GOVERNMENT OF SAINT LUCIA
P R O S P E C T U S

EC$140M
(Series 1: EC$40M, Series 2: EC$60M, Series 3: EC$40M)

EC$ 27M 91-day
(Series A: EC$16M, Series B: EC$11M)

Series C: EC$ 25M 180-day

Ministry of Finance
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SAINT LUCIA

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PROSPECTUS DATE: September 2012

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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
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Soufriere
Anbre
Micoud
Desruisseaux
Londonderry
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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 2011. 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 these security offerings, and that you are able to assume those risks.

This Prospectus and its content are issued for the specific government issues 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 one hundred and forty million Eastern Caribbean Dollars (EC$140m) through three Series:

Series 1: EC$40 Million
A 7 year Bond, with a maximum coupon rate of 7.00%
Series 2: EC$60 Million
A 4 year Note, with a maximum coupon rate of 6.00%
Series 3: EC$40 Million
A 10 year Note, with a maximum coupon rate of 7.50%

In the event there is an oversubscription of the amount of Series 1 and Series 2, the GOSL is willing to accept up to an additional EC$5 million per series. The over-subscribed amount will be adjusted in Series 3 to retain the total issue of a maximum of EC$140 million. The Bond is being issued to fund a portion of the GOSL 2012/2013 budgeted capital expenditure and to cover the payout of a $60 million 10 year note which matured on 15th August 2012.

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). On April 24th 2012, the regional rating agency re-affirmed its rating of *Cari*BBB+ both foreign and local currency for the USD50 million debt issue of the Government of Saint Lucia. 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 Government of Saint Lucia is currently in the process of updating its credit rating. The GOSL assigns very high priority to honoring its debt commitments and 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 series will be issued on the Regional Government Securities Market (RGSM) in the months of September and October 2012 and will be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE) under the trading symbols LCG071019, LCN151016 and LCG101022.

The Bond will be opened for bidding commencing at 9:00 a.m. and close at 12:00 noon on September 28th, October 12th and October 26th 2012. Settlement for successful bids will take place on 1st October, 15th October, and 29th October 2012.

In addition to the above Series, the GOSL propose to raise twenty-seven million Eastern Caribbean Dollars (EC$27 M) in two Series in addition to a twenty-five million Eastern Caribbean Dollars (EC$25 M):

Series A: EC$16 Million
91-day EC$ Treasury bills, with a maximum coupon rate of 6%
Series B: EC$11 Million
91-day EC$ Treasury bills, with a maximum coupon rate of 6 %
Series C: EC$25 Million
180-day EC$ Treasury bill, with a maximum coupon rate of 6%

The Revised Treasury Bill Amendment Act 2003, Chapter 15.33, Sub-section 3(1), authorizes the Minister for Finance to borrow monies for public uses of the state by the issue of treasury bills. The authority also extends to the issue of such bills as may be required to pay off at maturity treasury bills already issued. The principal sums of treasury bills outstanding at any one time shall not exceed 30 percent of the estimated annual revenue of the state for the preceding financial year as shown in the annual estimates of revenue and expenditure laid before the House of Assembly with respect to that year.

The Treasury bills 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 A EC$16 Million

Auction Date	Trading Symbol	Settlement Date
16th January 2013	LCB180413	17th January 2013
19th April 2012	LCB220713	22nd April 2013
23rd July 2013	LCB231013	24th July 2013

Issue Amount: Series B EC$11 Million

Auction Date	Trading Symbol	Settlement Date
25th January 2013	LCB290413	28thJanuary 2013
30thApril 2013	LCB310713	1st May 2013
1st August 2013	LCB011113	2nd August 2013

Issue Amount: Series C EC$25 Million

Auction Date	Trading Symbol	Settlement Date
17th January 2013	LCB170713	18th January 2013

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, Economic Affairs, Planning and Social Security 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 Kenny D. Anthony, Minister for Finance Mr. Reginald Darius, Permanent Secretary Mr. Agosta Degazon, Director of Finance Mr. Francis Fontenelle, Deputy Director, Debt and Investments Mrs Marie Monrose, Accountant General
Arrangers:	First Citizens Investment Services Ltd.
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 -ECSE Registered Principal Mr. Samuel Agiste -ECSE Registered Representative
Date of Publication:	August 2012
Purpose of Issues:	The Securities will be issued to cover the payout of a $60 million 10 year bond which matured on 15th August 2012 and to assist with the budget financing for capital expenditure for the fiscal year 2012 / 2013

Amount of Issue:	$140 Million Eastern Caribbean Dollars ($140,000,000.00) to be issued in three tranches of Series 1: EC$40M each issue Series 2: EC$60M each issue Series 3: EC$40M each issue **$27 Million EC Dollars ($27,000,000.00)** Series A: EC $ 16,000,000 each issue Series B: EC $ 11,000,000 each issue **$25 Million EC Dollars ($25,000,000.00)** Series C: EC $ 25,000,000
Over-Subscription	In the event of any Over-Subscription in the Bond issue the GOSL reserves the right without the consent of investors, to increase the aggregate value of Tranche # 1 and 2 up to an additional EC$5 million each An over-subscription adjustment will be made in Tranche # 3 retaining the total issue at a maximum of EC$140 million.
Legislative Authority:	National Saving Development Bond Act (Amendment) Act No. 7 of 1982 as amended by the National Savings and Development Bonds (Amendment) Act, Cap. 15.25 Of 2005 and the Revised Treasury Bill Amendment Act 2003.
Intermediaries:	A complete list of Licensed Intermediaries who are members of the Eastern Caribbean Securities Exchange is available in Appendix I.
Reference Currency:	Eastern Caribbean Dollars (EC$), unless otherwise stated

II) INFORMATION ABOUT BOND ISSUE

a. GOSL proposes to auction EC $140 million in Government Bonds on the Regional Government Securities Market (RGSM) to be traded on the Eastern Caribbean Securities Exchange Ltd (ECSE) in three tranches.

b. The issue dates and issue amounts:

	Issue Dates	Issue Amounts
Series 1	1st October 2012	$40M
Series 2	15th October 2012	$60M
Series 3	29th October 2012	$40M

c. The auction dates and settlement dates:

	Auction Dates	Settlement Dates
Series 1	28th September 2012	1st October 2012
Series 2	12th October 2012	15th October 2012
Series 3	26th October 2012	29th October 2012

d. Tenors and maturity dates:

	Tenors	Maturity Dates
Series 1	7 years	1st October 2019
Series 2	4 years	15th October 2016
Series 3	10 years	29th October 2022

e. The interest rates will be a maximum of:

	Interest Rates
Series 1	7.00%
Series 2	6.00%
Series 3	7.50%

f. The method of issue will be determined by Competitive Bid Auction.

g. A combination of bullet and amortizing structure will be used for the repayment of the Bond as follows:

1. Series 1: EC$20.0M will be amortized semi-annually beginning April 1st 2013 and ending October 1st 2019, in addition to a bullet payment of EC$20.0M on October 1st 2019.
2. Series 2: EC$30.0M will be amortized semi-annually beginning April 15th 2013 and ending October 15th 2016, in addition to a bullet payment of EC$30.0M on October 15th 2016

3. Series 3:ECD20M will be amortized semi-annually beginning April 29th 2013 and ending October 29th 2022, in addition to a bullet payment of EC$20.0M on October 29th 2022.

h. The interest payments will be made semi annually as follows:
   1. Series 1: April 1st and October 1st each year beginning April 1st 2013 and ending October 1st 2019.
   2. Series 2: April 15th and October 15th each year beginning April 15th 2013 and ending October 15th 2016.
   3. Series 3: April 29th and October 29th each year beginning April 29th 2013 and ending October 29th 2022.

i. The Bonds will be identified by the trading symbol LCG071019, LCN151016 & LCG101022.

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

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

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

m. Each investor's bid will be allotted 50:50 amortizing and bullet in keeping with the bond structures.

n. The bidding periods for the various issues will be opened from 9 a.m. to midday on 28st September, 12th October and 26th October 2012.

o. 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
   - Bank of St Vincent and the Grenadines Ltd.
   - First Citizens Investment Services Ltd - Saint Lucia
   - National Bank of Anguilla Ltd.

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

INFORMATION ABOUT THE TREASURY BILL ISSUES

Series A: Sixteen million (EC $ 16.0 Million) 91-days Treasury bill.

a. GOSL proposes to auction an EC $16 Million Treasury bill on 16th January and 19th April, and 23rd July 2013, 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 91-day Treasury bill issues is 6 percent.

c. The auction will be opened for competitive bidding on 16th January, 19th April and 23rd July 2013, commencing at 9:00 a.m. and close at 12:00 noon on both dates.

d. The Treasury bill issue will be settled on 17th January, 22nd April and 24th July 2013.

e. The maturity dates of the Treasury bill will be on 18thApril, 22nd July and 23rd October 2013.

f. The Bills will be identified by the trading symbol LCB180413, LCB220713 and LCB231013.

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. 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
- Bank of St Vincent and the Grenadines Ltd.
- First Citizens Investment Services Ltd. Saint Lucia
- National Bank of Anguilla Ltd.

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

Series B: Eleven Million (EC $ 11.0 Million) 91-days Treasury bill.

a. GOSL proposes to auction an EC $11 Million Treasury bill on 25th January, 30th April and 1st August 2013 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 91-day Treasury bill is 6 percent.

c. The auction will be opened for competitive bidding commencing at 9:00 a.m. and close at 12:00 noon on 25th January, 30th April and1st August 2013.

d. The Treasury bill will be settled on 28thJanuary, 1st May and 2nd August 2013.

e. The maturity dates of the Treasury bill will be 29th April 2013, 31st July 2013 and 1st November 2013.

f. The Bills will be identified by the trading symbols LCB290413, LCB310713 and LCB011113.

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. 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
- Bank of St Vincent and the Grenadines Ltd (SVG) Ltd.
- First Citizens Investment Services Limited – Saint Lucia
- National Bank of Anguilla Ltd.

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

Series C: Twenty-five Million (EC $ 25.0 Million) 180-days Treasury bill.

a. GOSL proposes to auction a twenty-five million (EC$25.0 Million) 180-day Treasury bill on 17th January 2013 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 180-day Treasury bill issue is 6 percent.

c. The Treasury bill issue will be opened for competitive bidding commencing at 9:00 a.m. on 17thJanuary 2013 and close at 12:00 noon.

d. The Treasury bill issue will be settled on 18thJanuary 2013.

e. The maturity date of the Treasury bill will be on 17th July 2013.

f. The Bill will be identified by the trading symbol LCB170713.

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. 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
- Bank of St Vincent and the Grenadines Ltd.
- First Citizens Investment Services Limited – Saint Lucia
- 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 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) Summary of Economic Performance

The domestic economy continued to recover from the effects of the global crisis albeit at a subdued pace. Provisional estimates indicate that real GDP expanded by 1.0 percent in 2011, up from a revised growth rate of 0.6 percent recorded in 2010 **(See Appendix II)**. This performance was influenced by growth in the hotel & restaurants and construction sectors and supported by increased value added in distributive trade services, real estate, renting and business activities.

Growth in the construction sector recovered in 2011 following a decline recorded in the previous two years. Preliminary data indicate a 2.1 percent growth in the construction sector in 2011 supported predominantly by activity in the public sector. Public sector construction activities focussed partly on road reconstruction, hurricane Tomas related infrastructure rehabilitation and the construction of the national and St. Jude hospitals. The completion of major projects resulted in slower private sector construction with just a few major on-going projects.

After experiencing a creditable performance in 2010, value-added in the hotel industry declined in the review period as lower foreign exchange earnings from tourism coincided with increases in operating costs. However, driven by robust growth in the restaurant sub-sector, real growth in the hotel and restaurant sector is estimated to have increased by 2.4 percent in 2011. The performance of the hotel industry was underpinned by a decline in stay-over arrivals of 0.4 percent to 304,639.This outturn was primarily driven by a turnaround in US arrivals coupled with a continued decline in Caribbean arrivals, despite appreciable increases in arrivals from the UK and Canada. In addition, cruise passenger arrivals decreased further by 5.9 percent to 630,304, reflecting the re-routing of shipping itineraries closer to the North American mainland, spurred by rising oil prices.

Total stay-over and cruise passenger expenditure fell by 7.8 percent in 2011 to an estimated $1.4 billion, the combined result of a reduction in arrivals, shorter lengths of stay and reduced daily expenditure by tourists.

Amid the challenges associated with the damage caused by hurricane Tomas in late 2010, the agricultural sector suffered further setbacks to recovery, mainly attributed to crop disease. Output in the agriculture sector declined for the third consecutive year, resulting in a contraction of 6.5 percent in its value-added in 2011.Production in the banana industry fell markedly owing to widespread field infestation of black sigatoka. Most other sub-sectors were estimated to have declined in 2011 mainly on account of higher input costs. Nonetheless, there was a notable expansion in value added of the other crops sub-sector.

Following a contraction in 2010, value added in the manufacturing sector is estimated to have increased by 2.5 percent in 2011. Reflecting expansions in output in most sub-categories, the value of total production grew by 1.6 percent to $315.7 million. Increases in the value of the two largest sub-categories, namely food and beverages, contributed most significantly to the growth recorded in output. However, there was a 10.3 percent contraction in the value of paper products attributable to substantial declines in banana and commercial boxes.

Notwithstanding the incipient pick–up in overall economic activity, the prolonged effects of the global recession and high unemployment continued to adversely affect the performance of the financial sector. Real growth in financial intermediation contracted for the third consecutive year, by 0.2 percent in 2011, reflecting a further decrease in value-added in banking and auxiliary financial services. Commercial bank profitability continued to decline partly due to increasing levels of non-performing loans and larger provisioning for bad debt. Domestic credit grew by 6.0 percent, while broad money supply increased by 6.7 percent. Increases in bank deposits relative to credit growth have resulted in increased liquidity in the commercial banking system while interest rates remained largely unchanged in 2011. During the review period, options for resolution of the CLICO and BAICO debacle were proposed and discussions with potential investors are ongoing. Progress on financial sector strengthening and regulation were underway with the formation of the Financial Services Regulatory Authority (FSRA).

Following inflation of 3.3 percent in 2010, prices were elevated by 2.8 percent in 2011, reflecting higher fuel and food prices. Upward movements in the sub-indices for *transport, food, miscellaneous goods & services and housing, water, electricity, gas & other fuels* contributed most significantly to the overall increase in inflation while there were pronounced increases in *clothing & footwear* and *education*.

Preliminary estimates suggest that the fiscal position of the central government deteriorated in 2011/12, with a widening of the overall deficit to $254.4 million equivalent to 7.6 percent of GDP from $166.5 million or 5.1 percent of GDP in 2010/11.The larger fiscal deficit was attributed to substantial increases in capital expenditure of 34.8 percent to $402.6 million or 12.0 percent of GDP, including continued spending on hurricane Tomas related rehabilitation works.

Revenue and grants increased by 6.2 percent to $928.8 million while total expenditure grew at a faster pace of 13.7 percent to $1,183.3 million. Current revenue rose by 6.1 percent while current expenditure was up by 5.1 percent, resulting in a higher current account surplus of $55.3 million, equivalent to 1.6 percent to GDP.

