Economic Alert iQ

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Tuesday 1st May 2018 – 1:05 pm
Regional
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Economic Alert: Moody's affirms St Vincent and the Grenadines' B3 ratings, maintains stable outlook

- On April 30, 2018, Moody's Investors Service ("Moody's") affirmed the Government of St Vincent and the Grenadines' B3 long-term issuer and maintained the stable outlook. Concurrently, Moody's affirmed St Vincent and the Grenadines' senior unsecured debt rating of B3 and its short-term rating of Not Prime (NP).
- The stable outlook reflects Moody's expectations that fiscal deficits will remain low over the next two years and growth will accelerate, conditions that will allow government debt ratios to stabilize.
- The rating was due to two key drivers:
  - SVG's small island economy which is highly vulnerable to external shocks and;
  - High government debt burden
- According to Moody's, real GDP is projected to grow by more than 2% on average in 2018-19 after years of weak economic growth. The economy is expected to be boosted by the completion of the Argyle International Airport which will increase tourist arrivals and also by various other infrastructure projects over the medium term. This assessment will face the risk of climate and weather-related shocks as St Vincent's small economic scale and dependence on tourism-related activities make the sovereign particularly vulnerable to such phenomena.

- The debt burden remains a key rating constraint at 64% of GDP having increased by 26 percentage points since 2008 due to a combination of disaster-related budgetary outlays, the construction of the Argyle International Airport, and low growth. The government balance sheet is exposed to contingent liabilities arising from the debt of state-owned enterprises. Public sector debt is more than 80% of GDP including this state-owned debt.
- Moody's forecasts the fiscal deficit to remain around 1.3% of GDP in 2018 and 2019, while the primary balance will remain in surplus, averaging 1.4% of GDP and the debt burden to remain stable as real GDP accelerates.

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