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31 March 2021

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RATINGS

St. Vincent & the Grenadines

	Foreign Currency	Local Currency
Gov. Bond Rating	B3/STA	B3/STA
Country Ceiling	B2	Ba3

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Government of St. Vincent & the Grenadines – B3 stable

Annual credit analysis

OVERVIEW AND OUTLOOK

The credit profile of St. Vincent and the Grenadines reflects the Caribbean island nation's high per capita income ($12,267 in PPP terms in 2020) relative to B-rated peers, large share of government debt on concessional terms and membership in the Eastern Caribbean Currency Union (ECCU), which anchors inflation expectations and limits exchange rate risks.

St. Vincent's economy contracted by nearly 5% in 2020 because of the coronavirus pandemic. We expect a slow recovery since a return to pre-pandemic levels is contingent on effective vaccine distribution domestically and in St. Vincent's key tourism markets to allow for a full resumption of tourism activity. The impact of the pandemic and planned infrastructure spending will keep fiscal deficits elevated for the next few years.

Key credit constraints stem from the sovereign's small size and narrow economic base. St. Vincent is the smallest economy in the rated sovereign universe, measured by nominal GDP. The economy is highly dependent on tourism and is vulnerable to external shocks, particularly natural disasters. The credit profile is also constrained by a high government debt burden, around 81% of GDP at the end of 2020, which is above the B-rated median.

The stable outlook reflects a balance of upward and downward credit pressures. Despite higher growth, wider fiscal deficits over the next two years will lead to higher, albeit still manageable, debt levels. St. Vincent maintains reliable access to multilateral lending to cover its financing needs, a credit strength. Higher sustained growth, along with a faster pace of fiscal consolidation, would improve economic resilience and place upward pressure on the credit profile.

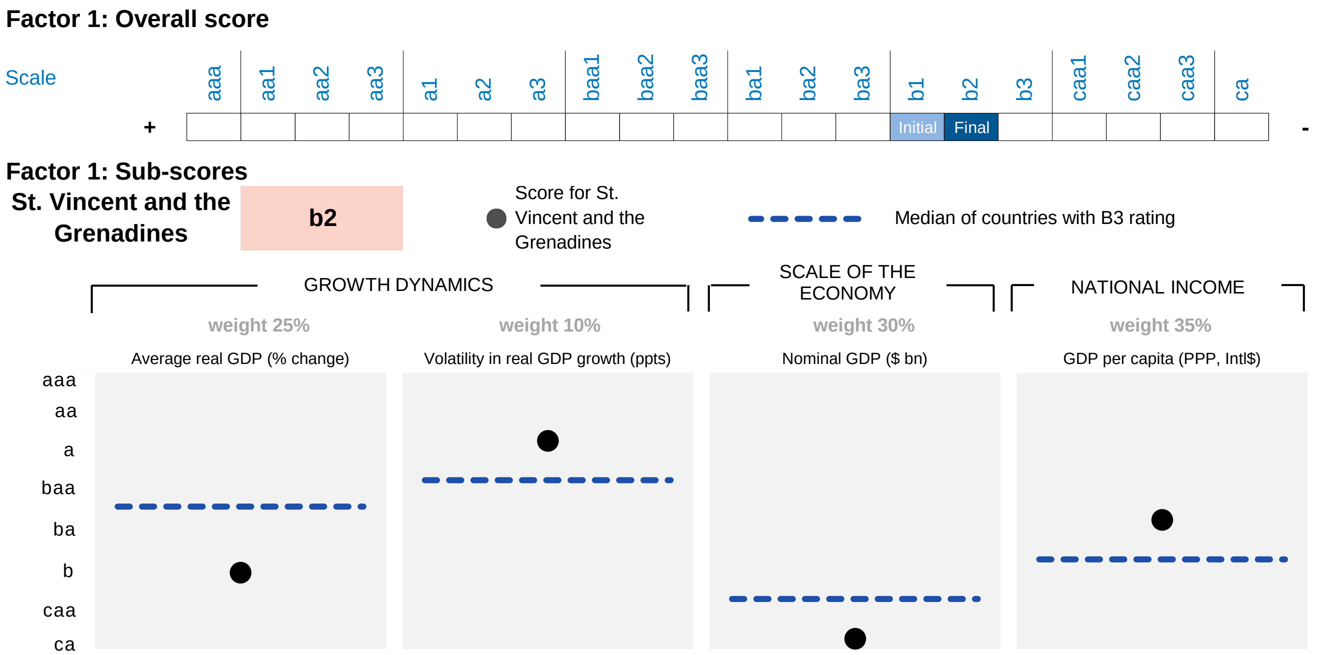
Conversely, weaker growth performance would weigh on the fiscal accounts and weaken fiscal strength, increasing downward pressure on the credit profile.

This credit analysis elaborates on St Vincent and the Grenadines' credit profile in terms of economic strength, institutions and governance strength, fiscal strength and susceptibility to event risk, which are the four main analytic factors in our Sovereign Ratings Methodology.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: Economic strength, institutions and governance strength, fiscal strength and susceptibility to event risk. When a direct and imminent threat becomes a constraint, that can only lower the scorecard-indicated outcome. For more information please see our Sovereign Ratings Methodology.

Economic strength score: b2



Economic strength evaluates the economic structure, primarily reflected in economic growth, the scale of the economy and wealth, as well as in structural factors that point to a country's long-term economic robustness and shock-absorption capacity. Adjustments to the economic strength factor score most often reflect our judgement regarding the economy's flexibility, diversity, productivity and labour supply challenges.

Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

Our "b2" assessment of St. Vincent and the Grenadines' economic strength reflects the small scale of the economy and dependence on the tourism sector, which exacerbates vulnerability to external shocks (see Exhibit 1). Our assessment also reflects the economy's susceptibility to environmental risks, particularly weather-related shocks. St. Vincent shares the "b2" economic strength score with Zambia (Ca stable), Papua New Guinea (B2 stable), Togo (B3 stable) and Ukraine (B3 stable). The score for St. Vincent's economic strength is set at "b2," below the initial score of "b1," to reflect the frequency of weather-related external shocks that are not captured in our real GDP growth forecasts.

Exhibit 1

Peer comparison table factor 1: Economic strength

	St. Vincent and the Grenadines	b2 Median	Zambia	Ukraine	Papua New Guinea	Togo	Kyrgyz Republic	Angola
	B3/STA		Ca/STA	B3/STA	B2/STA	B3/STA	B2/NEG	Caa1/STA
Final score	b2		b2	b2	b2	b2	b2	b2
Initial score	b1		b2	ba2	b2	b1	b2	b2
Nominal GDP ($ billion)	0.8	12.5	23.3	153.8	25.0	5.5	8.5	89.4
GDP per capita (PPP, Intl$)	13,018.8	7,383.9	3,526.4	13,442.1	4,018.2	1,656.8	5,515.7	7,383.9
Average real GDP (% change)	1.2	1.2	1.9	1.1	3.4	4.3	3.7	0.5
Volatility in real GDP growth (ppts)	1.6	3.1	2.5	4.9	4.4	0.7	3.1	3.6

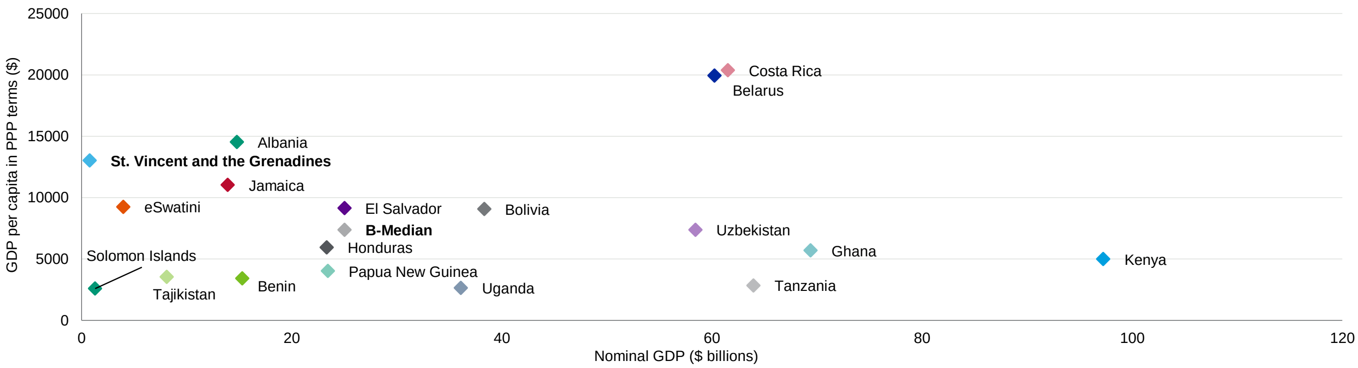
Sources: National authorities, IMF and Moody's Investors Service

Small size and dependence on tourism weigh on economic resilience

With nominal GDP of around $800 million and a population of around 110,000 in 2020, St. Vincent's small size constrains economic growth and limits diversification. St. Vincent's GDP per capita of $12,267 in purchasing power parity (PPP) terms compares favorably to the median per capita income of $7,366 for B-rated sovereigns and denotes a greater ability to absorb shocks compared to peers with lower wealth levels (see Exhibit 2).

Exhibit 2

St. Vincent is the smallest economy among B-rated sovereigns, but is comparatively wealthy

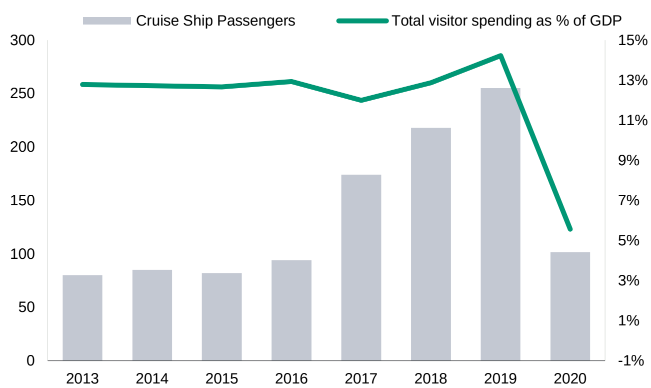


Source: Moody's Investors Service

The economy, similar to that of most other Caribbean nations, is highly dependent on tourism and travel, which represented over 28.6% of economic activity, accounted for 20,000 jobs (45% of total employment), either directly or indirectly, and generated 44% export receipts in 2019. By 2028, the World Travel & Tourism Council forecasts the total contribution of travel and tourism to rise to 31% of GDP and tourism-linked exports to account for 63% of total exports.

Exhibit 3

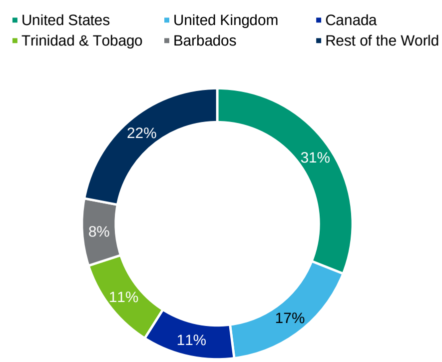
Increase in cruise ship arrivals has led to marked growth in visitor expenditures (Visitors in thousands, LHS)



Sources: St Vincent and the Grenadines Statistics Office and ECCB

Exhibit 4

The Caribbean and the US represent the largest source markets (% of total stay-over visitors in 2018)



Sources: St Vincent and the Grenadines Statistics Office and WTTC

Before the pandemic, data from the tourism authorities showed that total visitors increased by 94% between 2013 and 2019 (to 387,000 from 200,000). This increase is largely because of cruise ship visitors, the number of which has more than doubled to 253,000 in 2019 from 80,000 in 2013. Cruise ship visits have increased to 65% of total visits in 2019 from 40% of total visits in 2013. According to the Eastern Caribbean Central Bank, visitor spending rose to XCD317 million in 2019 (14.2% of GDP) from XCD249 million (12.8% of GDP) in 2013.

As a result of the coronavirus pandemic, tourism and travel activity decreased markedly in 2020. Cruise ship visits experienced a significant decrease to 101,000, a 60% drop from 2019 levels. This decrease was the result of the last three quarters of 2020 having zero cruise ship visits as the pandemic fully paralyzed the cruise industry. Given the importance of the cruise sector for tourism spending in St. Vincent, visitor spending decreased to XCD118 million (5.6% of GDP) in 2020, a 63% drop relative to 2019 (see Exhibit 3).

Recovery in the tourism sector is contingent on the speed of vaccine distribution domestically and in important source markets like the US, the UK and Canada. In 2019, the largest number of tourists arrived from the US (Aaa stable), which accounted for 31% of total inbound arrivals, followed by the UK (Aa3 stable) and Canada (Aaa stable) at 17% and 11% respectively (see Exhibit 4). Heavy reliance on tourism leaves St. Vincent's economy vulnerable to a slowdown in growth prospects in these source markets, which was very evident last year as the pandemic hit economic activity and tourism. The Eastern Caribbean Central Bank estimates that members of its currency union will not return to 2019 tourist numbers until 2023.

Coronavirus economic response was centered on direct aid and short-term infrastructure projects

On 7 April 2020, the government crafted a COVID-19 Recovery & Stimulus Package, which was approved by Parliament. The aim of the package was to limit the spread of the virus and support economic activity as much as possible in light of the pandemic. The estimated size of the package was XCD54 million (2.5% of GDP) in temporary spending provisions for direct aid to citizens and short-term infrastructure projects to sustain labor demand.