The official public debt continued on an upward trend, increasing by 11.6 percent to $2,273.2 million or 68.5 percent of GDP from 62.2 percent in 2010. Of this amount, central government debt rose by 13.7 percent to $2,082.9 million while government guaranteed and non-guaranteed debt fell by 9.3 percent and 2.3 percent respectively.

The current account deficit of the balance of payments deteriorated significantly to an estimated $789.3 million or 23.8 percent of GDP, driven by a larger merchandise trade deficit. Reflecting the expansion in economic activity and rising prices, import payments grew by 5.6 percent to $1,889.9 million or 56.9 percent of GDP. Total exports fell sharply due to a large decline in re-exports. Domestic exports also declined, by 4.4 percent to $238.5 million in 2011. A notable decline in tourism receipts resulted in a 12.2 percent reduction in the surplus on the services account.

Despite a decline in foreign direct investment, the surplus on the capital and financial accounts increased from $438.6 million to $756.3 million. This was influenced by a substantial increase in inflows to commercial banks and debt flows to the central government to a lesser extent. Accordingly, Saint Lucia's imputed share of reserves at ECCB rose by 4.1 percent to $512.4 million, reflecting an overall surplus in the balance of payments.

Short-Term Prospects

The anticipated slowdown in the global economic recovery is expected to weigh down on Saint Lucia's growth prospects in 2012, particularly in the tourism sector. Any impetus for growth in 2012 is expected to be led by developments in the construction sector. The construction sector is expected to pick-up in 2012, led by public sector activity, including continued infrastructure reconstruction. The prospects for agriculture, particularly the banana industry, depend on progress made in controlling the spread of the black sigatoka disease and the ability of banana producers to recover from the effects of the disease. The rate of inflation is expected to remain moderate in 2012, notwithstanding the introduction of VAT, while unemployment is expected to remain high. Implementation of VAT is likely to boost revenue and contribute to a containment of the growth of the overall fiscal deficit and public debt.

PRODUCTIVE SECTORS

Tourism

In the review period, value-added in the hotel industry declined as lower foreign exchange earnings from tourism coincided with increases in operating costs. However, driven by robust growth in the restaurant sub-sector, real growth in the hotels and restaurants sector is estimated to have increased by 2.4 percent, following strong growth of 7.2 percent in 2010.

Declines were recorded in both the stay-over and cruise sub-sectors, resulting in a 3.9 percent reduction in total visitor arrivals to 976,216 in 2011. Moreover, total visitor expenditure fell by more than the proportionate decline in arrivals as accommodation rates were discounted. This performance was influenced by the sluggish global economic recovery coupled with other adverse developments such as rising oil prices.

Stay-Over Arrivals

Deteriorating economic conditions in advanced economies and higher air fares considerably dampened demand for travel and vacation over the review period. Preliminary estimates indicate that stay-over arrivals in 2011 decreased by 0.4 percent to 304,639. Notwithstanding a pick-up in the last quarter, this outturn was influenced by a noticeable drop in arrivals in the prior months. Monthly declines were posted in the period May to September, in contrast to the strong performance registered in the summer months of 2010.However, while the passage of Hurricane Tomas led to flight cancelations and resulted in a fall of 8.8 percent in arrivals in the last quarter of 2010, stay-over arrivals increased by 23.2 percent in the corresponding period of 2011.

The overall dip in arrivals emanated mainly from the United States and Caribbean markets which together account for roughly 60.0 percent of stay-over arrivals. However, this was offset by considerable increases in arrivals from the United Kingdom and Canadian markets.

In 2011, preliminary estimates indicate that tourist arrivals from the United States fell by 4.2 percent to 123,599. Despite this outturn, the United States remained St. Lucia's largest source market, accounting for 40.6 percent of total stay-over arrivals. This weak performance is attributable to the slow economic recovery in the United States, compounded by increases in airfares and a reduction in airlift into Saint Lucia. More specifically, contributing to this unfavourable outturn was the cancellation of direct flights from New York by American Airlines from June 2011 and reduced flights by Delta, despite increases in the number of airseats by Jet Blue.

Notwithstanding weak economic conditions, arrivals from the United Kingdom expanded during the year in review. After two consecutive years of decline, the UK market performed favourably in 2011 with an upturn in arrivals of 6.3 percent to 71,635. Key to this positive performance of Saint Lucia's second largest market is the additional weekly flight by British Airways which commenced in March 2011. This was supported by a strategic marketing campaign in the UK by the Saint Lucia Tourist Board. However, much of the annual increase reflected a significant increase of 26.4 percent in the last quarter which offset the 1.6 percent growth recorded in the first three quarters.

There were mixed performances in arrivals from the rest of Europe. Despite the euro crisis, arrivals from France increased by 20.3 percent to 7,002, as a result of the introduction of direct flights by XL Airways during the period January to March. German arrivals fell by 26.1 percent to 3,063 in 2011, occasioned by a suspension of flights by Condor Airways between May and November of 2011.

Arrivals from the Caribbean continued to trend downward, falling by 3.2 percent to 52,279 in 2011. This performance was affected by further increases in airfares for intra-regional travel, which stems from higher oil prices.

The Canadian market continued to show encouraging signs of growth, contributing 35,359 visitors to Saint Lucia in 2011, an increase of 10.0 percent from the previous year. This was due to the continued marketing efforts undertaken by the Saint Lucia Tourist Board and enhanced airlift from the major air carriers. This included the additional direct flight introduced by Air Canada from Montreal in the middle of 2011 and an additional flight from West Jet.

Accordingly, arrivals from Canada performed creditably during the summer period and recorded growth of 28.3 percent in the last quarter of 2011.

The developments in the global economy encouraged consumers to be more vigilant in their spending. Preliminary data show that stay-over visitor expenditure fell by 7.4 percent to $1,350.9 million in 2011. Consistent with the performance of stay over arrivals, spending by all major source markets declined with the exception of the UK and Canada which expanded by 4.7 percent and 2.4 percent respectively. Average daily spending from the US market fell by 0.3 percent and resulted in an overall fall of 2.0 percent during the review period.

Hotel Occupancy

Reflecting lower stay-over arrivals and shorter lengths of stay, the average occupancy rates fell from 58.1 percent in 2010 to 56.8 percent in the review year. Occupancy levels at all-inclusive hotels dropped to 63.5 percent in 2011 reflecting temporary closure of some properties due to renovation works. Occupancy at conventional hotels remained unchanged at 55.4 percent while small properties experienced lower occupancy of 53.7 percent.

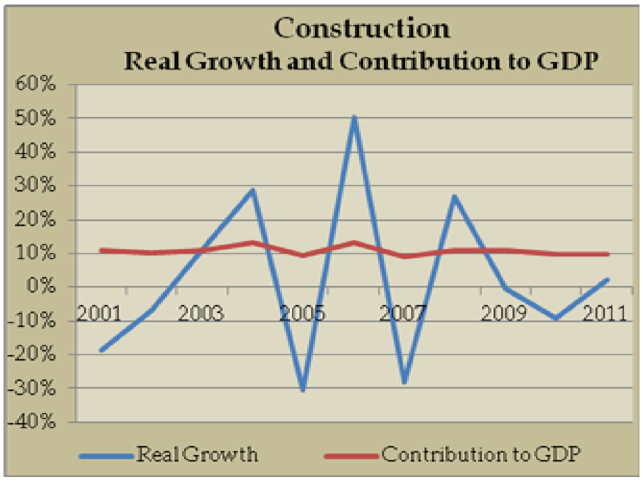
Cruise & Other Arrivals

The cruise sub-sector contracted further in 2011, as cruise arrivals registered a decline of 5.9 percent to 630,304. This was on account of reduced cruise calls resulting from the cyclical rescheduling of vessels away from Saint Lucia, particularly in the summer months. Driven by rising fuel costs, cruise lines re-routed ship itineraries closer to the North American mainland. Weak incomes and high unemployment in advanced economies, which reduced demand for cruise vacations, were other contributory factors to this outturn. Consequently, expenditure by cruise visitors is estimated to have declined by 18.7 percent to $47.7million in the review period.

Yacht passenger arrivals grew by 3.4 percent to 33,139 in 2011. The revised yachting policies including more relaxed immigration procedures contributed to increased arrivals, particularly in the last quarter of the year.

Construction

Preliminary indicators for the review period suggest that there was some recovery in construction activity, following the declines registered in the previous two years. Value added[1] in the sector is estimated to have increased by 2.1 percent, resulting in an increase in the sector's share of GDP from 9.8 percent to 9.9 percent in 2011. This growth was sustained by a significant expansion in public sector investment on infrastructural development. However, the level of construction activity in the private sector is estimated to decline reflecting the completion of major projects and was constrained by continued softening of tourism-related foreign direct investments and domestic credit conditions.



Public Sector Construction

Following the devastation caused by hurricane Tomas, government remained committed to rebuilding and upgrading the country's damaged infrastructure. Preliminary data indicate that public spending on construction increased by $112.3 million in 2011 relative to 2010. This was led by considerable growth in spending on economic infrastructure[2], particularly by the central government, largely occasioned by hurricane Tomas related rehabilitation projects. Similarly, spending on social infrastructure grew by 35.8 percent, mirroring higher outlays by the central government and by statutory bodies to a lesser extent.

[1]Based on a revised GDP series.

[2]Refers to basic facilities that enable growth while social infrastructure involves physical structures for human development.

Summary of Public Sector Construction (EC$ Million)			
	2009	**2010**	**2011**
Economic Infrastructure			
Central Government	40.8	49.7	127.9
Statutory Bodies	3.3	1.9	4.4
Sub-Total	**44.0**	**51.7**	**137.8**
Social Infrastructure			
Central Government	60.6	87.5	112.3
Statutory Bodies	5.0	1.3	8.4
Sub-Total	**65.9**	**88.9**	**120.7**
Total Central Government	101.4	137.3	240.1
Total Statutory Bodies	8.3	3.3	12.8
Grand Total	**109.6**	**140.6**	**252.9**

Economic Infrastructure

Central government spending on economic infrastructure more than doubled, increasing by $78.2 million in 2011. This was indicative of the government's priority to improve and rehabilitate the country's road network. Construction expenditure on *road and infrastructure*, accounted for a dominant share (78.8 percent) of central government construction expenditure, totaling $100.8 million. Of this amount, a significant amount was spent on hurricane Tomas related repair, including stabilization works.

Central Government Construction Expenditure on Economic Infrastructure2011 (EC$ Millions)	
Central Government, of which:	**$127.9**
Disaster & Emergency Recovery	$28.9
Reconstruction and Rehabilitation of Roads	$23.0
East Coast Road Rehabilitation	$14.6
Community and Agriculture Feeder Roads	$10.5
Urban and Community Infrastructure Enhancement	$8.9
Post Hurricane Rehabilitation	$6.5
West Coast Road Overlay	$5.5
Desilting of Rivers and Drains	$3.1
Water Sector Improvement	$2.0

Central government construction expenditure on *agriculture* increased from $8.1 million to $13.2 million in 2011, owing mainly to works associated with post-hurricane rehabilitation and improvements to farm access roads. During the review period, work continued on the agro-processing facility, the national marketing infrastructure and the meat processing plant which together amounted to $4.3 million. In 2011, there was also notable spending on *upkeep, drainage* and *water* by the central government.

Spending by statutory bodies on economic infrastructure rose to $4.4 million in 2011 from $1.9 million in 2010. As a result of the damage caused by hurricane Tomas to the water infrastructure, the Water and Sewerage Company expended $3.5 million on reconstruction works in 2011. Capital expenditure by the St Lucia Air and Seaport Authority amounted to $0.9 million, reflecting refurbishments to one of its buildings.

Social Infrastructure

In the review period, spending on social infrastructure increased by $31.7 million to $120.7 million, and accounted for 47.7 percent of total public construction expenditure. Of this amount, expenditure by the central government grew by $24.7 million, mainly directed at community development and the public health infrastructure.

Central Government Expenditure on Social Infrastructure 2011 (EC$ Millions)	
Central Government, of which:	**$112.3**
New National Hospital	$36.5
St. Jude Hospital Reconstruction Project	$17.2
Constituency Development Programme	$16.4
Labour Absorption Programme (HOPE)	$10.7
Basic Needs Trust Fund	$4.9
Disaster Mitigation	$2.6

Local Government Community Projects	$2.5

Central government expenditure on *community works* increased by 83.6 percent to $38.4 million. A significant share of this amount was spent on the constituency development programme which focused on improving community infrastructure with the construction of roads, footpaths and drains. There was increased spending on social protection and job creating programmes geared towards providing training and encouraging self-employment. These included the labour absorption programme, Holistic Opportunities for Personal Empowerment (HOPE), particularly targeted towards unemployed youth and the activities funded by the Basic Needs Trust and Poverty Reduction Funds. During 2011, spending on construction of human resource development centers (at Chase Gardens and Vieux-Fort) also increased to $2.2 million.

Reflecting expenditure on the construction of the national and St. Jude hospitals, 50.6 percent of the central government construction expenditure on social infrastructure was spent on *health infrastructure*. Construction works intensified on the ongoing EU funded national hospital and on the reconstruction of the St. Jude Hospital, amounting to $34.9 million and $17.2 million respectively in 2011. However, declines were recorded in public spending on other infrastructure such as sports, education and disaster preparation.

Construction expenditure by statutory bodies increased by $7.1 million, with the main focus on facilitating the development of the housing sector. The National Housing Corporation (NHC) spent $2.5 million on completion works at the Marigot Housing Development and National Insurance Property Development and Management Company (NIPRO) spent $3.2 million on the infrastructure at the Emerald Housing Development. The National Development Corporation (NDC) spent $2.6 million mainly on road works at Cedar Heights in Vieux-Fort.

Private Sector Construction

Private sector construction activity is estimated to have declined during the review period, attributed to the winding down and completion of some major commercial projects. Tighter credit conditions and a reduction in foreign direct investments inhibited growth in private sector construction.

Notwithstanding this performance, work continued at the Jalousie hotel and on phase 3 of the Landings. At the Jalousie hotel, renovations were undertaken as well as preparatory works for the construction of luxury beach front villas. In addition, rehabilitation works continued at some hotels, following the damage caused by hurricane Tomas as well as notable expansion of a few tourism establishments, including Le Sport.

Construction continued on a number of commercial buildings, including the Bank of Saint Lucia building, the Johnson Superstore and the KJ Morgan building, all located at Rodney Bay. Other less sizeable projects under construction in 2011 were the FB Armstrong building in Odsan, the Sol gas station and other commercial buildings in Cul-de-Sac and Vide Boutielle.

Indicators of Overall Construction Activity

Data on imports of building materials for 2011, the leading indicator of total construction activity in the domestic economy, reflected the increase in public sector construction expenditure. In addition, increased disbursements by the commercial banking system for construction purposes also supported the uptick in construction activity in 2011.

Imports of Construction Materials

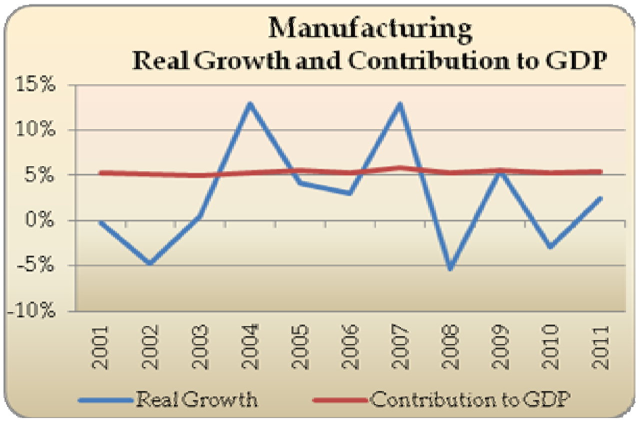
Preliminary data indicate that the value of imports of construction materials grew by 2.2 percent to $192.8 million while the quantity increased by 13.9 percent. This outturn reflected mixed movements in the imports of the major categories of construction materials.

