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The Chairman's Summing Up at the Conclusion of
the 1990 Article IV Consultation with St. Lucia
Executive Board Meeting 90/83 - May 30, 1990

Directors were in broad agreement with the staff appraisal. They noted that the growth of real GDP in the last two years had been satisfactory, inflation had remained within acceptable limits, and unemployment had declined.

Directors commended the authorities for their prudent fiscal policies of recent years which had facilitated a large increase in public sector savings, the elimination of both external and domestic government arrears, a reduction in the public sector's domestic debt, and a buildup of foreign reserves. Directors noted that the strong revenue performance had not depended on increases in tax rates, but instead on an improvement in tax administration that was to be commended.

Directors welcomed the efforts of the authorities to contain current government outlays. They observed that the wage agreement reached with civil servants would contribute in 1990-91 to the maintenance of a sound fiscal policy, and would provide helpful guidelines for the private sector. A moderation of labor cost increases would be important in assuring an adequate competitive position for St. Lucia. Directors endorsed the policy of accumulating foreign reserves, which would help the Government cope with uncertainties facing banana exports after 1992.

The existing constraints on the use of monetary policy and the common exchange rate arrangements strengthened the need for the continuation of the Government's sound fiscal policies. Directors agreed with the authorities that a slowdown in the pace of credit expansion, such as for construction, was now desirable in order to avoid the overheating of the economy. The large differences in deposit and lending rates practiced by commercial banks suggested that steps could be considered to improve the efficiency of financial intermediation.

Directors noted that the emphasis given to developing the economic infrastructure was appropriate since it underpinned the Government's strategy of fostering private sector growth and diversification, such as toward tourism. However, they noted the importance of keeping the rise in public investment in line with the economy's absorptive capacity to avoid pressures on resources.

It is expected that the next Article IV consultation with St. Lucia will be held on the 24-month cycle.

