



GOVERNMENT OF SAINT LUCIA

P R O S P E C T U S

For

EC\$ 35 - \$50 Million, 7.50 % 8 yr Bond

Ministry of Finance

Financial Center

Bridge Street

Castries

SAINT LUCIA

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PROSPECTUS DATE: July 2010

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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 2009. 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 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 (hereafter referred to as GOSL) proposes to raise thirty-five million Eastern Caribbean Dollars (EC\$35 m) through the issue of an 8-Yr 7.50% Bond. In the event there is an oversubscription of the Bond the GOSL is willing to accept up to an additional \$15 million of the amount. The Bond is being issued to fund a portion of the GOSL 2010/2011 budgeted capital expenditure.

The Bond will be issued under the authority of the 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. 73 of 2009, passed in the House of Assembly on the 9th day of June 2009 and in the Senate on the 16th day of June 2009. Under the Constitution of Saint Lucia, the interest and principal repayments are a direct charge on the Consolidated Fund.

The GOSL has been publicly rated by the Caribbean Information and Credit Rating Services Ltd. (CariCRIS). The regional rating agency has 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 Bond will be issued on the Regional Government Securities Market (RGSM) in the month of July 2010 and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE) under the trading symbol LCG080718

The EC\$35 Million Bond will be opened for bidding commencing at 9:00 a.m on July 28th close at 4:00 p.m. Bidding will recommence on July 29th at 9: am and close at 12 noon.

Settlement for successful bids will take place on 30th July 2010

I. GENERAL INFORMATION

Issuer:	The Government of the Saint Lucia (GOSL)
Address:	The Ministry of Finance Financial Center Bridge Street Castries Saint Lucia (WI)
Email:	minfin@gosl.gov.lc
Telephone No.:	1-758-468-5500/1
Facsimile No.:	1-758-452-6700
	Contact persons: Honorable Stephenson King, Minister for Finance Mr. Isaac Anthony, Director of Finance Mr. Francis Fontenelle, Deputy Director of Finance Ms Marie Monroe, Accountant General
Arrangers:	Caribbean Money Market Brokers (CMMB)
Address	#9 Brazil Street Castries, St. Lucia
Telephone Number	1-758-450-2662
Facsimile Number	1-758-451-7984
Contact Persons	Mrs. Carole Eleuthere Jn Marie, Country Manager Mrs. Charmine Francois, Business Development Manager Mr. Anderson Soomer, Business development Officer
Date of Publication:	July 2010
Purpose of Issues:	The Securities will be issued to fund a portion of GOSL's 2010/2011 capital expenditures
Amount of Issue:	\$35 Million Eastern Caribbean Dollars (\$35,000,000.00)
Over-Subscription	In the event of any Over-Subscription the GOSL reserves the right without the consent of investors in the bond issue, to increase the aggregate value up to an

additional EC\$15 million making the total issue a maximum of EC\$50 million.

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.

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 BOND

a. GOSL proposes to auction an EC \$35 million 7.50%, 8yr Bond on the Regional Government Securities Market (RGSM) and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE).

b. The amount to be issued is EC \$35 million.

c. The auction date is 28 and 29th July 2010.

d. The Bond will settle on the 30th July 2010.

e. The Bond will mature in 8 years on 30th July 2018.

f. The interest rate is 7.50 % per annum.

g. The interest payments will be made semi annually each January 30th and July 30th

h. The Bond will be identified by the trading symbol LCG080718.

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

j. The minimum bid amount is \$5,000.

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

l. The bidding period for the issue will be opened from 9 a.m. to 4 p.m. on 28th and 9 a.m. to midday on 29th July 2010.

m. The method of issue will be determined by Non-Competitive Uniform Fixed Price Auction.

n. The 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.
- Bank of Nevis Ltd.
- ECFH Global Investment Solutions Limited
- National Commercial Bank (SVG) Ltd.
- National Mortgage Financial Company of Dominica Ltd.
- Republic Finance & Merchant Bank (FINCOR) – Grenada
- Caribbean Money Market Brokers Limited (CMMB) – Trinidad and Tobago
- Caribbean Money Market Brokers Limited (CMMB) – Saint Lucia
- National Bank of Anguilla Ltd.

o. 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 that are 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
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:

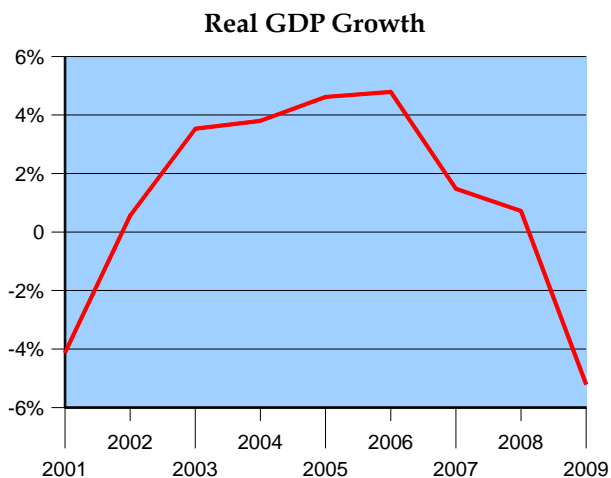
- Assisting in the formulation of debt management policies and strategies;
- Managing the debt portfolio to minimize cost with an acceptable risk profile;
- Conducting risk analysis and developing risk management policies; and
- Conducting debt sustainability analysis to assess optimal borrowing levels.

IV) MACRO-ECONOMIC PERFORMANCE

A) General Economic Performance

i. GDP Growth

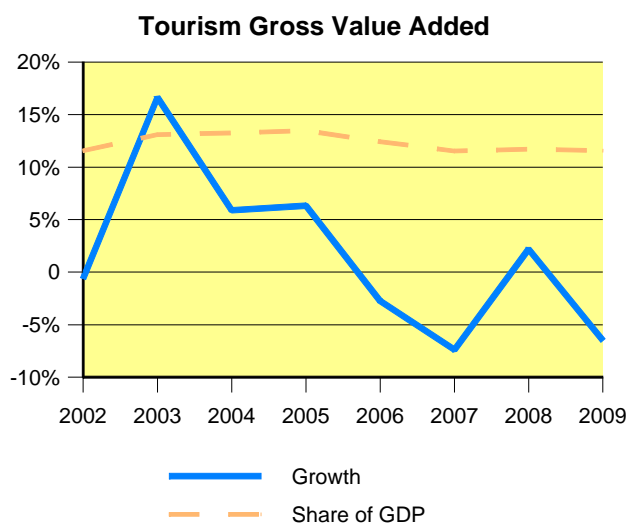
Influenced by the recessionary global environment, economic activity in St.Lucia is estimated to have contracted by 5.2 percent in 2009¹, following growth of 0.7 percent in 2008 (see **Appendix II**). This performance represents the first year of contraction of real GDP since the economic downturn in 2001, following the events of 9/11. The domestic economy was adversely affected by weak aggregate external and domestic demand, resulting in a fall in construction financed by foreign direct investment, and associated elevated levels of unemployment.



In particular, the fall in overall economic activity was driven by sharp contractions in value-added in two major productive sectors, tourism and construction, with negative spill-over effects on other sectors.

▪ TOURISM

Reflecting its vulnerability to external economic shocks, the tourism sector experienced a year of decline, notwithstanding Government's efforts at stimulating demand for travel to St.Lucia. After expanding by 2.2 percent in 2008, value added in the tourism sector, as measured by real growth in the hotel and restaurant sub-sector, is estimated to have contracted by 6.5 percent in 2009. Given its significance as the primary source of economic activity, developments in the domestic economy were largely influenced by the performance of the tourism sector. Despite a weak performance



¹Based on ECCB's preliminary estimates.

throughout most of the year, the sector's direct contribution to real GDP was estimated at 11.6 percent in 2009.

As a result of growth in cruise and yacht arrivals of 12.9 percent and 42.7 percent respectively, total visitor arrivals expanded by 7.1 percent to 1,014,761, reaching the million mark for the first time. Stay-over arrivals which contribute most significantly to value added in the sector, declined by 5.9 percent. After two consecutive years of growth of 23.2 percent in 2008 and 10.3 percent in 2007, the number of excursionists fell by 48.2 percent to 4,967 in 2009. Other regional destinations recorded pronounced declines in stay-over arrivals such as 12.0 percent and 11.0 percent in Antigua & Barbuda and Barbados respectively.

A confluence of factors contributed to the weak performance of the tourism sector, principally the global financial crisis and associated effects such as relatively low spending by tourists; high airfares and a reduction in total air capacity into St.Lucia. In an attempt to attract visitors as a response to the prevailing market conditions, marketing efforts were intensified and hoteliers offered highly discounted promotional rates. A turnaround in some of those constraining factors, particularly the expansion in airlift in the last quarter of 2009, led to an improvement in the number of visitors during that period. However, preliminary indications are that employment in the sector fell by at least 12.0 percent in 2009.

Stay Over Arrivals

Following a 2.9 percent expansion in 2008, stay over arrivals decreased by 5.8 percent to 278,491 in 2009, notwithstanding growth of 4.8 percent in the last quarter. This performance was reflective of a considerable drop of 9.7 percent in the first half of the year. However, the rate of decline in the second half slowed to 1.2 percent, with increasing demand for travel as the advanced economies started to recover from the recession. In 2009, the quarterly outturns were closely correlated with the changes in airlift capacity. Declines were registered in the major source markets with the exception of Canada and the Caribbean. Collectively, St.Lucia's three largest markets, the US, UK and the Caribbean, accounting for 82.8 percent of total arrivals, contracted by 22.6 percent.

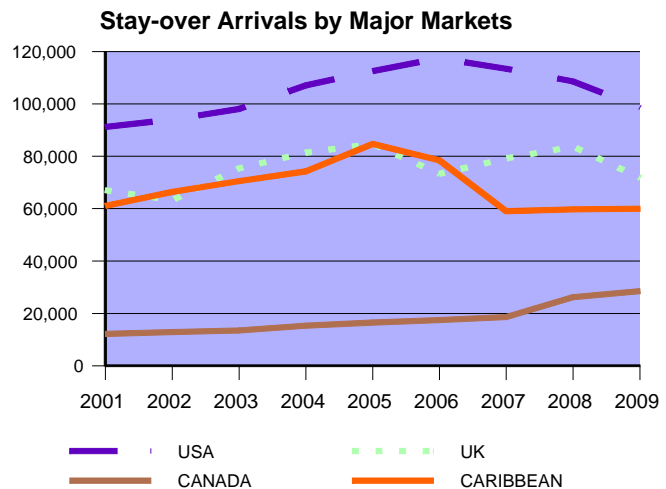
Arrivals from the US continued to decline from its peak in 2006, falling by 9.1 percent in 2009. US visitors accounted for 35.4 percent of all stay-over arrivals, remaining St.Lucia's lead source market. This downturn was primarily attributed to the financial crisis coupled with the notable overall reduction in air seats from the US. The substantial loss of flights from American Eagle in

effect from late 2008 and the termination of flights from Air Jamaica in March 2008, contributed to the downturn in arrivals in 2009, notwithstanding the additional flights from Delta. More significantly, in October 2009, demand from this market was boosted by the introduction of a low-cost carrier, Jet Blue, which resulted in a reduction in airfares by other airlines.

Similarly, unfavourable economic conditions in the UK and the high airfares had a dampening effect on the number of visitors to St. Lucia. After two consecutive years of strong growth, arrivals from the UK declined by 14.1 percent in 2009, with double digit contractions recorded in all quarters. The reduction in air services to St.Lucia by Virgin Atlantic and the introduction of a travel tax on transatlantic flights in late 2009 were also contributory factors.

By contrast, arrivals from other European countries rose in 2009. The re-introduction of direct flights by Condor in the last quarter of 2009, impacted positively on arrivals from Germany, which expanded by 32.5 percent to 2,416. The number of tourists from France and the rest of Europe increased by 25.4 percent to 5,356 and by 1.6 percent to 7,194 respectively.

