

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT
AND THE GRENADINES
For the year ended March 31, 2018**

The objective of this report is to present the public with a brief summary of the Government of St. Vincent and the Grenadines' fiscal operations, for the quarter ended March 31, 2018. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data indicates that the Central Government fiscal operations as at March 31, 2018 weakened when compared to the same period in 2017. Current Revenue decreased by 11.2 percent to \$114.53 million, while Current Expenditure increased by 3.5 percent to \$130.75 million. Consequently, the Current Account recorded a deficit of \$16.22 million. During the period under review, the Overall Balance contracted, moving from a surplus of \$2.55 million in 2017 to a deficit of \$15.88 million in 2018.

Table 1: Summary of fiscal operations for the period ended March 31, 2018

	BUDGET 2018 \$ M	ACTUAL 2018 \$ M	ACTUAL 2017 \$ M	% CHANG E
Current Revenue	136.73	114.53	129.03	(11.2)
<i>of which:</i>				
Taxes on Income & Profits	31.89	23.79	28.98	(17.9)
Taxes on property	10.79	3.66	9.07	(59.6)
Taxes on Goods & Services	43.84	35.49	42.58	(16.7)
Taxes on International Trade	32.27	34.02	31.87	6.7
Sale of Goods & Services	14.36	15.29	14.23	7.4
Current Expenditure	138.50	130.75	126.30	3.5
<i>of which:</i>				
Compensation Employees	74.19	71.07	69.28	2.6
Use of Goods & Services	13.98	11.15	11.64	(4.2)
Interest Payments	12.92	9.91	9.78	1.4
Transfers	37.40	38.61	35.60	8.5
Current Balance	(1.77)	(16.22)	2.73	(693.4)
Primary Balance	(9.36)	(5.97)	12.32	(148.4)
Capital Expenditure	24.42	1.50	1.10	36.6
Capital Revenue	3.91	1.84	0.91	101.9
Overall Balance	(22.28)	(15.88)	2.55	(724.0)

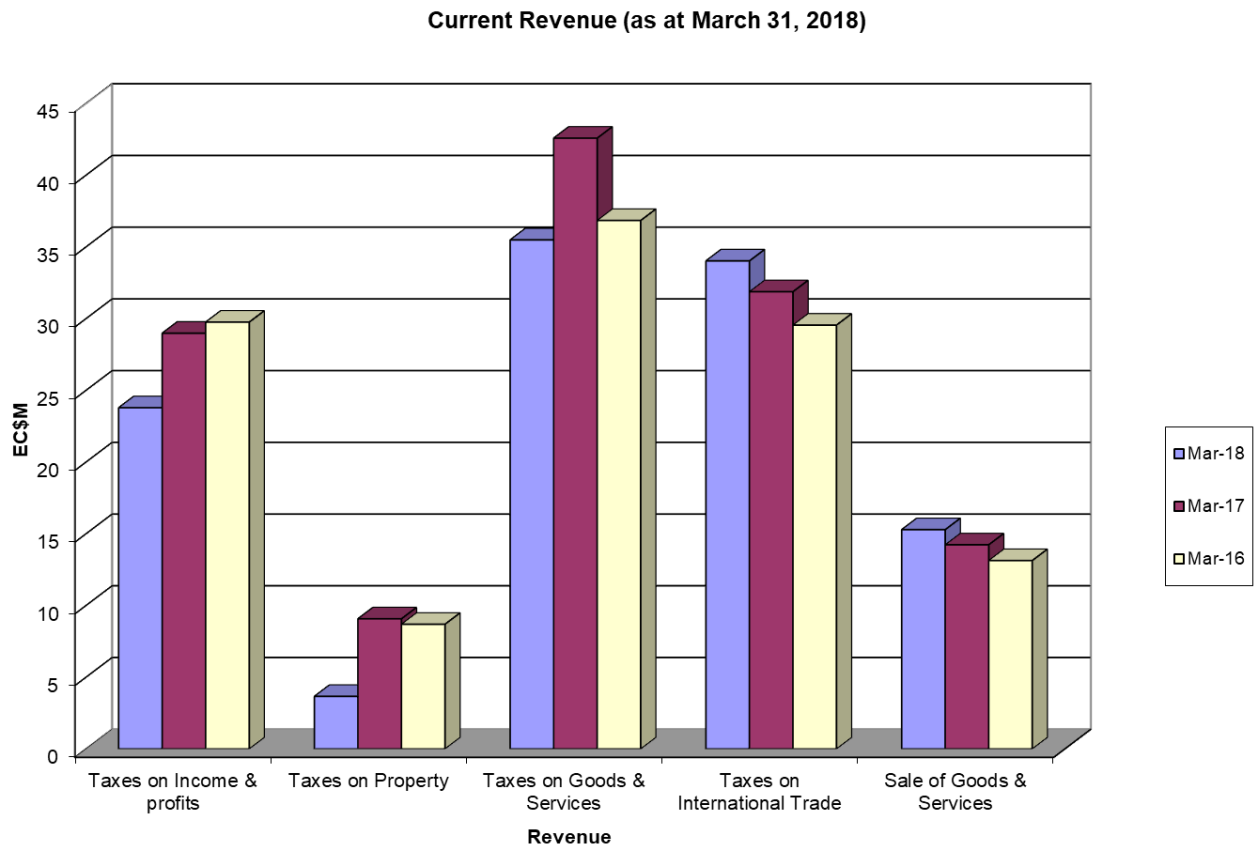
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits fell by 17.9 percent to \$23.79 million, this was mainly due to lower collections from Taxes on Individuals and Corporation Taxes which fell by 15.9 percent and 43.4 percent respectively. Lower collections from Individuals and Corporation Taxes mostly reflect untimely recording of tax receipts for the period. On the contrary, revenue from Non-Resident (Withholding) Tax went up 6.9 percent when compared to 2017.

