



EASTERN CARIBBEAN CENTRAL BANK

ECONOMIC AND FINANCIAL REVIEW

2025 UPDATE

Commonwealth of Dominica

Finalised 2025 actuals and revised medium-term projections



EASTERN CARIBBEAN CENTRAL BANK

Economic and Financial Review

June 2026 · Commonwealth of Dominica

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Commonwealth of Dominica

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ABOUT THIS REVIEW

Important Note

This publication updates the December 2025 Annual Economic and Financial Review (AEFR) by reflecting revised 2025 data and updated short- and medium-term macroeconomic projections. By substituting preliminary estimates with revised data, the report outlines the outturn of core economic indicators for 2025, establishing an updated baseline for comparative analysis against the previous estimates.

Based on newly available Q1-2026 data and changing economic conditions, our growth outlook for 2026 and 2027 has been revised. These short- and medium-term projections also integrate recent surveillance conducted by our technical staff. By accounting for these factors, this review ensures

that our policy recommendations remain closely aligned with domestic economic developments and broader international trends.

While these updated projections outline the most likely path forward, actual economic results may diverge from current estimates. Significant variables, including shifting geopolitical dynamics and the execution timelines of national infrastructure projects, introduce baseline uncertainties that could result in either upward or downward deviations from these forecasts. These forecasts should therefore be viewed as flexible guidelines that will be updated as new monthly data and official statistics become available.

DISCLAIMER

The Eastern Caribbean Central Bank (ECCB) takes reasonable measures to ensure that the data and other information in this publication are accurate and current, however, the ECCB reserves the right to make corrections and makes no warranty, expressed or implied as to the accuracy, timeliness or completeness of any of the information provided herein.



The Dominica International Airport under construction, a flagship investment project underpinning the Commonwealth of Dominica's economic transformation.



2025 AT A GLANCE

Economic Snapshot

Robust tourism, agriculture and infrastructure investments boosted 2025 growth, but heightened global uncertainty and lower CBI revenues pose downside risks to fiscal sustainability.

Real GDP growth

3.7%

2025, year on year



Agriculture, construction, and tourism drove broad-based growth.

Inflation

0.7%

end of period (EOP)



Subdued inflationary pressures at year-end 2025.

Debt-to-GDP

98.2%

public sector debt



Public debt ratio remained above the 60.0 per cent regional anchor.

Stay-over arrivals

99,079

up 18.5% on 2024



Stayover arrivals fully recovered, outpacing its 2019 pre-pandemic volume.

Top 4 GDP Contributors

Agriculture, Forestry & Fishing	16.2%
Transport & Storage	13.2%
Public administration	12.8%
Wholesale & Retail Trade	9.1%

GDP remains heavily supported by the top four major sectors.

Trade balance

-32.9%

goods, % of GDP



High food and construction-related imports sustained the trade deficit.

NPL ratio

8.9% ↓ NPL ratio

EC\$1.58b ↑ money supply

Asset quality improved, though NPL ratio remained above regulatory benchmarks

Tax revenue

23.1%

% of GDP



Tax receipts rose in lockstep with economic activity.

Overall fiscal balance

-4.0%

% of GDP



Declining CBI revenue further contributed to the 2025 fiscal deficit.



1 Overview

Headline assessment of Commonwealth of Dominica in 2025

- 01 Commonwealth of Dominica recorded a stronger than anticipated economic performance in 2025, reflecting broad-based growth across key productive sectors.** Economic growth surpassed expectations, driven by construction, agriculture, and tourism, while cooling inflation provided price stability.
- 02 Fiscal pressures intensified in 2025 despite stronger economic growth, underscoring the continued challenge of balancing development priorities with fiscal sustainability.** Higher recurrent expenditure and weaker than anticipated non-tax revenue contributed to a wider fiscal deficit. Public debt-to-GDP remained elevated and well above the regional debt anchor.
- 03 The external position proved more resilient than anticipated as stronger tourism earnings partially offset investment-related import demand.** Strong tourism earnings supported by robust growth in stay-over arrivals contributed to a narrower current account deficit.
- 04 Commonwealth of Dominica's medium-term outlook remains favourable, supported by strong domestic investment, although heightened external risks continue to cloud the outlook.** Economic growth is projected to moderate, as the economy transitions from the current phase of investment-driven expansion. However, the outlook faces downside risks from ongoing geopolitical tensions, making fiscal consolidation essential given high debt levels.





2 Recent Economic Developments

Real sector, prices, fiscal, external and monetary outturns

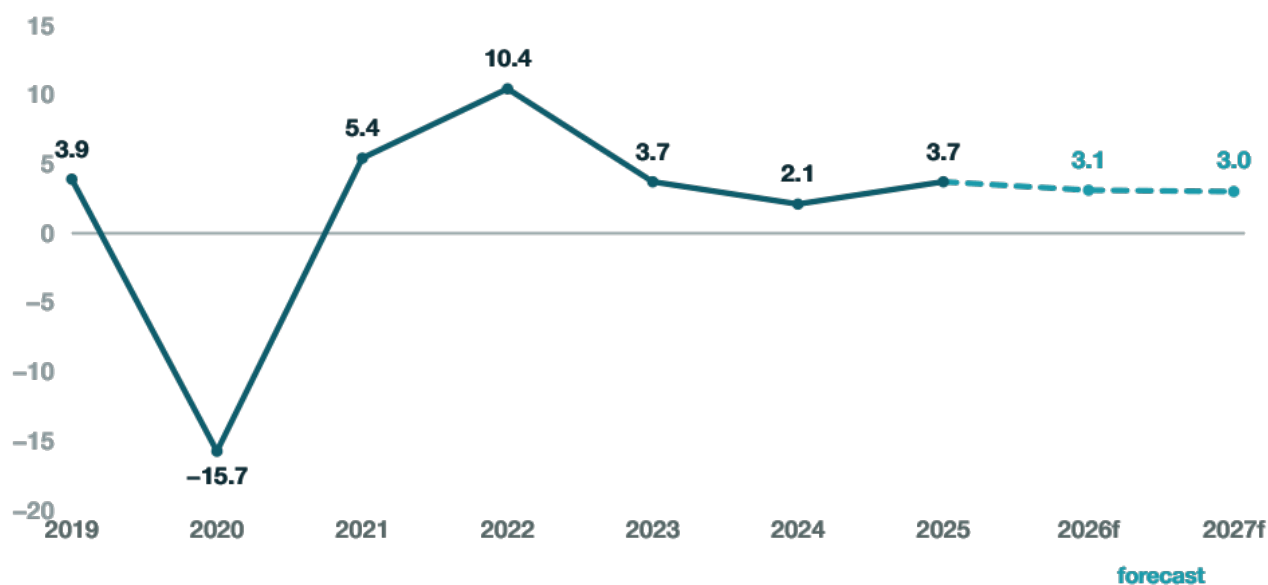
2.1 Real Sector Developments

Economic growth in 2025 outperformed previous projections, reflecting the increasing resilience of the Commonwealth of Dominica's economic recovery. Real GDP growth in 2025 was revised upward to 3.7 per cent, from a preliminary estimate of

3.1 per cent. This also represents a marked acceleration from the 2.1 per cent growth recorded in 2024 (Figure 1). The upward revision reflects more robust domestic economic activity, underpinned by heightened value added across major sectors.

Figure 1. Real GDP Growth (%) from 2019 to 2027

Following successive shocks, the Commonwealth of Dominica's economy achieve a heightened rebound in 2025.



