CARIBBEAN DEBT FORUM

October 28th, 2025

Macroeconomic and Financial Context of the Caribbean

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AGENDA

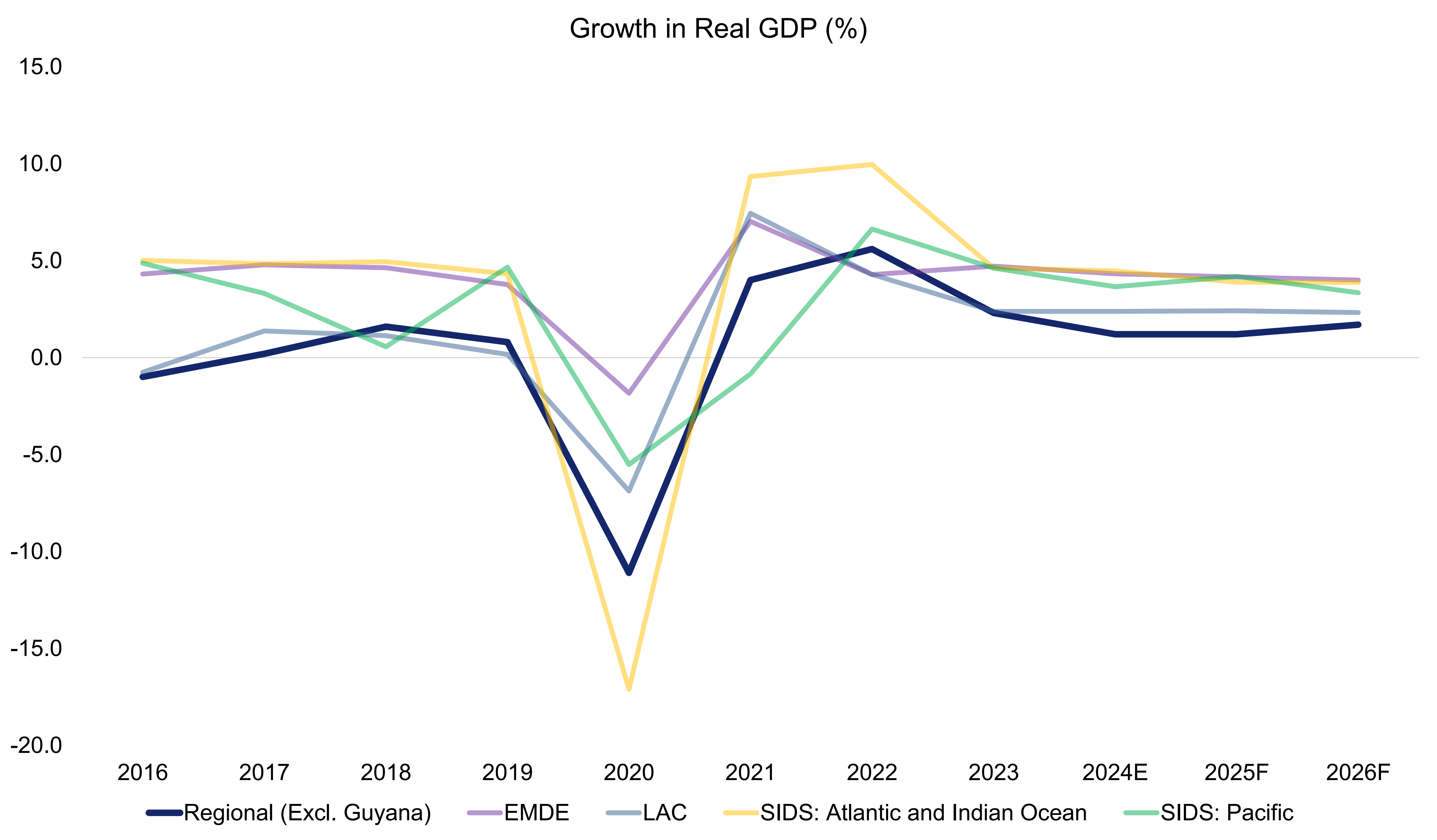
- The Challenge of Low Growth
- The Challenge of Debt Overhang

The Challenge of Low Growth

Regional Growth Trends

Low Regional Growth

Economic growth in the Caribbean has generally lagged that of other country groups.



Source: UNSTAT, IMF WEO October 2025, Official Country Data, CDB Staff Estimates

Regional Growth Trends: The Impact of Competitiveness

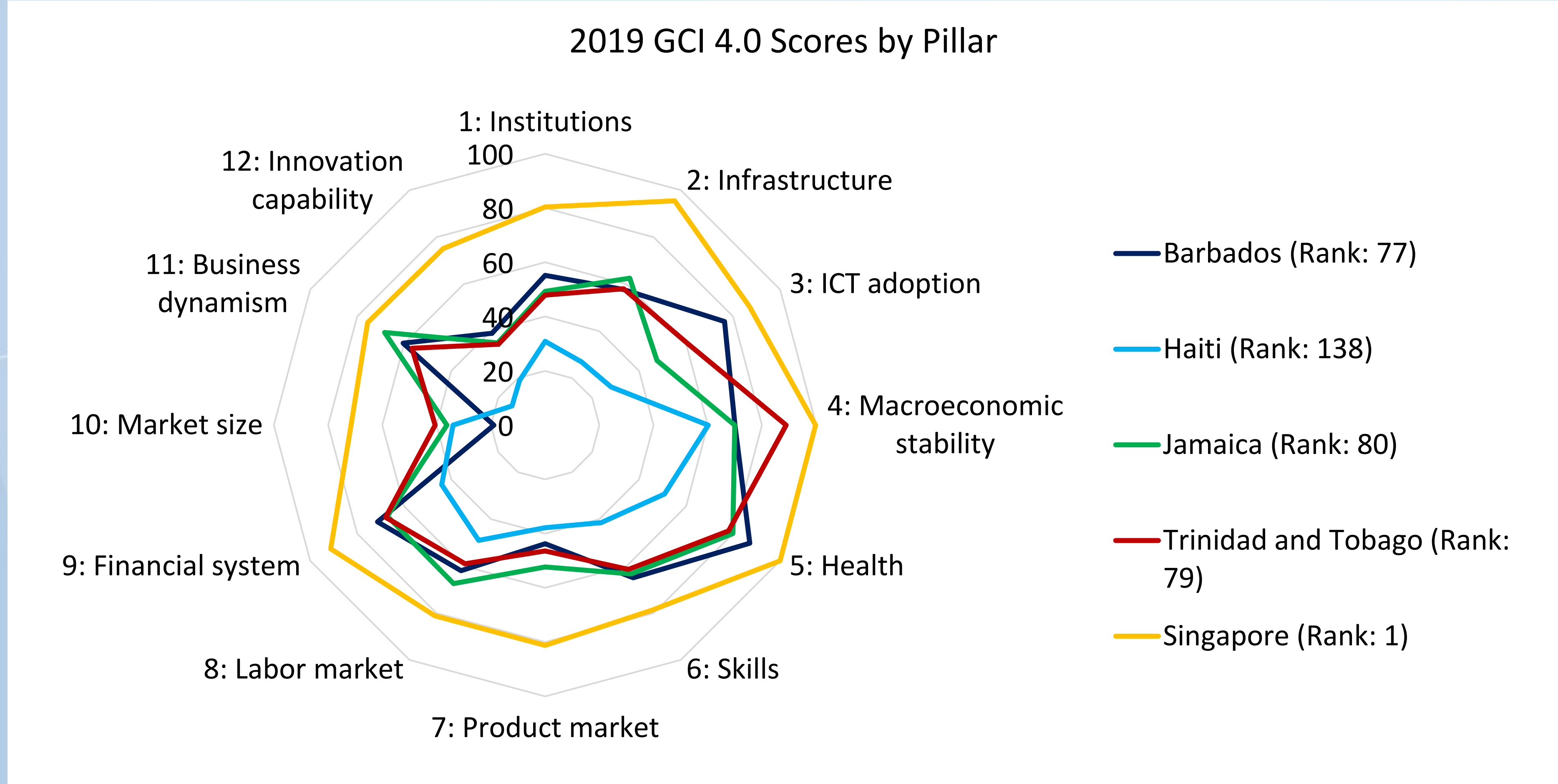
- In small economies such as ours, foreign exchange earnings are critical to growth.
- Currently, our trade is largely dependent on natural endowments – tourism and mineral extraction.
- This creates acute export concentration and vulnerabilities and starts and stops that result in low and volatile growth.
- Our dependence on natural endowments for export earnings reflect low competitiveness of our economies.
- Competitiveness basically amounts to the ability of our producers to get goods into international markets at prices, quality and reliability that compares favorably with producers in other countries.

