#### 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.

Apriculture, Livestock and Forestry   128.8   100.0   100.1   101.4   88.2   88.5   100.00   100.1   101.4   88.2   88.5   100.00   100.1   101.4   100.5   100.1   101.4   100.5   10	TABLE 1: REAL GDP (GDP at constant prices, 2006)	2016	2017	2018	2019	2020	2021
Criges	Agriculture, Livestock and Forestry						
Bannans	Crops			90.7			
Namega	Bananas						
1-16.5   17.1   3-16   2.02   3.02   3.02   3.05		11.4	5.0	-24.2	-24.9	-47.7	9.8
Camer   100	Nutmegs						
Libestick	Other Crops	105.2	80.4	83.9	79.8	65.1	73.3
Foreinry	Livestock						
Feining 1.20 1.77 2.0 2.5 2.11 2.0 2.0 2.5 2.11 2.0 2.0 2.5 2.11 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0 2.0	Forestry						
Manufag & Guarrying							
Manufacturing	Fishing						
Menufacturing	Mining & Quarrying	4.0	4.3	4.4	4.6	4.3	4.7
Electricity & Water	Manufacturing						
File Conficity	Electricity & Wester						
Water	Electricity & vvater						
Water	Electricity						
Construction	Water	22.7	22.8	24.5	24.6	24.0	24.6
Wholesale & Retail Trade   13.1   29.1   12.6   3.6   2.05   16.1   16.0	Construction						
Hotels & Restaurants		13.1	29.1	12.6	-3.6	-20.5	16.1
Hotels & Restaurants	wholesale & Retail Trade						
Flotels	Hotels & Restaurants	115.3	121.0	133.0	138.4	44.0	46.5
Restaurants	Hotels	76.6	77.7	84.8		25.7	26.2
10.5   12.1   11.1   19.4   65.2   10.6   17.1   11.1   19.4   65.2   10.6   17.1   17.1   19.4   65.2   10.6   17.1   17.1   19.4   65.2   10.6   17.1   17.1   19.4   65.2   10.6   17.1   17.1   19.4   19.5	Restaurants						
Transport, Storage and Communications   3.9   5.1   8.2   0.5   2.56   4.7     Transport and Storage   16.5   18.0   19.0   8.1   4.2   -33.1   7.4     Road Transport   10.5   10.9   8.1   12.5   12.5   12.5     Road Transport   10.5   10.9   8.1   12.5   12.5   12.5     Sea Transport   18.8   10.0   10.1   12.5   12.5   12.5     Sea Transport   19.8   10.0   10.1   10.0   10.1   10.0   10.0   10.0   10.0     Sea Transport   19.8   10.0   10.0   10.0   10.0   10.0   10.0   10.0   10.0     Alt Transport   19.8   10.0   10.0   10.0   10.0   10.0   10.0   10.0   10.0     Supporting and Audiliary Transport Activities   7.8   7.2   7.3   8.0   50.0   30.7     Communications   7.0   6.2   8.4   7.9   6.3   10.0     Financial Intermediation   13.7   143.1   15.1   15.7   15.7   15.7     Financial Intermediation   13.7   143.1   15.1   15.7   15.7   15.7     Insurance   10.6   10.0   10.0   10.0   10.0   10.0     Sanks   10.8   10.9   10.1   10.1   11.0   11.0   11.0   11.0   11.0     Insurance   19.8   12.0   10.0	T COSCATA TO	10.5	12.1	11.1	9.4	-65.2	10.6
Transport and Storage	Transport, Storage and Communications						
Road Transport		162.5	180.2	194.8	203.0	135.9	125.8
11.7   11.5   8.6   2.8   2.5   11.4   11.5   8.6   2.8   2.5   11.4   11.5   8.6   2.0   2.15   23.2   15.8   11.4   11.5   1	Road Transport						
Air Transport		11.7	13.5	8.5	2.8	-25.4	
Supporting and Auxiliary Transport Activities	Sea Transport						
Supporting and Ausliary Transport Activities	Air Transport						
Second Properties   Seco		45.4	48.7	52.3		27.7	36.2
Financial Intermediation							
Banks   106.8   109.3   117.0   119.1   113.6   111.9   Insurance   31.7   32.5   34.8   37.2   42.2   44.7   Insurance   31.7   32.5   34.8   37.2   42.2   44.7   Insurance   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   1.3   Insurance   26.9   263.3   267.9   271.9   252.8   258.3   Beal Estate, Renting and Business Activities   1.9   2.5   1.8   1.5   7.0   2.2   Insurance   26.9   263.3   267.9   271.9   252.8   258.3   Insurance   26.9   263.3   267.9   271.9   252.8   258.3   Insurance   2.9   3.1   174.1   174.7   167.1   170.0   Insurance   2.9   3.2   3.5   3.5   3.5   2.1   2.2   Insurance   2.9   3.2   3.5   3.5   3.5   2.1   2.2   Insurance   2.9   3.2   3.5   3.5   3.5   2.1   2.2   Insurance   2.9   3.1   3.1   3.1   3.3   3.0   3.0   Insurance   3.1   3.1   3.1   3.3   3.0   Insurance   3.1   3.1   3.3   3.0   3.0   Insurance   3.1   3.1   3.1   3.3   Insurance   3.1   3.1   3.1   3.3   Insurance   3.1   3.1   3.1   3.1   Insurance   3.1   3.1   3.1   Insurance   3.1   3.1   3.1   3.1   Insurance   3.		-7.0	-6.2	8.4	-7.9	-6.3	0.2
