



# St. Vincent and the Grenadines

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Real GDP growth (%) 2016	2.46%	ECCB	Moody's	B3 (Negative)	Last Election	9-Dec-15
Real GDP growth (%) 2017	2.35%				Next Election	2020
Exchange Rate (USD/XCD)	1/2.70				Term	5 years
FX Direction	Fixed				Current	Dr. Ralph Gonsalves

## ECONOMIC OUTLOOK

The SVG economy is estimated to grow by 2.46% in 2016. Data as at Sep 2016 indicates growth in the hotel & restaurants sector (21%), wholesale & retail trade sector (6.75%) and financial intermediation (2.54%). Declines are expected in construction (3.00%), manufacturing (2.00%) and fishing (3.50%). Comparing 1H16 and 1H15 the tourism sector showed growth with visitor arrivals increasing by 6.2% to 128,642 visitors. Stay-Over visitors increased by 7.7% due to increases from the U.S (6.7%), UK (3.0%) and the Caribbean (21.2%). There were decreases from Canada (-1.9%) and other countries (-1.7%). Cruise ship passengers increased by 8.0% and visitor expenditure increased by 8.7% to XCD152 million. The IMF anticipates that the completion of the Argyle International airport could increase tourist arrivals by 10% yearly over the three years following its completion, with a cumulative impact on real GDP up to 4.2%. Construction commenced in August 2008 and the authorities expect the airport to become operational in 2016. The total cost is estimated at XCD700 million (USD260 million).

## INFLATION MONETARY POLICY

Consumer prices increased by 0.67% (average) for 1H16 (-0.78% - 1H15). These conditions are as result of low energy prices. The IMF forecasts inflation at -0.4% in 2016.

## TRADE BALANCE/ BOP

SVG's trade deficit widened by 8.1% to XCD385.94 million for 1H16 (XCD357.18 million - 1H15). Exports declined 10.26% and imports increased by 5.36%. The major decreases in exports were Crude Materials, Inedible Except Fuels (72.47%), Machinery & Transport Equipment (53.66%) and Food and live animals (11.29%). The major increases in imports were from Animal & Vegetable Oils, Fats & Waxes (24.41%), Machinery & Transport Equipment (20.94%) and Miscellaneous Manufactured Articles (18.53%). The IMF expects the current account deficit to narrow to 23% of GDP in 2016 (26.2% of GDP - 2015).

## FISCAL ACCOUNTS

The government recorded an overall balance of XCD22.63 million for 1H16 compared to -XCD7.71 million for 1H15. The improvement was largely due to increased taxation revenue of 10.85% or XCD23 million and a marginal 0.22% decrease in expenditure. SVG's gross debt to GDP is estimated at 84.96% in 2016 (79.29% - 2015) by the IMF.

## BANKING & FINANCE

Broad money as measured by M2 is estimated to have expanded by 5% for 1H16 compared to 1H15. Credit to the private sector increased by 1.9% for the same period. Credit to the tourism industry increased marginally by 0.06% while credit to the distributive trades sector fell by 7.14%.

## POLITICAL

Prime Minister Ralph Gonsalves tabled an XCD912 million budget in parliament on Feb 2016 which the opposition boycotted due to their continued protest of the Dec 9th elections. Several new taxes have been implemented such as a 2% levy on mobile and international calls, increases in property tax on commercial buildings (0.06% to 0.08%), motor vehicle and drivers licenses (25% increase), gun licenses and the introduction of V.A.T on food items such as chicken, salt, lentil, butter, yeast and baking powder. There is also an increase in excise tax on beverages such as beer, malts, wines and vodka though strong rum is exempted. The taxes are expected to take effect from May 1 and bring in revenue of XCD8 million annually.

## OUTLOOK

St Vincent & the Grenadines remains susceptible to events in the global markets. Positively its major trading partners such as the US and EU have maintained economic stability and have begun to show signs of growth. A boost in tourism can be expected due to the positive outlook of the US for 2016. The Argyle airport if completed on schedule (2016) will also provide a significant boost to the country's economy and tourism sector. Investments in renewable energy resources such as hydroelectric plants and solar energy installations will aid the country against its vulnerability to global commodity prices and the potential disruption of the Petro Caribe agreement due to current low oil prices and enhance the country's reputation as an eco-tourism destination. The two projects specifically, the airport and geothermal energy have the potential to boost growth over the medium term. The IMF has forecasted growth at 1.8% and 2.5% for 2016 and 2017 respectively.

*First Citizens Research & Analytics holds a cautious view on St. Vincent & the Grenadines and underscore the need for the completion of the Argyle airport as well as the risks associated with the weakening government balance sheet and susceptibility to natural disasters.*

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