



# ST. KITTS AND NEVIS

## 2026 ARTICLE IV CONSULTATION—PRESS RELEASE AND STAFF REPORT

May 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with St. Kitts and Nevis, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its lapse of time basis consideration of the staff report that concluded the Article IV consultation with St. Kitts and Nevis.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on February 27, 2026, with the officials of St. Kitts and Nevis on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on April 2, 2026.
- An **Informational Annex** prepared by the IMF staff.

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**International Monetary Fund**  
**Washington, D.C.**



## IMF Executive Board Concludes 2026 Article IV Consultation with St. Kitts and Nevis

FOR IMMEDIATE RELEASE

**Washington, DC – May 8, 2026:** In concluding the 2026 Article IV consultation with St. Kitts and Nevis, Executive Directors endorsed staff's appraisal as follows.<sup>1</sup> The authorities have consented to the publication of the Staff Report prepared for this consultation.<sup>2</sup>

Economic growth slowed in 2025 but is expected to rebound to 2 percent (y/y) in 2026 and strengthen over the medium term. The projected pickup this year is supported by construction, agriculture, renewable energy projects, and the continued expansion of tourism activities, although elevated oil prices associated with the war in the Middle East would weigh on the economy through their impact on tourism and transportation sectors. Inflation is expected to rise moderately to 2.2 percent in 2026, driven by higher global energy and food prices, before stabilizing over the medium term. The current account deficit remains wide at 14.6 percent of GDP in 2025, well above the pre-pandemic average. The banking system remains broadly stable, although vulnerabilities persist. Geothermal and solar energy projects are advancing steadily.

With Citizenship-by-Investment (CBI) revenue declining further, the overall fiscal deficit widened to 11.7 percent of GDP in 2025, public debt edged up closer to the 60 percent of GDP regional benchmark, and government deposits declined further. Persistently low CBI revenues are expected to keep deficits elevated in 2026 and over the medium term, while public debt is projected to continue rising. Debt sustainability is maintained, but contingent liabilities from public banks and the Social Security Fund (SSF) pose significant risks.

Near-term growth risks are tilted to the downside, while inflation risks are tilted to the upside. Heightened global policy uncertainty—including related to CBI programs—geopolitical tensions, and volatility in commodity and financial markets, could weigh on CBI inflows and tourism, and adversely affect banks' investment portfolios. Persistently high oil prices could weigh further on growth and exacerbate inflationary pressures. Domestically, financial-sector

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

<sup>2</sup> Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the <https://www.imf.org/St. Kitts and Nevis> page.

weaknesses and exposure to natural disasters could pose fiscal risks. On the upside, a successful energy transition could strengthen medium-term growth.

### **Executive Board Assessment**

Continued fiscal consolidation, supported by a strong fiscal resilience framework, is critical to stabilize debt, rebuild buffers, and reduce vulnerability to shocks. Under a moderately frontloaded consolidation scenario combining expenditure rationalization and revenue mobilization, public debt would stabilize at the regional benchmark by 2031 and higher government deposits would help rebuild buffers. Current expenditure requires further rationalization, including streamlining goods and services spending. Policy measures to mitigate the impact of higher oil prices should be well targeted and timebound. Tax revenue has ample scope to increase through rolling back Covid-era concessions, broadening the VAT base, strengthening property taxation, increasing excises, and improving tax administration.

Formally adopting fiscal rules anchored by the regional debt benchmark is essential to underpin fiscal consolidation efforts. This would help the authorities' ongoing efforts to reduce reliance on CBI revenues, mitigate fiscal procyclicality, and strengthen policy credibility. The planned Sovereign Wealth Resilience Fund is also welcome; its implementation—in line with IMF TA—would help manage CBI revenue volatility, enhance disaster resilience, and support long-term fiscal sustainability. Parametric reforms to the SSF should proceed without delay to prevent reserve depletion by 2040.

The banking system remains broadly stable, although vulnerabilities persist. Capital positions have strengthened and NPL ratios have continued to decline, while credit growth has remained robust. Financial sector policies should focus on resolving legacy NPLs, strengthening provisioning, and further de-risking investment portfolios. Comprehensive reform of the Development Bank is critical to safeguard financial and fiscal stability. The FSRC's oversight framework for the non-banking sector should be further strengthened.

Structural reforms are essential to raise medium-term growth potential. Priorities include accelerating renewable energy projects, enhancing the investment climate, and addressing labor-market skills mismatches. Continued efforts to improve data adequacy are also important.

## St. Kitts and Nevis: Selected Economic Indicators 2021-27

	2021	2022	2023	2024	Est. 2025	Proj. 2026 2027	
(Annual percentage change, unless otherwise specified)							
<b>National income and prices</b>							
Real GDP (market prices)	0.6	10.5	4.6	1.7	1.5	2.0	2.5
Real GDP (factor cost)	1.9	8.0	4.6	1.9	2.1	2.3	2.5
Consumer prices, period average	1.9	3.8	1.6	1.9	1.5	2.2	2.1
Real effective exchange rate appreciation (+) (end-of-period)	1.2	2.7	3.6	1.1	1.3	2.2	2.1
<b>Money and credit 1/</b>							
Broad money	8.9	3.7	-1.9	2.5	16.0	10.2	8.2
Change in net foreign assets	9.1	-7.1	-6.3	-12.8	-2.3	-2.0	-1.8
Net credit to general government	-4.8	4.9	0.3	9.3	11.7	8.1	6.7
Credit to private sector	7.7	5.9	5.1	10.8	10.0	6.5	5.3
(In percent of GDP)							
<b>Public sector 2/</b>							
Total revenue and grants	47.5	46.1	43.9	33.1	30.7	32.2	32.7
o/w Tax revenue	19.4	18.8	19.7	19.9	19.5	20.2	20.2
o/w CBI fees	23.8	25.8	22.2	8.6	5.3	6.0	6.5
Total expenditure and net lending	42.0	50.4	43.7	44.4	42.4	40.8	40.2
Overall balance	5.5	-4.2	0.2	-11.3	-11.7	-8.7	-7.5
Total public debt (end-of-period)	73.0	64.5	60.0	58.1	58.4	64.0	68.7
General government deposits (percent of GDP) 3/	31.0	22.0	20.8	11.0	7.2	3.0	2.9
<b>External sector</b>							
External current account balance	-3.4	-10.8	-13.7	-13.0	-14.6	-15.4	-14.2
Trade balance	-25.3	-35.3	-35.4	-35.6	-34.1	-36.4	-35.9
<b>Memorandum items</b>							
Net international reserves, end-of-period							
Holdings of SDRs, in millions of U.S. dollars	312.8	270.3	262.4	270.7	269.0	267.3	265.5
Nominal GDP at market prices (in millions of EC\$)	2,277	2,599	2,793	2,836	2,921	3,085	3,233
Sources: St. Kitts and Nevis authorities; ECCB; UNDP; World Bank; and IMF staff estimates and projections.							
1/ The series for monetary aggregates have been revised consistent with the 2016 Monetary and Financial Statistics Manual and Compilation Guide.							
2/ Consolidated general government balances. Primary and overall balances are based on above-the-line data.							
3/ Includes only central government deposits at the commercial banks.							



# ST. KITTS AND NEVIS

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

April 2, 2026

### KEY ISSUES

**Context.** A windfall from Citizenship by Investment (CBI) Program revenues between 2021 and 2023 led to a significant increase in current spending. Following a sharp decline in CBI revenues since 2024, the authorities have implemented reforms primarily to streamline current expenditure and taken steps to mobilize revenue and to further strengthen the integrity and sustainability of the CBI program. Nevertheless, the fiscal deficit remains high, and reduced fiscal buffers limit the government's capacity to respond to external shocks and meet development needs. The current account deficit also remains wide despite resilient tourism activity. Financial soundness has improved but vulnerabilities persist, particularly among public banks.

Amid higher oil prices linked to the war in the Middle East, growth is still projected to rebound in 2026—albeit less than expected before the outbreak of the war—while inflation is projected to increase moderately. Potential growth has weakened over the past decades, constrained by low contributions from physical and human capital, while the economy is highly exposed to natural disasters (NDs). Near-term risks for growth are tilted to the downside, while inflation risks are tilted to the upside amid high global uncertainty.

### Policy Priorities

- **Fiscal consolidation should continue**, focusing on rationalizing current expenditure and mobilizing tax revenue. Policy measures to mitigate the impact of higher oil prices should be well targeted and timebound. Strengthening the fiscal resilience framework through the adoption of fiscal rules is vital. Reliance on CBI inflows should be further reduced, while efforts to strengthen the program's integrity should continue. Resilience to NDs should be enhanced through a multi-layered financial preparedness framework supported by the rebuilding of fiscal buffers.
- **Financial stability should be further reinforced** through NPL reduction, improved provisioning quality, and de-risking of investment portfolios. Reforms to the Development Bank are essential to safeguard both financial and fiscal stability.
- **Structural reforms should be advanced** to accelerate the renewable energy transition, improve the investment climate, and address skills mismatches.

Approved By  
**Esteban Vesperoni**  
**(WHD) and Ali Al-Eyd**  
**(SPR)**

The mission team comprising Jongsoon Shin (head), Sinem Kilic Celik, Armine Khachatryan, Junghwan Mok, and Juan Trevino (all WHD) visited Basseterre and Charlestown during February 17-27, 2026. The team was supported by Spencer Siegel and Brett Smith (both WHD). Sylvia Gumbs (OED) participated in several meetings. Kevin Woods and Yusuf Stafford (both ECCB) also joined the mission.

The mission met with Prime Minister Honorable Dr. Terrance Drew, Premier of Nevis Honorable Mark Brantley, Financial Secretary Carlton Pogson, and other senior government officials, and representatives from public sector companies and the private sector, as well as regulators and statisticians from the ECCB.

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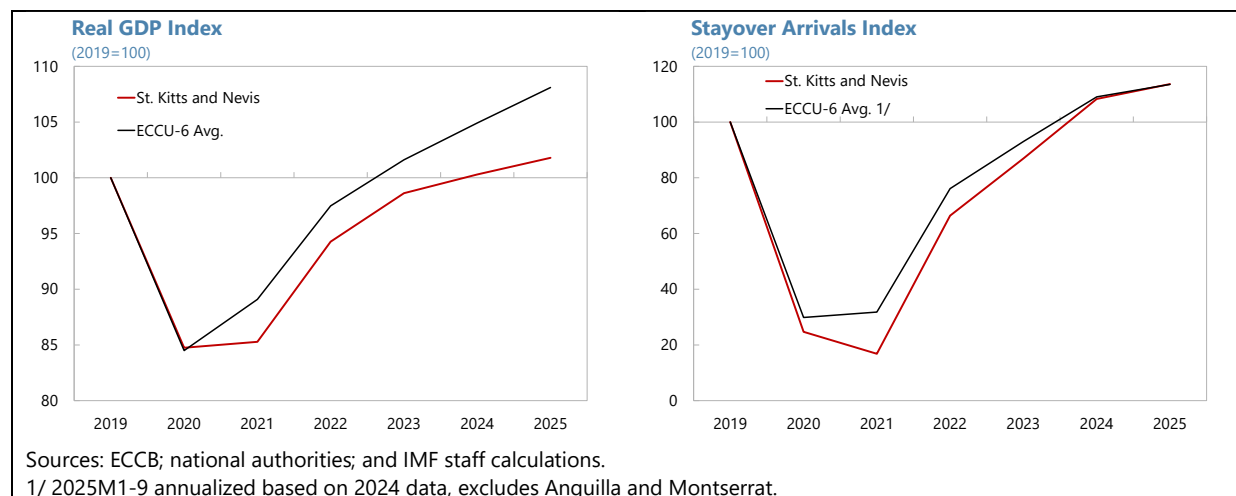
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## Acronyms And Abbreviations

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APB	Adjusted Primary Balance
CARICOM	Caribbean Community
CARTAC	Caribbean Technical Assistance Center
CAT DDO	Catastrophe Deferred Drawdown Option
CBI	Citizenship-by-Investment
CD	Capacity Development
CDB	Caribbean Development Bank
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CIF	Cost, Insurance, and Freight
CIT	Corporate Income Tax
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
FAD	Fiscal Affairs Department
FDI	Foreign Direct Investment
FOB	Free On Board
FSRC	Financial Services Regulatory Commission
GDP	Gross Domestic Product
MCP	Multiple Currency Practices
MTDS	Medium Term Debt Strategy
MTFF	Medium Term Fiscal Framework
ND	Natural Disaster
NEER	Nominal Effective Exchange Rate
NPL	Non-Performing Loans
PFM	Public Financial Management
PIT	Personal Income Tax
p.p.	Percentage Point
PPA	Power Purchase Agreement
PPI	Producer Price Index
PPP	Public-Private Partnerships
PSIP	Public Sector Investment Planning/Program
REER	Real Effective Exchange Rate
SIDF	Sugar Industry Diversification Foundation
SOE	State-Owned Enterprise
SSF / SSB	Social Security Fund / Social Security Board
TA	Technical Assistance
TIAS	Treatment of Impaired Assets
VAT	Value-Added Tax
y/y	Year-on-Year

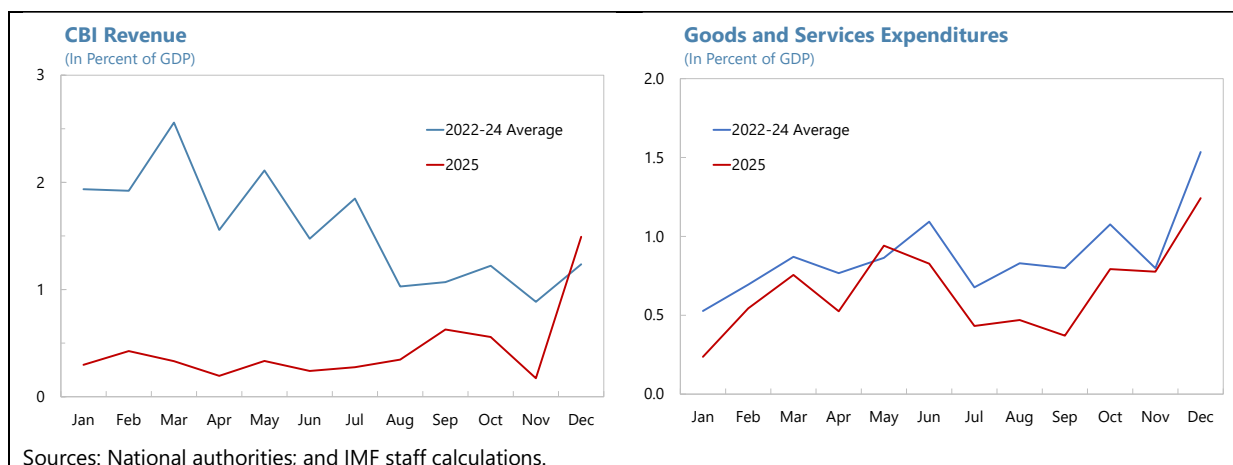
## RECENT DEVELOPMENTS

**1. Growth slowed in 2025 amid moderate inflation.** Real GDP growth is estimated to have decelerated to 1.5 percent (y/y) in 2025 from 1.7 percent in 2024—below potential—reflecting still robust but weaker-than-expected construction activity and a continued recovery in tourism. Fiscal consolidation and weak CBI inflows also weighed on activity. While inflation remains moderate at 1.5 percent (y/y) by end-2025, it has been gradually trending upward, reflecting a recent increase in core inflation.



**2. With CBI revenue declining further in 2025, the fiscal deficit remained elevated at 11.7 percent of GDP.** CBI revenue fell to 5.3 percent of GDP (from 8.6 percent in 2024 and almost 26 percent at the peak in 2022) as integrity-enhancing reforms took hold.<sup>1</sup> In response, the authorities undertook moderate expenditure consolidation—mainly cuts to most components of goods and services (G&S) by about 1.5 percentage points of GDP—while tax revenue edged down. Public debt picked up modestly to 58.4 percent of GDP, but government deposits continued to decline.

<sup>1</sup> St. Kitts and Nevis was the first country in the ECCU to implement tighter due diligence—banning certain country origins—and to raise program prices in 2023, doubling fees and maintaining the highest price levels in the region. These measures have likely contributed to the subsequent decline in inflows.

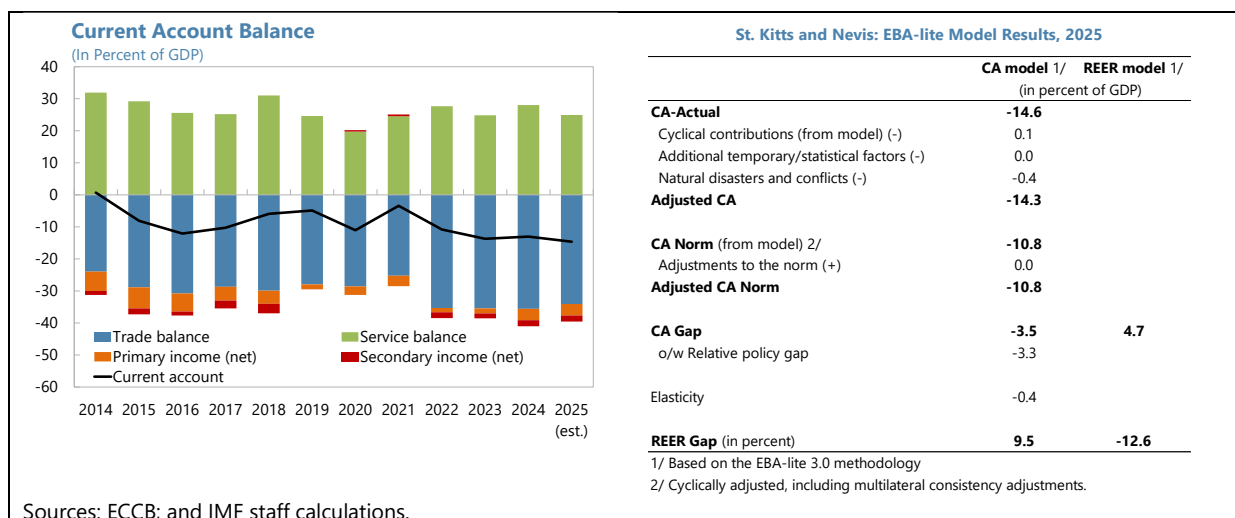


Recent Developments: Key Fiscal Items (In Percent of GDP)							
	2019	2020	2021	2022	2023	2024	2025
Tax revenue	18.8	19.1	19.4	18.8	19.7	19.9	19.5
Taxes on income	4.2	5.2	5.7	4.5	5.4	5.0	4.8
Citizenship by investment (CBI) revenue	15.1	11.6	23.8	25.8	22.2	8.6	5.3
Current expenditure	25.7	29.6	33.5	36.9	38.7	36.5	34.2
Wages and salaries	10.9	13.0	14.4	14.6	14.0	14.6	15.0
Goods and services (ex. CBI fees)	6.6	7.6	8.6	8.7	8.7	9.4	7.9
Transfers	7.0	7.5	9.2	12.4	14.8	11.3	10.1
Transfers to banks	3.4	0.0	0.0	8.1	0.4	0.4	0.0
Capex ex. transfers to banks	8.8	7.7	8.5	5.4	4.6	7.5	8.2
Overall balance (after grants)	-0.7	-3.1	5.5	-4.2	0.2	-11.3	-11.7
Adjusted Primary Balance (APB) 1/	-10.3	-12.2	-15.7	-18.3	-17.9	-18.2	-15.7
Public sector debt	57.2	71.7	73.0	64.5	60.0	58.1	58.4
Government deposits	25.3	22.0	31.0	22.0	20.8	11.0	7.2

Sources: National authorities; and IMF staff calculations.

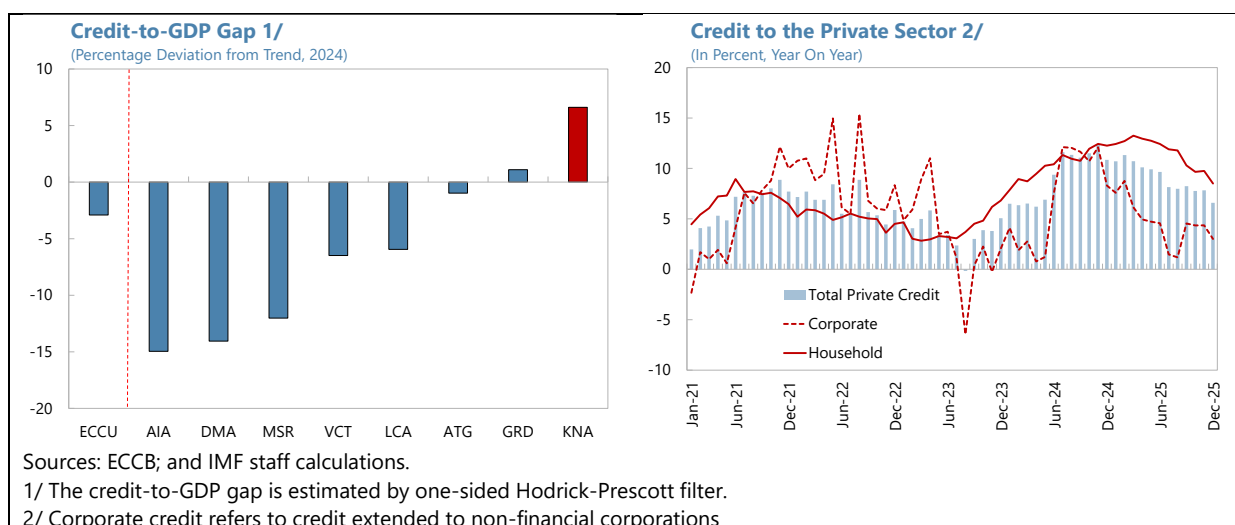
1/ The APB refers to the underlying Primary Balance, excluding CBI revenue and transfers to banks.

**3. Against the backdrop of large fiscal deficits, the current account deficit also remains wide at 14.6 percent of GDP in 2025, well above the pre-pandemic average.** This reflects elevated non-fuel imports—partly driven by temporary VAT reductions—and lower CBI applications, despite moderating fuel imports, resilient tourism activity, and stable remittances. The Real Effective Exchange Rate depreciated moderately in 2025, while international reserves remained stable. The external position in 2025 is assessed as weaker than implied by medium-term fundamentals and desirable policies (Annex VIII).



**4. The banking system remains broadly stable, although vulnerabilities persist.**

- *Credit growth.* Credit growth remained robust at 6.6 percent (y/y) in 2025. In contrast with most countries in the ECCU, St. Kitts and Nevis shows a positive credit gap. This reflects strong mortgage demand alongside still robust construction activity, while corporate lending remains subdued amid weak credit demand from firms.
- *Financial soundness.* Banks have strengthened their capital positions and continued to reduce NPL ratios. The systemic bank has continued to de-risk by cutting equity investments and modestly reallocating its portfolio toward loan and debt instruments. Nevertheless, vulnerabilities remain elevated, reflecting large and concentrated NPLs, weaknesses in provisioning quality, and still sizable and relatively risky investment portfolios. The Development Bank continues to pose contingent liabilities.



**5. Geothermal and solar energy projects are advancing steadily.** The geothermal drilling contract has been awarded, with drilling expected to commence in the second half of 2026. For the solar project, initial procurement steps—including power purchase agreement (PPA) preparation—have been completed, and bidding is expected to commence soon.

## OUTLOOK AND RISKS

**6. Growth is projected to rebound to 2 percent (y/y) in 2026 and strengthen over the medium term, while inflation is projected to increase moderately, amid higher oil prices linked to the war.<sup>2</sup>**

- *In 2026*, activity is expected to be supported by robust construction activity, agriculture, and renewable energy projects, alongside a continued tourism recovery, although elevated oil prices would weigh on the economy through their impact on tourism and transportation sectors. Inflation is expected to rise gradually to around 2.2 percent (y/y), reflecting higher global commodity and food prices and above-target U.S. inflation. The CAD is projected to widen to around 15.4 percent of GDP, driven by higher fuel imports.
- *Over the medium term*, growth is expected to strengthen to about 2.5 percent, driven by energy-transition investments, construction, and expanding tourism. The CAD is projected to improve modestly, aided by import savings from renewables and higher tourism receipts.

**7. Fiscal deficits are projected to decline in 2026 but remain elevated over the medium term, keeping public debt above the regional threshold.**

- *Authorities' budget.* The 2026 budget targets a deficit of around 6 percent of GDP, supported by projected CBI proceeds (about 8 percent of GDP) and higher income and property tax revenues.<sup>3</sup> It envisages lower current expenditure—mainly through reductions in most components of G&S—alongside contained increases in the wage bill. The tax reform agenda will focus on VAT, corporate income tax (CIT), and property and stamp duties, primarily through administrative measures, including strengthened enforcement and improved property assessment process. In response to the recent oil price shock, the authorities are currently considering short-term policy options to mitigate cost-of-living pressures while prioritizing spending discipline.
- *Staff's projections.* The 2026 deficit is projected to narrow to 8.7 percent of GDP (from 11.7 percent of GDP in 2025), driven by somewhat lower primary current expenditures (-0.9 p.p. to 32 percent of GDP), a modest recovery in CBI revenue (by +0.7 p.p. to 6 percent of GDP), and higher tax revenue (+0.7 p.p. to 20.2 percent of GDP), while capital spending is expected to

<sup>2</sup> The baseline projections do not incorporate the recent oil price shock given the significant uncertainty surrounding its magnitude and persistence and the timing of the AIV consultation, but its potential macroeconomic implications are discussed in the risk analysis section below.

<sup>3</sup> This includes the authorities' budgeted estimates of 5 percent of GDP for St. Kitts and 1.2 percent of GDP for Nevis.

remain contained. Government deposits are projected to decline further to 3 percent of GDP. Fiscal deficits are projected to remain around 6 percent of GDP over the medium term. This reflects structurally lower—but somewhat improved—CBI revenue (about 7 percent of GDP over the medium term), continued spending restraint, and stable tax revenue. Public debt is projected to rise to about 79.2 percent of GDP by 2031 with a higher interest-payment bill. Debt sustainability is maintained; however, contingent liabilities from public banks and the social security fund (SSF) pose considerable risks (Annex IX).

**8. Near-term growth risks are tilted to the downside, while inflation risks are tilted to the upside.** Heightened global policy uncertainty—including related to CBI programs—geopolitical tensions, and volatility in commodity and financial markets, could weigh on CBI inflows and tourism, and adversely affect banks' investment portfolios. Tourism also remains vulnerable to economic developments, especially in the U.S. (Annex I). Persistently high oil prices could weigh further on growth, exacerbate inflationary pressures, and weaken the fiscal position through higher transfers and subsidies (Box 1). Domestically, financial-sector weaknesses and exposure to NDs could pose fiscal risks. On the upside, a successful energy transition could strengthen medium-term growth.

### Box 1. Spillovers from Persistently High Oil Prices

Persistently high oil prices would affect the economy of St. Kitts and Nevis through multiple direct and indirect channels that could compound each other. The most prominent *direct* channel would arise from a higher oil imports bill—about 10 percent of GDP—as oil is crucial for the provision of electricity and fuel consumption. The resulting increase in production costs would feed into higher inflation and dampen economic activity.

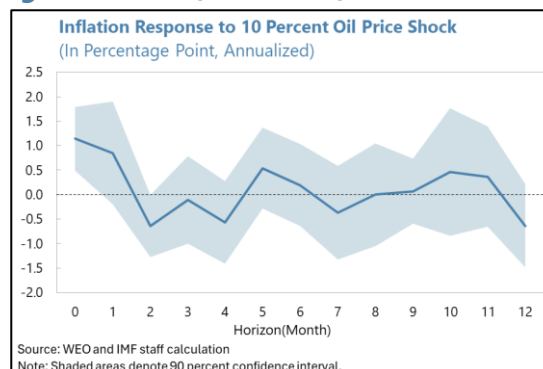
The most prominent *indirect* channel would arise from slower growth in key trading partners, particularly the U.S. (Annex I), affecting the economy through weaker tourism and reduced demand in related sectors, such as transportation. Higher imported inflation could also be a factor. These effects could be exacerbated by rising travel costs amid heightened global uncertainty, potentially weighing on consumption and investment. On the other hand, the implementation of policy support measures could mitigate their impact.

The baseline incorporates the combined effects of an approximately 25 percent increase in oil prices in 2026 relative to pre-war projections, including a fiscal policy response of about 0.4 percent of GDP. If these effects were linear, a 100 percent increase in oil prices relative to pre-war baseline would be expected to reduce growth by about 0.8 p.p. in 2026, and 0.4 p.p. in 2027, while inflation could increase by 1.6 p.p. in 2026 and 0.8 p.p. in 2027. Nevertheless, the overall impact would ultimately depend on the magnitude and persistence of the shock; interactions across direct and indirect transmission channels (including spillovers from U.S. growth), the implementation and effectiveness of policy responses given available space; and potential nonlinearities as economic agents adjust to the shock as it unfolds.

- *Growth.* Staff estimates suggest that a 1 p.p. decrease in U.S. growth, controlling for other factors, would lower growth in St. Kitts and Nevis by about 0.7 p.p., with around 0.1 p.p. materializing over the longer term.

