INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/85

EASTERN CARIBBEAN CURRENCY UNION

2026 DISCUSSION ON COMMON POLICIES OF MEMBER COUNTRIES—PRESS RELEASE AND STAFF REPORT

April 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV Consultation with member countries forming the ECCU, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on February 6, 2026, with the officials of the ECCU on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 31, 2026.
- An **Informational Annex** prepared by the IMF staff.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2026 Regional Consultation on Common Policies of Member Countries of the Eastern Caribbean Currency Union

FOR IMMEDIATE RELEASE

Washington, DC – **April 28, 2026:** The Executive Board of the International Monetary Fund (IMF) concluded the regional consultation[1] with member countries on common policies of the Eastern Caribbean Currency Union. The Board considered and endorsed the staff appraisal without a meeting.[2] The authorities have consented to the publication of the Staff Report prepared for this consultation.[3]

The currency union continues to serve as a strong anchor for macroeconomic stability in a shock-prone region, despite emerging pressures. Growth moderated to an estimated 2.8 percent in 2025, supported by construction but increasingly constrained by tourism capacity limits. Inflation eased further, tracking global fuel and food price trends ahead of the recent oil price shock. Public debt reduction has stalled at around 75 percent of GDP, well above the regional target of 60 percent to be achieved by 2035. Although large current account deficits persist—mainly financed by foreign direct investment—stable reserves and a strong currency backing ratio at the Eastern Caribbean Central Bank continue to underpin confidence in the currency arrangement. The financial system remains broadly stable, although legacy bank balance sheet weaknesses and uneven supervision in the nonbank financial sector persist.

Looking ahead, ECCU economies are expected to converge toward modest pre-pandemic growth rates. With renewed fuel and import cost pressures triggered by the war in the Middle East and tourism operating near capacity, regional growth is projected to slow to 2.4 percent in 2026. Growth is expected to ease further over the medium term, reflecting persistent productivity constraints, adverse demographic trends, and limited fiscal space for

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1 Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of these bilateral Article IV consultation discussions, staff hold separate annual discussions with the regional institutions responsible for common policies in four currency unions—the Euro Area, the Eastern Caribbean Currency Union, the Central African Economic and Monetary Union, and the West African Economic and Monetary Union. For each of the currency unions, staff teams visit the regional institutions responsible for common policies in the currency union, collects economic and financial information, and discusses with officials the currency union's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis of discussion by the Executive Board. Both staff's discussions with the regional institutions and the Board discussion of the annual staff report will be considered an integral part of the Article IV consultation with each member.

2 The staff report reflects discussions with the authorities during January 21-February 6, 2026, and is based on the information available as of March 31, 2026.

3 Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/[country] page.

public investment. Higher fuel and import costs are projected to raise regional inflation to 2.2 percent in 2026, before converging to 2 percent over the medium term, assuming current pressures prove temporary. Fiscal and external balances are expected to improve only gradually over the medium term and, absent additional adjustment, only about half of member countries are projected to meet the regional public debt target by 2035.

Risks remain tilted to the downside. Evolving trade and travel barriers, along with ongoing geopolitical tensions and the risk of higher and more sustained global oil prices, amplify longstanding structural vulnerabilities. These include heavy reliance on tourism and imports, exposure to global commodity price volatility and natural disasters, elevated public debt, and dependence on uncertain Citizenship-by-Investment inflows.

Executive Board Assessment[4]

Growth in the ECCU economies is estimated to have moderated to 2.8 percent in 2025. This was supported by ongoing construction and strong tourism performance, notwithstanding a slowdown in arrivals from strong post-pandemic recovery levels. Inflation continued to moderate in line with global fuel and food price trends. However, fiscal outcomes lagged economic performance, and union-wide public debt reduction has stalled. The external position continues to be assessed as weaker than the level implied by fundamentals and desirable policies, with elevated current account deficits financed largely by FDI inflows. Nonetheless, the ECCB's reserve position has remained stable and the currency backing ratio high. The financial system remains broadly stable but legacy balance sheet weaknesses and non-bank vulnerabilities persist.

Growth is projected to moderate further amid elevated downside risks. Real GDP growth is projected to slow to 2.4 percent in 2026 as higher fuel and other import costs triggered by the war in the Middle East weigh on activity alongside binding tourism capacity limits. Growth is expected to ease further over the medium term owing to weak productivity, adverse demographic trends, and limited fiscal space to sustain current levels of public investment. Heightened global uncertainty and geopolitical tensions—including the risk of higher and more sustained global oil prices—amplify the region's long-standing vulnerabilities stemming from heavy reliance on tourism and imports, exposure to global commodity price volatility and natural disasters, elevated public debt, and dependence on CBI inflows.

Strengthening union-wide institutional mechanisms to reinforce fiscal sustainability and resilience is a key policy priority. Uneven progress in public debt reduction, partly reflecting high exposure to recurrent external shocks and sizeable social and development investment needs, puts union-wide attainment of the 60 percent of GDP regional debt target by 2035 at risk. A collective commitment to time-bound operationalization of rules-based national fiscal frameworks, grounded in harmonized design principles, would strengthen fiscal discipline,

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[4] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

support sustained debt reduction, and better equip the union to navigate future shocks. This should be supported by enhanced peer review of fiscal performance at the ECCB Monetary Council, strengthening public accountability through the establishment of independent national oversight committees, clearer specification of the public debt target perimeter, and collaborative efforts to address data gaps and strengthen technical capacity underpinning macro-fiscal projections.

Deeper policy coordination would help preserve space for public investment and strengthen resilience. Rationalizing costly tax exemptions, especially in tourism, and strengthening social safety nets to reduce reliance on distortionary, untargeted fiscal responses to shocks would improve fiscal performance and efficiency. Policy responses to renewed fuel and other import price pressures should balance short-term mitigation with medium-term fiscal objectives without jeopardizing fiscal sustainability, be anchored in available fiscal space, and rely on targeted, temporary measures, supported by the development of more symmetric and rules-based retail fuel pricing frameworks. Lessons from the post-Hurricane Beryl financing framework underscore the value of layered risk management. Over time, greater centralization of fiscal accountability, funding, and risk-contingency mechanisms could future proof the union's resilience and development prospects. This would help underpin confidence once sovereign funding structures mature and impose greater market discipline on public finances, as well as create scope to overcome structural funding constraints stemming from limited scale and high shock vulnerability.

A more decisive supervisory stance would strengthen financial resilience. Enforcing full regulatory provisioning for long-dated NPLs and introducing a uniform time limit for write-offs would accelerate balance sheet repair. Strengthening ECAMC capacity and modernizing insolvency, debt enforcement, foreclosure, and real-estate cadaster frameworks would support recovery and disposal of impaired loans. Where necessary, the ECCB should mandate detailed, time-bound, and credible capital restoration plans, prudently assessing bank profitability constraints. Transition to the new Basel II/III regulatory framework should continue, complemented by targeted asset quality reviews and a strengthened resolution framework aligned with the forthcoming deposit insurance.

Oversight of non-banks must be strengthened. Prompt establishment of the ECFSB and expedited adoption of minimum prudential standards for credit unions are essential to limit regulatory arbitrage between bank and non-bank deposit-taking institutions and excessive risk-taking. In the interim, national authorities should strengthen capital and provisioning requirements, coordination on good supervisory practice, and legal supervisory and regulatory powers. Enhanced monitoring of insurance sector exposures, particularly for property-related risks, remains important.

Supporting sustainable credit growth requires complementary coordinated reforms. In addition to further progress in NPL reduction, broader participation in the regional credit bureau, improved access to finance for micro firms, and strengthened financial literacy initiatives would support financial intermediation. Faster credit growth in higher-risk sectors, such as real estate investment, warrants close prudential monitoring.

Union-wide acceleration of structural reforms is critical to lift growth potential. Addressing collective action challenges through stronger regional coordination can unlock productivity gains, reduce administrative burdens, and upgrade human and physical capital. Modernizing regional education and vocational training frameworks and easing labor mobility would help address skills shortages. Harmonized strengthening of CBI regimes under ECCIRA can safeguard these important investment inflows and better harness their economic benefits through greater accountability and transparency. Investment pooling mechanisms, including under RREIIF, could help overcome scale constraints and support energy diversification to lower-cost renewables.

Deeper regional trade integration offers a pathway to stronger growth and resilience. Near-term priorities include harmonized customs procedures, a unified single trade window, and mutual recognition agreements. Over time, updated trade agreements and strategic airlift and shipping investments can boost connectivity. These efforts should be paired with modernization of licensing, legal, and regulatory frameworks to support private sector development.

A more regional approach to data compilation and dissemination would help improve data adequacy. **Despite incremental improvements, significant gaps in n**ational accounts, external, and fiscal statistics somewhat hamper surveillance. A more regionalized approach to data compilation and dissemination would help address the underlying resource and capacity constraints. Greater transparency of CBI flows is critical to improve economic data accuracy and strengthen assessment of regional vulnerabilities.

ECCU: Selected Economic and Financial Indicators, 2021-2027 1/

	2021	2022	2023	2024	Est. 2025	Proj. 2026	Proj. 2027
	(Annual percentage change)						
Output and Prices							
Real GDP	6.7	11.9	3.9	3.5	2.8	2.4	2.3
GDP deflator	4.1	3.8	3.2	2.1	1.4	2.3	2.2
Consumer prices, average	1.7	6.5	4.0	2.1	1.4	2.2	2.1
Monetary Sector							
Net foreign assets	16.5	-0.1	9.6	10.5	2.4	1.7	2.2
Central bank	11.6	-4.8	5.4	6.0	1.5	-1.4	1.8
Commercial banks (net)	21.1	3.9	12.9	13.8	3.1	3.8	2.4
Net domestic assets	0.5	9.0	-3.4	2.4	8.6	9.9	8.4
Of which: private sector credit	1.5	1.6	3.6	7.3	5.9	4.9	4.7
Broad money (M2)	9.8	3.4	4.3	7.5	4.6	4.7	4.6
	(In percent of GDP, unless otherwise indicated)						
Public Finances							
Central government							
Total revenue and grants	30.6	29.9	30.1	31.5	29.7	28.5	27.9
Total expenditure and net lending	33.4	32.6	31.3	33.9	32.9	32.3	30.8
Overall balance 2/	-2.8	-2.7	-1.2	-2.5	-3.2	-3.8	-2.9
Excl. Citizenship-by-Investment Programs	-8.7	-9.3	-7.9	-8.6	-6.8	-7.0	-5.9
Primary balance 2/	-0.5	-0.3	1.1	0.2	-0.7	-1.3	-0.4
Total public sector debt	85.6	77.6	74.3	74.7	75.0	75.4	76.2
External Sector							
Current account balance	-18.2	-12.0	-11.3	-8.7	-10.6	-10.4	-9.1
Trade balance	-30.2	-33.4	-32.6	-31.3	-32.7	-34.1	-33.3
Exports, f.o.b. (annual percentage change)	31.5	40.5	2.7	14.1	-6.6	3.6	6.5
Imports, f.o.b. (annual percentage change)	15.2	29.7	4.6	2.8	7.1	8.5	2.8
Services, incomes and transfers	12.0	21.4	21.4	22.6	22.1	23.6	24.3
Of which: travel	20.5	34.7	38.4	41.1	39.7	40.3	41.0
External public debt	47.4	42.7	42.6	43.7	43.7	45.7	47.4
External debt service (percent of goods and nonfactor services)	15.4	10.3	9.2	9.1	10.2	10.6	10.5
International reserves							
In millions of U.S. dollars	1,952	1,869	1,972	2,087	2,118	2,090	2,130
In months of prospective year imports of goods and services	4.8	4.2	4.1	4.2	4.0	3.8	3.8
In percent of broad money	28.6	26.5	26.8	26.4	25.6	24.1	23.5
REER (average annual percentage change)							
Trade-weighted 3/	-2.7	3.6	-1.1	-0.7	...	...	...

Sources: Country authorities; and IMF staff estimates and projections.

1/ Includes all eight ECCU members unless otherwise noted. ECCU consumer price aggregates are calculated as weighted averages of individual country data. Other ECCU aggregates are calculated by adding individual country data.

2/ Projections include expected fiscal costs of natural disasters.

3/ Excludes Anguilla and Montserrat.

[Insert Selected Economic Indicators (SEI) Table here– otherwise delete page]

For digital posting, please submit press release with an editable table (no images) already inserted in Microsoft Word file to ensure that the data in the SEI table is displayed as prepared.]

INTERNATIONAL MONETARY FUND

EASTERN CARIBBEAN CURRENCY UNION

March 31, 2026

STAFF REPORT FOR THE 2026 DISCUSSION ON COMMON POLICIES OF MEMBER COUNTRIES

KEY ISSUES

Context. The currency union continues to anchor macroeconomic stability in a shock-prone region. Tourism has sustained post-pandemic growth while inflation has moderated in tandem with global trends. Member states' fiscal positions have not improved commensurately, however: the decline in union-wide public debt has stalled, putting achievement of the 2035 regional debt target at risk. The financial system remains broadly stable, but legacy balance-sheet weaknesses and vulnerabilities in the non-bank sector—where supervision remains fragmented—continue to pose challenges. Looking ahead, economic momentum is expected to slow amid higher fuel and other import costs, as well as persistent productivity and investment constraints and adverse demographic trends. Downside risks dominate in an environment of elevated global economic uncertainty, including from the ongoing war in the Middle East.

Policy advice. Common policies to strengthen economic, fiscal and financial resilience and alleviate structural constraints on growth are critical to reinforce the underpinnings of the currency union:

- **Fiscal Policy.** Firmer public debt reduction and greater shock-resilience require coordinated, union-wide operationalization of national fiscal frameworks that credibly align annual budgets with the regional debt target. Stronger fiscal coordination and accountability would support debt reduction efforts, help future proof fiscal resilience, and create space for growth-supporting investment.
- **Financial Sector Policies.** In the banking system, the Eastern Caribbean Central Bank (ECCB) should enforce adequate loan-loss provisioning, ensure robust capitalization, and advance Basel II/III implementation. Other priorities include strengthening the financial safety net, establishing common prudential standards for nonbanks, accelerating non-performing loan (NPL) resolution, and advancing regional and national reforms to support financial intermediation.
- **Structural Policies.** Improving connectivity and competitiveness would boost trade, enhance resilience, and lift medium-term growth. Reforms should also prioritize business productivity, alleviate labor mobility challenges to address skills gaps, and strengthen regional frameworks to scale up productive, efficient capital investment.

Approved By
Ana Corbacho (WHD) and Tokhir Mirzoev (SPR)

The mission team comprised Christoph Duenwald (head), Sergei Antoshin, Christopher Faircloth, Chao He, Janne Hukka (all WHD), and Goesta Ljungman (MCM). Sylvia Gumbs (OED) participated in the mission meetings. Additional analytical inputs were provided by JaeBin Ahn, Junghwan Mok, David Moore, Peter Nagle, Josefine Quast, Qingyu Tao, and Hou Wang (all WHD). Eliana Porras Herrera and Spencer Siegel (both WHD) assisted in the preparation of the report. Over mission dates January 21 – February 6, 2026, the team held in-person meetings with the Eastern Caribbean Central Bank (ECCB), the Organization of the Eastern Caribbean States (OECS) and the authorities of four ECCU member jurisdictions (Antigua and Barbuda, Grenada, St. Kitts and Nevis, and St. Lucia), as well as virtual meetings with the other ECCU member authorities (Dominica, St. Vincent and the Grenadines, and the British Overseas Territories of Anguilla and Montserrat). Both in-person and virtual meetings were also held with other public and private sector representatives as well as regional multilateral stakeholders. The concluding meeting was held virtually with the ECCB and representatives from each ECCU member state on February 6, 2026. Further written engagement with the ECCB took place in March 2026 to discuss revisions to the outlook and staff projections in light of the war in the Middle East.

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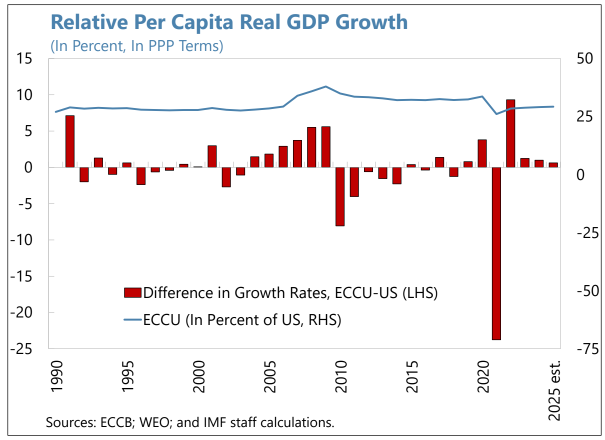
CONTEXT

1. **The currency union has helped anchor macroeconomic stability, but vulnerabilities and structural impediments weigh on prospects for resilient growth.** The Eastern Caribbean Currency Union (ECCU) has supported a fourfold increase in regional output since its inception, but growth has steadily lost momentum—halting income convergence—reflecting weakening productivity and slowing human and physical capital accumulation. The region remains highly exposed to shocks due to its natural disaster (ND) vulnerability and concentrated trade flows. High debt burdens limit scope for strategic public investment—in a few cases contributing to reliance on uncertain citizenship-by-investment (CBI) revenues to fund development—while financial intermediation has been subdued amid long-standing asset quality weaknesses. Persistent fiscal and external imbalances pose risks to macroeconomic stability and, more broadly, the resilience of the currency union.



Key Vulnerabilities of ECCU Countries

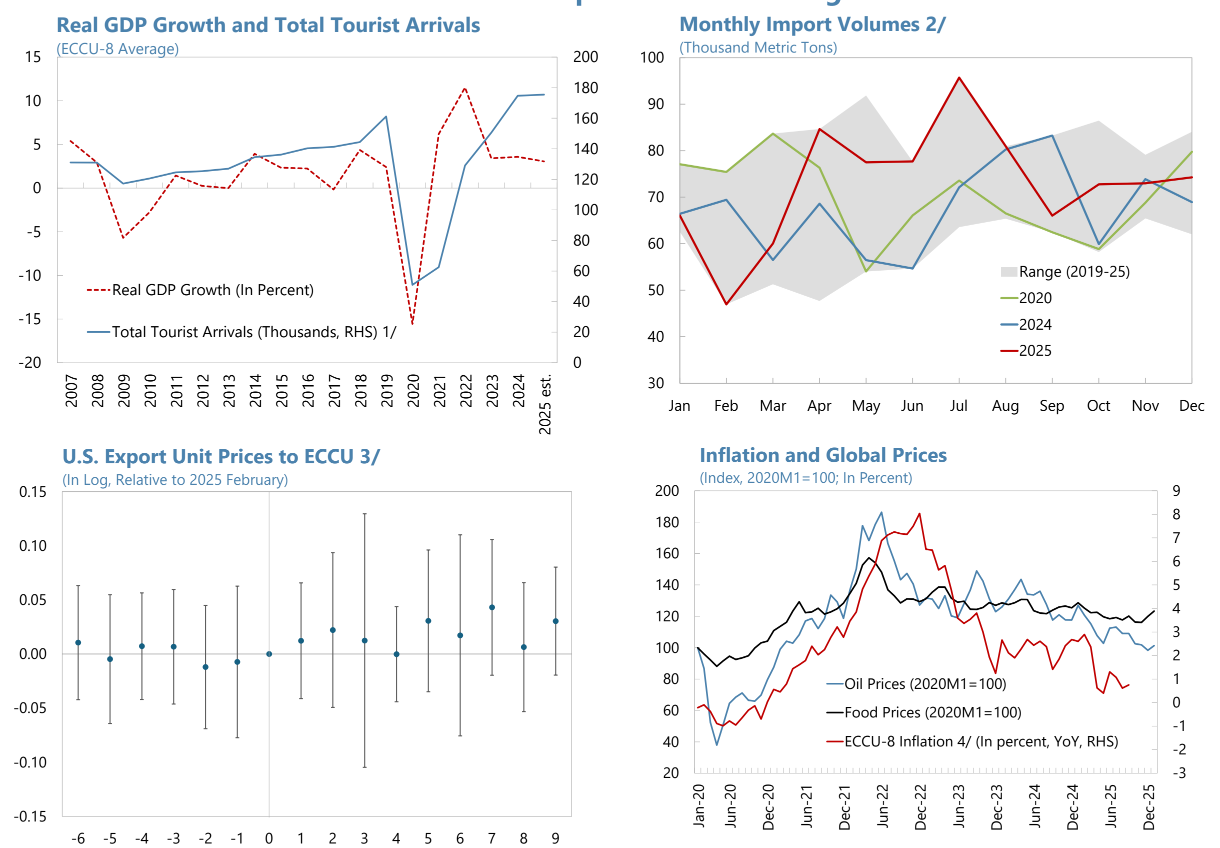
	Energy Dependence (Fossil Fuel Imports)	Natural Disaster Total Damages 2000-24	Public Debt	Current Account Deficit	CBI Revenue Share in Total Non-Grant Revenue	Banking Sector NPL Ratio	Old-age Dependency Ratios	
	(In Percent of GDP)				(In Percent)			
	2025	Annual Average	2025	2025	2025	2025	2025	2085
Antigua and Barbuda (ATG)	5.2	0.7	69.7	11.6	11.5	3.4	17.6	63.1
Dominica (DMA)	7.2	14.0	105.8	38.0	59.0	8.9	19.1	46.3
Grenada (GRD)	5.9	6.8	71.6	17.8	19.2	4.1	18.5	65.8
St. Kitts and Nevis (KNA)	8.9	0.1	58.4	14.6	18.1	15.8	16.8	50.2
St. Lucia (LCA)	6.3	0.2	77.9	4.6	3.3	8.5	13.7	56.6
St. Vincent and the Grenadines (VCT)	3.2	3.9	113.1	20.1	…	4.5	18.3	47.8

Sources: Country authorities; EM-DAT, WEO; UN Population Projections; and IMF staff calculations.

RECENT DEVELOPMENTS[1]

2. Average regional growth is estimated to have moderated to 2.8 percent in 2025. Tourist arrivals in 2025 remained well above pre-pandemic levels, though their growth moderated amid capacity constraints. In some countries, arrivals edged down, reflecting normalization after the exceptional levels recorded in 2024. Construction continues to support economic activity, especially in Antigua and Barbuda and Grenada. The direct impact of shifts in U.S. trade policies on the region has been limited so far, as they do not apply to its main export, tourism. Broadly stable import volumes also point to steady domestic demand. Inflation continued to moderate through 2025, closely tracking global commodity price developments ahead of the recent global oil price shock.

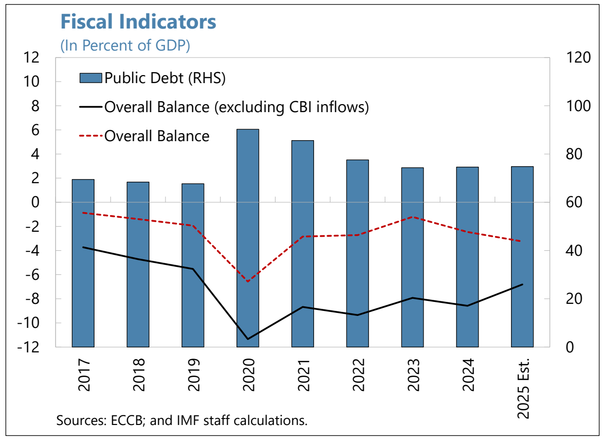
Economic Developments in ECCU Region



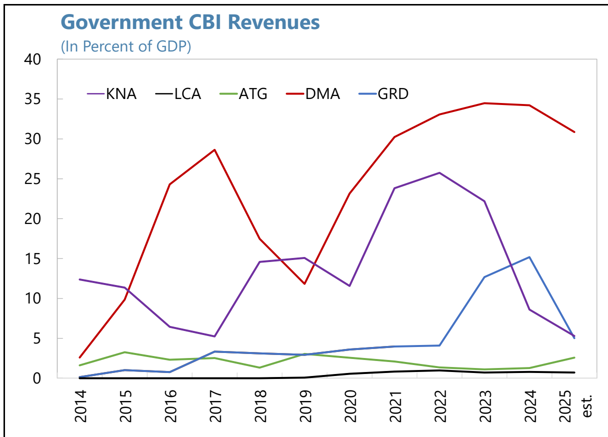
Sources: Country authorities; ECCB; WEO; FAO Stat; and IMF staff calculations.
1/ 2025 is annualized from monthly data from January 2025 to September.
2/ Figure shows cargo imports only.
3/ Each dot represents the average relative export unit price of products shipped to ECCU, normalized to zero in February 2025. Vertical lines indicate 95 percent confidence intervals. They are the estimated coefficient β_t on the time dummies from regression $\ln P_{fob,dst} = \sum \beta_t I_t + F_d + F_s + \varepsilon_{dst}$ using the sample of ECCU countries as destination, where d is destination country, s is HS10-level goods and F is country fixed effect.
4/ GDP-weighted CPI inflation, 2024 GDP used is estimated values.

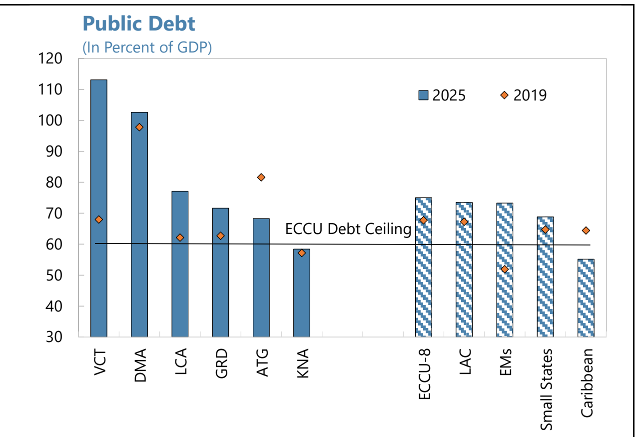
[1] This is a report on the annual consultation discussions with the regional institutions responsible for common policies in the ECCU pursuant to the Decision on the Modalities for Surveillance over ECCU Policies in the Context of Article IV Consultations with Member Countries (Decision No. 13655-(06/1), January 6, 2006, as amended). Throughout the report, the term “authorities” refers to the Eastern Caribbean Central Bank and the national authorities of the ECCU members responsible for policies of common interest. Annex II discusses recent developments and outlook specific to the British Overseas Territories of Anguilla and Montserrat that are not IMF members.

3. The reduction in the public debt ratio has stalled well above the regional target. Deterioration in the ECCU's aggregate fiscal position primarily reflects continued high capital spending and weakening CBI revenue, reflecting demand shifts and normalization of recent exceptional inflows. The ECCU's total public debt, estimated at 75 percent of GDP at end-2025, remains above its pre-pandemic level and progress toward the 2035 60 percent of GDP regional target has stalled.



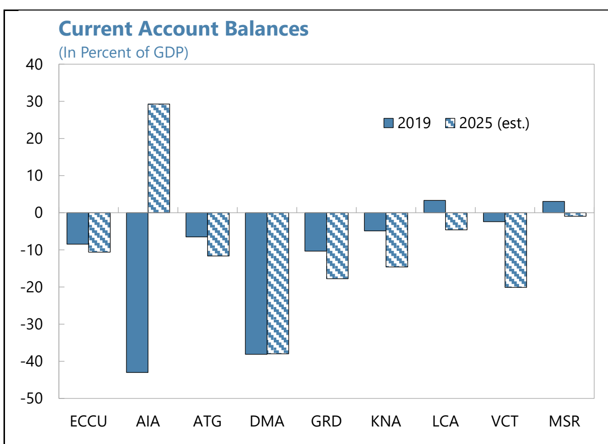
Sources: ECCB; and IMF staff calculations.

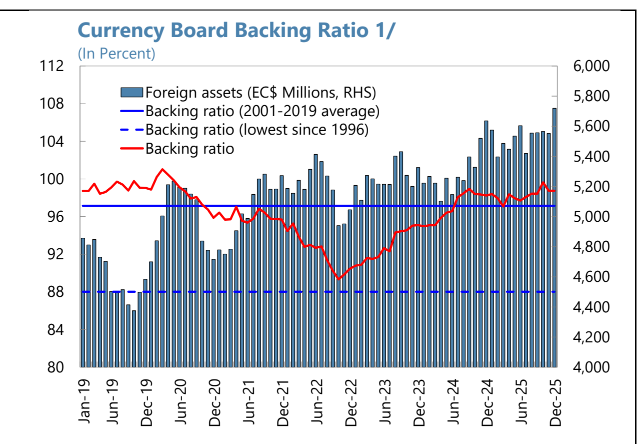




Sources: Country authorities; and IMF staff estimates.
Note: EMs aggregate is EMDEs excl. LICs.

4. Reserves at the ECCB have remained stable despite persistent high current account (CA) deficits largely financed by FDI. The currency backing ratio remains similarly strong and close to historical average levels. The ECCU aggregate CA deficit is estimated to have widened to around 10.6 percent of GDP in 2025, reflecting moderating tourism growth and higher imports (Figure 1). The overall external position is assessed to be weaker than the level implied by fundamentals and desirable policies (Annex III).

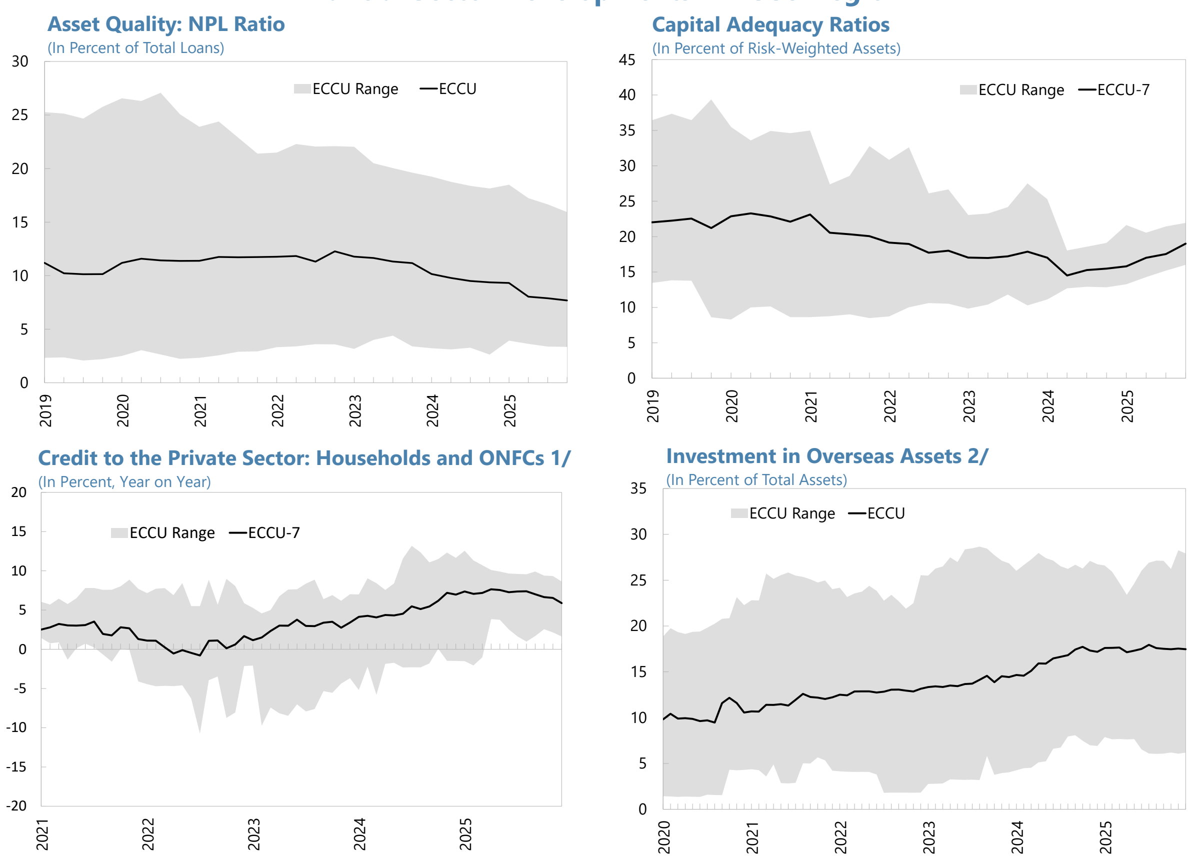




Sources: ECCB; and IMF staff calculations.
1/ Defined as foreign assets divided by demand liabilities.

