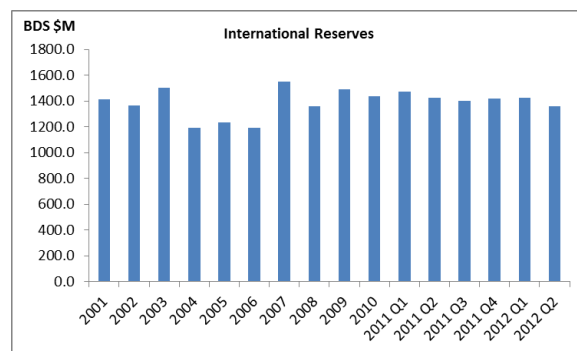




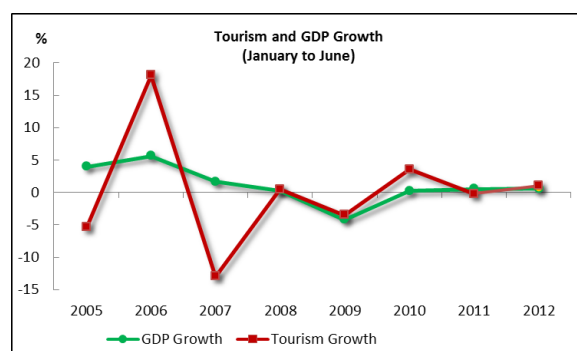
## Press Release June 2012

### Overview

Barbados' foreign exchange reserves at the end of June stood at \$1,357 million, a decline of \$63 million since December 2011. This level of reserves is no lower than the amount recorded at the end of 2008, the year the industrial economies fell into the worst recession in recorded memory. As expected, the international recession has slowed the inflows of foreign exchange to Barbados, and has therefore limited the prospects for growth in an economy which needs foreign exchange in order to register sustainable growth. The recession in the industrial world has been compounded by the European economic and financial crisis, further containing foreign investment in emerging economies like Barbados. As a result, real growth in the first half of the year was estimated at 0.6 percent.



Output in the tourism sector is estimated to have risen 1.8 percent in the first half of the year. The largest increase came from the CARICOM area, particularly Trinidad and Tobago, where arrivals grew by 35 percent. Arrivals fell 1.5 percent over the five-month period ending May, but there was a 6.4 percent increase in the average length-of-stay. Visitor numbers from Canada were up 3 percent but arrivals from the UK and the US markets fell by 10 percent and 4 percent, respectively. Cruise arrivals increased by 2.5 percent, even though 21 fewer cruise calls were made.



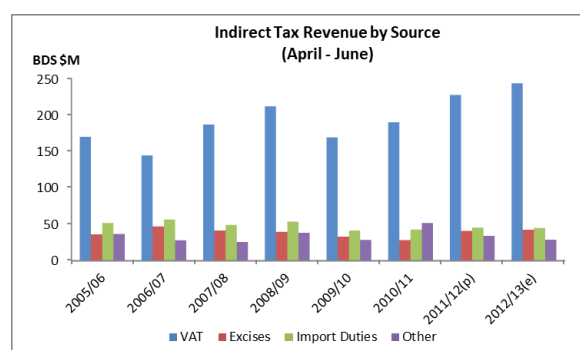
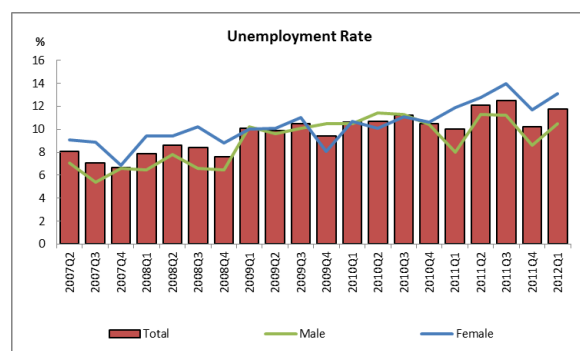
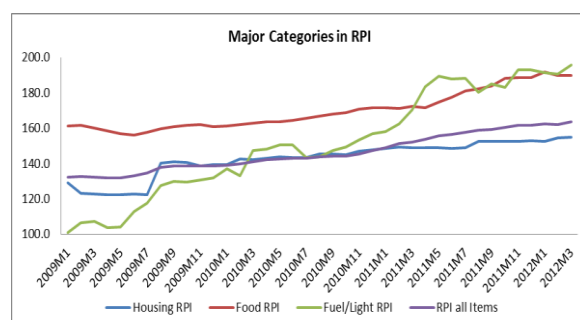
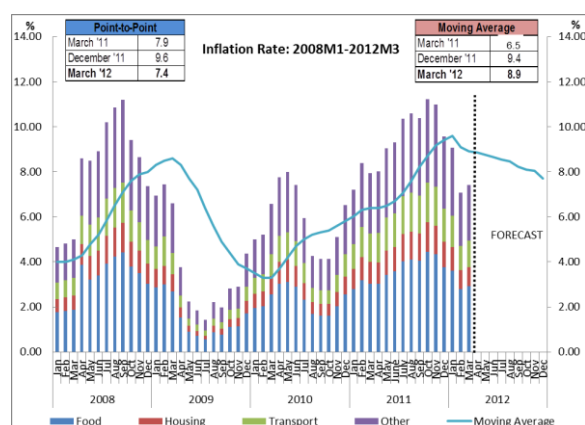
There was stability in the length-of-stay of visitors from the US, UK and Canadian markets, with slight growth in the length-of-stay of tourists from Trinidad

and Tobago and other CARICOM countries. Hotel room capacity contracted by about 7 percent, with the closure of Almond Beach Village and the restructuring of some smaller hotels. However, construction grew by 1.3 percent due to private commercial building activity, the continuation of tourism-related projects, and public sector capital projects. The number of active companies in the international business and financial services sector increased by 3 percent.

Inflation appears to have decelerated slightly, with the projected 12-month average rate to June at about 8.6 percent, compared to 9.5 percent in December. Inflation in the prices of food and fuel appears to have abated, since the last quarter of 2011. In addition to the job loss in tourism, there was also some retrenchment in the manufacturing sector and non-sugar agriculture, resulting in an unemployment rate estimated at 11.8 percent at the end of March 2012, compared with an average of 11.2 percent for all of 2011.

