



**COUNTRY
ECONOMIC
REVIEW 2019

GRENADA**



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GRENADA ECONOMIC BRIEF 2019

OVERVIEW

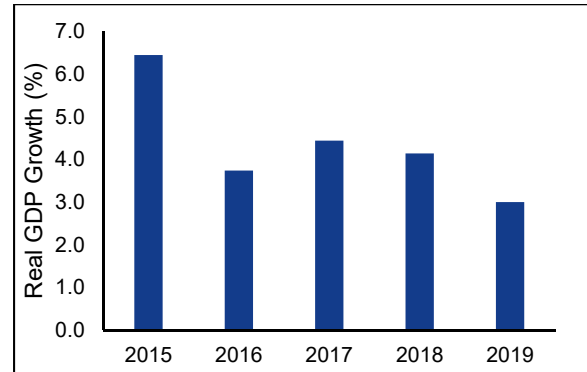
Economic growth in Grenada remained robust. The increase in real gross domestic product (GDP) was estimated at 3.0% in 2019. Unemployment declined and average inflation remained low. Strong fiscal outturns contributed to a reduction in debt. The primary surplus was higher than the previous four-year average and the target set under the Fiscal Responsibility Legislation (FRL). The banking sector remained well capitalised as deposits grew faster than credit. The external current account deficit narrowed but remained high.

KEY DEVELOPMENTS IN 2019

Economic growth remained robust, albeit slower than the five-year historical average of 5.2% (see Chart 1). Despite a slowdown in construction, a recovery in private education and strong agriculture output supported growth. Other positive contributions came from manufacturing, hotels and restaurants, wholesale and retail, and transport and communications. Student enrolment at the St. George's University grew by 10.3% to 8,256. Stayover arrivals rose by 1.0% to 162,902 while cruise ship visitor numbers fell by 1.4% to 337,940, compared with double-digit increases in both categories in 2018. Greater marketing efforts and increased airlift contributed to the outturn, which was tempered by one of the largest hotels closing in May for renovations. Key sporting and music events and conferences held during the year influenced arrivals from all markets, especially the

Caribbean (the second largest source market). The expansion in manufacturing output is estimated to have slowed in comparison with 2018. Challenges in export markets contributed to declines in production of key products. Despite difficulties related to pests and diseases, and extreme weather conditions, agriculture production of major crops rose in 2019. Data for the first nine months indicate higher output from nutmeg, mace, cocoa, and other crops, which offset the fall in banana production. Construction activity tapered-off following four years of sustained growth. Imports of construction materials, up to September 2019, declined by 2.2% compared with 2018.

Chart 1: Real GDP Growth

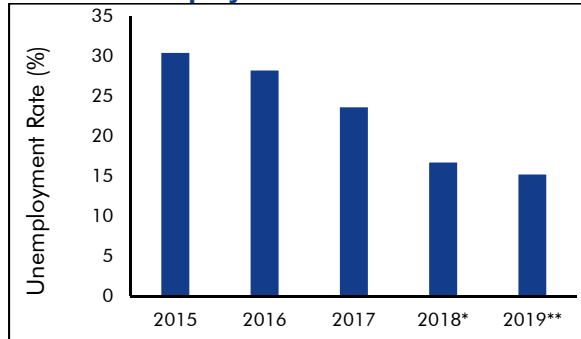


Source: Government of Grenada (GOGR).

Inflation remained low, and unemployment continued to decline. The Consumer Price Index increased moderately. Average inflation moved up to an estimated 1%, from 0.8% in 2018. The hike reflected higher prices for food and non-alcoholic beverages, transport and housing, utilities and gas. Preliminary estimates indicate that unemployment rate fell to 15.2% at the end

of the first quarter in 2019 from 16.7% at the end of the third quarter of 2018 (see Chart 2).

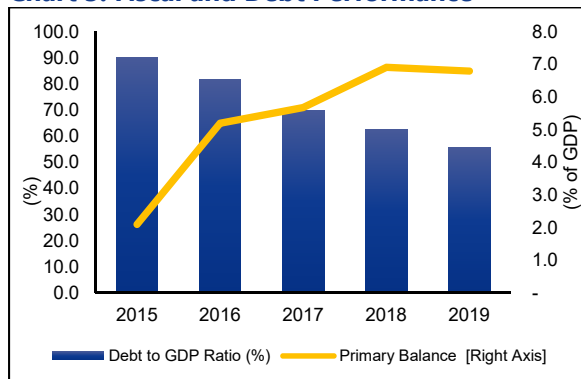
Chart 2: Unemployment Rate



Source: GOGR: *as of Q3 of 2018; **as of Q1 of 2019.

