CREDIT OPINION
6 July 2026

Update

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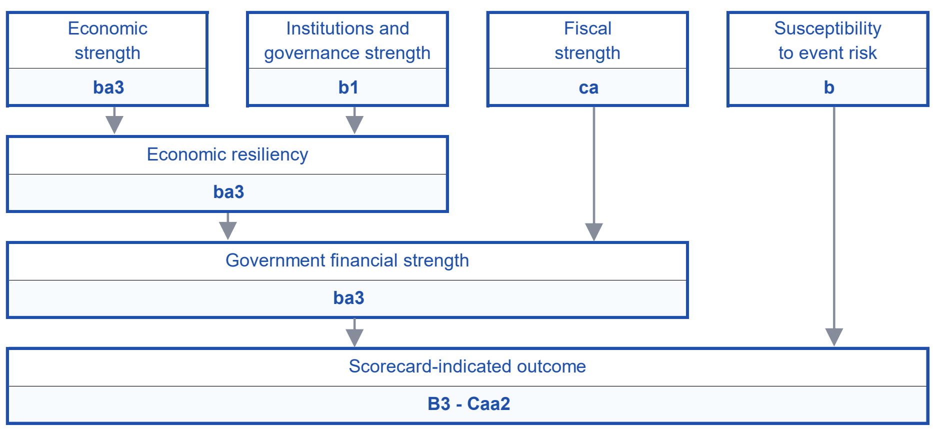
# Government of St. Vincent and the Grenadines – Caa1 negative

## Update following rating downgrade, outlook changed to negative

## Summary

St. Vincent and the Grenadines' credit profile balances a high share of concessional external financing, membership in the Eastern Caribbean Currency Union (ECCU), and moderate income levels relative to peers, against a sharply rising debt burden, elevated government liquidity risk, and high exposure to natural disasters. A sustained fiscal deterioration following successive external shocks has reset the debt trajectory onto a sustained upward path. At the same time, domestic funding channels have narrowed and become increasingly concentrated. These pressures are partly mitigated by the long-standing ECCU peg, continued access to low-cost concessional multilateral and bilateral financing, and climate-contingent pause clauses on a portion of its multilateral loans that provide a partial buffer against natural disaster shocks.

Exhibit 1
**St. Vincent's credit profile is determined by four factors**




*Source: Moody's Ratings*

## Credit strengths

» High share of concessional external financing from multilateral creditors

» Membership in the ECCU, anchored by a long-standing currency peg

» Moderate income levels relative to Caa-rated peers

## Credit challenges

» Large and rising government debt burden

» Elevated government liquidity risk, driven by high financing needs and a narrowing, concentrated domestic funding base

» High vulnerability to physical climate risks

## Rating outlook

The negative outlook reflects risks to the rating, including the possibility that the sovereign cannot avoid a restructuring on terms that would constitute a default under our definition. Sustained liquidity pressures, increased financing needs and a concentrated domestic funding base could narrow the authorities' options and increase reliance on liability management measures. The proposed debt swap is one channel through which this risk could materialize, with execution on terms consistent with our definition of a distressed exchange constituting a credit event and potentially leading to private-sector losses higher than those consistent with a Caa1 rating.

## Factors that could lead to an upgrade

Given the negative outlook, an upgrade is unlikely over the near term (one to two years). The outlook could be changed back to stable if risks recede, including clarity that the proposed debt swap will be executed on terms not consistent with a distressed exchange and evidence of fiscal consolidation in line with the authorities' Medium-Term Debt Strategy (MTDS). Stabilization in the domestic funding base, including improved diversification of the investor base beyond the current concentration in commercial banks, would support the credit quality. Over the longer term, upward pressure could arise from sustained stronger-than-expected growth and a faster pace of fiscal consolidation than we currently expect, resulting in a significant improvement in debt dynamics and the restoration of more regular access to market-based domestic financing channels.

## Factors that could lead to a downgrade

The rating could be downgraded if the likelihood of a debt restructuring that would constitute a default under our definition increases, including through execution of the proposed debt swap on terms consistent with a distressed exchange, leading to significant losses for private investors. Further deterioration in government liquidity risk, including financing needs rising faster than refinancing capacity, materialization of contingent liabilities from the rising sovereign-bank nexus, or continued fiscal slippage that pushes the debt peak higher and later, would further strain the credit quality. Any significant weakening in market access, including loss of concessional financing or higher borrowing costs, would add to pressure.

