

GRENADA

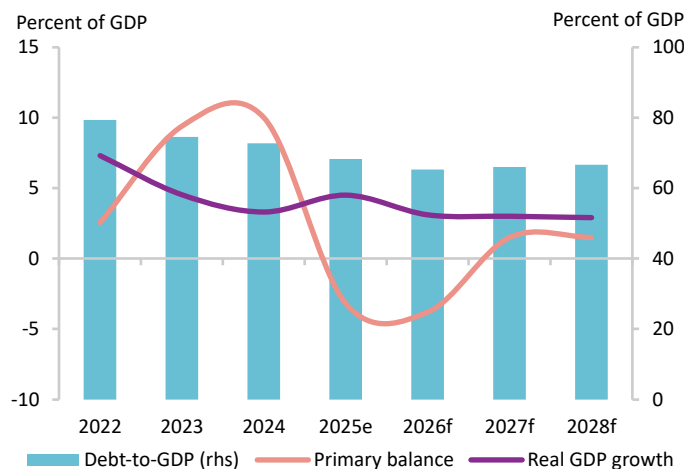
Grenada's economic growth has remained robust, driven by tourism and construction sectors. Despite the post-Beryl reconstruction, the country is expected to continue its downward debt trajectory due to strong revenues and effective disaster risk management. Returning to fiscal rules after 2027 and implementing institutional reforms will be critical for Grenada to sustain growth and make continued progress in poverty reduction.

Key conditions and challenges

Grenada's small tourism-dependent economy is susceptible to global downturns and natural disasters, heightening economic and poverty risks. Its economy grew by an average of 3.9 percent annually from 2015 to 2019, outperforming other Eastern Caribbean nations. Despite a fixed exchange rate ensuring price stability, frequent external shocks weakened its fiscal position.

The most recent available data show that in 2018 about 1 in 5 Grenadians lived on less than US\$8.30 a day (2021 PPP). Inequality, measured by the Gini index, was 43.8 in 2018, which is high by international standards. Gender disparities in economic opportunities persist, and youth unemployment is significantly above the national average. The 2018 data also highlighted gaps in access to basic services such as improved sanitation, electricity and housing quality, and a digital divide. The poor lagged the rest of the population by about 6–8 percentage points in basic services (coverage of total population: 89–95 percent) and 9–19 percentage points in digital access indicators (coverage of total population: 28–76 percent).

FIGURE 1 / Key macroeconomic variables



Sources: Eastern Caribbean Central Bank and World Bank. Notes: e = estimate; f = forecast.

Population ¹ thousand	Poverty ² thousands living on less than \$8.30/day
117.3	22.7
Life expectancy at birth ³ years	School enrollment ⁴ primary (% gross)
75.2	110.6
GDP ⁵ current US\$, billion	GDP per capita ⁶ current US\$
1.5	12502.7

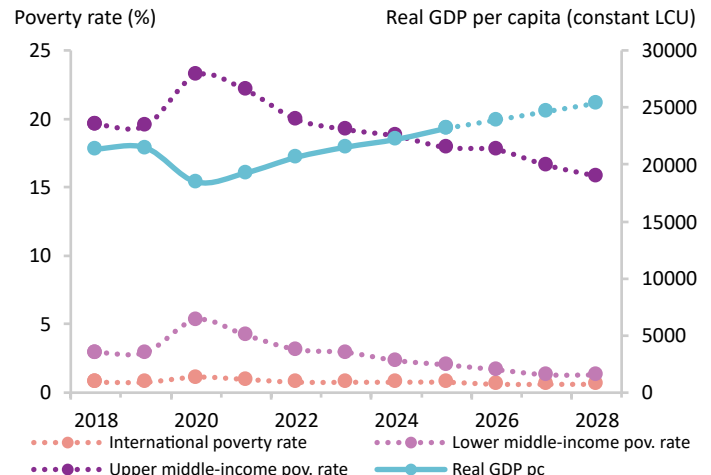
Sources: WDI, MFM, and official data. 1/ 2025. 2/ 2018 (2021 PPPs). 3/ 2023. 4/ 2024. 5/ 2025. 6/ 2025.

Fiscal consolidation and competitiveness are key priorities. In July 2024, Hurricane Beryl prompted a temporary suspension of the primary balance rule, allowing fiscal space for reconstruction. A timely return to the fiscal rules in 2027 and enhancements in public finances are crucial for ensuring debt remains on a downward trajectory. Reforms are also needed to improve trade facilitation, water and sewerage services, the financial sector, and disaster risk management.

