MINISTRY OF FINANCE
GOVERNMENT OF GRENADA

2026 MID-YEAR REVIEW

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1 Executive Summary

Grenada's economy maintained relatively strong momentum during the first half of 2026 despite a more challenging external environment. Economic activity continued to be supported by public and private investment and tourism, with increased visitor expenditure and ongoing investment in infrastructure, tourism and commercial real estate supporting activity across construction and related services. Performance in the productive sectors was more mixed as agriculture continued its recovery from Hurricane Beryl, while fisheries production was temporarily affected by restrictions on exports to the United States. Continued economic activity was accompanied by improved labour market conditions.

The stronger domestic economy unfolded against renewed external price pressures, particularly from higher global energy and transportation costs. Inflation nevertheless remained moderate, although these pressures, together with increased import demand associated with reconstruction and investment, contributed to a widening of the merchandise trade deficit. Domestic financial conditions remained supportive of economic activity, with continued growth in private sector credit, ample liquidity and a well-capitalised banking system.

Fiscal developments were also closely linked to the continued recovery and pace of domestic investment. Fiscal policy remained expansionary during the first half of 2026 as Government advanced post-Hurricane Beryl recovery and its broader development programme. While tax revenue increased relative to the first half of 2025, lower non-tax revenue and grant inflows resulted in a decline in total revenue and grants. IMA receipts moderated relative to the elevated level recorded in the first half of 2025 but remained above the first-half budget target. Expenditure increased at a faster pace, driven largely by higher recurrent spending, while capital expenditure remained elevated despite being below its first-half allocation. Consequently, both the primary and overall fiscal deficits widened relative to the first half of 2025, while lower-than-targeted revenue and higher-than-anticipated recurrent expenditure also contributed to a weaker position relative to the approved Budget.

Developments during the first half of the year, including the accelerated implementation of several existing projects and the emergence of new expenditure requirements, have necessitated adjustments to the approved Budget. The proposed Supplementary Estimates therefore provide for the continued implementation of priority projects and Hurricane Beryl recovery activities, new road infrastructure under Design-Build-Finance arrangements, and targeted cost-of-living support. The revised programme also incorporates concessional financing aimed at expanding access to affordable lending for housing, education, agriculture, MSMEs and other productive sectors.

For the full year, fiscal policy is expected to remain expansionary as implementation of the capital programme accelerates during the second half. Revenue and grants are projected to increase relative to 2025, supported by higher tax and non-tax revenue. IMA receipts are expected to strengthen considerably during the remainder of the year, exceeding both the 2025 outturn and the amount provided for in the 2026 Budget. Expenditure is projected to increase more sharply, led by accelerated capital spending and higher recurrent expenditure. The current account is nevertheless expected to remain in surplus. However, the stronger revenue performance will not be sufficient to offset the increase in total expenditure, resulting in wider primary and overall deficits relative to both 2025 and the approved 2026 Budget.

The projected fiscal position occurs while the fiscal rules remain suspended, providing Government with the flexibility to advance recovery and other priority interventions. The associated increase in public investment and Government expenditure is expected to support domestic activity, contributing to projected real GDP growth of 3.3 percent in 2026.

The outlook remains subject to heightened uncertainty, with risks weighted largely to the downside. Further increases in global energy, food and transportation costs, weaker growth among Grenada's major trading partners, labour and skills shortages, and adverse weather events could weaken economic activity and place additional pressure on domestic prices and the fiscal position. Notwithstanding these risks, Grenada is expected to maintain relatively strong growth in 2026, positioning the economy among the faster-growing economies in the ECCU. Fiscal policy will continue to support ongoing recovery and national development priorities while remaining anchored by the Government's commitment to fiscal sustainability and the legislated public debt target of 60 percent of GDP by 2035. Accordingly, the Government intends to return to the fiscal rules in 2027.

2 Introduction

The 2026 Mid-Year Economic Review (MYER) assesses Grenada's economic and fiscal performance during the first half of the fiscal year and provides an updated outlook for the remainder of 2026. As part of the Government's fiscal reporting framework, the Report reviews developments since the approval of the 2026 National Budget, assesses budget execution against approved estimates and considers whether emerging developments require adjustments to the fiscal and economic outlook.

The Report is prepared pursuant to Section 25 of the Public Finance Management Act No. 17 of 2015, as amended, which requires the Minister for Finance to prepare and submit to Cabinet a mid-year fiscal policy review within two months of the end of the first six months of the fiscal year. The review provides for an assessment of recent macroeconomic developments, revenue and expenditure performance, the revised budget outlook, budget execution and emerging fiscal risks, including the need for corrective or supplementary measures where necessary. Following consideration by Cabinet, the Report is laid before Parliament in accordance with the provisions of the Act.

The MYER complements the Annual Budget and other components of the Government's fiscal reporting framework, including the Medium-Term Fiscal Framework, Medium-Term Economic and Fiscal Strategy Report, Fiscal Risk Statement, public debt reports, Supplementary Estimates and annual financial statements. Together, these support transparency and accountability in the management of public finances and the principles of sustainability, prudence, stability and consistency established under the PFM Act.

The principal review period is January to June 2026, particularly for Central Government fiscal performance and budget execution. The reference period for other indicators varies according to data availability. Real sector developments are assessed primarily using first-quarter 2026 data, supplemented by more recent administrative and macroeconomic surveillance information where available. Labour market developments are based on the latest National Labour Force Survey, which relates to the third quarter of 2025. Monetary, financial, external and public debt assessments similarly use the latest information available at the time of preparation.

Accordingly, the Report reviews domestic and external economic developments, fiscal and public debt performance, monetary and financial conditions, external sector developments and the outlook and associated risks for 2026. The 2026 MYER focuses on the principal areas required to assess mid-year budget execution and the evolving macro-fiscal position. A detailed assessment of Statutory Bodies and State-Owned Enterprises is not included in this year's Report.

3 International Developments

Global economic activity in 2026 has moderated amid elevated policy uncertainty, increasing geopolitical risks and renewed disruptions to trade and energy markets. According to the International Monetary Fund's (IMF) July *2026 World Economic Outlook* (WEO), the global economy entered 2026 from a resilient position, supported by favourable financial conditions and robust investment in technology-driven sectors. The escalation of conflict in the Middle East has disrupted energy markets and key shipping routes, increasing risks to the global outlook. Assuming the conflict in the Middle East remains limited in duration and scope, global growth is projected at 3.0 percent in 2026, improving slightly to 3.4 percent in 2027.

Global inflation is expected to rise modestly to 4.7 percent in 2026 before easing to 3.9 percent in 2027. Higher oil prices, increased transportation costs, and renewed supply chain disruptions have interrupted the disinflation process, particularly in emerging markets and developing economies. Consequently, central banks are expected to maintain a cautious monetary policy stance as they balance price stability against slowing economic activity. Persistent commodity price pressures and conflict-related disruptions could delay monetary easing and keep global financial conditions tighter for longer.

World trade remains volatile as it adjusts to an increasingly fragmented global trading environment. Evolving trade policy measures, shifting trade relationships and the continued reconfiguration of supply chains have altered trade flows and increased production costs, while disruptions to maritime transport and higher energy costs have added to freight costs and broader supply chain pressures. Consequently, net energy-importing economies, such as Grenada, are expected to experience the largest downward revisions to growth, whereas some commodity exporters may partly offset weaker global demand through higher energy export earnings.

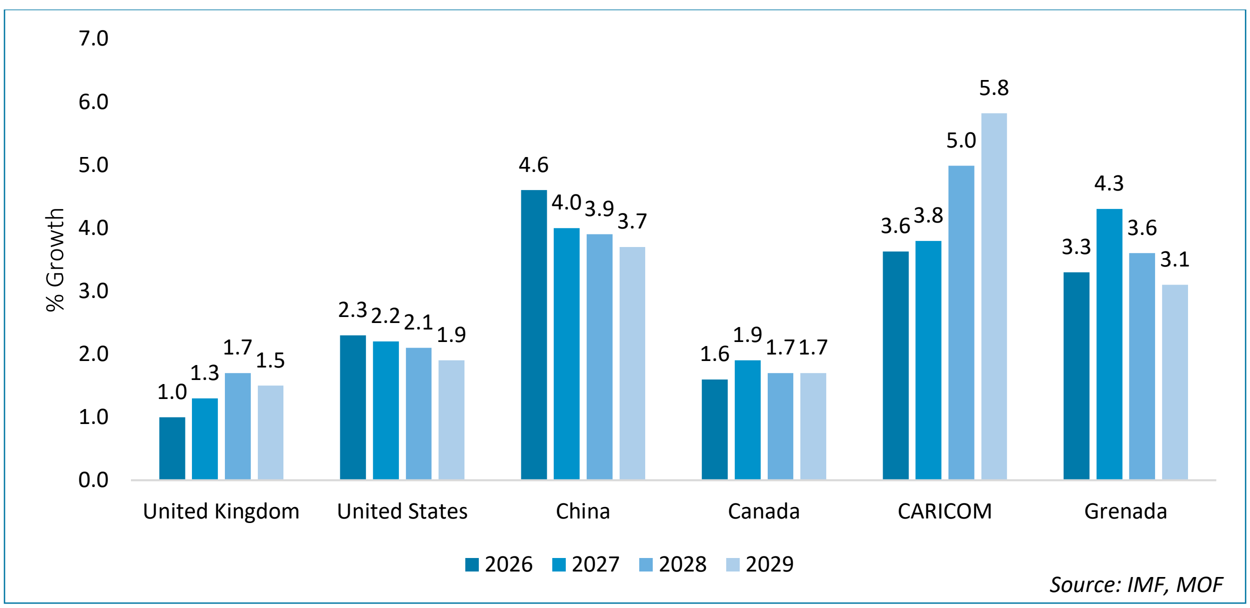
Grenada's principal tourism source markets are projected to continue expanding during 2026, albeit at a more moderate pace, as elevated uncertainty, softer consumer spending, and higher energy costs weigh on economic activity. Slower growth in these markets could moderate tourism demand, remittance inflows, and foreign direct investment.

Overall, the global economy is expected to continue expanding at a moderate pace in 2026, although the outlook has become increasingly uncertain and risks remain tilted to the downside.

A prolonged conflict in the Middle East, worsening geopolitical fragmentation, renewed trade tensions or sustained increases in energy prices could further weaken global growth, tighten global financial conditions and amplify imported inflation, with adverse implications for tourism, investment and external demand. Conversely, a de-escalation of geopolitical tensions, easing trade frictions and stronger productivity gains could support global demand, moderate inflationary pressures and strengthen tourism, investment and trade.

As a small, open, tourism-dependent, net energy-importing economy, Grenada remains highly exposed to these external shocks. Sustained increases in global oil prices and transportation costs could raise the cost of imported fuel, food and production inputs, placing upward pressure on domestic inflation and moderating economic growth. These developments warrant prudent macroeconomic management, supported by sound fiscal policy and continued vigilance against evolving external risks.

Figure 1: Real GDP Growth Rates - Major International Trading Partners



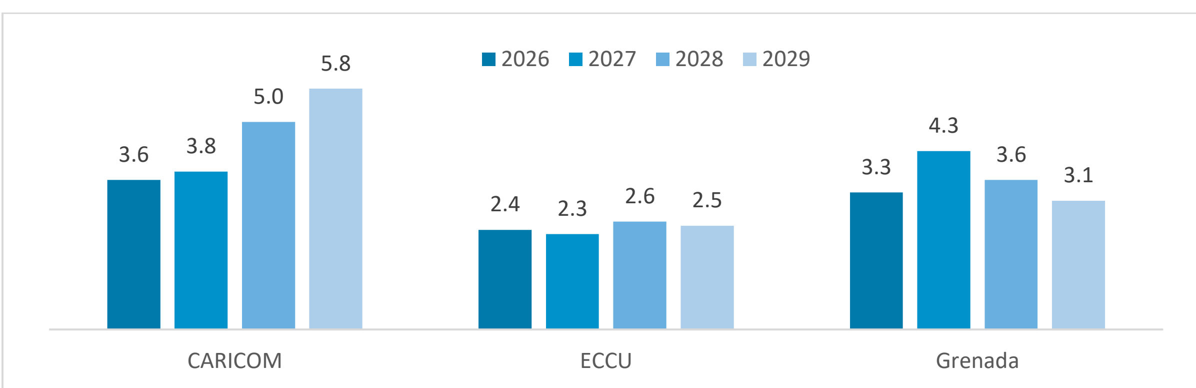
4 Regional Developments

According to the IMF's *2026 Article IV Consultation on Common Policies for ECCU Member Countries,* economic activity is projected to moderate to 2.4 percent in 2026, as weaker external demand and persistent global uncertainty weigh on regional growth. Elevated energy prices and higher import costs are expected to contribute to a modest increase in regional inflation to 2.2 percent in 2026, before easing to 2.0 percent over the medium term. Growth is expected to gradually converge towards its pre-pandemic average, as capacity-enhancing investment moderates amid tighter fiscal space. Beyond the moderation in investment, persistent structural constraints, including weak productivity growth, a shrinking labour force, labour market rigidities, weak financial intermediation, and limited capacity for innovation, continue to constrain the region's medium-term growth potential.

Across the broader CARICOM region, the economic outlook remains broadly stable; however, growth prospects are becoming increasingly differentiated across member states. Tourism-dependent economies, including those in the ECCU, are expected to experience a gradual deceleration as weaker external demand, softer consumer spending in key source markets, elevated travel costs, and higher import costs weigh on tourism activity and domestic demand. By contrast, commodity-exporting economies are expected to benefit from higher energy prices and increased production, which are expected to partly offset the effects of weaker external demand and rising inflationary pressures.

Risks to the regional outlook remain tilted to the downside, largely stemming from the uncertain external environment. A deterioration in global economic and financial conditions could weaken tourism demand, investment and economic activity across the ECCU and wider CARICOM region. Conversely, an improvement in external conditions would support stronger regional growth..

Figure 2: Real GDP Growth Rates (Grenada, ECCU and CARICOM)



2026 Mid-Year Economic Review and Estimated 2026 Performance

5 Real Sector

Amid global volatility, economic activity softened in the first quarter of 2026 as trade disruptions, elevated input, production, and import costs, together with weaker discretionary spending, weighed on domestic activity. Consequently, real GDP growth for 2026 has been revised downward to 3.3 percent, a 0.8 percentage point reduction from the 2026–2028 Medium-Term Economic and Fiscal Strategy Report.

Tourism performance remained favourable during the first quarter of 2026, underpinned by strong growth in stayover and yachting arrivals despite a decline in cruise passengers. Activity within the sector is expected to strengthen during the second half of the year, supported by expanded airlift capacity, the highly anticipated Carnival season, and intensified marketing efforts by the Grenada Tourism Authority. Continued recovery in the yachting sector following the disruption caused by Hurricane Beryl is also expected to support tourism activity over the remainder of the year.

Alongside the strong performance of the tourism sector, construction remained a key driver of domestic activity, despite moderating from the exceptionally high levels recorded in 2025. Public infrastructure investment, together with private sector developments in hospitality and commercial real estate, continued to underpin activity within the sector, with spillover effects extending to manufacturing, transport and storage.

Conditions were less favourable within the agriculture sector during the first quarter of 2026. Structural challenges, including a contracting farmer base, another intense dry season and persistently high input costs, constrained agricultural production. The fishing sector also experienced a challenging first quarter following the temporary United States ban on Grenadian fish exports. Government and internationally funded initiatives already underway are expected to support a gradual recovery in both sectors during the second half of 2026.

