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Government of St. Vincent and the Grenadines - B3 stable

Annual credit analysis

RATINGS

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

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Contacts

Samar Maziad +1.212.553.4534
VP-Senior Analyst
samar.maziad@moodys.com

Alexis Corn +1.212.553.0269
Associate Analyst
alexis.corn@moodys.com

Mauro Leos +1.212.553.1947
Associate Managing Director
mauro.leos@moodys.com

Alejandro Olivo +1.212.553.3837
Managing Director
alejandro.olivo@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

OVERVIEW AND OUTLOOK

The credit profile of St. Vincent and the Grenadines reflects the Caribbean island nation's high per capita income (roughly $12,400 in PPP terms in 2021) 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 authorities reported growth around 0.75% in 2021, due to continued effects of the pandemic and the eruptions of the La Soufrière volcano. We expect slow economic recovery over 2022, as a return to pre-pandemic growth levels depends on effective vaccine distribution domestically and a full resumption of tourism activity. The effects of the pandemic, the volcanic eruptions, 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 2021, which is above the B-rated median.

The stable outlook reflects a balance of upward and downward credit pressures. Despite anticipated higher growth, wider fiscal deficits over the coming 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.

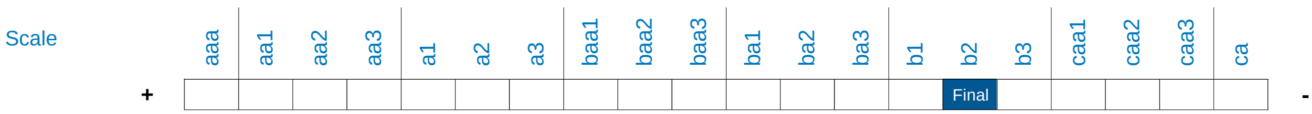
This credit analysis elaborates on St. Vincent's credit profile in terms of economic strength, institutions and governance strength, fiscal strength and susceptibility to event risk, which are the four main analytic factors in our Sovereign Ratings Methodology.

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.

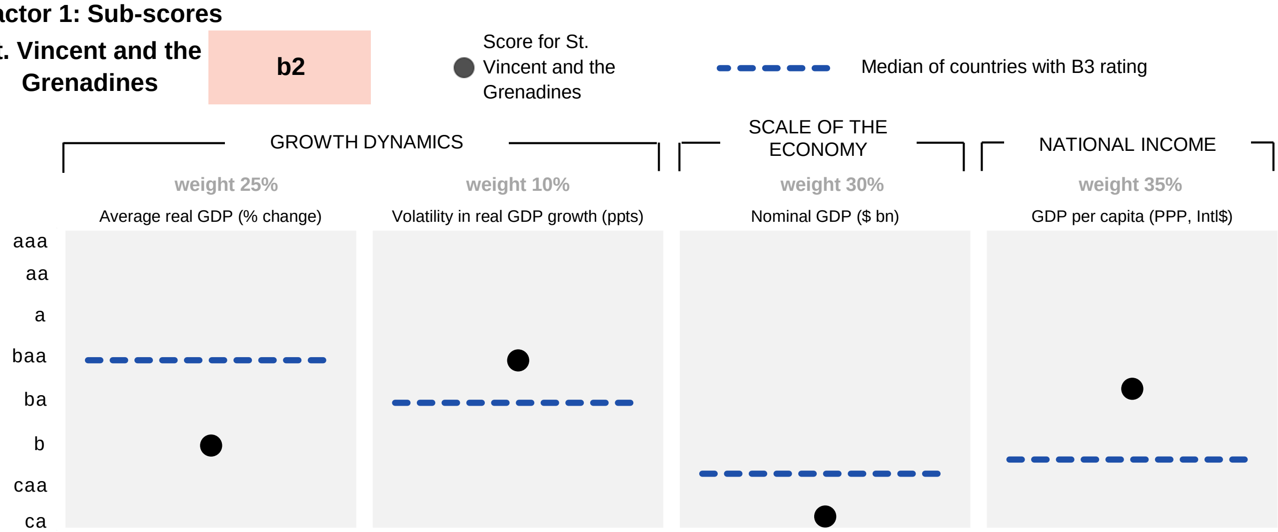
Economic strength score: b2

Factor 1: Overall score



Factor 1: Sub-scores

St. Vincent and the Grenadines **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's 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), Barbados (Caa1 stable), Jamaica (B2 stable) and Togo (B3 stable).

Exhibit 1

Peer comparison table factor 1: Economic strength

	St. Vincent and the Grenadines B3/STA	b2 Median	Angola B3/STA	Barbados Caa1/STA	Jamaica B2/STA	Rwanda B2/NEG	Togo B3/STA	Zambia Ca/STA
Final score	b2		b2	b2	b2	b2	b2	b2
Initial score	b2		b3	caa1	b2	b1	b1	b2
Nominal GDP ($ billion)	0.9	12.1	57.1	4.4	13.8	10.3	7.6	18.2
GDP per capita (PPP, Intl$)	12,750.4	6,824.6	6,824.6	13,324.3	9,993.1	2,263.9	2,221.7	3,367.4
Average real GDP (% change)	1.2	1.3	0.4	0.3	0.9	6.0	4.9	2.4
Volatility in real GDP growth (ppts)	2.2	3.7	4.2	4.7	3.5	3.8	1.4	2.8

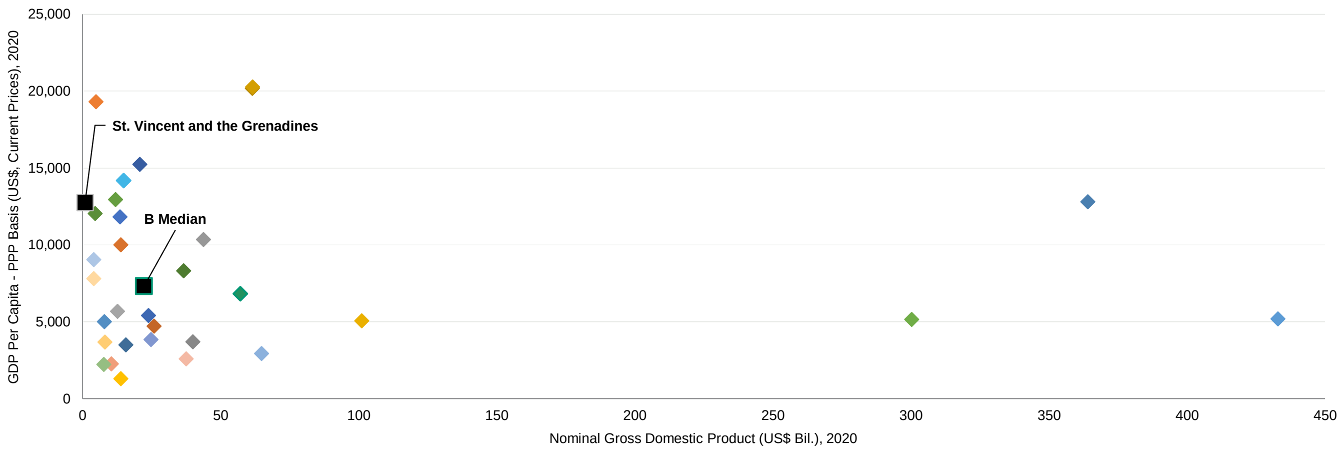
Sources: National authorities, IMF, Moody's Investors Service

Small size, dependence on tourism and exposure to climate risks weigh on economic resilience

With nominal GDP of around $890 million and a population of around 110,000 in 2021, St. Vincent's small size constrains economic growth and limits diversification. St. Vincent's 2020 GDP per capita of $12,800 in purchasing power parity (PPP) terms compares favorably to the 2020 median per capita income of 6,820 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



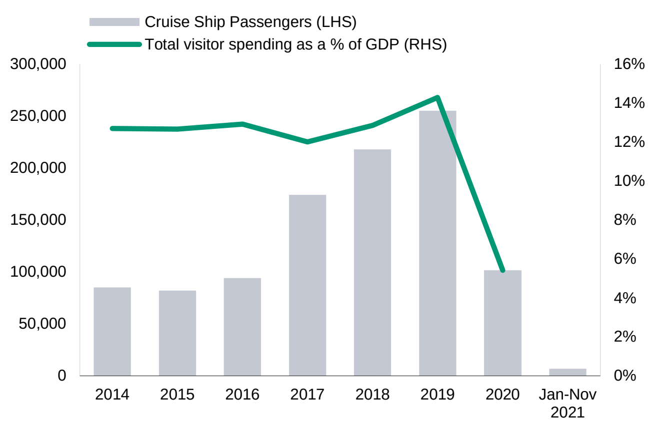
Excluded Bahrain and Turkey for scale purposes.

Source: Moody's Investors Service

The economy, similar to that of most other Caribbean nations, is highly dependent on tourism and travel, which represented roughly 30% of economic activity. Tourism and travel accounted for 20,000 jobs (approximately 45% of total employment), either directly or indirectly, and generated 44% export receipts in 2019. In 2021, tourism-related sectors accounted for approximately 28% of 2021 GDP.

Exhibit 3

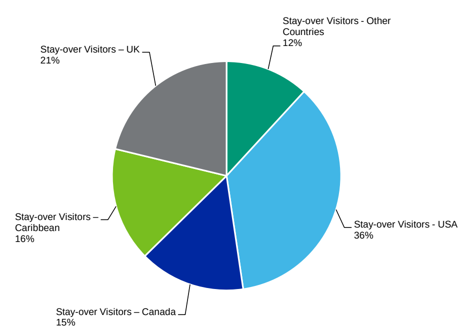
The rise and fall of cruise ship arrival numbers in recent years have led to corresponding changes in total visitor spending



Source: National authorities and ECCB

Exhibit 4

US and UK visitors represent the largest source markets (% of total stay-over visitors in 2020)



Source: National authorities and ECCB

As a result of the coronavirus pandemic and the more recent eruptions of the La Soufrière volcano, tourism and travel activity decreased markedly in 2020 and 2021. Cruise ship passenger visits declined by approximately 60 percentage points between 2019 and 2020, as countries imposed travel restrictions on citizens and fears of the coronavirus made potential travelers apprehensive of international travel. The volcanic eruptions, which began in April 2021, further compounded strains on the tourism industry. Cruise ship passenger visits declined to an estimated 6,820 in 2021, compared to 101,000 in 2020, reflecting the decline in cruise ship calls in 2021. From January-November 2021, only 14 cruise ships visited St. Vincent, compared to 92 in 2020. The decline in the number of yacht and stay-over visitors from 2020 levels further illustrates effects of the pandemic and the volcanic eruptions on the tourism industry (see Exhibit 3).

