An aerial photograph of Saint Lucia, showing a vibrant coastal town built on a hillside overlooking a turquoise bay. The water is filled with small boats and a buoy. In the foreground, there is a parking lot with several cars and a modern building. The background features lush green mountains under a blue sky with scattered white clouds.

**COUNTRY
ECONOMIC
REVIEW 2019**

SAINT LUCIA

Disclaimer

Copyright © Caribbean Development Bank (CDB). The opinions, findings, interpretations and conclusions expressed in this publication are those of the staff of CDB and do not necessarily reflect the official policy or position of CDB, its Board of Directors, or the countries they represent.

This work may be reproduced, with attribution to CDB, for any non-commercial purpose. The use of CDB's name for any purpose other than for attribution, and the use of CDB's logo shall be subject to a separate written licence agreement between CDB and the user and is not authorized as part of this licence. No derivative work is allowed.

CDB does not necessarily own each component of the content contained within this document and therefore does not warrant that the use of any third-party owned individual component or part contained in this work will not infringe on the rights of those third parties. Any risks of claims resulting from such infringement rest solely with the user. CDB does not guarantee the accuracy of the data included in this work.

Any dispute related to the use of the works of CDB that cannot be settled amicably shall be submitted to arbitration pursuant to the UNCITRAL rules. Nothing herein shall constitute or be deemed to constitute a waiver of the privileges and immunities of CDB, all of which are specifically reserved.

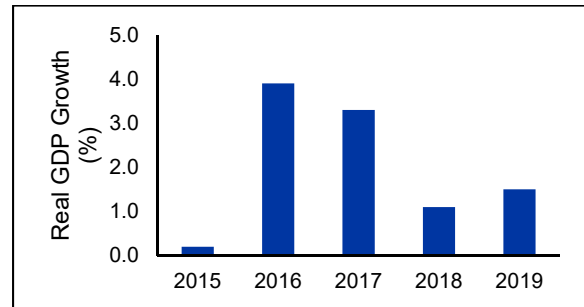
OVERVIEW

Economic output is estimated to have expanded by 1.5% in 2019, supported mainly by tourism. Meanwhile, a combination of lower than expected growth performance and a reduction in Citizenship by Investment programme (CIP) revenue contributed to a slight deterioration in Central Government fiscal balances. Consequently, public debt rose. Consistent with a slightly weaker than expected economic outturn, commercial bank credit to the private sector contracted. In the external account, a narrowing of the merchandise trade deficit kept the current account in surplus.

KEY DEVELOPMENTS IN 2019

Based on Eastern Caribbean Central Bank (ECCB) data, it is estimated that gross domestic product (GDP) expanded by 1.5% (see Chart 1). This outturn was driven mainly by activities in hotels and restaurants, which expanded by 4.1%. The related wholesale and retail and transport and storage sectors increased by 2.2% and 3.1%, respectively. In other areas, a turnaround in financial intermediation, which registered marginal growth of 0.7% in 2019, having declined by 4.2% in 2018, also contributed positively to the outturn. Economic performance was tempered by a decline of 7.4% in the construction sector, albeit at a much slower pace relative to the prior year, and a 5.9% contraction in agriculture, livestock, and forestry output.

Chart 1: Real GDP Growth



Source: Central Statistics Office (CSO), ECCB.

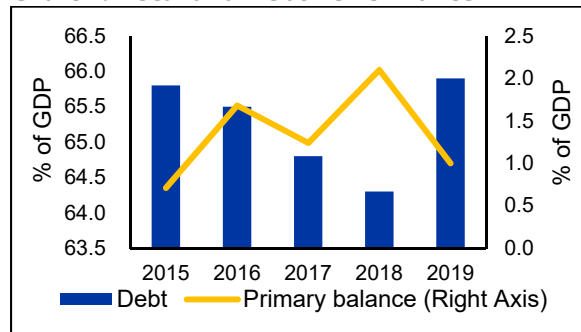
According to the Consumer Price Index (period average), prices were low and stable during the first three quarters of 2019, relative to the corresponding period of 2018. Prices climbed by only 0.2% due mainly to slightly higher prices in three of the most heavily weighted sub-indices – transport and communication, and food and non-alcoholic beverages.

