

The Government of the Virgin Islands (GoVI)

RATINGS UPDATE:

The Government of the Virgin Islands Ratings Reaffirmed at *CariAA-* (Foreign and Local Currency Ratings) on the regional scale; Outlook assigned at Stable.

RATING ACTION:

On March 14, 2025, CariCRIS reaffirmed the issuer ratings of *CariAA-* (Foreign and Local Currency Ratings) on its regional rating scale assigned to **The Government of the Virgin Islands (GoVI)**. A **stable** outlook was assigned. The fiscal sub-parameter rating was upgraded one-notch to reflect the continual improvement in fiscal performance indicators.

RATING SENSITIVITY FACTORS:

Factors that could lead to an improvement in the ratings and/or Outlook include:

- Real GDP growth of at least 5% sustained over the next 2 years.
- An uninterrupted improvement in visitor arrivals to greater than pre-hurricane levels maintained over the next 2 years.
- A consistent improvement in company incorporations and registrations to pre-pandemic levels maintained over the next 2 years.

Factors that could lead to a lowering in the ratings and/or Outlook include:

- An increase in the total public sector debt to above 40% of GDP.
- A change in the island's status as a British overseas territory or a material change in the level of support rendered to The VI from the UK.

RATING RATIONALE

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed issuer ratings of *CariAA-* (Foreign and Local Currency) on its regional rating scale for the Government of the Virgin Islands (GoVI). These ratings include a 4-notch uplift for the likelihood of support from the United Kingdom (UK). The notched-up regional scale ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **high**.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is based on expected continued good control over fiscal operations guided by the Protocols for Effective Financial Management (PEFM)¹, and maintained modest economic growth over the next 12-18 months based on sustained arrival numbers growth, broad stability in financial services, and planned government projects to improve tourism infrastructure.

The ratings are supported by the following:

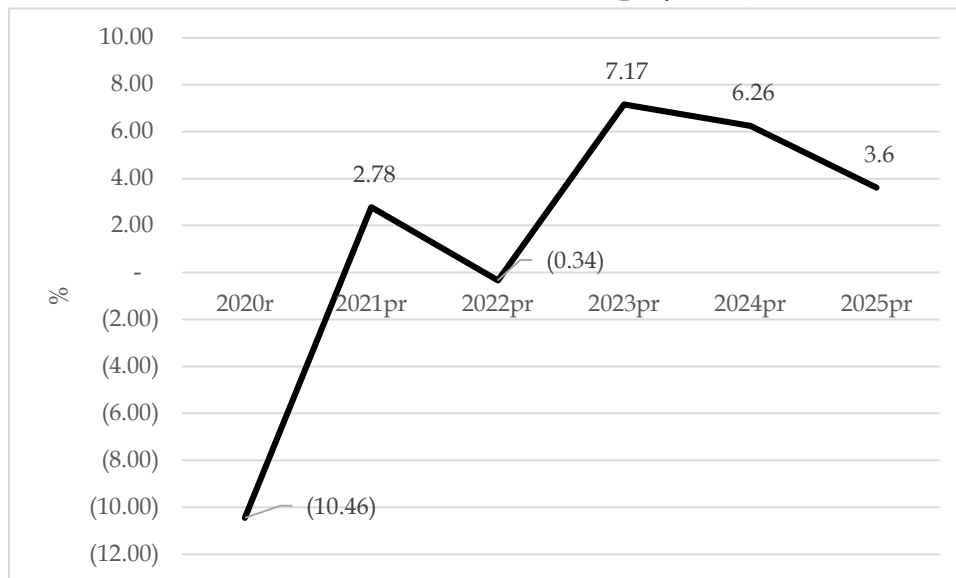
Rating Drivers	
Key Strengths	Key Risks
Continued support from the United Kingdom as an Overseas Territory	Human resource capacity constraints on account of a small population base
Income and economic fundamentals create high GDP per capita	Lack of monitoring of the external sector may hinder targeted policymaking
Dollarization has supported strong economic fundamentals and trade stability	
Prudent fiscal policy guided by the PEFM resulting in low debt levels	

¹ Signed by the BVI in April 2012.

Income and Economic Structure Rating: BBB (Adequate)

The VI's real GDP per capita remained healthy at US \$45,072 in 2024, making the Territory one of the wealthiest states in the Western Hemisphere. The high GDP per capita gives the Territory opportunities for investment and creating infrastructure for sustainable future growth. Real GDP is estimated to have improved in the last two years due to higher value-added activity and statistical computations². The economy expanded 6.3% in 2024 and 7.2% in 2023 (Chart 1). Growth of 3.6% is projected for 2025.

Chart 1
Real GDP Growth 2020-2025 (projected)



Source: Central Statistics Office (CSO) up to 2021 and projections by the Macro-Fiscal Unit (MFU), Ministry of Finance r = revised, pr = projected

The Territory's economy is largely dependent on two sectors: tourism³ and financial services⁴.

Tourism is expected to continue its upward momentum after surpassing its pre-hurricane levels in 2024, while financial services activities are anticipated to remain

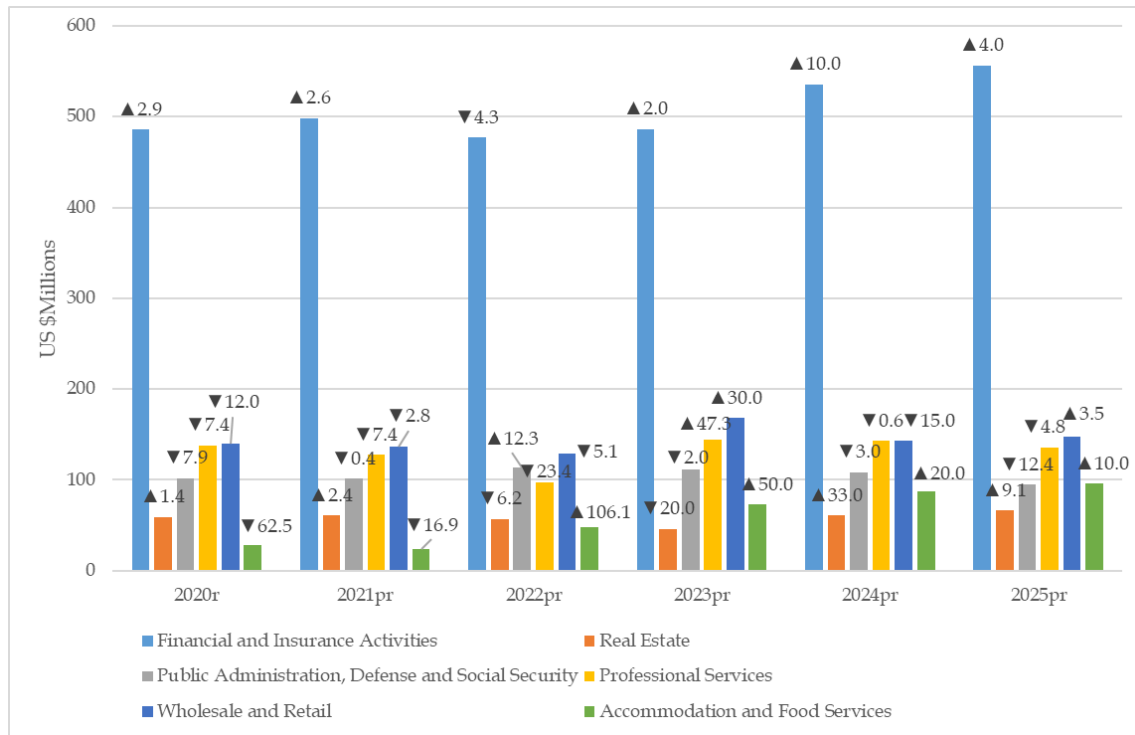
² GDP is now captured using new software by CSO. The new system records more economic flows. The CSO believes that previously it underestimated inflows from financial activities.