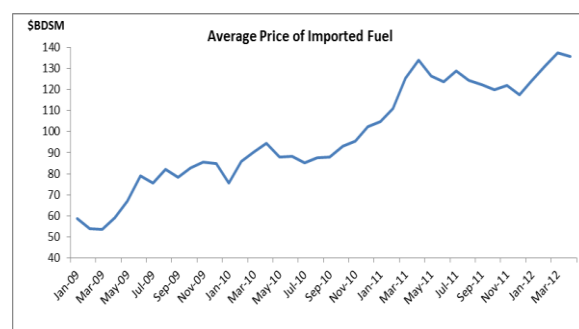
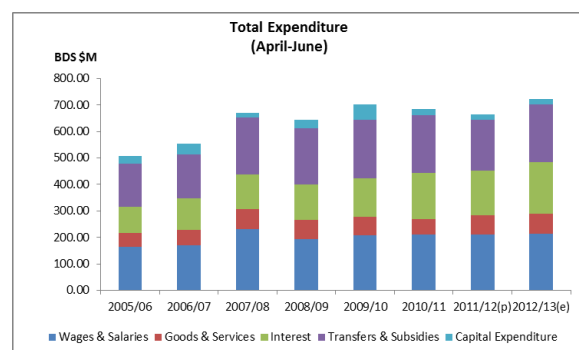
The fiscal deficit was estimated at 5.1 percent of GDP for the first three months of the 2012/13 fiscal year. Government's total revenue is projected to have improved by 3.4 percent, compared to the same period last year, primarily owing to a 7 percent increase in VAT receipts. On the other hand, personal tax collections were down by 5 percent, while corporate tax receipts fell by 4 percent. Expenditure on interest payments grew by 5 percent and pensions and other transfers to individuals and to public corporations rose by 20 percent and 12 percent, respectively.

All of Government's deficit financing was sourced from the domestic market. The deficit was financed to the extent of 75 percent by commercial banks, 48 percent by the National Insurance Scheme (NIS) and 54 percent by private non-bank entities. There were no foreign public inflows during the review period and payments on external loans reduced government indebtedness by \$33 million. Gross government debt



as a percentage of GDP was 77 percent, down from 79 percent at the end of 2011, while net government debt was 57 percent of GDP. External debt service accounted for less than 7 percent of current account earnings.

The current account deficit of the balance of payments was estimated at 5.2 percent of GDP for the first six months of 2012, compared to 5.7 percent for the corresponding period of 2011. Data to April revealed that the export of rum increased by \$13 million and chemical exports were higher by \$8 million. Retained imports grew by \$22 million, a direct result of the 21% rise in the cost of fuel imports. Capital inflows for the first half of the year are estimated to be slightly below those of 2011, and consisted mostly of funds for the purchase and development of real estate.



## Economic Prospects

The global environment continues to constrain prospects for a vigorous economic recovery, as the poor economic performances of the UK and the USA continue to depress the demand for Barbados' tourism services. However, modest gains are expected from the gradual improvement in length-of-stay. Private investments in tourism-related projects and corporate building activity are anticipated to further expand construction output for the remainder of 2012. However, foreign exchange sectors are not projected to grow significantly in 2012. Fiscal strategy is dedicated to achieving the targets of the MTFS, and to contain the overall demand for foreign exchange in the country. Limited expansion is therefore likely in the non-tradable sectors. Overall growth is forecasted to be in the region of one percent in 2012. No significant employment gains are expected.

Private investment should strengthen, supported by Government's initiatives, laying the foundation for future growth. In the June 2012 Budget, Government announced incentives to support business activity in

renewable energy, as well as adjustments in corporate tax rates and the introduction of new legislation, designed to strengthen Barbados' competitive position in the international business and financial services sector. Major ongoing investment in the tourism sector may bring over \$100 million in private capital inflows.

Looking ahead, the focus of fiscal policy for 2012 is to maintain a stable balance between the demand for and the supply of foreign exchange, so that foreign reserves remain adequate and the exchange rate remains secure. This is supported by the 2012 Financial Statement and Budgetary Proposals, which were designed to boost foreign earnings without increasing the fiscal deficit.

The fiscal strategy will serve to reduce the debt/GDP ratio. Growth is expected, based on private investment in the foreign exchange sectors. However, investments have varying gestation periods, so it will be some time before robust growth takes root. Barbados' economic difficulties are by no means over, and our growth, employment and inflation indicators remain less than satisfactory. However, any alternative economic strategy is likely to accelerate inflation and depress growth and employment, because it would exhaust foreign reserves and threaten the exchange rate. With patience and determination on the part of all, the current strategy charts the path to future recovery.

## The Real Economy

### *Tourism*

Additional British Airways flights from Gatwick Airport were discontinued this year and Barbados lost the cruise and stay-over package that was previously being offered by the *Azura* cruise ship. The USA market has been affected by the reduction in seating capacity out of Dallas and the discontinuation of the Delta flight from Atlanta. Most of the improvement in the Trinidad and Tobago

| Tourist Arrivals By Major Source Markets |                |                |               |             |
|------------------------------------------|----------------|----------------|---------------|-------------|
| JANUARY - MAY                            |                |                |               |             |
| MAJOR MARKETS                            | 2011           | 2012*          | Actual Change | % Change    |
| U.S.A                                    | 61,073         | 58,667         | -2,406        | -3.9        |
| Canada                                   | 39,706         | 40,867         | 1,161         | 2.9         |
| U.K                                      | 87,946         | 79,016         | -8,930        | -10.2       |
| Germany                                  | 3,894          | 3,943          | 49            | 1.3         |
| Other Europe                             | 12,323         | 13,735         | 1,412         | 11.5        |
| Trinidad & Tobago                        | 11,562         | 15,593         | 4,031         | 34.9        |
| Other Caricom                            | 23,271         | 23,618         | 347           | 1.5         |
| Brazil                                   | 2,017          | 1,917          | -100          | -5.0        |
| Other Countries                          | 8,593          | 9,397          | 804           | 9.4         |
| <b>TOTAL ARRIVALS</b>                    | <b>250,385</b> | <b>246,753</b> | <b>-3,632</b> | <b>-1.5</b> |
| <b>TOTAL CRUISE PASSENGERS</b>           | <b>364,260</b> | <b>373,503</b> | <b>9,243</b>  | <b>2.5</b>  |
| <b>TOTAL CRUISE CALLS</b>                | <b>246</b>     | <b>225</b>     | <b>-21</b>    | <b>-8.5</b> |

Source: BSS  
P - Provisional

market was in the first quarter of the year, when travel specials and lower airfares allowed persons to take advantage of sporting events in Barbados.

### *International Business & Financial Services*

Data to April 2012 show that the international business and financial services (IBFS) sector recorded a 3 percent increase in the number of renewed licenses over the similar period last year.

### *Manufacturing and Agriculture*

Despite the improvements in the beverage and tobacco industry, particularly alcoholic beverages, manufacturing output is estimated to have fallen by about 4.3 percent by the end of June 2012.