Source: CSO and ECCB

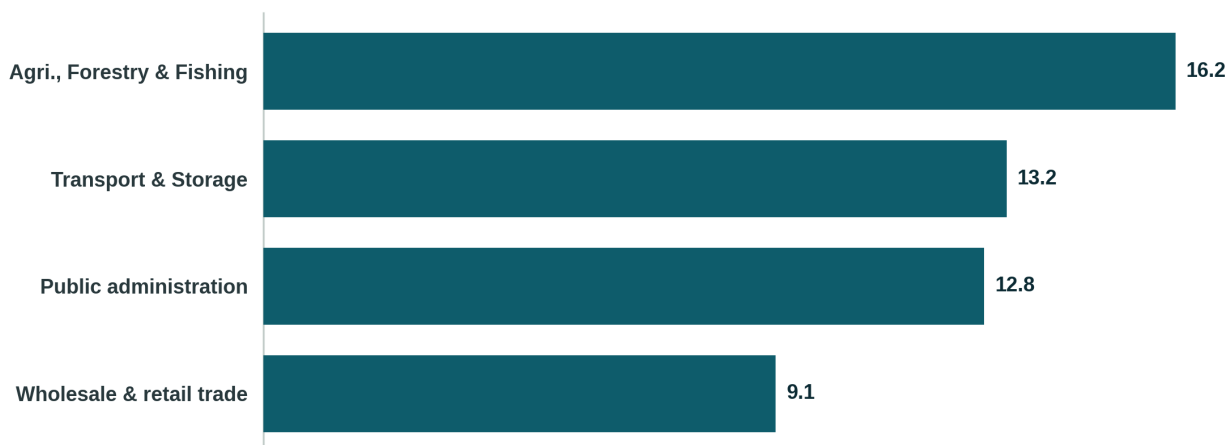
Strong gains in agricultural and fisheries activities served as a primary driver of overall economic growth. The sector benefitted from favourable weather conditions and continued government efforts to strengthen agricultural productivity through strategic

investments and targeted support for producers. As the largest contributor to gross value added (Figure 2), the improved performance of the agriculture sector provided an important boost to overall economic activity.



Figure 2. Top 4 Contributors to the Economy (2025)

Agriculture remains the largest contributor to GDP.



Source: CSO and ECCB

Construction activity expanded by 7.0 per cent, supported by implementation of major flagship projects to strengthen the country's productive capacity and climate resilience. Key developments included the ongoing construction of the international airport, marina facilities, geothermal power plant and distribution network, as well as other climate-resilient infrastructure and upgrades, including the East Coast Road project. Private sector construction activity also remained buoyant, supported by continued investment in tourism-related developments, including hotel expansions¹ and the aerial tram (cable car) attraction.

Tourism activity exceeded expectations, driven by stronger visitor arrivals across the stay-over and cruise segments. Total visitor arrivals increased by 14.6 per cent to 495,868 visitors, substantially

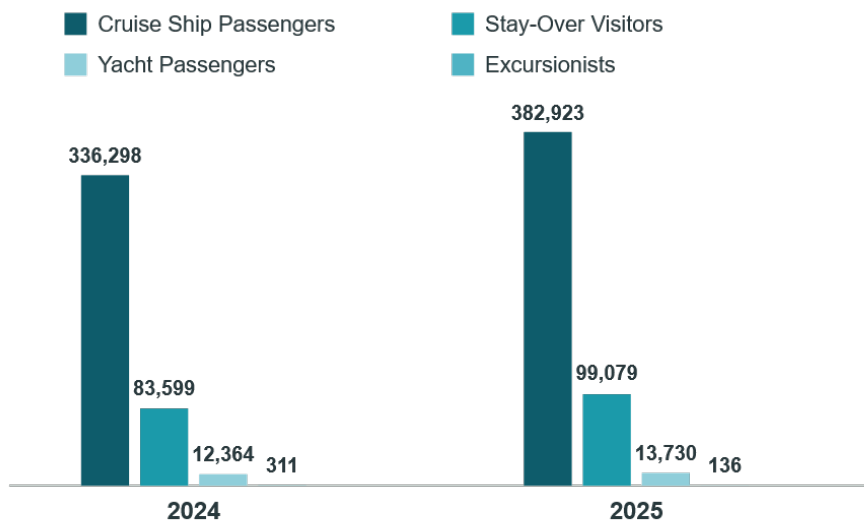
outperforming earlier projections. Stay-over arrivals expanded by 18.5 per cent to 99,079 visitors, benefiting from improved air connectivity and sustained demand from key source markets, while cruise passenger arrivals rose by 13.9 per cent to 382,923 visitors (Figure 3). Consequently, total visitor arrivals have exceeded their pre-pandemic baseline, surpassing the recovery which was previously estimated. The stronger tourism outturn generated positive spillovers to the wider economy. Higher visitor spending supported increased activity in accommodation and food services, transport and storage, wholesale and retail trade, and other tourism-linked industries, reinforcing domestic demand and contributing to the stronger overall growth performance recorded in 2025 (see Box 1).

¹ Ocean Oasis opened doors in November 2025 adding 38 new rooms to the country's room stock, further enhancing tourism capacity.



Figure 3. Arrivals by Visitor Category (2024 vs 2025)

Tourism arrivals surpassed pre-pandemic levels, though cruise arrivals dominate over higher value-added stayovers.



Source: CSO and ECCB

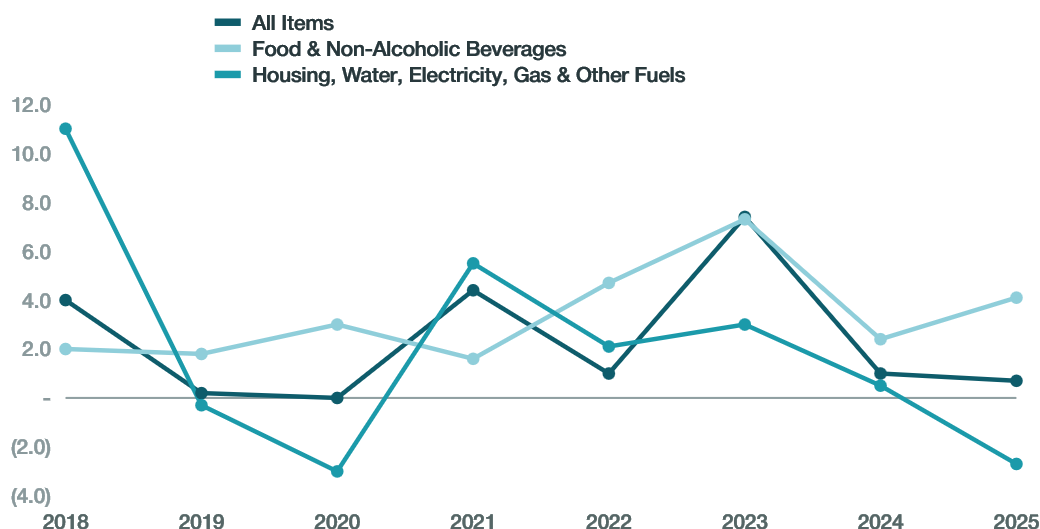
Inflation Developments

Inflation moderated more sharply than anticipated in 2025, reflecting a significant downward revision from initial projections. End-of-period inflation was revised down to 0.7 per cent in 2025, from a previous projection of 3.1 per cent, a downward revision of 2.4 percentage points, and 0.3 percentage points lower than the rate recorded in 2024. The sharper decline in inflation was underpinned by lower energy prices and

improving external price conditions. Energy prices declined by 2.7 per cent during 2025, reflecting softer international fuel prices and their pass-through to domestic consumers (Figure 4). The moderation in global commodity prices, together with easing inflation among the Commonwealth of Dominica's major trading partners, contributed to a more subdued inflation environment than originally anticipated.

