GOVERNMENT OF GRENADA

PROSPECTUS

FOR GOVERNMENT SECURITIES

FOR THE PERIOD

FEBRUARY 2025 – DECEMBER 2025

DATE OF PROSPECTUS: JANUARY 2025

EC$60 MILLION
91-DAY TREASURY BILLS

EC$45 MILLION
365-DAY TREASURY BILLS

MINISTRY OF FINANCE, FINANCIAL COMPLEX, CARENAGE ST.GEORGE'S
TEL: 473-440-2731 | FAX: 473-440-4115 | EMAIL: FINANCE@GOV.GD

GOVERNMENT OF GRENADA

PROSPECTUS 2025

Ministry of Finance


Grenada Carriacou and Petite Martinique
Petite Martinique
N
Hillsborough
Carriacou
Saline Island
Frigate Island
Large Island
Caribbean Sea
Diamond Island
Les Tantes
Ronde Is.
Caille Is.
London Bridge
Green Is.
Sandy Is.
Bird Is.
Sauteurs
Victoria
SAINT PATRICK
SAINT MARK
Gouyave
SAINT JOHN
Grenville
SAINT ANDREW
Caribbean Sea
SAINT GEORGE
SAINT GEORGE
Saint Davids
SAINT DAVID
0 8 Km
LEGEND
Parish Boundary
National Capital
Parish Capital

Table of Contents

ABOUT THE STATE OF GRENADA

The State of Grenada consists of three islands; Grenada, Carriacou and Petit Martinique situated between the Caribbean Sea and the Atlantic Ocean, 12.7 degrees north latitude and 61.4 degrees west longitude. The Grenada Constitutional Order of 1973, which established the Constitution of Grenada, granted Grenada independence from the United Kingdom on 07 February 1974. Grenada celebrated Fifty-One Years of Independence on 07 February 2025. A Governor-General (Grenada's Head of State), is appointed by and represents the British Monarch and a Prime Minister is the leader of the majority party and the Head of Government. The Parliament is a bicameral legislature, consisting of an elected House of Representatives and an appointed Senate. The last general election was held in June 2022 and the National Democratic Congress (NDC) contested and won 9 out of the 15 seats in the House of Assembly. In May 2023, One parliamentarian crossed the floor and the ruling party, NDC now holds 10 out of 15 Seats. Grenada's judicial system is based on the English system, including the principles and practice of English common law. *Table 1* sets out selected social indicators for Grenada.

Table 1: Grenada Selected Social Development Indicators

Human Development Index 68 out of 191 countries (2021)	***79.3***
Life expectancy at birth in years (2022)	***75.3***
Share of seats in Parliament (% held by women) (2023)	***33.3 percent***
Gross National Income per capita (current international $) (2023)	***17620.00***
Population rate of growth (percent) (2023)	***0.1***
Infant mortality per 1,000 live births (2022)	***16.0***
Labour force participation rate (2nd Quarter 2023)	***66.0 percent***
Political Stability and Absence of Violence/Terrorism (percentile rank)	***85.38***

Source: World Bank (WDI 2022-23), UNDP dev. reports 2021, Central Statistics Office (CSO), Ministry of Finance, Ministry of Health

NOTICE TO INVESTORS

The Government of Grenada is issuing this prospectus to provide information to the public. The Government accepts full responsibility for the accuracy of the information given and confirms having made all reasonable inquiries to ensure the accuracy of this. To the best of its knowledge and belief, there are no other facts, the omission of which would make any statement in this Prospectus misleading.

The Prospectus has been drawn up as per the rules of the Regional Government Securities Market. The Regional Debt Coordinating Committee and Eastern Caribbean Central Bank (ECCB) accept no responsibility for the content of this Prospectus, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus and its content are issued to cover the series of Government securities to be issued over the period February 2025 to December 2025. If in need of financial or investment advice, please consult a person licensed under the Securities Act or any other duly qualified person who specializes in advising on the acquisition of Government instruments or other securities.

1.0 ABSTRACT

During the period January 2025 to December 2025, the Government of Grenada is seeking to issue the following Government securities on the Regional Governments Securities Market to refinance its existing Treasury bills and Treasury notes currently on the market as follows:

91-Day Treasury bills

- Fifteen million (EC$15.0M) in 91-day Treasury bills on February 26, 2025.
- Fifteen million (EC$15.0M) in 91-day Treasury bills on May 30, 2025.
- Fifteen million (EC$15.0M) in 91-day Treasury bills on Sept 2, 2025.
- Fifteen million (EC$15.0M) in 91-day Treasury bills on December 4, 2025.

The maximum coupon rate of the new 91-day Treasury bills is 3.5 percent per annum.

365-Day Treasury Bills

- Twenty-five million (EC$25.0M) in 365-day Treasury bills on August 18, 2025.
- Ten million (EC$10.0M) in 365-day Treasury bills on October 28, 2025.
- Ten million (EC$10.0M) in 365-day Treasury bills on December 15, 2025.

The maximum coupon rate of the new 365-day Treasury bills is 5.0 percent per annum.

In this Prospectus, references to "Grenada" are to the State of Grenada and references to the "Government" are to the Government of Grenada. The Treasury bill issues are being raised under the authority of the Public Debt Management Act 2015 amended (Act No 28 of 2023), Part 3 Section 13, Laws of Grenada. The Constitution of Grenada stipulates that Principal and Interest payments are direct charges on the Consolidated Fund.

All Government of Grenada Treasury bills will be opened for bidding at 9:00 a.m. and close at 12:00 noon on the respective auction dates.

A competitive uniform price auction will be used.

2.0 INFORMATION ABOUT THE 2025 SECURITY ISSUANCE

Table 2: Security Details

SYMBOL	AUCTION DATES	ISSUE /SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC$M	OVER SUBSCRIPTION ALLOWED EC$M	TENOR (Days)	INTEREST RATE CEILING %
GDB290525	26-Feb-25	27-Feb-25	29-May-25	15	-	91 Days	3.5%
GDB010925	30-May-25	02-June-25	01-Sep-25	15	5	91 Days	3.5%
GDB190826	18-Aug-25	19-Aug-25	19-Aug-26	25	5	365 Days	5.0%
GDB031225	2-Sep-25	3-Sep-25	3-Dec-25	15	5	91 Days	3.5%
GDB291026	28-Oct-25	29-Oct-25	29-Oct-26	10	10	365 Days	5.0%
GDB060326	4-Dec-25	5-Dec-25	6-Mar-26	15	-	91 Days	3.5%
GDB161226	15-Dec-25	16-Dec-25	16-Dec-26	10	10	365 Days	5.0%

ALL ISSUES ON THE MARKET ARE IN EC DOLLARS SUBJECT TO REVISION BASED ON THE FINANCING METHOD EMPLOYED

3.0 GENERAL INFORMATION

Issuer:	Government of Grenada
Address:	Ministry of Finance Financial Complex Carenage St. George's Grenada
Email:	Debtunit@dmu.gov.gd
Telephone No.:	473-440-2731 /440-2928 /435-8915
Contact Persons:	Honorable Dennis Cornwall, Minister for Finance minister@mof.gov.gd Mr. Mike Sylvester, Permanent Secretary ps@mof.gov.gd

	Chevanne Britton, Deputy Permanent Secretary Ag.
	dps@mof.gov.gd
	Mrs. Natika Bain-Charles, Accountant General
	natika.bain-charles@mof.gov.gd
	Mr. Kerry Pierre, Head Debt Management Unit
	kerrypierre@dmu.gov.gd
Date of Issue:	February 2025 – December 2025
Type of Security:	Treasury bills
Amount of Issue:	EC$105 million
Purpose Security Issue:	The Treasury bills are being issued as part of the Government's Debt Management Strategy to lower the cost of the Government's borrowing by reducing reliance on the overdraft facility.
Legislative Authority:	Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada amended (Act No 28 of 2023)
Bidding Period:	9:00 am to 12:00 noon on auction days
Method of Issue:	The price of the issue will be determined by a Competitive Uniform Price Auction with open bidding.
Listing:	The Treasury bills will be issued on the Regional Government Securities Market (RGSM) and traded on the Secondary Market trading platform of the Eastern Caribbean Securities Exchange (ECSE).
Placement of Bids:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange.
Maximum Bid Price:	EC$95 (5 percent).
Minimum Bid:	EC$5,000
Bid Multiplier:	EC$1,000

Bids per Investor:	Each investor is allowed one (1) bid with the option of increasing the amount being tendered until the close of the bidding period.
Taxation:	Yields will not be subject to any tax, duty, or levy by the Participating Governments of the Eastern Caribbean Currency Union (ECCU). The countries are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines.
Licensed Intermediaries:	Investors will participate in the auction through the services of licensed intermediaries who are members of the Eastern Caribbean Securities Exchange (ECSE). • Bank of Nevis Limited • Bank of Saint. Lucia Ltd. • Bank of St Vincent and the Grenadines Ltd. • St. Kitts Nevis Anguilla National Bank Limited • First Citizens Investment Services Ltd. (Saint Lucia) • Grenada Co-operative Bank Ltd.
Currency:	All currency references will be the Eastern Caribbean dollar unless otherwise stated.

4.0 EXECUTIVE SUMMARY

The Government of Grenada's Prospectus for 2025 outlines its plans to issue various Treasury bills from February 2025 to December 2025 to refinance existing Treasury bills and notes, with maximum coupon rates of 3.5% for 91-day bills and 5.0% for 365-day bills. This document details the government's debt management objectives, which include ensuring timely financing needs, maintaining sustainable debt, and supporting the domestic debt market. A comprehensive risk management framework is in place, requiring parliamentary approval for new debt and in-house monitoring of macroeconomic variables.

The macro-economic performance section highlights regional economic activity expansion in early 2024, though growth has slowed compared to the post-pandemic recovery. Key sectors such as agriculture, tourism, construction, wholesale and retail trade, private education, and manufacturing are pivotal to the domestic economy. The government's fiscal performance has seen a significant increase in total revenue and grants by 24.9% in 2024 compared to 2023, with total expenditure rising by 35.1% due to increases in both recurrent and capital spending.

Public debt analysis reveals that external debt is estimated at EC$1721.8 million at the end of 2024, while domestic debt is forecasted to be EC$485.0 million, with bonds constituting the highest share. The external sector continues to face a trade imbalance, with imports significantly exceeding exports. The monetary and financial sector analysis indicates a decline in banking sector stability indicators but an improvement in liquidity. The non-bank financial sector, including credit unions and insurance companies, has shown resilience and growth.

Unemployment rates improved significantly, with a preliminary estimate of 12.0% in the second quarter of 2023, down from 13.9% in 2022. However, updated statistic is not yet available. The economic outlook for 2025-2027 is cautiously optimistic, with real GDP forecasted to grow by 3.7% in 2024 and 4.1% in 2025. However, several risks, including macroeconomic, budget implementation, state-owned enterprises, and climate risks, could impact this outlook. The government plans to raise financing through the issuance of Treasury bills on the Regional Government Securities Market as well as loans from Multi-lateral and Bi-lateral agreements and grants wherever possible.

5.0 FINANCIAL ADMINISTRATION & MANAGEMENT

The Public Finance Management Act 17 was enacted in 2015. In June of that same year, the Public Debt Management Act was passed by Parliament, The Fiscal Responsibility Act (FRA) 29 of 2015, which set the public debt target at 55% of GDP, was repealed and replaced with the Fiscal Resilience Act 11 of 2023. Section 8 (10) of the new FRA states *"the public debt target should be no more than 60% of nominal GDP to be achieved by 2035"*

The Public Debt Management Act was also amended accordingly to reflect these changes which can be found in the amendment act Public Debt Management Act No. 28 of 2023. Amendments include clarification and consistency of definitions across all the amended legislation such as:

> *"public debt" includes all direct liabilities of central government, statutory bodies and state-owned enterprises, including advances, arrears, compensation claims, financial leases, government securities, loans, overdrafts, promissory notes, supplier credit agreements, contingent liabilities, including explicit contingent liabilities arising as a result of or in connection with public-private partnerships.*

The 2015 Public Debt Management Act which was enacted in August 2016 and amended in October 2023 outlines in some detail the functions and deliverables of the Debt Management Unit (DMU), which reports, through the Minister of Finance, to the Parliament and people of Grenada. The Act also puts into law requirements such as the preparation and implementation of a Medium-Term Debt Strategy, Debt Sustainability Analysis, and Annual Borrowing Plans. Further, it constitutes the Public Debt Coordinating Committee, which is a technical committee that monitors the cash flow and assists with the planning and execution of debt payments and debt contraction decisions.

5.1 Debt Management Objectives

Part I Section (4) of the 2015 Public Debt Management Act outlines Grenada's debt management objectives as follows;

(a) ensuring that the financing needs of the Government are met on a timely basis and that its debt service obligations are met at the lowest cost over the medium-to-long term, in a manner that is consistent with an acceptable and prudent degree of risk;

(b) providing a framework for the management of public debt in a manner that achieves and maintains sustainable debt; and

(c) ensuring that public debt management operations support the establishment of a well-developed domestic debt market in the medium to long term.