Provisional data to the end of March suggested that sugar production was up by 4.4 percent, thanks to an increase of 13 percent in the yield of sugar per tonne of cane. The yield for 2012 of 10.54 tonnes of sugar cane produced one tonne of raw sugar. Non-sugar agriculture is estimated to have fallen by 3.6 percent up to March 2012. Fish landings continued to decline, registering a 39.4 percent contraction for the first half of the year due primarily to the proliferation of decaying sargassum seaweed.

### *Other Real Sector Activities*

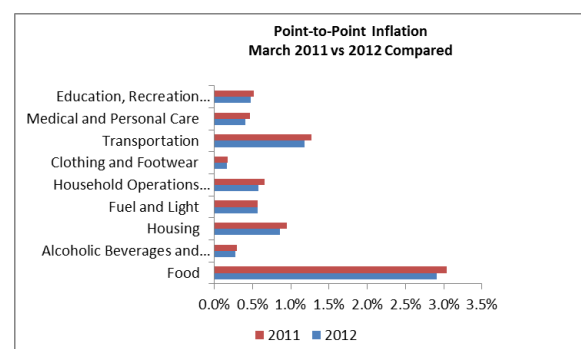
The construction sector is estimated to have advanced by a further 1.3 percent over the first half of 2012. The production of electricity, gas and water rose 1.1 percent, while transportation, storage and communications, and wholesale and retail grew by just under 1.0 percent each.

### *Retail Prices*

Actual data to the end of March 2012, indicate the 12-month moving average rate of inflation reached 8.9 percent, representing a 2.4 percent increase from the previous year. Some of the main categories increasing over the period included food, housing, fuel and light, household operations and supplies and transportation. This rate is projected to have declined to 8.6 percent by mid-year, on account of a reduction

**Selected International Business & Financial Services Companies**  
(January - April)

|                                            | 2009        | 2010        | 2011        | 2012        | Change<br>2011/2012 | % Change<br>2011/2012 |
|--------------------------------------------|-------------|-------------|-------------|-------------|---------------------|-----------------------|
| <b>International Business Companies</b>    | 1975        | 2295        | 2618        | 2708        | 90                  | 3.4                   |
| <b>Societies with Restricted Liability</b> | 406         | 339         | 311         | 305         | -6                  | -1.9                  |
| <b>Foreign Sales Corporation</b>           | 0           | 2           | 4           | 7           | 3                   | 75.0                  |
| <b>Total Entities</b>                      | <b>2381</b> | <b>2636</b> | <b>2933</b> | <b>3020</b> | <b>87</b>           | <b>3.0</b>            |



in international fuel prices between March and June, 2012.

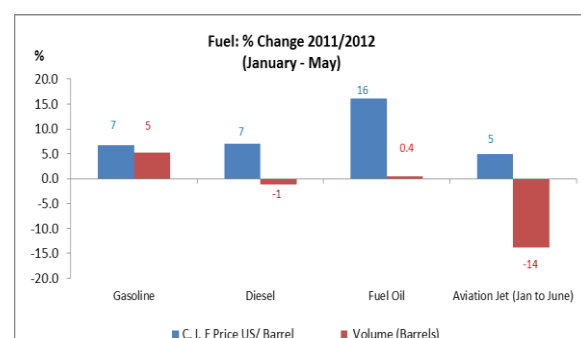
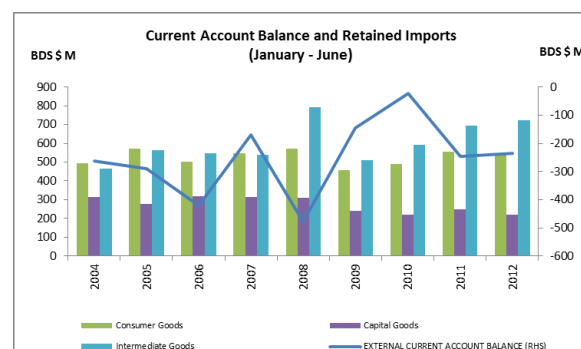
## Balance of Payments

During the first six months of 2012, the external current account deficit was estimated at \$231.2 million, \$13.8 million lower than that of the comparable period of 2011. This modest improvement in the current account position is linked to a substantial increase in domestic exports coupled with a marginal projected decrease in retained imports.

Additional rum, chemicals and sugar exports augmented domestic exports by an estimated 15.5 percent, following growth in exports of 13.9 percent in the corresponding period last year. However, other export goods such as electrical components declined.

Although the value of intermediate imports was boosted by higher prices for imported fuel in the first quarter, the declines in imported capital and consumer goods were sufficient to achieve an overall decline in retained imports. The drop in the imports of capital goods was as a result of lower imports of machinery, whereas a large one-off re-export of previously imported jewellery was the main reason for the decrease in consumer goods retained imports.

The balance on the capital and financial account for the first half of 2012 was \$167 million, approximately \$25 million less than the amount for the corresponding period one year earlier. There was a significant increase in FDI, but foreign portfolio inflows were not of the same magnitude as last year.<sup>1</sup> Additionally, higher amortisation payments led to a greater outflow of public sector capital, compared to the corresponding period of last year.



| Foreign Exchange Earnings (BDS\$M) |         |         |         |          |              |               |
|------------------------------------|---------|---------|---------|----------|--------------|---------------|
|                                    | 2008    | 2009    | 2010    | 2011 (P) | Jan-Jun 2011 | Jan-Jun 2012* |
| Foreign Exchange Earnings          | 6,128.6 | 5,005.9 | 5,383.0 | 5,001.4  | 2,442.7      | 2,400.8       |
| Travel                             | 2,388.7 | 2,136.0 | 2,067.2 | 1,947.7  | 1,036.9      | 1,016.1*      |
| Other services                     | 1,234.6 | 911.7   | 1,179.4 | 1,237.5  | 582.3        | 581.7*        |
| Food and Beverages- of which       | 144.1   | 122.2   | 129.8   | 139.1    | 41.3#        | 90.8#         |
| Rum                                | 66.0    | 57.2    | 66.8    | 70.9     | 20.9#        | 33.8#         |
| Lard and margarine                 | 19.8    | 18.5    | 18.8    | 19.1     | 5.7#         | 6.3#          |
| Other Food                         | 43.0    | 32.2    | 31.2    | 36.8     | 10.5#        | 14.1#         |
| Other Beverages                    | 15.3    | 14.2    | 13.1    | 12.3     | 4.2#         | 2.4#          |
| Sugar                              | 45.1    | 40.7    | 22.5    | 21.2     | 20.4         | 23.3*         |
| Chemicals                          | 66.8    | 58.2    | 124.0   | 140.7    | 47.2         | 55.2          |
| Electronics                        | 23.8    | 16.3    | 19.4    | 21.5     | 9.2          | 6.0           |
| Crude                              | 49.6    | 37.4    | 47.2    | 73.7     | 30.7         | 35.8          |
| Other manufacturing                | 183.6   | 173.3   | 171.2   | 162.4    | 46.4         | 63.0          |
| Income                             | 357.1   | 514.5   | 472.4   | 471.5    | 219.2        | 213.9*        |
| Transfers                          | 241.1   | 187.1   | 222.3   | 228.9    | 100.5        | 99*           |

P - Provisional

\* - Forecast

# Data to April

<sup>1</sup> Last year \$188 million was registered for the sale of BL&P shares to Emera Incorporated.

