

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

For the period ended September 30, 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 period ended September 30, 2021. The report is prepared by the Economic Research and Policy Unit, Ministry of Finance.

Preliminary data as at September 30, 2021 indicated that the Central Government fiscal operations improved when compared to the same period in 2020. Current Revenue increased by 10.1 percent to \$473.03 million, while Current Expenditure grew by 2.0 percent, to \$488.59 million. Consequently, the Current Balance recorded a deficit of \$15.56 million compared to a deficit of \$49.40 million recorded in 2020. The Overall Balance also improved, moving from a deficit of \$106.19 million in 2020 to a deficit of \$84.59 million in 2021.

Table 1: Summary of fiscal operations for the period ended September 30, 2021

	Budget 2021 \$ m	Actual 2021 \$ m	Actual 2020 \$ m	% Change
Current Revenue	454.73	473.03	429.54	10.1
<i>of which:</i>				
Taxes on Income & Profits	109.59	100.07	102.13	(2.0)
Taxes on Property	25.59	65.72	19.87	230.7
Taxes on Goods & Services	140.50	136.19	144.20	(5.6)
Taxes on International Trade	113.98	107.87	104.55	3.2
Sale of Goods & Services	52.67	47.42	43.54	8.9
Current Expenditure	520.10	488.59	478.95	2.0
<i>of which:</i>				
Compensation Employees	256.29	249.54	238.80	4.5
Use of Goods & Services	71.18	64.64	64.64	0.0
Interest Payments	54.00	35.51	39.84	(10.9)
Transfers	138.64	138.90	135.67	2.4
Current Balance	(65.37)	(15.56)	(49.40)	68.5
Primary Balance (net CCF)	(113.89)	(49.07)	(66.36)	26.0
Capital Expenditure	144.36	125.59	105.15	19.4
<i>Of which:</i>				
Capitalisation of Contingency Fund (CCF)	9.64	7.02	10.14	(30.8)
Capital Revenue	32.21	49.55	38.22	29.7
Overall Balance (net CCF)	(167.89)	(84.59)	(106.19)	20.3

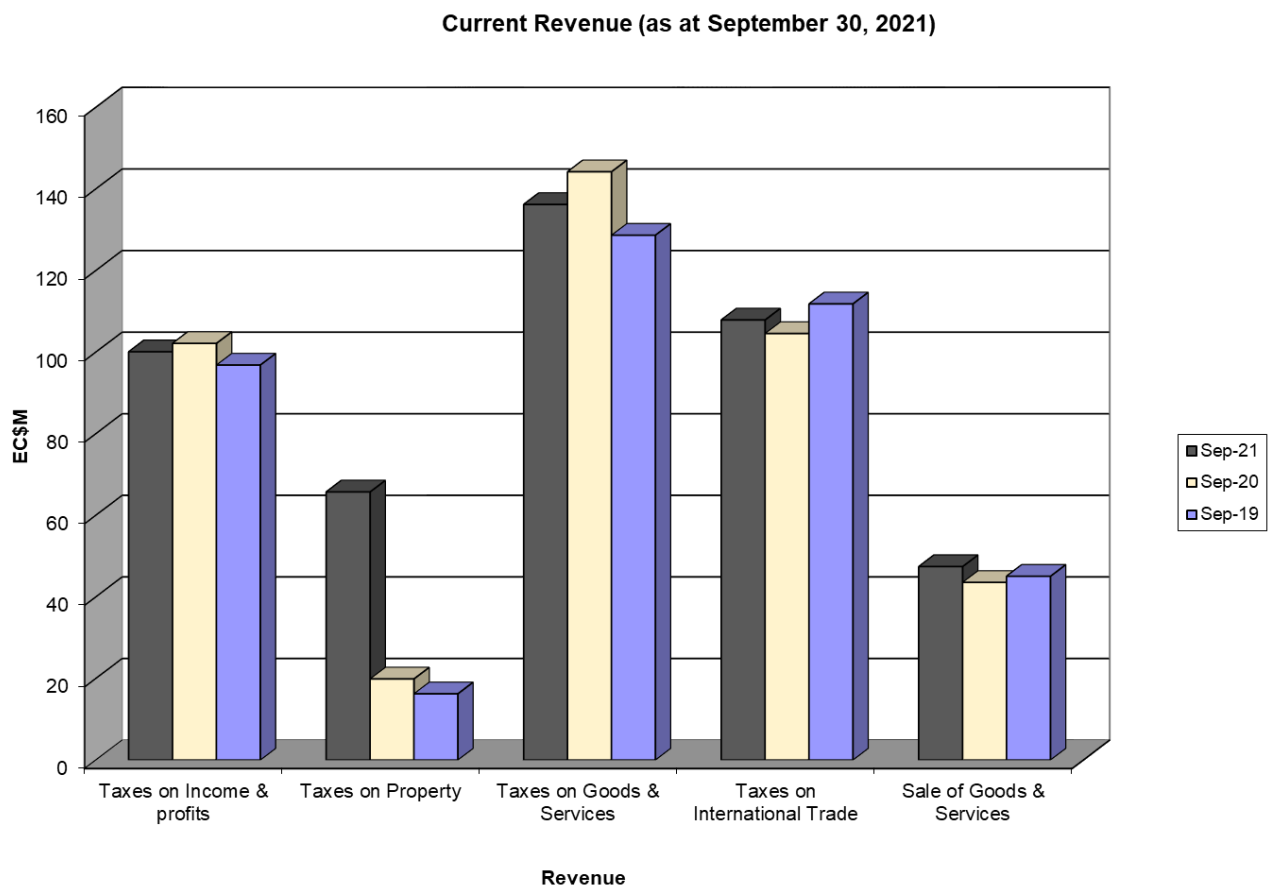
Source: Ministry of Finance and Planning

