

RATING RELEASE

July 23, 2018

CariCRIS downgrades its credit ratings for The Government of the Commonwealth of Dominica

CariBB (Regional Scale Foreign Currency)
CariBB (Regional Scale Local Currency)

Caribbean Information and Credit Rating Services Limited (CariCRIS) has lowered the ratings assigned to the US \$25 million debt issue of the Government of the Commonwealth of Dominica (GOCD) on its regional rating scale by 1-notch to *CariBB* (Foreign and Local Currency Ratings). These ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **below average**.

The 1-notch downgrade is underpinned by the large GDP contraction and fiscal deficit of FY2017/18 caused by Hurricane Maria and our expectation that FY2018/19 is going to be challenging as well. CariCRIS assigned a **stable** outlook on the lowered ratings. The stable outlook is based on: (1) post-hurricane reconstruction is likely to stimulate high economic growth in 2019, (2) fiscal revenue is still expected to be sufficient to make debt repayments, as has been the case since the hurricane's passage, (3) grant funding and debt relief will likely help post-hurricane recovery, and (4) Dominica is expected to remain one of the least indebted Caribbean countries.

GOCD's ratings reflect the country's significant capacity constraints and weak financial system which were exacerbated following the passage of Hurricane Maria. The ratings also reflect the GOCD's weaker than expected fiscal performance owing to the reduced revenue. The factors supporting the ratings include continued satisfactory debt servicing capability, the recovery efforts which are underway with the support from the international community, as well as funding from its CBI programme, and the country's stable political environment.

ABOUT THE SOVEREIGN

Dominica is an island located in the Eastern Caribbean with a total population estimated at 73,000 persons. The official language is English but French patois is also spoken. The primary economic sectors are agriculture, government services and wholesale and retail trade. Dominica is mountainous and volcanic with tropical rainforest covering two thirds of the island.

On September 19, 2017, Dominica was hit by Hurricane Maria, the 2nd major natural disaster in the past 2 years, the previous being Tropical Storm Erika in August 2015. The hurricane caused significant loss and destruction, with 100% of the plant and infrastructure of the agriculture industry damaged and an estimated 95% of the tourism industry also heavily impaired. The assessed economic impact and rehabilitation plans for the island were estimated at the equivalent of 226% of the 2016 GDP or over US \$1.3 billion. Post the occurrence of Hurricane Maria, CariCRIS placed the Government of the Commonwealth of Dominica (GOCD) on Rating Watch – Developing.

For more information on the ratings of the Government of the Commonwealth of Dominica, please visit www.caricris.com or contact:

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