MINISTRY OF FINANCE

MID-YEAR REVIEW REPORT

2024

Contents

Figures and Tables 3
1 Overview 4
2 International Developments 5
3 Regional Developments 7
4 2024 Mid-Year Economic Review and Estimated 2024 Performance 9
4.1 Real Sector 9
4.1.1 Agriculture & Fishing 9
4.1.2 Construction 12
4.1.3 Tourism 13
4.1.4 Transport and Storage 16
4.1.5 Wholesale and Retail Trade 17
4.1.6 Manufacturing 19
4.1.7 Private Education 20
4.1.8 Inflation 21
4.2 Unemployment 22
4.3 Fiscal Sector 24
4.4 Public Debt 28
4.5 Monetary and Financial Sector 30
4.5.1 Detailed Analysis of Monetary Survey 30
4.6 Bank and Non-Bank Sector Developments 32
4.6.1 Commercial Banking Sector Developments 32
4.6.2 Commercial Bank Lending 33
4.6.3 Non- Bank Sector Developments 34
4.6.4 Financial Regulatory Developments........ 36
4.7 External Sector Developments 37
5 Economic Outlook 40
5.1 Risks to the Economic Outlook 43
6 Opinion of the Cabinet and Recommended Actions 46
Appendix 1. Real Sector Summary 47

Figures and Tables

Figure 1: Real GDP Growth Rates – Major International Trading Partners 6
Figure 2: Real GDP Growth Rates (Grenada, ECCU and CARICOM) 8
Figure 3: Production in Agriculture and Fishing (lbs) 11
Figure 4: Construction Indicators..13
Figure 5: First Half Monthly Stayover Arrivals (2024 vs 2023)...15
Figure 6: Passenger and Cargo Movements 17
Figure 7: Retail Sales 18
Figure 8: Industrial Production 19
Figure 9: Consumer Price Index (5-month average) 21
Figure 10: Unemployment Rate (%)..23
Figure 11: Primary Balance and Overall Balance after grants 2024 vs 2023..24
Figure 12: Monetary Survey – Analysis of Money Aggregates...31
Figure 13: Commercial Bank Loans by Economic Sector 33
Figure 14: Credit Union Loans by Type 35
Figure 15: Balance of Trade (EC$ M)..37

Table 1: Stayover Arrivals...14
Table 2: Consumer Price Index (Year on Year)...22
Table 3: Total Revenue and Grants 2023 vs 2024 (Jan-Jun)...25
Table 4: Total Expenditure 2023 vs 2024 (Jan-Jun) 26
Table 5: Central Government's Estimated 2024 Fiscal Performance 27
Table 6: Monetary Survey Extract 30
Table 7: Financial Soundness of Commercial Banks 32
Table 8: Top 10 Imports based on Statistical Value (Jan- Jun 2024) 38
Table 9: Top 10 Exports based on Statistical Values (Jan-Jun 2024)..39
Table 10: Medium Term Assumptions 45

1 Overview

On July 1, 2024, Hurricane Beryl swept across the southern Caribbean, wreaking havoc on northern mainland Grenada and the sister isles of Carriacou and Petite Martinique. Despite the significant adverse impact on infrastructure and the agriculture and fishing sectors, the Grenadian economy is expected to remain resilient in 2024. Following Grenada's full rebound from the pandemic in 2023, real GDP is projected to grow by 3.9 percent in 2024. This performance marks a deceleration in growth as major sectors, such as Private Education reach peak output and other Sectors grapple with the adverse effects of climate change in the form of extreme droughts and severe tropical cyclone occurrences.

The labor market is anticipated to remain robust, with unemployment levels falling below pre-pandemic rates and reaching the lowest in the past 18 years. Public finances are expected to remain resilient to shocks in 2024 despite the impact of hurricane Beryl, and debt vulnerabilities should continue to decrease. However, extreme weather events like Hurricane Beryl pose a significant risk to this outlook.

The financial sector is forecasted to remain stable, liquid, and robust throughout 2024. While the external current account deficit is expected to widen this year, it is estimated to be fully financed, ensuring overall economic stability.

2 International Developments

Despite the lingering effects of the COVID-19 pandemic, the Russia-Ukraine war, labor market tensions, geoeconomic fragmentation, inflationary pressures, and financial sector stresses, world economic activity has grown steadily, defying earlier warnings of stagflation and global recession. The April 2024 Edition of the International Monetary Fund's (IMF) World Economic Outlook (WEO) reveals a moderate improvement in global output growth. Global output is projected to rise from 3.0 percent in 2023 to an estimated 3.2 percent in 2024 and 2025.

In advanced economies like the United States and emerging markets, strong employment growth and stable wage levels indicate a dissipation of labor market tensions. The inflation peak observed in 2022, driven by the energy and food price shocks, is waning as fuel and food prices decline, supply-chain frictions ease, and Chinese export prices fall. Central banks' contractionary monetary policies, implemented to anchor inflation, resulted in induced financial sector stresses, yet global disinflation trends suggest that an impending loosening of monetary policy is near.

According to the April 2024 WEO, risks to the global outlook are broadly balanced. Fuel and oil prices are anticipated to drop by 9.7 percent and 2.5 percent respectively in 2024 and 2025. This reduction in prices will be primarily driven by the "abundant spare capacity" and robust non-OPEC+ supply growth. Non-fuel commodity prices are expected to remain stable, with food commodity prices projected to decline by 2.2 percent in 2024. Consequently, the IMF estimates that headline inflation will retreat faster than previously projected, with services deflation lags, which can potentially disrupt the disinflation trajectory. The pace of disinflation will be uneven, with advanced economies like the United States, the United Kingdom, and Euro Area countries returning to inflation targets sooner than emerging markets. Notwithstanding, Global headline inflation is predicted to decrease from 6.8 percent in 2023 to 5.9 percent in 2024 and further to 4.5 percent in 2025.

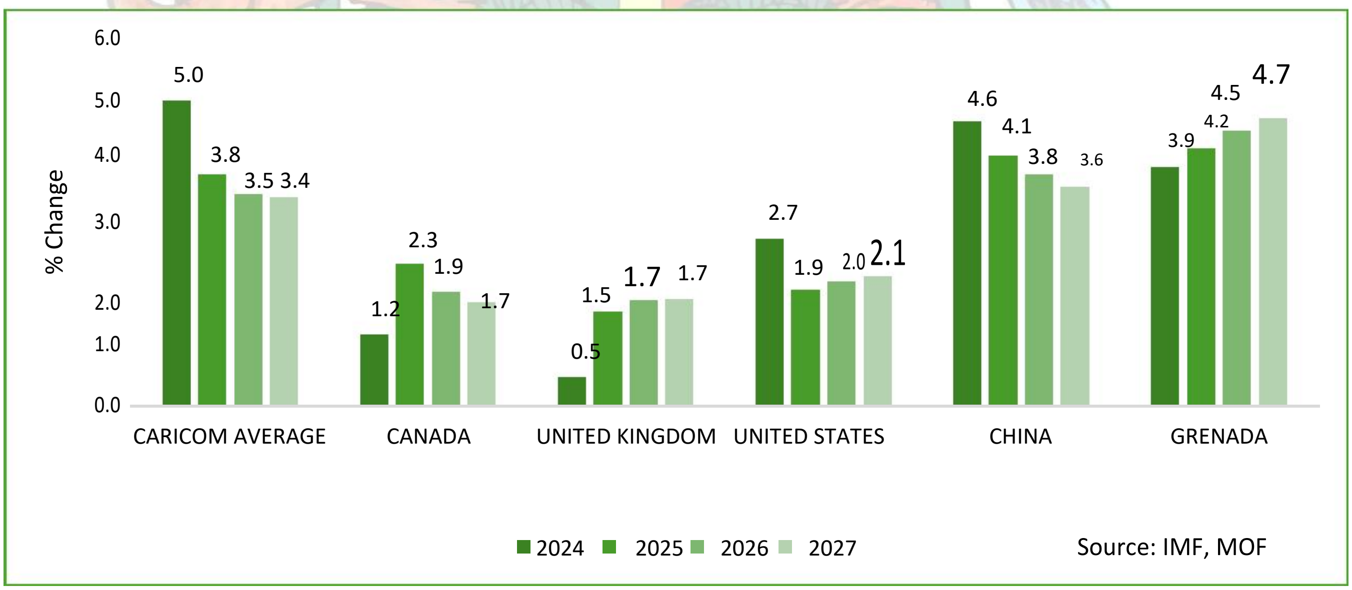
As inflation declines and inflation-expectations remain anchored, central banks in advanced economies are expected to lower policy rates in the second half of 2024. By the fourth quarter of 2024, the Federal Reserve's policy rate is anticipated to decrease from 5.4 percent to 4.6 percent, the Bank of England's from 5.3 percent to 4.8 percent, and the European Central Bank's from 4.0 percent to

3.3 percent. Concurrently, governments of advanced economies may implement tighter fiscal policies to reduce spending and debt, potentially weighing on global growth.

World trade is projected to grow by 3.0 percent in 2024, a downward revision of 0.3 percentage points, and 3.3 percent in 2025. While medium-term trade growth prospects are low by historical standards, they remain stable relative to world trade-to-GDP ratios. Rising cross-border trade restrictions, geoeconomic fragmentation and geopolitical tensions following the Russia-Ukraine war, could hinder the movement of capital and technology, introduce additional trade barriers, and disrupt international cooperation.

Despite a historically low expansion pace for global growth, Grenada's major trading partners are expected to show improvement over the medium term. In Grenada's largest source market, the United States, growth is forecasted to rise by 0.2 percentage points from 2.5 percent to 2.7 percent in 2024, with moderate improvements in subsequent years. The United Kingdom's 2024 economic outlook is less optimistic, with growth projections revised downward from 1 percent to 0.5 percent. However, growth is expected to rebound in the medium term, reaching 1.5 percent in 2025 and 1.7 percent over 2026 and 2027. Canada's medium-term average growth is forecasted to decelerate to 1.9 percent, while China, a key source market for Grenada's manufactured goods, is projected to average 3.7 percent growth.

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



3 Regional Developments

In 2023, real GDP for most regional economies surpassed their 2019 levels, demonstrating a strong recovery from the twin shocks of 2020. As inflation continues to decline and the tourism-fueled recovery gains momentum, many regional economies are closing their output gaps, returning to their potential real output levels.

