

SUMMARY OF FISCAL OPERATIONS OF THE CENTRAL GOVERNMENT OF ST. VINCENT AND THE GRENADINES

For the year ended June 30, 2023

The objective of this report is to present the public with a brief summary of the Government of St. Vincent and the Grenadines' fiscal operations, for the quarter ended June 30, 2023. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Based on the preliminary data as of June 30, 2023, the fiscal operations of the Central Government improved in comparison to the corresponding period in 2022. Current Revenue increased by 10.9 percent to \$354.96 million, while Current Expenditure grew by 8.0 percent, to \$353.55 million. This resulted in a surplus of \$1.40 million compared to a deficit of \$7.40 million in 2022. The Overall Deficit also improved, from \$45.78 million in 2022 to \$28.19 million in 2023.

Table 1: Summary of fiscal operations for the period ended June 30, 2023

	Budget 2023 \$ m	Actual 2023 \$ m	Actual 2022 \$ m	% Change
Current Revenue	350.86	354.96	319.94	10.9
Taxes on Income & Profits	77.06	69.93	72.85	(4.0)
Taxes on Property	13.45	10.06	16.79	(40.1)
Taxes on Goods & Services	108.42	124.13	98.43	26.1
Taxes on International Trade	96.70	83.92	83.42	0.6
Property Income	5.060	23.50	2.774	747.0
Sale of Goods & Services	44.96	38.06	40.31	(5.6)
Other Revenue	5.205	5.371	5.356	0.3
Current Expenditure	373.25	353.55	327.34	8.0
Compensation Employees	184.89	173.99	165.58	5.1
Use of Goods & Services	51.40	48.57	39.44	23.2
Interest Payments	38.23	34.44	27.65	24.5
Transfers	98.75	96.55	94.66	2.0
Current Balance	(22.39)	1.40	(7.40)	119.0
Primary Balance (net CCF)	(55.47)	6.25	(18.12)	134.5
Capital Expenditure	85.93	62.87	47.27	33.0
Of which:				
Capitalisation of Contingency Fund (CCF)	6.43	9.82	7.07	39.0
Capital Revenue	8.21	23.46	1.82	1,188.2
Overall Balance (net CCF)	(93.69)	(28.19)	(45.78)	38.4

