

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—which reflects recent surge in the debt level, lower growth arising from a possible prolonged weakness in the global economy, and vulnerability to natural disasters—indicates that, under current fiscal policies, St. Lucia runs a moderate risk of debt distress.

A. Introduction

1. St. Lucia, like many other tourism-dependent countries in the Caribbean, has been significantly impacted by the 2008–09 global economic and financial crises. After expanding on average by about 3 percent during 2004–08, economic activity contracted by about 5 percent in 2009, reflecting a sharp fall in tourist arrivals and FDI-financed construction activity. Fiscal imbalances widened, mainly on account of the cyclical downturn, the discretionary spending measures taken by the central government to cushion the impact of the crisis on unemployment, and delays in the implementation of revenue-enhancing tax measures envisaged at the time of the RAC-ESF request. As a result, the primary fiscal balance (as a percentage of GDP) reverted by almost 5 percentage points, from a surplus of 2.2 percent in 2008 to a deficit of 2.5 percent of GDP in 2009. Reflecting the fiscal deterioration, as well as off-budget expenditures related to the construction and financing of public projects by the private sector (design, finance, and construct), which amounted to almost 1.7 percent of GDP, gross public sector debt increased from about 66¼ percent of GDP in 2008 to about 74¾ percent in 2009. Meanwhile, St. Lucia's public external debt increased to 40.2 percent of GDP (from 36.7 percent in 2008), but the country's risk of debt distress remains moderate.

B. Baseline Assumptions for the DSA

2. St. Lucia's DSA is built on a baseline scenario that assumes: (i) real GDP growth rising to about 3.9 percent over the medium term; and (ii) a compression of the primary fiscal balance towards a steady deficit of one percent of GDP over the same period. The envisaged paths for real GDP growth and the primary fiscal balance are subject to downside risks, including those arising from volatile FDI and grant inflow. While FDI inflows are projected to revert back to historical levels of about 14 percent of GDP in the medium-term, they are lower than during 2006–07 given spikes related to the preparation for the West Indies Cricket World Cup. If grant inflows were to be lower than envisaged under the baseline projection, capital expenditure would need to be scaled

back further to achieve a primary fiscal balance of about -0.2 percent of GDP—the level required to stabilize the debt-to-GDP ratio.

3. The deficit is assumed to be financed mainly through borrowing in the Regional Government Securities Market (RGSM), which is held by both domestic and foreign investors, along with limited multilateral borrowing reflecting Caribbean Development Bank (CDB) terms. While exports of goods as a percent of GDP would gradually decrease to an average 12¾ percent (from currently 15 percent), tourism receipts would slowly catch up to pre-crisis levels, averaging 33¾ percent of GDP in the longer term, in the context of a moderate recovery in tourism-related FDI inflows. The associated external current account deficit converges to about 23 percent of GDP, in line with pre-crisis levels.

Box 1. Macroeconomic Assumptions under the Baseline Scenario (2010–29)

- Following a prolonged slowdown in the aftermath of the global recession, real GDP growth is projected to average about 3.9 percent over the longer term. Inflation is expected to remain in the low single digits, anchored by the currency board arrangement.
- The primary fiscal deficit of the central government (including grants) is projected to converge to about one percent of GDP by 2013, reflecting three core elements of the baseline fiscal stance: (a) the fiscal stimulus provided by the government to contain the surge on unemployment in the aftermath of the global financial crisis; (b) the projected increase in the wage bill to about 12 percent of GDP in FY 2010/11, and (c) the delays in the implementation of critical revenue-enhancing tax measures, such as the single-rate value-added tax.
- Capital grants are conservatively projected at 0.9 percent of GDP starting in 2012, consistent with the historical average, while capital expenditure reverts to 8¾ percent of GDP over the longer term.
- Following a sharp decline in 2008–09, FDI inflows are assumed to only partially recover the pre-crisis levels, averaging about 14 percent over the medium term. The current account deficit is projected to converge to 23 percent of GDP, reflecting persistently lower FDI-related imports.

C. Evaluation of External Debt Sustainability under Baseline Scenario

4. Reflecting its relatively sound policies and institutional framework, St. Lucia has been classified as a strong performer according to the CPIA rating system, with an average rating of 3.93 for 2005–08. As a strong performer, St. Lucia’s prudential thresholds on the present value (PV) of debt-to-GDP, debt-to-exports and debt-to-revenue are, respectively, 50, 200 and 300 percent.

5. Notwithstanding its performance in the recent past, the global financial crisis has led St. Lucia to an overall fiscal deficit of about $7\frac{3}{4}$ percent of GDP in 2009 (including liabilities related to the construction and financing of public projects by the private sector), with a projected average medium-term deficit of about 6 percent of GDP under the baseline scenario. As a result, in the absence of additional fiscal measures the PV of external debt is set to increase to about 51 percent of GDP by 2029, breaching the relevant threshold of debt distress. All other debt and debt service ratios increase substantially over the medium and longer terms, but do not cross the respective thresholds. For this reason, St. Lucia’s risk of external debt distress remains moderate (see Figures A1–A2 and Tables A1–A4).

6. Sensitivity analysis shows that the level of external debt is most responsive to an extreme shock of nominal exchange rate depreciation. Under this scenario—with a one-time 30 percent nominal depreciation relative to the baseline in 2010—the PV of external debt-to-GDP ratio would breach the debt-to-GDP threshold of 50 percent (Table A2, Scenario B6). Similarly, the most extreme export shock scenario—of export growth at one standard deviation below the historical average in 2010–11—would push the debt service-to-exports ratio to slightly above the 25 percent threshold in three years (Table A2, Scenario B2).

7. St. Lucia’s external debt sustainability analysis includes only public sector debt, as information on private sector external borrowing is not available.

D. Evaluation of Public Sector Debt Sustainability under Baseline Scenario

8. The combination of a recession and counter-cyclical fiscal policies in 2009 resulted in a debt-to-GDP ratio that is 8 percentage points higher than in 2008. Consequently, under the baseline scenario the rate of debt accumulation is about 3 percent of GDP per year. Moreover, the debt service as a share of current revenue and grants is expected to increase to about 63 percent in 2029 from $33\frac{1}{2}$ percent in 2009. Under the most extreme shock scenarios, keeping the primary balance at the 2009 level will push the NPV of the total debt to 103 percent of GDP by 2020, while having a one-time depreciation will take the debt to 116 percent of GDP by that year.

9. Given St. Lucia’s high public debt-to-GDP ratio, its recent debt dynamics, and the ever-present risks of natural disasters, the vulnerabilities of its public debt remain elevated. In addition, the recovery from the global downturn is expected to be slower than in advance economies, as demand for tourism is projected to remain subdued for a prolonged period of time. In recent years,

St. Lucia has relied heavily on private financing sources (in lieu of concessional financing), which has increased the cost of financing and rollover risks. Due to the small pool of creditors in the regional markets, the risks of exhausting financing sources have increased (see background note on the Regional Government Securities Market). If it becomes necessary to tap private international financial markets outside of the RGSM, St. Lucia may obtain a credit rating under unfavorable circumstances and will be compared to other emerging markets in the region, which will likely imply a sustained widening of sovereign spreads. This could raise interest payments, which will, in turn, require a credible fiscal framework that yields higher primary surpluses necessary to restore debt sustainability. Finally, possible contingent liabilities from the non-banking financial sector could also raise the required primary surplus.

E. External and Public Debt Dynamics under the Active Scenario

10. The deterioration in debt dynamics underscores the need for an exit strategy from the fiscal stimulus that does not jeopardize St. Lucia's growth prospects. Projections show that the implementation of the planned tax measures and some tightening of discretionary expenditure, as recommended in active scenario described in the staff report, would deliver the primary surpluses necessary to put St. Lucia's public debt-to-GDP ratio on a firmly downward trajectory over the medium term. By targeting a primary fiscal surplus of about 1.6 percent over the medium and long term, the stock of debt would decline to about 58 percent of GDP by 2020—i.e., slightly below the Eastern Caribbean Central Bank's benchmark of 60 percent—and to 42 percent by 2029. Moreover, the external debt would be cut by almost a half over the projection period, declining to 22.3 percent of GDP by 2029. All relevant indicators of debt distress would show patterns of steady improvement; particularly with respect to debt service ratios (see Figures A3–A4 and Tables A5–A8). The deterioration in debt dynamics also calls for a strengthening of debt management capacity, including the development of a medium-term strategy and improvement in capacity to conduct debt sustainability analysis. A reversal of the trend toward shortening the maturity profile of the debt in recent years could also help avoid a rise in the debt service ratio over the medium term—one of the main contributors to the rising risk of debt distress.

