

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT
AND THE GRENADINES
For the period ended June 30, 2019**

The objective of this report is to present the public with a brief summary of the Government of St. Vincent and the Grenadines' fiscal operations, for the quarter ended June 30, 2019. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at June 30, 2019 indicates that when compared to the same period in 2018 Current Revenue increased by 5.3 percent to \$283.25 million, while Current Expenditure grew by 6.8 percent to \$295.28 million. Consequently, the Current Balance recorded a deficit of \$12.03 million, compared to a deficit of \$7.68 million recorded for the same period in 2018. During the review period the Overall Balance also moving from a deficit of \$4.29 million in 2018 to a deficit of \$20.65 million in 2019.

Table 1: Summary of fiscal operations for the period ended June 30, 2019

	BUDGET 2019 \$ M	ACTUAL 2019 \$ M	ACTUAL 2018 \$ M	% CHANG E
Current Revenue	298.41	283.25	268.88	5.3
<i>of which:</i>				
Taxes on Income & Profits	72.14	65.28	64.68	0.9
Taxes on property	16.18	11.46	9.31	23.1
Taxes on Goods & Services	92.29	87.91	80.98	8.6
Taxes on International Trade	78.67	75.68	76.11	(0.6)
Sale of Goods & Services	33.05	31.00	32.31	(4.0)
Current Expenditure	316.86	295.28	276.56	6.8
<i>of which:</i>				
Compensation Employees	158.31	151.08	142.75	5.8
Use of Goods & Services	37.01	32.65	29.63	10.2
Interest Payments	32.22	25.89	25.62	1.0
Transfers	89.32	85.66	78.57	9.0
Current Balance	(18.45)	(12.03)	(7.68)	(56.7)
Primary Balance	(18.21)	5.23	21.33	(75.5)
Capital Expenditure	46.30	16.22	11.97	35.6
Capital Revenue	14.32	7.60	15.36	(50.5)
Overall Balance	(50.43)	(20.65)	(4.29)	(381.8)

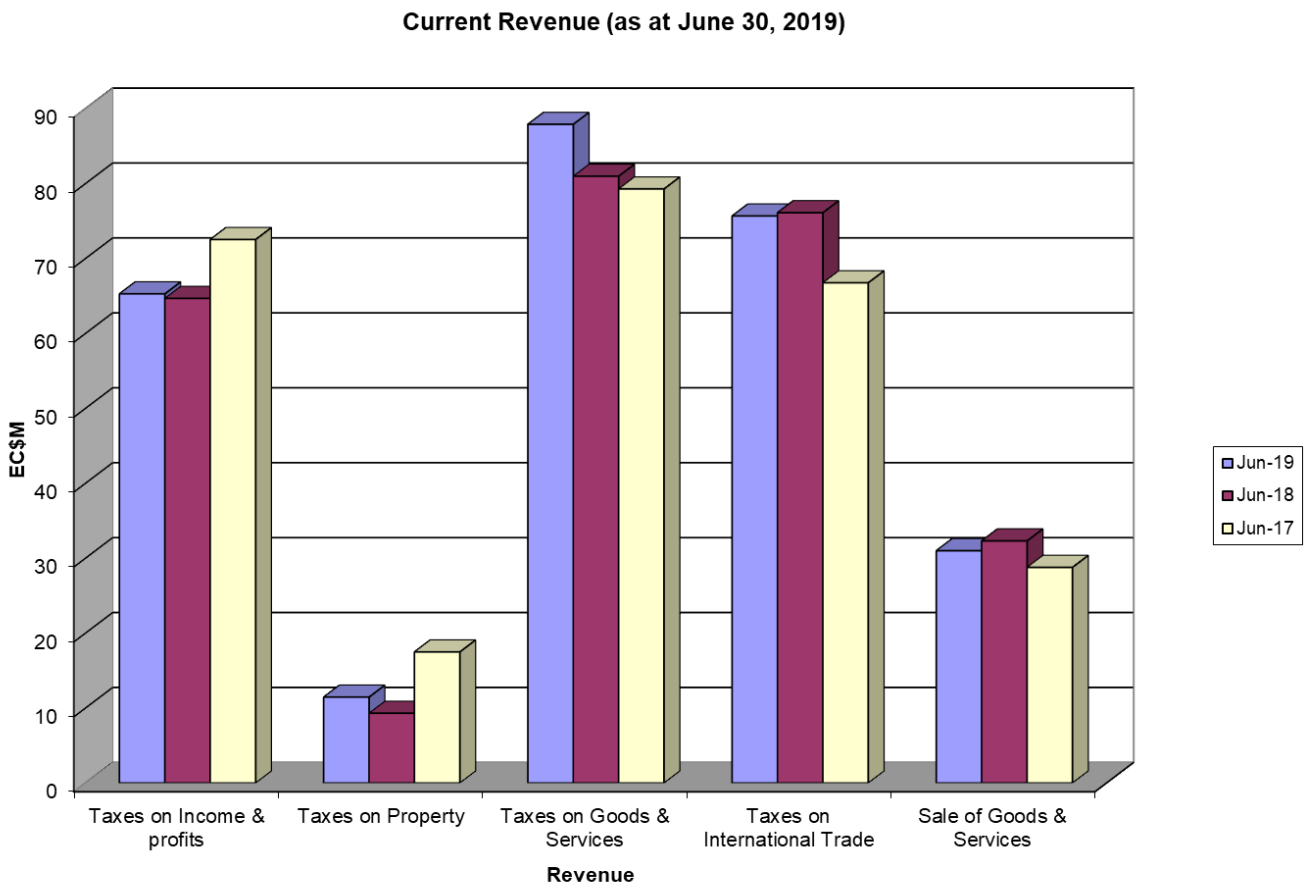
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits increased marginally by 0.9 percent to \$65.28 million, this was due to higher collections from Personal Income Tax (0.5 percent) and Non Resident Taxes (22.5 percent) as receipt from Corporation Tax decreased during the period. The increase in Personal Income Tax of partly reflects the recent salary enhancement received by public servants for the period July-December 2018 and 2019. The improvement in Non-Resident (Withholding) Tax collections was mainly on account of arrears collected during the first half of 2019.

