

**SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST.VINCENT AND
THE GRENADINES**
For the period ended June 30, 2022

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 period ended June 30, 2022. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at June 30, 2022 indicated that the Central Government fiscal operations deteriorated when compared to the same period in 2021. Current Revenue decreased by 0.9 percent to \$319.94 million, while Current Expenditure grew by 3.6 percent, to \$327.34 million. This resulted in a current deficit of \$7.40 million compared to a surplus of \$6.73 million in 2021. The Overall Deficit also worsened, moving from \$12.64 million in 2021 to \$45.78 million in 2022.

Table 1: Summary of fiscal operations for the period ended June 30, 2022

	Budget 2022 \$ m	Actual 2022 \$ m	Actual 2021 \$ m	% Change
Current Revenue	307.65	319.94	322.82	(0.9)
<i>of which:</i>				
Taxes on Income & Profits	72.88	72.85	67.15	8.5
Taxes on Property	15.38	16.79	60.80	(72.4)
Taxes on Goods & Services	97.39	98.43	87.11	13.0
Taxes on International Trade	75.76	83.42	70.25	18.8
Sale of Goods & Services	35.53	40.31	29.49	36.7
Current Expenditure	352.08	327.34	316.08	3.6
<i>of which:</i>				
Compensation Employees	175.11	165.58	166.29	(0.4)
Use of Goods & Services	46.69	39.44	37.36	5.5
Interest Payments	35.22	27.66	23.59	17.2
Transfers	95.06	94.66	88.84	6.6
Current Balance	(44.43)	(7.40)	6.73	(209.8)
Primary Balance (net CCF)	(66.88)	(18.12)	10.95	(265.5)
Capital Expenditure	72.43	47.27	71.53	(33.9)
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	6.43	7.07	7.02	0.7
Capital Revenue	8.34	1.82	45.15	(96.0)
Overall Balance (net CCF)	(102.10)	(45.78)	(12.64)	(262.3)

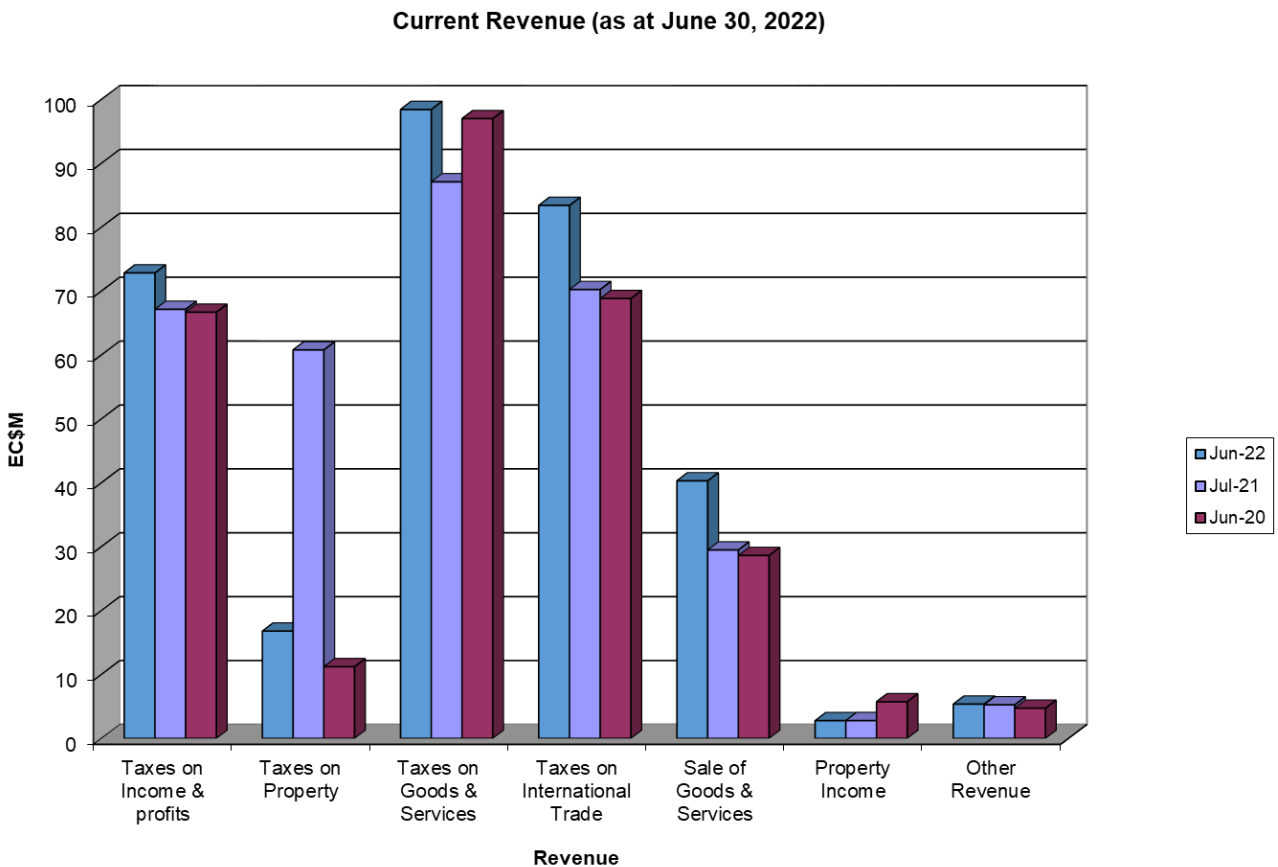
Source: Ministry of Finance and Planning

