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St. Kitts and Nevis: Recent Economic Developments

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ST. KITTS AND NEVIS

Recent Economic Developments

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Approved by the Western Hemisphere Department

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St. Kitts and Nevis: Basic Data

I. Social and Demographic Indicators

Area (sq. km)	269.4	Nutrition (1996)	
Population (mid-1999)		Caloric intake (per capita a day)	2,639
Total (thousands)	42.5	Protein intake (grams per day)	77
Rate of growth (in percent, 1990-96)	-0.6	Health (1993)	
Density (per sq.km.)	157.6	Population per physician (thousand)	2.2
Population characteristics		Access to safe water (1994)	
Life expectancy at birth (years)	70	Percent of population	100
Infant mortality (per thousand live birth)	12.7	GDP (US\$ mn, 1999)	300.7
Under 5 mortality rate (per thousand, 1993)	36.4		
GDP per capita (US\$, 1999)	7,075		

II. Economic Indicators, 1995-1999

	1995	1996	1997	1998	Prel. 1999
(In percent of GDP)					
Origin of GDP					
Agriculture and mining	4.8	4.6	4.9	3.8	3.4
Manufacturing and construction	19.3	18.7	18.2	18.6	19.7
Services	60.2	60.4	61.1	61.7	61.0
(Annual percentage changes, unless otherwise indicated)					
National accounts and prices					
Real GDP	3.5	5.9	7.3	1.0	2.8
Real GDP per capita	2.9	5.3	6.7	0.4	2.2
GDP deflator	0.3	0.0	4.8	3.3	1.8
Consumer price index (period average)	3.0	2.0	8.7	3.7	3.5
Consumer price index (end of period)	2.6	3.1	11.3	0.9	1.8
(In percent of GDP)					
Gross domestic investment	46.3	45.8	44.0	43.0	37.4
<i>Of which</i> : central government	6.5	4.9	5.2	6.9	4.5
Gross national savings	26.8	15.4	23.0	26.5	11.3
External savings	19.5	30.4	21.0	16.4	26.0
Private consumption	57.1	59.6	50.8	49.6	58.7
Central government consumption	20.0	23.6	22.8	23.6	25.5
Public finances					
Central government					
Total revenues and grants	31.2	30.9	30.4	30.8	31.2
Total expenditures	32.9	34.8	34.1	37.2	36.8
<i>Of which</i> : interest	2.3	3.0	2.8	3.2	3.9
Savings	3.6	0.4	1.1	0.2	-1.4
Primary balance	0.5	-0.9	-0.8	-3.3	-1.7
Overall balance	-1.7	-3.9	-3.7	-6.5	-5.7
(12-month percentage changes, unless otherwise indicated)					
Money and credit					
Broad money	12.4	5.5	13.5	4.0	11.3
<i>Of which</i> :					
Money	9.9	11.5	-2.1	11.2	16.1
Quasi money	12.9	4.3	16.9	2.6	10.3
Net domestic assets of the banking system 1/	11.4	6.3	1.2	-1.5	25.2
<i>Of which</i> :					
Credit to the public sector (net)	6.2	8.5	-7.5	-2.8	14.2
Credit to the private sector	6.3	5.6	12.0	8.1	8.5
Broad money, in percent of GDP	70.4	69.7	70.7	70.4	74.8
Representative interest rate (in percent) 2/	11.3	10.9	11.2	11.4	11.2

St. Kitts and Nevis: Basic Data

	1995	1996	1997	1998	Prel. 1999
(In millions of U.S. dollars, unless otherwise indicated)					
Balance of payments					
Current account	-45.1	-74.8	-57.9	-47.1	-78.2
Merchandise trade balance	-80.6	-97.4	-78.4	-88.5	-96.4
Exports	36.5	34.5	51.4	48.9	47.9
Imports	-117.1	-131.9	-129.7	-137.4	-144.3
Services and transfers (net)	35.5	22.6	20.5	41.4	18.2
Of which: interest	-17.7	-23.9	-28.5	-34.6	-34.8
Capital and financial account	34.5	51.2	53.1	53.2	117.6
Foreign direct investment	20.5	35.1	19.7	33.6	77.3
Other capital (net)	14.1	16.1	31.3	19.6	40.4
Errors and omissions	12.8	23.0	8.7	2.1	-36.7
Change in net international reserves	2.3	-0.6	3.9	8.2	2.7
Merchandise exports (in percent of GDP)	15.8	14.0	18.7	17.0	15.9
Merchandise imports (in percent of GDP)	-50.8	-53.7	-47.2	-47.9	-48.0
Current account (in percent of GDP)	-19.5	-30.5	-21.0	-16.4	-26.0
Merchandise exports (in US\$, annual percentage change)	6.8	-5.6	48.9	-4.8	-2.2
Merchandise imports (in US\$, annual percentage change)	19.2	12.6	-1.7	5.9	5.0
Terms of trade (annual percentage change)	0.1	-1.1	-0.1	1.8	-2.1
Real effective exchange rate (12-month percentage change) 3/	-0.8	0.8	12.5	-1.9	3.0
International reserve position and external debt (as of December 31)					
Net official reserves (imputed reserves at the ECCB)	38.4	37.7	41.4	49.6	52.3
Net reserves of the banking system	37.5	36.3	57.3	67.9	39.7
Outstanding external debt, in percent of GDP	24.7	25.4	39.6	44.0	46.6
Total debt service ratio 4/	5.3	5.7	5.3	7.5	11.2
Of which: interest	4.1	6.4	6.3	6.4	7.3
IMF data (as of July 31, 2000)					
Membership status:					Article VIII
Intervention currency and rate					U.S. dollar/EC\$2.70=US\$1
Quota					SDR 8.9 million
Fund holdings of national currency					SDR 10.44 million
(as percent of quota)					117.4 percent
Outstanding purchases and loans					SDR 1.63 million
First credit tranche-emergency assistance					SDR 1.63 million
SDR department					
Net cumulative allocation					SDR 0.00
Holdings					SDR 0.00

Sources: St. Kitts and Nevis authorities; Eastern Caribbean Central Bank; World Bank; and Fund Staff estimates.

1/ In percent of broad money at the beginning of the period.

2/ Average lending rate.

3/ End of period.

4/ In percent of exports of goods and services.

INTRODUCTION

1. St. Kitts and Nevis is a small, open economy in the Eastern Caribbean. Although sugar production has been the mainstay of the economy, in the last decade, the structure of the economy has shifted toward services. Tourism plays a major role in the economy—it is the chief source of foreign exchange earnings—while assembly-type manufacturing (mainly for export to the United States) and financial services are also important industries. St. Kitts and Nevis shares a common currency (the Eastern Caribbean dollar) with the other seven members of the Eastern Caribbean Central Bank (ECCB). The ECCB effectively operates as a currency board and the Eastern Caribbean dollar has been pegged to the U.S. dollar at a rate of EC\$2.70 since 1976.
2. In March 2000, elections gave the Labor Party an overwhelming majority. In the mid 1990s, there were discussions on the possible secession by the island of Nevis from the Federation. The issue culminated in a referendum in 1998 in which voters rejected secession by a narrow margin. Nevis enjoys considerable autonomy in fiscal decisions.
3. St. Kitts and Nevis is highly vulnerable to exogenous shocks, such as hurricanes, which have inflicted substantial damage to the capital stock and retarded growth in recent years. In 1998, Hurricane Georges destroyed a significant portion of the infrastructure and was a principal factor behind a sharp decline in growth from rates achieved earlier in the decade. In 1999, Hurricanes Lenny and Jose inflicted coastal damage, but growth is still estimated to have picked up. Inflation has remained low in recent years, generally similar to or below inflation in the United States.
4. The central government finances have weakened significantly since 1995. Spending has risen as a result of the need for extensive repair and reconstruction related to hurricanes, and increases in civil service wages and employment; higher interest payments related to the increasing debt burden and a rising effective interest rate have also contributed to the growing deficits. Revenue growth has been weak, reflecting slow output growth. Combined with losses of the St. Kitts Sugar Manufacturing Corporation (SSMC), the consolidated public sector deficit shifted from a surplus in 1995 to a very sizeable deficit in 1998–99. The surpluses of the Social Security Scheme have partly offset the deficit elsewhere in the public sector.
5. Reflecting the worsening public finances, external public debt and debt service obligations have grown rapidly in recent years. Exports of goods and services (as a percentage of GDP) have been flat or declining, as a result of dwindling sugar exports and a slowdown in tourism. Large net capital inflows, particularly direct investment inflows and official external borrowing, have been more than adequate to finance the growing deficit on the current account and allow a build up in imputed international reserves at the ECCB.

I. REVIEW OF ECONOMIC DEVELOPMENTS: 1995–99

A. The Domestic Economy

Growth, investment, and savings

6. **Reflecting the impact of recent hurricanes, real GDP increased by an estimated 1 and 2¾ percent in 1998 and 1999 respectively, compared to an average of about 5½ percent a year between 1995 and 1997 (Table 1).** Hurricane Georges struck the islands in September 1998 and inflicted substantial damage to the housing stock, roads, and hotel facilities. As a result, output declined significantly in the agricultural (especially sugar), manufacturing, transportation, and real estate sectors. The impact of Hurricane Georges on the tourism industry was felt mainly in 1999, as several establishments, including one of the largest hotels, were damaged and forced to close. Growth picked up in 1999, despite continued weakness in the hotel and restaurant sector, led by recovery in the construction, manufacturing, and transportation sectors. Hurricanes Jose and Lenny in November 1999 caused coastal damage and severely dampened tourism owing to the destruction of the cruiseship pier in Basseterre and additional damage to some hotels and beaches.

7. **Gross capital formation declined by about 9 percentage points of GDP between 1995 and 1999, mostly owing to a decline in private investment (Table 2).** The construction component of gross capital formation has remained strong at about 25 percent of GDP in 1998 and 1999, as a result of ongoing construction projects and post-hurricane reconstruction. Gross capital formation in transportation equipment, which averaged about 8½ percent of GDP a year between 1995 to 1997, fell to about 3 percent of GDP a year in 1998 and 1999. While underlying data weaknesses may explain part of this movement, the decrease in this component may also have resulted from the postponement of planned investments because of the hurricanes in 1998–99.

8. **Several institutional features of the economy constrain growth in domestic investment, suggesting the need for structural reforms.** These constraints include shortages of skilled workers in critical occupations and the continued out migration of highly-trained professionals. This problem is being addressed partly through greater use of migrant labor and the establishment of training programs for the younger segment of the population. Other impediments include high transportation charges (mainly at the seaport), the absence of a capital market that allows investors to diversify risk, and the high cost of credit.

9. **Statistics on the expenditure composition of national income remain unreliable.¹** Estimates of gross national savings continue to swing widely (Table 2). Following an increase

¹ The authorities and the ECCB are working together to remedy the weaknesses in the statistical database. Various technical problems, including the lack of comprehensive coverage, have been identified in the methods that are used to estimate the national accounts. The ECCB is currently assisting the implementation of improved methods on a pilot basis in two countries, St. Lucia and St. Vincent and the Grenadines.

of almost 8 percentage points of GDP in 1997, savings increased by an additional 3½ percent of GDP in 1998 to 26½ percent of GDP and then fell by over 15 percentage points of GDP in 1999 as households depleted savings following the hurricanes in order to rebuild damaged infrastructure and maintain consumption. The central government accounted for about 1½ percentage points of GDP of the total decline in savings in 1999; private households accounted for the remainder. These overall trends could reflect in part underlying data weaknesses, especially in the estimation of domestic investment.

B. Sectoral Developments

Tourism

10. **The total number of foreign visitors to St. Kitts and Nevis during 1995 and 1999 fluctuated widely, mainly on account of hurricanes that struck the islands over this period (Table 4).** In 1998, the total number of visitors grew by 33 percent over the previous year, but in 1999 contracted by nearly 11 percent, reflecting the damage to hotel and port facilities (both air and seaport) inflicted by Hurricane Georges. The completion of the Port Zante cruise ship pier in 1997 facilitated a 58 percent increase in yacht and cruiseship visitors during 1998. However, the facility was heavily damaged by Hurricane Georges in September 1998 and Hurricanes Jose and Lenny in 1999, which led to a reduction in the number of cruise ship calls in the latter parts of 1998 and in 1999. As a result, yacht and cruise ship visitors fell in 1999 by 11½ percent (Table 4). Repairs to the pier are expected to be completed by end-2000.

11. **Stay-over visitors are the largest component of the total number of visitors to St. Kitts and Nevis, but their share of the total has been declining in recent years, reflecting rapid growth in the number of cruiseship visitors.** Between 1995 and 1998, the number of stay-over visitors grew on average by about 4½ percent a year, but declined precipitously in 1999, reflecting the impact of the hurricanes. Stay-over visitors grew quite strongly during the first nine months of 1998, however, Hurricane Georges caused significant damage to several hotels, curtailing visitor arrivals for the remainder of the season. In 1999, Hurricanes Lenny and Jose continued to depress stay-over arrivals. The Four Seasons Resort on Nevis, a major resort, suffered extensive damage in 1998 and is not expected to be fully operational until November 2000.

12. **Reflecting the developments in the tourism industry, value added in the hotel and restaurant sector grew in real terms by about 2¼ percent in 1998, but contracted by 12½ percent in 1999 (Table 1).** Despite the recent difficulties, significant investments are being made in new hotels or the expansion of existing ones, which will increase the number of hotel rooms by end-2000. The construction of a new 204-room hotel in the Frigate Bay area has been completed, while the construction of a 480-room hotel and a 900-room hotel is well underway; both of these are expected to open in late 2000 or early 2001. Mainly as a result of these projects, hotel capacity will expand by an additional 500 rooms (or 45 percent) by end-2000, and by a cumulative 1,500 rooms (or 136 percent) by end-2001. To support this increase in capacity, the St. Kitts and Nevis tourist board plans an aggressive marketing campaign in the United States and Europe, especially in the United Kingdom. Also, the authorities are trying to diversify the tourism product away from the "sun, sea and sand"

paradigm, and to market St. Kitts and Nevis as a destination that offers many other activities such as hiking and other land and sea sports, historical tourism, and business conferences.

Sugar industry

13. **The sugar industry contracted severely in 1998 and 1999, by 21 and 18 percent respectively, principally owing to hurricane damage in both years (Table 1).** Pests, cane fires, and the late application of fertilizer in some areas also contributed to the decline in output. Sugarcane production amounted to 24,600 tons and 17,700 tons, in 1998 and 1999 respectively, compared to a record of 30,900 tons in 1997 (Table 5). Following the close of the crop season, sugarcane production in 2000 amounted to 18,000 tons.

14. **The sugar industry continued to perform poorly as the SSMC, the sole producer and exporter of sugar, continued to make heavy losses.** The industry's high production costs, averaging EC\$2,440 per ton compared to an average selling price of EC\$997 per ton in 1998, have led to persistent losses. The sustained losses of the SSMC have raised the issue of the viability of sugar production in St. Kitts. One important consideration is that SSMC is a major employer in St. Kitts, with about 1,400 permanent workers (and some 600 migrant workers during the peak season), accounting for about 7–8 percent of employment in the economy, even though SSMC's work force has shrunk by about 35 percent since 1995. Additionally, the older workers currently employed in the sugar industry have limited employment opportunities elsewhere in the economy.

15. **The government is currently considering various options for dealing with the problems facing the industry and has initiated a public consultation to seek the views of the populace, using a summary of a World Bank-funded study on the costs and benefits as background.²** These options are summarized below in the special issues section. It is expected that a proposal will be made to Cabinet and a decision taken by end-2000. Closure of the sugar industry would entail severance payments to permanent workers, costs of maintaining fields to avoid erosion, servicing or clearing of debts, and the establishment of a social safety net for workers unable to find suitable alternative employment.

Other agriculture

16. **The performance of non-sugar agriculture in 1998 and 1999 was mixed (Table 5).** The output of a number of sub-sectors contracted in 1998, reflecting in part the adverse effects of the hurricanes (especially Georges), but production rebounded in 1999. This sector consists principally of small farmers who grow vegetables and other crops mainly for subsistence and sell the remainder on the domestic market. However, there are some 25 commercial farmers who produce about 75 percent of the output of food crops. The

² Ministry of Agriculture, Lands and Housing "Agricultural Development Support Project: Sugar Study," Final Report, May 1999. The study was conducted by SABAS Arotech Projects Ltd., which fielded a mission in September–October 1997.

current pattern of usage constrains non-sugar agriculture to less favorable lands, leading to low productivity and high costs. The current land-tenure system may also contribute negatively to the performance of the sector by discouraging investments.

17. **Output increases in 1998 and 1999 were recorded for such crops as white potatoes, lettuce, oranges and zucchini, whereas significant recovery was recorded in 1999 following a reduction in 1998 in the output of cabbages, cotton, string beans and tomatoes (Table 5).** In 1999, real value added increased in the crops and forestry sectors, but declined in the livestock and fishing sectors.

18. **The government provides farmers with agricultural extension services and the Central Marketing Corporation (CEMACO) functions as a marketing agent for their produce.** Both the government and CEMACO aim to transform non-sugar agriculture into a commercially oriented sector. Also, the Agriculture Department has placed emphasis on the rehabilitation of crops following Hurricane Georges, and a participatory management approach involving farmers and support institutions for the development of the Wingfield Tree Crops Orchard and the Fahies Settlement. These programs have already produced an increase in farming activity in these locations. Farmers sell their excess produce to CEMACO at generally fixed prices, which in turn resells the produce to retailers. Generally CEMACO does not adjust its purchase or retail prices, and therefore, these prices may not accurately reflect production costs. CEMACO also does not transmit market information to farmers, an issue it sees as constraining the development of the sector and which it intends to remedy shortly.