Revenue from Taxes on Property grew by 23.1 percent to \$11.46 million during the period. This was mainly the result of higher receipts from Stamp Duty on Property (which went up by 27.1 percent) and Alien Land Holding Licence (which increased by 73.0 percent). Collections in the above categories reflect greater land sales during the quarter.

Figure 1: Items of Current Revenue as at June 30, 2019



As at June 30, 2019 collections from Taxes on Goods and Services increased by 8.6 percent to \$87.91 million. This was mainly as a result of a \$5.80 million collected during the period for Telecommunications and Broadcast Licences. Additionally, Revenue from Value Added Tax increased by 9.5 percent to \$47.79 million reflecting an uptick in domestic business activities. Greater receipts from Insurance Premium Tax (8.7 percent) and Interest Levy also contributed to the growth in revenue from this tax type. The increase in revenue from this subcategory was however moderated by lower takings from Motor Vehicle Licence, Yacht Licence and Merchant Shipping (International) Fees during the period.

Revenue from International Trade Taxes declined marginally by 0.6 percent, to \$75.68 million. Under this rubric, the main items responsible for the lower takings were Import Duty which decreased by 7.1 percent and Vehicle Surtax which fell by 36.4 percent. The overall drop in collections from Import duty and Vehicle Surtax reflects a 6.0 percent fall in the value of merchandise imports during the period. Additionally, the drop in vehicle surtax was also affected by amounts erroneously credited to that account in quarter 2 of 2018.