Revenue

Over the reporting period, receipts from Taxes on Income and Profits increased by 8.5 percent to \$72.85 million mainly due to higher collections from Individual Income Tax which increased by 10.4 percent from \$42.53 million to \$46.97 million. The increase was related, in part, to the payment of arrears. Collection of Corporate Tax decreased by 7.1 percent to \$16.63 million this was partly attributable to challenges which resulted in payments from some businesses not being collected in a timely manner.

Revenue from Taxes on Property fell by 72.4 percent to \$16.79 million during the period. It is important to note that this amount is still greater than the amount budgeted for this item and the overall decline is based on the unusually high revenue collected from Alien Land Holding Licence and Stamp Duty on Property, in 2021. Stamp Duty on Property went down by \$24.73 million and Alien Land Holding Licence decreased by \$19.28 million.

Figure 1: Items of Current Revenue as at June 30, 2022



As at June 30, 2022, Taxes on Goods and Services which totaled \$98.43 million, increased by 13.0 percent due to high collection from most subcategories. This performance reflects the increased domestic economic activity projected for the year 2022. Receipts from VAT grew by 25.1 percent mainly related to increased activity in the construction sector. Greater revenue was also realized from Excise Duty on Domestic Transactions (29.9 percent) and Imports (5.0 percent), Motor Vehicle Licence (4.7 percent) and Yacht Licence. Meanwhile, collections from Telecommunications and Broadcast Licence and Interest Levy decreased mainly on account of issues related to timing of collection.

Revenue from International Trade Taxes increased by 18.8 percent, to \$83.42 million driven mainly by a 22.3 percent growth in merchandise imports during the period. The rise in the value of merchandise imports is broadly reflective of global supply chain issues including the sharp increase in freight costs and inflation. Revenue from Import Duty and Value Added Tax increased significantly, by 21.7 percent and 20.1 percent respectively while Vehicle Surtax fell.

Revenue from Sales of Goods and Services grossed \$40.31 million. This represents a 36.7 percent increase on the amount collected for the same period in 2021 on account of significant increases in the all subcomponents. International Financial Services Fees, Driver's Licence, and CIPO Registration Fees increased by 19.8 percent, 20.2 percent and 125.9 percent, respectively. Revenue from Customs Service Charge increased significantly (48.3 percent) to \$26.96 million due mainly to the growth in imports and the one percentage point increase in the rate which took effect June 1, 2021.