Arrivals from the Caribbean market increased marginally by 0.7 percent in to 60,183 in the review period. Of this, arrivals from the French West Indies grew by 7.4 percent to 22,721. The favourable exchange rate of the euro against the US dollar impacted positively on arrivals from the French West Indies, mainly from Martinique which grew by 9.3 percent. St.Lucia also benefited from the increase in arrivals from Martinique occasioned by the month-long strike in that island in February and March. The large increase in arrivals from the Caribbean in April was driven by the hosting of the CARIFTA games in St.Lucia as well as the Easter weekend falling in April 2009 from March in 2008.

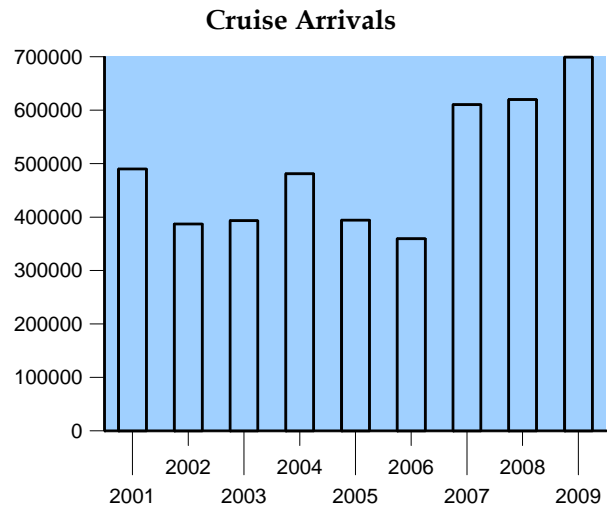


The Canadian market continued to grow steadily in 2009, registering an increase in arrivals of 8.7 percent to 28,563. This was facilitated by a substantial improvement in airlift out of this market with the (seasonal) introduction of services from West Jet in early 2009. As the market

continued to be driven by the winter season, growth of 20.0 percent was recorded during the first half of 2009. However, flight reductions and the lagged effect of the US recession on the Canadian economy resulted in a 10.3 percent fall in arrivals in the second half of the year.

In keeping with the decline in stay-over arrivals, preliminary data show that visitor expenditure by this category of tourists fell by 8.3 percent to \$1,077.0 million. Spending by the US and UK tourists dropped by 19.5 percent and 13.4 percent respectively, attributable also

to notable declines in their average daily expenditures, associated with the level of discounting offered by hotels in order to attract visitors. However, the Caribbean market registered an increase in total expenditure from \$85.4 million in 2008 to \$142.8 million while spending by Canadian visitors grew by 3.9 percent to \$127.1 million in 2009.



Hotel Occupancy

Consistent with the downturn in stay-over arrivals, preliminary data indicate that average rate of hotel occupancy fell by 8.6 percentage points to 53.0 percent. All categories of hotels were affected, most notably, all-inclusive properties which posted the lowest rate to date of 54.0 percent from 67.2 percent in 2008. Occupancy levels at the conventional hotels and small properties were 55.0 percent and 51.0 percent respectively.

Cruise & Other Arrivals

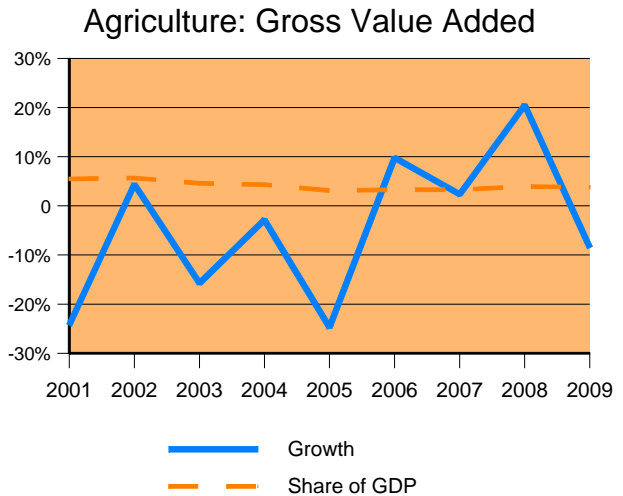
Cruise passenger arrivals increased by 12.8 percent to 699,306 recording the largest volume to date, reflecting the 26.0 percent growth in cruise calls in the review period. As the discounting in cruise fares continued in 2009, cruise arrivals expanded progressively in the second half of the year, registering a 20.4 percent increase in that period.

Following the completion of expansion works at the Rodney Bay Marina in November 2008, yacht arrivals increased appreciably by 42.7 percent to 31,997 in 2009. St.Lucia’s reputation as an attractive yachting destination has since gained new momentum with the upgraded marina facilities. The strike in Martinique in February and March which diverted cruise and yacht traffic to St. Lucia to purchase fuel, food and other merchandise also contributed to the increase.

The pronounced increase in yachting arrivals in the second half of 2009 was due to the re-opening of the marina after closure between June and November of 2008 for renovations.

▪ **AGRICULTURE**

The performance of the agriculture sector in the review period was characterised by mixed performances. Preliminary estimates indicate that the agriculture sector contracted by 8.5 percent in 2009, influenced by the decline in the banana sub-sector, with value-added estimated to have contracted by 13.2 percent (see **Appendix II**). Value-added in the livestock and fisheries sub-sectors also declined. Agriculture’s contribution to GDP fell from 3.9 percent in 2008 to 3.8 percent in 2009 of which the banana industry contributed 1.5 percent to GDP.



Growth in the agricultural sector continues to be hindered by a number of recurring problems, namely high costs of inputs, limited access to financing, poor agricultural practices, weak production planning and insufficiently organized structures and systems.

Bananas

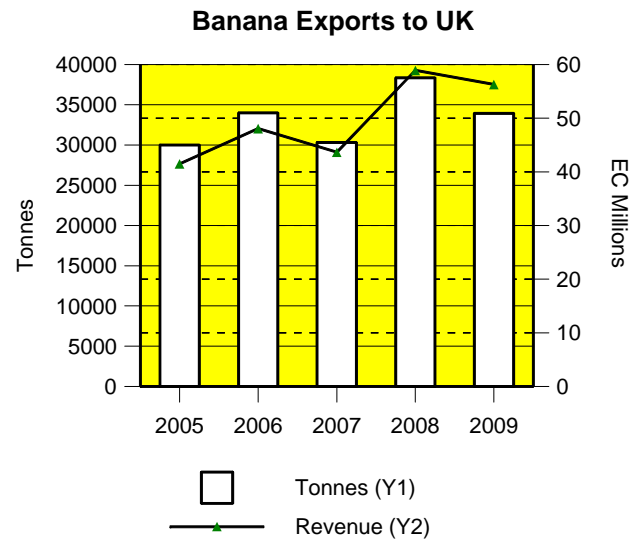
Production and Export

Preliminary figures suggest that banana production⁴ in St Lucia declined by 6.7 percent to 37,738 in 2009. In the first quarter, production increased by 13.7 percent to 8,679 tonnes in line with the increasing trends of the last eight months of 2008 which emanated from extensive rehabilitation efforts of the industry post hurricane Dean. However, as a result of high cost, there was inadequate application of fertilizer to the banana fields which negatively impacted the yield per acre. In addition, unfavourable weather conditions led to the rapid spread of leaf

⁴This includes exports to the UK, exports to the Caribbean countries, domestic purchases by hotels and supermarkets and estimates by Ministry of Agriculture of unrecorded market sales.

spot disease which affected banana production in the Roseau and Mabouya Valleys, which together account for over 70 percent of production.

Banana exports to the United Kingdom declined by 11.6 percent to 33,925 tonnes during the review period in keeping with the fall in production. The fall in exports to the UK was more pronounced in the second and third quarters, declining by 24.0 percent and 21.2 percent respectively. This trend continued in the last quarter although at a slower rate. Accordingly, revenue from banana exports to the UK fell by 4.3 percent to \$56.4 million⁵ in 2009.



Despite the decline in production, exports of bananas to the region more than doubled to 2,680 tonnes. The volume of bananas sold to supermarkets increased by 21.5 percent while that to hotels was unchanged.

⁵This includes revenue support paid to farmers by WINFRESH (formerly WIBDECO) under its new pricing structure, mainly for leaf spot control and audit fees for the Produce Marketing Organization (PMO).

Major Developments

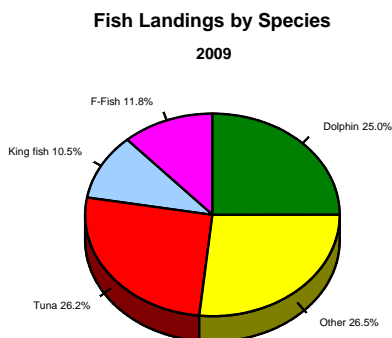
During the review period, ACP banana producers continued to enjoy quota free and duty-free access to the EU market as a result of the signing of the Economic Partnership Agreement in January 2009. However, negotiations regarding the Latin-American led challenge of the EU banana regime continued to pose threats to the future of the local industry. During 2009, Latin American growers succeeded in obtaining a gradual cut in the European Union import tariffs for their bananas from the current 176 euros per tonne to 114 euros per tonne over a seven year period.

Non -Banana Crops

Estimates suggest a 27.0 percent increase in production of non-banana crops to 8,438.6 tonnes. Total domestic sales to supermarkets and hotels rose by 23.1 percent to 4,446.6 tonnes in 2009, driven largely by the continuous expansion in supermarket purchases which rose by 31.5 percent to 3,389.8 tonnes. This was attributable to the increase in the number of farmers under the Farmer Certification Programme which seeks to enhance production and marketing linkages between farmers and purchasers as well as providing technical assistance to farmers. These sales generated higher earnings of 16.5 percent to \$8.5 million. The volume of hotel purchases grew by 2.1 percent to 1,056.8 tonnes while the sales revenue decreased by 9.9 percent to \$4.2 million, reflective of the decline in visitor expenditure and cash flow problems faced by hotels. Exports on non-traditional crops increased by 31.7 percent to 3,991.9 tonnes while revenue increased by 28.7 percent to \$5.0 million.

Fisheries

Following growth of 12.3 percent in 2008, output in the fisheries sector expanded by 9.6 percent to 1,857.0 tonnes in 2009. This increase in volume was due to the deployment of additional fish aggregating devices. The value of fish landings increased by 10.9 percent to \$24.1 million. Of the fish species, increases were recorded in catches of king fish (8.7 percent) and dolphin (36.3 percent) while landings of tuna and flying fish fell by 1.3 percent and 11.7 percent respectively.



During the review period, increases in fish landings were recorded at most landing sites with the exception of the

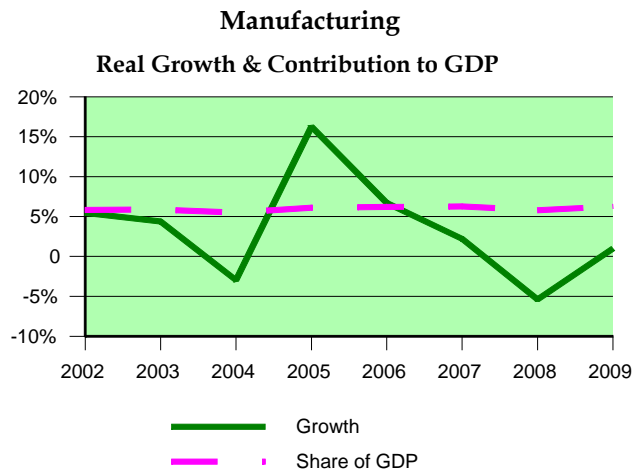
smaller sites at Gros-Islet, Choiseul and Laborie which registered a combined decline of 25.1 percent and accounted for 17.3 percent of total fish landings. Dennery and Vieux-Fort remained the largest sites with their share of fish landings together accounting for 45.1 percent of total landings. There was a pronounced increase of 40.4 percent in landings at Dennery.