5. The financial system remains stable, but balance-sheet vulnerabilities persist (Figures 2 and 3). Bank asset quality continues to improve, with the system-wide NPL ratio declining to 8 percent in 2025, reflecting both a 22 percent decline in nominal NPLs and 17 percent credit growth over the period. Nevertheless, only one-fifth of banks meet the ECCB's 5 percent benchmark. Loan-loss provisioning increased to 87 percent, with nearly all banks complying with the ECCB's 60 percent requirement for total NPLs. Capital ratios remain broadly stable and above applicable regulatory minima, including bank-specific requirements imposed by the ECCB based on individual institutions' size and risk profiles. Profitability has recovered to near pre-pandemic levels, supported by stronger (overseas) investment income. Bank credit growth has strengthened from a low base, led by construction and real estate lending, including investment properties. Nonetheless, banks' foreign investment exposures have also continued to rise, reflecting abundant liquidity and compressed local interest margins, alongside still-elevated sovereign exposures in some banks. The credit union (CU) sector has maintained rapid asset expansion, with wide variations in NPLs, provisioning coverage, and capital ratios.

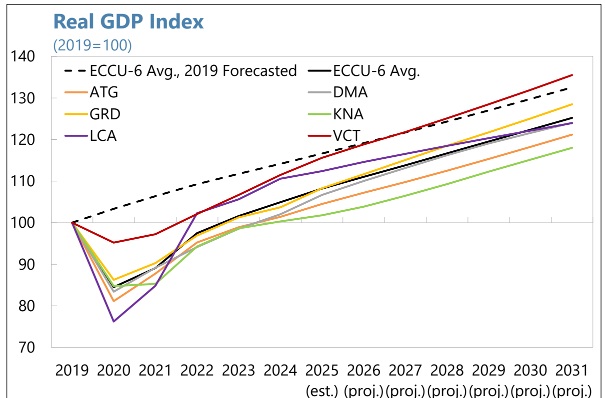
Financial Sector Developments in ECCU Region



Sources: ECCB MFS; ECCB BBB; and IMF staff calculations.
Note: ECCU-7 refers to average ECCU value excluding Montserrat due to data issues.
1/ ONFCs refers to Other Nonfinancial Corporations.
2/ 2020M4 Overseas investment in non-CARICOM countries data for Dominica is supplemented with 2020M3 data.

OUTLOOK AND RISKS

6. **Growth is expected to moderate to low pre-pandemic averages as members approach supply capacity and complete ongoing infrastructure projects.** Growth is projected to decelerate to 2.4 percent in 2026, amid renewed import price pressures from the recent global oil price shock, including higher energy, transport, and tourism-related costs, triggered by the war in the Middle East, and then slow further to pre-pandemic averages of about 2.2 percent over the medium term. Tourism is operating near full utilization while capacity-enhancing investment is expected to slow amid tight fiscal space. A shrinking labor force and gaps in human capital compound medium-term growth challenges, alongside structural inefficiencies—such as labor market frictions, weak financial intermediation, and barriers to innovation—that suppress productivity. Projected growth remains well below what would be needed to achieve the authorities' ambitious "Big Push" goal of doubling output in a decade. Higher fuel and other import costs are projected to raise regional inflation to 2.2 percent in 2026, before converging to 2 percent over the medium term under the baseline assumption that current pressures prove temporary.



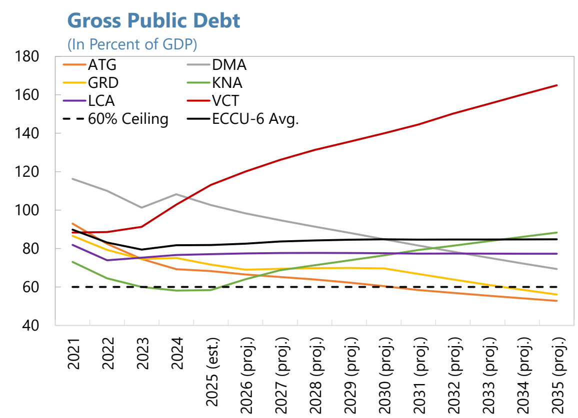
Sources: Country authorities; *World Economic Outlook* database; and IMF staff calculations.

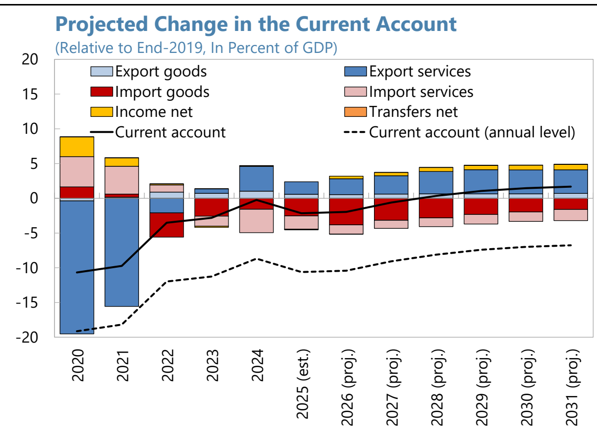
7. **The narrowing of aggregate fiscal and external imbalances is projected to remain slow.** Despite a projected moderation in capital spending across the union over the medium term, overall fiscal adjustment plans remain modest, and in some countries—notably St. Vincent and the Grenadines and St. Kitts and Nevis—the fiscal outlook has substantially deteriorated.[2] While the latter developments are not expected to have a material impact on union-wide macroeconomic stability, union-wide public debt is projected to remain at around 75 percent of GDP through 2030. Barring further adjustment efforts, only half of union members are projected to meet the regional public debt target of 60 percent of GDP by 2035.[3] Renewed import cost pressures are projected to keep the ECCU CA deficit elevated at around 10½ percent of GDP in 2026, delaying the expected

[2] In St. Vincent and the Grenadines, the higher than previously projected fiscal deficits reflect a continued deterioration of the fiscal position. While the government elected in November 2025 favors a moderate fiscal expansion in the near term, it has affirmed its strong commitment to debt reduction over the medium term. The 2026 budget passed in February envisages a 19 percent of GDP deficit, extending the trend of rapidly rising public debt. The large deficits in recent years reflect high capital and current spending associated with the lingering effects of the pandemic, two major natural disasters, and the implementation of major infrastructure and other projects. In St. Kitts and Nevis, the higher fiscal deficits predominantly reflect a slower adjustment to the abrupt decline in CBI revenue over 2024-25.

[3] Although the adjustment to meet the debt target would represent further potential headwinds to growth, the impact can be mitigated by protecting public investment. Fiscal consolidation multipliers—particularly those associated with government consumption—are generally estimated to be small and short-lived in small island developing states, including the Caribbean. See for instance IMF WP/19/72, IMF WP/13/117 and Chapter 8 in Caribbean Renewal – Tackling Fiscal and Debt Challenges.

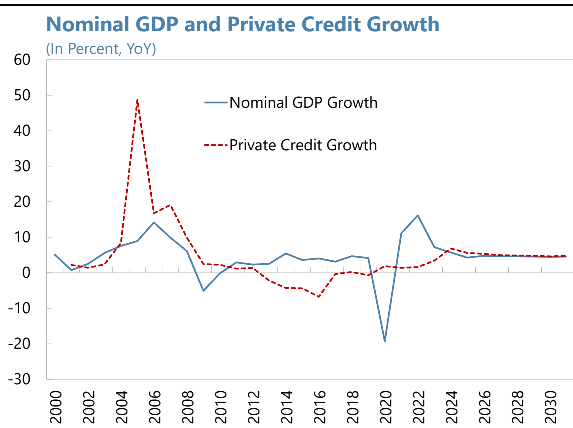
narrowing over the medium term with the moderation in import-intensive infrastructure projects and some expansion in tourism capacity. Although CA deficits will remain elevated in several members, they partly reflect import-intensive use of high tourism-related FDI and development-partner investment inflows.

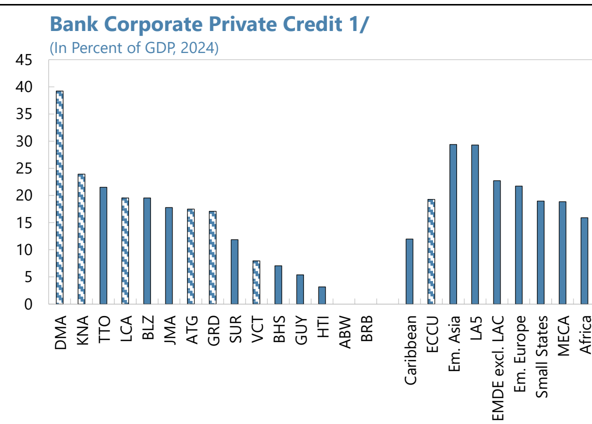




Sources: Country authorities; WEO; and IMF staff calculations.

8. Credit growth is expected to remain broadly in line with nominal GDP supported by ongoing reforms and initiatives to improve asset quality and credit growth. However, the credit gap remains negative and is expected to narrow only slightly, leaving the ECCU corporate credit-to-GDP ratio below most emerging market comparators.





Sources: ECCB; IMF MFS database; and IMF staff calculations.
1/ Aggregates are PPP-weighted averages. LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); EM Asia = emerging markets Asia (China excluded); EM Europe = emerging markets Europe; MECA = Middle East and Central Asia; SSA = Sub-Saharan Africa. No data for Aruba and Barbados.

9. Downside risks dominate amid elevated global economic uncertainty (Annex IV). Heavy reliance on a narrow set of tourism and import source markets—particularly the U.S.—heightens exposure to external slowdowns, trade disruptions, and global price volatility. Higher global oil prices, particularly if sustained longer, would further raise import costs, slow the projected external adjustment, exacerbate inflationary pressures, weigh on tourism activity through higher airfares, and complicate debt reduction efforts. The fiscal impact would depend on the authorities' response, including measures to contain the pass-through to retail fuel prices and ease cost-of-living pressures.[4] Dependence on tourism-related FDI and banks' growing reliance on overseas investment income increase vulnerability to tighter global financial conditions. Heightened scrutiny of CBI programs could weaken investment and fiscal revenues, while the financial system's long-standing vulnerabilities are assessed to pose low-to-medium systemic risk (Systemic Risk Assessment). Evolving trade and travel barriers and rising global and regional geopolitical tensions can amplify these vulnerabilities, while natural disaster risks remain ever-present. Stronger-than-expected tourism and construction activity represent upside risks.

Box 1. Impact of the Global Oil Price Shock on the ECCU

The ECCU economies are highly dependent on imported fossil fuels, a key source of macroeconomic vulnerability. Imported oil products account for 96 percent of primary energy use, underpinning both electricity generation—largely diesel-based—and transport, notwithstanding the ongoing transition toward renewable energy sources (see IMF Country Report No. 25/105). Mineral fuels and related products account for, on average, about 10 percent of total imports.

The oil price shock stemming from the war in the Middle East is expected to pass through materially to ECCU inflation, widen the already high current account deficits, and weigh on growth. The 25 percent increase in international oil prices assumed in the April 2026 World Economic Outlook baseline is estimated to raise ECCU average inflation by about 0.4 percentage point (compared to the pre-war baseline), with cross-country variation reflecting differences in pass-through and possible policy responses.[1] Higher oil prices are also expected to raise the import bill—both directly and indirectly through higher shipping costs—and to dampen tourism exports because of higher airfares and reduced demand in source markets. The overall current account impact is estimated at around 1-1½ percentage points of GDP. The impact of tighter global financial conditions is expected to be contained, reflecting the ECCU's limited integration with international capital markets, although a slowdown in tourism-related FDI could pose a downside risk. Real GDP growth is projected is projected to be lower by around 0.2 percentage point in 2026, primarily through the tourism channel. These effects are expected to persist into 2027 and to moderate gradually as oil prices stabilize. The relatively modest growth revision reflects very limited downward growth adjustments in major trading partners, particularly the U.S.; the historically low price sensitivity of ECCU tourism demand; a limited near-term effect on travel at the tail end of the high season given advance bookings; and potential offsetting tourism diversion from regions more directly affected by the conflict.

The fiscal impact of the oil price shock will depend on its persistence as well as the scale and composition of policy responses, which may vary across member states depending on available fiscal space. Following the 2022 oil price increase triggered by the war in Ukraine, the aggregate fiscal cost of foregone fuel tax revenue was estimated at over one percent of ECCU GDP (see Annex VI in IMF Country Report No. 24/93). The fiscal implications of the oil price shock will depend not only on its size and duration, but also on the extent to which it feeds into broader cost-of-living pressures, including through higher global food prices. At the time of preparation of this report, no official fiscal response to the current oil price shock had been announced, implying a contained fiscal impact for the time being.

[1] The ECCU fuel pricing frameworks allow for some pass-through of international oil prices, subject to country-specific fuel tax interventions during periods of stress to contain the social and economic impact.

[4] The ECCU retail fuel pricing frameworks allow for some international oil price pass-through subject to country-specific fuel tax interventions in stress periods to contain the social and economic impacts. Following the 2022 oil price pressures triggered by the war in Ukraine, the aggregate fiscal costs of foregone fuel tax revenue were estimated to exceed one percent of ECCU GDP (see Annex VI in IMF Country Report No. 24/93), although these took place in the context of broader cost-of-living pressures following the pandemic and the associated supply chain disruptions.

Systemic Risk Assessment

Systemic risk is assessed as low to medium. While the banking sector is large, significant credit and market risks are concentrated in a few institutions. Continued rapid growth in the less-regulated credit union (CU) sector and in certain banks could raise credit risks further. Large exposures to U.S. equities and bonds at certain banks heighten vulnerability to global market volatility. Despite the region's high exposure to natural disasters, the banking sector currently maintains adequate insurance coverage, though a potential rise in already-high reinsurance premiums could amplify financial stability risk and fiscal impact of future disasters.

Type of risk	Likelihood	Impact if realized	Comments
Credit risk	Medium	Low-to-medium	The CU sector's rapid expansion amid weaker underwriting standards and insufficient oversight poses growing risks. However, CU NPL ratios are lower than at banks, and the CU sector has limited interconnectedness with the rest of the financial system. The banking system weathered the pandemic well, supported by cautious pre-crisis lending and policy interventions. However, credit risks persist in restructured loans and are likely rising at CUs and in sectors with fast credit expansion.
Investment and market risks	Medium	Low-to-medium	Exposures to U.S. equities, including at certain systemic banks, heighten vulnerability to global market volatility via variability of earnings and impacts on capital. U.S. Treasuries and corporate bonds are usually held to maturity by banks, but a potential liquidity squeeze may necessitate sales at a loss, exacerbating the shock.
Natural disasters risk	Medium	Low-to-medium	The ECCU is highly susceptible to natural disasters. Past events, such as Hurricane Maria (Dominica, 2017), did not cause a major rise in NPLs due to mortgage insurance coverage. A sharp rise in premiums could also lead existing mortgagors to forgo insurance renewal, breaching loan covenants and raising default risks. Non-mortgage insurance coverage remains limited and declining, creating potential fiscal vulnerabilities.

Authorities' Views

10. The authorities project stronger growth than staff, while broadly agreeing on downside risks. They acknowledged the moderation in tourism growth in the second half of 2025 but remained upbeat about the outlook, citing ongoing infrastructure upgrades and hotel construction expected to increase capacity, alongside a robust pipeline of public and private investment projects. At the same time, they highlighted downside risks from trade and travel disruptions, geopolitical tensions, heightened scrutiny of CBI programs, and natural disasters.

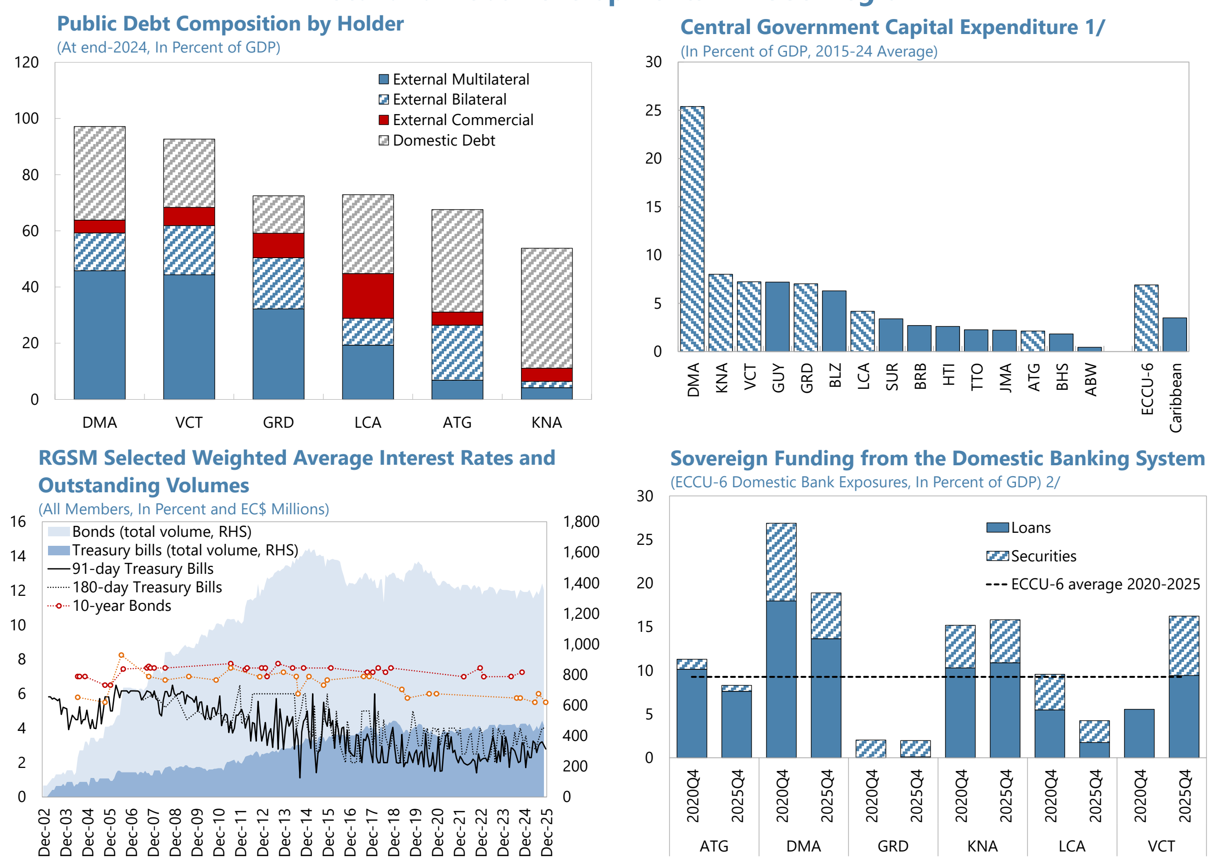
POLICY DISCUSSONS

Common policies should reduce fiscal and external imbalances and bolster currency union foundations. This requires well-functioning regional mechanisms and reforms to: (i) reinforce fiscal sustainability and resilience; (ii) strengthen the stability and functioning of the financial system; and (iii) alleviate constraints on productivity and resilient growth potential.

A. Enhancing Fiscal Frameworks and Policy Coordination to Bolster the Union's Stability and Resilience

11. The ECCU has resiliently navigated fiscal risks amidst a series of shocks and elevated public debt levels. This partly reflects availability of stable funding from international development partners, the regional sovereign market and local financial institutions, as well as large, yet increasingly unpredictable CBI revenues. Limited market discipline—stemming from scarce alternative regional investment opportunities, the lack of international market access, and access to non-market funding—has also given some governments room to undertake large development-priority investments despite high public debt.

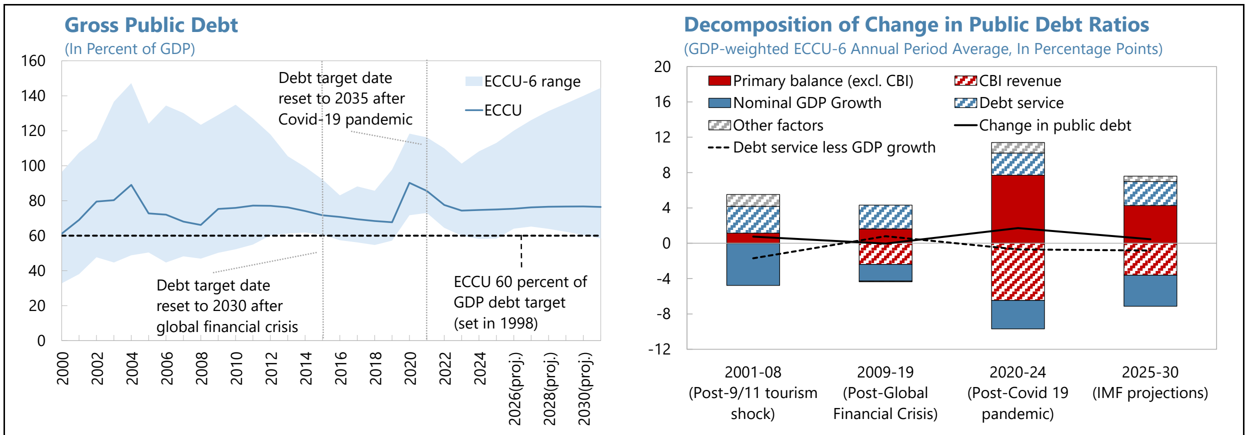
Fiscal and Debt Developments in ECCU Region



Sources: Country authorities; ECCB; WEO; and IMF staff calculations.
1/ Groups are aggregated by PPP-weights.
2/ Local borrowing by Anguilla and Montserrat is limited and subject to UK borrowing-authorization constraint.

12. Elevated public debt burdens nevertheless constrain members' shock-absorption capacity and fiscal flexibility, including adapting to potential changes in the financing landscape. High public debt constrains policy space to respond to recurrent natural disasters, restricts financing options for large development needs—in a few cases increasing reliance on uncertain CBI revenues—and crowds out priority spending, even where a dominant share of development partner financing limits debt service burdens. It also heightens the union's vulnerability to abrupt shifts in financing availability, including if external shocks tighten domestic funding conditions.

13. The uneven progress in debt reduction efforts underscores the need for stronger union-wide mechanisms to strengthen fiscal discipline. The 60 percent of GDP public debt target has served as a useful long-term fiscal anchor since 1998, but its achievement has remained elusive. This partially reflects the heavy macro-fiscal impact of periodic external shocks, adding to headwinds from subdued average GDP growth.[5] The absence of externally imposed funding discipline or effective near-term institutional mechanisms, in the context of large social and development investment needs, have also curtailed debt reduction in periods of more benign economic conditions. Consequently, the level of ECCU aggregate public debt today remains broadly unchanged from the early 2000s. Moreover, union-wide achievement of the debt target by 2035—already twice postponed—is increasingly at risk, particularly given the ECCU's susceptibility to further shocks.



Sources: Country authorities; WEO; and IMF staff calculations.

14. A formal rules-based fiscal accountability mechanism is needed to reinforce sustainability. Within the immediate timeframe to support achievement of the 2035 public debt target, this involves four key elements:

- ***Time-bound operationalization of debt-target consistent national Fiscal Resilience Frameworks (FRFs).*** The ECCU lacks a common framework against excessive deficits and only Grenada has so far effectively operationalized a national rules-based framework to align its annual budgets with the regional debt target (Status of Current National Fiscal Frameworks Table). A firmer collective commitment to time-bound union-wide adoption of such FRFs—built

[5] Selected Issues Paper No. 25/068 estimates a 7 percent of GDP average increase in gross public debt within three years of a natural disaster event.

on harmonized principles for key design features (Annex V)—would help close this institutional gap.[6]

- ***Strengthening union-wide accountability.*** More rigorous peer reviews of members' fiscal performance and debt reduction strategies at the ECCB Monetary Council—supported by an independent secretariat assessment of implied debt trajectories—would better guide alignment with the requirements for currency-union stability. To strengthen public accountability, annual budget reporting should be regionally required to discuss consistency with the debt target and national budget rules and be subject to independent, publicly reported oversight—currently lacking in most members.

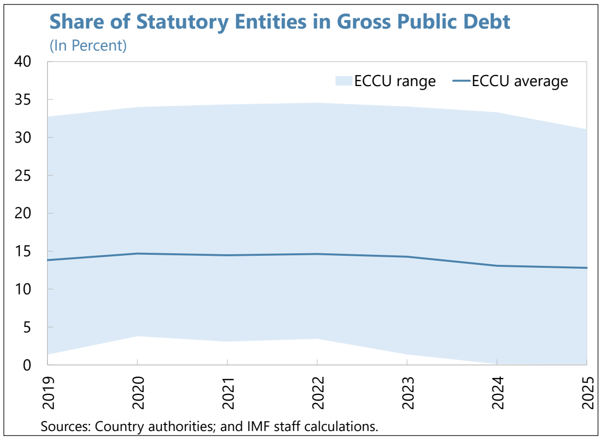
Status of Current National Fiscal Frameworks 1/

Member country or Territory	Legal and Operational Status	Public Debt Anchor and Perimeter	Operational Target(s)	Independent Compliance Oversight
Grenada	**2023 Fiscal Resilience Act (FRA)** (amending 2015 Fiscal Responsibility Act) approved by Parliament **Operational since 2016** (escape clauses triggered in 2020-22, 2024-)	**60 percent of GDP by 2035** **General Government debt** (incl. non-guaranteed debt of statutory entities)	**1. Central Government primary balance floor** of 1.5 percent of GDP (as long as General Government debt exceeds 60 percent of GDP) **2. Central Government wage bill ceiling** of 13 percent of GDP	**Yes.** Fiscal Resilience Oversight Committee (FROC) operational since 2017, nominated by parliament in consultation with the Director of Audit and appointed by the Governor General **Publishes regular overisight reports**
St. Vincent and the Grenadines	**2020 Fiscal Responsibility Framework (FRF)** set under a Parliament resolution (not embedded in primary legislation) **Yet to be fully operationalized** (escape clause was triggered soon after activation and subject to ongoing review)	**60 percent of GDP by 2030** (effectively superceded by the 2035 regional target) **Central Government debt** (incl. guaranteed debt of statutory entities)	**1. Central Government primary surplus floor** of 2.7 percent of GDP (from 2024) **2. Central Government current spending cap** to nominal GDP growth **3. Central Government wage bill ceiling** of 12.5 percent of GDP (from 2022)	**No.** Fiscal Responsibility Mechanism (Council) since 2021, appointed by the Cabinet **Only one report has been published in 2022**
Antigua and Barbuda	**2021 Fiscal Responsibility Guideline** (FRG) approved by Cabinet (not embedded in primary legislation) **Operational since 2022 but not yet met**	**60 percent of GDP by 2030** (effectively superceded by the 2035 regional target) **Central Government debt** (inc. guaranteed debt of statutory entities)	**1. Central Government primary surplus target** of 0.5-1.0 percent of GDP from 2023 **2. Central Government overall deficit target** of 2.2 percent of GDP from 2022 **3. Central Government tax-to-GDP ratio target** of 20 percent of GDP **4. Central Government wage bill ceiling** of 9 percent of GDP	**No.** Fiscal Resilience Oversight Committee (FROC) to assume operations in 2025, appointed by the Cabinet **No published reports**
Dominica	**2021 Fiscal Responsibility Framework (FRF)** approved by Parliament **Yet to be operationalized**	**60 percent of GDP by 2035** **Non-financial General Government debt** (incl. non-guaranteed debt of non-financial statutory entities)	**1. Central Government primary surplus target** of 2 percent of GDP from FY2026/27 (until debt target reached). If the cumulative deviation from the primary surplus target exceeds 2 percent of GDP, corrective actions need to eliminate it within 3 years with at least one third of the adjustment in the first year	**No.** Fiscal Responsibility Committee (FRC), appointed by the Minister and approved by the Cabinet, yet to be established **No published reports**
St. Kitts and Nevis	No explicitly defined framework in place (adoption under consideration)	Regional 60 percent of GDP public debt target by 2035 only	n/a	n/a
St. Lucia	No explicitly defined framework in place	Regional 60 percent of GDP public debt target by 2035 only	n/a	n/a

1/ The Overseas Territories of Anguillia and Montserrat follow rules-based fiscal frameworks defined under their respective 2021 Public Finance Management Acts subject to UK Foreign, Commonwealth and Development Office (FCDO) oversight.

[6] In the context of the last postponement of the public debt target from 2030 to 2035 in February 2021, the ECCB Monetary Council encouraged member states to enact fiscal responsibility or fiscal resilience frameworks to support their fiscal efforts in the post-pandemic period.

- ***Specifying the regional public debt target.*** A clearer common definition with a precise debt perimeter would reduce monitoring ambiguities, strengthen peer accountability, and bolster the target's credibility and collective commitment to union-wide stability.

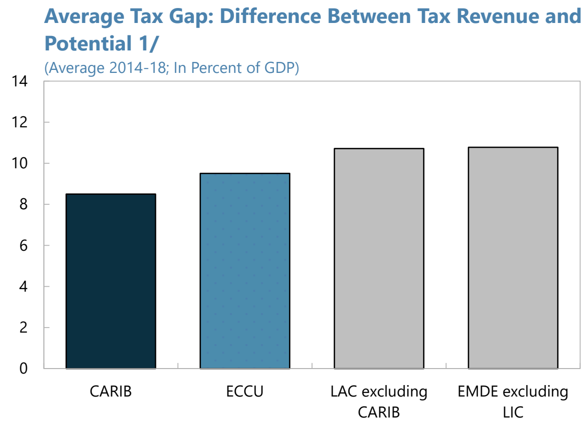


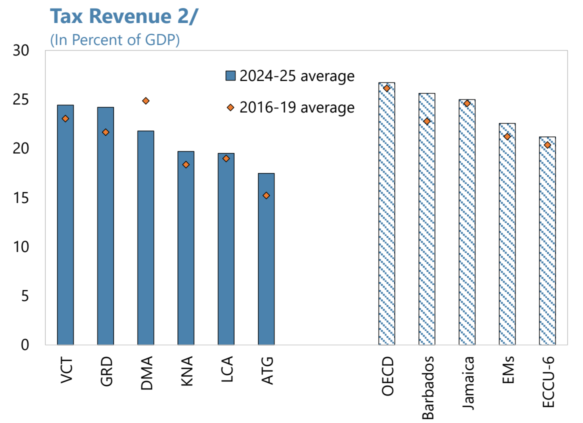
Sources: Country authorities; and IMF staff calculations.

- ***Collaborative strengthening of technical implementation capacity*** to improve coherence and quality of medium-term macro-fiscal projections and urgently address gaps in coverage and timeliness of relevant data as a core priority, which can be supported by standardized templates for CBI inflows and operations of statutory entities.

