

DOMINICA

Growth accelerated to 3.1 percent in 2025, driven by infrastructure investment and tourism, and is expected to remain robust despite moderation as major projects conclude, reflecting increased productive capacity. The fiscal deficit is projected to decline as capital outlays decrease and revenue measures are implemented, supporting debt sustainability. External shocks could weaken growth and employment, pushing vulnerable households into poverty.

Key conditions and challenges

As a small island nation dependent on tourism and agriculture, Dominica is highly vulnerable to climate and external shocks. For example, Hurricanes Erika in 2015 and Maria in 2017 caused US\$1.8 billion (almost three times the GDP) in damage. In the post-pandemic period of 2021–2022, economic growth averaged 8 percent, fueled by recovery investments, a resurgence in tourism, and a marked increase in Citizenship-by-Investment (CBI) revenues. However, growth normalized at around 2.9 percent during 2023–25, as base effects faded. The fiscal deficit and public debt remained elevated, peaking at 7.2 percent and 102.3 percent of GDP in fiscal year 2023/24, respectively, as the government continued to undertake large infrastructure projects aimed at upgrading and expanding tourism capacity.

Dominica faces persistent challenges with high debt that limits fiscal flexibility, a narrow and volatile economic base, skilled labor emigration, declining productivity, elevated energy and logistics costs, and limited access to finance, which compound climate vulnerability. Stronger fiscal buffers, greater economic diversification, investments in climate resilience, broader insurance coverage, and

Population ¹ thousand	Poverty
65.9	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
71.1	96.8
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
0.7	11064.7

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

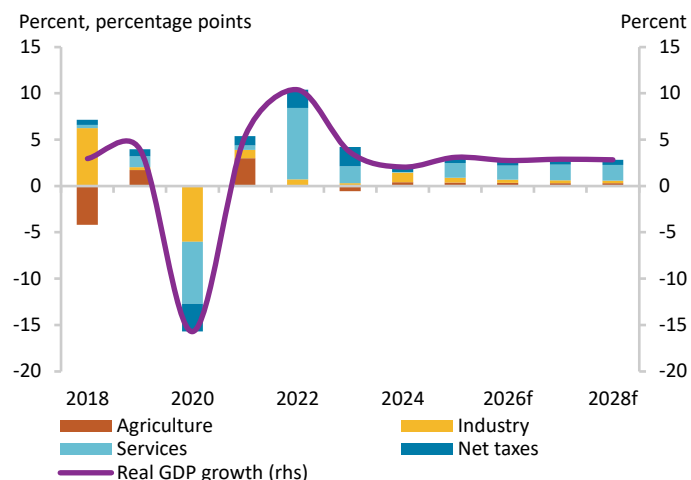
improved job opportunities could foster broad-based growth, helping provide economic security for poor and vulnerable Dominicans.

Recent developments

Real GDP is estimated to have grown by 3.1 percent in 2025, fueled by infrastructure investment and rising tourism. Construction was driven by public projects— climate-resilient infrastructure, the International Airport, and a geothermal plant—and private developments like the Ariel Tram/Cable Car and luxury hotels. These expansions increased tourism capacity, with stayover arrivals up 13.7 percent in January–September 2025 from the previous year. Agriculture—the largest employer for Dominica’s poorest workers—slowed but remained supported by government initiatives.

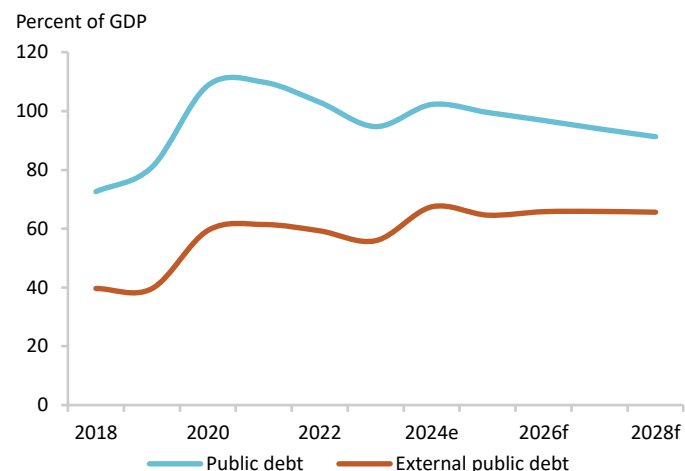
Inflation eased to 2.6 percent in 2025, helped by lower global commodity prices, with year-on-year food price inflation standing at 3.1 percent in September 2025. This likely mitigated food insecurity for the poor and vulnerable that devote a larger share of income to food. In 2025, 40 percent of respondents to the Caribbean Food Security and Livelihoods Survey reported going hungry but not eating, similar to 2024

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Eastern Caribbean Central Bank and World Bank.