Revenue

Receipts from Taxes on Income and Profits decreased moderately by 2.0 percent to \$100.07 million due to lower collections from Corporate Income Tax and Non-Resident (Withholding) Tax. Revenue from Corporate Income Tax and Non-Resident (Withholding) Tax went down by 8.5 percent and 3.1 percent, respectively, when compared to the same period in 2020. The decline in collections from Corporate Income tax is reflective of lower profits reported by some companies. Collection of Personal Income tax increased by 1.3 percent.

Total collections from Taxes on Property amounted to \$65.72 million for the first nine months of 2021 compared to \$19.87 million collected in the comparable period in 2020. This resulted mainly from higher receipts from Stamp Duty on Property (in the amount of \$39.92 million) and Alien Land Holding Licence (of \$22.86 million). Greater land sales in the Grenadines was the main contributor to the improved performance of property taxes.

Figure 1: Items of Current Revenue as at September 30, 2021



As of 30th September, 2021, Taxes on Goods and Services which totaled \$136.19 million, decreased by 5.6 percent. This was mainly as a result of a 6.5 percent decline in the receipts from Value Added Tax and is reflective of a level of decline in some business activity. Excise Duty (on imports) fell by 8.7 percent largely owing to timing issues in the recording of payments for petroleum products. Revenue from Yacht Licence also fell by 80.1 percent reflecting the continued fall in yacht arrivals. However, the fall in revenue from Taxes on Goods and Services was moderated by higher receipts from Excise Duty (on Domestic Transactions), Insurance Premium Tax, Motor Vehicle Licence, Merchant Shipping International Fees and the Interest Levy.

Revenue from International Trade Taxes went up by 3.2 percent, to \$107.87 million as receipts from all major subcomponents increased, supported by a 13.7 percent increase in merchandise imports during the period. Revenue from Vehicle Surtax went up (by 2.0 percent) on account of the 10.7 percent growth in the importation of vehicles. Notwithstanding the foregoing, revenue loss due to Special Cabinet concessions rose by 78.2 percent from \$17.62 million to \$31.41 million partly on account of waivers of duties and taxes granted on items for Covid-19 management and volcano relief. The increase in waivers also served to reduce earnings from International Trade Taxes.

