# GOVERNMENT OF SAINT LUCIA

# P R O S P E C T U S

**For**

**ECD 70 Million Bond**

Series 1: ECD50M, 8 year Bond

Series 2: ECD20M, 10 year Bond

**Ministry of Finance**
**Financial Center**
**Bridge Street**
**Castries**
**SAINT LUCIA**

**Telephone: 1 758 468 5500/1**
**Fax: 1 758 452-6700**
**Email: minfin@gosl.gov.lc**

**PROSPECTUS DATE: February 2012**

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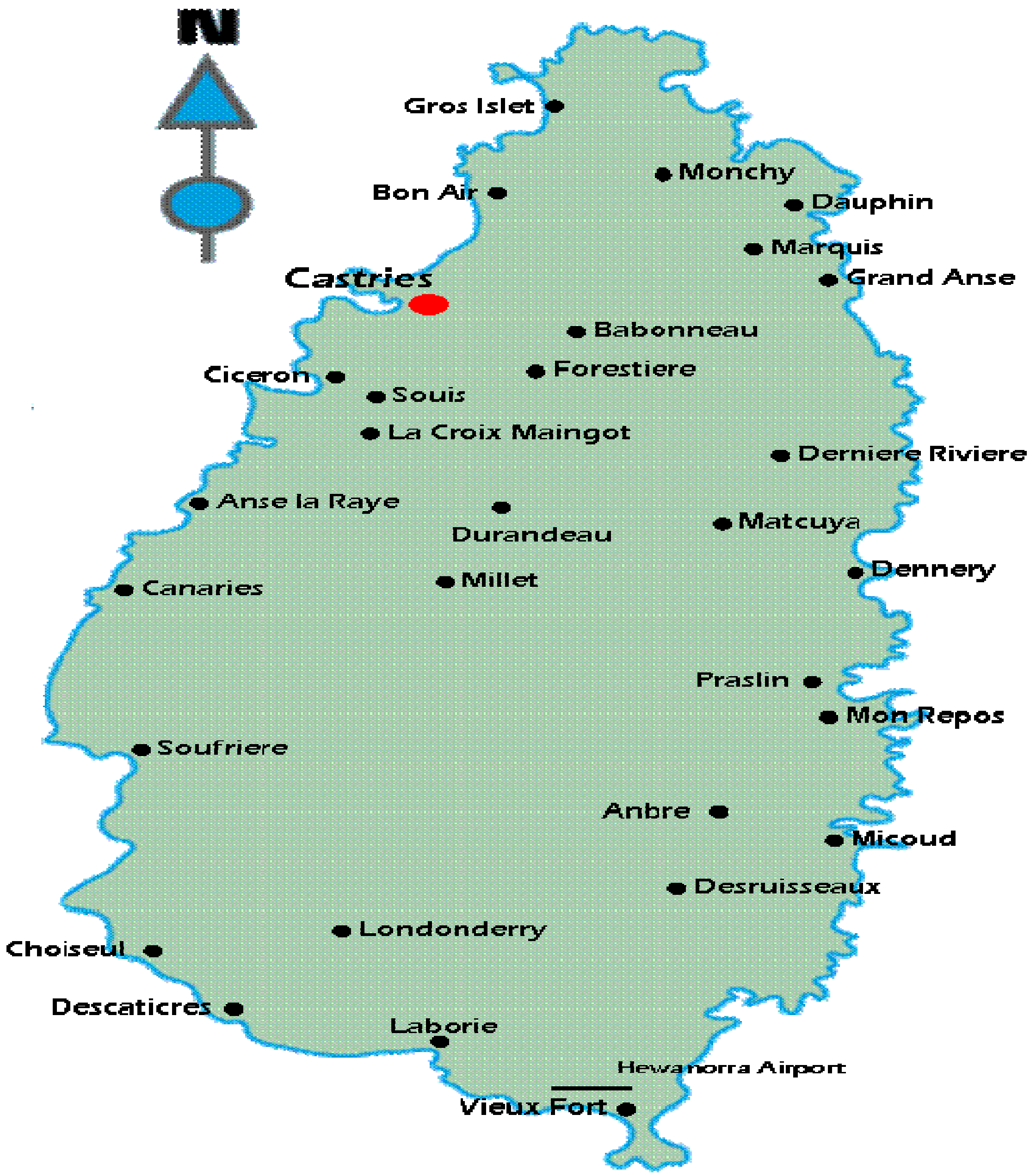
N
Gros Islet
Monchy
Bon Air
Dauphin
Marquis
Castries
Grand Anse
Babonneau
Ciceron
Forestiere
Souis
La Croix Maingot
Derniere Riviere
Anse la Raye
Durandeau
Matcuya
Dennery
Canaries
Millet
Praslin
Mon Repos
Soufriere
Anbre
Micoud
Desruisseaux
Londonderry
Choiseul
Descaticres
Laborie
Hewanorra Airport
Vieux Fort

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## NOTICE TO INVESTORS

This Prospectus is issued for the purpose of giving information to the public. The Government of Saint Lucia accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries that to the best of its knowledge and belief there are no other facts, the omission of which would make any statement in this Prospectus misleading.

This prospectus contains excerpts from the Saint Lucia Economic & Social Review 2010**.** Statements contained in this Prospectus describing documents are provided in summary form only, and such documents are qualified in their entirety by reference to such documents. The ultimate decision and responsibility to proceed with any transaction with respect to this offering rests solely with you. Therefore, prior to entering into the proposed investment, you should determine the economic risks and merits, as well as the legal, tax and accounting characteristics and consequences of this Bond offering, and that you are able to assume those risks.

This Prospectus and its content are issued for the specific Government Bond issue described herein. Should you need advice, consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of government instruments or other securities.

## ABSTRACT

The Government of Saint Lucia (thereafter referred to as GOSL) proposes to raise seventy million Eastern Caribbean Dollars (EC$70 M) in two Series:
Series 1: EC$50 Million
An 8 year Bond, with a maximum coupon rate of 7.10%
Series 2: EC$20 Million
A 10 year Bond, with a maximum coupon rate of 7.50%

The GOSL has been publicly rated by the Caribbean Information and Credit Rating Services Ltd. (CariCRIS). **On May 12th 2011**, the regional rating agency re-affirmed a rating of CariBBB+ to both foreign and local currency of a notional maximum of the equivalent of US$38 million debt issue. According to CariCRIS the assigned rating indicates that the level of credit worthiness of the obligator in relation to other obligations in the Caribbean is adequate. The GOSL assigns very high priority to honoring its debt commitments. It has an unblemished track record in meeting debt service obligations in a timely manner, and in complying with the terms and conditions of debentures and loan agreements.

The Government Bonds will be issued on the Regional Government Securities Market (RGSM) and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE) as follows:

**Issue Amount : Series 1 ECD50 Million**

| Auction Date | Trading Symbol | Settlement Date |
|---|---|---|
| 2nd March 2012 | LCG080320 | 5th March 2012 |

**Issue Amount: Series 2 ECD20 Million**

| Auction Date | Trading Symbol | Settlement Date |
|---|---|---|
| 16th March 2012 | LCG100322 | 19th March 2012 |

Bidding for each issue will commence at 9:00 a.m. and will close at 12:00 noon on each auction day, subsequent to which a competitive uniform price auction will be run at 12:00 noon.

## I. GENERAL INFORMATION

| | |
|---|---|
| Issuer: | The Government of the Saint Lucia (GOSL) |
| Address: | The Ministry of Finance<br>Financial Center<br>Bridge Street<br>Castries<br>Saint Lucia (WI) |
| Email: | minfin@gosl.gov.lc |
| Telephone No.: | 1-758-468-5500 / 1 |
| Facsimile No.: | 1-758-452-6700 |
| Contact persons: | Honorable Kenny Anthony, Minister for Finance<br>Mr. Isaac Anthony, Permanent Secretary<br>Mr. Francis Fontenelle, Deputy Director of Finance<br>Ms Marie Monrose, Accountant General |
| Arrangers: | First Citizens Investment Services Limited |
| Address | #9 Brazil Street<br>Castries, St. Lucia |
| Telephone Number | 1-758-450-2662 |
| Facsimile Number | 1-758-451-7984 |
| Contact Persons | Mrs. Carole Eleuthere-Jn Marie, Regional Manager<br>Ms. Priscilla Charles, Business Development Manager<br>Mr. Samuel Agiste, Branch Supervisor |
| Date of Publication: | February 2012 |
| Purpose of Issues: | The Securities will be issued to fund the remaining balance of GOSL's 2011 / 2012 capital expenditures |
| Amount of Issue: | $70 Million Eastern Caribbean Dollars (EC$70,000,000.00) will be issued in two Series as follows: |

| | |
|---|---|
| | Series 1: EC$50 million as an eight year bond with a maximum coupon of 7.10 percent payable semi annually.<br><br>Series 2: EC$20 million as a ten year Bond with a maximum coupon of 7.50 percent payable semiannually. |
| Legislative Authority: | National Saving Development Bond Act (Amendment) Act No. 7 of 1982 as amended by the National Savings and Development Bonds (Amendment) Act, Cap. 15.25 Of 2005 and through a Parliamentary Resolution Statutory Instrument No. 88 of 2010, passed in the House of Assembly on the 13th day of July 2010 and in the Senate on the 27th day of July 2010 and Parliamentary Resolution Instrument 73 of 2011 passed in the House of Assembly on 16th June 2011 and the senate on 7th July 2011. |
| Intermediaries: | A complete list of Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange is available in Appendix I |
| Reference Currency: | Eastern Caribbean Dollars (EC$) unless otherwise stated |

## II. INFORMATION ABOUT THE GOVERNMENT BOND ISSUES

### 1. Series 1: Fifty million (EC $50 Million) 8 year Bond.

a. GOSL proposes to auction a EC$50 Million Bond on 2nd March 2012 in the Regional Government Securities Market (RGSM) and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE).

b. The maximum bid price for the 8 year Bond is 7.10 percent.

c. The auction will be opened for competitive bidding commencing at 9:00 a.m. on 2nd March 2012 and close at 12:00 noon.

d. The Government Bond issue will be settled on 5th March 2012.

e. The maturity date of the Government Bond will be on 5th March 2020.

f. The Bond will be identified by the trading symbol LCG080320

g. Each investor is allowed one (1) bid with the option of increasing the amount being tendered until the close of the bidding period.

h. The minimum bid amount is $5,000.

i. The Bid Multiplier will be set at $1,000.

j. A Competitive Uniform Price Auction with open bidding will determine the price of the issue.

k. Investors may participate in the auction through the services of a licensed intermediary. The current list of licensed intermediaries is as follows:

- ABI Bank Ltd.
- Antigua Commercial Bank Ltd.
- St. Kitts Nevis Anguilla National Bank Ltd.
- The Bank of Nevis Ltd.
- ECFH Global Investment Solutions Limited
- Bank of St Vincent and the Grenadines Ltd.
- National Mortgage Finance Company of Dominica Ltd.
- First Citizens Investment Services Ltd – Saint Lucia
- Financial Investment and Consultancy Services Ltd (FICS)
- National Bank of Anguilla Ltd.

l. All currency references are in Eastern Caribbean Dollars unless otherwise stated.

2. **Series 2: Twenty Million (EC $20 Million) 10 year Government Bond**.

a. GOSL proposes to auction an EC $20 Million Bond on 16th March 2012 in the Regional Government Securities Market (RGSM) and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE).

b. The maximum bid price for the 10 year Bond is 7.50 percent.

c. The auction will be opened for competitive bidding commencing at 9:00 a.m. on the 16th March 2012 and close at 12:00 noon.

d. The Bond will be settled on 19th March 2012.

e. The maturity date of the Government Bond will be 19th March 2022.

f. The Bond will be identified by the trading symbol LCG100322.

g. Each investor is allowed one (1) bid with the option of increasing the amount being tendered until the close of the bidding period.

h. The minimum bid amount is $5,000.

i. The Bid Multiplier will be set at $1,000.

j. A Competitive Uniform Price Auction with open bidding will determine the price of the issue.

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- Bank of St Vincent and the Grenadines Ltd (SVG) Ltd.
- National Mortgage Financial Company of Dominica Ltd.
- First Citizens Investment Services Limited – Saint Lucia
- Financial Investment and Consultancy Services Ltd (FICS)
- National Bank of Anguilla Ltd.

l. All currency references are in Eastern Caribbean Dollars unless otherwise stated.

## III. FINANCIAL ADMINISTRATION AND MANAGEMENT

### 1. Debt Management Objectives

The objective of the GOSL is to ensure that the proceeds of debt are used in the most effective manner and that the terms and conditions of debt, including maturity and interest rate, result in the most efficient debt management strategy compatible with the periodic cash flows of the Government.

### 2. Debt Management Strategy

The debt management strategy of the Government is an integral part of its programme of fiscal consolidation. The key elements of the GOSL's debt management strategy include:

1. Maintaining a satisfactory and prudent debt structure;

2. Refinancing high cost loans and facilities to reduce debt servicing and to adjust the maturity profile of Central Government Debt in a way that balances lower financing cost and risk;

3. To support the development of a well functioning market for government securities.

4. To provide funds for the government at the lowest possible cost.

## 3. Transparency and Accountability

The GOSL is continuously seeking ways of improving its systems of accountability and transparency. With a view to adopting more prudent and transparent fiscal management practices as well as enhancing the functioning of the Regional Government Securities Market (RGSM), the GOSL intends to borrow using a variety of instruments. As a consequence, disclosure of information on the cash flow and debt stock will be made available bi-annually to all investors, consistent with the rules of the Regional Debt Coordinating Committee (RDCC)

## 4. Institutional Framework

The Debt & Investment Unit (DIU) of the Ministry of Finance (MOF) of the GOSL is charged with the responsibility of administering the Government's debt portfolio on a day-to-day basis and implementing the Government's borrowing strategy. The unit is directly accountable to the Director of Finance.