Reflecting higher prices and reconstruction works undertaken during the year, the cost of imports of steel grew by 24.6 percent. However, the value of imports of cement declined by 6.7 percent due to a decline in the volume imported.

Value of Imports of Construction Materials (EC$ Millions)

Materials	**2007**	**2008**	**2009**	**2010**	**2011**
Wood and wood products	58.8	54.2	46.5	44.8	50.1
Sand	3.8	2.4	2.4	3.1	3.8
Cement	26.8	29.3	25.3	22.8	21.3
Prefabricated Materials	9.8	22.1	6.9	5.0	2.1
Steel	14.1	20.7	11.5	9.0	15.7
Other	144.9	149.9	106.1	104.0	99.8
TOTAL	**258.2**	**278.7**	**198.9**	**188.7**	**192.8**

Manufacturing



During the review period, the manufacturing sector grappled with continual increases in operating costs, mainly fuelled by rising oil prices. These adverse developments contributed to the closure of two established enterprises. However, the sector benefited from increased fiscal incentives aimed at cushioning the impact of the challenges faced in 2011.

Preliminary estimates suggest that the sector rebounded in 2011, registering growth in value-added of 2.5 percent, after declining by 3.0 percent in 2010. This improved performance resulted in an increase in the sector's contribution to GDP from 5.3 percent to 5.4 percent in 2011. Commercial bank credit to the sector grew by 7.7 percent in the review period reflecting increased investment in the sector.

Production

The value of manufacturing production is estimated to have increased by 1.6 percent to $315.7 million in 2011, reflecting improved performances in the key sub-sectors. In keeping with recent trends, production within the manufacturing sector remained concentrated in a few sub-sectors, namely *food & beverages, paper & paper board products, metal products* and *chemicals*, which together accounted for 83.5 percent of total production in 2011.

Value of Production of Manufacturing Output (EC$ Millions)

COMMODITY	2008	2009	2010	2011	Change
Food Products	49.8	51.7	52.8	56.5	7.0%
Beverages	165.6	140.1	130.0	131.8	1.4%
Paper Products	24.1	29.4	24.9	22.3	-10.3%
Chemicals	26.2	25.4	24.5	25.5	3.8%
Fabricated Metal Products	34.4	31.2	26.2	27.7	5.8%
Other	48.7	43.6	52.5	51.9	-6.1%
Total	**348.8**	**321.4**	**310.9**	**315.7**	**1.6%**

Source: Statistics Department

Food and Beverages

Preliminary data suggests that the value of *food* and *beverages* produced increased by 3.0 percent in 2011, after decreasing by 4.8 percent in 2010. This outturn was driven by increases in the value of output for both food and beverages. The value of food production grew by 7.0 percent, primarily due to increased output of bakery products, seasonings and spices. However, growth in the food sub-sector was dampened by the challenges faced by St. Lucia Coconut Growers Association and the closure of Carib Pasta plant in the second half of 2011.

The value of *beverages* increased by 1.4 percent, maintaining a share of 41.7 percent of total production in the review period. Distilled alcoholic beverages increased by 11.6 percent to $19.9 million on account of a pick-up in the last quarter of 2011. An expansion in export sales and the introduction of three new alcoholic beverages into the domestic and extra-regional markets contributed to this improved performance of alcoholic beverages. Similarly, production of mineral water and soft drinks grew by 6.4 percent to $33.7 million. On the other hand, the value of production of brewed beverages fell by 2.8 percent to $78.1 million due to lower domestic demand, partly due to the contraction in the tourism sector.

Paper and Paperboards

The value of production of *paper & paperboard* products contracted by 10.3 percent in 2011 to $22.3 million, after falling by 15.3 percent in 2010. This performance was attributed to substantial declines in the production of both commercial and banana boxes. Owing to the general slowdown in business in both the domestic and regional markets, the value of containers of paper produced, which comprises commercial and banana boxes, fell by 12.4 percent to $19.1million in 2011.

Other Products

Reflective of the growth in the construction sector, the value of production of *metal products* grew by 5.8 percent to $27.7 million during the review period. Additionally, the value of *chemicals,* which include paint products, expanded by 3.8 percent to $25.5 million. However, the value of furniture produced declined by 3.8 percent to $16.9 million. In keeping with the closure of Fenwall in the first half of 2011, the value of electrical products fell by 3.9 percent to $4.8 million.

Agriculture

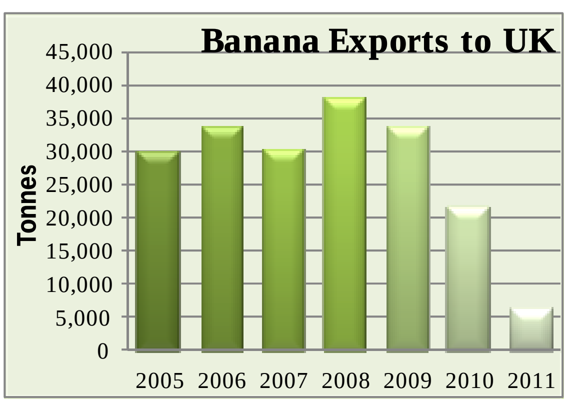
Preliminary estimates reveal that the agriculture sector continued to decline in 2011, partly reflecting the deleterious effects of the passage of hurricane Tomas in late 2010. Real value-added in the sector contracted by 6.5 percent, albeit at a decelerated rate, compared to a decline of 18.2 percent in 2010. Declines were registered in value added of all the sub-sectors with the exception of other crops. Agriculture's share of GDP fell further to its lowest level, moving from 3.5 percent in 2010 to 3.2 percent in 2011.

Over the review period, the banana industry's contribution to GDP which fell to 0.8 percent, was overshadowed by that of other-crops which stood at 1.4 percent in 2011. Rising inputs costs, widespread infestation of black sigatoka disease and limited access to affordable credit were also responsible for the outturn in the agriculture sector.

Bananas

Production and Export

Following a prolonged drought in the first half of 2010 and the devastation caused by hurricane Tomas later in that year, banana production declined substantially in 2011. The recovery of the industry was further undermined by a number of challenges, including high and rising input costs, pest infestation, loss of farmer confidence and limited access to affordable financing.



After two consecutive years of sharp declines, banana exports to the UK declined by 69.8 percent to 6,556 tonnes, reaching a record low in banana exports. This level of performance primarily reflected the cessation of exports to the United Kingdom during the first four months of 2011, with exports resuming in the third week of May. The downturn in output was also attributed to the island-wide spread of the black sigatoka epidemic, as two large banana producing regions, the

Roseau and Mabouya valleys, were badly infested. This outbreak reduced the weekly yield to an average of 193.7 tonnes in 2011, compared to 504.7 tonnes weekly in the previous year, as farmers were forced to destroy the majority of their banana plants. In addition, the unavailability of fungicides to combat and avert the further spread of the disease compounded the situation.

The abandonment of infected farms by disenfranchised and financially strapped farmers, coupled with the blockage of farm access roads following the passage of the hurricane, were other contributory factors to the decline recorded.

During 2011, the number of active farmers fell considerably to approximately 500 from a pre-Tomas level of 1,500. Correspondingly, acreage under cultivation fell to 4,000 acres from the 6,500 acres before hurricane Tomas. In keeping with the drop in production, receipts from banana exports to the UK declined markedly to $13.2 million, $68.6 percent lower than the year before.

However, banana exports to the region *(Barbados & Trinidad and Tobago)* rose by 21.4 percent to 4,047.0 tonnes in 2011. This led to higher export earnings from the region by 19.8 percent to $4.0 million in 2011. Domestic purchases of bananas increased by 11.4 percent to 1,173.5 million tonnes, valued at $3.0 million in 2011. Of this amount, sales to supermarkets grew by 12.4 percent to 944.0 tonnes while hotel sales rose by 8.4 percent to 229.8 tonnes.

Non-Banana Crops

Production of non-banana crops, as measured by exports and domestic sales to hotels and supermarkets, is estimated to have increased by 2.4 percent to 8,790.5 tonnes in 2011. Notwithstanding, output in the first quarter was affected by the damage caused by hurricane Tomas in late 2010. In addition, black sigotoka infestation led to reduced output of plantain, which accounts for a significant share of non-banana crops.

Boosted by the post-Tomas vegetable crop rehabilitation programme, the continuation of the CFL Farmer Certification Programme and stronger demand for non-banana crops, supermarket purchases, which accounted for 67.1 percent of domestic purchases, grew by 31.9 percent to

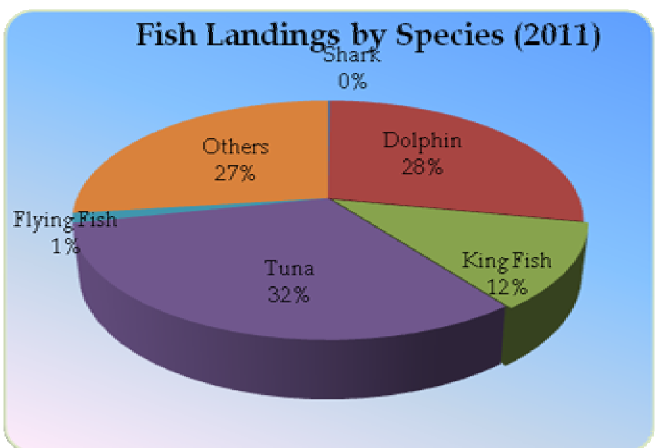
2,806.8 tonnes. Similarly, revenue earned from supermarket purchases rose to $9.0 million in 2011, compared with $7.5 million the year before. Recorded hotel purchases[3] show a 14.5 percent expansion to 990.2 tonnes, increasing revenue by 17.2 percent to $4.9 million.

In 2011, exports of non-traditional crops fell by 10.7 percent to 4,993 tonnes, reflecting contractions in all the major export markets with the exception of Barbados which posted a 31.6 percent increase. In keeping with lower volumes, export earnings of non-banana crops declined to $5.6 million compared to $8.4 million in 2010.

Fisheries

Valued-added in the fisheries industry recorded another year of decline, albeit of a smaller magnitude of 0.5 percent in 2011. After decreasing by 3.1 percent in 2010, fish landings fell by 5.9 percent to 1,692.7 tonnes. However, reflecting increases in prices of some species, the ex-vessel value of fish landings rose by 2.1 percent to an estimated $24.8 million in 2011.

During 2011, persistently strong currents and large sea swells minimized the effectiveness of the use of fishing aggregate devices (FADs). The decline in fish landings was occasioned by reductions in the number of fishing trips *(13.4 percent)* by most fishers of the major landing sites, also due to unfavourable weather conditions. Growth was also constrained by the lack of enhanced fishing capacity and adoption of available technology.



A review of fish catches by species show declines in all categories with the exception of dolphin. In 2011, declines were posted for most of the migratory pelagic fish species; *kingfish* (1.2 percent), *tuna* (11.7 percent), *flying fish* (79.7 percent) *shark* (68.3 percent), and *others* (11.7 percent).In contrast, dolphin, which on average accounted for about 25.0 percent of total fish landings over the past five

[3] Data for 2011 included hotels not previously covered as data for 2010 was not available.

years, grew by 34.4 percent to 472.7 metric tonnes. This was attributed to unusually high quantities of sargarrusm which is a safe haven for juvenile dolphin fish.

Fish landings at the major sites in the calmer waters of the west coast registered growth during the review period. Increases were recorded for Castries (24.2 percent), Choiseul (5.8 percent) and Vieux-Fort (13.2 percent), while Anse-La-Raye and Soufriere both posted declines of 6.8 percent and 26.3 percent respectively. On the other hand, fish caught at major landing sites in the rougher Atlantic waters posted contractions; Micoud (7.3 percent), Dennery (25.1 percent) and Gros-Islet (39.4 percent).

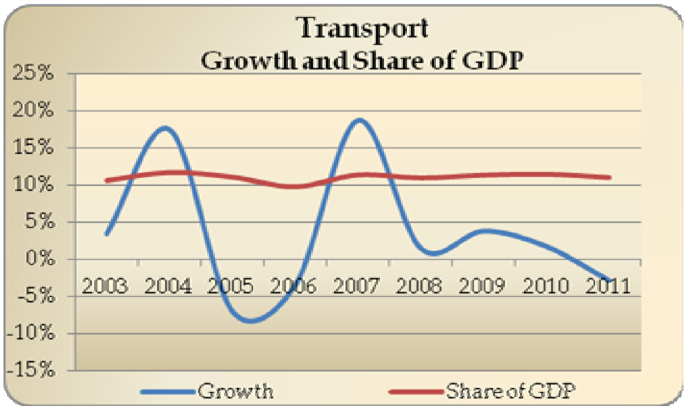
Livestock

Value added in the sub-sector is estimated to have declined by 5.2 percent in 2011. However, available data indicates that there were mixed performances within the livestock sub-sector in 2011. Similar to other agriculture industries, output was adversely affected by a confluence of factors, including high input costs, operational, systemic and structural issues.

Notwithstanding an expansion in productive capacity, the negative effects of hurricane Tomas in the first quarter, rising costs of feed and an associated decline in the number of birds mitigated against growth in the broiler industry. Following noticeable growth a year ago, chicken production fell marginally by 0.2 percent to 1,392.5 tonnes in 2011, valued at $16.3 million. Pork production fell by 18.6 percent to 172.7 tonnes in 2011, similarly influenced by a steady increase in the cost of pig feed. This induced the exit of some farmers from the industry despite government's support, in the form of duty-free importation of feed, aimed at cushioning the impact of these increases on producers. This development prompted a reduction in the number of sows reared by active farmers. In 2011, pork production generated revenue of $2.2 million, down by 9.7 percent over the previous year.

Owing to increases in the laying brood, egg production grew noticeably by 9.6 percent to 1.3million dozens, resulting in double-digit growth in earnings to $7.6 million. Despite the soaring cost of feed, the price of eggs remained unchanged during 2011 at $6.50 per dozen. During the review period, Saint Lucia remained self-sufficient in consumption of eggs.

Transport



Value-added in the transport sector contracted by 2.9 percent in 2011, following growth of 1.7 percent in the previous year. This outturn reflects the lower value added in all the sub-sectors including road and air transport.

Road transport contracted by 2.0 percent while air transport and auxillary transport activities declined by 3.9 percent and 4.7 percent respectively.