The fiscal outturn remained positive, exceeding the FRL primary balance target of 3.5% of GDP. At the end of the year, the primary surplus (after grants) was estimated at 6.8% of GDP (see Chart 3). The overall surplus (after grants) rose to an estimated 4.6% of GDP. The fiscal outturn reflected higher revenue collections (up 3.5%) as total revenue and grants grew to EC\$880.2 million (mn). Enforcement of the Tax Administration Act resulted in an improvement in tax collection. Total expenditures increased by 2.9% due in part to increased capital spending.

Chart 3: Fiscal and Debt Performance



Source: GOGR.

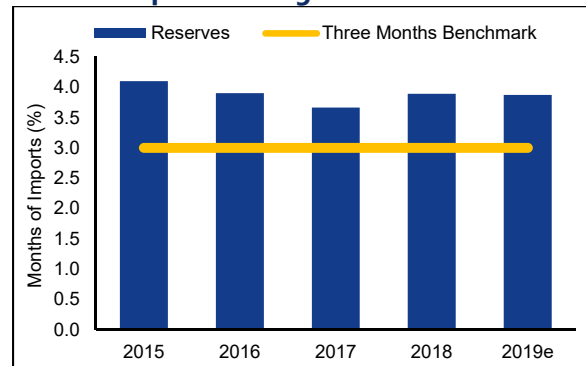
Public debt fell below the 60% benchmark. Sustained fiscal strength and

economic growth contributed to a fall in the debt-to-GDP ratio to 55.8%. Debt service payments for the first nine months of 2019 amounted to EC\$179.2 mn.

As of September, banking soundness indicators remained strong, with deposits growing faster than total loans and advances. Total deposits increased by 5.8% year-on-year, while loans and advances rose by 1.4% over the same period. Improvements in banking asset quality were reflected in increases in the bank liquidity ratio (liquid assets to total assets) to 46.3%, and the capital adequacy ratio to 13.8% from 13.0% one year earlier. The level of non-performing loans to gross loans declined further to 2.1% from 2.6% one year earlier, and within the 5% benchmark stipulated by the Eastern Caribbean Central Bank.

The external current account continued to weaken, but international reserves remained above the prudential three months benchmark (see Chart 4). For the first nine months of 2019, preliminary data pointed to a higher trade deficit compared with the same period in 2018. Imputed international reserves remained at approximately 3.9 months at the end 2019.

Chart 4: Imputed Foreign Reserves



Source: International Monetary Fund, GOGR.

OUTLOOK

Grenada's outlook has become clouded by the outbreak of COVID-19, which has significantly affected developed and developing economies. In early 2020 Grenada's tourism sector has seen mass cancellations. Construction activity has

slowed, and government finances have come under increasing pressure.

Given the uncertainty as to how long this situation will persist, it is very difficult to forecast how the economy will perform in 2020 and beyond. This will be addressed in an updated Economic Brief later this year.

DATA

The table below summarises the key economic and social indicators underpinning this country brief. These data are taken from a number of sources, and are the latest available, at time of publication. Some are subject to revision. The 2019 data are estimates where end of year data is not available, except unemployment for which Quarter 1 of 2019 is the latest available estimate.

Selected Indicators

	2015	2016	2017	2018	2019^e
Real GDP Growth (%)	6.4	3.7	4.4	4.1	3.0
Average Inflation (%)	1.1	1.7	1.7	0.8	1.0
Unemployment (%)	30.4	28.2	23.6	16.7*	15.2**
Primary Balance (% of GDP)	2.1	5.4	5.7	6.9	6.8
Public Sector Debt (% of GDP)	90.1	81.6	70.0	62.7	55.8

Sources: IMF, GOGR, Caribbean Development Bank

Notes: e – estimate (as at January 31, 2020).

**as of Quarter 3, 2018; **as of Quarter 1, 2019.*



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