Economic Alert iQ

First Citizens
Research & Analytics

Wednesday 2nd September 2015 – 2:20pm
Regional
Prepared by: Kris Sookdeo, Analyst II (Research and Analytics)
kris.sookdeo@firstcitizenstt.com

IMF concludes consultation and post program discussions with St. Kitts and Nevis

- On 31st August 2015, the International Monetary Fund concluded its Article IV and first post program monitoring discussions with St. Kitts and Nevis.
- GDP growth was estimated at 6.0% in 2013 and 2014 but it is expected to converge to the regional average of about 2.5% in the medium term.
- Continued rapid inflows under the Citizenship-By Investment (CBI) program have led to a surge in construction activity, and supported a large increase in government and Sugar Industry Diversification Fund (SIDF) investments and spending, including on the People Employment Program (PEP).
- Private sector credit has remained weakly positive, despite high bank liquidity.
- Inflation at the end of 2014 was reported at 0.60% as a result of low commodity prices.
- In terms of trade, the current account deficit remained at about 7.5% of GDP, benefiting from inflows from the CBI program. External reserves were estimated at 9 months of import coverage.
- On the fiscal side, the overall fiscal surplus in 2014 was 9.5%, compared to 12.0% in 2013. This was attributed to reduced expenditure on the SIDF and improved tax revenues.
- Higher GDP growth and advance repayments have allowed debt levels to fall to 79% of GDP at end-2014, compared to 100.8% at end-2013.
- Public debt service (as a percent of revenue and grants) is expected to fall to 14.5% in 2015 from 18.4% in 2013.
- The IMF identified several threats to economic progress including the imposition of visa requirements by Canada, competition from other regional CBI programs, counterproductive VAT and customs exemptions and changes to the debt-land swap program.