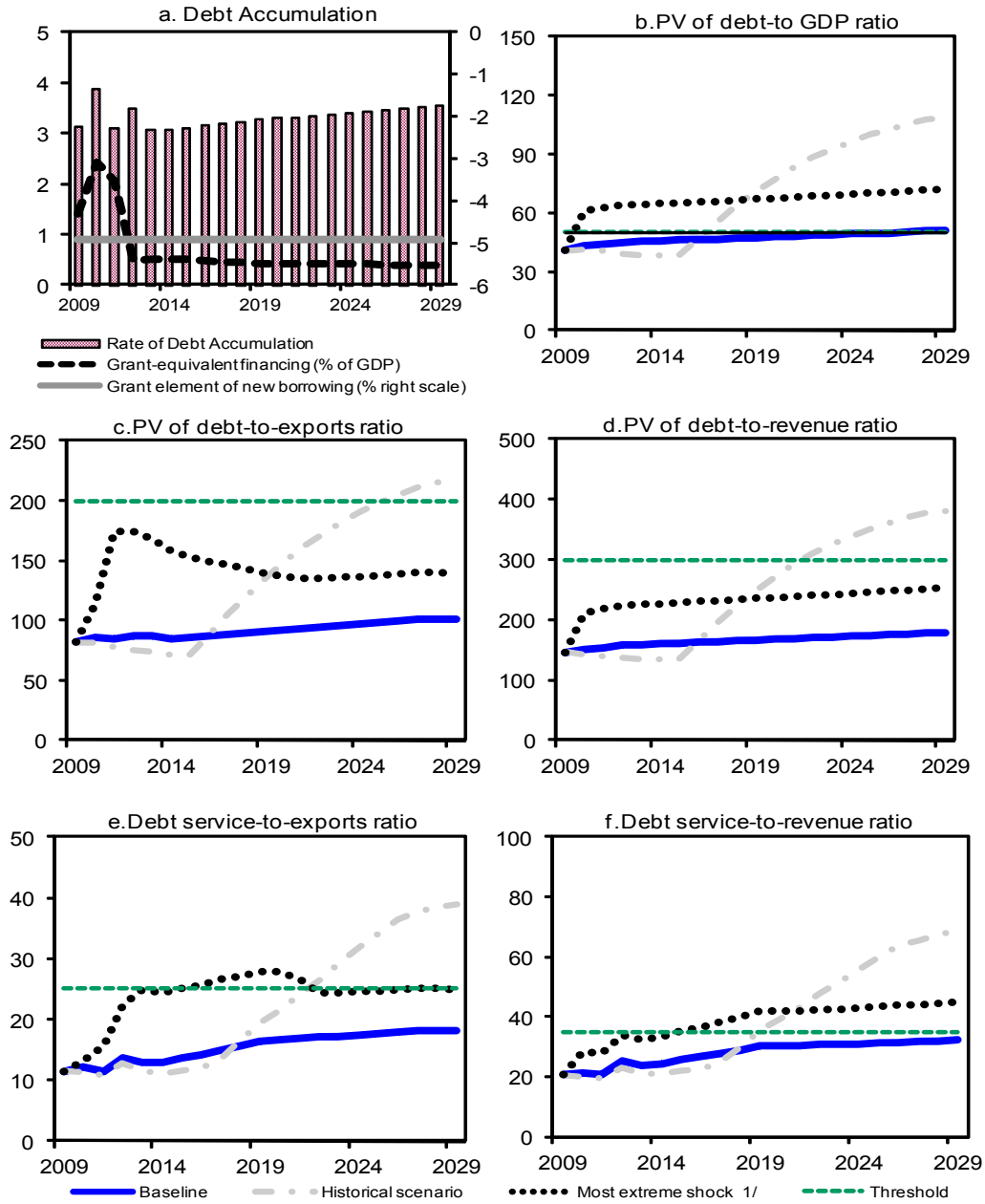
F. Conclusions

11. Staff analysis shows that, under the baseline scenario (with an average primary deficit of around one percent of GDP over the medium and longer terms), imbalances for the overall public sector would be on an increasing and unsustainable path, achieving a public debt-to-GDP ratio of about 88 percent by 2020—the timetable for attaining the 60 percent of GDP debt benchmark of the Eastern Caribbean Central Bank. St. Lucia would then continue to increase its stock of public debt steadily, reaching 96 percent of GDP by 2029.

12. Also noteworthy, under the baseline scenario the public external debt is set to increase by 1/3 percent per year, and the present value of the external debt-to-GDP ratio is set to breach the 50 percent threshold by 2027. However, other relevant thresholds are expected to be respected, and

for this reason St. Lucia's risk of external debt distress remains moderate. Nevertheless, some caution should be used in interpreting these results as private external debt data are not available, and under the most extreme shock scenario up to three thresholds (the PV of debt-to-GDP, debt service-to-exports, and debt service-to-revenue ratios) would be breached over the projection period.

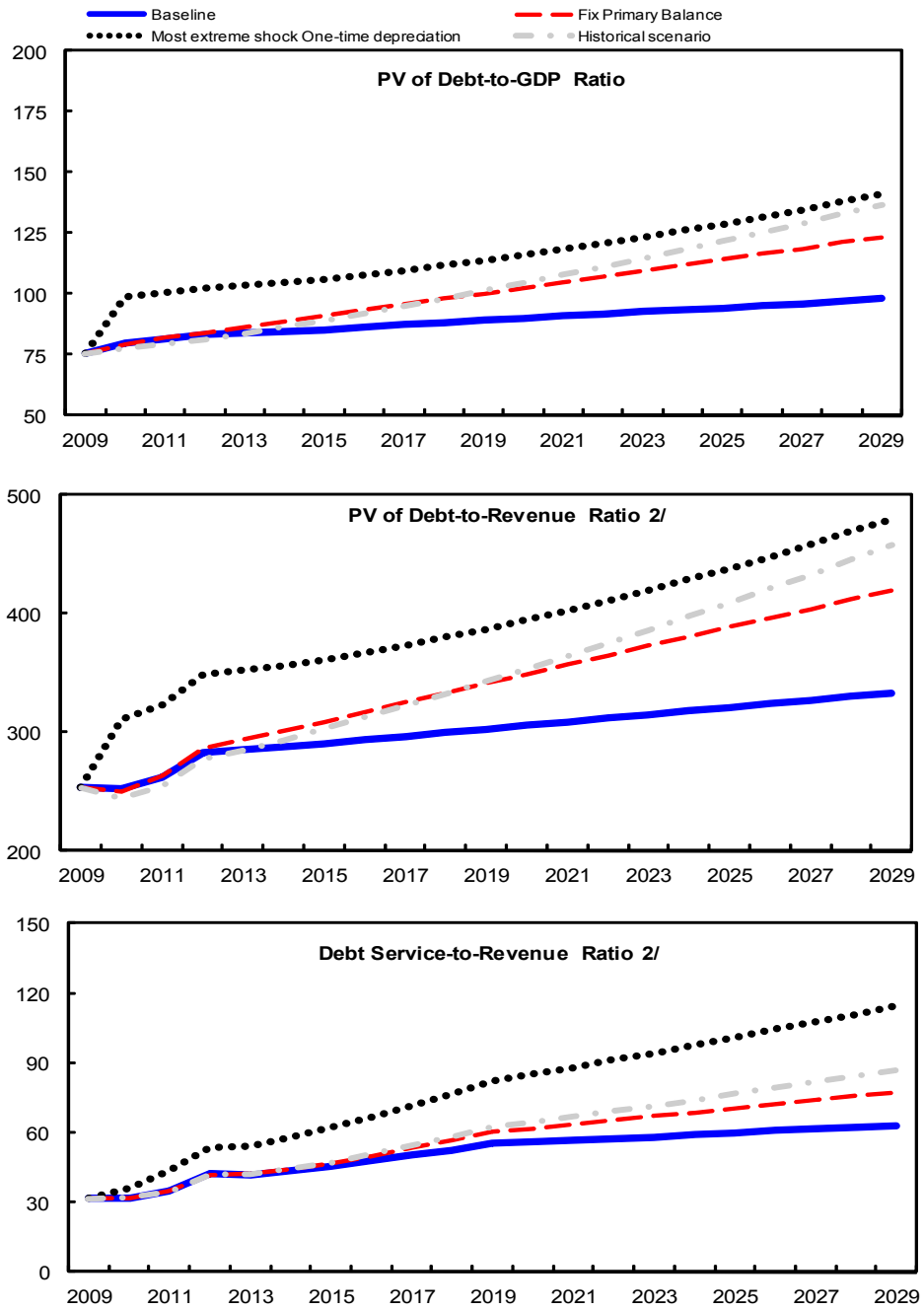
Figure A1. St. Lucia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2009-2029 1/



Sources: St. Lucian authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019. 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 A2. St. Lucia: Indicators of Public Debt Under Alternative Scenarios, 2009-2029 1/



Sources: St. Lucian authorities; and Fund staff estimates and projections.
 1/ The most extreme stress test is the test that yields the highest ratio in 2019.
 2/ Revenues are defined inclusive of grants.

