CARIBBEAN ECONOMIC REVIEW AND OUTLOOK

2024-2025

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2024 - 2025

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FOREWORD

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The Caribbean region has largely emerged from the shocks of the past few years, with economic growth persisting, inflation moderating from its peak, and public debt on a downward path. The recovery, boosted by a strong tourism resurgence, builds on the Caribbean's enduring story of resilience.

Going forward, we envision a built resilience that goes beyond mere recovery from shocks towards an indomitable capacity to withstand them. However, reshaping this resilient future is threatened by a notable challenge: economic growth, at its current rate, falls short of the levels needed to deliver inclusive growth and prosperity for all Caribbean people. The Caribbean remains one of the most disaster-prone regions globally. There is an increased frequency of extreme weather events and climate-related impacts, posing significant risks to stable and sustainable development. These shared risks and uncertainties coupled with longstanding structural challenges continue to constrain the region's growth and development potential.

Realising this vision will therefore require strategies for addressing structural challenges and reinforcing resilience. Key priorities include investing in climate-resilient infrastructure, upgrading the business ecosystems to enhance competitiveness and facilitate diversification, addressing labour market bottlenecks and constraints to employment, expanding renewable energy, and investing in the safety and social well-being of citizens and residents. The region must also accelerate reforms to strengthen fiscal resilience, ensuring the capacity to respond to disasters while scaling up productive public investments. These efforts will be essential to reinforce macroeconomic stability and bolster debt sustainability. The scale of this undertaking is large but necessary for attaining higher levels of inclusive growth and enhancing long-term resilience. Enabling structural transformation and development will require supportive financing strategies, alongside accelerated efforts to access and effectively use international climate finance mechanisms to support adaptation measures.

The Caribbean Economic Review and Outlook will serve as both a reflection of our shared experiences as a region and a pathway for the future. The report provides a comprehensive review of the region's economic performance in 2024, and its near-term prospects. It also presents a section, *Development Imperatives*, where we highlight priority areas for boosting sustainable growth. In this edition, we feature an assessment of trade connectivity and logistics in the Caribbean, including a focus on issues, opportunities for reform, and approaches for overcoming challenges.

In this period of continued global uncertainty, I am confident that the insights contained here will serve as a useful resource for policymakers, development partners and other stakeholders in advancing the region's development agenda. Alongside these partners, the Caribbean Development Bank remains committed to the transformation of lives throughout the Caribbean through sustainable, resilient, and inclusive development.

Ian Durant
Director of Economics

[1] https://library.wmo.int/idurl/4/68891 State of the Climate in Latin America and the Caribbean 2023.

NOTES

- The Caribbean economy or regional economy in this report refers to the 19 Borrowing Member Countries of the Caribbean Development Bank, unless otherwise stated. These economies are further classified by analytic groups as follows:
  - ◊ **Service-exporting countries:** This group includes Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Belize, the British Virgin Islands, Cayman Islands, Dominica, Grenada, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, and Turks and Caicos Islands.
  - ◊ **Commodity-exporting countries:** This category encompasses Guyana, Suriname, and Trinidad and Tobago.
- The data presented in this report was accessed and analysed before February 21, 2025. More recent data may have become available since then. All estimates for 2024 are preliminary.
- All data reported refer to the year 2024, and comparisons are with respect to 2023, unless otherwise stated.
- Dollars ($) throughout this report refer to United States dollars, unless otherwise stated.

COUNTRY ABBREVIATIONS

Abbreviation	Country	Abbreviation	Country
ANG	Anguilla	**HAI**	Haiti
ANT	Antigua and Barbuda	**JAM**	Jamaica
BAH	The Bahamas	**MON**	Montserrat
BAR	Barbados	**SKN**	St Kitts and Nevis
BZE	Belize	**SLU**	Saint Lucia
BVI	The Virgin Islands (British)	**SVG**	St Vincent and the Grenadines
CAY	Cayman Islands	**SUR**	Suriname
DOM	The Commonwealth of Dominica	**TT**	Trinidad and Tobago
GRE	Grenada	**TCI**	Turks and Caicos Islands
GUY	Guyana		

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Caribbean economy, excluding Guyana, expanded at a moderate pace, buoyed by steady global growth of 3.2%[2], led by the United States of America (US), the region's main trading partner. Regional real gross domestic product (GDP) grew by 1.7%, supported by the continued expansion of tourism services and increased commodity production.

However, the overall picture is nuanced, with economic performance varying across the Borrowing Member Countries (BMC), as they encountered a diverse array of opportunities and challenges. Several BMCs grappled with setbacks, most notably with the impact of Hurricane Beryl laying bare the region's high vulnerability to natural hazards. Four BMCs, including Haiti, remained below their pre-pandemic output levels, with Haiti's ongoing instability continuing to hinder economic progress. In contrast, Guyana achieved extraordinary growth, expanding at a rate of 43.5%, fuelled by the continued expansion of oil production.

Global disinflation continued, triggering the start of the monetary policy easing cycle in advanced economies. Reflecting these trends, inflation rates continued to ease across most BMCs but remained well above pre-pandemic averages. Consequently, measures to cushion the impact of high prices were maintained in several countries. Labour markets generally saw low and declining unemployment rates. Labour market disparities persisted, including gender gaps in participation and unemployment, as well as high youth unemployment.

Amid still high borrowing costs but continuing fiscal consolidation, the fiscal outturn for BMCs was generally positive, with most governments maintaining or increasing primary surpluses. Moreover, central government debt-to-GDP ratios declined for the majority, with the regional ratio falling to 50.9%. Reflecting their strengthened fiscal and debt positions, five BMCs received upgrades to their sovereign credit ratings. BMC governments continued, however, to face limited fiscal space and ongoing risks to debt sustainability.

Looking ahead, regional growth will remain moderate. Excluding Guyana, the Caribbean economy is projected to expand by 2.5% in 2025, but prospects vary across countries, with some anticipating a more robust expansion than others. Tourism and construction activity are expected to remain key drivers of growth. The fiscal and debt position is expected to improve further and continue to support economic growth and stability. However, some countries that are scaling up public investment or with scheduled general elections are expected to face heightened expenditure pressures. Many governments will continue to face constraints from limited fiscal space and risks to fiscal and debt sustainability, notwithstanding, fiscal responsibility frameworks in several countries should help maintain sustainable fiscal outcomes.

The outlook is shadowed by the potential escalation of geopolitical tensions, a slowdown in major export markets, and possible disruptions to global trade flows resulting from the surge in protectionist policies, as well as the recurrent threat of natural hazards.

Given the small size of BMCs, growth and development are inextricably linked to trade. Therefore, accelerating growth and development will rely on taking steps to increase trade through enhanced competitiveness. Enhancing competitiveness can lead to the production of a broader range of goods and services, which would not only accelerate growth, but would mitigate the impact of global economic shocks on regional economies, thereby reducing volatility. Enhancing competitiveness can result from improving the infrastructural and institutional frameworks surrounding trade, such as road networks, ports, customs procedures, and the efficiency of trade regulation systems.

[2] International Monetary Fund's World Economic Outlook (January 2025 Update).

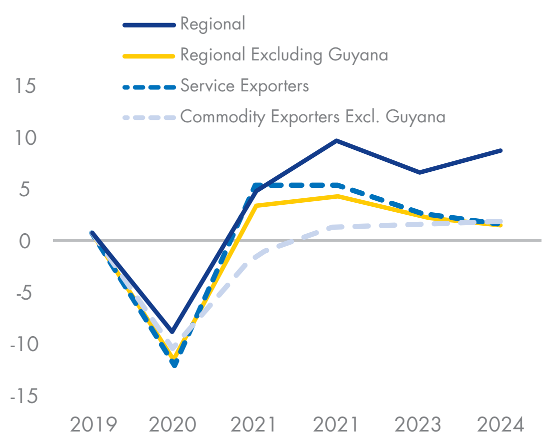
ECONOMIC REVIEW

BMC ECONOMIC PERFORMANCE

After navigating the effects of the COVID-19 pandemic and other global shocks of the past few years, the regional economy continued to grow in 2024, albeit at a slower pace. Regional gross domestic product (GDP), excluding Guyana, grew at a rate of 1.7% in 2024, down from 2.5%, as recovery momentum slowed. Both service and commodity exporting economies positively contributed to the region's output growth and by the end of 2024, only four Borrowing Member Countries (BMC) remained below their pre-pandemic output levels[3]. When Guyana's standout performance is included, regional growth increases to 8.8%, up from 6.6% in 2023, underscoring the country's outsized influence on the regional growth rate. The region's performance was supported by steady global growth of 3.2% according to the International Monetary Fund's (IMF) World Economic Outlook (January 2025 Update), with robust demand from the United States of America (US), an important market for Caribbean exports.

Figure 1: Regional GDP Growth Trends (%)

Excluding Guyana, regional GDP growth decelerated.



Guyana's growth far outpaces regional and global trends.

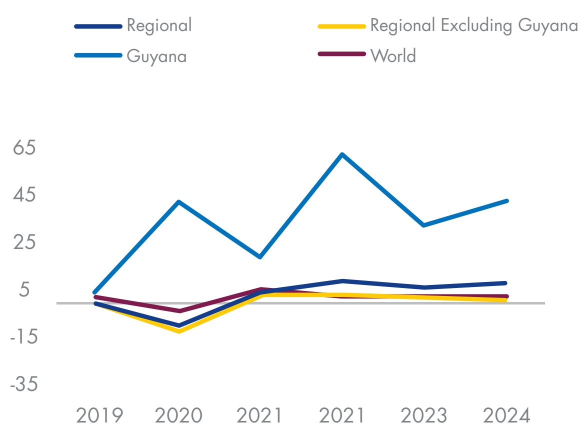
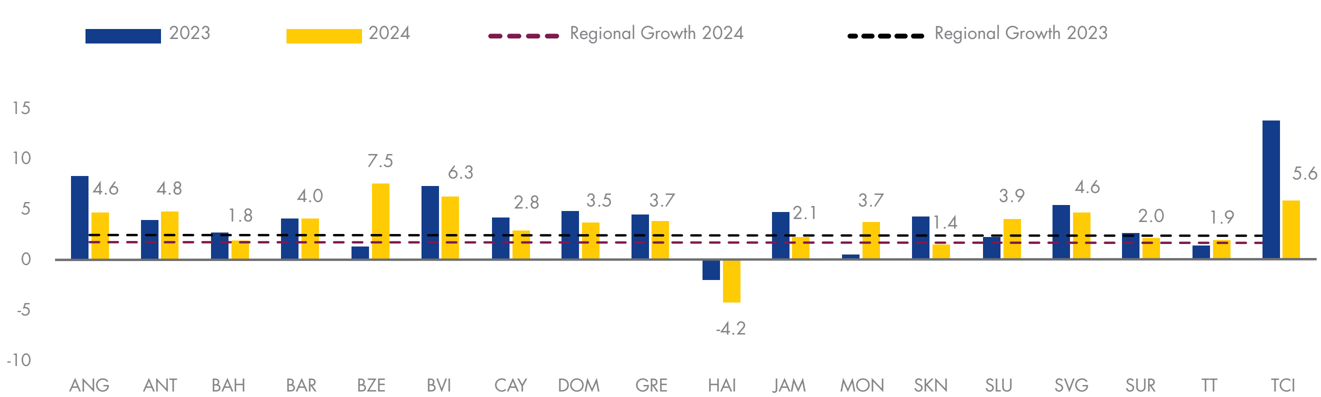


Figure 2: Real GDP Growth (Excluding Guyana) (%) 2023 vs 2024

Real GDP growth slowed in 2024 compared to 2023 in several countries.



Sources: Central Banks, Ministries of Finance, Statistical Offices, Caribbean Development Bank (CDB).

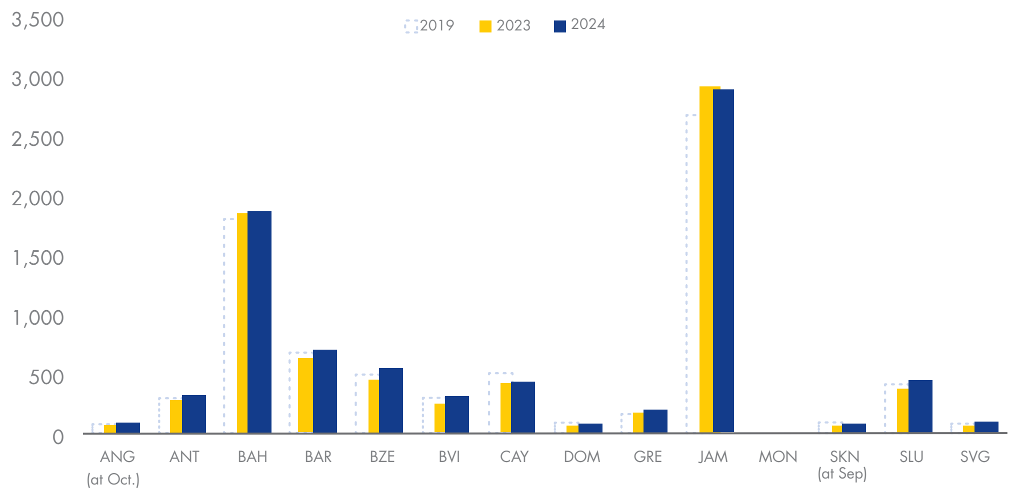
[3] Real output in Trinidad and Tobago, Suriname, Haiti and St Kitts and Nevis remained below pre-pandemic levels.

Service-exporting economies grew moderately in 2024 underpinned by the continued growth of the tourism industry. The group collectively expanded by 1.6%, a deceleration from a rate of 2.8%, as most countries grew at a slower pace compared with earlier post-pandemic gains. Key contributors to the overall performance include Belize (7.5%); Barbados (4.0%); the Cayman Islands (2.8%); Jamaica (2.1%); and the Bahamas (1.8%).

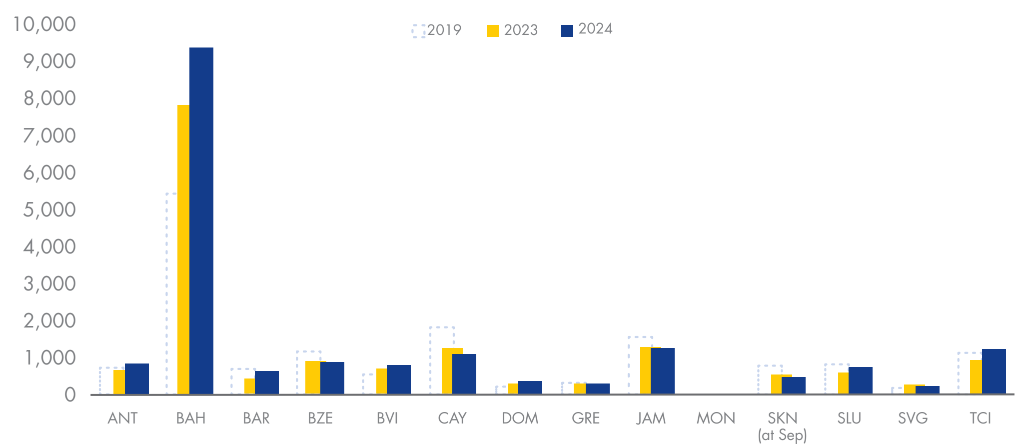
Growth in tourism activity supported a 10.3% expansion in the hotels and restaurants sector. Collectively, stayover arrivals from January to September reached 6.8 million (mn), representing a 7.1% increase over the same period in 2023. Most destinations experienced growth, with top performers including St Vincent and the Grenadines (31.1%), Dominica (22.4%), Belize (21.0%), Antigua and Barbuda (17.2%), British Virgin Islands (17.0%)[4]. Compared to 2019, the regional market has fully recovered, but some destinations including Cayman Islands, Dominica, Montserrat, and St. Kitts and Nevis remain below pre-pandemic levels. Similarly, the cruise sector saw considerable gains at the regional level, with cruise passenger arrivals surpassing the previous year. However, performance was more uneven across destinations, with declines in cruise passenger arrivals reported in Belize, Cayman Islands, Jamaica, Montserrat, and St. Vincent and the Grenadines.