Air Transport

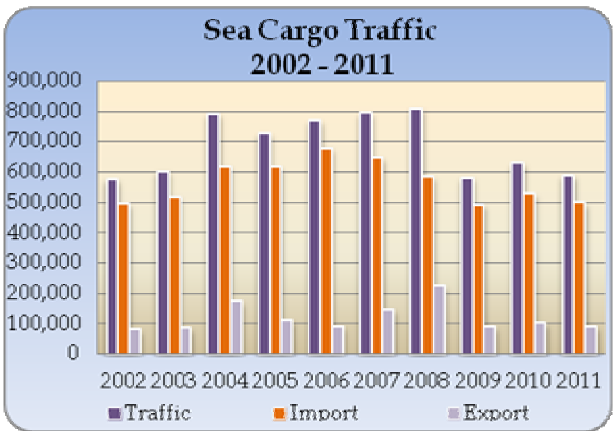
Total aircraft movements, as measured by aircraft arrivals and departures at Saint Lucia's two airports, contracted by 4.6 percent to 35,723. Despite the drop in aircraft movements island-wide, air traffic at the Hewanorra International Airport increased, moving to 13,525 from 12,741 in 2010. During 2011, there were reductions in weekly flights by American Airlines, Delta and Condor. However, these reductions were offset by increased weekly flights by Jet Blue, British Airways, Can Jet and the introduction of Red Jet in December of 2011. In contrast, aircraft movements at the George FL Charles Airport decreased to 21,748 flights compared with 22,553 in 2010. This downturn in aircraft traffic at the George FL Charles Airport was occasioned by a fall in the number of weekly flights by American Eagle.

In keeping with a drop in aircraft movements, total number of passengers handled at both airports fell by 1.6 percent to 778,979 relative to 2010. Notwithstanding increased aircraft traffic at the Hewanorra International Airport, the number of passengers that embarked and disembarked contracted by 2.6 percent to 233,162 relative to the previous year. This outturn was attributed to the reduction in the overall load factor during the review period, as many major carriers decreased their seating capacity to Saint Lucia.

Similarly, air cargo handled at both airports dipped by 4.0 percent, to 2,791,159 kilograms, influenced by increased cost of freight during the review period.

Sea Transport

During 2011, sea transport, which forms part of auxiliary transport, fell by 4.7 percent compared with 2.1 percent growth for the previous year. Total cargo handled at the two major ports, Port Castries and Port Vieux-Fort, fell by 6.4 percent to 587,743 tonnes.



Consistent with the overall decline in cargo handled the volume of imports at both ports contracted by 5.6 percent to 497,137 tonnes. Similarly, the volume of exports posted a double-digit contraction to 90,606 tonnes, relative to the 101,478 tonnes in 2010. This drop in the volume of exports was due to the fall in banana exports to the United Kingdom as a result of the contraction of the sector in the aftermath of hurricane Tomas and the outbreak of the black sigatoka disease.

Port Castries, which handled 77.0 percent of total cargo, posted a 6.2 percent decline in cargo handled. Similarly, cargo handled at Port Vieux-Fort contracted by 7.1 percent during the review period. This outturn reflects declines in a number of key commodity items; paper rolls (31.6 percent), lumber products (6.7 percent), banana exports (58.3 percent) and petroleum products (6.2 percent).

B) Balance of Payments

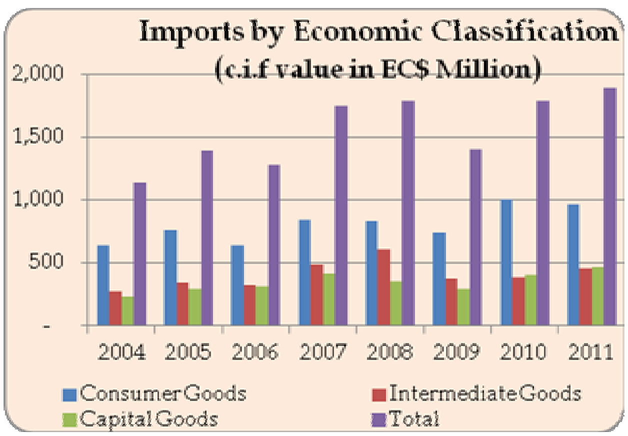
Overall Balance

Provisional estimates suggest that there was an overall surplus of $19.7million (0.6 percent of GDP) on the balance of payments in 2011, lower than the surplus of $85.7 million registered in 2010 **(See Appendix III)**. This performance was driven by a substantial increase in the surplus on the capital and financial accounts, notwithstanding a significant widening of the current account deficit. Consequently, at the end of 2011, Saint Lucia's share of imputed reserves at the ECCB increased by $20.1 million to $512.4 million.

Current Account

The external current account deficit is estimated to have deteriorated, almost doubling to $789.3 million, equivalent to 23.8 percent GDP in 2011. This was led by a sharp increase in the deficit on the goods account which expanded primarily due to a considerably larger merchandise trade deficit. Additionally, there was a notable reduction in the surplus on the services account, reflecting a sizeable downturn in visitor expenditure.

Preliminary data suggest that Saint Lucia's merchandise trade deficit widened from $942.2 million in 2010 to $1,227.2 million or 37.0 percent of GDP. This deterioration of the merchandise trade account resulted from a marked decline in the value of total exports, largely re-exports, coupled with a 5.6 percent increase in the import bill which was partly fueled by higher international oil and commodity prices.



In keeping with the expansion in economic activity, the value of imports grew by 5.6 percent to $1,889.9 million in 2011. This reflected noticeable increases in the cost of capital goods and of intermediate goods, notwithstanding a decline in the value of imports of consumer goods.

Other Current Account Developments

During the review period, the services account of the balance of payments also deteriorated as the surplus fell by 12.2 percent to $443.4 million or 13.4 percent of GDP in 2011. This was mainly attributed to a decline of 6.2 percent in tourism receipts, Saint Lucia's lead foreign exchange earner, resulting from lower daily expenditure by tourists, shorter lengths of stay and a drop in the number of visitors. Net payments for transportation and insurance services were higher by 7.7 percent and 9.3 percent respectively, reflecting part of the increase in the cost of imports.

Increased inflows for business services contributed to a larger surplus on the current transfers account from 1.3 percent of GDP in 2010 to 1.7 percent. The deficit on the incomes account was relatively unchanged at $111.0 million in 2011.

Capital and Financial Account

The estimated surplus on the capital and financial accounts shows an increase from $438.6 million to $756.3 million in 2011, equivalent to 22.8 percent of GDP. There was a marked increase in the surplus on the financial account while that of the capital account declined by 9.6 percent.

The surplus on the financial account grew from $320.4 million to $649.5 million or 19.6 percent of GDP in 2011. This outturn was primarily driven by significant short term capital inflows to commercial banks and to a lesser extent, to the central government. Commercial banks borrowing from external sources resulted in a sizeable increase in their net foreign liabilities by $210.9 million. Net inflows to the government increased significantly, reflecting new borrowing from bond proceeds as well as loan disbursements from multi-lateral institutions, largely associated with hurricane Tomas recovery. Nevertheless, in keeping with the steady decline since the global recession, net foreign direct investment inflows, particularly tourism-related, fell by 26.4 percent to $218.6 million or 6.6 percent of GDP.

C) Demographics

Size, Density, Growth rate and Age Profile of Population

Saint Lucia's population trends and demographic characteristics have significant implications for economic and social policy. Preliminary estimates indicate that the population grew by 0.9 percent from 165,595 in 2010 to 167,123 in 2011.

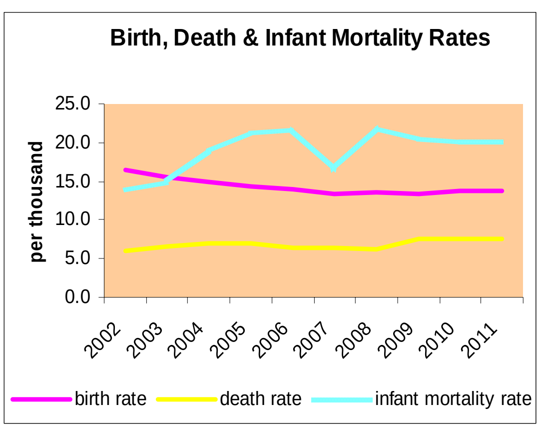
An analysis of the distribution of the population by age reveals that the island has a youthful population with the largest proportion of the population falling within the age groups 10-14, 15-19 and 20-25 years. These age groups accounted for 8.7 percent, 9.6 percent and 8.5 percent of the total population respectively. The age groups which reflected the smallest proportion of persons were the 75-79 (1.6 percent of the total population), 70-74 and 80 plus categories (which both accounted for 2.2 percent of the total population).

However, the age groups which showed the largest rates of growth were 55-59 and 50-54 years, increasing by 5.7 and 5.2 percent respectively. Of note is the contracting base of the population pyramid, with the 0-4 and 5-9 years age groups reflecting declines of 3.3 percent and 2.7 percent respectively.

In 2011, the number of live births exceeded the number of deaths by 1,029. However, the rate of increase of deaths was 0.6 percent while there was no change in the number of live births which remained at 2,291 in 2011.

After years of decline, the birth rate has stabilized and has averaged 13.6 per thousand for the previous five years. In the year under review, the birth rate declined marginally to 13.7 per thousand compared to 13.8 per thousand in 2010. The number of male births, 1,161 exceeded the number of female births by 31.

The death rate in Saint Lucia has remained stable for the last three years at 7.6 per thousand despite a 0.6 percent increase in the total number of deaths to 1,262. The trend of higher male to female deaths continued in 2011 with the ratio of male deaths averaging 53.0 percent over the past four years. The number of male deaths exceeded that of female deaths by 79 persons in 2011 while both categories increased by 0.6 percent.

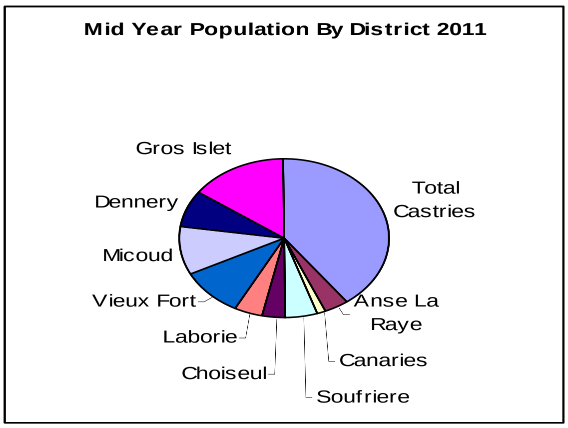


The infant mortality rate remained unchanged at 20.1, slightly below the rate recorded in 2009. In 2011, 3.6 percent (46) of the total number of deaths recorded was under the age of one compared to 3.7 percent in 2010.

Non-communicable diseases continue to pose significant threats to the health and well-being of Saint Lucians. The top five causes of mortality in

St. Lucia fall under the most prevalent non–communicable diseases which include hypertension, diabetes, asthma, heart disease, cerebrovascular diseases and cancer. In addition, accident and injury also contribute notably to the death rate.

Geographic distribution of the Population



An examination of the population data by district in 2011 revealed 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 Castries and Gros-Islet, accounted for 39.6 percent and 15.2 percent of the total population respectively.

During 2011, the population in Castries and Gros-Islet both grew by 0.9 percent. The other major population centers, Vieux-Fort and Micoud both accounted for 9.8 percent of the total population. Additionally, the population of Micoud and Vieux-Fort both grew by 0.9 percent.

Ability to influence future growth and demand for services

Education

	2001/2002	2006/2007	2010/2011
Early Childhood	0.3 %	2.0 %	1.0%
Special	1.0 %	1.0 %	2.0 %
Primary	42.0%	40.0 %	35.0 %
Secondary	28.0%	32.0 %	38.0 %
Tertiary	13.0%	11.0%	10.0%
Adult	1.0 %	1.0 %	0.5 %

Other	14.7%	13.0 %	13.5 %

Composition of Education Allocated Expenditure

In 2010/11, Government's education policy continued to be directed towards the provision of quality education and training for all. This entails a multi–faceted approach targeting the five dimensions of quality; content, outcomes, environment, processes and what learners bring. This priority promotes the areas of lifelong learning, a diversified and balanced curriculum, literacy and numeracy, student support services, equitable access, quality and relevance of education.

Government's allocation to the education sector increased by 10 percent in 2010/11 to $181.74 million, compared to the previous fiscal year. This represented the second largest share of the budget, consistent with the trend of the past five years.

Of this amount, $154.74 million was recurrent expenditure representing an increase of 6.7 percent. Capital expenditure increased significantly by 33.7 percent to $27.0 million in 2010/2011.

With respect to the allocation of resources, the largest share of the education budget was towards secondary education in 2011. Over the past ten years, there has been a shift in gross spending away from primary education towards secondary education. In 2010/11, primary education accounted for 35.0 percent of the education budget compared to 42.0 percent in 2001/02. By contrast, the share of the education budget spent on secondary education has increased to 38.0 percent in 2010/11, 10 percentage points above that spent in 2001/02. In addition to primary education, tertiary education, as a share of the total education budget, has also declined by 3 percentage points to 10.0 percent in 2010/11.

On a per student basis, recurrent expenditure per primary school student increased by 5.3 percent compared to the preceding academic year to $3,046 in 2010/2011. Recurrent expenditure per secondary school student showed a similar increase, growing by 11.8 percent to $4,001.

Social Infrastructure

Health Service Coverage

The immunization coverage among infants is relatively high, registering rates of more than 90.0 percent over the last five years. Immunization coverage among one year olds with one dose of measles (MMR) was 90.0 percent in 2011, while the coverage among one year olds with three doses of diphtheria, tetanus toxoid and pertussis (DPT3) was 110 percent. The immunization coverage among one year olds with three doses of Hepatitis B (HepB3) was 110 percent in 2011.

D) Growth Prospects

The global economic recovery is expected to proceed at its current subdued pace in 2012, as a softening is expected in developing and emerging economies whereas weak housing and labour markets are likely to dampen activity in advanced economies.
The recovery may be restrained by ongoing attempts to repair private and public sector balance sheets through deleveraging and fiscal consolidation respectively. Notwithstanding the projections[4]for global growth of 3.3 percent in 2012 and 3.9 percent in 2013, downside risks have risen.

In 2012, economic growth is expected to slowdown in advanced, emerging & developing economies. However, global growth prospects are further challenged by the deepening strains and a potential recession in the euro area as well as by rising oil prices, generating considerable uncertainty.

Saint Lucia's macroeconomic performance in the near term will be influenced by developments in the unsettled global economic climate. As the global financial sector seeks to repair its balance sheet and credit conditions remain tight, Saint Lucia, like other Caribbean countries, needs to intensify efforts aimed at attracting investment flows. In the short term, activity in the construction sector is expected to be the leading driver of growth, fuelled by the public sector. Against a backdrop of high debt and limited fiscal space, growth prospects may be constrained by the need for fiscal consolidation. Reinvigorated growth in the private sector and more efficient implementation of public sector projects are essential for achieving higher levels of growth in order to arrest the increase in unemployment.

Activity in the construction sector is expected to pick-up moderately, particularly from public sector spending. Completion of works on the national and St.Jude hospitals and continued reconstruction works on the country's physical infrastructure is expected to provide impetus for growth in the sector. Additional activity will be generated from the commencement of construction of the Financial Administration Complex, the Hypermatt, and the redevelopment of the Hewanorra International

[4]Source: IMF World Economic Outlook (January 2012).

Airport. In the private sector, construction activity is expected to remain subdued as a number of ongoing projects near completion. The government's housing initiatives and public/private sector partnerships are expected to provide a boon to construction in the medium term. However, financing constraints may undermine the growth potential of the sector.