Table A1. St. Lucia: External Debt Sustainability Framework, Baseline Scenario, 2006-2029 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Standard		Projections																	2015-2029 Average		
	2006	2007	2008	Average	Deviation	2009-2014										2015-2029									
						2009	2010	2011	2012	2013	2014	Average	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		2029	
External debt (nominal) 1/	44.5	41.4	36.7			40.2	42.5	43.3	44.0	44.2	44.5		45.9	46.2	46.5	46.8	47.1	47.5	47.8	48.1	48.4	48.9	49.2		
o/w public and publicly guaranteed (PPG)	44.5	41.4	36.7			40.2	42.5	43.3	44.0	44.2	44.5		45.9	46.2	46.5	46.8	47.1	47.5	47.8	48.1	48.4	48.9	49.2		
Change in external debt	-2.2	-3.1	-4.7			3.5	2.3	0.8	0.7	0.3	0.3		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.3		
Identified net debt-creating flows	2.8	1.6	14.6			13.6	7.6	7.7	8.0	7.0	6.6		-0.5	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.6	-0.8	-0.3	0.7		
Non-interest current account deficit	27.8	28.6	29.1	18.1	8.0	17.8	18.8	19.6	21.4	20.3	20.2		20.7	20.8	20.8	20.9	20.9	20.8	20.7	20.7	20.5	21.1	22.1	20.8	
Deficit in balance of goods and services	25.4	25.4	25.2			13.8	14.7	15.6	17.3	16.3	16.2		16.5	16.6	16.6	16.6	16.5	16.5	16.4	16.3	16.1	16.6	17.7		
Exports	48.0	49.9	50.7			50.1	50.4	52.2	52.0	52.3	53.9		52.1	51.7	51.4	51.0	50.7	50.5	50.2	50.0	49.7	50.0	50.6		
Imports	73.4	75.3	75.8			63.8	65.1	67.8	69.3	68.5	70.1		68.5	68.3	67.9	67.6	67.3	66.9	66.6	66.2	65.9	66.7	68.3		
Net current transfers (negative = inflow)	-1.3	-1.4	-1.6	-1.8	0.5	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6		-1.4	-1.3	-1.3	-1.2	-1.2	-1.1	-1.1	-1.0	-1.0	-1.0	-0.9	-1.2	
o/w official	0.0	-0.3	-0.3			-0.3	-0.3	-0.3	-0.3	-0.3	-0.3		-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1		
Other current account flows (negative = net inflow)	3.7	4.6	5.6			5.7	5.8	5.7	5.7	5.6	5.6		5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.4	5.4	5.4	5.4		
Net FDI (negative = inflow)	-24.9	-28.1	-15.4	-13.6	7.3	-8.2	-13.0	-13.1	-14.1	-13.9	-14.2		-21.8	-21.8	-21.8	-21.8	-21.9	-21.9	-21.9	-21.9	-22.0	-22.0	-22.0	-21.4	
Endogenous debt dynamics 2/	-0.1	1.0	0.9			4.0	1.7	1.2	0.7	0.6	0.6		0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6		
Contribution from nominal interest rate	2.2	2.4	1.8			2.1	2.2	2.1	2.2	2.2	2.2		2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4		
Contribution from real GDP growth	-2.1	-0.6	-0.3			1.9	-0.4	-0.9	-1.4	-1.6	-1.6		-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.8	-1.8	-1.8		
Contribution from price and exchange rate changes	-0.2	-0.7	-0.6			...	...	...	...	...	...		...	...	...	...	...	...	...	...	...	...	...
Residual (3-4) 3/	-5.0	-4.7	-19.3			-10.1	-5.3	-6.9	-7.3	-6.7	-6.4		0.8	0.7	0.7	0.7	0.7	0.8	0.9	1.0	1.1	0.8	-0.4		
o/w exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
PV of external debt 4/	44.5	41.4	36.7			40.9	43.3	44.2	45.1	45.4	45.7		47.4	47.7	48.1	48.4	48.8	49.1	49.5	49.8	50.2	50.7	51.0		
In percent of exports	...	...	73.7			81.7	85.9	84.7	86.7	86.9	84.8		91.0	92.3	93.6	94.9	96.1	97.4	98.6	99.8	100.9	101.3	100.8	
PV of PPG external debt	...	...	37.3			40.9	43.3	44.2	45.1	45.4	45.7		47.4	47.7	48.1	48.4	48.8	49.1	49.5	49.8	50.2	50.7	51.0	
In percent of exports	...	...	73.7			81.7	85.9	84.7	86.7	86.9	84.8		91.0	92.3	93.6	94.9	96.1	97.4	98.6	99.8	100.9	101.3	100.8	
In percent of government revenues	...	...	128.2			146.1	149.9	153.9	158.1	159.3	160.4		166.2	167.4	168.7	169.9	171.1	172.4	173.6	174.8	176.1	177.7	179.0	
Debt service-to-exports ratio (in percent)	4.6	17.0	10.4			11.6	12.2	11.4	13.7	12.9	12.8		16.5	16.7	16.8	17.1	17.2	17.5	17.7	18.0	18.2	18.3	18.2		
PPG debt service-to-exports ratio (in percent)	4.6	17.0	10.4			11.6	12.2	11.4	13.7	12.9	12.8		16.5	16.7	16.8	17.1	17.2	17.5	17.7	18.0	18.2	18.3	18.2		
PPG debt service-to-revenue ratio (in percent)	8.4	30.2	18.1			20.7	21.3	20.7	25.1	23.6	24.3		30.2	30.2	30.3	30.6	30.7	31.0	31.2	31.5	31.8	32.1	32.3		
Total gross financing need (Millions of U.S. dollars)	48.1	87.6	188.0			150.5	121.6	132.6	162.0	156.3	163.5		127.6	137.2	146.6	157.6	167.3	178.2	189.4	200.1	210.9	239.6	288.2		
Non-interest current account deficit that stabilizes debt ratio	30.0	31.7	33.7			14.4	16.5	18.8	20.7	20.0	19.9		20.4	20.5	20.5	20.5	20.5	20.5	20.4	20.3	20.2	20.6	21.8		
Key macroeconomic assumptions																									
Real GDP growth (in percent)	4.8	1.5	0.7	1.7	2.8	-5.2	1.1	2.3	3.5	3.8	3.8		1.5	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	3.9	
GDP deflator in US dollar terms (change in percent)	0.5	1.6	1.5	2.3	1.3	4.3	2.2	2.7	2.2	2.2	2.2		2.6	2.2	2.2	2.2	2.2	2.2	2.2	2.3	2.3	2.0	2.3	2.2	
Effective interest rate (percent) 5/	5.0	5.5	4.5	4.2	1.1	5.6	5.6	5.3	5.3	5.3	5.3		5.4	5.3	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)	-9.5	7.1	3.8	4.2	13.5	-2.3	4.1	8.7	5.5	6.5	9.4		5.3	5.4	5.4	5.5	5.5	5.6	5.7	5.7	5.8	6.6	7.5	5.7	
Growth of imports of G&S (US dollar terms, in percent)	17.0	5.7	3.0	6.2	11.5	-16.7	5.4	9.3	8.2	4.8	8.4		3.2	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	7.3	8.8	6.0	
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9		-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9
Government revenues (excluding grants, in percent of GDP)	26.4	28.1	29.1			28.0	28.9	28.7	28.5	28.5	28.5		28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	
Aid flows (in Millions of US dollars) 7/	2.5	1.5	7.6			17.0	28.1	25.5	9.9	10.5	11.1		15.0	15.9	16.9	17.9	19.0	20.2	21.5	22.8	24.2	25.7	27.3		
o/w Grants	2.5	1.5	7.6			17.0	28.1	25.5	9.9	10.5	11.1		15.0	15.9	16.9	17.9	19.0	20.2	21.5	22.8	24.2	25.7	27.3		
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	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/	...	...	...			1.4	2.4	2.1	0.5	0.5	0.5		0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Grant-equivalent financing (in percent of external financing)	...	...	...			16.5	23.3	22.9	5.4	6.4	6.1		4.2	4.1	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	4.2
Memorandum items:																									
Nominal GDP (Millions of US dollars)	939.9	969.0	990.5			979.7	1012.4	1063.6	1125.4	1193.0	1264.9		1702.3	1807.7	1919.2	2038.2	2164.9	2299.4	2442.6	2594.6	2756.8	2921.6	3104.5		
Nominal dollar GDP growth	5.3	3.1	2.2			-1.1	3.3	5.1	5.8	6.0	6.0		4.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.0	6.3	6.2	
PV of PPG external debt (in Millions of US dollars)	...	...	369.7			400.6	438.8	470.3	507.3	541.8	578.3		806.6	862.7	922.8	987.2	1056.0	1129.7	1208.6	1293.0	1383.5	1480.2	1583.7	
(PVt-PVt-1)/GDPT-1 (in percent)	...	...	...			3.1	3.9	3.1	3.5	3.1	3.1		3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.3