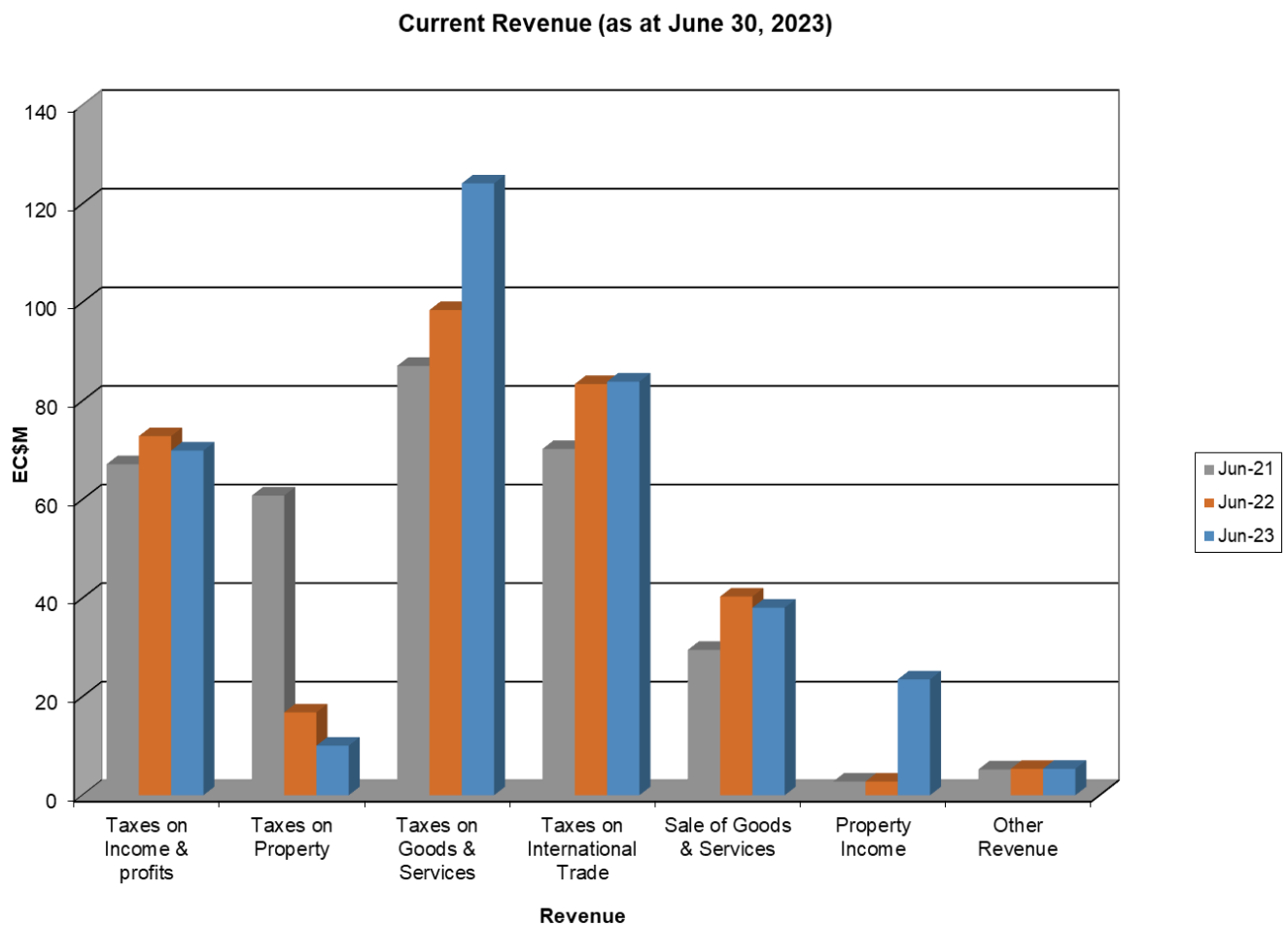
Source: Ministry of Finance and Planning

Revenue

Revenue from Taxes on Income and Profits fell by 4.0 percent to \$69.93 million, due to lower receipts from Non-Resident (Withholding) and Individual Income Taxes. The amount collected from these taxes dropped by 22.2 percent and 2.4 percent, respectively. The decline in Non-Resident (Withholding) Tax was largely due to payments of arrears which were made in 2022 with no similar payment made during the period under review. On the other hand, Corporate Income Tax receipts rose by 1.5 percent.

The Taxes on Property category recorded a decline of 40.1 percent, or \$10.06 million, as of June 30th 2023. This was mainly driven by lower collections from two major sources: Alien Land Holding Licence, which fell by 79.7 percent and Stamp Duty on Property, which fell by 37.1 percent, these declines are indicative of a contraction in the sale of lands, to foreigners, during the period.

Figure 1: Items of Current Revenue as at June 30, 2023



As of June 30th, 2023, Taxes on Goods and Services amounted to \$124.13 million, an increase of 26.1 percent. The primary driver of this revenue growth was the collection of \$71.56 million in VAT on domestic transactions which is mainly attributable to an uptick in domestic business activity during the period. Interest Levy, which benefited from the early recording of some receipts, also contributed significantly (\$10.0 million) to the revenue growth. Several other factors strengthened revenue from Taxes on Goods and Services, including greater receipts from Insurance Premium Tax (27.2 percent), Yacht Licence (14.1 percent), Telecommunications and Broadcast Licenses (101.5 percent), and Excise Duty on Domestic transactions (2.4 percent). However, the growth in revenue from Taxes on Goods and Services was somewhat offset by lower collections from Excise Duty on Imports, Motor Vehicle Licence and Merchant Shipping International Fees during the period.

