from the St. George's University in March of \$81.0 million and another from Saudi Arabia in September for \$27.0 million. All tax types recorded higher collections than in 2021 except for taxes on property that had a 6.8 percent decrease in collections. Notably, taxes on domestic transactions were 24.7 percent more than the amount collected in 2021. Taxes on income and profit and international transactions were 7.9 percent and 12.6 percent respectively, more than the collections of 2021. (Table 3).

The total expenditure for the first three quarters of 2022 was 12.8 percent more than the same period of 2021 driven by a 57.3 percent and 15.9 percent increase in capital spending and current transfers, respectively as the Government continued its effort to bolster the Public Sector Investment Program (PSIP) and economic and social development through COVID-19 Economic Support. Recurrent outlays decreased by 1.4 percent overall, with

**Table 4: Total Expenditure 2021 vs 2022 (Jan-Sept)**

	2021	2022	Variance	
	January-September			
	EC\$M	EC\$M	EC\$M	%
<b>Total Expenditure</b>	632.2	713.1	80.9	12.79
<b>Recurrent Expenditure</b>	479.7	473.1	-6.6	-1.37
<b>Employee</b>	213.9	210.0	-4.0	-1.85
Personal Emoluments	202.1	197.8	-4.3	-2.14
Social Contributions	11.9	12.2	0.4	3.14
Goods and Services	113.0	91.6	-21.4	-18.93
Interest Payments	35.8	36.0	0.2	0.55
Transfers	116.9	135.5	18.6	15.91
<b>Capital Expenditure</b>	<b>152.6</b>	<b>240.0</b>	87.4	57.30


*Source: Ministry of Finance*

with a 3.1 percent increase in Social Contributions and a marginal 0.6 percent increase in Interest Payments whilst Employee Compensation fell by \$4.0 million (Table 4).

The estimated outturn for 2022 is anticipated to reflect an improved capital expenditure performance and an even stronger collection of tax and non-tax revenue resulting in overall surplus of \$4.8 million compared to a budgeted deficit of \$97.9 million (Table 5). Similarly, a primary balance including grants of \$55.7 million is

estimated, exceeding the budgeted amount of \$(34.2) million. Notably, current transfers are anticipated to increase significantly, reflective of \$75 million in retroactive pension paid to 525 persons at the end of November 2022. An additional \$8 million is expected to be paid to new retirees by year end.

**Table 5: Grenada Fiscal Projections**

	2022			
	Estimated Outturn	Budget	Variance	
	EC\$M	EC\$M	EC\$M	%
<b>Total Revenue &amp; Grants</b>	1065.2	897.6	167.6	18.7
<b>Total Revenue</b>	820.4	722.2	98.2	13.6
<b>Tax Revenue</b>	668.2	630.9	37.3	5.9
Taxes on Income	129.9	124.4	5.5	4.4
Taxes on Property	27.7	30.7	(3.0)	(9.8)
Taxes on Domestic Goods &	149.5	126.3	23.2	18.4
Taxes on International Trade & Transactions	361.1	349.5	11.7	3.3
<b>Non - Tax Revenue</b>	152.2	91.3	60.9	66.6
<b>Grants</b>	244.8	175.4	69.4	39.6
<b>Total Expenditure</b>	1,060.4	995.5	64.9	6.5
<b>Primary Expenditure</b>	1,009.5	931.8	77.7	8.3
<b>Current Expenditure</b>	699.9	661.7	38.2	5.8
Employee compensation	274.3	290.5	(16.2)	(5.6)
<i>o/w wages, salaries &amp; allowances</i>	261.0	276.5	(15.5)	(5.6)
Goods and Services	124.9	132.6	(7.8)	(5.9)
Interest Payments	50.9	63.7	(12.8)	(20.1)
Transfers	249.9	174.9	74.9	42.8
<b>Capital Expenditure</b>	360.5	333.8	26.7	8.0
<i>o/w Grant financed</i>	136.8	175.4	(38.6)	(22.0)
<b>Overall balance</b>	4.8	(97.9)	102.7	(104.9)
<b>Primary balance (including grants)</b>	55.7	(34.2)	90.0	(262.9)

*Source: Ministry of Finance*

### 3.2.1. Public Debt

At the end of September 2022, the total stock of public sector debt was \$2,077.4 million or 63.9 percent of estimated GDP. It included Central Government's external and domestic debt and the Government guaranteed debt of SOEs. This was a 1.5 percentage point decrease relative to the corresponding period of 2021. As at September 2022, 90.1 percent of disbursements was received from multilateral creditors and the remaining 9.9 percent was received from a bilateral creditor. These included \$67.9 million from the World Bank's (WB's) International Development Association (IDA), \$17.3 million from the Caribbean Development Bank (CDB), and \$1.0 million from WB's International Bank of Reconstruction and Development (IBRD). Additionally, \$9.5 million was disbursed from the People's Republic of China for the St. George's Airport Runway Project.

