ECONOMIC AND FINANCIAL REVIEW DECEMBER 2020

Albert Einstein
"In the middle of a difficulty lies opportunity."

Ministry of Finance
Nevis Island Administration

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Economic Backdrop

This pandemic, declared in March 2020 continues to take countless lives and has negatively impacted the global economy to an unprecedented degree. In the January 2021 World Economic Outlook[1] (WEO) report the International Monetary Fund (IMF) advises that although the global recession is now expected to be less severe than previously forecasted, advanced, developing and emerging market economies across the board will all be faced with a difficult and complex path back to pre-pandemic output levels.

The report indicates that the global economy in 2020 contracted by 3.5 percent instead of the 4.4 percent previously forecasted in October 2020. The global economy is expected to rebound in 2021 with growth now expected to be around 5.5 percent which is an improvement of 0.3 percent from the previous forecast of 5.2 percent in October 2020. For the medium term, growth is expected to be in the region of 4.2 percent. This further highlights how much uncertainty surrounds the expected economic upturn in both the near and medium term. Advanced economies are expected to contract by 4.9 percent which is an improvement over the 5.8 percent previously predicted, while emerging markets and developing economies are forecast to see a contraction of 2.4 percent an improvement of 0.9 percent over the previous October 2020 forecast of 3.3 percent.

Latin America and the Caribbean which have historically experienced very low levels of economic growth over the last five years, have been hit particularly hard by the pandemic and the spillover economic effects associated with the global recession. Latin America and the Caribbean is expected to contract by 7.4 percent in 2020, while in 2021 these economies are projected to grow by 4.1 percent. Though the global economic landscape in 2020 was challenging, a scenario which is expected to continue to exist at least into the first half of 2021, all hope is not lost. There exists the potential and possibility for opportunities to build resilience through multilateral collaboration at the various organizational levels and bring about structural efficiencies that can lead to long term benefits for countries.

The Eastern Caribbean Central Bank (ECCB) at its Monetary Council Meeting[2] held on February 12, 2021 indicated that although the global outturn for 2020 was not as severe as previously expected due to a sharp uptick in activity in the second half of 2020, the crisis posed significant economic and health challenges for the Eastern Caribbean Currency Union (ECCU). The Council surmized that the economy of the ECCU was expected to contract by 15.0 percent, while pre pandemic estimations had the region growing at a modest 3.2 percent for 2020. For a region comprising of small island developing states a downturn of such a magnitude will have devastating effects on the gains made in regards to poverty reduction, fiscal and debt sustainability, productivity and will lead to a further widening of the income inequality gap. These negative effects will linger into the long-term, dampening the prospects for the region, the ECCB expects the region to grow by 4.0 percent in 2021. However, this growth rate will leave the region woefully short of its pre-crisis growth level.

[1] International Monetary Fund World Economic Outlook Update January 2021
[2] Eastern Caribbean Central Bank, Communiqué - 98th Meeting of the ECCB Monetary Council

The main engine of growth for the region's small, vulnerable states is Tourism. This sector took the brunt of the economic fallout as a result of the pandemic and the measures that were utilized to curtail the transmission rate of the virus. Social distancing rules, border closures, restrictions on movement and travel, quarantines, national lockdowns have all led to a severe contraction in this sector.

The ECCB estimates that the sector contracted by 75.0 percent in 2020. Also, with the region's source Markets the United States of America (USA) and the United Kingdom, being unable to substantially flatten their virus transmission curves, thereby adding an additional layer of uncertainty as to when and how the sector will begin to recover. This does not bode well for many of the region's governments whose revenues are tied to the performance of this sector. The IMF in its WEO January 2021 update indicated that the economies of the USA and the United kingdom in 2020 will contract by 3.4 and 10.0 percent respectively. Both countries are expected to have positive growth rates of 5.1 and 4.5 in 2021 respectively.

However, in spite of these challenges, the ECCU region's financial sector remained stable in 2020 and provided some much needed support for the economies in the region through debt service moratorium initiatives and by making credit available to both governments and households.

As highlighted by the IMF, the road to recovery will be long, uncertain and uneven. Countries thus far have put forth a tremendous effort to stem the disaster and curtail both the negative health and economic consequences of this pandemic. International solidarity along with government responses include the implementation of fiscal counter measures, the reallocation of resources to support income loss for both households and businesses, the expansion and strengthening of social safety net programmes, and the provision of substantial support to the health and education sectors.

These policies have helped to dampen some of the negative effects of the pandemic, however there is still a sizable downside risk to the recovery that can result in a setback. Public health concerns regarding the lowering of transmission rates, vaccine efficacy and the efficient roll out of vaccine programmes, the equitable access to vaccines by countries across the globe, social unrest and other economic factors are all risk factors that can affect the recovery.

Some other factors that can affect the pace of the recovery include continued weak global demand, low levels of remittances, prolonged weak capital flows which will further depress investments and prolonged high rates of unemployment which can reduce labour force participation and productivity. It is expected that some sectors will permanently shrink as a result of the recession and others will bounce back over time. It is important that governments do not prematurely remove effective policy support which can also result in a setback of the recovery. Many governments have had to increase spending in an effort to support their economies, however for developing countries such as small island states, where revenue has sharply declined due to the recession, the contracting of debt has become the only option for these countries. For many of these countries including St. Kitts and Nevis, the debt to GDP[3] level have risen in 2020 and with the uncertainty

[3] Gross Domestic Product

surrounding the duration of the downturn, these vulnerable countries will have to carefully balance deficit spending and debt sustainability in their efforts to support the economy. The ECCB has estimated that for the Federation the debt to GDP rose from 57.63 percent in 2019 to 64.62 percent in 2020. The ECCB has also estimated that for the ECCU region the debt to GDP rose from 67.23 percent in 2019 to 85.57 percent in 2020. One of the fiscal anchors established by the ECCB for the region is the realization of a debt to GDP ratio of 60.0 percent by 2035. The process of digging ourselves out of this recession will not be easy, there will be many difficulties to overcome. Managing the complexities involved will require collaboration, innovation and the implementation of policies that would support a resilient, sustainable and equitable post pandemic economy.

Fiscal Outturn

The fiscal year 2020 at the outset showed signs of great promise. The period January to March 2020 generated recurrent revenue in the amount of 36.1 million which was one of the best first quarter results for the Administration over the past five years. In March 2020, the COVID-19 pandemic was declared and shortly thereafter the island confirmed its first case and went into national lockdown which included the closure of schools, hotels and offices. The economy of St. Kitts and Nevis was brought to a standstill with only essential businesses allowed to operate on a very restrictive scale during the lockdown which began to be eased in June 2020. At the end of the second quarter recurrent revenue receipts had sharply declined to $23.40 million which represents $12.70 million less than the amount generated in the previous quarter. This outcome provided a clear indication as to the impending difficulties that the Administration would be up against in the coming months.

Although the lockdown was eased in June 2020, the national borders remained closed until October 31st, 2020 at which point tourists and non-essential travel by locals was permitted albeit only under the established strict COVID-19 health protocols. In conjunction with the public health measures, the Administration implemented several fiscal policies to stimulate economic activity especially in the hardest hit sectors of Tourism and Construction, and strengthened and expanded social safety net programs. The Agricultural Sector was also targeted by the Administration in an effort to boost productivity and support food sustainability efforts as the pandemic greatly affected supply chains and created logistical bottlenecks in regards to imports. During this period the Administration also significantly increased its fixed and intangible infrastructure spending in the Health and Education sectors to ensure that the island was sufficiently prepared to handle the health crisis.

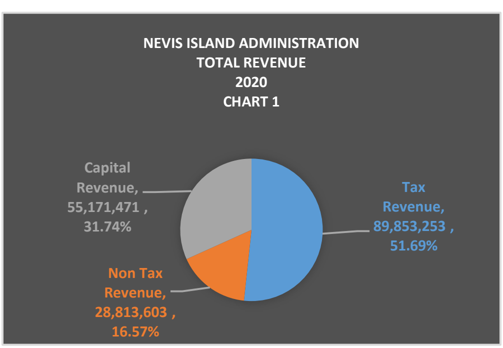
During this period of crisis, the Ministry of Finance adopted a strategy that involved a month by month fiscal and financial assessment to ensure the operational integrity of the Administration, with particular importance being placed on cash flow management and expenditure prioritization. Discretionary spending was discouraged and minimized to conserve resources that could be used in a more targeted approach to stem both the economic and social fallout from the crisis in the near to medium term. To further highlight the Administration's expectation of the uncertainty surrounding the path of the expected recovery in 2021, this policy stance/strategy was also incorporated into the 2021 Budget. The crisis greatly disrupted the island's normal business cycle, while putting enormous pressure on the island's limited resources in a time when revenue generation was greatly depressed and expenditure was sharply rising.

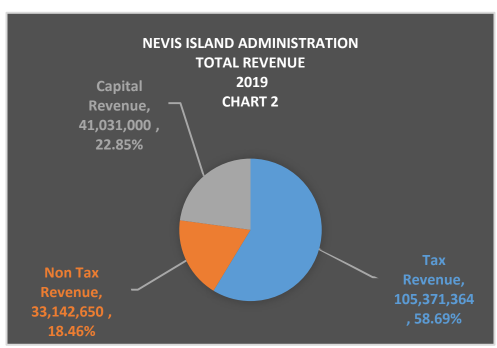
Prior to the pandemic the Federation of St. Kitts and Nevis were projected to grow by 2.78 percent in 2021 by the ECCB, which would have represented a marginal contraction of 0.06 percent over the country's forecasted performance in 2019 (GDP growth rate of 2.84 percent). The Federation's Debt to GDP ratio of 57.39 percent in 2019 was one of the best in the ECCU. However, this ratio is expected rise as a result of the fallout from the crisis. Also, the containment measures implemented would have eroded surpluses resulting in the Administration needing to refinance or contract new debt to support the economy. The ECCB now expects the Federation to contract by 15.15 percent in 2020.

Also, countries such as the USA and the UK the main source markets for both tourists, investments and remittances are still struggling to significantly reduce their virus transmission rates and return to some level of normalcy. This makes it even more difficult for the Administration to judge the trajectory of the recovery and determine the overall scope and duration of the support that the local economy will need going forward. Any set back to the global economic recovery particularly in these countries will further hamper the pace of the island's own path to recovery. The ECCB, using the information that is currently available have indicated that the Federation is expected to grow by 6.37 percent in 2021. The policies that the Administration has put in place thus far were not only designed with the near to medium term goal of dampening the effects of the recession and supporting the recovery but it is hoped that these policies will enable the Administration to be in a better position post pandemic to secure its long-term goal of building a resilient, sustainable and dynamic economy.