15. Deeper regional coordination and accountability would help preserve space for public investment amid debt reduction efforts, future-proof the ECCU's resilience, and help lift its development prospects.

- ***Policy coordination and peer-learning.*** Important avenues include reducing tax exemptions, particularly in the tourism sector, and development of social safety nets to reduce reliance on distortionary and untargeted fiscal measures in response to shocks. The swift harmonization of CBI regimes is a promising example of deeper coordination potential. The effectiveness of post-disaster financing frameworks post-Hurricane Beryl (2024) offers common lessons on the importance of a holistic approach to strengthening fiscal resilience to natural disasters.





Sources: Country authorities; WEO; Verdier et al. (2022); and IMF staff calculations.
1/ The results are obtained from a stochastic frontier analysis with 2000–19 data from 127 EMDEs. CARIB = Caribbean (excluding Guyana and Haiti); EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean; LIC = low-income countries.
2/ Aggregates are simple averages. OECD (members as of end-2019) excludes Chile, Colombia, Costa Rica, and Mexico. EMs excludes countries in crisis and high oil-exporting countries.

- ***Common fiscal governance, funding, and risk-sharing mechanisms.*** Over time, the maturing of sovereign funding structures and the regional debt market may impose greater fiscal discipline on the union, calling for more centralized supranational fiscal governance to underpin confidence.[7] Investment pooling mechanisms (section C) could pave the way for pooled securities market issuances (to ease structural impediments to international market access from individual members' limited scale and high shock-susceptibility). Establishing a regional stabilization fund could reinforce national contingency strategies to safeguard fiscal continuity in periods of stress.[8]

16. Fiscal policy should balance short-term mitigation of higher fuel and other import costs with medium-term fiscal objectives without jeopardizing fiscal sustainability and be anchored in available fiscal space. Under the baseline, where policy intervention is assumed to remain limited, temporary measures—such as targeted transfers delivered through existing social protection systems (however rudimentary) or limited adjustments to fuel taxation—can help cushion the impact on vulnerable households and firms. However, broad-based subsidies or prolonged tax reductions should be avoided given their fiscal costs, risk of economic distortions, difficulty to reverse, and potential to impair price signals and market functioning. In a downside scenario of more persistent price pressures, additional targeted and temporary support could be warranted, again delivered through existing systems and calibrated to available fiscal space, while safeguarding debt sustainability. Over the medium term, developing more symmetric and rules-based retail fuel pricing mechanisms would strengthen fiscal risk management and policy credibility, while stronger social protection frameworks would help preserve fiscal space. Reducing structural exposure to energy price volatility—through energy diversification, efficiency gains, and investment in renewables—would reduce the union's susceptibility to future global energy shocks.

Authorities' Views

17. The authorities reaffirmed their commitment to the regional debt target but expressed uneven appetite for more binding, rules-based accountability frameworks. While acknowledging potential setbacks from periodic shocks, they emphasized boosting GDP growth as the primary channel for reducing elevated public debt ratios. Some members are strengthening national fiscal frameworks, but others do not currently see binding budget rules as necessary to anchor discipline, citing challenges in building political consensus alongside competing social and development priorities. Although the ECCB Monetary Council was considered a key forum for regional discussion of member states' debt vulnerabilities when deemed necessary, the authorities stressed the importance of a collaborative approach and are exploring the appropriate modalities for strengthening regional fiscal oversight.

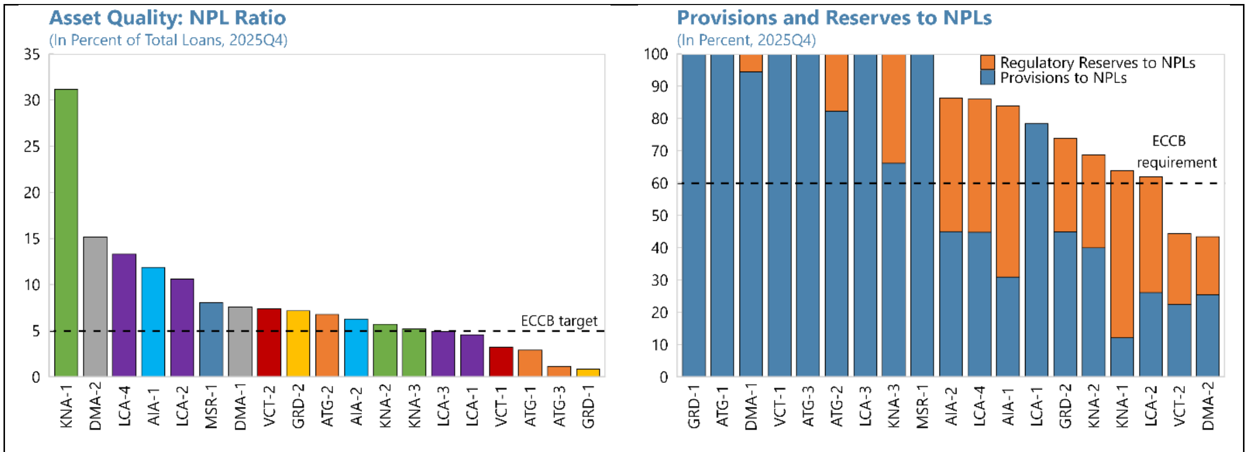
B. Strengthening Financial System Resilience and Intermediation

18. The ECCB should ensure compliance with its prudential standard for impaired assets. Full provisioning for long-dated NPLs remains a key area for supervisory follow-through. The ECCB

[7] This may include more uniform national budget rules and guidelines backed by institutionalized regional fiscal surveillance and enforcement procedures.

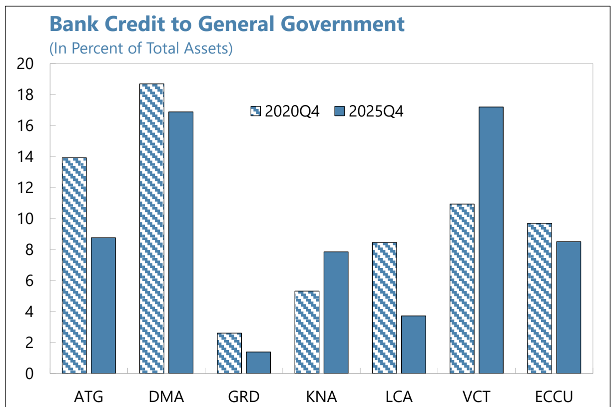
[8] See Country Report No. 20/70.

should also introduce a uniform time limit for writing off such NPLs as a backstop to the current bank-specific NPL resolution deadlines. One-third of banks rely on loan-loss reserves included in Tier 2 capital to meet prudential provisioning requirements, a practice that distorts headline capital adequacy. This may also indicate that internal expected loss models are not adequately capturing impairment losses and thus warrant closer supervisory scrutiny.



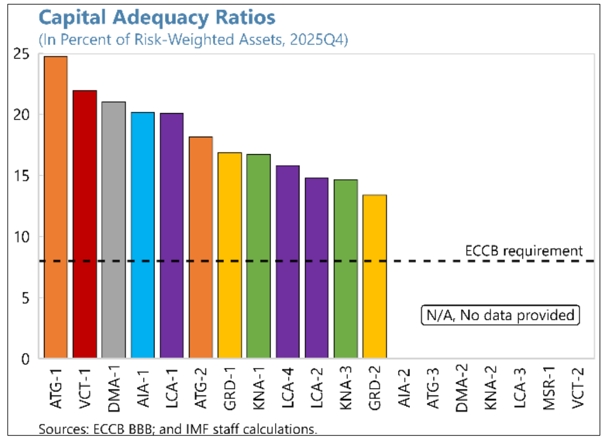
Sources: ECCB MFS, BBB; and IMF staff calculations.

19. A supervisory assessment of bank assets could help identify risks and lay the groundwork for future Pillar 2 capital add-ons. The ECCB is encouraged to conduct a targeted internal review of bank assets—focusing on issues such as real estate, foreign investments, local sovereign debt, internal risk models, concentration, and collateral values—to better understand risks. Such a review would clarify if additional provisions or capital are needed and help inform a future FSAP update (last conducted in 2004). Growing foreign investments and, in some cases, large exposures to local sovereigns highlight the importance of close ECCB monitoring of these risks.



Sources: ECCB BBB; and IMF staff calculations.

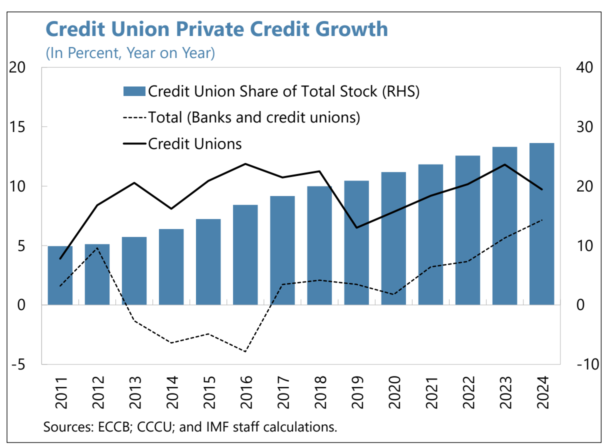
20. The ECCB should ensure adequate capitalization of all banks. In the event of future breaches of minimum capital requirements, the supervisor should ensure that capital restoration plans are sufficiently detailed, time-bound, credible, and rigorously enforced. For banks with weak profitability, the ECCB should assess the feasibility of organic capital restoration and, where this is not viable, pursue alternatives, including recapitalization, restructuring, or resolution.



21. The ongoing transition to Basel II/III should be completed. The ECCB is in the process of revising its standards for the supervisory process, capital, and risk. Individual risk-based Pillar 2 capital add-ons and the introduction of the Basel III capital conservation buffer, and possibly other capital buffers, could require individual banks to increase their capital.

22. The ECCB should continue advancing the development of the regional financial safety net. Banks should develop recovery plans, and the ECCB should advance the bank resolution framework to complement the deposit insurance scheme that is being introduced. Public backstops could be developed for viable banks undergoing resolution. For nonviable banks, the best option would be to exit the market in an orderly manner, while resolution is reserved for cases where it serves the public interest or financial stability.

23. The proposed Eastern Caribbean Financial Standards Board (ECFSB) would strengthen financial stability by advancing risk-commensurate regulation in the nonbank sector. Standards for nonbank deposit-taking financial institutions should ensure risk monitoring and mitigation comparable to those applied to licensed banks and guard against excessive risk taking. The prompt establishment of the ECFSB—followed by minimum prudential standards for credit unions—is essential to pave the way for eventually extending the financial safety net to the credit union sector. In the meantime, national authorities should strengthen credit union oversight, including by tightening capital requirements and regulatory backstops for loan-loss provisioning. Closer coordination among national supervisors would help spread good supervisory practice, including on reporting of delinquent and restructured loans. Legislative reforms should be advanced to reinforce regulatory mandates and enhance supervisory



and resolution powers.[9] In the insurance sector, supervisors should improve reporting and monitoring of reinsurance arrangements, particularly in product lines such as property that rely heavily on them.[10]

24. Regional and national efforts should continue to foster adequate and sustainable credit growth.[11] The need for continued progress on reducing NPLs calls for stronger prudential incentives for impaired loan write-offs and a sufficiently capitalized Asset Management Corporation, with an improved capacity to purchase distressed assets from financial institutions, including robust transfer pricing and targeted measures to support asset recovery. This can be reinforced at the national level by legislative reforms of insolvency frameworks, debt enforcement regimes, foreclosure procedures, and real estate cadasters. The ECCB's work on harmonized insolvency legislation warrants support. Full participation of banks and credit unions is essential for an effective regional credit bureau. The Partial Credit Guarantee Corporation and national credit programs should continue—with better coordination—to expand access to finance for small firms, while maintaining close oversight of risk-sharing arrangements. Banks and public authorities should also intensify financial-literacy initiatives, while rapid credit growth in some jurisdictions may require prudential measures to contain emerging risks.

25. The ECCB has taken steps to address most of the recommendations from the previous safeguards assessment. The remaining recommendation concerns further strengthening the ECCB's operational autonomy and aligning its Agreement Act with leading practices. However, staff have not yet received access to management letters, issued by external auditors for recent years. Staff will continue to engage on this matter and the next periodic safeguards assessment of the ECCB is scheduled for early 2027.

26. Continued strengthening of AML/CFT frameworks remains critical amid heightened scrutiny of CBI programs. Priorities include addressing the remaining fourth-round Caribbean Financial Action Task Force (CFATF) recommendations and completing the designation of the ECCB as the AML/CFT supervisor for banks in Anguilla and St. Kitts and Nevis.

Authorities' Views

27. The authorities broadly agreed with policy priorities, but underscored capacity constraints in implementation. The ECCB highlighted the gradual improvement in bank asset quality, stressing the positive impact of its provisioning standard. While acknowledging the concerns over unresolved legacy NPLs, it noted that supervisory requirements for time-bound NPL resolution plans are expected to help address this long-standing challenge. The ECCB explained that timelines for collateral recovery reflect country-specific legal gaps which have resulted in some of the challenges to resolve problem assets. On the proposed asset quality review, the authorities

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[9] See Country Report No. 24/093, Annex VII.

[10] See Selected Issues Paper No. 25/069.

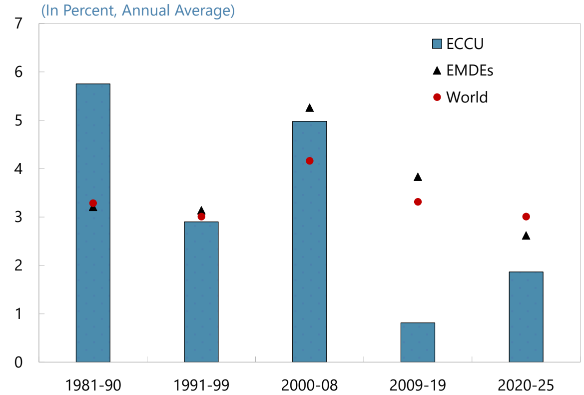
[11] See Country Report No. 25/104.

considered existing on-site inspections sufficient to assess asset quality. They also pointed to strengthened supervision under the Basel II/III framework—including the submission of ICAAP reports in 2025—which they argued would improve assessments of banks' balance sheets and related risks. The ECCB noted that the work on establishing the ECFSB was ongoing but clarified that the adoption of minimum regulatory standards for credit unions would require considerable time. National authorities, in turn, called for more centralized guidance in developing regulatory and supervisory standards for credit unions and in shaping their reform agenda.

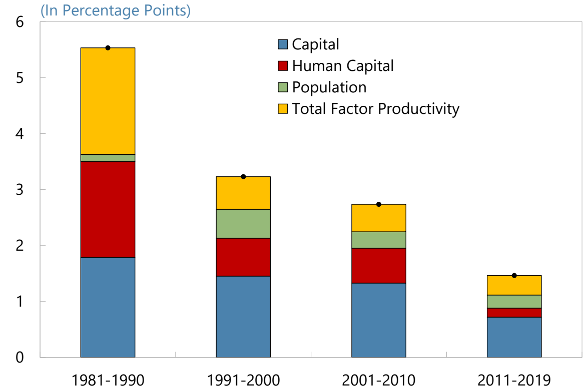
C. Bolstering Long-Term Growth

28. The ECCU's potential growth has declined over recent decades, reflecting diminishing growth contributions from productivity, and human and physical capital. This stems from structural impediments to efficiency, including barriers to credit and productive investment, burdensome administrative processes, and labor skills gaps and mismatches.[12] A coordinated regional strategy to alleviate key structural constraints across these factors is essential to raise growth potential and resilience.

Real GDP Growth 1/
(In Percent, Annual Average)



Factor Contribution to Potential Growth, ECCU
(In Percentage Points)



Sources: ECCB; WEO; Barro and Lee (2015); EM-DAT database; IADB database, Penn World Table (10.1 version); World Bank; and IMF staff calculations.
1/ Real GDP data for ECCU for 1981-89 is calculated as a simple average of available member country data.

Leveraging Trade Integration to Boost Competitiveness and Productivity.

29. Deeper trade integration and diversification offer small open ECCU economies a path to stronger growth and reduced vulnerability to shocks.[13] For Caribbean economies, expanding trade links into new markets can diversify risks, lower input costs, and broaden economic opportunities. The ECCU stands to benefit in particular, given its current high concentration in both import sources and export markets.

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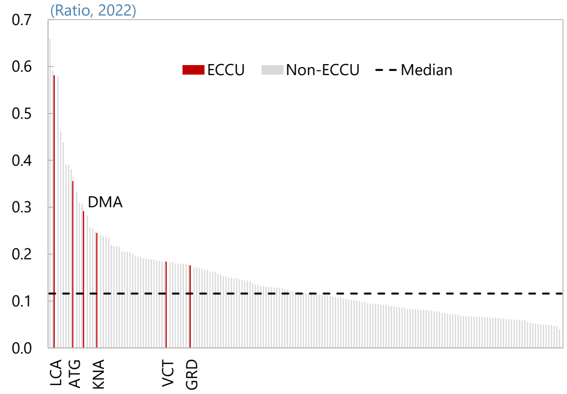
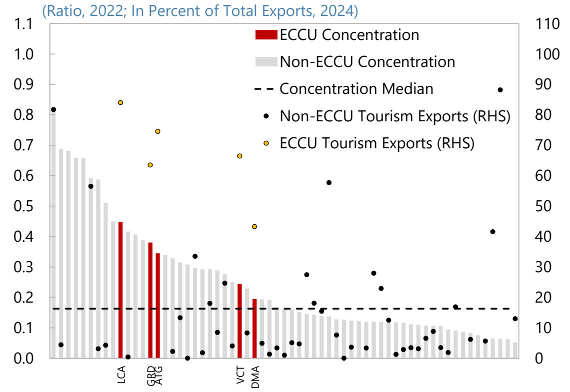
[12] See Country Report No. 25/104, Annex VI for an analysis of factors driving the structural decline in growth and policy prescriptions to reverse this trend. These reform priorities are reflected in the discussion below.

[13] See IMF (2017), Helpman (2006), Melitz (2003), Eaton and Kortum (2002), and Frankel and Romer (1999).

Import Concentration 1/
(Ratio, 2022)



Tourism Source Concentration And Tourism Exports 2/
(Ratio, 2022; In Percent of Total Exports, 2024)

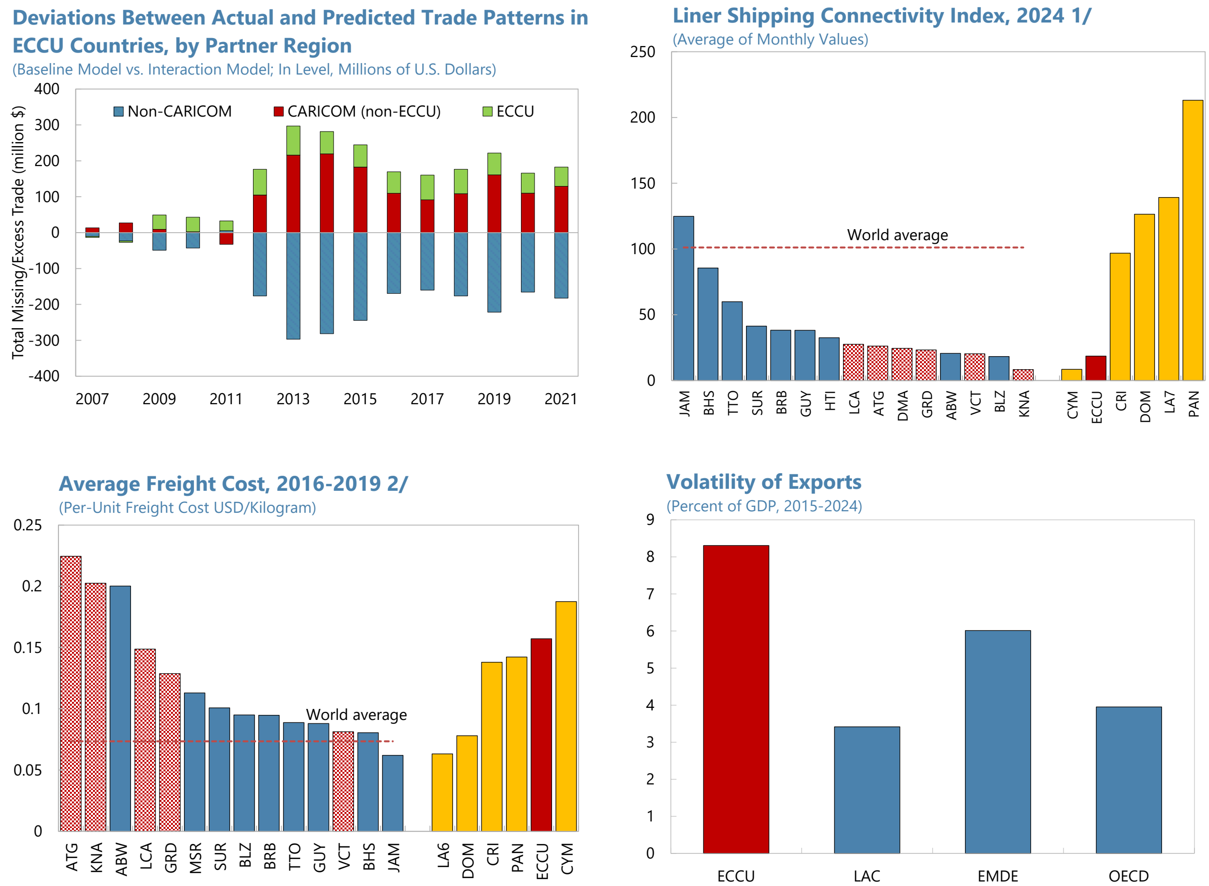


Sources: UN WTO; IMF BOP database; WEO; and IMF staff calculations.
1/ Import concentration is the concentration of the source of the imports, measured by Herfindahl-Hirschman Index (HHI) with scale 0-1 with zero reflects the highest concentration.
2/ Tourism source concentration is the concentration of origin of tourists, measured by Herfindahl-Hirschman Index (HHI) with scale 0-1 with zero reflects the highest concentration.

30. **Empirical evidence shows considerable untapped trade potential in the ECCU, with connectivity constraints as a central impediment (Annex VI).** Gravity-model estimates indicate that ECCU countries under-trade with partners outside the Caribbean relative to fundamentals, largely due to limited connectivity.[14] On the import side, scarce direct shipping links and small market size raise freight costs and reinforce reliance on a narrow set of suppliers. On the export side—dominated by tourism—air connectivity is crucial, yet ECCU countries face challenges including few carriers, constrained airport and hotel capacity, and dependence on regional hubs that heighten exposure to supply disruptions.

[14] For the ECCU, the magnitude of estimated under-trading with countries outside of CARICOM amounts to nearly US$0.2 billion annually (roughly 70 percent of average goods exports or 5½ percent of average total exports).

Trade in the ECCU Region



Sources: BACI database; UNCTAD Experimental Transport and Trade Dataset; WEO; and IMF staff calculations.
1/ Subcomponents of the index are: number of scheduled ship calls per week; total scheduled annual deployed capacity (in twenty-foot equivalent units); number of regular liner shipping services; number of liner shipping companies that provide services; size of the largest ship deployed on services; number of other countries that are connected to the country through direct liner shipping services.
2/ LA6 reflects an average across Argentina, Brazil, Chile, Colombia, Peru, and Uruguay. Average transport expenditure per kilogram of the traded goods (QtyKg). Transport costs reflect expenditures invoiced for the services performed to deliver internationally traded goods from the border of the economy of origin (Origin) to the border of the importing economy (Destination), including the shipping the goods and the procurement of insurance against the risk of loss or damage during carriage.

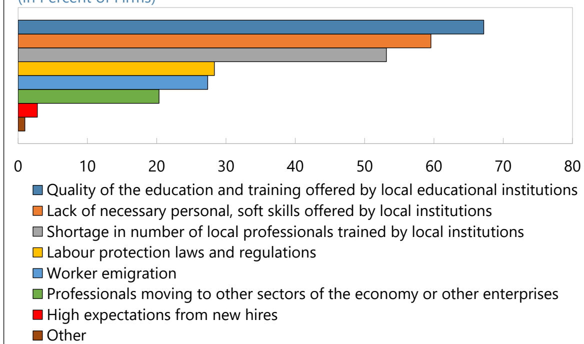
31. **Coordinated regional initiatives could strengthen ECCU trade and growth.** Near-term priorities include improving institutional efficiency through harmonized customs procedures, a unified single-window platform, and mutual recognition agreements. Over the longer term, modernizing trade agreements and pursuing strategic investments to enhance airlift and diversify shipping would deepen integration. The region should also tap synergies in non-tourism services, notably medical education and training and digital services. These targeted efforts should be complemented by broader reforms to ease long-standing constraints on innovation and allocative efficiency, including digitalizing public services and modernizing tax administration, licensing, and legal and institutional frameworks. Maintaining an open and predictable trade environment and strengthening regulatory frameworks to boost security and resolution frameworks in digital transactions can help exploit opportunities in digital services trade.

Supporting Physical and Human Capital Accumulation.

32. Obstacles to broadening and upgrading the stock of human and physical capital remain key constraints to growth potential. Regional initiatives to ease these frictions include:

- ***Skills.*** Shortages of skilled labor—reflecting gaps in quality, competencies, and the number of locally trained professionals — remain a major labor market barrier. Priorities include: (i) modernizing regional education and vocational certification frameworks to align with in-demand skills; and (ii) reducing labor mobility-constraints, including through wider adoption of unrestricted movement across CARICOM.

Causes of Labor Skills Shortages in the ECCU
(In Percent of Firms)



Sources: Innovation, Firm Performance and Gender (IFPG) survey; and IMF staff calculations.
Note: Values reflect percent of firms who answered "Very important" or "Critical" to each factor.

- ***Capital Investment.*** Common policies can also help overcome barriers to scaling up productive and efficient capital investment. Diversifying into lower cost renewable energy remains a priority for the region to reduce external imbalances while strengthening competitiveness, risk resilience, and long-term growth.[15]

- ***CBI programs.*** CBI inflows remain crucial for financing strategic development amid limited fiscal space. Member authorities have coordinated swift action to address increased international scrutiny that threatens these flows' sustainability, including through the imminent launch of the Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA). This first-of-its-kind regional regulator will set common compliance standards and oversee relevant stakeholders. It offers an opportunity to improve data transparency, strengthen public accountability for direct-investment options—including through standardized ex-post assessments of the projects' outcomes—and develop best practices for investment-option design.

- ***Investment-pooling mechanisms.*** Scale constraints, shallow financial markets, high upfront costs, and limited fiscal space restrict individual members' ability to fund major investment in connectivity, energy transition, and infrastructure. Indeed, the small scale of individual projects, high natural disaster-related risk premiums, and weak implementation capacity are widely cited constraints. Regional investment pooling can ease these impediments but involve establishing effective regional mechanisms for consolidated procurement, harmonized regulatory frameworks, and stronger regional public-private partnership management. In the interim, members should advance operationalization of the Resilient Renewable Energy Infrastructure Investment Facility (RREIIF) to support diversification into lower-cost renewable energy.

[15] See Selected Issues Paper No. 25/066 for an overview of energy transition strategies for the ECCU.

Authorities' Views

33. There was broad support for a multipronged regional reform agenda to boost growth potential, including deeper trade integration to expand economic opportunities and reduce concentration-related vulnerabilities. The authorities saw potential to deepen South-South trade, contingent on easing connectivity constraints, including by scaling up port and airlift infrastructure. There was consensus on the merits of coordinated measures to reduce institutional frictions, notably full implementation of a harmonized single trade window—viewed as high-impact ease-of-doing-business reform—alongside an OECS-wide agreement on maritime standards, harmonized customs procedures, and a regional port infrastructure plan to strengthen specialization. Advancing new trade agreements and pursuing regionally coordinated airline negotiations were also seen as avenues to broaden market access.

34. A coordinated regional approach to address longstanding structural barriers to innovation, skills accumulation and mobility, and investment was also viewed as necessary. Priorities included harmonizing licensing and business procedures; digitalizing public services; and modernizing common legal, regulatory, and institutional frameworks, including pooling mechanisms to overcome small-market scale constraints. Updating education curricula and vocational certification across the ECCU was identified as key to addressing skills mismatches, complemented by wider adoption of free movement of labor across CARICOM. At the same time, the authorities acknowledged that collective action challenges—exacerbated by cumbersome national consultative and legislative processes—can impede progress and entrench suboptimal outcomes. In this context, regional institutions such as the OECS and ECCB were seen as central coordinating bodies for advancing reforms within their remit, with the rapid establishment of the ECCIRA cited as an example of effective regional coordination to safeguard critical development investment inflows.

D. Data Issues

35. Persistent gaps in economic data continue to somewhat hamper effective surveillance (Annex VII). National accounts data produced by capacity- and resource-constrained national statistics offices are mostly annual and subject to frequent delays and backward revisions, increasing uncertainty around growth projections. Shortcomings in balance of payments data, including limited CBI flow transparency, heighten uncertainty over external sector assessments. Fiscal data have some gaps in coverage and timeliness, including in the financial accounts of state-owned enterprises, and cross-country variance in the scope of public sector debt. The ECCB banking statistics facilitate well-informed surveillance, but NBFI data suffer from reporting delays and coverage limitations.

36. Better leveraging regional synergies in data collection and processing could help address persistent resource and capacity gaps. Fund/CARTAC technical assistance has supported incremental improvements in data timeliness and quality but limited local absorption capacity continues to constrain progress. A more regionalized approach to data compilation and dissemination, including use of shared templates, procedures and stronger inter-agency cooperation and data system integration, would reduce duplication and make better use of scarce resources.

Greater transparency of CBI flows is also critical to improve data accuracy and strengthen assessments of regional vulnerabilities.

Authorities' Views

37. The authorities concurred on the need to address persistent data gaps that constrain analysis and policy making. While Fund/CARTAC and other development partner initiatives have delivered meaningful improvements over time, binding resource constraints continue to limit sustained progress and technical assistance absorption. National authorities were open to greater centralization but looked to the ECCB and external partners to lead such efforts. They also envisaged that the new regional CBI regulator would develop data provision standards to enhance transparency of CBI flows.

STAFF APPRAISAL

38. Growth in the ECCU economies is estimated to have moderated to 2.8 percent in 2025. This was supported by ongoing construction and strong tourism performance, notwithstanding a slowdown in arrivals from strong post-pandemic recovery levels. Inflation continued to moderate in line with global fuel and food price trends. However, fiscal outcomes lagged economic performance, and union-wide public debt reduction has stalled. The external position continues to be assessed as weaker than the level implied by fundamentals and desirable policies, with elevated current account deficits financed largely by FDI inflows. Nonetheless, the ECCB's reserve position has remained stable and the currency backing ratio high. The financial system remains broadly stable but legacy balance sheet weaknesses and non-bank vulnerabilities persist.

39. Growth is projected to moderate further amid elevated downside risks. Real GDP growth is projected to slow to 2.4 percent in 2026 as higher fuel and other import costs triggered by the war in the Middle East weigh on activity alongside binding tourism capacity limits. Growth is expected to ease further over the medium term owing to weak productivity, adverse demographic trends, and limited fiscal space to sustain current levels of public investment. Heightened global uncertainty and geopolitical tensions—including the risk of higher and more sustained global oil prices—amplify the region's long-standing vulnerabilities stemming from heavy reliance on tourism and imports, exposure to global commodity price volatility and natural disasters, elevated public debt, and dependence on CBI inflows.