Figure 3: Year to Date Visitor Arrivals in Selected BMCs (Thousands)

Stayover arrivals increased in 2024, surpassing 2019 levels in most BMCs, though a few exceptions remain.



Cruise passenger arrivals also grew in 2024, but performance varied across countries, with declines in some BMCs and several still falling short of 2019 levels.



Sources: Caribbean Tourism Organisation and the Organisation of Eastern Caribbean States.

[4] Tourism arrivals data for each country are available at different points in time, ranging from September to December. To ensure consistency, each country's figures are compared to the same period in the previous year. As of the time of writing, the latest available data for stayover arrivals are as follows: September –St. Kitts and Nevis; October – Anguilla; December – All other service-exporting BMCs.

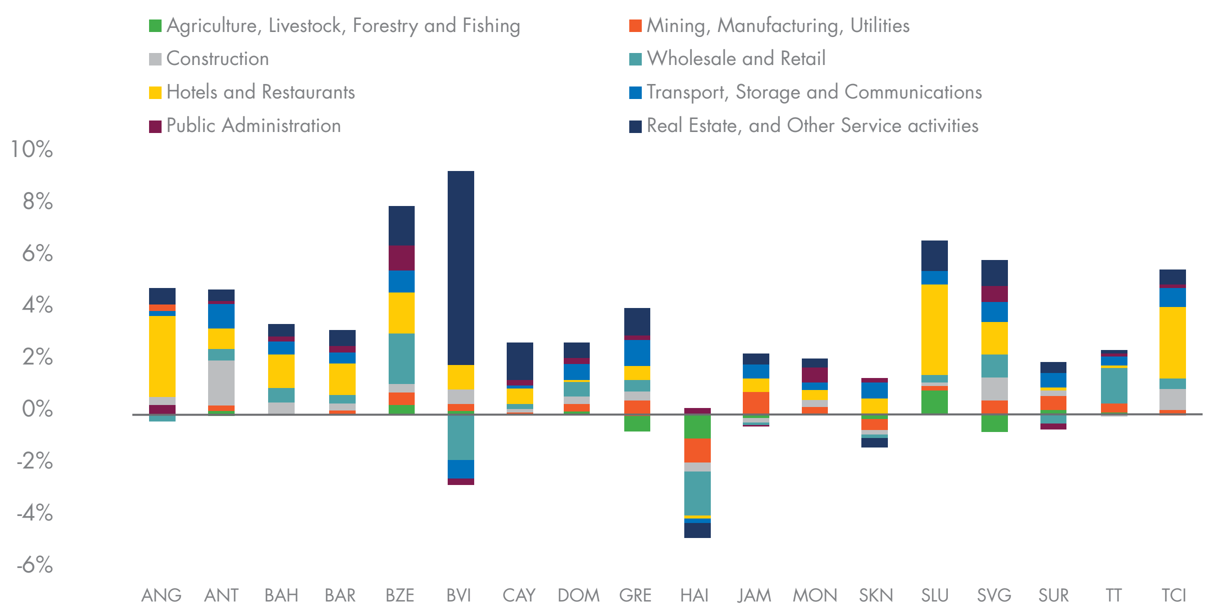
The continued expansion in tourism positively impacted activity in related service sectors, including transport and wholesale and retail trade. Construction activity, which grew by 3.3% excluding Haiti, also made a notable contribution to economic growth across multiple service-exporting economies, largely driven by BMCs' efforts to upgrade and modernise infrastructure. Transportation infrastructure was a major focus in several countries including Anguilla, Dominica, and Grenada which advanced airport projects, and St. Vincent and the Grenadines, Turks and Caicos Islands, and Montserrat which pursued port development projects. Additionally, road and bridge rehabilitation work, upgrades to educational facilities, hospital construction and housing development initiatives continued in multiple BMCs. Investments in energy infrastructure also gained traction in 2024. Notable among these are the preparatory stages of geothermal energy projects in Nevis and Dominica, reflecting the region's thrust toward advancing the green energy transition and enhancing energy resilience. Meanwhile, investments in water infrastructure in several BMCs further supported efforts to improve utility services. Private sector investments also bolstered construction activity, particularly in the tourism industry, with the development of hotels and other commercial properties.

Despite generally positive outturns, natural hazards posed challenges to some economies. Hurricane Beryl's impact in July 2024 had varying consequences including disruptions to agricultural production in Barbados and Jamaica, cruise call cancellations in Cayman Islands, and substantial infrastructural damage in Grenada and St. Vincent and the Grenadines, which was estimated at 16.5% and 22.0% of GDP, respectively[5] . Post-hurricane reconstruction efforts helped boost construction activity in the affected countries. Jamaica also faced Tropical Storm Rafael in November, while Belize contended with a severe wildfire season that peaked in May. These events resulted in significant economic and social losses, highlighting the region's high vulnerability to climate-related shocks.

Haiti continued to face severe challenges in 2024, resulting in its sixth consecutive annual economic contraction. The country remained entrenched in political instability following the appointment of a Transitional Presidential Council in April. The security crisis persists with escalating gang violence, despite the deployment of Kenyan officers in June as part of the United Nations-backed Multinational Security Support Mission. Furthermore, Haiti faces stubbornly high inflation, which has exacerbated the already dire economic and social conditions. These compounding challenges continued to deepen the humanitarian crisis, leaving large segments of the population displaced, with widespread food insecurity and limited access to essential services such as education and healthcare.

Figure 4: Sectoral Contributions to 2024 Real GDP Growth (Excluding Guyana)

Economic growth across the region was driven primarily by services sectors.



Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

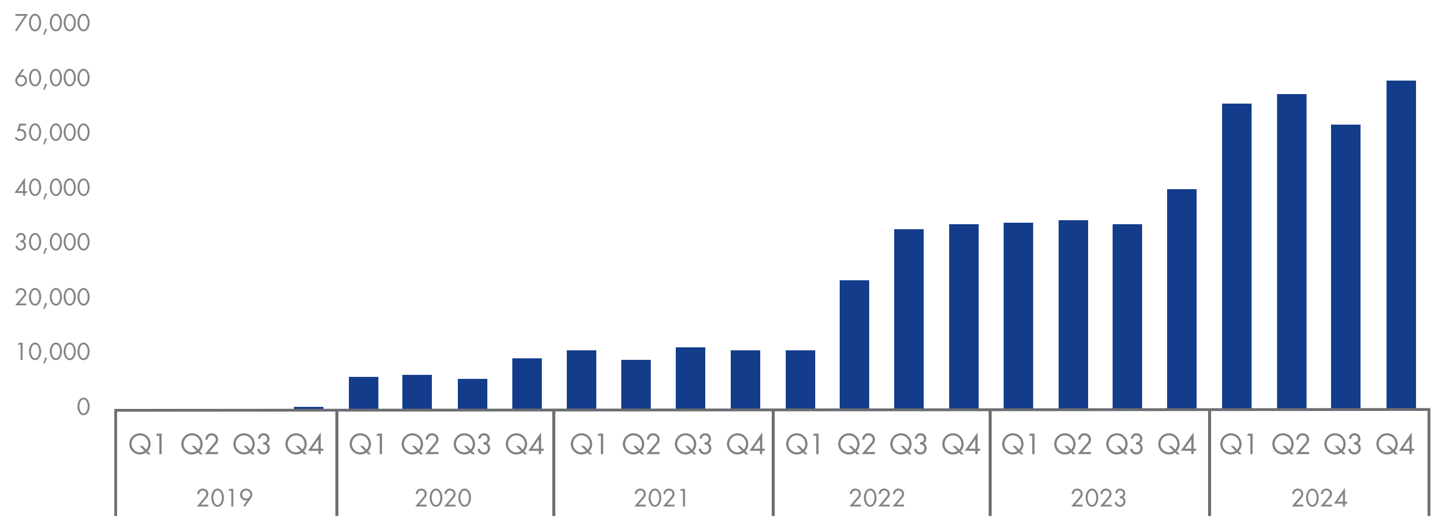
[5] Estimates obtained from the World Bank (WB) Global Rapid Post-Disaster Damage Estimation Reports, 2024. Estimate are expressed as a percentage of 2023 GDP.

Apart from Guyana, commodity-exporting economies have been slower to return to pre-pandemic levels, and performance in 2024 was mixed. Economic activity in Trinidad and Tobago expanded by 1.9%, up from 1.4%, fuelled by increased activity in non-energy sectors including trade and repairs, accommodation and food services, and transportation and storage, as well as a rebound in the energy sector. Meanwhile, the Surinamese economy experienced a slowdown in its recovery in 2024, despite ongoing improvements in macroeconomic fundamentals achieved through reforms under an IMF-funded Extended Fund Facility (EFF). Growth decelerated to 2.0% in 2024, from 2.5% in the previous year, weighed down by a contraction in wholesale and retail trade. However, the economy was supported by growth in manufacturing, particularly wood processing and crude oil refining activities, along with gains in information and communication, agriculture, construction and financial and insurance services.

Guyana remained a standout performer in 2024. The economy expanded by 43.5%, up from 33.0% in the previous year, making it the fastest-growing economy in the region and the world. This surge was attributed to increased oil production, which reached a combined capacity of 660,000 barrels per day (bpd). The non-oil economy also demonstrated strong growth of 13.1%, with services, construction, agriculture, and manufacturing emerging as key drivers of non-oil activity. The construction industry benefitted from major public infrastructure projects and increased private sector investment.

Figure 5: Oil Production in Guyana 2019 - 2024 (Thousands of Barrels)

Since beginning in 2019, Guyana's oil production has grown rapidly, reaching a capacity of 660,000 barrels per day (bpd) during June 2024 and leading to the extraction of 225.4mn barrels of crude oil in 2024.



Source: Bank of Guyana.

LABOUR MARKET DEVELOPMENTS

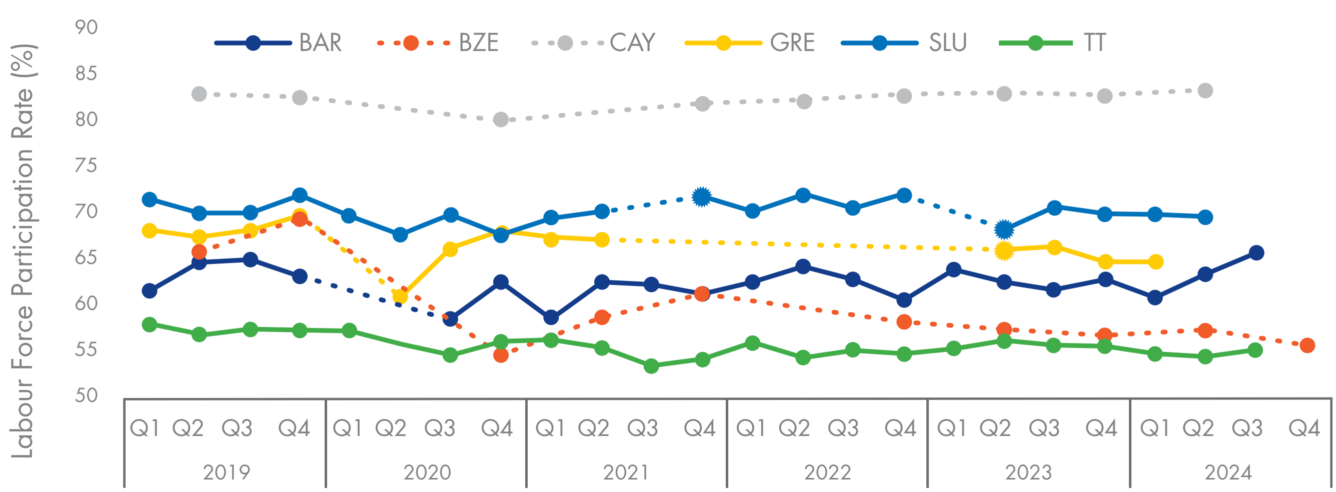
Labour market outcomes showed signs of improvement in 2024, though trends varied across countries. Labour force participation rates[6] increased slightly in several countries including Barbados (63.4%), Saint Lucia (69.8%), and the Cayman Islands (83.6%).

The relatively high participation rate in Cayman Islands continues to be driven by the strong engagement of non-Caymanians and permanent residents, who account for over 60% of the labour force. In contrast, the participation rates declined in Trinidad and Tobago (54.8%), and Belize (56.5%). Labour force participation rates in Grenada and Trinidad and Tobago, remained below their pre-pandemic levels[7].

Against this backdrop, the proportion of the labour force that was unemployed shrank in 2024 across most countries. Furthermore, unemployment rates were relatively low by historical standards, supported by growth in tourism, other services, and construction. Rates declined to 2.5% in Belize, 2.8% in the Cayman Islands, 7.2% in Barbados, 8.5% in Grenada, 8.7% in the Bahamas, and 11.3% in Saint Lucia, all below pre-pandemic rates. However, the unemployment rate in Trinidad and Tobago saw an uptick to 4.8% by the third quarter of 2024. In Jamaica, the average unemployment rate, calculated based on an updated methodology, stood at 4.2%[8].

Figure 6: Labour Market Trends (2019-2024)

Labour force participation trends varied across BMCs.

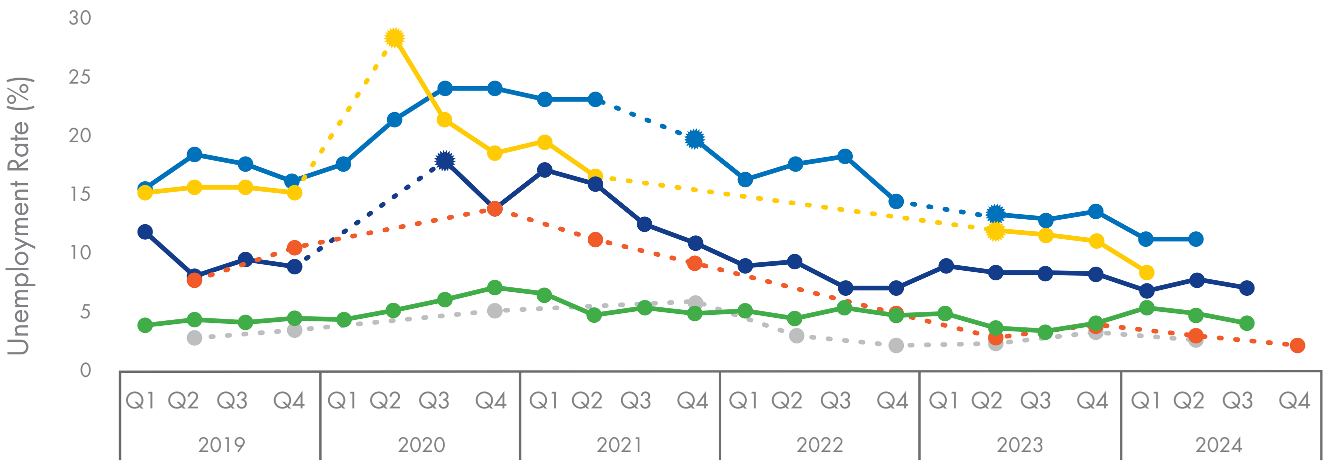


[6] Labour force participation rates and unemployment rates for 2024 represent the average of available data from January to the time of writing, and are compared with the same period in 2023.

[7] This comparison excludes Belize, as the country revised its labour force survey (LFS) methodology in 2020.

[8] As a result of methodological improvements made to Jamaica's LFS in 2024, labour force statistics from 2024 are not directly comparable with data from previous years.

Unemployment rates declined in most BMCs for which data is available.

