EXECUTIVE BOARD MEETING

EBS/20/69

April 22, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **St. Lucia—Request for Disbursement Under the Rapid Credit Facility**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Tuesday, April 28, 2020**
Proposed Decision:	Page 10
Publication:	Yes*
Questions:	Mr. Ding, WHD (ext. 39766)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—Caribbean Development Bank, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

ST. LUCIA

April 21, 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

Context. St. Lucia, a tourism-dependent economy in the Caribbean, has been hit hard by the COVID-19 pandemic. Tourism exports, which in a typical year would account for nearly 90 percent of the country's foreign exchange earnings, have come to an abrupt halt with widespread cancellations spreading out into the foreseeable future. The economy is now projected to contract by 8.5 percent in 2020. More severe local outbreaks of COVID-19 could cause additional widespread and prolonged disruptions to economic activity.

Request for Fund support. Reflecting the large external financing gaps arising from the sharp contraction of net exports and the significant fiscal needs to immediately increase public health spending, the authorities are seeking financial assistance under the Rapid Credit Facility (RCF) exogenous shock window of SDR 21.4 million, equivalent to 100 percent of quota, to be used for budget support. Staff supports this request.

Macroeconomic policies. Near-term policies should focus on mobilizing external financing and maintaining macroeconomic stability. Given the large common shock to the ECCU, regional policy coordination is key to ensure resources are available for member states to respond to the crisis. The authorities will monitor the economic, fiscal and financing conditions in the coming months. Should conditions deteriorate beyond expectations, they will consider requesting a follow up longer-term upper credit tranche arrangement with the Fund. The authorities are committed to meeting their 2030 public debt target and have indicated that they intend to underpin fiscal sustainability by introducing revenue-enhancing measures once the immediate crisis has moderated, adopting a fiscal rule to guide the pace and composition of the medium-term fiscal consolidation, and increasing public investments over the medium-term on health, education and resilience against natural disasters and climate change. The authorities are also committed to further strengthening financial supervision and regulation in order to safeguard macro-financial stability.

Approved By
Nigel Chalk (WHD) and Craig Beaumont (SPR)

Discussions took place via conference calls on April 13-15, 2020. The team comprised Messrs. Ding (head), Hukka, Timmer, Vargas (all WHD) and Wu (ICD). Mr. Mooney (OED) joined the meetings. The IMF team held meetings with the Honorable Prime Minister Chastanet, Permanent Secretary Rigobert, other senior government officials and representatives of financial institutions. Mr. Landeta and Ms. Vishvesh assisted in the preparation of the staff report.

CONTENTS

RECENT DEVELOPMENTS

1. The St. Lucia economy grew steadily in recent years, driven by robust tourism exports. Growth has averaged 2.6 percent in 2017-19, compared to the historical average of 1.5 percent. Increased activity in hotel and food services have accounted for half of this growth. The robust tourism sector growth reflected favorable external conditions, including strong growth in the United States (which account for nearly one half of St. Lucia's stayover tourists). There are also large public infrastructure investments that are getting underway (e.g. a new airport terminal that will cost 9 percent of GDP funded through government-guaranteed loans from Taiwan Province of China and from local and regional banks). Public debt, which had stabilized in recent years, was projected to rise in the near term to nearly 70 percent of GDP owing to the project loans. The 2019 Article IV consultation assessed that debt vulnerabilities are elevated and public debt does not stabilize over the near term under current policies.

2. The current account recorded a 2 percent of GDP surplus in 2019. However, a range of indicators including the Doing Business Ranking, labor productivity growth and unit labor costs suggest St. Lucia has important competitiveness challenges particularly in the non-tourism sector. St. Lucia maintains imputed reserves at the Eastern Caribbean Central Bank (ECCB) of around 3.2 months of imports at the end of 2019.

3. Entering the COVID-19 pandemic, the financial system was generally reported to be adequately capitalized and liquid, with sizeable capital and liquidity buffers. However, legacy asset quality weaknesses and long-standing structural impediments continue to weigh on bank balance sheets and private sector credit growth. There are also emerging risks from banks' rising overseas investments and the rapid expansion of the credit union sector.

IMPACT OF COVID-19

4. The COVID-19 pandemic is likely to have a significant effect on the St. Lucian economy. St. Lucia has seen fifteen confirmed coronavirus infections in the country, some of which have arisen from community transmission. The government has implemented resolute containment measures including border closures and a 24-hour shutdown during April 1-7 to curtail the spread of the disease. These domestic disruptions are magnified by the collapse in tourism which will reverberate throughout the local economy (direct and indirect effects mean that tourism accounts for nearly one half of the domestic economy). Preliminary information suggests that tourism exports could decline by at least 50 percent year-on-year in 2020, with a near cessation of arrivals in Q2 and Q3.[1] While uncertainties are very large, growth is now projected to decline sharply to -8.5 percent in 2020 (from 3.2 percent in the pre-virus baseline). This presumes that infrastructure projects continue to start-up later in the year, cushioning the impact on growth in 2020 and contributing to a rebound

[1] The World Travel and Tourism Council projected a 25 percent decline in global tourism activities in 2020.

in 2021 (which is now projected to be around 6.9 percent). However, nominal GDP is not expected to recover to the 2019 level until 2022.

5. The pandemic is giving rise to an urgent BOP need. The expected sharp decline in tourism exports, of about US$460 million, will only be partially offset by terms-of-trade gains from lower commodity prices. Additional BOP needs arise from an expected decline in remittances (of US$10 million) and increased imports related to public health spending. During the remainder of the year, St. Lucia is assumed to be able to achieve a partial rollover of the maturing medium and long-term debt due to tighter market financial conditions.[2] The resulting shift in the current and capital account will result in an important BOP financing need for 2020 (estimated to be US$154 million, or 8 percent of GDP). This financing need is expected to be largely met by a combination of multilateral and bilateral support, disbursements under the RCF, and liquidity support from the ECCB.

St Lucia: Balance of Payments Summary
(in millions of USD)

	2019	2020
Current account balance	**98**	**-202**
Of which tourism exports	988	526
Of which oil imports	-103	-59
Of which remittances	26	16
Capital and financial accounts	**-98**	**48**
Of which FDI	78	89
Of which changes of reserves	18	37
Remaining BOP gap		**154**
IMF (RCF)		29
Other multilaterals and bilateral		88
ECCB		37

6. The overall fiscal deficit for FY2020/21 is expected to widen to 7 percent of GDP (from 2 percent in FY2019/20). Total revenue is projected to decline by 2 percent of GDP, with the sharp decline in import duties and excises partially offset by an increase in fuel surcharges about 1.3 percent of GDP (the surcharge is the difference between the administrated domestic retail price, which has not changed, and the imported fuel price) and the one-off stamp duty from the sale of a bank to foreign investors (0.2 percent of GDP). Spending is expected to increase by 2 percent of GDP, arising mainly from additional public health expenditure to contain the spread of COVID-19 (estimated to cost in excess of EC$30 million, or 0.6 percent of GDP) and temporary income support

[2] Public debt amortization amounts to around USD185 million in 2020 (8.5 percent of GDP), half of which is maturing government securities held by external creditors.

to vulnerable households. This was partially offset by a reduction in domestically-financed capital expenditure.

7. The overall balance will be financed by a combination of disbursements from official sources, partial rollover of maturing privately-held debt, ECCB liquidity support to the government, and Fund disbursements under the RCF. St. Lucia faces very large gross fiscal financing needs both in FY2020 and over the medium-term. This arises from a sizable (40 percent of GDP) stock of privately held government securities with a relatively short average maturity of around 36 months. This debt is mostly held by domestic and regional financial institutions (broadly in equal shares). New issuance of bills and bonds is assumed to cover part of the amortization falling due in FY2020, with the rest of the financing needs expected to be largely met by a combination of multilateral and bilateral support, disbursement under the RCF, and liquidity support from the ECCB.

St Lucia: Central Government Gross Financing Needs
(in millions of EC dollars)

	FY2020/21
Total Revenue (A)	1,097
Total Expenditure (B)	1,466
Overall Balance (C=A-B)	-369
Debt Amortization (D)	914
Gross Financing Needs (GFN) (E=D-C)	1,284
GFN as % of GDP	*23.9*
Projected Financing Sources	1,154
Debt Issuances	679
Government Deposits	60
External Financing	415
IMF	78
Other multilaterals and bilateral	237
ECCB	100
Remaining financing from other sources	130

AUTHORITIES' POLICIES TO ADDRESS THE CRISIS

8. The government's near-term policy focuses on maintaining macroeconomic stability. The announced social stabilization plan (estimated around 2 percent of GDP) includes temporary income support to vulnerable households (including non-contributors to the national insurance programs), an extension of tax payment deadlines, tax credits to companies that retain employees, a temporary suspension of rental payments for small enterprises in government properties, and targeted assistance to local entrepreneurs producing crisis-response essentials. The government is also actively seeking concessional funding and debt relief from bilateral and multilateral sources including the Caribbean Development Bank and the World Bank. Given the large common shock to the ECCU, regional policy coordination is key to ensure resources are available for member states to respond to the crisis. To this end, the ECCU heads of government are committed that they will consult with each other on national policy decisions that may have implications for neighboring states, proactively engage with creditors to minimize rollover risks, and direct the statutory bodies in the region to maintain and, where possible, increase their exposure to the region's sovereign bonds (so as to ensure public resources are fully available to sustain the fiscal policy efforts that are currently in-train or planned for the future).

9. The authorities are committed to ensuring debt remains sustainable over the medium-term and taking the necessary steps to bring the debt to their 2030 debt target. To this end, they are considering measures to widen the tax base (including by targeting the informal sector) once the economy recovers from the crisis and plans to adopt a fiscal rule that would create a clear institutional framework to guide the pace and composition of the medium-term fiscal consolidation and minimize implementation risks.[3] The authorities also plan to increase public investment on health, education and resilience to natural disasters and climate change, which could enhance St. Lucia's long-term macroeconomic performance and reduce the risks around the medium-term path for debt-GDP. They will actively seek concessional financing including the global climate funds to finance increased public investment. The authorities also plan to introduce a new Public Financial Management (PFM) Bill in the near term aimed at enhancing the transparency, accountability and efficiency of PFM.[4]

10. The ECCB has announced a loan moratorium and a waiver of late fees and charges for six months and targeted supervisory flexibility. The ECCB has indicated that it will ensure earliest clarification on the moratorium measure to be subject to each bank's eligibility criteria and assessments per best practices. The announced forbearance measures are largely consistent with the IMF guidance that such measures should be transparent, temporary and combined with intensive supervision in particular of the impact of restructured loans. The ECCB also announced measures to increase members' access to ECCB lending through temporary advances to governments and purchasing of discount and rediscount treasury bills and long-term bonds and other government guaranteed bonds. In light of the potential crisis impact on the domestic credit union sector, the national supervisor (Financial Services Regulatory Authority, or FSRA) is also committed to work closely with the ECCB and the government to maintain stability in the non-bank sector, including by obtaining access to emergency liquidity assistance from the public sector.

[3] The authorities planned to introduce a hotel accommodation fee which staff estimated could generate additional annual revenue of 0.7 percent of GDP (see the 2019 Article IV staff report). The authorities noted that the accommodation fee has the potential to mobilize additional revenue from the alternative accommodation sector such as Airbnb, which has grown substantially in St. Lucia in recent years without contributing directly to government revenues. The authorities also plan to expand the coverage of the social security programs to the informal sector.

[4] See 2019 Article IV Consultation staff report for details of the fiscal rule and the planned PFM Bill.

RISKS

11. The main risks to the outlook arise from a prolonged COVID-19 outbreak and a more prolonged halt to tourism than is current anticipated. The economic outlook is subject to an unusual degree of uncertainty related to the impact of COVID-19 on St. Lucia and the global economy. As such, St. Lucia faces significant downside risks. Staff projections assume that the spread of the disease will be contained at moderate levels and activity will resume relatively rapidly once the immediate health crisis begins to wane. However, longer containment, uncertainties about the intensity and the duration of the outbreak and continuing concerns over leisure travel may create a more protracted halt in inbound tourists. Also, an increase in domestic infection rates could lead to widespread disruptions to the domestic economy in order to contain the spread of the disease. These direct risks from the COVID-19 pandemic are exacerbated by significant uncertainties surrounding the likely actions of local and regional financial institutions and to what extent they would be prepared to refinance corporates, households and the public sector in the coming months and years. Additional downside risks include St. Lucia's inherent vulnerability to natural disasters.

12. Should economic, fiscal and financing conditions deteriorate beyond expectations in coming months, the authorities will consider a follow up longer-term upper credit tranche (UCT) arrangement with the IMF. They will also consider reprioritizing expenditures to contain the fiscal deficit and are exploring other financing sources including overdraft facilities with commercial banks, increasing the limit of the national insurance fund's exposure to the public sector, and expanding the citizenship-by-investment program. St. Lucia is also eligible for IDA resources under the IDA19 replenishment for the period from July 2020 to June 2023.

DEBT SUSTAINABILITY

13. Public debt sustainability is exposed to substantial risks in the current circumstances. Under the staff's baseline, public debt as a percent of the GDP will increase by nearly 12 percentage of GDP in FY2020 and peak at 78 percent in FY2022 before declining gradually toward the authorities' 2030 debt target of 60 percent of GDP.[5] This outlook is based on the assumptions that the authorities will implement medium-term consolidation measures to meet the 2030 debt target, and that the pandemic impact on tourism will be largely temporary, with GDP returning to 2019 levels after two years. Accordingly, the heat map points to substantial risks to debt sustainability from weaker than projected growth and fiscal deficit paths. The stress test scenario also points to continued vulnerability of debt dynamics to natural disasters.