Figure 4. Annual Inflation Trends

Inflation moderated in 2025, driven by softer energy prices.



Source: CSO and ECCB



Food prices, however, remained an important source of inflationary pressure despite the overall moderation in headline inflation. Prices for food and non-alcoholic beverages increased by 4.1 per cent in 2025, indicating that households continued to experience elevated costs for essential goods. Nevertheless, the decline in energy prices and lower inflation across other expenditure categories more than offset these increases, resulting in a substantially lower overall inflation rate.

2.2 Fiscal Developments

The fiscal position deteriorated further in 2025, with fiscal balances weakening beyond earlier estimates. The overall deficit widened to 4.0 per cent of GDP (\$79.3m) while the primary deficit reached 1.5 per cent of GDP (\$29.7m) exceeding the shortfalls anticipated at the time of December 2025 AEFR. Further, this marked a divergence from the primary and overall surpluses of 7.7 per cent of GDP and 5.3 per cent of GDP in 2024. The weaker-than-expected outturn reflected a combination of elevated current expenditure pressures and lower-than-anticipated non-tax revenues (Table 1).

The lower inflation outturn was also supported by domestic policy measures aimed at alleviating cost-of-living pressures. In particular, the temporary removal of customs duties and value-added tax on an expanded list of essential food items during quarter 4 of 2025 contributed to containing consumer price growth². Consequently, inflation remained well below the level envisaged providing some relief to household purchasing power while fostering a more stable macroeconomic environment.

Revenue collections were broadly in line with expectations, although lower Citizenship by Investment (CBI) inflows continued to weigh on fiscal performance. Current revenue amounted to 60.1 per cent of GDP (\$1,198.3m) in 2025, slightly exceeding the previous estimate. This performance however, remained below the exceptionally strong levels (68.5 per cent of GDP) recorded in 2024, largely reflecting the moderation in reported CBI receipts. Tax revenues continued to provide an important source of support, benefiting from stronger economic activity and increased collections across major tax categories (Figure 5).

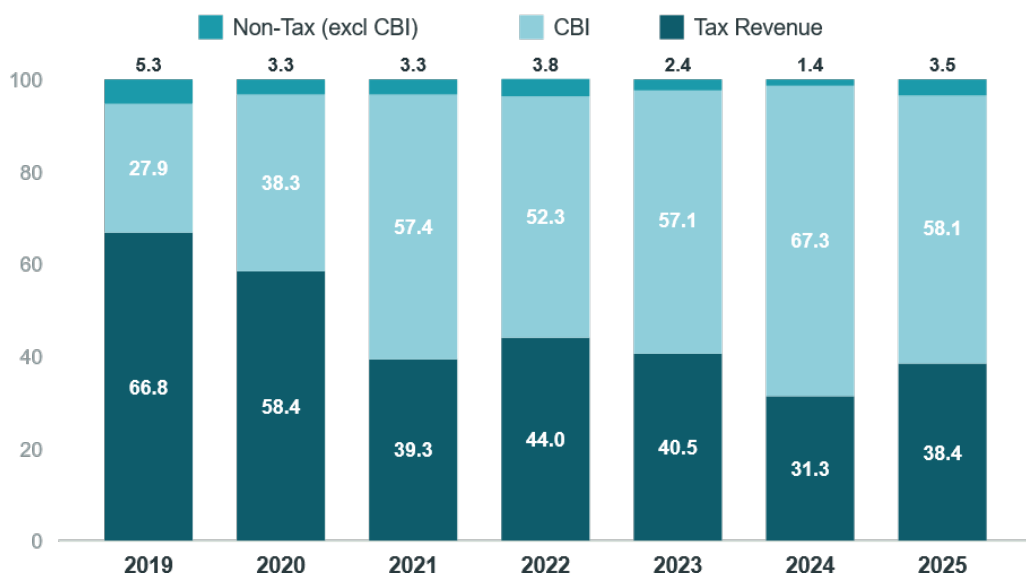


Dominica overview of the capital of Roseau (Source: Wikimedia Commons, Riba. CC BY-SA 3.0.)

² The GoCD announced in its FY2025/2026 budget an extended list of essential food and consumer items that were free from VAT and import duties which took effect 1 October 2025 up to a period of six (6) months.

**Figure 5. Composition of Current Revenue**

The share of tax revenue grew while the CBI share of current revenue declined in 2025.



Source: CSO and ECCB

Expenditure outturns were lower than previously projected, reflecting a slower pace of capital spending than anticipated. Capital expenditure amounted to 34.8 per cent of GDP (\$693.7m), below earlier estimates of (37.8 per cent of GDP) (\$739.2m) as project execution rates moderated spending on some major infrastructure projects. Nonetheless, capital outlays remained elevated by historical standards, supporting the government's development

agenda, including the international airport, geothermal infrastructure and climate-resilient investments. In contrast, current expenditure amounted to 32.0 per cent of GDP (\$637.7m), surpassing the earlier estimates of 29.0 per cent of GDP (\$566.9m), due, in part, to salary adjustments awarded to public officers following the conclusion of the triennium negotiations, alongside other recurrent expenditure commitments.

Public Debt

While public debt remained elevated in 2025, the debt burden was marginally lower than previously projected. Total public sector debt increased to \$1,957.2m at the end of 2025, up from \$1,713.0m in 2024, reflecting continued borrowing to support the government's development agenda and financing requirements. Notwithstanding the increase in the

nominal debt stock, the public debt-to-GDP ratio stood at 98.2 per cent, slightly below the 99.3 per cent projected in the December 2025 report (Figure 6). The lower than anticipated debt ratio reflected stronger economic activity, which helped moderate the impact of higher debt accumulation.

² The GoCD announced in its FY2025/2026 budget an extended list of essential food and consumer items that were free from VAT and import duties which took effect 1 October 2025 up to a period of six (6) months.

