GRENADA

Table 1	2023
Population, million	0.1
GDP, current US$ billion	1.3
GDP per capita, current US$	10503.8
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	1.3
Upper middle-income poverty rate ($6.85)[a]	13.8
Gini index[a]	43.8
School enrollment, primary (% gross)[b]	83.4
Life expectancy at birth, years[b]	74.9
Total GHG emissions (mtCO2e)	2.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Grenada is expected to have returned to its strong pre-COVID growth in 2023, thanks to tourism and construction. The country has improved its fiscal position and continues to reduce its public debt. It has also continued with the implementation of pro-growth reforms, closing infrastructure gaps, and building climate resilience. Complying with established fiscal rules will be critical for Grenada to sustain inclusive growth and make continued progress in poverty and inequality reduction.

Key conditions and challenges

Grenada has outperformed its eastern Caribbean peers in economic performance, achieving an average annual growth of 3.3 percent between 2015 and 2019, while keeping public debt relatively low and reducing poverty. Growth has been driven by construction and tourism, supported by structural reforms initiated in 2015. The 2015 Fiscal Responsibility Act was replaced by the 2023 Fiscal Resilience Act (FRA) with the aim to further enhance Grenada's fiscal policy framework by simplifying rules, broadening the definition of public debt, and strengthening the role of the medium-term fiscal strategy. State-Owned Enterprises (SOEs) play a vital role in the country's economic stability and growth, as they are involved in various critical sectors. The Eastern Caribbean Currency Union's fixed exchange rate anchors low inflation and price stability. Grenada's financial sector remains stable and liquid.

However, vulnerabilities remain. Grenada's economy relies heavily on tourism, a sector significantly affected by the global business cycle and natural disasters. Inequality, measured by the Gini coefficient, has hovered around 0.44 since 2018, which is high by international standards. Gender disparities in access to economic opportunities persist, and youth unemployment stands significantly above the national average.

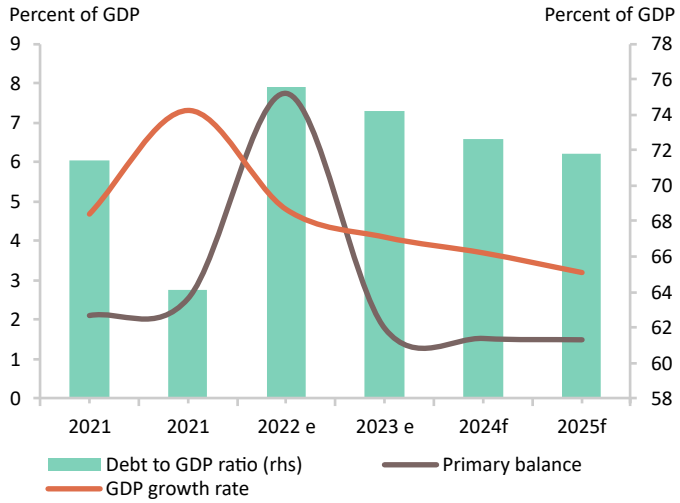
A strong commitment to adhering to fiscal rules and additional structural reforms are needed to sustain inclusive growth, reduce poverty and inequality, enhance the effectiveness of social protection programs, and strengthen climate resilience. Targeted policies to boost job creation and skill development for women and youth are also required. The Government has committed to remaining on track with the new fiscal rules in 2024 and plans to further improve accountability and fiscal transparency.

Recent developments

Economic activity improved in 2023, leading to gains in poverty reduction. Growth is estimated to have reached 4.8 percent in 2023 as visitor arrivals, public and private construction activity, and the return of students to St. George's University (SGU) contributed significantly to the economy. Inflation rose to 2.7 percent by end-2023, mostly driven by increases in food and fuel prices. The recent underperformance in the agriculture sector was largely due to unfavorable weather conditions and the high cost of fertilizers. The unemployment rate dropped to 12.0 percent in 2023-Q2. However, it continues to be higher among women (14.6 percent) and the youth (36.2 percent). Poverty ($6.85 a day in 2017 PPP) is estimated to have declined to 13.9 percent in 2023, remaining slightly above pre-pandemic levels (13.8 percent in 2018).

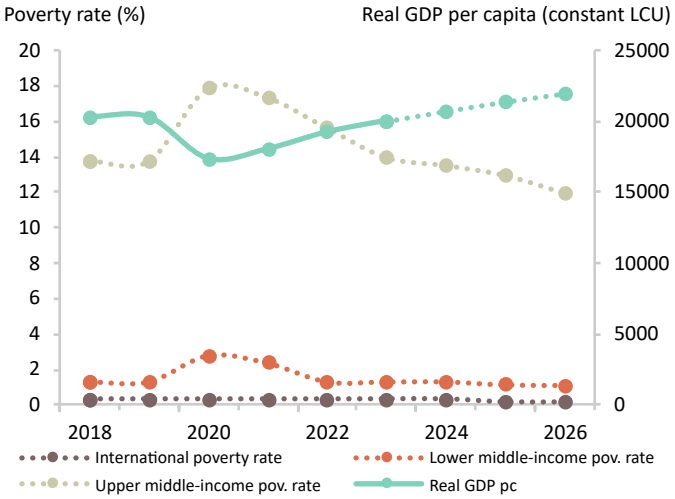
The current account deficit is estimated to have widened in 2023, as the increased

FIGURE 1 **Grenada** / Key macroeconomic variables



Source: World Bank, Macroeconomics and Fiscal Management Global Practice.
Notes: e= estimate; f = forecast.

