Caribbean Information & Credit Rating Services Limited

# RATING RELEASE

October 05, 2022

**Saint Lucia's ratings re-affirmed with stable outlook**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the ratings of *Cari***BBB-** (Foreign Currency and Local Currency Ratings) on its regional rating scale for the several rated debt issues of the Government of Saint Lucia (GOSL). These ratings indicate that the level of creditworthiness of these debt obligations, adjudged in relation to other debt obligations in the Caribbean, is **adequate**.

The ratings are driven by the following strengths: (1) monetary and exchange rate stability, underpinned by membership in a quasi-currency board arrangement, (2) sound financial sector despite COVID-19 challenges, and (3) economic activity is wide although dependent on COVID-ravaged tourism; moderate to strong GDP strengthening is expected in coming years. These rating strengths are tempered by the following factors: (1) COVID-19 has worsened GOSL's fiscal position and significantly increased indebtedness, and (2) debt to GDP is moderately above target of 60% requiring a twined strategy of fiscal consolidation and GDP growth to achieve in the medium-term.

CariCRIS has also maintained a **stable** outlook. The stable outlook is based on the stabilization in fiscal performance and in debt to GDP following the initial COVID-19 shock in 2020. Supporting the debt to GDP containment within the current rating category's limits is the expected GDP growth of around 12% in 2022, a continued inflexion away from 2019's and 2020's contractions. Returning tourism activities are expected to support balance of payments health. However, downside risks to the outlook are significant and include inflation and economic slowdown in source markets, slowing the path to full recovery. Further virus impacts and potential hurricane strikes remain key risks as well.

**Rating Sensitivity Factors**

**Factors that could lead to an improvement in the Ratings and/ or Outlook include:**

- Substantial changes in the debt levels leading to a debt to GDP ratio below 65%
- Achievement of a balanced budget over the medium term
- Sustained GDP growth of the order of 3% per annum or more (above pre-COVID-19 level)

**Factors that could lead to a lowering of the Ratings and/ or Outlook include:**

- Significant changes in the fiscal position leading to a fiscal deficit larger than 15% of GDP
- Substantial changes in the debt levels leading to sustained debt to GDP in excess of 90% alongside a decline in debt servicing to below 2 times

## ABOUT THE SOVEREIGN

Saint Lucia, "Helen of the West Indies", is situated in the Eastern Caribbean, at the northern end of the Windward Island chain. The total area of Saint Lucia is approximately 616 km2 (238 square miles). Total population is estimated at 182,879[1], with a plurality of persons living around the capital, Castries. Average life expectancy is 75.7 years. Infant mortality was estimated at 12.7 deaths per 1,000 live births in 2015. The official language is English, but French patois (Kwéyòl) is widely spoken.

Tourism is the mainstay of the economy with the main markets being the United States of America (USA), the United Kingdom (UK), the Caribbean and Canada. Agriculture, specifically bananas, has historically played a significant role in the economy, though this is now diminished. There is a small manufacturing sector which is the most diverse in the Eastern Caribbean. The sector is involved in the production of clothing, food & beverage, corrugated cardboard boxes, the assembly of electronic components and agro-processing.

[1] *Ministry of Finance, Economic Growth, Job Creation, External Affairs, and the Public Service – Economic & Social Review, 2021*

*For more information on the Government of Saint Lucia's ratings, please visit [www.caricris.com](http://www.caricris.com) or contact:*

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