



GOVERNMENT OF GRENADA

PROSPECTUS

FOR GOVERNMENT SECURITIES

FOR THE PERIOD
JANUARY 2022 – DECEMBER 2022

DATE OF PROSPECTUS: JANUARY 2022



EC\$60 MILLION
91-DAY TREASURY
BILLS



EC\$45 MILLION
365-DAY TREASURY
BILLS



EC\$10 MILLION
2-YEAR TREASURY
NOTES

MINISTRY OF FINANCE, FINANCIAL COMPLEX, CARENAGE ST. GEORGE'S
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Grenada Carriacou and Petite Martinique



ABOUT THE STATE OF GRENADA

The State of Grenada consists of three islands; Grenada, Carriacou and Petit Martinique situated between the Caribbean Sea and the Atlantic Ocean, 12.7 degrees north latitude and 61.4 degrees west longitude. The Grenada Constitutional Order of 1973, which established the Constitution of Grenada, granted Grenada independence from the United Kingdom on 07 February 1974. A Governor-General (Grenada's Head of State), is appointed by and represents the British Monarch and a Prime Minister is the leader of the majority party and the Head of Government. The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The last general election was held in March 2018 and the New National Party (NNP), which was in power for the preceding five years contested and won 15 out of the 15 seats in the House of Assembly. Grenada's judicial system is based on the English system, including the principles and practice of English common law. Table 1 sets out selected social indicators for Grenada.

Table 1: Grenada Selected Social Development Indicators

<i>Human development index, score out of 100 (2019)</i>	<i>0.779</i>
<i>Life expectancy at birth in years (2019)</i>	<i>72.4</i>
<i>Access to Electricity (% of population) (2020)</i>	<i>95.4 per cent</i>
<i>Gross National Income (GNI) per capita (2011 PPP\$) (2017)</i>	<i>14,711.9</i>
<i>Population Estimate (2020)</i>	<i>113,135</i>
<i>Population rate of growth (per cent)(2020)</i>	<i>0.5 per cent</i>
<i>Infant mortality per 1,000 live births (2019)</i>	<i>14.7</i>
<i>Labour force participation rate (3rd Quarter, 2020)</i>	<i>66.2 per cent</i>

Source: World Bank (WDI 2018), UNDP HDR 2019 and Central Statistical Office(CSO)

NOTICE TO INVESTORS

The Government of Grenada is issuing this Prospectus to provide information to the public. The Government accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries to ensure the accuracy of this. To the best of its knowledge and belief, there are no other facts, the omission of which would make any statement in this Prospectus misleading.

The Prospectus has been drawn up as per the rules of the Regional Governments Securities Market. The Regional Debt Coordinating Committee and Eastern Caribbean Central Bank accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus and its content are issued to cover the series of Government securities to be issued over the period January 2022 to December 2022. If in need of financial or investment advice, please consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of Government instruments or other securities.

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1. ABSTRACT

During the period January 2022 to December 2022, the Government of Grenada is seeking to issue the following Government securities on the Regional Governments Securities Market to refinance its existing Treasury bills and notes currently on the market as follows:

91 Day Treasury bills

- Fifteen million (EC\$15.0M) in 91-day Treasury bills on January 12, 2022.
- Fifteen million (EC\$15.0M) in 91-day Treasury bills on April 15, 2022.
- Fifteen million (EC\$15.0M) in 91-day Treasury bills on July 19, 2022.
- Fifteen million (EC\$15.0M) in 91-day Treasury bills on October 20, 2022.

The maximum coupon rate of the new bills being 3.5 percent per annum.

365 Day Treasury Bills

- Twenty-five million (EC\$25.0M) in 365-day Treasury bills on August 03, 2022.
- Ten million (EC\$10.0M) in 365-day Treasury bills on October 24, 2022.
- Ten million (EC\$10.0M) in 365-day Treasury bills on December 12, 2022.

The maximum coupon rate of the new bills being 5.0 percent per annum.

2-Year Treasury Notes

- Ten million (EC\$10.0M) in 2-year Treasury notes on February 14, 2022

The maximum coupon rate of the new notes being 5.5 percent per annum.

In this Prospectus, references to “Grenada” are to the State of Grenada and references to the “Government” are to the Government of Grenada. The Treasury bill issues and notes are being raised under the authority of the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada. The Constitution of Grenada stipulates that Principal and Interest payments are direct charges on the Consolidated Fund.

Bidding for all Government securities (Bills, Notes and Bonds) are open from 9:00 am to 12:00 pm on the respective auction dates.

A competitive uniform price auction will be used.

2. INFORMATION ABOUT THE 2022 SECURITY ISSUANCE

Table 2: Securities Details

SYMBOL	AUCTION DATES	ISSUE/SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC\$M	TENOR	INTEREST RATE CEILING %
GDB140422	12-Jan-22	13-Jan-22	14-Apr-22	15	91 Days	3.5%
GDN150224	14-Feb-22	15-Feb-22	15-Feb-24	10	2 Years	5.5%
GDB180722	15-Apr-22	18-Apr-22	18-Jul-22	15	91 Days	3.5%
GDB191022	19-Jul-22	20-Jul-22	19-Oct-22	15	91 Days	3.5%
GDB040823	03-Aug-22	04-Aug-22	04-Aug-23	25	365 Days	5.0%
GDB200123	20-Oct-22	21-Oct-22	20-Jan-23	15	91 Days	3.5%
GDB251023	24-Oct-22	25-Oct-22	25-Oct-23	10	365 Days	5.0%
GDB131223	12-Dec-22	13-Dec-22	13-Dec-23	10	365 Days	5.0%

ALL ISSUES ON THE MARKET ARE IN EC DOLLAR SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED

3. GENERAL INFORMATION

Issuer: Government of Grenada

Address: Ministry of Finance
Financial Complex
Carenage
St. George's
Grenada

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Date of Issue:	January 2022 – December 2022
Type of Security:	Treasury bills and Treasury notes
Amount of Issue:	EC\$115 million
Purpose Security Issue:	The Treasury bills are being issued as part of the Government’s Debt Management Strategy to lower the cost of Government’s borrowing by reducing reliance on the overdraft facility.
Legislative Authority:	Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada.
Bidding Period:	9:00 am to 12:00 noon on auction days
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury Bills will be issued on the Regional Governments Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange.
Maximum Bid Price:	\$94.50 (5.5 per cent).
Minimum Bid:	EC\$5,000
Bid Multiplier:	EC\$1,000
Bids per Investor:	Each investor is allowed one (1) bid with the option of increasing the amount being tendered for until the close of the bidding period.
Taxation:	Yields will not be subject to any tax, duty or levy by the Participating Governments of the Eastern Caribbean

Currency Union (ECCU). The countries are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines.

Licensed Intermediaries:

Investors will participate in the auction through the services of licensed intermediaries that are members of the Eastern Caribbean Securities Exchange.

- Bank of Nevis Limited
- Bank of Saint. Lucia Ltd.
- Bank of St Vincent and the Grenadines Ltd.
- St. Kitts Nevis Anguilla National Bank Limited
- First Citizens Investment Services Ltd. (Saint Lucia)
- Grenada Co-operative Bank Ltd.

Currency:

All currency references will be the Eastern Caribbean dollar unless otherwise stated.

4. EXECUTIVE SUMMARY

The effect of the COVID-19 pandemic continues to be visible in the economy 19 months after the first case was recorded on island. Activity in most sectors for the first half of the year remained below pre-COVID-19 levels, but there are indications of recovery (albeit tepid) in some sectors relative to 2020. Real GDP Growth in 2021 is estimated to be in the range of 4.8 percent and inflation is expected to be in the region of 2.2 percent. Overall, the fiscal position improved, though not to pre-crisis levels. Primary and overall balances including grants of \$117.1 million (3.9 percent of GDP) and \$62.7 million (2.1 percent of GDP) are anticipated for the full year 2021.

Public debt to GDP ratio has progressively declined from 106.1 percent in 2014 to 57.7 percent in 2019. At the end of 2020, the ratio increased to 70.4 percent as a result of a deterioration in output and new borrowing occasioned by the COVID-19 pandemic. However debt is projected to return to a downward trajectory over the medium term. Despite financial pressures due to the onset of the COVID-19 pandemic, the Financial and Monetary sectors remained stable. The pace of Grenada's economic recovery is largely hinged on global recovery and the rate at which these positive impacts filter through the local economy. Over the medium term, inflation is expected to strengthen and growth is anticipated to average 4.3 percent.

The Debt Management Unit (DMU) is responsible for managing the public debt to enable greater efficiencies and reduce the cost of debt servicing. The DMU is also responsible for developing and publishing the Medium-Term Debt Strategy (MTDS) that provides the Government with a plan to achieve the desired debt portfolio consistent with its debt management objectives.

5. FINANCIAL ADMINISTRATION & MANAGEMENT

The Public Finance Management Act 17 was enacted in 2015. In June of that same year, the Public Debt Management Act was passed by Parliament, as well as a Fiscal Responsibility Act (FRA) which sets the public debt target at 55 percent of GDP.

The 2015 Public Debt Management Act which was enacted in August 2016 outlines in some detail the functions and deliverables of the DMU, which reports, through the Minister of Finance, to the Parliament and people of Grenada. The Act also puts into law requirements such as the preparation and implementation of a MTDS, Debt Sustainability Analysis and Annual Borrowing Plans. Further, it constitutes the Public Debt Coordinating Committee, which is a technical committee that monitors the cash flow and assists with the planning and execution of debt payments and debt contraction decisions.

5.1 Debt Management Objectives

Part I Section (4) of the 2015 Public Debt Management Act outlines Grenada's debt management objectives as follows; (a) ensuring that the financing needs of the Government are met on a timely basis and that its debt service obligations are met at the lowest cost over the medium-to-long term, in a manner that is consistent with an acceptable and prudent degree of risk; (b) providing a framework for the management of public debt in a manner that achieves and maintains sustainable debt; and (c) ensuring that public debt management operations support the establishment of a well-developed domestic debt market in the medium to long term.

As part of its mandate, the DMU is therefore committed to continue striving towards actively managing Grenada's debt portfolio by adopting debt management objectives principally aimed at reducing public debt to its FRA target and keeping it on a sustainable path over the medium to long term. This objective is to be met by:

- ❖ Reducing the cost of debt servicing by borrowing primarily on concessional terms;
- ❖ Reorganizing the structure of the debt portfolio to increase efficiency, avoid bunching and ensure effective utilization of the proceeds;
- ❖ Supporting the development of the Regional Governments Securities Market; and

- ❖ Managing the risk and financial cost associated with borrowing choices by refinancing higher-cost debt and in so doing, adjusting the maturity profile of the portfolio, which will ultimately lead to lower debt service costs.

