# COMMONWEALTH OF DOMINICA

# ANNUAL ECONOMIC AND FINANCIAL REVIEW

# 2024

EASTERN CARIBBEAN CENTRAL BANK

DECEMBER 2024

# ECONOMIC AND FINANCIAL REVIEW

# COMMONWEALTH OF DOMINICA

EASTERN CARIBBEAN CENTRAL BANK

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**The analysis in this report uses data available as at September 2024 to estimate 2024 full-year figures. For the most recent updates and detailed statistics, please refer to the Statistics page on the ECCB's website.**

# Commonwealth of Dominica
## Economic and Financial Review - December 2024

Eastern Caribbean Central Bank

## Contents

# Overview

- The Commonwealth of Dominica's economy[1] rebounded strongly from a series of external shocks including the recessionary effects from the pandemic. This was driven by a rebound in accommodation and related industries, construction activities, and growth in agricultural value added. However, growth slowed to 3.7 per cent in 2023 with further deceleration estimated at 2.1 per cent in 2024.

- Despite the slowdown in economic activity, there was an improvement in the fiscal performance with the fiscal primary balance moving from a deficit of 6.2 per cent of GDP in 2023 to a surplus of 2.9 per cent of GDP in 2024, attributed primarily to lower capital spending rather than policy action. However, the improvement in the primary balance is expected to be transient as major capital projects are implemented. Public debt has steadily declined from its pandemic peak (107.7 per cent of GDP in 2021) but remains elevated at 93.9 per cent of GDP in 2024 significantly above the regional benchmark of 60.0 per cent

- On the external sector, the current account deficit, which had been contracting since 2019, expanded significantly to 33.9 per cent of GDP in 2023 as elevated imports for the construction of strategic infrastructural projects outweighed higher tourism receipts. However, in 2024, the current account deficit narrowed to 25.7 per cent of GDP as imports normalized.

- In monetary developments, broad money (M2) expanded in line with economic expansion while credit to the private sector increased marginally but largely concentrated in credit to households. Financial risk indicators were generally positive, however, the elevated level of non-performing loans presents an on-going vulnerability.

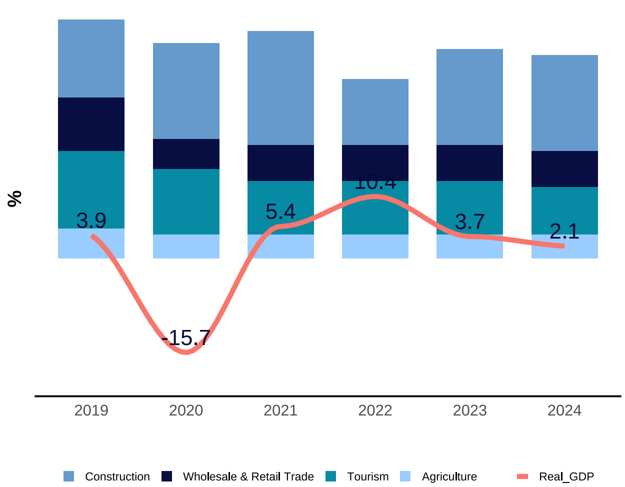
[1]The data presented for 2024 in this report reflect estimates based on data available through September 2024. Readers should note that these figures are subject to change as more complete data become available. Updated data for 2024 may be accessed via the statistics page on our website, and readers are encouraged to refer to this resource for the latest information.

# Recent Economic Developments

## Real Sector Developments

The Commonwealth of Dominica's economy recovered from successive external shocks, including natural disasters and the pandemic induced recession (Box 1). The economy expanded by 2.1 per cent in 2024, primarily driven by investments in agriculture and large-scale infrastructural developments, including the construction of an international airport, renewable energy development and other climate-resilient projects such as the resilient housing programs.

**Figure 1: Sector Contribution to GDP and Real GDP Growth**



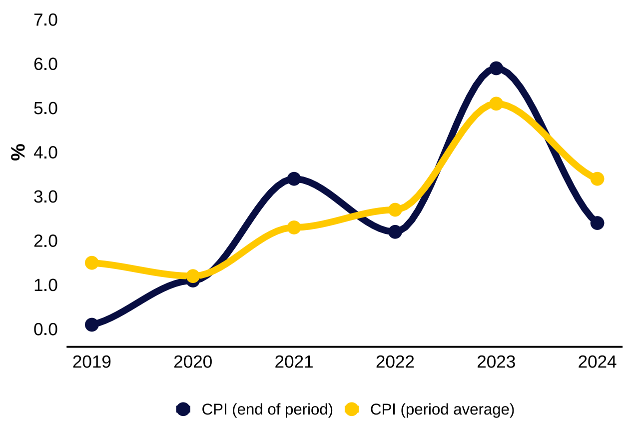

Sources: Central Statistics Office, Commonwealth of Dominica and ECCB

This moderate growth follows a strong post pandemic recovery in 2022 and 2023, during which real GDP growth averaged 10.4 per cent and 3.7 per cent respectively. The earlier rebound was largely driven by a resurgence in wholesale and retail trade buoyed by increased tourism activity, expansive public investment projects, and the recovery of both the accommodation and agricultural industries (Figure 1).