³ While the percentage contribution of tourism to real GDP in the VI is difficult to track due to the sector's interrelatedness with all other sectors, latest data estimates that it accounted for around 27% of GDP (according to the World Travel and Tourism Council and the 2025 Budget Address by Premier, Honourable Dr. Natalio D. Wheatley).

⁴ Financial and Insurance Activities accounted for 33.3% of real GDP in 2024, slightly up from 32.2% in 2023.

stable, notwithstanding the implementation of a global minimum tax rate alongside geopolitical, global growth and inflation uncertainties (Chart 2).

Chart 2
Real GDP by Economic Activities with Growth Rates by Industries, 2020-2025
(projected)



Source: Central Statistics Office (CSO) up to 2021 and projections by the Macro-Fiscal Unit (MFU); Ministry of Finance

The financial services sector, of which most activity is international companies' incorporations and registrations, realized an increase in its contribution to the Territory's real GDP by 10% to US \$535.16 million in 2024. New company incorporations for the 4th quarter (Q4) of 2024 increased by 23.7% to 7,229 compared to the same period in the prior year (Chart 3); additionally, Q4 recorded the highest number of registrations for 2024. Although the total number of business companies on the register stood at 356,675 as at December 2024, down from 361,491 in 2023⁵, new incorporations registered rose by

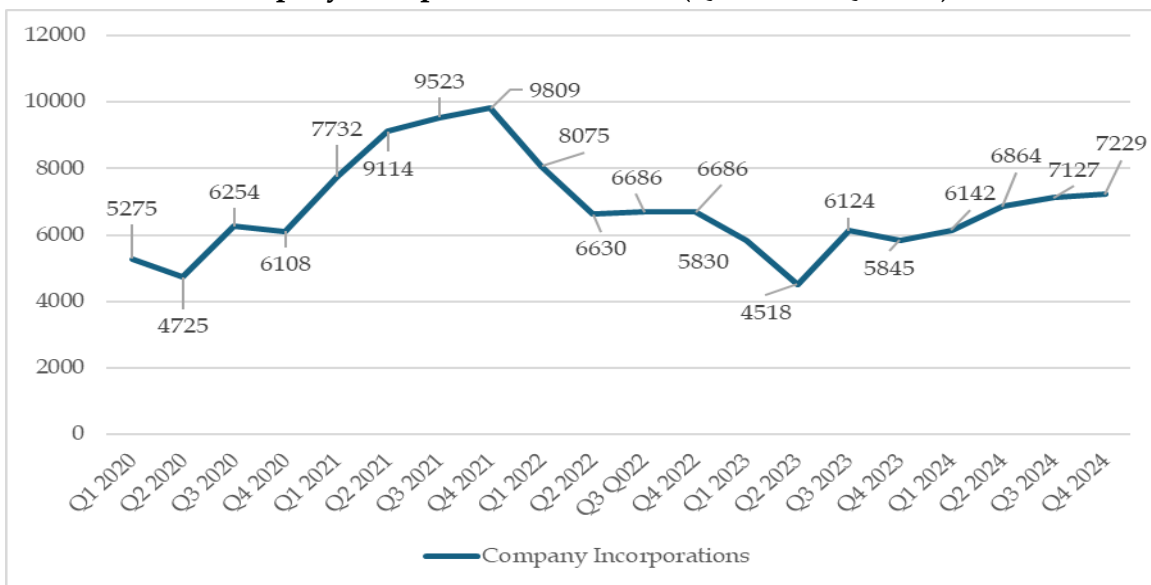
⁵ This decrease can be ascribed to changes made to the BVI Business Companies Act (the "BC Act") that went into effect on January 1, 2023. These changes replaced the previous requirement that companies struck from the Registry be dissolved seven years after being struck off and instead required that they be dissolved automatically on the day the notice was published in the Gazette. Additionally, the liquidation of current struck-off corporations that were not restored by June 30, 2023, was another amendment.

Source: Government of the Virgin Islands: 2022-2024 Macro-Economic Review & Outlook.

22.6% to 27,362 y-o-y. The Asia-Pacific market⁶ provides 57% of BVI’s financial services business. Investment in the Asian property market expanded by US \$131.1 billion in 2024 or 23% over 2023.⁷ To improve the diversification of the source of new incorporations, the GoVI is currently undertaking a study to determine whether a second representative office in South America which will promote greater diversity in the source of incorporations⁸, thereby reducing the impact of geopolitical tensions.

In 2025, a decrease in the number of companies on the register is conservatively projected as the VI adjusts to the implementation of more stringent regulations for the financial services industry and standards for law enforcement⁹, additionally new incorporations for the year are projected to drop slightly to 24,500. The impact on the new fees collected from financial services has not proven to be a significant deterrent to incoming registrations. Total revenue from fees was US \$252 million in 2023 but was expected to fall to US \$248 million in 2024, before recovering slightly to US \$249 million in 2025.

Chart 3
Company Incorporations in the VI (Q1 2020 to Q3 2024)



Source: BVI FSC Statistical Bulletin Q4 2024

⁶ The BVI’s Asia Trade Mission was conducted in May 2024. Accomplishments included the strengthening of international ties and the facilitation of cross-border investments.

⁷ Asia Pacific Capital Tracker Q4 2024. Jones Lang LaSalle Incorporated (JLL IP. Inc.)

⁸ Currently, the Territory has one office, BVI House Asia, located in Hong Kong, China.