5.2 Risk Management Framework

The Government, to minimize its risk, has adopted an integrated approach to the management of Government finances and debt management. Some of these measures include:

- ❖ The requirement for Parliament to approve new debt contracted by Government except for Treasury Bills;
- ❖ The legal authority for borrowing in any one year is the Loan Authorization Bill for that year;
- ❖ The legal authority for the issuance of Treasury bills is the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada;
- ❖ The 2015 Public Finance Management Act and the 2015 FRA, which authorize only the Minister of Finance to contract debt on the country's behalf and sets a public debt to GDP target;
- ❖ In-house monitoring of macroeconomic variables, debt sustainability indicators as well as evaluating new loan contracts;
- ❖ An ex-ante analysis of new public debt by the DMU in the Ministry of Finance.

6. MACRO-ECONOMIC PERFORMANCE

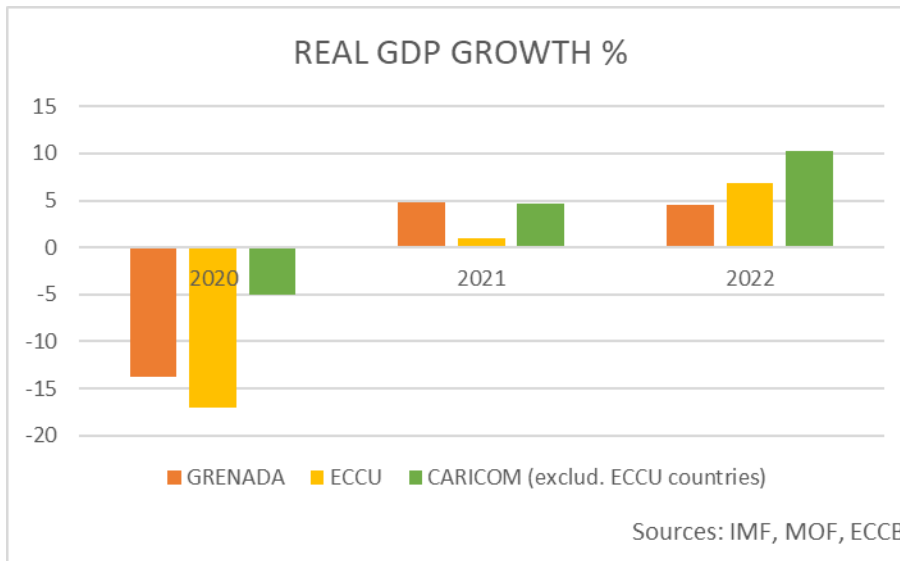
Appendix II is a six-year (2016-2021) trend analysis of selected macroeconomic indicators.

6.1 Regional Developments

Occasioned by the impacts of the COVID-19 pandemic, member countries of CARICOM (excluding ECCU territories) recorded declines in real GDP averaging -5.0 percent in 2020. Driven by strong growth in Guyana because of oil production, growth is expected to rebound to 4.7 percent in 2021. In the ECCU sub-region, as the territories slowly recover from the pandemic, growth is estimated to average 0.9 percent in 2021 from an acute decline averaging -17.0 percent in

2020. St. Lucia, Grenada and Dominica are anticipated to drive the regional recovery with expansions of 6.3 percent, 4.8 percent and 3.9 percent respectively. (Figure 1).

Figure 1: Real GDP Growth (Grenada, ECCU & CARICOM)



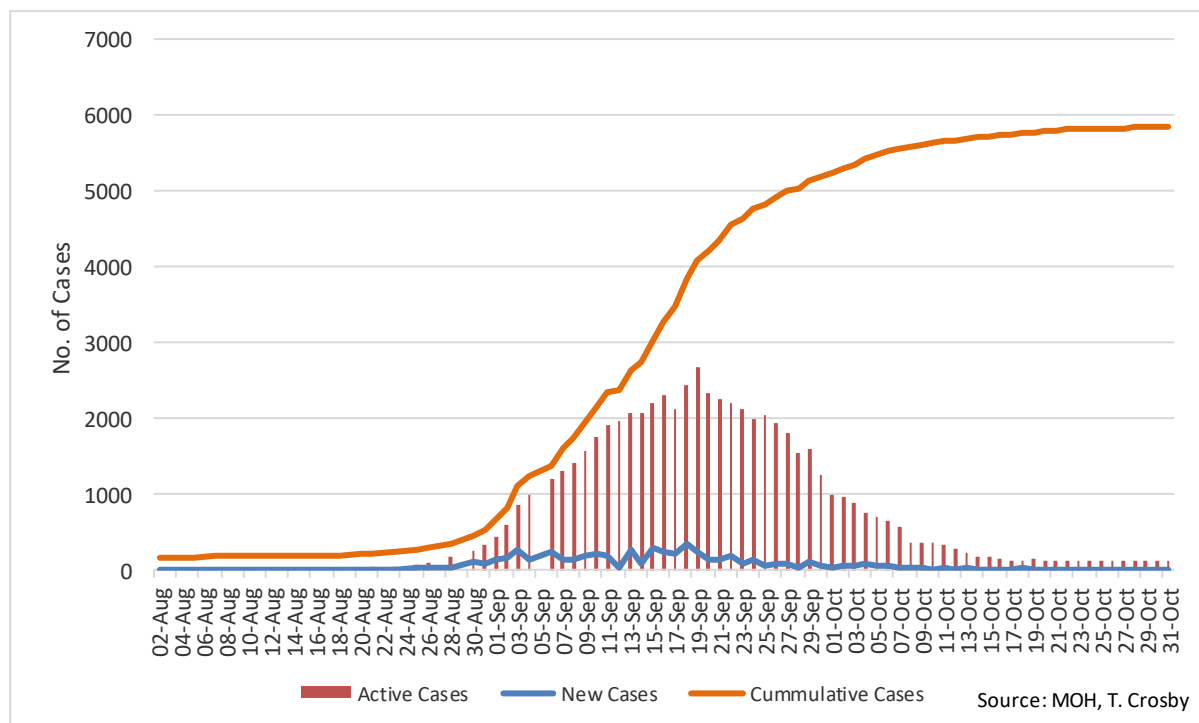
On balance, risks to the regional growth outlook are tilted downward. Risks relate primarily to the COVID-19 pandemic and its prolonged socioeconomic effects. The fast-spreading Delta and threats of new variants have heightened uncertainty about when the pandemic can be defeated. A protracted health crisis can adversely affect tourist arrivals, remittances, and foreign direct investment in the region. The region’s high vulnerability to natural disasters is an inherent risk and its susceptibility to the adverse effects of climate change can retard agricultural production as well as tourism activity.

6.2 Performance of the Domestic Economy

The Grenadian economy, like most economies, continued to be impacted by the COVID-19 pandemic 19 months after the first case was recorded on island. Activity in several sectors remained depressed, most notably tourism, although there were some signs of improvement. The sluggish recovery in global travel and the slower-than-anticipated vaccination rates were contributory factors to the weak performance of the sector in 2021. The spike in COVID-19 cases in

September 2021 (Figure 6) retarded progress to some extent as measures had to be implemented to curb the spread of the virus. Restricted movement and limited hours of business, including “no movement weekends,” limited operating hours and the shut-down of some types of businesses, negatively impacted the economy for several weeks. Additionally, it was observed that businesses in all sectors voluntarily ceased operations when a case was reported in their institution to prioritise the safety of their staff and customers. The length of the closure depended on the extent of the exposure to the virus and the speed at which testing was conducted. These interruptions, though temporary, further impacted businesses’ bottom line. Notwithstanding, there are signs of a tepid recovery in the economy with some sectors such as construction and private education reporting growth relative to 2020. Preliminary data indicate that growth in 2021 will be in the range of 4.8 percent, a downward revision from the 5.2 percent published in July and the 6.0 percent projected in October 2020. There was a marginal increase in inflation in the first nine months of 2021, and this is expected to rise further with projected increases in global food and fuel prices, as well as international shipping costs.

Figure 2: COVID-19 Cases (August-September 2021)



Agriculture & Fishing

Preliminary data for the first half¹ show mixed results for the agriculture sector in 2021 compared to the same period in 2020 (Figure 7). Various factors affected crop production, including crop cycles, weather patterns and subdued demand. Anecdotal information for the third quarter suggests some pick up in production linked to favourable rainfall coupled with increasing demand both locally and internationally.

Production of nutmeg and mace reduced by 2.0 and 27.3 percent respectively during the first half of 2021 compared to the same period in 2020. Nutmeg production was relatively low for the first half of 2021 partially due to lower-than-anticipated rainfall resulting in a late crop. However, anecdotal information on production for the third quarter indicate that there is some pick up expected for the rest of the year. In terms of mace, the price paid to farmers was adjusted from \$1 per pound to \$3 dollars per pound to incentivise production so that supply can meet increased demand in the international market. Notwithstanding, several issues continued to plague the sub-sector including cash flow challenges affecting the co-operative and lack of land clearing services to access farms. Nutmeg production, however, is expected to improve in the medium term, contingent on the success of propagation and planting drives as well as other support from the Government to resolve cash flow issues and improve farm access.

Cocoa production increased significantly by 35.3 percent during the first half of 2021 in comparison to the same period in 2020. The massive increase is largely due to second quarter production in 2021, which is compared to the second quarter of 2020 where restricted movement because of the pandemic, prevented farmers from harvesting. Moreover, the price of cocoa increased to \$4 per pound, the highest price recorded since 2014. On the export side, Grenada continues to secure premium prices for its cocoa due to its high quality. However, shortage of suitable ventilated containers for shipping to the international market adversely affected the subsector. Nonetheless, projects are being implemented to increase production and improve processing of cocoa.

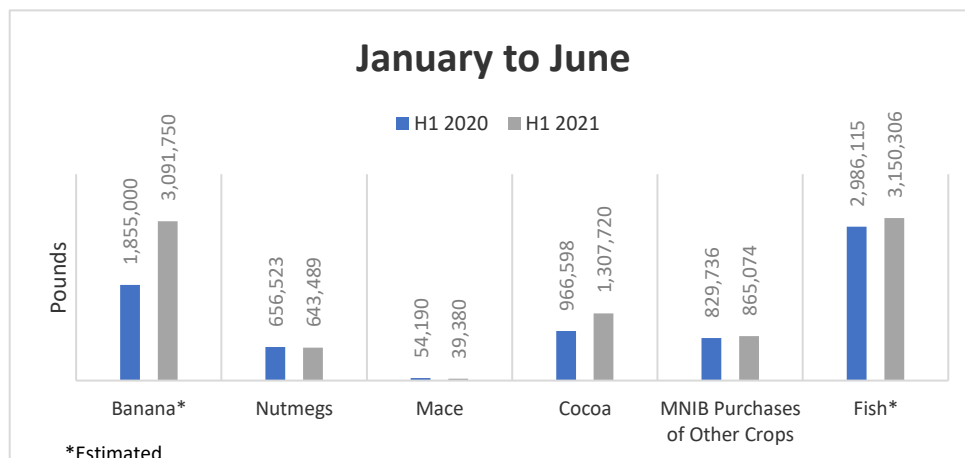
Despite continued COVID-19-related challenges, the Marketing and National Importing Board (MNIB) recorded increases in the purchases of fresh produce such as bananas, plantains,

¹ Latest period for which data is available

watermelons, and root crops in 2021 relative to 2020 (used as a proxy for the production of fresh fruits, vegetables and root crops). A monthly average of 187,000 pounds of produce was recorded for 2021, which is 78.1 percent greater than the monthly average for 2020. The MNIB has implemented several measures to improve performance, including technical assistance to farmers and establishing production contracts to ensure a steady supply of certain produce for local consumption and export. It is therefore anticipated that production growth will continue in 2022 as the organisation seeks to uncover new markets for exports.

