EASTERN CARIBBEAN CENTRAL BANK

ECONOMIC AND FINANCIAL REVIEW

2025 UPDATE

Saint Lucia

Finalised 2025 actuals and revised medium-term projections

Research, Statistics and Data Analytics Department
www.eccb-centralbank.org

EASTERN CARIBBEAN
CENTRAL BANK

Economic and Financial Review

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Saint Lucia

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ABOUT THIS REVIEW

Important Note

This publication updates the **December 2025 Annual Economic and Financial Review (AEFR)** by reflecting revised 2025 data and revised short- and medium-term macroeconomic projections. Note that the real GDP growth figures for Saint Lucia are provisional and subject to future revision. By substituting preliminary estimates with revised data, the report outlines the outturn of core economic indicators for 2025, establishing an updated baseline for comparative analysis against the previous estimates. Based on newly available Q1-2026 data and changing economic conditions, our growth outlook for 2026 and 2027 has been revised. These short- and medium-term projections also integrate recent surveillance conducted by our technical staff. By accounting for these factors, this review ensures that our policy recommendations remain closely aligned with domestic economic developments and broader international trends.

While these updated projections outline the most likely path forward, actual economic results may diverge from current estimates. Significant variables, including shifting geopolitical dynamics and the execution timelines of national infrastructure projects, introduce baseline uncertainties that could result in either upward or downward deviations from these forecasts. These forecasts should therefore be viewed as flexible guidelines that will be updated as new monthly data and official statistics become available.

DISCLAIMER

The Eastern Caribbean Central Bank (ECCB) takes reasonable measures to ensure that the data and other information in this publication are accurate and current, however, the ECCB reserves the right to make corrections and makes no warranty, expressed or implied as to the accuracy, timeliness or completeness of any of the information provided herein.



The Pitons, Saint Lucia. Source: St. Lucia Citizenship by Investment.

2025 AT A GLANCE

Economic Snapshot

Preliminary estimates suggest that the decline in tourism activity triggered a broad-based slowdown across the economy, resulting in a deeper contraction in real GDP in 2025. The medium-term economic outlook remains modest, with key downside risks stemming from ongoing geopolitical conflicts, and persistent inflationary pressures.

Real GDP Growth

−0.6%

Provisional data, subject to change

Economic activity contracted driven by a sharper-than-expected decline in tourism.

Inflation

0.3%

end of period (EOP)

Subdued inflation reflected lower commodity prices and policy support.

Debt-to-GDP

76.7%

public sector debt

The debt ratio declined but remained well above the ECCU's 60% target.

Total (stayover) arrivals

426,676

2025

Stay-over arrivals fell, reflecting weaker key source market demand following prior-year highs.

Top 4 GDP Contributors

Accommodation and Food Service	24.2%
Wholesale and Retail Trade	12.5%
Real Estate Activities	11.5%
Financial and Insurance Activities	7.1%

Tourism and allied service sectors anchored economic activity.

Trade Balance

−30.6%

goods, % of GDP

High trade deficits persisted due to heavy import reliance.

NPL ratio

8.5% fell in 2025

5.0% prudential benchmark

Asset quality improved, although the NPL ratio remained above the ECCB prudential benchmark.

Tax Revenue

20.1%

% of GDP

Revenue administration efforts sustained tax collections despite weaker economic activity.

Overall Fiscal Balance

−4.8%

% of GDP

Higher current and capital expenditure outpaced revenue growth, widening the fiscal deficit.

1 Overview

Headline assessment of Saint Lucia in 2025

01 **Economic activity contracted by 0.6 per cent in 2025[1], marginally below the 0.5 per cent decline previously estimated in the December 2025 AEFR.** This downturn was due to a deeper-than-expected deceleration in tourism coupled with underperformance of key sectors such as construction. This outturn along with domestic constraints resulted in a broad-based economic decline.

02 **Fiscal and debt outturns deteriorated relative to initial projections.** Higher expenditure pressures and softer revenue performance resulted in a wider fiscal deficit and a less favourable debt trajectory.

03 **The external position weakened beyond previous estimates, while monetary conditions remained broadly supportive of economic activity.** A wider current account deficit emerged, driven by lower travel receipts and increased external borrowing. Strong liquidity conditions sustained credit expansion despite weaker economic activity.

04 **The economy is expected to return to its medium-term growth trajectory but risks to the outlook are tilted to the downside.** The outlook could worsen should global economic headwinds deepen stemming from a protracted geopolitical conflict in the Middle East.



Photo credit: St. Lucia Citizenship by Investment

[1] Real GDP growth data is provisional and subject to further revision.

2 Recent Economic Developments

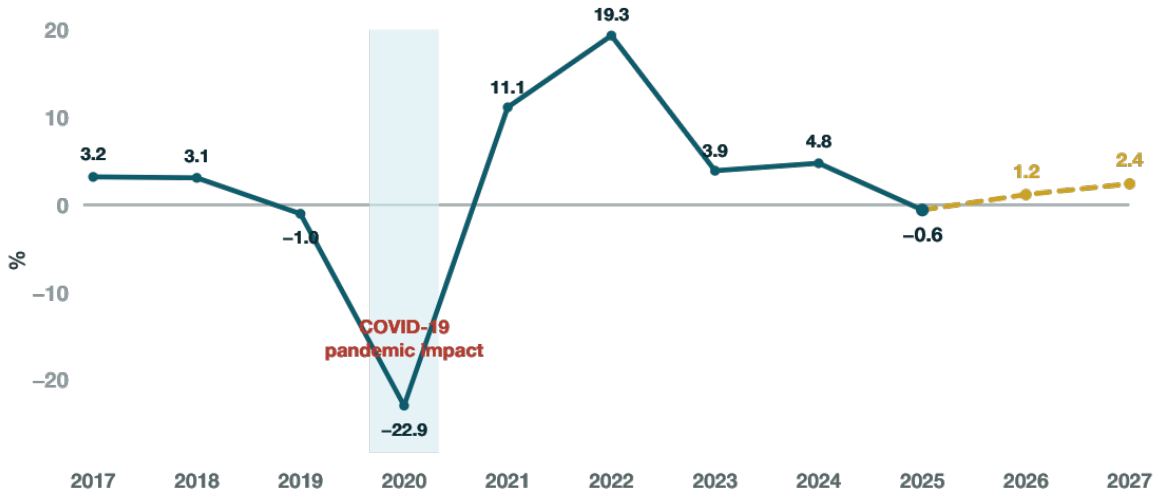
Real sector, prices, fiscal, external and monetary outturns

2.1 Real Sector Developments

The economy contracted by 0.6 per cent in 2025[2], compared with the previously estimated contraction of 0.5 per cent and growth of 4.8 per cent in 2024 (Figure 1). The outturn reflected a broad-based weakening in key sectors, driven by a deeper contraction in tourism and weaker-than-expected outcomes in construction. The softer performance of these core sectors contributed to slower employment growth, weaker domestic demand and lower economic activity across the wider economy.