Overall, macroeconomic conditions remained broadly supportive throughout the period. Inflation remained contained and labour market conditions continued to improve. While global uncertainty remains the principal risk to the outlook, Grenada's strong macroeconomic fundamentals provide a sound basis for sustained growth through the remainder of 2026.

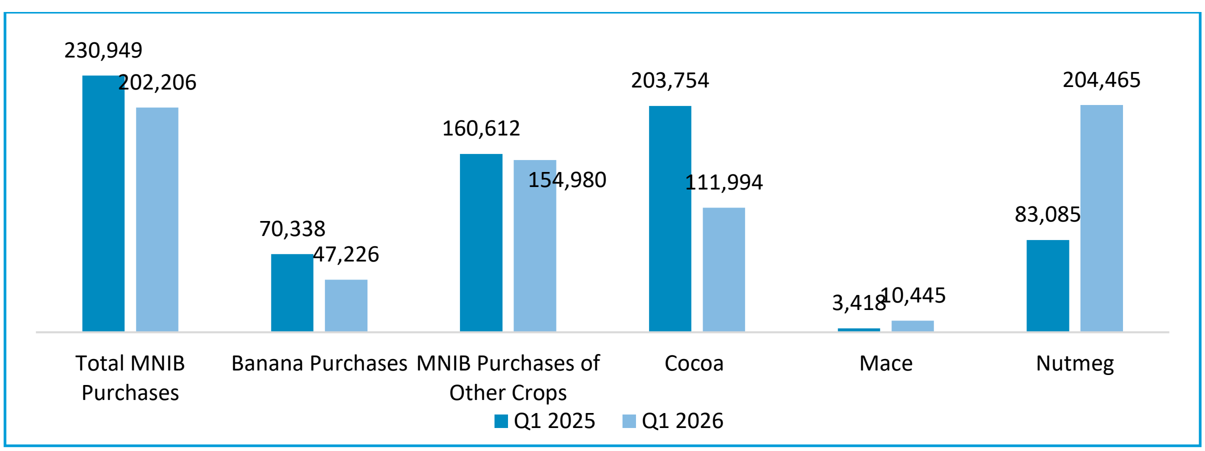
5.1.1 Agriculture

The agricultural sector recorded a generally unfavourable performance during the first quarter of 2026. Cocoa production declined by 45.0 percent, while banana production, proxied by MNIB purchases, fell by 32.9 percent. MNIB purchases of other crops also declined by 3.5 percent, resulting in a 12.4 percent decline in total purchases during the quarter. By contrast, nutmeg and mace performed strongly, with production increasing by 146.1 percent and 205.6 percent, respectively.

The weak performance of several crops comes amid the sector's continued recovery from Hurricane Beryl. The lingering effects of the hurricane continue to weigh on crop production, with recovery of some crops slowed by their naturally longer maturation periods. However, broad-based replanting efforts are underway and are expected to support increased crop production in the coming years. During the second half of 2026, agricultural activity is expected to strengthen as the rainy season progresses, supported by continued implementation of the World Bank-funded Food Security Enhancement Project (FSEP), Phase I of the Cocoa Rehabilitation Project and the National Spice Replanting Programme. Livestock production is also expected to strengthen towards the end of the year as animals acquired under the FSEP progress through their breeding cycles.

Notwithstanding these expected improvements, structural challenges, including an ageing farmer population and a declining number of active farmers, are expected to continue to constrain growth. Assuming no significant adverse weather events and no further deterioration in existing structural challenges, the agricultural sector is estimated to grow modestly by 2.5 percent in 2026, down from the 8.4 percent forecast in the Medium-Term Economic and Fiscal Strategy Report.

Figure 3: Agricultural Production (January to March) (2025 vs 2026) (lbs)



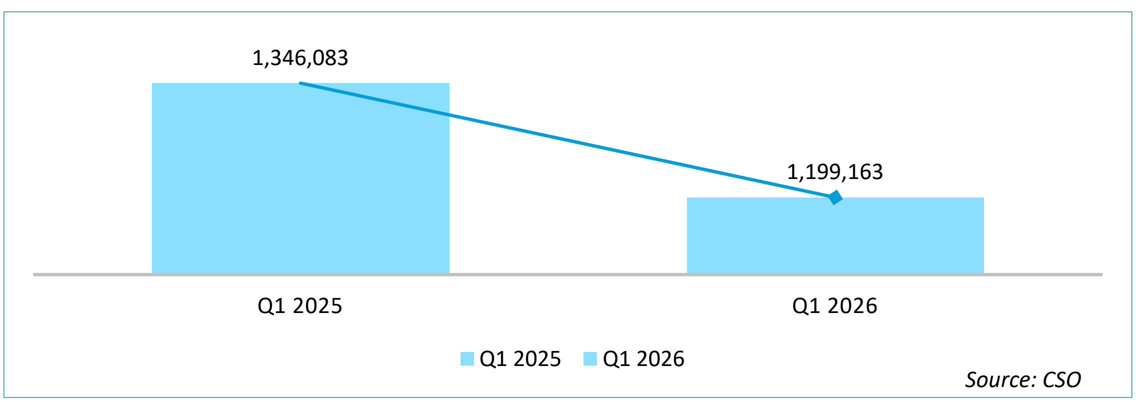
5.1.2 Fishing

The fisheries sector recorded a decline in activity during the first quarter of 2026, largely due to the temporary United States import restriction on Grenada's fish and seafood products. The Government's prompt response facilitated an earlier-than-anticipated lifting of the restriction, allowing fishing activity to recover as fisherfolk increased their catch to meet strong external demand. Nevertheless, recorded fish production declined by 7.7 percent, from 1.3 million pounds at the end of March 2025 to 1.2 million pounds at the end of March 2026. However, official production data may not fully capture sector activity, as catches sold directly by fisherfolk to neighbouring islands are not always recorded. The Calipseo Fisheries Information System is expected to strengthen catch monitoring and improve data quality, while supporting compliance with international reporting requirements and reducing the risk of future trade-related disruptions.

The outlook for the remainder of 2026 is more favourable following the removal of the United States import restriction. Government will continue to provide targeted subsidies, grant assistance and technical support to fisherfolk, including through the CCRIF COAST policy, which provides financial relief following adverse weather events. Continued implementation of the World Bank's Unleashing the Blue Economy of the Caribbean (UBEC) Project is also expected to support the modernisation of the sector through fleet upgrades, improvements to fish landing sites and enhanced refrigeration capacity.

Despite these expected improvements, an ageing labour force continues to weigh on the sector's productive capacity. Accordingly, output is estimated to decline by 2.7 percent in 2026, a marked improvement from the 12.6 percent decline forecast in the 2026–2028 Medium-Term Economic and Fiscal Strategy Report.

Figure 4: Fish Production January to March 2025 vs 2026 (estimates) (lbs)



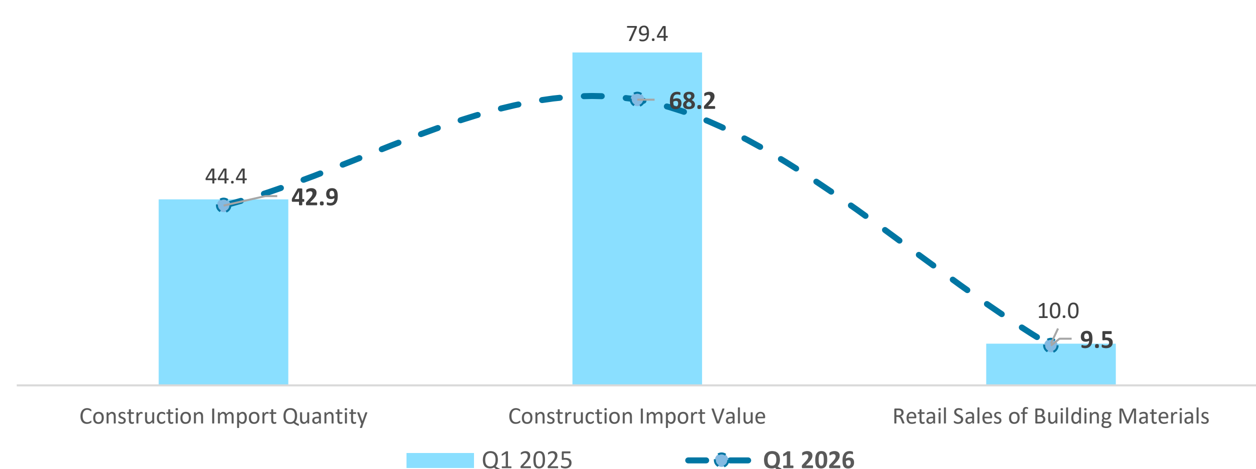
5.1.3 Construction

Construction imports declined within the first three months of 2026, largely attributable to the reported increases in the price of raw materials along with rises in shipping and fuel costs.

As at the end of March 2026, the quantity of construction materials fell by 3.3 percent, totalling 42.9 million kilograms from 44.4 million kilograms in the corresponding period of 2025. Similarly, the value of construction materials also dropped by 14.2 percent to EC$68.2 million in quarter 1 2026 compared to EC$79.4 million in quarter 1 2025.

Recent geopolitical tensions and trade conflicts have adversely affected the sector, contributing to shipping bottlenecks and delays, as well as elevated cost pressures. At the domestic level, however, growth continues to be constrained by shortages of skilled labour, particularly among carpenters, steel benders, masons, and quantity surveyors. The impact of these trends was also evident in the local sales of building materials, which contracted by 4.8 percent within the first quarter of 2026.

Figure 5: Construction Sector Indicators (January to March) (2025 vs 2026) (EC $ million)



Source: CSO

Against this backdrop, the rest of the year is expected to record modest growth. Growth estimates for the Construction Sector remain cautiously optimistic, with expansion anticipated at 3.0 percent. Despite the current moderating effects on construction output, activity will be fuelled by the continuation of Government capital projects including road and bridge rehabilitation and school infrastructure projects, coupled with continued renovations to residential homes.

Growth momentum is expected to accelerate toward the end of the year, driven by the commencement of the construction of Grenada's new hospital.

5.1.4 Tourism

The tourism sector continued to perform strongly in 2026 even amidst global uncertainty. Activity strengthened over the first quarter, with stayover arrivals rising by 12.0 percent compared to the same period of 2025, bolstered by the inaugural Lambie & Lobster Festival, "Kayak Mas," and the annual Spice Island Billfish Tournament. Total arrivals (cruise, yachting, stayover), however, registered a marginal decline of 4.0 percent, largely attributable to the cruise sub-sector, as all other sub-sectors recorded growth relative to the previous year. Accommodation performance also strengthened, with hotels and resorts hosting 29,041 visitors during the first quarter of 2026 compared with 26,588 during the same period of 2025.

Source markets performance remained broadly positive, supported by expanded airlift capacity. The United States realised 13.1 percent growth over the previous year, an absolute gain of 3,343 visitors. Canada and the United Kingdom also expanded, with Canadian arrivals climbing 19.8 percent to 7,479 and the UK rising 7.6 percent to 8,756 visitors. The Caribbean market recorded a more measured rise of 7.6 percent to reach 5,758 visitors; however, arrivals from this regional market and the South American market are expected to accelerate into the second quarter, spurred by early progress in the GTA's market diversification efforts and the hosting of the CARIFTA Games.

Table 1: Stayover Arrivals (January to March) 2025 vs 2026

Main Market	January to March 2025	January to March 2026	YOY % Change
United States	25,468	28,811	13.1
United Kingdom	8,137	8,756	7.6
Caribbean	5,352	5,758	7.6
Canada	6,242	7,479	19.8
Europe	2153	2,291	6.4
Latin America	353	389	10.2
Other Countries	1,018	1,081	6.2
Grand Total	**48,723**	**54,565**	**12.0**

Cruise activity, by contrast, moderated over the first quarter. Passenger arrivals declined by 9.1 percent, with 184,972 passengers recorded against 203,568 in the first quarter of 2025, while ship calls fell to

100 from 113. A significant near-term recovery is unlikely, given that the country's peak cruise season falls within the first few months of the year; performance is instead expected to begin improving with the commencement of the winter cruise season.

The yachting sub-sector recorded a marked recovery, with passenger arrivals increasing by 91.6 percent, from 3,285 to 6,293, with continued increases expected in the coming months. Although yachting passenger arrivals have not surpassed pre-Beryl levels, the performance recorded in 2026 remains encouraging. Sustaining this recovery will depend on continued tourism marketing at boat shows, streamlined immigration procedures, and marina upgrades to strengthen competitiveness against regional hubs.

Table 2: Yacht Arrivals 2025 vs 2026

	Yacht Passengers			Yacht Calls		
	January to March 2025	January to March 2026	% Change	January to March 2025	January to March 2026	% Change
Carriacou	634	759	19.7	172	130	-24.5
Grenada	2,651	5,768	117.5	646	964	49.2
						Source: GTA

The second quarter and second half of the year are expected to deliver an even stronger performance, anchored by the highly anticipated Carnival season, the Diaspora Homecoming initiative, and the inaugural Tropical Bloom Festival in November. Physical capacity will expand in support of this momentum through the anticipated opening of the InterContinental Hotel in late 2026, complemented by continued destination marketing across key source markets. Consequently, tourism output is projected to expand by 1.9 percent in 2026, revised downward from the forecast contained in the 2026–2028 Medium-Term Economic and Fiscal Strategy Report.

5.1.5 Transport and Storage

At the end of the first quarter of 2026, the Transport and Storage sector recorded mixed performance. On the upside, strong import activity supported increased inbound cargo movement, while growth in tourism boosted passenger movement. By contrast, subdued domestic production and export activity contributed to lower outbound cargo and mail movement.

Inbound cargo at the Port rose by 12.5 percent, accompanied by a robust 25.4 percent increase in inbound cargo handled at the Airport. Overall, inbound cargo increased by 25,070.7 tons, or 12.5

percent, compared to the first quarter of 2025. However, activity may moderate in the coming months as ongoing trade disruptions, elevated external cost pressures and higher fuel and shipping costs continue to affect the movement of goods.

On the downside, total outbound cargo declined by 11.3 percent during the first three months of 2026, representing an absolute reduction of 1,573.9 tons compared to the first quarter of 2025. This performance was largely attributable to lower activity in the productive sectors, particularly manufacturing, agriculture and fishing. Mail movement into and out of the country also contracted by 17.4 percent and 78.2 percent, respectively, compared to the first quarter of 2025.

Table 3: Cargo Handled (Inbound and Outbound) (tons) - Q1 2026 vs Q1 2025

	Cargo in			Cargo Out		
	Port	**Airport**	**Total**	**Port**	**Airport**	**Total**
Q1 2025	200,402.0	211.08	200,613.1	13,625.0	295.5	13,920.5
Q1 2026	225,419.0	264.79	225,683.8	11,975.0	371.6	12,346.6
% Change	**12.5**	**25.4**	**12.50**	**-12.11**	**25.8**	**-11.3**
						Source: CSO

Passenger movement provided further support to the sector during the quarter. Embarked and disembarked passengers increased by 8.7 percent and 9.8 percent, respectively, supported by the strong performance of the tourism sector. Correspondingly, aircraft landings increased by 31.1 percent, with higher activity recorded across several major airlines and destinations.

