

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

For the period ended March 31, 2021

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, 2021. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at March 31, 2021 indicated that the Central Government fiscal operations deteriorated when compared to the same period in 2020. Current Revenue decreased by 4.0 percent to \$141.26 million, while Current Expenditure increased marginally, by 0.2 percent, to \$147.29 million. Consequently, the Current balance recorded a deficit of \$6.03 million compared to a surplus of \$0.10 million recorded in 2020. The Overall Balance also worsened, moving from a deficit of \$8.80 million in 2020 to a deficit of \$12.67 million in 2021.

Table 1: Summary of fiscal operations for the period ended March 31, 2021

	Budget 2021 \$ m	Actual 2021 \$ m	Actual 2020 \$ m	% Change
Current Revenue	141.50	141.26	147.12	(4.0)
<i>of which:</i>				
Taxes on Income & Profits	28.57	28.51	27.96	2.0
Taxes on Property	8.68	15.68	9.25	69.6
Taxes on Goods & Services	45.89	45.01	55.07	(18.3)
Taxes on International Trade	37.25	34.73	35.47	(2.1)
Sale of Goods & Services	18.12	13.73	15.74	(12.7)
Current Expenditure	161.60	147.29	147.02	0.2
<i>of which:</i>				
Compensation Employees	85.36	82.20	79.10	3.9
Use of Goods & Services	16.77	17.77	15.47	14.9
Interest Payments	16.92	11.07	13.50	(18.0)
Transfers	42.55	36.25	38.94	(6.9)
Current Balance	(20.09)	(6.03)	0.10	(6,006.7)
Primary Balance (net CCF)	(7.89)	(1.60)	4.70	(134.1)
Capital Expenditure	10.90	11.30	9.72	16.2
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	3.21	-	0.21	(100.0)
Capital Revenue	2.97	4.65	0.61	660.2
Overall Balance (net CCF)	(24.81)	(12.67)	(8.80)	44.0

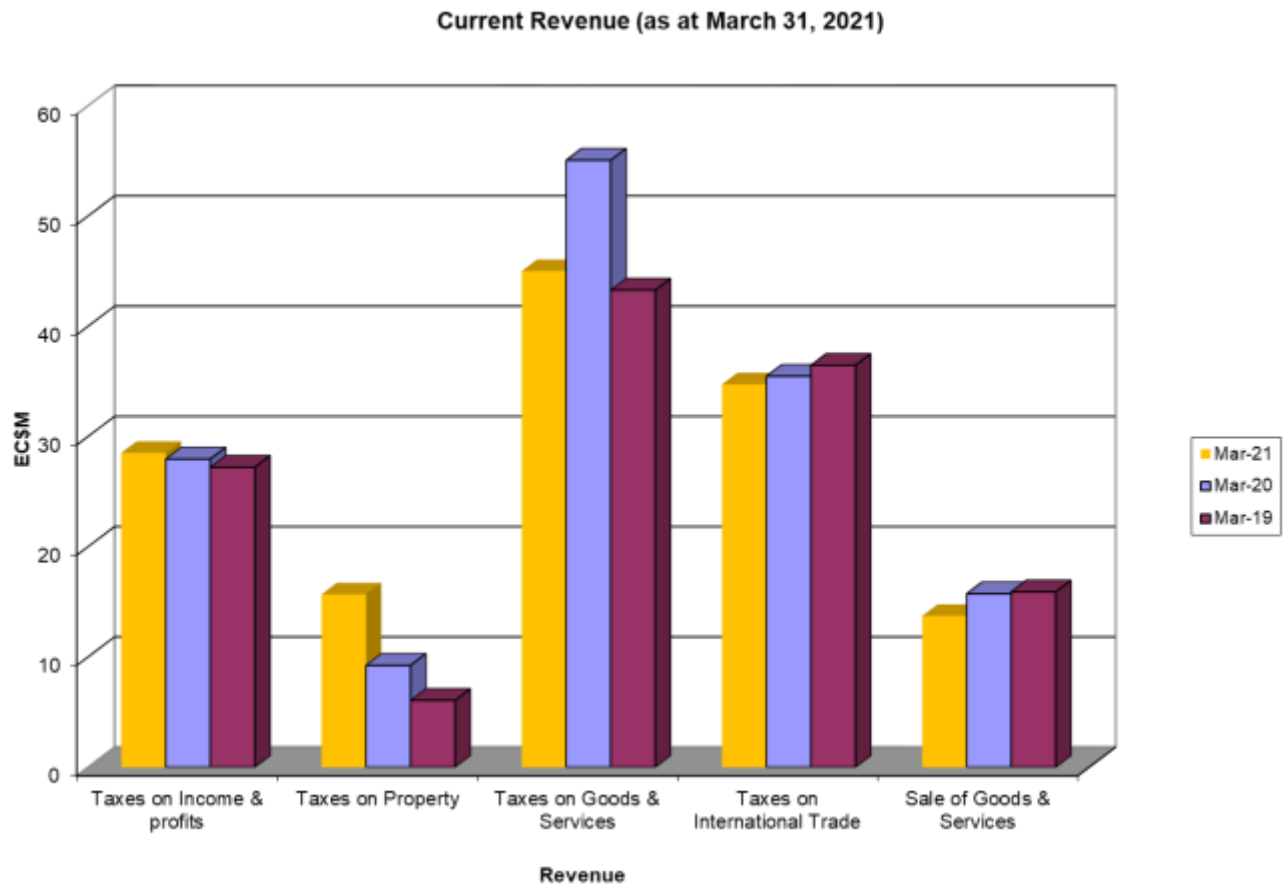
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits increased by 2.0 percent to \$28.51 million due to higher collections from Personal Income Tax and Non-Resident (Withholding) Tax. Collection of Personal Income tax increased by 0.7 percent to \$21.29 million. Revenue from Non-Resident (Withholding) Tax went up by 14.8 percent when compared to the same period in 2020 mainly on account of arrears collected during the period.