Figure 1. Real GDP Growth Path

Moderation in growth reflects economy-wide downturn as tourism fell. 2026 and 2027 are projections.



Source: Central Statistical Office and ECCB 2026.

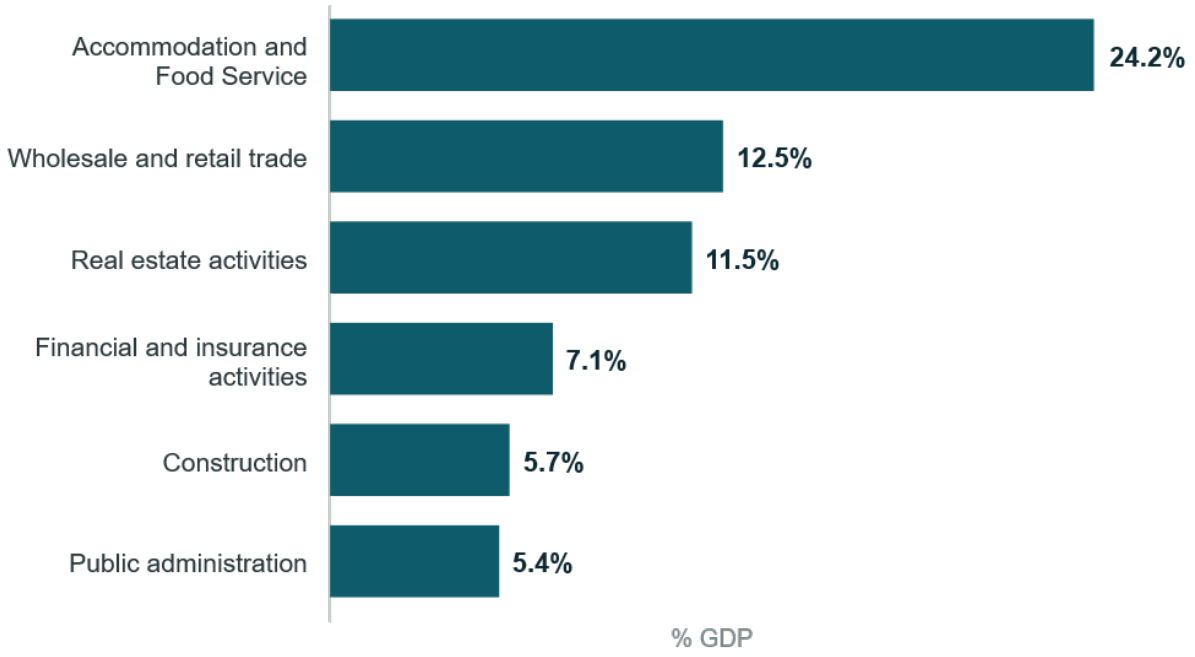
Driven by declines across all visitor categories, accommodation and food service (tourism) recorded a contraction of -4.9 per cent, representing a sharper revision than the -2.5 per cent previously projected. Weaker tourism activity was driven by lower airlift from key source markets, particularly the United Kingdom and Canada, amidst elevated travel costs and continued domestic operational challenges. This had adverse spillover effects on transportation and related services. Given the sector's importance to output, employment and external earnings, the weaker tourism outturn was the principal driver for the downward revision to real GDP growth in 2025.

[2] Real GDP growth data is provisional and subject to further revision.

Activity in several major sectors fell short of earlier expectations from the December 2025 report. Construction growth slowed considerably, reflecting delays and weaker private sector activity, while wholesale and retail trade, manufacturing and real estate recorded weaker outcomes than initially projected. These developments were partially offset by stronger performances in agriculture, financial and insurance services, and public administration, which helped to anchor overall economic activity. Consistent with the weaker tourism outturn, the top four sectors' contribution to GDP declined by 1.2 percentage points to 55.2 per cent in 2025, from 56.4 per cent in 2024 (Figure 2)..

Figure 2. Sector Contribution to GDP (2025)

The top 4 sectors contribute 55.2 per cent to GDP.



Source: Central Statistics Office and ECCB.

Labour market indicators similarly reflected a deceleration in broader economic activity. Data from the 2025 Annual Labour Force Survey placed Saint Lucia's overall unemployment rate at 12.6 per cent in 2025. On a quarterly basis, the fourth-quarter rate stood at 10.8 per cent, marking a notable increase from the 8.8 per cent recorded in the corresponding period of the previous year, highlighting tightening labour market constraints toward year-end.

−4.9%
Contraction in accommodation and food service (tourism) in 2025

12.6%
Overall unemployment rate, 2025 Annual Labour Force Survey

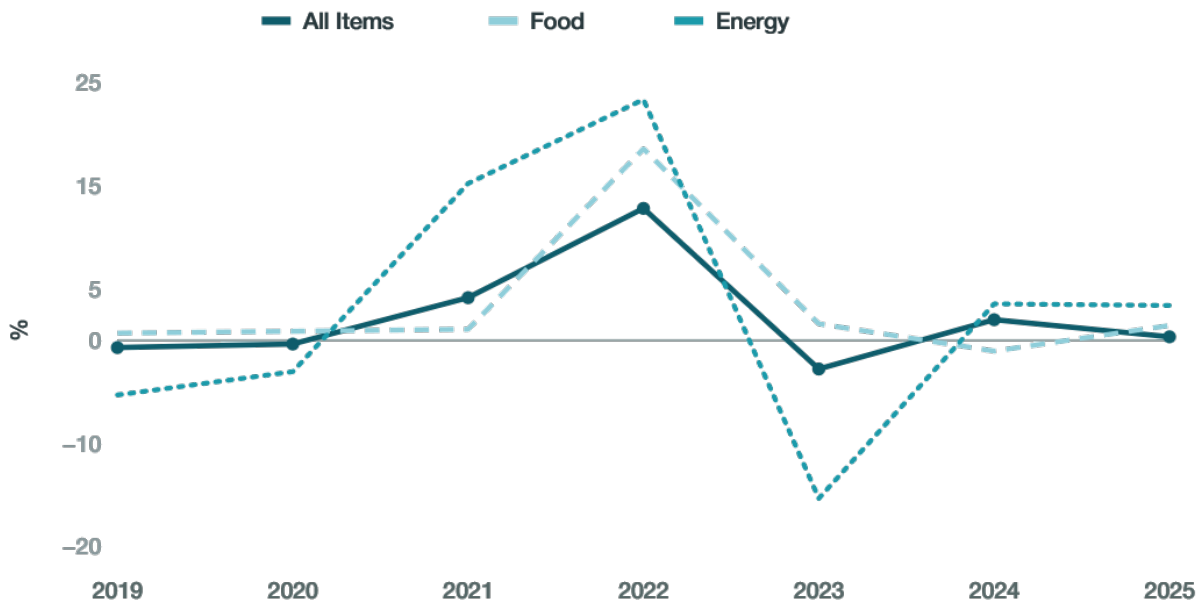
55.2%
Tourism-led top 4 sectors' contribution to GDP in 2025

2.2 Prices

Inflation remained subdued in 2025, with consumer price growth decelerating at 0.3 per cent relative to the previous estimate of 0.6 per cent but an increase from -0.5 per cent recorded in 2024 (Figure 3). In 2025, lower global commodity prices, easing imported inflation and targeted domestic policy interventions, including subsidies on kerosene and liquefied petroleum gas. These factors helped contain price pressures offsetting persistent structural constraints related to freight costs and logistics.

