



In Summary:

- Notwithstanding the emergence of new variants of the novel coronavirus (COVID-19), improvements in vaccination coverage and a gradual reopening of economies led to a rebound in global growth in 2021.
- In the Caribbean, both tourism-dependent and commodity-based countries experienced a resuscitation in domestic activity, resulting in an expansion of 3.5 per cent in 2021 compared to a contraction of 4.2 per cent in 2020 (IMF World Economic Outlook, April 2022).
- Domestic economic activity was mostly constrained in 2021, but signs of improvement were evident in the second half of the year. Data from the Central Statistical Office (CSO) suggest real GDP grew marginally over the first three quarters of 2021 compared to 2020.
- International commodity prices exhibited significant increases in 2021, boosted by strong demand as economies reopened.
- Driven by higher international commodity prices and the gradual relaxation of COVID-19 restrictions, the balance of payments current account improved during January to September 2021 relative to 2020.
- Available indicators suggest that the domestic labour market remained weak in 2021.
- Headline inflation gained momentum during 2021, however spare capacity and low aggregate demand kept inflation contained.
- A smaller fiscal deficit was realised during fiscal year (FY) 2020/21, when compared to the previous period, on account of higher Central Government revenues and lower expenditure.
- The Central Bank kept its monetary policy stance unchanged during 2021 to support a durable economic recovery and resumed an active liquidity management strategy to ensure sufficient liquidity in the financial system.

As the pandemic enters its third year, the pace of the global economic recovery is expected to slow in 2022. A combination of challenges, including pre-existing inflationary pressures, due in part to high energy prices, and potential supply disruptions on account of the ongoing Russia-Ukraine conflict have set the tone for economic performance over the coming months. While the economic impact of the pandemic is anticipated to gradually recede, continued coordination of fiscal and monetary policies would be required to steer the domestic economy firmly into favourable territory.

ECONOMIC DEVELOPMENTS



Global growth was estimated to have expanded by **6.1%** in 2021, compared with a contraction of 3.1% in 2020 (IMF World Economic Outlook, April 2022).



According to the Central Statistical Office, **domestic economic growth** expanded by **0.9%** during the period January to September 2021, led by growth in non-energy sector output (3.6%).



The balance of payments current account recorded a **surplus of US\$1.3 billion** during the first nine months of 2021 as a result of higher energy export earnings.



Headline **inflation** averaged **2.1%** in 2021, from 0.6% in 2020.



The Central Government registered a **smaller deficit of 8.6% of GDP** in FY2020/21, compared with a deficit of 11.2% of GDP in FY2019/20.



The Central Bank maintained the **Repo rate at 3.50%**, unchanged since its 150 basis point reduction in March 2020.



Gross official reserves amounted to approximately **US\$6.9 billion** at the end of December 2021.