A turnaround in tourism is likely to coincide with strengthening demand as economic conditions in key source markets are anticipated to improve more significantly in 2013. Expanded airlift is expected to result in increased stay-over arrivals in 2012.

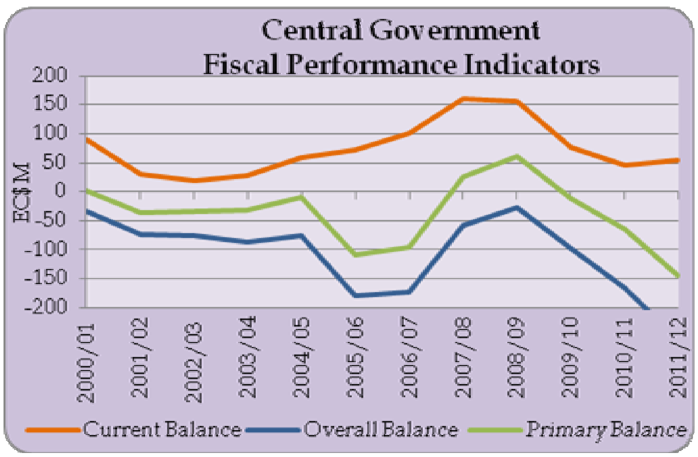
Daily direct flights by Jet Blue from end March to September 2012 may boost US arrivals while the introduction of Caribbean Airlines will contribute to increased arrivals from the Caribbean. These will be supported by regional demand for travel for the cricket matches involving the Australian and New Zealand cricket teams hosted in Saint Lucia. In addition, higher arrivals from the French market are projected given increased flights from Air Caraibe and its code sharing agreement with Corsair from France. However, UK arrivals may be affected by the scheduled increase in the APD imposed by the UK government and the hosting of the 2012 Olympics in London. The US presidential elections in November and higher airfares may soften US demand for travel to Saint Lucia. Cruise arrivals are likely to increase as some mega cruise lines such as Norwegian, are scheduled to return to Saint Lucia in 2012. The sector is also expected to benefit from the introduction of the cruise conversion programme.

The prospects for recovery in the agriculture sector, particularly the banana industry depend on the abatement of the black sigatoka disease and farmers confidence in returning to the industry.

Recent increases in international oil prices are not expected to be sustained throughout 2012, contingent on developments in the geo-political landscape regarding Syria and Iran. Inflation in 2012 is likely to be moderate, notwithstanding the one-off impact of implementation of VAT in September. Given the current global economic climate and level of high domestic unemployment, activity in financial sector is expected to remain sluggish.

Despite lower grant inflows, the overall fiscal deficit is projected to narrow with ongoing tax reform, including the introduction of VAT, supported by expenditure restraint. Higher import prices and an expansion in economic activity should lead to increased import payments and a further widening of the current account deficit of the balance of payments. Given current financial conditions, no material pick-up in foreign direct investments is expected in 2012, exerting pressure on the balance of payments.

E) Government Fiscal Performance

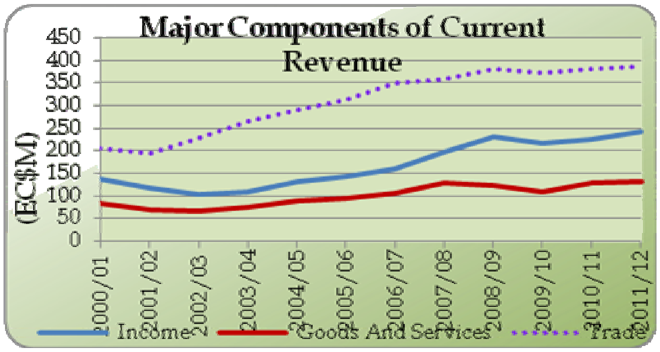


Preliminary estimates suggest that the fiscal position of the central government deteriorated in fiscal year 2011/12 reflecting a surge in capital expenditure. The overall fiscal deficit widened to $254.4 million equivalent to 7.6 percent of GDP in 2011/12 from $166.5 million or 5.1 percent of GDP in 2010/11. Similarly, the primary deficit increased to 4.3 percent of GDP from 2.0 percent of GDP in 2010/11 (**See Appendix IV)**. The expansion in capital expenditure was principally associated with post- hurricane Tomas reconstruction works. However, growth in current revenue collections exceeded that of current expenditure resulting in improvement in the current account surplus by 22.1 percent to $55.3 million in 2011/12 or 1.6 percent of GDP compared to 1.4 percent of GDP in the previous fiscal year.

Revenue Performance

Reflecting the expansion in economic activity, total revenue and grants grew by 6.2 percent to $928.8 million in 2011/12, representing 27.6 percent of GDP. Of the total, capital grants increased by 7.5 percent to $92.2 million, including receipts of roughly $30.0 million from the European Union for the continuation of work at the national hospital and assistance received from friendly governments for post- hurricane Tomas rehabilitation.

Current Revenue



Current revenue recovered fully from the downturn experienced in 2009/10, increasing by 6.1 percent in 2011/12 to $836.0 million.

Higher collections from all major tax categories were partly attributed to continued tax collection efforts by the main tax collecting agencies, the implementation of revenue enhancing policies coupled with the full year's impact of measures implemented during the previous fiscal year. Current revenue was also influenced by a one-off receipt of interest on an overseas government investment that matured.

Taxes on Income and Property

In 2011/12, direct taxes on income and property accounted for 28.8 percent of the current revenue intake. Tax revenue on income and profits, net of tax refunds, increased by 7.5 percent to $240.9 million. This was entirely due to appreciable increases in collections of withholding and individual income taxes. Revenue collections from withholding tax on interest paid to non-residents resulted in an increase of $11.0 million in withholding taxes to $25.3 million. This performance was associated with the introduction of this category of withholding tax in 2010. Receipts from taxes on personal income continued to trend upward, rising by 9.2 percent to $91.0 million, reflecting increases in salaries and better compliance.

In contrast, lower profits by major business entities, particularly the commercial banks, led to a $2.2 million reduction in revenue collections from corporation income tax to $92.5 million in 2011/12. Collections from tax arrears decreased by 1.7 percent to $40.8 million, owing to deferred payments of outstanding amounts assessed based on the forensic audits undertaken by the Inland Revenue Department.

Collections of property tax, exclusive of collections by the Castries City Council, increased from $3.3 million to $4.4 million, significantly below approved budget estimates for 2011/12. This was due to ongoing administrative challenges and the delayed implementation of the change in the assessment of residential properties to a market valuation basis which came into effect in January 2012.

Taxes on Goods and Services

Revenue from taxes on goods and services increased by 3.3 percent to $132.6 million in 2011/12 associated with increases in hotel accommodation tax (HAT), insurance premium tax and cellular tax which were offset by reduced collections in other revenue lines.

Receipts of HAT increased by $5.4 million to $39.6 million reflecting payments of arrears and the balance of the outstanding deferred remittance of HAT which was approved for hoteliers in 2009. There was a 16.6 percent improvement in the intake from insurance premium tax to $8.2 million, owing to receipt of outstanding arrears. Cellular tax receipts continued to increase, rising by $0.9 million to $18.6 million due to a full year's collections since the increase in the tax rate to 15.0 percent.

However, a decline of 5.6 percent was recorded in collections from licenses to $23.9 million, attributed to the cyclical decline in collections of drivers' licenses which is paid every three years. In addition, excise tax on domestic production and passenger facility fee both fell by just under $0.9 million in 2011/12 on account of delayed payments by beverage manufacturers and airline companies respectively.

Taxes on International Trade and Transactions

Revenue from taxes on international trade and transactions increased by 1.6 percent to $386.7 million in 2011/12, contributing 46.3 percent to current revenue. The performance of the various revenue items were mixed during the review period. Consistent with an increase in the value of imports, receipts from service charge and import duty increased by 9.9 percent to $69.2 million and 4.7 percent to $106.1 million respectively.

In contrast, receipt of consumption tax on imports fell by 1.6 percent to $111.9 million. This was primarily attributed to a new budgetary measure involving the replacement of the consumption tax on cigarettes and tobacco related products with a higher yielding specific excise tax, made effective August 2011. Consequently, excise tax on non-petroleum imports rose by $13.3 million to $35.9 million, reflecting the collections from cigarettes and tobacco related products at a rate of $125.60

per kilogram. However, as a result of lower receipts from taxes on petroleum products, total collections of excise tax on imports decreased by 3.6 percent to $65.2 million in 2011/12.

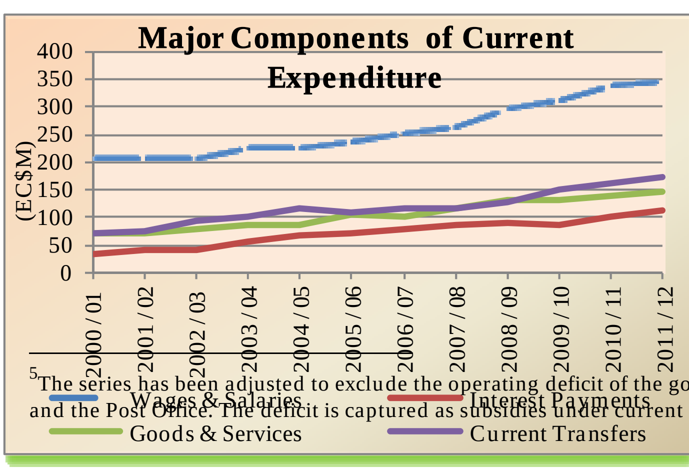
Non-Tax Revenue[5]

Notwithstanding lower receipts from ECCB profits, there was a marked improvement in the performance of non-tax revenue from $51.1 million in 2010/11 to $71.4 million.
This is primarily due to a sizeable increase in revenue from interest & rents which almost tripled to $31.5 million. Of this amount, $19.7 million is associated with a one-off receipt of interest accrued over a ten year period on an overseas investment in which government locked in the prevailing favourable interest rates. Additionally, receipts from fees, fines & sales grew by 16.9 percent to $24.7 million, attributable to the increase in gaming fees and in NIC's contribution (by $2.0 million) to the Ministry of Health to offset cost of public health services provided to its contributors.

Expenditure Performance

Preliminary estimates indicate that central government expenditure continued to grow steadily, reflecting efforts at stimulating growth, including the rehabilitation of damaged infrastructure caused by hurricane Tomas. The central government's total expenditure rose by 13.7 percent to $1,183.8 million in 2011/12, representing an increase to 35.2 percent of GDP in 2011/12 from 31.7 percent in 2010/11. The acceleration in total expenditure was driven primarily by higher capital spending. Growth in current expenditure moderated reflecting slower growth in salaries and wages.

Current Expenditure



Based on preliminary data, current expenditure grew by 5.1 percent to $780.7 million in 2011/12, following an increase of 8.6 percent in the previous fiscal year. This translated to an increase in current expenditure to 23.2 percent of GDP from 22.6 percent in 2010/11 in the review year.

[5] The series has been adjusted to exclude the operating deficit of the government departments from 2006/07, namely the Supply Department and the Post Office. The deficit is captured as subsidies under current expenditure.

Increases were recorded in all of the sub-categories, but most significantly current transfers.

Current Transfers

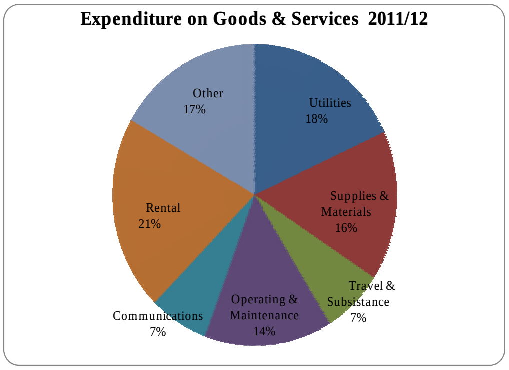
After increasing by 7.3 percent in 2010/11, current transfers increased by 8.1 percent to $173.6 million. The increased outlay was led by higher spending on subsidies and retiring benefits. Expenditure on subsidies is estimated to have increased from $18.4 million in 2010/11 to $25.0 million in 2011/12. This sharp rise in spending was mainly due to the subsidies on bulk food items (rice, flour, and sugar) sold by the Government Supply Department which amounted to $17.8 million. In addition, a one-off payment totaling $2.5 million was made to the National Council on Public Transportation (NCOPT) as a fuel rebate to compensate for the adverse impact of rising fuel prices during the fiscal year 2011/12.

In tandem with the growing numbers of pensioners, payments of retiring benefits increased by 8.7 percent to $61.3 million. This was primarily attributed to an increase in the numbers of employees opting for early retirement. Payment to the National Insurance Corporation (NIC) on behalf of Government's employees rose by 13.8 percent to $9.1 million while transfers to public sector institutions recorded a marginal increase to $69.5 million in 2011/12.

Salaries &Wages

Expenditure on wages and salaries continued on an upward path, rising by 2.3 percent to $350.3 million, accounting for 44.9 percent of current expenditure. This category of expenditure was equivalent to 10.4 percent of GDP and 42.6 percent of current revenue in 2011/12. While wages increased by 1.0 percent, spending on salaries grew by 3.5 percent to $302.9 million on account of increased numbers employed, including police officers, nurses and fire officers, and increased remuneration awarded to top management. However, retroactive payments fell to $5.8 million, reflecting payments to top management compared to $8.6 million paid to other civil servants in 2010/11.

Goods and Services



Expenditure on goods and services grew by 5.6 percent to $145.6 million in 2011/12, primarily owing to increases in the cost of utilities and supplies & materials.

Mirroring the increase in oil prices and an expansion in office accommodation, expenditure on utilities increased by 20.5 percent to $26.4 million. This expenditure line represented the largest increase under goods and services. Spending on supplies & materials totaled $23.4 million, 12.7 percent higher than in the previous fiscal year. Outlays on operating & maintenance and communications both increased by just under $1.0 million in 2011/12. There were little movements in expenditure on other major sub-categories.

Interest Payments

In 2011/12, interest payments expanded by 9.3 percent to $111.2 million, in keeping with the increase in the stock of central government debt. Interest payments on domestic debt grew by 11.3 percent to $64.7 million, reflecting the increase in borrowing on the regional government securities market. Similarly, interest payments on external debt rose by 6.6 percent to $46.4 million.

Capital Expenditure

In keeping with the Government's policy to rehabilitate and upgrade the country's infrastructure, particularly in the wake of the devastation of hurricane Tomas, substantial growth was recorded in capital spending. Central government capital expenditure is estimated to have increased to $402.6 million in 2011/12 from $298.6 million in 2010/11. Accordingly, capital expenditure as a share of GDP increased to 12.0 percent in 2011/12 from 9.1 percent in 2010/11.

Capital expenditure comprised largely of projects and investment programmes undertaken by the Ministry of Communications & Works, the Ministry of Health and Ministry of Tourism, as shown below. Hurricane Tomas-related expenditure accounted for approximately $45.5 million of total capital expenditure.