## Inflation Developments

After peaking in 2023, inflation, as measured by the Consumer Price Index, fell to an estimated 2.4 per cent in 2024, on account of a softening in commodity and food prices from major trading partners and lower utility cost (Figure 2).

**Figure 2: Domestic Inflation Trends**




Sources: Central Statistics Office, Commonwealth of Dominica and ECCB

## Fiscal Developments

The improvement in the fiscal position[2] has been gradual, however public debt has remained well above the ECCU's long-term debt anchor of 60 per cent. Following repeated primary deficits in the last five years (2019 -2023), the fiscal position moved from a primary deficit of 6.2 per cent of GDP in 2023 to a primary surplus of 2.9 per cent of GDP in 2024, reflecting lower capital spending and higher grant receipts. However, this improvement in the primary balance is expected to be short-lived due to increased investment spending (see Figures 3 and Figure 4).

[2]The report is written on a calendar year basis, however, the Commonwealth of Dominica's fiscal year runs from July to June.

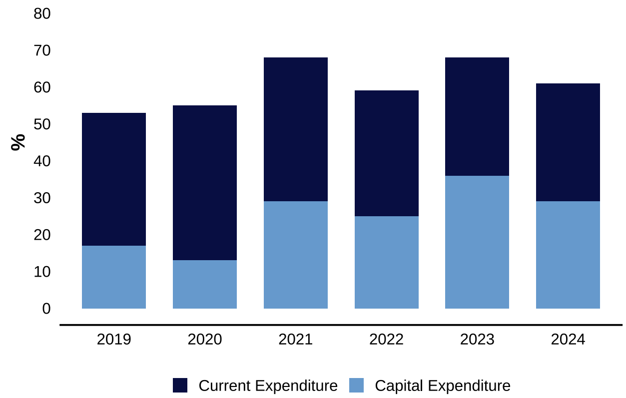
**Table 1: Central Government Operations**

*(per cent GDP unless otherwise stated)*

| Indicators | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Current Revenue | 37.3 | 38.3 | 57.2 | 47.6 | 57.8 | 57.1 |
| o/w Tax Revenue | 24.9 | 22.4 | 22.5 | 20.9 | 22.2 | 21.8 |
| o/w CBI | 10.4 | 14.7 | 32.8 | 24.9 | 34.3 | 34.3 |
| Current Expenditure | 35.6 | 41.9 | 39.0 | 33.7 | 32.6 | 31.5 |
| Capital Expenditure | 17.7 | 12.3 | 28.6 | 24.4 | 35.6 | 29.4 |
| **Primary Balance (after grants)** | −12.3 | −1.0 | −4.1 | −3.7 | −6.2 | 2.9 |
| **Overall Balance (after grants)** | −14.3 | −3.4 | −6.3 | −6.3 | −9.1 | 0.6 |
| Financing | 14.3 | 3.4 | 6.3 | 6.3 | 9.1 | 0.6 |
| Domestic | 16.5 | −3.5 | 0.0 | 2.0 | 5.0 | −1.3 |
| Of which RGSM | 2.3 | 3.2 | 1.3 | 1.2 | 1.1 | 1.1 |
| External | −2.1 | 6.9 | 6.3 | 4.3 | 4.1 | 1.9 |
| Net disbursements | −2.1 | 7.0 | 6.3 | 3.7 | 4.0 | −1.4 |
| Total Public Sector Debt (EC$m) | 1,288.6 | 1,485.2 | 1,636.9 | 1,723.5 | 1,726.5 | 1,715.8 |
| Total Public Sector Debt to GDP | 74.1 | 104.0 | 107.7 | 102.5 | 97.0 | 92.2 |