Revenue

The total revenue generated for the fiscal year 2020 amounted to $173.84 million. This represents a marginal decline of 3.18 percent when compared to the $179.55 million collected in 2019. Charts 1 and 2 below highlight the composition of total revenue for 2020 and 2019.When we compare



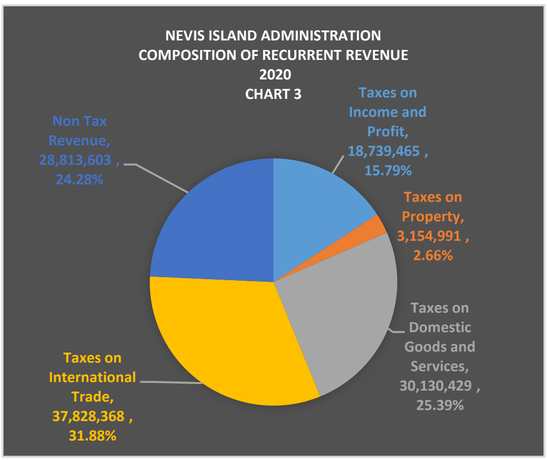


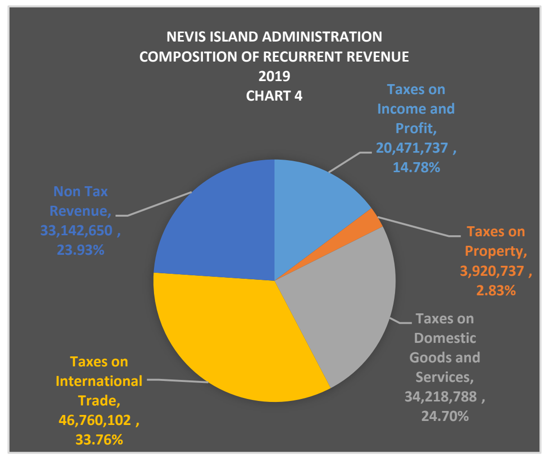
the charts we see that the significance of tax revenue has declined from 58.69 percent in 2019 to 51.69 percent in 2020 as a portion of the total revenue. The charts also indicate that in 2020 the share of capital revenue as a component of total revenue grew by 8.89 percent when compared to 2019.

The 2020 budget for total revenue was set at $178.45 indicating that despite the crisis the performance for the year was only slightly behind what was expected by 2.58 percent.

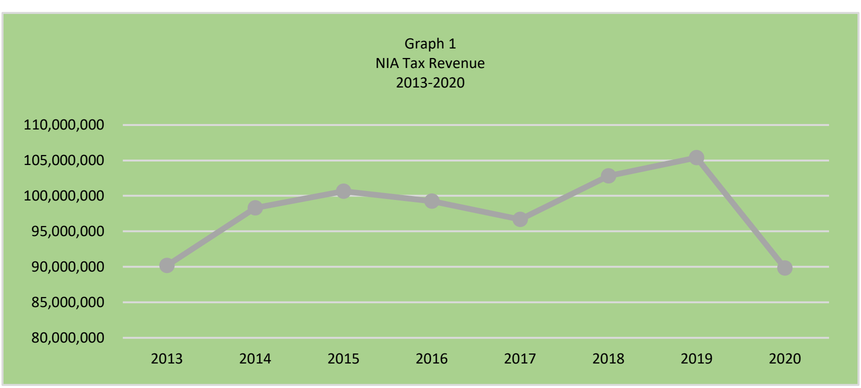
Recurrent Revenue

Recurrent revenue receipts for the fiscal year 2020 amounted to $118.66 million, which represents a significant decrease of 14.33 percent or $19.85 million when compared to the $138.51 million collected in 2019. This category of revenue is made up of two components – tax revenue which amounted to $89.85 million and non-tax revenue which amounted to $28.81 million.



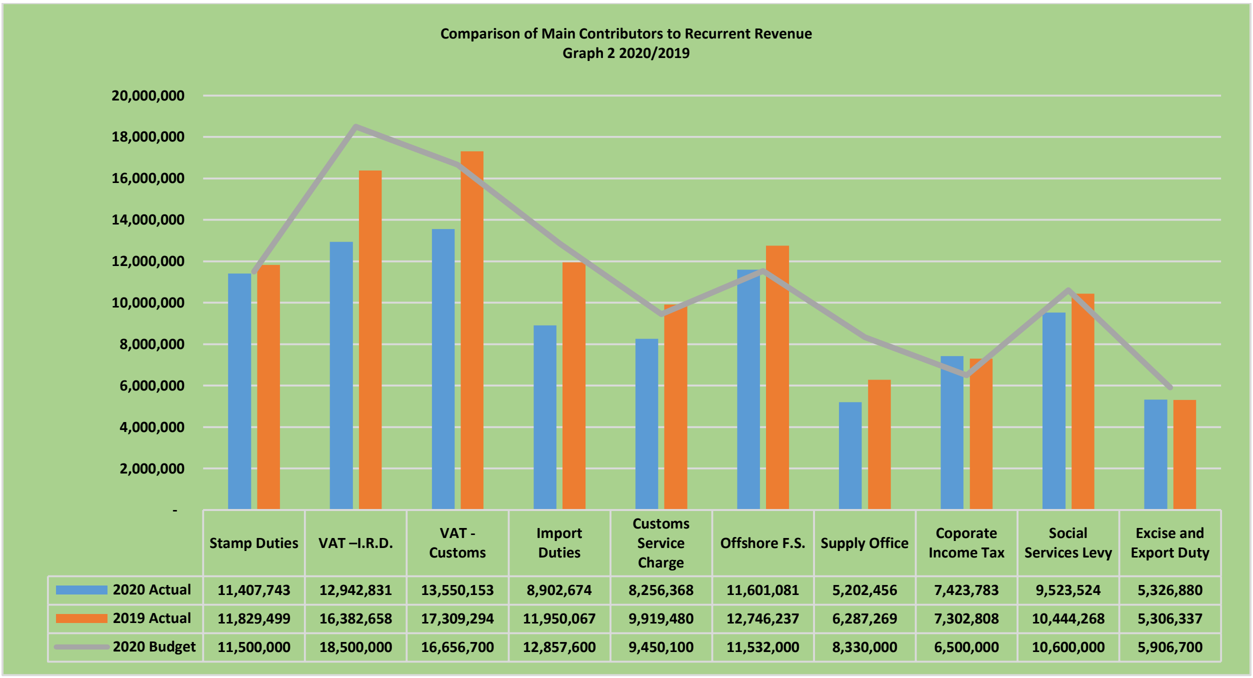


Charts 3 and 4 above indicate that all components of tax revenue in 2020 underperformed when compared to 2019. The charts indicate that the largest drop off in revenue occurred in revenue collected from taxes on international trade at 19.10 percent or $ 8.93 million. This is then followed by revenue collected for taxes on domestic goods and services at 12.00 percent or $4.09 million. Receipts collected from non-tax related revenue declined by 13.10 percent or $4.33 million. Overall, tax revenue collected for the period fell by 14.73 percent or $15.52 million when compared to the results for 2019 where tax revenue amounted to $105.37 million.



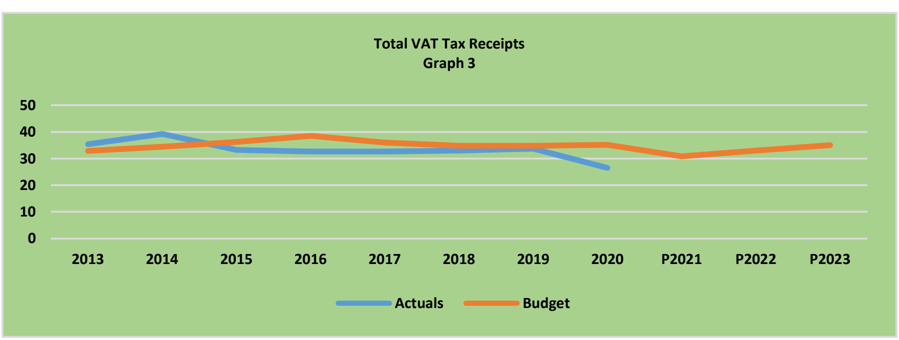
Graph 1 shows that the tax revenue collected for fiscal year 2020 was the lowest in the last seven years. This is indicative of the severity of the economic fallout of the pandemic on the island and the Administration – moving from a slight expansion between the years of 2017 to 2019 to a sharp and sudden decline in 2020. This situation did not afford the Administration much time to prepare and it highlights the level of vulnerability that the island's economy is exposed too.

There are several different classes of taxes that compose the tax revenue for the Administration.



	Stamp Duties	VAT –I.R.D.	VAT - Customs	Import Duties	Customs Service Charge	Offshore F.S.	Supply Office	Coporate Income Tax	Social Services Levy	Excise and Export Duty
2020 Actual	11,407,743	12,942,831	13,550,153	8,902,674	8,256,368	11,601,081	5,202,456	7,423,783	9,523,524	5,326,880
2019 Actual	11,829,499	16,382,658	17,309,294	11,950,067	9,919,480	12,746,237	6,287,269	7,302,808	10,444,268	5,306,337
2020 Budget	11,500,000	18,500,000	16,656,700	12,857,600	9,450,100	11,532,000	8,330,000	6,500,000	10,600,000	5,906,700

Graph 2 highlights the comparative performance of key sources of revenue for the Administration. The majority of these are classified as direct or indirect taxes with Offshore Financial Services being the only non-tax source included on the list. The data indicates that VAT and Import Duty receipts had the largest decline in collection when compared to their respective 2019 results. Total VAT receipts for 2020 amounted to $26.49 million which represents a $7.20 million or 20.80 percent decrease when compared to the $33.69 million in receipts collected in 2019. VAT receipts collected at the Customs Department was the hardest hit with a decline of $3.76 million, while receipts collected at the Inland Revenue Department fell by $3.44 million when compared to 2019.



One of the main sources of VAT receipts for the Inland Revenue Department is the Tourism Sector which was severely impacted by the pandemic. All of the hotels, restaurants and other tourism related business were completely closed during the national lockdown and when the lockdown was eased both occupancy and business activity levels were significantly reduced. Public health safety measures, travel restrictions and testing requirements both locally and internationally continue to put downward pressure on demand for services and goods in this sector. How quickly this sector recovers will depend on how quickly, efficiently and effectively vaccine programs can be rolled out and transmission rates reduced globally and locally albeit St. Kitts and Nevis has already successfully flattened their virus transmission curve. Projections for the near to medium term are optimistic that VAT receipt levels will return to pre pandemic levels by 2022. VAT is a significant source of revenue for the Administration, usually contributing on average 25 percent of recurrent revenue. It is usually considered as a leading indicator of economic growth for the island and Graph 3 indicates that in 2020 it has been at its lowest level in seven years.

The closure of the island's borders coupled with softened local demand especially in the Construction and Tourism Sectors, as well as some degree of supply chain difficulties have contributed to both the reduction in VAT and Import Duty receipts at the Customs Department. Import Duties fell by 25.50 percent or $3.05 million when compared to 2019. The Administration has implemented policies whereby certain classes of business owners and first time home owners would receive duty free concessions on the purchase of vehicles, equipment and furniture and building materials. The purpose of these policies is to encourage entrepreneurship, support MSMEs, encourage home ownership, and to help spur economic activity and investment both local and foreign. Each year the Customs Department tabulates the revenue loss due to these policies and for the fiscal year 2020 this loss stood at $22.11 million. However, the value for 2020 also includes some of the economic measures that were put in place to support households and the private sector as the crisis unfolded in 2020, as well as the increase in medical supplies and educational materials that were purchased by the Government to support its public health safety programs during the year. Table 1 shows the categories of entities that would have benefited from this policy over the last five years. Apart from the Government, Restaurants/Hotels category is a major beneficiary of this policy.