## 5. Risk Management Framework

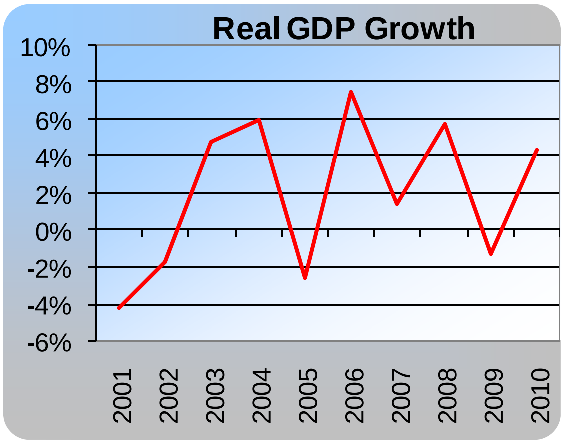
The establishment of an effective and efficient debt management system as a major element of economic management is of paramount importance to the Government of Saint Lucia (GOSL). Accordingly, attempts have been made to strengthen the capacity of the Debt & Investment Unit (DIU). Consequently, the DIU's functions have been broadened to include:

- Assisting in the formulation of debt management policies and strategies;
- Managing the debt portfolio to minimize cost with an acceptable risk profile;
- Conducting risk analysis and developing risk management policies; and
- Conducting debt sustainability analysis to assess optimal borrowing levels.

# IV) MACRO-ECONOMIC PERFORMANCE

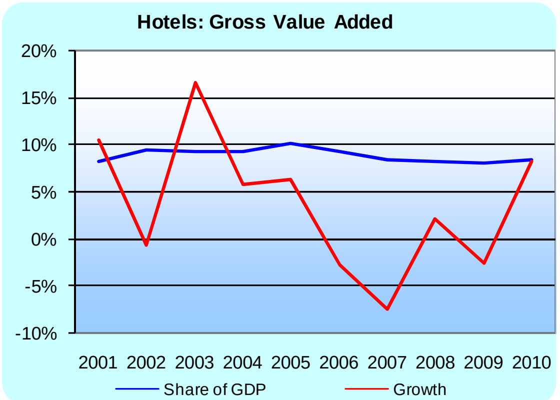
## A) General Economic Performance

### i. GDP Growth




Saint Lucia's economy showed clear signs of recovery in 2010 despite the lagged effects of the global crisis, a severe drought in the earlier part of the year and the devastating effects of hurricane Tomas in the last quarter. Preliminary estimates, based on a rebased GDP series, indicate real growth of 4.4 percent in 2010 compared with a decline of 1.3 percent in 2009 (See Appendix II). This performance was influenced by growth in the tourism and construction sectors and supported by developments in the distributive trade services and real estate sectors.

- TOURISM




Influenced in part by the global economic recovery, Saint Lucia's tourism sector performed creditably in 2010, rebounding from the downturn experienced in 2009. Preliminary estimates suggest that real growth in the hotel industry expanded by 8.2 percent, representing a recovery from the contraction of 2.6 percent in 2009. The growth in the hotel and restaurant sector contributed to significant spin-offs in other sectors. In 2010, the sector registered a record contribution to Saint Lucia's foreign exchange earnings, remaining the engine of domestic economic activity.

Stay-Over Arrivals

After declining by 5.8 percent in 2009, stay-over arrivals increased by 9.9 percent to a record 305,937 in 2010, led by considerable growth in the US and Canadian markets. This was attributed to the combined effects of more favourable global economic conditions, effective marketing and improved airlift throughout the year. In the first three quarters of the year, arrivals rose by 16.0 percent, due to double digit growth in the first half and an appreciable increase of 25.3 percent in the third quarter. Notwithstanding this increase, the passage of hurricane Tomas in October 2010 had an adverse effect on the tourism sector in the last two months of the year, resulting in the temporary closure of some hotels. This shock resulted in a contraction in arrivals of 32.3 percent in November and 2.9 percent in December, reflecting declines in most source markets.

In 2010, Saint Lucia was well positioned to benefit from the improved consumer confidence and higher demand for travel in the United States. The US market accounted for 42.2 percent of stay-over arrivals, remaining Saint Lucia's lead source market. Following three consecutive years of contraction, US arrivals increased remarkably by 30.8 percent, peaking at 129,085. This record performance was occasioned by the first year-round service from Jet Blue as well as additional air seating capacity from American Airlines and Delta. This was driven by enhanced and innovative marketing initiatives which provided invaluable exposure of the destination. Saint Lucia was featured as a prime romantic destination in the finale of the popular television series, 'The Bachelor', which was filmed in Saint Lucia and aired on the ABC television network in March. Most notably, US arrivals posted an unseasonably strong summer performance, yielding a 59.9 percent increase in arrivals in the third quarter.

The expansion in airlift capacity by the low cost carrier West Jet and Air Canada led to the steady growth in the Canadian market. Arrivals increased by 12.6 percent to 32,154 in 2010, reflecting a doubling of arrivals in the third quarter due to additional seats during that period. This was augmented by increased marketing visibility with more focused promotional campaigns. However, the passage of hurricane Tomas dampened the overall growth in this market due to an associated substantial loss of flights in November and December.

Growth was also recorded in arrivals from Germany and France. The full year's impact of direct Condor flights which was re-introduced in November 2009, contributed to an increase of 71.4 percent in stay over arrivals from Germany to 4,142 in 2010. Arrivals from France grew by 8.7 percent to 5,822, owing primarily to the first quarter performance due to chartered flights. Similarly, arrivals from the rest of Europe rose by 15.6 percent to 8,314.

By contrast, arrivals from the United Kingdom, Saint Lucia's second largest source market, fell by 6.2 percent to 67,417, following a contraction of 14.1 percent in 2009. The decline was attributable to continued weak economic conditions, exacerbated by the imposition of the air passenger duty (APD) by the UK government in November 2009and the volcanic ash in April. Moreover, together with the passage of hurricane Tomas, these factors resulted in the substantial decline of 46.1 percent in arrivals in November.

The lower-than-expected performance of the Caribbean market continued in 2010. Arrivals fell by 10.3 percent to 53,998 compared with 2009 and represented a decline of 36.3 percent compared to its peak arrivals in 2005. This performance was due to lower arrivals from CARICOM by 10.1 percent, accompanied by a reduction of 10.6 percent in arrivals from the French West Indies, spurred by the drop in the second half of the year. High airfares reduced spending power and the absence of major promotional events to attract visitors contributed to this outturn.

Estimates for stay-over visitor expenditure indicates an increase of 36.2 percent to $1,442.5 million over 2009 and 5.7 percent compared to the previous record in 2007. Spending by all major source markets expanded with the exception of the Caribbean which fell by 20.8 percent as a result of 5.1 percent decline in the average daily spending in 2010. However, in keeping with the increase in arrivals and higher daily spending, there was a 74.1 percent and a 38.3 percent increase in expenditure from the US and Canadian markets respectively. Despite the downturn in UK arrivals, visitor expenditure from this market increased by 8.9 percent as a result of increases in both the daily spending and average length of stay. Overall, expenditure associated with accommodation increased most significantly as some hotel rates showed signs of recovery from the discounts offered in response to the global financial crisis.

Hotel Occupancy

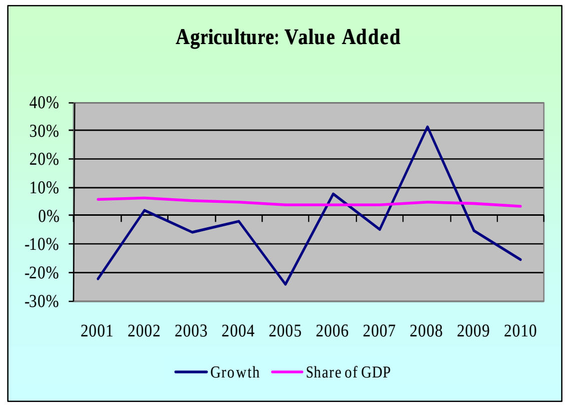
Preliminary data indicate that the overall average hotel occupancy rate moved up from 53.0 percent to 54.4 percent in 2010. This was weighed down by the consistently low rates posted by some hotels. All categories of the accommodation sector registered improvements associated with the recovery in arrivals. However, the closure due to damage of some hotels for varying periods and the water crisis caused by hurricane Tomas led to reduced occupancy rates in the last quarter. All inclusive properties recorded an average rate of 67.3 percent occupancy while conventional hotels (European Plan) and small properties posted rates of 55.7 percent and 58.2 percent respectively.

Cruise & Other Arrivals

Following three consecutive years of growth, cruise arrivals declined by 4.2 percent to 670,043 from its record performance in 2009. This was principally due to a decline of 13.7 percent in the second half of the year, resulting from the deployment of major cruise lines (Ocean Village, Norwegian and Aida Vita) to other Caribbean destinations. Overall, the number of cruise ship calls in 2010 fell to 380 from 397 in the previous year. Consequently, in the review period, expenditure by cruise passengers was estimated to have decreased by 7.9 percent to $58.0 million.

In the yachting sector, 42,311 arrivals were recorded in 2010, inclusive of Marigot Bay. Comparatively, the growth in arrivals decelerated to 0.2 percent to 32,052 at the Rodney Bay Marina, after increasing by 42.7 percent in 2009.

- AGRICULTURE



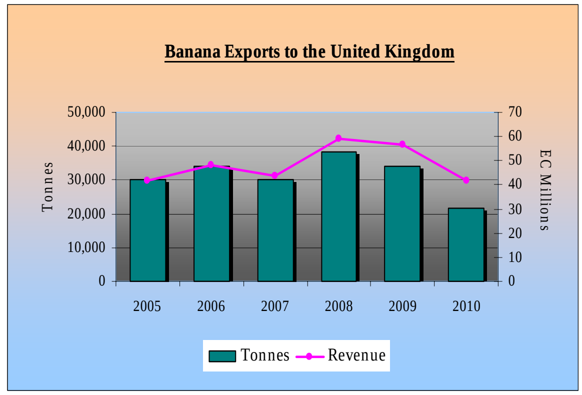

During the review period, the performance of the already fragile agriculture sector was adversely affected by two natural disasters, a prolonged drought from September 2009 to March 2010 and the passage of hurricane Tomas in October. Notwithstanding the increasing prominence of other sub-sector's, output in the agricultural sector remained largely determined by the performance of the banana sub-sector which in recent years accounted for roughly 40.0 percent of total agricultural output.

Preliminary estimates suggest that the agricultural sector contracted by 15.7 percent in 2010, following a decline of 5.4 percent in 2009. This weak outturn reflected a 27.7 percent decline in value added in the banana sub-sector accompanied by declines of 8.0 percent and 2.8 percent in the other crops and fisheries sub-sectors respectively. Value added in the livestock sub-sector expanded by 6.2 percent. The sector's contribution to GDP fell to its lowest share of 3.5 percent, with the banana sub-sector contributing 1.5 percent in 2010.

Growth in the sector continues to be hampered by a confluence of both domestic and international factors. These include rising input costs, poor agricultural practices, disease control issues and limited access to affordable financing, evidenced by a declining share of commercial bank's credit to the sector, which was 0.8 percent in 2010.

## Bananas

*Production and Export*




Available data for 2010 suggest that total banana production declined by 30.9 percent to 26,088 tonnes. Of this, banana exports to the United Kingdom declined by 36.0 percent to 21,701 tonnes, well below the previous record low level of 30,007 tonnes in 2005. Unfavorable weather conditions largely contributed to this weak performance. During the first half of the year, the drought led to a 15.3 percent reduction in exports while the devastation caused by hurricane Tomas resulted in the cessation of exports of bananas to the UK for the last two months of 2010.

Additionally, the decline of 30.4 percent registered in the third quarter was attributable to low application of fertilizer during the drought period which resulted in reduced yields per acre. Moreover, the infestation of fields by the black sigatoka disease affected production in Forestiere and neighboring banana producing areas. In keeping with the fall in exports and loss of income due to widespread crop damage, banana revenue from UK exports fell by 25.7 percent to $41.9 million.

Domestic purchases of bananas by supermarkets and hotels fell by 6.4 percent and 10.0 percent respectively to a combined total of 1,053.3 tonnes. However, exports to the region (Trinidad & Tobago and Barbados) grew robustly by 24.4 percent to 3,333.0 tonnes. During 2010, more farmers directed their production away from UK exports in order to capitalize on more viable market opportunities in the region.

## Non-Banana Crops

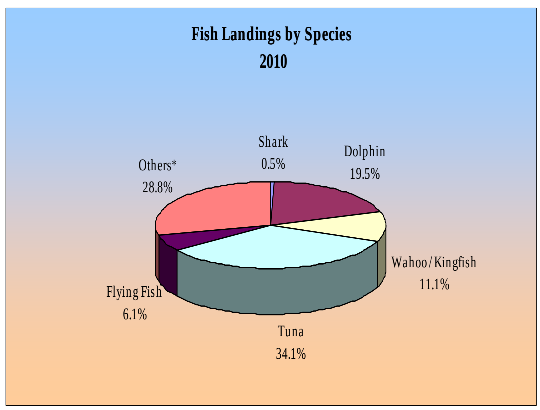
Following four consecutive years of double digit growth, total output of non-banana crops is estimated to have contracted by 9.4 percent to 7,133.7 tonnes in 2010, valued at $17.1

million.This reflected decreases in both domestic purchases and exports, owing to the fall in production associated with the drought and hurricane. The volume of exports of non-banana crops contracted by 2.9 percent to 3,875.5 tonnes, generating $5.5 million in earnings.

