INTERNATIONAL MONETARY FUND

ST. LUCIA

External and Public Debt Sustainability Analysis

Prepared by the Staff of the International Monetary Fund

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This debt sustainability analysis (DSA) assesses the sustainability of St. Lucia's public and external debt. The analysis indicates that, under the baseline scenario discussed in this staff report, public debt will resume a sustainable trajectory in the medium term, barring further external shocks such as the natural disaster that hit the country recently. This sustainable debt trajectory, however, hinges on the successful fiscal consolidation to achieve fiscal primary surplus of 2.9 percent of GDP and the real GDP growth of 3.0 percent in the medium term. The risk of external debt distress remains moderate.

I. Introduction

1. **St. Lucia has been significantly impacted by the 2008–09 global economic and financial crises, as the tourism demand from the main source economies declined on weak employment and consumption.** Economic activities contracted by about 3.6 percent in 2009 after expanding on an average by about 3 percent in 2004–08. The primary balance turned to a deficit of 0.5 percent of GDP in 2009 from a surplus of 2.3 percent in 2008, reflecting the counter-cyclical measures taken to cushion the impact of the crisis.[1] Reflecting the weak growth and the fiscal deterioration, gross public debt increased from 66½ percent of GDP in 2008 to 73.9 percent in 2009. External debt constitutes a little over half of the public debt, however, the share of domestic debt is expanding, increasing by 5 percentage points to 34.4 percent of GDP in 2009. While the economy was on a path for a gradual recovery in 2010 led by tourism sector, St. Lucia was hit hard by Hurricane Tomas, resulting in a projected reduction in the real GDP growth by 1.2 percentage point from the pre-hurricane growth for 2010 to 0.5 percent post-hurricane.

II. Underlying DSA Assumptions

2. **The DSA analysis is based on the following macroeconomic framework, assuming that the authorities will implement the near-term policies agreed with staff.**

[1] The fiscal year starts April 1.

- **Growth and Inflation**: Despite the impact of Hurricane Tomas and its damage to the agricultural production and infrastructure, the real GDP is projected to grow moderately by 0.5 percent in 2010. A rebound of 4.1 percent growth is projected in 2011, led by the reconstruction activities, and projected to average around 3.0 percent in the medium term. Inflation is expected to remain low at around 2 percent, anchored by the currency board arrangement.

Box 1. Macroeconomic assumptions under the Baseline Scenario (2011–2030)

- Following a prolonged slowdown in the aftermath of the global recession and the weak outlook of the employment and consumption in the major trading partners, real GDP growth is projected to average around 3.0 percent in the medium term. Inflation is expected to remain in low single digits, anchored by the currency board arrangement.

- The primary balance of the central government (including grants) is projected to improve to about 2.9 percent of GDP, reflecting the yield from the introduction of VAT in the first half of 2012. Also, civil service reform is assumed to contribute to reducing the wage bills by close to 2 percent of GDP to 11 percent of GDP in the medium term.

- The overall deficit is assumed to be financed roughly equally by domestic and external sources. Interest rates of 6.8 percent and 5.3 percent are assumed for domestic and external borrowings, respectively, in line with the historical average.

- Capital grants are conservatively projected at 0.9 percent of GDP per year, after the inflow above the historical levels in 2010/11 and 2011/12 for the support of the reconstruction from the damage of Hurricane Tomas. Capital expenditure is projected to converge to around 9.0 percent of GDP and stay constant over the medium term.

- FDI inflow is assumed to recover to around 14.4 percent of GDP, in line with historical average, following the sharp decline in 2008-2009 due to the global downturn. The current account deficit is projected to stay around 16 percent of GDP over the medium term.

- **Fiscal Balance**: The primary balance is projected to worsen temporarily to a deficit of around 2 percent of GDP in 2010 and 2011, as the impact of hurricane on revenue and the increase in capital expenditure for the reconstruction is only partially offset by higher grants. The primary surplus is assumed to improve over the medium term to an average of 2.9 percent of GDP, as planned policy measures would yield results, including the introduction of a market-based property tax in 2011, a VAT in the first half of 2012, and civil service reform to reduce wage bills to around 11 percent of GDP in the medium term. In the short term, the increase in the deficit will be limited to the identified sources of concessional financing. However, in the case the disbursements of the identified financing were to be delayed, the authorities might temporarily resort to borrowing in the Regional Government Securities Market (RGSM) or issue bonds outside of the region. In the medium term, the overall deficit is assumed to be financed mainly on market terms, and the interest rates of

6.8 percent for domestic debt and 5.3 percent for external debt are assumed, in line with the historical average. As the new borrowings are assumed to be contracted largely on market terms reflecting the historical debt composition, the overall DSA results will not be altered should the authorities resort to bridge financing via the RGSM or a bond issue outside of the region.