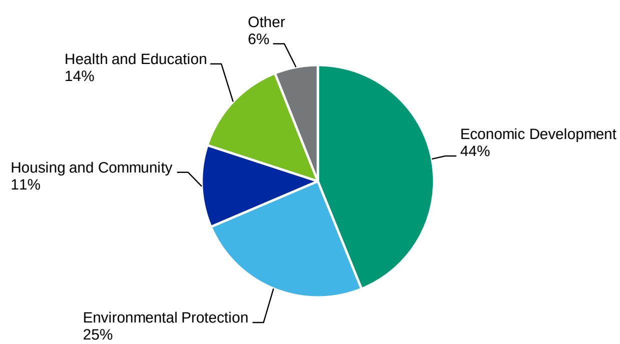
A quarter of the spending (XCD13 million) went to road rehabilitation projects, enhancements to government buildings and the construction of a COVID-19 Isolation Center in the Argyle International Airport. The remainder of the package was distributed as follows: XCD20 million was used for direct aid to workers laid off by the pandemic, farmers and vulnerable members of society, XCD6 million was devoted to providing tablets for online learning and loan moratoriums and XCD15 million was used for coronavirus-related purchases, payments and subventions.

Capital expenditures will drive post-pandemic recovery

Government capital expenditures are the main driver for infrastructure projects in St. Vincent. In 2020, capital spending amounted to XCD188 million (8.6% of GDP), accounting for more than a fifth of total spending and up from 5.2% of GDP in 2019. Of the capital budget, about a third was devoted to climate resilience, disaster response and renewable energy. In addition to repairs to roads and pedestrian paths, 2020 saw the completion of regional disaster vulnerability reduction projects totaling XCD44 million.

In 2020, 44% of capital spending went to economic development projects, encompassing everything from road enhancements to energy projects, 25% went to environmental protection, 21% to health and education and 11% was for housing and community investments while the remainder was for other areas like public safety and recreation (see Exhibit 5).

Exhibit 5
Economic development and environmental protection projects encompassed most capital projects in 2020
(% of total capital expenditures)



Source: Ministry of Finance of St. Vincent & the Grenadines

As part of its post-pandemic recovery efforts, the government aims to mobilize capital spending as a means of boosting demand between 2021 and 2023. The expansion in the capital budget is a means of both achieving long-standing economic development objectives as well as sustaining demand given the expectation that tourism will not return to pre-pandemic levels until 2022 or later.

For 2021, the budgeted capital expenditure of XCD317 million (14% of GDP) is nearly double the amount spent on capital projects last year. According to projections by the Ministry of Finance, the capital budget will reach XCD599 million (25% of GDP) by 2022 and then decrease moderately to XCD517 (23% of GDP) in 2023. However, we do not anticipate the government will fully execute its capital plans next year.

Although, St. Vincent has been ramping up its public works projects since before the pandemic, there are still important implementation concerns given the magnitude of the projected increase. In 2019, St. Vincent experienced lower growth because of project execution constraints associated with the government's public infrastructure program.

St. Vincent has consistently overbudgeted capital expenditures. Between 2013 and 2018, the budget included nearly 11% of GDP on average for capital expenditures but actual spending on capital projects averaged just below 5% of GDP at the end of each year. As in previous years, actual execution will face financing and capacity constraints in 2021 that will limit capital expenditures to around 7% of GDP, similar to last year.

These shortcomings aside, infrastructure projects in energy and logistics are central to increasing St. Vincent's long-term growth potential. In 2021, the authorities expect to begin construction work on the Port Redevelopment Project to improve logistics and seaport facilities. Last year, the authorities received two bids from international firms to build the facilities, but the pandemic drove the government to delay some of the necessary relocations needed to begin the project. The government now expects to fully relocate residents of the construction area by the middle of this year and for construction to begin toward the end of the year. The 2021 budget allocates XCD41 million to be spent in advancing this project, making it the largest project in the capital budget. The project will be financed by concessionary funding from the Caribbean Development Bank (CDB, Aa1 stable) as well as grant funding from the UK Caribbean Infrastructure Partnership Fund (UKCIF).

Moreover, the development of a 10-15 megawatt geothermal energy plant near the La Soufrière volcano, which could generate about 60% of the country's energy needs, will further raise long-term growth and reduce fossil fuel import needs. The construction of the plant, in which the government has a 49% stake, occurs in cooperation with Emera Caribbean and Reykjavik Geothermal and costs about $82 million, of which the government will finance about 10%. The government expects completion of the geothermal project to support its aim of achieving 80% of the country's electricity needs from renewable energy, while also reducing imports.

Growth impact of Argyle International Airport Expansion will be delayed as a result of the pandemic

The opening of the Argyle International Airport (AIA) in February 2017 is an important factor supporting our expectations for improved growth prospects in the long term. Unlike other airports, which can only receive regional flights from neighboring islands, the Argyle International Airport can receive large international aircrafts and is therefore expected to boost tourism and have a multiplier effect on other sectors of the economy once the tourism sector recovers.

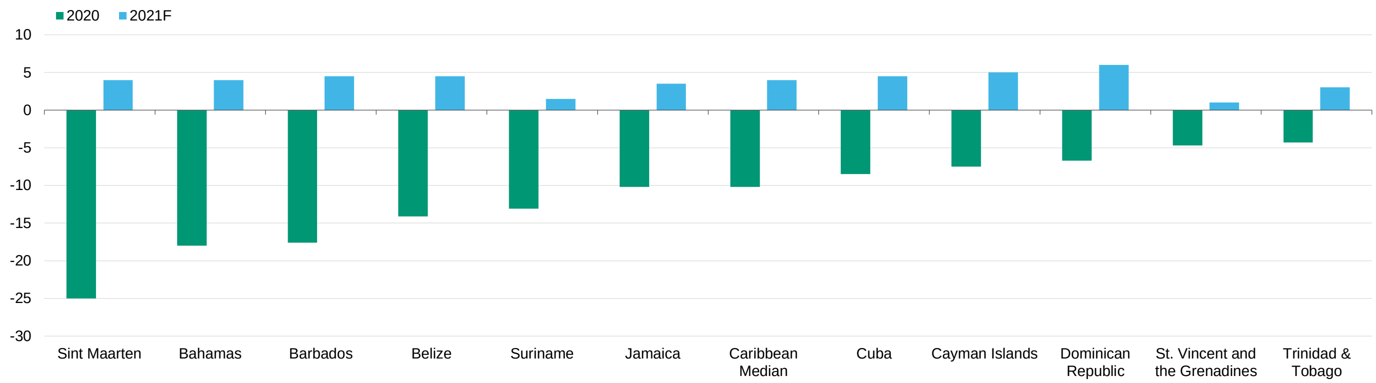
The opening of AIA improved connectivity to the main island of St. Vincent, which supports growth in the tourism sector, with direct flights from New York, Miami and Toronto. In 2019, there were 191 roundtrip flights from AIA, up from 99 in 2018. However, flights into St. Vincent decreased dramatically because of the pandemic. During the last three quarters of 2020, air travel decreased by 90% relative to 2019 levels. A return to similar growth rates in tourist arrivals – once the impact of the pandemic fades – would support growth and overall economic strength.

Contraction in 2020 was less pronounced for St. Vincent than for other Caribbean sovereigns but growth potential remains below that of B-rated peers

In 2020, St. Vincent's economy contracted by 4.7% in real terms. Given that real GDP growth in 2019 was just 0.5%, it is the second consecutive year of growth below the average for 2014-18. Due to the continued effects of the pandemic on tourism and overall economic activity, we expect 1% growth in 2021, with risks tilted to the downside. After the global financial crisis in 2008, St. Vincent's economy contracted by 2% on average each year between 2009 and 2011. Between 2019 and 2021, the average rate of contraction will be 1%.

Despite 2020 being the largest contraction in recent history for St. Vincent, it fared much better than regional peers, with only Trinidad & Tobago (Ba1 negative) experiencing a smaller contraction of 4.3%. The median Caribbean sovereign contracted by nearly 10% in real terms last year, with St. Maarten (Ba2 negative) contracting by as much as 25% (see Exhibit 6). In 2021 the median Caribbean sovereign is likely to grow by 4%, well above St. Vincent's expected growth for 2021.

Exhibit 6
St. Vincent contracted by less than other Caribbean sovereigns but will recover at a slower pace
Real GDP growth rate %

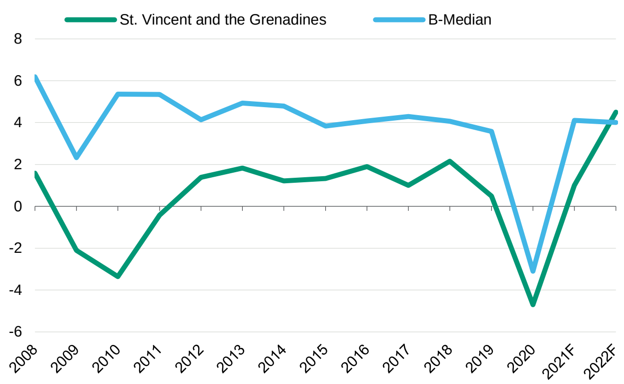


Source: Moody's Investors Service

The median contraction for B-rated sovereigns was 3.1% in 2020, and thus less severe than that of St. Vincent. B-rated sovereigns will have a median growth rate of 4% in 2021. As has happened in the past decade, St. Vincent's growth prospects will continue to lag that of its rating peers. We expect St. Vincent to grow slightly above 4% in 2022 as it fully recovers from the pandemic (see Exhibit 7). By 2023 it will return to a growth rate more consistent with historical trends – around 1.5%-2% in real terms.

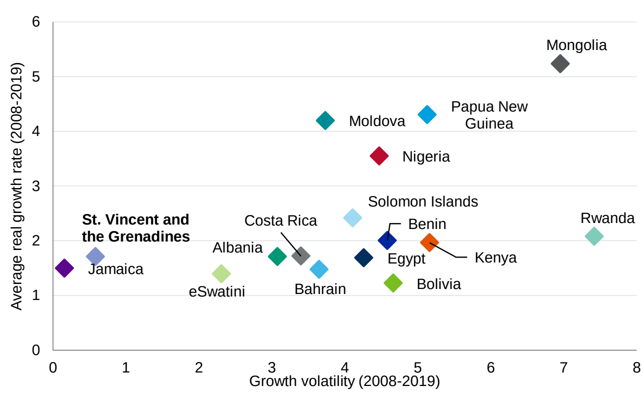
However, growth volatility tends to be more contained in St. Vincent compared with peers (see Exhibit 8). This is, in part, because of foreign participation in the economy. Indeed, the economy relies heavily on contributions from nonresidents in the form of remittances, which represent almost 25% of GDP and, to a lesser extent, demand for new housing when Vincentians come back to retire. Remittances represent a stable source of foreign exchange earnings and support domestic consumption, thereby limiting volatility in economic growth.

Exhibit 7
St. Vincent will continue to lag B-rated peers in growth performance
(Real GDP growth, %)



Sources: Ministry of Finance and Moody's Investors Service

Exhibit 8
St Vincent's growth tends to be weaker, but less volatile than similarly rated peers



Sources: Ministry of Finance and Moody's Investors Service

Economy vulnerable to environmental risks

St. Vincent is vulnerable to natural disasters and environmental risks, as highlighted in our report on environmental risks and their impact on sovereigns. Its small size and dependence on tourism-related activity make the economy highly susceptible to risks associated with natural disasters. The International Monetary Fund (IMF) estimates that, on average, a natural disaster causes damages equivalent to around 5.5% of GDP in St. Vincent, or annual damages worth 1.2% of GDP.

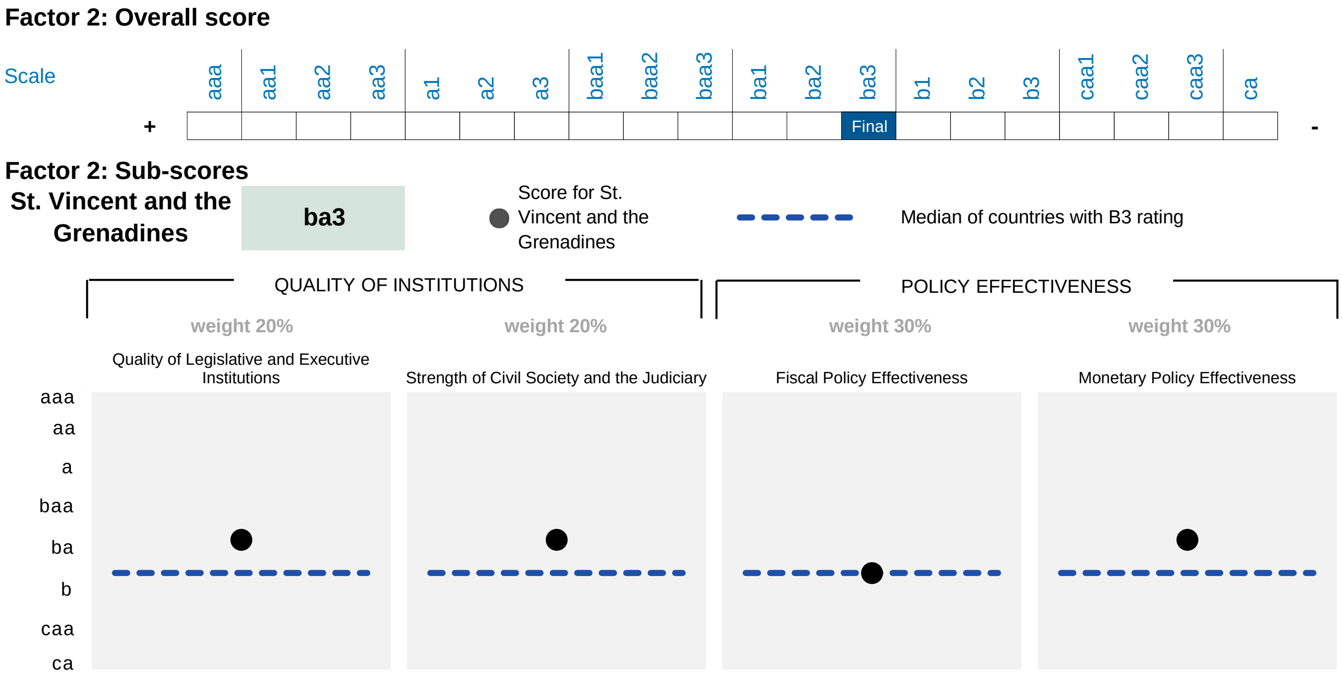
In 2017, the authorities set up and contributed 0.3% of GDP worth of funds to a Contingency Fund to offset the potential cost of damages from future natural disasters and have contributed around 0.5% of GDP annually since then. To capitalize the fund, the government introduced a 1% levy on consumption by increasing the VAT rate to 16% from 15% and the consumption tax rate for accommodation and other tourism-related activities to 11% from 10%, which both took effect in May 2017.