14. The substantial risks to debt sustainability are amplified by large gross financing needs. Historically, the local and regional demand for St. Lucian debt has been relatively stable. However, the region's banks, insurance companies, and other non-bank institutions are now facing unprecedented circumstances, as are their customers including households, firms, and governments

[5] About 9 percent of GDP public debt is associated with semi-concessional loans for a new airport that are paid from a dedicated revenue source that is accumulated in an extrabudgetary fund.

in the other ECCU countries. To the extent that most of St. Lucia's external debt is held by regional financial institutions, regional coordination to minimize the debt rollover risks can help address the gross financing needs.

MODALITIES OF SUPPORT

15. **Staff proposes to provide support to St. Lucia of 100 percent of quota (SDR 21.4 million) under the RCF**. St. Lucia meets the eligibility requirements for support under the RCF. It has an urgent balance of payments need which, if not addressed, will result in immediate and severe economic disruption. It is also not feasible at this stage to put in place a UCT Fund-supported program due to the urgent balance of payments and fiscal financing needs facing the country as well as the high degree of uncertainty regarding the duration and scale of the COVID-19 epidemic. St. Lucia is assessed as having capacity to repay the Fund (see Table 4) and sustainable debt if consolidation measures are put in place once the economy fully recovers from the crisis. The authorities have indicated their intention to cooperate with the Fund and pursue economic policies appropriate for addressing the impact of COVID-19. They will consider a follow up longer-term UCT arrangement with the Fund, should economic, fiscal and financing conditions deteriorate beyond expectations in coming months.

16. **The proposed access of 100 percent quota will partially meet St. Lucia's external financing needs for the coming 12 months.** Staff estimate that the RCF will cover 19 percent of the projected financing gap. The remaining needs are expected to be largely filled by other official sector financing and liquidity support from the ECCB. The authorities are actively seeking further budget support from bilateral and multilateral sources including the World Bank and the Caribbean Development Bank to contribute to their financing needs. St. Lucia does not currently have an IMF arrangement. Access of 100 percent of quota is within the access limits under the PRGT. The RCF disbursement will be disbursed to the ECCB and be on-lent to the St. Lucian government to provide for fiscal financing and support virus-related spending.

17. **The authorities are committed to collaborating with IMF staff in undergoing a safeguards assessment.** The ECCB will provide Fund staff with the necessary central bank audit reports and has authorized the external auditors to hold discussions with staff. The next safeguards assessment of the ECCB is expected to take place during 2020, in accordance with the four-year cycle for regional central banks.

18. **Risks to St. Lucia's capacity to repay are mitigated by the authorities' good track record of implementation of Fund recommendations, resolve to achieving fiscal consolidation in the medium term, and a commitment to a continued close dialogue with the Fund**.

AUTHORITIES' VIEWS

19. **The authorities emphasize the urgency of external financing to respond to the crisis and sustain macroeconomic stability.** In light of the country's pressing need to upgrade health care services and protect the most vulnerable and people who have lost income due to the collapse of tourism exports, the authorities welcome the rapid assistance provided by the Fund to address balance of payments gaps arising from these requirements. While recognizing the large downside risks to public finance, the authorities underscore the importance of regional policy coordination to mitigate such risks. They will consider a follow up longer-term upper credit tranche arrangement with the Fund, should economic, fiscal and financing conditions deteriorate beyond expectations in coming months. They are also developing a strategy to reopen the tourism sector to international travelers in the near term while ensuring the health and safety of the local population through rigorous containment and mitigation measures.

20. **The authorities stress their commitment to adopting policies that are consistent with medium-term stability and meeting the 2030 debt target.** In this regard, they are considering revenue-enhancing measures and a medium-term fiscal rule that can be introduced when the economy recovers from the crisis. They also underscore that the planned infrastructure projects will enhance St. Lucia's connectivity as a tourism destination and its long-run growth.

STAFF APPRAISAL

21. **St. Lucia faces significant policy challenges due to the COVID-19 outbreak.** Even after the pandemic recedes, it may take a long time for the tourism sector to recover to the pre-pandemic levels. St. Lucia may also be negatively affected by the diminished availability of external financing sources given the ongoing disruption to global financial markets. The country's high vulnerability to natural disasters add to the risks to both growth and the fiscal outlook.

22. **The authorities are committed to maintaining macroeconomic stability and achieving their 2030 debt target.** As such, they stand ready to act, once the immediate health crisis moderates, to take measures as needed to return the deficit to a path that lowers debt to 60 percent of GDP by 2030. The government is also working to mobilize donor grants to fund investments in health, education and climate resilience. Additional public investment should be implemented in a fiscally responsible manner to safeguard debt sustainability.

23. **Staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR21.4 million (100 percent of quota).** The request for a disbursement in the amount of 100 percent of quota is justified by the scale and severity of the COVID-19 shock that has created actual and urgent BOP needs. Using this disbursement as budget support is warranted by the pressing healthcare and humanitarian needs facing the government.

Proposed Decision

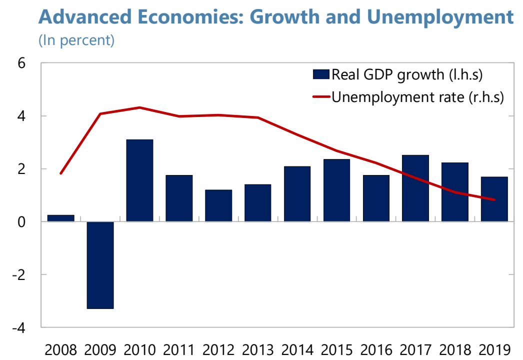
The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board.

1. St. Lucia has requested a loan disbursement in an amount equivalent to SDR 21.4 million (100 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

2. The Fund notes the intentions of St. Lucia as set forth in the letter from the Prime Minister and Minister for Finance, Economic Growth, Job Creation, External Affairs and the Public Service, dated April 21, 2020, and approves the disbursement in accordance with the request.

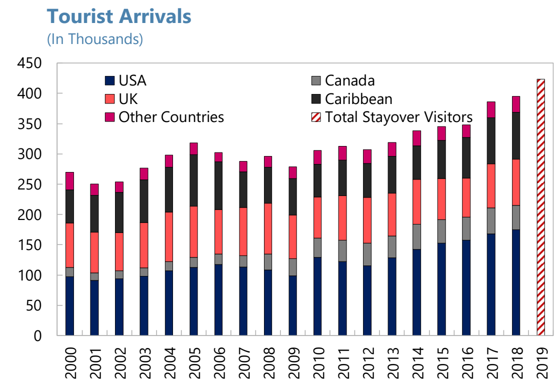
Figure 1. St. Lucia: Recent Developments

Robust growth and buoyant labor markets in advanced economies…



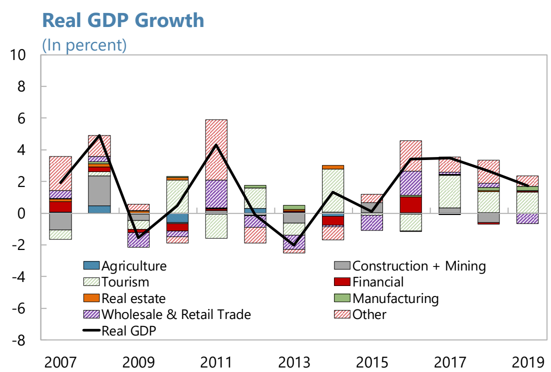
Source: World Economic Outlook (WEO) database.

…have boosted tourism demand for St. Lucia.



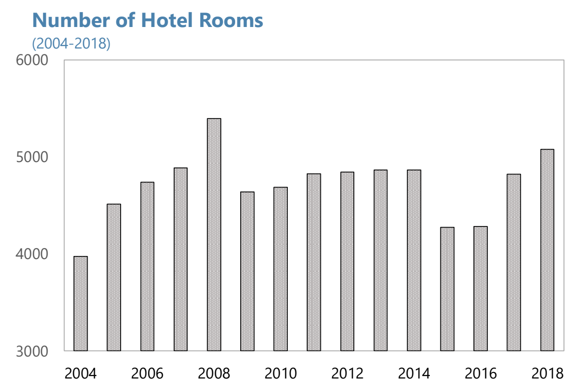
Sources: ECCB and CTO.

Growth remained above historical average since 2016…



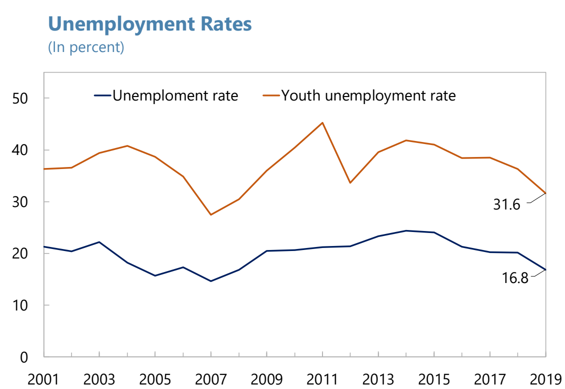
Sources: ECCB; and IMF staff estimates.

…thanks to a recovery in hotel sector development.



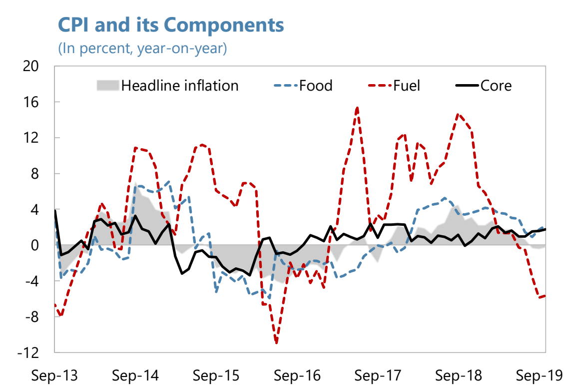
Sources: Caribbean Tourism Organization (CTO)

Unemployment declined somewhat.



Sources: Country Authorities.

Inflation has remained contained.



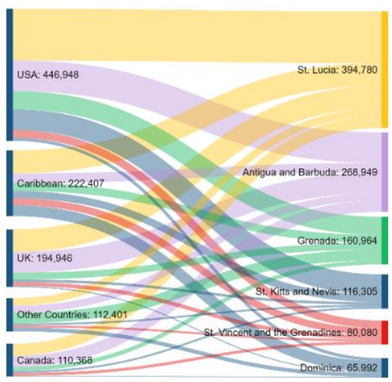
Sources: ECCB; and IMF Staff Estimates.

Figure 2. St. Lucia: External Sector Developments

St. Lucia is a main tourist destination in the ECCU with the U.S. its principal source market.

ECCU Countries - Stay-Over Tourist Flows

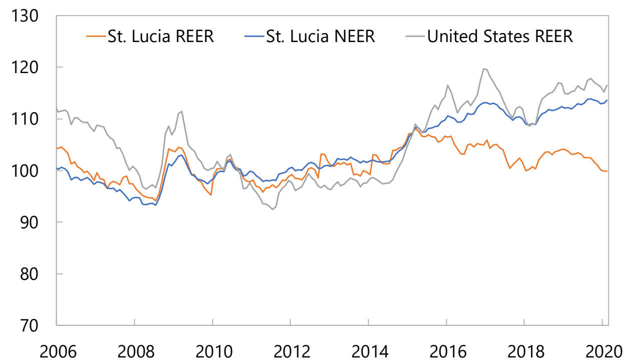
(by source/



Since mid-2018, the REER appreciated by 5 percent, owing to an appreciation of the U.S. dollar.

Nominal and Real Effective Exchange Rates

(Indexes, 2010= 100)

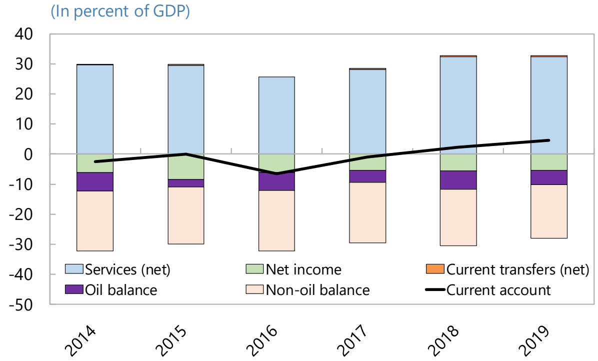


Source: Fund staff calculations.

The current account surplus is projected to be 4.6 percent of GDP, owing to robust tourism and CIP inflows…

Current Account Balance

(In percent of GDP)

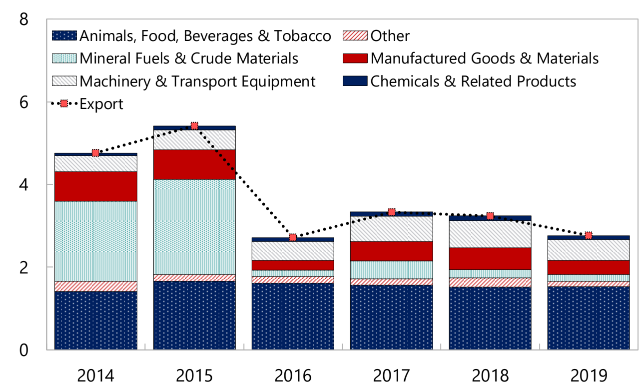


Sources: Country Authorities; and IMF Staff Estimates.