## 2012 Financial Statement and Budgetary Proposals

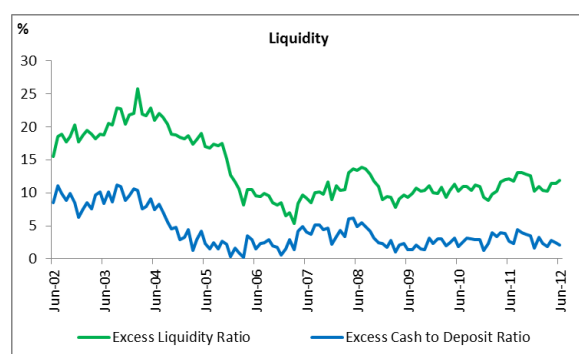
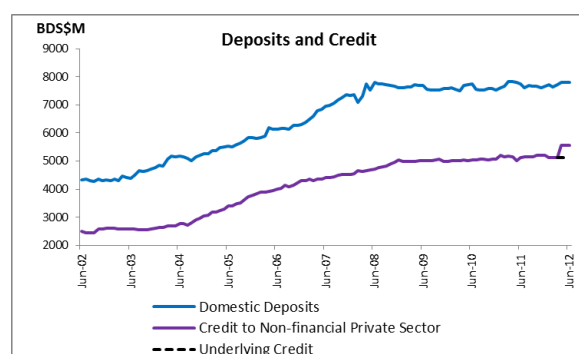
The most significant fiscal measures detailed in the 2012 Financial Statement and Budgetary Proposals were the widening of the income tax threshold from \$24,200 to \$35,000, a reduction in the income tax threshold rate from 20 percent to 17.5 percent, the introduction of a greening levy, and a further 2 percent reduction in the expenditure budgets of all ministries. The 2010 revenue raising measures were retained including the increase in the VAT rate by 2.5 percent to 17.5 percent, removing tax exemptions on entertainment and travel allowances, and raising the excise tax on gasoline by 50 percent.

### Financial Sector

There was no underlying growth in credit<sup>2</sup> to the non-financial sector. There were modest increases in loans extended to firms involved in entertainment and catering (\$17.6 million), tourism (\$12.7 million) and distribution (\$16.5 million), as at April 2012. However, this was offset by reductions in credit to professional and other services entities (\$16.7 million), while credit to most other categories remained unchanged.

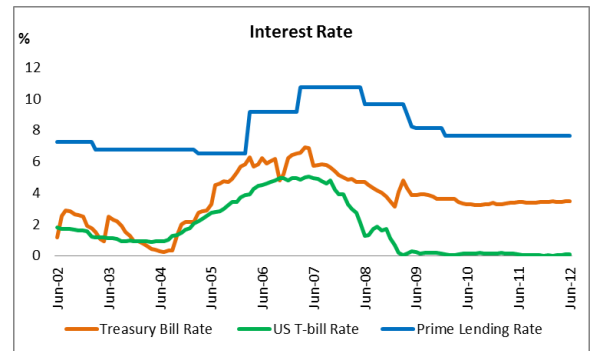
Foreign currency deposits fell by \$175 million, as one bank switched most of its external business to its offshore subsidiary. In contrast, domestic deposits grew by \$191.8 million (or 2.5 percent).

The excess liquidity ratio edged up, moving from 9.7 percent at the end of December 2011 to 11.9 percent at end-June 2012. Banks held an additional \$156.6 million in excess securities and \$42.1 million in excess cash. Commercial bank interest rates, the average Treasury Bill rate and the interest rate on



<sup>2</sup> Data to June 20, 2012 suggests that credit to the non-financial private sector rose by 9.0 percent. However, this increase is not due to higher lending by commercial banks; it resulted from the merger of one commercial bank and a non-bank financial institution in April. Deducting the impact of the merger, credit to the non-financial sector stagnated over the period under review.

commercial banks' deposits and loans, remained largely unchanged during the period.



**Table 1: Economic Indicators**

|                                                      | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011 <sup>p</sup> | June 2011           | June 2012 <sup>e</sup> |
|------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|-------------------|---------------------|------------------------|
| Real growth (%)                                      | 4.0            | 5.7            | 1.7            | 0.3            | -4.1           | 0.2            | 0.6               | -0.2                | 0.6                    |
| Tradables (%)                                        | -0.8           | 8.1            | -7.3           | -0.3           | -4.3           | -0.4           | -2.5              | -4.9                | -0.1                   |
| Nontradables (%)                                     | 5.6            | 5.0            | 4.5            | 0.5            | -4.1           | 0.4            | 1.4               | 1.2                 | 0.8                    |
| Inflation (%)                                        | 6.1            | 7.3            | 4.0            | 8.1            | 3.6            | 5.8            | 9.5               | 6.5***              | 8.9***                 |
| Unemployment (%)                                     | 9.1            | 8.7            | 7.4            | 8.1            | 10.0           | 10.8           | 11.2              | 12.1                | 11.8***                |
| Foreign Exchange Reserves (\$ Million)               | 1236.5         | 1194.1         | 1549.9         | 1359.3         | 1488.7         | 1435.3         | 1420.3            | 1425.5              | 1357.1                 |
| Foreign Exchange Reserves cover, weeks               | 15.4           | 16.0           | 20.9           | 16.4           | 21.1           | 18.4           | 16.6              | 17.4                | 15.9                   |
| BoP current account (as % GDP)                       | -10.6          | -8.4           | -5.5           | -11.2          | -7.1           | -6.1           | -8.5              | -5.7                | -5.2                   |
| Net capital inflow                                   | 661.9          | 709.9          | 1020.2         | 546.1          | 731.7          | 512.1          | 696.4             | 198.3               | 167.9                  |
| Debt (as % of GDP), Gross                            | 49.0           | 49.4           | 53.2           | 57.1           | 66.2           | 74.4           | 79.2              | 75.1                | 77.1                   |
| Debt (as % of GDP), Net                              | 30.4           | 34.3           | 36.7           | 38.2           | 47.6           | 54.0           | 57.8              | 56.6                | 56.8                   |
| External debt service to BoP current account credits | 5.4            | 5.6            | 4.2            | 5.8            | 5.8            | 13.3           | 5.8               | 6.3                 | 6.5                    |
| Govt interest payments (as % of revenue)             | 14.4           | 14.2           | 12.9           | 15.7           | 17.5           | 21.0           | 21.4              | 22.3                | 22.6                   |
| Treasury-bill rate*                                  | 6.3            | 6.6            | 4.9            | 4.8            | 3.4            | 3.4            | 3.4               | 3.5                 | 3.5                    |
| US treasury-bill rate                                | 3.9            | 4.9            | 3.3            | 0.1            | 0.1            | 0.1            | 0.1               | 0.1                 | 0.1                    |
| Average deposit rate**                               | 4.1            | 5.1            | 4.8            | 4.1            | 2.7            | 2.7            | 2.7               | 2.7                 | 2.7                    |
| Average loan rate**                                  | 10.6           | 10.9           | 10.6           | 10.3           | 9.7            | 9.4            | 9.3               | 9.3                 | 9.3                    |
| <b>Fiscal Year</b>                                   | <b>2005/06</b> | <b>2006/07</b> | <b>2007/08</b> | <b>2008/09</b> | <b>2009/10</b> | <b>2010/11</b> | <b>2011/12</b>    | <b>Apr-Jun 2011</b> | <b>Apr-Jun 2012</b>    |
| Fiscal deficit (% of GDP)                            | -2.3           | -2.8           | -3.4           | -5.1           | -7.6           | -9.1           | -4.6              | -4.4                | -5.1                   |
| Fiscal Current Account (as % of GDP)                 | 2.0            | 1.5            | -0.2           | -2.2           | -5.5           | -7.5           | -3.2              | -3.1                | -4.1                   |
| Revenue (as % of GDP)                                | 27.6           | 26.6           | 27.6           | 29.9           | 26.4           | 26.8           | 29.4              | 26.8                | 26.7                   |
| Expenditure (as % of GDP)                            | 29.9           | 29.4           | 31.0           | 35.0           | 34.0           | 36.0           | 33.9              | 31.1                | 31.8                   |
| Govt interest payments (as % of revenue)             | 13.8           | 14.7           | 13.9           | 15.3           | 18.8           | 22.3           | 20.8              | 29.6                | 30.1                   |

