

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

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

Preliminary data as at September 30, 2022 indicated that the Central Government fiscal operations deteriorated when compared to the same period in 2021. Current Revenue increased by 2.9 percent to \$486.53 million, while Current Expenditure grew by 1.7 percent to \$496.65 million. Consequently, the Current Balance recorded a deficit of \$10.12 million compared to a deficit of \$15.56 million recorded in 2021. The Overall Balance worsened, moving from a deficit of \$81.84 million in 2021 to a deficit of \$90.72 million in 2022.

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

	Budget	Actual	Actual	%
	2022	2022	2021	Change
	\$ m	\$ m	\$ m	
<b>Current Revenue</b>	<b>470.91</b>	<b>486.53</b>	<b>473.03</b>	<b>2.9</b>
<i>of which:</i>				
Taxes on Income & Profits	111.37	109.25	100.07	9.2
Taxes on Property	27.99	24.42	65.72	(62.8)
Taxes on Goods & Services	146.39	146.57	136.19	7.6
Taxes on International Trade	115.22	133.20	107.87	23.5
Sale of Goods & Services	53.74	60.64	47.42	27.9
<b>Current Expenditure</b>	<b>542.17</b>	<b>496.65</b>	<b>488.59</b>	<b>1.7</b>
<i>of which:</i>				
Compensation Employees	262.38	245.95	249.54	(1.4)
Use of Goods & Services	79.21	71.31	64.64	10.3
Interest Payments	54.00	38.66	35.51	8.9
Transfers	146.58	140.74	138.90	1.3
<b>Current Balance</b>	<b>(71.26)</b>	<b>(10.12)</b>	<b>(15.56)</b>	<b>35.0</b>
<b>Primary Balance (net CCF)</b>	<b>(159.20)</b>	<b>(52.06)</b>	<b>(46.33)</b>	<b>(12.4)</b>
<b>Capital Expenditure</b>	<b>180.77</b>	<b>121.51</b>	<b>122.85</b>	<b>(1.1)</b>
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	<b>9.64</b>	<b>10.56</b>	<b>7.02</b>	<b>50.5</b>
<b>Capital Revenue</b>	<b>29.19</b>	<b>30.35</b>	<b>49.55</b>	<b>(38.7)</b>
<b>Overall Balance (net CCF)</b>	<b>(213.20)</b>	<b>(90.72)</b>	<b>(81.84)</b>	<b>(10.8)</b>

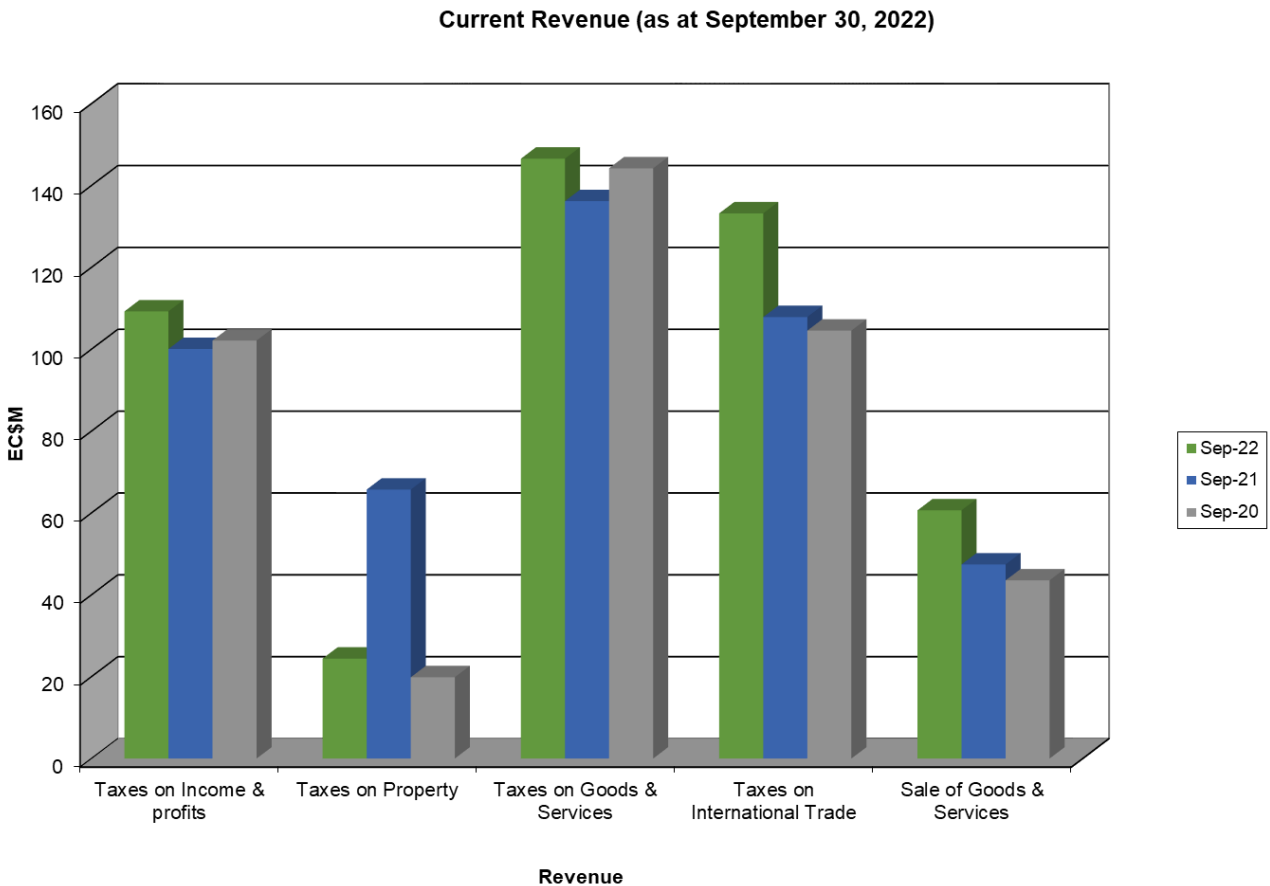
Source: Ministry of Finance and Planning