Table 4: Passenger Movement (Embarked and Disembarked) - Q1 2026 vs Q1 2025

Passenger Movement	Quarter 1 2025	Quarter 1 2026	Absolute Change	% Change
Embarked	63,054.0	68,525.0	5,471.0	8.7
Disembarked	63,657.0	69,914.0	6,257.0	9.8
Total	126,711.0	138,439.0	11,728.0	9.3
				Source: CSO

Growth in the sector is expected to continue to benefit from activity in tourism and construction. However, inefficiencies at the Port, together with the limited availability of empty containers, storage capacity and skilled labour, shipping delays, and rising fuel and shipping costs, are expected to remain impediments to stronger growth. The outlook for 2026 will therefore depend on a strengthening of domestic production and export activity, improvements in port operations, and an easing of external trade and shipping pressures. Against this backdrop, **the Transport and Storage sector is projected to grow by 3.1 percent in 2026.**

5.1.6 Wholesale and Retail Trade

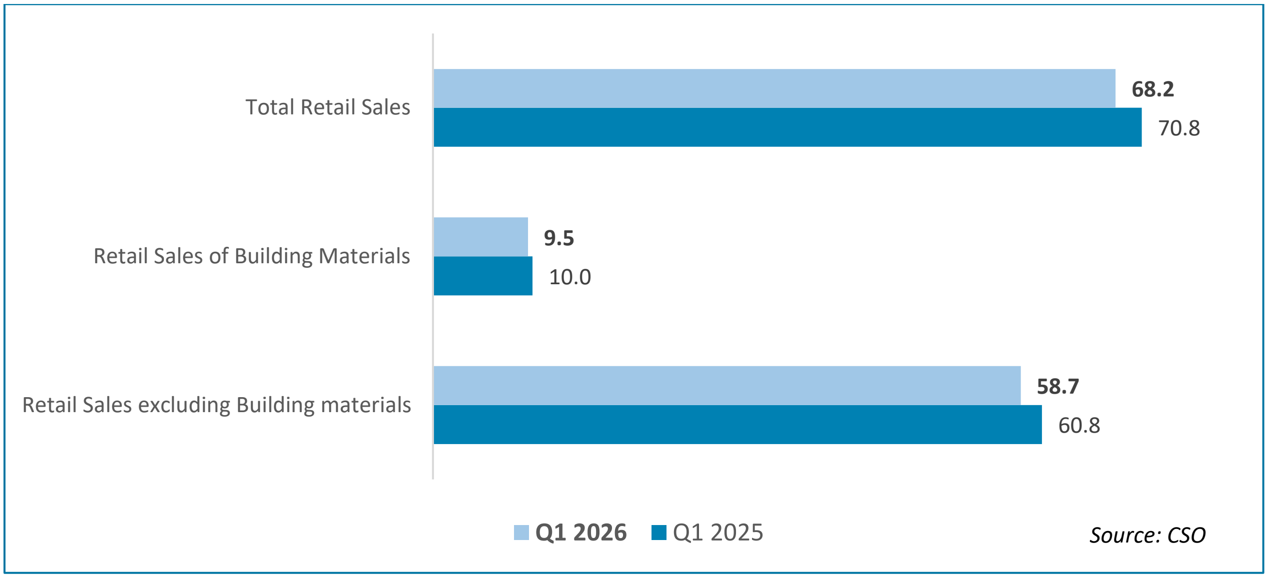
The Wholesale and Retail Trade sector recorded a moderation in activity during the first quarter of 2026, amid weaker consumer spending and elevated import and input costs. Total retail sales declined by 3.7 percent, representing an absolute reduction of approximately EC$2.6 million compared to the first quarter of 2025. Retail sales of building materials fell by 4.8 percent, while retail sales excluding building materials declined by 3.5 percent.

Domestic supply and labour market challenges also affected sector performance during the quarter. These included limited supplies of locally produced chicken, inconsistencies in domestic agricultural production, declining egg production and shortages of workers such as drivers and warehouse attendants. The sector also continues to face shortages of specialised professionals, including accountants, marketing managers and supply chain managers. These challenges, together with elevated import costs and ongoing disruptions to global trade, are expected to continue to weigh on activity during the remainder of the year.

Despite these pressures, the outlook for the sector remains positive. Continued activity in construction, private education and tourism is expected to support demand for wholesale and retail goods, while the continued importation of essential goods, particularly food, will sustain retail activity. Fiscal measures announced in July are also expected to support consumer spending during the remainder of the year. However, the pace of growth is expected to remain modest given the domestic supply challenges and external cost pressures facing the sector.

Against this backdrop, the Wholesale and Retail Trade sector is projected to grow by 2.1 percent in 2026.

Figure 6: Retail Sales (January to March) (2025 vs 2026) (EC $ million)

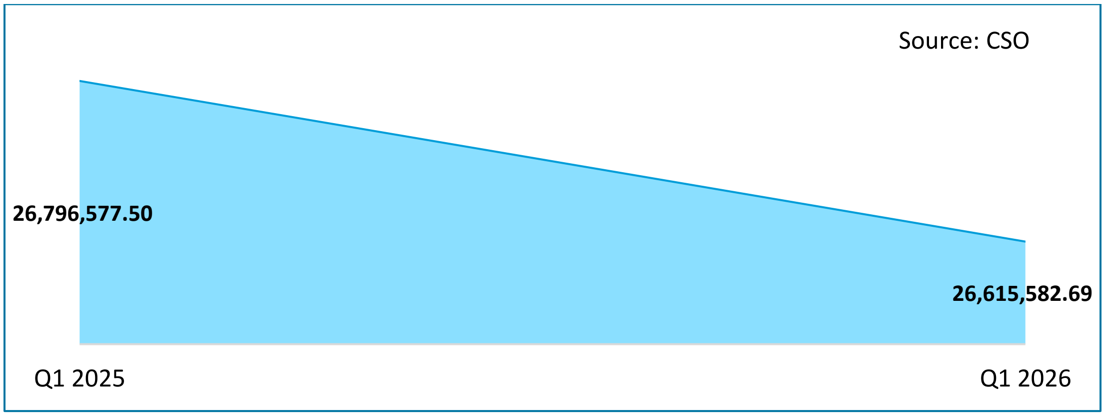


5.1.7 Manufacturing

Industrial production is estimated to have declined moderately by 0.7 percent during the first quarter of 2026 compared to the same period in 2025, with performance varying across industries.

While official data from the Central Statistical Office are currently unavailable, anecdotal evidence gathered through the Macroeconomic Surveillance exercise conducted during April and May suggests subdued activity across key manufacturing industries, including Beverage and Tobacco, Prepared Animal Feed, and Grain Mill and Bakery Products. An exception was the Chemicals and Paint industry, where production increased in response to continued construction activity. This subsector is expected to continue supporting domestic manufacturing during the remainder of the year, as Government capital projects and private construction activity, particularly housing renovations, sustain demand.

Figure 7: Industrial Production – January to March 2026 vs January to March 2025



Notwithstanding this improvement, activity across much of the industrial sector remained subdued. Beverage and Tobacco, which accounts for the largest share of the sector, reportedly recorded lower activity compared to the first quarter of 2025, primarily due to a moderation in domestic demand and softer export demand. Activity is expected to strengthen during the remainder of 2026 as major events and seasonal activity generate increased domestic demand.

Similarly, anecdotal information indicates that production of Prepared Animal Feed and Grain Mill and Bakery Products declined marginally during the first three months of 2026, largely due to softer domestic demand.

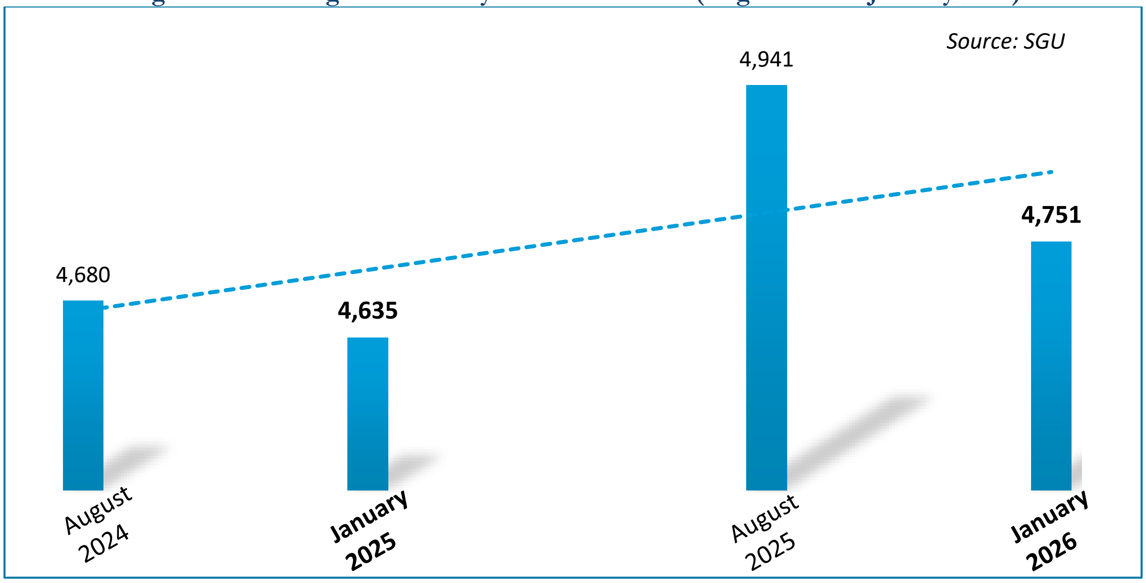
Against this backdrop, the sector is projected to grow modestly by 0.4 percent in 2026. The anticipated strengthening in construction-related manufacturing and domestic demand during the remainder of the year is expected to support the modest recovery in industrial activity.

5.1.8 Private Education

During the January 2026 semester, St. George's University recorded a robust 9.5 percent increase in new student enrolment, signalling continued strength in student demand amid an uncertain global environment. Total enrolment rose by 2.5 percent to 4,751 students at the end of January 2026, representing an absolute increase of 116 students compared to the first quarter of 2025.

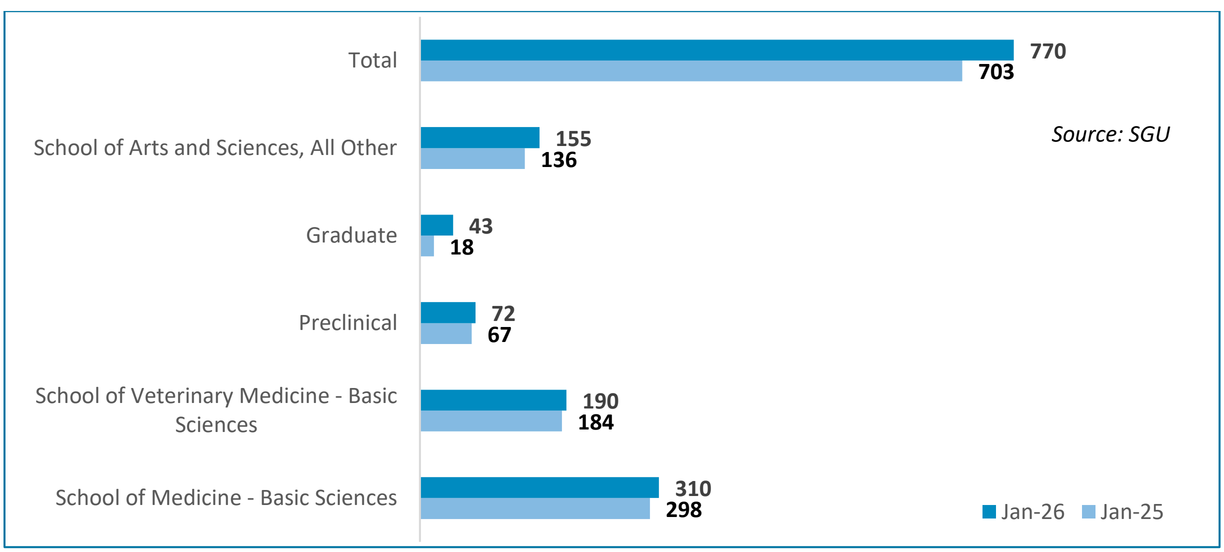
Growth in new enrolment was largely driven by a 138.9 percent increase in students within the Graduate Program, particularly the Master of Public Health programme. Broad-based growth was also recorded across all Schools. Enrolment in the School of Arts and Sciences increased by 14.0 percent, while the Preclinical programme rose by 7.5 percent. The School of Medicine – Basic Sciences recorded a 4.0 percent increase, while the School of Veterinary Medicine expanded by 3.3 percent. Taken together, the broad-based gains provide a positive indication of the institution's performance entering 2026.

Figure 8: St. George's University Total Enrolment (August 2024 – January 2026)



These enrolment gains are expected to generate spillover effects across key sectors of the economy. Within Wholesale and Retail Trade, increased student numbers are expected to support retail sales, while higher demand for off-campus accommodation should stimulate activity in the Real Estate and Construction sectors. The larger student population is also expected to support foreign exchange inflows and broader economic activity.

Figure 9: St. George's University New Enrolment - Absolute Gains (January 2026 semester)



Despite the positive enrolment performance, downside risks remain, chiefly the current enrolment cap within the School of Veterinary Medicine and potential student funding gaps arising from changes introduced under the 2025 One Big Beautiful Act.

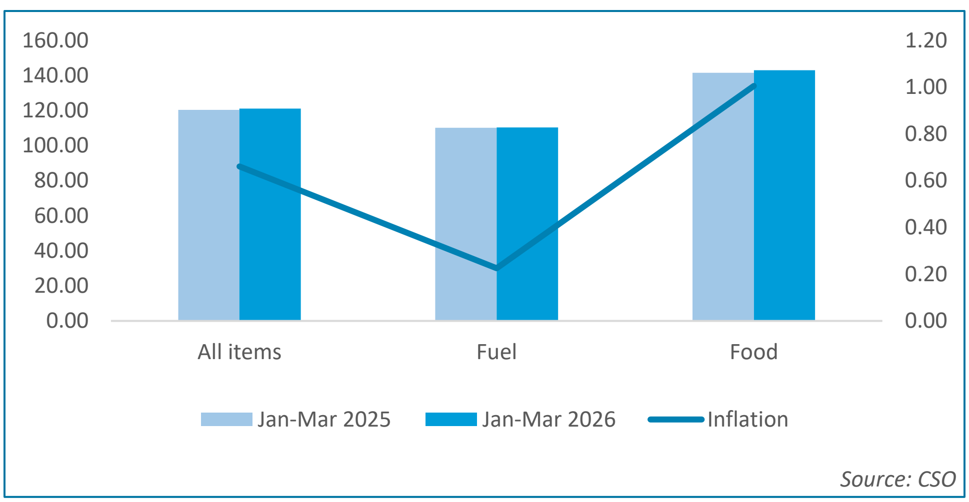
Consequently, the Private Education sector is projected to grow modestly by 0.5 percent in 2026.

5.1.9 Inflation

The Consumer Price Index (CPI) increased from 120.3 to 121.1 between the periods January–March 2025 and January–March 2026, resulting in an average inflation rate of 0.7 percent in 2026. Although relatively modest, this increase reflects the continued price pressures experienced among Grenada's major trading partners, including the United States, where inflation stood at 3.3 percent at the end of March 2026.

An assessment of commodity prices indicates that food and fuel prices continued to rise amid persistent global supply and price shocks. The average Global Food Price Index increased from 132.2 to 132.9 between Quarter 1 2025 and 2026, resulting in a period average food inflation rate of 0.5 percent. A similar trend was observed in Grenada, where the Food Price Index rose from 141.5 to 143.0 over the same period. Consequently, Grenada recorded a period average food inflation rate of 1.0 percent during the first quarter of 2026.

