

Presentation to Trade Unions

06 April 2020

Covid 19 has significantly reduced cash flow for private sector entities as well as the State

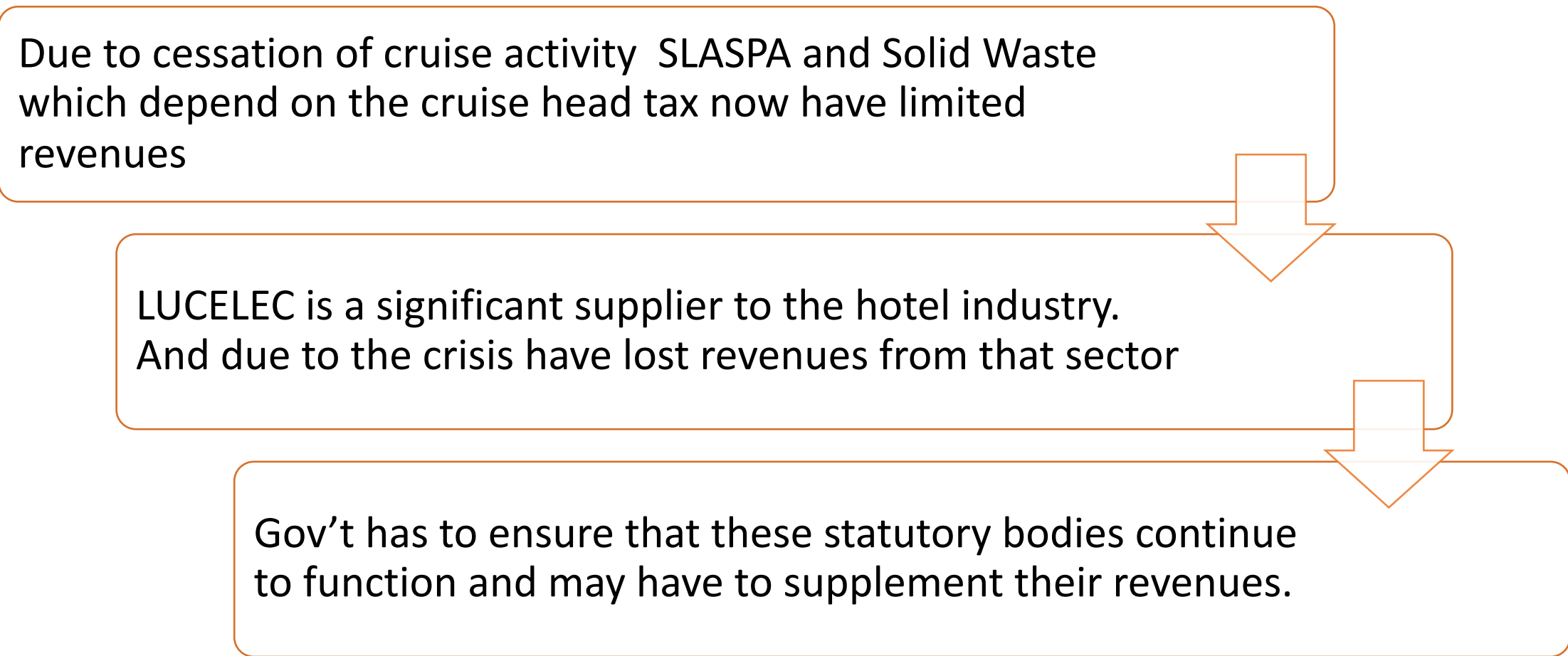
The accommodation industry as well as related businesses have closed and may need to remain so for months..

In an environment of little to no economic activity businesses have ran into cash flow issues due to limited revenues coming in..

With limited cash flow and an inability to meet their expenses businesses have not been able to remit to the state VAT and other consumption taxes

Statutory bodies are also facing revenue and cash shortfalls

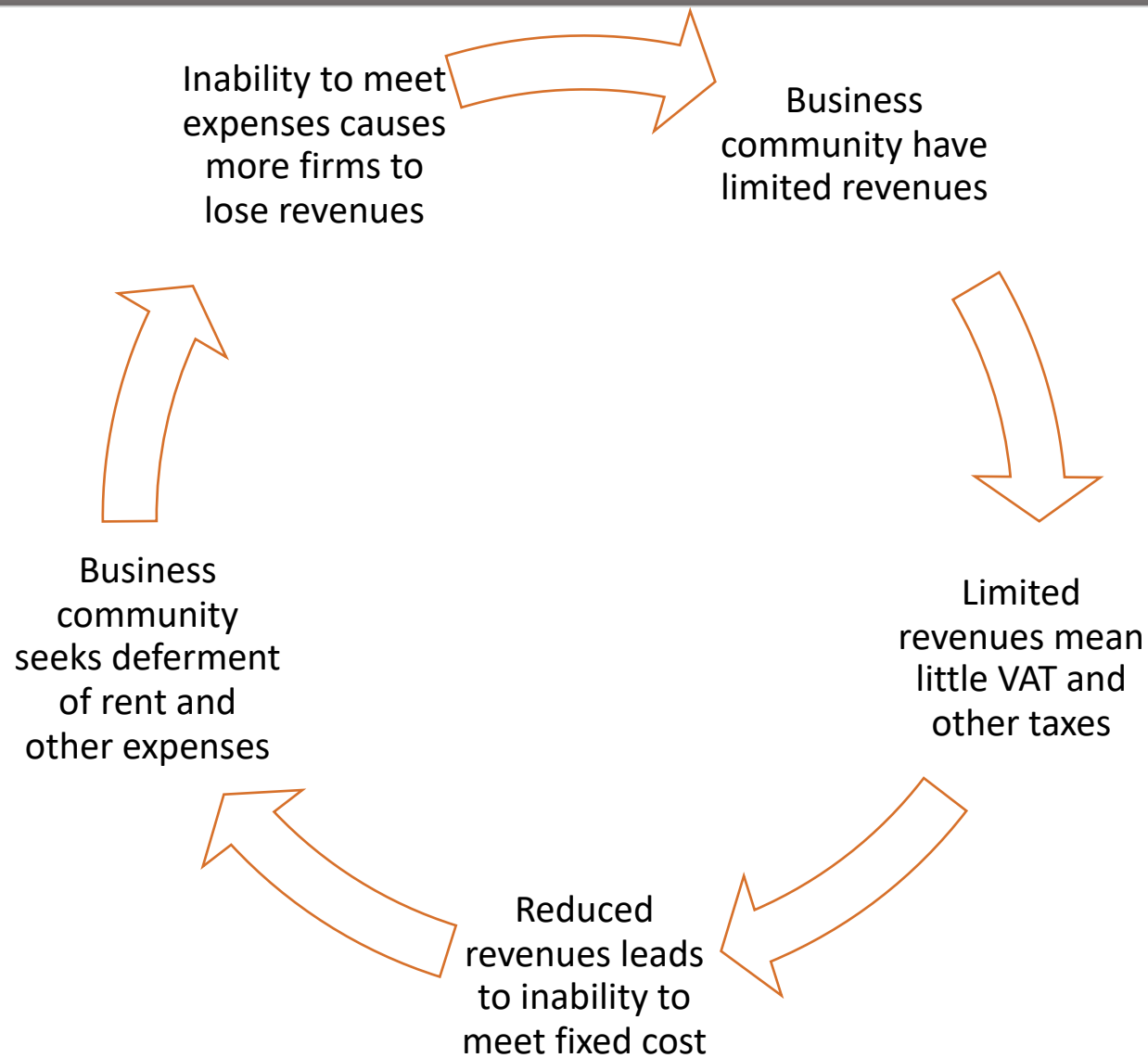
Due to cessation of cruise activity SLASPA and Solid Waste which depend on the cruise head tax now have limited revenues



