FOR AGENDA

EBS/10/245

December 28, 2010

To: Members of the Executive Board

From: The Acting Secretary

Subject: **St. Lucia—Request for Disbursement Under the Rapid Credit Facility and Emergency Natural Disaster Assistance**

Attached for consideration by the Executive Directors is a paper on St. Lucia's request for a disbursement under the Rapid Credit Facility and for emergency natural disaster assistance, which is tentatively scheduled for discussion on **Wednesday, January 12, 2011**. Draft decisions appears on page 11. Unless an objection from the authorities of St. Lucia is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. Schipke (ext. 34278), Mr. Nassar (ext. 38665), and Ms. Ogawa (ext. 34288) in WHD.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, January 6, 2011; and to the Caribbean Development Bank, following its consideration by the Executive Board.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

ST. LUCIA

Request for Disbursement Under the Rapid Credit Facility and Emergency Natural Disaster Assistance

Prepared by the Western Hemisphere Department
(in Collaboration with Other Departments)

Approved by Rodrigo Valdés (WHD) and Jan Kees Martijn (SPR)

December 23, 2010

Executive Summary

Hurricane Tomas struck St. Lucia on October 30-31, 2010, causing loss of life and significant damages to infrastructure and agriculture. Economic activity declined by 3.6 percent in 2009 and was on course for a gradual recovery in 2010. Hurricane Tomas, however, caused significant damages to the road network, the water supply, and the agriculture sector. The impact on the tourism sector, which has just started its high season, has also been quite pronounced.

St. Lucia faces difficult policy challenges in addressing the impact of the hurricane. Total damages caused by the hurricane are estimated preliminarily at US$336 million (about 34 percent of GDP). Rehabilitation and emergency measures are currently being financed through the reallocation of the investment budget and financing already received (US$3.2 million from the Caribbean Catastrophe Risk Insurance Facility and US$0.2 million in emergency grants from the Caribbean Development Bank). Going forward and given the high level of the public debt, the authorities expect to finance the reconstruction through grants and external concessional financing, and have requested Fund financial assistance under the Rapid Credit Facility/Emergency Natural Disaster Assistance. The letter of intent is attached.

The authorities reiterated their commitment to achieving the medium-term debt target. While the rehabilitation and reconstruction efforts will contribute to a widening of the fiscal deficit in FY 2010/11 and FY 2011/12, the authorities plan to rein in fiscal deficits in the medium term and achieve by 2020 the regional target of a debt-to-GDP ratio of 60 percent. To this end, they remain committed to implementing revenue and expenditure measures, including a property tax in early 2011, a VAT by April 2012, and broad-based public expenditure reforms. Also, they intend to continue moving forward with structural reforms to foster private sector led growth and poverty reduction.

Access under the RCF/ENDA. On the basis of the authorities' commitment to sound macroeconomic policies, staff supports the request for access of SDR 5.36 million (US$ 8.22 million), equivalent to 35 percent of quota.

Fund Relations. The Executive Board approved a request for a RAC-ESF on July 27, 2009 of an amount equivalent to SDR 6.89 million (45 percent of quota). The last Article IV consultation was concluded by the Executive Board on March 15, 2010. The staff report and summing up of the Executive Directors' discussions and policy recommendations are available at: http://www.imf.org/external/pubs/cat/longres.cfm?sk=23786.0

Contents Page

Executive Summary 1

I. Background 3

II. Economic Performance Prior to Hurricane Tomas 4

III. Economic Impact of the Hurricane 5

IV. Policy Response and Discussions 6

V. Access and Capacity To Repay 8

VI. Staff Appraisal 9

Tables
1. Selected Social and Economic Indicators, 2006–11 12
2. Operations of the Central Government, 2006–15 13
3. Operations of the Central Government, 2006–15 14
4. Balance of Payments Summary, 2006–15 15
5. Monetary Survey, 2004–10 16
6. Indicators of External and Financial Vulnerability, 2005–10 17
7. Indicators of Capacity to Repay the Fund, 2010–21 18

Attachment
Letter of Intent 19

I. Background

1. **St. Lucia was hit by Hurricane Tomas on October 30–31, 2010, causing loss of life and considerable damage to infrastructure and agriculture.** According to an UN ECLAC report, torrential rains caused landslides, resulting in human casualties and severe damages to infrastructure (the road network and water supply), and agriculture.[1] Some commercial and residential buildings (including hotels) were also affected. The overall impact is estimated preliminarily at US$336 million (about 34 percent of GDP). This includes export losses of US$45 million.

2. **St. Lucia is experiencing an urgent balance of payments need characterized by a financing gap that, if not addressed, would result in an immediate and severe economic disruption.** The authorities moved quickly to provide immediate relief to those affected by the hurricane and have begun reconstruction. The public administration has responded expeditiously and effectively. So far reconstruction efforts are being financed through the reallocation of the investment budget (equivalent to about US$28.5 million), US$3.2 million from the Caribbean Catastrophe Risk Insurance Fund, and US$0.2 million in emergency grants from the Caribbean Development Bank.

3. **The authorities have requested a purchase equivalent to 35 percent of quota (see attached letter of intent), consisting of a disbursement of SDR 3.83 million under the Rapid Credit Facility (RCF) and a purchase equivalent to SDR 1.53 million under the Fund's Emergency Natural Disaster Assistance (ENDA).** The request follows a 45 percent of quota drawing under the Exogenous Shocks Facility (RAC-ESF)[2] in June 2009 aimed at mitigating the effect of the global economic and financial crisis, which underscores St. Lucia's vulnerability to sudden and exogenous shocks. Access under the RCF/ENDA would help close the financing gap in FY 2010/11.[3]

---

[1] ECLAC/UNDP, *Saint Lucia: Macro Socio-Economic and Environmental Assessment Report: Towards Resilience Following the Passage of Hurricane Tomas*, December 2010. An estimated 5,952 people, about 3.5 percent of the total population, were severely affected, including 7 deaths, 5 missing, 36 injuries and 473 in shelters.

[2] A number of policies envisaged under the RAC-ESF have been implemented. However, key measures (VAT and market valuation-based property tax) are still pending.

[3] A mission visited Castries on November 23–24 to assess the immediate balance of payments needs resulting from the impact of Hurricane Tomas, reviewed the authorities' policy measures to address the shock, and had preliminary discussion on the modalities of possible Fund financing. Final meetings were held on December 17 via VC. The staff team comprised A. Schipke (Head), K. Nassar and S. Ogawa (all WHD), and W. Samuel (Regional Resident Representative). The mission met with the Permanent Secretary of the Ministry of Finance and other senior government officials.

4. **The thrust of the authorities' policies in recent years has been broadly consistent with Fund advice.** In the ECCU, St. Lucia is the largest economy and generally has stronger vulnerability indicators. The authorities have followed key Fund recommendations, including strengthening financial management, debt management and supervision of the nonbank financial sector, as well as pension reform. They have, however, been slow in responding to staff recommendations to implement a value-added tax and market valuation-based property tax.[4]

II. Economic Performance Prior to Hurricane Tomas

5. **St. Lucia's economy had begun to pick up when Hurricane Tomas hit the island.** Economic activity declined by 3.6 percent in 2009 and was on a path to achieve a 1.7 percent growth in 2010, buoyed by a noticeable rebound in tourism. Stay-over tourist arrivals increased by about 15 percent through September 2010, helped by a strong marketing campaign in North America and a marked improvement in airlift (including the introduction of low cost carriers—Jet Blue and West Jet from the United States and Canada, respectively). Declines in activity in the agriculture and banking sectors, however, weighed on the recovery. Inflation remained moderate at 2.7 percent at end-September 2010.