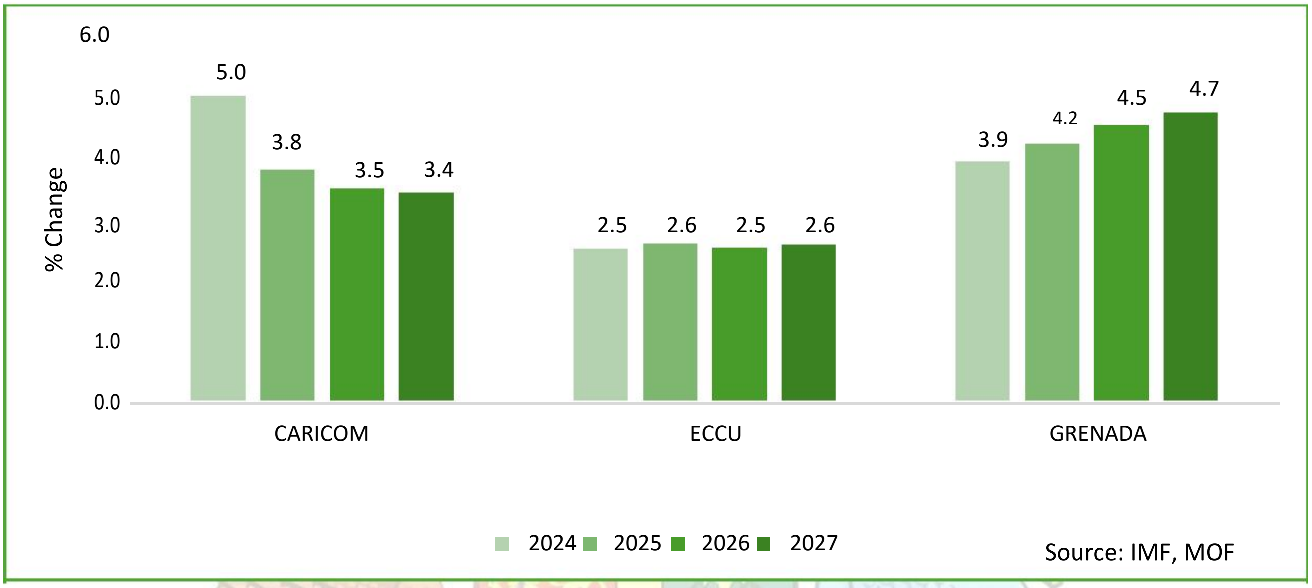
External inflationary pressures remain closely tied to trends in advanced economies and emerging markets. However, globally declining fuel and non-fuel commodity prices, along with the moderation of supply chain issues, are expected to benefit the regional bloc. For 2024, the period average inflation rate for CARICOM and ECCU is estimated to be 5.5 percent and 3.9 percent, respectively. Haiti and Suriname are forecasted to have the highest inflation rates within CARICOM, at 23.0 percent and 20.7 percent respectively, representing a significant decline from the previous year. Medium-term inflation predictions are lower as countries make considerable efforts to reduce inflationary pressures within their economies.

The regional growth performance for 2024 is forecasted to moderate, with real GDP for CARICOM countries expected to grow by 5.0 percent and an average growth of 3.6 percent projected over the medium term. Guyana is anticipated to record the largest growth in 2024, at approximately 33.8 percent, driven by the expansion of the petroleum sector.

Within the ECCU, real growth is expected to average around 2.5 percent for 2024, with Antigua and Barbuda, St. Vincent and the Grenadines, and Grenada recording the highest growth rates within the Currency Union. In the medium-term, the ECCU is projected to grow on average by 2.5 percent, with Grenada performing notably well compared to its regional partners.

The region's economic outlook for growth is projected to be moderate, hinging on a balance of upside and downside risks—though heavily weighted to the downside. On the upside, if commodity prices and inflation continue to decline, central banks may relax monetary tightening policies, removing obstacles that hinder investment growth. Additionally, improvements in the economic conditions of external trading partners would bode well for the regional bloc's performance. Conversely, if adverse external factors, compounded by climate-related shocks, materialize, economic growth in the region could be significantly hampered.

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



4 2024 Mid-Year Economic Review and Estimated 2024 Performance

4.1 Real Sector

In the first half of 2024, the Grenadian economy demonstrated strong performance, especially in the tourism, transport and storage, fishing, and manufacturing sectors. However, it faced a significant setback due to Hurricane Beryl on July 1st, 2024. Despite this, economic growth for 2024[1] is still anticipated, largely driven by a robust performance in the tourism sector, which is expected to sustain its momentum due to continued strong travel demand.

The hurricane caused severe damage to Carriacou, Petite Martinique, and the northern parts of mainland Grenada, resulting in significant declines across several key sectors and the loss of homes and economic livelihoods. The agriculture sector, in particular, sustained extensive damage from the widespread destruction of crops and farmlands and require significant rebuilding efforts. In contrast, the wholesale and retail sectors have seen increased sales due to relief support targeted at affected households. Additionally, the construction sector is projected to experience growth as rebuilding efforts commence.

Despite the relatively positive outlook for the tourism, wholesale and retail trade, and construction sectors, the threat of natural disasters, exacerbated by climate change, poses a significant challenge to Grenada's economic stability.

4.1.1 Agriculture & Fishing

4.1.1.1 Agriculture

The data collection challenges in the agriculture and fishing sectors persist into 2024. The prevalence of inconsistent data series in fishing and the underrepresentation of various crop productions are identified as primary constraints in estimating overall agricultural and fishing outputs. Accordingly,

[1] See Appendix 1 Real Sector Summary Table

until the current data issues are resolved, estimates for the agriculture sector will remain highly conservative.

The economic surveillances conducted in May 2024 revealed favourable improvements within the agriculture sector. With scaled back operations at the Marketing and National Importing Board (MNIB)[2], largely limited to purchases and retail sales of produce, there has been an uptick in banana purchases and other fresh produce. Banana production in the first quarter of 2024 increased by 35.4 percent compared to 2023, while MNIB purchases of other crops grew by 2.8 percent.

Conversely, the production of nutmeg, mace, and cocoa declined by 16.9, 45.4, and 17.6 percent, respectively, during the same period. The decline in the production of these commodities is attributed to drought conditions and other adverse weather, labour shortages, the high cost of inputs such as fertilizers, feed, and chemicals, and limited access to farmlands. These challenges exacerbate the supply constraints, preventing cocoa, nutmeg, and mace from adequately satisfying domestic and export market demands.

Effects of Hurricane Beryl on the Agriculture Sector

The impact of Hurricane Beryl has exacerbated existing issues, casting a more unfavourable overview of the agriculture sector. Preliminary estimates conducted following the passage of Hurricane Beryl indicate that over 80 percent of economic trees—specifically, more than 92,000 nutmeg trees and over 600,000 cocoa trees—have been destroyed by the hurricane. These losses are expected to significantly impact Grenada's food security, with anticipated shortages in key crops for the remainder of 2024 and potentially into the medium term.

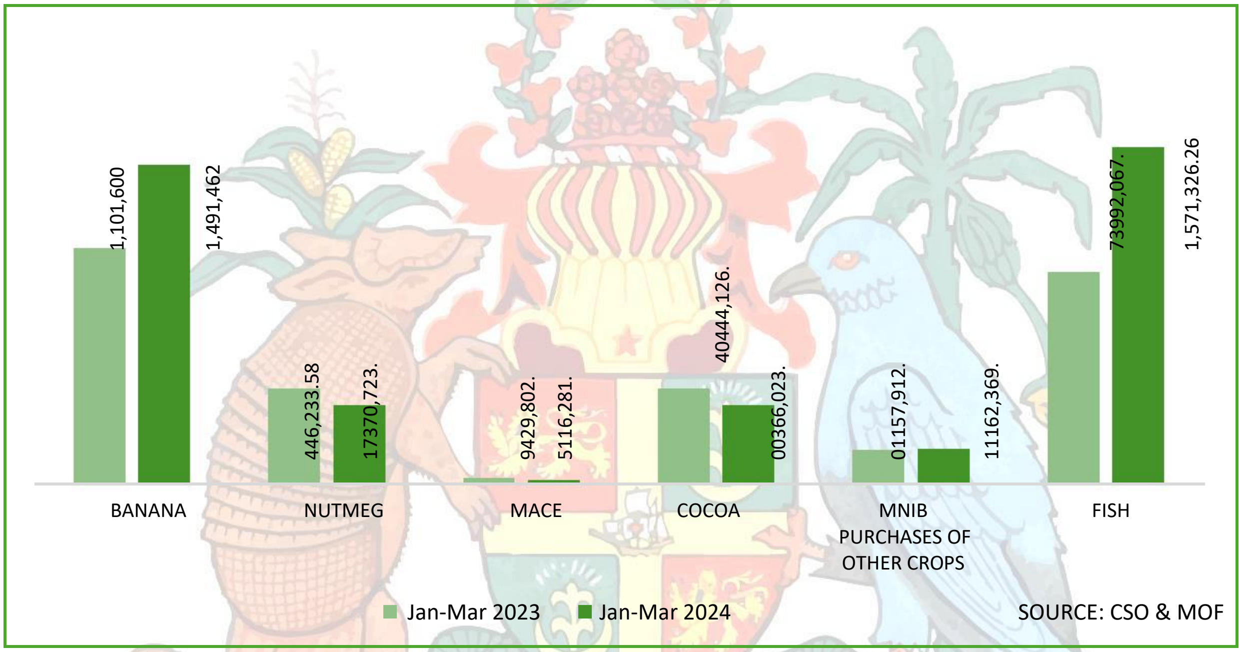
The livestock industry also suffered considerable damage, affecting poultry, cattle, goats, sheep, and pigs. Additionally, livestock housing, equipment, irrigation systems, and farm buildings sustained damage. The hurricane's heavy rainfall and flooding caused soil erosion and land degradation, further compounding the crisis. Many farmers have lost their livelihoods and will face the arduous task of rebuilding from scratch.

---

[2] MNIB Purchases is used as the main indicator for "other crop" production. "Other Crops" here refers to crops other than banana, cocoa, nutmeg and mace.

The damage inflicted by Hurricane Beryl underscores the agricultural sector's vulnerability to natural disasters. While the swift response from the government will aid in the near to medium term recovery of the sector, significant resources will be required to revive the sector and ensure its sustainable development.

Figure 3: Production in Agriculture and Fishing (lbs)



4.1.1.2 Fishing

Fish production was estimated at 1.6 million pounds for the first quarter of 2024 which is an increase in fish production compared to the first quarter in 2023. This increase was driven by the growth in longlined fishing and an expansion in regional market access. Currently, there are over 3,000 active fisherfolk and over 900 fishing vessels registered with the fisheries division. The number of persons employed within this industry, represents over 7.0 percent of the employed labour force. The sector is very lucrative, and opportunities exist for further development. Currently, services in the fishing industry and investments in fishing infrastructure (buildings, vessels, jetties, landing sites, communication networks etc.) is valued at about $400 million ECD. This sector is a major driver for income generation, employment, foreign exchange earnings through exports and poverty alleviation. However, the ongoing data challenges with respect to fish production and exports, makes it difficult to properly capture the complete picture of economic activity within this industry. Nevertheless, this sector is of high interest to government and several initiatives have been deployed to boost interest and economic activity within the sector. These initiatives include the implementation of safety at sea training for fisherfolks, the provision of concessions on fishing gears and equipment, tax rebate on fuel for fishing vessels, and technical support to enhance coastal fisheries resources.

Effect of Hurricane Beryl on the Fishing Sector

The economic livelihoods of fisherfolk were interrupted when hurricane Beryl struck the coastal areas of Carriacou, Petite Martinique, and the Northen parts of Grenada. Though fisherfolk were advised to secure their fishing vessels, many still suffered damage to their fleet. Damage to vessels, hulls, engines, gear, communication networks in Carriacou and Grand Etang, and the fish markets in the North of Grenada and in Carriacou were sustained. There was also environmental damage to the marine ecosystem in Carriacou, and the reef restoration project in Northen Grenada, Carriacou and Petite Martinique was destroyed. Recovery within this sector is dependent on the injection of financial resources towards the rebuilding of the fishing fleet and infrastructure, which may take between 6 months to a year.

4.1.2 Construction

Following a significant decline in 2020 due to the impact of COVID-19, the construction sector demonstrated a robust recovery in 2021 and 2022, achieving over 20 percent growth. This rebound was driven by both private and public sector projects, resulting in positive spillover effects across various other sectors. However, in 2023, while growth in construction activity was anticipated, data revealed a decline of approximately 10.9 percent, primarily due to a reduction in the value of construction material imports, a key indicator of construction activity.

Data for the first quarter of 2024 indicate a 1.3 percent reduction in the value of construction material imports compared to the same period in 2023, despite a 14.4 percent increase in the volume of materials imported, as measured by weight. This decrease in import value can be largely attributed to global disinflationary pressures and the normalization of supply chain disruptions. Notwithstanding, the Macroeconomic Surveillance conducted in May 2024 noted that major private sector projects, such as Six Senses and Silversands Beach House, were completed in the first quarter, while other significant projects, including the Intercontinental Hotel, were either approaching completion or in the early stages of development. Consequently, a moderate slowdown in the construction of major private sector projects is expected.