In the fishing sector, production growth is estimated at 5.5 percent for the first half of 2021 compared to the same period in the previous year. However, production remains below 2019 levels. The sector is currently confronting several challenges. Locally, the relatively low activity in the tourism sector and the temporary halt of face-to-face classes at the SGU decreased the demand for fish. Reduced airlift in 2021 has limited capacity to export to international markets. Consequently, fish exporters have cutback the volume of fish purchased locally causing fisherfolk to find alternative markets for their catch since the amounts caught could not be readily absorbed in the local market. Increased freight and fuel costs, as well as trade disruptions, also affected fish exports. There are some indications that production improved in the third quarter with increased demand due to improved tourist arrivals and the resumption of face-to-face classes at SGU.

Figure 3: Production in Agriculture and Fishing



Source: Ministry of Finance

Tourism

The tourism sector remains the most affected by COVID-19 as this sector has yet to rebound in a meaningful way since the onset of the pandemic. Tourism statistics for the first three quarters of 2021 show a 41.2 percent decline in stayover arrivals relative to the same period in 2020 (Table 1) with reductions observed in every source market. The largest number of visitors in 2021, came from the United States, followed by the United Kingdom, and the Caribbean.

Table 3: Visitor Arrivals

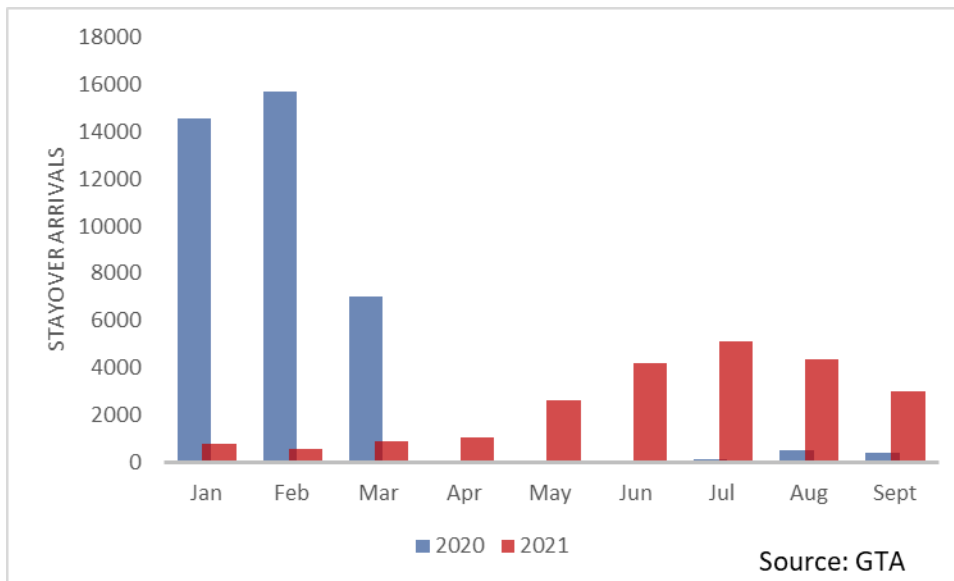
Visitor Arrivals	Jan - Sep-20	Jan - Sep-21	% Change
United States	17,300	16,289	-5.8
Europe	2,881	426	-85.2
United Kingdom	7,028	2,697	-61.6
Canada	4,400	628	-85.7
Caribbean	5,369	1,685	-68.6
Other	1,296	780	-39.8
Total Stayover Arrivals	38,274	22,505	-41.2
Cruise Passengers	162,517	-	-100.0

Source: Grenada Tourism Authority

However, an examination of monthly arrivals shows improvements in the months of May to September 2021 relative to 2020 as that period in 2020 included the global lockdowns and depressed travel due to the pandemic. In 2021, though travel remained well below pre-pandemic levels, airlines increased flights and international travel gradually recovered. The largest number of stayover arrivals for the first nine months of 2021 were recorded in July (5,133) and August (4,357) (Figure 9), consistent with pre-pandemic trends², though on a smaller scale. A quarter-on-quarter analysis shows that the largest number of visitors in 2021 arrived in quarter three (12, 4780 compared to 987 in quarter three of 2020).

² These months historically record the highest monthly arrivals linked to the carnival season.

Figure 4: Monthly Stayover Arrivals



Many factors continue to affect the hotel sector as some properties struggle to remain operational. The spike in COVID-19 cases in September 2021 and the restrictions implemented to manage the spread, negatively impacted tourist arrivals. As Grenada was given level 4 risk rating³ by the Centers for Disease Control and Prevention (CDC), many tourists canceled flights and accommodation during that period. Locally, beach restrictions affected the dive and water sports subsectors while tour operators were not allowed to ply their trade. Restaurants also lost revenue due to in-house dining restrictions. Though the COVID-19 situation has dramatically improved since then, the level 4 rating was not yet been revised at the time of writing this report in October 2021. Nonetheless, stayover arrivals are expected to steadily increase during the last quarter of 2021. Several hotels, which temporarily closed their doors in 2020 have resumed operation in 2021, including the Spice Island Beach Resort and the Royalton Grenada Resort, which both reopened in October. Tourism businesses continue to implement measures and protocols to ensure the safety of staff and guests as the sector recovers. Many employees in the tourism sector have been vaccinated in preparation for the predicted increase in arrivals for the winter season. Continued recovery of the sector is dependent on improvement in the vaccination rate to reduce the possibility and/or

³ Highest risk rating for travel.

severity of a second wave of COVID-19 cases, as well as global developments in international travel.

In terms of the cruise subsector, the cruise season remained closed since February 2020, hence no visitors were record for the first three quarters of 2021. However, the 2021/2022 cruise season is set to open in November 2021, with approximately 68 ships expected for the last quarter.

Construction

Activity in the construction sector in the first half of 2021 was greater than in the same period in 2020. A 34.9 percent increase in the importation of construction materials was recorded in the first half of 2021, while retail sales of building materials expanded by 126.2 percent (Figure 8). This suggests a pick-up in both commercial and residential construction as evidenced by the increase in both indicators over the period. Improved implementation of Government's Public Sector Investment Programme (PSIP), mainly as it relates to the construction and repairs of roads, bridges, schools, and other public infrastructure contributed to the performance of the sector during the year. In the private sector, major construction projects included the Six Senses Resort in St. David as well as developments in Levera in the north of the island and Mt. Hartman in the south. Additionally, other smaller construction projects are ongoing, including expansion works by a major retailer in the south of the island.

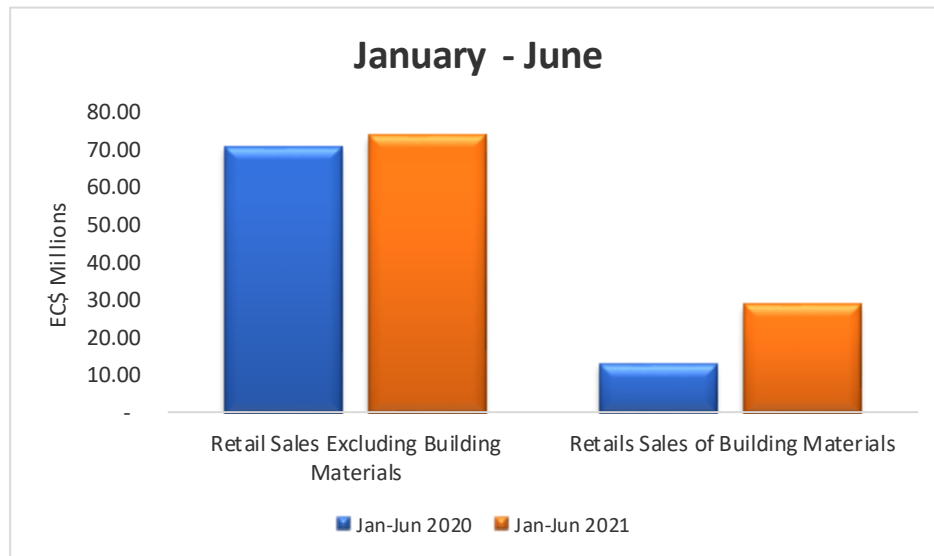
Figure 5: Construction and Mining Indicators



Wholesale and Retail Trade

Preliminary data for the wholesale and retail trade sector indicate some improvement for the January to June period of 2021 against the comparable period in 2020. Retail sales excluding building material rose by 4.2 percent in the first half, indicative of increased spending power since the economic downturn caused by the pandemic. Additionally, retail sales of building material increased period on period by 126.2 percent, signaling a spike in residential construction (Figure 6).

Figure 6: Retail Sales



The sector experienced several challenges in 2021, largely related to shipping delays, decreased supply of goods, material shortages, increased shipping rates and increased base costs of goods. These issues have raised the cost of doing business and reduced profit margins as some wholesalers and retailers have absorbed at least a portion of the price increases. Uncertainty relating to the alleviation of these trade issues threatens the outlook for the sector as businesses will eventually be forced to pass on increased costs to consumers, which may result in a drop in demand. Notwithstanding, there have been some improvements in the wholesale and retail sector brought on by the COVID-19 pandemic. For example, more businesses are incorporating ICT into their operations, starting with the digitisation of business processes and the development of online shopping websites and applications.

Private Education

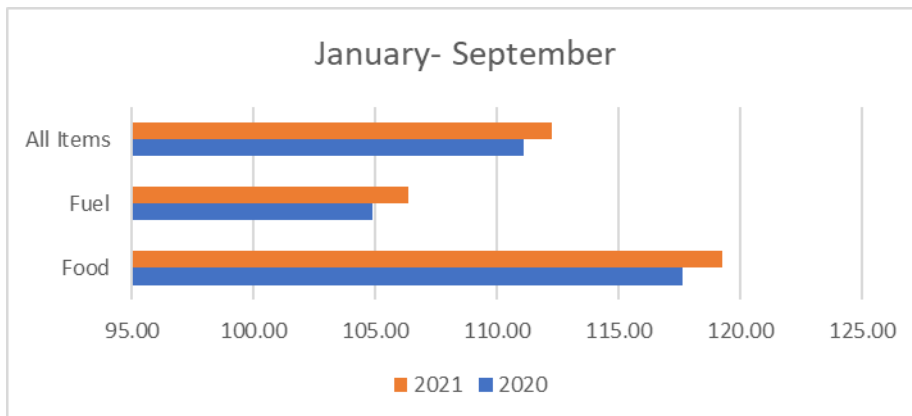
The St. George's University (SGU), which is the largest contributor to private education, announced the resumption of face-to-face classes for the August 2021 term. The institution, which has been delivering classes online since March 2020, announced its decision to resume in-person learning on April 15, 2021, signaling the return of its students to the island. Additionally, the University implemented a strict vaccination policy whereby all faculty, staff, students, and service providers of the University must be fully vaccinated to be allowed onto its campuses. Although most students returned in August, the spike in COVID-19 cases in September prompted the

University to temporarily halt face-to-face classes for several weeks. Students were given the option to remain on the island or return home to engage with online classes. Face-to-face classes resumed in October, requiring the return of all students, faculty, and staff. The University is optimistic that enrolment for the 2021/2022 academic year, which includes the January intake, will be at least on par with previous years. Additionally, the University has adjusted its tuition fees upwards in 2021 after a temporary freeze in 2020. The return of the students and faculty should have a positive impact on other sectors, including the wholesale & retail and real estate sectors.