40. Strengthening union-wide institutional mechanisms to reinforce fiscal sustainability and resilience is a key policy priority. Uneven progress in public debt reduction, partly reflecting high exposure to recurrent external shocks and sizeable social and development investment needs, puts union-wide attainment of the 60 percent of GDP regional debt target by 2035 at risk. A collective commitment to time-bound operationalization of rules-based national fiscal frameworks, grounded in harmonized design principles, would strengthen fiscal discipline, support sustained debt reduction, and better equip the union to navigate future shocks. This should be supported by enhanced peer review of fiscal performance at the ECCB Monetary Council, strengthening public accountability through the establishment of independent national oversight committees, clearer specification of the public debt target perimeter, and collaborative efforts to address data gaps and strengthen technical capacity underpinning macro-fiscal projections.

41. Deeper policy coordination would help preserve space for public investment and strengthen resilience. Rationalizing costly tax exemptions, especially in tourism, and strengthening social safety nets to reduce reliance on distortionary, untargeted fiscal responses to shocks would improve fiscal performance and efficiency. Policy responses to renewed fuel and other import price pressures should balance short-term mitigation with medium-term fiscal objectives without jeopardizing fiscal sustainability, be anchored in available fiscal space, and rely on targeted, temporary measures, supported by the development of more symmetric and rules-based retail fuel pricing frameworks. Lessons from the post-Hurricane Beryl financing framework underscore the value of layered risk management. Over time, greater centralization of fiscal accountability, funding, and risk-contingency mechanisms could future proof the union's resilience and development prospects. This would help underpin confidence once sovereign funding structures mature and impose greater market discipline on public finances, as well as create scope to overcome structural funding constraints stemming from limited scale and high shock vulnerability.

42. A more decisive supervisory stance would strengthen financial resilience. Enforcing full regulatory provisioning for long-dated NPLs and introducing a uniform time limit for write-offs would accelerate balance sheet repair. Strengthening ECAMC capacity and modernizing insolvency, debt enforcement, foreclosure, and real-estate cadaster frameworks would support recovery and disposal of impaired loans. Where necessary, the ECCB should mandate detailed, time-bound, and credible capital restoration plans, prudently assessing bank profitability constraints. Transition to the new Basel II/III regulatory framework should continue, complemented by targeted asset quality reviews and a strengthened resolution framework aligned with the forthcoming deposit insurance.

43. Oversight of non-banks must be strengthened. Prompt establishment of the ECFSB and expedited adoption of minimum prudential standards for credit unions are essential to limit regulatory arbitrage between bank and non-bank deposit-taking institutions and excessive risk-taking. In the interim, national authorities should strengthen capital and provisioning requirements, coordination on good supervisory practice, and legal supervisory and regulatory powers. Enhanced monitoring of insurance sector exposures, particularly for property-related risks, remains important.

44. Supporting sustainable credit growth requires complementary coordinated reforms. In addition to further progress in NPL reduction, broader participation in the regional credit bureau, improved access to finance for micro firms, and strengthened financial literacy initiatives would support financial intermediation. Faster credit growth in higher-risk sectors, such as real estate investment, warrants close prudential monitoring.

45. Union-wide acceleration of structural reforms is critical to lift growth potential. Addressing collective action challenges through stronger regional coordination can unlock productivity gains, reduce administrative burdens, and upgrade human and physical capital. Modernizing regional education and vocational training frameworks and easing labor mobility would help address skills shortages. Harmonized strengthening of CBI regimes under ECCIRA can safeguard these important investment inflows and better harness their economic benefits through greater accountability and transparency. Investment pooling mechanisms, including under RREIIF, could help overcome scale constraints and support energy diversification to lower-cost renewables.

46. Deeper regional trade integration offers a pathway to stronger growth and resilience. Near-term priorities include harmonized customs procedures, a unified single trade window, and mutual recognition agreements. Over time, updated trade agreements and strategic airlift and shipping investments can boost connectivity. These efforts should be paired with modernization of licensing, legal, and regulatory frameworks to support private sector development.

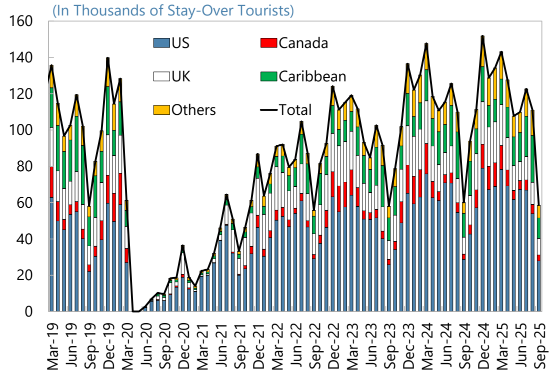
47. A more regional approach to data compilation and dissemination would help improve data adequacy. Despite incremental improvements, significant gaps in national accounts, external, and fiscal statistics somewhat hamper surveillance. A more regionalized approach to data compilation and dissemination would help address the underlying resource and capacity constraints. Greater transparency of CBI flows is critical to improve economic data accuracy and strengthen assessment of regional vulnerabilities.

48. The discussion with the ECCU authorities will be held on the 12-month cycle in accordance with Decision No. 13655-(06/1), as amended.

Figure 1. ECCU: External Sector Developments

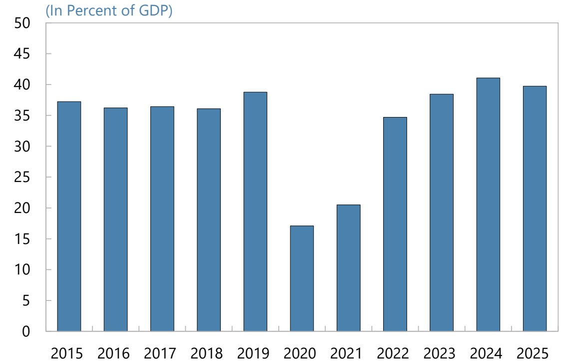
The strong post-pandemic recovery of tourist arrivals…

Tourist Arrivals by Source Countries
(In Thousands of Stay-Over Tourists)



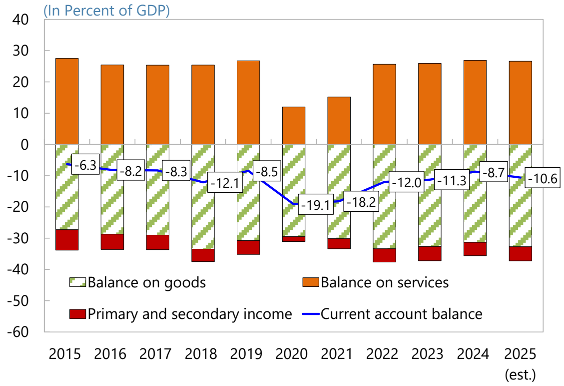
…was followed by a moderation in tourism export growth in 2025 as the sector has rebounded to its capacity.

Tourism Exports
(In Percent of GDP)



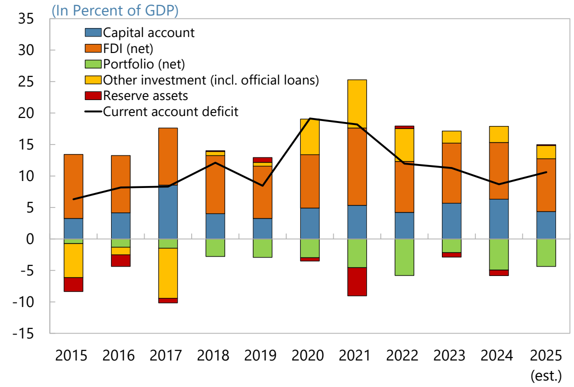
The sizeable current account deficit has widened after a trend narrowing…

Current Account Balance
(In Percent of GDP)



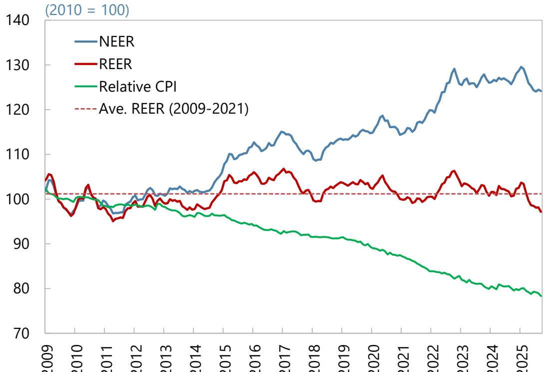
…and remains financed largely by FDI and capital transfers.

Current Account Deficit and Sources of Finance
(In Percent of GDP)



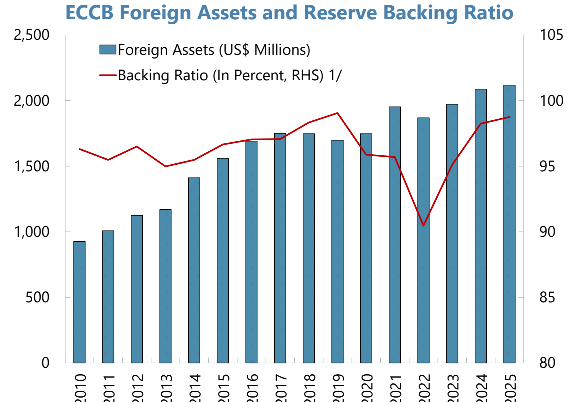
The real exchange rate has remained broadly stable…

Effective Exchange Rates
(2010 = 100)



…while the international reserve backing ratio remains high.

ECCB Foreign Assets and Reserve Backing Ratio

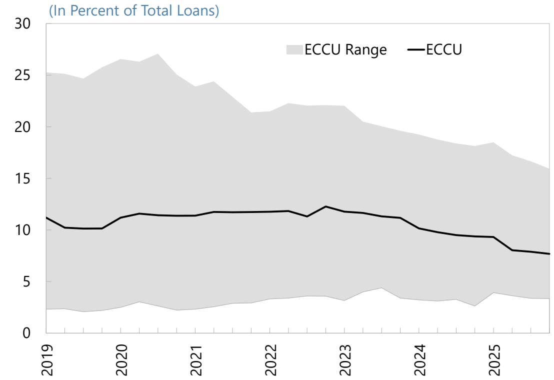


Sources: ECCB; IMF Information Notification System; and IMF staff calculations.
1/ The backing ratio is the ratio of foreign assets to demand liabilities. 2025M11 data used for 2025 backing ratio.

Figure 2. ECCU: Banking Sector Developments

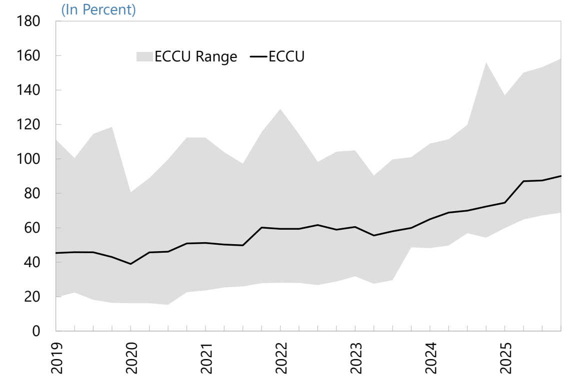
NPL ratios continued to decline.

Asset Quality: NPL Ratio
(In Percent of Total Loans)



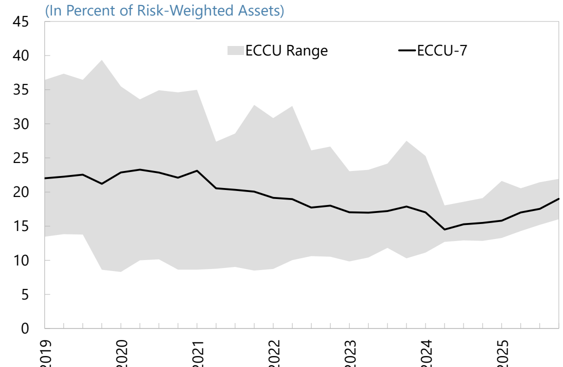
Banks have increased loan loss buffers since the introduction of the ECCB standard in 2022.

Provisions and Reserves to NPLs
(In Percent)



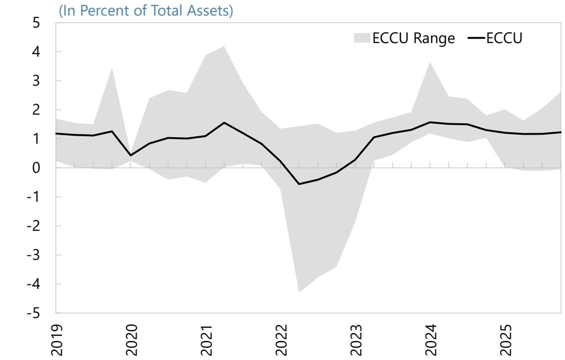
Capital ratios have been broadly stable since 2022 and well above the 8 percent minimum.

Capital Adequacy Ratios
(In Percent of Risk-Weighted Assets)



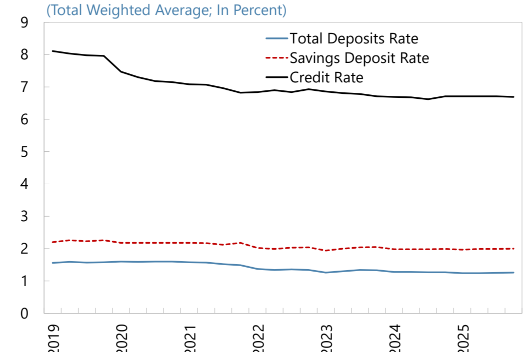
Pre-tax profits have remained stable since 2024, as the growth in investment income offset provisions and charges on NPLs.

Net Earnings Before Taxes
(In Percent of Total Assets)



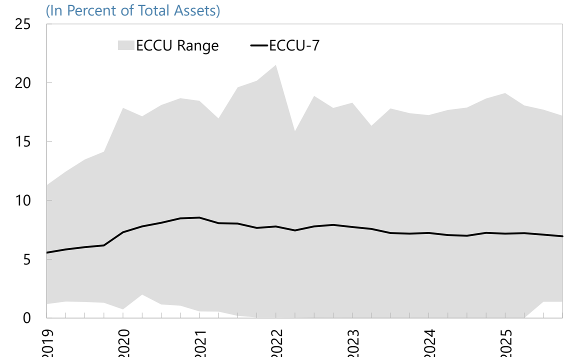
Following a pandemic-era reduction, interest margins have stabilized.

Interest Rates
(Total Weighted Average; In Percent)



Bank exposures to the government remain elevated in some countries.

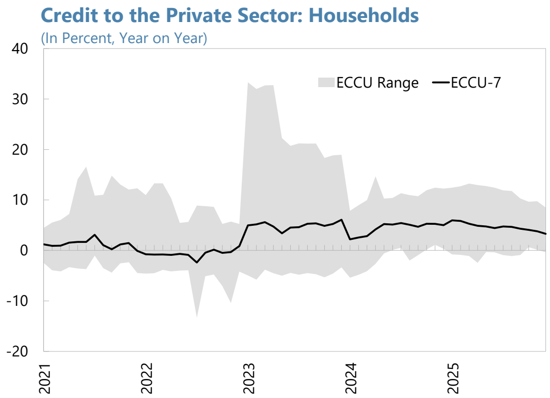
Gross Credit to General Government
(In Percent of Total Assets)



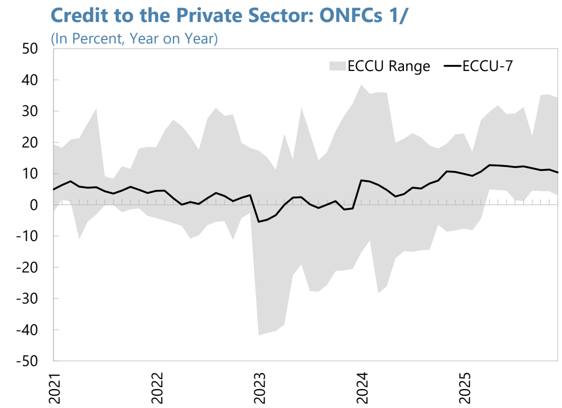
Sources: ECCB; and IMF staff calculations.
Note: ECCU-7 refers to average ECCU value excluding Montserrat due to data issues.

Figure 3. ECCU: Financial Intermediation Developments

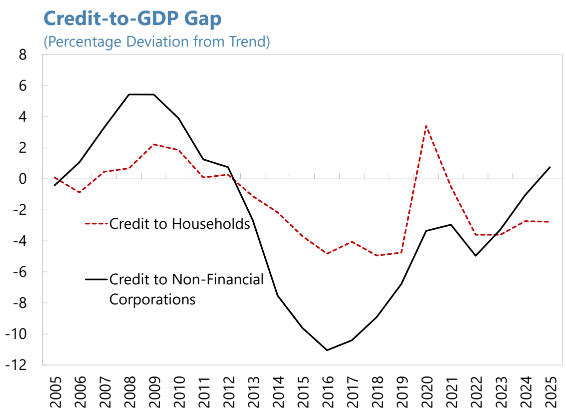
Credit to households has stabilized but remains weak in some countries.



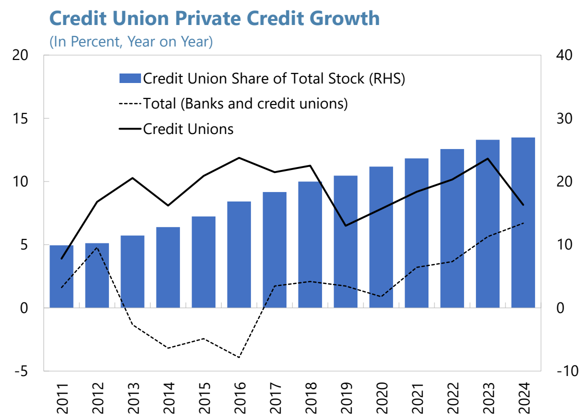
Credit to firms has picked up from low levels, but cross-country variation remains large.



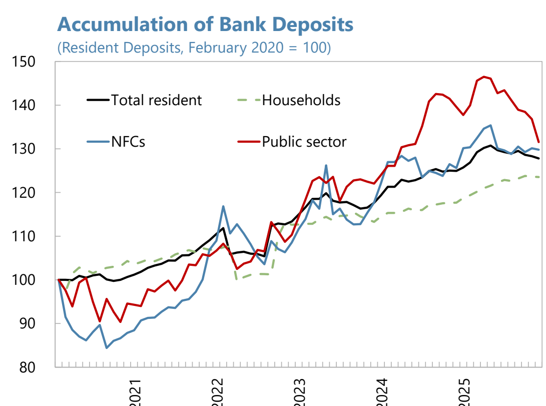
The estimated bank credit-to-GDP gap is negative.



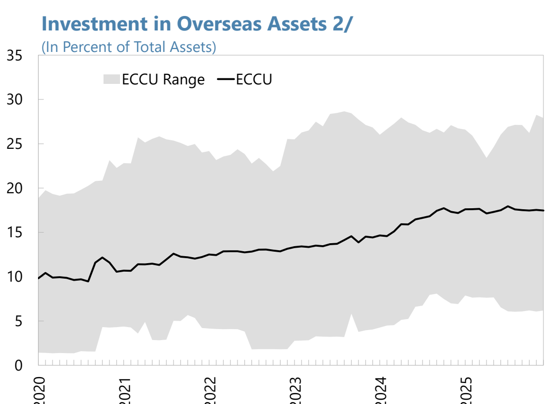
In contrast, credit unions continue to expand rapidly.



System liquidity has continued to increase…



…which—together with the low domestic profitability—fuels investments in foreign securities.



Sources: ECCB; CCCU; and IMF staff calculations.
Note: ECCU-7 refers to average ECCU value excluding Montserrat due to data issues.
1/ ONFCs refers to Other Nonfinancial Corporations.
2/ 2020M4 Overseas investment in non-CARICOM countries data for Dominica is supplemented with 2020M3 data.

Table 1. ECCU: Selected Economic and Financial Indicators, 2021-27 1/

					Est.	Proj.	
	2021	2022	2023	2024	2025	2026	2027
	(Annual percentage change)						
Output and Prices							
Real GDP	6.7	11.9	3.9	3.5	2.8	2.4	2.3
GDP deflator	4.1	3.8	3.2	2.1	1.4	2.3	2.2
Consumer prices, average	1.7	6.5	4.0	2.1	1.4	2.2	2.1
Monetary Sector							
Net foreign assets	16.5	-0.1	9.6	10.5	2.4	1.7	2.2
Central bank	11.6	-4.8	5.4	6.0	1.5	-1.4	1.8
Commercial banks (net)	21.1	3.9	12.9	13.8	3.1	3.8	2.4
Net domestic assets	0.5	9.0	-3.4	2.4	8.6	9.9	8.4
Of which: private sector credit	1.5	1.6	3.6	7.3	5.9	4.9	4.7
Broad money (M2)	9.8	3.4	4.3	7.5	4.6	4.7	4.6
Public Finances	(In percent of GDP, unless otherwise indicated)						
Central government							
Total revenue and grants	30.6	29.9	30.1	31.5	29.7	28.5	27.9
Total expenditure and net lending	33.4	32.6	31.3	33.9	32.9	32.3	30.8
Overall balance	-2.8	-2.7	-1.2	-2.5	-3.2	-3.8	-2.9
Excl. Citizenship-by-Investment Programs	-8.7	-9.3	-7.9	-8.6	-6.8	-7.0	-5.9
Primary balance	-0.5	-0.3	1.1	0.2	-0.7	-1.3	-0.4
Total public sector debt	85.6	77.6	74.3	74.7	75.0	75.4	76.2
External Sector							
Current account balance	-18.2	-12.0	-11.3	-8.7	-10.6	-10.4	-9.1
Trade balance	-30.2	-33.4	-32.6	-31.3	-32.7	-34.1	-33.3
Exports, f.o.b. (annual percentage change)	31.5	40.5	2.7	14.1	-6.6	3.6	6.5
Imports, f.o.b. (annual percentage change)	15.2	29.7	4.6	2.8	7.1	8.5	2.8
Services, incomes and transfers	12.0	21.4	21.4	22.6	22.1	23.6	24.3
Of which: travel	20.5	34.7	38.4	41.1	39.7	40.3	41.0
External public debt	47.4	42.7	42.6	43.7	43.7	45.7	47.4
External debt service (percent of goods and nonfactor services)	15.4	10.3	9.2	9.1	10.2	10.6	10.5
International reserves							
In millions of U.S. dollars	1,952	1,869	1,972	2,087	2,118	2,090	2,130
In months of prospective year imports of goods and services	4.8	4.2	4.1	4.2	4.0	3.8	3.8
In percent of broad money	28.6	26.5	26.8	26.4	25.6	24.1	23.5
REER (average annual percentage change)							
Trade-weighted 2/	-2.7	3.6	-1.1	-0.7	…	…	…

Sources: Country authorities; and Fund staff estimates and projections.
1/ Includes all eight ECCU members unless otherwise noted. ECCU price aggregates are calculated as weighted averages of individual country data. Other ECCU aggregates are calculated by adding individual country data.
2/ Excludes Anguilla and Montserrat.

Table 2. ECCU: Selected Economic Indicators by Country, 2021-31
(Annual percentage change, unless otherwise indicated)

					Est.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Real GDP	**6.7**	**11.9**	**3.9**	**3.5**	**2.8**	**2.4**	**2.3**	**2.4**	**2.3**	**2.2**	**2.2**
Anguilla	10.8	29.3	1.4	5.7	3.2	2.1	1.9	2.2	2.3	2.3	2.3
Antigua and Barbuda	8.2	8.5	3.9	2.5	3.0	2.6	2.4	2.5	2.5	2.5	2.5
Dominica	6.9	5.6	4.7	3.5	4.5	3.1	2.8	2.7	2.4	2.1	2.0
Grenada	4.7	7.3	4.5	2.4	4.4	3.1	3.1	3.0	2.7	2.7	2.7
Montserrat	4.9	5.3	0.4	3.6	2.4	1.8	2.0	2.1	2.2	2.2	2.3
St. Kitts and Nevis	0.6	10.5	4.6	1.7	1.5	2.0	2.5	2.6	2.7	2.6	2.5
St. Lucia	11.3	20.6	3.3	4.7	1.7	2.0	1.7	1.6	1.6	1.5	1.5
St. Vincent and the Grenadines	2.1	5.0	4.5	4.5	3.7	2.8	2.5	2.7	2.7	2.7	2.7
CPI (period average) 1/	**1.7**	**6.5**	**4.0**	**2.1**	**1.4**	**2.2**	**2.1**	**2.0**	**2.0**	**2.0**	**2.0**
Anguilla	1.8	5.6	3.5	-0.5	-0.6	0.4	1.2	1.4	1.8	2.0	2.0
Antigua and Barbuda	1.6	7.5	5.1	6.2	1.4	2.6	2.1	2.0	2.0	2.0	2.0
Dominica	1.6	7.7	4.2	3.1	2.3	3.0	2.3	2.2	2.2	2.2	2.2
Grenada	1.2	2.6	2.7	1.1	0.6	1.3	1.7	2.0	2.0	2.0	2.0
Montserrat	2.6	3.0	-1.1	3.1	2.6	2.4	2.1	2.0	2.0	2.0	2.0
St. Kitts and Nevis	1.2	2.7	3.6	1.1	1.3	2.2	2.1	2.0	2.0	2.0	2.0
St. Lucia	2.4	9.7	3.8	-0.7	2.0	2.5	2.4	2.2	2.1	2.1	2.0
St. Vincent and the Grenadines	1.6	5.7	4.6	3.6	0.9	2.2	2.3	2.0	2.0	2.0	2.0
Current Account (percent GDP)	**-18.2**	**-12.0**	**-11.3**	**-8.7**	**-10.6**	**-10.4**	**-9.1**	**-8.1**	**-7.4**	**-7.0**	**-6.8**
Anguilla	-46.9	-4.6	15.3	20.3	29.3	26.9	25.0	22.9	20.9	18.6	16.9
Antigua and Barbuda	-17.6	-15.1	-12.9	-7.5	-11.6	-11.8	-11.3	-10.8	-10.4	-9.9	-9.4
Dominica	-33.5	-27.3	-40.4	-37.8	-38.0	-33.2	-25.4	-20.8	-18.3	-16.9	-16.5
Grenada	-14.4	-12.1	-20.3	-21.9	-17.8	-18.3	-15.9	-15.0	-14.3	-14.2	-14.1
Montserrat	-18.3	-9.8	-8.6	-1.1	-0.9	-1.5	0.1	0.5	0.5	0.5	0.5
St. Kitts and Nevis	-3.4	-10.8	-13.7	-13.0	-14.6	-15.4	-14.2	-13.1	-12.6	-12.0	-11.9
St. Lucia	-10.4	-3.3	-2.2	-1.6	-4.6	-4.6	-3.7	-3.0	-2.3	-1.6	-1.1
St. Vincent and the Grenadines	-23.2	-20.5	-18.2	-17.1	-20.1	-21.2	-18.5	-17.3	-16.6	-16.5	-16.6
Overall Balance (percent of GDP)	**-2.8**	**-2.7**	**-1.2**	**-2.5**	**-3.2**	**-3.8**	**-2.9**	**-2.5**	**-2.3**	**-2.1**	**-2.1**
Anguilla	6.7	11.0	12.0	5.5	6.4	-4.0	-1.3	0.7	2.5	4.6	6.0
Antigua and Barbuda	-4.5	-2.9	-1.7	1.6	3.3	-0.6	-1.1	-1.0	-1.0	-1.0	-0.9
Dominica	-8.2	-7.2	-4.5	-6.8	-1.3	-1.0	-1.0	-0.9	-0.5	0.0	0.0
Grenada	0.3	0.9	7.9	6.9	-5.0	-5.1	-0.1	0.0	0.0	0.3	0.4
Montserrat	1.2	3.7	4.2	2.3	0.2	-0.8	-0.6	-0.3	-0.2	0.0	0.3
St. Kitts and Nevis	5.5	-4.2	0.2	-11.3	-11.7	-8.7	-7.5	-5.6	-5.7	-5.9	-6.0
St. Lucia	-5.4	-2.5	-3.2	-1.8	-2.9	-3.6	-3.6	-3.4	-3.2	-3.0	-3.1
St. Vincent and the Grenadines	-7.2	-9.4	-12.5	-16.0	-12.3	-12.4	-11.1	-10.2	-9.4	-9.5	-9.6
Public Sector Debt (percent of GDP)	**85.6**	**77.6**	**74.3**	**74.7**	**75.0**	**75.4**	**76.2**	**76.5**	**76.7**	**76.8**	**76.4**
Anguilla	54.4	38.3	32.0	24.0	23.2	21.7	19.9	18.6	17.5	17.0	16.2
Antigua and Barbuda	93.0	82.4	74.5	69.3	68.3	66.5	65.2	63.9	62.3	60.4	58.4
Dominica	116.3	110.0	101.3	108.2	102.6	98.3	94.7	91.4	88.2	84.8	81.6
Grenada	86.6	79.3	74.5	75.1	71.6	69.0	69.5	69.8	69.9	69.7	66.8
Montserrat	5.2	4.2	3.6	3.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7
St. Kitts and Nevis	73.0	64.5	60.0	58.1	58.4	64.0	68.7	71.3	73.8	76.5	79.2
St. Lucia	81.9	73.9	75.2	76.7	77.1	77.5	77.7	77.7	77.7	77.6	77.4
St. Vincent and the Grenadines	88.3	88.6	91.3	102.8	113.1	120.1	126.1	131.3	135.6	140.0	144.5

Sources: Country authorities; and Fund staff estimates and projections.
1/ The weighted average inflation using nominal GDP to assign weights.