Effect of Hurricane Beryl on the Construction Sector

Given Hurricane Beryl's devastating impact on the sister isles and northern Grenada—where 95 percent of buildings were either damaged or destroyed—extensive reconstruction efforts are anticipated throughout the remainder of 2024 and into 2025. The reconstruction efforts are expected to stimulate the construction sector significantly, leading to a substantial increase in the importation of construction materials, specialized construction labour, and equipment to address the extensive scope of the rebuilding projects.

Figure 4: Construction Indicators

4.1.3 Tourism

The tourism sector continues to exhibit robust growth, with stayover arrivals surpassing pre-COVID levels during the first six months of 2024. A monthly comparison indicates a significant increase in visitor numbers in 2024 compared to 2023. Specifically, stayover arrivals for the first half of 2024 were

18.9 percent higher than those in 2023 and 25.0 percent above 2019 figures, signalling a full recovery of the sector since the pandemic of 2020.

This growth has been primarily driven by notable events such as the climax of the 50th Anniversary of Independence Celebrations in February and the 2024 CARIFTA Games, which were held in Grenada in March. Additionally, the sector has benefited from an increase in room inventory, with the opening of the Silversands Beach House in February 2024 and the Six Senses Resort in La Sagesse in April 2024.

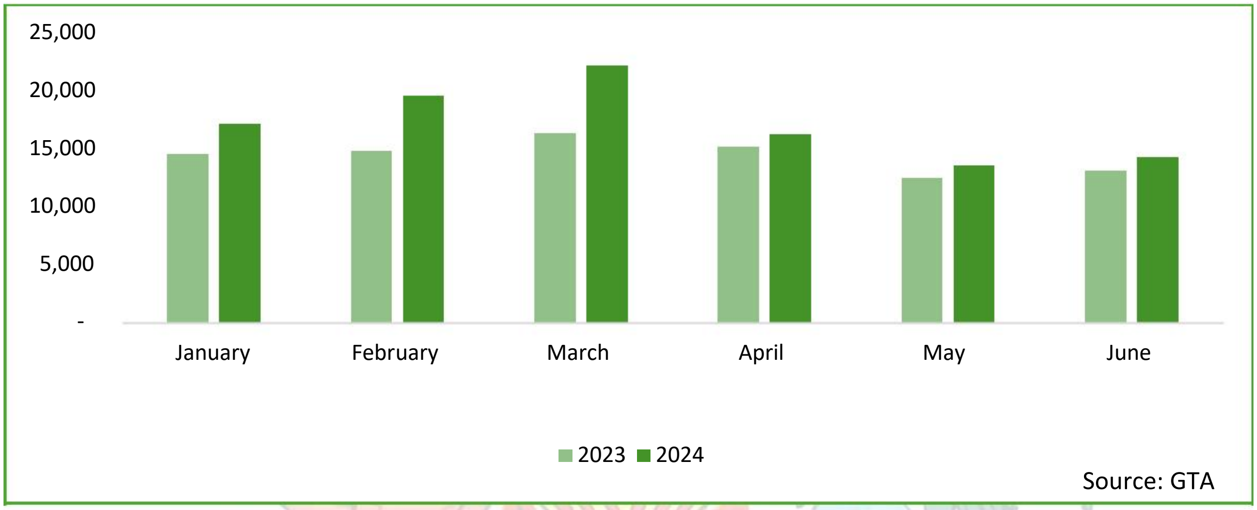
It is anticipated that this upward trend in stayover arrivals will persist throughout the remainder of 2024, bolstered by ongoing 50th Anniversary Celebrations and the highly anticipated carnival season.

Table 1: Stayover Arrivals

Stayover Arrivals	Jan-June 2023	Jan-June 2024	2024/2023 % Change
United States	46,424	55,393	19.3
Europe	3,869	4,248	9.8
United Kingdom	13,377	15,129	13.1
Canada	9,563	11,251	17.7
Caribbean	11,351	14,384	26.7
Other	2,058	2,622	27.4
Total Stayover Arrivals	86,642	103,027	18.9
Cruise Passengers	198,896	193,394	-2.8
			Source: GTA

Stayover arrivals from the Caribbean rose by 26.7 percent during the review period. The majority of these visitors originated from Trinidad and Tobago, which saw an 18.1 percent increase in arrivals compared to the same period in 2023. Visitors from Grenada's largest source market, the United States, increased by 9.3 percent in the first half of 2024 compared to the same period in 2023, with the majority coming from the state of New York.

Figure 5: First Half Monthly Stayover Arrivals (2024 vs 2023)



There was a decline of -2.8 percent in overall cruise passenger arrivals at the end of May 2024 compared to 2023. Cruise ship calls also declined by -20.9 percent in the comparable period, signalling an underperformance within the cruise industry for this period. The industry has not fully recovered since the pandemic.

The yachting sector, an area with untapped potential for economic contribution, is performing notably well. Yacht calls (no. of vessels) increased by 6.0 percent during the January-June 2024 period compared to the same period in 2023. However, yacht passenger arrivals experienced a decline of -4.3 percent during the same timeframe.

Given the promising performance of the tourism sector in the first half of 2024 and in previous years, the outlook remains optimistic. It is anticipated that the sector will continue to grow for the remainder of the year and into the medium term. However, the sector is not without its challenges, which could impede future performance if not addressed. Key concerns include labour shortages and geopolitical tensions—which may influence travel patterns and affect visitor numbers due to instability in key source markets or neighbouring regions. Additionally, the impact of climate change, particularly the formation of tropical cyclones, could adversely weigh on growth in the tourism sector.

Effects of Hurricane Beryl on the Tourism Sector

Hurricane Beryl's catastrophic path caused substantial damage to approximately 10.4 percent of the total room stock across the tri-island state of Grenada. Tourism businesses in the northern parts of Grenada (St. Patrick and St. Mark) account for approximately 2.0 percent of the island's total room stock, while those in Carriacou and Petite Martinique represent about 8.4 percent. Hotels and guest houses that relied heavily on agriculture as part of their offerings suffered severe losses.

The two main marinas and Lauriston Airport in Carriacou also experienced substantial damage. Other affected areas include yachts and fishing vessels, airport equipment, the fire station, vendors' market, bus terminal, and the Carriacou Museum—all crucial components for the success of the tourism product. Additionally, tourism attraction sites such as Sandy Island and the Oyster Bed Marine Protected Area faced significant damage.

The estimated total loss to the tourism sector in Carriacou and Petite Martinique is approximately $10 million EC dollars[3]. Recovery and rebuilding efforts for tourism institutions in these areas could take up to one year, assuming no further catastrophes occur in the near future. To date, Grenada's total room stock comprises of 2,511 rooms across the tri-island state, which is 6.6 percent increase in room stock compared to the end of 2023 (2,355).

4.1.4 Transport and Storage

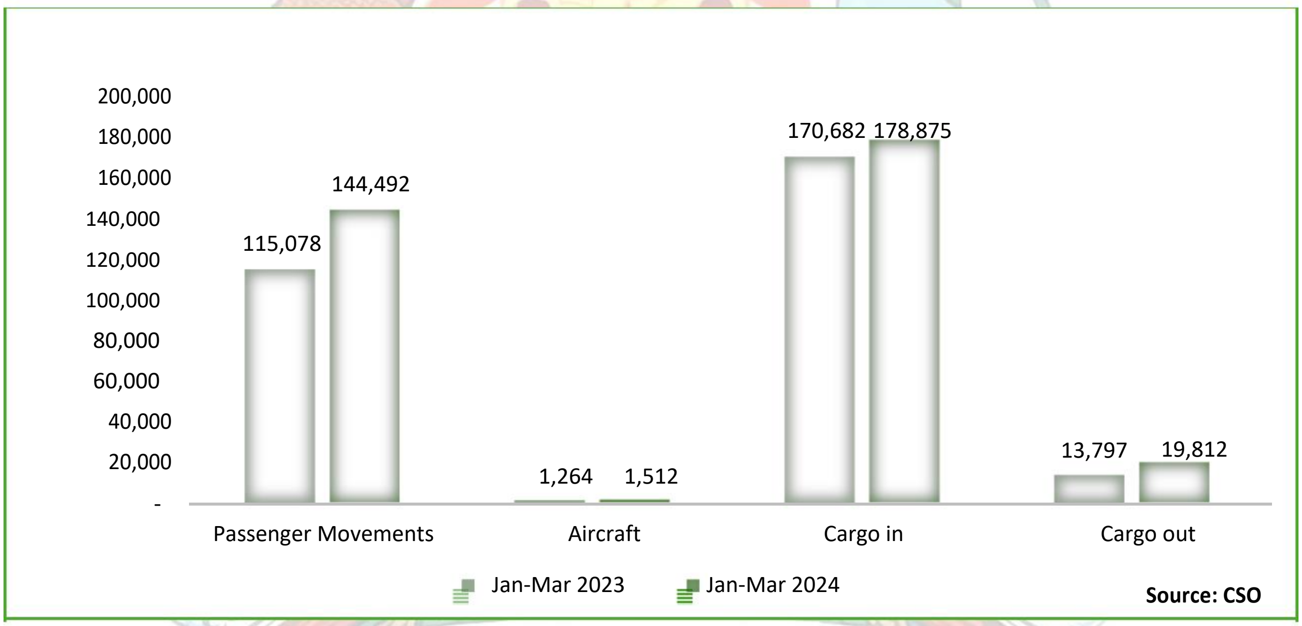
This sector continues to demonstrate promising growth, driven by the frequent movement of commodities and people. By the end of March 2024, passenger movements had risen by 25.6 percent compared to the same period in 2023, reflecting a concurrent increase in aircraft movements of 19.6 percent. This growth aligns with the rise in airlift capacity provided by major airlines such as British Airways, JetBlue, and American Airlines, as well as smaller carriers like Caribbean Airways and SVG. Regarding mail movement, over 50 percent more mail left the country through the airport in the first quarter of 2024, compared to the first quarter of 2023. As for cargo, there was a 7.7 percent increase in overall cargo movement during the review period. Cargo entering the port increased by 4.8 percent,

[3] Data sourced from the Rapid Needs Assessment report submitted by the Grenada Tourism Authority.

increasing from 170,682 in the first quarter of 2023 to 178,875 in the first quarter of 2024. Additionally, cargo leaving the port increased by 43.6 from 13,797 to 19,812 in the periods mentioned above. This sector is customarily a good indicator of the level of activity taking place in the construction and tourism sectors.

A surge in sea transport activity is noted, following the devastation of the hurricane on the islands of Carriacou and Petite Martinique. The constant flow of sea traffic between mainland Grenada and the sister isles have become imperative to supply relief items to the affected citizens, conduct assessments of damages sustained, provide volunteerism services, restore communication networks and commence the rebuilding of various institutions. This trend in sea traffic will likely persist into the end of 2024 and into 2025 as rebuilding efforts continue.

Figure 6: Passenger and Cargo Movements



4.1.5 Wholesale and Retail Trade

Data from the first five months of 2024, compared to the same period in 2023, reveals a decline in the wholesale and retail trade sectors. This sector's performance is evaluated through the retail sales of various items, including building materials, household items, agricultural products, and vehicles. By the end of May 2024, total retail sales had decreased by 3.3 percent. More specifically, retail sales of building materials experienced a significant drop of 12.4 percent, while retail sales excluding building materials saw a marginal decline of 0.2 percent. The notable reduction in retail sales of building materials is primarily attributed to the winding down of major construction projects in the first quarter of 2024.

Other challenges contributing to the subdued growth of this sector include the importation of food and other items by large hotels, parallel trading, and the increased prevalence of small and micro retail establishments, in addition to narrow data coverage of retailers within the sector. It must be noted that some major wholesalers and retailers on the island are not captured in the current data pool for the measurement of this sector which could account for the variations observed.