As of February 2021, the Contingency Fund held $13 million, the equivalent of 1.7% of GDP. Furthermore, St. Vincent has a Catastrophe Deferred Drawdown Option – a contingent line of financing in case of future natural disasters – for $20 million from the World Bank (IBRD, Aaa stable). This puts available resources at about 4% of GDP. We expect these measures to support the sovereign's resilience to small-scale natural disasters in the future, although the size of such contingency funds remains small compared to the potential costs of a more severe weather-related event.

Weak business competitiveness is a constraint on the economic profile

The World Bank's Ease of Doing Business survey points to St. Vincent's weak business competitiveness. In the 2020 edition, it ranked 130th out of 190 countries, down one place from the previous year's survey. At 130th, St. Vincent is two places behind Barbados (Caa1 stable). The country scores particularly weak with regards to registering property (168), getting credit (165) and resolving insolvency (168). We expect the passage of insolvency legislation in 2014 to improve the country's ranking in this last category. On the other hand, St. Vincent outperforms many of its peers in dealing with construction permits (51) and enforcing contracts (61). Given the recent weakening of its overall rank from an already weak position, we expect business competitiveness to remain a constraint on St. Vincent's economic profile for some time.

Institutions and governance strength score: ba3



Institutions and governance strength evaluates whether the country's institutional features are conducive to supporting a country's ability and willingness to repay its debt. A related aspect is the government's capacity to conduct sound economic policies that foster economic growth and prosperity. Institutions and governance strength is most often adjusted for the track record of default, which can only lower the final score.
Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

Our "ba3" assessments of St. Vincent and the Grenadines' institutions and governance strength reflects the country's relatively favorable scores in the Worldwide Governance Indicators (WGI) and our assessment of the government's ability and willingness to pursue policies that support timely debt payment. Official data reporting standards and practices are weak, a shortcoming that limits our assessment of St. Vincent's institutional capacity. Monetary and fiscal policy credibility display a mixed track record based on inflation volatility and relatively discretionary fiscal management (see Exhibit 9). St. Vincent shares the "ba3" institutional assessment score with Benin (B1 stable), Ghana (B3 positive) and Trinidad & Tobago.

Exhibit 9

Peer comparison table factor 2: Institutions and governance strength

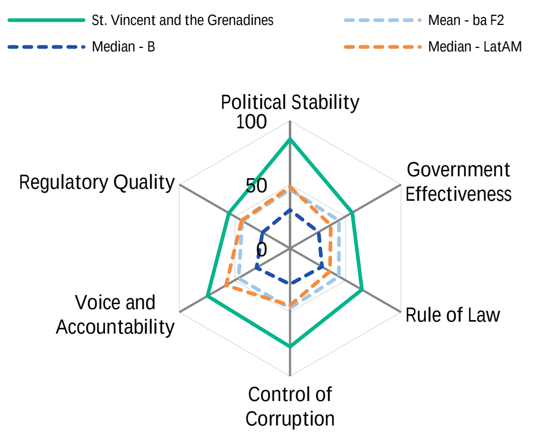
	St. Vincent and the Grenadines	ba3 Median	Russia	Ghana	Trinidad & Tobago	Benin	Paraguay	Tunisia
	B3/STA		Baa3/STA	B3/NEG	Ba1/NEG	B1/STA	Ba1/STA	B3/NEG
Final score	ba3		ba3	ba3	ba3	ba3	ba3	ba3
Initial score	ba3		ba3	ba3	ba3	ba3	ba3	ba3
Quality of legislative & executive institutions	ba	ba	ba	ba	b	b	ba	ba
Strength of civil society & judiciary	ba	ba	b	baa	ba	b	b	ba
Fiscal policy effectiveness	b	ba	ba	b	ba	ba	ba	b
Monetary & macro policy effectiveness	ba	ba	ba	b	ba	ba	ba	ba
Fiscal balance/GDP (3-year average)	-5.1	-4.6	-1.7	-8.5	-7.4	-3.4	-4.1	-7.1
Average inflation (% change)	0.9	4.3	5.3	10.4	1.7	1.1	3.5	5.1
Volatility of inflation (ppts)	1.5	2.5	3.6	4.2	3.2	2.3	1.6	1.3

Sources: National authorities, IMF and Moody's Investors Service

St. Vincent performs well on scores in the Worldwide Governance Indicators

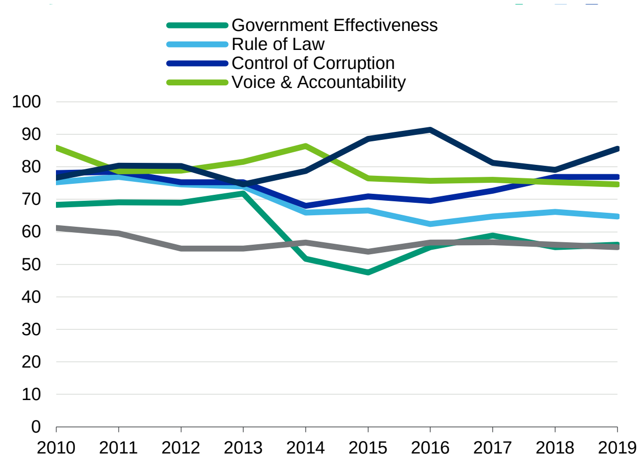
St. Vincent's institutional strength assessment is informed by its scores in the WGI (see Exhibits 10 and 11). St. Vincent ranks well above B-rated peers and regional peers, as well as peers with a "ba" institutions and governance strength score. St. Vincent ranks particularly well with regard to control of corruption (77th percentile in 2019), rule of law (65th) and government effectiveness (56th), scores that are above the "ba" medians for control of corruption (47th), rule of law (44th) and government effectiveness (44th). Political stability is by far St. Vincent's strongest metric, ranking in the 80th percentile, well above other Caribbean islands like Trinidad & Tobago (49th) and the Dominican Republic (48th) and on par with the Bahamas (81st) and Barbados (84th). St. Vincent's governance indicators are also consistent – most are at roughly the same level that they were in 2013, with the exception of government effectiveness, which has declined from the 72nd percentile (2013) to the 56th percentile (2019).

Exhibit 10
St. Vincent's governance indicators still outperform B-rated peers...
(Percentile rank among rated sovereigns, 2019)



Sources: Worldwide Governance Indicators and Moody's Investors Service

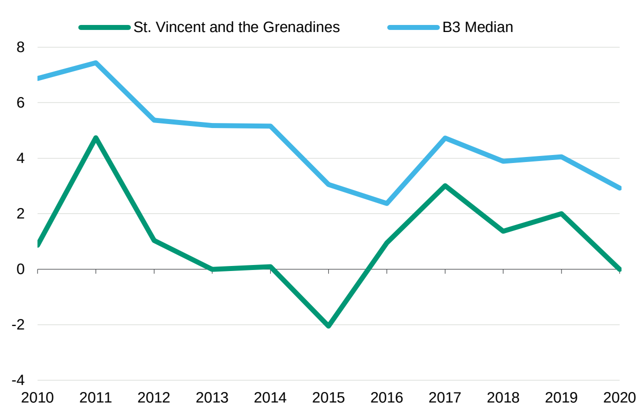
Exhibit 11
...and remain relatively stable
(Percentile rank among rated sovereigns, 2019)



Sources: Worldwide Governance Indicators and Moody's Investors Service

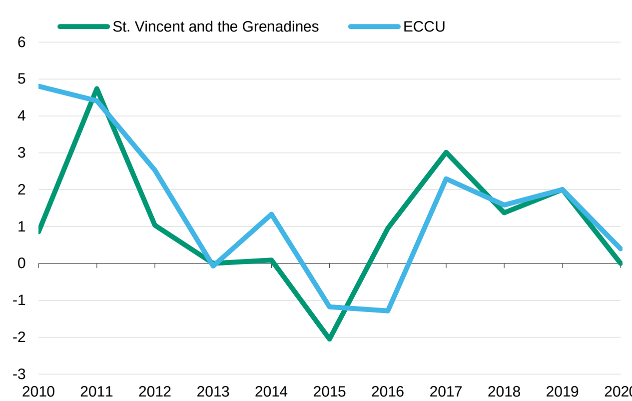
ECCU membership anchors inflation

Exhibit 12
St. Vincent's inflation is lower than that of B3 rated peers
(CPI, % change Dec/Dec)



Sources: Ministry of Finance, National Statistical Authorities and Moody's Investors Service

Exhibit 13
Inflation is anchored through the ECCB
(CPI, % change Dec/Dec)



Sources: National Statistical Authorities, ECCB and Moody's Investors Service

St. Vincent is part of the six member Eastern Caribbean Currency Union (ECCU). The Eastern Caribbean dollar (XCD) has been pegged at XCD2.7 to the US dollar in a currency board system since 1976. The monetary authority for the union, the Eastern Caribbean Central Bank (ECCB), holds reserves in excess of 100% of the union's monetary base to safeguard the peg, which has been stable since its inception. Membership in the union has provided St. Vincent with a stable exchange rate and an anchor for inflation (see Exhibits 12 and 13). Inflation, for instance, averaged 1.0% between 2010-20, although the pass-through from fuel and food prices remains high and leads to moderate inflation volatility.

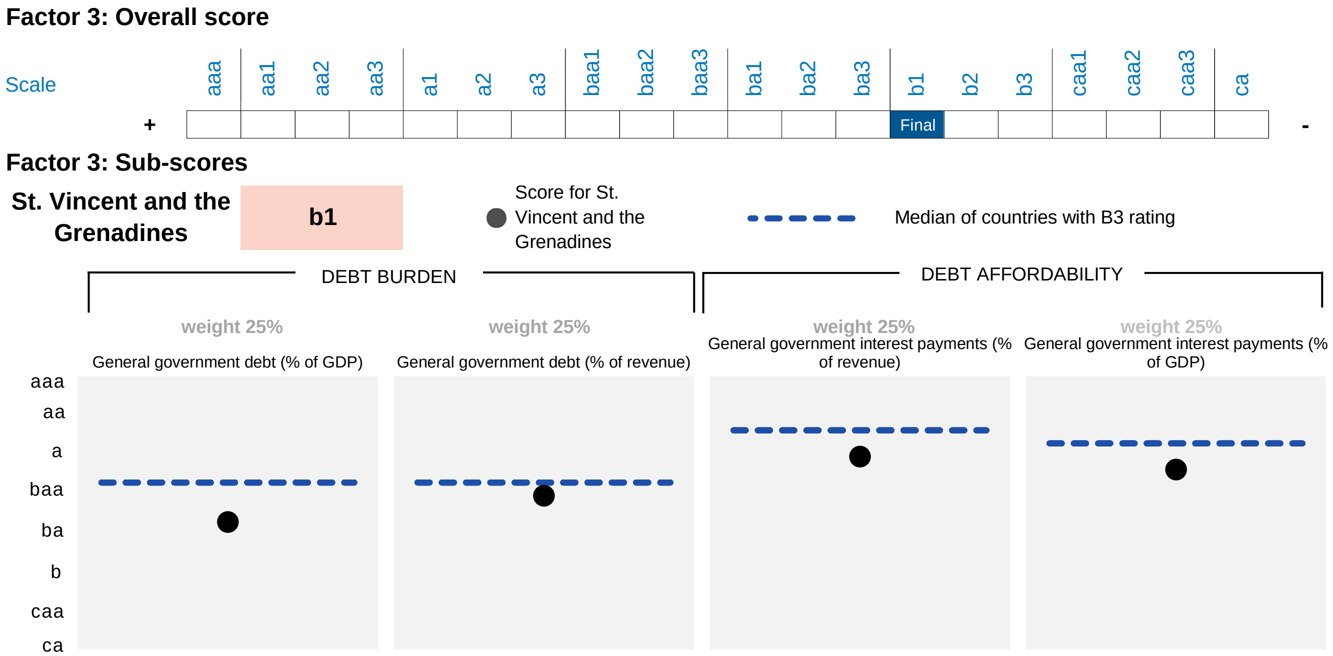
ECCU membership, however, implies that St. Vincent has no independent monetary policy and cannot adjust the exchange rate to mitigate external shocks. Exchange rate inflexibility places a greater emphasis on export competitiveness, both for goods and services (mainly the tourism offering), to ensure balance of payments sustainability.