Livestock

Available data suggest that there was an improvement in the performance of the livestock sub-sector in 2009. However, while growth was recorded in pork and egg production, there was a contraction in the production of chicken. Preliminary data show that chicken production fell by 6.0 percent to 1,006.6 tonnes in 2009, following a 40.7 percent increase in the previous year. Correspondingly, the value of the chicken purchased from domestic producers fell by 1.0 percent to \$11.9 million. By contrast, pork production⁶ is estimated to have increased by 8.5 percent to 145.5 tonnes which generated revenue of \$1.8 million. As a result of an increase in the average laying stock on farms, local production of eggs expanded by 29.1 percent to 1,190,000 dozens, valued at \$6.5 million. This output level was sufficient in satisfying all domestic demand in 2009.

■ **MANUFACTURING**

Over the review period, manufacturers were challenged by the global economic conditions and continued increases in operating costs despite more favourable movements in oil prices in 2009 relative to 2008. Real growth in the sector is estimated to have expanded by 1.0 percent, reflecting recovery in exports in the largest sub-sector, food & beverages, despite weak domestic demand. Manufacturing’s share of GDP increased to 6.3 percent in 2009 from 5.9



⁶
Based on revised data from the Ministry of Agriculture

percent in 2008, as the sector recorded positive growth compared to declines in most other sectors.

Value and Volume

The value of output in the manufacturing sector grew by 1.3 percent to \$176.0 million in 2009. This was driven by the expansion in the two largest sub-sectors, alcoholic beverages and electrical products, which offset the declines in all other sub-sectors. Reflective of the narrow manufacturing base, production of food & beverage, electrical and paper products collectively accounted for 81.0 percent of the total value of manufacturing output in 2009.

Food and Beverages

The value of output of food and beverages rose by 8.5 percent in 2009, accounting for 45.4 percent of total manufacturing output. This was attributed to a 13.4 percent increase in the value of production of alcoholic beverages which returned to 2007 levels at \$53.0 million. Output of non-alcoholic beverages recovered fully from the sudden reduction in capacity induced by a fire in late 2007 and from weak export demand from Trinidad and Tobago in 2008. However, production of food products fell by 3.7 percent in 2009 while non-alcoholic beverages registered a flat performance.

Table 3: Production of Food & Beverages (EC\$ Million)

Commodity	2004	2005	2006	2007	2008	2009
Food Products	9.7	12.3	10.9	11.7	10.9	10.5
Non-Alcoholic Beverages	13.8	16.1	16.8	16.3	16.2	16.4
Alcoholic Beverages	45.6	49.6	54.8	53.3	46.5	53
TOTAL	69.1	78	82.6	81.3	73.6	79.9

Source: Statistics Department

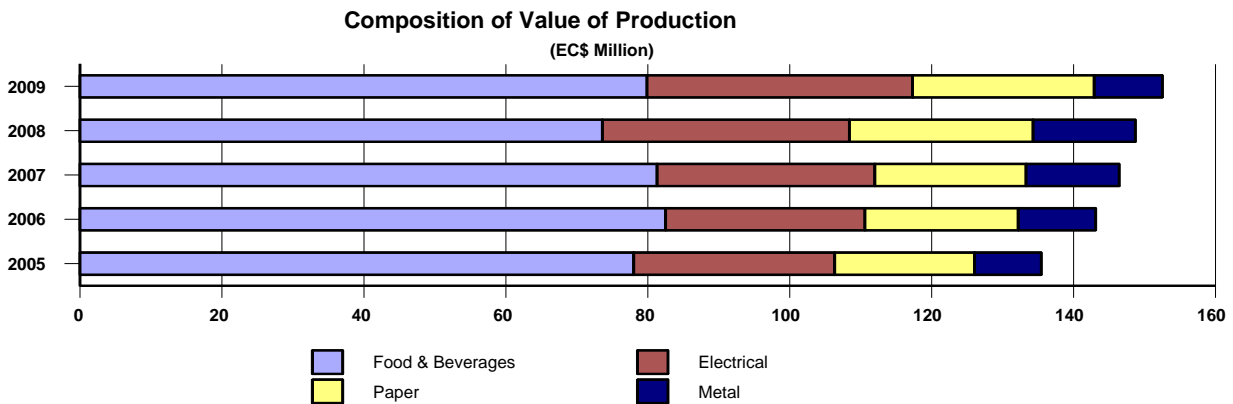
Electrical Products

The value of electrical products, which account for 21.3 percent of total manufacturing production, grew by 7.4 percent to \$37.4 million in 2009. Notwithstanding a 16.7 percent decline in the volumes produced, this upturn was attributed to a shift in the product mix of a major electrical producer, towards digital filters. The demand from the US for this higher value

product has been trending upward in keeping with recent developments in the telecommunications industry in the US.

Paper and Paperboard

There was an overall decline of 1.1 percent in the value of output of paper products in 2009 to \$25.6 million. This was occasioned by the decrease of 13.2 percent in the value of banana boxes to \$7.2 million, mirroring a fall in the quantity produced and consistent with the lower level of banana exports. However, this was moderated by the growth recorded in the production of commercial boxes of 1.5 percent to \$18.4 million and the 3.1 percent increase in other paper products to \$1.6 million. Higher prices of raw materials and other inputs resulted in increases in



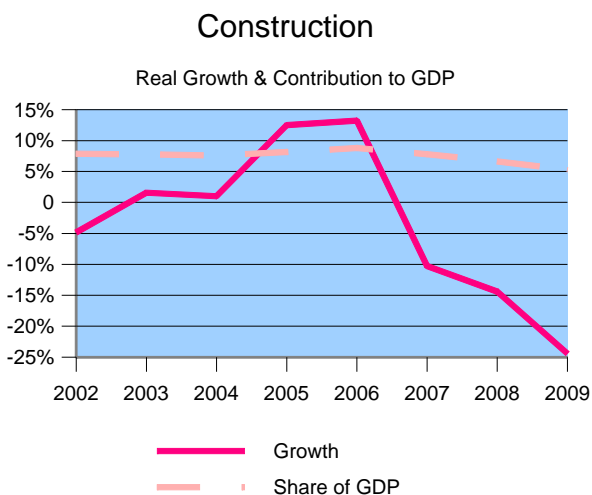
the selling price of boxes which adversely impacted on the sub-sector's performance.

Other Sectors

The value of output of metal products including roofing, declined by 33.0 percent in 2009 to \$9.6 million, reflective of the downturn in the construction sector. Reductions were reported in basic industrial chemicals, furniture, printed material and plastic products of 21.7 percent, 19.1 percent, 4.3 percent, 6.7 and respectively. Copra and copra derivatives also registered a 21.9 percent decline due to lack of production activity in the first half of the year. Increases were recorded in the value of wood & wood products (38.7 percent) and soap & soap products (17.3 percent). However, these products contribute less than 1.0 percent of all manufacturing output.

▪ CONSTRUCTION

Following two consecutive years of decline, the construction sector is estimated to have contracted by 24.4 percent in 2009 (see **Appendix II**). Correspondingly, the sector's share of real GDP dropped to 5.3 percent from 6.6 percent in 2008, contributing to the notable contraction in GDP. Notwithstanding an increase in public sector construction expenditure, this overall performance was partly a direct consequence of the global financial crisis which significantly impeded construction activity in the private sector as investors faced difficulties in sourcing financing. The cost of construction, particularly building materials, was stabilised in the review period with declines recorded in some items.



Public Sector Construction

In the review period, expenditure on public sector projects increased by 46.3 percent to \$109.64 million, reflecting an expansion of expenditure by central government and a decline in construction expenditure by statutory bodies. Central government expenditure on construction grew by 52.3 percent to \$101.4 million, recording expansions in all categories of expenditure with the exception of roads.

Construction expenditure by statutory bodies declined by 1.1 percent to \$8.3 million due to the completion of projects undertaken by the NDC and NIPRO in first quarter of 2009.

Table 4: Summary of Public Sector Construction 2009

Economic Infrastructure (EC\$ Millions)	
<i>Central Government</i>	\$40.8
of which: Reconstruction & Rehabilitation of Roads	\$14.4
Drainage (Anse La Raye & Castries)	\$1.9
<i>Statutory Bodies</i>	\$3.3

Of which: Dennerly Infrastructure	\$1.3
Social Infrastructure (EC\$Millions)	
<i>Central Government</i>	\$60.6
of which: OECS Education Development Project	\$2.0
New National Hospital	\$10.4
St Lucia National Wellness Centre	\$10.3
Disaster Management Project 11	\$5.6
Establishment of a Forensic Unit	\$1.6
<i>Statutory Bodies</i>	\$5.0
of which: Infra structural works by NHC	\$2.5

Economic Infrastructure

In the review period, public spending on economic infrastructure declined by 9.0 percent to \$44.0 million. This outturn was driven by a reduction in budgeted central government expenditure on roads and delays in the commencement of new projects as well as the slow progress of works on ongoing projects. Despite the commencement of works on the West Coast Road in the last quarter of 2009 and other road related expenditure, construction expenditure on roads⁷ declined by 25.7 percent to \$28.7 million. This largely reflected decreases in expenditure on bridges and culverts, desilting of rivers and drains, and development of community infrastructure.

Private Sector Construction and Indicators of Construction Activity

Key indicators suggest that there was a fall-off in construction activity in the private sector in 2009. This was primarily attributed to low implementation of a number of tourism related investment projects, influenced by the tight global credit conditions which resulted in financing difficulties. Work on the Bay Walk Mall and the Jalousie Tides Sugar Beach projects continued

7

This excludes the works undertaken on the two major road projects, the rehabilitation of the Allan Bousquet Highway and the continuation of the East Coast Road Rehabilitation, which are financed under DFC arrangements.

apace. Construction of phase three of the Landings was undertaken at a slower pace than previous phases while others such as L'Avant Mere came to a halt and work on other major projects failed to commence.

Table 5: Imports of Construction Materials (EC\$ Million)

Materials	2003	2004	2005	2006	2007	2008	2009
Wood and wood products	27.1	44.3	52.1	64.2	45.4	49.8	42.3
Sand	3.6	4.2	3.8	3.0	3.0	2.3	2.2
Cement	13.5	12.1	18.6	27.7	24.3	27.9	24.4
Prefabricated materials	3.2	2.4	2.6	11.8	3.8	6.4	2.1
Steel	1.4	4.0	3.8	8.5	9.8	13.9	6.3
Other	64.0	75.4	97.1	134.2	74.8	93.0	72.5
TOTAL	112.8	143.0	177.8	249.4	161.1	193.4	149.9

Source: Statistics Department

Indicative of the decline in construction activity, available data suggest that the total value of imports of construction materials fell by 22.5 percent, reflecting declines in all categories of imports. This reflected declines in the volume of most materials coupled with lower unit prices for some items.

ii. Balance of Payments

Overall Balance

Mirroring the increase in St. Lucia's imputed share of reserves and in its Special Drawing Rights allocation at the IMF, the balance of payments show an estimated overall surplus of \$48.8 million for 2009 (see Appendix III). This represented 1.9 percent of GDP, compared with an overall deficit of 1.1 percent of GDP or \$29.5 million in 2008 when a decline was recorded in the imputed share of reserves. The shift in the overall position in 2009 was due to an improvement in the current account balance notwithstanding a significant narrowing of the surplus on the capital and financial accounts.