As part of its mandate, the DMU is therefore committed to continue striving towards actively managing Grenada's debt portfolio by adopting debt management objectives principally aimed at reducing public debt to its Fiscal Resilience Legislation (FRL) target and keeping it on a sustainable path over the medium to long term. The Act contains 28 explicit objectives. These objectives are to be met by:

- Reducing the cost of debt servicing by borrowing primarily on concessional terms;

- ❖ Reorganizing the structure of the debt portfolio to increase efficiency, avoid bunching and ensure effective utilization of the proceeds;
- ❖ Supporting the development of the Regional Government Securities Market; and
- ❖ Managing the risk and financial cost associated with borrowing choices by refinancing higher-cost debt and in so doing, adjusting the maturity profile of the portfolio, which will ultimately lead to lower debt service costs.

5.2 Risk Management Framework

The Government, to minimize its risk, has adopted an integrated approach to the management of Government finances and debt management. Some of these measures include:

- ❖ The requirement for Parliament to approve new debt contracted by Government except for Treasury Bills;
- ❖ The legal authority for borrowing in any one year is the loan authorization Bill for that year;
- ❖ The legal authority for the issuance of Treasury bills is the Public Debt Management Act 2015, Part 3 Section 13, Laws of Grenada amended (Act No 28 of 2023)
- ❖ The 2015 Public Finance Management Act and the 2023 Financial Resilience Legislation authorize only the Minister of Finance to contract debt on the country's behalf and sets a public debt to GDP target.

- ❖ In–house monitoring of macroeconomic variables, and debt sustainability indicators as well as evaluating new loan contracts.
- ❖ An ex-ante analysis of new public debt by the DMU in the Ministry of Finance
- ❖ The preparation, submission and implementation of a Medium-Term Debt Strategy

6.0 MACRO-ECONOMIC PERFORMANCE

6.1 Regional Developments

Regional economic activity expanded in the first half of 2024, though the growth rate slowed compared to the strong post-pandemic recovery that was experienced after COVID-19. Inflationary pressures eased, due to lower food prices, though rising fuel prices partially countered this downward trend. Governments recorded a narrowing of their total surpluses, as expenditure growth after the pandemic was greater than revenue gains. Monetary and credit growth also moderated, although credit levels have risen above recent historical averages, reflecting a broader recovery in consumer sentiment since the pandemic. However, the economic outlook seems increasingly uncertain due to the vulnerability to a variety of external factors, such as increased geopolitical risks, Climatic risk, War in source countries which can influence trade and commodity prices pose potential challenges to sustained growth

6.2 Performance of the Domestic Economy

The resilience of Grenada's economy is deeply rooted in the contributions of key stakeholders across various sectors. By strengthening production, refining tourism offerings, exploring new export markets, and implementing robust fiscal policies to withstand external shocks, the country is well-positioned for sustained economic growth and development.

While Grenada's economy exhibits promising growth potential, several challenges persist that could hinder its overall performance. Limited data availability presents a problem in developing precise evaluations of sectoral performance, potentially delaying the formulation of targeted policies. This data deficit is often encountered in the collection of agriculture and tourism data. Noteworthy activities often occur in the informal transactions in these sectors that are not captured. Additionally, climate-related hazards pose severe risks, leading to widespread damage to livelihoods, prolonged recovery periods, and increased strain on public finances. The uncertainty in the prediction of climatic events, when you are located in an earthquake, hurricane and volcanic zone, makes the island vulnerable. External shocks further exacerbate these vulnerabilities, causing supply chain disruptions, delaying the delivery of goods and services, and impacting business operations.

Despite these challenges, government-led resilience initiatives and post-Hurricane Beryl recovery efforts, coupled with timely and strategic fiscal policies, have significantly improved economic prospects. As a result, real GDP is estimated to have grown by 3.7 percent in 2024, reflecting the tangible benefits of recovery measures and relief interventions.

6.21 Agriculture & Fishing

Despite ongoing challenges in obtaining agricultural data for certain crops—such as vegetables and root crops—available information indicates a predominantly unfavorable performance of the sector during the first nine months of 2024.

Nutmeg, mace, and cocoa production declined sharply by 31.0 percent, 40.3 percent, and 32.2 percent, respectively, over this period. The production and export levels of these key commodities were severely impacted by labor shortages, unfavorable weather patterns, high raw material costs, and limited or non-existent access roads to farmlands. These persistent challenges continue to constrain the full growth potential of these crops and, by extension, the broader agriculture sector. However, the Ministry of Agriculture has implemented several measures aimed at mitigating these constraints.

Further declines were also recorded in banana production, which fell by 18.1 percent, while the Marketing and National Importing Board's (MNIB) purchases of other crops contracted by 4.8 percent during the review period.

Following the devastation caused by Hurricane Beryl in July 2024, additional declines are anticipated in the latter part of the year, given the extensive damage sustained by cocoa, nutmeg, banana crops, vegetables, and other economic trees. The significant crop losses have resulted in shortages, necessitating increased imports to meet local demand.

To facilitate the recovery of the sector, the government has provided financial relief and other economic support to farmers affected by the hurricane. These initiatives aim to restore the sector to a level of stability in the medium term. One key initiative includes the rehabilitation and replanting of 150 acres of nutmeg and other spices under the World Bank-Government of Grenada Food Security Project. Through this program, nutmeg farmers will receive income support for land clearing, planting materials, fertilizers, and technical assistance to aid in the recovery process.

By implementing these targeted interventions, the government seeks to accelerate the sector's revival and enhance its resilience against future shocks.

In the absence of concrete data for the first nine months of 2024, estimates suggest that fish production will decline by 1.3 percent during this period compared to the same timeframe in 2023. This projection takes into account the extensive damage inflicted on fishing vessels—particularly in northern Grenada and the islands of Carriacou and Petite Martinique—by Hurricane Beryl in July 2024.

In response to this crisis, the government has provided financial assistance to fisherfolk to support the rebuilding and repair of their fishing vessels. Additionally, efforts have been made to encourage vessel insurance as a critical safeguard against future shocks. The sector's resilience will largely depend on how quickly affected fisherfolk can resume operations, with insurance playing a pivotal role in ensuring long-term sustainability.

By the end of 2024, a total decline of 6.4 percent is anticipated in the fishing industry. However, with continued economic support from the government, a modest recovery is projected, with fish production expected to grow by 1.9 percent in 2025. This gradual rebound will be driven by targeted financial interventions and ongoing initiatives aimed at restoring the industry's capacity and resilience.

6.22 Tourism

Grenada's tourism sector experienced significant growth from January to September 2024, with stayover arrivals rising by 14.9% compared to the same period in 2023 (*Table 3*). This expansion was evident across all key tourist markets and was driven by a series of high-profile events, including the 50th Anniversary of Independence Celebrations, the 2024 CARIFTA Games, and the 2024 Carnival Season, all of which played a pivotal role in boosting visitor numbers.

Beyond these events, the sector also benefited from strategic developments that enhanced its overall capacity and appeal. The opening of two major hotels—Silversands Beach House and Six Senses Resort—expanded Grenada's accommodation offerings, while increased airlift capacity further supported the sector's strong performance. As a result, tourism growth not only surpassed 2023 levels but also exceeded pre-COVID benchmarks, reinforcing the sector's resilience and upward trajectory.

Table 3. Visitor Arrivals

Visitor Arrivals	Jan-Sep 2023	Jan-Sep 2024	% Change
United States	**70,337**	**81,027**	**15.2**
Europe	4,592	5,093	10.9
United Kingdom	19,582	21,585	10.2
Canada	11,972	14,296	19.4
Caribbean	19,728	22,803	15.6
Other	3,207	3,916	22.1
Total Stayover Arrivals	129,418	148,720	14.9
Cruise Passengers	198,896	195,732	-1.6

Source: Grenada Tourism Authority (GTA)

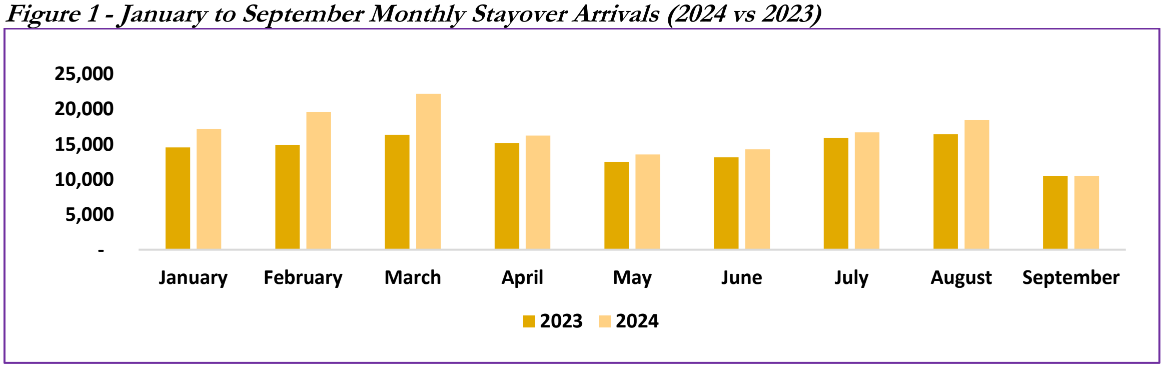
While stayover arrivals surged, cruise passenger arrivals saw a slight decline of 1.6% during the same period (Table 3). However, the cruise industry's outlook remains positive, with an anticipated 8% increase in cruise calls for the 2024–2025 season—rising from 184 calls in 2023 to 199. Notably, the cruise ship Arvia is scheduled to make 10 calls to Grenada, each carrying up to 5,200 passengers and 1,800 crew members.

The economic impact of cruise tourism continues to depend on passenger disembarkation and engagement with local attractions. Encouragingly, the disembarkation rate climbed from 60% to 89%, signaling stronger visitor participation. Additionally, enhanced tourist experiences and attractions have boosted per-visitor spending from $50 to $76.

Overall, Grenada's tourism sector has demonstrated resilience and strong growth, with promising prospects for both stayover and cruise markets

Figure 1 compares monthly data from Jan to Sep for the years 2023 and 2024, highlighting a consistent increase in values for 2024. Overall, the data suggests stronger performance in 2024, particularly in the first and third quarters, with some fluctuations likely due to seasonal or external factors.

Figure 1 - January to September Monthly Stayover Arrivals (2024 vs 2023)



Source: GTA

Grenada's tourism sector is set for further expansion as the government remains committed to fostering development and creating new opportunities. Several key initiatives are expected to drive growth:

Expanded Air Connectivity

- Increased Seasonal Flights: Beginning December 15, 2024, WestJet, Canada's second-largest airline, will introduce additional seasonal flights to Grenada, operating on Sundays from December 2024 to April 2025. This expansion aims to accommodate growing demand from Canadian travelers.
- New Regional Route: On December 1, 2024, InterCaribbean Airways launched a direct flight between Guyana and Grenada, strengthening regional connectivity and facilitating increased visitor arrivals.

Cruise Industry Milestone: Homeporting with Star Clipper

For the 2024–2025 cruise season, the cruise ship Star Clipper will begin homeporting in Grenada, marking a significant achievement for the industry. With a capacity of 227 passengers and over 100 crew members, this initiative will stimulate economic activity as passengers arrive in Grenada to embark on 7- or 14-day itineraries. This integration into the regional cruise circuit enhances Grenada's appeal as a premier travel destination.

New Air Tourism Experiences

On December 1, 2024, Dowden's Aviation Inc. launched helicopter tours, ushering in a new era for Grenada's air tourism. The fleet is expected to expand to three helicopters by 2025, with plans to introduce additional services such as skydiving, further diversifying the island's tourism offerings.

Challenges and Risk Mitigation

While these developments present a strong outlook, several risks could impact growth. Labor shortages, geopolitical tensions, inflation, and climate-related challenges remain key concerns. The impact of Hurricane Beryl in July 2024, followed by extreme rainfall that triggered landslides and flooding, underscores the vulnerability of Grenada's economy. These disruptions affect not only tourism but also vital sectors like agriculture.

To sustain momentum and mitigate these risks, the government has prioritized disaster risk management and proactive measures to enhance the sector's resilience. With these developments in place, Grenada's tourism sector is projected to grow by 9.8% in 2024 and 5.7% in 2025

6.23 Construction

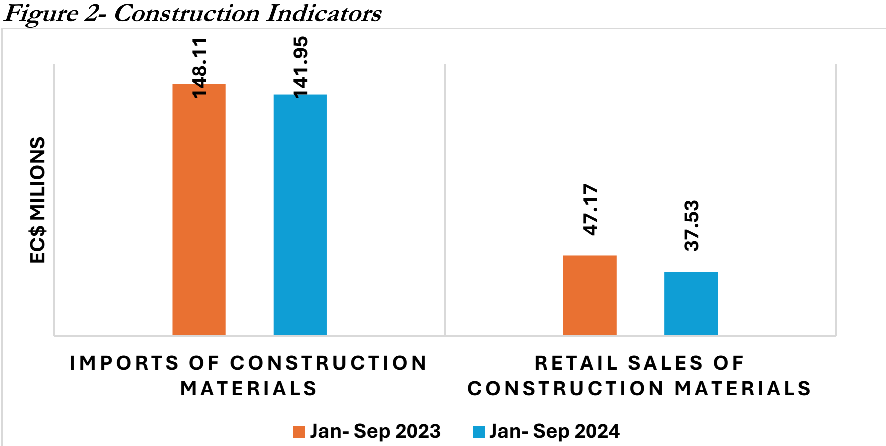
The construction sector experienced a downturn in the first nine months of 2024 compared to the same period in 2023, following the completion of major private-sector projects—Six Senses and Silversands Beach House—as well as key public-sector initiatives. This slowdown was reflected in a 4.2 percent decline in the value of imported construction materials (EC$148.1 to ED$141.9) and a sharper 20.4 percent drop in retail sales of construction materials *(Figure 2)*.

