



Real GDP growth (%) 2016	0.44%	ECCB	CariCRIS Rating	CariBBB	Last Election	June 2016
Real GDP growth (%) 2017	2.48%	ECCB	Approximate S&P equivalent	B	Next Election	2021
Exchange Rate (USD/XCD)	EC\$ 2.70				Term	5
FX Direction	Fixed				Current	Allen Chastanet / United Workers Party

FISCAL		Economy	Real estate, renting and business (19%), transport (19%), hotel and restaurants (11%), construction (7%), and financial intermediation (8%), wholesale and retail trade (8%)
Budget Deficit (%) 2015	5.7%	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%
Deficit Trend	↑	Major Exports:	Bananas 41%, clothing, cocoa, avocados and mangoes
Debt/GDP	84%	Tourism Mkts	US (42%), Europe (28%), Canada (12%) Other (18%)
Debt Direction	↑	Tourism Sector	Direct Contribution (13.8% of GDP), Indirect Contribution (39.5% of GDP)

ECONOMIC OUTLOOK
 Data as at Sep 2016 indicates that the SLU economy is projected to grow by 0.44% in 2016 compared to 1.30% in 2015. The construction sector is forecasted to show growth of 10.19% while the hotels and restaurants sector is forecasted to fall by 3%, these are a proxy for the important tourism sector. There are decreases forecasted in the transport, storage and communication sector (1.28%), manufacturing sector (8.67%) and the real estate sector (12.52%). Preliminary tourism data as at 1H16 shows that the sector fell by 16% compared to 1H15 mainly due to a decrease in the number of cruise passengers of -18.41% as well as a decrease in stay-over visitor arrivals of -1.23%. Arrivals from the main source market, the US, grew by 2.44%, while stay-over arrivals from the Caribbean increased by 8.55%. There were declines in arrivals from Canada, U.K and other countries. The ECCB has projected growth of 2.74% in 2017.

INFLATION & MONETARY POLICY
 Inflation averaged -0.94% as at 2Q16 (-0.33% - 2Q15). The major declines were in housing, utilities, gas & fuels (4.09%), clothing & footwear (1.22%) and miscellaneous (1.32%). The major increases were in alcoholic beverages, tobacco & narcotics (2.07%), transport (2.20%) and hotels & restaurants (1.92%). Inflation is forecasted to average -1.0% in 2016 by the IMF. As at 2Q16 the weighted average interest rate on deposits fell to 1.8% from 1.9% at the end of 2015, while, the weighted average lending rate fell marginally to 8.1% from 8.4% at the end of 2015.

TRADE BALANCE/ BOP
 Comparing 2Q16 and 2Q15 the merchandise trade deficit widened by 50.7% to XCD287.77 million. There was a 17.30% increase in the value of imports and a 34.51% decrease in the value of exports. The higher import bill resulted mainly from an increase in the cost of minerals, fuels and related materials of 50.22%. The major decreases in exports were in mineral fuels and related materials (82.01%) and miscellaneous manufactured articles (28.9%).

FISCAL ACCOUNTS
 The government recorded an overall balance (after grants) of XCD30.64 million for 1H16 compared to -XCD 31.81 million for 1H15. The improvement was largely attributed to positive developments on the current account, which registered a surplus of XCD102.35 million. This was supported by an expansion in revenue collection (+9%) and a marginal decrease in current spending (1%). St Lucia's gross debt to GDP is estimated at 79.85% in 2016 (79.13% - 2015).

MONEY SUPPLY & CREDIT
 Broad money as measured by M2 is estimated to have expanded by 3% for 1H16 compared to 1H15. Credit to the private sector fell by 5% for the same period. Credit to the tourism industry experienced a contraction of 22% as banks tightened underwriting policies for tourism-based investments, given the high level of nonperforming assets in that category.

ELECTIONS 2016
 On 6th June, 2016, the United Workers Party (UWP) defeated the incumbent St. Lucia Labor Party (SLP) by a margin of 11 seats to 6. Outgoing prime minister Dr. Kenny Anthony had announced snap elections on May 19th 2016, ten months before it was constitutionally due. UWP leader Allen Castanet became the country's new Prime Minister. He has stated that on his immediate agenda are: Two new hotel developments (no relation to Citizenship by Investment Programme), the set-up of a tribunal to deal with the IMPACS report on twelve police killings between 2010 and 2011, the reduction of the recently implemented Value Added Tax (VAT) and consultation with regional and international institutions such as the Caribbean Development Bank (CDB) and the International Monetary Fund (IMF).

OUTLOOK
 In its July 2016 update to the World Economic Outlook, the IMF shaved its global growth projections again following the passage of 'Brexit'. Global growth is now projected at 3.1% in 2016, from an earlier projection of 3.4% in Jan 2016. 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 maintained its modest expectations for Europe, which is also one of St Lucia's key markets. These developments have the potential to provide a further boost to the island's tourism sector, however, note must be taken that the latest tourism data has shown a drop in figures by 16% for the year thus far. There is also the threat of Cuba whose recent removal from embargo can result in the island becoming a major competitor to St. Lucia and the OECS in the long term. Continued low oil prices is a positive for the island and will continue to contribute significantly to low inflation. Notable also is the recent launch of St. Lucia's Citizen by Investment program, this has the potential to provide a significant boost to the economy. Low growth of 0.44% and 1.55% is forecasted by the ECCB and IMF respectively in 2016 before a slight recovery in 2017.

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 tourism source market, the headwinds associated with the global recovery and the threat of weather phenomenon during the hurricane season.

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