MEDIUM-TERM ECONOMIC AND FISCAL STRATEGY REPORT

2025-2027

PRODUCT OF THE MINISTRY OF FINANCE
GRENADA

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EXECUTIVE SUMMARY

The **Medium-Term Economic and Fiscal Strategy Report** provides a comprehensive framework integrating Grenada's macroeconomic context, medium-term outlook, strategic priorities, fiscal objectives, and associated risks. It serves as the foundation for the 2025 National Budget and outlines the fiscal strategies for 2026 and 2027, aligning with the Government's vision for resilient, sustainable, and inclusive development.

Despite ongoing global and regional disruptions, Grenada's macroeconomic prospects remain broadly favourable. The economy has demonstrated remarkable resilience in the face of Hurricane Beryl, the COVID-19 pandemic, the war in Ukraine, and the Israeli-Palestinian conflict. Prudent fiscal and monetary policies have sustained recovery and stability, reinforcing the country's adaptability to external shocks.

For 2024, real GDP growth is estimated at 3.7%, driven by robust performances in Tourism, Construction, Wholesale & Retail Trade, Manufacturing, and Transport. Inflationary pressures have begun to ease, and public debt continues its downward trajectory. However, the impact of Hurricane Beryl has heightened infrastructural development needs, leading to a temporary weakening in the fiscal position. In response, the fiscal rules will be suspended to facilitate recovery efforts. Despite these necessary measures, Grenada's financial sector remains stable and resilient, continuing to serve as a cornerstone of economic strength.

The Government's Medium-Term Action Plan is focused on stimulating economic activity, creating sustainable jobs, and fostering transformational development. The strategy prioritizes resilience and inclusivity, balancing growth-oriented investments with fiscal and debt sustainability. To achieve these goals, the fiscal stance over the medium term will be moderately expansionary, aimed at closing projected deficits while increasing strategic capital investments.

Key fiscal projections include:

- **Primary Balance** *(in percent of GDP):* **2025**: (5.1) percent, **2026**: (0.6) percent, **2027**: 3.9 percent
- **Public sector debt** declining from 71.4 percent of GDP in 2025 to 65.2 percent in 2027.

While the medium-term outlook remains positive, significant risks persist, including external shocks, climate vulnerabilities, and global economic uncertainties. These factors could challenge public finances and hinder the successful implementation of strategic programs. The report outlines targeted risk mitigation strategies to safeguard fiscal stability, ensuring Grenada remains on a sustainable path to long-term resilience and growth.

1. INTRODUCTION

The Medium-Term Economic and Fiscal Strategy Report (MTEFSR) is the Government of Grenada's principal macroeconomic and fiscal planning document, providing the strategic framework for the 2025 Budget and fiscal projections for 2026 and 2027. The MTEFSR is designed to ensure that the Government's spending priorities are fully aligned with fiscal forecasts, emphasizing sustainable development, the recovery from the impacts of Hurricane Beryl, and the advancement of the nation's transformational agenda.

Prepared in accordance with Section 12A of the Public Finance Management Act No. 17 of 2015, as amended, the MTEFSR consolidates key elements of the Government's economic vision and strategies. It delivers a comprehensive and coherent approach to macroeconomic and fiscal policy, offering detailed insights into the macroeconomic context and medium-term outlook. This includes a rigorous analysis of Grenada's economic performance during the first half of 2024, coupled with forward-looking projections that identify key assumptions and potential risks over the 2025–2027 period. The report further establishes strategic fiscal policy objectives, underpinned by a Medium-Term Fiscal Framework (MTFF), which defines critical fiscal parameters such as expenditure ceilings, revenue forecasts, and debt sustainability thresholds.

Central to the MTEFSR is the integration of the Government's strategic priorities, which are focused on balancing immediate recovery efforts with long-term sustainable development goals. The report explicitly connects national planning instruments, such as the Medium-Term Action Plan (MTAP) 2023–2025 and the National Sustainable Development Plan 2020–2035, to the budgetary process. It also paves the way for a revised MTAP for 2025–2027, ensuring that medium-term actions remain aligned with broader economic and fiscal objectives.

The MTEFSR reflects the Government's commitment to resilience and sustainability by addressing fiscal and economic risks through targeted mitigation strategies. In doing so, it aligns the overarching fiscal goals with measurable and enforceable fiscal rules, fostering transparency and accountability in public financial management. These efforts are further strengthened by the provisions of the Fiscal Resilience Act of 2023, which came into effect on January 1, 2024, replacing the Fiscal Responsibility Act of 2015. This legislative framework reinforces macro-fiscal stability, enabling the Government to pursue recovery and revitalization while maintaining fiscal discipline.

In framing its macro-fiscal objectives for 2025 and the forward years, the MTEFSR prioritizes recovery efforts and the revitalization of industries affected by Hurricane Beryl. These priorities are grounded in the broader objectives of transformation, resilience, and sustainable development. The strategy ensures that critical investments are made to enable economic recovery and structural transformation, while targeted fiscal policies safeguard long-term debt sustainability.

The MTEFSR embodies a carefully calibrated approach to fiscal planning, striking a necessary balance between strategic investments and fiscal responsibility. By aligning national priorities with robust macro-fiscal strategies, the report underscores the Government's unwavering commitment to economic resilience, sustainable growth, and the well-being of all Grenadians. Through this framework, the Government aims to build a foundation for sustained development and transformation, ensuring that Grenada remains on a path of fiscal stability and economic progress.

The report is laid out as follows:

Section 1: Macroeconomic Context and Medium-term Outlook.

Section 2: Medium-term Fiscal Policy Objectives and Forecasts.

Section 3: The Strategic Priorities for Fiscal Year 2025.

Section 4: Compliance with the Fiscal Resilience Act.

Section 5: Fiscal Risk Management.

Section 6: Statement of Responsibility.

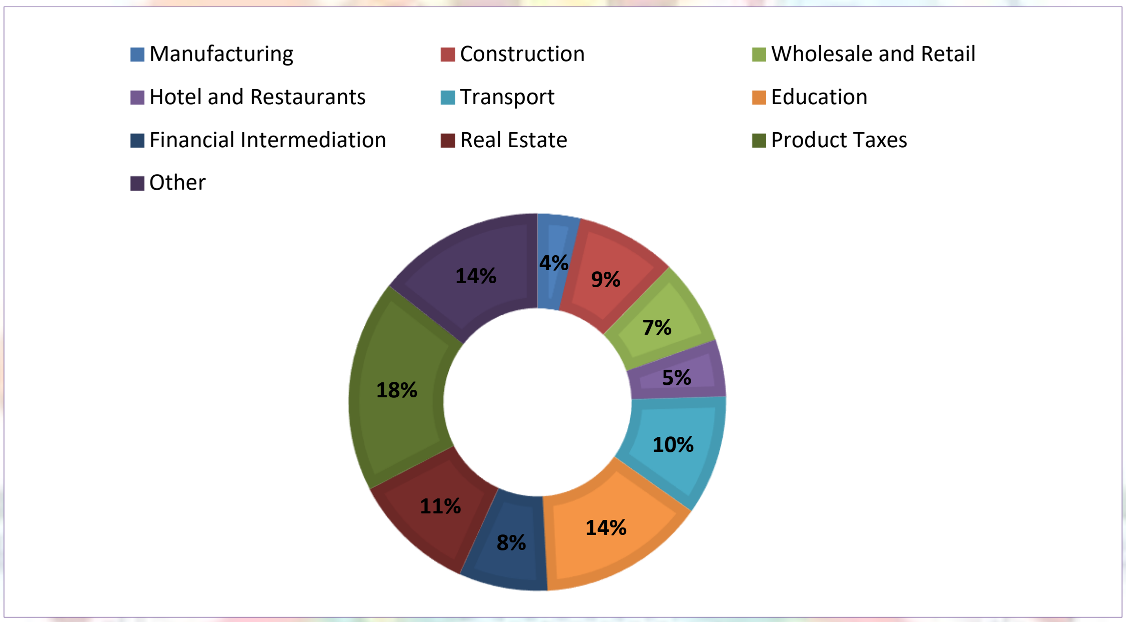
2. MACROECONOMIC AND SOCIAL CONTEXT

2.1 Real Sector

The resilience of the Grenadian economy relies heavily on the contributions of key stakeholders across various sectors. By focusing on enhancing production, refining tourism offerings, exploring new export markets, and implementing fiscal policies designed to withstand external shocks, Grenada is well-positioned for sustained economic growth and development.

The tourism industry remains the fastest-growing sector, driving economic expansion in 2024. Its growth creates significant ripple effects across other sectors, including transportation (air, sea, and land), wholesale and retail, construction—particularly through major hotel projects with substantial economic impacts and, manufacturing. This interconnected growth underscores tourism's central role in the broader economic landscape. Private Education also plays a significant role in the Grenadian economy with the influx of students from St. George's University contributing significantly to the sectors listed above as well as the real estate sector. Government's fiscal position also play a key role in driving economic growth. Figure 1 illustrates the contribution of key sectors to the real GDP performance in 2024.

Figure 1 - Sectoral Contribution to 2024 Real GDP



While the economy shows promising growth prospects, challenges remain that could affect its overall performance. Limited data availability deters precise evaluations of sectoral performances, potentially slowing the development of targeted policies. Additionally, climate related hazards pose severe risks, that may cause, widespread damage to livelihoods, prolonged recovery periods, and significant strain on public finances. External shocks further compound these vulnerabilities through supply chains disruptions among others, delaying goods and services, and impacting business operations.

Despite these challenges, government-led resilience initiatives and recovery efforts following Hurricane Beryl, combined with meaningful and timely fiscal policies, have significantly improved economic prospects. As a result, real GDP is estimated to have grown by 3.7 percent in 2024, clearly reflecting the positive impacts of recovery processes and relief measures. A detailed analysis of these economic sectors follows.

2.1.1 Agriculture & Fishing

Agriculture

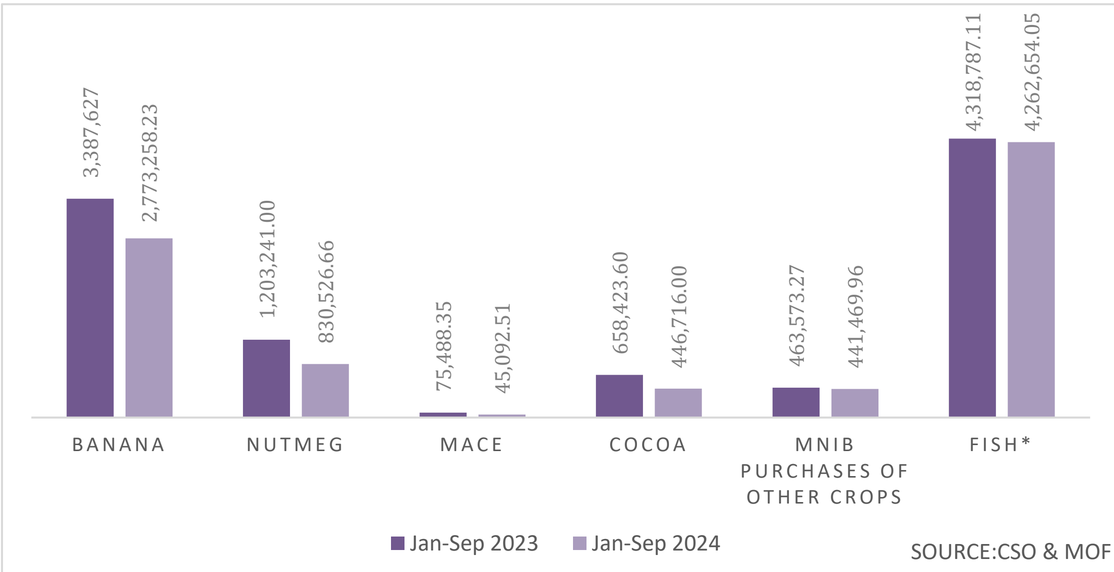
Notwithstanding the ongoing challenges with obtaining agricultural data for some crops (vegetables, root crops, etc.), the available information reveals a predominantly unfavorable performance of the agriculture sector during the first nine months of 2024.

Banana production and MNIB’s purchases of other crops declined by 18.1 and 4.8 percent, respectively, during the review period. Nutmeg, mace, and cocoa production also declined by 31.0, 40.3, and 32.2 percent, respectively, during this time. Production and export levels for these key commodities have been severely impacted by labor shortages within the industry, unfavorable weather patterns, high costs of raw materials, and limited to no access roads leading to farmlands. These issues continue to hinder the full growth potential of these crops and, by extension, the entire sector. However, several measures were implemented by the Ministry of Agriculture to mitigate these challenges.

Following the devastation caused by Hurricane Beryl in July 2024 and the significant damage to cocoa, nutmeg, bananas, vegetables, and other economic tree crops, further declines are expected in the latter part of the year. The losses sustained from this tropical cyclone have led to shortages of various crops, forcing a significant portion of whole food retailers and farmers to rely on imports to meet local demand.

To kickstart the recovery process, the government has provided financial relief and other economic support to farmers affected by this event. Through these initiatives, the expectation is that the sector will return to some level of normalcy in the medium term. One such initiative includes the rehabilitation and replanting of 150 acres of nutmeg and other spices under the World Bank-Government of Grenada food security project. As part of this effort, nutmeg farmers will receive income support for land clearing, as well as access to planting materials, fertilizers, and technical assistance.

Figure 2 - Production in Agriculture and Fishing



Fishing

It is estimated that fish production will decline by 1.3 percent during the first nine months of 2024 compared to the same period in 2023. This projection accounts for the severe damage sustained by fishing vessels, particularly in northern Grenada and the islands of Carriacou and Petite Martinique, following Hurricane Beryl in July 2024.

