ST. VINCENT AND THE GRENADINES

Table 1	2023
Population, million	0.1
GDP, current US$ billion	1.1
GDP per capita, current US$	10279.5
School enrollment, primary (% gross)[a]	110.6
Life expectancy at birth, years[a]	69.0
Total GHG emissions (mtCO2e)	0.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2022).

St. Vincent and the Grenadines (SVG) is projected to grow at 5 percent in 2024, supported by a robust performance in tourism, recovery in agriculture, and implementation of large-scale infrastructure projects. Despite a decrease in the fiscal deficit, public debt remains high, in part due to debt deferral/new borrowing undertaken to address the impact of Hurricane Beryl. The fiscal responsibility framework remains suspended. Economic growth and Hurricane Beryl are expected to have had offsetting impacts on poverty.

Key conditions and challenges

SVG is a small island developing state (SIDS) that is highly integrated into the global economy and particularly vulnerable to climate change, external economic shocks, and natural disasters. The economy is driven primarily by tourism, agriculture, and construction. Ongoing investments in upgrading infrastructure—such as a new port, an international airport, roads, hotels, the hospital, water supply, and digitalization—support growth and foster economic diversification. The country seeks to diversify its economy through the promotion of high-end tourism, international financial services, agroprocessing, light manufacturing, renewable energy, and information and communication technologies.

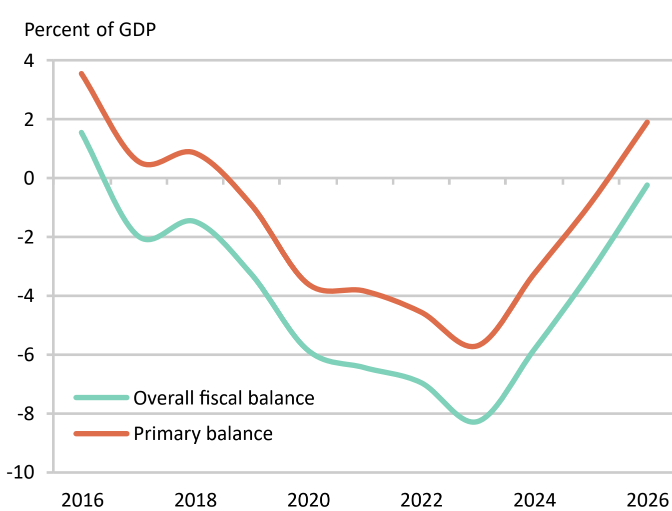
The deterioration of the primary fiscal balance, caused by the pandemic and the subsequent volcanic eruption in April 2021, was compounded by Hurricane Beryl, which caused significant infrastructure damage in July 2024 and led to an increase in public debt. The challenge will be to reduce fiscal deficits while directing limited fiscal resources toward recovery and high-priority public investment projects. In addition, there is no up-to-date poverty data available. According to the latest data from 2008, 30.2 percent of the population was living below the national poverty line. Economic growth in subsequent years should have contributed to declining poverty.

Recent developments

With tourism recovering and agriculture rebounding after the volcanic eruptions, growth reached 6 percent in 2023 (7.2 percent in 2022). The overall fiscal deficit increased to 8.3 percent of GDP in 2023 from 7.0 percent in 2022, largely in response to the fiscal demands imposed by the volcanic eruption, ongoing exceptional COVID-19 related expenditures, higher capital expenditure, and lower tax revenue. Low tax revenue was primarily due to changes in income tax, delayed CIT arrears and fuel import duty collection, VAT refunds, temporary import tax concessions for Sandals Resort, and a 50 percent duty reduction on new tires. This adds to measures to cushion the impact of rising food and fuel prices, including the expansion of existing social programs, subsidies on electricity, social safety net payments to food-vulnerable households, and agricultural incentives.

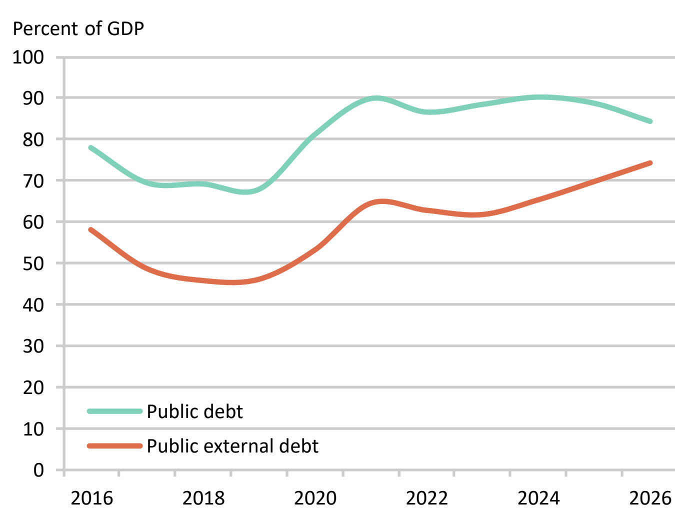
Following the port modernization project (total investment of 22 percent of GDP in 2023), public investment reached 9.5 percent of GDP in 2023. Fiscal rule targets, which have been suspended due to the pandemic and the volcanic eruption, are to be reintroduced in 2025. Total public debt was 88.5 percent of GDP at end-2023, of which 61.7 percent of GDP was external debt. Government gross financing needs are covered primarily by official external financing and by some recourse to domestic financing through T-Bill and bond issuances.