…but goods exports remain low…

Goods Export Decomposition

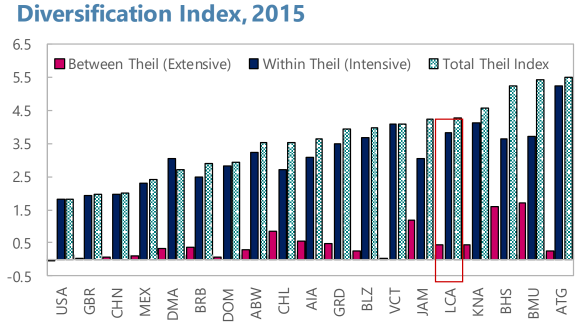
(In percent of GDP)



Sources: St. Lucia authorities and Fund staff calculations.

…reflecting weak diversification of the St. Lucian economy compared to other countries in the region.

Diversification Index, 2015

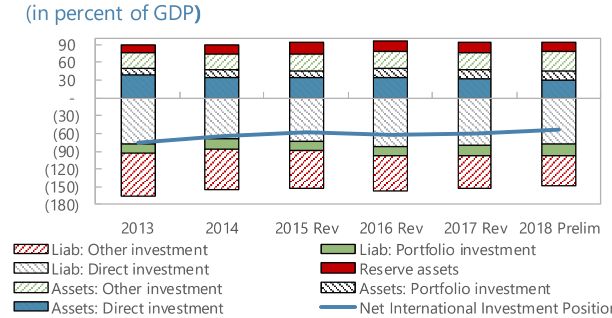


Source: IMF Diversification Index (https://www.imf.org/external/np/res/dfidimf/diversification.htm),IMF staff calculations.

The NFA position improved since 2013, driven by shrinking Other Investment liabilities.

St. Lucia: NIIP

(in percent of GDP)



Source: ECCB and IMF staff calculations.

Table 1. St. Lucia: Selected Social and Economic Indicators, 2016–25

I. Social and Demographic Indicators

Area (sq. km)	616	Infant mortality (per thous. live births, 2018)	14.9
		Human Development Index ranking (of 189 countries, 2018)	89
Population Characteristics			
Total (2018)	178,696	Gross Domestic Product (2018)	
Rate of growth (average 2011-2018)	0.9	(millions of US dollars)	2,043
Population density (per sq. km., 2018)	290.1	(millions of EC dollars)	5,516
Net migration rate (per thousand, 2018)	0	(US$ per capita)	11,432
Secondary education enrolment (percent, 2018)	90	Gross National Income per Capita (US$, 2018)	10,803
Life expectancy at birth (years, 2018)	76.1		

II. Economic and Financial Indicators

				Prel.	Projections					
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	(Annual percentage change, unless otherwise specified)									
Output and prices										
Real GDP (at market prices)	3.4	3.5	2.6	1.7	-8.5	6.9	2.2	1.5	1.5	1.5
Real GDP (at factor cost)	1.9	3.6	2.8	2.8	-8.5	6.9	2.2	1.5	1.5	1.5
Consumer prices, end of period	-2.8	2.0	2.2	0.7	0.7	2.0	2.0	2.0	2.0	2.0
Output gap (percent of potential GDP)	-0.3	1.3	2.2	2.4	-6.9	1.2	1.2	0.6	0.2	0.0
Unemployment rate (% annual average)	21.3	20.2	20.2	16.9	…	…	…	…	…	…
Real effective exchange rate										
(annual average, depreciation -)	104.9	103.1	102.3	102.6	…	…	…	…	…	…
	(In percent of GDP, unless otherwise specified)									
Central government balance 1/										
Revenue	21.3	21.0	22.1	22.2	20.4	22.8	23.0	23.3	23.7	23.6
Taxes	19.1	18.5	19.3	19.5	17.3	19.6	20.3	20.6	21.0	21.0
Non-tax revenue	1.1	1.4	2.1	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Grants	1.1	1.2	0.7	1.2	1.7	1.7	1.3	1.3	1.3	1.3
Expenditure	22.6	23.3	23.1	25.4	27.3	26.5	24.9	24.3	24.1	24.0
Current primary expenditure	16.1	16.1	17.2	18.7	19.7	18.4	18.1	17.9	17.7	17.7
Interest payments	3.1	3.0	3.0	3.1	3.1	2.8	2.8	2.8	2.8	2.8
Capital expenditure	3.4	4.2	3.0	3.7	4.5	5.3	4.1	3.6	3.6	3.6
Natural disaster (ND) annualised cost	…	…	…	0.0	0.0	0.7	0.7	0.7	0.7	0.7
Primary balance, excl. ND cost	1.7	0.8	2.0	-0.2	-3.8	-0.9	0.8	1.8	2.4	2.4
Primary balance, incl. ND cost	…	…	…	-0.2	-3.8	-1.6	0.1	1.2	1.7	1.8
Overall balance excl. ND cost	-1.4	-2.2	-1.0	-3.3	-6.9	-3.7	-2.0	-1.0	-0.5	-0.4
Overall balance, incl. ND cost	…	…	…	-3.3	-6.9	-4.4	-2.6	-1.7	-1.1	-1.0
Public sector debt	60.3	60.0	60.5	62.8	74.7	77.3	78.3	77.4	75.5	73.7
Domestic	31.5	29.3	31.2	32.8	36.4	37.2	37.2	36.9	36.1	35.4
External	28.8	30.7	29.3	30.0	38.3	40.1	41.1	40.6	39.4	38.3
Money and credit, end of period (annual percent change)										
Broad money (M2)	2.3	0.2	3.4	3.2	-8.3	8.8	4.2	3.5	3.5	3.5
Credit to private sector (real)	-4.8	-2.0	-3.3	-2.5	-13.0	3.9	0.7	1.0	1.5	1.5
Credit to private sector (nominal)	-7.8	-1.9	-1.0	-1.9	-12.8	5.8	2.7	3.0	3.5	3.5
Balance of payments										
Current account balance, *o/w:*	-6.5	-1.0	2.2	4.6	-10.4	-0.5	0.8	0.5	0.2	0.3
Exports of goods and services	49.3	52.0	55.1	54.2	32.6	48.0	52.3	52.4	52.3	52.4
Imports of goods and services	-49.6	-47.9	-47.8	-44.6	-37.6	-43.4	-46.8	-47.2	-47.3	-47.4
Capital account balance	0.7	0.6	0.6	1.2	1.7	1.7	1.3	1.3	1.3	1.3
Financial account balance	-4.3	-0.1	2.4	5.7	-8.7	1.3	2.1	1.8	1.5	1.6
Direct investment	-8.0	-2.9	-3.3	-3.7	-4.6	-3.9	-3.9	-3.9	-3.9	-3.9
Portfolio investment	1.5	-3.0	3.2	3.2	0.2	2.3	1.2	0.7	-0.1	-0.1
Other investment	2.9	5.1	4.2	7.0	-2.4	1.4	3.0	3.4	3.7	3.8
Net reserves assets	-0.7	0.8	-1.7	-0.8	-1.9	1.4	1.8	1.6	1.8	1.8
Errors and omissions	1.5	0.2	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External debt (gross) 2/	61.4	62.8	62.0	64.7	78.1	73.2	70.5	69.7	68.6	66.9
Public	28.8	30.7	29.3	30.0	38.3	40.1	41.1	40.6	39.4	38.3
Savings-Investment balance	-7.1	-1.1	2.3	4.9	-10.9	-0.5	0.9	0.6	0.2	0.3
Savings	13.3	20.5	23.4	26.4	14.1	25.9	25.2	22.4	21.4	21.5
Investment	20.5	21.6	21.1	21.5	25.0	26.3	24.3	21.9	21.2	21.2
Public 3/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Nominal GDP (EC$ millions) 4/	5,040	5,398	5,516	5,731	5,252	5,715	5,957	6,166	6,381	6,604
Net imputed international reserves										
Months of imports of goods and services	3.7	3.9	3.4	3.2	3.6	3.3	3.4	3.6	3.9	4.3
Percentage of demand liabilities	90.7	91.1	90.7	88.7	88.2	88.6	89.6	90.4	91.1	91.7

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

1/ Fiscal year (April–March) basis. Fiscal balances do not include the airport project, which is implemented by a public corporation.

2/ Comprises public sector external debt, foreign liabilities of commercial banks and other private debt.

3/ Comprises investment by the central government and construction expenditures of public corporations, incl. the US$175 million airport project.

4/ GDP historical series was rebased to 2018 base year in 2020. This increased nominal GDP figures by about 9 percentage points.

Table 2a. St. Lucia: Central Government Operations, 2016–25 1/
(In millions of EC dollars)

				Projections							
	2016	2017	2018	2019	2020 (pre-virus)	2020	2021	2022	2023	2024	2025
					(In millions of EC dollars)						
Revenue	**1,091.8**	**1,142.3**	**1,232.2**	**1,245.0**	**1,296.5**	**1,096.7**	**1,315.3**	**1,380.3**	**1,449.8**	**1,523.9**	**1,574.4**
Taxes	978.2	1,002.3	1,074.3	1,092.0	1,165.1	929.8	1,134.7	1,216.9	1,281.6	1,350.6	1,396.0
Taxes on income	259.0	247.5	268.8	253.2	294.8	180.5	261.5	285.1	306.5	329.5	341.0
Taxes on property	12.0	12.0	9.7	7.9	9.6	6.8	8.2	9.0	9.7	10.4	10.7
Taxes on goods and services	258.0	253.2	261.9	270.3	287.3	244.3	283.2	308.8	332.0	356.9	369.4
Taxes on international trade and transactions 2/	449.2	489.6	533.9	560.5	573.4	498.1	581.8	614.0	633.4	653.9	674.8
Grants	57.9	65.0	41.0	66.2	43.2	90.8	97.7	78.1	80.9	83.7	86.6
Other revenue	55.7	75.0	116.9	86.9	88.2	76.0	82.9	85.3	87.4	89.6	91.8
Property income	4.7	5.2	4.5	8.3	4.9	7.9	8.5	8.9	9.2	9.5	9.9
Sales, fees and fines	29.5	58.7	97.8	64.6	67.3	54.7	60.0	61.4	62.7	64.0	65.3
of Which: Citizen by Investment Program (CIP)	5.9	27.8	67.0	30.4	33.5	25.0	25.0	25.0	25.0	25.0	25.0
Other nontax revenue	21.5	11.1	14.6	14.0	16.0	13.4	14.4	15.0	15.5	16.1	16.6
Expenditure	**1,161.1**	**1,262.5**	**1,287.8**	**1,427.9**	**1,460.4**	**1,466.0**	**1,529.9**	**1,498.8**	**1,512.5**	**1,553.6**	**1,600.3**
Expense	**984.9**	**1,036.6**	**1,121.2**	**1,222.5**	**1,205.3**	**1,226.9**	**1,223.4**	**1,254.6**	**1,290.8**	**1,324.1**	**1,362.8**
Compensation of employees	397.8	392.1	391.9	460.8	425.7	440.3	454.8	467.6	484.0	500.9	518.4
Purchase of goods and services	182.8	204.8	232.0	258.4	251.3	267.2	267.5	265.0	263.6	262.3	266.2
Interest	158.7	162.4	165.8	171.3	184.0	167.5	162.6	166.3	176.0	183.4	186.6
Social benefits	112.6	118.0	133.1	116.8	128.9	151.9	120.5	125.4	129.7	132.7	139.0
Other expense	133.0	159.3	198.3	215.2	215.4	200.0	218.0	230.3	237.4	244.9	252.5
Transfers to public-sector institutions 3/	133.0	159.3	198.3	215.2	215.4	200.0	218.0	230.3	237.4	244.9	252.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	**176.2**	**225.9**	**166.6**	**205.4**	**255.1**	**239.1**	**306.5**	**244.2**	**221.7**	**229.5**	**237.5**
Grant-financed capital expenditure	57.9	65.0	41.0	27.6	43.2	90.8	97.7	78.1	80.9	83.7	86.6
Other capital expenditure 4/	118.6	161.0	125.8	180.9	212.1	151.3	212.0	169.4	144.3	149.3	154.6
Capital revenue	0.3	0.1	0.2	3.1	0.3	3.0	3.2	3.3	3.4	3.5	3.7
Natural disaster (ND) annualised cost 5/	**…**	**…**	**…**	**0.0**	**37.9**	**0.0**	**38.1**	**39.7**	**41.0**	**42.5**	**44.0**
Gross Operating Balance	**106.8**	**105.7**	**111.1**	**22.5**	**91.2**	**-130.3**	**91.9**	**125.7**	**159.0**	**199.7**	**211.6**
Net lending/borrowing (overall balance, excl. ND cost)	**-69.4**	**-120.2**	**-55.5**	**-182.9**	**-163.9**	**-369.4**	**-214.6**	**-118.5**	**-62.7**	**-29.7**	**-25.9**
Net lending/borrowing (overall balance, incl. ND cost)	**…**	**…**	**…**	**-182.9**	**-201.8**	**-369.4**	**-252.7**	**-158.2**	**-103.8**	**-72.2**	**-69.9**
Net financial transactions	**-69.4**	**-120.2**	**-55.5**	**-182.9**	**-163.9**	**-369.4**	**-214.6**	**-118.5**	**-62.7**	**-29.7**	**-25.9**
Net acquisition of assets	**-20.9**	**47.7**	**47.5**	**0.3**	**0.0**	**-60.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-20.9	47.7	47.5	0.3	0.0	-60.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	**71.0**	**124.3**	**104.5**	**126.5**	**201.8**	**309.4**	**252.7**	**158.2**	**103.8**	**72.2**	**69.9**
Domestic	0.2	-62.6	134.4	102.9	100.9	63.1	126.4	79.1	51.9	36.1	34.9
Foreign	70.8	186.9	-29.8	23.7	100.9	246.2	126.4	79.1	51.9	36.1	34.9
Statistical discrepancy	*-22.5*	*43.6*	*-1.5*	*56.6*	*-37.9*	*0.0*	*-38.1*	*-39.7*	*-41.0*	*-42.5*	*-44.0*
Memorandum items:											
Primary balance (excl. ND)	89.3	42.2	110.2	-11.6	20.1	-201.9	-51.9	47.8	113.3	153.6	160.7
Primary balance (incl. ND)	…	…	…	-11.6	-17.8	-201.9	-90.1	8.1	72.3	111.1	116.8
Public sector debt	3,091	3,258	3,368	3,521	3,973	4,008	4,462	4,703	4,814	4,863	4,909
Domestic	1,614	1,592	1,737	1,841	1,996	1,954	2,148	2,234	2,292	2,327	2,361
Central government	1,505	1,442	1,576	1,679	1,763	1,742	1,869	1,948	2,000	2,036	2,071
Public corporations 6/	109	150	160	162	233	211	280	286	292	291	290
External	1,477	1,666	1,632	1,681	1,977	2,055	2,314	2,469	2,522	2,536	2,548
Central government	1,439	1,626	1,596	1,619	1,783	1,866	1,992	2,071	2,123	2,159	2,194
Public corporations 7/	38	41	36	61	194	189	322	398	399	377	354
Nominal GDP fiscal year (EC$ millions)	5,129	5,427	5,569	5,611	5,910	5,368	5,775	6,009	6,219	6,437	6,662