### 3.3. Monetary and Financial Sector

The Monetary and Financial System analysed through Banks and Non-Bank Financial Institutions, continue to see improvements in its assets. Consistent with the general spur in economic activity, deposits continue to increase at a faster rate than that of loans. Overall, the monetary sector remains stable, with improvements in domestic credit over the period and non-performing loans remain below the prudential benchmark.

#### *Overview of the Monetary and Financial Sector*

The Monetary and Financial System continue to see improvements in its assets over the twelve months of August 2021-August 2022<sup>2</sup>. Sector liquidity remains elevated owing to increases in deposits within the financial system. Despite its uptick, credit remains relatively depressed, and this can stifle economic growth if not improved. Notwithstanding, the sector remains stable overall with liquidity ratios trending in the right direction.

#### *Assets*

#### **Net Foreign Assets (NFA)**

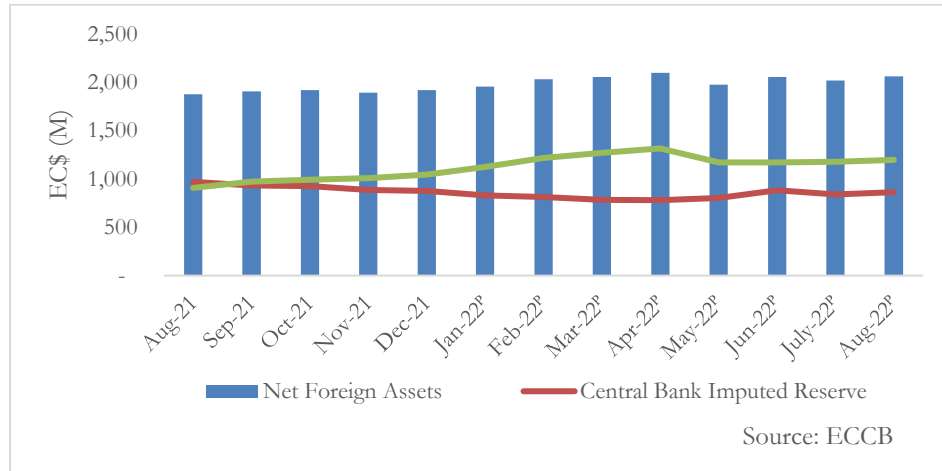
Net Foreign Assets for the period August 2021-August 2022 increased by 9.7 percent driven primarily by a 31.7 percent (\$288.2 million) increase in Commercial Banks' net assets. Central Bank Imputed Reserves decline of

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<sup>2</sup> Latest period for which data is available from the ECCB

10.9 percent (\$105.9 million) was not sufficient to influence an overall decrease in Net Foreign Assets (Figure 12).