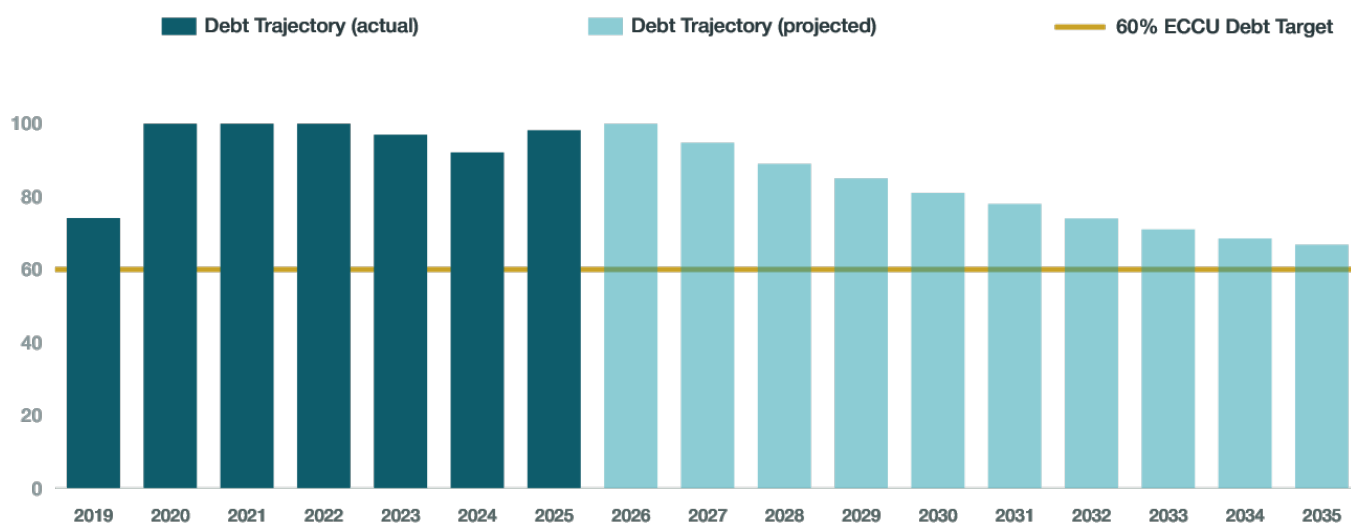


Despite the modest improvement, public debt remains significantly above the ECCU's regional debt target. At 98.2 per cent of GDP, the debt ratio continues to exceed the regional benchmark of 60.0 per cent of GDP and highlights the importance of sustained fiscal consolidation over the medium term. In particular, as the primary balance target of 2.0 per

cent of GDP in the Fiscal Responsibility Act becomes operational in FY 2026/27, strengthening the operating balances and reducing reliance on debt-financed expenditure will be critical to placing public debt on a firmer downward trajectory and supporting the achievement of the regional debt target by 2035.

Figure 6. Baseline: Debt Projections (public sector debt to GDP, per cent)

Public debt continues to trend above the regional benchmark.



Solid bars denote actuals (2019–2025); lighter bars denote projections. Source: MoF & ECCB.



**Table 1. Fiscal Summary and Debt Indicators***Per cent of GDP, unless otherwise stated*

INDICATOR	2019	2020	2021	2022	2023	2024	2025R
Current Revenue	37.3	38.3	57.2	47.6	54.9	68.5	60.1
Of which: Tax Revenue	24.9	22.4	22.5	20.9	22.2	21.5	23.1
Of which: CBI	10.4	14.7	32.8	24.9	31.3	46.1	35.0
Current Expenditure	35.6	41.9	39.0	33.7	32.6	29.5	32.0
Capital Expenditure	17.7	12.3	28.6	24.4	35.6	38.4	34.8
Primary Balance (after grants)	-12.3	-1.0	-4.1	-3.7	-9.2	7.7	-1.5
Overall Balance (after grants)	-14.3	-3.4	-6.3	-6.3	-12.0	5.3	-4.0
Financing	14.3	3.4	6.3	6.3	12.0	-5.3	4.0
Domestic	16.5	-3.5	0.0	2.0	7.9	-4.1	-8.7
Of which RGSM	2.3	3.2	1.3	1.2	1.1	1.1	1.0
External	-2.1	6.9	6.3	4.3	4.1	-1.2	12.7
Net disbursements	-2.1	7.0	6.3	3.7	4.0	-1.2	12.8
MEMO ITEMS							
Total Public Sector Debt (EC\$m)	1,288.6	1,485.2	1,636.9	1,723.5	1,726.5	1,713.0	1,957.2
Total Public Sector Debt to GDP	74.1	104.0	107.7	102.5	97.0	92.1	98.2

Note: Data for 2025 are revised.

Source: MoF & ECCB.

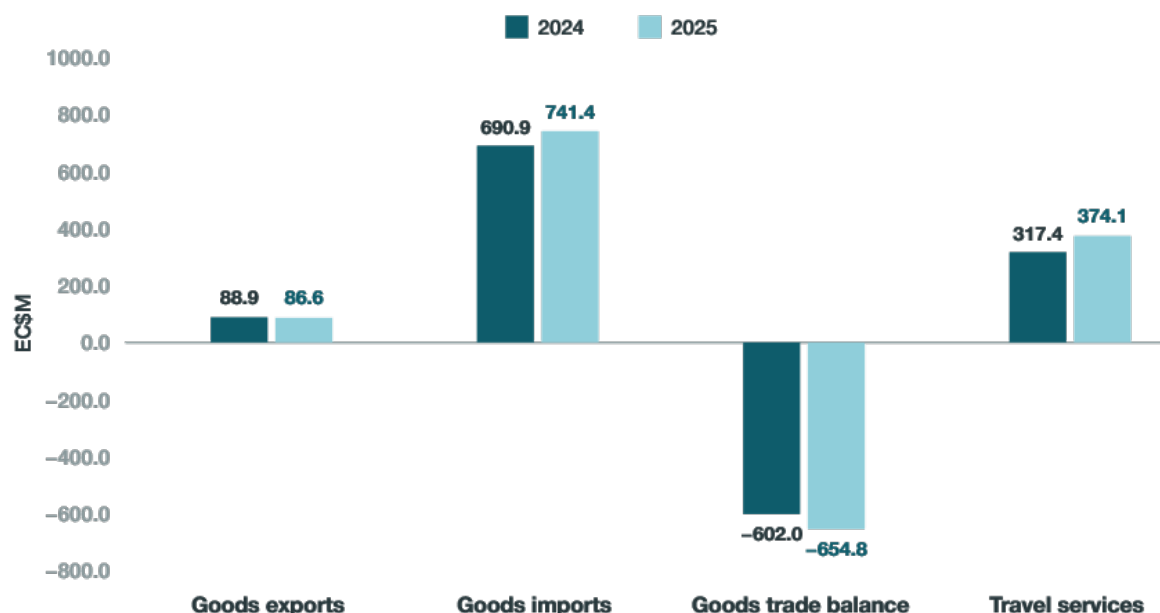
2.3 External Developments

The external position strengthened in 2025, with the current account deficit narrowing considerably relative to earlier estimates. The current account deficit in 2025 was revised down to 31.5 per cent of GDP, from a previous estimate of 38.1 per cent. This also represents a narrowing from the 37.8 per cent of GDP recorded in 2024. The improved outturn primarily reflected stronger net services earnings, which more than offset a slightly weaker merchandise trade balance. Travel receipts increased to 18.8 per cent of GDP, surpassing the 16.9 per cent of GDP anticipated in the previous estimate, reflecting stronger growth in

visitor arrivals, particularly within the stay-over market. The merchandise trade deficit remained broadly in line with earlier projections despite continued strong import demand. The goods trade deficit widened marginally to 32.9 per cent of GDP, compared with the 32.7 per cent of GDP projected previously, as consumption and construction-related imports continued to outweigh export earnings. Nevertheless, the performance of the tourism sector partly mitigated the impact of these import-related pressures on the overall external balance.

**Figure 7. Goods and Service Trade**

The external position improved in 2025, as infrastructural projects spur higher imports of investment related goods.



Source: CSO & ECCB.