## Key indicators

Exhibit 2

| St. Vincent and the Grenadines | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026F | 2027F |
|---|---|---|---|---|---|---|---|---|
| Real GDP (% change) | -4.3 | 2.1 | 3.1 | 5.3 | 4.1 | 3.4 | 3.1 | 2.9 |
| Inflation rate (% change average) | -0.6 | 1.6 | 5.7 | 4.6 | 3.6 | 0.9 | 1.3 | 2.4 |
| Gen. gov. financial balance/GDP (%) [1] | -5.9 | -6.3 | -6.8 | -8.2 | -13.7 | -12.0 | -12.2 | -11.4 |
| Gen. gov. primary balance/GDP (%) [1] | -3.6 | -3.8 | -4.5 | -5.7 | -10.5 | -8.4 | -8.3 | -7.5 |
| Gen. gov. debt/GDP (%) [1] | 81.6 | 88.3 | 86.9 | 90.6 | 99.8 | 103.0 | 108.5 | 115.1 |
| Gen. gov. debt/revenues (%) [1] | 266.2 | 273.7 | 316.0 | 339.4 | 352.1 | 368.7 | 410.3 | 469.0 |
| Gen. gov. interest payment/revenues (%) [1] | 7.4 | 7.9 | 8.5 | 9.6 | 11.3 | 12.8 | 15.0 | 15.7 |
| Current account balance/GDP (%) | -15.9 | -23.2 | -20.1 | -17.8 | -16.7 | -16.1 | -16.2 | -14.7 |
| External debt/CA receipts (%) [2] [3] | 162.4 | 209.5 | 158.8 | 153.1 | 151.0 | 133.0 | 129.1 | 121.9 |
| External vulnerability indicator (EVI) [4] | 50.5 | 71.4 | 52.0 | 54.1 | 67.4 | 63.6 | 48.7 | 46.6 |

[1] Central government.
[2] Current account receipts.
[3] Public sector only.
[4] (Short-term external debt + currently maturing long-term external debt + total nonresident deposits over one year)/official foreign-exchange reserves.
*Source: Moody's Ratings*

## Profile

St. Vincent and the Grenadines is a small open economy in the Caribbean. Tourism and related services are the main drivers of the economy. Its profile reflects service-sector earning capacity and political stability, balanced against narrow diversification, high import dependence and acute exposure to hurricanes and other natural disasters.

## Detailed credit considerations

St. Vincent and the Grenadines is the smallest economy among the sovereigns we rate (measured by nominal GDP), with a small, concentrated base. We set its factor score for **economic strength** at “ba3,” reflecting the country's moderate wealth levels, offset by the economy's small size and weak growth dynamics. Exposure to climate and other external shocks remains a perennial issue for the economy. For instance, the coronavirus pandemic resulted in an economic contraction of 4.3% in real terms in 2020. Since then, St. Vincent and the Grenadines has endured a major volcanic eruption in 2021 and a Category 4 hurricane in 2024.

The score for **institutions and governance strength** is set at “b1,” one notch below the initial score of “ba3” to reflect our view that authorities' limited policy flexibility reduces its ability to respond to external shocks. The “b1” score reflects a mixed track record of fiscal policy credibility and relatively discretionary fiscal management. Official data reporting standards and practices are comparatively weak and limit the sovereign's institutional capacity.

We assess St. Vincent and the Grenadines' **fiscal strength** at “ca,” reflecting the government's high debt burden of more than 100% of GDP and the relatively high share of foreign-currency debt, the risk arising from which is counterbalanced by a stable currency peg. As a result, foreign-currency debt does not pose an immediate fiscal challenge for the sovereign. We expect primary deficits to narrow and the debt-to-GDP ratio to start declining gradually from 2030 as the infrastructure projects and reconstruction efforts are completed.