### Box 1. Spillovers from Persistently High Oil Prices (concluded)

- Inflation.** Staff estimates suggest that a 10 percent increase in the oil price, controlling for other factors, would raise inflation by about 1.1 p.p. (annualized) on impact. The effect peaks within the first month and dissipates thereafter (box chart). This could be compounded by higher inflation in the U.S.—a 1 percent increase in the U.S. PPI is estimated to raise consumer prices in St. Kitts and Nevis by about 0.2 p.p. within three quarters.
- Fiscal accounts.** Higher spending resulting from the implementation of support measures could help cushion the impact on growth but weaken fiscal balances. Electricity subsidies would rise under the current tariff policy, although the fiscal impact could be contained if additional measures, including transfers, are well targeted and time bound.
- Current account.** A 10 percent increase in oil prices could widen the CAD by about 0.8 p.p. of GDP, reflecting the economy's large fuel import bill.



### Authorities' Views

**9. The authorities broadly agreed with staff's assessment of the outlook for 2026 and the medium term.** For 2026, they anticipate stronger growth, supported by several construction, agriculture, and renewable energy projects that have been in the pipeline under the Sustainable Island State Agenda, alongside a robust recovery in tourism including a developing yachting sector. In the medium term, the planned cruise homeporting in late 2027 is expected to further boost tourist inflows and catalyze investment in related infrastructure. The authorities also concurred with staff's assessment of risks and the external sector position, noting that heightened global policy uncertainty and escalating geopolitical tensions remain among the main sources of downside risks. They expressed their intention to continue partnering with the IMF to further strengthen economic management and advance policy reforms across several areas.

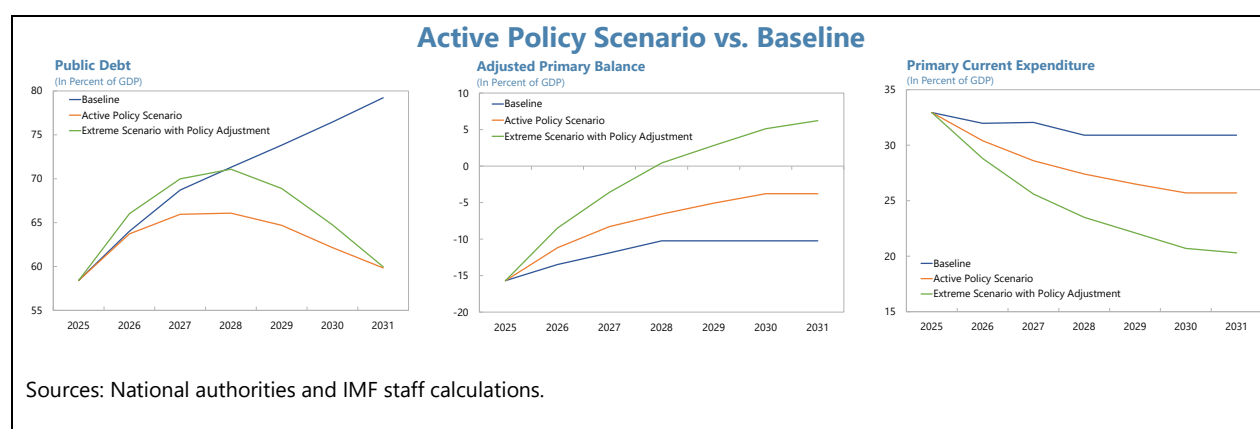
## POLICY DISCUSSIONS

### A. Securing Fiscal Sustainability through Stronger Fiscal Frameworks

#### Fiscal Consolidation

**10. Staff advocate fiscal consolidation, which is critical to stabilize debt, restore buffers, and reduce vulnerability to shocks.** Since 2021, total revenues have declined without a commensurate adjustment in expenditures, resulting in large fiscal deficits. Under the baseline, public debt would not stabilize and would rise well above the regional threshold. Accordingly, staff recommend a policy adjustment scenario to stabilize public debt over the medium term as follows:

- Active policy scenario.** Under a moderately frontloaded active policy scenario, the Adjusted Primary Balance (APB) would reach -3.8 percent of GDP by 2031. This represents a reduction of 11.9 p.p. of GDP relative to the 2025 outturn, driven by expenditure rationalization (7.2 p.p. of GDP) and tax revenue mobilization (3.8 p.p. of GDP). Primary current spending would be capped at 25.7 percent of GDP, down from 32.9 percent of GDP in 2025, though still above the pre-pandemic average of 21.7 percent of GDP. Under this scenario, capital spending could be maintained above 7 percent of GDP over the medium term—compared with about 5.5 percent of GDP under the baseline, below the pre-Covid average of 6 percent. Public debt would reach the regional 60-percent-of-GDP ceiling by 2031, while government deposits would gradually increase to 10 percent of GDP, providing a buffer to hedge against potential declines in CBI revenues, and strengthening resilience against NDs. Combined with structural reforms and a modest decline in the interest bill, this scenario would help lift medium-term growth—by creating space for higher public investment—and strengthen the external position (Annex II).
- Supporting mechanisms.** To achieve fiscal consolidation in a credible and predictable manner, fiscal rules—consisting of a legally binding debt anchor and operational targets for primary current expenditure and the APB—need to be established (see below for more details). As the authorities establish the Sovereign Wealth and Resilience Fund (SWRF), any CBI revenue exceeding the authorities' budgeted amounts would be saved in the SWRF and/or used to restore deposits, helping meet cash and debt-management needs while providing buffers against potential CBI revenue declines, NDs, and other shocks.<sup>4</sup>
- Contingency plan.** In a hypothetical extreme scenario in which CBI revenues decline sharply following an external shock as early as 2026, additional expenditure rationalization and revenue mobilization would be required to help stabilize public debt at the regional ceiling over the medium term. To offset the CBI shortfall, the APB would need to increase well above the pre-pandemic average of -4.5 percent of GDP.



<sup>4</sup> Accumulation through the SWRF, rather than government deposits, for disaster preparedness would ring-fence excess resources by limiting discretion and enhancing transparency.

Active Scenario: Key Fiscal Items (In Percent of GDP)											
	2024	2025	2026	2027	2028	2029	2030	2031	'31 - 25 Average '15-'19	Difference vs Pre-COVID Baseline for 2031	
Tax revenue	19.9	19.5	20.9	21.7	22.2	22.8	23.3	23.3	3.8	18.6	3.1
<b>Primary current expenditure</b>	<b>35.2</b>	<b>32.9</b>	<b>30.4</b>	<b>28.6</b>	<b>27.4</b>	<b>26.5</b>	<b>25.7</b>	<b>25.7</b>	<b>-7.2</b>	<b>21.7</b>	<b>-5.2</b>
Interest	1.3	1.3	1.2	2.0	2.2	2.2	2.1	2.1	0.8	1.5	-0.6
Capex ex. transfers to banks	7.5	8.2	7.6	7.3	7.3	7.3	7.3	7.3	-0.9	6.0	1.8
Overall balance (after grants)	-11.3	-11.7	-6.4	-3.8	-1.7	-0.3	1.1	1.1	12.8	2.4	7.1
<b>Adjusted Primary Balance (APB) 1/</b>	<b>-18.2</b>	<b>-15.7</b>	<b>-11.2</b>	<b>-8.3</b>	<b>-6.6</b>	<b>-5.1</b>	<b>-3.8</b>	<b>-3.8</b>	<b>11.9</b>	<b>-4.5</b>	<b>6.5</b>
<b>Public sector debt</b>	<b>58.1</b>	<b>58.4</b>	<b>63.7</b>	<b>65.9</b>	<b>66.1</b>	<b>64.7</b>	<b>62.2</b>	<b>59.8</b>	<b>1.4</b>	<b>57.5</b>	<b>-16.4</b>
<b>Government deposits</b>	<b>11.0</b>	<b>7.2</b>	<b>5.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>	<b>9.0</b>	<b>10.0</b>	<b>2.8</b>	<b>23.9</b>	<b>7.6</b>

Sources: National authorities; and IMF staff calculations.

1/ The APB refers to the underlying Primary Balance, excluding CBI revenue and transfers to banks.

**11. Current expenditure requires further rationalization.** At about 34 percent of GDP in 2025, it remains well above the pre-pandemic average of 23 percent and the ECCU regional average of 24 percent.

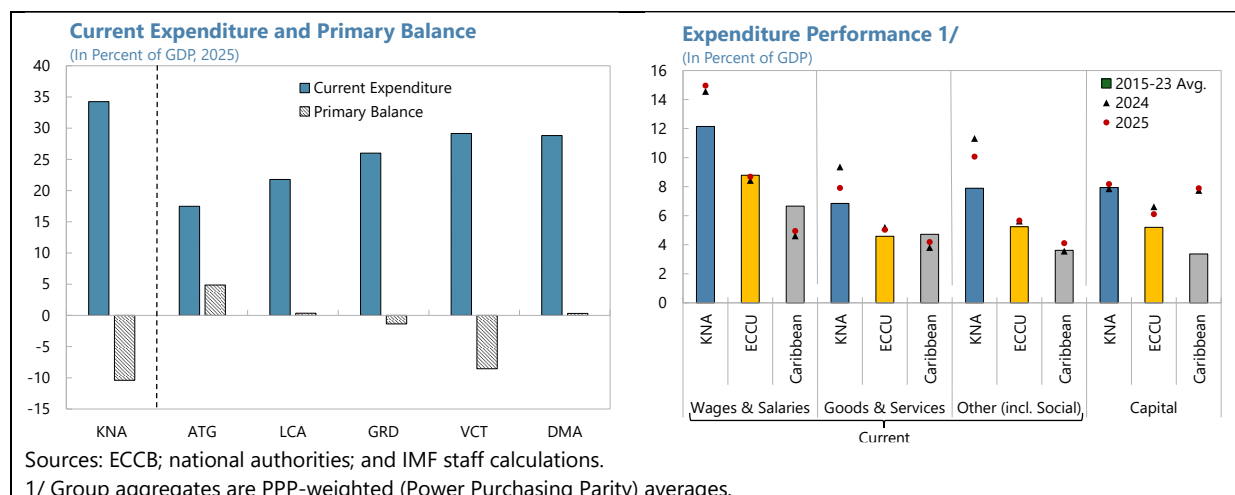
- *Priorities.* Streamlining should focus on continued rationalization of goods and services and tighter control of wage-bill growth.<sup>5</sup> Transfers—particularly overlapping social programs with spending well above the regional average—should be better targeted and time-bound, including measures to mitigate the impact of the oil price shock. Particularly, electricity and water subsidies should be phased out alongside tariff reforms, including by phasing out the Fuel Variation Charge for households, as oil price pressures subside.<sup>6</sup> Public enterprise efficiency should also be strengthened.<sup>7</sup>
- *Strategic review.* Beyond incremental expenditure rationalization, the authorities should consider a more strategic and holistic approach to government functions. A comprehensive review would help identify activities that could be scaled back or discontinued—particularly those overlapping functions and programs—supporting a leaner, more focused, and cost-effective public sector.<sup>8</sup>

<sup>5</sup> Rationalization of goods and services expenditures could include reductions in consultancy fees and improved procurement. Tighter control of wage-bill growth could be achieved through a hiring freeze and payroll controls.

<sup>6</sup> The Fuel Variation Charge (FVC) is a component of the electricity tariff that changes each month based on fuel prices, reflecting the electricity generation mix's heavy reliance on oil. The FVC has been subsidized since 2022. However, as part of government reforms, the subsidy for commercial users ended in November 2024, while it continues for household users. Total transfers to SKELEC, including those related to the FVC, declined from around 1 percent of GDP in 2024 to about 0.25 percent of GDP in 2025.

<sup>7</sup> Several categories of social spending—including social and training programs and public assistance—have expanded significantly since 2015 and have not been reassessed since the pandemic.

<sup>8</sup> The [2023 Selected Issues Paper: Labor Market Diagnosis and Policies](#) notes that public sector employment constituted 38 percent of total employment in St. Kitts and Nevis in 2018, compared with the ECCU average of 24 percent. The public sector wage bill in St. Kitts and Nevis is also one of the highest in ECCU, averaging 10.3 percent of GDP during 2013–19, compared to an ECCU average of 9.7 percent.



Active Policy Scenario (APS): Potential Public Expenditure Rationalization (In Percent of GDP)			
	Pre-pandemic Average (2015-19)	2026 (A)	2031 Level under APS (B)
Goods and Services (C)	5.6	7.5	5.6
Wages (D)	10.7	14.5	12.0
Transfers (E)	5.4	10.0	8.1
Primary Current Expenditure (C+D+E)	21.7	32.0	25.7
Capital Expenditure	6.0	7.7	7.3
Total savings (A-B)			6.3

Sources: National authorities and IMF staff calculations.

**12. Mobilizing tax revenue is vital for sustainable consolidation and for reducing dependence on volatile CBI receipts.**<sup>9</sup> At about 20 percent of GDP—below the ECCU average—tax revenue has ample room to increase.

Tax Reforms: Revenue Yields (In Percent of GDP)		
Type of Tax	Yield	Measures
Recurrent property tax	0.6	Collecting assessed taxes from delinquent commercial and residential high-value properties more forcefully would double current property tax revenues.
VAT	1.5	The VAT reforms assume harmonizing the VAT rate at 15 percent from 17 percent, coupled with eliminating exemptions and zero-ratings.
Excise taxes	0.8	An increase in excise for alcohol, tobacco, sweetened beverages, and petroleum products could increase revenue from 1.1 percent of GDP to the regional average of 1.9 percent. <sup>□</sup>
PIT	> 1	The country collects in labor income tax (Housing and Social Development Levy) 1 p.p. of GDP less than the regional average for PIT. Having higher tax rates on labor income for high-income earners is recommended, as well as introducing taxation of non-labor (e.g. investment and rental) income.
CIT	2-4	Eliminating large CIT incentives, especially in the profitable hospitality sector, could yield 2-4 percent of GDP.
Total	>5.9	

Sources: IMF and World Bank Technical Assistance reports; and staff estimates.

<sup>9</sup> For a more detailed analysis and policy recommendations, see “Annex VIII: Tax Revenue Mobilization” in [the 2025 St. Kitts and Nevis Article IV Staff Report](#).

- *Authorities' efforts.* The authorities have taken several steps to mobilize revenue. The VAT rate reverted to statutory 17 percent in July 2025, following the expiration of the reduced 13 percent rate that had been in effect during the first half of the year, the authorities have stepped up enforcement efforts against the largest tax arrears, introduced a formula-based system, and strengthened tax administration through enhanced compliance efforts, digitalization, and improved risk-based controls.<sup>10</sup>
- *Priorities.* Pandemic-era concessions should be rolled back, including those for unincorporated business taxes and duty exemptions for tourism operators. These efforts should be complemented by broader tax policy reforms to curb distortions arising from exemptions. Such reforms include introducing more progressive property-tax rates; increasing excises on sugary beverages, alcohol, tobacco, and fossil fuels; and broadening the VAT base (alongside better-targeted social spending).<sup>11</sup> Additional measures could include raising rates for top earners and taxing non-labor income. Tax administration should be further strengthened through enhanced enforcement and compliance, continued digitalization, and improved auditing, supported by CARTAC CD.

### **A Stronger Fiscal Resilience Framework**

**13. Formally adopting fiscal rules anchored in the regional debt threshold is essential to reduce reliance on CBI revenue and strengthen the credibility of the fiscal consolidation path.**<sup>12</sup> A stronger fiscal resilience framework would also help reduce financing costs by enhancing credibility and anchoring expectations.

- *Fiscal objectives.* While the stated objective of reaching the regional 60-percent-of-GDP debt ceiling by 2035 signals commitment, this target is not legally binding, and St. Kitts and Nevis remains one among the few ECCU countries without formal fiscal rules—contributing to fiscal procyclicality and limited buffers. Other countries in the region have benefited from the adoption of rules-based fiscal frameworks (Annex III).<sup>13</sup> Progress toward formalizing fiscal rules should include adopting the 60-percent-of-GDP debt target in the law as the overarching fiscal anchor, supported by well-specified and legally binding operational targets. As discussed under

<sup>10</sup> Tax administration, supported by CARTAC technical assistance, has shown improvement. These include: (i) stronger prioritization of corporate taxpayers through more effective risk management; (ii) strengthened organizational arrangements to support the delivery of strategies and reforms; (iii) enhanced taxpayer-service initiatives to promote voluntary compliance; (iv) more effective audit and verification programs to ensure the accuracy of reporting; and (v) increased capacity to implement reforms through the adoption and institutionalization of a clear reform strategy and strategic management framework.

<sup>11</sup> Current recurring property tax rates remain very low by international standards, at 0.02 percent for residential properties and 0.03 percent for commercial properties.

<sup>12</sup> The discussion is based on FAD TA Report "St. Kitts and Nevis Establishing a Sustainability and Resilience Fund" (August 2024), which lays out key principles for fiscal rules. Related discussions are also presented in [the 2025 St. Kitts and Nevis Article IV Staff Report](#).

<sup>13</sup> Within the ECCU, Grenada has operationalized a rules-based fiscal framework that aligns its annual budgets with a debt target of 60 percent of GDP by 2035. St. Kitts and Nevis and St. Lucia are the only ECCU members that do not have an explicitly defined fiscal framework in place.

the active policy scenario, these could include a floor on the APB complemented by a ceiling on current primary expenditure, with comprehensive and clearly defined coverage of the targets.<sup>14</sup>

- *Supporting mechanisms.* The fiscal targets are typically updated annually and should be incorporated into, and fully aligned with, the medium-term fiscal framework (MTFF). Presenting the MTFF to Parliament together with the annual fiscal targets, ahead of or alongside the annual budget, would help define budget priorities within binding resource constraints. To ensure credibility, strong public commitment is important, supported by oversight from an independent body.
- *Escape clauses.* Well-defined escape clauses, supported by clear and transparent correction mechanisms in the event of ND and other shocks—including severe and sustained terms-of-trade shocks related to higher oil prices—are essential to preserve both flexibility and credibility.<sup>15,16</sup> Such clauses would allow the framework to absorb temporary shocks while preserving the momentum of medium-term fiscal consolidation, provided they clearly define qualifying shocks, specify the fiscal response, and include a credible unwinding mechanism.<sup>17</sup> Fiscal rules could also incorporate post-disaster financing instruments, such as the Caribbean Catastrophe Risk Insurance Facility (CCRIF), and the planned SWRF to help manage CBI revenue windfalls through rules-based withdrawals during shocks.

#### **14. Debt management practices should continue to be strengthened, anchored by a more robust medium-term debt management strategy (MTDS).**

- *Debt management.* The authorities intend to finance the large fiscal deficit through carefully calibrated borrowing to support growth—primarily domestic borrowing and external project loans—while drawing down government deposits. Gross financing needs are elevated at about 26.7 percent of GDP in 2026, reflecting heavy reliance on short-term, high-cost instruments, which heightens rollover risks and adds to the interest burden. A key priority is therefore to lengthen maturities and diversify financing sources. In this context, the authorities' plans to expand concessional borrowing and tap the Regional Government Securities Markets (RGSM) for longer-term financing are appropriate.<sup>18, 19</sup> Liquidity risks should also be mitigated through

<sup>14</sup> The operational rules should cover federally guaranteed debt, the Nevis Island Administration, their agencies, and public corporations.

<sup>15</sup> See [IMF Staff Discussion Note \(2025\): Fiscal Guardrails against High Debt and Looming Spending Pressures](#).

<sup>16</sup> In the case of Grenada, since introducing its fiscal rules, Grenada has triggered the escape clause twice: in 2020-22 after the Covid-19 pandemic and in 2024 after Hurricane Beryl (with return to the rules expected in 2027).

<sup>17</sup> Qualifying shocks should be clearly defined using quantitative triggers to limit discretion; fiscal responses should be targeted and temporary, avoiding permanent spending increases; and a credible unwinding mechanism should be established to ensure a timely return to the medium-term fiscal consolidation path.

<sup>18</sup> In 2024, the government reached external loan agreements amounting to 7 percent of GDP to finance energy and healthcare services projects.

<sup>19</sup> To promote retail investor participation, the minimum investment threshold has been reduced to EC\$500 from EC\$5,000, and the maximum per bid has been set at EC\$50,000.

improved cash management—including rolling cash-flow forecasts, analysis of seasonal patterns, and paced issuance—supported by CARTAC CD.

- *MTDS*. Public disclosure of the medium-term debt management strategy and an annual borrowing plan—assessing issuance feasibility and outlining planned issuances—together with regular quarterly debt bulletins and an annual debt management report, would serve as an important anchor. This would help enhance transparency, strengthen investor confidence, and reduce borrowing costs.

**15. Efforts to further strengthen the integrity of the CBI program should continue.** CBI programs in several regions continue to face significant risks amid heightened international scrutiny, underscoring the importance of continued reforms. In this context, the authorities have made further progress in strengthening the integrity of the program. Legislation supporting a single ECCU regional regulator—intended to enforce uniform standards and enhance transparency—marks an important step forward.<sup>20</sup> In addition, the authorities have recently announced plans to introduce residential and physical-presence requirements, terminated non-compliant agreements, and adopted digital verification. The authorities have also engaged an external auditor for the CBI Unit. Going forward, publishing externally audited annual reports with comprehensive data—including information on applications and financial operations—would further enhance the program’s transparency, integrity, and long-term sustainability.

**16. Progress has been made towards establishing the Sovereign Wealth and Resilience Fund (SWRF).** The authorities have recently submitted the SWRF bill to Parliament. They intend to establish the SWRF to (i) ring-fence high quality liquid assets for rapid recovery from NDs without destabilizing public finances; and (ii) provide a countercyclical buffer to reduce the need for emergency borrowing, amongst others.<sup>21</sup> Staff welcome this progress, and the bill is broadly aligned with the IMF’s CD recommendations in several aspects. Effective implementation of the SWRF bill, consistent with these recommendations, would help mitigate the volatility of CBI revenues, enhance resilience to NDs, and support long-term fiscal sustainability.<sup>22</sup>

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<sup>20</sup> The governments of Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, and St. Lucia signed an agreement to establish the Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA). The National Assembly of St. Kitts and Nevis approved the agreement on October 17, 2025. The legislation assigns ECCIRA the responsibility for the general oversight and the regulation of all persons operating the program. It also provides for offences and penalties to be imposed for its contravention and enforcement powers.

<sup>21</sup> The proposed legislation would channel into the new fund up to 25 percent of the profits of the CIU, the profits collected by the Geothermal Energy Authority, and the revenue collected by the CIU identified as Sustainable Island State Contributions. The first reading by the National Assembly took place on February 12, 2026.

<sup>22</sup> The FAD TA in 2024 lays out the structure of a SWF, its investment strategy, and the governance framework.

**17. Parametric reforms to the Social Security Fund (SSF) should be implemented without delay.**<sup>23</sup> Contribution rates and pension ages remain more generous than in peer countries (text table). In this context, the authorities have

undertaken extensive public consultations to calibrate reform options and are considering these as part of a broader healthcare reform agenda, including the introduction of National Healthcare Insurance. Going forward, timely reforms to adjust contribution rates, raise the retirement age, and extend minimum contribution periods are critical. In parallel, strengthening the SSF's investment capacity—supported by reforms to its legal framework—would facilitate greater diversification and improve risk-adjusted returns.<sup>24</sup>

Social Security Schemes: Comparison with other ECCU Countries		
Items	St. Kitts and Nevis	Other ECCU countries
Contribution rate	11 percent	- Dominica: 15.75 percent - St. Vincent and the Grenadines are gradually increasing to 15 percent. - Antigua and Barbuda and Grenada are gradually increasing to 16 percent. - St. Lucia is 10 percent.
Pensionable Age	62 years	- St. Lucia is 65. - Antigua and Barbuda, Dominica, Grenada, and St. Vincent and the Grenadines are gradually increasing to 65.
Sources: National authorities.		

**Stronger ND Resilience through a Multi-Layered Post-Disaster Financial Framework**

**18. The post-disaster financing framework should be further strengthened.** Supported by the rebuilding of fiscal buffers, a multi-layered financial preparedness strategy would help ensure sufficient and timely response capacity. The use of ND-contingent financing instruments could also be expanded, including through: (i) a review of the adequacy of insurance coverage; (ii) the development of sectoral insurance for critical areas—such as utilities through the CCRIF, and agriculture through the Regional Economic Agri-insurance Program (REAP); (iii) the gradual buildup of the SWRF; and (iv) consideration of a World Bank Catastrophe Deferred Drawdown Option (Cat DDO) contingent credit line.<sup>25,26,27</sup>

**Authorities' Views**

**19. The authorities concurred with the need for fiscal consolidation recommendations.**

They acknowledged that CBI revenue is highly volatile and noted that the 2026 budget is designed

<sup>23</sup> The latest actuarial report (November 2024) indicates that, absent reforms: (i) reserves are projected to be depleted by 2040; (ii) investments are poorly diversified, concentrated in short-term deposits, the local public sector, and real estate; and (iii) administrative costs remain high.

<sup>24</sup> For more specific recommendations, see [IMF Selected Issues: Toward More Efficient, Sustainable, and Fair Pension Schemes in the ECCU \(April, 2024\)](#)

<sup>25</sup> All CCRIF members can purchase coverage up to a limit of approximately \$100 million to \$150 million for each insurance hazard. For example, after Hurricane Irma in 2017, St. Kitts and Nevis received a payout of just over \$1.5 million, while Antigua and Barbuda received approximately \$2.9 million. In 2023, following Tropical Storm Philippe and Tropical Cyclone Tammy, St. Kitts and Nevis received a payout of US\$1.5 million.

<sup>26</sup> Following Hurricane Beryl, Grenada benefited from immediate financing from CCRIF amounting to \$55.5 million (4 percent of GDP) and a \$20 million (1.4 percent of GDP) disbursement under the World Bank Cat DDO, among other sources. St. Vincent and the Grenadines also accessed a \$20 million drawdown under its Cat DDO.

<sup>27</sup> In the ECCU, the four countries of Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines have established Cat DDO credit lines as a cornerstone of their disaster-response strategies. St. Lucia has access to up to \$20 million.

to depend less on CBI inflows. They agreed that there is ample scope for further reductions in current expenditure, including the streamlining of overlapping social programs. The authorities also concurred with the need to restructure subsidies for utilities and to move forward with tariff reforms. On the revenue side, they shared the view that pandemic-era concessions need to be reviewed, tax policy measures implemented, and tax administration further strengthened. They have established a Tax Review Committee to analyze tax reform options.

**20. The authorities acknowledged the importance of a strong and credible fiscal framework supported by continued structural fiscal reforms.** They expressed their intention to consider formalizing fiscal rules anchored to the regional debt ceiling and supported by operational targets. They also noted that debt management practices should continue to be strengthened. They emphasized the importance of continuing to enhance the transparency of the CBI program to ensure its long-term sustainability. Regarding the SWRF bill, the authorities indicated their willingness to incorporate the Fund's comments. With respect to the SSF, they intend to sequence the reforms as part of a broader strategy to establish a National Health Insurance framework. They emphasized that strong institutions, prudent fiscal management, and transparent governance are foundational to the Sustainable Island State Agenda.

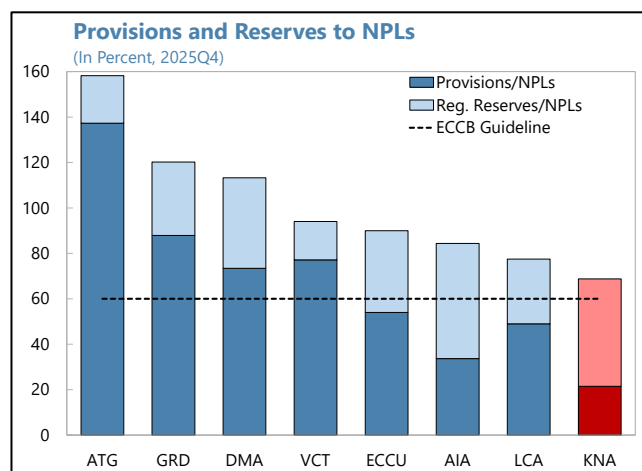
**21. The authorities broadly agreed with the staff and their recommendations on the need to strengthen the post-disaster financing framework.** They are working on expanding natural disaster contingent financing instruments, including sectoral insurance for critical areas such as utilities through CCRIF and agriculture through the Regional Economic Agri-Insurance Program (REAP). Additionally, they indicated their willingness to explore a World Bank Catastrophe Deferred Drawdown Option (Cat DDO) contingent credit line.

## B. Strengthening Financial Stability

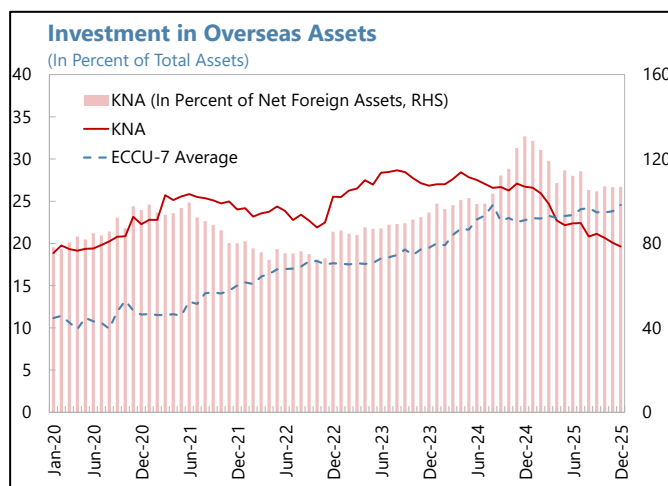
**22. Banking soundness has improved across several dimensions, but continued efforts are needed to address remaining vulnerabilities.** Banks meet most prudential requirements, including those related to capital adequacy and provisioning. Nevertheless, systemic risks persist—particularly related to NPLs, provisioning practices, and investment portfolios, notably at the systemic bank.