Nominal GDP revised in accordance with GDP estimates published in the Barbados Social and Economic Report 2011

P - Provisional

e - Estimate

\*\*\* Data to March

\*\* Data to April

\* Data to May

**Table 2: GDP by Sector and Activity (BDS \$Million, Constant Prices)**

|                                  | <i>Avg contribution<br/>to GDP (%)</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>2008</i> | <i>2009</i> | <i>2010</i> | <i>2011 <sup>P</sup></i> | <i>Jun-11</i> | <i>Jun-12 <sup>e</sup></i> |
|----------------------------------|----------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------------|---------------|----------------------------|
| <b>Tradables</b>                 | 21.5                                   | 241.4       | 261.0       | 242.0       | 241.3       | 230.9       | 230.0       | 224.1                    | 115.6         | 115.5                      |
| <i>Tourism</i>                   | 12.3                                   | 127.0       | 150.0       | 130.7       | 131.4       | 126.9       | 131.4       | 131.2                    | 67.0          | 68.2                       |
| <i>Rum &amp; Other beverages</i> | 0.5                                    | 6.4         | 6.4         | 6.3         | 6.2         | 5.4         | 5.2         | 4.9                      | 2.4           | 2.6                        |
| <i>Food</i>                      | 0.9                                    | 11.8        | 11.7        | 11.5        | 11.3        | 9.9         | 9.5         | 9.0                      | 4.3           | 4.2                        |
| <i>Furniture</i>                 | 0.1                                    | 1.3         | 1.3         | 1.2         | 1.2         | 1.1         | 1.0         | 1.0                      | 0.5           | 0.4                        |
| <i>Chemicals</i>                 | 0.2                                    | 2.8         | 2.8         | 2.7         | 2.7         | 2.3         | 2.2         | 2.1                      | 1.0           | 1.0                        |
| <i>Other manufacturing</i>       | 1.0                                    | 13.5        | 13.4        | 13.3        | 13.0        | 11.4        | 10.9        | 10.3                     | 5.0           | 4.8                        |
| <i>Sugar</i>                     | 1.0                                    | 16.4        | 14.5        | 14.6        | 13.6        | 13.7        | 11.0        | 10.1                     | 8.1           | 8.4                        |
| <i>Other agriculture</i>         | 3.4                                    | 34.7        | 33.7        | 34.7        | 35.7        | 37.0        | 36.6        | 34.5                     | 17.2          | 16.6                       |
| <i>Other tradables</i>           | 2.1                                    | 27.5        | 27.3        | 27.0        | 26.4        | 23.2        | 22.2        | 21.0                     | 10.2          | 9.4                        |
| <b>Nontradables</b>              | 78.5                                   | 789.0       | 828.1       | 865.4       | 869.8       | 834.2       | 837.8       | 849.8                    | 411.9         | 415.1                      |
| <i>Mining and Quarrying</i>      | 0.5                                    | 10.0        | 9.7         | 9.1         | 8.4         | 5.3         | 5.8         | 5.0                      | 2.6           | 2.3                        |
| <i>Electricity, etc</i>          | 4.1                                    | 38.9        | 42.6        | 43.1        | 43.0        | 43.3        | 44.2        | 43.5                     | 21.3          | 21.6                       |
| <i>Construction</i>              | 6.5                                    | 99.3        | 98.9        | 98.9        | 93.8        | 76.7        | 69.4        | 74.6                     | 41.6          | 42.1                       |
| <i>Distribution</i>              | 22.3                                   | 215.9       | 230.9       | 246.0       | 244.0       | 232.5       | 237.9       | 238.0                    | 101.1         | 101.5                      |
| <i>Transport, etc</i>            | 9.6                                    | 91.0        | 96.4        | 102.2       | 105.3       | 102.4       | 102.6       | 103.3                    | 51.6          | 52.0                       |
| <i>Finance, other svcs</i>       | 19.6                                   | 185.9       | 197.1       | 208.9       | 213.5       | 207.4       | 209.5       | 212.0                    | 106.7         | 107.4                      |
| <i>Government</i>                | 15.8                                   | 148.1       | 152.6       | 157.1       | 161.8       | 166.7       | 168.4       | 173.4                    | 87.0          | 88.1                       |
| <b>Total</b>                     |                                        | 1030.4      | 1089.1      | 1107.5      | 1111.2      | 1065.1      | 1067.8      | 1073.9                   | 527.5         | 530.6                      |
| <b>Nominal GDP</b>               |                                        | 7837.3      | 8393.0      | 8966.2      | 8687.4      | 8793.3      | 8490.4      | 8625.9                   | 4312.9        | 4468.2                     |
| <b>Real growth rates</b>         |                                        | 4.0         | 5.7         | 1.7         | 0.3         | -4.1        | 0.2         | 0.6                      | -0.2          | 0.6                        |
| <i>Tradables</i>                 |                                        | -0.8        | 8.1         | -7.3        | -0.3        | -4.3        | -0.4        | -2.5                     | -4.9          | -0.1                       |
| <i>Nontradables</i>              |                                        | 5.6         | 5.0         | 4.5         | 0.5         | -4.1        | 0.4         | 1.4                      | 1.2           | 0.8                        |

