

## ECONOMIC UPDATE AND BUDGET PERFORMANCE

July 2021

### NOTES TO THE PRESENTATION

The attached PowerPoint presentation summarizes recent economic developments and outlook for 2021 and the budget performance to date. The presentation also highlights some proposed near-term priorities which should assist in improving economic performance and budget performance.

The key messages in the presentation can be summarized as follows:

#### *Real GDP*

- While the economy is still projected to recover in 2021 from the massive contraction in 2020, the recovery is now projected to be slower than initially estimated.
- At this juncture, real GDP is projected to grow at 4.5% compared to the 6% which was initially projected at the time of the 2021 Budget presentation last December (see attached annex)
- Preliminary estimates for the first quarter of 2021 point to a contraction of around 12.3% relative to the corresponding period last year, during which time the economy experienced high levels of economic activities for approximately two and a half months.
- A few sectors have experienced growth in the first quarter of this year.
  - (i) The agriculture sector grew by 4.7% driven by increased output in cocoa (62.8%), bananas (36.9%), sugarcane (71.9%) and fishing (1.5%)
  - (ii) The financial intermediation sector grew by 9.8% associated with increased financial services of commercial banks and credit unions.
  - (iii) The private education and private health subsectors grew by 0.2% and 0.1%, respectively.
  - (iv) Public administration, public health, public education and public social services increased by 2.1%.
- The above sectors contributed positive 0.98 percentage points towards the overall GDP performance in the first quarter.
- All other sectors of the economy declined, for example, Hotel and Restaurant (96.4%), Wholesale and Retail Trade (9.8%), Construction (7.4%), Mining and Quarrying (5.7%), electricity and Water (7.9%), Transport and Communication (22.5%), Real Estate (2.4%), and Business Services (12.9%). These sectors contributed negative 13.32 percentage points towards the overall performance.

#### *Inflation (consumer price index)*

- The annual percentage increase in the cost of living as measured by the change in the consumer price index, is now projected to reach 2.1% as against the 1.6% projected at the time of the 2021 Budget presentation. This increase is being driven by growing pressures from food and fuel prices.

### *Unemployment*

- The almost doubling of the unemployment rate from its historic low of 15.1% at the end of 2019 to 28.4% at the end of the second quarter of 2020 has proven to be transient. As at the end of first quarter of 2021, the unemployment rate has dropped to 19.5%.

### *Fiscal*

- The severe disruption in economic activity has significantly undercut Government's revenues, with a short fall of close to \$100 million last year.
- In 2021, the fiscal situation remains fragile.
- While revenue collections for the first six months of this year have been broadly on track with targets and are slightly ahead of collections for the corresponding period of last year, grants receipts, including from the NTF, on which the 2021 Budget is largely hinged, is underperforming.
- Total revenue and grants for the first half of 2021 are behind target by \$31.1 million.
- Recurrent expenditure by end June was above target by \$6.8 million.
- Capital expenditure/PSIP performance has so far been disappointing (\$71.1 million lower than programmed).

### *Proposed Near-term Priorities/Recommendations*

- Remove bottlenecks to accelerate PSIP implementation.
- Sustain targeted policy support to mitigate the continued social and economic impact of the pandemic (stimulus programmes, support to MSMEs)
- Continue efforts to create space for capital investments (increase revenues, reduce discretionary spending, mobilize grants and concessional loans)
- Facilitate, and if possible, expedite major private sector projects.