Table 3. ECCU: Selected Central Government Fiscal Indicators by Country, 2021-31 1/
(In percent of GDP)

					Est.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Total Revenues and Grants	**30.6**	**29.9**	**30.1**	**31.5**	**29.7**	**28.5**	**27.9**	**27.9**	**27.7**	**27.7**	**27.6**
Anguilla	35.8	32.3	34.4	32.5	40.1	39.2	38.7	38.0	37.3	37.0	36.4
Antigua and Barbuda	18.9	18.0	16.7	21.9	22.4	21.6	21.0	20.9	20.8	20.7	20.6
Dominica	58.8	62.5	60.3	60.6	54.1	46.6	41.5	41.4	41.2	41.1	41.2
Grenada	31.6	32.9	36.6	45.2	34.1	31.7	31.1	30.9	30.8	30.6	30.6
Montserrat	82.8	76.1	84.9	79.2	79.8	78.9	78.4	78.2	78.1	77.9	77.8
St. Kitts and Nevis	47.5	46.1	43.9	33.1	30.7	32.2	32.7	33.2	33.2	33.2	33.2
St. Lucia	21.3	21.3	22.1	22.6	22.4	22.2	22.1	22.2	22.1	22.1	22.0
St. Vincent and the Grenadines	30.9	27.3	27.3	29.9	29.8	28.7	28.6	28.4	28.4	28.4	28.4
Current Expenditure	**26.2**	**24.2**	**23.4**	**24.8**	**24.7**	**25.0**	**24.9**	**24.7**	**24.7**	**24.7**	**24.7**
Anguilla	25.7	21.2	20.6	20.7	24.4	27.2	25.9	24.9	24.7	23.6	23.2
Antigua and Barbuda	21.1	18.4	16.6	18.9	17.5	18.7	18.5	18.5	18.5	18.5	18.5
Dominica	40.2	34.1	30.1	29.5	28.8	28.8	28.8	28.9	28.9	28.9	28.8
Grenada	22.7	21.7	19.5	25.9	26.0	24.1	23.5	23.4	23.4	23.2	23.2
Montserrat	70.4	66.2	71.8	69.0	70.0	70.5	70.5	70.1	70.0	69.6	69.4
St. Kitts and Nevis	33.5	36.9	38.7	36.5	34.2	33.1	34.2	33.2	33.4	33.5	33.7
St. Lucia	22.4	20.8	20.6	21.1	21.8	21.8	21.9	21.9	21.9	21.9	21.9
St. Vincent and the Grenadines	28.9	25.8	26.4	27.7	29.1	30.9	30.6	30.5	30.7	30.8	30.9
Capital Expenditure	**7.2**	**8.4**	**7.8**	**9.2**	**8.2**	**7.3**	**5.9**	**5.6**	**5.3**	**5.1**	**5.1**
Anguilla	0.5	0.1	1.8	6.3	9.2	16.1	14.6	13.6	12.7	11.9	11.2
Antigua and Barbuda	2.3	2.4	1.8	1.3	1.6	3.6	3.6	3.4	3.3	3.2	3.1
Dominica	26.8	35.6	34.7	37.9	26.6	18.8	13.7	13.4	12.9	12.3	12.4
Grenada	8.6	10.3	9.2	12.4	13.1	12.7	7.8	7.5	7.3	7.2	7.1
Montserrat	11.1	6.2	8.9	7.9	9.6	9.2	8.5	8.4	8.3	8.2	8.1
St. Kitts and Nevis	8.5	13.5	5.0	7.9	8.2	2.1	2.1	2.1	2.1	2.1	2.1
St. Lucia	4.2	3.0	4.6	3.2	3.5	3.3	3.1	2.9	2.7	2.5	2.5
St. Vincent and the Grenadines	9.1	10.9	13.4	18.3	13.0	10.2	9.2	8.1	7.1	7.1	7.1
Primary Balance	**-0.5**	**-0.3**	**1.1**	**0.2**	**-0.7**	**-1.3**	**-0.4**	**0.1**	**0.4**	**0.6**	**0.6**
Anguilla	8.3	12.3	13.2	6.5	7.4	-3.2	-0.6	1.3	3.0	5.1	6.6
Antigua and Barbuda	-2.3	-0.3	0.5	4.0	4.9	1.4	0.9	1.0	1.0	1.0	1.0
Dominica	-5.6	-4.3	-2.0	-4.4	0.7	1.0	1.1	1.2	1.5	2.0	2.0
Grenada	2.1	2.6	9.4	10.3	-1.4	-3.3	1.5	1.5	1.5	1.5	1.5
Montserrat	1.4	3.8	4.3	2.4	0.3	-0.8	-0.6	-0.3	-0.2	0.1	0.3
St. Kitts and Nevis	6.7	-3.0	1.4	-10.0	-10.4	-7.5	-5.4	-3.2	-3.2	-3.2	-3.2
St. Lucia	-2.2	1.0	0.2	1.5	0.3	0.4	0.6	1.0	1.3	1.6	1.5
St. Vincent and the Grenadines	-4.7	-7.0	-9.9	-12.8	-8.5	-8.2	-6.9	-5.8	-4.8	-4.8	-4.8
Overall Balance	**-2.8**	**-2.7**	**-1.2**	**-2.5**	**-3.2**	**-3.8**	**-2.9**	**-2.5**	**-2.3**	**-2.1**	**-2.1**
Anguilla	6.7	11.0	12.0	5.5	6.4	-4.0	-1.3	0.7	2.5	4.6	6.0
Antigua and Barbuda	-4.5	-2.9	-1.7	1.6	3.3	-0.6	-1.1	-1.0	-1.0	-1.0	-0.9
Dominica	-8.2	-7.2	-4.5	-6.8	-1.3	-1.0	-1.0	-0.9	-0.5	0.0	0.0
Grenada	0.3	0.9	7.9	6.9	-5.0	-5.1	-0.1	0.0	0.0	0.3	0.4
Montserrat	1.2	3.7	4.2	2.3	0.2	-0.8	-0.6	-0.3	-0.2	0.0	0.3
St. Kitts and Nevis	5.5	-4.2	0.2	-11.3	-11.7	-8.7	-7.5	-5.6	-5.7	-5.9	-6.0
St. Lucia	-5.4	-2.5	-3.2	-1.8	-2.9	-3.6	-3.6	-3.4	-3.2	-3.0	-3.1
St. Vincent and the Grenadines	-7.2	-9.4	-12.5	-16.0	-12.3	-12.4	-11.1	-10.2	-9.4	-9.5	-9.6

Sources: Country authorities; and Fund staff estimates and projections.
1/ Fiscal years for Dominica, Montserrat (since 2010), and St. Lucia.

Table 4. ECCU: Selected Public Sector Debt Indicators by Country, 2021-31 [1/]

					Est.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	(In percent of GDP)										
Total Public Sector Debt	**85.6**	**77.6**	**74.3**	**74.7**	**75.0**	**75.4**	**76.2**	**76.5**	**76.7**	**76.8**	**76.4**
Anguilla	54.4	38.3	32.0	24.0	23.2	21.7	19.9	18.6	17.5	17.0	16.2
Antigua and Barbuda	93.0	82.4	74.5	69.3	68.3	66.5	65.2	63.9	62.3	60.4	58.4
Dominica	116.3	110.0	101.3	108.2	102.6	98.3	94.7	91.4	88.2	84.8	81.6
Grenada	86.6	79.3	74.5	75.1	71.6	69.0	69.5	69.8	69.9	69.7	66.8
Montserrat	5.2	4.2	3.6	3.0	2.7	2.7	2.7	2.7	2.7	2.7	2.7
St. Kitts and Nevis	73.0	64.5	60.0	58.1	58.4	64.0	68.7	71.3	73.8	76.5	79.2
St. Lucia	81.9	73.9	75.2	76.7	77.1	77.5	77.7	77.7	77.7	77.6	77.4
St. Vincent and the Grenadines	88.3	88.6	91.3	102.8	113.1	120.1	126.1	131.3	135.6	140.0	144.5
External Debt	**47.4**	**42.7**	**42.6**	**43.7**	**43.7**	**45.7**	**47.4**	**48.5**	**49.3**	**50.0**	**50.2**
Anguilla	23.5	16.3	13.5	9.7	9.4	8.5	7.4	7.0	6.9	7.0	6.9
Antigua and Barbuda	45.5	39.6	35.2	31.7	31.3	34.2	36.1	37.5	38.5	38.7	38.9
Dominica	70.2	66.4	63.2	72.7	66.0	65.4	65.0	64.4	63.4	61.9	60.3
Grenada	67.6	62.8	60.1	61.3	57.8	55.6	56.7	57.4	58.0	58.3	55.7
Montserrat	4.5	3.7	3.3	2.8	2.6	2.6	2.6	2.6	2.6	2.6	2.6
St. Kitts and Nevis	15.0	12.9	11.1	11.6	11.3	22.1	28.8	33.3	37.9	42.4	47.1
St. Lucia	42.6	38.0	43.5	45.1	46.1	46.7	47.1	47.3	47.5	47.6	47.6
St. Vincent and the Grenadines	63.3	62.6	65.5	72.1	78.3	81.9	84.3	85.7	86.4	87.2	88.3
Domestic Debt	**38.2**	**34.9**	**31.8**	**31.0**	**31.3**	**29.7**	**28.8**	**28.1**	**27.4**	**26.8**	**26.3**
Anguilla	30.8	22.0	18.5	14.3	13.7	13.1	12.5	11.6	10.7	10.0	9.3
Antigua and Barbuda	47.4	42.9	39.4	37.5	36.9	32.3	29.1	26.4	23.8	21.7	19.5
Dominica	46.0	43.6	38.0	35.6	36.6	32.9	29.7	27.0	24.8	23.0	21.3
Grenada	19.0	16.5	14.5	13.8	13.8	13.4	12.8	12.3	11.9	11.4	11.1
Montserrat	0.7	0.5	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
St. Kitts and Nevis	58.0	51.6	48.9	46.6	47.1	41.9	39.9	38.0	36.0	34.0	32.1
St. Lucia	39.3	35.9	31.8	31.5	31.0	30.8	30.6	30.4	30.2	30.0	29.8
St. Vincent and the Grenadines	25.0	26.0	25.8	30.7	34.8	38.2	41.8	45.6	49.2	52.7	56.3
	(In percent)										
Implied Interest Rates on Central Government External Debt											
Anguilla	3.3	3.7	5.3	5.5	4.3	3.9	3.3	3.2	3.2	3.2	3.0
Antigua and Barbuda	2.8	3.3	3.1	3.5	2.4	2.0	2.2	2.4	2.6	2.9	3.0
Dominica	1.3	2.7	2.6	1.6	1.6	1.6	1.9	2.1	2.3	2.5	2.6
Grenada	2.4	2.3	2.2	6.0	6.9	3.2	2.6	2.4	2.3	1.7	1.7
Montserrat	3.1	3.1	3.2	3.1	2.8	2.6	2.3	2.2	2.1	2.1	2.1
St. Kitts and Nevis	2.4	2.3	2.7	2.4	2.6	1.0	2.1	2.5	2.6	2.7	2.8
St. Lucia	3.0	3.7	3.7	3.9	3.7	3.7	4.1	4.4	4.7	5.0	5.0
St. Vincent and the Grenadines	1.6	1.6	2.0	2.1	2.4	2.7	2.6	2.8	3.0	3.2	3.5
Implied Interest Rates on Central Government Domestic Debt											
Anguilla	3.1	3.4	3.1	2.9	3.0	3.1	3.1	3.0	3.0	3.0	3.0
Antigua and Barbuda	2.8	4.0	3.5	4.1	2.8	5.2	5.0	5.0	5.0	5.0	5.0
Dominica	5.7	4.5	3.6	4.5	3.6	4.1	4.1	4.1	4.0	4.0	4.0
Grenada	3.2	3.7	3.5	3.7	3.8	3.6	3.7	3.8	4.0	3.9	4.1
Montserrat	3.1	4.1	4.1	4.9	4.7	3.4	3.0	3.0	3.0	3.0	3.0
St. Kitts and Nevis	2.7	3.3	3.2	3.5	3.5	3.5	5.9	6.1	6.4	6.6	6.8
St. Lucia	5.4	6.4	6.4	5.5	5.5	5.8	5.9	5.8	5.8	5.7	5.7
St. Vincent and the Grenadines	6.5	5.6	5.3	6.1	5.7	5.3	4.7	4.3	3.9	3.6	3.3

Sources: Country authorities; and Fund staff estimates and projections.
1/ Fiscal years for Dominica, Montserrat (since 2010), and St. Lucia.

Table 5. ECCU: Summary Balance of Payments, 2021-31

					Est.	Proj.					
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					(In millions of U.S. dollars)						
Current Account	**-1,320**	**-1,009**	**-1,018**	**-830**	**-1,057**	**-1,087**	**-990**	**-926**	**-884**	**-872**	**-883**
Trade balance	-2,189	-2,813	-2,949	-2,991	-3,259	-3,554	-3,639	-3,765	-3,877	-4,006	-4,133
Exports	253	355	365	416	389	403	429	453	474	495	525
Imports	2,442	3,168	3,314	3,408	3,648	3,957	4,068	4,217	4,351	4,501	4,659
Services	1,102	2,163	2,345	2,572	2,653	2,889	3,081	3,280	3,445	3,598	3,724
Transportation	-254	-349	-395	-421	-439	-460	-481	-503	-526	-550	-575
Travel	1,488	2,924	3,472	3,927	3,959	4,209	4,473	4,748	4,997	5,220	5,454
Other services	-132	-412	-732	-934	-868	-860	-911	-964	-1,026	-1,072	-1,155
Primary income	-238	-365	-420	-419	-453	-429	-439	-449	-460	-474	-483
Secondary income	6	6	6	8	3	7	7	8	8	9	9
Capital Account	**387**	**356**	**512**	**603**	**432**	**346**	**287**	**276**	**308**	**350**	**367**
Financial Account	**-791**	**-668**	**-777**	**-550**	**-624**	**-741**	**-704**	**-650**	**-576**	**-522**	**-516**
Direct investment	-892	-682	-863	-861	-836	-804	-822	-831	-846	-852	-869
Portfolio investment	331	490	197	472	435	599	424	389	363	341	329
Other investment	-556	-441	-174	-246	-209	-565	-345	-244	-144	-80	-27
Public sector long-term loans	-355	-118	-250	-216	-231	-244	-275	-247	-218	-199	-141
Deposit-taking corporations	-9	-297	49	-125	92	118	79	-129	-733	-578	46
Others	-193	-27	27	95	-70	-440	-149	132	806	697	68
Reserve assets	325	-34	63	84	-14	29	39	37	51	70	50
Errors and omissions	21	-57	-235	-260	0	0	0	0	0	0	0
					(In percent of GDP)						
Current Account	**-18.2**	**-12.0**	**-11.3**	**-8.7**	**-10.6**	**-10.4**	**-9.1**	**-8.1**	**-7.4**	**-7.0**	**-6.8**
Trade balance	-30.2	-33.4	-32.6	-31.3	-32.7	-34.1	-33.3	-33.0	-32.5	-32.1	-31.7
Exports	3.5	4.2	4.0	4.4	3.9	3.9	3.9	4.0	4.0	4.0	4.0
Imports	33.7	37.6	36.7	35.7	36.6	37.9	37.3	36.9	36.4	36.1	35.7
Services	15.2	25.7	25.9	26.9	26.6	27.7	28.2	28.7	28.8	28.8	28.5
Of which: travel	20.5	34.7	38.4	41.1	39.7	40.3	41.0	41.6	41.8	41.8	41.8
Primary income	-3.3	-4.3	-4.6	-4.4	-4.5	-4.1	-4.0	-3.9	-3.9	-3.8	-3.7
Secondary income	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Capital Account	**5.3**	**4.2**	**5.7**	**6.3**	**4.3**	**3.3**	**2.6**	**2.4**	**2.6**	**2.8**	**2.8**
Financial Account	**-10.9**	**-7.9**	**-8.6**	**-5.8**	**-6.3**	**-7.1**	**-6.4**	**-5.7**	**-4.8**	**-4.2**	**-4.0**
Of which: direct investment	-12.3	-8.1	-9.5	-9.0	-8.4	-7.7	-7.5	-7.3	-7.1	-6.8	-6.7
					(Annual percentage change)						
Exports	31.5	40.5	2.7	14.1	-6.6	3.6	6.5	5.5	4.6	4.5	6.2
Imports	15.2	29.7	4.6	2.8	7.1	8.5	2.8	3.7	3.2	3.4	3.5
Travel (net)	33.2	96.6	18.7	13.1	0.8	6.3	6.3	6.2	5.2	4.5	4.5
Direct investment	61.0	-23.5	26.5	-0.3	-2.8	-3.8	2.2	1.1	1.8	0.8	1.9
Memorandum Items:											
Gross reserves of the ECCB (in US$ million)	1,952	1,869	1,972	2,087	2,118	2,090	2,130	2,167	2,218	2,288	2,338
In months of total imports in year t+1	4.8	4.2	4.1	4.2	4.0	3.8	3.8	3.7	3.6	3.6	…

Sources: Country authorities; and Fund staff estimates and projections.

Table 6. ECCU: Selected Vulnerability Indicators, 2020-25

(Annual percentage change unless otherwise indicated)

	2020	2021	2022	2023	2024	Est. 2025
External Indicators						
Current account balance (percent of GDP)	-19.1	-18.2	-12.0	-11.3	-8.7	-10.6
FDI inflows (percent of GDP)	7.6	11.2	8.2	10.2	9.1	8.5
Export growth (goods)	-28.5	31.5	40.5	2.7	14.1	-6.6
Import growth (goods)	-23.2	15.2	29.7	4.6	2.8	7.1
Travel receipts (percent of GDP)	17.1	20.5	34.7	38.4	41.1	39.7
Real effective exchange rate 1/	1.9	0.2	6.5	1.6	0.5	…
Total gross external public debt (percent of GDP)	48.5	48.3	42.9	42.9	43.9	43.9
Gross external financing requirement (in US$ million	1,600	1,649	1,356	1,361	1,182	1,465
Gross international reserves (in US$ million)	1,747	1,952	1,869	1,972	2,087	2,118
Net international reserves (in US$ million)	1,736	1,936	1,843	1,942	2,057	2,087
ECCB reserve cover (in percent) 2/	96.0	95.8	90.5	95.0	98.2	98.4
Public Finance Indicators (percent of GDP)						
Overall central government balance	-6.6	-2.8	-2.7	-1.2	-2.5	-3.2
Primary central government balance	-4.1	-0.5	-0.3	1.1	0.2	-0.7
Central government current account balance	-1.8	0.6	3.1	4.6	4.8	2.4
Public sector gross debt (end-of-period)	90.3	85.6	77.6	74.3	74.7	75.0
Financial Soundness Indicators (in percent) 3/						
Capital adequacy ratio (indigenous banks, total capital over adjusted risk-weighted assets)	20.9	19.9	16.7	16.8	15.5	17.3
NPLs/total loans	11.6	12.1	12.3	11.2	9.4	7.7
FX deposits/total deposits	15.6	16.9	18.3	18.9	19.4	19.4
Liquid assets/total assets	38.4	38.2	38.6	39.3	39.8	38.1
Liquid assets/short-term liabilities	45.0	43.1	43.0	43.5	44.6	46.4
Return on average assets	1.0	0.9	-0.2	1.3	1.4	1.4

Sources: Country authorities; and Fund staff estimates and projections.

1/ Excludes Anguilla and Montserrat.

2/ Foreign assets as a percentage of demand liabilities. 2025 data is from published September 2025 figure.

3/ 2025 data is 2025Q4, aside from capital adequacy ratio which is 2025Q3 and Liquid assets/short-term liabilities and ROA, which are 2025Q1.

Table 7. ECCU: Financial Soundness Indicators of the Banking Sector, 2019–25

(In percent)

	2019	2020	2021	2022	2023	2024	2025
Capital adequacy							
Regulatory capital to risk-weighted assets (CAR) 1/	21.3	20.9	19.9	16.7	16.8	15.5	17.3
Regulatory Tier 1 capital to risk-weighted assets 1/	17.7	17.2	16.9	13.6	12.9	10.6	11.5
Asset composition and quality							
Total loans to total assets 2/	44.1	46.5	44.9	44.5	44.3	43.9	44.4
Sectoral distribution of loans to total loans							
Loans to residents	96.1	96.2	96.0	95.5	95.9	95.2	95.4
Deposit taking financial corporations	0.5	0.3	0.2	0.2	0.2	0.2	0.2
Other financial corporations	0.9	0.9	0.9	1.0	0.9	0.8	0.9
General government	12.1	10.8	10.6	10.3	9.8	9.8	9.8
Nonfinancial corporations	29.0	31.0	32.5	30.7	31.9	33.2	34.4
Households and other	53.6	53.2	51.8	53.3	52.8	51.0	50.0
Loans to non residents	3.9	3.8	4.0	4.6	4.1	4.8	4.6
Nonperforming loans to total gross loans	10.1	11.6	12.1	12.3	11.2	9.4	7.7
Total provisions to nonperforming loans 2/	43.0	50.9	48.4	45.9	40.9	45.1	54.0
Earnings and profitability							
Return on average assets (ROA) 3/	1.4	1.0	0.9	-0.2	1.3	1.4	1.4
Noninterest expenses to gross income 3/	64.7	62.2	70.7	100.0	68.3	67.4	61.0
Personnel expenses to noninterest expenses 3/	30.9	29.4	32.2	19.5	27.9	27.1	26.4
Interest margin to gross income	58.6	46.5	50.6	47.3	51.5	52.3	N.A.
Spread between reference lending and deposit rates 4/	6.4	5.6	5.3	5.6	5.4	5.4	5.4
Liquidity							
Liquid assets to total assets	40.4	38.4	38.2	38.6	39.3	39.8	38.1
Liquid assets to short-term liabilities	44.6	45.0	43.1	43.0	43.5	44.6	N.A.
Loans to deposits	64.2	67.5	63.5	62.6	61.4	62.1	63.5
Sensitivity to market risk							
Foreign-currency-denominated loans to total loans	11.5	11.7	11.8	13.6	12.6	12.1	11.9
Foreign-currency-denominated liabilities to total liabilities	21.1	19.8	17.5	18.1	17.7	19.6	17.7

Sources: Eastern Caribbean Central Bank (ECCB); and IMF staff calculations.
1/ Data available only for locally incorporated banks. 2025Q3 data used.
2/ Indicator not included in standard FSIs.
3/ 2025Q1 data used, 2025Q4 not available.
4/ Weighted average lending rates less weighted average deposit rates.

Table 8. ECCU: Financial Soundness Indicators of the Banking Sector by Country, 2019–25

(In percent)

	2019	2020	2021	2022	2023	2024	2025
Regulatory capital to risk-weighted assets (CAR) 1/ 2/	**21.3**	**20.9**	**19.9**	**16.7**	**16.8**	**15.5**	**15.8**
Anguilla	8.6	8.6	8.5	10.5	11.8	15.8	20.2
Antigua and Barbuda	39.4	34.6	32.8	26.7	25.8	18.7	21.2
Dominica	13.9	18.9	19.1	15.9	27.5	15.0	21.0
Grenada	11.9	15.1	15.8	14.1	15.7	14.5	16.0
Montserrat	37.7	37.8	24.1	26.5	19.6	12.0	0.0
St. Kitts and Nevis	20.2	24.5	21.8	11.1	10.3	12.9	16.3
St. Lucia	15.9	14.9	16.8	15.9	17.3	15.9	16.5
St. Vincent and the Grenadines	22.2	22.4	22.4	23.4	15.0	19.1	21.9
Regulatory Tier 1 capital to risk-weighted assets 1/ 2/	**17.7**	**17.2**	**16.9**	**13.6**	**12.9**	**10.6**	**10.9**
Anguilla	7.4	8.1	7.6	7.0	7.8	5.9	9.9
Antigua and Barbuda	31.9	28.6	27.9	21.3	19.9	14.7	16.8
Dominica	11.7	16.4	17.0	14.0	23.2	11.1	13.2
Grenada	7.8	13.3	14.2	12.7	11.6	10.3	11.8
Montserrat 2/	35.9	33.5	20.1	24.8	23.9	12.5	11.6
St. Kitts and Nevis	19.4	17.2	16.8	7.8	6.8	5.3	8.4
St. Lucia	10.0	10.4	14.4	14.2	13.6	12.1	12.4
St. Vincent and the Grenadines	23.8	22.8	20.9	21.0	11.3	13.0	14.5
Nonperforming loans to total gross loans	**10.1**	**11.6**	**12.1**	**12.3**	**11.2**	**9.4**	**7.7**
Anguilla	25.8	25.1	21.4	20.7	14.5	12.1	10.1
Antigua and Barbuda	5.3	7.4	7.8	6.9	6.1	4.2	3.4
Dominica	12.2	15.0	15.7	13.8	12.9	10.7	8.9
Grenada	2.2	2.2	2.9	3.6	3.4	2.6	4.1
Montserrat	5.5	5.0	5.1	4.6	5.4	5.8	8.1
St. Kitts and Nevis	24.0	23.5	20.9	21.8	19.4	18.0	15.8
St. Lucia	8.2	11.3	13.8	14.2	14.5	11.9	8.5
St. Vincent and the Grenadines	6.4	7.4	7.8	10.1	8.1	5.8	4.5
Total provisions to nonperforming loans 3/	**43.0**	**50.9**	**48.4**	**45.9**	**40.9**	**45.1**	**54.0**
Anguilla	16.4	22.6	27.8	28.8	24.7	28.1	33.7
Antigua and Barbuda	58.7	90.0	84.3	88.8	87.7	119.8	137.3
Dominica	54.6	45.8	49.1	48.9	42.3	54.9	73.4
Grenada	82.8	112.5	67.8	84.1	77.9	95.8	87.9
Montserrat	118.6	61.7	59.9	97.3	94.5	107.6	105.4
St. Kitts and Nevis	24.7	30.8	26.9	26.2	17.9	18.9	21.5
St. Lucia	63.0	60.4	54.8	45.3	40.3	39.0	49.0
St. Vincent and the Grenadines	58.8	64.0	59.2	48.5	45.2	56.6	77.1
Return on average assets (ROA) 2/	**1.4**	**1.0**	**0.9**	**-0.2**	**1.3**	**1.4**	**1.4**
Anguilla	0.9	0.4	1.4	1.2	2.0	1.8	2.7
Antigua and Barbuda	1.4	0.4	0.7	0.8	1.8	1.4	1.4
Dominica	2.9	0.9	0.2	-0.9	0.9	1.1	1.7
Grenada	1.4	0.4	0.3	0.5	1.2	1.2	0.5
Montserrat	-0.1	-0.3	0.0	0.5	1.5	1.5	1.3
St. Kitts and Nevis 2/	0.9	2.6	1.9	-3.6	1.0	1.1	2.0
St. Lucia	1.5	0.8	0.8	1.2	1.4	1.6	1.2
St. Vincent and the Grenadines	1.1	0.1	0.4	0.3	0.9	1.4	1.5
Liquid assets to total assets	**40.4**	**38.4**	**38.2**	**38.6**	**39.3**	**39.8**	**38.1**
Anguilla	48.3	45.0	50.4	47.2	51.3	53.5	45.7
Antigua and Barbuda	46.4	36.9	40.5	43.6	44.1	44.2	44.4
Dominica	46.7	48.9	46.1	48.1	50.5	48.2	50.4
Grenada	43.5	46.8	44.9	49.1	49.8	52.3	49.0
Montserrat	71.5	78.2	74.1	79.5	80.0	80.3	82.1
St. Kitts and Nevis	55.9	58.4	51.6	51.9	47.8	46.4	39.5
St. Lucia	40.4	37.8	39.3	43.6	46.9	51.1	43.8
St. Vincent and the Grenadines	41.7	44.0	47.2	48.4	43.1	46.2	46.9

Sources: Eastern Caribbean Central Bank (ECCB); and IMF staff calculations.

1/ Data available only for locally incorporated banks.

2/ Indicator not included in standard FSIs.

3/ Indicator not included in standard FSIs.

Table 9. ECCU: Credit Union Financial Soundness Indicators by Country, 2019–2025Q2 [1/]

(In percent)

	2019	2020	2021	2022	2023	2024	2025Q2
Total assets-to-GDP ratio 2/	**20.7**	**28.3**	**27.7**	**26.6**	**26.9**	**27.8**	**N.A.**
Antigua and Barbuda	8.5	11.5	11.3	11.6	11.3	11.2	11.5
Dominica	54.6	68.6	66.0	64.4	61.6	60.9	57.9
Grenada	27.6	39.0	38.7	39.4	39.7	42.7	N.A.
St. Kitts and Nevis	14.2	20.4	22.8	22.1	22.6	24.7	N.A.
St. Lucia	19.4	29.0	26.1	23.5	25.5	24.9	27.0
St. Vincent and the Grenadines	23.0	26.1	27.5	27.2	27.0	27.8	28.0
Total institutional capital ratio (CAR)	**11.5**	**11.5**	**N.A.**	**11.0**	**11.1**	**11.4**	**N.A.**
Antigua and Barbuda	10.4	11.2	10.3	10.4	10.5	10.4	10.2
Dominica	7.6	8.2	8.5	8.2	8.1	9.1	9.2
Grenada	11.6	12.3	12.9	12.0	13.0	13.5	N.A.
St. Kitts and Nevis	11.5	11.6	10.9	11.0	11.3	10.9	N.A.
St. Lucia	17.4	16.1	15.4	14.9	14.8	14.8	15.0
St. Vincent and the Grenadines	5.3	5.5	N.A.	5.5	5.1	5.2	5.7
Nonperforming loans (in percent of total loans)	**N.A.**	**N.A.**	**7.2**	**7.2**	**N.A.**	**6.3**	**N.A.**
Antigua and Barbuda	6.6	8.5	5.6	6.7	7.2	6.9	13.9
Dominica	7.3	8.9	8.6	9.1	8.2	7.9	7.8
Grenada	5.2	5.2	7.2	8.4	6.9	6.7	N.A.
St. Kitts and Nevis	5.9	5.8	5.5	7.1	5.6	6.0	N.A.
St. Lucia	N.A.	N.A.	7.4	5.6	4.9	4.5	4.3
St. Vincent and the Grenadines	5.0	7.1	8.0	6.4	6.1	7.2	7.1
Provisions (in percent of nonperforming loans)	**N.A.**	**N.A.**	**54.8**	**59.3**	**N.A.**	**62.6**	**N.A.**
Antigua and Barbuda	61.0	25.9	55.7	74.4	68.2	82.2	41.1
Dominica	88.4	77.5	76.7	82.1	79.6	82.4	84.1
Grenada	23.5	28.5	27.4	36.5	48.2	46.9	N.A.
St. Kitts and Nevis	63.5	57.3	63.0	48.3	48.3	43.8	N.A.
St. Lucia	N.A.	N.A.	N.A.	N.A.	77.6	69.9	66.2
St. Vincent and the Grenadines	66.4	53.3	54.3	55.1	65.3	49.3	42.7
Credit growth (year-on-year)	**6.5**	**7.8**	**9.2**	**10.2**	**11.8**	**9.7**	**N.A.**
Antigua and Barbuda	15.1	8.8	13.5	9.5	8.7	6.0	4.9
Dominica	6.0	1.7	3.3	7.4	14.2	9.3	0.1
Grenada	12.1	8.5	7.9	5.8	11.2	10.6	N.A.
St. Kitts and Nevis	8.7	9.8	10.3	9.9	9.6	12.2	N.A.
St. Lucia	5.6	4.4	16.3	16.3	13.5	12.4	9.5
St. Vincent and the Grenadines	7.6	2.3	2.5	11.1	10.1	9.8	12.9
Return on average assets (ROA)	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**
Antigua and Barbuda	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Dominica	0.8	1.0	0.8	0.5	0.5	0.5	0.3
Grenada	2.5	0.2	1.3	1.3	1.4	1.4	N.A.
St. Kitts and Nevis	1.3	1.6	1.2	0.7	1.5	1.3	N.A.
St. Lucia	N.A.	N.A.	N.A.	N.A.	2.0	2.2	1.9
St. Vincent and the Grenadines	1.6	1.1	0.9	0.6	0.8	0.7	0.5
Liquid assets (in percent of total assets)	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**
Antigua and Barbuda	16.5	16.8	17.2	22.0	18.2	N.A.	0.0
Dominica	12.1	14.1	15.7	16.9	9.8	8.0	8.5
Grenada	19.3	18.1	17.5	16.9	22.3	19.5	N.A.
St. Kitts and Nevis	26.0	29.0	27.9	29.2	28.6	28.3	N.A.
St. Lucia	N.A.	N.A.	N.A.	N.A.	24.5	23.2	24.1
St. Vincent and the Grenadines	27.7	31.4	30.0	33.6	31.8	26.0	35.2

Sources: Country authorities; and IMF staff calculations.
1/ 2023 and 2024 data for St. Lucia is based on data for Q2 of each year. 2024 ECCU aggregate utilizes 2024Q2 St. Lucia data.
2/ 2025 annual GDP projection is used for 2025Q2 ratios.