Domestic purchases of non-banana crops declined by 26.7 percent to 3,258.3tonnes in 2010, valued at $11.7 million. Notwithstanding increased demand spurred by the continuation of the Farmer Certification Programme and the introduction of a new supermarket chain, low supply resulted in a contraction in supermarket purchases of 16.0 percent to 2,379.3 tonnes, sold for $7.5 million. Similarly, the volume of hotel purchases fell further by 16.8 percent to 879.0tonnes while revenue from hotel purchases fell by 2.2 percent to $4.2 million. During the review period, limited supply coupled with increased demand due to the recovery in the tourism sector, led to higher unit prices.

## Fisheries

As a result of unfavourable weather conditions in the earlier part of the year, total fish landings are estimated to have decreased by 3.1 percent to 1,799.6 tonnes, as fish diverted to cooler waters. Despite this drop, the value of fish landings went up by 1.0 percent to $24.3 million during the review period.




Landings of dolphin, flying fish and shark fell by 24.4 percent, 50.3 percent and 5.4 percent respectively as catches of these species were severely impacted by the increase in water temperature. However, preliminary data suggest that landings of tuna and snapper posted substantial growth of 26.1 percent and 10.9 percent respectively while the lobster catch almost doubled. This strong performance stemmed from the more extensive use offish aggregate devices (FADs).

During the review period, reduced landings at a major site, Dennery (by 12.8 percent) and at Gros-Islet (by 27.0 percent) accounted for the overall decline posted. Landings at another key site, Vieux-Fort, as well as at Soufriere and Micoud recorded double digit increases. This was due to similar increases in the number of fishing trips registered at these sites.

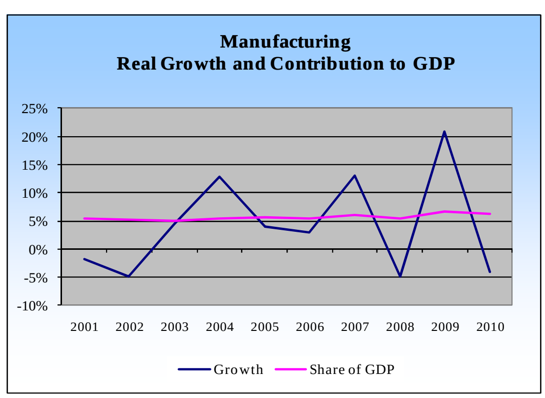
Livestock

Preliminary estimates suggest performances were mixed within the livestock sub-sector in 2010. Chicken production grew markedly by 25.9 percent to 1,394.7 tonnes, while revenue increased by 27.1 percent to $15.1 million. This was attributable to the entry of new producers into the industry and the expansion of several existing plants, which increased capacity by an additional 29,000 birds. Similarly, production of pork expanded by 32.5 percent to 212.1 tonnes in 2010, valued at $2.4 million. This was due to an increase in the number of outlets selling pork island-wide coupled with higher sow productivity and improved availability of much needed financing.

During 2010, the performance of the egg sub-sector was adversely affected by poor feed quality and the heat experienced during the first half of the year. This resulted in lower yields and a 3.2 percent decline in egg production to 1.2 million dozens, despite increased output in the second half of 2010. Given an unchanged selling price, earnings fell by the same magnitude to $6.3 million.

## ▪ MANUFACTURING

Preliminary indicators suggest that the overall output in the manufacturing sector declined in 2010, with mixed performances in the various sub-sectors. The performance of the sector was hampered by rising input costs, largely fuelled by higher oil prices. Manufacturers also incurred additional operating costs as a result of the impact of two major natural disasters, the drought in the first half followed by the hurricane in the last quarter of the year.



Real growth in the sector is estimated to have contracted by 4.0 percent in 2010. Accordingly, the sector's contribution to GDP dropped to 6.2 percent relative to 6.7 percent in 2009.

The value of total output in the sector increased by 1.9 percent to $181.0 million in the review period. This outturn was influenced mainly by strong performances in output of *furniture, non-alcoholic beverages, electrical products and base industrial chemicals* which offset the double digit declines recorded in paper and food products.

Food and Beverages

Notwithstanding the contraction in production of food products, *food and beverages*, which accounted for 46.8 percent of total manufacturing output in 2010, registered growth of 2.7 percent to $84.7 million. This performance emanated primarily from a considerable expansion in *non-alcoholic beverages* sub-sector in the first half of the year, attributable to increased domestic demand for bottled water particularly during the post hurricane Tomas period.

Production of *alcoholic beverages* was relatively unchanged in 2010, albeit posting a marginal increase of 0.6 percent. In the first half of the year, growth of 2.8 percent was registered in the value of alcoholic beverages, owing to the introduction of a new rum product (Chairman Silver) for export to the US market. Higher export demand and the introduction of some new beverages on the market also contributed to this favourable outturn. However, as a result of a weak performance in the third quarter, the value of output declined by 1.2 percent in the second half occasioned by the passage of hurricane Tomas in the fourth quarter, which dampened overall demand during the Christmas season. The decline in the value of *food products* was indicative of the adverse impact of the drought on domestic supplies of agricultural inputs in the first half of 2010, compounded by the hurricane.

*Electrical Products*

Over the review period, the value of electrical products increased by 7.1 percent to $37.8 million due to production of the more highly priced digital filters.

*Paper and Paperboards*

In 2010, the value of production of corrugated paper and paper products decreased by 12.8percent to $22.5 million on account of lower production of banana boxes. This was influenced by a considerable fall in Saint Lucia's banana exports to the United Kingdom, which led to a 46.1 percent contraction in the total value of banana boxes to $4.0 million. During the review period, export demand weakened due to a substantial loss of market share in Dominica, amidst intense competition from other suppliers. However, the value of commercial boxes produced inched up by 0.9 percent to $18.5 million, partly reflecting increased volumes. The share of the domestic market for commercial boxes remained unchanged at 90.0percent.

*Other Products*

The other sub-sectors which together accounted for 15.1 percent of the total value of manufacturing output, expanded by 18.5 percent to $26.3 million in 2010. There was a significant increase in the value of furniture produced from $2.1 million to $6.2 million, owing to a rise in exports to the sub-region. Notably, the value of basic industrial chemicals more than doubled from $0.8 million to $2.1 million. Increases of 10.7 percent and 2.4 percent were posted in the value of plastic products and wood & wood products respectively.

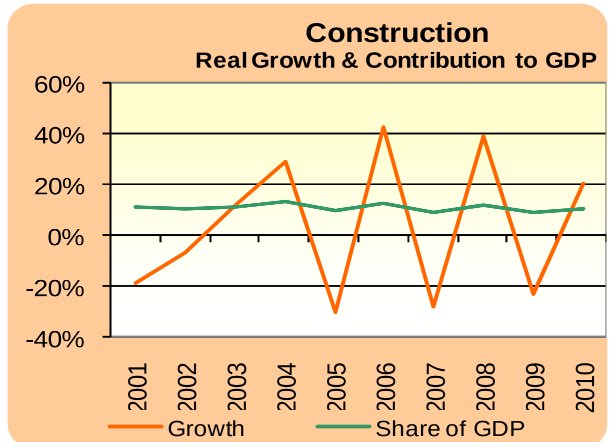
The value of metal roofing products contracted further by 17.9percentto $9.7 million in 2010, driven by a decline of almost half in the first half of the year. This overshadowed the 28.5 percent growth recorded in the second half, suggesting a pick up of construction and renovation activity by both commercial houses and private dwellings, particularly in the aftermath of hurricane Tomas.

- CONSTRUCTION

Preliminary indicators show that the construction sector recovered in 2010 with value added expanding by an estimated 20.5 percent from the steep downturn of 23.1 percent recorded in

2009. Consequently, the sector's share of real GDP increased to 10.7 percent compared to 9.3 percent in 2009.

In keeping with an increase in the value of imports of construction materials, central government and private sector expenditure on construction projects rose in 2010 relative to 2009. Nonetheless, there were some difficulties in securing financing for a number of major planned projects due to challenging credit market conditions in the aftermath of the global financial crisis. However, the level of construction activity was buoyed by a number of small private projects, consistent with the continued growth in the real estate market as well as commercial construction.




## Public Sector Construction

Provisional data indicate that construction related capital expenditure by the central government rose by 4.1 percent to $105.6 million in the review period. This outturn reflected increased spending on roads, health and education infrastructure.

However, total public sector expenditure on construction projects fell by 0.7 percent to $108.9 million on account of lower construction expenditure by statutory bodies, which dropped to $3.3 million from $8.3million in 2009. Projects by these bodies were limited to rehabilitation and retrofitting of existing sites and buildings, and no major new construction projects were undertaken.

## Private Sector Construction

A review of the main indicators suggests a near full recovery in the level of construction activity in the private sector in 2010 vis–a-vis 2009, as a number of small scale projects were undertaken in 2010. Investors also continued to grapple with financing constraints which delayed the commencement of some flagship projects and led to a continued reduction in construction of tourism-related plants. However, commercial construction and works associated with the rebuilding and repairs from the devastation of the hurricane Tomas were prevalent in the last quarter.

During the year, phase one of Allamanda Villas in Cap Estate was completed, while work continued on Hotel Chocolat and the Landings. In the earlier part of the year, Jalousie Resorts continued with the Tide Sugar Beach project. However, due to the extensive damage caused by the hurricane, major clean up and renovation works were instead undertaken by Jalousie Resorts in the last quarter of the year. Similarly, post the hurricane, rehabilitation and repair works were done by Ladera Resorts.

There was however, significant expenditure on construction of commercial buildings in 2010, albeit at a slower pace relative to 2009. This included the completion of work on the Bay Walk Mall, the Daher Building and Kalione Court in Rodney Bay. Works intensified on the Johnsons supercentre, the Bank of Saint Lucia Office building and other smaller scale office spaces. The Financial Centre at Choc Bay which started in 2010 was completed before the end of the year. In addition, substantial work was completed on the Mardini Building at Rodney Bay and the expansion of the Tapion Hospital.

## ii. Balance of Payments

### Overall Balance

Preliminary estimates suggest an overall surplus of $85.7 million on the balance of payments for 2010. Consequently, Saint Lucia’s share of imputed reserves increased by the same magnitude, equivalent to 2.7 percent of GDP. There was a widening of the current account deficit which was financed by the surplus on the capital and financial accounts, albeit reduced relative to 2009.

**Current Account**

In keeping with an increase in the merchandise trade deficit on the goods accounts, the external current account deficit is estimated to have widened by 6.2 percent to $403.0 million. However, in relation to GDP, the deficit improved from 13.2 percent in 2009 to 12.8 percent in 2010. Notwithstanding, appreciable growth in visitor expenditure led to a notable increase in net inflows on the services account. This was accompanied by larger net receipts on the current transfers account and a reduction in the net payments on the income account.

**Other Current Account Developments**

In contrast to the performance of the merchandise trade account, the surplus on the services account grew substantially to $662.5 million in 2010, equivalent to 21.1 percent of GDP. This increase in inflows was occasioned by the favourable recovery in the tourism sector which resulted in increased travel receipts. In tandem with the growth in imports, combined net outflows for insurance and transportation services rose by 24.7 percent to $212.5 million.

The deficit on the incomes account narrowed further in 2010 due to lower repatriation of profits by foreign owned businesses, owing to the introduction of withholding tax on such transactions. During the review period, interest payments on the central government's external debt rose marginally. The surplus on the current transfers account inched up from 1.2 percent of GDP to 1.3 percent in 2010 due to a slight estimated pick-up in remittances from abroad and receipts from friendly governments towards the hurricane recovery.

**Capital and Financial Account**

The surplus on the capital and financial account amounted to $456.0 million or 14.5 percent of GDP in 2010. This represents a decline of 9.7 percent over 2009, reflecting a lower surplus on the financial account. However, higher capital grant receipts, attributed to EU funding principally for the construction of the new national hospital and Taiwanese assistance, led to an increase in the surplus on the capital account to 2.4 percent of GDP.

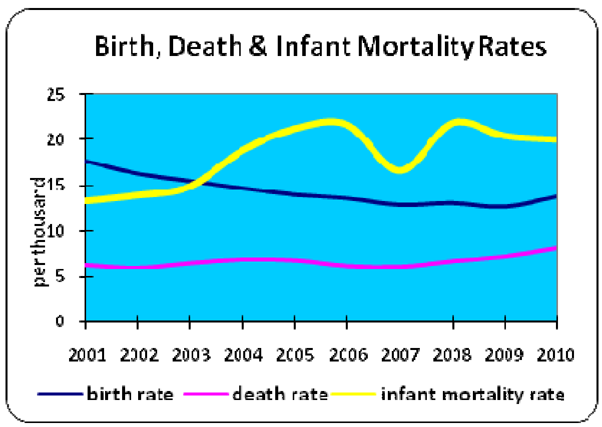
In the review period, the surplus on the financial account narrowed further, by 9.6 percent to $380.0 million or 12.1 percent of GDP. This outturn was associated with a continued drop in inflows of foreign direct investment, particularly in tourism plant, to $326.9 million or 10.9 percent of GDP. However, while principal repayments of the government debt, both on loans and bonds increased, loan disbursements to the public sector more than tripled to $91.2 million. There was a substantial reduction in commercial banks' net foreign liabilities by $102.2 million at the end of 2010, reflecting outflows from the banking system.

## iii. Demographics

- **Size, Density, Growth rate and Age Profile of Population**

A country's population size, growth rate and age distribution, are important factors in determining its capacity for economic development. Preliminary estimates for 2010 indicate that the population increased marginally by 0.5 percent from 164,726 to 165,595 as the number of live births exceeded the number of deaths by 951. However, the rate of increase of deaths was 2.9 percentage points higher than that of live births.

The birth rate in Saint Lucia increased to 13.1 per thousand compared with 12.7 per thousand in 2009. The number of male births, 1,186, exceeded the number of female births by 81, reflecting a 6.7 percent increase in male births compared to 2.3 percent for female births.