- *NPLs.* Despite a modest decline in 2025, the systemic bank's NPL ratio remains elevated at around 38 percent, reflecting legacy delinquencies. To address elevated NPLs, the bank has established a dedicated recovery unit and is implementing an ECCB-approved five-year NPL reduction plan. NPL resolution has been nevertheless constrained by court-related procedural bottlenecks, particularly in valuations, and shallow foreclosure markets. To streamline foreclosure processes and enhance recovery efficiency, valuation procedures should be improved, including by expanding the pool of eligible appraisers. In addition, strengthening cooperation to make more effective use of the regional asset management company would help mitigate constraints stemming from the limited size of domestic markets. Preventing a renewed buildup of NPLs will require sound underwriting standards and robust risk-management practices.

- Provisioning.* Although most banks meet the minimum provisioning requirement of 60 percent, loss-absorption buffers rely heavily on reserve reallocation instead of direct provisioning (text chart). To ensure that the balance sheets more accurately reflects banks' true loss-absorption capacity, provisioning quality should be strengthened by increasing direct provisioning charges and reduce reliance on reserve reallocations, thereby achieving stronger effective coverage comparable to peers.<sup>28</sup> In addition, provisioning for loss-category NPLs should continue to be strengthened toward full (100 percent) coverage, in line with prudential requirements and as agreed with supervisory authorities.<sup>29</sup>



- Investment.* The systemic bank has continued to de-risk its investment portfolio in line with staff recommendations, with exposures now below the regional average (text chart). Nevertheless, investment holdings remain sizable. Continued de-risking of bank's investment portfolio is therefore important, alongside strengthening lending operations. Once the SWRF is established, public deposits and their associated investment portfolios—except for a minimum cash-management buffer—could be gradually transferred to the fund to help reduce sovereign-banking linkages.

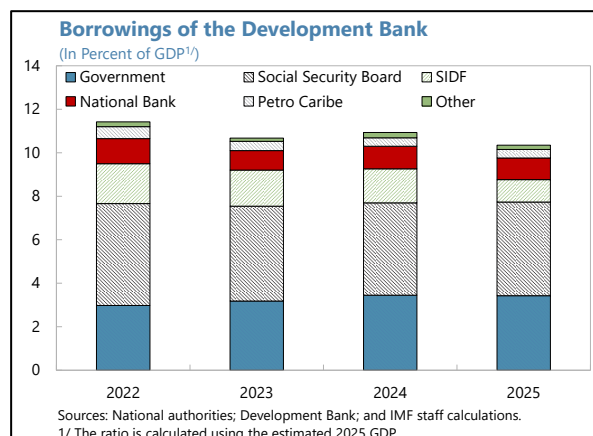


<sup>28</sup> With provisioning charges, a bank records expected credit losses upfront. It recognizes an expense in its profit-and-loss statement to reflect the possibility that some loans may not be repaid. This reduces the bank's earnings and, consequently, its capital. Reserves, on the other hand, serve as general buffers and do not necessarily correspond to any specific or current loan losses.

<sup>29</sup> As of late 2025, the bank maintains a provisioning rate of approximately 60 percent for loss-category loans, falling short of the 100 percent under the ECCB's Impaired Assets Standards (TIAS) requirement. A 5-7 year plan to meet this requirement is currently in place, following a 2025 agreement with the ECCB to achieve full regulatory compliance.

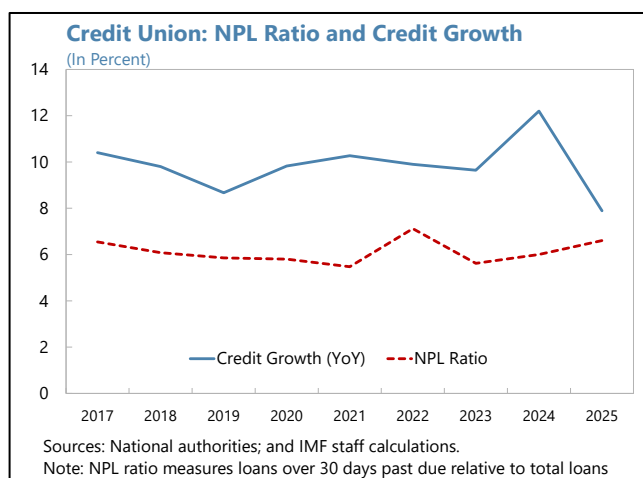
### 23. Comprehensive reform of the Development Bank is essential to safeguard financial and fiscal stability.

The bank is heavily undercapitalized, with a high NPL ratio, persistent losses, and significant reliance on public-sector funding—particularly from the SSF—posing a growing contingent liability to the government (text chart). Liquidity is tight but has been maintained largely by curtailing new lending. To stabilize the bank, the authorities have implemented several measures, including by restructuring NPLs, increasing provisioning, and strengthening underwriting standards.<sup>30</sup>



Nevertheless, the bank's long-term viability should be carefully assessed in light of current pressures on the fiscal position and the public sector balance sheet. To further strengthen the institution, deeper reforms need to be implemented to restore its solvency, including a credible recapitalization plan and decisive NPL resolution with full provisioning for impaired assets, alongside transparent communication of the resulting recapitalization needs and associated fiscal risks to the public. In parallel, strengthening prudential regulation and supervision—including through legal reforms that provide the FSRC with stronger corrective and enforcement powers—is also necessary.

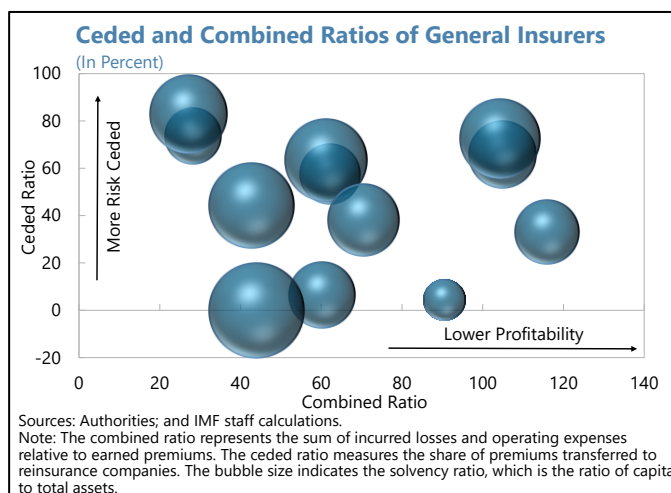
**24. Oversight of credit unions (CUs) should be strengthened.** Credit growth in CUs has remained strong in recent periods (9.8 percent in 2025Q3), while the NPL ratio remains elevated at 7.3 percent in 2025Q3. Prudential requirements—including lending standards, provisioning rules, and supervisory actions—should be tightened to reduce regulatory arbitrage between banks and CUs, particularly among large CUs. These measures should be supported by the adoption of minimum standards at the regional level. In addition, reinforcing the FSRC's supervisory framework also requires legal amendments to enhance data reporting obligations, limit dividend distributions, and broaden enforcement powers, alongside a more risk-based supervisory approach and consistent asset classification and provisioning practices.



<sup>30</sup> The new management team has focused on stabilizing the bank by rebuilding the finance team, engaging new auditors, and modernizing outdated accounting systems. These efforts have led to steady audit progress, with the 2020 audit completed, the 2021-2022 audits currently underway, and subsequent audits expected to accelerate as institutional capacity and the systems improve.

**25. Strengthening oversight of the non-life insurance sector is increasingly important due to rising ND risks.** Rising regional reinsurance costs—driven by heightened ND risks—are

contributing to higher combined ratios, indicating profitability pressures, even though most insurers maintain adequate capital buffers (text chart).<sup>31</sup> These pressures could lead to reduced insurance coverage and higher post-disaster costs affecting all of society. Catastrophe-related provisioning remains insufficient, leaving insurers exposed to large potential losses. These vulnerabilities underscore the need to enhance supervisory monitoring, strengthen ND stress-testing frameworks, and ensure robust provisioning practices.



**26. The AML/CFT framework should be further strengthened.** Rising risks related to virtual assets, beneficial ownership, and asset-recovery mechanisms underscore the need to continue reinforcing AML/CFT safeguards and further enhance CBI regulatory regimes to mitigate regional risk perceptions and protect correspondent banking relationships. Ensuring effective implementation of AML/CFT requirements should help further improve the integrity of development programs and enhance their impact.

**27. The ECCB has taken steps to address most of the recommendations from the previous safeguards assessment.** The remaining recommendation concerns further strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. Staff will continue to engage on this matter, and the next periodic safeguards assessment of the ECCB is scheduled for early 2027.

**28. St. Kitts and Nevis has not introduced any changes in the foreign exchange system** that: (i) may give rise to exchange restrictions or MCPs pertaining to obligations under Article VIII; or (ii) could be designed to limit capital flows and may need to be assessed under the revised Institutional View.

### **Authorities' Views**

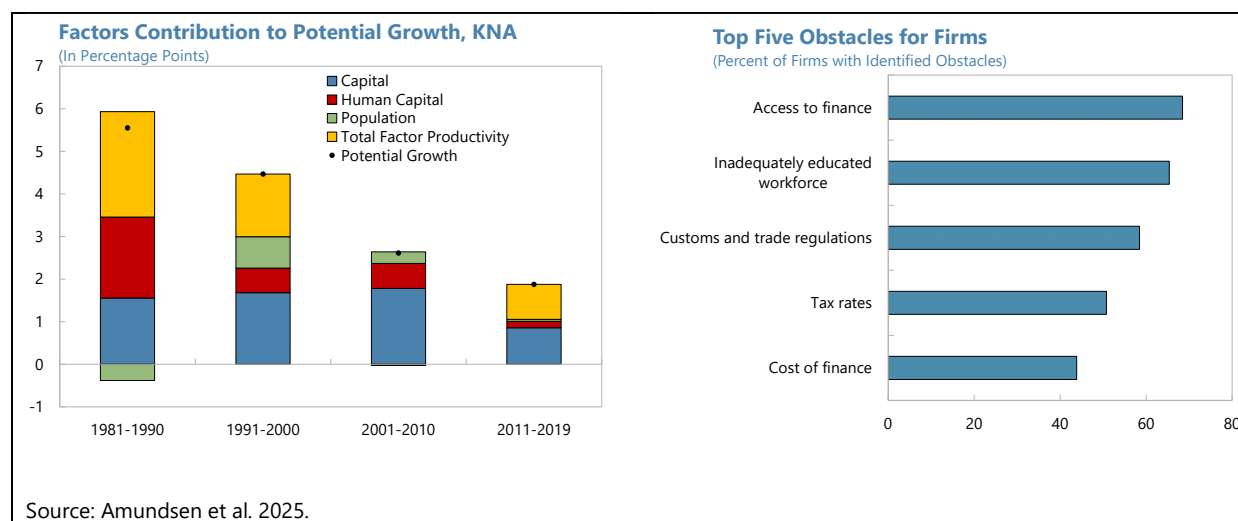
**29. The authorities reiterated their commitment to safeguarding financial stability and noted that several Fund recommendations have already been implemented.** They highlighted progress in reducing NPLs and further de-risking banks' investment portfolios, and committed to continued efforts to restructure NPLs, strengthen provisioning, and improve underwriting standards.

<sup>31</sup> The combined ratio represents the sum of incurred losses and operating expenses relative to earned premiums. Heavy reliance on reinsurance underscores structural dependence on external risk-transfer mechanisms and sensitivity to global market conditions.

The authorities recognized the need for comprehensive reforms of the Development Bank and indicated plans for legal reforms to reinforce the FSRC's supervisory framework, including by enhancing corrective and enforcement powers. In addition, they concurred with the need to further strengthen the regulation and supervision of credit unions and reaffirmed their commitment to ensuring the effective application of the AML/CFT requirements across all development programs.

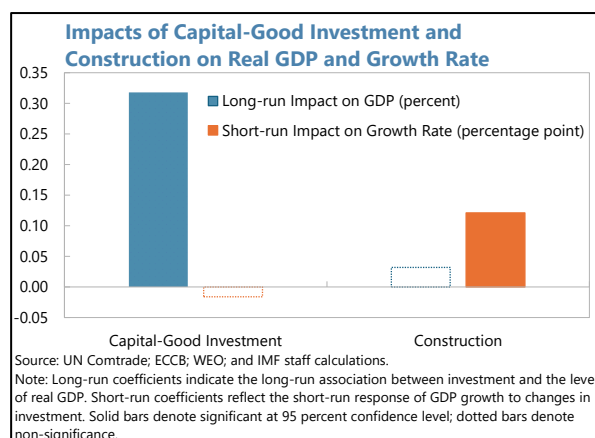
### C. Accelerating Growth through Stronger Investment and Human Capital

**30. Potential growth has declined over the past decade, reflecting weak investment and human capital contributions.** Firm-level data point to key obstacles, including access to finance, skills shortages, and restrictive trade regulations.



**31. Given constrained fiscal and human-resource capacity, a targeted national development strategy is important.** Such a strategy could focus on transversal measures to

address the above-mentioned challenges, including improving physical and digital infrastructure and better aligning education and skills development with priority areas, supported by public-private collaboration. In this context, the recent commissioning of the desalination plant represents an important step toward strengthening infrastructure and water security, while the expansion of a marina could help broaden tourism markets. Staff analysis further indicates that while construction investment has a stronger short-term effect, investment in capital goods has a more significant and durable impact on long-term growth (text chart and Annex IV). These results suggest that, beyond construction activity, policy efforts to stimulate diversified private



investment for productive capital accumulation would help support long-term growth through technology diffusion and productivity spillovers, as discussed below.

**32. Progress in renewable energy projects should be accelerated.** Advancing the energy transition would help reduce energy costs for businesses, mitigate external vulnerabilities, and support economic diversification.<sup>32</sup> Achieving this transition will require stronger institutional capacity to ensure timely project execution, continued concessional financing from development partners—anchored in well-prepared, investment-ready projects—and a sound macroeconomic and debt-management framework. Addressing institutional gaps, including through the adoption of modern, harmonized energy legislation across the Federation and the establishment of an independent energy regulator, would help facilitate a sustainable energy transition.

**33. Strengthening the investment climate is critical to catalyzing private investment and lifting medium-term growth potential.**

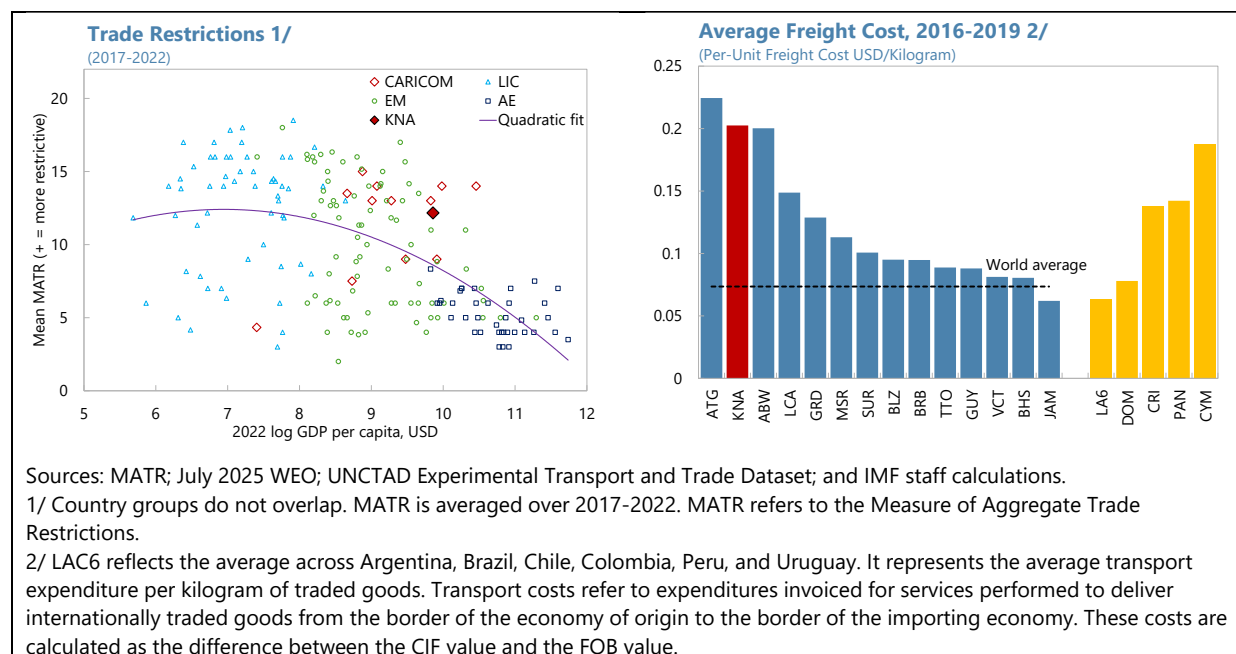
- *Access to finance.* Improving access to finance—by expanding use of the regional credit bureau infrastructure and the partial credit guarantee scheme, and by strengthening legal and regulatory frameworks for collateral and insolvency—would support investment, particularly by Micro, Small and Medium Enterprises. In parallel, advancing banks’ risk management practices for unsecured or under-secured lending would support sound loan origination, strengthen underwriting discipline, and mitigate downside risks to asset quality.
- *Regulatory and institutional capacity.* Streamlining approval processes for private investment projects would enhance efficiency, including by establishing clear and predictable timelines and improving coordination and consistency of feedback among relevant government agencies. In addition, strengthening institutional capacity to develop and evaluate bankable, pre-structured projects, together with enacting a modern and transparent investment code, would further promote investment by enhancing predictability and reducing administrative burdens.
- *Public-private partnerships (PPPs).* PPP frameworks should be further strengthened through enhanced legal and regulatory frameworks to ensure transparency, fiscal discipline, and balanced risk-sharing, particularly for energy transition projects. In parallel, institutional capacity to design, negotiate, and implement complex PPP projects should be reinforced, helping to improve project selection, appraisal, and monitoring and thereby safeguard public finances.

**34. Enhancing trade regulations and procedures would help unlock trade potential and improve competitiveness.** The economy trades significantly less with extra-regional partners than

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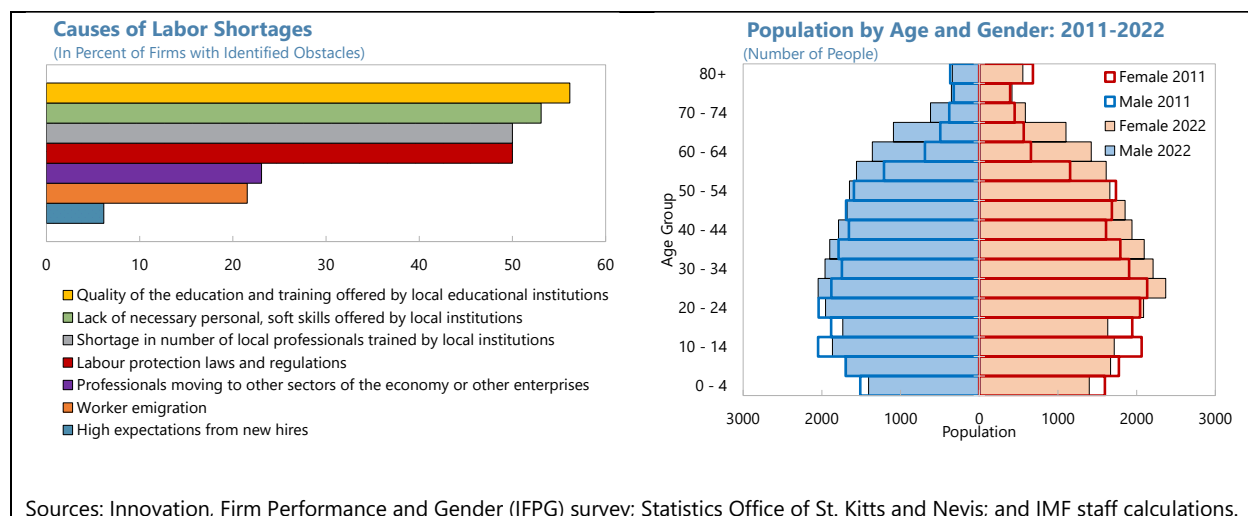
<sup>32</sup> The 2024 Article IV Consultation Staff Report and the associated SIP (“Economic Benefits from Energy Transition”) found that a two-third reduction in the cost of electricity generation with 100 percent renewable energy—assuming the completion of both geothermal and solar energy projects—would increase GDP by 1.1 percentage points and raise TFP growth over five years by 2.5 percentage points, potentially through private-sector-led growth by lowering energy costs. Similarly, labor productivity growth would be 0.5 percent higher on average. The current account deficit would initially widen due to higher imports during the investment phase. However, under a self-sufficiency scenario covering 100 percent of electricity needs, annual fuel import savings would improve the current account balance by 2.4 percent of GDP by 2031.

model predictions suggest, largely reflecting geographic distance and weak shipping connectivity (Annex V). In addition to restrictive trade regulations, the economy faces high freight costs, heavy reliance on regional transshipment hubs, and concentrated import sources, which heighten vulnerability to external shocks. Updating laws and regulations to fully support digital trade workflows—including a trade single window and inter-agency data sharing—together with stronger coordination and further harmonization of customs legislation and procedures within OECS and CARICOM, would help enhance competitiveness and deepen regional integration.



**35. Addressing labor-market skills mismatches—exacerbated by an ageing population—is critical for boosting productivity.** The economy faces persistent shortages of skilled labor in areas such as technical occupations, professional services, and tourism and hospitality. This reflects gaps in education and training systems, limited soft-skill development, and a relatively small pool of locally trained professionals amid outward migration. Addressing these challenge requires modernizing education and vocational training to better align with labor-market needs in priority sectors, including through stronger public-private collaboration, such as structured internship and apprenticeship programs linking firms and training institutions.<sup>33</sup> In this regard, the authorities' continued efforts to improve access to education and vocational training—including launch of a vocational training institute in September 2025—can help enhance the quality of the labor force.

<sup>33</sup> Minimum-wage increases should track productivity gains to preserve competitiveness. The minimum wage was increased by 16.3 percent in July 2025, following a 19.4 percent increase in 2024. This represents a cumulative increase of about 39 percent compared to the previous minimum wage established in 2014, placing the current minimum wage well above ECCU peers. See [St. Kitts and Nevis Selected Issues: Labor Market Diagnosis and Policies \(February 2023\)](#)



**36. Continued efforts to improve data adequacy are essential, as remaining gaps somewhat hamper surveillance** (Annex VII and X). With CARTAC support, priorities include developing expenditure-based national accounts, strengthening external sector data—including errors and omissions, and historical revisions—and closing gaps in labor market statistics.

#### **Authorities' Views**

**37. The authorities broadly agreed with staff's assessment of the long-term growth challenges.** They highlighted their ongoing efforts to build a more resilient and sustainable economy through continued private and public investment in construction, agriculture, tourism (including the yachting sector), and renewable energy, with a focus on economic diversification. The authorities reiterated their commitment to providing a clean, affordable, and accessible energy supply through geothermal and solar projects. They also indicated plans to harmonize energy laws within the Federation and establish an independent energy regulator to address the institutional challenges related to the renewable energy transition. Additionally, they emphasized their commitment to improving data adequacy to support timely and well-informed policymaking.

## **STAFF APPRAISAL**

**38. Economic growth slowed in 2025 but is expected to rebound in 2026 and strengthen over the medium term.** The projected pickup is supported by construction, agriculture, renewable energy projects, and the continued expansion of tourism activities, although persistently high oil prices could weigh on the economy. Inflation is expected to rise moderately in 2026, driven by higher global commodity and food prices, and stabilize over the medium term. Near-term risks to growth are tilted to the downside, while risks to inflation are tilted to the upside amid heightened oil price volatility.

**39. The external position in 2025 is weaker than implied by medium-term fundamentals and desirable policies.** The current account deficit is projected to widen—due to higher fuel imports and lower CBI applications and despite resilient tourism activity—before improving modestly over the medium term. International reserves remain stable.

**40. Fiscal pressures persist following the end of the CBI windfall.** The overall fiscal deficit widened further in 2025, public debt edged up closer to the 60 percent of GDP regional benchmark, and government deposits declined further. Persistently low CBI revenues are expected to keep deficits elevated in 2026 and over the medium term, while public debt is projected to continue rising. Debt sustainability is maintained, but contingent liabilities from public banks and the SSF pose significant risks.

**41. Continued fiscal consolidation, supported by a strong fiscal resilience framework, is critical to stabilize debt, rebuild buffers, and reduce vulnerability to shocks.** Under a moderately frontloaded consolidation scenario combining expenditure rationalization and revenue mobilization, public debt would stabilize at the regional benchmark by 2031 and higher government deposits would help rebuild buffers. Current expenditure requires further rationalization, including streamlining G&S spending. Policy measures to mitigate the impact of higher oil prices should be well targeted and timebound. Tax revenue has ample scope to increase through rolling back Covid-era concessions, broadening the VAT base, strengthening property taxation, increasing excises, and improving tax administration.

**42. Formally adopting fiscal rules anchored by the regional debt benchmark is essential to underpin fiscal consolidation efforts.** This would help the authorities' ongoing efforts to reduce reliance on CBI revenues, mitigate fiscal procyclicality, and strengthen policy credibility. The planned SWRF is also welcome; its implementation—in line with IMF TA—would help manage CBI revenue volatility, enhance disaster resilience, and support long-term fiscal sustainability. Parametric reforms to the SSF should proceed without delay to prevent reserve depletion by 2040.

**43. The banking system remains broadly stable, although vulnerabilities persist.** Capital positions have strengthened and NPL ratios have continued to decline, while credit growth has remained robust. Financial sector policies should focus on resolving legacy NPLs, strengthening provisioning, and further de-risking investment portfolios. Comprehensive reform of the Development Bank is critical to safeguard financial and fiscal stability. The FSRC's oversight framework for the non-banking sector should be further strengthened.

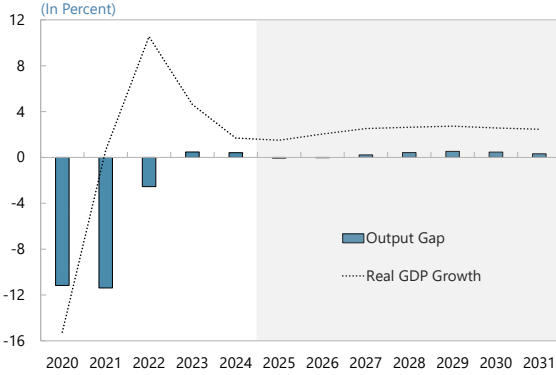
**44. Structural reforms are essential to raise medium-term growth potential.** Priorities include accelerating renewable energy projects, enhancing the investment climate, and addressing labor-market skills mismatches. Continued efforts to improve data adequacy are also important.

**45. It is expected that the next Article IV Consultation with St. Kitts and Nevis will take place on the standard 12-month cycle.**

**Figure 1. St. Kitts and Nevis: Real Sector Developments**

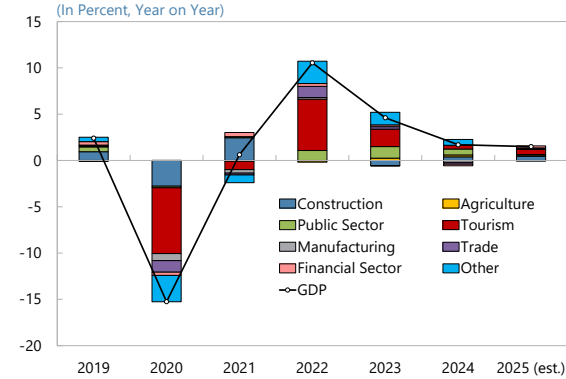
Following the strong post-pandemic rebound, the output gap has largely closed...

**Output Gap and Real GDP Growth**



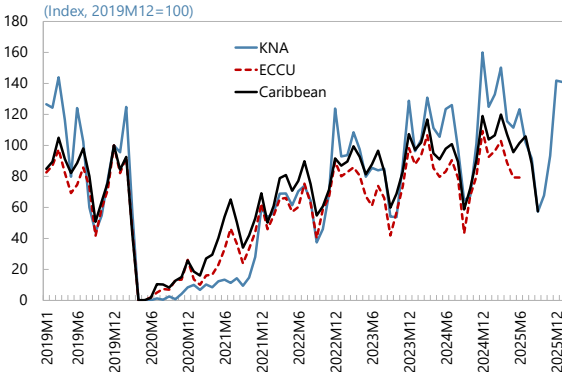
... despite the recent deceleration in real GDP growth.

**GDP Growth Sectoral Decomposition**



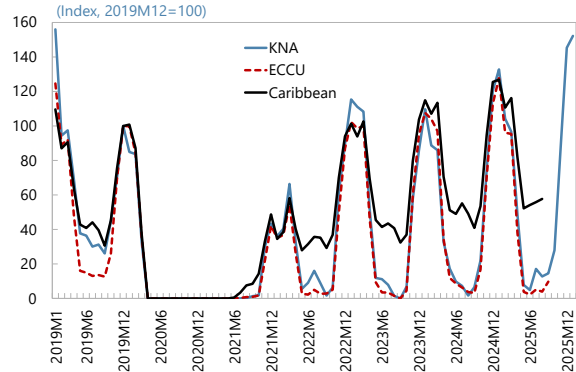
Stay-over tourist arrivals have exceeded pre-pandemic levels ...