Other manufacturing

19. **Value added in non-sugar manufacturing rose sharply (15 percent) in 1999, following a recent expansion of two factories (Table 1).** The sector is dominated by industries that assemble electrical or electronic components for the external market, with a set of smaller industries producing for the local market. The latter have come under increased competition from imported goods, and have been steadily losing their market share.

Construction, mining and quarrying

20. **The construction, mining, and quarrying sectors experienced robust growth in 1998 and 1999, reflecting the construction of new hotels, housing, and other public sector projects, as well as post-hurricane repairs. (Table 1).** Real output in the mining and quarrying sector grew by about 9¼ and 8 percent in 1998 and 1999 respectively, while output in the construction sector expanded by about 7 percent a year in the same period. Thus far in 2000, these sectors experienced strong growth, reflecting the continuation of post-hurricane rehabilitation and hotel construction. Additionally, several public sector projects are underway or are expected to start shortly. These include two port projects, an airport project, and road improvements in Nevis, while projects that are underway or under discussion in St. Kitts include hospital development, sports facilities, and the National Housing Corporation's (NHC) projects.

C. Prices, Wages and Employment

Prices

21. **During 1995 and 1999, inflation in St. Kitts and Nevis has generally been close to rates observed in major trading partner countries, except in 1997 (Table 8).** The jump in reported inflation in 1997 resulted from the conversion of the consumption tax base from the import duty-exclusive to the import duty-inclusive value of imports of goods. Both for end-1998 and end-1999, inflation was quite low—less than 2 percent over the preceding 12-month period.

22. **Price controls remain in effect for an extensive list of commodities, but they are enforced for only a limited subset of goods, such as evaporated milk, gasoline, liquefied propane gas (LPG), and bus fares.**³ The Government's rationale for imposing these controls is to ensure stable prices for basic consumption items to consumers, particularly low-income households. Also, in the case of gasoline, the government sets the domestic price in an effort to avoid collusion among the few suppliers.

23. **Effective August 1, 2000, the government announced increases in electricity and water tariffs, and the retail prices for gasoline and LPG.** Gasoline prices were raised from EC\$5.70 to EC\$6.60 per gallon, while prices for 100 pounds of LPG were increased from EC\$110 to EC\$125 and for 20 pounds of LPG from EC\$24.5 to EC\$26. This price increase was designed to offset the increases in the price of imported fuel that have occurred in the past year. Prior to the adjustment in domestic price of fuel, government owed rebates to fuel suppliers under the gasoline levy on every gallon of gasoline sold because of the sharp increase in imported oil prices and the calculation of the gasoline levy as the difference between the domestic price of fuel and the c.i.f. price of fuel plus import duties, consumption taxes, and applicable dealer margins. Tariffs on water were raised six-fold and electricity tariffs were raised by about 15 percent, an average of EC\$0.09 per kwh. In view of the small weight that these commodities represent in the retail price index, these measures are not expected to have a large impact on the price level during 2000.

Employment

24. **There are no comprehensive statistics that are routinely compiled on the labor market, however, indicators point to employment gains in 1999, following a reduction in 1998 (Table 7).** The last comprehensive labor force survey was conducted in 1995 by the Organization of American States (OAS).⁴ However, the Labor Department within the

³ The Price Control Order of 1999, Statutory Rules and Orders No. 15 of 1999, which went into effect on December 15, 1999.

⁴ Choptepanda, Med, "*Report on Labour Force Survey: St. Kitts and Nevis*," 1995. The project was conducted by the Organization of American States in cooperation with the Government of St. Kitts and Nevis.

Government of St. Kitts compiles data from a non-comprehensive and non-exhaustive survey of employment in the principal services and industries, but with long lags. The Social Security Board compiles data on average wages (Table 6) and on the number of workers who pay social security taxes (Table 7). Developments in early 2000 were dominated by reports of a shortage of workers in the construction industry, partly ameliorated by foreign workers, and the laying off of 300 workers from the Four Seasons Resort following its closure for reconstruction. There has not been any change in labor legislation since 1997.

25. Skill acquisition by workers before entering the labor market has become increasingly important, given the relatively poor performance of labor productivity in recent years. Between 1996 and 1999, aggregate labor productivity, as measured by real output per worker, has declined by about ¼ percent a year on average. Partly to address this development, computer training at all levels of schooling and adult education has been expanded. College education has also expanded due to an increase in scholarships to neighboring islands, the United States, and other locations. The need to impart managerial skills has also been identified and a new course is now being offered at the technical college.

Wages

26. Recent wage increases awarded by the central government have put some upward pressure on wages in other sectors. In March 2000, the government awarded a 10 percent general salary increase, retroactive to the beginning of the year. Prior to this announcement, the last general salary increase was awarded in July 1997 (also 10 percent). The government awarded its workers a “double salary” in December 1999 and made a transfer to the SSMC that covered similar payments to workers in the sugar industry. As is the practice, double salary awards are not granted in years in which workers receive a general salary increase. In January 2000, the government raised the minimum wage for its established workers to EC\$1,000 per month. The government employs some 2,800 workers, equivalent to one-eighth of the workforce, and about 10 percent of its workers were affected by this increase. Taken together, these wage increases have reportedly put some upward pressure on wages in the private sector, where wage levels have traditionally been above public sector wages.

27. There are minimum wages in force that apply to specific sectors and jobs, but the last time any of these were adjusted was in 1996. Wages are negotiated collectively in only a few establishments. From 1997, negotiated wage increases were settled in only five establishments, with 5 percent as the largest annual increase in any of these settlements during 1998, 1999, or 2000.

D. Public Finances

28. Since the mid-1990's, the overall position of the public sector has weakened considerably owing to a number of factors, including hurricanes and increases in expenditure on the part of the central government. Since 1996, the consolidated public

sector has consistently run deficits in each year, which contrasts with its performance during 1990–95 when it ran small deficits or surpluses.⁵ In 1996, the overall position of the consolidated public sector shifted to a deficit of about 3¾ percent of GDP, from a surplus of about 2¼ percent in 1995, and this deficit widened significantly in 1998, reaching about 6¾ percent of GDP (Table 9). This deterioration mainly reflects a worsening of the performance of one major public enterprise, the SSMC, and a progressive widening of the deficit of the consolidated budget of St. Kitts and Nevis. During 1995 and 1999, the performance of the Social Security Scheme has been relatively unchanged, running overall surpluses of nearly 4¾ percent of GDP a year.

Central government

29. The central government deficit of St. Kitts and Nevis widened in 1996–97 to an average of about 3¾ percent of GDP a year, from about 1¾ percent in 1995 (Table 10). This deterioration stemmed mostly from a decline in the current surplus, as a result of increases in expenditures on goods and services and interest payments, while revenue performance remained virtually flat. In September 1998, extensive damage from Hurricane Georges led to increases in expenditures in 1998 and 1999 associated with the reconstruction effort. As a consequence, the overall deficit widened further in 1998 to 6½ percent of GDP, reflecting an increase in the wage bill and higher interest payments stemming from the bigger deficits. Also in 1998, capital spending increased by nearly two percentage points of GDP. In 1999, the overall deficit narrowed to about 5¾ percent of GDP, as capital spending declined to more normal levels, despite a worsening of the current balance arising from further increases in the wage bill, expenditure on goods and services, and interest payments. In 1998 and 1999, the government relied heavily on both external and domestic sources for its financing needs, particularly the domestic banking system through the overdraft facility at the National Bank, a majority government-owned bank.

Revenue

30. Total revenue and grants of the government of St. Kitts and Nevis declined by nearly 1 percent of GDP between 1995 and 1997, but rebounded by 1999 to reach the same level (about 31 percent of GDP) as in 1995 (Table 11). The main reason for this fluctuation was the decline in external grants between 1995–97 of about 1 percent of GDP. Increases in non-tax revenue between 1997–99 compensated for the decline in grants; tax revenue remained virtually flat over this period.

31. There have been relatively few changes in the tax system between 1995 and 1999 (Appendices I and II). Effective on January 1, 1998, the corporate income tax rate was

⁵The consolidated public sector includes the operations of St. Kitts and Nevis, the public enterprises, and the Social Security Scheme. Complete data on the financial performance of the public enterprises for 1998 and 1999 are not available. Data for 1998 do not include the Frigate Bay Development Corporation.

reduced from 40 percent to 38 percent, in an effort to improve competitiveness and attract new investment. In 1999, the corporate income tax rate was reduced further to 37 percent, effective January 1, 2000. In 1995, the maximum rate of the common external tariff (CET) was reduced to 30 percent and further scheduled reductions to reach 20 percent have been postponed because of concerns over revenue loss. Originally, as part of the agreement among CARICOM countries, the maximum CET rate was scheduled to be reduced to 20 percent by end-1998. In 1999, as part of the measures government agreed to implement in connection with the emergency assistance received from the IMF following Hurricane Georges, the government began keeping all revenue collected from the hotel tax rather than rebating revenue collected in the off-peak season to hotel operators, as in the past. On the nontax side, stamp duties paid by the purchaser and the seller of property were raised from 4 to 6 percent.

32. The government offers tax incentives and concessions to the tourism, manufacturing, and export sectors in order to attract investment. These concessions are granted mainly through various Fiscal Incentives Acts and the Hotel Aids Act, which allow hotels and other businesses to import items free of import duties and consumption taxes for a specified period of time (usually 10 to 15 years). The total value of the concessions related to the consumption tax, import duties, and customs service charge amounted to EC\$42.1 million (5¼ percent of GDP) in 1999. Income tax holidays are also available to some investors.

Expenditure

33. The principal reason for the weakening of the central government finances between 1995 and 1999 has been increases in expenditure totaling nearly 4 percentage points of GDP (Table 12). Between 1995 and 1999, the total wage bill rose by 1 percentage point of GDP, reflecting an increase in the number of established positions in the central government of 27½ percent (604 positions) over 4 years, or an average of nearly 7 percent a year. Coupled with these increases, there have also been years in which the number of non-established workers increased substantially, but there are no comprehensive data on this employment. In 1998, as part of the measures agreed to with the IMF, the government did not grant a 13th month of salary to government employees, but it did grant a 13th month in 1999, as is the normal practice in years when there is no general salary increase. Prior to July 2000, the last general salary increase was granted in July 1997, when an across-the-board increase of 10 percent was approved.

34. There has also be a significant increase of nearly 4½ percentage points of GDP in expenditure on goods and services between 1995 and 1999. A variety of factors account for this rise, including special expenditure increases prior to elections in 2000 and hurricane-related spending in the past few years. An increase in interest expenditure has also been an important factor in the overall rise in expenditure. In 1997, government borrowed significant amounts abroad—at relatively low costs—to reduce the stock of domestic debt. Since that time, external interest payments have risen about 1 percentage point of GDP in two years. Reflecting the sharply higher deficits incurred in 1998 and 1999, and the heavy reliance of the government on borrowing from the domestic banking system, domestic interest payments began to rise in 1999 as a percentage of GDP.

Public debt

35. **Between end-1995 and end-1999, the stock of public debt has grown rapidly, mainly through increases in external borrowing, reflecting the weaker performance of the public sector and some large capital projects.** Since 1995, the stock of external public debt has increased by about 22 percentage points of GDP, while the stock of external debt of the central government increased by nearly 14 percentage points of GDP. At end-1999, external public debt stood at about 46½ percent of GDP, of which about 30½ percent of GDP represented the stock of central government debt, so the total stock of debt (excluding domestic debt of public enterprises) stood at 85½ percent of GDP. At end-1999, the stock of the central government's domestic debt was estimated at EC\$316.9 million (39 percent of GDP) and it has also grown fairly rapidly in recent years (Table 13). This amount represents an increase over 1995 of about 4 percent points of GDP. However, the authorities borrowed significant amounts abroad in 1997 to reduce the stock of domestic debt, given the relatively higher cost of domestic funds. Since 1997, the stock of domestic debt has risen by 7½ percent points of GDP, reflecting the heavy borrowing from the banking system through the overdraft facility.

Social Security Scheme

36. **The finances of the Social Security Scheme remain sound, with consistent surpluses of about 4¾ percent of GDP a year during 1995–99. However, in the medium term, the finances are expected to come under strain, as the number of retirees begins rising substantially toward the end of the decade.** The Social Security Scheme is a pay-as-you-go system, with benefits financed out of current contributions. Currently, contributions are 10 percent of wage income, with 5 percent paid by the employer and 5 percent paid by the employee on employee earnings up to a limit of EC\$65,000 a year.

37. **In 1999, the overall surplus of the Social Security scheme was estimated at about 5 percent of GDP, up from about 4¾ percent of GDP in 1998 (Table 14).** The scheme invests its surplus mainly at the commercial banks (principally at the National Bank) and receives an average interest rate of between 6 and 6¼ percent. The Social Security Scheme would like to expand its investment options—particularly foreign investment options—but it has faced some limits on getting foreign exchange from the Ministry of Finance. The surpluses of the Social Security Scheme indirectly finance the deficits of the central government and the sugar company, through the National Bank. In the future, the Social Security Scheme plans to invest a greater portion of its surpluses in low-income housing projects.

Public enterprises

38. **There are five public enterprises in St. Kitts and Nevis: the SSMC, CEMACO, the Frigate Bay Development Corporation, the Air and Seaport Authority, and the Development Bank of St. Kitts and Nevis.** The National Housing Corporation is also within the public sector, however, its financial position has not been made public since its inception in 1996. Taken together, the overall deficit of the public enterprises has been widening in recent years, reaching 5 percent of GDP in 1998, mainly owing to the growing deficits incurred by the SSMC (Table 15).

39. **The SSMC has faced increasing financial difficulties in recent years as a result of hurricanes and a decline in sugar export earnings stemming partly from a weakening in the value of the euro relative to the U.S dollar.** The overall deficit for 1999 is estimated at about 3¾ percent of GDP (EC\$29.7 million). The sugar company finances its deficit principally through an overdraft facility at the National Bank, and this overdraft has been secured with government-owned sugar land. In recent years, the sugar company has also borrowed externally on a short-term basis that is rolled over each year.

40. **The port authority, which manages both the airport and the seaport, is estimated to have run a deficit of about 2¼ percent of GDP in 1998.** Labor costs at the port authority (mainly stevedores) have risen significantly in recent years. The number of supervisory staff alone has risen from 52 in 1996 to 85 in 1999.

41. **The NHC assists low-income families by constructing dwellings on land obtained from the government at no cost.** The NHC secured a loan of EC\$30 million from the Social Security Scheme in 1997 at 6¾ percent interest per annum with a repayment term of 25 years to finance its operations. To cover its operating costs, the NHC had been charging an interest rate of 8 percent on the mortgages it offers to its customers. Recently, the government decided to lower the cost of a mortgage to 5 percent and it plans to make up the shortfall through a direct payment to the NHC.

E. Monetary and Financial Sector Developments

42. **Stability in the financial system of St. Kitts and Nevis has supported economic activity in recent years.** Broad money and credit to the private sector expanded at a rate a bit faster than the average annual growth in nominal GDP during 1995–99, while net credit to the public sector has been more volatile, tending to rise in years following hurricanes (Table 16). The continued buildup of social security deposits has partially offset credit from the banking system to both the central government and the public enterprises. In 1999, credit to the private sector grew by 8¼ percent, while net credit to the public sector increased strongly, facilitated by a decline in net foreign assets of the banking system, after substantial increases during 1997–98.

43. **Net imputed international reserves of St. Kitts and Nevis with the ECCB grew consistently during 1995–99, reaching EC\$134 million (about 103 percent of base money) as of end-December 1999 (Table 17).** The ECCB's net liabilities to the commercial banks increased from EC\$63 million as of end-1995 to EC\$88 million as of end-1999, as a result of the banks' accumulation of deposits with the ECCB and a Y2K-related increase of the currency (both in circulation and held by banks). An accumulation of central government deposits with the ECCB—with a partial reduction during 1999—led to a reduction in central bank net credit to the central government.

44. **The ECCB has kept the regulatory cash reserve requirements on total deposit liabilities (excluding interbank transactions) unchanged at 6 percent.** While the ECCB holds a very small amount of treasury bills issued by the Government of St. Kitts and Nevis, it buys them on behalf of other governments within the ECCB area. In addition, the ECCB sells

part of its own stock of treasury bills to commercial banks, with the agreement that it will redeem them at any time the banks wish to sell them, thus increasing the liquidity of those securities. This policy may change once the regional stock exchange and the regional government securities market become operational (expected to be in the near future), which may deepen the secondary market for government securities.

45. **Within the quasi-currency board arrangement of the ECCB, the currency backing ratio for the bank's overall operations is currently close to 94 percent.** Nevertheless, excluding some potential ECCB liabilities,⁶ the adjusted backing ratio is closer to 84 percent. The central bank has put in place some prudential limits on several indicators (to be used as warning indicators), such as the backing ratio and credit to governments and commercial banks.

