

February 24, 1982 - 82/22

Chairman's Summing Up at the Conclusion of the
1981 Article IV Consultation with St. Lucia
Executive Board Meeting 82/23 - February 22, 1982

In concluding the 1981 Article IV consultation with St. Lucia, Executive Directors noted that last year there was some recovery in the economy after reverses experienced in 1980 because of the hurricane and the unsettled domestic situation, and that the recovery is expected to continue in 1982. At the same time, however, domestic inflationary pressures have become very strong and unemployment remains high. Directors expressed serious concern about the pronounced deterioration in St. Lucia's fiscal situation in fiscal year 1981/82 and noted that budgetary difficulties were likely to intensify next fiscal year as a result of recent excessive wage awards in the public service, the deferral of revenue measures and the emergence of internal arrears in Treasury payments.

Directors therefore urged the St. Lucian authorities to take early corrective measures, including both revenue increases and curbs on expenditure, to restore equilibrium in recurrent budgetary operations. In order to achieve this goal, as well as to avoid weakening the country's international competitiveness, there was a pressing need for restraint on wage awards in both the public and private sectors. Also, there is no room at this stage to relax taxation on energy consumption. Directors noted that it would be essential for the future Government to regain control over budget expenditure and to put public entities on a sound financial footing.

Directors supported the staff's view that practical steps should be taken to induce a general upward adjustment of interest rates in St. Lucia in order to stimulate savings, ensure productive use of scarce financial resources and contribute to safeguarding the country's balance of payments, since the present external deficit is not sustainable.