In response to this crisis, the government has provided financial support to fisherfolk to assist with rebuilding and repairing their fishing vessels, while also encouraging them to secure insurance for their vessels. The resilience of the sector will largely depend on how quickly fisherfolk can resume operations, with insurance playing a critical role in their recovery. By the end of 2024, the fishing industry is expected to decline by 6.4 percent, with a modest 1.9 percent growth projected for 2025 as fishermen continue to benefit from government support.

2.1.2 Construction

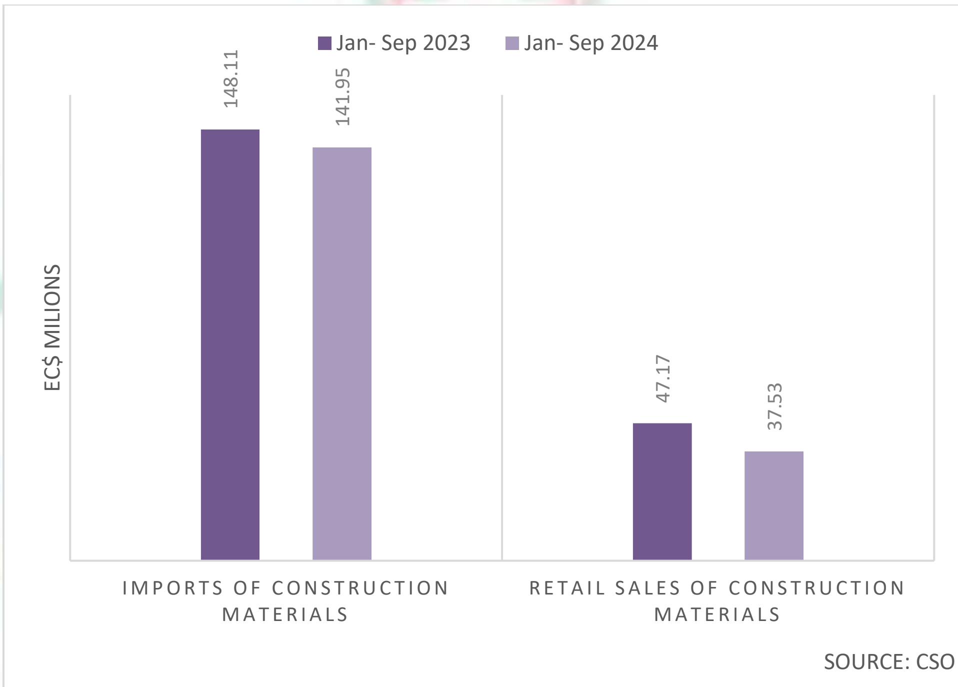
On account of the completion of major private (Six Senses and Silversands Beach House) and public sector projects, the construction sector recorded declines in the first nine months of 2024 compared to the same period in 2023. The value of the importation of construction materials declined by 4.2 percent and the retail sales of construction materials declined by 20.4 percent.

In the last quarter of 2024, construction activity is expected to increase due to a rise in construction imports for the rebuilding of private and public structures on the islands of Carriacou and Petite Martinique after Hurricane Beryl. A conservative growth of 2.7 percent is projected by the end of 2024.

The expansionary fiscal measures implemented by the government in August 2024 as well as the "Build Back Better Project" will serve as a catalyst for increased imports and construction activity, driving growth in this sector. In the last quarter of 2024 approximately 12 homes were under construction (3 homes were delivered in Carriacou as at 26th February 2024) and several prefabricated homes are being installed (27 prefabricated homes delivered as at February 26th 2024).

While the rebuilding process presents a positive outlook for this sector, significant growth is expected primarily in 2025 (9.3 percent) and over the medium term. To date, the government has received material support to aid in the reconstruction of damaged public and private infrastructure. However, limited labour resources and material shortages pose significant risks to the sector in the short term.

Figure 3- Construction Indicators



2.1.3 Tourism

The period from January to September 2024 saw significant growth in Grenada's tourism industry. Stayover arrivals increased by 14.9 percent compared to 2023, with growth recorded across all of Grenada's main tourist markets. This favourable performance was fuelled by a range of impactful events, including the 50th Anniversary of Independence Celebrations, the 2024 CARIFTA Games, and the 2024 Carnival Season, all of which significantly boosted tourist arrivals during the period.

In addition to these key events, the tourism sector also benefited from notable developments, such as the opening of two major hotels, Silver Sands Beach House and Six Senses Resort, which expanded the island's hotel room stock. Furthermore, increased airlift capacity contributed to the sector's robust performance, with results surpassing both the previous year and pre-COVID levels.

Table 1 - January-September Stayover Arrivals

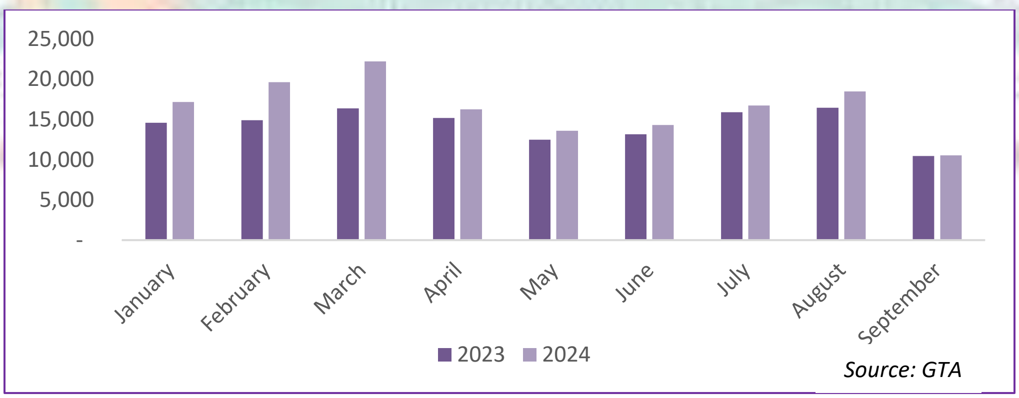
Visitor Arrivals	Jan-Sep 2023	Jan-Sep 2024	% Change
United States	**70,337**	**81,027**	**15.2**
Europe	4,592	5,093	10.9
United Kingdom	19,582	21,585	10.2
Canada	11,972	14,296	19.4
Caribbean	19,728	22,803	15.6
Other	3,207	3,916	22.1
Total Stayover Arrivals	129,418	148,720	14.9
Cruise Passengers	198,896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

On the other hand, cruise passenger arrivals declined slightly by 1.6 percent during the same period. However, a positive outlook is anticipated for the cruise industry, with an expected 8 percent increase in cruise calls for the 2024-2025 cruise season (rising from 184 calls in 2023 to 199 calls). Among these, the cruise ship "Arvia" will make 10 calls to Grenada, each carrying up to 5,200 passengers and approximately 1,800 crew members.

The economic impact of cruise tourism remains contingent on passenger disembarkation rates and participation in local tours and attractions. Encouragingly, the disembarkation rate rose from 60 percent to 89 percent, reflecting greater engagement with Grenada's offerings. Additionally, increased tourist attractions and experiences have driven the per-visitor spend up from $50 to $76.

Overall, Grenada's tourism sector has shown remarkable resilience and growth, with promising prospects for both the stayover and cruise markets.

Figure 4 - January to September Monthly Stayover Arrivals (2024 vs 2023)



The tourism sector is poised for further growth as the government remains steadfast in its commitment to fostering development and creating opportunities for the industry to thrive. Several key developments are set to boost this sector:

Increased Seasonal Flights:

Starting December 15th, 2024, WestJet, Canada's second-largest airline, has introduced additional seasonal flights to Grenada, operating on Sundays in its initial phase during the period December 2024 to April 2025. This service aims to meet the growing demand from Canadian travellers.

Increased Flight Routes

On December 1st, 2024, InterCaribbean Airways launched a direct flight between Guyana and Grenada, which is expected to further enhance regional connectivity.

Introduction of Homeporting with Star Clipper:

For the 2024-2025 cruise season, the cruise ship Star Clipper will begin homeporting in Grenada, a development that marks a significant milestone for the industry. With a capacity of 227 passengers and over 100 crew members, this initiative presents a unique opportunity to boost visitor engagement and stimulate economic activity. Passengers will arrive in Grenada to board the ship and embark on 7- or 14-day itineraries, further integrating the island into the regional cruise circuit and enhancing its profile as a premier travel destination.

Growth in Air Tourism:

On December 1st, 2024, Dowden's Aviation Inc. launched helicopter tours, marking a new chapter in Grenada's air tourism offerings. The helicopter fleet will grow to three by 2025, with plans to introduce additional services, such as skydiving, to further diversify the tourist experience in Grenada.

While these advancements present a positive outlook for the tourism industry, several risks could impact its growth trajectory. Challenges such as labour shortages, geopolitical tensions, inflation, and the effects of climate change remain pressing concerns. The adverse impacts of Hurricane Beryl in July 2024 and subsequent extreme rainfall events, which has caused landslides and flooding, highlight the vulnerability of Grenada's economy. These climate-related challenges affect not only tourism but also other critical supportive sectors, such as agriculture.

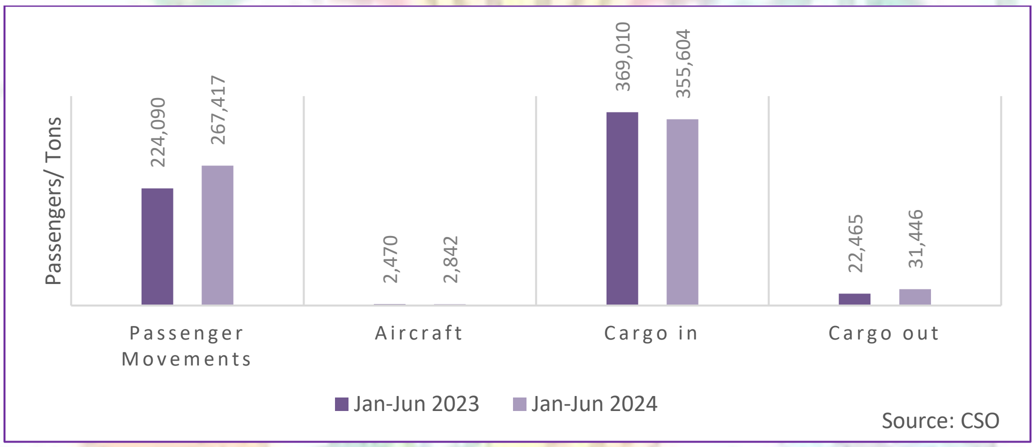
To sustain growth and mitigate these risks, the government has prioritized disaster risk management and adopt proactive measures to enhance the sector's resilience. With these developments and measures in mind, growth rates of 9.8 percent in 2024 and 5.7 percent in 2025 are projected for the tourism sector.

2.1.4 Transport and Storage

Growth within the transport sector remains strong, owing to the increase in passenger, aircraft and cargo movements. Data for the first nine months of 2024, depicts growth in passenger movements of 14.1 percent and aircraft movement of 13.1 percent comparable to the same period in 2023. The tons of Cargo which left the country during those months, increased by about 8.8 percent, whereas Cargo entering the country declined slightly by 6.0 percent.

The increased activity within this sector is consistent with activity within the tourism sector. The growth in the number of flights offered by airlines and the high influx of tourist on island is evidence of this growth in the transport sector. This trend will likely continue in the latter quarter of 2024 following the increase in air and sea traffic in the wake of the aftermath of hurricane Beryl. Overall, growths of 7.8 and 6.1 are estimated for the years 2024 and 2025.

Figure 5 - Passenger and Cargo Movements



2.1.5 Wholesale and Retail Trade

A decline of 0.8 percent in the retail sales of all goods, were recorded during the first nine months of 2024 compared to the previous year. The decrease in the retail sales of building materials of 20.4 percent, is consistent with the decline seen in the construction sector during those months as many of the major projects were completed. An increase of 5.4 percent in the retail sales of goods (not including building materials) was realized for that period.

The underperformance of this sector during the first nine months of 2024, as reflected in the available data, is expected to improve in the latter quarter of the year. This rebound will likely be driven by an increased demand for relief items, such as non-perishable goods and toiletries, following the devastation caused by Hurricane Beryl in Carriacou and Petite Martinique.

Figure 6 - Retail Sales

Additionally, a rise in the food import bill is anticipated due to the shortage of agricultural products in the aftermath of the hurricane. The demand for household items, vehicle parts, and building materials is also projected to grow significantly as residents of the affected islands work to recover and rebuild.

By the end of 2024, the sector is expected to achieve a 5.4 percent growth rate, with a further 5.2 percent increase projected for 2025, reflecting a gradual recovery and increased economic activity in response to rebuilding efforts.