Sources: Ministry of Finance; and Fund staff estimates and projections.
1/ Fiscal year (April–March) basis.
2/ Includes revenue from the Airport Development Tax, which is fully transferred to St. Lucia Air and Sea Ports Authority (SLASPA).
3/ Includes transfer to SLASPA corresponding to the Airport Development Tax.
4/ Includes roads rehabilitation in 2019-21 financed through a US$50 million from the government of the Taiwan, Province of China.
5/ Natural disaster costs are annualized estimated costs of 0.7 percent of GDP (for details see 2018 Article IV report).
6/ Includes a government guarantee for a US$75 million syndicated loan from private banks to SLASPA for the redevelopment of Hewanorra airport.
7/ Includes a government guarantee for a US$100 million loan from the government of the Taiwan, Province of China, to SLASPA for the redevelopment of Hewanorra airport.

Table 2b. St. Lucia: Central Government Operations, 2016–25 1/

(In percent of GDP)

	2016	2017	2018	2019	2020 (pre-virus)	2020	2021	2022	2023	2024	2025
					Projections						
					(In percent of GDP)						
Revenue	**21.3**	**21.0**	**22.1**	**22.2**	**21.9**	**20.4**	**22.8**	**23.0**	**23.3**	**23.7**	**23.6**
Taxes	19.1	18.5	19.3	19.5	19.7	17.3	19.6	20.3	20.6	21.0	21.0
Taxes on income	5.0	4.6	4.8	4.5	5.0	3.4	4.5	4.7	4.9	5.1	5.1
Taxes on property	0.2	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2
Taxes on goods and services	5.0	4.7	4.7	4.8	4.9	4.6	4.9	5.1	5.3	5.5	5.5
Taxes on international trade and transactions 2/	8.8	9.0	9.6	10.0	9.7	9.3	10.1	10.2	10.2	10.2	10.1
Grants	1.1	1.2	0.7	1.2	0.7	1.7	1.7	1.3	1.3	1.3	1.3
Other revenue	1.1	1.4	2.1	1.5	1.5	1.4	1.4	1.4	1.4	1.4	1.4
Property income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Sales, fees and fines	0.6	1.1	1.8	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0
o.w. Citizen by Investment Program (CIP)	0.1	0.5	1.2	0.5	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Other nontax revenue	0.4	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Expenditure	**22.6**	**23.3**	**23.1**	**25.4**	**24.7**	**27.3**	**26.5**	**24.9**	**24.3**	**24.1**	**24.0**
Expense	**19.2**	**19.1**	**20.1**	**21.8**	**20.4**	**22.9**	**21.2**	**20.9**	**20.8**	**20.6**	**20.5**
Compensation of employees	7.8	7.2	7.0	8.2	7.2	8.2	7.9	7.8	7.8	7.8	7.8
Purchase of goods and services	3.6	3.8	4.2	4.6	4.3	5.0	4.6	4.4	4.2	4.1	4.0
Interest	3.1	3.0	3.0	3.1	3.1	3.1	2.8	2.8	2.8	2.8	2.8
Social benefits	2.2	2.2	2.4	2.1	2.2	2.8	2.1	2.1	2.1	2.1	2.1
Other expense	2.6	2.9	3.6	3.8	3.6	3.7	3.8	3.8	3.8	3.8	3.8
Transfers to public-sector institutions 3/	2.6	2.9	3.6	3.8	3.6	3.7	3.8	3.8	3.8	3.8	3.8
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	**3.4**	**4.2**	**3.0**	**3.7**	**4.3**	**4.5**	**5.3**	**4.1**	**3.6**	**3.6**	**3.6**
Grant-financed capital expenditure	1.1	1.2	0.7	0.5	0.7	1.7	1.7	1.3	1.3	1.3	1.3
Other capital expenditure 4/	2.3	3.0	2.3	3.2	3.6	2.8	3.7	2.8	2.3	2.3	2.3
Capital revenue	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Natural disaster (ND) annualised cost 5/	**...**	**...**	**...**	**0.0**	**0.6**	**0.0**	**0.7**	**0.7**	**0.7**	**0.7**	**0.7**
Gross Operating Balance	**2.1**	**1.9**	**2.0**	**0.4**	**1.5**	**-2.4**	**1.6**	**2.1**	**2.6**	**3.1**	**3.2**
Net lending/borrowing (overall balance, excl. ND cost)	**-1.4**	**-2.2**	**-1.0**	**-3.3**	**-2.8**	**-6.9**	**-3.7**	**-2.0**	**-1.0**	**-0.5**	**-0.4**
Net lending/borrowing (overall balance, incl. ND cost)	**...**	**...**	**...**	**-3.3**	**-3.4**	**-6.9**	**-4.4**	**-2.6**	**-1.7**	**-1.1**	**-1.0**
Net financial transactions	**-1.4**	**-2.2**	**-1.0**	**-3.3**	**-2.8**	**-6.9**	**-3.7**	**-2.0**	**-1.0**	**-0.5**	**-0.4**
Net acquisition of assets	**-0.4**	**0.9**	**0.9**	**0.0**	**0.0**	**-1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-0.4	0.9	0.9	0.0	0.0	-1.1	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	**1.4**	**2.3**	**1.9**	**2.3**	**3.4**	**5.8**	**4.4**	**2.6**	**1.7**	**1.1**	**1.0**
Domestic	0.0	-1.2	2.4	1.8	1.7	1.2	2.2	1.3	0.8	0.6	0.5
Foreign	1.4	3.4	-0.5	0.4	1.7	4.6	2.2	1.3	0.8	0.6	0.5
Statistical discrepancy	*-0.4*	*0.8*	*0.0*	*1.0*	*-0.6*	*0.0*	*-0.7*	*-0.7*	*-0.7*	*-0.7*	*-0.7*
Memorandum items:											
Primary balance (excl. ND)	1.7	0.8	2.0	-0.2	0.3	-3.8	-0.9	0.8	1.8	2.4	2.4
Primary balance (incl. ND)	...	...	...	-0.2	-0.3	-3.8	-1.6	0.1	1.2	1.7	1.8
Public sector debt	60.3	60.0	60.5	62.8	67.2	74.7	77.3	78.3	77.4	75.5	73.7
Domestic	31.5	29.3	31.2	32.8	33.8	36.4	37.2	37.2	36.9	36.1	35.4
Central government	29.3	26.6	28.3	29.9	29.8	32.5	32.4	32.4	32.2	31.6	31.1
Public corporations 6/	2.1	2.8	2.9	2.9	3.9	3.9	4.8	4.8	4.7	4.5	4.4
External	28.8	30.7	29.3	30.0	33.4	38.3	40.1	41.1	40.6	39.4	38.3
Central government	28.0	30.0	28.7	28.9	30.2	34.8	34.5	34.5	34.1	33.5	32.9
Public corporations 7/	0.7	0.7	0.6	1.1	3.3	3.5	5.6	6.6	6.4	5.9	5.3
Nominal GDP fiscal year (EC$ millions)	5,129	5,427	5,569	5,611	5,910	5,368	5,775	6,009	6,219	6,437	6,662

Sources: Ministry of Finance; and Fund staff estimates and projections.

1/ Fiscal year (April–March) basis. Figures shown for a given calendar year relate to the fiscal year beginning on April 1 of that year.

2/ Includes revenue from the Airport Development Tax, which is fully transferred to St. Lucia Air and Sea Ports Authority (SLASPA).

3/ Includes transfer to SLASPA corresponding to the Airport Development Tax.

4/ Includes roads rehabilitation in 2019-21 financed through a US$50 million from the government of the Taiwan, Province of China.

5/ Natural disaster costs are annualized estimated costs of 0.7 percent of GDP (for details see 2018 Article IV report).

6/ Includes a government guarantee for a US$75 million syndicated loan from private banks to SLASPA for the redevelopment of Hewanorra airport.

7/ Includes a government guarantee for a US$100 million loan from the government of the Taiwan, Province of China, to SLASPA for the redevelopment of Hewanorra airport.