Figure 10 - Period Average Consumer Price Index (Jan-Mar 2026 vs 2025)



High global food prices are expected to persist throughout the remainder of 2026, driven by El Niño-related weather conditions affecting agricultural production, rising energy and fertilizer costs associated with disruptions in the Middle East, and the possibility of new export restrictions by major food-producing countries. These factors suggest that international food prices are likely to remain elevated in the near term.

Furthermore, crude oil prices, measured as the simple average of Brent, West Texas Intermediate (WTI), and Dubai Fateh crude oil benchmarks, increased significantly during the first quarter of 2026 compared to the same period in 2025, generating an average inflation rate of 1.2 percent. In Grenada, the average Fuel Price Index also increased during the first three months of 2026, contributing to a period-average fuel inflation rate of 0.4 percent.

The relatively modest increase in fuel inflation in Grenada, compared with the sharp rise in international oil prices, reflects the Government's efforts to subsidize fuel costs and cushion the impact on consumers. Nevertheless, domestic fuel prices continue to be influenced by global factors, including supply chain disruptions, energy market shortages, strong demand for energy, and ongoing geopolitical conflicts and sanctions.

On a year-on-year basis, comparing March 2026 with March 2025, food prices increased by 0.9 percent, while fuel prices rose by 0.4 percent. Over the same period, overall inflation increased by 0.7 percent. There were also notable increases in health-related products and services, clothing and footwear, and recreation and culture, indicating broader cost-of-living pressures across household expenditure categories.

Table 5: Consumer Price Index (Year on Year) March 2026 vs March 2025

CPI (YOY)	Mar-25	Mar-26	Inflation (%)
Food	141.55	142.82	0.90
Fuel	110.45	110.91	0.42
All items	120.52	121.37	0.71

6 Labor Market Force Conditions

Grenada's labour market has experienced notable improvements supported by government led initiatives aimed at increasing employment opportunities, enhancing job security, investing in education and skills development through the creative and digital economy. Programs such as M-Power and Elevate Her have also been strategically implemented to create employment opportunities and reduce gender disparities, particularly among youth.

6.1 Unemployment

The latest National Labour Force Survey (quarter 3 2025) indicates that Grenada's unemployment rate decreased from 9.8 percent at the end of quarter 3 2024 to 7.5 percent at the end of quarter 3 2025. A particularly strong improvement was observed in youth unemployment, which fell by 30.1 percent. This decline can be partly attributed to targeted employment and training initiatives, as stated earlier.

Although the latest available labour market data relate to the third quarter of 2025, the outlook for 2026 unemployment remains positive as the Government continues to invest in programmes designed to improve employability, workforce skills, and economic participation.

6.2 Employment

The employment rate increased to 92.5 percent at the end of Quarter 3 of 2025, representing 49,258 employed persons. The construction sector remained the largest employer, accounting for 6,258 workers, during that period. Other major employment sectors included wholesale and retail trade (5,501), accommodation and food services (3,570), education (3,079), and human health and social work activities (2,873).

Labour market conditions are expected to continue improving, supported by the implementation of the Decent Work Country Programme 2026–2031, which was launched during the first half of 2026. The programme focuses on three strategic priorities:

- Priority 1: Enhance governance, inclusion, and efficiency of the labour market.
- Priority 2: Expand decent work opportunities through formalization and increased productivity.
- Priority 3: Promote inclusive, rights-based social and labour protection.

In addition, the Government is advancing plans to establish a Public Employment Services Agency, which will serve as a centralized platform for identifying employer workforce needs, improving labour market information, and strengthening job matching between employers and job seekers.

These initiatives are expected to contribute to a more efficient, inclusive, and resilient labour market, while supporting sustainable employment growth and improved workforce participation across Grenada.

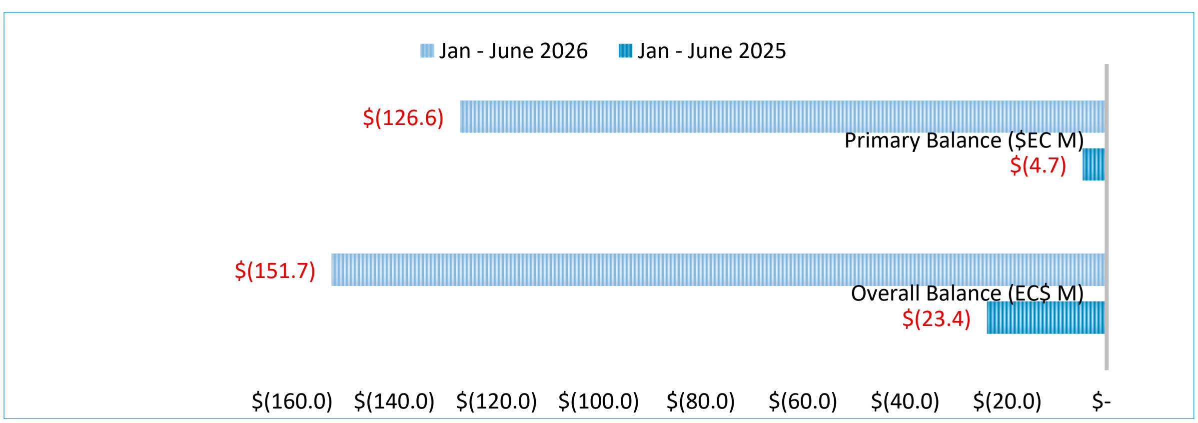
7 Fiscal Sector

During the first six months of 2026, Central Government maintained an expansionary fiscal stance, consistent with the policy objective of supporting post-disaster recovery while advancing key development priorities. Compared with the first half of 2025, fiscal performance was characterised by moderate growth in total revenue, supported by higher tax collections, alongside lower grant receipts and a 16.2 percent increase in total expenditure. Taken together, the decline in grants and higher expenditure more than offset the gains attributable to revenue growth, resulting in a weaker fiscal position relative to the first half of 2025. The comparatively weaker position was also influenced by the lower expenditure base in early 2025, when spending during the first quarter was constrained under the Provisional General Warrant.

Relative to the 2026 budget targets for the period, the fiscal position was also less favourable at the end of June. Total revenue and grants fell short of the level anticipated for the first half of the year, while total expenditure was higher than budgeted. The higher expenditure was concentrated in recurrent spending, particularly goods and services, while capital expenditure remained below its first-half allocation.

Consequently, the fiscal balances at the end of June 2026 were less favourable than both the first-half 2025 outturn and the targets set for the period. The primary deficit widened to EC$126.6 million from EC$4.7 million a year earlier, with the primary balance falling short of its first-half budget target by approximately EC$70.1 million. The overall deficit also increased, reaching EC$151.7 million compared with EC$23.4 million in the first half of 2025, approximately EC$68.3 million above the level anticipated for the period.

Figure 11: Primary Balance and Overall Balance after Grants, 2026 vs 2025 (January –June)



First-Half Revenue Actuals: 2026 vs 2025

Total revenue and grant inflows declined by 3.0 percent year-on-year to EC$628.3 million during the period January to June 2026. The overall decline was driven primarily by lower non-tax revenue and grants, which more than offset the growth in tax receipts.

Tax receipts grew by 3.0 percent relative to the same period in 2025, reaching EC$478.0 million. The increase was broad-based across all major tax categories. Revenue from taxes on international trade expanded, supported by increased import activity associated with post-Hurricane Beryl reconstruction. Taxes on income and profits increased by 2.0 percent, while taxes on domestic goods and services rose by 4.0 percent, supported by the implementation of the G-Tax system, which improved taxpayer compliance and enhanced the accuracy of tax assessments and collections. Property tax collections also recorded a modest 2.0 percent increase, as collections continued to normalise following the temporary tax relief measures introduced in 2024 and 2025 in the aftermath of Hurricane Beryl.

In contrast, non-tax revenue was 7.0 percent lower than in the first half of 2025, as inflows from the Investment Migration Agency (IMA) continued to normalise towards historical levels. Grant inflows were also significantly lower, falling by 62.0 percent as several externally financed capital projects, including the G-CREWS Project, the Southern Water Expansion Project and BNTF Phase X, approached completion.

First-Half Revenue 2026 Target vs Actuals

Relative to budget expectations, revenue performance during the first half of 2026 was below target. Total revenue and grants recorded a shortfall of EC$41.7 million, or 6.2 percent, largely due to lower-than-anticipated tax collections.

Tax revenue fell short of the first-half target by EC$34.0 million. The largest variance was recorded for taxes on international trade and transactions, which were EC$29.5 million below target. Taxes on income and profits were 3.0 percent below expectations, while taxes on domestic goods and services were broadly in line with projections, with a marginal shortfall of 0.6 percent.

Non-tax revenue was 5.1 percent below target, representing a shortfall of EC$7.3 million, mainly due to lower-than-anticipated collections from property income. IMA receipts, however, performed above expectations, exceeding the first-half target by EC$8.4 million. Grant receipts were broadly in line with projections, falling short of the amount anticipated for the period by EC$0.4 million.

Taken together, the outturn indicates that while total revenue improved relative to the first half of 2025, it remained below the level anticipated for the period. Total revenue and grants, however, was lower both year-on-year and relative to the first-half budget target, as lower grant receipts weighed on the overall revenue position.

Table 6: Total Revenue and Grants (2026 vs 2025) (Jan – June)

	January - June						
	2026	2026	2025	Variance			
	Target	Actual	Actual	2026 Target vs 2026 Actual		2026 Actual vs 2025 Actual	
	EC$M			EC$M	%	EC$M	%
Total Revenue and Grants	**670.0**	**628.3**	**647.6**	**(41.7)**	**-6.2%**	**(19.30)**	**-3.0%**
Total Revenue	**655.3**	**614.0**	**610.0**	**(41.3)**	**-6.3%**	**4.00**	**1%**
Tax Revenue	**512.0**	**478.0**	**463.8**	**(34.0)**	**-6.6%**	**14.20**	**3%**
Taxes on Income and Profit	105.1	101.9	100.0	(3.2)	-3.0%	1.90	2%
Taxes on Property	19.9	19.3	19.0	(0.6)	-3.0%	0.30	2%
Taxes on Goods & Services	112.9	112.2	107.6	(0.7)	-0.6%	4.60	4%
Taxes on International Transactions	274.1	244.6	237.2	(29.5)	-10.8%	7.40	3%
Non-Tax Revenue	**143.3**	**136.0**	**146.2**	**(7.3)**	**-5.1%**	**(10.20)**	**-7%**
Of which IMA Revenues	86.2	94.6	103.2	8.4	9.7%	(8.60)	-8%
Total Grants	**14.7**	**14.3**	**37.6**	**(0.4)**	**-2.7%**	**(23.30)**	**-62%**

Source: Ministry of Finance

First-Half Expenditure Actuals: 2026 vs 2025

Total expenditure increased by 16.2 percent, from EC$671.0 million during the first six months of 2025 to EC$780.0 million over the same period in 2026. The increase was driven by recurrent expenditure, which rose by 27.0 percent to EC$579.5 million.

Employee compensation increased by 9.1 percent to EC$182.7 million, supported by the ongoing employee regularisation policy and the completion of salary negotiations for several bargaining groups. Current transfers and subsidies increased more modestly, from EC$177.7 million to EC$180.0 million, mainly due to higher subventions and transfers to public sector institutions.

Expenditure on goods and services registered the strongest growth among the recurrent expenditure categories, more than doubling from EC$92.6 million to EC$191.7 million. The increase was largely attributed to higher spending on road maintenance, insurance on government property, furniture and equipment following Hurricane Beryl, and accommodation costs associated with the relocation of key government offices. Higher expenditure was also recorded for information and communication technology licences to support the implementation and maintenance of Government systems, including the new tax system.

Conversely, while capital expenditure was 6.6 percent lower than in the first half of 2025, it remained at historically elevated levels relative to the pre-Hurricane Beryl period. The sustained level of capital spending was associated with the advanced implementation of major public investment projects, including the Feeder Roads Project, the Grenada Education Enhancement Project, and Phase One of the Construction of the New Medical and Teaching Hospital. Capital spending also supported continued investment in initiatives such as asphalt works and the Community Mobilization Empowerment & Transformation (CMET) Programme, which aims to strengthen community capacity, promote economic empowerment, and reduce poverty.

First-Half Expenditure - 2026 Target vs Actuals

Relative to budget targets, total expenditure exceeded the amount programmed for the first half of 2026 by EC$26.6 million, or 3.5 percent. Consistent with the year-on-year trend, the variance was concentrated in recurrent expenditure, which exceeded its first-half allocation by EC$51.8 million, with goods and services accounting for the largest deviation.

Spending on goods and services was EC$65.8 million, or 52.3 percent, above its allocation, while current transfers exceeded the first-half target by 5.0 percent. These increases were partially offset by employee compensation, which remained EC$20.8 million, or 10.2 percent, below its allocation. Capital expenditure was also below the level programmed for the period, recording a shortfall of EC$25.2 million, or 11.2 percent.

The first-half outturn therefore points to recurrent expenditure as the main source of spending pressure in 2026, both relative to the previous year and against budget expectations, while capital expenditure remained below its programmed level.

Table 7: Total Expenditure 2026 vs 2025 (Jan-June)

	January - June						
	2026	2026	2025	Variance			
	Target	Actual	Actual	2026 Target vs 2026 Actual		2026 Actual vs 2025 Actual	
	EC$M			EC$M	%	EC$M	%
Total Expenditure	753.4	780.0	671.0	26.6	3.5	109.0	16.2
Recurrent Expenditure	527.7	579.5	456.4	51.8	9.8	123.1	27.0
Employee Compensation	203.5	182.7	167.4	(20.8)	-10.2	15.3	9.1

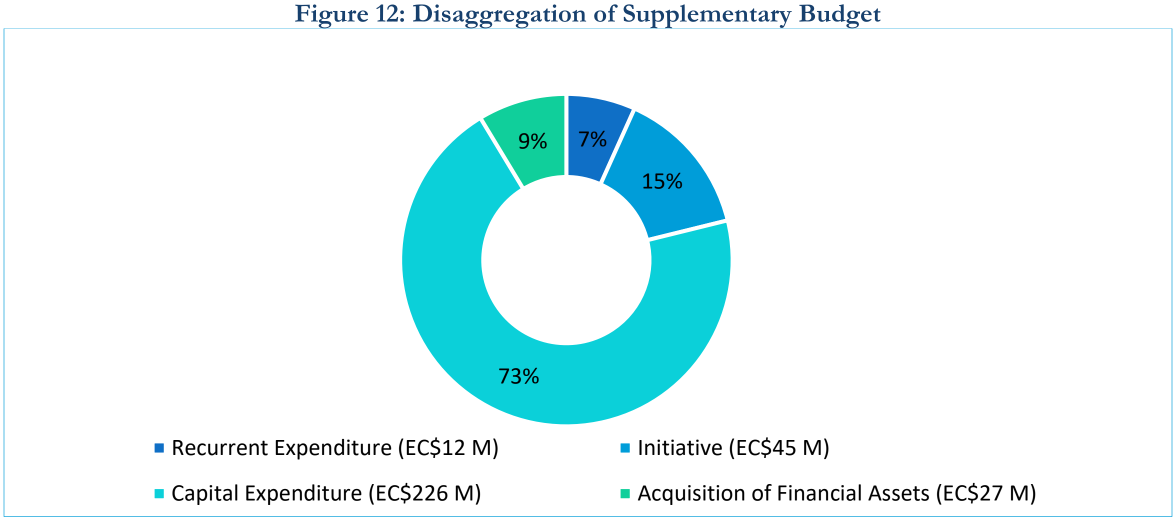
Wages, Salaries & Allowances	192.0	170.3	156.1	(21.7)	-11.3	14.2	9.1
Social Contributions	11.5	12.4	11.3	0.9	7.8	1.1	9.7
Goods and Services	**125.9**	**191.7**	**92.6**	**65.8**	**52.3**	**99.1**	**107.0**
Interest Payments	**26.9**	**25.1**	**18.7**	**(1.8)**	**-6.7**	**6.4**	**34.2**
Current Transfers	**171.4**	**180.0**	**177.7**	**8.6**	**5.0**	**2.3**	**1.3**
IMA Subvention		18.1	24.5	18.1		(6.4)	-26.1
Capital Expenditure	**225.7**	**200.5**	**214.6**	**(25.2)**	**-11.2**	**(14.1)**	**-6.6**
Of which Initiatives	80.8	76.9	-	(3.90)	-4.8	-	-

Source: Ministry of Finance

7.1 Supplementary Budget

Developments during the first half of 2026, including the accelerated implementation of several projects and the emergence of new expenditure requirements, have necessitated adjustments to the approved Budget. Accordingly, the Government intends to seek Parliamentary approval for Supplementary Estimates of approximately EC$310.9 million to provide the necessary authority to meet additional commitments and advance priority programmes and projects during the remainder of the year.