Low Growth and High Volatility Reflects Export Concentration

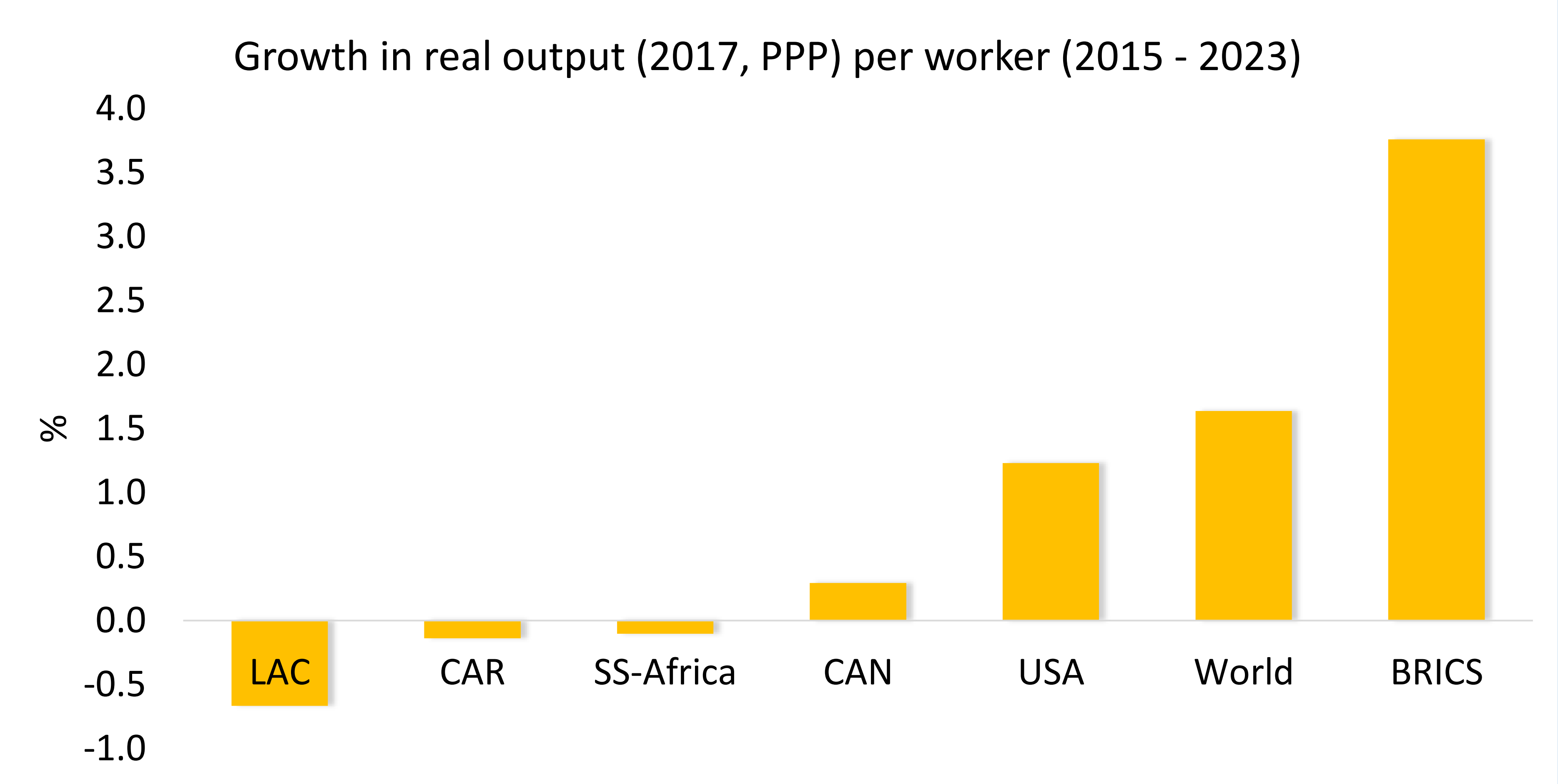
The region remains highly dependent on tourism as a source of income and employment.