**Stay-Over Tourist Arrivals**



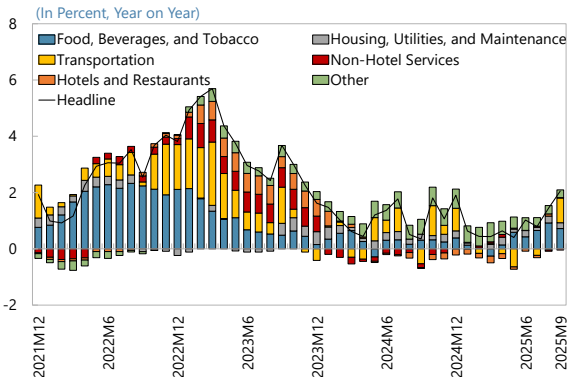
... while cruise arrivals have continued to recover gradually.

**Cruise Passenger Arrivals**



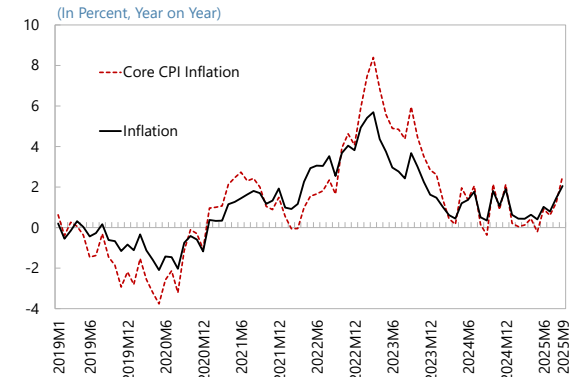
Headline inflation appears to have bottomed out and is gradually trending upward...

**Contributions to Headline Inflation**



... largely reflecting a recent increase in core CPI inflation.

**Inflation**



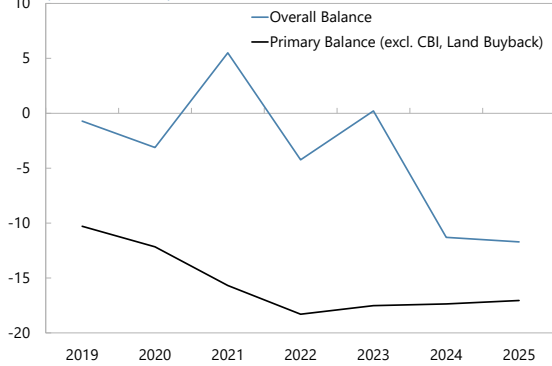
Sources: ECCB; and IMF staff calculations.

**Figure 2. St. Kitts and Nevis: Fiscal Sector Developments**

*The fiscal deficits remains large...*

**Fiscal Stance**

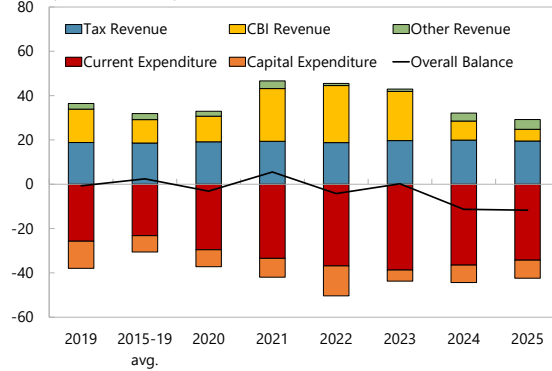
(In Percent of GDP)



*... amid low CBI revenue, and despite consolidation efforts.*

**Fiscal Performance**

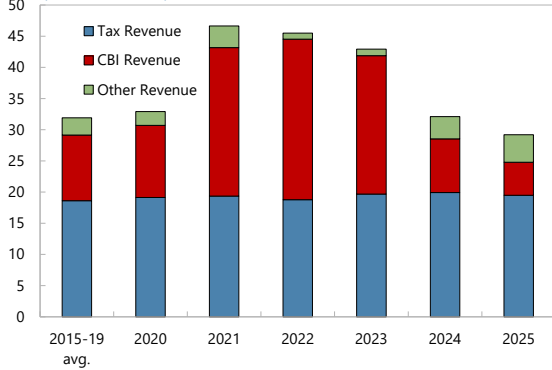
(In Percent of GDP)



*Total revenue has declined further...*

**Total Revenue**

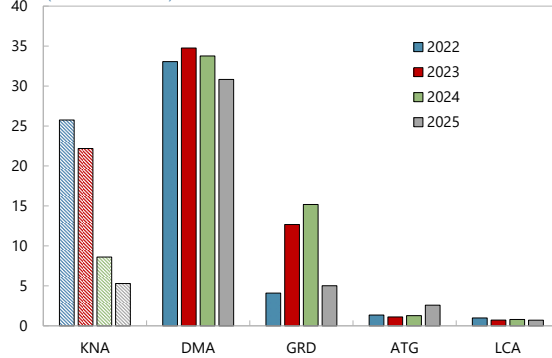
(In Percent of GDP)



*... largely driven by weak CBI revenues.*

**CBI Revenue**

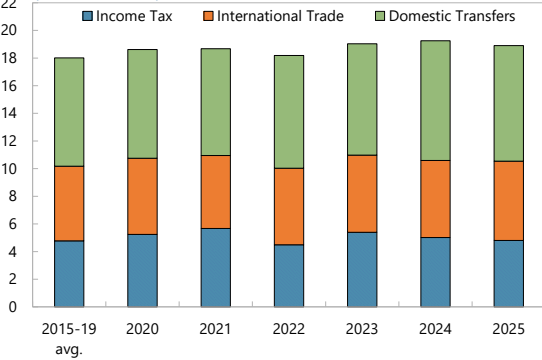
(In Percent of GDP)



*The composition of tax revenue has remained stable...*

**Tax Revenue Performance**

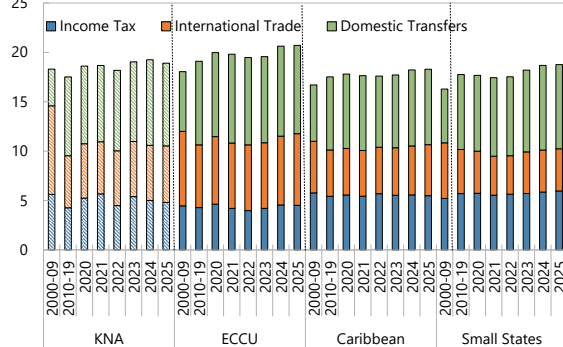
(In Percent of GDP)



*...in line with regional peers.*

**Tax Revenues**

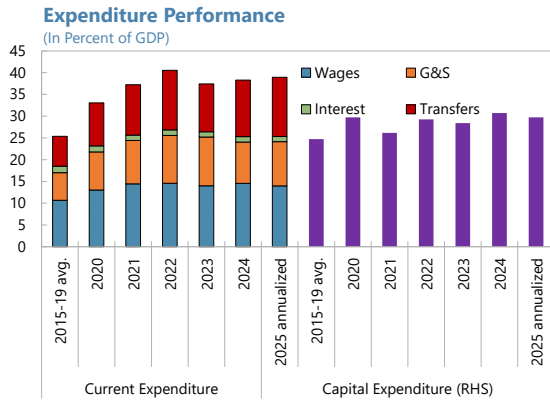
(In Percent of GDP)



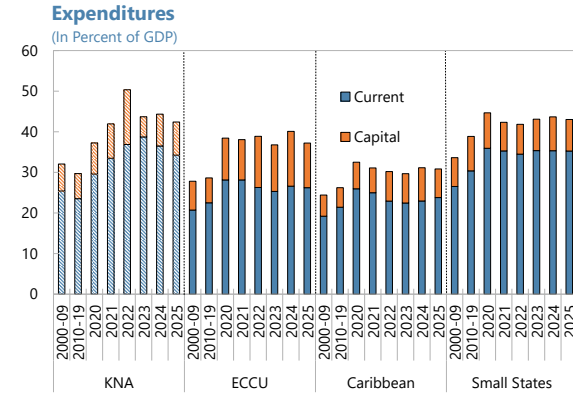
Sources: ECCB; WEO; and IMF staff calculations.

**Figure 3. St. Kitts and Nevis: Fiscal Sector Developments**

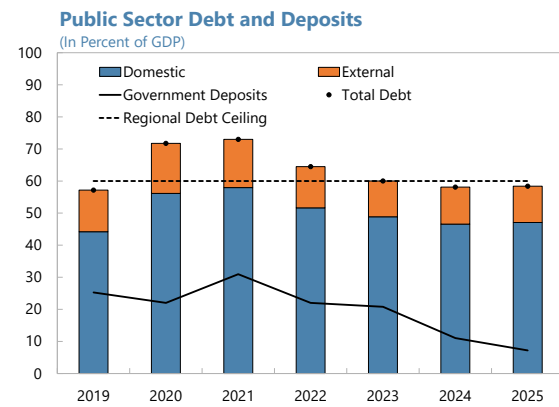
Current expenditure remains elevated...



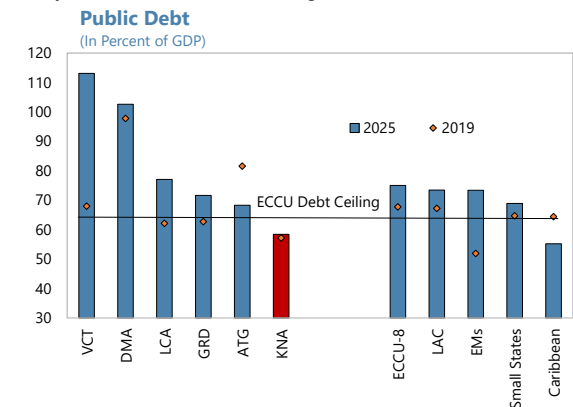
... and is high compared with peers.



Public debt has edged up, while government deposits have continued to decline...



... although public debt is relatively low, compared to many other countries in the region.

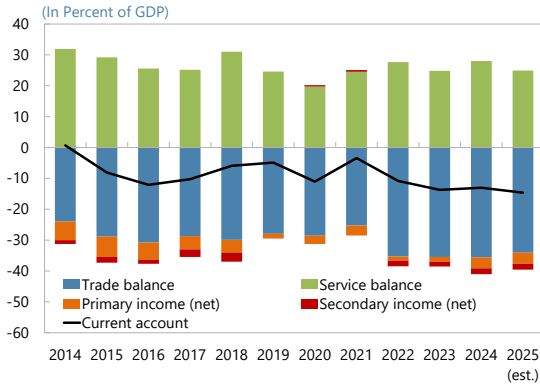


Sources: ECCB; WEO; and IMF staff calculations.

**Figure 4. St. Kitts and Nevis: External Sector Developments**

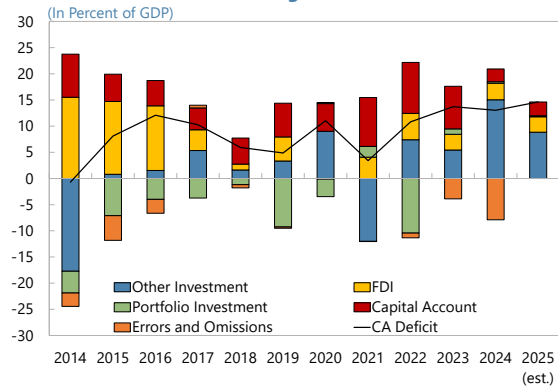
The current account deficit remains high, driven mainly by a decline in service exports with lower CBI inflows...

**Current Account Balance**



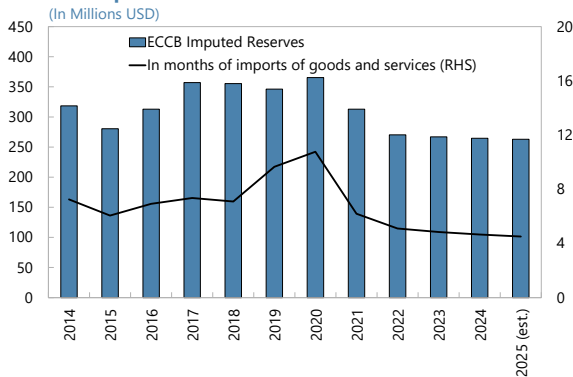
..., and mainly financed by other investments, FDI, and capital transfers.

**Current Account Financing**



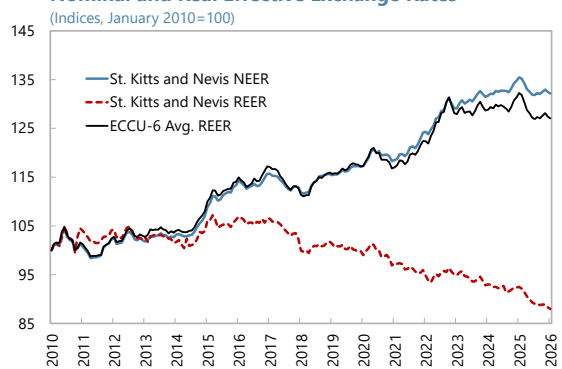
International reserves remain stable.

**Net Imputed International Reserves**



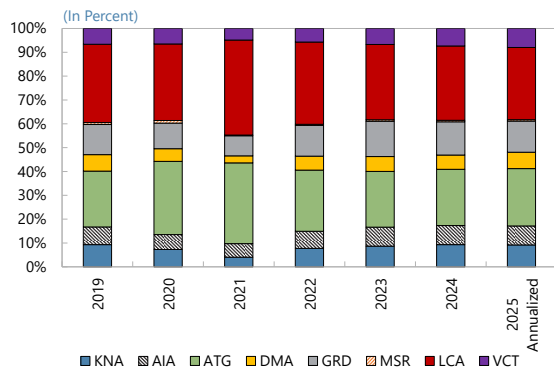
The REER depreciated slightly over the last 12 months.

**Nominal and Real Effective Exchange Rates**



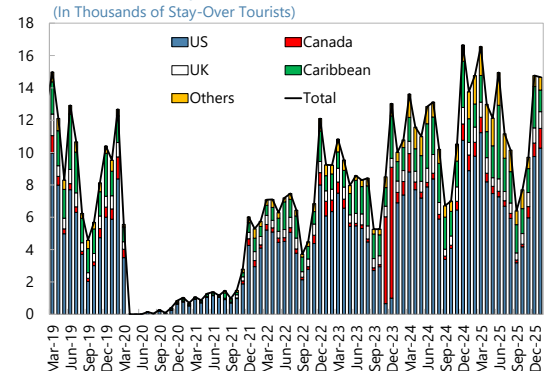
St. Kitts and Nevis' share of ECCU tourism revenues remained relatively small in 2025.

**Tourism Share**



The US and the Caribbean region continued to be the main source markets.

**Tourist Arrivals by Source Countries**

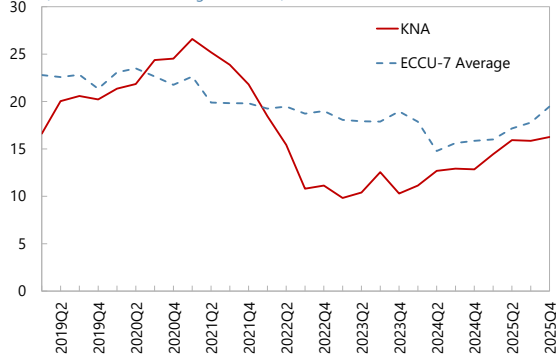


Sources: ECCB; WEO; and IMF staff calculations.

**Figure 5. St. Kitts and Nevis: Financial Sector Developments**

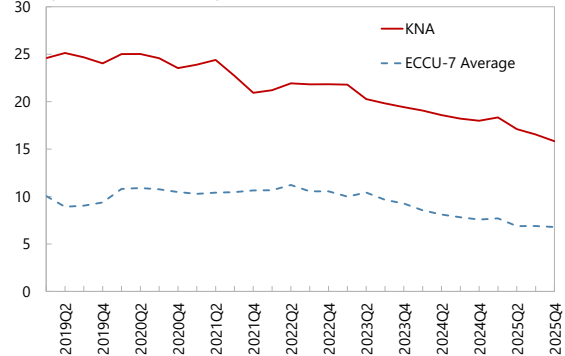
*Banks have strengthened their capital positions, ...*

**Capital Adequacy Ratios**  
(In Percent of Risk-Weighted Assets)



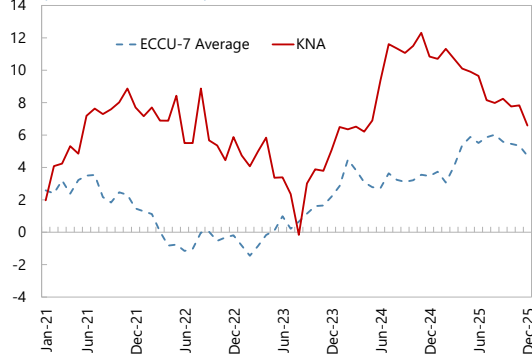
*... and NPL ratios have declined, but they remain the highest in the region.*

**Asset Quality: NPL Ratio**  
(In Percent of Total Loans)



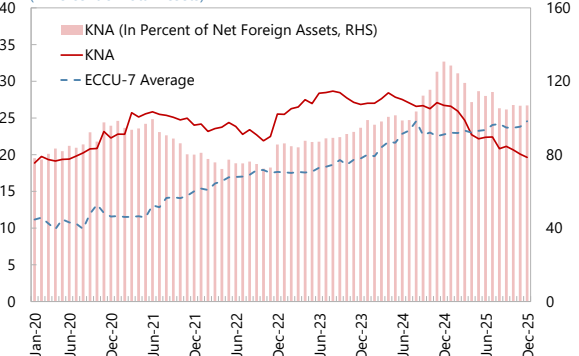
*Credit growth has slowed from previous highs, yet the pace of credit expansion remains robust...*

**Total Credit to the Private Sector**  
(In Percent, Year On Year)



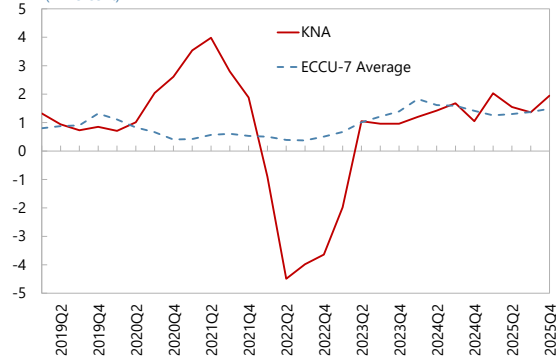
*...while overseas investment portfolios have steadily declined, pointing to ongoing de-risking.*

**Investment in Overseas Assets**  
(In Percent of Total Assets)



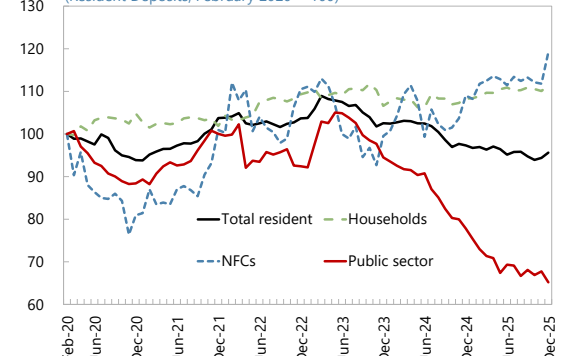
*The banking sector has maintained stable profitability since recovering from substantial losses in 2022...*

**Return on Average Assets**  
(In Percent)



*...while total deposits have declined, reflecting a steady drawdown by the government.*

**Accumulation of Bank Deposits**  
(Resident Deposits, February 2020 = 100)

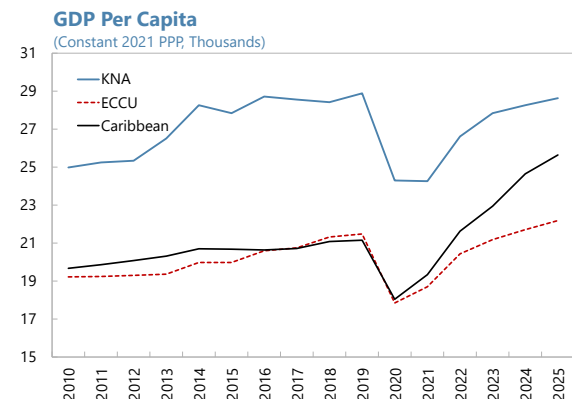


Sources: ECCB; and IMF staff calculations.

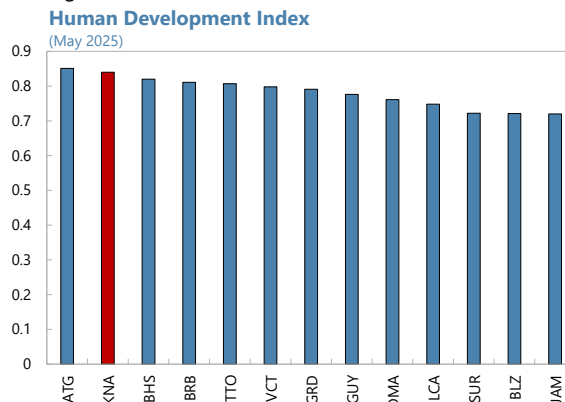
Note: ECCU-7 average excludes St. Kitts and Nevis.

**Figure 6. St. Kitts and Nevis: Structural Indicators**

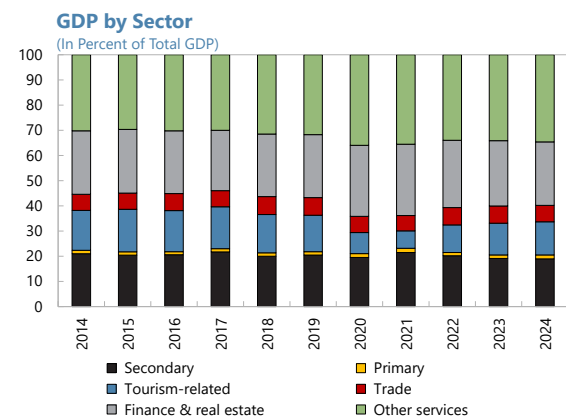
St. Kitts and Nevis has one of the highest GDP per capita levels in the Caribbean...



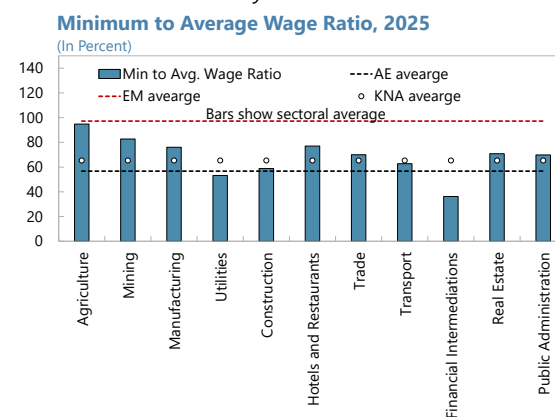
...and the second-highest Human Development Index in the region.



The economy is mainly supported by finance, real estate, and tourism.



The minimum wage has been raised in July 2025, the second time since January 2024.



Sources: National authorities; ECCB; United Nations Development Program EM-DAT; World Bank; World Economic Outlook; and IMF staff calculations.

Note: Groups of WHD, Pacific, and the rest of the world are exclusive. 2021 reported figures are used for country land area. The Human Development Index (HDI)—developed by the United Nations Development Programme—is widely used to measure development beyond GDP, combining income, education, and life expectancy, but it may overstate development by reflecting CBI-boosted income levels, while failing to capture underlying fiscal vulnerabilities, inequality, and high exposure to external shocks.

**Table 1. St. Kitts and Nevis: Basic Data****I. Social, Geographic and Demographic Indicators**

Area (sq. km)	269.4	Headcount Poverty (percent, 2008)	23.7
		Income inequality (Gini coefficient, 2008)	0.38
Population		Health and nutrition	
Total (thousands, 2024 est.)	51.5	Calorie intake (per capita a day, 2011)	2,452
Rate of growth (percent per year, 2024)	0.17	Physicians (per 1,000 people, 2018)	2.8
Density (per sq. km., 2023)	191.2	Access to safe water (percent, 2011)	98.9
Net migration rate (per thousand, 2014 est.)	1.2	AIDS incidence rate (per 100,000, 2016)	33.9
Population characteristics		Gross domestic product (2024)	
Life expectancy at birth (years, 2021)	71.7	(millions of U.S. dollars)	1,050.5
Infant mortality (per thousand live births, 2020)	12.6	(millions of E.C. dollars)	2,836
Under 5 mortality rate (per thousand, 2020)	15.0	(US\$ per capita)	20,392.3
Adult literacy rate (percent, 2009)	97.8		

**II. Economic and Financial Indicators, 2021-31**

	2021	2022	2023	2024	Est. 2025	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
(Annual percentage change, unless otherwise specified)											
<b>National income and prices</b>											
Real GDP (market prices)	0.6	10.5	4.6	1.7	1.5	2.0	2.5	2.6	2.7	2.6	2.5
Real GDP (factor cost)	1.9	8.0	4.6	1.9	2.1	2.3	2.5	2.6	2.7	2.6	2.4
Consumer prices, end-of-period	1.9	3.8	1.6	1.9	1.5	2.2	2.1	2.0	2.0	2.0	2.0
Consumer prices, period average	1.2	2.7	3.6	1.1	1.3	2.2	2.1	2.0	2.0	2.0	2.0
Real effective exchange rate appreciation (+) (end-of-period)	-3.1	-1.4	-0.7	-2.1	-2.6	...	...	...	...	...	...
(Contributions to money growth, in percent)											
<b>Money and credit</b>											
Broad money	8.9	3.7	-1.9	2.5	16.0	10.2	8.2	6.0	6.4	6.4	5.6
Change in net foreign assets	9.1	-7.1	-6.3	-12.8	-2.3	-2.0	-1.8	-1.8	-1.5	-1.4	-1.3
Net credit to general government	-4.8	4.9	0.3	9.3	11.7	8.1	6.7	4.8	4.8	4.8	4.8
Credit to private sector (annual percentage change)	7.7	5.9	5.1	10.8	10.0	6.5	5.3	4.7	4.9	4.7	4.6
Nonperforming loans to total gross loans (end-of-period)	20.9	21.8	19.4	18.0	15.8	...	...	...	...	...	...
(In percent of GDP)											
<b>General government</b>											
Total revenue and grants	47.5	46.1	43.9	33.1	30.7	32.2	32.7	33.2	33.2	33.2	33.2
o/w Tax revenue	19.4	18.8	19.7	19.9	19.5	20.2	20.2	20.2	20.2	20.2	20.2
o/w CBI revenue	23.8	25.8	22.2	8.6	5.3	6.0	6.5	7.0	7.0	7.0	7.0
Total expenditure and net lending	42.0	50.4	43.7	44.4	42.4	40.8	40.2	38.7	38.9	39.0	39.2
Current expenditure	33.5	36.9	38.7	36.5	34.2	33.1	34.2	33.2	33.4	33.5	33.7
Capital expenditure and net lending	8.5	13.5	5.0	7.9	8.2	7.7	6.0	5.5	5.5	5.5	5.5
Overall balance (after grants)	5.5	-4.2	0.2	-11.3	-11.7	-8.7	-7.5	-5.6	-5.7	-5.9	-6.0
Primary balance (ex. CBI and transfers to banks)	-15.7	-18.3	-17.9	-18.2	-15.7	-13.5	-11.9	-10.2	-10.2	-10.2	-10.2
Total public debt	73.0	64.5	60.0	58.1	58.4	64.0	68.7	71.3	73.8	76.5	79.2
Government deposits	31.0	22.0	20.8	11.0	7.2	3.0	2.9	2.7	2.6	2.5	2.4
<b>External sector</b>											
Current account balance	-3.4	-10.8	-13.7	-13.0	-14.6	-15.4	-14.2	-13.1	-12.6	-12.0	-11.9
Trade balance	-25.3	-35.3	-35.4	-35.6	-34.1	-36.4	-35.9	-35.0	-33.6	-33.6	-33.4
Services, net	24.5	27.7	24.8	28.0	24.9	26.4	27.2	27.3	26.4	27.0	27.0
o/w Tourism receipts	18.0	30.5	34.4	37.8	37.5	38.3	38.6	38.7	38.7	38.7	38.7
FDI (net)	4.1	5.1	3.0	3.2	2.9	3.0	3.1	3.1	3.1	3.1	3.1
Net international reserves, end-of-period											
(in millions of U.S. dollars)	312.8	270.3	262.4	270.7	269.0	267.3	265.5	261.4	260.2	259.4	258.7
(in months of imports of goods and services)	6.1	4.7	4.7	4.7	4.3	4.1	4.0	3.7	3.6	3.4	3.3
Nominal GDP at market prices (in millions of EC\$)	2,277	2,599	2,793	2,836	2,921	3,085	3,233	3,385	3,550	3,719	3,888

Sources: National authorities, ECCB, UNDP, World Bank; and IMF staff estimates and projections.