46. **The ECCB has the authority to supervise commercial banks within the ECCB area, through its Banking Supervision Direction.** The ECCB supervision is guided by prudential norms that are in close conformity with the Basle Accord. The Banking Act of 1991 gives the ECCB the authority to conduct on-site inspections of commercial banks.⁷ The ECCB provides technical assistance for the supervision of non-bank financial institutions.⁸ St. Kitts and Nevis will likely extend the ECCB's supervisory powers to its offshore banks in the near future.⁹

Commercial banks

47. **Net commercial bank credit to the public sector increased in the 1995–99 period, mainly following instances when hurricanes struck the islands (Table 18).** Net claims on the central government (St. Kitts Government and Nevis Island Administration) rose from

⁶ Those liabilities include several operations that could imply a currency issuance outside the control of the ECCB, namely: (i) the redemption of government securities sold to the commercial banks by the central bank; (ii) the potential reduction of the "Profit Equalization Fund," which has been built with a portion of past profits and could be used in order to maintain a stable distribution of profits to the member countries' governments; and (iii) the potential reduction of a fraction of the "Fiscal Reserve Fund," which has been built with a portion of past profits and could be used—with Monetary Council approval—for lending to member countries affected by natural disasters (another fraction of the Fiscal Reserve Fund is counted within ECCB liabilities and can be used at the discretion of the member countries' governments).

⁷ There are legal constraints on the ECCB's ability to exchange information with other supervisors.

⁸ Credit unions in St. Kitts and Nevis are supervised by the Registrar of Cooperatives.

⁹ Offshore financial sector issues are discussed in the special topics section below.

EC\$78 million as of end-1995 (12½ percent of GDP) to EC\$162 million as of end-1999 (20 percent of GDP). Similarly, net credit to the public enterprises increased sharply over that period—arising mainly from the overdraft to the sugar company—reaching EC\$141 million (17¼ percent of GDP) at end-1999. Meanwhile, the stock of social security deposits held by the commercial banks, particularly the majority state-owned St. Kitts-Nevis-Anguilla National Bank, has grown at an annual average rate of 12¼ percent since 1995 and reached EC\$248 million (30½ percent of GDP) as of end-1999.

48. **Net foreign assets of the commercial banks increased in 1997 and 1998, as a result of higher claims on banks abroad and despite a buildup of non-resident deposits.** Conversely, the combination of reduced assets and increased liabilities with banks abroad led to a sharp reduction in the net foreign assets of the commercial banks during 1999. These capital inflows—together with additional social security deposits—allowed the commercial banks to increase credit to both the central government and the public enterprises, as well as to increase credit to the private sector and holdings of currency, in anticipation of Y2K-related problems in 1999.

49. **Reflecting steady and positive real interest rates, broad money has represented a stable share of GDP, with fast growth during 1999, fostered by a rapid increase in currency in circulation and in demand and savings deposits.** In addition, foreign currency deposits have grown at an annual average rate of about 11¼ percent compared to about 7¾ percent for local currency deposits during 1995–99.

50. **During 1995–99, the expansion of credit to the private sector averaged 8½ percent per year in nominal terms and 5 percent in real terms.** The sectoral composition of credit (Table 19) shows a growing share of credit to the public sector—15 percent of total loans in 1999, against 12 percent in 1995—and to agricultural activities, including the public sugar company, which accounted for 12½ percent of total loans in 1999, compared with 7½ percent four years earlier. Meanwhile, the share of loans granted to the manufacturing, trade, tourism, and construction sectors has declined in recent years, although the tourism sector and related construction and land development activities benefit from sizeable foreign sources of financing.

51. **The regulatory floor on interest rates that applies to passbooks savings accounts has remained unchanged at 4 percent in recent years.** Other interest rates are largely market-driven and have been quite stable, averaging 4¼ percent for deposits and 11¼ percent for lending during 1995–99, with a slight increase in the average deposit rates (Table 20). In 1998 and 1999, there was a small increase in the interest rate applicable to time deposits over six months and in the rate paid on the upper range of savings deposits, while the upper range for both the prime lending rate and the effective interest rate for add-on loans declined.¹⁰

¹⁰ Some commercial banks have abandoned add-on loans (for which finance charges are computed by applying the nominal interest rate to the full amount of the principal) in order to

52. **Locally incorporated commercial banks have maintained strong capital indicators, with an increase in the capital to risk weighted assets ratio to about 31½ percent for the system as of end-1999¹¹ (Table 21).** A sharp increase in the share of unsatisfactory assets over total loans¹²—from about 16½ percent at end-1998 to 32½ percent at end-1999—reflected mainly the growing central government and SSMC overdrafts in the National Bank and the inclusion in unsatisfactory assets in 1999 of the full amount of the SSMC overdraft, after only partial inclusion in previous years.¹³ In addition, the delinquency ratio for the whole banking system has also risen, reflecting the relatively poor performance of the economy in the recent period.

F. External Sector Developments

53. **Overall, capital inflows have been more than sufficient to cover large current account deficits, allowing for a build up in imputed international reserves during 1995–99.** St. Kitts and Nevis has faced consistently high current account deficits since 1995 (at least 20 percent of GDP a year), driven largely by trade imbalances and growing factor income outflows.

Developments in the current account

54. **The large external current account deficit has fluctuated widely since 1995, reflecting various external shocks, such as hurricanes (Table 22).** After widening in 1996, the current account deficit narrowed in 1997, owing to a large improvement in the merchandise trade balance. The current account improved further in 1998, as a result of a particularly strong surge in travel receipts during the first half of the year (prior to Hurricane Georges) and higher transfers associated with hurricane relief. In 1999, the current account deficit widened by about 10 percentage points of GDP, as transfers returned to more normal

focus their activities on remaining balance loans (for which finance charges are computed on the remaining principal balance).

¹¹ There are three locally incorporated or “indigenous” banks: the St Kitts-Nevis-Anguilla National Bank, the Caribbean Banking Corporation (SKN) Ltd, and the Bank of Nevis. There are also three branches of foreign banks: Barclays Bank, Bank of Nova Scotia, and Royal Bank of Canada.

¹² Unsatisfactory assets are defined as loans, overdrafts, and credit facilities to the private and public sector that are past due and that are inactive for 90 days or more. Overdrafts are considered unsatisfactory when there has been no transaction for 3 or more months or when credit is insufficient to cover interest and bank charges over a 3 month period.

¹³ As of June 2000, the overdraft of the central government and SSMC totaled about 32 percent of GDP, of which the SSMC comprised a little more than half. The overdraft with the SSMC has been secured by government-owned sugar land.

levels and as a consequence of a sharp drop off in tourism receipts following heavy damage to infrastructure and the temporary closure of the Four Seasons Resort in Nevis.

55. The trade balance has shown marked ups and downs between 1995 and 1999, as a consequence of external shocks, but declined over this period from 35 percent of GDP in 1995 to 32 percent of GDP in 1999. Except for the surge in 1997, exports of goods (as a share of GDP) were generally flat or declining from 1995 to 1999, in part, reflecting ongoing problems in the sugar industry. Also, available indicators point to a loss of external competitiveness and real exchange rate appreciation since 1995, which may help account for slow growth in exports.¹⁴ The overall composition of exports remained fairly stable during 1995 and 1999, comprising mainly agricultural products (sugar) and manufactured goods (Table 23) and the main destinations included the United States, the United Kingdom, and other Caribbean countries.

56. Offsetting these developments, imports declined by about 6½ percentage points of GDP in 1997, and since that time, have remained fairly stable as a share of GDP, even in 1999—a year in which it would have been normal to expect a surge in imports following a major hurricane in 1998. The composition of imports has remained stable since 1995, as more than half of all imports were for consumption (Table 24). The main suppliers of imported goods included the United States and other Caribbean countries.

57. The services account was roughly stable as a share of GDP during 1995 and 1999, except for 1998. Tourist receipts either kept pace with, or declined slightly as a percent of GDP, so exports of goods and services have not shown much growth during 1995 and 1999. Net factor income outflows have shown a clear increasing trend between 1995 and 1999, as the use of foreign labor—especially in the agricultural sector—has increased. In addition, these outflows rose as a result of an increase in profits repatriated by commercial banks and higher interest payments by foreign-owned hotels. Net current transfers have been heavily influenced by external shocks, especially hurricanes.

Capital and financial account

58. Net capital inflows (including errors and omissions) have been more than adequate to cover current account deficits during 1995 and 1999, allowing for a build up in imputed international reserves. Capital inflows, especially direct investment flows, fluctuated quite a lot between 1995 and 1999, with surges in years following hurricanes—such as 1999—reflecting reconstruction activities. Official transfers (grants) dwindled in the 1990s, reflecting tighter budgets in donor countries, especially the European Union. One important feature of the balance of payments is the relatively large value of errors and omissions from 1995 to 1998, averaging about 4½ percent of GDP a year over this period. During this period, these flows have been positive, indicating unrecorded inflows. In 1999, preliminary data suggest a large negative errors and omissions. As a result of strong capital inflows, the

¹⁴ See Box 1 of the staff report for details.

stock of imputed international reserves grew to EC\$141.3 million in 1999, equivalent to about 23 percent of broad money and 133 percent of base money.

G. External Trade Policies

59. **St. Kitts and Nevis maintains a moderately open trade regime, however, there are nontariff barriers in place against a number of goods. In 1995, St. Kitts and Nevis reduced the maximum common external tariff (CET) rate to 30 percent, but since that time, the government has not implemented any further reductions because of concerns over the loss of revenue. As part of the agreement reached within CARICOM, countries consented to reduce their maximum CET to 20 percent by end 1998. Some countries—including St. Kitts and Nevis—received an extension of this deadline, but it has passed without further reductions. Available information suggests that the average tariff rate on imports is about 12½ percent, which is roughly similar to both other Organization for Eastern Caribbean States (OECS) countries and to other countries in the region. St. Kitts and Nevis also maintains a number of quantitative restrictions on imports of beer, beverages, pasta, and furniture.**

H. External Debt

60. **Between 1995 and 1999, the stock of total external public debt (central government and the public enterprises) almost doubled, reaching EC\$378.6 million by end-1999, or the equivalent of about 46½ percent of GDP (Table 25), reflecting the large deficits of the public sector. The central government accounted for about two-thirds of the total, while the nonfinancial public enterprises accounted for one-fifth (Air and Seaport Authority and the Urban Development Corporation), and the financial public sector for the remainder (Development Bank). The largest share of the total external debt was owed to the Caribbean Development Bank. All the public external debt outstanding at end-1999 was long term. There is no accurate measure of external private debt.**

61. **Public external debt service increased to 5½ percent of GDP and 11¼ percent of exports of goods and services at end-1999 from about 3 percent of GDP and 5½ percent of exports of goods and services at end-1995. Effective interest rates on foreign borrowing have edged upward in the last few years, mainly reflecting the loss of concessional borrowing status.**

II. SPECIAL TOPICS

A. Prospects for the Tourism Industry¹⁵

62. **This section summarizes the prospects for development of the tourism industry in St. Kitts and Nevis over the medium term. The development of the industry will have key**

¹⁵ Prepared by Patrick Njoroge.

consequences in view of the sector's importance in terms of foreign exchange earnings, contribution to GDP, and the potential for both employment creation and linkages with other sectors.

63. **St. Kitts and Nevis is a relatively small destination in the Caribbean, accounting for less than 1 percent of all stay-over arrivals in the region in 1999.¹⁶ In 1993, the government developed a "master plan" for the tourism sector, with the assistance of the Organization of American States (OAS).¹⁷ Subsequently, the government requested external assistance to formulate a national tourism development policy that would guide the government and the private sector alike.¹⁸**

64. **The broad goal of the government's strategy is the achievement of sustained growth in stay-over visitors to obtain optimal long-term benefits to the population, without adversely affecting the country's cultural heritage or natural resources.¹⁹ The government sees its role as the provider of an appropriate legislative, fiscal, and planning environment that would be conducive to the development of competitive tourism products by the private sector. The government recently established the Central Tourism Authority, which will assume responsibility for implementing the government's tourism strategy.**

65. **For the government's strategy to succeed, large private sector investment is needed. To attract this investment, the government provides a package of investment incentives similar to that offered by other countries in the region.²⁰ The package applies to both local and foreign investors for establishments of at least ten rooms, and offers a tax holiday on profits for a maximum of 15 years, with exemptions from import duties on construction material and equipment. Additional benefits such as exemptions from import duties on operating supplies can be negotiated for investments that are deemed to make a significant impact on the government's objectives, e.g., the large establishments. The government intends to reduce the threshold for these incentives in an effort to promote local investment in guest houses.**

¹⁶ Caribbean Tourism Organization, *Quarterly Review of Market and Caribbean Tourism Trends*, volume 3, no. 3, October–December 1999, page 1.

¹⁷ Organization of American States, "*St. Kitts and Nevis: Tourism Master Plan*," 1993.

¹⁸ Tourism Planning and Research Associates "*St. Kitts and Nevis: Tourism Development Policy and Marketing Plan*," February 1996. The study was financed by the European Union and the report was prepared within the framework of the Caribbean Tourism Development Programme (CTDP), which is administered by the Caribbean Tourism Board.

¹⁹ *Ibid.* pp. II-2.

²⁰ Contained in the Hotel Aids Ordinance of 1956, and with subsequent amendments.

66. **There are a number of factors that constrain a more rapid development of the tourism sector in St. Kitts and Nevis.** These include poor access from the major markets; limited range and volume of available accommodations; and a limited range of tourism attractions and services. Each of these are discussed below.

Accommodation capacity

67. **An essential prerequisite for the development of the industry is a significant increase in the accommodation capacity of the islands.** At end-1999, there were 1,508 rooms in hotels and guest houses in St. Kitts and Nevis. As a result of a number of new projects, the stock of hotel rooms is expected to increase by 500 rooms by end-2000 and by 1,500 rooms by end-2001, representing a more than doubling of the stock in the two years to 2,600 by end-2001 (Box 1). Additional increases are expected over the medium-term as other projects are completed.

68. **The government and other agencies recognize the limits imposed on the overall size of the sector by the economy's resource capacity²¹ and broader environmental concerns.** However, the OAS study identified ample physical and resource capacity especially in St. Kitts, and the expected increases in hotel rooms are within these limits. Over the long-run, the government's goal is to reach a total of four to five thousand hotel rooms at the middle-to high-end of the market. The government has assigned a high priority to environmental issues, requiring an environmental assessment of major projects and encouraging the implementation of environment-friendly practices.

²¹ In the trade, this is known as the "carrying capacity" of a location, and corresponds to the number of visitors that can be accommodated at a high level of satisfaction and with a low impact on resources. This incorporates the objectives of the protection of national assets and cultural integrity, the assurance of the long-term sustainability of the sector, the maintenance of the product image, and the maintenance of good host/tourist relations.

BOX 1. NEW HOTEL PROJECTS AND SPECIAL INTEREST TOURISM

New Hotel Projects

The following projects are in the pipeline:

1. Rex St. Kitts, Frigate Bay, St. Kitts. Renovation of 71 older rooms and 29 new rooms is on-going, for a total of 100 rooms. The work started in May 2000 and should end by November 2000.
2. Golf View Resort, Frigate Bay, St. Kitts. Construction of 204 rooms started in 1998, and a phased opening will start soon.
3. Paradise Beach resort, Frigate Bay, St. Kitts. Construction of 480 rooms began in March 1999 and should end in 2001. It will open in phases beginning in 2000.
4. Royal St. Kitts Beach Resort & Casino, Frigate Bay, St. Kitts. Construction of 900 rooms began in March 1999, and it is expected to open in December 2000.
5. Super Clubs Grand Lido, Frigate Bay, St. Kitts. A total of 230 rooms is planned, with construction expected to start in November 2000 and to be completed by November 2002.
6. Fort Thomas Hotel, Basseterre, St. Kitts. Renovations were recently completed to 64 rooms and further expansion to 150-200 rooms is planned; though the timing is uncertain.
7. Hyatt Regency Resort, Friars Bay, St. Kitts. A total of 250 rooms is planned but the timing of the project has not yet been determined.
8. Westin Hotel, S.E. peninsula, St. Kitts. A total of 300 rooms is planned but the timing of the project has not yet been determined.
9. A 250-room hotel at Pinney's beach, Nevis. This project is under discussion. Estimated cost is US\$250 million.
10. Paradise hotel, Nevis. The estimated cost is US\$20 million. The start date of the project has not yet been determined.

Special Interest Tourism

The Tourism Development Policy and Marketing Plan of February 1996¹ identified areas with a strong potential for developing "niche market" tourism, which would expand the tourism product. The development of these products may include the improvement or establishment of some facilities and enhanced publicity. These are in the following areas:

1. **History.** The islands have several important historical sites that could appeal to visitors (e.g., Brimstone Hill fortress, Nelson's museum, St. John's church, and Historical Charlestown).
2. **Culture.** The government intends to encourage activities associated with carnival, music, the town of Basseterre, and the Inns of Nevis.
3. **Eco-tourism:** The islands have a strong potential for rain forest hikes, nature trails, mountain biking, tropical ecology.
4. **Romantic packages:** These include weddings, honeymoons, anniversaries.
5. **Plantation houses and inns:** Plantation houses offer a different type of accommodation than beach-type resorts.
6. **Sports:** The government intends to promote sports activities, such as golf and tennis, with the possibility of using sports facilities as a venue for international tournaments.
7. **Scuba diving:** The islands' strong potential for diving could be promoted, especially for divers in the mid-level of experience and ability.

1/ Tourism Planning and Research Associates, "St. Kitts and Nevis: Tourism Development Policy and Marketing Plan," February 1996.