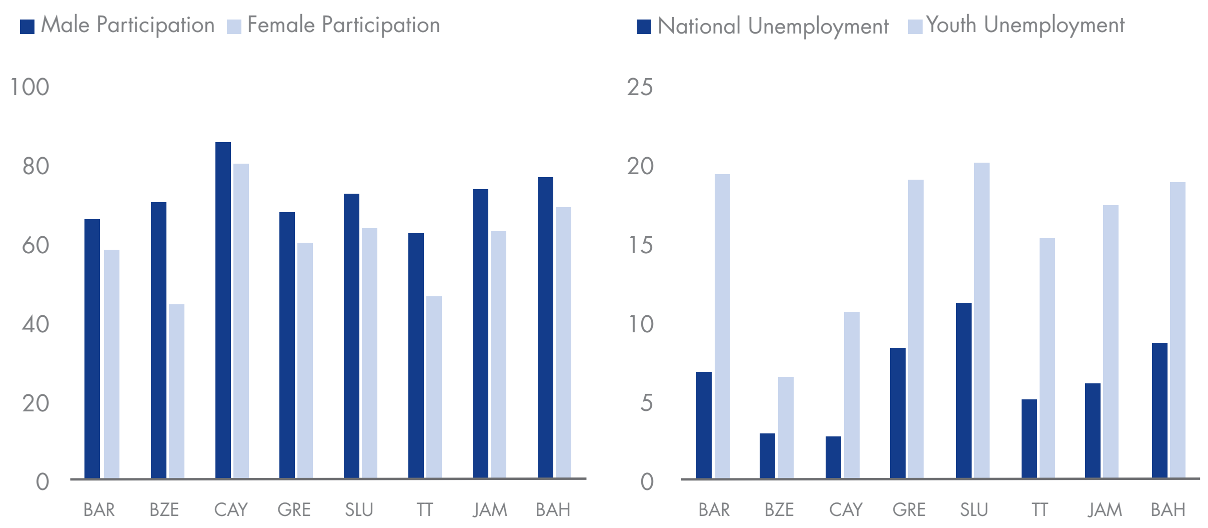


Sources: Statistical Offices.

Notwithstanding generally low and declining unemployment rates, labour and skills shortages were reported across the region in several sectors including tourism, and construction. Additionally, disparities within regional labour markets persist. Female participation remains lower than male participation in the above-mentioned countries, with the gender gap as high as 26 percentage points in Belize. This gap in Belize is largely attributed to women's prioritisation of domestic and family responsibilities. Additionally, female unemployment continued to exceed male unemployment across the region. Although some progress has been made in recent years, youth unemployment remains considerably higher than national averages, exceeding the national rate by over 10 percentage points in Grenada, and The Bahamas.

Figure 7: Labour Market Trends Among Different Populations in 2024 (%)

Disparities persist within BMC labour markets.



Sources: Statistical Offices.

To compensate for inflationary pressures within the past three years, most BMCs implemented nominal wage adjustments, primarily through increases in the minimum wage and public sector compensation. Additionally, national minimum wages were established in Anguilla and Saint Lucia to enhance income security for workers.

INFLATION AND PRICE DYNAMICS

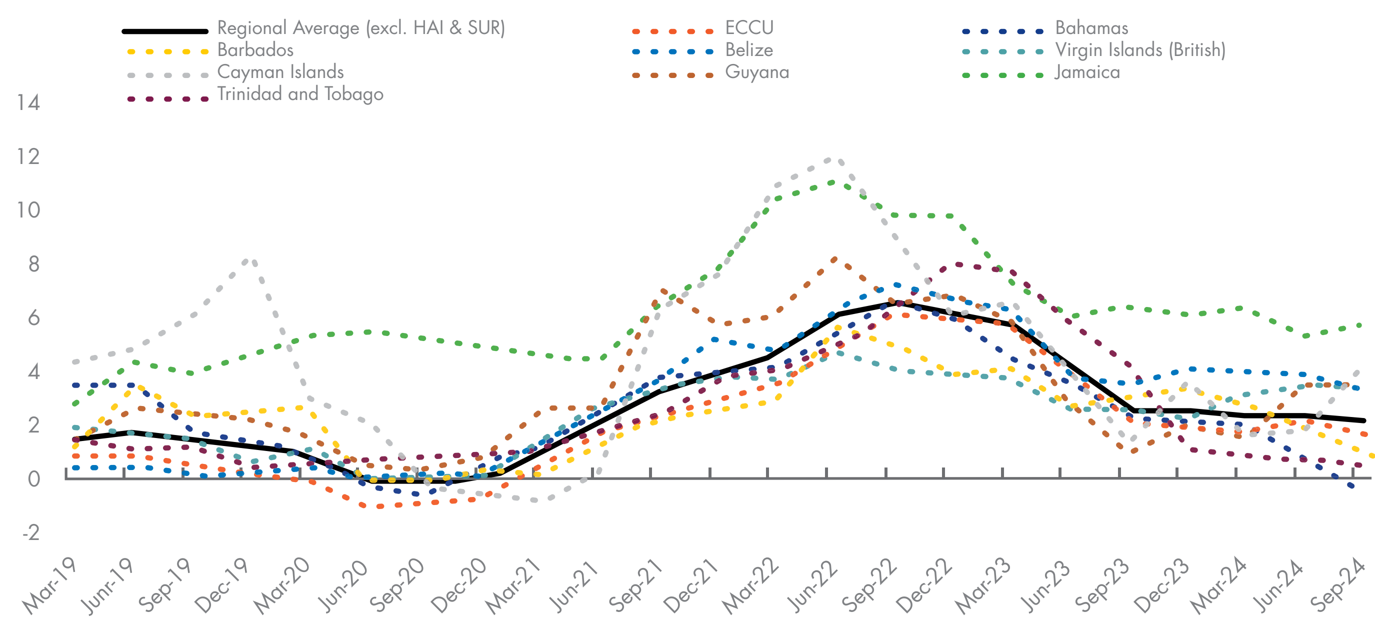
There was a general trend of disinflation in most BMCs in tandem with global commodity price movements. Mirroring improving supply chains and earlier monetary policy tightening, global inflation further eased from its peak of 8.6% in 2022[9] to 5.8% in 2024. Commodity prices, including for energy and food products, have gradually come down, continuing to fall in 2024. Given the high import dependence of the region, the downward pressure on global prices translated to an average regional inflation rate of 4.3% for 2024, down from 8.0%, driven by slower price increases in the heavily weighted consumer price subindices for gas, electricity, other fuels, and food. However, the inflation rate remained above the pre-COVID (2015-19) average of 1.5% across BMCs.

Most of this improvement was related to a substantial reduction in very high levels of inflation in Suriname. A strengthening Surinamese dollar versus the United States dollar ($) helped to reduce inflationary pressures, also offsetting the impact of higher electricity tariffs. In Jamaica, monetary policy tightening helped to bring inflation within Bank of Jamaica's (BOJ) target range of 4%-6%, allowing for a reduction in the policy rate from July. After holding at 7.0% for 2 years, the policy rate was cut by a total of 100 basis points (bp) in 2024. In Haiti, inflation was the highest in the region at 26.9% in the midst of instability that impacted domestic supply, compounding already fragile livelihoods. Antigua and Barbuda[10] , the Virgin Islands (British), and Montserrat saw slight upticks in their inflation rates.

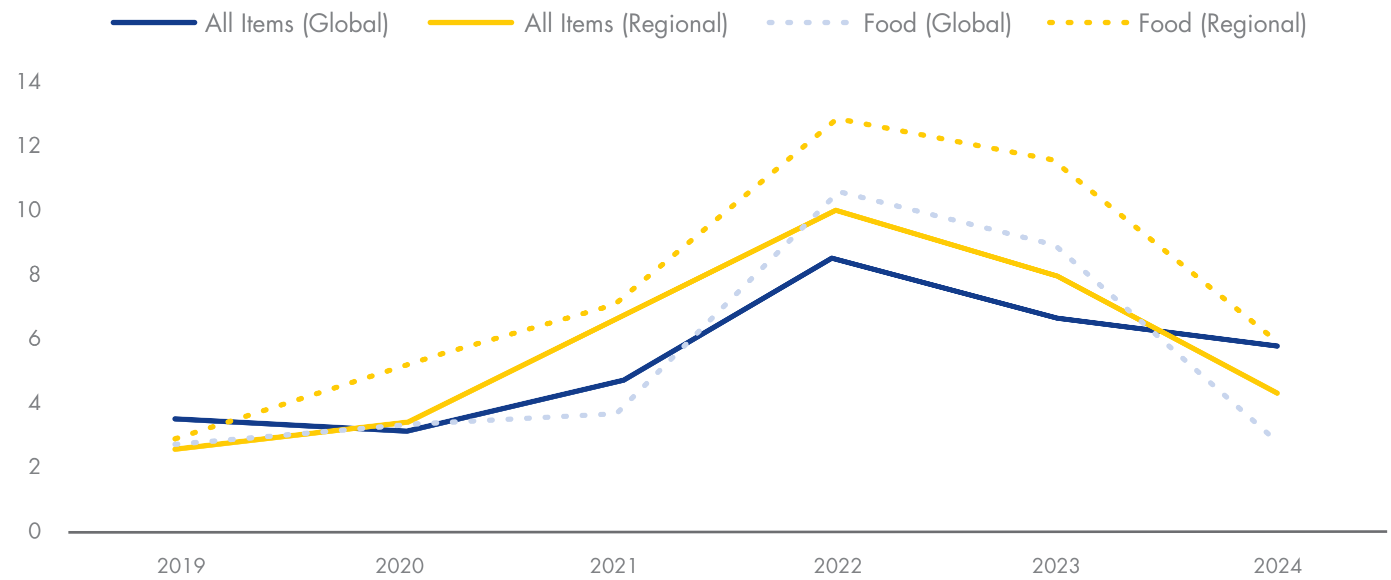
Though easing, food inflation remained high at 5.7%, well above the pre-COVID average. When excluding Haiti and Suriname, the rate moderated to 3.6%, closely aligning with

Figure 8: Regional and Global Trends in Inflation (%)

Inflation continued to fall in most BMCs in tandem with global commodity price movements.



[9] Pandemic-related supply chain disruptions, Russia's invasion of Ukraine, and adverse weather events contributed to this surge in global inflation.
[10] Increase in the sales tax rate in Antigua and Barbuda impacted prices.



Sources: Statistical Offices, Food and Agriculture Organisation (FAO), IMF.

the global food inflation rate of 3.0%. Localised factors exerted upward pressures in some BMC economies. For instance, the impact of weather events on agriculture and fishing supplies resulted in shortages and pushed up prices in producing countries and in those that import from the impacted countries.

Even as inflation recedes, some measures were maintained to cushion consumers' purchasing power that had been substantially eroded by four years of high inflation and to maintain access to basic food items especially for vulnerable groups. Such measures included reduced taxation on fuel, food and other essential items, limits on markups for some basic goods, along with increases in provision of financial assistance to the vulnerable.

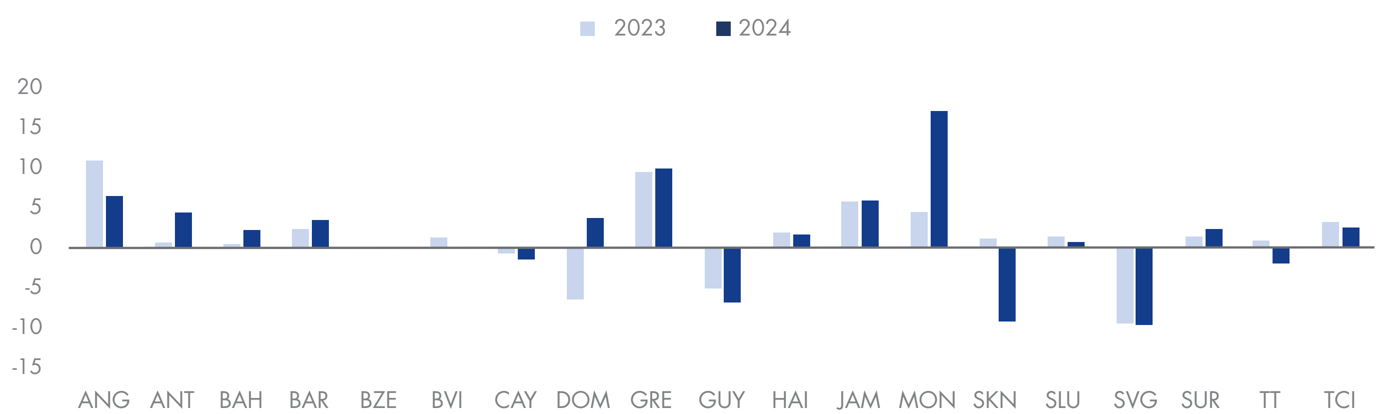
FISCAL AND DEBT PERFORMANCE[11]

Fiscal outturns were generally positive. The regional primary balance as a ratio to GDP, when excluding Guyana, remained in surplus at 1.6% although it declined by 0.4 percentage points from 2023. When including Guyana, the regional primary surplus shrinks to 0.1% of GDP, reflecting Guyana's large primary deficit. Across the rest of the region, many governments were able to maintain or increase primary surpluses and, in the case of Dominica, turnaround from a deficit position. However, the fiscal outturn in a few BMCs worsened, including St Kitts and Nevis, on account of much lower Citizenship-by-Investment (CBI) receipts. For the region excluding Guyana, interest payments accounted for 3.0% of GDP, contributing to a modest overall fiscal deficit of 1.4%. Including Guyana's deficit of 7.2%, mainly owing to significantly higher capital expenditure, the regional fiscal deficit rises to 2.4% of GDP.

Fiscal responsibility frameworks, ongoing fiscal reform and various budgetary measures continued to encourage prudent financial management. Fiscal consolidation efforts continued in Antigua and Barbuda with an increase in the Antigua and Barbuda Sales Tax rate. During the year, Jamaica took steps to further enhance and safeguard fiscal resilience. These included work towards the operationalisation of the Independent Fiscal Commission and the development of the National Natural Disaster Risk Financing Policy. The Government of Suriname was successful in completing important major reforms under the IMF 2021-25 EFF, although with some delays. These included further clearance of arrears; amendments to the Public Financial Management law – including a fiscal rule governing future expenditure commitments and net debt levels; amendments to the Savings and Stabilisation Fund legislation to enhance governance arrangements for the country's sovereign wealth fund (SWF); and the adoption of a procurement law. While some governments had to respond to needs in the aftermath of hurricane impacts, this did not lead to significant deterioration in fiscal performance, helped somewhat by insurance payouts, and also by internal buffers that were set up to help reduce the likelihood of fiscal crises and help preserve stability.

Figure 9: Primary Balance to GDP (%) for 2023 vs 2024 by Country

Most BMCs were able to maintain or improve a primary surplus position.



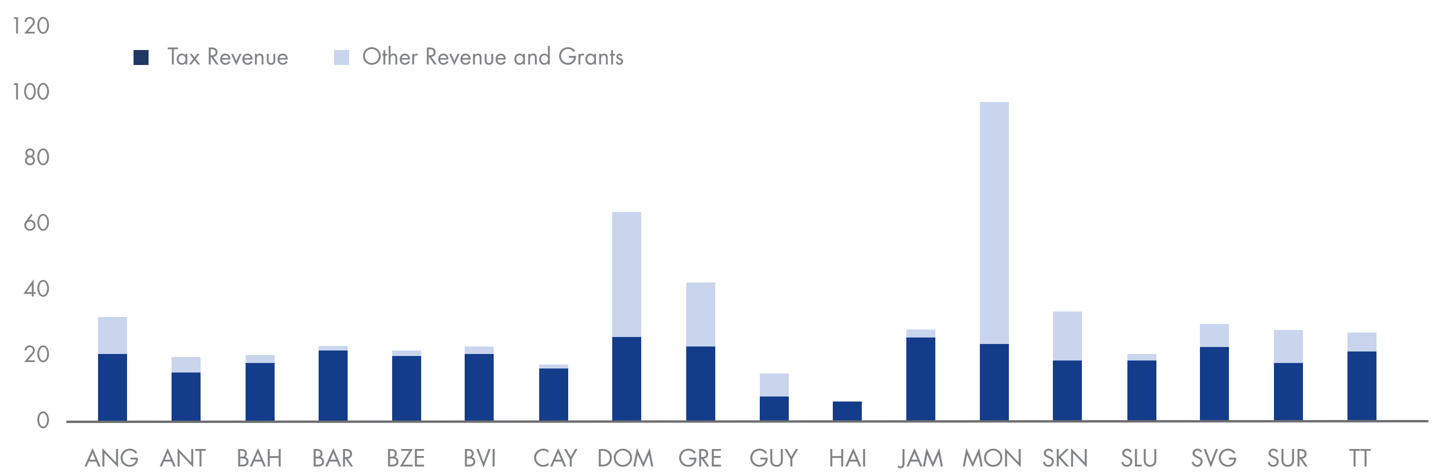
Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

[11] The data in this section is analysed and presented on calendar year basis.