▪ **Current Account**

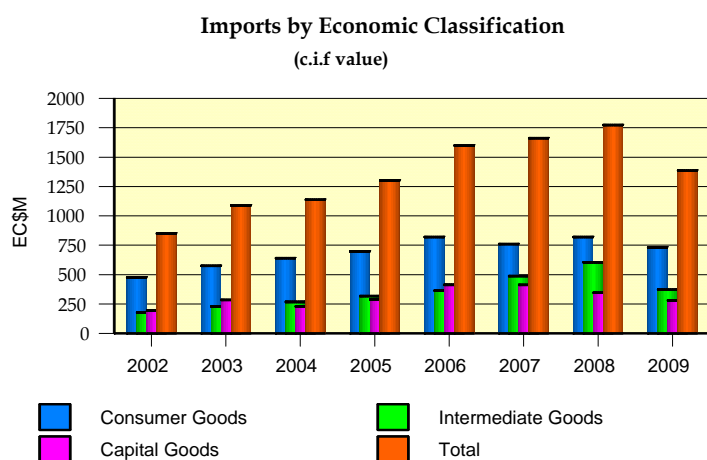
Provisional estimates show that the deficit on the external current account declined from \$935.9 million (35.2 percent of GDP) in 2008 to \$433.9 million (17.0 percent of GDP) in 2009 (see **Appendix III**). This was associated with a smaller deficit on the goods account coupled with an increase in net inflows on the services account which together offset the deterioration on the income and current transfers accounts.

The narrowing of the deficit on the goods accounts was influenced by a fall in the merchandise trade deficit, which moved from \$1,259.6 million¹⁵ in 2008 to \$1,061.4 million in 2009, on account of lower import payments.

Merchandise Trade

*Imports*¹⁶

The value of merchandise imports declined by 22.0 percent to \$1,385.2 million (just above 2005 levels), reflecting the contraction in economic activity. This level of import payments represented approximately 53.8 percent of GDP, down from 61.3 percent of GDP in 2008. In 2009, declines were recorded in all major categories of imports. With respect to intra-regional trade, the value of imports from CARICOM fell by 15.1 percent in the review period.



The value of *consumer goods* imported fell by 11.0 percent to \$731.1 million, the largest decline recorded in recent history for this category of imports. This was also due to lower volumes and the fall in prices of some construction materials. Partly influenced by stable food prices, outlay on food and live animals were relatively unchanged at \$293.1 million, compared to an average growth of 7.5 percent over the last five years. Imports of beverages and tobacco

¹⁵At f.o.b. prices.

¹⁶Values refer to cost, insurance and freight (c.i.f) .

fell by 11.5 percent while that of the two classifications of manufactured goods decreased by 19.0 percent and 16.9 percent.

The value of *intermediate goods* imports declined by 38.5 percent to \$372.6 million reflecting decreases in all sub categories except animal and vegetable oil & fats. *Mineral fuel and lubricants*, which accounts for 62.9 percent of intermediate goods imported, decreased by 49.0 percent to \$234.1 million, largely mirroring the drop in world oil prices. This decline follows an average increase of 34.1 percent over the previous five years. Consequently, the share of this category of imports to the total import bill fell from 25.9 percent in 2008 to 16.9 percent in 2009. The import value of crude materials (inedible except fuel) declined by 9.2 percent to \$28.2 million. *Animal and vegetable oil and fats* increased by 34.9 percent to \$7.6 million.

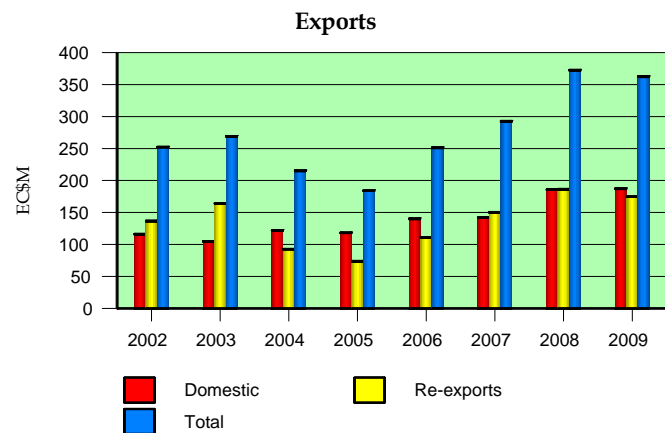
The downward trend in imports of motor vehicles continued with sharper reductions recorded in 2009. This contributed to a 19.3 percent decline in the value of imports of *capital goods* to \$281.6 million.

Exports

The value of merchandise trade exports declined by 3.0 percent to \$362.3 million. This was due to lower re-exports which declined by 6.3 percent to \$175.1 million on account of significantly lower petroleum products from the storage facility at Hess Oils. In addition, re-exports of manufactured electrical items increased during the review period.

Receipts from domestic exports grew by 0.7 percent to \$187.2 million. However, of this amount, domestic exports to CARICOM countries declined by 12.5 percent to \$71.0 million. The value of exports of *consumer goods* grew by 1.1 percent to \$142.0 million attributed to a 7.4 percent increase in earnings from food products.

Notwithstanding the dip in UK banana export earnings, this performance reflected higher banana revenue from sales to the region as well as from exports of non-banana crops.



The value of domestic exports of *intermediate goods* moved from \$17.2 million to \$8.2 million reflecting decreases in all sub categories of intermediate goods. The value of domestic exports of *capital goods* rose by \$9.0 million, consistent with the increase in the value of export oriented production of electrical items.

- **Other Current Account Developments**

Despite a notable contraction in travel receipts associated with the downturn in the tourism sector, preliminary estimates suggest that net inflows on the services account rose by 10.6 percent to \$442.3 million in 2009. This was attributed to more than proportional decline in payments for services, including outward travel. Net outflows for transportation and insurance services fell by 23.4 percent in line with the fall in imports.

The deficit on the income account narrowed by 3.9 percent to \$186.5 million in 2009, reflective of increased repatriation of direct investment income. There was little change in interest payments on the central government foreign debt. As a result of the global financial crisis, declines were estimated for remittances from abroad. Consequently, there was a reduction in net inflows of current transfers by 19.7 percent to \$35.2 million.

- **Capital and Financial Account**

The surplus on the financial and capital accounts fell by almost half in 2009 to \$541.0 million, representing 21.1 percent of GDP compared to 34.4 percent of GDP in 2008. This resulted from a marked decline in inflows on the financial account. However, there was an \$12.3 million increase in the surplus on the capital account due largely to grant inflows from the European Union, largely associated with the first disbursement received for the construction of the new national hospital. In addition, there was increased assistance for Taiwanese funded projects during the review period.

Estimates point to a substantially lower surplus on the financial account from \$885.4 million in 2008 to \$499.3 million in 2009. This partly resulted from a decline in net inflows on other investments by \$390.8 million occasioned by the activities of commercial banks. In contrast to the net inflow of short term capital of \$466.2 million in 2008 associated with borrowing from abroad to finance an expansion in domestic credit, commercial banks reduced their net foreign liabilities position during the review period by \$11.9 million. This was reflected in their accumulation of foreign assets. In addition, there was a fall-off in tourism related foreign direct

investments. However, net external loan disbursements to the central government increased by \$102.6 million at the end of 2009.

iii. Demographics

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

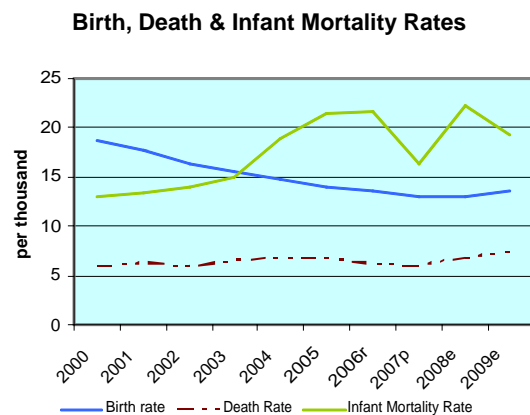
Saint Lucia's population trends and demographic characteristics are important in formulating appropriate policies for the country's future development. In 2009, preliminary estimates indicated a population growth of 1.2 percent from 170,331 to 172,370. Although the number of live births exceeded the number of deaths by 1,067, the rate of increase of live births, 6.1 percent, was less than the rate of increase of deaths, 9.9 percent.

In the year 2009, the birth rate was 0.6 percent higher than the previous year. This was the only year in the last decade that exhibited an increase in the birth rate. The number of male births, 1,220, exceeded the number of female births by 90. However, the rate of increase in female births was 4.5 percentage points higher than that of male births.

The death rate which increased from 6.9 per thousand in 2008 to 7.4 per thousand in 2009. The total number of deaths, 1,283, increased by 116 persons, with male deaths surpassing female deaths by 137. Moreover, the total number of deaths in males increased by 12.7 percent compared to 6.7 percent for females.

In the year under review, 3.5 percent of the total deaths recorded were under the age of one, in comparison with 4.2 percent in the previous year. Additionally, there was a decline in the infant mortality rate from 22.1 per thousand in 2008 to 19.1 per thousand in 2009.

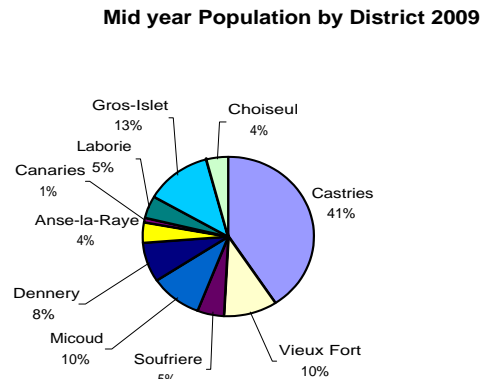
In terms of the age distribution of the population, the largest proportion of the population fell within the age groups of 15-19 and 20-24 years. These age groups which reflected the smallest proportion of persons, were the 75-79 and 80 plus categories (1.3 and 1.5 percent of the total population respectively). This demographic trend has resulted in a declining age dependency



ratio. In 2009, the age dependency ratio declined to 48.3 percent from 50.0 percent in the previous year.

The age groups 50-54 and 55-59 reflected the largest rate of growth, increasing by 5.7 and 4.7 percent respectively. Conversely, the age groups 5-9 and 10-14 years showed the largest decline, falling by 2.7 and 2.0 percent respectively.

An analysis of the geographical distribution of the population in 2009 revealed that the population remained heavily skewed towards the north west of the island. The two most populated districts, namely Gros-Islet and the capital city Castries, accounted for 13.1 percent and 40.9 percent of the population respectively.



It is estimated that there was a modest increase in the population of both districts; 1.1 percent in Gros-Islet and 1.2 in percent Castries. The vast number of residents in the Castries area, 31.7 percent, dwelled within its rural outskirts. It is estimated that the population in this area increased by 0.6 percent. In contrast with the large rural population, it is estimated that only 9.2 percent of the total population dwelled within the metropolitan and suburb areas of Castries. In 2009, the population within these areas is estimated to have increased by 1.3 percent and 3.7 percent respectively.

In terms of other major population centers, Vieux-Fort and Micoud each accounted for 10.0 percent of the total population. However, the population of Vieux-Fort increased by 2.2 percent while that of Micoud increased by 0.8 percent.

The rural areas of Castries continued to have the highest proportion of inhabitants which are considered economically active (those within the age range 15 to 64). This age category consisted of 38,247 persons or accounted for 70.0 percent of the total population in Castries Rural. This surpassed the total 15-64 age category population island wide of 67.0 percent.

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

Education

During the review period the education policy of Government was geared towards improving the quality and relevance of the education system. Government was primarily focussed on changing the nature, form and content of primary and secondary education, while strengthening and expanding welfare and support services and developing a quality system for Technical Vocational Education and Training (TVET).

Government's commitment to educating the populace continued to be reflected in the distribution of its financial resources. During the fiscal year 2008/09, Government invested \$158.6 million in education or 6.3 percent of GDP, which represented the second largest share of the annual budget.

Of this amount, \$137 million was recurrent expenditure, representing a marginal increase of 7.6 percent. Capital expenditure decreased by 37 percent to \$21.6 million in 2008/2009, due to the winding down of the OECS Education Development Project, a major component of the Ministry of Education's capital budget. This project involved the construction of two new and the expansion of four existing secondary schools. The project also facilitated improvements in the quality of teaching and learning, and school management, thus increasing efficiency of the education system.

In terms of allocation of resources, the largest share of the Education budget was expended towards secondary education in 2009 (37 percent), followed by primary education (36 percent), tertiary education (10 percent) and education services (7 percent). This trend has remained consistent over the past ten years.

