



GOVERNMENT OF GRENADA

PROSPECTUS

FOR GOVERNMENT SECURITIES

FOR THE PERIOD
JANUARY 2023 – DECEMBER 2023

DATE OF PROSPECTUS: JANUARY 2023



EC\$60 MILLION
91-DAY TREASURY
BILLS



EC\$45 MILLION
365-DAY TREASURY
BILLS

MINISTRY OF FINANCE, FINANCIAL COMPLEX, CARENAGE ST. GEORGE'S
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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 June 2022 and the National Democratic Congress (NDC) contested and won 9 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 rank out of 189 countries (2018)</i>	<i>78</i>
<i>Life expectancy at birth in years (2020)</i>	<i>72.4</i>
<i>Share of seats in Parliament (% held by women) (2022)</i>	<i>30 percent</i>
<i>Gross National Income per capita (2011 PPP\$) (2017)</i>	<i>14,465.2</i>
<i>Population rate of growth (percent) (2021)</i>	<i>0.44 percent</i>
<i>Infant mortality per 1,000 live births (2020)</i>	<i>14.5</i>
<i>Labour force participation rate (2nd Quarter 2020)</i>	<i>60.9 percent</i>

Source: World Bank (WDI 2021) and Ministry of Finance

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 Government 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 2023 to December 2023. 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 2023 to December 2023, 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 Treasury notes currently on the market as follows:

91-Day Treasury bills

- Fifteen million (EC\$15.0M) in 91-day Treasury bills on January 25, 2023.
- Fifteen million (EC\$15.0M) in 91-day Treasury bills on April 28, 2023.
- Fifteen million (EC\$15.0M) in 91-day Treasury bills on August 1, 2023.
- Fifteen million (EC\$15.0M) in 91-day Treasury bills on November 2, 2023.

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

365-Day Treasury Bills

- Twenty-five million (EC\$25.0M) in 365-day Treasury bills on August 08, 2023.
- Ten million (EC\$10.0M) in 365-day Treasury bills on October 26, 2023.
- Ten million (EC\$10.0M) in 365-day Treasury bills on December 14, 2023.

The maximum coupon rate of the new Treasury bills is 5.0 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 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.

All Government of Grenada Treasury bills will be opened for bidding at 9:00 a.m. and close at 12:00 noon on the respective auction dates.

A competitive uniform price auction will be used.

2. INFORMATION ABOUT THE 2023 SECURITY ISSUANCE

Table 2: Security Details

SYMBOL	AUCTION DATES	ISSUE/SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC\$M	TENOR	INTEREST RATE CEILING %
GDB270423	25-Jan-23	26-Jan-23	27-Apr-23	15	91 Days	3.5%
GDB010823	28-Apr-23	02-May-23	01-Aug-23	15	91 Days	3.5%
GDB021123	02-Aug-23	03-Aug-23	02-Nov-23	15	91 Days	3.5%
GDB080824	08-Aug-23	09-Aug-23	08-Aug-24	25	365 Days	5.0%
GDB261024	26-Oct-23	27-Oct-23	26-Oct-24	10	365 Days	5.0%
GDB050224	03-Nov-23	06-Nov-23	05-Feb-24	15	91Days	3.5%
GDB141224	14-Dec-23	15-Dec-23	14-Dec-24	10	365 Days	5.0%

ALL ISSUES ON THE MARKET ARE IN EC DOLLARS

SUBJECT TO REVISION BASED ON THE FINANCING METHOD EMPLOYED

3. GENERAL INFORMATION

Issuer:	Government of Grenada
Address:	Ministry of Finance Financial Complex Carenage St. George's Grenada
Email:	financegrenada@financegrenada.com
Telephone No.:	473-440-2731 / 440-2928
Facsimile No.:	473-440-4115
Contact Persons:	Honorable Dickon Mitchell, Minister for Finance finance@gov.gd Mr. Mike Sylvester, Permanent Secretary psfinancegrenada@gmail.com Chevanne Britton, Deputy Permanent Secretary Ag. dps@mof.gov.gd Mrs. Shirlyn Decoteau Sayers, Accountant General shirlyn.decoteau@gov.gd Mr. Kerry Pierre, Head Debt Management Unit kerrypierre@dmu.gov.gd
Date of Issue:	January 2023 – December 2023
Type of Security:	Treasury bills
Amount of Issue:	EC\$105 million
Purpose Security Issue:	The Treasury bills are being issued as part of the Government's Debt Management Strategy to lower the cost of the 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 Government 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:	\$95 (5 percent).
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 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 (ECSE). <ul style="list-style-type: none"> • 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

Grenada's economy continues to recover from the acute 13.8 percent decline in GDP experienced in 2020 because of the COVID-19 pandemic. Real output expanded by 4.7 percent in 2021 driven by recoveries in the tourism, construction, agriculture, and fishing sectors. This recovery persisted in 2022 and real GDP growth is expected to be 6.0 percent at the end of 2022, on account of vibrant economic activity, especially in the construction, tourism, and wholesale and retail trade sectors. Grenada's inflation continues to climb on account of fuel and food price shocks in the international market. As the economy expands, unemployment is forecasted to reduce further but remains stubbornly high. The financial sector remained solid and well capitalised and is performing well with increases in deposits and loans. Public finances continue to bolster in 2022 with an expanded primary surplus. Public debt is on the decline moving from 70.6 percent of GDP in 2021 to 63.9 percent at the end of September 2022 with further declines forecasted over the medium term. The outlook over the medium term remains positive with growth averaging 4.1 percent during the period 2023-2025 despite considerable downside risks.

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 which sets the public debt target at 55% of GDP.

The 2015 Public Debt Management Act which was enacted in August 2016 outlines in some detail the functions and deliverables of the Debt Management Unit (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 Medium-Term Debt Strategy, 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 Fiscal Responsibility Legislation (FRL) 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 Government 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 Financial Responsibility Legislation, 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, and 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

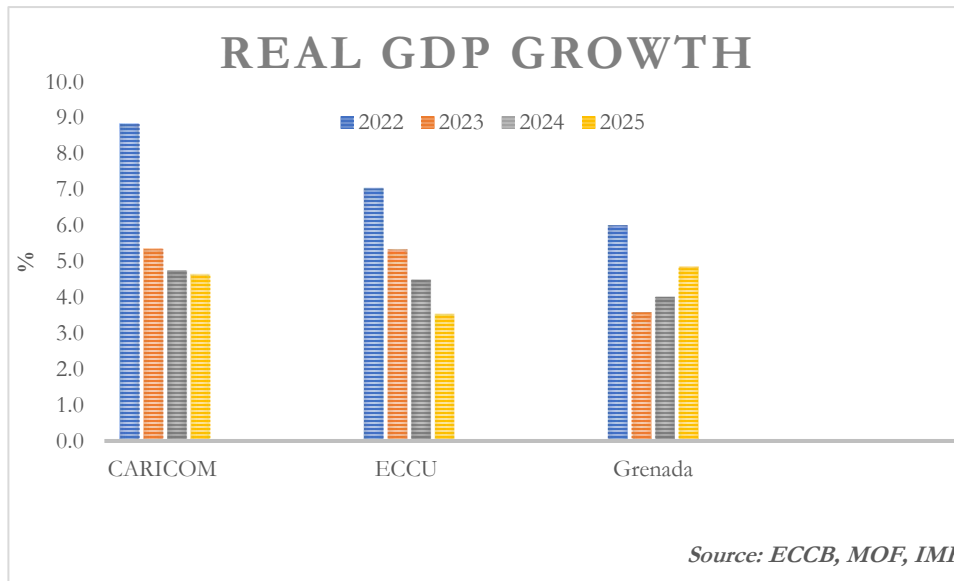
Appendix II is a six-year (2017-2022) trend analysis of selected macroeconomic indicators.

6.1 Regional Developments

The Member States of the Eastern Caribbean Currency Union (ECCU) and the CARICOM region are gradually recovering from the economic downturn brought on by the COVID-19 pandemic. In 2021, the regional block recovered from the acute decline recorded in 2020, and growth continues in 2022. Average growth of 8.8 percent is estimated for the CARICOM region, driven mainly by the 57.8 percent growth in Guyana. Guyana continues to perform exceptionally well and is one of the fastest-growing economies in the world. Growth in Guyana will persist over the medium term, averaging 24.9 percent. The average growth of the ECCU economies is estimated at 7.0 percent in 2022. Anguilla, St. Kitts and Nevis, and Saint Lucia are the top 3 performers and contributors of this positive outturn, reflecting growth rates of 10.7, 9.1, and 9.8 percent respectively.

Growth over the medium term is forecasted to decelerate within the region. Average medium-term growth rates of 4.9 and 4.4 percent for both groups are forecasted. Grenada's medium-term growth is projected to be on par with regional peers (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 recovered considerably well thus far in 2022, compared to 2021; however, the improvement in economic performance was still below pre-COVID-19 levels. Data for the first half and estimates for the last half of 2022 indicate that overall growth in 2022 will be 6.0 percent. Nevertheless, challenges affecting the global economy continue to spill over into Grenada, impacting various sectors. The Russian-Ukraine war poses further risk to the economy. Supply Chain disruptions, high freight costs, increased costs of raw materials, and the elevated cost of food, pose serious threats to growth.