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graph TD; A[Due to cessation of cruise activity SLASPA and Solid Waste which depend on the cruise head tax now have limited revenues] --> B[LUCELEC is a significant supplier to the hotel industry. And due to the crisis have lost revenues from that sector]; B --> C[Gov't has to ensure that these statutory bodies continue to function and may have to supplement their revenues.]
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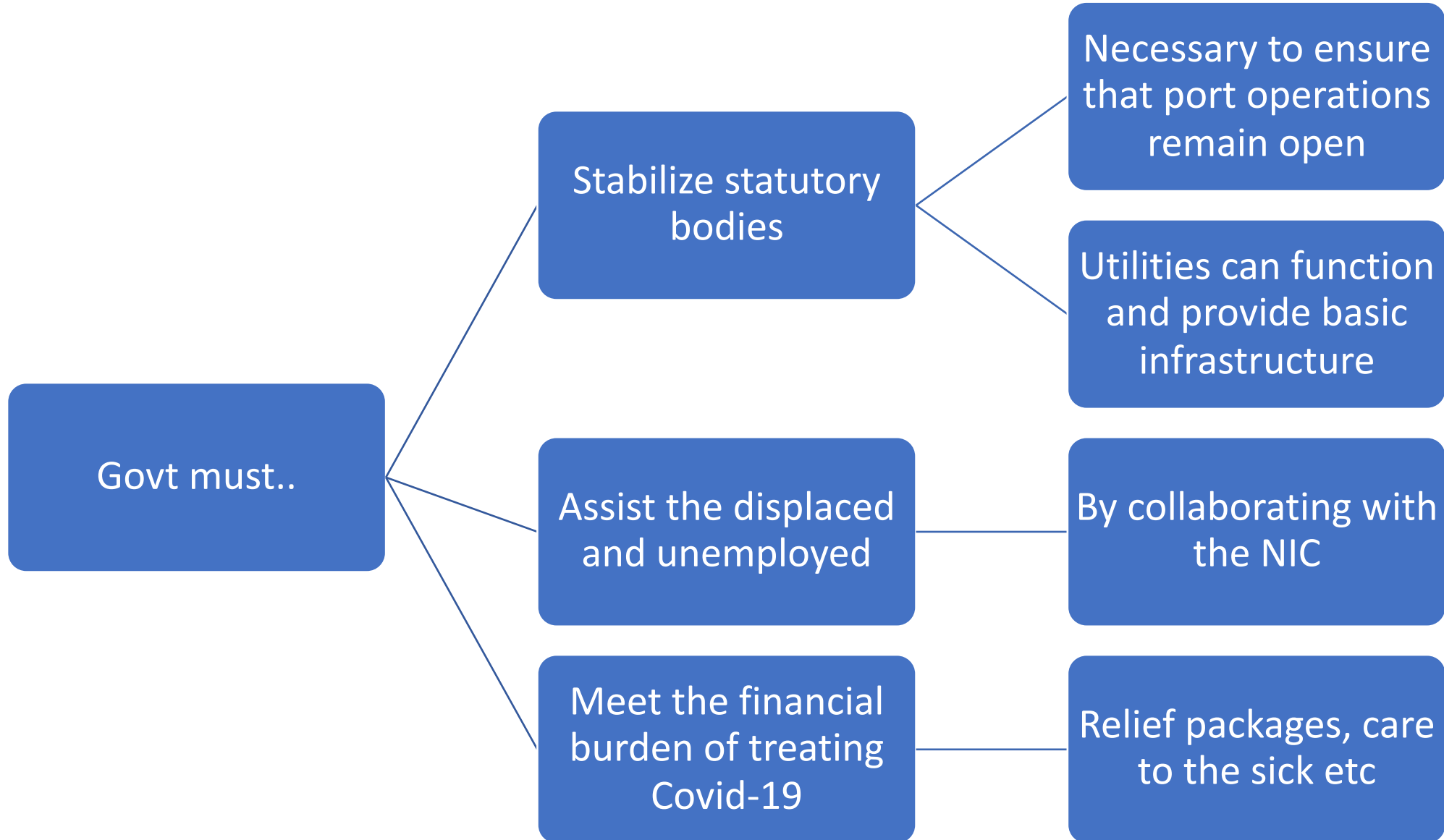
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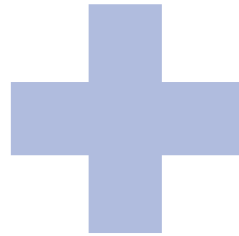
Government and the private sector are trapped in a vicious cycle.