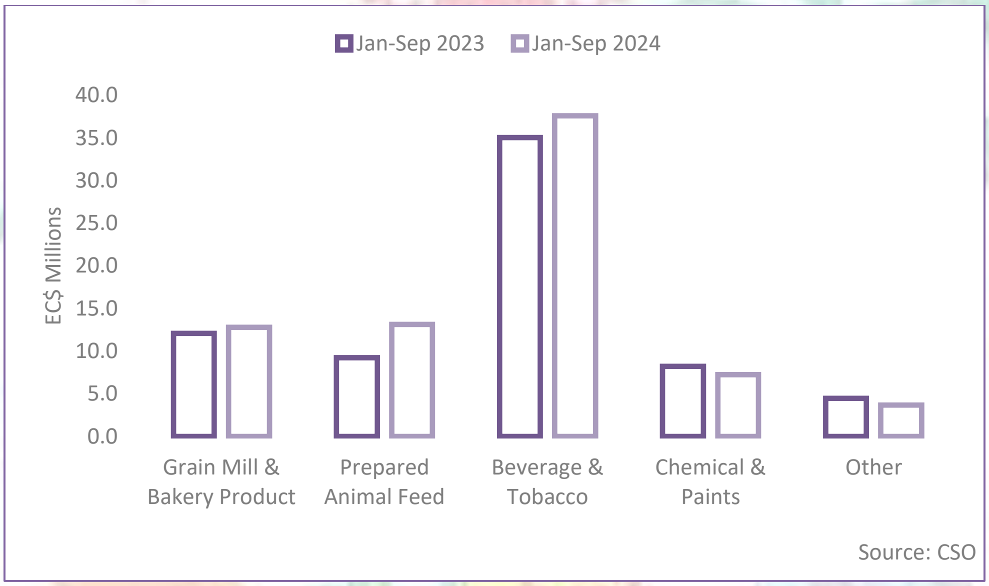
2.1.6 Manufacturing

The manufacturing sector continues to record promising growth driven mainly by local demand. For the first nine months of 2024 compared to 2023, industrial production grew by 7.9 percent. The strongest performing commodity was the production of prepared animal feed, which grew by 42.4 percent signalling increased demand within the livestock sector during those months. The production of Grain Mill & Bakery Products increased by 6.0 percent during the months of January to September 2024 showcasing a growing demand for bread, pastries and other confectioneries. Additionally, the production of beverages increased by 7.3 percent. On the downside, declines of 11.5 percent and 17.4 percent was recorded for the production of chemicals and paints and other items such as toilet paper etc.

This sector has been performing exceptionally over the past few years pre and post Covid-19 and this trend is likely to continue in the medium term. Over the years, there have been increases in locally produced products such as juices, jams, and other Agro-processing products. 2024 saw an increase in manufactured products such as graphic design and printing, candles and art and craft pieces, jewellery making, wet wipes, woodwork operations, organic skin and hair products, honey production, therapeutic products, pain relieving products, and much more. These new developments points to a growing interest in entrepreneurship among Grenadians.

Nevertheless, external risks (such as trade disruptions and increased cost of raw materials) could hinder the operation of these organizations which are mostly operating on a small scale. While the growth in manufacturing is evident in the local market, it is yet to have an impact on Grenada's trade balance as most of these products are sold locally. However, opportunity exists for Grenada to improve its exporting capabilities whilst adhering to international standards of trade. Based on the strong nine months performance and new manufacturing developments, this sector is projected to grow by 5.9 percent in 2024 and 4.8 percent in 2025.

Figure 7 - Industrial Production



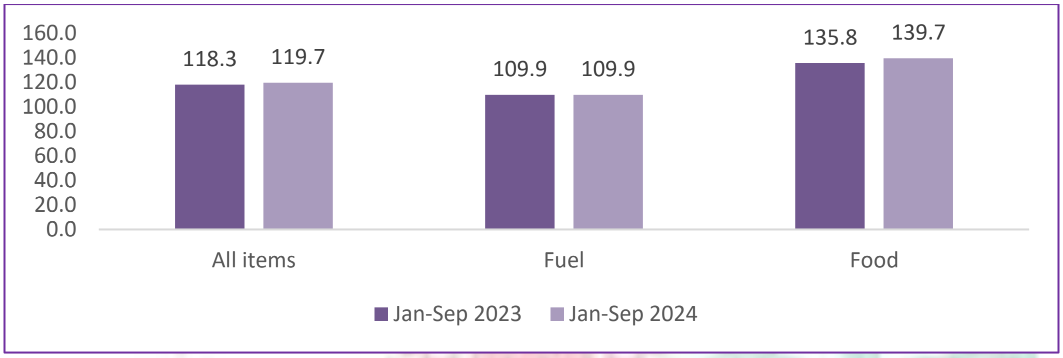
2.1.7 Private Education

Private education has been a key contributor to the economic development of Grenada over the past few years with the exception of 2018 and 2022 where declines were recorded. The presence of foreign students on the island, has had positive influences on several economic sectors (e.g. tourism, real estate, wholesale and retail) and also encourages foreign exchange. Growth in student enrolment at the St. George's University has been evident over the past few years especially within the Veterinary programs. Overall, private education is expected to grow by 1.3 percent in 2024 and 1.4 percent in 2024 which contributes to about 11.5 percent to Grenada's GDP in 2024.

2.1.8 Inflation

Period average inflation for January to September 2024, compared to the same period in 2023, indicates a 1.2 percent increase in the consumer price index (CPI) for all items. Within this, food inflation averaged 2.9 percent, while fuel inflation recorded a slight decline of 0.03 percent.

Figure 8 - Consumer Price Index (9-month average)



On a year-by-year basis, Grenada's inflation rate at the end of September 2024 compared to September 2023, was 0.7 percent for all items. Food inflation was 1.8 and fuel inflation was -0.3 percent. While globally, inflation is on a decline, uncertainty still exists in some of Grenada's main trading partners such as the United States where possible tariff implementation could raise the price of goods. Period average inflation for 2024 and 2025 are estimated at 1.1 and 0.7 percent respectively.

Table 2 - 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

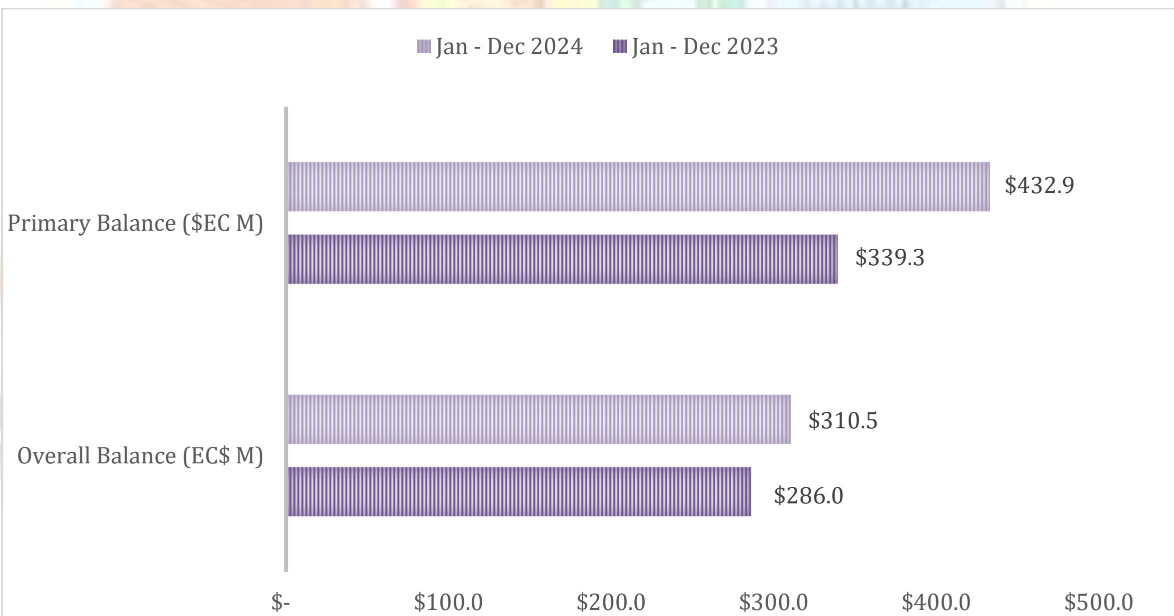
3. Central Government's Fiscal Operations

Grenada's fiscal position strengthened significantly from January to December 2024, supported by robust collections across all revenue types. The Inland Revenue Division's effective implementation of compliance strategies played a pivotal role, complemented by; substantial receipts from the Investment Migration Agency (IMA) Programme, strong performance from the Customs and Excise Division, and relatively vibrant economic activity. These factors collectively buoyed government revenues, enabling notable improvements in key fiscal metrics.

The Primary Balance, including grants, reached EC$ 432.9 million (a 27.6 percent increase) during the period January to December 2024, on account of higher-than-expected IMA inflows and a $118.0 million payment from the Caribbean Catastrophic Risk Insurance Facility (CCRIF) in July 2024 following the passage of Hurricane Beryl.

The Overall Balance, including grants, however, improved by EC$ 24.4 million year-on-year, from EC$ 286.0 million in 2023 to EC$ 310.5 million in 2024. This improvement was as a result of increased tax and non-tax revenue despite the higher capital expenditures associated with post-Hurricane Beryl recovery efforts, including infrastructure rehabilitation, social support programs, and emergency response measures.

Figure 9 - Primary and Overall Balance after Grants, 2023 vs 2024 (Jan-Dec)



Source: Ministry of Finance

From January to December 2024, total revenue and grants amounted to $1,687.8 million (***Total Revenue***- $1,646.9 million; ***Grants***- $40.9 million), a 27.8 percent increase compared to the same period in 2023, driven by strong performances in both tax and non-tax revenues.

Table 3 - Total Revenue and Grants, 2023 vs 2024 (January-December)

	2023	2024	Variance	
	January - December			
	$M	$M	$M	%
Total Revenue and Grants	**1320.4**	**1687.8**	**367.4**	**27.8%**
Total Revenue	**1302.2**	**1646.9**	**344.7**	**26.5%**
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**	**756.3**	**302.2**	**66.5%**
o/w IMA Revenues	381.6	553.7	172.1	45.1%
Total Grants	**18.2**	**40.9**	**22.7**	**125.2%**

Source: Ministry of Finance

Tax revenue rose by 5.0 percent, with notable growth in key categories, such as taxes on income and profit, which increased by 16.5 percent. Taxes on international transactions grew by 3.7 percent despite the implementation of additional fiscal relief measures in the latter half of the year, while taxes on domestic transactions recorded modest growth of 0.6 percent. Additionally, property tax revenue declined by 6.8 percent due to the normalization of property tax collections following the amnesty offered in 2023.

Non-tax revenue surged by 66.5 percent, driven by collections from the Investment Migration Agency (IMA), formerly known as the Citizenship by Investment (CBI) Unit, and the extraordinary receipt of a $118.0 million payout from the Caribbean Catastrophe Risk Insurance Facility. IMA revenues for 2024 increased by 45.1 percent, accounting for 73.0 percent of non-tax revenue.

The marked improvement in IMA receipts was primarily driven by the completion of processing backlog applications, the implementation of targeted marketing strategies, and the reinforcement of internal policies that reduced application turnaround times. Additionally, the observed growth in IMA revenue reflects a change in the accounting treatment of "Other Related Fees," where fees received were previously netted against fees paid and recorded as revenue collections under “Other Related Fees.” This practice was revised to clearly distinguish the **receipt** of “Other related fees” under revenue and the **payment** of such fees under expenditure. While this change does not directly affect the fiscal balance, it represents a significant effort to enhance transparency and ensure greater consistency in the reporting of IMA-related income.

Tables 4 provides a comparison of the effects of these changes for both 2023 and 2024.

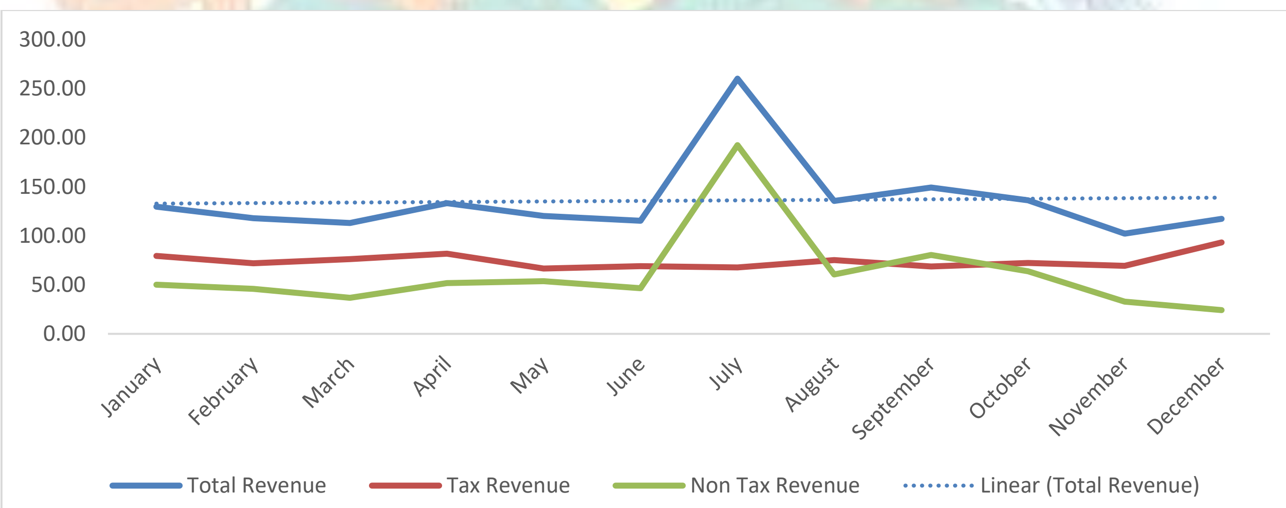
Table 4 - IMA Revenues 2023 and 2024: Old vs New Format

	2023		2024	
	Old Format	**New Format**	**Old Format**	**New Format**
	CBI Fees Net		*CBI Fees Net*	
Non-Tax Revenue Total	**454.1**	**530.8**	**657.1**	**756.3**
Economic Citizenship Programme	**381.6**	**458.3**	**473.0**	**553.7**
IMA Revenues	381.6	458.3	473.0	553.7
Contributions to NTF	197.8	197.8	347.6	347.6
Approved Projects - Government Contributions	135.3	135.3	162.2	162.2
Other IMA Related Fees	48.5	125.2	-36.8	43.9
IMA % of Total Non-Tax Revenue	*84%*	*86%*	*72%*	*73%*
Recurrent Expenditure		**76.7**		**80.7**
Economic Citizenship Programme		**76.7**		**80.7**
IMA Expenses		76.7		80.7

Source: Ministry of Finance

As evidenced above, although a suite of fiscal incentives[1] was introduced in late 2024 to support rebuilding and economic recovery after Hurricane Beryl, it did not hinder monthly tax revenue growth. Furthermore, as shown in the graph below, while non-tax revenue growth slowed in the latter part of 2024, the CCRIF payment in July helped offset the downturn, contributing to a strong overall fiscal position. As a result, total revenue surpassed the budgeted target by 4.3 percent, underscoring the resilience of Government's fiscal operations.