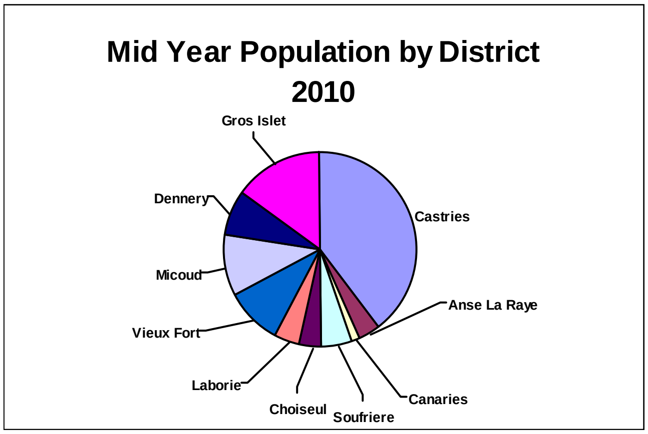



The death rate increased from 7.2 per thousand in 2009 to 7.7 per thousand in 2010, with the number of deaths increasing by 7.4 percent. The trend of higher male to female deaths continued in 2010, with the number of male deaths exceeding female deaths by 80. However, the rate of increase in female deaths was 0.6 percentage points higher than that of male deaths.

Of the total number of deaths recorded, 3.4 percent were under the age of one, in comparison with 3.6 percent of the previous year. Additionally, there was a decline, albeit marginal, in the infant mortality rate from 20.5 per thousand in 2009 to 20.1 per thousand in

2010.

An analysis of the population data by district indicates that the distribution of the population remained heavily skewed towards the north west of the island. The two most populated districts, namely the capital city of Castries and Gros-Islet, accounted for 39.6 percent and 15.2 percent of the population respectively.




During 2010, there was a modest increase in both population districts; 0.2 percent in Castries and 1.9 percent in Gros Islet. The majority of the capital's inhabitants, 66.3 percent, reside in the rural areas of Castries while an estimated 27.3 percent reside in the suburbs and 6.4 percent in the metropolitan area.

The other major population centers, Vieux Fort and Micoud, both accounted for 9.8 percent of the total population. There was an increase in the number of inhabitants in Vieux Fort and Micoud of 1.1 percent and 0.2 percent respectively.

- **Ability to influence future growth and demand for services**

*Education*

In the review period, Government's education policy was directed towards the attainment of quality improvements in the education system via the introduction of differentiated curriculum and a number of training programmes. Government also pursued the expansion and use of Information Communications Technology (ICT) in education. Additionally, Government was engaged in the development of an Early Childhood Education Policy and a National System for Certification and Assessment.

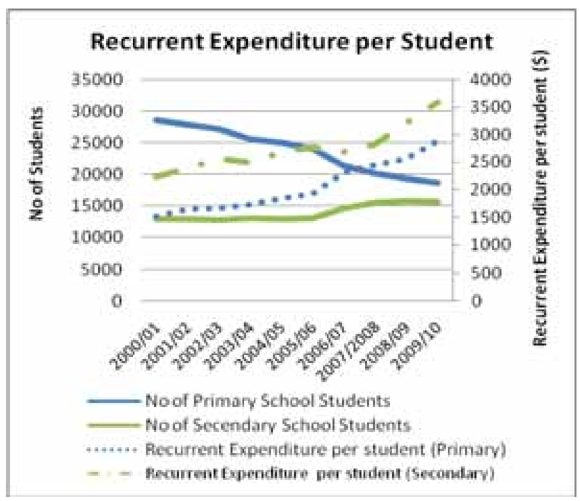
*Table 11: Composition of Education Allocated Expenditure*

| | 2000/2001 | 2005/2006 | 2009/2010 |
|---|---|---|---|
| Early Childhood | 0.4% | 0.5% | 2.0% |
| Special | 1.0% | 1.0% | 2.0% |
| Primary | 44.0% | 41.0% | 37.0% |
| Secondary | 29.0% | 32.0% | 39.0% |
| Tertiary | 13.0% | 13.0% | 10.0% |
| Adult | 1.0% | 1.0% | 0.05% |
| Other | 11.0% | 11.0% | 10.0% |

During the fiscal year 2009/10, Government's allocation to the education sector increased by 4.2 percent over the previous year to $165.2 million or 6.4 percent of GDP. This represented the second largest share of the budget, in keeping with the trend of the past four years. Of this amount, recurrent expenditure increase by 5.8 percent to $145 million, while capital expenditure decreased marginally by 6.5 percent to $20.2 million in 2009/2010.

The largest share of the Education budget was allocated towards the provision of secondary education in 2010. Over the past ten years, the composition of the education budget has shifted from spending on primary education towards spending on secondary education. In 2000/01 primary education accounted for 44 percent of the education budget. However, by 2009/2010 it had fallen to 37 percent.

Conversely, in 2000/01 secondary education accounted for 29 percent of the education budget; and this share has grown by 10 percentage points in 2009/10. Additional expenditure on tertiary education as a share of the total education budget has also declined by 3 percentage points to 10 percent in 2009/10.




Recurrent expenditure per primary school student in 2009/2010 increased by 12 percent to $2894 compared to the previous academic year. Recurrent expenditure per secondary student showed a similar increase, growing by 12.2 percent to $3584 per student.

*Social Infrastructure*

Following substantial growth in 2009, public expenditure on social infrastructure declined by 2.1 percent, to $64.2 million. However, expenditure by the central government increased by 3.7 percent to $62.9 million while spending by statutory bodies decreased in 2010 from $5.0 million to $1.3 million.

During the review period, the most significant change was recorded in the central government expenditure on *health*, which increased to $40.8 million as against $26.7 million in 2009. This included continued works on the new National Hospital, the reconstruction of St Jude Hospital, the completion of the National Wellness Centre, the Senior Citizens Home and the Clinics Refurbishment Project.

Spending on *education* infrastructure increased by 59.5 percent to $9.0 million, of which $7.4 million was expended on repairs and rehabilitation of school plant. Conversely, expenditure on sporting infrastructure declined by 42.2 percent to $1.6 million while spending on *community development* infrastructure declined from $7.6 million to $2.3 million, including work on Lion's Park.

*Table 5: Summary of Expenditure on Social Infrastructure (EC$ Millions)*

| | |
|---|---|
| *Central Government, of which:* | **$62.9** |
| New National Hospital | $29.6 |
| Saint Judes Hospital Reconstruction Project | $2.1 |
| Senior Citizens Home | $2.6 |
| Saint Lucia National Wellness Centre | $3.7 |
| *Statutory Bodies, of which*: | **$1.3** |
| Infrastructure Works by NHC | $0.7 |
| Infrastructure Works by NDC | $0.7 |

Statutory bodies' social expenditure dropped to $1.4 million in 2010, 73.0 percent lower than in 2009. Expenditure by National Housing Corporation (NHC) and National Development Corporation (NDC) for the most part, accounted for the total expenditure in this category. Expenditure by NHC comprised infrastructural work on the Marigot, Union and Black Bay housing projects whereas NDC works were mainly focused on retrofitting and rehabilitation of existing sites.

## iv. Growth Prospects

The global economy is forecasted to expand further by 3.8 percent in 2012, on the strength of rapid growth in emerging countries and moderate growth in advanced economies. Saint Lucia is expected to benefit from the projected moderate growth in the US economy, in particular. Barring any further external or natural shocks and a swift implementation of planned public sector projects, growth in the domestic economy is expected to be relatively flat for 2011. In the short term, activity in the construction sector is expected to sustain growth levels above recent trends, supported by continued expansion of the tourism sector.

The construction sector is expected to expand robustly, particularly from public sector spending, hinged on the commencement of the Hewanorra International Airport, intensification of works on the new national hospital and substantial disaster recovery / reconstruction works.

In the private sector, scheduled construction projects include the expansion of Sandals Grande, reconstruction at Jalousie Resorts, continuation of expansion of the Landings, continued works on the Bank of Saint Lucia and Johnson's superstore buildings. Improved financial conditions associated with the waning effects of the global crisis augurs well for a rebound in real estate related construction activity largely financed from capital inflows.

Notwithstanding the dampening effect of rising airfares induced by higher fuel prices, stay-over tourism activity is expected to continue briskly as the economies of source markets strengthen. The decline in cruise tourism however, is likely to continue in 2011. In addition, while a recovery is expected in the agricultural sector, the banana sub-sector is projected to decline further as production is expected to be lower in 2011.

Inflation in 2011 is likely to exceed 3.0 percent, influenced by rising oil and food prices. International oil prices are projected to average near US$100 per barrel in 2011 with the ongoing unrest spreading in the North Africa and the Middle East. Supply disruptions caused by weather related crop damage are likely to generate upward pressure on food prices and contribute to the resurgence in commodity prices. This presents downside risks to the immediate growth prospects as sectors are likely to be adversely impacted by higher input costs. The expected increases in international fuel prices are likely to result in higher airfares and can undermine the buoyancy and further expansion in the tourism sector.

Despite increases in revenue receipts supported by larger grant inflows, the fiscal deficit is expected to widen in 2011/12 primarily on account of higher current and capital expenditure, reflecting the necessary rebuilding efforts following the passage of hurricane Tomas.

Increases in subsidies of rice, flour and sugar and other pressures will also contribute to the growth in current expenditure.

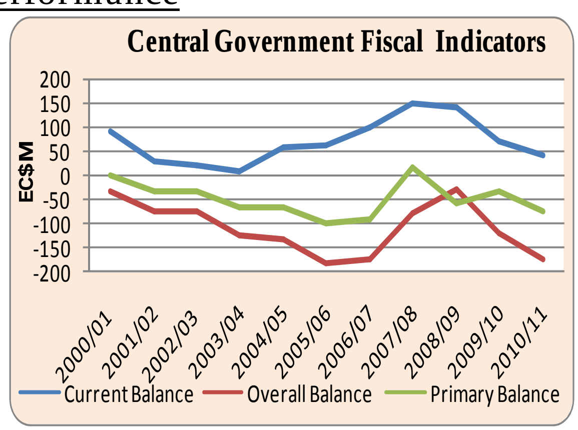
The government however, remains committed to the pursuit of fiscal consolidation in accordance with the fiscal and debt targets agreed by the ECCB member countries. The fiscal strategy going forward will be consistent with the medium term development strategy.

A higher level of economic activity should lead to increased imports in 2011. Alongside weak exports, this is expected to result in a deterioration of the current account deficit of the balance of payments. A pick-up in capital inflows is likely to contribute to financing the larger current account deficit.

## B) Government's Fiscal Performance

### i. Revenue and Expenditure Performance

Preliminary data indicate that the fiscal performance of the central government deteriorated in fiscal year 2010/11 recording an overall deficit of $174.4 million, equivalent to 5.5percent of GDP



from a deficit of $118.4 million or 4.0 percent of GDP in 2009/10 **(See Appendix IV**). This was reflective of a narrowing of the current account surplus coupled with a notable increase in capital expenditure. Notwithstanding an improvement in current revenue collections, current expenditure grew at a faster pace, resulting in a smaller surplus on the current account of $40.2 million from $70.1 million in 2009/10. The lower current account surplus coupled with a higher capital expenditure led to a larger primary deficit of $76.0 million or 2.4 percent of GDP in 2010/11 from $31.7million or 1.1 percent of GDP in 2009/10.

## Revenue Performance

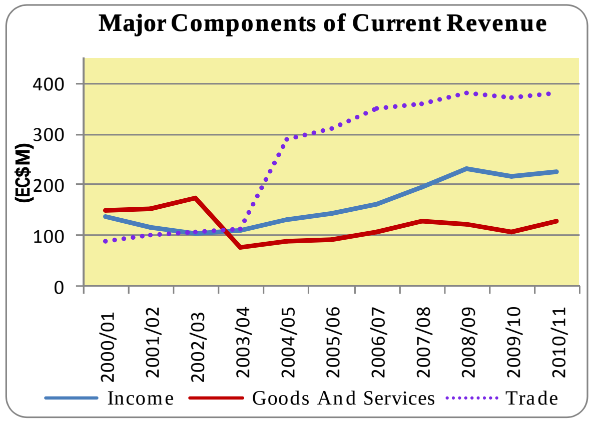
In keeping with the recovery in the domestic economy and higher grant receipts, total revenue and grants grew by 6.4 percent to $858.3 million in 2010/11, following a decline of 1.4 percent in 2009/10. Capital grants were estimated to have increased by 14.0 percent to $60.2 million, of which, $30.0 million were disbursements from the European Union for the continuation of the construction of the New National Hospital. Other grants included funding for various EU SFA projects, Taiwanese sponsored projects, and post hurricane Tomas recovery programme.

### Current Revenue

After declining by 4.7 percent in the previous fiscal year, current revenue increased by 4.7 percent to $789.5 million. Tax revenue grew by 5.5 percent while a decline of 5.2 percent was recorded in non-tax revenue. The implementation of new revenue generating measures, announced in the 2010/11 budget, also contributed to the increase in tax revenue receipts. In terms of GDP, current revenue declined from 25.7percent to 25.0percent in 2010/11.

*Taxes on Income and Property*

Net taxes on income and profits grew by 3.9 percent to $226.1 million largely supported by increases in revenue from individual income tax (PAYE). Revenue receipts from this tax rose by 7.5 percent to $83.3 million, reflecting increased compliance, higher employment and salary increases awarded in both the private and public sectors. Withholding tax was up by 23.7 percent to $14.3 million, occasioned by additional collections from the newly implemented withholding tax on interest paid to non-residents. Moreover, receipts of corporate income tax, the largest sub-category, inched up by 0.5 percent in 2010/11 to $94.6 million, despite lower bank profits.




Property tax collections yielded $3.3 million, compared with $3.9 million in the previous fiscal year. This performance represented a significant shortfall below budgeted amounts due to low compliance, insufficient enforcement and implementation delay of the new method of assessment of residential properties from a rental to market valuation basis.