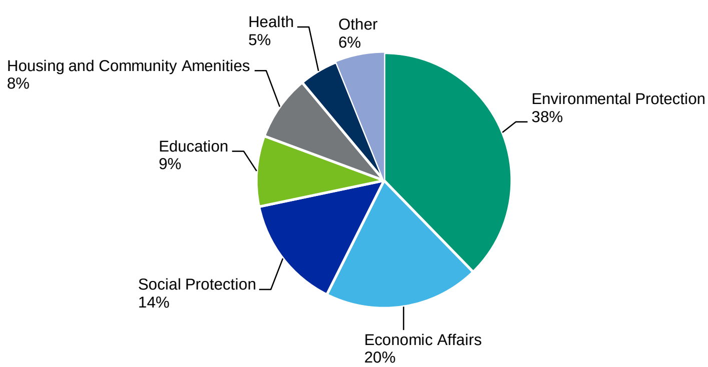
Recovery in the tourism sector is contingent on the speed of the volcanic eruption recovery efforts and vaccine distribution domestically and in important source markets like the US, the UK and Canada. In 2020, the largest number of tourists arrived from the US (Aaa stable), which accounted for 36% of total inbound arrivals, followed by the UK (Aa3 stable) and Canada (Aaa stable) at 21% and 15%, 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 evident last year as the pandemic and the volcanic eruptions hit economic activity and tourism. The Eastern Caribbean Central Bank (ECCB) estimates that members of its currency union will not return to 2019 tourist numbers until 2023.

In response to the eruptions of the La Soufrière volcano, a number of multilateral organizations pledged financing assistance to help St. Vincent. On 30 November, the World Bank (IBRD, Aaa stable) approved a $40 million project that intends to address St. Vincent's susceptibilities to natural disasters and future potential climate change-related risks. The International Monetary Fund approved a $11.6 million disbursement under the Large Natural Disaster Window of the Rapid Credit Facility to address the country's balance of payments difficulties. The World Bank previously disbursed a $20 million credit line under the Catastrophe Deferred Drawdown Option (Cat-DDO), and the Caribbean Development Bank (Aa1 stable) approved $5.3 million in financing.

Capital expenditures will drive post-pandemic recovery

Government capital expenditures are the main driver for infrastructure projects in St. Vincent. In 2021, capital spending amounted to XCD194 million (8.1% of GDP), accounting for more than a fifth of total spending and up from 8.0% of GDP in 2020. In 2021, 38% of capital spending went to environmental protection projects, 20% went to economic affairs, 14% to social protection and 8% to housing and community investments, while the remainder went to other areas, such as education and health (see Exhibit 5).

Exhibit 5
Economic development and environmental protection projects encompassed most capital projects in 2021
(% of total capital expenditures)



Source: National authorities

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 2022, the budgeted capital expenditure of XCD397 million (approximately 17% 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 double from 2022 estimates to XCD639 million (24-25 percent of GDP) for 2023 and 2024. However, we do not anticipate the government will fully execute its capital plans this year. 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 constrains in 2022 that will limit capital expenditures.

These shortcomings aside, infrastructure projects in logistics are central to increasing St. Vincent's long-term growth potential. Authorities are expected to begin construction work on the Port Redevelopment Project to improve logistics and seaport facilities. In 2020, the authorities received two bids from international firms to build the facilities, but the pandemic, and later the eruptions of La Soufrière volcano, delayed the execution of the port project until mid-2022. The 2022 budget allocated over XCD69 million for advancing this project over the next few years, making it the largest project in the capital budget. The project will be financed by concessionary funding from the CDB, as well as grant funding from the UK Caribbean Infrastructure Partnership Fund (UKCIF).

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 continues to be 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 and volcanic eruptions fade – would support growth and overall economic strength.

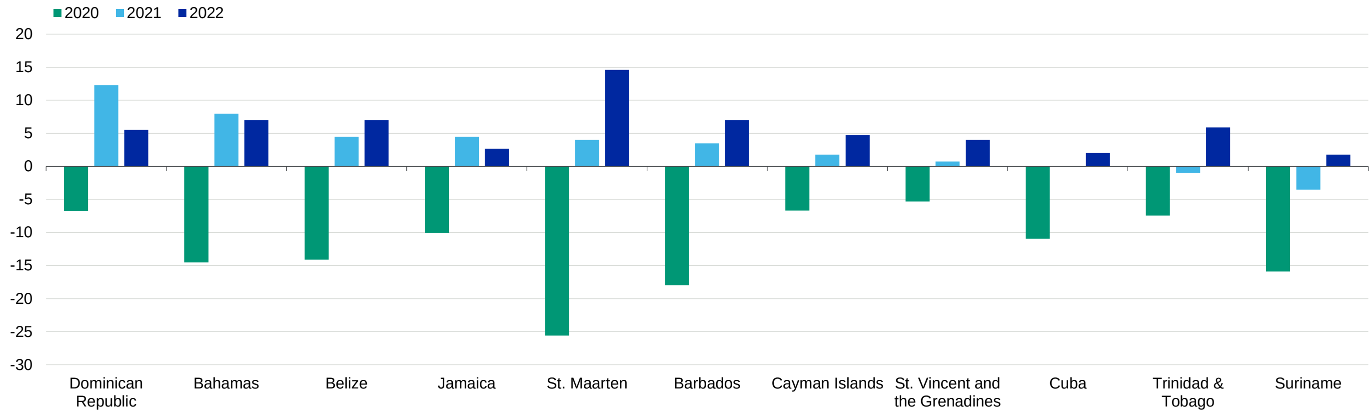
Economic growth in 2021 was lower for St. Vincent than for other Caribbean sovereigns and growth potential remains below that of B-rated peers

In 2021, the authorites estimate that St. Vincent's economy expanded by 0.75% in real terms. Given that real GDP growth in 2020 was -5.3%, it is the third 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 4% growth in 2022, 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 2020 and 2022, the average rate of contraction will be approximately 0.2%.

Due to the economic impact of two separate shocks to its economy, St. Vincent did not advance economically at the same rate as that of its peers. Only Suriname (Caa3 negative), Cuba (Ca stable) and Trinidad and Tobago (Ba2 stable) performed more poorly than St. Vincent in 2021. The median Caribbean sovereign expanded by 3.5% in real terms last year, with the Dominican Republic (Ba3 stable) growing by 12% (see Exhibit 6). In 2022, the median Caribbean sovereign is likely to grow by 5.5%, slightly above St. Vincent's expected growth for 2022.

Exhibit 6

St Vincent's economy grew by less than other Caribbean sovereigns and will recover at a slower pace
(Real GDP growth rate %)



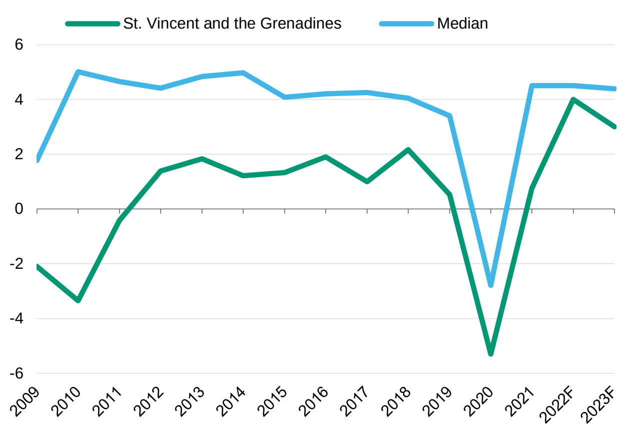
Sources: National authorities and Moody's Investors Service

Similar to the past decade, St. Vincent's growth prospects will continue to lag that of its rating peers. The median expansion for B-rated sovereigns stood at 4.5% in 2021, which dwarfs St. Vincent's anticipated expansion of 0.75% in the same year. In 2022, B-rated sovereigns will have a median growth rate of 4.5% in 2022, while we expect St. Vincent to grow at 4% in 2022. This projection illustrates our expectation that St. Vincent will recover from the pandemic and volcanic eruptions (see Exhibit 7). By 2025 it will return to a growth rate more consistent with historical trends – around 1.5-2.0% in real terms.

Growth volatility for St. Vincent tends to be on par with that of its peers (see Exhibit 8). St. Vincent tends to be sheltered from economic volatility through foreign participation in the domestic economy. The economy relies heavily on contributions from nonresidents in the form of remittances, which represent almost 7.5% 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

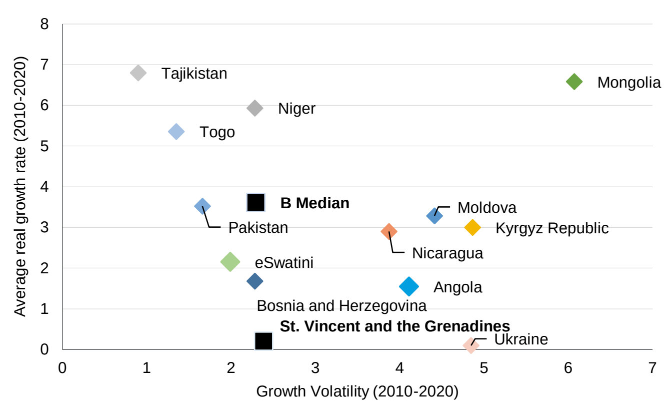
St. Vincent will continue to lag B-rated peers in growth performance
(Real GDP growth, %)



Sources: National authorities and Moody's Investors Service

Exhibit 8

St. Vincent's growth tends to be weaker, but comparably volatile as similarly rated peers



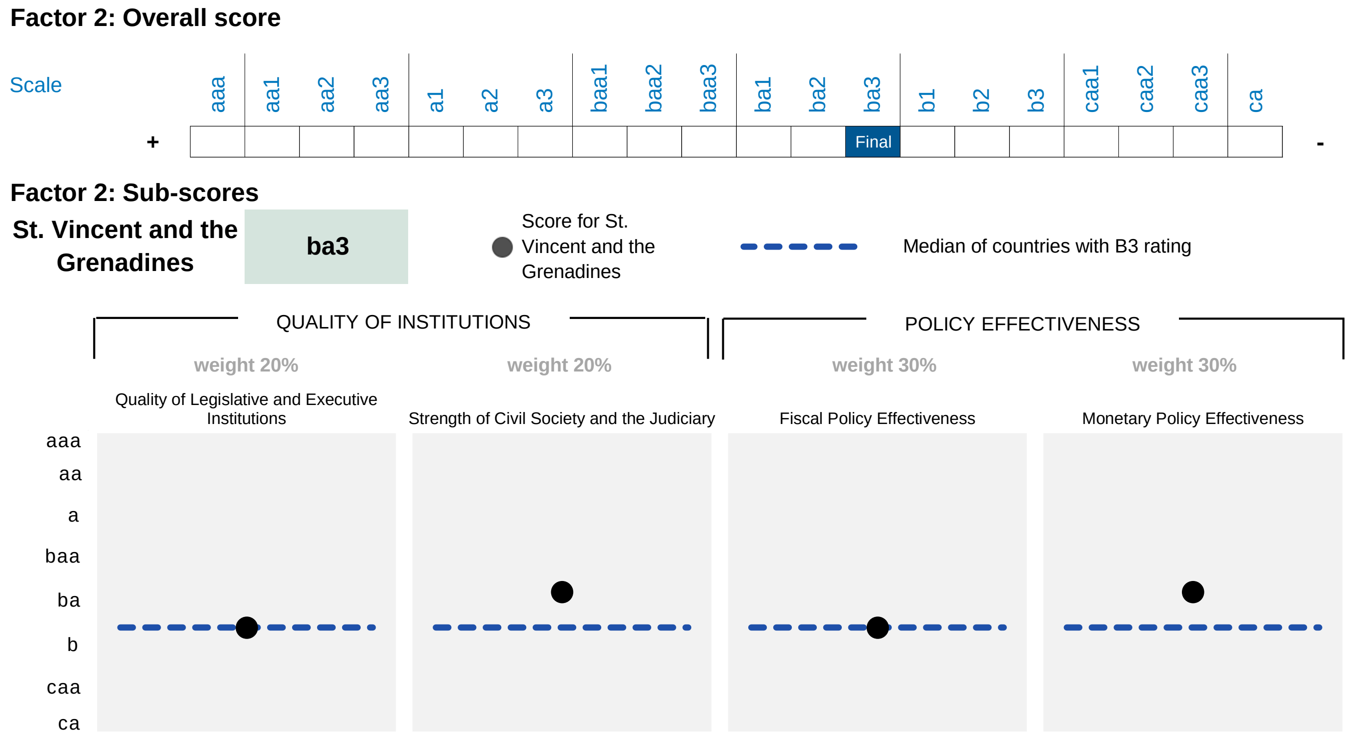
Sources: National authorities and Moody's Investors Service

Economy vulnerable to environmental risks

St. Vincent is vulnerable to natural disasters and environmental risks. Its small size and dependence on tourism-related activity make the economy highly susceptible to risks associated with natural disasters. According to the IMF, natural disasters cost St. Vincent roughly 1.4 percent of GDP a year in fiscal terms.