Effects of Hurricane Beryl on the Wholesale and Retail Sector

In respect of the next half of 2024, we expect that despite this recorded decline in sales in the first five months of 2024, this sector will experience moderate growth for 2024. Hurricane Beryl's catastrophic impact has fueled demand for relief items in support of affected citizens. Wholesalers and retailers have reported a bump in the sales of perishable and non-perishable goods, vehicles, building supplies, water, household items and much more. This trend is likely to continue for the rest of 2024. However, with the influx of relief items entering the country, the market could experience an oversupply, negatively impacting the demand for purchases from local wholesalers and retailers.

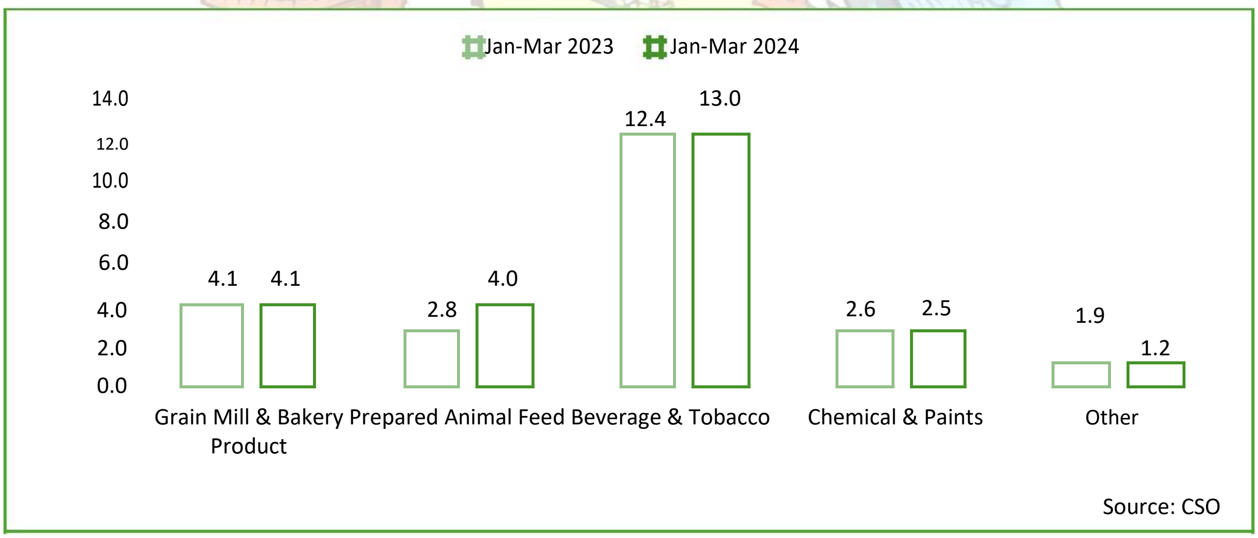
Figure 7: Retail Sales

4.1.6 Manufacturing

A growth rate of 4.7 percent was recorded for the first quarter of 2024 compared to the same period in 2023. The manufacturing sector continues to perform strongly; however, declines were observed in two out of the five main categories of industrial production.

The beverage and tobacco category, the largest contributor to the manufacturing sector, increased by 4.9 percent. This rise can be attributed to major events in February and March, which spurred higher beverage production to meet increased consumer demand. The production of grain mill and bakery products rose by 1.7 percent, while prepared animal feed surged by 43.4 percent. The substantial increase in prepared animal feed is likely linked to heightened agricultural activity and efforts to boost livestock production across the tri-island state. Conversely, the production of chemicals and paints experienced a decline of 2.2 percent by the end of March 2024 compared to the previous year, reflecting the downturn observed in the construction sector. Additionally, other items, such as toilet paper, saw a significant decrease of 36.7 percent.

Figure 8: Industrial Production



External risks continue to challenge the productivity and competitiveness of Grenada's manufacturing sector. Trade disruptions, such as the recent attacks in the Red Sea, have increased costs for raw materials and shipping, resulting in overall supply chain disruptions for both imports and exports. Delays in the delivery of manufacturing equipment have further compounded these issues, while a shortage of local expertise for operating and maintaining specialized equipment poses additional difficulties.

Long-standing challenges, including the high landed cost of empty containers and the non-implementation of Article 164 of the Revised Treaty of Chaguaramas continue to constrain the export capabilities and production efficiency of local manufacturers. While noteworthy progress has been made regarding Article 164 for exports to OECS countries, these ongoing issues continue to affect the sector's performance.

Despite these challenges, there are promising opportunities for the sector's development. Investing in climate-smart technologies, such as solar panels, energy-efficient air conditioning units, and electric vehicles, offers the potential to reduce operational costs and lower the carbon footprint. These advancements can enhance production efficiency, improve competitiveness, and increase profitability. By capitalizing on these opportunities, Grenada's manufacturing sector can strengthen its position in key markets and contribute positively to the overall economy.

4.1.7 Private Education

Enrolment at the St. George's University is the main indicator used to measure activity within the private education sector in the economy, given its size and economic contributions to the country. The yearly arrival of students on the island leads to growth in tourism, wholesale and retail, real estate and other sectors of the economy. Within the months of January and April of 2024, 4,333 students enrolled at the University, bringing the total enrolment number to 8,500 of which 69.0 percent were enrolled in the school of medicine program. Student enrolment within the veterinary program has been increasing over the years and there has been an increase in undergraduate pre-clinical programs.

In 2024, a decline in overall student enrolment is projected, with expectations of stagnation in the medium term. This trend is primarily attributed to shifts in demand for medical education in the United States following the pandemic[4]. Consequently, St. George's University (SGU) is likely to face a diminishing pool of medical school applicants. However, this decline has been partially mitigated by

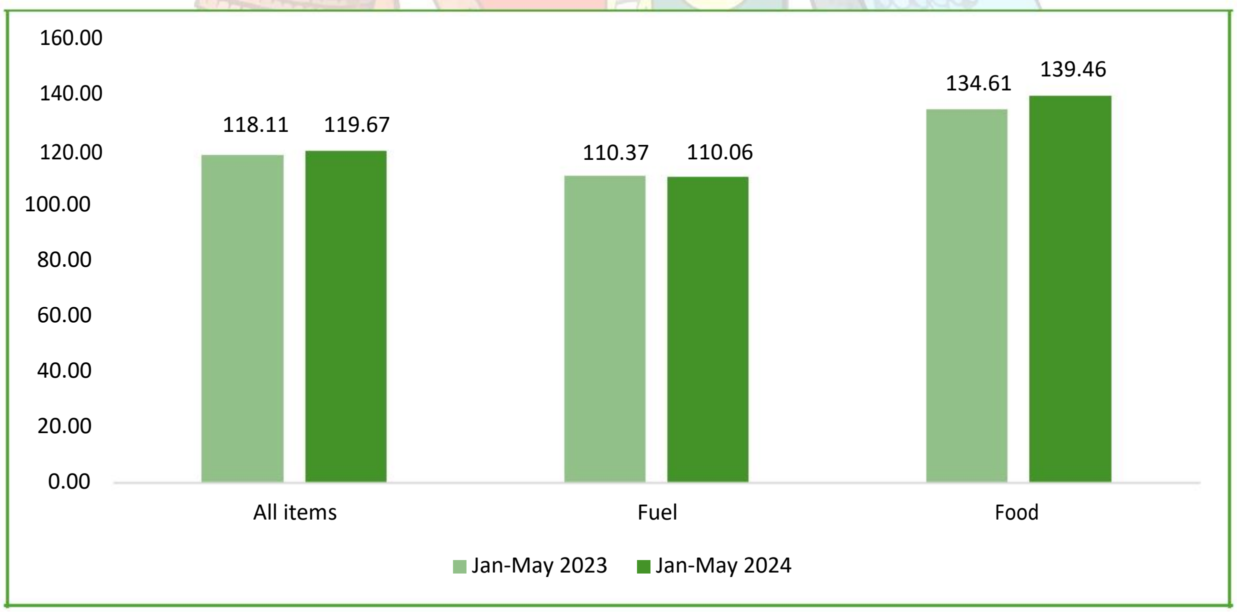
[4] Medical School Students account for approximately 50% of total enrolment at SGU.

an uptick in enrolment within the veterinary school. In response to these enrolment challenges, SGU has revised its marketing strategy, focusing on expanding into new markets in Dubai, the Middle East, and North Africa.

4.1.8 Inflation

The Consumer Price Index (CPI) has been steadily increasing over the past three years as the price of goods gradually climbed post covid-19. Global inflation has remained a pressing concern, given the sensitivity of the Grenadian economy to global food and fuel prices. The period average inflation rate for the first five months of 2024 was 1.3 percent whereas in 2023, the period average inflation rate was 3.6 percent. Despite measures implemented to curb food inflation, it remains high, at an average rate of 3.6 percent, reflecting increases in food prices at supermarkets and local shops. Conversely, fuel inflation, which had been climbing over the past three years, saw a modest decline of 0.3 percent during the January-May 2024 period relative to 2023. This decrease in fuel inflation can be attributed to fiscal measures implemented to curb fuel costs for consumers including the reduction in the petrol tax per gallon from $5.50 to $3.50.

Figure 9: Consumer Price Index (5-month average)



There was also an increase in year-on-year inflation of 1.5 percent at the end of May 2024 vs 2023 for all items. Year-on-year food and fuel inflation increased by 2.5 and 0.4 percent respectively. In addition to the increased cost of food and fuel, there were also increases in household maintenance equipment, medical-products, appliances and equipment, alcoholic beverages and tobacco. The rising cost of goods and services is evident among Grenada's main trading partners. Given Grenada's heavy reliance on imports, the high import prices will continue to impose considerable pressures on the restaurant and food industry.

Table 2: Consumer Price Index (Year on Year)

CPI (YOY)	May-23	May-24	Inflation (%)
Food	136.33	139.77	2.52
Fuel	110.08	110.47	0.35
All items	118.34	120.06	1.45

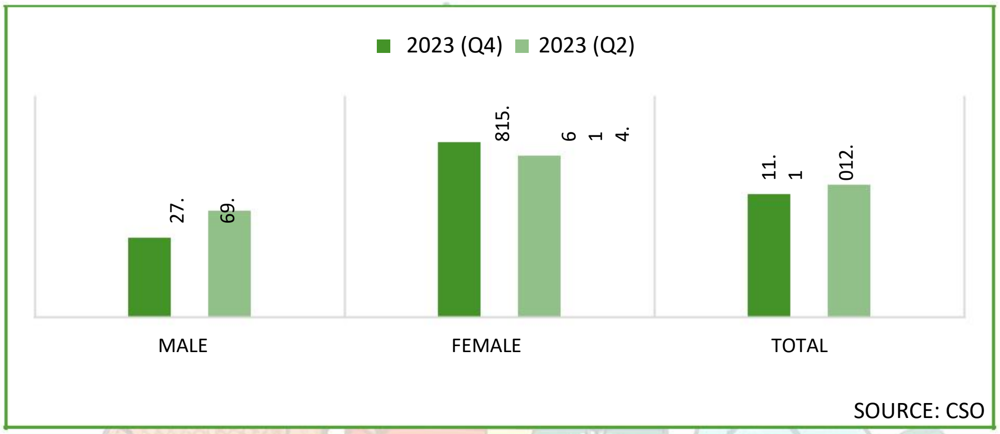
4.2 Unemployment

Grenada's unemployment rate demonstrated a steady decline from 32.2 percent in 2013 to 15.1 percent in 2019. However, in 2020, the rate surged to 28.4 percent during the second quarter due to the severe economic disruptions caused by the COVID-19 pandemic. The pandemic's impact led to widespread job losses and significant interruptions in various sectors. Since then, the unemployment rate has been gradually decreasing, driven by targeted efforts to foster job creation and expand educational opportunities.