St. Vincent and the Grenadines' **susceptibility to event risk** is set at “b”, driven by government liquidity risk. Government liquidity pressures have intensified against the backdrop of high financing needs and an increasingly narrow domestic funding base. Gross financing needs exceed the median levels for both Caa1- and Caa2-rated sovereigns. Domestic funding channels have become increasingly concentrated and are approaching saturation: commercial banks now hold 62.4% of domestic debt, up from 51.6% in 2024, with two institutions accounting for the bulk of that exposure. Secondary market trading in St. Vincent and the Grenadines sovereign bonds has effectively ceased, with no recorded trades on the Eastern Caribbean Securities Exchange since September 2024, and all 2025 bond issuance was placed directly with three commercial banks, marking a full shift to private placement and a departure from the 2018-23 pattern of regular Regional Governments Securities Market auctions. The small size and limited diversification of the economy constrain the authorities' room to maneuver and amplify the credit impact of these funding dynamics. Taken together, these dynamics have significantly increased government liquidity risk.

Our external vulnerability risk assessment is set at “ba” and reflects the sovereign's high susceptibility to external shocks stemming from large current account deficits, reliance on foreign capital inflows and exposure to weather-related disasters that would severely hurt the balance of payments. However, the Eastern Caribbean Central Bank's (ECCB) long track record of maintaining a stable peg since 1976 mitigates the risk of a balance-of-payments crisis.

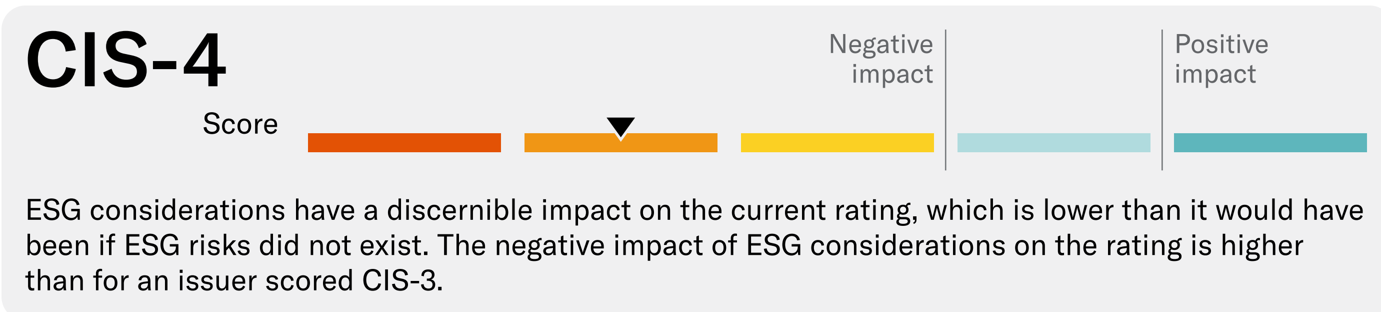
Our banking sector risk assessment is set at “ba” and reflects the importance of foreign-owned banks in the financial system, which could expose St. Vincent and the Grenadines to events occurring in other countries where the foreign banks operate.

The political risk score is set at “a”, reflecting the low likelihood of political disruptions that could affect policymaking.

## ESG considerations

### St. Vincent and the Grenadines, Govt of's ESG credit impact score is CIS-4

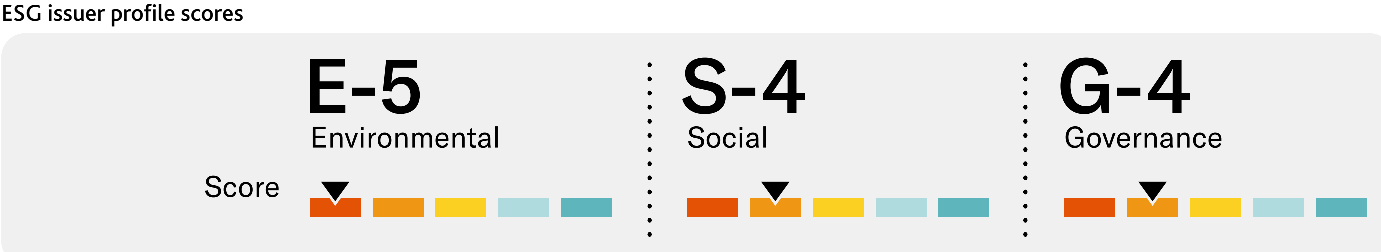
Exhibit 3
**ESG credit impact score**




*Source: Moody's Ratings*

St. Vincent's **CIS-4** score reflects high exposure to environmental and social risks, which increasingly interact with fiscal and liquidity dynamics. Recurrent natural disasters and structural social constraints contribute to sustained fiscal deficits and limit adjustment capacity, reinforcing financing pressures and heightening susceptibility to liquidity stress.