Weak albeit improving data reporting practices constrain institutional capacity

Significant data limitations constrain St. Vincent's institutional strength despite the country's relatively high governance scores. Capacity constraints affect the quality of data reporting as well as policy implementation. Data deficiencies are particularly a constraint on analyzing the fiscal situation in St. Vincent – the reporting of public sector debt data is subject to lags and government finance statistics coverage is generally worse than similarly rated sovereigns. Substantial shortcomings exist in terms of coverage, consistency, timeliness and quality of macroeconomic data.

However, the regional central bank has recently made progress in improving data reporting. In mid-2017, the ECCB revised the balance of payments data for 2014-16. The revision benefited from an update to the BPM6 methodology as well as an expansion of coverage and enhanced tourism surveys. In addition to compiling balance of payments data on an annual basis, the central bank also began to publish quarterly data. Finally, annual data for the international investment position is now also available.

Fiscal strength score: b1



Fiscal strength captures the overall health of government finances, incorporating the assessment of relative debt burdens and debt affordability as well as the structure of government debt. Some governments have a greater ability to carry a higher debt burden at affordable rates than others. Fiscal strength is adjusted for the debt trend, the share of foreign currency debt in government debt, other public sector debt and for cases in which public sector financial assets or sovereign wealth funds are present. Depending on the adjustment factor, the overall score of fiscal strength can be lowered or increased.

Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

Our "b1" assessment of St. Vincent's fiscal strength reflects the government's high debt burden and relatively high share of foreign-currency debt (see Exhibit 14). The debt-to-GDP ratio has increased considerably since the global financial crisis, weighing on our assessment of fiscal strength. St. Vincent shares a "b1" score for fiscal strength with Brazil (Ba2 stable), Tajikistan (B3 negative) and Albania (B1 stable).

Exhibit 14

Peer comparison table factor 3: Fiscal strength

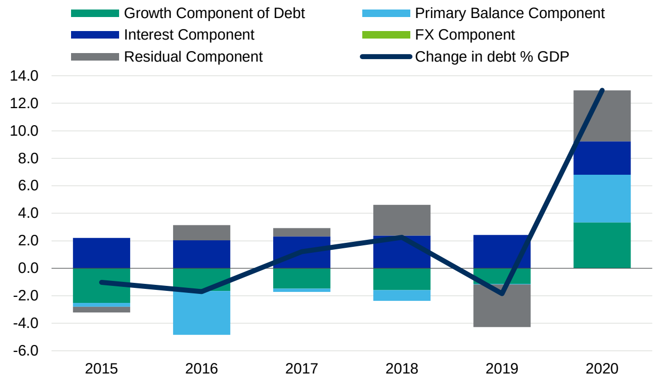
	St. Vincent and the Grenadines	b1 Median	Brazil	Ethiopia	Tajikistan	Armenia	Italy	Albania
	B3/STA		Ba2/STA	B2/RUR	B3/NEG	Ba3/STA	Baa3/STA	B1/STA
Final score	b1		b1	b1	b1	b1	b1	b1
Initial score	b1		b2	ba3	ba2	ba3	b2	ba2
Gen. gov. debt (% of GDP)	67.5	59.1	74.3	30.7	44.6	49.9	134.6	67.8
Gen. gov. debt (% of revenue)	225.8	223.6	238.0	239.9	162.9	202.9	285.8	247.0
Gen. gov. interest payments (% of GDP)	2.4	2.2	5.0	0.5	0.9	2.3	3.4	2.1
Gen. gov. int. payments (% of revenue)	8.1	7.4	15.9	3.9	3.1	9.4	7.2	7.6

Sources: National authorities, IMF and Moody's Investors Service.

Government debt has increased by 13 percentage points of GDP because of the coronavirus pandemic, compounding previous fiscal challenges

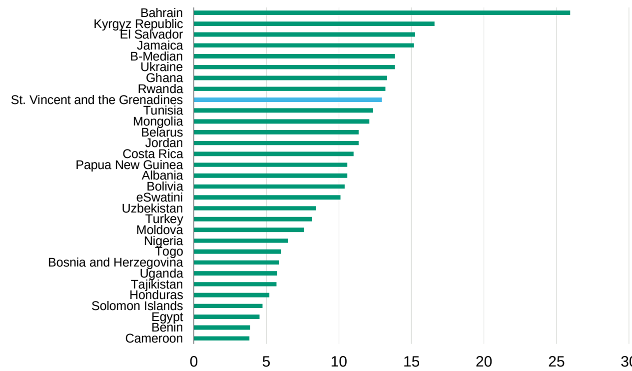
St. Vincent's high government debt burden is a key constraint on the credit profile, as it is well above the median for B-rated sovereigns of 64%. In 2020, government debt increased to 81% of GDP from 68% at the end of 2019, driven by lower growth, a higher primary deficit and the impact of interest payments. In the five years preceding the pandemic, debt levels had remained relatively stable and below 70% of GDP on account of positive contributions from growth and primary surpluses (see Exhibit 15). Nevertheless, the 13 percentage point increase in debt caused by the pandemic is on par with that of similarly rated peers (see Exhibit 16).

Exhibit 15
2020 debt increase was the result of lower growth and a higher primary deficit
(Percentage points of GDP)



Source: Moody's Investors Service

Exhibit 16
Debt increase in 2020 was on par with peers
(Increase in government debt as % of GDP between 2019 and 2020)

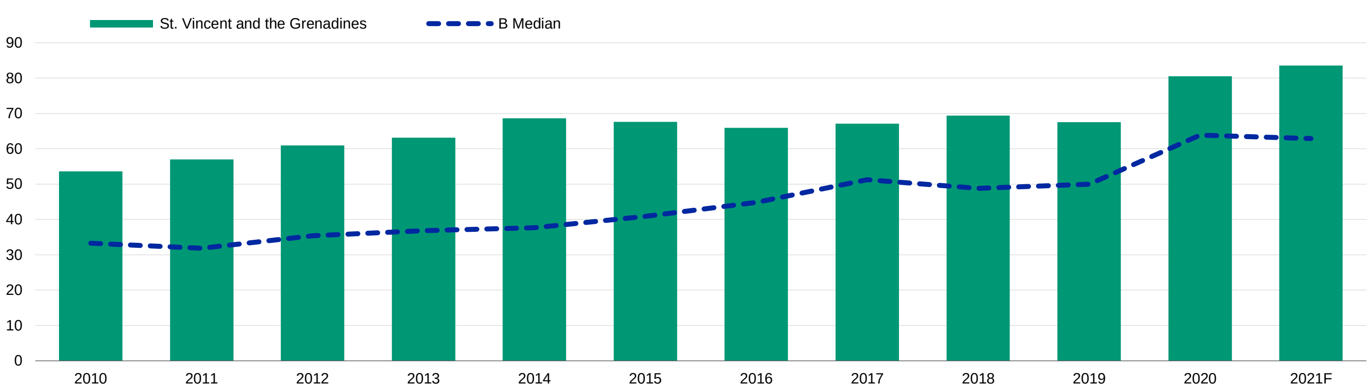


Source: Moody's Investors Service

To finance higher pandemic-related expenditures and make up for lower than anticipated revenue, the government borrowed a total of XCD202 million (9.2% of GDP). Of the new debt XCD88 million (4% of GDP) is denominated in domestic currency while the remaining XCD114 million (5.2%) is denominated in foreign currency. Most financing came from multilateral institutions, which have consistently supported St. Vincent through concessional lending. The lines of credit received in 2020 included $20 million from the World Bank for the response to the coronavirus pandemic, a $16 million Rapid Credit Facility from the IMF and $11 million from the CDB to minimize the social hardship provoked by the pandemic.

We expect St. Vincent's debt/GDP ratio to increase to nearly 84% in 2021 as the government will need to borrow more to finance its significant capital expenditures and continue to support workers that have been economically impacted by the slowdown in the tourism sector (see Exhibit 17). We expect that debt levels will stabilize slightly above 80% of GDP by 2023 and remain at that level for the foreseeable future.

Exhibit 17
St. Vincent's debt burden is well above the median for B-rated sovereigns
(government debt as % of GDP)



Source: Moody's Investors Service

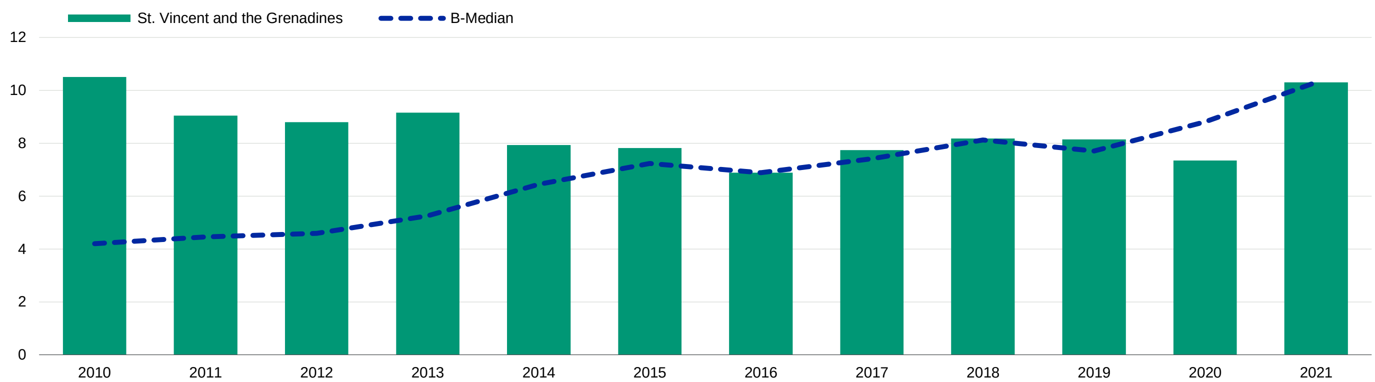
The coronavirus pandemic has compounded a prolonged deterioration in debt metrics relative to before the global financial crisis in 2008, when St. Vincent's debt stood at just 39% of GDP. The increase in government debt over the past decade has reflected a combination of low growth, disaster-related budgetary outlays and the construction of the Argyle International Airport, which cost the government around XCD700 million (US$259 million), or 35% of GDP. About half of the financing for the airport came from external grants, while around one-third came from external loans, with the remainder from land sales and government transfers to the International Airport Development Company.

Natural disasters contributed to the rise in the country's debt stock. In 2013, for instance, weather-related shocks led to the widest fiscal deficit of the past decade. The government estimated damages and losses from the 2013 floods and landslides alone were 15% of GDP. The country was also hit by natural disasters in 2010 and 2011.

To address the costs associated with frequent natural disasters, the government established the Contingency Fund as a fiscal buffer for natural disasters. The size of budgetary contributions to the fund at 0.5% of GDP are still small and below the average annual cost of natural disasters estimated by the IMF. The IMF estimates the average annual cost of natural disasters in St. Vincent to be around 1.2% of GDP, of which the government assumes around 0.8% of GDP. The Contingency Fund has grown to 1.7% of GDP in 2020 from 0.3% of GDP in 2017. Although the creation of this fund is a significant step, reflecting policymakers' attempt to develop financial buffers to better manage environmental threats, the amount of available resources is still limited and is insufficient to fully cover the fiscal costs of damages from climate-related events.

Despite the high debt burden, the concessional nature of most of the government debt keeps debt servicing costs below peers'. Interest payments as a share of revenue were 7.3% in 2020, below the median for B-rated sovereigns of 8.8% (see Exhibit 18). For 2021, St. Vincent has a higher share of interest payments due, which will temporarily elevate the interest/revenue to 10% – making it the same as the median for B-rated sovereigns. We expect the interest/revenue ratio to return to 7% in 2022.

Exhibit 18
St. Vincent's relatively affordable debt is a credit strength
(Interest/revenue, %)



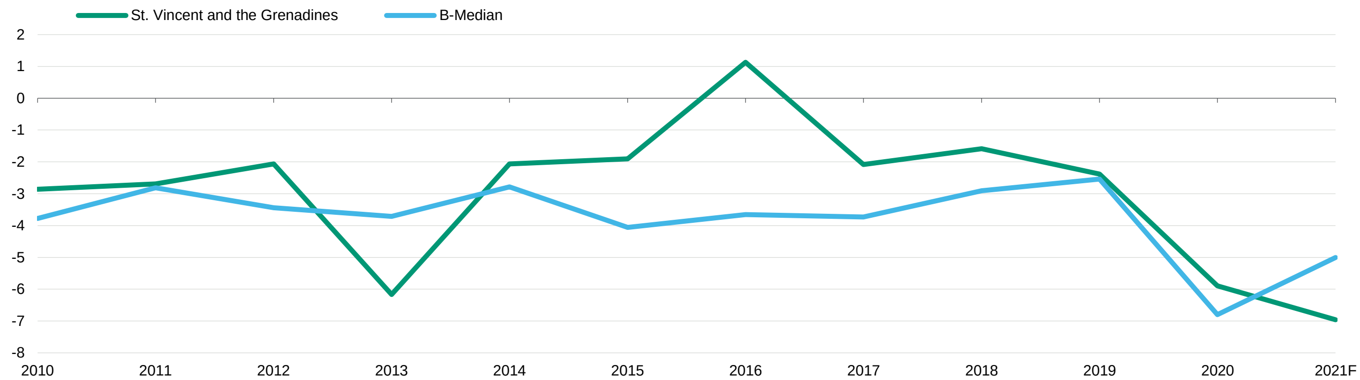
Source: Moody's Investors Service

ECCB encouraged looser fiscal stance to weather the pandemic, 2021 deficit will remain elevated

On 12 February 2021, the Eastern Caribbean Central Bank's monetary council accepted a recommendation to postpone the data by which members of the currency union have to reach the 60% public sector debt target that has served as the currency union's fiscal anchor. Previously, ECCU members had committed to bringing public sector debt down to 60% of GDP by 2030, in line with the ECCU target. However, the target has now been shifted to 2035 to provide fiscal flexibility for member countries.

