



COUNTRY		CREDIT RATING		REGION	
Grenada		Not Rated		Caribbean	
Real GDP growth (%) [2016]	4.60%			Major Trade Partners	USA, Belgium, Poland, Germany
Next General Election	Jul-20			Major Exports (%)	Machinery, Food, Electronics, Beverages, Tobacco
Exchange Rate (XCD/USD)	2.7			GDP Composition	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. As at 3Q15 total visitors increased by 30.6% (727,808 visitors) compared to 3Q14. There were increases in arrivals from all markets such as the U.S (+5.7%), U.K (+8.2%), Canada (+8.6%), Caribbean (+6.3%) and other countries (+4.8%). Cruise ship passengers increased by 35.6% for the period to 629,965 visitors. Economic growth is projected at 4.61% in 2016 by the ECCB.

INFLATION **NEGATIVE**

Inflation as at 3Q15 measured -0.04% (end of period) and has averaged -0.45% for the year (0.67% - 2014). Compared to 3Q14, there were declines in food (0.6%), fuel and light (3%), household and furniture equipment (1%), transportation and communication (1%), personal services (1%) and miscellaneous items (8.3%). The major increases were in clothing and footwear (2.5%) and education (3%). Inflation is forecasted at -0.8% and -0.3% for 2015 and 2016 respectively by the IMF.

TRADE BALANCE/ BOP **STABLE**

St. Kitts & Nevis operated a trade deficit of XCD515.51 million for 3Q15, an increase from the XCD383.61 million deficit for 3Q14. Comparing the two periods, exports fell 6% to XCD107.27 million mainly due to decreases in beverages and tobacco (-52.7%), crude materials and inedible except fuels (-75%) and misc. manufactured articles (-19.6%). Imports increased by 25.1% to XCD622.78 million driven by increases in food and live animals (+11.5%), beverages and tobacco (+47.6%), mineral fuels and related materials (+674.5%), and misc. manufactured articles (+72.9%). Foreign currency reserves were estimated at USD300 million in 2015, providing 3.2 months of import cover (BMI).

FISCAL ACCOUNTS **STABLE**

As at 3Q15 St. Kitts and Nevis's overall fiscal deficit (after grants) measured XCD46.60 million in 2015, improving from XCD158.11 million in 2014. Current revenue increased by 1.2% or XCD7.16 million mainly due to increases in taxes on income and profits (27.5%), property taxes (12.1%) and taxes on international trade and transactions (6.2%). Current Expenditure increased by 10.4% or XCD43.67 million due to increases in personal emoluments (6.7%), goods and services (7.6%) and transfers and subsidies (41.8%). Capital expenditure and net lending increased by 80.5% to XCD145.70 million. Financing fell 70.5% to -XCD46.60 (domestic XCD59.88 million and external -XCD106.47 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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