Figure 12: Disaggregation of Supplementary Budget



The Supplementary Estimates comprise approximately EC$226.5 million in capital expenditure, EC$45.3 million for initiatives, EC$12.1 million in recurrent expenditure and EC$27.0 million for the acquisition of financial assets. The additional provisions largely support the accelerated implementation of existing projects, the completion of ongoing commitments, and new priorities that emerged after the 2026 Budget was approved.

In particular, implementation of the Grenada Education Enhancement Project (GEEP) has progressed faster than initially anticipated, requiring additional provision to meet contractual obligations during 2026. Additional resources are also being provided for the Grenada Resilience Improvement Project (GRIP) and other ongoing infrastructure and development programmes where implementation and funding requirements have increased during the year.

The Supplementary Estimates also provide for the continued implementation of Hurricane Beryl recovery activities, particularly housing and infrastructure repairs and material assistance in Carriacou and Petite Martinique. This provision is intended to facilitate the completion of outstanding interventions as the Government moves towards winding down the dedicated Beryl response programme.

A major new component is the introduction of Design-Finance-Build (DFB) arrangements for priority road infrastructure, valued at approximately EC$161.0 million. Under this procurement approach, contractors undertake the design and construction of the identified roads while financing the works, with Government settling its contractual obligations over future periods in accordance with the agreed repayment terms. This arrangement is intended to facilitate faster implementation of priority road infrastructure while spreading the associated cash payments over time.

The Supplementary Estimates further respond to policy priorities that emerged during the year. These include the Cost of Living Assistance (COLA) Programme, which provides targeted and time-bound relief measures to cushion the impact of elevated food and energy prices. Additional provisions support housing, community development, water and sanitation, and other priority interventions. Provision is also made for a concessional lending facility through the Grenada Development Bank to expand access to affordable financing for housing, education, agriculture, MSMEs and other productive sectors.

Of the total Supplementary Estimates, approximately EC$29.8 million is expected to be financed from loan resources and EC$3.6 million from grants, while EC$277.5 million is classified as locally financed. However, the financing composition alone does not fully capture the fiscal impact of the Supplementary Estimates, as the underlying transactions have different implications for Government expenditure, cash flow and liabilities.

Fiscal Impact of Supplementary Budget

Accordingly, the fiscal impact of the EC$310.9 million Supplementary Estimates must be considered beyond the headline value. Of the total, approximately EC$161.0 million relates to the Design-Finance-Build (DFB) road programme and will not require an equivalent cash payment in 2026. Under this arrangement, contractors finance the works during construction, while Government recognises the associated obligation and makes payments over future periods in accordance with the contractual terms. The arrangement therefore limits the immediate cash impact in 2026 but creates future liabilities that must be incorporated into fiscal and debt planning.

Excluding the DFB arrangement, the Supplementary Estimates give rise to an immediate cash requirement of approximately EC$149.9 million in 2026. Of this amount, approximately EC$29.8 million will be financed from loan resources, which will provide additional financing for project implementation while increasing public debt and future debt-service obligations as the funds are disbursed. A further EC$3.6 million will be financed from grants, providing additional resources without creating repayment obligations.

The remaining EC$116.5 million in cash requirements will be financed from local resources, including available fiscal buffers and Government deposits. This amount includes EC$27.0 million for the acquisition of financial assets. While these transactions require financing and reduce Government's available cash when disbursed, they represent investments that create a corresponding financial asset or claim and are therefore not treated as expenditure in determining the fiscal balance.

Overall, the Supplementary Estimates will increase expenditure and financing requirements during the second half of 2026 and place some downward pressure on the projected fiscal balances. However, the immediate cash requirement is substantially below the EC$310.9 million headline amount, principally because of the deferred financing associated with the DFB programme. At the same time, additional loan disbursements and the obligations arising from the DFB arrangements will increase future debt and payment commitments, which will need to be accommodated within the Government's fiscal and debt framework.

7.2 Estimated Outturn for 2026

Estimated Outturn for 2026 vs 2025 Actual

Based on fiscal performance during the first six months of 2026 and anticipated developments over the remainder of the year, fiscal operations are expected to remain expansionary. The revised outlook takes into account the expected acceleration in the implementation of major projects and initiatives during the second half of the year, including additional provisions under the Supplementary Estimates. Against this backdrop, expenditure is projected to increase at a considerably faster pace than revenue relative to the 2025 outturn.

Total revenue and grants are projected at EC$1,320.9 million in 2026, marginally above the EC$1,308.0 million recorded in 2025. Total revenue is expected to increase by 6.3 percent, supported by stronger tax collections. Tax revenue is projected to increase by 9.1 percent to EC$1,003.5 million, although the pace of collections is expected to moderate during the second half of the year following the introduction of targeted, time-bound cost-of-living measures. These include the removal of VAT on electricity, two tax-free shopping days per month from August to October, and the removal of the Customs Service Charge on fuel used for electricity generation.

Non-tax revenue is projected at EC$277.8 million, 2.8 percent below the 2025 outturn. IMA receipts, which performed above target during the first half of 2026, are expected to remain broadly in line with the annual budget but are projected at EC$182.4 million, below the EC$192.3 million collected in 2025. Grant receipts are also expected to decline significantly, from EC$102.5 million in 2025 to EC$39.6 million in 2026. These developments largely offset the projected increase in tax revenue, resulting in only modest growth in total revenue and grants relative to 2025.

Total expenditure is projected to increase by 23.0 percent, from EC$1,508.4 million in 2025 to EC$1,855.7 million in 2026. Capital expenditure is expected to account for a significant share of this increase, rising by 37.5 percent to EC$692.0 million, as implementation accelerates on key priority projects, including the Grenada Education Enhancement Project (GEEP), the Grenada Resilience for Improvement Project (GRIP), continued Hurricane Beryl recovery activities and road infrastructure projects under Design-Build-Finance arrangements.

Recurrent expenditure is also projected to increase by 15.8 percent, driven largely by higher spending on goods and services and transfers. This includes expenditure associated with the Government's cost-of-living assistance package, including the EC$50 monthly electricity subsidy for households consuming 200 kWh or less, as well as increased contributions to regional institutions.

Despite the increase in recurrent expenditure, the current account is projected to remain in surplus at EC$117.6 million, albeit below the EC$200.4 million recorded in 2025. Taking into account the broader expansion in expenditure, including the significant increase in capital spending, the overall deficit is projected to widen from EC$200.4 million in 2025 to EC$534.8 million in 2026. Excluding interest payments, the primary deficit, including grants, is projected to increase from EC$60.8 million to EC$456.1 million. The weaker fiscal balances are therefore principally attributable to the expansion in expenditure, while total revenue and grants remain broadly in line with the 2025 outturn.

Estimated Outturn for 2026 vs 2026 Budgeted

Relative to the approved 2026 Budget, fiscal performance is expected to be weaker than initially projected, with expenditure exceeding budgeted levels while total revenue and grants are expected to fall moderately below target. The resulting primary and overall deficits are therefore projected to be wider than budgeted.

Total revenue and grants are projected to fall short of the Budget by EC$38.9 million, or 2.9 percent. Tax revenue is expected to be 3.3 percent below target, with the largest shortfall anticipated from taxes on international trade and transactions. This is partly associated with the cost-of-living measures introduced during the second half of the year. Non-tax revenue is also expected to fall slightly below budget, notwithstanding IMA receipts of EC$182.4 million, approximately EC$8.4 million above the annual budget provision. Grant receipts are projected to modestly exceed the budget estimate.

The larger variance is expected on the expenditure side. Total expenditure is projected to exceed the approved Budget by EC$186.8 million, or 11.2 percent, driven by higher recurrent and capital spending. Recurrent expenditure is projected to exceed budget by EC$71.9 million, with higher spending on goods and services and transfers more than offsetting lower-than-budgeted employee compensation and interest payments. Capital expenditure is projected to exceed its approved allocation by EC$114.8 million, or 19.9 percent, as implementation of major projects and initiatives accelerates during the second half of the year.

Consequently, the current account is expected to remain in surplus but fall below the budget target, at EC$117.6 million compared with EC$230.4 million budgeted. The combined effect of the revenue shortfall and higher expenditure is expected to widen the primary deficit, including grants, to EC$456.1 million, compared with the budgeted deficit of EC$228.6 million. Similarly, the overall deficit is projected at EC$534.8 million, compared with EC$309.1 million budgeted.

Financing the 2026 Estimated Outturns

Taken together, the projected revenue and expenditure outturns are expected to result in a larger financing requirement in 2026, consistent with the widening of the overall fiscal deficit. This requirement is expected to be met through a combination of existing fiscal buffers and borrowing, including the use of Government deposits, concessional financing from the World Bank and other development partners, and the drawdown of previously committed but undisbursed loans.

The increased drawdown of loan resources during the year will contribute to higher public debt and future debt-service obligations. Accordingly, the financing requirements associated with the 2026 fiscal expansion.

Table 8: Central Government's Estimated 2026 Fiscal Performance

				Variance			
	2025 Actuals	2026 Estimated Outturn	2026 Budget	2026 Budget vs 2026 Estimated Outturn		2026 Estimated Outturn vs 2025 Actual	
	EC$M	EC$M	EC$M	EC$M	%	EC$M	%
Total Revenue & Grants	**1,307.95**	**1,320.9**	**1,359.8**	(38.9)	(2.9)	12.9	1.0
Total Revenue	**1,205.45**	**1,281.2**	**1,322.2**	(40.9)	(3.1)	75.8	6.3
Tax Revenue	**919.76**	**1003.5**	**1,038.0**	**(34.5)**	**(3.3)**	**83.8**	**9.1**
Taxes on Income	196.64	208.7	212.5	**(3.8)**	**(1.8)**	**12.1**	**6.1**
Taxes on Property	30.15	35.3	35.9	**(0.6)**	**(1.7)**	**5.1**	**16.9**
Taxes on Domestic Goods & Consumption	196.86	210.4	211.1	**(0.7)**	**(0.3)**	**13.6**	**6.9**
Taxes on International Trade & Transactions	496.11	549.2	578.6	**(29.4)**	**(5.1)**	**53.0**	**10.7**
Non - Tax Revenue	**285.69**	**277.7**	**284.1**	**(6.4)**	**(2.3)**	**(8.0)**	**(2.8)**
o/w IMA Revenues	192.26	182.4	**174.0**	**8.4**	**4.8**	**(9.9)**	**(5.1)**
Grants	**102.50**	**39.6**	**37.6**	**2.0**	**5.3**	**(62.9)**	**(61.4)**
Total Expenditure	**1,508.35**	**1,855.7**	**1,668.9**	**186.8**	**11.2**	**347.3**	**23.0**
Primary Expenditure	**1,368.74**	**1,777.0**	**1,588.4**	**188.6**	**11.9**	**408.2**	**29.8**
Current Expenditure	**1,005.07**	**1,163.7**	**1,091.8**	**71.9**	**6.6**	**158.6**	**15.8**
Employee compensation	339.69	387.8	410.2	**(22.4)**	**(5.5)**	**48.1**	**14.2**
o/w wages, salaries & allowances	317.00	363.9	387.2	**(23.4)**	**(6.0)**	**46.9**	**14.8**
Goods and Services	183.91	324.4	254.5	**69.9**	**27.5**	**140.5**	**76.4**
Interest Payments	139.61	78.7	80.6	**(1.8)**	**(2.3)**	**(60.9)**	**(43.6)**
Transfers	333.37	372.8	346.6	**26.2**	**7.6**	**39.4**	**11.8**
Capital Expenditure	**503.28**	**692.0**	**577.2**	**114.8**	**19.9**	**188.7**	**37.5**
o/w Initiatives	-	212.5	206.7	**5.8**	**2.8**	**212.5**	**-**
o/w Grant financed	-	36.8	37.6	**(0.8)**	**(2.2)**	**36.8**	**-**
Current a/c Surplus (Deficit)	**200.38**	**117.6**	**230.4**	(112.8)	(49.0)	(82.8)	(41.3)
Overall balance	**(200.40)**	**(534.8)**	**(309.1)**	(225.7)	73.0	(334.4)	166.9
Primary balance (including grants)	**(60.79)**	**(456.1)**	**(228.6)**	(227.5)	99.5	(395.3)	650.3

Source: Ministry of Finance

8 Public Debt

Public sector debt continued on a downward trajectory during the first quarter of 2026. At the end of March 2026, the public sector debt-to-GDP ratio stood at 67.3 percent, down from 69.5 percent at the end of 2025. This represents continued progress towards the Fiscal Resilience Act (FRA) target of reducing public debt to 60.0 percent of GDP by 2035.

8.1 Central Government Debt

The stock of disbursed outstanding Central Government debt stood at EC$2,306.0 million at the end of March 2026, equivalent to 54.5 percent of GDP. This represents an increase from EC$2,218.2 million at the end of March 2025. Despite the increase in the nominal debt stock, the debt-to-GDP ratio remained broadly stable, supported by continued growth in nominal GDP.

8.2 Non-Guaranteed Debt of Statutory Bodies and State-Owned Enterprises

The non-guaranteed debt stock of monitored Statutory Bodies (SBs) and State-Owned Enterprises (SOEs) declined to EC$514.9 million at the end of March 2026, equivalent to 12.2 percent of GDP. This compares with EC$527.9 million, or 12.8 percent of GDP, at the end of March 2025. The debt was held across nine monitored entities and consisted primarily of long-term domestic loans.

Looking ahead, the public debt trajectory may experience a modest uptick during the remainder of 2026, partly associated with the recognition of liabilities arising from the Government's Design-Build-Finance road infrastructure programme. The programme is valued at approximately EC$160.0 million, equivalent to about 3.8 percent of GDP. The extent of the impact on the debt ratio will depend on the value of liabilities recognised by year-end, alongside other financing flows and movements in nominal GDP. Notwithstanding this near-term increase, the debt trajectory is expected to remain consistent with the Government's objective of reducing public debt to 60.0 percent of GDP by 2035.

