



Real GDP growth (%) 2015	2.1%	ECCB	Moody's	B3 (Negative)	Last Election	9-Dec-15
Real GDP growth (%) 2014	-0.24%				Next Election	2020
Exchange Rate (USD/XCD)	1/2.70				Term	5 years
FX Direction	Fixed				Current	Dr. Ralph Gonsalves

ECONOMIC OUTLOOK	<p>It is estimated that the SVG economy expanded moderately in the first nine months of 2015, with mixed performances of the major sectors. Proxies for the construction sector, such as building material sales rose marginally by 0.8% and credit to the sector by commercial banks which grew 6.3%. Public sector impetus continues to come from on-going works on the new airport, however to a lesser degree evidenced by a contraction in capital expenditure. Agriculture output rebounded as evidenced by a 5.3% uptick in banana export. The tourism sector slipped during the nine month period, with visitor arrivals falling 0.1%.</p> <p>The IMF anticipates that the airport could increase tourist arrivals by 10% yearly over the three years following its completion, with a cumulative impact on real GDP up to 4.2%. Construction commenced in August 2008 and the authorities expect the airport to become operational by mid-2015. The total cost is estimated at XCD700 million (US\$260 million) (<i>IMF Staff Report Sep 2015</i>).</p>
INFLATION MONETARY POLICY	<p>Consumer prices fell by 1.4% at the end of September 2015. The deflationary conditions are as result of lower energy prices.</p>
TRADE BALANCE/ BOP	<p>The IMF expects a current account deficit of 26.9% of GDP in 2015 (<i>REO Oct 2015</i>). SVG is estimated to have operated a trade deficit of XCD548.1 million in the first nine months of 2015, narrowing significantly compared to the previous year. Exports declined 6.6% but this was compensated for by a 10.5% decline in imports. Gross tourism receipts are estimated to have advanced by 1.5% consistent with the uptick in visitor arrivals.</p> <p>International reserves stood at USD100 million in 2014, providing 3 months import cover (BMI).</p>
FISCAL ACCOUNTS	<p>SVG's fiscal accounts improved during the nine month period ended September 2015. The overall fiscal deficit narrowed as a result of a decline in expenditure alongside an increase in revenue. The current account recorded a deficit of XCD0.1 million, significantly lower than in the previous year associated with a better outturn in current revenue, particularly VAT which is the largest contributor to revenue, which increased 2.02%. Further, current expenditure declined 1.1%. Total public sector debt declined by 3.4% and the IMF estimates that public sector gross debt will end 2015 at 77% of GDP.</p>
BANKING & FINANCE	<p>Domestic credit expanded by 5.6% in the review period, largely associated with central government, which grew 8.3%. Credit to the private sector rose 2.5% reflecting increased loans to households. Liquidity of the commercial banking sector declined with the ratio of liquid assets to total deposits plus liquid liabilities fell slightly to 42.4%, well above the prudential ratio of 25%. Following the May 2015 decline in the minimum deposit rate by the ECCB, commercial banks instituted adjustments accordingly.</p>
ECCU BUSINESS ENVIRONMENT	<p>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.</p> <p>During the H1 2015 Business Outlook Survey, St Vincentian 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.</p>

OUTLOOK
 St Vincent & the Grenadines remains susceptible to events in the global markets. Positively its major trading partners such as the US and EU have maintained economic stability and have begun to show signs of positive growth. A boost in tourism can be expected due to the positive outlook of the US for 2015. The Argyle airport if completed on schedule (early 2016) will also provide a significant boost to the country's economy and tourism sector. Investments in renewable energy resources such as hydroelectric plants and solar energy installations will aid the country against its vulnerability to global commodity prices and the potential disruption of the Petro Caribe agreement due to current low oil prices. Due to under spending in the capital budget the fiscal deficit is projected to measure 4.75% of GDP in 2014 (6.25% - 2013). The improvement is due mainly to the under-execution of capital projects. First Citizens Research & Analytics holds a cautious view on St. Vincent & the Grenadines and underscore the need for the completion of the Argyle airport as well as the risks associated with the weakening government balance sheet and susceptibility to natural disasters.

DISCLAIMER
 This report has been prepared by First Citizens Investment Services Limited, a subsidiary of First Citizens Bank Limited. It is provided for informational purposes only and without any obligation, whether contractual or otherwise. All information contained herein has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the author's judgment as at the date of the report. First Citizens Investment Services does not warrant the accuracy, timeliness, completeness of the information given or the assessments made. Opinions expressed may change without notice. This report does not constitute an offer or solicitation to buy or sell any securities discussed herein. The securities discussed in this report may not be suitable to all investors, therefore Investors wishing to purchase any of the securities mentioned should consult an investment adviser.

DISCLOSURE
 We, First Citizens Investment Services Limited hereby state that (1) the views expressed in this Research report reflects our personal view about any or all of the subject securities or issuers referred to in this Research report, (2) we are a beneficial owner of securities of the issuer (3) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report (4) we have acted as underwriter in the distribution of securities referred to in this Research report in the three years immediately preceding and (5) we do have a direct or indirect financial or other interest in the subject securities or issuers referred to in this Research report.