Sources: St. Lucian authorities; and Fund staff estimates and projections.

1/ Includes public sector guaranteed and non-guaranteed external debt.

2/ Derived as $[r - g - \rho]/(1+g+\rho)$ 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., changes in arrears and debt relief); 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 A2. St. Lucia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029
(In percent)

	Projections									
	2009	2010	2011	2012	2013	2014	2015	2019	2020	2029
PV of debt-to GDP ratio										
Baseline	41	43	44	45	45	46	46	47	48	51
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2009-2029 1/	41	41	40	39	38	38	39	71	77	109
A2. New public sector loans on less favorable terms in 2009-2029 2	41	44	45	47	48	49	50	54	55	67
B. Bound Tests										
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	41	44	47	48	48	48	49	50	51	54
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	41	50	66	66	64	62	60	53	51	51
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	41	44	45	46	47	47	47	49	49	52
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	41	51	59	59	58	56	55	51	50	51
B5. Combination of B1-B4 using one-half standard deviation shocks	41	51	67	66	65	63	61	54	53	53
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	41	61	63	64	64	65	65	67	68	72
PV of debt-to-exports ratio										
Baseline	82	86	85	87	87	85	86	91	92	101
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2009-2029 1/	82	82	77	75	73	71	72	136	149	215
A2. New public sector loans on less favorable terms in 2009-2029 2	82	87	87	90	91	90	92	104	107	132
B. Bound Tests										
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	82	86	85	87	87	85	86	91	92	101
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	82	114	174	174	168	158	153	139	136	139
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	82	86	85	87	87	85	86	91	92	101
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	82	101	113	113	110	105	102	98	97	101
B5. Combination of B1-B4 using one-half standard deviation shocks	82	106	146	146	141	133	129	119	117	121
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	82	86	85	87	87	85	86	91	92	101
PV of debt-to-revenue ratio										
Baseline	146	150	154	158	159	160	161	166	167	179
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2009-2029 1/	146	143	140	137	134	135	135	248	271	381
A2. New public sector loans on less favorable terms in 2009-2029 2	146	152	158	164	167	171	174	189	193	234
B. Bound Tests										
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	146	153	163	167	169	170	171	176	177	189
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	146	174	230	231	224	217	210	185	180	180
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	146	152	158	163	164	165	166	171	172	184
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	146	175	206	207	202	198	194	178	175	179
B5. Combination of B1-B4 using one-half standard deviation shocks	146	176	232	233	227	220	214	191	186	188
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	146	212	218	224	226	227	229	235	237	253
Debt service-to-exports ratio										
Baseline	12	12	11	14	13	13	14	17	17	18
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2009-2029 1/	12	11	11	13	11	11	12	19	22	39
A2. New public sector loans on less favorable terms in 2009-2029 2	12	11	11	13	13	13	14	19	20	25
B. Bound Tests										
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	12	11	11	13	12	12	13	16	16	18
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	12	13	16	22	25	24	25	28	28	25
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	12	11	11	13	12	12	13	16	16	18
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	12	11	11	16	16	16	17	19	19	18
B5. Combination of B1-B4 using one-half standard deviation shocks	12	12	14	19	21	20	21	24	24	21
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	12	11	11	13	12	12	13	16	16	18
Debt service-to-revenue ratio										
Baseline	21	21	21	25	24	24	26	30	30	32
A. Alternative Scenarios										
A1. Key variables at their historical averages in 2009-2029 1/	21	20	19	23	21	21	22	36	39	69
A2. New public sector loans on less favorable terms in 2009-2029 2	21	20	20	24	24	25	27	35	36	45
B. Bound Tests										
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	21	20	21	25	24	25	26	31	31	34
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	21	20	21	30	33	33	34	37	37	32
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	21	20	20	25	23	24	26	30	30	33
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	21	20	21	29	30	30	31	35	34	32
B5. Combination of B1-B4 using one-half standard deviation shocks	21	20	22	31	34	34	35	38	37	33
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	21	28	28	34	32	33	35	42	42	45
Memorandum item:										
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	-5	-5	-5	-5	-5	-5	-5	-5	-5	-5

Sources: St. Lucian authorities; and Fund 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.

Table A3. St. Lucia: Public Sector Debt Sustainability Framework, Baseline Scenario, 2006-2029
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Projections									
	2006	2007	2008			2009	2010	2011	2012	2013	2014	2009-14 Average	2019	2020	2029	2015-29 Average
Public sector debt 1/	65.6	66.5	66.2			74.7	79.1	80.7	82.1	82.7	83.3		87.5	88.4	96.2
o/w foreign-currency denominated	44.5	41.4	36.7			40.2	42.5	43.3	44.0	44.2	44.5		45.9	46.2	49.2
Change in public sector debt	-0.4	0.8	-0.3			8.5	4.4	1.6	1.4	0.6	0.6		0.8	0.8	0.8
Identified debt-creating flows	2.8	-1.1	-0.4			6.8	4.8	1.9	1.7	0.9	0.8		0.8	0.8	0.8
Primary deficit	2.8	-2.7	-2.2	1.1	2.7	2.5	3.1	1.5	1.8	1.1	1.0	1.8	1.0	1.0	1.0
Revenue and grants	26.7	28.3	29.9			29.7	31.7	31.1	29.4	29.4	29.4		29.4	29.4	29.4
of which: grants	0.3	0.2	0.8			1.7	2.8	2.4	0.9	0.9	0.9		0.9	0.9	0.9
Primary (noninterest) expenditure	29.5	25.5	27.6			32.2	34.8	32.6	31.2	30.5	30.4		30.4	30.4	30.4
Automatic debt dynamics	0.0	1.6	1.9			4.4	1.6	0.4	-0.1	-0.2	-0.2		-0.2	-0.2	-0.2
Contribution from interest rate/growth differential	-1.2	0.9	1.4			5.4	1.8	0.7	0.0	-0.1	-0.1		0.0	0.0	0.0
of which: contribution from average real interest rate	1.8	1.8	1.9			1.8	2.6	2.5	2.8	2.9	3.0		3.2	3.3	3.6
of which: contribution from real GDP growth	-3.0	-1.0	-0.5			3.6	-0.8	-1.8	-2.8	-3.0	-3.0		-3.2	-3.3	-3.6
Contribution from real exchange rate depreciation	1.2	0.7	0.4			-1.1	-0.1	-0.4	-0.1	-0.1	-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	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	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	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	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	0.0
Residual, including asset changes	-3.2	2.0	0.1			1.7	-0.3	-0.3	-0.3	-0.3	-0.3		0.0	0.0	0.0
Other Sustainability Indicators															
PV of public sector debt	65.6	66.5	66.2			75.4	80.0	81.6	83.2	83.9	84.5		89.0	89.9	97.9
o/w foreign-currency denominated	...	...	...			40.9	43.3	44.2	45.1	45.4	45.7		47.4	47.7	51.0
o/w external	...	...	...			40.9	43.3	44.2	45.1	45.4	45.7		47.4	47.7	51.0
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	...
Gross financing need 2/	10.6	11.3	6.5			12.2	15.2	14.3	16.9	16.3	17.0		21.7	22.2	25.4
PV of public sector debt-to-revenue and grants ratio (in percent)	245.8	235.2	221.5			253.6	252.3	262.2	283.2	285.4	287.6		303.0	306.0	333.3
PV of public sector debt-to-revenue ratio (in percent)	248.2	236.5	227.3			269.3	276.6	284.1	291.9	294.2	296.4		312.3	315.4	343.6
o/w external 3/	...	...	...			146.1	149.9	153.9	158.1	159.3	160.4		166.2	167.4	179.0
Debt service-to-revenue and grants ratio (in percent) 4/	15.6	39.9	24.0			31.5	31.9	34.8	42.1	41.9	43.8		55.3	55.9	63.0
Debt service-to-revenue ratio (in percent) 4/	15.7	40.1	24.6			33.5	35.0	37.7	43.4	43.2	45.1		57.0	57.6	64.9
Primary deficit that stabilizes the debt-to-GDP ratio	3.1	-3.6	-2.0			-6.0	-1.3	-0.1	0.4	0.5	0.4		0.2	0.2	0.2
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	4.8	1.5	0.7	1.7	2.8	-5.2	1.1	2.3	3.5	3.8	3.8	1.5	3.9	3.9	3.9
Average nominal interest rate on forex debt (in percent)	5.0	5.5	4.5	4.2	1.1	5.6	5.6	5.3	5.3	5.3	5.3	5.4	5.3	5.3	5.3
Average real interest rate on domestic debt (in percent)	5.5	4.1	4.6	4.4	1.7	0.8	3.4	3.1	3.8	4.0	4.2	3.2	4.4	4.5	4.5
Real exchange rate depreciation (in percent, + indicates depre)	2.8	1.5	1.0	0.1	1.6	-2.6	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.5	1.6	1.5	2.3	1.3	4.3	2.2	2.7	2.2	2.2	2.2	2.6	2.2	2.2	2.3
Growth of real primary spending (deflated by GDP deflator, in p	0.1	-0.1	0.1	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	...	...	...	...	...	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9	-4.9