- **External Sector**: The current account deficit is projected to widen in 2011 primarily due to the increase in import for the reconstruction, before converging to around 16 percent of GDP over the medium term. Tourism receipt is assumed to recover, in line with the strong growth in tourist arrivals before the hurricane. FDI inflows are projected to recover to historical levels of 14.4 percent of GDP, but remain below the recent peak of 2006–2007.

III. Evaluation of Public Sector Debt Sustainability

3. **The debt-to-GDP ratio rose by 7½ percentage points to 73.9 percent in 2009 as a result of a recession and counter-cyclical fiscal policies**. The ratio is projected to increase further by another 5.6 percentage points over the next two years to 79.5 percent in 2011, reflecting the increase in capital expenditure for the reconstruction. In subsequent years, however, yields from the introduction of VAT and strengthened expenditure controls would contribute to the improvement in fiscal balances and put the public debt to a declining path over the medium term. The public debt is projected to fall to 59.9 percent of GDP by 2020, achieving the Eastern Caribbean Central Bank (ECCB)'s benchmark of 60 percent by 2020.

4. **Sensitivity analysis shows that the public debt is most responsive to a shock to real GDP growth.** Under this scenario, which assumes the reduction of real GDP growth by one standard deviation below the historical average in 2011 and 2012, the PV of public debt increases to 121.2 percent of GDP in 2030 (Table 2a, Scenario B1). The combined shock of annual growth and the primary balance below historical averages would push the PV of public debt-to-GDP to 97.6 percent (Table 2a, Scenario B3). These results highlight St. Lucia's vulnerability to natural disasters and the risks of its high level of debt.

IV. Evaluation of External Debt Sustainability

5. **St. Lucia's external debt sustainability analysis includes only public sector debts due to the limitations in the data on private sector external borrowing.** Under the baseline scenario, the PV of external debt is projected to increase to 40.0 percent of GDP in 2011 reflecting the widening fiscal deficit due to the impact of the hurricane. The ratio is

projected to decline to 17.8 percent of GDP by 2030, well below the prudential threshold of 50 percent[2] (1 and Table 3a).

6. **Sensitivity analysis shows that the level of external debt is most responsive to an extreme shock of nominal exchange rate depreciation.** The stress test assuming a one-time 30 percent nominal depreciation relative to the baseline in 2011 indicates that the PV of external debt-to-GDP ratio would rise to 56.8 percent and breach the threshold of 50 percent (Table 3b, Scenario B6). The debt service-to-export ratio rises to 17.1 percent under the most extreme export shock scenario assuming the export growth at one standard deviation below the historical average in 2010-11, below the prudential threshold of 25 percent.

V. Conclusion

7. **Staff analysis shows that, under the baseline scenario, imbalances for the overall public sector would be on a declining and sustainable path, achieving the ECCB's debt-to-GDP ratio target of 60 percent by 2020.** St. Lucia would then continue to reduce its stock of public debt steadily to 35.5 percent by 2030. The main risks to the debt trajectory are the delay in implementation of measures to improve fiscal balances and shocks to economic growth including natural disaster.

8. **External debt risk remains moderate.** While the baseline scenario indicates no breach of any threshold over the projection period, the most extreme shock scenarios suggest breach of the PV of debt-to-GDP threshold and moderate increase of the PV of debt service-to-export. It should be noted that the external debt sustainability analysis is constrained by the data limitation on private sector external borrowing.

9. **The sustainable debt trajectory presented in the analysis is based on a strong fiscal adjustment and real GDP growth over the medium term.** The government is assumed to successfully implement policy measures to achieve fiscal primary surplus of 2.9 percent of GDP, and the real GDP to grow by 3.0 percent in the medium term. As indicated by the stress tests, the public debt could take an unsustainable path should there be shortcomings in the fiscal consolidation and/or economic growth underperform.