9 Monetary and Financial Sector

Grenada's financial sector recorded a generally favourable performance during the first quarter of 2026, with improvements across several indicators within both bank and non-bank financial institutions. In particular, profitability across the non-bank subsectors improved during the first quarter. This favourable performance is expected to continue over the remainder of the year. Deposits remained robust, while credit expanded across various economic sectors.

The sector's regulatory anchors, namely; The ECCB and GARFIN continue to support institutional stability while ongoing legislative modernisation is expected to further strengthen the supervisory framework and support continued financial stability.

Notwithstanding this positive outturn, the sector's outlook for the remainder of 2026 is cautious, given continued geopolitical instability and its potential spillover effects on remittances and investor sentiment.

9.1 Detailed Analysis of Monetary Survey

According to data as of March 2026, Grenada's monetary system continued to expand during the first quarter, although the underlying drivers shifted relative to the previous year. Broad money (M2) increased by 3.8 percent to EC$3,613.6 million, supported primarily by stronger domestic developments as Net Foreign Assets (NFA) contracted by 4.5 percent to EC$2,798.9 million. The decline in NFA was largely associated with a 17.1 percent increase in external liabilities, while total claims on non-residents declined marginally by 0.3 percent.

The decline in NFA was concentrated within the commercial banking system. Commercial banks' liabilities to non-residents increased from EC$713.9 million to EC$835.8 million, while claims on non-residents declined marginally by 1.0 percent, from EC$2,578.3 million to EC$2,552.2 million. By contrast, the Central Bank's foreign claims increased by 1.5 percent to EC$1,082.7 million, partially offsetting the decline in the commercial banks' net foreign asset position.

Net Domestic Assets (NDA) rose sharply by 47.9 percent, from EC$550.9 million to EC$814.6 million, supported by a 26.3 percent expansion in domestic claims to EC$1,472.5 million. This increase reflected both a narrowing of the General Government's net creditor position with the banking system and stronger private sector credit. The Government's net creditor position narrowed by EC$146.3 million, from EC$967.1 million to EC$820.8 million. This movement was driven by a 15.5 percent decline in Government deposits held with the banking system, from EC$1,045.0 million to EC$883.2 million. At the same time, banking system claims on Government declined by 19.9 percent to EC$62.4 million. The narrowing of the Government's net creditor position therefore reflected a drawdown of accumulated deposits rather than increased Government borrowing from the domestic banking system.

Credit to the private sector increased by 7.9 percent to EC$2,226.4 million, although growth varied across borrower categories. Claims on non-financial corporations increased by 19.7 percent to

EC$786.6 million and accounted for a significant share of the overall expansion in private sector credit, consistent with the strong growth in business lending recorded by commercial banks. Credit to households and non-profit institutions increased more moderately by 2.4 percent to EC$1,439.9 million. Over the same period, household deposits grew by 4.2 percent, indicating that household deposits increased at a faster pace than household borrowing.

Narrow money (M1) grew by 1.7 percent to EC$1,760.2 million, representing a moderation from the double-digit growth recorded a year earlier. Transferable deposits increased by 1.2 percent to EC$1,513.4 million, while currency with the public rose by 5.1 percent to EC$246.7 million. By comparison, quasi money expanded more strongly by 5.8 percent to EC$1,853.4 million and accounted for the larger share of M2 growth during the period. The increase was broad-based across its components, with other deposits in national currency, predominantly savings and time deposits, rising by 4.1 percent to EC$1,472.5 million, while foreign currency deposits increased by 13.2 percent to EC$380.9 million.

Overall, monetary expansion during the first quarter of 2026 became more domestically driven, in contrast to the stronger contribution from net foreign assets in the previous year. The increase in net domestic assets was supported by the drawdown of Government deposits and continued expansion in private sector credit, particularly lending to non-financial corporations. Within the monetary aggregates, quasi money grew more strongly than narrow money, accounting for the majority of the increase in broad money during the period.

Table 9: Monetary Survey Extract

Indicator	March 2025	March 2026	% Var
Net Foreign Assets (NFA)	2,930.7	2798.9	-4.5
Net Domestic Assets (NDA)	550.9	814.6	47.9
Domestic Claims	1,166.1	1472.45	26.3
– Net Claims on General Government	-967.1	-820.8	15.1
– Claims on Private Sector	2,062.7	2,226.4	7.9
Broad Money (M2)	3,481.5	3,613.6	3.8
Narrow Money (M1)	1,730.5	1,760.2	1.7
– Transferable Deposits	1,495.7	1,513.4	1.2
– Currency in Circulation	308.8	318.1	3.0
– *Cash at Commercial Banks*	74.1	71.3	-3.7
– *Currency with the Public*	234.7	246.7	5.1
Quasi Money	1,751.1	1,853.4	5.8
– Other Deposits (EC$)	1,414.6	1,472.5	4.1
– Foreign Currency Deposits	336.5	380.9	13.2
Source: Eastern Caribbean Central Bank *(data extracted 9 July 2026)*			

9.2 Bank and Non-Bank Sector Developments

9.2.1 Commercial Banking Sector Developments

Grenada's commercial banking sector, consisting of three ECCB-regulated banks, entered 2026 in a stronger financial position than a year earlier, with improved asset quality, a firmer capital base, recovery in profitability, and stronger capital buffers even as deposits softened.

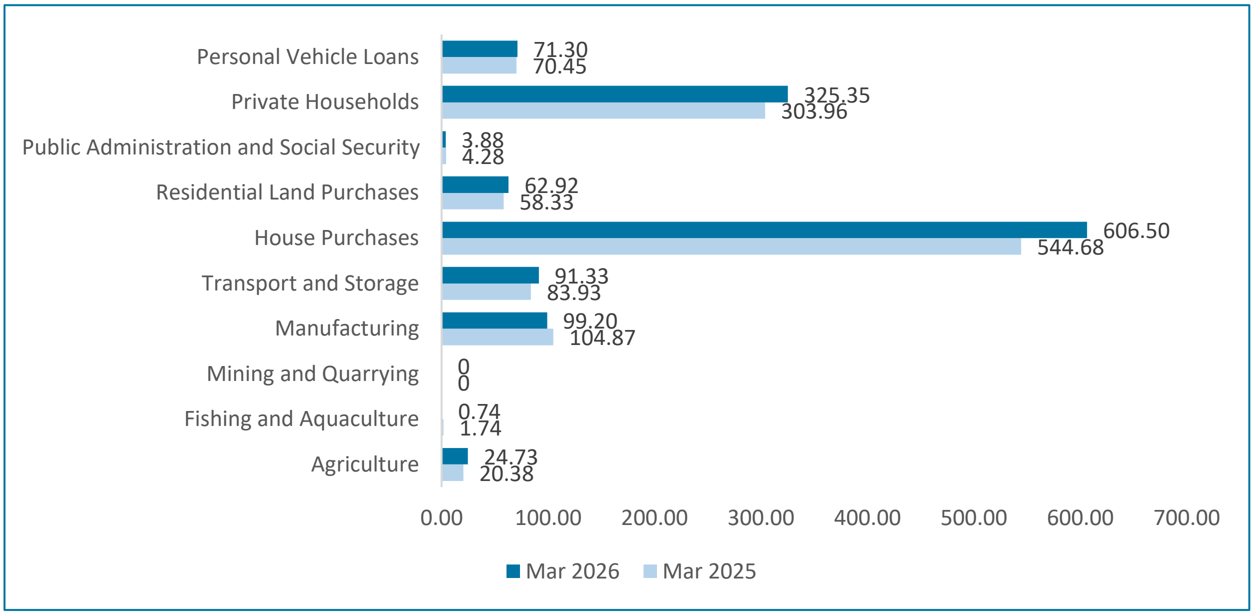
Total assets expanded modestly[1], rising 0.8 percent to EC$5,713.6 million from EC$5,670.1 million in March 2025. Growth was led by a 12.5 percent increase in investments to EC$1,824.9 million and an 8.4 percent rise in the gross loan portfolio to EC$2,637.3 million, together accounting for 31.9 and 46.2 percent of total assets respectively. Cash holdings eased 4.5 percent to EC$81.1 million, while specific provisions for impaired assets rose 24.5 percent to EC$105.0 million, highlighting greater desire to be well protected even as credit quality improved.

In terms of liabilities, total deposits fell 2.7 percent to EC$4,654.5 million from EC$4,786.0 million. This decline, however, was not broad-based. Central government deposits, which accounted for the majority, fell by 32.3 percent to EC$589.4 million. Household deposits grew 4.2 percent to EC$2,246.4 million and non-resident deposits rose 9.3 percent to EC$484.7 million. Conversely, resident deposits eased slightly to 89.6 percent of the total, from 90.7 percent a year earlier.

Loans grew 8.4 percent to EC$2,637.3 million, pushing the loan-to-deposit ratio up from 50.8 to 56.7 percent as more active credit intermediation continues, though signalling a narrower buffer between deposits and lending exposure. Lending stayed concentrated in real estate and construction; Construction and Land Development grew 12.6 percent to EC$799.9 million and Real Estate Activities rose 15.5 percent to EC$880.5 million, together accounting for 63.7 percent of total loans. Business credit expanded 19.7 percent; Agriculture and Fishing grew 15.1 percent and Transport and Storage 8.8 percent, while Accommodation and Food Services fell 9.1 percent and Manufacturing fell 5.4 percent. This expansion in loans signals a healthy business environment and more productive usage of funds given the business credit increase.

[1] data extracted 09 July 2026

Figure 13: Commercial Bank Loans by Economic Sector



Source: ECCB (data extracted 9 July 2026)

On asset quality, non-performing loans fell to 4.07 percent of gross loans, down from 4.51 percent and comfortably below the 5.0 percent threshold set by the ECCB. Provisioning coverage strengthened considerably, rising from approximately 77 percent in March 2025 to 98 percent in March 2026, and NPLs net of provisions as a share of capital fell sharply, from 6.9 to 1.5 percent, underscoring the adequacy of the sector's risk buffers.

Capital adequacy strengthened during the first quarter of 2026. Total regulatory capital increased from 14.3 percent to 15.4 percent of risk-weighted assets, while Tier 1 capital, the highest-quality component of regulatory capital, rose from 10.1 percent to 11.2 percent. Both ratios remained well above the ECCB’s minimum requirement of 8.0 percent.

Profitability also increased. Return on assets rose from 0.7 to 1.2 percent, and return on equity climbed from 7.7 to 11.4 percent, reversing the lower earnings recorded the year before.

Liquidity tightened marginally, consistent with loans growing faster than deposits. Liquid assets fell from 52.7 to 50.4 percent of total assets, and coverage of short-term liabilities from 58.9 to 57.4 percent. Nonetheless, both remain comfortably above prudential thresholds.

Table 10: ECCB Financial Soundness Indicators

Indicators – (Ratios)	March 2025	March 2026	Variance
Liquid Assets to Short-Term Liabilities	58.9	57.4	-1.5
Regulatory Capital to Risk-Weighted Assets (CAR)	14.3	15.4	1.1
Regulatory Tier 1 Capital to Risk-Weighted Assets	10.1	11.2	1.2
Return On Average Assets (Annualised)	0.7	1.2	0.5
Return On Average Equity (Annualised)	7.7	11.4	3.6
Liquid Assets to Total Assets	52.7	50.4	-2.3
Capital Assets	9.4	10.9	1.4
Large Exposures to Capital	20.4	17.1	-3.3
Residential Real Estate Loans to Total Gross Loans	44.3	47.3	3.0
Commercial Real Estate Loans to Total Gross Loans	12.7	12.5	-0.2
Source: Eastern Caribbean Central Bank *(data extracted 9 July 2026)*			

Interest rates changed minimally during the first quarter of 2026. The maximum savings deposit rate declined from 3.0 percent to 2.15 percent, while the minimum rate remained unchanged at 2.0 percent. Residential mortgage rates were also unchanged, ranging from 2.0 percent to 12.0 percent. Commercial lending rates recorded a modest decline at the lower end of the range, from 4.5 percent to 4.1 percent, while the maximum rate remained unchanged at 14.75 percent.

Overall, the financial sector entered the second quarter of 2026 better capitalised, more profitable and more adequately provisioned than a year earlier, providing a sound basis for continued stability over the remainder of the year.

Table 11: Prevailing Interest Rates

March 2026 Interest Rates	Minimum (percent)	Maximum (percent)
Banks' Prime Loan Rate	4.5	10.0
Residential Mortgage Rate	2.0	12.0
Commercial Mortgage Rate	4.1	14.8
Savings Deposit Rate	2.0	2.2
Time Deposit Rate (12 months)	0.0	2.0
		Source: ECCB (data extracted 9 July 2026)

9.2.2 Non- Bank Financial Sector Developments

Grenada's non-bank financial sector continued to expand in the first quarter of 2026, with total assets rising 5.3 percent year-on-year to EC$2.7 billion, up from EC$2.6 billion in March 2025. Growth was broad-based, led by insurance companies at 11.2 percent, followed by pension funds (5.8 percent), School Savings Unions (3.5 percent), credit unions (3.6 percent), and the Grenada Building and Loan Association (2.9 percent). The lone exception was micro-lenders, which contracted 7.9 percent to EC$17.6 million. Credit unions and insurance companies remained the two dominant pillars of the sector, together accounting for roughly 83 percent of total non-bank assets. Profitability strengthened across the board with credit union surplus rising 47.8 percent while insurance surplus more than doubled.

9.2.2.1 Credit Unions

Grenada's ten registered credit unions, split into four large, two medium, and four small institutions recorded total assets of EC$1,659.3 million as at March 2026, up 3.6 percent from EC$1,602.2 million a year earlier. Deposits grew modestly to EC$1,379.6 million, while net loans expanded to EC$1,255.5 million, pointing to steady credit demand across the membership base.

Profitability strengthened considerably, with the net surplus increasing by 47.8 percent to EC$8.8 million, from EC$5.9 million in the first quarter of 2025. This improvement was supported primarily by a 13.2 percent increase in interest income from loans, which reached EC$24.5 million.

Membership also continued to expand, growing by 3.9 percent to nearly 95,000 members. Lending remained concentrated in property acquisition, personal loans and private vehicle financing, which continued to account for the three largest loan categories, consistent with borrowing patterns observed in previous years.

Credit quality weakened marginally during the first quarter, with the delinquency rate for loans more than 90 days in arrears increasing from 6.1 percent to 6.4 percent. Despite this increase, the rate remained below the 8.6 percent recorded two years earlier, indicating an overall improvement in credit quality over the period.

Further improvements are anticipated following the integration of the four largest institutions with the Credit Bureau, which is expected during 2026. Greater access to borrowers' credit histories is expected to support more informed lending decisions and contribute to a reduction in delinquency towards the 5.0 percent prudential benchmark.

9.2.2.2 Money Service Businesses

Grenada has ten registered money services businesses, of which MoneyGram and Western Union recorded combined remittance inflows of EC$53.92 million during the first quarter of 2026. This represents an increase of 5.0 percent from EC$51.34 million recorded during the same period in 2025.

Remittance outflows remained broadly stable at EC$14.34 million, compared with EC$14.13 million a year earlier.

The United States remained the principal source of remittance inflows, accounting for approximately 63 percent of total receipts, followed by the United Kingdom and Canada. By contrast, the Philippines, Zimbabwe and the Dominican Republic were the leading destinations for remittance outflows during the quarter.

Looking ahead, developments in the United States could affect remittance inflows during the remainder of 2026. A 1.0 percent excise tax on outbound remittances funded by cash and similar physical instruments took effect on January 1, 2026, under the One Big Beautiful Bill Act. Given the significant share of Grenada's remittance inflows originating from the United States, the measure presents a potential downside risk to remittance flows. Its impact will be monitored as implementation progresses during the year.