Stopping the vicious cycle requires each sector of society to assist and for a global rebound which may be months away



Government is forced to achieve its objectives with little revenues coming in and an inability to raise new financing

Estimate what
its revenues
and financing
needs are



Match this
reduced pool
and prioritize
expenditures
accordingly



April to June
2020 course
of action (1st
instance)

In order to understand how much revenues and cash government will have over the next 3 months we must understand the economic impacts

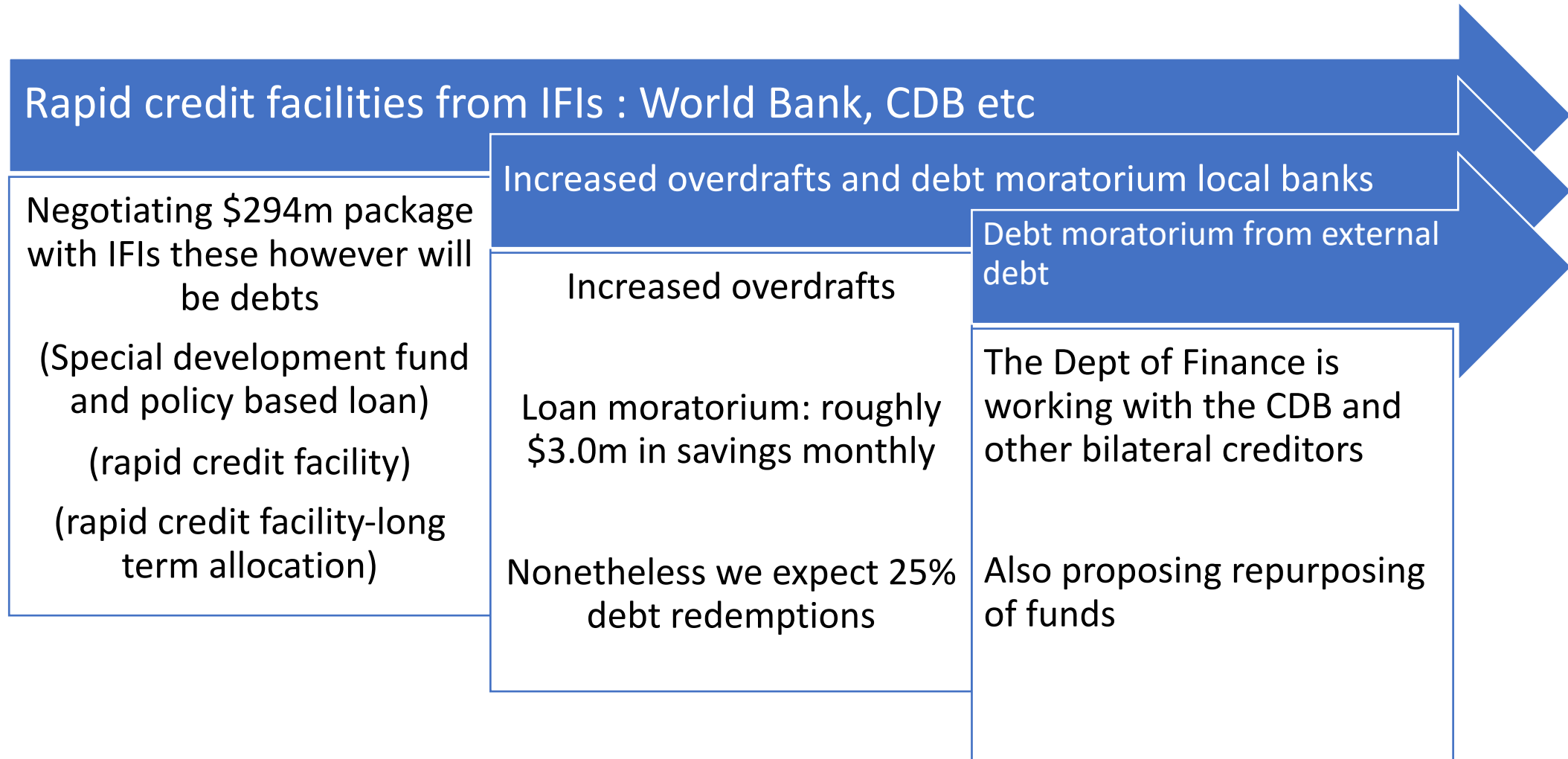
COVID-19 SCENARIO	
	2020 Economic Forecast - Worst Case Decline
Agriculture	-1.0%
Crops	-3.0%
Hotel and Restaurants	-35.0%
Road Transport	-26.3%
Manufacturing	-25.0%
Construction	15.0%
Total GDP 2020	-10.1%



These economic impacts mean
much lower revenues...

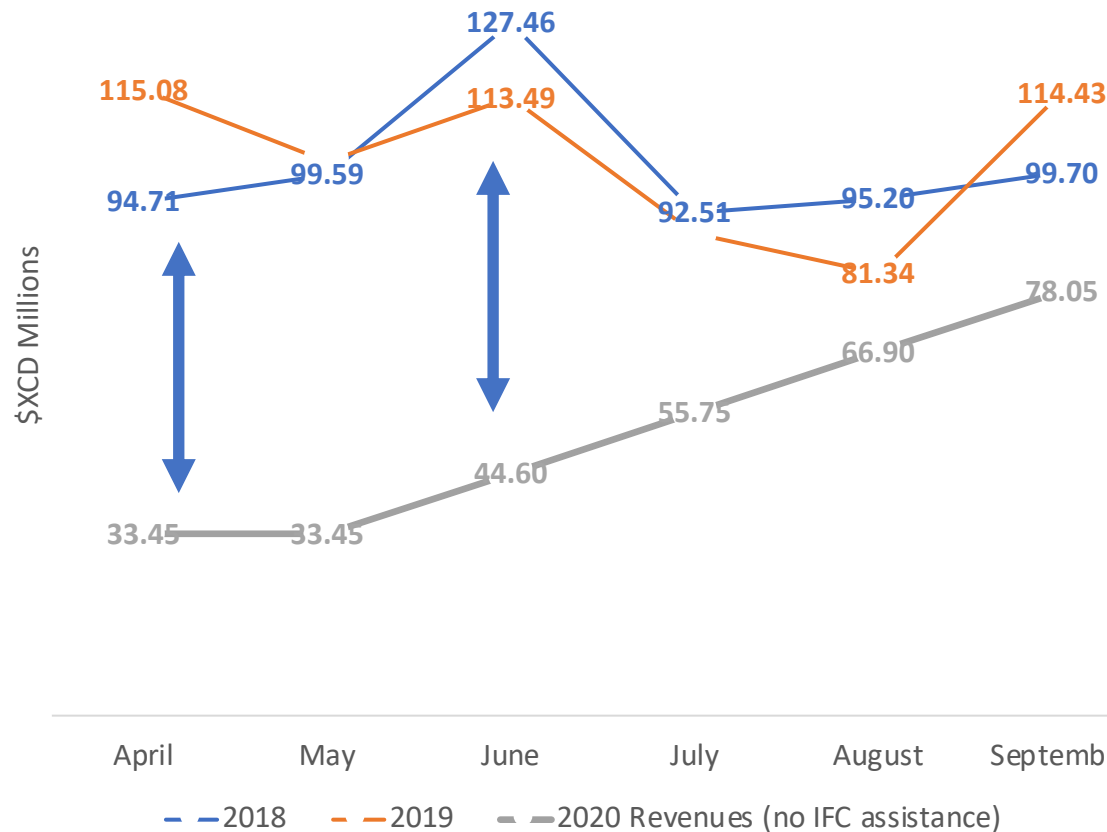
The overall deficit is expected to grow to 7.1% of GDP and as at
March 2020 there was a cash deficit of approximately \$100m

The government of Saint Lucia has approached IFIs...