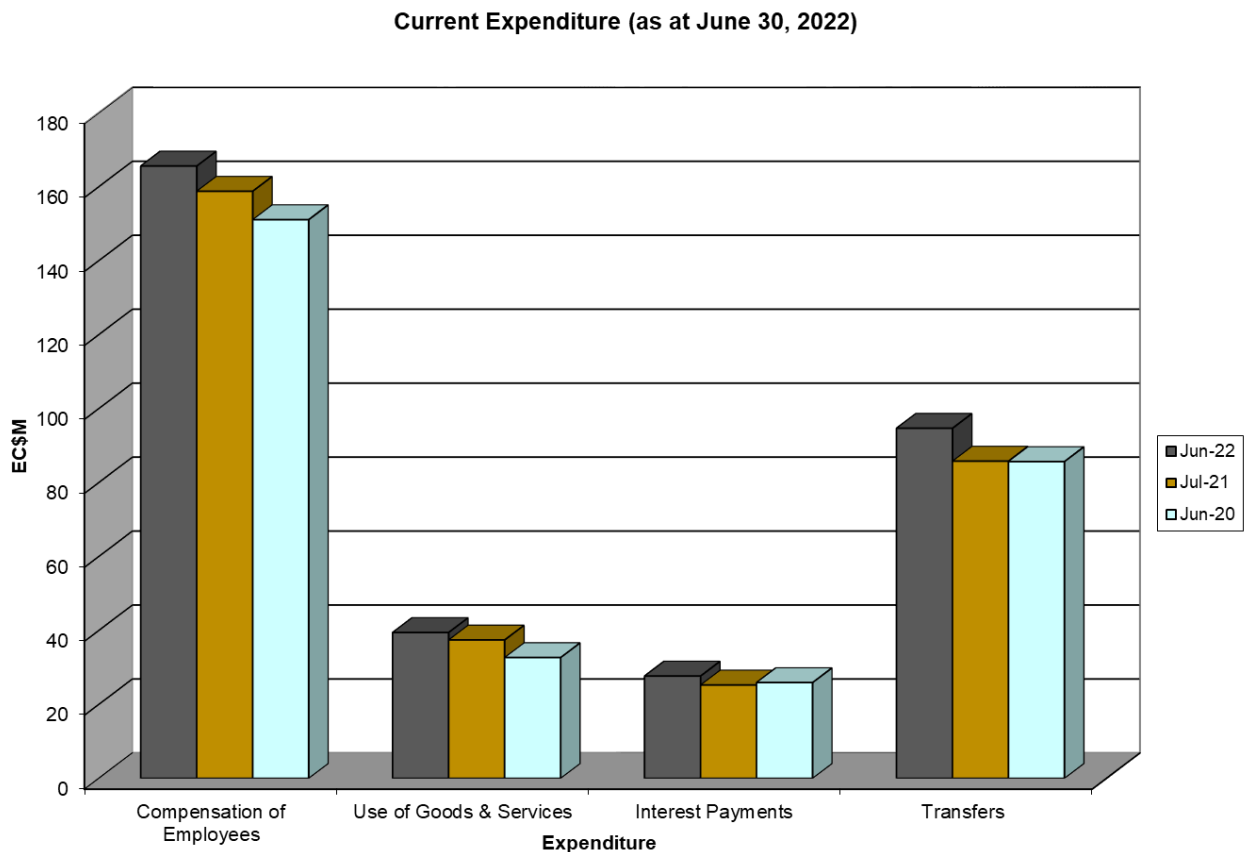
Capital inflows as of June 30, 2022 amounted to \$1.82 million, down significantly from the \$45.15 million collected in the corresponding period in 2021. This was mainly due to two factors:

- 1.** A fall-off in grant receipts during the period (Grants fell by 89.3 percent to \$1.37 million).
- 2.** A significant amount collected from Other Capital Receipts, for volcano relief, during the period in 2021 did not recur in 2022.