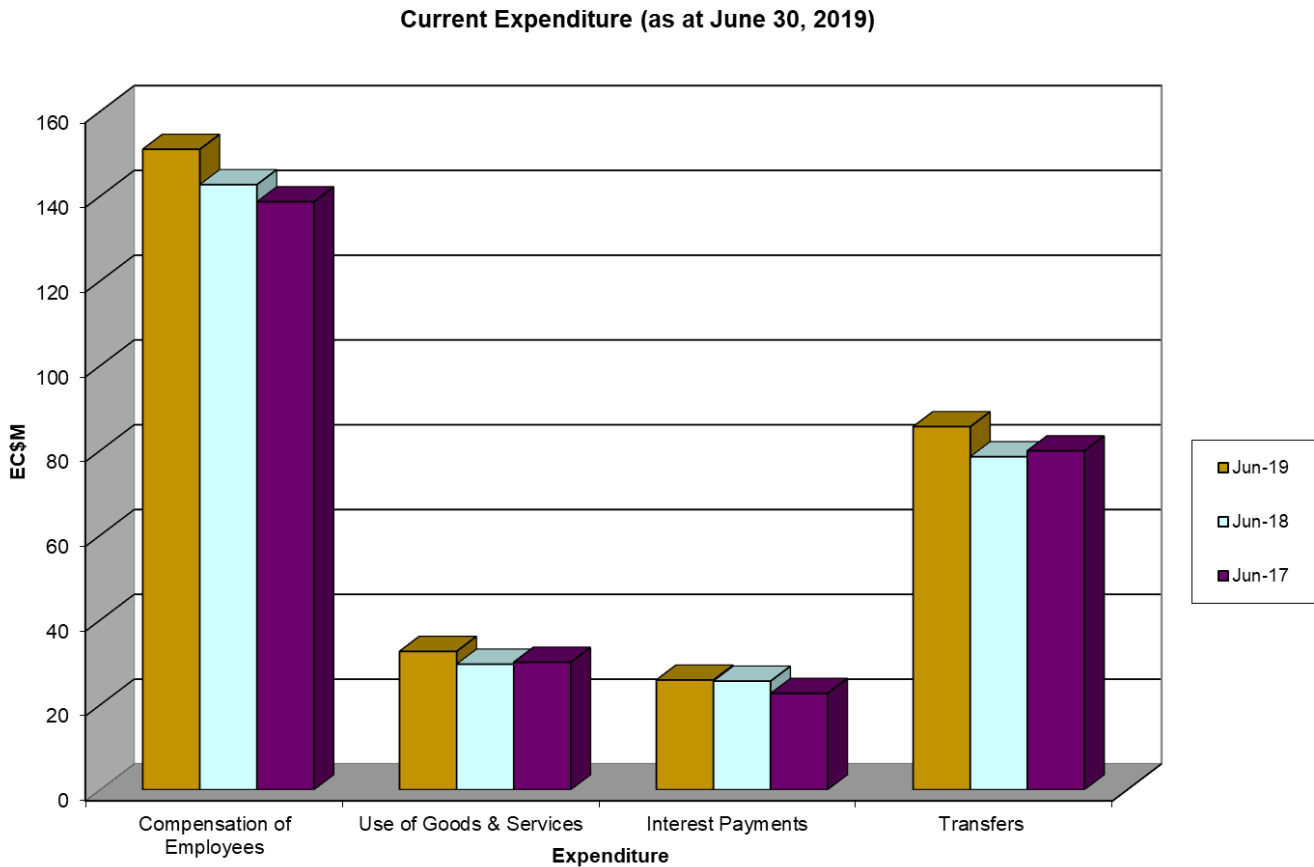
Revenue from Sale of Goods and Services grossed \$31.00 million. This figure was 4.0 percent lower than the amount collected in 2018 as subcategories under this heading turned in suboptimal performances. Collections from International Financial Services Fees and Customs Service Charge fell by 13.7 percent and 2.5 percent, respectively, while CIPO Registration Fees and revenue from Drivers Licence went up by 23.5 percent and 0.6 percent, respectively.

Capital inflows as at June 30, 2019 amounted to \$7.60 million, down 50.5 percent from the amount collected in the corresponding period in 2018. This was mainly because an amount of \$90 million was collected as Other Capital Receipt in 2018 with no comparable receipt to date.

Expenditure

Current Expenditure which amounted to \$295.28 million increased by 6.8 percent when compared to the amount spent during the same period in 2018. Payment of Wages and Salaries amounted to \$144.36 million and the Employer’s Social Security Contribution to \$6.72 million; these were responsible for the overall 5.8 percent increase in Compensation of Employees. The increased spending on Wages and Salaries was mainly due to the 1.5 percent salary increase paid to public servants on top of the 1.0 percent for the period July-December 2018. Increments and allowances paid during the period also contributed to the growth in Wages and Salaries.