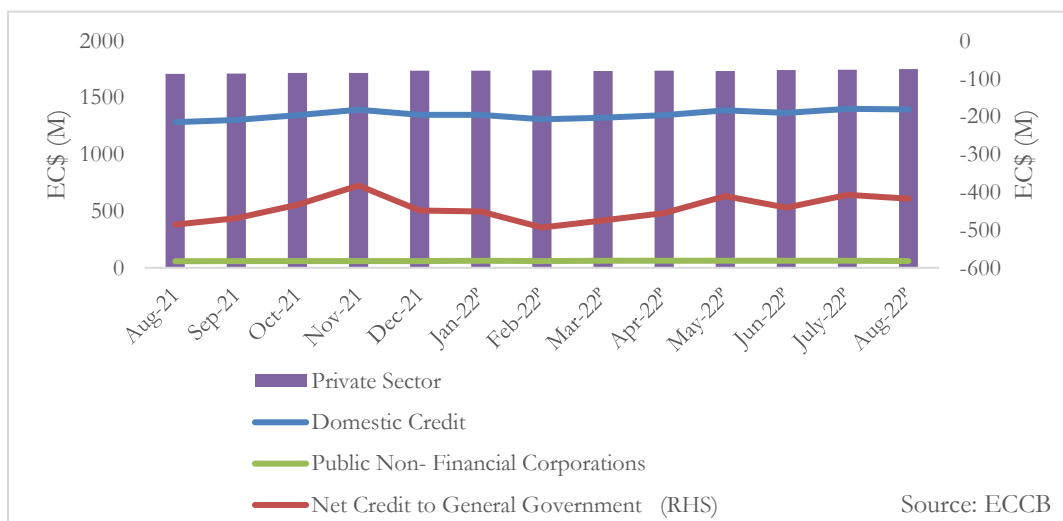
**Figure 12: Net Foreign Assets**



**Net Domestic Assets (NDA)**

During the same 12-month period, Net Domestic Assets increased by 9.0 percent moving from \$942.4 million to \$1,026.9 million. This was effected by an 8.8 percent or \$113.1 million improvement in Domestic Credit that was driven by increases in credit to Public Non-Financial Corporations of 4.6 percent or \$2.7 million and Private Sector credit of 2.5 percent or \$ 42.8 million (Figure 13). Net credit to General Government declined by 14.0 percent or \$68.2 million but this was not significant enough to worsen overall domestic credit.

**Figure 13: Net Domestic Assets**



## *Liabilities*

Monetary Liabilities increased by 9.5 percent to \$3,087.1 million during the period. The money supply expanded by 29.7 percent, of which, Currency with the Public increased by 15.0 percent, Private Sector Demand Deposits by 34.0 percent and Cash at Commercial Banks by 31.1 percent. Quasi money contracted slightly by 0.7 percent, propelled by declines in Private Sector Time Deposits of 28.7 percent and Private Sector Savings Deposits of 7.4 percent. Conversely, Private Sector Foreign Currency Deposits increased by 28.5 percent or \$92.1 million (Table 5).

**Table 6: Monetary Liabilities (Aug2021- Aug 2022)**

	<b>Aug-21</b>	<b>Aug-22<sup>P</sup></b>	<b>Variance</b>
	<b>EC\$ (M)</b>	<b>EC\$ (M)</b>	<b>%</b>
MONETARY LIABILITIES (M2)	2,820.3	3,087.1	9.5%
MONEY SUPPLY (M1)	942.8	1,222.7	29.7%
Currency with the Public	158.8	182.6	15.0%
Currency in Circulation	209.5	249.1	18.9%
Cash at Commercial Banks	50.7	66.5	31.1%
Private Sector Demand Deposits	604.9	810.6	34.0%
QUASI MONEY	1,877.5	1,864.4	-0.7%
Private Sector Savings Deposits	1,356.4	1,255.6	-7.4%
Private Sector Time Deposits	103.7	74.0	-28.7%
Private Sector Foreign Currency Deposits	322.8	414.9	28.5%

Source: ECCB

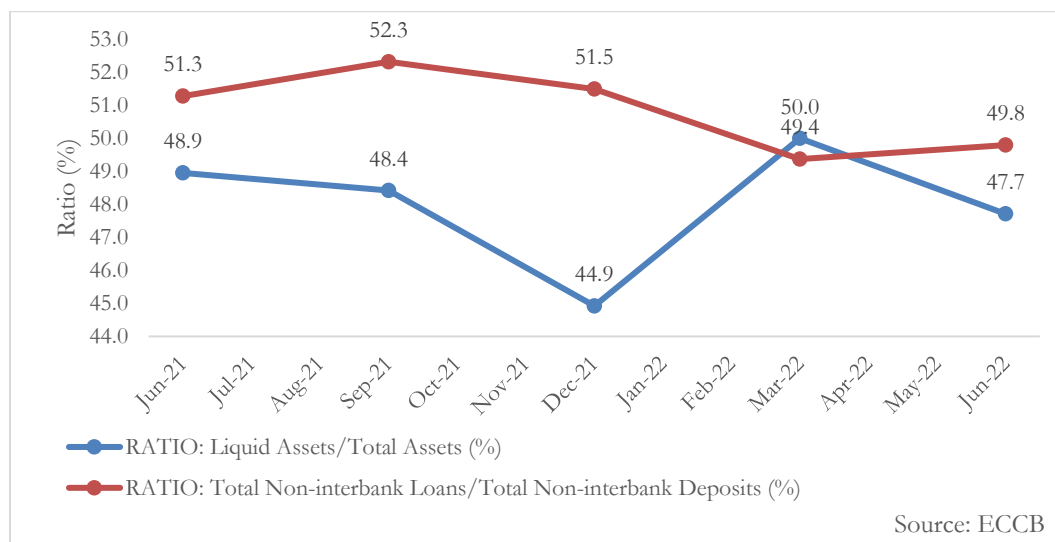
The Commercial Banking system continues to grapple with high liquidity. Total Non-interbank Deposits increased by 6.6 percent during the period June 2021 – June 2022 to \$3,803.5 million, whilst Total Loans rose by 3.5 percent to \$1,893.6 million over the same period. Total Non-interbank Loans to Total Non-interbank Deposits ratio declined by 1.5 percentage points to 49.8 percent reflecting higher increases in deposits relative to loans advanced. The ratio of Liquid Assets to Total Assets also declined by 1.2 percentage points to 47.7 percent over the period (Figure 14).