⁹ Source: 2025 Budget Address by Premier Honourable Dr. Natalio D. Wheatley

The VI continues to be among the most compliant tax jurisdictions globally. The Territory operates and maintains a well-regulated financial services system that is committed to transparency, integrity, and progressive regulations, according to prominent international standard-setting bodies such as the Organisation of Economic Cooperation and Development (OECD), the Financial Action Task Force (FATF) and the International Monetary Fund (IMF)¹⁰.

An area of some concern for the VI's financial services sector is the implementation of the Publicly Accessible Registers of Beneficial Ownership (PARBOs) by the United Kingdom (UK) in its Overseas Territories¹¹. This can potentially temper the number of new company incorporations and renewals in the medium-term global adjustment period. However, the VI currently collects beneficial ownership data from all entities which is available to authorized tax and crime investigating bodies. However, the Territory is in the process of developing an online system to increase access to the information. The OECD's implementation of a minimum 15% global tax rate (GTR) for large multinational companies with annual revenue of more than €750 million¹² can also be another area of concern to the VI. This initiative has faced several challenges to its implementation¹³. However, the GoVI estimates that most entities incorporated in the Territory do not meet the revenue threshold for the minimum GTR¹⁴. Therefore, the impact on the VI is likely to be minimal. Furthermore, the VI's other competitive advantages such as resident professional skills and overall ease of doing business remain, which continues to promote sustainability in its financial services sector. Another challenge that can impact the financial services industry is the possible grey listing of the VI if implementation of the recommended actions from the Mutual Evaluation Report do not meet FATF expectations at its June 2025 plenary meeting.

¹⁰ In February 2020, the EU added the VI to the 'whitelist' indicating its status as a fully cooperative tax jurisdiction by the OECD Global Forum on Tax. The VI is a full and participating member of the OECD, the OECD's Global Forum on Tax and Exchange of Information, as well as the FATF and its regional bodies.

¹¹ Public registers of beneficial ownership are being considered by the United Kingdom Government (UKG) as it provides transparency and play an important role in the fight against corruption, tax evasion and money laundering. Access was previously limited to relevant tax and law authorities.

¹² Agreed to in October 2021 by 137 countries.

¹³ A passed UN vote in November 2023 to bring international tax cooperation under the purview of the UN challenges the OECD's global minimum tax initiative. Offshore tax jurisdictions have welcomed the African-led UN initiative. Cooperation between the UN and the OECD in coming months will be needed to bring clarity on international tax matters. Additionally, in January 2025, the US withdrew from the global tax agreement, again delivering a blow to the 15% global tax minimum initiative.

¹⁴ Though the minimum 15% global tax rate (GTR) is not yet implemented in the VI, the GoVI hired KPMG to conduct an assessment on the extent of the GTR's impact on the Territory. Results will be delivered in March 2025.

In 2025, the Financial Services Commission (FSC)¹⁵ intends to pursue several initiatives: Enhance Regulatory and Supervisory Technology Solutions, Improve the Virtual Assets Service Providers (VASP) Regulatory and Supervisory Regime, BASEL II regulatory framework to be implemented; Product Offering Assessment and Development – Exploring the need for representation in South America. The initiatives are intended to strengthen regulations and reduce sector risk while expanding the sector’s geographical footprint.

The GoVI established a Deposit Insurance Corporation (DIC) in January, 2024 which will aid in greater domestic financial sector stability by protecting smaller depositors from the risk associated with bankruptcy by commercial banks, and therefore promote increased deposits. The DIC’s operations, which insures deposits of up to US \$100,000 are funded by an initial capital injection of US \$4 million by the GoVI, followed by premiums received from insured entities from February, 2024.

The Ministry of Financial Services, Economic Development, and Digital Transformation (MFSEDDT) intends to create a national financial services strategy to boost the industry’s competitiveness on a worldwide scale encouraging economic expansion and growth. Additional efforts are being made to hire a public relations and public affairs consultant. CariCRIS will monitor developments and update our rating opinion as necessary, especially with regards to any expansion of the size and type of firms targeted for OECD tax capture and the implications of any trade and other policies from the new US administration.

The tourism sector suffered significant damage to both its land and marine infrastructure following the passage of the 2017 hurricanes, with its recovery being derailed in 2020 due to the COVID-19 pandemic which brought travel restrictions and further dampened tourist arrivals. However, in 2024, the sector experienced its third consecutive year of growth with total tourist arrivals estimated to have increased by 9.8% to 1,092,139 persons. Notably, this level of arrivals is almost on par with the 1,124,380 arrivals in 2016, prior to the hurricanes in 2017. Cruise-passengers’ arrivals, the largest single category of visitor arrivals, experienced the highest increase (48,774 persons or ↑6.8%), followed by overnighters (43,796 persons or ↑16.7%) and Day-trippers (4,673 persons or ↑35.1%). These improvements in visitor arrivals were mostly

¹⁵ The December 2001 enactment of the Financial Services Commission Act, 2001 established the British Virgin Islands Financial Services Commission as an autonomous regulatory authority responsible for the regulation, supervision, and inspection of all financial services in and from within the BVI.

attributable to the post-COVID demand for travel and entertainment. Nevertheless, the increase in cruise-passengers was supported by berthing agreements with Disney and Norwegian cruise lines alongside annual membership with the Florida Caribbean Cruise Association (FCCA)¹⁶ during 2024. The uptick in overnights was attributed to the increase in direct flights to the VI from Miami with American Airlines¹⁷ and the joint effort of top properties, event planners, the marketing board, and the community to promote the VI. Moreover, airlift has also been positively impacted by the services offered by WinAir, LIAT, Caribbean Airlines¹⁸ and Sunrise Airlines. Room inventory levels have returned to pre-2017 levels with the reopening of Peter Island Resort in 2024. Tourism is expected to continue its upward trajectory in 2025, surpassing pre-hurricane levels.

Table 1
BVI's Tourist Arrivals for the period 2020 to 2024

	2020r	% Change	2021r	% Change	2022r	% Change	2023	% Change	2024	% Change
Arrivals										
Overnighters	82,687	-72.7%	59,289	-28.3%	174,344	194.1%	262,080	50.3%	305,876	16.7%
Excursionists	3,235	-81.4%	4,336	34.0%	6,512	50.2%	13,297	104.2%	17,970	35.1%
Cruise- passengers	219,434	-61.8%	70,090	-68.1%	343,571	390.2%	719,519	109.4%	768,293	6.8%
Total Visitors	305,356	-65.9%	133,715	-56.2%	524,427	292.2%	994,896	89.7%	1,092,139	9.8%

Source: Central Statistics Office

Notwithstanding the positive 2024 numbers and projections for 2025, tourism's growth faces the challenge of limited air access to the Territory. Most air access to the Territory continues through connections from the United States Virgin Islands (USVI), Puerto Rico and Sint Maarten. Jet traffic to the Territory is constrained by weight and size, as well as insurance requirements, due to the Terrance B. Lettsome International Airport's (TBLIA) short runway. The GoVI recognises the importance of resolving this issue. Requests for proposals (RFPs) for the completion of a business case for the airport expansion project were tendered in December 2023¹⁹ and the business case will be released in 2025. Furthermore, the GoVI has also allocated US \$2 million for additional small-scale improvement of the facilities at the TBLIA. Sea access is also being addressed. Redevelopment of the West End Ferry Terminal²⁰ is being planned. However, the project's scope is being reassessed as the bids received in February 2025 exceeded the

¹⁶ The Florida Caribbean Cruise Association (FCCA) represents cruise lines that represent over 90% of the global cruising capacity.