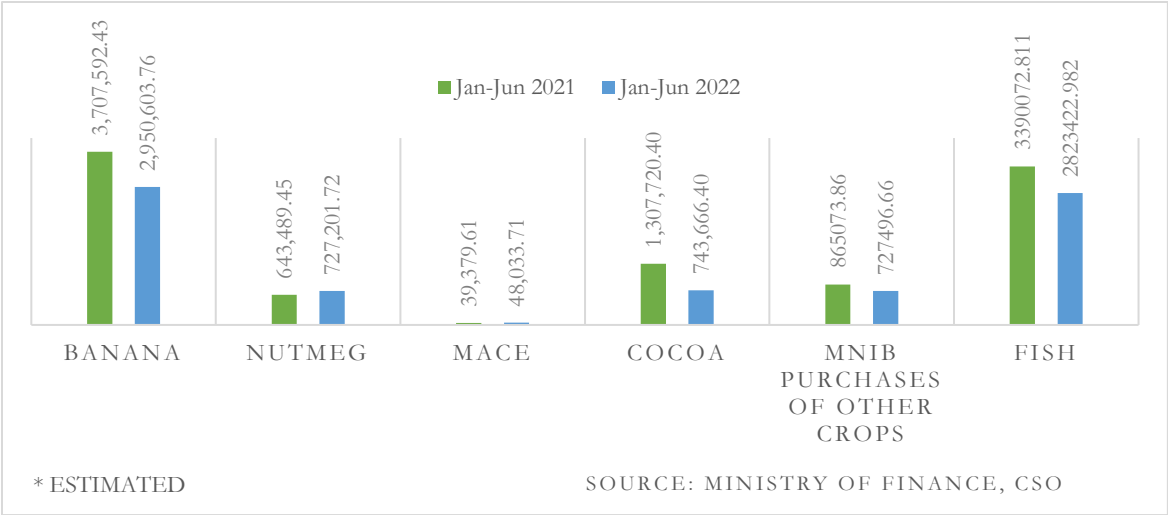
The fiscal measures implemented by the Government had a positive effect on businesses and improved business operations (based on the views of business owners who participated in the Ministry of Finance's sectoral consultations in May 2022 and further engagements that took place in October 2022); however, more assistance is needed to help cushion the inflationary pressures being

experienced. Despite these challenges, the 2022 outlook is positive as many sectors are expecting growth. The increased activity within the construction sector is expected to have broad-based positive spin-offs, impacting the finance sector, manufacturing, wholesale and retail trade, and other sectors. The performance of the tourism sector improved in 2022 as COVID-19 protocols were being relaxed globally and people started to travel again. However, pre-COVID-19 performance was not reached in 2022 on a nominal basis.

Agriculture & Fishing

Preliminary data for the first half of 2022 shows a decline in the production of all crops apart from nutmeg and mace when compared to the previous period in 2021 (Figure 2). Crop production was affected by heavy rainfall, which resulted in shortages of many vegetable crops such as lettuce, cabbages, and tomatoes. The trend in growth continued in the second half of 2022 given the heavy rains. However, an improvement in the agriculture sector is anticipated in 2023. Government plans to put more focus on aiding agriculture farmers through the provision of fertilizers, feed, and equipment. In addition, Government aims to streamline the Marketing and National Importing Board (MNIB) by emphasizing consolidation for export and local distribution.

Figure 2: Production in Agriculture and Fishing



Source: Ministry of Finance

Nutmeg and Mace

The production of nutmeg and mace increased in the first half of 2022 over 2021, by 13.0 and 22.0 percent respectively. However, several challenges hinder farmers' ability to expand production. Poor road infrastructure is the major issue that seriously affects production levels and deters farmers from accessing nutmeg farms. The production of nutmeg and mace could further improve in 2023 if these issues are rectified as the Government continues to implement farm road projects. There is a positive demand for these crops in markets such as India, Argentina, and Dubai; however, the limited supply prevents farmers from effectively meeting this demand.

Cocoa

A significant decline in cocoa production of 43.1 percent, was realized at the end of June 2022 compared to 2021. According to the stakeholders, 2022 was supposed to be a good year for cocoa; however, the cocoa trees did not bear as much as anticipated. Factors such as the infestation of rodents affected the production of cocoa during the review period. Some external factors that affected the cocoa sector are the increased price of fertilizers, oil, and bags. Considering that the cocoa season begins in October of each year, the last quarter should show promising production levels; however, production will not surpass 2021 levels.

MNIB Purchases of Other Crops

MNIB's Purchase of other Crops, such as fruits and vegetables, declined by 15.9 percent in the first 6 months of 2022. This is the proxy indicator¹ used to measure the production of root and vegetable crops as well as fruits. However, this data does not accurately measure activity in this sector especially as the MNIB has been experiencing cash flow issues this year compared to last year, which constrained their ability to purchase crops. Vegetable crops (such as lettuce, cabbages, and tomatoes), and fruits such as oranges and other citrus were affected by heavy rainfall during the second half of the year and resulting in shortages during that period. In contrast, root crops such as potatoes and yams did better during that same period. An overall decline in the production of these agricultural products is expected for 2022.

¹ Mindful of the limitations of this indicator, the MoF is in the process of reassessing this with the aim to improve data collection and reporting.

Fishing

Fish data remains an issue in Grenada and figures at the end of June 2022 represent mainly estimates using historical data. Based on these estimates, a decline of 16.7 percent is recorded for the end of June 2022 over June 2021. An overall decline in fish production of 11.1 percent is expected at the end of 2022. This decline reflects the shortage of fish in the first 9 months of 2022. The high cost of diesel prevented fisherfolks from fishing as much as they usually do. Therefore, fish catch decreased significantly and would persist for the rest of the year. Lack of airlift remains an issue and led to a decline in fish exports. Inferior fish quality also affects fish exports because fishing methods practiced by some fishermen do not meet international standards. The low standards in fish catch and production could negatively affect the fishing industry of Grenada as a whole. More training is required to ensure that fish production conforms to international standards. The fishing sector will likely improve in 2023 as measures will be taken to improve the collection of data and provide support to fisherfolks. The Government is expecting to receive a grant, which will be used to improve food security in the agriculture and fishing sectors. This funding will assist fisherfolks with the issue of high diesel costs and will ensure an increase in the production of fish on the island.

Tourism

The tourism sector has improved significantly during the first nine months of 2022, compared to last year. Pent-up demand for travel and the removal of travel bans and Covid-19 protocols boosted arrivals numbers in 2022 over 2021. However, 2019 arrival figures have not yet been achieved. For the period Jan-Sept 2022, there have been significant increases in tourist arrivals from Grenada's largest markets which are the United States and Canada. Arrivals from those markets increased by 55% and 20% respectively, compared to pre-pandemic levels. Overall, stayover arrivals increased by 306.6 percent at the end of September 2022 compared to 2021 (Table 3).

Table 3: Visitor Arrivals

Visitor Arrivals	Jan -Sep-2021	Jan -Sept-2022	% Change
United States	16,289	55,553	241.0
Europe	426	2,149	404.5
United Kingdom	2,697	17,073	533.0
Canada	628	4,407	601.8
Caribbean	1,685	10,209	505.9
Other	780	2,124	172.3
Total Stayover Arrivals	22,505	91,515	306.6
Cruise Passengers	-	107,937	100.0

Source: Grenada Tourism Authority

For the first three quarters of 2022, the largest number of visitors to the island was recorded in July and August because of the Carnival-related activities that took place during those months. In total, 122, 530 visitors came to the island in July and 12,320 in August (Figure 3).

Figure 3: Monthly Stayover Arrivals

The Hotel and Restaurant Sector will continue to benefit from the high influx of tourists visiting the island in 2022 compared to 2021. The Christmas season is anticipated to bring in many visitors as seen in the past years. Further improvements in November and December are expected as additional airlifts

will be added in those months. Airlines such as British Airways, Air Canada, Condor, and Sunwing, will add additional flights and this would bring more visitors to the island. Also, there has been a notable increase in forward bookings for the last quarter of 2022. The trend in tourist arrivals is consistent with what is being recorded regionally and internationally. In the hotel sector, growth is driven by the high influx of stayover arrivals with an average length of stay of about 7 days, which is lower than in 2021 (average length of stay was approx. 10 days). Growth in the Restaurant sector is also driven by tourist arrivals as well as the increase in demand from locals.

Despite this positive outlook, some challenges are still being experienced by various hotels, restaurants, and other tourism-related businesses. Although many of these businesses have benefitted from the Government's economic support programme since 2020, some of the smaller hotels are still operating at low occupancy levels and extremely low profit margins. In the medium term, the high cost of airline tickets, driven by higher jet fuel costs could deter travelers from visiting the island; however, efforts are being made to boost tourism in 2023 and the medium term.

In terms of the cruise subsector, the 2022/2023 cruise season began on October 21st, 2022, and will close in May 2023. During this period 202 calls are scheduled to bring a total of 377,394 passengers to the island. This will have a positive effect on the Restaurant and Transport sectors during the last quarter of 2022 and the first half of 2023.

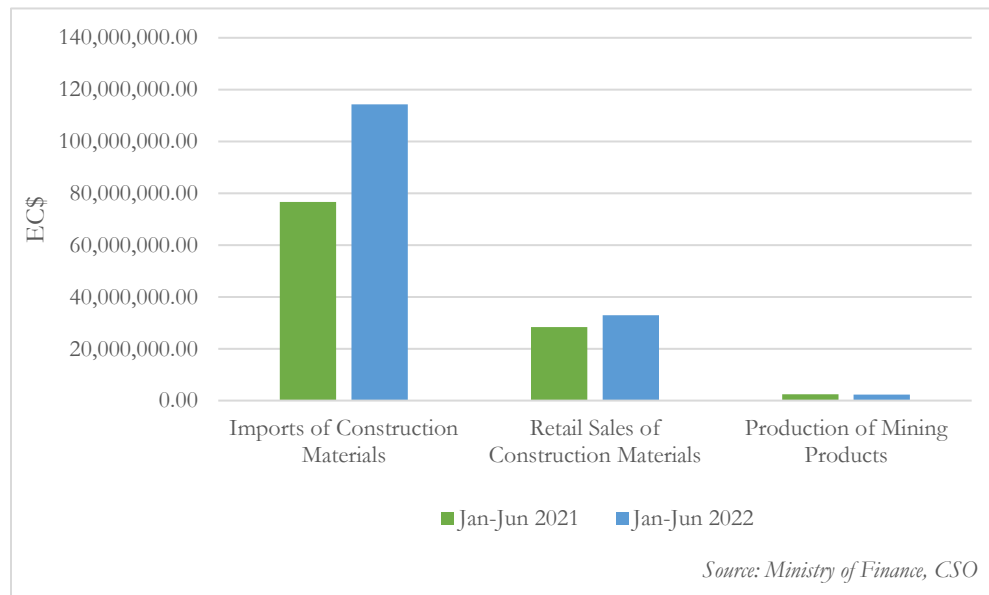
Construction

The importation of construction materials improved significantly at the end of June 2022 compared to 2021 by 49.2 percent. In addition, Retail sales of construction materials also increased during the first half of 2022 by 15.8 percent (Figure 4). Inflation also had a major role to play in the increase in the value of construction-related imports. While the value of these rose substantially, the quantity grew by 3.9 percent. Nevertheless, the construction sector is performing well on account of the various public and private sector projects in implementation. Some of the public projects include the St. John's River project, the Grenville market, St. Patrick Roads Rehabilitation, and upgrading project, Simon (Seamoon) Cultural Center, Maurice Bishop International Airport (MBIA) Expansion project, and the

G-Crews project. Major construction work on the Molinere road began in October and will continue in 2023.