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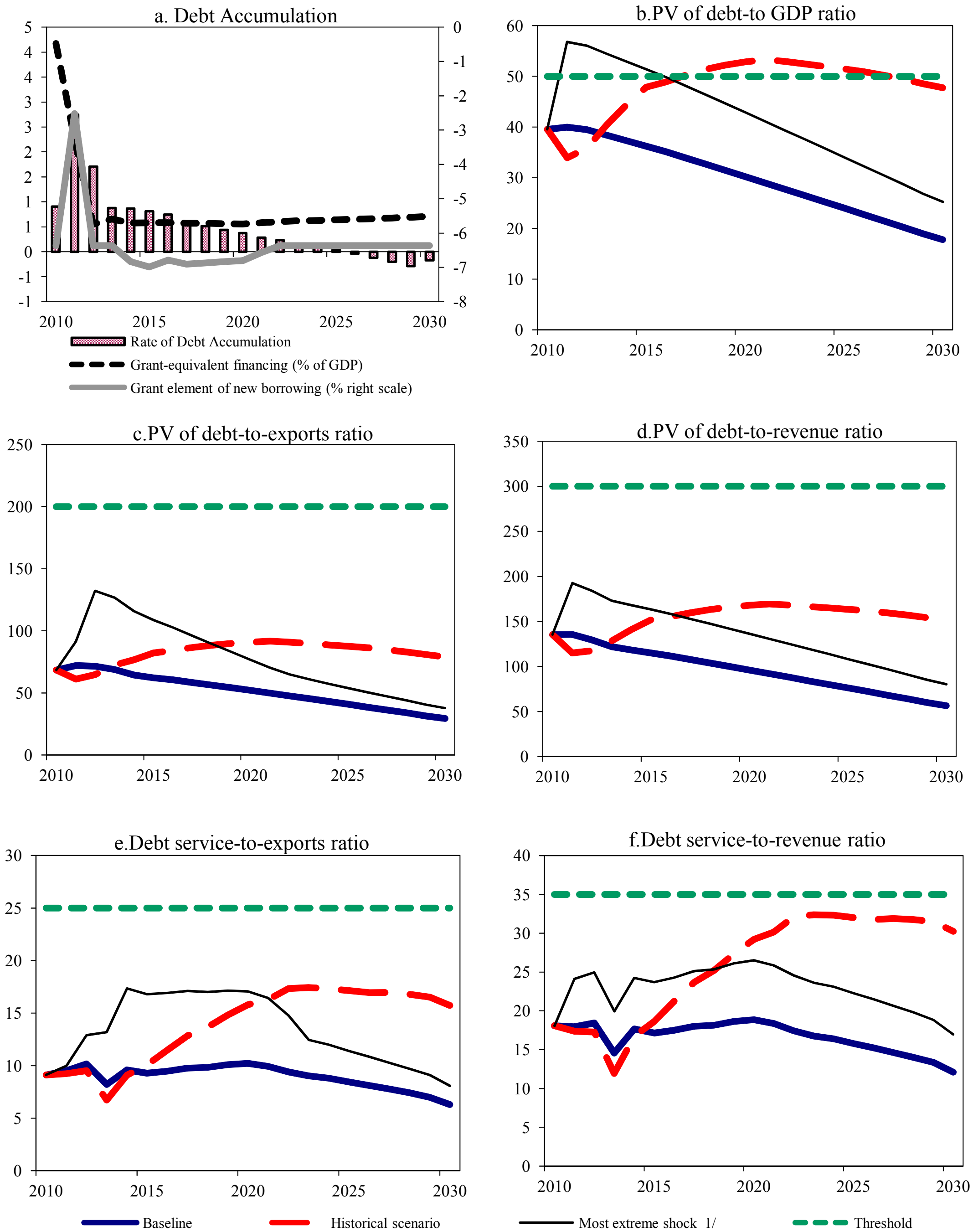
[2] The DSA uses policy-dependent external debt burden indicators. Policy performance is measured by the Country Policy and Institutional Assessment Index (CPIA) compiled annually by the World Bank, categorizing countries into three groups based on the quality of their macroeconomic policies (strong, medium, and poor). St. Lucia is classified as a strong performer, with the thresholds on PV of debt-to-GDP, debt-to-exports and debt-to-revenue of 50, 200 and 300 percent respectively.