To bolster economic resiliency against future environmental risks, St. Vincent relies on both internal and external forms of financing. In 2017, the authorities set up and contributed 0.3% of GDP worth of funds to a Contingencies 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. Externally, St. Vincent holds a Cat-DDO – a contingent line of financing in case of future natural disasters – for $20 million from the World Bank. We expect these measures to support the sovereign's resilience to small-scale natural disasters in the future, although the size of such contingencies funds remains small compared to the potential costs of a more severe weather-related event.

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" assessment of St. Vincent's 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), Paraguay (Ba1 stable) and Trinidad and Tobago.

Exhibit 9

Peer comparison table factor 2: Institutions and governance strength

	St. Vincent and the Grenadines B3/STA	ba3 Median	Barbados Caa1/STA	Benin B1/STA	Egypt B2/STA	Kazakhstan Baa2/STA	Paraguay Ba1/STA	Trinidad & Tobago Ba2/STA
Final score	ba3		ba2	ba3	ba3	ba3	ba3	ba3
Initial score	ba3		ba1	ba3	ba3	ba3	ba3	ba3
Quality of legislative & executive institutions	b	b	ba	b	ba	b	ba	b
Strength of civil society & judiciary	ba	b	aa	b	caa	caa	b	ba
Fiscal policy effectiveness	b	ba	b	ba	ba	baa	ba	ba
Monetary & macro policy effectiveness	ba	ba	ba	ba	ba	ba	ba	ba
Fiscal balance/GDP (3-year average)	-5.6	-5.0	-5.0	-4.4	-7.7	0.5	-4.3	-8.8
Average inflation (% change)	1.5	2.8	3.1	1.4	11.4	7.0	4.0	1.7
Volatility of inflation (ppts)	1.6	2.6	2.8	2.4	5.8	2.7	1.8	2.7

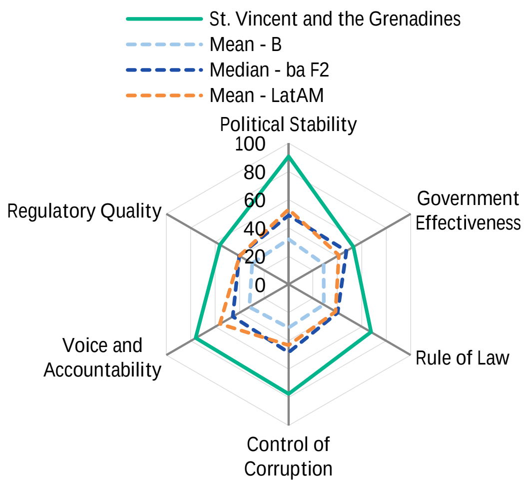
Sources: National authorities, IMF and Moody's Investors Service

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 2020), rule of law (67th) and government effectiveness (53rd), scores that are above the "ba" medians for control of corruption (49th), rule of law (43th) and government effectiveness (47th). Political stability is by far St. Vincent's strongest metric, ranking in the 90th percentile, well above other Caribbean islands like Trinidad and Tobago (55th) and the Dominican Republic (54th) and on par with the Bahamas (80th) and Barbados (94th). 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 71st percentile (2013) to the 56th percentile (2019).

Exhibit 10

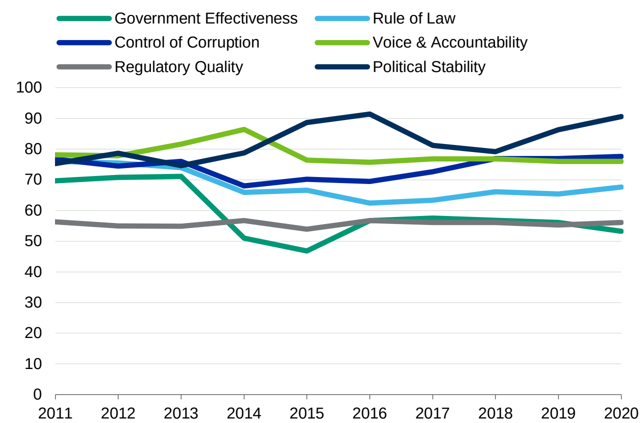
St. Vincent's governance indicators still outperform B-rated peers...
(Percentile rank among rated sovereigns, 2020)



Sources: Worldwide Governance Indicators and Moody's Investors Service

Exhibit 11

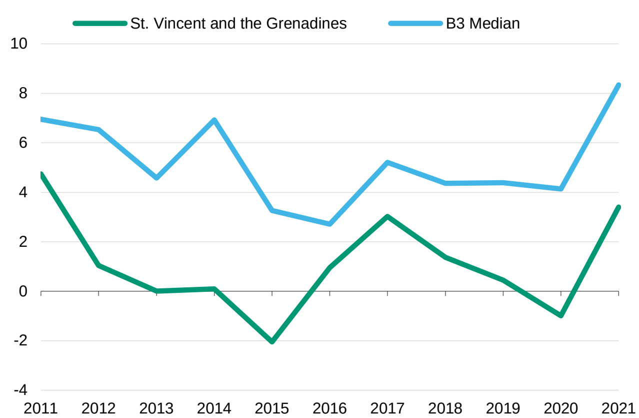
...and remain relatively stable
(Percentile rank among rated sovereigns, 2020)



Sources: Worldwide Governance Indicators and Moody's Investors Service

Exhibit 12

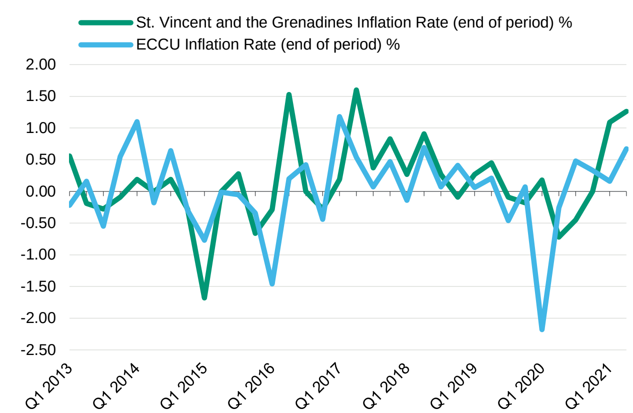
St. Vincent's inflation is lower than that of B3 peers
(CPI, % change end of year)



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

Exhibit 13

Inflation is anchored through the ECCB
(CPI, % change quarterly)



Sources: 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 96% 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 around 1% between 2010-20, although the pass-through from fuel and food prices remains high and leads to moderate inflation volatility.

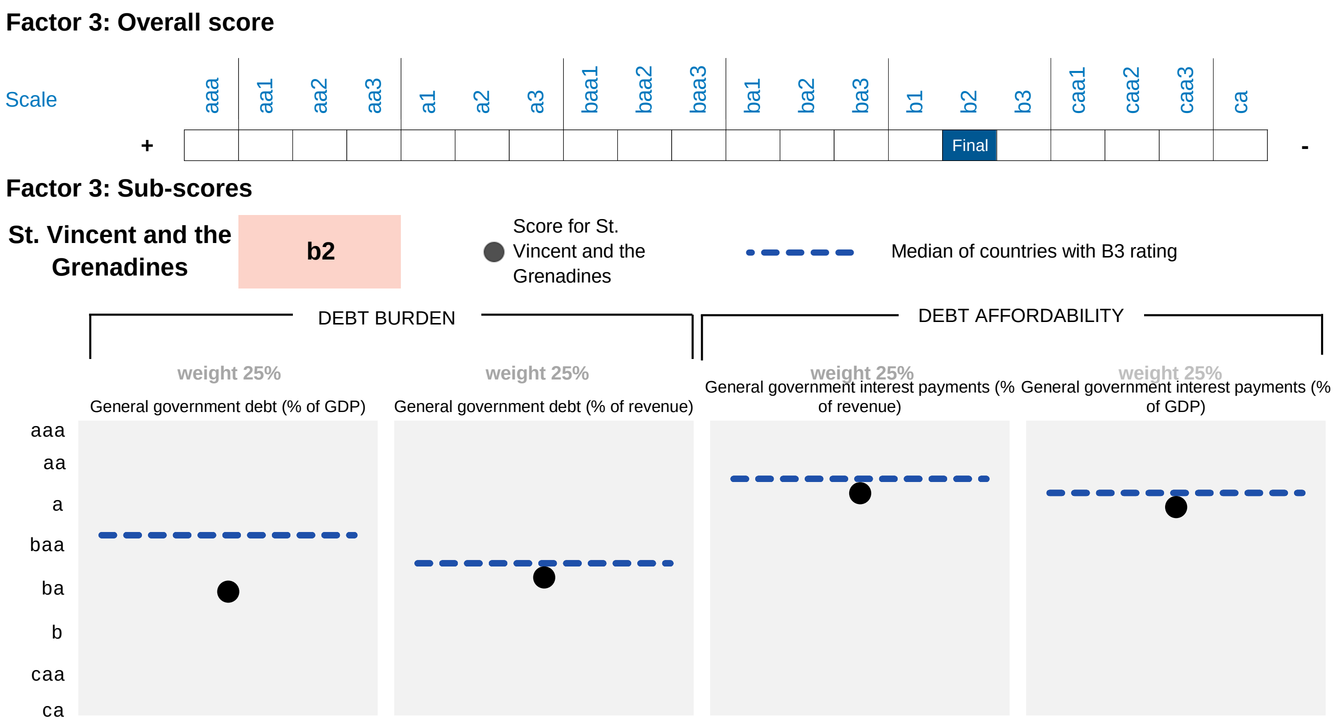
ECCU membership, however, implies that St. Vincent has no independent monetary policy and cannot adjust the exchange rate to mitigate external shocks. Exchange rate inflexibility places a greater emphasis on export competitiveness, both for goods and services (mainly the tourism offering), to ensure 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: b2



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 "b2" 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 "b2" score for fiscal strength with Benin (B1 stable), Cameroon (B2 stable) and Italy (Baa stable).