*Taxes on Goods and Services*

Tax receipts from this category rose by 19.6 percent to $128.9 million, following declines of 4.1 percent and 12.6 percent posted in the previous two respective fiscal years. This outturn was attributable to higher collections of hotel accommodation tax (HAT) which increased by 39.8 percent to $34.3 million, reversing the sharp decline in the previous year and consistent with the growth in the tourism sector. Of this amount, $1.3 million represented the deferred payments accrued in the second half of 2009, as part of the stimulus package granted to the tourism sector.

Collections of excise tax on domestic production grew by 38.8 percent to $13.5 million, due to collections of outstanding payments and the full year's impact of higher tax rates on alcoholic beverages effected in August 2009. Similarly, the full year's collection of the motor vehicle licence fee implemented in January 2010 and increased receipts from drivers' license resulted in an increase of 29.1percent in collections of licences to $25.9 million in 2010/11.

Notwithstanding the reduction in interconnection rates between providers, an additional $5.2 million was generated from the increase in the cellular tax rate which became effective in May 2010. Collections of stamp duties however, continued to trend downwards, falling by 19.8 percent to $16.1 million in 2010/11 reflecting fewer transactions involving sale of properties.

*Taxes on International Trade and Transactions*

Following a decline of 2.2 percent in 2009/10, revenue from taxes on international trade and transactions rose by 2.5 percent to $380.7 million, mirroring the substantial increase in the value of imports of goods. Most notably, import duty grew by 8.7 percent to $101.4 million, partly due to the increase in the common external tariff (CET) rate on cement imported from non-CARICOM countries. Receipts from service charge and environmental levy increased by 6.7and 12.8percent respectively, partly attributable also to a larger number of imported (used) vehicles.

Revenue from consumption tax on non-petroleum imports increased by 18.9 percent to 113.7 million, consistent with the rise in the value of imports in 2010.The replacement of the fluctuating consumption tax rate on gasoline and diesel by a specific excise tax in September 2009 in keeping with the price pass-through mechanism, has resulted in stabilization of revenue from fuel and was a major contributor to an increase in revenue from excise tax.

### Non-Tax Revenue

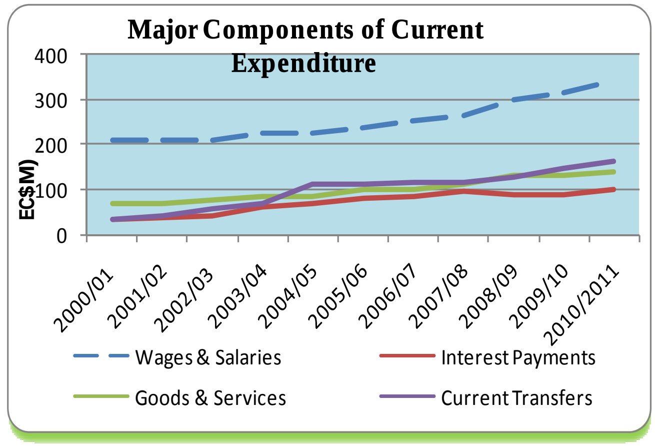
Despite a 16.8 percent increase in receipts from ECCB profits, non-tax revenue fell by 5.2 percent to $50.5 million in 2010/11. The lower than expected outturn was due to reductions in collections of fees, fines and sales of 23.5 percent and earnings from interest and rents of 27.8 percent. Intransit fees, which account for roughly one third of all fees, fines and sales, fell from $11.3 million in 2009/10 to $6.5 million in 2010/11 reflecting the decline registered in cruise arrivals during the year. Revenue from fees, fines & sales was also affected by lower collections from seizures and penalties and revenue recoveries by the Customs & Excise Department. Revenue from interest and rents declined from $13.3 million to $9.6 million, primarily on account of significantly lower dividends received by the Government from ECFH of $1.9 million in 2010/11 from $4.5 million a year earlier.

## Expenditure Performance

Preliminary data show that notably higher current and capital expenditure led to an increase of11.6 percent in total central government expenditure to $1,032.7 million. As a result, total expenditure as a ratio to GDP rose from 31.5 percent in 2009/10 to 32.7 percent in 2010/11. Notwithstanding growth in capital spending, current expenditure remained the larger component of total expenditure, accounting for 72.6 percent.

## Current Expenditure

Following growth of 5.4 percent in 2009/10, current expenditure expanded by 9.6 percent to $749.2 million. In terms of GDP, current expenditure inched up from 23.3 percent to 23.7 percent in 2010/11.While reflecting increases in all sub-components, a marked expansion in the wage bill contributed most significantly to the increase in spending.

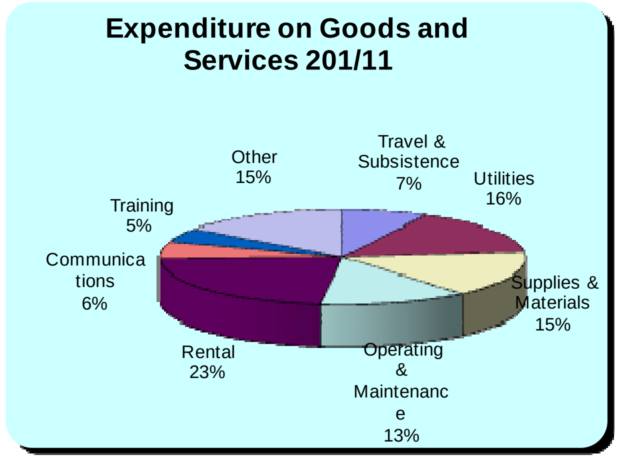



*Salaries & Wages*

Spending on salaries and wages which accounts for the largest share (46.3 percent) of current expenditure, continued to trend upward, growing by 9.6 percent to $346.6 million or 11.0 percent of GDP. The increase was primarily on account of the final payment of the outstanding balance of 3.375 percent of the negotiated increase for the last year in the triennium 2007/08 to 2009/10.In addition to the current increase, due to the deferment of part of the agreed increase of the 7.5 percent with respect to the year 2009/10, the associated retroactive payments amounting to $8.8 million, was paid retroactively in April 2010.

*Interest Payments*

In keeping with the growth in the central government debt stock, interest payments on disbursed outstanding liabilities rose by 13.4 percent to $98.4 million. Interest payments on domestic borrowing grew by 22.3 percent to $56.5 million while that on foreign borrowing was up by 3.3 percent to $41.9 million. A measure of debt service burden is the ratio of interest payments to current revenue which rose from 11.5 percent to 12.5 percent.




*Goods and Services*

In 2010/11, expenditure on goods and services rose by 6.5 percent to $139.8 million, led by significant increases in rental expenses and utility bills. Rental expenses were 11.9 percent higher partly due to higher rates at new office accommodations for various agencies. Reflective of the increase in electricity costs occasioned by rising international crude oil prices, outlays on utilities rose by 7.9 percent to $21.9 million.

*Current Transfers*

Spending on current transfers increased by 9.8 percent to $164.4 million, owing to substantial increases in expenditure on subsidies and retiring benefits. In total, subsidies are estimated to have cost approximately $21.8 million in 2010/11, compared to $14.4 million in 2009/10. This increase is principally attributed to the on-going and rising cost of subsidies on bulk items (flour, rice and sugar) purchased by the Supply Department at considerably higher contract prices and sold at their unchanged controlled retail prices. In 2010/11, the subsidies on those items were estimated to cost $16.1 million. In addition, reflective of the increased spending on social protection programmes, public assistance to the poor grew by 7.3 percent to $4.8 million. This was partly due to a 25.0 percent increase in amounts paid from October 2010.

In line with the increasing number of pensioners, retiring benefits expanded by 13.8 percent to $57.0 million. Consistent with the salary increases paid and an increase in the number or persons employed, contributions to the National Insurance Corporation grew by 20.8 percent to $8.8 million. Transfers to public sector agencies however, were $2.2 million lower in 2010/11, due to the substantial increase in 2009/10, attributed to the one-off transfer to Sir Arthur Lewis Community College for retroactive salary payments.

## Capital Expenditure

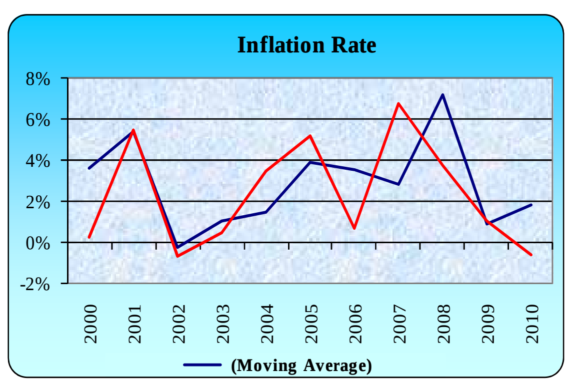
Capital expenditure of the central government is estimated to have increased by 17.5 percent to $283.4 million, equivalent to 9.0 percent of GDP. Spending was concentrated on a few major infrastructural projects as well as outlays associated with the hurricane Tomas rehabilitation and reconstruction works. Of this total expenditure, approximately $50.0 million was spent on the disaster recovery programme which included desilting and retraining of rivers, construction of retaining structures, land clearing and reconstruction of bridges. Other major capital spending comprised $30.0 million for the construction of the EU funded new national hospital, $10.0 million on the annual programme of reconstruction and rehabilitation of roads, $10.0 million on Holistic Opportunity for Personal Empowerment (HOPE) project and $5.0 million for the national census.

The financing of capital expenditure in 2010/11 was dominated by grants, which contributed $110.0 million, representing the largest share or 38.8 percent. Bonds financed 34.2 percent of the capital spending, amounting to $97.0 million. In addition, borrowing in the form of loans funded 26.2 percent or $74.4 million of capital expenditure, bringing the total amount borrowed to $171.3 million. Local revenue accounted for a marginal share of 0.8 percent or $2.0 million of financing the 2010/11 capital programme.

# C) Financial Indicators

## Consumer Price Index Growth

Domestic inflation in 2010 was influenced by upward pressure from imported commodity prices, associated with the global economic recovery. In particular, international oil prices remained high and trended upwards in 2010, as world demand regained momentum, led by emerging economies. Inflation, as measured by the percentage change in the 12-month moving average of the Consumer Price Index (CPI),increased by



1.9 percent in 2010 compared with1.0 percent in 2009. However, the point-to-point measure of inflation at the end of 2010 shows that consumer prices declined by 0.6 percent, down from an increase of 1.1 percent posted in December 2009.

As inflation in Saint Lucia is largely determined by movements in imported prices, it is useful to analyze price developments in Saint Lucia's main trading partners. Saint Lucia's main trading partners, the US and the UK, recorded inflation rates of 1.4 and 3.7 percent respectively. Meanwhile, the impact of higher global food and oil prices underpinned the noticeable increases in the price levels in CARICOM states. Inflation rates of 7.0 percent and 9.6 percent were recorded in Trinidad &Tobago and Jamaica respectively. Guyana and Barbados registered lower increases in consumer prices of 2.9 percent and 5.5 percent respectively. Saint Lucia's inflation rates compared favourably with that of other ECCU countries.

The rise in the overall CPI during the review period reflected increases in all the sub-indices with the exception of *health, communication, recreation & culture* and *restaurants & hotels.* The *housing, water, electricity, gas, and other fuels* sub-index provided the major impetus for inflation, increasing by 5.3 percent in the review period.
This was driven by higher world oil prices which filtered fully to consumers due to the market pass-through pricing systems applied on fuel and electricity. The cost of electricity is estimated to have increased by 11.5 percent in 2010 while increases in fuel prices ranged from 5.9 percent for the 100 pound cylinder of LPG to 15.2 percent for the 20 pound LPG cylinder. The retail prices of gasoline and diesel rose by 10.4 percent and 7.8 percent respectively.

There was a pronounced upturn of 23.5 percent in the *education* sub-index which contributed significantly to overall inflation. A notable increase in the cost of tertiary education was for the most part responsible for this upward movement.

The *food and non-alcoholic beverages* sub-index, the largest in the CPI basket, moved up by 0.5 percent during the review period, easing from the 3.8 percent hike registered in 2009. This is to some extent a result of government's continued, though larger, subsidization of price controlled basic food items, such as rice, flour and sugar.

During the review period, *clothing & footwear* cost 9.3 percent more than in the previous year while the price of *alcoholic beverages, tobacco & narcotics* rose by 4.0 percent, owing to tax increases. The cost of *furnishing, household equipment & maintenance* increased at a decelerated pace of 2.4 percent. Reflective of unchanged bus and taxi fares, the *transport* sub-index remained relatively unchanged.

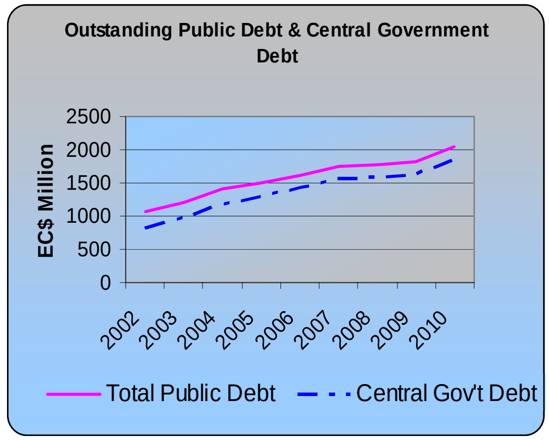
Downward movements were recorded in the *health* (0.4 percent), *communications* (1.0 percent*) and the hotel and restaurant* (0.9 percent) sub-indices, albeit with little impact on the overall consumer price index (CPI).

**Commercial Bank Liquidity and Interest Rates**

Liquidity in the commercial banking system improved marginally during the period under review, as reflected in a decrease in the loans to deposits ratio from 117.2 percent in 2009 to 115.8 percent in 2010. Loans and advances increased by 2.3 percent to $4,004.8 million while deposits grew at a faster pace of 3.6 percent to $3,458.8 million. The ratio of liquid assets to total deposits plus liquid liabilities was 23.1 percent compared to 22.3 percent for the same period last year.

