



**Saint Kitts and Nevis**

Prepared by: **Rajesh Ramroop**  
 rajesh.ramroop@firstcitizenstt.com  
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<b>COUNTRY</b> Grenada	<b>CREDIT RATING</b> Not Rated	<b>REGION</b> Caribbean
Real GDP growth (%) [2016]	3.02%	Major Trade Partner
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%

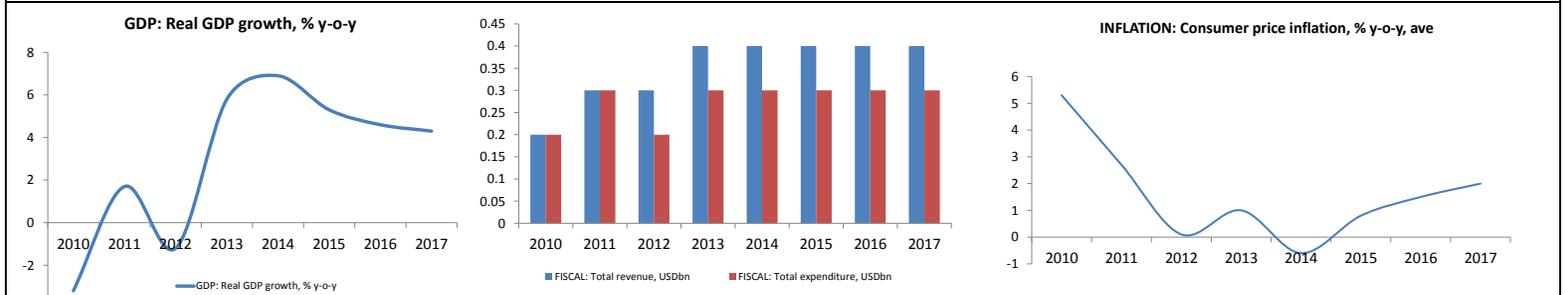
**RECENT ECONOMIC DEVELOPMENTS**

<b>ECONOMIC OUTLOOK</b>	<b>STABLE</b>	Growth in St. Kitts & Nevis is estimated at 3.02% for 2016 supported by the construction sector (5.92%), hotel and restaurants sector (3.97%), financial intermediation sector (3.30%) and the real estate, renting and business activities sector (2.46%). On the downside, fishing, agriculture and manufacturing are forecasted to fall by 4.43%, 1.96% and 12.50% respectively. Comparing 1H16 and 1H15 total visitors increased by 1.0% (570,687 visitors). There were increases in arrivals from markets such as the U.S (3.3%), U.K (1.9%), Caribbean (3.1%), Canada (3.4%) and other countries (3.5%). There were no declines in any source markets. Cruise ship passengers decreased by 0.5% for the period to 504,320 visitors. Total Visitor Expenditure fell by 2.7% to XCD195 million. Economic growth is projected at 3.02% in 2016 by the ECCB.
<b>INFLATION</b>	<b>NEGATIVE</b>	Inflation measured -0.65% (average) as at 1H16 (-1.11% - 1H15). The major declines were in food & nonalcoholic beverages (9.48%) and alcoholic beverages, tobacco and narcotics (12.21%). The major increases were in communication(7.38%) and hotels and restaurants (7.32%). Inflation is forecasted at -1.3% for 2016 by the IMF. The banking system remained stable in 2015 with comfortable capital buffers and high levels of liquidity. As at July 2016 private sector credit measured growth of 2.87% y-o-y. Credit to the tourism sector increased by 16.25% while credit to financial institutions fell by 31.4%.
<b>TRADE BALANCE/ BOP</b>	<b>STABLE</b>	St. Kitts & Nevis operated a trade deficit of XCD330.58 million for 1H16, a 4.84% increase from 1H15. Exports decreased by 9.73% to XCD67.67 million mainly due to decreases in food & live animals (17.88%) and machinery & transport equipment (20.61%). Imports increased by 2.04% to XCD398.26 million driven by increases in food and live animals (21.58%), chemicals and related products (22.44%), and manufactured goods (21.54%). Foreign currency reserves were estimated at USD300 million in 2015, providing 3.2 months of import cover (BMI).
<b>FISCAL ACCOUNTS</b>	<b>STABLE</b>	St. Kitts and Nevis's overall fiscal surplus (after grants) measured XCD94.01 million for 1H16, increasing from XCD74.31 million in 1H15. Current revenue fell by 7.62% to XCD399.75 million due to decreases in Value added Tax (9.49%) and company tax (15.08%). Current Expenditure decreased by 0.80% to XCD307.28 million due to decreases in interest payments (13.72%), goods and services (2.36%) and transfers and subsidies (16.01%). Capital expenditure and net lending decreased by 74.22% to XCD22.50 million. General government gross debt is estimated at 63.37% for 2016 (67.76% - 2015).
<b>POLITICAL CLIMATE / SOVEREIGN RATING</b>		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. Growth is expected to moderate to 3% in the medium term by the IMF.

**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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