Social Infrastructure

After declining in the past two years, public sector expenditure on social infrastructure almost tripled to \$65.6 million, reflecting increased expenditure by both the central government and statutory bodies.

Central government expenditure on health which in the last two years accounted for less than 10.0 percent of central government construction expenditure, rose from \$5.3 million to \$26.7 million. This included the costs of expansion of works on the Senior Citizens Home, the completion of work at the St Lucia National Wellness Centre and the commencement of work of the New National Hospital in the last quarter of 2009.

Mindful of the island's vulnerability to natural disasters, central government expenditure on disaster mitigation increased to \$10.1 million compared to \$0.5 million in 2008. Of this amount, \$5.6 million was spent on the Disaster Management Project and \$3.9 million was spent on the Black Mallet Landslide Response Project.

In an effort to minimize the impact of the global recession on vulnerable groups, the government sought to contain unemployment and poverty through social programmes such as the Holistic Opportunity for Personal Empowerment (HOPE), Koudamain St Lucie and PUENTE. Spending on such government community projects cost \$7.6 million in 2009, compared to \$2.2 million in 2008. These programmes together accounted for 71.6 percent of expenditure on community works.

Construction expenditure on the education sector increased by 10.1 percent to \$ 5.6 million comprising major upgrades to schools. The OECS Education Development Project remained the largest programme of the Ministry of Education, accounting for 36.2 percent of the capital expenditure on education. Expenditure on law and order rose to \$3.9 million. The completion of the Forensic Unit in the first half of the year accounted for the largest share of capital expenditure on law and order.

Construction expenditure by statutory bodies on social infrastructure almost doubled in 2009, reflecting expenditure by the National Housing Corporation (NHC) and the National Development Corporation (NDC). Together these organizations accounted for 54.3 percent of total expenditure by statutory bodies although no expenditure was incurred by NDC in the second half of the year. However, in the first quarter \$1.9 million was spent by NDC for retrofitting the factory shell and construction of carts, garbage compactors and shop extensions works at Pointe Seraphine. The largest share of expenditure by NHC was spent on roads and drainage at the housing developments at St Judes East Gardens, Monier, Millenium Highway and Carellie.

iv. Growth Prospects

St.Lucia's economy is expected to benefit from the global economic recovery that is underway with weak but positive growth projected for 2010. Developments in the tourism sector are likely to provide the impetus for growth, supported by an expansion in construction activity which is contingent on timely implementation of a number of public sector projects. In particular, the growth outturn in construction depends largely on the pace of ongoing works on two major projects, the new national hospital and the commencement of work on the Hewanorra International Airport expansion. The improved economic environment is expected to have a positive impact on the central government's fiscal position due to anticipated increases in revenue collections.

Notwithstanding the positive outlook, significant downside risks remain for the domestic economy. The global recovery is expected to be weak and may not fully recover from the crises until 2011. In the US and other advanced economies, household budgets remain fragile as individuals seek to strengthen their personal finances by increasing their level of savings. More frugal consumers could dampen the pace of the global recovery. This could have implications for tourist arrivals and hence the flow of income to the domestic economy. Other significant downside risks include the rising incidence of crime and its potential impact on the tourism industry as well as the effects of the drought on agricultural production.

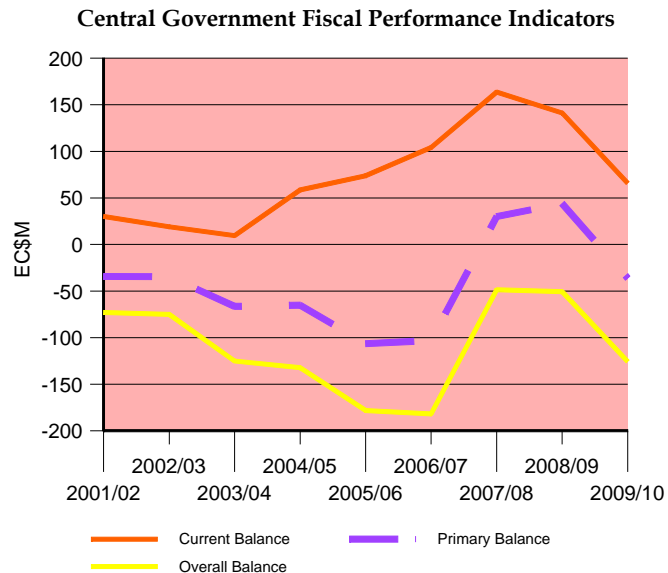
B) Government's Fiscal Performance

i. Revenue and Expenditure Performance

In keeping with the contraction in economic activity, preliminary estimates suggest that the fiscal position of the central government deteriorated in 2009/10. The current account surplus declined from \$141.2 million or 5.4 percent of GDP in 2008/09 to \$65.9 million or 2.5 percent of GDP. This was due to a moderate decline in current revenue accompanied by increased current expenditures. The overall deficit widened to \$125.5 million or 4.8 percent of GDP from a deficit of 1.9 percent of GDP in 2008/09 (see **Appendix IV**), also reflecting higher capital expenditures. Consequently, the primary deficit increased to 1.4 percent of GDP in 2009/10 compared to a primary surplus of 1.7 percent of GDP in 2008/09.

Revenue

Total revenue and grants fell by 2.5 percent to \$800.7 million (30.8 percent of GDP) in 2009/10, the first decline since 2001/02. This was due to a 4.9 percent decline in current revenue to \$755.1 million, occasioned by the economic downturn. Of this amount, tax and non-tax revenue collections decreased by 4.8 percent to \$702.1 million and 5.8 percent to \$53.0 million respectively. However, capital grant receipts rose from \$20.5 million to \$45.3 million, mainly reflecting Taiwanese developmental assistance and disbursements of European Union funds largely associated with the construction of the new national hospital.



Taxes on Income & Property

Net direct tax receipts on income contracted by 5.6 percent to \$219.0 million, led by a decline in corporate income taxes of 17.2 percent to \$94.2 million. This reflected lower levels of profitability across the economic sectors, particularly in the banking sector. The continuation of the tax amnesty programme contributed to collection of arrears which grew by 12.4 percent to \$42.2 million. Receipts from withholding taxes dipped by 5.7 percent to \$11.6 million in 2009/10 attributed to the decline in contracts awarded for construction. Despite higher unemployment, revenue from taxes on individual incomes increased by 1.9 percent to \$77.4 million on account of salary increases received by workers who earn above the annual income tax threshold. Collections of property taxes⁹ increased from \$2.7 million to \$3.9 million due to higher compliance levels, prompted by improved enforcement measures.

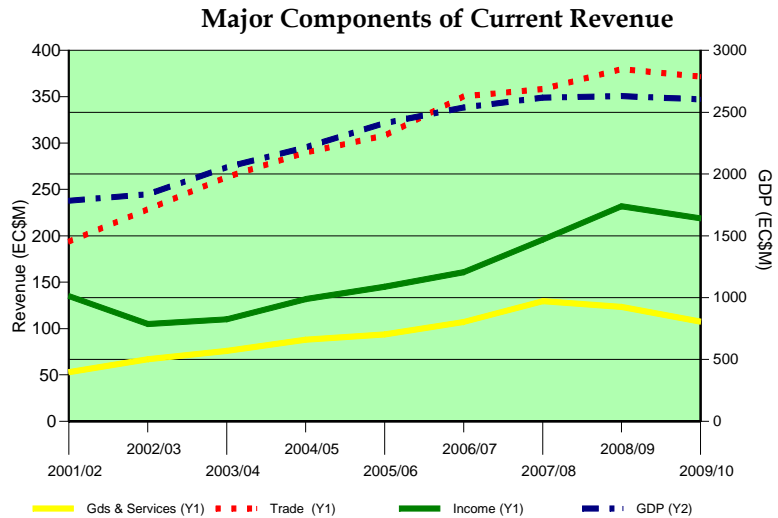
Taxes on Goods and Services

Following a 4.7 percent decline in 2008/09, revenue from taxes on goods and services fell further by 12.8 percent to \$107.5 million. This was primarily due to the contraction in the

⁹This excludes revenues collected by the Castries City Council for properties in Castries.

tourism sector coupled with the deferred payment of hotel accommodation tax (HAT) which resulted in a 30.2 percent drop in HAT to \$24.4 million. Lower receipts of passenger facility fee also contributed to the decline.

Consistent with the comparatively weaker performance of the real estate and banking sectors, collections of stamp duties declined by \$5.6 million. However, as a result of higher rates on alcoholic beverages and enhanced collection efforts, excise tax on domestic production grew by \$3.1 million. Fuel surcharge receipts continued to trend upward in 2009/10, in line with the increase in electricity generated.



Taxes on International Trade and Transactions

Revenue from international trade fell by 2.1 percent to \$371.7 million, reflecting the decline in the value of imports due to a combination of volume and price effects. Marked reductions in import duty (10.0 percent) and service charge (13.2 percent) were recorded in 2009/10. Receipts of environmental levy decreased by 10.2 percent to \$14.4 million as the volume of imports of motor vehicles continued to decline. In contrast, owing to higher receipts of taxes from fuel, revenue from excise and consumption taxes recorded increases of 29.2 percent and 3.0 percent respectively. Revenue from consumption tax and excise taxes on fuel¹⁰ totaled \$58.0 million in 2009/10, compared to \$23.8 million in 2008/09 due to the replacement of the fluctuating consumption tax with a flat excise tax rate of \$3.00 per imperial gallon on gasoline and diesel. Notwithstanding, the revenue intake of those taxes on non-fuel imports declined considerably.

Non-Tax Revenue

¹⁰When the market pass-through system was introduced in September 2009, the consumption tax on unleaded gas and diesel was replaced by an excise tax per imperial gallon on these two products.

Non-tax revenue fell by 5.8 percent to \$53.0 million with declines in all revenue items. Receipts from fees, fines and sales were down by 4.8 percent to \$31.6 million partly owing to the slump in economic activity. Earnings from interest and rents fell by \$2.6 million partly driven by lower dividend receipts from government owned shares in corporate entities. However, due to a change in the accounting treatment¹¹ of subsidies of the Supply Department for bulk items, there was a recorded improvement in the net earnings of government departments by \$4.0 million to a deficit of \$6.4 million.

Expenditure

Central government expenditure continued on an upward path, reflecting growth in both current and capital expenditures in 2009/10. Preliminary data indicate that total expenditure increased by 6.2 percent to \$926.1 million, the equivalent of 35.6 percent of GDP (see Appendix V).

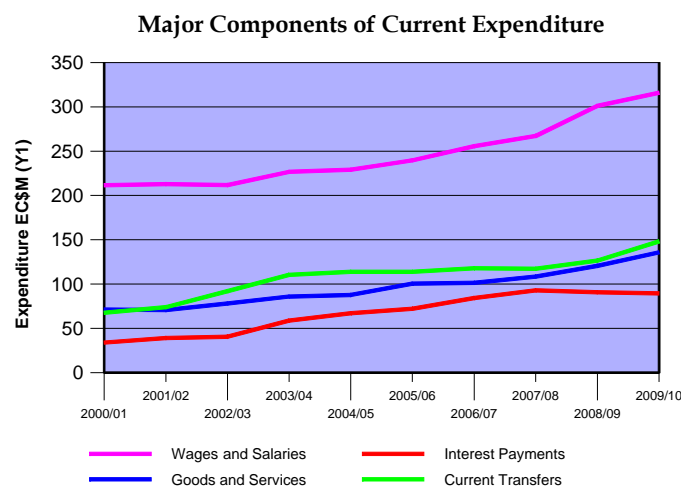
Current Expenditure

Over the review period, current expenditure increased by 5.6 percent to \$689.2 million, representing 26.5 percent of GDP. With the exception of interest payments, increases were recorded in all expenditure categories.

Salaries & Wages and Interest Payments

Expenditure on salaries and wages increased by 4.9 percent to \$315.9 million, accounting for 45.8 percent of current expenditure and 12.2 percent of GDP. This was principally attributed to the payment of 4.125 percent of the outstanding 7.5 percent increase negotiated with respect to the last year of the triennium, 2007/08 to 2009/10.