Sources: St. Lucian authorities; and Fund staff estimates and projections.

1/ Includes public sector guaranteed and non-guaranteed debt. Also includes liabilities related to the construction and financing of public projects by the private sector.

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 A4. St. Lucia: Sensitivity Analysis for Key Indicators of Public Debt 2009-2029

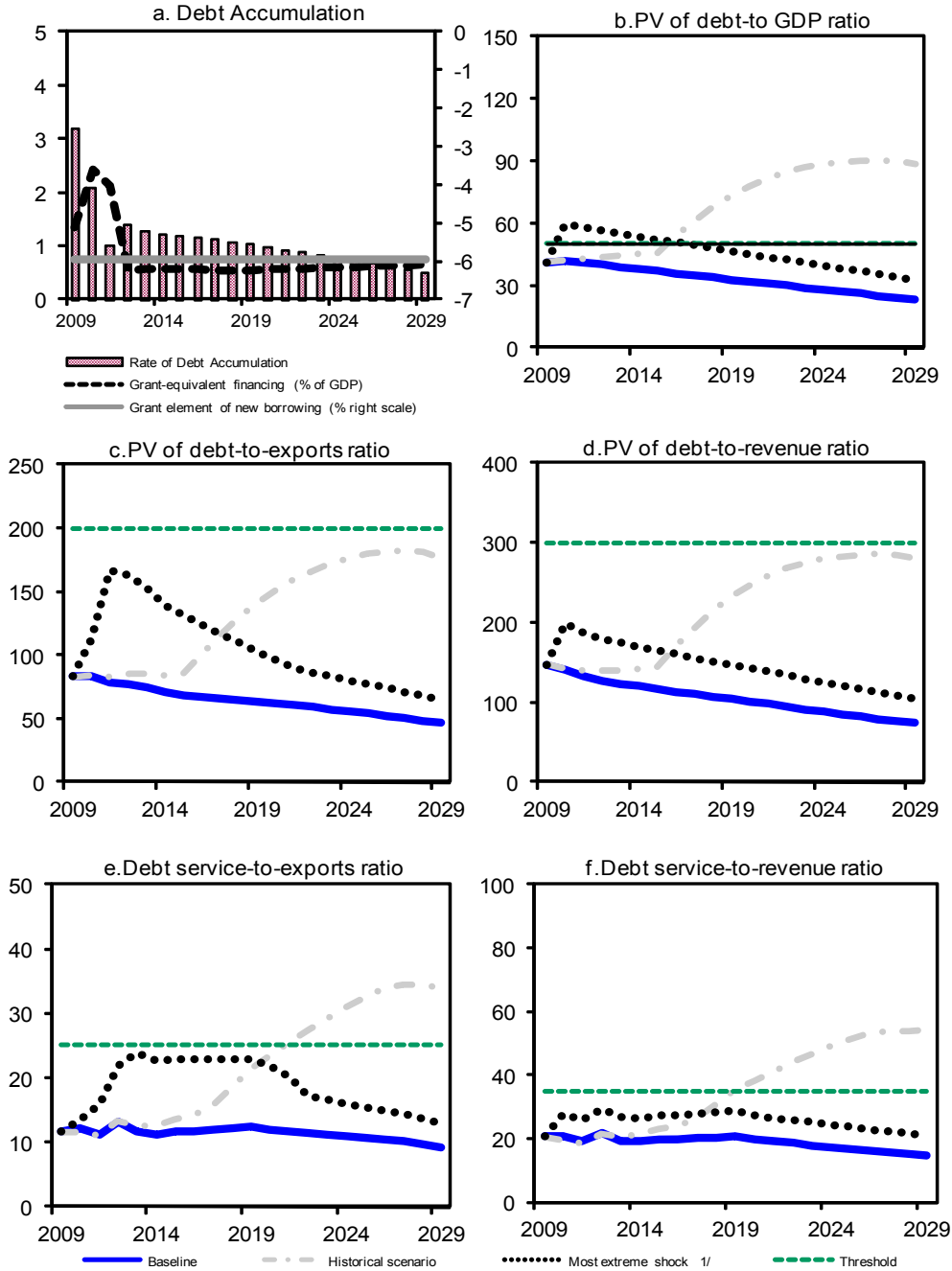
	Projections									
	2009	2010	2011	2012	2013	2014	2019	2020	2029	
PV of Debt-to-GDP Ratio										
Baseline	75	80	82	83	84	84	89	90	98	
A. Alternative scenarios										
A1. Real GDP growth and primary balance are at historical averages	75	78	79	82	84	86	101	105	137	
A2. Primary balance is unchanged from 2009	75	79	82	84	86	88	100	103	123	
A3. Permanently lower GDP growth 1/	75	81	83	86	88	90	104	108	149	
B. Bound tests										
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	75	83	89	92	95	97	110	113	136	
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	75	81	85	86	87	88	92	93	101	
B3. Combination of B1-B2 using one half standard deviation shocks	75	80	84	87	88	90	99	100	116	
B4. One-time 30 percent real depreciation in 2010	75	99	101	102	103	105	114	116	141	
B5. 10 percent of GDP increase in other debt-creating flows in 2010	75	90	92	94	94	95	99	100	108	
PV of Debt-to-Revenue Ratio 2/										
Baseline	254	252	262	283	285	288	303	306	333	
A. Alternative scenarios										
A1. Real GDP growth and primary balance are at historical averages	254	245	254	277	285	293	343	354	458	
A2. Primary balance is unchanged from 2009	254	250	263	287	294	301	341	349	420	
A3. Permanently lower GDP growth 1/	254	254	267	292	298	305	355	367	505	
B. Bound tests										
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	254	260	284	313	321	329	374	383	461	
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	254	255	273	294	296	298	314	317	344	
B3. Combination of B1-B2 using one half standard deviation shocks	254	252	270	295	300	305	335	341	393	
B4. One-time 30 percent real depreciation in 2010	254	311	323	349	352	356	387	395	480	
B5. 10 percent of GDP increase in other debt-creating flows in 2010	254	285	295	318	320	322	337	340	366	
Debt Service-to-Revenue Ratio 2/										
Baseline	31	32	35	42	42	44	55	56	63	
A. Alternative scenarios										
A1. Real GDP growth and primary balance are at historical averages	31	32	34	42	42	45	62	64	87	
A2. Primary balance is unchanged from 2009	31	32	35	42	42	44	60	62	77	
A3. Permanently lower GDP growth 1/	31	32	35	43	43	46	63	65	90	
B. Bound tests										
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	31	33	37	45	46	49	66	68	85	
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	31	32	35	43	44	45	57	58	65	
B3. Combination of B1-B2 using one half standard deviation shocks	31	32	36	43	43	46	60	61	73	
B4. One-time 30 percent real depreciation in 2010	31	36	43	54	54	58	82	85	114	
B5. 10 percent of GDP increase in other debt-creating flows in 2010	31	32	37	47	47	49	63	63	69	

Sources: St. Lucian authorities; and Fund 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.