Nominal GDP revised in accordance with GDP estimates published in the Barbados Social and Economic Report 2011

P - Provisional

e - Estimate

**Table 3: Balance of Payments (BDS \$Million)**

|                                                    | 2005    | 2006    | 2007    | 2008    | 2009    | 2010    | 2011 (P) | Jan-Jun<br>2011 | Jan-Jun<br>2012* |
|----------------------------------------------------|---------|---------|---------|---------|---------|---------|----------|-----------------|------------------|
| <b><u>Current Account</u></b>                      | -830.5  | -703.5  | -490.6  | -972.5  | -620.2  | -517.4  | -731.8   | -245.0          | -231.2           |
| <b>Inflows</b>                                     | 4,235.1 | 4,732.9 | 5,228.8 | 5,200.5 | 4,511.6 | 4,803.6 | 4,803.1  | 2442.7          | 2400.8           |
| Travel                                             | 1,792.2 | 2,113.3 | 2,377.3 | 2,388.7 | 2,136.0 | 2,068.1 | 1,906.9  | 1,036.9         | 1,014.8          |
| Other services                                     | 1,215.0 | 1,093.5 | 1,070.1 | 1,234.6 | 911.7   | 1,179.4 | 1,237.5  | 582.3           | 581.7            |
| Rum                                                | 50.7    | 44.3    | 67.5    | 66.0    | 57.2    | 66.8    | 70.9     | 20.9#           | 33.8#            |
| Other beverages                                    | 17.9    | 9.8     | 11.8    | 15.3    | 14.2    | 13.1    | 12.3     | 4.2#            | 2.4#             |
| Food                                               | 42.0    | 46.0    | 55.5    | 62.8    | 50.7    | 50.0    | 55.9     | 16.2#           | 20.4#            |
| Sugar                                              | 45.4    | 44.6    | 46.2    | 45.1    | 40.7    | 22.5    | 21.2     | 20.4            | 23.3             |
| Chemicals                                          | 56.1    | 60.2    | 74.6    | 66.8    | 58.2    | 124.0   | 140.7    | 47.2#           | 55.2#            |
| Electronics                                        | 28.7    | 37.6    | 21.6    | 23.8    | 16.3    | 19.4    | 21.5     | 9.2#            | 6.1#             |
| Crude                                              | 33.4    | 46.3    | 52.3    | 49.6    | 37.4    | 47.2    | 73.7     | 30.7#           | 35.8#            |
| Other mfg                                          | 136.7   | 190.8   | 173.0   | 183.6   | 173.3   | 171.2   | 162.4    | 46.4#           | 63#              |
| Income                                             | 239.8   | 222.1   | 396.5   | 357.1   | 514.5   | 472.4   | 476.5    | 219.2           | 213.9            |
| Transfers                                          | 265.2   | 283.8   | 331.6   | 241.1   | 187.1   | 222.3   | 228.9    | 100.5           | 99.0             |
| <b>Outflows</b>                                    | 6,106.1 | 6,937.1 | 7,704.5 | 7,683.9 | 6,725.7 | 6,941.4 | 5,535.0  | 2687.7          | 2632.0           |
| Imports (BOP basis)                                | 3,031.1 | 3,204.9 | 3,399.2 | 3,622.0 | 2,732.1 | 3,013.2 | 3,212.7  | 1527.2          | 1474.5           |
| Services                                           | 1,311.5 | 1,383.9 | 1,333.1 | 1,472.0 | 1,358.2 | 1,465.3 | 1,460.1  | 727.1           | 728.3            |
| Income                                             | 589.8   | 734.9   | 772.1   | 849.0   | 894.6   | 696.2   | 707.8    | 366.4           | 372.1            |
| Transfers                                          | 134.3   | 118.1   | 219.5   | 187.5   | 146.5   | 144.5   | 139.4    | 59.4            | 54.3             |
| <b><u>Capital Account</u></b>                      | 661.9   | 709.9   | 1,020.2 | 546.1   | 731.7   | 512.1   | 696.4    | 192.4           | 167.1            |
| Long term                                          | 445.0   | 1319.3  | 1002.5  | 803.2   | 769.4   | 969.7   | 622.4    | 223.8           | 88.5             |
| Public                                             | 217.5   | 66.9    | 28.9    | -122.5  | 408.6   | 306.6   | 18.8     | -64.1           | -77.9            |
| Private                                            | 227.4   | 1252.4  | 973.6   | 925.7   | 360.8   | 663.1   | 603.4    | 288.0           | 166.3            |
| Other                                              | 43.6    | -18.3   | 187.7   | 27.0    | 155.7   | -228.1  | 231.7    | 68.4            | 81.6             |
| Short term                                         | 173.4   | -591.2  | -169.9  | -284.2  | -193.4  | -229.5  | -157.6   | -99.8           | -2.9             |
| <b><u>Errors</u></b>                               | 30.3    | 76.4    | 28.8    | -71.3   | -32.7   | 66.4    | 46.1     | -32.1           | 0.0              |
| <b><u>Overall balance</u></b>                      | -138.3  | 82.8    | 558.4   | -497.8  | 78.8    | 60.6    | 10.7     | -84.7           | -63.3            |
| <b><u>Change in FXR: + increase/- decrease</u></b> | 138.3   | -82.8   | -558.4  | 497.8   | -78.8   | -60.6   | -10.7    | 84.7            | 63.3             |
| IMF Basis: - increase/+ decrease                   | -45.9   | 42.3    | -355.8  | 190.6   | -129.3  | 53.4    | 14.9     | 9.8             | 63.3             |
| Commercial banks: + increase/- decrease            | -184.2  | 125.1   | 202.6   | -307.2  | -50.5   | 114.0   | 25.6     | -74.9           | 0.0              |