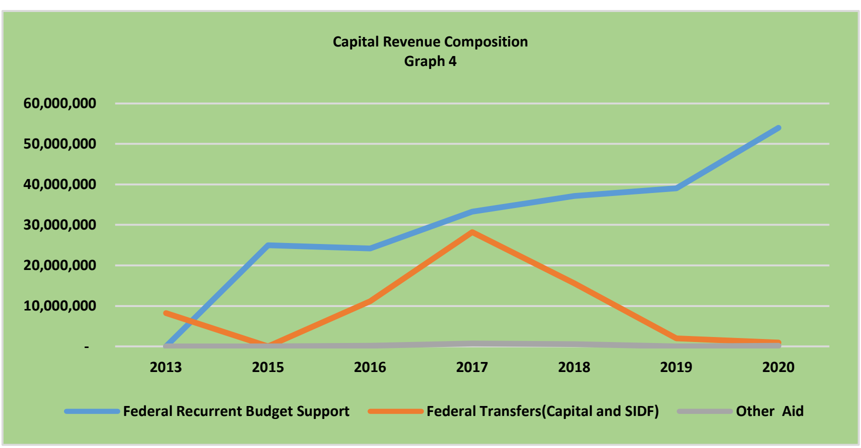
Table 1: Customs Department Revenue Loss

Sector	2016	2017	2018	2019	2020	Total
A1 - Agriculture & Forestry purposes	310,928.91	201,907.36	142,800.35	161,626.57	407,871.71	**1,225,134.90**
B1 Statutory Bodies	1,071,130.25	337,874.36	1,463,860.04	634,746.17	564,456.35	**4,072,067.17**
C1 - Pure Culture	0.00	1,226.29	261,236.99	9,138.31	17,522.21	**289,123.80**
D1 - Diplomatic Missions	0.00	0.00	30,199.88	0.00	679.94	**30,879.82**
E1 - Schools (Private)	19,701.93	29,252.00	98,198.52	117,836.48	230,609.24	**495,598.17**
F1 - Renewable Energy/Energy Saving	33,081.47	48,755.20	32,683.73	51,340.30	49,807.34	**215,668.04**
G1- Government	4,770,720.60	7,774,315.02	6,842,465.01	7,785,546.40	4,788,409.86	**31,961,456.89**
H1 - Health	9,306.24	6,443.39	5,071.63	21.35	-	**20,842.61**
I2 - Local Manufacturers	271,136.02	48,970.26	109,231.43	175,458.10	232,521.70	**837,317.51**
J 1 Imports under Exemption for Small and Medium Businesses (Previously under Code O	-	887,591.21	734,885.52	688,083.28	471,569.93	**2,782,129.94**
K1 - Communication Company	119,320.82	56,045.53	74,733.60	6,422.44	38,208.21	**294,730.60**
L - Barrel Trade	326,136.32	811,570.60	1,004,658.38	677,921.10	941,316.45	**3,761,602.85**
M1 - Military Forces (Foreign)	-	-	-	-	-	**0.00**
N1-Non-Profit Organization	176,409.91	79,946.60	139,620.27	142,497.63	125,203.10	**663,677.51**
O1 - Other Approved purposes	3,088,013.48	1,150,159.55	1,631,272.44	1,779,508.63	3,227,229.34	**10,876,183.44**
P Movement of persons & Returning Nationals	411,194.54	370,913.79	282,669.43	175,201.97	219,329.07	**1,459,308.80**
R1 - Miscellaneous Cabinet Relief	449,807.92	554,522.93	835,437.70	641,839.38	1,400,963.95	**3,882,571.88**
S1 - Marine	127,910.18	166,165.84	131,226.74	57,652.22	10,663.25	**493,618.23**
T2 - Restaurants	10,365,521.20	9,594,440.91	6,356,278.85	4,780,144.00	9,198,867.32	**40,295,252.28**
V1 - First Time (Home Owner)	159,593.58	93,590.44	155,567.48	157,043.30	186,256.22	**752,051.02**
Summary	**21,709,913.37**	**22,213,691.28**	**20,332,097.99**	**18,042,027.63**	**22,111,485.19**	**104,409,215.46**

The data indicates that cumulatively, the Department has forfeited $104.41 million in revenue over the last five years of which $39.92 million is attributed to government entities and the remaining $64.49 million is attributed to non-government entities. It must also be noted that on average the annual revenue loss is almost half of the annual revenue collected at the Department. This is an important policy tool for the Administration and it is vital that it be managed prudently and periodically evaluated to ensure efficacy in achieving the desired economic outcome.

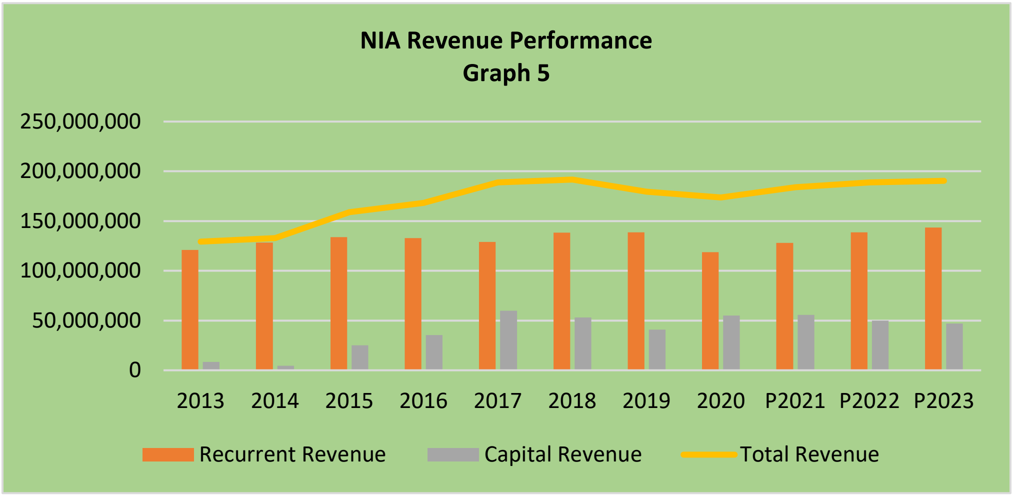
Capital Revenue

The Administration in 2020 received a record amount in capital revenue mainly in the form of transfers from the Federal Government. Overall the Administration received $55.17 million in capital revenue for the year, with $53.99 for budgetary support, $1.00 million for capital budget support and $0.18 million in form of aid. Graph 4 shows that the budgetary support received in 2020 was the highest in seven years. Overall, fiscal support of this form has been steadily trending upwards since 2016. Federal Government transfers to support the capital budget peaked at $28.26 million in 2017 and has been sharply declining since then. This decline coincides with the Federal Government's decision to windup the Sugar Industry Diversification Fund, the vehicle through which these transfers were facilitated. Aid from non-government sources has diminished over the years. This could be as a result of the challenges often encountered in completing the application process for aid funding from the various international agencies. In some cases governments have had to incur the cost of obtaining technical assistance to provide guidance and support in meeting the often times burdensome application prerequisites and in completing the application process. Also, with the country's income level re-designation by the World Bank as a high income country, the island may now be excluded from the group of countries that would qualify for international aid.



Overall, Graph 5 below provides some insight into the Administration's expectations for the near to medium term. Revenue growth has been minimal over the last seven years and projections for the medium term are conservative and fall within the range of pre-pandemic average annual revenue. Capital revenue forecasts for the medium term on average remain around the same level as the amount collected in 2020 indicating that the Administration will continue to require the increased Federal Government support as it seeks to help set the economy on a path to recovery.

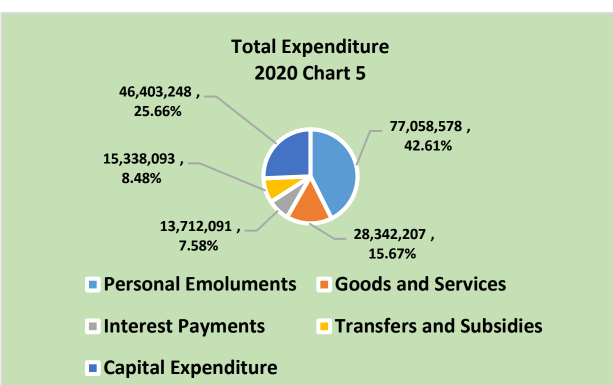
The IMF has advocated that governments do not prematurely remove supportive economic measures as this could result in a set setback to the recovery. Many of the fiscal measures put in place in 2020 by the Administration to dampen the downturn and support households and businesses will be extended into the first quarter of the new fiscal year 2021 in the first instance.

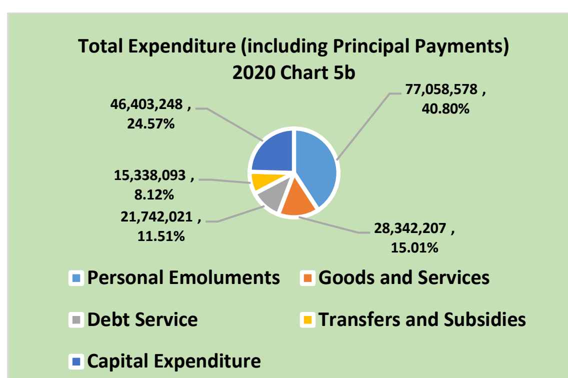


The Administration will then assess the economic conditions on the island in conjunction with the global economic expectations and determine the policy changes to be made and implemented.

Expenditure

The total expenditure (in Economic Classification Format) for the Administration amounted to $180.85 million. For the fiscal year 2020, the Administration had to abruptly shelve its initial spending plans and priorities and immediately formulate a new plan which would target expenditure towards the strengthening of health and educational infrastructure, creating and implementing a COVID-19 strategy to tackle public awareness, virus transmission and vaccine acquisition and roll out, as well as measures to curtail the negative economic and social effects of the pandemic. Despite the challenges faced during the year, the Administration was able to curtain its total expenditure, whereby the total outlay came in under budget (2020 budget $228.11 million) by $47.25 million or 20.72 percent. Also, the outlay for the period decreased by $26.74 million or 12.88 percent when compared to the results for 2019 ($207.59 million). The outlay for total expenditure includes $134.45 million in recurrent expenditure and $46.40 million in capital expenditure.





Recurrent Expenditure

The Administration's recurrent expenditure for the period amounted to $134.45 million, which is a reduction in spending of $15.82 million or 10.53 percent when compared to 2019.