Table 2: External Accounts- Selected Economic Indicators
(in per cent of GDP unless otherwise stated)

INDICATOR	2019	2020	2021	2022	2023	2024	2025R
Current Account Balance	(36.2)	(35.2)	(33.1)	(26.6)	(40.0)	(37.8)	(31.5)
Goods Trade Balance	(40.3)	(32.1)	(32.2)	(33.9)	(41.7)	(32.4)	(32.9)
of which: Imports	43.6	35.5	36.0	38.0	45.6	37.1	37.2
of which: Export	3.3	3.4	3.8	4.0	3.9	4.8	4.3
Services Trade Balance	4.3	(6.0)	(3.2)	4.7	1.0	(5.1)	1.8
of which: Travel Receipts	21.0	6.6	4.5	12.1	15.0	17.1	18.8
Primary Income Balance	(1.5)	1.6	0.1	0.5	(0.1)	(2.4)	(2.5)
Secondary Income Balance	1.3	1.2	2.3	2.2	0.8	2.1	2.1
Capital Account Balance	9.3	21.9	28.7	21.0	30.1	35.9	26.3
Financial Account Balance	(36.5)	(7.2)	(10.2)	(11.9)	(10.4)	(5.5)	(7.0)
of which Direct Investment	(9.8)	(4.4)	(4.6)	(2.8)	(7.2)	(8.8)	(6.9)
MEMORANDUM ITEMS (EC\$M)							
Current Account (EC\$M)	(629.6)	(503.2)	(502.5)	(446.8)	(712.1)	(703.2)	(628.4)
Goods Trade Balance (EC\$M)	(701.3)	(458.7)	(489.3)	(570.9)	(742.2)	(602.0)	(654.8)

Note: Data for 2025 are revised.

Source: CSO & ECCB.



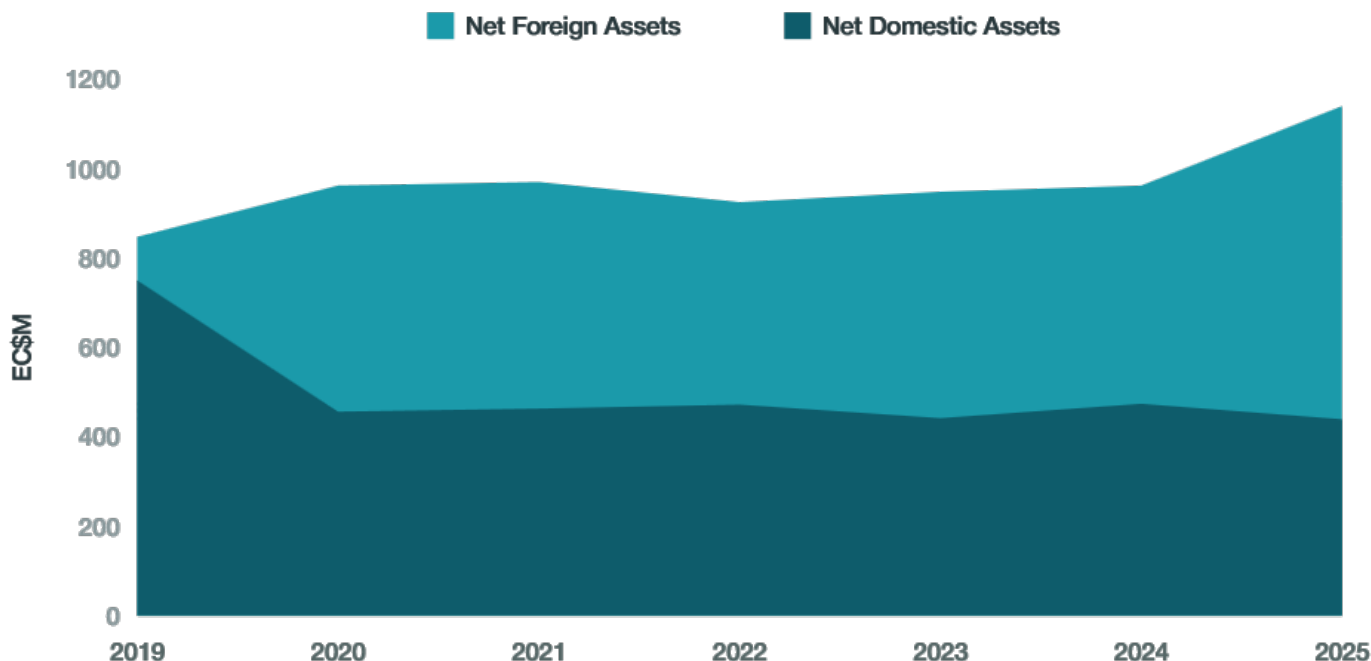
2.4 Banking and Monetary Developments

Monetary conditions strengthened in 2025, supported by robust liquidity growth and improved credit intermediation. Broad money (M2) expanded by 10.0 per cent to \$1,579.7m during the year, reflecting an increase in net foreign assets within the banking system (Figure 8). The accumulation of net foreign assets was underpinned by continued external

inflows and an improvement in commercial banks' net foreign positions, which more than offset the decline in net domestic assets. Consequently, liquidity conditions remained accommodative, providing a supportive environment for credit expansion and broader economic activity.

Figure 8. Trends in Monetary Aggregates

Broad money expanded as net foreign assets exhibited strong increasing trends in 2025.



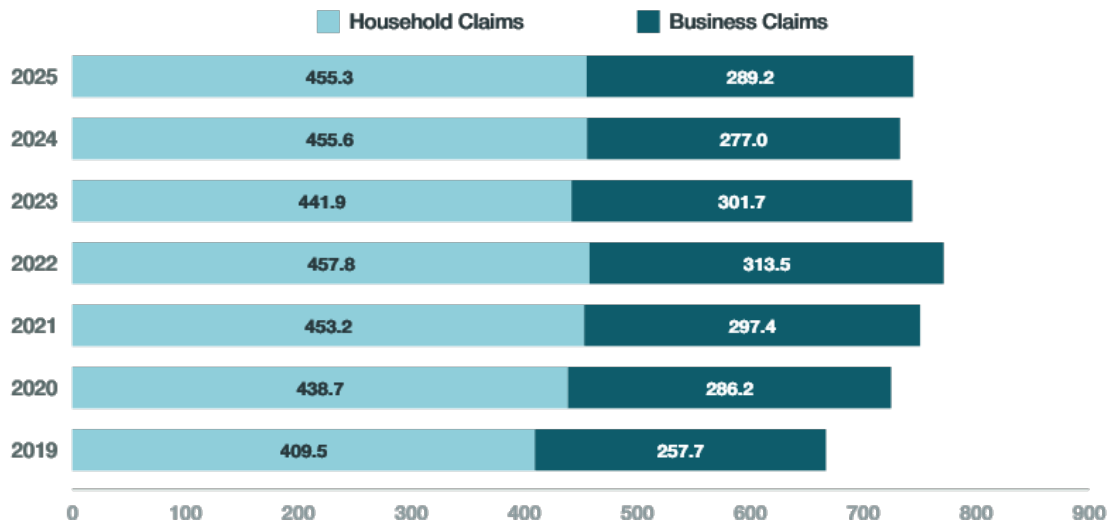
Source: ECCB.

Private sector credit growth exceeded earlier expectations, driven by stronger credit allocation to businesses. Total private sector credit increased, consistent with the stronger pace of economic activity recorded during the year. Business lending was

supported by continued investment in construction and land development, transport and storage and real estate activities, while household borrowing also remained stable, reflecting sustained demand for personal and mortgage financing (Figure 9).

**Figure 9. Trends in Private Sector Credit**

Business credit rose, while credit to household held steady.



Source: ECCB.

Financial soundness indicators continued to improve, reinforcing the stability of the banking sector. The ratio of non-performing loans to gross loans declined further to 8.9 per cent during 2025, extending the positive trend in recent years and signalling continued improvement in asset quality

(Table 3). Liquidity ratios remained comfortably above prudential benchmarks, while capital adequacy ratios exceeded the regulatory minimum. These developments indicate that the banking sector remained well capitalised and liquid, providing an adequate buffer against potential economic shocks.