Expenditure

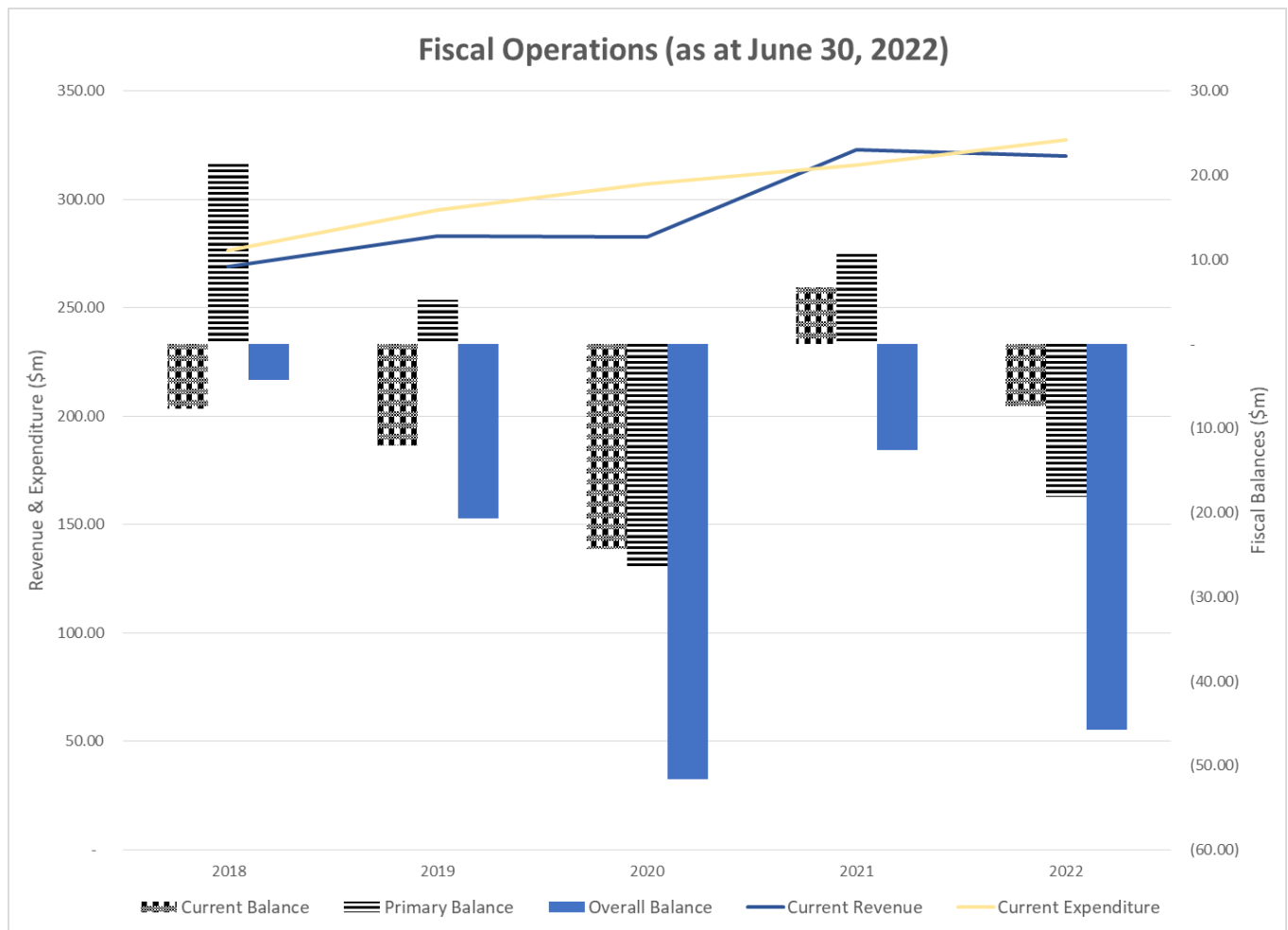
As at June 30, 2022, Current Expenditure amounted to \$327.34 million. This figure represents an increase of 3.6 percent when compared to the amount spent during the same period in 2021. Payment of Wages and Salaries amounted to \$158.30 million and the Employer's Social Security Contribution to \$7.28 million. There was a marginal decline (of 0.4 percent) in payments for Compensation of Employees during the period.

Figure 2: Items of recurrent expenditure as at June 30, 2022



Interest payments increased during the period by 17.2 percent to \$27.66 million as a result of increased payments on the external component of the debt. External Interest Payments moved from \$6.44 million in 2021 to \$11.08 million over the same period in 2022. This increase resulted mainly from the Caribbean Catastrophe Risk Insurance Facility (CCRIF) payment (\$1.07 million) and a North Star loan payment (\$4.9 million). Outlays on Transfers increased by 6.6 percent to \$94.66 million as increased amounts were expended on pension benefits, Grants to Local Authorities and Grants to Other Agencies; these went up by 14.8 percent, 25.3 percent and 10.1 percent respectively, during the period.

Figure 3: Fiscal Recurrent Activity June 2018-2022



Preliminary data indicates that Capital Expenditure as at June 30th, 2022 amounted to \$47.27 million, down from the \$71.53 million recorded for the same period in 2021. Notwithstanding the reduction in Capital Expenditure, some of the major projects accounting for the amount spent to date included:

- Diamond Hotel Project (\$5.21 million)
- Housing Reconstruction Rehabilitation Project (\$3.45 million)
- Home Reconstruction Project (\$3.02 million)
- Volcano Recovery and Reconstruction Programme (\$2.75 million)
- Road Rehabilitation & Repair Programme II (\$3.12 million)
- Port Redevelopment Project (\$1.65 million)

Financing

Table 2: Summary of Central Government Financing as at June 30, 2022 compared with 2021

	2022 \$ M	2021 \$ M
OVERALL DEFICIT	(45.78)	(12.64)
FINANCED BY:	45.78	12.64
External Loans	(26.91)	(10.53)
Disbursements	4.77	6.16
Less: Amortisation	(31.68)	(16.69)
Domestic Financing (net)	72.69	23.17

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$45.78 million for the period, financed from domestic sources. The main items of domestic financing were reductions in cash balances (by \$42.70 million) and issuance of bonds (amounting to \$59.00 million).