Actual interest payments fell by 5.4 percent to \$89.4 million in 2009/10. This was as a result of a change in CDB's billing cycle which extended repayment dates from March to April, 2010.

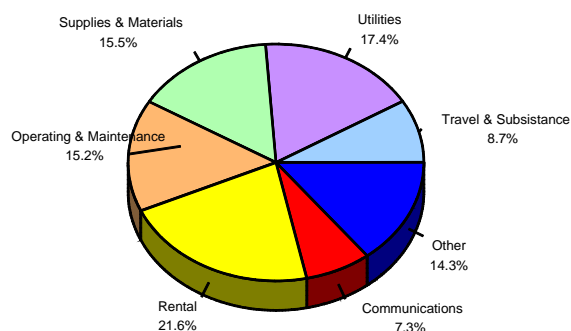


¹¹The subsidy on rice, flour and sugar was recorded as expenditure for the first time.

Goods & Services

Expenditure on goods and services increased by 3.7 percent in 2009/10, compared to 14.5 percent in the previous fiscal year. Increases in travel allowances, operating & maintenance, and training were partly offset by declines in spending on supplies and materials, communications, rental expenses and utilities. The latter was occasioned by the reduction in electricity costs while efforts were made to stem the rise in rental expenses.

**Expenditure on Goods & Services
2009/10**



Current Transfers

Spending on current transfers increased by 17.2 percent to \$148.9 million in 2009/10. This outturn was led by higher subventions to public agencies such as Sir Arthur Lewis Community College and St.Jude's Hospital, to meet salary and wage increases to their workers. Severance payments totaling \$4.3 million were also made to WASCO workers. Increased subsidies on rice, flour and sugar due to higher import prices and unchanged selling prices, contributed to the growth in transfers to the private sector. Spending on retiring benefits grew by 6.2 percent to \$48.2 million partly as a result of an increase in the number of pensioners coupled with increases in pension payments in May 2009. In keeping with the salary increase granted to civil servants, payments of National Insurance contributions grew by \$1.3 million to \$7.1 million.

Capital Expenditure

Central government capital expenditure expanded by 8.2 percent in 2009/10 to \$236.9 million from \$219.0 million. This outturn is equivalent to 9.1 percent of GDP, up from the 8.3 percent recorded in 2008/09.

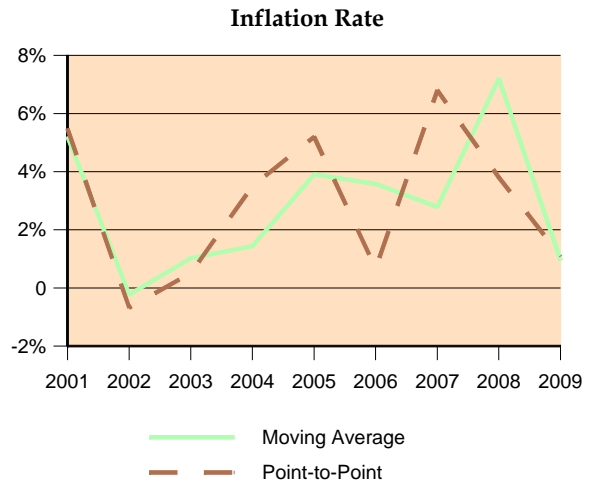
In part, the increase was due to higher construction expenditure, driven by spending on the new national hospital and the National Mental Wellness Centre. Other capital outlays were related to responses to the recession which sought to create employment, through the HOPE project and the Christmas stimulus package. Subventions to the St.Lucia Tourist Board totaled \$44.5 million, accounting for approximately 19.0 percent of capital expenditure.

In 2009/10, loans and bonds financed \$169.1 million of total capital expenditure. Grants, largely comprising EU and Taiwanese funds, accounted for \$66.6 million while local revenue contributed \$1.2 million to capital expenditure.

C) Financial Indicators

Consumer Price Index Growth

Inflation in the domestic economy subsided reflecting weak global demand and the associated downward pressure on international commodity prices, particularly oil prices in the first half of 2009. The inflation rate, as measured by percentage change in the twelve-month moving average of the Consumer Price Index (CPI), fell to 1.0 percent, following an increase of 7.2 percent in 2008. Similarly, the point to point measure of inflation as at December 2009 was recorded at 1.1 percent as compared to 3.8 percent in 2008.



St. Lucia's main trading economies experienced low inflation, which contributed to the containment of domestic inflation through lower and fairly stable import prices. The United States recorded deflation of 0.4 percent while the United Kingdom registered an inflation rate of 1.9 percent in 2009. Similarly, inflation in CARICOM countries was comparatively lower in 2009 than in 2008.

During the review period, the increase in the CPI was driven by upward movements in all sub-indices with the exception of *housing, water, electricity, gas and other fuels and clothing and footwear*.

The rate of increase in the heavily weighted *food and non-alcoholic beverages* sub-index, decelerated in the review year, increasing by 3.8 percent compared to the 7.5 percent in 2008. Increases were recorded in all food sub-components, most notably fruits and vegetables. Retail

prices of *alcoholic beverages* increased by 3.3 percent due to the higher consumption tax rates levied on alcoholic beverages with effect from August 2009.

The *transport* sub-index remained relatively stable, recording a marginal increase of 0.1 percent, attributed to increases in the purchase costs of motor vehicles. Notwithstanding unchanged fares, there were overall reductions in the costs of road, air and sea transportation services. The average retail prices of fuel were lower in 2009 compared with 2008.

Higher prices of educational equipment and supplies were chiefly responsible for the 3.9 percent increase in the *education* sub-index in 2009. Sub-indices for the categories *Recreation and culture* and *restaurants and hotels* recorded the most pronounced increases of 8.3 percent and 6.1 percent respectively.

The increasing costs of medical supplies, out-patient medical and hospital services led to an increase of 6.4 percent in the *health* sub-index. Upward movements were recorded in the sub-indices *furnishing, households equipment and maintenance* (6.8 percent) and *miscellaneous goods and services* (2.4 percent).

However, inflationary pressures were dampened by the *housing, water, electricity, gas and other fuels* sub-index, which fell by 12.5 percent. As a result of the significant decline (40.0 percent) in international oil prices, consumers benefited from lower electricity and fuel costs throughout 2009 compared to 2008. At the end of September 2009, the market-pass through pricing system for petroleum products was introduced to allow retail prices to move in line with world oil prices.

Of the remaining sub-indices, the *clothing and footwear* index registered 0.9 percent decline while the *communications* index inched up by 0.1 percent.

Liquidity and Interest Rates

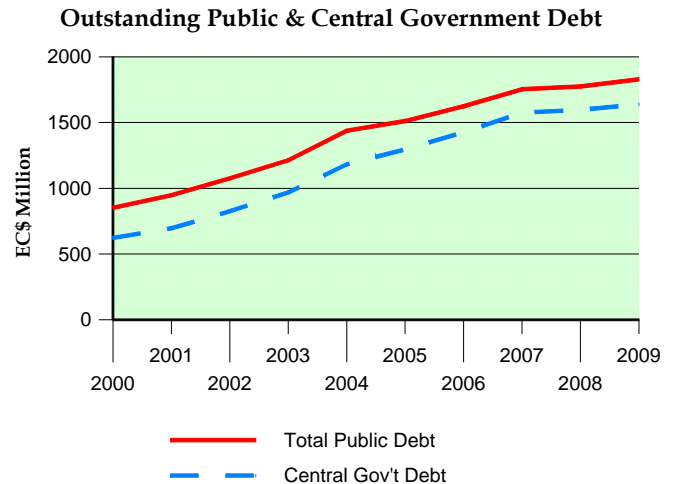
During the review period, liquidity in the commercial banking system tightened as reflected in an increase in the loans to deposits ratio from 114.9 percent in 2008 to 117.3 percent in 2009. Loans and advances increased by 2.6 percent to \$3,914.4 million while deposits grew at a slower pace of 0.6 percent to \$3,338.6 million. The ratio of liquid assets to total deposits plus liquid liabilities was 22.23 percent in 2009, compared to 20.22 percent in 2008.

Reflecting the tightening liquidity conditions, commercial banks' interest rates were on the upswing in 2009. This was evidenced by increases in the various maturity structures of the

minimum time deposit rates ranging from 1.0 to 2.0 percentage points in September 2009. The rise in interest rates were also reflected in a widening of the interest rate spread between loans and deposits to 6.52 percentage points from 6.41 in 2008. The weighted average deposit rate increased to 3.21 from 3.18 percent while the weighted average lending rate moved from 9.59 percent to 9.71 percent.

V) DEBT ANALYSIS

The deterioration in the central government's fiscal operations resulted in a 2.8 percent increase in total outstanding public sector liabilities to \$1,843.6 million at the end of 2009. The outstanding debt included domestic payables of \$14.7 million, down from \$18.5 million at the end of 2008. St.Lucia's official public debt grew by 3.1 percent to \$1,828.9 million (see Appendix VI), representing an increase in the debt to GDP¹³ ratio to 71.0 percent in 2009 from 66.0 percent in 2008.



Over the review period, total domestic and external public debt both increased by \$27.1 million. This growth was due to increases in Central government debt of 2.6 percent and a 44.3 percent expansion in non-government guaranteed debt to \$72.7 million.

The increase in central government debt to \$1,639.1 million was driven by an expansion in external debt of 4.8 percent. St.Lucia's total debt service payments including sinking fund contributions grew by 10.9 percent to \$186.6 million in 2009. Accordingly, the ratio of central government debt service to current revenue increased from 21.2 percent in 2008 to 24.4 percent in 2009. The ratio of external debt service to exports of goods and services increased to 8.9 percent partly due to the fall in tourism receipts in 2009.

In keeping with movements in international interest rates, the weighted average cost of central government debt fell by twenty two basis points to 5.55 percent in 2009. This was largely reflected in the reduction in rates on treasury bills and a 50 basis point reduction in some CDB loans. At the end of 2009, loans accounted for 47.0 percent of central government debt up from 45.0 percent in 2008. while the share of bonds fell to 48.0 percent from 50.0 percent.

¹³Refers to GDP at market prices.

Table 6: Weighted Average Cost of Debt (WACD)

	2004	2005	2006	2007	2008	2009
Bonds	7.46%	7.23%	7.28%	7.25%	7.17%	7.26%
Treasury Bills	6.03%	4.10%	5.26%	4.85%	5.73%	5.04%
Loans	3.68%	4.77%	4.18%	4.30%	4.24%	3.86%
WACD	5.96%	5.93%	5.87%	5.74%	5.77%	5.55%

Proceeds from debt raised on the Regional Government Securities Market (RGSM) continued to be a major source of financing of the central government's budget deficit. At the end of 2009, the stock of central government outstanding debt on the RGSM stood at \$588.2 million, an increase of 6.2 percent relative to 2008.

Domestic Debt

At the end of 2009, public domestic debt increased by 3.4 percent to \$820.9 million due to additional government guaranteed and non-guaranteed debt. Public non-guaranteed domestic debt moved from \$46.6 million to \$71.6 million in 2009 on account of new debt of \$27.8 million recorded for a publicly owned entity. However, the stock of central government domestic debt dipped by 0.1 percent to \$708.2 million, due to a 8.9 percent decline in balances owed to commercial banks. Notwithstanding, the central government continued to issue financial instruments on the Regional Government Securities Market, resulting in an increase of 2.2 percent and 2.1 percent in its stock of bonds and treasury bills/notes respectively.

External Debt

Public external debt rose by 2.8 percent to \$1,008.0 million, of which central government debt accounted for \$930.9 million, representing an increase of 4.8 percent. At the end of 2009, government guaranteed and non-guaranteed external debt fell by 14.3 percent to \$75.9 million and by 69.2 percent to \$1.2 million respectively.

