ECCU

The weighted average growth rate for the member economies of the Eastern Caribbean Currency Union (ECCU) is expected to amount to 1.64% in 2021. Four of these countries —Antigua and Barbuda, Dominica, Grenada and Saint Lucia— are expected to post positive growth rates, while negative growth rates are expected for Saint Kitts and Nevis and for Saint Vincent and the Grenadines. The growth recorded by the first four countries mentioned above signals the start of a recovery in economic activity as pandemic-related restrictions are lifted. The vaccination drives implemented by these countries will play a key role in revitalizing the tourism sector and averting the need for nationwide lockdowns in the near future. The negative growth rate expected for Saint Kitts and Nevis reflects the lingering effects of the disruptions caused by the outbreak of the coronavirus disease (COVID-19) and weakened demand. The decline observed in economic activity in Saint Vincent and the Grenadines is attributable both to the disruptions caused by the pandemic and to the volcanic eruption of April 2021. The ECCU economies are projected to attain a GDP growth rate of 7.8% in 2022.

The ECCU region ran a fiscal deficit of 804.06 million Eastern Caribbean dollars (EC$) (6.15% of GDP) in 2021. The fiscal deficits of Antigua and Barbuda, Dominica, Saint Lucia, and Saint Vincent and the Grenadines reflect both a decline in government revenue and the increase in government expenditure required to address both the public health challenges and economic fallout associated with the pandemic. In contrast, Grenada and Saint Kitts and Nevis managed to run surpluses as they both obtained additional non-tax revenue from their citizenship by investment programmes.

As a consequence of the ECCU members' weakened fiscal position, their total public debt had climbed from EC$ 14,577,830,000 (87.26% of GDP) in 2020 to EC$ 15,132,530,000 (88.44% of GDP) by June 2021. A closer examination of the debt figures shows that total public debt in Eastern Caribbean dollars increased in all the ECCU countries, with the exception of Saint Kitts and Nevis, between 2020 and 2021. This added debt was taken on in order to finance emergency public expenditure during the pandemic. While, from an intertemporal perspective, ECCU public debt obligations are still largely serviceable, from a pragmatic perspective —given their level and the fact that they are on the rise— these obligations are a cause of concern for decision-makers, as well as the international community.

ECCU monetary policy was accommodative in 2021, as it had been in 2020 as well. This stance has been adopted in an effort to mitigate the economic effects of the COVID-19 pandemic and spur an economic recovery. As part of this effort, the Eastern Caribbean Central Bank is leaving the discount rate unchanged at 2% after lowering it from 6.5% in April 2020, which was the first ECCB rate cut since 2003. A complete ECCU monetary dataset for 2021 was unavailable at the time of publication.

The year-on-year ECCU headline inflation rate was a moderate 1.49% in 2021 following a negative year-on-year inflation rate of -0.21% in 2020. This low rate of inflation in the ECCU countries is noteworthy, given the global supply chain bottlenecks and inflationary pressures triggered by the pandemic. In addition, the approximately 700% jump in international freight rates seen between 2020 and 2021 is causing countries to start importing inflation. As a precautionary measure and as a hedge against inflation, ECCU authorities may therefore attempt to increase aggregate supply wherever possible, especially in the case of food products, in order to ensure that essential products are available to the population at affordable prices.

Overall, the Union's international trade position improved somewhat in 2021. Its trade deficit declined from - US$ 1.691 billion (- EC$ 4.565 billion) in 2020 to - US$ 1.639 billion (- EC$ 4.425 billion) in 2021, thanks to a reduction in the value of imports from US$ 1.915 billion (EC$ 5.170 billion) in 2020 to US$ 1.865 billion (EC$ 5.034 billion) in 2021. Additionally, the value of exports edged up to US$ 225.61 million (EC$ 609.14 million) in 2021 from US$ 224.10 million (EC$ 605.08 million) in 2020. This marginal contraction of the trade deficit was ultimately a consequence of pandemic-related restrictions, such as social distancing measures and the prohibition of mass gatherings, that led to social displacement and dampened consumer demand, thereby precipitating a decline in imports.

The nominal exchange rate between the Eastern Caribbean dollar and the United States dollar remained unchanged at EC$ 2.7 to US$ 1, as the Eastern Caribbean Central Bank's leading policy objective continued to be to maintain a fixed exchange rate regime. In contrast, the real exchange rate jumped by 46%, reflecting the increase in inflation in 2021 as compared to the low rate seen in 2020.

Several countries reopened their doors to tourists. Antigua and Barbuda reopened its borders for international tourism on 4 June 2020, and Dominica did so on 7 August 2020. Grenada reopened its borders on 15 July 2020 for regional travel and on 1 August 2020 for international travel. Saint Kitts and Nevis reopened on 31 October 2020, Saint Lucia did so on 4 June 2020, and Saint Vincent and the Grenadines did so on 1 July 2020. The countries introduced the standard COVID travel protocols and required arriving travellers to show proof of a negative COVID-19 test result and to submit to a mandatory health screening. As countries rolled out their vaccination programmes, the travel protocols were eventually modified to allow only vaccinated persons to enter.

Although countries had already begun to reopen their tourism sectors, arrivals in the first half of 2021 were still lower than they had been in the first half of 2020. Antigua and Barbuda posted a year-on-year decline of 33.6% in tourist arrivals in the first half of 2021, and Dominica experienced a 74.7% downturn in tourist arrivals for that same period. Grenada recorded a 73.1% drop, while the decreases in arrivals registered by Saint Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines came to 77.3%, 29.4% and 72.1%, respectively. The appearance of the more contagious Delta variant of COVID-19 dealt a second blow to the tourism industry, as people were again cautioned against travelling, especially for leisure and other non-essential activities.