St. Vincent's overall fiscal deficit averaged just over 2.3% of GDP between 2010 and 2019, comparing favorably with the average deficit for the median B-rated sovereign of 3.3% of GDP over that same period. The coronavirus pandemic has driven St. Vincent to take a more expansionary fiscal stance. Following a fiscal deficit of 5.9% of GDP in 2020, we expect St. Vincent's deficit to reach 7% of GDP in 2021 (see Exhibit 19) on account of continued infrastructure spending and transfers to the vulnerable.

Exhibit 19
St. Vincent fiscal stance will be more expansionary than in the past decade
(Financial balance, % of GDP)



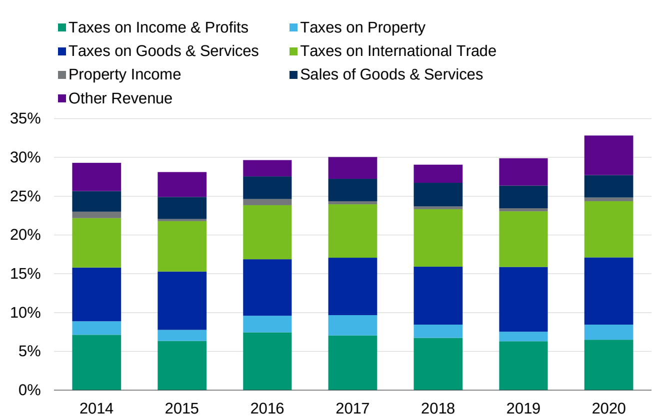
Source: Moody's Investors Service

Fiscal flexibility constrained by rigid spending structure and a limited ability to increase revenue

St. Vincent balances a combination of relatively high tax revenue collection against also high recurrent spending needs, primarily because of a large public sector wage bill. The government has improved tax collection in recent years mostly because of improved tax compliance, raising tax revenue to 28% of GDP in 2020, compared with 23% of GDP in 2014. Tax revenue in St. Vincent is now the highest among ECCU countries, and we therefore do not expect much improvement from revenue-related measures in the coming years.

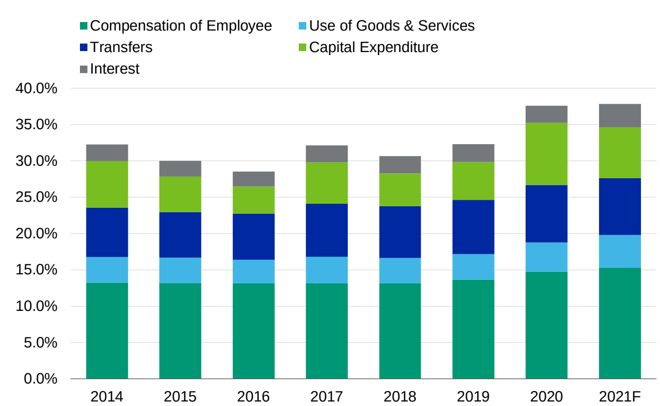
In 2020, total revenue amounted to 33% of GDP, up from 30% of GDP in 2019. The increase is a result of both lower GDP because of the pandemic as well as higher revenue in nominal terms. Despite the impact of the pandemic, taxes on international trade and consumption amounted to 16% of GDP in total (see Exhibit 20) – only a slight decrease in nominal terms. Additionally, the government had more resources at its disposal this year thanks to the sale of lands that boosted property tax revenue and capital revenue.

Exhibit 20
Consumption and international trade taxes account for 50% of government revenue
(% of GDP)



Sources: Ministry of Finance and Moody's Investors Service

Exhibit 21
Wages represent more than half of recurrent spending, limiting space for expenditure reductions
(% of GDP)



Sources: Ministry of Finance and Moody's Investors Service

Government spending stood at 39% of GDP in 2020. The main drivers of the increase were higher employee compensation, which rose to 15.2% of GDP from 13.6% in 2019 and the expansion of the capital budget, which represented 8.6% of GDP from 5.2% in 2019.

Transfers also increased slightly to 8.2% of GDP from 7.4% as the government sought to support unemployed workers and vulnerable populations (see Exhibit 21).

The government's high revenue intake is matched by equally high spending needs, with recurrent spending equal to around 26.5% of GDP between 2014 and 2020 or 83% of total expenditures. Compensation of government employees represents the single largest spending item, at 13.5% of GDP on average between 2014 and 2020. One of the government's priorities is to modernize the country's infrastructure. Capital expenditures averaged 5.6% of GDP between 2014 and 2020, or 17% of total government spending. Capital expenditures will continue to grow as a share of GDP over the coming years.

Total government spending will amount to 32.8% of GDP in 2021, above the 30.5% of GDP average of the five years preceding the pandemic. The largest item on the budget will be employee compensation, which will amount to 16.1% of GDP in 2021. Transfers will remain at 8.2% of GDP. Interest expenditures will increase to 3.4% of GDP in 2021 from 2.4% in 2020.

St. Vincent & the Grenadines benefits from the extension of DSSI in 2021

On 18 March 2021, the Paris Club recognized that St. Vincent is eligible to benefit from the extension of interest payments as part of the Debt Service Suspension Initiative (DSSI). The representatives of the Paris Club Creditor Countries agreed to provide St. Vincent with an extension of the time-bound suspension of debt service due from 1 January to 30 June 2021. The government of St. Vincent will devote the additional resources to address challenges caused by the coronavirus pandemic.

Given that St. Vincent does not have any private sector debt and that this is a process that has been taken only for bilateral creditors, the request for DSSI does not adversely impact St. Vincent's credit rating.

Debt of public corporations pose contingent liability risks

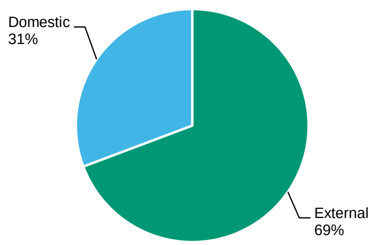
The debt of public corporations was around 7.4% of GDP in 2020, up from 6% in 2019. State-owned enterprise (SOE) debt poses a contingent liability risk to the sovereign, bringing nonfinancial public sector debt to 88% of GDP at the end of 2020. Public corporations' debt includes XCD112 million (5.3% of GDP) contracted under the PetroCaribe initiative, which is debt provided by Venezuela on concessional terms – part of this debt was not recorded under general government debt until 2016.

Predominantly foreign-currency-denominated debt is largely concessional

At year-end 2020, over two-thirds of government debt was external and denominated in foreign currency (see Exhibit 22). Although this exposes St. Vincent to foreign exchange rate risk, the risk is mitigated by St. Vincent's membership in a long-standing currency union and by the large share of external concessional debt. St. Vincent has no international market debt and only borrows externally from multilateral or bilateral creditors. Most of this external debt comes at concessional interest rates with long maturities, which makes repayment easier.

Exhibit 22

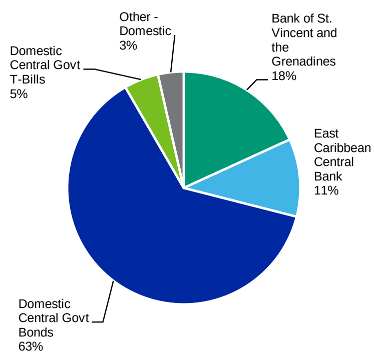
Most of St. Vincent's debt is external and denominated in foreign currency
(% of total debt)



Source: Ministry of Finance of St. Vincent & the Grenadines

Exhibit 23

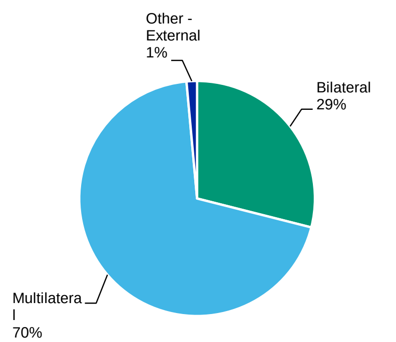
Domestic financing comes mostly through government bonds
(% of domestic debt)



Source: Ministry of Finance of St. Vincent & the Grenadines

Exhibit 24

Most external financing is from multilateral sources
(% external debt)



Source: Ministry of Finance of St. Vincent & the Grenadines

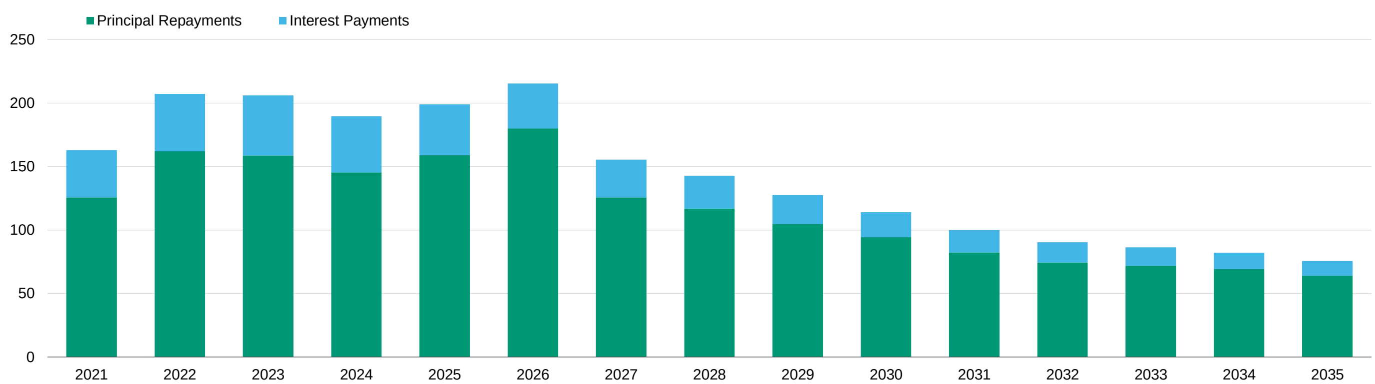
St. Vincent receives about a third of its financing in Eastern Caribbean dollars (see Exhibit 23). Domestically, the largest sources of financing are domestic government bonds (68%), followed by the Bank of St. Vincent and the Grenadines (18%) and the Eastern Caribbean Central Bank (11%). Most external debt (70%) is owed to multilaterals (see Exhibit 24). The International Development Association (IDA, Aaa stable) is the largest multilateral lender, accounting for 45% of multilateral debt, followed closely by the CDB, which accounts for 43% of total multilateral debt. The remainder of the multilateral debt is owed to the World Bank, the IMF, the CARICOM Development Fund and the OPEC Development Fund. Taiwan and Venezuela's ALBA Bank/El Fondo are the largest bilateral creditors.

Debt service will remain stable over the next five years and gradually decrease after

In 2020, the Ministry of Finance reported total debt service of XCD271 million (12.8% of GDP). Without accounting for the final benefits of the DSSI initiative, debt service in 2021 at the beginning of the year was slated to total XCD202 million (9.3% of GDP). At the end of the year, 2021 debt service may decrease as a result of the DSSI, but those benefits will not be fully reflected until the end of the year.

The maturity profile (see Exhibit 25) shows that going forward, the authorities will have a much more manageable debt repayment structure than in 2020. Between 2021 and 2026, debt service will average XCD184 million (8.5% of 2021 GDP). Starting in 2027, debt service will decrease rapidly to XCD153 million. Between 2027 and 2035, debt service averages XCD107 million.