Annex I. Implementation of Past Fund Advice[1]

Recommendations from the 2025 Common Policies Discussion	Authorities' Actions
Addressing Supply-Side Bottlenecks to Enhance Growth	
1. A renewed effort to improve labor market outcomes, foster opportunities for youth and women, and attune human capital to economic needs.	**Ongoing.** Authorities are advancing education reform, vocational and skills-based training, and harmonization of regional skills certification frameworks.
2. Harnessing opportunities of green energy transition (GET)	**Ongoing.** Member countries are advancing renewable energy projects, including geothermal and solar initiatives.
3. Safeguarding and optimizing the CBI funding model for development.	**Ongoing.** Authorities are strengthening transparency, accountability, and allocative efficiency of CBI programs, with further progress expected with the establishment of the Eastern Caribbean Citizenship by Investment Regulatory Authority (ECCIRA).
4. Strengthening disaster preparedness of capital stock through regionally coordinated efforts.	**Ongoing.** Some countries obtained targeted funding for resilient infrastructure.
5. Addressing bottlenecks to innovation and allocative efficiency that weigh on productivity requires multipronged efforts.	**Ongoing.** Authorities are advancing financial sector and institutional reforms, including the rollout of the regional credit bureau, partial credit guarantee schemes, payment system modernization, and initiatives to improve connectivity and regulatory efficiency at the regional level. Four CARICOM countries (of which two are ECCU) initiated full free movements of nationals. St. Kitts and Nevis established the National Productivity Council.
Building Resilient Fiscal Frameworks to Support Fiscal Sustainability and Inclusive Growth	
6. Strong national medium-term fiscal frameworks, with well-designed fiscal rules and specific fiscal policy and reform plans	**Limited progress.** Notwithstanding incremental steps in some countries, rules-based national frameworks remain to be operationalized in many member countries.
7. A comprehensive ex-ante resilience strategy to enable resilient investment and adequate insurance against NDs	**Ongoing.** Some countries have adopted a disaster risk financing strategy, but no further progress has been made since the last consultation.
8. Strengthening management and budget use of CBI revenues	**Ongoing.** Authorities are enhancing monitoring, reporting, and governance of CBI revenues to improve transparency, support fiscal planning, and strengthen allocation toward priority development and resilience projects.
Strengthening Financial System Resilience and Private Investment	
9. Addressing banks' legacy balance sheet weaknesses necessitates more urgent policy focus given slow progress in addressing elevated NPLs.	**Limited progress.** While bank NPLs have fallen, no new policy aimed at addressing long-dated NPLs was introduced in 2025.
10. Mitigating risks from rapid credit union (CU) expansion	**Limited progress.** The initiative to harmonize and strengthen regulation and supervision of credit unions through the Eastern Caribbean Financial Standards Board (ECFSB) and common minimum standards is progressing but will take several years to complete.
11. Strengthening policy response preparedness to reinsurance risks in the property insurance market	**Ongoing.** Authorities are monitoring reinsurance market developments but are yet to establish more systematic data collection to support the risk assessment.
12. A multi-pronged regional approach to strengthen financial intermediation would support efforts to boost potential growth	**Ongoing.** Credit bureau, partial credit guarantee schemes, payment system modernization, and capital market initiatives are being rolled out. The ECPCGC and national initiatives are targeting improvements in MSME credit access.

[1] This annex provides a focused follow-up on past Article IV recommendations.

Recommendations from the 2025 Common Policies Discussion	Authorities' Actions
13. Strengthening of AML/CFT frameworks remains crucial amidst the scrutiny of CBI programs and thin correspondent banking relationships.	**Ongoing.** The national authorities continue to strengthen their AML/CFT frameworks by addressing gaps identified by the CFTAF mutual evaluations. The ECCB hosted its first major regional conference focused on the 5th Round Mutual Evaluations.
Statistical Issues	
14. Greater leveraging of synergies in regional data collection and processing could help address persistent resource and capacity gaps.	**Limited progress.** The ECCB is working on improvements in its data system infrastructure and some development partner supported sub-regional initiatives are ongoing in supporting more harmonized data adequacy improvements in selected areas, but no steps have been taken toward more systematic regional coordination in economic data collection and processing.

Annex II. British Overseas Territories—Anguilla and Montserrat[1]

Anguilla

1. **Anguilla is a British Overseas Territory and not a member of the IMF.** With a population of approximately 16,000, it has the second smallest population of the ECCU members. Tourism remains the backbone of the economy, but domain sales have gained prominence as a major source of revenue. Indeed, Anguilla's country code top-level domain (.ai) has generated significant demand by artificial intelligence-related businesses. A new government took office in February 2025.

2. **Growth is estimated to moderate amid capacity constraints.** Tourism indicators reveal a mixed picture: day-tripper arrivals surged by 21 percent in 2025, reflecting strong tourism demand, while stayover arrivals rose by a more modest 3 percent. Resort occupancy reached full capacity during peak season following a 16 percent rise in stay-over arrivals in 2024, constraining further expansion in 2025. Consequently, real GDP growth is estimated to have moderated to 3.2 percent in 2025 from 5.7 percent in 2024. Expansion of hotel room capacity is expected but at a gradual pace. Meanwhile, infrastructure improvements, such as the opening of a new airport terminal in December 2025 and a runway and apron extension scheduled for completion in 2026, are expected to enhance connectivity by accommodating larger long-haul jets. Inflation remained negative in 2025, supported by Goods and Sales Tax relief measures and favorable commodity prices.

3. **Domain sales revenue boosted the fiscal position and drove net debt to near zero.** Total tax revenues are estimated to have declined by 9 percent in 2025 from 2024, to EC$289 million, primarily due to the 2025 Goods and Service Tax reform that lowered rates and expanded exemptions. This reduction was offset by a surge in domain sales revenue, which is estimated to have more than doubled to EC$227 million in 2025. This revenue windfall enabled a large primary surplus, estimated at 7 percent of GDP, and brought government financial assets close to outstanding debt. However, the fiscal position is projected to reverse to a deficit in 2026 due to increased capital and social expenditures.

4. **The current account remains in large surplus.** The current account surplus is estimated at 29 percent of GDP in 2025, marking three consecutive years of substantial surpluses. This represents a structural shift from past decades, supported by strong domain sales and sustained tourism receipts. Tourism capacity will continue expanding, complemented by infrastructure investments financed through domain sale revenues.

5. **Financial intermediation remains weak.** The NPL ratio improved further in 2025, declining to an estimated 12 percent. Yet it remains well above the ECCB's 5 percent benchmark, and progress has slowed. Domestic credit continues to contract, as government debt repayments reduce outstanding liabilities, while lending to businesses and households remains stagnant—a lingering legacy of the 2016 banking crisis.

[1] Prepared by Yishun Cao, Chao He, and Spencer Siegel.

6. To unleash Anguilla's long-term economic potential, prudent management of domain sales revenue and robust institutional frameworks are essential. The growing reliance on domain sales—now accounting for around 40 percent of recurrent revenue—heightens fiscal vulnerability to demand volatility. International best practices for managing windfall revenues typically include: (i) prudent fiscal management to preserve debt sustainability, including through the establishment of robust fiscal frameworks; (ii) sovereign stabilization funds that help smooth revenue volatility and promote intergenerational equity; (iii) strong governance and transparency mechanisms to ensure accountable management and clear reporting of revenue use; and (iv) strategic investment in infrastructure, human capital, and economic diversification that fosters sustainable long-term growth.

Montserrat

7. Montserrat is a British Overseas Territory and not a member of IMF. With a population of approximately 4,400, it is the least populous member of the ECCU. However, its diaspora, primarily located in the United Kingdom and including those displaced by the 1995 volcanic eruption, far exceeds the resident population. The economy remains highly dependent on Official Development Assistance (ODA).

8. Growth is expected to be moderate amid delays in key infrastructure projects. Real GDP growth is estimated at 2.4 percent in 2025, moderating from 3.6 percent in 2024. Construction activity is underpinned by major projects, such as the new National Hospital. Nonetheless, the Little Bay port development, despite funding having been secured, has experienced persistent delays. Additionally, the cessation of ferry services between Montserrat and Antigua and Barbuda has negatively affected connectivity and tourism.

9. Montserrat has secured a pause of its scheduled ODA graduation, originally planned for 2026. This pause allows for a comprehensive review of graduation criteria, while ensuring continued access to vital development grants through the UK Foreign, Commonwealth, and Development Office’s ODA budget. The fiscal position is estimated to be broadly balanced in 2025 with minimal public debt and remain stable in the near term. However, an eventual ODA graduation would increase medium-term fiscal uncertainty, as future funding would become subject to competitive allocation through the UK Treasury’s general reserves akin to those used by UK local councils.

10. The current account balance is expected to continue improving. The current account deficit is estimated to have narrowed further in 2025, supported by record inflows of UK budgetary assistance, a slowdown in construction-related imports, increased sand exports, greater domestic goods production, and higher travel receipts. Consequently, secondary income now largely offsets the goods and services deficit. Net remittances to Montserrat have increased over the past two decades, shifting from a net outflow to a positive inflow. Renewable energy initiatives provide prospects to reduce fuel imports and enhance external shock resilience.

11. Financial intermediation remains weak. Montserrat's small financial sector comprises one bank, one credit union, and a limited insurance market. The banking system has maintained historically high liquidity levels with minimal credit growth, reflecting a shortage of viable lending opportunities. Meanwhile, the non-performing loan ratio has increased, contributing to a more cautious lending environment among financial institutions.

12. The medium-term outlook hinges on unlocking the potential of tourism and agriculture. Restoring ferry services is a critical first step to improving accessibility. Investments in transport infrastructure, including the development of Little Bay port, construction of a new air traffic control tower, and road upgrades, are essential to alleviate connectivity constraints. Building on recent partnerships with Canadian distributors, agriculture offers opportunities to transition from subsistence production toward commercial exports.

Annex III. External Sector Assessment

Overall Assessment. *Based on preliminary data and staff's projections, the ECCU's external position in 2025 is assessed to be weaker than the level implied by fundamentals and desirable policies. The estimates are subject to wide error margins due to data challenges.[1] The external sector assessment is further hampered by data gaps concerning, in particular, the treatment of CBI flows and related investment (Annex VII).*

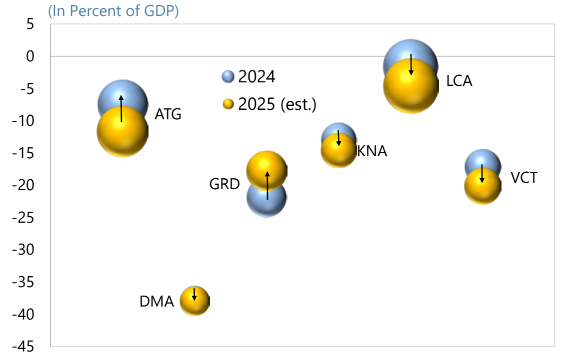
Potential Policy Responses. *Fiscal frameworks should be strengthened to support sustained improvements in fiscal positions and safeguard debt sustainability in line with the regional debt target. Structural reforms helping to limit vulnerabilities and costs from high import dependency, as well as to strengthen tourism export competitiveness and its contribution to local growth, would support reduction of external imbalances. Addressing gaps in institutional CBI reporting is critical to guard against risks to future CBI inflows. Strengthening external sector data is a key priority to better identify sustainability risks.*

Current Account

Background. ECCU members' external positions have largely recovered from the collapse in tourism exports during the Covid-19 pandemic. Moderating tourism growth and higher import demand associated with large public investment projects have nonetheless halted more sustained narrowing of large current account deficits, which are estimated to have widened in several members in 2025.

Assessment. The 2025 current account deficit for the ECCU-6 countries (excluding Anguilla and Montserrat) is estimated at 14.1 percent of GDP. With narrow output gaps, cyclical contributions are modest, but the transitory impacts from the recent CBI surge (Grenada) and large investment and reconstruction projects (Antigua and Barbuda and St. Vincent and the Grenadines) give rise to modest temporary adjustments (1.1 percent of GDP). No adjustments are made to the current account norm. The results suggest an estimated negative current account gap of 3.9 percent of GDP. The joint relative policy gap contribution is 0.2 percent of GDP despite a domestic policy component of -1.9 percent of GDP (reflecting, in particular, higher than desirable fiscal deficits in most ECCU members). Persistent external sector data challenges introduce significant uncertainty to the assessment, including year-to-year volatility in current account estimates stemming in part from historical data revisions. The January 2026 data release resulted in one percent of GDP revision in the 2023 ECCU aggregate deficit, and among the ECCU-6 members, a revision as high as 6½ percent of GDP (Dominica).

Current Account Balance 2024-25
(In Percent of GDP)



Sources: Country authorities; and IMF staff estimates and projections.
Note: Bubble size indicates the size of country's nominal GDP.

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[1] The 2025 data reflect IMF staff estimates, drawing on available high-frequency indicators. The first 2025 BoP and IIP estimates (based on administrative sources) are released at end-March 2026 while first complete data will be available only in January 2027. Historical BoP and IIP data are also subject to frequent material revisions, including in context of the latest January 2026 release of 2024 data. The EBA-lite model-based assessment excludes the British Overseas Territories of Anguilla and Montserrat due to insufficient data.

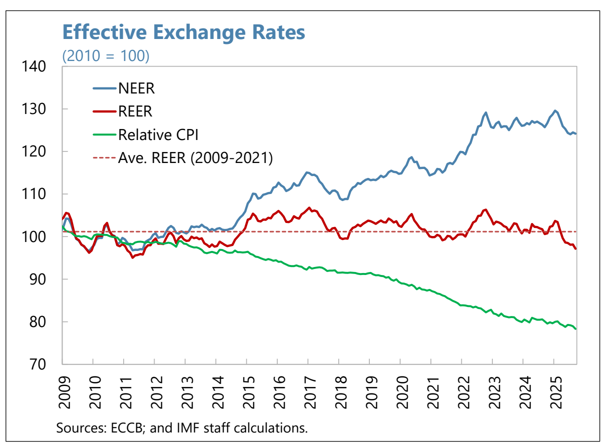
EBA-Lite Model Estimates for 2025 (Est.)
(In percent of GDP)[1/]

	CA model	REER model
CA-Actual 1/	**-14.1**	
Cyclical contributions (from model) (-)	-0.1	
Additional temporary/statistical factors (-)	-1.1	
Natural disasters and conflicts (-)	-0.2	
Adjusted CA	**-12.7**	
CA Norm (from model) 2/	**-8.8**	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	-8.8	
CA Gap	**-3.9**	**0.0**
o/w Relative policy gap	0.2	
o/w Domestic policy gap	-1.9	
o/w Fiscal policy gap	-1.7	
Elasticity	-0.4	
REER Gap (in percent)	**11.9**	**-0.2**

1/ The assessment is for ECCU-6 countries and the actual current account deficit may differ from the ECCU total.
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

Background. The ECCU real effective exchange rate remains in line with its long-term average. Changes in the ECCU's nominal effective exchange rate reflect the peg to the US$ under the quasi-currency board arrangement. Prices relative to key trading partners have continued to fall, giving rise to continued modest real depreciation. However, this trend should be interpreted cautiously given outdated CPI baskets in several members.



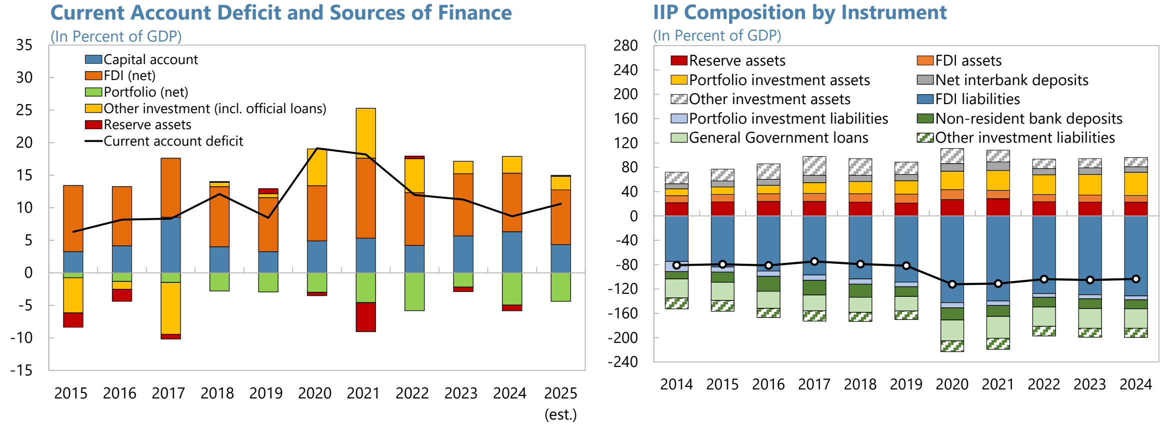
Assessment. IMF's EBA-lite Real Effective Exchange Rate model suggests much more modest overvaluation relative to the current account approach. The model results should be interpreted with caution given the sizable current account deficits and the absence of foreign exchange market interventions (the bottom-line assessment draws more on the current account approach). Using the gap from the CA model as a reference and applying a staff-estimated semi-elasticity of 0.4 yields an overvaluation of 11.9 percent.

Capital and Financial Accounts and Net International Investment Position

Background. *FDI inflows* have remained the primary source of financing for the current account deficits. This reflects high tourism dependency and large CBI direct investment inflows, although their exact contribution is unknown due to data limitations.[2] The government revenues from CBI programs similarly contribute materially to capital account financing. C*oncessional official financing* from international financial institutions and bilateral development partners has a more modest net-financing contribution outside stress periods, such as the 2020-21 Covid-19 pandemic. In the absence of international market access, the contribution of ECCU members' fiscal position has currently limited bearing on the currency union's external financing dynamics. Albeit more modest in scale, *net portfolio outflows* have increased in the past decade, reflecting investment of high banking system liquidity in overseas securities. The *net international investment position* (IIP) deteriorated over the pandemic, reflecting mostly a parallel surge in CBI inflows and higher FDI liabilities. It has since remained more stable, comprising predominantly FDI liabilities.

Current Account Financing Sources and International Investment Position

Current Account Deficit and Sources of Finance | **IIP Composition by Instrument**



Sources: ECCB; and IMF staff calculations.

Assessment. The financing needs for the ECCU current account deficits are projected to remain large in the near term. The elevated external risks from the region's susceptibility to natural disasters, tourism and commodity price shocks, as well as CBI investment uncertainties, underscore the need to strengthen monitoring of the currency union's external sustainability to inform design of scenario-based policy responses (including estimation of financing needs and sources). External sector data quality and, in particular, monitoring of direct investment flows associated with CBI programs, need to be enhanced given their highly uncertain nature. However, the FDI dominance mitigates external funding risks and weakening of these inflows would also reduce import-heavy investment, thereby organically narrowing the current account deficits.

[2] In addition to investments in government-owned national funds, CBI investors may also invest directly in pre-approved real estate projects (typically in the tourism sector). The ECCB has designed new surveys for CBI units, developers, and agents with the aim of improving recording of these potentially underreported investments. Staffing constraints remain a key challenge for effective inter-agency data coordination in CBI and broader FDI data collection.

FX Intervention and Reserves Level

Background. The ECCB international reserve position has remained on a moderate trend-growth path. At end-2025, this is projected to correspond to about 4.1 months of imports (above the benchmark of three months), 25.3 percent of broad money (above the benchmark of 20 percent), and 46.7 percent of total external debt. The ECCB's reserve backing ratio (defined as the stock of the international reserves as a percent of the ECCB's demand liabilities) remains broadly in line with its long-term average.

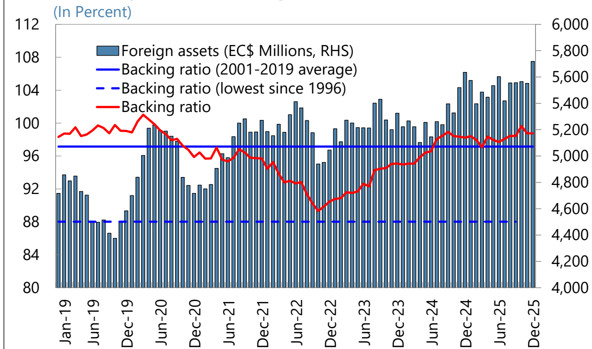
Reserve Adequacy Metric

	End-2025 (est.)	Benchmark
Billions of U.S. dollars	2.1	...
Percent of GDP	21.3	...
Percent of demand liabilities	98.8	...
Months of prospective year imports of goods and services	4.3	3.0
Percent of broad money	25.6	20.0
Percent of total external debt	48.4	...

Sources: ECCB; and IMF staff calculations.

Assessment. To ensure the credibility of the quasi-currency board arrangement, the ECCB has appropriately limited its provision of credit to the economy (including both fiscal authorities and banks), supporting a relatively high level of the backing ratio. Maintaining high reserve coverage of imports is also warranted given their commodity intensity in the ECCU. Risks to reserve adequacy from external debt are mitigated by its reliance on long-term official financing. Nonetheless, the uncertainty over future CBI inflows and their contribution to financing high current account deficits warrants close monitoring of the potential impact on the level of reserves.

Currency Board Backing Ratio 1/
(In Percent)



Sources: ECCB; and IMF staff calculations.
1/ Defined as foreign assets divided by demand liabilities.

Annex IV. Risk Assessment Matrix[1]

Risks	Relative Likelihood	Impact	Policy Response
Conjunctural Risks			
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	**High. ST/MT.** Renewed inflationary pressures, lower real incomes, dampening demand, and worsening fiscal and current accounts.	Strengthen the social safety net to better support the vulnerable, allow pass-through of international prices to domestic prices and avoid broad-based measures to mitigate fiscal risks and cushion the economic impact. Accelerate transition to renewable energy.
Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	High	**Medium. ST/MT.** Renewed inflationary pressures, lower real incomes, slower economic growth.	Strengthen the social safety net. Diversify tourism revenues. Accelerate energy transition. Increase the linkage between tourism and other sectors. Monitor financial risks closely, including risks to FDI, in coordination with the ECCB.
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions, and market volatility.	High	**Medium. ST/MT.** Renewed inflationary pressures, lower real incomes, slower economic growth.	Strengthen the social safety net. Diversify tourism revenues. Accelerate energy transition. Increase the linkage between tourism and other sectors. Monitor financial risks closely, including risks to FDI, in coordination with the ECCB.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics.	High	**Medium. ST/MT.** Increasing NPLs and reducing liquidity in the financial system. Potential market losses on overseas investments and disruptions to FDI inflows.	Intensify supervision of financial institutions and tighten regulations.
Structural Risks			
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	**High. ST/MT.** Reduced growth and worsened fiscal and external positions, with disproportionate impact on the most vulnerable.	Accelerate transition to renewable energy to improve resilience. Design fiscal frameworks that internalize exposure to natural disasters risk. Adopt national adaptation plans for investment in structural and financial resilience, build capacity to access climate finance. Strengthen data collection and monitoring of private insurance costs. Strengthen the social safety net to better support the vulnerable.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The RAM will be updated when the new G-RAM is issued.

Risks	Relative Likelihood	Impact	Policy Response
Domestic Risks			
Fiscal under-performance and lower CBI revenues. Lower-than-expected fiscal balances due to higher-than-expected spending and revenue underperformance, including a decline in CBI revenues due to increased pressure by the EU and the U.S. leaving them unattractive.	**Medium**	**High. ST/MT.** It would slow down fiscal consolidation and endanger fiscal sustainability.	Mobilize revenue from alternative sources and improve expenditure efficiency. Strengthen the fiscal framework to rebuild buffers. Strengthen governance frameworks to protect the integrity of the CBI program. Designate the ECCB as the AML/CFT supervisor for banks in remaining jurisdictions of Anguilla and St. Kitts and Nevis.
Delays in infrastructure investment. Private investment could be unprofitable without enough infrastructure investment.	**Medium**	**High. ST/MT.** Reduced tourism and fiscal revenues.	Improve PFM and contain growth of current expenditures. Strengthen fiscal frameworks while protecting space for growth-supporting investment.
Financial sector weakness. Commercial banks continue to report high NPLs, which impair credit intermediation.	**Medium**	**Medium. ST.** Hampered private credit growth and financial instability.	Monitor asset quality, ensure adequate loan loss provisioning and NPL resolution, and advance financial reform agenda.

Annex V. Core Design Principles for National Fiscal Resilience Frameworks in the ECCU[1]

This annex summarizes the core design principles for rules-based national Fiscal Resilience Frameworks (FRFs) tailored to the region-specific context of the ECCU, drawing on previous IMF staff recommendations and experience with FRF implementation to date.

1. High-level principles. To support effective implementation, national FRFs should be simple, flexible enough to accommodate large shocks, and credible and enforceable within existing technical and data capacity. To serve as a regional fiscal accountability mechanism, FRFs should be aligned with the 60 percent of GDP regional public debt target.[2] Country-specific calibration may nonetheless differ, reflecting debt levels, sovereign funding structures, and structure of the general government.

2. Public debt target. The regional target provides a common anchor. The debt perimeter should be clearly defined and comprehensive, encompassing the general government and statutory bodies and public enterprises (statutory entities, SEs) whose liabilities ultimately rest with the public sector. Where full consolidation is not immediately feasible, FRFs should include a time-bound roadmap to expand coverage and ensure transparent reporting of contingent liabilities—including central government guarantees and on-lending to SEs, non-guaranteed SE borrowing, and PPP-related risks—to prevent off-budget operations from weakening the anchor. Where fiscal resilience buffers are limited, FRFs may warrant a more conservative debt anchor to preserve fiscal space for emergency response and recovery.

3. Operational targets. Given current capacity and data constraints in medium-term macro-fiscal projections, debt-target consistent fiscal paths are best anchored in annual budget rules that are simple to implement, communicate, and monitor. A primary balance floor would directly constrain debt creating flows while preserving budget-allocation flexibility to respond to evolving policy and economic conditions (unlike, for instance, expenditure ceilings). Calibration to achieve the regional debt target may differ across the union and could be phased based on initial debt levels.[3] It should also be reviewed periodically, e.g., every two years or following major shocks, to ensure continued alignment with the debt anchor. The ECCU context gives rise to a few additional design considerations:

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[1] Prepared by Janne Hukka.

[2] While the ECCU currency union offers scope for supranational rules, fiscal policies are conducted only at the national level. Regional fiscal policy coordination is limited without a dedicated legal framework or institutional capacity. Furthermore, some ECCU members have already introduced national FRFs even if unevenly operationalized, and cross-country differences in institutional capacity suggests would challenge a fully harmonized approach. See chapter 2 in IMF Country Report No. 19/63 for further discussion.

[3] Higher initial surplus floors when public debt is high could be reduced at lower levels of debt or further to debt-stabilizing deficits when the target is reached.

- **Perimeter.** Limited monitoring capacity over SEs makes a central government perimeter for the budget balance floor most feasible to implement in the near term, also ensuring its achievement within the government's control. However, where the debt perimeter also includes SEs, a central government budget balance floor may not capture all debt-creating flows. Given the ECCU SEs' limited balance-sheet depth and independent market access, this challenge can be mitigated by defining the budget balance floor to capture SE investment financed through central government guarantees or on-lending, unless otherwise controlled for. This approach also preserves central government accountability for target achievement.

- **CBI volatility.** Where material, the unpredictability of CBI revenue warrants safeguards against procyclical or unsustainable spending during CBI surges. The floor could be defined in terms of the underlying fiscal balance net of CBI revenues or consider a complementary budget revenue smoothing mechanism whereby CBI revenues are channeled through a dedicated stabilization fund integrated with the budget.[4]

- **Shock exposure.** High susceptibility to natural disasters calls for a conservative calibration that internalizes contingent fiscal risks and reduces the need for abrupt post-disaster adjustment to return to the original debt target path. Calibration can be informed by estimated annualized disaster costs net of contingency reserves and expected insurance and disaster-financing payouts.[5]

- **Complementary instruments.** Targeted expenditure ceilings may help contain spending drift and lock in consolidation gains but should remain secondary instruments. If adopted, they should be carefully designed to avoid creating rigidities or evolving into expenditure norms.

4. Escape clauses and correction mechanisms. Given the ECCU's high vulnerability to shocks, temporary suspension clauses for operational targets are both necessary—to enable an appropriate fiscal policy response—and likely to be invoked. To preserve FRF credibility, escape triggers should be narrowly and objectively defined and limited to large, externally verifiable shocks. Activation should automatically require the time-bound preparation and public disclosure of a correction plan to guide subsequent annual budget deliberations. This plan should set out a realistic and clearly sequenced strategy to reinstate operational targets, supported by a review of the implied debt trajectory and a specification of the adjustment measures needed to return to a path consistent with the regional debt target.

5. Institutional pillars for credible and effective FRF implementation:

- **Public accountability and independent oversight.** The FRF should provide the core framework for annual budgets and medium-term fiscal and debt strategies. Fiscal performance against operational targets should be transparently reported and subject to independent oversight.

[4] See IMF Country Report No. 25/39.

[5] See chapter 2 of IMF Country Report No. 22/254 and IMF Technical Notes and Manuals 2023/02 for further discussion.

Public accountability through such regular compliance assessments is an essential disciplining device for sustained FRF implementation.[6] At the union level, more structured peer review of members' fiscal performance would reinforce mutual commitment to long-term sustainability.

- **Parallel strengthening of PFM and data capacity.** Effective FRF implementation requires timely fiscal reporting; robust medium-term fiscal frameworks to support credible multi-year revenue and expenditure planning and top-down annual budgets; sound budget, cash, and debt management systems; and transparent debt and risk management. Strengthening macro-fiscal data (including the accuracy and timeliness of GDP and CPI estimates) is critical, alongside building technical capacity for projections and contingency planning. Where the public sector perimeter is comprehensive, reporting and monitoring of SE financial performance should be strengthened in parallel. However, existing PFM and data weaknesses should not delay FRF operationalization, which can help identify critical gaps and prioritize reforms.
- **Legal framework.** The regional debt anchor and national FRFs should ideally be embedded in Fiscal Responsibility Laws or Acts to ensure appropriate parliamentary oversight, enforceability, and protection against dilution over time.

[6] International experience suggests that FRFs with combined debt and operational targets and enforceable frameworks tend to better harness their benefits. See event study analysis in Box 2 of chapter 2 in IMF Country Report No. 22/254.

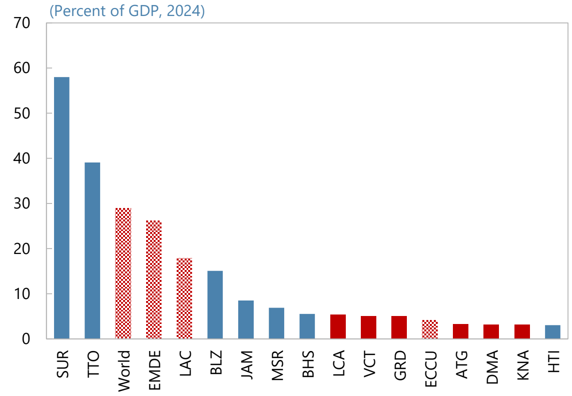
Annex VI. Caribbean Trade Patterns and Connectivity Constraints[1]

Understanding Caribbean goods and services trade patterns—and their implications for resilience—is key to shaping strategies that mitigate external risks and sustain growth. Gravity model estimates indicate that Caribbean goods trade is disproportionately constrained by geographic distance through weak shipping connectivity, while tourism flows are sensitive to air connectivity shocks. By contrast, financial connectivity does not appear to be a binding constraint. These findings underscore the importance of policies to strengthen maritime and air transport links as part of a broader strategy to facilitate trade and diversification.