¹⁷ American Airlines commenced weekly flights from Miami to the VI on June 1, 2023.

¹⁸ Caribbean Airlines commenced in October 2024

¹⁹ The British Virgin Islands Airport Authority (BVIAA) has selected a successful bidder, and the Premier is hopeful that the project will break ground in 2025.

²⁰ The West End Ferry Terminal caters to private and charter yachts, private boats, water taxis and ferry access from the United States Virgin Islands (USVI) and between Jost Van Dyke and Tortola.

budgeted amounts. The terminal's redesign will be a technologically driven facility capable of accommodating over 200,000 passengers per year, approximately double its current capacity. Enhanced arrival capacity via air and sea will enable a stronger recovery in the event of natural disasters. To supplement the increase in visitor arrivals, several additional resorts are expected to begin construction or redevelopment in 2025²¹. In CariCRIS' opinion, increasing arrivals to support the tourism and financial services sectors continues to be key for the long-term economic health of the Territory.

The VI has a prominent position in sun-sand-sea and yachting tourism. To further enhance its tourism product, the GoVI intends to venture into non-traditional attractions such as the VI's culture and heritage²². Featured festivals are Emancipation Festival, Lobster Festival, Spring Regatta, the Music Festival and Easter Festival. Food tourism will remain a key focus in 2025 as the VI blends traditional culinary heritage with contemporary influences and establishes linkages with the agricultural and fisheries sectors. Other areas for tourism diversification are in meetings, incentives, conferences and exhibitions (MICE). There is a natural tie-in of MICE with the financial services sector and global regulations to increase economic substance in taxable jurisdictions.

Broader economic diversification plans include initiatives aimed at investments in agriculture, medical marijuana, green energy, and the betting industry. Consequently, legislations were created for both the medical marijuana and betting industries²³. Action will be conducted in 2025 to strengthen the Virgin Islands Gaming and Betting Control Act's efficacy and start the Commission's legal mandate. Regulations will be created to start licensing and enforcing the legislation for enterprises operating lawfully to engage in gaming and betting operations in the Territory. While the GoVI has passed legislations for medical marijuana use, it is yet to be enforced as agreement with the United Kingdom Government (UKG) has not been made. The UKG awaits recommendation of what they deem a suitable regulated regime²⁴. The UKG is not in support of the production of marijuana for recreational purposes, and hence economies of scale for medicinal production in the VI may be limited.

²¹ These include Nanny Cay Marina Expansion, Port Purcell Hotel Development, Oil Nut Bay Resort, Norman Island Development and Prospect Reef. Expansion works which have been completed include, Long Bay, Bitter End and Peter Island Resort.

²² The GoVI completed a Virgin Islands Culture and Heritage Policy and Strategy in February 2023, which is expected to guide the development of the Territory's culture over the period 2023 to 2028.

²³ The Gaming & Betting Control Act was made law in August 2020.

²⁴ Issues that have tempered the progress of the enforcement include the threat of money laundering and the financing of illicit drugs.

The GoVI continues to promote increased agriculture output²⁵ in the Territory with the additional aim of having a favourable impact on food prices. For 2025, the government will support farmers and fishers by improving access to resources, promoting modern techniques, expanding farmland and enhancing irrigation. Efforts will focus on well restoration and infrastructure projects to ensure reliable water supply in key farming areas. Plans are underway to establish contracts with several small farmers to produce vegetables that can be sold to local merchants through a Marketing Authority²⁶. Additionally, the GoVI continued the development of the Agriculture and Fisheries Complex²⁷ in 2024. The complex will be supplemented by smaller fish landing centres in Tortola, Virgin Gorda, Anegada and Jost Van Dyke. A solar farm will be launched in Anegada in 2025 together with the addition of a new diesel generator to strengthen the power supply²⁸.

The islands of the Virgin Islands (VI) are within the path of annual hurricanes and storms which can cause catastrophic loss of life and property. Furthermore, even without a direct strike, hurricanes can cause flight cancellations and disruptions to yachting and maritime activities. In February 2023, the GoVI launched its National Sustainable Development Plan²⁹ (NSDP) which is expected to persist until 2036. The primary goal of the NSDP is to strengthen the resilience of the economy to withstand future hurricanes, pandemics, and any other crisis that may come. The 15-year plan, which supports the pillars of sustainable development³⁰, focuses on six national goals: Health and Wellness³¹, Education and Learning³², Economy³³, Infrastructure³⁴, Good

²⁵ To boost agricultural output, additional lots for farming will be allocated in 2025 on the four major islands. Additionally, the OECS Resilient Agriculture will start in 2025 as well as the H.A.R.V.E.S.T. program which will focus on youth engagement, providing practical experience, promote sustainability and highlights agriculture and fisheries as viable business opportunities.

²⁶ The GoVI has targeted vegetables due to high rates of spoilage from imports. The Marketing Authority will enter into a contract for the purchase of all vegetables produced and will then take responsibility for selling to retailers and restaurants.

²⁷ This facility will be utilized by farmers and fishermen to store, process, and sell local produce.

²⁸ This is expected to produce and store energy to power the entire island, potentially significantly reducing electricity rates for residents and businesses.

²⁹ Developed with technical support from the United Nations Economic Commission of Latin America and the Caribbean (UN ECLAC).

³⁰ The pillars of sustainable development being focused on by the GoVI, are people, prosperity, planet, peace, and partnerships.

³¹ To promote a healthy population and to create an adaptive and shock responsive social protective system.

³² To create an educated and highly skilled population.

³³ To contribute to fiscal strength and sustainability, an enabling business environment, diversification and global competitiveness, green and blue economy, and more digitization.

³⁴ To attain sustainable energy and water supply, reliable communication technology, and transportation and logistics.

Governance and Leadership³⁵ and Environmental Sustainability³⁶. Through the NSDP, the international monitoring and evaluation standards of the SDGs will be met, as well as hold the government accountable to the people of the VI.

