

SAINT LUCIA

Key conditions and challenges

Table 1 **2023**

Population, million	0.2
GDP, current US\$ billion	2.4
GDP per capita, current US\$	13482.0
International poverty rate (\$2.15) ^a	0.1
Lower middle-income poverty rate (\$3.65) ^a	0.6
Upper middle-income poverty rate (\$6.85) ^a	8.4
Gini index ^a	43.7
School enrollment, primary (% gross) ^b	103.7
Life expectancy at birth, years ^b	71.3
Total GHG emissions (mtCO2e)	0.9

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2015), 2017 PPPs.

b/ Most recent WDI value (2022).

Saint Lucia's economy, which is reliant on tourism, faces ongoing challenges from the pandemic's impact, high import prices, and natural disasters. Economic growth was modest before the pandemic, and recent price hikes have likely worsened poverty. Emergency-related spending has limited development funding and increased the public debt. While recovery is underway with tourism and inflation improving, overall fiscal deficits continue to grow. Fiscal reforms and better conditions for private investment are crucial for future growth.

Saint Lucia relies heavily on tourism and was significantly impacted by the pandemic, along with rising prices for imported food and fuel. As a small open economy, Saint Lucia experienced volatile and relatively low economic growth even before the pandemic, averaging 1.3 percent between 2010 and 2019. The country suffers significant economic losses due to frequent natural disasters and the effects of climate change.

In 2015, fewer than 1 in 10 Saint Lucians lived below the poverty line (US\$6.85/day 2017 PPP). St. Lucia had a Gini index above 40, which is high by international standards. Estimates suggest that monetary poverty declined slowly in the following years but increased rapidly during the pandemic and due to high food and fuel prices. The recent census points to a longer-term decline in multidimensional poverty. The share of households without toilet facilities decreased from 6.2 percent in 2010 to 1.9 percent in 2022, the share of households relying on coal or wood as cooking fuel declined from 5.6 percent to 1.6 percent, while the share of households with internet access increased from 26.5 percent to 89.1 percent.

The government's spending related to the pandemic, low revenues, and substantial public investment led to a rapid increase in public debt from 62.2 percent of GDP in 2019 to 95.8 percent of GDP in 2020. While

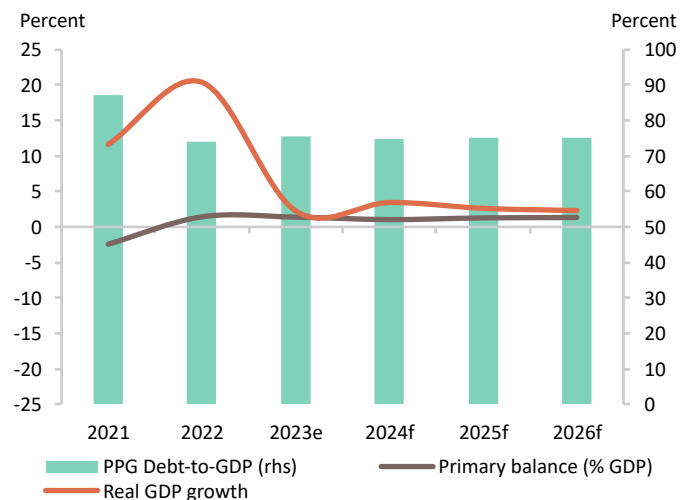
public debt is expected to stabilize in the medium term, the high debt service limits the government's ability to finance important development projects in the short to medium term. The government has implemented various measures to increase revenue, but additional reforms should be considered to reduce distortions and create a more progressive tax system. The country would benefit from a credible and growth-friendly fiscal consolidation framework, including the implementation of a fiscal rule, and from reforms to stimulate private sector growth.

The financial sector remained stable during the pandemic, and there was substantial liquidity in the banking sector. However, the accumulation of non-performing loans and deficiencies in compliance with Anti-Money Laundering/Countering the Financing of Terrorism have hindered credit intermediation. The pegged exchange rate under the Eastern Caribbean Currency Union helped ensure price stability.

Recent developments

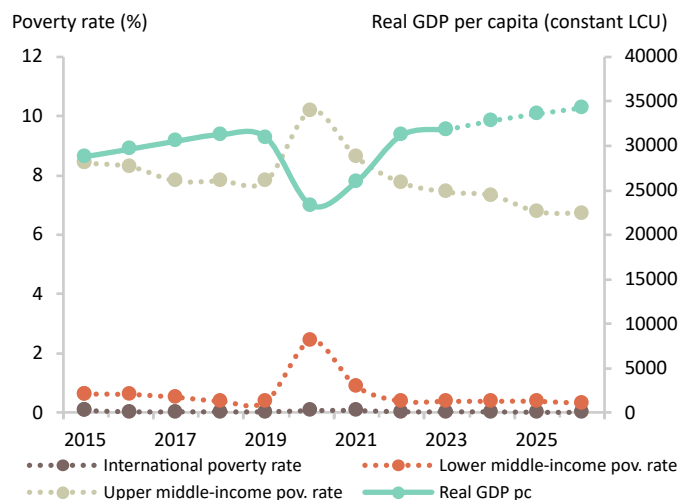
Real output growth reached 2.2 percent in 2023 and accelerated in the first half of 2024. The number of stayover tourist arrivals during the first six months of 2024 increased by 14.6 percent compared to the same period of 2023. Agricultural exports declined due to unfavorable weather conditions in 2023, but are now recovering. A labor market recovery also continues, with the unemployment rate falling from

FIGURE 1 Saint Lucia / Key macroeconomic variables



Source: World Bank staff calculations.