Exhibit 25
Debt service will remain stable over the next five years and begin to decrease by 2027
(XCD millions)



Source: Moody's Investors Service, Ministry of Finance

Susceptibility to event risk score: ba

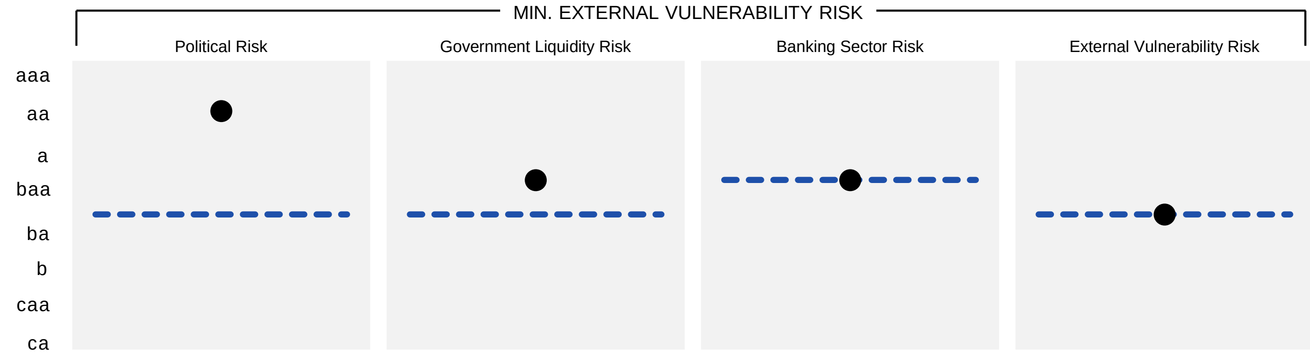
Factor 4: Overall score

Scale	aaa	aa	a	baa	ba	b	caa	ca	
+					Final				-

Factor 4: Sub-scores

St. Vincent and the	**ba**	● Score for St. Vincent and the Grenadines	- - - - Median of countries with B3 rating

Overall adjustment to Factor 4 Susceptibility to Event Risk: **0**



Susceptibility to event risk evaluates a country's vulnerability to the risk that sudden events may severely strain public finances, thus increasing the country's probability of default. Such risks include political, government liquidity, banking sector and external vulnerability risks. Susceptibility of event risk is a constraint which can only lower the scorecard-indicated outcome.

Note: the initial factor score is shown in light blue in the scale above. In case the initial and final factor scores are the same, only the final score will appear in the table above.

Our "ba" assessment of St. Vincent's susceptibility to event risk is driven by external vulnerability risk from large balance-of-payments imbalances.

Political risk: aa

Exhibit 26

Peer comparison table factor 4a: Political risk

	St. Vincent and the Grenadines	aa Median	Bahamas	Germany	Canada	Mauritius	Cayman Islands	Finland
	B3/STA		Ba2/NEG	Aaa/STA	Aaa/STA	Baa2/NEG	Aa3/STA	Aa1/STA
Final score	aa		aa	aa	aa	aa	aa	aa
Voice & accountability, score[1]	0.9	1.3	0.9	1.3	1.5	0.8	0.5	1.6
Political stability, score[1]	1.0	1.0	0.8	0.6	1.0	0.8	1.4	0.9

[1] Composite index with values from about -2.50 to 2.50: higher values correspond to better governance.
Sources: National authorities, IMF and Moody's Investors Service

We assess both geopolitical and domestic political risk at "aa" (see Exhibit 26). St. Vincent is a parliamentary democracy and an independent Commonwealth realm. The parliamentary term of office is five years and the House of Assembly is a unicameral Parliament with 15 elected members and six senators. The Governor General, who represents the monarch of the UK, appoints the senators: four on the advice of the prime minister and two on the advice of the opposition leader. Following the parliamentary elections of November 2020, the Unity Labour Party expanded its majority to two seats and currently holds nine seats. The remaining seats are taken up by electives of the New Democratic Party.

Government liquidity risk: baa

St. Vincent's government liquidity risk score is set at "baa," balancing large borrowing requirements with a reliance on multilateral and bilateral lenders, which reduces rollover risk (see Exhibit 27). The government liquidity assessment takes into account limited domestic capital market borrowing, and foreign-currency borrowing, which is a mix of concessional lending from a diverse base of multilateral and bilateral creditors, commercial borrowing from banks or via debt issuance.

Exhibit 27

Peer comparison table factor 4b: Government liquidity risk

	St. Vincent and the Grenadines	baa Median	Jamaica	Georgia	Bolivia	Jordan	Fiji	Tanzania
	B3/STA		B2/STA	Ba2/STA	B2/STA	B1/STA	Ba3/NEG	B2/STA
Final score	baa		baa	baa	baa	baa	baa	baa
Initial score	baa		baa	baa	baa	baa	baa	baa
Ease of access to funding	baa	baa	baa	baa	baa	baa	baa	baa
Gross borrowing requirements (% of GDP)	14.3	13.7	9.7	13.6	13.8	28.5	15.3	5.0

Sources: National authorities, IMF and Moody's Investors Service

We estimate gross financing needs will reach 14% of GDP in 2020. The government relies on several funding sources, including a regional government securities market, multilateral and bilateral lending and domestic bank loans. In 2020, the government was able to mobilize significant resources to address the funding shortfall caused by the pandemic. St. Vincent received $47 million (6% of GDP) from the IMF, World Bank and CDB.

The government has a Sinking Fund, which is used to set aside funds from current revenue on an annual basis to meet bullet bond obligations when they fall due. In 2019, the government used XCD32 million from the fund to meet its debt repayment obligations. This covered about 20% of the amortization due that year, which amounted to 6.8% of GDP. The Sinking Fund reduces rollover risk and therefore liquidity pressures.

Banking sector risk: baa

The "baa" score for banking sector risk reflects the importance of foreign-owned banks in the financial system, which exposes St. Vincent to events in countries in which the foreign banks operate (see Exhibit 28).

Exhibit 28

Peer comparison table factor 4c: Banking sector risk

	St. Vincent and the Grenadines	baa Median	Croatia	Kuwait	Honduras	Maldives	Spain	Cameroon
	B3/STA		Ba1/STA	A1/STA	B1/STA	B3/NEG	Baa1/STA	B2/STA
Final score	baa		baa	baa	baa	baa	baa	baa
Initial score	baa		baa	baa	baa	baa	a	baa
BCA[1]	--	ba3	ba2	baa2	--	--	baa2	--
BSCE[2]	ba1-ba2	ba3-b3	ba1-ba2	baa3	ba3-b3	ba3-b3	baa2	ba3-b3
Total domestic bank assets (% of GDP)	79.1	78.6	112.2	173.6	99.3	65.1	215.1	23.3

[1] BCA is an average of Baseline Credit Assessments (BCAs) for rated domestic banks, weighted by bank assets.
[2] Where we have no or small rating coverage in a system, we estimate the risk of Banking Sector Credit Event (BSCE) based on available data for aggregate banking system.
Sources: National authorities, IMF and Moody's Investors Service

There are no immediate contingent liabilities arising from the banking sector. The banking system is relatively sizable, with assets amounting to around 79% of GDP in 2019. There are four banks operating in St. Vincent: the Royal Bank of Trinidad and Tobago (RBTT) and two branches of Canadian banks – Bank of Nova Scotia (Aa2 stable) and Canadian Imperial Bank of Commerce (Aa2 stable). The Bank of St. Vincent is the only indigenous bank in which the central government owns a 43% stake. The government also owns a 20% stake in the National Insurance Services (NIS). As such, the government has a 63% shareholder stake altogether in the Bank of St. Vincent.

Similar to other Eastern Caribbean countries, the financial system is fragmented with 21 insurance companies and five credit unions, which are gaining more prominence in the financial sector, operating alongside the four banks. The IMF notes that the financial system has become more vulnerable to credit unions as a result of their increased size and concentration of deposits in the banking system. As such, the government requires stress testing for credit unions as well now.

Risk to asset quality stems from low economic growth and sizable exposure to the inherently risky retail customer segment. NPLs have risen steadily in recent years as a result of subdued growth and tourist arrivals. Commercial banks' performance remains stable with rising profitability and a capital adequacy ratio well above the regulatory requirement.

External vulnerability risk: ba

We have set the score for external vulnerability risk at "ba," to reflect the high susceptibility to an external shock, originating from balance of payments crises and the heavy reliance on foreign capital inflows (see Exhibit 29).

Exhibit 29

Peer comparison table factor 4d: External vulnerability risk

	St. Vincent and the Grenadines	ba Median	Belize	Rwanda	Oman	Suriname	Montenegro	Nicaragua
	B3/STA		Caa3/STA	B2/NEG	Ba3/NEG	Caa3/NEG	B1/STA	B3/STA
Final score	ba		ba	ba	ba	ba	ba	ba
Initial score	ba		ba	ba	ba	ba	ba	ba
Current account balance (% of GDP)	-12.2	-5.1	-9.4	-11.0	-5.4	-11.1	-15.0	6.0
Net IIP (% of GDP)[1]	--	-36.8	--	--	-23.4	--	-168.6	-118.7
External debt (% of current account receipts)	119.6	143.7	110.3	144.0	156.8	154.9	292.6	145.0
External vulnerability indicator (EVI)[2]	45.2	78.4	18.3	32.6	119.6	380.6	135.1	48.9

[1] Net international investment position (% of GDP).
[2] (Short-term external debt + currently maturing long-term debt + total nonresident deposits over one year)/official foreign exchange reserves.
Sources: National authorities, IMF and Moody's Investors Service

We estimate that the current account deficit widened to 15% of GDP in 2020 from 12% in 2019 as the fall in tourism decreased exports by a larger share than the decrease in imports caused by the fall in economic activity. However, given the large import composition of the tourism sector, the decrease in tourism activity also impacted imports and hence why the current account deficit did not widen significantly.

The current account deficit had narrowed in the years before the pandemic from a peak of 29% in 2013, on the basis of reduced food imports, lower oil prices and an increase in tourist arrivals. We expect a current account deficit of around 14% of GDP in 2021 and a narrowing to 12% once the effects of the pandemic fade in 2022.

In recent years, IMF financial assistance helped alleviate immediate pressures on St. Vincent's external accounts from natural disasters, but the balance of payments remains vulnerable to further extreme weather events. St. Vincent remains highly dependent on concessional, international financial flows from multilateral development banks and bilateral agreements with individual countries. St. Vincent's external accounts also remain vulnerable to extreme weather events.

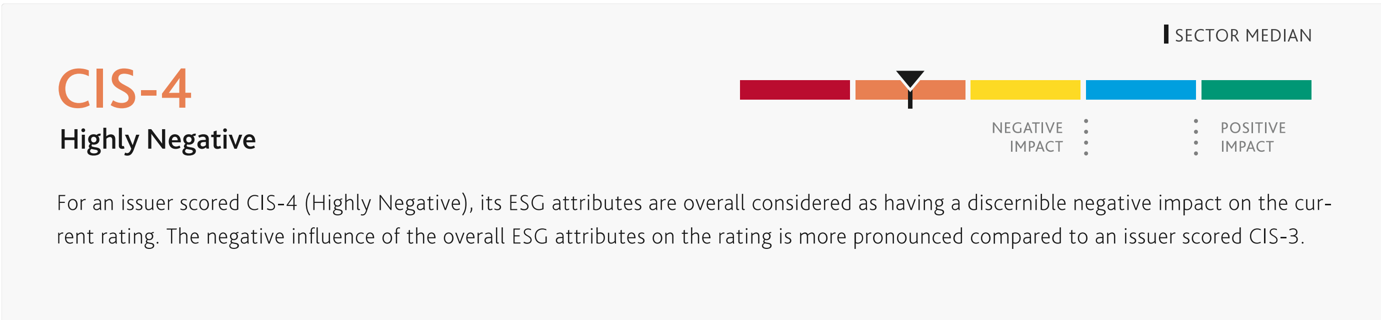
ECCU members are required to pool their foreign exchange reserves at the ECCB. St. Vincent's contribution to the accumulation of foreign exchange reserves within the ECCU has been limited, but the monetary union's foreign exchange reserves reached $1.9 billion in 2019. Foreign exchange reserves remain well above the import coverage ratio and various other metrics of reserve adequacy, thereby providing a sufficient buffer.

While ECCU membership has benefits, it does not entirely temper the risk of a balance of payments crisis. The ECCB has been successful in maintaining the XCD peg since 1976, thereby offsetting the impact of any balance of payment developments on the exchange rate and ensuring macroeconomic stability. However, the ECCB is the only institution to guarantee the exchange rate regime and to warrant the convertibility of the XCD to hard currency. Even though the probability of a devaluation of the XCD remains low, the currency union does not eliminate exchange rate risk. A deterioration in the terms of trade across the ECCU zone and increased foreign-currency needs could, for instance, increase pressure on the regional currency peg.

ESG considerations

St. Vincent and the Grenadines' ESG Credit Impact Score is highly negative (CIS-4)

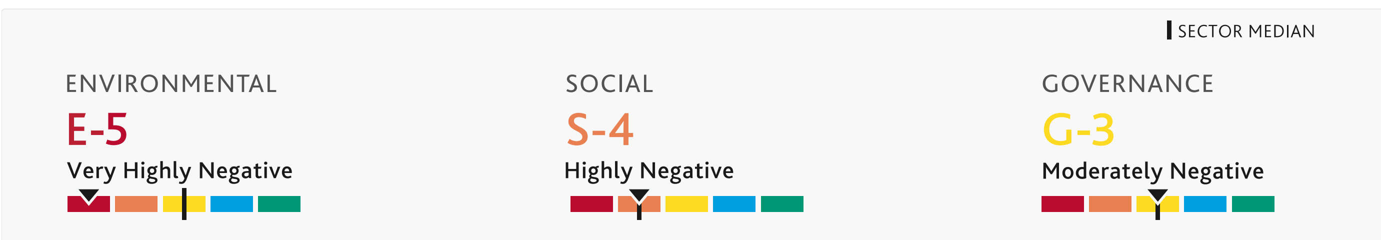
Exhibit 30
ESG Credit Impact Score



Source: Moody's Investors Service

St. Vincent's ESG Credit Impact Score is highly negative (**CIS-4**) reflecting high exposure to environmental and social risks and moderately strong institutions.