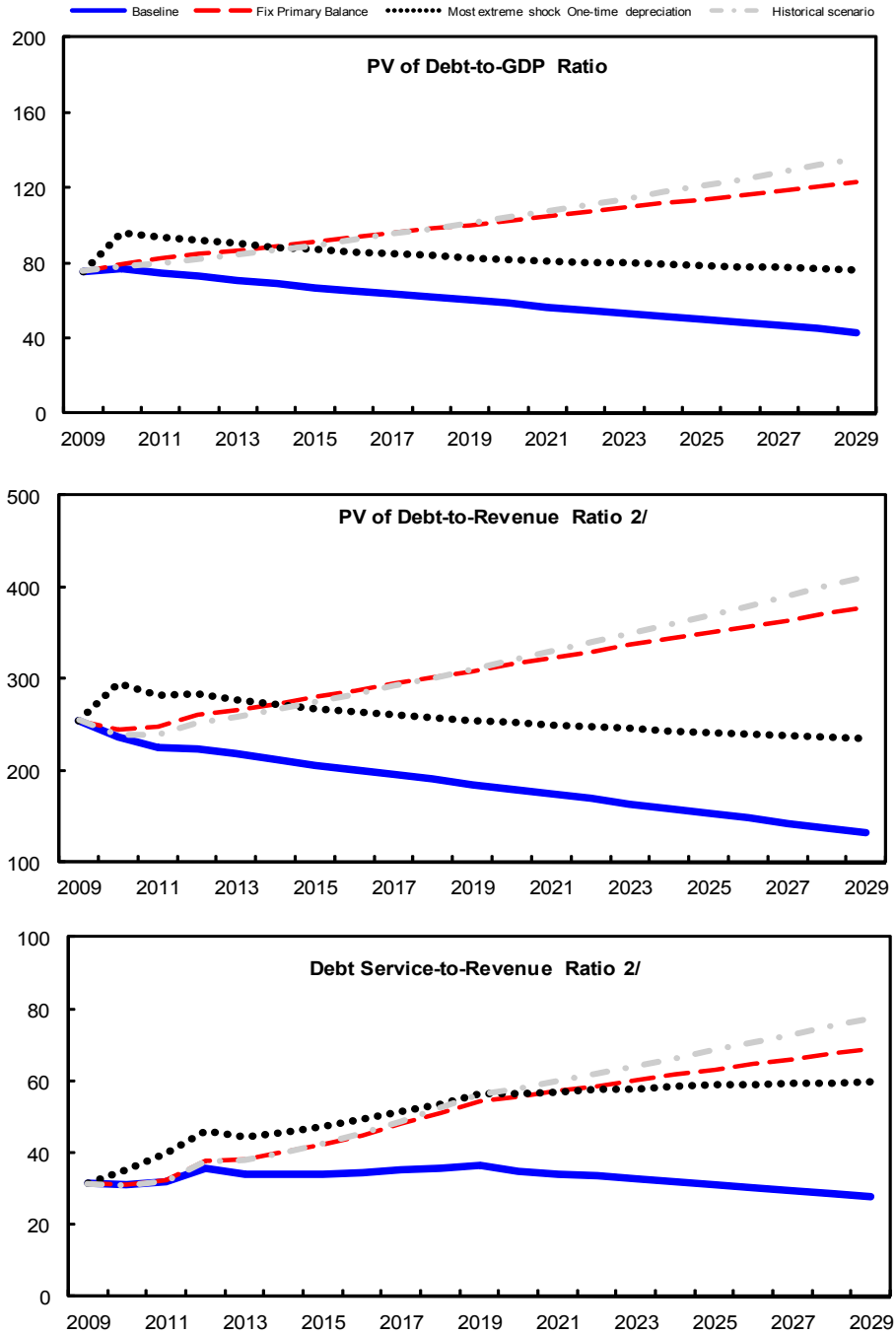
Figure A3. St. Lucia: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2009-2029 1/ (Active Scenario)



Sources: St. Lucian authorities; and Fund staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2019. 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 A4. St. Lucia: Indicators of Public Debt Under Alternative Scenarios, 2009-2029 1/ (Active Scenario)



Sources: St. Lucian authorities; and Fund staff estimates and projections.
 1/ The most extreme stress test is the test that yields the highest ratio in 2019.
 2/ Revenues are defined inclusive of grants.