Some of the major CBI-related private-sector projects include the Singapore Heng Sheng (Grenada) Development Pte Ltd., Hartman University Town Project, Hartman Resort Project, Range Development Gda Ltd., and the Ora Caribbean/Beach House. Despite this positive outlook, issues such as scarcity of materials, delivery delays, price increases of construction materials, and freight costs, still affect the construction sector. Foreign competition and shortages of skilled labour are other challenges that pose a threat to local construction companies. Nevertheless, growth is estimated at 19.2 percent in 2022.

Figure 4: Construction and Mining Indicators



Wholesale and Retail Trade

Preliminary data for the Wholesale and Retail Trade sector indicate improvement from January to June 2022 over the 2021 period. This sector continues to grow because of the uptick in construction activities as well as the return of SGU students to the Island in August 2022. Supermarkets, hardware stores, and local supplies shop experienced an uptick in retail activity as indicated by stakeholders within that sector. Total retail sales expanded by 18.6 percent. Retail sales of building materials, and retail sales excluding building materials, both grew by 15.8 percent (Figure 8). Growth in retail sales

of building materials was driven by the increase in residential and commercial construction of both private and public sectors. Growth in retail sales of other materials was driven by the increase in the purchase of food items, household items, for example. Despite the growth within this sector, there were several challenges experienced during the period under review. These challenges include supply chain issues (sourcing goods from suppliers), high freight costs, shortages of items, and shipping delays (Figure 5).

Figure 5: 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 sectors 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.

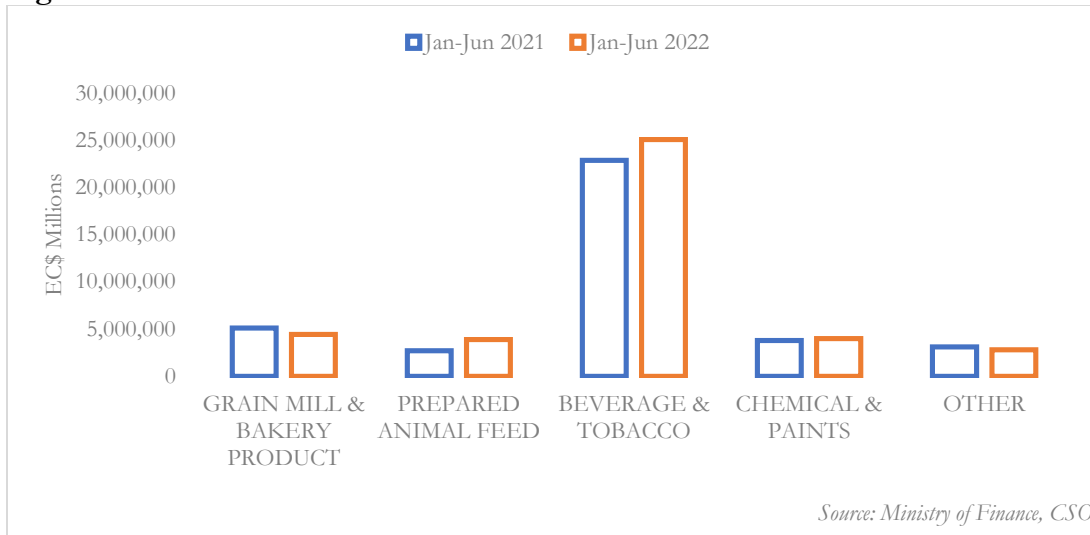
Private Education

Enrollment at St. George's University, which is the largest contributor to private education, is estimated to have declined by 30.0 percent in the academic year 2022/2023 over the academic year 2021/2022. Enrollment is anticipated to grow during the 2023/2024 academic year as efforts are being made to attract more students. There are plans to increase course offerings within the Arts and Sciences departments (Tourism and Information Technology degrees). Efforts are also being made to achieve accreditation of the Business Studies programmes, and this would further attract more learners seeking accredited degrees. So far, accreditation has been achieved for the Marine Biology course. Enrollment growth is expected during the medium term and this will boost the growth in private education in 2023.

Manufacturing

The Manufacturing Sector recorded an overall growth of 7.0 percent in the first half of 2022 compared to 2021. The production of grain mill and bakery products declined at the end of the 2nd Quarter of 2022 due to lower production of flour for export purposes. Competition from other producers affected Grenada's production. The production of flour continued to be affected by the non-implementation of Article 164 of the Treaty of Chaguaramas. Article 164 is meant to give an advantage to products produced in the lesser developed countries (LDCs) of CARICOM. Without these special provisions, products such as flour, which are produced in Grenada, cannot compete pricewise with products produced in more developed countries (MDCs) such as Trinidad and Jamaica. This non-implementation has been a recurring issue that has been raised by the manufacturer of flour for many years. Major improvements regarding production capacity cannot be realised until this issue is rectified. Prepared animal feed grew by 44.9 percent, beverages by 9.6 percent, and chemical paints by 5.5 percent at the end of the second quarter of 2022 compared to 2021 (Figure 6).

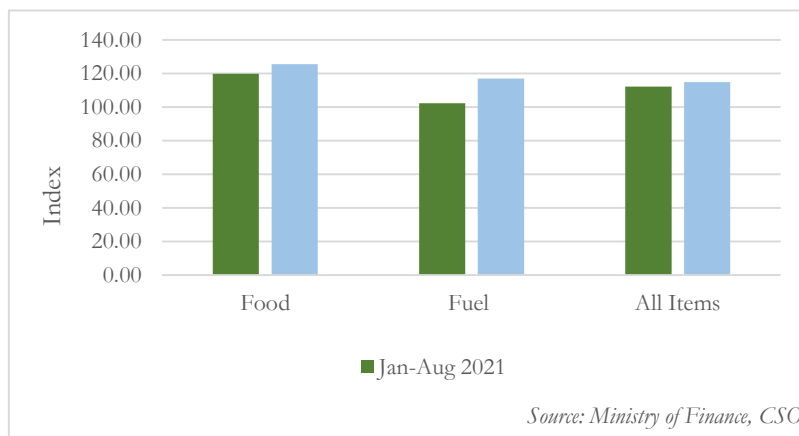
Figure 6: Industrial Production



Inflation

The average consumer price index (CPI) for January to August 2022 rose by 3.1 percent for all items compared to 2021. Electricity and Gas and Food prices grew by 2.1 and 5.7 percent respectively. The average Electricity and Gas index increased from 102.2 during the period January to August 2021, to 116.9 during the same period in 2022, whereas, food prices grew from 119.9 to 125.5 (Figure 7). This increase is largely due to the inflationary pressures caused by the Russian-Ukraine, which increased the international prices of major commodities including grains and fuel. Grenada imports inflation from its main trading partners, which all recorded high inflation rates.

Figure 7: Consumer Price Index (Jan-Aug Average)



7. GOVERNMENT FISCAL PERFORMANCE

Grenada's fiscal performance continues to strengthen following significant underperformance because of the COVID-19 pandemic in 2020. Robust tax and grant receipts in 2021 resulted in overall and primary surpluses reminiscent of the four years preceding the COVID-19 pandemic in 2020. 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 2019-2022(e²)

	2019	2020	2021	2022 (e)
	<i>In EC \$ millions</i>			
Total Revenue and Grants	871.5	792.7	957.1	1065.2
Total Revenue	778.0	689.6	727.1	820.4
Tax Revenue	718.6	622.8	625.4	668.2
Non-Tax Revenue	59.4	66.8	101.7	152.2
Total Grants	93.5	103.1	230.0	244.8
Total Expenditure	709.1	920.7	947.2	1060.4
Recurrent Expenditure	623.4	650.8	686.8	699.9
o/w Interest Payment	60.6	55.9	54.2	50.9
Capital Expenditure	85.7	269.9	260.4	360.5
Primary Balance (after Grants)	223.1	-72.2	64.1	55.7
Overall Balance (after Grants)	162.4	-128.1	9.9	4.8

Source: Ministry of Finance

Grenada's fiscal position has bolstered despite the lingering impact of the COVID-19 pandemic, the War on Ukraine, and Shipping and Logistics Issues to date. During the first three quarters of 2022, revenue and grant receipts performed better than budgeted and capital spending surpassed the target on account of improved project implementation. The estimated outturn for 2022 is anticipated to reflect an improved capital expenditure performance and an even stronger collection of tax and non-tax revenue resulting in an overall surplus of \$4.8 million compared to a budgeted deficit of \$97.9

² estimated

million (Table 4). Similarly, a primary balance including grants of \$55.7 million is estimated, exceeding the budgeted amount of \$(34.2) million.

8. PUBLIC DEBT ANALYSIS

At the end of September 2022, total public debt³ amounted to \$2,077.4 million (63.9 percent of projected GDP). This included \$0.8 million of Government-guaranteed debt and represented a decrease of 1.5 percent relative to the same period in 2021. The decrease is attributed to the amortization of existing debt.

8.1 Central Government's External Debt

Central Government's external debt was \$1,637.9 million at the end of September 2022 (50.4 percent of projected GDP). Compared to the same period in 2021, external debt decreased by 0.3 percent.