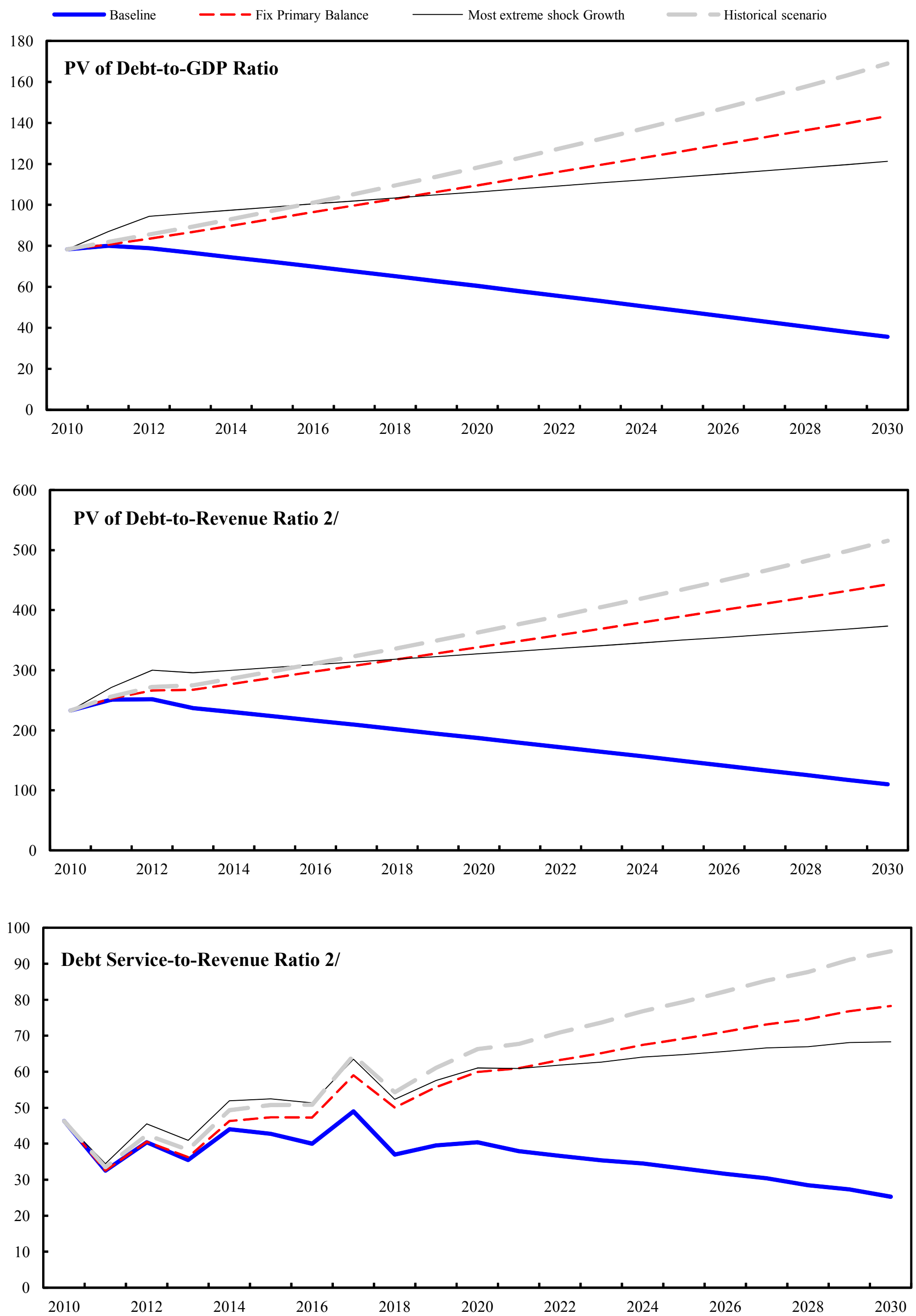
Figure 1. St. Lucia: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b. it corresponds to a One-time depreciation shock; in c. to a Exports shock; in d. to a One-time depreciation shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 2.St. Lucia: Indicators of Public Debt Under Alternative Scenarios, 2010-2030 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2020.

2/ Revenues are defined inclusive of grants.