P - Provisional

\* - Forecast

# January to April

**Table 4: Summary of Government Operations (BDS \$Million)**

|                                              | 2004/05       | 2005/06       | 2006/07       | 2007/08       | 2008/09       | 2009/10       | 2010/11       | 2011/12(p)    | 2011(p)*     | 2012(e)*      |
|----------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|
| <b>Tax Revenue</b>                           | <b>1820.3</b> | <b>2042.3</b> | <b>2130.8</b> | <b>2337.0</b> | <b>2396.1</b> | <b>2156.3</b> | <b>2168.4</b> | <b>2382.0</b> | <b>556.1</b> | <b>565.1</b>  |
| <i>i) Direct Taxes</i>                       | <i>749.6</i>  | <i>859.2</i>  | <i>976.5</i>  | <i>1050.0</i> | <i>1038.4</i> | <i>951.1</i>  | <i>883.8</i>  | <i>942.7</i>  | <i>207.6</i> | <i>205.0</i>  |
| Personal                                     | 303.2         | 306.3         | 306.7         | 334.9         | 375.5         | 386.3         | 395.4         | 411.4         | 126.2        | 119.5         |
| Corporate                                    | 286.9         | 359.9         | 445.5         | 521.0         | 447.2         | 372.8         | 294.2         | 296.7         | 50.6         | 48.3          |
| Property                                     | 112.9         | 137.4         | 151.4         | 103.1         | 120.9         | 113.3         | 118.2         | 150.8         | 5.0          | 8.4           |
| Other                                        | 46.5          | 55.6          | 73.0          | 91.0          | 94.8          | 78.7          | 76.0          | 83.7          | 25.8         | 28.8          |
| <i>ii) Indirect Taxes</i>                    | <i>1070.7</i> | <i>1183.1</i> | <i>1154.2</i> | <i>1286.9</i> | <i>1357.7</i> | <i>1205.2</i> | <i>1284.5</i> | <i>1439.4</i> | <i>348.5</i> | <i>360.1</i>  |
| Stamp                                        | 18.9          | 22.0          | 26.9          | 22.0          | 18.7          | 11.3          | 11.8          | 11.6          | 2.8          | 3.0           |
| VAT                                          | 598.2         | 682.7         | 674.8         | 789.6         | 800.1         | 703.8         | 764.8         | 949.6         | 227.8        | 243.9         |
| Excises                                      | 149.4         | 172.2         | 145.3         | 164.3         | 165.1         | 147.0         | 146.0         | 170.4         | 41.1         | 42.6          |
| Import Duties                                | 193.0         | 180.5         | 186.5         | 197.3         | 219.4         | 178.4         | 191.3         | 195.6         | 45.4         | 44.9          |
| Other                                        | 111.3         | 125.8         | 120.8         | 113.7         | 154.4         | 164.7         | 170.6         | 112.1         | 31.4         | 25.7          |
| <b>Non Tax Revenue &amp; Grants</b>          | <b>98.0</b>   | <b>119.2</b>  | <b>105.7</b>  | <b>134.7</b>  | <b>201.3</b>  | <b>167.4</b>  | <b>110.5</b>  | <b>150.3</b>  | <b>20.7</b>  | <b>31.2</b>   |
| Non Tax Revenue                              | 77.1          | 97.0          | 87.7          | 111.4         | 180.8         | 111.1         | 84.1          | 112.8         | 17.7         | 28.4          |
| Grants                                       | 0.0           | 0.0           | 0.0           | 4.0           | 7.5           | 35.6          | 3.8           | 14.3          | 0.0          | 0.1           |
| Post Office - Revenue                        | 20.8          | 22.2          | 18.0          | 19.3          | 13.0          | 20.7          | 22.6          | 23.3          | 3.0          | 2.7           |
| <b>Current Expenditure</b>                   | <b>1838.9</b> | <b>2001.6</b> | <b>2112.4</b> | <b>2492.2</b> | <b>2786.7</b> | <b>2809.9</b> | <b>2919.8</b> | <b>2808.8</b> | <b>645.0</b> | <b>686.8</b>  |
| Wages & Salaries                             | 645.5         | 687.5         | 698.6         | 809.0         | 832.7         | 861.1         | 860.2         | 869.3         | 211.3        | 214.4         |
| Goods & Services                             | 213.2         | 233.2         | 263.3         | 361.9         | 420.6         | 417.3         | 378.4         | 395.8         | 71.2         | 74.8          |
| Interest                                     | 263.4         | 298.9         | 329.9         | 343.6         | 396.4         | 435.8         | 507.2         | 527.3         | 170.7        | 179.5         |
| External                                     | 103.5         | 105.7         | 119.2         | 140.5         | 148.9         | 153.7         | 147.4         | 148.0         | 36.1         | 39.5          |
| Domestic                                     | 159.9         | 193.1         | 210.7         | 202.2         | 247.5         | 282.1         | 359.8         | 379.3         | 134.6        | 140.0         |
| Transfers & Subsidies                        | 716.7         | 782.1         | 820.6         | 977.7         | 1137.0        | 1095.7        | 1174.0        | 1016.4        | 191.8        | 218.1         |
| <i>Grants to Individuals</i>                 |               |               |               |               | 257.8         | 278.4         | 304.0         | 294.0         | 62.0         | 74.6          |
| <i>Grants to Public Institutions</i>         |               |               |               |               | 824.7         | 757.1         | 808.4         | 658.4         | 114.0        | 127.9         |
| <i>Subscriptions and Contributions</i>       |               |               |               |               | 19.9          | 23.3          | 25.9          | 24.1          | 6.4          | 7.6           |
| <i>Non-Profit Agencies</i>                   |               |               |               |               | 34.6          | 37.0          | 35.7          | 39.9          | 9.4          | 8.0           |
| <b>Capital Expenditure &amp; Net Lending</b> | <b>223.7</b>  | <b>340.1</b>  | <b>357.6</b>  | <b>286.3</b>  | <b>253.7</b>  | <b>178.3</b>  | <b>134.7</b>  | <b>118.0</b>  | <b>26.5</b>  | <b>22.8</b>   |
| Capital Expenditure                          | 223.5         | 252.4         | 249.5         | 238.2         | 232.0         | 167.7         | 108.3         | 91.6          | 19.3         | 15.6          |
| Net Lending                                  | 0.3           | 87.8          | 108.1         | 48.1          | 21.7          | 10.6          | 26.4          | 26.4          | 7.2          | 7.2           |
| <b>Fiscal Balance</b>                        | <b>-144.3</b> | <b>-180.3</b> | <b>-233.5</b> | <b>-306.9</b> | <b>-443.0</b> | <b>-664.5</b> | <b>-775.6</b> | <b>-394.4</b> | <b>-94.7</b> | <b>-113.3</b> |
| <b>Fiscal Balance to GDP (%)</b>             | <b>-2.1</b>   | <b>-2.3</b>   | <b>-2.8</b>   | <b>-3.4</b>   | <b>-5.1</b>   | <b>-7.6</b>   | <b>-9.1</b>   | <b>-4.6</b>   | <b>-4.4</b>  | <b>-5.1</b>   |