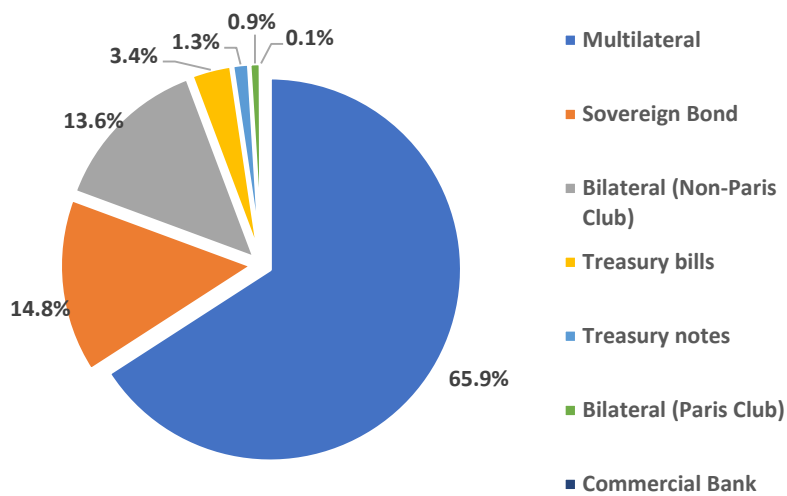
External Debt by Creditor Type and Interest Rate Type

Multilateral lenders continue to dominate the portfolio in 2022. As of September 2022, multilateral debt constituted 65.9 percent of the external portfolio (\$1,078.9) million. This was followed by commercial debt which accounted for 14.8 percent (\$242.6 million). Non-Paris Club bilateral loans accounted for 13.6 percent (\$223.5 million), Treasury bills and Treasury notes for which investors have external residency 4.8 percent (\$77.8 million) and Paris Club bilateral loans accounted for 0.9 percent (\$15.1 million) of the external portfolio as shown in Figure 8.

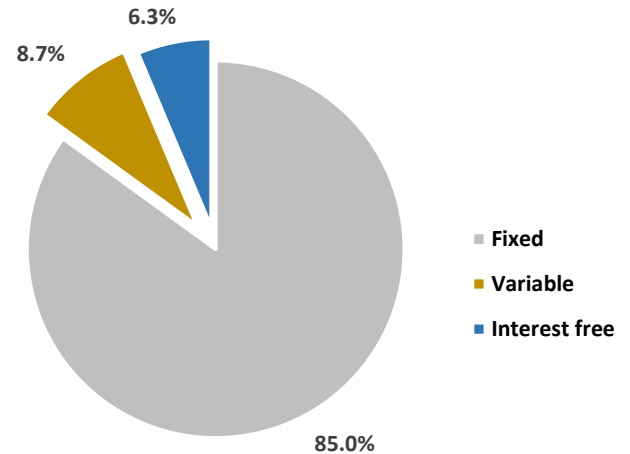
Debt contracted at fixed interest rates held the highest share of the external portfolio and accounted for \$1,392.1 million (85.0 percent) at the end of September 2022. Variable interest rate and interest-free debt accounted for \$142.0 million (8.7 percent) and \$103.8 million (6.3 percent) of the external portfolio respectively (Figure 9).

³ Total public debt includes Central Government's debt and the Government-guaranteed debt of SOEs.

**Figure 8: External Debt by Creditor Type
as at end September 2022**



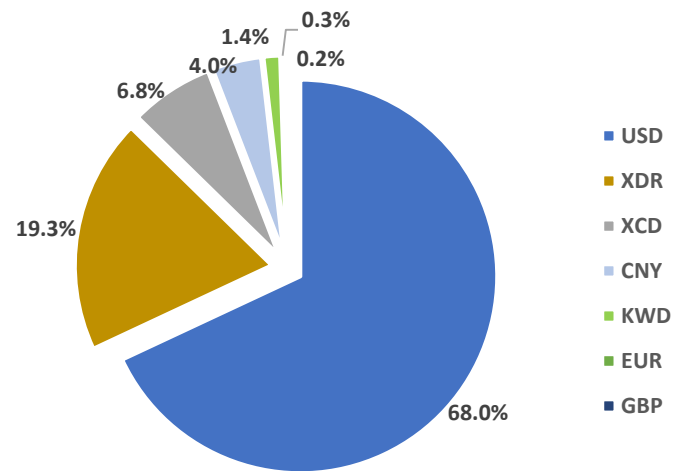
**Figure 9: Interest Type of External Debt
as at end September 2022**



Currency Composition of External Debt

The currency holding the highest share of the external portfolio is the USD. Loans denominated in USD accounted for 68.0 percent (\$1,114.4 million), followed by Special Drawing Rights (XDR), which accounted for 19.3 percent (\$315.8 million). The Kuwaiti Dinar (KWD) accounted for 1.4 percent (\$22.0 million), the Chinese Yuan (CNY) 4.0 percent (\$65.9), and Sterling (GBP) 0.2 percent (\$3.0 million), whilst other currencies made up 7.1 percent (\$116.8 million) (Figure 10).

Figure 8: External debt by currency composition as at September 2022

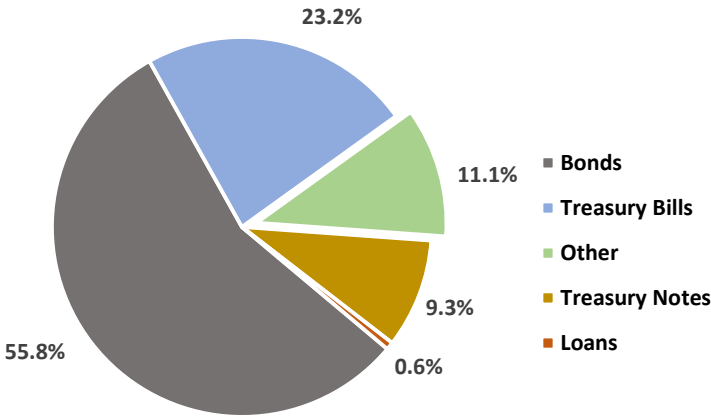


Central Government Domestic Debt

Domestic Debt by Instrument

As of the end of September 2022, domestic debt was \$438.7 million (13.5 percent of GDP). This is a 5.9 percent decline from the same period the previous year when it was \$466.1 million. The instrument type which constitutes the highest share of the domestic portfolio is bonds which accounted for 55.8 percent or \$244.8 million, followed by Treasury bills which accounted for 23.2 percent or \$101.6 million, Treasury notes amounted to 9.3 percent or \$40.9 million, loans 0.6 percent or \$2.8 million, and other domestic liabilities accounted for 11.1 percent or \$48.6 million.

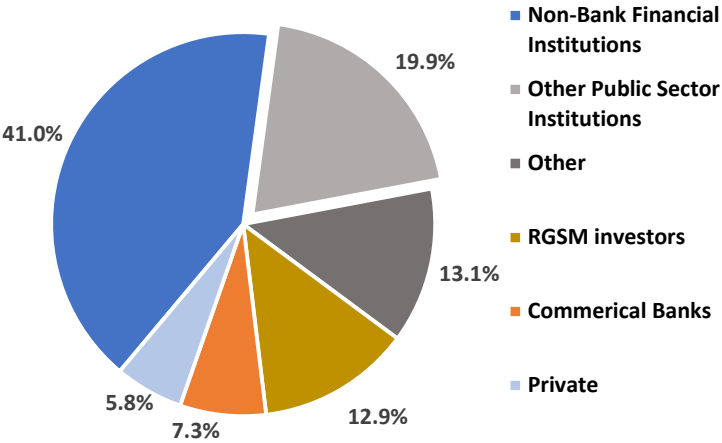
Figure 9: Domestic Debt by Instruments as at September 2022



Domestic Debt by Holder

Non-bank financial institutions were the majority holders of the Government of Grenada’s domestic debt, accounting for \$180.0 million (41.0 percent) of the domestic portfolio. They were followed by public sector institutions which accounted for \$87.2 million (19.9 percent) and investors in the Regional Government Securities Market which accounted for \$56.8 million (12.9 percent). The residual of the Government’s domestic liabilities was shared between Commercial Banks at \$31.8 million (7.3 percent), private individuals at \$25.4 million (5.8 percent), and other holders accounted for \$57.6 million (13.1 percent) of the domestic portfolio (Figure 12).

Figure 10: Domestic Debt by Holder as at September 2022



The debt of State-Owned Enterprises (SOEs)

At the end of the third quarter of 2022⁴, except for three (3) SOEs, the total debt stock of SOEs was \$547.1 million (16.8% of GDP). This is inclusive of the debt obligations of Petro Caribe which is \$372.1 million (11.4% of GDP). All loans contracted by SOEs are long-term loans. Domestic and external SOE debts were 71.1 percent and 28.9 percent respectively at the end of Q3 2022.

Debt Service

Debt service from January to September of 2022 amounted to \$233.9 million. It increased by \$56.9 million (32.1 percent) above the same period in 2021 when it was \$177.0 million. Debt service was higher in 2022 as analysis of the debt numbers revealed that a portion of reissuances were not captured. External debt service was \$76.8 million (8.5 percent decrease from 2021) while domestic debt service was \$157.1 million (68.9 percent increase from 2021).

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. Existing external arrears with two bilateral creditors (Algeria and Trinidad and Tobago) means that Grenada's overall debt rating remains **"in debt distress"**. Negotiations were completed with Libya in October 2022 and are ongoing with Algeria. The Government is awaiting payment instructions from the Algerian authorities whilst payments are being made into an escrow account that was set up for Trinidad and Tobago.

Medium-Term Debt Strategy

The Medium-Term Debt Management Strategy (MTDS) is prepared in fulfillment of the requirements of Section 5(1) of the Public Debt Management (PDM) Act, No. 28 of 2015. Grenada's MTDS⁵ is a

⁴ Debt data for three SOEs is not yet available.

⁵ <https://www.finance.gd/docs/2022/Medium%20Term%20Debt%20Strategy%202023%20-%202025.pdf>

plan aimed at achieving the desired debt portfolio, consistent with debt management objectives. 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 2023-2025 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 8.8 years of which 21.4 percent of the portfolio is subject to a change in interest rates within a year. This risk resides mainly in the domestic portfolio where 38.6 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 9.2 years which is in line with the Government's target of 8 years and above (Table 5).

