



GROSS DOMESTIC PRODUCT (GDP)

OUTLOOK FOR THE ST. KITTS AND NEVIS ECONOMY 2020 –

IMPACT OF THE CORONA VIRUS PANDEMIC

Preliminary estimates indicate that the economy of St. Kitts and Nevis grew, in real terms, by approximately two (2) percent in the year 2019 to reach a total size of \$2.02 billion. Growth is attributed mainly to increased activity in such sectors as Construction, Hotels & Restaurants, Transportation, Storage and Communication, Financial Services and Public Administration. However, in 2020, the Covid-19 Pandemic has had a substantial negative impact on the economy resulting in an estimated 12.5 percent decline to EC\$1.8 billion (representing a 0.25 or quarter billion dollars reduction in economic activity). The closure of our borders to international travel for a period of about 6 months, and later a subdued re-opening- has had substantial negative impacted on the Tourism industry, and this has had ripple effects on the other sectors of the economy, including but not limited to, Construction, Wholesale-Retail Services, Transportation Services, Financial Intermediation and Other Business Services. The performance of these sectors are briefly discussed below.

The Construction sector, which contributes 14 percent to GDP, is estimated to decline by 16.5 percent to \$273.6 million. This decline is as a result of a slow-down of work on major projects such as public infrastructure and condo/villa developments, and as well as a fall-off in residential construction activity.

The Wholesale and Retail Trade sector, which represents 6 percent of GDP, is estimated to decline by 15.8 percent to \$107.9 million. The decline is determined to be as result of a fall in consumer demand, as well as businesses' demand for consumables and durable goods. Hereto, the importation of goods, excluding fuel is estimated to decline by 19.8 percent to \$727.8 million.

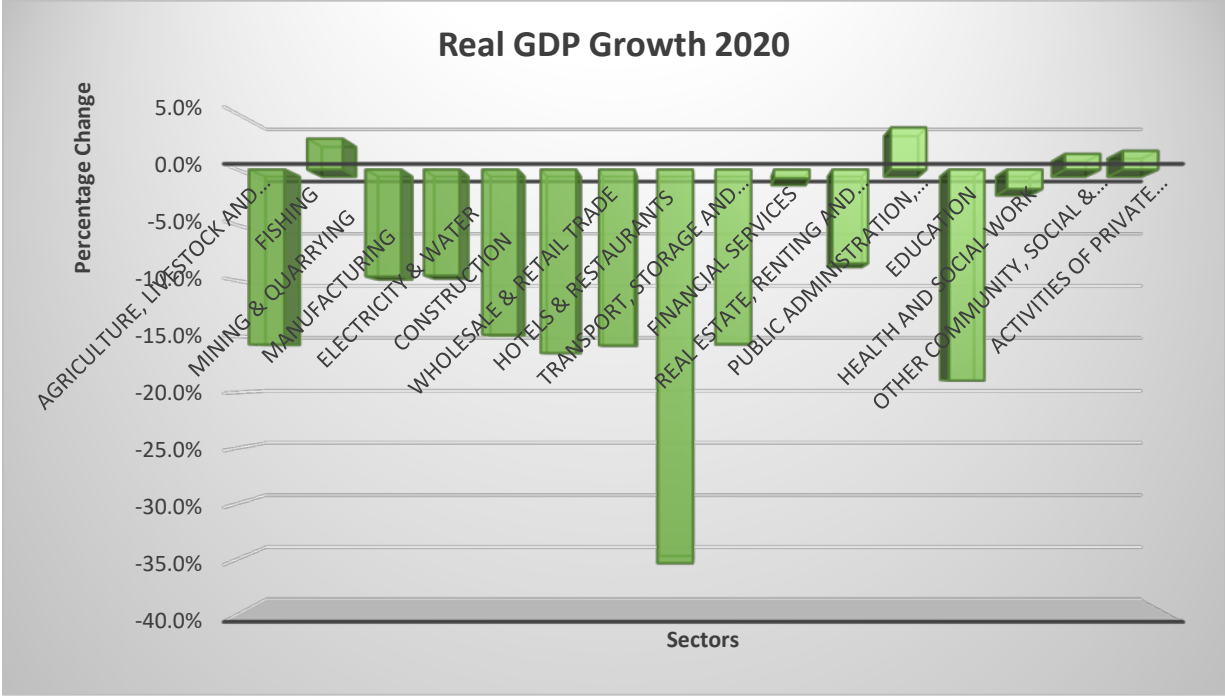
The Hotel and Restaurant sector, representing 8 percent of GDP, is estimated to decline by 35.4 percent to \$123.0 million. This is as a result of a drastic decline in tourist arrivals in the second quarter due to the closure of our borders between April and October because of concerns of the spread of the corona virus.

The Transport, Storage and Communications Services sector, representing 12 percent of GDP, decline by 15.7 percent to \$242.4 million. Whilst cargo imports are expected to decline moderately due to a fall in consumer demand and industrial production, air and sea passenger services are forecasted to decline by more than 50 percent.

Additionally, other sectors contributing significantly to the level of economic activity including Education, Health, Social and Personal Services combined (14 percent of GDP), and Financial Services (8 percent of GDP) are forecasted to experience retarded growth due ripple effects of the pandemic.

In summary, the economy of St. Kitts and Nevis has been on a path of robust growth and development over the last five years leading up to 2020. However, for the year 2020, the global Covid-19 pandemic has adversely impacted the tourism-related activities in a major way, causing a significant down-turn in the economy. But notwithstanding this, with the reopening of the borders and gradual rejuvenation in tourism-related activities, the economy is expected to recover fully in the medium term.

Chart 1: Covid-19 Impact on the Sectors of the St. Kitts and Nevis Economy



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