Table 3. St. Lucia: Balance of Payments Summary, 2016–25

						Projections					
	2016	2017	2018	2019	2020 (pre-virus)	2020	2021	2022	2023	2024	2025
					(In millions of US dollars)						
Current account balance	**-121.6**	**-19.3**	**44.8**	**97.5**	**-12.8**	**-202.0**	**-9.6**	**18.4**	**12.1**	**4.0**	**7.3**
Exports of goods and services	919.4	1038.6	1125.7	1151.2	1189.3	633.6	1014.9	1153.8	1197.0	1235.0	1282.9
Goods	90.1	93.6	70.4	63.3	60.2	38.0	51.3	64.1	73.7	81.1	89.2
Tourism	776.0	874.8	963.1	988.3	1028.2	526.4	876.3	987.2	1017.2	1044.2	1080.0
Other services 1/	53.3	70.2	92.1	99.5	100.8	69.2	87.3	102.5	106.0	109.8	113.6
Imports of goods and services	-925.3	-957.6	-975.5	-946.2	-1091.2	-731.6	-919.3	-1032.1	-1077.0	-1118.4	-1159.1
Food	-110.1	-115.9	-119.6	-120.1	-130.8	-96.4	-110.4	-116.0	-119.8	-123.6	-127.6
Fuel	-113.0	-90.94	-130.56	-103.1	-125.8	-58.7	-70.2	-77.1	-82.2	-87.0	-91.5
Other goods	-352.8	-369.6	-329.5	-321.5	-398.3	-262.4	-369.8	-417.7	-437.7	-454.7	-470.7
Services	-349.4	-381.2	-395.8	-401.5	-436.3	-314.2	-368.9	-421.3	-437.3	-453.1	-469.2
Net Income, o.w.	-114.0	-106.8	-112.4	-114.8	-118.6	-103.6	-108.7	-111.1	-116.2	-121.2	-125.3
Public interest payments	-20.9	-27.9	-29.8	-29.0	-28.4	-24.9	-23.1	-21.9	-23.9	-25.6	-26.4
Net current transfers, o.w.	-1.6	6.6	7.1	7.4	7.7	-0.4	3.5	7.9	8.2	8.5	8.8
Remittances	16.6	19.9	26.2	26.1	25.4	15.8	20.3	24.6	25.2	25.7	26.3
Capital Account	**13.9**	**12.5**	**12.8**	**24.5**	**16.0**	**33.6**	**36.2**	**28.9**	**29.9**	**31.0**	**32.1**
Financial Account	**-80.6**	**-2.2**	**48.6**	**122.0**	**3.2**	**-168.4**	**26.6**	**47.4**	**42.0**	**35.0**	**39.4**
of Which: Identified covid-19 financing	0.0	0.0	0.0	0.0		-153.7	0.0	0.0	0.0	0.0	0.0
Direct Investment	-149.2	-58.6	-66.9	-78.3	-109.2	-89.3	-82.1	-85.6	-88.6	-91.7	-94.9
Portolio Investment	28.2	-60.7	66.1	68.7	71.2	4.4	48.9	26.0	16.9	-2.5	-2.6
Other Investment	53.9	101.6	85.0	149.2	-45.9	-46.5	29.6	67.2	78.0	87.5	92.6
Net Reserve Assets	-13.5	15.4	-35.6	-17.6	87.0	-37.0	30.2	39.8	35.7	41.6	44.3
Errors and omissions	**27.1**	**4.5**	**-8.9**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
					(In percent of GDP)						
Current account balance	**-6.5**	**-1.0**	**2.2**	**4.6**	**-0.6**	**-10.4**	**-0.5**	**0.8**	**0.5**	**0.2**	**0.3**
Exports of goods and services	49.3	52.0	55.1	54.2	56.3	32.6	48.0	52.3	52.4	52.3	52.4
Goods	4.8	4.7	3.4	3.0	2.8	2.0	2.4	2.9	3.2	3.4	3.6
Tourism	41.6	43.8	47.1	46.6	48.7	27.1	41.4	44.7	44.5	44.2	44.2
Other services	2.9	3.5	4.5	4.7	4.8	3.6	4.1	4.6	4.6	4.6	4.6
Imports of goods and services	-49.6	-47.9	-47.8	-44.6	-51.6	-37.6	-43.4	-46.8	-47.2	-47.3	-47.4
Food	-5.9	-5.8	-5.9	-5.7	-6.2	-5.0	-5.2	-5.3	-5.2	-5.2	-5.2
Fuel	-6.1	-4.5	-6.4	-4.9	-6.0	-3.0	-3.3	-3.5	-3.6	-3.7	-3.7
Other goods	-18.9	-18.5	-16.1	-15.1	-18.9	-13.5	-17.5	-18.9	-19.2	-19.2	-19.2
Services	-18.7	-19.1	-19.4	-18.9	-20.6	-16.1	-17.4	-19.1	-19.2	-19.2	-19.2
Net Income, o.w.	-6.1	-5.3	-5.5	-5.4	-5.6	-5.3	-5.1	-5.0	-5.1	-5.1	-5.1
Public interest payments	-1.1	-1.4	-1.5	-1.4	-1.3	-1.3	-1.1	-1.0	-1.0	-1.1	-1.1
Net current transfers, o.w.	-0.1	0.3	0.3	0.3	0.4	0.0	0.2	0.4	0.4	0.4	0.4
Remittances	0.9	1.0	1.3	1.2	1.2	0.8	1.0	1.1	1.1	1.1	1.1
Capital Account	**0.7**	**0.6**	**0.6**	**1.2**	**0.8**	**1.7**	**1.7**	**1.3**	**1.3**	**1.3**	**1.3**
Financial Account	**-4.3**	**-0.1**	**2.4**	**5.7**	**0.1**	**-8.7**	**1.3**	**2.1**	**1.8**	**1.5**	**1.6**
of Which: Identified COVID-19 financing	0.0	0.0	0.0	0.0		-7.9	0.0	0.0	0.0	0.0	0.0
Direct Investment	-8.0	-2.9	-3.3	-3.7	-5.2	-4.6	-3.9	-3.9	-3.9	-3.9	-3.9
Portfolio Investment	1.5	-3.0	3.2	3.2	3.4	0.2	2.3	1.2	0.7	-0.1	-0.1
Other Investment	2.9	5.1	4.2	7.0	-2.2	-2.4	1.4	3.0	3.4	3.7	3.8
Net Reserve Assets	-0.7	0.8	-1.7	-0.8	4.1	-1.9	1.4	1.8	1.6	1.8	1.8
Errors and omissions	**1.5**	**0.2**	**-0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum Items:											
Trade balance (percent of GDP)	**-26.0**	**-24.2**	**-24.9**	**-22.7**	**-28.2**	**-19.5**	**-23.6**	**-24.8**	**-24.8**	**-24.7**	**-24.6**
Services balance (percent of GDP)	**63.1**	**66.3**	**71.0**	**70.2**	**74.1**	**46.8**	**63.0**	**68.5**	**68.3**	**68.0**	**68.0**
Net imputed international reserves											
Millions of US dollars, end of period	289.0	307.4	274.8	257.2	379.8	220.2	250.4	290.2	325.9	367.6	411.9
Months of imports of goods and services	3.7	3.9	3.4	3.2	4.2	3.6	3.3	3.4	3.6	3.9	4.3
Percentage of demand liabilities	90.7	91.1	90.7	88.7	92.5	88.2	88.6	89.6	90.4	91.1	91.7
Gross external debt (percent of GDP)	61.4	62.8	62.0	64.7	67.6	78.1	73.2	70.5	69.7	68.6	66.9
Public sector	28.8	30.7	29.3	30.0	34.2	38.3	40.1	41.1	40.6	39.4	38.3
Private sector 2/	32.6	32.1	32.7	34.8	33.3	39.8	33.1	29.4	29.2	29.2	28.7
GDP (in US$ millions)	1,867	1,999	2,043	2,122	2,113	1,945	2,117	2,206	2,284	2,363	2,446

Sources: Ministry of Finance and Planning; ECCB; World Bank, and Fund staff estimates and projections.

1/ Includes collections from the Airport Development tax.

2/ Includes largely gross foreign liabilities of commercial banks and other private debt.

Table 4. St. Lucia: Indicators of Capacity to Repay the Fund 2020-30

						Projections 1/					
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Obligations from existing and prospective drawings											
Principal (in SDR millions)	0.4	0.4	0.0	0.0	0.0	2.1	4.3	4.3	4.3	4.3	2.1
From existing drawings (in SDR millions)	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
From prospective drawings (in SDR millions)	0.0	0.0	0.0	0.0	0.0	2.1	4.3	4.3	4.3	4.3	2.1
Charges/interest (in SDR millions)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit											
In SDR millions	0.4	0.4	0.0	0.0	0.0	2.2	4.3	4.3	4.3	4.3	2.2
In US$ millions	0.5	0.5	0.0	0.0	0.0	2.9	5.8	5.8	5.8	5.8	1.2
In percent of GDP	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.0
In percent of exports of goods and services	0.1	0.1	0.0	0.0	0.0	0.2	0.4	0.4	0.4	0.4	0.1
In percent of net international reserves	0.2	0.2	0.0	0.0	0.0	0.7	1.3	1.2	1.1	1.1	0.2
In percent of external debt service	0.2	0.3	0.0	0.0	0.0	1.4	2.5	2.6	2.4	2.3	0.5
In percent of quota	1.8	1.8	0.0	0.0	0.0	10.0	20.0	20.0	20.0	20.0	10.0
Outstanding Fund Credit											
In SDR millions	21.8	21.4	21.4	21.4	21.4	19.3	15.0	10.7	6.4	2.1	0.0
In US$ millions	29.7	29.2	29.2	29.2	29.2	26.2	20.4	14.6	8.7	2.9	0.0
In percent of GDP	1.5	1.4	1.3	1.3	1.2	1.1	0.8	0.6	0.3	0.1	0.0
In percent of exports of goods and services	4.7	2.9	2.5	2.4	2.4	2.0	1.5	1.1	0.6	0.2	0.0
In percent of net international reserves	13.5	11.6	10.0	8.9	7.9	6.4	4.5	3.0	1.7	0.6	0.0
In percent of external debt service	13.9	14.1	17.1	16.5	13.3	12.8	8.7	6.4	3.6	1.2	0.0
In percent of quota	101.8	100.0	100.0	100.0	100.0	90.0	70.0	50.0	30.0	10.0	0.0
Memorandum items:											
Nominal GDP at market prices (in US$ millions)	1945.3	2116.5	2206.4	2283.5	2363.4	2446.0	2531.6	2620.2	2712.0	2807.0	2905.4
Exports of goods and services (in US$ millions)	633.6	1014.9	1153.8	1197.0	1235.0	1282.9	1324.8	1368.1	1412.8	1459.0	1506.7
Net imputed international reserves (in US$ millions)	220.2	250.4	290.2	325.9	367.6	411.9	454.7	494.1	514.2	528.7	537.3
External debt service (in US$ millions)	212.9	206.2	170.7	176.9	220.0	205.6	234.7	228.5	244.4	253.0	263.6
Quota (in millions of SDRs)	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4
SDRs per US$	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	1.73

Sources: St. Lucia authorities; Eastern Caribbean Central Bank (ECCB); and Fund staff estimates and projections.

1/ Based on disbursement of 100 percent of quota in April 2020.

Annex I. Debt Sustainability Analysis

Public debt is projected to remain sustainable, but risks are elevated. Specifically, staff' baseline assumes the region's financial markets continue to contribute significantly to meeting the government's financing needs in FY2020 and over the medium-term, and that the authorities implement ambitious medium-term consolidation measures to meet their 2030 debt target of 60 percent of GDP. Under this baseline, the overall public sector debt will increase by 12 percent of GDP in FY2020 and peak at 78 percent in FY2022 before declining gradually as the authorities undertake substantial medium-term adjustment measures. The high near-term financing pressures represent the key risk in the context of weaker external market conditions and region-wide breadth of the COVID-19 crisis. The current year's gross financing needs will spike above 26 percent of GDP and revert back to pre-crisis levels only in FY2022. The heat map also points to substantial risks to debt sustainability from weaker than projected growth and fiscal deficit paths as well as high vulnerability to natural disasters, while the substantial adjustment measures assumed under the staff's baseline give rise to significant implementation risks. This underscores the importance of anchoring the fiscal adjustment efforts in a clear, institutional medium-term framework.

1. Debt dynamics and gross financing requirements. St. Lucia's near-term financing pressures are significant. The widening of the FY2020/21 overall fiscal deficit to 6.9 percent of GDP on account of the COVID-19 crisis costs coincide with high amortizations of pre-existing debt as well as new debt financing for major capital projects. Gross public debt is projected to rise sharply by 12 percent of GDP in FY2020 and peak above 78 percent in FY2022 (the rise in the debt-to-GDP ratio is in part limited by a recent rebasing of historical GDP data).[2] The peak debt includes about 9 percent of GDP (US$ 175 million) of semi-concessional loans for a new airport that are to be paid off from dedicated airport redevelopment tax revenue accumulated in an extrabudgetary fund, mitigating longer-term debt service vulnerabilities (see the 2019 Article IV report for details). That said, the central government's gross financing needs are expected to remain high at above 20 percent over the next two years. The associated risks are accentuated by weaker external market conditions, the uncertainty over the full scale of the COVID-19 crisis' budgetary impact, as well as its region-wide scope (external debt holders are largely institutions within the ECCU). Under staff's baseline projections, the government is assumed to renew its maturing short-term debt in full, but rollover only about 80 percent of its domestic and 40 percent of its external medium and long-term debt maturing in FY2020. As the economy rebounds, and assuming the authorities undertake fiscal consolidation measures in line with their commitment to their debt target of 60 percent of GDP by 2030, the gross financing needs are projected to decline to the pre-crisis levels of around 15 percent by FY2022.

[1] The public debt covers the central government and includes public corporations. An early-2020 rebasing of historical GDP data to better reflect the current structure of the St. Lucian economy, conducted with technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC), led to a 9.3 percent upward revision in the nominal 2016 GDP. Relative to the 2019 Article IV report, the revision implied a reduction of 4 percentage points in the estimated end-2019 public-debt-to-GDP ratio.

2. Debt composition and vulnerabilities. Half of total central government debt is domestic, composed predominantly of medium- and long-term debt securities and commercial loans (92 percent). The National Insurance Corporation, the local social security fund, is a major investor. About 12 percent of external debt is short-term Treasury bills with the remainder broadly evenly split between multilateral loans and medium- and long-term commercial borrowing. While the weighted average maturity of overall medium- and long-term debt exceeds 10 years, about a third of such debt securities are treasury notes with relatively shorter maturities, raising periodic rollover risks. Nearly all external debt securities are held by institutions within the ECCU. Commercial banks are the largest holder of Treasury bills, reflecting a prolonged period of excess liquidity in the regional banking system before the crisis. The most prominent external bond and treasury note holders include the regional insurance companies and other non-bank financial institutions. Similar to other countries in the region, a sinking fund has been set up to manage redemptions of maturing bonds. The comparatively small borrowings of public corporations are domestic, but their external share will rise over the projection period with the implementation of the airport redevelopment project. Debt in foreign currencies is overwhelmingly denominated in U.S. dollars, which the Eastern Caribbean dollar remains pegged to since 1976.

3. Realism of baseline assumptions. After a sharp contraction of 8.5 percent in 2020 (4.9 percent in the fiscal year 2020 from April 2020 to end-March 2021), staff projects a strong GDP rebound as the exceptional crisis measures restricting tourism inflows and domestic economic activity ease. Inflation is expected to decelerate but remain positive in 2020 and revert to around 2 percent thereafter over the medium-term. The central government fiscal deficit widens temporarily to 6.9 percent of GDP in FY2020 (the sharper decline and subsequent adjustment in the debt sustainability analysis' public sector primary balance reflects extra-budgetary costs of the airport redevelopment project executed by a public corporation). Under the staff's baseline, the authorities are assumed to undertake sizeable fiscal consolidation measures to steer the central government debt path toward the 2030 debt target, which are subject to significant implementation risks (Annex I Figure 3). Historical forecasts errors for growth, inflation, and the primary balance have been large, although partially explained by the upward revision of nominal GDP by the Statistics Office (making past forecasts appear overly pessimistic). That said, as the COVID-19 pandemic situation continues to evolve, the risks around the staff's baseline scenario are substantial.