6. **Pre-hurricane fiscal imbalances were projected to widen in FY 2010/11.** While the central government's total revenue-to-GDP ratio would have remained stable at about 31 percent of GDP, total spending was projected to increase by about 1½ percentage points of GDP, mainly reflecting an increase in personal emoluments. As a result, the primary fiscal deficit (including grants) would have deteriorated by about 1 percentage points of GDP with respect to FY 2009/10 to 1½ percent of GDP. The overall deficit would have been 5.3 percent of GDP (1.3 percentage points higher than in FY 2009/10), resulting in an increase in the debt-to-GDP ratio from 74 percent in FY 2009/10 to 76 percent in FY 2010/11.

7. **The external current account balance was projected to deteriorate in 2010.** The external current account deficit was expected to widen by about 2½ percentage points of GDP to about 17 percent of GDP, due to a decline in banana exports and an increase in construction- and fuel-related imports. Based on solid advance bookings, however, stay-over tourist arrivals were projected to remain strong. The external current account deficit was financed largely by FDI and government borrowing.

8. **The adverse impact of the global economic and financial crisis put additional stress on the financial system.** Despite a gradual recovery prior to Hurricane Tomas, financial soundness indicators continued to deteriorate with NPLs rising to 13.6 percent (a 5 percentage point deterioration over a 12-month period), while provisioning had fallen short

---

[4] Elections are constitutionally due by March 2012, but can be called at any time.

of the increase in NPLs. Liquidity remained tight and growth of credit to the private sector also continued to be weak during 2010 (2.4 percent year-on-year). At the same time, the largest bank in St. Lucia acquired a majority stake in the privatization of the National Bank of St. Vincent and the Grenadines.

III. Economic Impact of the Hurricane

9. **Preliminary estimates suggest that growth could be constrained to 0.5 percent in 2010.** Damages to the road network, utilities and agriculture—especially bananas—were severe, accounting for the bulk of the slowdown with negative spillovers to other sectors.

St. Lucia: Output and Prices, 2010-11
(Annual percentage change, unless otherwise specified)

	2009	2010			2011	
		Art. IV	Rev. proj. 1/	RCF/ENDA 2/	Art. IV	RCF/ENDA
Real GDP at factor cost	-3.6	1.1	1.7	0.5	2.3	4.1
Of which:						
Agriculture	-3.4	2.5	-8.6	-17.7	10.0	-11.2
Housing	0.0	1.0	1.0	-0.9	2.0	-1.8
Tourism	-7.0	3.0	15.5	8.0	3.0	4.8
Utilities	4.0	1.0	4.5	2.3	0.5	6.8
GDP at current market prices	-3.8	2.8	4.0	2.8	4.8	5.8
GDP deflator at factor cost	-0.2	1.7	2.2	2.2	2.5	1.6
Consumer prices (end of period)	1.0	1.9	1.3	1.4	2.1	2.1

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ Revised based on the outturn through end-September, 2010.
2/ Reflects the impact of Hurricane Tomas on agriculture, housing, tourism and utilities.

Although temporary, the impact on the tourism sector was also quite pronounced. The economy is, however, expected to grow by about 4.1 percent in 2011, about 1.8 percentage points higher than the pre-hurricane forecast, as rehabilitation and reconstruction efforts commence in earnest.

10. **The fiscal impact of the hurricane will be felt in both FY 2010/11 and FY 2011/12**. In FY 2010/11, the revenue impact is estimated at about half a percentage point of GDP. The additional spending needed to provide assistance to those who have been adversely impacted and undertake emergency rehabilitation of infrastructure (the road network and water supply) is estimated at 3 percent of GDP.[5] The increased expenditure will raise the overall fiscal deficit to

St. Lucia: Key Fiscal Indicators
(In percent of GDP)

	2009/10	2010/11			2011/12	
		Art. IV 1/	Proj. 2/	RCF/ENDA	Art. IV 1/	Proj.
Revenue and grants	31.0	31.7	32.2	33.6	31.1	31.9
Revenue	29.0	28.9	29.7	29.2	28.7	29.5
Grants	2.0	2.8	2.5	4.4	2.4	2.4
Total expenditure	35.0	38.9	36.5	39.9	36.8	37.9
Of which: capital expenditure	9.3	12.0	9.4	12.7	10.0	11.7
Overall balance	-4.0	-7.2	-4.3	-6.3	-5.7	-6.1
Primary balance (including grants)	-0.5	-3.1	-0.6	-2.4	-1.5	-1.9
Public debt	74.4	79.1	…	78.8	80.7	80.6

Sources: Ministry of Finance; and Fund staff estmates and projections.
1/ Baseline scenario presented in the 2010 Article IV.
2/ Adjusted based on outturn for the first half of the fiscal year.

[5] The final figure is not yet known, as the authorities have not yet tabled the supplementary budget in parliament.

6.3 percent of GDP in FY 2010/11 and 6.1 percent of GDP in FY2011/12 raising the public debt level to about 81 percent of GDP in FY2011/12.

11. **The balance of payments impact of the hurricane will be significant in calendar year 2011.** Reflecting higher reconstruction-related imports and the damage to the banana crop, the external current account deficit is set to widen in 2011. The rise in imports also reflects the recent increase in the international prices of energy and food. The current account deficit is projected to deteriorate by about 9 percentage points of GDP, contributing to an overall balance of payments deficit of 3.7 percent of GDP.

St. Lucia: Key External Sector Indicators
(In percent of GDP; unless otherwise indicated)

	2009	2010		2011	
	Prel.	Art. IV 1/	RCF/ENDA	Art. IV 1/	RCF/ENDA
External current account balance	-14.4	-21.2	-16.7	-22.1	-25.4
Exports of goods and nonfactor services	56.7	51.0	58.6	53.1	56.3
Imports of goods and nonfactor services	66.9	65.8	70.7	68.9	77.1
Overall balance	3.1	0.3	-0.3	0.6	-3.7
Identified hurricane-related financing	0.0	0.0	0.0	0.0	3.8
RCF/ENDA					0.8
in percent of identified financing					20.5

Sources: ECCB, and Fund staff estimates.
1/ Baseline scenario presented in 2010 Article IV.

12. **Despite increased stress related to the global financial crisis, the banking sector appears to be in a position to weather the effects of the hurricane.** Despite adverse developments, capital adequacy ratios remained high at 19.9 percent as of September 2010, well above the prudential requirements (8 percent). However, credit unions and cooperatives in the banana sector should brace for an increase in NPLs. The authorities are monitoring developments closely and intend to strengthen nonbank financial sector legislation and supervision (see LOI paragraph 4).

IV. Policy Response and Discussions

13. **St. Lucia faces difficult policy challenges in addressing the impact of the hurricane.** First, as a member of the Eastern Caribbean Currency Union (ECCU) and with a quasi currency board, the country is constrained from using monetary policy. Second, the high level of public debt leaves limited fiscal room to address the impact of the hurricane. Third, although St. Lucia's public administration has been effective in dealing with the crisis, there are capacity limitations in scaling up public investment. Given these constraints, the authorities intend to limit the financing of the rehabilitation and reconstruction efforts primarily to grants and external concessional financing, focusing on emergency support for those affected the most, the road network, and water.

14. **Despite a temporary deterioration in the fiscal position, the authorities reiterated their commitment to achieving the medium-term debt target.** Total capital expenditure will be curtailed to about 12.7 percent of GDP in FY2010/11 and 11.7 percent in FY2011/12, in line with available concessional funding and additional revenue measures (as described below). As detailed in the attached letter of intent, the impact of the reconstruction efforts would temporarily lead to a primary fiscal deficit of 2.4 percent of GDP in FY 2010/11 and 1.9 in FY 2011/12. The authorities have identified sources of financing in the form of additional grants and concessional loans to close the gaps and intend to resort to bridge financing (via the Regional Government Securities Market, a bond issuance outside of the region, or commercial bank borrowing), if the disbursement of the identified financing were delayed. While the widening of the fiscal deficit would increase the public debt-to-GDP ratio, the authorities reaffirmed their commitment to reaching the targeted debt-to-GDP ratio of 60 percent by 2020.