Inflation

The consumer price index (CPI) for January to September 2021 indicates a period average inflation rate of 1.0 percent compared to the same period in 2020. Rising commodity prices relating to supply bottlenecks, trade disruptions and supply and demand mismatches have created domestic inflationary pressures. Local fuel prices, as measured by the CPI, rose by 1.4 percent during the period reflective of increases in international oil prices. Likewise, food prices grew by 1.4 percent also reflective of high international prices (Figure 7).

Figure 7: Consumer Price Index



7. GOVERNMENT FISCAL PERFORMANCE

Prior to the onset of the COVID-19 pandemic in 2020, Grenada's fiscal position was strong recording consistent primary and overall surpluses since 2016. The severe disruption in economic activities engendered by the COVID-19 pandemic, has significantly undercut Government revenues and increased spending in 2020 resulting in primary and overall deficits. Highlights of the fiscal results achieved over the past three years (2018 - 2020) and the estimated outturn for 2021 are summarized in Table 4.

Table 4: Fiscal Performance 2018-2021(e)

	2018	2019	2020	2021 (e)
	<i>In EC \$ millions</i>			
Total Revenue & Grants	850.2	871.5	792.7	923.0
Total Revenue	755.9	778.0	689.6	690.4
Tax Revenue	704.1	718.6	622.8	605.0
Non-Tax Revenue	51.8	59.4	66.8	85.4
Total Grants	94.3	93.5	103.1	232.6
Total Expenditure	695.3	709.2	921.0	860.3
Recurrent Expenditure	608.5	623.5	651.1	598.6
o/w Interest Payment	63.2	60.6	55.9	54.5
Capital Expenditure	86.8	85.7	269.9	261.7
Primary Balance (after Grants)	218.1	223.1	-72.4	117.1
Overall Balance (after Grants)	154.9	162.3	-128.3	62.7

e-estimated

Source: Ministry of Finance

On balance, Grenada's fiscal position has strengthened in 2021 despite the continued impact of the pandemic. Reflective of better-than-budgeted tax, non-tax revenue outturns and grants during the first nine months of 2021 and an under-shooting of Capital Expenditure relative to Budget, an Overall Surplus of \$62.7 million is estimated for the full year 2021. Likewise, a Primary Surplus including Grants of \$117.1 million is estimated.

8. PUBLIC DEBT ANALYSIS

Total public debt as of end September 2021 comprised of the Central Government's debt only and stood at \$2,104.5 million (70.7 percent of projected GDP). This marked an increase of 5.4 percent from the same period in 2020 when public debt was \$1,996.0 million (70.9 percent of GDP). The increase in public debt is primarily attributable to disbursements received on new loans contracted to fund emergency spending as a result of the Covid-19 pandemic and to a lesser extent disbursements on existing loans and oversubscriptions allowed on the RGSM.

8.1 Central Government External Debt

As of the end of September 2020, external debt held by Central Government stood at \$1,529.0 million or 54.7 percent of projected GDP. Compared to the same period in 2019, external debt increased by 7.2 percent.

External Debt by Creditor Type and Interest Rate Type

Multilateral lenders continued to dominate the external portfolio at 64.6 percent (\$1,058.4 million), followed by commercial debt which accounted for 16.5 percent (\$271.1 million). Non-Paris Club bilateral loans accounted for 13.8 percent (\$226.7 million), Paris Club bilateral loans for 1.0 percent (\$16.2 million) and Treasury bills and Treasury notes for which investors have external residency 4.0 percent (\$66.0 million) of the external portfolio as shown in (Figure 8).

Fixed interest rate debt was the principal type of debt in the external portfolio and accounted for \$1,383.3 million (84.4 percent) at the end of September 2021. Variable interest rate and interest-free debt accounted for \$133.2 million (8.1 percent) and \$121.9 million (7.5 percent) of the external portfolio respectively (Figure 9).

Figure 8: External Debt by Creditor Type

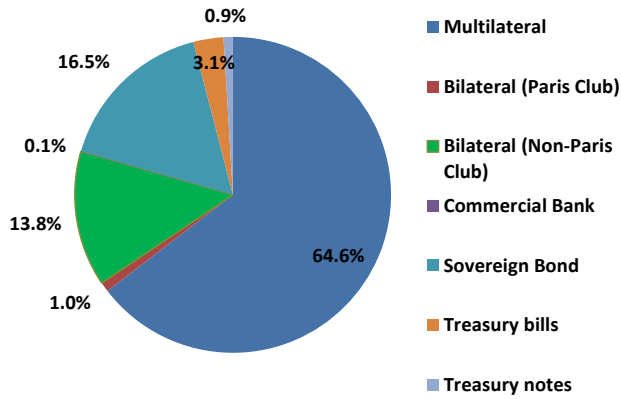
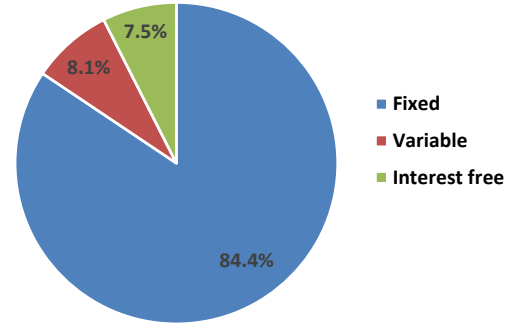


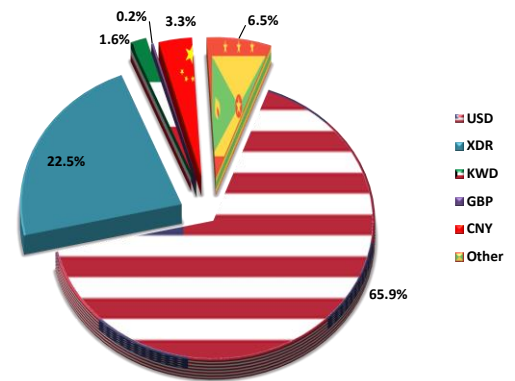
Figure 9: Interest Type of External Debt as at September 2021



Currency Composition of External Debt

US dollar denominated debt represents the majority of the external debt portfolio. Loans contracted in USD accounted for 65.9 percent (\$1,079.0 million), followed by Special Drawing Rights (XDR), which accounted for 22.5 percent (\$368.5 million). The Kuwaiti Dinar (KWD) accounted for 1.6 percent (\$26.2 million), Chinese Yuan (CNY) 3.3 percent (\$54.9), Sterling (GBP) 0.2 percent (\$3.7 million), whilst other currencies made up 6.5 percent (\$106.1 million) (Figure 10).

Figure 10: External Debt by Currency as at September 2021

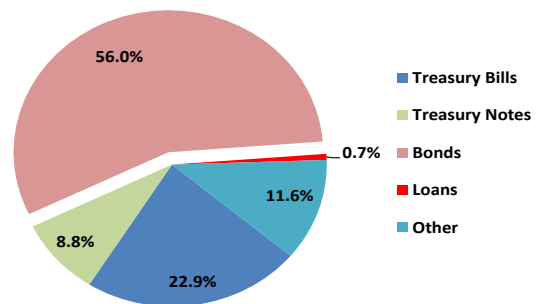


Central Government Domestic Debt

Domestic Debt by Instrument

Domestic debt as at the end of September 2021 was \$466.1 million (15.7 percent of GDP). This is a 0.2 percent decline from the corresponding period in 2020, when it was \$467.0 million. As depicted in figure 11, the majority of domestic debt is held as bonds accounting for 56.0 percent

Figure 11: Domestic Debt by Instruments as at September 2021

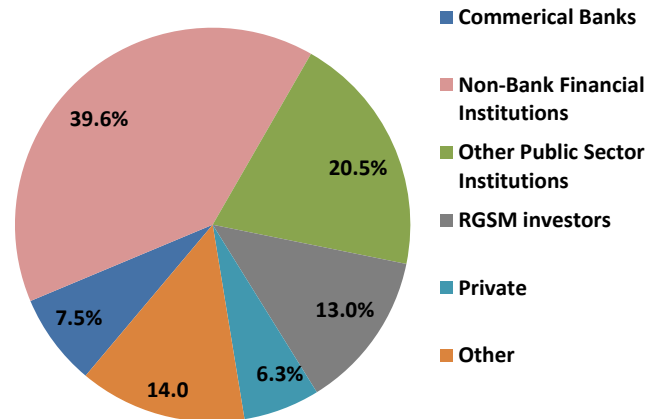


or \$260.9 million, followed by Treasury bills which amounted to 22.9 percent or \$106.6 million, T-notes amounted to 8.8 percent or \$41.2 million, loans 0.7 percent or \$3.2million, and other domestic liabilities amounted to 11.6 percent or \$54.2 million.

Figure 12: Domestic Debt by Holder as at September 2021

Domestic Debt by Holder

Non-bank financial institutions were the majority holders of the Government of Grenada’s domestic debt accounting for \$184.6 million (39.6 percent) of the domestic portfolio. They were followed by public sector institutions which accounted for \$92.7 million (19.9 percent) and investors on the Regional Government Securities Market which accounted for \$60.5 million (13.0 percent). The residual of government’s domestic liabilities was shared between



Commercial Banks \$35.3 million (7.5 percent), private individuals \$29.2 million (6.3 percent) and other holders accounted for \$63.8 million (13.7 percent) of the domestic portfolio (Figure 12).

Debt of State-Owned Enterprises

At the end of Q2 2021⁴, the total debt stock of SOEs was \$527.9 million (17.7 percent of GDP). This is inclusive of the debt obligations of Petro Caribe which is \$372.1 million (12.5 percent of GDP). All loans contracted by SOEs are long-term loans and the majority are denominated in XCD.

Debt Service

Debt service from January to September of 2021 amounted to \$177.0 million. It decreased from \$184.0 million in the same period in 2020 (3.8 percent). External debt service was \$84.0 million (5.4

⁴ Q2 2021 is the latest period for which SOE debt data is available

percent increase from 2020) while domestic debt service was \$93.0 million (10.8 percent decline from 2020).