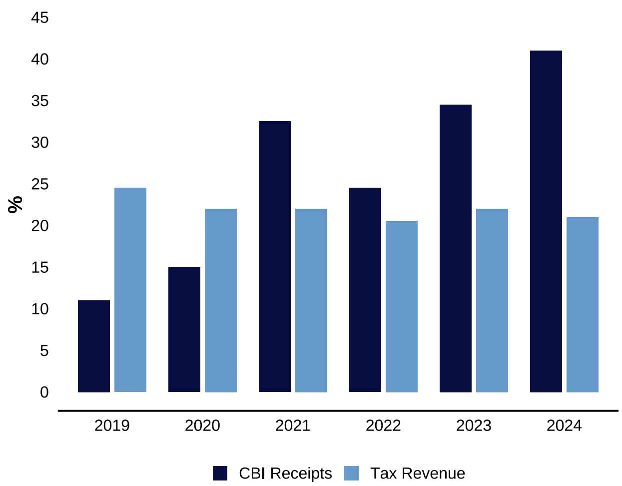
*Sources: Ministry of Finance and ECCB*

**Figure 4: Share of Capital Expenditure and Recurrent Expenditure (% of GDP)**




Sources: Ministry of Finance, Commonwealth of Dominica and ECCB

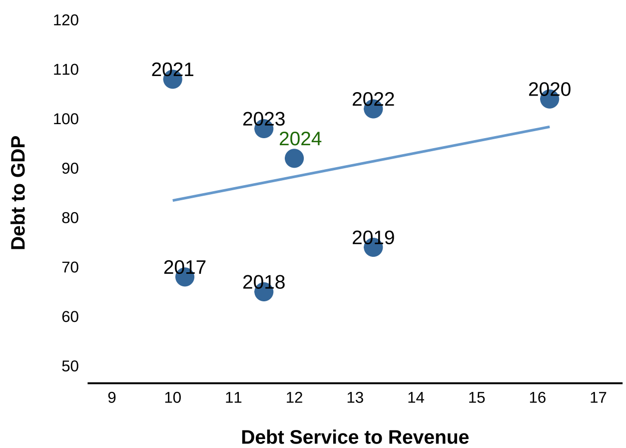
**Figure 3: CBI Receipts and Tax Revenue (% of GDP)**




Sources: Central Statistics Office, Commonwealth of Dominica and ECCB

Public debt has fallen by 16.9 percentage points from its pandemic peak (107.7 per cent in 2021) but remains elevated at 93.9 per cent of GDP in 2024. Likewise, the debt service to revenue ratio, which measures the proportion of revenues used to pay debt, remained elevated at 12.0 per cent in 2024 (Figure 5).

**Figure 5: Comovement in Debt Service to Revenue and Debt to GDP ratio**




Sources: Ministry of Finance, Commonwealth of Dominica and ECCB

In fiscal year 2024/25, the budgetary allocation for capital expenditure was $934.9m, which was 33.0 per cent higher than the $701.6m allocated in Fiscal Year 2023/24, and financed mainly by Citizenship by Investment flows.

## External Developments

The Commonwealth of Dominica has registered persistently large current account deficits since Hurricane Maria,[3] in 2017, mainly due to the immediate fall out

[3] In 2017, Hurricane Maria devastated the island with an estimated loss and damage of 226 percent of GDP. Reconstruction after Hurricane Maria included record-high public investment in resilient infrastructure financed, in part, by accumulated CBI revenues

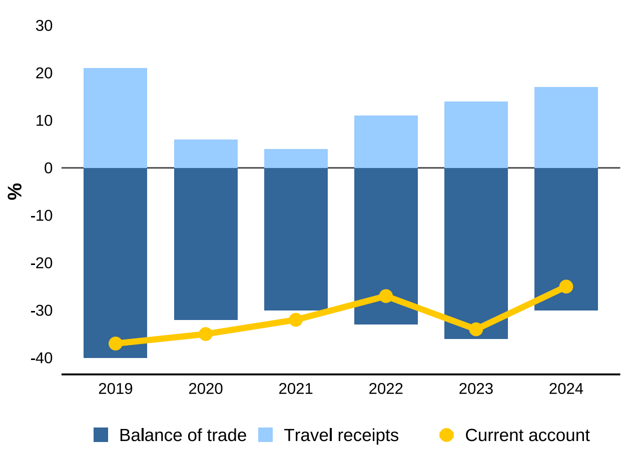
for the tourism sector and subsequent rebuilding efforts. Since 2019, the current account balance narrowed gradually reaching 26.3 per cent of GDP in 2022 (Figure 6). However, despite growth in tourism receipts, higher imports associated with the construction of sizeable infrastructure projects (international airport) contributed to a widening of the current account deficit to 33.9 per cent of GDP in 2023. The deficit is estimated to narrow in 2024 to 25.6 per cent of GDP with expanded tourism exports, coupled with the normalization of public investment related imports.

Table 2: External Sector Developments (in EC$ M and per cent of GDP)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Balance of trade | (701.3) | (458.7) | (489.3) | (566.7) | (646.7) | (573.6) |
| | *(40.3)* | *(32.1)* | *(32.2)* | *(33.7)* | *(36.3)* | *(30.8)* |
| Travel receipts | 365.4 | 94.2 | 68.2 | 203.1 | 267.0 | 325.5 |
| | 21.0 | 6.6 | 4.5 | 12.1 | 15.0 | 17.5 |
| Current account | -629.6 | -503.2 | -502.5 | -442.1 | -603.8 | -477.0 |
| | (36.2) | (35.2) | (33.1) | (26.3) | (33.9) | (25.6) |
| Capital account | 161.4 | 312.4 | 435.7 | 353.6 | 536.1 | 410.6 |
| | 9.3 | 21.9 | 28.7 | 21.0 | 30.1 | 22.1 |
| Financial account | -635.6 | -102.7 | -155.1 | -200.0 | -180.7 | -189.3 |
| | (36.5) | (7.2) | (10.2) | (11.9) | (10.1) | (10.2) |
| o/w FDI | 170.2 | 61.7 | 76.5 | 45.7 | 83.8 | 85.5 |
| | 9.8 | 4.3 | 5.0 | 2.7 | 4.7 | 4.6 |