Foreign Currency Risk

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 2022⁶

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of XCD)		1,436.3	539.5	1,975.8
Amount (in millions of USD)		532.0	199.8	731.8
Debt as % GDP		44.2	16.6	60.7
PV as % of GDP		34.0	17.1	51.1
Cost of debt	Interest payment as % GDP	1.1	0.6	1.7
	Weighted Av. Interest Rate (%)	2.5	3.6	2.8
Refinancing risk	ATM (years)	10.8	5.1	9.2
	Debt maturing in 1yr (% of total)	7.1	38.6	15.7
	Debt maturing in 1yr (% of GDP)	3.2	6.4	9.6
Interest rate risk	ATR (years)	10.2	5.1	8.8
	Debt re-fixing in 1yr (% of total)	14.9	38.6	21.4
	Fixed-rate debt (% of total)	91.2	100.0	93.6
Foreign exchange (FX) risk	FX debt (% of total debt)			72.7
	Short-term (ST) FX debt (% of reserves)			11.9

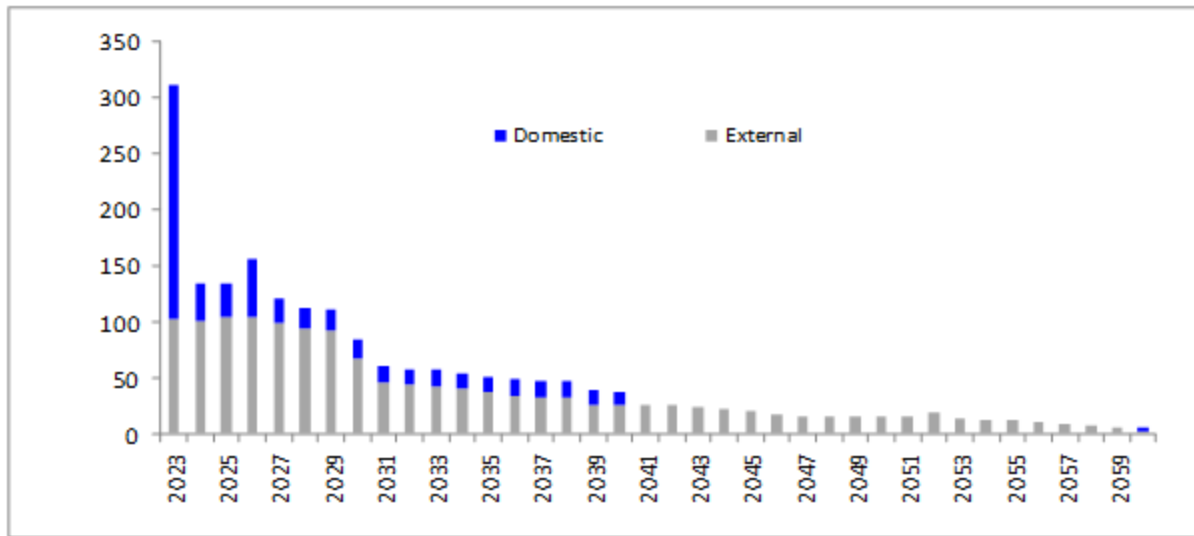
Source: Ministry of Finance

Redemption Profile

The risks inherent in the portfolio and the amortization of outstanding debt are depicted in the redemption profile (Figure 13). A high portion of domestic debt, namely Treasury bills, is due within one year for redemption which explains the spike in 2023. Also, two (2) Treasury notes will mature in 2026, which explains the peak in 2026 for domestic debt, as opposed to other years. 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.

⁶ Adopted from Government of Grenada Medium-Term Debt Management Strategy 2023-2025.

Figure 11: Grenada Redemption Profile as of the end of December 2022 (EC\$M)



Source: Ministry of Finance

Selected Strategy

The selected strategy for 2023-2025 mirrors Government’s current financing mix. It recommends that financing be obtained primarily from external multilateral creditors on concessional terms, the continued drawdown of committed undisbursed balances from existing creditors, and the reissues of Treasury bills and Treasury notes on both 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 48.0 percent will be apportioned to domestic financing. 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

The merchandise trade deficit worsened by 33.3 percent, moving from \$233.7 million at the end of the first quarter of 2021, to \$311.5 million at the end of the first quarter of 2022 (Figure 15). Total Imports and total exports increased by 33.6 percent and 36.9 percent at the end of March 2022 compared to 2021, respectively. The Trade Balance continues to deteriorate as the country relies heavily on the importation of goods. Grenada's export market is yet to develop substantially despite the increase in manufacturing products and the increase in business activities. International Trade disruptions continue to affect the external sector, leading to delays in the delivery of items and shortages.

Figure 12: Balance of Trade (est.)

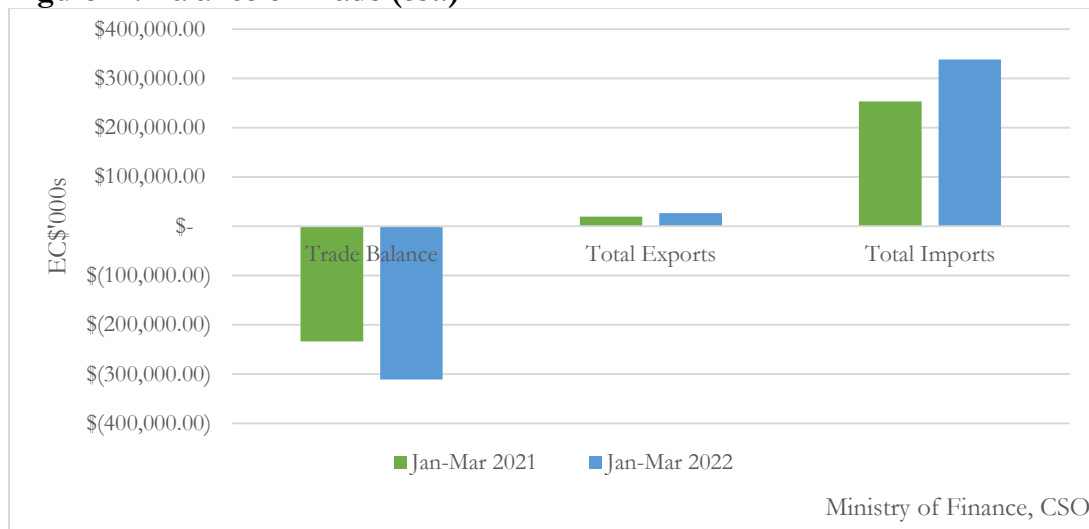


Table 6: Domestic Imports (Est)

CODE	SITC SECTIONS	Percentage		
		Jan-Mar 2021	Jan-Mar 2022	Change
0	FOOD	\$ 54,260,700	\$ 65,467,700	20.7
1	BEVERAGES & TOBACCO	\$ 5,826,700	\$ 9,332,000	60.2
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	\$ 8,060,300	\$ 13,027,800	61.6
3	MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	\$ 42,600,200	\$ 66,113,800	55.2
4	ANIMALS & VEGETABLE OILS, FATS & WAXES	\$ 1,339,500	\$ 1,887,900	40.9
5	CHEMICALS & RELATED PRODUCTS, N.E. S	\$ 22,829,800	\$ 29,435,700	28.9
6	MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	\$ 42,035,900	\$ 51,046,700	21.4
7	MACHINERY & TRANSPORT EQUIPMENT	\$ 43,713,500	\$ 55,306,100	26.5
8	MISCELLANEOUS MANUFACTURED ARTICLES	\$ 32,202,400	\$ 46,147,900	43.3
9	COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	\$ -	\$ 49,600	100.0
	TOTAL	\$ 252,869,000	\$ 337,815,200	33.6

Source: Ministry of Finance, CSO

An analysis of the domestic imports based on the SITC sections shows that all sections recorded increases in imports at the end of Quarter 1 2022 compared to 2021. Commodities and transactions increased by 100.0 percent, crude materials by 61.6 percent, beverages and tobacco by 60.2 percent, and mineral fuel, lubricants & related materials by 55.2 percent. A closer look at the quantity of these items imported, reveals the effect of inflation on these commodities in some cases. For example, the importation of items classified under “animals & vegetable oils, fats & waxes” increased in value by 40.9 percent. However, the quantity decreased by 14.7 percent.

Domestic exports increased by 25.7 percent and re-exports increased by 217.4 percent, and this led to an overall increase in total exports of 36.9 percent at the end of March 2022. The increase in total exports at the end of quarter one was mainly contributed by the 437.9 percent increase in exports of crude materials, inedible, except fuels, 348.3 percent in miscellaneous manufactured articles, and 30.9

percent in food items. On the downside, the export of manufactured goods classified chiefly by material, declined by 10.4 (Table 7).