4. Stress tests. As a tourism-dependent economy St. Lucia is very exposed to external economic conditions, and a deeper slowdown in advanced economies or continued consumer concerns over leisure travel could bring about a more protracted decline in tourist arrivals. Illustrating this risk, the real GDP growth shock scenario, which reduces growth by one standard deviation (2 percent) over 2021 and 2022, steers public debt to a peak of about 84 percent of GDP over the medium-term. A negative shock of one standard deviation to the primary balance spread over 2021 and 2022 also induces an adverse debt trajectory, underscoring implementation risks around the assumed fiscal adjustment path. A combined macro-fiscal shock or a natural disaster scenario, modeled to mimic damages sustained by Hurricane Tomas in 2010 (simulating a deterioration of real GDP growth of 5, 3, and 2 percent relative to baseline for 2021, 2022, and 2023 and a deterioration of the primary balance of the same amount), would imply prolonged high gross financing needs and a higher debt path stabilizing around 90 percent of GDP.

5. External debt. The bulk of the projected FY2020 increase in debt financing is external (10½ percent of GDP), with the external debt stock peaking at about 41 percent of GDP before gradually declining over the projection period. Beyond the crisis financing needs, this in part reflects the external semi-concessional loan for the airport redevelopment. Reflecting the importance of tourism revenues for the economy, bound tests suggest that the external debt profile is vulnerable to shocks in the non-interest current account, i.e., a permanent one-half standard deviation deterioration in the non-interest current account would bring external debt to 49 percent of GDP by 2024.

Figure 1. St. Lucia: Public Sector Debt Sustainability Analysis (DSA) - Baseline Scenario

(In percent of GDP unless otherwise indicated)

Debt, Economic and Market Indicators [1]

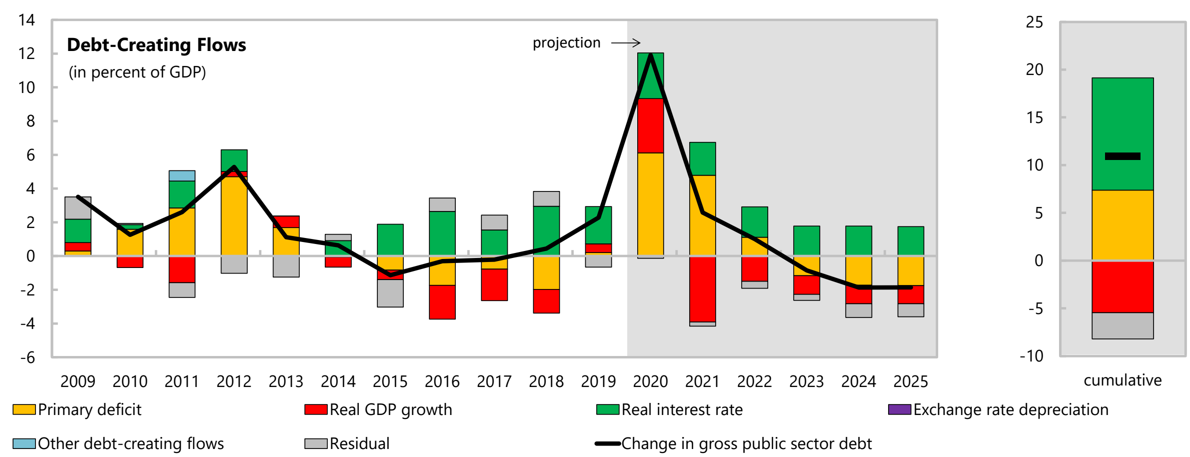
	Actual			Projections					
	2009-2017 [2]	2018	2019	2020	2021	2022	2023	2024	2025
Nominal gross public debt	57.9	60.5	62.8	74.7	77.3	78.3	77.4	75.5	73.7
Public gross financing needs	14.3	17.7	17.3	26.4	23.8	15.9	14.3	15.5	14.0
Real GDP growth (in percent)	1.2	2.4	-0.9	-4.9	5.6	2.0	1.5	1.5	1.5
Inflation (GDP deflator, in percent)	2.9	0.2	1.6	0.6	1.9	2.0	2.0	2.0	2.0
Nominal GDP growth (in percent)	4.0	2.6	0.7	-4.3	7.6	4.1	3.5	3.5	3.5
Effective interest rate (in percent) [4]	5.2	5.1	5.1	4.7	4.8	4.5	4.4	4.4	4.4

As of April 15, 2020

Sovereign Spreads		
EMBIG (bp) 3/		544
5Y CDS (bp)		n.a.
Ratings	Foreign	Local
Moody's	n.a.	n.a.
S&Ps	n.a.	n.a.
Fitch	n.a.	n.a.

Contribution to Changes in Public Debt

	Actual			Projections							
	2009-2017	2018	2019	2020	2021	2022	2023	2024	2025	cumulative	debt-stabilizing primary balance [10]
Change in gross public sector debt	1.4	0.4	2.3	11.9	2.6	1.0	-0.9	-1.9	-1.9	10.9	
Identified debt-creating flows	1.6	-0.4	2.9	12.0	2.8	1.4	-0.5	-1.0	-1.1	13.7	
Primary deficit [5]	0.9	-2.0	0.2	6.1	4.8	1.1	-1.2	-1.7	-1.8	7.4	0.7
Primary (noninterest) revenue and grants	20.9	22.1	22.2	21.6	22.8	23.0	23.4	23.7	23.7	138.2	
Primary (noninterest) expenditure	21.8	20.1	22.5	27.7	27.6	24.1	22.2	22.0	21.9	145.6	
Automatic debt dynamics [6]	0.6	1.5	2.7	5.9	-1.9	0.3	0.7	0.7	0.7	6.3	
Interest rate/growth differential [7]	0.6	1.5	2.7	5.9	-1.9	0.3	0.7	0.7	0.7	6.3	
Of which: real interest rate	1.3	2.9	2.2	2.7	2.0	1.8	1.8	1.8	1.7	11.8	
Of which: real GDP growth	-0.6	-1.4	0.5	3.2	-3.9	-1.5	-1.1	-1.1	-1.1	-5.5	
Exchange rate depreciation [8]	0.0	0.0	0.0	...	...	...	...	...	...	...	
Other identified debt-creating flows	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Privatization proceeds	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Residual, including asset changes [9]	-0.1	0.9	-0.7	-0.1	-0.3	-0.4	-0.4	-0.8	-0.8	-2.7	



Source: IMF staff.

1/ The DSA is based on fiscal year data (April to end-March). Public sector is defined the central government and includes public corporations.

2/ Based on available data.

3/ Approximated by the composite EMBIG spread for all emerging markets.

4/ Defined as interest payments divided by debt stock (excluding guarantees) at the end of previous year.

5/ Includes extra-budgetary costs of the airport redevelopment project executed by a public corporation.

6/ Derived as [(r - π(1+g) - g + ae(1+r)]/(1+g+π+gπ)) times previous period debt ratio, with r = interest rate; π = growth rate of GDP deflator; g = real GDP growth rate; a = share of foreign-currency denominated debt; and e = nominal exchange rate depreciation (measured by increase in local currency value of U.S. dollar).

7/ The real interest rate contribution is derived from the numerator in footnote 5 as r - π (1+g) and the real growth contribution as -g.

8/ The exchange rate contribution is derived from the numerator in footnote 5 as ae(1+r).

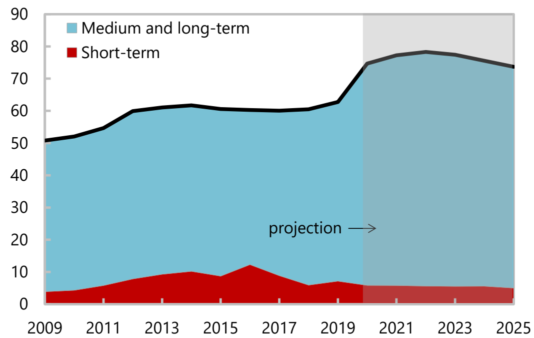
9/ Includes changes in the stock of guarantees, asset changes, and interest revenues (if any). For projections, includes exchange rate changes during the projection period.

10/ Assumes that key variables (real GDP growth, real interest rate, and other identified debt-creating flows) remain at the level of the last projection year.

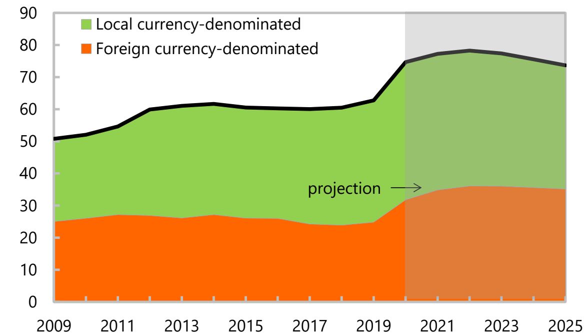
Figure 2. St. Lucia: Public DSA - Composition of Public Debt and Alternative Scenarios

Composition of Public Debt

By Maturity
(in percent of GDP)



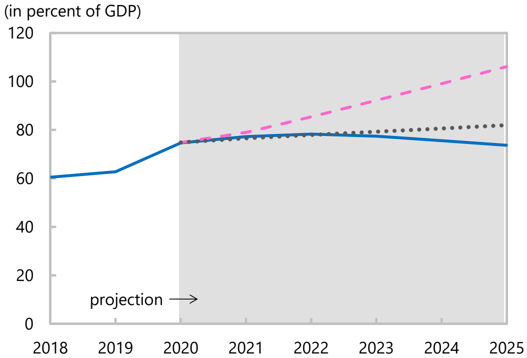
By Currency
(in percent of GDP)



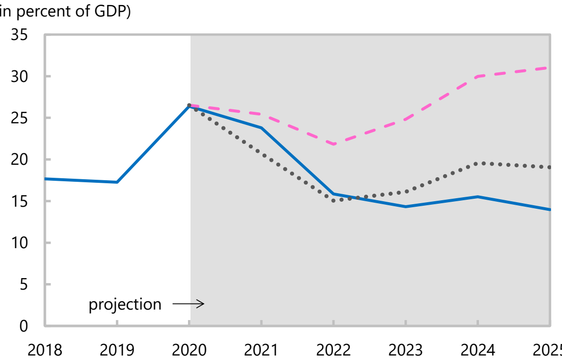
Alternative Scenarios

Baseline Historical Constant Primary Balance

Gross Nominal Public Debt
(in percent of GDP)



Public Gross Financing Needs
(in percent of GDP)



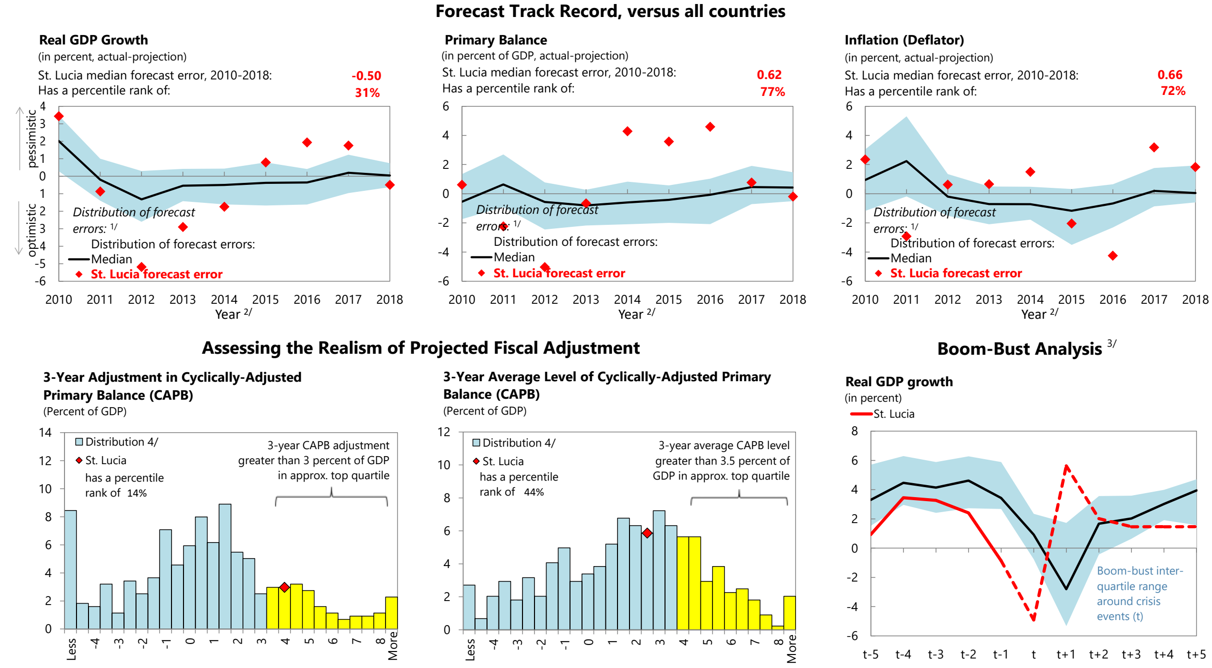
Underlying Assumptions
(in percent)

Baseline Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.9	5.6	2.0	1.5	1.5	1.5
Inflation	0.6	1.9	2.0	2.0	2.0	2.0
Primary Balance	-6.1	-4.8	-1.1	1.2	1.7	1.8
Effective interest rate	4.7	4.8	4.5	4.4	4.4	4.4
Constant Primary Balance Scenario						
Real GDP growth	-4.9	5.6	2.0	1.5	1.5	1.5
Inflation	0.6	1.9	2.0	2.0	2.0	2.0
Primary Balance	-6.1	-6.1	-6.1	-6.1	-6.1	-6.1
Effective interest rate	4.7	4.8	4.5	4.3	4.4	4.5

Historical Scenario	2020	2021	2022	2023	2024	2025
Real GDP growth	-4.9	1.3	1.3	1.3	1.3	1.3
Inflation	0.6	1.9	2.0	2.0	2.0	2.0
Primary Balance	-6.1	-0.6	-0.6	-0.6	-0.6	-0.6
Effective interest rate	4.7	4.8	4.5	4.3	4.4	4.4

Source: IMF staff.