**Table 2. St. Kitts and Nevis: Federal Government Fiscal Operations, 2021-31**  
(In percent of GDP)

	2021	2022	2023	2024	Est	Proj.					
					2025	2026	2027	2028	2029	2030	2031
<b>Total revenue</b>	<b>46.6</b>	<b>45.5</b>	<b>42.9</b>	<b>32.1</b>	<b>29.2</b>	<b>30.6</b>	<b>31.1</b>	<b>31.6</b>	<b>31.6</b>	<b>31.6</b>	<b>31.6</b>
Tax revenue	19.4	18.8	19.7	19.9	19.5	20.2	20.2	20.2	20.2	20.2	20.2
Taxes on income	5.7	4.5	5.4	5.0	4.8	4.9	4.9	4.9	4.9	4.9	4.9
Taxes on property	0.7	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7	0.7
Taxes on domestic goods and consumption	7.7	8.2	8.1	8.7	8.4	8.9	8.9	8.9	8.9	8.9	8.9
Taxes on international trade and transactions	5.3	5.5	5.6	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Nontax revenue	27.3	26.7	23.2	12.2	9.7	10.4	10.9	11.4	11.4	11.4	11.4
Citizenship by investment (CBI) revenue	23.8	25.8	22.2	8.6	5.3	6.0	6.5	7.0	7.0	7.0	7.0
minus CBI due diligence fees	1.4	2.3	2.5	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other nontax revenue	3.5	1.0	1.1	3.6	4.4	4.4	4.4	4.4	4.4	4.4	4.4
<b>Total expenditure and net lending</b>	<b>42.0</b>	<b>50.4</b>	<b>43.7</b>	<b>44.4</b>	<b>42.4</b>	<b>40.8</b>	<b>40.2</b>	<b>38.7</b>	<b>38.9</b>	<b>39.0</b>	<b>39.2</b>
Current expenditure	33.5	36.9	38.7	36.5	34.2	33.1	34.2	33.2	33.4	33.5	33.7
Wages and salaries	14.4	14.6	14.0	14.6	15.0	14.5	14.3	14.0	14.0	14.0	14.0
Goods and services (ex. CBI fees)	8.6	8.7	8.7	9.4	7.9	7.5	7.3	7.1	7.1	7.1	7.1
Interest	1.2	1.3	1.2	1.3	1.3	1.2	2.1	2.3	2.5	2.6	2.8
Domestic	0.9	1.0	0.9	1.0	1.0	1.0	1.5	1.5	1.4	1.4	1.3
Foreign	0.3	0.3	0.3	0.3	0.3	0.2	0.6	0.9	1.1	1.3	1.4
Transfers	9.2	12.4	14.8	11.3	10.1	10.0	10.5	9.8	9.8	9.8	9.8
CBI dividend	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	9.2	11.6	11.6	11.3	10.1	10.0	10.5	9.8	9.8	9.8	9.8
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	8.5	13.5	5.0	7.9	8.2	7.7	6.0	5.5	5.5	5.5	5.5
Transfers to banks	0.0	8.1	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	8.5	5.4	4.6	7.5	8.2	7.7	6.0	5.5	5.5	5.5	5.5
Overall balance (before grants)	4.7	-4.9	-0.8	-12.2	-13.2	-10.2	-9.0	-7.1	-7.3	-7.4	-7.5
Grants	0.8	0.6	1.0	0.9	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>Overall balance (after grants)</b>	<b>5.5</b>	<b>-4.2</b>	<b>0.2</b>	<b>-11.3</b>	<b>-11.7</b>	<b>-8.7</b>	<b>-7.5</b>	<b>-5.6</b>	<b>-5.7</b>	<b>-5.9</b>	<b>-6.0</b>
Overall balance (ex. transfers to banks)	5.5	3.9	0.6	-10.9	-11.7	-8.7	-7.5	-5.6	-5.7	-5.9	-6.0
<b>Overall balance (ex. CBI and transfers to banks)</b>	<b>-16.9</b>	<b>-19.6</b>	<b>-19.1</b>	<b>-19.4</b>	<b>-17.0</b>	<b>-14.7</b>	<b>-14.0</b>	<b>-12.6</b>	<b>-12.7</b>	<b>-12.9</b>	<b>-13.0</b>
Primary balance	6.7	-3.0	1.4	-10.0	-10.4	-7.5	-5.4	-3.2	-3.2	-3.2	-3.2
<b>Primary balance (ex. CBI and transfers to banks)</b>	<b>-15.7</b>	<b>-18.3</b>	<b>-17.9</b>	<b>-18.2</b>	<b>-15.7</b>	<b>-13.5</b>	<b>-11.9</b>	<b>-10.2</b>	<b>-10.2</b>	<b>-10.2</b>	<b>-10.2</b>
<b>Gross financing need</b>	<b>12.5</b>	<b>19.2</b>	<b>13.8</b>	<b>29.0</b>	<b>30.8</b>	<b>26.7</b>	<b>22.3</b>	<b>20.6</b>	<b>20.6</b>	<b>20.6</b>	<b>20.7</b>
Amortization	18.0	15.0	14.0	17.7	19.1	18.0	14.8	15.0	14.9	14.7	14.7
<b>Public debt</b>	<b>73.0</b>	<b>64.5</b>	<b>60.0</b>	<b>58.1</b>	<b>58.4</b>	<b>64.0</b>	<b>68.7</b>	<b>71.3</b>	<b>73.8</b>	<b>76.5</b>	<b>79.2</b>
<i>By sector</i>											
General government	47.9	42.2	39.6	38.8	40.3	49.6	55.8	59.8	63.7	67.6	71.4
Public enterprises	25.1	22.3	20.4	19.4	18.2	14.4	13.0	11.5	10.2	8.9	7.9
<i>By currency</i>											
Domestic	58.0	51.6	48.9	46.6	47.1	41.9	39.9	38.0	36.0	34.0	32.1
External	15.0	12.9	11.1	11.6	11.3	22.1	28.8	33.3	37.9	42.4	47.1
<b>Government deposits</b>	<b>31.0</b>	<b>22.0</b>	<b>20.8</b>	<b>11.0</b>	<b>7.2</b>	<b>3.0</b>	<b>2.9</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>
<b>Net debt</b>	<b>42.0</b>	<b>42.5</b>	<b>39.2</b>	<b>47.1</b>	<b>51.2</b>	<b>61.0</b>	<b>65.8</b>	<b>68.6</b>	<b>71.2</b>	<b>74.0</b>	<b>76.8</b>

Sources: National authorities; and IMF staff estimates and projections.

1/ Combined accounts of the Federal Government of St. Kitts and Nevis and the Nevis Island Administration.

Table 3. St. Kitts and Nevis: Balance of Payment, 2021-31

	2021	2022	2023	2024	Est. 2025	Proj.					
						2026	2027	2028	2029	2030	2031
(In millions of Eastern Caribbean dollars)											
<b>Current account</b>	<b>-77.7</b>	<b>-281.4</b>	<b>-383.2</b>	<b>-369.4</b>	<b>-426.3</b>	<b>-476.6</b>	<b>-458.5</b>	<b>-443.7</b>	<b>-446.0</b>	<b>-447.5</b>	<b>-461.2</b>
Trade balance	-575.2	-918.3	-990.1	-1008.7	-994.7	-1123.1	-1161.1	-1185.7	-1191.3	-1250.2	-1299.8
Exports	114.4	94.4	78.0	128.1	132.4	137.5	142.6	147.9	153.3	157.5	171.8
Imports	-689.7	-1012.6	-1068.1	-1136.8	-1127.1	-1260.6	-1303.7	-1333.6	-1344.6	-1407.7	-1471.6
o/w Mineral fuel	-192.4	-279.4	-238.0	-293.8	-258.8	-307.8	-307.0	-296.5	-273.0	-285.4	-298.1
Services	558.6	719.2	693.7	794.5	728.5	815.3	878.7	925.6	938.1	1005.3	1051.1
Services (receipts)	968.9	1360.6	1507.9	1482.1	1471.0	1595.0	1682.9	1767.8	1853.8	1941.7	2030.2
Travel	410.0	793.3	960.9	1073.3	1094.8	1182.4	1247.4	1309.8	1373.6	1438.7	1504.3
Other	558.8	567.3	547.1	408.8	376.2	412.6	435.4	457.9	480.2	503.0	525.9
Services (payments)	-410.3	-641.4	-814.2	-687.6	-742.6	-779.7	-804.2	-842.2	-915.7	-936.4	-979.1
Primary income	-74.0	-34.5	-43.7	-101.1	-104.4	-110.0	-114.5	-119.2	-125.2	-131.7	-138.5
Secondary income	13.0	-47.9	-43.1	-54.0	-55.7	-58.8	-61.6	-64.5	-67.6	-70.8	-74.1
<b>Capital account</b>	<b>212.5</b>	<b>252.6</b>	<b>227.2</b>	<b>69.0</b>	<b>76.9</b>	<b>88.3</b>	<b>97.0</b>	<b>106.3</b>	<b>111.5</b>	<b>116.8</b>	<b>122.1</b>
<b>Financial account</b>	<b>133.8</b>	<b>-52.5</b>	<b>-264.8</b>	<b>-524.5</b>	<b>-349.4</b>	<b>-388.2</b>	<b>-361.4</b>	<b>-337.4</b>	<b>-334.5</b>	<b>-330.7</b>	<b>-339.1</b>
Foreign direct investment	92.9	131.4	83.8	89.4	86.1	94.0	101.5	106.3	111.5	116.8	122.1
Portfolio investment	47.0	-271.2	28.8	8.5	5.8	9.2	9.6	10.1	10.6	11.1	11.6
Other investment	-102.7	-27.6	-398.9	-600.4	-445.9	-496.3	-477.4	-464.9	-459.7	-460.9	-474.6
Commercial bank NFA accumulation (+increase)	-307.0	116.9	185.1	459.1	254.9	247.2	237.0	226.2	219.2	211.6	216.2
Others	204.3	-144.5	-584.0	-1059.5	-700.7	-743.4	-714.4	-691.1	-678.9	-672.5	-690.9
Reserve assets (+increase/-decrease)	96.6	114.8	21.5	-22.0	4.6	4.8	4.8	11.1	3.1	2.3	1.9
<b>Errors and omissions</b>	<b>-0.9</b>	<b>-23.8</b>	<b>-108.8</b>	<b>-224.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
(In percent of GDP)											
<b>Current account</b>	<b>-3.4</b>	<b>-10.8</b>	<b>-13.7</b>	<b>-13.0</b>	<b>-14.6</b>	<b>-15.4</b>	<b>-14.2</b>	<b>-13.1</b>	<b>-12.6</b>	<b>-12.0</b>	<b>-11.9</b>
Trade balance	-25.3	-35.3	-35.4	-35.6	-34.1	-36.4	-35.9	-35.0	-33.6	-33.6	-33.4
Exports	5.0	3.6	2.8	4.5	4.5	4.5	4.4	4.4	4.3	4.2	4.4
Imports	-30.3	-39.0	-38.2	-40.1	-38.6	-40.9	-40.3	-39.4	-37.9	-37.9	-37.9
Services	24.5	27.7	24.8	28.0	24.9	26.4	27.2	27.3	26.4	27.0	27.0
Services (receipts)	42.5	52.3	54.0	52.3	50.4	51.7	52.1	52.2	52.2	52.2	52.2
Services (payments)	-18.0	-24.7	-29.2	-24.2	-25.4	-25.3	-24.9	-24.9	-25.8	-25.2	-25.2
Primary income	-3.2	-1.3	-1.6	-3.6	-3.6	-3.6	-3.5	-3.5	-3.5	-3.5	-3.6
Secondary income	0.6	-1.8	-1.5	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9
<b>Capital account</b>	<b>9.3</b>	<b>9.7</b>	<b>8.1</b>	<b>2.4</b>	<b>2.6</b>	<b>2.9</b>	<b>3.0</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>
<b>Financial account</b>	<b>5.9</b>	<b>-2.0</b>	<b>-9.5</b>	<b>-18.5</b>	<b>-12.0</b>	<b>-12.6</b>	<b>-11.2</b>	<b>-10.0</b>	<b>-9.4</b>	<b>-8.9</b>	<b>-8.7</b>
(Annual percentage change)											
Exports	54.6	-17.5	-17.3	64.2	3.4	3.9	3.7	3.7	3.6	2.8	9.1
Imports	-7.1	46.8	5.5	6.4	-0.9	11.9	3.4	2.3	0.8	4.7	4.5
Travel (receipts)	41.7	93.5	21.1	11.7	2.0	8.0	5.5	5.0	4.9	4.7	4.6
(In millions of US dollars)											
ECCB imputed reserves	312.8	270.3	262.4	270.7	269.0	267.3	265.5	261.4	260.2	259.4	258.7
(in months of imports of goods and services)	6.1	4.7	4.7	4.7	4.3	4.1	4.0	3.7	3.6	3.4	3.3

Sources: ECCB; and IMF staff estimates and projections.

Sources: ECCB; and IMF staff estimates and projections.

**Table 4. St. Kitts and Nevis: Monetary Survey, 2021-31**

	2021	2022	2023	2024	Est.		Proj.				
					2025	2026	2027	2028	2029	2030	2031
(Percentage change relative to broad money at beginning of period)											
Net foreign assets	9.1	-7.1	-6.3	-12.8	-2.3	-2.0	-1.8	-1.8	-1.5	-1.4	-1.3
Net domestic assets	-0.3	10.9	4.5	15.3	18.3	12.2	10.0	7.8	7.9	7.8	7.0
Net credit to the public sector	-4.0	4.9	-0.3	9.9	11.9	8.3	6.9	5.1	5.2	5.2	4.4
Net credit to central government	-4.8	4.9	0.3	9.3	11.7	8.1	6.7	4.8	4.8	4.8	4.8
Net credit to non-financial public sector	0.9	0.0	-0.5	0.6	0.2	0.2	0.3	0.3	0.4	0.4	0.0
Net credit to nonbank financial institutions	4.7	3.5	3.3	5.0	6.4	3.9	3.1	2.7	2.7	2.6	2.6
Credit to the private sector	4.1	3.1	2.7	6.2	6.2	3.8	3.0	2.6	2.7	2.5	2.4
Net other assets	-0.9	2.5	1.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(Annual percentage change)											
Broad money (M2)	8.9	3.7	-1.9	2.5	16.0	10.2	8.2	6.0	6.4	6.4	5.6
Money	14.5	28.4	3.6	4.7	46.7	17.8	13.4	7.8	8.4	8.6	7.1
Currency in circulation	3.7	5.2	0.1	-0.9	3.0	5.6	4.8	4.7	4.9	4.7	4.6
Demand deposits 2/	21.0	40.3	4.9	6.8	3.0	5.6	4.8	4.7	4.9	4.7	4.6
Quasi-money	7.3	-3.4	-3.9	1.6	3.0	5.6	4.8	4.7	4.9	4.7	4.6
Savings deposits	3.7	-13.7	0.1	3.0	3.0	5.6	4.8	4.7	4.9	4.7	4.6
Time deposits	9.3	-5.4	3.3	-1.3	3.0	5.6	4.8	4.7	4.9	4.7	4.6
Foreign currency deposits	13.2	18.1	-14.6	1.5	3.0	5.6	4.8	4.7	4.9	4.7	4.6
Credit to the private sector (in nominal terms)	7.7	5.9	5.1	10.8	10.0	6.5	5.3	4.7	4.9	4.7	4.6
Credit to the private sector (in real terms)	6.4	3.1	1.4	9.6	8.6	4.2	3.1	2.7	2.8	2.6	2.5
<b>Memorandum items:</b>											
Income velocity of money	3.4	3.0	3.1	3.0	2.1	1.9	1.8	1.7	1.7	1.6	1.7
Income velocity of broad money	0.8	0.8	0.9	0.9	0.8	0.8	0.7	0.7	0.7	0.7	0.7
Private sector credit/GDP (in percent)	69.4	64.4	63.0	68.7	73.4	74.0	74.4	74.4	74.4	74.4	74.4
Foreign currency deposits/GDP (in percent)	27.2	28.2	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4	22.4
Government deposits (EC\$ million)	705	572	581	313	211	93	93	93	93	93	93
Government deposits (percent of GDP)	31.0	22.0	20.8	11.0	7.2	3.0	2.9	2.7	2.6	2.5	2.4
ECCB imputed reserves	37.1	28.1	25.4	25.8	24.9	23.4	22.2	20.8	19.8	18.8	18.0

Sources: ECCB; and IMF staff estimates and projections.

1/ There have been structural changes in monetary and financial statistics since January 2020.

2/ Includes EC\$ bank cheques.

**Table 5. St. Kitts and Nevis: Selected Financial Soundness Indicators, 2021-25**  
(In percent)

	2021	2022	2023	2024	2025
<b>Banking Sector</b>					
Private sector credit growth (y/y)	7.7	5.9	5.1	10.8	10.0
<b>Capital adequacy and profitability</b>					
Regulatory capital to risk-weighted assets (CAR)	21.8	11.1	10.3	12.9	16.3
Regulatory Tier 1 capital to risk-weighted assets	16.8	7.8	6.8	5.3	8.4
Return on average assets (ROA)	1.9	-3.5	1.0	1.1	2.0
Net-interest income to gross income	19.0	18.7	30.7	39.3	N.A.
Non-interest expenses to gross income	53.0	171.9	78.0	71.5	61.5
<b>Liquidity</b>					
Liquid assets to total assets	51.6	51.8	47.8	46.4	39.5
Net liquid assets to deposits	60.4	57.5	53.7	53.8	48.0
Loan-to-deposit ratio	50.8	53.0	55.0	62.6	67.7
<b>Asset quality</b>					
Nonperforming loans to total gross loans	20.9	21.8	19.4	18.0	15.8
Total provisions to nonperforming loans	58.9	55.9	55.9	59.8	68.8
<b>Credit Unions 1/</b>					
Credit growth (y/y)	10.3	9.9	9.6	12.2	9.8
<b>Capital adequacy and profitability</b>					
Total capital to assets 2/	17.3	17.5	18.0	17.8	17.6
Institutional capital to assets	11.8	11.0	11.3	10.9	10.5
Return on assets (ROA)	1.2	0.7	1.5	1.3	0.8
Net-interest income to gross income	82.6	83.2	77.9	79.2	83.7
Non-interest expenses to gross income	77.5	65.0	64.2	67.1	70.3
<b>Liquidity</b>					
Liquid assets to total assets	27.9	29.2	28.6	28.3	28.1
Net liquid assets to deposits	32.9	37.7	37.2	36.5	36.1
Loan-to-deposit ratio	87.7	84.3	84.9	84.9	85.3
<b>Asset quality</b>					
Delinquent loans to total gross loans	...	11.7	8.0	7.4	8.7
Nonperforming loans (>90 days past due) to total gross loans	5.5	7.1	5.6	6.0	7.3
Total provisions to nonperforming loans	63.0	48.3	48.3	43.8	40.4

Sources: FSRC, ECCB; and IMF staff calculations.

1/ 2025Q3 data used for 2025.

2/ Institutional capital and non-withdrawable member shares.

**Table 6. St. Kitts and Nevis: Indicators of External and Financial Vulnerability, 2021-25**  
(12-month percentage change, unless otherwise specified)

	2021	2022	2023	2024	2025
<b>External indicators</b>					
Merchandise exports	54.6	-17.5	-17.3	64.2	3.4
Merchandise imports	41.7	93.5	21.1	11.7	2.0
Tourism earnings	-7.1	46.8	5.5	6.4	-0.9
Current account balance (percent of GDP)	-3.4	-10.8	-13.7	-13.0	-14.6
Capital and financial account balance (percent of GDP)	-0.5	2.3	2.3	1.9	1.5
<i>Of which</i>					
Foreign direct investment	0.6	-1.8	-1.5	-1.9	-1.9
Imputed net international reserves					
In millions of U.S. dollars	312.8	270.3	262.4	270.7	269.0
In percent of broad money	28.0	23.3	23.1	23.2	19.9
Commercial banks' net foreign assets (millions of U. S. dollars)	722.6	685.3	619.6	465.1	...
External public debt (percent of GDP)	15.0	12.9	11.1	11.6	11.3
External debt service (in percent of exports of goods and services)	3.2	1.4	1.3	2.9	2.5
Interest	0.7	0.5	0.5	0.5	0.0
Principal	2.5	0.9	0.8	2.4	2.5
Nominal exchange rate (E.C. dollars per U.S. dollar, end period)	2.7	2.7	2.7	2.7	2.7
Real effective exchange rate appreciation (+), end period	-3.1	-1.4	-0.7	-2.1	-2.6
<b>Financial indicators</b>					
Broad money	8.9	3.7	-1.9	2.5	16.0
Credit to the private sector	7.7	5.9	5.1	10.8	10.0
Nonperforming loans to total assets of banks (percent)	20.9	21.8	19.4	18.0	...
Liquid assets/total assets (percent)	51.6	51.8	47.8	46.4	39.5
Liquid assets/current liabilities (percent)	60.4	57.5	53.7	53.8	48.0
Ratio of banks' before-tax profits to average assets (percent)	1.9	-3.5	1.0	1.1	2.0

Sources: ECCB; Ministry of Finance; and IMF staff estimates.

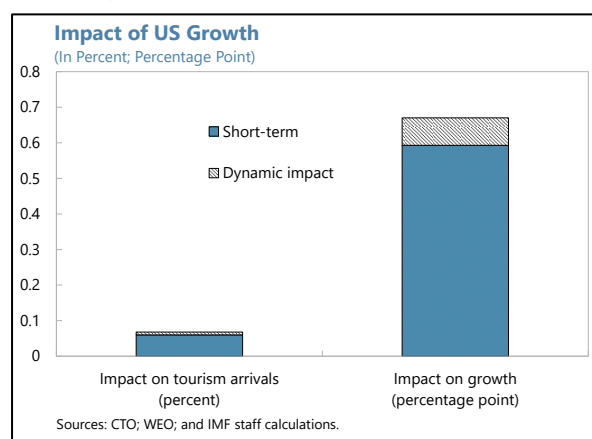
## Annex I. Impact of External Shocks<sup>1</sup>

### *Impact of U.S. Growth Shock*

**1. St. Kitts and Nevis is a small open economy whose growth is heavily influenced by external shocks and global economic conditions.** One of the key channels through which external shocks—primarily U.S. growth—affect the country’s growth is tourism, alongside U.S. being a major trading partner.

**2. To estimate the impact of U.S. growth shocks, an econometric approach is utilized to isolate the primary drivers of growth in tourism-dependent Caribbean economies, including St. Kitts and Nevis.** The framework is based on a parsimonious panel regression model designed to capture key structural characteristics of the region. The model comprises two components: a main growth model and a tourism-specific auxiliary model. The main model projects GDP growth based on both exogenous and endogenous factors, including growth in major trading partners and tourism source countries, tourism receipts, and public capital expenditure. The auxiliary model allows for a closer analysis of the drivers of tourism. It provides plausible paths of future tourism development and forecasts growth in tourist arrivals using indicators such as flight and hotel capacity, as well as growth in key source markets (IMF 2026; Mu, Kilic Celik, and Singhal 2023).

**3. The analysis indicates that U.S. growth has a significant impact on St. Kitts and Nevis through tourism and other transmission channels.** Based on the two models, a 1-percentage-point increase in U.S. growth would ultimately boost St. Kitts and Nevis’s overall growth by 0.7 percentage points—of which 0.1 percentage point materializes over the longer term both through tourism and other transmission channels (including a 0.1 percent increase in tourism arrivals).

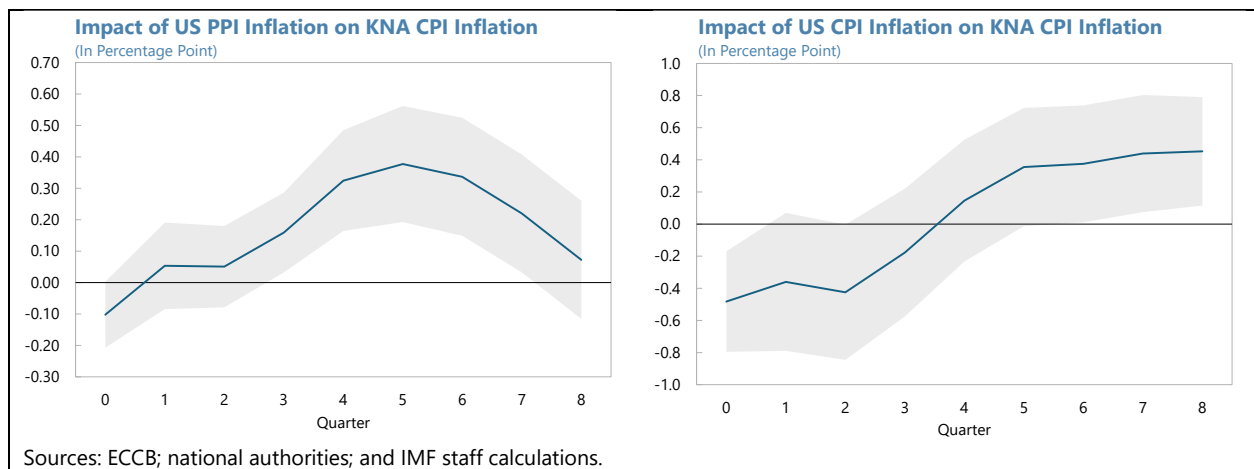


### *Impact of U.S. Inflation Shock*

**4. Inflation dynamics in St. Kitts and Nevis are closely linked to price developments in the U.S., reflecting the economy’s heavy reliance on imported goods and the ECCU’s quasi-currency board arrangement.** An econometric model is used to estimate the impact of U.S. inflation shock on domestic inflation. The model controls for global food and fuel prices—the most volatile components of imported inflation—in order to isolate the impact of U.S. tradable goods beyond commodity-price movements.

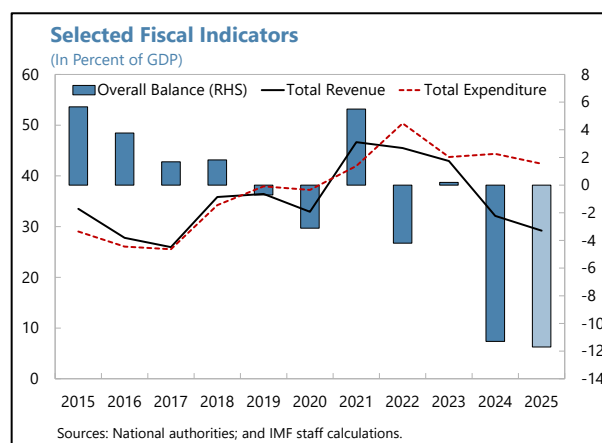
<sup>1</sup> Prepared by Junghwan Mok and Sinem Kilic Celik

**5. Staff analysis indicates that an increase in the U.S. Producer Price Index (PPI)—a proxy for tradable goods costs—translates into higher import prices and, subsequently, consumer inflation.** A positive U.S. PPI shock is estimated to raise consumer prices by about 0.2 percentage points within three quarters. These findings underscore the economy’s vulnerability to cost-push pressures stemming from U.S. export prices, particularly for manufactured goods and fuel denominated in U.S. dollars. Robustness checks using U.S. CPI confirm these findings, though with a more protracted transmission.



## Annex II. Implementing Fiscal Consolidation<sup>1</sup>

**1. The weakening of public finances poses a growing challenge to fiscal sustainability.** The overall fiscal balance deteriorated steadily between 2015 and 2025.<sup>2</sup> Moreover, the drop in revenue since 2024 has not been accompanied by a commensurate adjustment in expenditure, leading to deficits not seen in over a decade (text chart). This underscores the need for fiscal consolidation, as public debt is set to exceed the 60 percent of GDP threshold by end-2026 in the absence of policy adjustment, and rise to about 78 percent by 2031. This is of particular importance considering elevated global uncertainty and prospects for weak CBI revenue over the medium term.



**2. Public expenditure is high relative to regional peers, suggesting that there is space for expenditure-based consolidation that would help lower public debt.**<sup>3</sup> The historical average of all public expenditure components is higher in St. Kitts and Nevis than in comparable economies (text chart). This is particularly true for wages and salaries within current expenditures, and capital outlays. In 2025, wages and salaries in St. Kitts and Nevis were even higher than both its own history and in other Caribbean economies, while the opposite occurred to capital outlays. Other current expenditures, including social spending, were also especially high in 2024 (text chart).<sup>4, 5</sup>

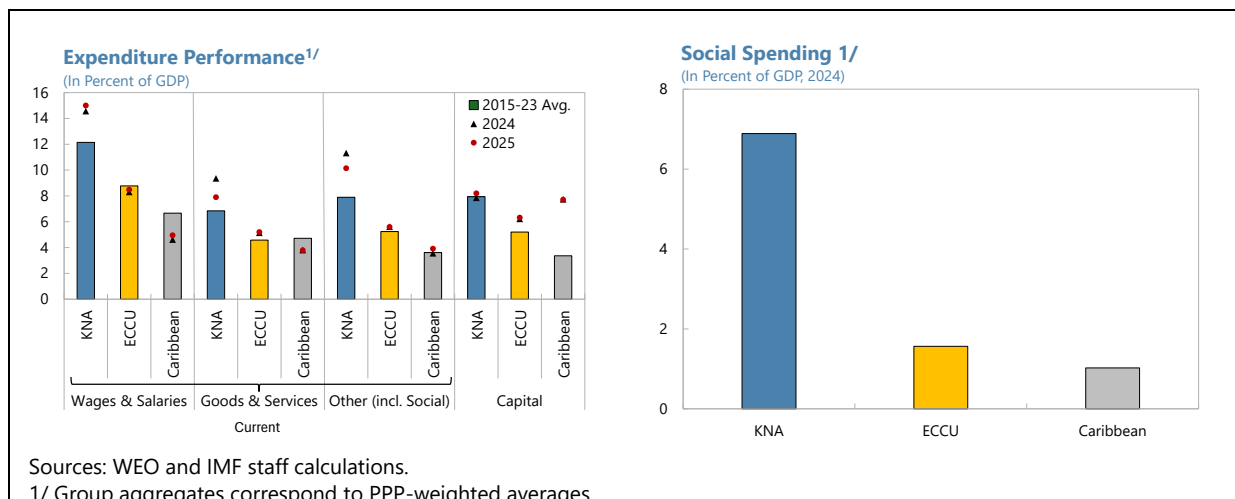
<sup>1</sup> Prepared by Juan Trevino.