Table A5. St. Lucia: External Debt Sustainability Framework, Active Scenario, 2006-2029 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average	Standard Deviation	Projections						2009-2014			2015-2029 Average		
	2006	2007	2008			2009	2010	2011	2012	2013	2014	Average	2019	2020		2029	
External debt (nominal) 1/	44.5	41.4	36.7			40.2	40.8	39.8	38.8	37.7	36.6				31.6	30.6	22.3
o/w public and publicly guaranteed (PPG)	44.5	41.4	36.7			40.2	40.8	39.8	38.8	37.7	36.6				31.6	30.6	22.3
Change in external debt	-2.2	-3.1	-4.7			3.5	0.6	-1.0	-1.0	-1.1	-1.0				-1.0	-1.0	-0.9
Identified net debt-creating flows	2.8	1.6	14.6			13.5	5.3	4.3	3.6	3.9	3.7				-2.9	-2.8	-1.7
Non-interest current account deficit	27.8	28.6	29.1	18.1	8.0	17.7	16.5	16.3	17.1	17.3	17.3				18.3	18.4	19.7
Deficit in balance of goods and services	25.4	25.4	25.2			13.8	12.7	12.4	13.2	13.5	13.5				14.2	14.3	15.2
Exports	48.0	49.9	50.7			49.7	50.1	52.1	51.9	52.1	53.7				51.8	51.4	50.3
Imports	73.4	75.3	75.8			63.6	62.8	64.5	65.1	65.6	67.2				66.0	65.7	65.5
Net current transfers (negative = inflow)	-1.3	-1.4	-1.6	-1.8	0.5	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6				-1.4	-1.3	-0.9
o/w official	0.0	-0.3	-0.3			-0.3	-0.3	-0.3	-0.3	-0.3	-0.3				-0.2	-0.2	-0.1
Other current account flows (negative = net inflow)	3.7	4.6	5.6			5.5	5.5	5.4	5.4	5.4	5.4				5.4	5.4	5.5
Net FDI (negative = inflow)	-24.9	-28.1	-15.4	-13.6	7.3	-8.2	-12.9	-13.2	-14.1	-13.9	-14.2				-21.7	-21.7	-21.7
Endogenous debt dynamics 2/	-0.1	1.0	0.9			4.0	1.7	1.2	0.7	0.6	0.5				0.4	0.4	0.3
Contribution from nominal interest rate	2.2	2.4	1.8			2.1	2.2	2.1	2.0	1.9	1.9				1.6	1.6	1.2
Contribution from real GDP growth	-2.1	-0.6	-0.3			1.9	-0.4	-0.9	-1.3	-1.4	-1.3				-1.2	-1.2	-0.9
Contribution from price and exchange rate changes	-0.2	-0.7	-0.6			...	...	...	...	...	...				...	...	...
Residual (3-4) 3/	-5.0	-4.7	-19.3			-10.0	-4.7	-5.3	-4.6	-5.0	-4.8				2.0	1.9	0.8
o/w exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0				0.0	0.0	0.0
PV of external debt 4/	44.5	41.4	36.7			41.2	41.9	40.9	40.0	38.9	37.8				32.8	31.8	23.2
In percent of exports	...	...	74.2			82.9	83.6	78.5	77.0	74.6	70.4				63.3	61.8	46.2
PV of PPG external debt	...	...	37.6			41.2	41.9	40.9	40.0	38.9	37.8				32.8	31.8	23.2
In percent of exports	...	...	74.2			82.9	83.6	78.5	77.0	74.6	70.4				63.3	61.8	46.2
In percent of government revenues	...	...	129.1			147.4	141.1	132.6	126.4	123.1	119.7				103.7	100.6	73.4
Debt service-to-exports ratio (in percent)	4.6	17.0	10.4			11.6	12.3	11.3	13.1	11.8	11.3				12.5	12.0	9.2
PPG debt service-to-exports ratio (in percent)	4.6	17.0	10.4			11.6	12.3	11.3	13.1	11.8	11.3				12.5	12.0	9.2
PPG debt service-to-revenue ratio (in percent)	8.4	30.2	18.1			20.7	20.7	19.1	21.5	19.4	19.2				20.5	19.6	14.7
Total gross financing need (Millions of U.S. dollars)	48.1	87.6	188.0			149.5	98.8	95.8	109.7	113.6	116.9				52.8	53.0	82.7
Non-interest current account deficit that stabilizes debt ratio	30.0	31.7	33.7			14.3	15.9	17.3	18.1	18.4	18.4				19.3	19.4	20.6
Key macroeconomic assumptions																	
Real GDP growth (in percent)	4.8	1.5	0.7	1.7	2.8	-5.2	1.1	2.3	3.5	3.8	3.8	1.5	3.9	3.9	3.9	3.9	3.9
GDP deflator in US dollar terms (change in percent)	0.5	1.6	1.5	2.3	1.3	4.3	2.2	2.7	2.2	2.2	2.2	2.6	2.2	2.2	2.3	2.3	2.2
Effective interest rate (percent) 5/	5.0	5.5	4.5	4.2	1.1	5.6	5.6	5.3	5.3	5.3	5.3	5.4	5.3	5.3	5.3	5.3	5.3
Growth of exports of G&S (US dollar terms, in percent)	-9.5	7.1	3.8	4.2	13.5	-2.9	4.2	9.1	5.4	6.5	9.4	5.3	5.4	5.4	7.5	5.7	5.7
Growth of imports of G&S (US dollar terms, in percent)	17.0	5.7	3.0	6.2	11.5	-17.1	2.1	7.9	6.8	6.8	8.7	2.5	5.7	5.7	8.7	6.0	6.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0
Government revenues (excluding grants, in percent of GDP)	26.4	28.1	29.1			28.0	29.7	30.8	31.6	31.6	31.6				31.6	31.6	31.6
Aid flows (in Millions of US dollars) 7/	2.5	1.5	7.6			17.0	28.1	25.5	9.9	10.5	11.1				15.0	15.9	27.3
o/w Grants	2.5	1.5	7.6			17.0	28.1	25.5	9.9	10.5	11.1				15.0	15.9	27.3
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	0.0
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			1.3	2.4	2.1	0.5	0.6	0.6				0.5	0.6	0.6
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			15.7	28.0	29.7	7.6	9.1	9.2				8.1	8.7	13.4
Memorandum items:																	
Nominal GDP (Millions of US dollars)	939.9	969.0	990.5			979.7	1012.4	1063.6	1125.4	1193.0	1264.9				1702.3	1807.7	3104.5
Nominal dollar GDP growth	5.3	3.1	2.2			-1.1	3.3	5.1	5.8	6.0	6.0	4.2	6.2	6.2	6.3	6.3	6.2
PV of PPG external debt (in Millions of US dollars)			372.4			404.1	424.6	434.9	449.6	464.0	478.6				558.1	574.8	720.6
(PVT-PVT-1)/GDPT-1 (in percent)						3.2	2.1	1.0	1.4	1.3	1.2	1.7	1.0	1.0	0.5	0.5	0.9

Sources: St. Lucian authorities; and Fund staff estimates and projections.

1/ Includes public sector guaranteed and non-guaranteed external debt.

2/ Derived as $[r - g - \rho(1+g)] / (1+g+\rho+g)$ 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., changes in arrears and debt relief); 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 A6. St. Lucia: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2009-2029 (Active Scenario)
(In percent)

	2009	2010	2011	2012	Projections						
					2013	2014	2015	2019	2020	2029	
PV of debt-to GDP ratio											
Baseline	41	42	41	40	39	38	37	33	32	23	
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2009-2029 1/	41	42	43	44	44	45	45	73	78	89	
A2. New public sector loans on less favorable terms in 2009-2029 2	41	42	42	41	40	40	39	37	36	31	
B. Bound Tests											
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	41	43	43	42	41	40	39	35	34	25	
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	41	49	63	61	58	54	51	38	35	23	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	41	42	42	41	40	39	38	34	33	24	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	41	49	56	54	51	49	46	36	34	23	
B5. Combination of B1-B4 using one-half standard deviation shocks	41	49	63	62	58	55	52	39	37	24	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	41	59	58	57	55	54	52	46	45	33	
PV of debt-to-exports ratio											
Baseline	83	84	79	77	75	70	69	63	62	46	
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2009-2029 1/	83	84	82	85	85	84	85	141	151	177	
A2. New public sector loans on less favorable terms in 2009-2029 2	83	85	80	79	78	74	73	71	70	62	
B. Bound Tests											
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	83	84	79	77	75	70	69	63	62	46	
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	83	112	167	163	153	139	131	102	95	64	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	83	84	79	77	75	70	69	63	62	46	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	83	98	107	104	99	91	86	70	66	46	
B5. Combination of B1-B4 using one-half standard deviation shocks	83	104	140	136	128	117	110	87	82	56	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	83	84	79	77	75	70	69	63	62	46	
PV of debt-to-revenue ratio											
Baseline	147	141	133	126	123	120	116	104	101	73	
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2009-2029 1/	147	142	139	139	141	142	144	231	246	281	
A2. New public sector loans on less favorable terms in 2009-2029 2	147	143	135	130	128	126	124	116	115	98	
B. Bound Tests											
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	147	144	140	134	130	127	123	110	106	78	
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	147	164	204	193	182	171	161	121	112	74	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	147	143	136	130	127	123	120	107	103	76	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	147	166	181	171	162	154	146	115	108	74	
B5. Combination of B1-B4 using one-half standard deviation shocks	147	166	206	195	184	173	163	125	116	77	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	147	200	188	179	174	169	165	147	142	104	
Debt service-to-exports ratio											
Baseline	12	12	11	13	12	11	12	13	12	9	
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2009-2029 1/	12	12	11	13	12	13	13	22	24	34	
A2. New public sector loans on less favorable terms in 2009-2029 2	12	12	10	12	11	11	11	13	13	12	
B. Bound Tests											
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	12	12	11	13	11	11	11	12	12	9	
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	12	13	16	22	24	23	23	23	22	13	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	12	12	11	13	11	11	11	12	12	9	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	12	12	12	15	15	15	15	15	15	9	
B5. Combination of B1-B4 using one-half standard deviation shocks	12	12	14	19	20	19	19	19	19	11	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	12	12	11	13	11	11	11	12	12	9	
Debt service-to-revenue ratio											
Baseline	21	21	19	22	19	19	20	20	20	15	
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2009-2029 1/	21	19	19	22	21	21	23	35	38	54	
A2. New public sector loans on less favorable terms in 2009-2029 2	21	20	17	20	19	18	19	22	21	19	
B. Bound Tests											
B1. Real GDP growth at historical average minus one standard deviation in 2010-2011	21	20	19	22	20	20	20	21	20	15	
B2. Export value growth at historical average minus one standard deviation in 2010-2011 3/	21	20	19	26	28	28	28	27	26	15	
B3. US dollar GDP deflator at historical average minus one standard deviation in 2010-2011	21	20	19	21	19	19	20	21	20	15	
B4. Net non-debt creating flows at historical average minus one standard deviation in 2010-2011 4/	21	20	19	25	25	25	25	25	24	15	
B5. Combination of B1-B4 using one-half standard deviation shocks	21	20	20	27	29	28	28	28	26	16	
B6. One-time 30 percent nominal depreciation relative to the baseline in 2010 5/	21	28	26	29	27	26	27	29	27	21	
Memorandum item:											
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	-6	-6	-6	-6	-6	-6	-6	-6	-6	-6	

Sources: St. Lucian authorities; and Fund 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.

