

December 3rd 2021

KEEPING OUR ECONOMY STABLE IN CHALLENGING TIMES

Introduction

Saint Vincent and the Grenadines, like the rest of the region and the world over, has had to endure very challenging circumstances over the last 18 months as a result of the Covid-19 pandemic. However, unlike our regional neighbours and the rest of the world, our country suffered the additional burden of an explosive volcanic eruption that undoubtedly added to the challenges already faced from the ongoing pandemic. The many consequences of the Covid-19 pandemic include the challenges of rising unemployment, supply chain blockages and rising commodity prices, and every country faces the daunting task of shielding its citizens, especially the most vulnerable from the impacts of those challenges. Developing countries such as ours remain the most affected, as we constitute the most vulnerable to the negative impacts of the ongoing pandemic. As if the challenges arising from the impacts of the Covid-19 pandemic aren't enough, our local situation was made even more challenging when in the midst of the pandemic, this country had to also deal additionally with a potentially worsened situation posed by the eruption of the La Soufriere volcano. The government had to counter the immediate issues of unemployment caused by the general slowdown of the economy as well as the physical and infrastructural damage resulting from the volcanic eruption. The very sudden halt of activities in our country's tourism sector, interruption of export trade and the major overall disruption in economic activity affected other sectors such as construction due to illness and other consequences of the pandemic. The eruption of La Soufriere, caused significant destruction to our agricultural sector, further disrupting an already lagging economy under the weight of a pandemic that was already more than 14 months old by the time the eruption occurred. These events together created a

perfect storm of near impossible scenarios to be addressed by our government to restore a sense of normalcy to this country and offer hope and practicable solutions to get us functioning at pre-pandemic levels.

Global Increase in Prices Threaten Our Recovery

During the peak periods of the pandemic when our government resisted loud calls to impose restrictions such as lockdowns on our citizens, many of the developed countries unable to control the spread of the virus imposed varying degrees of restrictions from curfews, and lockdowns, to states of emergencies. A direct consequence of these restrictions was the closure of many businesses, including factories and refineries that created shortages in consumer products, including food. The major producing countries of the world in Asia, Europe and North America started facing significant supply chain issues as businesses slowly began to reopen. Large economies including the G20 countries recorded high levels of unemployment during the pandemic and high inflation rates as they focused their efforts on recovery. Varying increases in inflation in these large economies resulted in their citizens paying more for goods and services from energy, to food items, to gas at the pumps as the cost of basic items increased significantly. In the USA for example the price OF gasoline at the pumps increased by over 30 percent since July, while in Germany the cost of energy increased by an average of 23%. The obvious direct result for us here in Saint Vincent and the Grenadines is that we have seen similar trends in prices for products over the last 3 to 4 months. Merchants here now pay higher prices to their suppliers, and increased oil prices create additional expenses as the cost of shipping is now higher, ultimately causing local consumers to pay more for the products on shelves. As we work towards the revival of

our economy after more than 18 months of very limited activity impacting negatively the government's revenue streams, these price increases will surely present additional challenges for the leadership of this country. Our government has so far however been holding things together by managing the affairs of this country remarkably.

Protecting the Vulnerable

Since the beginning of the pandemic, our government has introduced a number of policies intended to protect those individuals whose incomes were impacted either through job losses or reduction in days/hours worked. Income support was provided for various categories of workers to supplement their wages and food packages (love boxes) were delivered to the elderly among us. Following the eruption of La Soufriere, with many families displaced and even more individuals, specifically farmers losing income, the government expanded the categories of individuals who were offered income support. The government made it easy for individuals and organisations abroad to support the disaster relief effort at home by removing all duties from barrels for approximately 4 months following the eruption. Food packages were delivered regularly to families who had to relocate from the Red Zone, some of whom lived in private homes with relatives or friends. Even after the families resettled in their homes once the all-clear was given, the government continued to supply homes with food packages. The reduction in revenue during this period did not prevent the government from identifying and allocating resources to support and protect the most vulnerable among us. As we seek to rebound from this period of disaster and the prolonged public health emergency, even as rising prices threaten to derail our efforts, we can rest assured that our government would continue to manage our country's resources responsibly, investing in our people.

Conclusion

The challenges ahead of us as a developing country are no different than those faced by governments and peoples in developed countries. Global shortages, increases levels of unemployment, slow to no growth and now increase in consumer products all threaten to throw economies into recession. Where we stand out in SVG is that we have a government that over the period has not defaulted on loans, failed to pay salaries to public sector workers, nor pensions to our retirees. While countries around us struggle to meet their monthly obligations, our government's ability to keep things together isn't because of luck, it's the result of proper management by a caring and competent government acting in the best interest of our citizens.