Table 1a.St. Lucia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2007-2030
(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2007	2008	2009	Average	Standard Deviation	2010	2011	2012	2013	2014	2015	2010-15 Average	2020	2030	2016-30 Average
Public sector debt 1/	66.5	66.4	73.9			77.7	79.5	78.3	76.1	73.9	71.6		59.9	35.5	
o/w foreign-currency denominated	41.4	36.9	39.4			39.0	39.5	38.9	37.9	36.8	35.7		29.8	17.7	
Change in public sector debt	0.8	0.0	7.5			3.8	1.8	-1.2	-2.1	-2.3	-2.2		-2.4	-2.4	
Identified debt-creating flows	-1.0	-0.1	5.5			3.8	1.8	-1.2	-2.2	-2.3	-2.3		-2.3	-2.6	
Primary deficit	-2.6	-2.3	0.6	1.4	2.5	2.4	1.9	-1.4	-2.7	-2.9	-2.9	-0.9	-2.9	-2.9	-2.9
Revenue and grants	28.4	30.6	31.0			33.6	31.9	31.4	32.4	32.4	32.4		32.4	32.4	
of which: grants	0.2	0.8	2.0			4.4	2.4	0.9	0.9	0.9	0.9		0.9	0.9	
Primary (noninterest) expenditure	25.8	28.3	31.6			36.0	33.7	30.0	29.6	29.5	29.5		29.5	29.5	
Automatic debt dynamics	1.6	2.2	4.9			1.4	0.0	0.2	0.5	0.5	0.6		0.6	0.3	
Contribution from interest rate/growth differential	1.0	1.8	5.1			2.2	0.1	0.4	0.8	0.7	0.7		0.7	0.4	
of which: contribution from average real interest rate	1.9	2.2	2.6			2.6	3.2	3.1	3.1	2.9	2.9		2.5	1.5	
of which: contribution from real GDP growth	-1.0	-0.5	2.5			-0.4	-3.1	-2.7	-2.3	-2.2	-2.2		-1.8	-1.1	
Contribution from real exchange rate depreciation	0.6	0.4	-0.2			-0.8	-0.1	-0.3	-0.2	-0.2	-0.1		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	1.8	0.1	2.0			0.0	0.0	0.0	0.1	0.1	0.1		-0.1	0.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	74.5			78.3	80.0	78.9	76.7	74.4	72.2		60.4	35.6	
o/w foreign-currency denominated	...	...	40.1			39.6	40.0	39.5	38.4	37.3	36.2		30.2	17.8	
o/w external	...	...	40.1			39.6	40.0	39.5	38.4	37.3	36.2		30.2	17.8	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	7.4	6.6	16.6			25.8	20.2	14.0	13.2	15.6	16.9		14.7	8.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	240.0			232.7	251.0	251.6	236.9	229.9	223.0		186.7	110.0	
PV of public sector debt-to-revenue ratio (in percent)	…	…	256.7			268.0	271.5	258.9	243.6	236.4	229.2		191.9	113.1	
o/w external 3/	…	…	138.0			135.5	135.7	129.6	121.9	118.5	115.1		96.1	56.6	
Debt service-to-revenue and grants ratio (in percent) 4/	25.6	23.8	50.1			46.3	32.6	40.4	35.5	44.0	42.8		40.4	25.3	
Debt service-to-revenue ratio (in percent) 4/	25.7	24.4	53.6			53.4	35.2	41.6	36.5	45.2	44.0		41.5	26.0	
Primary deficit that stabilizes the debt-to-GDP ratio	-3.4	-2.3	-6.9			-1.4	0.0	-0.2	-0.6	-0.6	-0.6		-0.5	-0.5	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	1.5	0.7	-3.6	1.2	3.1	0.5	4.1	3.5	3.0	3.0	3.0	2.9	3.0	3.0	3.0
Average nominal interest rate on forex debt (in percent)	5.5	4.3	4.4	4.2	1.0	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Average real interest rate on domestic debt (in percent)	4.1	5.5	4.2	4.5	1.6	2.6	4.5	4.3	4.3	4.4	4.5	4.1	4.9	4.8	4.8
Real exchange rate depreciation (in percent, + indicates depreciation)	1.3	1.0	-0.5	0.2	1.3	-2.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.6	1.1	1.4	2.2	1.3	3.0	1.6	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.1	0.1	0.1	0.0	0.1	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	…	…	-6.4	-2.5	-6.4	-6.4	-6.8	-7.0	-5.9	-6.8	-6.4	...

Sources: Country authorities; and staff estimates and projections.