Exhibit 14

Peer comparison table factor 3: Fiscal strength

	St. Vincent and the Grenadines	b2 Median	Benin	Cameroon	Fiji	Italy	Niger	Tanzania
	B3/STA		B1/STA	B2/STA	B1/NEG	Baa3/STA	B3/STA	B2/STA
Final score	b2		b2	b2	b2	b2	b2	b2
Initial score	b2		b3	b3	b2	b2	b2	b1
Gen. gov. debt (% of GDP)	74.3	62.8	46.1	44.8	63.0	155.3	45.0	38.9
Gen. gov. debt (% of revenue)	249.5	256.2	314.0	334.2	246.1	327.7	256.2	254.8
Gen. gov. interest payments (% of GDP)	2.2	2.0	2.0	0.8	3.4	3.5	1.0	1.6
Gen. gov. int. payments (% of revenue)	7.4	10.2	13.3	6.3	13.1	7.3	5.9	10.4

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

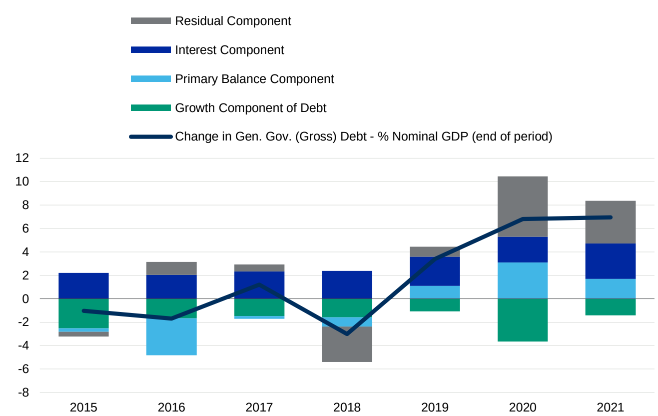
Government debt increased by nearly 7 percentage points of GDP in 2021 due to the coronavirus pandemic and the volcanic eruptions, compounding previous fiscal challenges

St. Vincent's high government debt burden is a key constraint on the credit profile, as it is well above the 2021 median for B-rated sovereigns of 56%. In 2021, government debt increased to 81% of GDP from 74% at the end of 2020, driven by large primary deficit and interest burden. 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).

The impact of the twin economic shocks exacerbated St. Vincent's high gross debt as a proportion of GDP beyond the rates of similarly-rated peers. While St. Vincent's debt-to-GDP ratio expanded between 2020 to 2021 by nearly seven percentage points, B-rated peers faced a 1.8 percentage point decline (see Exhibit 16).

Exhibit 15

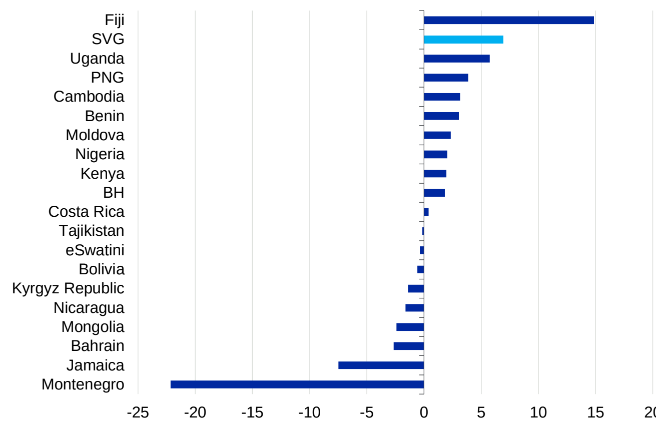
2021 debt increase was the result of higher interest payments and a larger primary deficit
(GDP, percentage points)



Source: Moody's Investors Service

Exhibit 16

St. Vincent faced a larger debt increase in 2021 than that of peers
(Increase in government debt as % of GDP between 2020 and 2021)



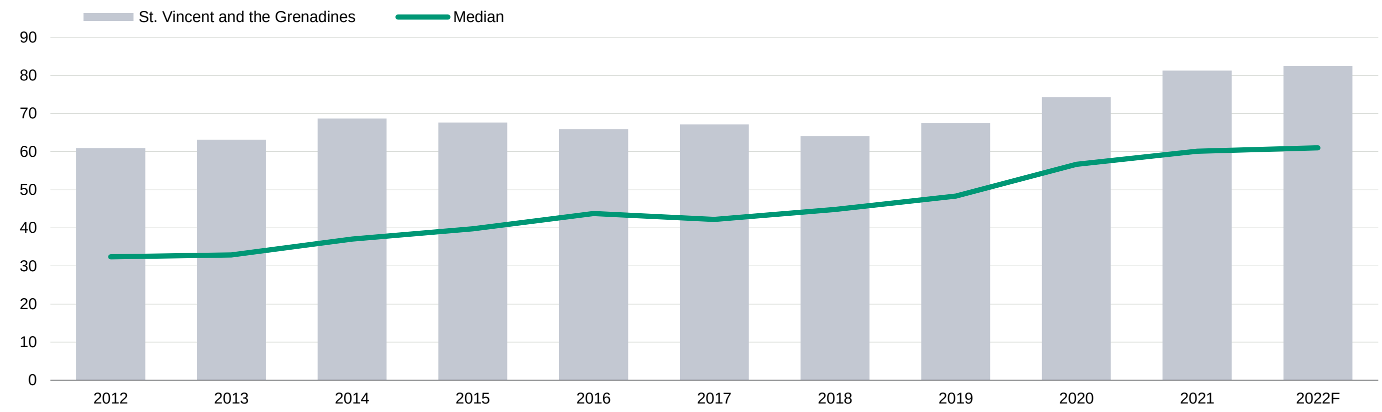
Note: SVG = St. Vincent, BH = Bosnia and Herzegovina, PNG = Papua New Guinea
Source: Moody's Investors Service

To finance higher expenditures related to the volcanic eruptions and the pandemic, as well as to make up for lower-than-anticipated revenue, the government relied upon its Contingencies Fund, the Disaster Relief Fund, the reserve funds from the World Bank's Cat-DDO and upon unexpected revenues generated from property sales in Mustique. Authorities withdrew $5.6 million from St. Vincent's Contingencies Fund in response to the La Soufrière eruptions. Meanwhile, the World Bank released a $20 million contingent line of financing through its Cat-DDO. Multilateral institutions have consistently supported St. Vincent through concessional lending. The lines of credit received in 2021 also include a $11.6 million disbursement under the Large Natural Disaster Window of the Rapid Credit Facility from the IMF and $5.3 million from the CDB.

We expect St. Vincent's debt-to-GDP ratio to remain at approximately 83% in 2022 as the government will need to borrow more to finance its significant capital expenditures and continue to support citizens affected by pandemic and volcanic eruptions (see Exhibit 17). We expect debt to remain at this 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

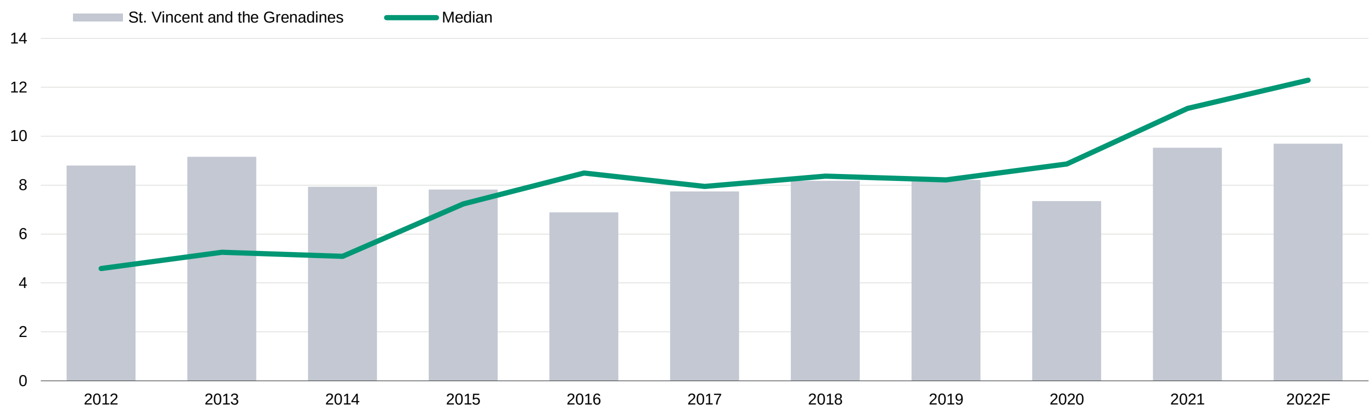
The coronavirus pandemic compounded a prolonged deterioration in debt metrics relative to before the global financial crisis in 2008, when St. Vincent's debt stood at just 39% of GDP. The increase in government debt over the past decade has reflected a combination of low growth, disaster-related budgetary outlays and the construction of the Argyle International Airport, which cost the government around XCD700 million, 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. Most recently, the La Soufrière eruptions in 2021 created over XCD200 million in losses and over XCD400 million in damages. By our calculations, the total effects of the volcanic eruptions amounted to approximately 30% of 2021 GDP.

To address the costs associated with frequent natural disasters, the government established the Contingencies Fund as a fiscal buffer for natural disasters. The size of budgetary contributions to the fund at 0.5% of GDP however, are still small and insufficient to fully cover the fiscal costs of damages from climate-related events. As of July 2021, the Contingencies Fund's untapped resources stood at 1.25% of GDP, from 1.7% of GDP in February 2021. This reduction occurred as a consequence of the coronavirus pandemic, the La Soufrière volcano eruptions and in response to the upcoming 2021 hurricane season.

Despite the high debt burden, the concessional nature of most of the government debt keeps debt servicing costs below those of peers. Interest payments as a share of revenue were 9.5% in 2021– below the median for B-rated sovereigns (see Exhibit 18). As a consequence of the Debt Service Suspension Initiative (DSSI), St. Vincent will face a higher share of interest payments due in 2022. This will temporarily increase the interest/revenue ratio to 9.7%, but we expect it to fall over time to more moderate levels.