<sup>2</sup> The fiscal stimulus undertaken to mitigate the impact of the pandemic and the cost-of-living crisis between 2020 and 2022 was supported by a surge in CBI revenue in 2021—explaining the large surplus that year (IMF Country Report No. 23/130)—that lasted through 2023.

<sup>3</sup> Based on econometric analysis and a review of historical experiences, chapter 3 of the April 2023 IMF World Economic Outlook finds that, for advanced economies, more expenditure-based fiscal consolidations have a higher probability of durably reducing public debt ratios, especially if accompanied by growth-enhancing structural reforms. Carrière-Swallow, David, and Leigh (2018) find that there is no significant difference between the impact of spending- and tax-based consolidations on economic activity for a set of 14 economies in Latin America and the Caribbean.

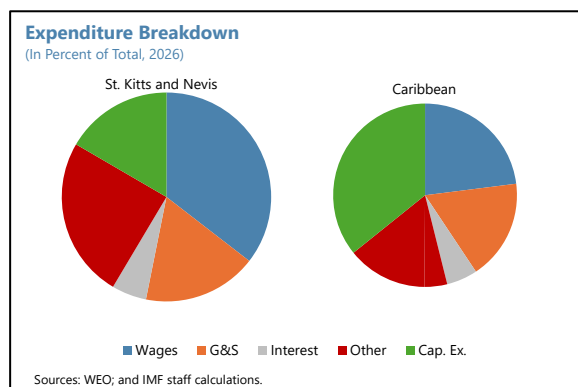
<sup>4</sup> The IMF's 2019 Strategy for Engagement on Social Spending defines social spending as social protection, health, and education spending. This is a key policy instrument for promoting inclusive growth, addressing inequality, protecting the vulnerable, smoothing demand and stabilizing shocks.

<sup>5</sup> Available information suggests that social spending increased further in the years following the pandemic.



**3. The composition of expenditures projected for 2026 continues to differ substantially from other Caribbean economies.**

While the shares of spending in G&S and of other expenditure are comparable to other Caribbean economies, the share of wages is almost double, and the share of capital expenditure is about half. This suggests that further efforts are needed to safeguard capital expenditure going forward, while more needs to be done to contain less productive current outlays. For social spending, it is important to increase the efficiency and effectiveness of existing programs to ensure fairness.



**4. Fiscal consolidation primarily through streamlining expenditure is estimated to have a moderate impact on growth.<sup>6</sup>**

The decline in current expenditure is estimated to reduce GDP growth by about 0.1 percentage points on average each year between 2026 and 2031. Revenue mobilization would reduce GDP growth by about 0.06 percent each year over the same horizon. Fiscal consolidation and structural reforms would, however, contribute to lifting growth mainly through higher investment—with an average positive impact of about 0.2 percentage points each year.

<sup>6</sup> See [the 2025 St. Kitts and Nevis Article IV Staff Report](#) and Chapter 8, in IMF, 2013, “The Eastern Caribbean Economic and Currency Union: Macroeconomic and Financial Systems.” Fiscal multipliers in small open economies like St. Kitts and Nevis tend to be low, suggesting the fiscal adjustment had limited impact on overall growth. Estimates indicate that the recurrent expenditure multiplier is not statistically different from zero, while the capital expenditure multiplier is approximately 0.6. As a result, the modest drag on growth from consolidation is expected to be slightly outweighed by higher capital expenditure and the impact of structural reforms, with the latter also supporting private-sector activity.

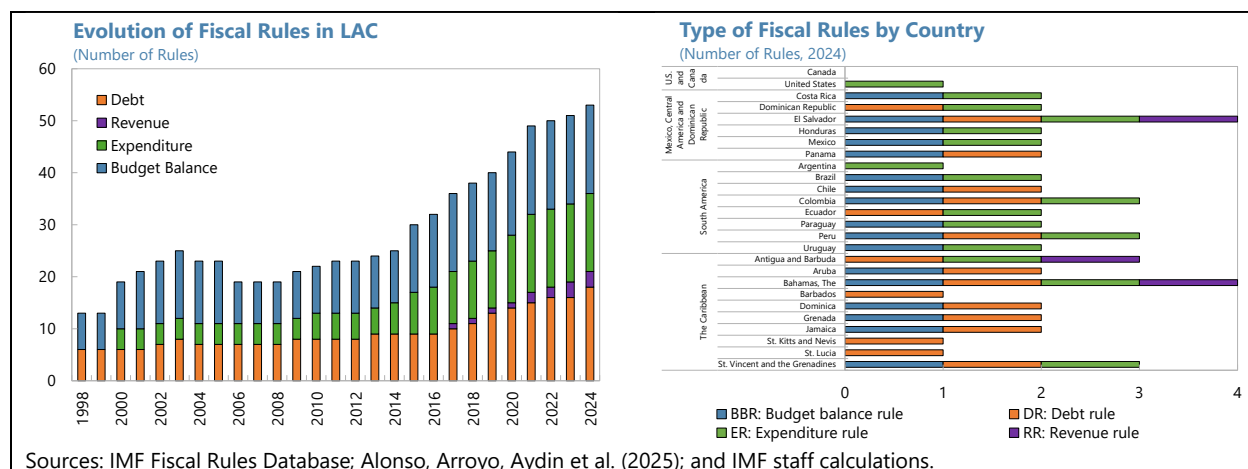
Active Scenario: Key Fiscal Items (In Percent of GDP)											
	2024	2025	2026	2027	2028	2029	2030	2031	'31 - 25	Pre-COVID Average '15-'19	Difference vs Baseline for 2031
Tax revenue	19.9	19.5	20.9	21.7	22.2	22.8	23.3	23.3	3.8	18.6	3.1
<b>Primary current expenditure</b>	<b>35.2</b>	<b>32.9</b>	<b>30.4</b>	<b>28.6</b>	<b>27.4</b>	<b>26.5</b>	<b>25.7</b>	<b>25.7</b>	<b>-7.2</b>	<b>21.7</b>	<b>-5.2</b>
Interest	1.3	1.3	1.2	2.0	2.2	2.2	2.1	2.1	0.8	1.5	-0.6
Capex ex. transfers to banks	7.5	8.2	7.6	7.3	7.3	7.3	7.3	7.3	-0.9	6.0	1.8
Overall balance (after grants)	-11.3	-11.7	-6.4	-3.8	-1.7	-0.3	1.1	1.1	12.8	2.4	7.1
<b>Adjusted Primary Balance (APB) 1/</b>	<b>-18.2</b>	<b>-15.7</b>	<b>-11.2</b>	<b>-8.3</b>	<b>-6.6</b>	<b>-5.1</b>	<b>-3.8</b>	<b>-3.8</b>	<b>11.9</b>	<b>-4.5</b>	<b>6.5</b>
<b>Public sector debt</b>	<b>58.1</b>	<b>58.4</b>	<b>63.7</b>	<b>65.9</b>	<b>66.1</b>	<b>64.7</b>	<b>62.2</b>	<b>59.8</b>	<b>1.4</b>	<b>57.5</b>	<b>-16.4</b>
<b>Government deposits</b>	<b>11.0</b>	<b>7.2</b>	<b>5.0</b>	<b>6.0</b>	<b>7.0</b>	<b>8.0</b>	<b>9.0</b>	<b>10.0</b>	<b>2.8</b>	<b>23.9</b>	<b>7.6</b>
Impact on real GDP growth (Difference vs. Baseline)			0.0	0.7	0.5	0.1	0.2	0.3			
o/w from fiscal reforms			-0.3	0.4	0.2	-0.2	-0.1	0.0			
o/w from structural reforms			0.3	0.3	0.3	0.3	0.3	0.3			
Impact on inflation			0.3	0.2	0.1	0.0	0.0	0.0			
Impact on current account balance			0.3	0.3	0.3	0.3	0.3	0.3			

Sources: National authorities; and IMF staff calculations.

1/ The APB refers to the underlying Primary Balance, excluding CBI revenue and transfers to banks.

## Annex III. Strengthening the Fiscal Framework: Fiscal Rules<sup>1/2</sup>

**1. Fiscal rules are crucial for long-term fiscal sustainability.** Well-designed rules strengthen fiscal discipline, address deficit bias, anchor expectations for a sustainable debt path, and—when credible—lower sovereign risk premia. They help curb overspending, prevent windfall revenues such as CBI inflows from financing recurrent spending, and help prioritize productive investment. While fiscal rules have long been used in Latin America and the Caribbean, their adoption has expanded across the Caribbean, with countries such as Jamaica and Grenada implementing numerical fiscal rules and fiscal resilience frameworks (Box 1).



### Box 1. St. Kitts and Nevis: Recent Regional Experience with Fiscal Rules

**Jamaica.** The 2014 amendments to the fiscal-related Acts sets annual fiscal balance targets, recalibrated every three years, that are defined by a formula to lower public debt to a set ceiling by a given date. The debt anchor is 60 percent of GDP by end-March 2026. The rules cover what is defined as the specified public sector, which includes the central government and all statutory organizations and public bodies, except those defined as commercial using criteria that are validated by the Auditor General.

**Grenada.** The Fiscal Resilience Act 2023 requires the annual wage bill of Central Government to not exceed thirteen percent of nominal GDP while the debt anchor is 60 percent of GDP to be achieved by 2035. The Act includes an escape clause in case of a major economic shock resulting from or crisis as declared by the IMF or the ECCB; a natural disaster as declared by an authorized agency, a public health epidemic, as declared by an authorized agency; a war, or any other event whether national, regional or international resulting in the declaration of a state of emergency by the Governor-General; or a cumulative decline in real GDP equal to or greater than three percent over the two consecutive preceding fiscal years.

<sup>1</sup> Prepared by Juan Trevino.

<sup>2</sup> This analysis and recommendations are based on FAD TA report of "St. Kitts and Nevis: Enabling a Sustainability and Resilience Fund" (August 2024), and the forthcoming "Eastern Caribbean Currency Union: Staff Report for 2026 Discussion on Common Policies of Member Countries."

**Box 1. St. Kitts and Nevis: Recent Regional Experience with Fiscal Rules (concluded)**

**Barbados.** Fiscal objectives are enshrined in the PFM Act. The objectives are not binding but deviations from objectives need to be explained in the Fiscal Strategy Report. The MTFF is approved by the Cabinet, submitted to Parliament for discussion, and published no later than end-June (procedural rule).

**2. The stated objective to reach the regional 60 percent of GDP debt ceiling by 2035 is a useful long-term fiscal anchor, but additional fiscal rules are needed to guide annual budget discipline.** The ECCU debt target is not legally binding, and embedding fiscal rules in the Finance Administration Act would strengthen the fiscal anchor and enhance policy transparency. Because the long-term debt target offers no guidance for annual budgets, it does not constrain spending composition and does not ensure adequate buffers. Operational rules are required to translate it into effective discipline. Evidence shows that combining a clear debt anchor with simple, monitorable operational rules—especially expenditure-based rules—helps reduce procyclicality and improve spending control, which is particularly important given tourism and CBI-related revenue volatility.

**3. The Adjusted Primary Balance (APB) and primary current expenditure could serve as annual operational rules:**

- *APB.* As the main operational target, this would capture the government’s true fiscal effort—excluding CBI revenue, transfers to banks, and ND-related spending. It would smooth the impact of volatile CBI inflows, reveal the structural fiscal stance, and guide how much CBI revenue is saved in the SWF versus used in the budget, supporting a gradual transition away from CBI dependence.
- *Primary current expenditure.* As a complementary rule, this would reinforce control of recurrent spending and help ensure that CBI revenues are directed toward growth-inducing, resilience-building projects rather than current expenditure.

**4. The coverage of an operational rule should include as much public-sector activity as possible.** The ECCU debt ceiling covers all public debt—including federally guaranteed debt, the Nevis Island Administration (NIA), their agencies, and public corporations. To ensure effective transmission from operational rules to the debt objective, the APB and primary current-expenditure rules should be as broad as possible, covering at least the entire general government. This includes the NIA’s fiscal balance as well as existing quasi-fiscal activities.

**5. The rule needs to be supported by a strengthened medium-term fiscal framework (MTFF).**

- Currently, the MTFF is not a binding multi-year instrument for revenues, expenditures, or financing. The Ministry of Finance prepares a three-year rolling MTFF that includes a fiscal performance review, results analysis, and a fiscal risk section. While the report is approved by Cabinet, it is not submitted to Parliament, and only the first year informs line-ministry budget

proposals. The Prime Minister's Budget Speech sets qualitative fiscal objectives applicable to the budget year only, limiting the MTF's role to guiding medium-term fiscal policy.

- Going forward, the fiscal rule needs to be supported by a rolling, annually budgeted MTF that sets a three-year fiscal envelope to guide annual budgets. The MTF should be fully aligned with the fiscal rules to ensure fiscal sustainability, with binding expenditure limits consistent with the medium-term fiscal paths and a debt ceiling. Embedding an improved MTF in the legal framework—adopted by Cabinet and debated in Parliament—would help define budget priorities within binding resource constraints.

**6. A Fiscal Strategy Statement (FSS) should be prepared and published annually.** To reinforce the fiscal rule, the FSS should specify fiscal targets, report deviations, present fiscal risks, and outline the path toward meeting the rule, thereby enhancing transparency and accountability.

**7. It is important to embed well-defined escape clauses for major NDs, paired with transparent correction mechanisms, to preserve both flexibility and credibility.** Escape clauses need to specify the types of shocks—such as economic downturns, pandemics, or NDs—along with clear conditions, verification requirements, and return paths. They can be defined using objective thresholds (e.g., a minimum fiscal impact as a percentage of GDP). For example, Jamaica's fiscal framework allows temporary suspension of the rule for independently verified shocks with an estimated impact of at least 1½ percent of GDP, activated by Parliament to ensure transparency. For credibility, legislation should clearly identify who verifies the shock; in St. Kitts and Nevis, the ECCB—supported by inputs from the Ministry of Finance and the Department of Statistics—would be well placed to perform this role.

## Annex IV. Fostering Growth through Productive Investment<sup>1</sup>

**1. St. Kitts and Nevis is a small, open, tourism-dependent economy that has experienced persistently weak growth.** Economic activity is highly concentrated in tourism-related services, leaving growth outcomes vulnerable to external demand shocks, global financial conditions, and natural disasters. While investment has periodically supported economic activity, these episodes have not translated into sustained or resilient growth.

**2. To identify growth-enhancing investment, staff assess the growth effects of different investment types, comparing capital-goods investment and construction.** Data constraints are significant: expenditure-side national accounts are unavailable, and official investment statistics do not allow a clean separation between productive investment and construction. Staff therefore proxy capital-goods investment using imports of machinery, equipment, and transport assets (SITC category 7) from UN Comtrade database, reflecting reliance on imported capital goods. Construction activity in the national accounts is used as a proxy for real estate development.

**3. The analysis draws on short- and long-term evidence to assess how different investment types affect growth.** Short-run dynamics are estimated using local projections, which shows the response of real GDP to shocks in capital-goods investment and construction activity, controlling for tourism demand and a Covid-19 dummy. Long-run relationships are analyzed using an ARDL-ECM (The Autoregressive Distributed Lag - Error Correction Model) framework, which captures gradual adjustment toward equilibrium and allows for the joint estimation of short- and long-term effects.

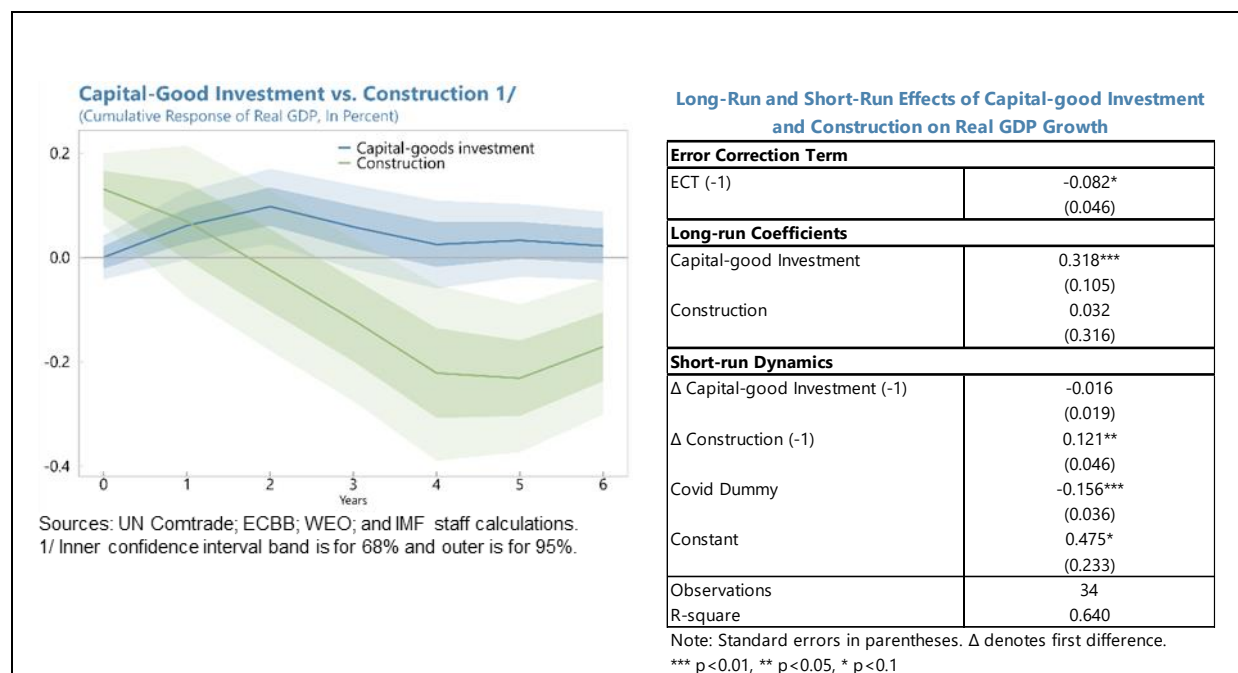
**4. The results indicate that capital-goods investment has a more significant and durable impact on long-term growth, while construction tends to generate stronger short-term demand effects but weaker and less persistent effects on potential growth.**

- *Capital-goods investment.* Local projection estimates show that increase in capital-goods investment—such as machinery, equipment, and transport assets—is associated with higher real GDP growth over the medium term, consistent with durable expansions in productive capacity. The long-run evidence reinforces the view that capital-goods investment raises long-term output levels, with greater potential to expand productive capacity, support technology adoption, and strengthen intersectoral linkages.
- *Construction investment.* Consistent with the literature, construction investment—especially residential and real-estate-driven activity—generates short-term output and employment gains but has limited effects on long-run growth or productivity spillovers. In small island economies, construction booms are often associated with volatility, dependence on external financing, and weak spillovers to tradable sectors, reinforcing pro-cyclicality rather than supporting sustained growth.

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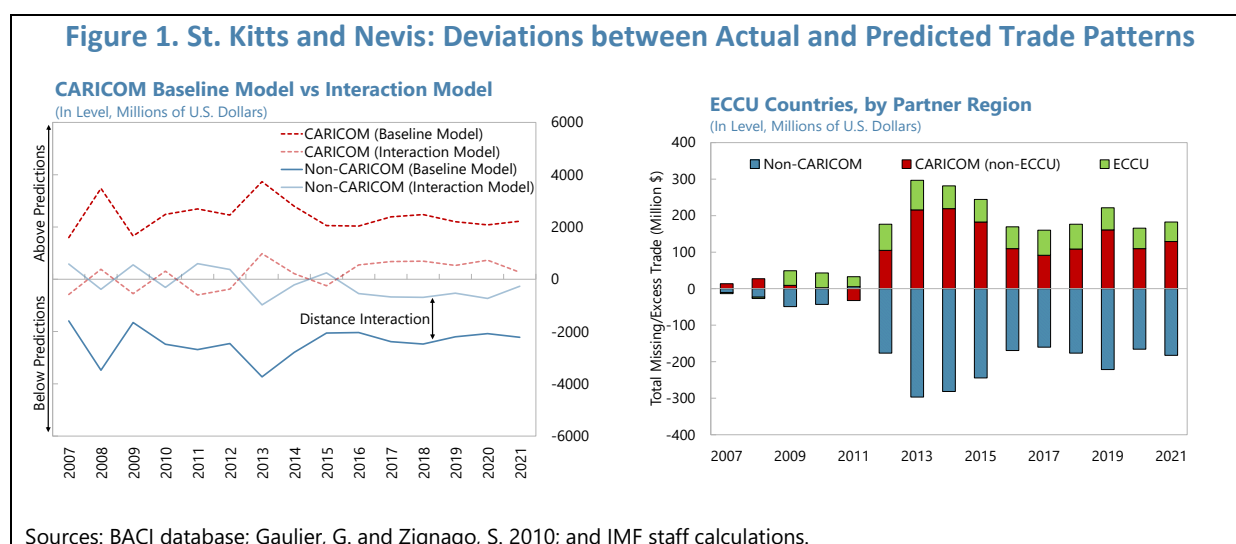
<sup>1</sup> Prepared by Junghwan Mok.

**5. These findings suggest that, while construction plays an important role in supporting short-term demand, policy efforts to promote more diversified private investment in productive capital would be warranted.** Such investment would support long-term growth through technology diffusion and generate broader productivity spillovers. Policies that improve the investment environment, reduce uncertainty, and investing in labor skills and infrastructure would help attract more productive forms of capital and support a more balanced and resilient growth path.



## Annex V. Trade Patterns and Constraints<sup>1,2</sup>

- 1. A gravity-model based analysis of global goods trade indicates a strong negative effect of distance trade for Caribbean countries.**<sup>3</sup> A gravity-model analysis using global bilateral trade data confirms standard drivers of trade—such as trade agreements, common borders, shared language, and colonial ties—while revealing that Caribbean countries face a disproportionately strong negative effect of geographic distance on goods trade. Despite controlling for key structural factors, trade volumes for CARICOM economies decline more sharply with distance than the global norm, reflecting the region’s pronounced sensitivity to connectivity constraints.
- 2. CARICOM countries, including St. Kitts and Nevis, export significantly less to markets outside the region than predicted by the gravity model.** The model suggests such under-trading with countries outside of the region is roughly US\$2½ billion annually—broadly equivalent to the current goods exports to intra-CARICOM partners, or 8 percent of its total goods exports annually (Figure 1). It also finds that St. Kitts and Nevis has “missing” exports to extra-regional markets amounting to about 5 percent of GDP, indicating structural barriers that constrain trade expansion.



- 3. Weak shipping connectivity appears to explain why Caribbean countries, including St. Kitts and Nevis, trade less with markets outside the region than expected.** The UNCTAD Liner Shipping Connectivity Index shows that and other Caribbean economies—and St. Kitts and Nevis in particular—rank low globally, signaling limited integration into international liner networks (Figure

<sup>1</sup> Prepared by Sinem Kilic Celik.

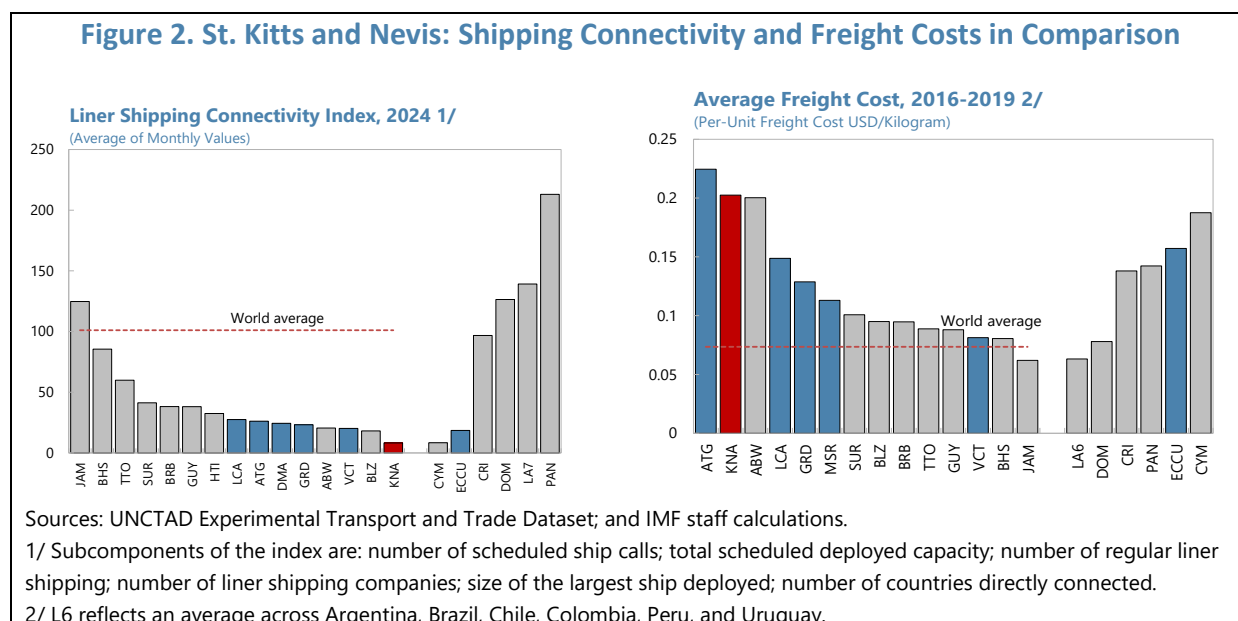
<sup>2</sup> This annex is based on the forthcoming “Annex: Caribbean Trade Patterns and Connectivity Constraints in the Staff Report for Eastern Caribbean Currency Union: 2026 Discussion on Common Policies of Member Countries”, which was prepared by JaeBin Ahn, Josefine Quast, Hou Wang, and Philipp-Leo Mengel, with assistance from Qingyu Tao.

<sup>3</sup> The methodology is based on the well-established gravity model framework widely applied in the trade literature (Anderson and van Wincoop, 2003; Head and Mayer, 2014). Global bilateral goods trade data from the BACI (CEPII) database is used for the gravity model.

2).<sup>4</sup> A simple OLS regression confirms that, even after controlling for fundamentals such as distance, CARICOM countries still exhibit persistently lower connectivity than the rest of the world, underscoring structural constraints in maritime integration.

#### 4. A review of shipping routes and freight rates data shows weaknesses in connectivity.

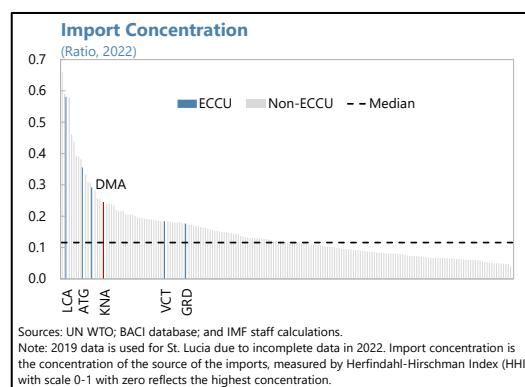
Caribbean trade relies heavily on regional transshipment hub countries—such as Jamaica, The Bahamas, and Antigua and Barbuda—through which many of Caribbean countries import goods indirectly, requiring additional shipping legs compared with direct imports from major exporting countries. This hub-and-spoke structure—combined with small market size and geographic dispersion—contributes to persistently high shipping costs across CARICOM countries. As a result, all CARICOM members face freight rates well above global averages, with St. Kitts and Nevis paying nearly three times the world average, underscoring severe connectivity constraints that hinder trade competitiveness.



<sup>4</sup> The shipping connectivity index captures the scale of maritime links but does not reflect costs, reliability, logistics quality, and vulnerability—potentially limiting its usefulness as a measure of true trade competitiveness.

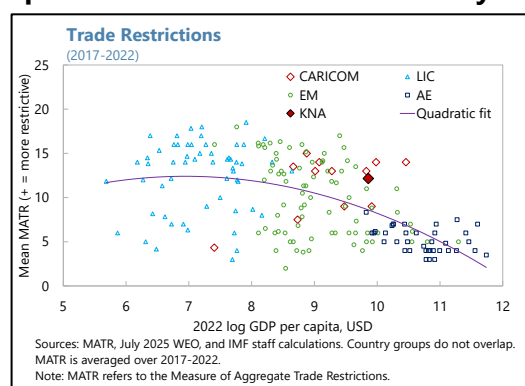
**5. Weak connectivity contributes to unusually concentrated import sources across the Caribbean, including St. Kitts and Nevis, which rank well above the global median in import-source concentration.**

Limited direct shipping links, high freight costs, and longer transit times lead countries to rely on a narrow set of trading partners, while infrequent or unreliable routes reinforce these patterns by encouraging importers to stick with familiar suppliers. As a result, shocks originating in key source countries or shifts in global trade policies can have amplified effects on these economies. St. Kitts and Nevis is among the most affected, exhibiting high concentration alongside some of the region's highest shipping costs.



**6. Restrictive customs and trade regulations compound the Caribbean's connectivity challenges, further limiting trade integration.**

Weak connectivity, high freight costs, and complex border procedures constrain both trade and investment, reinforcing reliance on a narrow set of import partners. Building on progress with the Trade Single Window, deeper harmonization with CARICOM customs practices and further digitalization would help St. Kitts and Nevis reduce administrative barriers, strengthen competitiveness, and support regional integration.