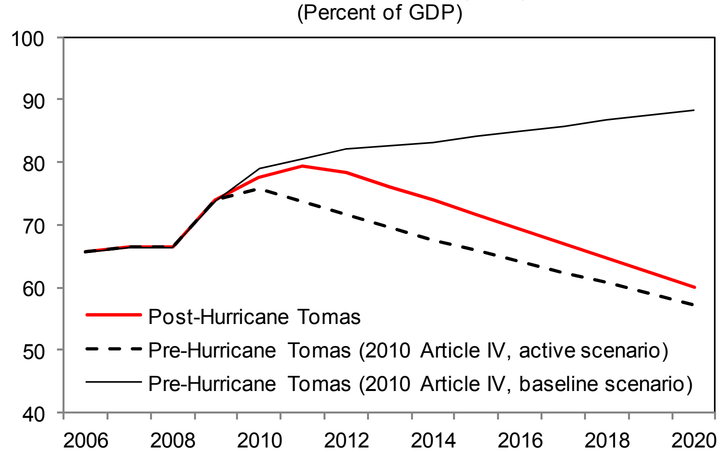
St. Lucia: Identified Financing for Hurricane-Related Spending
(in millions of EC dollars)

	FY2010/11	FY2011/12	Total equival. to calendar year 2011
CDB	2.0	59.0	61.0
IMF (RCF/ENDA)	22.1		22.1
CARICOM Development Fund	4.1		4.1
World Bank (US$5 million)	13.5		13.5
EU		7.0	7.0
Total	**41.7**	**66.0**	**107.7**

Sources: Ministry of Finance.

15. **To reach the debt target, the authorities plan to implement both revenue and expenditure measures to achieve a primary surplus of 2.9 percent of GDP in the medium term, compared with 1.6 percent of GDP recommended in the Article IV.** On the revenue side, Cabinet has recently approved legislation to implement a market valuation-based property tax and plan to present the bill to Parliament in early 2011, which would yield an additional 0.3 percent of GDP. In addition, the authorities strongly confirmed their commitment to introduce a VAT by April 2012 and have already started the consultative process with the private sector and other key stakeholders. On the expenditure front, the authorities intend to freeze the civil service wage bill at 11 percent of GDP within the context of broader civil service reforms aimed at increasing productivity and efficiency. Also, they will implement a formal public sector

St. Lucia: Public Debt Trajectory
(Percent of GDP)



Source: Fund staff estimates.

investment program, underpinned by a medium-term expenditure framework, and are seeking technical assistance from CARTAC.

16. **The authorities intend to press ahead with structural reforms aimed at bolstering economic growth and reducing poverty.** They are determined to continue enhancing the investment climate for private sector development, including establishing a one-stop shop for investors. Also, to promote a better allocation of capital and strengthen oversight and resilience of the financial sector, the authorities will establish the Single Regulatory Unit and seek passage of credit union legislation.[6] Both pieces of legislation have been approved by Cabinet

V. ACCESS AND CAPACITY TO REPAY

17. **The authorities have requested fund financing in an amount equivalent to 35 percent of quota in total, SDR 5.36 million (25 percent of quota) under the Rapid Credit Facility, supplemented by the Emergency Natural Disaster Assistance.**[7] At this juncture, the authorities do not intend to request an ECF. Furthermore, given the urgent need for rapid support, there is not enough time to engage in prolonged negotiations on a Fund arrangement. The purchase—which represents approximately 0.8 percent of St. Lucia's GDP in direct budgetary support—would help meet the immediate foreign exchange needs stemming from the hurricane. More importantly, while the purchase accounts for about 20 percent of the financing gap in 2011, it is expected to play a catalytic role in mobilizing financial support from other international/regional financial institutions. Staff will raise the possibility of a formal Fund arrangement in the context of the forthcoming Article IV consultation, tentatively scheduled for end March/beginning of April, to support the authorities' policies for addressing the medium-term fiscal and debt challenges.

18. **It is expected that St. Lucia will be able to discharge its obligations to the Fund in a timely manner.** St. Lucia's outstanding loans to the Fund are 45 percent of quota, which would increase to 80 percent. While St. Lucia remains vulnerable to implementation risks and future exogenous shocks (including natural disasters), staff judges that the risks are mitigated by the countries' exemplary debt servicing record and proven commitment to prudent fiscal policies prior to the global financial and economic crisis. The authorities are committed to reining in expenditures and following through on revenue reforms that will put the debt on a firmly downward trajectory beginning in FY 2012/13.

---

[6] Both pieces of legislation have already been approved by Cabinet.

[7] Regarding the proposed access level, debt vulnerabilities and repeated use of shocks instruments argue for keeping some room under the annual and cumulative ceilings. The authorities' policies are sufficiently strong to address the shock. The blending proposal is in line with the presumption that for PRGT-eligible countries with a per-capita GNI above the IDA operational cutoff, overall access is provided under blended PRGT and GRA instruments (taking into account the minimum access level under the PRGT at 25 percent of quota).

19. **Under the Fund's safeguards assessment policy, the Eastern Caribbean Central Bank (ECCB) is subject to a full safeguards assessment under a four year cycle.** The most recent assessment was completed in July 2007, and concluded that the ECCB continues to have appropriate control mechanisms in place, which have strengthened since the first safeguards assessment completed in 2003. ECCB management places emphasis on good governance and sound controls, and has enhanced the bank's transparency and accountability since the last assessment, including through the publication of financial statements that comply with International Financial Reporting Standards. The next assessment will take place in 2011.

VI. Staff Appraisal

20. **St. Lucia faces significant policy challenges in the aftermath of Hurricane Tomas.** Staff estimates that economic activity, which was gradually recovering, will remain subdued in 2010, on account of extensive damages caused by the hurricane. While the medium-term outlook remains positive, it would take considerable efforts and resources to put the economy back on its pre-hurricane trend growth rate. Given the increased spending on reconstruction, the economy should enjoy a solid 4.1 percent growth in 2011.

21. **The policies outlined in the letter of intent tackle urgent rebuilding needs and appropriately aim to maintain macroeconomic stability.** In view of the high public debt-to-GDP ratio, staff supports the authorities' strategy to limit the financing of the rehabilitation and reconstruction efforts to additional grants and external concessional financing. In this context, access under the RCF/ENDA and financial support from other international/regional financial institutions and donor countries will be key to maintaining macroeconomic stability. Also, the authorities' plans to implement structural reforms that aim to foster private sector-led growth, including improving economic efficiency and competitiveness, are critical.

22. **The authorities are rightly focused on achieving medium-term debt sustainability.** In the short term, the reconstruction needs are set to put upward pressure on the fiscal position. In this context, the governments' public commitment—as reflected in the letter of intent—to implement tax and expenditure reforms, including a market-based property tax in early 2011 and the introduction of a VAT by April 2012, is critical. These reforms, coupled with implementation of a formal public sector investment program and a medium-term expenditure framework to raise spending efficiency, should secure fiscal consolidation and put public debt on a firmly downward trajectory in the medium term.

23. **Staff supports the authorities' request for a disbursement under the Fund's RCF/ENDA.** Staff's support is based on the extent of the damage caused by Hurricane Tomas, the associated urgent balance of payments need, and the authorities' commitments to limiting the temporary increase in capital spending to additional grants and concessional financing, while committing to achieving the debt-to-GDP target of 60 percent by 2020 by

implementing revenue and expenditure measures as outlined in the authorities' letter of intent. There are, however, downside risks such as the country's high public debt, inherent vulnerability to exogenous shocks, and election cycle related policy implementation delays, all of which pose some risks to the Fund's resources. These risks are mitigated by the authorities' track record of sound fiscal policies, implementation of Fund recommendations, resolve to achieving fiscal consolidation in the medium term and fostering private sector-led growth, and commitment to a continued close dialogue with the Fund.