Figure 10 - Revenue Performance as a result of Fiscal Incentives Jan - Dec 2024



[1] These incentives included a 100 percent waiver on duties and taxes for select household imports, as well as exemptions from Value Added Tax (VAT) and Corporate Income Tax (CIT) for businesses affected by the hurricane, particularly in Carriacou and Petite Martinique.

From January to December 2024, Grenada's total expenditure increased by 33.2 percent compared to 2023, driven by both recurrent and capital expenditure increases. On the capital side, spending rose by 38.9 percent or $129.2 million year-on-year. This rise in capital expenditure reflects continued investments in the aftermath of Hurricane Beryl, particularly in infrastructure replacement.

Recurrent expenditure grew by 30.4 percent over the budgeted amount. This was largely due to the introduction of an IMA expenses line item of $80.7 million and interest payments to international bondholders of $78.4 million. Employee compensation grew by 12.6 percent, comprising an 12.4 percent increase in personal emoluments and a 16.6 percent increase in social contributions. These increases also reflect a 4 percent union-negotiated salary increase and ongoing human resource adjustments aligned with the Public Service Regularization Programme.

Table 5 - Total Expenditure, 2023 vs 2024 (January - December)

	2023	2024	Variance	
	January - December			
	$M	$M	$M	%
Total Expenditure	**1034.4**	**1377.3**	**343.0**	**33.2%**
Recurrent Expenditure	**702.3**	**915.9**	**213.8**	**30.4%**
Employee Compensation	**291.6**	**328.4**	**36.8**	**12.6%**
Personal Emoluments	274.8	308.8	34.0	12.4%
Social Contributions	16.8	19.6	2.8	16.6%
Goods and Services	141.7	203.8	62.1	43.8%
Interest Payments	53.3	122.4	69.1	129.5%
Current Transfers	215.6	261.3	45.7	21.2%
Capital Expenditure	**332.2**	**461.4**	**129.2**	**38.9%**

Based on the actual outturns from January to December 2024, Grenada's fiscal performance has outperformed the budgeted expectations, as outlined in Table 6. The total revenue and grants for 2024 amounted to EC$1,687.8 million, 27.7 percent above the budgeted figure of EC$1,321.4 million. Non-tax revenue performed significantly better than expected, with IMA revenues accounting for a large part of the positive variance, exceeding the budget by 97.3 percent. Tax revenues also showed moderate growth, particularly in taxes on income and taxes on property, which were above budget by 14.7 percent and 40.2 percent, respectively.

Total expenditure in 2024 was EC$1,377.3 million, 4.3 percent higher than the budgeted EC$1,320.8 million. Key drivers included higher-than-budgeted interest payments (up by 116.2 percent). Capital expenditure was also manageably higher than budgeted by 8.0 percent, which is modest excess expenditure considering the level of investments needed for rebuilding post-Beryl. Notably, a supplementary appropriation of EC$270.0 million was approved post-Beryl and, of which EC $238.6 million was designated for capital expenditure. This supplementary brought the total approved Capital Budget to EC $658.1 million for 2024. Of the supplementary capital amount, only EC $33.6 million was expended resulting in an actual variance of EC $196.7 million between the capital expenditure budget and outturns for the year.

The overall balance for 2024 showed a surplus of EC$310.5 million, a large positive variance from the budgeted surplus of EC$0.6 million. This positive performance was mainly driven by stronger-than-expected revenue, particularly non-tax revenue, and moderate capital expenditure. The primary balance (including grants) showed a surplus of EC$432.9 million, far exceeding the budgeted surplus of EC$57.2 million, reflecting the substantial positive variance in revenue, especially IMA revenues.

The fiscal performance in 2024, particularly in non-tax revenue and the prudent management of capital expenditure in the aftermath of Hurricane Beryl, contributed positively to the overall fiscal outcome. Strong revenue performance along with prudent capital spending, helped mitigate potential challenges posed by shortfalls in grants and higher interest payments.

Table 4 - Central Government's Actual 2024 Fiscal Performance

	2024			
	Actual Outturn	Budget	Variance	
	EC$M	EC$M	EC$M	%
Total Revenue & Grants	**1,687.8**	**1,321.4**	**366.4**	**27.7**
Total Revenue	**1,646.9**	**1,216.8**	**430.1**	**35.3**
Tax Revenue	**890.6**	**853.7**	**36.9**	**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	**756.3**	**363.1**	**393.2**	**108.3**
o/w IMA Revenues	553.7	280.7	273.0	97.3
Grants	**40.9**	**104.6**	**(63.7)**	**(60.9)**
Total Expenditure	**1,377.3**	**1,320.8**	**56.5**	**4.3**
Primary Expenditure	**1,254.9**	**1,264.3**	(9.4)	(0.7)
Current Expenditure	**915.9**	**901.3**	**14.6**	**1.6**
Employee compensation	328.3	373.8	(44.5)	(12.2)
o/w wages, salaries & allowances	308.8	354.7	(45.9)	(12.9)
Goods and Services	203.8	230.4	(26.6)	(11.5)
Interest Payments	122.4	56.6	65.8	116.2
Transfers	261.3	240.5	20.8	8.6
Capital Expenditure	**461.4**	**419.6**	**41.8**	**10.0**
o/w Grant financed	38.8	104.6	(65.8)	(62.9)
Overall balance	**310.5**	**0.6**	**309.8**	**52,856.0**
Primary balance (including grants)	**432.9**	**57.2**	**375.7**	**656.5**

Source: Ministry of Finance

3.1 Fiscal Operations of Statutory Bodies and State-owned Enterprises

As of the end of September 2024, the Ministry of Finance actively monitored 25 Statutory Bodies (SBs) and State-Owned Enterprises (SOEs)[2], excluding Petro Caribe Grenada[3] and the Marketing and National Importing Board (MNIB) which is presently undergoing restructuring.

An analysis of the consolidated unaudited financial statements for the third quarter of 2024 revealed notable improvements in financial performance compared to the same period in 2023. Revenues increased by 25.0 percent, rising from $372.4 million in 2023 to $466.5 million in 2024, indicating a significant boost in the financial capacity of these entities. Of this, government assistance contributions grew substantially by 69.7 percent, increasing from $18.8 million in 2023 to $31.9 million in 2024. Total expenditure also rose by 25.0 percent, climbing from $327.1 million in 2023 to $409.0 million in 2024, driven in part by a 28.8 percent growth in employee-related expenses, which increased from $70.3 million to $90.6 million. The increase in employee related expenses could be a result of the increase in the minimum wage in 2024. Despite the rise in expenditure, many entities continued to implement cost-saving measures, including reducing overtime, optimizing workforce allocation, and minimizing non-essential expenses. These efforts contributed to improved net surpluses, which increased by 26.9 percent, rising from $45.3 million in 2023 to $57.5 million in 2024, highlighting an overall positive financial trajectory for most SOEs and SBs.

Table 5 - SBs and SOEs Consolidated Fiscal Performance

Description	Jan -Sep 2023	Jan - Sep 2024	2024/2023
	in EC$ millions		% Change
Revenue	**372.4**	**466.5**	**25.3**
Of which, Government Assistance	*18.8*	*31.9*	*69.7*
Expenditure	**327.1**	**409.0**	**25.0**
Of which, Interest expenditure	*3.9*	*4.1*	*5.1*
Employee Related Expenditure	*70.3*	*90.6*	*28.8*
Surplus/ Deficit	**45.3**	**57.5**	**26.9**
Assets	**1,994.9**	**2,128.6**	**6.7**
Liabilities	**350.5**	**396.5**	**13.1**
Of which, Non- Guaranteed Debt	*150.6*	*163.0*	*8.2*
Equity	**1,644.4**	**1,732.1**	**5.3**

Source: Ministry of Finance

[2] Note that three (3) out of the 25 State-Owned Enterprises (SOEs) and Statutory Bodies (SBs) were unable to report for the period Jan-Sep 2024, which impacts the accuracy and completeness of the overall analysis of public entities presented in the report.

[3] This entity's operations is suspended pending further internal discussions; Debt obligations associated with Petro Caribe is captured in Table 7.

The total non-guaranteed debt increased by 8.2 percent compared to September 2023, from $150.6 million to $163.0 million. One of the larger entities acquired a property valued at $9 million as part of its strategy to establish a new headquarters aimed at reducing long-term operational costs. Entities with existing loans have been meeting their financial obligations to private lenders in a timely manner. The consolidated balance sheet as of September 2024 shows an increased asset base for SOEs and SBs of $2128.6 million, a 6.7 percent increase from the previous year's $1,994.9 million. Concomitantly, the combined equity positions of all public entities increased by 5.3 percent.

Despite these positive trends, in relation to reporting compliance, three entities failed to report their equity positions, and their absence is noted in the analysis. Continued monitoring and strategic interventions remain critical to sustaining the progress and addressing challenges, ensuring the financial health and operational efficiency of these public entities.

3.2 Public Sector Debt

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 71.4 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.

3.2.1 Central Government

At the end of December 2024, the Central Government's outstanding debt stood at EC$ 2,206.8 million, representing 57.6 percent of estimated nominal GDP, a slight increase from 56.9 percent in 2023. The rise in debt 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.

3.2.2 Non-Guaranteed State-Owned Enterprises

The non-guaranteed debt stock (loans) of Statutory Bodies and State-Owned Enterprises was EC$163.0 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. The inclusion of the debt owed by Petro Caribe ($372.1 million), will bring the total debt stock to EC$535.1 million which represents 14.0 percent of nominal GDP.

3.3 Financial Sector

Between January and June 2024, Grenada's financial sector exhibited remarkable resilience. Notably, the commercial banking sector saw moderate growth in liquidity and profitability, while credit unions reported positive trends in membership and asset base. Despite these successes, some areas, particularly capital adequacy, demand strategic oversight to maintain long-term stability.

3.3.1 Financial Soundness

The financial performance of the Banking Sector from June 2023 to June 2024 indicates a shift in key stability metrics. The decline in the Regulatory Capital to Risk-Weighted Assets ratio from 14.4 percent to 13.0 percent, alongside a sharper drop in Tier 1 Capital from 11.9 percent to 9.0 percent, signals a substantial erosion in financial buffers. This reduction weakens the system's capacity to absorb shocks, posing increased risks in the face of potential economic downturns or asset quality deterioration.

The reallocation of loan portfolios, marked by a decrease in loans to residents from 91.4 percent to 89.5 percent and an increase in non-resident loans from 8.6 percent to 10.5 percent, indicates a shift towards credit diversification. Concurrently, Claims on Non-Residents by our commercial banks increased from EC $1.9 billion in June 2023 to EC $2.2 billion in June 2024. While this strategy can open new growth opportunities by accessing international markets and reducing reliance on domestic demand, it also heightens vulnerability to external economic shocks. Increased exposure to foreign borrowers introduces greater risks related to global economic volatility, and currency fluctuations, potentially undermining financial stability if unmanaged.

Liquidity indicators have shown modest improvement, with Liquid Assets to Total Assets increasing from 49.6 percent to 50.5 percent, and Liquid Assets to Short-Term Liabilities rising from 55.9 percent to 56.4 percent. These increments suggest a slightly enhanced ability to meet short-term obligations. However, amid the post-Beryl economic climate and ongoing external risks, maintaining stronger liquidity positions remains critical.

Lastly, the sharp rise in the Net Open Position in Foreign Exchange to Capital from 183.4 percent to 247.6 percent underscores the need for comprehensive foreign exchange risk management practices and strategic diversification of assets.

Table 6 - 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

These evolving financial conditions highlight a nuanced balance between marginal gains in liquidity and growing risks in capital adequacy and foreign debt and calls for vigilant macroprudential oversight by GARFIN to safeguard financial stability in the face of shifting economic dynamics.

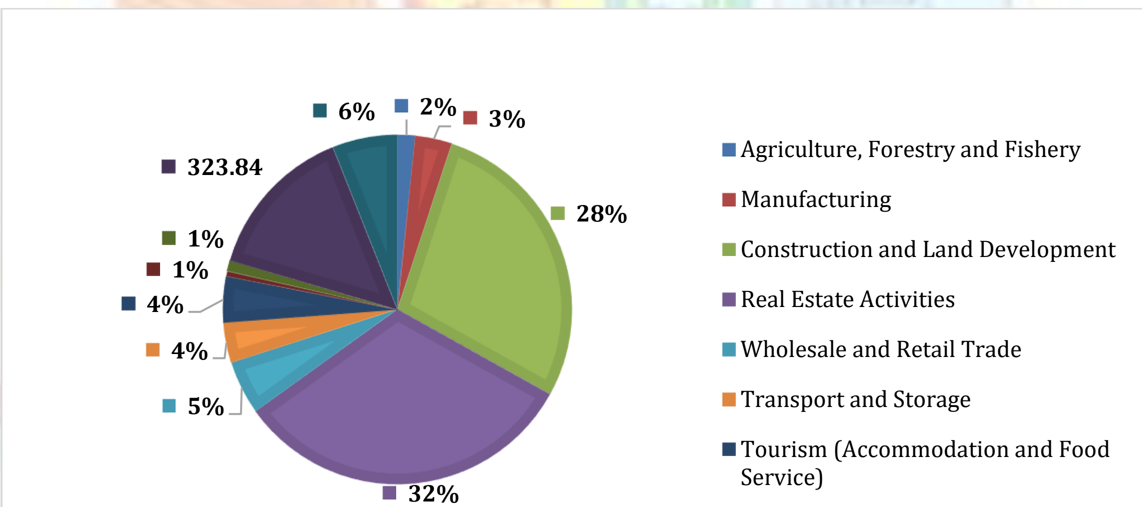
3.3.2 Performance of the Commercial Banking Sector

As of June 30, 2024, Grenada's commercial banking sector presents a diverse and competitive landscape, with total assets reaching EC $4.91 billion across three primary 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 held by commercial banks as of June were EC $4.2 billion and include EC $12.2 million from donations to the Government's Hurricane Beryl Relief account.