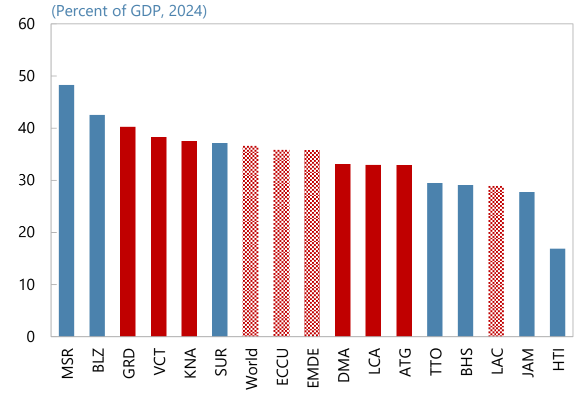
A. Goods Trade and Connectivity

1. In many Caribbean economies, including the ECCU, goods exports represent only a small share of GDP—with the notable exception of oil-exporting countries. Nevertheless, understanding goods trade patterns in the ECCU and other Caribbean countries is important for identifying opportunities to expand exports and GDP, and assessing economic resilience given the region's high reliance on imports.

Goods Exports
(Percent of GDP, 2024)



Goods Imports
(Percent of GDP, 2024)



Sources: IMF World Economic Outlook and Balance of Payment databases; and IMF staff calculations.
Notes: Group aggregates are simple averages. EMDE = Emerging and Developing Economies; LAC = Latin America and the Caribbean.

2. A gravity-model-based analysis of goods trade shows a stronger effect of distance on trade for Caribbean countries. When the well-established gravity model framework in the trade literature (Anderson and van Wincoop, 2003; Head and Mayer, 2014) is applied to global bilateral goods trade data from the BACI (CEPII) database,[2] the baseline model estimates confirm key factors influencing global trade (Table 1), such as trade agreements, common border, common language, and historical colonial ties. Estimation results also indicate a disproportionately large geographical distance effect on trade for CARICOM countries—trade volume declines more sharply as distance

[1] Prepared by JaeBin Ahn, Josefine Quast, Hou Wang, and Philipp-Leo Mengel (2025 IMF Summer Intern), with assistance from Qingyu Tao.

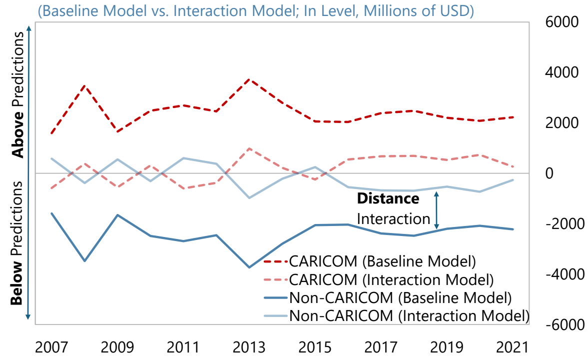
[2] The dataset provides information on bilateral annual trade flows net of transport costs (i.e., FOB).

between countries increases, more so than the global average, even after controlling for the aforementioned variables.

3. The disproportionately large distance effect helps explain lower-than-predicted trade with countries outside of the Caribbean. For CARICOM countries, the model estimates under-trading with extra-regional partners of roughly US$2½ billion annually—broadly equivalent to the current goods exports to intra-CARICOM partners, or 8 percent of its total goods exports. For the ECCU, the estimated under-trading with non-CARICOM partners is lower, reflecting its smaller export sector, but still amounts to nearly US$0.2 billion annually.

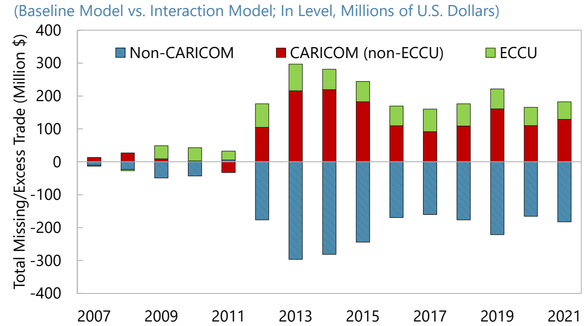
Deviations Between Actual and Predicted Trade Patterns in CARICOM

(Baseline Model vs. Interaction Model; In Level, Millions of USD)



Deviations Between Actual and Predicted Trade Patterns in ECCU Countries, by Partner Region

(Baseline Model vs. Interaction Model; In Level, Millions of U.S. Dollars)



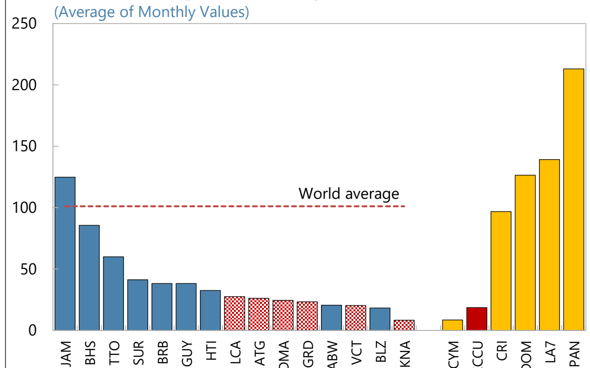
Sources: BACI database; and IMF staff calculations.

Sources: BACI database; and IMF staff calculations.

4. The relatively larger distance effect appears to reflect connectivity limitations faced by the Caribbean—as evident from cross-country connectivity data.

Liner Shipping Connectivity Index, 2024

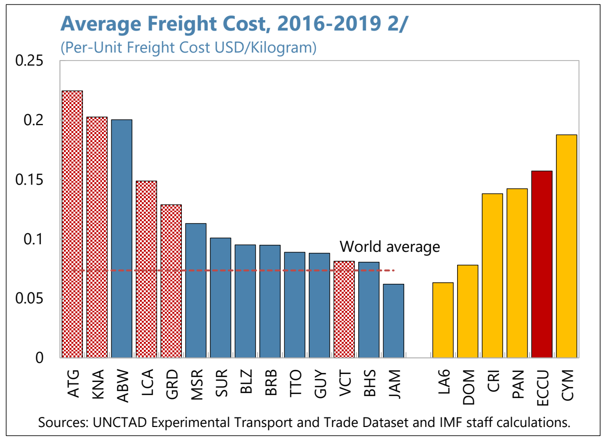
(Average of Monthly Values)



Sources: UNCTAD and IMF staff calculations.

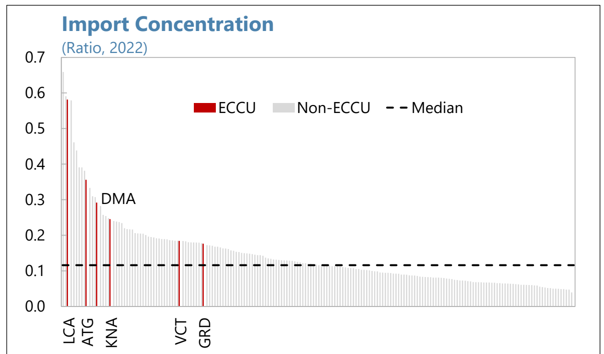
- The UNCTAD Liner Shipping Connectivity Index—which measures a country's integration into global liner shipping networks—highlights this issue: ECCU and other Caribbean countries rank low by global standards. A simple OLS regression (Table 2) shows that, even after controlling for key economic fundamentals such as distance, CARICOM countries exhibit lower connectivity levels, pointing to persistent structural constraints in their integration into global shipping networks (column 2). The result is even more pronounced for ECCU countries (column 3).

- Further analysis of shipping routes and freight rate data points to persistent connectivity weaknesses. Cargo flows in the Caribbean basin rely heavily on regional distribution hubs—such as Jamaica, The Bahamas, and Antigua and Barbuda—where cargo is consolidated and re-exported to other CARICOM states. Notably, three of the top ten re-export hubs are located in CARICOM. Heavy dependence on hub-and-spoke routing, combined with geographic dispersion and small market size, likely contributes to elevated shipping costs. All CARICOM countries, particularly those in the ECCU, face freight costs well above the global average.



Sources: UNCTAD Experimental Transport and Trade Dataset and IMF staff calculations.

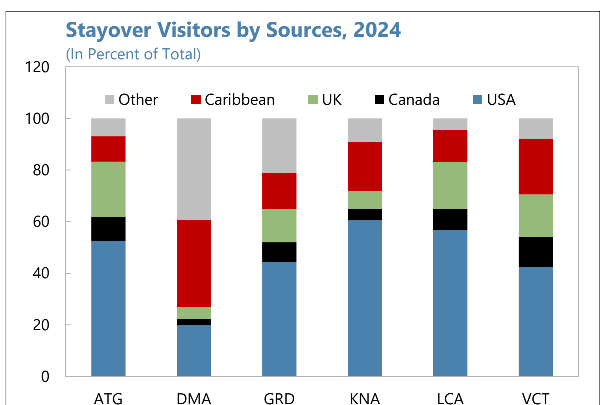
5. Connectivity constraints may also contribute to the high concentration of import sources in the Caribbean, increasing vulnerability to external shocks. Limited direct shipping links, elevated freight costs, and longer transit times can reinforce reliance on a narrow set of suppliers. Infrequent or unreliable shipping routes heighten supply chain uncertainty, encouraging importers to stick with established partners and entrench existing trade patterns. All six ECCU countries rank above the 50th percentile globally on measures of import source concentration, amplifying the impact of idiosyncratic shocks in source countries or shifts in global trade policies.



Sources: UN WTO; and IMF staff calculations.
Note: Import concentration is the concentration of the source of the imports, measured by Herfindahl-Hirschman Index (HHI) with scale 0-1 with zero reflects the highest concentration.

B. Tourism Trade and Connectivity

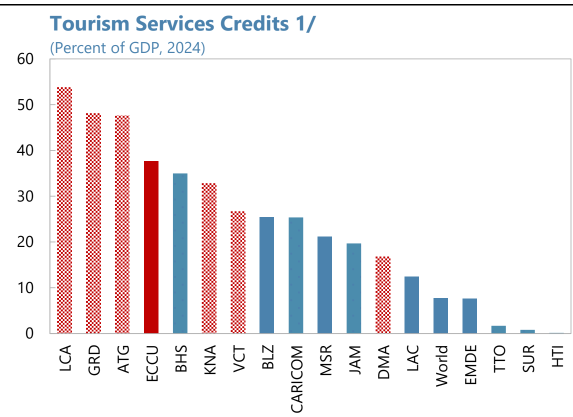
6. Tourism remains the key source of income, employment, and foreign exchange in the Caribbean. Tourism accounts for nearly 10 percent of GDP and over 70 percent of service exports for CARICOM countries, makes important contributions to local employment, and has deep linkages with other sectors such as agriculture, transportation, and construction. Cruise passengers account for a large share of tourist arrivals—nearly two-thirds in the

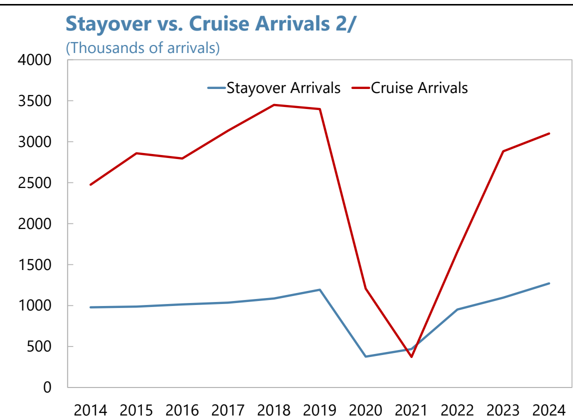


Source: Caribbean Tourism Organization.

Caribbean and over 70 percent in the ECCU in 2024. But stayover tourists—who rely on air travel—generate substantially more revenue and have higher economic multipliers. For instance, for Dominica in 2023, each cruise passenger was estimated to have brought in less than $US 200 in tourism receipts, compared with over $US 2,000 per stayover tourist (BREA, 2024, and staff calculation).

7. The region's reliance on concentrated source markets is a potential vulnerability. In 2024, around 51 percent of tourists to ECCU countries came from the U.S., with another 24 percent from the U.K. and Canada. This highlights the potential high exposure to U.S.-specific shocks. Efforts to diversify source markets—including through improving flight connectivity—could help mitigate the attendant vulnerability.





Sources: IMF World Economic Outlook and Balance of Payment databases; Caribbean Tourism Organization; and IMF staff calculations.
1/ Group aggregates are simple averages. EMDE = Emerging and Developing Economies; LAC = Latin America and the Caribbean.
2/ The lines sum up arrivals for ECCU.

8. A gravity-type model is employed to assess the impact of connectivity constraints on tourism flows. This exercise aims to quantify how shocks to inbound passenger flight capacity—a key measure of air connectivity—affect tourist arrivals using a global annual dataset. To address endogeneity (as airlines increase flights in response to rising demand, which in turn enables additional travel), a shift-share (Bartik-style) instrumental variable (IV) approach commonly used in the literature is applied. The instrument exploits variation in origin-market flight capacity unrelated to destination-specific factors,[3] thereby isolating "push" factors in origin countries from "pull" factors at the destination.

9. The estimates identify air connectivity as a key determinant of bilateral tourist arrivals. Across all six model specifications (Table 3), the coefficient on flight capacity is highly statistically significant. The implied elasticity of 0.5 to 0.6 suggests that a 10 percent increase in flight capacity is associated with a 5-6 percent increase in tourist arrivals. This result is robust to alternative tourist

[3] For instance, airline fleet reallocations, airport disruptions, or common fuel cost changes.

definitions (nationality- and residence-based) and to controls for bilateral and macroeconomic variables, including distance and real exchange rates.

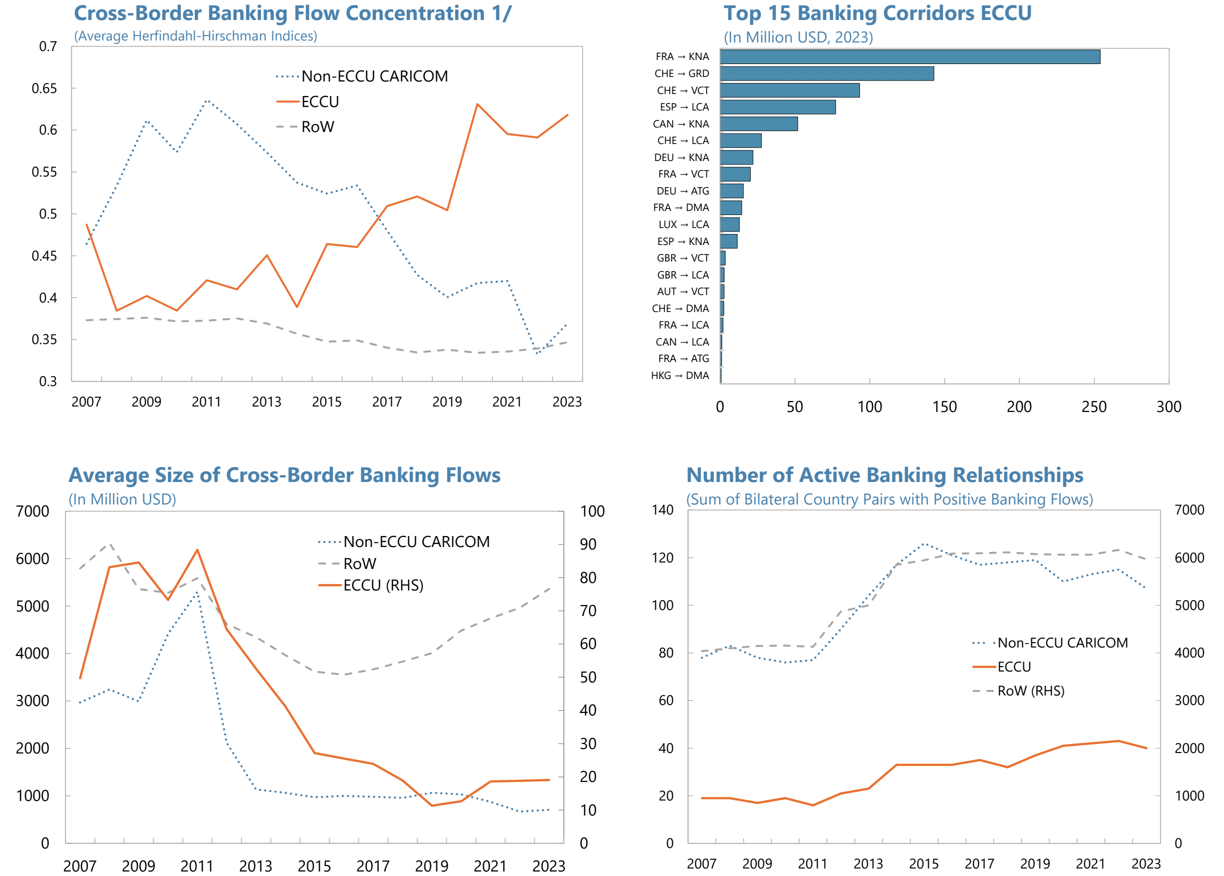
10. A similar exercise using monthly ECCU data confirms the importance of connectivity, though with a smaller estimated effect. In small developing states (SDSs), infrastructure constraints can be more binding than in larger destinations, amplifying the impact of supply shocks. Monthly data may better capture temporary connectivity disruptions (such as hurricanes) although estimated effects can be dampened by pre-booked travel and gradual market adjustment. The regressions (Table 4) indicate an elasticity of around 0.20, rising slightly to 0.22 when intra-Caribbean tourist flows are excluded. The real exchange rate and the interaction between oil prices and distance are both significant, with larger coefficients when intra-Caribbean flows are excluded, suggesting greater price sensitivity for longer-haul routes.

C. Finance and Connectivity

11. To understand drivers of trade and concentration patterns in the Caribbean, a third dimension is also examined: financial connectivity through cross-border banking relationships. While limited shipping and air connectivity represent physical constraints, weaknesses in the supporting financial infrastructure itself can act as a binding constraint.

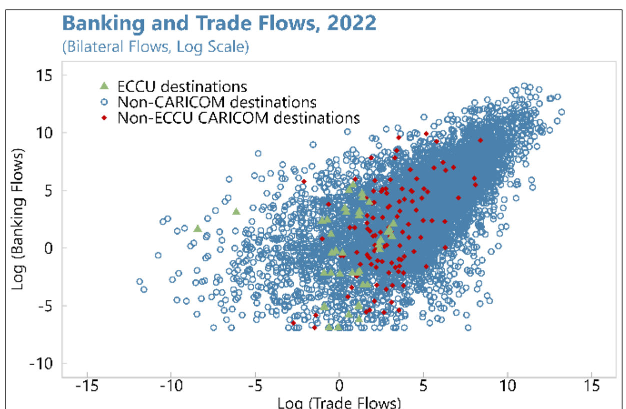
12. As with goods imports and services exports, cross-border banking positions in the ECCU remain highly concentrated. Following the Global Financial Crisis (GFC), both ECCU and CARICOM members experienced a substantial decline in average banking flows (Figure 1), largely reflecting correspondent banking withdrawals and broader de-risking pressures (World Bank, 2015; Erbenova, 2016; Alleyne et al., 2017; Rice et al., 2020). Subsequently, the ECCU correspondent banking relationships have also remained thin, with increased reliance on limited number of high-volume bilateral relations and banking corridors to major financial centers. Intra-regional financial flows also remain small.

Figure 1. Cross-Border Banking and Trade Flows and Concentration: ECCU, CARICOM, and Global Developments



Sources: BIS Locational Banking Statistics and IMF staff calculations.
Notes: Non-ECCU CARICOM includes BHS, BLZ, BRB, GUY, HTI, JAM, SUR, TTO.
1/ Index of 0/1 indicates perfect diversification/concentration.

13. **While cross-border banking relationships facilitate trade globally, their benefits appear more limited in the ECCU and the wider Caribbean.** A 2022 cross-sectional snapshot of bilateral banking and goods trade flows shows that ECCU trade is less responsive to banking flows than in other regions (text chart, green triangles). Using a Bartik-type IV approach—exploiting exogenous variation in creditor-country banking capacity to identify causal effects—strong positive effects of banking on trade are found globally (Table 5), but much weaker effects are found for Caribbean countries. This likely reflects the prominence of services and commodity trade requiring less traditional trade finance, the post-GFC withdrawal of correspondent banking



Sources: BACI, BIS LBS, and IMF staff calculations.

relationships, and structural constraints related to small market size and geographic remoteness.

14. The analysis finds no clear evidence of a strong linkage between banking and tourism flows in Caribbean economies. A specification analogous to the banking-trade nexus reveals a meaningful positive relationship globally, though with smaller elasticities (Table 3).[4] For CARICOM economies, however, the effect is muted, and for the ECCU the estimated elasticity is positive but approximately 40 percent smaller than the global benchmark. The global effect likely reflects the role of banking infrastructure in lowering transaction costs and facilitating business travel. In the Caribbean, the weaker relationship is consistent with leisure tourism expenditures being largely prepaid through origin-country intermediaries (UNCTAD 2010), in-destination spending occurring predominantly via international credit cards or cash (SIAT; IDB, 2022), and diaspora-related financial flows relying less on formal interbank networks.

D. Conclusions and Policy Implications

15. These findings point to policy priorities to strengthen the ECCU's trade performance, enhance economic resilience, and support sustainable growth:

- **Diversification.** Broadening trade and tourism source markets would reduce concentration risks, build resilience to shocks in key external markets, and create new growth opportunities.

- **Connectivity and competitiveness.** Structural reforms—improving logistics, upgrading transport and digital infrastructure, and harmonizing trade regimes—can enhance connectivity and competitiveness. Strengthening maritime and air connectivity—through port and airport upgrades in the ECCU and partner countries, deepening implementation of the CARICOM Multilateral Air Services Agreement, and new open skies agreements to diversify carriers—would improve accessibility and lower long-term business costs.

- **Regional coordination in project selection.** Greater regional coordination can generate scale and efficiency through joint logistics hubs, pooled procurement, and shared standards. ECCU countries should cooperate closely with other CARICOM partners on project selection and location to avoid duplicative investments that forgo economies of scale. Decisions on new or upgraded infrastructure must carefully account for fiscal and debt constraints faced by ECCU countries, risks and opportunities associated with public-private partnerships[5] for project financing, and rigorous sector-level cost-benefit analysis.

[4] The elasticity remains smaller in absolute terms than typically found for income, population, or distance, confirming that while cross-border financial flows matter, they are not primary determinants of tourism flows (Rosselló-Nadal and Santana-Gallego, 2022).

[5] See Fouad et al., (2021).

Table 1. ECCU: Gravity Estimations of Bilateral Trade Flows

	(1) Baseline	(2) Net Exports	(3) CARICOM	(4) ECCU
Regional Trade Agreement	0.625 ***	0.621 ***	0.631 ***	0.626 ***
	(0.072)	(0.074)	(0.073)	(0.073)
Distance	-0.304 ***	-0.306 ***	-0.301 ***	-0.304 ***
	(0.062)	(0.062)	(0.063)	(0.062)
Border	0.797 ***	0.788 ***	0.799 ***	0.797 ***
	(0.103)	(0.103)	(0.103)	(0.103)
Language	0.387 ***	0.362 ***	0.385 ***	0.387 ***
	(0.110)	(0.107)	(0.110)	(0.110)
Colonial ties	0.915 ***	0.897 ***	0.922 ***	0.916 ***
	(0.130)	(0.133)	(0.131)	(0.130)
Bilateral tariff rate	-1.944 *	-2.032 *	-1.850	-1.916 *
	(1.147)	(1.168)	(1.133)	(1.141)
Regional Trade Agreement x CARICOM/ECCU			-0.884 ***	-1.502 ***
			(0.183)	(0.359)
Distance x CARICOM/ECCU			-0.583 ***	-0.795 ***
			(0.114)	(0.132)
Border x CARICOM/ECCU			0.950	-
			(0.762)	
Language x CARICOM/ECCU			0.365 **	-0.033
			(0.183)	(0.316)
Colonial ties x CARICOM/ECCU			-0.159	-0.600
			(0.247)	(0.398)
Tariff X CARICOM/ECCU			-9.330 ***	-23.990 ***
			(2.439)	(4.471)
Exporter-Year FE	Yes	Yes	Yes	Yes
Importer-Year FE	Yes	Yes	Yes	Yes
Observations	663,821	663,821	663,821	663,821
Pseudo R-squared	0.914	0.914	0.914	0.914

Sources: BACI database; IMF staff calculations.

Note: This table reports the PPML estimation results from the bilateral country panel regression of trade flows on gravity-type variables. Robust standard errors clustered at exporter-importer country pair level are reported in parenthesis. Significance: *** 1 percent; ** 5 percent; * 10 percent.

Table 2. ECCU: OLS Estimations of Bilateral Connectivity Index

Dependent variable: bilateral connectivity index	(1)	(2)	(3)
Regional Trade Agreement	-0.009 ***	0.049 ***	0.048 ***
	(0.003)	(0.003)	(0.003)
Distance	-0.118 ***	-0.093 ***	-0.094 ***
	(0.002)	(0.002)	(0.002)
Border	-0.026 ***	0.0119	0.00959
	(0.009)	(0.013)	(0.013)
Language	0.004	0.040 ***	0.041 ***
	(0.003)	(0.004)	(0.004)
Colonial ties	0.011 ***	-0.032 ***	-0.030 ***
	(0.004)	(0.005)	(0.005)
CARICOM destination dummy		-0.103 ***	-0.063 ***
		(0.004)	(0.005)
ECCU destination dummy			-0.095 ***
			(0.008)
Origin-year fixed effects	Yes	Yes	Yes
Destination-year fixed effects	Yes	No	No
Observations	330,795	291,900	291,900
Adj. R-squared	0.626	0.366	0.369

Sources: UNCTAD database; IMF staff calculations.

Note: This table reports the OLS estimation results from the bilateral country panel regression of connectivity index on gravity-type variables. Robust standard errors clustered at origin-destination country pair level are reported in parenthesis.

Significance: *** 1 percent; ** 5 percent; * 10 percent.

Table 3. ECCU: 2SLS Estimations of Global Bilateral Tourism Flows

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	Nationality	Residence	Adjusted	Nationality	Residence	Adjusted
Dependent Variable	**Tourist Arrival**	**Tourist Arrival**	**Tourist Arrival**	**Tourist Arrival**	**Tourist Arrival**	**Tourist Arrival**
Flight Capacity	0.554***	0.607***	0.519***	0.533**	0.662***	0.539***
	(0.118)	(0.0725)	(0.0566)	(0.182)	(0.105)	(0.0808)
Distance	-0.405*	-0.272*	-0.482***	-0.455	-0.218	-0.470**
	(0.179)	(0.133)	(0.0940)	(0.302)	(0.204)	(0.155)
Border	1.192***	1.195***	1.190***	1.197***	1.190***	1.191***
	(0.138)	(0.148)	(0.102)	(0.169)	(0.195)	(0.121)
Language	0.350*	0.435***	0.512***	0.322	0.370*	0.473***
	(0.150)	(0.114)	(0.0823)	(0.187)	(0.151)	(0.100)
Colonial Ties	-0.0113	-0.162	-0.0495	-0.0131	-0.274	-0.0979
	(0.197)	(0.153)	(0.115)	(0.253)	(0.230)	(0.174)
Real Exchange Rate	0.116	-0.336	-0.0524	0.127	-0.281	-0.0365
	(0.209)	(0.271)	(0.156)	(0.159)	(0.292)	(0.155)
Flight Capacity x CARICOM				-1.905	-0.358**	-0.169
				(3.121)	(0.120)	(0.124)
Distance x CARICOM				1.877	0.0395	0.171
				(2.370)	(0.228)	(0.142)
Border x CARICOM				-2.516	0.112	-0.373
				(3.118)	(0.685)	(0.633)
Language x CARICOM				3.427	0.990	0.625
				(4.950)	(0.577)	(0.402)
Colonial Ties x CARICOM				-1.219	-0.192	0.198
				(3.947)	(0.779)	(0.518)
Real Exchange Rate x CARICOM				-12.13	-1.704	-0.784
				(19.47)	(0.906)	(0.782)
Observations	2797	3823	6296	2797	3823	6296
Origin FE	Yes	Yes	Yes	Yes	Yes	Yes
Destination-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Origin-Destination Cluster	Yes	Yes	Yes	Yes	Yes	Yes
R-square	0.553	0.486	0.553	0.522	0.462	0.549

Standard errors in parentheses. The first-stage results of the Two-Stage Least Squares (2SLS) regression are not reported for brevity.
*p<0.05 **p<0.01 ***p<0.001

Table 4. ECCU: Gravity Estimations of Monthly Tourism Flows

	Model 1 Full Sample	**Model 2** ex. Caribbean
Dependent Variable	**Tourist Arrival**	**Tourist Arrival**
Flight Capacity	0.204***	0.221***
	(0.0543)	(0.0537)
Oil Price x Distance	-0.121*	-0.172*
	(0.0529)	(0.0675)
Border	*dropped*	*dropped*
Language	-0.144	-0.479
	(0.502)	(0.589)
Colonial Ties	1.321	*dropped*
	(0.721)	
Real Exchange Rate	5.451**	7.165**
	(1.593)	(1.928)
Observations	1784	1423
Destination-Year FE	Yes	Yes
Origin-Destination Cluster	Yes	Yes
R-square	0.511	0.565

Standard errors in parentheses. The first-stage results of the Two-Stage Least Squares (2SLS) regression are not reported for brevity.
*p<0.05 **p<0.01 ***p<0.001

Table 5. ECCU: Banking Flows: Estimated Effects on Goods Trade and Tourism Flows

Dependent Variable	Bilateral Goods Flows		Tourist Arrivals	
	CARICOM	ECCU	CARICOM	ECCU
Bank Flows	0.580***	0.580***	0.487***	0.488***
	(0.076)	(0.076)	(0.044)	(0.043)
Distance	-0.066	-0.077	-0.645***	-0.686***
	(0.112)	(0.114)	(0.076)	(0.076)
Boarder	1.020***	1.045***	1.499***	1.486***
	(0.154)	(0.153)	(0.179)	(0.18)
Language	0.328***	0.286***	0.309***	0.240**
	(0.086)	(0.086)	(0.100)	(0.099)
Colonial Ties	-0.676***	-0.729***	-1.969***	-1.966***
	(0.212)	(0.216)	(0.421)	(0.398)
Bank Flows x CARICOM/ECCU	**-0.437*** **	**-0.431** **	**-0.563*** **	**-0.18**
	(0.093)	(0.211)	(0.104)	(0.302)
Origin FE	YES	YES	YES	YES
Destination-Year FE	YES	YES	YES	YES
Observations	76441	76441	22507	22507
R-square	0.383	0.373	0.537	0.528

Standard errors in parentheses: Bartik IV: Creditor banking shocks— 2008 frozen shares;
Standard errors clustered by country-pair. Significance: *** 1 percent; ** 5 percent; * 10 percent.

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Annex VII. Data Issues

Table 1. ECCU: Data Adequacy Assessment for Surveillance							
Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	B	C	B	B	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	B	C	B	B	C		
Granularity 3/	C		B	D	B		
			C		B		
Consistency			B	C		B	
Frequency and Timeliness	C	C	C	C	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for Staff Assessment. Data have some shortcomings that somewhat hamper regional surveillance. Core data gaps concern national accounts, prices, SOE fiscal data, and external sector statistics, including errors and omissions.