External Debt by Currency

In keeping with the debt management strategy, at the end of 2009, 76.2 percent of the central government's external debt faced no exchange rate risks as 55.9 percent were denominated in US dollars while 19.3 percent were in EC dollars and 1.0 percent in Barbados dollars. Debt contracted in pound sterling and euros stood at \$50.1 million.

External Debt by Creditor

During the review period, the central government increased its borrowing from development institutions such as the CDB, IDA, IBRD in addition to new loan from the IMF's Exogenous Shock Facility of \$28.9 million. At the end of 2009, multi-lateral loans which attract concessionary interest rates grew by 14.2 percent to \$567.4 million, comprising 68.4 percent of central government external debt. Of this, CDB loans expanded by 10.9 percent to \$347.0 million due to disbursements of the policy based loan used as budgetary support. As the second largest source of concessional funding, the World Bank Group (IDA, IBRD) and the IMF accounted for 23.1 percent of the central government's outstanding external debt. Outstanding debt to commercial banks amounted to 19.5 percent (\$181.7 million) of the central government's external debt. Bilateral loans of the central government fell by 11.4 percent to \$69.7 million while the balance was held in bonds and treasury bills/ notes by various foreign institutions and individuals.

Debt Indicators of External Vulnerability

Debt Indicators	2004	2005	2006	2007	2008	2009 pre
	%	%	%	%	%	%
CG/GDP	55	55	57	61	59	64
Total Debt/GDP	66	64	64	67	66	71
Debt Service/Current Revenue	21	22	21	24	22	21
Debt Service/Exports	9	10	12	14	12	12
Millions of EC Dollars						
Debt Service (Calendar Year)	111	132	137	154	168	161
GDP(MKT PRICES)	2,163	2,374	2,520	2,592	2,690	2,576

pre- preliminary

VI) CURRENT ISSUES OF GOVERNMENT SECURITIES

a. Treasury Bills

- **Issues Outstanding** EC\$84,668,582.55
- **Type of Issue** Saint Lucia Government Treasury Bills
- **Maturity in days** 91 and 180 days

Bills issued on RGSM EC\$16M, EC\$11M and EC\$25M
 Maturity in Days 91dys and 180dys
 Maturity Dates 21th Sept, 1st October 2010 and 21st July 2010
 Discount 5.99%, 4.50% and 4.99%

b. Bonds

- **Issues Outstanding** EC\$918,700.00
- **Type of Issues** Saint Lucia Government Bonds
- **Maturity in Yrs** 5, 6, and 10 yrs
- **Notes and Bonds issued on RGSM** EC\$611.735M
- **Maturity in Yrs** 5, 6, 8 and 10 yrs
- **Coupon** 6.0%, 6.5%, 7.4%, 5.50%, 7.5%
6.80%, 7.75%, 7.15%, 7.00%
- **Redemption Date** 2010, 2013, 2014, 2015, 2016, 2017, 2018

c. Sinking Fund Performance

Description	Target	Current Level	Contribution Frequency
Saint Lucia Government National Savings and Development Bond 2002/2012	60,000,000	50,159,771	Quarterly
General Provision	40,000,000	1,687,727	Quarterly

d. Debt Rating

The GOSL has been 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.

VII) SECURITY ISSUANCE PROCEDURES, CLEARANCE AND SETTLEMENT

The series of Treasury Bills 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 non-competitive fixed 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.

VIII) CALENDAR OF EVENTS OF UPCOMING ISSUES OF GOVERNMENT SECURITIES 2010/2011

PROPOSED AUCTION DATE	Settlement Date	INSTRUMENT TYPE	ISSUE AMOUNT	Trading Symbol	MATURITY DATE
1st Quarter					
21 st January 2010	22 nd January 2010	180-day T-Bill	EC\$25,000,000	LCB210710	21 st July 2010
18 th March 2010	19 th March 2010	91-day Treasury Bill	EC\$16,000,000	LCB180610	18 th June 2010
30 th March 2010	31 st March 2010	91-day Treasury Bill	EC\$11,000,000	LCB300610	30 th June 2010
2nd Quarter					
21 st June 2010	22 nd June 2010	91-day Treasury Bill	EC\$16,000,000	LCB210910	21 st Sept. 2010
1 st July 2010	2 nd July 2010	91-day Treasury Bill	EC\$11,000,000	LCB011010	1 st October 2010
3rd Quarter					
22 nd July 2010	23 rd July 2010	180-day T-Bill	EC\$25,000,000	LCB190111	19 th January 2011
22 nd Sept. 2010	23 rd Sept. 2010	91-day Treasury Bill	EC\$16,000,000	LCB231210	23 rd Dec.2010
4 th October 2010	5 th October 2010	91-day Treasury Bill	EC\$11,000,000	LCB040111	4 th January 2011
15 th October 2010	16 th October 2010	5-yr Note	EC\$50,000,000	LCN151015	15 th October 2015
Mid-End Oct. 2010	Next day	365-day	EC\$8,100,000	October 2011
29 th November 2010	30 th Nov. 2010	6-yr Note	EC\$27,000,000	LCN291116	29 th Nov. 2016
4th Quarter					
28 th December 2010	29 th Dec.2010	91- day T-Bill	EC\$16,000,000	LCB300311	30 th March 2011
5 th January 2011	6 th January 2011	91-day Treasury Bill	EC\$11,000,000	LCB070411	7 th April 2011
20 th January 2011	21 st January 2011	180-day T-Bill	EC\$25,000,000	LCB200711	20 th July 2011
31 st March 2011	1 st April 2011	91-day Treasury Bill	ECD16,000,000	LCB010711	1 st July 2011
8 th April 2011	11 th April 2011	91-day Treasury Bill	ECD11,000,000	LCB110711	11 th July 2011

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

IX) 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 INTERMEDIARIES

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Anguilla		
National Bank of Anguilla Ltd	P O Box 44, The Valley Tel: 264-497-2101 Fax: 264-497-3310 Email: nbabank1@anguillanet.com	Principal Selwyn Horsford Representative Idona Reid
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's Tel: 268 480 2824 Fax: 268 480 2765 Email: abibsec@candw.ag	Principals Casroy James Carolyn Philip Representative Laura Abraham
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 3089 St John's Tel: 268 481 4200 Fax: 268 481 4158/ 268 481 4313 Email: acb@candw.ag	Principal Peter N Ashe Representative Sharon Nathaniel

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
Dominica		
National Mortgage Finance Company of Dominica Ltd. (NMFC)	64 Hillsborough Street Roseau Tel: 767 448 4401/4405 Fax: 767 448 3982 Email: ncbdom@cwdom.dm	Principal Caryl Phillip-Williams Linda Toussaint-Peter Curtis Clarendon Representatives Debra Gordon-Peters Joel Denis
Grenada		
Republic Finance and Merchant Bank Ltd. (FINCOR)	Melvin Street St George's Tel: 473 444 1875 Fax: 473 444 1879 Email: fincorec@spiceisle.com	Principal Wilma Williams Representative Mark Salina Sharlene Thomas
St Kitts and Nevis		
St Kitts Nevis Anguilla National Bank Ltd.	P O Box 343 Central Street Basseterre Tel: 869 465 2204 Fax: 869 465 1050 Email: national_bank@sknanb.com	Principals Winston Hutchinson Anthony Galloway

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
		Representatives Marlene Nisbett Petronella Edmeade-Crooke
The Bank of Nevis Ltd.	P O Box 450 Charlestown Tel: 869 469 5564 Fax: 869 469 5798 E mail: bon@caribsurf.com	Principals Hanzel Manners Kevin Huggins Representatives Lisa Jones Vernesia Walters
St Lucia		
ECFH Global Investment Solutions Limited	1 Bridge Street Castries Tel: 758 456 6826 Fax: 758 456 6733 E-mail : capitalmarkets@ecfhglobalinvestments.com	Principals Carla Morton-Campbell Beverley Henry Donna Matthew Representatives Dianne Augustin Lawrence Jean
Caribbean Money Market Brokers Ltd.	9 Brazil Street Castries	Principals Carole Eleuthere-Jn Marie Sharmaine Rosemond

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
(CMMB St Lucia)	Tel: 758 450 2662 Fax: 758 451 7984	Representative Anderson Soomer
St Vincent and the Grenadines		
National Commercial Bank (SVG) Ltd.	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 Fax: 784 456 2612/ 784 451 2589 Email: natbank@svgnb.com	Principals Keith Inniss Jeffrey Ledger Representatives Patricia John Rashida Stephens
Trinidad and Tobago		
Caribbean Money Market Brokers Ltd. (CMMB)	No. 1 Richmond Street, Ground Floor Furness Court, Independence Square Port of Spain Tel: 868 623 7815/5153 Fax: 868 624 4544/9833; 627 2930 Email: info@mycmmmb.com	Principal Brent Salvary Representative Vishwatee Jagroop

APPENDIX II GDP Economic Activity at Factor Cost - Constant Prices

SAINT LUCIA											
GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY AT FACTOR COST											
CONSTANT PRICES - 1990											
EC\$ Millions											
SECTORS	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009pre
Agriculture, Livestock, Forestry, Fishing	82.69	85.37	64.50	67.33	56.73	55.10	41.47	45.52	46.59	56.14	51.37
- Bananas	41.05	43.68	22.37	35.75	22.78	26.81	16.84	18.76	18.12	23.56	20.44
- Other Crops	21.14	19.57	20.48	13.50	14.27	11.30	8.15	8.94	10.10	12.25	12.00
- Livestock	6.67	7.67	7.20	6.86	6.64	6.77	6.92	6.25	6.60	7.39	6.36
- Fishing	12.48	13.21	13.22	10.02	11.88	9.10	8.48	10.52	10.76	11.94	11.58
- Forestry	1.35	1.24	1.23	1.20	1.16	1.12	1.08	1.05	1.01	1.00	1.01
Mining and Quarrying	6.72	7.45	5.71	5.82	5.83	5.72	5.50	6.59	7.45	6.86	6.70
Manufacturing	71.38	70.09	65.59	69.17	72.21	70.07	81.48	86.95	88.87	84.09	84.92
Construction	109.22	104.21	99.02	94.23	95.73	96.70	108.79	123.17	110.51	94.61	71.52
Electricity and Water	64.16	61.06	63.85	62.26	63.42	64.63	55.96	51.06	55.74	51.19	51.29
- Electricity	57.39	53.18	55.59	55.06	56.32	57.44	48.73	43.68	48.09	43.21	43.37
- Water	6.77	7.87	8.26	7.20	7.10	7.19	7.23	7.37	7.65	7.98	7.92
Wholesale and Retail Trade	156.18	146.05	124.84	126.39	136.21	147.68	156.29	170.39	178.16	172.33	150.63
Hotels and Restaurants	151.57	155.61	139.20	138.35	161.36	170.86	181.67	176.70	163.64	167.31	156.43
Transport	128.79	127.14	125.49	120.70	125.95	135.18	136.10	149.33	151.85	152.45	135.43
- Road Transport	85.04	86.90	87.05	84.73	85.18	86.09	87.46	90.09	100.73	106.19	99.29
- Air Transport	17.50	18.03	17.06	16.44	20.34	22.26	21.88	20.32	18.68	17.98	15.70
- Sea Transport	26.25	22.21	21.38	19.53	20.43	26.83	26.76	38.92	32.44	28.28	20.44
Communications	102.13	107.75	120.50	129.56	135.43	141.65	152.05	153.57	158.18	161.97	160.35
Banking and Insurance	120.79	124.42	127.72	129.29	131.85	137.73	150.91	183.20	200.47	209.51	210.45
- Banking	105.14	107.98	110.22	112.35	114.07	119.57	131.37	161.75	176.87	185.07	186.82
- Insurance	15.65	16.44	17.50	16.94	17.78	18.16	19.54	21.45	23.60	24.44	23.64
Real Estate and Owner Occupied Dwellings	138.36	141.39	146.16	149.63	154.62	159.68	168.78	173.18	186.36	196.48	197.46
Producers of Government Services	144.74	145.89	149.43	146.97	143.93	149.82	162.34	165.71	172.06	186.52	192.12
Other Services	55.72	57.55	53.33	54.29	54.27	54.59	55.60	57.78	60.09	60.52	58.76
Less: Imputed Banking Service Charge	-99.45	-101.44	-103.56	-105.49	-107.05	-112.37	-123.83	-146.15	-162.26	-172.11	-173.73
TOTAL	1,233.00	1,232.54	1,181.78	1,188.49	1,230.49	1,277.03	1,333.12	1,397.00	1,417.71	1,427.87	1,353.71
Growth Rate	3.64%	-0.26%	-4.13%	0.57%	3.53%	3.78%	4.39%	4.79%	1.48%	0.72%	-5.19%
<i>Source: Government Statistics Department (St. Lucia)</i>											
<i>Eastern Caribbean Central Bank (2009)</i>											
<i>pre=preliminary</i>											