Revenue from International Trade Taxes went up by 0.6 percent, reaching \$83.92 million. All major subcomponents within this category exhibited increased revenue collection: Import Duty rose by 1.3 percent, Vehicle Surtax increased by 9.6 percent, and VAT receipts experienced a slight decrease of 0.1 percent. These performances were impacted by the marginal (*0.5 percent*) increase in merchandise imports during the period. In addition, receipts from vehicle surtax was influenced by a 16.9 percent growth in the importation of vehicles.

Takings from Sales of Goods and Services amounted to \$38.06 million, down from the \$40.31 million collected in the previous year, 2022. Most of the major subcategories recorded decreases in collection, including International Financial Services (down by 14.1 percent), CIPO Registration Fees (down by 44.7 percent), and Customs Service Charge (down by 6.4 percent).

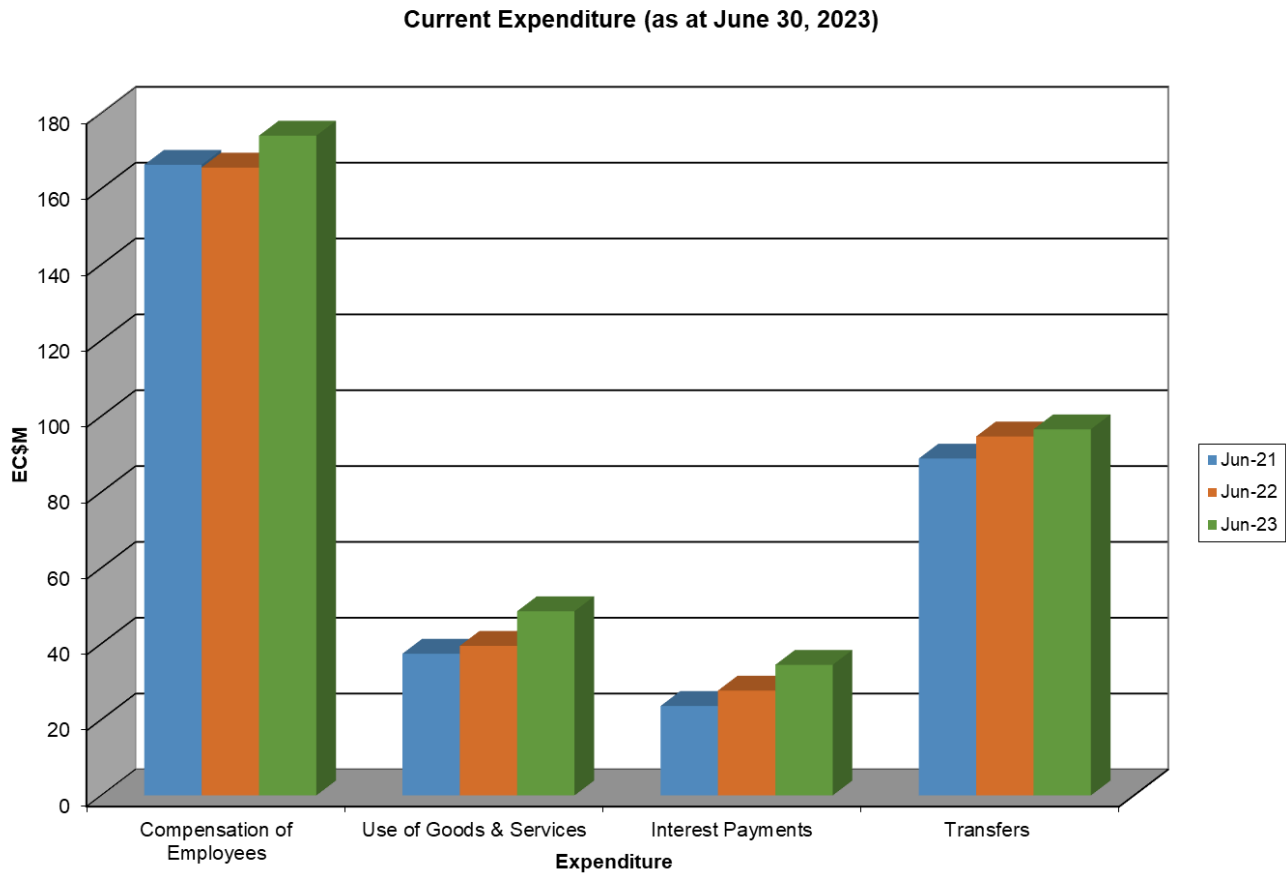
During the period under review, collections from Property Income amounted to \$23.50 million compared with \$2.77 million collected during the corresponding period in 2022. Property Income included an amount of \$20.0 million which was paid to the government for sand used in the Port Redevelopment Project.