However, construction activity is expected to rebound in the final quarter of 2024, driven by increased imports for the rebuilding of private and public structures on the islands of Carriacou and Petite Martinique in the aftermath of Hurricane Beryl. This recovery will be supported by fiscal measures introduced by the government in August 2024, contributing to a projected 2.7 percent growth in the sector by year-end.

Additionally, the government has been actively engaged in reconstruction efforts through the "Build Back Better Project," with approximately 12 homes under construction in the last quarter of 2024 and prefabricated homes being installed during that period. While these efforts signal a positive outlook for the sector, the most significant growth is expected in 2025, with a projected expansion of 9.3 percent, extending into the medium term.

Despite this optimistic forecast, the sector faces short-term risks, particularly due to labor shortages and limited availability of construction materials. Although the government has received material support for rebuilding efforts, these constraints could slow progress in the near term.

Figure 2- Construction Indicators



Source: Central Statistical Office (CSO)

6.24 Wholesale and Retail Trade

Retail sales declined by 0.8% in the first nine months of 2024 compared to the same period in 2023 to ED$193.07 *(Figure 3)*. This downturn was largely influenced by a 20.4% drop in building materials sales, aligning with the slowdown in the construction sector following the completion of major projects. However, retail sales excluding building materials saw a 5.4% increase, signaling resilience in other consumer goods.

Despite the sector's underperformance in the first three quarters, a rebound is anticipated in the final quarter of 2024. This recovery will likely be driven by heightened demand for relief items, such as non-perishable goods and toiletries, in response to the devastation caused by Hurricane Beryl in Carriacou and Petite Martinique.

Figure 3: Retail Sales

Source: CSO

In the aftermath of Hurricane Beryl, a rise in the food import bill is anticipated due to the shortage of locally produced agricultural goods. Additionally, demand for essential household items, vehicle parts, and building materials is expected to increase significantly as residents of the affected islands focus on recovery and rebuilding efforts.

Despite these challenges, economic activity is projected to rebound. By the end of 2024, the sector is expected to grow by 5.4 percent, driven largely by reconstruction efforts and increased demand for goods and services. A further 5.2 percent increase is forecasted for 2025, reflecting continued economic recovery and expansion as rebuilding initiatives progress. This gradual resurgence underscores the resilience of the economy, supported by strategic government interventions aimed at fostering long-term sustainability and growth.

6.25 Private Education

The Grenada Tourism Authority (GTA) utilized student arrival data to gauge activity within the Private Education sector. The analysis of this data for the months of January to September 2023, compared to the previous year, reveals a substantial growth of 25.0 percent in student arrivals, primarily attributed to an influx of students from St. George's University (SGU). With the resumption of face-to-face classes, a total of 8,316 students returned to the island for studies at SGU. The majority of these students, comprising 78.7 percent, hailed from the United States, while the rest came from Canada, CARICOM countries, and various parts of the world.

Accommodation data indicates that approximately 43.6 percent of students stayed in apartments, 43.5 percent in student dorms, and the remaining in private homes, guest houses, and villas. Anticipated growth in student enrolment at SGU is expected for the 2023/2024 financial year. This growth will be propelled by increased scholarship offerings, heightened interest in the School of Veterinary

Medicine, and the full return of SGU students to campus, with all COVID-19 protocols relaxed as of May 2023. The positive trend in student arrivals underscores the resilience and attractiveness of Grenada as an education destination.

6.26 Manufacturing

The manufacturing sector continues to experience steady growth, fueled primarily by rising local demand. Industrial production increased by 7.9% in the first nine months of 2024 compared to the same period in 2023 *(Figure 4)*.

- The strongest-performing commodity was prepared animal feed, which surged by 42.4%, reflecting increased demand in the livestock sector.
- Grain Mill & Bakery Products grew by 6.0%, indicating rising consumption of bread, pastries, and other confectioneries.
- Beverage production expanded by 7.3%, supporting broader sectoral growth.
- However, declines were recorded in chemicals and paints (-11.5%) and other manufactured items such as toilet paper (-17.4%).

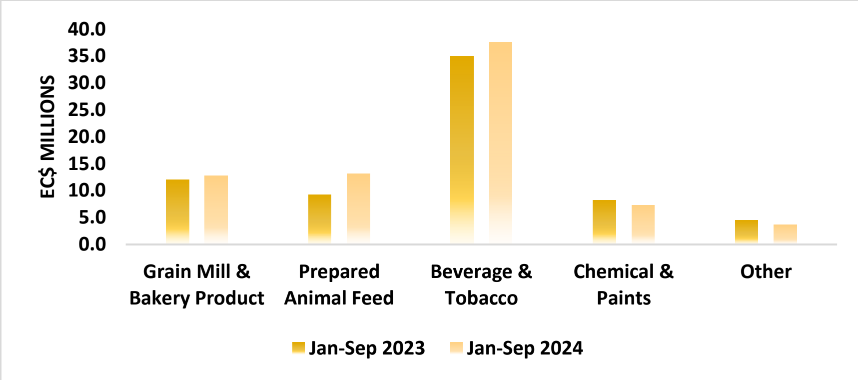
The manufacturing sector has shown resilience both pre- and post-COVID-19, with a continued upward trajectory expected in the medium term. Recent years have seen increased production of locally made goods such as juices, jams, and other agro-processed products. Additionally, 2024 saw a rise in newly manufactured products, including:

- Graphic design and printing
- Candles, art, and craft pieces
- Jewelry making
- Wet wipes and woodwork operations
- Organic skin and hair products
- Honey and therapeutic products
- Pain relief products

These developments highlight a growing entrepreneurial spirit among Grenadians and expanding opportunities in local manufacturing.

Despite this growth, external risks such as trade disruptions and rising raw material costs pose challenges, particularly for small-scale manufacturers. While domestic production has strengthened, its impact on Grenada's trade balance remains limited, as most goods are sold locally. However, opportunities exist to expand exports by aligning with international trade standards. With a strong nine-month performance and continued innovation in manufacturing, the sector is projected to grow by 5.9% in 2024 and 4.8% in 2025.

Figure 4 - Industrial Production



Source: CSO

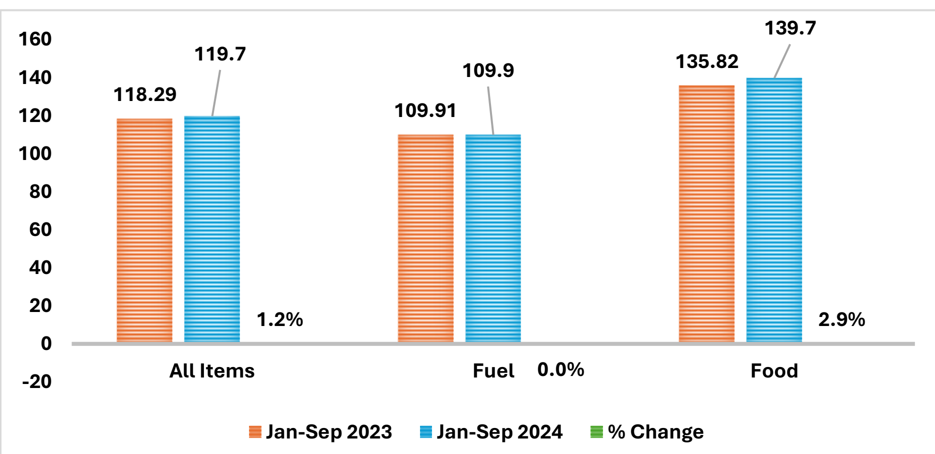
6.27 Inflation

For the period January to September 2024, the average inflation rate rose by 1.2 percent compared to the same period in 2023, as reflected in the Consumer Price Index (CPI) for all items (Figure 5). Within this, food inflation averaged 2.9 percent, while fuel inflation experienced a marginal decline of 0.03 percent.

Although the growth rate of inflation has slowed, the continued rise in the CPI indicates that prices remain elevated. This persistent trend suggests that while inflationary pressures may be easing, the cost of goods and services remains high, potentially straining household budgets and dampening consumer spending.

On a more optimistic note, global market prices have shown signs of stabilization, which is expected to support a broader trend of global disinflation in the coming years. This shift could help moderate local price increases, providing some relief to consumers and fostering a more stable pricing environment.

Figure 5 - Consumer Price Index (9-month average)



Source: CSO

On a year-over-year basis, Grenada's inflation rate stood at 0.7 percent at the end of September 2024, compared to September 2023 when it was 3.0 percent that further fell to 2.2 percent by end-2023. Within this, food inflation was 2.9 percent, while fuel inflation declined by 0.3 percent (Table 4).

While global inflation continues to trend downward, uncertainty remains, particularly among Grenada's key trading partners, such as the United States. Potential tariff implementations and other trade-related policies could drive up the cost of imported goods, posing risks to local price stability.

Looking ahead, period-average inflation for 2024 is estimated at 1.1 percent, with a further moderation to 0.7 percent in 2025, reflecting expectations of easing price pressures and a more stable inflationary environment. However, external risks will continue to be closely monitored, given their potential impact on domestic inflation dynamics.

Table 4 - Consumer Price Index (Year on Year)

CPI (YOY)	Sep-23	Sep-24	Inflation (%)
Food	137.89	140.40	1.82
Fuel	109.48	109.14	-0.31
All items	118.78	119.66	0.74

Source: CSO

7.0 GOVERNMENT FISCAL PERFORMANCE

Grenada's fiscal position strengthened significantly from January to December 2024, driven by robust revenue collections across all tax categories. The Inland Revenue Division's effective compliance strategies played a pivotal role in this improvement, alongside strong contributions from the Investment Migration Agency (IMA) Programme, solid performance from the Customs and Excise Division, and relatively buoyant economic activity. These factors collectively bolstered government revenues, resulting in notable enhancements to key fiscal metrics.

The Primary Balance, including grants, reached EC$ 375.1 million, reflecting a 10.5 percent increase compared to EC$ 339.3 million in 2023. This improvement was primarily attributed to stronger-than-expected IMA inflows, driven by the clearance of a backlog in application processing.

However, the Overall Balance, including grants, declined by EC$ 35.1 million year-over-year. This decline was largely the result of higher capital expenditures, potentially linked to post-Hurricane Beryl recovery efforts. Despite the dip in the overall balance, the continued revenue strength and strategic fiscal management reflect the resilience of Grenada's economy, positioning it for sustained recovery and long-term stability.

- ❖ From January to December 2024, total revenue and grants reached EC$ 1,648.5 million, a 24.9 percent increase compared to the same period in 2023. Tax revenue increased by 5.0 percent, with notable growth in key categories *(Table 5)*
- ❖ Taxes on income and profit rose by 16.5 percent to EC$ 192.5 million, reflecting improved compliance and robust economic activity.

- Taxes on international transactions grew by 3.7 percent, despite the implementation of fiscal relief measures in the latter part of the year.
- Taxes on domestic transactions saw a modest 0.6 percent increase.
- Property tax collections declined by 6.8 percent year-over-year, reflecting a normalization in collections following the property tax amnesty offered in 2023.

Non-tax revenue surged by 62.5 percent, reaching EC$ 737.8 million, primarily driven by a 45.1 percent increase in revenues from the rebranded Investment Migration Agency (IMA), formerly the Citizenship by Investment (CBI) Unit (Table 5). The significant increase in non-tax revenue underscores the government's success in diversifying revenue streams and improving fiscal administration.

Table 5 - Total Revenue and Grants, 2023 vs 2024 (January-December)

	2023	2024	Variance	
	January - December			
	$M	$M	$M	%
Total Revenue and Grants	**1320.4**	**1648.5**	**328.2**	**24.9%**
Total Revenue	**1302.2**	**1628.4**	**326.2**	**25.0%**
Tax Revenue	**848.1**	**890.6**	**42.5**	**5.0%**
Taxes on Income and Profit	165.1	192.5	27.4	16.5%
Taxes on Property	41.5	38.6	(2.9)	-6.8%
Taxes on Domestic Transactions	189.7	190.9	1.2	0.6%
Taxes on International Transactions	451.8	468.6	16.8	3.7%
Non-Tax Revenue	**454.1**	**737.8**	**283.7**	**62.5%**
o/w IMA Revenues	381.6	553.7	172.1	45.1%
Total Grants	**18.2**	**20.1**	**1.9**	**10.9%**

From January to December 2024, Grenada's total expenditure rose by 35.1 percent over 2023, driven by increases in both recurrent and capital spending *(Table 6)*.

Recurrent expenditure grew by 34.5 percent, largely due to the introduction of a EC$ 80.7 million IMA expenses line item and higher employee compensation (+9.5%), reflecting a 4% union-negotiated salary increase and Public Service Regularization adjustments.

Capital expenditure increased by 36.4 percent (+EC$ 120.9 million), primarily for post-Hurricane Beryl infrastructure recovery.

The rise in spending reflects ongoing recovery efforts and workforce commitments, with medium-term growth expected in key expenditure areas.