Table 3. Financial Stability Indicators – Selected Indicators*Per cent, unless otherwise stated*

INDICATOR	2019	2020	2021	2022	2023	2024	2025R
Non-Performing Loans	12.2	15.0	15.7	13.8	12.9	10.7	8.9
LIQUIDITY RATIOS							
Liquid assets to total assets	46.7	48.9	46.1	48.1	50.5	48.2	50.4
Customer deposits to total (non-interbank) loans	164.2	155.3	149.6	143.8	152.8	146.9	151.7

Note: Data for 2025.

Source: ECCB.

+10.0%

Broad money (M2) growth in 2025

EC\$1.14b

Net foreign assets, up from \$962.4m

8.9%

Non-performing loan ratio in 2025



3

Medium-Term Outlook

Global context, domestic projections and risks to 2027

Global economic conditions are expected to remain challenging in 2026, amid heightened geopolitical tensions, elevated uncertainty, and renewed inflationary pressures. According to the International Monetary Fund's World Economic Outlook (WEO) April 2026, global growth is projected to be 3.1 per cent in 2026 and 3.2 per cent in 2027, slower than its recent pace of about 3.4 per cent in

2024-25, dampened by ongoing conflicts in the Middle East, higher inflation expectations, and tightening global financial conditions. The outlook remains subject to significant downside risks, particularly for commodity-importing economies, as higher energy prices and tighter financial conditions could weigh on real incomes, fiscal balances and external positions.

3.1 Outlook

Growth is expected in the near term 2026-27 but with risks tilted to the downside there is uncertainty around the Outlook and if risks materialize economic performance would likely be negatively impacted. The government has introduced measures to mitigate the impact of global shocks (Box 2).

Overall, real GDP growth is expected to moderate to 3.0 per cent in 2026-27 supported by ongoing public and private sector investments in flagship infrastructure and continued growth in tourism activity. Inflation is set to accelerate to 1.6 per cent in both 2026 and 2027 reflecting import price pressures from the global oil price shock. On the external front, the current account deficit is projected to narrow to 30.1 per cent of GDP in 2026 and 22.5 per cent in 2027, reflecting stronger net inflows from the services account, particularly travel receipts, the normalization of construction imports, and reduced demand for imported fuel following the commencement of geothermal energy generation in April 2026. The commissioning of the 10 MW geothermal powerplant

marks a structural pivot for the Commonwealth of Dominica, tempering its exposure to volatile global oil markets and improved price stability for consumers. However, the fiscal position is expected to remain in deficit in 2026, before improving to a primary surplus of 2.0 per cent of GDP in 2027, in line with the fiscal rule. This adjustment is predicated on a moderation in capital expenditure as major projects approach completion, which are projected to more than offset the impact of lower CBI inflows. On this basis, public debt is projected to increase to 100.0 per cent of GDP in 2026, before embarking on a sustained downward trajectory, reaching 66.8 per cent of GDP by 2035 falling short of the ECCU's regional debt anchor of 60.0 per cent of GDP. Achieving this target, however, will require a marked improvement in fiscal performance relative to recent trends: debt sustainability analysis suggest a primary balance of around 2.8 per cent of GDP is needed to place debt firmly on a downward path consistent with the 2035 target, compared to an average primary balance of -2.2 per cent of GDP over the past five years.



Medium-Term Outlook

Table 4. Medium-Term Outlook – Selected Economic Indicators

As a per cent of GDP, unless stated otherwise

INDICATOR	2025R	2026E	2027F
REAL SECTOR			
Nominal GDP (EC\$M)	1,993.1	2,131.4	2,257.8
Real GDP (EC\$M)	1,897.2	1,956.9	2,014.8
Real GDP Growth	3.7	3.1	3.0
Inflation (end of period; per cent)	0.7	1.6	1.6
GOVERNMENT SECTOR			
Current Revenue	60.1	49.3	45.0
Current Expenditure	32.0	30.1	29.8
Capital Expenditure	34.8	27.6	17.4
Primary Balance	(1.5)	(5.5)	2.0
<u>Overall</u> Balance	(4.0)	(7.0)	(0.2)
Financing	4.3	7.5	0.2
EXTERNAL SECTOR			
Balance of Trade	(32.9)	(32.9)	(30.1)
Travel Receipts	18.8	19.0	19.1
Current Account	(31.5)	(30.1)	(22.5)
Foreign Direct Investment	(6.9)	(6.0)	(6.0)
MONETARY SECTOR (EC\$M)			
Money Supply	79.3	76.0	73.4
Net Foreign Assets	57.2	54.7	52.0
Net Domestic Assets	22.0	21.3	21.4
Domestic Credit	46.3	43.8	43.4
Of which credit to the private sector	37.4	37.4	37.4
Of which credit to businesses	14.5	14.5	14.5
Of which credit to households	22.8	22.8	22.8
MEMORANDUM ITEMS			
Total Public Sector Debt (EC\$M)	1,957.2	2,131.4	2,140.3
Total Public Sector Debt to GDP	98.2	100.0	94.8

Note: Data for 2025 are revised; data for 2026 are estimates and data for 2027 are forecasts.

Source: Ministry of Finance, The Commonwealth of Dominica, and ECCB.



3.2 Risks

Notwithstanding the baseline projection, downside risks to the Commonwealth of Dominica's economic outlook remain elevated, tied to external developments. The ongoing conflict in the Middle East poses risks to global energy markets, shipping routes, and commodity prices, with geopolitical shocks transmitting through higher oil prices, increased freight and insurance costs, and renewed pressures in food and fertiliser markets. These spill overs could adversely affect the Commonwealth of Dominica's growth, inflation and the trade balance. Higher global prices for fuel, food, and shipping could intensify

imported inflation, widen the current account deficit as higher fuel and transport costs offset expected gains in services exports. Further, a dampening of tourism due to higher airfares and reduced consumer confidence in key source markets could reduce near-term growth. Fiscal vulnerabilities could be exacerbated by persistent commodity price shocks, heightened scrutiny of CBI programme, and tight global financial conditions, which could weaken revenues, raise financing costs, and delay fiscal adjustment.

Table 5. Risk Assessment Matrix

IDENTIFIED RISK FACTOR	LIKELIHOOD	MACROECONOMIC IMPACT
DOWNSIDE RISKS		
Escalating Middle East conflict threatens global growth.	High	Likely to result in significant macroeconomic consequences including weaker global growth, with rising energy prices resulting in higher inflation including for transportation combining to potentially negatively impact major tourism source markets. Rising inflation in key import source markets resulting in imported inflation increasing domestic prices likely in Q3 and Q4.
Rising geopolitical tensions and subsequent retaliatory tariffs stifle global trade.	High	Rising geopolitical tensions resulting in higher tariffs impacting global trade resulting in increased uncertainty, weaker growth and potentially additional inflationary stimulus.
Elevated global inflationary expectations trigger prolonged restrictive monetary policy.	Medium	Higher inflationary expectations prompting higher global interest rates increasing servicing costs for variable interest rate loans.
Tightening fiscal space in advanced economies constrains foreign aid budgets.	Medium	Tightening fiscal space in advanced economies significantly reducing development assistance, particularly support for climate resilience investment.
Climatic events and natural disasters	High	Frequent weather shocks disrupt agriculture, tourism, and infrastructure, create unplanned fiscal demands, and exacerbate debt dynamics.
UPSIDE RISKS		
An end to military hostilities in the Middle East.	Low	Immediate cessation of military conflict in the Middle East and resumption of global oil supplies: Resulting in stronger growth and easing of inflationary pressures positively impacting tourism arrivals and easing domestic price pressures.
An easing of conflict-related trade disputes and shipping bottlenecks.	Low	Easing of trade frictions resulting in a rebound in global trade supporting improved growth and easing inflationary pressures in major import source markets.
The stabilisation of the global economic environment.	Low	Fiscal policy efforts increase fiscal space and positively debt ratios.



