

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

For the period ended June 30, 2024

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, 2024. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

The fiscal performance of the Central Government deteriorated in the first half of 2024 compared to the same period last year. Current Revenue rose by 1.8 percent to \$361.52 million, while Current Expenditure increased by 5.7 percent to \$373.59 million. As a result, a Current Deficit of \$12.07 million was recorded in 2024, as opposed to a surplus of \$1.40 million in 2023. Consequently, the Overall Deficit increased, moving from \$28.24 million in 2023 to \$91.01 million in 2024. The outturn was driven mostly by the significant increase in Capital Expenditure during the period.

Table 1: Summary of fiscal operations for the period ended June 30, 2024

	\$ m	\$ m	\$ m	% Change
Current Revenue	395.59	361.52	354.96	1.8
<i>of which:</i>				
Taxes on Income & Profits	74.97	76.88	69.93	9.9
Taxes on Property	21.01	18.91	10.06	87.9
Taxes on Goods & Services	141.51	114.36	124.13	(7.9)
Taxes on International Trade	99.78	94.30	83.92	12.4
Sale of Goods & Services	44.23	44.88	38.06	17.9
Current Expenditure	377.89	373.59	353.55	5.7
<i>of which:</i>				
Compensation Employees	191.54	183.90	173.99	5.7
Use of Goods & Services	49.03	49.91	48.57	2.8
Interest Payments	37.08	42.14	34.44	22.3
Transfers	100.25	97.65	96.55	1.1
Current Balance	17.71	(12.07)	1.40	960.8
Primary Balance (net CCF)	(45.66)	(48.87)	6.20	888.5
Capital Expenditure	125.62	99.57	62.93	58.2
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	9.63	11.29	9.82	14.9
Capital Revenue	15.55	9.35	23.46	(60.1)
Overall Balance (net CCF)	(82.74)	(91.01)	(28.24)	(222.2)

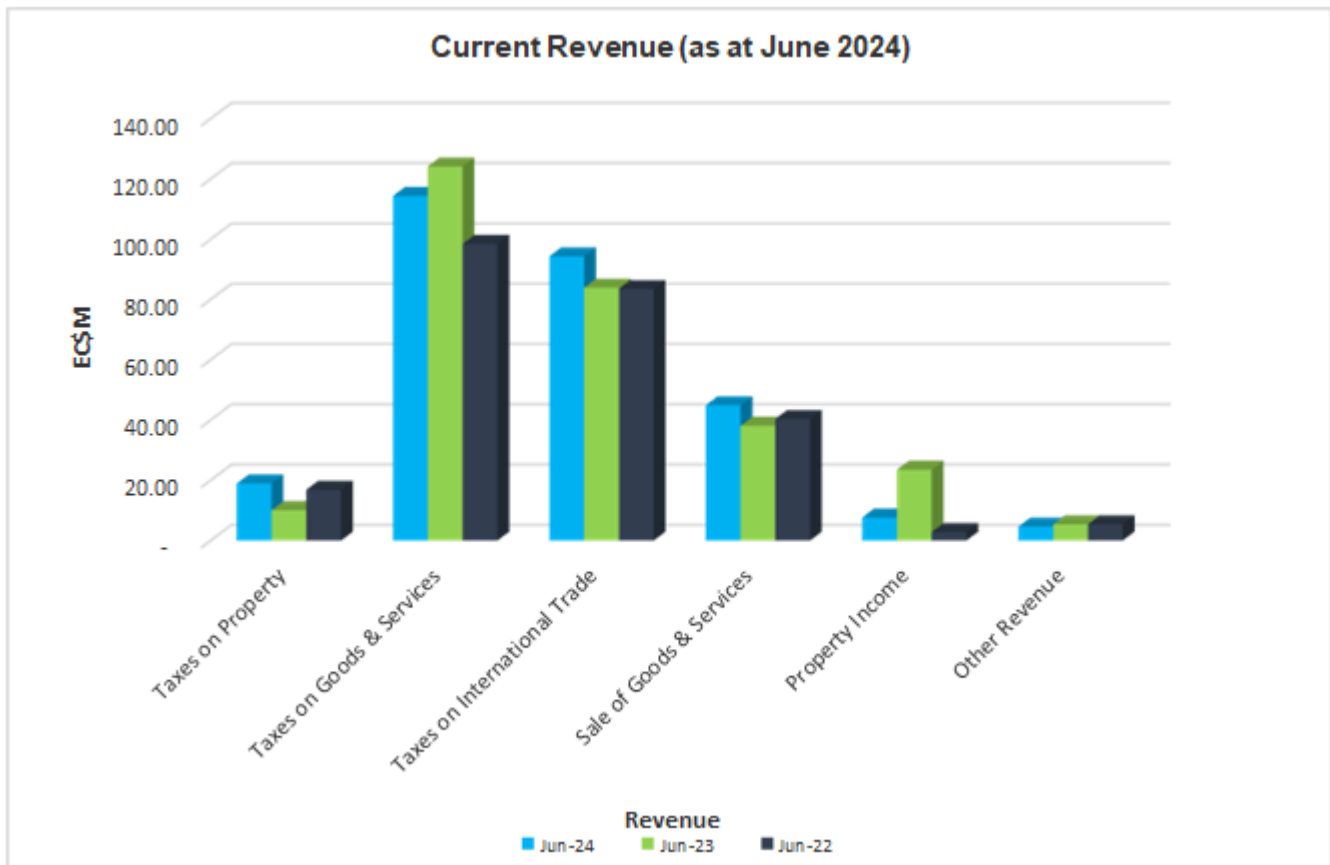
Source: Ministry of Finance and Planning

