



COUNTRY	CREDIT RATING	REGION
Grenada	Not Rated	Caribbean
Real GDP growth (%) [2014]	4.60%	Major Trade Partners
Next General Election	Jul-20	Major Exports (%)
Exchange Rate (XCD/USD)	2.7	GDP Composition
		USA, Belgium, Poland, Germany
		Machinery, Food, Electronics, Beverages, Tobacco
		Agriculture 1.8%, Industry 23.1%, Services 75.1%

RECENT ECONOMIC DEVELOPMENTS

ECONOMIC OUTLOOK **STABLE**

Growth in St. Kitts & Nevis measured an impressive 6.6% in 2015. This was driven by the continued strong performance of the construction sector which grew by 15.23%. There was also growth in the hotel and restaurants sector (6.36%), transport, storage and communications sector (9.47%) and the real estate, renting and business activities sector (3.51%). On the downside, fishing, agriculture and manufacturing fell by 15.43%, 1.69% and 0.78% respectively. In 2015 total visitors increased by 26.8% (1,035,065 visitors). There were increases in arrivals from markets such as the U.S (+3.4%), U.K (+9.6%), Caribbean (+14.4%) and decreases from the Canada (-11.2%) and other countries (-2.0%). Cruise ship passengers increased by 30.9% to 909,368 visitors. Economic growth is projected at 4.61% in 2016 by the ECCB.

INFLATION **NEGATIVE**

Inflation measured -2.30% (average) in 2015 (0.25% - 2014). There were declines in most categories with the major falls in food & nonalcoholic beverages (7.8%), health (2.9%), transport (3.3%), education (4.1%) and miscellaneous items (5.3%). Inflation is forecasted at -1.3% for 2016 by the IMF.

TRADE BALANCE/ BOP **STABLE**

St. Kitts & Nevis operated a trade deficit of XCD850.96 million for 2015, a 48.9% increase from 2014. Exports increased by 6% to XCD157.90 million mainly due to increases in food & live animals (19.7%), manufactured goods (829.7%) and misc. manufactured articles (21.3%). Imports increased by 39.2% to XCD1,008.86 million driven by increases in beverages and tobacco (52.6%), mineral fuels and related materials (+596.4%), and misc. manufactured articles (110.6%). Foreign currency reserves were estimated at USD300 million in 2015, providing 3.2 months of import cover (BMI).

FISCAL ACCOUNTS **STABLE**

St. Kitts and Nevis's overall fiscal surplus (after grants) measured XCD110.98 million in 2015, declining from XCD240.98 million in 2014. Current revenue fell by 0.09% to XCD881.59 million mainly due to a decrease in Value added Tax (12.2%) and stamp duties (13.15%). Current Expenditure increased by 6.6% to XCD662.85 million due to increases in personal emoluments (5.3%), goods and services (7.2%) and transfers and subsidies (37%). Capital expenditure and net lending increased by 29.8% to XCD168.54 million.

POLITICAL CLIMATE / SOVEREIGN RATING

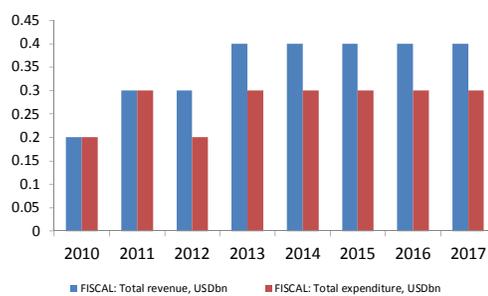
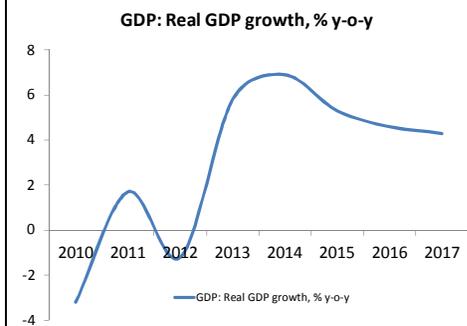
On Feb 2015 the opposition alliance won parliamentary elections in St Kitts and Nevis, ending the local Labour party's 20-year reign. Dr. Timothy Harris was elected as the new prime minister replacing Denzil Douglas who was in office since 1995.

On Oct 2015, the executive board of the IMF concluded the ex post evaluation of the 2011–14 stand-by arrangement with St Kitts and Nevis. They commended the authorities for their home-grown program, which had allowed for a substantial improvement in macroeconomic conditions, a return to robust growth, and an overall successful program performance. The significant improvement in the headline fiscal and external accounts were noted due to important fiscal reforms undertaken by the authorities and the savings accumulated from receipts under the government's Citizenship by Investment Program (CBI), which were much larger than anticipated. According to the IMF, key issues identified for St Kitts and Nevis going forward are to make fiscal discipline permanent, including through further efforts to contain the wage bill, and to prudently manage the windfalls from the CBI program, while protecting high quality infrastructure spending. Other priorities include creating a business environment more conducive to private sector activity, permitting a stronger and more active indigenous financial system, and strengthening competitiveness.

OUTLOOK

Following debt levels of 160% of GDP in 2010 and the preceding intervention by the IMF, St. Kitts and Nevis has grown to become one of the Caribbean's leading economies. The economy will be dependent on the performance of the construction sector, tourism and its very successful Citizens Investment Program in the coming years (10,777 passports 2005-2015). The new prime minister has made moves to make the CIP more transparent and selective after the loss of visa free access to Canada last year. He has also announced plans to open up new avenues of investment in government infrastructure, health and education development via the program which will provide a further boost to the country and the program's competitiveness. Tourism, another important contributor to the economy also has a positive outlook due to the strengthening of the U.S and Europe. The major headwind to the economy is a significant decline in receipts from the CIP which will adversely affect the construction sector, as most of the ongoing private sector construction is tourism related and driven by developments in the CBI.

First Citizens Research & Analytics holds a stable view on St. Kitts and Nevis due to the country's stable growth prospects and strong fiscal accounts but notes the significance of its Citizens Investment Program to the economy as well as the country's susceptibility to hurricanes.



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