PROPOSED DECISION

The following draft decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board:

Decision 1. Purchase under ENDA

1. St. Lucia has requested a purchase in an amount equivalent to SDR 1.53 million (10 percent of quota) under the Fund's policy on Emergency Assistance for Natural Disasters.

2. The Fund notes the intentions of the Government of St. Lucia as set forth in the letter from the Prime Minister and Minister for Finance and Planning, dated December 21, 2010, and approves the purchase under paragraph 1 above in accordance with the request.

3. This decision shall become effective only upon the adoption of Decision [ ] (Decision 2) by the Executive Board.

Decision 2. Loan Disbursement under the RCF

1. St. Lucia has requested a loan disbursement in an amount equivalent to SDR 3.83 million (25 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

2. The Fund notes the intentions of the Government of St. Lucia as set forth in the letter from the Prime Minister and Minister for Finance and Planning, dated December 21, 2010, and approves the loan disbursement under paragraph 1 above in accordance with the request.

Table 1. St. Lucia: Selected Social and Economic Indicators, 2006–11

I. Social and Demographic Indicators

Area (sq. km)	616	Life expectancy at birth (years, 2006)	74
		Infant mortality (per thousand live births, 20	23.5
Population		Human Development Index (HDI) ranking (	72
Total (2007)	171,226	(rank out of 177 countries)	
Rate of growth (percent per year)	1.4		
Population density (per sq. km., 2007)	317.6	Gross Domestic Product (2007)	
Net migration rate (per thousand, 2002)	-9.8	(millions of US dollars)	996
Adult illiteracy rate (percent, 2004)	5.2	(millions of EC dollars)	2,690
		(US$ per capita)	5,819

II. Economic and Financial Indicators, 2006-11

	2006	2007	2008	2009	Est. 2010	Proj. 2011
	(Annual percentage change, unless otherwise specified)					
Output and prices						
Real GDP at factor cost	4.8	1.5	0.7	-3.6	0.5	4.1
GDP at current market prices	6.1	2.9	3.8	-3.8	2.8	5.8
GDP deflator at factor cost	2.5	0.7	3.1	-0.2	2.2	1.6
Consumer prices (end of period)	1.4	6.6	3.8	1.0	1.4	2.1
Consumer prices (period average)	4.1	2.2	7.2	1.0	2.2	1.6
Banana export receipts	15.9	-9.2	35.0	-0.8	-29.7	-20.4
Unemployment rate (in percent)	16.6	13.9	16.8	…	…	…
External sector						
Exports, f.o.b.	32.2	-5.0	48.6	15.4	-8.7	-12.5
Imports, f.o.b.	24.6	4.0	-1.3	-15.6	11.9	19.8
Travel receipts	-20.0	11.6	-2.1	-4.8	16.2	7.5
Terms of trade (- = deterioration)	-12.7	-11.2	-5.5	14.9	-6.5	-0.2
Real effective exchange rate (end of period, - = depreciation)	0.3	-3.8	0.5	3.2	…	…
Money and credit 1/						
Net foreign assets	1.0	-8.0	-22.7	1.2	-1.7	-2.0
Net domestic assets	19.1	14.2	35.7	0.3	4.5	6.8
Of which						
Credit to private sector	27.4	34.2	27.0	2.6	1.9	6.3
	(In percent of GDP, unless otherwise specified)					
Central government 2/						
Total revenue and grants	26.7	28.4	30.6	31.0	33.6	31.9
Total expenditure and net lending	32.8	29.4	31.7	35.0	39.9	37.9
Current expenditure	21.6	22.4	24.3	25.7	27.3	26.2
Of which						
Wages and salaries	9.9	10.1	11.2	12.1	12.6	11.8
Interest	3.3	3.6	3.4	3.4	3.9	4.2
Capital expenditure	11.2	7.0	7.5	9.3	12.7	11.7
Overall balance (cash basis)	-6.1	-1.0	-1.1	-4.0	-6.3	-6.1
Of which						
Current balance (savings)	4.8	5.8	5.3	3.3	1.9	3.2
Primary balance (after grants)	-2.8	2.6	2.3	-0.5	-2.4	-1.9
Central government debt	63.5	64.5	64.8	72.2	76.1	78.0
Debt service in percent of current revenues 3/	35.7	39.9	24.6	53.6	53.4	35.2
External sector						
External current account	-30.2	-31.3	-27.8	-14.4	-16.7	-25.4
Of which						
Exports of goods and services	48.4	50.4	53.1	56.7	58.6	56.3
Imports of goods and services	73.9	76.0	75.3	66.9	70.7	77.1
Stayover arrivals (percentage change)	-4.9	-5.0	2.9	-8.0	14.3	5.4
Foreign direct investment (FDI)	25.1	28.3	15.3	15.3	13.1	13.3
Public sector external debt (end of period)	44.8	41.8	36.5	39.7	39.5	40.0
External public debt service 4/						
In percent of exports of goods and services	11.2	17.0	11.4	11.2	9.1	9.5
In percent of central government revenue before grants	22.1	32.4	22.1	23.3	19.1	18.9
Memorandum items:						
Gross public sector debt 5/ 6/ 7/	66.1	67.1	65.8	74.4	78.8	80.6
Nominal GDP at market prices (in millions of EC dollars)	2,520	2,592	2,690	2,589	2,660	2,814
Nominal GDP at factor cost (in millions of EC dollars)	2,066	2,111	2,171	2,089	2,152	2,276
Share of ECCU stayover visitors	27.9	27.0	27.9	29.7	…	...

Sources: St. Lucia authorities; ECCB; and Fund staff estimates and projections.

1/ Changes in relation to liabilities to private sector at beginning of period.
2/ Data are for fiscal years beginning April 1.
3/ Comprises domestic and external interest and amortization.
4/ Comprises external interest and amortization.
5/ Total public (including nonguaranteed) debt in percent of GDP.
6/ Includes liabilities to the National Insurance Corporation (NIC).
7/ Includes liabilities related to the construction and financing of public projects by the private sector.

Table 2. St. Lucia: Operations of the Central Government, 2006–15 1/
(In millions of EC dollars)