	Contribution to GDP (2019)		Share of Employment (2019)		Tourism Receipts
	Direct	Total	Direct	Total	Share of Exports
	%		% of Employment		% of Total
Anguilla	16.9	48.3	18.1	51.1	**61.9**
Antigua and Barbuda	12.3	44.7	12.3	44.7	37.8
Bahamas	19.5	40.3	26.9	48.1	**65.2**
Barbados	11.6	36.2	12.2	36.4	56.6
Belize	15.5	44.7	13.0	38.9	42.8
Virgin Islands (British)	25.8	**73.1**	17.2	53.6	54.1
Cayman Islands	8.4	30.1	10.0	31.9	29.1
Dominica	12.5	38.0	11.3	34.7	46.0
Grenada	19.0	**55.8**	17.8	51.6	26.9
Guyana	2.9	7.7	3.2	8.2	7.8
Haiti	2.9	8.3	2.4	7.2	38.0
Jamaica	10.8	34.7	9.7	31.5	**59.9**
Saint Lucia	16.0	43.0	16.0	43.0	46.9
St. Vincent And The Grenadines	13.8	46.2	12.9	42.7	39.9
St. Kitts and Nevis	19.1	**62.6**	19.0	60.2	31.9
Suriname	1.6	3.7	1.6	3.5	3.2
Trinidad and Tobago	3.0	7.8	3.8	9.9	4.7

Structural Factors Influencing Growth



Source: Global Competitiveness Report 2019



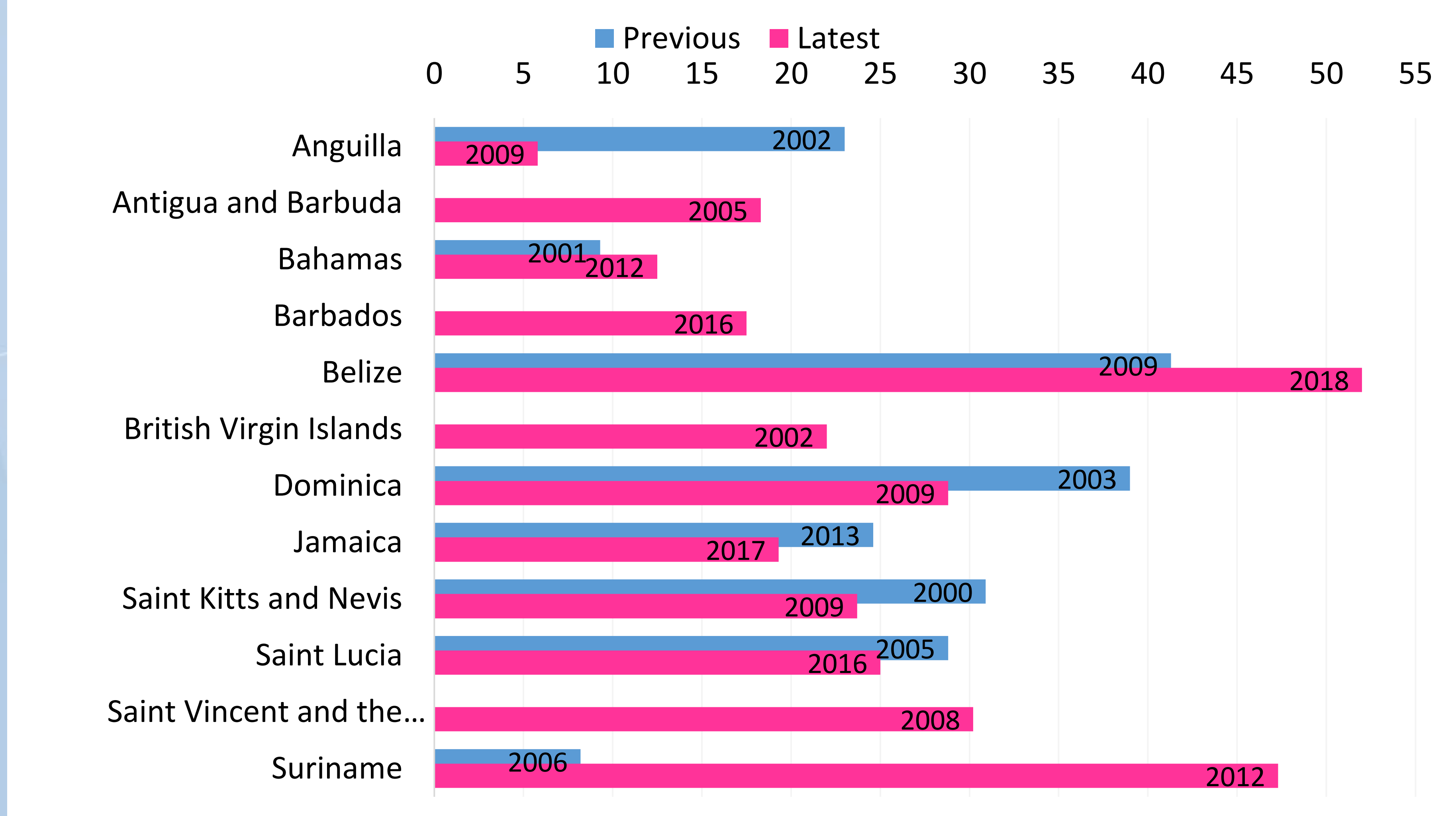
Low Competitiveness

Generally low levels of competitiveness across critical pillars impairs growth prospects for BMCs ...

Declining Productivity

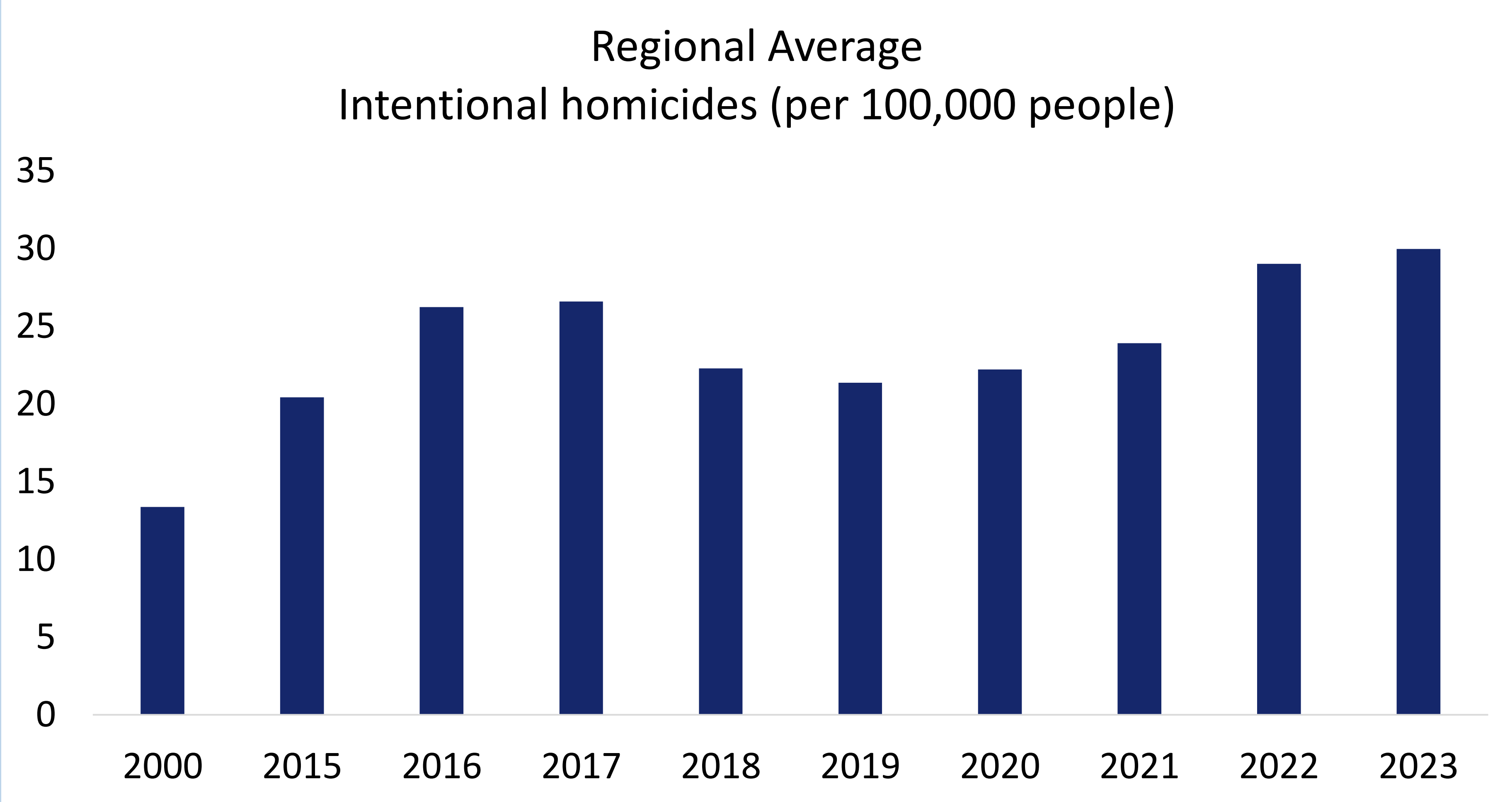
… and is reflected in low and declining productivity levels across regional economies.