Table A7. St. Lucia: Public Sector Debt Sustainability Framework, Active Scenario, 2006-2029
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Projections										
	2006	2007	2008			2009-14							2015-29			
						2009	2010	2011	2012	2013	2014	Average	2019	2020	2029	Average
Public sector debt 1/	59.1	66.5	66.2			74.7	75.8	73.7	71.7	69.6	67.6		58.9	57.2	42.2	
o/w foreign-currency denominated	44.5	41.4	36.7			40.2	40.8	39.8	38.8	37.7	36.6		31.6	30.6	22.3	
Change in public sector debt	-6.9	7.4	-0.3			8.5	1.1	-2.1	-2.0	-2.1	-2.0		-1.7	-1.7	-1.7	
Identified debt-creating flows	2.8	-1.0	-0.4			6.8	1.4	-1.8	-1.7	-1.8	-1.8		-1.7	-1.7	-1.7	
Primary deficit	2.8	-2.7	-2.2	1.1	2.7	2.5	-0.2	-2.1	-1.6	-1.6	-1.6	-0.8	-1.6	-1.6	-1.6	-1.6
Revenue and grants	26.7	28.3	29.9			29.7	32.5	33.2	32.5	32.5	32.5		32.5	32.5	32.5	
of which: grants	0.3	0.2	0.8			1.7	2.8	2.4	0.9	0.9	0.9		0.9	0.9	0.9	
Primary (noninterest) expenditure	29.5	25.5	27.6			32.2	32.3	31.1	30.9	30.9	30.9		30.9	30.9	30.9	
Automatic debt dynamics	0.0	1.8	1.9			4.4	1.6	0.4	-0.1	-0.2	-0.2		-0.1	-0.1	-0.1	
Contribution from interest rate/growth differential	-1.2	1.1	1.4			5.4	1.8	0.7	0.0	-0.1	-0.1		0.0	0.0	0.0	
of which: contribution from average real interest rate	1.8	1.9	1.9			1.8	2.6	2.4	2.5	2.5	2.5		2.2	2.2	1.7	
of which: contribution from real GDP growth	-3.0	-0.9	-0.5			3.6	-0.8	-1.7	-2.5	-2.6	-2.5		-2.3	-2.2	-1.6	
Contribution from real exchange rate depreciation	1.2	0.7	0.4			-1.1	-0.1	-0.3	-0.1	-0.1	-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	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	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	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	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	0.0	
Residual, including asset changes	-9.7	8.3	0.1			1.7	-0.3	-0.3	-0.3	-0.3	-0.3		0.0	0.0	0.0	
Other Sustainability Indicators																
PV of public sector debt	59.1	66.5	66.2			75.7	76.9	74.8	72.9	70.8	68.8		60.1	58.4	43.2	
o/w foreign-currency denominated	...	...	...			41.2	41.9	40.9	40.0	38.9	37.8		32.8	31.8	23.2
o/w external	...	...	...			41.2	41.9	40.9	40.0	38.9	37.8		32.8	31.8	23.2
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	...
Gross financing need 2/	10.6	11.3	6.5			12.2	11.9	10.5	12.7	12.2	12.3		13.4	13.1	10.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	221.2	235.2	221.5			254.8	236.7	225.1	224.3	218.0	211.7		185.1	179.8	132.9	
PV of public sector debt-to-revenue ratio (in percent)	223.4	236.5	227.3			270.6	258.8	242.7	230.6	224.1	217.6		190.3	184.8	136.6	
o/w external 3/	...	...	...			147.4	141.1	132.6	126.4	123.1	119.7		103.7	100.6	73.4
Debt service-to-revenue and grants ratio (in percent) 4/	15.6	39.9	24.0			31.5	31.1	32.1	35.9	34.0	34.0		36.4	35.0	27.9	
Debt service-to-revenue ratio (in percent) 4/	15.7	40.1	24.6			33.5	34.0	34.6	36.9	34.9	35.0		37.4	35.9	28.6	
Primary deficit that stabilizes the debt-to-GDP ratio	9.7	-10.1	-2.0			-6.0	-1.3	-0.1	0.4	0.5	0.4		0.1	0.1	0.1	
Key macroeconomic and fiscal assumptions																
Real GDP growth (in percent)	4.8	1.5	0.7	1.7	2.8	-5.2	1.1	2.3	3.5	3.8	3.8	1.5	3.9	3.9	3.9	3.9
Average nominal interest rate on forex debt (in percent)	5.0	5.5	4.5	4.2	1.1	5.6	5.6	5.3	5.3	5.3	5.3	5.4	5.3	5.3	5.3	5.3
Average real interest rate on domestic debt (in percent)	5.5	6.6	4.6	4.7	1.8	0.8	3.4	3.0	3.7	3.9	4.1	3.2	4.4	4.5	4.6	4.5
Real exchange rate depreciation (in percent, + indicates depre	2.8	1.5	1.0	0.1	1.6	-2.6
Inflation rate (GDP deflator, in percent)	0.5	1.6	1.5	2.3	1.3	4.3	2.2	2.7	2.2	2.2	2.2	2.6	2.2	2.2	2.3	2.2
Growth of real primary spending (deflated by GDP deflator, in p	0.1	-0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grant element of new external borrowing (in percent)	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0

Sources: St. Lucian authorities; and Fund staff estimates and projections.

1/ Includes public sector guaranteed and non-guaranteed debt. Also includes liabilities related to the construction and financing of public projects by the private sector.

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 A8. St. Lucia: Sensitivity Analysis for Key Indicators of Public Debt 2009-2029 (Active Scenario)

	Projections								
	2009	2010	2011	2012	2013	2014	2019	2020	2029
PV of Debt-to-GDP Ratio									
Baseline	76	77	75	73	71	69	60	58	43
A. Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages	76	78	80	82	84	87	101	105	135
A2. Primary balance is unchanged from 2009	76	80	82	85	87	89	100	103	123
A3. Permanently lower GDP growth 1/	76	78	76	75	75	74	75	76	91
B. Bound tests									
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	76	79	82	82	81	81	81	81	81
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	76	81	85	83	81	79	70	68	53
B3. Combination of B1-B2 using one half standard deviation shocks	76	80	85	84	82	81	77	76	68
B4. One-time 30 percent real depreciation in 2010	76	96	94	92	90	88	83	82	77
B5. 10 percent of GDP increase in other debt-creating flows in 2010	76	87	85	83	81	79	70	68	53
PV of Debt-to-Revenue Ratio 2/									
Baseline	255	237	225	224	218	212	185	180	133
A. Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages	255	240	239	252	259	266	311	320	412
A2. Primary balance is unchanged from 2009	255	245	248	260	267	273	309	316	378
A3. Permanently lower GDP growth 1/	255	239	229	232	229	227	230	232	281
B. Bound tests									
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	255	244	245	251	250	249	249	249	249
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	255	250	256	256	250	243	216	211	163
B3. Combination of B1-B2 using one half standard deviation shocks	255	247	254	257	253	250	236	233	209
B4. One-time 30 percent real depreciation in 2010	255	295	282	283	278	272	255	252	236
B5. 10 percent of GDP increase in other debt-creating flows in 2010	255	268	256	256	250	243	216	211	163
Debt Service-to-Revenue Ratio 2/									
Baseline	31	31	32	36	34	34	36	35	28
A. Alternative scenarios									
A1. Real GDP growth and primary balance are at historical averages	31	31	32	38	38	40	56	58	78
A2. Primary balance is unchanged from 2009	31	31	33	38	38	40	54	55	69
A3. Permanently lower GDP growth 1/	31	31	32	37	35	36	42	42	51
B. Bound tests									
B1. Real GDP growth is at historical average minus one standard deviations in 2010-2011	31	32	34	39	37	38	46	46	48
B2. Primary balance is at historical average minus one standard deviations in 2010-2011	31	31	33	39	39	39	43	42	34
B3. Combination of B1-B2 using one half standard deviation shocks	31	31	33	39	39	39	45	44	41
B4. One-time 30 percent real depreciation in 2010	31	35	40	46	44	46	56	56	60
B5. 10 percent of GDP increase in other debt-creating flows in 2010	31	31	34	41	39	39	43	42	34

Sources: St. Lucian authorities; and Fund 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.