Risks	Likelihood	Impact	Policy Response
capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.			
<b>Structural Risks</b>			
<b>Cyberthreats.</b> Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	<b>High</b>	<b>Low MT</b>	Enhance digital security in public and private platforms; improve financial stability; and continue to make progress in AML/CFT.
<b>Climate Change.</b> Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heightened economic and financial instability.	<b>Medium</b>	<b>High ST,MT</b>	Sustain progress on ND-resilient infrastructure. Prepare post-disaster financing instruments, such as CCRIF, and a SWF to manage CBI revenue windfalls.
<b>Domestic Risks</b>			
<b>Sovereign debt distress.</b> Higher interest rates, stronger U.S. dollar, and shrinking development aid amplified by sovereign-bank feedback result in capital outflows, rising risk premia, loss of market access, abrupt expenditure cuts, and lower growth in highly indebted countries.	<b>Low</b>	<b>Medium MT</b>	Monitor financial risks closely, in coordination with the ECCB; intensify supervision of financial institutions and tighten regulations; strengthen fiscal buffers through fiscal consolidation; and reduce rollover risk by decreasing reliance on short-term financing.
<b>Lower than expected CBI revenues.</b> Pressures to either end the CBI program or face visa restrictions, which could jeopardize correspondent banking relationships.	<b>Medium</b>	<b>Medium ST, MT</b>	Accelerate tax revenue mobilization; and efforts to further strengthen the integrity of the CBI program.
<b>Financial sector weakness.</b> Unexpected increase in losses or NPLs at banks and CUs would further impair credit intermediation and entail fiscal costs.	<b>Medium</b>	<b>Medium ST</b>	Meet the ECCB requirements on provisions and capital; create and implement a capital restoration plan where needed; and have a fiscal contingency plan in place.
<b>Disorderly energy transition.</b> Disorderly shift to net-zero emissions (e.g., owing to shortages in critical metals) and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	<b>Medium</b>	<b>Medium MT</b>	Accelerate the renewable energy transition through a transparent strategy. Improve project execution, including procurement processes. Supplement the transition with investments in climate-resilient infrastructure, including an upgraded electricity grid.

## Annex VII. Progress on 2025 Article IV Recommendations

Recommendations	Policy Actions
<b>Fiscal Sector</b>	
Mobilize tax revenue that reduces reliance on CBI revenues	<b>Work in progress.</b> The 2026 budget address promised a tax reform based on equity and efficiency but without providing specific policy measures. A tax review committee has been established to assess possible policy options.
Rationalize current expenditures while protecting capital expenditure	<b>Work in progress.</b> Current expenditures were reduced in 2025, mainly through cuts to spending on goods and services. Nevertheless, all components of current expenditures remain above pre-pandemic levels. Wages edged up, while transfers declined modestly. Some social programs are under review to improve efficiency and targeting. Capital expenditure increased.
Formalize fiscal rules to guide the fiscal consolidation.	<b>Pending.</b> The authorities have emphasized the importance of establishing legally binding rules within a multiyear fiscal framework, but no concrete actions have yet been taken.
Prioritize diversification of funding sources under MTDMS.	<b>Pending.</b> The government has relied on deposits to finance expenditure needs, while public debt has increased modestly. The authorities are considering tapping the Regional Government Securities Market to issue long-term bonds targeted at retail investors. The MTDMS needs to be published.
Continue to enhance integrity and transparency of CBI program	<b>Work in progress.</b> To strengthen the governance of the CBI program, the government signed an agreement with other ECCU countries to establish the Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA). Efforts to tighten requirements continue, and the authorities have engaged with an independent auditing company, but further progress is needed to enhance transparency.
Address pension system imbalances.	<b>Pending.</b> The authorities have conducted extensive consultations with stakeholders and are considering reform options. They are considering this reform as part of a comprehensive strategy to establish a national health insurance framework.
<b>Financial Sector</b>	
Continue to strengthen the financial soundness of the systemic bank.	<b>Work in progress.</b> The systemic bank has reduced equity exposure, reallocating investments toward fixed-income instruments. To address high NPLs, the bank established a dedicated recovery unit and is implementing an ECCB-approved five-year NPL reduction plan. Lending operations have been refocused on core banking, including expanded consumer and mortgage products, tighter lending standards, and updated credit policies.
Reform the Development Bank	<b>Work in progress.</b> The authorities have initiated corrective measures, including completing previously delayed external audits and upgrading banking and accounting systems.
Strengthen the regulation and oversight of credit unions	<b>Work in progress.</b> The regulator is working towards increasing provisions and capital at CUs.
<b>Structural Policies</b>	
Strengthen labor markets to be better aligned with private sector demand	<b>Work in progress.</b> The authorities' continued efforts to improve access to education and vocational training—including launch of a vocational training institute in September 2025—can help enhance the quality of the labor force. These initiatives should be tailored to meet market demands and address skill mismatches.
Invest in resilience building and boost insurance against ND	<b>Work in progress.</b> The geothermal drilling contract has been awarded, with drilling expected to start in the second half of 2026. For the solar project, initial procurement steps have been completed, and bidding is set to commence soon. The authorities are working on expanding natural disaster contingent financing instruments, such as utilities through CCRIF and agriculture through the Regional Economic Agri-Insurance Program (REAP).
<b>Data Gaps</b>	
Improve National Accounts methodology; reduce publication lags of central government accounts and continue to improve the classification of capital expenditure; improve external sector data to reduce large errors and omissions; fill gaps in labor market statistics	<b>Mixed.</b> Issues persist in the National Accounts methodology and in labor market statistics. Ongoing efforts, with CARTAC's support, to improve external accounts should continue. Improvements to the classification of public capital expenditure and transfers are welcome. However, misclassification remains, including below-the-line transfers to a public bank and a loan to a private entity. Gaps in public enterprise accounts also persist.

## Annex VIII. External Sector Assessment<sup>1</sup>

**Overall Assessment.** St. Kitts and Nevis's external position in 2025 is assessed as weaker than the level consistent with fundamentals and desirable policies. The current account deficit widened moderately to 14.6 percent of GDP in 2025 (from 13 percent in 2024) and remained significantly larger than pre-pandemic levels. The moderate worsening in the current account deficit reflects a decline in services exports due to lower CBI inflows, which is partially offset by lower goods imports. The net international investment position is estimated to have declined to -110.9 percent of GDP in 2025 (from -101.7 percent in 2024), primarily driven by the current account deficit.

**Potential Policy Responses.** The policy priority is fiscal consolidation to stabilize public finances. A multi-pronged approach to lift growth potential and strengthen ND resilience is critical for a sustainable external position over the long run.

### Foreign Assets and Liabilities. Position and Trajectory

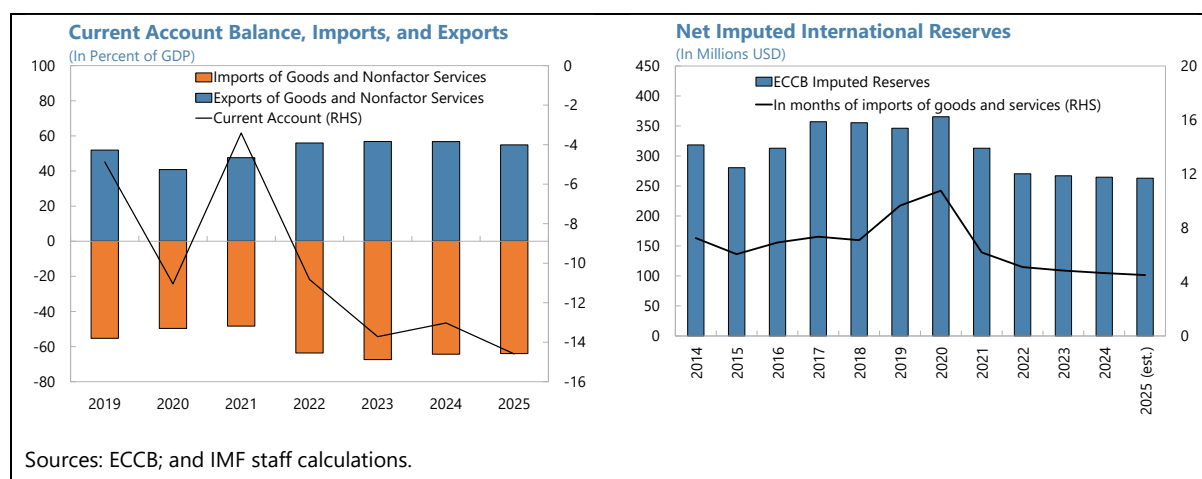
**Background.** The net International Investment Position (IIP) declined to -110.9 percent of GDP in 2025, from -101.7 percent in 2024, primarily reflecting the large current account deficit. This negative net IIP remained large relative to the pre-pandemic average of -83.3 percent of GDP during 2015-2019. On the asset side, portfolio investment (mostly equity and investment fund shares) and other investment (largely currency and deposits) were the largest components, accounting for 40 percent and 32 percent of total assets in 2025, respectively. On the liability side, FDI and other investment (mostly currency and deposits) dominated, at 69 and 29 percent of total liabilities, respectively. Most external debt takes the form of other investment liabilities, particularly currency and deposits, general government loans, and trade credits and advances.

**Assessment.** The NIIP in 2025 does not constitute a significant concern for external debt sustainability. The projected improvement in the current account over the medium term is expected to slow the downward trajectory of the NIIP. In addition, the large share of FDI in liabilities help mitigate associated risks.

2025 (% GDP)	NIIP:	Gross Assets:	Debt Assets:	Gross Liab.:	Debt Liab.:
	-110.9	121.7	47.9	232.6	10.5

### Current Account

**Background.** According to preliminary ECCB and staff estimates, the current account deficit widened moderately to 14.6 percent of GDP in 2025, from 13 percent of GDP in 2024. This reflects a decline in services exports due to lower CBI inflows, partially offset by lower goods imports.



<sup>1</sup> Prepared by Sinem Kilic Celik

**Assessment.** The external position in 2025 is assessed to be weaker than the level consistent with fundamentals and desirable policies. Under the CA model, the CA norm is -10.8 percent of GDP, implying the CA gap of -3.5 percent of GDP.<sup>2</sup> The moderate widening of the current account deficit in 2025 mainly reflects a decline in services exports due to lower CBI inflows. The current account is expected to improve over the medium term, supported by import savings from the renewable energy transition and continued growth in the tourism sector.

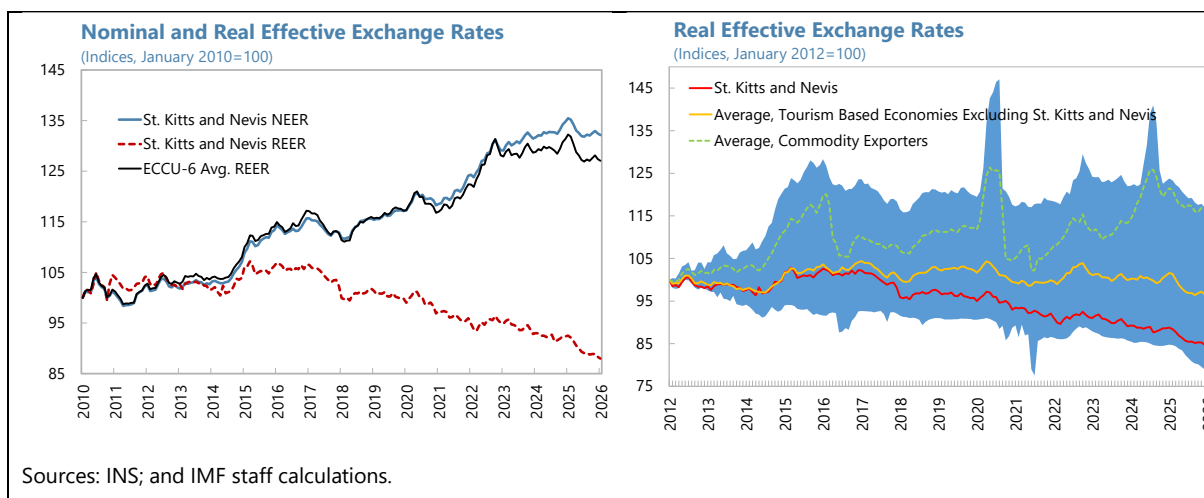
St. Kitts and Nevis: EBA-lite Model Results, 2025		
	CA model 1/ (in percent of GDP)	REER model 1/ (in percent of GDP)
<b>CA-Actual</b>	<b>-14.6</b>	
Cyclical contributions (from model) (-)	0.1	
Additional temporary/statistical factors (-)	0.0	
Natural disasters and conflicts (-)	-0.4	
<b>Adjusted CA</b>	<b>-14.3</b>	
<b>CA Norm</b> (from model) 2/	<b>-10.8</b>	
Adjustments to the norm (+)	0.0	
<b>Adjusted CA Norm</b>	<b>-10.8</b>	
<b>CA Gap</b>	<b>-3.5</b>	<b>4.7</b>
o/w Relative policy gap	-3.3	
Elasticity	-0.4	
<b>REER Gap</b> (in percent)	<b>9.5</b>	<b>-12.6</b>

1/ Based on the EBA-lite 3.0 methodology  
2/ Cyclically adjusted, including multilateral consistency adjustments.

### Real Exchange Rate

**Background.** In 2025, the REER depreciated by 4.4 percent. The depreciation of NEER over the same period (1.7 percent) was amplified by inflation differentials with St. Kitts and Nevis’s main trading partners.

**Assessment.** The REER gap is estimated at 9.5 percent, based on an elasticity of -0.4 derived from EBA-lite CA model, and the EBA-Lite REER model points to a gap of -12.6 percent. While this is consistent with the EBA-lite CA gap assessment, overall, the CA model appears to have a better fit than the REER model.



<sup>2</sup> The CA norm of 10.8 percent of GDP deficit is comparable to those of peer economies in the ECCU.

### Capital and Financial Accounts: Flows and Policy Measures

**Background.** St. Kitts and Nevis has heavily relied on CBI revenue to finance its current account deficit. CBI inflows to the capital account are estimated to decline to 3.3 percent of GDP in 2025, from 5.3 percent of GDP in 2024—well below the 2020-2023 average of 13.3 percent of GDP.

**Assessment.** FDI is projected to increase slightly over the medium term as energy-transition projects come into fruition. CBI inflows are expected to remain structurally low. To the extent that the CBI inflows are primarily to finance investment with a high import component, the impact of declining CBI inflows on the current account would be partially mitigated by lower imports.

Key downside risks include tightening of global financial conditions—which could reduce liquidity and prompt savings outflows in search of higher yield—and natural disasters, which could deter private capital inflows. On the upside, a faster transition to renewable energy and quicker implementation of structural reforms to enhance competitiveness could help attract higher FDI.

### FX Intervention and Reserves Level

**Background.** St. Kitts and Nevis's reserve position remained stable in 2025. As a member of the ECCU, St. Kitts and Nevis is under a currency board arrangement. Foreign assets and liabilities of the ECCB cannot be directly assigned to an individual country. Therefore, the imputed reserves method is used as a proxy for net foreign assets held at the ECCB.<sup>3</sup> Net imputed reserves in 2025 were at 24.9 percent of GDP, equivalent to 4.4 months of imports and around 20 percent of broad money.<sup>4</sup>

**Assessment.** In 2025, the imputed reserves exceeded the typical benchmark of three months of prospective imports and on the margin of the benchmark of 20 percent of broad money.

<sup>3</sup> According to the ECCB by-laws, the imputed reserves of each ECCB member are calculated as the difference between the member's reserve money and net domestic assets. The ECCB has the mandate to maintain a foreign exchange cover of 60 percent of total demand liabilities. The Eastern Caribbean dollar, the currency of St. Kitts and Nevis, is pegged to the U.S. dollar.

<sup>4</sup> The decline in imputed reserves as a percent of broad money in 2025 compared to 2024 is driven primarily by a denominator effect, as broad money expanded in line with higher net domestic financing by the general government.

## Annex IX. Sovereign Risk and Debt Sustainability Analysis

Figure 1. St. Kitts and Nevis: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
<b>Overall</b>	...	Moderate	The overall risk of sovereign stress is assessed as 'moderate'. Fiscal deficits are projected to be large, debt is in an upward trajectory, and Gross Financing Needs (GFNs) are large. Additionally, potential contingent liabilities stem from longstanding weaknesses in public banks and the substantial liabilities of the Social Security Fund (SSF). Nonetheless, these risks are mitigated by: (i) the low debt level relative to peers; (ii) a moderate-but declining-level of government deposits; and (iii) secured long-term financing from international partners.
<b>Near term 1/</b>			
<b>Medium term</b>	<b>High</b>	Moderate	Fanchart's mechanical 'high' signal is based on substantially high public debt before 2012 (around 160 percent of GDP) that was subsequently restructured, while GFN's mechanical 'moderate' signal is primarily driven by a high share of short-term debt. The final assessment is a 'moderate' rating, based on the following: (i) the current debt level is relatively low; (ii) the government holds some 7 percent of GDP in deposits to absorb moderate shocks; and (iii) the government has secured long-term financing from international partners, despite the large fiscal deficits and potential contingent liabilities stemming from longstanding weaknesses in public banks.
Fanchart	<b>High</b>	...	
GFN	Moderate	...	
Stress test	Comm. Prices Nat. Diast.	...	
<b>Long term</b>	...	<b>High</b>	The long-term risk is assessed as 'high', mainly reflecting the potential realization of SSF's liabilities. The actuarial imbalance amounts to almost 300 percent of GDP over a 55-year horizon, and authorities project reserves to be depleted by 2040. To mitigate this risk, authorities are undertaking consultations with stakeholders and are considering reform options, including a gradual increase in the pensionable age, rising the minimum number of contributions, changing the pension formula, and capping the maximum pension.
<b>Sustainability assessment 2/</b>	Not required for surveillance countries	Not required for surveillance countries	
<b>Debt stabilization in the baseline</b>			No

### DSA Summary Assessment

Commentary: The overall risk of sovereign stress is assessed as 'moderate'. In the near and medium term, risks are also assessed as 'moderate'. Fiscal deficits are projected to remain large under the baseline, debt is on an upward trajectory, and GFNs are substantial. In the long term, risks are assessed as 'high', as potential contingent liabilities arise from longstanding weaknesses in public banks and the substantial liabilities of the SSF. These risks are mitigated by: (i) a relatively low debt level when compared to other ECCU members; (ii) a moderate level of deposits; and (iii) long-term financing secured from international partners. To mitigate these risks, a prompt and steady fiscal consolidation, driven by tax reforms and reductions in current expenditures while protecting capital expenditure, is crucial. This will help create fiscal space to strengthen resilience against natural disasters and build fiscal buffers against potential contingent liabilities.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

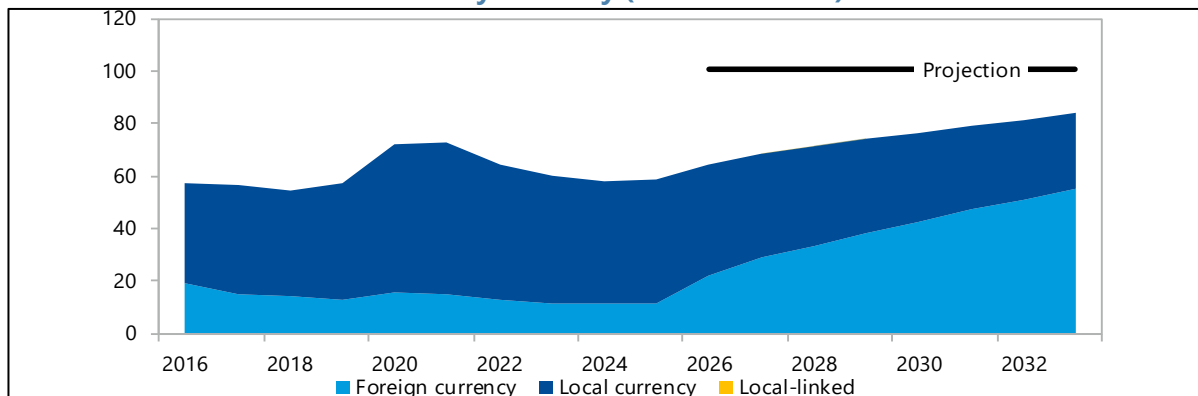
1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. St. Kitts and Nevis: Debt Coverage and Disclosures

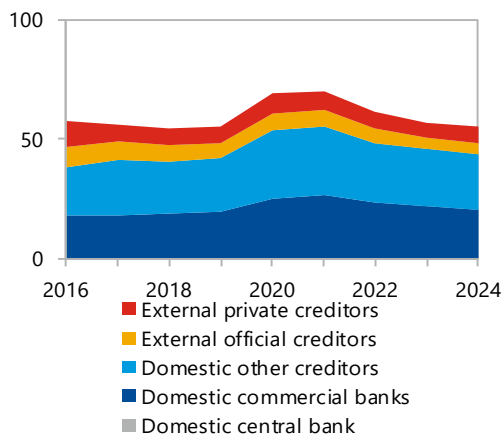
Figure 2. St. Kitts and Nevis: Debt Coverage and Disclosures										Comments								
<b>1. Debt coverage in the DSA: 1/</b>																		
CG GG <b>NFPS</b> CPS Other																		
<b>1a. If central government, are non-central government entities insignificant?</b>										n.a.								
<b>2. Subsectors included in the chosen coverage in (1) above:</b>																		
Subsectors captured in the baseline										Inclusion								
CPS NFPS GG: expected CG	1	Budgetary central government								Yes	Not applicable							
	2	Extra budgetary funds (EBFs)								No								
	3	Social security funds (SSFs)								No								
	4	State governments								No								
	5	Local governments								Yes								
	6	Public nonfinancial corporations								Yes								
	7	Central bank								No								
	8	Other public financial corporations								No								
<b>3. Instrument coverage:</b>																		
Currency & deposits										Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/					
<b>4. Accounting principles:</b>																		
Basis of recording										Valuation of debt stock								
Non-cash basis 4/										Cash basis	Nominal value 5/	Face value 6/	Market value 7/					
<b>5. Debt consolidation across sectors:</b>										Consolidated	Non-consolidated							
code: <span style="color: green;">■</span> chosen coverage <span style="color: red;">■</span> Missing from recommended coverage <span style="color: gray;">■</span> Not applicable																		
<b>Reporting on Intra-Government Debt Holdings</b>																		
Holder										Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
Issuer																		
CPS NFPS GG: expected CG	1	Budget. central govt															0	
	2	Extra-budget. funds															0	
	3	Social security funds															0	
	4	State govt.															0	
	5	Local govt.															0	
	6	Nonfin pub. corp.															0	
	7	Central bank															0	
	8	Oth. pub. fin. corp															0	
Total										0	0	0	0	0	0	0	0	0
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.																		
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.																		
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.																		
4/ Includes accrual recording, commitment basis, due for payment, etc.																		
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).																		
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.																		
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.																		

**Figure 3. St. Kitts and Nevis: Public Debt Structure Indicators**  
**Debt by Currency (Percent of GDP)**



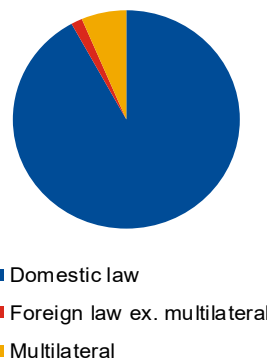
Note: The perimeter shown is nonfinancial public sector.

**Public Debt by Holder (Percent of GDP)**



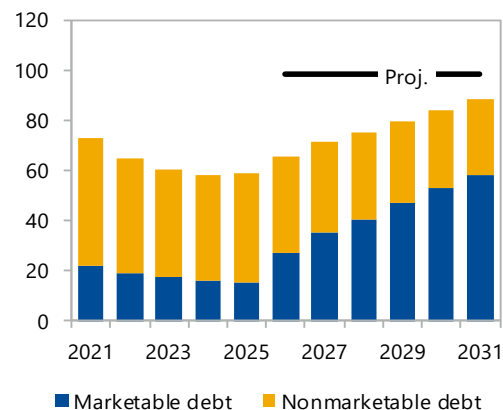
Note: The perimeter shown is general government.

**Public Debt by Governing Law, 2025 (percent)**



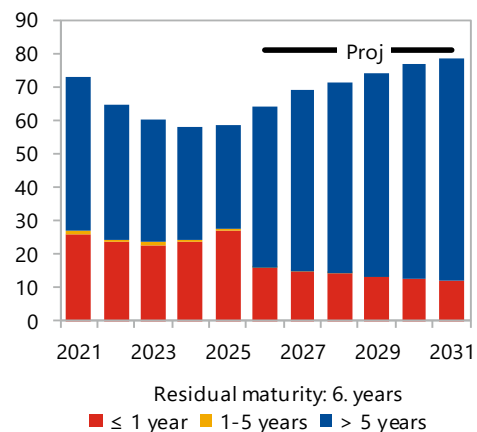
Note: The perimeter shown is general government.

**Debt by Instruments (Percent of GDP)**



Note: The perimeter shown is general government.

**Public Debt by Maturity (Percent of GDP)**



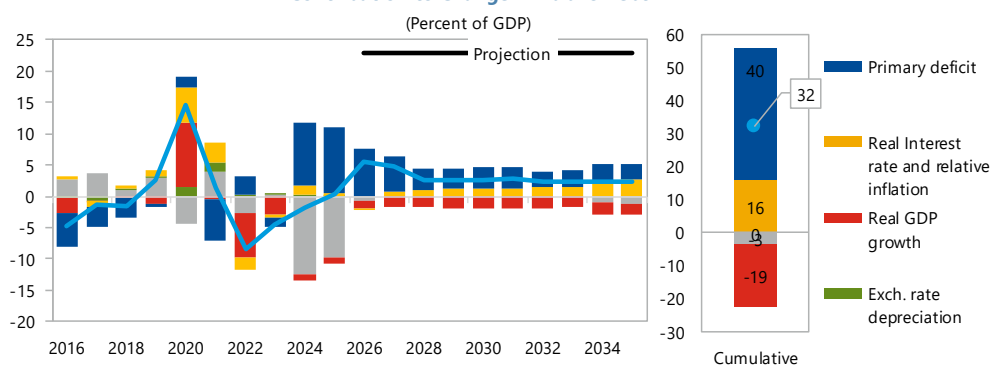
Note: The perimeter shown is general government.

Commentary: The increase in public debt is projected to be implemented through the issuance of external debt. This is based on staff's assessment of the external and domestic investor absorption capacity of new public debt.