Exhibit 31
ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

We assess St. Vincent's exposure to environmental risks as very highly negative (**E-5** issuer profile score) reflecting high exposure to physical climate risk through its exposure to weather-related shocks that can cause severe economic disruption to the island's vital tourism sector.

Social

Exposure to social risks is highly negative (**S-4** issuer profile score) due to low income levels and a deficiency in education outcomes and the provision of services.

Governance

Our assessment of St. Vincent's governance reflects the country's relatively favorable scores in the Worldwide Governance Indicators, balanced by a mixed track record of fiscal policy implementation. We assess exposure to governance risk as moderately negative (**G-3** issuer profile score).

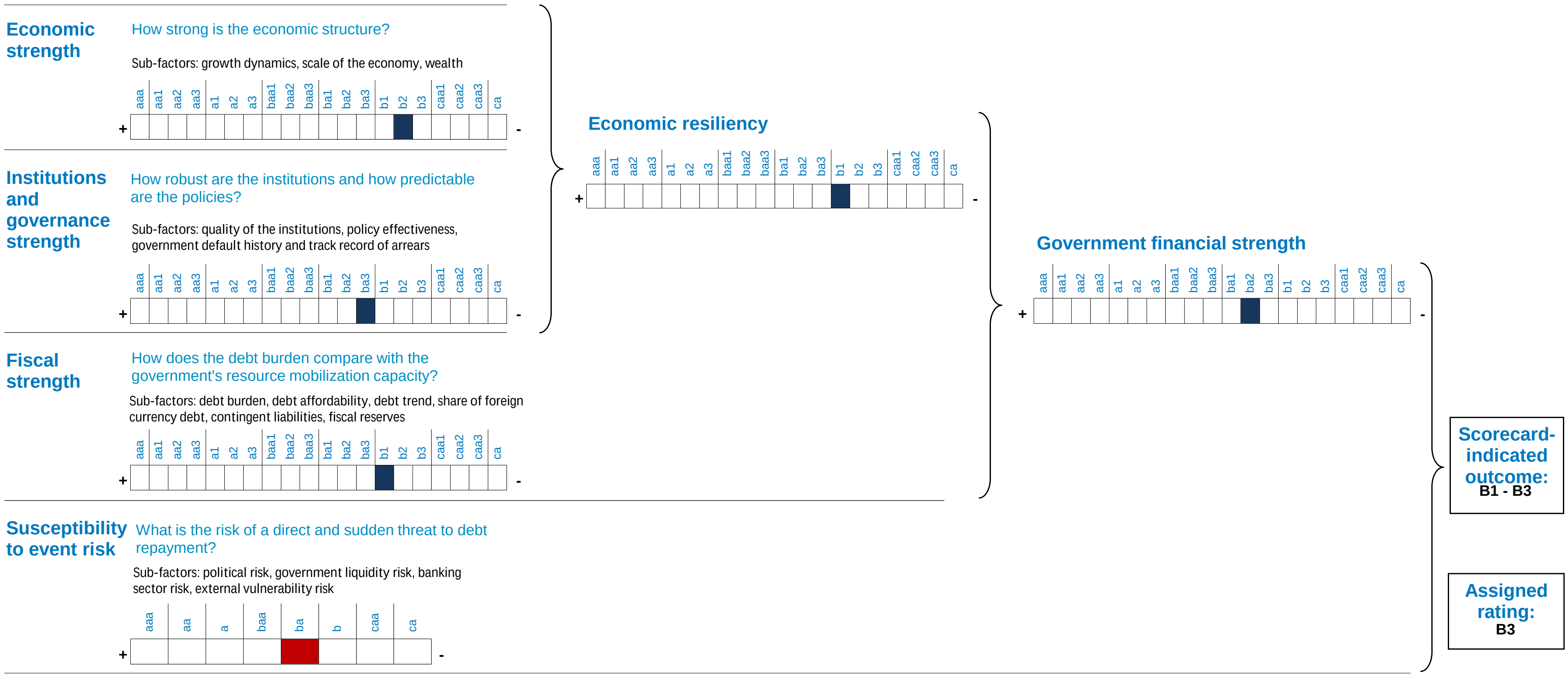
All of these considerations are further discussed in the "Credit profile" section above. Our approach to ESG is explained in our report on how the scores depict varied and largely credit-negative impact of ESG factors and our cross-sector methodology General Principles for Assessing Environmental, Social and Governance Risks Methodology.

Scorecard-indicated outcome

Combining the scores for individual factors provides the scorecard-indicated outcome. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the scorecard-indicated outcome. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the scorecard-indicated outcome. For more information please see our [Sovereign Ratings Methodology](https://www.moodys.com).

Exhibit 32

Sovereign rating metrics: St. Vincent & the Grenadines



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding St. Vincent & the Grenadines with other sovereigns that we rate. It focuses on a comparison with sovereigns within the same scorecard-indicated outcome and shows the relevant credit metrics and factor scores.

Exhibit 33

St. Vincent & the Grenadines's key peers

	Year	St. Vincent and the Grenadines	Tunisia	El Salvador	Barbados	Maldives	Costa Rica	B3 Median	Latin America and Caribbean Median
Rating/outlook		B3/STA	B3/NEG	B3/NEG	Caa1/STA	B3/NEG	B2/NEG	B3	Ba3
Scorecard-indicated outcome		B1 - B3	B2 - Caa1	B2 - Caa1	B2 - Caa1	B2 - Caa1	B1 - B3	B2 - Caa1	Ba2 - B1
Factor 1		**b2**	**ba3**	**ba3**	**b1**	**ba3**	**baa3**	**b1**	**ba2**
Nominal GDP ($ bn)	2019	0.8	38.8	27.0	5.2	5.6	64.0	12.9	51.2
GDP per capita (PPP, Intl$)	2019	13,019	11,125	9,147	16,292	28,273	20,361	9,245	15,335
Avg. real GDP (% change)	2015 - 2024F	1.2	1.1	1.6	0.1	4.2	2.2	2.5	1.2
Volatility in real GDP growth (ppts)	2010 - 2019	1.6	1.7	0.5	1.5	2.0	1.1	2.0	1.9
Factor 2		**ba3**	**ba3**	**b2**	**ba2**	**b3**	**ba2**	**b3**	**ba3**
Quality of legislative & executive institutions	Latest available	ba	ba	b	ba	b	ba	b	ba
Strength of civil society & judiciary	Latest available	ba	ba	b	aa	b	a	b	ba
Fiscal policy effectiveness	Latest available	b	b	b	b	caa	b	b	ba
Monetary & macro policy effectiveness	Latest available	ba	ba	b	ba	b	ba	b	ba
Gen. gov. fiscal balance (% of GDP)	2019 - 2021F	-7.5	-7.1	-6.7	-0.9	-12.5	-7.2	-4.6	-5.8
Average inflation (% change)	2015 - 2024F	1.0	5.1	0.8	2.4	1.3	1.8	4.9	2.8
Volatility of inflation (ppts)	2010 - 2019	1.5	1.3	1.5	2.9	4.3	2.0	1.9	1.7
Factor 3		**b1**	**caa1**	**b2**	**b3**	**b1**	**ca**	**b1**	**ba3**
Gen. gov. debt (% of GDP)	2019	67.5	72.3	71.0	91.6	59.3	56.5	50.1	51.8
Gen. gov. debt (% of revenue)	2019	225.8	254.4	312.5	319.9	221.4	396.1	212.2	223.3
Gen. gov. interest payments (% of revenue)	2019	8.1	9.9	16.2	8.4	6.6	28.3	6.8	10.8
Gen. gov. interest payments (% of GDP)	2019	2.4	2.8	3.7	2.4	1.8	4.0	1.8	2.4
Factor 4		**ba**	**b**	**b**	**b**	**b**	**ba**	**b**	**baa**
Political risk	Latest available	**aa**	**ba**	**ba**	**aa**	**baa**	**a**	**ba**	**baa**
Government liquidity risk	Latest available	**baa**	**b**	**b**	**b**	**b**	**ba**	**ba**	**baa**
Gross borrowing requirements (% of GDP)	2020F	16.7	17.0	9.6	7.5	0.0	13.0	14.0	11.7
Banking sector risk	Latest available	**baa**	**ba**	**baa**	**a**	**baa**	**baa**	**baa**	**baa**
BSCE[1]	Latest available	ba1-ba2	caa-c	ba3-b3	baa2	ba3-b3	ba3-b3	ba3-b3	ba3-b3
Total domestic bank assets (% of GDP)	2019	79.1	113.8	68.4	123.1	65.1	62.4	56.8	69.7
External vulnerability risk	Latest available	**ba**	**b**	**baa**	**b**	**ba**	**baa**	**ba**	**baa**
Current account balance (% of GDP)	2019	-12.2	-8.5	-2.1	-2.5	-26.8	-2.3	-3.2	-1.8
External vulnerability indicator (EVI)	2021F	45.2	155.2	136.7	35.8	44.3	125.8	74.4	62.2
External debt (% of current account receipts)	2019	119.6	184.2	123.3	82.7	81.5	139.0	123.3	126.8
Net international investment position (% of GDP)	2019	--	-164.1	-65.2	--	--	-56.5	-49.6	-41.8

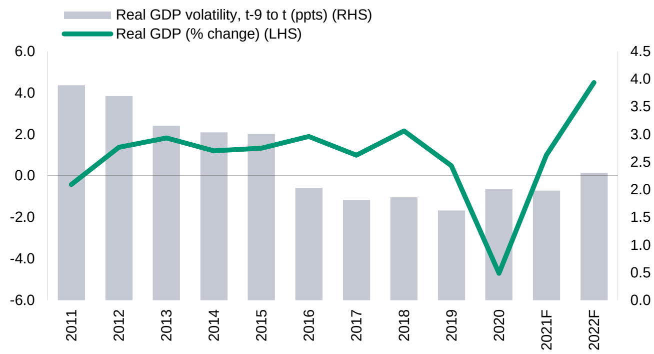
[1] BSCE is our estimate of the risk of a Banking Sector Credit Event (BSCE), which we use for sovereigns where we have no or very limited rating coverage of a system. Otherwise, we use the Baseline Credit Assessment (BCA) for rated domestic banks, weighted by bank assets.

Sources: National authorities, IMF, Moody's Investors Service

DATA, CHARTS AND REFERENCES

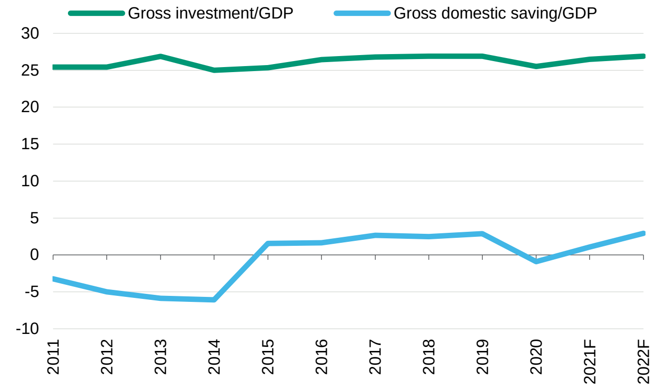
Chart pack: St. Vincent & the Grenadines