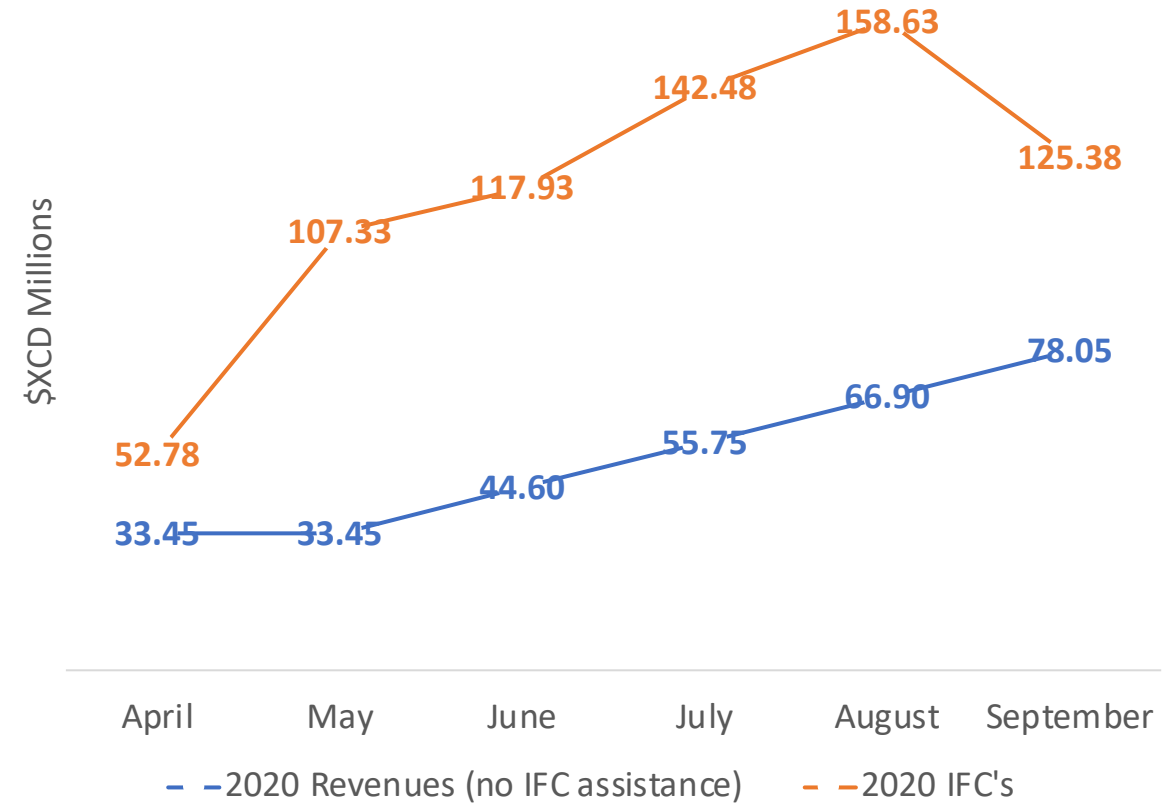


Governments projected revenues are expected to fall significantly

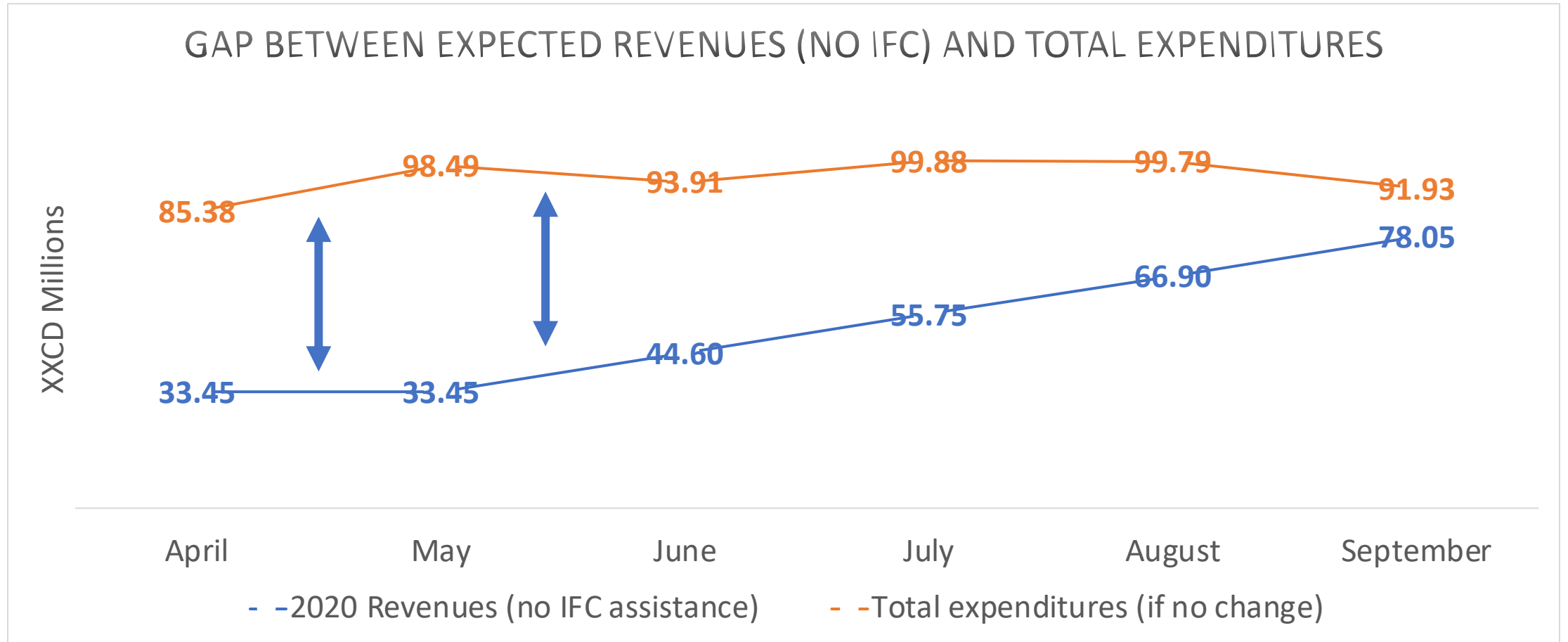
ACTUAL VS FORECAST OF REVENUES AND GRANTS



