

BOP CURRENT ACCOUNT ANALYSIS
BALANCE OF PAYMENTS' CURRENT
ACCOUNT PROJECTIONS FOR
2003 TO 2006

Developments on the current account will be influenced in part by an anticipated increase in imports associated with the planned implementation of private and public sector projects and higher interest payments associated with the public sector debt. The current account balance will also be influenced by developments in the tourism industry. To a lesser extent, movements in oil prices may impact on the import bill for St Lucia.

GOODS ACCOUNT

Earnings from merchandise exports are likely to increase over the medium term.

This projected outcome is partly based on a recovery in banana exports as from the lingering effects of tropical storm Lili during 2003. Year to date information (up to October 2004) indicates that earnings from banana exports amounted to \$45.1m, a 25.9 per cent increase over the comparative total in 2003. Payments for imports are expected to increase every year during the projection period, reflecting the implementation of private and public sector projects and anticipated improvements in the tourism industry.

SERVICES

Net inflows on the services account are expected to increase by 8.4 per cent in 2004, by 12.6 per cent in 2005 and by 14.2 per cent in 2006. As a percentage of GDP the surplus is projected to average 26.7 per cent over the medium term compared with 24.5 per cent in 2003. The surplus on this account will be largely influenced by developments in the tourism industry.

Net receipts from travel are projected to expand by 11.4 per cent in 2004 and to increase by 10.0 per cent and 10.4 per cent in 2005 and 2006 respectively. As a percentage of GDP, net receipts are expected to average 37.9 per cent over the period 2004 - 2006 compared with 34.8 per cent in 2003. Stay-over arrivals to St. Lucia are projected to increase by 10.0 per cent every year over the medium term influenced by increased airlift from the UK and the US and increased marketing. Likewise cruise passengers are anticipated to increase by 20.0 per cent³ in 2004 and by 5.0 per cent in 2005 and 2006.

INCOME

Net outflows on the income account are projected to increase over the medium term, based on an anticipated growth in the outstanding external debt stock. As a percentage of GDP the deficit on the income account is expected to average 6.8 per cent over the

medium term.