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



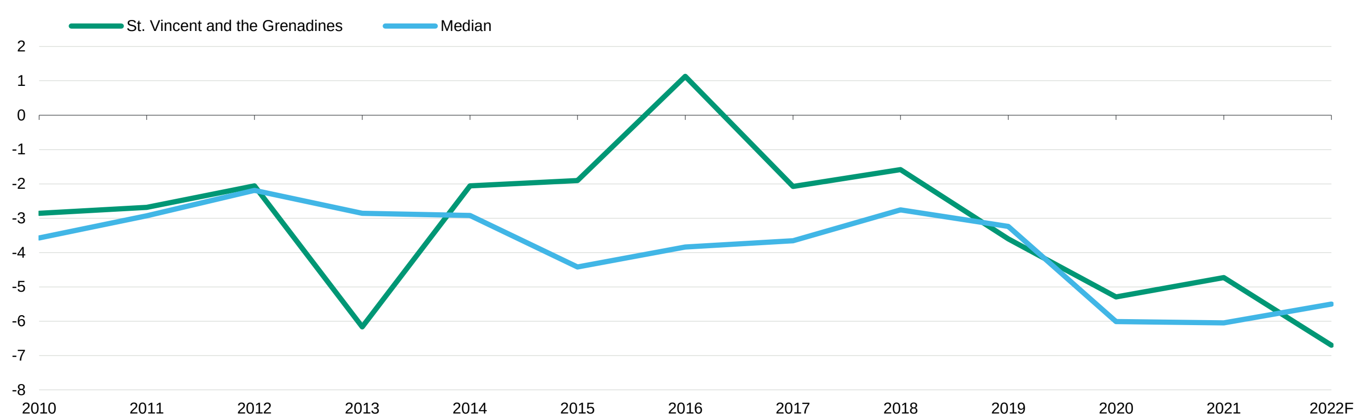
Source: Moody's Investors Service

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

On February 2021, the Eastern Caribbean Central Bank's monetary council accepted a recommendation to postpone the date 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 2.7% of GDP between 2010 and 2020, comparing favorably with the average deficit for the median B-rated sovereign of 3.5% of GDP over that same period. However, the coronavirus pandemic and the volcanic eruptions have driven St. Vincent to take a more expansionary fiscal stance. Following a fiscal deficit of around 4.7% of GDP in 2021, we expect St. Vincent's deficit to widen further to approximately 6.7% of GDP in 2022 (see Exhibit 19) on account of continued infrastructure spending and social transfers.

Exhibit 19
St. Vincent's fiscal stance will be more expansionary than it has been over the past decade
(Financial balance, % of GDP)



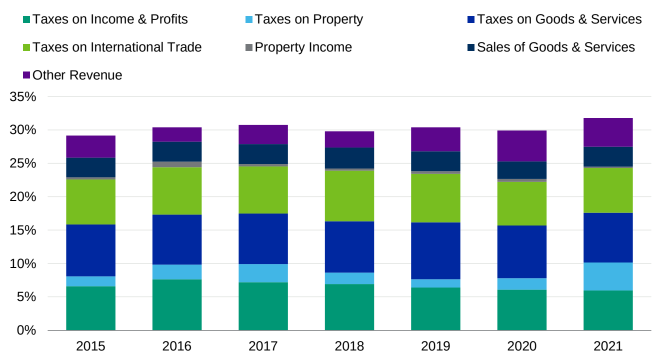
Source: Moody's Investors Service

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 significant recurrent spending needs, primarily because of a large public sector wage bill. The government has improved tax collection in recent years mostly due to improved tax compliance, raising tax revenue to 24% of GDP in 2021, compared with 22% of GDP in 2020. 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.

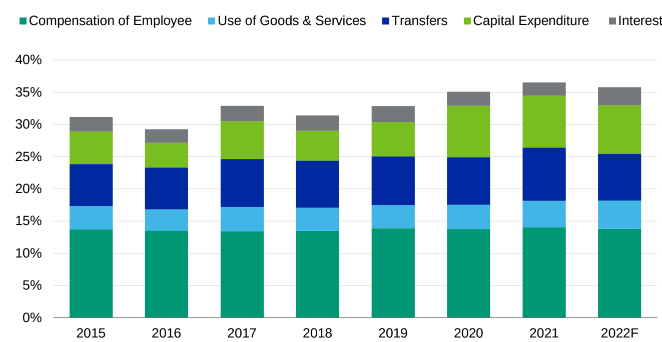
In 2021, total revenue amounted to 32% of GDP, up from 30% in 2020. The increase is a result of both lower GDP due to the pandemic as well as higher revenue in nominal terms. Despite the impact of the pandemic, taxes on international trade and consumption amounted to 14% of GDP in total (see Exhibit 20) – only a slight decrease in nominal terms from 2020 levels. Additionally, the government had more resources at its disposal in 2021 thanks to the sale of lands that boosted property tax and capital revenue.

Exhibit 20
Taxes on property increased notably in 2021, though consumption and international trade taxes primarily contribute to government revenue
(% of GDP)



Source: National authorities and Moody's Investors Service

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



Source: National authorities and Moody's Investors Service

Government spending stood at 37% of GDP in 2021, an increase from 35% the previous year. Transfers primarily drove expenditure spending as the government sought to support unemployed workers and vulnerable populations. In 2021, transfers stood at 8.2% of 2021 GDP, compared to 7.4% of 2020 GDP in the previous year. Employee compensation, use of goods and services and capital expenditure increased marginally from 2020 to 2021, while interest payments decreased to 2.1% of 2021 GDP from 2.2% of 2020 GDP (see Exhibit 21).

The government's high revenue intake is matched by equally high spending needs, with recurrent spending equal to around 27% of GDP between 2015 and 2021 or 82% of total expenditures. Compensation of government employees represents the single largest spending item at approximately 14% of GDP on average between 2015 and 2021. One of the government's priorities is to modernize the country's infrastructure. Capital expenditures averaged 5.8% of GDP between 2015 and 2021, or approximately 18% 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 around 36% of GDP in 2022, above the 31% average for the five years preceding the pandemic. The largest item on the budget will be employee compensation, which will amount to around 14% of GDP in 2022. Transfers will fall to 7.3% of GDP. Interest expenditures will increase to 2.8% of GDP in 2022 from 2.0% in 2021.

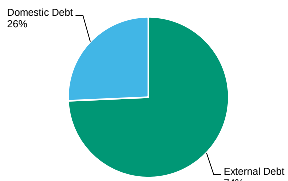
St. Vincent benefited from the extension of DSSI in 2021

In 2021, the Paris Club recognized that St. Vincent was eligible to benefit from the extension of interest payments as part of the 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 31 December 2021.

Predominantly foreign-currency-denominated debt is largely concessional

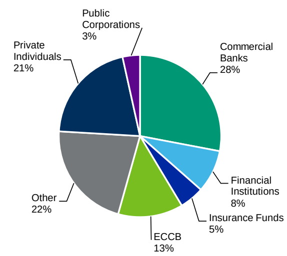
At year-end 2021, less than three quarters of government debt was external and denominated in foreign currency (see Exhibit 22). Although this exposes St. Vincent to foreign exchange rate risk, the risk is mitigated by St. Vincent's membership in a long-standing currency union and by the large share of external concessional debt. St. Vincent primarily 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)



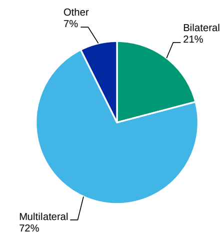
Source: National authorities

Exhibit 23
Domestic financing comes through a variety of actors
(% of domestic debt)



Source: National authorities

Exhibit 24
Most external financing is from multilateral sources
(% of external debt)



Source:National authorities

St. Vincent receives about a quarter of its financing in the domestic marketplace (see Exhibit 23). Domestically, the largest sources of financing are commercial banks (28%), of which the Bank of St. Vincent and the Grenadines holds the greatest proportion, other creditors (22%), of which the National Insurance Services (the country's social security provider) holds the greatest proportion and private individuals (21%).

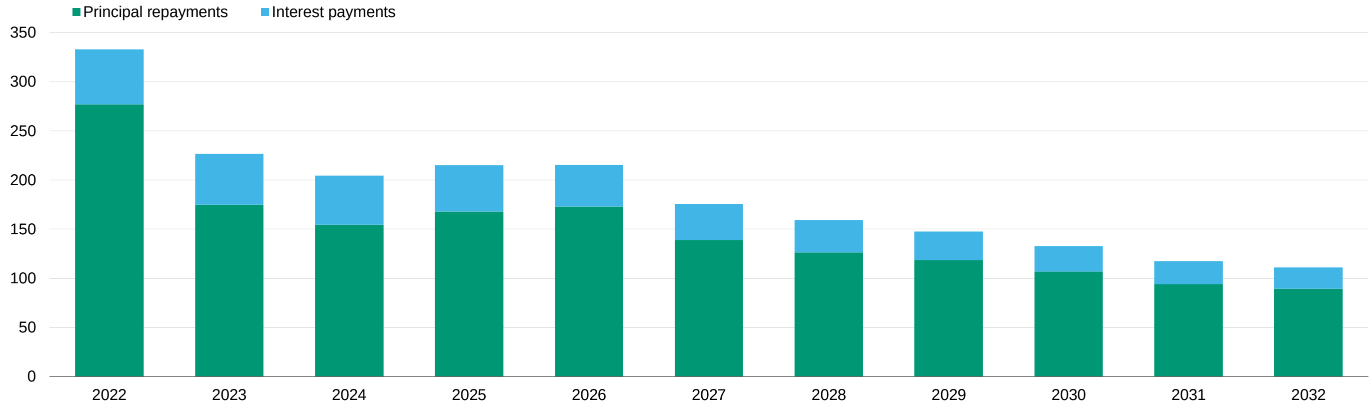
72% of external debt is owed to multilaterals (see Exhibit 24). The International Development Association (IDA, Aaa stable) is the largest multilateral lender, accounting for 52% of multilateral debt, followed closely by the CDB, which accounts for 38% of total multilateral debt. The remainder of the multilateral debt is owed to the World Bank, IMF, CARICOM Development Fund and OPEC Development Fund. Taiwan, China (Aa3 positive) 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

The Ministry of Finance reported that total debt service will amount to XCD333 million (approximately 13% of 2022 GDP) in 2022. The maturity profile (see Exhibit 25) shows that after 2022, the authorities will have a reduced debt repayment structure. Between 2023-28, debt service will average XCD155 million (6.5% of 2021 GDP). Starting in 2027, debt service will decrease to XCD175 million and will reduce overtime to XCD111 million by 2032.