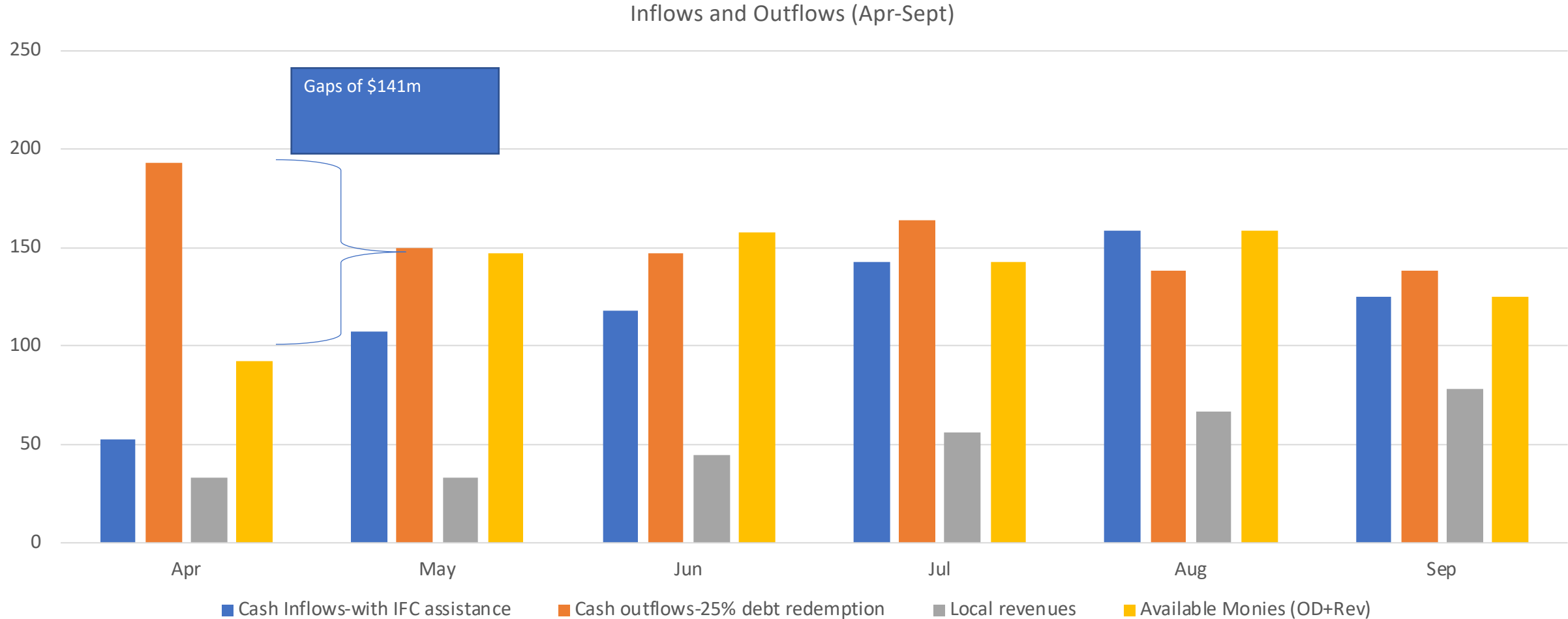
REVENUES WITH AND WITHOUT IFC SUPPORT



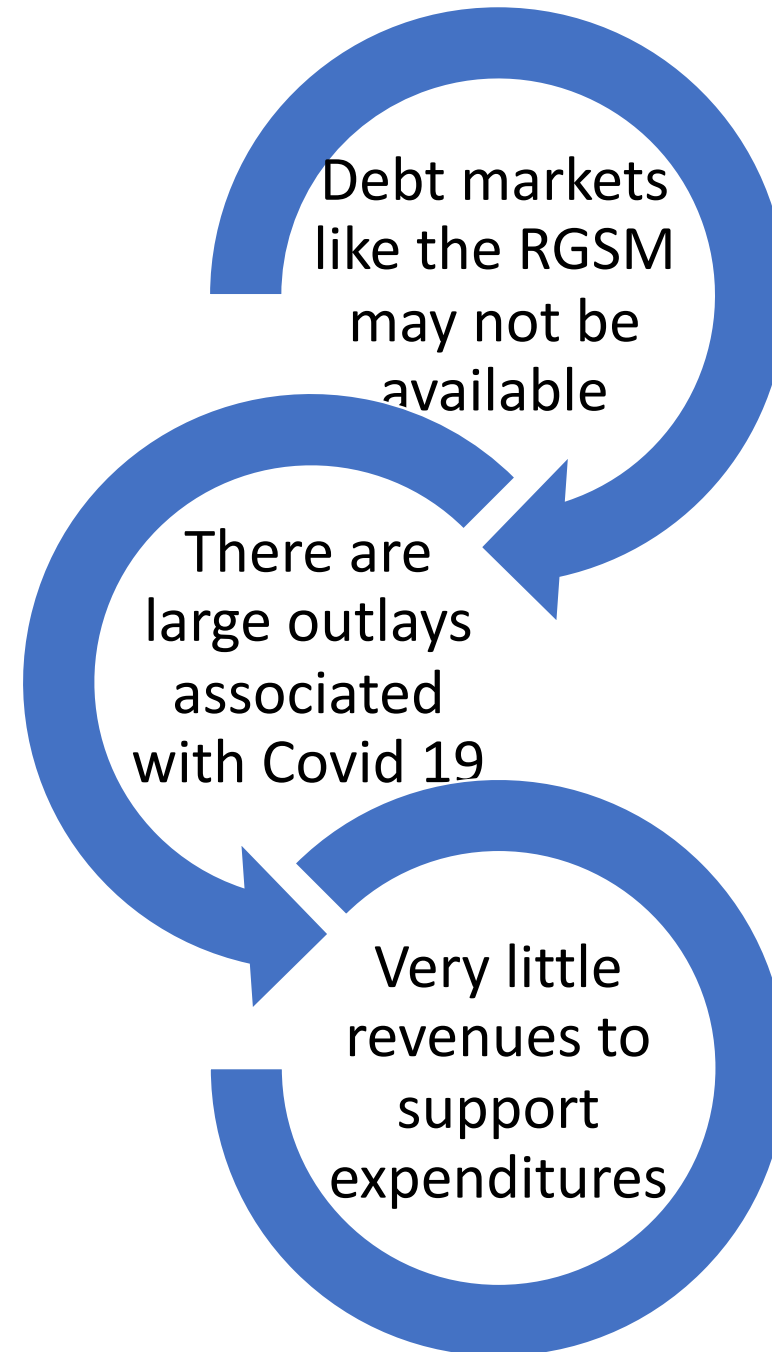
St Lucia's expenditures (net of debt servicing) average ~ \$90m



