

March 11th 2022

GOVERNMENT CONSTRUCTION WILL DRIVE ECONOMIC RECOVERY

Introduction

After two very challenging years during which our country had to address the fallout from the impacts of a global pandemic, a dengue outbreak, an explosive volcanic eruption and a hurricane, this year 2022 from all indications will see a settling-down period where we can focus on recovery. There has been a reduction in the infection rate of Covid-19, the science indicates that the La Soufriere volcano has ceased its activity of 2021 and the dengue outbreak has been tackled very effectively. The Atlantic hurricane season has not yet started, but we can expect the forecast to predict any number of hurricanes and storms that may affect the region so we prepare as best as possible for those natural disasters. The indication that our country is set on a path to recovery must be taken within the context of the real possibility of a natural disaster impacting us this year as well as the global context, and our acceptance that SVG, like other Small Island Developing States, is vulnerable to exogenous shocks. It is in the face of these very real considerations that the ULP administration, through the passage of Budget 2022 is laying the ground work and putting things in place to lead the charge of recovery that would see economic activity in this country return to pre-Covid levels. The projections of our local officials within the Ministry of Finance as well as from regional and international agencies are for economic growth of between 5% and 8% to occur for 2022. This projected level of economic growth while not putting the country's economic back on track

to where it was pre-Covid, it is definitely an indication of an economy that is showing strong signs of recovery after two years of significant challenges. Having done an excellent job of keeping things together during the last 2 years, the government now has a platform on which to build and the projects that were delayed over the last year or more, are now ready for full implementation to kick-start the recovery.

Public Sector Spending That Will Drive the Recovery

The Comrade Ralph-lead ULP has a very ambitious agenda of projects that will begin this year and last over the next 2-3 years, injecting significant sums of money into the local economy through construction in the first instance. The port project in Rose Place is already in its first phase, costing the government over \$4 million to build houses that would facilitate the relocation of residents who will be affected by the construction of the new port. This project will cost the government of SVG approximately US\$ 200m and will be the second largest capital project to be undertaken in the country, second only to the Argyle International Airport. The construction of the new acute referral hospital at the site of the decommissioned ET Joshua airport also scheduled to begin this year, will be completed at a cost of approximately EC\$160m, also a very large project that can be compared with the new port in Rose Place. The construction of the two hotels by the government, the Marriot in Mt Wynne at a cost of approximately US\$50m and the Holiday Inn Express at Diamond are other projects that are also scheduled to begin in earnest this year 2022. The \$20m project that would see the renovation of the current High Court and Parliament building, the construction of a new Parliament and Halls of Justice and the completion of facilities at Calliaqua to temporarily house the current parliament building will get in stream in 2022. These projects combined represent significant capital expenditure to be made over the next 18-24 months and will significantly boost eco-

conomic activity both directly in the construction sector as well as indirectly as other sectors feed off the increased spending. Thousands of jobs would be created requiring tradesmen with varying skills as well as unskilled labourers to meet the demands of the construction boom. The projects outlined are all public sector initiatives to be undertaken by the government and will serve to drive economic activity as government takes the lead in the recovery process here in this country. Private sector construction projects will compliment those undertaken by the government creating robust economic activity in that sector that will drive the economic growth projected. From this standpoint alone, 2022 does offer much promise for this country as we seek to recover and begin our journey to sustainable economic growth, driven by a very active construction sector in which government is taking a significant, if not leading, role.

Conclusion

The anticipated activity in government funded construction projects is great news for our economy after two years of serious challenges that slowed economic activity and caused very little growth. Even as we prepare and plan for full implementation, we remain mindful that an active hurricane season can delay implementation or worst yet, destroy any gains made causing us to start all over again. The current conflict in eastern Europe involving the Russian Federation and Ukraine is already showing that it is likely to create challenges to the proper implementation of the program for 2022. Already, we are seeing a pattern of increases in the price of oil globally which will soon begin impacting the cost of energy locally. In the region, St Kitts and Nevis and Barbados have already announced increases in the price of petrol at the pumps and it is only a matter of time before we are forced to make similar decisions as this country is not immune from the global increase in oil prices. We have seen before how the rise in

the price of fuel used for energy impacts everything since global production depends on this form of energy, but we remain optimistic for a speedy resolution to the conflict and a stabilisation of the price of oil. Our government remains committed to the recovery process and will continue to manage this economy in the usual prudent manner to ensure the successful completion of these major construction projects.