Revenue

Revenues from Taxes on Income and Profits increased by 9.9 percent to \$76.88 million. All the direct tax subgroups recorded increases: Individual Income Tax (1.5 percent), Corporate Income Tax (25.0 percent) and Non-Resident (Withholding) Tax (28.2 percent). The increase in Corporate Income Tax was on account of a timing issue which resulted in some collections for the previous period being recorded in this period. The rise in Non-Resident (Withholding) Tax collection was related to stronger collections of arrears in 2024.

Revenue from Taxes on Property increased significantly, moving from \$10.06 million in 2023 to \$18.91 million in 2024. This performance was mainly driven by higher receipts from Stamp Duty on Property (which increased by \$6.04 million) and Alien Land Holding License (which increased by \$2.76 million) due largely to greater land sales to non-nationals over the period. Collections of Property Tax at the Inland Revenue Department also increased by 15.1 percent in keeping with the Department's efforts to collect the tax including outstanding amounts.

Figure 1: Items of Current Revenue as at June 30, 2024



Taxes on Goods and Services which totalled \$114.36 million, decreased by 7.9 percent when compared to 2023. Lower collections from Telecommunications & Broadcast Licences and Interest Levy were the main sources responsible for the above-mentioned decline. The drop in collections from Telecommunications & Broadcast Licences and Interest Levy was due to timing issues related to the receipt of the licences and levies. In relation to the Telecommunications & Broadcast Licences, the figure for 2023 included amounts collected for the fourth quarter of 2022 but was recorded in 2023 thus inflating the amount for 2023. Regarding Interest Levy, the bulk of the levy is normally received either in June or July, in 2023 the amounts were collected in June while as at June 2024, there were no collections of Interest Levy. Excise Duty on Domestic Transactions also experienced a small decline of 1.2 percent. Notwithstanding the above, other sub-categories under this rubric recorded increased takings, including Merchant Shipping International Fees (94.1 percent), Excise Duty on Imports (30.3 percent) and VAT (3.0 percent). Higher receipts from Excise Duty on Imports were mainly due to issues related to timing of payment where receipts for some transactions which occurred in 2023 were actually recorded in the first half of 2024.