Additional capacity constraints

69. **The development of the tourism industry would be boosted by the establishment of direct scheduled flights from outside the Caribbean region, especially the United States.** To date, the industry has had to rely on the existing network of connections from regional airports to reach the United States, Canada, the United Kingdom, and the rest of Europe; and on charter flights from Canada and the United Kingdom. Since a large share of stay-over visitors to St. Kitts originates in the United States (41 percent in 1999), the establishment of direct scheduled flights remains a priority. Current indications are that such flights (e.g., from Miami) would be economically feasible once a threshold level of 2,000 hotel rooms has been reached.

70. **The government has undertaken a number of public investment projects in recent years that have improved infrastructure and supported the development of the tourism industry.** Infrastructure development has been a central goal for the government, though some of these investments have also been necessitated by the hurricane destruction since 1995. In particular, the airport facilities in St. Kitts were recently upgraded and capacity increased to accommodate a maximum of 400 travelers per hour. In Nevis, the airport runway has been lengthened and the aprons improved. Projects to improve the major roads on the islands have been completed or are ongoing and investments have been made to ensure an ample supply of water and electricity.

71. **In addition to hurricane rehabilitation work, there remain a few infrastructure projects that the government intends to complete in the near future.** These include the restoration of the cruiseship pier at Basseterre, the construction of a new airport terminal in Nevis and the installation of a permanent control tower in St. Kitts, upgrading of hospitals on both islands, and the construction of some sports facilities.

72. **One factor which may hamper the future development of the tourism sector is the lack of workers with the necessary skills, especially at the supervisory and managerial levels.** To address this, the government is building a hospitality center at Clarence Fitzroy Bryant College and is assisting the Hotel and Tourism Association (HTA) to establish a modern training institute of its own that is expected to open by end-2001.

Developing the tourism product

73. **One element of St. Kitts and Nevis' tourism strategy is diversifying the tourism product from simply resorts to other types of attractions.** Diversification of the tourism product could increase the base of potential visitors, enhance the competitiveness of the industry (compared to other destinations in the region), increase occupancy rates during the summer months, and increase the potential linkages of the industry with the rest of the economy. Areas for diversification include: historical tourism, cultural tourism, eco-tourism, romantic packages, plantation houses and inns, and sports (see Box 1). To this end, the government intends to restore and upgrade the historical sites, either on its own or with the collaboration of other agencies and the private sector.

74. **The Whitegate project is an example of a project that could enhance the tourism product offered by St. Kitts.** This project would use some 5,000 acres of government-owned land and would be based on the overall theme of a modern West Indian Tourist town in the Dieppe Bay area. It would be set in the heritage of an existing sugar plantation and be located between a mountain-side and the bay, and would offer a wide range of individual projects for private investors. The individual projects would include construction of business facilities, residential homes, and a major hotel retreat, and the restoration of the old sugar plantation buildings and railway. A marketing strategy for the project was adopted in 1999 and investor response has been favorable.

B. Developments in the Sugar Industry²²

75. **In the decade of the 1990s, the sugar industry in St. Kitts and Nevis declined in importance, as a result of a drop in productivity and adverse external developments.** Consequently, the SSMC—the sole producer and exporter of sugar—continues to make heavy losses, amounting to about 3¼ percent of GDP (EC\$30 million) in 1999. In light of the bleak financial prospects for the industry, the government has recently launched a national consultation to seek input from the public on how best to address the problems of the industry, using as a backdrop the World Bank-funded study that examined the costs and benefits of alternative options. This section summarizes the options that are presented in that report: two main options and two intermediate alternatives.

Option 1: Maintaining the industry

76. **Under this option, the sugar industry is maintained and sugar production from existing lands is maximized.** The industry would operate at maximum efficiency without any major rehabilitation and modernization, and would achieve a production target of 29,000 tons per year. However, some investment would be needed to relieve capacity constraints, at a cost of about EC\$3 million over ten years. The study assumed that world prices would remain at about their 1997 level and that prices in the European community market would decline each year by a modest 1½ percent.²³ The study finds that starting from the baseline level of losses of EC\$17 million in 1997, the SSMC's losses would climb steadily over a 10-year period to EC\$50 million, yielding a cumulative loss of over EC\$300 million during that period. The costs of production would also rise continually. Under this option, the SSMC would run heavy losses and need subsidies of about EC\$50 million per year into the medium-term to stay afloat.

²² Prepared by Patrick Njoroge.

²³ WEO data show that sugar prices in the European Community have fallen by about 8 percent from 1997 to March 2000, while the world price has fallen by 55 percent over the same period.

Option 2: Closure of the industry

77. **Under this option, production of sugarcane would cease and the sugar factory closed, and the land would be diverted to non-sugar agriculture.** The study examines the suitability of these lands for alternative agricultural practices, and considers the sociological and environmental impact of terminating sugar production.

78. If sugar production ceased, an important issue that would need to be addressed is the potential impact on workers currently employed in the industry; a large proportion of the families of these workers would slip below the poverty line if alternative employment and income sources were not available. These workers tend to be older and have relatively fewer alternative sources of income. Alternative job prospects for these workers are limited.

79. Under this option, some of the land that was previously used to produce sugar would be distributed to current workers in the sugar industry, who would then organize into cooperatives, in order to reap the benefits from large-scale production. Agriculture extension services would assist these farmers in identifying the crops, infrastructure, and credit needed to make non-sugar agriculture viable, as well as offer training programs. The study considers the transition taking place over a five-year period, from the initial reorganization to the establishment of a fully sustainable non-sugar agriculture sector. The total cost of this option is estimated at EC\$84 million, consisting of severance payments (a minimum of EC\$22.2 million); employment guarantee scheme (EC\$32.2 million); infrastructure (EC\$20.8 million); environmental protection (EC\$1.2 million); and agricultural extension services and other costs (EC\$7.7 million).

80. The study also estimates that closing the sugar industry would worsen the external current account mainly through the reduction in sugar exports,²⁴ but development of non-sugar agriculture would offset about three-fifths of this loss.

Intermediate options

81. **The report presents two intermediate options that allow for the continuation of sugar production, but at reduced levels.** In the first of these intermediate options, production would be reduced to 22,000 tons (about the level of the export quota) and about 2,200 acres of land would be released by the SSMC for non-sugar agriculture activities. While this intermediate option improves the financial position of the SSMC, it would not lead to the elimination of all losses. The study shows that under this option, losses would rise gradually to EC\$40 million at the end of a ten-year period. This compares to estimated losses of EC\$50 million under the option of maximizing production.

²⁴ In 1999, sugar exports amounted to EC\$16.5 million.

82. The second intermediate option proposes major capital investments, releases some of the lands currently used to produce sugar for alternative uses, and advocates that the by-products of sugar production be packaged and sold. This option also entails a complete conversion of the rail system of transportation to road, the introduction of mechanical cane harvesters, and the development of non-sugar agriculture on 1,700 acres of land. The report identifies the main cost constraints to be the high costs of the rail system and labor due to manual harvesting. While this intermediate option reduces the overall losses of the industry, they are not eliminated completely. The study shows that losses under this option would rise gradually to EC\$28 million at the end of a 10-year period.

C. Risks to the Fiscal Position²⁵

83. The fiscal position of St. Kitts and Nevis has weakened in recent years as a result of external shocks (hurricanes and oil price increases) and rapid increases in spending, particularly related to goods and services and the wage bill. In July 2000, the government adopted measures designed to arrest the size of the deficit, but the fiscal position remains fragile. Box 2 lays out some of the possible risks to the budget in the near and medium term and underscores the need to slow the rapid build up in debt that has occurred in the last few years. Creation of a contingency fund would assist in dealing with these risks.

D. Offshore Financial Services²⁶

84. The offshore financial services sector in St. Kitts and Nevis has grown rapidly in recent years. This rapid growth has been a major factor behind the diversification of the economic base into services and service-related activities. Recently, the future of the industry has been clouded by criticism from G-7 countries and the OECD.

85. From a legal and regulatory standpoint, the islands of St. Kitts and the Nevis comprise two separate jurisdictions governing offshore activities. The former has legislation that regulates financial service activities with both residents and non-residents, while the latter has enacted local legislation specifically targeted to encourage the development of the offshore sector (see Box 3).

86. **Registered financial institutions in Nevis include one offshore bank, about 17,500 international business companies, 3,000 exempt trusts, and 3,000 limited liabilities companies.** Registration and annual filing fees paid by these entities amounted to about EC\$6.3 million in 1999, equivalent to nearly 10½ percent of Nevis' revenues. There are more than 50 providers of offshore financial services, with over 30 offices on the island.

²⁵ Prepared by Stephen Tokarick.

²⁶ Prepared by Simon Cueva.

BOX 2. ST. KITTS AND NEVIS: RISKS TO THE FISCAL POSITION

1. Potential Fiscal Costs From Dealing with the Problems of the Sugar Industry

As noted, the financial problems of the sugar industry have been growing in recent years, and the SSMC has experienced large deficits. A number of options are currently being discussed to address this situation, as part of a national consultation. If the government and the public decide to continue the operations of the SSMC with some form of financial assistance from the government, then such a situation could put serious strain on the budget, given the current levels of the budget deficit. If it is decided that sugar production will cease in St. Kitts, it is unlikely that all workers currently employed in the sector will find employment elsewhere. In this situation, government will come under pressure to provide a social safety net for this group. Whatever strategy is finally adopted for dealing with the industry's problems, the government will likely be asked to provide some form of financial assistance.

2. Smaller Surpluses of the Social Security Scheme

In the next ten to fifteen years, the finances of the Social Security Scheme are likely to come under pressure as a result of the aging of the population. Decisions will need to be made on how to deal with this situation—through some combination of benefit cuts and increases in contributions. Currently, the surpluses of the Social Security Scheme are about 5 percent of GDP, and most of this amount is deposited with the National Bank. Indirectly, these surpluses are being channeled to the central government and the SSMC to finance their deficits. If the surpluses of the Social Security Scheme were to shrink, then the government may find it more difficult to finance its deficits. The key issue is how the government will respond to this situation: adopt measures to contain the deficit or seek alternative—and more expensive—sources of financing.

3. Exogenous shocks

As history has shown, St. Kitts and Nevis is highly vulnerable to external shocks.

Hurricanes

The most recent episodes include hurricanes in 1998–99 that destroyed infrastructure and required expenditure for reconstruction. It is therefore essential that the government work toward creating a fiscal contingency fund that could be used to rebuild infrastructure and provide basic public services in the event of future hurricane damage. Other exogenous shocks include:

Increases in oil prices

Additional risks to the economic outlook include further increases in the price of imported oil. In the first half of 2000, world oil prices increased significantly, which had the effect of widening the current account deficit, as well as reducing government revenue from the gasoline levy. Taxes under the levy are collected on the difference between the domestic price of gasoline (which is controlled) and the c.i.f. price of imported gasoline (plus import duties, consumption taxes, and applicable dealer margins). Thus, when the imported price rises, for a given domestic price, revenue falls. In the first half of 2000, the sharp rise in oil import prices meant that the government owed retailers a rebate for each gallon of gasoline they sold. To address this situation, government raised the domestic price of gasoline by EC\$0.90 a gallon, but additional rises in the price of imported oil would again diminish the gasoline tax.

Slowdown in growth in the United States

Economic growth in the United States has been unexpectedly strong in recent years, and it is unclear when the economy will begin to slow. Most forecasters believe that the U.S. economy will begin to slow at some point, as the economy begins to reach capacity constraints and productivity growth reverts to a more normal pace. If the U.S. economy were to slow, it would affect St. Kitts and Nevis through reduced demand for its exports—manufactured goods and tourism. This in turn would have adverse consequences for the fiscal position, through lower tax revenue.

**BOX 3. ST. KITTS AND NEVIS: LEGAL AND REGULATORY FRAMEWORK
FOR OFFSHORE FINANCIAL SERVICES**

Several laws governing financial services came into effect in 1996 and 1997 in both St. Kitts and Nevis, namely the Companies Act, the Limited Partnerships Act, and the Trusts Act. These pieces of legislation, which are close to those used in the Channel Islands and Guernsey, regulate financial service activities with both residents and non-residents, and provide a high degree of confidentiality, asset protection, and tax exemption for offshore entities. Except when lawfully required by the courts or by another law of the Federation, the disclosure of information related to any offshore entity is prohibited. Companies, limited partnerships, and trusts are exempt from all taxes, and pay registration and annual filing fees, as long as they conduct their business exclusively with non-residents.

The Proceeds of Crime Act (1993) is applicable in both St. Kitts and Nevis. Money laundering is criminalized only to the extent that it involves the proceeds from narcotics trafficking, but not other crimes. Money laundering related to drug activity is punishable only by the imposition of fines.

The Nevis Island Administration has issued several Ordinances which govern offshore business in its jurisdiction:

- The Nevis Business Corporation Ordinance (1984) is modeled after the state of Delaware's corporate statutes and permits express registration of a company, with no annual filing requirements nor any taxation of offshore companies. This law facilitates the easy transfer of a domicile of a company to and from Nevis, particularly in emergency situations such as strife, war, or civil unrest;
- The Nevis International Exempt Trust Ordinance (1994) allows for the creation of an international trust with only one trustee, and the creator (settlor) or trustee may also be named as a beneficiary of the trust. Asset protection provisions include the need for any creditor to provide a security deposit before bringing any action against any trust property. At least one of the trustees must be an offshore company incorporated or a trust company doing business in Nevis, the settlor and beneficiaries must be non-residents, and the trust property must not include any land in St. Kitts and Nevis. International trusts are exempt from any taxes or duties, except registration fees;
- The Nevis Limited Liability Company Ordinance (1995) exempts the members of a company—except those who explicitly assume the liabilities of the company—from personal liability and provides strong asset protection provisions;
- The Nevis Offshore Banking Ordinance (1996) provides tax incentives for offshore banking carried on within Nevis. No license can be issued to an individual, and licenses are only granted to eligible companies of local banks or qualified foreign banks. No information is required with respect to the business affairs of non-resident customers.

Since 1998, the Financial Services Department within the Ministry of Finance in Nevis has had responsibility for supervision over all the offshore financial entities, predominantly trusts and corporations.²⁷

87. The development of the offshore business sector has been less rapid in St. Kitts, where there is no specific legislation regulating these activities. The entities registered on the island include one trust company, which conducts business with non-residents and—after a general re-registration imposed on the different institutions in 1997—about 1,000 companies, of which roughly 700 operate with residents and 300 with non-residents.²⁸ The fiscal revenues generated in the form of fees from the sector are still very small. Under the Financial Services Order of 1997, the Financial Services Department of the Ministry of Finance of St. Kitts and Nevis assumed responsibility for supervision of the offshore banks and financial entities, including companies, limited partnerships, and trusts.²⁹

88. Although St. Kitts and Nevis has tightened standards in the offshore area in recent years, the country—together with other jurisdictions in the Caribbean region—has recently come under pressure to modify some of its offshore financial services practices (see Box 4). The country was included on three “blacklists” released in May–June 2000 by the OECD, on harmful tax competition, the Financial Stability Forum, on regulation and supervision standards, and by the Financial Action Task Force, on money laundering issues.

89. In order to address these concerns and to continue improving the country’s regulatory standards, St. Kitts and Nevis is committed to strengthening its regulatory framework to bring it in line with international standards, including issues related to money laundering and other criminal activities (see Box 4). As part of an initiative of the Organization of Eastern Caribbean States (OECS), both St. Kitts and Nevis have agreed to extend supervisory authority over offshore banks to the Eastern Caribbean Central Bank (ECCB). The islands have established a joint task force to ensure coordination between their jurisdictions on issues related to the offshore sector.

²⁷ There is currently only one offshore bank, a subsidiary of the Bank of Nevis, which is itself—but not the offshore subsidiary—under the supervision of the Eastern Caribbean ECCB.

²⁸ Currently, there is one authorized trust company but no authorized offshore bank, investment, insurance or assurance business in St. Kitts.

²⁹ According to the Banking Act and the Eastern Caribbean Central Bank Agreement Act of 1983, the ECCB has supervisory authority over on-shore commercial banks in the entire ECCB area.

BOX 4. ST. KITTS AND NEVIS AND THE INTERNATIONAL INITIATIVES ON OFFSHORE FINANCIAL SERVICES

Several recent initiatives on topics related to offshore financial activities are summarized below. St. Kitts and Nevis has been included, along with a number of other Caribbean nations, on several lists related to these initiatives.