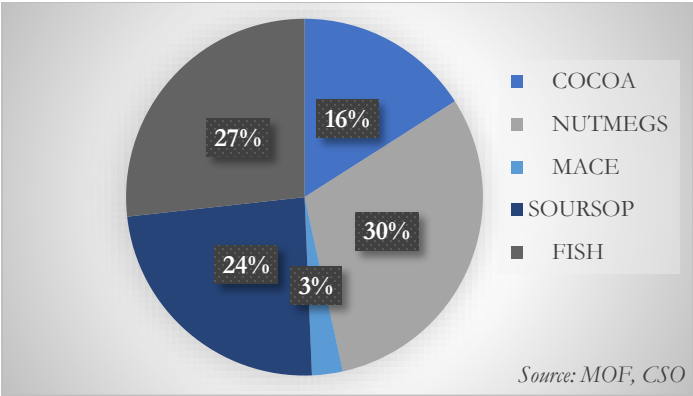
Table 7: Domestic Exports (Est)

CODE	SITC SECTIONS	Jan-Mar 2021	Jan-Mar 2022	Percentage Change
0	FOOD	\$ 12,908	\$ 16,893	30.9
1	BEVERAGES & TOBACCO	\$ 2,575	\$ 2,877	11.8
2	CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	\$ 64	\$ 346	437.9
3	MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	\$ -	\$ -	-
4	ANIMALS & VEGETABLE OILS, FATS & WAXES	\$ -	\$ 0	-
5	CHEMICALS & RELATED PRODUCTS, N.E.S	\$ 609	\$ 739	21.3
7	MACHINERY & TRANSPORT EQUIPMENT	\$ 453	\$ 496	9.5
8	MISCELLANEOUS MANUFACTURED ARTICLES	\$ 17	\$ 78	348.3
9	COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	\$ -	\$ -	-

Source: Ministry of Finance, CSO

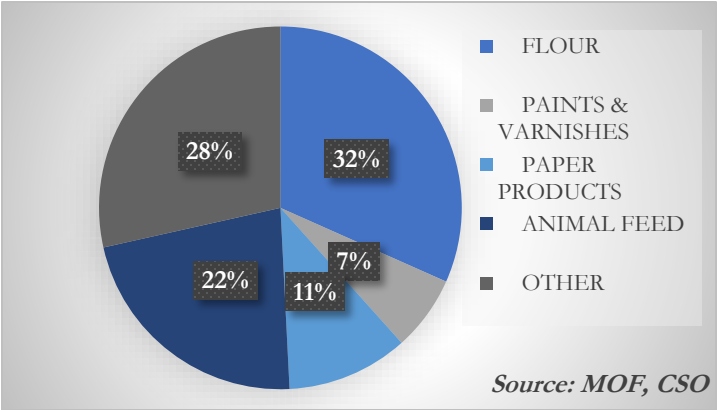
The value of agricultural exports increased by 14.3 percent at the end of Quarter 1 2022, compared to the same period in 2021, and represented 56.0 percent of total domestic exports. This increase in agricultural exports was contributed mainly by Mace exports, which grew by 75.5 percent, and soursop by 53.5 percent at the end of Quarter 1 2022. The increases in the exportation of Mace, Nutmegs, Cocoa, and soursop depict the growth in the agricultural sector at the end of March 2022. Nutmeg represented the largest percentage share of total agricultural exports (30 Percent), Fish (27 percent) and Soursop (24 percent) (Figure 15).

Figure 13: Percentage Share of Agricultural Exports (Jan-Mar 2022)



Manufactured exports increased by 44.1 percent at the end of March 2022, compared to the end of March 2021, and represented 44.0 percent of total domestic exports. The increase in manufactured exports was driven by the increases in the exportation of flour by 41.9 percent, animal feed by 96.1 percent, and other products such as clothing and nutmeg products. Flour represented the largest share of total manufacturing products exported during the 1st quarter of 2022 at 32.0 percent, while animal feed represented 22.0 percent (Figure 16).

Figure 14: Share of Manufactured Exports (Jan-Mar 2022)



10. MONETARY AND FINANCIAL SECTOR ANALYSIS

The Monetary and Financial System analysed through Banks and Non-Bank Financial Institutions, continue to see improvements in their assets. Consistent with the general spur in economic activity, deposits continue to increase at a faster rate than loans. Overall, the monetary sector remains stable, with improvements in domestic credit over the period and non-performing loans remain below the prudential benchmark.

Overview of the Monetary and Financial Sector

The Monetary and Financial System continues to see improvements in its assets over the twelve months of August 2021-August 2022⁷. Sector liquidity remains elevated owing to increases in deposits within the financial system. Despite its uptick, credit remains relatively depressed, and this can stifle economic growth if not improved. Notwithstanding, the sector remains stable overall with liquidity ratios trending in the right direction.

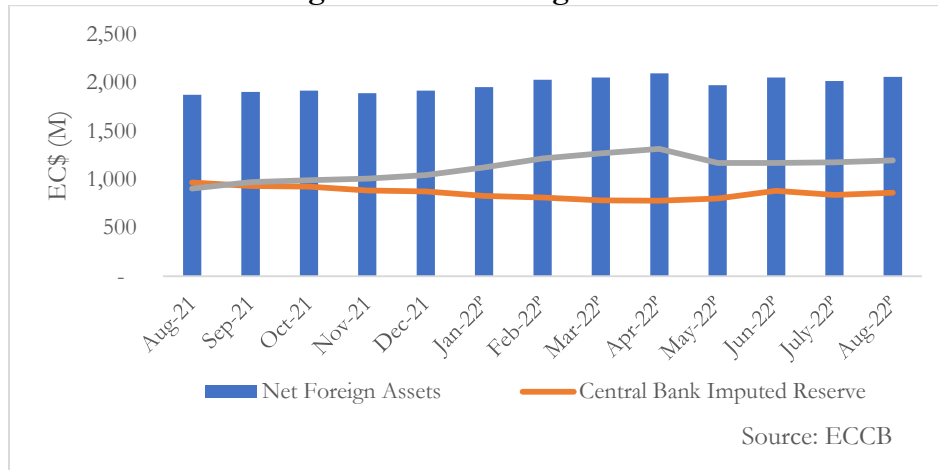
Assets

Net Foreign Assets (NFA)

Net Foreign Assets for the period August 2021-August 2022 increased by 9.7 percent driven primarily by a 31.7 percent (\$288.2 million) increase in Commercial Banks' net assets. Central Bank Imputed Reserves' decline of 10.9 percent (\$105.9 million) was not sufficient to influence an overall decrease in Net Foreign Assets (Figure 17).

⁷ Latest period for which data is available from the ECCB

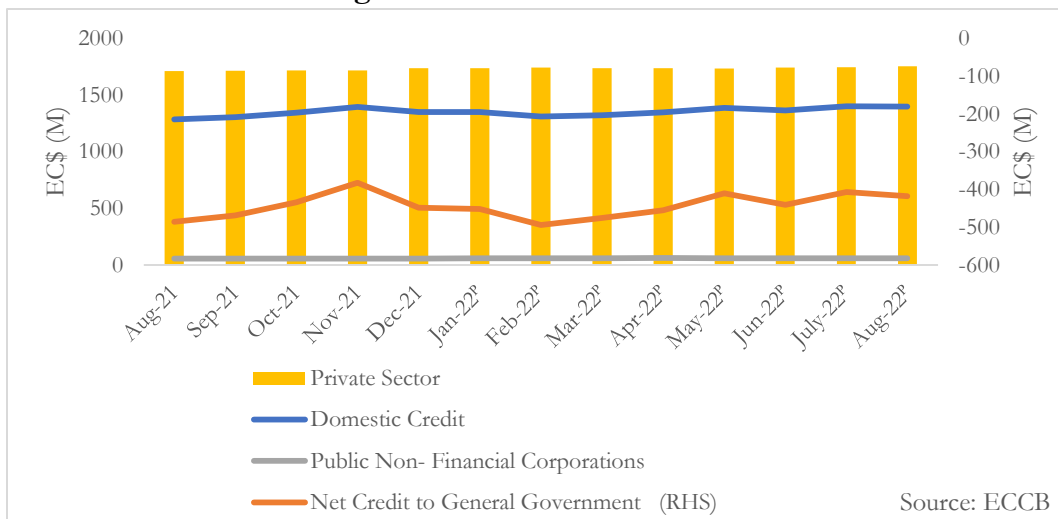
Figure 15: Net Foreign Assets



Net Domestic Assets (NDA)

During the same 12-month period, Net Domestic Assets increased by 9.0 percent moving from \$942.4 million to \$1,026.9 million. This was effected by an 8.8 percent or \$113.1 million improvement in Domestic Credit that was driven by increases in credit to Public Non-Financial Corporations of 4.6 percent or \$2.7 million and Private Sector credit of 2.5 percent or \$ 42.8 million (Figure 18). Net credit to General Government declined by 14.0 percent or \$68.2 million but this was not significant enough to worsen overall domestic credit.

Figure 16: Net Domestic Assets



Liabilities

Monetary Liabilities increased by 9.5 percent to \$3,087.1 million during the period. The money supply expanded by 29.7 percent, of which, Currency with the Public increased by 15.0 percent, Private Sector Demand Deposits by 34.0 percent and Cash at Commercial Banks by 31.1 percent. Quasi money contracted slightly by 0.7 percent, propelled by declines in Private Sector Time Deposits of 28.7 percent and Private Sector Savings Deposits of 7.4 percent. Conversely, Private Sector Foreign Currency Deposits increased by 28.5 percent or \$92.1 million (Table 8).

Table 8: Monetary Liabilities (Aug2021- Aug 2022)

	Aug-21	Aug-22^P	Variance
	EC\$ (M)	EC\$ (M)	%
MONETARY LIABILITIES (M2)	2,820.3	3,087.1	9.5%
MONEY SUPPLY (M1)	942.8	1,222.7	29.7%
Currency with the Public	158.8	182.6	15.0%
Currency in Circulation	209.5	249.1	18.9%
Cash at Commercial Banks	50.7	66.5	31.1%
Private Sector Demand Deposits	604.9	810.6	34.0%
QUASI MONEY	1,877.5	1,864.4	-0.7%
Private Sector Savings Deposits	1,356.4	1,255.6	-7.4%
Private Sector Time Deposits	103.7	74.0	-28.7%
Private Sector Foreign Currency Deposits	322.8	414.9	28.5%

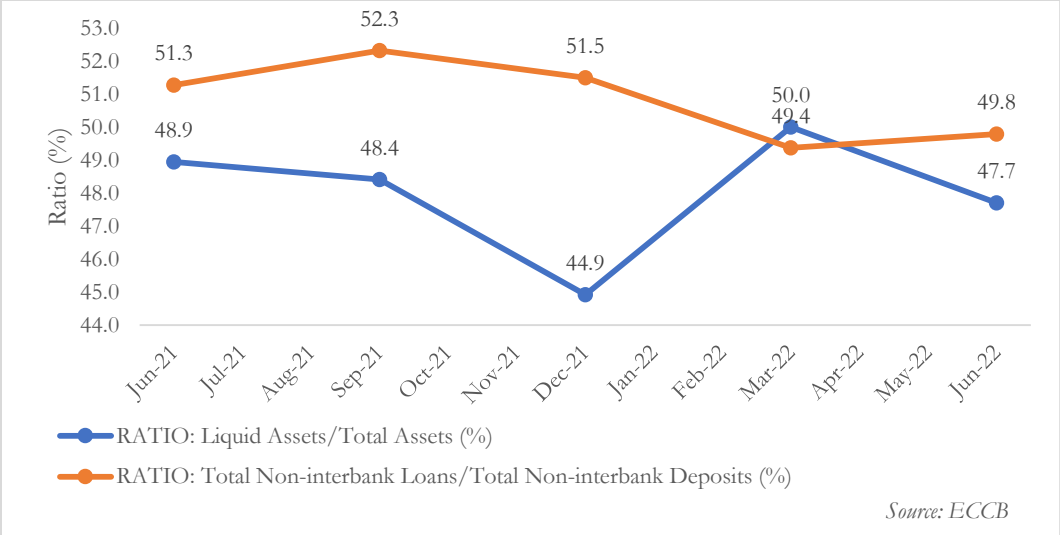
Source: ECCB

The Commercial Banking system continues to grapple with high liquidity. Total Non-interbank Deposits increased by 6.6 percent during the period June 2021 – June 2022 to \$3,803.5 million, whilst Total Loans rose by 3.5 percent to \$1,893.6 million over the same period. The total Non-interbank Loans to Total Non-interbank Deposits ratio declined by 1.5 percentage points to 49.8 percent reflecting higher increases in deposits relative to loans advanced. The ratio of Liquid Assets to Total Assets also declined by 1.2 percentage points to 47.7 percent over the period (Figure 19).

