



Grenada

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COUNTRY Grenada	CREDIT RATING Not Rated	REGION Caribbean
Real GDP growth (%) [2016]	3.03%	Major Trade Partners
Next General Election	Feb-18	USA 21.8%, St. Lucia 9.7%, Antigua 4.8%, Germany 6.8%
Exchange Rate (XCD/USD)	2.7	Major Exports (%)
		Spices and coffee, Fish, Wheat or meslin flour, Ships, boats and other floating structures
		GDP Composition
		Agriculture 5.5%, Industry 16.6%, Services 77.9%

RECENT ECONOMIC DEVELOPMENTS

ECONOMIC OUTLOOK **STABLE**

GDP growth is estimated at 3.03% for 2016, supported by growth in mining & quarrying (17.50%), construction (17.50%) and transport, storage & communication (9.36%). The agriculture sector is forecasted to decline by 12.94% having been negatively affected by drought conditions. The tourism sector showed an improvement for 1H16 compared to 1H15, with total arrivals growing 24.5% (298,129 visitors). Stay-over arrivals rose 7.6% with the US and Caribbean markets recording growth of 23.5% and 10.3% respectively. There were declines from Canada (3.8%) and the U.K (6.7%). There was an increase of 33.2% in cruise ship passenger arrivals. Unemployment remains high fluctuating around 30%. According to the IMF, the Grenadian economy is expected to moderate to growth of 3% in 2016 as tourist arrivals decelerate and the agricultural sector approaches capacity. Construction activity is expected to show growth due to several planned tourism projects.

INFLATION **STABLE**

Inflation averaged 0.38% for 1H16 (0.25% -1H15). The major increase was in transport (1.59%) while the only decline was in alcoholic beverages, tobacco and narcotics (0.11%). The IMF forecasts inflation of 2.3% in 2016.

TRADE BALANCE/ BOP **STABLE**

The trade deficit narrowed by 7% (XCD395.03 million) for 1H16 compared to 1H15 due to a 1.9% increase in exports and a 6.1% decrease in imports. The major decreases in imports were in the Crude materials (13.2%), Chemicals & related products (13.6%) and Miscellaneous manufactured categories (11.3%) while the major increases in exports were in the Manufactured goods (6.7%) and Machinery & transport equipment categories (110.33%). The IMF estimates that the external current account deficit is forecast to narrow to 14.4% of GDP in 2016 due to lower oil prices and a continued recovery in tourism. The current account was financed through tourism-related FDI and private capital inflows.

FISCAL ACCOUNTS **STABLE**

The Grenadian government was able to meet all quantitative performance criteria at the end of December 2015. Stronger growth, recent revenue measures, improvements in tax administration and restraint in current expenditure all contributed to a better fiscal outcome. The result was a primary surplus for the first time in a decade measuring 2.2% of GDP (including revenue from citizenship by investment program). Data as at 1H16 indicates that the primary surplus (fiscal balance excluding interest payments) measured 3.0% of GDP. The government successfully concluded a debt restructuring program in 2015. Restructuring agreements have been reached with creditors representing about 64% of total debt under restructuring negotiations and valued at 34% of GDP. The country's debt was reduced from a peak of 107.6% of GDP in 2013 to 94.3% in 2015 and is estimated at 85% of GDP as at 1H16.

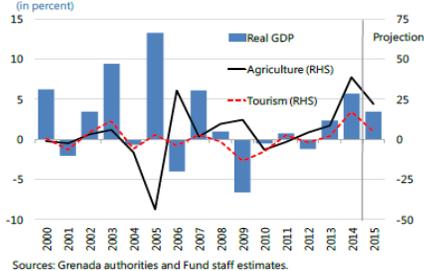
STRUCTURAL REFORMS

The government has made progress implementing structural reforms, though there have been minor delays. In particular:
 a. Passage of the Tax Administration Act, due at end-November 2015, was accomplished in early 2016 after a short delay and the restructuring of the Inland Revenue Department (IRD.)
 b. The Large-Medium and Small Taxpayers Units within IRD, due to be operational by end-2015, were made operational in early 2016.
 c. Putting into force the full tax incentive regime, due at end-December 2015, has been delayed (May 2016) and the legislation has undergone various amendments. While broadly consistent with the intent of the original drafts, the amendments to the tax incentive regime could have revenue implications that will need to be monitored closely. The key structural reforms for 2016 comprise a revised Labor Code, strengthening public debt management, reforms on the management of the public sector wage bill and steps to remove impediments to private sector activity.

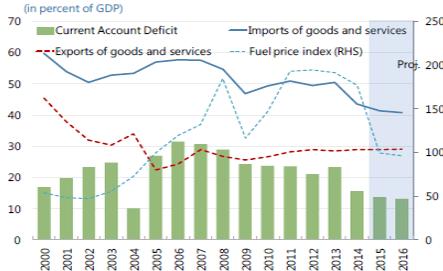
OUTLOOK

The IMF projects a growth rate of 3% for Grenada as agriculture and tourism moderates in 2016. Growth should be supported by ongoing private investments in major tourism projects, which should positively impact upon the construction sector. Lower fuel cost will support expansion in manufacturing activity as well. In June 2014, Grenada entered into an Extended Credit Facility Arrangement (ECFA) with the IMF in an amount of USD21.7 million. So far, Grenada has accessed about USD14 million after the completion of the fifth review in September 2016. A debt exchange with the country's largest private creditor group was concluded in November 2015, which saw a 50% principal haircut of Grenada's external commercial bonds. Once the exercise is fully executed, public debt is projected to decline by 11% of projected 2017 GDP. Fiscal consolidation of 1.9% of GDP is required in 2016 to achieve the 3.5% of GDP primary surplus target under the IMF program and is mandated by the Fiscal Responsibility (FR) Act. Thus far, only one more measure is to be implemented, which is introducing VAT on fee-based banking services. Growth is expected to gradually converge toward potential, estimated at about 2.7% in the medium term. *First Citizens Research & Analytics maintains a cautious outlook on Grenada due to the nation's high debt levels, susceptibility to natural disasters and default history.*

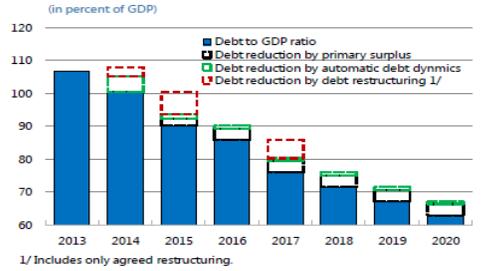
Grenada: Economic Growth



Trade and Current Account Deficit



Grenada: Public Sector Debt



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