Exhibit 25

After a spike in 2022, debt service will stabilize and begin to decrease by 2027
(XCD millions)



Source: National authorities and Moody's Investors Service

Susceptibility to event risk score: ba

Factor 4: Overall score

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

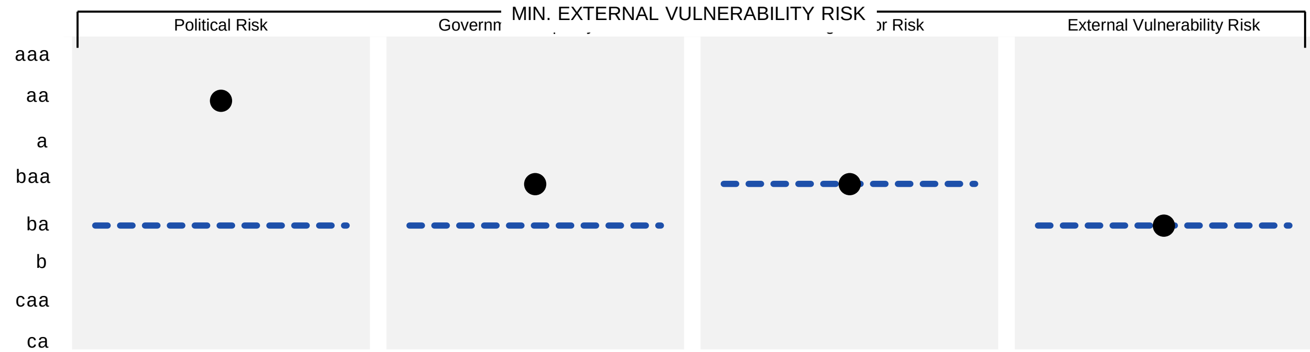
Factor 4: Sub-scores

St. Vincent and the Grenadines	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	Canada	Cayman Islands	Finland	Germany	Mauritius
	B3/STA		Ba3/NEG	Aaa/STA	Aa3/STA	Aa1/STA	Aaa/STA	Baa2/NEG
Final score	aa		aa	aa	aa	aa	aa	aa
Voice & accountability, score[1]	0.9	1.3	0.9	1.5	0.5	1.6	1.4	0.7
Political stability, score[1]	1.0	1.0	0.8	1.1	1.5	0.9	0.7	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 B3/STA	baa Median	Fiji B1/NEG	Georgia Ba2/STA	Jamaica B2/STA	Jordan B1/STA	Senegal Ba3/STA	Tanzania 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)	9.7	10.7	24.4	9.3	5.9	26.2	13.4	7.1

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

We estimate gross financing needs will reach roughly 20% of GDP in 2022. The government relies on several funding sources, including a regional government securities market, multilateral and bilateral lending and domestic bank loans. In 2021, the government was able to mobilize significant resources to address the funding shortfall caused by the pandemic and volcanic eruptions. St. Vincent received approximately $36.9 million (4.2% of 2021 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 2021, the government used roughly XCD20 million from the fund to meet its debt repayment obligations. This covered about 11% of the amortization due that year, which amounted to 0.8% 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 B3/STA	baa Median	Bahamas Ba3/NEG	Jamaica B2/STA	Mauritius Baa2/NEG	Moldova B3/STA	Tanzania B2/STA	Togo B3/STA
Final score	baa		baa	baa	baa	baa	baa	baa
Initial score	baa		baa	baa	baa	baa	baa	baa
BCA[1]	--	ba2	--	--	ba1	--	b2	b2
BSCE[2]	ba1-ba2	ba3-b3	baa3	ba3-b3	ba1-ba2	ba3-b3	ba3-b3	ba3-b3
Total domestic bank assets (% of GDP)	79.1	78.6	197.5	101.9	184.6	50.5	25.4	78.2

[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 2020. 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 now also requires stress testing for credit unions.

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. In 2021, NPLs in St. Vincent stood at 7.8%, up from 7.4% in 2020. Despite this, 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 B3/STA	ba Median	Belize Caa3/STA	Rwanda B2/NEG	Oman Ba3/STA	Suriname Caa3/NEG	Montenegro B1/STA	Nicaragua 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)	-15.6	-3.8	-7.5	-11.9	-11.7	6.3	-26.1	5.9
Net IIP (% of GDP)[1]	--	-65.9	--	-66.7	-19.5	--	-206.2	-114.5
External debt (% of current account receipts)	148.1	182.1	173.8	283.3	220.8	138.4	532.2	155.9
External vulnerability indicator (EVI)[2]	43.0	69.6	14.2	37.8	119.2	106.6	164.0	46.8

[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, Moody's Investors Service

We estimate that the current account deficit stabilized at roughly 16% of GDP in 2021 from a similar level in 2020. 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 affected imports – the current account deficit therefore 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 the current account deficit to remain at around 15% of GDP in 2023 and stabilize at that level over the following years. However, persistently high food and fuel prices will widen current deficit.

While multilateral financial assistance from entities such as the IMF have helped to alleviate immediate pressures on St. Vincent’s external accounts from natural disasters, the balance of payments nevertheless 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.

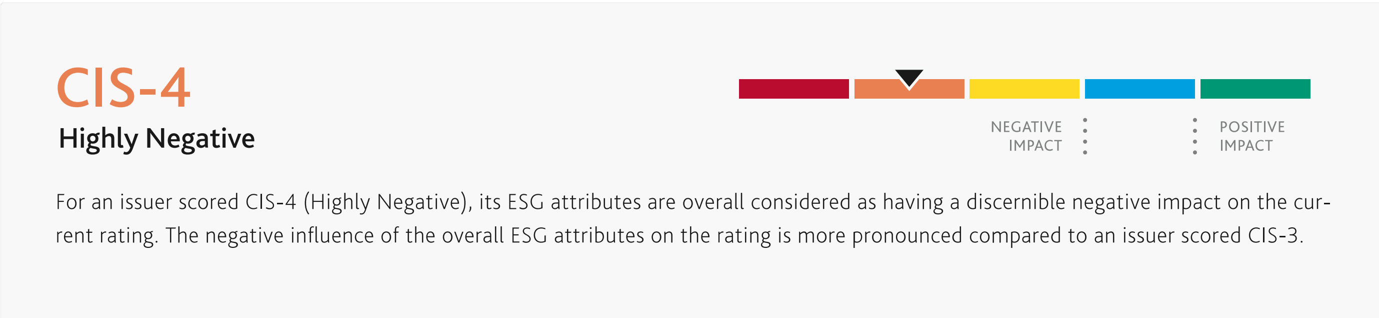
ECCU members are required to pool their foreign exchange reserves at the ECCB. St. Vincent’s contribution to the accumulation of foreign exchange reserves within the ECCU has been limited, but the monetary union’s foreign exchange reserves reached approximately XCD4.6 billion. Foreign exchange reserves 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 eliminate 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 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).

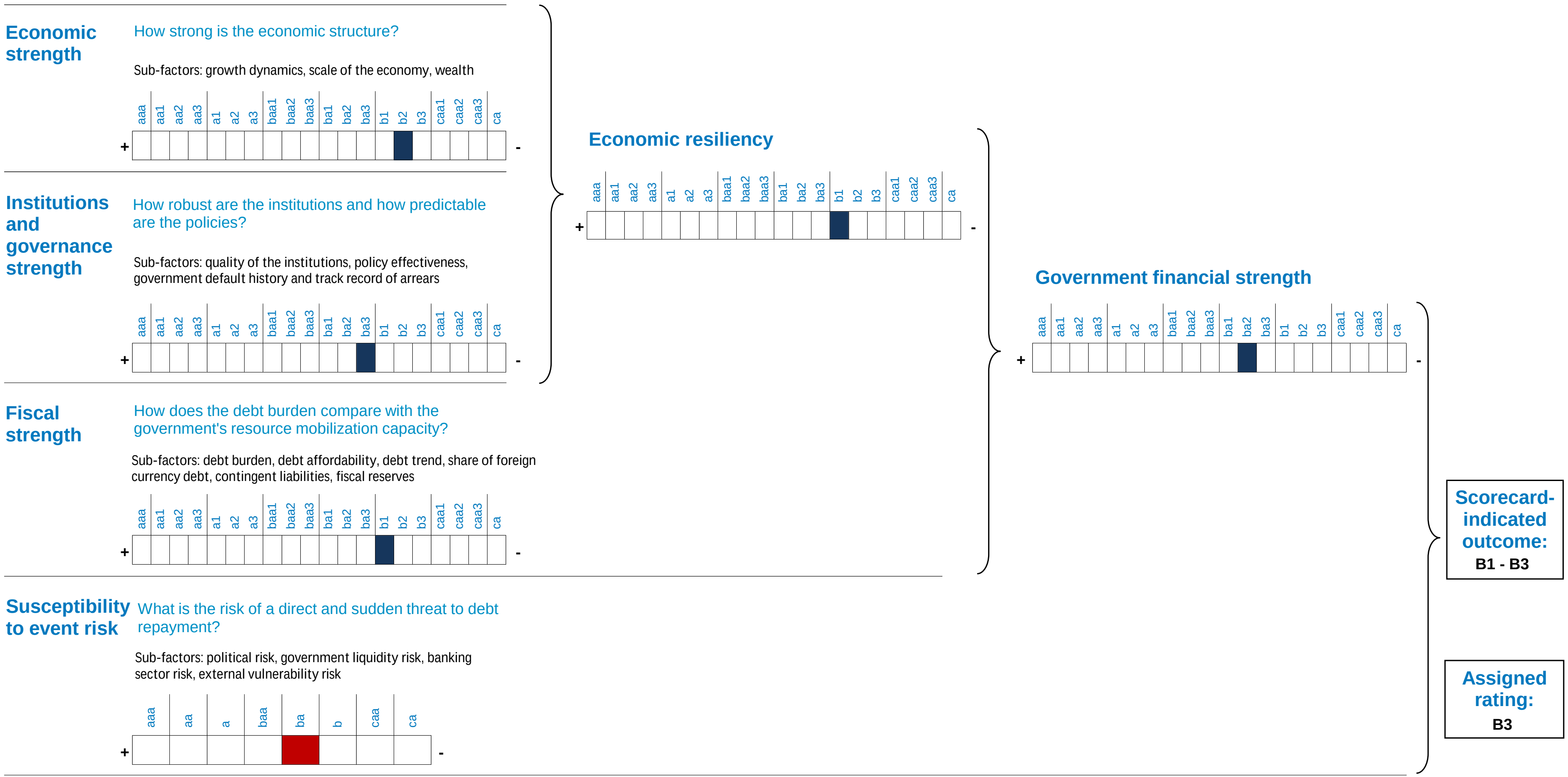
All of these considerations are further discussed in the "Credit profile" section above. Our approach to ESG is explained in our report on how the scores depict varied and largely credit-negative impact of ESG factors and our cross-sector methodology General Principles for Assessing Environmental, Social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

Exhibit 32

Sovereign rating metrics: St. Vincent



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding St. Vincent and 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.

St. Vincent registers a higher GDP per capita than peers, and its economy the smallest that we rate. St. Vincent's institutions and governance strength score is higher than that of its peers. Debt-to-GDP is above most peers, while interest payments-to-GDP is higher, but more in line with peers.