9.2.2.3 *Insurance Companies*

The insurance subsector recorded a standout performance during the first quarter of 2026, with the net surplus more than doubling from EC$3.66 million to EC$8.47 million, representing an increase of 131.4 percent. Total assets also increased by 11.2 percent to EC$639.2 million. The improvement in profitability was supported by higher gross direct premiums across both general and long-term insurance, while claims increased marginally during the quarter. The sector also maintained strong capital positions despite elevated reinsurance costs.

9.2.2.4 *Pension Funds*

Grenada's pension sector continued to expand, with total pension assets increasing by 5.8 percent year-on-year to EC$312.2 million as at March 2026. At the end of 2025, there were 52 registered pension plans, of which 46 were active and six were inactive or being wound up, compared with 50 registered plans a year earlier. The continued growth in pension assets and registered plans points to the sector's expanding role in retirement provision and long-term institutional savings.

9.3 Financial Regulatory Developments

Several regulatory and legislative reforms continued to progress during the first quarter of 2026, aimed at strengthening oversight and modernising Grenada's financial sector.

Within the non-bank financial sector, revisions to the Insurance and Pension Bills remain ongoing, with enactment targeted before the end of 2026. The proposed Insurance Bill seeks to strengthen capital requirements within a harmonised ECCU regulatory framework, while the Pension Bill provides enhanced regulation and guidance for the pension sector.

Reform of the Cooperative Societies Act is also progressing. Proposed amendments include performance-based criteria for staff compensation, strengthened consumer protection provisions, and increased penalties for compliance violations. Although originally targeted for completion by December 2025, enactment remains pending and is expected during 2026.

GARFIN also introduced additional supervisory requirements for the credit union sector. Under a new directive, credit unions are required to obtain GARFIN's approval of loan-loss provisions calculated under IFRS 9 before institutional audits can be finalised. The measure seeks to strengthen oversight of credit-quality reporting and address identified weaknesses in Expected Credit Loss provisioning.

Regulatory oversight of insurance brokers has also been strengthened. Brokers are prohibited from extending credit to clients for periods exceeding six months. In addition, GARFIN is in the process of finalising prudential guidance on property underinsurance, amid increases in construction and replacement costs that may result in existing policy limits being insufficient to cover the full cost of rebuilding.

Progress continued on the Secured Transactions Framework, which seeks to broaden access to credit by strengthening the legal framework for the use of movable property as collateral. Following Cabinet's approval of the Secured Transactions Policy, drafting of the Security Interest in Movable Property Bill is progressing with technical support from the ECCB.

At the regional level, implementation of the ECCB-led Credit Bureau continued following its launch in August 2025. All three commercial banks and one major credit union have been onboarded, while broader integration across the financial sector is expected to continue over the next two years. The ECCB is also advancing consultations on the introduction of an Instant Payment System to facilitate real-time payments across the ECCU.

10 External Sector Developments

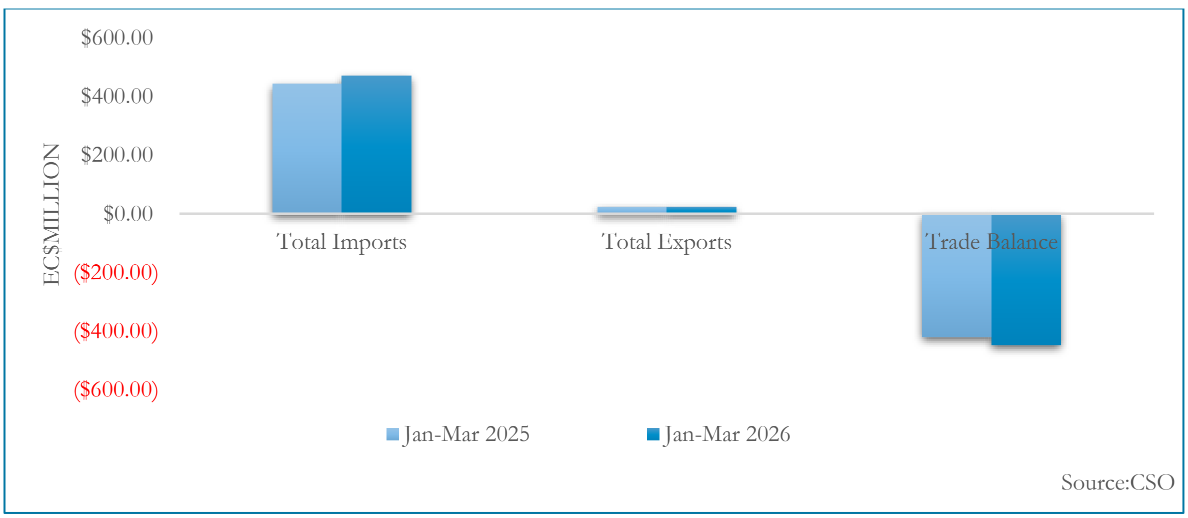
The global trade environment remains uncertain amid evolving trade policies, geopolitical tensions and shifts in global supply chains. Grenada faces spillover effects through movements in global commodity prices, shipping costs and demand in key tourism source markets. These developments are likely to increase import costs and maintain pressure on the country's external position. Against this backdrop, developments in Grenada's external position are assessed using available indicators across the current, capital and financial accounts.

10.1.1 Current Account

10.1.1.1 Trade in Goods

Grenada's merchandise trade deficit widened by 6.2 percent during the first quarter of 2026, increasing from EC$420.7 million in the first quarter of 2025 to EC$446.7 million. The widening resulted from a 6.1 percent increase in imports to EC$470.2 million, while exports rose more modestly from EC$22.7 million to EC$23.4 million.

Figure 14: Balance of Trade (Jan – Mar) 2026 vs (Jan – Mar) 2025



Grenada's top ten imports were valued at EC$165.7 million during the first quarter of 2026 and comprised mainly fuel, vehicles, food products, construction materials and technological equipment. Petroleum oils and related products remained the largest category, accounting for approximately 44.4 percent of the value of the top ten imports. This dependence on imported petroleum leaves Grenada highly exposed to fluctuations in international oil prices, with implications for transportation, production and electricity costs throughout the economy.

Other major imports, including passenger and commercial vehicles, cement, food products and technological equipment, facilitated consumption, investment and productive activity. However, Grenada's dependence on imported fuel, food and capital goods heightens its exposure to commodity-price movements, supply-chain disruptions and foreign exchange pressures. Government initiatives to strengthen food security, diversify energy sources and advance digital transformation may help reduce some of these vulnerabilities.

Table 12: Top 10 Imports by Statistical Value (Jan-Mar 2026)

TOP 10 Imports			
	CATEGORY*		STATISTICAL VALUE
1	Petroleum oils and oils obtained from bituminous minerals, other than crude	$	73,562,854.46
2	Motor cars and other motor vehicles principally designed for the transport of persons	$	24,242,195.77
3	Portland and other types of Cement	$	14,018,053.54
4	Meat and Edible Offal	$	10,220,031.41
5	Other furniture and parts	$	8,772,845.77
6	Food Preparations	$	7,614,530.02
7	Motor Vehicles for the transport of goods	$	7,547,494.66
8	Automatic data processing machines and units	$	7,158,821.57
9	Electric generating sets and rotary converters	$	6,294,368.45
10	Bread, Pastry, Cakes, biscuits and other bakers' wares	$	6,234,437.63
	* Most Categories were simplified for clarity and should not be confused with SITC sections		

On the export side, Grenada's merchandise exports were concentrated in agro-processed and manufactured products, together with agricultural and fisheries commodities. The top ten export products generated EC$19.1 million in earnings during the first quarter of 2026. Flour, animal feed and bottled water were the three largest categories, demonstrating the contribution of agro-processing and manufacturing to merchandise export earnings.

The production of flour and animal feed remains sensitive to changes in international commodity prices, particularly the cost of imported wheat. Higher wheat prices can raise production costs and weaken the competitiveness of these products in regional and international markets. Although Grenada exports a relatively varied range of goods, production remains small in scale because of the limited capacity of domestic exporting industries. Expanding productive capacity, improving market access and encouraging investment in export-oriented industries will be important for economic diversification, improved export performance and a stronger external trade position.

Table 13: Top 10 Exports by Statistical Value (Jan-Mar 2026)

TOP 10 Exports			
	CATEGORY*	STATISTICAL VALUE	
1	Wheat or meslin flour	$	4,230,187.03
2	Preparations of a kind used in animal feeding	$	4,122,219.33
3	Waters, including mineral waters and aerated waters	$	3,462,362.75
4	Paints and varnishes	$	2,059,592.18
5	Nutmeg, mace and cardamoms	$	1,543,487.65
6	Toilet paper and similar paper	$	1,139,174.87
7	Cocoa beans	$	802,927.51
8	Paints and varnishes (in non-aqueous medium)	$	719,828.20
9	Fish	$	543,135.97
10	Other fruit, fresh	$	488,941.68
	* Most Categories were simplified for clarity and should not be confused with SITC sections		

10.1.1.2 Trade in Services

10.1.1.2.1 Tourism Receipts

Tourism remains the principal source of Grenada's services export earnings. Although total visitor arrivals declined by 3.8 percent, visitor expenditure increased by 5.0 percent, or EC$13.2 million, during the first quarter of 2026. The increase was associated with stronger stayover arrivals, which generally generated higher expenditure than cruise visitors.

Tourism receipts are expected to strengthen over the remainder of 2026 as stayover activity improves. Higher tourism earnings, together with emerging exports from the creative industries, should contribute positively to Grenada's services balance and external position.

Table 14: Visitor Arrivals Jan-Mar 2026 vs Jan-Mar 2025

Tourist Arrivals	Jan-Mar 2025	Jan-Mar 2026	Absolute Change	% Change
Stay-over	48,723	54,565	5,842	12.0
Cruise	203,568	184,972	(18,596)	-9.1
Yachting	3,285	6,293	3,008	91.6
Total Arrivals	255,576	245,830	(9,746)	-3.8
Total Visitor Expenditure in EC$M	262.2	275.4	13.2	5.0
				Source: GTA, ECCB

10.1.1.3 Primary Income

Available indicators point to some moderation in Primary Income outflows during the first quarter of 2026, with foreign interest payments declining by 3.5 percent. Consequently, income paid to non-resident creditors was lower than in the first quarter of 2025, partially offsetting pressures within the current account.

Table 15: Interest Payments (Jan-Mar 2025 vs Jan-Mar 2026)

Investment Income (EC$M)	Jan-Mar 2025	Jan-Mar 2026	% Change
Interest Payments	10.4	9.8	-6.2
Local	1.9	1.5	-18.4
Foreign	8.5	8.2	-3.5
			Source: MoF

10.1.1.4 Secondary Income

Within the Secondary Income account, net remittances increased by 6.5 percent during the first quarter of 2026, supported by a 5.1 percent increase in remittance inflows, which exceeded the 1.4 percent increase in remittance outflows. However, current grants from non-residents declined sharply by 80.3 percent to EC$2.4 million, moderating the overall performance of the Secondary Income account and limiting the gains from stronger remittance inflows.

Table 16: Personal Transfers (Jan-Mar 2025 vs Jan-Mar 2026)

Personal Transfers (EC$M)	Jan-Mar 2025	Jan-Mar 2026	% Change
Net Remittances	37.2	39.6	6.5
Inflows	51.3	53.9	5.1
Outflows	14.1	14.3	1.4
Current Grants	12.2	2.4	-80.3
		Source: GARFIN, MoF	

10.1.2 Capital Account

The Capital Account recorded mixed results during the first quarter of 2026. Receipts from the Investment Migration Agency declined by 25.6 percent to EC$44.2 million, moving closer to historical levels. However, capital grants increased by 8.4 percent to EC$7.0 million, limiting the overall decline in capital receipts during the review period.

Table 17: Capital and Financial Account Indicators Jan-Mar 2025 vs 2026

Capital Account Indicators (EC$M)	Jan-Mar 2025	Jan-Mar 2026	% Change
IMA Receipts	59.3	44.2	-25.6
Capital Grants	6.4	7.0	8.4
		Source: MOF	

10.1.3 Financial Account

Alongside the increase in capital grant receipts, the Financial Account was influenced by stronger external borrowing associated with the implementation of externally financed public investment projects. External loan disbursements increased significantly from EC$2.7 million in the first quarter of 2025 to EC$27.3 million in the corresponding period of 2026. Although principal repayments also increased, from EC$11.1 million to EC$16.0 million, the increase in disbursements more than offset these repayments, resulting in a shift from a net external debt repayment position of EC$8.4 million in 2025 to a net external loan inflow of EC$11.3 million in 2026. Overall, developments within the Financial Account were consistent with increased external financing to support the Government's public investment programme.

Table 18: Financial Sector Indicators (Jan-Mar 2025 vs Jan-Mar 2026)

Financial Account Indicators (EC$M)	Jan-Mar 2025	Jan-Mar 2026
External Debt Disbursement	2.7	27.3
External Debt Principal Repayment	11.1	16.0
Net Disbursements	-8.4	11.3
		Source: MOF

As evidenced by developments in the current, capital and financial accounts, Grenada's external position will continue to be shaped largely by economic conditions among its key trading partners. These conditions have important implications for merchandise trade, tourism earnings, remittance inflows, foreign investment and external financing. The continued performance of the services sector, together with sustained remittance inflows, capital grants and external financing, will therefore remain important in supporting the country's external accounts. At the same time, prudent fiscal and debt management, alongside the mobilisation of concessional financing and foreign direct investment, will remain essential to maintaining external stability and supporting the Government's development priorities.

11 Economic Outlook

The global outlook remains uncertain as geopolitical tensions, evolving trade policies and continued trade fragmentation weigh on growth prospects across major economies. While global economic activity has remained relatively resilient, heightened uncertainty continues to influence commodity markets and inflation, posing risks to the global outlook for the remainder of 2026. Against this backdrop, Grenada's economic outlook for 2026 remains positive despite the less supportive external environment.

Real GDP is projected to expand by 3.3 percent in 2026. Headline inflation is forecast at 1.1 percent, supported by anticipated food inflation of 3.0 percent, while fuel inflation is expected to remain broadly unchanged at 0.03 percent. Over the medium term, economic growth is expected to strengthen to 4.3 percent in 2027 before moderating to 3.6 percent and 3.1 percent in 2028 and 2029, respectively. Meanwhile, headline inflation is projected to remain broadly contained.

Construction activity is expected to gather momentum during the remainder of 2026, emerging as one of the principal contributors to economic growth. Continued public infrastructure investment, private residential renovations and commercial developments will support activity across the sector, resulting in projected growth of 3.0 percent in 2026. Over the medium term, activity is forecast to accelerate further, anchored by Grenada's flagship public sector investment—the Climate-Smart Teaching Hospital—together with other major public and private sector developments. Accordingly, the sector is projected to expand by 15.2 percent in 2027 before moderating to 9.6 percent in 2028 and 5.5 percent in 2029 as major projects advance through their implementation cycles.

Tourism will remain a key pillar of economic activity throughout the remainder of 2026. The annual Carnival celebrations and the winter tourism season are anticipated to support visitor arrivals, accommodation services, food services and other tourism-related activities, contributing to projected sectoral growth of 1.9 percent in 2026. Over the medium term, ongoing hotel developments, continued enhancements to public infrastructure and the expansion of visitor attractions will increase room capacity, support longer visitor stays, enhance the visitor experience and further strengthen Grenada's competitiveness as a tourism destination. Consequently, the sector is projected to grow by an average of 1.8 percent over the period 2027–2029.