Credit Rating

Since 2012 Standard & Poor's has lowered Grenada's foreign currency sovereign credit rating to "SD," or selective default, from "B-/B," and has also lowered its local currency sovereign credit ratings to "CCC+/C" from "B-/B." Grenada has not had another international credit rating since then and has not issued any new debt on the international capital market. Notwithstanding the shortfall in revenue created by the onset of the COVID-19 pandemic, the Government has continued to service its external and domestic debt obligations including the US & EC Bonds due 2030 and Treasury bills and bonds on the RGSM as they fall due. Existing external arrears (relatively small amounts) with three bilateral creditors (Libya, Algeria, Trinidad and Tobago) means that Grenada's overall debt rating remains "**in debt distress**". Negotiations were completed with Algeria and the Government is awaiting payment instructions from the Authorities whilst payments were made into an escrow account that was set up for Trinidad and Tobago.

Notwithstanding the "in debt distress" technical classification by the World Bank, which is solely because of the existing external arrears, debt sustainability remains well anchored. Over the medium term, public debt is projected to average 65.2 percent of GDP. The large contraction in output because of the COVID-19 shock and the related increases in health and social spending caused an uptick in the debt to GDP ratio in 2021. However, the subsequent recovery and projected medium term growth outlook is expected to reverse this rise. Additionally, the intended return to the core tenets of the FRL in 2023 will further put Grenada's debt on a firm downward trajectory. The principal risks to the debt dynamics arise from a more prolonged and protracted pandemic, natural disasters and climate related risks.

Medium-Term Debt Strategy

management objectives. Government's debt management, therefore, is the process of establishing and executing a strategy for managing public sector debt. Effective debt management ensures that the Government's funding needs are met at the lowest possible cost and with a prudent degree of risk. It takes into consideration any additional debt management goals such as developing and

maintaining an efficient market for Government securities. The MTDS 2022-2024 is expected to bring into effect these objectives.

Cost and Risk Indicators of the Existing Portfolio

Interest rate risk

The interest rate is subject to moderate risk with an Average Time to Re-Fixing (ATR) of 9.0 years of which 20.7 percent of the portfolio is subject to a change in interest rates in a 1-year period. This risk resides mainly in the domestic portfolio where 36.7 percent of the debt is subject to re-fixing in one year due to the number of short-term instruments (Treasury bills).

Refinancing Risk

The refinancing risk profile of the portfolio has an Average Time to Maturity (ATM) of 9.4 years, in line with Government's target of 8 years and above (Table 5). The current portfolio is moderately subjected to foreign exchange risk because most of the foreign currency debt is denominated in USD to which the EC dollar is pegged.

Table 5 Cost and Risk Indicators of Central Government's Debt Portfolio estimated at the end of 2021⁵

<i>Risk Indicators</i>		<i>External debt</i>	<i>Domestic debt</i>	<i>Total debt</i>
<i>Amount (in millions of XCD)</i>		1,496.0	560.1	2,056.1
<i>Amount (in millions of USD)</i>		554.1	207.5	761.5
<i>Debt as a % GDP</i>		50.2	18.8	69.0
<i>PV as a % of GDP</i>		38.9	18.8	57.7
<i>Cost of debt</i>	<i>Interest payment as a % GDP</i>	1.3	0.7	1.9
	<i>Weighted Av. IR (%)</i>	2.5	3.5	2.8
<i>Refinancing risk</i>	<i>ATM (years)</i>	10.8	5.7	9.4
	<i>Debt maturing in 1yr (% of total)</i>	6.9	36.7	15.0
	<i>Debt maturing in 1yr (% of</i>	3.5	6.9	10.4

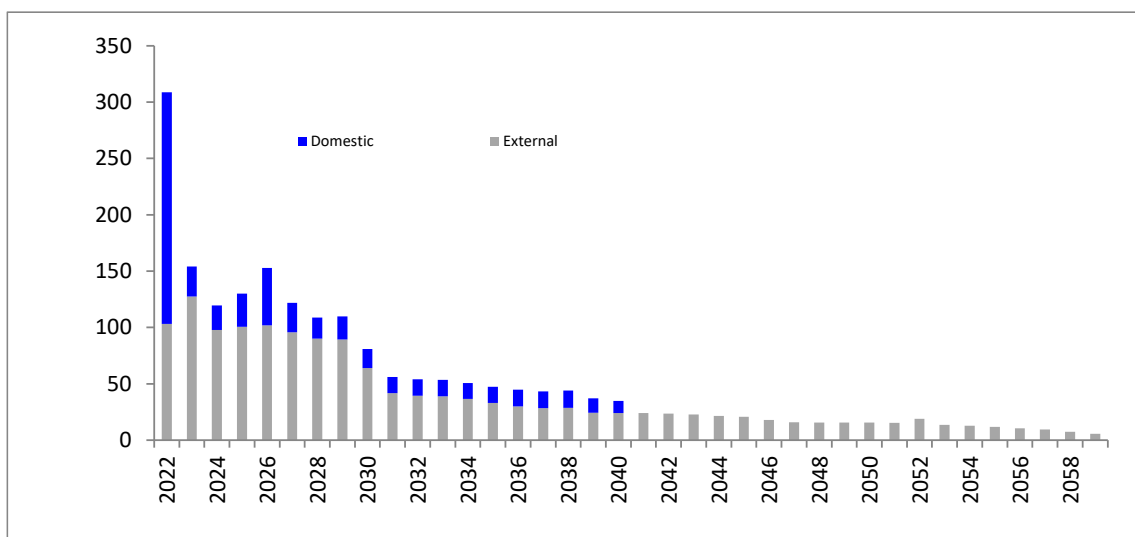
⁵ Adopted from Government of Grenada Medium-Term Debt Management Strategy 2022-2024.

	GDP)			
Interest rate risk	ATR (years)	10.2	5.7	9.0
	Debt refixing in 1yr (% of total)	14.8	36.7	20.7
	Fixed rate debt (% of total)	91.1	100.0	93.5
FX risk	FX debt (% of total debt)			72.8
	ST FX debt (% of reserves)			12.5

Source: Ministry of Finance

Redemption Profile

The redemption profile depicts how outstanding debt will be amortized and reflects the risks inherent in the structure of the existing debt portfolio. A high portion of domestic debt, namely Treasury bills, is due within one year for redemption which explains the spike in 2022 in Figure 13. Similarly, in 2026 the maturity of two 5-year bonds, represents the spike in that year. External debt has a relatively smooth redemption profile and a longer maturity period because the majority of external loans have been contracted on concessional terms predominantly from multilateral and bilateral creditors. **Figure 13 Grenada Redemption Profile as at end December 2021 (EC\$M)**



Source: Ministry of Finance

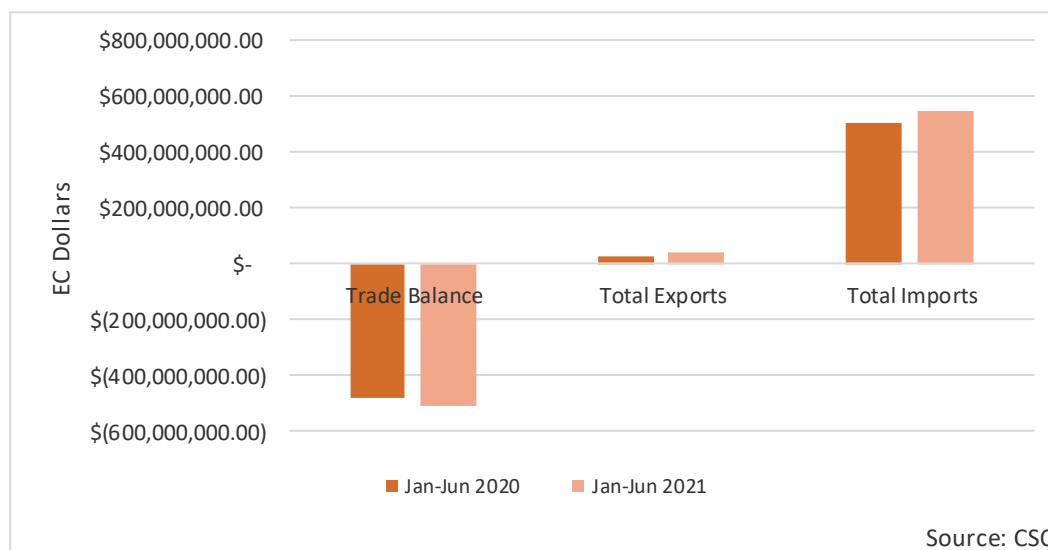
Selected Strategy

The selected strategy for 2022-2024 recommends that financing be obtained primarily from external multilateral creditors on concessional terms and the continued drawdown of committed undisbursed balances from existing creditors. It also suggests a continued presence on the domestic and regional markets. The strategy assumes that the financing gap over the medium term will be filled by assigning 52.0 percent of financing predominantly from multilateral creditors and a to a lesser extent bilateral partners. The remaining 48.0 percent will be apportioned to domestic financing mainly through RGSM reissuances. Different stress scenarios including interest and exchange rate shocks of moderate and extreme degrees were applied to the strategy during analysis. The most feasible strategy was chosen for financing Government's needs whilst adhering to the debt management targets and objectives as outlined in the Public Debt Management Act 2015.

9. EXTERNAL SECTOR

An analysis of the trade data for the first half of 2021 (the latest period for which data are available) depicts a slight worsening of the trade balance compared to the same period in 2020. The trade deficit increased by 5.8 percent, moving from -\$480.0 million at the end of the second quarter of 2020, to -\$507.9 million at the end of the second quarter of 2021 (Figure 20). This increase in the trade deficit was the result of the growth in total imports by 8.2 percent, from \$506.0 million (Jan-Jun 2020) to \$547.5 million (Jan-Jun 2021). Additionally, there was a substantial improvement in total exports (though the nominal values are small), which grew by 52.5 at the end of June 2021 compared to 2020.

Figure 14: Balance of Trade (est.)



An examination of the category of imports for the second half of 2021, reveals that the main contributors driving the increase in imports are Animal & Vegetable Oils, Fats & Waxes (42.9 percent), Crude Materials, inedible, except fuels (37.4 percent), and Miscellaneous Manufactured Articles (23.7 percent) (Table 5). Even with the rise in trade costs, it is expected that the importation of goods will continue to increase in the last quarter of 2021 especially as the Christmas season approaches.

Table 6: Domestic Imports (Est)

SITC SECTIONS	Jan-Jun 2020	Jan-Jun 2021	% Change
	EC\$ Millions	EC\$ Millions	
FOOD	\$ 111.23	\$ 105.55	-5.1
BEVERAGES & TOBACCO	\$ 15.32	\$ 12.56	-18.1
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	\$ 13.95	\$ 19.16	37.4
MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	\$ 81.70	\$ 86.89	6.4
ANIMALS & VEGETABLE OILS, FATS & WAXES	\$ 1.88	\$ 2.69	42.9
CHEMICALS & RELATED PRODUCTS, N.E.S	\$ 46.28	\$ 50.15	8.4
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	\$ 78.89	\$ 91.57	16.1
MACHINERY & TRANSPORT EQUIPMENT	\$ 102.27	\$ 111.63	9.2
MISCELLANEOUS MANUFACTURED ARTICLES	\$ 54.45	\$ 67.35	23.7
COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE	\$ 0.00	\$ 0.00	-64.7
TOTAL	\$ 505.98	\$ 547.55	8.2

Source: CSO

An evaluation of the category of exports shows that domestic exports increased by 65.5 percent and re-exports declined by 32.5 percent, leading to an overall expansion in total exports of 52.5

percent at the end of June 2021. The increase in total exports at the end of quarter two was driven by the 137.4 percent surge in exports of Machinery & Transport Equipment, 113.3 percent in Beverages & Tobacco, and 73.6 percent in Food items. The export of Miscellaneous Manufactured Articles declined by 57.6 percent and Chemicals & Related Products by 20.8 percent (Table 6).