The Labour Force Survey for the fourth quarter of 2023 reveals a further decline in the unemployment rate, dropping to 11.1 percent from 12.0 percent recorded at the end of the second quarter of 2023. Unemployment among men decreased significantly by 25.0 percent, falling from 9.6 percent at the end of Q2 2023 to 7.2 percent by the end of Q4 2023. In contrast, female unemployment increased by 8.2 percent, rising from 14.6 percent in Q2 2023 to 15.8 percent in Q4 2023. Overall, the unemployment rate at the end of Q4 2023 was 7.5 percent lower compared to Q2 2023. Unemployment is more prevalent among females between the ages of 15 to 24 (29.3) and 25 to 64 (14.0) signalling higher unemployment among females compared to males.

Grenada's employed labour force consists of 51,789 persons of which 57.2 percent are male and 42.7 percent are female. The agriculture, forestry and fishing, construction, wholesale and retail trade, accommodation and food service activities and education industries are the top five (5) industries employing the largest number of persons. Male employees dominate these industries except for accommodation and food service and the education industries where more females are employed compared to males. Females also dominate the health and social work and the financial and insurance industries.

Figure 10: Unemployment Rate (%)



4.3 Fiscal Sector

Figure 11: Primary Balance and Overall Balance after grants 2024 vs 2023

On balance, Grenada's fiscal position has strengthened due to strong intake from all tax types. The robust implementation of compliance strategies by the Inland Revenue Department (IRD), substantial receipts from the Investment Migration Agency (IMA) Programme, and relatively vibrant economic activity buoyed revenue collections. During the first half of 2024, the Primary Balance, and Overall Balance including grants, stood at $216.2 million and $191.4 million, respectively. These figures represent an increase in the fiscal position by 12.1 percent and 10.6 percent compared to the same period in 2023. (Figure 11).

Table 3: Total Revenue and Grants 2023 vs 2024 (Jan-Jun)

	2023	2024	Variance	
	January - June			
	$M	$M	$M	%
Total Revenue and Grants	**633.5**	**737.4**	**103.9**	**16.4%**
Total Revenue	**624.4**	**727.6**	**103.2**	**16.5%**
Tax Revenue	**420.1**	**444.7**	**24.6**	**5.9%**
Taxes on Income and Profit	85.0	90.3	5.3	6.2%
Taxes on Property	24.6	28.0	3.4	13.7%
Taxes on Domestic Transactions	98.8	103.8	5.0	5.0%
Taxes on International Transactions	211.7	222.6	10.9	5.1%
Non-Tax Revenue	**204.3**	**282.9**	**78.6**	**38.5%**
o/w IMA Revenues	156.3	247.7	91.4	58.5%
Total Grants	**9.1**	**9.7**	**0.7**	**7.3%**

Source: Ministry of Finance

Total revenue and grants for the first half of 2024 amounted to $737.4 million of which total revenue was $727.6 million and total grants were $9.7 million. Total revenue and grants were 16.4 percent more than what was collected in the same period of 2023, primarily because of improved performances in tax revenue and non-tax revenue.

During the period, all tax types recorded higher collections than in 2023. Taxes on property were 13.7 percent more than the amount collected in 2023. Taxes on income and profit, domestic transactions and international transactions increased by 6.2 percent, 5.0 percent and 5.1 percent respectively, (Table 2). The rebranded Investment Migration Agency Grenada (IMA) formerly referred to as the Citizenship by Investment unit (CBI) recorded a 58.5 percent increase in revenues compared to the same period in 2023. This is primarily owed to the enhancement of IMA's application process and a new, comprehensive marketing plan which targets additional source markets. The IMA has also introduced internal system upgrades in pursuit of a four-to-six-month application turnaround timeline which is evidently being realised in 2024. Further, "Other Related Fees" previously recorded in net terms under non-tax revenue was revised in 2024 to only reflect inflows of revenue. In 2024 IMA Revenues amounted to 88 percent of non-tax revenue an 11.0 percentage point increase compared to 2023.

Following the impact of Hurricane Beryl in July, a suite of fiscal incentives including 100 percent waiver on certain duties and taxes was introduced to stimulate individual rebuilding efforts and economic recovery. As a result, lower revenue inflows can be reasonably expected for the next six months.

Table 4: Total Expenditure 2023 vs 2024 (Jan-Jun)

	2023	2024	Variance	
	January - June			
	$M	$M	$M	%
Total Expenditure	**462.8**	**546.0**	**83.2**	**18.0%**
Recurrent Expenditure	**346.6**	**429.2**	**82.6**	**23.8%**
Employee Compensation	**141.3**	**159.3**	**18.0**	**12.7%**
Personal Emoluments	133.1	149.3	16.2	12.2%
Social Contributions	8.2	10.0	1.8	21.4%
Goods and Services	70.4	80.6	10.2	14.5%
Interest Payments	24.8	24.8	0.0	0.0%
Current Transfers	110.1	127.2	17.1	15.5%
IMA Expenses	0.0	37.3	37.3	0.0%
Capital Expenditure	**116.2**	**116.8**	**0.6**	**0.5%**

Source: Ministry of Finance

The total expenditure for the first half of 2024 was 18 percent more than the same period of 2023. Recurrent outlays increased by 23.8 percent, mainly due to the recent introduction of IMA expenses ($37.3 million) as a line item in 2024, following the disaggregation of IMA Related fees (net) in non-tax revenue. Employee compensation increased by 12.7 percent overall. Social contributions increased by 21.4 percent and personal emoluments increased by 12.2 percent. These movements reflect the ongoing Public Service Regularisation Programme and are expected to increase gradually over the medium term as this process accelerates.

On the capital expenditure side, outlays increased by EC$0.6 million year-on-year. While this increase is moderate, capital expenditure is expected to surge within the latter part of the year due to the additional infrastructural work required to recover from Hurricane Beryl.

Table 5: Central Government's Estimated 2024 Fiscal Performance

	2024			
	Estimated Outturn	**Budget**	**Variance**	
	EC$M	EC$M	EC$M	%
Total Revenue & Grants	**1,404.1**	**1,321.4**	**82.7**	**6.3**
Total Revenue	**1,331.4**	**1,216.8**	**114.6**	**9.4**
Tax Revenue	**864.8**	**853.7**	**11.1**	**1.3**
Taxes on Income	170.7	167.8	**2.9**	**1.7**
Taxes on Property	38.5	27.6	**11.0**	**39.9**
Taxes on Domestic Goods & Consumption	190.6	192.4	**(1.7)**	**(0.9)**
Taxes on International Trade & Transactions	465.0	466.0	**(1.0)**	**(0.2)**
Non - Tax Revenue	**466.6**	**363.1**	**103.5**	**28.5**
o/w IMA Revenues	398.5	280.7	**117.8**	**42.0**
Grants	**72.7**	**104.6**	**(31.9)**	**(30.5)**
Total Expenditure	**1,548.1**	**1,320.9**	**227.2**	**17.2**
Primary Expenditure	**1,492.4**	**1,264.3**	**228.1**	**18.0**
Current Expenditure	**940.1**	**901.4**	**38.7**	**4.3**
Employee compensation	346.8	372.3	**(25.4)**	**(6.8)**
o/w wages, salaries & allowances	329.0	356.5	**(27.5)**	**(7.7)**
Goods and Services	195.5	230.4	**(34.9)**	**(15.2)**
Interest Payments	55.7	56.6	**(0.9)**	**(1.6)**
Transfers	247.4	242.1	**5.3**	**2.2**
IMA Expenses	64.6	-	**64.6**	**-**
Capital Expenditure	**608.0**	**419.6**	**188.4**	**44.9**
o/w Grant financed	**78.1**	**104.6**	**(26.5)**	**(25.4)**
Overall balance	**(144.0)**	**0.5**	**(144.4)**	**(29,878.3)**
Primary balance (including grants)	**(88.2)**	**57.1**	**(145.4)**	**(254.5)**

Source: Ministry of Finance

Based on the actual outturns up to June and other assumptions, Grenada's fiscal performance for the full year 2024 shows a notable divergence from the budgeted expectations (Table 5). Total revenue and grants are estimated at EC$1,404.1 million, which is 6.3 percent higher (EC$82.7 million) than the budgeted amount of EC$1,321.4 million. This increase is primarily due to higher-than-expected collections in non-tax revenue, particularly IMA revenues, which exceeded the budget by a significant margin of 42.0 percent. However, grants fell short of the budget by 30.5 percent, partially offsetting the gains from increased non-tax revenue.

Total expenditure for 2024 is estimated to be EC$1,548.1 million, representing a 17.2 percent (EC$227.2 million) increase over the budgeted amount of EC$1,320.9 million. This surge in expenditure is largely attributable to a substantial 44.9 percent increase in capital expenditure over the budgeted amount, reflecting heightened capital investment for rapid Hurricane Beryl response. Additionally, the decision to record IMA expenses separately, rather than netting them against revenue as done in previous years, contributes to the variance noted.

The fiscal outcome for 2024 shows a notable overall deficit of EC$144.0 million, compared to a budgeted surplus of EC$0.5 million, resulting in a large negative percentage variance. The primary balance, including grants, is estimated to be a deficit of EC$88.2 million, in stark contrast to the budgeted surplus of EC$57.1 million, reflecting a percentage variance of -254.5%.

Overall, the fiscal performance for 2024 indicates a substantial fiscal deterioration driven by the need for significant spending to address the immediate and near-term challenges in the aftermath of hurricane Beryl. This stands in sharp contrast to the more favourable fiscal position observed in 2023 and will lead to a severe deterioration of the overall balance and primary balance. Given the economic shock experienced as a result of Hurricane Beryl and the fiscal implications as outlined, suspension of the Fiscal Resilience Act is necessary to accommodate the overall impact of the recovery and rebuilding process on Government's revenue and expenditure against the established fiscal targets.

4.4 Public Debt

Public sector debt as a percentage of GDP, an important measure of debt sustainability, was projected to decrease by 1.7 percentage points to 73.3% of GDP by the end of 2024. A strong GDP performance in the first half of the year brought the debt-to-GDP ratio down to 70.5%. Notwithstanding the impact of Hurricane Beryl, the Government is not expected to rely on additional borrowing to finance recovery efforts. Accordingly, public sector debt as a percentage of GDP is expected to continue on its downward trajectory.

538-4575

4.5 Monetary and Financial Sector

During the period January to March 2024, Grenada's monetary sector maintained strong regulatory compliance and demonstrated resilience despite some minor declines in key ratios. There was moderate growth in liquidity, improved profitability and prudent use of equity for profit generation by the banking sector. Positive trends in Credit Union operations were also evident, including substantial membership growth, increased deposits, and strengthened lending capacity. Notably, there was increased credit to the private sector, driven by a substantial market shift from personal spending loans to investments in real estate activities in both bank and non-bank spaces. Overall, Grenada's financial institutions exhibited robust liquidity management and profitability within the prevailing economic conditions.

4.5.1 Detailed Analysis of Monetary Survey

There was substantial money supply growth of EC$144.2 million over the last year. Notably, there was an additional EC$16.1 million in money circulating within the Grenadian economy and an additional EC$17.2 million as currency held by the public when compared to the same period in 2023. The growth in all money aggregates, except for Cash at Commercial Banks which declined by EC$1.1 million, reflects the expansion of the overall money supply, driven by increases in lending activities influenced by a growth in net foreign assets.