Banks	Financial Intermediation						
Insurance   31,7   32,5   34,8   37,2   42,2   44,7   44,1   1,2   1,2   1,3   1,3	Banks						111.9
Activities Auxiliary to Financial Intermediation	Insurance						
1.6   3.2   6.3   1.7   2.5	Activities Auxiliary to Financial Intermediation						
Real Estate, Renting and Business Activities   1.9   2.5   1.8   1.5   7.0   2.2	, reasonable to the real members and the	0.8	1.6	3.2	-6.3	1.7	-2.3
Description   169,7   171,3   173,1   174,7   167,1   170,0   1,	Real Estate, Renting and Business Activities						
Real Estate Activities		169.7	171.3	173.1	174.7	167.1	170.0
2.9   3.2   3.5   3.5   2.1   2.2	Real Estate Activities						
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     Business Services   59.6   63.8   66.2   68.0   60.1   62.2     Equipment   59.6   63.8   66.2   68.0   60.1   62.2     Fublic Administration, Defence & Compulsory Social Security   -0.8   -1.0   -3.8   -1.6   13.0   135.4     Education   354.8   371.2   353.2   367.9   367.0   376.4     Education   354.8   371.2   353.2   367.9   367.0   367.4     Education   354.8   371.2   353.2   367.9   367.0     Education   354.8   379.3   379.0   379.0   379.0     Education   354.8   379.0   379.0   379.0   379.0     Education   354.8   379.0   379.0   379.0   379.0   379.0     Education   354.8   379.0							
Business Services 59.6 63.8 66.2 68.0 60.1 62.2   59.6 63.8 66.2 68.0 60.1 62.2   59.6 63.8 66.2 68.0 60.1 62.2   59.6 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   9.0 4.1 7.5 71.8 73.3 71.6 70.1 70.5   71.5 71.8 73.3 71.6 70.1 70.5   71.5 71.8 73.3 71.6 70.1 70.5   Public 283.3 299.3 279.9 296.4 296.3 36.9 305.9   9.0 2.3 299.1 299.9 296.4 296.3 305.9   9.0 2 3.0   9.0 4.1 3 39.7 39.0 39.1   9.0 4.1 3 39.7 39.0 39.1   9.0 4.1 3 39.7 39.0 39.1   9.0 4.1 3 39.7 39.0 39.1   9.0 4.1 3 39.7 39.0 39.1   9.0 4.1 3 39.7 38.4 39.0 34.6   9.0 4.1 3 58.8 37.8 36.1 35.2 35.1   9.0 4.0 3.1 37.7 38.4 39.0 34.6 34.5   9.0 4.0 3.1 37.7 38.4 39.0 34.6 34.5   9.0 4.0 1.1 19.0 -0.6 -31.3 -1.5   9.0 4.0 1.1 19.0 -0.6 -31.3 -1.5   9.0 4.0 1.1 19.0 -0.6 -31.3 -1.5   9.0 4.0 1.1 19.0 -0.6 -31.3 -1.5   9.0 4.0 1.1 19.0 -0.6 -31.3 -1.5   9.0 4.0 1.1 19.0 -0.6 -31.3 -1.5   9.0 5.9 1.2 1.3 -1.3 -1.3 -1.5   9.0 5.9 1.3 1.2 1.4 21.1   9.0 5.9 1.3 1.2 1.4 21.1   9.0 5.9 1.3 1.3 1.3 1.3 1.4 1.4 1.1   9.0 2.2 4.0 3.7 1.3 -1.3 -1.3 -1.5   9.0 5.9 1.3 1.2 1.4 21.1   9.0 5.9 1.3 1.2 1.4 21.1   9.0 5.9 1.3 1.2 1.4 21.1   9.0 5.9 1.3 1.3 1.3 1.3 1.3 1.4 1.4 1.9 1.0 1.0 1.0 1.0 1.1 1.1 1.1 1.1 1.1 1.1					1.1		
Business Services	Computer and Related Activities						
140.4   139.0   133.6   132.6   130.0   135.4	Business Services	59.6	63.8	66.2	68.0	60.1	62.2
Public Administration, Defence & Compulsory Social Security   -0.8   -1.0   -3.8   -0.8   -2.0   4.1							
Public 71.5 71.8 73.3 71.6 70.1 70.5 75.1 71.8 73.3 71.6 70.1 70.5 75.1 75.1 75.1 75.1 75.1 75.1 75.1 75		-0.8	-1.0	-3.8	-0.8	-2.0	4.1
Private   Priv							
Private       283.3       299.3       279.9       296.4       296.9       305.9         Health and Social Work       38.6       39.0       41.3       39.7       39.0       39.1         Health and Social Work       38.6       39.0       41.3       39.7       39.0       39.1         Health and Social Work       38.6       39.0       41.3       39.7       39.0       39.1         Public       35.4       35.8       37.8       36.1       35.2       35.1         Public       35.4       35.8       37.8       36.1       35.2       35.1         Private       3.3       3.2       3.4       36.6       39.9       40.0         Brivate       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         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         GVA in Basic Prices       1913.3       1990.0       2062.7       2088.8	Public						