					Est.	Projections				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total revenue and grants	**677.5**	**742.8**	**816.5**	**809.1**	**907.7**	**909.9**	**945.0**	**1,025.7**	**1,079.2**	**1,135.5**
Current revenue	**670.2**	**738.6**	**789.3**	**756.3**	**787.8**	**841.4**	**918.5**	**997.8**	**1,049.8**	**1,104.7**
Tax revenue	**619.8**	**684.6**	**736.2**	**702.8**	**746.8**	**798.6**	**873.3**	**950.3**	**999.8**	**1,052.0**
Nontrade tax	381.5	438.6	492.7	471.5	481.2	517.7	576.8	638.4	671.6	706.7
Trade tax	238.4	246.0	243.5	231.3	265.6	280.8	296.5	311.9	328.2	345.3
Nontax revenue	**50.4**	**54.1**	**53.1**	**53.6**	**41.0**	**42.8**	**45.2**	**47.5**	**50.0**	**52.6**
Capital revenue	**0.7**	**0.0**	**6.7**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Grants	**6.6**	**4.1**	**20.5**	**52.7**	**119.7**	**68.5**	**26.5**	**27.9**	**29.3**	**30.9**
Total expenditure and net lending	**832.6**	**768.5**	**845.9**	**912.7**	**1,077.8**	**1,082.9**	**1,034.8**	**1,078.2**	**1,126.6**	**1,183.0**
Current expenditure	**548.5**	**586.5**	**647.0**	**671.1**	**735.5**	**749.0**	**778.6**	**805.6**	**828.2**	**868.9**
Wages and salaries	250.9	265.2	298.9	316.5	340.2	337.3	342.3	348.7	366.8	386.0
NIC contributions and retirement	43.3	49.2	51.4	57.4	64.9	57.1	60.3	63.4	66.7	70.2
Goods and services	101.5	114.1	131.7	130.5	142.5	148.8	152.7	158.5	150.1	157.9
Transfers	68.5	65.1	74.2	77.1	82.5	85.7	91.2	95.9	100.9	106.2
Interest payments	84.3	92.9	90.8	89.7	105.3	120.2	132.1	139.1	143.6	148.6
Domestic	27.7	30.7	44.1	46.2	50.8	64.4	72.4	77.0	80.1	83.8
External	56.6	62.3	46.8	43.5	54.5	55.7	59.7	62.1	63.5	64.7
Capital expenditure and net lending	**284.1**	**181.9**	**198.9**	**241.6**	**342.3**	**333.9**	**256.1**	**272.6**	**298.5**	**314.1**
Primary balance	**-70.8**	**67.2**	**61.4**	**-13.9**	**-64.9**	**-52.8**	**42.3**	**86.6**	**96.1**	**101.2**
(excluding grants)	**-77.4**	**63.1**	**40.9**	**-66.6**	**-184.6**	**-121.4**	**15.8**	**58.7**	**66.8**	**70.3**
Current balance	**121.7**	**152.1**	**142.3**	**85.2**	**52.3**	**92.4**	**139.9**	**192.2**	**221.7**	**235.8**
Overall balance (excluding grants)	**-161.7**	**-29.8**	**-49.9**	**-156.4**	**-289.8**	**-241.5**	**-116.3**	**-80.4**	**-76.8**	**-78.3**
Overall balance (including grants)	**-155.1**	**-25.7**	**-29.4**	**-103.6**	**-170.2**	**-173.0**	**-89.8**	**-52.5**	**-47.5**	**-47.4**
Financing	**166.3**	**85.4**	**85.8**	**103.6**	**170.2**	**173.0**	**89.8**	**52.5**	**47.5**	**47.4**
External (net)	58.5	-22.6	1.6	35.7	23.4	74.7	44.9	26.3	23.7	23.7
Loans	58.5	-22.6	0.6	35.7	23.4	74.7	44.9	26.3	23.7	23.7
Drawings	99.6	122.5	65.2	142.4	111.3	170.0	154.6	111.8	148.0	151.0
Of which:										
Identified hurricane financing	…	…	…	…	41.7	66.0	…	…	…	…
Amortization	41.1	145.1	64.6	106.7	87.9	95.3	109.7	85.6	124.3	127.3
Domestic financing	107.7	108.0	84.2	68.0	146.7	98.3	44.9	26.3	23.7	23.7
ECCB (net)	1.1	-4.0	-2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks (net)	67.0	71.1	2.6	-67.5	15.0	40.0	11.2	6.6	5.9	5.9
Other domestic financing	39.7	40.9	83.9	135.5	131.7	58.3	33.7	19.7	17.8	17.8
Statistical discrepancy	-11.2	-59.7	104.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: St. Lucia authorities; and Fund staff estimates and projections.

1/ Data are for fiscal years beginning April 1.

Table 3. St. Lucia: Operations of the Central Government, 2006–15 1/
(In percent of GDP)

					Est.	Projections				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total revenue and grants	**26.7**	**28.4**	**30.6**	**31.0**	**33.6**	**31.9**	**31.4**	**32.4**	**32.4**	**32.4**
Current revenue	**26.4**	**28.2**	**29.6**	**29.0**	**29.2**	**29.5**	**30.5**	**31.5**	**31.5**	**31.5**
Tax revenue	**24.4**	**26.2**	**27.6**	**27.0**	**27.7**	**28.0**	**29.0**	**30.0**	**30.0**	**30.0**
Nontrade tax	15.0	16.8	18.5	18.1	17.8	18.1	19.1	20.1	20.1	20.1
Trade tax	9.4	9.4	9.1	8.9	9.8	9.8	9.8	9.8	9.8	9.8
Nontax revenue	**2.0**	**2.1**	**2.0**	**2.1**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**
Capital revenue	**0.0**	**0.0**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Grants	**0.3**	**0.2**	**0.8**	**2.0**	**4.4**	**2.4**	**0.9**	**0.9**	**0.9**	**0.9**
Total expenditure and net lending	**32.8**	**29.4**	**31.7**	**35.0**	**39.9**	**37.9**	**34.3**	**34.0**	**33.8**	**33.7**
Current expenditure	**21.6**	**22.4**	**24.3**	**25.7**	**27.3**	**26.2**	**25.8**	**25.4**	**24.8**	**24.8**
Wages and salaries	9.9	10.1	11.2	12.1	12.6	11.8	11.4	11.0	11.0	11.0
NIC contributions and retirement	1.7	1.9	1.9	2.2	2.4	2.0	2.0	2.0	2.0	2.0
Goods and services	4.0	4.4	4.9	5.0	5.3	5.2	5.1	5.0	4.5	4.5
Transfers	2.7	2.5	2.8	3.0	3.1	3.0	3.0	3.0	3.0	3.0
Interest payments	3.3	3.6	3.4	3.4	3.9	4.2	4.4	4.4	4.3	4.2
Domestic	1.1	1.2	1.7	1.8	1.9	2.3	2.4	2.4	2.4	2.4
External	2.2	2.4	1.8	1.7	2.0	2.0	2.0	2.0	1.9	1.8
Capital expenditure and net lending	**11.2**	**7.0**	**7.5**	**9.3**	**12.7**	**11.7**	**8.5**	**8.6**	**9.0**	**9.0**
Primary balance	**-2.8**	**2.6**	**2.3**	**-0.5**	**-2.4**	**-1.9**	**1.4**	**2.7**	**2.9**	**2.9**
(excluding grants)	**-3.1**	**2.4**	**1.5**	**-2.6**	**-6.8**	**-4.3**	**0.5**	**1.9**	**2.0**	**2.0**
Current balance	**4.8**	**5.8**	**5.3**	**3.3**	**1.9**	**3.2**	**4.6**	**6.1**	**6.6**	**6.7**
Overall balance (excluding grants)	**-6.4**	**-1.1**	**-1.9**	**-6.0**	**-10.7**	**-8.5**	**-3.9**	**-2.5**	**-2.3**	**-2.2**
Overall balance (including grants)	**-6.1**	**-1.0**	**-1.1**	**-4.0**	**-6.3**	**-6.1**	**-3.0**	**-1.7**	**-1.4**	**-1.4**
Financing	**6.6**	**3.3**	**3.2**	**4.0**	**6.3**	**6.1**	**3.0**	**1.7**	**1.4**	**1.4**
External (net)	2.3	-0.9	0.1	1.4	0.9	2.6	1.5	0.8	0.7	0.7
Loans	2.3	-0.9	0.0	1.4	0.9	2.6	1.5	0.8	0.7	0.7
Drawings	3.9	4.7	2.4	5.5	4.1	6.0	5.1	3.5	4.4	4.3
Of which:										
Identified hurricane financing	…	…	…	…	1.5	2.3	…	…	…	…
Amortization	1.6	5.5	2.4	4.1	3.3	3.3	3.6	2.7	3.7	3.6
Domestic financing	4.2	4.1	3.2	2.6	5.4	3.4	1.5	0.8	0.7	0.7
ECCB (net)	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks (net)	2.6	2.7	0.1	-2.6	0.6	1.4	0.4	0.2	0.2	0.2
Other domestic financing	1.6	1.6	3.1	5.2	4.9	2.0	1.1	0.6	0.5	0.5
Statistical discrepancy	-0.4	-2.3	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
GDP (at market prices, in EC$ millions)	2,538	2,616	2,665	2,607	2,699	2,854	3,013	3,170	3,335	3,509
Debt service (in percent of current revenue)	18.7	32.2	19.7	26.0	24.5	25.6	26.3	22.5	25.5	25.0
Central government debt (in percent of GDP) 2/	63.5	64.5	64.8	72.2	76.1	78.0	76.8	74.7	72.4	70.2

Sources: St. Lucia authorities; and Fund staff estimates and projections.