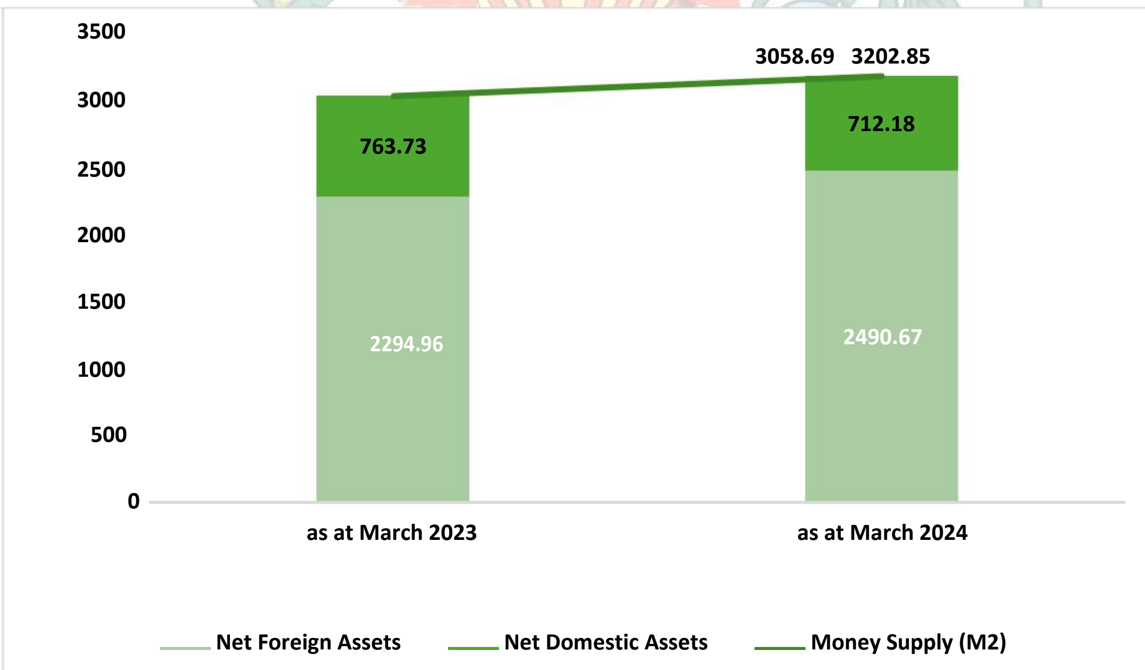
Table 6: Monetary Survey Extract

	March 2023 EC$ M	March 2024 EC$ M	Variance %
MONETARY LIABILITIES (M2)	**3058.69**	**3202.85**	**144.16**
MONEY SUPPLY (M1)	**1430.45**	**1535.35**	**104.9**
Currency with the Public	195.28	212.45	17.17
Currency in Circulation	253.11	269.19	16.08
Cash at Commercial Banks	57.83	56.75	-1.08
Transferable Deposits	1235.17	1322.91	87.74
QUASI MONEY	**1628.25**	**1667.51**	**39.25**
National Currency Deposits	1324.44	1349.09	24.65
Foreign Currency Deposits	303.81	318.42	14.61

Source: Eastern Caribbean Central Bank

Foreign reserves strengthened year-on-year with an 8.5 percent growth in Net Foreign Assets (NFAs) upwards to EC$2490.7 million by end of March 2024. This increase was brought about by a growth in foreign market investments of EC$113.5 million relative to the EC$49.9 million increase in foreign reserve liabilities. This positive movement in NFAs augurs well for the sector's ability to cushion against external financial shocks and service foreign debts and has provided additional credit lending capacity. Commercial Bank claims on non-residents also grew significantly by 15.2 percent, which suggests increased lending or investment in foreign markets. This poses a risk of heightened foreign investment exposure and needs to be managed effectively.

Figure 12: Monetary Survey – Analysis of Money Aggregates



Source: Eastern Caribbean Central Bank

On the domestic side, however, there was a 6.8 percent contraction in Net Domestic Assets (NDAs) over the period March 2023 to 2024. Despite this decline, there was an increase in demand for credit domestically of EC$82.7 million to the Private Sector and an additional 20 percent of financing to the General Government compared to the previous year. Amidst the changes in domestic assets positions commercial banks continue to meet the needs of borrowers.

4.6 Bank and Non-Bank Sector Developments

4.6.1 Commercial Banking Sector Developments

For 2024, Grenada's banking sector which comprises three (3) commercial banks exhibited a moderate increase in robustness and demonstrated financial soundness within the limits of the ECCB's regulatory framework. Although the ratio of core capital to risk-weighted assets fell by 1.3 percentage points year-on-year, the ECCBs Tier 1 ratio requirement of 6.1 percent of risk-weighted assets is still maintained, supported by a stable liquidity ratio which only changed by -0.2 percentage points, and reflects prudent liquidity management and sustained ability to meet short-term financial obligations rapidly. Despite these shifts in asset composition or changes in growth strategies, commercial bank assets remain available for quick conversion to cash or near-cash resources. The Capital Adequacy Ratio (CAR), which only grew by 0.9 percentage points over the year, is still well above the ECCB's prudential limit of 8.0 percent.

Table 7: Financial Soundness of Commercial Banks

Indicators %	Mar 2023	Mar 2024	Variance
Liquid Assets to Short-Term Liabilities	56.19	56.29	0.1
Regulatory Capital to Risk-Weighted Assets (CAR)	14.03	14.92	0.89
Regulatory Tier 1 Capital to Risk-Weighted Assets	12.22	10.95	-1.27
Return On Average Assets (Annualised)	0.59	1.48	0.89
Return On Average Equity (Annualised)	7.27	15.53	8.26
Interest Margin to Gross Income (Annualised)	54.69	59.67	4.98
Noninterest Expenses to Gross Income (Annualised)	80.29	64.00	-16.29
Liquid Assets to Total Assets	50.29	50.27	-0.02

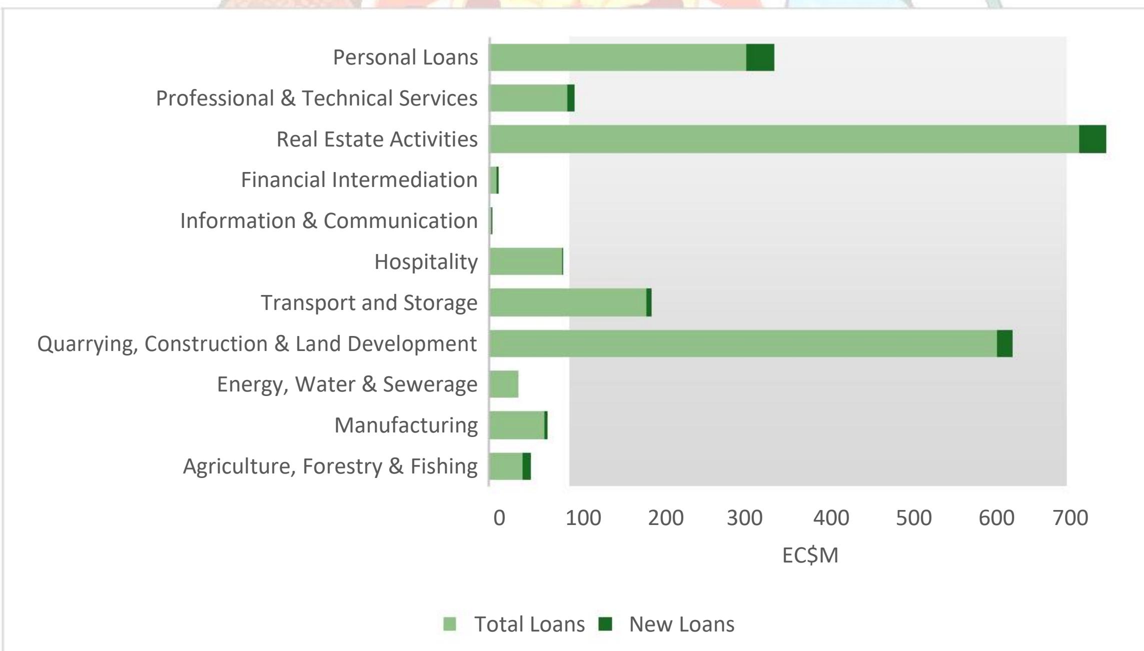
Source: Eastern Caribbean Central Bank

Commercial bank profitability also improved within the first quarter in comparison to 2023 through efficient use of assets and equity. There was significant improvement in profit generation from assets of approximately 151 percent. The annualized return on average assets increased by 0.9 percentage points whereby commercial banks earned an average of EC$1.5 for every dollar of average assets held for the period. There was also more efficient use of shareholder equity for profit generation in 2024 with the annualized return on equity increasing by almost 50 percent. Continued compliance with regulatory standards will guarantee sufficient capitalization to absorb potential losses.

4.6.2 Commercial Bank Lending

As of March 2024, the total loan stock amounted to EC$2184.2 million, with EC$121.0 million in new loans approved for the year thus far. There was increased lending primarily directed to Construction and Land Development (15.2 percent), Private Loans (28.0 percent) and Real Estate Activities (28.1percent). Within the real estate sector, there is predominant credit exposure in the residential market in comparison to the commercial real estate market with the growing popularity of residential property rentals. Priority sectors such as Agriculture and Fishing (8.9 percent), Manufacturing (3.2 percent) and Energy, Water and Sewerage (0 percent) continue to experience slower credit growth with the lowest percentages of new loan approvals and would benefit from greater incentivization from banks, especially against the backdrop of the catastrophic impact on these areas by the recent hurricane.

Figure 13: Commercial Bank Loans by Economic Sector



Source: Eastern Caribbean Central Bank

Of the total stock of loans issued by Commercial Banks, 59.9 percent were distributed to resident households in the amount of EC$1,307.7 million while 25.7 percent or EC$561.8 million were distributed to businesses. Central Government loans within the local banking system stood at EC$57 thousand as of March 2024 and accounted for less than 1 percent of the total loan portfolio. The ratio of Non-Performing Loans (NPLs) net of provisions to capital decreased by 1.3 percentage points over the period, highlighting the banking sector's enhanced capacity to withstand potential NPL losses.

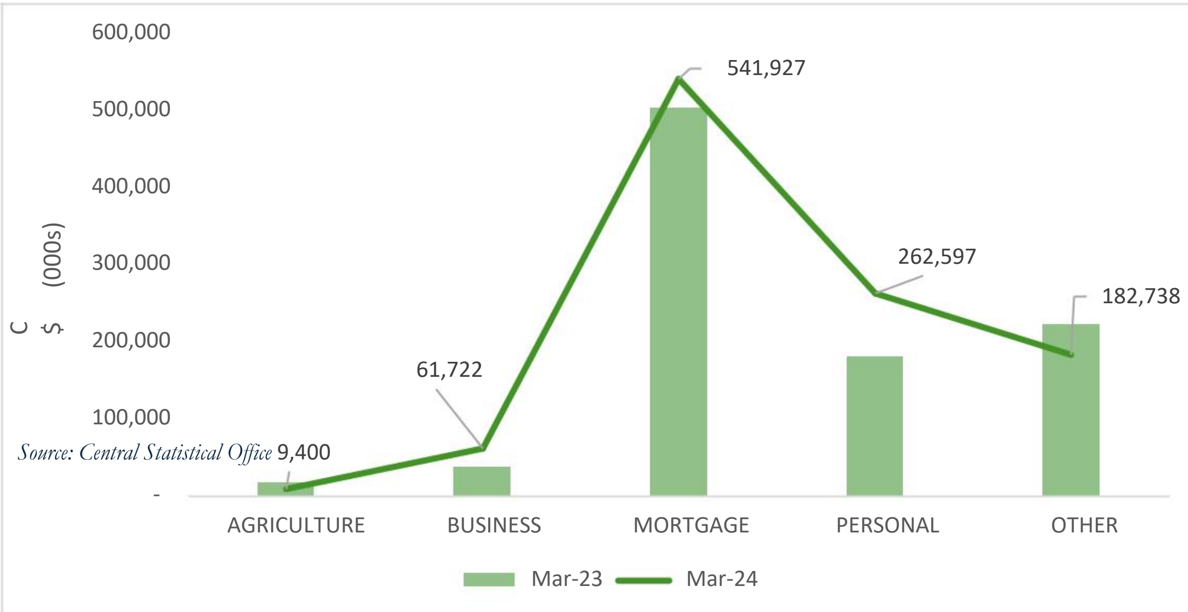
Despite this positive movement, it would be prudent to ensure stronger loan portfolio diversification to better manage overall risk exposure and strengthen resilience against economic uncertainties. Specifically, the high concentration of Real Estate and Construction loans along with the strong interdependence between these sectors, underscores the need for financial institutions to proactively mitigate the risk of increased NPLS stemming from mortgage defaults caused by sudden natural disasters. Given the catastrophic impact on local businesses and the housing stock in Carriacou, Petite Martinique and St. Patrick's, we can expect to see increased demand for credit to support business recovery and home reconstruction from the latter part of 2024 onwards.