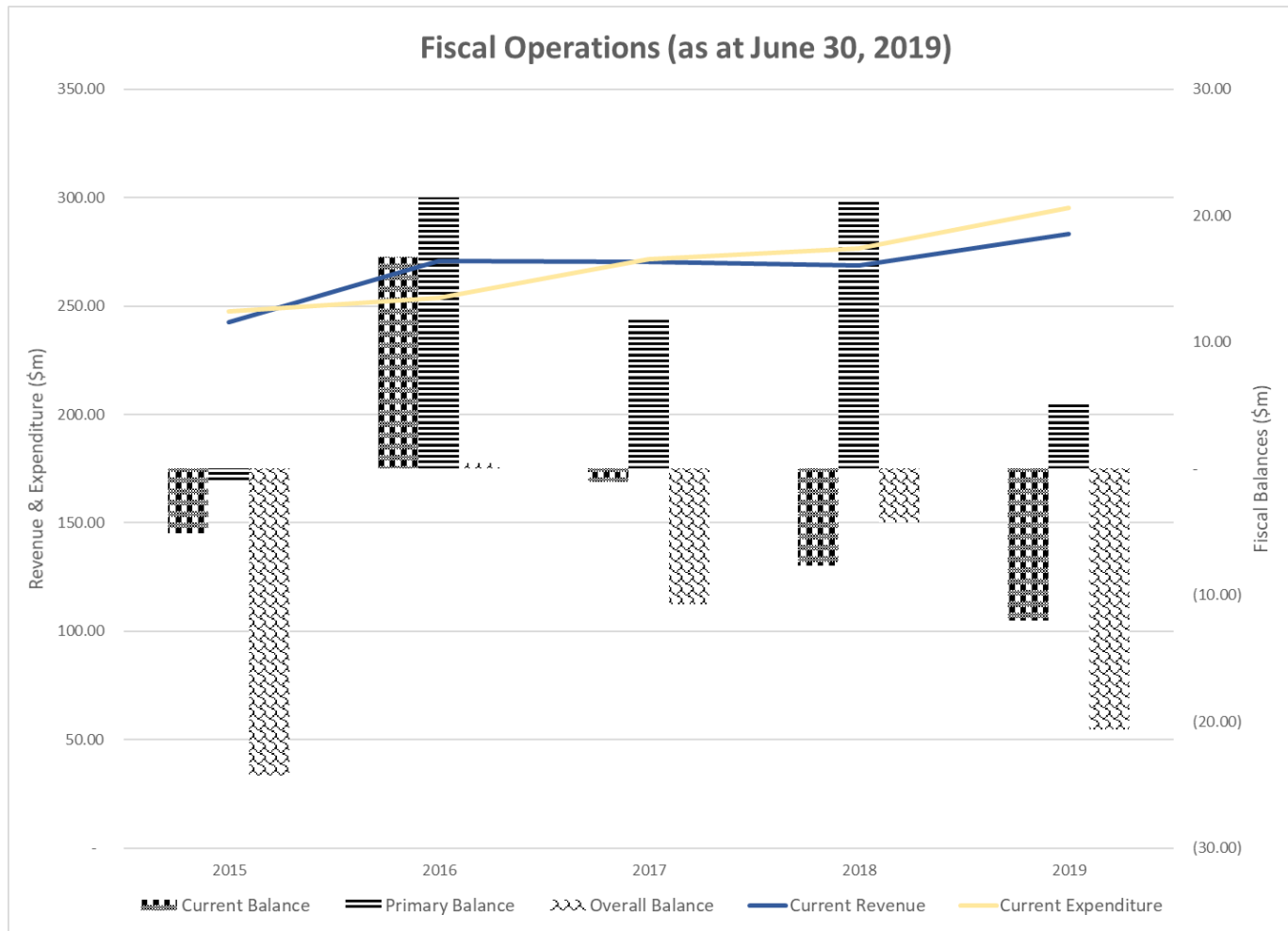
Figure 2: Items of recurrent expenditure as at June 30, 2019



Interest Payments increased during the period by 1.0 percent to \$25.89 million as a result of higher payments on the external component of the debt. External interest payments

increased by 2.9 percent while Domestic Interest payments decreased by 2.2 percent. Outlays on Transfers increased by 9.0 percent to \$85.66 million mainly due to higher amounts expended on pension benefits (8.5 percent). Grants to Other Agencies and Social Welfare payments also increased by 7.4 percent and 5.2 percent respectively.

Figure 3: Fiscal Recurrent Activity June 2015-2019



Preliminary data indicates that Capital Expenditure for the period amounted to \$16.23 million, up from the \$11.97 million recorded for the same period in 2018. Capital spending though improved remains relatively low mainly because of slow processing of journals to account for expenditure and ongoing challenges with the implementation rate of some large projects.

Financing

Table 2 below summarizes the Central Government financing as at June 30, 2019 with comparable numbers for 2018.

Table 2: Summary of Central Government Financing as at June 30, 2019 compared with 2018

	2019 \$ M	2018 \$ M
OVERALL DEFICIT	(20.65)	(4.29)
FINANCED BY:	20.65	4.29
External Loans	(27.61)	(25.92)
Disbursements	0.32	0.69
Less: Amortisation	(27.92)	(26.61)
Domestic Financing (net)	48.26	30.21

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$20.65 million for the period financed mainly from domestic sources. The majority of the domestic financing came from disbursements of domestic loans amounting to \$52.35 million.