Implications of Stagnant Growth



Persistent Poverty

Stagnant incomes and rising costs of living intensify financial pressures, making high poverty rates across the region more likely to persist.



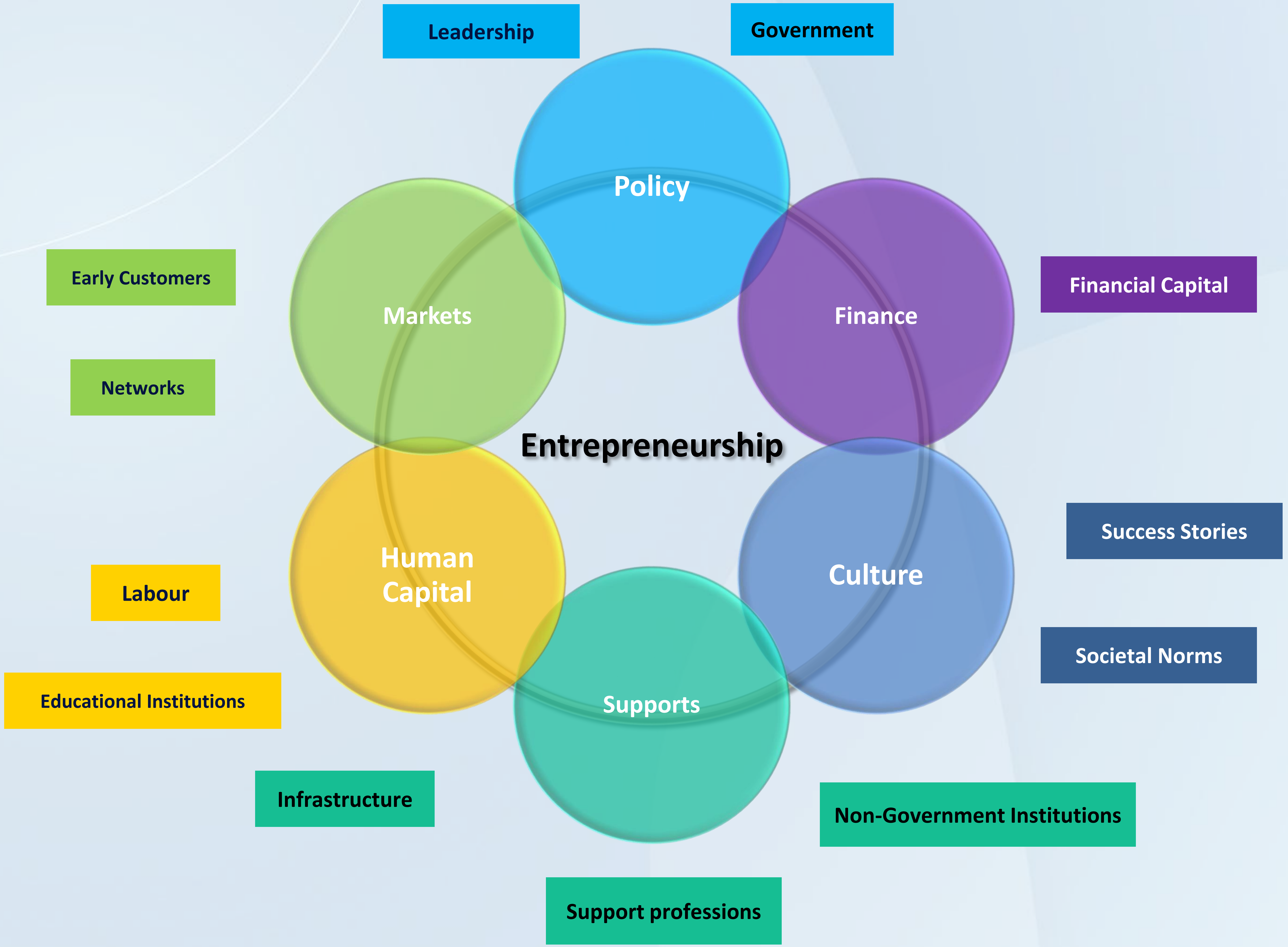
UN Office on Drugs and Crime

Escalating Crime

Slow GDP growth limits employment opportunities and economic prospects, particularly for youth. These conditions can act as a catalyst for higher crime rates.

Imperatives for Improving Competitiveness: Entrepreneurial Ecosystems

For our producers to get diverse products to global markets at a price that compares favourably with those of their competitors, a quality and reliability that the market demands, the ecosystem must be conducive.