⁸ Latest period for which data is available from the ECCB

Commercial Banks weighted average credit rate (foreign and local currency) declined by 0.27 percentage points to 6.02 percent over the period June 2021 –June 2022. The weighted average interest rate on Savings Deposits declined marginally to 1.50 percent at end June 2022 from 1.63 percent at the end of the same period of 2021. The Banks’ Maximum Prime Loan Rate remained at 10.0 percent whilst the ECCB’s discount rate remained at 2.0 percent since 2020 when it was reduced because of the COVID-19 pandemic.

Figure 17: Selected Liquidity Ratios for the year June 2021 - June 2022



Commercial Banks’ credit improved slightly by 3.5 percent over the 1 year June 2021-June 2022. Improvements in credit to the Electricity and Gas sector of 12.3 percent, Construction and Land Development (6.0 percent), Wholesale and Retail Trade (17.5 percent), Transport and Storage (8.0 percent), and Real Estate sector of 7.1 percent catalyzed this increase. Notwithstanding, there were notable declines in credit to the Manufacturing, Agriculture, Fishing, Mining and Quarrying and Private Households of 23.2 percent, 9.7 percent, 10.2 percent, and 9.6 percent respectively (Table 7).

Table 9: Commercial Banks Credit by Sectors for the period June 2021 – June 2022

Sector	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	% Change Jun-21 / Jun-22 (%)
	EC\$ Millions					
Agriculture or Forestry and Fishing	27.3	28.5	23.9	26.9	24.7	-9.7%
Mining and Quarrying	2.1	2.0	1.9	1.6	1.9	-10.2%
Manufacturing	36.2	35.9	28.8	28.7	27.8	-23.2%
Electricity or Gas or Steam and Air Conditioning	47.6	46.8	44.6	44.3	53.5	12.3%
Construction and Land Development	637.6	659.0	686.1	669.6	676.2	6.0%
Wholesale and Retail Trade or Repair - of Motor Vehicles and Motorcycles	79.4	79.1	89.3	90.4	93.2	17.5%
Transport and Storage	69.3	66.9	66.6	67.2	74.8	8.0%
Accommodation and Food Service Activities	56.5	55.6	61.1	55.5	54.7	-3.0%
Real Estate Activities	531.9	488.4	507.0	561.9	569.4	7.1%
Private Households	252.1	292.9	273.4	236.7	227.8	-9.6%

Source: ECCB

11. UNEMPLOYMENT

Preliminary unemployment data based on the information from the National Census collected during the first half of the year points to a reduction in the unemployment rate to 13.9 percent at the end of the second quarter of 2022 from 16.6 percent in the same period in 2021. However, the estimated participation rate was 63.2 percent, lower than the participation rate of 67.1 percent in the second quarter of 2021. Taken together, the two estimates (the unemployment rate and the participation rate) suggest that although there was a decline in the unemployment rate, it may not solely be as a result of job creation because more persons becoming economically inactive and/or leaving the labour force (lower participation rate) may have also contributed to the drop in the unemployment rate.

12. PROSPECTS FOR 2023-2025

The outlook for Grenada's economy - linked to that of the global outlook – is tenuous at best and subject to considerable downside risks, including the lingering pandemic, new public health concerns such as the Monkeypox virus, high and rising global inflation, and the possibility of a recession in economies of some of Grenada's main source markets for tourism. Growth is estimated to decelerate to 3.6 percent in 2023 relative to 6.0 percent in 2022 and an average of 4.4 percent in 2024-2025. Underlying the growth forecasts are conservative assumptions about activity in key sectors such as Tourism, Construction, Private Education, and Agriculture over the medium term.

The recovery of the Tourism sector though underway faces serious headwinds in the context of high travel costs owing to elevated international fuel prices; COVID-19 and its lingering effects; new viruses such as Monkeypox; shortages of workers in the global airline industry; and modest growth rates projected for the economies of Grenada's major trading partners (with the possibility of them being even lower than currently forecasted).

The outlook for the Construction sector is broadly positive over the medium term with several public and private sector projects ongoing and planned. Major hotel projects, including the Six Senses Resort and Intercontinental Resorts, as well as several private housing and commercial building projects, agriculture feeder roads, roads, and bridges repairs, and school upgrades are expected to sustain activity in the sector.

Activity in the Private Education subsector is expected to be sustained over the medium term; SGU aims to boost enrolment by offering more scholarships and increasing its course offerings in Arts & Science.

The Agricultural sector is likely to benefit from the Government's increased focus on boosting agricultural production and value-added through concrete initiatives to promote the use of modern technology, modern methods of farming, labour support, and mechanisation of the sector.

Activities in these major sectors should boost demand and spur increased activity in other sectors, including Manufacturing, Real Estate, and Wholesale & Retail, which should increase employment.

Consistent with the global outlook, domestic inflation is likely to remain elevated in the short term but is likely to moderate over the medium term in line with rates in the United States, as monetary policy tightening takes hold. The domestic inflation rate is projected to average 3.7 percent over the period 2023-2025.

Fiscal performance is projected to further improve in the short-to-medium term though not at pre-COVID levels. Overall and primary surpluses (including grants) are expected to fairly improve from 1.8 percent and 1.6 percent of GDP respectively in 2023 to 3.7 percent and 3.1 percent of GDP correspondingly in 2025.

Table 10: Medium-Term Projections

	2023	2024	2025
Real GDP Growth (%)	3.6	4.0	4.8
Nominal GDP (EC\$M)	3487.7	3682.8	3898.2
Total Revenue & Grants (% of GDP)	30.1	29.8	30.8
Total Expenditure (% of GDP)	30.3	29.7	29.0
Overall Balance after grants (% of GDP)	1.8	2.1	3.7
Primary Balance after grants (% of GDP)	3.6	3.6	5.1
Public Debt (% of GDP)	64.0	62.6	60.5

Source: Ministry of Finance

12.1 Risks to Outlook

The economy is susceptible to unprecedented uncertainty and risks are firmly on the downside, especially in the near term. Lingering effects of the COVID-19 pandemic, new public health concerns such as the Monkeypox virus, Russia's war in Ukraine, high and rising global inflation, global supply chain challenges, geo-political strains, and tighter financial market conditions (as major central banks hike interest rates) pose the greatest risks to the global economy, and by extension, Grenada's macroeconomic and fiscal prospects in the near term. The global economic situation could be worse than what is projected in the baseline scenario should China's economic slowdown be steeper than expected and should tighter global monetary and financial conditions trigger a full-blown debt crisis in emerging markets and developing economies.

A protracted global economic slowdown would adversely affect tourist arrivals, remittances, foreign direct investment, external grants receipts, and the Citizenship-by-Investment (CBI). The CBI programme is particularly at risk in the context of the pending legislation in both the European Union and the United States (US) to penalise nations offering CBI programmes. In March 2022, legislation intending to prevent countries that offer CBI beyond 2025 from accessing the US Visa Waiver Scheme, was introduced in the US Congress.

Meanwhile, high and rising international commodity prices (especially fuel and food) will stoke domestic inflationary pressures in the near term. These global forces can potentially complicate Budget execution by eroding any possible windfall revenue from duties and border taxes (because of imported inflation) through possibly expanded fiscal support to citizens especially the most vulnerable and higher cost of goods and services for the Government. Moreover, the costs of construction inputs are likely to remain high, which can trigger cost overruns of infrastructure projects in the PSIP. Active contract management by implementing ministries will be necessary to mitigate this risk.

Consistent with the global outlook, the growth of the economies of Grenada's main source markets for tourism should pick up over the medium term, albeit modestly, which would augur well for local economic activities and the medium-term fiscal outlook. Grenada's high vulnerability to natural disasters and susceptibility to the adverse effects of climate change are inherent risks.

13. SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES

The Treasury bills will be issued on the Regional Government Securities Market using the ECSE 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 subscriptions 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\$ 105.0 million
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	January 2022 to November 2022
Yields	Max 4.5 percent
Discount Price	EC\$95.50

Treasury Bills and bonds outstanding as of November 30th, 2022, are listed in Table 11.