Approximately 50.2 percent of total deposits are lent out. The sector, therefore, reports a cumulative gross loan portfolio of EC $2.1 billion, with all banks exhibiting a strong liquid asset position averaging EC$2.3 billion in net liquid assets across the sector. Non-performing loans (NPLs) for commercial banks stood at 5.8 percent with a value of EC $72 million, an EC $10 million improvement from the NPLs at the end of June 2023.

Total loans disbursed by commercial banks increased by EC $187.6 million, year-on-year, to EC $2.2 billion between June 2023 and June 2024. The real estate and construction sector maintained the greatest demand for credit at EC $718.8 million and EC $629.1 million, respectively.

Figure 11 - Commercial Bank Loans by Sector



There was also a notable increase in loans for key sectors including agriculture and fishery, manufacturing, tourism and construction. However, credit demand for transport and storage, financial intermediation, and arts and entertainment saw a decline.

Table 9 - Commercial Bank 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**

Despite these mixed indicators, the commercial banking sector's overall performance demonstrates significant adherence to regulatory standards, solid risk management practices, and a favourable position to weather economic challenges.

3.3.3 Grenada Development Bank (GDB)

As of June 2024, GDB reported total assets of EC $115 million, a slight reduction from the EC $116 million reported in June 2023, with long-term assets making up a substantial EC $101 million. The bank's total liabilities improved, declining from EC $88 million in 2023 to EC $84 million in 2024, resulting in a stronger equity position of EC $30.9 million for Q2 2024. However, loan disbursements saw a significant 78.9 percent drop year-on-year, with just 56 loans disbursed, totalling EC $1.4 million. Housing (34 percent), Services (29 percent), and Education (18 percent) represented the largest shares of these disbursements.

Despite GDB's stable asset base, challenges were observed with loan performance and collections at the end of June. The non-performing loan ratio rose to 8.14 percent, exceeding the 5 percent target by 3.14 percentage points, while the collections ratio fell sharply from 91 percent in 2023 to 73 percent in 2024. This decline in loan recovery signals a need for strategic interventions to strengthen credit performance and collections, which are essential to ensure GDB continues fulfilling its role in supporting Grenada's economic development. Further, greater effort could be placed towards mobilising and co-ordinating available resources to finance industrial and agricultural projects, a key legislative mandate of the GDB. These sectors have consistently represented a smaller share of disbursements in 2023 and 2024 (less than 10 percent), highlighting the untapped growth potential for diversifying Grenada's economy.

3.3.4 Performance of the Non-Bank Financial Sector

Grenada's non-bank financial sector is showcasing remarkable resilience and financial strength, underpinned by robust risk management and consistent asset growth in the first half of 2024. With ten credit unions, twenty-five long-term insurance companies, and seven money services businesses, this sector operates under the vigilant supervision of the Grenada Authority for the Regulation of Financial Institutions (GARFIN). The dedication of these entities to adhere to regulatory standards is also notable, as it is crucial for preserving the stability and integrity of our financial system in a rapidly evolving economic landscape.

Credit Unions **–** The ten registered credit unions had a combined 88 thousand members at the end of the first half of 2024. They maintain a solid asset base of EC $1.5 billion, an EC $130 million increase from the previous year, with cash in hand and at bank approximating EC $160 million during both periods. Total deposits also increased by EC$ 77 million to EC $1.2 billion at the end of June 2024, while total loans increased by EC $107 million to EC $1.1 billion year-on-year. Despite the growth in deposits, loan issuances continue to grow at a larger rate resulting in a high loan-to-deposit ratio of roughly 90 percent. It will be crucial for credit unions to enhance liquidity risk management strategies to mitigate potential shortfalls.

Insurance Companies – The insurance sector displayed steady growth, with total assets increasing by 3 percent to EC$562 million between June 2023 and 2024. The sector is in a strong liquidity position, with ample assets to cover insurance liabilities, as demonstrated by an Asset to Liability Ratio of 1.86. The Equity to Total Assets ratio of 46.3 percent and the Retained Earnings to Total Equity Ratio of 51.5 percent also reflect healthy capital retention and financial stability within the sector. Gross Premium at the end of June 2024 was EC $55 million, with EC $20 million ceded to reinsurance. As of December 3, 2024, there are 14 licensed insurance companies operating within Grenada.

Pension Funds – The pension fund sector remains stable, with assets totalling EC $281 million as of June 2024, reflecting growth of EC $4.5 million growth since June 2023. The sector includes 50 registered pension plans, 46 of which are active. This continued growth in assets highlights the sector's capacity to support long-term financial security for retirees.

3.3.5 Financial Regulatory Developments

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.

3.4 External Sector

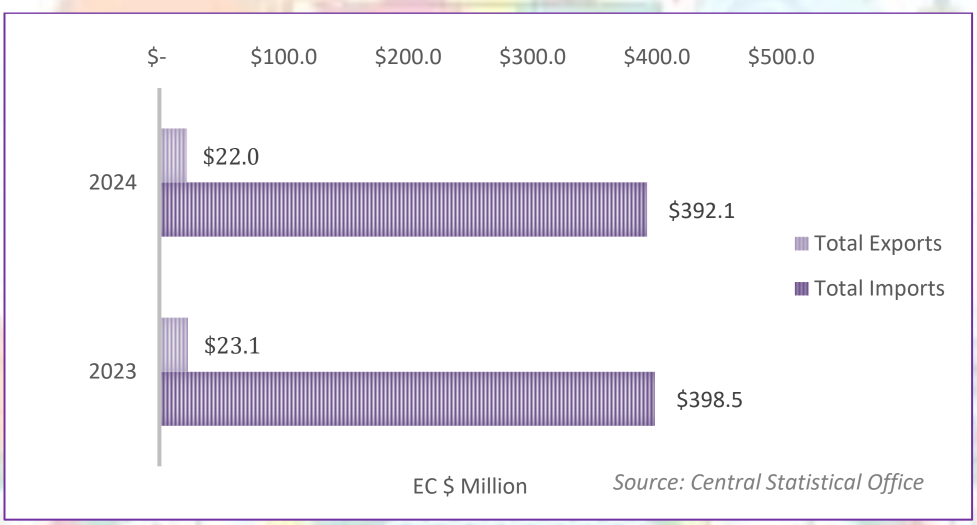
Grenada's external transactions with the rest of the world encompasses the import and export of goods and services, as well as the financial acquisition of assets and the incurrence of liabilities. This data is systematically recorded in the Balance of Payments (BoP) account, which is compiled by the Eastern Caribbean Central Bank. An analysis of the current account in 2024 reveals that the country's trade relationship remains negative, with imports exceeding exports, highlighting a persistent trade imbalance.

As of March 2024, Grenada's trade balance was EC$ (-370.1M). During this period, Grenada's total exports were EC$ 22.0M (a 4.8 percent reduction compared to the previous period) with domestic exports being EC$ 19.6M and re–exports of EC$ 2.4M. The value of total import however, remained above exports in the first quarter of 2024 soaring at EC$ 392.1M, which is a reduction from the same period in 2023.

3.4.1 Trade: Exports and Imports

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



In respect of Exports, it is of importance to note that in the first quarter 2024 Grenada's main export product, food, decreased tremendously (37.1 percent) compared to the same period in 2023. Conversely, beverages and tobacco, and machinery and transport equipment increased by 197.8 percent and 119.3 percent respectively in the first quarter of 2024.

Despite these trends, Grenada's greatest export good is still food products, with machinery & transport equipment exports steadily rising. However, with the trends in increased entrepreneurship, the future of Grenada's exports is set to increase in the upcoming years. Noticeably, the increase in manufactured products is foreseen to be a key factor of the predicted growth. Continued efforts must be made to grow a resilient economy to withstand external shocks such as Covid-19. Table 13 presents disaggregated data on total exports.

Table 70 - Value of Grenada's 2023 - 2024 Exports (Domestic & Re Exports)

SITC Sections	2023 (Jan – March)	2024 (Jan – March)	% change
	In EC $ million		
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	$ -	$ -	0
ANIMALS & VEGETABLE OILS, FATS & WAXES	$ -	$ -	0
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**	**(5.4)**

Table 12 below presents disaggregated data on total imports. The imported good which experienced the highest domestic demand in Q1 was machinery and transport equipment (12.3 percent). This increase in demand signals that there has been increased productivity in the economy with businesses requiring the use of more machinery and transport equipment.

Based on the Q1 2024 data from CSO, it has been noted that there were declines in several imported goods namely food (- 2 percent), beverages and tobacco (- 15.6 percent), and mineral fuel, lubricants and related materials (- 10.8 percent). On the contrary, Grenada's manufacturing sector experienced promising growth resulting in a 2.9 percent increase in the production of beverages which can account for the 15.6 percent reduction in imported beverages. Another key reason for this decline can be attributed to the implementation of the 2023 sweetened beverage tax.

Table 81 - Value of Grenada's 2024 and 2023 Imports (First Quarter)

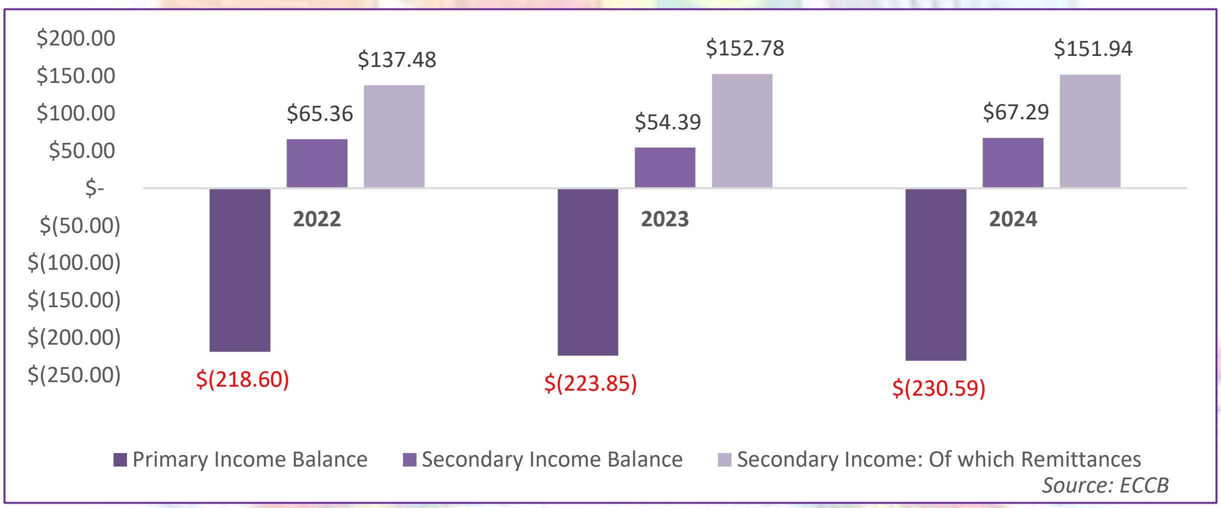
SITC Sections	2023 (Jan – Mar)	2024 (Jan – Mar)	% Change
	In EC $ million		
FOOD	81,573.2	79,921.3	(2.0)
BEVERAGES & TOBACCO	12,005.5	10,135	(15.6)
CRUDE MATERIALS, INEDIBLE, EXCEPT FUELS	10,170.7	10,607.7	4.3
MINERAL FUEL, LUBRICANTS & RELATED MATERIALS	86,111	76,793.7	(10.8)
ANIMALS & VEGETABLE OILS, FATS & WAXES	1,955.6	1,576.8	(19.4)
CHEMICALS & RELATED PRODUCTS, N.E.S	29,396.6	29,453.3	0.19
MANUFACTURED GOODS CLASSIFIED CHIEFLY BY MATERIAL	$ 61,863	58,787	(4.9)

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	(77.7)
TOTAL	**398,473.7**	**392,139.4**	**(1.6)**

3.4.2 Balance of Payment Account: Current Account

At present, Grenada's current account is projected to have a negative balance of EC$ -489.2M for 2024, with imported transactions exceeding exported transactions. The primary income balance [4] is estimated to be EC$ -230.6M according to ECCB. The net value for compensation of employees was EC$ -87.9M, given that non- residents within Grenada earned EC$ 100.3M and Grenada residents working abroad earned (EC$ 12.4M). This signals that there is more income outflow than income inflow in the economy. Conversely, the secondary income balance is projected to be EC$ 67.3M with net workers' remittances of EC$ 151.94M. This suggest that Grenada has a high inflow of remittances for workers working abroad.