4

Policy Recommendations

Priorities to address imbalances and anchor resilient growth

Consistent with the recommendations in the December 2025 Annual Economic and Financial Review (AEFR) Report, policies should focus on addressing the fiscal and external imbalances while fostering the basis for resilient growth. These may include focusing on the following key areas:

- i. fiscal consolidation and debt sustainability;
 - ii. structural policies;
 - iii. financial sector policies, and
 - iv. building resilience against natural disasters.
- Specifically:

1 Consideration should be given to increasing the government's efforts in developing a

comprehensive fiscal policy framework that aligns with its national fiscal rule and supports convergence towards the regional debt anchor. This should entail strengthening the institutional

arrangements underpinning the Fiscal Responsibility Act through credible medium-term fiscal planning, clearly defined correction mechanism, and enhanced transparency and accountability. Improving the timelines and quality of fiscal reporting, institutionalising regular fiscal reviews, and strengthening coordination between budget, cash and debt management functions would facilitate timely policy adjustments and reinforce fiscal discipline. In parallel, efforts to improve spending efficiency, broaden the revenue base, and build adequate fiscal buffers should be pursued while safeguarding growth enhancing and resilience building investments. Sustained debt reduction will ultimately require strong institutions, policy continuity, and a steadfast commitment to prudent fiscal management. Further, the medium-term fiscal strategy should continue to build critical financial buffers, such as the Vulnerability Risk and Resilience Fund (VRF) and the Debt Repayment Fund (DRF), to provide self-insurance against disaster risks and reduce debt vulnerabilities.

2 The authorities are encouraged to pursue policies aimed at unlocking the country's growth

potential. First, these policies ought to emphasise improving the quality of the workforce through improvements in education and vocational training, including the utilisation of digitalisation and artificial intelligence, as well as modernising school curricula to better align with evolving economic demands. Second, these policies should prioritise resilient and efficient infrastructure, by fully integrating geothermal energy into the national grid to bolster competitiveness and aid in reducing external imbalances.

Third, these policies ought to address bottlenecks to allocative efficiency, including streamlining regulatory processes related to tax administration and enhancing the efficiency and accessibility of public services. Finally, policies should foster an improved local business environment to promote private investment by eliminating bureaucratic delays and inefficiencies in the investment review and approval processes.



4

Policy Recommendations

Priorities to address imbalances and anchor resilient growth

- 3 **Priority should be given to improving access to finance for the business sector to facilitate productive capital investment and innovation.** These policy priorities should include participating in the credit bureau, modernising collateral, foreclosure, and insolvency laws. These initiatives aim to broaden credit access for Micro Small & Medium Enterprises (MSME's). MSMEs may also consider leveraging the Eastern Caribbean Partial Credit Guarantee Corporation and the new CARICOM-led Credit Guarantee Scheme.
- 4 **Building upon the National Resilience Development Strategy (NRDS) 2030 and the Climate Resilience and Recovery Plan (CRRP) (2020-2030), the Government of Commonwealth of Dominica (GoCD) should accelerate the institutionalisation of climate resilience.** To accomplish this the authorities should accelerate the energy transition to 100 per cent renewable energy, enhance its disaster preparedness and emergency response systems and, ensure a robust fiscal framework that embeds climate risk and enhances access to climate finance, and strengthen social protection systems to rapidly support the most vulnerable populations after climate shocks.

BIG PUSH

To achieve a doubling of real GDP within a decade, requiring sustained annual growth of approximately 7.0 per cent, ECCU member governments should execute on coordinated “Big Push” ³ strategies across seven key transformational areas. Transitioning from incremental reform to simultaneous, high-impact intervention, priority policies should focus on reducing structural import leakages via food security and renewable energy transitions, while modernising infrastructure through digital integration. Furthermore, targeted investments must align human capital with future sector demands, boost tourism benefits, and strengthen institutional frameworks for financial inclusion and savings mobilisation to insulate long-term growth from external shocks.

³ For more information on the “Big Push” Agenda, refer to the ECCB website at <https://www.eccb-centralbank.org>



A1 Appendix: Selected Economic Indicators

Commonwealth of Dominica, 2019 to 2027

Table 6. Selected Economic Indicators

EC\$M, unless otherwise stated. E = estimate, P = preliminary, R = revised forecast.

INDICATOR	2019	2020	2021	2022	2023	2024	2025R	2026E	2027F
REAL SECTOR									
Nominal GDP (EC\$M)	1,739.5	1,428.2	1,519.9	1,682.3	1,780.1	1,860.0	1,993.1	2,131.4	2,257.8
Real GDP (EC\$M)	1,763.2	1,486.3	1,566.2	1,729.1	1,792.2	1,829.0	1,897.2	1,956.9	2,014.8
Real GDP Growth (%)	3.9	(15.7)	5.4	10.4	3.7	2.1	3.7	3.1	3.0
Inflation (end of period; per cent)	0.1	0.0	4.4	1.0	7.4	1.0	0.7	1.6	1.6
GOVERNMENT SECTOR									
Current Revenue	649.2	547.6	868.6	800.3	976.7	1,274.9	1,198.3	1,051.1	1,015.9
Current Expenditure	618.9	598.5	593.1	567.2	580.7	547.8	637.7	642.5	673.9
Capital Expenditure	307.2	176.1	434.9	410.7	634.4	714.7	693.7	587.6	391.8
Primary Balance	(214.3)	(13.9)	(62.5)	(62.0)	(163.5)	143.5	(29.7)	(116.7)	45.2
<u>Overall</u> Balance	(249.3)	(48.6)	(96.4)	(106.7)	(214.0)	99.0	(79.3)	(148.5)	(4.4)
Debt Servicing as a share of Current Revenue	13.3	16.2	10.2	13.3	12.2	8.2	9.2	10.6	10.7
Financing	249.3	48.6	96.4	106.7	214.0	(99.0)	79.3	148.5	4.4
EXTERNAL SECTOR									
Balance of trade	(701.3)	(458.7)	(489.3)	(570.9)	(742.2)	(602.0)	(654.8)	(700.2)	(678.8)
Travel receipts	365.4	94.2	68.2	203.1	267.0	317.4	374.1	404.6	430.6
Current account	(629.6)	(503.2)	(502.5)	(446.8)	(718.7)	(703.2)	(628.4)	(641.6)	(507.1)
Foreign Direct Investment	(170.1)	(62.7)	(70.2)	(47.7)	(128.6)	(163.0)	(136.9)	(127.2)	(134.7)
MONETARY SECTOR									
Money Supply	1,574.2	1,389.1	1,414.5	1,396.8	1,390.5	1,436.6	1,579.7	1,620.3	1,657.5
Net Foreign Assets	847.6	962.6	970.5	925.5	948.6	962.4	1,140.3	1,165.3	1,174.3
Net Domestic Assets	750.4	456.6	463.4	472.2	442.0	474.2	439.5	454.9	483.2
Domestic Credit	851.2	872.5	970.5	969.5	914.4	904.7	922.0	933.6	980.8
Of which credit to the private sector	667.2	724.8	750.5	771.3	743.6	732.6	744.5	796.1	843.4
Of which credit to businesses	257.7	286.2	297.4	313.5	301.7	277.0	289.2	309.2	327.6
Of which credit to households	409.5	438.7	453.2	457.8	441.9	455.6	455.3	486.9	515.8
MEMO ITEMS									
Total public sector debt (EC\$M)	1,288.6	1,485.2	1,636.9	1,723.5	1,726.5	1,713.0	1,957.2	2,131.4	2,140.3
Total public sector debt to GDP	74.1	104.0	107.7	102.5	97.0	92.1	98.2	100.0	94.8

Note: Data for 2025 are revised; data for 2026 are estimates and data for 2027 are forecasts.

