



Real GDP growth (%) 2015	2.35	ECCB	CariCRIS Rating	CarIBBB	Last Election	November 2011
Real GDP growth (%) 2014	-0.70%	ECCB	Approximate S&P equivalent	B	Next Election	Nov 2016
Exchange Rate (USD/XCD)	EC\$ 2.70				Term	5
FX Direction	Fixed				Current	Kenny Anthony / St Lucia Labour Party

FISCAL	
Budget Deficit (%) 2015	5.7%
Deficit Trend	↑
Debt/GDP	81.7%
Debt Direction	↑

Economy	Real estate, renting and business (19%), transport (19%), hotel and restaurants (11%), construction (7%), and financial intermediation (8%), wholesale and retail trade (8%)
Export Partners:	DR 26.3%, US 11.1%, Suriname 9.5%, A&B 7.3%, Dominica 7.1%, T&T 6.9%, Bdos 6.4%, UK 5.7%
Major Exports:	Bananas 41%, clothing, cocoa, avocados and mangoes
Tourism Mkts	US (42%), Europe (28%), Canada (12%) Other (18%)
Tourism Sector	Direct Contribution (13.8% of GDP), Indirect Contribution (39.5% of GDP)

ECONOMIC OUTLOOK

Preliminary data shows that the SLU economy grew in the third quarter of 2015 relative to the same period in 2014. The important construction sector showed some recovery, as well as the hotels and restaurants sector, which is a proxy for the tourism sector. While no concrete data is available, construction-related imports rose 13.5%, despite a decline in commercial bank lending to the construction sector. The sector was led by the private sector, particularly tourism-related projects like Coconut Bay Resort and the Royalton Property, while in the public sector, rehabilitation works continue on infrastructure works. The tourism sector performed better in the first nine months of 2015, relative to the same period of 2014, with arrivals growing 5.7%, attributed to an expansion in the number of cruise passengers, which grew 8.9% and stay-over visitor arrivals which saw growth of 3.2%. Arrivals from the US, which is the major source market grew 7.7% reflecting increased airlift (due to improving US economy), while stay-over arrivals from the Caribbean increased by a significant 13.6%, reversing the 10.8% decline registered in the same period a year earlier. The Canadian market also improved by 2.2%. However, arrivals from Europe declined 10.2%.

INFLATION MONETARY POLICY

Even though the ECCB lowered the minimum savings rate to 2% in May 2015, the action has not yet translated into lower lending rates. The weighted average interest rate on deposit rates fell to 1.98% from 2.58% at the end of 2014, however, the weighted average lending rate grew marginally to 8.51%. The interest rate spread consequently widened by 61 bps during the nine month period ending September 2015.

TRADE BALANCE/ BOP

The merchandise trade deficit narrowed in the nine months to September 2015, largely as a result of an 18.3% decline in the value of imports and a 17.1% increase in the value of exports. The lower import bill resulted from a fall in the cost of minerals, fuels and related materials. gross travel receipts rose by 5.1%. Commercial banks' transactions resulted in a net outflow of over 200% higher than the corresponding period of 2014.

FISCAL ACCOUNTS

The government recorded an overall deficit of XCD46.1 million in the first nine months of 2015, substantially better than the same period a year earlier. The improvement was largely attributed to positive developments on the current account, which registered a surplus of XCD78.5 million. This was supported by an expansion in revenue collection (+6.5%) alongside a marginal decline in current spending (-0.6%). Public sector debt registered a decline during the period and the IMF has estimated that that public sector gross debt has reached 81.7% of GDP at the end of 2015.

Money and Credit

Broad money as measured by M2 is estimated to have expanded 2.2% during the first three quarters of 2015. Domestic credit fell by 9.3% during the same period, deepening from the 6% contraction recorded in the same period of 2014. Credit to the tourism industry experienced the biggest contraction of 32.6% as banks tightened underwriting policies for tourism-based investments, given the high level of nonperforming assets in that category. Liquidity in the financial system improved during the review period, with the ratio of liquid assets to total deposits plus liquid liabilities was 34.6%, higher than the level as the end of 2014.

ECCU BUSINESS ENVIRONMENT

The results of the Business Outlook Survey (BOS), conducted by the Eastern Caribbean Central Bank (ECCB) in each of its member countries during the period 6 to 31 July 2015, indicate that, businesses in the Eastern Caribbean Currency Union (ECCU) expect an improvement in economic conditions for the second half of 2015, compared with the corresponding period in 2014. The respondents opinion also suggest that economic conditions for businesses for the period January to June 2015 improved slightly compared with the corresponding period of 2014.

During the H1 2015 Business Outlook Survey, St Lucian respondents expected business conditions to improve during the outlook period H1 2015 when compared to H1 2014. Actual results from the subsequent H2 2015 survey indicate that sentiment on business conditions was significantly lower and that conditions had in fact worsened.

OUTLOOK

In its January 2016 update to the World Economic Outlook, the IMF shaved its global growth projections, as they expect significant headwinds in 2016. Global growth is now projected at 3.4% in 2016, from an earlier projection of 3.8%. Importantly, the outlook for St Lucia's key markets has been cut, including the US and the Latin American and Caribbean region. However, we do expect that St Lucia's tourism sector will continue to support overall growth, as the US labor market improves. IMF also upgraded its expectations for Europe, which is also one of St Lucia's key market. These developments have the potential to provide a further boost to the island's tourism sector, however, the recent removal of Cuba's embargo can result in the island becoming a major competitor to St. Lucia and the OECS. Continued oil prices have also continued to put significant pressure on Venezuela and its ability to continue programs such as Petro Caribe may be in jeopardy. However, St Lucia has not yet received shipments from Venezuela under the agreement. First Citizens Research & Analytics holds a stable view on St. Lucia but notes the volatility of factors rooted with its recovery such as its dependency on the US as its main source market, the headwinds associated with the global recovery and the threat of weather phenomenon during the hurricane season.

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