Revenue from Taxes on Property grew by 69.6 percent to \$15.68 million during the period. This resulted mainly from higher receipts from Stamp Duty on Property (which went up by \$3.16 million) and Alien Land Holding Licence (which moved by \$3.26 million). The improved collection from the above mentioned categories reflects the greater collection from sale of lands during period.

Figure 1: Items of Current Revenue as at March 31, 2021



Taxes on Goods and Services which totaled \$45.01 million, decreased by 18.3 percent as of 31st March 2021. This was mainly as a result of a 17.6 percent decline in the receipts from Value Added Tax and is reflective of the overall decline in economic that is projected for the year 2021. Excise Duty (on imports) fell by 26.8 percent largely due to timing issues in recording payments. More specifically, some payments for fuel imported in 2019 were recorded in 2020. Revenue from Yacht Licence and Excise Duty on Domestic Transactions also fell by 85.6 percent and 5.5 percent, respectively. The 85.6 percent decline in collections from Yacht Licence reflects the continued fall in yacht arrivals. The fall in revenue from taxes on Goods and Services was however moderated by higher receipts from Insurance Premium Tax, Motor Vehicle Licence, Telecommunications and Broadcast Licence, Merchant Shipping International Fees and the Interest Levy.

Revenue from International Trade Taxes fell by 2.1 percent, to \$34.73 million. Under this rubric, revenue collection from all major subcomponents decreased. VAT receipts and Vehicle Surtax went down marginally by 0.3 percent and 0.2 percent, respectively while Import Duty dropped by 5.0 percent as a result of the 4.3 percent fall in merchandise imports during the period.