High Vulnerability to Shocks

1

Natural Hazards

Average cost of natural hazards is 3X larger in the Caribbean (17% of GDP) than the Pacific small States

2

Adaptation

3

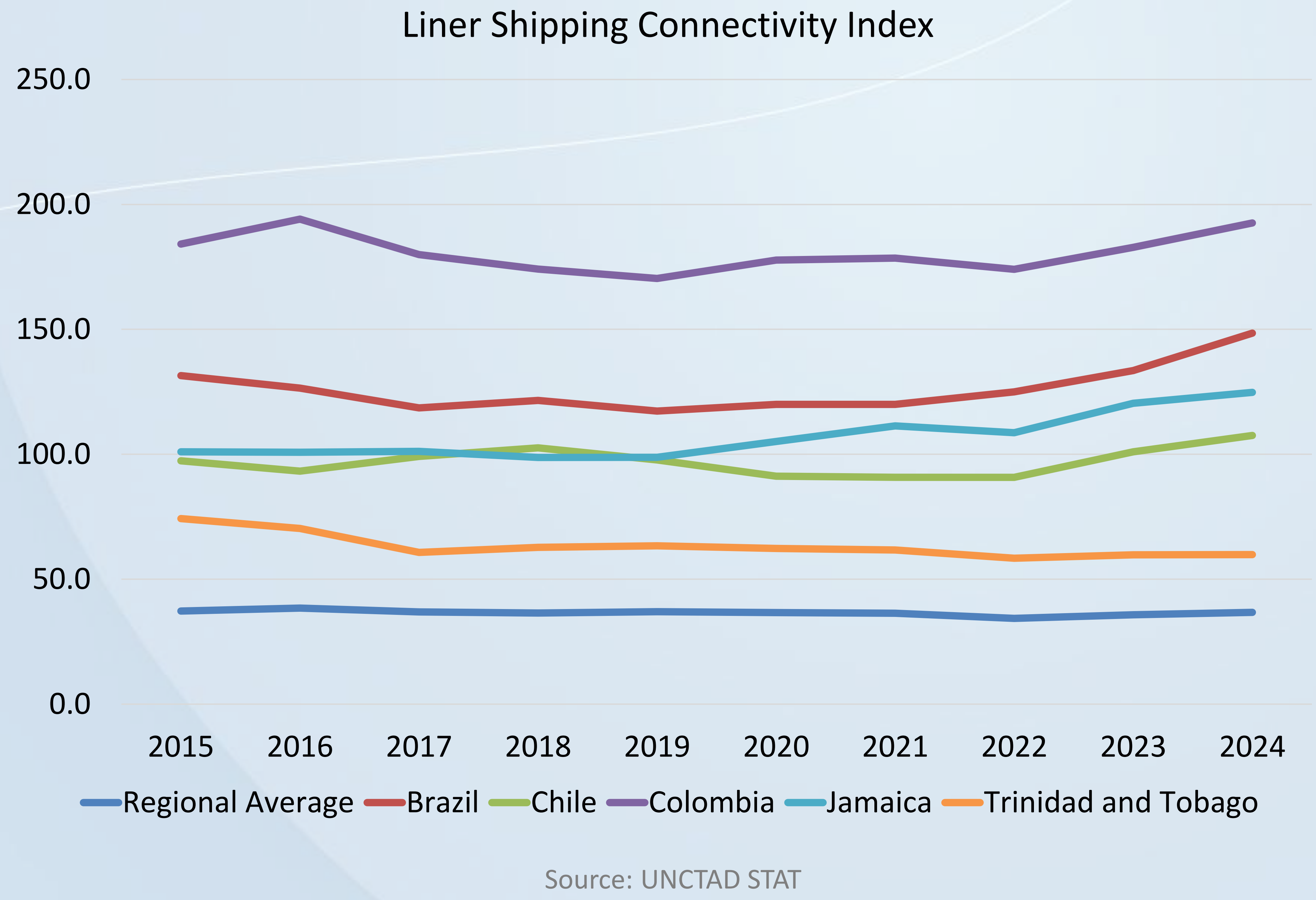
Mitigation

Up to 4.9% of GDP annually needed to fund LAC climate investment needs.

Using the CSME as a Platform for Trade and Growth

- The CSME provides a protected environment within which to trade and establish value chains in areas like agro-processed goods.
- CARICOM Heads of Government set themselves the target of reducing food imports by 25% by 2025 (now 2030).
- Achieving this requires looking at the entire food value chain from farm to table and ensuring that the various elements are addressed in a coordinated way across the region.
- These elements include:
  - Sanitary and phytosanitary standards.
  - Feeder roads.
  - Packing stations and storage facilities.
  - Marine and air cargo links.
  - Air and sea port infrastructure.

Using the CSME as a Platform for Trade and Growth



- The Liner Shipping Connectivity Index captures how well countries are connected to global shipping networks.
- Over the last decade, the Region’s average index value has declined by 1.5% indicating a decline in connectivity to global shipping networks.