Exhibit 33

St. Vincent's key peers

St. Vincent and the Grenadines Key Peers

	Year	St. Vincent and the Grenadines	Tunisia	Barbados	El Salvador	Moldova	Bosnia and Herzegovina	B3 Median	Latin America and Caribbean Median
Rating/outlook		B3/STA	Caa1/NEG	Caa1/STA	Caa1/NEG	B3/STA	B3/STA	B3	Ba3
Scorecard-indicated outcome		B1 - B3	B3 - Caa2	B2 - Caa1	B2 - Caa1	B1 - B3	B1 - B3	B2 - Caa1	Ba2 - B1
Factor 1		**b2**	**b1**	**b2**	**ba3**	**b1**	**ba3**	**b2**	**ba3**
Nominal GDP ($ bn)	2020	0.9	41.9	4.4	24.6	11.9	20.6	12.2	45.1
GDP per capita (PPP, Intl$)	2020	12,750	10,142	13,324	8,498	12,935	15,231	6,252	14,682
Avg. real GDP (% change)	2016 - 2025F	1.2	1.2	0.3	2.2	2.8	3.0	2.9	1.4
Volatility in real GDP growth (ppts)	2011 - 2020	2.2	3.9	4.7	3.3	4.5	2.2	3.1	4.0
Factor 2		**ba3**	**b1**	**ba2**	**b3**	**caa2**	**caa1**	**b3**	**ba3**
Quality of legislative & executive institutions	Latest available	b	b	ba	caa	b	caa	b	ba
Strength of civil society & judiciary	Latest available	ba	b	aa	b	caa	caa	caa	ba
Fiscal policy effectiveness	Latest available	b	b	b	b	b	caa	b	ba
Monetary & macro policy effectiveness	Latest available	ba	ba	ba	b	b	b	b	ba
Gen. gov. fiscal balance (% of GDP)	2020 - 2022F	-5.6	-8.2	-5.0	-6.5	-6.3	-3.0	-5.7	-5.8
Average inflation (% change)	2016 - 2025F	1.5	5.9	3.1	1.4	5.7	0.9	5.2	3.5
Volatility of inflation (ppts)	2011 - 2020	1.6	1.3	2.8	1.6	2.0	1.7	2.0	1.9
Factor 3		**b2**	**caa2**	**b3**	**b3**	**baa2**	**baa2**	**b2**	**b1**
Gen. gov. debt (% of GDP)	2020	74.3	79.0	114.0	89.2	34.5	35.2	52.4	67.5
Gen. gov. debt (% of revenue)	2020	249.5	305.1	393.8	361.0	113.0	88.3	234.4	303.8
Gen. gov. interest payments (% of revenue)	2020	7.4	12.3	13.4	17.8	2.7	1.8	6.6	11.8
Gen. gov. interest payments (% of GDP)	2020	2.2	3.2	3.9	4.4	0.8	0.7	1.8	2.3
Factor 4		**ba**	**b**	**b**	**b**	**ba**	**b**	**ba**	**ba**
Political risk	Latest available	**aa**	**b**	**aa**	**ba**	**ba**	**b**	**ba**	**baa**
Government liquidity risk	Latest available	**baa**	**b**	**b**	**b**	**baa**	**ba**	**ba**	**baa**
Gross borrowing requirements (% of GDP)	2021F	9.7	16.4	11.8	5.7	11.9	6.2	10.3	8.7
Banking sector risk	Latest available	**baa**	**ba**	**a**	**baa**	**baa**	**ba**	**baa**	**baa**
BSCE[1]	Latest available	ba1-ba2	caa-c	baa2	ba3-b3	ba3-b3	ba3-b3	ba3-b3	ba3-b3
Total domestic bank assets (% of GDP)	2020	79.1	111.8	149.7	85.0	50.5	95.4	52.4	78.0
External vulnerability risk	Latest available	**ba**	**b**	**b**	**baa**	**baa**	**ba**	**ba**	**baa**
Current account balance (% of GDP)	2020	-15.6	-5.9	-6.3	0.5	-7.5	-3.6	-1.5	-0.4
External vulnerability indicator (EVI)	2022F	43.0	204.4	29.2	219.9	73.4	32.8	44.9	57.2
External debt (% of current account receipts)	2020	148.1	218.8	139.0	145.0	148.1	145.4	158.5	159.5
Net international investment position (% of GDP)	2020	--	-166.2	--	-69.3	-45.8	68.4	-59.2	-39.4

[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.

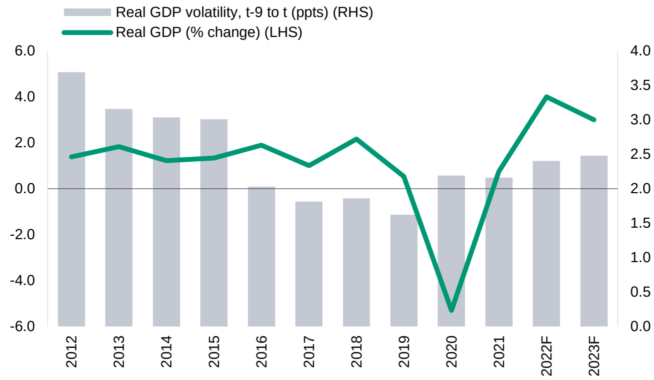
Sources: National authorities, IMF and Moody's Investors Service

DATA, CHARTS AND REFERENCES

Chart pack: St. Vincent

Exhibit 34

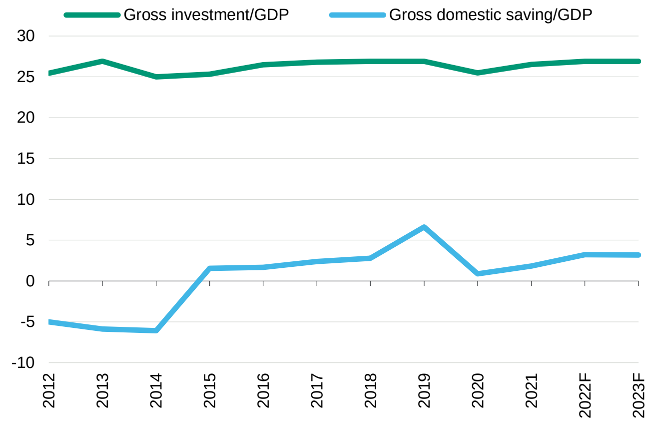
Economic growth



Source: Moody's Investors Service

Exhibit 35

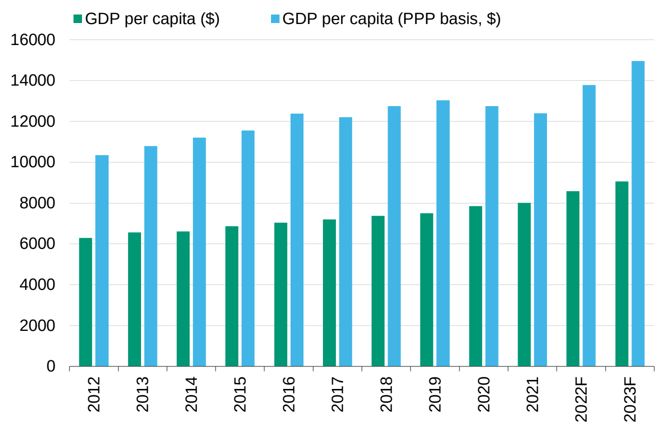
Investment and saving



Source: Moody's Investors Service

Exhibit 36

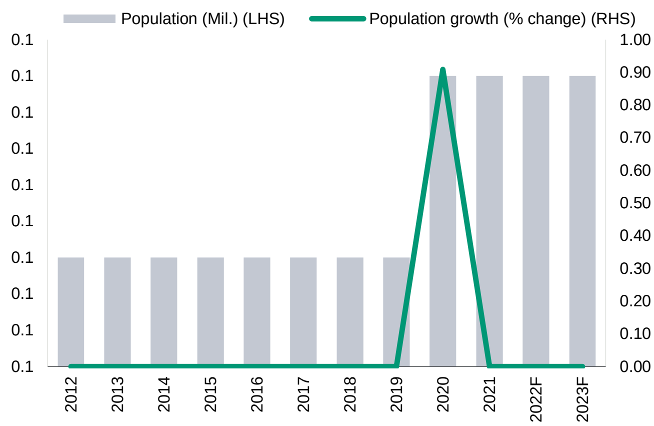
National income



Source: Moody's Investors Service

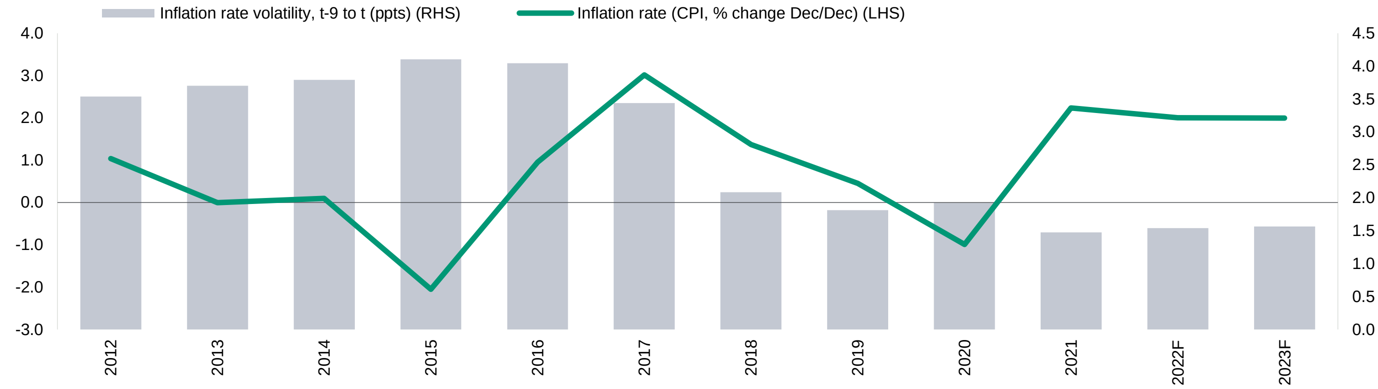
Exhibit 37

Population



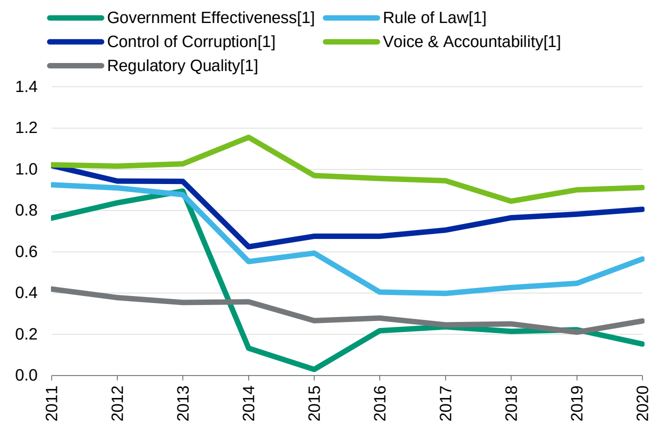
Source: Moody's Investors Service

Exhibit 38
Inflation and inflation volatility



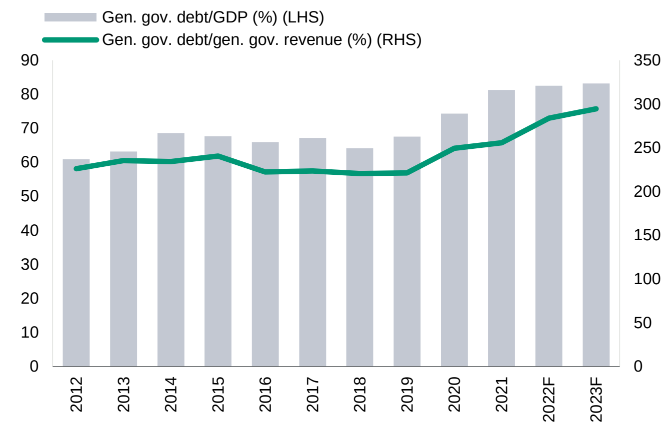
Source: Moody's Investors Service

Exhibit 39
Institutional framework and effectiveness



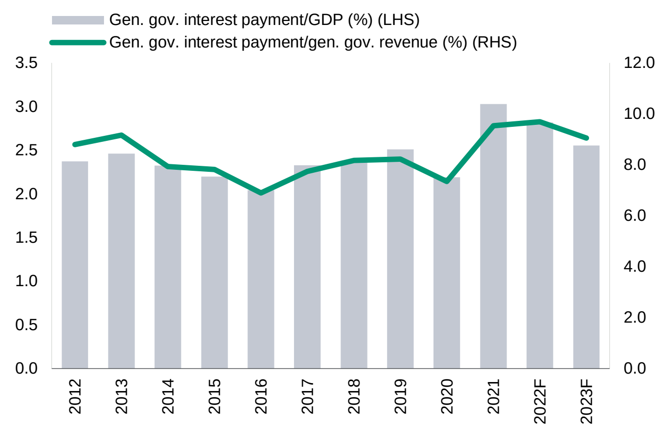
Notes: [1] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions.
Source: Worldwide Governance Indicators