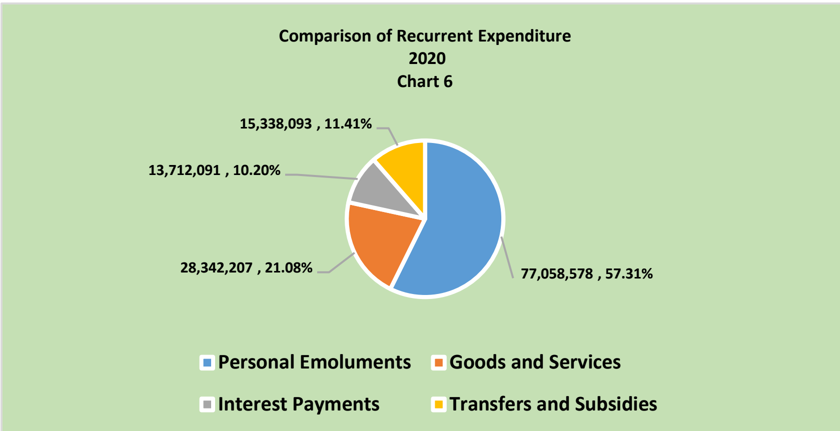
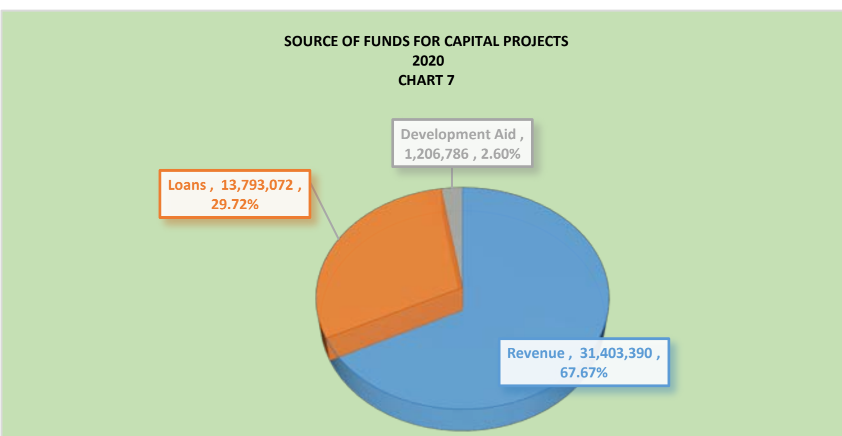


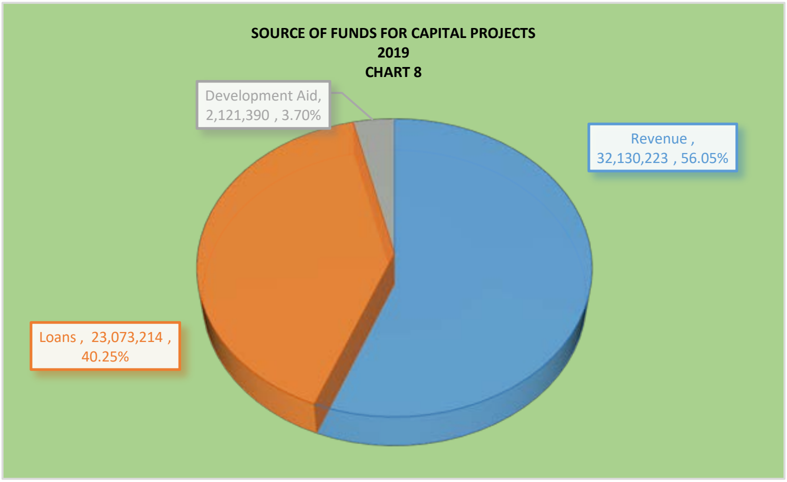
Chart 6 indicates that the two major categories of recurrent expenditure were Personal Emoluments at 57.30 percent and Goods and Services at 21.10 percent. Together these two areas accounted for 78.40 percent of recurrent expenditure for 2020. The Public Administration sector is one of the largest employers on the island[4]. As of October 31, 2020 the Statistics Department of the St. Christopher and Nevis Social Security and Levy Board indicated that 32 percent of average number of jobs on the island were in this sector. In comparison to spending in 2019, each expense category experienced a marked decline with the largest decrease occurring in Goods and Services which saw a 22.09 percent or $8.04 million decrease.

Capital Expenditure

The Administration's capital expenditure for the period amounted to $46.40 million. With the change in the economic landscape both locally and globally as a result of the pandemic, there was a consorted effort to scale down the public investment portfolio for the year. As with recurrent expenditure, capital projects were prioritized and expenditure in these areas served two purposes to provide long term infrastructure for economic growth and to provide stimulus for economic activity. In 2019, the Administration spent $57.32 million on capital projects, which was 19.05 percent or $10.92 million more than what was spent in 2020. Chart 7 indicates that the primary source for funds for the public investment portfolio was revenue or the consolidated fund which includes recurrent revenue and transfers. The share of projects being funded through loans in 2020 fell by 40.02 when



[4] Appendix III -Employment



compared to 2019. This may be due to some projects nearing their completion stages having fully utilized the proceeds. Both charts indicate the significant reliance of the Administration on revenue to support the public investment portfolio. It is of paramount importance that these investments provide the Administration with tangible medium to long term returns in the form of increased revenue and sustainable economic growth.

Table 2: Capital Expenditure by Ministry

Ministry	Expenditure $	Percentage of Total
Premier's Ministry	1,731,577	3.73%
Ministry of Finance	3,258,041	7.02%
Ministry of Com.	21,289,116	45.88%
Ministry of Agriculture	2,497,272	5.38%
Ministry of Health	7,965,805	17.17%
Ministry of Tourism	984,720	2.12%
Ministry of Education	5,481,981	11.81%
Ministry of Soc. Dev.	3,194,736	6.88%
Total	46,403,248	100.00%

Table 3: Capital Budget Utilization

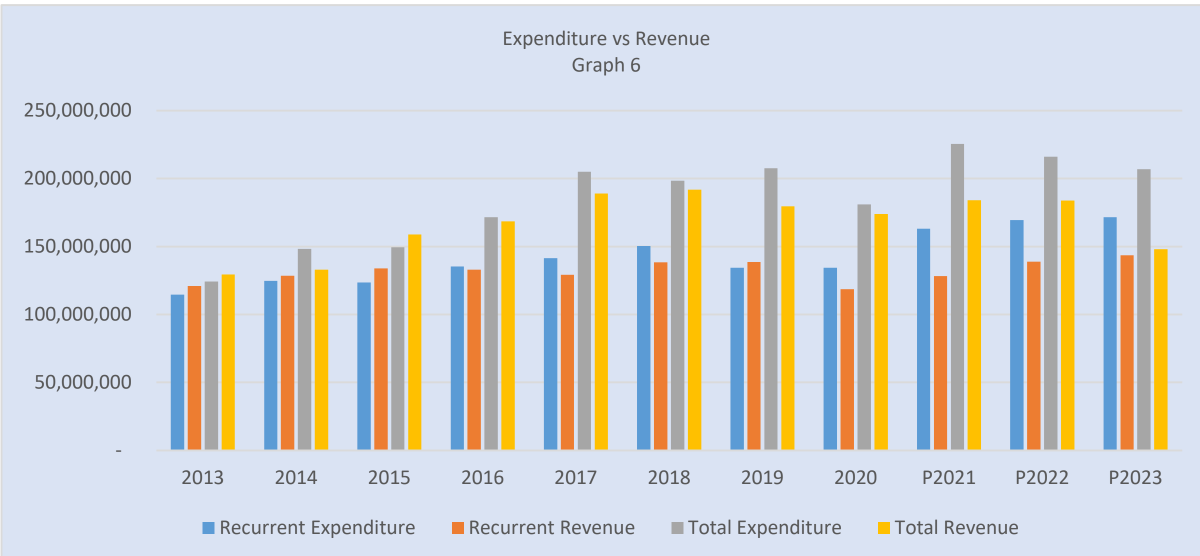
Ministry	Capital Budget $	Percentage used
Premier's Ministry	2,825,000	61.29%
Ministry of Finance	5,050,000	64.52%
Ministry of Com.	26,130,000	81.47%
Ministry of Agriculture	4,305,000	58.01%
Ministry of Health	15,350,000	51.89%
Ministry of Tourism	4,200,000	23.45%
Ministry of Education	7,400,000	74.08%
Ministry of Soc. Dev.	4,120,000	77.54%
Total	69,380,000	66.88%

Tables 2 and 3 provide details about the use of the capital budget for the fiscal year 2020. Of the amount spent in 2020 the Ministry of Communication et al. accounted for 45.88 percent and the Ministry of Health accounted for 17.17 percent, followed by Ministry of Education at 11.81 percent.

These three Ministries have been associated with the some of the largest and ongoing projects for the Administration over the last three years. In regards to the Ministry of Health – one of its major projects is the ongoing million dollar extension of the Alexandra Hospital which is expected to be completed in 2022. In regards to the Ministry of Education – one of its major projects is the addition of a Technical and Vocational (TVET) wing at the Gingerland Secondary School which is also expected to be completed in 2022. Also, both Ministries are involved in ongoing plant enhancements. The Ministry of Communication et al. has been involved in major road and secondary road rehabilitation work for the past three years. While several segments of the road network have been completed to some degree, new road repair works are continuously being undertaken by the Ministry.

It has been a challenging year for the Administration with regards to finding an efficient balance between safe guarding the public and supporting the economy. 2020 was the year that saw revenue plummet to levels unseen in over seven years, an almost complete back track on the plans and expenditure priorities of the approved budget and increased awareness of existing and or new fiscal and economic vulnerabilities.

Graph 6 highlights the operational trends for the Administration over the last seven years. It shows the gradual stagnation of recurrent revenue while highlighting the gradually increasing role of transfers from the Federal Government on the Administration's finances.



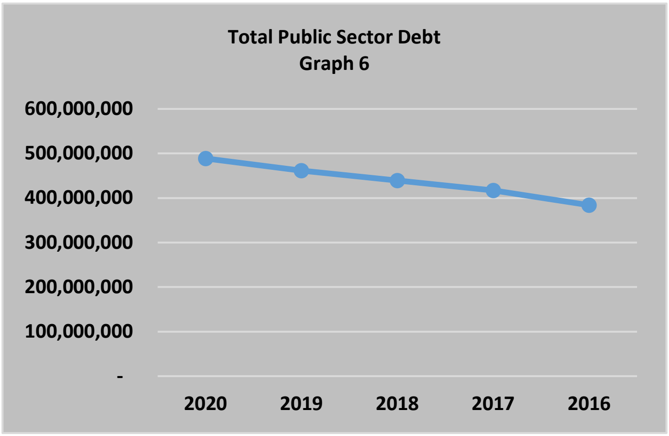
The projections for the medium term indicate that revenue growth will be slow – which to some extent is in keeping with the accepted idea that the path to recovery from this current downturn will be long, uneven and uncertain. However, it is still discerning that revenue growth for the Administration is not expected to return to pre pandemic levels until 2023 even as the ECCB predicts growth for the Federation at 6.37 percent in 2021.

This suggests that there are ongoing issues other than the current downturn that will continue to depress economic activity on the island. Issues such as the ease of doing business, access to affordable capital, access to markets local and regional, limited access to or adaptation of innovative technology and the high costs of energy may be some of the constraints facing the businesses on the island. Conversely, the Administration may need to make some structural changes in regards to taxation and remedy any institutional deficiencies that exist to aid in the long term growth prospects of the economy.

The graph also shows that for the medium term, expenditure will rise as the Administration fully implements its expansionary fiscal policy to support the economic recovery and maintain living standards.

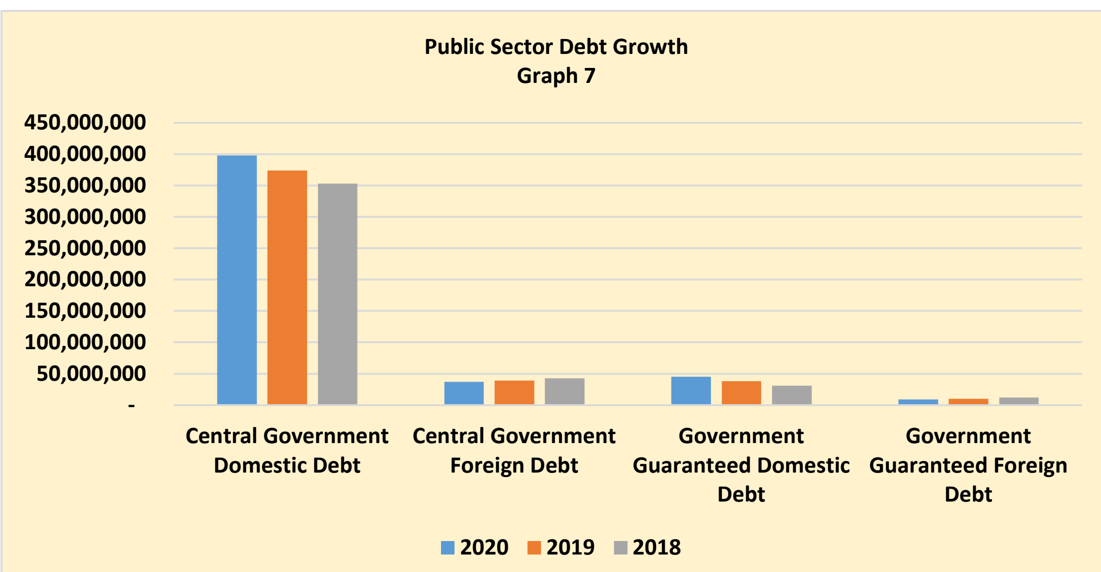
Debt Management

One approach through which good governance can be measured is by a government's ability to sustainably manage its debt. The contraction of debt or the restructuring of existing debt is one of the ways through which governments in the ECCU region including the Nevis Island Administration used to provide some fiscal flexibility during this challenging time. The Administration's Total Public Sector Debt as at December 30, 2020 amounted to $488.80 million.