Table 11: Outstanding Treasury Bills listed on RGSM as of November 30th, 2022

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
GDB140422	13-Jan-22	14-Apr-22	91 Days	21.8	15	15	1.50	11	5
GDN150224	15-Feb-22	15-Feb-24	2 years	13.6	10	10	4.00	17	8
GDB200722	20-Apr-22	20-Jul-22	91 Days	41.9	15	15	1.50	19	5
GDB211022	22-Jul-22	21-Oct-22	91 Days	27.7	15	15	1.50	11	5
GDB040823	04-Aug-22	04-Aug-23	365 Days	44.0	25	25	1.75	21	8
GDB240123	25-Oct-22	24-Jan-23	91 Days	33.6	15	15	1.50	13	7
GDB251023	25-Oct-22	25-Oct-23	365 Days	26.3	10	10	2.50	14	6

Source: Ministry of Finance

Secondary Market Activities on the RGSM

Table 12: Value of Trades on the secondary market (ECSE platform only) in EC\$ millions 2018-2022⁹

Country	2018	2019	2020	2021	2022	Total
Antigua and Barbuda	1.1	9.5	3.5	3.1	0.6	17.9
Commonwealth of Dominica	1.2	0.0	0.0	0.0	0.2	1.4
Grenada	0.0	0.0	0.0	0.0	0.0	0.0
St. Kitts & Nevis	0.0	0.0	0.0	1.0	1.7	2.7
St. Lucia	17.8	9.8	25.4	3.1	1.0	57.1
St. Vincent & the Grenadines	9.1	2.2	0.0	2.0	0.0	13.3
Grand Total	29.2	21.5	28.9	9.3	3.5	92.4

Source: ECSE, ECCB

⁹ Data for 2022 are for the period January to November 15th only

Table 13: UPCOMING ISSUES OF GOVERNMENT SECURITIES ON REGIONAL MARKET 2023

SYMBOL	AUCTION DATES	ISSUE/SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC\$M	TENOR	INTEREST RATE CEILING %
GDB270423	25-Jan-23	26-Jan-23	27-Apr-23	15	91 Days	3.5%
GDB010823	28-Apr-23	02-May-23	01-Aug-23	15	91 Days	3.5%
GDB021123	02-Aug-23	03-Aug-23	02-Nov-23	15	91 Days	3.5%
GDB080824	08-Aug-23	09-Aug-23	08-Aug-24	25	365 Days	5.0%
GDB261024	26-Oct-23	27-Oct-23	26-Oct-24	10	365 Days	5.0%
GDB050224	03-Nov-23	06-Nov-23	05-Feb-24	15	91Days	3.5%
GDB141224	14-Dec-23	15-Dec-23	14-Dec-24	10	365 Days	5.0%

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

APPENDICES

APPENDIX I¹⁰: 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
		Vonlyn Pope	Representative
		Aquila Pierre	Representative
ST KITTS AND NEVIS	St Kitts-Nevis-Anguilla National Bank Ltd	Anthony Galloway	Principal
		Petronella Edmeade-Crooke	Principal
		Marlene Nisbett	Representative
		Angelica Lewis	Representative
	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 Charles	Principal
		Deesha Lewis	Representative
		Shaiiede Kallicharan	Representative
		Mervin Simeon	Representative
		Yasmane St Marthe	Representative
		Stephanie Gustave-Antoine	Representative
	First Citizens Investment Services Limited	Omar Burch-Smith	Principal
		Margaret Cox	Principal
		Alma Richardson	Principal
		David Gavery	Representative
		Gale Cumberbatch	Representative
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Laurent Hadley	Principal
		Monifa Latham	Principal
		Chez Quow	Representative
		Tabisha Joseph	Representative
		Patricia John	Representative

¹⁰ Revised

APPENDIX II: SELECTED MACROECONOMIC INDICATORS 2017-2022(e¹¹)

	2017	2018	2019	2020	2021	2022 (e)
Real Sector						
	<i>(Annual Percentage Change Unless Otherwise Indicated)</i>					
Real GDP Growth	4.4	4.4	0.7	-13.8	4.7	6.0
Inflation (period average, %)	0.9	0.8	0.6	-0.7	1.2	5.5
Unemployment Rate (%)	23.6	18.5	15.1	18.5	16.6	13.9
Nutmeg Production (million lbs)	1.3	1.2	1.1	1.4	1.5	1.6
MNIB Purchases of other crops (million lbs)	2.3	2.3	2.0	1.7	1.7	1.5
Imports of Building Material (EC\$ million)	145.1	164.8	161.1	126.6	165.2	175.0
Sales of Building Material (EC\$ million)	48.5	47.8	49.0	28.1	56.1	73.3
Agriculture, Livestock and Forestry	-19.5	3.0	-3.6	-15.0	12.5	-10.9
Construction	29.1	12.6	-3.6	-20.5	28.9	19.2
Hotels and Restaurants	5.0	9.9	4.1	-68.2	33.9	51.0
SGU Enrollment (no. of students)	7572	7900	8256	8617	8792	8590
Stay Over Arrivals (no. of persons)	146384	160973	162903	43815	42100	127029
Cruise Ship Visitor Arrivals (no. of persons)	299449	342826	337940	162517	25027	180905
External Account						
	<i>(As a percentage of GDP)</i>					
Current Account Balance	-14.4	-16.1	-14.6	-21.0	-26.2	-20.0
Exports of Goods & Services	51.4	53.3	54.5	40.4	35.1	39.5
Imports	54.7	74.9	59.9	56.3	57.9	55.9
Foreign Direct Investment (percent of GDP)	-13.5	-14.2	-14.7	-14.3	-13.3	-11.0
Money and Banking						
	<i>In EC\$ Millions</i>					
Net Foreign Assets (EC\$ million)	1053.7	1315.2	1400.4	1720.7	1919.1	n.a
Domestic Credit (EC\$ million)	1405.4	1351.4	1326.2	1243.9	1348.7	n.a
o/w Households (EC\$ million)	1038.0	1055.9	1040.0	1050.1	1033.0	n.a
Firms (EC\$ million)	514.1	539.2	583.4	623.2	694.2	n.a
Non-Bank Institutions (EC\$ million)	6.4	6.9	0.7	1.2	1.5	n.a
Other Public Sector (net, EC\$ million)	-32.6	-49.3	-75.3	-211.0	-71.9	n.a
General Government (EC\$ million)	-120.6	-201.3	-222.6	-219.6	-308.2	n.a
Currency with the public (EC\$ million)	151.4	143.9	138.6	160.8	188.1	n.a
Weighted Average Interest Rate						
Total Deposits Rate (%)	1.3	1.3	1.2	1.1	1.2	n.a
Lending Rate (%)	8.0	7.6	7.2	6.4	6.2	n.a
Memo Item:						
Nominal GDP (EC\$ million)	3039.4	3149.6	3276.4	2817.2	3031.6	3252.5
External Account figures are for 2019 revised, 2020 preliminary, 2021 estimated and 2022 projected						
Sources and notes: Ministry of Finance, CSO, ECCB						

¹¹ (e) – Estimate n.a – not available

APPENDIX III: OUTSTANDING DEBT 2018 -2022(e)

	2018	2019	2020	2021	2022 (e)
	<i>In EC\$M unless stated otherwise</i>				
Total Public Debt					
External Debt (incl. Gov't Guarantees)	1418.0	1410.9	1531.3	1639.7	1437.1
Domestic Debt (incl. Gov't Guarantees)	560.0	477.9	457.1	464.7	539.5
Total Public Debt to GDP (%)					
External Debt to GDP	44.9	43.1	54.4	54.1	44.2
Domestic Debt o GDP	17.7	14.6	16.2	15.3	16.6
Central Government Debt					
External Debt	1417.8	1410.9	1531.3	1639.7	1436.3
Domestic Debt	560.0	477.9	457.1	463.7	539.5
Central Government Debt to GDP (%)					
External Debt	44.9	43.1	54.4	54.1	44.2
Domestic Debt	17.7	14.6	16.2	15.3	16.6
Total Debt Service	327.1	285.2	272.3	286.4	361.2
External	175.7	133.7	121.6	128.1	236.8
Domestic	151.4	151.5	150.7	158.3	124.4
Memo Item: Nominal GDP (EC\$M)	3155.5	3271.4	2817.2	3031.6	3252.5

Source: Eastern Caribbean Central Bank & Ministry of Finance

APPENDIX IV: REAL GDP GROWTH RATES AND MEDIUM-TERM PROJECTIONS

	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Est. 2022	Forward Estimates		
						2023	2024	2025
Agriculture, Livestock and Forestry	3.0	-3.6	-15.0	15.0	-10.9	2.4	1.8	2.2
Fishing	2.5	2.0	-13.0	17.6	-11.1	2.6	0.6	1.4
Mining & Quarrying	3.3	5.0	-8.0	18.8	14.8	16.8	9.5	10.4
Manufacturing	9.4	3.2	-10.2	11.1	4.4	2.1	1.8	4.9
Electricity & Water	5.4	3.2	-6.4	-0.8	4.6	1.2	0.4	-0.2
Construction	12.6	-3.6	-20.5	25.7	19.2	11.6	6.5	8.5
Wholesale & Retail Trade	7.8	1.8	-15.4	6.5	10.8	7.3	2.2	2.3
Hotels & Restaurants	9.9	4.1	-68.2	37.6	51.0	19.0	14.2	16.9
Transport and Storage	8.1	4.2	-33.1	-13.5	15.1	8.6	7.6	7.8
Communications	8.4	-7.9	-6.3	0.7	0.7	1.1	1.2	0.5
Financial Intermediation	7.0	2.9	4.3	4.1	5.7	6.6	4.0	4.3
Real Estate, Renting and Business	1.8	1.5	-7.0	0.8	1.7	1.8	1.5	1.2
Public Administration	-3.8	-0.8	-2.0	0.1	2.5	4.2	5.8	7.1
Education	-4.8	4.2	-0.3	1.7	-1.7	4.1	4.2	4.3
Health and Social Work	5.9	-3.8	-1.7	2.4	2.7	2.9	2.3	3.5
Other Community, Social & Personal Services	1.9	1.6	-11.4	1.2	0.9	1.8	2.8	1.1
Activities of Private Households as employers	1.5	0.6	-4.3	0.0	1.6	1.9	1.0	1.0
Real Gross Value added (not GDP)	3.7	1.2	-13.7	5.2	5.8	5.7	4.3	5.0
Real Gross Domestic Product	4.4	0.7	-13.8	4.7	6.0	3.6	4.0	4.8
Other key indicators								
Nominal GDP (% Change)	3.6	4.0	-14.0	7.6	7.3	7.2	5.6	5.8
Nominal GDP (EC\$ Millions)	3149.6	3276.4	2817.2	3031.6	3252.5	3487.7	3682.8	3898.2

Source: Ministry of Finance, ECCB