APPENDIX III Balance of Payments

BALANCE OF PAYMENTS						
(EC\$Millions)						
	2004r	2,005.00	2,006.00	2,007.00	2008r	2009pre
CURRENT ACCOUNT	-241.28	-411.17	-766.59	-767.26	-935.88	-433.89
Goods	-679.59	-889.25	-1,089.78	-1,102.17	-1,185.59	-724.89
Merchandise	-724.23	-955.70	-1,155.50	-1,169.94	-1,259.57	-806.59
Repair on goods	0.02	0.02	0.03	0.02	0.02	0.02
Goods procured in ports by carriers	44.62	66.43	65.69	67.75	73.96	81.68
Services	587.03	638.84	441.29	474.25	399.93	442.27
Transportation	-131.82	-140.00	-158.94	-171.25	-205.11	-157.11
Travel	774.48	850.28	657.14	720.09	717.41	689.68
Insurance Services	-18.87	-20.79	-26.40	-22.16	-31.38	-22.18
Other Business Services	-28.55	-47.98	-25.91	-39.71	-68.70	-56.55
Government Services	-8.21	-2.67	-4.60	-12.72	-12.29	-11.57
Income	-186.27	-195.78	-150.45	-175.98	-194.06	-186.45
Compensation of Employees	0.36	0.46	0.30	0.51	0.54	0.52
Investment Income	-186.63	-196.24	-150.75	-176.49	-194.60	-186.97
Current Transfers	37.55	35.02	32.35	36.64	43.84	35.18
General Government	-0.50	-3.34	-1.21	7.53	10.54	10.21
Other Sectors	38.05	38.36	33.56	29.11	33.30	24.97
CAPITAL AND FINANCIAL ACCOUNT	296.27	345.56	866.31	875.43	914.75	541.03
CAPITAL ACCOUNT	9.32	14.41	30.70	13.14	29.38	41.69
Capital Transfers	9.32	14.41	30.70	13.14	29.38	41.69
Acquisition & Disposition of Non-Produced, Non-Financial Assets	0.00	0.00	0.00	0.00	0.00	0.00
FINANCIAL ACCOUNT	286.94	331.15	835.61	862.29	885.37	499.34
Direct Investment	206.60	211.23	631.62	638.86	435.27	422.44
Portfolio Investment	43.98	64.92	-8.00	1.27	-25.81	-8.21
Other Investments	36.36	55.00	211.99	222.16	475.91	85.11
Public Sector Loans	45.40	20.20	64.02	21.32	-25.53	53.10
Commercial Banks	53.97	66.50	174.00	216.60	466.19	-11.89
Other	-63.01	-31.70	-26.03	-15.76	35.25	43.90
ERRORS AND OMISSIONS	-12.39	-20.72	63.45	58.16	8.36	58.35
OVERALL BALANCE	67.38	-44.89	36.27	50.01	-29.49	48.79
FINANCING	-67.38	44.89	-36.27	-50.01	29.49	-48.79
Change in SDR Holdings	0.00	0.00	0.00	0.00	0.00	0.00
Special Drawing Rights	0.00	0.00	0.00	0.00	0.00	-20.92
Change in Reserve Position with IMF	0.00	0.00	0.00	0.00	0.00	0.00
Change in Government Foreign Assets	1.51	1.71	12.31	1.31	0.00	0.00
Change in Imputed Reserves	-68.89	43.18	-48.58	-51.32	29.49	-27.87
<i>Source: Eastern Caribbean Central Bank</i>						
<i>pre=preliminary</i>						
<i>r=revised</i>						

APPENDIX IV Central Government Fiscal Operations - Ratio of GDP

SUMMARY OF CENTRAL GOVERNMENT FISCAL OPERATIONS AS A RATIO OF GDP ECONOMIC CLASSIFICATION						
	2004/05	2005/06	2006/07	2007/08	2008/09 ^r	2009/10 ^{pre}
Total Revenue & Grants	25.16%	25.34%	26.31%	28.55%	31.15%	30.79%
of which:						
Grants	0.00%	0.25%	0.26%	0.24%	0.78%	1.74%
Capital revenue	0.04%	0.03%	0.02%	0.00%	0.26%	0.01%
Current Revenue	25.12%	25.06%	26.03%	28.30%	30.12%	29.04%
Tax Revenue	23.16%	22.93%	24.52%	26.29%	27.99%	27.00%
of which:						
Taxes on Income	5.93%	6.02%	6.34%	7.48%	8.80%	8.42%
Taxes on Goods & Services	3.97%	3.88%	4.22%	4.95%	4.68%	4.14%
Taxes on International Trade	13.08%	12.79%	13.80%	13.69%	14.41%	14.29%
Other	0.18%	0.24%	0.16%	0.18%	0.10%	0.15%
Non Tax Revenue	1.96%	2.14%	1.50%	2.01%	2.14%	2.04%
Total Expenditure	31.13%	32.73%	33.48%	30.41%	33.07%	35.61%
Capital Expenditure	8.65%	10.73%	11.55%	8.35%	8.31%	9.11%
Current Expenditure	22.48%	22.01%	21.93%	22.05%	24.77%	26.50%
of which:						
Wages & Salaries	10.34%	9.94%	10.07%	10.20%	11.42%	12.15%
Interest Payments	3.03%	2.98%	3.10%	3.01%	3.58%	3.44%
Goods & Services	3.97%	4.36%	4.12%	4.37%	4.97%	5.22%
Current Transfers	5.14%	4.72%	4.64%	4.48%	4.79%	5.69%
Current Balance	2.64%	3.06%	4.10%	6.25%	5.36%	2.53%
Primary Balance	-2.94%	-4.41%	-4.06%	1.15%	1.67%	-1.39%
Overall Balance	-5.97%	-7.40%	-7.16%	-1.86%	-1.92%	-4.82%
<i>Source: Ministry of Finance, Economic Affairs and National Development</i>						
<i>r=revised</i>						
<i>pre=preliminary</i>						

APPENDIX V Central Government Fiscal Operations – Economic Classification

CENTRAL GOVERNMENT							
SUMMARY OF FISCAL OPERATIONS [Fiscal Year]							
ECONOMIC CLASSIFICATION							
(EC\$ Million)							
	2004/05	2005/06	2006/07	2007/08	2008/09r	2009/10pre	Change
Total Revenue & Grants	557.51	609.87	667.84	747.16	821.23	800.67	-2.5%
of which:							
Grants	0.00	6.00	6.64	6.37	20.47	45.28	121.2%
Capital revenue	0.87	0.63	0.63	0.00	6.72	0.26	-96.1%
Current Revenue	556.64	603.25	660.58	740.79	794.04	755.13	-4.9%
Tax Revenue	513.22	551.71	622.44	688.18	737.73	702.10	-4.8%
of which:							
Taxes on Income	131.79	145.05	160.83	195.77	231.91	218.96	-5.6%
Taxes on Goods & Services	87.95	93.59	107.14	129.50	123.36	107.54	-12.8%
Taxes on International Trade	289.83	308.21	350.33	358.18	379.74	371.68	-2.1%
Other	3.65	4.86	4.15	4.72	2.73	3.92	43.6%
Non Tax Revenue	43.42	51.54	38.14	52.61	56.31	53.04	-5.8%
Total Expenditure	689.78	789.09	849.65	795.81	871.82	926.14	6.2%
Capital Expenditure	191.70	258.60	293.10	218.60	219.00	236.90	8.2%
Current Expenditure	498.08	530.49	556.55	577.21	652.82	689.24	5.6%
of which:							
Wages & Salaries	229.04	239.60	255.54	266.96	301.07	315.90	4.9%
Interest Payments	67.17	71.87	78.72	78.67	94.48	89.40	-5.4%
Goods & Services	87.94	105.17	104.45	114.37	130.95	135.85	3.7%
Current Transfers	113.93	113.85	117.84	117.20	126.32	148.09	17.2%
Current Balance	58.55	72.76	104.03	163.58	141.22	65.89	-53.3%
Primary Balance	-65.10	-107.34	-103.09	30.02	43.89	-36.07	-182.2%
Overall Balance	-132.27	-179.21	-181.81	-48.65	-50.59	-125.47	148.0%
<i>Source: Ministry of Finance, Economic Affairs and National Development</i>							
<i>r=revised</i>							
<i>pre = preliminary</i>							

APPENDIX VI Public Sector Outstanding Debt

TOTAL PUBLIC SECTOR OUTSTANDING DEBT							
As at December 31							
(in EC\$000's)							
	2004	2005	2006	2007	2008	2009	Change
1. TOTAL OUTSTANDING LIABILITIES	1,457,986.40	1,528,237.67	1,641,899.85	1,768,688.98	1,793,216.00	1,843,046.78	2.8%
2. OFFICIAL DEBT	1,437,793.89	1,510,933.57	1,624,735.27	1,754,039.68	1,774,680.35	1,828,855.21	3.1%
% GDP at market prices	66.5%	63.6%	64.5%	67.6%	66.0%	71.0%	
A. Central Government							
Outstanding Debt	1,181,362.21	1,296,258.27	1,427,373.44	1,575,724.86	1,597,086.04	1,639,113.76	2.6%
- Domestic	377,848.32	395,340.26	470,080.51	594,502.85	708,543.18	708,188.48	-0.1%
- External	803,513.89	900,918.00	957,292.93	981,222.01	888,542.85	930,925.28	4.8%
- Treasury Bills/Notes			18,643.20	22,551.46	12,738.28	19,504.00	53.1%
- Bonds			359,541.44	329,304.48	299,338.53	274,260.68	-8.4%
- Loans			579,108.29	629,366.06	576,466.05	637,160.61	10.5%
- <i>Bilateral</i>			70,281.06	83,169.62	78,704.94	69,706.48	-11.4%
- <i>Multilateral</i>			508,827.23	546,196.45	497,761.11	567,454.13	14.0%
B. Government Guaranteed							
Outstanding Debt	180,067.20	160,136.77	143,680.87	125,501.82	127,224.12	117,054.01	-8.0%
- Domestic	51,541.64	47,545.20	45,430.42	40,160.88	38,637.80	41,145.07	6.5%
- External	128,525.56	112,591.57	98,250.45	85,340.95	88,586.32	75,908.93	-14.3%
C. Public Non-Guaranteed							
Outstanding Debt	56,171.97	54,538.53	53,680.96	52,812.99	50,370.19	72,687.45	44.3%
- Domestic	23,185.60	21,976.76	20,750.89	19,525.02	46,573.69	71,519.05	53.6%
- External	32,986.37	32,561.77	32,930.07	33,287.97	3,796.50	1,168.39	-69.2%
3. Outstanding Payables	20,192.51	17,304.10	17,164.58	14,649.30	18,535.65	14,191.57	-23.4%
TOTAL (Domestic)	452,575.56	464,862.22	536,261.82	654,188.75	793,754.67	820,852.61	3.4%
TOTAL (External)	965,025.82	1,046,071.34	1,088,473.45	1,099,850.92	980,925.68	1,008,002.61	2.8%

Source: Debt and Investment Unit, Ministry of Finance, Economic Affairs and National Development

