SAINT LUCIA

Saint Lucia’s economic freedom score is 68.7, making its economy the 38th freest in the 2019 Index. Its overall score has increased by 1.1 points, with much higher scores on fiscal health and government spending easily offsetting declines in judicial effectiveness and property rights. Saint Lucia is ranked 4th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The economy of Saint Lucia has benefitted from foreign direct investment in such sectors as offshore banking, transshipment, and tourism, attracted by a well-developed legal and commercial infrastructure, an educated workforce, improved roads, an upgraded communications system, port facilities, and a business-friendly entrepreneurial climate. However, high levels of public debt and debt-servicing costs resulting from past expansionary spending have constrained the government, and relatively high tariffs and nontariff barriers limit market openness.

BACKGROUND: Saint Lucia, an island nation in the Lesser Antilles known for its two distinctive “Piton” mountains, is a two-party democracy with a bicameral parliament. Former Tourism Minister Allen Chastanet of the United Workers Party became president in 2016. Saint Lucia is a member of the Caribbean Community and Common Market and hosts the headquarters of the Organization of Eastern Caribbean States. The economy depends primarily on tourism, banana production, and some light manufacturing. Recent improvements in roads, communications, water supply, sewerage, and port facilities, combined with a well-educated workforce, have attracted foreign investment. The government has encouraged farmers to diversify from bananas into other crops, but agriculture has suffered from the lingering effects of 2016’s Hurricane Matthew.
Saint Lucia has a good legislative framework to protect property rights, but enforcement of intellectual property rights is generally weak. The independent judicial system’s highest court is the Eastern Caribbean Supreme Court (ECSC); lower courts are understaffed and slow. Although Saint Lucia has generally low levels of corruption, enforcement of anticorruption statutes is not always effective.

The top personal income and corporate tax rates are 30 percent. Other taxes include consumption and property transfer taxes. The overall tax burden equals 24.0 percent of total domestic income. Over the past three years, government spending has amounted to 26.3 percent of the country’s output (GDP), and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 71.3 percent of GDP.

The regulatory environment for businesses facilitates entrepreneurial activity. An efficient labor market has not been fully developed. Application of existing labor codes is uneven, but the nonsalary cost of employing a worker is low. The IMF has recommended that the government eliminate nontargeted liquefied petroleum gas and food subsidies, and controversy arose in 2018 over whether the government should subsidize a regional airline company.

The combined value of exports and imports is equal to 95 percent of GDP. The average applied tariff rate is 5.9 percent. Some agricultural imports face additional barriers. Foreign investment is screened by the government, and the overall investment regime lacks efficiency. Greater access to financing opportunities remains critical to private-sector development. The banking sector is dominated by commercial banking.