Figure 3. Annual Inflation Trends

Inflation slowed in line with year-end international price trends.



Source: Central Statistical Office and ECCB.

0.3%
End-of-period inflation in 2025, up from −0.5 per cent in 2024

1.4%
Food price growth in 2025

3.4%
Energy price growth in 2025

2.3 Fiscal

Fiscal performance weakened significantly in 2025 as expenditure growth outpaced revenue gains. The overall deficit widened to 4.8 per cent of GDP, significantly exceeding both the projected deficit of 2.0 per cent and the prior year's deficit of 2.9 per cent (Table 1). Total expenditure expanded by 2.6 percentage points to reach 27.3 per cent of GDP, surpassing earlier forecasts from the December 2025 report as well as the prior year's outcome of 24.3 per cent of GDP. This was driven by higher-than-anticipated outlays in transfer payments and completed capital projects. Additionally, a higher wage bill and rising interest cost[3] on expanding external debt further compounded fiscal pressures.

[3] The effective interest rate paid on foreign debt has exhibited an upward trend over the past five years, increasing at an average rate of 0.2 percentage points per year.

Tax revenue eased slightly in 2025, reflecting tax concessions and other economic support measures. A slight weakness was observed in total revenue, which fell to 20.1 per cent of GDP from 20.4 per cent. This decline largely reflected the slowdown in economic activity and targeted relief measures including the broadening of zero-rated food items and the removal of VAT on selected construction materials. Additionally, there was marginal reduction in project-related grants as projects decelerated in 2025.

Table 1. Central Government Fiscal Operations

as a per cent of GDP unless stated otherwise

INDICATOR	2019	2020	2021	2022	2023	2024	2025R
Total Revenue	21.1	23.9	21.1	19.5	20.5	21.4	22.4
Current Revenue	20.5	22.9	19.5	18.4	19.9	21.0	22.1
of which CBI	0.2	0.8	0.8	0.8	0.4	0.7	0.6
Tax Revenue	18.6	20.9	17.7	16.6	18.4	19.2	20.1
Total Grants	0.7	1.0	1.5	1.1	0.6	0.4	0.3
Total Expenditure	22.9	33.4	29.2	21.8	23.2	24.3	27.3
Current Expenditure	19.8	27.7	23.8	19.0	20.0	19.0	20.4
Interest Payments	3.0	4.0	3.4	2.9	3.2	3.3	4.1
Capital Expenditure	3.1	5.7	5.4	2.8	3.2	5.3	6.8
Current Account (after Grants)	0.7	−4.8	−4.3	−0.6	−0.2	2.1	1.6
Overall Balance (after Grants)	−1.7	−9.5	−8.2	−2.3	−2.7	−2.9	−4.8
Primary Balance (after Grants)	1.3	−5.6	−4.8	0.6	0.5	0.4	−0.8
Financing	1.7	9.5	8.2	2.3	2.7	2.9	4.8
Domestic	−1.9	3.4	3.1	2.2	2.1	−0.9	3.2
External	3.6	6.1	5.0	0.0	4.8	3.8	1.6
MEMO ITEMS							
Total Public Sector Debt (EC$M)	3,495.6	3,928.5	4,362.9	4,572.5	4,888.4	5,159.7	5,504.4
Debt-to-GDP Ratio	61.9	95.6	86.4	73.0	74.2	73.4	76.7

Note: Data for 2025 are revised.

Source: Central Statistical Office and ECCB.

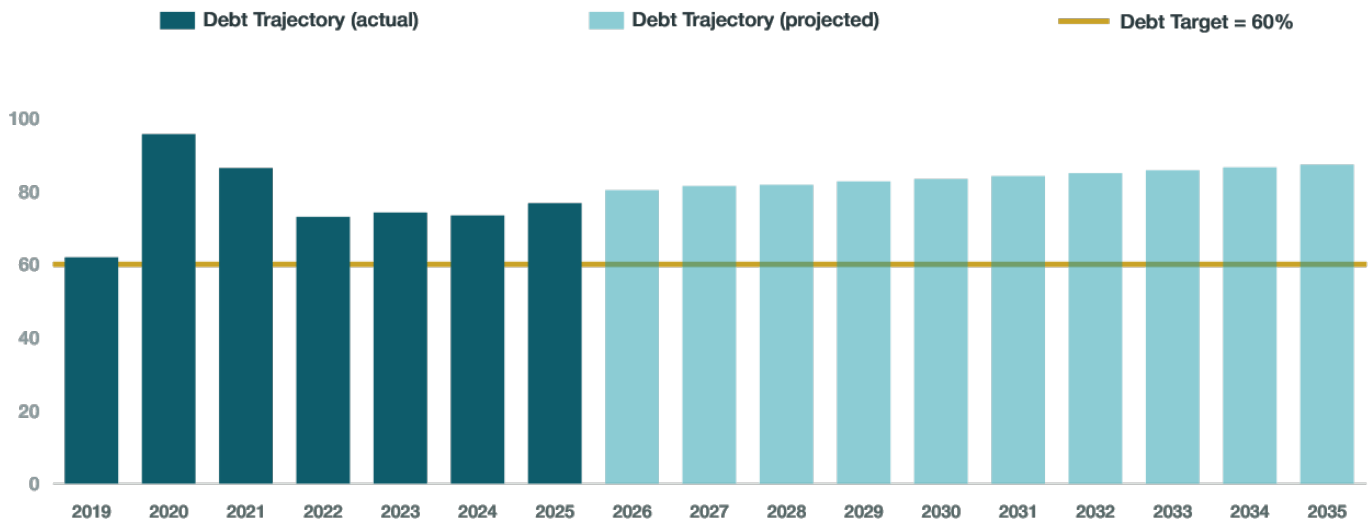
Debt

The debt-GDP ratio fell[4] by 1.3 percentage points to 76.7 per cent but remained elevated above the ECCU debt target (Figure 4). In line with the growing financing needs, the debt ratio is projected to remain elevated over the medium term, underscoring the need for sustained fiscal consolidation to place public debt under a downward path. Notwithstanding, amortisation of public corporations' debt would have slowed further expansion in the ratio.

[4] Government's decision to settle outstanding land acquisition obligations by about $40.0m, also contributed to the improvement in the debt ratio in 2025.