Selected Findings CDB Logistics Study

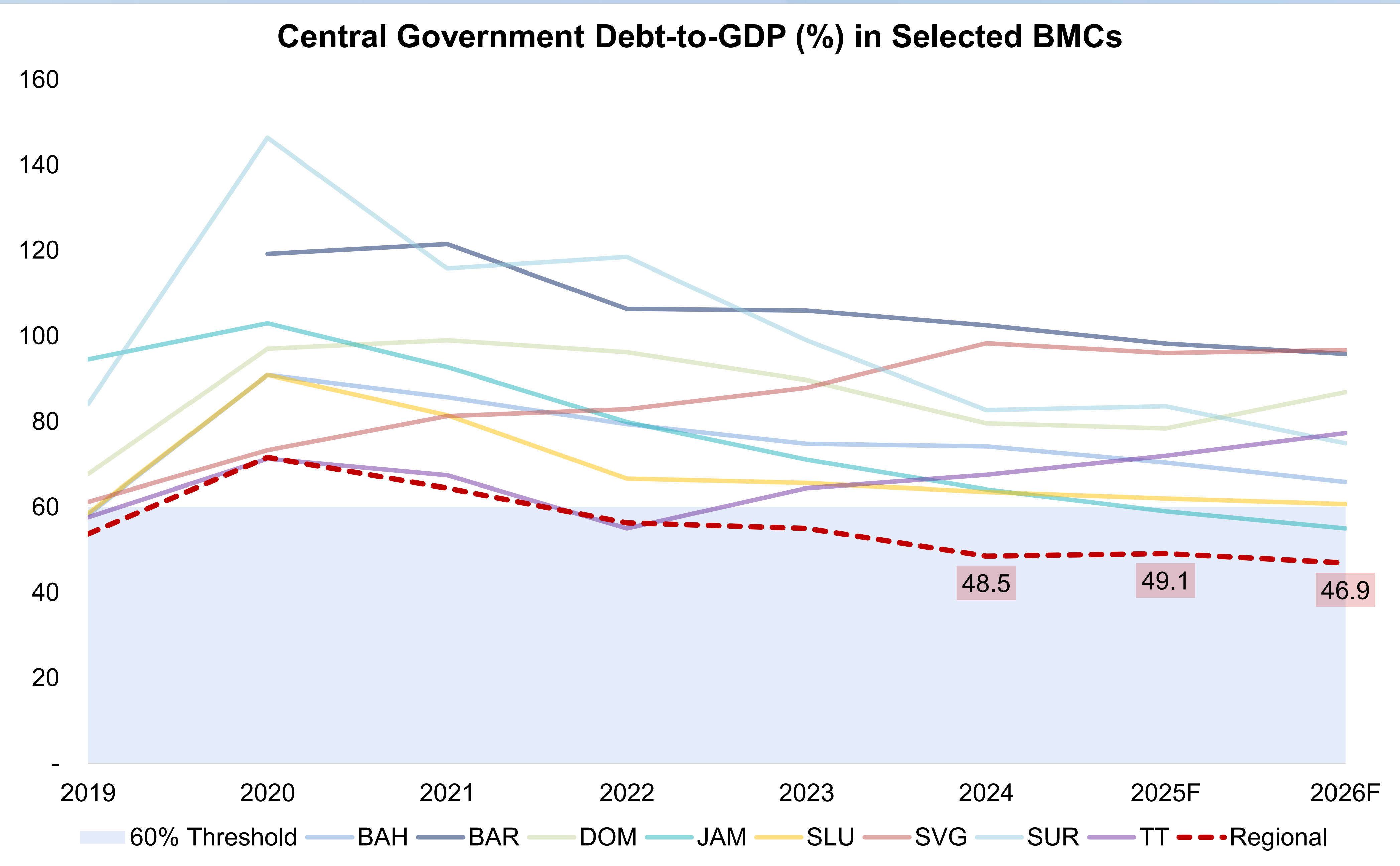
- Limited shipping connectivity, mainly due to capacity constraints.
- Inefficiencies at the port due to many issues.
- Expensive shipping and port charges facing the trade community (Landing charges at Castries are USD480 per TEU).
- Archaic system of port tariffs in place since the 1960s.
- Labour arrangements also need to be updated.
- Inefficiencies in port operations resulting from limited operating hours.
- Need for a fully electronic and paperless system.

The Challenge of Debt Overhang

Debt Overhang

Regional debt ratios have steadily improved since the pandemic peak, but this trend is projected to be interrupted in 2025. Central Government debt to GDP is projected to edge up from 48.5% in 2024 to 49.1% in 2025, before resuming its downward trajectory to 46.9% in 2026.

Eight BMCs are projected to remain above the 60% debt-to-GDP benchmark in 2025, although debt levels in most are expected to decline over the medium term.



Implications of a High Debt-to-GDP Ratio

Debt-to-GDP Ratio

- Greater debt requires greater debt service.
- Continued increases in the ratio suggests that the growth impact of expenditure is not aligned with the debt being created.
- Greater sensitivity to growth and interest rate shocks.
- Investors may postpone investments.
- New borrowing becomes more expensive.

$$\Delta d^T = \left[\frac{i_t^*(1+\dot{e}_t) - g_t}{1+g_t} \right] e_{t-1} d_{t-1}^* + \left[\frac{i_t - g_t}{1+g_t} \right] d_{t-1} - pb_t + \Delta f_t$$

The Government's Debt Dynamics

The government's budget constraint

$$R_t + B_t = PE_t + IP_t + A_t + \Delta FA_t + O_t$$

Where:
R – revenue
B – borrowings
PE – primary expenditure
IP – interest payments
A – amortization
FA – financial assets
O – other flows

Dividing the equation by nominal GDP to obtain ratios to GDP and expressing interest payments as the product of the effective interest rate and the previous year's debt stock gives the following:

Government's budget constraint converted to debt dynamics

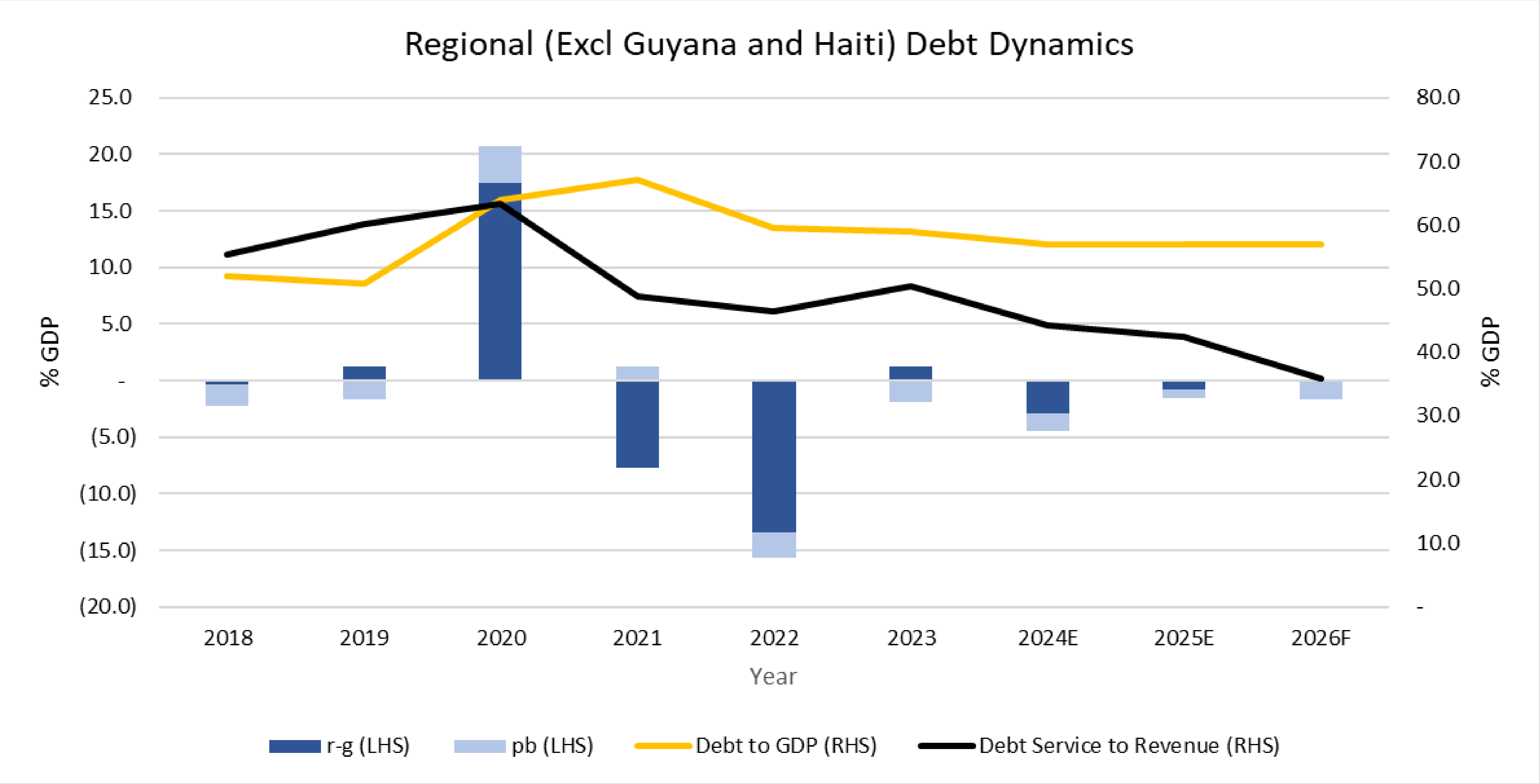
$$\Delta d_t = \frac{i_t - g_t}{(1+g_t)} d_{t-1} - pb_t + \Delta fa_t + o_t$$