1/ Data are for fiscal years beginning April 1.
2/ Includes liabilities related to the construction and financing of public projects by the private sector.

Table 4. St. Lucia: Balance of Payments Summary, 2006–15

					Est.	Projections				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	(In millions of Eastern Caribbean dollars)									
Current account	**-761.5**	**-810.7**	**-747.3**	**-373.3**	**-443.5**	**-714.3**	**-542.8**	**-480.5**	**-530.9**	**-559.4**
Trade balance	-1,089.8	-1,161.6	-996.6	-702.5	-892.4	-1,220.9	-1,081.0	-1,068.9	-1,225.8	-1,306.4
Exports f.o.b.	316.9	301.0	447.4	516.5	471.6	412.9	435.8	461.7	488.9	512.2
Of which		1.7	2.2	2.3	1.5					
Bananas	48.1	43.7	58.9	58.4	41.1	32.7	34.4	37.4	40.3	37.8
Manufactured exports	64.6	71.6	79.1	76.1	74.6	76.2	78.8	81.5	84.4	87.2
Imports f.o.b.	-1,406.6	-1,462.6	-1,444.0	-1,219.0	-1,364.0	-1,633.8	-1,516.8	-1,530.6	-1,714.7	-1,818.6
Services (net)	446.4	497.7	399.9	439.1	571.6	634.6	674.2	730.7	842.8	900.7
Credits	902.4	1,004.7	981.7	952.1	1,088.6	1,171.0	1,230.6	1,307.6	1,441.1	1,530.2
Travel	768.4	857.7	839.7	799.7	929.0	999.0	1,048.8	1,116.3	1,239.8	1,318.4
Other nonfactor services	133.9	147.0	142.0	152.3	159.6	172.0	181.9	191.3	201.2	211.8
Debits	456.0	506.9	581.7	513.0	517.0	536.4	556.4	576.9	598.2	629.5
Travel	106.2	114.1	122.3	126.2	127.2	131.9	136.9	144.0	151.4	159.4
Other nonfactor services	349.8	392.8	459.5	386.8	389.8	404.5	419.6	432.9	446.8	470.1
Income payments (net)	-150.4	-183.5	-194.5	-143.4	-157.3	-164.4	-174.6	-182.9	-190.6	-198.5
Current transfers	32.3	36.6	43.8	33.5	34.5	36.5	38.6	40.6	42.7	44.9
Net private transfers	33.6	29.1	33.3	32.1	33.0	34.9	36.9	38.8	40.9	43.0
Net official transfers	-1.2	7.5	10.5	1.4	1.5	1.5	1.6	1.7	1.8	1.9
Capital and financial account	**868.8**	**845.8**	**633.9**	**459.7**	**436.0**	**609.1**	**572.2**	**495.5**	**553.6**	**579.7**
Capital	30.7	23.4	29.4	69.8	70.4	117.8	26.5	27.9	29.3	30.9
Financial (net)	838.1	822.4	831.4	390.0	365.6	491.2	545.7	467.6	524.3	548.8
Official capital	58.5	-22.6	-25.5	35.7	-23.3	61.2	44.9	26.3	23.7	23.7
Commercial banks	174.0	216.6	466.2	-11.9	35.2	54.5	74.3	-1.0	27.3	27.2
Private capital	605.6	609.6	411.5	395.9	348.3	375.5	426.7	442.4	473.2	497.9
Of which:										
Net direct investment	631.6	734.1	411.5	395.9	348.3	375.5	426.8	442.5	473.1	497.9
Errors and omissions	-71.1	14.9	83.1	166.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	36.3	50.0	-30.4	79.9	-7.5	-105.3	29.4	14.9	22.7	20.3
Financing	-36.3	-50.0	30.4	-79.9	7.5	105.3	-29.4	-14.9	-22.7	-20.3
Change in imputed reserves (increase -)	-48.6	-51.3	29.5	-18.3	7.5	-2.4	-29.4	-14.9	-22.7	-20.3
Change in govt. foreign assets	12.3	1.3	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in SDR Holdings				-22.8						
Identified hurricane-related financing	0.0	0.0	0.0	0.0	0.0	107.7	0.0	0.0	0.0	0.0
Of which:										
RCF/ENDA						22.1				
	(In percent of GDP)									
Memorandum items:										
Current account	-30.2	-31.3	-27.8	-14.4	-16.7	-25.4	-18.2	-15.4	-16.1	-16.1
Exports f.o.b.	12.6	11.6	16.6	20.0	17.7	14.7	14.7	14.8	14.9	14.8
Imports f.o.b.	-55.8	-56.4	-53.7	-47.1	-51.3	-58.1	-51.0	-48.9	-52.1	-52.5
Net private transfers	1.3	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Foreign direct investment	25.1	28.3	15.3	15.3	13.1	13.3	14.3	14.1	14.4	14.4
Indicators of diversification										
(In percent of exports of goods and nonfactor services)										
Banana exports	3.9	3.3	4.1	4.0	2.6	2.1	2.1	2.1	2.1	1.9
Tourism receipts	63.0	65.7	58.8	54.5	59.5	63.1	62.9	63.1	64.2	64.6
Tourism receipts	30.5	33.1	31.2	30.9	34.9	35.5	35.3	35.7	37.7	38.1
Total trade	68.4	68.1	70.3	67.0	69.0	72.7	65.6	63.7	66.9	67.3
Exports of goods and nonfactor services	48.4	50.4	53.1	56.7	58.6	56.3	56.0	56.5	58.6	59.0
Imports of goods and nonfactor services	73.9	76.0	75.3	66.9	70.7	77.1	69.7	67.3	70.3	70.7
Terms of trade for GNFS (percentage change)	-12.7	-11.2	-5.5	14.9	-6.5	-0.2	0.1	0.3	4.1	0.1
Excluding tourism (percentage change)	-6.3	-7.2	-0.6	25.6	-6.2	-4.9	-3.8	-1.8	-2.0	-1.8
Public sector external debt (end of period)	44.8	41.8	36.5	39.7	39.5	40.0	39.4	38.3	37.1	35.9

Sources: St. Lucia authorities; ECCB; and Fund staff estimates and projections.