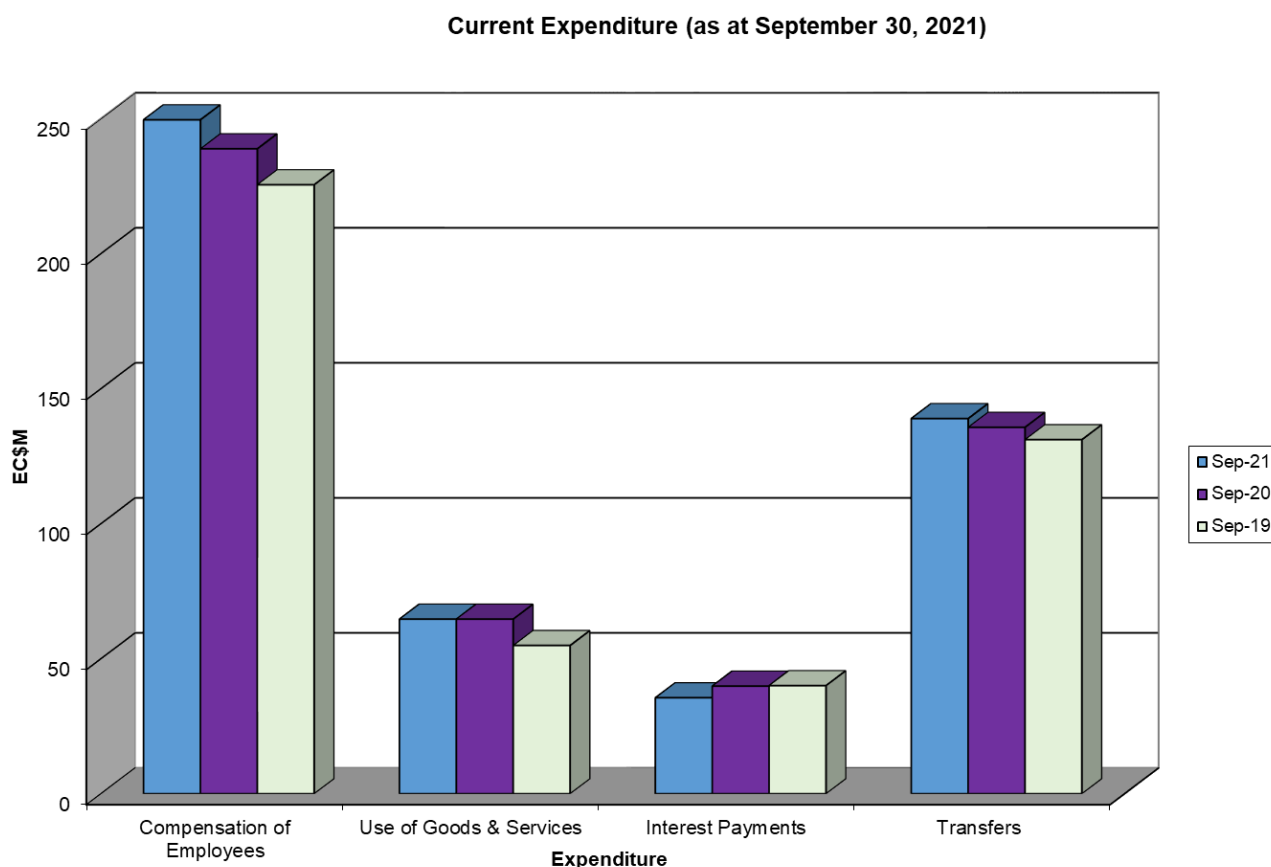
Takings from Sales of Goods and Services grossed \$47.42 million representing an 8.9 percent growth on the amount collected in 2020. This was mainly related to a 14.0 percent increase in collections from Customs Service Charge, which amounted to \$30.12 million. The higher receipts from Customs Service Charge is partly related to the implementation of the 1.0 percentage point increase in the rate effective June 1st, 2021. Collections from International Financial Services and Driver's Licences also increased by 8.0 percent and 0.8 percent, respectively.

Capital inflows as of September 30, 2021 amounted to \$49.55 million, up 29.7 percent from \$38.22 million collected in the corresponding period in 2020. This included \$16.71 million collected in Grants and \$31.81 million collected under Other Capital Receipts during the period. Other Capital Receipts was made up of \$15.00 million drawn down from the Contingencies Fund and other funds received from donors to facilitate the government's disaster response programme.

Expenditure

Current Expenditure amounted to \$488.59 million, as at September 30, 2021. This figure represents an increase of 2.0 percent when compared to the amount spent during the same period in 2020. Payment of Wages and Salaries amounted to \$238.36 million and the Employer's Social Security Contribution to \$11.17 million, these were responsible for the overall 4.5 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 September 30, 2021