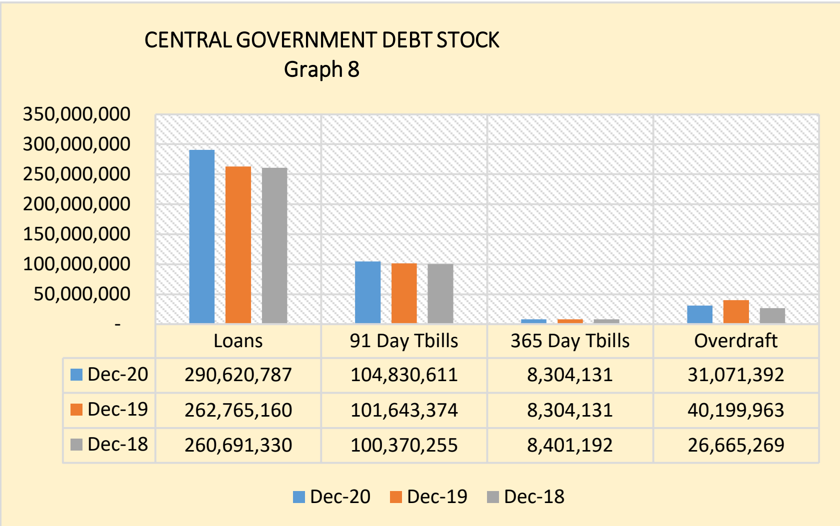
Public Sector Debt has been steadily increasing year on year, with the debt moving from $383.89 million in 2016 to $488.80 million in 2020 – a rise of 27.33 percent over five years. In 2019 the debt stock stood at $461.46 million then increased by 5.90 percent or $27.34 million to $488.80 million in 2020. Over this five year period the largest net increase in the stock took place in 2017, where the debt moved from $383.89 million in 2016 to $416.53 million by 2017. This is an increase of $32.64 million or 9.5 percent. It must also be noted that the fiscal year 2017 had the largest capital expenditure outlay for the four year period from 2017 to 2020 at $63.47 million.

Public Sector debt is made up of Central Government Debt and Government Guaranteed Debt. Graph 7 provides a three year comparison of the composition of Public Sector Debt. The graph indicates that Central Government Debt makes up the largest portion of Public Sector Debt.



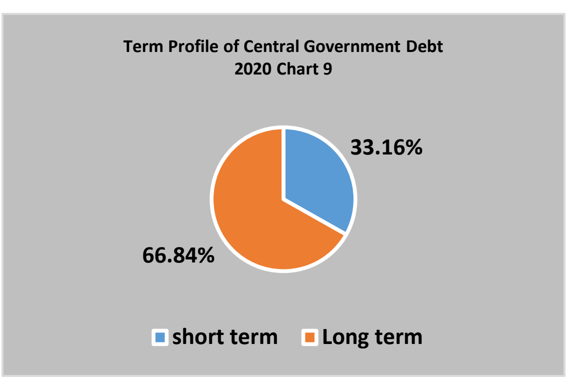
Central Government Debt

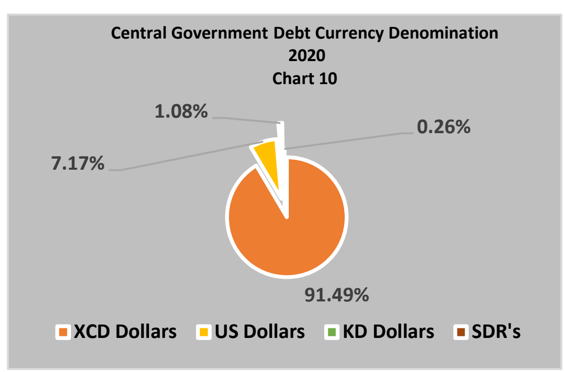
At the end of 2020, the Central Government debt stood at $434.83 million. The debt increased by 5.31 percent or $21.91 million when compared to debt stock at the end of 2019.



	Loans	91 Day Tbills	365 Day Tbills	Overdraft
Dec-20	290,620,787	104,830,611	8,304,131	31,071,392
Dec-19	262,765,160	101,643,374	8,304,131	40,199,963
Dec-18	260,691,330	100,370,255	8,401,192	26,665,269

Graph 8 provides a three year comparison of the composition and movement of the Central Government debt stock. It indicates that increases in long-term debt in the form of loans was the driving force behind the growth in Central Government debt. Short-term debt in the form of treasury bills have remained relatively stable over the three year period. The majority of the changes in the stock of debt can be attributed to changes in the stock of loans and balances due on overdraft facilities. Over the three year period the average annual net growth in loans was 5.69 percent. In 2020, the Administration would have entered into a restructuring agreement with one of its largest domestic creditors and successfully restructured $20.0 million of its overdraft facility into a long-term loan. A similar transaction was undertaken in 2018 with another domestic creditor. This transaction was beneficial to the Administration in a number of ways especially as it was undertaken at a time when fiscal space was severely restricted as a result of the economic downturn brought about by the pandemic. The interest rate payable on the restructured debt would now be much lower than what was contracted on the overdraft, thus reducing the monthly debt service obligations and helping to improve the monthly cash flow constraints. Charts 9 and 10 below indicate that the majority of the Central Government's debt is denominated in the local currency thus limiting exposure to exchange rate risks and two thirds of the debt is classed as long-term

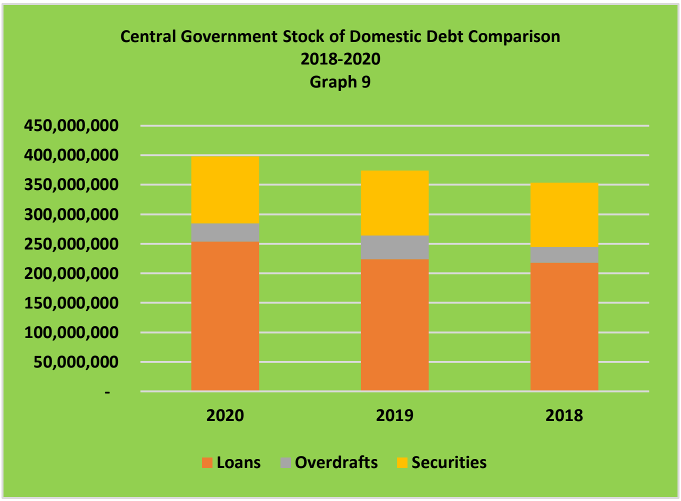




(original maturity) while the remaining one third as short-term.

Central Government Domestic Debt

The domestic debt portion of the Central Government debt stock stood at $397.81 million as at December 31, 2020, a net increase of $23.88 million or 6.39 percent when compared to 2019.



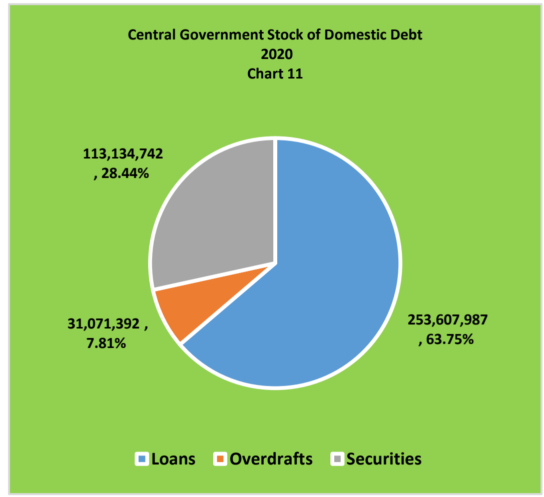
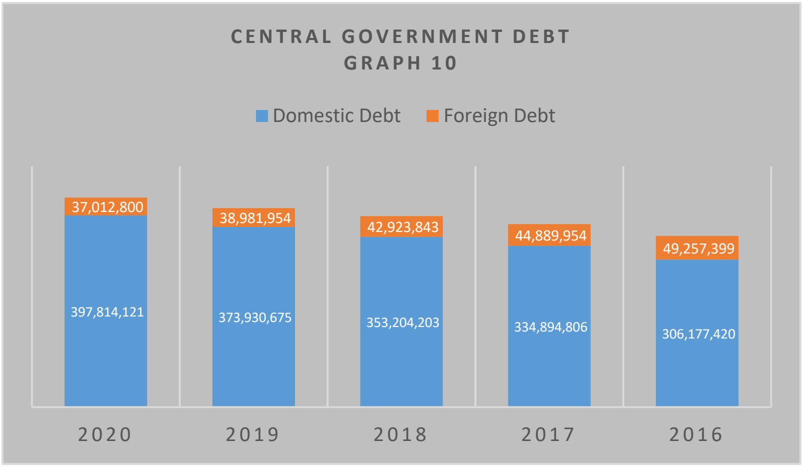


Chart 11 shows that 63.75 percent of the domestic debt is in the form of long-term loans and 28.44 percent in the form of short-term securities. As indicated previously growth in loans and fluctuations in the overdraft balances are the factors leading to growth in the debt stock. In regards to the relative stability of the stock of treasury bills, it must be noted that the Administration has decided to not only reduce the interest payable on these instruments from 6.50 percent to 4.50 percent but also to temporarily cease any new over the counter issues. Existing investors have the options to either cash out or roll over both principal and interest upon maturity for a further term. The data indicates that most investors are choosing to roll over their investments. This scenario does pose some risk to the Administration in that it increases the risk of default by the Administration. In the event that several large investors request settlement at the same time this could pose a cash flow problem for the Administration resulting in default.

Graph 9 shows that the overdraft balances grew from $26.67 million in 2018 to $40.19 million in 2019 – a $13.52 million or 50.70 percent increase. This completely wiped out the benefits gained in 2018 when a large portion of the then overdraft balances was restructured into a long-term loan. The balances were then reduced again in 2020 by a similar restructuring process whereby at the end of the year it amounted to $31.07 million. It is vitally important for the Administration to prudently manage its cash flow and liquidity. Well managed cash flow and liquidity systems can play a significant role in building financial resilience, which is essential for vulnerable economies of small island states such as Nevis. The approach of periodically using debt restructuring to manage short term debt is not sustainable and exposes the financial institutions to additional risks. For small island states with very little access to global financial markets these domestic financial institutions play a critical role in the development of the country's economy. There is also the concern that such a heavy reliance could result in the crowding out of other private investors that may not be able to have access to local financial resources.