National Accounts and Prices. *GDP* data is generally available only at annual frequency (quarterly in one member), releases occur with substantial delay and historical data can be subject to material revisions. GDP expenditure data is generally not available. Staff assessments of recent economic activity and GDP projections typically rely on ECCB data as well as national high-frequency indicators (importantly, monthly tourism arrivals) and, in some cases, supplementary information (e.g., on construction projects). *CPI* data is available monthly for most members but often with a considerable lag, sourced either from the ECCB or the national authorities or both. Several members struggle to maintain up-to-date CPI baskets and weights. The criticality of CPI data is somewhat reduced by the absence of independent monetary policy (due to the currency peg) and a high dependence of CPI goods components on global import prices (though often cushioned by fiscal measures).

Government Finance Statistics. Nationally collected *central/general government accounts* are generally adequate for surveillance and, at the country level, are largely available at monthly frequency, although with periodic delays and revisions. There are classification issues in certain expenditure categories, such as transfers and capital expenditure. There are gaps in granularity and timeliness of *CBI fiscal revenue* reporting that can somewhat hamper fiscal surveillance. In some cases, the opacity of the transfer mechanism between the CBI Unit and the central/general government makes it difficult to reconcile the data on CBI.

Table 1. ECCU: Data Adequacy Assessment for Surveillance (Concluded)

applications provided by the CBI Unit with the data on CBI fiscal revenue. The granularity of reported *central/general government debt* information also varies by country, with shortcomings in a few members that hamper surveillance. Information on *SOE debt* is sometimes patchy with limited systematic monitoring. Only one member country reports public sector debt under a broad perimeter that includes non-guaranteed SOE debt and contingent liabilities from PPPs. *SOEs' financial statements* (apart from debt data), including accounts of revenue and expenditure, assets, and investment plans are not available, which significantly hampers the ability to project SOE debt and formulate a national investment strategy.

External Sector Statistics. Data is available only on an annual basis with a one-year delay (with interim estimates based on administrative information often subject to substantial revisions). Errors and omissions are periodically sizeable and the lack of transparency over *CBI* flows in several members gives rise to potential inaccuracies hampering, in particular, reporting of their contribution to FDI under the financial account, which in turn significantly hampers assessment of external sustainability risks. Other identified key challenges include gaps in representativeness and large lags in *tourism surveys* and inconsistent recording of imports.

Monetary and Financial Statistics. ECCB *MFS* and *FSI* data are broadly adequate for surveillance, but MFS data is often subject to revisions of historical data, and FSI data has become more limited and lagged for some series. Importantly, these data sets omit the non-banking system, particularly the growing credit union sector. The ECCB provides quarterly *banking* data by bank on a regular basis, but it is subject to revisions, and noticeable revisions and discrepancies often require clarifications. In addition, more granularity is needed regarding profitability and investment portfolios. Most national regulators provide necessary data on *credit unions* upon request, but with a lag and with varying granularity and quality. Moreover, there is no harmonized and standardized format of CU data, which raises the issues of the definition of the series and the compilation of the data.

Changes since the last Regional Consultation. Supported by ongoing **CARTAC** technical assistance, compilation and dissemination of CPI, PPI, and trade price statistics were strengthened in three countries and at the ECCB. In particular, the updated CPI at the ECCB is expected in December 2025. CARTAC continued to help countries improve the compilation and dissemination of BOP and IIP data, according to BMP6. In particular, the ECCB joined CARTAC missions across all ECCU countries to address common NSO data challenges, assess key BOP source data (including goods trade, travel credits, direct investment, and potential SPE data), and develop action plans to improve ESS statistics.

At the **national level**, some countries have made progress in addressing gaps in national accounts, prices, and labor force surveys. Some data gaps identified in recent ECCU regional consultations in key economic areas, such as the labor market and private sector balance sheets, remain to be addressed. Some countries have started taking steps to create a real property cadaster and update real property values (as part of their fiscal policy reform).

Corrective Actions and Capacity Development Priorities. For regional surveillance core development areas concern addressing gaps in frequency, timeliness and data quality of national accounts and external sector statistics with ongoing CARTAC technical assistance support. A key aspect of the latter concerns enhancing region-wide transparency of CBI flows, which may be facilitated by the planned new CBI regulator.

Other priority areas of improvement include development of expenditure-based GDP, maintaining more up-to-date CPI weights, expanding the perimeter of debt statistics to total public sector (including SOEs and potentially state-owned banks) and implementation of regular union-wide labor force surveys to support more comprehensive monitoring of labor market conditions.

Establishment of the ECFSB can support more consistent regional non-bank data collection and expanding MFS coverage. To support these efforts, the authorities are encouraged to address persistent staffing shortages and turnover at national statistics offices that also limit absorption capacity for technical assistance. Consideration could be given to further regional centralization of data compilation and dissemination to better leverage synergies in the utilization and expertise of scarce staffing resources in both the national and regional entities.

Use of Data and/or Estimates Different from Official Statistics in the Regional Consultation. Other sources of economic data in the ECCU region are scarce. Staff do not use data and/or estimates in lieu of official statistics.

Other Data Gaps. Only a few member countries conduct regular Labor Force Surveys and census information is sometimes outdated, complicating assessment of region-wide labor market conditions. Two countries launched census surveys in 2025. Two others conducted censuses in 2022-23. Information on capital stock is limited, hampering assessment of the economies' resilience to natural disasters. Databases on housing market valuations and household/firm balance sheets would facilitate monitoring of private sector financial conditions. Enhanced supervisory data on reinsurance would strengthen assessment of emerging risks in this sector.

Table 2. ECCU: Data Standards Initiatives

The six IMF members of the currency union participate in the Enhanced General Data Dissemination System (e-GDDS) but are yet to disseminate the data recommended under the e-GDDS.

INTERNATIONAL MONETARY FUND

EASTERN CARIBBEAN CURRENCY UNION

March 31, 2026

STAFF REPORT FOR THE 2026 DISCUSSION ON COMMON POLICIES OF THE EASTERN CARIBBEAN CURRENCY UNION—INFORMATIONAL ANNEX

Prepared By

Western Hemisphere Department
(In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of March 31, 2026)

1. Membership Status. Not Applicable.

2. Exchange Arrangement. The Eastern Caribbean Currency Union (ECCU) comprises six Fund members: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines; and two territories of the United Kingdom, Anguilla and Montserrat. The eight ECCU members have a common currency, monetary policy, and exchange system. The common currency, the Eastern Caribbean (EC) dollar, has been pegged to the U.S. dollar at the rate of EC$2.70 per U.S. dollar since July 1976. The common central bank, the Eastern Caribbean Central Bank (ECCB), has operated like a quasi-currency board, maintaining foreign exchange backing of its currency and demand liabilities of close to 100 percent.

3. Safeguards Assessment. An update assessment of the ECCB, finalized in August 2021, found strong external audit and financial reporting practices that continue to be aligned with international standards. All but one safeguards recommendation have been implemented. The outstanding recommendation on legal reforms to further strengthen the ECCB's operational autonomy and align the Agreement Act with leading practices is a work in progress.

CARTAC: CAPACITY BUILDING IN THE ECCU[1]

(As of March 31, 2026)

Highlights of Caribbean Regional Technical Assistance Center (CARTAC) technical assistance (TA) and training to the ECCU countries in the various core areas are provided below.

1. CARTAC continues to deliver a strong capacity development (CD) program in the ECCU countries and with the Eastern Caribbean Central Bank (ECCB). Beyond its traditional TA areas, the Centre has increasingly integrated natural disaster considerations into relevant macro-critical workstreams. Key ongoing initiatives are highlighted below.

A. Tax Administration

2. Tax administration CD initiatives for ECCU countries are implemented through two strategic objectives: (i) strengthening management and governance arrangements, which include reform strategy and reform management frameworks, organizational structures, compliance and institutional risk management, information and communication technology (ICT) and data management, as well as the legal framework; and (ii) strengthening core tax administration functions, such as taxpayer services and education, audit, and ensuring compliance with registration, filing, and payment obligations. A total of eleven bilateral technical assistance programs were provided to six ECCU countries. [2] These are summarized below.

3. Strengthening management and governance arrangements. Antigua and Barbuda has received targeted support to strengthen its management and governance arrangements by enhancing organizational structures and establishing a large taxpayer office. Additionally, efforts have been made to implement a new tax administration system, encompassing data cleansing and comprehensive staff training. Similar assistance has been extended to Grenada and St. Vincent and the Grenadines (VCT) in the deployment of new tax systems. In particular, VCT has benefited from further support aimed at automating tax filing and payment processes, enabling taxpayers to submit and pay all core taxes online through the existing legacy system, SIGTAS. Concurrently, significant progress has been made in automating motor vehicle licensing and property tax functions. The new tax administration system is scheduled to become operational by the end of 2026. Montserrat received support in developing manuals and standard operating procedures (SOPs) necessary for the implementation of the Tax Administration Act. Comprehensive training was provided to all staff on the application of the Act, as well as the supporting manuals and SOPs. St. Kitts and Nevis benefited from support in finalizing their strategic plan package with a focus on how to best attain

[1] Prepared by Lisa Brathwaite Phillips, Norris Miller, Belinda Marshall, Selvin Lemus Martinez, Lesley Fisher, Nordia Campbell, Álvaro Ramírez Cárceles, Kalin Tintchev, Consuelo Soto-Crovetto, Rodger Sceviour, Christian Johnson, and Nadia Spencer-Henry (all CARTAC).

[2] Antigua and Barbuda – 4; Grenada – 1; Montserrat – 1; St. Kitts and Nevis – 1; St. Lucia – 2; St. Vincent and the Grenadines – 2.

strategic alignment with operational delivery plans for their fiscal year ending December 31, 2026. Similarly, St. Lucia received assistance in formulating its new three-year strategic plan for 2026–2028, along with the 2026/27 annual operational plan and cascading divisional plans.

4. **Strengthening core tax administration functions.** Tax auditors at the Antigua and Barbuda Inland Revenue Department benefited from a workshop on building auditors' analytical skills, including accessing and analyzing taxpayers' electronic data. The auditors were trained in using advanced Excel functionalities, sampling and estimation techniques, and assessing tax risks. St. Lucia was supported in developing strategies to strengthen taxpayer service education and relationships.

5. **Tax Administration Diagnostic Assessment Tool (TADAT).** CARTAC is still working with the ECCU members to increase the coverage of TADAT in the sub-region.

Table 1. ECCU: TADAT Coverage in ECCU Countries

	TADAT Training	TADAT Assessment	Post TADAT Implementation Plan
Anguilla	FY25		
Antigua and Barbuda	FY19	FY19	
Dominica	FY20	FY21	FY21
Grenada	FY25		
St. Lucia	FY22	FY22	FY23

6. **ECCU member countries benefited from multilateral engagements and regional Initiatives.** Six CARTAC members, including one ECCU country (Grenada), benefited from a joint FAD/CARTAC Community of Practice (COP) compliance risk management program. All eight ECCU countries took part in a workshop held in Panama on “Using ISORA Data.” Notably, these countries also benefitted from CARTAC’s Disaster Preparedness (Hurricane) Guide, developed in preparation for the 2025 hurricane season. As a final note, CARTAC facilitated a multilateral peer-to-peer study tour to the Jamaica Tax Administration (TAJ) for two CARTAC members, and this included three senior officers from an ECCU country, St. Lucia. The visit aimed to gain insight into TAJ's organization, development, and implementation of programs for taxpayer service and engagement to improve voluntary compliance. This also included a focus on customer care and the Special Taxpayer Assistance Program (STAP). The delegation also experienced first-hand one of the busiest Service Centers in Jamaica (the Constant Spring Revenue Service Centre) during a peak filing period.

B. Customs Administration

7. **Customs administration focused on strengthening managerial skills, risk management and exemption controls** to help ensure (i) leadership, management, and governance; (ii) trade facilitation; and (iii) securing revenue.

8. **Strengthening strategic management and leadership.** This initiative supported the customs administrations of Grenada and VCT by strengthening managerial and reform management

capacities through Leadership and Management Development training and targeted technical assistance. CARTAC also provided guidance to VCT to support implementation of its 2025–2027 Strategic and Corporate Plans. In addition, at the request of Grenada's Ministry of Finance, CARTAC scheduled an assessment mission for April 2026 to review core customs functions, governance, and the application of risk management from both revenue and trade facilitation perspectives. These efforts aim to improve the prioritization and management of reforms, resource efficiency, and revenue collection.

9. Institutionalizing an Integral Customs Risk Management approach. CARTAC supported Antigua and Barbuda and St. Lucia in shifting toward a comprehensive customs risk management approach, moving away from heavy reliance on physical inspections and discretionary controls that are currently applied to over 90% of declarations. This situation undermines trade facilitation and transparency. In both countries, CARTAC assisted customs administrations in defining the institutional risk management framework and a three-year action plan to implement integrated risk management. Successful adoption will require addressing key structural challenges, including staffing and resource constraints, legal gaps, human resource incentives, limited change management practices, and effective organizational arrangements.

10. Improving customs exemptions management and control. A technical assistance mission is scheduled for April 2026 to support the VCT Customs and Excise Department in defining an exemptions management and control program as part of the implementation of its Strategic Plan. The program will aim to streamline exemptions management while strengthening control mechanisms to mitigate potential revenue leakages arising from the misuse of benefits granted under the relevant legal framework.

11. Strengthening decision-making in customs through enhanced performance measurement. A regional workshop was held from March 23 to 27, 2026 to address the regional need to strengthen capacities to collect, process, and analyze customs data for the development of key performance indicators. Robust performance frameworks enhance accountability, improve resource allocation, and support continuous improvement, thereby strengthening revenue mobilization, compliance, and trade facilitation outcomes. This workshop also introduced the International Customs Administration Survey (ICAS), an initiative led by FAD and scheduled for official launch in the second half of 2025, aimed at collecting standardized quantitative and qualitative information on the organization, functions, and performance of customs.

C. Public Financial Management

Technical Assistance

12. Public Sector Accounting. In December 2025, CARTAC conducted a TA mission to support the Government of Dominica in strengthening financial reporting and advancing the adoption of the International Public Sector Accounting Standards (IPSAS) Cash Basis Framework. The mission assessed year-end financial management processes, supported the preparation and updating of the Annual Financial Statements (AFS), and delivered IPSAS Cash training to 26 officials from government entities. The team found that the Government is well-positioned to implement the IPSAS Cash Framework, recommending that key Part I elements, such as the Statement of Cash Receipts and Payments and the Statement of Comparison of Budget and Actual performance, be presented in the AFS, with much of the required information already available in existing reports. It also recommended additional disclosures under Part II, including arrears, aging of receivables, and contingent liabilities, to further strengthen transparency. The last completed AFS was for 2022, and a necessary first step toward IPSAS adoption is to bring the AFS up to date.

13. Budget Preparation. In January 2026, CARTAC conducted a mission to support the Government of Anguilla in strengthening medium-term budgeting by improving public investment planning and prioritization, enhancing budget transparency, and integrating natural disaster considerations into budget decisions. Key challenges identified in the existing budget process included the absence of binding multi-year expenditure ceilings, program structures that emphasize organizational units rather than services, weak public investment planning and prioritization, and limited integration of natural disaster considerations into budget proposals. The mission provided targeted training and hands-on support to the Ministry of Finance, line ministries, and statutory agencies through workshops, updated budget templates, and guidance on multi-year forward budgeting and public investment prioritization. The mission noted progress in public participation via a Citizens' Survey, the introduction of the inaugural Citizens' Budget, and modest improvements in strategy statements and performance indicators.

14. Strengthening Oversight of State-owned Enterprises (SOEs). In September 2025 and December 2025, CARTAC conducted two missions to Grenada to strengthen SOE oversight and improve fiscal risk analysis in the medium-term fiscal framework. The two missions focused on making the SOE Health Check Tool fully operational and sustainable. The tool was customized for quarterly use, populated with available SOE data, and used to produce initial financial health diagnostics, alongside improvements to performance, usability, and data templates. At the same time, data was prepared to annualize quarterly results and transfer them into the annual SOE Health Check Tool, establishing a clear reporting pipeline to support regular SOE monitoring and more structured oversight by the Ministry of Finance. The mission also supported analysis of macroeconomic fiscal risks.

Regional Workshops

15. Regional conference. In February 2026, the IMF's Fiscal Affairs Department virtually presented at the Consultative Meeting of the ECCB to Financial Secretaries from all eight member countries, on Fiscal Rules Frameworks tailored to small economies. The presentation highlighted key developments in fiscal rules and fiscal councils, including their design features and the role of supportive public financial management (PFM), institutions such as Medium-Term Fiscal Frameworks (MTFFs) and fiscal councils, in achieving the full benefits of fiscal rules. It also provided key takeaways for ECCU countries and showcased best practices across the Caribbean.

D. Financial Sector Supervision

16. During FY25-FY26, follow-up bilateral missions on Risk Based Supervision (RBS) and Credit risk assessment for the cooperative sector were conducted in *Grenada* (October 2025) and in *St. Lucia* (May 2024). Both Grenada and St. Lucia have made significant progress in the implementation of the RBS risk taxonomy and templates. Further TA in these jurisdictions is focused on the enhancement of the existing capabilities and assessment methodologies on the most material risks for the cooperative sector, starting with the assessment of the credit quality of the portfolio and the identification of early warning signals and forborne exposures.

17. In FY2025, St. Lucia received further TA focused on corporate governance guidelines and on-site methodologies for insurers. The Corporate Governance and Enterprise Risk Management Guidelines mission provided a solid foundation for the authorities to enhance the regulatory requirements in the area with the issuance of a guide that was reviewed in a follow up mission in January 2025. A workshop on on-site inspections was also started to equip the authorities with the necessary tools to further develop internal manuals on on-site methodologies for insurers.

18. Both securities and bank supervisors from the ECCU participated in several regional workshops and webinars hosted by CARTAC, and jointly with IMF-HQ.

- In September 2024, a virtual workshop focused on the integration of climate-related risks into the regulatory and supervisory framework for banks. This workshop showcased the experiences of three different countries, providing valuable insights into their approaches and challenges. Participants discussed critical data collection strategies and methodologies, aiming to equip regulators with the tools necessary to address climate-related financial risks effectively.

- In October 2024, a workshop on Fintech was held in Panama. This event covered a wide range of topics, including the implementation of regulatory sandboxes, advancements in machine learning, and the emergence of regulatory technology (regtech) and supervisory technology (suptech). Additionally, the workshop explored the evolving landscape of e-money and crypto assets, addressing both opportunities and regulatory challenges. Experts from various sectors participated in discussions to share best practices, experiences, and innovative solutions for effectively integrating Fintech into the financial regulatory framework.

- In June 2025, a follow-up in-person workshop was held in Barbados on integrating climate-related risk into the regulatory and supervisory frameworks for banks. The workshop addressed recent developments in international standards, discussed strategies for closing data gaps and overcoming quantitative methodological challenges in assessing climate-related risk, and presented case studies on how two jurisdictions are currently addressing these issues.

- Lastly, in July 2025, a physical workshop on the supervision of virtual asset service providers was held in Dominica. The sessions covered foundational concepts—such as crypto as fintech, blockchain technology, and crypto markets—legal frameworks, global standard-setting body recommendations (BCBS, FSB, IOSCO), and practical supervisory issues including licensing and supervising crypto asset service providers and stablecoin issuers.

E. Financial Stability

19. CARTAC's financial stability CD engagement with the ECCB has focused on strengthening the institution's financial stability framework and analytical capacity. In 2023, CARTAC delivered targeted technical assistance to enhance financial stability analysis and assessment, combining conceptual training with hands-on review of the Financial Stability Report (FSR) and related materials. This work emphasized macroprudential policy, measurement of financial stability risks, credit risk and stress testing, balance sheet analysis for banks, insurers, and pension funds, as well as emerging risks related to natural disasters, interconnectedness, and contagion. The engagement also identified gaps in analytical tools, data availability, and internal and external processes, and provided recommendations to strengthen the overall financial stability toolkit and supporting data management systems. Since then, the ECCB has made progress, particularly in the analysis of credit and climate risks, including the development of credit risk models intended to support multi-period macro-stress testing of the banking sector.

20. CARTAC also supports the ECCB in its effort to include climate risk in its financial stability analytical framework. The May 2023 TA mission introduced core climate-related financial stability concepts, which were deepened through regional engagements, including the CARTAC climate risk workshop in February 2024, where the ECCB contributed as a speaker. These activities reflect the growing recognition of natural disaster as a material financial stability risk in the ECCU and the need to integrate climate considerations into the ECCB's analytical framework.

21. Moving forward, CD priorities center on strengthening the financial stability analytical toolkit and macroprudential oversight. Future technical assistance will focus on advancing multi-period macro-stress testing, building on the credit risk modeling work already underway. Institutionally, the absence of an explicit ECCB macroprudential mandate, along with limited capacity and access to granular non-bank data, constrains the scope of financial stability analysis beyond the banking sector. To assist with these challenges, CARTAC is considering conducting a regional workshop on stress testing for insurance companies, and the discussion on the implicit ECCB macroprudential mandate and further cooperation with the ECCB needs to be conducted.

F. Real and External Sector Statistics

22. During the period December 2019–March 2026, the CARTAC program on economic and financial statistics concentrated on improving external sector, national accounts, and price statistics in the ECCU countries. CARTAC's support in national accounts was targeted towards rebasing GDP, development of expenditure-based GDP (GDP-E), and development and updating the Consumer Price Index (CPI) and the Producer Price Index (PPI). Due to the joint External Sector Statistics (ESS) work program between the ECCB and the ECCU National Statistical Offices (NSOs), CARTAC missions on ESS are scheduled right after the ECCB missions to ECCU countries for data collection and compilation, with the objective of benefiting members of all the working teams in the most efficient way possible.

23. Of note for FY2026, good progress was made by St. Kitts and Nevis on GDP rebasing. The current base year of the national accounts program is 2006, and it is to be updated to 2018. A CARTAC mission occurred in September 2025. This was the first of what is anticipated to be four missions to support the authorities in completing this exercise. The update will enable more precise comparisons with the national accounts' statistics of other ECCU countries. A second mission is planned for April 2026.

24. Progress is also being made by countries to improve price statistics. Notably, in Antigua and Barbuda, a first producer price index (PPI) was developed. A PPI is a key deflator to derive constant price estimates of GDP and thereby measure real economic growth.

25. A review of GDP sources and methods was warranted in Antigua and Barbuda. Significant time had elapsed between CARTAC missions for the national accounts. Antigua and Barbuda benefited from a review of the sources and method used to compile annual production-based GDP. This will improve the accuracy of GDP estimates moving forward.

26. Dominica continues to receive significant CARTAC support. A mission in June 2025 assisted with the development of a Statistical Business Register (SBR). An SBR will allow the Central Statistics Office (CSO) to more accurately include all businesses in the economy in their official national accounts' statistics. A mission in August 2025 continued the ongoing support to improve the annual GDP compilation sources and methods.

27. During FY2026, a regional national accounts training workshop took place in Trinidad. The training focused on GDP rebasing methods, with an emphasis on the use of supply and use tables in the rebasing process. It was intended for relatively experienced National Accounts statisticians. Sixteen representatives from ECCU members and four ECCB staff attended.

28. With support from CARTAC, the ECCB and ECCU national statistics offices (NSOs) have, since 2017, jointly disseminated enhanced annual balance of payments and International Investment Position (IIP) statistics for each ECCU member country and the ECCU region following the *BPM6* guidelines. Data from 2014 onwards are available on the ECCB's website and re-disseminated in the IMF's *Balance of Payments Statistics Yearbook (BOPSY)* and *International Financial Statistics (IFS)*. CARTAC has continued assisting ECCU member countries in strengthening the compilation framework of the ESS and dissemination of statistics, mainly through improving the timeliness of data and enhancing the coverage, methodology, and the quality of prioritized balance of payments components, with the incorporation of a wider variety of data sources to supplement business surveys. In December 2022, the ECCB started to disseminate a table with several quarterly indicators for the balance of payments of the eight ECCU countries starting from 2019-Q4. The metadata of the balance of payments and the IIP for the ECCU countries and an advance release calendar for ESS were also released on the ECCB website to guide policy makers and data users External Sector (eccb-centralbank.org).

29. In January 2024, the ECCB disseminated the backcasted *BPM6*-based balance of payments for 2000-13. When the ECCB disseminated the *BPM6*-based balance of payments and the International Investment Position (IIP) with data from 2014 onwards, in addition to methodological changes from the Balance of Payments Manual, 5th edition (*BPM5*) to *BPM6*, data gaps were also addressed. For that reason, the backcasting included: (i) the reclassification of time series from the former *BPM5* presentation to the *BPM6* presentation; (ii) the identification of structural breaks; and (iii) the selection of backcasting techniques to adjust historical estimates, considering data availability.

30. In FY2026, CARTAC continued working with the ECCU countries and the ECCB on source data and statistical techniques. Recommendations provided by ESS missions on travel exports were adopted in Anguilla and Montserrat BOPs, data on imports of fuel were revised in St. Lucia and imports of services regarding the modernization of the port in VCT were included. Recommendations provided during the latest missions to the ECCU countries regarding direct investment related to Citizenship by Investment (CBI) programs are pending. There are limitations on current tourism surveys. Actions regarding a better knowledge of the yacht industry to identify expenditure of yacht visitors and other cross border transactions (maintenance and other services, and fuel), especially in Antigua and Barbuda, Grenada, St. Lucia and VCT, are expected to be accomplished during 2026-27. Due to the importance of tourism statistics for the balance of payments, a workshop on travel credits for the ECCU countries was delivered in June 2024. Compilers from the NSOs, the ECCB and tourism authorities attended the event.

31. For most ECCU member countries, TA missions noted limited granularity in available trade in goods data, including by trading partner, product category, and importer. In 2025, CARTAC conducted a workshop on trade in goods for ECCU members, targeting NSOs staff, customs officials involved directly in the collection of international merchandise trade statistics, and the ECCB. The workshop provided training on the concepts, tools and guidance for the compilation of trade in goods, including practical exercises. Following the workshop, the ECCB designed a survey focused on customs procedures codes and their connection to trade in goods within the BOP framework to be completed by customs officials and NSOs compilers. Significant progress was achieved by the NSO of VCT, which worked jointly with the Customs and Excise Department (CED) to complete the survey. However, progress was limited or absent in other ECCU countries. During the TA missions, a reconciliation table between merchandise trade and total trade in goods on a BOP basis was drafted, intended to be completed by compilers using information from the survey once available.[3]

32. The migration to the seventh edition of the IMF's Integrated Balance of Payments and International Investment Position Manual (BPM7) is a medium-term objective. The actions required include improving coverage, as already recommended by previous ESS TA missions, as well

[3] Transactions in goods for the BOP should be recorded at the time when the change of economic ownership takes place. Goods are considered to change economic ownership when the parties record the goods in their books and make corresponding changes to their financial assets and liabilities. international merchandise trade statistics generally follows customs procedures, which record the physical movement of goods across borders.

as other actions outlined in the action plan, such as reviews of survey instruments and additional engagement with data providers. Automation will be a continuous process, supporting more efficient and timely compilation. Actions related to the enhancement of the business registries are expected to begin in 2026. STA training on BPM7 for the Caribbean region will assist in the prioritization of activities. The implementation of initial steps to identify possible Special Purpose Entities (SPEs) will continue thereafter.

33. **CARTAC will continue supporting the ECCB's and the NSOs' medium-term work program.** This includes addressing pending tasks regarding merchandise trade statistics, travel credits, direct investment, the Coordinated Direct Investment Survey, and the compilation of public and private external debt in line with international standards.

G. Macroeconomic Forecasting and Analysis

34. **CARTAC's macroeconomics engagement in the ECCU has centered on strengthening capacity in public debt dynamics and nowcasting/near-term forecasting, alongside work on medium-term fiscal frameworks.** In July 2024, CARTAC delivered a hands-on regional workshop with participation from ECCU member countries, during which country-tailored versions of the IMF Institute for Capacity Development (ICD) Public Debt Dynamics Tool (DDT) were developed jointly with ECCB staff.

35. **Nowcasting and Public Debt Dynamics Tool (DDT) technical assistance was delivered through a series of CARTAC missions that concluded in mid-2024, in close collaboration with ECCB staff.** The nowcasting work focused on the use of high-frequency indicators to estimate and monitor short-term GDP developments across ECCU member countries. Building on the successful completion of this multi-mission TA program and reflecting strong institutional demand, ECCB staff are now converting several nowcasting models originally developed in EViews into the open-source R environment, supporting greater transparency, adaptability, and long-term sustainability of the framework.

36. **CARTAC's macroeconomic technical assistance for Antigua and Barbuda, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Anguilla focused on strengthening real sector analysis and medium-term fiscal projections through a common, country-tailored framework.** Across all participating jurisdictions, support concentrated on updating and improving real sector forecasting components and behavioral equations, including models for GDP, inflation, and tax revenues, to enhance internal consistency and forecast accuracy. The TA also included hands-on training in advanced macro-econometric techniques, together with the integration of new tools and methodologies within the EViews platform, supporting durable capacity building and harmonization of macro-fiscal analysis across the ECCU region.

37. **Staff from the ECCB and ECCU member-country governments participated in several regional courses and webinars, including events jointly offered with the IMF's Institute for Capacity Development (ICD).** These activities covered priority topics such as inclusive growth, the macroeconomics of climate change, fintech, and fiscal policy, combining analytical frameworks with

practical policy applications. In 2024, ECCU members also participated in a joint CARTAC-UNFPA workshop on the macroeconomic impact of gender gaps. The regional format facilitated active engagement and peer learning, contributing to the strengthening of analytical capacity and awareness of emerging policy challenges across the ECCU.

H. Debt Management

38. CARTAC, through the debt management program launched in late 2020, has engaged with ECCU countries, as well as the ECCB, on several key issues. Most of the countries already develop medium-term debt management strategies, but the strategies in practice do not always consistently guide individual borrowing decisions. Efforts have been made to enhance coordination between debt management offices and fiscal authorities to ensure that borrowing decisions align with broader fiscal and macroeconomic objectives. Regular reviews and updates to medium-term debt management strategies have been encouraged, emphasizing the importance of risk assessments and scenario analyses to inform policy decisions. These initiatives aim to strengthen institutional capacity and promote more resilient debt management practices across the ECCU region. To date, CARTAC has had technical assistance missions to the ECCB and Antigua and Barbuda, St. Lucia, Dominica, and VCT. There are additional technical assistance missions planned for Antigua and Barbuda, St. Lucia, and Dominica.

39. CARTAC has conducted two technical assistance missions in Dominica. These engagements were dedicated to revising the Medium-Term Debt Management Strategy (MTDS) and updating the procedures manual. Furthermore, an upcoming mission with the Public Financial Management Advisor is scheduled to enhance coordination between debt management and cash flow operations.

40. CARTAC has delivered two capacity-building activities targeted solely at ECCU countries and the ECCB. These missions focused on strengthening the Regional Government Securities Market (RGSM) and developing a regional retail bond market. The ECCU authorities benefitted from sessions exploring different retail bond options and from a peer learning activity with the Brazilian treasury on the Brazilian retail bond market, including its pricing, platform, costing, resources, and communication strategy.

41. ECCU countries and the ECCB also participated in regional training. These included: (i) a climate finance seminar in February 2025; (ii) a workshop in May 2025 on the Low-Income Countries Debt Sustainability Analysis Tool (LIC DSA); (iii) a workshop on debt transparency, debt recording and reporting in May 2025; (iv) a workshop in June 2025 on developing the Local Capital Bond Market (LCBM); (v) an investor relations seminar in February 2026; and (vi) a webinar on the World Bank's debt swap calculator in March 2026.