Table 6 - Central Government's Actual 2024 Fiscal Performance

	2024			
	Actual Outturn	Budget	Variance	
	EC$M	EC$M	EC$M	%

Total Revenue & Grants	**1,648.5**	**1,321.4**	**327.1**	**24.7**
Total Revenue	**1,628.3**	**1,216.8**	**411.5**	**33.8**
Tax Revenue	**890.5**	**853.7**	**36.8**	**4.3**
Taxes on Income	192.5	167.8	**24.7**	**14.7**
Taxes on Property	38.6	27.6	**11.0**	**40.2**
Taxes on Domestic Goods & Services	190.9	192.4	**(1.5)**	**(0.8)**
Taxes on International Trade & Transactions	468.6	466.0	**2.6**	**0.6**
Non - Tax Revenue	**737.8**	**363.1**	**374.7**	**103.2**
o/w IMA Revenues	553.7	280.7	**273.0**	**97.3**
Grants	**20.1**	**104.6**	**(84.5)**	**(80.8)**
Total Expenditure	**1,397.6**	**1,321.0**	**76.6**	**5.8**
Primary Expenditure	**1,273.3**	**1,264.3**	**9.0**	**0.7**
Current Expenditure	**944.5**	**901.5**	**43.0**	**4.8**
Employee compensation	319.4	372.3	**(52.9)**	**(14.2)**
o/w wages, salaries & allowances	299.0	356.5	**(57.5)**	**(16.1)**
Goods and Services	174.4	230.4	**(56.0)**	**(24.3)**
Interest Payments	124.3	56.6	**67.7**	**119.4**
Transfers	245.7	242.2	**3.5**	**1.4**
IMA Expenses	80.7	-	**80.7**	**-**
Capital Expenditure	**453.1**	**419.5**	**33.6**	**8.0**
o/w Grant financed	**18.1**	**104.6**	**(86.5)**	**(82.7)**
Overall balance	**250.9**	**0.5**	**250.4**	**55,203.9**
Primary balance (including grants)	**375.1**	**57.1**	**318.0**	**557.2**

8.0 PUBLIC DEBT ANALYSIS

Public sector debt as a percentage of GDP, an important measure of debt sustainability, was projected to decrease by 1.7 percentage points to 73.3 percent of GDP by the end of 2024. A strong GDP performance in the first half of the year brought the debt-to-GDP ratio down to 70.5 percent. Cognizant of the damage caused by Hurricane Beryl, the Government activated disaster deferral clauses and other financing options. Nonetheless, initial analysis suggests that the robust GDP performance in the first half and the economic response to the hurricane will support GDP growth, keeping the debt-to-GDP ratio on a downward path

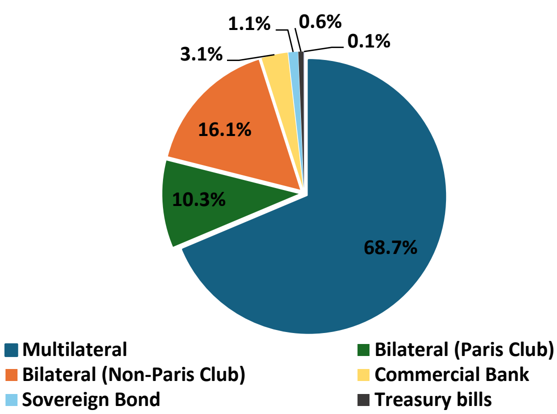
8.1 Central Government External Debt

At the end of December 2024, the Central Government's outstanding external debt was projected at EC$ 1721.8 million, representing 45.0 percent of estimated nominal GDP, a slight decrease from 46.6 percent in 2023. However, it is important to note that the stock of debt grew by 2.0% but was outpaced by the growth in GDP, hence the drop in the Debt to GDP ratio. The rise in debt stock reflects additional disbursements in the latter half of the year, largely tied to the government's response to Hurricane Beryl's impact. Despite this increase, debt levels remain within manageable limits, supporting recovery and economic resilience

8.11 External Debt by Creditor Type and Interest Rate Type

The primary sources of external funding for the Government of Grenada (GoG) are multilateral creditors, with bilateral non-Paris Club creditors coming in second The key multilateral creditors include the Caribbean Development Bank (CDB) and the International Development Association (IDA), while the primary bilateral creditor is The People's Republic of China. As of the third quarter of 2023, the largest proportion of the external funding portfolio, amounting to 68.7%, consisted of multilateral loans. Following closely were loans from bilateral non-Paris Club creditors, contributing 16.1% to the overall portfolio *(Figure 6.)*

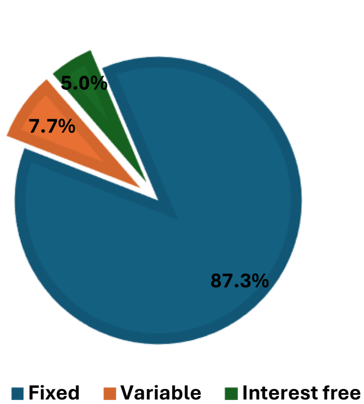
Figure 6: External Debt by Creditor



Source: Ministry of Finance (MoF)

The majority of GoG's loans have been contracted at fixed interest rates. These comprised 87.3% of the external portfolio at end-September 2024. Loans at variable interest rates and interest-free loans held 7.7% and 5.0% of the external portfolio respectively *(Figure 7).*

Figure 7- External Debt by Interest Type

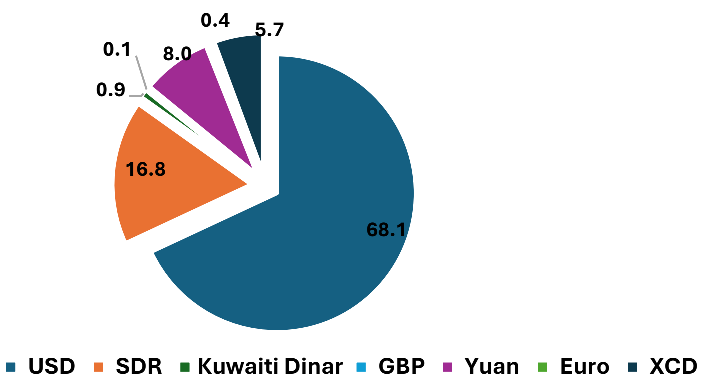


Source: MoF

8.12 Currency Composition of External Debt

United States Dollar (USD)-denominated instruments accounted for the largest share (68.1%) of the Government of Grenada's (GoG) external debt portfolio. Special Drawing Rights (XDR) instruments held the second-largest share at 16.8%, a trend consistent with previous periods. This distribution highlights the dominance of USD-denominated debt within Grenada's external portfolio. *Figure 8* provides a detailed breakdown of external debt by currency composition at the end of third quarter 2024.

Figure 8- External Debt by Currency



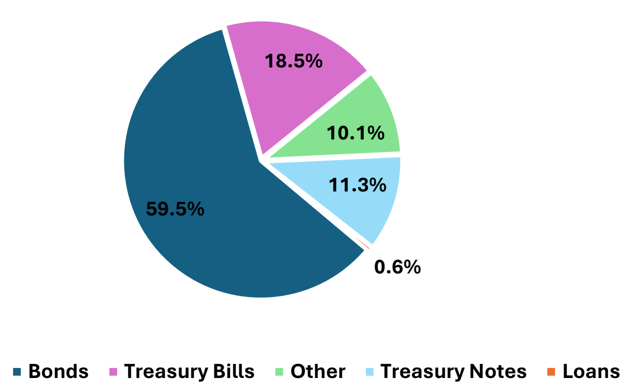
Source: MoF

8.2 Domestic debt

8.21 Domestic Debt by Instrument

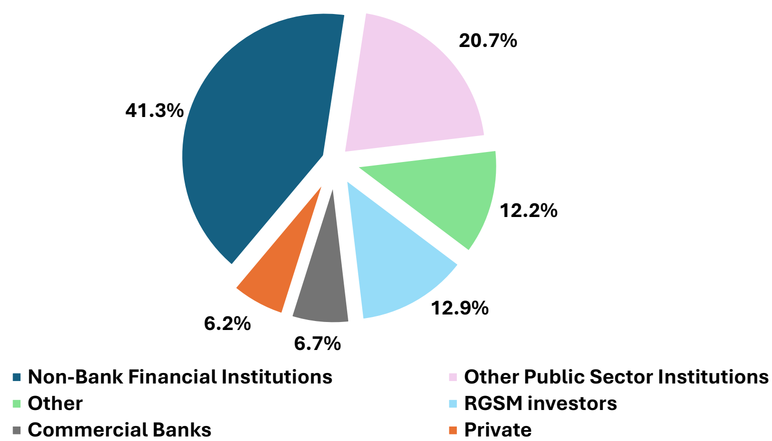
As of the end of December 2024, domestic debt was forecasted to be $485.0 million (12.7 percent of GDP). This is a 0.6 percent decline from the same period the previous year when it was $482.0 million. The instrument type that constitutes the highest share of the domestic portfolio is bonds. In the third quarter bonds accounted for 59.5 percent, followed by Treasury bills which accounted for 18.5 percent. Treasury notes and other domestic liabilities (inclusive of loans) accounted for the remaining 22.0 percent *(Figure 9)*.

Figure 9- Domestic Debt by Instrument



As at end-September 2024, non-bank financial institutions were the majority holders of the Government of Grenada's domestic debt, accounting for $156.5 million (41.3 percent) of the domestic portfolio. They were followed by public sector institutions which accounted for $78.5 million (20.7 percent) and investors in the Regional Government Securities Market which accounted for $48.7 million (12.9 percent). The residual of the Government's domestic liabilities was shared between Commercial Banks at $25.6 million (6.7 percent), private individuals at $23.6 million (6.2 percent), and other holders who accounted for $46.1 million (12.2 percent) of the domestic portfolio *(Figure 10)*.

Figure 10- Domestic Debt by Holder



Source: MoF

8.3 The Debt of State-Owned Enterprises (SOEs)

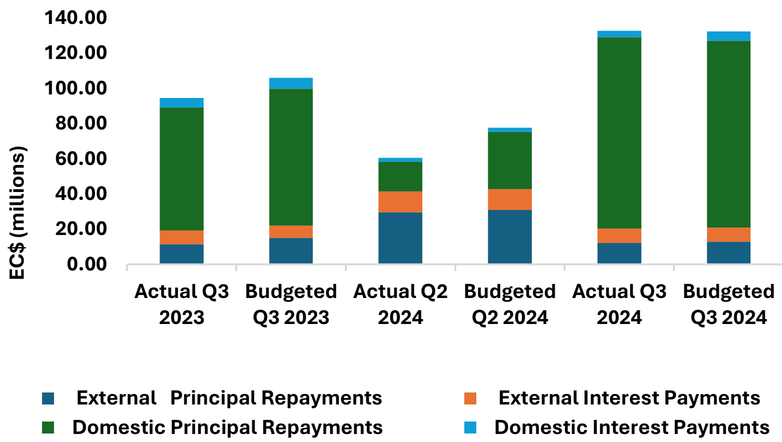
The non-guaranteed debt stock (loans) of Statutory Bodies and State-Owned Enterprises was EC$164.9 million at the end of September 2024. These loans are owed by nine (9) SOEs of which the majority are domestic loans with long term durations (77.0%). The inclusion of the debt owed by Petro Caribe ($372.1 million), will bring the total debt stock to EC$537.0 million which represents 14.3 percent of nominal GDP.

8.4 Debt Service

Debt service payments for 2024 are projected to be EC$418.1 million. Within this total, interest payments constituted EC$123.7 million, while amortization made up the remaining EC$294.4 million. It is noteworthy that the actual debt service payments consistently fell below the budgeted amounts. This variance is attributed to fluctuations in interest rates and the fact that a portion of the Government of Grenada's (GoG) outstanding bonds, which is always budgeted for, was not claimed. Interest payments now reflect the IMA eligible revenues that are tied to the international 2030 7% bond (EC$78.4 million).

During the third quarter of 2024, total actual debt service payments were EC$132.6 million. Amortization was EC$120.9 million and interest payments amounted to EC$11.7 million. The actual debt service was only EC$0.2 million higher than the budgeted amount. External and domestic debt service were 15.4% and 84.6% respectively. Figure 11 compares budget vs actual debt service payments over selected periods.

Figure 11- Debt Service Budgeted & Actual Payments



Source: MoF

Credit Rating

Since 2012 Standard & Poor's has lowered Grenada's foreign currency sovereign credit rating to "SD," or selective default, from "B-/B," and has also lowered its local currency sovereign credit ratings to "CCC+/C" from "B-/B." Grenada has not had another international credit rating since then and has not issued any new debt on the international capital market. Negotiations on external arrears were completed with Libya and Algeria but are still ongoing with one bilateral creditor (Trinidad and Tobago). Consequently, Grenada's overall debt rating remains "in debt distress".

8.5 Medium-Term Debt Strategy

The Medium-Term Debt Management Strategy (MTDS) is formulated in compliance with the stipulations of Section 5(1) of the Public Debt Management (PDM) Act, No. 28 of 2015. Grenada's MTDS serves as a strategic plan designed to attain the desired debt portfolio, aligning with specific debt management objectives. The primary aim of effective debt management is to meet the Government's funding requirements at the lowest feasible cost while maintaining a prudent level of risk. The strategy also considers additional debt management goals, such as the development and maintenance of an efficient market for Government securities.

The MTDS for the period 2025-2027 is anticipated to implement these objectives, reflecting a comprehensive approach to managing the country's debt in a manner that optimizes costs, mitigates risks, and supports the broader financial objectives of the government.