Exhibit 40
Debt burden



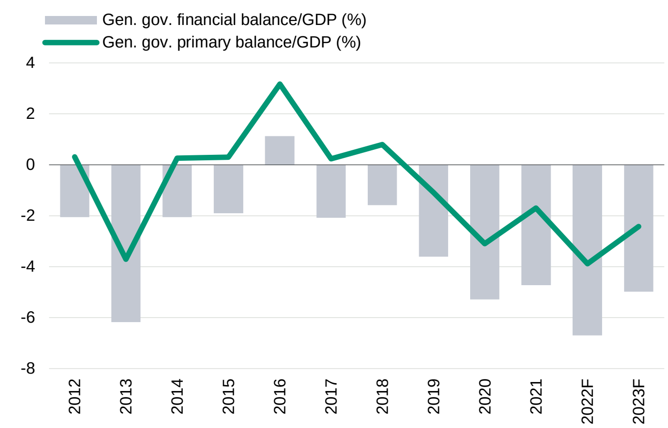
Source: Moody's Investors Service

Exhibit 41
Debt affordability



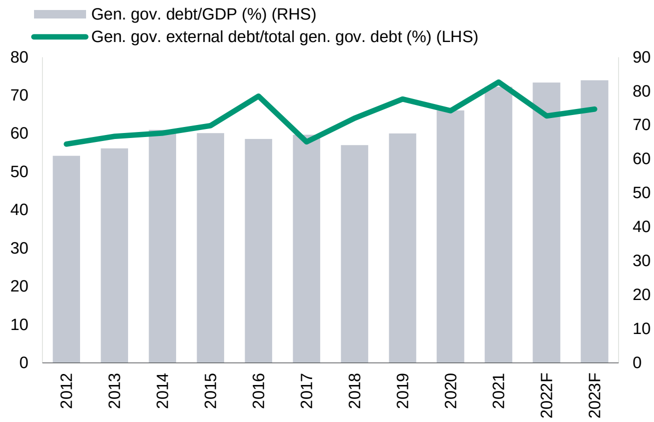
Source: Moody's Investors Service

Exhibit 42
Financial balance



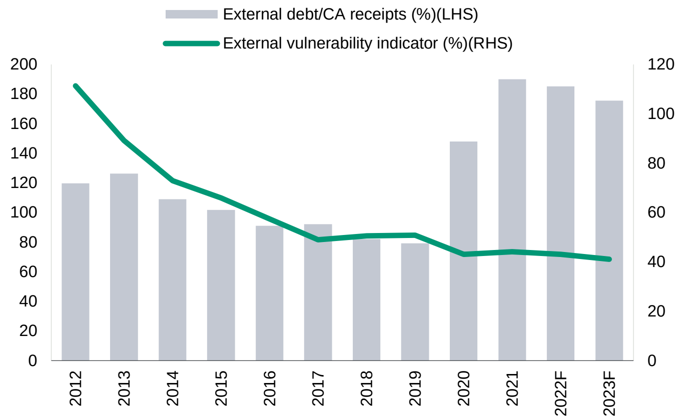
Source: Moody's Investors Service

Exhibit 43
Government liquidity risk



Source: Moody's Investors Service

Exhibit 44
External vulnerability risk



Source: Moody's Investors Service

Rating history

Exhibit 45

St. Vincent and 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 for the full rating history.
Source: Moody's Investors Service

Annual statistics

Exhibit 46

St. Vincent and the Grenadines

	2012	2013	2014	2015E	2016E	2017E	2018E	2019E	2020E	2021F	2022F	2023F
Economic structure and performance												
Nominal GDP (US$ bil.)	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8250	0.872	0.889	1.0	1.0
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$)	6,299	6,556	6,616	6,867	7,040	7,202	7,375	7,500	7,857	8,009	8,585	9,057
GDP per capita (PPP basis, US$)	10,340	10,795	11,205	11,552	12,384	12,202	12,751	13,035	12,750	--	--	--
Nominal GDP (% change, local currency)	2.5	4.1	0.9	3.8	2.5	2.3	2.4	1.7	5.7	1.9	7.2	5.5
Real GDP (% change)	1.4	1.8	1.2	1.3	1.9	1.0	2.2	0.5	-5.3	0.7	4.0	3.0
Inflation (CPI, % change Dec/Dec)	1.0	0.0	0.1	-2.1	1.0	3.0	1.4	0.5	-1.0	2.2	2.0	2.0
Gross investment/GDP	25.4	26.9	25.0	25.3	26.5	26.8	26.9	26.9	25.5	26.5	26.9	26.9
Gross domestic saving/GDP	-5.0	-5.9	-6.1	1.6	1.7	2.4	2.8	6.6	0.9	1.8	3.2	3.2
Nominal exports of G & S (% change, US$ basis)	4.3	-4.6	2.2	1.2	5.2	-3.0	9.6	1.8	-43.7	7.3	10.7	4.1
Nominal imports of G & S (% change, US$ basis)	6.6	4.2	-1.6	-6.4	2.2	-2.1	5.4	-6.1	-12.1	4.0	5.7	5.0
Openness of the economy[1]	85.4	83.2	82.1	75.9	76.4	72.9	76.0	72.2	52.3	53.8	53.7	53.4
Government Effectiveness[2]	0.8	0.9	0.1	0.0	0.2	0.2	0.2	0.2	0.2	--	--	--
Government finance												
Gen. gov. revenue/GDP[3]	27.0	26.9	29.3	28.1	29.6	30.0	29.1	30.5	29.8	31.8	29.1	28.3
Gen. gov. expenditures/GDP[3]	29.0	33.0	31.4	30.0	28.5	32.1	30.7	34.1	35.1	36.5	35.8	33.2
Gen. gov. financial balance/GDP[3]	-2.1	-6.2	-2.1	-1.9	1.1	-2.1	-1.6	-3.6	-5.3	-4.7	-6.7	-5.0
Gen. gov. primary balance/GDP[3]	0.3	-3.7	0.3	0.3	3.2	0.2	0.8	-1.1	-3.1	-1.7	-3.9	-2.4
Gen. gov. debt (US$ bil.)[3]	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.8	0.8
Gen. gov. debt/GDP[3]	60.9	63.2	68.6	67.6	65.9	67.1	64.1	67.5	74.3	81.3	82.5	83.2
Gen. gov. debt/gen. gov. revenue[3]	225.9	235.2	234.1	240.6	222.4	223.5	220.5	221.2	249.5	255.8	283.8	294.5
Gen. gov. interest payments/gen. gov. revenue[3]	8.8	9.2	7.9	7.8	6.9	7.7	8.2	8.2	7.4	9.5	9.7	9.0
Gen. gov. FC & FC-indexed debt/gen. gov. debt[3]	57.3	59.3	60.1	62.0	69.8	57.8	64.1	69.1	65.9	73.5	64.7	66.4
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Real eff. exchange rate (% change)	3.1	-1.2	-0.9	5.5	1.1	0.0	-0.2	1.9	-2.2	--	--	--
Current account balance (US$ bil.)	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.2
Current account balance/GDP	-27.8	-29.2	-26.2	-15.3	-13.4	-12.5	-11.1	-3.4	-15.6	-15.5	-14.7	-15.2
External debt (US$ bil.)[4]	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.6
Public external debt/total external debt[4]	92.0	92.6	92.0	92.7	91.9	93.4	94.4	95.6	92.3	93.2	93.5	93.3
Short-term external debt/total external debt	--	--	--	--	--	--	--	--	--	--	--	--
External debt/GDP[4]	41.6	43.2	46.8	45.5	43.1	42.3	39.9	42.6	46.6	61.4	59.9	55.3
External debt/CA receipts[5][4]	119.7	126.2	109.0	101.7	91.0	92.1	82.1	79.3	148.1	189.9	185.2	175.5
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	16.7	17.6	17.1	16.4	10.4	20.6	5.1	9.0	3.5	12.3	11.7	11.1
Net international investment position/GDP	--	--	--	--	--	--	--	--	--	--	--	--
Official forex reserves (US$ bil.)	0.1	0.1	0.2	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.)	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	--	--	--

Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	6.6	8.5	9.6	4.8	3.0	1.0	1.9	8.1	30.1	--	--	--
Monetary policy rate (% per annum, Dec 31)[6]	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	2.0	--	--	--
Domestic credit (% change Dec/Dec)	4.9	1.2	-0.2	2.5	0.6	0.7	-0.3	1.1	3.5	--	--	--
Domestic credit/GDP	54.3	52.8	52.2	51.5	50.5	49.8	48.4	48.1	47.1	--	--	--
M2/official forex reserves (X)	4.0	3.6	3.3	3.3	2.9	3.2	3.4	3.3	4.0	--	--	--
Total external debt/official forex reserves	264.0	234.2	218.4	208.8	174.4	186.0	191.9	183.3	199.0	259.6	263.5	249.0
Debt service ratio[7]	15.2	13.2	9.7	9.9	8.7	9.6	10.4	8.4	13.3	14.3	13.5	15.2
External vulnerability indicator (EVI)[8]	111.3	89.2	72.9	66.0	57.3	49.0	50.6	50.8	43.1	44.1	43.0	41.1
Liquidity ratio[9]	15.8	20.6	46.7	25.7	40.7	44.7	28.1	20.8	20.0	--	--	--
Total liabilities due BIS banks/total assets held in BIS banks	48.9	57.1	60.4	32.8	49.5	49.4	29.4	25.2	25.2	--	--	--
"Dollarization" ratio[10]	3.9	5.1	5.4	6.0	5.5	5.6	5.0	7.5	5.2	--	--	--
"Dollarization" vulnerability indicator[11]	8.5	10.3	11.1	12.2	9.9	10.6	9.5	13.3	9.3	--	--	--

[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

- **Outlook**: Sovereigns – Latin America & Caribbean: 2022 outlook stable as growth recovers and debt levels stabilize; political risks rising, 16 November 2021
- **Credit Opinion**: Government of St. Vincent and the Grenadines: B3 stable, 2 September 2021
- **Issuer Comment**: Government of St. Vincent and the Grenadines: La Soufrière volcano eruption, credit negative despite World Bank credit line and government contingency funding, 14 April 2021
- **Rating Methodology**: Sovereign Ratings Methodology, 25 November 2019

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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- Sovereign risk group web page
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Authors
Samar Maziad
Vice President, Senior Analyst

Alexis Corn
Associate Analyst

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