Commercial Banks weighted average credit rate (foreign and local currency) declined by 0.27 percentage points to 6.02 percent over the period June 2021 – June 2022. The weighted average interest rate on Savings Deposits declined marginally to 1.50 percent at end June 2022 from 1.63 percent at the end of the same period of 2021. The Banks' Maximum Prime Loan Rate remained at 10.0 percent whilst the ECCB's discount rate remained at

<sup>3</sup> Latest period for which data is available from the ECCB

2.0 percent since 2020 when it was reduced because of the COVID-19 pandemic.

**Figure 14: Selected Liquidity Ratios for the year June 2021 - June 2022**



Commercial Banks' credit improved slightly by 3.5 percent over the 1-year period June 2021-June 2022. Improvements in credit to Electricity and Gas sector of 12.3 percent, Construction and Land Development (6.0 percent), Wholesale and Retail Trade (17.5 percent), Transport and Storage (8.0 percent) and Real Estate sector of 7.1 percent catalyzed this increase. Notwithstanding, there were notable declines in credit to the Manufacturing, Agriculture and Fishing, Mining and Quarrying and Private Households of 23.2 percent, 9.7 percent, 10.2 percent and 9.6 percent respectively (Table 7).

**Table 7: Commercial Banks Credit buy Sectors for the period June 2021 – June 2022**

Sector	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	% Change Jun-21 / Jun-22 (%)
	EC\$ Millions					
Agriculture or Forestry and Fishing	27.3	28.5	23.9	26.9	24.7	-9.7%
Mining and Quarrying	2.1	2.0	1.9	1.6	1.9	-10.2%
Manufacturing	36.2	35.9	28.8	28.7	27.8	-23.2%
Electricity or Gas or Steam and Air Conditioning	47.6	46.8	44.6	44.3	53.5	12.3%
Construction and Land Development	637.6	659.0	686.1	669.6	676.2	6.0%