4.6.3 Non- Bank Sector Developments

Grenada's non-bank financial sector maintains strong financial health, marked by prudent risk management and steady asset growth within the first quarter of 2024. The sector comprises ten (10) credit unions, twenty-five (25) long-term insurance companies, and seven (7) money services businesses, regulated and supervised by the Grenada Authority for the Regulation of Financial Institutions (GARFIN).

Credit Unions are demonstrating enhanced ability to manage their financial obligations. Within the first quarter of 2024, they managed to attract 584 new members. Total Credit Union membership currently stands at 87,425, while total assets amount to EC$ 1 billion. Total Deposits increased by 6.5 percent to EC$1.2 billion, when compared to the EC$1.1 billion recorded in March 2023. The bulk of these deposits are concentrated in savings accounts held by members, bolstering Credit Unions' ability to expand lending activities. As such, Total Loans increased by an impressive 10.2 percent within one year from EC$960 million to EC$1.1 billion.

Figure 14: Credit Union Loans by Type



Source: Central Statistical Office

Like the banking sector, the bulk of credit extended by credit unions are weighted towards mortgages at 51.4 percent of total loans. There was an additional EC$37.9 million in mortgages within the first quarter of 2024. However, the largest overall increase was towards personal lending of EC$82.7 million. In contrast, total credit to the agriculture sector declined by 44.2 percent between March 2023 and March 2024 and constitutes only 0.9 percent of the total loan stock. Nonetheless, the significant damage to the agricultural stock in the northern part of the island by Hurricane Beryl should stimulate greater demand for credit by this sector in the medium term.

Finally, despite the overall increase in lending, the deposit base has grown at a much faster rate than the loan stock. Consequently, the loan to deposit ratio contracted by 0.7 percentage points year-on-year and currently stands at 90 percent. This suggests a positive trend towards improved liquidity of Credit Unions.

4.6.4 Financial Regulatory Developments

The Ministry of Finance is leading a collaborative effort with the United States Agency for International Development (USAID) and the International Development Group (IDG) to implement a Secured Transactions Framework. This framework will establish the regulatory guidelines enabling financial institutions to accept moveable assets such as machinery and equipment, vehicles and inventory as collateral for credit. This initiative is expected to significantly enhance economic activity by expanding access to finance for micro, small, and medium-sized enterprises. Moreover, it aims to improve transparency between financial institutions and their clients regarding the priority of claims against assets, empowering informed financial decision-making. Presently, a technical working group is actively engaging key stakeholders to gather input and guide the reform process.

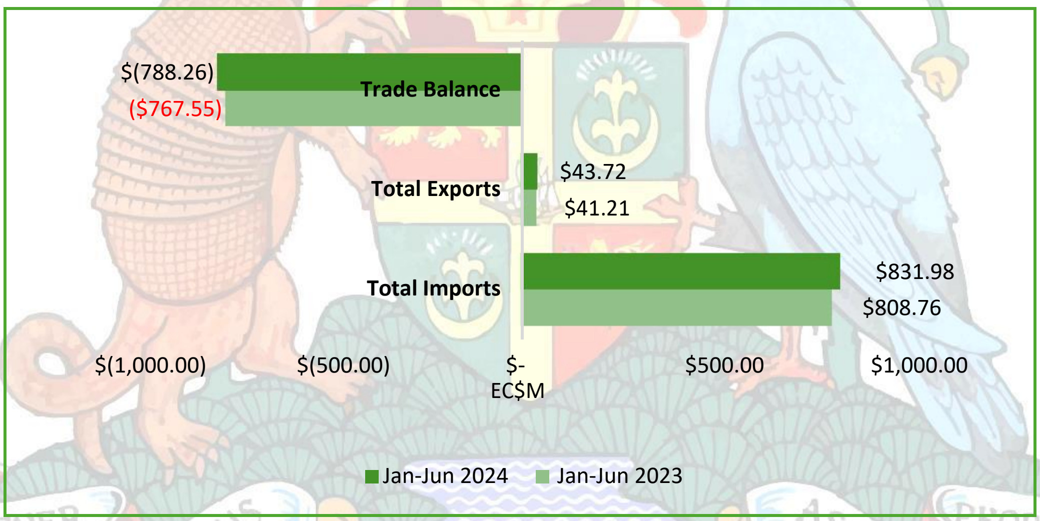
On May 10th, 2024, Parliament adopted the Virtual Asset Business Regulations, S.R&O. 9 of 2024 which establish comprehensive guidelines and requirements for entities engaging in virtual asset businesses. The regulations seek to ensure transparency, integrity, and security within the virtual asset sector by setting standards for registration, operation, and oversight.

Additionally, the Lower and Upper Houses of Parliament have unanimously approved the Friendly Societies (Amendment) Bill and the Co-operative Societies (Amendment) Bill with the objective of enhancing supervision over Friendly Societies. Effective June 2024, the revised legislation will empower the public with the right to access registers of members, copies of notices of directors, and registers of directors of any co-operative society during normal business hours. There are five (5) friendly societies registered under GARFIN.

4.7 External Sector Developments

In the absence of trade statistics data from the Central Statistics Office of Grenada, an analysis of data from the Customs Department was conducted to evaluate the performance of the external sector. This analysis revealed a 2.7 percent widening of the trade deficit in the first half of 2024, with the deficit increasing from -$767.6 million over the period January- June 2023 to -$788.3 million over the same period in 2024. Grenada's heavy reliance on imports, coupled with limited resources for engaging in global export trade, continues to characterize the economy. Total imports at the end of June 2024 increased by 2.9 percent compared to the same period in 2023. On a positive note, total exports rose by 6.1 percent, indicating some improvement in export performance due to a rise in the production of locally produced goods and their growing demand in regional and international markets.

Figure 15: Balance of Trade (EC$ M)



An examination of the primary categories of imports reveals that petroleum products topped the list, amounting to $153.9 million during the period. Additionally, there was a notable increase in the importation of motor vehicles, which represented $31.6 million of total imports for January-June 2024. Food and meat also comprised a significant portion of the total import value. Collectively, these categories highlight the continuing reliance on imported goods and underscore the need for strategies to balance trade and enhance domestic production.

Table 8: Top 10 Imports based on Statistical Value (Jan- Jun 2024)

TOP 10 Imports	CATEGORY*	STATISTICAL VALUE (EC$M)
1	Petroleum oils and oils obtained from bituminous minerals, other than crude	$ 153.9
2	Motor cars and other motor vehicles principally designed for the transport of persons	$ 31.6
3	Meat and edible offal, fresh, chilled or frozen	$ 23.9
4	Food preparations not elsewhere specified or included	$ 14.3
5	Motor vehicles for the transport of goods	$ 13.3
6	Medicaments	$ 12.1
7	Telephone sets	$ 11.6
8	Cement	$ 11.6
9	Bread, pastry, cakes, biscuits and other bakers' wares	$ 11.4
10	Waters, including mineral waters and aerated waters	$ 10.6
	* Most Categories were simplified for clarity and should not be confused with SITC sections	Source: Customs & MOF

Exports saw an uptick in the export of wheat or meslin flour during the review period of January-June 2024, driven by demand in neighbouring countries. Other items such as animal feed, nutmeg and mace, bottled water, and cocoa beans also experienced increases during this period.

Table 9: Top 10 Exports based on Statistical Values (Jan-Jun 2024)

TOP 10 Exports	CATEGORY*	STATISTICAL VALUE (EC$M)
1	Wheat or meslin flour	$ 9.6
2	Preparations of a kind used in animal feeding	$ 6.1
3	Nutmeg, mace and cardamoms	$ 5.2
4	Waters, including mineral waters and aerated waters	$ 4.8
5	Cocoa beans, whole or broken, raw or roasted	$ 3.1
6	Paints and varnishes	$ 3.1
7	Fish, fresh or chilled	$ 2.7
8	Toilet paper and similar paper	$ 2.0
9	Fish fillets and other fish meat (whether or not minced), fresh, chilled or frozen	$ 1.5
10	Paints and varnishes	$ 1.4
	* Most Categories were simplified for clarity and should not be confused with SITC sections	Source: Customs & MOF

Grenada currently faces limitations in expanding its export trade and meeting potential market demands due to its existing capacity constraints. However, significant improvements could be achieved by focusing on enhancing the agricultural and manufacturing sectors. Despite challenges such as potential supply shortages, increased investment and a stronger emphasis on developing these sectors could help Grenada reduce its reliance on food imports, particularly perishable goods like fresh fruits and vegetables. This approach is likely to yield substantial long-term benefits, improving Grenada's external trade balance and bolstering overall economic performance. Such advancements would positively impact both the real and financial sectors of the economy.

5 Economic Outlook

Notwithstanding the effects of climate-related shocks, Grenada's economic outlook will largely depend on global economic developments and domestic expansionary fiscal policies. Grenada's macro-fiscal context is heavily influenced by global economic trends. According to the International Monetary Fund's (IMF) World Economic Outlook's (WEO) update released in July 2024, the global economy is stabilizing. While economic growth in advanced economies remains low by historical standards, inflation is retreating to target levels. The IMF's baseline forecasts suggest that global economic growth will remain steady at 3.2 percent in 2024, with a modest acceleration to 3.3 percent in 2025. Fears of a global recession, a banking system collapse, and a sudden halt in the growth of major emerging markets have subsided. Despite severe inflation hikes over the past three years, an uncontrollable wage spiral was avoided. Global growth bottomed out in 2022 following headline inflation's peak at 9.4 percent. Advanced economies are expected to see slight growth, reflecting the euro area's recovery from low growth in 2023 and stable growth for emerging markets over the medium term.

Several factors underlie the projected global growth rate, including rapid deceleration in global inflation, prospects of monetary policy easing, robust employment growth mitigating economic scarring from the pandemic, tightening fiscal policies aimed at reducing public debt and building fiscal buffers, and the rising threat of geo-economic fragmentation. Global headline inflation is projected to decrease from an annual average of 6.8 percent in 2023 to 5.9 percent in 2024, and then to 4.5 percent in 2025.

Regarding the economies of Grenada's major source markets for goods and services, growth projections are modest. In the USA, the largest source market for Grenada's tourists, growth is forecasted to increase from 2.5 percent in 2023 to 2.7 percent in 2024, then decelerate to 1.8 percent in 2025. In the United Kingdom (UK), another major source market for tourists, growth is projected to rise from 0.1 percent in 2023 to 0.5 percent in 2024, and 1.5 percent in 2025. In Canada, economic growth is forecasted at 1.2 percent in 2024 and 2.3 percent in 2025, accelerating from 1.1 percent in 2023. In China, a major source market for manufactured goods, growth is expected to decelerate from 5.2 percent in 2023 to 4.6 percent in 2024 and 4.1 percent in 2025.