Source: Ministry of Finance, Commonwealth of Dominica & ECCB

**Figure 6: Balance of Payments and Selected Components (% GDP)**

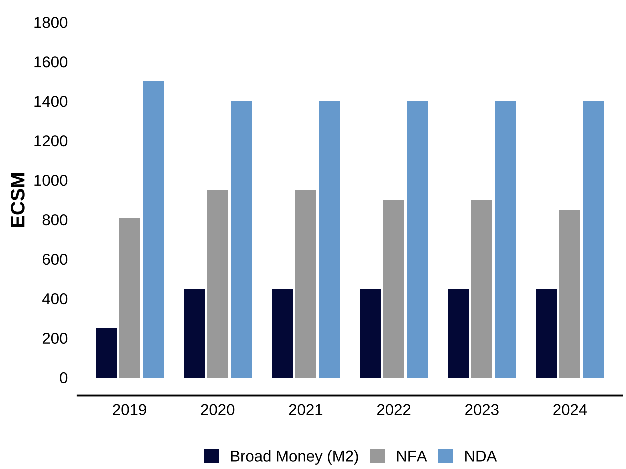



Sources: Central Statistics Office, Commonwealth of Dominica and ECCB

## Banking and Monetary Developments

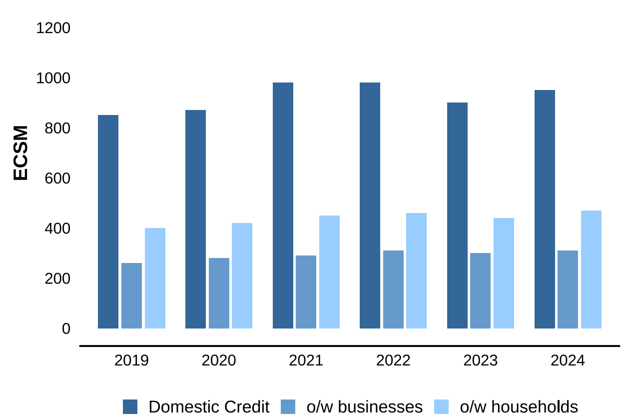
Broad Money (M2) exhibited modest growth broadly in line with economic activity while credit to the private sector remained subdued (Figure 7 and Figure 8). Since 2021, credit growth in the private sector has averaged 1.8 per cent significantly lagging nominal GDP growth. This slow growth in credit was partly attributed to banks' risk aversion on account of growing levels of NPLs in the post pandemic period. Further, the composition of private sector credit also highlights that credit allocation was channeled primarily to households and disproportionately less to businesses, possibly reflecting lack of bankable projects.

**Figure 7: Broad Money and its Aggregates**




Source: ECCB

**Figure 8: Trends in Domestic Credit**




Source: ECCB

Since the pandemic, banks remained well capitalized with a high degree of liquidity. Over the 12-month period ending December 2024, the capital adequacy ratio

[4] Commercial banks implemented Basel II/III framework in June 2024.

(CAR) decreased by 16 percentage points to 11.5 per cent. This was primarily due to the implementation requirements under the Basel II/III framework[4] that required banks to hold capital for credit, operational and market risks; however, it remained above the 10.0 per cent prudential benchmark assigned to the commercial banks in the Commonwealth of Dominica. NPLs have declined only gradually and remain elevated at 11.8 per cent of total loans and advances in 2024, which was more than double the 5.0 per cent prudential benchmark (Table 3).

**Table 3: Selected Financial Stability Indicators**

| Indicators | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| Capital Adequacy Ratio | 13.9 | 18.9 | 18.3 | 15.9 | 27.5 | 11.5 |
| NPL ratio | 12.2 | 15.0 | 15.7 | 13.8 | 12.9 | 11.8 |
| **Liquidity Ratios** | | | | | | |
| Liquid assets to total assets | 46.7 | 48.9 | 46.1 | 48.1 | 50.5 | 48.2 |
| Liquid assets to short-term liabilities | 53.2 | 56.8 | 53.1 | 55.6 | 58.2 | 56.0 |

*Source: ECCB*

# Outlook and Risks

## Outlook

The Commonwealth of Dominica's economic outlook is positive. Annual real economic growth is projected to average 2.8 per cent during 2025 – 2026. This is supported by investments in agriculture and key infrastructural projects– notably the new international airport, geothermal power plant, new Marina and a variety of climate resilient infrastructure and hotel projects which are expected to boost tourism thereby supporting economic growth and improve the current account balance (Box 2 - Appendix).

However, the medium-term fiscal outlook remains challenging. Capital expenditures are expected to remain about 29.0 per cent of GDP in 2025-26 despite CBI revenues, the primary source of financing of capital projects, declining from 33.1 per cent of GDP in 2024 to 30.8 per cent of GDP in 2026. Consequently, the primary balance is projected to deteriorate from a surplus of 1.0 per cent of GDP in 2024 to deficits of 1.8 per cent of GDP and 1.4 per cent of GDP in 2025 and 2026 (Table 4). Public debt is forecasted to remain elevated and based on current policies the Commonwealth of Dominica is not likely to achieve the ECCU long-term debt target by 2035. (Appendix: Box 3 – DSA Analysis).