Figure 4. Baseline Debt Projections (public sector debt to GDP, per cent)

Baseline projections suggest a broadly stable, but elevated public debt trajectory.



Solid bars denote actuals (2019–2025); lighter bars denote projections. Source: Central Statistical Office and ECCB projections.

76.7%
Debt-to-GDP ratio in 2025, down 1.3 percentage points

$5,504.4m
Total public sector debt at end-2025

60%
ECCU debt target, to be met by 2035

2.4 External Developments

The current account deficit widened to 5.2 per cent of GDP in 2025, significantly exceeding both the initial estimate of 3.3 per cent and the 1.5 per cent deficit recorded in 2024. This deterioration reflected weaker tourism activity and a corresponding decline in travel receipts (Table 2). There was a modest improvement in the trade balance which reflected softer import demand associated with weaker tourism activity and slower construction-related imports. Travel receipts declined to 49.3 per cent of GDP, below the previously estimated 53.0 per cent of GDP. On the financial account, foreign direct investment inflows moderated to 6.6 per cent of GDP, reflecting slower implementation of private sector investment projects.

The deterioration in the external position was primarily driven by weaker tourism activity and the associated decline in travel receipts (Table 2). There was a modest improvement in the trade balance which reflected softer import demand associated with weaker tourism activity and slower construction-related imports. Travel receipts declined to 49.3 per cent of GDP, below the previously estimated 53.0 per cent of GDP. On the financial account, foreign direct investment inflows moderate to 6.6 per cent of GDP, reflecting slower implementation of private sector investment projects.

Table 2. External Accounts – Selected Indicators

Per cent GDP unless otherwise stated

INDICATOR	2019	2020	2021	2022	2023	2024	2025R
Current Account	3.3	(18.7)	(10.4)	(3.3)	(2.1)	(1.5)	(5.2)
Balance of Trade	(24.7)	(29.5)	(29.0)	(32.6)	(33.6)	(33.5)	(30.6)
Exports	3.9	3.6	3.1	3.4	3.3	3.5	3.7
Imports	28.6	33.2	32.2	36.0	36.9	37.0	34.3
Services	32.0	10.5	17.2	30.3	30.3	33.0	27.6
Travel	50.9	22.4	30.4	46.7	49.2	53.6	49.3
Primary Income	(6.0)	(2.3)	(2.5)	(8.6)	(8.9)	(10.0)	(8.7)
Secondary Income	0.2	1.0	1.9	1.2	1.4	0.6	0.8
Capital Account	1.6	1.6	1.6	1.9	1.5	0.5	0.3
Financial Account	1.6	(14.1)	(7.0)	(1.7)	(1.4)	(2.3)	(7.5)
of which: Direct Investment	(1.5)	(8.1)	(4.7)	(3.3)	(6.8)	(7.2)	(6.6)
MEMO ITEMS							
Current Account (EC$M)	188.1	(766.7)	(524.7)	(208.3)	(139.8)	(108.1)	(448.7)
Balance of Trade (EC$M)	(1,394.0)	(1,213.1)	(1,467.1)	(2,039.6)	(2,213.9)	(2,353.1)	(2,195.0)

Note: Data for 2025 are revised.

Source: Central Statistical Office and ECCB.

−5.2%
Current account deficit as a share of GDP in 2025

49.3%
Travel receipts as a share of GDP, down from 53.6 per cent

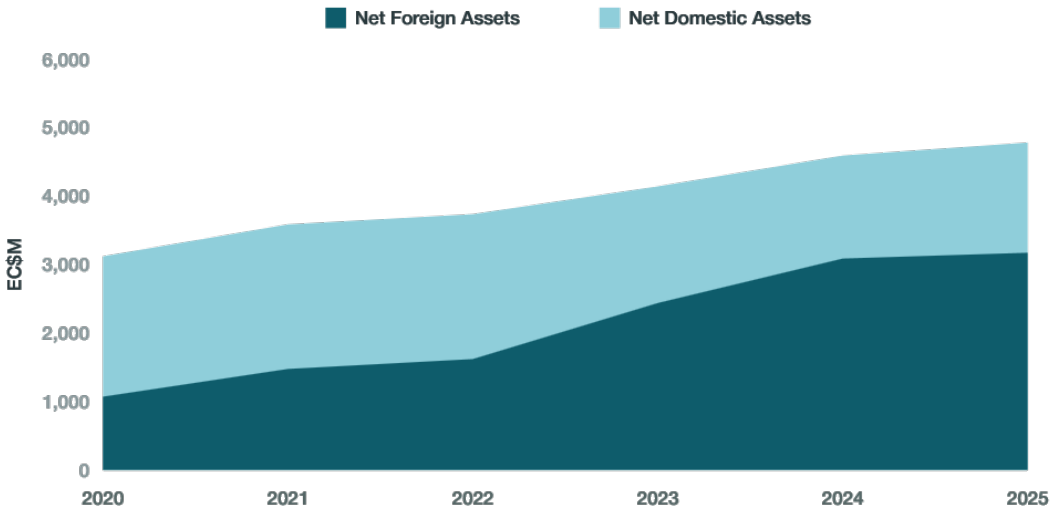
6.6%
Foreign direct investment inflows as a share of GDP

2.5 Banking and Monetary Developments

Supported by stable liquidity conditions and credit growth, financial sector outturns remained broadly in line with the earlier estimates. Broad money (M2) remained virtually unchanged, reflecting balanced fluctuations in both net foreign assets (NFA) and net domestic assets (NDA) (Figure 5). The increase in NFA was consistent with foreign exchange inflows associated with tourism, despite the drop in 2025, and increase in foreign direct investment activity. Meanwhile, growth in NDA reflected ongoing credit expansion and financing activity within the domestic economy, particularly linked to real estate and construction.

Figure 5. Trends in Monetary Aggregates

Monetary expansion reflected increases in both net domestic and net foreign assets.

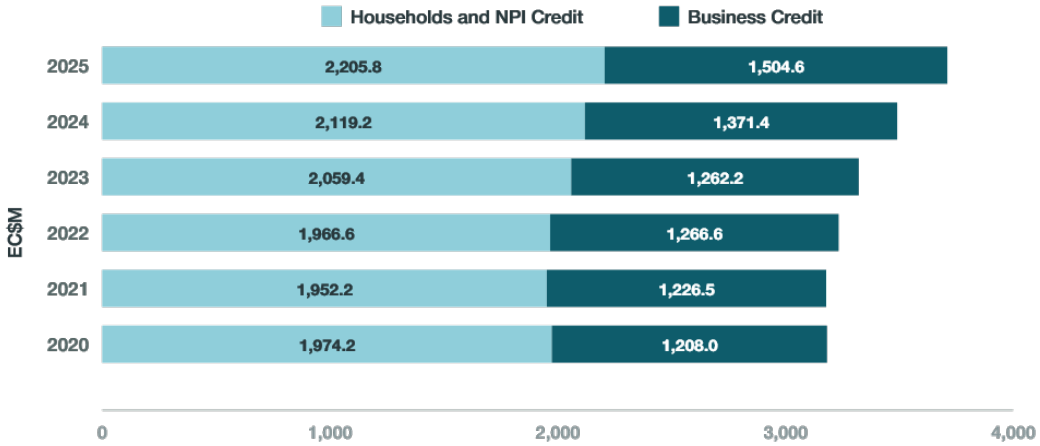


Source: ECCB Estimates.