Over the next few months projected cash inflows are lower than outflows



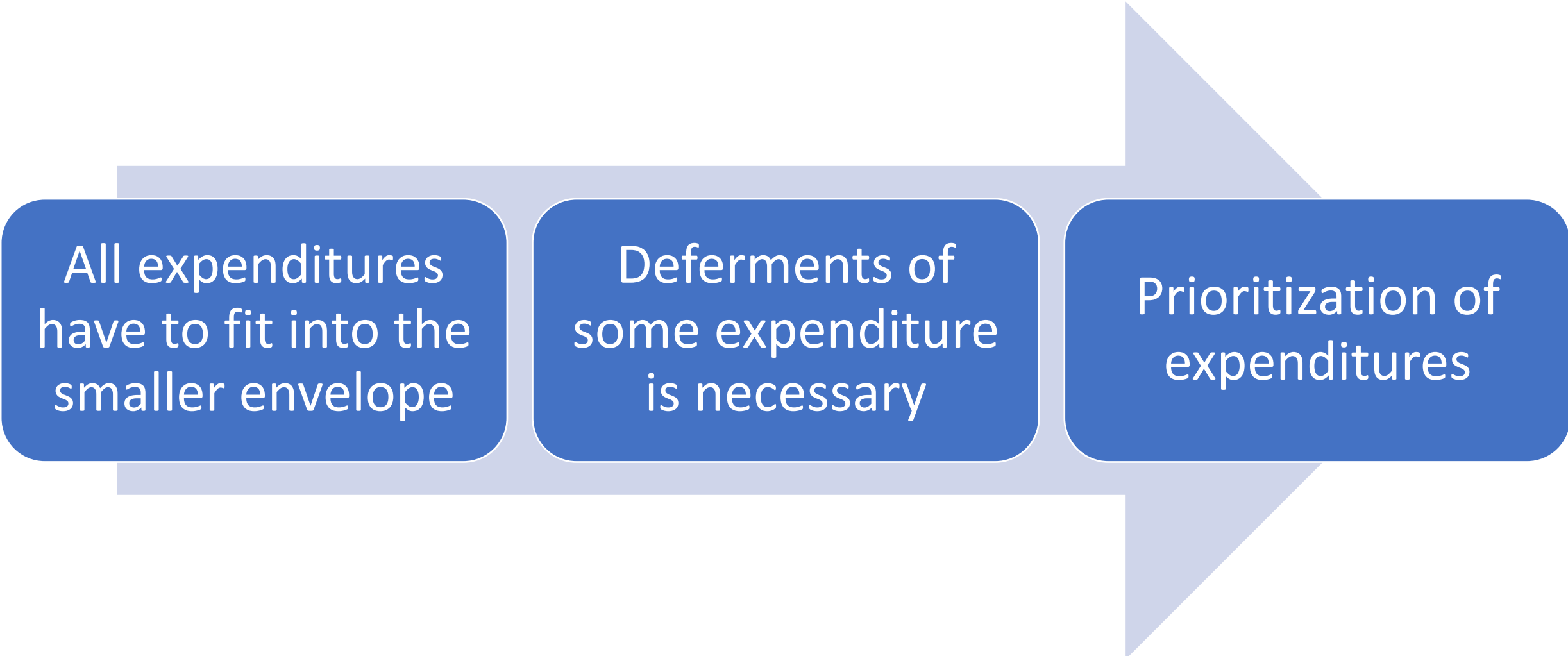
Governments
have typically
run deficits in
the past...why is
this time any
different ?



If we assume IFI assistance and 25% redemption of debt then we see a smaller April deficit and over the 6 month period a smaller gap..

	Assuming 75% Rollover of Existing Debt and No IFI Assistance						Total (April-June)	Total (July-Sept)
	April	May	June	July	August	September		
Revenue, grants, use of OD and Debt inflows	93	137	148	142	159	120	378	422
Revenues less debt servicing	59	91	105	84	123	91	255	298
Revenues less (debt servicing+ wages and salaries)	13	45	61	40	80	42	119	161
Revenues less (debt servicing+ wages and salaries+ capital)	(13)	19	34	13	53	15	39	82
Revenues less (debt servicing+ wages and salaries+ capital+g&s)	(39)	(5)	10	(12)	28	(10)	(34)	5
Revenues less (debt servicing+ wages and salaries+ capital+g&s+current transfers)	(55)	(17)	(1)	(20)	20	(18)	(73)	(17)

The government has to take steps to avert the cash gap shown in the previous slides. Reducing this gap requires



All expenditures
have to fit into the
smaller envelope

Deferments of
some expenditure
is necessary

Prioritization of
expenditures

Monthly expenses (without factoring in debt payments and COVID expenses) are anticipated to be

	April	May	June	July	Aug.	Sept
Utilities	4.8	2.9	3.5	4.8	4.8	4.8
Contributions	4.5	8.7	7.5	4.5	4.5	4.5
Gratuities	2.6	2.2	1.3	1.5	1.0	1.0
Other Expenditure	64.4	39.1	42.3	45.0	50.0	50.0
<i>Capital Expenditure</i>	<i>26.5</i>	<i>26.5</i>	<i>26.5</i>	<i>26.5</i>	<i>26.5</i>	<i>26.5</i>
<i>Goods & Services less utilities</i>	<i>20.8</i>	<i>20.8</i>	<i>20.8</i>	<i>20.8</i>	<i>20.8</i>	<i>20.8</i>
<i>Other current transfers</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>	<i>2.9</i>
Salaries	42.3	44.0	43.1	42.3	42.3	42.3
Total	118.6	96.9	97.7	98.1	102.6	102.6