<b>TABLE 1: REAL GDP (GDP at constant prices, 2006)</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Agriculture, Livestock and Forestry	126.8	102.0	105.1	101.4	86.2	95.5
	-13.9	-19.5	3.0	-3.6	-15.0	10.8
Crops	112.3	88.3	90.7	85.8	71.0	79.5
	-15.9	-21.4	2.7	-5.4	-17.2	12.0
Bananas	3.2	3.4	2.6	1.9	1.0	1.1
	11.4	5.0	-24.2	-24.9	-47.7	9.8
Nutmegs	3.9	4.5	4.1	4.1	4.9	5.1
	-16.6	17.1	-8.4	-2.2	20.7	5.0
Other Crops	105.2	80.4	83.9	79.8	65.1	73.3
	-16.4	-23.6	4.4	-5.0	-18.4	12.6
Livestock	11.0	10.2	10.8	11.9	11.4	12.1
	5.8	-7.6	6.0	9.8	-4.0	6.1
Forestry	3.5	3.6	3.6	3.7	3.8	3.9
	2.0	1.7	2.5	2.5	2.1	2.2
Fishing	31.3	31.8	32.6	33.2	28.9	30.4
	6.3	1.4	2.5	2.0	-13.0	5.3
Mining & Quarrying	4.0	4.3	4.4	4.6	4.3	4.7
	-25.6	5.4	3.3	5.0	-8.0	9.4
Manufacturing	65.1	66.9	73.2	75.6	67.8	74.1
	4.5	2.7	9.4	3.2	-10.2	9.3
Electricity & Water	81.9	82.7	87.3	90.0	84.2	87.8
	5.4	1.1	5.5	3.2	-6.4	4.2
Electricity	59.2	60.0	62.7	65.4	60.2	63.2
	6.6	1.4	4.6	4.3	-8.0	5.0
Water	22.7	22.8	24.5	24.6	24.0	24.6
	2.5	0.3	7.6	0.4	-2.3	2.4
Construction	141.7	182.8	205.8	198.3	157.6	183.0
	13.1	29.1	12.6	-3.6	-20.5	16.1
Wholesale & Retail Trade	143.8	157.2	169.4	172.4	145.9	160.0
	-3.3	9.3	7.8	1.8	-15.4	9.7
Hotels & Restaurants	115.3	121.0	133.0	138.4	44.0	46.5
	10.7	5.0	9.9	4.1	-68.2	5.6
Hotels	76.6	77.7	84.8	85.7	25.7	26.2
	10.8	1.4	9.2	1.1	-70.1	2.1
Restaurants	38.7	43.4	48.2	52.7	18.3	20.3
	10.5	12.1	11.1	9.4	-65.2	10.6
	245.9	258.4	279.5	281.0	209.0	199.1
Transport, Storage and Communications	3.9	5.1	8.2	0.5	-25.6	-4.7
Transport and Storage	162.5	180.2	194.8	203.0	135.9	125.8
	10.5	10.9	8.1	4.2	-33.1	-7.4
Road Transport	97.5	110.7	120.1	123.5	92.1	77.9
	11.7	13.5	8.5	2.8	-25.4	-15.5
Sea Transport	18.8	20.0	21.5	23.2	15.8	11.4
	11.5	6.3	7.6	7.8	-31.8	-27.9
Air Transport	0.8	0.9	0.9	1.0	0.3	0.4
	3.7	2.4	9.4	3.2	-71.9	44.9
	45.4	48.7	52.3	55.4	27.7	36.2
Supporting and Auxiliary Transport Activities	7.8	7.2	7.3	6.0	-50.0	30.7
Communications	83.4	78.2	84.8	78.0	73.1	73.2
	-7.0	-6.2	8.4	-7.9	-6.3	0.2
Financial Intermediation	139.7	143.1	153.1	157.5	157.0	157.8
	4.7	2.4	7.0	2.9	-0.3	0.5
Banks	106.8	109.3	117.0	119.1	113.6	111.9
	5.8	2.4	7.0	1.8	-4.6	-1.5
Insurance	31.7	32.5	34.8	37.2	42.2	44.7
	1.2	2.6	7.2	6.7	13.6	5.8
Activities Auxiliary to Financial Intermediation	1.2	1.2	1.3	1.2	1.2	1.2
	0.8	1.6	3.2	-6.3	1.7	-2.3
	256.9	263.3	267.9	271.9	252.8	258.3
Real Estate, Renting and Business Activities	1.9	2.5	1.8	1.5	-7.0	2.2
Owner Occupied Dwellings	169.7	171.3	173.1	174.7	167.1	170.0
	0.9	1.0	1.0	1.0	-4.4	1.7
Real Estate Activities	21.6	21.8	22.1	22.3	20.4	20.8
	0.9	1.0	1.0	1.0	-8.2	2.1
	2.9	3.2	3.5	3.5	2.1	2.2
Renting of Machinery and Equipment	-3.6	8.2	9.7	1.1	-41.9	9.6
Computer and Related Activities	3.1	3.1	3.1	3.3	3.0	3.0
	3.7	1.3	0.0	5.4	-7.6	-2.6
Business Services	59.6	63.8	66.2	68.0	60.1	62.2
	5.4	7.0	3.7	2.8	-11.6	3.4
	140.4	139.0	133.6	132.6	130.0	135.4
Public Administration, Defence & Compulsory Social Security	-0.8	-1.0	-3.8	-0.8	-2.0	4.1
Education	354.8	371.2	353.2	367.9	367.0	376.4
	3.1	4.6	-4.8	4.2	-0.3	2.6
Public	71.5	71.8	73.3	71.6	70.1	70.5
	-5.1	0.5	2.0	-2.3	-2.1	0.6
Private	283.3	299.3	279.9	296.4	296.9	305.9
	5.4	5.7	-6.5	5.9	0.2	3.0
Health and Social Work	38.6	39.0	41.3	39.7	39.0	39.1
	-0.3	0.9	5.9	-3.8	-1.7	0.2
Public	35.4	35.8	37.8	36.1	35.2	35.1
	-0.8	1.1	5.8	-4.7	-2.5	-0.3
Private	3.3	3.2	3.4	3.6	3.9	4.0
	6.6	-1.2	7.2	5.5	6.1	4.4
	37.1	37.7	38.4	39.0	34.6	34.5
Other Community, Social & Personal Services	5.5	1.5	1.9	1.6	-11.4	-0.2
	16.0	16.1	16.3	16.4	15.7	15.7
Activities of Private Households as Employers	0.8	0.4	1.5	0.6	-4.3	-0.2
Less: FISIM	26.0	26.3	31.3	31.1	21.4	21.1
	4.0	1.1	19.0	-0.6	-31.3	-1.5
<b>GVA in Basic Prices</b>	<b>1913.3</b>	<b>1990.0</b>	<b>2062.7</b>	<b>2088.8</b>	<b>1802.6</b>	<b>1877.0</b>
	2.2	4.0	3.7	1.3	-13.7	4.1
Plus: Product Taxes less Subsidies	355.7	379.6	408.7	401.0	345.9	367.8
	13.2	6.7	7.7	-1.9	-13.7	6.4
<b>GDP in Market Prices</b>	<b>2268.9</b>	<b>2369.6</b>	<b>2471.5</b>	<b>2489.7</b>	<b>2148.4</b>	<b>2244.9</b>
	3.7	4.4	4.3	0.7	-13.7	4.5