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 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 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 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 GVA in Basic Prices 199.0 2062.7 2088.8 1802.6 1877.0 GVA in Basic Prices 35.7 379.6 408.7 401.0 345.9 367.8 GDP in Market Prices 2268.9 2369.6 2471.5 2489.7 2148.4 2244.9	Private	283.3	299.3	279.9	296.4	296.9	305.9
Public	Health and Social Work						
-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 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 GVA in Basic Prices 1990.0 2062.7 2088.8 1802.6 1877.0  Plus: Product Taxes less Subsidies 355.7 379.6 408.7 401.0 345.9 367.8 GDP in Market Prices 2268.9 2369.6 2471.5 2489.7 2148.4 2244.9		-0.3	0.9	5.9	-3.8	-1.7	0.2
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         Less: FISIM       16.0       16.1       16.3       16.4       15.7       15.7         Less: FISIM       26.0       26.3       31.3       31.1       21.4       21.1         GVA in Basic Prices       1913.3       1990.0       2062.7       2088.8       1802.6       1877.0         Plus: Product Taxes less Subsidies       355.7       379.6       408.7       401.0       345.9       367.8         GDP in Market Prices       2268.9       2369.6       2471.5       2489.7       2148.4       2244.9	Public						
Other Community, Social & Personal Services     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       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       GVA in Basic Prices     1913.3     1990.0     2062.7     2088.8     1802.6     1877.0       Plus: Product Taxes less Subsidies     355.7     379.6     408.7     401.0     345.9     367.8       GDP in Market Prices     2268.9     2369.6     2471.5     2489.7     2148.4     2244.9	Private		3.2				
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     GVA in Basic Prices   1913.3   1990.0   2062.7   2088.8   1802.6   1877.0     Evaluation   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     GDP in Market Prices   2268.9   2369.6   2471.5   2489.7   2148.4   2244.9		37.1	37.7	38.4	39.0	34.6	34.5
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 GVA in Basic Prices 1913.3 1990.0 2062.7 2088.8 1802.6 1877.0 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 GDP in Market Prices 2268.9 2369.6 2471.5 2489.7 2148.4 2244.9	Other Community, Social & Personal Services						
4.0     1.1     19.0     -0.6     -31.3     -1.5       GVA in Basic Prices     1913.3     1990.0     2062.7     2088.8     1802.6     1877.0       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       GDP in Market Prices     2268.9     2369.6     2471.5     2489.7     2148.4     2244.9		0.8	0.4	1.5	0.6	-4.3	-0.2
GVA in Basic Prices     1913.3     1990.0     2062.7     2088.8     1802.6     1877.0       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       GDP in Market Prices     2268.9     2369.6     2471.5     2489.7     2148.4     2244.9	Less: FISIM						
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       GDP in Market Prices     2268.9     2369.6     2471.5     2489.7     2148.4     2244.9	GVA in Basic Prices	1913.3	1990.0	2062.7	2088.8	1802.6	1877.0
13.2 6.7 7.7 -1.9 -13.7 6.4 GDP in Market Prices 2268.9 2369.6 2471.5 2489.7 2148.4 2244.9	Plus: Product Taxes less Subsidies						
	GDP in Market Prices						
	C market i rices						