Total government revenue grew by 7.3% to $30.6 billion (bn) (21.1% of GDP), as tax revenue collection improved for most BMCs. Across BMCs, most of the increase came from taxes on domestic goods and services, and on international trade. Revenue from taxes on domestic goods and services increased in all BMCs in line with growth in regional economic activity and an increase in the sales tax rate from 15% to 17% in the case of Antigua and Barbuda. Revenue from taxes on international trade also grew across the majority of BMCs, though it was somewhat tempered in the case of Grenada by a 100% duty and tax waiver on some items to support recovery and rebuilding in the aftermath of Hurricane Beryl. Taxes on property also rose by 8.9%, outperforming overall revenue growth. In The Bahamas, an aggressive collection strategy and reassessment of property values yielded higher property tax receipts. Tax revenue from income and profits grew modestly by 1.8%, despite a 12.6% decline in revenue intake from Trinidad and Tobago. Most other governments recorded higher revenue led by Jamaica and St. Vincent and the Grenadines with growth rates of over 20%. In Jamaica, taxes on interest earned by financial institutions increased, driven by higher interest rates from BOJ's liquidity tightening efforts. In Barbados, there was a hike in the general corporate tax rate to 9%. In Guyana, corporate tax receipts grew significantly due to a broader base of collection from oil and gas-related firms. Tax revenue intake across the region was further supported by the implementation of measures to improve tax efficiency and compliance in several BMCs including Suriname and Grenada. Other policy adjustments, such as Barbados' recertification of eligible recipients of tax concessions and Antigua and Barbuda's reduction in discretionary waivers, also contributed to fiscal savings.

Figure 10: Tax Revenue and Other Revenue to GDP (%), by Country in 2024

The regional tax-to-GDP ratio was 16.6%. In some BMCs other sources, such as commodity revenues and CBI programmes, also made a significant contribution, bringing the overall revenue-to-GDP ratio to 21.1%.



Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

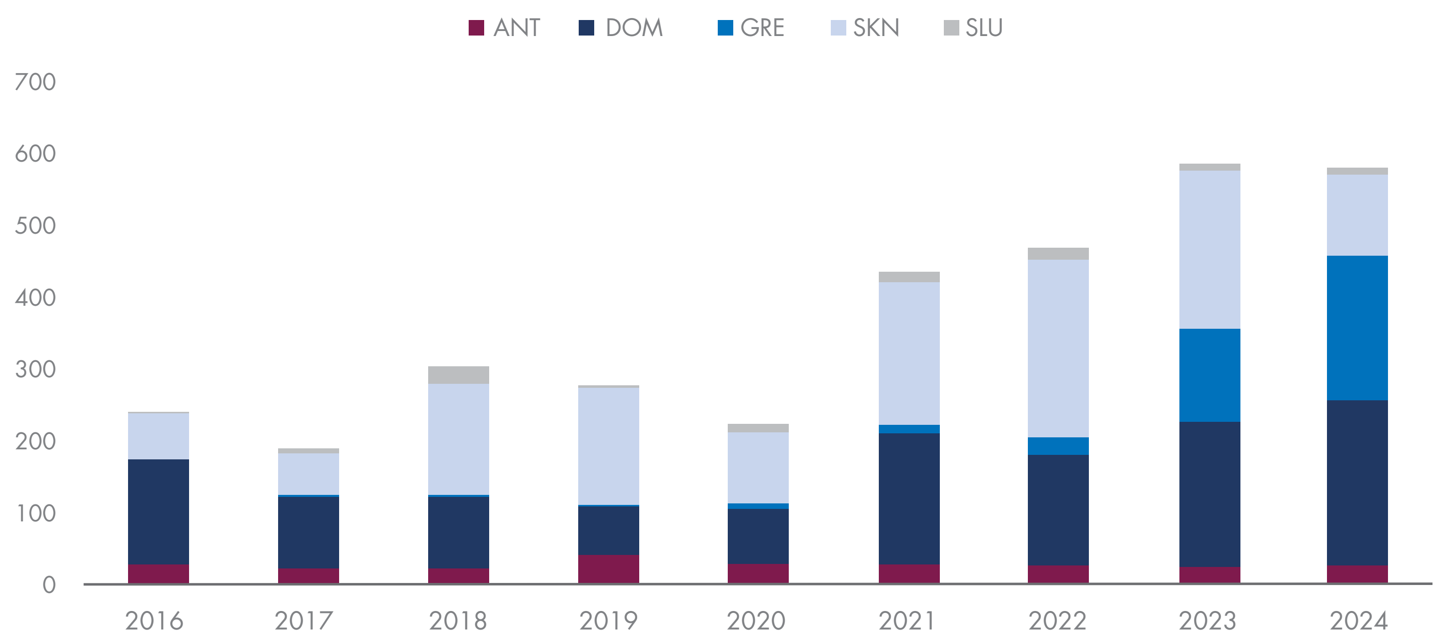
Non-tax and other revenue increased by 7.5%, a deceleration from the previous year partly reflecting a decline in collections from the oil sector in Trinidad and Tobago. However, growth was supported by Guyana's continued gains from oil revenues, with $1,582 mn allocated from the Natural Resources Fund – a SWF set up to effectively manage Guyana's natural resource wealth – along with $63 mn in proceeds from the sales of carbon credits. In Anguilla, there was robust growth in domain name[12] registration fees, with rising interest from firms in the artificial intelligence industry.

[12] Anguilla's .ai internet country code domain has become popular with technology companies and projects related to artificial intelligence.

Citizenship by Investment (CBI) programmes remained a key source of non-tax revenue for some Eastern Caribbean countries. Antigua and Barbuda and Grenada benefitted from higher CBI programme revenues but there was a substantial decline in CBI receipts in St. Kitts and Nevis to $90.4 mn (8.3% of GDP), less than half the amount collected in 2023. In a bid to safeguard CBI programmes, these countries are taking steps to enhance programme governance amidst increased international criticism and scrutiny. St. Kitts and Nevis has implemented reforms over the last two years that have included legislative amendments to enhance governance oversight and the set-up of a statutory CBI Unit to foster greater transparency and accountability. In 2024, the countries offering CBI programmes signed a memorandum of understanding aimed at, inter alia, deepening collaboration, harmonising investment standards, and improving transparency and regulation. As part of this agreement, a Caribbean CBI regulator is to be established which should augur well for strengthening programme credibility and the resilience of the CBI investment landscape.

Figure 11: CBI Revenues by Country from 2016 to 2024 (US$M)

Total CBI receipts declined in 2024, largely reflecting a fall-off in St Kitts and Nevis.



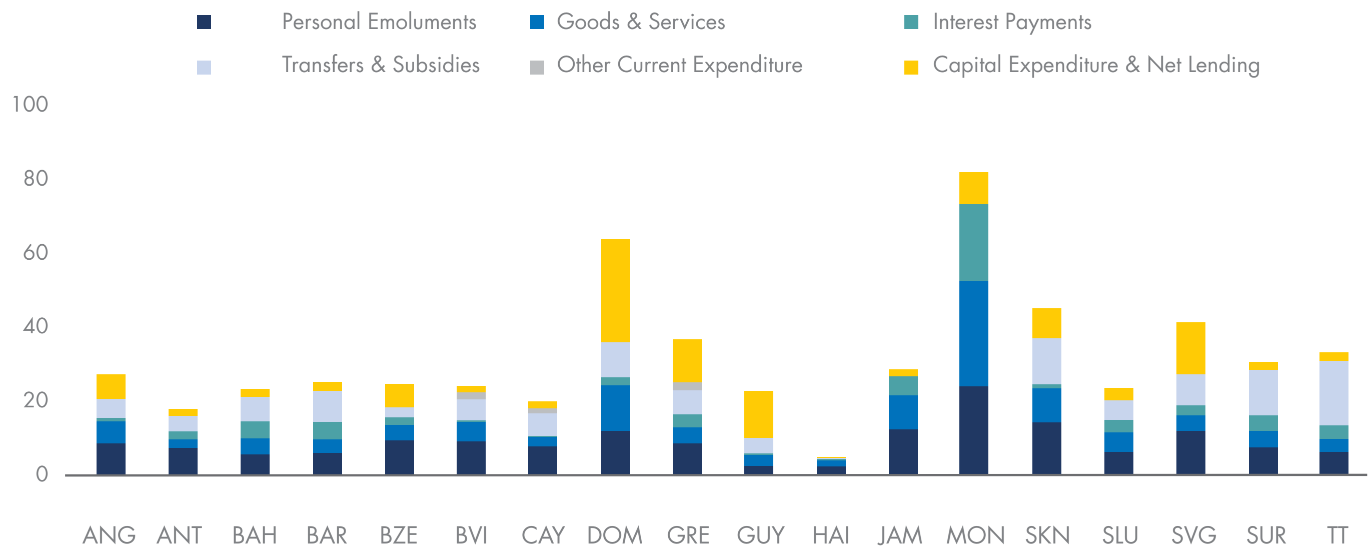
Sources: Eastern Caribbean Central Bank, Ministries of Finance, Statistical Offices, CDB.

Total expenditure increased by 11.9% to $34.0 bn (23.5% of GDP) in 2024, mainly driven by higher recurrent spending. Total recurrent expenditure to GDP declined further below the pre-COVID (2019) ratio, amounting to 19.4% of GDP. For a few BMCs however, recurrent expenditure ratios remain noticeably higher than the pre-pandemic trend, as accommodative fiscal policy and support measures to households and businesses were maintained. At a regional level, in 2024 there was growth across all expenditure lines, but particularly in personal emoluments which grew by $919 mn, partly reflecting public sector wage increases in 10 BMCs. Additionally, outlays on goods and services increased, in Anguilla and in Guyana in particular. There was also notable growth in interest expense in several countries particularly in Barbados, Grenada, and Suriname, where it represented 20.9%, 7.6%[13] and 14.7% of government revenue, respectively. Meanwhile, transfers and subsidies increased in most BMCs, particularly in the Cayman Islands, Guyana, and Suriname, but declined in The Bahamas, Belize, and Trinidad and Tobago.

[13] In Grenada interest payments rose from 4.0% to 7.5% of government revenue, owing to additional payments to bondholders after activation of a CBI revenue sharing clause, negotiated as part of the 2013-15 debt restructuring.

Figure 12: BMC Total Expenditure to GDP (%) by Category in 2024

Personal emoluments, equivalent to 6.2% of GDP, were a main contributor to the increase in the Region's government expenditure.



Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

Higher capital expenditure also contributed to increased overall expenditure in some BMCs. Regional capital expenditure increased to 4.1% of GDP as governments continued to invest in the development of infrastructure including roads and bridges, water distribution systems, schools, housing, energy, and for expanding air and seaports with constrained capacity. Much of this increase was however attributable to Guyana, with an exceptional 53.2% rise in capital expenditure to the equivalent of 12.6% of GDP, as the Government ramped up priority investments in major energy, road, and bridge infrastructure projects. Excluding Guyana, capital expenditure amounted to 2.4% of GDP. Anguilla continued work to expand its airport and St. Vincent and the Grenadines continued construction work to upgrade and modernise its main port to facilitate improved access to goods and services. For six BMCs capital expenditure fell, reflecting project delays in most instances. Rehabilitation works in the aftermath of adverse weather events added to expenditure in Grenada, St. Vincent and the Grenadines, and Cayman Islands.

Governments utilised a mix of funding sources to meet their financing requirements including loan and grant support from multilateral and bilateral sources, commercial bank financing, and issuances on local and subregional securities markets. Suriname and Barbados accessed borrowing from multilateral agencies as part of their fiscal adjustment reform programmes. St. Vincent and the Grenadines and Grenada, along with Trinidad and Tobago and Jamaica, received payouts from the Caribbean Catastrophic Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC). BMCs generally continued to prioritise securing access to financing on concessional terms. Cayman Islands, Grenada and St. Kitts and Nevis relied on their accumulated fiscal buffers and contingency funds to limit borrowing, as did St. Vincent and the Grenadines.

Debt-to-GDP[14] ratios declined in most BMCs, bringing the regional ratio down to 50.9% of GDP, from 55.6% in 2023. The decrease in the debt ratio was mainly driven by growth in nominal GDP, as debt levels rose at a faster pace of 3.3%, compared with 2.0% in 2023. Debt to GDP in all five Overseas Territories (OTs) continued to fall to 6.6% of GDP with Anguilla's public debt ratio the highest at an estimated 22.2% of GDP. In St Kitts and Nevis, the debt ratio declined to 35.3%, while in Guyana the ratio fell to 27.8% facilitated by strong oil-related expansion of the economy. In Suriname, a strengthened exchange rate, debt restructuring[15], and

[14] Debt to GDP refers to central government debt, unless otherwise stated.

[15] This included the restructuring of domestic commercial bank debt and supplier credits, external commercial debt including to one Chinese bank, Paris Club debt, and official bilateral debt with China.

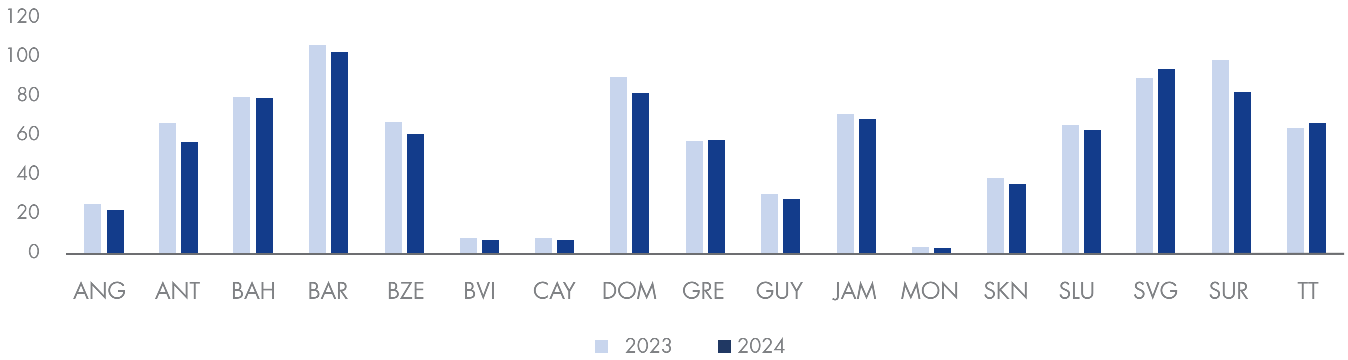
high nominal growth, contributed to significantly improved debt dynamics and a decline in the debt ratio to 82.4% from 99.0% in 2023. Similarly, in Antigua and Barbuda, nominal GDP growth coupled with a primary surplus contributed to an improvement in the debt-to-GDP ratio, which declined from 66.4% to 57.1%, though outstanding arrears remain elevated. Haiti's debt ratio also decreased substantially to 16.4% from 28.5%, because of a debt forgiveness arrangement with Petrocaribe. For Jamaica, amortisation payments fell by 22.9%, as the Government of Jamaica reaped the benefits of its liability management efforts, placing downward pressure on its debt level. However, added borrowings in St. Vincent and the Grenadines needed for post-hurricane reconstruction, pushed up that country's debt ratio to 93.8%.