**Revenue**

Receipts from Taxes on Income and Profits increased by 9.2 percent to \$109.25 million due to higher collections from Personal Income Tax and Non-Resident (Withholding) Tax. Revenue from Personal Income Tax and Non-Resident (Withholding) Tax went up by 10.8 percent and 45.0 percent, respectively, when compared to the same period in 2021. These increases were mainly related to higher payments from several companies during the period inclusive of payments on arrears. Collections from Corporate Income Tax declined by 5.9 percent, reflective of lower profits reported by some companies.

Revenue from Taxes on Property fell by 62.8 percent to \$24.42 million during the period. The decrease in collection resulted from lower receipts from Stamp Duty on Property which contracted by 58.0 percent and Alien Land Holding Licence which fell by 80.4 percent, as land sales to foreigners fell back to historical levels following the extraordinary increase in 2021. Contrastingly, collections from the subcategory Property Tax rose by 12.7 percent to \$3.17 million.

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



As at 30<sup>th</sup> September, 2022, Taxes on Goods and Services totalled \$146.57 million, an increase of 7.6 percent. This was mainly as a result of improved receipts from Value Added Tax (17.0 percent) and Excise Duty on Domestic Transactions (20.4 percent). The improved domestic VAT collection is partially reflective of increased economic activity and the collection of some arrears during the period. Similarly, Motor Vehicle Licenses saw greater receipts for the period. The rise in revenue from Taxes on Goods and Services was, however, moderated by lower takings from a number of other taxes including Excise Duty (on Imports), Insurance Premium Tax, Telecommunications Broadcast Licence.

Revenue from International Trade Taxes grew by 23.5 percent, to \$133.20 million. This was mainly as a result of growth in collection from Import Duty and VAT, which increased by 25.7 percent and 24.3 percent, respectively, while receipts from Vehicle Surtax fell by 5.9 percent. The increase in revenue from Import Duty and VAT benefited from the 21.3 percent rise in the value of merchandise imports which continue to be impacted by global supply chain issues including high freight costs and inflation.