- In May 2000, the G-7 Financial Stability Forum (FSF) released a report addressing problems it perceives with respect to offshore financial centers as a result of weaknesses in financial supervision, cross-border cooperation, and transparency that allow financial market participants to engage in regulatory arbitrage of several forms. Within the FSF classification, St. Kitts and Nevis was included in the group having the lowest quality of legal infrastructure and supervisory practices, level of resources devoted to supervision and cooperation relative to the size of offshore activity, and level of cooperation with foreign supervisors.
- In June 2000, the Organization for Economic Cooperation and Development (OECD) released its *Report on Progress in Identifying and Eliminating Harmful Tax Practices*, including a list of jurisdictions considered as tax havens. According to a previously issued *Report on Harmful Tax Competition*, the main tax features that characterize tax havens are the presence of minimal effective tax rates, the lack of effective exchange of information, the lack of transparency, and the absence of a requirement of substantial activities by offshore businesses in a jurisdiction.
- Also in June 2000, the G-7 Financial Action Task Force on Money Laundering (FATF) released a report listing a number of jurisdictions as "non-cooperative" in applying an effective anti-money laundering legal framework. Regarding St. Kitts and Nevis, the report notes the absence of any requirement to report suspicious transactions for financial institutions and the criminalization of money laundering only as it relates to narcotics trafficking. The report considered as inadequate Nevis' standards with respect to financial regulations—including regulation and supervision, rules for the licensing and creation of financial institutions, customer identification requirements, excessive secrecy provisions and suspicious transactions reporting system; identification of beneficial owners of business and legal entities; cooperation by administrative and judicial authorities with international supervisors; lack of financial, technical, and human resources for preventing and detecting money-laundering activities; and the absence of a financial intelligence unit.
- As a follow-up to the FATF list, the United States and Canada issued several advisories in July 2000 against some Caribbean jurisdictions with respect to anti-money laundering laws. St. Kitts and Nevis' legal, supervisory, and regulatory regime was felt to be deficient in the limited scope of money laundering legislation, the lack of customer identification and regulations on reporting of suspicious transactions, the limited scope that bank secrecy laws impose for international cooperation, the ability of individuals with criminal records to hold management positions in offshore banks registered in Nevis, and the lack of effective supervision of offshore companies registered in Nevis.

St. Kitts and Nevis is participating in a coordinated regional response to address these issues, under the aegis of CARICOM, and both St. Kitts and Nevis are prepared to entrust the ECCB with the supervision of offshore banks. A joint Financial Services Task Force has been setup to ensure the full cooperation and coordination between the two jurisdictions and to review the financial services sector, look at present legislation and make recommendations for strengthening the supervisory and regulatory framework in each jurisdiction. In addition, St. Kitts recently appointed a legal adviser to assist the Ministry of Finance in implementing changes to the legal, regulatory, and institutional framework. Current workplans include:

- Establishing a Financial Intelligence Unit, by end August 2000.
- Widening the scope of anti-money laundering laws by end September 2000.
- Reviewing the existing legislation in order to deal with issues such as customer and beneficial ownership identification and the strengthening of supervision of all financial entities, by end November 2000.
- Implementing a system for reporting suspicious transactions, by end 2000.

Table 1. St. Kitts and Nevis: GDP by Sector at Constant Prices

	1995	1996	1997	1998	Prel. 1999
(In millions of Eastern Caribbean dollars, 1990 prices)					
GDP at market prices	518.1	552.0	589.4	596.1	613.1
Indirect taxes	81.4	89.6	93.1	94.7	97.7
GDP at factor costs	436.6	462.4	496.3	501.4	515.4
Primary sector	27.4	30.0	35.9	32.1	29.3
Agriculture	25.6	28.1	34.0	30.0	27.0
Sugarcane	10.0	11.2	16.9	13.3	10.9
Other crops	4.8	5.6	5.8	4.5	4.9
Livestock	2.6	3.0	2.8	3.2	2.8
Forestry	0.4	0.4	0.4	0.4	0.4
Fishing	7.9	7.9	8.1	8.6	8.1
Mining and quarrying	1.8	1.9	1.9	2.1	2.3
Secondary sector	108.5	114.0	123.6	127.7	137.0
Manufacturing	49.0	51.5	57.3	56.8	61.3
Sugar	7.6	7.7	11.7	9.3	6.7
Other	41.4	43.9	45.6	47.5	54.6
Construction	59.5	62.5	66.2	70.9	75.7
Services	300.8	318.4	336.8	341.6	349.0
Wholesale and retail trade	64.6	68.4	72.3	75.3	78.6
Hotels and restaurants	30.2	33.0	34.7	35.5	31.0
Transport	35.8	36.6	39.0	38.8	41.2
Road transport	18.5	18.7	19.2	18.3	19.2
Sea transport	11.8	12.1	13.7	14.6	16.0
Air transport	5.5	5.9	6.1	6.0	5.9
Communications	41.1	45.8	48.4	48.8	50.9
Electricity and water	7.4	7.7	8.7	9.3	9.6
Banking and insurance	49.7	54.3	61.2	61.2	64.3
Real estate and housing	14.2	14.7	15.1	12.8	13.9
Government services	70.8	73.7	76.0	79.6	80.5
Other services	19.8	20.5	21.2	20.5	21.4
Less: imputed service charge	-32.9	-36.2	-39.7	-40.2	-42.3
(Percentage change)					
GDP at factor costs	3.5	5.9	7.3	1.0	2.8
Primary sector	-4.5	9.7	19.6	-10.5	-8.7
Agriculture	-5.5	10.0	20.7	-11.7	-9.9
Sugarcane	-0.1	13.0	49.8	-21.3	-18.0
Other crops	-10.3	17.7	2.8	-21.6	7.7
Livestock	-33.6	16.5	-6.7	13.2	-13.2
Forestry	5.6	5.3	6.3	4.9	2.3
Fishing	4.7	-0.4	3.1	6.0	-5.9
Mining and quarrying	14.3	5.4	3.1	9.3	8.1

Table 1. St. Kitts and Nevis: GDP by Sector at Constant Prices

	1995	1996	1997	1998	Prel. 1999
	(Percentage change)				
Secondary sector	9.3	5.1	8.4	3.3	7.3
Manufacturing	5.3	5.3	11.2	-0.9	8.0
Sugar	-0.1	1.4	52.5	-20.5	-27.8
Other	6.4	6.0	4.0	4.1	15.0
Construction	12.9	5.0	6.0	7.0	6.8
Services	2.2	5.8	5.8	1.4	2.2
Wholesale and retail trade	7.2	5.8	5.6	4.2	4.5
Hotels and restaurants	-21.9	9.2	5.2	2.2	-12.6
Transport	7.0	2.1	6.7	-0.5	6.0
Road transport	2.0	0.9	3.0	-4.8	5.0
Sea transport	10.5	2.2	13.4	6.4	10.1
Air transport	18.5	6.2	4.4	-2.1	-0.8
Communications	9.7	11.5	5.6	0.9	4.4
Electricity and water	11.1	3.6	13.3	6.3	3.6
Banking and insurance	12.9	9.2	12.8	-0.1	5.1
Real estate and housing	2.5	3.0	3.0	-15.0	8.0
Government services	0.9	4.2	3.1	4.7	1.1
Other services	5.8	3.0	3.5	-3.0	4.0
Less: imputed service charge	12.8	10.2	9.6	1.3	5.2

Sources: Ministry of Finance; and Fund staff estimates.

Table 2. St. Kitts and Nevis: GDP by Expenditure at Current Prices

	1995	1996	1997	1998	Prel. 1999
(In millions of Eastern Caribbean dollars)					
Domestic expenditure	768.5	855.6	873.6	900.7	986.8
Consumption	480.1	551.5	546.9	567.7	683.4
Central government	124.6	156.3	169.5	183.1	206.7
Other	355.5	395.2	377.4	384.6	476.7
Gross capital formation	288.4	304.1	326.7	333.0	303.4
Central government	40.6	32.6	38.2	53.2	36.5
Other	247.8	271.5	288.5	279.8	266.9
Net exports	-145.8	-192.1	-131.3	-125.5	-175.0
Exports of goods and nonfactor services	318.7	329.4	394.6	416.7	392.0
Imports of goods and nonfactor services	-464.5	-521.5	-525.9	-542.2	-567.0
GDP at market prices	622.7	663.5	742.3	775.2	811.8
Net factor payments	-29.6	-56.4	-67.7	-84.0	-84.0
Net transfers	53.9	46.5	42.9	82.2	47.7
GNP at market prices	647.0	653.6	717.5	773.4	775.5
Gross national savings	167.0	102.1	170.6	205.7	92.1
Central government	22.7	2.5	8.4	1.6	-11.7
Other	144.3	99.6	162.2	204.1	103.8
Savings-investment gap (CA)	-121.5	-202.0	-156.1	-127.3	-211.3
(In percent of GDP)					
Domestic expenditure	123.4	129.0	117.7	116.2	121.6
Consumption	77.1	83.1	73.7	73.2	84.2
Central government	20.0	23.6	22.8	23.6	25.5
Other	57.1	59.6	50.8	49.6	58.7
Gross capital formation	46.3	45.8	44.0	43.0	37.4
Central government	6.5	4.9	5.1	6.9	4.5
Other	39.8	40.9	38.9	36.1	32.9
Net exports	-23.4	-29.0	-17.7	-16.2	-21.6
Exports of goods and nonfactor services	51.2	49.6	53.2	53.8	48.3
Imports of goods and nonfactor services	-74.6	-78.6	-70.8	-69.9	-69.8
Gross national savings	26.8	15.4	23.0	26.5	11.3
Central government	3.6	0.4	1.1	0.2	-1.4
Other	23.2	15.0	21.9	26.3	12.8
Savings-investment gap (CA)	-19.5	-30.4	-21.0	-16.4	-26.0

Sources: Ministry of Finance; and Fund staff estimates.

Table 3. St. Kitts and Nevis: GDP By Sectors at Current Prices

	1995	1996	1997	1998	Prel. 1999
(In millions of Eastern Caribbean dollars)					
GDP at market prices	622.7	663.5	742.3	775.2	811.8
Indirect taxes	97.9	107.7	117.2	123.2	129.3
GDP at factor cost	524.8	555.8	625.1	652.0	682.5
Primary sector	29.8	30.7	36.6	29.3	27.3
Agriculture	28.0	28.8	34.6	27.2	24.9
Sugarcane	11.7	10.8	16.3	9.4	7.7
Other crops	5.1	6.2	6.5	5.1	5.5
Livestock	2.7	3.3	3.0	3.4	3.0
Forestry	0.4	0.4	0.4	0.4	0.5
Fishing	8.2	8.1	8.4	8.9	8.3
Mining and quarrying	1.8	1.9	2.0	2.2	2.3
Secondary sector	120.4	124.4	134.8	144.2	159.9
Manufacturing	56.5	57.3	65.0	64.3	70.5
Sugar	9.0	6.9	12.5	8.0	5.8
Other	47.5	50.4	52.5	56.3	64.7
Construction	63.9	67.0	69.8	79.9	89.4
Services	374.6	400.8	453.6	478.6	495.3
Wholesale and retail trade	73.8	79.7	91.6	99.3	107.2
Hotels and restaurants	47.2	51.5	59.3	60.6	55.6
Transport	41.0	43.4	46.9	47.2	51.2
Road transport	21.1	21.7	23.1	22.0	23.5
Sea transport	14.8	15.1	16.9	18.4	21.0
Air transport	5.2	6.6	6.9	6.8	6.7
Communications	41.3	46.3	48.7	49.3	45.2
Electricity and water	10.4	10.7	12.2	12.8	12.9
Banking and insurance	63.6	67.9	82.7	89.1	93.6
Real estate and housing	16.6	17.5	19.6	17.3	19.2
Government services	98.3	102.5	110.9	122.0	129.5
Other services	22.3	24.1	27.2	27.4	29.5
Less: imputed service charge	-39.9	-42.7	-45.5	-46.3	-48.6
(In percent of GDP)					
Primary sector	5.7	5.5	5.9	4.5	4.0
Agriculture	5.3	5.2	5.5	4.2	3.6
Sugarcane	2.2	1.9	2.6	1.4	1.1
Other crops	1.0	1.1	1.0	0.8	0.8
Livestock	0.5	0.6	0.5	0.5	0.4
Forestry	0.1	0.1	0.1	0.1	0.1
Fishing	1.6	1.5	1.3	1.4	1.2
Mining and quarrying	0.3	0.3	0.3	0.3	0.3

Table 3. St. Kitts and Nevis: GDP By Sectors at Current Prices

	1995	1996	1997	1998	Prel. 1999
(In percent of GDP)					
Secondary sector	22.9	22.4	21.6	22.1	23.4
Manufacturing	10.8	10.3	10.4	9.9	10.3
Sugar	1.7	1.2	2.0	1.2	0.8
Other	9.1	9.1	8.4	8.6	9.5
Construction	12.2	12.1	11.2	12.2	13.1
Services	71.4	72.1	72.6	73.4	72.6
Wholesale and retail trade	14.1	14.3	14.7	15.2	15.7
Hotels and restaurants	9.0	9.3	9.5	9.3	8.1
Transport	7.8	7.8	7.5	7.2	7.5
Road transport	4.0	3.9	3.7	3.4	3.4
Sea transport	2.8	2.7	2.7	2.8	3.1
Air transport	1.0	1.2	1.1	1.0	1.0
Communications	7.9	8.3	7.8	7.6	6.6
Electricity and water	2.0	1.9	1.9	2.0	1.9
Banking and insurance	12.1	12.2	13.2	13.7	13.7
Real estate and housing	3.2	3.1	3.1	2.7	2.8
Government services	18.7	18.4	17.7	18.7	19.0
Other services	4.3	4.3	4.3	4.2	4.3
Less: imputed service charge	-7.6	-7.7	-7.3	-7.1	-7.1

Sources: Ministry of Finance; and Fund staff estimates.

Table 4. St. Kitts and Nevis: Selected Data on Tourism

	1995	1996	1997	1998	1999
Total visitors	202,500	171,991	194,333	258,892	230,824
Yacht and cruise ship	120,912	85,778	102,738	162,821	143,816
Excursionist	2,720	2,037	3,298	2,881	3,006
Stay-over	78,868	84,176	88,297	93,190	84,002
Hotel and guest houses	48,189	52,618	55,314	56,589	48,938
Other	30,679	31,558	32,983	36,601	35,064
Stayover visitors by nationality					
United States	36,454	36,640	38,380	39,907	34,716
Canada	9,081	9,356	8,629	7,596	5,880
United Kingdom	6,729	9,092	9,938	12,847	12,494
Rest of Europe	3,104	2,766	3,130	2,319	3,265
Caribbean	22,953	25,236	27,455	27,897	25,141
Other	547	1,086	765	2,624	2,506
Average period of stay	4.2	4.8	4.5	3.9	4.0
Yacht and cruise-ship	1.0	1.0	1.0	1.0	1.0
Excursionist	1.0	1.0	1.0	1.0	1.0
Stayover	9.1	9.1	9.1	9.2	9.3
Hotel and guest houses	7.0	7.0	7.0	7.0	7.0
Other	12.5	12.5	12.5	12.5	12.5
Average expenditure per day (ECS)	208	211	213	202	196
Yacht and cruise-ship	79	79	80	80	80
Excursionist	127	127	130	130	130
Stayover	239	227	232	226	218
Hotel and guest houses	384	385	392	392	392
Other	80	80	82	82	82
Total expenditure (in ECS thousands)	175,756	180,399	194,237	206,196	182,123
Yacht and cruise-ship	9,437	6,776	8,219	13,026	11,505
Excursionist	350	259	429	375	391
Stayover	165,969	173,364	185,589	192,796	170,226
Hotel and guest houses	138,696	141,806	151,782	155,280	134,286
Other	27,273	31,558	33,808	37,516	35,941
Rooms in hotels and guest houses	1,402	1,783	1,729	1,543	1,508
St. Kitts	961	1,262	1,181	1,138	1,102
Nevis	441	521	548	405	406
(Annual percentage change)					
Total visitors	-3.0	-15.1	13.0	33.2	-10.8
Total expenditure	-14.8	2.6	7.7	6.2	-11.7

Sources: Statistical Office; Eastern Caribbean Central Bank; and Fund staff estimates.

Table 5. St. Kitts and Nevis: Selected Indicators on Agricultural Production

(In units as indicated)

	1995	1996	1997	1998	Prel. 1999
Tons of cane (000's tons)	180.3	203.7	305.2	240.1	196.8
Tons of sugar (000's tons)	20.0	20.3	30.9	24.6	17.7
Area reaped (000's hectares)	3.3	3.4	3.8	3.8	3.7
Tons of cane per hectare	8.9	9.7	13.1	10.5	8.6
Tons of cane per tons of sugar	9.0	10.1	9.9	9.8	11.1
Bananas (kgs)	15,876	18,597	28,894	19,051	17,101
Cabbages (kgs)	71,629	57,951	125,919	69,587	154,903
Carrots (kgs)	54,361	112,165	106,822	83,265	55,702
Cucumbers (kgs)	49,442	55,656	73,165	70,081	58,832
Mangoes (number)	525,000	220,000	245,000	290,000	232,000
Pumpkins (kgs)	79,536	123,804	100,018	93,265	73,256
Sweet oranges (number)	8,000	6,300	11,000	31,000	35,000
Sweet potatoes (kgs)	92,080	117,278	145,922	144,244	150,912
Tomatoes (kgs)	90,072	115,804	104,917	58,614	99,519
White potatoes (kgs)	150,000	102,000	161,662	172,999	210,469
Eggs (dozens)	250,667	410,558	377,758	478,063	351,792
Broilers (number)	53,928	27,676	5,000	8,000	...
Cattle (number)	261	236	244	284	355
Sheep (number)	1,929	2,057	2,137	2,649	2,428
Goats (number)	1,670	1,693	1,754	1,982	1,914
Pigs (number)	2,428	2,347	1,941	2,346	1,135

Sources: Ministry of Finance; and Saint Kitts Sugar Manufacturing Corporation.