8.51 Cost and Risk Indicators of the Existing Portfolio

Interest rate risk

Interest rate risk refers to the vulnerability associated with an increase in interest rates. At the end of 2024, Grenada's total debt portfolio has an estimated Average Time to Refixing (ATR) of approximately 10.2 years which meets the set benchmark of 10.0 years. Within this timeframe, 16.2 percent of the total debt is subject to a potential change in interest rates within one year, as outlined in Table 7. The interest rate risk is primarily attributed to the short maturity of instruments in the domestic portfolio, resulting in a domestic ATR of 5.3 years. Within this domestic portfolio, 26.0 percent of the debt is subject to re-fixing within one year.

In contrast, the ATR of the external debt portfolio is longer, standing at 11.7 years, with 13.2 percent of the external debt subject to re-fixing in one year. Notably, a significant portion (92.3 percent) of the external debt is contracted at fixed interest rates, providing a degree of stability, while the remaining 7.7 percent comprises floating-rate debt from both multilateral and bilateral creditors. This composition indicates a certain level of resilience in managing interest rate risk within the external debt portfolio.

Refinancing Risk

Grenada's overall operational target to refinance debt is 8.0 years or above. Average time to maturity (ATM) is calculated to measure how long it takes on average to roll over or refinance the debt portfolio. Grenada's total debt portfolio has an ATM of approximately 10.6 years at the end of 2024, which is above target. This is primarily due to external debt with an ATM of 12.2 years, 6.3 percent of which will mature in one year. Domestic debt on the other hand has higher exposure to refinancing risk because of the short life span of Treasury bills. The ATM of domestic debt in 2024 is 5.3 years of which 26.0 percent will mature in one year.

Foreign Currency Risk

Foreign exchange risk evaluates how a portfolio is affected by fluctuations in exchange rates. In the case of Grenada's debt portfolio, there is limited exposure to foreign exchange risk, despite foreign debt constituting an estimated 76.9 percent of the total portfolio by the end of 2024. This is primarily due to a substantial portion (approximately 71.6 percent) of the foreign currency-denominated debt being denominated in the United States Dollar (USD), to which the Eastern Caribbean Dollar (XCD) is pegged. The pegging of the XCD to the USD provides a level of stability, mitigating the impact of exchange rate fluctuations on the foreign currency-denominated debt.

The pegging of the XCD to the USD provides a form of stability, minimizing the impact of exchange rate changes on the foreign currency-denominated debt. Furthermore, Grenada has successfully met its target for foreign exchange debt, maintaining it at less than or equal to 80.0 percent of the total portfolio. This achievement underscores the effective management of foreign exchange risk in the country's debt portfolio.

Table 7: Cost and Risk Indicators of Central Government's estimated at the end of 2024 [1]

Risk Indicators		External debt	Domestic debt	Total debt
Amount (in millions of XCD)		1,690.9	509.2	2,200.1
Amount (in millions of USD)		626.3	188.6	814.9
Cost of debt	Interest payment as % GDP	1.5	3.1	4.6
	Weighted Av. IR (%)	3.4	23.5	8.0
Refinancing risk	ATM (years)	12.2	5.3	10.6
	Debt maturing in 1yr (% of total)	6.3	26.0	10.9
	Debt maturing in 1yr (% of GDP)	2.8	3.5	6.3
Interest rate risk	ATR (years)	11.7	5.3	10.2
	Debt refixing in 1yr (% of total)	13.2	26.0	16.2
	Fixed rate debt (% of total)	92.3	100.0	94.1
FX risk	FX debt (% of total debt)			76.9
	ST FX debt (% of reserves)			9.1

Source: Medium Term Debt Management Strategy (MTDS) 2025-27

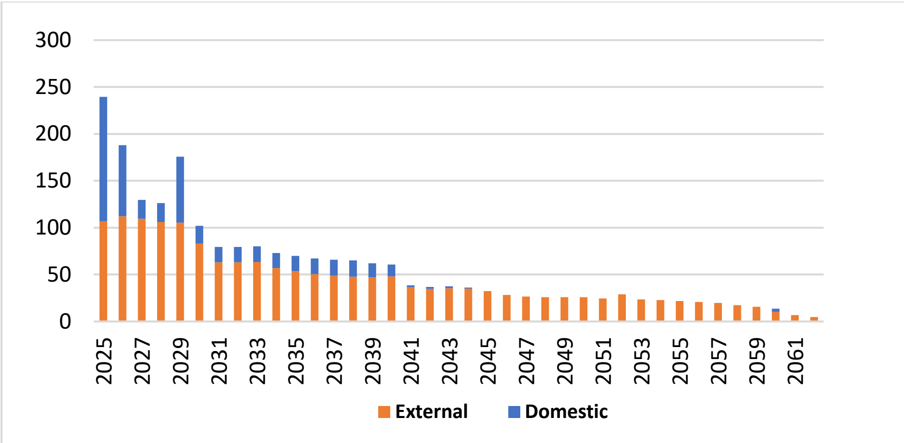
8.52 Redemption Profile

The redemption profile *(Figure 12)* provides insights into the risks embedded in the portfolio and the scheduled amortization of outstanding debt. Notably, a substantial portion of the domestic debt is set to mature within the next year, primarily consisting of Treasury Bills (T-Bills) reaching maturity in that period. Additionally, there are two T-Notes in 2025. The redemption profile for 2026 indicates the maturity of four T-Notes, contributing to the observed increase in redemptions compared to 2025. The outer year 2029 includes the redemption of two 5-year T-Notes issued in 2024.

In contrast, the external debt exhibits a more even and extended redemption profile. This characteristic is attributed to the longer maturity and concessional nature of loans from multilateral and bilateral creditors. The smooth redemption profile of external debt indicates a more gradual and manageable schedule for debt repayments in comparison to domestic debt, which is marked by more immediate and concentrated maturities.

Figure 12: Grenada Redemption Profile as of the end of December 2024 (EC$M)

[1] Adopted from Government of Grenada Medium-Term Debt Management Strategy 2025-2027. There are slight differences in the debt totals presented in the MTDS vs that in the rest of the documents given the difference in their preparation date and the availability of data. The numerical differences are insufficient to impact the qualitative analysis for the purposes of this report



Source: MTDS 2025-2027

8.53 Selected Strategy

The strategy selected for the period 2025-2027 aligns closely with the current financing mix of the Government. It recommends prioritizing financing from external multilateral creditors on concessional terms, continuing to draw down committed undisbursed balances from existing creditors and reissuing Treasury bills and Treasury notes on both domestic and regional markets. The strategy also considers government borrowing for a major project (The New Hospital Project) at commercial rates. The strategy underwent rigorous analysis, including the evaluation of different stress scenarios involving moderate and extreme degrees of interest and exchange rate shocks.

During this analysis, the chosen strategy demonstrated superior performance when compared to alternative approaches, particularly in terms of risk indicators. The strategy selected is deemed the most practical for meeting the government's financing needs while adhering to the debt management targets and objectives outlined in the Public Debt Management Act of 2015 amended 2023. This careful selection is indicative of a prudent and strategic approach to managing the government's financial requirements in a manner that minimizes risks and aligns with broader debt.

8.54 Contingency

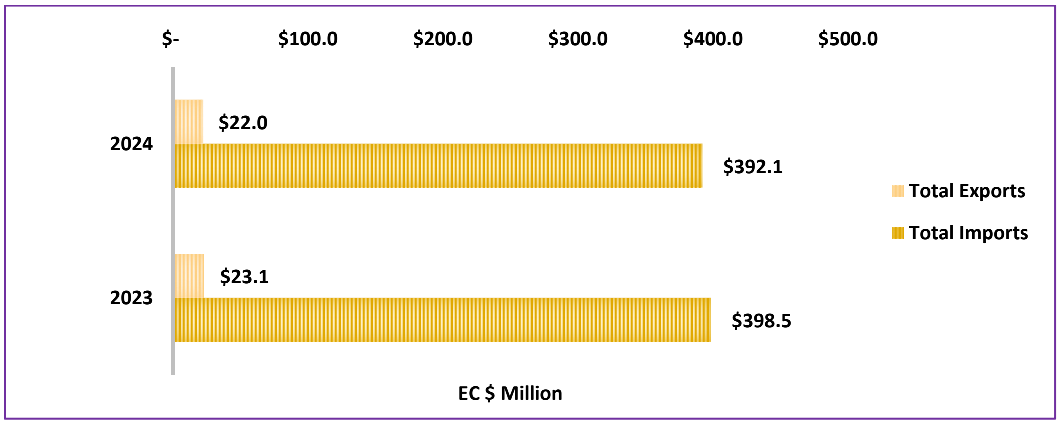
The Government of Grenada has established a contingency fund at the Eastern Caribbean Central Bank. This fund is being financed by a 10% contribution of the revenues from the Citizenship by Investment program. Section 45 (2) of the Public Finance Management Act mandates this allocation. The fund currently stands at $54.6 million and can be accessed for debt, disaster and expenditure arrears. Discussions are also ongoing on the creation of a fund at the central bank, specific to debt contingency.

9.0 EXTERNAL SECTOR

Trade:

An analysis of the 2024 current account shows a persistent trade imbalance, with imports exceeding exports. As of March 2024, Grenada's trade deficit stood at EC$370.1M. Total exports were EC$22.0M, a 4.8% decline from the previous period, comprising EC$19.6M in domestic exports and EC$2.4M in re-exports. Meanwhile, total imports reached EC$392.1M in the first quarter of 2024, a decrease from the same period in 2023 *(Figure 13)*. Comparing 2023 and 2024's import values, there was a 1.6 percent decline suggesting that Grenada's trade deficit has narrowed. Though small, this notable decline in import is promising and sparks hope for future improvement in Grenada's trade imbalances as the country strives to makes significant advancements in its agriculture, tourism and manufacturing sectors

Figure 13 - Grenada's Trade Data (Total exports and Imports) - First Quarter 2023-2024



Source: CSO

In the first quarter of 2024, Grenada's main export, food, saw a sharp decline of 37.1% compared to the same period in 2023. In contrast, exports of beverages and tobacco surged by 197.8%, while machinery and transport equipment rose by 119.3%.

Despite these shifts, food remains Grenada's top export, with machinery and transport equipment steadily gaining traction. The rise in entrepreneurship is expected to drive export growth in the coming years, with an increasing share of manufactured products playing a key role. Strengthening economic resilience remains crucial to mitigating external shocks, such as COVID-19. *Table 8* provides a detailed breakdown of total exports

Table 8 - Value of Grenada's 2023 - 2024 Exports (1st Quarter)

SITC Sections		2023 (Jan – March)	2024 (Jan – March)	
		In EC $ million		*Var (%)*
FOOD		$ 13,055	$ 8,213.3	-37.1
BEVERAGES & TOBACCO		$ 1,362.5	$ 4,058.1	197.8
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS		$ 615.5	$ 684.5	11.2
MINERAL FUEL, LUBRICANTS & RELATED MATERIALS		$ -	$ -	
ANIMALS & VEGETABLE OILS, FATS & WAXES		$ -	$ -	
CHEMICALS & RELATED PRODUCTS, N.E. S		$ 2,865.9	$ 2,336.9	-18.5
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL		$ 2,525.4	$ 1,295	-48.7
MACHINERY & TRANSPORT EQUIPMENT		$ 2,321.4	$ 5,090.6	119.3
MISCELLANEOUS MANUFACTURED ARTICLES		$ 364.7	$ 167	-54.2
COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC		$ -	$ 198.3	
TOTAL		**$ 23,310.4**	**$ 22,043.7**	**-4.6**

Table 9 presents a breakdown of total imports. In the first quarter of 2024, machinery and transport equipment saw the highest domestic demand, rising by 12.3%. This increase suggests growing economic productivity, with businesses requiring more equipment.

Conversely, several imported goods declined: food (-2%), beverages and tobacco (-15.6%), and mineral fuel, lubricants, and related materials (-10.8%). Notably, Grenada's manufacturing sector showed promising growth, with beverage production increasing by 2.9%, contributing to the decline in beverage imports. Additionally, the 2023 sweetened beverage tax likely played a role in reducing beverage imports.

Table 9. Domestic Imports (1st Quarter)

	2023 (Jan – March)	2024 (Jan – March)	
	In EC $ million		*Var (%)*
FOOD	$ 81,573.2	$ 79,921.3	-2.0
BEVERAGES & TOBACCO	$ 12,005.5	$ 10,135	-15.6
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	$ 10,170.7	$ 10,607.7	4.3
MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	$ 86,111	$ 76,793.7	-10.8
ANIMALS & VEGETABLE OILS, FATS & WAXES	$ 1,955.6	$ 1,576.8	-19.4
CHEMICALS & RELATED PRODUCTS, N.E.S	$ 29,396.6	$ 29,453.3	0.2
MANUFACTURED GOODS CLASSIFIED BY MATERIAL	$ 61,863	$ 58,788	-5.0
MACHINERY & TRANSPORT EQUIPMENT	$ 73,739.2	$ 82,814.5	12.3
MISCELLANEOUS MANUFACTURED ARTICLES	$ 41,658	$ 42,049.9	0.9
COMMODITIES & TRANSACTIONS NOT CLASSIFIED ELSEWHERE IN THE SITC	$ 0.9	$ 0.2	-77.8
TOTAL	**$ 398,473.7**	**$ 392,139.4**	-1.59

Source: MoF

10.0 MONETARY AND FINANCIAL SECTOR ANALYSIS

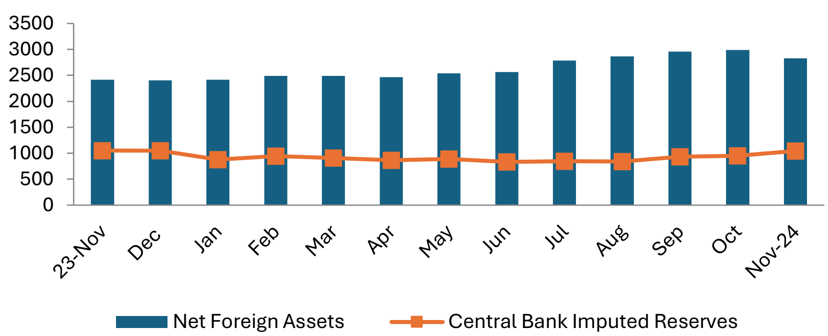
Between January and June 2024, Grenada's financial sector demonstrated resilience, with moderate liquidity and profitability growth in commercial banking and positive membership and asset trends in credit unions. However, capital adequacy concerns highlight the need for strategic oversight to ensure long-term stability.