Table 8: Central Government Capital Expenditure

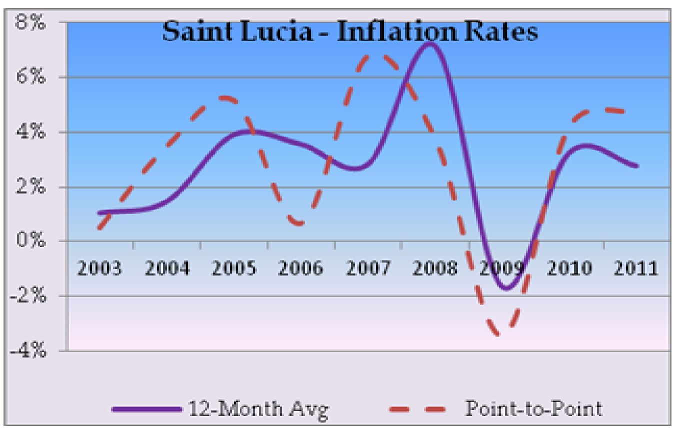
Main Projects

Project Title	EC$ Millions
National Hospital	$36.5
Reconstruction and Rehabilitation of Roads	$23.0
St. Jude Hospital Reconstruction Project	$17.1
Constituency Development Program	$16.4
East Coast Road Rehabilitation Phase 3	$14.6
Community and Agriculture Feeder Roads	$10.5

During the review period, a significant proportion (77.1 percent) of capital expenditure was financed by borrowing. Of this amount, bonds financed an estimated $234.7 million or 58.3 percent of capital spending while loans accounted for $75.6 million or 18.8 percent of the required financing. Grant financing increased by 7.5 percent to $92.2 million, of which roughly $40.0 million were disbursements from the European Union. Grant funding contributed 22.9 percent of capital expenditure while the share of local revenue was negligible. The rate of implementation of the approved capital programme increased to 91.0 percent in 2011/2012 from 81.4 percent in 2010/2011.

F) Financial Indicators

Consumer Price Index Growth



Prices in the domestic economy grew at a decelerated pace in 2011, largely reflecting upward movements in international commodity prices, particularly food and fuel. The rate of inflation, as measured by the percentage change in the 12-month moving average of the consumer price index (CPI), eased to 2.8 percent in 2011, compared to 3.3 percent in the previous year. However, at the end of December, the point-to-point rate of inflation indicates a 4.8 percent increase in consumer prices, reflecting higher consumer prices on average in the second half of 2011.

The inflation outturn was driven by rising demand resulting from the ongoing recovery in the global economy and improvements in supply which were affected by weather-related disruptions in 2010. The rate of increase of non-fuel commodity prices slowed to 17.7 percent in 2011 compared with 26.3 percent a year earlier[6]. In contrast, international oil prices gained momentum, growing by 31.9 percent in 2011 relative to 27.9 percent in 2010.

Given Saint Lucia's small and highly open economy, domestic inflation is generally transmitted through changes in imported prices from the country's main trading partners. The US and the UK recorded inflation rates of 3.0 percent and 4.5 percent respectively in 2011. Saint Lucia's key regional trading partners, Trinidad & Tobago, Jamaica and Barbados registered higher rates of inflation relative to that of Saint Lucia in 2011.

The overall consumer price index was driven primarily by the *transport*, *food & non-alcoholic beverages*, *miscellaneous goods & services, housing, utilities, gas & fuel, and communication* sub-indices. During the year under review, the cost of *transportation* rose by 4.1 percent and contributed most significantly to overall inflation. This upturn mainly emanated from increases in the purchasing cost of motor vehicles, air fares, fuel and lubricants.

Food & non-alcoholic beverages, which accounts for 25.0 percent of the consumer basket, increased by 2.4 percent, relative to the previous year, on account of upward movements in international food prices. In 2011, the FAO's food price index accelerated by 23.2 percent, up from the 17.8 percent recorded in 2010.Within the food sub-index, increases were recorded for all the sub-components. There were noticeable increases in the price of meat & dairy products, particularly lamb, beef, cheese and butter. Retail prices of *alcoholic beverages, tobacco & narcotics* rose by 1.5 percent, reflecting a higher tax rate on tobacco products from August 2011 and a rise in the price of some alcoholic beverages.

Sustained increases in international oil prices accounted for most of the 2.5 percent increase observed in the *housing, utilities, gas & fuel* sub-index. Notwithstanding Government's policy interventions, the average price of gasoline and diesel were up by 17.4 percent and 20.5 percent respectively while the cost of the 100 pound cylinder and the 20 pound cylinder of LPG rose by 22.3 percent and 18.6 percent respectively. In addition, the cost of electricity was 14.9 percent higher

[6]Source: IMF World Economic Outlook, January 2012

relative to a year earlier. Increases in home maintenance costs also contributed to the rise in this sub-index.

There was an increase of 7.2 percent in the sub-index for *miscellaneous goods and services,* led by a jump in the cost of personal effects and insurance. Higher cost of tertiary tuition, educational equipment and supplies led to a 5.2 percent increase in the *education* sub-index in 2011. The highest rate of increase of 9.1 percent was recorded in the *clothing & footwear* sub-index, due to rising cost of men's and women's clothing resulting from higher cotton prices. Additionally, increases were registered in the sub-indices for *communication* (2.8 percent) and *health* (2.1 percent).

Inflationary pressures were dampened somewhat by downward movements in two of the remaining sub-indices, notwithstanding their small weight in the overall CPI basket. The *household furnishing, supplies & maintenance* and *recreation & culture* sub-indices fell by 5.6 percent and 0.7 percent respectively while the *hotel & restaurants* sub-index remained unchanged.

Commercial Bank Liquidity and Interest Rates

The commercial banking system was characterized by increased liquidity during the review period, evidenced by a 1.8 percentage points decline in the loans to deposit ratio, from 115.8 percent in 2010 to 114.0 percent in 2011. Growth in deposits (2.9 percent) outpaced that of loans & advances (1.3 percent), resulting in the net liquid liability position of banks more than doubling to $248.8 million from $104.9 million in 2010. This led to increases in the cost of the banks' holding of funds, given a minimum required saving rate of 3.0 percent.

Commercial banks interest rates remained broadly fixed during the review period. However, the maximum rate on saving deposits moved downward from 4.25 percent in 2010 to 4.0 percent in 2011. The maximum rate on time deposits with maturities between 1 and 2 years also declined to 3.85 percent as compared to 4.0 percent in 2010.In contrast, non-prime lending rates increased to as high as 25.0 percent compared to 19.0 percent in 2010.

Overall, weighted average interest rates dipped in the review period. The weighted average lending rate fell by 0.43 percentage point to 9.05 percent, reflecting the intense competition in the loans market. The weighted average deposit rate also fell by 0.18 percentage point to 3.07 percent. Together, these resulted in a reduced spread on nominal rates, impacting on bank profitability.

V)DEBT ANALYSIS

Saint Lucia's total outstanding public liabilities rose by 11.7 percent to $2,298.2 million[7]at the end of December 2011. Of this total, the official public debt grew by 11.6 percent to $2,273.2 million, equivalent to 68.5 percent of GDP. The rise in total public debt was entirely due to an increase of 13.7 percent in central government debt, which largely reflected the government's borrowing, from both domestic and external sources, to finance its capital expenditure. Central government debt stood at $2,082.9 million or 62.7 percent of GDP as at December 2011, accounting for 91.6 percent of the official public debt. In contrast, government guaranteed and non-guaranteed debt fell by 9.3 to $120.5 million and by 2.3 percent to $69.8 million respectively at the end of 2011 (**See Appendix VI**).

The central government's debt increased by $250.7 million, led by a 20.7 percent expansion in its stock of domestic debt to $1,036.0 million. This stemmed mainly from increased issuance of treasury bills, held mainly by institutional investors, totaling $108.0 million. However, central government external debt also grew, by 7.5 percent to $1,046.9 million in 2011. At the end of 2011, 36.0 percent of the central government's outstanding debt was derived from the RGSM while 10.4 percent was directly contracted from commercial banks. The remaining 39.0 percent of the central government portfolio largely represented concessional debt.

During the review period, bonds, including treasury notes, remained the most dominant financial instrument in the central government's debt portfolio, accounting for 53.0 percent. This is reflective of the $135.0 million raised on the capital market in Trinidad& Tobago in the last quarter of the year. However, the share of the central government's debt denominated in treasury bills increased from 7.0 percent to roughly 12.0 percent in 2011. Correspondingly, there was a reduction in the proportion of debt contracted in loans from 41.0 percent in 2010 to 35.0 percent in 2011.

Influenced in part by continued low interest rates on the international market, the weighted average costs of debt (WACD) dipped by 6.0 basis points to 5.48 percent in 2011. The average interest rate on loans continued to trend downwards, reaching its lowest level in recent times to 2.79 percent in 2011. This was driven by an appreciable drop in the average rates on loans from the

[7]Includes payables of $25.0 million to the domestic commercial sector.

CDB coupled with favourable movements in the variable component of interest rates on funds from other multi-lateral and bilateral sources. In addition, there was a reduction in the cost of treasury bills by 3 basis points to 5.45 percent. Nonetheless, the interest rates on bonds increased by 6 basis points to7.26 percent in 2011.

Table 9: Weighted Average Cost of Debt (WACD)

	2006	2007	2008	2009	2010	2011
Bonds	7.28%	7.25%	7.17%	7.26%	7.20%	7.26%
Loans	5.26%	4.85%	4.24%	3.86%	3.49%	2.79%
Treasury Bills	4.18%	4.30%	5.73%	5.04%	5.48%	5.45%
WACD	**5.87%**	**5.74%**	**5.77%**	**5.55%**	**5.54%**	**5.48%**

Total debt servicing by central government increased to $194.1 million from $179.3 million in 2010. Principal repayments during the review period grew by 7.8 percent to $92.0 million while interest payments moved from $93.9 million in 2010 to $102.1 million in 2011. Consequently, the ratio of debt service to current revenue moved up from 23.1 percent in 2010 to 23.8 percent in the calendar year 2011. Similarly, the ratio of external debt servicing to exports of goods & services increased from 6.6 percent to 7.9 percent in 2011, reflecting lower export earnings.

(**See Table below**).

Debt Indicators of External Vulnerability

Debt Indicators	2005	2006	2007	2008	2009	2010	2011 *pre*
	%	%	%	%	%	%	%
CG/GDP	55	57	61	59	57	58	63
Total Debt/GDP	64	64	67	66	64	65	69
Debt Service/Current Revenue	22	21	24	22	23	23	24
Debt Service/Exports	10	12	14	12	8	7	8
Millions of ECD							
Debt Service (Calendar Year)	132	137	154	168	179	179	194
GDP(MKT PRICES)	2,374	2,520	2,592	2,690	2,868	3,142	3,319

pre. preliminary

Domestic Debt

At the end of 2011, the stock of public sector domestic debt increased by 18.0 percent to $1,148.8 million primarily driven by a 20.7 percent increase in central government domestic debt to $1,035.9 million. This expansion in domestic central government debt was associated with the issuance of treasury bills, held by mainly domestic institutional investors. However, domestic government guaranteed and non-guaranteed debt declined by 0.3 and 2.3 percent respectively.

External Debt

Public external debt increased by 5.7 percent to $1,124.4 million at the end of 2011. This growth is predominantly attributed to higher central government external debt which grew by 7.5 percent to $1,046.9 million or 31.5 percent of GDP. Notwithstanding a decline of 26.7 percent in the stock of externally held treasury bills, there was an increase of 34.5 percent in central government bonds held by non-residents. There was also additional borrowing from the IMF and the World Bank, related to hurricane Tomas recovery efforts. External debt with long-term maturities, largely from multi-lateral institutions, accounted for 26.1 percent of total central government debt (**See Appendix VII**).

External Debt by Currency

At the end of 2011, 79.1 percent of the external public debt stock bore no exposure to exchange rate risk, being denominated in currencies with fixed exchange rates such as the US and Barbados dollars as well as EC dollar debt. Similarly, in keeping with the government's debt management strategy to reduce risks, 77.6 percent of the central government's debt faces no adverse currency shocks, with 58.6 percent denominated in US dollars, 18.3 percent in EC dollars and 0.6 percent in Barbados dollars. Of the remaining 22.4 percent which faced exchange rate risks, 17.7 percent was denominated in SDR's, 3.0 percent in Euros and 0.6 percent in Kuwaiti dinars.

External Debt by Creditor

Concessional funding from multi-lateral sources continued to account for a significant proportion of Saint Lucia's stock of external public debt at the end of 2011. Central government debt from multi-lateral sources grew by 1.6 percent to $614.3 million in 2011 and represented 58.5 percent of external debt.

Despite a 4.3 percent reduction in outstanding debt, CDB remained the government’s largest single creditor, accounting for 32.5 percent or $340.4 million of central government external debt.

Loans from the IMF totaled $51.2 million, reflecting disbursements of the Emergency Natural Disaster Assistance and the Rapid Credit Facility received in the first quarter of 2011. The World Bank Group (IBRD and IDA) contributed 21.0 percent ($220.3 million) to the central government’s outstanding external debt, including proceeds from the hurricane Tomas recovery loan. The growth in multi-lateral lending was partly offset by a decline of $8.4 million in bi-lateral debt in the review period. The central government’s commercial debt totaled 11.2 percent ($117.5 million) of its external debt portfolio. During the review period, the central government accrued external debt of $121.5 million from the Trinidad& Tobago capital market. A sizeable amount ($102.5 million) of central government bonds raised on the RGSM was also held by non-residents.

VI) CURRENT ISSUES OF GOVERNMENT SECURITIES

a. Treasury Bills

• **Issues Outstanding**	EC$246.664M*
• **Type of Issue**	Saint Lucia Government Treasury Bills
• **Maturity in days**	91 ,180, and 365days
Bills issued on RGSM	EC$16M, EC$11M and EC$25M
Maturity in Days	91days and 180days
Maturity Dates	12th and 23rd October 2012 and 16th January 2013
Discount	4.99%, 3.50% and 6.00%

b. Notes and Bonds

• **Issues Outstanding**	EC$997.280M*
• **Type of Issues**	Saint Lucia Government Bonds
• **Maturity in Yrs**	3, 5, 6, 8 and 10 yrs
• **Notes and Bonds issued on RGSM**	EC$654.09M*
• **Maturity in Yrs**	5, 6, 8 and 10 yrs
• **Coupon**	6.0%, 6.25% 6.5%, 6.8%, 7.0% to 7.75%
• **Redemption Date**	2013, 2014, 2015, 2016, 2017, 2018, 2020, 2022

*f*igures as at 30st June 2012*

c. Debt Rating

In April 2012, the GOSL was re-affirmed a rating of *Cari*BBB+ 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. The GOSL is in the process of getting a further update on its credit rating.

VII) CALENDAR OF EVENTS OF UPCOMING ISSUES OF GOVERNMENT SECURITIES 2012/2013

PROPOSED AUCTION DATE	SETTLELMENT DATE	INSTRUMENT TYPE	ISSUE AMOUNT	TRADING SYMBOL	MATURITY DATE
15th October 2012	16th October 2012	91-day T-Bill	ECD16,000,000	LCB150113	15th January 2013
24th October 2012	25th October 2012	91-day T-Bill	ECD11,000,000	LCB240113	24th January 2013
16th January 2013	17th January 2013	91-day T-Bill	ECD16,000,000	LCB180413	18th April 2013
17th January 2013	18th January 2013	180-day T-Bill	ECD25,000,000	LCB170713	17th July 2013
25th January 2013	28th January 2013	91-day T-Bill	ECD11,000,000	LCB290413	29th April 2013
19th April 2013	22nd April 2013	91-day T-Bill	ECD16,000,000	LCB220713	22th July 2013
30th April 2013	1st May 2013	91-day T-Bill	ECD11,000,000	LCB310713	31st July 2013

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

VIII) SECURITY ISSUANCE PROCEDURES, CLEARANCE AND SETTLEMENT

The series of 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.