Table 6. St. Kitts and Nevis: Average Annual Wage Rate of Workers
in Social Security by Age Group

(In Eastern Caribbean dollars per year)

	1995	1996	1997	1998	1999
Total	13,591	10,186	12,234	12,525	17,103
0 - 15	849	1,179	1,634	1,705	985
16 - 19	5,050	4,670	4,719	5,464	5,633
20 - 24	10,033	7,832	9,094	9,032	11,845
25 - 29	13,212	10,059	11,852	11,544	16,294
30 - 34	14,380	10,939	13,019	13,533	18,855
35 - 39	15,833	11,309	13,480	13,685	19,729
40 - 44	18,781	13,080	15,271	14,834	21,073
45 - 49	19,741	13,607	17,089	17,087	23,809
50 - 54	17,902	12,819	16,685	18,177	23,431
55 - 59	15,912	10,869	14,343	15,438	20,693
60 - 62	12,504	8,976	11,350	14,547	17,562
63 - 100	9,540	8,412	9,268	9,944	12,459

Source: Social Security Scheme.

Table 7. St. Kitts and Nevis: Number of Workers in Social Security by Age Group

	1995	1996	1997	1998	1999
Total	18,236	19,304	20,878	20,383	21,741
0 - 15	22	40	47	38	48
16 - 19	1,448	1,422	1,431	1,370	1,682
20 - 24	3,114	3,267	3,431	3,234	3,427
25 - 29	3,114	3,193	3,324	3,218	3,370
30 - 34	2,957	3,100	3,302	3,164	3,231
35 - 39	2,632	2,775	3,007	2,953	3,058
40 - 44	1,835	2,081	2,402	2,459	2,658
45 - 49	986	1,141	1,392	1,496	1,688
50 - 54	693	790	887	866	949
55 - 59	492	554	645	623	648
60 - 62	261	240	285	261	289
63 - 100	682	701	725	701	693
Estimated midyear population					
15-64 years	26,030	25,290	24,640	24,480	26,320

Sources: Social Security Scheme; and Ministry of Finance.

Table 8. St. Kitts and Nevis: Retail Price Index

	1995	1996	1997	1998	1999
(Index: January 1978=100)					
I. Period Average					
All items	219.7	224.2	243.7	252.6	261.5
Food	206.6	214.5	233.2	243.5	245.0
Alcoholic beverages and tobacco	235.4	233.1	256.3	246.2	238.7
Housing	183.0	183.5	190.7	200.6	225.7
Fuel and light	212.2	214.9	214.9	214.9	215.0
Clothing and footwear	214.3	208.2	229.2	234.5	243.0
Furniture and domestic appliances	237.1	236.2	240.5	237.1	243.4
Household supplies	221.5	224.4	230.1	234.4	234.6
Transportation	249.0	249.0	272.2	278.6	278.6
Other goods and services	300.3	310.5	369.7	399.7	463.3
II. End of Period					
All items	219.6	226.5	252.2	254.4	259.0
Food	206.8	215.9	243.0	246.4	247.8
Alcoholic beverages and tobacco	227.8	244.5	253.0	245.0	232.2
Housing	182.9	184.1	200.7	200.6	226.8
Fuel and light	214.9	214.9	214.9	214.9	215.1
Clothing and footwear	208.7	217.5	232.2	237.1	233.7
Furniture and domestic appliances	236.2	236.2	237.0	237.1	259.3
Household supplies	223.9	225.4	233.6	234.5	225.2
Transportation	249.0	249.0	278.6	278.6	278.6
Other goods and services	305.8	311.9	395.4	400.8	430.2
(Annual percentage change)					
I. Period Average					
All items	3.0	2.0	8.7	3.7	3.5
Food	1.1	3.8	8.7	4.4	0.6
Alcoholic beverages and tobacco	1.3	-1.0	10.0	-4.0	-3.0
Housing	-0.9	0.3	3.9	5.2	12.5
Fuel and light	6.9	1.3	0.0	0.0	0.0
Clothing and footwear	2.4	-2.8	10.1	2.3	3.6
Furniture and domestic appliances	-0.4	-0.4	1.8	-1.4	2.7
Household supplies	1.7	1.3	2.5	1.9	0.1
Transportation	-1.0	0.0	9.3	2.4	0.0
Other goods and services	16.1	3.4	19.1	8.1	15.9
II. End of Period					
All items	2.6	3.1	11.3	0.9	1.8
Food	1.6	4.4	12.6	1.4	0.6
Alcoholic beverages and tobacco	0.0	7.3	3.5	-3.2	-5.2
Housing	-0.4	0.7	9.0	0.0	13.1
Fuel and light	8.3	0.0	0.0	0.0	0.1
Clothing and footwear	-1.5	4.2	6.8	2.1	-1.4
Furniture and domestic appliances	-2.2	0.0	0.3	0.0	9.4
Household supplies	5.7	0.7	3.6	0.4	-4.0
Transportation	0.0	0.0	11.9	0.0	0.0
Other goods and services	13.1	2.0	26.8	1.4	7.3

Sources: Ministry of Finance; and Fund staff estimates.

Table 9. St. Kitts and Nevis: Consolidated Public Sector Operations 1/

	1995	1996	1997	1998
(In millions of Eastern Caribbean dollars)				
Current balance	47.9	15.8	34.3	17.9
Government of St. Kitts and Nevis	22.7	2.5	8.4	1.6
Public enterprises	-3.6	-18.3	-11.9	-22.4
St. Kitts Sugar Manufacturing Corporation	-2.9	-17.9	-14.3	-23.5
Other public enterprises	-0.6	-0.4	2.4	1.1
Social Security	28.8	31.5	37.9	38.7
Overall balance	14.5	-25.5	-5.0	-51.8
Government of St. Kitts and Nevis	-10.8	-25.9	-27.1	-50.1
Public enterprises	-3.5	-31.1	-12.3	-38.4
St. Kitts Sugar Manufacturing Corporation	-1.2	-18.8	-15.0	-21.6
Other public enterprises	-2.4	-12.3	2.8	-16.8
Social Security	28.8	31.2	34.4	36.8
(In percent of GDP)				
Current balance	7.7	2.4	4.6	2.3
Government of St. Kitts and Nevis	3.6	0.4	1.1	0.2
Public enterprises	-0.6	-2.8	-1.6	-2.9
St. Kitts Sugar Manufacturing Corporation	-0.5	-2.7	-1.9	-3.0
Other public enterprises	-0.1	-0.1	0.3	0.1
Social Security	4.6	4.8	5.1	5.0
Overall balance	2.3	-3.8	-0.7	-6.7
Government of St. Kitts and Nevis	-1.7	-3.9	-3.7	-6.5
Public enterprises	-0.6	-4.7	-1.7	-5.0
St. Kitts Sugar Manufacturing Corporation	-0.2	-2.8	-2.0	-2.8
Other public enterprises	-0.4	-1.9	0.4	-2.2
Social Security	4.6	4.7	4.6	4.7

Sources: Ministry of Finance; and Fund staff estimates.

1/ The consolidated accounts include the government of St. Kitts and Nevis, the Social Security Scheme; and the public enterprises. Complete data on the accounts of the public enterprises are not available for 1998 and 1999.

Table 10. St. Kitts and Nevis: Central Government Operations 1/

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Total revenue and grants	194.2	204.7	225.7	238.4	252.9
Current revenue	187.1	200.6	223.0	236.9	250.6
Tax revenue	133.9	143.6	164.8	175.2	183.5
Nontax revenue	53.2	57.0	58.2	61.8	67.0
Capital revenue and grants	7.1	4.2	2.7	1.5	2.3
Total expenditure	205.0	230.6	252.8	288.5	298.8
Current expenditure	164.4	198.1	214.6	235.4	262.3
Wages and salaries	87.4	98.0	100.1	110.3	121.9
Other goods and services	37.2	58.3	69.4	72.8	84.8
Interest	14.1	19.9	20.9	24.7	32.0
Transfers	25.7	21.8	24.2	27.5	23.6
Capital expenditure	40.6	32.6	38.2	53.2	36.5
Current balance	22.7	2.5	8.4	1.6	-11.7
Overall balance	-10.8	-25.9	-27.1	-50.1	-45.9
Financing	10.8	25.9	27.1	50.1	45.9
Net foreign financing	10.3	6.0	59.8	52.1	33.4
Drawings	18.1	14.4	68.2	55.1	47.4
Amortization	-7.8	-8.0	-7.5	-9.9	-13.9
Other	0.0	-0.4	-0.9	6.9	-0.1
Net domestic financing	31.2	38.9	-24.5	27.2	58.4
Of which: Banking system	28.8	32.7	-33.9	33.3	45.0
Other financing	-30.7	-19.0	-8.2	-29.2	-45.9
(In percent of GDP)					
Total revenue and grants	31.2	30.9	30.4	30.8	31.2
Current revenue	30.0	30.2	30.0	30.6	30.9
Tax revenue	21.5	21.6	22.2	22.6	22.6
Nontax revenue	8.5	8.6	7.8	8.0	8.3
Capital revenue and grants	1.1	0.6	0.4	0.2	0.3
Total expenditure	32.9	34.8	34.1	37.2	36.8
Current expenditure	26.4	29.9	28.9	30.4	32.3
Wages and salaries	14.0	14.8	13.5	14.2	15.0
Other goods and services	6.0	8.8	9.3	9.4	10.4
Interest	2.3	3.0	2.8	3.2	3.9
Transfers	4.1	3.3	3.3	3.5	2.9
Capital expenditure	6.5	4.9	5.2	6.9	4.5
Current balance	3.6	0.4	1.1	0.2	-1.4
Overall balance	-1.7	-3.9	-3.7	-6.5	-5.7
Financing	1.7	3.9	3.7	6.5	5.7
Net foreign financing	1.7	0.9	8.1	6.7	4.1
Drawings	2.9	2.2	9.2	7.1	5.8
Amortization	-1.3	-1.2	-1.0	-1.3	-1.7
Other	0.0	-0.1	-0.1	0.9	0.0
Net domestic financing	5.0	5.9	-3.3	3.5	7.2
Of which: Banking system	4.6	4.9	-4.6	4.3	5.5
Other financing	-4.9	-2.9	-1.1	-3.8	-5.7

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes the operations of the Federal Government of St. Kitts and Nevis Island Administration.

Table 11. St. Kitts and Nevis: Central Government Revenue 1/

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Total revenue and grants	194.2	204.7	225.7	238.4	252.9
Current revenue	187.1	200.6	223.0	236.9	250.6
Tax revenue	133.9	143.6	164.8	175.2	183.5
Income	29.6	32.6	38.4	47.0	49.5
Property	3.1	2.9	3.9	3.6	3.4
Production and consumption	22.2	30.0	33.5	38.6	37.6
International trade and transactions	79.0	78.0	89.0	86.0	93.0
Nontax revenue	53.2	57.0	58.2	61.8	67.0
Capital revenue	0.0	2.5	0.9	0.8	1.1
Grants	7.1	1.7	1.8	0.8	1.2
(In percent of GDP)					
Total revenue and grants	31.2	30.9	30.4	30.8	31.2
Current revenue	30.0	30.2	30.0	30.6	30.9
Tax revenue	21.5	21.6	22.2	22.6	22.6
Income	4.8	4.9	5.2	6.1	6.1
Property	0.5	0.4	0.5	0.5	0.4
Production and consumption	3.6	4.5	4.5	5.0	4.6
International transactions	12.7	11.8	12.0	11.1	11.5
Nontax revenue	8.5	8.6	7.8	8.0	8.3
Capital revenue	0.0	0.4	0.1	0.1	0.1
Grants	1.1	0.3	0.2	0.1	0.2
(In percent of current revenue)					
Tax revenue	71.6	71.6	73.9	73.9	73.2
Income	15.8	16.3	17.2	19.8	19.8
Property	1.6	1.5	1.8	1.5	1.4
Production and consumption	11.8	15.0	15.0	16.3	15.0
International transactions	42.2	38.9	39.9	36.3	37.1
Nontax revenue	28.4	28.4	26.1	26.1	26.8

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes the Federal Government of St. Kitts and Nevis Island Administration.

Table 12. St. Kitts and Nevis: Central Government Expenditure 1/

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Total expenditure	205.0	230.6	252.8	288.5	298.8
Current expenditure	164.4	198.1	214.6	235.4	262.3
Personal emoluments	67.9	70.6	75.2	82.0	91.6
Wages	19.6	27.5	24.9	28.3	30.3
Other goods and services	37.2	58.3	69.4	72.8	84.8
Interest	14.1	19.9	20.9	24.7	32.0
Domestic	11.7	16.6	16.7	17.2	19.6
External	2.4	3.3	4.1	7.5	12.4
Transfers	25.7	21.8	24.2	27.5	23.6
Expenses of overseas missions	0.0	0.0	0.9	0.9	1.3
Grants and contributions	10.0	9.8	8.9	12.0	7.0
Pensions	9.4	9.2	10.9	11.1	11.8
Other	6.3	2.9	3.7	3.6	3.6
Capital expenditure	40.6	32.6	38.2	53.2	36.5
(In percent of GDP)					
Total expenditure	32.9	34.8	34.1	37.2	36.8
Current expenditure	26.4	29.9	28.9	30.4	32.3
Personal emoluments	10.9	10.6	10.1	10.6	11.3
Wages	3.1	4.1	3.3	3.7	3.7
Other goods and services	6.0	8.8	9.3	9.4	10.4
Interest	2.3	3.0	2.8	3.2	3.9
Domestic	1.9	2.5	2.3	2.2	2.4
External	0.4	0.5	0.6	1.0	1.5
Transfers	4.1	3.3	3.3	3.5	2.9
Expenses of overseas missions	0.0	0.0	0.1	0.1	0.2
Grants and contributions	1.6	1.5	1.2	1.5	0.9
Pensions	1.5	1.4	1.5	1.4	1.4
Other	1.0	0.4	0.5	0.5	0.4
Capital expenditure	6.5	4.9	5.2	6.9	4.5

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes the Federal Government of St. Kitts and Nevis Island Administration.

Table 13. St. Kitts and Nevis: Central Government Domestic Debt

	End of Year				
	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Treasury bills	67.7	72.7	80.9	73.5	103.8
Commercial banks	17.2	20.2	20.2	15.7	33.8
ECCB	0.0	0.0	0.0	0.0	0.0
Non-banks	50.5	52.5	60.7	57.8	70.0
<i>Of which:</i> Social Security	20.6	20.6	20.6	20.6	20.6
Debentures	16.4	16.4	16.5	15.3	13.2
Commercial banks	2.8	2.8	2.8	3.5	3.5
ECCB	0.0	0.0	0.0	0.0	0.0
Non-banks	13.6	13.6	13.7	11.8	9.7
<i>Of which:</i> Social Security	1.4	1.4	1.4	1.4	0.0
Loans and advances	131.9	165.9	136.4	182.6	199.9
ECCB	4.5	4.1	3.2	2.6	2.8
Commercial banks	72.6	102.8	73.1	121.2	135.0
Social security	54.8	59.0	60.1	58.8	52.1
Other	0.0	0.0	0.0	0.0	10.0
Domestic debt stock	216.0	255.0	233.8	271.4	316.9
Memorandum items:					
Deposits with ECCB	2.0	2.5	4.8	14.3	7.0
Deposits with commercial banks	14.7	14.3	15.3	16.2	10.6
External public debt	153.7	168.8	293.6	341.2	378.6
Domestic interest payments	11.7	16.6	16.7	17.2	19.6
(In percent of domestic debt)					
Total domestic debt	100.0	100.0	100.0	100.0	100.0
Treasury bills	31.3	28.5	34.6	27.1	32.8
Debentures	7.6	6.4	7.1	5.6	4.2
Loans and advances	61.1	65.1	58.3	67.3	63.1
(In percent of GDP)					
Domestic debt	34.7	38.4	31.5	35.0	39.0
External debt (including public enterprises)	24.7	25.4	39.6	44.0	46.6
<i>Of which:</i>					
Central government	16.8	16.8	23.0	27.4	30.6
(In percent of total debt)					
Domestic debt	58.4	60.2	44.3	44.3	45.6
External public debt	41.6	39.8	55.7	55.7	54.4
Average effective interest rate (in percent)	5.9	7.1	6.8	6.8	6.7

Sources: Ministry of Finance; Eastern Caribbean Central Bank; and Fund staff estimates.

Table 14. St. Kitts and Nevis: Operations of the Social Security Scheme

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Total revenue	41.7	47.3	55.8	59.4	67.7
Government contributions	8.0	9.2	10.7	11.3	13.1
Public enterprises' contributions	4.7	5.4	6.3	6.6	7.7
Other contributions	15.0	17.1	19.9	21.1	24.4
Investment returns	13.4	15.3	17.9	19.9	22.2
Other	0.5	0.3	1.0	0.4	0.3
Total expenditure	12.9	16.1	21.4	22.7	28.3
Current expenditure	12.9	15.8	17.9	20.7	24.1
Wages	1.9	2.4	2.5	2.9	3.3
Benefits	8.9	10.7	12.6	14.1	15.4
Other	2.1	2.8	3.1	3.2	3.6
Capital expenditure	0.0	0.3	3.5	2.0	4.2
Current balance	28.8	31.5	37.9	38.7	43.6
Overall balance	28.8	31.2	34.4	36.8	39.4
Financing	-28.8	-31.2	-34.4	-36.8	-39.4
<i>Of which:</i>					
Domestic banking system	-26.3	-25.3	-6.8	-27.8	-31.3
(In percent of GDP)					
Total revenue	6.7	7.1	7.5	7.7	8.3
Total expenditure	2.1	2.4	2.9	2.9	3.5
Current balance	4.6	4.8	5.1	5.0	5.4
Overall balance	4.6	4.7	4.6	4.7	4.9

Sources: Social Security Scheme; and Fund staff estimates.