Central Government Foreign Debt



The Central Government's foreign debt stock stood at $37.01 at the end of the fiscal year 2020. Over the past five years there has been a gradual reduction in this stock of debt. Graph 10 shows that as the foreign debt stock continues to trend downwards the domestic debt stock continues to trend upwards year on year. This indicates that the Administration is moving away from foreign sources and relying more on the domestic financial institutions for financing needs. This stock of debt is in the form of long term loans with foreign financial institutions, as well as bilateral and multilateral arrangements with governments and agencies.

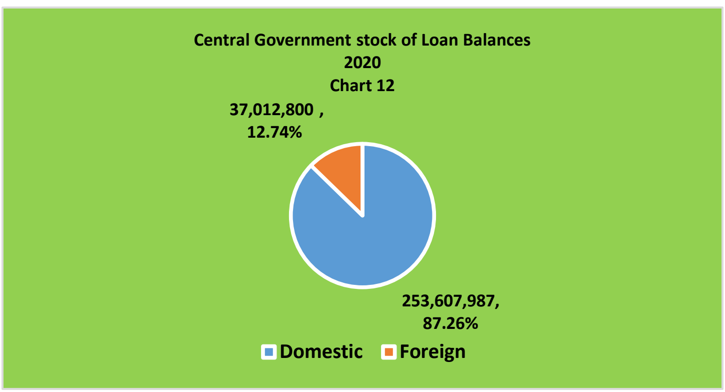
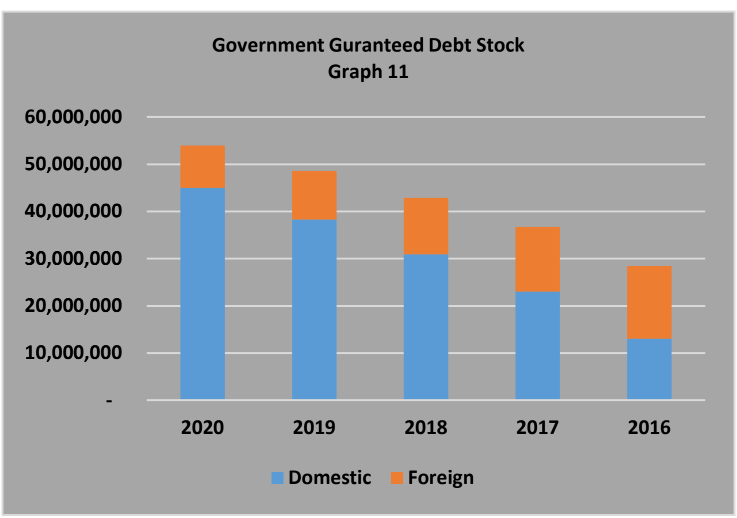


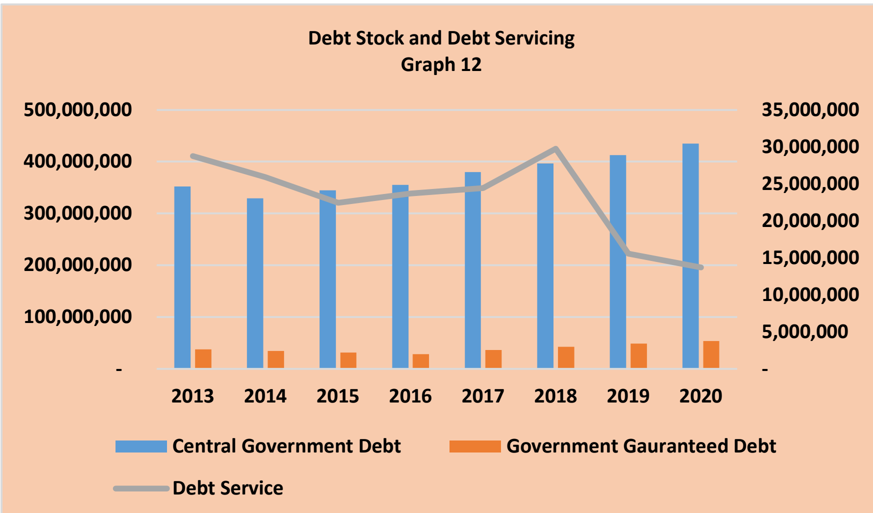
Chart 12 indicates that only 12.74 percent of the Central Government debt in the form of loans was sourced from foreign sources. The remaining were contracted from local institutions.

Government Guaranteed Debt



The Administration has oversight for several State Owned Enterprises. These include the Nevis Housing and Land Development Corporation, the Nevis Electricity Company, the Nevis Tourism Authority and the Nevis Air and Seaport Authority. These entities can borrow to finance their operations with the approval of the Administration, which also means that the Administration either explicitly or implicitly provides a guarantee for their debt financing agreements.

As at December 31, 2020, the stock of Government Guaranteed debt stood at $53.97 million, which is an increase of $5.42 million or 11.20 percent over the debt level in 2019 ($48.55 million). A similar pattern can be observed from graph 11 where we can see the foreign portion of this debt gradually declining over the last five years but the domestic portion is steadily increasing year after year. It is the Administration's responsibility to carefully monitor the debt burden and evaluate the very tangible risks associated with these entities as they take on more and more debt.

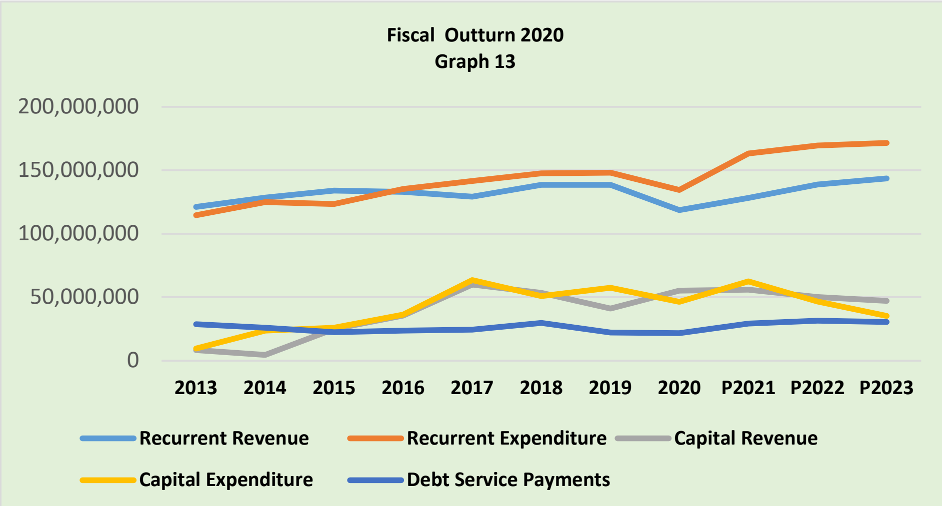


Public Sector Debt continues to rise year on year. Albeit in 2020 the pandemic left many countries with little to no option other than to borrow in an effort to support their economies. The increase in the Administration's debt is being fueled by a rise in both domestic Central Government and Government Guaranteed debt.

Over the past three years the Administration has already had to restructure some of its debt. With medium term forecasts indicating rising expenditure and marginal revenue growth, conditions which existed pre- pandemic as well, it is very important that a strategic approach be used when considering the contraction of new debt. The decision to contract new debt should be allied with the long term economic goals of the Administration. Though currently the cost to borrow is relatively low, caution and prudence must be exercised especially considering the uncertainty surrounding the global recovery from the 2020 recession. If interests rates begin to rise, while growth prospects continue to be depressed then the sustainability of such high levels of debt may add further constraints to an already fragile fiscal position.

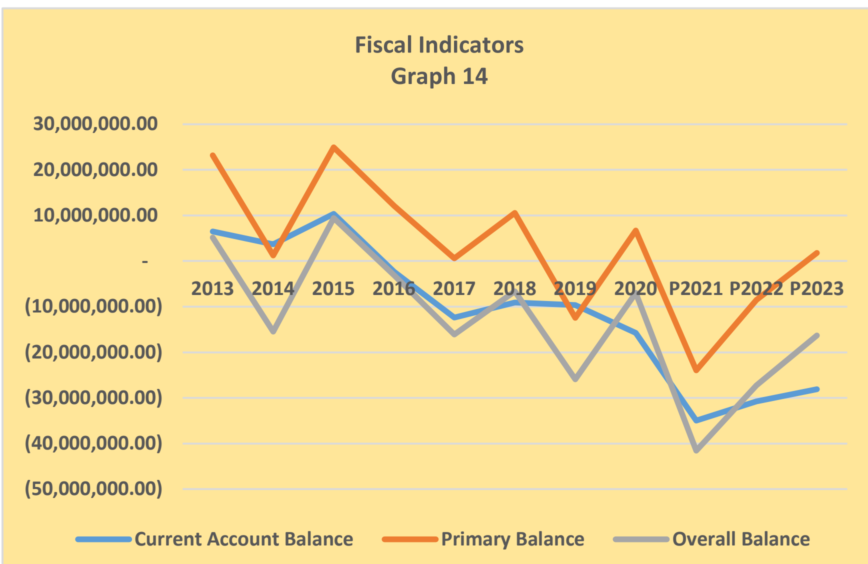
Fiscal Performance Indicators

As at December 31, 2020 the fiscal position of the Administration was one of mixed results. Graph 13 highlights the gap between actual recurrent revenue and recurrent expenditure from the fiscal year 2016 to present day and the expanding of this gap between projections for these categories in the medium term. The fiscal deficit at the end of 2020 stood at $15.78 million and which indicates a widening of the gap from 2019 ($-11.76 million) but is a better than expected results when compared to the budget ($-19.82 million). However, the projections indicate that the Administration expects this gap to worsen in the medium before it hopefully begins to shrink as the economy begins to pick up some momentum. The primary balance at the end of 2020 was in a surplus position of $6.70 million. This is a much improved position especially when compared to the deficit of $12.48 million in 2019 and the budgeted deficit of $31.82 million.



Debt service payments in 2020 fell below expectations due in part to restructured payments and debt service moratorium agreements negotiated by the Administration with some of its creditors.

The primary balance result was also helped by a significant injection of capital revenue in the form of transfers from the Federal Government. Graph 13 shows that the years in which transfers were at peak level are 2017 and 2020. Over the seven year review period, the years 2017 and 2020.



The overall balance at $-7.02 million however, remained in a position of deficit at the end of the fiscal year. This result was an improvement over where the Administration stood in 2019 where the overall deficit was $25.93 million. Graph 14 indicates that the near term outlook is one in which the fiscal conditions will deteriorate further before beginning to improve as the recovery hopefully gathers more momentum. Overall, the crisis has taught many governments including the Administration of the importance of building a resilient and sustainable economy. This requires good governance in all aspects of public finance management and includes ensuring that policies are aligned with long-term sustainable development goals. It is important that both physical and institutional infrastructure are also aligned with these goals so that when shocks do occur the outcome will be less severe and the recovery faster, all things being equal.

Employment

Employment numbers have been greatly affected by the economic crisis brought on by the COVID-19 pandemic, especially in the service sectors which include Tourism, Transportation and Communication, and Construction. The number of jobs and weeks worked in these sectors have been significantly diminished. One of the sectors that employs a large segment of the labour force is the Tourism sector which has been severely impacted both locally and globally. Data from the Department of Statistics for the St. Christopher and Nevis Social Security and Levy Board in regards to the registered labour force as at November 30, 2020 indicates that:

- 19.2 percent of the average monthly total number of jobs are in the Hotel/Restaurant sector
- 33.0 percent in Public Administration and Defense
- 8.5 percent in Construction
- 4.1 percent in Transportation and Communication
- 12.4 percent in Wholesale and Retail

These sectors collectively account for 3,979 jobs or 77.20 percent of the total average monthly jobs on the island. Together they also account for $11.63 million of wages earned or 74.60 percent of the total average monthly wages earned (January to November 2020 -$15.59 million).