Exhibit 4
**ESG issuer profile scores**




*Source: Moody's Ratings*

### Environmental

St. Vincent's **E-5** score reflects acute physical climate risks such as hurricanes and volcanic events. These shocks have both economic and fiscal transmission channels, given the country’s high dependence on tourism and limited economic diversification. Recurrent disaster events have resulted in repeated fiscal outlays and reconstruction spending, contributing to a sustained increase in public debt and elevated financing needs.

### Social

St. Vincent's **S-4** score reflects structural constraints in income levels, human capital, and access to public services. Weaknesses in education outcomes and limited economic diversification weigh on productivity and revenue generation capacity.

### Governance

St. Vincent's **G-4** score reflects a mixed track record of fiscal policy implementation and debt management, alongside constraints in transparency and disclosure given lags in the publication of external sector and national accounts statistics, which limit the timeliness of credit-relevant information available to investors and analysts. These weaknesses are balanced by relatively stable institutional frameworks and generally predictable policymaking.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Recent developments

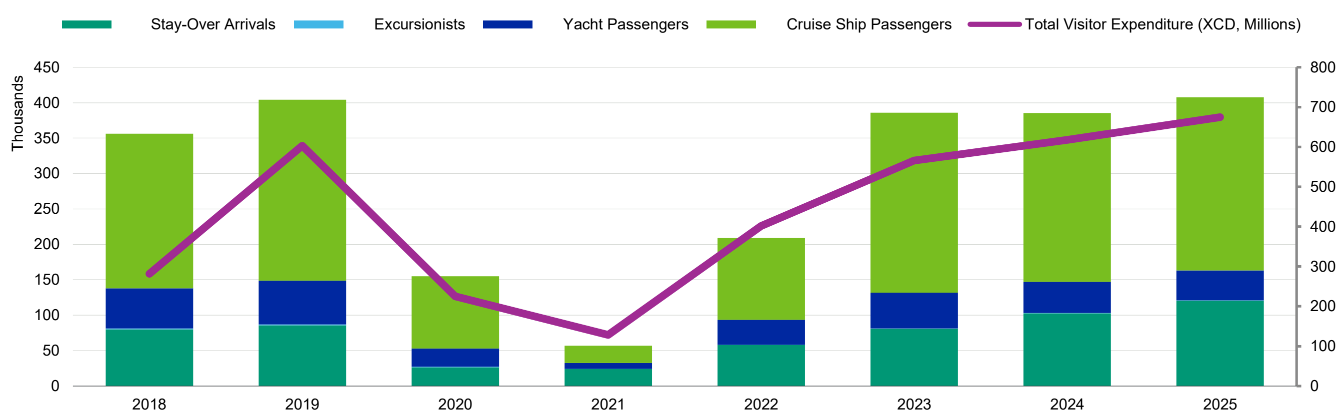
### Growth in 2025 was supported by tourism, alongside the winding down of infrastructure investment

GDP growth moderated to 3.4% in 2025 from 4.1% in 2024. Economic activity remained supported by robust tourism growth, driven by the opening of new hotels, including the Holiday Inn and Sandals Resort, which together added around 394 rooms — equivalent to about 12% of the country's pre-existing room capacity. This expansion boosted stay-over arrivals, with tourism activity increasing by more than 10% compared with 2024, when Hurricane Beryl disrupted the sector (see Exhibit 5). While total visitor arrivals returned to pre-pandemic levels, stay-over arrivals exceeded them by around 50%, reflecting the increase in accommodation capacity. The opening of the Sandals Resort and Holiday Inn marks a structural shift in St. Vincent and the Grenadines' tourism sector toward higher-value stay-over tourism, strengthening the sector's contribution to economic growth compared with the pre-pandemic period.

Exhibit 5

**St. Vincent and the Grenadines recorded a steady increase in stay-over arrivals**

**Total visitor arrivals (in thousands) and total visitor expenditure (XCD)**




*Source: ECCB*

Additional hotel developments are likely to support further growth in stay-over arrivals. A Marriott hotel is scheduled to open in 2027, while construction of a new Sandals property, Sandals Beach, is likely to begin this year, further expanding the country's accommodation capacity. In addition, Global Ports Holding, the world's largest cruise port operator, has signed a memorandum of understanding with the government to negotiate the management, development and operation of the country's cruise port, which could further strengthen the tourism sector over the medium term.