The Strategic Blue Economy Roadmap, developed with UNDP support, outlines a sustainable approach to ocean-based development, aligning with international commitments. It aims to protect ecosystems, boost key sectors, and ensure equitable benefits. The GoVI will foster a supportive environment for a thriving Blue Economy, driving growth in marine tourism, fisheries, aquaculture, and research while safeguarding marine resources.

Notwithstanding the threat of natural disasters, CariCRIS believes that the VI's plans for recovery³⁷ and development through greater diversification, serve to preserve the country's core income and economic strengths.

CariCRIS expects real GDP to expand by 3%-4% in 2025, driven by further increases in tourist arrivals, broad stability in financial services, and increased public sector capital projects, leading to an uptick in construction activity.

Fiscal Policy Rating: A- (Good)

The GoVI's fiscal policy is conducted within the Protocols for Effective Financial Management (PEFM), a debt management framework that was designed by the Foreign, Commonwealth and Development Office (FCDO)³⁸ for its Overseas Territories³⁹. For 2024, the GoVI has estimated a near balanced performance, though representing a small decline from fiscal year 2023. The overall fiscal position declined to a small deficit of US \$-6.23 million (-0.4% of GDP) from a fiscal surplus of US \$13.45 million (0.8% of GDP) in

³⁵ To bolster safety for Belongers, promote efficient and effective government decision-making, constitutional advancement, and strengthened foreign relations.

³⁶ Will support adaptation to climate change.

³⁷ VI has a very comprehensive Disaster Management Policy in place. A multi-hazard alerting system is also utilized.

³⁸ The FCDO is a department within the UKG that is responsible for national security, promoting prosperity through greater exports and investments, reducing market barriers, ensuring access to resources, and promoting sustainable growth.

³⁹ The key policy principles of the PEFM are (i) effective medium-term planning by way of annual rolling 3-year budgets, (ii) value for money assessments of all capital projects that exceed 5% of Government's annual budgeted revenue over the life of the project before decision making, (iii) effective management of risks and (iv) improved accountability in all public sector operations.

the prior year, driven by an expansion in total expenditure which outpaced the growth in revenue (Table 2).

Table 2
GoVI Fiscal Performance for the 2022-2025 (projected)

	Revised Estimate		Actual	Projected
	2022	2023	2024	2025
Revenue	<i>US \$ Millions</i>			
Payroll/Income Tax	57.27	62.72	57.08	64.27
Property Tax	3.34	3.73	3.73	3.50
Taxes on Goods and Services	221.20	242.35	245.31	247.92
Taxes on International Trade and Transactions	36.93	51.45	54.14	55.99
Other Tax Revenue	13.38	8.82	10.86	10.21
Other Current Revenue	26.05	19.84	30.56	25.86
Grants	4.02	0.01	8.65	3.21
Total Revenue	362.19	388.92	410.32	410.96
Expenditure and Net Lending				
Employee Compensation	117.64	133.90	160.86	182.40
Goods and Services	80.53	81.34	89.75	94.58
Interest	4.87	6.58	6.08	6.21
Subsidies and Transfers	82.85	102.45	101.60	93.33
Total Other Expenses	27.34	29.33	31.31	35.22
Recurrent Expenditure	313.23	353.60	389.60	411.73
Capital Expenditure	37.13	21.75	27.10	62.94
Total Expenditure	350.36	375.35	416.70	474.67
Current Account Balance	48.96	35.20	20.87	-0.77
Primary Balance	16.70	20.21	-0.15	-57.50
Overall Fiscal Balance	11.83	13.45	-6.23	-63.71
	<i>% of GDP</i>			
Current Account Balance % of GDP	3.25	2.15	1.19	-0.04
Capital Account Balance % of GDP	2.46	1.33	1.54	3.43
Primary Balance % of GDP	1.11	1.23	-0.01	-3.13
Overall Fiscal Balance % of GDP	0.79	0.82	-0.35	-3.47

Source: Macro Fiscal Unit and Budget Unit, Ministry of Finance

The GoVI estimates to have recorded a 5.5% increase in total revenue to US \$410.3 million in 2024. The uptick in revenues were primarily due to higher grants (US \$8.7 million received in 2024 compared to virtually none in 2023), other current revenue (↑54.0% or US \$10.7 million), other tax revenue ((↑23.1% or US \$2.0 million), taxes on goods and services (↑1.2% or US \$3.0 million) and taxes on international trade and

transactions (↑5.2% or US \$2.7 million), though tempered by decreases in payroll/income tax (↓9.0% or US \$5.6 million). The increases in other current revenue were mainly attributable to the 97% increase in water rates outturn to US \$5.46 million and a 104.6% increase in interest on Government investments to US \$4.21 million. Higher collections in taxes on goods and services were mainly attributable to the 32.8% increase in hotel accommodation tax to US \$8.8 million. The GoVI introduced an upgrade of its tax collection software programme at the Inland Revenue Department (IRD) which contributed to a lower level of payroll tax collection for the year. Activity is expected to pick up in 2025 with the increased construction activity and entailing applications and fees for work permits. The comparably higher taxes on international trade and transactions in 2024 were due to a 5.8% rise in import duties on non-alcoholic goods to US \$47.10 million due to a higher volume of goods imported combined with the effects of inflation. The increase in other tax revenue stemmed from stamp duties as more properties were purchased compared to the prior year.

The GoVI expects to realize further growth in tourism-based income following the reconstruction of the West End Ferry Terminal and the development works at the TBLIA. Further, the GoVI intends to fully implement a supervision framework of the VASP⁴⁰ which will improve its revenue collections alongside promoting its digital assets globally⁴¹.

The Territory's revenues are sourced from a narrow domestic tax base, levied on a small population of 38,984. The Territory faces capacity constraints, particularly in its human resources, as with many small Caribbean islands⁴². There is little local participation in the financial services and related sectors at senior managerial levels. The great proportion of expatriate participation is due to insufficiency in both the size and skillset of the domestic labour force, and a significant proportion of the companies are international with foreign based head offices. However, the regulatory agencies and senior management within the industry are all headed by highly qualified locals. To boost the local participation rate in the labour force, the GoVI continues to further develop and promote its Registration Apprenticeship Training Employment and Development (RATED) programme⁴³ which aims to develop the skillsets of the VI's

⁴⁰ Currently, the GoVI is working towards having all VASPs in compliance with its framework.

⁴¹ Includes hosting a "FinTech of the Seas" event to market its digital assets globally and launching various reports/magazines relating to its digital assets.

⁴² According to latest available data, locals accounted for 29.9% of the VI's workforce as at 2022. Source: GoVI 2022-2024 Macro-economic Review and Outlook.