IX) APPENDICES

I. List 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
VII. Central Government Outstanding Liabilities by Class of Holder and Term of Instrument
VIII. Budget Information 2012/2013

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 3870 / 3310 Email: nbabankl@anguillanet.com	**Principal** Selwyn Horsford **Representative** Shernika P. Connor
Antigua and Barbuda		
ABI Bank Ltd.	ABI Financial Centre Redcliffe Street St John's **Tel: 268 480 2837 / 2824** Fax: 268 480 2765 Email: abibsec@candw.ag	**Principals** Casroy James Carolyn Philip **Representative** Heather Williams
Antigua Commercial Bank Ltd.	ACB Financial Centre P O Box 95 St John's **Tel: 268 481 4200** Fax: 268 481 4158/ 4313	**Principal** Peter N Ashe **Representative** Sharon Nathaniel Alban Bass

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
	Email: acb@candw.ag	
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 **Representatives** Marlene Nisbett Petronella Edmeade-Crooke Angelica Lewis
The Bank of Nevis Ltd.	P O Box 450 Main Street Charlestown **Tel: 869 469 5564 / 5796** Fax: 869 469 5798 E mail: info@thebankofnevis.com	**Principal** Kevin Huggins Brian Carey **Representatives** Vernesia Walters Kelva Merchant Lisa Jones
St Lucia		
ECFH Global Investment Solutions Limited	5th Floor, Financial Centre Building 1 Bridge Street Castries	**Principals** Beverley Henry Donna Matthew

INSTITUTION	CONTACT INFORMATION	ASSOCIATED PERSONS
	Tel: 758 456 6826 / 457 7233 Fax: 758 456 6733 E-mail : capitalmarkets@ecfhglobalinvestments.com	Joel Allen **Representatives** Dianne Augustin Lawrence Jean Amobi Armstrong
First Citizens Investment Services Limited	9 Brazil Street Castries **Tel: 758 450 2662** Fax: 758 451 7984	**Principals** Carole Eleuthere-Jn Marie **Representative** Samual Agiste
St Vincent and The Grenadines		
Bank of St Vincent and the Grenadines Ltd	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown **Tel: 784 457 1844** Fax: 784 456 2612/ 451 2589 Email: natbank@svgncb.com	**Principals** Monifa Latham Keith Inniss **Representatives** Patricia John Deesha Lewis

APPENDIX II GDP Economic Activity at Factor Cost – Constant Prices

(Rebased) Gross Domestic Product
Production Approach
In Constant Prices, 2006 = 100
In EC$ Millions

Economic Activity	2000r	2001r	2002r	2003r	2004r	2005r	2006r	2007r	2008r	2009r	2010r	2011pre
Agriculture, Livestock, Forestry, Fishing	**132.58**	**100.50**	**114.34**	**100.57**	**105.25**	**81.52**	**88.93**	**87.25**	**112.72**	**106.41**	**87.05**	**81.40**
Bananas	79.76	49.23	70.27	50.92	59.61	41.97	44.53	38.80	57.62	50.68	30.42	18.97
Other Crops	22.22	23.66	21.85	21.24	20.33	17.09	20.09	23.20	27.31	27.09	27.97	34.39
Livestock	9.83	8.98	8.53	8.12	7.59	6.89	8.15	8.08	8.67	8.98	9.53	9.04
Fishing	19.51	17.38	12.47	19.10	16.55	14.44	15.07	16.10	18.08	18.66	18.15	18.06
Forestry	1.26	1.25	1.22	1.19	1.16	1.13	1.10	1.07	1.04	1.00	0.98	0.94
Mining and Quarrying	**1.89**	**1.95**	**1.95**	**0.64**	**0.65**	**1.46**	**6.82**	**10.92**	**8.31**	**6.86**	**7.58**	**7.29**
Manufacturing	**104.94**	**104.76**	**99.76**	**100.21**	**113.15**	**117.78**	**121.26**	**136.98**	**129.71**	**136.98**	**132.93**	**136.19**
Construction	**263.82**	**214.32**	**199.76**	**222.50**	**286.79**	**200.06**	**300.81**	**215.78**	**273.49**	**272.18**	**246.64**	**251.76**
Electricity and Water	**78.53**	**81.80**	**78.57**	**82.07**	**86.00**	**88.71**	**91.34**	**95.41**	**97.25**	**101.49**	**103.51**	**105.40**
Electricity	64.36	66.93	65.61	69.28	73.06	75.69	78.06	81.63	82.87	86.81	90.87	92.28
Water	14.17	14.87	12.95	12.79	12.94	13.02	13.28	13.78	14.38	14.67	12.64	13.12
Distributive Trade Services	**155.72**	**140.97**	**142.33**	**164.63**	**167.88**	**196.33**	**224.68**	**231.55**	**233.81**	**199.04**	**191.42**	**202.21**
Hotels and Restaurants	**224.28**	**203.60**	**202.14**	**232.26**	**245.44**	**258.08**	**252.49**	**253.61**	**245.45**	**243.19**	**260.74**	**267.04**
Hotels	178.67	159.83	158.85	185.27	196.18	208.59	202.89	187.89	192.10	187.14	202.50	201.69
Restaurants	45.60	43.77	43.28	46.99	49.26	49.49	49.60	65.72	53.35	56.05	58.24	65.35
Transport	**219.50**	**222.53**	**208.48**	**215.59**	**253.33**	**235.47**	**227.07**	**269.63**	**273.57**	**283.93**	**288.78**	**280.38**
Road Transport	149.69	143.62	138.77	142.46	166.26	153.18	148.29	176.11	179.63	186.35	189.18	185.49
Air Transport	0.15	2.00	1.62	0.56	1.62	1.58	1.53	1.53	1.92	1.98	2.21	2.12
Auxiliary Transport Activities	69.66	76.91	68.09	72.57	85.45	80.71	77.25	91.60	91.96	95.37	97.39	92.77
Communication	**129.86**	**142.78**	**152.19**	**159.16**	**161.17**	**169.50**	**157.54**	**166.90**	**170.69**	**173.47**	**171.51**	**158.92**
Postal Activity	2.62	2.66	2.76	2.58	2.55	2.60	2.72	2.79	2.74	2.76	2.83	2.84
Courier	1.30	1.29	1.28	1.26	1.32	1.34	1.25	1.22	1.17	0.97	1.11	1.08
Telecommunication	**125.95**	**138.84**	**148.15**	**155.32**	157.30	165.57	153.57	162.89	166.77	169.74	167.57	155.00
Financial Intermediation	**140.85**	**135.01**	**135.20**	**136.98**	**144.12**	**155.81**	**169.51**	**188.20**	**198.49**	**196.49**	**194.57**	**194.14**
Banking and Auxiliary Financial Services	98.01	98.66	100.05	104.31	111.71	123.69	133.61	150.17	158.75	155.71	154.38	153.07
Insurance	42.84	36.35	35.15	32.67	32.41	32.12	35.90	38.03	39.74	40.78	40.19	41.07
Real Estate, Renting and Business Activities	**283.33**	**290.20**	**293.56**	**302.76**	**309.86**	**324.21**	**349.45**	**372.66**	**387.46**	**396.73**	**426.99**	**431.34**
Owner Occupied Dwellings	187.30	189.10	192.54	197.19	207.20	217.09	226.02	245.08	250.35	257.72	270.11	272.40
Real Estate	29.61	32.53	33.62	37.03	35.95	37.84	45.77	49.22	55.31	56.13	65.49	64.13
Renting of Machinery and Equipment	14.87	15.50	14.97	15.61	13.37	14.76	16.30	18.00	18.43	18.15	19.59	22.35
Computer and Related Services	2.38	2.44	2.48	2.48	2.88	2.69	2.74	3.05	2.78	2.86	3.18	3.63
Business Services	49.17	50.63	49.94	50.46	50.46	51.82	58.62	57.30	60.59	61.87	68.63	68.83
Public Administration & Compulsory Social Services	**147.04**	**147.71**	**138.78**	**134.29**	**120.97**	**121.30**	**138.48**	**149.66**	**159.24**	**161.25**	**177.39**	**175.31**
Education	**91.26**	**90.52**	**89.23**	**85.24**	**85.92**	**83.86**	**95.97**	**102.66**	**106.35**	**113.78**	**117.15**	**122.81**
Public	87.77	86.09	84.80	80.85	81.66	79.36	91.09	96.83	101.18	108.55	111.73	117.16
Private	3.49	4.43	4.43	4.39	4.26	4.50	4.88	5.82	5.16	5.23	5.42	5.65
Health	**42.54**	**43.79**	**43.00**	**41.13**	**40.71**	**41.67**	**45.67**	**47.59**	**48.61**	**49.66**	**47.22**	**53.23**
Public	34.27	34.18	33.97	32.16	31.68	31.49	35.37	36.46	38.18	38.84	36.22	41.76
Private	**8.27**	**9.60**	**9.03**	**8.97**	9.03	10.18	10.30	11.13	10.43	10.81	11.01	11.47
Other Community, Social and Personal Services	**58.07**	**67.47**	**64.98**	**66.37**	**65.84**	**73.57**	**82.83**	**90.69**	**101.67**	**117.74**	**119.83**	**130.91**
Public	7.32	6.57	7.31	6.14	5.93	6.77	7.32	4.31	3.73	3.80	4.20	4.66
Private	47.68	57.79	54.54	57.07	56.71	63.57	72.24	83.07	94.63	110.16	112.16	122.71
Private Households with Employed Persons	3.07	3.11	3.13	3.16	3.20	3.23	3.27	3.31	3.30	3.78	3.47	3.54
Less FISIM	**(24.24)**	**(23.46)**	**(24.64)**	**(22.74)**	**(25.98)**	**(30.44)**	**(43.27)**	**(54.75)**	**(58.15)**	**(62.97)**	**(62.29)**	**(61.29)**
Gross Value Added @ Basic Prices	**2,050.0**	**1,964.4**	**1,939.6**	**2,021.7**	**2,161.1**	**2,118.9**	**2,309.6**	**2,364.7**	**2,488.7**	**2,496.2**	**2,511.0**	**2,537.0**
Rate of Growth %		**-4.17%**	**-1.26%**	**4.23%**	**6.90%**	**-1.95%**	**9.00%**	**2.39%**	**5.24%**	**0.30%**	**0.59%**	**1.04%**

Source: Government Statistics Department (St Lucia)
pre= preliminary
r = revised

Please note that the data reported is as at March 2012

APPENDIX III Balance of Payments

BALANCE OF PAYMENTS (EC$Millions)							
	2005r	**2006r**	**2007r**	**2008r**	**2009r**	**2010r**	**2011pre**
CURRENT ACCOUNT	**-349.6**	**-834.3**	**-930.6**	**-918.0**	**-377.2**	**-440.9**	**-789.3**
Goods	**-889.3**	**-1,145.7**	**-1,189.3**	**-1,167.3**	**-719.9**	**-876.4**	**-1,177.7**
Merchandise	-955.7	-1,211.4	-1,257.1	-1,241.3	-788.4	-942.2	-1,227.2
Repair on goods	0.0	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	65.8	49.5
Services	**700.4**	**426.2**	**405.6**	**399.9**	**439.1**	**505.2**	**443.4**
Transportation	-140.0	-158.9	-171.2	-205.1	-151.7	-169.6	-182.7
Travel	925.4	687.5	700.4	717.4	673.6	760.0	701.3
Insurance Services	-20.8	-26.4	-22.2	-31.4	-16.4	-24.1	-26.4
Other Business Services	-61.5	-71.3	-88.7	-68.7	-58.5	-54.9	-42.5
Government Services	-2.7	-4.6	-12.7	-12.3	-7.9	-6.2	-6.4
Income	**-195.8**	**-147.1**	**-183.5**	**-194.5**	**-129.9**	**-110.7**	**-111.0**
Compensation of Employees	0.5	0.3	0.5	0.5	0.5	1.0	1.0
Investment Income	-196.2	-147.4	-184.0	-195.0	-130.5	-111.7	-112.0
Current Transfers	**35.0**	**32.4**	**36.6**	**43.8**	**33.6**	**41.0**	**56.0**
General Government	-3.3	-1.2	7.5	10.5	1.4	4.5	14.6
Other Sectors	38.4	33.6	29.1	33.3	32.1	36.5	41.4
CAPITAL AND FINANCIAL ACCOUNT	**345.6**	**866.3**	**984.3**	**914.8**	**490.4**	**438.6**	**756.3**
CAPITAL ACCOUNT	**14.4**	**30.7**	**23.4**	**29.4**	**69.8**	**118.2**	**106.8**
Capital Transfers	14.4	30.7	23.4	29.4	69.8	118.2	106.8
Acquisition & Disposition of Non-Produced, Non-Financial Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL ACCOUNT	**331.2**	**835.6**	**960.9**	**885.4**	**420.6**	**320.4**	**649.5**
Direct Investment	211.2	631.6	734.1	435.3	395.3	297.0	218.6
Portfolio Investment	64.9	-8.0	1.3	-25.8	-78.7	82.6	104.1
Other Investments	55.0	212.0	225.5	475.9	104.0	-59.1	326.8
Public Sector Loans	20.2	64.0	54.7	-25.5	36.3	22.5	103.8
Commercial Banks	66.5	174.0	216.6	466.2	-11.9	-114.1	210.9
Other Assets	-90.3	-46.9	-78.7	19.6	55.8	-4.5	-4.6
Other Liabilities	58.6	20.9	32.9	15.6	23.8	37.0	16.6
ERRORS AND OMISSIONS	**-40.9**	**4.2**	**-3.7**	**-26.2**	**-23.6**	**88.0**	**52.6**
OVERALL BALANCE	**-44.9**	**36.3**	**50.0**	**-29.5**	**89.5**	**85.7**	**19.7**
FINANCING	**44.9**	**-36.3**	**-50.0**	**29.5**	**-89.5**	**-85.7**	**-19.7**
Change in SDR Holdings	0.0	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	0.4
Change in Reserve Position with IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Government Foreign Assets	1.7	12.3	1.3	0.0	0.0	0.0	0.0
Change in Imputed Reserves	43.2	-48.6	-51.3	29.5	-27.9	-85.7	-20.1