Despite the strength of tourism, the construction sector contracted year on year in 2025 following the completion of several large projects in 2024, including hotel developments and port modernization works. We expect growth to decrease slightly to 3.1% in 2026 and 2.9% in 2027 as the contribution from large-scale infrastructure investment gradually diminishes.

### Fiscal deficits remained high, driving debt to more than 100% of GDP and increasing debt refinancing risks

A combination of successive natural disasters, climate-related shocks and large public investment projects has contributed to wider fiscal deficits, which reached 12% in 2025, narrowing modestly from 14% of GDP in 2024. The deficits have been driven primarily by capital expenditure, providing the government with some flexibility to adjust spending over the medium term. We expect fiscal deficits to remain above 10% of GDP over the next two years, reflecting continued high levels of capital spending, before gradually narrowing thereafter. The 2026 budget includes several major capital projects, including airport upgrades and operational improvements across the Grenadines, as well as the development of the Arnos Vale Acute Referral Hospital.

The current account deficit remained wide, driven by strong import demand, particularly for investment-related goods associated with reconstruction and infrastructure development. At the same time, climate-related disruptions to the agriculture and fisheries sectors weighed on export performance. As a result, imports continued to dominate the trade balance, reflecting both increased investment needs and the economy's structural dependence on imported goods.

The debt-to-GDP ratio surpassed 100% in 2025, reaching 103%. Government debt consists primarily of external borrowing from bilateral and multilateral creditors, with most of it on highly concessional terms. The World Bank (IBRD, Aaa stable) and the International Development Association (IDA, Aaa stable) accounted for around 30% of total external debt. Following Hurricane Beryl, the government activated the Climate Resilient Debt Clause embedded in select World Bank loans through a formal declaration of disaster. The clause allowed the deferral of principal and service charge payments on 10 existing loans for a two-year period, providing temporary liquidity relief and supporting the government's recovery and reconstruction efforts.

In April 2025, the World Bank, through its concessional lending arm, IDA, approved $20 million in financing for St. Vincent and the Grenadines, equivalent to around 1.7% of 2024 GDP. The financing is intended to strengthen emergency response capacity and disaster risk management and includes a Catastrophe Deferred Drawdown Option, which provides rapid access to liquidity in the event of future climate-related disasters.

Successive shocks have also led the government to increase domestic borrowing, which carries higher interest rates than its external debt portfolio. Domestic debt is held primarily by local commercial banks and is almost entirely denominated in local currency, limiting foreign-exchange risk. The overdraft stock has tripled from XCD45 million as of year-end 2022 to XCD155.8 million as of year-end 2025, and the commercial portion carries an 8.0% interest rate, making it among the most expensive instruments in the debt profile. The MTDS 2025-27 explicitly identifies the EC$155.8 million overdraft facility as a key cash management risk and contemplates strategies to reduce this risk.

The growing reliance on short-term, non-concessional domestic borrowing has prompted discussions about a potential debt swap aimed at improving the debt profile and reducing financing costs. However, the terms and structure of such an operation have yet to be determined. Execution on terms consistent with our definition of a distressed exchange would constitute a credit event and could lead to private-sector losses.