1/ The analysis covers the public sector guaranteed and non-guaranteed debt and gross debt is used.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2a.St. Lucia: Sensitivity Analysis for Key Indicators of Public Debt 2010-2030

	Projections							
	2010	2011	2012	2013	2014	2015	2020	2030
PV of Debt-to-GDP Ratio								
Baseline	78	80	79	77	74	72	60	36
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	78	82	86	89	93	97	118	169
A2. Primary balance is unchanged from 2010	78	81	83	87	90	93	110	143
A3. Permanently lower GDP growth 1/	78	81	81	80	79	78	77	92
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	78	87	94	96	97	99	106	121
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	78	82	87	84	82	80	68	44
B3. Combination of B1-B2 using one half standard deviation shocks	78	84	91	91	92	92	94	98
B4. One-time 30 percent real depreciation in 2011	78	98	97	95	93	91	83	69
B5. 10 percent of GDP increase in other debt-creating flows in 2011	78	90	89	87	85	83	71	47
PV of Debt-to-Revenue Ratio 2/								
Baseline	233	251	252	237	230	223	187	110
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	233	256	272	275	287	299	363	516
A2. Primary balance is unchanged from 2010	233	253	266	268	278	288	338	443
A3. Permanently lower GDP growth 1/	233	253	257	246	243	241	238	283
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	233	271	300	295	300	305	327	373
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	233	258	276	261	254	247	211	136
B3. Combination of B1-B2 using one half standard deviation shocks	233	264	289	281	283	284	290	301
B4. One-time 30 percent real depreciation in 2011	233	306	308	292	286	281	255	215
B5. 10 percent of GDP increase in other debt-creating flows in 2011	233	284	285	269	262	255	220	145
Debt Service-to-Revenue Ratio 2/								
Baseline	46	33	40	35	44	43	40	25
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	46	33	42	38	49	51	66	93
A2. Primary balance is unchanged from 2010	46	33	41	36	46	47	60	78
A3. Permanently lower GDP growth 1/	46	33	41	36	45	45	47	51
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2011-2012	46	34	46	41	52	52	61	68
B2. Primary balance is at historical average minus one standard deviations in 2011-2012	46	33	41	37	47	46	45	30
B3. Combination of B1-B2 using one half standard deviation shocks	46	34	44	39	50	50	56	57
B4. One-time 30 percent real depreciation in 2011	46	36	48	42	53	53	58	54
B5. 10 percent of GDP increase in other debt-creating flows in 2011	46	33	42	38	49	48	47	32