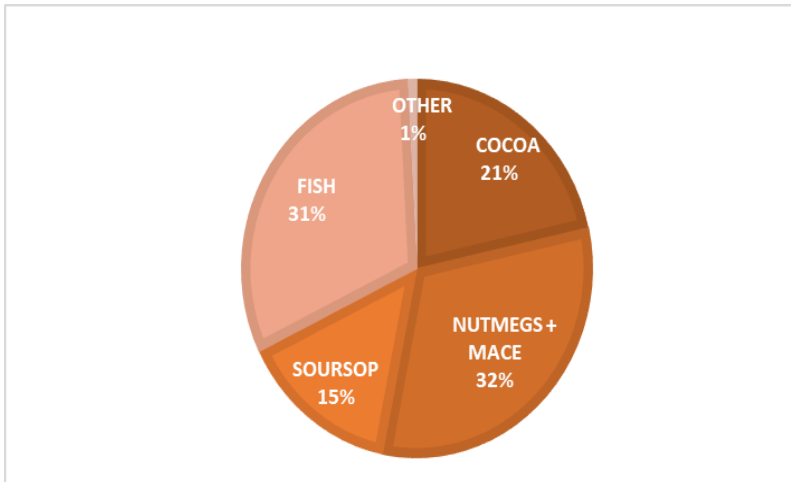
Table 7: Domestic Exports (Est)

SITC SECTIONS	Jan-Jun 2020	Jan-Jun 2021	% Change
	EC\$ Millions	EC\$ Millions	
FOOD	\$ 14.77	\$ 25.65	73.6
BEVERAGES & TOBACCO	\$ 2.88	\$ 6.14	113.3
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	\$ 0.15	\$ 0.15	1.4
MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	\$ -	\$ -	
ANIMALS & VEGETABLE OILS, FATS & WAXES	\$ -	\$ -	
CHEMICALS & RELATED PRODUCTS, N.E.S	\$ 1.59	\$ 1.26	-20.8
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	\$ 2.59	\$ 3.10	19.7
MACHINERY & TRANSPORT EQUIPMENT	\$ 0.40	\$ 0.94	137.4
MISCELLANEOUS MANUFACTURED ARTICLES	\$ 0.17	\$ 0.07	-57.6
COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE	\$ 0.00	\$ -	-100.0
TOTAL	\$ 22.54	\$ 37.31	65.5

Source: CSO

Agricultural exports rose by 76.3 percent at the end of quarter two 2021, in comparison to the same period in 2020, and represented 57.1 percent of total Domestic Exports. The increase in agricultural exports was underpinned by Soursop exports, which expanded by 181.3 percent, Nutmegs 127.4 percent, Cocoa 74.8 percent, and other 123.4 percent. The significant increases in the exportation of nutmegs, cocoa, and soursop, depict the growth in the agricultural sector as at the end of June 2021. The exportation of nutmegs and mace represented 32.0 percent of total agricultural exports, fish was 31.0 percent, cocoa was 21.0 percent and soursop was 15.0 percent (Figure 21). The soursop market continues to improve significantly as the demand for this product increases regionally and internationally.

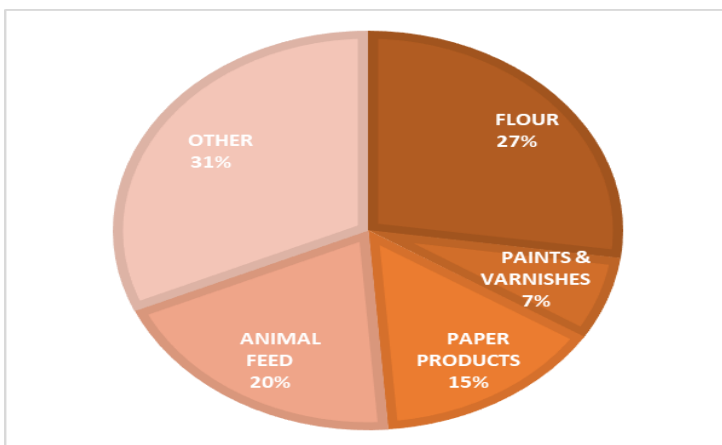
Figure 15: Percentage Share of Agricultural Exports (Jan-Jun 2021)



Source: CSO

Manufactured exports increased by 53.0 percent at the end of June 2021, compared to the end of June 2020, and represented 42.9 percent of total domestic exports for the period mentioned. The increase in manufactured exports was driven by the increases in the exportation of Flour by 27.2 percent, Animal Feed by 19.6 percent, Paper Products by 14.8 percent, and Other Products by 31.6 percent. Of the total manufactured exports recorded during the period, Flour represented 27.0 percent, Animal Feed 20.0 percent, and “Other” was 31.0 percent (Figure 16). The increase in the exports of manufactured goods showed improvement in the sector, which is expected to continue.

Figure 16: Percentage Share of Manufactured Exports (Jan-Jun 2021)



Source: CSO

10. MONETARY AND FINANCIAL SECTOR ANALYSIS

The monetary and financial system analysed through banks and non-bank financial institutions, continued to see improvements in its assets. Despite financial pressures due to the onset of the COVID-19 pandemic, deposits rose at a faster rate than loans, which further increased the already-high liquidity in the financial sector. Overall, the financial sector remained stable, with improvements in domestic credit over the period and non-performing loans remaining below the prudential benchmark.

Overview of the Monetary and Financial Sectors

The monetary and financial

sector showed slight improvements at the end of the third quarter of 2021, compared to the same period in 2020. This was illustrated by the 5.7 percent overall growth of the monetary base.

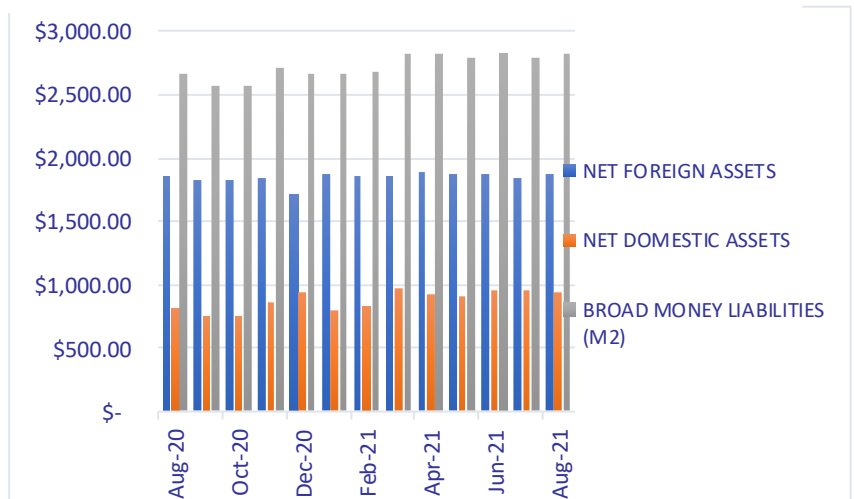
In like manner, there were recorded advances in the uses of

finances (Assets). Net Domestic Assets (NDA) grew by 16.4 percent due to increases in domestic credit, mainly in Private Sector credit, and to a lesser extent, Public Sector credit.

Net Foreign Assets (NFA) increased slightly by 1.1 percent, attributed to increased foreign assets held at the Eastern Caribbean Central Bank (ECCB) (imputed reserves) and reductions in other depository corporations (Commercial Banks) (Figure 17).

Supporting these activities were the sources of financing (Liabilities), the stock of Broad Money (M2). Monetary Liabilities have been chiefly driven by improvements in narrow money (M1) of 14.7 percent, foreign currency deposits and other deposits in national currency. Banks continue to be very liquid, with a ratio of total non-interbank loans/total non-interbank deposits of 51.7 percent. Notwithstanding the high liquidity levels, there was a slight decline in liquidity of 1.0 percent over

Figure 1: Monetary Survey Analysis of Money Aggregates



Source: ECCB

the period September 2020 to September 2021. Overall, the stock of money continued to grow at a rate greater than NDA and NFA, which duly indicated the level of liquidity in the sector and the stability of the financial system.

Detailed Analysis of Monetary Survey

Assets

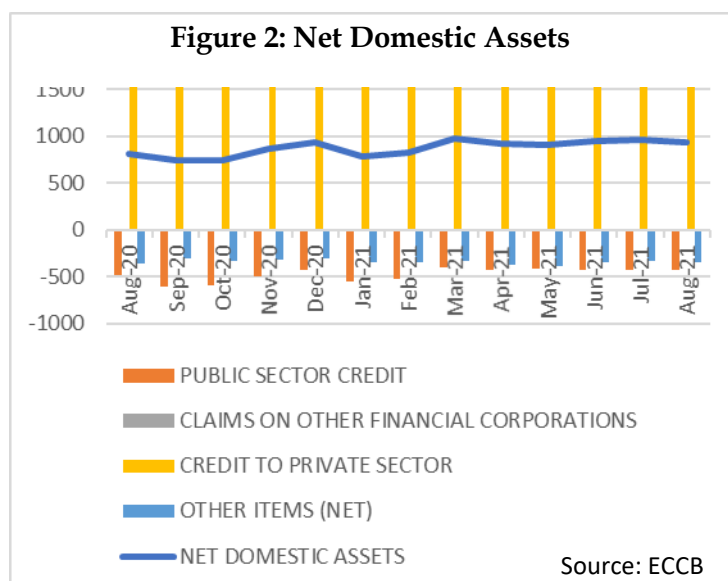
Net Foreign Assets (NFA)

At the end of August 2021, the NFA position stood at \$1,877.9 million. This increase of \$19.6 million was primarily driven by an expansion in the ECCB's (imputed reserve) of \$77.7 million; however, there was a decline in Other Depository Corporations (Commercial Banks) of \$58.2 million.

Net Domestic Assets (NDA)

Despite the dampening effects of the COVID-19 pandemic, NDA at the end of August 2021 showed growth, recording a \$132.6 million improvement compared to August 2020 (Figure 18).

Improvements in Public Sector credit of \$51.2 million, accounted for 38.5 percent improvements in NDA. While Private Sector credit experienced marginal improvements, that is, by 3.7 percent, a large portion of the changes observed with NDA is explained by the nominal value of credit to the Private Sector \$60 million, which is indicative of the degree of economic activities in the Private Sector. This was driven by a 4.8 percent uptick in commercial loans mostly in the construction and land development sector, and in Transport and Storage over the period. Additional sectors that experienced notable improvements include Human Health and Social Work Activities, Manufacturing, Water Supply or Sewerage and Waste Management, Information and Communication, Education (including student loans), Other Service Activities and Private Household credit specifically: Medical, Private travel and Personal vehicle.