Where:
i – effective interest rate on the debt stock
g – nominal GDP growth
All other variables are the upper-case versions expressed as percentages of GDP

Fiscal Improvement and Debt Reduction

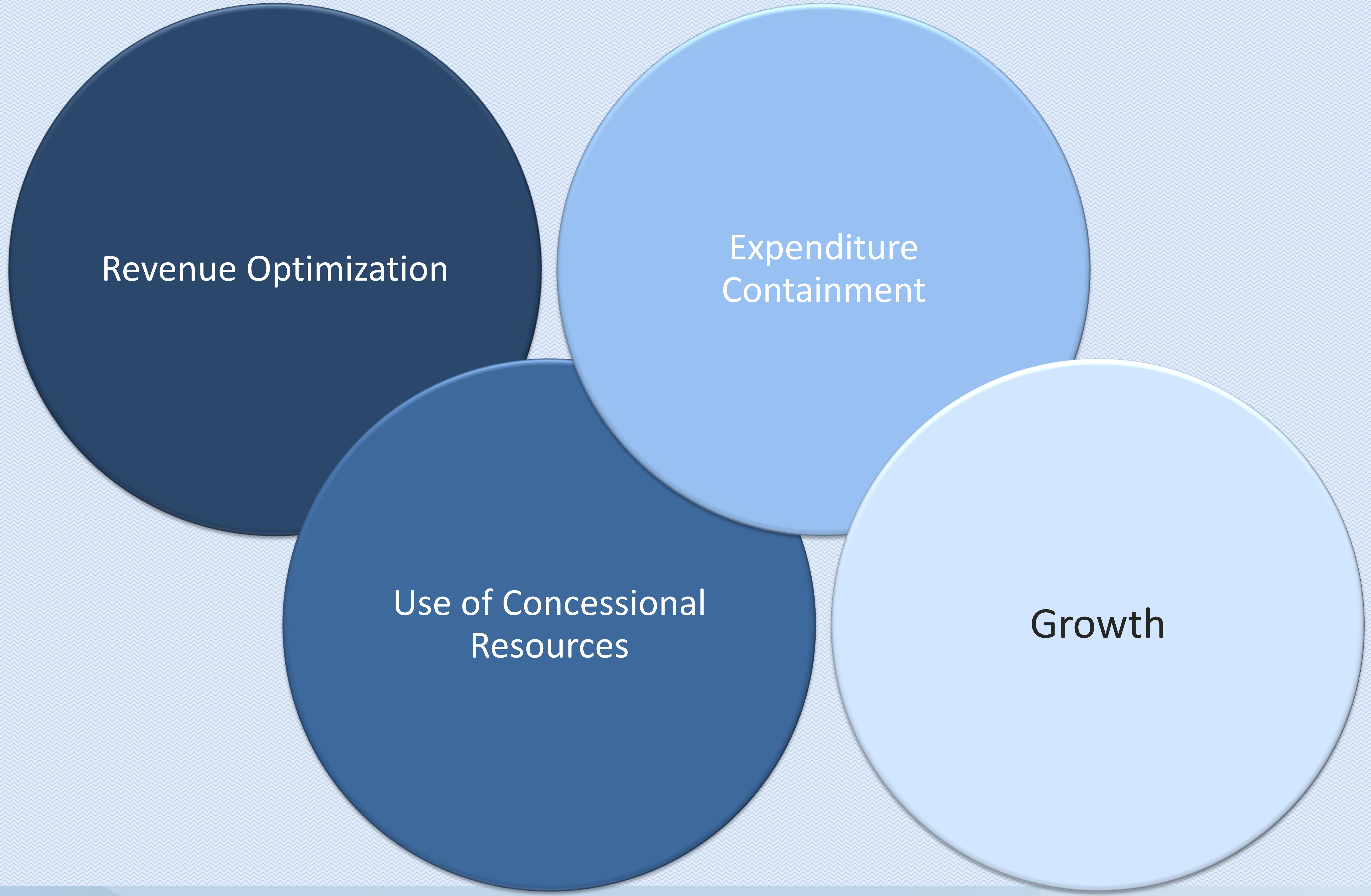
Regional Debt Dynamics Expected to Improve

Automatic debt dynamics favor reduction in regional debt to GDP ratio supported by strong primary surpluses.