Exhibit 34
Economic growth



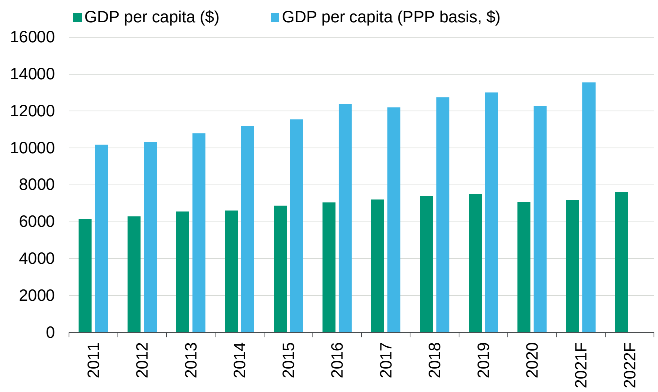
Source: Moody's Investors Service

Exhibit 35
Investment and saving



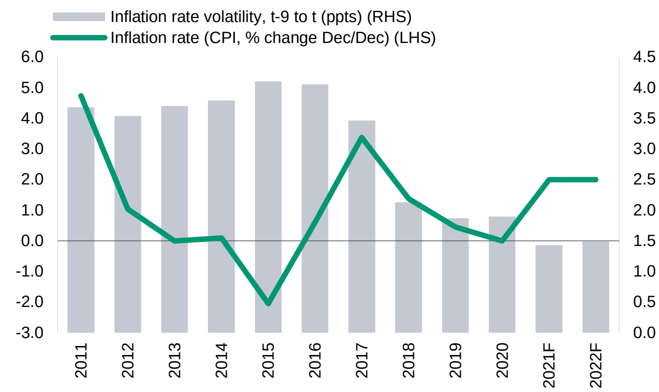
Source: Moody's Investors Service

Exhibit 36
National income



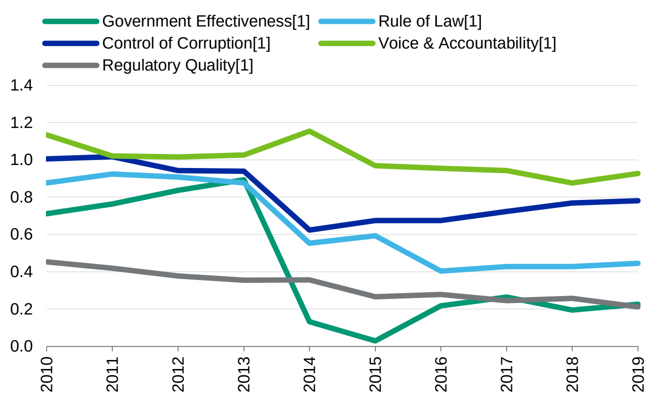
Source: Moody's Investors Service

Exhibit 37
Inflation and inflation volatility



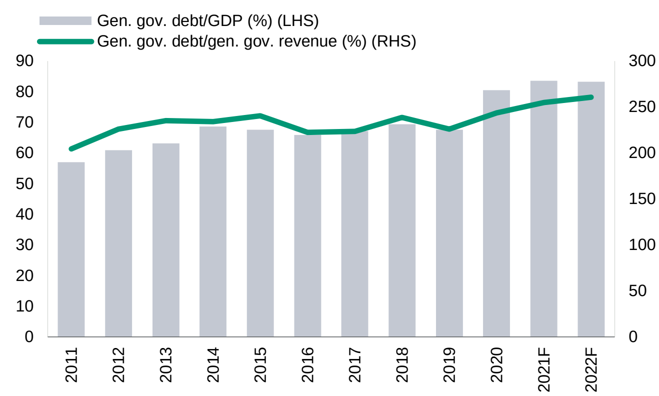
Source: Moody's Investors Service

Exhibit 38
Institutional framework and effectiveness



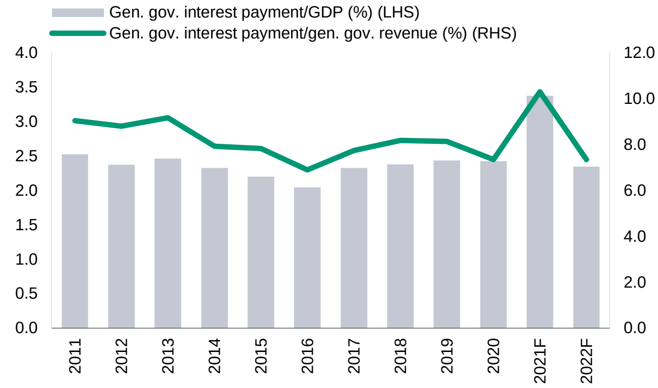
Notes: [1] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions.
Source: Worldwide Governance Indicators

Exhibit 39
Debt burden



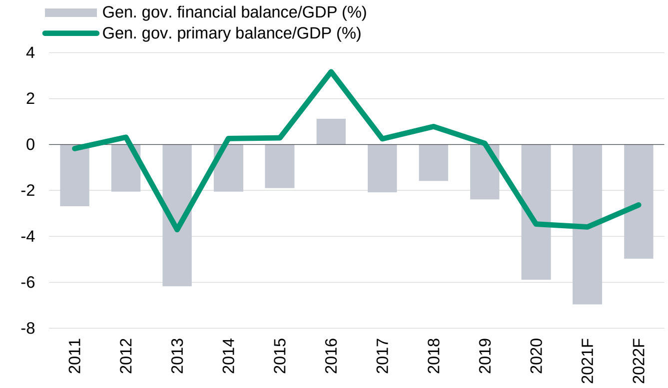
Source: Moody's Investors Service

Exhibit 40
Debt affordability



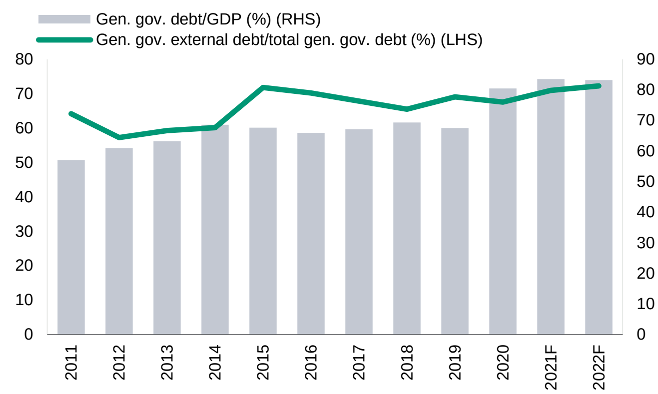
Source: Moody's Investors Service

Exhibit 41
Financial balance



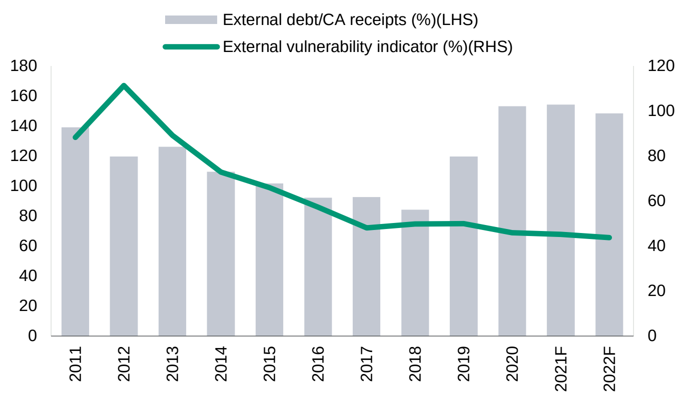
Source: Moody's Investors Service

Exhibit 42
Government liquidity risk



Source: Moody's Investors Service

Exhibit 43
External vulnerability risk



Source: Moody's Investors Service

Rating history

Exhibit 44

St. Vincent & the Grenadines[1]

Long Term Ratings		Outlook	Review Action		Short Term Ratings		Action Date
Foreign Currency	Local Currency		Foreign Currency	Local Currency	Foreign Currency	Local Currency	
B3	B3	STA	-	-	NP	NP	May-16
B3	B3	NEG	-	-	NP	NP	Nov-14
B2	B2	STA	-	-	NP	NP	Oct-12
B1	B1	STA	-	-	NP	NP	Dec-07

Notes: [1] Table excludes rating affirmations and ceilings. Please visit the issuer page for St. Vincent & the Grenadines for the full rating history.
Source: Moody's Investors Service

Annual statistics

Exhibit 45

St. Vincent & the Grenadines

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
Economic structure and performance												
Nominal GDP (US$ bil.)	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Population (Mil.)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
GDP per capita (US$)	6,147	6,299	6,556	6,616	6,867	7,040	7,202	7,375	7,497	7,081	7,187	7,618
GDP per capita (PPP basis, US$)	10,186	10,340	10,795	11,205	11,552	12,384	12,202	12,752	13,019	12,268	--	--
Nominal GDP (% change, local currency)	-0.7	2.5	4.1	0.9	3.8	2.5	2.3	2.4	1.7	-4.7	1.5	6.0
Real GDP (% change)	-0.4	1.4	1.8	1.2	1.3	1.9	1.0	2.2	0.5	-4.7	1.0	4.5
Inflation (CPI, % change Dec/Dec)	4.7	1.0	0.0	0.1	-2.1	0.6	3.4	1.4	0.5	0.0	1.0	2.0
Gross investment/GDP	25.4	25.4	26.9	25.0	25.3	26.5	26.8	26.9	26.9	25.5	26.5	26.9
Gross domestic saving/GDP	-3.2	-5.0	-5.9	-6.1	1.6	1.7	2.7	2.5	2.9	0.5	1.5	3.1
Nominal exports of G & S (% change, US$ basis)	-0.2	4.3	-4.6	2.2	1.2	5.2	-1.5	7.3	3.9	-18.5	7.1	10.9
Nominal imports of G & S (% change, US$ basis)	-3.2	6.6	4.2	-1.6	-6.4	2.2	-1.9	5.4	2.0	-10.0	4.0	5.9
Openness of the economy[1]	82.7	85.4	83.2	82.1	75.9	76.4	73.4	76.0	76.8	70.2	72.6	73.6
Government Effectiveness[2]	0.8	0.8	0.9	0.1	0.0	0.2	0.3	0.2	0.2	--	--	--
Government finance												
Gen. gov. revenue/GDP[3]	27.9	27.0	26.9	29.3	28.1	29.6	30.0	29.1	30.5	33.0	32.8	31.9
Gen. gov. expenditures/GDP[3]	30.6	29.0	33.0	31.4	30.0	28.5	32.1	30.7	34.1	38.9	39.7	36.9
Gen. gov. financial balance/GDP[3]	-2.7	-2.1	-6.2	-2.1	-1.9	1.1	-2.1	-1.6	-3.6	-5.9	-7.0	-5.0
Gen. gov. primary balance/GDP[3]	-0.2	0.3	-3.7	0.3	0.3	3.2	0.2	0.8	-1.1	-3.5	-3.6	-2.6
Gen. gov. debt (US$ bil.)[3]	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7
Gen. gov. debt/GDP[3]	57.0	60.9	63.2	68.6	67.6	65.9	67.1	69.4	67.5	80.5	83.6	83.2
Gen. gov. debt/gen. gov. revenue[3]	204.4	225.9	235.2	234.1	240.6	222.4	223.5	238.6	221.2	243.7	255.0	260.6
Gen. gov. interest payments/gen. gov. revenue[3]	9.0	8.8	9.2	7.9	7.8	6.9	7.7	8.2	8.2	7.3	10.3	7.3
Gen. gov. FC & FC-indexed debt/gen. gov. debt[3]	64.2	57.3	59.3	60.1	71.8	70.2	67.8	65.5	69.1	67.6	71.0	72.3

Source: Moody's Investors Service

Exhibit 46

St. Vincent & the Grenadines

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021F	2022F
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Real eff. exchange rate (% change)	-3.2	3.1	-1.2	-0.9	5.5	1.1	0.0	-0.2	1.9	--	--	--
Current account balance (US$ bil.)	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Current account balance/GDP	-29.4	-27.8	-29.2	-26.3	-15.3	-13.0	-12.0	-12.2	-12.2	-14.7	-14.3	-12.9
External debt (US$ bil.)[4]	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5	0.5	0.6
Public external debt/total external debt[4]	92.4	92.0	92.6	92.0	92.7	91.9	93.4	94.5	92.2	92.8	93.2	93.5
Short-term external debt/total external debt	--	--	--	--	--	--	--	--	--	--	--	--
External debt/GDP[4]	45.0	41.6	43.2	46.8	45.5	43.1	42.6	40.2	57.4	65.3	68.4	67.5
External debt/CA receipts[5][4]	139.1	119.7	126.2	109.5	101.7	92.1	92.6	84.1	119.6	153.1	154.3	148.4
Interest paid on external debt (US$ bil.)[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization paid on external debt (US$ bil.)[4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net foreign direct investment/GDP	12.7	16.7	17.6	16.9	15.8	10.2	19.3	13.6	12.2	13.7	13.7	13.2
Net international investment position/GDP	--	--	--	--	--	--	--	--	--	--	--	--
Official forex reserves (US$ bil.)	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Net foreign assets of domestic banks (US$ bil.)	0.1	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	--	--	--
Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	-0.3	6.6	8.5	9.6	4.8	3.0	1.0	1.9	8.1	--	--	--
Monetary policy rate (% per annum, Dec 31)[6]	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	--	--	--
Domestic credit (% change Dec/Dec)	1.5	4.9	1.2	-0.2	2.5	0.6	0.7	-0.3	1.1	--	--	--
Domestic credit/GDP	53.0	54.3	52.8	52.2	51.5	50.5	49.8	48.4	48.1	--	--	--
M2/official forex reserves (X)	4.7	4.0	3.6	3.3	3.3	2.9	3.2	3.4	3.3	--	--	--
Total external debt/official forex reserves	346.5	264.0	234.2	218.4	208.8	174.4	186.9	193.6	246.9	259.6	268.2	272.3
Debt service ratio[7]	16.1	15.2	13.2	9.8	9.9	8.8	9.1	10.2	8.4	12.0	11.7	10.8
External vulnerability indicator (EVI)[8]	88.2	111.3	89.2	72.9	66.0	57.3	48.1	49.8	49.9	45.9	45.2	43.7
Liquidity ratio[9]	18.3	15.8	20.6	46.7	25.7	40.7	44.7	28.1	20.6	--	--	--
Total liabilities due BIS banks/total assets held in BIS banks	53.6	48.9	57.1	60.4	32.8	49.5	49.4	29.4	25.2	--	--	--
"Dollarization" ratio[10]	5.8	3.9	5.1	5.4	6.0	5.5	5.6	5.0	7.5	--	--	--
"Dollarization" vulnerability indicator[11]	11.9	8.5	10.3	11.1	12.2	9.9	10.6	9.5	13.3	--	--	--

[1] Sum of Exports and Imports of Goods and Services/GDP
[2] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions
[3] Central Government
[4] Public sector only
[5] Current Account Receipts
[6] Bank discount rate
[7] (Interest + Current-Year Repayment of Principal)/Current Account Receipts
[8] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves
[9] Liabilities to BIS Banks Falling Due Within One Year/Total Assets Held in BIS Banks
[10] Total Foreign Currency Deposits in the Domestic Banking System/Total Deposits in the Domestic Banking System
[11] Total Foreign Currency Deposits in the Domestic Banking System/(Official Foreign Exchange Reserves + Foreign Assets of Domestic Banks)

Source: Moody's Investors Service

Moody's related publications

» **Credit Opinion**: Government of St. Vincent and the Grenadines – B3 stable: Update following assignment of ESG credit impact scores, 18 February 2021

» **Rating Methodology**: Sovereign Ratings Methodology, 25 November 2019

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