Liabilities

Monetary Liabilities improved by 5.7 percent at the end of August 2021 compared to the same period in 2020. Quasi Money, which includes Other Deposits in National Currency and Foreign Currency Deposits account for most of the stock of Monetary Liabilities. Over the observation period August 2020 to August 2021, Quasi Money registered slight improvements of

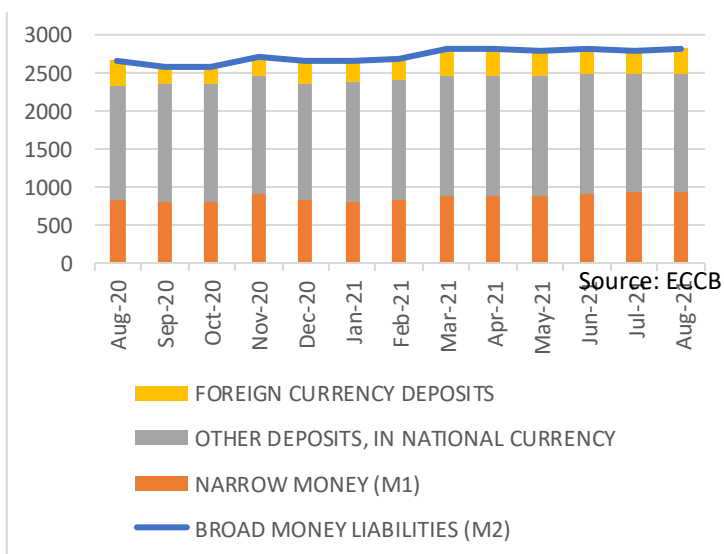
approximately 1.7 percent (\$31.4 million). This was chiefly driven by an increase in Other Deposits in National Currency of \$44.4 million- this growth was influenced most significantly by improvements in Public Non-financial Corporations (\$37.5 million) and deposits from the Private Sector (\$7.5 million). These improvements however were netted against the recorded declines in Foreign Currency Deposits of \$13.1 million, which resulted in the stock of Quasi Money to stand at \$1,877 million at the end of August 2021.

Although quasi money accounts for the largest share of the money stock, the observed growth in Monetary Liabilities is owed primarily to the increases in the Money Supply (M1) equivalent to \$120.8 million (14.9 percent improvement). Transferable deposits which included Public Non-Financial Corporations Demand Deposits, and Private Sector Demand Deposits and EC Cheques and Drafts issued, accounted for a significant share of this growth in M1 (\$65.4 and \$50.3 million respectively)- while currency held with the public accounted for a smaller portion (\$11.1 million) (Figure 19).

11. UNEMPLOYMENT

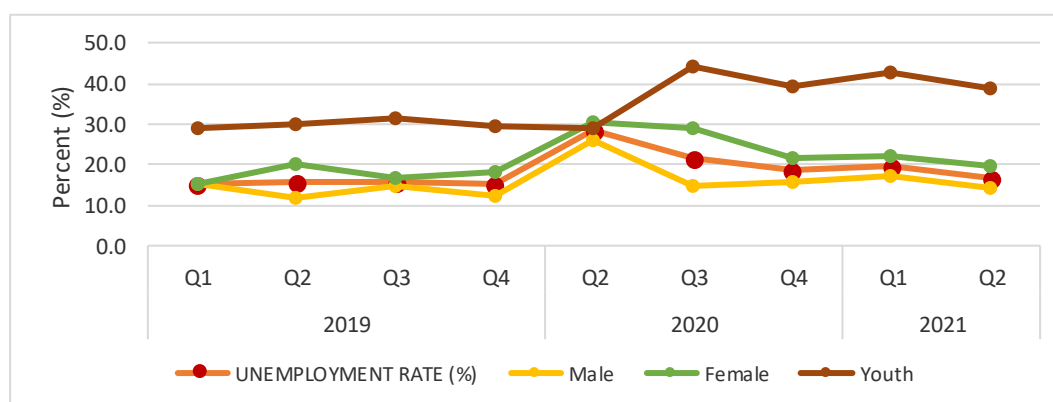
Unemployment was on a downward trajectory for two consecutive quarters since the spike in quarter two 2020, reaching 18.5 percent in quarter four of 2020. It increased marginally to 19.5

Figure 3: Disaggregation of Monetary Liabilities



percent in the first quarter of 2021 then reduced to 16.6 percent in the second quarter. The unemployment rate remains higher for women than for men, though the rates for both sexes were falling pre-COVID-19. Similarly, though still high, youth unemployment had been on a downtrend pre-COVID-19 (Figure 20). The spike in youth unemployment in the first quarter of 2021 is partly attributed to an increase in youth participation in the labour force after completion of studies. It has since been on a downward trajectory in the second quarter.

Figure 20: Unemployment Rate



Source: CSO

12. PROSPECTS FOR 2022-2024

The pace of Grenada’s economic recovery is largely hinged on global recovery and the rate at which these positive impacts filter through the local economy. Most notably, improved economic conditions in the United States should positively influence trade of both goods and services as the United States is one of Grenada’s main trading partners. The resumption of face-to-face classes at the SGU is a welcomed development that would not only impact private education but spill over into other sectors such as real estate activities, construction, agriculture, and wholesale & retail trade.

Activity in the tourism sector is also projected to pick up over the medium term with vaccination rollouts, especially in advanced economies. However, the low rate of vaccination locally could further delay recovery. Although vaccine access has been cited as a reason for the low rate of vaccination in developing countries, this has not been an issue in Grenada. By contrast, vaccine hesitancy, or in some cases, vaccine resistance among certain sectors of the population, has slowed


the rate of vaccination, with some expressing concerns about the safety of the available vaccines. More public education programmes that are better targeted at the root causes of hesitancy may be more effective in accelerating vaccine take up.

Moreover, the rising cost of food and fuel globally are significantly impacting local consumption and business activity and could ultimately affect investment decisions. The increased cost of living has the potential to negatively impact all sectors, especially the wholesale and retail trade, tourism, construction (more so residential construction), and real estate sectors, which are key in achieving the average 4.3 percent growth projected for the medium term. Notwithstanding, measures implemented by the Government, including a second economic support programme and improved implementation of the PSIP should further stimulate the economy and increase investor confidence. Public sector projects continue, including schools' construction/upgrades, low-income housing projects in several parishes, as well as road, drain, and bridge construction and repairs. Major private sector projects are also ongoing, including the Six Senses Resort and the Beach House by Silver Sands.

Inflation is expected to strengthen over the medium term with forecasted increases in Grenada's top imports, namely food and fuel, as international price increases penetrate the local economy. Additionally, trade disruptions and demand and supply mismatches could impact the cost of trade over the medium term and further influence prices. Inflation is projected to average 2.8 percent for the period 2022-2024, well above the 0.7 percent over the period 2018-2021.

Fiscal performance is projected to further improve in the short-to-medium term though not at pre-COVID-19 levels. The Primary balance and Overall balance are projected to average 3.1 percent and 1.3 percent of projected GDP respectively over the medium term.

Table 8: Medium-Term Projections

	2022	2023	2024
Real GDP (%)	4.5	4.4	4.0
Nominal GDP (EC\$M)	3,185.7	3,380.6	3,551.7
Total Revenue (% of GDP)	22.7	22.7	22.9
Total Expenditure (% of GDP)	31.3	26.3	21.8
Overall Fiscal Balance (after grants) (% of GDP)	-3.1	1.7	5.3
Primary Balance (after grants) (% of GDP)	-1.1	3.5	6.9
Public Debt (% of GDP)	67.0	65.2	63.5

Source: Ministry of Finance

12.1 Risks to Outlook

A mix of upside and downside risks remain to the Outlook, but they are more tilted to the downside. On the upside, further improvements in the fiscal position through enhanced revenue mobilisation can boost public investment and spur job creation and growth. Downside risks relate primarily to the COVID-19 pandemic and its prolonged socioeconomic effects. The fast-spreading Delta and threats of new variants have heightened uncertainty about when the pandemic can be defeated. A protracted health crisis can adversely affect tourist arrivals, remittances, and foreign direct investment. The recovery path also depends on the pace of vaccination and a rebound of economic activities in the private and public sectors. Vaccine hesitancy and vaccine resistance remain hurdles to a return to normalisation and a premature relaxation or removal of protocols can trigger additional domestic outbreaks and waves of the COVID-19. Meanwhile, rising international oil and food prices are significant risks to the outlook through inflationary pressures. Grenada's high vulnerability to natural disasters is an inherent risk and its susceptibility to the adverse effects of climate change can retard agricultural production as well as tourism activity.

13. SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES

The Treasury bills and bonds will be issued on the Regional Government Securities Market using the Eastern Caribbean Securities Exchange trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a competitive uniform price auction with open bidding. The ECSE and its subsidiaries are responsible for processing, clearance and settlement of securities and providing the intermediaries with access to their settlement projections report, which indicates the obligations of the intermediary. Intermediaries are responsible for interfacing with prospective creditors, collecting applications for subscription and processing bids on the ECSE platform. A list of licensed intermediaries is provided in Appendix I.

Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the intermediaries. As an issuer on the RGSM, the Government of

Grenada will be subject to the rules and procedures established by the Regional Debt Coordinating Committee for the operation of the market including ongoing reporting and disclosure requirements.

14. CURRENT ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL GOVERNMENT SECURITIES MARKET

RGSM TREASURY BILLS AND BONDS

Issues Outstanding	EC\$ 60.0M
Type of Issue	Government of Grenada Treasury Bills and Bonds
Maturity in Days	91 and 365 Days
Maturity in Years	2 Years
Date of Issues	February 2020 to October 2021
Yields	Max 5.5 percent
Discount Price	EC\$94.50

Treasury Bills and bonds outstanding as of October 31st, 2021 are listed in Table 11.