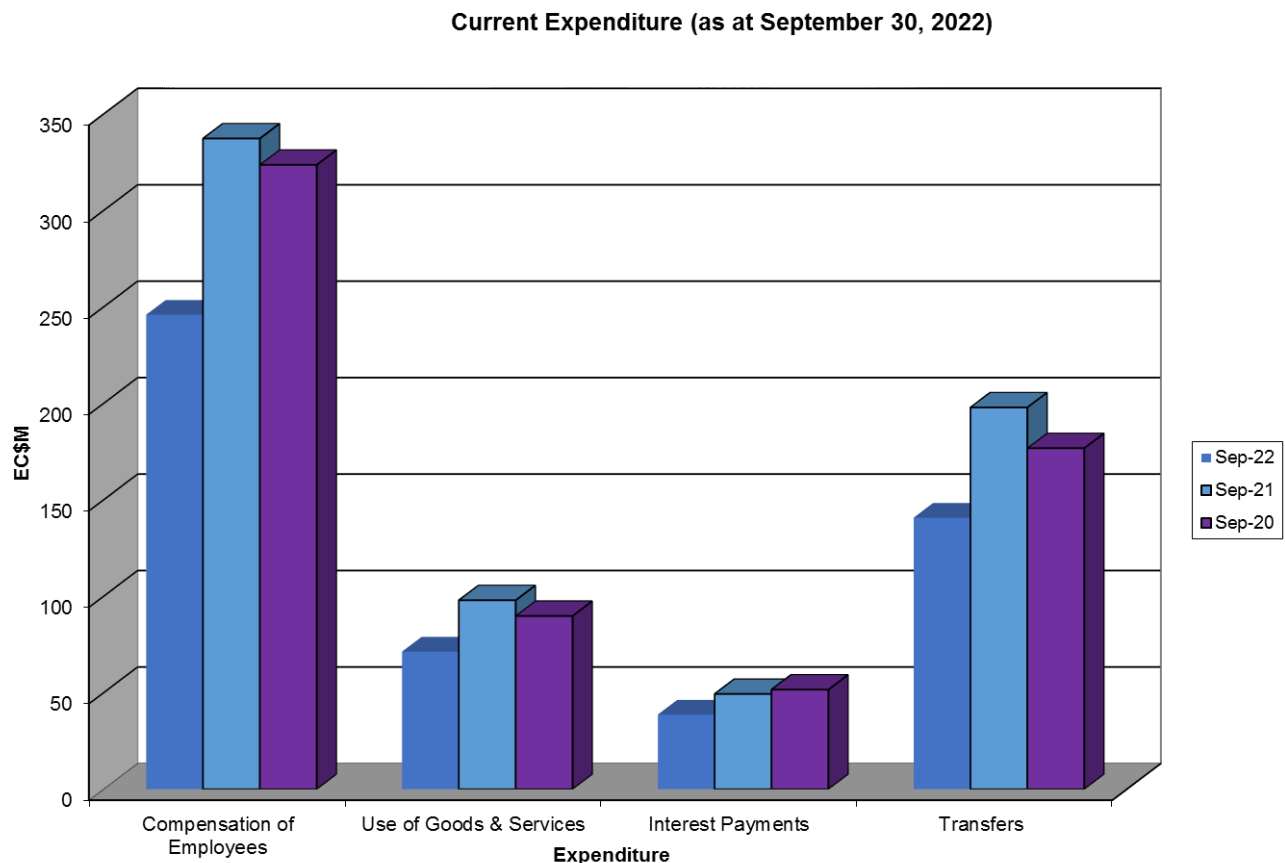
Takings from Sales of Goods and Services grossed \$60.64 million representing a 27.9 percent growth on the amount collected in 2021, as all the major subcategories recorded improved receipts. The Customs Service Charge was a major contributor to the aforementioned performance as its collection went up by 37.7 percent mainly on account of the increase in rate (from 5 percent to 6 percent effective June 2021) and higher imports recorded during the period. Collections from International Financial Services, CIPO Registration Fees, and Driver's Licence fees increased by 10.7 percent, 70.5 percent, and 13.7 percent, respectively.

Capital inflows as at September 30, 2022 amounted to \$30.35 million, down from \$49.55 million collected in the corresponding period in 2021. This was mainly due to a drop in revenue from Other Capital Receipts (\$30.82 million). This decline is due mainly to the large amounts collected for volcano relief in 2021 which did not reoccur in 2022. Notwithstanding the above, Grant revenue increased to \$28.58 million from the \$16.71 million collected over the same period in 2021.