Table 15. St. Kitts and Nevis: Consolidated Public Enterprises 1/

	1995	1996	1997	1998 2/
(In millions of Eastern Caribbean dollars)				
Current balance	-3.6	-18.3	-11.9	-22.4
St. Kitts Sugar Manufacturing Corporation	-2.9	-17.9	-14.3	-23.5
Central Marketing Corporation	-0.3	-0.4	-0.4	0.0
Frigate Bay Development Corporation	0.5	0.2	-0.1	0.0
Air and Seaport Authority	-1.3	-0.8	1.7	0.3
Development Bank	0.5	0.6	1.2	0.7
Overall balance	-3.5	-31.1	-12.3	-38.4
St. Kitts Sugar Manufacturing Corporation	-1.2	-18.8	-15.0	-21.6
Central Marketing Corporation	-0.4	-1.7	-0.4	0.2
Frigate Bay Development Corporation	-0.3	0.1	-0.3	...
Air and Seaport Authority	-2.0	-11.3	2.3	-17.6
Development Bank	0.3	0.6	1.1	0.6
(In percent of GDP)				
Current balance	-0.6	-2.8	-1.6	-2.9
St. Kitts Sugar Manufacturing Corporation	-0.5	-2.7	-1.9	-3.0
Central Marketing Corporation	-0.1	-0.1	-0.1	0.0
Frigate Bay Development Corporation	0.1	0.0	0.0	0.0
Air and Seaport Authority	-0.2	-0.1	0.2	0.0
Development Bank	0.1	0.1	0.2	0.1
Overall balance	-0.6	-4.7	-1.7	-5.0
St. Kitts Sugar Manufacturing Corporation	-0.2	-2.8	-2.0	-2.8
Central Marketing Corporation	-0.1	-0.3	-0.1	0.0
Frigate Bay Development Corporation	0.0	0.0	0.0	...
Air and Seaport Authority	-0.3	-1.7	0.3	-2.3
Development Bank	0.0	0.1	0.2	0.1

Sources: Ministry of Finance; public enterprises; and Fund staff estimates.

1/ The public enterprises include: The St. Kitts Sugar Manufacturing Company; Central Marketing Corporation; Frigate Bay Development Corporation; Air and Seaport Authority; and the Development Bank of St. Kitts and Nevis. Complete accounts for 1998 and 1999 are not available.

2/ Data for the Frigate Bay Development Corporation were not available.

Table 16. St. Kitts and Nevis: Monetary Survey

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Net foreign assets	101.3	97.9	154.6	183.2	107.3
ECCB imputed reserves	90.3	88.2	97.3	126.3	133.6
Crown agents	13.3	13.7	14.6	7.7	7.8
Commercial banks	-2.3	-4.0	42.7	49.2	-34.1
Net domestic assets	337.0	364.7	370.5	362.7	500.0
Net credit to the public sector	-15.2	22.2	-12.6	-27.2	50.5
Net credit to central government	80.4	113.1	79.1	112.5	157.6
Net credit to other public sector	-95.5	-90.8	-91.7	-139.8	-107.0
Net credit to nonbank financial institutions	-6.7	-4.7	-4.0	0.2	-3.5
Net credit to subsidiaries and affiliates	-10.7	-14.8	-20.1	-24.4	-30.2
Credit to the private sector	440.9	465.6	521.1	563.7	610.2
Net other assets	-71.3	-103.6	-113.9	-149.5	-126.9
Broad money	438.4	462.6	525.0	545.9	607.4
Money	75.3	83.9	82.2	91.4	106.1
Currency in circulation	30.3	32.4	31.9	35.8	41.5
Demand deposits	45.0	51.5	50.3	55.6	64.6
Quasi-money	363.1	378.7	442.9	454.5	501.3
Savings deposits	206.7	217.9	228.8	239.6	267.0
Time deposits	78.8	76.5	93.3	110.8	115.3
Foreign currency deposits	77.6	84.3	120.8	104.1	119.0
(Percentage change in terms of broad money at beginning of period)					
Net foreign assets	0.9	-0.8	12.3	5.5	-13.9
Net domestic assets	11.4	6.3	1.2	-1.5	25.2
Net credit to the public sector	6.2	8.5	-7.5	-2.8	14.2
Net credit to central government	20.6	7.5	-7.3	6.4	8.2
Net credit to other public sector	-21.5	1.1	-0.2	-9.1	6.0
Net credit to nonbank financial institutions	0.1	0.4	0.1	0.8	-0.7
Credit to the private sector	6.3	5.6	12.0	8.1	8.5
Other assets, net	-1.8	-7.4	-2.2	-6.8	4.1
(Percentage change)					
Money	9.9	11.5	-2.1	11.2	16.1
Quasi-money	12.9	4.3	16.9	2.6	10.3
Broad money	12.4	5.5	13.5	4.0	11.3
Income velocity of money	8.3	7.9	9.0	8.5	7.7
Income velocity of broad money	1.4	1.4	1.4	1.4	1.3
(In percent)					
Deposit interest rate (average rate per annum)	4.5	4.0	4.1	4.2	4.3
Lending interest rate (average rate per annum)	11.3	10.9	11.2	11.4	11.2

Sources: Eastern Caribbean Central Bank; and Fund staff estimates.

Table 17. St. Kitts and Nevis: Eastern Caribbean Central Bank Local Operations

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars; end of period)					
Net imputed international reserves	90.3	88.2	97.3	126.3	133.6
Net claims on commercial banks	-62.5	-57.4	-63.7	-78.8	-87.9
Claims	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0
Deposits with banks	0.0	0.0	0.0	0.0	0.0
Liabilities	62.5	57.4	63.7	78.8	87.9
Currency	11.0	12.2	13.0	11.0	17.8
Current deposits	39.4	44.1	49.6	66.7	68.5
Fixed deposits	12.1	1.1	1.1	1.1	1.6
Net credit to central government	2.5	1.6	-1.6	-11.7	-4.2
Treasury bills	0.0	0.0	0.0	0.0	0.0
Debentures	0.0	0.0	0.0	0.0	0.0
Temporary advances	0.4	0.2	0.1	0.0	0.7
Other claims	4.1	3.9	3.1	2.6	2.1
Central government deposits (-)	-2.0	-2.5	-4.8	-14.3	-7.0
Other	0.0	0.0	-0.2	0.0	-0.1
Currency in circulation	30.3	32.4	31.9	35.8	41.5
Estimated notes in circulation	37.8	40.9	40.7	42.6	54.6
Coins in circulation	3.5	3.7	4.1	4.2	4.6
Currency held by banks (-)	-11.0	-12.2	-13.0	-11.0	-17.8

Source: Eastern Caribbean Central Bank.

Table 18. St. Kitts and Nevis: Detailed Consolidated Accounts of Commercial Banks

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars; end of period)					
Net foreign assets	-2.3	-4.0	42.7	49.2	-34.1
Foreign assets	207.1	239.7	329.1	332.9	304.0
Foreign currency holdings	3.3	3.3	3.2	3.4	3.2
Claims on ECCB area banks	12.0	62.0	99.3	77.8	108.5
Claims on banks abroad	122.8	80.9	107.0	152.6	89.4
Other	68.9	93.5	119.6	99.1	102.9
Foreign liabilities	209.3	243.8	286.4	283.7	338.0
Balances due to ECCB area banks	61.4	51.2	19.6	70.6	95.2
Balances due to banks abroad	89.4	106.7	131.2	68.5	101.1
Nonresident deposits	58.0	85.4	128.8	140.2	138.0
Demand	6.8	6.9	8.8	10.9	11.1
Savings	23.2	27.4	34.8	50.1	41.1
Time	12.4	19.4	19.4	22.7	21.8
Foreign currency	15.6	31.6	65.8	56.6	63.9
Other	0.5	0.5	6.8	4.4	3.7
Net position with ECCB	60.3	46.3	61.0	68.0	82.0
Claims on ECCB	65.1	58.0	65.6	78.6	89.7
Currency holdings	11.0	12.2	13.0	11.0	17.8
Current deposits	41.7	44.6	51.4	66.2	68.8
Fixed deposits	12.5	1.2	1.3	1.5	3.1
Liabilities to ECCB	4.9	11.7	4.7	10.6	7.7
Net domestic assets	353.5	390.4	395.2	399.4	524.5
Public sector	-17.7	20.6	-11.0	-15.6	54.7
St. Kitts government (net)	71.3	105.3	75.9	118.8	145.0
Treasury bills	17.2	20.2	20.2	15.7	33.8
Other securities	2.8	2.8	2.8	3.5	3.5
Loans and advances	64.1	95.5	66.7	108.9	116.9
Deposits	12.8	13.1	13.7	9.3	9.2

Table 18. St. Kitts and Nevis: Detailed Consolidated Accounts of Commercial Banks

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars; end of period)					
Nevis Island Administration (net)	6.6	6.2	4.8	5.4	16.8
Loans and investments	8.5	7.3	6.4	12.3	18.2
Deposits	1.9	1.2	1.6	6.8	1.4
Social security (net)	-156.4	-181.7	-188.5	-216.3	-247.6
Deposits	156.4	181.7	188.5	216.3	247.6
Public enterprises (net)	60.9	90.8	96.8	76.6	140.6
Loans and investments	87.1	105.1	117.7	135.0	160.5
Deposits	26.3	14.3	20.9	58.4	19.9
Other nonbank financial institutions (net)	-6.7	-4.7	-4.0	0.2	-3.5
Loans and investments	0.5	1.1	1.7	3.7	5.8
Deposits	7.2	5.8	5.7	3.5	9.3
Subsidiaries and affiliates	-10.7	-14.8	-20.1	-24.4	-30.2
Loans and investments	4.8	6.0	5.8	5.9	16.9
Deposits	15.5	20.8	25.9	30.3	47.1
Credit to private sector	440.9	465.6	521.1	563.7	610.2
Interbank float	2.3	1.4	3.9	-1.4	2.3
Claims	10.2	7.0	13.3	17.8	19.1
Liabilities	7.9	5.6	9.5	19.2	16.8
Net unclassified assets	-54.6	-77.7	-94.6	-123.1	-109.0
Assets	25.1	13.0	14.7	56.7	31.5
Liabilities	79.7	90.7	109.3	179.9	140.5
Long-term foreign liabilities	3.4	2.4	5.6	6.5	6.5
Liabilities to the private sector	408.1	430.3	493.2	510.1	565.9
Demand deposits	45.0	51.5	50.3	55.6	64.6
Savings deposits	206.7	217.9	228.8	239.6	267.0
Time deposits	78.8	76.5	93.3	110.8	115.3
Foreign currency deposits	77.6	84.3	120.8	104.1	119.0

Source: Eastern Caribbean Central Bank.

Table 19. St. Kitts and Nevis: Distribution of Commercial Bank Loans

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars; end of period)					
Total	612.0	703.8	743.8	852.9	947.2
Agriculture	46.2	58.6	71.4	90.9	119.7
Fisheries	0.3	0.3	0.3	0.2	0.2
Mining and quarrying	0.7	0.6	1.0	0.9	1.7
Manufacturing	22.3	22.5	23.2	27.9	26.1
Food and beverages	7.5	7.1	7.9	7.8	8.9
Clothing	2.2	2.1	2.3	2.6	3.9
Building material and metal	5.4	4.9	5.8	5.9	4.9
Other	7.2	8.4	7.3	11.7	8.4
Distributive trade	77.9	73.1	102.9	101.0	99.9
Tourism	33.7	33.7	45.0	52.5	50.8
Entertainment	4.9	15.2	6.5	12.2	14.0
Transport and storage	6.5	8.1	8.7	8.3	11.1
Public utilities	27.2	18.8	15.3	10.3	7.4
Construction and land development	75.2	86.6	85.1	80.6	75.2
Public administration	73.8	104.2	76.6	126.7	141.7
Professional and other services	25.4	32.0	25.6	23.5	32.2
Financial institutions	0.7	2.0	10.3	15.4	23.3
Personal	217.2	248.1	272.0	302.6	343.9
Acquisition of property	140.2	161.3	175.7	179.7	196.2
Durable consumer goods	25.6	27.1	26.9	25.1	20.9
Other	51.4	59.7	69.4	97.8	126.7
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Agriculture	7.5	8.3	9.6	10.7	12.6
Fisheries	0.0	0.0	0.0	0.0	0.0
Mining and quarrying	0.1	0.1	0.1	0.1	0.2
Manufacturing	3.6	3.2	3.1	3.3	2.8
Food and beverages	1.2	1.0	1.1	0.9	0.9
Clothing	0.4	0.3	0.3	0.3	0.4
Building material and metal	0.9	0.7	0.8	0.7	0.5
Other	1.2	1.2	1.0	1.4	0.9
Distributive trade	12.7	10.4	13.8	11.8	10.5
Tourism	5.5	4.8	6.1	6.2	5.4
Entertainment	0.8	2.2	0.9	1.4	1.5
Transport and storage	1.1	1.2	1.2	1.0	1.2
Public utilities	4.4	2.7	2.1	1.2	0.8
Construction and land development	12.3	12.3	11.4	9.5	7.9
Public administration	12.1	14.8	10.3	14.9	15.0
Professional and other services	4.2	4.5	3.4	2.8	3.4
Financial institutions	0.1	0.3	1.4	1.8	2.5
Personal	35.5	35.3	36.6	35.5	36.3
Acquisition of property	22.9	22.9	23.6	21.1	20.7
Durable consumer goods	4.2	3.9	3.6	2.9	2.2
Other	8.4	8.5	9.3	11.5	13.4

Source: Eastern Caribbean Central Bank.

Table 20. St. Kitts and Nevis: Selected Interest Rates

	1995	1996	1997	1998	1999
(In percent per year, end of period)					
Deposits					
Demand	2.0-3.0	2.0-3.0	1.5-3.0	1.5-3.0	1.5-3.0
Savings	4.0-5.0	4.0-5.0	4.0-5.0	4.0-6.0	4.0-6.0
Time					
Up to 3 months	1.5-5.5	1.5-5.5	1.5-5.5	1.5-5.5	1.5-5.5
Over 3 months to 6 months	1.5-6.0	1.5-6.0	1.5-6.0	1.5-6.0	4.0-6.0
Over 6 months to 12 months	2.0-7.0	2.0-7.0	2.0-7.0	2.0-7.0	4.0-7.0
Over 1 year to 2 years	2.25-6.0	2.25-6.0	2.25-6.0	2.25-6.0	4.5-7.0
Over 2 years	6.0-6.5	5.5-6.5	6.0-6.5	6.0-6.5	6.0-6.5
Deposit interest rate (average)	4.5	4.0	4.1	4.2	4.3
Lending					
Prime	9.5-12.0	9.5-13.0	9.5-13.0	9.5-12.0	9.5-11.0
Other	9.5-15.0	9.5-15.0	9.5-15.0	9.5-15.0	9.5-15.0
Add-on-loans:					
Nominal interest rate	9.0-12.0	8.0-12.0	8.0-12.0	8.0-12.0	8.0-12.0
Effective interest rate	13.6-21.6	13.6-21.6	13.6-21.6	13.6-21.6	13.1-19.9
Lending interest rate (average)	11.3	10.9	11.2	11.4	11.2
Government					
Treasury bills 1/	8.0	8.0	8.0	8.0	8.0
Memorandum item:					
U.S. dollar certificate of deposit rate 2/	5.9	5.4	5.6	5.5	5.3

Sources: Ministry of Finance; Eastern Caribbean Central Bank; and International Finance Statistics.

1/ End-month yield on three-month treasury bills.

2/ Three-month CDs.

Table 21. St. Kitts and Nevis: Selected Performance Indicators of the Commercial Banks

	1995	1996	1997	1998	1999
(In percent)					
Asset quality ratios					
Provision for loan losses/total loans	2.3	2.9	3.7	4.3	2.5
Total contingent obligations/total assets	1.0	4.3	6.0	5.9	6.3
Investments/earning assets	9.7	9.4	10.6	7.9	9.4
Earning assets with banks/earning assets	17.7	15.6	19.9	20.5	16.6
Unsatisfactory assets/total loans 1/	22.7	25.7	17.3	16.4	32.5
Liquidity ratios					
Total loans/total deposits	89.2	93.5	84.7	87.5	91.2
Liquid assets/total assets	31.9	29.4	33.9	30.5	28.6
Cash reserves/total deposits	8.8	6.2	6.9	7.0	7.9
Liquid assets/total deposits plus liquid liabilities	35.1	32.4	38.1	36.0	32.3
Capital ratios					
Capital base/total deposits	12.1	11.2	11.6	12.2	11.3
Fixed assets/total capital	41.4	35.4	38.4	34.2	35.6
Total capital/total assets	6.6	7.1	7.2	6.6	7.1
Tier 1 capital/risk weighted assets	18.5	26.7	22.4	20.1	21.3
Total capital/risk weighted assets	24.9	30.9	28.9	25.5	31.5
Earnings					
Current period's profit before taxes/average asset	3.2	2.6	3.1	2.2	2.8
Interest expense/interest income	38.5	43.0	45.1	48.5	46.2
Interest earned on loans/average loans	10.5	11.0	12.0	11.3	12.8
Total expenses/total income	66.0	74.1	70.1	78.3	74.1
Overhead/adjusted operating income	47.7	57.5	49.7	52.4	53.2

Source: Eastern Caribbean Central Bank.