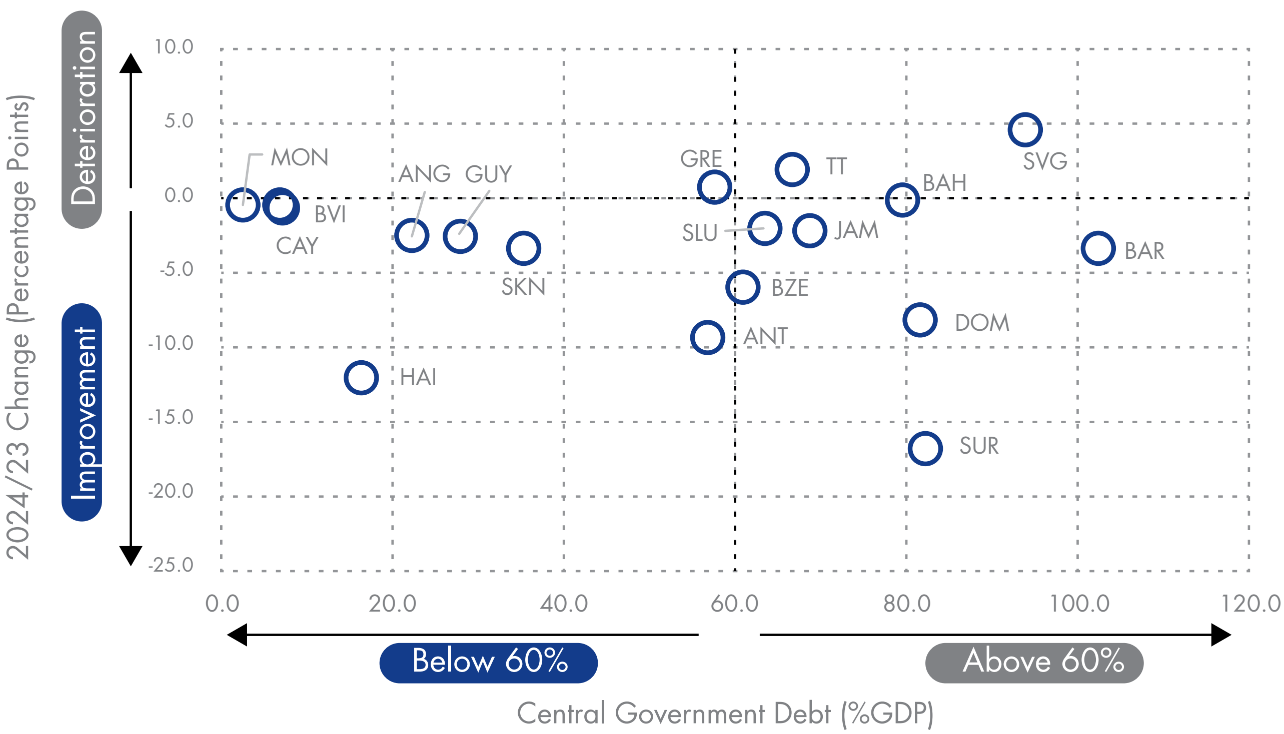
The majority returned to a more sustainable debt path since the region's debt ratio peaked at 67.1% in 2020 after substantial fiscal support was provided during the pandemic. Despite improvements in debt sustainability, public debt ratios in roughly half of all BMCs remained above 60% of GDP. In the Eastern Caribbean Currency Union (ECCU), the sub-region's public debt-to-GDP ratio of 70.0%, continued to converge towards the ECCU 2035 target of 60% after rising to 88.7% in 2020.

Some improvements in debt profiles were partly attributable to the impact of debt initiatives. The Government of Barbados initiated a debt-for-climate swap as part of its efforts to improve debt sustainability, reduce debt service burden, and create fiscal space for meeting climate objectives. Facing severe shocks in the aftermath of Hurricane Beryl, Grenada and St. Vincent and the Grenadines triggered climate debt clauses to ease financial pressure by reprofiling debt service payments and creating added fiscal space to fund disaster recovery. Still, risks to debt sustainability remain in some BMCs, including Saint Lucia with significant rollover risk related to its high level of short-term domestic debt. Notably, despite declining debt-to-GDP ratios, debt service to revenue ratios remained elevated for several BMCs.

Figure 13: Central Government Debt to GDP (%) Across BMCs 2023 vs 2024

Debt ratios declined but remain above the 60% threshold for 9 BMCs.





Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

With the post-pandemic recovery and strengthened fiscal and debt positions, the sovereign credit ratings[16] of Barbados, Belize, Jamaica, Suriname, and Anguilla were upgraded. For Suriname, its restructured international bond started to trade at record low spread levels.

Table 1: Changes in Sovereign Credit Ratings for BMCs in 2024

BMC	Rating Agency	Old Rating	New Rating
Anguilla	CariCRIS	CariBBB+	CariA-
Barbados	Fitch Ratings	B	B+
	CariCRIS	CariBB	CariBBB
Belize	Moody's	Caa2	Caa1
Jamaica	Fitch Ratings	B+	BB-
Suriname	Moody's	Caa3	Caa1

[16] Moody's maintained Bahamas B1 sovereign credit rating with a stable outlook reaffirming its progress in fiscal management.

EXTERNAL SECTOR PERFORMANCE

The World Trade Organization (WTO) projected 2.7% growth in global trade volume for 2024, following a 1.1% contraction in 2023[17] as global central banks started to cut interest rates to stimulate global economic activity. Nevertheless, headwinds shaped the external environment for the Caribbean economies, including the ongoing geo-political fragmentation of supply chains. Most were confronted with a weakening of their external accounts– as reflected by a decline of their external current account balances – notwithstanding higher travel receipts and rising commodities export values.

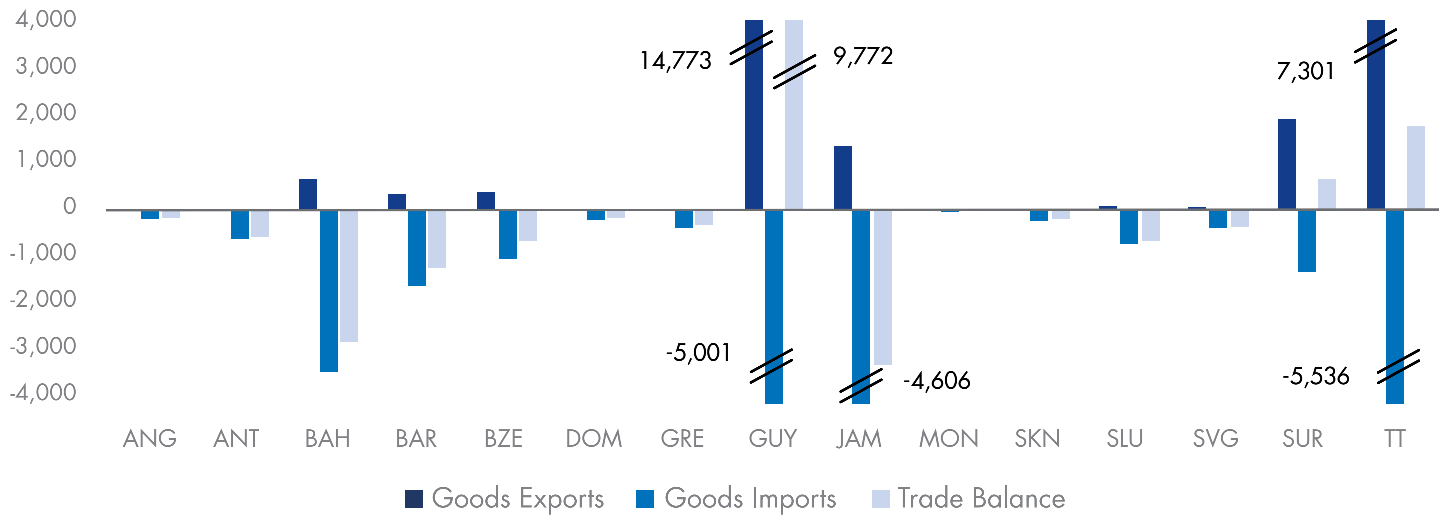
Although commodity prices including global energy prices slightly declined in 2024, merchandise import volumes rebounded in line with the Caribbean economy's expansion, with higher food, fuel and material imports, and imports of equipment and machinery including for construction activity for upgrading infrastructure and for mining and manufacturing. During the first nine months of the year the Region's merchandise imports increased by 3.6% to $26.5 bn. At the same time, the effects of natural hazards further weighed on the external position of several regional economies as reconstruction required increased imports but also contributed to lowering exports in the agricultural sector which was also impacted by drought conditions in some countries. However, CCRIF SPC payouts since the start of the policy year on June 1st, totalled $84.4 mn by the end of 2024, and provided slight respite to affected countries. Amid these challenges, a few BMCs - including Anguilla, Barbados, Guyana and Jamaica - experienced improvements in their overall external position due to higher tourism receipts and commodities exports.

For merchandise exports, several countries recorded an increase of their export values. While Jamaica's agricultural exports were impacted by Hurricane Beryl, export values still increased with higher alumina and manufacturing exports. Suriname saw an increase in gold exports helped by a 30.7% increase in global gold prices when compared with 2023. Guyana benefited from higher oil exports although WB's global reference price declined by 4.5% as its oil production increased by 59.7%, and from slight increases in gold and rice export values. Belize recorded a 12.5% increase in merchandise exports, driven by higher earnings from sugar, bananas, citrus, beverages, and cattle. Meanwhile, Trinidad and Tobago experienced lower revenues from oil and gas due to a mix of subdued production and lower world market prices.

[17] WTO slightly raises 2024 goods trade forecast but wary of potential setbacks | AP News.

Figure 14: Merchandise Trade Imports, Exports, and Trade Balance in the First Three Quarters of 2024 ($ mn)

All service exporters recorded merchandise trade deficits over the first three quarters of the year.



Sources: Statistical Offices.

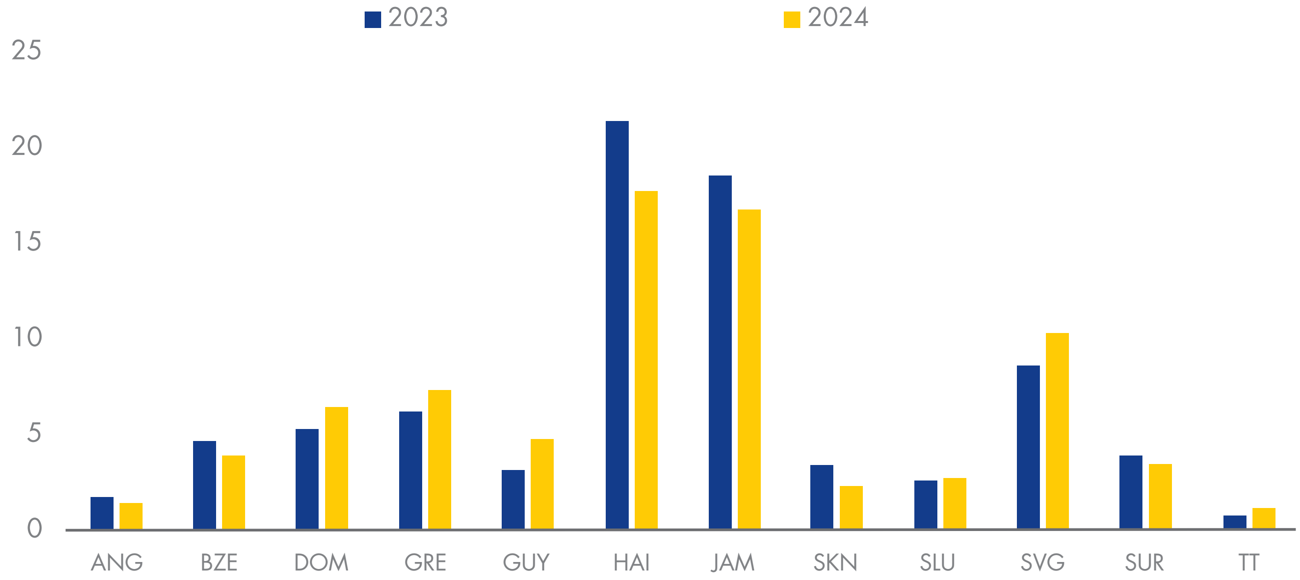
The current accounts of several BMCs including Anguilla, Antigua and Barbuda, Barbados, Belize, Grenada, Saint Lucia, and Turks and Caicos Islands were supported by strong growth in stayover arrivals and tourism receipts. This performance was largely attributable to improved airlift, robust visitor spend and, in some cases, higher hotel occupancy rates. Jamaica experienced a decline in US tourist arrivals following a US State Department travel advisory, but overall stay-over arrival numbers remained stable, and the trend of higher average daily spend at the start of the year points to a likely increase in tourism receipts. Hurricane Beryl's impact notwithstanding, Grenada reported a 2.5% increase in tourism receipts on the back of strong stay-over arrivals. St. Vincent and the Grenadines recorded higher arrivals based on increased airlift and the opening of new hotels, increasing hotel occupancy, and increased stayover arrivals pointing to a rise in tourism receipts. However, estimates indicate that about 20% of the room stock in St. Vincent and the Grenadines was affected by Hurricane Beryl at the very start of July. Regarding services imports, Suriname experienced increases in the imports of other business services, financial services, and transport and travel services, leading to an increase in total services debits by $289 mn.

Personal remittances and CBI are important sources of foreign exchange earnings for Caribbean economies, but performance was mixed (see Figure 15). International remittances mainly from the diaspora improved for Haiti, Guyana, and Suriname, but remained flat for Jamaica. Haiti recorded 9.5% growth in remittances, reaching $4.1 bn[18]. However, this growth failed to keep pace with inflation leading to a reduction of the purchasing power of remittances. Guyana and Suriname saw remittances rise by 3.8% and 15.3% respectively, though for both countries, the increases had only modest impacts on their external accounts. For Jamaica, remittances decreased marginally by 0.1% to $3.4 bn. CBI performance weakened as per The Eastern Caribbean Central Bank (ECCB) reporting regional CBI receipts at XCD1016.4 mn for the first half of 2024, a 15.9% decline from the first half of 2023. St. Kitts and Nevis, which had the highest regional CBI revenue in 2023 accounted for most of this decrease.

[18] $4.1 bn in Unrequited Transfers Recorded in 2024.

Figure 15: Remittance Inflows (% GDP) in Select BMCs

Inward remittances for select BMCs increased in six countries but declined for the same number of countries.



Source: ECCB, United Nations Economic Commission for Latin America and the Caribbean, World Bank, CDB estimates.