**Table 4: Medium-Term Outlook - Selected Economic Indicators**

| as a per cent of GDP unless stated otherwise | 2025 | 2026 |
|---|---|---|
| **Real Sector** | | |
| Nominal GDP (EC$M) | 1,942.9 | 2,049.7 |
| Real GDP (EC$M) | 1,876.7 | 1,932.4 |
| Real GDP Growth | 2.6 | 3.0 |
| Inflation (end of period; per cent) | 1.4 | 1.2 |
| **Government Sector** | | |
| Current Revenue | 54.7 | 53.0 |
| Current Expenditure | 32.4 | 30.8 |
| Capital Expenditure | 29.1 | 28.6 |
| Primary Balance | (1.8) | (1.4) |
| Overall Balance | (4.5) | (4.2) |
| Financing | 4.5 | 4.2 |
| **External Sector** | | |
| Balance of trade | 32.5 | 32.5 |
| Travel receipts | 18.5 | 18.5 |
| Current account | (24.9) | (24.9) |
| Foreign Direct Investment | 4.5 | 3.9 |
| **Monetary Sector (EC$M)** | | |
| Money Supply | 1,433.4 | 1,460.8 |
| Net Foreign Assets | 878.7 | 900.3 |
| Net Domestic Assets | 554.7 | 560.6 |
| Domestic Credit | 977.1 | 1017 |
| Of which credit to the private sector | 811.6 | 856.2 |
| Of which credit to businesses | 329.3 | 347.4 |
| Of which credit to households | 482.3 | 508.8 |
| **Memo Items:** | | |
| Total public sector debt (EC$M) | 1834.0 | 1919.8 |
| Total public sector debt to GDP | 94.4 | 93.7 |

Source: Ministry of Finance, Commonwealth of Dominica & ECCB

## Risks

Risks to the outlook remain elevated and tilted to the downside. Two significant global risks exist (i) rising trade protectionism and (ii) an intensification of geopolitical conflict. Additionally, the existential threat of climate change and uncertainty around CBI revenues also pose a challenge to the Commonwealth of Dominica (Table 5).

**Table 5: Key Macroeconomic Risk to the Medium-Term Outlook**

| Risk | Likelihood | Impact |
|---|---|---|
| **External Risk** | | |
| ***Rising trade protectionism*** | | |
| Increasing trade frictions between the US and its major trading partners. | **High** | Higher tariffs on major trading partners (China, Canada, Mexico and possibly EU) would inflate prices for US consumers. Given the Commonwealth of Dominica's dependence on US imports, this would translate into higher prices for a variety of imported goods. This will result in lower real incomes negatively affecting economic activity.<br>Increase trade frictions and global inflationary pressures would likely weaken growth including in the Commonwealth of Dominica's major tourism source markets adversely affecting the economy. |
| ***Escalation of geopolitical conflict*** | | |
| An intensification of the Russia-Ukraine war and conflict in the Middle East continue to threaten the network of trade routes necessary for the uninterrupted flow of essential commodities such as agricultural goods, fertilizers and energy. | **Medium/High** | Disruption of trade routes and the supply chain network can lead to goods shortages, price hikes and reduced economic activity in the domestic economy. The pervasiveness of higher prices can give rise to fiscal and current account imbalances given that the government is the single largest consumer of goods and services while simultaneously diminishing consumer's purchasing power. |
| **Domestic Risk** | | |
| ***Climate Change*** | | |
| The escalating frequency and ferocity of weather events constitute a significant risk to social and economic stability. | **High** | The increased incidence and severity of natural hazards pose a substantial threat, potentially causing significant contraction in GDP through widespread destruction of critical infrastructure. Further, the subsequent diversion of resources for reconstruction can result in significant delays in the completion of critical infrastructure needed for growth. |
| ***Decline in CBI receipts*** | | |
| A slowdown in applications associated with more stringent requirements from the US and Europe. | **Medium** | A fall off in CBI receipts could result in the government resorting to costly alternative financing facilities such as overdraft at local commercial banks with implications for fiscal and debt sustainability. |

On the upside, better than expected dividends from the recently completed airport runway extension, could boost visitor arrivals with spillover effects in related industries. While the transition to local geothermal energy production (completion of geothermal power plant in 2026) could reduce dependence on fossil fuel imports, lowering energy costs and contributing to a narrowing of the current account deficit.

## Policy Recommendations

Against this background, the medium-term policy focus should be on strengthening the fundamentals for growth, developing strategies and policies to mitigate the existential risk of climate change, and adopting a fiscal framework consistent with positioning the country on a path to achieve its long-term debt anchor of 60.0 per cent by 2035 as set for the ECCU member countries.