Private sector credit expanded further in 2025, underpinned primarily by household borrowing and sustained business lending (Figure 6). Credit continued to be largely extended to households, particularly for residential mortgages, reflecting ongoing demand for housing and land development. Business credit also increased, supported by financing for real estate activities and construction-related projects.

Figure 6. Trends in Private Sector Credit

Credit growth continued to be led by household borrowing.



Source: ECCB Estimates.

Financial stability indicators remained sound in 2025, reflecting strong liquidity conditions and an improvement in asset quality (Table 3). Asset quality across the commercial banking sector improved notably in 2025, with the non-performing loan (NPL) ratio revised downward to 8.5 per cent, compared to the initial estimate of 12.2 per cent and the 11.9 per cent recorded in 2024. This favorable adjustment reflects aggressive credit risk management, driven primarily by enhanced loan recovery mechanisms and debt write-offs by commercial banks. Liquidity levels remained elevated, with liquid assets accounting for 43.9 per cent of total assets, providing banks with a substantial buffer against potential shocks.

Table 3. Selected Financial Stability Indicators

Per cent, unless otherwise stated

INDICATOR	2019	2020	2021	2022	2023	2024	2025R
Non-Performing Loans Ratio	8.2	10.4	12.6	12.8	14.5	11.9	8.5
LIQUIDITY RATIOS							
Liquid Assets to Total Assets	40.7	37.7	39.3	41.5	42.4	45.8	43.9
Deposit to Loan Ratio	–	–	126.2	130.6	138.7	153.2	151.9

Note: Data for 2025 are revised.
Source: ECCB Estimates.

8.5%
NPL ratio, down from 11.9 per cent in 2024

43.9%
Liquid assets to total assets

151.9%
Deposit to loan ratio in 2025



Photo credit: Castries harbour, Saint Lucia: St. Lucia News Now.

3 Medium-Term Macroeconomic Outlook

Global context, domestic projections and risks to 2027

3.1 Outlook

The economic fallout originating from the US–Israel–Iran conflict has prolonged global uncertainty and contributed to a slowdown in economic activity in 2026. This development has compounded existing challenges identified by the IMF in its April 2026 World Economic Outlook (WEO), which highlighted that global growth was already being constrained by rising trade barriers, geopolitical fragmentation, and heightened uncertainty, with the Middle East conflict posing a further downside risk through supply disruptions and higher energy prices. Consequently, growth in major source markets in 2026 is expected to soften marginally relative to the January 2026 WEO (Table 4). Growth is expected to moderate to 2.3 per cent (USA), 1.5 per cent (Canada) and 0.8 per cent (the UK).

Table 4. World Economic Outlook: Growth Projections

Per cent

COUNTRY/GROUP	2025	2026	2027
World	3.4	3.1	3.2
Advance Economies	1.9	1.8	1.7
United States	2.1	2.3	2.1
Euro Area	1.4	1.1	1.2
United Kingdom	1.3	0.8	1.3
Canada	1.7	1.5	1.9
Emerging Market and Developing Economies	4.4	3.9	4.2
China	5.0	4.4	4.0
Latin America and the Caribbean	2.4	2.3	2.7

Source: IMF, WEO April 2026.

Economic activity is expected to return to positive growth over the medium term. However, growth is projected to be slower than the previous forecast of 1.4 per cent, as the effects of the US-Israel-Iran conflict and weaker external demand weigh on domestic activity. Real GDP growth is projected at 1.2 per cent in 2026 before strengthening to 2.4 per cent in 2027, supported primarily by a gradual recovery in tourism activity and the implementation of major public and private investment projects.

Tourism activity is expected to recover modestly over the medium term. The recovery follows the weak performance recorded in 2025 and is expected to be supported by the reopening and expansion of accommodation capacity, destination marketing initiatives, and efforts to broaden market reach. Notably, Saint Lucia's new multi-year partnership with Arsenal Football Club, which was launched in the 2026/27 season, is poised to significantly boost international brand exposure and drive medium-term tourism growth. In addition to expanding market reach in the United Kingdom, the agreement supports broader socio-economic development through a local youth sports Academy Hub. These developments should support a gradual improvement in visitor arrivals and tourism-related activity over the medium term. However, the pace of recovery is expected to remain constrained by elevated transportation and operating costs associated with the Middle Eastern conflict, which could reduce travel demand in key source markets and compress tourism-related spending. Consequently, any drop-off in visitor arrivals could have ripple effects on accommodation, transportation, wholesale and retail trade, and other ancillary services.

Construction activity is expected to be mixed in 2026. Private sector projects are expected to progress while the completion of several large public projects in 2025 weighs on near-term activity. However, stronger implementation of planned infrastructure projects and increased private investment are expected to support a broader recovery in 2027.

Inflation is projected to increase to 2.7 per cent in 2026 from 0.3 per cent in 2025 before moderating to 1.5 per cent in 2027. This upward price momentum is expected to stem from the pass-through effects of elevated fuel, freight, and imported food costs linked to ongoing conflicts in the Middle East, as well as the potential discontinuation of domestic price support measures. Additional inflationary pressures could stem from US inflation remaining near or above 4.0 per cent in the medium-term, which may prolong elevated import prices and affect US citizens' purchasing power[5]. As global commodity markets stabilise and supply conditions improve, inflationary pressures are expected to ease in 2027.



Photo credit: Saint Lucia Tourism Authority

[5] The US is the country's main source market for tourists. Visitor arrivals represented an average of 60.0 per cent of total stay overs arrivals over the past five years and have been most resilient since the Pandemic.