Source: Ministry of Finance, The Commonwealth of Dominica, and ECCB.



BOX 1

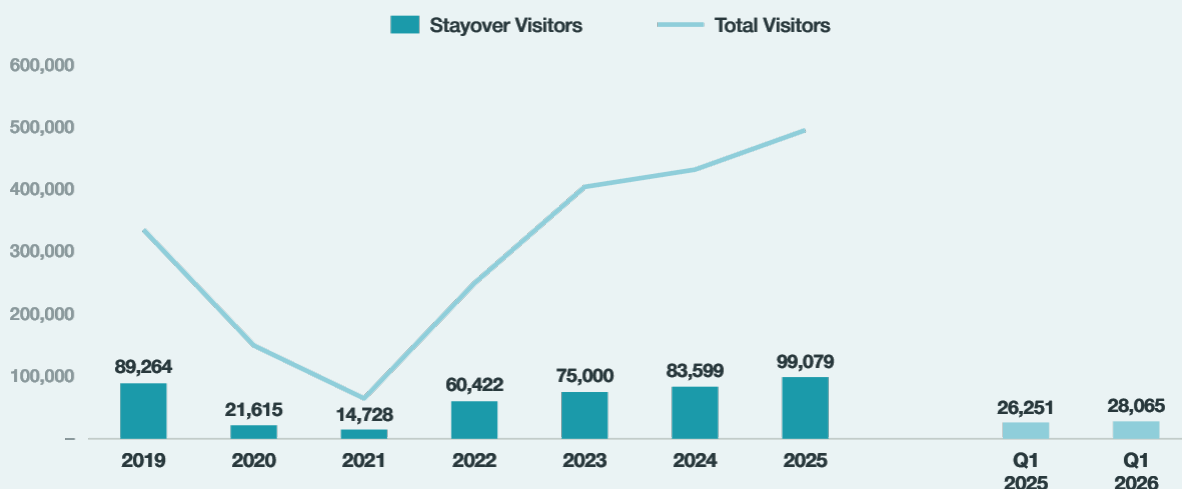
Box 1: Stayover Tourism – Unlocking greater economic benefits for the Commonwealth of Dominica

As the Commonwealth of Dominica advances its strategy for sustainable tourism-led growth, expanding the share of higher-value stayover visitors offers a critical lever for maximising income, bolstering foreign-exchange earnings, and stimulating employment. Regional surveillance frameworks generally note that stayover tourism generates significantly greater economic value relative to the cruise segment. This advantage is due to longer lengths of stay, higher per capita expenditure, which collectively create stronger backward and forward linkages across the economy through accommodation, restaurants, transport, agriculture,

retail, entertainment, and other local services. IMF analysis for the Commonwealth of Dominica shows that, in 2019, cruise passengers accounted for 72 per cent of arrivals but only 6.3 per cent of tourism expenditure; average spending was estimated at EC\$87.0 per cruise passenger compared with EC\$3,323.0 per stayover visitor.

Recent trends suggest that the stayover segment is now gaining momentum. Official data indicate that stayover arrivals rose to about 99,079 in 2025, roughly 18.5 per cent above 2024, with further growth recorded in early 2026 (Figure 1A).

Figure 1A. Stayover Arrivals relative to Total Visitor Arrivals



Source: CSO & ECCB.

This expansion is being supported by improved air access, including nonstop service from Newark and regional connectivity across the Caribbean via carriers such as Sunrise Airways, Inter Caribbean Airways, WINAIR and until recently Caribbean Airlines. On the supply side, there has also been an expansion in hotel capacity. The international airport project, which remains on track for completion in 2027, is expected to alleviate long-standing access constraints and strengthen Dominica's ability to attract higher-spending visitors.

Higher stayover expenditure can yield significant macroeconomic benefits. The tourism and ancillary sectors

already play an important role in output, jobs, exports, while stronger tourism receipts have helped anchor Dominica's external position. In 2025, direct visitor spending was estimated at EC\$288.2m, generating positive externalities beyond hospitality to transport providers, farmers, construction firms, and small businesses. Looking ahead, a deliberate focus on high-value, low-impact stayover tourism, supported by better domestic sourcing, stronger MSME participation, and continued improvements in access and accommodation are expected to maximize local per capita value.



BOX 2

Box 2: Building Resilience to Global Energy Shocks – The Commonwealth of Dominica's Policy Response.

The escalation of geopolitical tensions involving the United States of America, Israel and Iran in February 2026 pushed up global energy prices and strained key shipping lanes, including the Strait of Hormuz, one of the world's most important oil transit chokepoints.

For small, import dependent economies such as the Commonwealth of Dominica, external supply-side shocks materialised rapidly into domestic prices. The primary transmission channels manifested through higher fuel costs and higher freight rates, which would ultimately trigger inflationary pressure on imported food and other essential commodities.

In response to these pressures, the authorities deployed temporarily, targeted fiscal relief to mitigate the impact on vulnerable populations and to curb inflation. Key measures

included temporary reductions on duties and taxes on essential goods, and additional social protection support for vulnerable groups. Specifically, Parliament approved an extension of Value Added Tax (VAT) exemptions and import duty waivers on essential goods until 31 July 2026. These measures were designed to directly mitigate the pressures of rising oil prices, disrupted supply chains and higher transport costs linked to the conflict. In addition, on 6 May 2026, the Prime Minister announced a temporary fuel subsidy of \$1.50 - \$2.00 per gallon through reduced fuel taxes, should prices have remained elevated. This intervention followed increases in local gasoline prices to \$17.98 per gallon and diesel to \$ 20.53 per gallon. The authorities estimated that such relief could cost more than \$0.5m in foregone revenue.



Dominica geothermal plant under construction (source: facebook/ Vinir Dóminíku)

Over the medium term, the Commonwealth of Dominica's resilience focuses on a three-pronged strategy: accelerating geothermal integration into the domestic energy grid; enhancing food security through climate-smart agriculture and agro-processing; and preserving fiscal sustainability. Central to this strategy is the geothermal project in Laudat which was designed to deliver 10MW to the national grid through its main hurricane-resistant 33 kV underground transmission line. Once fully commissioned, geothermal generation is expected to meet roughly 50.0 per cent of peak electricity demand (D. Cenac and F. John 2026). The transition is expected to lower electricity tariffs and reduce fuel imports over time.

To enhance food security, the recently-launched \$70.2m Dominica Community Resilience Enhancement Project

(DOMCREP) programme will allocate over half of its resources toward agriculture and agro-processing. This initiative is expected to support over 520 farmers and agro-processors through climate-smart technologies, modern irrigation, and greenhouse infrastructure and water storage. However, to safeguard fiscal sustainability, the authorities should ensure that relief measures are targeted and temporary, so that fiscal buffers can be rebuilt. The ECCB projects public debt at approximately 100.0 per cent of GDP in 2026. Consequently, a stronger fiscal adjustment path is recommended to comply with the 2021 National Fiscal Responsibility Legislation that mandates achievement of 60 per cent debt-to-GDP by 2035, reduce debt vulnerabilities and strengthen resilience.



COMMONWEALTH OF DOMINICA

Economic and Financial Review

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