Figure 3. St. Lucia: Public DSA - Realism of Baseline Assumptions



Source : IMF Staff.

1/ Plotted distribution includes all countries, percentile rank refers to all countries.

2/ Projections made in the spring WEO vintage of the preceding year.

3/ St. Lucia has had a positive output gap for 3 consecutive years, 2017-2019. For St. Lucia, t corresponds to 2020; for the distribution, t corresponds to the first year of the crisis.

4/ Data cover annual obervations from 1990 to 2011 for advanced and emerging economies with debt greater than 60 percent of GDP. Percent of sample on vertical axis.

Figure 4. St. Lucia: Public DSA Risk Assessment

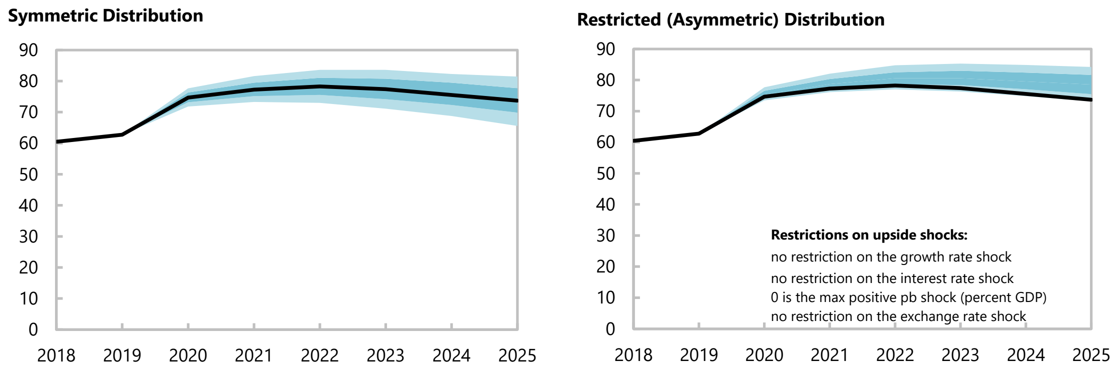
Heat Map

Debt level 1/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability shock
Gross financing needs 2/	Real GDP Growth Shock	Primary Balance Shock	Real Interest Rate Shock	Exchange Rate Shock	Contingent Liability Shock
Debt profile 3/	Market Perception	External Financing Requirements	Change in the Share of Short-Term Debt	Public Debt Held by Non-Residents	Foreign Currency Debt

Evolution of Predictive Densities of Gross Nominal Public Debt

(in percent of GDP)

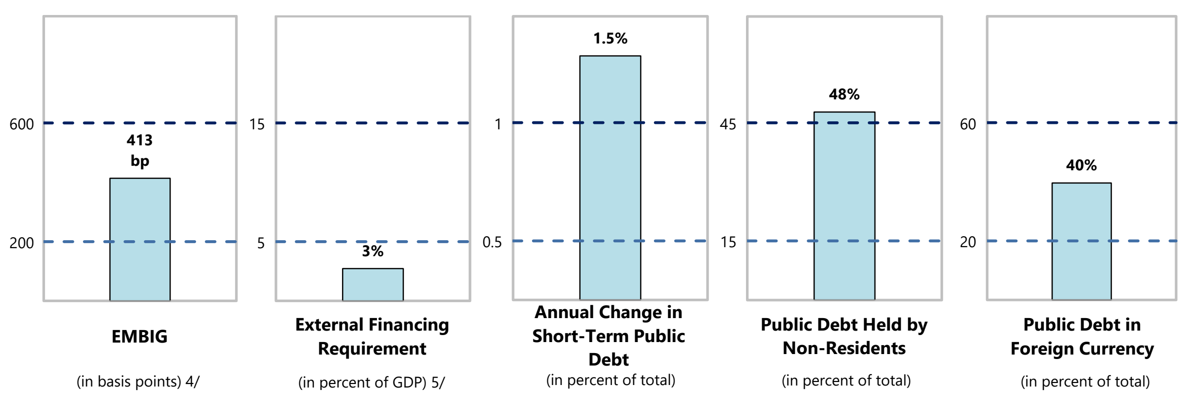
Baseline Percentiles: 10th-25th 25th-75th 75th-90th



Debt Profile Vulnerabilities

(Indicators vis-à-vis risk assessment benchmarks, in 2019)

St. Lucia Lower early warning Upper early warning



Source: IMF staff.

1/ The cell is highlighted in green if debt burden benchmark of 70% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

2/ The cell is highlighted in green if gross financing needs benchmark of 15% is not exceeded under the specific shock or baseline, yellow if exceeded under specific shock but not baseline, red if benchmark is exceeded under baseline, white if stress test is not relevant.

3/ The cell is highlighted in green if country value is less than the lower risk-assessment benchmark, red if country value exceeds the upper risk-assessment benchmark, yellow if country value is between the lower and upper risk-assessment benchmarks. If data are unavailable or indicator is not relevant, cell is white.

Lower and upper risk-assessment benchmarks are:

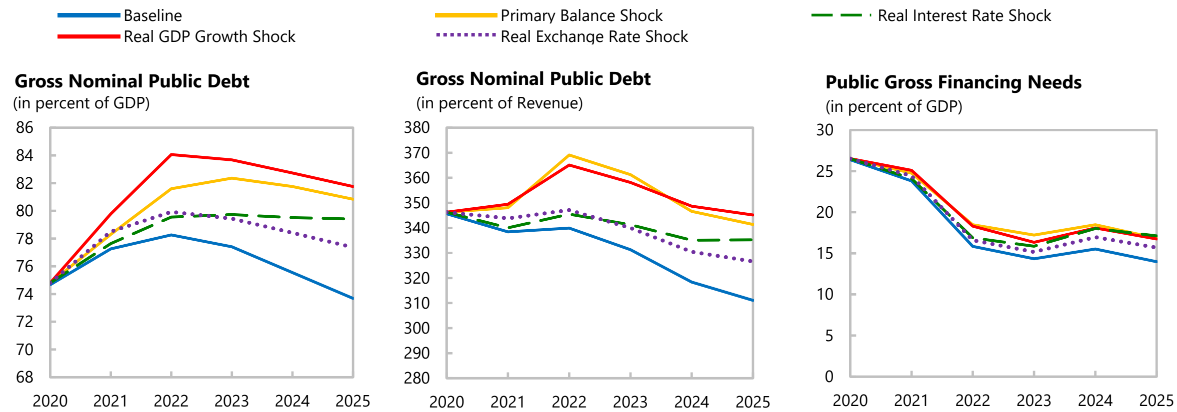
200 and 600 basis points for bond spreads; 5 and 15 percent of GDP for external financing requirement; 0.5 and 1 percent for change in the share of short-term debt; 15 and 45 percent for the public debt held by non-residents; and 20 and 60 percent for the share of foreign-currency denominated debt.

4/ EMBIG (composite for all emerging markets), an average over the last 3 months, 16-Jan-20 through 15-Apr-20.

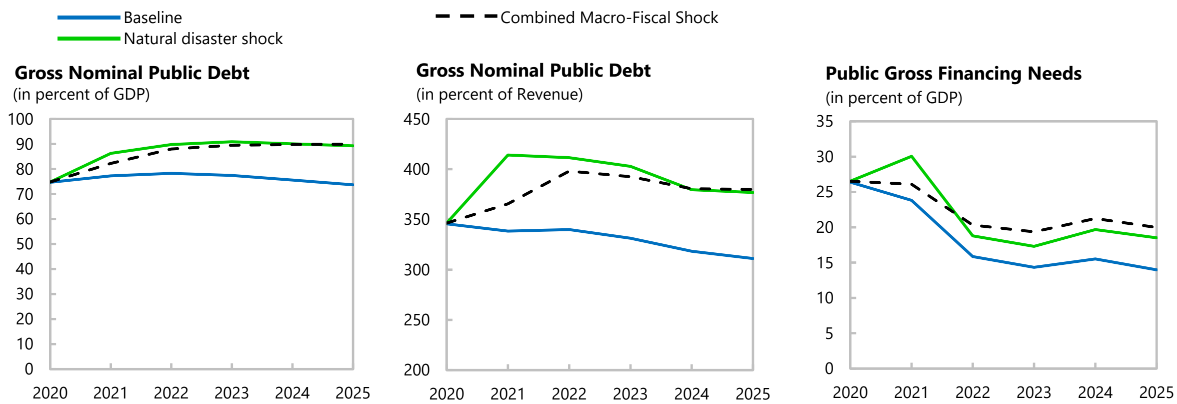
5/ External financing requirement is defined as the sum of current account deficit, amortization of medium and long-term total external debt, and short-term total external debt at the end of previous period.

Figure 5. St. Lucia: Public DSA Stress Tests

Macro-Fiscal Stress Tests



Additional Stress Tests



Underlying Assumptions
(in percent)

	2020	2021	2022	2023	2024	2025
Primary Balance Shock						
Real GDP growth	-4.9	5.6	2.0	1.5	1.5	1.5
Inflation	0.6	1.9	2.0	2.0	2.0	2.0
Primary balance	-6.1	-5.4	-2.9	0.0	1.4	1.7
Effective interest rate	4.7	4.8	4.5	4.5	4.5	4.6
Real Interest Rate Shock						
Real GDP growth	-4.9	5.6	2.0	1.5	1.5	1.5
Inflation	0.6	1.9	2.0	2.0	2.0	2.0
Primary balance	-6.1	-4.8	-1.1	1.2	1.7	1.8
Effective interest rate	4.7	4.8	5.1	5.2	5.4	5.7
Combined Shock						
Real GDP growth	-4.9	3.9	0.3	1.5	1.5	1.5
Inflation	0.6	1.4	1.6	2.0	2.0	2.0
Primary balance	-6.1	-5.7	-3.1	0.0	1.4	1.7
Effective interest rate	4.7	4.9	5.1	5.3	5.5	5.7
Natural disaster shock						
Real GDP growth	-4.9	0.6	-1.0	-0.5	1.5	1.5
Inflation	0.6	1.9	2.0	2.0	2.0	2.0
Primary balance	-6.1	-9.8	-0.5	1.6	1.7	1.8
Effective interest rate	4.7	4.8	4.5	4.5	4.5	4.6

	2020	2021	2022	2023	2024	2025
Real GDP Growth Shock						
Real GDP growth	-4.9	3.9	0.3	1.5	1.5	1.5
Inflation	0.6	1.4	1.6	2.0	2.0	2.0
Primary balance	-6.1	-5.4	-2.2	1.2	1.7	1.8
Effective interest rate	4.7	4.8	4.5	4.5	4.5	4.5
Real Exchange Rate Shock						
Real GDP growth	-4.9	5.6	2.0	1.5	1.5	1.5
Inflation	0.6	3.5	2.0	2.0	2.0	2.0
Primary balance	-6.1	-4.8	-1.1	1.2	1.7	1.8
Effective interest rate	4.7	4.9	4.5	4.4	4.4	4.4

Source: IMF staff.