Table 5. Medium-Term Outlook – Selected Indicators

Per cent GDP, unless otherwise stated

INDICATOR	2025R	2026E	2027F
REAL SECTOR			
Nominal GDP (EC$M)	7,172.4	7,484.6	7,764.1
Real GDP (EC$M)	6,096.4	6,168.8	6,318.1
Real GDP Growth (per cent)	(0.6)	1.2	2.4
Inflation (end of period; per cent)	0.3	2.7	1.5
GOVERNMENT SECTOR			
Current Revenue	22.1	21.2	21.6
Current Expenditure	20.4	20.7	21.0
Capital Expenditure	6.8	5.3	6.2
Primary Balance	(0.8)	(0.5)	(1.1)
Overall Balance	(4.8)	(4.3)	(5.2)
Financing	4.8	4.3	5.2
EXTERNAL SECTOR			
Balance of trade	(30.6)	(36.6)	(37.5)
Travel receipts	49.3	47.3	47.1
Current account	(5.2)	(7.9)	(6.4)
Foreign Direct Investment	(6.6)	(7.4)	(7.6)
MONETARY SECTOR			
Money Supply	66.6	68.7	71.0
Net Foreign Assets	44.2	43.5	43.0
Net Domestic Assets	22.4	25.2	28.0
Domestic Credit	41.1	41.7	37.2
Of which credit to the private sector	51.7	50.5	50.9
Of which credit to businesses	21.0	20.4	20.8
Of which credit to households	30.8	30.2	30.2
MEMO ITEMS			
Total public sector debt (EC$M)	5,504.4	6,010.2	6,220.4
Total public sector debt to GDP	76.7	80.3	81.4

Note: Data for 2025 are revised; data for 2026 are estimates and data for 2027 are forecasts.

Source: Central Statistical Office and ECCB.

Fiscal conditions are expected to weaken over the medium term. Expenditure pressures are projected to stem from higher debt servicing costs following the expiration of COVID-19 loan grace periods, increased social transfers[6], and elevated current expenditure. At the same time, revenue growth is expected to remain subdued due to temporary tax relief measures introduced to cushion residents from the effects of the conflict. Consequently, the fiscal space is expected to continue in negative territory, with the overall fiscal balance projected to remain elevated over the medium term averaging 4.8 per cent of GDP.

Medium-term debt dynamics remain unfavourable under the baseline, as elevated interest costs and low economic growth exert upward pressure. As a result, the debt ratio is projected to remain above the ECCU's target by 2035. Achieving debt stabilisation would require a primary surplus of approximately 2.8 per cent of GDP, highlighting the important role of stronger economic growth and fiscal adjustment.

The share of variable-rate debt also poses risks to the medium-term fiscal outlook and debt sustainability. At the end of 2025, variable-rate debt accounted for 30.1 per cent of gross external debt and remains vulnerable to changes in international interest rates movement. Sensitivity analysis indicates that maintaining borrowing costs 100 basis point above baseline assumptions could raise annual debt service costs by approximately $6.4m in 2027. This in turn could increase the interest-growth differential and moderate the progress toward the 2035 debt target[7].

The current account deficit is projected to deteriorate further over the medium-term driven by conflict-related import costs and moderating tourism receipts. The current account deficit is forecast to widen to 7.9 per cent of GDP in 2026 before narrowing to 6.4 per cent in 2027, as the trade deficit expands to 36.6 per cent amid higher fuel costs and import demand associated with planned public and private investment activity. Slower growth in travel receipts is projected to limit the services account balance, while stronger foreign direct investment inflows would continue to support external financing.

2.8%
Primary surplus of GDP required for debt stabilisation

30.1%
Variable-rate share of gross external debt at end-2025

$6.4m
Added annual debt service in 2027 if borrowing costs rise 100 basis points

Monetary conditions are expected to remain accommodative supported by ample banking system liquidity. Net foreign assets are projected to benefit from a recovery in tourism-related foreign exchange inflows. While net domestic assets are expected to strengthen alongside higher credit demand for private investment and construction projects. Financial conditions are expected to remain stable, while the non-performing loans ratio is anticipated to remain above the ECCB prudential benchmark, warranting continued monitoring of credit quality.

[6] For the Fiscal Year (FY) 2026/27, the Government indicated an increase in transfers, as a baseline, to State-Owned Enterprises (SOEs), funding for special needs schools and Non-Government Organisations (NGOs) serving the elderly and vulnerable.
[7] Author's calculations based on end-2025 gross external debt and the outstanding stock of floating-rate external debt. The interest rate shock assumes a sustained 100 basis point increase in interest rates, applied to the outstanding stock of variable-rate external debt. This represents a conservative stress scenario.

3.2 Risks

Risk to the outlook remain tilted to the downside, primarily reflecting the uncertain trajectory of the US-Israel-Iran conflict (Box 1) and its potential implications for global growth, commodity prices and trade flows (Table 6). A prolonged conflict could result in higher energy and food prices, increased shipping and transportation costs, and weaker economic activity in Saint Lucia's major tourism source markets. These developments could dampen external demand, moderate tourism growth, and create inflationary pressures that filter into government's fiscal performance. Domestically, elevated borrowing costs and climate-related shocks, and slow project implementation rates could further constrain fiscal sustainability and growth prospects. Nevertheless, a faster-than-expected easing of geological tensions and stronger tourism performance could provide some upside support to economic activity over the medium term.

Table 6. Risk Assessment Matrix

IDENTIFIED RISK FACTOR	LIKELIHOOD	MACROECONOMIC IMPACT
DOWNSIDE RISKS		
Escalating Middle East conflict threatens global growth.	**High**	Likely to result in significant macroeconomic consequences including weaker global growth, with rising energy prices resulting in higher inflation including for transportation, creating potential headwinds for major tourism source markets. Rising inflation in key import source markets resulting in imported inflation increasing domestic prices likely in Q3 and Q4.
Rising geopolitical tensions and subsequent retaliatory tariffs stifle global trade.	**High**	Rising geopolitical tensions resulting in higher tariffs impacting global trade resulting in increased uncertainty, weaker growth and potentially additional inflationary stimulus.
Elevated global inflationary expectations trigger prolonged restrictive monetary policy	**Medium**	Higher inflationary expectations prompting higher global interest rates increasing servicing costs for variable interest rate loans.
Tightening fiscal space in advanced economies constrains foreign aid budgets.	**Medium**	Tightening fiscal space in advanced economies significantly reducing development assistance, particularly support for climate resilience investment.
Climatic events and natural disasters.	**High**	Frequent weather shocks disrupt agriculture, tourism, and infrastructure, create unplanned fiscal demands, and exacerbate debt dynamics.
UPSIDE RISKS		
An end to military hostilities in the Middle East.	**Low**	Immediate cessation of military conflict in the Middle East and resumption of global oil supplies: Resulting in stronger growth and easing of inflationary pressures positively impacting tourism arrivals and easing domestic price pressures.
An easing of conflict related trade disputes and shipping bottlenecks.	**Low**	Easing of trade frictions resulting in a rebound in global trade supporting improved growth and easing inflationary pressures in major import source markets.
The stabilisation of the global economic environment.	**Low**	Proactive fiscal management expands budgetary flexibility and improves debt sustainability metrics.

4 Policy Recommendations

Priorities to address imbalances and anchor resilient growth

In light of the evolving domestic and external environment, the policy recommendations outlined in the 2025 Annual Economic and Financial Review remain highly relevant. In particular, the emphasis on strengthening fiscal resilience, improving public investment management, and enhancing economic competitiveness continues to provide an appropriate framework for safeguarding macroeconomic stability in Saint Lucia. Building on these priorities, the current assessment identifies three areas requiring renewed policy attention in response to recent external developments and domestic constraints.