During the review period, commercial banks' interest rates remained relatively unchanged as in 2009. However, the minimum special rate on deposits increased from 1.5 percent in 2009 to 4.0 percent in 2010. The weighted average deposit rate increased from 3.14 percent in 2009 to 3.25 percent in 2010, while the weighted average lending rate fell from 9.73 percent to 9.43 percent for the same period. This led to a drop in the average interest loan spread between deposits and loans from 6.59 percent in 2009 to 6.22 percent in 2010.

# V) DEBT ANALYSIS




The widening of the central government's overall deficit, partly due to efforts at stimulating economic activity whilst responding to exogenous shocks, led to increased Government borrowing. Consequently, Saint Lucia's total outstanding public debt increased by 11.4 percent to $2.119 million at the end of December 2010, representing 64.8 percent of GDP compared with 63.8 percent in 2009. This upturn in total public debt largely reflected the growth in central government debt. The domestic outstanding debt of the central government rose by 21.2 percent to $858.5 million while external debt was up by 4.6 percent to $973.6 million in 2010. In the review period, government guaranteed debt grew by 13.6 percent to $133.0 million while non-guaranteed debt fell by 1.7 percent to $71.5 million.

Central government debt, which accounted for 90.0 percent of public sector debt, rose by 11.8 percent to $1,832.1 million or 58.3 percent of GDP (**See Appendix VI**). The net increase in the central government debt of $193.0 million stemmed mainly from additional domestic debt alongside an expansion in its external debt. The portfolio of the central government reveals that an increasing share of its debt is denominated in bonds which accounted for 52.0 percent, up from 48.0 percent in 2009. This largely comprised outstanding debt raised on the Regional Government Securities Market (RGSM), amounting to $750.3 million. There was also an increase in the proportion of debt in the form of treasury bills from 5.0 percent to 7.0 percent in 2010. Loans therefore represented approximately 41.0 percent of the central government debt, down from 47.0 in the previous year.

Mirroring favourably low trends in the international market, the weighted average cost of debt (WACD) remained relatively unchanged in 2010 at 5.54 percent, the lowest in recent years.

This reflected the government's debt management strategy of minimizing its cost of deficit financing, including prudent refinancing of existing debt. The declines in the interest cost of loans and bonds were offset by an increase in the interest rates on treasury bills by 44 basis points. Interest rates on loans in 2010 dropped by 37 basis points compared to 2009 due to lower average rates on CDB loans.

**Table 7: Weighted Average Cost of Debt (WACD)**

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|
| **Bonds** | 7.23% | 7.28% | 7.25% | 7.17% | 7.26% | 7.20% |
| **Loans** | 4.77% | 5.26% | 4.85% | 4.24% | 3.86% | 3.49% |
| **Treasury Bills** | 4.10% | 4.18% | 4.30% | 5.73% | 5.04% | 5.48% |
| **WACD** | **5.93%** | **5.87%** | **5.74%** | **5.77%** | **5.55%** | **5.54%** |

In 2010, total debt service payments by the central government increased by 0.7 percent to $180.9 million. Interest payments grew by 0.2percent to $95.5 million and net principal repayments increased by 1.3 percent amounting to $85.4 million. The total debt service to current revenue ratio increased to 23.4 percent from 23.2 percent in 2009 while the ratio of external debt service to exports of goods and services declined from 7.8 percent to 6.6 percent in 2010 (**See Table below**).

*Debt Indicators of External Vulnerability*

| Debt Indicators | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 rev. | 2010 |
|---|---|---|---|---|---|---|---|
| | % | % | % | % | % | % | % |
| CG/GDP | 55 | 55 | 57 | 61 | 59 | 57 | 58 |
| Total Debt/GDP | 66 | 64 | 64 | 67 | 66 | 64 | 65 |
| Debt Service/Current Revenue | 21 | 22 | 21 | 24 | 22 | 23 | 23 |
| Debt Service/Exports | 9 | 10 | 12 | 14 | 12 | 8 | 7 |
| Millions of EC Dollars | | | | | | | |
| Debt Service (Calendar Year) | 111 | 132 | 137 | 154 | 168 | 179 | 181 |
| GDP(MKT PRICES) | 2,163 | 2,374 | 2,520 | 2,592 | 2,690 | 2,868 | 3,142 |

*rev. revised*

**Domestic Debt**

The stock of public domestic debt grew by 18.6 percent to $973.1 million and accounted for 47.8 percent of total public sector debt. This increase was principally due to a 21.2 percent expansion in the central government domestic debt to $858.5 million, reflecting increases in issuance of new debt on the RGSM and $50.0 million in non-RGSM treasury bills to the National Insurance Corporation and ECFH's Global Investment Solutions Limited.

**External Debt**

Public external debt increased by 5.5 percent to $1,063.4, of which 91.6 percent is accounted for by central government debt. In the review period, central government external debt rose by 4.6 percent to $973.6 million, equivalent to 31.0 percent of GDP. This resulted from an increase in treasury bills from $19.5 million to $58.2 million to meet short term financing needs. The increase in net disbursements from multilateral institutions was offset by a decline in outstanding balances held in bonds.

*External Debt by Currency*

During the review period, the central government continued to pursue the policy of limiting its exposure to adverse currency movements, by maintaining high levels of exchange rate risk free debt. At the end of 2010, 73.0 percent of central government external debt faced no exchange rate risks. This included 50.5 percent denominated in US dollars, 21.7 percent in EC dollars[1] and 0.8 percent in Barbados dollars. The non risk-free external debt of the central government was largely denominated in SDRs (20.9 percent), followed by euros (4.0 percent) and Kuwaiti dinars (2.0 percent).

*External Debt by Creditor*

At the end of 2010, the central government's external debt largely comprised concessional loans from multi-lateral sources which amounted to $604.1 million, an increase of 6.5 percent over the previous year. Of this, CDB remains the largest creditor, accounting for 36.5 percent of public external debt and 19.4 percent of central government debt.

[1] This represents debt issued on the RGSM and held by foreigners.

As a result of the second disbursement of the policy based loans, outstanding debt to CDB increased by 2.3 percent to $355.2 million. The stock of debt in loans from the IMF and World Bank Group grew by 14.3 percent to $245.8 million, representing 25.3 percent of central government external debt. This includes receipt of $38.0 million from the World Bank's development policy loan. The central government's debt from commercial creditors stood at $276.7 million or 28.4 percent of its external debt.

## VI) CURRENT ISSUES OF GOVERNMENT SECURITIES

**Treasury Bills**

- **Issues Outstanding** **EC$247.89M***
- **Type of Issue** **Saint Lucia Government Treasury Bills**
- **Maturity in days** **91, 180 and 365 days**

| | |
|---|---|
| **Bills issued on RGSM** | **EC$16M, EC$11M and EC$25M** |
| **Maturity in Days** | **91dys and 180dys** |
| **Maturity Dates** | **9th April 2012, 18th April 2012 and 18th July 2012** |
| **Discount** | **3.99%, 4.50% and 4.25%** |

**a. Bonds**

- **Issues Outstanding** **EC$1,105.17M***
- **Type of Issues** **Saint Lucia Government Bonds**
- **Maturity in Yrs** **3, 5, 6, 8 and 10 yrs**

- **Notes and Bonds issued on RGSM** **EC$698.304M***
- **Maturity in Yrs** **3, 5, 6, 8 and 10 yrs**
- **Coupon** **6.0%, 6.25%, 6.5%, 6.8%, 7.0%, 7.4%, 7.5%, 7.75%, 7.15%, 7.25%**
- **Redemption Date** **2013, 2014, 2015, 2016, 2017, 2018**

***f***igures as at 31st December 2011*

**b. Sinking Fund Performance**

| Description | Target | Current Level | Contribution Required | Contribution Frequency |
|---|---|---|---|---|
| Saint Lucia Government National Savings and Development Bond 2002/2012 | $60,000,000 | $60,000.000 | $2,333,333.00 | Quarterly |

c. Debt Rating

In May 2011, the GOSL was re-affirmed a rating of CariBBB+ by the Caribbean Information and Credit Rating Services Limited (CariCRIS). The GOSL has never defaulted on its payment of contracted debt. It has maintained a strong relationship with its creditors and has been consistent in its debt servicing both domestically and externally.

## SECURITY ISSUANCE PROCEDURES, CLEARANCE AND SETTLEMENT

The series of Treasury Bonds will be listed on the Regional Government Securities Market (RGSM). This market will operate on the Eastern Caribbean Securities Exchange (ECSE) trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be a competitive price auction. The ECSE is responsible for dissemination of market information, providing intermediaries with market access, administering the auction process and monitoring and surveillance of the auctions.

The ECSE, through the Eastern Caribbean Central Securities Depository (ECCSD), will be responsible for facilitating clearance and settlement for the securities allotted. The ECCSD will ensure that funds are deposited to the account of the Government of Saint Lucia. The ECSE, through the Eastern Caribbean Central Securities Registry (ECCSR), will record and maintain ownership of the government securities in electronic book-entry form. The ECCSR will mail confirmation of proof of ownership letters to all investors who were successful in the auction. The ECCSR will also process corporate action on behalf of issuing governments.

Intermediaries will be responsible for interfacing with prospective investors, collecting applications for subscription and processing the same for bidding on the ECSE platform. Investors must provide the intermediaries with funds to cover the cost of the transaction. For this particular offering, investors will pay the applicable brokerage fees to the intermediaries.

A list of licensed intermediaries who are members of the ECSE is provided (**see Appendix I)**. Clients that are successful will be informed of their payment obligations and funds deducted from their respective accounts with the intermediary.

As an issuer in the RGSM, the Government of Saint Lucia will be subject to the rules, guidelines and procedures developed by the Regional Debt Coordinating Committee (RDCC) for the operation of the market including ongoing reporting and disclosure requirements.

## VII) CALENDAR OF EVENTS FOR UPCOMING GOVERNMENT OF ST LUCIA SECURITIES 2012– QTR 1 & QTR 2

| PROPOSED AUCTION DATE | Settlement Date | INSTRUMENT TYPE | ISSUE AMOUNT | Trading Symbol | MATURITY DATE |
|---|---|---|---|---|---|
| **1st Quarter** | | | | | |
| 1st March 2012 | 5th March 2012 | 8-year Treasury Note | EC$50,000,000 | LCG080320 | 5th March 2020 |
| 15th March 2012 | 19th March 2012 | 10-year Treasury Bond | EC$20,000,000 | LCG100322 | 19th March 2022 |
| **2nd Quarter** | | | | | |
| 10th April 2012 | 11th April 2012 | 91-day Treasury Bill | EC$16,000,000 | LCB110712 | 11th July 2012 |
| 19th April 2012 | 20th April 2012 | 91-day Treasury Bill | EC$11,000,000 | LCB200712 | 20th July 2012 |

*Notice of upcoming issues can be obtained on the ECSE website (www.ecseonline.com) or from your local broker/dealer.*

## VIII) APPENDICES

I. Listing of Licensed Intermediaries
II. GDP Economic Activity at Factor Cost – Constant Prices
III. Balance of Payments
IV. Central Government Fiscal Operations as ratio of GDP
V. Summary of Central Government Fiscal Operations- Economic Classification
VI. Public Sector Outstanding Debt

**APPENDIX I** **LIST OF LICENSED ECSE MEMBER BROKER DEALERS**

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| Anguilla | | |
| ***National Bank of Anguilla Ltd*** | **P O Box 44**<br><br>**The Valley**<br><br>Tel: 264-497 2101<br>Fax: 264-497 3870 / 3310<br>Email: nbabankl@anguillanet.com | **Principal**<br>Selwyn Horsford<br><br>Representative<br>Idona Reid<br>Shernika P. Connor |
| Antigua and Barbuda | | |
| ABI Bank Ltd. | ABI Financial Centre<br>Redcliffe Street<br>St John's<br><br>Tel: 268 480 2824<br>Fax: 268 480 2765<br>Email: abibsec@candw.ag | **Principals**<br>Casroy James<br>Carolyn Philip<br><br>Representative<br>Heather Williams |
| Antigua Commercial Bank Ltd. | ACB Financial Centre<br>P O Box 95<br>St John's<br><br>Tel: 268 481 4200<br>Fax: 268 481 4158/ 4313 | **Principal**<br>Peter N Ashe<br><br>Representative<br>Sharon Nathaniel<br>Alban Bass |

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| | Email: acb@candw.ag | |
| **Dominica** | | |
| National Mortgage Finance Company of Dominica Ltd. (NMFC) | 64 Hillsborough Street<br>Roseau<br><br>Tel: 767 448 4401 / 4405<br>Fax: 767 448 3982<br>Email: customersupport@nbd.dm | **Principal**<br>Caryl Phillip-Williams<br>Linda Toussaint-Peter<br>Stephen Lander<br><br>**Representatives**<br>Joel Denis<br>Curtis Clarendon |
| **St Kitts and Nevis** | | |
| St Kitts Nevis Anguilla National Bank Ltd. | P O Box 343<br>Central Street<br>Basseterre<br><br>Tel: 869 465 2204<br>Fax: 869 465 1050<br>Email: national_bank@sknanb.com | **Principals**<br>Winston Hutchinson<br>Anthony Galloway<br><br>**Representatives**<br>Marlene Nisbett<br>Petronella Edmeade-Crooke<br>Angelica Lewis |
| The Bank of Nevis Ltd. | P O Box 450<br>Main Street<br>Charlestown<br><br>Tel: 869 469 5564 / 5796 | **Principal**<br>Kevin Huggins<br>Brian Carey |