Recent developments

GDP growth is estimated at 4.5 percent in 2025, driven by robust construction activity. Stayover arrivals declined by nearly 5 percent in 2025, following an exceptional 2024. Inflation continued to moderate, declining to an estimated 0.6 percent in 2025, broadly in line with global commodity price dynamics and supported by temporary hurricane-related tax waivers on selected goods since mid-2025. Poverty (US\$8.30 a day in 2021PPP) is estimated to have declined to 17.9 percent in 2025, having fallen below pre-pandemic levels in 2023.

FIGURE 2 / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: See footnotes in table on the next page.

The current account deficit (CAD) narrowed to 18.1 percent of GDP in 2025, reflecting moderation in secondary income outflows related to Citizenship-by-Investment (CBI) commissions. Remittance inflows remained stable at an estimated 3.2 percent of GDP in 2025. As remittances tend to accrue mainly to the wealthiest households, the impact on poverty reduction is likely limited. Foreign Direct Investment (FDI) and CBI capital transfers financed the CAD in 2025. Imputed reserves covered an estimated 4.6 months of imports in 2025.

Following an overall fiscal surplus of 6.7 percent of GDP in 2024, the balance shifted to a deficit of 7.0 percent of GDP in 2025, reflecting both a normalization of CBI receipts and higher capital expenditures related to post-Beryl reconstruction and other key investment projects. The prompt deployment of post-disaster funds—including payment from the Caribbean Catastrophe Risk Insurance Facility and the World Bank-financed Catastrophe Drawdown Option—demonstrated the effectiveness of Grenada’s multi-layered financial resilience framework. External and total public debt continued to decline, reflecting the limited impact of Hurricane Beryl on Grenada’s debt dynamics.

Outlook

Growth is expected to reach 3.1 percent in 2026, driven by construction investment. The launch of Project Polaris—a five-year,

US\$250 million hospital project—will fuel investment and job creation, starting in 2026. Project Polaris will be managed by a special purpose entity and funded by concessional central government borrowing. Headline inflation is projected to reach 2.1 percent in 2026, impacted by the global surge in oil prices. The CAD is expected to remain elevated over the medium term due to high import demand related to ongoing infrastructure investments. Poverty is expected to continue its downward trend over the medium term.

Public expenditure is projected to decline from 39.1 percent of GDP in 2025 to 36.4 percent of GDP in 2026, driven by lower capital expenditures. Total revenues are expected to stay around 30.5 percent of GDP during 2026–2028, as CBI revenues return to historical levels. As a result, the primary deficit is expected to reach 3.8 percent of GDP in 2026, before turning to a surplus of 1.5 percent in 2027 when the fiscal rule waivers expire. Although the additional financing required for Project Polaris is expected to raise public debt from 65.3 percent of GDP in 2026 to 66.6 percent of GDP in 2028, debt is still projected to decline to the Eastern Caribbean Central Bank target of 60 percent of GDP by 2033.

The risks to the outlook are skewed to the downside, including economic slowdown in key tourist-origin countries, further increases in oil prices due to the conflict in the Middle East, disruptions to CBI and FDI inflows (especially inflows linked to the Arab Coordination Group), delays or cost overruns in large investment projects, natural disasters, and delays to the resumption of fiscal rules.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	4.5	3.3	4.5	3.1	3.0	2.9
Real GDP growth, at constant factor prices	2.8	3.3	4.5	3.1	3.0	2.9
Agriculture	-18.7	-16.6	8.5	6.7	7.0	5.2
Industry	-4.0	5.2	10.9	4.3	3.2	3.2
Services	6.4	3.9	2.7	2.6	2.8	2.8
Inflation (consumer price index)	2.7	1.1	0.6	2.1	2.0	2.0
Current account balance (% of GDP)	-20.3	-21.2	-18.1	-17.9	-15.0	-14.4
Fiscal balance (% of GDP)	7.9	6.7	-7.0	-5.7	0.0	0.0
Revenues (% of GDP)	36.6	43.8	32.2	30.7	30.4	30.5
Debt (% of GDP)¹	74.5	72.7	68.3	65.3	66.0	66.6
Primary balance (% of GDP)	9.4	10.0	-3.2	-3.8	1.5	1.5
International poverty rate (\$3.00 in 2021 PPP)^{2,3}	0.8	0.8	0.8	0.6	0.6	0.6
Lower middle-income poverty rate (\$4.20 in 2021 PPP)^{2,3}	2.9	2.3	2.0	1.7	1.3	1.3
Upper middle-income poverty rate (\$8.30 in 2021 PPP)^{2,3}	19.3	18.8	17.9	17.8	16.6	15.9
GHG emissions growth (mtCO2e)	0.8	0.8	0.9	0.8	0.8	0.7

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

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

1/ The debt coverage over the period 2023–2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.

2/ Calculations based on CONLAC harmonization, using 2018-SLCHB. Actual data: 2018. Nowcast: 2019–2025. Forecasts are from 2026 to 2028.

3/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.