**A core policy objective should be to strengthen economic growth over the medium-term.** This could be achieved through an integrated set of medium-term policy actions such as (i) leveraging of infrastructural investments in tourism to attract private sector investments (ii) improving the local business environment to support private investment through the removal of bureaucratic delays and inefficiencies in the investment review and approval process. Greater use and adaptation of digitalization can support this thrust as well. In particular, digitizing the processes for the management of economic regulations such as permits and registrations required for business investment. Moreover, digitization is not only critical to improve the efficiency of the public sector but is vital to the modernization of the country's services sectors. To support increased digitization, it will be essential to increase government spending on skills development particularly training in digital skills throughout the education system including Technical and Vocational Education and Training (TVET) institutions.

**Government should take appropriate steps to establish a fiscal policy framework in compliance with its national fiscal rule and consistent with the long-term regional debt anchor.** To achieve the long-term debt anchor of 60.0 per cent of GDP by 2035, an annual primary balance target of 1.4 per cent of GDP will be needed (Box 3 - DSA Analysis). The medium-term fiscal strategy would also need to build critical buffers to self-insure against disaster risks, and reduce debt vulnerabilities . In addition, the strategy should be underpinned by measures to broaden the non-CBI revenue base by strengthening tax administration and compliance. On the expenditure side, there should be rationalization of spending alongside proper sequencing and management of public sector investments to avoid bunching.

**Private sector credit growth serves as a vital catalyst for robust economic expansion.** Therefore, policies aimed at promoting improvements in access to finance for the business sector should be prioritized. Such policies should include strengthening the partnerships with regional institutions such as the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) to provide access to finance for the micro, small and medium enterprise sector on favourable terms while also safeguarding the commercial banks against risk of credit defaults.

**Credit risk remained the highest current risk in the commercial banking sector in the Commonwealth of Dominica.** In this regard, banks should continue to execute NPL reduction plans, which include strengthening the delinquency management framework to allow for early detection and remedial actions.

**The existential threat posed by climate change to the macroeconomic and social stability of small island developing states is particularly pronounced.** The Commonwealth of Dominica's classification among the world's most vulnerable countries underscores the need for concerted action to implement robust adaptation and mitigation strategies. In this regard, it is imperative to advance the objectives of the National Resilience and Development Strategy 2030 (NRDS), and prioritize the strategic goals and targets outlined in the Climate Resilience and Recovery Plan (CRRP) (2020-2030).

## Box 1: Impact of Climatic Shocks

**2015 Tropical Storm Erika**[a]

- Tropical Storm Erika made landfall on 27th August 2015.
- The economic impact was estimated at EC$ 1.3 billion amounting to 90 per cent of GDP.
- The storm resulted in 11 deaths; damaged 11 per cent of buildings and 10 per cent of crops.

**2017 Hurricane Maria**

- Hurricane Maria made landfall on the southwest coast of the Commonwealth of Dominica on 18 September 2017 as a Category 5 storm, with sustained wind speeds of 220 mph.
- The impact was estimated at EC$ 3.54 billion (US$1.3 billion), amounting to 226 per cent GDP.
- 80 per cent of the population (65,000 people) was directly affected and resulted in 65 deaths.
- More than 90 per cent of the housing stock were damaged or destroyed and 90 per cent of crops and livestock were lost. Power and water supplies were disrupted for months, and telecommunications systems in some areas took over one year to restore.

[a]Source: Dominica Climate Resilience Recovery Plan (2020-2030)

## Box 2: The Commonwealth of Dominica's Major Infrastructural Projects

**International Airport-** expected completion date end 2027. The estimated cost of the project is EC$1 billion. Project is fully financed by CBI. [a]

**Cabrits Marina** – expected completion date end 2026. The estimated cost of the project is EC$201 million. Project is fully financed by CBI.

**Aerial Tram Project** – expected completion date end 2026. The project is a joint venture between a private investor and the government. The project is financed, in part, by CBI.

**Tourism Reception Facility**: This project is valued at EC$1.7 million and will be finance by loan secured from the CARICOM Development Fund (CDF).

**Cruise Village**: Preparatory work has commenced by a private developer. The expected completion date unclear.

**Geothermal Power plant**: expected completion date is end 2026. The project is a BOLT arrangement with Ormat Technologies Inc. Government will also provide some financing (via loan funds).

**Transmission Network (Phase I)**: estimated cost of EC$216 million. The project is financed, in part, by a World Bank loan amounting to EC$103.9 million.

**Roseau Enhancement Project**: This project is financed by a concessional loan valued at EC$ 111 million secured from the Saudi Fund.

**Modern Cargo Port**: This project is in its early stage of development. Government is in the process of securing funding for the project.