**Figure 4. St. Kitts and Nevis: Baseline Scenario**  
(Percent of GDP unless indicated otherwise)

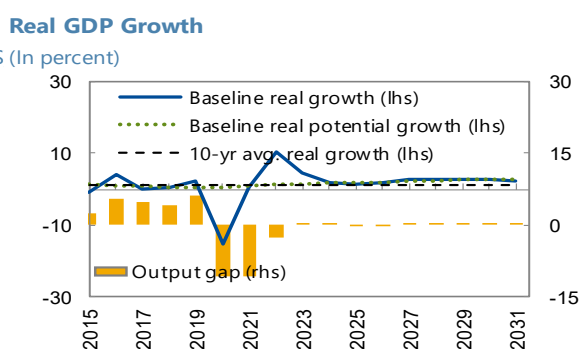
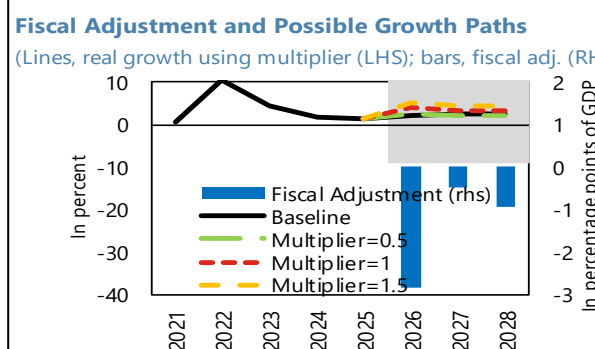
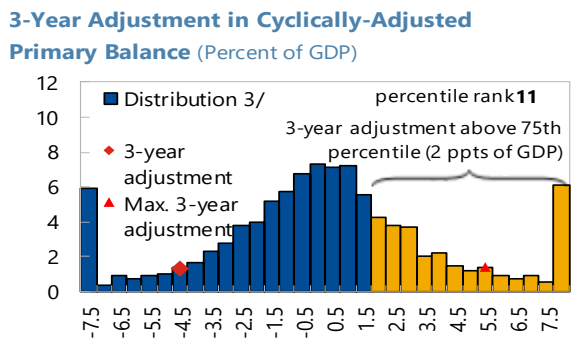
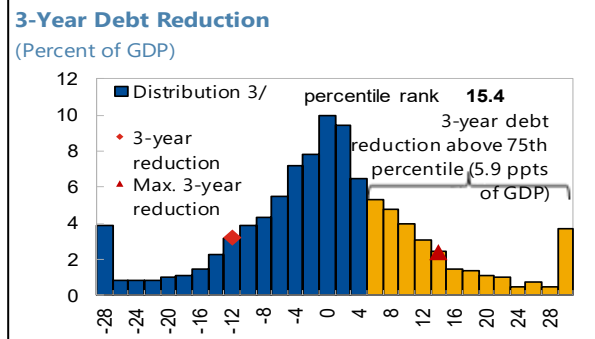
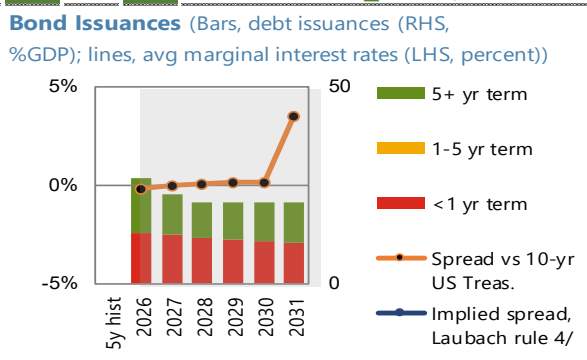
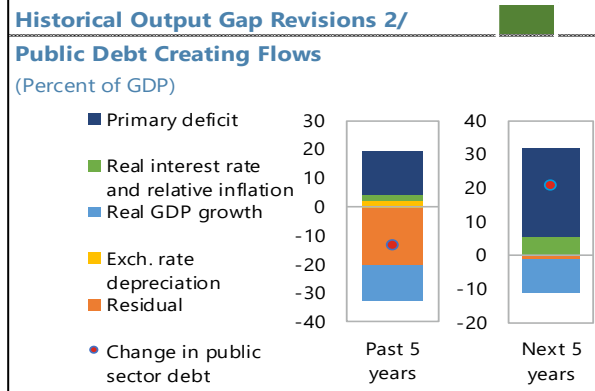
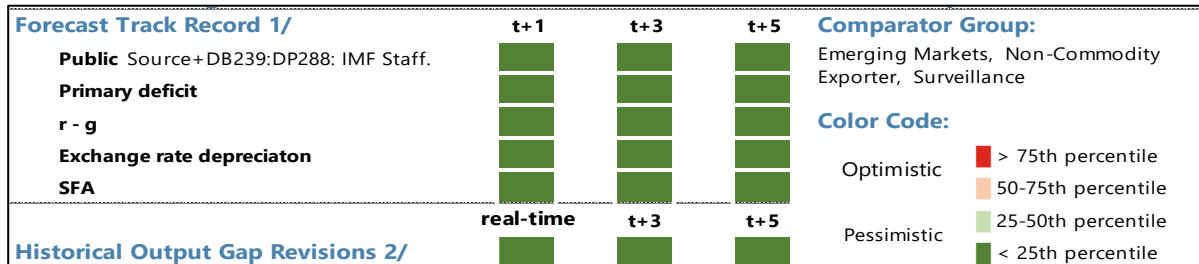
	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	58.4	64.0	68.7	71.3	73.8	76.5	79.2	81.4	83.8	86.1	88.3
Change in public debt	0.3	5.6	4.7	2.6	2.5	2.6	2.8	2.2	2.3	2.3	2.3
Contribution of identified flows	10.1	6.4	4.8	2.6	2.6	2.7	2.8	2.3	2.4	3.4	3.4
Primary deficit	10.4	7.5	5.5	3.3	3.3	3.3	3.3	2.6	2.6	2.6	2.6
Noninterest revenues	30.7	32.1	32.6	33.1	33.1	33.1	33.1	33.1	33.1	33.1	33.1
Noninterest expenditures	41.1	39.6	38.1	36.4	36.4	36.4	36.4	35.7	35.7	35.7	35.7
Automatic debt dynamics	-0.3	-1.2	-0.7	-0.7	-0.8	-0.6	-0.5	-0.4	-0.3	0.7	0.8
Real interest rate and relative inflation	0.5	0.0	0.9	1.0	1.1	1.2	1.3	1.4	1.5	2.5	2.6
Real interest rate	0.5	-0.1	0.8	1.0	1.0	1.1	1.3	1.3	1.4	1.5	1.4
Relative inflation	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.1	1.1
Real growth rate	-0.9	-1.2	-1.6	-1.8	-1.9	-1.9	-1.8	-1.8	-1.8	-1.8	-1.8
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-9.8	-0.7	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-1.1	-1.1
Gross financing needs	30.8	26.8	22.4	20.7	20.7	20.7	20.8	20.2	20.4	20.6	20.8
of which: debt service	20.4	19.2	17.0	17.4	17.4	17.3	17.4	17.6	17.7	18.0	18.1
Local currency	18.7	17.7	15.1	14.6	14.0	13.5	13.0	12.6	12.1	11.7	11.3
Foreign currency	1.6	1.5	1.8	2.8	3.3	3.8	4.4	5.0	5.6	6.2	6.8
Memo:											
Real GDP growth (percent)	1.5	2.0	2.5	2.6	2.7	2.6	2.5	2.3	2.2	2.2	2.2
Inflation (GDP deflator; percent)	1.4	2.2	2.2	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	3.0	5.6	4.8	4.7	4.9	4.7	4.6	4.4	4.3	4.2	4.2
Effective interest rate (percent)	2.3	2.1	3.5	3.6	3.7	3.7	3.8	3.8	3.8	3.8	3.8

**Contribution to Change in Public Debt**



Commentary: The main driver of the increasing debt path is large primary deficits, while the low medium-term real growth rates are not sufficient to stabilize the debt-to-GDP ratio. The large residual in 2024 is due to the use of deposits to finance the deficit that year.

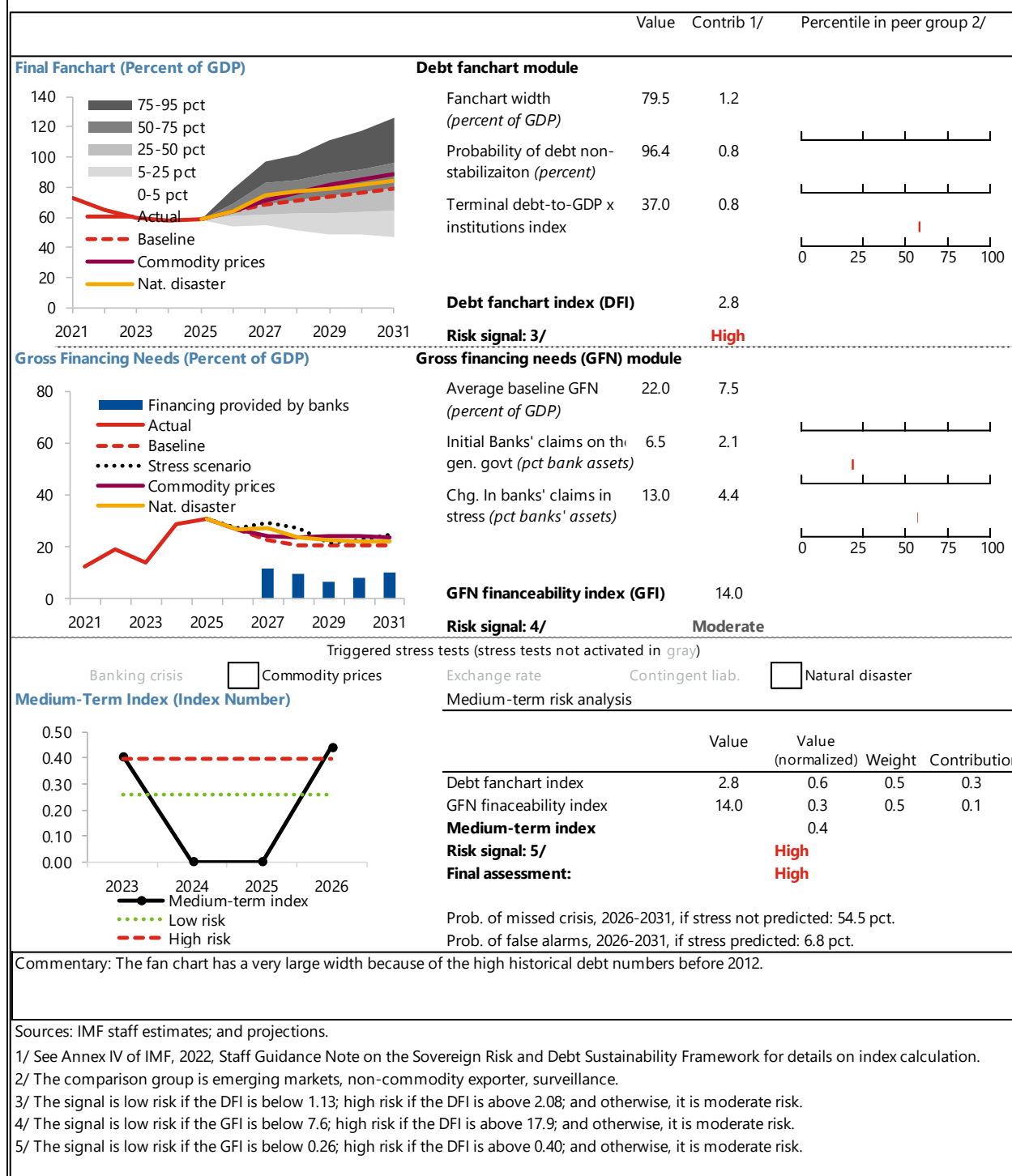
Figure 5. St. Kitts and Nevis: Realism of Baseline Assumptions



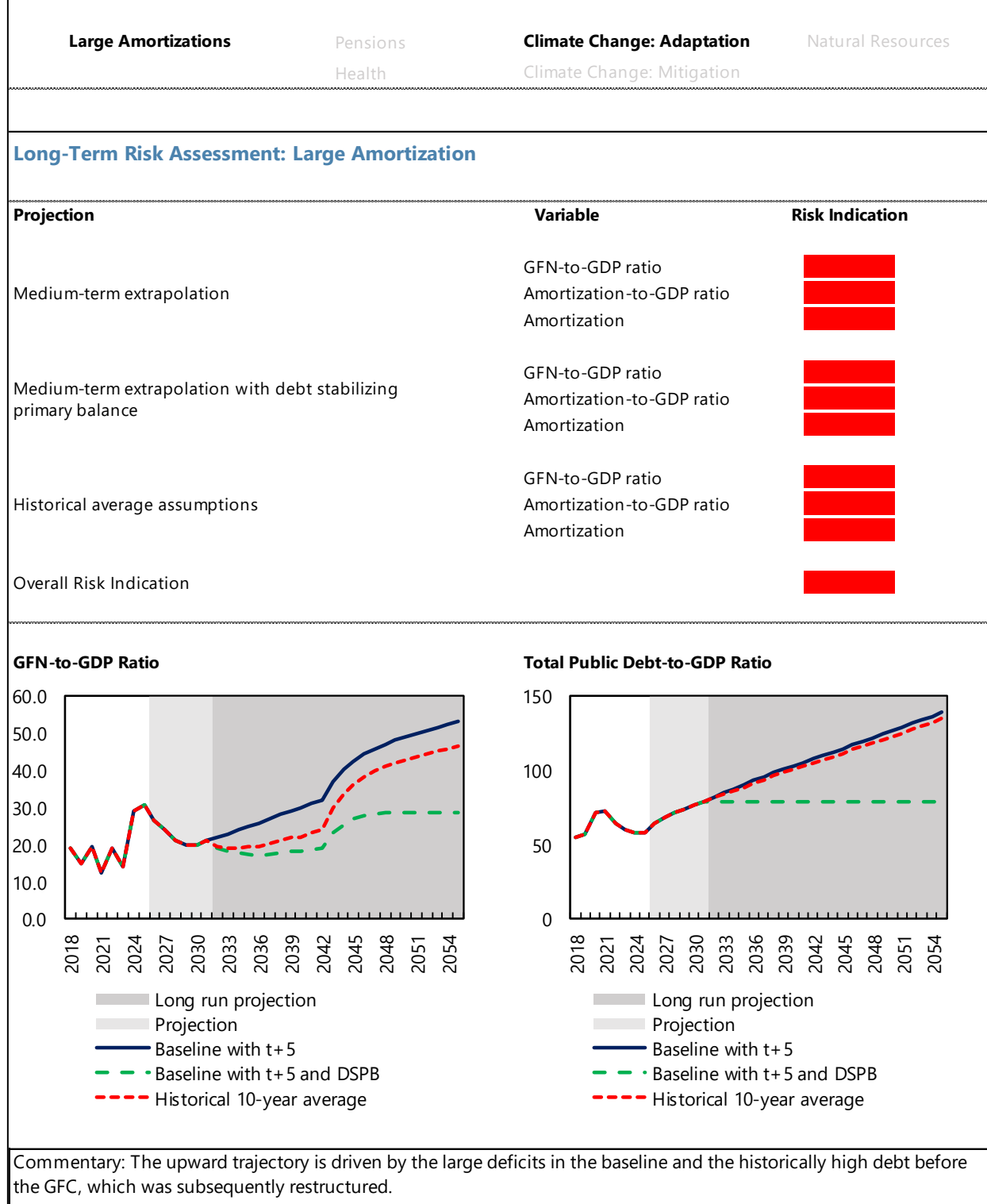
Commentary: The high percentile rank is based on the historical sample which includes very high debt numbers before 2012. The large residual in 2024 is due to the use of deposits to finance the deficit that year.

Source: IMF Staff.  
 1/ Projections made in the October and April WEO vintage.  
 2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates  
 3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.  
 4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

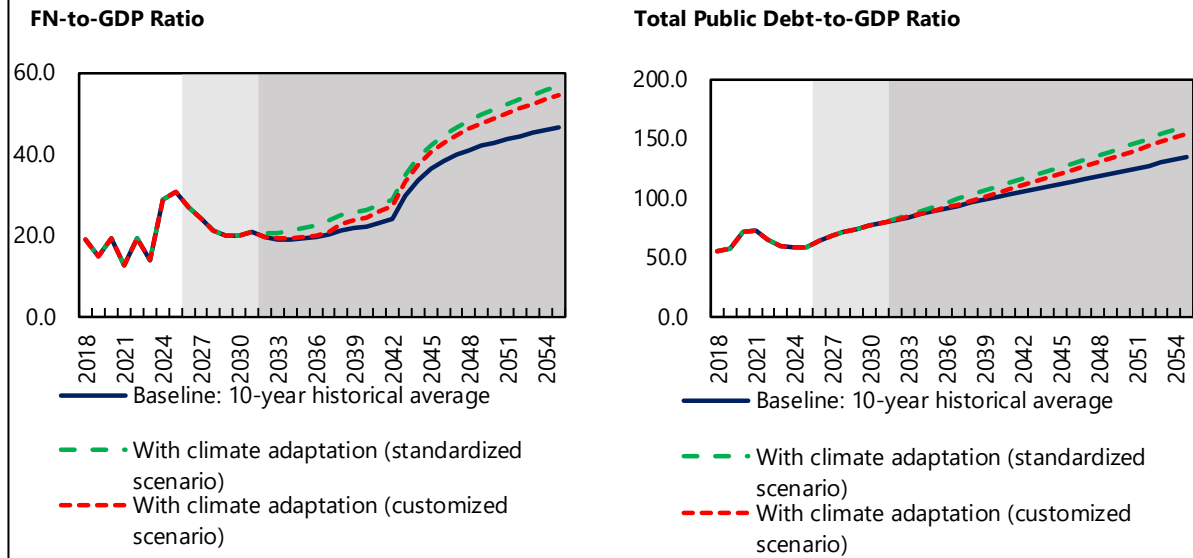
**Figure 6. St. Kitts and Nevis: Medium-Term Risk Assessment**



**Figure 7. St. Kitts and Nevis: Triggered Modules**



**Figure 8. St. Kitts and Nevis: Climate Change: Adaptation**



Commentary: Climate change adaptation notably worsens the debt dynamic.

## Annex X. Data Issues

Table 1. St. Kitts and Nevis: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	B	C	B	B	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	C	C	B		
Granularity 3/	C		C	C	B		
Consistency			B	C		B	
Frequency and Timeliness	C	C	B	C	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund is adequate for surveillance.						
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.						
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.						
<p><b>Rationale for staff assessment.</b> Data provision has some shortcomings that somewhat hamper surveillance. Staff face some challenges in generating medium-term forecasts and evaluating essential risks due to these shortcomings. Key priorities include: (i) developing expenditure-based national accounts and quarterly GDP; (ii) reducing publication lags for central government accounts and debt data and reviewing the classification of capital expenditure; (iii) strengthening external sector statistics, given large unexplained errors and omissions, historical revisions, and gaps in CBI data; and (iv) addressing remaining gaps in labor market statistics.</p> <p><i>National Accounts.</i> The GDP base year remains 2006, a Supply and Use Table (SUT) has not yet been compiled, and expenditure-side GDP data are unavailable. In addition, investment statistics do not clearly distinguish productive investment from construction. Strengthening the national accounts framework will require improving the timeliness and granularity of estimates, updating the base year, and benchmarking the series through the compilation of a SUT.</p> <p><i>External Sector Statistics.</i> Net errors and omissions (NEOs) have increased sharply since 2022, accounting for about 60 percent of the current account deficit in 2024. A TA mission in November 2025 identified a further widening of these discrepancies in 2023–24, underscoring the need to strengthen the adequacy and reliability of external sector statistics.</p>							
<p><b>Changes since the last Article IV consultation.</b> Key issues identified at the time of the last Article IV consultation remain largely unaddressed. A TA mission on external sector statistics in November 2025 identified sizable negative NEOs, reflecting upward revisions to travel exports. Nonetheless, staff welcome the authorities' ongoing efforts to strengthen external accounts, supported by CARTAC CD and collaboration with the ECCB. The compilation of the 2022 Census has recently been completed, and the classification of fiscal accounts continues to improve.</p>							
<p><b>Corrective actions and capacity development priorities.</b> The authorities should continue efforts to improve data quality and coverage. Addressing shortcomings in national accounts and external sector statistics should remain a priority, supported by IMF and CARTAC CD. The IMF and CARTAC are assisting the statistical office with the GDP rebasing exercise, including the compilation of key activities such as tourism and construction, with two CARTAC national accounts TA missions planned in FY27 to complete the rebasing. Strengthening the resources of the statistical office would also support these efforts.</p>							
<p><b>Use of data and/or estimates different from official statistics in the Article IV consultation.</b> Staff does not use any data or estimates in the staff report in lieu of official statistics.</p>							
<p><b>Other data gaps.</b> Data for assessing the impact of various physical and transitional risks associated with natural disasters.</p>							

**Table 2. St. Kitts and Nevis: Data Standards Initiatives**

St. Kitts and Nevis participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in October 2000 but is yet to disseminate the data recommended under the e-GDDS.

**Table 3. St. Kitts and Nevis: Table of Common Indicators Required for Surveillance**

*As of March 25, 2026*

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>5</sup>	Frequency of Reporting <sup>6</sup>	Expected Frequency <sup>6,7</sup>	Committed Frequency <sup>8</sup>	Expected Timeliness <sup>6,7</sup>	Committed Timeliness <sup>8</sup>
Exchange Rates	2026-03-25	2026-03-25	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	2025-12	2026-01	M	M	M	...	1W	...
Reserve/Base Money	2025-12	2026-01	M	M	M	M	2W	6W
Broad Money	2025-12	2026-01	M	M	M	M	1M	6W
Central Bank Balance Sheet	2025-12	2026-01	M	M	M	M	2W	6W
Consolidated Balance Sheet of the Banking System	2025-12	2026-01	M	M	M	M	1M	6W
Banks' Financial Soundness Indicators	2025-12	2026-01	Q	Q	Q	...	1Q	6W
Residential Real Estate Prices			NA	NA	Q	...	1Q	...
Total assets of other depository corporations <sup>2</sup>	2025-12	2026-01	Q	Q	M	M	1M	6W
Total credit from other depository corporations <sup>2</sup>	2025-12	2026-01	Q	Q	M	M	1M	6W
Sectoral Breakdown of Credit from Other Depository Corporations <sup>2</sup>	2025-12	2026-01	Q	Q	M	M	1M	6W
Domestic vs. Foreign Currency Breakdown of Other Depository Corporations' Assets and Credit, Total and by Sector <sup>2</sup>	2025-12	2026-01	Q	Q	M	M	1M	6W
Interest Rates <sup>4</sup>	2026-03-25	2026-03-25	M	M	D	M	...	6W
Consumer Price Index	2025-09	2026-02	M	Q	M	M	1M	9M
Revenue, Expenditure, Balance and Composition of Financing <sup>5</sup> - General Government <sup>6</sup>	2025-12	2026-02	M	Q	A	...	2Q	...
Revenue, Expenditure, Balance and Composition of Financing <sup>5</sup> - Central Government			NA	Q	M	Q	1M	1Q
Stocks of Central Government and Central Government-Guaranteed Debt <sup>7</sup>	2025-12	2026-01	M	I	Q	A	1Q	10M
Total stock of General Government Debt <sup>8</sup>	2025-12	2026-01	M	I	Q	...	4M	...

**Table 3. St. Kitts and Nevis: Table of Common Indicators Required for Surveillance (concluded)**

External Current Account Balance	2025-12	2026-01	A	Q	Q	A	1Q	NA
Exports and Imports of Goods and Services	2025-12	2026-01	A	Q	M	M	8W	6W
GDP/GNP	2025-12	2026-02	Q	Q	Q	A	1Q	6M
Gross External Debt	2025-12	2026-01	M	I	Q	...	1Q	...
International Investment Position	2025-12	2026-01	A	A	Q	...	1Q	...

<sup>1</sup> Includes net market value of derivative positions.

<sup>2</sup> Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

<sup>3</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>4</sup> Foreign, domestic bank, and domestic non-bank financing.

<sup>5</sup> The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments.

<sup>6</sup> Including currency and maturity composition.

<sup>7</sup> Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

<sup>8</sup> Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

<sup>9</sup> Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

## References

Amundsen, A., Chen, S., Guérin, P., Kilic Celik, S., and Nishida, M. (2025). Potential Growth and Productivity in the Caribbean. IMF Working Paper WP/25/157. International Monetary Fund.

Gaulier, G. and Zignago, S. (2010) BACI: International Trade Database at the Product-Level. The 1994-2007 Version. CEPII Working Paper, N°2010-23

International Monetary Fund. 2026. "Dominica: 2026 Policy Note, Annex: A Model-based Approach to Decoding Dominica's Growth Drivers."

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# ST. KITTS AND NEVIS

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION— INFORMATIONAL ANNEX

April 1, 2026

Prepared By

The Western Hemisphere Department

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## FUND RELATIONS

(As of February 28, 2026)

**Membership Status:** Joined August 15, 1984; Article VIII

<b>General Resources Account:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
Quota	12.50	100.00
Fund holdings of currency	11.52	92.15
Reserve Tranche Position	0.98	7.86

<b>SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	20.48	100.00
Holdings	16.31	79.64

**Outstanding Purchases and Loans:** None

### Latest Financial Arrangements:

<b>Type</b>	<b>Date of Arrangement</b>	<b>Expiration Date</b>	<b>Amount Approved (SDR Million)</b>	<b>Amount Drawn (SDR Million)</b>
Stand-By	Jul 27, 2011	Jul 26, 2014	52.51	47.37

### Projected Payments to the Fund<sup>1</sup>

	Forthcoming				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	0.09	0.11	0.11	0.11	0.11
Total	0.09	0.11	0.11	0.11	0.11

**Outright Loans:** None

**Implementation of HIPC Initiative:** Not Applicable

**Implementation of Multilateral Debt Relief Initiative (MDRI):** Not Applicable

**Implementation of Catastrophe Containment and Relief (CCR):** Not Applicable

<sup>1</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Exchange Rate Arrangements:** St. Kitts and Nevis participates in the Eastern Caribbean Currency Union (ECCU) with seven other members and has no separate legal tender. The Eastern Caribbean Central Bank (ECCB) manages monetary policy and the exchange system for the ECCU's eight members. The exchange rate arrangement is a currency board. The common currency, the Eastern Caribbean dollar, has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar since July 1976. St. Kitts and Nevis accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement in December 1984, and maintains an exchange system that is free of restrictions on the making of payments and transfers for current international transactions and multiple currency practices.

**Safeguards Assessment:** The ECCB made progress in addressing the 2021 safeguards recommendations. The only outstanding recommendation is the need for legal reforms to further strengthen operational autonomy of the ECCB and align its Agreement Act with leading practices. Staff continues to follow up with the authorities.

**Article IV Consultation:** St. Kitts and Nevis is on a 12-month cycle. The last Article IV consultation was concluded on May 7, 2025, by the Executive Board: Meeting 25/34.

**Technical Assistance:** Several missions from MCM, FAD, STA, supported by the Caribbean Regional Technical Assistance Centre (CARTAC), have visited the country. Below the compilation of the TA delivered from 2019–February 2026.

<b>St. Kitts and Nevis: Fund Technical Assistance, 2019–January 2026</b>		
<b>Start date</b>	<b>End date</b>	<b>Mission description</b>
May 20, 2019	May 31, 2019	CARTAC: Assist with the compilation of the SUT
Oct. 21, 2019	Nov. 1, 2019	CARTAC: BOP/IIP - Enhance Source Data
Jun. 2, 2020	Jun. 5, 2020	CARTAC: Training - (Remote TA) Enhancing the Medium Term Macro-Fiscal Framework
Aug. 31, 2020	Sep. 15, 2020	(Remote TA) CARTAC: Longer BPM6 BOP time series
Oct. 4, 2020	Oct. 21, 2020	CARTAC: Developing a Compliance Program for Large & Medium Taxpayers (WFH)
Apr. 5, 2021	Apr. 30, 2021	(Remote TA) CARTAC: National Accounts - VT Improving estimates of GDP
Apr. 19, 2021	Apr. 30, 2021	(Remote TA) CARTAC: VT Consumer Prices/Producer Price - Finalize the new CPI series build capacity
May 1, 2021	Apr. 30, 2022	St. Kitts and Nevis - LTX Desk Work
May 3, 2021	Aug. 31, 2021	FY21 St Kitts and Nevis - National Accounts
Jun. 7, 2021	Jun. 22, 2021	STX - Development of a CRMS Implementation Plan
Nov. 15, 2021	Dec. 3, 2021	STX - Strengthening Core Business Functions - Audit Capacity (RTAT)
Nov. 22, 2021	Nov. 26, 2021	St. Kitts and Nevis - Develop Quarterly BOP Data
Jan. 10, 2022	Jan. 28, 2022	(Virtual mission) Review of the Nevis Intl Banking Ordinance
Aug. 8, 2022	Aug. 26, 2022	(Virtual mission) ICT support - SIGTAS Clean up
Aug. 8, 2022	Aug. 12, 2022	St. Kitts and Nevis - BOP Source data
Sep. 1, 2022	Oct. 31, 2022	Mission LTX/STX Agile PEFA Assessment FY23
Sep. 6, 2022	Sep. 9, 2022	Building capacity in medium-term macro framework
Mar. 22, 2023	Apr. 4, 2023	Diagnostic: assess tax mix, VAT base, property tax, adding a PIT to the CIT
Mar. 27, 2023	Mar. 31, 2023	TA- BOP - Enhance Travel credits
May 1, 2023	May 1, 2023	MID 23FAS68 - Under Accrual (TA 462920)
May 8, 2023	May 12, 2023	Follow-up TA to develop capacity in macro-fiscal analysis, forecasting, and risk analysis
May 15, 2023	Jul. 3, 2023	Mission LTX/STX Supporting Audit FY24
Jun. 5, 2023	Jun. 16, 2023	St. Kitts and Nevis-STARE-Real Sector-National Accounts-NAR-FY24-1
Oct. 2, 2023	Oct. 13, 2023	STX - Strengthening Compliance Program - VAT and Income Tax Cross Matching
Nov. 13, 2023	Nov. 24, 2023	St Kitts and Nevis-TA-BOP-Source data
Nov. 20, 2023	Nov. 24, 2023	STX - Supporting Strategic Management and HQ functions
Dec. 4, 2023	Dec. 8, 2023	Strengthening HQ function (Peer to Peer engagement with TAJ)
Jan. 22, 2024	Feb. 16, 2024	Mission LTX/STX Training Audit Planning (HYBRID) FY24
Jan. 31, 2024	Feb. 13, 2024	HQ Mission LTX/STX Sovereign Wealth Fund FY24
May 13, 2024	May 24, 2024	STX – Support to update Strategic Plan
Aug. 26, 2024	Aug. 30, 2024	St. Kitts and Nevis-TA-BOP-Enhance source data
Oct. 14, 2024	Oct. 18, 2024	St. Kitts and Nevis-TA-CPP-Consumer Prices
Nov. 4, 2024	Nov. 15, 2024	STX - Strengthening Governance Arrangements - Strategic Management Framework

<b>St. Kitts and Nevis: Fund Technical Assistance, 2019–January 2026 (concluded)</b>		
Apr. 1, 2025	Apr. 4, 2025	CARTAC - Macro-Fiscal Analysis and Forecasting
Apr. 18, 2025	Apr. 30, 2025	Draft Supporting VAR base broadening and Digital Services
Sep. 22, 2025	Oct. 1, 2025	CARTAC - Supporting GDP Rebasing
Nov. 10, 2025	Nov. 14, 2025	CARTAC - St Kitts and Nevis-TA-BOP-Source data
Jan. 26, 2026	Jan. 29, 2026	LTX – Reform Program

**FSAP:** A joint IMF/World Bank team assessed the financial sector of the ECCU member countries in two missions: September 1–19 and October 20–31, 2003. The missions evaluated development needs and opportunities for the financial sector, identified potential vulnerabilities of markets and financial institutions, and identified risks to macroeconomic stability from weaknesses in the financial sector. The Financial System Stability Assessment (FSSA) was discussed by the Executive Board on May 5, 2004, and subsequently published on the IMF’s external website, including the Report on the Observance of Standards and Codes (ROSC) on Banking Supervision.

## RELATIONS WITH OTHER FINANCIAL INSTITUTIONS

(As of March 17, 2026)

- World Bank

[WBG Finances - Country Details - St. Kitts and Nevis \(worldbank.org\)](https://www.worldbank.org/country/st-kitts-and-nevis)

- Caribbean Development Bank

[Saint Kitts and Nevis | Caribbean Development Bank \(caribank.org\)](https://www.caribank.org/saint-kitts-and-nevis)