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Table 3a.: External Debt Sustainability Framework, Baseline Scenario, 2007-2030 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average 0	Standard Deviation	Projections									
	2007	2008	2009			2010	2011	2012	2013	2014	2015	2010-2015 Average	2020	2030	2016-2030 Average
External debt (nominal) 1/	**41.4**	**36.9**	**39.4**			**39.0**	**39.5**	**38.9**	**37.9**	**36.8**	**35.7**		**29.8**	**17.7**	
o/w public and publicly guaranteed (PPG)	41.4	36.9	39.4			39.0	39.5	38.9	37.9	36.8	35.7		29.8	17.7	
Change in external debt	-3.1	-4.5	2.6			-0.5	0.5	-0.6	-1.0	-1.1	-1.1		-1.2	-1.1	
Identified net debt-creating flows	1.6	11.8	0.0			3.3	10.4	2.7	0.2	0.8	0.8		1.9	1.4	
Non-interest current account deficit	**28.6**	**26.3**	**12.7**	**17.3**	**7.3**	**14.4**	**23.1**	**16.2**	**13.3**	**14.2**	**14.2**		**15.4**	**15.2**	15.3
Deficit in balance of goods and services	25.4	22.4	10.1			11.9	20.5	13.6	10.8	11.6	11.7		12.7	12.1	
Exports	49.9	53.6	56.3			57.8	55.5	55.3	55.8	57.9	58.2		58.1	60.5	
Imports	75.3	76.0	66.4			69.7	76.0	68.9	66.6	69.5	69.9		70.8	72.7	
Net current transfers (negative = inflow)	-1.4	-1.6	-1.3	-1.7	0.4	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3		-1.1	-0.8	-1.0
o/w official	-0.3	-0.4	-0.1			-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		0.0	0.0	
Other current account flows (negative = net inflow)	4.6	5.5	3.8			3.8	3.8	3.8	3.8	3.8	3.8		3.8	3.8	
Net FDI (negative = inflow)	**-28.1**	**-15.4**	**-15.2**	**-13.9**	**7.3**	**-12.9**	**-13.2**	**-14.2**	**-14.0**	**-14.2**	**-14.2**		**-14.2**	**-14.2**	-14.2
Endogenous debt dynamics 2/	**1.0**	**1.0**	**2.5**			**1.8**	**0.4**	**0.7**	**0.9**	**0.8**	**0.8**		**0.7**	**0.4**	
Contribution from nominal interest rate	2.4	1.8	1.7			2.0	2.0	2.0	2.0	1.9	1.8		1.6	0.9	
Contribution from real GDP growth	-0.6	-0.3	1.3			-0.2	-1.5	-1.3	-1.1	-1.1	-1.1		-0.9	-0.5	
Contribution from price and exchange rate changes	-0.7	-0.5	-0.5			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-4.7**	**-16.4**	**2.6**			**-3.8**	**-9.9**	**-3.3**	**-1.2**	**-1.9**	**-1.9**		**-3.1**	**-2.5**	
o/w exceptional financing	0.0	0.0	0.0			0.0	-3.8	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	40.1			39.6	40.0	39.5	38.4	37.3	36.2		30.2	17.8	
In percent of exports	...	...	71.1			68.4	72.1	71.4	68.8	64.5	62.2		52.0	29.4	
PV of PPG external debt	**...**	**...**	**40.1**			**39.6**	**40.0**	**39.5**	**38.4**	**37.3**	**36.2**		**30.2**	**17.8**	
In percent of exports	**...**	**...**	**71.1**			**68.4**	**72.1**	**71.4**	**68.8**	**64.5**	**62.2**		**52.0**	**29.4**	
In percent of government revenues	**...**	**...**	**138.0**			**135.5**	**135.7**	**129.6**	**121.9**	**118.5**	**115.1**		**96.1**	**56.6**	
Debt service-to-exports ratio (in percent)	**17.0**	**9.8**	**10.2**			**9.1**	**9.5**	**10.2**	**8.2**	**9.6**	**9.3**		**10.2**	**6.3**	
PPG debt service-to-exports ratio (in percent)	**17.0**	**9.8**	**10.2**			**9.1**	**9.5**	**10.2**	**8.2**	**9.6**	**9.3**		**10.2**	**6.3**	
PPG debt service-to-revenue ratio (in percent)	**30.1**	**17.6**	**19.9**			**18.1**	**18.0**	**18.4**	**14.5**	**17.7**	**17.2**		**18.9**	**12.1**	
Total gross financing need (Millions of U.S. dollars)	87.6	158.8	31.2			67.8	160.8	85.2	46.4	68.3	70.8		120.2	135.3	
Non-interest current account deficit that stabilizes debt ratio	31.7	30.8	10.1			14.9	22.6	16.8	14.3	15.2	15.3		16.6	16.3	
Key macroeconomic assumptions															
Real GDP growth (in percent)	1.5	0.7	-3.6	1.2	3.1	0.5	4.1	3.5	3.0	3.0	3.0	2.9	3.0	3.0	3.0
GDP deflator in US dollar terms (change in percent)	1.6	1.1	1.4	2.2	1.3	3.0	1.6	2.0	2.1	2.1	2.1	2.2	2.2	2.3	2.2
Effective interest rate (percent) 5/	5.5	4.3	4.4	4.2	1.0	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Growth of exports of G&S (US dollar terms, in percent)	7.1	9.5	2.8	4.6	12.9	6.2	1.5	5.2	6.2	9.1	5.8	5.7	5.4	6.2	5.6
Growth of imports of G&S (US dollar terms, in percent)	5.7	2.9	-14.5	4.1	12.6	8.6	15.4	-4.3	1.6	9.8	5.8	6.2	5.2	6.0	5.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	-6.4	-2.5	-6.4	-6.4	-6.8	-7.0	-5.9	-6.8	-6.4	-6.5
Government revenues (excluding grants, in percent of GDP)	28.2	29.9	29.0			29.2	29.5	30.5	31.5	31.5	31.5		31.5	31.5	31.5
Aid flows (in Millions of US dollars) 7/	1.5	7.6	19.5			44.3	25.4	9.8	10.3	10.9	11.4		14.8	24.8	
o/w Grants	1.5	7.6	19.5			44.3	25.4	9.8	10.3	10.9	11.4		14.8	24.8	
o/w Concessional loans	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			4.2	2.3	0.6	0.7	0.6	0.6		0.6	0.7	0.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			48.7	26.9	9.2	14.9	10.8	11.2		10.0	19.7	13.2
Memorandum items:															
Nominal GDP (Millions of US dollars)	969.0	987.0	965.4			999.6	1057.0	1116.1	1174.0	1235.1	1299.7		1679.1	2817.2	
Nominal dollar GDP growth	3.1	1.9	-2.2			3.5	5.8	5.6	5.2	5.2	5.2	5.1	5.3	5.3	5.3
PV of PPG external debt (in Millions of US dollars)			386.7			395.5	422.9	440.9	450.6	460.8	470.7		507.9	501.7	
(PVt-PVt-1)/GDPt-1 (in percent)						0.9	2.7	1.7	0.9	0.9	0.8	1.3	0.4	-0.2	0.2
Gross workers' remittances (Millions of US dollars)	…	…	…			…	…	…	…	…	…		…	…	
PV of PPG external debt (in percent of GDP + remittances)	...	...	40.1			39.6	40.0	39.5	38.4	37.3	36.2		30.2	17.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	71.1			68.4	72.1	71.4	68.8	64.5	62.2		52.0	29.4	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	10.2			9.1	9.5	10.2	8.2	9.6	9.3		10.2	6.3	