Figure 11 - Grenada Current Account Data 2022-2024 (EC$M)



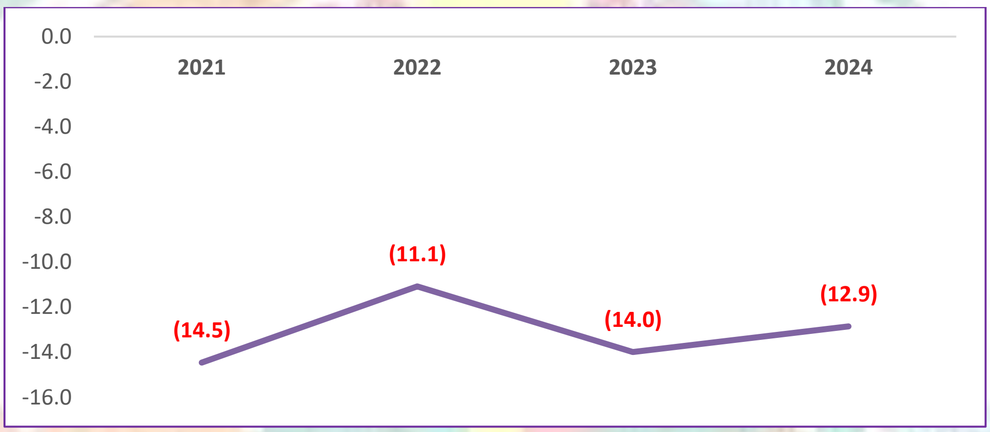
In contrast, Grenada's 2023 current account balance was EC$ -497.4M, 1.6 percent larger than 2024. The primary income balance for 2023 was 3.0 percent lower than 2024, at an amount of EC$ -223.8M. This suggest that income earned from Grenadian residents working abroad (compensation of employees) is slowly increasing resulting in an inflow of revenues (credits), this is negated however by the value of income earned by non-residents working in Grenada, EC$ 7.7M and EC$ 93.7M respectively. An important

[4] The Primary Income Balance comprises of international transactions such as compensation of employees, investment income, and portfolio investment income.

factor to consider can be the emergence of the CBI program and the implementation of the projects therein.

As shown in the graph above, the 2023 secondary income had a positive value, with a large portion of workers' remittances coming from inflow of credits. In fact, the 2024's secondary income balance surpassed 2023 by 23.7 percent. The 2022-2024 trend showcased in the graph above reveals that there is a need for more avenues for domestic investment in the country such as deepening investment in education to ensure individuals can capitalize on local employment opportunities. This is supported by the increase in work permits from the period of 2023-2024, of which the approvals grew in these specific industries; 10 percent in Construction, 84 percent in Hotel/Tourism/Catering and 39 percent in Marine/Yachting. Hence, domestic investment in education and employment opportunities is an urgent need to help combat the unfavourable external sector trends.

Figure 12: Grenada's Current Account Balance as a % of GDP - (2022-2024)

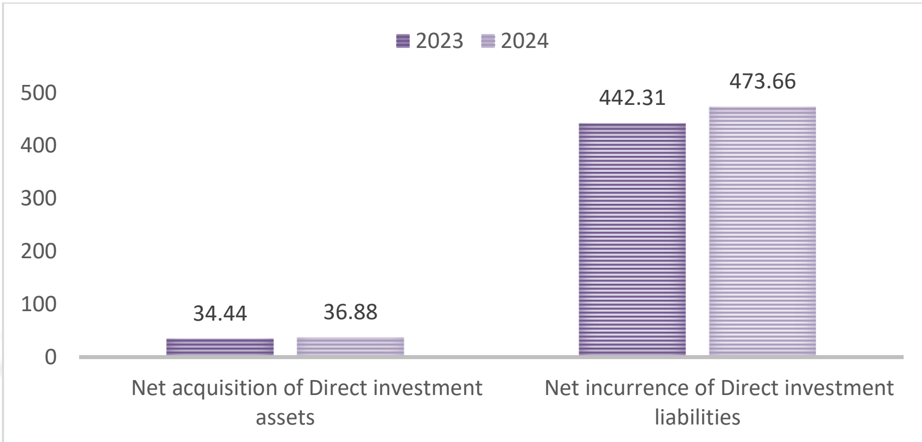


3.4.3 Balance of Payment Account: Financial Account

Grenada's financial account [5] is estimated to have a negative balance of EC$ 212.3M at the end of 2024. This shows that there is a greater incurrence of investment liabilities than the acquisition of investment assets. According to ECCB's 2024 published data, Grenada's direct investment will carry a negative balance indicating that Grenada is incurring more foreign liabilities than it is acquiring assets. Furthermore, the estimated values for Grenada's direct investment are as shown in the graph below.

[5] The Financial Account comprises transactions resulting in the change of ownership of financial assets and liabilities.

Figure 13: Grenada's Direct Investment Balance within the Financial Account (2023-2024) - EC$M



The portfolio investment [6] is projected to be EC$ 141.4M at the end of 2024, a tremendous decline of 56.6 percent from 2023. This decline is driven by a significant decrease in acquisition of portfolio investment assets in 2024 by EC$ 199.36M.

From the analysis of Grenada's external sector, it suggests that Grenada needs to continue striving towards a more robust economy through investing in more capital investment with the aim of increasing productivity within the country. Efforts must be made to broaden Grenada's production base to allow for greater capacity of its facilities as well as human capital. There is the need to remain committed to addressing the improvement of the professional services of the nation as expressed in the NSDP plan. With these implementations, Grenada can improve its exportation services and goods leading to higher economic growth.

[6] The Portfolio Investment in the financial account involves the financial transactions in the purchase and sale of stocks and bonds within a country.

3.5 Social Context

Grenada's social indicators reflect broadly positive trends. According to the 2022 Human Development Report (HDR), Grenada's Human Development Index (HDI) for 2022 was 0.793, placing it in the "high human development" category, ranked 73rd out of 193 countries and territories. The HDI evaluates three dimensions: health, education, and standard of living.

- **Life Expectancy**: As of 2022, life expectancy at birth was 75.3 years, with females living an average of 78.3 years and males 72.6 years.
- **Education**: The expected years of schooling were 16.6 years per child, with minimal gender disparity (17.1 years for females and 16.1 years for males).
- **Gross national income Per capita** was approximately US$13,593 at 2017 purchasing power parity prices.

In 2023, Grenada saw a notable improvement in employment conditions. The unemployment rate fell to 11.1 percent at the end of the fourth quarter in 2023. However, disparities remain, with women facing higher unemployment rates at 15.8 percent compared to men 7.2 percent. A significant number of people between the ages of 15 to 24 were unemployed, compared to the other age groups. The sectors that employed the largest number of people were wholesale and retail trade, construction, agriculture, forestry and fishing, and education.

4. MEDIUM-TERM FISCAL POLICY OBJECTIVES AND FORECASTS

Grenada's fiscal policy objectives for the medium-term is expansionary primarily focused on supporting the resilient economic recovery in the aftermath of Hurricane Beryl while advancing Government's transformative agenda in a fiscally sustainable manner. Accordingly, a return to the rules and targets under the FRA is targeted for the fiscal year 2027.

4.1 Government's Medium-term Revenue Objectives

The Government of Grenada aims to implement an aggressive revenue mobilization strategy that sustains recurrent expenditures and enhances the fiscal position. This approach will accommodate the increased capital expenditures necessary to effectively respond to the challenges posed by Hurricane Beryl. The ongoing efforts by the Inland Revenue Department (IRD) to enhance its revenue collection mechanisms through a more modern, digitized tax administration tool will help advance this process. The upgraded multi-tax solution, GTAX, aims to achieve an eighty percent (80%) online taxpayer rate. Currently, it accepts payments for Corporate Income Tax (CIT), Value Added Tax (VAT), and Pay-as-You-Earn (PAYE). All remaining tax categories are expected to be integrated into the system by June 2025.

At the border, the Customs and Excise Division (CED) has initiated efforts to enhance its operational efficiency. Ongoing upgrades to the Automated System for Customs Data (ASYCUDA) will fully digitalise and automate the customs declaration process, thereby improving overall processing efficiency. Additionally, the CED will collaborate more closely with regional entities to harmonize customs administration, strengthen regulatory compliance, and build the capacity of staff to manage the various taxes, duties, and levies collected at ports of entry.

Through the Investment Migration Agency, the Government will continue to implement targeted marketing strategies and develop new migration products, including the Citizenship by Invitation program launched in 2025. These efforts will enhance the country's competitiveness in the global investment migration market, attract high-value investors, and generate additional revenue streams.

With the support of the International Monetary Fund (IMF), the Government will also seek to review the legislative frameworks governing all tax types to identify gaps and opportunities for enhancing the overall effectiveness of Grenada's tax administration system. This process commenced with an IMF technical assistance mission in August–September 2024, providing guidance on tax policy reforms to modernize the income tax system and support the decarbonization of the transportation sector. Over the medium term, the Government will adopt select proposals aimed at establishing a simplified and legally transparent dual-income tax system, ensuring appropriate taxation of passive income.

Furthermore, the Ministry of Finance has undertaken a comprehensive policy development exercise to review exemptions and rates applied to all property types across Grenada. This review was informed by a recently completed property revaluation exercise, which resulted in revised property values within the Standard Industrial Classification (SIC) Tax System. A primary objective of this exercise is to achieve revenue neutrality, potentially leading to a redistribution of property tax revenue across various tax categories.

Despite these initiatives, a moderate transitory reduction in several tax-based revenue streams is anticipated in the short run as several expansionary fiscal policy measures are pursued. In 2025, the Government will continue its 100% waiver of duties, taxes, fees, and charges on all building materials, furniture and fixtures, and household appliances for households and businesses affected by Hurricane Beryl. This measure is set to expire on July 1, 2025. Additionally, the Government has approved an exemption from the payment of property taxes for 2025 for property owners in Carriacou and Petite Martinique, as well as on the mainland Grenada, whose properties sustained damage. These strategic measures underscore the Government's commitment to fiscal resilience despite a suspension of the fiscal rules while supporting economic recovery efforts in the aftermath of Hurricane Beryl.

The Ministry of Finance will continue to monitor these revenue measures to assess their intended impact.

4.2 Government's Medium-term Expenditure Objectives

Given the Government's expansionary medium-term fiscal stance, significantly higher expenditures are expected due to its ambitious recovery and reactivation strategy. Key priority areas will include health, education, energy, and housing. To accommodate these additional outlays, the Suspension Clause of the Fiscal Resilience Act will be activated for the 2025–2026 fiscal year.

A rapid damage assessment and a comprehensive Post-Disaster Needs Assessment for Grenada has been completed, providing a roadmap for sustainable recovery. Notably, substantial capital investment will be required to climate-proof homes, businesses, public utilities, and infrastructure against future environmental shocks.

On the recurrent expenditure side, the Government will continue subsidizing education from primary through tertiary levels and, in 2025, has launched a pilot school bus program to ensure safe and accessible transportation for students. Additionally, increased rental costs are expected for temporary accommodation of essential government operations during facility upgrades. Higher employee compensation, contributions and transfers are anticipated as the regularization of public officers progresses, pay parity adjustments for police officers takes effect, and the New Public Service Pension Plan is implemented.

To support these rising expenditures, the Government will enhance public procurement processes, strengthen monitoring and evaluation of the Public Sector Investment Programme (PSIP), and build institutional and staff capacity to formulate transformational policies and implement key projects.

For medium-term budget financing, the Government will deploy a mix of strategies, including new concessional borrowing, debt relief, grants, donations, and drawdowns from the consolidated fund.

Overall, the Government's fiscal outlook will feature increased capital expenditure, supported by improved revenue-generation mechanisms and institutional frameworks. These efforts will be reinforced by the continued publication of monthly fiscal reports and periodic public engagements, ensuring good governance, debt sustainability, transparency, and accountability. The Ministry of Finance will actively monitor these expenditure measures to assess their impact and adopt fiscally prudent strategies for a return to the fiscal rules and targets in 2027.

4.3 Medium-term baseline Fiscal Forecasts

The fiscal profile over the medium term remains accommodative, with expanded fiscal space allowing the Government to pursue its transformative agenda, enhance resilience, and promote inclusive and sustainable development through fiscal policies that are both supportive and sustainable.

The Medium-Term Fiscal Framework (2025-2027) projects a continued focus on fiscal consolidation while addressing the recovery from Hurricane Beryl and supporting medium-term growth objectives. Total revenue and grants are expected to increase gradually, with non-tax revenue showing a decline in 2026 but stabilizing in 2027. The overall revenue growth will be primarily driven by tax revenue, while non-tax revenue remains stable over the period.

Based on the Government's medium-term objectives and strategy for revenue, total revenue and grants are projected at EC$1,265.0 million (31.1 percent of GDP) in 2025, EC$1,316.2 million (30.4 percent of GDP) in 2026, and EC$1,370.8 million (29.9 percent of GDP) in 2027. This represents an average of 30.8 percent of GDP over the first two years, gradually decreasing in 2027. Tax revenue is projected to average around 23.1 percent of GDP in the medium term, while non-tax revenue is expected to account for around 6.3 percent of GDP in 2025, increasing to 6.4 percent in 2027. The Government remains cautiously optimistic about inflows to the CBI programme and will continue to actively market the Programme while enhancing due diligence. Capital grants, committed by development partners for strategic capital projects, are projected to average 1.1 percent of GDP over the medium term.

Expenditure is projected to remain high in the medium term, with total expenditure decreasing from 39.5 percent of GDP in 2025 to 27.3 percent by 2027, reflecting a planned reduction in capital expenditure after the large recovery-related investments of the previous years. Primary expenditure is projected to stabilize after an initial decrease, particularly in goods and services, with the focus shifting toward addressing the wage bill and social contributions as well as managing interest payments. Employee compensation is projected to be well within the 13 percent wage bill threshold during the three years, despite the noted increases in wages and compensations as part of the Government’s efforts to enhance public sector service delivery.

In line with Central Government’s medium-term expenditure objectives and strategy, total expenditure is projected to be EC$1,602.4 million (39.5 percent of GDP) in 2025, EC$1,403.1 million (32.4 percent of GDP) in 2026, and EC$1,249.9 million (27.3 percent of GDP) in 2027. Recurrent expenditure is expected to average 27.2 percent of GDP in 2025, decreasing to 22.7 percent by 2027. Capital expenditure, initially projected at EC$496.5 million (12.2 percent of GDP) in 2025, will decrease to EC$208.2 million (4.5 percent of GDP) by 2027.