Table 5. St. Lucia: Monetary Survey, 2004–10

	2004	2005	2006	2007	2008	2009	Est. 2010
	(In millions of Eastern Caribbean dollars)						
Net foreign assets	**318.7**	**99.9**	**117.6**	**-47.7**	**-543.3**	**-513.2**	**-555.9**
ECCB (imputed reserves) 1/	351.5	308.3	356.9	408.2	378.8	397.0	389.5
Commercial banks	-32.9	-208.5	-239.3	-455.9	-922.1	-910.2	-945.4
Net domestic assets	**1,190.5**	**1,611.9**	**1,938.6**	**2,230.9**	**3,009.9**	**3,017.0**	**3,129.3**
Public sector credit (net)	-324.7	-275.9	-222.8	-650.6	-549.5	-548.3	-525.4
Central government	-130.7	-90.7	-32.0	17.2	69.0	45.3	60.3
ECCB	-13.7	-10.0	-19.8	-43.2	5.9	-5.6	-5.6
Commercial banks	-117.0	-80.6	-12.2	60.4	63.1	50.9	65.9
Net credit to rest of public sector	-194.0	-185.2	-190.8	-667.9	-618.6	-593.6	-585.6
National Insurance Corporation	-240.9	-248.2	-264.2	-291.7	-340.3	-408.0	-408.0
Other	46.9	62.9	73.4	-376.2	-278.3	-185.6	-177.7
Credit to private sector	1,650.6	1,917.3	2,386.8	3,090.8	3,680.6	3,745.4	3,793.3
Net credit to nonbank financial inst.	-35.4	-37.8	-40.4	-41.3	-29.2	-55.4	-56.9
Other items (net)	-100.0	8.3	-185.1	-168.0	-91.9	-124.8	-81.8
Broad money	**1,509.2**	**1,711.8**	**2,056.2**	**2,183.2**	**2,466.6**	**2,503.8**	**2,573.4**
Money	481.3	547.3	560.7	639.0	661.4	652.6	670.7
Currency in circulation	99.2	106.4	126.6	128.0	142.6	148.4	152.5
Demand deposits	382.2	440.9	434.1	510.9	518.8	504.2	518.2
Quasi-money	1,027.8	1,164.5	1,495.5	1,544.2	1,805.2	1,851.2	1,902.7
Time deposits	178.7	185.9	222.7	283.3	420.1	405.4	428.2
Savings deposits	810.4	916.3	1,064.9	1,150.8	1,226.6	1,301.7	1,337.9
Foreign currency deposits	38.7	62.2	207.9	110.2	158.5	144.1	136.6
	(Annual percentage change)						
Net foreign assets	-4.9	-68.7	17.8	-140.5	-1,040.0	5.6	8.3
Net domestic assets	15.0	35.4	20.3	15.1	34.9	0.2	3.7
Credit to private sector	10.2	16.2	24.5	29.5	19.1	1.8	1.3
Broad money	10.1	13.4	20.1	6.2	13.0	1.5	2.8
Money	40.3	13.7	2.4	14.0	3.5	-1.3	2.8
Quasi-money 2/	0.1	13.3	28.4	3.3	16.9	2.6	2.8
	(Percent contribution compared to M2 at the beginning of the year)						
Net foreign assets	-1.2	-14.5	1.0	-8.0	-22.7	1.2	-1.7
Net domestic assets	11.3	27.9	19.1	14.2	35.7	0.3	4.5
Public sector credit (net)	-2.5	3.2	3.1	-20.8	4.6	0.0	0.9
Of which: central government	-1.9	2.7	3.4	2.4	2.4	-1.0	0.6
Credit to private sector	11.1	17.7	27.4	34.2	27.0	2.6	1.9
Net credit to nonbank financial inst.	0.3	-0.1	-0.1	0.0	0.5	-1.0	-0.1
Other items (net)	2.4	7.2	-11.3	0.8	3.5	-1.3	1.7
Memorandum items:							
Income velocity of M2 3/	1.5	1.5	1.3	1.2	1.2	1.0	1.0

Sources: St. Lucia authorities; ECCB; and Fund staff estimates and projections.
1/ Not including the IMF's SDR allocation of September 2009, in the amount of SDR 13.8 million (EC$ 58.7 million).
2/ Including resident foreign currency deposits.
3/ Nominal GDP at market prices divided by liabilities to the private sector.

Table 6. St. Lucia: Indicators of External and Financial Vulnerability, 2005–10
(Annual percentage changes, unless otherwise specified)

	2005	2006	2007	2008	2009	Est. 2010
External indicators						
Merchandise exports	-7.7	32.2	-5.0	48.6	15.4	-8.7
Merchandise imports	20.1	24.6	4.0	-1.3	-15.6	11.9
Terms of trade deterioration (-)	-1.6	-12.7	-11.2	-5.5	14.9	-6.5
Tourism earnings	9.3	-20.0	11.6	-2.1	-4.8	16.2
Banana export earnings	-23.0	15.9	-9.2	35.0	-0.8	-29.7
Current account balance (in percent of GDP)	-17.1	-30.2	-31.3	-27.8	-14.4	-16.7
Capital and financial account balance (in percent of GDP) 1/	15.9	34.5	32.6	23.6	17.8	16.4
Of which						
Foreign direct investment (in percent of GDP)	8.9	25.1	28.3	15.3	15.3	13.1
Gross international reserves of the ECCB						
In millions of U.S. dollars	600.8	696.0	764.5	759.0	800.8	818.2
In percent of broad money	17.9	18.6	18.6	17.0	17.5	17.8
Gross imputed reserves						
In millions of U.S. dollars	114.2	132.2	151.2	140.3	147.0	144.3
In percent of short-term liablilities	…	…	…	…	…	…
External public debt (in percent of GDP)	47.4	44.8	41.8	36.5	39.7	39.5
External debt service (in percent of exports of goods and nonfactor services)	6.5	11.2	17.0	11.4	11.2	9.1
Of which						
Interest	2.2	7.3	9.9	3.4	5.2	3.3
Nominal exchange rate (EC dollars per U.S. dollar, end period)	2.7	2.7	2.7	2.7	2.7	2.7
Real effective exchange rate depreciation (-), end period	-0.4	0.3	-3.8	0.5	3.2	…
Financial indicators						
Broad money	13.4	20.1	6.2	13.0	1.5	2.8
Credit to the private sector	16.2	24.5	29.5	19.1	1.8	1.3
Prudential indicators (in percent)						
Capital adequacy ratio (local banks)	14.4	17.6	20.2	15.6	20.8	…
NPLs to total loans ratio	12.6	8.5	5.8	6.6	8.3	…
Of which						
Local banks	16.5	10.5	7.3	9.0	10.2	…
Foreign banks	9.9	7.1	4.8	5.0	7.4	…
Loan loss provision to NPLs ratio	40.4	40.1	45.5	37.5	29.3	…
Of which						
Local banks	44.8	35.2	38.6	27.8	20.1	…
Foreign banks	35.4	45.2	52.2	48.6	35.9	…
Gross government claims to total assets ratio	14.6	11.8	10.0	9.7	9.6	…
Foreign currency deposits to total deposits ratio	3.0	9.0	5.6	6.3	6.4	…
Net foreign currency exposure to capital (local banks)	122.3	53.6	73.9	49.3	47.4	…
Contingent liabilities to capital (local banks)	149.5	124.3	78.3	104.3	60.0	…
(Pre-tax) return on average assets	2.3	2.4	2.8	3.2	0.5	…
Yield to maturity sovereign bonds 2/	6.5	7.1	7.5	7.5	7.2	…

Sources: St. Lucia authorities; ECCB; and Fund staff estimates and projections.

1/ Includes errors and omissions.
2/ Composite index, including RGSM bonds.