The Department of Finance is proposing the following as shared sacrifices



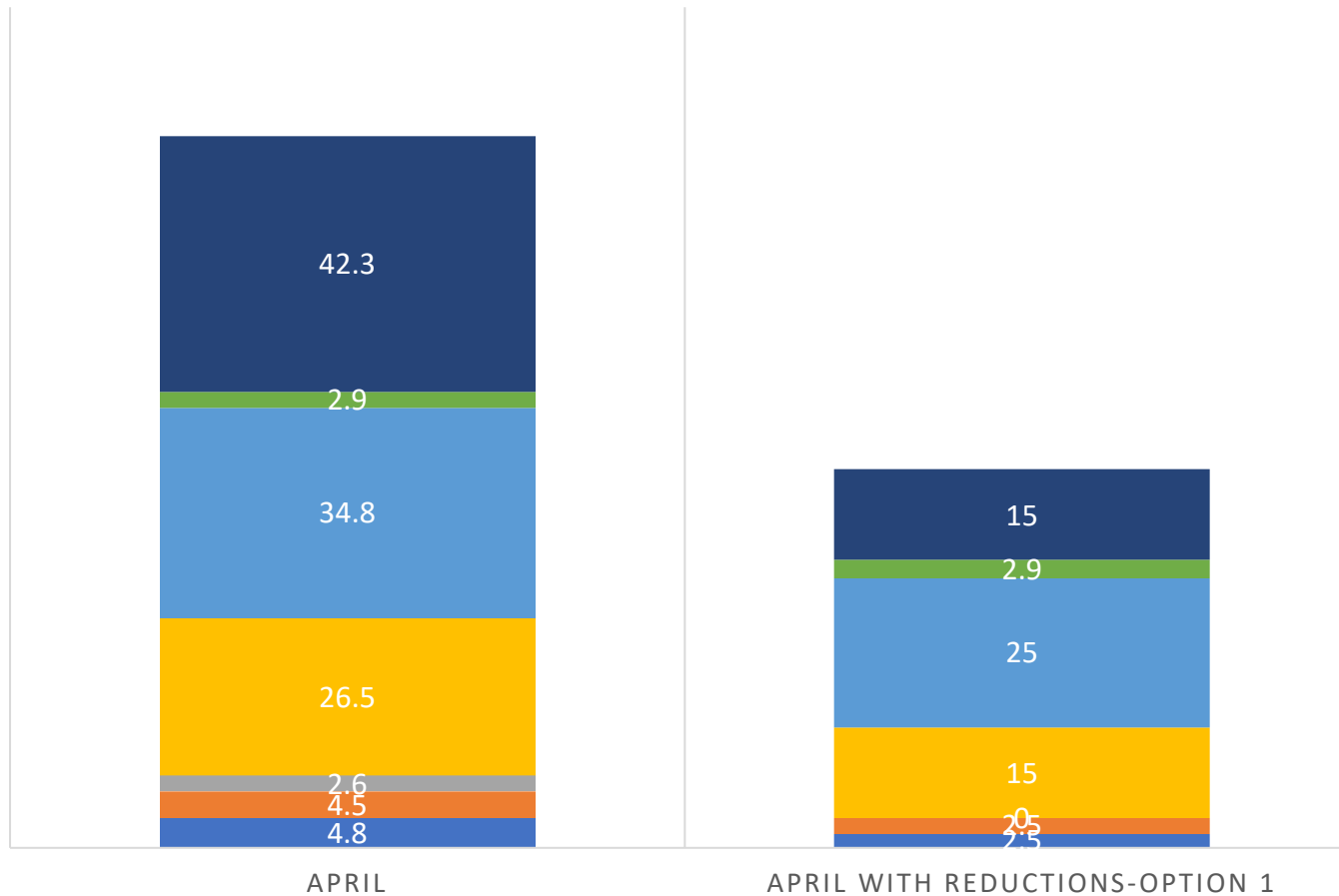
Prioritize debt service payments in lieu of severe default implications

Defer goods and services on non-essential items for a 3 month period including rent payments

For a 3 month period contingent on global and local impact of Covid 19, reduce the wage bill by half

GOVT IS CONSIDERING SHRINKING ITS EXPENDITURES

- Utilities
- Contributions
- Gratuities
- Capital Expenditure
- Goods & Services less utilities
- Other current transfers
- Salaries



Eliminating the April financing gap requires revenues to grow by \$55m or expenditures to fall by \$55m

Painful required decisions are required to survive initial months of crisis until recovery ...