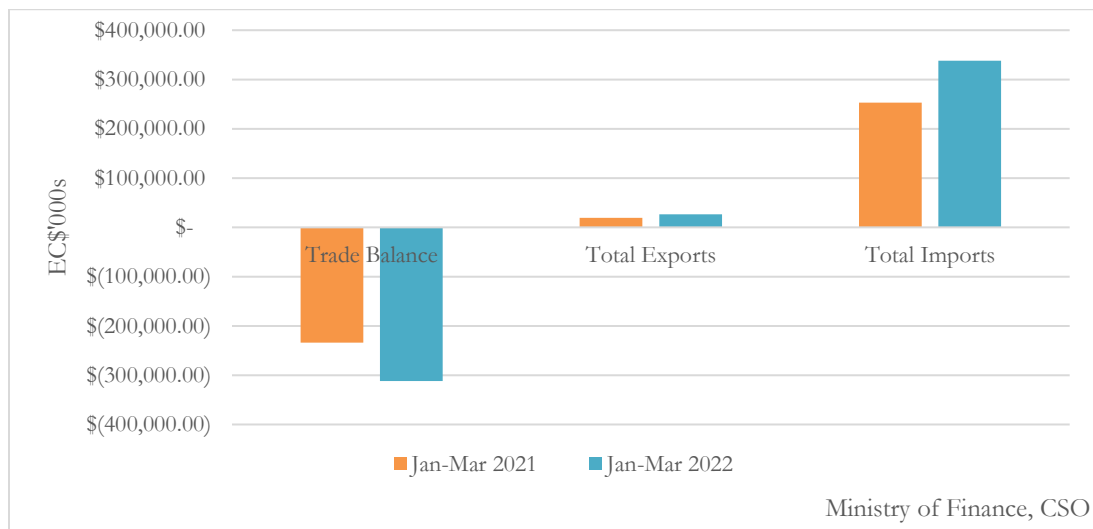


Wholesale and Retail Trade or Repair - of Motor Vehicles and Motorcycles	79.4	79.1	89.3	90.4	93.2	17.5%
Transport and Storage	69.3	66.9	66.6	67.2	74.8	8.0%
Accommodation and Food Service Activities	56.5	55.6	61.1	55.5	54.7	-3.0%
Real Estate Activities	531.9	488.4	507.0	561.9	569.4	7.1%
Private Households	252.1	292.9	273.4	236.7	227.8	-9.6%

Source: ECCB

### 3.4. External Sector Developments

**Figure 15: Balance of Trade (EC\$)**



The merchandise trade deficit worsened by 33.3 percent, moving from \$233.7 million at the end of the first quarter of 2021, to \$311.5 million at the end of the first quarter of 2022 (Figure 15). Total Imports and total exports increased by 33.6 percent and 36.9 percent at the end of March 2022 compared to 2021, respectively. The Trade Balance continues to deteriorate as the country relies heavily on the importation of goods. Grenada's export market is yet to develop substantially despite the increase in the manufacturing products and the increase in business activities. International Trade disruptions continue to affect the external sector, leading to delays in delivery of items and shortages.

**Table 8: Domestic Imports (est.)**

CODE	SITC SECTIONS	Jan-Mar 2021	Jan-Mar 2022	Percentage Change
0	FOOD	\$ 54,260,700	\$ 65,467,700	20.7
1	BEVERAGES & TOBACCO	\$ 5,826,700	\$ 9,332,000	60.2
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	\$ 8,060,300	\$ 13,027,800	61.6
3	MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	\$ 42,600,200	\$ 66,113,800	55.2
4	ANIMALS & VEGETABLE OILS, FATS & WAXES	\$ 1,339,500	\$ 1,887,900	40.9
5	CHEMICALS & RELATED PRODUCTS, N.E.S	\$ 22,829,800	\$ 29,435,700	28.9
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	\$ 42,035,900	\$ 51,046,700	21.4
7	MACHINERY & TRANSPORT EQUIPMENT	\$ 43,713,500	\$ 55,306,100	26.5
8	MISCELLANEOUS MANUFACTURED ARTICLES	\$ 32,202,400	\$ 46,147,900	43.3
9	COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	\$ -	\$ 49,600	100.0
	<b>TOTAL</b>	<b>\$ 252,869,000</b>	<b>\$ 337,815,200</b>	<b>33.6</b>

Source: Ministry of Finance, CSO

An analysis of the domestic imports based on the SITC sections shows that all sections recorded increases in imports at the end of Quarter 1 2022 compared to 2021. Commodities and transactions increased by 100.0 percent, crude materials by 61.6 percent, beverages and tobacco by 60.2 percent, and mineral fuel, lubricants & related materials by 55.2 percent. A closer look at the quantity of these items imported, reveals the effect of inflation on these commodities in some cases. For example, the importation of items classified under “animals & vegetable oils, fats & waxes” increased in value by 40.9 percent. However, the quantity decreased by 14.7 percent.

Domestic exports increased by 25.7 percent, re-exports increased by 217.4 percent, and this led to an overall increase in total exports of 36.9 percent at the end of March 2022. The increase in total exports at the end of quarter one was mainly contributed by the 437.9 percent increase in exports of crude materials, inedible, except fuels, 348.3 percent in miscellaneous manufactured articles, and 30.9 percent in food items. On the downside, the export of manufactured goods classified chiefly by material, declined by 10.4 (Table 9).