FIGURE 2 / Public debt



Sources: Eastern Caribbean Central Bank and World Bank.

and up from 2021 (18 percent). Health and education costs have also increased faster than overall inflation, which could hamper human capital development.

The current account deficit increased to an estimated 38.6 percent of GDP in 2025, driven by capital goods imports related to infrastructure projects, only partially offset by tourism receipts. The deficit was primarily financed by CBI inflows and, to a lesser extent, by recovering foreign direct investment (FDI). In 2025, imputed reserves covered 4.3 months of imports.

The fiscal deficit narrowed to 1.6 percent of GDP in fiscal year 2024/25 (from 7.2 percent in the previous year), supported by higher tax revenue, controlled current expenditures, and stronger economic growth. As a result, debt declined to 99.5 percent of GDP in fiscal year 2024/25.

The financial sector is adequately capitalized but low asset quality and heavy reliance on credit unions increase vulnerabilities due to weaker regulatory frameworks. Non-performing loans in commercial banks declined to 8.9 percent in December 2025 but remain above the Eastern Caribbean Central Bank's prudential benchmark (5 percent).

Outlook

GDP growth is projected to converge to 2.8 percent by 2028 as major infrastructure projects are concluded. Nonetheless, expanded capacity in tourism, investments in agriculture and a transition to geothermal energy will continue supporting the expansion.

Inflation is expected to remain high at 2.6 percent in 2026 due to an increase in oil prices driven by the conflict in the Middle East but then decline to 2.1 percent over the medium term, supporting purchasing power. Poverty should fall in the medium term. However, updated data on poverty, labor markets and other key indicators is urgently needed to monitor wellbeing and guide policy.

The fiscal deficit is projected to narrow to 0.6 percent of GDP by fiscal year 2027/28, driven by increased excise taxes, higher eco-tourism site fees, new environmental and highway maintenance taxes, and stable economic performance. Although fiscal incidence studies are not available, international evidence suggests that consumption taxes could disproportionately affect poor and vulnerable households. Current spending restraint and a slowdown in capital outlays as projects are completed will further contribute to the adjustment, enabling a primary surplus and a gradual decline in public debt to around 91.3 percent of GDP by 2028.

The current account deficit is expected to narrow to 16.1 percent of GDP by 2028, driven by lower capital imports, reduced fuel costs linked to geothermal energy production, and increased tourism receipts enabled by the new airport and hotels. CBI and FDI inflows are projected to continue financing the deficit.

The economic outlook faces significant downside risks from volatile CBI revenues, fluctuating food and fuel prices, and trade disruptions resulting from global uncertainty and the conflict in the Middle East. Additional risks include natural disasters, tighter global financial conditions, and fiscal vulnerabilities that may slow the decline in public debt.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.7	2.1	3.1	2.8	2.9	2.8
Real GDP growth, at constant factor prices	2.0	1.9	3.1	2.8	2.9	2.8
Agriculture	-4.0	3.2	2.9	2.7	2.5	2.3
Industry	2.4	8.8	4.2	2.6	2.3	2.3
Services	3.3	0.2	2.9	2.8	3.1	3.1
Inflation (consumer price index)	5.1	2.7	2.6	2.6	2.1	2.1
Current account balance (% of GDP)	-40.4	-37.8	-38.6	-30.6	-20.8	-16.1
Fiscal balance (% of GDP)¹	-4.6	-7.2	-1.6	-1.2	-0.7	-0.6
Revenues (% of GDP)	61.7	63.0	62.4	56.5	45.9	44.0
Debt (% of GDP)¹	94.7	102.3	99.5	96.8	93.9	91.3
Primary balance (% of GDP)¹	-2.0	-4.8	0.9	1.2	1.5	1.5
GHG emissions growth (mtCO₂e)	2.9	1.9	2.5	2.4	2.3	2.2

Source: World Bank, Fiscal Policy & Growth Department and Eastern Caribbean Central Bank. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.

^{1/} Fiscal balances and public debt are reported in fiscal years.