Table 9: Outstanding Treasury Bills listed on RGSM as of October 31st, 2021

Auction Name	Issue Date	Maturity Date	Tenor	Value of Bids (EC\$M)	Issue Amount (EC\$M)	Amount Accepted (EC\$M)	Yield (%)	Total Bids	Successful Bids
GDN110222	11-Feb-20	11-Feb-22	2 Years	20.61	10.00	10.00	3.85	23	9
GDB300722	30-Jul-21	30-Jul-22	365 Days	45.92	25.00	25.00	3.00	19	13
GDB110122	12-Oct-21	11-Jan-22	91 Days	21.78	15.00	15.00	2.25	11	10
GDB221022	22-Oct-21	22-Oct-22	365 Days	18.41	10.00	10.00	4.50	13	12

Source: Ministry of Finance

Secondary Market Activities on the RGSM

Table 10: Value of Trades on the secondary market (ECSE platform only) in EC\$ millions 2017-2021⁶

Country	2017	2018	2019	2020	2021	Total
Antigua & Barbuda	3.4	1.1	9.5	3.5	0.5	17.9
Commonwealth of Dominica	0.0	1.2	0.0	0.0	0.0	1.2
Grenada	0.0	0.0	0.0	0.0	0.0	0.0
St. Kitts & Nevis	1.8	0.0	0.0	0.0	0.0	1.8
St. Lucia	17.3	17.8	9.8	25.4	2.9	73.2
St. Vincent & the Grenadines	0.0	9.1	2.2	0.0	2.0	13.2
Grand Total	22.5	29.2	21.4	28.9	5.4	107.4

Source: ECSE, ECCB

**15. UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET
2022**

SYMBOL	AUCTION DATES	ISSUE/SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC\$M	TENOR	INTEREST RATE CEILING %
GDB140422	12-Jan-22	13-Jan-22	14-Apr-22	15	91 Days	3.5%
GDN150224	14-Feb-22	15-Feb-22	15-Feb-24	10	2 Years	5.5%
GDB180722	15-Apr-22	18-Apr-22	18-Jul-22	15	91 Days	3.5%
GDB191022	19-Jul-22	20-Jul-22	19-Oct-22	15	91 Days	3.5%
GDB040823	03-Aug-22	04-Aug-22	04-Aug-23	25	365 Days	5.0%
GDB200123	20-Oct-22	21-Oct-22	20-Jan-23	15	91 Days	3.5%
GDB251023	24-Oct-22	25-Oct-22	25-Oct-23	10	365 Days	5.0%
GDB131223	12-Dec-22	13-Dec-22	13-Dec-23	10	365 Days	5.0%

**All ISSUES ON THE MARKET ARE IN EC DOLLARS
SUBJECT TO REVISION BASED ON FINANCING METHOD EMPLOYED**

⁶ Data for 2021 are for the period January to November 15th only

APPENDICES

APPENDIX I: LIST OF LICENSED ECSE MEMBER BROKER DEALERS

Territory	Institution	Name of Licensee	Type of License
GRENADA	Grenada Co-operative Bank Ltd.	Allana Joseph	Principal
		Aaron Logie	Principal
		Kishel Francis	Representative
		Laurian Modeste	Representative
ST KITTS AND NEVIS	St. Kitts-Nevis-Anguilla National Bank Ltd	Anthony Galloway	Principal
		Angelica Lewis	Representative
		Marlene Nisbett	Representative
		Petronella Crooke	Principal
	The Bank of Nevis Ltd.	Monique Williams	Principal
		Judy Claxton	Principal
		Denicia Small	Representative
	Nikesia Pemberton	Representative	
SAINT LUCIA	Bank of St Lucia Ltd.	Medford Francis	Principal
		Lawrence Jean	Principal
		Cedric George Charles	Principal
		Deesha Lewis	Representative
		Shaiiede Kallicharran	Representative
		Mervin Simeon	Representative
	First Citizens Investment Services Ltd.	Margaret Cox	Principal
		Omar Burch-Smith	Principal
		Norlan Gabriel	Principal
		Gale Ann Stacy Cumberbatch	Representative
		Gavery David	Representative
	Greg Ferreira	Representative	
SAINT VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd.	Laurent Hadley	Principal
		Monifa Latham	Principal
		Chez Quow	Representative
		Tabisha La Fleur Joseph	Representative
		Delroy Myers	Representative
		Patricia John	Representative

APPENDIX II: SELECTED MACROECONOMIC INDICATORS 2016-2021(e)

	2016	2017	2018	2019	2020	2021 (e)
Real Sector						
	<i>(Annual Percentage Change Unless Otherwise Indicated)</i>					
Real GDP Growth	3.7	4.4	4.4	0.7	-13.8	4.8
Inflation (period average, %)	1.7	0.9	0.8	0.6	-0.7	2.2
Unemployment Rate (%)	28.2	23.6	18.5	15.1	18.5	16.6
Nutmeg Production (million lbs)	1.1	1.3	1.2	1.1	1.4	0.6
MNIB Purchases of other crops (million lbs)	3.0	2.3	2.3	2.0	1.7	0.9
Imports of Building Material (EC\$ million)	112.1	145.1	164.8	161.1	126.6	76.6
Sales of Building Material (EC\$ million)	46.7	48.5	47.8	49.0	28.1	28.4
Agriculture, Livestock and Forestry	-13.9	-19.5	3.0	-3.6	-15.0	12.5
Construction	13.1	29.1	12.6	-3.6	-20.5	22.8
Hotels and Restaurants	10.7	5.0	9.9	4.1	-68.2	-2.6
SGU Enrollment (no. of students)	7457	7572	7900	8256	8617	8792
Stay Over Arrivals (no. of persons)	135372	146384	160973	162903	43815	10027
Cruise Ship Visitor Arrivals (no. of persons)	314913	299449	342826	337940	162517	0
Fiscal Account						
	<i>(As a Percentage of GDP)</i>					
Total Revenue & Grants	26.2	25.6	27.0	26.6	28.1	30.8
Tax Revenue	20.9	21.4	22.4	21.9	22.1	20.3
Non-tax Revenue	1.8	1.6	1.6	1.8	2.4	2.9
Grants	3.5	2.6	3.0	2.9	3.7	7.6
Total Expenditure	23.9	22.6	22.1	21.6	32.7	26.8
Current Expenditure	19.7	19.9	19.3	19.0	23.1	18.0
Capital Expenditure	4.2	2.7	2.8	2.6	9.6	8.9
Primary Balance (including grants)	5.2	5.7	6.9	6.8	-2.6	4.4
Overall Balance (including grants)	2.3	3.0	4.9	5.0	-4.5	3.9
2021 Real Sector data as at end June and Fiscal Account data preliminary estimate as at end September						
Public Sector Debt (% of GDP)	79.0	68.9	63.9	57.7	70.6	69.0
Principal Repayments (EC\$ million)	294.4	292.2	244.3	224.6	217.2	222.8
Interest Payments (EC\$ million)	82.3	75.3	63.2	60.6	55.9	54.5
External Account						
	<i>(As a percentage of GDP)</i>					
Current Account Balance	-11.0	-14.4	-15.5	-16.6	-16.8	-14.0
Exports of Goods & Services	49.4	51.4	53.3	51.6	41.1	43.7
Imports	49.9	54.7	58.7	59.0	52.1	52.6
Foreign Direct Investment (percent of GDP)	-8.8	-13.5	-14.0	-16.2	-14.0	-6.6
Money and Banking						
	<i>In EC\$ Millions</i>					
Net Foreign Assets (EC\$ million)	975.3	1053.7	1315.2	1400.4	1720.7	n.a
Domestic Credit (EC\$ million)	1396.0	1405.4	1351.4	1326.2	1243.9	n.a
o/w Households (EC\$ million)	1054.6	1038.0	1055.9	1040.0	1050.1	n.a
Firms (EC\$ million)	485.3	514.1	539.2	583.4	623.2	n.a
Non-Bank Institutions (EC\$ million)	8.7	6.4	6.9	0.7	1.2	n.a
Other Public Sector (net, EC\$ million)	-93.8	-32.6	-49.3	-75.3	-211.0	n.a
General Government (EC\$ million)	-58.8	-120.6	-201.3	-222.6	-219.6	n.a
Currency with the public (EC\$ million)	135.7	151.4	143.9	138.6	160.8	n.a
Weighted Average Interest Rate						
Total Deposits Rate (%)	1.4	1.3	1.3	1.2	1.1	n.a
Lending Rate (%)	8.4	8.0	7.6	7.2	6.4	n.a
Memo Item						
Nominal GDP (EC\$ million)	2866.4	3039.4	3149.6	3276.4	2817.2	2978.8
2019 and 2020 External Account figures are preliminary whilst 2021 is projected						
<i>Sources and notes: Ministry of Finance, CSO, ECCB</i>						

(e) – Estimate n.a – Not Available

APPENDIX III: OUTSTANDING DEBT 2017 -2021(e)

	2017	2018	2019	2020	2021(e)
	<i>In EC\$M unless stated otherwise</i>				
Total Public Debt					
External Debt (incl. Gov't Guarantees)	1437.3	1418.0	1410.9	1531.3	1496.0
Domestic Debt (incl. Gov't Guarantees)	632.0	560.0	477.9	457.1	560.1
Total Public Debt to GDP (%)					
External Debt to GDP	47.3	44.9	43.1	54.4	50.2
Domestic Debt o GDP	20.8	17.7	14.6	16.2	18.8
Central Government Debt					
External Debt	1401.3	1417.8	1410.9	1531.3	1496.0
Domestic Debt	595.9	560.0	477.9	457.1	560.1
Central Government Debt to GDP (%)					
External Debt	46.1	44.9	43.1	54.4	50.2
Domestic Debt	19.6	17.7	14.6	16.2	18.8
Total Debt Service	381.7	327.1	285.2	272.3	277.3
External	149.7	175.7	133.7	121.6	127.5
Domestic	231.9	151.4	151.5	150.7	149.8
Memo Item: Nominal GDP (EC\$M)	3039.4	3155.5	3271.4	2817.2	2978.8

Source: Eastern Caribbean Central Bank & Ministry of Finance

APPENDIX IV: REAL GDP GROWTH RATES AND MEDIUM TERM PROJECTIONS

	Rev	Prelim	Proj	Forward Estimates		
	2019	2020	2021	2022	2023	2024
Agriculture, Livestock and Forestry	-3.6	-15.0	12.5	8.4	5.7	4.2
Fishing	2.0	-13.0	3.9	3.8	4.2	4.7
Mining & Quarrying	5.0	-8.0	7.4	6.9	5.8	5.0
Manufacturing	3.2	-10.2	9.7	8.0	6.7	6.5
Electricity & Water	3.2	-6.4	2.1	3.8	2.8	2.3
Construction	-3.6	-20.5	22.8	12.0	9.6	7.1
Wholesale & Retail Trade	1.8	-15.4	4.4	6.6	5.5	5.6
Hotels & Restaurants	4.1	-68.2	-2.6	40.6	9.8	4.5
Transport and Storage	4.2	-33.1	-5.2	21.1	12.0	9.1
Communications	-7.9	-6.3	0.2	0.6	1.0	1.0
Financial Intermediation Real Estate, Renting and Business Activities	2.9	4.3	3.5	2.0	1.5	4.2
Public Administration	1.5	-7.0	2.2	1.8	1.6	1.5
Education	-0.8	-2.0	4.1	2.8	2.0	1.9
Health and Social Work Other Community, Social & Personal Services	4.2	-0.3	2.3	2.8	2.3	1.9
Activities of Private Households as Employers	-3.8	-1.7	3.8	3.6	2.2	2.9
Real Gross Value added (not GDP)	1.6	-11.4	-0.2	0.7	1.5	2.4
Real Gross Domestic Product	0.7	-13.8	4.8	4.5	4.4	4.0
Other key indicators						
Nominal GDP (EC\$ Millions)	3276.4	2817.2	2978.8	3185.7	3380.6	3551.7
Inflation (measured by CPI)	0.6	-0.7	2.2	3.7	2.1	2.7

*Percent growth unless indicated

Source: Ministry of Finance, ECCB