Sources: Country authorities; and staff estimates and projections.

1/ Includes public sector guaranteed and non-guaranteed external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., identified financing for Hurricane Tomas-related spending); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 3b.St. Lucia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030
(In percent)

	Projections							
	2010	2011	2012	2013	2014	2015	**2020**	2030
PV of debt-to GDP ratio								
Baseline	40	40	40	38	37	36	**30**	18
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	40	34	36	40	44	47	**52**	47
A2. New public sector loans on less favorable terms in 2010-2030 2	40	41	40	40	39	38	**31**	20
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	40	42	44	43	42	41	**34**	20
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	40	46	58	56	53	50	**35**	18
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	40	40	40	39	38	37	**31**	18
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	40	47	55	53	50	47	**34**	18
B5. Combination of B1-B4 using one-half standard deviation shocks	40	47	61	59	56	53	**38**	20
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	40	57	56	54	53	51	**43**	25
PV of debt-to-exports ratio								
Baseline	68	72	71	69	64	62	**52**	29
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	68	61	64	72	76	81	**89**	78
A2. New public sector loans on less favorable terms in 2010-2030 2	68	73	73	71	67	65	**53**	34
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	68	72	71	69	64	62	**52**	29
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	68	91	132	127	116	109	**77**	38
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	68	72	71	69	64	62	**52**	29
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	68	85	99	94	86	81	**59**	30
B5. Combination of B1-B4 using one-half standard deviation shocks	68	85	111	107	98	92	**66**	33
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	68	72	71	69	64	62	**52**	29
PV of debt-to-revenue ratio								
Baseline	136	136	130	122	119	115	**96**	57
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	136	115	117	128	140	150	**165**	150
A2. New public sector loans on less favorable terms in 2010-2030 2	136	138	133	126	124	120	**98**	64
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	136	144	145	137	133	129	**108**	63
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	136	155	189	177	168	159	**112**	57
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	136	137	132	124	121	117	**98**	58
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	136	160	179	167	159	151	**108**	57
B5. Combination of B1-B4 using one-half standard deviation shocks	136	161	199	187	177	168	**120**	62
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	136	193	184	173	168	163	**136**	80

Table 3b.St. Lucia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2010-2030 (continued)
(In percent)

	Projections							
	2010	2011	2012	2013	2014	2015	**2020**	2030
Debt service-to-exports ratio								
Baseline	9	10	10	8	10	9	**10**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	9	9	10	7	9	10	**16**	16
A2. New public sector loans on less favorable terms in 2010-2030 2	9	9	10	8	10	10	**11**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	9	9	10	8	9	9	**10**	6
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	9	10	13	13	17	17	**17**	8
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	9	9	10	8	9	9	**10**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	9	9	10	10	13	13	**13**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	9	9	11	11	15	14	**14**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	9	9	10	8	9	9	**10**	6
Debt service-to-revenue ratio								
Baseline	18	18	18	15	18	17	**19**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2010-2030 1/	18	17	17	12	17	19	**29**	30
A2. New public sector loans on less favorable terms in 2010-2030 2	18	17	18	15	18	18	**20**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2011-2012	18	18	20	16	19	19	**21**	13
B2. Export value growth at historical average minus one standard deviation in 2011-2012 3/	18	17	18	18	25	24	**25**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2011-2012	18	17	18	14	17	17	**19**	12
B4. Net non-debt creating flows at historical average minus one standard deviation in 2011-2012 4/	18	17	19	18	24	23	**24**	12
B5. Combination of B1-B4 using one-half standard deviation shocks	18	18	20	20	26	26	**26**	13
B6. One-time 30 percent nominal depreciation relative to the baseline in 2011 5/	18	24	25	20	24	24	**27**	17
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	-6	-6	-6	-6	-6	-6	**-6**	-6

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.