FIGURE 2 Saint Lucia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

16.3 percent in Q1 2023 to 11.6 percent in Q1 2024. This helps to bring down poverty. The current account deficit is narrowing from 1.9 percent of GDP in 2023 due to the recovery in tourism, somewhat lower fuel prices, and stable remittances. Foreign direct investments are estimated around 5.8 percent of GDP in 2023, helping to fund the current account deficit. International reserves stood at 3.9 months of imports at the end of 2023.

Inflation started to slow from 4.1 percent in 2023, reflecting in a large part the global trend. The pressure on food security, which had previously worsened because of the successive pandemic and food price shocks, is now easing. The financial sector remains profitable, though the level of non-performing loans is elevated.

The overall and primary fiscal balances are expected to deteriorate, from 1.4 of GDP in 2023 to 1.0 percent in 2024. This deterioration is mostly driven by higher primary expenditures and interest payments. The

government's new tax policies including a health and citizen security levy and an increase in cigarette excise tax helped to boost annual revenues. The public debt has stabilized at around 75 percent of GDP since 2022.

Outlook

Real output growth is projected to accelerate to 3.4 percent in 2024 and then moderate gradually over the medium term. Investments in major construction projects, such as the airport renovation and construction of several major hotels, are expected to peak in 2025. Agriculture is likely to expand at a slower pace for some time. Poverty is projected to continue declining in the medium term. Inflation will gradually stabilize from 1.4 percent of GDP in 2024 to its long-term average of 2.0 percent in 2026.

The primary fiscal surplus is projected to increase to 1.3 percent of GDP in 2025-2026. The government is expected to undertake some modest fiscal consolidation. Revenue to GDP ratios are anticipated to remain relatively stable at 2023 levels in the medium term. Total spending in the medium term (on average 24.5 percent of GDP) is 0.2 percent of GDP lower than the 2010-2019 average, as current expenditures are anticipated to stabilize around 21.7 percent of GDP. Interest payments are projected to remain stable at around 3.4 percent of GDP over the projection period. The public debt to GDP ratio will also remain steady.

The risk outlook is skewed towards the downside, with potential challenges including delays in fiscal consolidation, economic slowdown in key tourist-origin countries, escalating geopolitical tensions, tightening financial conditions, natural disasters, and the impacts of climate change.

TABLE 2 Saint Lucia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.6	20.4	2.2	3.4	2.6	2.3
Real GDP growth, at constant factor prices	10.7	19.7	2.1	3.3	2.6	2.3
Agriculture	9.2	4.4	-16.9	0.5	2.5	1.1
Industry	9.4	1.8	12.4	6.5	2.6	2.6
Services	11.0	23.5	0.9	2.8	2.6	2.3
Inflation (consumer price index)	2.4	6.4	4.1	1.5	1.8	2.0
Current account balance (% of GDP)	-11.9	-2.9	-1.9	-1.4	-1.2	-0.9
Fiscal balance (% of GDP)^a	-5.8	-1.5	-1.9	-2.4	-2.1	-2.1
Revenues (% of GDP)^a	22.3	21.7	22.2	22.3	22.3	22.2
Debt (% of GDP)^{a,b}	87.2	74.1	75.5	74.9	75.0	75.0
Primary balance (% of GDP)^a	-2.4	1.4	1.4	1.0	1.3	1.3
International poverty rate (\$2.15 in 2017 PPP)^{c,d}	0.1	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{c,d}	0.9	0.4	0.4	0.4	0.4	0.3
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{c,d}	8.6	7.8	7.4	7.3	6.8	6.7
GHG emissions growth (mtCO₂e)	3.0	16.2	6.9	2.8	2.2	1.8
Energy related GHG emissions (% of total)	70.9	73.1	71.5	71.0	70.7	70.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

b/ Public debt includes payables and overdrafts/Eastern Caribbean Central Bank advances.

c/ Calculations based on CONLAC harmonization, using 2015-SLCHBS. Poverty estimates and projections not comparable to pre-2024 MPOs due to methodological changes. For details, see March/April 2024 Update to the Poverty and Inequality Platform (PIP) at <https://pip.worldbank.org/publication>. Actual data: 2015. Estimates: 2016-2023. Forecasts: 2024-2026.

d/ Projection using neutral distribution (2015) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.