Table 9 presents the Medium-Term Fiscal Framework (MTFF), which outlines the baseline fiscal projections for the 2024 Budget and the following two years. These fiscal projections reflect the resource envelope available to the Government to advance its transformational agenda, while ensuring fiscal and debt sustainability.

Appendix 2 provides the assumptions underlying the baseline fiscal projections.

Table 12: Medium-Term Fiscal Framework 2025-2027

(In millions of Eastern Caribbean Dollars, unless stated otherwise)

	2025		2026		2027	
	Projected	% GDP	Projected	% GDP	Projected	% GDP
Total Revenue & Grants	**1265.0**	**31.1%**	**1,316.2**	**30.4%**	**1,370.8**	**29.9%**
Total Revenue	**1,192.5**	**29.4%**	**1,273.8**	**29.4%**	**1,350.2**	**29.5%**
Tax Revenue	936.4	23.1%	998.0	23.1%	1056.9	23.1%
Non - Tax Revenue	256.0	6.3%	275.8	6.4%	293.4	6.4%
Grants	**72.5**	**1.8%**	**42.4**	**1.0%**	**20.6**	**0.4%**
Total Expenditure	**1,602.4**	**39.5%**	**1,403.1**	**32.4%**	**1,249.9**	**27.3%**
Primary Expenditure	1,473.6	36.3%	1,341.9	31.0%	1192.8	26.0%
Current Expenditure	**1,105.9**	**27.2%**	**1,047.3**	**24.2%**	**1041.7**	**22.7%**
Employee compensation	411.0	10.1%	417.4	9.6%	419.7	9.2%
Wages, salaries & allowances	377.6	9.3%	394.2	9.1%	395.4	8.6%
Social Contribution to employees	33.4	0.8%	23.2	0.5%	24.3	0.5%
Goods and Services	231.1	5.7%	231.1	5.3%	226.1	4.9%
Interest Payments	128.8	3.2%	61.2	1.4%	57.1	1.2%
Transfers	335.0	8.2%	337.7	7.8%	338.7	7.4%
IMA Expenses	44.2	1.1%	34.2	0.8%	37.0	0.8%
Capital Expenditure	**496.5**	**12.2%**	**355.8**	**8.2%**	**208.2**	**4.5%**
o/w: Grant financed	59.2	1.5%	42.4	1.0%	20.6	0.4%
Overall balance	**(337.4)**	**-8.3%**	**(86.9)**	**-2.0%**	**121.0**	**2.6%**
Primary balance (excluding grants)	**(281.1)**	**-6.9%**	**(68.1)**	**-1.6%**	**157.5**	**3.4%**
Primary balance (including grants)	**(208.6)**	**-5.1%**	**(25.7)**	**-0.6%**	**178.1**	**3.9%**
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: Ministry of Finance

4.4 Government's Medium-term Debt Management Strategy

In keeping with the goal to cut Public Debt to 60.0 percent of Nominal GDP by 2035, the Medium-term Debt Management Strategy (MTDS) for 2025-2027 will prioritise stringent debt management, including restructuring of the Petrocaribe and Republic of Trinidad and Tobago debt obligations, prudent risk management, and increased transparency. Current trends point to this being reached prior to the required date. The MTDS will also enhance risk assessments, debt negotiation practices, and improve debt monitoring and reporting, with stricter oversight on State-Owned Enterprises (SOEs) and Statutory Bodies (SBs) regarding their debt activities.

The strategy recommends a mixture of both external and domestic sources to finance the primary deficit, and fund key development initiatives- inclusive of capital projects expected to commence in the short to medium term. The Government will pursue low cost, low risk concessional borrowing arrangements where possible. However, the primary objective will remain identifying capital grants, utilising local revenue and mobilizing donors – such as through the recently established Hurricane Beryl Relief Fund – to fully minimize debt financing as far as practicable.

4.5 Medium-term Economic Outlook

Grenada's medium-term economic outlook is shaped by global economic trends and domestic expansionary fiscal policies aimed at stimulating growth amid the persistent uncertainty of climate-related shocks. According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) update released in October 2024, global growth is projected to remain stable at 3.2 percent in both 2024 and 2025. Global efforts to curb inflation have been largely effective, though some countries continue to experience price pressures. After peaking at 9.4 percent year-over-year in Q3 2022, inflation rates are expected to decline to 3.5 percent by the end of 2025. However, risks such as escalating regional conflicts, prolonged tight monetary policies, financial market volatility, and rising protectionist policies could present challenges to global economic stability.

Growth projections for Grenada's key source markets remain moderate. In the United States, the largest contributor to the country's tourism sector, growth is projected to rise to 2.8 percent in 2024, before slowing to 2.1 percent in 2025. In the United Kingdom, growth is expected to improve from 0.3 percent in 2023 to 1.1 percent in 2024 and 1.5 percent in 2025. Canada is forecasted to expand by 1.3 percent in 2024 and 2.4 percent in 2025, up from 1.2 percent in 2023. Meanwhile, China, a major supplier of manufactured goods, is expected to see its growth slow from 5.3 percent in 2023 to 4.8 percent in 2024 and 4.1 percent in 2025.

Grenada's Real GDP is projected to grow by 3.7 percent in 2024 and 4.1 percent in 2025, driven by activity in key sectors such as tourism, construction, wholesale and retail, manufacturing, education, and transport. However, the impact of Hurricane Beryl on northern Grenada and the sister isles of Carriacou and Petite Martinique has significantly affected growth in agriculture, fishing, housing, public infrastructure, and essential utilities. The widespread damage to roads, electricity grids, water supply systems, and telecommunications networks has disrupted economic activity, necessitating substantial investment in reconstruction and recovery efforts.

Tourism Sector Outlook: Despite setbacks from Hurricane Beryl, Grenada's tourism sector is projected to continue expanding in 2024, surpassing pre-COVID levels. The resilience of the industry is supported by ongoing recovery efforts, increasing visitor arrivals, and strategic government initiatives aimed at boosting the sector's competitiveness. However, challenges remain. The high cost of air travel and persistently high service inflation could constrain growth, impacting visitor demand and affordability.

Construction Sector Outlook: The construction sector is expected to be a key driver of economic activity in the medium term, buoyed by large-scale public and private sector projects. Efforts to restore and modernize critical infrastructure damaged by Hurricane Beryl will play a crucial role in economic recovery. The government has introduced fiscal incentives to reduce the cost of importing construction materials, ensuring that reconstruction efforts proceed efficiently. Additionally, major planned developments—including road rehabilitation projects, housing initiatives, and commercial investments—will contribute to employment creation and economic expansion.

Revitalizing Agriculture and Fisheries: In response to the extensive damage sustained by the agriculture and fishing sectors, the government has implemented targeted initiatives to accelerate recovery and boost productivity. Through the Food Security and Enhancement Program, efforts are underway to revive key agricultural commodities, including nutmeg, cocoa, bananas, and short crops, which suffered significant losses due to the hurricane. Investments in modernized farming techniques, infrastructure repairs, and input support programs are expected to facilitate a strong rebound in production.

Moreover, the livestock industry is set for expansion, bolstered by increased livestock imports in January 2025 to replenish stocks lost in the hurricane. These measures will not only aid in rebuilding rural livelihoods but also strengthen Grenada's long-term food security and export potential.

Grenada's economic outlook remains cautiously optimistic, balancing positive growth prospects with persistent external risks. Targeted fiscal policies, strategic investments, and disaster recovery initiatives will drive economic stability and sustainable development. However, uncertainties stemming from climate-related shocks, geopolitical tensions, and potential supply chain disruptions necessitate a proactive and adaptable policy approach. The government's commitment to infrastructure development, sectoral revitalization, and resilience-building will be critical in mitigating these challenges. Consequently, the 2025 Budget will be designed with realistic policy goals, strategic prioritization, and built-in flexibility to navigate an unpredictable global macroeconomic landscape while fostering long-term economic resilience and growth.

Appendix 2 provides details of the medium-term growth forecasts by economic sectors.

5. THE STRATEGIC PROGRAMME FOR FISCAL YEAR 2025

5.1 Budget Priorities

The Government's strategic priorities for the Budget year 2025 and over the medium term are set out in the Medium-term Action Plan (MTAP) for the period 2023-2025 as well as the Governor General's Throne Speech that was delivered on October 5th, 2024, under the theme "Unifying our focus toward vision 75". The 2023- 2025 MTAP is designed to guide the implementation of priority programmes and projects that are aligned to the high-level strategic actions of the National Sustainable Development Plan 2020-2035.

Specifically relating to the Budget year 2025, the following strategic priority areas of the 2023-2025 MTAP were identified:

- Reconstruction and Recovery in the aftermath of Hurricane Beryl
- Education and Skills Development, Youth Empowerment
- Health & Wellness
- Physical and Digital Infrastructure
- Agriculture. Food Security & the Marine Industry
- Culture & the Creative Industry
- Energy Transition & Environmental Sustainability.
- Economic Growth, Job Creation, and social protection
- Citizen Safety and Security
- Housing and Community Development

The 2025 Budget Statement elaborates on the strategic priority areas as well as the specific programmes and projects that are aligned to the broad strategic focus areas, which are to be implemented in the first instance during the year 2025. The 2025 Budget priorities are to support economic activity, job creation and ultimately the Government's transformational agenda. They are based on the seriousness and urgency of addressing the development issues, and the feasibility of implementation within the Budget year. The 2025 Budget is results-and-outcomes oriented, focusing on the implementation of specific actions that are aligned to the broad priority areas, to gain the maximum benefits from the resources that are available to the Government. Importantly, the priority projects and programmes reflect inputs from stakeholders who were engaged in the sectoral and national consultations on the 2025 Budget that occurred in October 2024.

5.2 Gender Responsive Budgeting

The Government is keenly aware that the implementation of projects, programmes, and policies that are financed by public expenditure has differential impacts on women and men. As such, the 2025 Budget takes into consideration gender issues and priorities in various sectors and factoring in relevant cost implications in the Budget estimates. The 2025 Gender Budget Statement, which is a separate report, provides further details.

5.3 Climate Change Budget Tagging

The Government has been working with the World Bank in the area of Climate Change budget tagging, with the strategic aim of categorising, measuring, and monitoring climate-relevant public expenditures, to better identify and mobilise fiscal resources toward climate resilience building. A Climate Change budget tagging pilot was rolled out for selected ministries in the 2023 Budget, which has been expanded for the 2025 Budget.

5.4 Expenditure Efficiencies for Fiscal Year 2025

The strategic management and prioritization of expenditure remain key fiscal objectives for the Government in Budget Year 2025 and the forward years 2026 and 2027, as outlined in the Medium-Term Fiscal Framework (MTFF). To achieve greater efficiency, the Government will:

1. **Enhance Public Procurement** – The procurement process will be further strengthened to ensure value for money, guided by the 3-Year Action Plan (2023-2025) for public procurement reforms. Systematic implementation of these recommendations will improve transparency, efficiency, and cost-effectiveness.
2. **Manage the Wage Bill Sustainably** – Forward-looking wage negotiations and strategic human resource management will be central to ensuring a sustainable wage bill, aligning with long-term fiscal sustainability goals.
3. **Control Discretionary Expenditure** – Stronger expenditure controls will be enforced across all phases of the budget execution cycle, ensuring that actual spending remains within budgeted limits.
4. **Strengthen Oversight of State-Owned Enterprises (SOEs) and Statutory Bodies (SBs)** – Fiscal risks associated with SOEs and SBs will be managed through the revised performance monitoring guidelines outlined in the Governance and Fiscal Management Handbook.
5. **Improve Contract Management Amid Rising Costs** – Given persistently high global construction costs, contract management will be strengthened to contain expenditure where feasible, ensuring cost-effective public investments.

6. **Enhance Public Financial Management (PFM) and Fiscal Transparency** – The Government will continue strengthening PFM systems and institutional arrangements, with a strong emphasis on fiscal transparency and accountability. This includes the regular publication of fiscal reports to enhance public trust and policy credibility.

By maintaining a disciplined approach to expenditure management, the Government aims to optimize resource allocation, mitigate fiscal risks, and reinforce long-term economic resilience.

5.5 Resource Envelope for Fiscal Year 2025

The following are the indicative expenditure ceilings for the 2025 Budget that are derived from the MTFF for the period 2025-2027:

❖Total Expenditure is programmed at EC$1,602.4 million.

❖Recurrent Expenditure is programmed at EC$1,105.9million:

- Total Employee Compensation: EC$411.0 million
- Goods and Services: EC$231.1million
- Transfers: EC$335.0 million
- Interest Payments: EC$128.8 million

❖Capital Expenditure is programmed at EC$496.5 million.

❖Amortisation is programmed at $310.5 million.

6. COMPLIANCE WITH THE FISCAL RESILIENCE ACT 2023

The Fiscal Responsibility Act of 2015, as amended, has been repealed and replaced by the Fiscal Resilience Act (FRA), 2023. The updated FRA strengthens the rules-based fiscal policy framework and enhances its accompanying risk management systems. These changes aim to promote fiscal resilience, improve transparency in the management of the Government's fiscal operations, and ensure sustainable levels of public debt.

Section 12(A) subsection 1 of the Public Finance Management Act mandates the preparation of a Medium-Term Economic and Fiscal Strategy Report (MTEFSR), which details the *"manner in which the annual budget and medium-term fiscal framework comply with the fiscal rules and* targets" outlined in the Fiscal Resilience Act of 2023. Notably, Section 8(1) and (3), as well as Section 7, sets forth the following numerical fiscal rules:

- Total employee compensation (wage bill) must not exceed 13.0 percent of GDP annually.
- Primary balance must be no less than 1.5 percent of GDP annually.
- Public debt must be reduced to a target of 60.0 percent of GDP by 2035.