As of June 30, 2023, capital inflows reached \$23.46 million, a substantial increase compared to the \$1.82 million received during the corresponding period in 2022. Of this amount \$15.19 million was sourced from the Republic of China/Taiwan to assist with funding several projects. Revenue from Sales of Lands and Other Capital Receipts also grew during the same period.

Expenditure

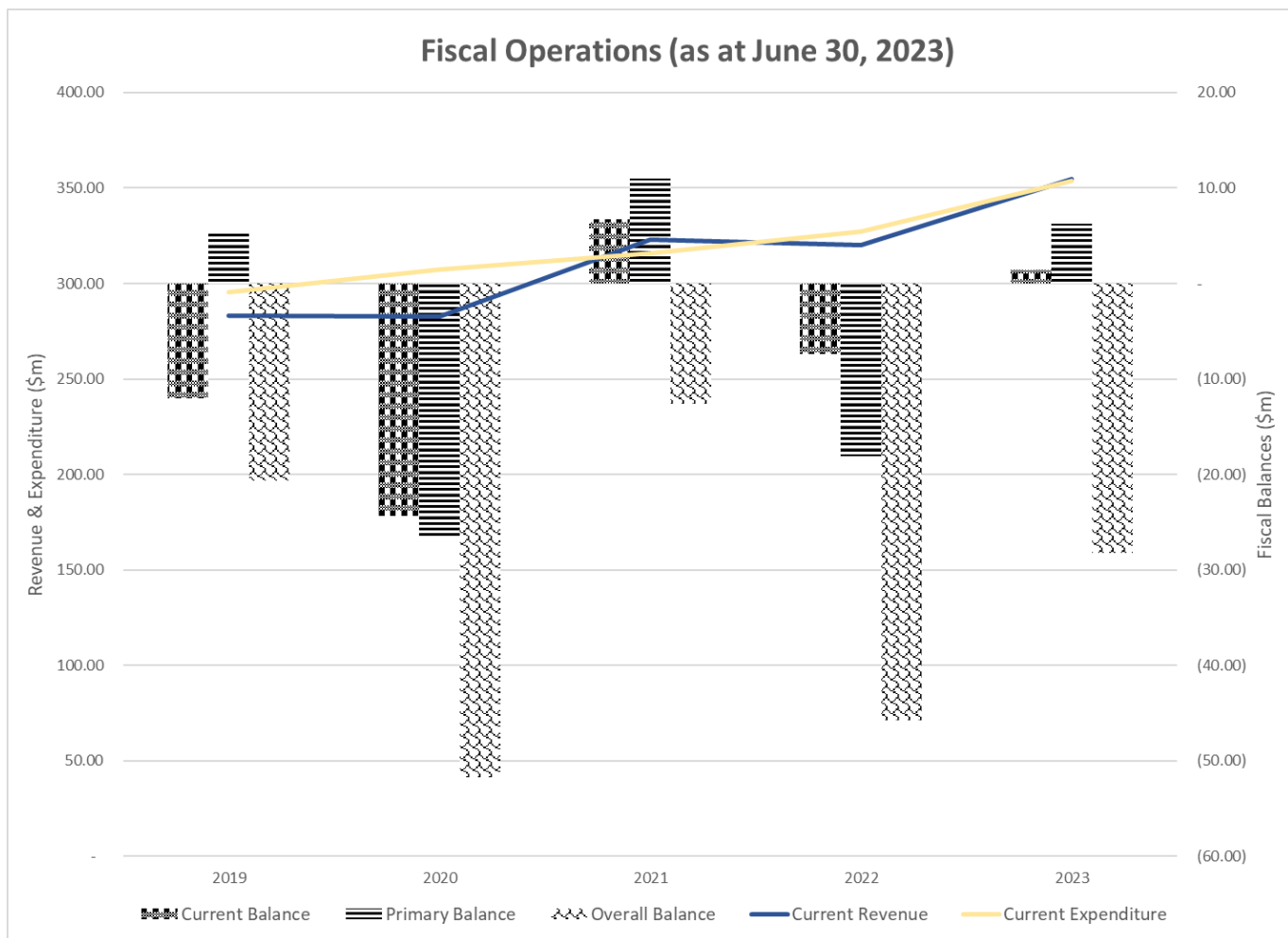
As of June 30, 2023, Current Expenditure totalled \$353.55 million, this was 8.0 percent more than the amount spent during the same period in 2022. Wages and Salaries accounted for \$166.23 million, and the Employer's Social Security Contribution amounted to \$7.75 million, contributing to the overall 5.1 percent increase in Compensation of Employees.