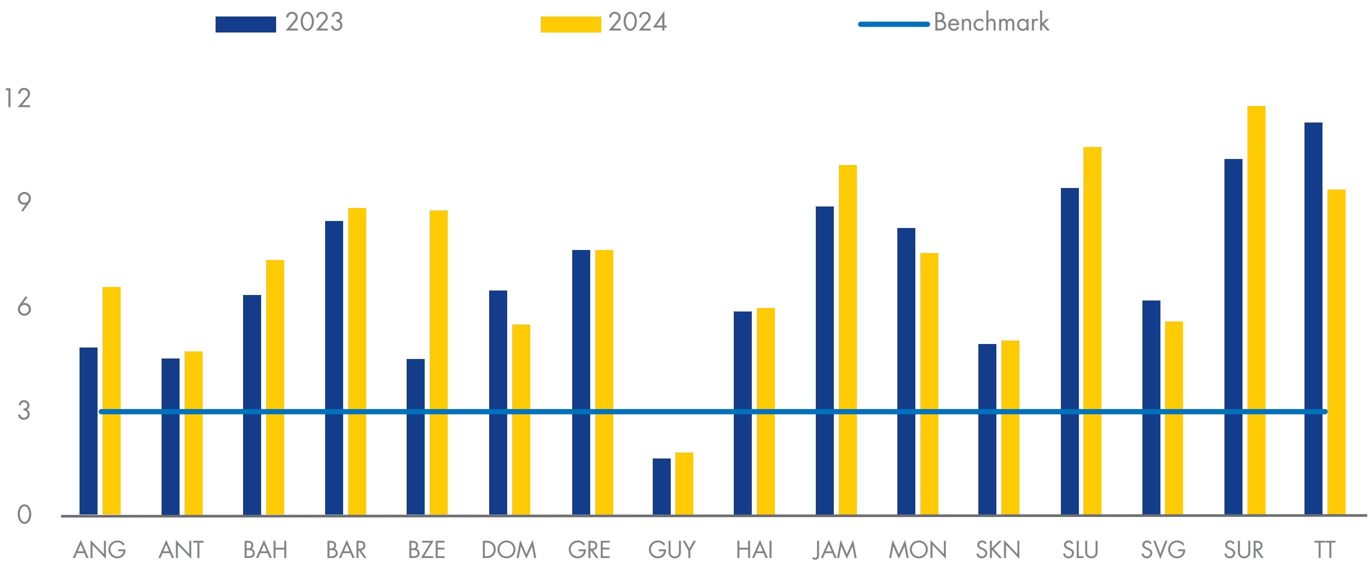
Most BMCs maintained healthy international reserve asset positions when measured as reserve assets' months of coverage of imports of goods and services and when compared with a precautionary three-month minimum benchmark. Jamaica's gross international reserves reached an all-time high of $5,633 mn in 2024, reflecting an increase of 15.7% over the previous year and corresponding to 6.8 months of goods and services imports[19]. Several other countries experienced improvements to their reserve asset position on the grounds of higher travel receipts. Foreign exchange reserves in the ECCU increased by 3.6% to an equivalent of XCD 5,244 mn as per the end of 2024. The coverage ratio remained stable at 4.2 months as goods and services imports also increased by 4.4% in 2024. Barbados recorded an increase in gross international reserves to $1,592 mn equivalent to 7.2 months of imports. Notwithstanding the economic contraction, Haiti's reserve import coverage ratio improved to 6.0 months (up from 5.9 months), facilitated by the increase in remittances. In Suriname, gross international reserves reached $1,632 mn while usable unencumbered reserves increased by 25.6% to $1,374 mn, equivalent to 6.4 months of imports. This improvement was facilitated by high prices for the country's main export commodity gold and strong disbursements from the IMF and the Inter-American Development Bank related to Suriname's IMF EFF. The official reserve statistics for Guyana point to a $113.7 mn increase in net international reserves to $1,010.1 mn. While Guyana had the highest merchandise exports of the Region at $19.8 bn, it also had one of the lowest import coverage ratios at 0.8 months as NRF balances are not captured by official reserve asset statistics[20]. Trinidad and Tobago also recorded a decline of net international reserves to $5,604 mn from $6,258 mn in 2023 due to subdued oil and gas revenue. Goods imports to Trinidad and Tobago increased by $600 mn for the first three quarters of the year when compared with 2023, leading to a drop in the coverage ratio for merchandise imports to 9.4 months from 11.4 in 2023. Overall, the regional average coverage ratio of merchandise imports increased from 6.9 to 7.4 months. For commodities exporters the merchandise import ratio was unchanged at 7.7 months while for services exporters it improved from 6.7 to 7.3 months, but the average for ECCU countries increased only from 6.6 to 6.7 months.

[19] All reserve import coverage ratios in this section will relate to imports of both goods and services unless specified otherwise.

[20] The NRF balance amounted to $3.1 bn (or 12.6% of GDP) at the end of 2024, which de facto, led to a significant strengthening of Guyana's external position.

Figure 16: Reserve Assets' Coverage of Merchandise Imports (in Months)[21].

Reserve asset coverage ratios generally remained over the three-month merchandise import benchmark.



Source: Statistical Offices, CDB estimates.

[21] 2024 estimates based on latest available data point, which varies between September and December.

FINANCIAL SECTOR PERFORMANCE

Macro-economic developments in the Caribbean were generally favourable for financial sector development and stability. Banks successfully provided private sector financing to support the further expansion of regional economies. Private sector credit growth was positive in most countries, regulatory capital levels remained stable and well above their minimum requirements, and banks' profitability indicators remained in line with their 2019-2023 average.

Monetary and credit conditions remained favourable as money supply growth slowed only marginally to 9.8% during 2024 from 10%[22]. In Guyana, loans to the domestic private sector increased by 9%, a slower increase than 12.7% in 2023, but business loans were strong with most sectors growing at double digit rates in 2024. In Jamaica, notwithstanding a moderate economic expansion, credit to businesses rose by a robust 8.6% and credit to individuals and households expanded by 11.1% as BOJ started to gradually unwind its restrictive monetary stance due to easing inflation. Private sector credit contracted very slightly in Dominica by 1.4% and St. Vincent and the Grenadines by 0.3%. In Suriname, domestic currency loans to the private domestic sector declined by 7.2% following growth of 20.1% in 2023, and foreign currency loans also contracted by 16%. In Haiti, activity in financial services contracted due to political instability and gang violence.

In line with global and regional monetary developments, which were characterised by central banks' monetary policy easing, commercial bank interest rates across the Region started to decline slightly with the average deposit rate declining by 27 bp, although the average lending rate increased by 7 bp[23]. The decline in deposit rates was partly driven by Suriname where deposit rates were reduced by 3.6 percentage points to 7.5% as the central bank eased its still relatively restrictive monetary policy stance by lowering its interest rates for open market operations and for the short-term bank lending facility. Deposit rates also declined in Anguilla by 0.5 percentage points to 1.8%. Lending rates started to decline in the Cayman Islands by 1 percentage point, in Barbados, Guyana and Suriname (by 0.3 percentage points), and declined in a few other BMCs by between 0.1 and 0.2 percentage points. But lending rates increased by 1.1 percentage points to 11.8% in The Bahamas and by 2.3 percentage points to 10.1% in Anguilla.

Commercial banks' financial soundness indicators point to broad stability. Banks' average capital adequacy ratios (CAR) slightly declined to 18.1% of risk-weighted assets (from 19.2% in 2023) and remained well above the respective regulatory requirements ranging from 8% to 15% in the different jurisdictions[24]. Liquidity levels remained high at 44.8% of total assets on average, and asset quality improved in almost all BMCs as measured by non-performing loans' average share of total loans declining to 6.5% in 2024 from 7.7% the year before. Notwithstanding economic growth banks' profitability declined as reflected by decreases of the average return on assets from 1.4% in 2023 to 1.0%, and of the return on equity (ROE) from 16.0% to 10.8%. The regional decline in bank profitability was partly driven by ECCU countries where ROA declined from 1.3% to 0.6% and ROE from 16.2% to 7.9%. In Suriname ROE declined by 5.6 percentage points to a still high 30.8%. The decline in Suriname was driven by a normalisation of open market interest rates which for three-month operations had peaked at 80% in January 2023, but subsequently declined to below 20% by October 2024, putting downward pressure on banks' net interest income[25].

[22] Estimate based on 15 BMCs for which data is available. Data exclude Barbados, British Virgin Islands, Haiti and Turks and Caicos Islands.

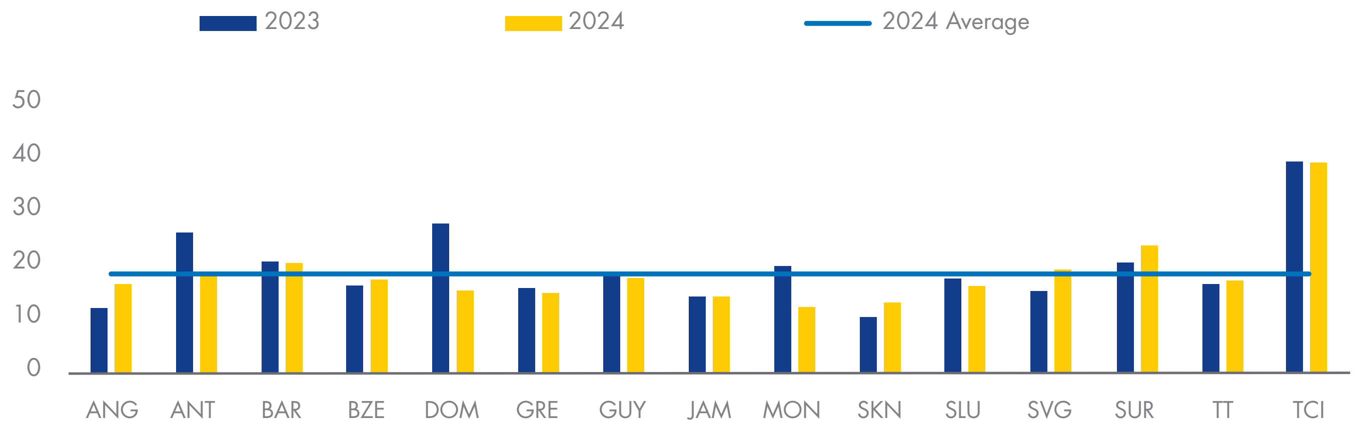
[23] Based on interest rates from 16 BMCs. Data exclude British Virgin Islands, Haiti and Turks and Caicos Islands.

[24] Statutory minimum CARs vary across the Region. Most countries have established a legal minimum of 8% and the highest legal minimum is set by the Cayman Islands at 15%. Cayman Islands Monetary Authority follows the Bank for International Settlements principles on capital adequacy and has set minimum threshold levels of 12% for subsidiaries of banks subject to consolidated supervision and 15% for locally incorporated banks (Banking Services Regulated Sector - CIMA).

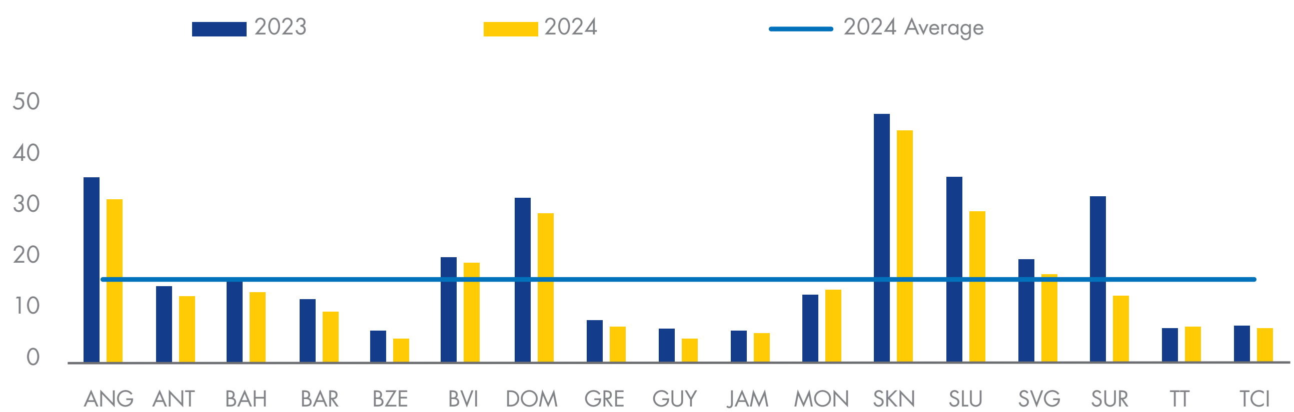
[25] Capital adequacy, liquidity, and profitability indicators were available for 15 BMCs and asset quality for 17.

Figure 17: Financial Soundness Indicators (%)

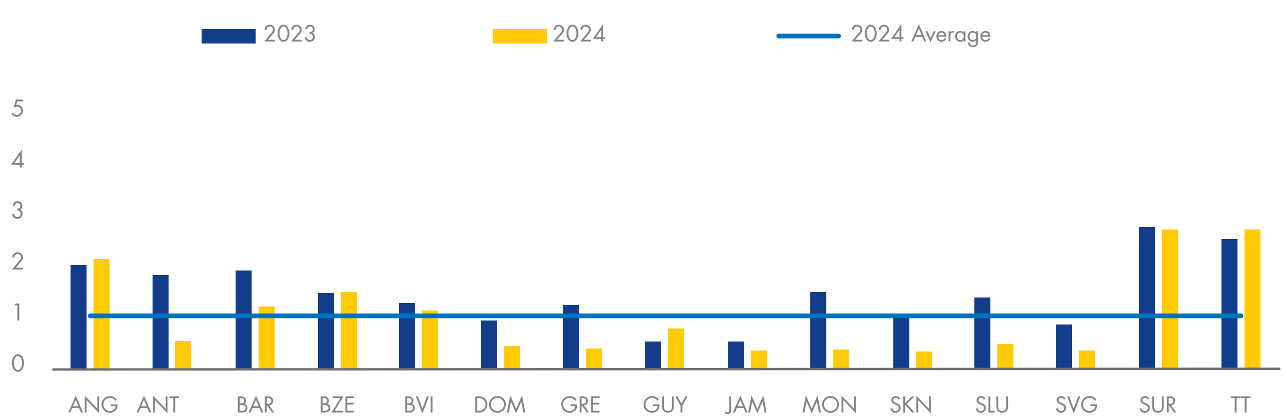
(a) Total regulatory capital as a percentage of commercial banks' risk-weighted assets increased for a number of BMCs, but the regional average declined somewhat from 2023.



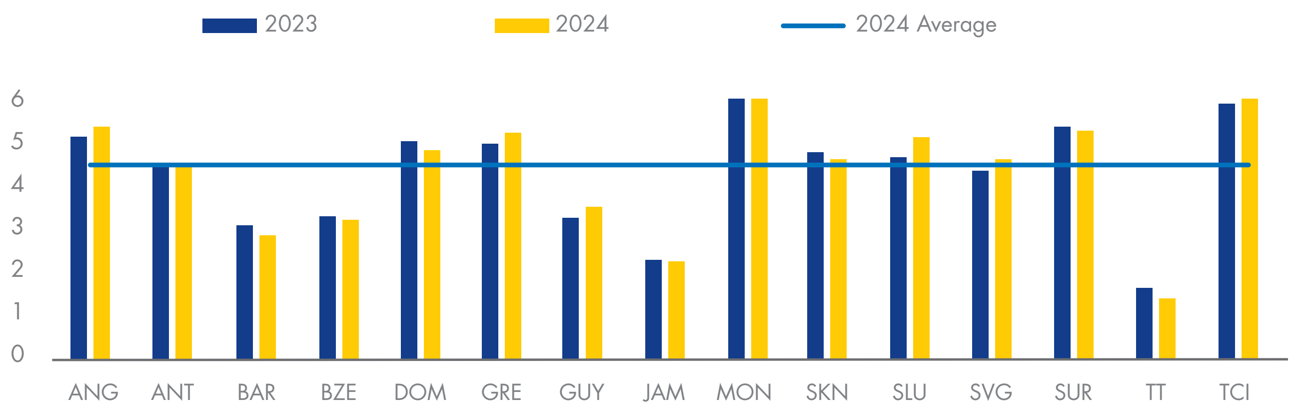
(b) Credit quality improved in almost all BMCs as reflected by a declining share of non-performing loans as a percentage of total loans.



(c) Bank profitability weakened as the return on assets (in percent) decreased for a majority of BMCs.



(d) Commercial banks' liquid assets as a percentage of total assets remained at elevated levels and increased for a majority of countries for which 2024 data were available.



Source: National banking regulators, CDB estimates.