**CBI Funded Hotel Projects** including (Oceans Edge & Sanctuary Rainforest Eco Resort & Spa).

[a] Source: Budget Speech (various years), Commonwealth of Dominica Investment Unit, Office of the Prime Minister Overview (Volumes I and II)

# Box 3: Debt Sustainability Analysis (Commonwealth of Dominica)

The COVID-19 pandemic compounded preexisting debt sustainability challenges, as the economy was still recovering from successive natural disaster shocks in 2015 and 2017. Public debt peaked at 107.7 per cent of GDP in 2021 and remained above the benchmark for a protracted period reaching 93.9 per cent by end 2024. Based on the debt sustainability analysis, under the baseline scenario (Table A1), Commonwealth of Dominica's public debt to GDP ratio is projected to follow a downward trajectory but the authorities are projected to miss the fiscal objectives set forth by the national fiscal rule. Specifically, the primary balance in 2026 is expected to fall short of the minimum 2.0 per cent of GDP target by 3.4 percentage points and public debt is expected to exceed the 60.0 per cent to GDP threshold in 2035 by 14.6 percentage points. The main contributors to debt reduction are the impact of growth in real GDP, which averages 2.1 per cent as well as interest rate, which average -0.02 per cent over the period (Table A2).

The key assumption driving this outcome is that real GDP growth will average 2.8 per cent over the period 2025 – 2026 and then converge to a long run average of 2.5 per cent thereafter. The average effective interest rate for public sector debt is estimated at 2.4 per cent and the government is expected to generate primary deficits over the medium term (2025 – 2027) in line with capital spending. Thereafter, the primary balance is expected to gradually improve moving to a surplus in 2031. Stress tests were done to estimate the impact of a one-standard-deviation shock to the primary balance, real GDP growth, and the real interest rate during the second and third years of projections. Under all these scenarios, debt would continue to be above the target by 2035.

**Table A1: Debt and Economic Indicators [1/]**

| | Actual | Est. | Projections | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| Nominal gross public debt | 102.5 | 97.0 | 93.4 | 93.2 | 91.9 | 96.6 | 98.1 | 99.0 | 97.1 | 94.0 | 91.2 | 86.6 | 81.1 | 74.6 |
| Of which: guarantees (uncalled) [3/] | 8.7 | 8.1 | 7.7 | 7.3 | 6.9 | 6.5 | 6.2 | 5.8 | 5.5 | 5.2 | 5.0 | 4.7 | 4.4 | 4.2 |
| Real GDP growth (in percent) | 10.4 | 2.0 | 1.9 | 2.6 | 2.8 | 2.3 | 2.4 | 2.5 | 2.5 | 2.4 | 2.5 | 2.5 | 2.5 | 2.5 |
| Inflation (GDP deflator, in percent) | 3.6 | 2.9 | 2.4 | 1.6 | 2.4 | 2.2 | 2.2 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| Nominal GDP growth (in percent) | 14.3 | 4.9 | 4.3 | 4.2 | 5.3 | 4.6 | 4.6 | 4.7 | 4.8 | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 |
| Effective interest rate (in percent) [4/] | 2.9 | 3.2 | 1.8 | 2.3 | 2.4 | 2.1 | 2.1 | 2.0 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.8 |

**Table A2: Contribution to Changes in Public Debt**

| | Actual | Est. | Projections | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | cumulative |
| Change in gross public sector debt | -5.2 | -5.5 | -3.6 | -0.2 | -1.4 | 4.7 | 1.6 | 0.9 | 2.0 |
| Identified debt-creating flows | -7.4 | 4.1 | -3.6 | -0.2 | -1.4 | 4.7 | 1.6 | 0.9 | 2.0 |
| Primary deficit | 3.7 | 6.2 | -1.0 | 1.8 | 1.4 | 7.1 | 4.1 | 3.6 | 17.0 |
| Automatic debt dynamics | -9.7 | -1.5 | -2.2 | -1.6 | -2.4 | -2.1 | -2.2 | -2.4 | -12.7 |
| Interest rate/growth differential | -9.7 | -1.5 | -2.2 | -1.6 | -2.4 | -2.1 | -2.2 | -2.4 | -12.7 |
| Of which: real interest rate | -0.8 | 0.3 | -0.5 | 0.53 | -0.10 | -0.18 | -0.14 | -0.18 | -0.6 |
| Of which: real GDP growth | -8.9 | -1.8 | -1.6 | -2.1 | -2.3 | -1.9 | -2.1 | -2.2 | -12.1 |
| Exchange rate depreciation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other identified debt-creating flows | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SFA due to intra-year exchange rate chan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in guarantees (uncalled) | -1.4 | -0.6 | -0.4 | -0.4 | -0.4 | -0.4 | -0.3 | -0.3 | -2.2 |
| Residual [6/] | 2.1 | -9.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| Realism and Fiscal Adjustments | |
|---|---|
| debt levels in 2035: historical and constant pb scenarios | |
| 130.6 | 58.8 |
| debt-reducing primary balance in 2026 and in 2035 | |
| 1.4 | 1.4 |
| el and yearly change of the primary balar that yield a 60% debt ratio in 2035 7/ | |
| 1.4 | 0.5 |
| probability of debt below: end-2023 and 60 percent in 2035 | |
| 73.7 | 29.5 |

The Commonwealth of Dominica has a debt target of 60 per cent by 2035, in accordance with the revised fiscal anchor prescribed by the ECCU Monetary Council. However, based on the baseline, the country will not achieve this target by the recommended timeline. Based on current macro-fiscal assumptions, under the constant primary balance scenario, the authority would be required to achieve and maintain at minimum a primary surplus of 1.4 per cent of GDP by 2027.

