



**Grenada**

Prepared by: **Rajesh Ramroop**  
 rajesh.ramroop@firstcitizenstt.com  
 Last updated: July 2016

<b>COUNTRY</b> Grenada		<b>CREDIT RATING</b> Not Rated		<b>REGION</b> Caribbean	
Real GDP growth (%) [2016]	3.00%			Major Trade Partners	USA 21.8%, St. Lucia 9.7%, Antigua 4.8%, Germany 6.8%
Next General Election	Feb-18			Major Exports (%)	Spices and coffee, Fish, Wheat or meslin flour, Ships, boats and other floating structures
Exchange Rate (XCD/USD)	2.7			GDP Composition	Agriculture 5.5%, Industry 16.6%, Services 77.9%

**RECENT ECONOMIC DEVELOPMENTS**

**ECONOMIC OUTLOOK**      **STABLE**

GDP growth was estimated at 4.6% in 2015, supported by growth in tourism, agriculture and construction. The agriculture sector benefitted from an uptick in banana production and increased output of cocoa. The tourism sector showed an improvement in 2015, with total arrivals growing 2.8% (406,090 visitors). Importantly, stay-over arrivals rose 4.4% with the two major source markets, US and UK recording growth of 10.6% and 7.1% respectively, along with growth from the Caribbean (4.1%) and other countries (7.65). The Canadian market was the only decline falling by 25.4%. The increases were due to intensified marketing efforts and increased airlift and room capacity. The construction sector is estimated to have grown, based on the strong growth experienced in both volume and value of imports of construction materials of 21.5% and 10.6%. Credit granted to this sector rose 4.7%, compared to a decline of 19.2% recorded in the same period of 2014. 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**      **NEGATIVE**

Inflation averaged -1.35% in 2015 mainly due to low oil prices. The deflation reflected lower prices in most categories particularly Food & non-alcoholic beverages (-1.1%), Housing, Utilities, Gas & Fuels (-2.6%) and Transport (-2.5%). The IMF forecasts prices to remain low with inflation of -0.1% in 2016.

**TRADE BALANCE/ BOP**      **STABLE**

The trade deficit widened by 5% (XCD857.52 million) in 2015 due to a 14.2% decrease in exports and a 2.9% increase in imports. The major increases in imports were in the Crude materials (20.4%), Chemicals & related products (22.0%) and Miscellaneous manufactured categories (33.8%) while the major decreases in exports were in the Beverages & tobacco (43.1%), Manufactured goods (29.7%) and Machinery & transport equipment categories (36.5%). The IMF estimates that the external current account ended 2015 at a deficit of 14.5% of GDP on the back of stronger tourism receipts and lower international oil prices. The current account was financed through tourism-related FDI and private capital inflows. As a result, foreign exchange reserves rose to 5.7 months of imports in 2015.

**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 primary surplus for the first time in a decade measuring 2.2% of GDP (including revenue from citizenship by investment program). 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 projected to continue its downward path going forward.

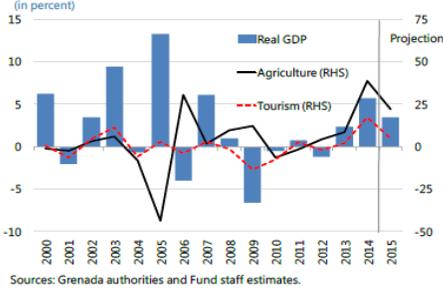
**STRUCTURAL REFORMS**

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.

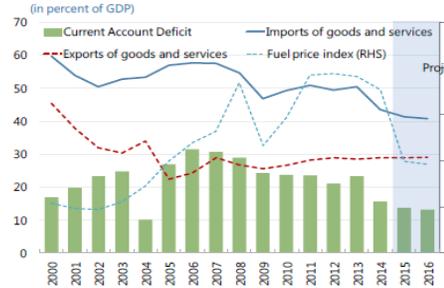
**OUTLOOK**

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 USD11.5 million and USD2.8 million after the completion of the fourth review in May 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.*

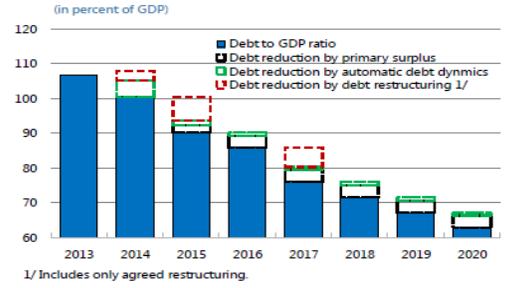
**Grenada: Economic Growth**  
(in percent)



**Trade and Current Account Deficit**  
(in percent of GDP)



**Grenada: Public Sector Debt**  
(in percent of GDP)



**DISCLAIMER**

This report has been prepared by First Citizens Investment Services Limited, a subsidiary of First Citizens Bank Limited. It is provided for informational purposes only and without any obligation, whether contractual or otherwise. All information contained herein has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the author's judgment as at the date of the report. First Citizens Investment Services does not warrant the accuracy, timeliness, completeness of the information given or the assessments made. Opinions expressed may change without notice. This report does not constitute an offer or solicitation to buy or sell any securities discussed herein. The securities discussed in this report may not be suitable to all investors, therefore Investors wishing to purchase any of the securities mentioned should consult an investment adviser.

**DISCLOSURE**

We, First Citizens Investment Services Limited hereby state that (1) the views expressed in this Research report reflects our personal view about any or all of the subject securities or issuers referred to in this Research report, (2) we are a beneficial owner of securities of the issuer (3) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report (4) we have acted as underwriter in the distribution of securities referred to in this Research report in the three years immediately preceding and (5) we do have a direct or indirect financial or other interest in the subject securities or issuers referred to in this Research report.