Revenue from Taxes on Property declined by 59.6 percent to \$3.66 million. The decrease in collection resulted from lower receipts from Alien Land Holding Licence which fell by 86.5 percent and Stamp Duty on Property which contracted by 59.9 percent, both on account of lower receipts from the sale of lands during the quarter. Contrastingly, tax collections from Immovable Property rose by 32.9 percent.

Figure 1: Items of Current Revenue as at March 31, 2018



Taxes on Goods and Services which totaled \$35.49 million, decreased by 16.7 percent as at 31st March, 2018. This was mainly as a result of a 12.5 percent decline in receipt from Value Added Tax, and due primarily to timing issues in the reporting of revenues. Revenue from Telecommunications Broadcast Licence fell significantly (by \$2.99 million) during the period due to timing issues related to collection, as no revenue was collected for this item for the first three months of 2018. Lower receipts from Excise Duty on Domestic Transactions (24.3 percent), Insurance Premium Tax (13.5 percent) and Motor Vehicle Licence (5.7 percent) also contributed to the decline in revenue from this tax type. The fall in revenue from Taxes on Goods and Services was however moderated by higher receipts from Yacht Licence and Interest Levy as these items rose by 43.2 percent and 5.4 percent, respectively.

Revenue from International Trade Taxes which amounted to \$34.02 million was 6.7 percent higher than the amount collected for the corresponding period in 2017. Under this rubric, revenue collection from all major subcomponents increased including; VAT revenue (10.6 percent), Import Duty (0.1 percent) and Vehicle Surtax (10.9 percent). VAT revenue benefitted from the 1.0 percent increase in the VAT rate which became effective May 1, 2017. Vehicle Surtax benefitted from a 4.5 percent increase in the importation of used vehicles. The 2.0 percent growth in merchandise imports of also contributed to the overall performance in this category.