1/ Unsatisfactory assets includes loans, overdrafts, and credit facilities that are past due and that are inactive for 90 days or more. Overdrafts are unsatisfactory when there has been no transaction for three or more months or when credit is insufficient to cover interest and bank charges over a 3-month period. Only a portion of the SSMC overdrafts was considered unsatisfactory through 1998, while the whole amount was included in 1999. As of end-1999, the overdraft with the SSMC totaled EC\$119 million, or about 12½ percent of total loans.

Table 22. St Kitts and Nevis: Balance of Payments

	1995	1996	1997	1998	Est. 1999
(In millions of Eastern Caribbean dollars)					
Exports, f.o.b.	98.7	93.1	138.7	132.1	129.2
Imports, f.o.b.	-316.2	-356.2	-350.3	-371.1	-389.6
Trade balance	-217.5	-263.1	-211.6	-239.0	-260.4
Services net	71.6	71.0	80.3	113.5	85.4
Services, receipts	219.8	236.3	255.9	284.6	262.8
Services, payments	-148.3	-165.3	-175.6	-171.1	-177.4
Factor income (net)	-29.6	-56.4	-67.7	-84.0	-84.0
Transfers (net)	53.9	46.5	42.9	82.2	47.7
Official (net)	-0.5	-2.1	-2.9	-0.1	-2.5
Private (net)	54.4	48.5	45.8	82.4	50.2
Current account balance	-121.7	-202.0	-156.2	-127.3	-211.2
Capital and financial account balance	93.2	138.4	143.31	143.66	317.6
Official	26.5	23.9	130.1	55.0	48.8
Capital transfers (net)	15.4	9.2	3.2	3.9	14.1
Long-term borrowing (net)	23.5	14.7	126.9	51.1	34.7
Private capital	66.8	114.4	13.2	88.6	268.9
Capital transfers (net)	4.2	5.5	6.9	9.3	7.1
Direct investment (net)	55.2	94.8	53.1	90.7	208.6
Portfolio investment (net)	7.0	21.7	0.0	0.0	0.0
Short-term capital (net)	0.4	-7.5	-46.8	-6.5	83.3
Commercial banks	2.5	1.8	-46.8	-6.5	83.3
Other	-2.2	-9.3	0.0	0.0	0.0
Other private	0.0	0.0	-5.7	-5.0	-30.2
Errors and omissions	34.5	62.0	23.4	5.7	-99.0
Overall balance	6.1	-1.7	10.5	22.1	7.4
Stock of official reserves	103.6	101.9	112.4	134.0	141.3
(In percent of GDP)					
Exports, f.o.b.	15.8	14.0	18.7	17.0	15.9
Imports, f.o.b.	-50.8	-53.7	-47.2	-47.9	-48.0
Trade balance	-34.9	-39.6	-28.5	-30.8	-32.1
Services, receipts	35.3	35.6	34.5	36.7	32.4
Services, payments	-23.8	24.9	23.7	22.1	21.8
Services net	11.5	10.7	10.8	14.6	10.5
Factor income (net)	-4.7	-8.5	-9.1	-10.8	-10.3
Transfers (net)	8.7	7.0	5.8	10.6	5.9
Current account balance	-19.5	-30.5	-21.0	-16.4	-26.0
Capital account balance	15.0	20.9	19.3	18.5	39.1
Including errors and omissions	20.5	30.2	22.5	19.3	26.9
Errors and omissions	5.5	9.3	3.2	0.7	-12.2
Overall balance	1.0	-0.3	1.4	2.8	0.9
Stock of international reserves					
Ratio to broad money (in percent)	23.6	22.0	21.4	24.5	23.3
Ratio to base money (in percent)	111.6	113.5	117.2	116.9	109.3
External public debt service					
Ratio to exports of goods and services (in percent)	5.3	5.7	5.3	7.5	11.2
<i>Of which:</i>					
Interest (in percent)	1.6	1.7	1.9	3.3	5.4

Sources: Eastern Caribbean Central Bank; and Fund staff estimates.

Table 23. St. Kitts and Nevis: Merchandise Exports by Commodity Group

	1995	1996	1997	1998	Est. 1999
(In thousands of Eastern Caribbean dollar)					
Total exports	98,683	93,138	138,650	132,060	129,220
Food	41,766	34,620	62,470	26,275	62,054
Beverages and tobacco	2,141	1,657	1,990	2,014	1,471
Crude materials	199	94	120	120	60
Chemicals	394	344	260	177	251
Manufactured goods	942	842	1,440	1,004	1,893
Machinery and transport equipment	46,498	48,200	41,600	50,516	47,734
Miscellaneous manufactures	3,581	3,194	3,380	3,602	5,030
Other	3,162	4,187	100	148	520
Unrecorded electronic exports 1/	0	0	27,290	48,204	10,207
(In percent)					
Total exports	100	100	100	100	100
Food	42.3	37.2	45.1	19.9	48.0
Beverages and tobacco	2.2	1.8	1.4	1.5	1.1
Crude materials	0.2	0.1	0.1	0.1	0.0
Chemicals	0.4	0.4	0.2	0.1	0.2
Manufactured goods	1.0	0.9	1.0	0.8	1.5
Machinery and transport equipment	47.1	51.8	30.0	38.3	36.9
Miscellaneous manufactures	3.6	3.4	2.4	2.7	3.9
Other	3.2	4.5	0.1	0.1	0.4
Unrecorded electronic exports 1/	0.0	0.0	19.7	36.5	7.9

Sources: Ministry of Finance; and Fund staff estimates.

1/ Based on figures from the U.S. Bureau of Economic Analysis.

Table 24. St. Kitts and Nevis: Merchandise Imports by Commodity Group

	1995	1996	1997	1998	Est. 1999
(In thousands of Eastern Caribbean dollars)					
Total imports	359,355	383,390	398,500	382,470	391,743
Food	61,452	63,210	64,290	63,010	60,158
Beverages and tobacco	10,822	10,016	10,510	11,392	12,087
Crude material	10,348	9,123	10,010	7,764	8,650
Mineral fuel	15,531	20,772	29,560	19,912	23,689
Oils and fats	2,829	2,469	2,410	2,146	1,939
Chemicals	29,685	32,461	32,410	27,653	29,501
Manufactured goods	79,918	83,305	79,750	73,089	80,627
Machinery	99,505	106,817	115,660	121,706	106,662
Miscellaneous manufactures	47,014	54,686	53,200	55,462	66,369
Miscellaneous	2,251	531	700	336	2,061
Consumer goods	201,457	211,748	208,450	203,289	221,302
Intermediate goods	58,393	64,825	74,390	57,475	63,779
Capital goods	99,505	106,817	115,660	121,706	106,662
(In percent)					
Total imports	100.0	100.0	100.0	100.0	100.0
Food	17.1	16.5	16.1	16.5	15.4
Beverages and tobacco	3.0	2.6	2.6	3.0	3.1
Crude material	2.9	2.4	2.5	2.0	2.2
Mineral fuel	4.3	5.4	7.4	5.2	6.0
Oils and fats	0.8	0.6	0.6	0.6	0.5
Chemicals	8.3	8.5	8.1	7.2	7.5
Manufactured goods	22.2	21.7	20.0	19.1	20.6
Machinery	27.7	27.9	29.0	31.8	27.2
Miscellaneous manufactures	13.1	14.3	13.4	14.5	16.9
Miscellaneous	0.6	0.1	0.2	0.1	0.5
Consumer goods	56.1	55.2	52.3	53.2	56.5
Intermediate goods	16.2	16.9	18.7	15.0	16.3
Capital goods	27.7	27.9	29.0	31.8	27.2
(Annual percentage change)					
Total imports	4.2	6.7	3.9	-4.0	2.4
Consumer goods	9.6	5.1	-1.6	-2.5	8.9
Intermediate goods	15.1	11.0	14.8	-22.7	11.0
Capital goods	-9.9	7.3	8.3	5.2	-12.4

Sources: Ministry of Finance; and Fund staff estimates.

Table 25. St. Kitts and Nevis: Public Sector External Debt

	1995	1996	1997	1998	1999
(In millions of Eastern Caribbean dollars)					
Disbursements	23.5	28.1	140.5	69.2	58.2
Central government	18.1	14.4	68.2	55.1	47.4
Nonfinancial public enterprises	3.4	11.0	68.6	9.2	0.0
Financial institutions	2.0	2.7	3.7	4.8	10.8
Amortization	12.4	13.4	13.6	18.1	23.5
Central government	7.6	8.0	7.5	9.9	13.9
Nonfinancial public enterprises	2.7	3.4	3.4	5.1	6.5
Financial institutions	2.1	2.0	2.7	3.1	3.2
Valuation adjustment	0.2	0.3	-2.1	-3.6	2.7
Central government	0.2	0.4	-1.6	-3.4	2.7
Nonfinancial public enterprises	0.0	0.0	-0.1	0.0	0.0
Financial institutions	0.0	-0.1	-0.4	-0.2	0.1
Outstanding debt (end of period)	153.7	168.8	293.6	341.2	378.6
Central government	104.5	111.3	170.5	212.4	248.6
Nonfinancial public enterprises	16.4	24.0	89.0	93.2	86.7
Financial institutions	32.8	33.4	34.1	35.6	43.3
Interest payments	5.4	5.8	7.8	13.9	21.5
Central government	3.2	3.8	4.2	8.1	12.2
Nonfinancial public enterprises	1.0	0.8	2.4	4.6	8.0
Financial institutions	1.2	1.2	1.2	1.3	1.4
Debt service	17.8	19.2	21.4	32.0	45.0
Central government	10.7	11.8	11.7	18.0	26.1
Nonfinancial public enterprises	3.7	4.2	5.8	9.6	14.4
Financial institutions	3.4	3.2	3.9	4.4	4.6
(In percent of GDP)					
St. Kitts and Nevis					
Disbursements	3.8	4.2	18.9	8.9	7.2
Amortization	2.0	2.0	1.8	2.3	2.9
Interest payments	0.9	0.9	1.1	1.8	2.7
Debt service	2.9	2.9	2.9	4.1	5.5
Outstanding debt (end of period)	24.7	25.4	39.6	44.0	46.6
Debt service (percent of exports of goods and services)	5.3	5.7	5.3	7.5	11.2
Effective interest rate (percent) 1/	3.9	3.6	3.4	4.4	6.0
Central government					
Disbursements	2.9	2.2	9.2	7.1	5.8
Amortization	1.2	1.2	1.0	1.3	1.7
Interest payments	0.5	0.6	0.6	1.0	1.5
Debt service	1.7	1.8	1.6	2.3	3.2
Outstanding debt (end of period)	16.8	16.8	23.0	27.4	30.6
Debt service (percent of exports of goods and services)	3.2	3.5	2.9	4.2	6.5
Effective interest rate (percent) 2/	3.3	3.5	3.0	4.2	5.3

Sources: Ministry of Finance; CS-DRMS report; and Fund staff estimates.

1/ St. Kitts and Nevis public sector.

2/ Central government.

ST. KITTS AND NEVIS: STRUCTURE OF THE TAX SYSTEM (As of August 1, 2000)		
Object	Description	Rates
Taxes		
1. Income	Personal income tax Corporation tax on net income of domestic companies and on income of foreign companies generated domestically. Wages are deductible, up to a ceiling of EC\$60,000 per employee. Capital allowances are deductible up to 50 percent of taxable profits. Tax holidays are available for up to 15 years to foreign investors under various government acts.	None Maximum rate: 37 percent on corporate net income.
2. Land	Cultivated land - St. Kitts Cultivated land - Nevis 0-10 acres 10-20 acres 20-40 acres Above 40 acres Uncultivated land (Nevis, land on south east Peninsula)	EC\$4 per acre per year EC\$1 per acre per year EC\$5 per acre per year EC\$7 per acre per year EC\$9 per acre per year EC\$12 per acre per year EC\$3 per acre per year ½ percent of assessed market value
3. House	House lot above EC\$5,000, annual gross rental value	5 percent of gross annual rental value in excess of EC\$600 with additional deduction for owner-occupied housing
4. Real estate	Sale or transfer of real estate Seller: Buyer:	3 percent of gross value 3 percent of gross value
5. Hotel accommodation	Room, food and beverage in hotel or restaurant	7 percent
6. Withholding	When a resident makes any of the following payments to a nonresident: profits, administration, management or office expenses, technical fees	10 percent
7. Social services levy	Imposed on wages and salaries of all wage earners	3 percent of wages and salaries paid by employee with annual earnings above EC\$10,400 3 percent of wages and salaries paid by employer
8. Social Security contribution	Contributions to the Social Security Scheme levied on wages and salaries of all wage earners up to a ceiling of EC\$65,000 on earnings per person	5 percent of wages and salaries paid by employees and 5 percent paid by employers. 1 percent severance contribution and 1 percent injury contribution paid by employers
9. Chargeable service	Medical doctors, chemists, druggists, optometrists, ophthalmologists, dentists	2½ percent of gross income

ST. KITTS AND NEVIS: STRUCTURE OF THE TAX SYSTEM (As of August 1, 2000)		
Object	Description	Rates
10. Traders	Persons doing business other than companies	3 percent of gross sales in excess of EC\$8,000 a month
11. Travel	Travel of St. Kitts and Nevis residents	10 percent of fare
12. Vehicle rental levy	Rental of a motor vehicle	5 percent of rental rate.
13. Telephone surcharge	Overseas calls	5 percent
14. Aliens loans	Loans to non-residents	2½ percent of loan
15. Entertainment and lottery	Entertainment to which the public is admitted on fee, and on public lotteries	10 percent of admission fee
16. Stamp duty	Ad valorem and specific duties levied on a range of specific legal documents	Various charges
17. Airport departure	All travelling abroad	EC\$27 for foreigners EC\$15 for locals
18. Cruise-ship passenger	All cruise-ship passengers	US\$10
19. Wheel tax	Charged on all vehicles	2 percent up to 5 tons. Additional EC\$1,000 over 5 tons.
20. Gasoline levy	Tax on gasoline sold, levied per unit basis	Difference between regulated domestic price (EC\$6.60 per gallon) and cost (c.i.f. value plus import duties and consumption tax plus applicable dealer margins)
21. Consumption tax on goods and services	Levied on the c.i.f. value of imports plus import tariffs Levied on professional services	15 percent 5 percent
22. Import duties	Levied on the c.i.f. value of imported goods. Lower rates for inputs and capital goods	Between 5 and 30 percent
23. Custom service charge	Levied on the c.i.f. value of imported goods	3 percent
Licenses		
1. Banks	Operating a bank	EC\$5,000 per year
2. Travel agents	Travel agents	EC\$500 per year
3. Boats	Owner of boat under 12 ton. load	ED\$20
4. Liquor	Wholesale Retail Restaurant, St. Kitts Restaurant, Nevis	EC\$1,000 per year EC\$120-400 per year EC\$300 EC\$240
5. Car drivers	Instructor All others	EC\$25 per year EC\$30 per year
6. Insurance companies	Life and non-life Marine	EC\$4,500 per year EC\$300 per year
7. Business	Operating business	EC\$500 per year
8. Gambling machine	Operating gambling machines	EC\$15 per week per machine
9. Dog	Keeping a dog	EC\$2.5 per year per dog
10. Miscellaneous	Telecom Act Cap 203 Auctioneers Act Cap 280 Petroleum Act Cap 301 Tax exempt certificate	EC\$5,000 per year EC\$200 per year EC\$200 per year EC\$1 stamp

ST. KITTS AND NEVIS: STRUCTURE OF THE TAX SYSTEM (As of August 1, 2000)		
Object	Description	Rates
Fees		
1. Cable Television	Cable TV	EC\$3 per month
2. Insurance	Existing and new policies—life Nonlife premiums	EC\$2 per thousand or BC\$30 5 percent
3. Fines and forfeitures	Judicial fees according to L.I. Cap. 5 SRO No. 6 of 1927	Various charges

St. Kitts and Nevis: Recent Changes in the Tax System

Changes introduced in 1995

1. Cruise-ship passenger tax.

The cruise-ship passenger tax was increased from US\$3 to US\$10 per person, effective January 1, 1996.

Changes introduced in 1996

1. Domestic goods and service tax

This tax was increased from 2.5 to 4 percent, effective January 1, 1997.

2. Travelers tax.

This tax was increased from 7.5 to 10 percent, effective January 1, 1997.

3. Traders tax.

This tax was increased from 2 to 3 percent, effective January 1, 1997.

4. Social services levy.

This tax was increased from 4 to 6 percent, effective January 1, 1997. Three percent is paid by the employer, 3 percent by the employee.

5. Licences.

Licences were increased to reflect the cumulative inflation since 1977, when they were adjusted for the last time. Different increases for different categories.

St. Kitts and Nevis: Recent Changes in the Tax System

Changes introduced in 1997

1. Corporation tax.

This tax reduced from 40 to 38 percent, effective January 1, 1998. The change is in respect of income earned in 1998 but assessed in 1999.

2. Fines and forfeitures.

Fines payable under the motor vehicle and road traffic act were increased effective January 1, 1998.

Changes introduced in 1998

1. Stamp duty.

This tax paid by the purchaser and seller of real property was increased from 4 to 6 percent, effective January 1, 1999. In respect of property situated on the South East Peninsula the Stamp Duty payable by the purchaser was increased from 4 to 6 percent and by the seller increased from 10 to 12.5 percent.

Changes introduced in 1999

1. Corporation tax.

This tax was reduced from 38 to 37 percent, effective January 1, 2000. the change is in respect of income earned in 2000 but assessed in 2001.