Preliminary data through to September indicate slight slippages in fiscal performance. An overall deficit of 0.01% of GDP contrasted with a surplus of 0.3% for the same period in 2018. The primary surplus fell slightly to 3.2% of GDP from 3.5% in the same time period (see Chart 2). The outturn was the result of a 0.2% drop in current revenue and a 1.9% expansion in total expenditure. The decline in current revenue was led by a 33.9% drop in non-tax revenue due to a reduction in collections from the CIP as the number of applications declined sharply. However, notable increases were recorded for Value-added Tax (3.1%), and taxes on international trade (2.8%), and on income and profits (6.7%).

Higher government spending was dominated by increased outlay for capital spending,

which grew by 44.5% in the comparable period. A 5.7% hike in interest payments and 4.4% rise in personal emoluments, following wage awards to public servants, also contributed to rising expenditure. Conversely, there was an 18.6% decline in outlays for goods and services along with a 3.4% contraction in transfers and subsidies.

Chart 2: Fiscal and Debt Performance



Source: Ministry of Finance, and Caribbean Development Bank (CDB) Staff Calculations.

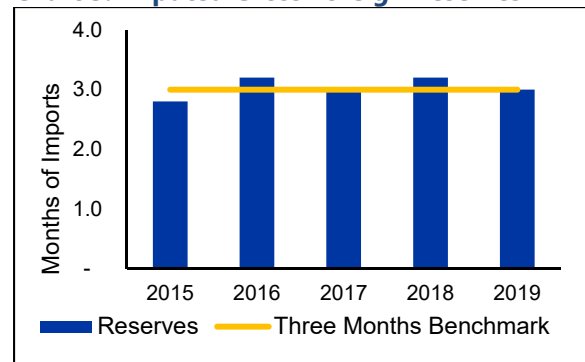
Public sector debt rose between 2018 and 2019. Preliminary estimates suggest an increase at the end of 2019 to 65.9% of GDP, compared with 64.3% a year earlier. This is consistent with the additional government expenditure, especially capital spending, and a reduction in revenue collection.

Core financial soundness indicators reflect a general improvement in the financial sector. Data as at September show that the capital adequacy ratio improved to 21.1%. The ratio of non-performing loans to gross loans declined to 8.6% from 10.0% at the end of 2018. Credit to the private sector contracted by 1.7%, while lending to Central Government rose by 7.0%. The prime lending rate went up 200 basis points to 9.0%, and the spread between the weighted average lending and deposit rate widened by 10 basis point to 6.6%.

September 2019 preliminary data indicate an improvement in external operations.

The trade deficit narrowed by 6.5% relative to the corresponding period of 2018, while total visitor expenditure grew by 6.3% over the same period. These outturns were aided by generally lower merchandise trading activity, particularly imports, and an increase in total visitor arrivals. September 2019 data show that imputed international reserves provided approximately three months of import cover, (see Chart 3).

Chart 3: Imputed Gross Foreign Reserves



*Data as at September 2019.
Source: ECCB.

OUTLOOK

The outlook for Saint Lucia has become clouded by the outbreak of COVID-19, which has significantly affected developed and developing economies. In early 2020 the tourism sector has seen mass cancellations. Construction activity has slowed, and government finances have come under increasing pressure. Sizable debt service payments are due in 2020. These will impact fiscal space, and so need to be addressed somehow. Given the uncertainty as to how long this situation will persist, it is very difficult to forecast how the economy will perform in 2020 and beyond. This will be addressed in an updated Economic Brief later this year.

DATA

The table below summarises the key economic and social indicators underpinning this country brief. These data are taken from a number of sources, and are the latest available at time of publication. Data for 2019 are based on available data as at September, and are subject to revision.

Selected Indicators

	2015	2016	2017	2018	2019^e
Real GDP Growth (%)	0.2	3.9	3.3	1.1	1.5
Average Inflation (%)	(1.0)	(3.1)	0.1	1.9	0.2
Unemployment (%)	24.1	21.3	20.2	21.5	n.a
Primary Balance (% of GDP)	0.7	1.7	1.2	2.1	1.0
Public Sector Debt (% of GDP)	65.8	65.5	64.8	64.3	65.9

Sources: CSO, ECCB, CDB.

Notes: e – estimate (as at January 31, 2020); n.a. – not available.



CARIBBEAN DEVELOPMENT BANK

P.O. Box 408, Wildey, St. Michael, Barbados
Tel: (246) 539-1600 • Fax (246) 426-7269
www.caribank.org • Email: info@caribank.org