⁴³The RATED Programme seeks to provide pathways for persons between the age of 18 to 65 who are unemployed or under-employed to obtain opportunities through short term employment, apprenticeship and/or training, education,

people. The RATED programme includes the mentorship of locals to transition into key roles in the Territory. Furthermore, a significant portion of the supporting services provided by small and medium sized businesses for the financial services and other industries are owned and/or operated by locals. In CariCRIS' opinion, the GoVI's efforts at education and training is needed to equip the VI labour force with the requisite skills to participate more fully in economic activity, and aid in meaningful diversification of GDP and revenues. Further, the GoVI implemented a comprehensive Science, Technology, Engineering, Arts and Mathematics (STEAM) focused education programme at the primary and secondary school levels, which is geared towards guiding the career paths of students into key areas required in the economy. The GoVI plans to conduct a comprehensive review of its secondary-school level subject offerings with the aim of introducing new programmes that better align with specific career skills that will provide clearer career pathway. To supplement these initiatives, the GoVI plans to establish partnerships with local and regional institutions to provide the necessary training for teachers. The GoVI continues to partner with various universities and the private sector to offer locals opportunities in tertiary studies in financial services and other needed areas of study. Notwithstanding the small population, the GoVI still has opportunities for additional taxes and levies.

Total expenditure increased by 11.0% to US \$416.7 million in 2024. The rise in total expenditure was led by increased outlays in capital expenditure (↑24.6% or US \$5.35 million), employee compensation (↑20.1% or US \$26.96 million), goods and services (↑10.3% or US \$8.41 million) and total other expenses (↑6.8% or US \$1.98 million) though this was tempered by lower interest payments (↓7.6% or -US \$0.50 million) and subsidies and transfers (↓0.8% or -US \$0.85 million). The higher capital expenditure in 2024 supported ongoing projects. Nevertheless, several projects have been delayed to 2025 due the late receipt of a US \$100 million loan in October 2024⁴⁴. The uptick in employee compensation was due to an increase in the number of persons employed in 2024, alongside a greater number of full-time workers. The increase in goods and services was due to the expenses for housing, food security and repatriation of detainees. The increase in other expenses was driven by social grants and gratuity and pension for retirees. The reduction in subsidies and transfers was the result of payments being made as a loan instead of a subsidy. The reduction in interest payments is attributed to the

and development, thereby, empowering them through work and training opportunities. In 2024, this programme employed 233 persons.

⁴⁴ *This will be utilized mainly for housing development, infrastructure construction and development works at the TBLIA.*

repayment of loans as well as the effect of variable interest payments whereby the interest rate decreased year-on-year.

The GoVI has been prudent in generating deficits and borrowings. When financing is required, the government has preferred to rely on grants or expenditure curtailment rather than incurring debt, except for large-scale projects.

Following a review of the GoVI's compensations and job classifications which was completed in 2023⁴⁵, it was determined that 17.3% of the VI's public sector employees earned a salary below the minimum living wage⁴⁶ whereas 42.6% earned a salary of only up to 20% above the minimum liveable wage. To resolve this, the GoVI increased public employees' salaries in 2024. Consequently, this has led to a greater emphasis on curtailing other expenditures. The GoVI is developing reforms to its pension and national health insurance programmes by introducing beneficiary contributions as opposed to full funding from the GoVI. This is anticipated to have a dampening impact on the GoVI's expenditure level once implemented.

CariCRIS expects the fiscal deficit to widen in 2025, primarily due to higher capital expenditure.⁴⁷ Despite this, revenue is expected to grow by 0.2% due to higher revenue from taxes on international trade and transactions and taxes on goods and services, though tempered by a marginal fall in grants, other tax revenue and other current revenue. Recurrent expenditure is anticipated to increase by 5.7% primarily due to higher employee compensation and goods and services, though incurring a lower outlay of subsidies and transfers. The current account's surplus is expected to contract to 0.04% of GDP in 2024 from 1.2% of GDP in 2024, due to the increases in expenditure outpacing those in revenue. A significant level of capital expenditure is envisioned by the GoVI in 2025; increasing by 132.3%. This is in support of previously planned development works. These will be primarily funded by the new \$100 million loan facility. Overall, the Territory is expected to have a wider fiscal deficit of 3.5% of GDP in 2025 compared with 0.4% of GDP in 2024.

In 2024, total public sector debt decreased by 9.6% to US \$163.54 million (or 9.3% of GDP) from US \$173.1 million (or 10.6% of GDP) in 2023 (Table 3). The GoVI's debt to GDP ratio ranks it as the lowest in CariCRIS' regional sample. The fall in total public sector debt was mainly attributable a US \$9.76 million decline in Government-

⁴⁵ The exercise was completed in November 2023 by PriceWaterhouse Coopers Trinidad and Tobago (PwC)

⁴⁶ The minimum living wage was established to be US \$23,719.80 by PwC.

⁴⁷ This is in line with the GoVI's expectations.

Guaranteed Debt. As at 2024, all of the GoVI's public sector debt were US dollar denominated, the official currency of the VI.

Notably, all of the GoVI's current external debt was held by the Caribbean Development Bank (CDB), whereas its domestic debt is more diversified amongst Republic Bank Limited (9.8%), CIBC First Caribbean International Bank (58.8%) and the Social Security Board (31.4%) (Table 4). 99.0% of the GoVI's external public sector debt carries variable interest rates which increases its exposure to interest rate risks. However, 53% of external public sector debt have a maturity date beyond the next ten years which increases the sustainability of the debt stock. Debt service represented 5.9% of recurrent revenue in 2024, down from 6.7% in the prior year, however, this ratio remained below the PEFM's maximum of 10%. The ratio of net debt to recurrent revenue stood at 44.6%, comfortably below the required maximum of 80%.

Table 3
GoVI's Debt Stock, 2022-2025

	Actual		2024	Projected 2025
	2022	2023		
US \$ Millions				
Central Government				
USD	134.9	119.0	119.2	139.5
Euro	0.9	0.0	0.0	0.0
Sub-Total	135.8	119.0	119.2	139.5
Guaranteed Debt				
USD	63.3	54.1	44.4	36.9
Euro	0.0	0.0	0.0	0.0
Sub-Total	63.3	54.1	44.4	36.9
Total	199.1	173.1	163.5	176.3
Total Debt/ GDP	13.2%	10.6%	9.3%	9.6%