For the period January to November 2020 the monthly average number of person employed was 4,867, which represents a decline of 787 persons or 13.90 percent when compared to the same period in 2019 where the average was 5,655 persons. The number of persons employed each month moved from a high of 5,670 in February 2020 pre-pandemic to a low of 2,882 persons in November 2020. It must be noted that the island's boarders were opened to leisure travelers on October 31, 2020. Of the average number of persons employed, 5.50 percent or 277 persons were registered as having a second job as is a common practice on the island. However, when this cohort was compared to the same period in 2019, the number had declined by 27.40 persons indicating that about 104 persons as at November 2020 no longer had a second job.

For the period January to November 2020 the monthly average total number of jobs on the island was 5,154, which indicates a net decline of 904 jobs or 14.9 percent when compared to the same period in 2019 when the average stood at 6,058. Of this total 2,814 jobs were held by women (2019-3,727) and 2,340 jobs were held by men (2019-2,786). Of the 904 jobs lost, 458 were lost by women and 446 were lost by men.

Table 4: Sector Impact of COVID-19 as at November 30 2020

Employment Indicators	Hotels/Restaurants	Construction	Transportation
% of total No. of Jobs	19.2%	8.5%	4.1%
No. of jobs lost	270	154	165
Amt. of Wages lost	$910,724	$656,037	$655,519
No. of weeks of work lost	925 weeks	650 weeks	659 weeks

When we examine the numbers for the period January to June 2020 which was shortly after the national lockdown was lifted the average number of jobs stood at 5,429. This indicates that between June and November on average the job market shrank by 275 jobs. Table 4 provides some insights into the impact of the pandemic and the economic downturn on the key sectors for the island. The table indicates that the Tourism sector has received the brunt of the impact from the ongoing crisis. All sectors were negatively affected in regards to employment by the crisis, except for the Financial Services sector where there was a net increase of 12 jobs added during the period January to November 2020 when compared to same period in 2019. This sector was able to benefit from having most of the services provided being digitalized and therefore did not require much face to face interactions among participants in the sector. This sector accounts for 227 jobs or 4.40 percent of the total average monthly jobs and $1.09 million in wages earned or 7.0 percent of the total average monthly wages earned as at November 2020.

The total average monthly wages earned was $15.59 million which when compared to 2019 represents a decline of $3.53 million. The number of weeks worked amounted to 21,681, with women working 11,931 weeks and men working 9,750 weeks. This represents a decline of 3,343 weeks when compared to 2019 with women loosing 1,650 weeks and men loosing 1,693 weeks.

For the employed segment of the labour force, weekly wages were distributed over a few categories. The diagram below indicates that 727 persons or 15.0 percent of the total number of employed persons earned average weekly wages in the minimum wage category, while 337 persons or 7.0 percent earned above the maximum average weekly wage category.

COMPARISON - Average Weekly Earnings by Employee: [TOTAL]
November [2020 vs 2019]

		Employees 2020	*Employees 2019*	Difference	*% Change*		
	Nevis					**Nevis**	
WEEKLY	$0 to $360.00	727	***858***	-131	***-15%***	$0 to $1,560.00	MONTHLY
	$360.01 to $500.00	1,048	***1,160***	-112	***-10%***	$1,560.01 to $2,166.67	
	$500.01 to $700.00	1,051	***1,199***	-148	***-12%***	$2,166.68 to $3,033.33	
	$700.01 to $900.00	631	***775***	-145	***-19%***	$3,033.34 to $3,900.00	
	$900.01 to $1,100.00	521	***603***	-82	***-14%***	$3,900.01 to $4,766.67	
	$1,100.01 to $1,300.00	352	***417***	-65	***-16%***	$4,766.68 to $5,633.33	
	$1,300.01 to $1,500.00	200	***243***	-43	***-18%***	$5,633.34 to $6,500.00	
	$1,500.01 and Over	337	***401***	-63	***-16%***	$6,500.01 and Over	
	Nevis Summary	**4,867**	***5,655***	**-788**	***-14%***	**Nevis Summary**	

Note: Average Weekly Earnings = (Total Wages / Total Weeks) for Jobs

In comparison to the same period in 2019, the diagram indicates that all weekly wage categories declined with the four largest declines occurring in the lower wage categories.

Weekly wages for the period Janaury to November 2020 were also distributed by the average number of jobs each month. The diagram below indicates 14.0 percent of the total average monthly jobs on the island are minimum wage jobs while 8.0 percent are jobs where the weekly average earnings is above the maximum weekly wage earned.

COMPARISON - Average Weekly Earnings by Job: [TOTAL]
January - November [2020 vs 2019]

WEEKLY: Nevis	Jobs 2020	*Jobs 2019*	Difference	*% Change*	MONTHLY: Nevis
$0 to $360.00	867	***1,067***	-200	***-19%***	$0 to $1,560.00
$360.01 to $500.00	1,140	***1,261***	-121	***-10%***	$1,560.01 to $2,166.67
$500.01 to $700.00	1,106	***1,258***	-152	***-12%***	$2,166.68 to $3,033.33
$700.01 to $900.00	714	***865***	-151	***-17%***	$3,033.34 to $3,900.00
$900.01 to $1,100.00	474	***550***	-76	***-14%***	$3,900.01 to $4,766.67
$1,100.01 to $1,300.00	294	***371***	-76	***-21%***	$4,766.68 to $5,633.33
$1,300.01 to $1,500.00	198	***247***	-49	***-20%***	$5,633.34 to $6,500.00
$1,500.01 and Over	361	***439***	-78	***-18%***	$6,500.01 and Over
Nevis Summary	**5,154**	***6,058***	**-904**	***-15%***	**Nevis Summary**

Note: Average Weekly Earnings = (Total Wages / Total Weeks) for Jobs

This diagram again shows that the jobs lost during the period were overwhelmingly those in the minimum and lower weekly wage categories. The monthly average number of registered and active employers at the end of November 2020 stood at 439.

Table 5: Comparison of Employment Trends

Employment Indicators	**Jan to Nov 2019**	**Jan to Jun 2020**	**Jan to Nov 2020**
Monthly Average No. of Jobs	6,058	5,429	5,154
Monthly Average No. of persons Employed	5,655	5,102	4,867
Monthly Average No. of Weeks Worked	25,024	22,743	21,681
Monthly Average Wages Earned	$19,118,233	$17,530,335	$15,587,740

Table 5 above highlights the changes in the employment landscape during the period November 2019 to November 2020. The table shows how conditions have deteriorated from pre-pandemic levels as at November 2019 to the period just after the initial easing of the lockdown and then at one month after the opening of the borders on October 31, 2020. Though the effects of the crisis on employment on the island were severe, the situation could have been much worse if not for several initiatives put forward and encouraged by the Administration. The measures that supported employment in 2020 included:

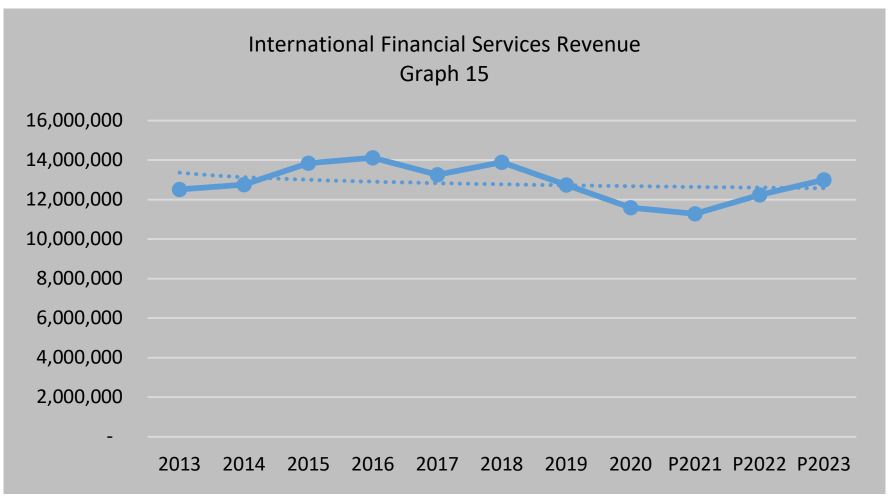
- Implementation of an income support program facilitated by the Social Security and Levy Board where affected registered workers received funds to supplement their lost income up to $1,000.00 for a period of six months.
- Agreements were negotiated between the Four Seasons Resort Hotel and the Administration to keep employees on the payroll for an initial period of three to six months.

- The Administration also expanded and strengthened its social safety net programs to provide assistance to households and individuals
- The Administration implemented a reduced income tax policy for businesses that kept their staff levels at 60 percent.

These measures though very helpful in the near term will not solve the real issue of the rising rate of unemployment on the island. Though it is hoped that some jobs will return as Tourism and other sectors rebound, the jobs market is expected to be smaller with some employers and jobs not returning. As the Administration begins to roll out its plans for the new fiscal year, resources will have to be allocated towards retraining initiatives to provide support for persons that will have to seek employment in new sectors.

International Financial Services

The International Financial Services sector faired moderately well in 2020 even as the crisis unfurled, as most of its services are digital in nature and do not require much face to face interactions between the parties involved. The Financial Regulatory Commission Nevis Branch collected $11.60 million in revenue in 2020. This represents a decline in revenue of only 8.98 percent when compared to 2019 ($12.75 million) and this outcome is on par with what was budgeted for the period (2020 Budget $11.53 million).



Graph 15 indicates that revenue growth for the Administration in this sector has been relatively stagnant. This is in part due to increased competition from other jurisdictions and the increased level of unilateral international regulations being levied on the sector. These regulations are costly to implement and due to the nature of these changes existing businesses are choosing to leave the jurisdiction and the number of new investors in the sector is declining. The main revenue generating services were Annual Renewals, Late Renewal Penalties and Registration Fees. Other classes of revenue generating services that performed better in 2020 when compared to 2019 included ; changes to Multiform Foundations which increased by 690.0 percent, Due Diligence Fees which increased by 30.0 percent, Registration Fees which increased by 7.0 percent and Reinstatements Fees which increased by 3.0 percent. However, revenue generated from services related to Apostilles fell by 37.0 percent in 2020 when compared to 2019. This represents the largest decline of any revenue class in 2020.

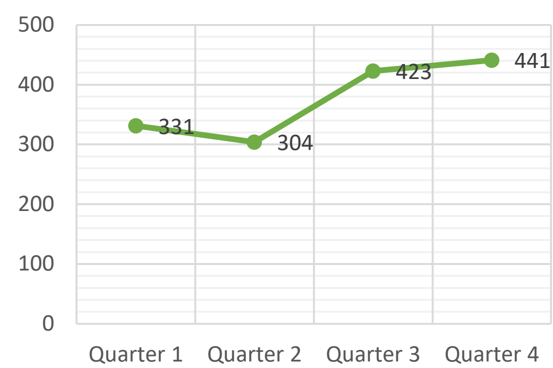
In 2020 a total of 1,499 new entities were incorporated, which represents an increase of 9.10 percent when compared to the new businesses incorporated in 2019 (1,374).