The Caribbean financial sector in 2024 remained resilient against the backdrop of the structural challenges the industry continued to face. These challenges include the modest economic growth potential, relatively high cost of living, and high cost of doing business both of which tend to limit financial sector development, especially in small markets with limited scale. The gradual pace of adoption of financial technology and the relatively low degrees of financial inclusiveness in some BMCs are also adding to overall moderate levels of financial intermediation, limiting domestic growth prospects for the financial sector.

Authorities continued to refine national policy frameworks to improve compliance with international regulatory requirements. At the same time, the industry advanced efforts to improve and action measures to protect against money laundering and terrorist financing risks to improve compliance with the Financial Action Task Force's (FATF) 40 recommendations and standards for countering money laundering, terrorism financing, and proliferation financing. No Caribbean country was listed among FATF's high risk jurisdictions not actively working to address significant strategic deficiencies in their anti-money laundering and counter financing terrorism (AML/CFT) regimes[26] (that is, the 'black list') and only Haiti remained under increased monitoring (that is, the 'grey list')[27]. Barbados and Jamaica were removed from the grey list during the year. Four countries completed evaluations under the Caribbean Financial Action Task Force (CFATF) mutual evaluation process[28]. For BVI, although largely compliant, the findings of the Mutual Evaluation Report (MER) identified remaining weaknesses and areas of low effectiveness, including within the international business sector - the most materially important sector exposed to these risks, as well as major shortcomings in BVI's approach to, and regulation and supervision of, non-profit organisations[29]. New company incorporations in this jurisdiction still increased by 22.6%, even as the Government of the Virgin Islands continues to work on making companies' beneficial ownership more transparent. Anguilla, Guyana, and St. Vincent and the Grenadines also had MERs completed in 2024 that noted overall good compliance but identified remaining deficiencies and gaps.

[26] At October 2024.
[27] Jurisdictions identified with strategic deficiencies and have developed an action plan and a political commitment to address such.
[28] Fourth round assessments.
[29] AML/CFT measures in BVI – © 2024 | CFATF. https://cfatf-gafic.org/documents/4th-round-meval-reports/24077-virgin-islands-british-4th-round-mer-1/file. The MER assesses the overall level of compliance and effectiveness of AML/CTF and provides recommendations on how the system could be strengthened.

The Global Forum on Transparency and Exchange of Information for Tax Purposes approved peer review reports[30] for Guyana and Grenada which assessed the respective legal and regulatory frameworks. The reports identified several issues that need addressing including deficiencies regarding availability of ownership information, accounting information, and banking information for both countries. Challenges for Guyana also included certain legal aspects of the exchange of information on request response mechanism, and for Grenada rights and safeguards and confidentiality issues. According to the Global Forum's reports, given both countries limited practical experience with exchange of information on request, an assessment of the practical implementation side of the framework was deferred to phase two of the review process, which is to be launched by June 2027. As such, the quality and timeliness of responses to requests of information were not assessed. Anguilla and Trinidad and Tobago remained on the European Union's list of non-cooperative jurisdictions for tax purposes, assessed as not being fully compliant regarding transparency and exchange of information; but Antigua and Barbuda, The Bahamas, Belize, and Turks and Caicos Islands were successfully removed from the list of non-cooperative jurisdictions.

Saint Lucia enacted the Insolvency Act (2024) providing a structured legal mechanism to deal with insolvencies, and Suriname enacted the Credit Institutions Recovery and Resolution Act which are both expected to provide benefits to the financial sector and to the broader business environment. In the same vein, ECCU countries continued their work to enhance financial sector resilience as per ECCB's Basel II/III Implementation Roadmap for the ECCU. The year 2024 saw the completion of Phase I of the roadmap regarding the closer alignment of minimum capital requirements with financial institutions' credit, operational and market risks. The introduction of the ECCU's credit bureau framework targeted at enhancing access to financing resulted in the issuance of the first credit bureau license by ECCB during the first quarter of 2023. Member states continued implementation of the framework with credit reporting going live in some countries during the second half of 2024.

[30] Second round, phase 1.

BMC OUTLOOK AND KEY RISKS

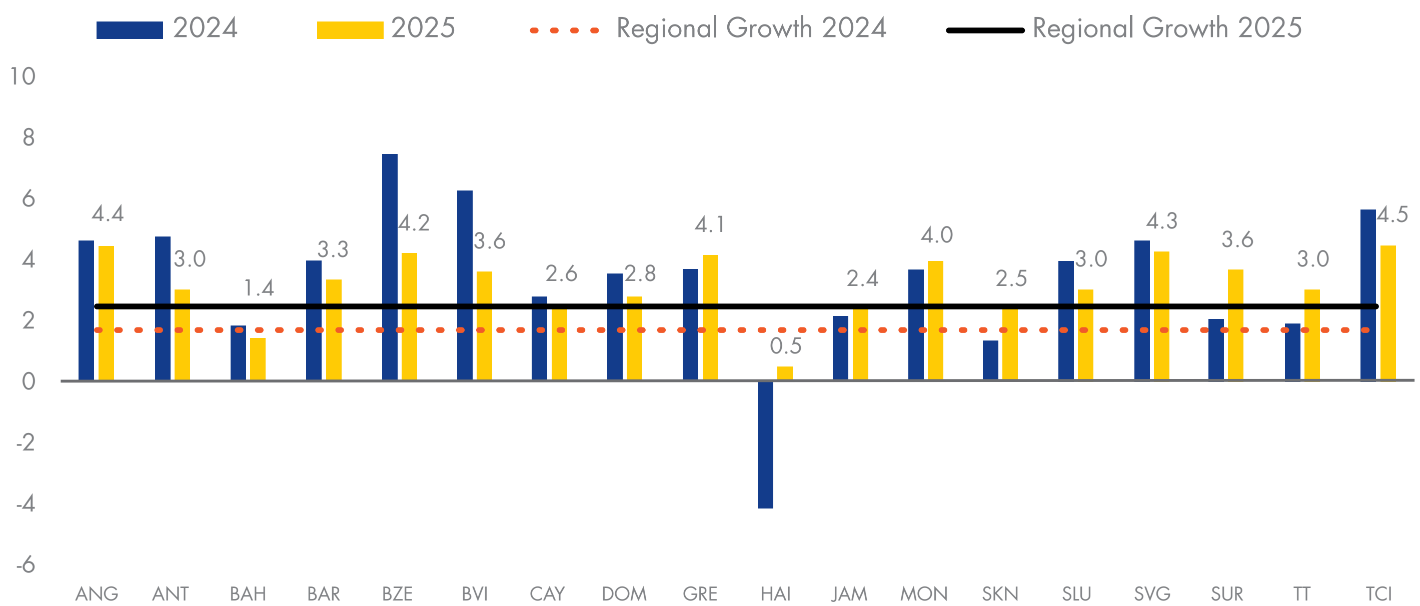
Regional growth in 2025 is expected to remain moderate. Excluding Guyana, the regional economy is anticipated to expand by 2.5%. Guyana is forecasted to remain the regional frontrunner, with a projected expansion of 11.9%. Consequently, including Guyana, regional GDP is forecasted to grow by 4.6%. At the global level, growth is forecasted at 3.3% in 2025, still below the pre-pandemic (2000 – 2019) average of 3.7%, providing a stable but subdued external backdrop for the region's economic outlook.

Service-exporting BMCs are projected to grow by 2.2%, with most economies anticipated to record more moderate expansions. Tourism and construction are expected to remain key drivers of activity in these economies. Once completed, port upgrades and the opening of new hotels and resorts are expected to boost absorptive capacity across the region, further supporting tourism growth potential. Governments will continue work towards closing large infrastructure gaps with a focus on road and bridge, seaport and airport infrastructure, water distribution networks, and housing developments. Investments in energy are also anticipated to gain momentum; with key projects such as the geothermal energy projects in Dominica and Nevis, and the solar power plant in Belize expected to advance.

Commodity-exporting economies are projected to strengthen, with Suriname expected to grow by 3.6% driven by spin-offs from investments in the newly emerging offshore oil sector, and Trinidad and Tobago anticipated to expand by 3.0%.

Figure 18: Real GDP Growth 2024 vs 2025 (Excluding Guyana) (%)

Economic growth is expected to remain moderate in most BMCs in 2025.



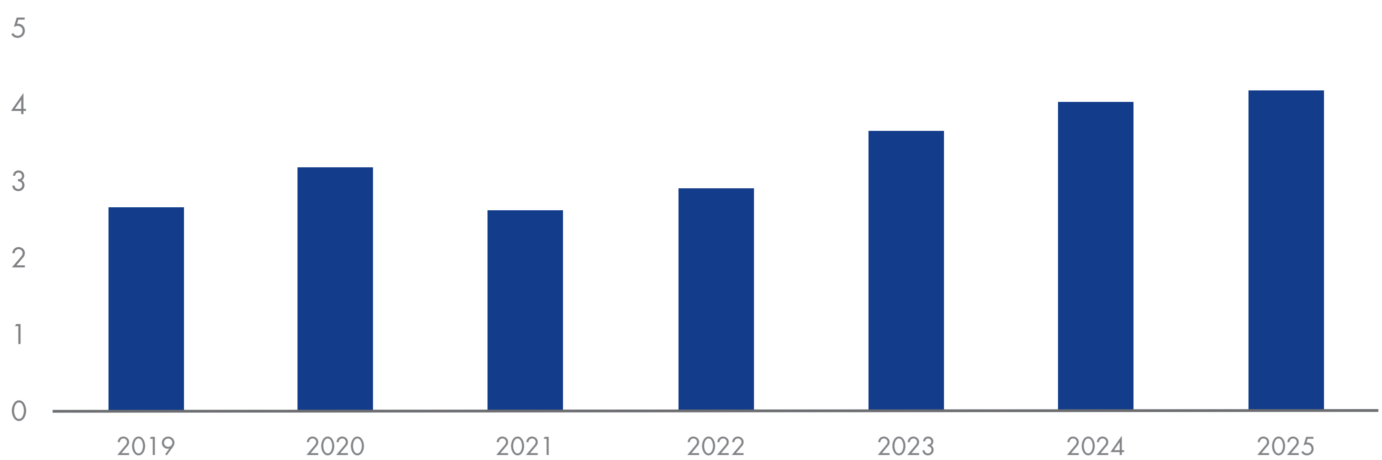
Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

Inflation rates are expected to continue to trend downward, reflecting anticipated movements in global commodity prices[31]. With cost of living expected to remain elevated over the near term, several BMCs have announced intentions to implement additional cushioning measures in 2025.

Projections are for most governments to maintain primary surpluses that would support continued improvement in debt positions in 2025. Revenues are expected to increase in line with projected economic growth. While Governments plan to continue to contain recurrent spending, a focus on priority capital investments could weaken primary balances somewhat. General elections are constitutionally due in nine BMCs in 2025 and this, along with an extension of cost-of-living measures, could also heighten spending and pressures to postpone reforms. Notwithstanding, barring significant shocks which would cause significant imbalance and instability, the region is expected to remain on a sustainable fiscal and debt path over the medium term.

Figure 19: Regional Capital Expenditure 2019 to 2025 (% GDP)

Most BMCs are expected to sustain or increase capital spending in 2025 as they work to address infrastructure gaps.



Sources: Central Banks, Ministries of Finance, Statistical Offices, CDB.

Continued tourism sector growth is expected to support current accounts. In Jamaica, the reserve position is projected to strengthen further, despite ongoing managed foreign exchange interventions to support the Jamaican dollar. This improvement aligns with the quantitative targets under the IMF's Precautionary and Liquidity Line. Additionally, increased output in the mining sector, driven by rising global demand and higher plant capacity utilisation, is expected to provide further support to foreign exchange reserves. Additionally, a continued decline in global commodities prices, including energy prices, would benefit the external accounts of most Caribbean nations and territories, which generally are still net importers of fossil fuels in their energy and transport sectors. Notably, while Suriname ran current account surpluses between 2020 and 2024, oil sector investments are expected to significantly weigh on its external accounts starting from 2025.

While the Caribbean region is poised for continued growth in 2025, achieving these projections will depend heavily on the region's ability to navigate external uncertainties, natural disasters and other economic shocks, and maintain momentum in key sectors including tourism and construction. The region faces several persistent risks that could dampen economic prospects. Potential slowdowns in major

[31] WB 2024-26 commodity price forecast October 2024: Commodity Markets Outlook – October 2024.

source markets like the US could undermine tourism demand, export earnings, and remittance inflows. Continuing geopolitical tensions present significant risks to global trade and commodity prices, with potential spillover effects for the Caribbean. Heightened uncertainty surrounding US policy shifts including evolving foreign policy priorities, adds to the uncertainty of the outlook. Protectionist trade policies including significantly higher tariffs on merchandise exports could lead to slower global economic growth resulting in lower foreign exchange earnings capability and add to inflationary dynamics that could drive import bills higher. Additionally, adverse weather shocks remain a persistent threat. The international price outlook is also subject to climate change impacts on agricultural and food markets. Specifically, shipping disruptions could place some upward pressure on prices in the Caribbean in 2025 (United Nations Trade and Development, 2024)[32]. Commodity-exporting countries remain vulnerable to sharp declines in global commodity prices, which could impact fiscal and external balances. Similarly, countries reliant on CBI programmes as a key revenue source face risks from the volatility of inflows which are subject to changing global demand, competition, and international scrutiny. On the upside, financial businesses could experience positive spin-offs from an easing of regulatory requirements for the US financial sector by the new administration.

While uncertainties regarding future policies and risks are high, these underline the need for more rigorous regional policy initiatives targeted at strengthening internal and external buffers. Important policy initiatives with the potential of strengthening foreign exchange reserves are already underway in the Region, including renewable energy projects in several BMCs, efforts of improving intra-regional air and maritime connectivity with a potential of moving local produce efficiently through the Region, and the Caribbean Community's (CARICOM) 2022 commitment to reduce the regional food import bill by 25% by the year 2025[33].

[32] Review of Maritime Transport 2024 | UNCTAD.

[33] The deadline for this initiative has since been extended to 2030 given uncertainties in the global trade arena and impacts from natural hazards and climate change impacts in the Region.

DEVELOPMENT IMPERATIVES

OPTIMISING TRADE CONNECTIVITY AND LOGISTICS FOR GROWTH

Achieving the Caribbean's development goals, including reducing poverty and inequality, improving living standards, and building resilience, requires a sustained increase in economic growth. However, current growth trajectories are decelerating as the temporary effect of the pandemic recovery fades, trending toward rates that are insufficient to achieve these goals.

Therefore, to achieve higher rates of growth, Caribbean countries must urgently confront structural weaknesses that are restricting economic potential through transformative policy action. By implementing targeted policy interventions and making strategic investments, the region can build a more robust foundation for expanding productive capacity, accelerating inclusive economic growth, and ensuring long-term sustainability. This edition of the *Caribbean Economic Review and Outlook* focuses on one important imperative: enhancing the trade ecosystem through optimising trade connectivity and logistics. In regions with exceptionally high trade dependence such as the Caribbean, improving trade connectivity and logistics has far-reaching implications for development as it addresses important structural bottlenecks that limit economic progress. By overcoming these challenges, the region can make progress toward building a robust foundation for strengthening production resilience.

OPTIMISING TRADE CONNECTIVITY AND LOGISTICS FOR GROWTH

It is difficult to overestimate the importance of international trade for the sustainable socio-economic development of small open economies. This heavy dependence on trade partly reflects the structural realities of these economies which lack sufficient scale for self-sufficiency and must engage extensively in global markets to access goods, services, and capital. For Caribbean countries, trade is indispensable, with the combined value of exports and imports close to, or exceeding, 100% of GDP in most BMCs. These countries are deeply reliant on imports for essential goods including food, fuels, and pharmaceuticals. Successful export sectors are therefore critical to steadily generate the foreign exchange earnings required to sustain these imports. In fact, CDB's BMCs spend more than half of the value of total exports on food imports alone and this share continues to rise[34]. Key export sectors, including tourism, international business services, commodities, agriculture, and manufacturing play an integral role in driving economic activity and employment.