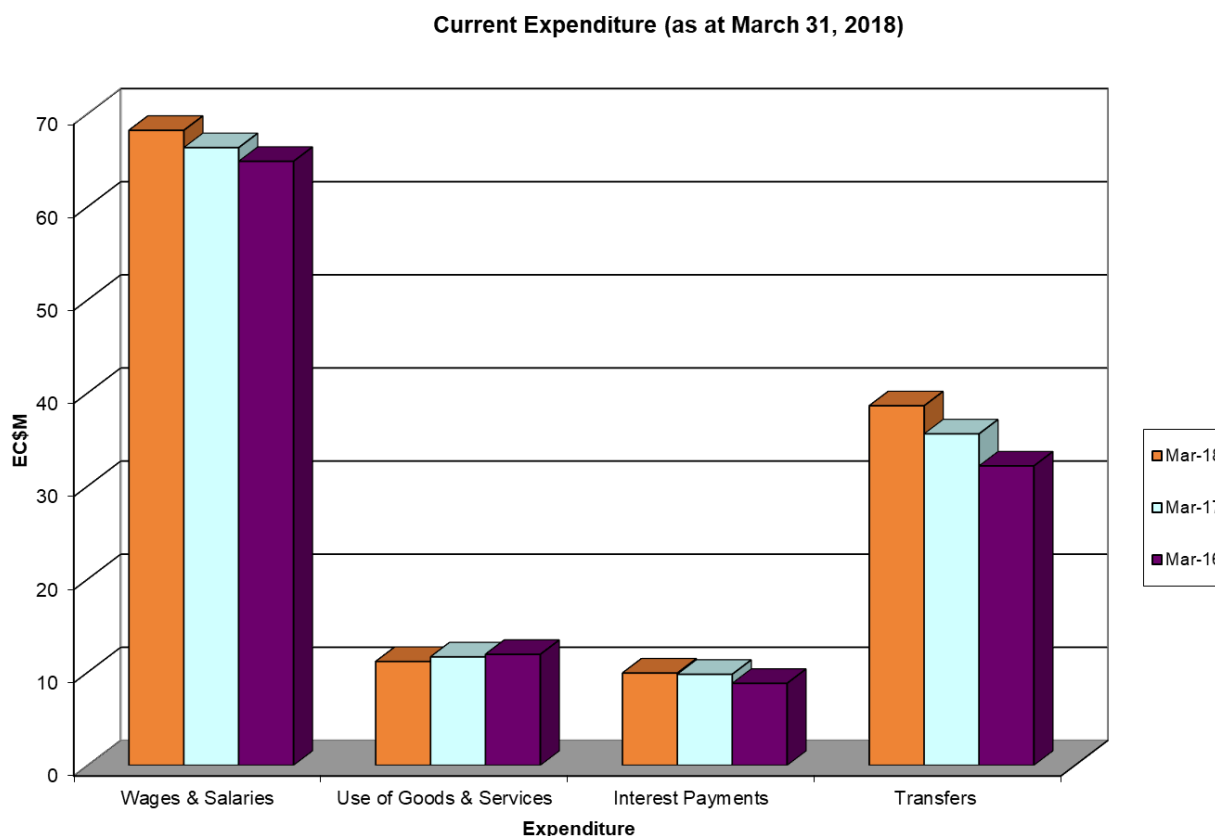
Revenue from Sale of Goods and Services grossed \$15.29 million, this represents a 7.4 percent improvement over the amount collected in 2017. This was mainly due to increased revenue from Customs Service Charge which rose by 12.3 percent largely as a result of a lump sum payment of arrears (\$1.00 million). Additionally, International Financial Services fee went up by 26.7 percent and receipt from Drivers Licence increased by 6.5 percent. These performances were however moderated by the lower takings from Business Registration (CIPO) fees, as this item decreased by 59.8 percent during the period.

Capital inflows as at March 31, 2018 amounted to \$1.84 million, up from the \$0.91 collected in the corresponding period in 2017 and due mainly to higher Grants receipts which moved from \$0.66 million in 2017 to 1.69 million in 2018.

Expenditure

As at March 31, 2018, Current Expenditure amounted to \$130.75 million. This figure represents an increase of 3.5 percent when compared to the amount spent during the same period in 2017. Payment of Wages and Salaries amounted to \$68.20 million and the Employer's Social Security Contribution to \$2.88 million, these were responsible for the overall 2.6 percent increase in Compensation of Employees. The 2.8 percent increase in spending on Wages and Salaries was mainly due to changes in increments and allowances during the period.