Product Type	2020	2019	% Change
IBCs	868	814	⬆ 6.60%
LLCs	518	453	⬆ 14.30%
Trusts	100	93	⬆ 7.50%
Foundations	13	13	0%
International Bank	-	1	⬇ 100%
Total	**1499**	**1374**	**⬆ 9.10%**

In 2020, registrations increased for all of the product areas except for Multiform Foundations and International Banks. Multiform Foundation formations were equaled for both periods and there was no international banks incorporated in 2020.

Graph 16 indicates that over the last four years new business incorporations has been steadily in decline. This year on year decline was only halted in 2020 with an increase in incorporations by 125 new businesses over that of 2019 but still far below the level of activity experienced in previous years.

Graph 16: Five Year Trend Analysis



Graph 17: Quarterly Registrations in 2020

Activity in this sector is cyclical in nature and on average the majority of the revenue is generated in the last quarter of the fiscal year. Graph 17 is a relatively typical illustration of activity in the sector over the period of a year (January to December). In regards to entity dissolutions, there has been a 15.0 percent increase in the number of entities dissolved when compared to that of 2019.

Struck entities decreased slightly by 0.14 percent and total reinstatements have increased by 9.0 percent. The total number of active entities which is the net result taking into consideration new incorporations, dissolutions, struck and reinstated entities stood at 14,117 as at January 07, 2021. In comparison, at the beginning of the fiscal year 2020 there were 14,474 active entities on the register, thus indicating a net decline of 2.5 percent or 357 entities. Despite the regulatory challenges being faced by the sector which is clearly affecting its revenue prospects and the 2020 recession, the sector seems to now be moving in the right direction, albeit at a marginal pace. The results for 2020 are encouraging and with collaboration among the participants of this sector, product innovations, some price restructuring and creative marketing techniques this sector can continue to be a corner stone and an engine of sustainable growth for the local economy.

Appendix I Revenue

NEVIS ISLAND ADMINISTRATION
For January - December 2020/2019
in economic classification format

Categories	2020 Annual Budget Budget $	2020 Jan-Dec Actual $	2019 Jan-Dec Actual $	2020/2019 Jan-Dec Variance $	2020/2019 Jan-Dec Variance %	2020 Jan-Dec Actual/Budget Variance %
Current Revenue and Grants	**178,445,600**	**173,838,327**	**179,545,013**	**(5,706,686)**	**(3.18)**	**(2.58)**
Current Revenue	**139,545,600**	**118,666,857**	**138,514,013**	**(19,847,157)**	**(14.33)**	**(14.96)**
Tax Revenue	**106,283,400**	**89,853,253**	**105,371,364**	**(15,518,110)**	**(14.73)**	**(15.46)**
Taxes on Income & Profits	**19,600,000**	**18,739,465**	**20,471,737**	**(1,732,272)**	**(8.46)**	**(4.39)**
Corporate Income Tax	6,500,000	7,423,783	7,302,808	120,976	1.66	14.21
Unincorporated Income Tax	2,000,000	1,384,157	2,132,439	(748,282)	(35.09)	(30.79)
Withholding Tax	500,000	408,001	592,222	(184,221)	(31.11)	(18.40)
Social Services Levy	10,600,000	9,523,524	10,444,268	(920,744)	(8.82)	(10.16)
Taxes on Property	**3,600,000**	**3,154,991**	**3,920,737**	**(765,746)**	**(19.53)**	**(12.36)**
Property Tax	3,600,000	3,154,991	3,920,737	(765,746)	(19.53)	(12.36)
Taxes on Domestic Goods & Services	**35,891,000**	**30,130,429**	**34,218,788**	**(4,088,359)**	**(11.95)**	**(16.05)**
Wheel Tax	2,900,000	2,828,104	2,843,038	(14,933)	(0.53)	(2.48)
Stamp Duties	11,500,000	11,407,743	11,829,499	(421,757)	(3.57)	(0.80)
Coastal Environmental Levy	300,000	89,832	155,199	(65,367)	(42.12)	(70.06)
Insurance Levy/Fees	500,000	513,481	564,353	(50,872)	(9.01)	2.70
VAT	18,500,000	12,942,831	16,382,658	(3,439,827)	(21.00)	(30.04)
Licenses : Gaming Levy	670,000	762,525	740,230	22,295	3.01	13.81
Licenses	1,521,000	1,585,913	1,703,810	(117,897)	(6.92)	4.27
of which Business & Occupation Licence	720,000	749,778	707,517	42,261	5.97	4.14
Drivers Licence	710,000	679,650	854,981	(175,331)	(20.51)	(4.27)
Taxes on International Trade	**47,192,400**	**37,828,368**	**46,760,102**	**(8,931,734)**	**(19.10)**	**(19.84)**
Import Duties	12,857,600	8,902,674	11,950,067	(3,047,392)	(25.50)	(30.76)
Excise and Export Duty	5,906,700	5,326,880	5,306,337	20,544	0.39	(9.82)
Environmental Levy	2,088,200	1,707,511	1,905,475	(197,964)	(10.39)	(18.23)
Consumption Tax	33,100	56,502	225,915	(169,413)	(74.99)	70.70
Travel Tax	200,000	28,279	143,534	(115,256)	(80.30)	(85.86)
Customs Service Charge	9,450,100	8,256,368	9,919,480	(1,663,112)	(16.77)	(12.63)
VAT	16,656,700	13,550,153	17,309,294	(3,759,141)	(21.72)	(18.65)
Non-Tax Revenue	**33,262,200**	**28,813,603**	**33,142,650**	**(4,329,046)**	**(13.06)**	**(13.37)**
Rent of Government Property	136,000	19,500	291,161	(271,661)	(93.30)	(85.66)
Fees, Fines & Sales	255,000	119,278	248,313	(129,035)	(51.96)	(53.22)
Post Office	728,500	281,042	484,476	(203,435)	(41.99)	(61.42)
Passport, Permits, etc.	1,665,000	1,394,238	1,761,068	(366,830)	(20.83)	(16.26)
Hospital Fees	875,000	1,136,977	945,089	191,887	20.30	29.94
Financial Services	11,532,000	11,601,081	12,746,237	(1,145,156)	(8.98)	0.60
Supply Office	8,330,000	5,202,456	6,287,269	(1,084,813)	(17.25)	(37.55)
Water Service	6,232,500	5,544,428	6,487,807	(943,379)	(14.54)	(11.04)
Agricultural Sector	468,000	487,819	445,180	42,639	9.58	4.23
Other Non-Tax Revenue	3,040,200	2,826,536	3,446,050	(619,515)	(17.98)	(7.03)
Interest and Dividends	-	200,250	-	200,250	-	-

Appendix II Expenditure

NEVIS ISLAND ADMINISTRATION for January - December 2020/ 2019 in economic classification format						
EC$	2020	2020	2019	2020/2019	2020/2019	2020
Categories	Annual Budget	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec Actual/Budget
	Budget	Actual	Actual	Variance	Variance	Variance
	$	$	$	$	%	%
Total Expenditure	**228,108,000**	**180,854,217**	**207,594,529**	**(26,740,312)**	**(12.88)**	**(20.72)**
Current Expenditure	**158,728,000**	**134,450,969**	**150,269,702**	**(15,818,733)**	**(10.53)**	**(15.29)**
Personal Emoluments	**85,744,600**	**77,058,578**	**81,106,801**	**(4,048,222)**	**(4.99)**	**(10.13)**
Salaries	58,069,000	50,171,756	51,906,858	(1,735,102)	(3.34)	(13.60)
Wages	26,130,000	25,613,318	27,967,246	(2,353,928)	(8.42)	(1.98)
Allowances	1,545,600	1,273,504	1,232,697	40,807	3.31	(17.60)
Goods and Services	**39,477,400**	**28,342,207**	**36,379,061**	**(8,036,854)**	**(22.09)**	**(28.21)**
Interest Payments	**17,780,000**	**13,712,091**	**15,567,813**	**(1,855,722)**	**(11.92)**	**(22.88)**
Domestic	16,358,000	12,514,255	14,362,552	(1,848,297)	(12.87)	(23.50)
Foreign	1,422,000	1,197,836	1,205,260	(7,424)	(0.62)	(15.76)
Principal Repayment	**11,605,000**	**8,029,930**	**9,602,584**	**(1,572,654)**	**(16.38)**	**(30.81)**
Domestic	7,426,000	4,524,578	6,272,287	(1,747,709)	(27.86)	(39.07)
Foreign	4,179,000	3,505,352	3,330,297	175,055	5.26	(16.12)
Transfers & Subsidies	**15,726,000**	**15,338,093**	**17,216,028**	**(1,877,935)**	**(10.91)**	**(2.47)**
Pensions and Gratuities	10,000,000	10,786,723	11,227,762	(441,039)	(3.93)	7.87
Regional and Int'l Contributions	3,798,000	2,953,329	4,146,546	(1,193,217)	(28.78)	(22.24)
Public Assistance	1,928,000	1,598,041	1,841,720	(243,679)	(13.23)	(17.11)
Current Account Balance	**(19,182,400)**	**(15,784,112)**	**(11,755,688)**	**(4,028,424)**	**34.27**	**(17.72)**
Capital Revenue	**-**	**-**	**-**	**-**	-	-
Land Sales	-	-	-	-	-	-
Other	-	-	-	-	-	-
Grants	**38,900,000**	**55,171,471**	**41,031,000**	**14,140,471**	**34.46**	**41.83**
Budgetary Grants	30,000,000	53,988,881	39,031,000	14,957,881	**38.32**	79.96
Capital Grants	8,900,000	1,182,590	2,000,000	(817,410)	(40.87)	(86.71)
Capital Expenditure	**69,380,000**	**46,403,248**	**57,324,827**	**(10,921,579)**	**(19.05)**	**(33.12)**
Fixed Investment	69,380,000	46,403,248	57,324,827	(10,921,579)	(19.05)	(33.12)
Net Lending	**-**	**-**	**-**	**-**	**-**	**-**
Overall Balance	**(49,662,400)**	**(7,015,890)**	**(28,049,516)**	**21,033,625**	**(74.99)**	**(85.87)**
Primary Balance	**(31,882,400)**	**6,696,200**	**(12,481,703)**	**19,177,903**	**(153.65)**	**(121.00)**

Appendix III Employment

Industry	**2015**	**2016**	**2017**	**2018**	**2019**	**Nov 2020**
Agriculture, Hunting & Forestry	109	113	114	123	134	119
Fishing	2	2	3	2	1	2
Mining & Quarrying	16	10	2	2	2	2
Manufacturing	73	82	89	88	102	79
Electricity, Gas & Water Supply	88	91	94	95	108	108
Construction	664	608	588	544	547	436
Wholesale & Retail Trade	585	635	643	675	707	637
Hotels & Restaurants	1,210	1,346	1,329	1,323	1,401	991
Transport, Storage & Communications	396	393	377	396	278	213
Financial Intermediation	197	210	206	206	231	227
Real Estate, Renting & Business Activities	233	240	258	276	304	264
Public Administration & Defense	1,684	1,323	1,808	1,809	1,855	1702
Education	102	117	127	122	133	120
Health & Social Work	26	28	33	35	40	34
Other Community, Social & Personal Services	116	134	131	109	103	92
Private Household with Employed Persons	150	149	147	147	135	128
Extra-Territorial Organization & Bodies	-	-	-	-	-	-
Total	**5,651**	**5,481**	**5,948**	**5,949**	**6,081**	**5,154**