## **Expenditure**

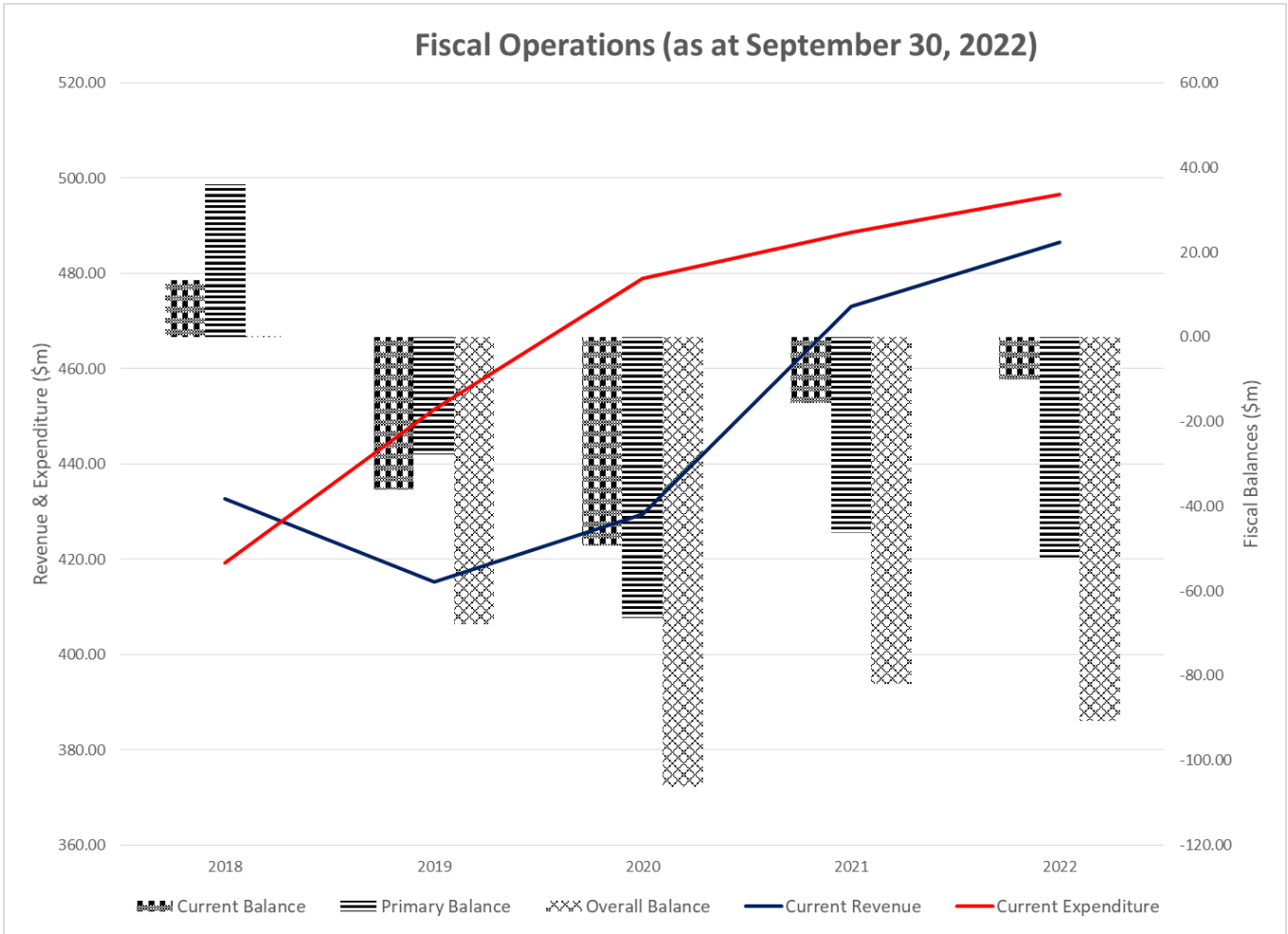
As at September 30, 2022, Current Expenditure amounted to \$496.65 million. This figure represents an increase of 1.7 percent when compared to the amount spent during the same period in 2021. Payment of Wages and Salaries amounted to \$235.25 million and the Employer's Social Security Contribution to \$10.70 million leading to a decline of 1.4 percent in payments for Compensation of Employees.

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



Interest Payments increased during the period by 8.9 percent to \$38.66 million as a result of increased payments of the external component of the debt. The External Interest payments moved from \$11.32 million in 2021 to \$17.17 million over the same period in 2022. Higher payments made to the Caribbean Development Bank (CDB), due to an increase in the floating interest rate component and the increased disbursement on loans were the main reason for the increased payment. Additionally, the World Bank variable interest rates also rose during the period. Outlays on Transfers increased by 1.3 percent to \$140.74 million mainly based on higher amounts expended on pension benefits (12.6 percent) and Grants to Local Authorities (24.3 percent).

**Figure 3: Fiscal Recurrent Activity September 2018-2022**



Preliminary data indicates that Capital Expenditure for the period amounted to \$121.51 million, down marginally from the \$122.85 million recorded for the same period in 2021. The larger items of Capital Expenditure included the Port Redevelopment Project (\$42.54 million), the Diamond Hotel Project (\$9.21 million), the Housing Reconstruction Rehabilitation Project (\$ 5.36 million) and the Volcano Eruption Emergency Project (\$4.92 million). Other significant spending was also recorded for the Home Reconstruction Project (\$3.46 million) and the Road Rehabilitation & Repair Project II (\$3.12 million).

**Financing**

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

	<b>2022 \$ M</b>	<b>2021 \$ M</b>
<b>OVERALL DEFICIT</b>	<b>(90.72)</b>	<b>(84.59)</b>
<b>FINANCED BY:</b>	<b>90.72</b>	<b>84.59</b>
<b>External Loans</b>	<b>0.39</b>	<b>203.99</b>
Disbursements	52.29	230.98
Less: Amortisation	(51.90)	(26.99)
<b>Domestic Financing (net)</b>	<b>90.38</b>	<b>(122.10)</b>

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$90.72 million for the period financed chiefly from domestic sources. The main categories of domestic financing were bond issuances amounting to \$111.60 million and reductions in cash balances of \$52.71 million.