Revenue from International Trade taxes grew by 12.4 percent to \$94.30 million during the review period. The main impetus behind this improved performance were:

- VAT \$56.88 million (up 12.7 percent)
- Vehicle Surtax \$3.33 million (up 33.5 percent)
- Import Duty \$33.82 million (up 10.0 percent)

Revenue from Sales of Goods and Services grossed \$44.88 million. This represents a 17.9 percent increase on the amount collected for the same period in 2023, as most of the major subcategories turned in improved performances. The most noteworthy being:

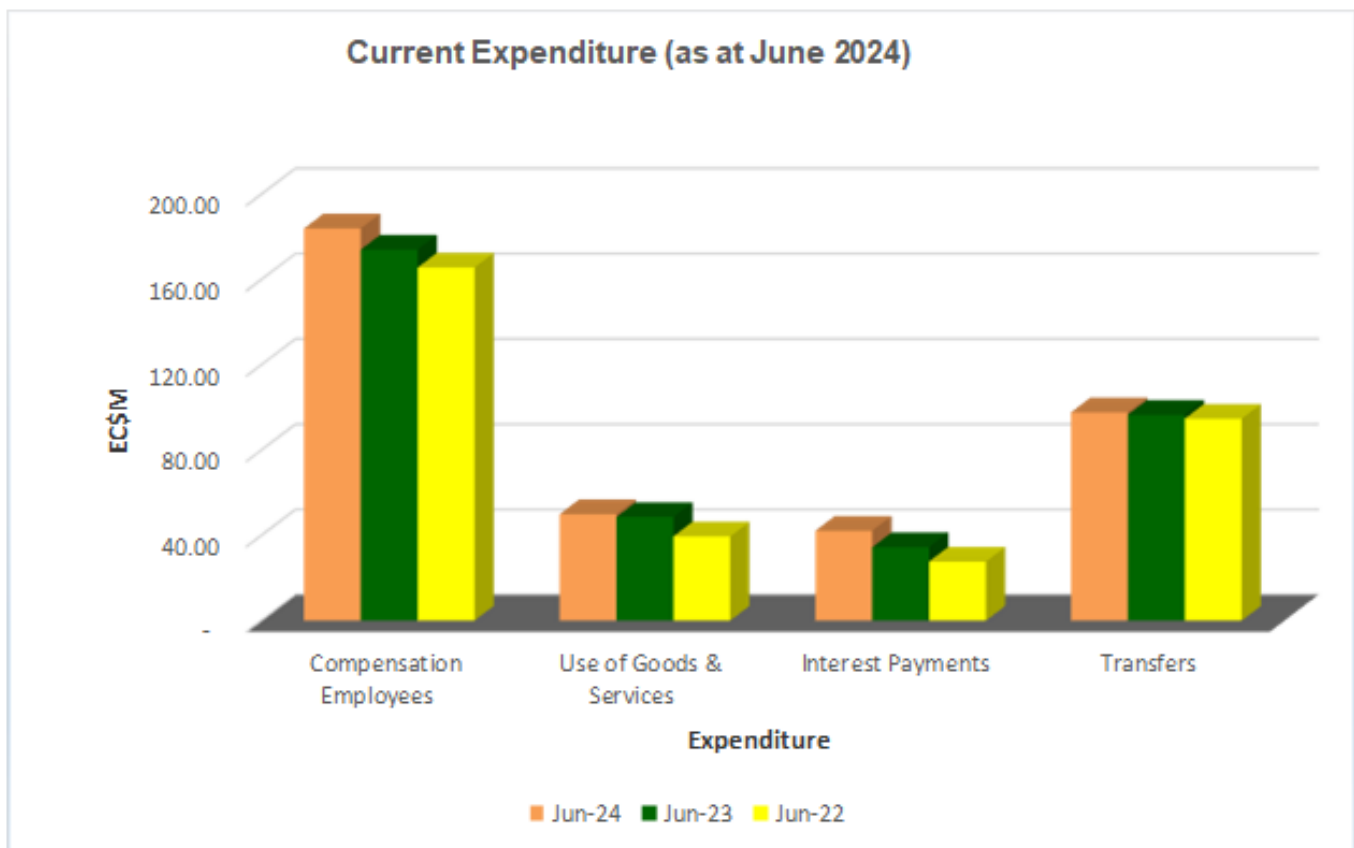
- Customs Service Charge of \$30.58 million (up 21.2 percent)
- Drivers Licences of \$2.38 million (up 19.2 percent)