Source: Macro-Fiscal Unit (MFU), Ministry of Finance

Table 4
Composition of GoVI's Debt Stock, 2022-2025

	Actual			Projected
	2022	2023	2024	2025
	US\$ Millions			
Total External Debt	98.5	88.5	84.9	86.5
Central Government	98.5	88.5	84.9	86.5
<i>Caribbean Development Bank</i>	97.6	88.5	84.9	86.5
<i>European Investment Bank</i>	0.9	0.0	0.0	0.0
Guaranteed Debt	0.0	0.0	0.0	0.0
Total Domestic Debt	100.6	84.6	78.7	89.9
Central Government	37.3	30.5	34.3	53.0
<i>Social Security Board</i>	11.8	10.0	8.9	7.8
<i>CIBC FirstCaribbean International Bank</i>	12.4	10.1	17.7	40.2
<i>Republic Bank Limited</i>	13.2	10.4	7.7	5.0
Government Guaranteed Debt	63.3	54.1	44.4	36.9
<i>CIBC FirstCaribbean International Bank</i>	42.9	36.0	28.6	23.5
<i>Social Security Board</i>	20.4	18.1	15.8	13.4

Source: Macro-Fiscal Unit (MFU), Ministry of Finance

In CariCRIS' opinion, the PEFM⁴⁸ have imposed a level of fiscal responsibility in the GoVI that has resulted in continued low levels of debt and generally favourable overall fiscal ratios when compared to regional peers. This has given the GoVI the ability to comfortably increase borrowings to fund additional projects, if required. CariCRIS expects debt to GDP to be stable between 10-12% in 2025. CariCRIS recommends a 1-notch upgrade to the fiscal parameter rating to *CariA-* to reflect the continuous decline in debt to GDP to the lowest in our regional sample, as well as in recognition of the GoVI's compliance with the PEFM.

Monetary, Financial and Exchange Rate Policies Rating: A+ (Good)

Dollarization has supported the strong income and economic fundamentals of the Territory despite the lack of its own independent monetary policy tool. The VI has been

⁴⁸ The Protocols for Effective Financial Management require: (1) that Net Debt does not exceed 80% of recurrent revenue, (2) Debt Service does not exceed 10% of recurrent revenue, and (3) the value of our Liquid Assets does not fall below 25% of recurrent expenditure. In 2025, it is anticipated that the GoVI will maintain compliance with all three measures.

a dollarized economy since 1959. This has promoted financial discipline in the management of the economy as fiscal decisions must be taken with considerable cognisance of the flow of US dollars to the economy. Furthermore, while its Caribbean peers have had to contend with volatility of their currencies' exchange rates with the US dollar, this has not been the case in the VI, which has allowed for stable and predictable trade with its major trading partner, the USA. Dollarization can reduce costs associated with foreign currency transactions between countries and the VI has benefitted in a major way by boosted bilateral trade relations and investment flows from the USA. Furthermore, the close relationship with the USVI through a shared currency presents significant advantages for the VI, facilitating smoother trade and commerce. This is particularly crucial given the frequent travel between the two territories, with many visitors accessing the BVI via ferry from the USVI. Additionally, dollarization bolsters the VI's Financial Services sector, enabling its registered financial entities to seamlessly participate in global markets.

Table 5
Banking System Financial Stability Indicators (2020 to 2024)

	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024
	%				
Risk-Asset Ratio	44.2	46.9	49.0	42.7	44.4
Loan to Deposit Ratio	63.7	44.6	72.9	70.4	65.9
Non-Performing Loans Ratio*	13.8	10.0	13.7	8.2	7.8
Provisions to Non-Performing Loans	8.5	10.0	13.7	8.2	7.1
Return on Assets	1.1	1.0	1.0	1.3	1.1
Return on Equity	4.4	4.5	4.5	6.4	5.8
Cash to Total Assets	32.7	29.4	19.5	16.6	20.6

* Calculated as total non-performing loans / total loans and advances

Source: BVI Quarterly FSC Statistical Bulletins

Interest rates in the VI are market-determined and the financial sector remains healthy with a strong risk-asset ratio of 44.4% as at December 2024⁴⁹, marginally higher than the 42.7% reported in the prior year (Table 5). The slight increase was due to a 9.5% uptick in total assets to US \$3.3 billion which outpaced the 2.6% uptick in adjusted risk-weighted assets to US \$1.4 billion. Sector liquidity increased as evidenced by the loans to deposits ratio falling to 65.9% relative to 70.4% previously. This was attributable to a larger increase in total deposits (↑9.6%) than loans and advances (↑2.6%). The operationalizing of the DIC reduces deposits' risks. The ratio of cash to total assets increased to 20.6% as

⁴⁹ Source: BVI Financial Services Commission, Statistical Bulletin, Q4 2024; latest data available

at December 2024 from the prior year. Asset quality, as measured by the ratio of non-performing loans (NPLs) to gross loans, improved marginally to 7.8% as at Q4 2023 from 8.2% a year earlier, and below the pandemic level of 8.5% as at Q4 2020. The returns on assets (ROA) and equity (ROE) for commercial banks decreased slightly to 1.1% and 5.8% respectively in Q4 2024 from 1.3% and 6.4% in Q4 2023. CariCRIS expects the Territory's financial sector to remain sound over the next 12-18 months.

External Sector Rating: BBB (Adequate)

The VI currently does not compile any Balance of Payments (BoP) data which may hinder the setting of supporting policy. However, in line with promoting more transparency, the GoVI will begin gathering data in the medium-term to compile BoP data to aid in improved decision making⁵⁰.

The Territory's main export sectors are financial services and tourism. Its main import source market is the USA. The VI and the USA both use the US dollar, simplifying trade and foreign exchange pressures. However, inflationary pressures from the USA are thus imported. The Federal Reserve's policies directly impact the VI's economy. Inflation in the VI stood at an estimated 3.30% in 2024⁵¹ but is projected to fall to 2.15% in 2025.

Given the VI's reliance on imported energy, a higher cost leads to a multiplier effect on all sectors of the economy. However, since a complete trade data is not collected, measuring the trends or any other dynamic phenomena of cross-border transactions is not immediately possible. Enacting policies to enhance external competitiveness is consequently done in a partially informed environment, which can limit effectiveness.

Political Environment Rating: A+ (Good)

The UKG maintains its broad responsibility to support the VI, through the provision of technical assistance and funding for projects relevant to good governance, economic and public sector reform, environmental sustainability, and security. The UK has a strong

⁵⁰ Currently, the GoVI can only track data on import of goods, as services are difficult to track, and no records of exports are available.

⁵¹ Government of the Virgin Islands: 2023-2025 Macro-Economic Review and Outlook.

moral and possibly legal obligation to assist the VI as a British Overseas Territory in the event of a financial crisis or natural disaster, since to do otherwise could seriously impact the UK's international and domestic reputation. Such support was demonstrated when the UKG offered the GoVI £300 million in new loan guarantees and £10 million in grants for reconstruction efforts following the passages of Hurricanes Irma and Maria. Additionally, in the wake of COVID-19, the UKG assisted in the VI's medical response and in the procurement of vaccines. The GoVI's fiscal affairs are guided by the UKG's PEFM⁵², which are consistent with the UKG's strategy to maximise economic growth and promote self-sufficiency in its Overseas Territories. The FCDO monitors budgetary provisions and fiscal measures to ensure that there is adherence to good governance measures and best practices, such as those outlined in the Protocols for Effective Financial Management (PEFM) and the financial management statutes.