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

Please note that the data reported is as at March 2012

APPENDIX IV Central Government Fiscal Operations – Ratio of GDP

SUMMARY OF CENTRAL GOVERNMENT FISCAL OPERATIONS AS A RATIO OF GDP ECONOMIC CLASSIFICATION	2003/04	2004/05	2005/06r	2006/07r	2007/08r	2008/09r	2009/10r	2010/11pre	2011/12pre
TOTAL REVENUE AND GRANTS	**24.2%**	**24.7%**	**24.0%**	**23.7%**	**24.3%**	**26.1%**	**25.8%**	**26.6%**	**27.6%**
of which:									
Grants	0.9%	0.9%	0.4%	0.6%	0.4%	0.5%	2.1%	2.6%	2.7%
Capital revenue	0.4%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%
Current Revenue	**22.9%**	**23.7%**	**23.5%**	**23.1%**	**23.9%**	**25.3%**	**23.7%**	**24.0%**	**24.9%**
Tax Revenue	**20.9%**	**21.7%**	**21.9%**	**21.9%**	**22.2%**	**23.2%**	**21.9%**	**22.4%**	**22.8%**
of which:	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxes on Income	5.1%	5.6%	5.7%	5.7%	6.3%	7.3%	6.8%	6.8%	7.2%
Taxes on Goods & Services	3.5%	3.7%	3.7%	3.7%	4.2%	3.9%	3.4%	3.9%	3.9%
Taxes on International Trade	12.1%	12.3%	12.3%	12.3%	11.6%	11.9%	11.6%	11.6%	11.5%
Other	0.2%	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
Non Tax Revenue	**2.1%**	**2.0%**	**1.7%**	**1.3%**	**1.7%**	**2.1%**	**1.8%**	**1.6%**	**2.1%**
TOTAL EXPENDITURE	**28.2%**	**27.9%**	**31.4%**	**29.8%**	**26.2%**	**26.9%**	**28.9%**	**31.7%**	**35.2%**
Capital Expenditure	**6.5%**	**6.7%**	**10.4%**	**10.3%**	**7.4%**	**6.5%**	**7.5%**	**9.1%**	**12.0%**
Current Expenditure	**21.6%**	**21.2%**	**21.0%**	**19.6%**	**18.7%**	**20.4%**	**21.3%**	**22.6%**	**23.2%**
of which:									
Wages & Salaries	10.4%	9.7%	9.4%	9.0%	8.6%	9.5%	9.9%	10.4%	10.4%
Interest Payments	2.5%	2.8%	3.2%	2.8%	2.7%	2.8%	2.7%	3.1%	3.3%
Goods & Services	4.0%	3.7%	4.1%	3.6%	3.7%	4.1%	4.1%	4.2%	4.3%
Current Transfers	4.7%	5.0%	4.4%	4.2%	3.7%	4.0%	4.7%	4.9%	5.2%
Current Balance	**1.3%**	**2.5%**	**2.5%**	**3.6%**	**5.2%**	**4.9%**	**2.4%**	**1.4%**	**1.6%**
Primary Balance	**-1.4%**	**-0.4%**	**-4.3%**	**-3.3%**	**0.8%**	**1.9%**	**-0.4%**	**-2.0%**	**-4.3%**
Overall Balance	**-4.0%**	**-3.2%**	**-7.5%**	**-6.1%**	**-1.9%**	**-0.9%**	**-3.1%**	**-5.1%**	**-7.6%**
GDP at market prices	***2,170.15***	***2,359.73***	***2,536.21***	***2,838.10***	***3,097.09***	***3,180.06***	***3,203.25***	***3,286.62***	***3,360.09***

Source: Ministry of Finance, Economic Affairs, Planning and Social Security
r = revised
pre = preliminary

Please note that the data reported is as at March 2012

APPENDIX V Central Government Fiscal Operations – Economic Classification

CENTRAL GOVERNMENT SUMMARY OF FISCAL OPERATIONS [Fiscal Year]* ECONOMIC CLASSIFICATION (EC$ Millions)										
	2003/04	2004/05	2005/06r	2006/07r	2007/08r	2008/09r	2009/10r	2010/11r	2011/12pre	% Change
TOTAL REVENUE AND GRANTS	**524.96**	**582.40**	**608.06**	**672.47**	**753.10**	**829.03**	**826.79**	**874.50**	**928.83**	**6.2%**
of which:										
Grants	18.47	21.46	10.72	15.83	11.87	17.44	67.13	85.73	92.17	7.5%
Capital revenue	8.64	0.87	0.63	0.66	0.00	6.72	0.04	1.00	0.70	-30.0%
Current Revenue	**497.85**	**560.07**	**596.71**	**655.98**	**741.23**	**804.87**	**759.62**	**787.77**	**835.96**	**6.1%**
Tax Revenue	**453.04**	**512.93**	**554.55**	**620.31**	**687.74**	**737.74**	**700.76**	**736.71**	**764.59**	**3.8%**
of which:										
Taxes on Income	109.91	131.49	143.98	160.61	195.77	231.91	217.60	224.06	240.94	7.5%
Taxes on Goods & Services	75.99	87.95	93.59	105.66	128.60	123.36	107.80	128.72	132.63	3.0%
Taxes on International Trade	263.32	289.84	312.12	349.89	358.21	379.74	371.45	380.67	386.65	1.6%
Other	3.82	3.65	4.86	4.15	5.16	2.73	3.92	3.26	4.37	34.0%
Non Tax Revenue	**44.81**	**47.14**	**42.16**	**35.67**	**53.49**	**67.13**	**58.86**	**51.07**	**71.37**	**39.8%**
TOTAL EXPENDITURE	**611.10**	**658.30**	**797.43**	**845.86**	**811.34**	**856.82**	**925.08**	**1,041.04**	**1,183.25**	**13.7%**
Capital Expenditure	**142.00**	**157.45**	**264.05**	**290.99**	**230.70**	**208.17**	**241.31**	**298.57**	**402.60**	**34.8%**
Current Expenditure	**469.10**	**500.85**	**533.38**	**554.87**	**580.64**	**648.65**	**683.77**	**742.47**	**780.65**	**5.1%**
of which:										
Wages & Salaries	226.70	228.78	238.47	255.64	266.97	301.07	316.15	342.30	350.31	2.3%
Interest Payments	54.74	67.17	81.11	78.72	84.51	88.47	86.75	101.75	111.17	9.3%
Goods & Services	85.88	87.64	103.47	102.67	114.53	131.74	131.26	137.84	145.58	5.6%
Current Transfers	101.78	117.26	110.33	117.84	114.63	127.37	149.61	160.58	173.59	8.1%
Current Balance	**28.75**	**59.22**	**63.33**	**101.11**	**160.59**	**156.22**	**75.85**	**45.30**	**55.31**	**22.1%**
Primary Balance	**-31.40**	**-8.73**	**-108.26**	**-94.67**	**26.27**	**60.68**	**-11.54**	**-64.79**	**-143.25**	**121.1%**
Overall Balance	**-86.14**	**-75.90**	**-189.37**	**-173.39**	**-58.24**	**-27.79**	**-98.29**	**-166.54**	**-254.42**	**52.8%**

Source: Ministry of Finance, Economic Affairs, Planning and Social Security
** fiscal year April to March*
r=revised
pre = preliminary

Please note that the data reported is as at March 2012

APPENDIX VI Public Sector Outstanding Debt

TOTAL PUBLIC SECTOR OUTSTANDING LIABILITIES

As at December 31

(in EC$000's)

	2001	2002	2003	2004	2005	2006	2007r	2008r	2009r	2010r	2011pre	*11/10 Change*
1. TOTAL OUTSTANDING LIABILITIES	**974,330**	**1,092,456**	**1,239,113**	**1,440,345**	**1,528,243**	**1,641,900**	**1,768,689**	**1,789,395**	**1,843,587**	**2,057,396**	**2,298,184**	***11.7%***
2. OFFICIAL PUBLIC DEBT	**947,776**	**1,076,637**	**1,213,175**	**1,420,153**	**1,510,939**	**1,624,735**	**1,754,040**	**1,770,860**	**1,828,855**	**2,036,563**	**2,273,193**	***11.6%***
A. Central Government												
Outstanding Debt	**695,938**	**826,110**	**968,159**	**1,175,864**	**1,296,264**	**1,427,373**	**1,575,725**	**1,595,768**	**1,639,114**	**1,832,139**	**2,082,875**	***13.7%***
- Domestic	310,579	318,480	231,197	345,882	395,340	470,081	594,503	706,886	708,188	858,502	1,035,947	20.7%
- External	385,359	507,630	736,962	829,982	900,923	957,293	981,222	888,882	930,925	973,636	1,046,928	7.5%
- Treasury Bills/Notes						18,643	22,551	13,077	19,504	58,201	42,679	-26.7%
- Bonds						359,541	329,304	299,339	274,261	253,659	341,053	34.5%
- Loans						579,108	629,366	576,466	637,161	661,776	663,195	0.2%
- Bilateral						*70,281*	*83,170*	*78,705*	*69,706*	*57,251*	*48,876*	-14.6%
- Multilateral						*508,827*	*546,196*	*497,761*	*567,454*	*604,525*	*614,319*	1.6%
B. Government Guaranteed												
Outstanding Debt	**212,499**	**197,148**	**187,861**	**167,924**	**160,137**	**143,681**	**125,502**	**131,759**	**117,054**	**132,962**	**120,532**	**-9.3%**
- Domestic	42,808	45,616	74,360	39,177	47,545	45,430	40,161	41,592	41,145	43,179	43,043	-0.3%
- External	169,691	151,532	140,501	128,747	112,592	98,250	85,341	90,167	75,909	89,784	77,489	-13.7%
C. Public Non-Guaranteed												
Outstanding Debt	**39,339**	**53,379**	**57,155**	**56,172**	**54,539**	**53,681**	**52,813**	**43,333**	**72,687**	**71,462**	**69,787**	**-2.3%**
- Domestic	16,907	22,971	24,466	23,186	21,977	20,751	19,525	39,536	71,519	71,462	69,787	-2.3%
- External	22,432	30,409	32,689	32,986	32,562	32,930	33,288	3,797	1,168	0	0	
3. Outstanding Payables	**26,554**	**15,819**	**25,939**	**20,193**	**17,304**	**17,165**	**14,649**	**18,536**	**14,693**	**20,833**	**24,991**	**20.0%**
TOTAL (Domestic)	**370,295**	**387,067**	**330,023**	**408,245**	**464,862**	**536,262**	**654,189**	**788,014**	**820,853**	**973,143**	**1,148,776**	**18.0%**
TOTAL (External)	**577,481**	**689,571**	**910,151**	**991,715**	**1,046,077**	**1,088,473**	**1,099,851**	**982,845**	**1,008,003**	**1,063,420**	**1,124,416**	**5.7%**
Memo Item: Official Public Debt/GDP	**49.3%**	**54.9%**	**57.3%**	**61.1%**	**61.4%**	**58.8%**	**57.1%**	**55.7%**	**57.5%**	**62.2%**	**68.5%**	

Source: Debt & Investment Unit, Ministry of Finance, Economic Affairs, Planning and Social Security

pre = preliminary

r = revised

Please note that the data reported is as at March 2012

APPENDIX VII Central Government Outstanding Liabilities by Class of Holder and Term of Instrument

DISTRIBUTION OF CENTRAL GOVERNMENT'S OUTSTANDING LIABILITIES
BY CLASS OF HOLDER & TERM OF INSTRUMENT
as at December 31, 2011

	LONGTERM [>10 years]				MEDIUM TERM [>5 - 10YRS]				SHORT TERM [1 - 5 Years]					
	Bonds	Loans & Advances	Other	Sub-total	Bonds	Loans & Advances	Other	Sub-total	Bonds	Treasury Bills	Loans & Advances	Other	Sub-Total	TOTAL
1. DOMESTIC														
A. Monetary Authorities					0.0									
1. ECCB		0.0		0.0	0.0			0.0	2,000.0	0.0			2,000.0	2,000.0
B. Financial Institutions														
1. Commercial Banks		0.0		0.0	44,021.0	0.0		44,021.0	176,304.5	156,033.9	66,655.0		398,993.4	443,014.4
2. Insurance Companies				0.0	4,400.0	0.0		4,400.0	19,334.5	20,868.0			40,202.5	44,602.5
3. Other				0.0	115,505.0			115,505.0	252,408.0	2,597.0			255,005.0	370,510.0
C. Non-Financial Private Sector					0.0			0.0	0.0				0.0	0.0
D. Non-Financial Public Sector				0.0	15,000.0			15,000.0	72,489.0	54,173.1			126,662.1	141,662.1
E. Other (Private Individuals & Agencies included)				0.0	21,447.0			21,447.0	12,567.3	143.6			12,710.9	34,157.9
F. Short term credits								0.0					0.0	0.0
Sub-Total	**0.0**	**0.0**	**0.0**	**0.0**	**200,373.0**	**0.0**	**0.0**	**200,373.0**	**535,103.3**	**233,815.6**	**66,655.0**	**0.0**	**835,573.9**	**1,035,946.9**
11. EXTERNAL														
A. Monetary Authorities														
1. ECCB				0.0	0.0			0.0	10,064.0		6,308.4		16,372.4	16,372.4
2. IMF						44,927.0		44,927.0						44,927.0
B. Int'l Development Institutions														
1. C.D.B.		330,911.6		330,911.6		1,868.1		1,868.1			7,656.4		7,656.4	340,436.1
2. E.I.B.		0.0		0.0				0.0			1,049.8		1,049.8	1,049.8
3. I.F.A.D.		0.0		0.0		0.0		0.0			1,345.0		1,345.0	1,345.0
4. OPEC		0.0		0.0				0.0			0.0		0.0	0.0
5. IDA		171,592.6		171,592.6				0.0					0.0	171,592.6
6. IBRD		10,800.0		10,800.0		34,343.1		34,343.1			3,517.2		3,517.2	48,660.3
C. Foreign Governments				0.0										
1. France		29,201.8		29,201.8				0.0			1,109.7		1,109.7	30,311.5
2. Kuwait		1,139.8		1,139.8		15,809.8		15,809.8			1,615.0		1,615.0	18,564.6
D. Other Foreign Institutions														
1. Regional				0.0	33,754.0			33,754.0	86,822.0	14,089.0	0.0		100,911.0	134,665.0
2. Extra Regional				0.0	0.0			0.0					0.0	0.0
E. OTHER														
1. Royal Merchant Bank	0.0			0.0	0.0			0.0	87,221.4				87,221.4	87,221.4
2. Citibank	0.0			0.0	6,750.0			6,750.0	23,531.2		0.0		23,531.2	30,281.2
3. Other	0.0			0.0		0.0		0.0		0.0	0.0		0.0	0.0
4. T & T Stock Exchange					121,500.0			121,500.0						121,500.0
Sub-Total	**0.0**	**543,645.8**	**0.0**	**543,645.8**	**162,004.0**	**52,021.0**	**0.0**	**92,525.0**	**197,574.6**	**14,089.0**	**16,293.1**	**0.0**	**227,956.7**	**1,046,926.9**
													0.0	**0.0**
GRAND TOTAL	**0.0**	**543,645.8**	**0.0**	**543,645.8**	**362,377.0**	**52,021.0**	**0.0**	**292,898.0**	**732,677.9**	**247,904.6**	**82,948.1**	**0.0**	**1,063,530.6**	**2,082,873.8**

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

Please note that the data reported is as at March 2012

APPENDIX VIII CURRENT BUDGET

The Prime Minister of Saint Lucia and Minister for Finance Hon. Dr. Kenny Anthony presented a budget in the sum of **ECD1.457 Billion** for the fiscal year 2012/2013.

Total Receipts which includes Recurrent Revenue and Other Revenues represented by Capital revenue, Grants, Bonds, Treasury Bills and Loans are estimated to be **ECD922.13 Million** and **ECD535.7 Million** respectively. Payments represented by Recurrent Expenditure and Capital Expenditure are estimated to be **ECD962.9 Million** and **ECD494.9 Million** respectively.

The full address by the Prime Minister can be read at http://www.ecseonline.com/documents/SaintLuciaBudgetStatementMay82012.pdf or by visiting the Government of Saint Lucia website at www.stlucia.gov.lc.