1. **Targeted social support would be crucial in preserving fiscal sustainability considering ongoing global shocks.** The recent escalation in global energy prices arising from the US-Israel-Iran conflict has increased the cost of fuel and heightened inflation risks for Saint Lucia. While the Government's temporary support measures could help cushion households from higher living costs, they reduce revenue and constrain fiscal space at a time when debt service obligations and recurrent expenditure pressures are increasing. Future support measures should remain targeted and temporary, with assistance focused on vulnerable households and clearly defined exit strategies to limit long-term fiscal costs and safeguard progress toward the public debt target.

2. **Accelerating structural reforms to bolster energy security[8] and logistics efficiency will be important for external resilience and competitiveness.** The projected deterioration in the external account highlights Saint Lucia's continued vulnerability to imported energy costs and global supply disruptions. Higher oil prices associated with the ongoing conflict are expected to increase the fuel import bill, widen the trade deficit, and contribute to a larger current account deficit over the medium-term. Accelerating renewable energy initiatives, improving port and logistics efficiency, and reducing transportation and distribution costs could lessen the economy's vulnerability to external shocks while lowering production costs and improving business competitiveness.

3. **To counter recent tourism trends, tourism strategies should pivot to preserving visitor spending and strengthening domestic economic linkages (Box 2).** Although tourism activity is projected to continue expanding, growth in visitor arrivals and travel receipts is expected to moderate amid higher travel costs and weaker external demand conditions. Authorities are encouraged to focus on increasing average visitor expenditure, encouraging longer stays, and strengthening linkages between tourism and domestic sectors such as agriculture, manufacturing, and cultural industries. At the same time, improving the timely execution of tourism-related infrastructure projects and supporting higher-value tourism offerings will be critical to sustaining foreign exchange earnings, growth and employment.

BIG PUSH

To achieve a doubling of real GDP within a decade, requiring sustained annual growth of approximately 7.0 per cent, ECCU member governments should execute on coordinated **"Big Push"**[1] strategies across seven key transformational areas. Transitioning from incremental reform to simultaneous, high-impact intervention, priority policies should focus on reducing structural import leakages via food security and renewable energy transitions, while modernising infrastructure through digital integration. Furthermore, targeted investments must align human capital with future sector demands, boost tourism benefits, and strengthen institutional frameworks for financial inclusion and savings mobilization to insulate long-term growth from external shocks.

[1] For more information on the “Big Push” Agenda, refer to the ECCB website at *https://www.eccb-centralbank.org*.

[8] Saint Lucia launched its National Energy Policy (2023–2030), which prioritises energy security, energy diversification, and greater use of renewable energy to reduce reliance on imported fuels.
[9] For more information on the Big Push, refer to the ECCB website at https://www.eccb-centralbank.org.

BOX 1

Box I: Managing the Fallout from the US-Israel-Iran Conflict

The ongoing US-Israel-Iran conflict constitutes an adverse external shock for small, highly import-dependent economies such as Saint Lucia. Recent analysis done by Parke et al. 2026 explores the transmission channels by which heightened geopolitical tensions such as the ongoing conflict impact the ECCU region. Specifically, the analysis explores how higher oil prices, elevated freight costs and rising food prices can generate significant fiscal pressures. These pressures may stem from governments policy interventions to shield households and businesses from imported inflation through tax relief and subsidy programmes. Importantly, the policy paper indicates that governments' interventions often defer but do not eliminate the economic impact. In effect, the economic burden is shifted from consumers to the public sector[10]. The following analysis briefly explores selected initiatives as well as the associated costs for Saint Lucia.

Consistent with the analysis, the Government of Saint Lucia has deployed several measures to mitigate the pass-through of higher international fuel prices to the domestic economy[11]. The reduction in fuel excise taxes, together with subsidies on LPG products, are expected to contain increases in domestic transportation and household energy costs. In April 2026, the subsidy on diesel was $2.3 per imperial gallon, while subsidies on 20-pund and 22-pound cylinders exceeded $36.0 and $39.0 per cylinder, respectively. Without these interventions, the retail price of a 20 and 22-pound cylinder would have exceeded $70.0[12].

Recent estimates suggest that fuel-related tax collections are expected to fall materially short of budget estimates, as excise tax reductions and negative effective tax rates on selected petroleum products reduce collections. The authorities estimate that fuel tax receipts could fall approximately $13.0m below budgeted estimates, while LPG subsidies costs were projected to exceed budget allocations by roughly $4.0m. In addition, direct fuel support measures were estimated to cost approximately $1.2m over a three-week adjustment period alone[13].

While these measures could help preserve households' purchasing power and reduce the immediate pass-through of imported inflation, they also create additional fiscal pressures though lower tax collections and higher recurrent expenditure.

The medium-term challenge therefore extends beyond the immediate fiscal cost of fuel support. The combination of weaker revenue performance elevated social expenditure requirements, added to higher debt servicing costs, may risk complicating fiscal consolidation efforts and delay the convergence toward the ECCU debt target of 60.0 per cent by 2035. Consequently, the conflict reinforces the urgency of structural measures highlighted in the ECCU assessment, including targeted social protection, strengthened fiscal buffers, greater energy diversification and accelerated investment in renewable energy and food security initiatives to reduce the economy exposure to figure commodity shocks.

Policy Measures Implemented

- **Fuel excise tax reductions** on diesel, gasoline, kerosene and other petroleum products to moderate retail price increases.
- **LPG subsidies** on 20 and 22-lbs cylinders to protect households from higher international prices.
- **Household support measures** include transfer and social support to the vulnerable to cushion the impact of higher living costs.

Estimated Fiscal Cost

Estimated shortfall in fuel tax collections (due to tax reductions).	$13.0m
Additional LPG subsidy costs (above budget allocations).	$4.0m
Direct fuel support measures (three-week adjustment period).	$1.2m

Note: Amounts reflect government estimates for April-May 2026. Figures are in relation to the FY 2026/27.

Medium-term Fiscal Risks[2]

- Lower tax revenues and higher recurrent expenditure reduce fiscal space.
- Elevated support measures may delay fiscal consolidation and progress toward the 2035 debt target.
- Higher global interest rates increase debt servicing costs and financing needs.
- Continued exposure to external shocks heightens vulnerability to future commodity shocks.

[10] Parke, N., Kelly, J and Bullen, L. (2026) Economic Impact of the US-Israel-Iran Conflict on the ECCU.

[11] Saint Lucia Budget Summary: FY 2026/2027-consolidating our gains: Prospering in uncertain times. Eastern Caribbean Central Bank. https://www.eccb-centralbank.org.

[12] Government of Saint Lucia, (2026, April 20). Fuel price adjustment for the period April 20 to May 10, 2026.

[13] Caribbean Today. (2026, April 18). St. Lucia's Government announces increases in Energy prices.