Figure 2: Items of recurrent expenditure as at June 30, 2023



Interest Payments saw a substantial increase (*of 24.5 percent*) during the period, reaching \$34.44 million, driven by higher payments on both the external and domestic components of the debt. External Interest Payments grew by 45.1 percent moving from \$11.08 million to \$16.08 million, while Domestic Interest Payments increased by 10.8 percent reaching \$18.36 million. Higher disbursements of outstanding debt and rising global interest rates contributed to the increase in interest payments. Additionally, outlays on Transfers rose by 2.0 percent, amounting to \$96.55 million, primarily due to greater expenditures on Social Assistance Benefits (5.9 percent) and Grants to Local Authorities (3.0 percent).

Figure 3: Fiscal Recurrent Activity June 2019-2023



Preliminary data indicates that Capital Expenditure as at June 30th, 2023 amounted to \$62.87 million, up from the \$47.27 million recorded for the same period in 2022. The improvement in capital spending was mainly related to expenditure on the following major projects:

- Port Redevelopment Project (\$9.00 million)
- Volcano Recovery and Reconstruction Programme (\$6.79 million)
- Diamond Hotel Project (\$6.5 million)
- Housing Reconstruction Rehabilitation Project (\$3.54 million)
- Digital Transformation Project (\$2.09 million)
- Home Reconstruction Project (\$2.08 million)

Financing

Table 2 below summarizes the Central Government financing as at June 30, 2023 with comparable numbers for 2022.

Table 2: Summary of Central Government Financing as at June 30, 2023 compared with 2022

	2023 \$ M	2022 \$ M
OVERALL DEFICIT	(28.19)	(45.78)
FINANCED BY:	28.19	45.78
External Loans	11.22	(26.91)
Disbursements	45.97	4.77
Less: Amortisation	(34.75)	(31.68)
Domestic Financing (net)	16.97	72.69

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$28.19 million for the period, financed from domestic and external sources. The main categories of domestic financing were reducing cash balances (by \$31.77 million) and the issuance of bonds (amounting to \$56.02 million) while \$45.97 million in external loans were disbursed, during the period.