Capital inflows as at June 30, 2024 amounted to \$9.35 million, a significant decline from \$23.46 million collected in the corresponding period in 2023. This was due mainly to the decline in capital grants from foreign governments and international organisations. Conversely, the sale of crown lands increased significantly to \$4.88 million as compared to \$0.78 million in 2023.

Expenditure

As of June 30, 2024, Current Expenditure amounted to \$373.59 million, an increase of 5.7 percent when compared to the amount spent during the same period in 2023. Wages & Salaries went up by 5.8 percent to \$175.83 million partly on account of the 2.0 percent salary increase paid to public servants from January 1, 2024. Also included is an allowance to nurses amounting to 5.0 percent of their salaries for a six-month period also beginning January 1, 2024. The wage component also increased due mainly to the introduction of the new minimum wage regulation. A 4.1 percent increase in spending on Employer’s Social Security Contribution also contributed to the overall increase in Compensation of Employees.

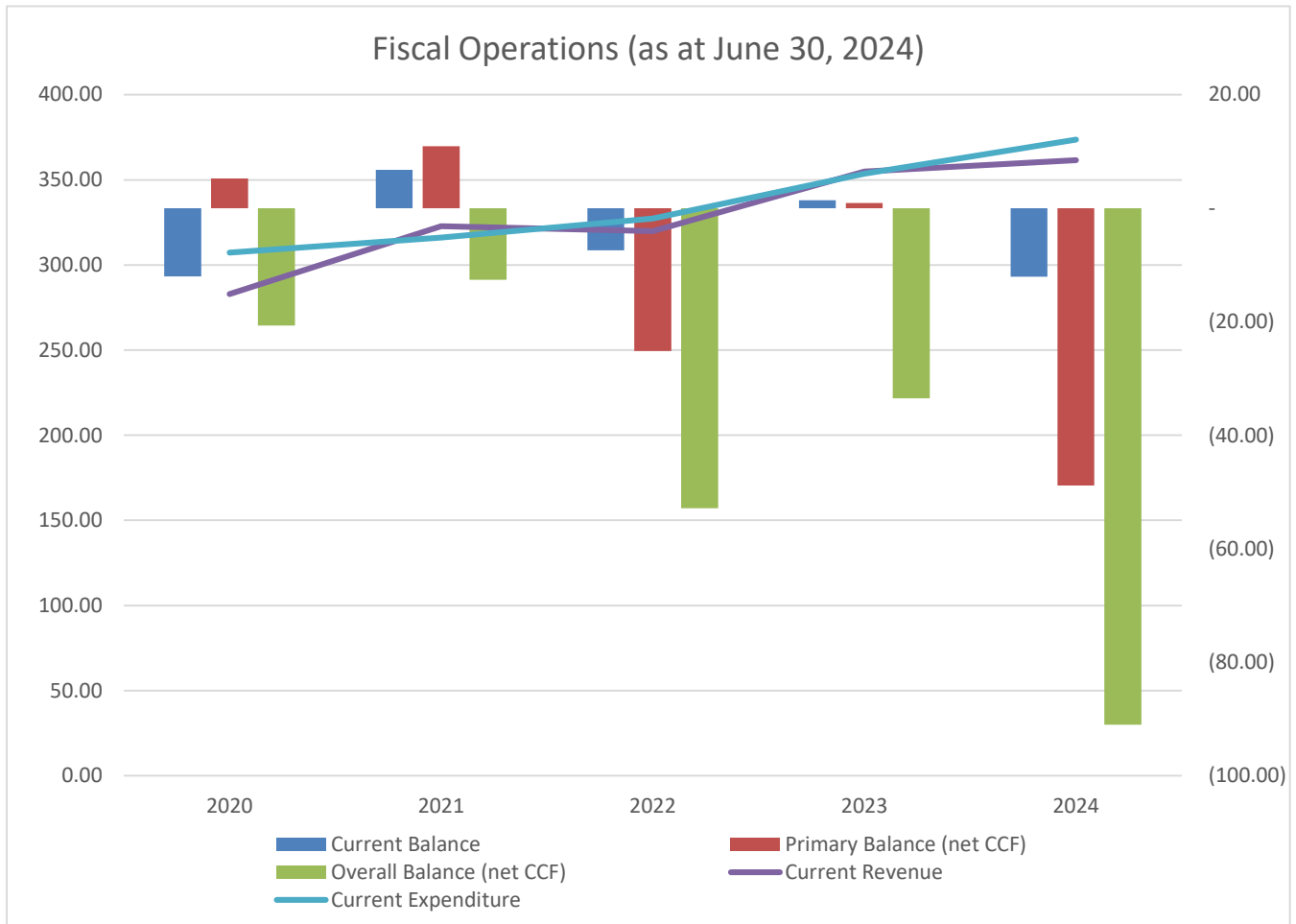
Figure 2: Items of recurrent expenditure as at June 30, 2024