FIGURE 1 St. Vincent and the Grenadines / Overall and primary fiscal balances



Sources: Ministry of Finance and World Bank staff calculations.
Note: See Table 2.

FIGURE 2 St. Vincent and the Grenadines / Public debt



Sources: Ministry of Finance and World Bank staff calculations.
Note: See Table 2.

The current account deficit (CAD), driven by major capital investments in hospitals, ports, hotels, and infrastructure, narrowed slightly due to increased tourist arrivals. However, imports rose as a result of volcanic eruptions and the port project, along with higher food and fuel costs. The CAD is mainly financed by foreign direct investment, external borrowing on concessional terms, and limited domestic financing. International reserves remain above 5 months of imports.

Annual inflation in 2023 was 4.6 percent, a decrease from 5.7 percent in 2022, and continued to moderate in the first part of 2024. Over the past two years, rising food prices have contributed the most to overall inflation. Data from a (non-representative) survey indicated that high food prices had reduced food security. While food prices remain elevated, declining inflation appears to have lowered food security concerns, with the share of the population reporting severe food shortages (going a whole day without eating or skipping meals) declining over the past year.

Outlook

Growth is expected to remain strong at 5 percent in 2024 as tourism and agriculture continue to rebound. Poverty is expected to follow a similar trajectory. Tourism growth over the medium term is projected to be further facilitated by the new airport and Sandals Resort. Inflation is to slow to 3.5 percent in 2024 and return to more typical rates of around 2 percent thereafter.

The fiscal deficit will likely remain high at 5.8 percent of GDP in 2024 due to ongoing public investment spending on the port modernization project and hotel construction as well as reconstruction related to Hurricane Beryl, despite a decrease in emergency spending related to the pandemic and volcanic activity. Public investment is expected to decline slightly to 8.3 percent of GDP in 2024 and to 6.3 percent in 2025, returning to its long-term trend of around 4.4 percent in 2026. A primary surplus is anticipated by 2026, supported by the gradual completion of major projects, contained current expenditure, increased revenues, and robust growth, which will enable public debt to decline to 84.4 percent of GDP.

SVG needs to fully operationalize the Fiscal Responsibility Framework to sustain debt reduction and enhance resilience to shocks. Additionally, it should increase the share of public investments financed through concessional loans and public-private partnerships, enhance revenue mobilization efforts, and further develop contingency plans for natural disasters.

The baseline scenario projections are primarily subject to downside risks given the uncertainty in global economic conditions, heightened global geo-political pressures, and the ever-present risk of natural disasters. On the upside, continued strength within the tourism sector and completion of the new port could further boost growth over the short- to medium-term.

TABLE 2 St. Vincent and the Grenadines / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.8	7.2	6.0	5.0	3.5	2.9
Real GDP growth, at constant factor prices	-1.7	8.0	5.3	5.0	3.5	2.9
Agriculture	-29.4	-6.2	-2.9	7.1	2.1	2.0
Industry	6.1	7.9	3.9	3.5	2.2	2.1
Services	-0.1	9.1	6.2	5.2	3.9	3.1
Inflation (consumer price index)	1.6	5.7	4.6	3.5	2.0	2.0
Current account balance (% of GDP)	-22.6	-19.3	-13.4	-13.0	-11.9	-10.3
Fiscal balance (% of GDP)[a]	-6.4	-7.0	-8.3	-5.8	-3.2	-0.2
Revenues (% of GDP)	32.9	28.1	26.8	27.9	28.2	28.3
Debt (% of GDP)[a]	89.9	86.7	88.5	90.3	88.8	84.4
Primary balance (% of GDP)[a]	-3.8	-4.6	-5.7	-3.3	-0.9	1.9
GHG emissions growth (mtCO2e)	2.8	4.9	2.3	1.8	1.1	1.4
Energy related GHG emissions (% of total)	76.0	76.9	77.3	77.5	77.7	77.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.