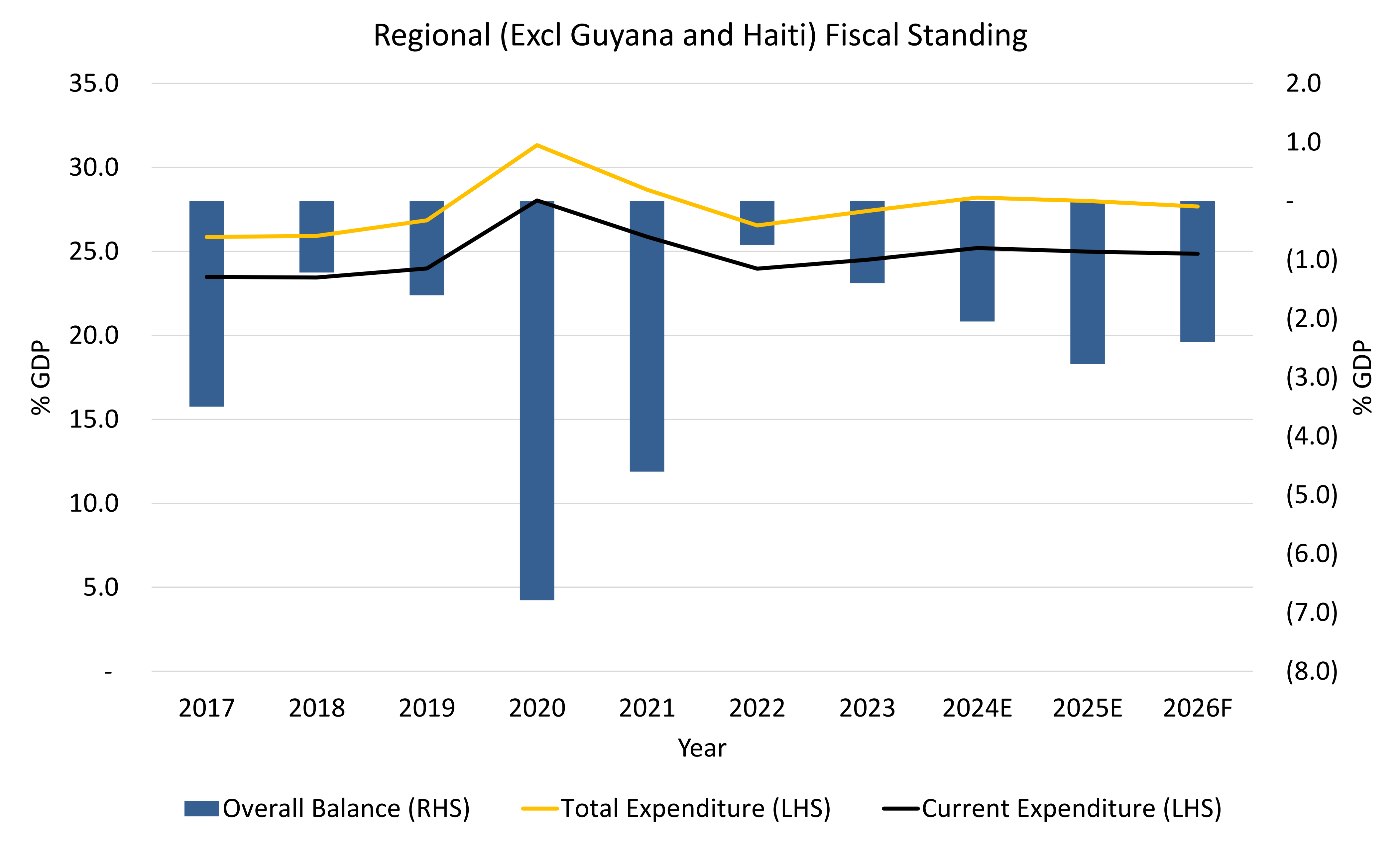
Source: BMCs Statistics Offices and CDB estimates

Policy Imperatives for Driving Debt Sustainability



Revenue Mobilization and Fiscal Space

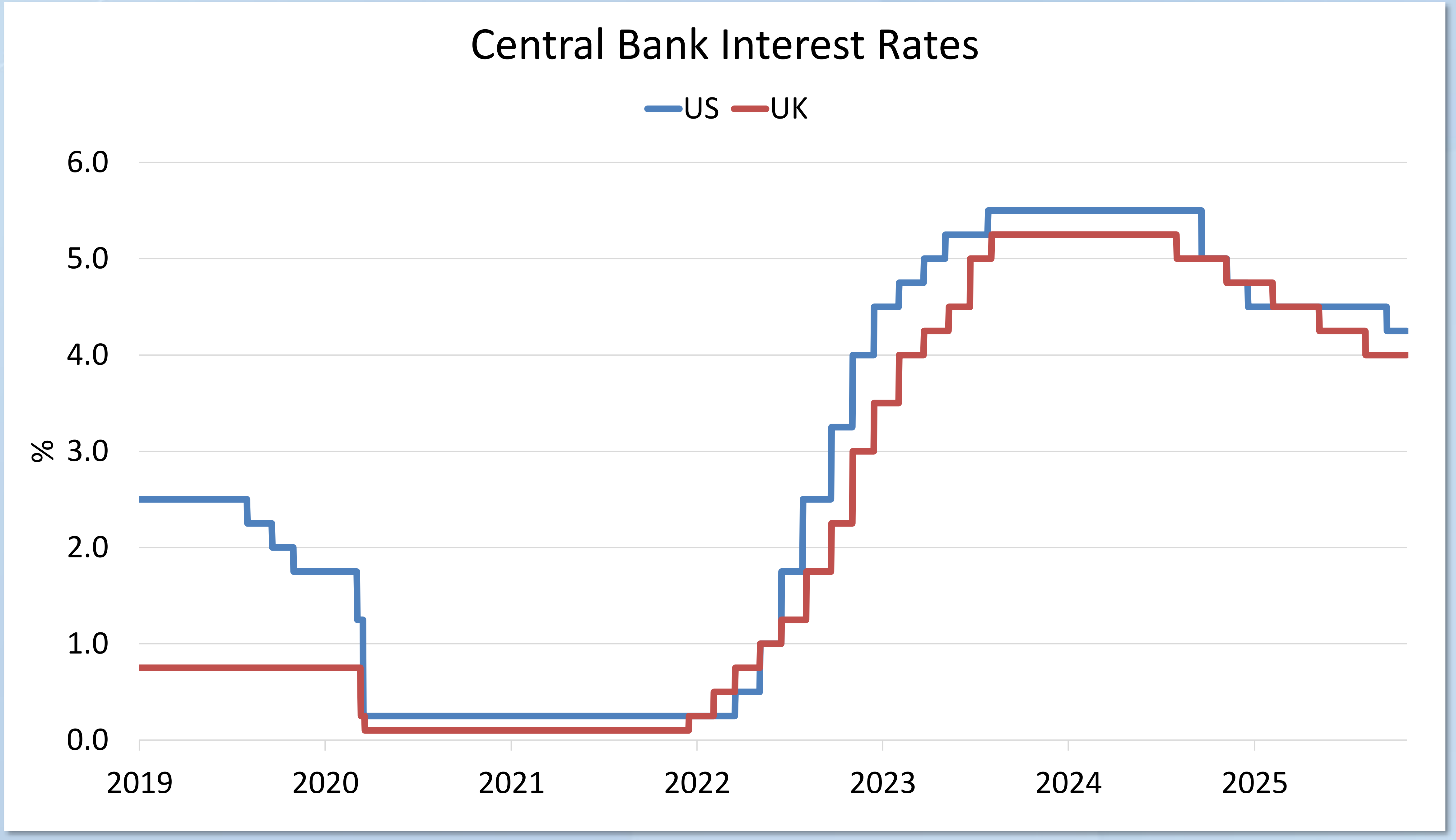
Prudent fiscal management has been critical to improvements in fiscal outcomes across the region. However, revenue mobilization continues to be bugbear for BMCs with tax to GDP ratio averaging less than 18% from 2017-2024.



Borrowing Costs

Global interest rates have increased sharply since 2021 as major central banks tightened policy to contain inflationary pressures.

Caribbean countries, though not raising policy rates directly, face higher external financing costs.



Thank You