Table 7. St. Lucia: Indicators of Capacity to Repay the Fund, 2010–21 1/

	Est.	Projections										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fund obligations based on existing credit (in millions of SDRs)	0.00	0.00	0.02	0.02	0.02	1.40	1.39	1.39	1.38	1.38	0.00	0.00
Principal	0.00	0.00	0.00	0.00	0.00	1.38	1.38	1.38	1.38	1.38	0.00	0.00
Charges and interest	0.00	0.00	0.02	0.02	0.02	0.02	0.01	0.01	0.00	0.00	0.00	0.00
Fund obligations based on existing and prospective credit (in millions of SDRs)	0.00	0.02	0.05	0.05	0.62	2.17	1.97	2.16	2.15	2.14	0.77	0.38
Principal	0.00	0.00	0.00	0.00	0.57	2.14	1.95	2.14	2.14	2.14	0.77	0.38
Charges and interest	0.00	0.02	0.05	0.05	0.05	0.03	0.02	0.02	0.01	0.00	0.00	0.00
Fund credit outstanding based on existing and prospective credit (in millions of SDRs)	6.89	12.25	12.25	12.25	11.68	9.53	7.58	5.44	3.29	1.15	0.38	0.00
Total obligations based on existing and prospective credit												
In millions of U.S. dollars 2/	0.00	0.03	0.08	0.08	0.95	3.31	3.01	3.30	3.28	3.27	1.17	0.58
In percent of exports of goods and services	0.00	0.01	0.01	0.01	0.13	0.44	0.38	0.39	0.37	0.35	0.12	0.06
In percent of external debt service 3/	0.00	0.05	0.12	0.14	1.36	4.66	3.95	4.08	3.84	3.53	1.19	0.57
In percent of GDP	0.00	0.00	0.01	0.01	0.10	0.32	0.28	0.29	0.28	0.26	0.09	0.04
In percent of quota	0.00	0.13	0.33	0.33	4.05	14.18	12.88	14.12	14.05	13.99	5.03	2.48
In percent of net international reserves	0.00	0.02	0.05	0.05	0.56	1.87	1.62	1.68	1.59	1.51	0.52	0.24
Outstanding Fund credit 3/												
In millions of U.S. dollars 2/	10.51	18.69	18.69	18.69	17.82	14.54	11.57	8.30	5.02	1.75	0.58	0.00
In percent of exports of goods and services	1.82	3.19	3.03	2.85	2.49	1.92	1.46	0.99	0.57	0.19	0.06	0.00
In percent of external debt service 3/	19.93	33.41	29.79	34.18	25.63	20.45	15.19	10.28	5.87	1.90	0.59	0.00
In number of months of imports of goods and services	0.18	0.28	0.29	0.29	0.25	0.19	0.14	0.10	0.06	0.02	0.01	0.00
In percent of GDP	1.32	2.22	2.10	2.00	1.81	1.41	1.07	0.73	0.42	0.14	0.04	0.00
In percent of quota	45.03	80.07	80.07	80.07	76.34	62.29	49.54	35.56	21.50	7.52	2.48	0.00
In percent of net international reserves	7.29	12.88	11.98	11.57	10.48	8.19	6.21	4.24	2.44	0.81	0.25	0.00
Net use of Fund credit (in millions of SDRs)	0.00	5.36	0.00	0.00	-0.57	-2.14	-1.95	-2.14	-2.14	-2.14	-0.77	-0.38
Disbursements	0.00	5.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments and Repurchases	0.00	0.00	0.00	0.00	0.57	2.14	1.95	2.14	2.14	2.14	0.77	0.38
Memorandum items:												
Nominal GDP (in millions of U.S. dollars)	797.0	843.1	890.1	934.9	982.1	1032.0	1084.5	1135.6	1189.5	1245.9	1305.0	1366.9
Exports of goods and services (in millions of U.S. dollars)	577.9	586.6	617.2	655.3	714.8	756.4	794.4	835.7	879.5	926.3	976.0	1029.0
External debt service (in millions of U.S. dollars) 3/	52.7	55.9	62.7	54.7	69.5	71.1	76.1	80.7	85.5	92.4	98.6	101.2
Imports of goods and services (in millions of U.S. dollars)	696.6	803.8	767.9	780.5	856.6	906.7	978.3	1017.9	1071.9	1127.7	1187.0	1248.5
Net imputed international reserves (in millions of U.S. dollars)	144.3	145.2	156.0	161.6	170.0	177.5	186.1	195.6	205.9	216.6	227.9	239.8

Sources: Fund staff estimates and projections.

1/ Assumes RCF/ENDA access in the amount of SDR 5.36 million (35 percent of quota).
2/ US$ 1 = 0.655404 SDR (as of November 30, 2010)
3/ Including prospective repurchases/repayments.

Letter of Intent

Castries, St. Lucia
December 21, 2010

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn,

The St. Lucian economy has been adversely affected by Hurricane Tomas, which hit the island October 30, 2010. Torrential rains have resulted in landslides, causing human causalities and severe damage to the island's economic infrastructure. High winds and severe flooding have also damaged the agricultural sector (in particular the banana industry), as well as commercial and residential buildings. Fortunately, the impact on St. Lucia's important tourism sector was more limited. The initial estimate of the overall damage is about US$336 million (33.6 percent of GDP), including loss of export earnings of some US$45 million (5 percent of GDP). Our preliminary estimates suggest that real GDP growth will reach only about 0.5 percent of GDP in 2010, compared with a pre-hurricane estimate of 1.7 percent. Reflecting higher construction-related imports and a reduction in banana exports, the external current account deficit is projected to increase.

The government has moved quickly to provide immediate relief to those affected by the natural disaster, and initiated critical repair and reconstruction work financed by reallocating expenditure and using US$3.2 million from the Caribbean Catastrophic Risk Insurance Fund. Many development partners have already indicated their support (including the Caribbean Development Bank, the World Bank, the European Union, and the CARICOM Development Fund), but the reconstruction process will require a considerable amount of time and resources. Accordingly, the government of St. Lucia requests emergency financing from the IMF amounting to SDR 5.36 million (US$8.22 million), equivalent to 35 percent of quota, consisting of a disbursement of SDR 3.83 (US$5.87 million) under the Rapid Credit Facility and a purchase equivalent to SDR 1.53 million (US$2.35 million) under Emergency Natural Disaster Assistance. The IMF assistance will help meet the immediate foreign exchange needs stemming from the disaster, thereby maintaining confidence in the external position.

The Government is dealing with the effects of the crisis on several fronts. In terms of immediate priorities we have started to repair critical infrastructure (water distribution systems, roads, and bridges) and are providing assistance to those who suffered an abrupt loss of livelihoods. Going forward—and with the help of our donor countries and multilateral agencies—we will start with the reconstruction and rehabilitation and the development of a comprehensive economic and social program aimed at reactivating the economy and addressing the large social needs. The infrastructure needs are significant, but it is the government's intention to keep commercial borrowing to a minimum by limiting the financing of the rehabilitation and reconstruction effort to available grants and concessional financing. All cash disbursements received from donors will be channeled through the consolidated fund to ensure adequate accounting and use of these resources. While the fiscal deficit will temporarily increase to 6.3 percent of GDP in FY 2010/11 and 6.1 percent in FY 2011/12, we remain committed to achieving a debt-to-GDP target of 60 percent by 2020, for which we will target a primary surplus of 2.9 percent of GDP after FY2012/13. This target is 1.2 percentage point of GDP higher than the average under the active scenario discussed during the Article IV. To this end, we intend to implement both revenue and expenditure measures. On the revenue front, Cabinet has recently approved legislation to implement a market-based property tax, and we will seek its parliamentary approval with the view to making it effective by early FY 2011/12. Also, we are committed to introducing a VAT by April 2012 and have already initiated the consultative process with the private sector and other key stakeholders. On the expenditure side, and within the context of a broader civil service reform, we intend to freeze the civil service wage bill at 11 percent of GDP in the medium term and are taking steps to introduce a medium-term expenditure framework.

The government attaches great importance to implementing its agenda of structural reforms aimed at fostering private-sector-led economic growth and reducing poverty levels, consistent with our Millennium Development Goals. In this context, the government will continue to improve the investment climate, including by setting up a "one-stop-shop" for investors and by seeking passage of the Single Regulatory Unit and credit union legislations to strengthen supervision of the nonbanking sector and facilitate a more efficient allocation of capital.

It is hoped that the international financial community will support our efforts to restore economic growth and repair and rehabilitate our severely damaged social and economic infrastructure. We look forward to an early approval of financial assistance by the IMF and have identified financing gaps that could possibly be filled by our development partners and other multilateral agencies.

The government intends to continue to maintain a close policy dialogue with the Fund in an effort to strengthen St. Lucia's balance of payments situation and maintain macroeconomic stability. The government does not intend to impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, introduce new or intensify existing trade restrictions for balance of payments purposes, or enter into bilateral payments agreements which are inconsistent with Article VIII of the Fund's Articles of Agreement.

Sincerely yours,

_____________/s/_____________

HON. STEPHENSON KING
PRIME MINISTER AND MINISTER
FOR FINANCE AND PLANNING