Grenada's Real GDP is forecasted to grow by 3.9 percent in 2024 and 4.2 percent in 2025. These forecasts are based on conservative assumptions about activity in key sectors such as tourism, construction, private education, and agriculture, cognizant of the deleterious effects of Hurricane Beryl on the northern parts of mainland Grenada and the sister isles of Carriacou and Petite Martinique.

Despite tepid growth in Grenada's major tourist source markets and the adverse effects of Hurricane Beryl, the tourism sector is poised for strong growth in 2024. Hurricane Beryl caused significant infrastructural damage, disrupting local businesses within the sector. Combined with modest global economic growth, these factors present challenges that could constrain the tourism sector's expansion in the medium term.

The construction sector outlook remains broadly positive, as significant public and private projects are underway to restore infrastructure damaged by Hurricane Beryl. These projects are crucial for rebuilding and enhancing resilience against future storms. However, the sector faces challenges that could impede progress, including high import costs for construction materials and ongoing supply chain disruptions. These issues may delay project timelines and increase overall costs, affecting the sector's ability to rapidly and effectively complete the necessary rebuilding efforts.

Activity in the private education sector is expected to be subdued in 2024 as SGU adjusts to shifts in student source markets. However, the University aims to boost enrolment by offering more scholarships and increasing its course offerings in Arts & Science in the 2024/2025 academic year.

The agriculture sector sustained a significant blow in the wake of Hurricane Beryl. Key crops such as Nutmeg, Cocoa, Banana and Other produce predominantly grown in the Parish of St. Andrew and St. Patrick were severely impacted with over 80 percent of trees lost or damaged. Similarly, in Carriacou and Petite Martinique, the Fishing Hub of Grenada, several fishing vessels sustained damages significantly affecting the local fishing industry, affecting fish supply in both the domestic and export market. Despite extensive efforts in the past year to enhance food security and revive agricultural production, the sector has experienced a substantial setback. To stabilize agricultural production in the near to medium- term, the government plans to implement aggressive reactivation strategies aimed at supporting the sector and restoring its stability.

Overall, Grenada's economic outlook is cautiously optimistic despite anticipated disruptions in major sectors due to Hurricane Beryl. A temporary moderation in employment prospects is expected, while ancillary sectors such as manufacturing, real estate, and wholesale and retail are projected to remain resilient over the medium term.

Grenada's economic prospects for the 2025 Budget year are broadly positive, though extreme weather events like Hurricane Beryl present significant risks, redirecting capital resources away from economic development and resilience building. Although global downside risks, such as high inflation (which is gradually decreasing), are anticipated to ease, the slow economic growth in some of Grenada's primary tourism and investment source markets could dampen the expected growth. Accordingly, the 2025 Budget will be prepared amidst acute economic uncertainties, necessitating realistic policy objectives, proper sequencing of priorities, and built-in flexibility to minimize implementation risks stemming from an uncertain global macroeconomic environment and ever-changing climatic conditions.

5.1 Risks to the Economic Outlook

Following a series of compounding shocks in 2020 and 2021, Grenada's economy demonstrated significant resilience, achieving a complete recovery to pre-COVID levels by 2023. The economic outlook for 2024 appears favourable, with the global economy projected to stabilize. However, several medium-term risks—primarily influenced by global economic conditions and geopolitical developments—pose potential challenges to sustained growth. Despite the stabilization forecast, the risks to Grenada's outlook are firmly tilted to the downside.

Geopolitical tensions, such as the ongoing war in Ukraine and the Israel-Palestine conflict, have far-reaching implications for global stability. These conflicts, while geographically distant, contribute to increased global economic volatility and supply chain disruptions that can indirectly affect Grenada. Additionally, geo-economic fragmentation—characterized by the emergence of economic blocs—and the potential re-escalation of global conflicts, including disruptions in regions like the Red Sea, could drive up costs for essential goods such as food, energy, and transportation. This could disrupt global trade and recovery efforts, further impacting Grenada's economic prospects.

Tepid growth prospects in Grenada's main source markets for tourism and investment could lead to reductions in tourist arrivals, remittances, foreign direct investment, and external grants. The slow recovery in these key markets, coupled with persistent global core inflation, may prolong tight financial conditions. Major central banks might delay monetary easing in response to sustained inflationary pressures, potentially affecting investment flows and economic activity in Grenada. This could create a challenging environment for Grenada's economy, impacting both growth and fiscal stability.

Moreover, potential fiscal adjustments in advanced and emerging economies present additional risks. Governments worldwide may implement increased taxes and spending cuts to address high debt-to-GDP ratios and build fiscal buffers. However, such adjustments could dampen global economic growth and reduce investment and financial support flowing into Grenada.

The risk of further global economic deterioration is heightened if policymakers delay necessary fiscal adjustments.

Persistent high global inflation could exacerbate domestic inflationary pressures, affecting both the revenue and expenditure sides of Grenada's budget. Elevated construction costs may lead to cost overruns in infrastructure projects, necessitating active contract management to mitigate these risks and support sustained economic activity.

Additionally, tighter international regulatory frameworks, such as the AMIGOS Act, pose risks to the sustainability of Grenada’s Citizenship by Investment Programme by imposing additional immigration restrictions on economic citizens. Significant reductions in CBI revenues could weaken Grenada’s fiscal position and complicate budget implementation. Nevertheless, efforts are being made to enhance the Programme's attractiveness and address revenue shortfalls.

Grenada’s vulnerability to natural disasters and the adverse effects of climate change further compounds macro-fiscal risks. The impact of Hurricane Beryl has underscored the fragility of Grenada’s infrastructure and agricultural sectors. Systematic implementation of the Disaster Resilience Strategy will be crucial for mitigating these risks.

Astute macroeconomic management would be required to mitigate risks. However, should any macroeconomic risk materialise, coherent and well-designed counter-cyclical policies would be necessary for navigating these complex challenges.

Table 10: Medium Term Assumptions

Categories	2025	2026	2027
Recurrent Revenue	All categories of tax revenue are assumed to grow in line with projected nominal GDP except for tax revenue from international transactions (IT). Changes in Tax revenues from IT are aligned with the average growth of imports. Inland Revenue Division's new tax system GTAX which be able to accommodate all the tax types increasing efficiency in tax collection. There will be a reduction in Property Tax collection in the medium term because of Hurricane Beryl relief efforts where Carriacou and Petite Martinique will receive P/Tax exemption and St. Patrick on a case-by-case basis. Non-tax revenue, except for IMA revenue, moves in line with nominal GDP. IMA revenue are tempered estimates from the IMA Unit based on counter-balancing assumptions about the possible impact of the AMIGOS Act and other risks to the Programme as well as various strategies to be deployed to enhance the attractiveness of the Programme over the medium term.		
Recurrent Expenditure			
Personal Emoluments, Wages, Salaries and Allowances	These categories reflect the negotiated 5.0% salary increase as well as fringe benefits and inflation. Additionally, the ongoing staff regularization process was taken into consideration.	Categories reflect the salary increase and fringe benefits in 2026 and inflation in 2027.	
Social contributions to employees			
Goods & Services	Items under these categories are adjusted for inflation except for transfers abroad. Goods & Services reflect several initiatives such as Hurricane Beryl relief efforts, free tuition up to tertiary level and revamped and new public assistance programmes, as well as the high cost of goods and services in general. The negotiated salary increase of 5% in 2025 will be applied to pensions also. Increase for 2026 and 2027 are yet to be negotiated.		
Current transfers			
Interest payment	External and domestic interest payments reflect the conditions stated in the contractual agreement.		
Capital Expenditure & Net Lending			
Grant financed	Capital expenditure over the medium term is driven by the Government's new and existing public sector investment plans that aligns with the Government's transformational agenda. Consistent with the proposed amendments to the FRA, and suspension of the fiscal rules for 2025 expenditure is projected to average 11 percent of GDP over the medium term.		
Non-Grant financed			

6 Opinion of the Cabinet and Recommended Actions

Pursuant to Section 25 (2) and (3) of the Public Finance Management Act #17 of 2015, the Minister has obtained the following opinion of the Cabinet on the 2024 Mid-Year Review Report.

Cabinet via round robin decision considered and approved the 2024 Mid- Year Review Report as submitted by the Minister of Finance.

The Cabinet broadly concurred with the analysis contained in the Report. They noted positively the strong performance of the macroeconomy during the first half of 2024, which underscores the correctness of Government's policies and strong economic management.

The Cabinet welcomes the favourable outlook for the rest of the year, despite the passage of Hurricane Beryl – an unprecedented Category 4 storm which caused significant damage to the northern part of Grenada in particular Carriacou and Petite Martinique.

The Cabinet reiterated the need to address the data challenges affecting the quality of the Report and urged the Minister to continue to take steps to improve the robustness of the Report.

The Minister of Finance notes Cabinet's opinion and commits to improve the comprehensiveness and data quality of the Mid-Year Review Report going forward.

Appendix 1. Real Sector Summary

	Actual	Actual	Actual	Est.	Est.		Forward Estimates		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Agriculture, Livestock and Forestry	-3.6	-15.0	15.0	-22.5	-23.5	-2.7	-2.4	1.8	1.4
Fishing	2.0	-13.0	17.6	0.0	-6.0	-2.9	-2.3	1.3	3.0
Mining & Quarrying	5.0	-8.0	18.8	11.0	-27.0	5.0	4.3	4.1	4.5
Manufacturing	3.2	-10.2	11.1	8.3	11.6	3.6	6.7	4.5	5.1
Electricity & Water	3.2	-6.4	-0.8	6.7	7.7	-1.6	1.9	3.4	4.2
Construction	-3.6	-20.5	25.7	25.5	-10.9	3.2	15.6	7.8	8.3
	1.8	-15.4	6.5	0.1	6.2	4.1	3.7	3.1	2.4
Hotels & Restaurants	4.1	-68.2	37.6	60.9	15.8	23.1	20.1	16.2	14.0
Transport and Storage	4.2	-33.1	-13.5	26.7	13.1	11.5	10.3	8.1	4.6
Communications	-7.9	-6.3	0.7	0.2	1.0	0.5	0.2	1.5	1.7
Financial Intermediation	2.9	4.3	4.1	4.5	4.6	4.2	4.4	4.6	4.6
Real Estate, Renting and Business	1.5	-7.0	0.8	3.4	2.5	2.7	3.1	3.7	4.8
Public Administration	-0.8	-2.0	0.1	3.5	1.4	3.5	2.3	3.2	3.8
Education	4.2	-0.3	1.7	-4.1	3.8	1.5	1.5	1.7	1.7
Health and Social Work	-3.8	-1.7	2.4	2.7	1.1	1.0	1.1	1.7	1.5
Other Community, Social & Person	1.6	-11.4	1.2	1.0	1.9	0.8	0.7	1.1	1.1
Activities of Private Households as	0.6	-4.3	0.0	1.1	1.8	0.8	0.9	0.9	1.1
Real Gross Value added (not GDP)	1.2	-13.7	5.2	6.2	2.2	4.1	5.7	5.0	4.9
Real Gross Domestic Product	**0.7**	**-13.8**	**4.7**	**7.3**	**4.7**	**3.9**	**4.2**	**4.5**	**4.7**
Other key indicators									
Nominal GDP (% Change)	4.0	-14.0	7.6	9.1	8.4	6.0	6.4	6.8	5.2
Nominal GDP (EC$ Millions)	3276.4	2817.2	3031.6	3306.4	3585.3	3799.6	4042.4	4319.1	4545.7
GDP Deflator	3.3	-0.3	2.8	1.6	3.5	2.0	2.1	2.3	0.5
Consumer Price Index	0.6	-0.7	1.2	2.6	2.7	1.3	1.1	1.0	1.1

Published by the Macroeconomic Policy Unit

Ministry of Finance, Grenada

Date: August 20th, 2024