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



Source: World Bank. Notes: see Table 2.

import bill exceeded the recovery in tourism-driven exports due to a larger volume of goods required for construction projects. Remittances are estimated to have slowed from the pandemic peak. However, it is unlikely to have impacted poverty, as the wealthiest households account for most of the remittances received. Citizenship-by-Investment (CBI) inflows were larger than expected in 2023 and supported both public and private investment. Foreign Direct Investment (FDI) helped finance the external deficit as did loans from multilateral and bilateral development partners. Estimated imputed reserves increased by 9 percent from 2021 to 2022.

The fiscal surplus further improved in 2023, owing to increased CBI non-tax revenues (EC$382.9 million) and buoyant economic activity. Total revenue rose to 36.8 percent of GDP in 2023. These improvements more than compensated for the elevated capital expenditures. Public sector debt increased to 75.5 percent of GDP in 2023, up from 64.1 percent of GDP in 2022. This increase reflects the recently introduced FRA, which broadens the debt coverage by including the debt of all SOEs.

Outlook

Real output growth is projected to moderate to 4.1 percent in 2024, with an average of 3.7 percent over the medium term. This reflects a slower pace of expansion in tourism and construction, as public investments are expected to scale back due to the binding new fiscal rules. Nonetheless, private and public investments are expected to continue to support construction. The implementation of structural reforms is also expected to positively affect the output. Inflationary pressures are expected to ease over the medium term, from the 2022 peak. An overall inflation rate of 2.0 percent is forecast from 2024 onwards. Amid moderate economic growth and controlled inflation, poverty ($6.85 a day in 2017 PPP) is projected to fall below pre-pandemic levels in 2024 and continue to decline in 2025 and 2026.

The authorities are advancing an ambitious fiscal reform agenda. On the expenditure side, they aim to raise wages moderately within the new FRA ceiling of 13 percent of GDP. CBI inflows, which spiked in 2023-24, are projected to taper off from 7.9 percent of GDP in 2024 to 4.7 percent in 2026, reducing capital spending funds. A new public sector pension scheme should become operational in 2024 and may require Government contributions going forward. On the revenue side, a strong recovery in tax revenue collection and additional revenue enhancement measures are expected to offset increased spending and maintain the primary balance above the new FRA target of 1.5 percent of GDP over the medium term. Public debt is projected to remain on a downward path, supported by output growth, fiscal surplus, and declining debt service payments, and reach 71.8 percent of GDP by 2026 as additional primary surplus is assumed to be directed towards the National Transformation Fund.

Externally, the risks are mainly on the downside and associated with the uncertainty around rising geopolitical tensions, the global economic slowdown, and persistent inflationary pressures. Domestically, both upside and downside risks exist. On the upside, a faster uptake in the tourism sector and/or construction projects could spur a new wave of growth. On the downside, the country's vulnerabilities to natural disasters, health issues, and other shocks could negatively impact future growth.

TABLE 2 **Grenada** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.7	7.3	4.8	4.1	3.7	3.2
Real GDP growth, at constant factor prices	5.2	6.2	4.8	4.1	3.7	3.2
Agriculture	15.7	-16.8	-2.1	1.4	3.1	3.1
Industry	15.3	17.4	4.3	4.5	2.0	2.0
Services	2.0	5.5	5.5	4.2	4.2	3.5
Inflation (consumer price index)	1.9	2.9	2.7	2.0	2.0	2.0
Current account balance (% of GDP)	-14.5	-11.0	-14.3	-16.9	-13.5	-12.6
Fiscal balance (% of GDP)	0.3	0.9	6.3	0.2	0.2	0.3
Revenues (% of GDP)	31.6	32.7	36.8	34.8	30.2	30.2
Debt (% of GDP)[a]	71.4	64.1	75.5	74.2	72.6	71.8
Primary balance (% of GDP)	2.1	2.5	7.7	1.8	1.5	1.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.3	0.3	0.3	0.3	0.1	0.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	2.3	1.3	1.3	1.3	1.1	1.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	17.3	15.6	13.9	13.5	12.9	11.9
GHG emissions growth (mtCO2e)	1.6	2.1	1.6	1.5	1.4	1.4
Energy related GHG emissions (% of total)	13.3	13.4	13.6	13.6	13.6	13.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The debt coverage over the period 2023-2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.
b/ Calculations based on CONLAC harmonization, using 2018-SLCHB. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.