Hurricane recovery works in the Territory are still ongoing. Most recovery initiatives have been conducted through the Recovery and Development Agency (RDA)⁵³ which operates independent of the GoVI, a requirement set out by the legislation governing the RDA⁵⁴. Since its launch in 2018, the RDA has successfully completed forty-three development projects worth over US \$55 million. Additionally, it has raised US \$4.4 million to support the Government's investment in infrastructure and growth⁵⁵. In recognition of the efficiency of the RDA in delivering its recovery projects, the GoVI intends to transition the RDA into a Virgin Islands Development Agency (VIDA⁵⁶), which will become a permanent structure to implement and manage major Government projects, once implemented.

Through the UK's former membership in the European Union (EU), the VI, as a British Overseas Territory, benefitted from EU funding. However, funding for new projects ceased upon the UK's Brexit deal. Despite losing access to future EU funding, the VI can still participate in programs and projects, funded by the EU, through regional organisations, such as CDB and OECS. The UKG has also pledged that post-Brexit, it will match all existing and approved EU financial support.

⁵² Signed by the GoVI in April 2012.

⁵³ The RDA is guided by the Recovery to Development Plan (RDP) and the RDA Act. The RDA was formed in April 2018. The initial RDP was passed by the House of Assembly (HOA) in October 2018 with a revised plan in June 2020. Loan terms and conditions were renegotiated with lending institutions.

⁵⁴ The RDA operates independent of the GoVI, a requirement set out by the UKG.

⁵⁵ Initial deadline of December 2023 was extended by one year due to delay in construction works during the pandemic.

⁵⁶ The Virgin Islands Development Agency Bill, 2024 will officially transition the Recovery and Development Agency into the Virgin Islands Development Agency.

On April 24th, 2023, the Virgin Islands Party (VIP) won the Territory’s general elections⁵⁷ by securing 6 of 13 available parliamentary seats⁵⁸. This is the VIP’s second consecutive term leading the government⁵⁹. Nine members are elected in single-mandate electoral districts by a first past the post system⁶⁰. The other four members are voted for in the territorial “at large” constituency, with the four candidates who garner the highest numbers of votes deemed elected. The elections were observed by the Commonwealth Parliamentary Association British Islands and Mediterranean Region (CPA BIMR)⁶¹. The next general election is expected to be held in 2027.

On June 8, 2022, the UKG published recommendations from its Commission of Inquiry (COI) into the affairs of the GoVI, under the Commission of Inquiry Act 1880. The COI found that the GoVI’s constitution lacked good governance principles including openness, transparency and rule of law. Forty-five recommendations were made. Recommendations by the COI include: temporary partial suspension of the Constitution for a period of 2 years during which the UK Governor will assume direct control, a complete review of the constitution to ensure adherence to good principles of governance, a review of powers held by government officials, and the conduct of audits and investigations into all areas of government. The most serious recommendation, that being the suspension of the Constitution, has not been implemented but an ‘Order in Council’ remains in place while the other recommendations are worked towards⁶². In the first quarter of 2025, debate on the Report of the Constitutional Review Commission is planned and there is optimism that the new Constitution would also be finalized.

Following the publication of findings by the Commission of Inquiry (COI), the governance reputation of the VI was seriously damaged. During 2023, the GoVI enacted several legislations to rectify this damage including the passage of procurement legislation.

⁵⁷ Voter turnout at the April 2023 elections stood at 57.5%, marginally down from 64.6% in 2019. Source: CPA BIMR Election Observation Mission Final Report.

⁵⁸ The remaining seats were won by the National Democratic Party (3), Progressive Virgin Islands Movement (3) and the Progressives United (1).

⁵⁹ In April 2022, former Premier of the VI, Andrew Fahie was arrested by United States authorities on drug and money laundering charges. Following a motion of no confidence, the Premier was replaced by current holder, Dr. Natalio Wheatley on May 5th, 2022, who leads a unity government, formed by various representatives to restore order to the VI’s governance.

⁶⁰ Under this system, the candidate with the most votes in the contested district is elected.

⁶¹ The CPA BIMR concluded that the VI’s election day was orderly, peaceful, and well-run.

⁶² In September 2024, the legislative agenda for the 48 recommendations of the COI were completed. Work continues with the Governor to complete the assent of the remaining resultant 10 of 15 bills. After meeting with the Overseas Territories Minister Stephen Doughty to present GoVI’s Governance Reform Transition Plan, the Premier is optimistic that the Order in Council will soon be removed.

To promote greater transparency, the GoVI, in line with the Financial Actions Task Force's (FATF) revised Recommendations that require adequate, accurate and up-to-date information on the beneficial ownership (BO) of legal persons to be held by a public authority, has amended the BVI Business Companies Act to require the collection, maintenance and verification of BO information be carried out by the Registry of Corporate Affairs (ROCA) in order to promote greater transparency of corporate structures and inhibit the flow of illicit funds⁶³. These changes have been operationalized through the establishment of a specific BO Unit within the ROCA and the launch of an electronic data collection system in January 2025.

March 14, 2025

⁶³ Prior to the revised recommendation of the FATE, the GoVI already made beneficial ownership data available, albeit in a manner that protects data privacy.

Type of Rating: Sovereign Issuer Credit Rating

Outlook: Stable

Summary Overall Risk Assessment

	Ratings Currently Assigned	Ratings Recommended
Income and Economic Structure	BBB	BBB
Fiscal Policy	BBB+	A-
Monetary, Financial and Exchange Rate Policies	A+	A+
External Sector	BBB	BBB
Political Environment	A+	A+
Overall Risk (Stand Alone)	<i>Cari</i> BBB+	<i>Cari</i> BBB+
Overall Risk (FINAL; after Notch-up)	<i>Cari</i> AA-	<i>Cari</i> AA-

RATING HISTORY		
Date	Foreign and Local Currency	Type of Rating
March 14, 2025	<i>Cari</i> AA-	Sovereign Issuer Rating
March 12, 2024	<i>Cari</i> AA-	Sovereign Issuer Rating
March 16, 2023	<i>Cari</i> AA-	Sovereign Issuer Rating
March 17, 2022	<i>Cari</i> AA-	Sovereign Issuer Rating
March 31, 2017*	<i>Cari</i> AA-	Sovereign Issuer Rating

* Initial Rating Assigned

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