## Moody's rating methodology and scorecard factors: St. Vincent and the Grenadines - Caa1 negative

| Factor / Sub-Factor | Metric | Indicator Year | Indicator | Initial Factor Score | Final Factor Score | Weights |
|---|---|---|---|---|---|---|
| **Factor 1: Economic strength** | | | | ba3 | ba3 | 50% |
| **Growth dynamics** | Average real GDP growth (%) | 2021-2030F | 3.2 | baa1 | | 25% |
| | MAD Volatility in Real GDP Growth (%) | 2016-2025 | 1.0 | baa2 | | 10% |
| **Scale of the economy** | Nominal GDP ($ billion) | 2025 | 1.3 | ca | | 30% |
| **National income** | GDP per capita (PPP, Intl$) | 2025 | 20,777.5 | ba1 | | 35% |
| **Adjustment to factor 1** | *# notches* | | | | 0 | max ±9 |
| **Factor 2: Institutions and governance strength** | | | | ba3 | b1 | 50% |
| **Quality of institutions** | Quality of legislative and executive institutions | | | b | | 20% |
| | Strength of civil society and the judiciary | | | ba | | 20% |
| **Policy effectiveness** | Fiscal policy effectiveness | | | b | | 30% |
| | Monetary and macroeconomic policy effectiveness | | | ba | | 30% |
| **Specified adjustment** | Government default history and track record of arrears | | | | 0 | max -3 |
| **Other adjustment to factor 2** | *# notches* | | | | -1 | max ±3 |
| **F1 x F2: Economic resiliency** | | | | ba3 | ba3 | |
| **Factor 3: Fiscal strength** | | | | ca | ca | |
| **Debt burden** | General government debt/GDP (%) | 2025 | 103.0 | b3 | | 25% |
| | General government debt/revenue (%) | 2025 | 368.7 | b2 | | 25% |
| **Debt affordability** | General government interest payments/revenue (%) | 2025 | 12.8 | ba1 | | 25% |
| | General government interest payments/GDP (%) | 2025 | 3.6 | ba3 | | 25% |
| **Specified adjustments** | *Total of specified adjustment (# notches)* | | | -6 | -6 | max ±6 |
| | Debt Trend - Historical Change in Debt Burden | 2017-2025 | 33.5 | -1 | -1 | |
| | Debt Trend - Expected Change in Debt Burden | 2025-2027F | 12.1 | -2 | -2 | |
| | General Government Foreign Currency Debt/ GDP | 2025 | 58.0 | -5 | -3 | |
| | Other non-financial public sector debt/GDP | 2025 | 0.0 | 0 | 0 | |
| | Government Financial Assets including Sovereign Wealth Funds / GDP | 2025 | 1.0 | 0 | 0 | |
| **Other adjustment to factor 3** | *# notches* | | | | 0 | max ±3 |
| **F1 x F2 x F3: Government financial strength** | | | | ba3 | ba3 | |
| **Factor 4: Susceptibility to event risk** | | | | b | b | Min |
| **Political risk** | | | | a | | |
| | Domestic political risk and geopolitical risk | | | a | | |
| **Government liquidity risk** | | | | b | b | |
| | Ease of access to funding | | | b | | |
| **Specified adjustment** | High refinancing risk | | | | 0 | max -2 |
| **Banking sector risk** | | | | ba | ba | |
| | Risk of banking sector credit event (BSCE) | Latest available | -- | ba3-b3 | | |
| | Total domestic bank assets/GDP | 2025 | 73.7 | 80-180 | | |
| **Adjustment to F4 BSR** | *# notches* | | | | 0 | max ±2 |
| **External vulnerability risk** | | | | ba | ba | |
| | External vulnerability risk | | | ba | | |
| **Adjustment to F4 EVR** | *# notches* | | | | 0 | max ±2 |
| **Overall adjustment to F4** | *# notches* | | | | 0 | max -2 |
| **F1 x F2 x F3 x F4: Scorecard-indicated outcome** | | | | B3 - Caa2 | B3 - Caa2 | |

**Note:** While information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the scorecard-indicated outcome. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the scorecard-indicated outcome. For more information please see our Sovereign Ratings Methodology.

**Footnotes: (1) Initial factor score:** scorecard indicators combine with the automatic adjustments to produce an initial factor score for every rating factor, as detailed in Moody's Sovereign Ratings Methodology. **(2) Final factor score:** where additional analytical considerations exist, initial factor scores are augmented to produce a final factor score. Guidance on additional factors typically considered can be found in Moody's Sovereign Ratings Methodology; details on country-specific considerations are provided in Moody's research. **(3) Scorecard-indicated outcome:** Factor 1: Economic Strength, and Factor 2: Institutions and Governance Strength, combine with equal weight into a construct we designate as Economic Resiliency (ER). An aggregation function then combines ER and Factor 3: Fiscal Strength, following a non-linear pattern where Fiscal Strength has higher weight for countries with moderate ER and lower weight for countries with high or low ER. As a final step, Factor 4, a country's Susceptibility to Event Risk, is a constraint which can only lower the government financial strength as given by combining the first three factors. **(4) There are 20 ranking categories for quantitative sub-factors:** aaa, aa1, aa2, aa3, a1, a2, a3, baa1, baa2, baa3, ba1, ba2, ba3, b1, b2, b3, caa1, caa2, caa3, ca and 8 ranking categories for qualitative sub-factors: aaa, aa, a, baa, ba, b, caa, ca **(5) Indicator value:** if not explicitly stated otherwise, the indicator value corresponds to the latest data available.

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