Despite the importance of trade, the region faces several challenges that limit its trade potential and, by extension, its development potential. Among these are BMCs' small size which contributes to the high cost of production of local goods and services, the high cost of doing business, delays in the implementation of the WTO Trade Facilitation Agreement, limited international connectivity, and outdated and inadequate infrastructure and logistics frameworks. These challenges are compounded by the vulnerability of the region's supply chains to external shocks. The COVID-19 pandemic, the war in Ukraine, and other geopolitical disruptions, which caused delays in shipping, higher logistics costs, and increased consumer prices have exposed and exacerbated these vulnerabilities over the past four years. Natural hazards and climate change further amplify the risks and have increased the frequency of supply chain shocks. While these are challenges shared globally, Caribbean states are disproportionately affected due to their reliance on maritime transport, low shipping connectivity levels, and dependence on transshipment.

Intra-regional trade faces its own set of challenges. Despite longstanding efforts toward deeper integration, trade among BMCs remains relatively low, accounting for under 10% of the region's total trade. This limited trade activity highlights stalled progress in the full implementation of the CARICOM Single Market and Economy. Persistent issues include the prevalence of non-tariff barriers and measures, and the inconsistent application and incomplete implementation of the Common External Tariff. Adding to this challenge are logistical barriers which prevent the seamless movement of commodities within the region.

[34] Food and Agriculture Organisation of the United Nations, 2022. The State of Agricultural Commodity Markets 2022: Innovation in food systems transformation. Available at: https://openknowledge.fao.org/server/api/core/bitstreams/9ce8da4a-c61f-4f4f-9a1a-14caee5d5471/content.

To address these challenges and support trade-driven development, governments must prioritise the enhancement of trade facilitation as a policy imperative. Central to this effort is improving trade connectivity and logistics. Trade connectivity and logistics encompass the systems, infrastructure, and processes that enable the smooth movement of goods, services, and people across borders. This includes the quality of transport infrastructure such as seaports, airports, and road networks, as well as trade facilitation measures such as customs procedures, regulatory frameworks, and digital tools. In a region where over 80% of goods are transported by sea and trade constitutes a significant share of GDP, optimising these elements is fundamental to enhancing competitiveness and unlocking economic potential. Efficient logistics systems and enhanced trade connectivity directly contribute to reducing costs, increasing efficiency, and boosting competitiveness. Moreover, enhancing trade connectivity can help support diversification efforts and broaden economic opportunities. By improving access to markets within and beyond the region, Caribbean countries can expand their export base beyond traditional industries, thereby reducing their dependence on a narrow range of products and services to build economic resilience. By prioritising this imperative, the Caribbean can help lay the foundation for long-term, inclusive, and sustainable growth. Several BMCs are already investing in airport, seaport, and road network upgrades to improve connectivity and support the Region's economic activities. Valuable insights into the specific challenges and opportunities within the transport and logistics sectors have emerged from logistics chain studies conducted across two BMCs.

INSIGHTS FROM BMC LOGISTICS CHAIN STUDIES

Logistics Chain Studies conducted for Saint Lucia and Grenada provide in-depth analyses of the transport and logistics sectors in these countries. Commissioned by CDB and undertaken by the International Trade Centre, the studies emphasise the importance of logistics in advancing trade efficiency, economic resilience, and sustainable development in the region. They provide insights into the factors hindering the efficient movement of goods and propose actionable recommendations for enhancing logistics performance and improving competitiveness in regional and global markets.

While the studies specifically focus on Grenada and Saint Lucia, many of the challenges and recommendations identified relate to several BMCs as the islands share similar features that shape their trade and logistics landscapes. While each island has unique characteristics and specific needs and are at different stages of developing the logistics sector, these findings provide a framework for policymakers and industry stakeholders across the Caribbean to improve their logistics performance, reduce costs, and enhance their competitiveness in the global marketplace.

Challenges Undermining Logistics Performance and Limiting Competitiveness

Despite progress in some areas, the logistics sector is burdened by a number of challenges that hinder optimal performance within the region. One of these challenges is infrastructural gaps, particularly inadequate road networks and ports in some BMCs. Deficiencies in the road network increase transport costs, reduce efficiency, and can damage goods during transit. Additionally, although there have been recent or ongoing upgrades in some BMCs, ports in several countries suffer from infrastructural limitations and operational inefficiencies which impact the port's capacity to handle cargo efficiently. Compounding this issue is the limited cargo volume in countries like Grenada and Saint Lucia. Smaller volumes make it difficult to attract major shipping lines and airlines, further limiting connectivity and inflating costs.

Inefficient customs processes present another challenge, with lengthy customs clearance procedures, exacerbated by the limited adoption of digital tools and reliance on manual systems. This drives up transaction times and costs, creating bottlenecks in trade facilitation. Furthermore, outdated and fragmented tariff systems across the region create uncertainty for businesses and may discourage investment in logistics and trade-related industries.

The shortage of skilled logistics professionals is also a major challenge across the region which affects the efficiency of the workforce, limiting the sector's capacity for growth and innovation. These challenges have contributed to high logistics costs across the region with costs for containerised cargo frequently surpassing global benchmarks. This directly affects the price of imported goods and erodes the competitiveness of exports.

Opportunities for Reform

Insights from these studies reveal pathways for the transformation of the logistics sector that can be replicated across the Caribbean. The implementation of National Single Window (NSW) systems is essential for improving trade facilitation and enhancing the efficiency of customs and logistics processes across the Caribbean. By consolidating all trade-related procedures into a single electronic platform, the NSW eliminates reliance on manual and paper-based processes, significantly reducing transaction times, enhancing transparency, and lowering costs for businesses. Reforming port operations also offers considerable potential for efficiency gains. Extending port operational hours, including transitioning to 24/7 systems, is crucial for reducing congestion and facilitating faster cargo movement. Streamlining cargo collection, inspection, and clearance procedures by optimising yard and gate operations, clarifying guidelines, and promoting electronic documentation can also reduce delays. Harmonising port fees and tariff structures across the region would create greater consistency, and reduce disparities, thereby encouraging economies of scale and enhancing the region's competitive edge.

Capacity building is another essential focus area. Expanding technical training for customs and logistics personnel is necessary to ensure a smooth transition to digital systems. Developing regional curricula centred on current logistics best practices, as proposed in the studies for Grenada and Saint Lucia, could benefit the entire Caribbean.

Finally, promoting stronger partnership between the public and private sectors is essential. Regular dialogue between governments and industry stakeholders can help identify bottlenecks and co-develop implementable solutions. Regional organisations such as CARICOM and OECS provide a platform for consensus building and ensuring alignment across member states. As small, fragmented economies, the Caribbean stands to gain significantly from coordinated reforms that address these challenges at a regional level.

Consistent with the objective of enhancing production resilience, BMCs have been actively implementing projects to strengthen trade and logistics systems across the region. With the support of financial assistance, technical expertise, evidence-based research, and policy advocacy facilitated by CDB, BMCs are making strides toward creating more efficient, resilient, and sustainable trade systems. In alignment with this strategy, CDB has supported BMCs to enhance trade facilitation through investments in key areas such as customs automation, port modernisation, and maritime transport systems. Currently, the Bank is managing the implementation of over 25 projects across BMCs that focus on regional integration, trade facilitation, and trade cooperation. These initiatives include strengthening national capacities in critical areas like quality infrastructure, food safety, and sanitary and phytosanitary standards, ensuring compliance with international trade regulations. Additionally, CDB is working to enhance the trade facilitation landscape by supporting the establishment of trade single windows, port community systems, and trade enquiry points. Such interventions are designed to streamline processes, reduce transaction costs, and improve the overall efficiency of cross-border trade in the Caribbean, contributing to the region's long-term economic resilience and growth.

Ultimately, fostering a seamless, cost-effective trade ecosystem will not only benefit individual countries but also reinforce the collective economic resilience of the Caribbean region. These efforts must be supported by strong political will, investments in infrastructure and digital transformation, collaboration with the private sector, and active engagement with international development partners to provide cost-effective financial and technical assistance.

STATISTICAL APPENDIX

STATISTICAL APPENDIX

Real GDP Growth (%)							
	2019	2020	2021	2022	2023	2024	2025
ANG	5.5	-29.9	12.8	24.2	8.2	4.6	4.4
ANT	3.1	-18.9	8.2	9.5	3.9	4.8	3.0
BAH	-1.4	-21.4	15.4	10.8	2.6	1.8	1.4
BAR	0.7	-15.1	-0.3	17.8	4.1	4.0	3.3
BZE	4.3	-13.9	17.7	9.7	1.1	7.5	4.2
BVI	11.3	-10.5	2.8	-0.3	7.2	6.3	3.6
CAY	3.9	-5.0	4.9	5.2	4.2	2.8	2.6
DOM	5.5	-16.6	6.9	5.6	4.7	3.5	2.8
GRE	0.7	-13.8	4.7	7.3	4.5	3.7	4.1
GUY	5.4	43.5	20.1	63.3	33.0	43.5	11.9
HAI	-1.7	-3.3	-1.8	-1.7	-1.9	-4.2	0.5
JAM	0.9	-10.0	4.6	1.6	4.7	2.1	2.4
MON	-0.8	-1.7	5.0	4.8	0.5	3.7	4.0
SKN	2.8	-15.4	0.5	10.5	4.2	1.4	2.5
SLU	-0.7	-24.4	11.6	20.4	2.2	3.9	3.0
SVG	0.7	-4.3	2.1	3.1	5.4	4.6	4.3
SUR	1.2	-16.0	-2.4	2.4	2.5	2.0	3.6
TT	0.5	-8.9	-0.9	1.1	1.4	1.9	3.0
TCI	5.0	-33.8	29.6	14.1	13.7	5.6	4.5
Regional	0.8	-8.7	4.7	9.8	6.6	8.8	4.6
Regional excl. Guyana	0.6	-11.5	3.4	4.3	2.5	1.7	2.5
Commodity Exporters	1.3	-2.2	3.5	17.1	12.8	19.4	7.6
Service Exporters	0.6	-12.1	5.4	5.6	2.8	1.6	2.2

STATISTICAL APPENDIX

Primary Balance (% GDP)							
	2019	2020	2021	2022	2023	2024	2025
ANG	4.7	3.9	8.5	10.5	11.0	6.5	-0.2
ANT	-1.2	-2.9	-2.0	-0.4	0.7	4.5	1.2
BAH	1.4	-10.1	-3.5	-0.9	0.6	2.2	2.6
BAR	3.2	6.2	-0.8	-0.7	2.5	3.4	3.3
BZE	0.1	-6.4	0.1	0.9	0.1	0.1	1.0
BVI	2.4	0.0	-1.6	1.1	1.2	0.0	-2.8
CAY	2.5	-1.8	-2.1	0.3	-0.8	-1.4	-1.4
DOM	-13.1	-1.4	-4.3	-3.9	-6.4	3.7	1.4
GRE	6.8	-2.6	2.1	2.5	9.4	9.8	-5.1
GUY	-2.0	-7.2	-6.0	-4.5	-5.2	-6.9	-5.0
HAI	-0.1	-2.3	-1.5	-1.0	1.9	1.7	1.4
JAM	9.1	7.5	3.0	5.6	5.8	5.9	4.2
MON	-12.0	-3.8	1.4	4.0	4.5	17.2	4.3
SKN	1.8	-1.1	7.6	-2.7	1.3	-9.3	-7.5
SLU	-0.1	-4.2	-2.4	2.1	1.4	0.6	0.6
SVG	-0.4	-3.1	-4.7	-6.9	-9.5	-9.7	-8.7
SUR	-15.6	-8.3	-0.4	0.5	1.4	2.2	2.7
TT	-0.3	-8.7	-3.3	3.9	1.0	-1.8	-1.1
TCI	3.1	-6.1	2.3	4.9	3.1	2.5	3.1
Regional	1.2	-3.3	-1.6	1.0	1.0	0.1	0.1
Regional excl. Guyana	1.4	-3.0	-1.3	1.8	2.0	1.6	1.2
Commodity Exporters	-2.5	-8.4	-3.7	1.0	-1.2	-3.8	-2.6
Service Exporters	3.0	-0.8	-0.6	1.0	2.3	2.5	1.7

STATISTICAL APPENDIX

CG Debt (% GDP)							
	2019	2020	2021	2022	2023	2024	2025
ANG	47.8	64.9	52.7	32.1	24.7	22.2	18.5
ANT	62.9	83.0	76.4	68.2	66.4	57.1	55.7
BAH	59.4	94.6	90.8	84.0	79.7	79.6	75.5
BAR	-	119.2	121.5	106.4	106.0	102.5	98.2
BZE	76.4	100.6	77.4	67.0	67.0	61.0	58.1
BVI	9.3	10.6	9.8	9.0	7.3	6.8	9.1
CAY	5.7	5.3	4.4	9.2	7.7	7.0	8.3
DOM	67.7	97.0	99.0	96.2	89.7	81.5	86.2
GRE	57.6	70.6	69.5	62.8	56.9	57.6	58.2
GUY	39.2	47.3	47.8	29.1	30.3	27.8	29.6
HAI	26.5	20.9	28.9	29.5	28.5	16.4	15.3
JAM	94.5	103.0	92.7	79.9	71.1	68.8	52.5
MON	4.8	4.9	4.3	3.6	3.0	2.5	2.0
SKN	37.8	46.4	47.1	41.4	38.7	35.3	42.5
SLU	58.5	90.9	81.5	66.6	65.6	63.5	62.0
SVG	61.2	73.3	81.3	82.9	89.4	93.8	93.6
SUR	84.1	146.4	115.8	118.5	99.0	82.4	73.6
TT	57.6	71.3	67.4	55.0	64.4	66.5	71.4
TCI	-	-	-	-	-	-	-
Regional	50.2	67.1	64.8	56.6	55.6	50.9	48.0
Regional excl. Guyana	50.8	68.3	66.2	60.3	59.3	55.7	52.1
Commodity Exporters	58.1	76.8	67.4	51.9	54.6	50.5	51.8
Service Exporters	46.4	62.3	63.5	59.4	56.1	51.2	45.7

STATISTICAL APPENDIX

Inflation (All Items)						
	2019	2020	2021	2022	2023	2024
ANG	0.8	-0.5	1.8	5.6	3.4	-0.5
ANT	1.4	1.1	1.6	7.5	5.1	6.2
BAH	2.5	0.0	2.9	5.6	3.1	0.7
BAR		0.7	1.5	4.3	3.2	1.4
BZE	0.2	0.1	3.2	6.3	4.4	3.3
BVI	1.4	0.4	2.8	4.0	2.7	3.2
CAY	5.9	1.0	3.3	9.5	3.8	2.6
DOM	1.5	1.2	2.2	2.9	5.1	2.6
GRE	0.6	-0.7	1.2	2.5	2.7	1.1
GUY	2.1	0.7	4.5	6.9	2.8	2.9
HAI	18.7	22.8	16.8	34.0	36.8	26.9
JAM	3.9	5.2	5.9	10.4	6.5	5.5
MON	-1.1	-1.9	2.6	3.1	-1.2	2.3
SKN	-0.3	-1.2	1.2	2.7	3.6	1.1
SLU	0.5	-1.8	2.4	6.4	4.5	-0.7
SVG	0.9	-0.6	1.6	5.7	4.6	3.6
SUR	4.3	34.9	59.1	52.4	51.6	16.2
TT	1.0	0.6	2.1	5.8	4.6	0.5
TCI	2.2	2.3	4.5	6.0	5.5	3.0
Regional	2.6	3.4	6.4	9.6	8.0	4.3
Regional excl. Haiti and Suriname	1.4	0.3	2.6	5.6	3.7	2.2
Commodity Exporters	2.5	12.1	21.9	21.7	19.7	6.6
Service Exporters	2.6	1.7	3.4	7.4	5.9	3.9

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