Deferment of agreed salary increases

1% increase, effective April 2020 to April 2021

2% increase effective April 2021 to April 2022



Cuts in basic salary 20/21

Not to be repaid

Retroactive payments in forward years would be burdensome

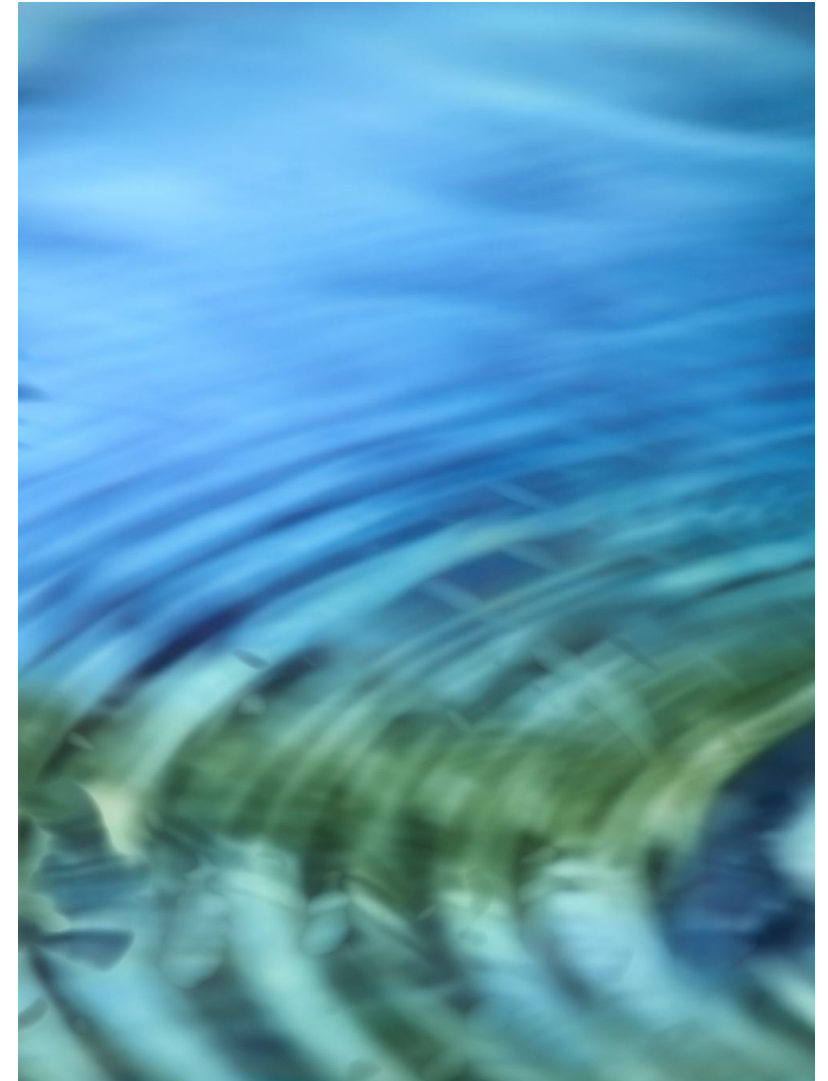


Suspension of allowances

Travel allowances

Other allowances

Exceptions for essential services workers



The government must reduce expenses by approx \$50m~\$55m

Option 1: reduce the wage bill by \$20m~\$25m and other expenses by \$30m



High temporary reductions.

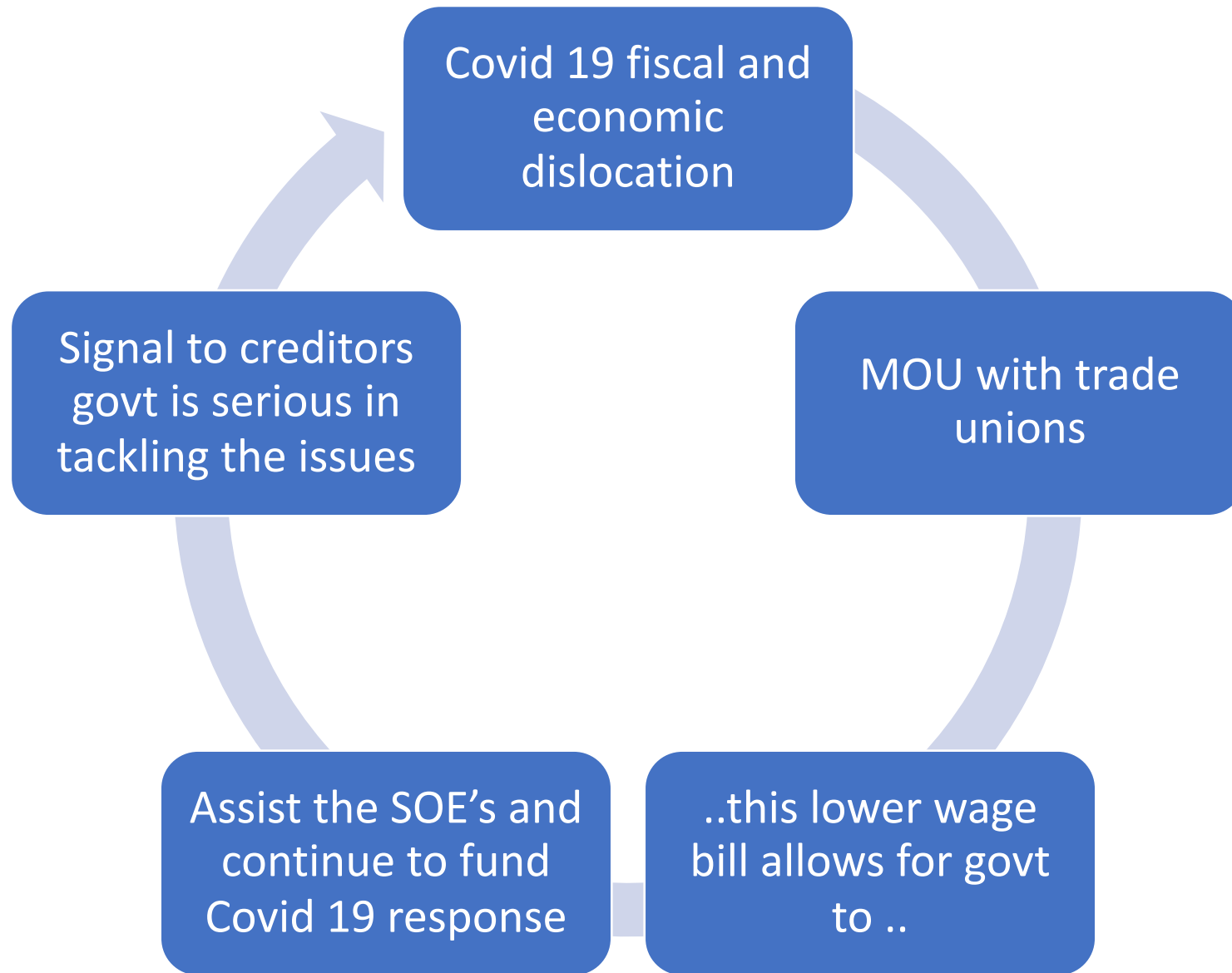
Option 2: reduce the wage bill by \$15m~\$20m and other expenses by \$40m



Relatively lower temporary reductions.

Reducing expenditures by \$55m can take many forms.
 Whatever form it take wages will have to play a critical role

	April 2020 (Pre-Covid) Est.	April with Reductions-Option 1	April with Reductions-Option 2	Reductions
Utilities	4.8	2.5	2.5	-2.3
Contributions	4.5	2.5	2.5	-2
Gratuities	2.6	0	0	-2.6
Capital Expenditure	26.5	15	5	-21.5
Goods & Services less utilities	34.8	25	25	-9.8
Other current transfers	2.9	2.9	2.9	0
Salaries	42.3	15	25	-17.3
Total	118.4	62.9	62.9	-55.5



All stakeholders
to play their part

END