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
|---|---|---|
| | Fax: 869 469 5798<br>E mail: info@thebankofnevis.com | **Representatives**<br>Vernesia Walters<br>Kelva Merchant<br>Lisa Jones |
| **St Lucia** | | |
| ECFH Global Investment Solutions Limited | 5th Floor, Financial Centre Building<br>1 Bridge Street<br>Castries<br><br>Tel: 758 456 6826 / 457 7233<br>Fax: 758 456 6733<br>E-mail :<br>capitalmarkets@ecfhglobalinvestments.com | **Principals**<br>Beverley Henry<br>Donna Matthew<br>Joel Allen<br><br>**Representatives**<br>Dianne Augustin<br>Lawrence Jean<br>Amobi Armstrong |
| First Citizens Investment Services Limited | 9 Brazil Street<br>Castries<br><br>**Tel: 758 450 2662**<br>Fax: 758 451 7984 | **Principals**<br>Carole Eleuthere-Jn Marie<br><br>Representative<br>Samuel Agiste |
| Financial Investment and Consultancy Services Limited | #15 Bridge Street<br>Castries<br><br>**Tel: 758 453 0225**<br>Fax: 758 453 2303 | **Principals**<br>Sharmaine Francois<br><br>Representative<br>Anderson Soomer |

| INSTITUTION | CONTACT INFORMATION | ASSOCIATED PERSONS |
| --- | --- | --- |
| St Vincent and The Grenadines | | |
| Bank of St Vincent and the Grenadines Ltd | **P O Box 880**<br>Cnr. Bedford and Grenville Streets<br>Kingstown<br><br>**Tel: 784 457 1844**<br>Fax: 784 456 2612/ 451 2589<br>Email: natbank@svgncb.com | **Principals**<br>Monifa Latham<br>Keith Inniss<br><br>**Representatives**<br>Patricia John |

## APPENDIX II GDP Economic Activity at Factor Cost – Constant Prices

**TABLE 3**
**(Rebased) Gross Domestic Product**
**Production Approach**
**In Constant Prices, 2006 = 100**
In EC Millions of Dollars
**Rate of Growth (%)**

| Economic Activity | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010pre |
|---|---|---|---|---|---|---|---|---|---|---|
| **Agriculture, Livestock, Forestry, Fishing** | **-22.04%** | **1.79%** | **-5.66%** | **-2.13%** | **-24.38%** | **7.82%** | **-4.96%** | **31.35%** | **-5.37%** | **-15.73%** |
| Bananas | -36.14% | 37.92% | -27.51% | 17.35% | -29.41% | 6.22% | -12.57% | 48.39% | -10.72% | -27.65% |
| Other Crops | 0.25% | -35.30% | 30.52% | -28.13% | -25.78% | 11.57% | 2.55% | 23.58% | -1.49% | -7.95% |
| Livestock | -8.64% | -5.04% | -4.85% | -6.47% | -9.30% | 18.31% | -0.81% | 7.28% | 3.51% | 6.19% |
| Fishing | -10.92% | -28.25% | 53.21% | -13.34% | -12.77% | 4.34% | 6.83% | 12.31% | 3.22% | -2.75% |
| Forestry | -0.82% | -3.31% | -2.56% | -3.51% | -3.64% | -2.83% | -2.91% | 0.00% | -10.00% | 1.00% |
| **Mining and Quarrying** | **3.02%** | **0.13%** | **-67.24%** | **0.93%** | **125.43%** | **368.01%** | **60.15%** | **-23.88%** | **-17.45%** | **10.52%** |
| **Manufacturing** | **-0.17%** | **-4.77%** | **0.45%** | **12.91%** | **4.09%** | **2.96%** | **12.96%** | **-4.91%** | **20.94%** | **-3.99%** |
| **Construction** | **-18.76%** | **-6.79%** | **11.38%** | **28.90%** | **-30.24%** | **42.18%** | **-27.99%** | **38.51%** | **-23.08%** | **20.46%** |
| **Electricity and Water** | **4.16%** | **-3.96%** | **4.45%** | **4.79%** | **3.16%** | **2.97%** | **4.45%** | **1.93%** | **4.36%** | **-1.75%** |
| Electricity | 4.00% | -1.97% | 5.59% | 5.45% | 3.61% | 3.13% | 4.57% | 1.51% | 4.76% | 0.30% |
| Water | 4.92% | -12.89% | -1.30% | 1.20% | 0.62% | 2.00% | 3.77% | 4.38% | 2.02% | -13.86% |
| **Distributive Trade Services** | **-9.99%** | **1.14%** | **16.58%** | **0.80%** | **17.39%** | **14.65%** | **2.83%** | **0.93%** | **-13.10%** | **14.50%** |
| **Hotels and Restaurants** | **-9.24%** | **-0.69%** | **14.99%** | **5.75%** | **5.23%** | **-2.08%** | **0.52%** | **-3.04%** | **-0.72%** | **7.10%** |
| Hotels | -10.55% | -0.61% | 16.63% | 5.89% | 6.33% | -2.74% | -7.39% | 2.24% | -2.58% | 8.21% |
| Restaurants | -4.03% | -0.98% | 8.91% | 5.22% | 0.84% | 0.66% | 32.74% | -18.06% | 5.91% | 3.49% |
| **Transport** | **0.72%** | **-6.02%** | **3.32%** | **17.63%** | **-6.94%** | **-3.41%** | **17.95%** | **1.38%** | **3.61%** | **1.81%** |
| Road Transport | -4.06% | -3.38% | 2.66% | 16.71% | -7.87% | -3.19% | 18.76% | 2.00% | 3.74% | 1.52% |
| Air Transport | 1233.33% | -19.00% | -65.43% | 189.29% | -2.47% | -3.16% | 25.49% | 3.13% | 3.13% | 11.44% |
| Auxiliary Transport Activities | 8.92% | -11.03% | 6.56% | 18.15% | -5.08% | -3.86% | 16.10% | 0.04% | 3.13% | 2.47% |
| **Telecommunication** | **9.95%** | **6.59%** | **4.58%** | **1.26%** | **5.17%** | **-7.06%** | **5.94%** | **2.27%** | **1.63%** | **-3.07%** |
| Postal Activity | 1.53% | 3.76% | -6.52% | -1.16% | 1.96% | 4.62% | 2.57% | -1.67% | 0.61% | 2.68% |
| Courier | -0.63% | -0.91% | -1.34% | 4.68% | 1.62% | -6.91% | -2.33% | -3.93% | -16.86% | 14.23% |
| Communication | 10.23% | 6.71% | 4.84% | 1.27% | 5.25% | -7.25% | 6.07% | 2.38% | 1.78% | -3.26% |
| **Financial Intermediation** | **-3.05%** | **2.90%** | **5.50%** | **7.21%** | **7.90%** | **2.92%** | **12.33%** | **-1.11%** | **-1.40%** | **-0.94%** |
| Banking and Auxiliary Financial Services | -9.03% | 2.71% | 4.70% | 9.67% | 10.36% | 7.25% | 17.14% | -0.42% | -1.17% | -0.85% |
| Insurance | 17.86% | 3.39% | 7.62% | 0.78% | 0.91% | -10.53% | -5.60% | -4.32% | -2.53% | -1.34% |
| **Real Estate, Renting and Business Activities** | **2.76%** | **0.54%** | **1.87%** | **-2.47%** | **0.89%** | **5.61%** | **-0.99%** | **3.99%** | **3.39%** | **5.94%** |
| Owner Occupied Dwellings | 1.31% | 0.90% | 0.32% | -2.30% | -1.21% | -0.58% | -4.59% | 1.45% | 0.89% | 1.24% |
| Real Estate | 9.88% | 3.34% | 10.13% | -2.90% | 5.26% | 20.95% | 8.84% | 11.42% | 13.62% | 12.30% |
| Renting of Machinery and Equipment | 4.24% | -3.41% | 4.24% | -14.36% | 10.43% | 10.43% | 10.43% | 2.36% | -1.54% | 7.95% |
| Computer and Related Services | 2.68% | 1.74% | 0.00% | 16.24% | -6.62% | 1.57% | 11.63% | -9.03% | 3.05% | 10.92% |
| Business Services | 2.96% | -1.35% | 1.03% | 0.00% | 2.71% | 13.12% | -2.26% | 5.75% | 2.12% | 10.92% |
| **Public Administration & Compulsory Social Services** | **0.45%** | **-6.04%** | **-3.24%** | **-9.92%** | **0.27%** | **14.16%** | **8.07%** | **6.40%** | **1.26%** | **10.01%** |
| **Education** | **-0.81%** | **-1.43%** | **-4.47%** | **0.80%** | **-2.40%** | **14.45%** | **6.96%** | **3.60%** | **6.99%** | **2.96%** |
| Public | -1.92% | -1.50% | -4.66% | 1.01% | -2.82% | 14.78% | 6.30% | 4.50% | 7.28% | 2.93% |
| Private | 27.00% | 0.00% | -0.79% | -3.17% | 5.74% | 8.53% | 19.29% | -11.38% | 1.35% | 3.69% |
| **Health** | **2.93%** | **-1.80%** | **-4.34%** | **-1.03%** | **2.35%** | **9.62%** | **4.19%** | **2.15%** | **2.15%** | **-4.90%** |
| Public | -0.26% | -0.63% | -5.31% | -1.51% | -0.59% | 12.32% | 3.07% | 4.72% | 1.74% | -6.76% |
| Private | 16.15% | -5.96% | -0.70% | 0.71% | 12.68% | 1.25% | 8.02% | -6.29% | 3.66% | 1.81% |
| **Other Community, Social and Personal Services** | **16.19%** | **-3.68%** | **2.13%** | **-0.80%** | **11.75%** | **12.59%** | **9.49%** | **12.15%** | **15.37%** | **2.12%** |
| Public | -10.22% | 11.27% | -16.01% | -3.39% | 14.05% | 8.16% | -41.12% | -13.38% | 1.84% | 10.45% |
| Private | 21.21% | -5.63% | 4.64% | -0.63% | 12.10% | 13.64% | 15.00% | 13.91% | 16.41% | 1.81% |
| Private Households with Employed Persons | 1.23% | 0.80% | 0.91% | 1.16% | 1.15% | 1.26% | 1.15% | 1.19% | 1.13% | 2.79% |
| **Less FISIM** | **-3.21%** | **5.00%** | **-7.73%** | **14.26%** | **17.18%** | **42.16%** | **26.51%** | **6.22%** | **8.30%** | **-1.09%** |
| **Gross Value Added @ Basic Prices *(Growth Rate)*** | **(4.19)** | **(1.73)** | **4.77** | **5.96** | **(2.61)** | **7.49** | **1.39** | **5.78** | **(1.32)** | **4.41** |

*Source:Government Statistics Department (St.Lucia)*
*pre= preliminary*

*Please note that the data reported is as 2010*

## APPENDIX III Balance of Payments

BALANCE OF PAYMENTS
(EC$Millions)

| | 2005r | 2006r | 2007r | 2008r | 2009r | 2010pre |
|---|---|---|---|---|---|---|
| **CURRENT ACCOUNT** | **-349.6** | **-834.3** | **-930.6** | **-936.3** | **-379.4** | **-403.0** |
| **Goods** | **-889.3** | **-1,145.7** | **-1,189.3** | **-1,185.6** | **-719.4** | **-1,010.1** |
| Merchandise | -955.7 | -1,211.4 | -1,257.1 | -1,259.6 | -787.9 | -1,081.0 |
| Repair on goods | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Goods procured in ports by carriers | 66.4 | 65.7 | 67.8 | 74.0 | 68.5 | 70.9 |
| **Services** | **700.4** | **426.2** | **405.6** | **399.9** | **436.7** | **662.5** |
| Transportation | -140.0 | -158.9 | -171.2 | -205.1 | -153.7 | -189.1 |
| Travel | 925.4 | 687.5 | 700.4 | 717.4 | 673.6 | 939.4 |
| Insurance Services | -20.8 | -26.4 | -22.2 | -31.4 | -16.7 | -23.4 |
| Other Business Services | -61.5 | -71.3 | -88.7 | -68.7 | -58.5 | -56.2 |
| Government Services | -2.7 | -4.6 | -12.7 | -12.3 | -7.9 | -8.2 |
| **Income** | **-195.8** | **-147.1** | **-183.5** | **-194.5** | **-130.3** | **-95.0** |
| Compensation of Employees | 0.5 | 0.3 | 0.5 | 0.5 | 0.5 | 0.5 |
| Investment Income | -196.2 | -147.4 | -184.0 | -195.0 | -130.8 | -95.5 |
| **Current Transfers** | **35.0** | **32.4** | **36.6** | **43.8** | **33.6** | **39.6** |
| General Government | -3.3 | -1.2 | 7.5 | 10.5 | 1.4 | 1.5 |
| Other Sectors | 38.4 | 33.6 | 29.1 | 33.3 | 32.1 | 38.2 |
| **CAPITAL AND FINANCIAL ACCOUNT** | **345.6** | **866.3** | **984.3** | **914.8** | **474.4** | **456.1** |
| **CAPITAL ACCOUNT** | **14.4** | **30.7** | **23.4** | **29.4** | **53.8** | **76.0** |
| Capital Transfers | 14.4 | 30.7 | 23.4 | 29.4 | 53.8 | 76.0 |
| Acquisition & Disposition of Non-Produced, Non-Financial Asset | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **FINANCIAL ACCOUNT** | **331.2** | **835.6** | **960.9** | **885.4** | **420.6** | **380.1** |
| Direct Investment | 211.2 | 631.6 | 734.1 | 435.3 | 395.3 | 326.9 |
| Portfolio Investment | 64.9 | -8.0 | 1.3 | -25.8 | -78.7 | -33.5 |
| Other Investments | 55.0 | 212.0 | 225.5 | 475.9 | 104.0 | 86.6 |
| Public Sector Loans | 20.2 | 64.0 | 54.7 | -25.5 | 36.3 | 91.2 |
| Commercial Banks | 66.5 | 174.0 | 216.6 | 466.2 | -11.9 | -102.2 |
| Other | -31.7 | -26.0 | -45.8 | 35.3 | 79.6 | 97.6 |
| **ERRORS AND OMISSIONS** | **40.9** | **-4.2** | **3.7** | **8.0** | **5.4** | **-32.6** |
| **OVERALL BALANCE** | **-44.9** | **36.3** | **50.0** | **-29.5** | **89.5** | **85.7** |
| **FINANCING** | **44.9** | **-36.3** | **-50.0** | **29.5** | **-89.5** | **-85.7** |
| Change in SDR Holdings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Special Drawing Rights | 0.0 | 0.0 | 0.0 | 0.0 | -61.7 | 0.0 |
| Change in Reserve Position with IMF | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in Government Foreign Asse | 1.7 | 12.3 | 1.3 | 0.0 | 0.0 | 0.0 |
| Change in Imputed Reserves | 43.2 | -48.6 | -51.3 | 29.5 | -27.9 | -85.7 |

