GRENADA

Population[1] thousand **117.2**	Poverty[2] thousands living on less than $6.85/ day **15.9**
Life expectancy at birth[3] years **75.3**	School enrollment[4] primary (% gross) **83.4**
GDP[5] current US$, billion **1.4**	GDP per capita[6] current US$ **11871.6**

Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2018 (2017 PPPs). 3/ 2022. 4/ 2021. 5/ 2024. 6/ 2024.

Grenada's prudent preparation and swift action helped to limit the impact of Hurricane Beryl, ensuring that its economy will continue growing. Despite the post-Beryl reconstruction needs, the country is expected to reduce its debt due to strong revenues and disaster risk management. 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 outperformed its Eastern Caribbean peers, achieving an average annual GDP growth of 3.9 percent between 2015 and 2019, while keeping relatively low public debt. Growth has been supported by structural reforms initiated in 2015 with the Fiscal Responsibility Act, which was replaced by the 2023 Fiscal Resilience Act (FRA) to simplify rules, broaden the definition of public debt, and strengthen the medium-term fiscal strategy. The Eastern Caribbean Currency Union's (ECCU) fixed exchange rate and sound policies anchor low inflation and price stability.

Grenada's economy relies heavily on tourism, making it vulnerable to global business cycles and natural disasters, which increases the population's vulnerability to poverty. In 2018, about 14 percent of the population lived on less than $6.85 a day (2017 Purchasing Power Parity). 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.

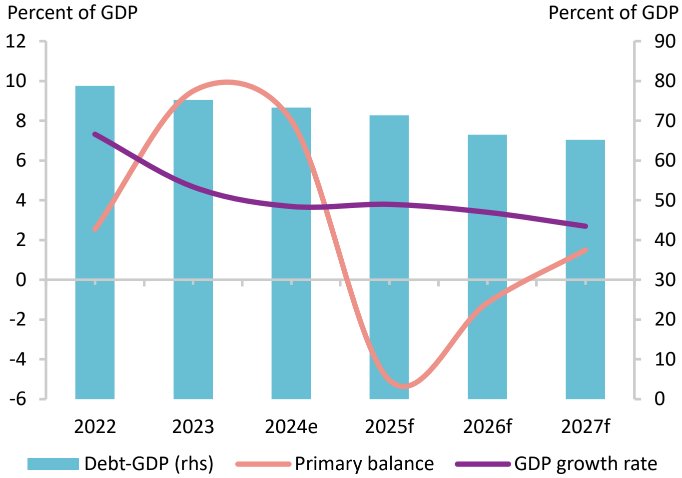
Hurricane Beryl, a Category 4 hurricane, made landfall in July 2024, causing damages estimated at 16.5 percent of 2023 GDP. As a result, the government suspended the primary balance rule under the FRA to provide enough fiscal space for post-disaster recovery, focusing support on the hardest-hit households and businesses.

Adherence to fiscal rules and enhancing public finances are crucial for inclusive growth, poverty reduction, social protection, and resilience against natural disasters. Despite escape clauses in the fiscal rule framework, it is important to continue budget prudence, enhance revenue mobilization and improve spending efficiency. Reforms are needed to improve Citizenship-by-Investment (CBI) revenue management and budget planning processes through the timely preparation and publication of a Medium-Term Fiscal Framework.

Recent developments

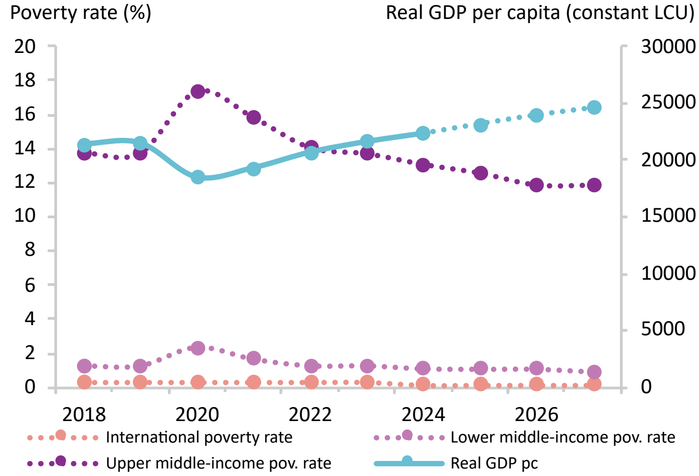
Despite the devastation of Hurricane Beryl, Grenada's economy continued growing at 3.7 percent in 2024, supported by tourism and construction. Notwithstanding damages to around 10 percent

FIGURE 1 / Key macroeconomic variables



Source: World Bank staff estimates.
Notes: e= estimate; f = forecast.