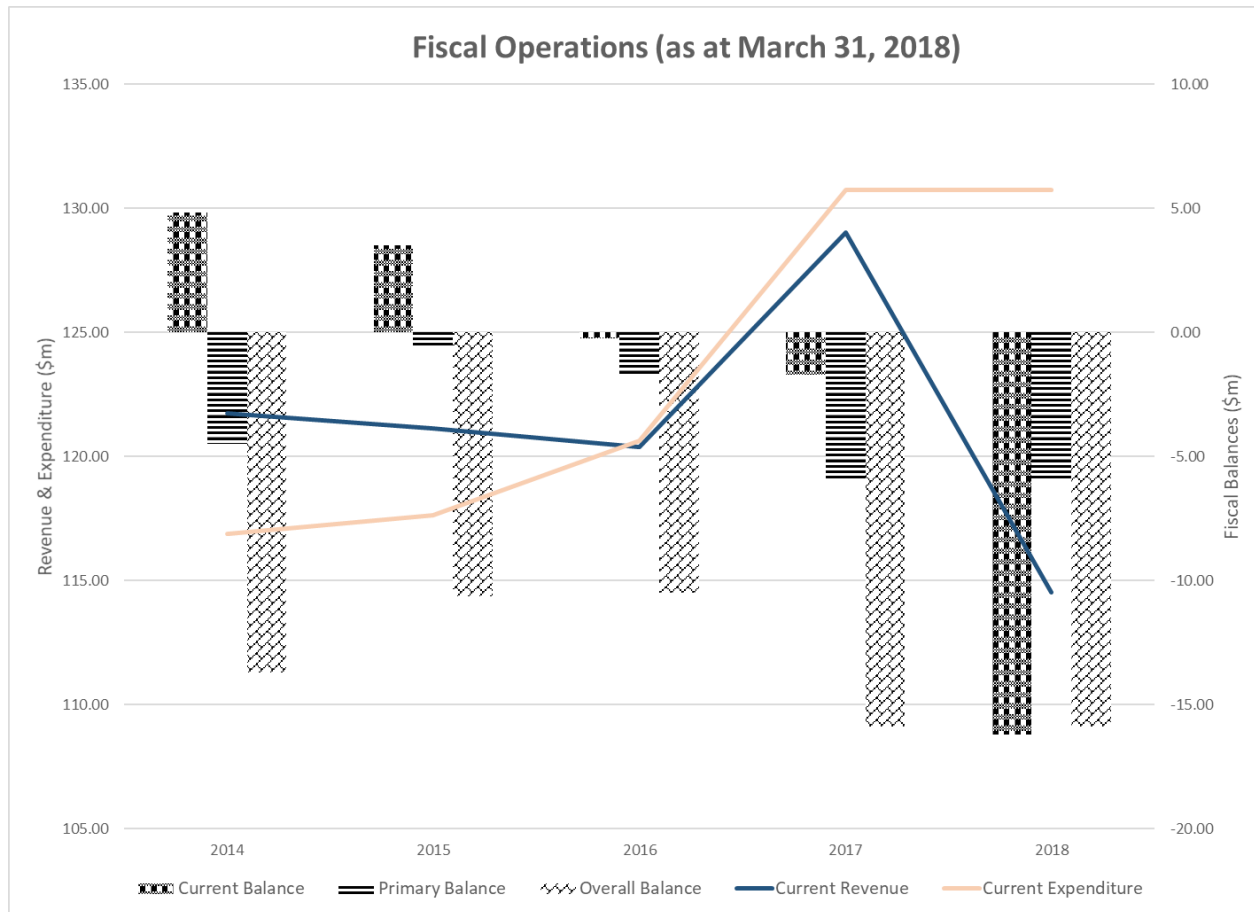
Figure 2: Items of recurrent expenditure as at March 31, 2018



Interest Payments increased during the period by 1.4 percent to \$9.91 million, mainly as a result of higher payments (9.4 percent) on the domestic component as a result of the contraction of new domestic debt. On the other hand, Interest on external debt decreased by 7.3 percent reflecting a decrease in the external debt stock. Outlays on Transfers increased by 8.5 percent to \$38.61 million mainly based on higher amounts expended on

Grants to Other Agencies and Contributions to Foreign Organisations. Spending on Pension Benefits and Social Welfare fell by 2.9 percent and 10.8 percent respectively, during the period.

Figure 3: Fiscal Recurrent Activity March 2014-2018



Preliminary data indicates that Capital Expenditure for the quarter amounted to \$1.50 million, up 36.6 percent from the \$1.10 million recorded for the same period in 2017. This relatively low capital spending reflects partly the slow implementation rate on on-going projects and tardy processing of journals to bring to account direct payment made to various contractors by funding agencies.

Financing

Table 2 below summarizes the Central Government financing as at March 31, 2018 with comparable numbers for 2017.

Table 2: Summary of Central Government Financing as at March 31, 2018 compared with 2017

	2018 \$ M	2017 \$ M
OVERALL DEFICIT	(15.88)	2.55
FINANCED BY:	15.88	(2.55)
External Loans	(12.67)	(16.45)
Disbursements	0.00	0.40
Less: Amortisation	(12.67)	(16.85)
Domestic Financing (net)	28.55	13.90

Source: Ministry of Finance and Planning

The Overall Deficit of \$15.88 million was funded by a mix of external and domestic instruments. The government relied heavily on domestic financing sources since there were no new disbursements of external loans recorded during the first quarter while \$12.67 million was expended on external amortization. The majority of the domestic financing came from drawing down cash balances in the amount of \$28.28 million.