***Source: Eastern Caribbean Central Bank and Ministry of Finance***
*pre = preliminary*
*r = revised*

*Please note that the data reported is as at 2010*

## APPENDIX IV Central Government Fiscal Operations – Ratio of GDP

| SUMMARY OF CENTRAL GOVERNMENT FISCAL OPERATIONS<br>AS A RATIO OF GDP<br>ECONOMIC CLASSIFICATION | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2002/03 | 2003/04 | 2004/05 | 2005/06r | 2006/07r | 2007/08r | 2008/09r | 2009/10r | 2010/11pre |
| **TOTAL REVENUE AND GRANTS** | **27.1%** | **27.4%** | **25.5%** | **25.7%** | **25.6%** | **26.7%** | **28.1%** | **27.5%** | **27.2%** |
| of which: | | | | | | | | | |
| Grants | 2.0% | 1.7% | 0.0% | 0.3% | 0.3% | 0.1% | 0.7% | 1.8% | 1.9% |
| Capital revenue | 1.1% | 0.4% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.0% | 0.3% |
| **Current Revenue** | **24.0%** | **25.3%** | **25.5%** | **25.4%** | **25.4%** | **26.6%** | **27.2%** | **25.7%** | **25.0%** |
| **Tax Revenue** | **22.1%** | **23.3%** | **23.3%** | **23.6%** | **24.0%** | **24.6%** | **25.3%** | **23.9%** | **23.4%** |
| of which: | | | | | | | | | |
| Taxes on Income | 5.7% | 5.7% | 6.0% | 6.2% | 6.2% | 7.0% | 8.0% | 7.4% | 7.2% |
| Taxes on Goods & Services | 9.5% | 9.8% | 4.0% | 4.0% | 4.1% | 4.6% | 4.2% | 3.7% | 4.1% |
| Taxes on International Trade | 6.6% | 7.7% | 13.2% | 13.3% | 13.5% | 12.8% | 13.0% | 12.6% | 12.0% |
| Other | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.1% | 0.1% | 0.1% |
| **Non Tax Revenue** | **2.0%** | **2.0%** | **2.0%** | **1.8%** | **1.4%** | **1.9%** | **1.8%** | **1.8%** | **1.6%** |
| **TOTAL EXPENDITURE** | **31.2%** | **33.6%** | **31.1%** | **33.5%** | **32.4%** | **29.4%** | **29.1%** | **31.5%** | **32.7%** |
| **Capital Expenditure** | 0.0% | 0.0% | | **10.6%** | **10.8%** | **8.3%** | **6.8%** | **8.2%** | **9.0%** |
| | **23.0%** | **24.6%** | **22.5%** | | | | | | |
| **Current Expenditure** | | | | **22.9%** | **21.6%** | **21.2%** | **22.3%** | **23.3%** | **23.7%** |
| of which: | 11.5% | 11.7% | 10.3% | | | | | | |
| Wages & Salaries | 2.2% | 3.0% | 3.0% | 10.2% | 9.8% | 9.6% | 10.3% | 10.8% | 11.0% |
| Interest Payments | 4.3% | 4.4% | 4.0% | 3.4% | 3.2% | 3.3% | 3.0% | 3.0% | 3.1% |
| Goods & Services | 3.1% | 3.6% | 5.1% | 4.4% | 4.0% | 4.1% | 4.5% | 4.5% | 4.4% |
| Current Transfers | | | | 4.8% | 4.5% | 4.2% | 4.4% | 5.1% | 5.2% |
| | 8.2% | 9.1% | **8.7%** | | | | | | |
| **Current Balance** | | | | **2.6%** | **3.8%** | **5.4%** | **4.9%** | **2.4%** | **1.3%** |
| | **1.0%** | **0.7%** | **2.6%** | | | | | | |
| **Primary Balance** | | | | **-4.3%** | **-3.5%** | **0.6%** | **2.1%** | **-1.1%** | **-2.4%** |
| | **-1.9%** | **-3.4%** | **-2.9%** | | | | | | |
| **Overall Balance** | | | | *-7.7%* | *-6.8%* | *-2.7%* | *-1.0%* | *-4.0%* | *-5.5%* |
| *GDP at market prices* | ***1,867.4*** | ***2,026.3*** | ***2,196.5*** | ***2,351.2*** | ***2,595.1*** | ***2,792.0*** | ***2,910.7*** | ***2,936.7*** | ***3,161.0*** |
| ***Source: Ministry of Finance, Economic Affairs and National Development*** | | | | | | | | | |
| *r = revised* | | | | | | | | | |
| *pre = preliminary* | | | | | | | | | |

*Please note that the data reported is as at 2010*

# APPENDIX V Central Government Fiscal Operations – Economic Classification

| CENTRAL GOVERNMENT<br>SUMMARY OF FISCAL OPERATIONS [Fiscal Year]<br>ECONOMIC CLASSIFICATION<br>(EC$ Million) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2002/03 | 2003/04 | 2004/05 | 2005/06r | 2006/07r | 2007/08r | 2008/09r | 2009/10r | 2010/11pre | Change |
| **TOTAL REVENUE AND GRANTS** | **497.27** | **533.04** | **557.51** | **604.40** | **665.26** | **745.48** | **817.98** | **806.75** | **858.26** | **6.4%** |
| of which: | | | | | | | | | | |
| Grants | 36.29 | 32.89 | 0.00 | 6.00 | 6.64 | 4.14 | 20.47 | 52.75 | 60.16 | **14.0%** |
| Capital revenue | 19.85 | 8.64 | 0.87 | 0.63 | 0.66 | 0.00 | 6.72 | 0.04 | 8.64 | |
| **Current Revenue** | **441.13** | **491.50** | **556.64** | **597.78** | **657.97** | **741.34** | **790.79** | **753.96** | **789.46** | **4.7%** |
| **Tax Revenue** | **404.97** | **453.05** | **513.22** | **555.62** | **621.79** | **687.26** | **737.74** | **700.75** | **739.00** | **5.5%** |
| of which: | | | | | | | | | | |
| Taxes on Income | 104.95 | 109.91 | 131.79 | 145.05 | 160.61 | 195.77 | 231.91 | 217.60 | 226.13 | **3.9%** |
| Taxes on Goods & Services | 174.83 | 190.43 | 87.95 | 93.59 | 107.14 | 128.60 | 123.36 | 107.80 | 128.93 | **19.6%** |
| Taxes on International Trade | 120.82 | 263.33 | 289.83 | 312.12 | 349.89 | 358.17 | 379.74 | 371.44 | 380.67 | **2.5%** |
| Other | 4.37 | -110.61 | 3.65 | 4.86 | 4.15 | 4.72 | 2.73 | 3.92 | 3.27 | **-16.6%** |
| **Non Tax Revenue** | **36.16** | **38.45** | **43.42** | **42.16** | **36.18** | **54.08** | **53.05** | **53.21** | **50.46** | **-5.2%** |
| **TOTAL EXPENDITURE** | **572.22** | **658.29** | **689.78** | **786.50** | **840.47** | **822.24** | **846.52** | **925.17** | **1,032.67** | **11.6%** |
| **Capital Expenditure** | **150.00** | **176.51** | **191.70** | **248.82** | **280.25** | **230.70** | **197.92** | **241.31** | **283.44** | **17.5%** |
| **Current Expenditure** | **422.22** | **481.78** | **498.08** | **537.68** | **560.22** | **591.54** | **648.60** | **683.86** | **749.22** | **9.6%** |
| of which: | | | | | | | | | | |
| Wages & Salaries | 211.62 | 226.70 | 229.04 | 239.60 | 255.54 | 266.96 | 301.07 | 316.15 | 346.64 | **9.6%** |
| Interest Payments | 40.49 | 58.81 | 67.17 | 81.11 | 84.27 | 92.91 | 88.47 | 86.75 | 98.39 | **13.4%** |
| Goods & Services | 78.13 | 85.89 | 87.94 | 103.13 | 102.57 | 114.46 | 131.74 | 131.25 | 139.81 | **6.5%** |
| Current Transfers | 56.76 | 69.43 | 113.93 | 113.85 | 117.84 | 117.20 | 127.32 | 149.71 | 164.39 | **9.8%** |
| **Current Balance** | **18.91** | **9.72** | **58.55** | **60.10** | **97.75** | **149.81** | **142.19** | **70.10** | **40.23** | **-42.6%** |
| **Primary Balance** | **-34.46** | **-66.45** | **-65.10** | **-100.99** | **-90.93** | **16.16** | **59.93** | **-31.67** | **-76.02** | **140.0%** |
| **Overall Balance** | **-74.95** | **-125.26** | **-132.27** | **-182.10** | **-175.20** | **-76.75** | **-28.53** | **-118.42** | **-174.41** | **47.3%** |

***Source: Ministry of Finance, Economic Affairs and National Development***

*r=revised*

*pre = preliminary*

*Please note that the data reported is as at 2010*

## APPENDIX VI Public Sector Outstanding Debt

**TOTAL PUBLIC SECTOR OUTSTANDING DEBT**
**As at December 31**
**(in EC$000's)**

| | 2005 | 2006 | 2007r | 2008r | 2009pre | 2010pre | *Change* |
|---|---|---|---|---|---|---|---|
| **1. TOTAL OUTSTANDING LIABILITIES** | **1,528,243.0** | **1,641,899.8** | **1,768,689.0** | **1,789,395.4** | **1,843,587.2** | **2,057,396.09** | ***11.6%*** |
| | | | | | | | |
| **2. OFFICIAL DEBT** | **1,510,938.9** | **1,624,735.3** | **1,754,039.7** | **1,770,859.7** | **1,828,855.2** | **2,036,562.83** | ***11.4%*** |
| | | | | | | | |
| **A. Central Government** | | | | | | | |
| | | | | | | | |
| **Outstanding Debt** | **1,296,263.6** | **1,427,373.4** | **1,575,724.9** | **1,595,767.8** | **1,639,113.8** | **1,832,138.88** | ***11.8%*** |
| - Domestic | 395,340.3 | 470,080.5 | 594,502.9 | 706,885.8 | 708,188.5 | 858,502.47 | 21.2% |
| - External | 900,923.3 | 957,292.9 | 981,222.0 | 888,882.0 | 930,925.3 | 973,636.41 | 4.6% |
| - Treasury Bills/Notes | | 18,643.2 | 22,551.5 | 13,077.4 | 19,504.0 | 58,201.00 | 198.4% |
| - Bonds | | 359,541.4 | 329,304.5 | 299,338.5 | 274,260.7 | 253,659.32 | -7.5% |
| - Loans | | 579,108.3 | 629,366.1 | 576,466.0 | 637,160.6 | 661,776.09 | 3.9% |
| *- Bilateral* | | *70,281.1* | *83,169.6* | *78,704.9* | *69,706.5* | *57,251.14* | -17.9% |
| *- Multilateral* | | *508,827.2* | *546,196.4* | *497,761.1* | *567,454.1* | *604,524.95* | 6.5% |
| | | | | | | | |
| **B. Government Guaranteed** | | | | | | | |
| | | | | | | | |
| **Outstanding Debt** | **160,136.8** | **143,680.9** | **125,501.8** | **131,759.2** | **117,054.0** | **132,962.22** | ***13.6%*** |
| - Domestic | 47,545.2 | 45,430.4 | 40,160.9 | 41,592.3 | 41,145.1 | 43,178.70 | ***4.9%*** |
| - External | 112,591.6 | 98,250.5 | 85,340.9 | 90,167.0 | 75,908.9 | 89,783.52 | ***18.3%*** |
| | | | | | | | |
| **C. Public Non-Guaranteed** | | | | | | | |
| | | | | | | | |
| **Outstanding Debt** | **54,538.5** | **53,681.0** | **52,813.0** | **43,332.7** | **72,687.4** | **71,461.74** | ***-1.7%*** |
| - Domestic | 21,976.8 | 20,750.9 | 19,525.0 | 39,536.2 | 71,519.1 | 71,461.74 | ***-0.1%*** |
| - External | 32,561.8 | 32,930.1 | 33,288.0 | 3,796.5 | 1,168.4 | 0.00 | ***-100.0%*** |
| | | | | | | | |
| **3. Outstanding Payables** | **17,304.1** | **17,164.6** | **14,649.3** | **18,535.7** | **14,693.0** | **20,833.26** | ***41.8%*** |
| | | | | | | | |
| **TOTAL (Domestic)** | **464,862.2** | **536,261.8** | **654,188.8** | **788,014.3** | **820,852.6** | **973,142.90** | ***18.6%*** |
| | | | | | | | |
| **TOTAL (External)** | **1,046,076.6** | **1,088,473.5** | **1,099,850.9** | **982,845.4** | **1,008,002.6** | **1,063,419.93** | ***5.5%*** |
| | | | | | | | |
| Memo Item: Public Debt/GDP | 66.1% | 63.9% | 63.8% | 60.5% | 63.8% | 64.8% | |

***Source: Debt & Investment Unit, Ministry of Finance, Economic Affairs and National Development***
*pre = preliminary*
*r = revised*

*Please note that the data reported is as at 2010*