10.1 Assets

Net Foreign Assets (NFA)

Net Foreign Assets for the period Nov 2023-Nov 2024 increased by 17.0 % ($411.8 million). Central Bank Imputed Reserves' decreased by 0.8 percent ($8.3 million) *(Figure 14)*. This indicates a strengthening of external reserves and an enhancing of external stability

Figure 14: Net Foreign Assets8

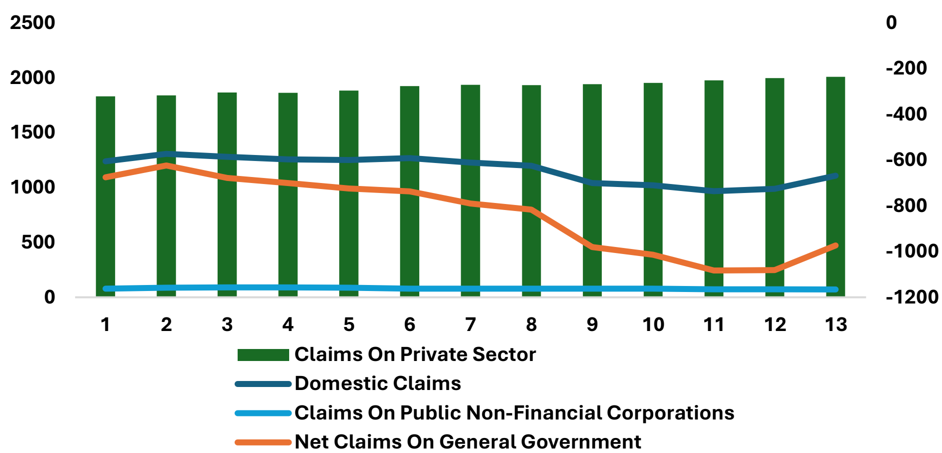


Source: ECCB Summarized Monetary Survey

Net Domestic Assets (NDA)

During the same 12-month period, Net Domestic Assets decreased by 25.5 percent moving from \$746.9 million to \$556.5 million. There was an effective contraction by an 10.5 percent or \$129.8 million in Domestic Credit. Claims on Public Non-Financial Corporations dropped from EC\$ 78.99million to EC\$ 71.39million, down 9.6%. Private Sector credit increased by 9.7 percent or EC\$177.72 million *(Figure 15).* Net credit to General Government (RHS) increased by 44.3 percent or (EC\$298.97 million). Private sector credit showed strong demand suggesting business restoration/expansion after Hurricane Beryl.

Figure 15: Net Domestic Assets



Source: ECCB Summarized Monetary Survey

10.2 Liabilities

Grenada's monetary aggregates showed notable changes between August 2023 and August 2024, with monetary liabilities (M2) increasing by 8.9%. This suggests higher liquidity in the economy, which could support economic growth by encouraging spending and investment. However, increased liquidity may also contribute to inflationary pressures, requiring careful monitoring by policymakers. The money supply (M1) grew by 6.2%, with currency in circulation rising by 3.4% and cash at commercial banks increasing by 4.4%, indicating a stronger banking sector and higher cash transactions. Private sector demand deposits remained stable with a marginal increase of 0.03%, reflecting steady short-term liquidity and business activity.

At the same time, quasi-money declined by 14.0%, indicating a shift away from long-term savings. While private sector savings deposits increased by 7.7%, time deposits dropped by 9.0%, suggesting that individuals may be opting for more liquid financial instruments rather than long-term commitments. Private sector foreign currency deposits increased by 12.0%, pointing to a growing preference for holding foreign currency, which could be influenced by factors such as trade expansion, or investment opportunities abroad. Overall, the data highlights an economy with increased liquidity and shifting savings patterns, which could support economic activity but also requires careful financial management to mitigate potential risks.

Table 10: Monetary Liabilities (Aug 2023- Aug 2024)

	Aug-23	Aug-24[P]	Variance
	EC$ (M)	EC$ (M)	%
MONETARY LIABILITIES (M2)	3065.84	**3385.6**	**8.9%**
MONEY SUPPLY (M1)	1543.45	1639.61	6.2%
Currency with the Public	190.68	196.5	3.1%
Currency in Circulation	254.34	262.95	3.4%
Cash at Commercial Banks	63.66	66.45	4.4%
Private Sector Demand Deposits	1078.8	1081.84	0.03.0%
QUASI MONEY	1,864.4	1,604.5	-14.0%
Private Sector Savings Deposits	1149.56	1215.93	7.7%
Private Sector Time Deposits	89.58	81.9	-9.0%
Private Sector Foreign Currency Deposits	306.85	342.9	12.0%

Source: ECCB

10.3 Financial Soundness

10.31 Risk

Banking Sector Stability and Risk Exposure

The financial performance of the banking sector from June 2023 to June 2024 reflects shifts in key stability metrics. The Regulatory Capital to Risk-Weighted Assets ratio declined from 14.4% to 13.0%, while Tier 1 Capital saw a sharper drop from 11.9% to 9.0% increasing systemic risks. This erosion reduces the sector's ability to absorb shocks, increasing risks amid potential economic downturns or asset quality deterioration *(Table 11)*.

A shift in loan portfolio allocation saw loans to residents decline from 91.4% to 89.5%, while non-resident loans increased from 8.6% to 10.5%. Additionally, commercial banks' claims on non-residents rose from EC$1.9 billion in June 2023 to EC$2.2 billion in June 2024, signaling greater exposure to external markets. While this diversification strategy opens international growth opportunities and reduces reliance on domestic demand, it also exposes the sector to external economic volatility and currency fluctuations, potentially impacting financial stability.

Table 11 - Financial Soundness Indicators

	June 2023	June 2024	Variance
Regulatory Capital to Risk-Weighted Assets (CAR)	14.4	13.0	-1.4
Regulatory Tier 1 Capital to Risk-Weighted Assets	11.9	9.0	-2.9
Loans to Residents	91.4	89.5	-1.9
Loans to Non-residents	8.6	10.5	1.9
Foreign-currency liabilities to total liabilities	16.2	19.7	3.5

Liquid Assets to Total Assets	49.6	50.5	0.9
Liquid Assets to Short-Term Liabilities	55.9	56.4	0.5
Net Open Position in Foreign Exchange to Capital	183.4	247.6	64.2

Liquidity indicators showed modest improvement, with Liquid Assets to Total Assets increasing from 49.6% to 50.5% and Liquid Assets to Short-Term Liabilities rising from 55.9% to 56.4%, enhancing the sector's ability to meet short-term obligations. However, given the post-Beryl economic climate and ongoing external risks, maintaining strong liquidity remains essential.

Finally, the sharp rise in the Net Open Position in Foreign Exchange to Capital from 183.4% to 247.6% highlights the urgent need for robust foreign exchange risk management and strategic asset diversification.

Liquidity and Foreign Exchange Risk

Liquidity indicators improved slightly:

- Liquid Assets to Total Assets rose from 49.6% to 50.5%, and
- Liquid Assets to Short-Term Liabilities increased from 55.9% to 56.4%, enhancing the sector's ability to meet short-term obligations.

However, amid post-Hurricane Beryl recovery and external risks, stronger liquidity buffers remain essential. Meanwhile, the sharp rise in the Net Open Position in Foreign Exchange to Capital (183.4% to 247.6%) underscores the urgent need for robust foreign exchange risk management to mitigate volatility and maintain financial stability.

10.4 Commercial Banks

As of June 30, 2024, Grenada's commercial banking sector remained diverse and competitive, with total assets reaching EC $4.91 billion across three main institutions: ACB Grenada Bank Ltd (EC $398.6 million), Grenada Co-operative Bank Ltd (EC $2.4 billion), and Republic Bank Grenada (EC $2.1 billion). Total deposits stood at EC $4.2 billion, including EC $12.2 million in Hurricane Beryl Relief donations.

Approximately 50.2% of total deposits have been lent out, contributing to a gross loan portfolio of EC $2.1 billion, while liquid assets averaged EC $2.3 billion across the sector. Non-performing loans (NPLs) declined to 5.8% (EC $72 million), improving by EC $10 million from June 2023.

Total loans disbursed increased by EC $187.6 million year-on-year, reaching EC $2.2 billion, with real estate (EC $718.8 million) and construction (EC $629.1 million) sectors driving the highest demand for credit. *(Table 12)*

Table 12: Commercial loans by Sector

LOANS BY SECTOR	**June 2023**	**June 2024**	**Variance**
	EC $M	**EC $M**	**EC $M**
Agriculture or Forestry and Fishing	21.0	36.2	15.2
Manufacturing	44.0	76.7	32.7
Construction and Land Development	567.8	629.1	61.3
Wholesale and Retail Trade	86.4	111.9	25.5
Transport and Storage	92.8	83.8	-9
Accommodation and Food Service Activities	58.5	94.7	36.2
Financial Intermediation	12.6	10.8	-1.8
Real Estate Activities	678.9	718.8	39.9
Arts or Entertainment and Recreation	66.3	22.6	-43.7
Private Households	298.9	323.8	24.9
Other Loans	129.3	135.5	6.2
TOTAL LOANS	**2,056.2**	**2,243.9**	**187.7**

10.5 Grenada Development Bank

As of June 2024, GDB's total assets stood at EC $115 million, slightly down from EC $116 million in June 2023, with long-term assets comprising EC $101 million. Total liabilities improved, declining from EC $88 million in 2023 to EC $84 million in 2024, strengthening equity to EC $30.9 million for Q2 2024. However, loan disbursements fell sharply by 78.9% year-on-year, with only 56 loans totaling EC $1.4 million, primarily allocated to Housing (34%), Services (29%), and Education 18%).

Challenges emerged in loan performance and collections, with non-performing loans (NPLs) rising to 8.14%, exceeding the 5% target, while the collections ratio dropped from 91% in 2023 to 73% in 2024. These trends highlight the need for strategic interventions to improve credit performance and collections. Additionally, greater efforts are needed to enhance financing for industrial and agricultural projects, which have remained underfunded at less than 10% of total disbursements in 2023 and 2024, despite their potential for economic diversification and growth in Grenada.

10.6 Non-Bank Financial Sector

Grenada's non-bank financial sector demonstrated resilience and financial strength in the first half of 2024, supported by robust risk management and consistent asset growth. The sector, which includes ten credit unions, twenty-five long-term insurance companies, and seven money services businesses, operates under the supervision of GARFIN, ensuring compliance with regulatory standards and maintaining financial stability.

Credit Unions – With a combined 88,000 members, credit unions grew their asset base to EC $1.5 billion, reflecting a year-on-year increase of EC $130 million. Deposits rose by EC $77 million to EC $1.2 billion, while loans expanded by EC $107 million to EC $1.1 billion, resulting in a high loan-to-deposit ratio of 90%, emphasizing the need for enhanced liquidity risk management.

Insurance Companies – The insurance sector grew steadily, with total assets increasing by 3% to EC $562 million. It remains in a strong liquidity position, with an Asset to Liability Ratio of 1.86 and an Equity to Total Assets ratio of 46.3%, indicating financial stability. Gross premiums reached EC $55 million, with EC $20 million ceded to reinsurance. As of December 3, 2024, there were 14 licensed insurance companies in operation.

Pension Funds – The pension fund sector remained stable, with assets totaling EC $281 million, marking a growth of EC $4.5 million year-on-year. The sector includes 50 registered pension plans, of which 46 are active, underscoring its capacity to support long-term financial security for retirees.

Overall, Grenada's non-bank financial sector continues to thrive, showcasing strong capital retention, liquidity, and expansion, reinforcing its critical role in the country's financial system.

10.7 Financial Regulatory Development

The Parliament of Grenada, in June 2024, approved the Friendly Societies (Amendment) Bill and the Co-operative Societies (Amendment) Bill to enhance public oversight of co-operative institutions, including granting the public access to member and director registers.

The Virtual Asset Business Regulations, S.R&O. 9 of 2024, was also approved to set guidelines for the virtual asset sector. These regulations aim to enhance transparency, integrity, and security within this emerging industry. Although applications for Virtual Asset Businesses (VABs) opened in 2023, no VABs have been registered to date.

Finally, the development of GARFIN's Risk Based Supervisory Framework is nearing completion through the support from the Caribbean Regional Technical Assistance Centre (CARTAC) and a new Framework for Cyber Incident Reporting and Mitigation for regulated non-bank financial institutions is also underway.

11.0 UNEMPLOYMENT

There was substantial improvement in employment levels during 2023, evident in the significant reduction of the unemployment rate. Preliminary estimates indicate a rate of 12.0 percent in the second quarter of 2023, down from 13.9 percent in the same period of 2022 and a more significant decline from 16.6 percent in the second quarter of 2021. Due to the focus on the completion of the National Population and Housing survey, the Statistics Unit was unable to provide data on the 2024 unemployment numbers.