Table 1. St. Lucia: External Debt Sustainability Framework, 2015–24

(In percent of GDP, unless otherwise indicated)

	Actual							Projections						
	2015	2016	2017	2018	2019			2020	2021	2022	2023	2024	2025	Debt-stabilizing non-interest current account 7/
Baseline: External debt	29.0	29.3	30.9	29.6	29.3			**39.9**	**40.1**	**41.1**	**40.6**	**39.5**	**38.3**	**-3.9**
Change in external debt	-1.8	0.3	1.6	-1.3	-0.3			10.5	0.2	1.0	-0.5	-1.1	-1.1	
Identified external debt-creating flows (4+8+9)	-8.0	-2.5	-4.3	-6.5	-9.5			8.7	-5.8	-5.5	-5.0	-4.6	-4.7	
Current account deficit, excluding interest payments	-1.1	5.3	-0.5	-3.7	-6.0			9.1	-0.8	-2.1	-1.8	-1.5	-1.6	
Deficit in balance of goods and services	-8.0	0.3	-4.0	-7.3	-9.7			5.1	-4.5	-5.5	-5.2	-4.9	-5.0	
Exports	54.3	49.3	52.0	55.1	54.2			33.2	47.5	51.9	52.0	51.9	52.1	
Imports	46.3	49.6	47.9	47.8	44.6			38.3	43.0	46.4	46.8	47.0	47.1	
Net non-debt creating capital inflows (negative)	-7.1	-8.0	-2.9	-3.3	-3.7			-4.7	-3.8	-3.9	-3.9	-3.9	-3.9	
Automatic debt dynamics 1/	0.3	0.2	-0.9	0.5	0.2			4.2	-1.2	0.4	0.7	0.7	0.7	
Contribution from nominal interest rate	1.1	1.2	1.4	1.5	1.4			1.5	1.3	1.2	1.3	1.3	1.3	
Contribution from real GDP growth	0.0	-1.0	-0.9	-0.8	-0.5			2.8	-2.4	-0.8	-0.6	-0.6	-0.6	
Contribution from price and exchange rate changes 2/	-0.8	0.0	-1.3	-0.2	-0.7			...	...	...	...	...	...	
Residual, incl. change in gross foreign assets (2-3) 3/	6.2	2.8	5.8	5.2	9.2			1.9	6.1	6.6	4.4	3.4	3.6	
External debt-to-exports ratio (in percent)	53.4	59.5	59.4	53.7	54.1			120.1	84.4	79.3	78.0	76.0	73.6	
Gross external financing need (in billions of US dollars) 4/	166.8	232.7	192.0	134.6	56.7			390.0	191.4	127.5	137.4	187.4	169.0	
in percent of GDP	9.2	12.5	9.6	6.6	2.7			20.4	9.0	5.7	6.0	7.9	6.9	
Scenario with key variables at their historical averages 5/						10-Year Historical Average	10-Year Standard Deviation	**39.9**	**42.1**	**43.6**	**42.9**	**41.0**	**39.3**	**-5.0**
Key Macroeconomic Assumptions Underlying Baseline														
Real GDP growth (in percent)	0.1	3.4	3.5	2.6	1.7	1.5	2.0	-8.5	6.9	2.2	1.5	1.5	1.5	
GDP deflator in US dollars (change in percent)	2.8	0.1	4.8	0.7	2.4	3.0	2.0	-1.7	4.7	1.8	2.0	2.0	2.0	
Nominal external interest rate (in percent)	3.7	4.2	5.3	5.0	4.9	4.5	0.5	4.5	3.6	3.2	3.3	3.3	3.4	
Growth of exports (US dollar terms, in percent) 6/	n.a	-6.3	13.0	8.4	2.3	4.3	8.3	-45.0	60.2	13.7	3.7	3.2	3.9	
Growth of imports (US dollar terms, in percent) 6/	n.a	10.6	3.5	1.9	-3.0	3.2	5.6	-22.7	25.7	12.3	4.3	3.8	3.6	
Current account balance, excluding interest payments 6/	1.1	-5.3	0.5	3.7	6.0	1.2	4.3	-9.1	0.8	2.1	1.8	1.5	1.6	
Net non-debt creating capital inflows 6/	7.1	8.0	2.9	3.3	3.7	5.0	2.4	4.7	3.8	3.9	3.9	3.9	3.9	

1/ Derived as [r - g - r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock, with r = nominal effective interest rate on external debt; r = change in domestic GDP deflator in US dollar terms, g = real GDP growth rate, e = nominal appreciation (increase in dollar value of domestic currency), and a = share of domestic-currency denominated debt in total external debt.

2/ The contribution from price and exchange rate changes is defined as [-r(1+g) + ea(1+r)]/(1+g+r+gr) times previous period debt stock. r increases with an appreciating domestic currency (e > 0) and rising inflation (based on GDP deflator).

3/ For projection, line includes the impact of price and exchange rate changes.

4/ Defined as current account deficit, plus amortization on medium- and long-term debt, plus short-term debt at end of previous period.

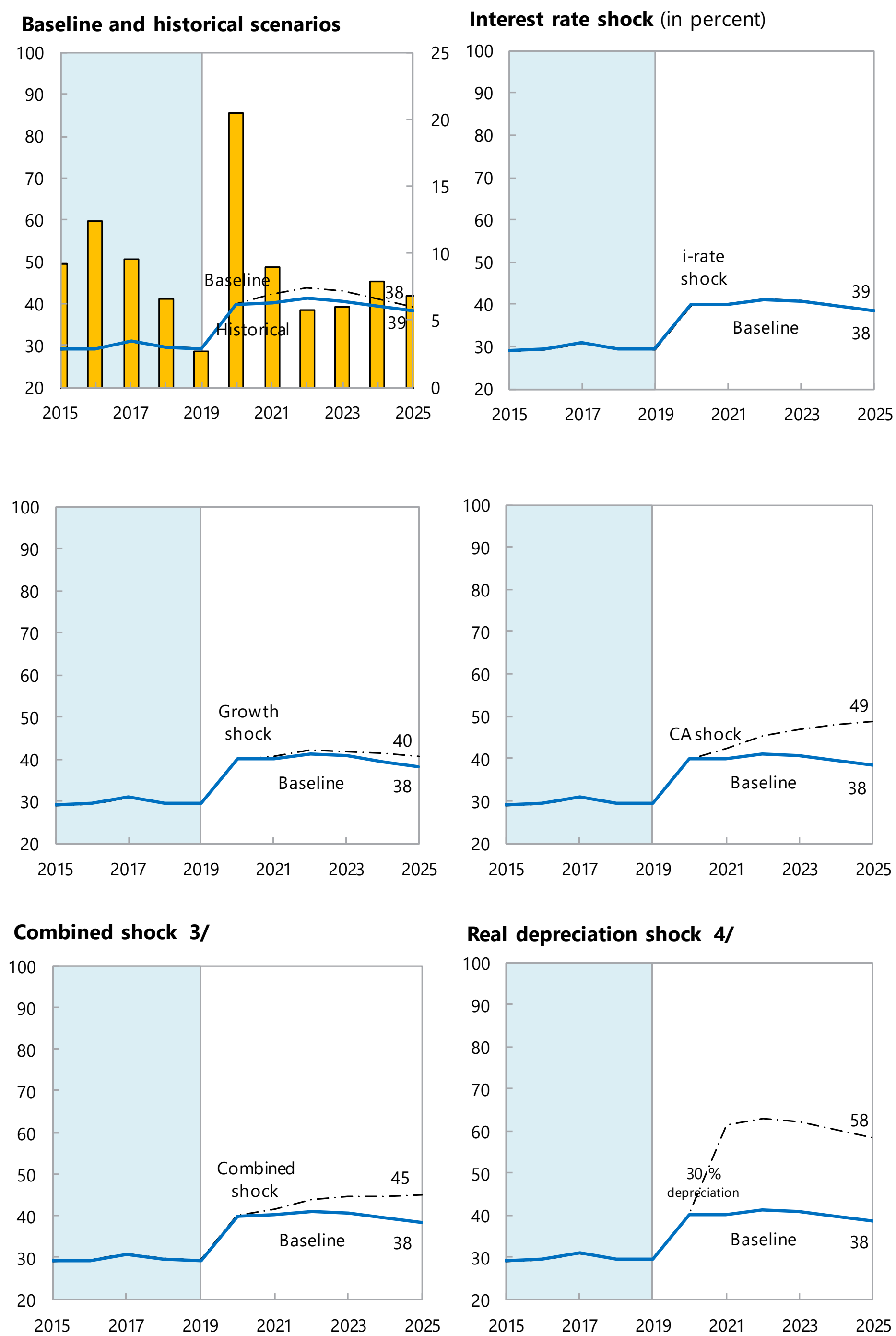
5/ The key variables include real GDP growth; nominal interest rate; dollar deflator growth; and both non-interest current account and non-debt inflows in percent of GDP.

6/ Average and standard deviation computed with available BPM6 data since 2014.

7/ Long-run, constant balance that stabilizes the debt ratio assuming that key variables (real GDP growth, nominal interest rate, dollar deflator growth, and non-debt inflows in percent of GDP) remain at their levels of the last projection year.

Figure 6. St. Lucia: External Debt Sustainability: Bound Tests 1/ 2/

(External debt in percent of GDP)



Sources: International Monetary Fund, Country desk data, and staff estimates.
1/ Shaded areas represent actual data. Individual shocks are permanent one-half standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown.
2/ For historical scenarios, the historical averages are calculated over the ten-year period, and the information is used to project debt dynamics five years ahead.
3/ Permanent 1/4 standard deviation shocks applied to real interest rate, growth rate, and current account balance.
4/ One-time real depreciation of 30 percent occurs in 2019.

Appendix I. Letter of Intent

April 21, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva,

1. St. Lucia is confronting the strong repercussions from the global coronavirus pandemic. So far, we have had fifteen (15) cases which tested positive for COVID-19. As measures to contain the spread of the virus are implemented around the world, we have seen a dramatic drop in bookings by overseas visitors which in a typical year would account for almost 90 percent of our foreign exchange earnings. Indeed, our tourism industry is now closed and government revenues have plummeted. Furthermore, our ability to meet our usual fiscal financing needs has been compromised by the turmoil in domestic and regional financing sources.

2. In addition to these broad-based spillovers from global events, we also expect to face a significant fiscal need in our own country arising from the need to immediately increase outlays on testing, containment and treatment of those who have contracted COVID-19. To that end, we instituted a 24-hour shutdown from April 1 to April 7 in order to minimize the risk of community spread of the virus. Following the end of this full shutdown, we established a more relaxed curtailment of commercial activities to only essential goods and services. The health care interventions taken so far and those that are planned are estimated to cost in excess of 30 million EC dollars.

3. Beyond these direct steps to target public health priorities, we have also announced steps to support those most vulnerable among our population including temporary income support to vulnerable households and tax credit to companies that retain at least part of their staff. We anticipate these spending needs alone will add 2 percent of GDP to our fiscal deficit at a time when activity has slowed markedly and usual revenue sources compromised as taxpayers struggle to manage their own difficult circumstances. With most of our required medical equipment imported from other countries, these expenditures will inevitably translate into upward pressures on our trade deficit.

4. Our preliminary projections suggest that real GDP growth in 2020 could decline by 10 percent owing to the adverse supply and demand shock represented by the COVID-19 pandemic. We do, however, anticipate a modest rebound in activity once the immediate crisis has passed and our overseas visitors resume their normal travel patterns. Our fiscal deficit is likely to reach 7 percent of GDP this fiscal year (from 3.5 percent of GDP in 2019/20) and the external current account deficit could reach 9 percent of GDP in 2020.

5. Against this background, the government of St. Lucia requests emergency financing from the IMF in the equivalent of SDR21.4 million (about US$29 million), corresponding to a disbursement of 100 percent of our quota under the Rapid Credit Facility (RCF) under the Exogenous Shocks Window, to meet the financing needs associated with the increased healthcare spending needs, a precipitous drop in government revenue as a consequence of no tourist arrivals, and constrained financing on the regional and international markets. These urgent BOP needs, if not addressed, could result in immediate and severe economic disruption and social pathologies.

6. While our macroeconomic outlook is challenging, we remain committed to maintaining macroeconomic stability, fostering competitiveness and growth, and supporting the most vulnerable among our population. The support of the international community will be paramount to financing our fiscal operations this year. Indeed, we anticipate that emergency financing of US$100 million will be provided by bilateral and multilateral development partners including the World Bank and the Caribbean Development Bank during the coming months. Recognizing the downside risks, the government intends to pursue fiscal adjustment. In coming months, the government will continue to monitor the situation (economic, fiscal performance and financing) and maintain open dialogue with the IMF staff. Should conditions deteriorate beyond expectations, the government will consider a follow up longer term upper credit tranche (UCT) arrangement with the IMF.

7. Despite the deteriorating fiscal position, we remain committed to the ECCU debt target of 60 percent by 2030. We attach a great importance to this fiscal anchor to guide fiscal policy in the medium-term. To that end, we plan to implement a balanced fiscal adjustment that will gradually reduce the debt to GDP level. We intend to remain prudent in mobilizing financial resources and avoid excessive debt accumulation.

8. Furthermore, the government of St. Lucia intends to continue to maintain an open dialogue with the IMF to further explore solutions to our balance of payments difficulties in the coming weeks and months. We are committed to ensuring continued macroeconomic stability and we will avoid any measures or policies that may compound these difficulties. St. Lucia will continue to comply with the provisions of the Fund's Articles of Agreement, and will not impose new or intensify existing restrictions on the making of payments and transfers for current international transactions, trade restrictions for balance of payment purposes, or multiple currency practices, or entering into bilateral payments agreements which are inconsistent with our obligations under Article VIII , and will implement public policies under that framework. We will hold unused IMF disbursement at the ECCB.

9. We are committed to collaborating with IMF staff in undergoing a safeguards assessment. The next safeguards assessment of the ECCB is expected to take place during 2020, in accordance with the four-year cycle for regional central banks. The ECCB will provide Fund staff with the necessary central bank audit reports and will authorize its external auditors to hold discussions with staff.

10. Like many other countries, the challenges and uncertainties ahead of us are unprecedented and will test our resolve and social cohesion. Nonetheless, we are determined to succeed. We anticipate that our country's efforts along with the solidarity of the St. Lucian people will allow us to emerge from this global crisis stronger. We seek your support in our endeavors and intend to do what we can to support you in your efforts at the IMF to mitigate the inevitable impact on the world economy arising from this pandemic. We look forward to an expeditious approval of our request for financial assistance and want to underline our appreciation for the speed and determination that the Fund has shown in responding to the financial and technical support needs of its membership.

11. We authorize the Fund to publish this Letter and St. Lucia's request for a disbursement under the RCF.

Sincerely yours,

/s/
Allen M. Chastanet
Prime Minister and Minister for Finance, Economic Growth, Job Creation, External Affairs and the Public Service