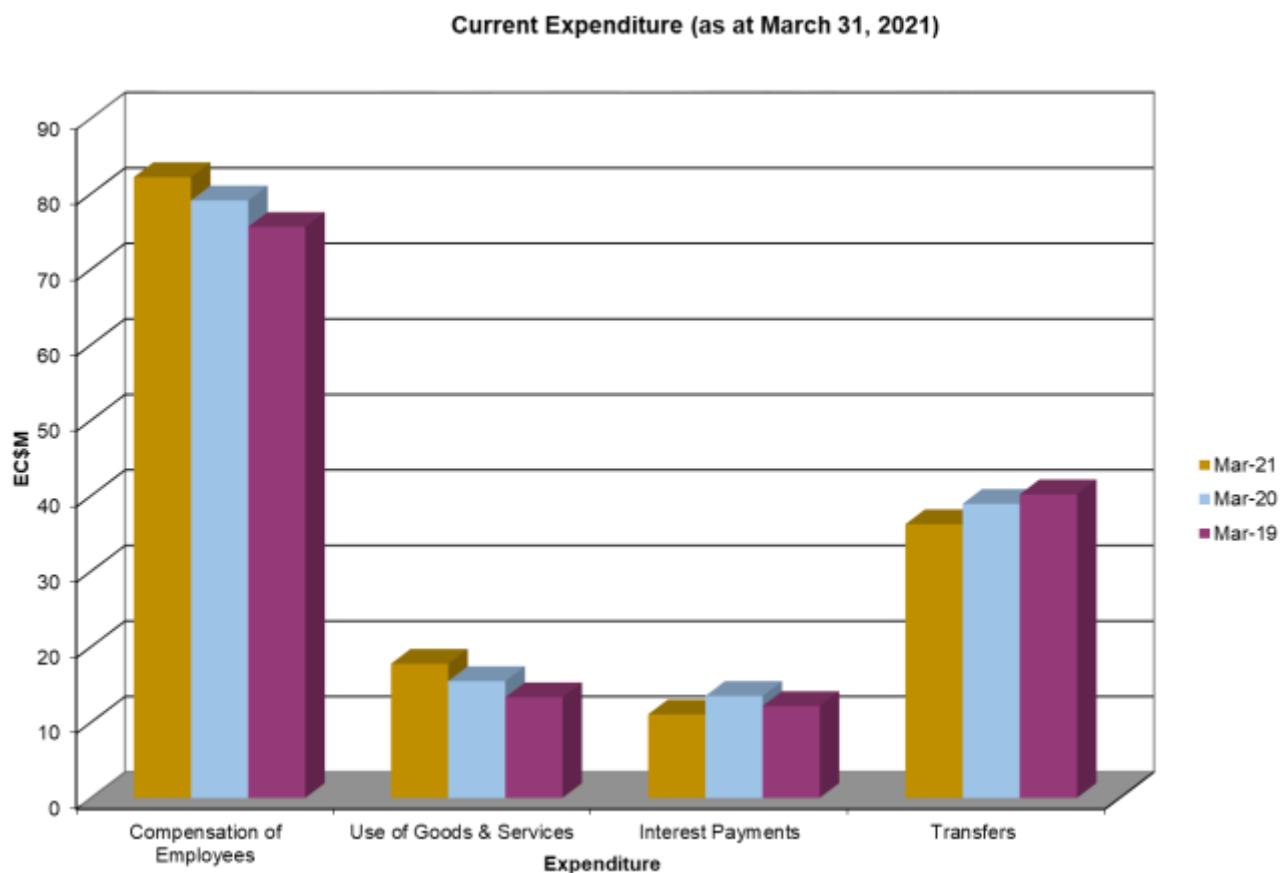
Revenue from Sales of Goods and Services grossed \$13.73 million. This represents a 12.7 percent reduction on the amount collected in 2020. Collection from all major subcomponents decreased; International Financial Services, CIPO Registration Fees, Driver's Licence fees and Customs Service Charges declined by 6.5 percent, 29.8 percent, 13.5 percent and 8.5 percent, respectively. The fall-off in receipts from Sales of Goods & Services further demonstrates the slowdown in business activity during the period.

Capital inflows as of March 31, 2021 amounted to \$4.65 million, up from the \$0.61 million collected in the corresponding period in 2020. This was due mainly to the \$2.65 million collected in other capital receipts, along with \$1.74 million received in grants compared to \$0.30 million received in the first quarter of 2020.