12.0 PROSPECTS FOR 2025-2027

Grenada's medium-term fiscal policy aims to support the economic recovery of Carriacou and Petite Martinique while advancing the Government's transformative agenda in a fiscally sustainable manner. The Government targets a return to the Fiscal Responsibility Act (FRA) rules and targets by 2027.

Grenada's medium-term economic outlook is hinged on global economic developments and domestic expansionary fiscal policies geared toward boosting economic growth, amidst the uncertainty of climate-related shocks. It is anticipated that global growth will remain stable in 2024 and 2025 at 3.2 percent for both years, according to the International Monetary Fund (IMF) World Economic Outlook (WEO) update released in October 2024. The global fight against inflation has mostly been successful, although some countries still face price pressures. After reaching a high of 9.4 percent year-over-year in Q3 2022, inflation rates are expected to drop to 3.5 percent by the end of 2025. While the global increase in inflation is a significant achievement, the potential escalation of regional conflicts, prolonged tight monetary policies, possible resurgence of financial market volatility and the ongoing rise of protectionist policies could further strain economic conditions in the medium term.

Growth projections for Grenada's major source markets are modest. In the USA, the largest source of tourists, growth is expected to rise to 2.9 and 2.8 percent respectively in 2023 and 2024 but slow down to 2.1 percent in 2025. In the UK, another key tourism market, growth is forecasted to improve from 0.3 percent in 2023 to 1.1 percent in 2024 and 1.5 percent in 2025. Canada's economy is predicted to grow by 1.3 percent in 2024 and 2.4 percent in 2025, up from 1.2 percent in 2023. In China, a major source market for manufactured goods, growth is expected to slow from 5.3 percent in 2023 to 4.8 percent in 2024 and 4.1 percent in 2025.

Grenada's Real GDP is forecasted to grow by 3.7 percent in 2024 and 4.1 percent in 2025 *(Table 13)*. These forecasts are based on conservative assumptions about activity in key sectors such as tourism, construction, wholesale and retail, manufacturing, education and transport sectors despite the negative impact of Hurricane Beryl on the northern parts of mainland Grenada and the sister isles of Carriacou and Petite Martinique, which severely depleted growth in the agriculture and fishing sectors.

Notwithstanding the infrastructural damage done to local tourism businesses by Hurricane Beryl, the tourism industry is still anticipated to grow in 2024 above pre-covid levels. However, the high cost of air travel could pose a significant risk to this sector in the medium term and service inflation remains exorbitantly high. Additionally, climate-change disasters such as tropical cyclones pose an uncertain risk to the economy in the medium term.

The outlook for the construction sector remains generally optimistic, with major public and private projects in progress aimed at restoring infrastructure damaged by Hurricane Beryl. These initiatives are vital for both rebuilding and strengthening resilience against future storms. The fiscal measures implemented by the government in 2024, are expected to significantly reduce the cost of the importation of construction materials for those impacted by the hurricane in order to boost construction activity in 2025.

In response to the severe devastation to the agricultural and fishing sectors in the northern parts of Grenada and the sister isles, government has implemented several measures that would increase growth in those sectors in the medium term. Through the food security and enhancement program, these initiatives are expected to create a strong boost to these sectors in the short to medium term. As a result of these programs, the production of crops such as nutmeg, cocoa, banana and short crops would see significant recovery from the damage done by Hurricane Beryl. The livestock industry will also experience strong growth on account of the number of livestock imported in Grenada in January 2025.

On balance, the medium-term economic outlook for Grenada remains cautiously optimistic amidst uncertainties with climate related shocks, geopolitical tensions and possible supply chain disruptions. As a result, the 2025 Budget will be crafted amid considerable economic uncertainties, requiring realistic policy goals, careful prioritization, and built-in flexibility to reduce implementation risks arising from an unpredictable global macroeconomic landscape and changing climate conditions.

Table 13: Medium-Term Fiscal Framework 2025-2027 (Millions of ECD, unless stated otherwise)

	2025		2026		2027	
	Projected	% GDP	Projected	% GDP	Projected	% GDP
Total Revenue & Grants	**1207.7**	**29.7%**	**1,222.7**	**28.2%**	**1,276.5**	**27.8%**
Total Revenue	**1,157.2**	**28.5%**	**1,173.7**	**27.1%**	**1,225.1**	**26.7%**
Tax Revenue	896.8	22.1%	945.9	21.9%	993.7	21.7%
Non - Tax Revenue	260.4	6.4%	227.8	5.3%	231.4	5.0%
Grants	**50.5**	**1.2%**	**49.0**	**1.1%**	**51.4**	**1.1%**
Total Expenditure	**1,604.1**	**39.5%**	**1,414.5**	**32.7%**	**1,329.0**	**29.0%**
Primary Expenditure	1,451.9	35.7%	1,380.3	31.9%	1292.0	28.2%
Current Expenditure	**1,121.2**	**27.6%**	**1,051.9**	**24.3%**	**1059.0**	**23.1%**
Employee compensation	399.9	9.8%	463.3	10.7%	485.6	10.6%
Wages, salaries & allowances	381.8	9.4%	444.2	10.3%	465.6	10.2%
Social Contribution to employees	18.1	0.4%	19.1	0.4%	20.0	0.4%
Goods and Services	231.0	5.7%	166.8	3.9%	163.5	3.6%
Interest Payments	152.2	3.7%	109.1	2.5%	81.0	1.8%
Transfers	293.9	7.2%	278.5	6.4%	291.9	6.4%
IMA Expenses	44.2	1.1%	34.2	0.8%	37.0	0.8%
Capital Expenditure	**482.9**	**11.9%**	**362.6**	**8.4%**	**270.0**	**5.9%**
o/w: Grant financed	50.5	1.2%	49.0	1.1%	51.4	1.1%
Overall balance	**-396.4**	**-9.8%**	**(191.8)**	**-4.4%**	**-52.5**	**-1.1%**
Primary balance (excluding grants)	**(294.7)**	**-7.3%**	**(131.7)**	**-3.0%**	**-22.9**	**-0.5%**
Primary balance (including grants)	**(244.2)**	**-6.0%**	**(82.7)**	**-1.9%**	**28.5**	**0.6%**
Memo Item						
GDP (Nominal market Prices)	4,061.8		4,329.0		4,584.1	
Real GDP growth (%)	4.1%		4.5%		4.0%	

Source: MoF

12.1 Risks to Outlook

12.11 Macroeconomic Risks

This section discusses key risks that can adversely affect public finances and by extension, the implementation of Government's strategic policies and programmes in support of transformation, resilience, and sustainable and inclusive development. The main categories of risks discussed are:

(i) **Macroeconomic Risks**;
(ii) **Budget Implementation Risks**;
(iii) **State-owned Enterprises Risks**; and
(iv) **Climate Risks**.

Grenada's fiscal projections for the year 2025 and the next two years are based on global economic conditions as of June 2024 (Table 12). The global recovery is slow, inflation remains high (though decreasing), and there are significant risks that could lead to modest growth. Grenada's economic and fiscal situation is closely tied to global trends. A prolonged global economic downturn could hurt tourism, remittances, foreign investment, and public finances. High international commodity prices, especially for fuel and food, may continue to drive domestic inflation in the short term. Although inflation is expected to decrease over time, it might still be high compared to historical norms, keeping costs for imported goods elevated and affecting domestic economic performance.
Moreover, ongoing conflicts like the Israeli-Palestinian war could keep global oil prices high, impacting Grenada's economy. Persistent global inflation might also increase local living costs, and higher global interest rates could raise credit costs both globally and locally. Additionally, the occurrence of another sudden natural disaster remains a constant risk. Should these come to pass, Grenada's actual fiscal results will differ from the current forecasts.

Table 13 illustrates the sensitivity of the primary balance and public debt to economic shocks.

- **Scenario 1**, where 2025 GDP growth is two percentage points below forecast, tax revenues decline, worsening fiscal ratios and deviating from FRA targets.
- **Scenario 2** models higher-than-projected inflation, raising expenditure and narrowing the primary balance to 0.8% of GDP, while public debt rises to 75.8% of GDP, exceeding baseline projections.
- **Scenario 3**, combining GDP and inflation shocks, shows the most severe deviations from fiscal targets. These scenarios underscore the need for **continuous fiscal risk monitoring, buffer-building, and prudent financial management**.

Table 13: Sensitivity of Key Fiscal Variables to Economic Shocks

Economic Assumptions	*Estimated Impact (2025)*			
	Primary Balance		***Public Debt***	
	% of GDP	*Difference from Baseline (% of GDP)*	*% of GDP*	*Difference from Baseline (% of GDP)*
Scenario 1: **Real GDP 2pp lower than the 2025 forecast**	0.1%	Lower by 1.4pp	75.8%	Higher by 2.4pp
Scenario 2: **Inflation 2pp higher than the 2025 forecast**	0.8%	Lower by 0.7pp	73.6%	Higher by 0.3pp
Scenario 3: **Combined Real GDP and Inflation Shock: GDP growth is 2pp lower and inflation is 2pp higher relative to the 2025 forecasts**	-0.6%	Lower by 2.1pp	76.5%	Higher by 3.3pp

Source: Ministry of Finance

12.12 Budget Implementation Risks

Receipts from the IMA program, a key non-tax revenue source, remain vulnerable due to the AMIGOS Act (2022), which imposes a three-year domicile requirement, eliminating immediate E2 visa privileges for economic citizens. A decline in IMA revenues could weaken fiscal stability and complicate budget execution. Uncertainty surrounding the National Transformation Fund (NTF) inflows further challenges fiscal planning, as lower-than-expected receipts could impact project implementation and overall budget performance.

High global inflation, though easing, continues to drive domestic price pressures, affecting both revenue generation and expenditure management. Inflation could erode windfall revenues from import duties and border taxes, while also increasing costs for goods, services, and infrastructure projects under the Public Sector Investment Program (PSIP). Effective contract management and the Budget Implementation Tool will help mitigate risks, but a limited technical workforce remains a challenge, making personnel expansion a top government priority.

The Government will continue to enhance implementation capacity through training and direct support as part of a comprehensive strategy for PSIP execution. Since its inception in June 2022, MIT has augmented its human and technical capacity to provide direct, results-oriented implementation support to ministries and departments managing the Government's priority projects and programs.

12.13 Climate Risks

According to the 2021 Global Climate Risk Index Report, which assesses the exposure and vulnerability to extreme events across 180 countries using data from 2000-2019, Grenada is ranked 24th, with a score of 39.67. This ranking underscores Grenada's high exposure and susceptibility to natural hazards, including hurricanes, storms, floods, and heat waves.

In response to the recent devastation caused by Hurricane Beryl, the Government remains committed to enhancing resilience to climate change through its ongoing and planned adaptation and mitigation efforts, in line with its Disaster Resilience Strategy. The Government has implemented a risk-layering approach to natural hazard financing, incorporating insurance, contingency funds[2], concessional lines of credit, and reserved budgetary resources. Furthermore, as part of its 2015 debt restructuring, the Government included hurricane clauses in its restructured bonds, which will support the automatic reprofiling of these debts in the aftermath of hurricanes and similar natural events.

12.14 Financial Sector Risk

Despite the financial challenges confronting businesses in key productive sectors—intensified by the COVID-19 pandemic, commodity price shocks from geopolitical tensions, global inflation, and the recent impact of Hurricane Beryl—financial institutions are still expected to maintain capital adequacy standards. To navigate persistent macroeconomic uncertainties, it is imperative to strengthen financial sector surveillance and implement sustained measures to safeguard stability. Financial institutions should enhance internal risk assessments and early warning systems, while improving communication with debtors, to mitigate the risk of rising non-performing loans (NPLs) and prevent further tightening within the financial sector.

12.15 Public-Private Partnerships Risk

As of September 31, 2024, the Government of Grenada had two major public-private partnership (PPP) arrangements with financial risk implications.

The Digicel Partnership, a 15-year agreement under the Caribbean Regional Communication Programme, is a World Bank-funded regional initiative involving Grenada, Saint Lucia, St. Vincent, and the Grenadines. It supports digital transformation efforts, with Grenada's financial commitment classified as a current liability due to concessional loan financing, meaning no explicit contingent liabilities are directly linked to this PPP.

The Grenville Commercial Complex is a PPP in which the Government holds a 51% stake in a commercial rental project valued at EC$18.8 million. The financial risk lies in capital investment and the project's success in generating rental income. However, the project has faced significant delays, posing further risks to its financial viability

12.16 State-Owned Enterprises (SOEs) Risks

As of September 30, 2024, nine State-Owned Enterprises (SOEs) held non-guaranteed debt totaling $164.9 million, primarily in local currency with fixed interest rates and long-term amortization schedules, reducing exposure to interest rate and exchange rate fluctuations. SOEs and Statutory Bodies (SBs) rely mainly on domestic commercial banks, larger SOEs with lending facilities, or Central Government on-lending arrangements, with occasional borrowing from regional institutions like the

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[2] *Contingency fund is established at the ECCB and is being capitalized through deposits from CBI receipts*

Caribbean Development Bank. Debt owed to other SOEs also represents implicit contingent liabilities, as the Government may bear the risk of non-repayment.