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



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

of Grenada's total tourism accommodations, the core tourism infrastructure on the main island stayed operational. Stayover arrivals increased by 25 percent in January-September 2024 compared to the same period in 2023. Inflation moderated from 2.7 percent in 2023 to 1.1 percent in 2024, driven by lower import prices that offset price pressures from sizable minimum wage increases in early 2024. Poverty ($6.85 a day in 2017 PPP) is estimated to have declined to 13.1 percent in 2024, falling below pre-pandemic levels in 2023.

The current account deficit is estimated to have widened in 2024, as the increased import bill for construction projects exceeded the recovery in tourism-driven exports. Remittances slowed to 5.9 percent of GDP in 2024, from a peak of 6.6 percent of GDP in 2020, but increased from 5.8 percent of GDP in 2023. This is unlikely to have impacted poverty, as the wealthiest households receive most remittances. CBI inflows increased to an estimated 14.8 percent of GDP in 2024, supporting both public and private investment. Foreign Direct Investment (FDI) and concessional loans fully financed the current account deficit in 2023 and 2024. Imputed reserves covered approximately 5.2 months of imports in 2024.

The fiscal surplus reached 4.7 percent of GDP in 2024, as revenues increased to 44.1 percent of GDP due to higher CBI revenue inflows and resilient economic activity. Public sector debt decreased from 75.2 percent of GDP in 2023 to 73.3 in 2024.

Outlook

Growth is projected at 3.8 percent in 2025, with an average of 3.1 percent over 2026-2027, driven by tourism and re-construction efforts. The agriculture sector is expected to recover more gradually. Inflation is projected at 1.5 percent in 2025 and converge to 2.0 percent thereafter. The current account deficit is projected to widen to 14 percent of GDP in 2025, driven by reconstruction efforts, higher food import demand, and reduced exports of fish and fishery products to the US due to tariffs, despite the expansion of tourism receipts. Poverty is expected to continue its downward trend.

Public expenditures are expected to rise to 39.1 percent of GDP in 2025, amid post-hurricane reconstruction and higher wages, but are projected to decline after 2025 due to reduced capital spending. Exceptional non-tax revenues, including strong past CBI performance and the CCRIF insurance payout, are expected to normalize over the projection period. Consequently, total revenue is estimated to average 30 percent of GDP over 2025-2027, and the primary deficit is projected to average 1.6 percent of GDP. Public debt (71.4 percent of GDP in 2025) is expected to continue its downward trajectory.

The risk outlook is skewed towards the downside, with potential challenges including delays in the resumption of fiscal rules, an uncertain global trade outlook, economic slowdown in key tourist-origin countries, reduced FDI, fewer CBI applications, lower remittances, natural disasters, and the impact of natural disasters.

Recent history and projections	2022	2023	2024e	2025f	2026f	2027f
Real GDP growth, at constant market prices	7.3	4.7	3.7	3.8	3.4	2.7
Real GDP growth, at constant factor prices	6.2	2.2	3.7	3.8	3.4	2.7
Agriculture	-16.8	-18.1	-10.5	1.4	2.5	2.5
Industry	17.4	-2.9	2.9	7.1	5.6	4.2
Services	5.5	5.2	4.7	3.1	2.8	2.3
Inflation (consumer price index)	2.6	2.7	1.1	1.5	2.0	2.0
Current account balance (% of GDP)	-11.0	-9.1	-13.3	-14.0	-10.6	-10.3
Fiscal balance (% of GDP)	0.9	8.0	4.7	-8.6	-3.7	-0.5
Revenues (% of GDP)	32.7	36.9	44.1	30.5	29.3	29.2
Debt (% of GDP)[1]	78.8	75.2	73.3	71.4	66.5	65.2
Primary balance (% of GDP)	2.5	9.5	8.0	-5.0	-1.2	1.5
International poverty rate ($2.15 in 2017 PPP)[2,3]	0.3	0.3	0.1	0.1	0.1	0.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[2,3]	1.3	1.3	1.1	1.1	1.1	1.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[2,3]	14.1	13.7	13.1	12.6	11.9	11.9
GHG emissions growth (mtCO2e)	1.6	1.2	1.3	1.3	1.2	1.1

Source: World Bank, Poverty and Economic Policy Global Departments. 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: 2019-2024. Forecasts are from 2025 to 2027.
3/ Projection using neutral distribution (2018) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.