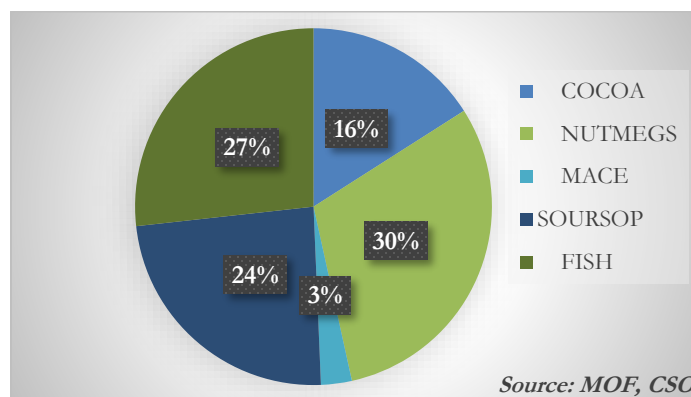
**Table 9: Domestic Exports (est)**

CODE	SITC SECTIONS	Jan-Mar 2021	Jan-Mar 2022	Percentage Change
0	FOOD	\$ 12,908	\$ 16,893	30.9
1	BEVERAGES & TOBACCO	\$ 2,575	\$ 2,877	11.8
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	\$ 64	\$ 346	437.9
3	MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	\$ -	\$ -	-
4	ANIMALS & VEGETABLE OILS, FATS & WAXES	\$ -	\$ 0	-
5	CHEMICALS & RELATED PRODUCTS, N.E.S	\$ 609	\$ 739	21.3
7	MACHINERY & TRANSPORT EQUIPMENT	\$ 453	\$ 496	9.5
8	MISCELLANEOUS MANUFACTURED ARTICLES	\$ 17	\$ 78	348.3
9	COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	\$ -	\$ -	-

Source: Ministry of Finance, CSO

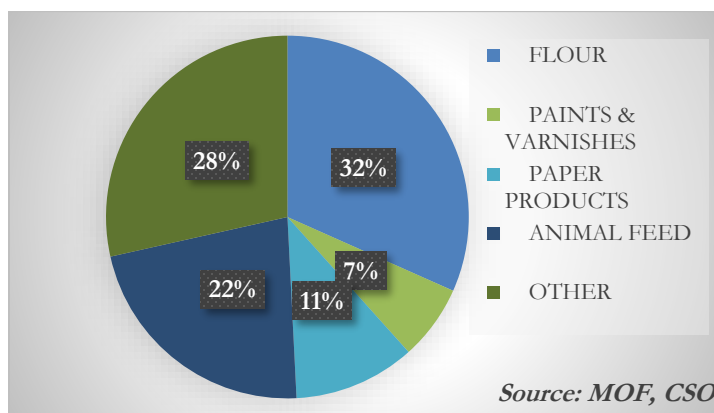
The value of agricultural exports increased by 14.3 percent at the end of Quarter 1 2022, compared to the same period in 2021, and represented 56.0 percent of total domestic exports. This increase in agricultural exports was contributed mainly by Mace exports, which grew by 75.5 percent, and soursop by 53.5 percent at the end of Quarter 1 2022. The increases in the exportation of Mace, Nutmegs, Cocoa, and soursop depict the growth in the agricultural sector at the end of March 2022. Nutmeg represented the largest percentage share of total agricultural exports (30 Percent), Fish (27 percent) and Soursop (24 percent) (Figure 16).

**Figure 16: Share of Agricultural Exports (Jan-Mar 2022)**



Manufactured exports increased by 44.1 percent at the end of March 2022, compared to the end of March 2021, and represented 44.0 percent of total domestic exports. The increase in manufactured exports was driven by the increases in the exportation of flour by 41.9 percent, animal feed by 96.1 percent and other products such as clothing and nutmeg products. Flour represented the largest share of total manufacturing products exported during the 1<sup>st</sup> quarter of 2022 of 32.0 percent, while animal feed represented 22.0 percent (Figure 17).

**Figure 17: Share of Manufactured Exports (Jan-Mar 2022)**



NOTE:

The macroeconomic outlook and risks to the outlook are discussed in the Medium-Term Fiscal Framework document and the Fiscal Risk Statement, which have been prepared separately in fulfillment of the requirements of Section 12 of the Public Finance Management Act No. 17 of 2015 and Section 12 of the Fiscal Responsibility Act No. 29 of 2015 (as amended) respectively.