Expenditure

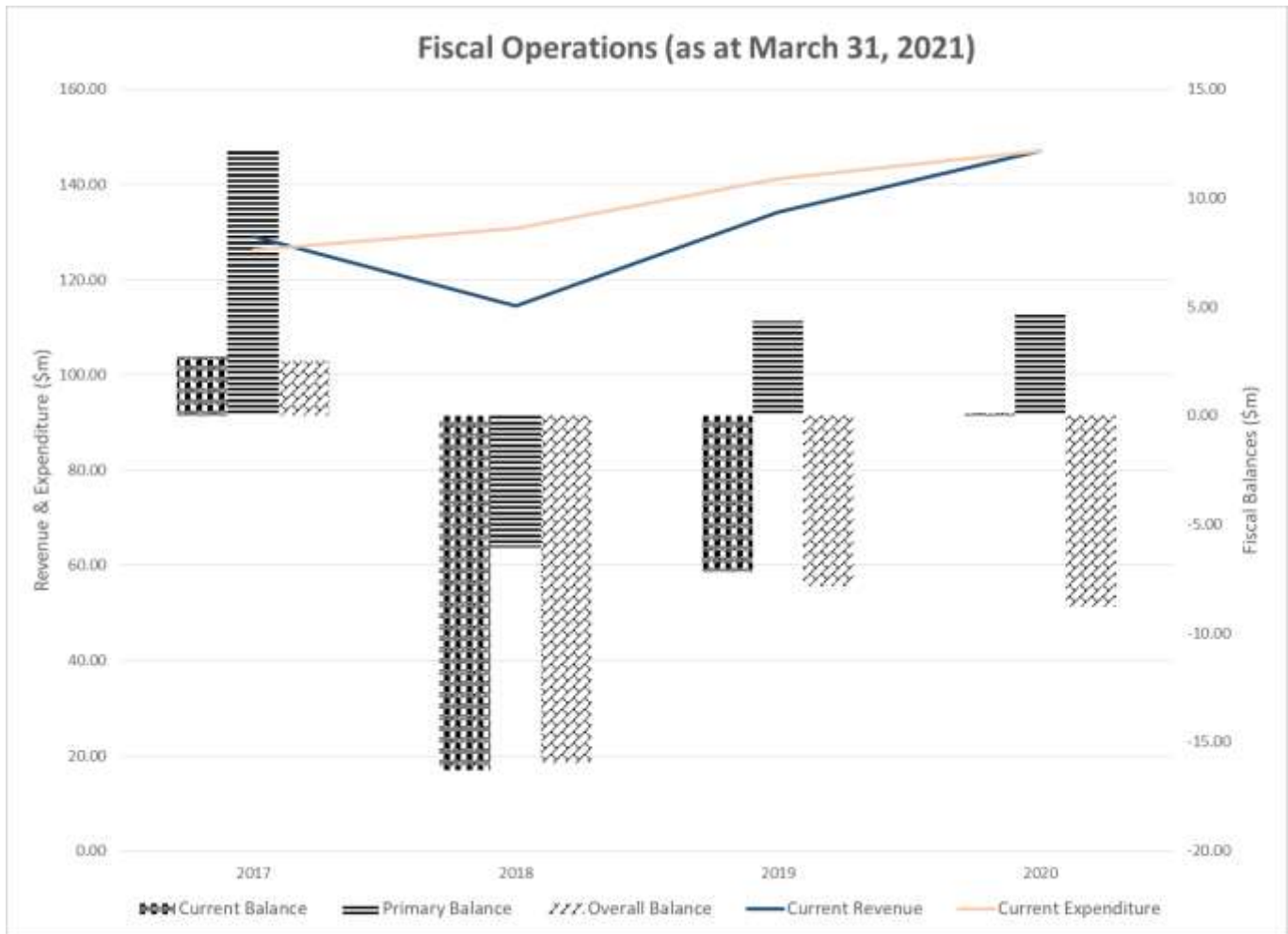
As at March 31, 2021, Current Expenditure amounted to \$147.29 million. This figure represents a marginal increase of 0.2 percent when compared to the amount spent during the same period in 2020. Payment of Wages and Salaries amounted to \$78.67 million and the Employer's Social Security Contribution to \$3.53 million, these were responsible for the overall 3.9 percent increase in Compensation of Employees. The growth 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, 2021



Interest Payments decreased during the period by 18.0 percent to \$11.07 million as a result of reduced payments on the external component of the debt which fell by 47.8 percent. Conversely, Domestic interest payments increased by 3.9 percent due to the contraction of new debt. Outlays on Transfers decreased by 6.9 percent to \$36.25 million mainly as lower amounts were expended on Grants to Local Authorities and Grants to Other Agencies and Pension Benefits.

Figure 3: Fiscal Recurrent Activity March 2017-2021



Preliminary data indicates that Capital Expenditure for the quarter amounted to \$11.30 million, up from the \$9.72 million recorded for the same period in 2020. The improvement in capital spending was mainly related to the Caribbean Regional Communication Infrastructure Project (\$2.59 million), the Employment Support and Training Programme (\$1.52 million), and Port Redevelopment project (\$1.26 million).

Financing

Table 2 below summarizes the Central Government financing as at March 31, 2021 with comparable numbers for 2020.

Table 2: Summary of Central Government Financing as at March 31, 2021 compared with 2020

	2021 \$ M	2020 \$ M
OVERALL DEFICIT	(12.67)	(8.80)
FINANCED BY:	12.67	8.80
External Loans	(10.40)	(19.63)
Disbursements	2.59	0.07
Less: Amortisation	(12.99)	(19.70)
Domestic Financing (net)	23.07	28.43

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$12.67 million for the period, financed from domestic sources. The main items of domestic financing were a reduction in cash balances (by \$21.84 million) and the issuance of domestic bonds (amounting to \$28.00 million).