Most SOEs with non-guaranteed debt have met their loan obligations on time and have sufficient financial resources to manage debt despite potential shocks, keeping implicit contingent liabilities low. To mitigate fiscal risks, the Government will continue monitoring and evaluating SOEs and SBs, using both audited and unaudited financial statements, ensuring timely interventions where necessary.

Explicit Contingent Liabilities - Guaranteed Debt

As of September 30th, 2024, Central Government holds no guaranteed debt within its loan portfolio.

Implicit Contingent Liabilities- Non- Guarantee Debt

As of September 30, 2024, nine State-Owned Enterprises (SOEs) held non-guaranteed debt totaling $164.9 million (Not inclusive of Petrocaribe EC$372.1 mil), primarily in local currency with fixed interest rates and long-term amortization schedules, reducing exposure to interest rate and exchange rate fluctuations. SOEs and Statutory Bodies (SBs) rely mainly on domestic commercial banks, larger SOEs with lending facilities, or Central Government on-lending arrangements, with occasional borrowing from regional institutions like the Caribbean Development Bank. Debt owed to other SOEs also represents implicit contingent liabilities, as the Government may bear the risk of non-repayment.

Most SOEs with non-guaranteed debt have met their loan obligations on time and have sufficient financial resources to manage debt despite potential shocks, keeping implicit contingent liabilities low. To mitigate fiscal risks, the Government will continue monitoring and evaluating SOEs and SBs, using both audited and unaudited financial statements, ensuring timely interventions where necessary.

13.0 SECURITY ISSUANCE PROCEDURES AND SETTLEMENT AND SECONDARY MARKET ACTIVITIES

The Treasury bills will be issued on the Regional Government Securities Market using the ECSE trading platform for both primary issuance and secondary trading. The pricing methodology to be used for selling the securities will be that of a competitive uniform price auction with open bidding. The ECSE and its subsidiaries are responsible for processing, clearance, and settlement of securities and providing the intermediaries with access to their settlement projections report, which indicates the obligations of the intermediary. Intermediaries are responsible for interfacing with prospective creditors, collecting applications for subscriptions and processing bids on the ECSE platform. A list of licensed intermediaries is provided in Appendix I.

Successful investors will be informed of their payment obligations and funds deducted from their respective accounts with the intermediaries. As an issuer on the RGSM, the Government of Grenada will be subject to the rules and procedures established by the Regional Debt Coordinating Committee for the operation of the market including ongoing reporting and disclosure requirements.

14.0 CURRENT AND UPCOMING ISSUES OF GOVERNMENT SECURITIES ON THE REGIONAL GOVERNMENT SECURITIES MARKET

RGSM TREASURY BILLS AND BONDS

Issues Outstanding	EC$ 115.0 million
Type of Issue	Government of Grenada Treasury Bills and Bonds
Maturity in Days	91 and 365 Days
Date of Issues	January 2025 to December 2025
Yields	Max 5.5 percent
Discount Price	EC$95.50

Treasury Bills and bonds outstanding as of December 30th, 2024, are listed in *Table 14*.

Table 14: Treasury Bills listed on RGSM as of December 30th, 2024

Auction Name	Issue Date	Maturity Date	Term	Value (EC$M)	Issue Amount (EC$M)	Amount Accepted (EC$M)	Yield (%)	Total Bids	Successful Bids
GDB080524	07-Feb-24	08-May-24	91	17,832,000	15,000,000	14,870,235	3.5	9	9
GDN150226	15-Feb-24	14-Feb-26	730	19,387,000	10,000,000	10,000,000	3.25	26	7
GDB090824	10-May-24	09-Aug-24	91	30,140,000	15,000,000	14,929,650	1.89	15	9
GDB111124	12-Aug-24	11-Nov-24	91	23,803,000	15,000,000	14,890,485	2.95	10	9
GDB160825	16-Aug-24	16-Aug-25	365	36,569,000	25,000,000	24,630,550	1.5	16	6
GDB281025	28-Oct-24	28-Oct-25	365	26,897,000	10,000,000	9,803,920	2.0	20	6
GDB120225	13-Nov-24	12-Feb-25	91	15,689,000	15,000,000	14,870,235	3.5	9	9
GDB131225	12-Dec_24	12-Dec-25	365	25,910,000	10,000,000	9,708,740	3	12	8

Source: MoF

Table 15: Upcoming Issues of Government Securities on the Regional Market 2025

SYMBOL	AUCTION DATES	ISSUE /SETTLEMENT DATE	MATURITY DATE	ISSUE AMT. EC$M	OVER SUBSCRIPTION ALLOWED EC$M	TENOR (Days)	INTEREST RATE CEILING %
GDB290525	26-Feb-25	27-Feb-25	29-May-25	15	-	91 Days	3.5%
GDB300825	30-May-25	2-Jun-25	1-Sep-25	15	5	91 Days	3.5%
GDB190826	18-Aug-25	19-Aug-25	19-Aug-26	25	5	365 Days	5.0%
GDB021225	2-Sep-25	3-Sep-25	3-Dec-25	15	5	91 Days	3.5%
GDB291026	28-Oct-25	29-Oct-25	29-Oct-26	10	10	365 Days	5.0%
GDB050326	4-Dec-25	5-Dec-25	6-Mar-26	15	-	91 Days	3.5%
GDB161226	15-Dec-25	16-Dec-25	16-Dec-26	10	10	365 Days	5.0%

ALL ISSUES ON THE MARKET ARE IN EC DOLLARS

APPENDICES

APPENDIX I[3]: KEY AMMENDMENTS

Item	2015 FRA	2023 FRA
Fiscal Objectives	Fiscal & debt sustainability & fiscal risk management	Retained
Debt Target	55% or 60% of GDP (unclear)	60.0% of GDP by 2035
Primary Balance Rule	Floor of 3.5% of GDP	Floor of 1.5% of GDP
Primary Expenditure Rule	Ceiling of 2% annual real growth	Removed
Wage Bill Rule	9% of GDP 2% real annual growth (unclear)	Ceiling of 13.0% of GDP Annually
Contingent Liabilities related to PPPs	Ceiling of 5% of GDP	Removed
Escape Clause	Ambiguity about frequency of activation	Clear guidance about frequency of activation and the renaming of the Section as the Suspension Clause
Recovery Plan	Immediate preparation upon suspension	Removed as a standalone document, but measures proposed to return to compliance with the are contained in the Mid-year Economic Report (if suspension occurs within the first half of a fiscal years) and included in the Medium-term Economic and Fiscal Strategy Report if suspension occurs within the second half of a fiscal year
Reports	Six	Single consolidated Medium-term Economic & Fiscal Strategy Report
Medium-term Fiscal Framework	No provisions	Explicit provisions
Coverage	Central Gov't & Covered Public Entities	Central Gov't & All SOEs & SBs for Public Debt. Central Gov't only for fiscal flow variables
Stated –owned Enterprises (SOEs) and Statutory Bodies (SBs)	Fiscal rules apply to both Central Government and "covered public entities"	New Section with explicit provisions for all SOEs & SBs
Independent Fiscal Oversight Committee	Ex-post assessment only	Ex-ante and Ex-post assessments

[3] Revised

APPENDIX II[4]: LIST OF LICENSED ECSE MEMBER BROKER-DEALERS

Territory	Institution	Name of Licensee	Type of License
GRENADA	Grenada Co-operative Bank Ltd No 8 Church Street St. George's Tel: 473 440 2111 Fax: 473 440 6600 Email: info@grenadaco-opbank.com	Allana Joseph Aaron Logie Kishel Francis Laurian Modeste	Principal Principal Representative Representative
	St Kitts-Nevis-Anguilla	Anthony Galloway	Principal
ST KITTS AND NEVIS	National Bank Ltd	Petronella Edmeade-Crooke	Principal
	P O Box 343		
	Central Street	Marlene Nisbett	Representative
	Basseterre	Angelica Lewis	Representative
	Tel: 869 465 2204		
	Fax: 869 465 1050		
	Email: donellec@sknanb.com		
	The Bank of Nevis Ltd	Judy Claxton	Principal
	P O Box 450		
	Main Street, Charleston	Denicia Small	Representative
		Nikesia Pemberton	Representative
	Tel: 869 469 5564/5796		
	Fax: 869 469 5798		
	E mail: info@thebankofnevis.com		
SAINT LUCIA	Bank of St Lucia Ltd	Medford Francis	Principal
		Lawrence Jean	Principal
	5th Floor, Financial Centre Building	Cedric Charles	Principal
	1 Bridge Street, Castries	Deesha Lewis	Representative
		Shaiiede Kallicharan	Representative
	Tel: 758 456 6826/457 7233	Mervin Simeon	Representative
	Fax: 758 456 6733	Yasmane St Marthe	Representative

[4] Revised

		Stephanie Gustave-Antoine	Representative
	First Citizens Investment Services Limited	Margaret Cox	Principal
		Alma Richardson	Principal
	P O Box 1294	David Gavery Gale Cumberbatch	Representative Representative
	John Compton Highway		
	Sans Souci, Castries	Nayeebah St. Prix	Representative
		Dominic Mauricette	Representative
	Tel: 758 450 2662		
	Website: www.firstcitizenstt.com/fcis		
	E-mail: invest@firstcitizensslu.com		
ST VINCENT AND THE GRENADINES	Bank of St Vincent and the Grenadines Ltd	Laurent Hadley Monifa Latham	Principal Principal
	P O Box 880 Cnr. Bedford and Grenville Streets Kingstown Tel: 784 457 1844 Fax: 784 456 2612/ 451 2589 Email: info@bosvg.com	Chez Quow Tabisha Joseph Patricia John	Representative Representative Representative

APPENDIX III: OUTSTANDING DEBT 2012 -2024(e)

	2020	2021	2022	2023	2024 (e)
	In EC$M unless stated otherwise				
Total Public Debt					
External Debt (incl. Gov't Guarantees)	1531.3	1643.4	1650.1	1751.0	1721.8
Domestic Debt (incl. Gov't Guarantees)	457.1	464.7	425.2	404.5	485.0
SoE Debt	514.3	567.2	548	526.3	537.0
Total Public Debt to GDP (%)					
External Debt to GDP	54.4	54.2	49.9	48.5	45.0
Domestic Debt to GDP	16.2	15.3	12.9	11.2	12.7
SoE Debt	18.3	18.7	16.6	14.6	14.0
Central Government Debt					
External Debt	1531.3	1639.7	1650.1	1751.0	1721.8
Domestic Debt	457.1	463.7	425.2	404.5	485.0
Central Government Debt to GDP (%)					
External Debt	54.4	54.2	50.7	48.5	45.0
Domestic Debt	16.2	15.3	13.1	11.2	12.7
Total Debt Service	**272.3**	**286.4**	**420.4**	**356.3**	**418.1**
External	121.6	128.1	153.5	142.3	175.0
Domestic	150.7	158.3	266.9	214.0	243.1
Memo Item: Nominal GDP (EC$M)	**2817.2**	**3030.0**	**3304.8**	**3608.3**	**3830.1**

APPENDIX IV: REAL GDP GROWTH RATES AND MEDIUM-TERM PROJECTIONS

	Actual	Actual	Actual	Est.	Est.	Est.	Forward Estimates		
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Agriculture, Livestock and Forestry	-3.6	-15.0	15.0	-22.5	-25.3	-20.3	2.9	2.2	3.0
Fishing	2.0	-13.0	17.6	0.0	-4.0	-6.4	1.8	2.8	3.9
Mining & Quarrying	5.0	-8.0	18.8	11.0	-27.0	5.0	4.3	4.1	4.5
Manufacturing	3.2	-10.2	11.1	8.3	12.0	5.9	4.8	5.2	5.5
Electricity & Water	3.2	-6.4	-0.8	6.7	4.3	6.6	3.4	4.7	5.5
Construction	-3.6	-20.5	25.7	25.5	-11.7	2.7	9.3	7.3	6.6
Wholesale & Retail Trade	1.8	-15.4	6.5	0.1	17.2	5.4	5.2	4.8	3.5
Hotels & Restaurants	4.1	-68.2	37.6	60.9	19.3	9.8	5.7	5.1	4.0
Transport, Storage & Communications	0.5	-25.6	-8.5	16.5	11.8	7.8	6.1	4.9	4.0
Financial Intermediation	2.9	4.3	4.1	4.5	6.4	4.6	5.0	4.8	4.8
Real Estate, Renting and Business Activities	1.5	-7.0	0.8	3.4	2.6	2.7	3.1	3.8	4.9
Public Administration	-0.8	-2.0	0.1	3.5	-2.3	2.7	2.2	2.3	2.1
Education	4.2	-0.3	1.7	-4.1	3.6	1.4	1.5	1.6	1.6
Health and Social Work	-3.8	-1.7	2.4	2.7	1.5	1.1	2.9	3.1	3.1
Other Community, Social & Personal Services	1.6	-11.4	1.2	1.0	-5.9	1.3	0.2	0.6	0.4
Activities of Private Households as Employers	0.6	-4.3	0.0	1.1	1.9	0.8	0.9	0.9	1.1
Real Gross Value added (not GDP)	1.2	-13.7	5.2	6.2	2.8	3.4	4.4	4.2	4.0
Real Gross Domestic Product	0.7	-13.8	4.7	7.3	4.5	3.7	4.1	4.5	4.0
Nominal GDP	4.0	-14.0	7.6	9.1	9.2	6.1	6.1	6.6	5.9
Nominal GDP (EC$ Millions)	3276.4	2817.2	3030.0	3304.8	3608.3	3830.1	4061.8	4329.0	4584.1

Source: ECCB & MoF