**Conclusion** The Commonwealth of Dominica's debt-to-GDP is on a modest downward trajectory reaching 74.6 per cent by 2035 under the Baseline Scenario –this is supported mainly by real GDP growth and low interest rates. Further, the probability that debt ratio will be below the target in 2035 is estimated to be 29.5 per cent. While the debt to GDP ratio is on a downward trend, it remains uncomfortably elevated. As a result, robust fiscal consolidation is necessary to bring the debt to GDP ratio in line with the fiscal anchor. Under the constant primary balance scenario, the primary balance that would allow the country to reach the debt target would be 1.4 per cent of GDP.

# Selected Economic Indicators

**Selected Economic Indicators**

in EC$M, unless otherwise stated

| Item | 2019 | 2020 | 2021 | 2022 | 2023 | 2024E | 2025F | 2026F |
|---|---|---|---|---|---|---|---|---|
| **Real Sector** | | | | | | | | |
| Nominal GDP (EC$M) | 1,739.5 | 1,428.2 | 1,519.9 | 1,682.3 | 1,780.1 | 1,860.0 | 1,942.9 | 2,049.7 |
| Real GDP (EC$M) | 1,763.2 | 1,486.3 | 1,566.2 | 1,729.1 | 1,792.2 | 1,829.0 | 1,876.7 | 1,932.4 |
| Real GDP Growth (%) | 3.9 | −15.7 | 5.4 | 10.4 | 3.7 | 2.1 | 2.6 | 3.0 |
| Inflation (end of period; per cent) | 0.1 | 1.1 | 3.4 | 2.2 | 5.9 | 2.4 | 1.4 | 1.2 |
| **Government Sector** | | | | | | | | |
| Current Revenue | 649.2 | 547.6 | 868.6 | 800.3 | 1,029.6 | 1,029.2 | 1,062.1 | 1,086.0 |
| Current Expenditure | 618.9 | 598.5 | 593.1 | 567.2 | 580.7 | 586.2 | 613.0 | 627.0 |
| Capital Expenditure | 307.2 | 176.1 | 434.9 | 410.7 | 634.4 | 542.1 | 566.3 | 585.6 |
| Primary Balance | −214.3 | −13.9 | −62.5 | −62.0 | −110.7 | 18.9 | −34.0 | −29.3 |
| Overall Balance | −249.3 | −48.6 | −96.4 | −106.7 | −161.1 | −19.6 | −87.9 | −85.8 |
| Debt Servicing as a share of Current Revenue | 13.3 | 16.2 | 10.2 | 13.3 | 11.5 | 12.0 | 10.0 | 9.9 |
| Financing | 249.3 | 48.6 | 96.4 | 106.7 | 161.1 | 19.6 | 87.9 | 85.8 |
| **External Sector** | | | | | | | | |
| Balance of trade | −701.3 | −458.7 | −489.3 | −566.7 | −646.7 | −573.6 | −586.7 | −618.9 |
| Travel receipts | 365.4 | 94.2 | 68.2 | 203.1 | 267.0 | 325.5 | 36.0 | 380.1 |
| Current account | −629.6 | −503.2 | −502.5 | −442.1 | −603.8 | −477.0 | −482.9 | −509.4 |
| Foreign Direct Investment | 170.2 | 61.7 | 76.5 | 45.7 | 83.8 | 85.5 | 87.7 | 79.5 |
| **Monetary Sector** | | | | | | | | |
| Money Supply | 1,574.2 | 1,389.1 | 1,414.5 | 1,396.8 | 1,390.5 | 1,411.6 | 1,433.4 | 1,460.8 |
| Net Foreign Assets | 847.6 | 962.6 | 970.5 | 925.5 | 948.6 | 858.2 | 878.7 | 900.3 |
| Net Domestic Assets | 757.3 | 462.2 | 469.9 | 477.2 | 446.0 | 553.4 | 554.7 | 560.6 |
| Domestic Credit | 858.0 | 878.2 | 977.0 | 974.5 | 918.4 | 951.8 | 977.1 | 1,017.0 |
| Of which credit to the private sector | 667.2 | 724.8 | 750.5 | 771.3 | 743.6 | 777.0 | 811.6 | 856.2 |
| Of which credit to businesses | 257.7 | 286.2 | 297.4 | 313.5 | 301.7 | 315.2 | 329.3 | 347.4 |
| Of which credit to households | 409.5 | 438.7 | 453.2 | 457.8 | 441.9 | 461.7 | 482.3 | 508.8 |
| Memo Items: | | | | | | | | |
| **Total public sector debt (EC$M)** | **1,288.6** | **1,485.2** | **1,636.9** | **1,723.5** | **1,726.5** | **1,746.1** | **1,834.0** | **1,919.8** |
| Total public sector debt to GDP | 74.1 | 104.0 | 107.7 | 102.5 | 97.0 | 93.9 | 94.4 | 93.7 |

Source: Central Statistics Office and ECCB Data as at September 2024