The passage of Hurricane Beryl has necessitated government's intervention to restore economic and social stability. In the medium term, substantial resources will be required to rehabilitate livelihoods and rebuild critical infrastructure. In this context, adhering to the fiscal rules and targets outlined in Section 8 of the Fiscal Responsibility Act (FRA) would place undue strain on public finances and, by extension, the broader macroeconomy. Therefore, in accordance with Section 9 of the FRA, the Minister of Finance has suspended the primary balance and public debt for the fiscal year 2024. This suspension was a response to enable the Government to implement essential fiscal measures in support of ongoing economic recovery efforts.

A secondary suspension of the primary balance rule will be necessary for 2025, following the initial suspension in 2024 to allow for temporary deficit spending to respond rapidly to the aftermath of Hurricane Beryl. Based on the medium-term fiscal projections, the Government is projected to breach the 1.5 percent primary surplus rule during 2025 to 2027. Specifically, the Central Government's primary balance (including grants) is projected at a deficit of -6.0 percent of GDP in 2025, improving to -1.9 percent in 2026, and turning into a surplus of 0.6 percent in 2027, reflecting recovery and rebuilding efforts post-Hurricane Beryl. The projected fiscal deficits are primarily driven by the need to manage recovery, rebuild infrastructure, and support social safety nets.

The primary focus for the medium term should therefore be on fostering economic recovery and growth. A planned return to fiscal consolidation and debt reduction should be targeted to take place starting in 2027, when the Government is forecasted to achieve a more balanced fiscal position.

Table 14 shows the projected compliance with the FRA in the medium-term.

Table 9 - FRA Compliance Matrix

	2025		2026		2027	
	Proj.	Compliance	Proj.	Compliance	Proj.	Compliance
Total Employee Compensation "Wage bill" (percent of GDP) Not Exceeding 13%	10.1%	Yes	9.6%	Yes	9.2%	Yes
Primary Balance (percent of GDP) Not less than 1.5%	-5.1%	Proposed suspension of the Rule Post-Hurricane Beryl.	-0.6%	Proposed suspension of the Rule Post-Hurricane Beryl.	3.9%	Yes
Public Sector Debt (percent of GDP): Sixty % by 2035	71.4%	On track	66.5%	On track	65.2%	On track
Central Gov't:	57.1%		52.9%		52.1%	
SOEs & SBs:	14.3%		13.6%		13.1%	

Source: Ministry of Finance

7. FISCAL RISKS MANAGEMENT

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**. Other potential sources of risks are also flagged.

7.1 Macroeconomic Risks

Grenada's fiscal projections for the year 2025 and the next two years are based on global economic conditions as of June 2024. 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. Uncertainties in trade policy increase as the new U.S. administration implements protectionist reciprocal tariffs. These trade-restrictive policies could complicate the rollout of key capital projects in both the private and public sectors, potentially slowing Grenada's economic growth.

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.

The sensitivity of the primary balance and public debt to changes in key economic variables is illustrated in Table 11. The illustrative scenarios show how vulnerable the baseline fiscal variables are to economic shocks.

Under scenario 1, in which real economic growth in 2025 is two percentage points (pp) below the baseline forecast, *tax revenues* decline ceteris paribus, causing the *primary balance* and *public debt* as ratios of GDP to worsen relative to their baseline projections, deviating away from the fiscal rules stipulated in the new FRA.

Under Scenario 2, Where higher than projected inflation increases expenditure on goods and services and the capital expenditure above the respective baseline projection ceteris paribus, the primary balance as a ratio of GDP narrows significantly to -1.1 percent, well below the FRA target of 1.5 percent. While Public Debt as a ratio of GDP increases to 73.6 percent 2.2pp higher than the 2025 baseline projections.

Under Scenario 3, which illustrates the impact of a combined GDP and inflation shock on the ratios of the primary balance and the public debt to GDP, the difference from the baseline projections and extent of the deviation from the FRA's targets are most pronounced. These illustrative scenarios highlight the need for the Government to continue to monitor and manage fiscal risks, build fiscal buffers, and maintain fiscal prudence.

Table 14: 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: Growth Shock Real GDP 2pp lower than the 2025 forecast	-13.8	Lower by 8.7pp	74.5%	Higher by 3.1pp
Scenario 2: Inflation 2pp higher than the 2025 forecast	-6.2	Lower by 1.1pp	73.6	Higher by 2.2
Scenario 3: Disaster Shock Combined Real GDP and Inflation Shock *(GDP Growth 2pp lower and inflation is 2pp higher relative to the 2025 forecasts)*	-15.4	Lower by 10.3pp	80.5%	Higher by 9.1pp

7.2 Budget Implementation Risks

Receipts from the IMA program, a key source of non-tax revenue, are particularly vulnerable due to the AMIGOS Act passed by the U.S. Congress in December 2022. This Act imposes a three-year domicile residency requirement, eliminating immediate E2 visa privileges for economic citizens. A significant decline in IMA revenues could weaken the fiscal position and complicate budget implementation. However, proactive measures are being taken to enhance the program's attractiveness and ensure its sustainability.

Uncertainties regarding IMA inflows, particularly into the National Transformation Fund (NTF), may further complicate budget programming. Should the anticipated NTF receipts fail to materialize, the fiscal outlook could deteriorate. Lower-than-projected receipts would adversely impact project implementation and overall budget execution. Moreover, the U.S. pause on humanitarian aid through USAID, pending review, adds another layer of uncertainty. While USAID's support to Grenada has been relatively small, any reduction could still affect the execution of capital projects that rely on partial or full funding from these sources.

Additionally, high global inflation, though easing from its peak in 2021-2022— continues to exacerbate domestic inflationary pressures, presenting challenges for both revenue generation and expenditure management. On the revenue side, persistent high inflation could erode potential windfall revenues from duties and border taxes (due to imported inflation), necessitating expanded fiscal support for the most vulnerable citizens. On the expenditure side, forecasts for continued global inflation suggest that the costs of procuring goods and services will remain elevated which could lead to cost overruns in infrastructure projects within the Public Sector Investment Program (PSIP). Active contract management by implementing ministries will be crucial to mitigate this risk.

The Government will continue to enhance implementation capacity through training and direct support as part of a comprehensive strategy for PSIP execution. Improved budget and PSIP implementation are expected through systematic monitoring and structured reporting using the Budget Implementation Tool, developed by the Ministry of Implementation and Transformation (MIT), and approved by the Cabinet in June 2023. 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.

Notwithstanding the support of MIT, a limited pool of technical personnel across the public service poses a challenge to effective budget execution and achieving the Government's fiscal objectives. Expanding this pool through the onboarding of technical personnel is an urgent priority for the Government.

7.3 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, 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.

7.4 Other Potential Sources of Risks

7.4.1 Financial Sector

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.

7.4.2 Public-Private Partnerships

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

- **Digicel Partnership:** This 15-year agreement is part of the Caribbean Regional Communication Programme, a World Bank-funded regional initiative involving Grenada, Saint Lucia, St. Vincent, and the Grenadines, and Digicel. It supports the countries' digital transformation efforts. Grenada's financial commitment to this regional project is classified as a current liability due to concessional loan financing, meaning there are no explicit contingent liabilities directly associated with this PPP.
- **Grenville Commercial Complex:** This PPP involves the Government collaborating with a private partner to develop commercial rental spaces, at a total estimated cost of EC$18.8 million. The Government holds a 51 percent share in this venture. The financial risk here includes the capital invested and the potential return on this investment, which is dependent on the success of the commercial project and rental income generated. The commencement of this Project is significantly delayed.

7.4.3 State-Owned Enterprises Risks

In the context of fiscal risks, the operations of SOEs could give rise to financial obligations that are borne by the Central Government. These financial obligations are referred to as contingent liabilities as they can arise by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Central Government. Contingent liabilities can be explicit, such as guaranteed debts or implicit, such as non-guaranteed debts and other sources of liabilities. These contingent liabilities do not add to the Central Government's expenditures immediately; however, an unexpected future exogenous shock could require direct payments from the Government.

7.4.3.1 Explicit Contingent Liabilities - Guaranteed Debt

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

7.4.3.2 Implicit Contingent Liabilities – Non-Guaranteed Debt

As of the end of September 30th, 2024, nine State-Owned Enterprises (SOEs) held non-guaranteed debt instruments totalling $163.0 million. The majority of these loans are denominated in local currency, with fixed interest rates and long-term amortization schedules, helping to reduce the exposure of these entities to interest rate and exchange rate fluctuations. Loan financing for SOEs and SBs are predominantly obtained through domestic commercial banks, larger SOEs with lending facilities, or via the Central Government through on-lending arrangements reflecting the strong reliance on local lending markets to meet their financial needs. Less frequently, loans are obtained from regional banking institutions, such as the Caribbean Development Bank. Importantly, debt owed to other SOEs also represents implicit contingent liabilities for the Central Government, as the risk of non-repayment may ultimately be borne by the Government.

An analysis of the debt portfolio reveals that the majority of SOEs holding non-guaranteed debt have been meeting their loan obligations on time and possess sufficient financial resources to manage their debt in the face of unforeseen shocks. Consequently, the risk from implicit contingent liabilities remains low. In the furtherance of fiscal risk reduction and mitigation, the Government will continue to maintain regular monitoring and evaluation of the performance of State-Owned Enterprises (SOEs) and Statutory Bodies (SBs), utilizing both audited and unaudited financial statements. This ongoing oversight will enable consistent assessment of the fiscal risks posed by these entities and ensure timely implementation of necessary interventions.

Table 15: Risk Assessment Summary and Mitigation Measures

Risk Description	Source of Risk	Risk Rating	Measures to Manage/Mitigate Risks
Macroeconomic	Global economic slowdown. High global inflation. Trade restrictions		The Government will maintain targeted support for sectors hit hardest by the economic slowdown and use the Contingency Fund prudently to manage deeper-than-expected economic challenges. In the medium term, it will pursue structural reforms to diversify the economy and trade partnerships, enhancing domestic production capabilities and competitiveness to maintain resilience.
Budget Implementation	Lower-than-forecasted NTF receipts.		The Government will focus capital spending on projects that create jobs and build resilient infrastructure through the PSIP. It will keep

			discretionary spending within the budget and work on improving revenue collection.
	Capacity and institutional constraints affecting project implementation.		The Government will enhance the Public Investment Management System to better manage the capital budget. This includes improving project management skills, coordinating more effectively among ministries, hiring technical experts, and supporting the work of MIT to reduce risks.
Fiscal Risks from State-owned Enterprises	Contingent liabilities of SOEs.		The Government will ensure timely submission of up-to-date audited financial statements and closely oversee the management performance of SOEs to guarantee they fulfil their mandates in the most cost-effective and efficient way. The technical capacity of the Macroeconomic Policy Unit has been expanded to better conduct this function.
Climate Change	Adverse effects of natural hazards.		A disaster risk financing strategy has been created, featuring a Contingency Fund, a Line of Credit for unexpected natural events, insurance through CCRIF, and debt instruments with Hurricane clauses.

Key	
	High Risk
	Medium Risk

8. STATEMENT OF RESPONSIBILITY

I, Mike Sylvester, Permanent Secretary with responsibility for the Ministry of Finance, hereby accept responsibility for the information presented in this Medium-term Economic and Fiscal Strategy Report 2025-2027 and its compliance with the FRA 2023, including errors, omissions, or misstatements.

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Mr. Mike Sylvester
Permanent Secretary

***Appendix 1**: Salient Features of the Fiscal Resilience Act, 2023*

Item	2015 FRA	2023 FRA
Fiscal Objectives	Fiscal & debt sustainability & fiscal risk management	Retained
Debt Target	Fifty-five percent 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	Nine percent of GDP	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

Source: Ministry of Finance

***Appendix 2**: Medium-term Growth Forecasts, Percent Change*

	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: Ministry of Finance

Appendix 3: *Baseline Medium-Term Fiscal Assumptions*

Categories	2025	2026	2027
Recurrent Revenue	All categories of tax revenue are assumed to grow in line with projected nominal GDP except for tax revenue from international transactions (IT). Changes in Tax revenues from IT are aligned with the average growth of imports. Inland Revenue Division's new tax system GTAX which be able to accommodate all the tax types increasing efficiency in tax collection. Non-tax revenue, except for IMA revenue, moves in line with nominal GDP. IMA revenue are tempered estimates from the IMA Unit based on counter-balancing assumptions about the possible impact of the AMIGOS Act and other risks to the Programme as well as various strategies to be deployed to enhance the attractiveness of the Programme over the medium term.		
Recurrent Expenditure			
Personal Emoluments, Wages, Salaries and Allowances	These categories reflect the negotiated 5.0% salary increase as well as fringe benefits and inflation. Additionally, the ongoing staff regularization process was taken into consideration.	Categories reflect inflation expectations. Salary increases for 2026 and 2027 are yet to be negotiated.	
Social contributions to employees			
Goods & Services	Items under these categories are adjusted for inflation except for transfers abroad. Goods & Services reflect several initiatives such as Hurricane Beryl relief efforts, free tuition up to tertiary level and revamped and new public assistance programmes, as well as the high cost of goods and services in general. The negotiated salary increase of 5% in 2025 will be applied to pensions also.		
Current transfers			
Interest payment	External and domestic interest payments reflect the conditions stated in the contractual agreement.		
Capital Expenditure & Net Lending			
Grant financed	Capital expenditure over the medium term is driven by the Government's new and existing public sector investment plans that aligns with the Government's transformational agenda. Consistent with the amendments to the FRA, and proposed suspension of the fiscal rules for 2025, expenditure is projected to average 33.0 percent of GDP over the medium term.		
Non-Grant financed			