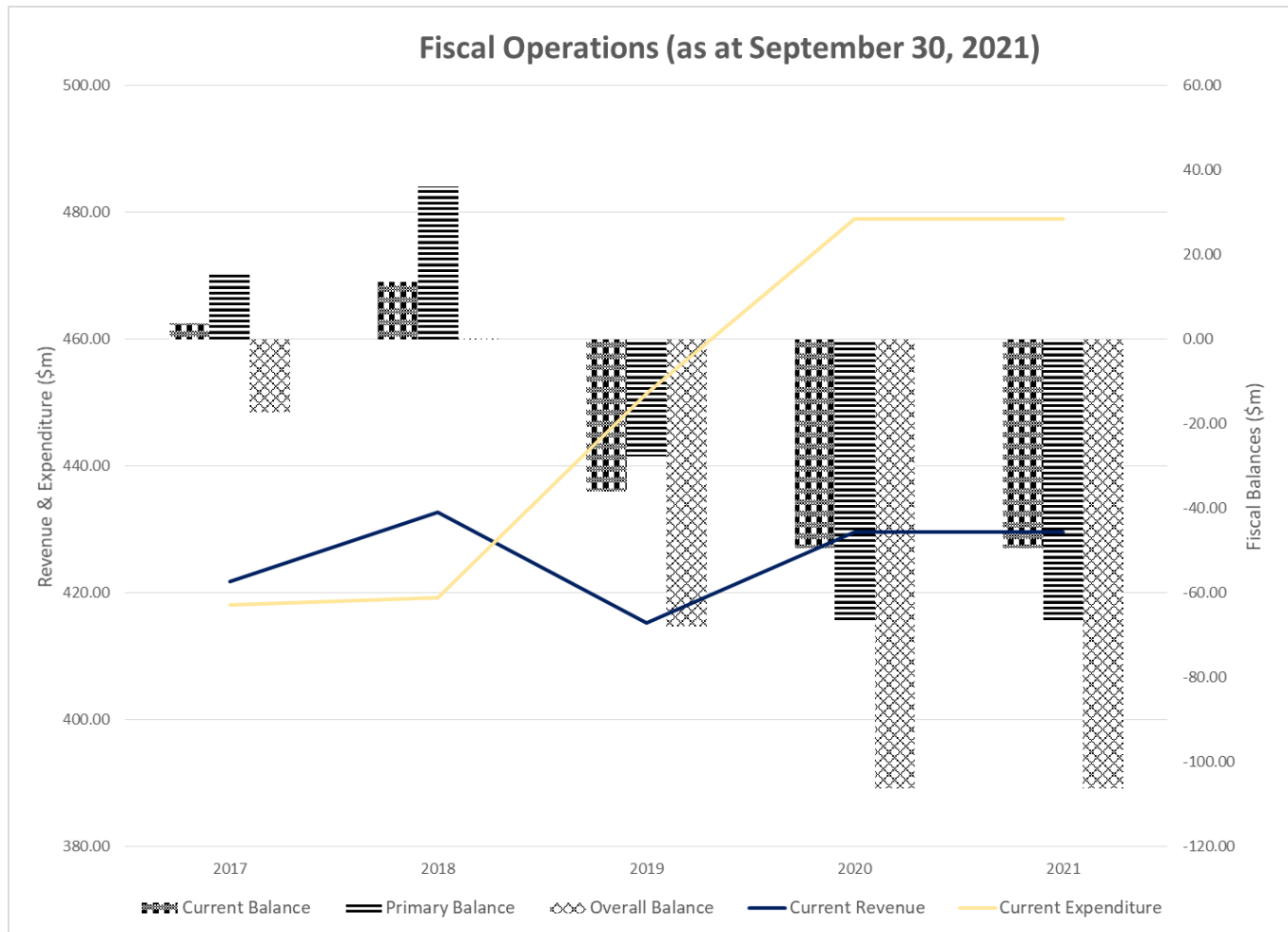


Interest Payments decreased during the period by 10.9 percent to \$35.51 million as a result of reduced payments on both the domestic and external components of the debt. Domestic interest payments contracted by 6.3 percent while interest payments on external debt fell by 19.3 percent. The significant reduction in external interest payments mainly reflected the impact of COVID-19 moratoria on some loans as follows:

- Caribbean Development Bank (CDB) debt service suspension on all CDB loans for July 2020 to July 2021
- Debt Service Suspension Initiative (DSSI) debt service suspension on Paris Club loans for January 2021 to December 2021.

Outlays on Transfers went up by 2.4 percent to \$138.90 million mainly as higher amounts were expended on Grants to Other Agencies (7.0 percent) and Social Assistance Benefits (9.3 percent).

Figure 3: Fiscal Recurrent Activity September 2017-2021



Preliminary data indicates that Capital Expenditure for the period amounted to \$125.59 million, up from the \$105.15 million recorded for the same period in 2020. The improvement in capital spending was mainly related to the La Soufriere volcano disaster relief and reconstruction programmes (\$36.05 million), Regional Disaster Vulnerability and Risk Reduction Programme (\$10.66 million) and Capitalisation of the Contingencies Fund (\$7.02 million).

Financing

Table 2 below summarizes the Central Government financing as at September 30, 2021 with comparable numbers for 2020.

Table 2: Summary of Central Government Financing as at September 30, 2021 compared with 2020

	2021 \$ M	2020 \$ M
OVERALL DEFICIT	(84.59)	(106.19)
FINANCED BY:	84.59	106.19
External Loans	203.99	7.22
Disbursements	230.98	50.78
Less: Amortisation	(26.99)	(43.56)
Domestic Financing (net)	(122.10)	98.97

Source: Ministry of Finance and Planning

Table 2 above shows a deficit of \$84.59 million for the period, financed from external sources. The main items of external financing were external loans disbursements from the International Development Agency (\$192.88 million) and the International Monetary Fund (\$31.35 million). These funds were primarily to provide support for the government's response to the April 2021 volcanic eruptions.