Stronger construction activity together with sustained tourism demand is expected to increase activity within the transport and storage sector during the remainder of 2026. Higher imports of construction materials and consumer goods should support cargo movements, while continued growth in visitor arrivals will strengthen passenger movements through the air transport subsector. As a result, the sector is projected to expand by 3.1 percent in 2026. Over the medium term, growth is projected at 2.8 percent in 2027 and an average of 3.3 percent during 2028–2029. Continued improvements to port infrastructure, together with efforts to address logistical bottlenecks will be important in facilitating higher cargo throughput, improving supply chain efficiency and sustaining the sector's growth trajectory.

Recovery within the agricultural sector is expected to continue throughout the remainder of 2026 as crop production gradually improves following the effects of Hurricane Beryl. Consequently, the sector is projected to expand by 2.5 percent in 2026. Looking ahead, continued public investment and further improvements in agricultural production are forecast to support growth of 2.5 percent in 2027, 3.6 percent in 2028 and 3.3 percent in 2029. These projections remain contingent upon favourable climatic conditions, which have historically caused significant damage to crop investment and agricultural output during periods of adverse weather.

Fisheries activity is anticipated to improve during the remainder of 2026 following the removal of the United States import restriction, which has allowed fisherfolk to resume access to this important export market. However, the decline recorded during the early part of the year is likely to outweigh these improvements, resulting in a modest contraction of **2.7 percent** in 2026. Over the medium term, capital investment, export diversification initiatives and continued improvements in fisheries data systems are expected to support renewed expansion, with the sector projected to grow by 2.8 percent in 2027 and average 3.9 percent over 2028–2029.

Despite continued global headwinds, positive growth is forecast for the wholesale and retail trade sector during the remainder of 2026. Government cost-of-living measures together with continued construction activity are anticipated to support domestic demand and offset some of the effects of the less favourable external environment, resulting in projected growth of 2.1 percent in 2026. Over the medium term, sustained construction activity, continued tourism expansion and strengthening domestic demand are expected to support further growth within the wholesale and retail trade sector, with output projected to expand by 5.0 percent in 2027 and average 4.5 percent during 2028–2029.

Manufacturing activity is likely to benefit from continued construction activity during the remainder of 2026, particularly within the chemicals and paint subsector. Overall manufacturing output is projected to expand modestly by 0.4 percent, led by chemicals and paint. Over the medium term, sustained production of beverages and tobacco, chemicals and paint, together with toilet paper manufacturing, is forecast to support average annual growth of 1.4 percent.

The financial sector is projected to remain supportive of economic activity throughout the outlook period. Continued expansion in private sector credit, improving labour market conditions, declining non-performing loans and ample liquidity within the banking system will provide a favourable environment for investment and broader economic activity.

Private education is expected to record modest growth during the remainder of 2026 as increased competition from international higher education institutions, together with changes to student financing arrangements under the One Big Beautiful Act, continue to moderate enrolment growth. The sector is projected to expand by 0.5 percent in 2026 and average 0.7 percent over the medium term.

The outlook for 2026 points to continued economic expansion, led primarily by construction and tourism, with positive spillover effects expected across transport and storage, wholesale and retail trade, manufacturing and other related service industries. Although risks to the outlook remain tilted to the downside, continued prudent fiscal management, strategic planning and effective risk management, will remain important to sustaining economic growth over the medium term, consistent with the development priorities articulated in the National Sustainable Development Plan 2035, the Medium-Term Action Plan and Vision 75.

12 Risks to the Economic Outlook

Grenada’s medium-term fiscal outlook remains vulnerable to external economic developments due to its highly open economy and reliance on tourism, remittances, and foreign direct investment. A slowdown in key source markets, particularly the United States and the United Kingdom, could weaken economic growth and reduce external inflows. Additionally, travel disruptions, adverse travel advisories, geopolitical tensions, and elevated oil and food prices could increase import costs, disrupt supply chains, and dampen tourism activity. These developments may place additional pressure on government spending and increase the likelihood of deviations from the baseline fiscal projections. Beyond these external factors, the fiscal outlook is also influenced by a range of domestic risks, including natural disasters, revenue uncertainty, policy implementation challenges, contingent liabilities, financial sector vulnerabilities, and risks associated with Government financing and project delivery arrangements. The discussion that follows examines the principal sources of fiscal risk and their potential implications for Grenada's fiscal outlook.

12.1.1 Natural Disaster and Climate Change Risks

Grenada faces significant fiscal risks from climate change and natural disasters due to its location within the Caribbean hurricane belt. The country's vulnerability to these shocks is further heightened by its characteristics as a Small Island Developing State (SIDS), including its narrow economic base and limited capacity to absorb and recover from major shocks. As the frequency and intensity of extreme weather events continue to increase, they are expected to place additional pressure on economic activity and public finances. This underscores the importance of continued investment in resilience-building and disaster risk management.

12.1.2 Citizenship by Investment (CBI) Revenue Risks

Citizenship by Investment (CBI) proceeds remain an important source of non-tax revenue but continue to face increasing external risks arising from heightened international scrutiny and evolving regulatory requirements. The European Union's ongoing efforts to encourage countries operating Citizenship by Investment schemes to phase out these arrangements, together with continued oversight by international organisations such as the OECD and the Financial Action Task Force (FATF), have the potential to affect the sector's competitiveness and revenue-generating capacity. A sustained decline in CBI receipts could adversely affect fiscal performance and fiscal sustainability. To mitigate these risks, the Government continues to strengthen the integrity and governance of the CBI framework through enhanced due diligence and strengthened regulatory oversight, including the establishment of the Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA). At the same time, continued efforts to strengthen domestic revenue mobilisation and diversify the economy will remain important in reducing fiscal dependence on CBI receipts over the longer term.

12.1.3 Policy Implementation Risks

Policy implementation risks remain moderate but continue to pose challenges to fiscal management and public sector performance. Weaknesses in policy costing, expenditure controls, tax administration and the timely implementation of approved policy measures may contribute to revenue shortfalls and expenditure overruns. Institutional capacity constraints, including limited technical expertise within the public sector and shortages of skilled labour in key industries, could also delay the implementation of capital projects and reduce the effectiveness of public investment.

12.1.4 Contingent Liability Risks

State-Owned Enterprises (SOEs) and Statutory Bodies (SBs) continue to present fiscal risks through contingent liabilities that may require Government support during periods of financial distress or following major external shocks. These risks arise primarily from Government guarantees and other obligations that could crystallise into direct fiscal liabilities, placing additional pressure on public finances and affecting fiscal sustainability.

12.1.5 Financial Sector Risks

The financial sector remains generally stable, supported by adequate liquidity and strong capital buffers. However, the concentration of credit within the real estate and construction sectors could increase vulnerability to borrower defaults, particularly following severe weather events. Additional risks include the need to strengthen financial inclusion, anti-money laundering and counter-terrorist financing (AML/CFT) frameworks, financial literacy and cybersecurity to support financial stability and address emerging digital and financial crime risks.

12.1.6 Public-Private Partnership (PPP) Risks

Public-Private Partnership (PPP) risks remain relatively low, as the Government's existing PPP arrangements, including those with Digicel and the Grenville Commercial Complex, do not currently pose significant fiscal risks. However, the Government's majority interest in the Grenville Commercial

Complex remains subject to commercial risks associated with rental income performance, occupancy levels and the recovery of its investment. The Government will continue to monitor these arrangements to ensure that any emerging fiscal exposures are identified and managed in a timely manner.

12.1.7 Design-Build-Finance (DBF) Procurement Mechanism

The Government has entered into Design-Build-Finance (DBF) arrangements valued at approximately EC$160.0 million for the rehabilitation and upgrading of priority roads, including the Maurice Bishop International Airport to "the Cliff" Road and the Eastern Main Road from "the Cliff" Road to Westerhall Point. These arrangements facilitate the accelerated delivery of critical infrastructure by integrating the design, construction and financing of the works within a single contractual framework, thereby facilitating more coordinated project implementation. Upon completion, the associated costs will represent financial commitments of the Government, to be settled over an estimated five-year period in accordance with the agreed repayment terms.

While the arrangements offer an alternative means of advancing major capital projects, the final cost and timing of the repayment commitments may be affected by approved variations, changes in project scope, delays in providing access to project sites and other contractual claims. The DBF contracts incorporate safeguards to manage construction and performance-related risks, including performance securities, insurance requirements, delay damages and provisions requiring contractors to remedy defects. However, continued oversight will remain necessary to manage matters that could alter the agreed project costs or implementation timelines. The Government will therefore continue to monitor project execution and contractual variations to support timely delivery and ensure that the arrangements remain within their agreed financial scope and repayment terms

12.1.8 Special Purpose Vehicle Arrangements

Special Purpose Vehicles (SPVs) are commonly established by governments to undertake specific and narrowly defined activities, such as implementing major infrastructure projects or managing particular assets or liabilities. The establishment of an SPV does not, in itself, give rise to fiscal risks. Rather, fiscal exposures arise from the entity's financing arrangements, contractual obligations and the extent to which Government ultimately bears the associated financial risks.

The Government has established Polaris Development Company Limited (PDCL), an SPV, solely to deliver the construction of Grenada's new climate-smart teaching hospital under Project Polaris. The project is being financed through an external loan to Central Government, the proceeds of which are on-lent to PDCL to finance the construction of the hospital. PDCL will not generate independent revenue streams or service the associated debt. Therefore, Central Government will remain responsible for meeting the loan's principal and interest obligations. Accordingly, the main fiscal risks do not arise from the SPV structure itself, but from the potential for project cost overruns, implementation delays or additional financing requirements that could increase the overall cost of the project. These risks will be managed through continued oversight of project implementation, contractual commitments and project expenditure to ensure that emerging fiscal pressures are identified and addressed in a timely manner.

Taken together, the risks outlined above underscore the importance of continued vigilance, timely policy responses and effective oversight. The Government will continue to strengthen its fiscal risk management framework through improved monitoring, stronger institutional arrangements and prudent fiscal management, while pursuing measures to mitigate broader risks to the economic outlook.

Table 19: ***Medium Term Assumptions***

Categories	2027-2029
Recurrent Revenue	All categories of tax revenue are assumed to grow in line with projected nominal GDP, except for tax revenue from international transactions (IT), which is expected to grow in line with the average growth of imports. Tax collections are expected to increase over the medium term, through tax base broadening and compliance through the Inland Revenue Division's new Gtax system, which accommodates all tax types. Property tax collections are expected to return to pre–Hurricane Beryl levels over the medium term, due to the resumption of payments from Carriacou and certain parts of mainland Grenada. Non-tax revenue, except for revenue from the IMA Programme, is also projected to move in line with nominal GDP. Estimates for IMA revenue is cautiously projected by the IMA Unit, considering the potential impact of the creation of new and competitive programmes by developed countries, tighter international regulatory controls and other associated risks to the Programme. These projections also reflect the various strategies expected to be implemented to enhance the Programme's attractiveness over the medium term.
Recurrent Expenditure	
Personal Emoluments, Wages, Salaries and Allowances	These expenditure categories reflect projected costs influenced by inflation and salary adjustments over the medium term
Social contributions to employees	
Goods & Services	Items under these categories are adjusted for inflation, except for transfers abroad. Expenditures on Goods and Services reflect several key initiatives, including the solarization of government buildings, enhancements to health care facilities and education. These account for the generally high cost of goods and services. Furthermore, provisions for changes over the period 2027 to 2029 have been incorporated.
Current transfers	
Interest payment	External and domestic interest payments reflect the conditions stated in the contractual agreement.
Capital Expenditure & Net Lending	
Grant financed	Capital expenditure over the medium term is driven by the Government's new and existing public sector investment plans that aligns with the Government's transformational agenda.
Non-Grant financed	

Prepared by the Ministry of Finance

Grenada

Date: August 2026

OPINION OF THE CABINET ON THE 2026 MID-YEAR REVIEW REPORT

The Cabinet at its meeting of 23rd August 2026, considered the 2026 Mid-Year Review Report and noted that the Grenadian economy has demonstrated resilience in the first half of 2026, despite a challenging international environment characterized by geopolitical uncertainty, elevated energy prices, supply chain disruptions, and slowing global growth. Cabinet also noted the positive performance of key sectors, particularly tourism, construction, and private investment, as well as improvements in labour market conditions, which have continued to support economic activity and post-Hurricane Beryl recovery efforts.

Cabinet further noted that fiscal policy has appropriately remained expansionary to support recovery, economic resilience, and national development priorities. Although tax revenues have increased and economic activity remains robust, expenditure pressures have exceeded original budget projections due to accelerated project implementation, recovery commitments, increased operational demands across Government, and emerging development priorities identified during the year.

Cabinet supports the proposed Supplementary Estimates and is of the view that they are justified for the following reasons:

1. **Acceleration of Priority Capital Projects**

- Implementation of major national projects, including the Grenada Education Enhancement Project (GEEP), the Grenada Resilience Improvement Project (GRIP), and other infrastructure programmes, has advanced more rapidly than originally anticipated, necessitating additional budgetary allocations to meet contractual and implementation obligations.

2. **Hurricane Beryl Recovery and Resilience Building**

○ Additional financing is required to complete housing repairs, infrastructure rehabilitation, and community recovery interventions in Carriacou and Petite Martinique and to ensure that recovery gains achieved to date are sustained. Cabinet considers continued support for affected communities a national priority.

3. **Road Infrastructure Development**

○ Cabinet endorses the introduction of the Design-Finance-Build road programme as a strategic mechanism to accelerate critical road rehabilitation and upgrading works while spreading financing obligations over future periods. Cabinet views investment in transport infrastructure as essential to economic competitiveness, productivity, and resilience.

4. **Cost-of-Living Relief Measures**

○ The Cabinet supports targeted interventions to mitigate the impact of elevated food, fuel, and transport costs on households. These measures are considered necessary to protect vulnerable citizens and maintain social stability while inflationary pressures persist internationally.

5. **Access to Development Financing**

○ Cabinet welcomes the proposed concessional lending support via the Grenada Development Bank to expand access to affordable financing for housing, education, agriculture, MSMEs, and other productive sectors. Cabinet notes that these interventions are expected to stimulate economic activity, create employment opportunities, and strengthen productive capacity.

6. **Digital Transformation and Government Modernisation**

○ Cabinet notes the increased expenditure on information and communications technology systems, including the modernisation of revenue administration and other critical government systems. Cabinet considers these investments necessary to strengthen public-sector efficiency, compliance, transparency, and service delivery.

Cabinet Recommendations

Cabinet is of the view that:

- The overall direction of fiscal policy remains appropriate in light of the Government's recovery, resilience, and development agenda.

- Ministries and Departments should continue to strengthen expenditure controls, procurement planning, project management, and implementation monitoring to ensure value for money and the timely delivery of approved projects.

- The Ministry of Finance should continue to closely monitor the fiscal implications of the supplementary estimates, particularly future liabilities arising from Design-Finance-Build arrangements, and ensure that implementation remains consistent with the government's medium-term debt-sustainability objectives.

- The Government should maintain its commitment to transparency, fiscal responsibility, and the planned return to the fiscal rules framework in 2027.

Cabinet therefore endorses the 2026 Mid-Year Review Report, supports its publication, and agrees that it be laid before Parliament together with the Supplementary Appropriation Bill, in accordance with the requirements of the Public Finance Management Act.