BOX 2

Box 2: Visitor Behaviour and Tourism Value Added in Saint Lucia

Tourism receipts have been supported by higher spending, but declining average length of stay suggests that the economic value generated by each visitor may be changing, with implications for tourism value added.

1 Average length of stay by Market

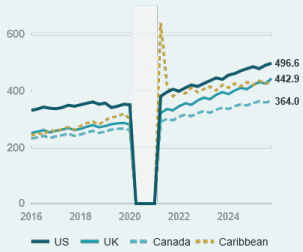
Annual, nights



Average length of stay has declined across all major source markets since 2021 and remains below pre-pandemic levels, while the Caribbean region trends upward slightly.

2 Average daily expenditure by Market

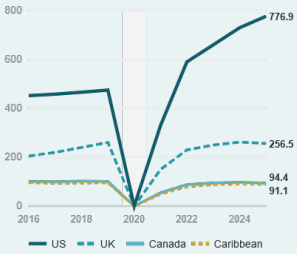
Quarterly, XCD per day



Average daily expenditure has increased across all markets since 2021, reflecting higher prices, and inflation in source markets.

3 Estimated total expenditure by market

Annual, XCD million



Total tourism expenditure is increasingly concentrated in the US market, which now accounts for the largest and growing share of tourism receipts.

What the trends suggest...

Average length of stay has declined since the pandemic across all major source markets by about 11.1 per cent (16.5 per cent from 2016). For the US (from 7.3 to 6.5 nights), for the UK (from 10.8 to 10.4 nights) and for Canada (from 9.1 to 8.4 nights) between 2020 and 2025. The Caribbean showed a slight increase from 6.2 to 6.5 nights. Shorter stays could reduce visitor nights and the demand for accommodation, food services, transportation and other tourism-linked activities.

At the same time, average daily expenditure has increased post pandemic. US visitors now spend about $496.6 per day in 2025, up from about $340.2 in 2019. The UK and Canadian visitors spend $442.9 ($280.8 in 2019) and $364.0 ($264.9 in 2019) per day, respectively. Higher global inflation, airfares and accommodation costs are key drivers of this increase. International evidence suggests that tourism receipts across the Caribbean have been driven by higher prices as well as stronger nominal spending (CTO, 2024)[14].

Total expenditure data show that the US market remains the primary driver of tourism earnings. Expenditure from the US increased from about $452.1m pre-pandemic to over $776.9m in 2025. By contrast, UK and Canadian expenditure have declined from about $261.3m and $101.3m to $256.5m and $94.4m, respectively. Caribbean expenditure also showed a decline, from $96.4m to $91.1m, despite a marginal increase in length of stay. This growing concentration from the US market increases vulnerability to economic conditions and consumer confidence in the US.

The combination of shorter stays and higher prices partially explains why tourism's value added, and foreign exchange earnings moderated in 2025 despite relatively resilient spending. Fewer visitor nights reduce demand across the tourist value chain and weaken linages with domestic business, limiting the sector's overall construction growth

Policy Recommendations

Recalibrate tourism strategy toward visitor value rather than arrivals alone. This would require targeted marketing of longer-stay packages, community-based experiences, and higher-value niche products that encourage visitors to spend more time and money within the domestic economy.

Strengthen domestic linkages so higher tourism spending translates into higher local value added. Rising daily expenditure does not automatically strengthen GDP if a large share of spending leaks through imported food, inputs, transport services, or externally owned tourism services. Policy should therefore focus on deepening links between hotels, restaurants, local agriculture, agro-processing, cultural industries, transport providers, and small businesses.

Reduce tourism-sector cost pressures and market concentration risks. The increasing dominance of the US market supports receipts but raises exposure to US inflation, airfares, consumer confidence, and external shocks. At the same time, higher energy and transportation costs linked to global shocks could weaken tourism competitiveness. Policy should therefore support airlift diversification, renewed engagement with the UK and Canadian markets, improved tourism infrastructure, and energy-efficiency investments in hotels and tourism-related businesses to reduce operating costs and protect destination competitiveness.

Sources: Saint Lucia Tourism Authority; Caribbean Tourism Organisation (2024)

A Appendix: Selected Economic Indicators

Saint Lucia, 2022 to 2027

Table 7. Selected Economic Indicators

Per cent GDP, unless otherwise stated. 2026 and 2027 are projections.

INDICATOR	2022	2023	2024	2025	2026	2027
REAL SECTOR						
Nominal GDP (EC$M)	6,263.7	6,591.4	7,033.9	7,172.4	7,484.6	7,764.1
Real GDP (EC$M)	5,632.4	5,852.5	6,131.6	6,096.4	6,168.8	6,318.1
Real GDP Growth (%)	19.3	3.9	4.8	(0.6)	1.2	2.4
Inflation (eop, %)	12.8	(2.8)	(0.5)	0.3	2.7	1.5
GOVERNMENT SECTOR						
Current Revenue	18.4	19.9	21.0	22.1	21.2	21.6
Current Expenditure	19.0	20.0	19.0	20.4	20.7	21.0
Capital Expenditure	2.8	3.2	5.3	6.8	5.3	6.2
Primary Balance	0.6	0.5	0.4	(0.8)	(0.5)	(1.1)
Overall Balance	(2.3)	(2.7)	(2.9)	(4.8)	(4.3)	(5.2)
Debt Servicing as a share of Current Revenue	24.5	25.3	29.6	22.8	25.7	26.1
Financing	2.3	2.7	2.9	4.8	4.3	5.2
EXTERNAL SECTOR						
Balance of trade	(32.6)	(33.6)	(33.5)	(30.6)	(36.6)	(37.5)
Travel receipts	46.7	49.2	53.6	49.3	47.3	47.1
Current account	(3.3)	(2.1)	(1.5)	(5.2)	(7.9)	(6.4)
Foreign Direct Investment	(3.3)	(6.8)	(7.2)	(6.6)	(7.4)	(7.6)
MONETARY SECTOR						
Money Supply	59.6	62.8	65.3	66.6	68.7	71.0
Net Foreign Assets	25.9	37.0	43.9	44.2	43.5	43.0
Net Domestic Assets	33.8	25.8	21.4	22.4	25.2	28.0
Domestic Credit	47.3	42.1	39.0	41.1	41.7	37.2
Of which credit to the private sector	51.6	50.4	49.6	51.7	50.5	50.9
Of which credit to businesses	20.2	19.1	19.5	21.0	20.4	20.8
Of which credit to households	31.4	31.2	30.1	30.8	30.2	30.2
MEMO ITEMS						
Total public sector debt (EC$M)	4,572.5	4,888.4	5,159.7	5,504.4	6,010.2	6,220.4
Total public sector debt to GDP (%)	73.0	74.2	73.4	76.7	80.3	81.4

Note: Data for 2025 are revised; data for 2026 are estimates and data for 2027 are forecasts.

Source: Central Statistics Office and ECCB.



Saint Lucia

Economic and Financial Review

2025 UPDATE

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