Interest payments jumped by 22.3 percent during the period to reach \$42.14 million as higher payments on both the external and domestic components of the debt occurred during the review period. The external and domestic interest payments increased by 35.0 percent and 11.3 percent, respectively. This

is reflective of the increased debt service cost due mainly to the Port Modernization Project and the rising global interest rates from major creditors during the period. Outlays on Transfers increased by 1.1 percent to \$97.65 million mainly due to the higher amounts that were expended on Grants to Local Authorities, Grants to Other Agencies, and Employment Related Social Benefit, which increased by 4.7 percent, 9.7 percent and 5.1 percent respectively.

Figure 3: Fiscal Recurrent Activity June 2020-2024



Preliminary data indicates that Capital Expenditure for the period ended June 30, 2024 amounted to \$99.57 million, up from the \$62.93 million recorded for the same period in 2023. It is important to note that the capital projects implementation rate has been increasing over the past few years. Some of the projects responsible for the increase in capital spending during the period are: the improvement to Arnos Vale Sporting Complex (\$21.75 million) in preparation for the Cricket World Cup in June 2024, the Diamond Hotel project (\$17.55 million), the Port Redevelopment Project (\$10.08 million), the National

Road Rehabilitation Project (\$5.79 million), the Natural Disaster Management Risk Reduction and Climate Change Project (\$4.12 million) and the Volcanic Eruption Emergency Project (VEEP) (\$3.07 million).

Financing

Table 2 below summarizes the Central Government financing as at June 30, 2024 with comparable numbers for 2023.

Table 2: Summary of Central Government Financing as at June 30, 2024 compared with 2023

	2024 \$ M	2023 \$ M
OVERALL DEFICIT	(91.01)	(28.24)
FINANCED BY:	91.01	28.24
External Loans	0.89	11.22
Disbursements	33.47	45.97
Less: Amortisation	(32.58)	(34.75)
Domestic Financing (net)	90.12	17.02

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$91.01 million for the period financed mainly from domestic sources. The main categories of domestic financing were a reduction in cash balances (by \$137.04 million), the issuance of domestic bonds amounting to \$48.87 million and local loans of \$10.00 million.