Sources: Accountant General, Ministry of Finance and Central Bank of Barbados

(p): Provisional

(e): Estimate

\* April to June

**Table 5: Public Debt Outstanding (BDS \$Million)**

|                                  | 2005           | 2006           | 2007           | 2008           | 2009           | 2010           | 2011           | Jun-11         | Jun-12 (p)     |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Government</b>                |                |                |                |                |                |                |                |                |                |
| External Debt                    | 1,554.4        | 1,643.7        | 1,720.9        | 1,978.0        | 2,225.1        | 2,482.6        | 2,520.7        | 2,428.2        | 2,468.6        |
| Domestic Debt (of which)         | 2,285.4        | 2,503.4        | 3,052.8        | 2,982.3        | 3,423.0        | 3,659.8        | 4,127.9        | 3,868.6        | 4,239.2        |
| PPPs                             | 12.9           | 390.9          | 555.8          | 575.6          | 618.7          | 608.0          | 594.7          | 601.0          | 585.0          |
| Justice Improvement              | 0.0            | 43.4           | 73.3           | 103.0          | 127.1          | 130.7          | 132.3          | 130.7          | 132.3          |
| Coast Guard                      | 12.9           | 59.5           | 59.5           | 52.6           | 47.9           | 43.3           | 38.7           | 43.3           | 36.4           |
| Prison                           | 0.0            | 288.0          | 288.0          | 285.0          | 282.0          | 278.8          | 275.1          | 275.1          | 271.0          |
| ABC Highway                      | 0.0            | 0.0            | 135.0          | 135.0          | 161.7          | 155.2          | 148.6          | 151.9          | 145.3          |
| Debentures                       | 1,225.3        | 1,261.4        | 1,418.2        | 1,585.4        | 1,820.1        | 1,962.7        | 2,279.7        | 2,154.2        | 2,411.7        |
| T-bills                          | 592.2          | 363.3          | 569.6          | 529.4          | 752.8          | 890.8          | 953.4          | 919.9          | 948.9          |
| SDRs (+)                         | 0.2            | 0.1            | 0.2            | 0.1            | 170.2          | 171.6          | 184.0          | 184.1          | 184.0          |
| Gross Government Debt*           | 3,840.0        | 4,147.2        | 4,773.9        | 4,960.5        | 5,818.3        | 6,314.0        | 6,832.6        | 6,480.8        | 6,891.9        |
| Government Assets (-)            | 1,454.6        | 1,269.0        | 1,486.1        | 1,644.4        | 1,633.0        | 1,728.8        | 1,848.8        | 1,597.1        | 1,818.6        |
| Government Assets                | 853.9          | 701.3          | 765.2          | 825.9          | 872.3          | 968.0          | 1,088.0        | 836.3          | 1,057.8        |
| Deposits                         | 424.7          | 212.2          | 213.7          | 219.4          | 239.8          | 357.7          | 377.0          | 161.8          | 317.2          |
| Central bank                     | 295.5          | 112.8          | 97.0           | 61.2           | 90.2           | 239.4          | 277.4          | 68.5           | 192.2          |
| Commercial Banks                 | 129.1          | 99.4           | 116.7          | 158.3          | 149.6          | 118.3          | 99.6           | 93.3           | 125.0          |
| Sinking Fund                     | 429.2          | 489.1          | 551.6          | 606.5          | 632.5          | 613.3          | 711.0          | 674.5          | 740.6          |
| Sinking funds for dom. debt      | 306.0          | 329.6          | 355.3          | 371.3          | 409.2          | 425.6          | 470.9          | 464.5          | 489.4          |
| Sinking funds for fgn. debt      | 123.2          | 159.5          | 196.3          | 235.2          | 223.3          | 187.7          | 240.1          | 210.0          | 251.2          |
| Other Government Assets**        | 600.7          | 567.8          | 720.8          | 818.5          | 760.8          | 760.8          | 760.8          | 760.8          | 760.8          |
| Liquid NIS Assets                | 424.8          | 400.9          | 505.8          | 525.7          | 468.0          | 468.0          | 468.0          | 468.0          | 468.0          |
| Cash                             | 10.6           | 16.3           | 16.1           | 13.1           | 10.8           | 10.8           | 10.8           | 10.8           | 10.8           |
| Due From Banks and Fin. Inst     | 414.2          | 384.6          | 489.7          | 512.6          | 457.2          | 457.2          | 457.2          | 457.2          | 457.2          |
| External Assets of NIS           | 175.9          | 166.9          | 215.0          | 266.9          | 292.7          | 292.7          | 292.7          | 292.7          | 292.7          |
| <b>Net Government Debt</b>       | <b>2,385.4</b> | <b>2,878.2</b> | <b>3,287.8</b> | <b>3,316.0</b> | <b>4,185.3</b> | <b>4,585.2</b> | <b>4,983.8</b> | <b>4,883.8</b> | <b>5,073.3</b> |
| <b>Public Sector</b>             |                |                |                |                |                |                |                |                |                |
| Gross Government Debt            | 3,840.0        | 4,147.2        | 4,773.9        | 4,960.5        | 5,818.3        | 6,314.0        | 6,832.6        | 6,480.8        | 6,891.9        |
| Debt Held By Central Bank (-)    | 74.7           | 0.6            | 20.5           | 0.0            | 101.7          | 95.0           | 223.7          | 75.0           | 111.7          |
| T-Bills                          | 74.1           | 0.0            | 19.9           | 0.0            | 26.7           | 20.0           | 177.4          | 0.0            | 36.7           |
| Debentures                       | 0.6            | 0.6            | 0.6            | 0.0            | 75.0           | 75.0           | 75.0           | 75.0           | 75.0           |
| Public Corporations' Debt (+)    | 876.5          | 976.5          | 1,183.9        | 1,238.7        | 1,422.1        | 1,509.9        | 1,572.7        | 1,583.4        | 1,527.9        |
| Domestic                         | 729.0          | 839.8          | 970.4          | 1,034.6        | 1,194.3        | 1,195.1        | 1,267.9        | 1,270.6        | 1,223.0        |
| External                         | 147.5          | 136.7          | 213.5          | 204.0          | 227.8          | 314.8          | 304.8          | 312.7          | 304.8          |
| <b>Gross Public Sector Debt</b>  | <b>4,641.8</b> | <b>5,123.1</b> | <b>5,937.3</b> | <b>6,199.1</b> | <b>7,138.7</b> | <b>7,728.9</b> | <b>8,181.6</b> | <b>7,989.2</b> | <b>8,308.1</b> |
| Net Government Debt              | 2,385.4        | 2,878.2        | 3,287.8        | 3,316.0        | 4,185.3        | 4,585.2        | 4,983.8        | 4,883.8        | 5,073.3        |
| Other Central Bank Assets (-)    | 899.9          | 992.1          | 1,331.6        | 1,142.3        | 1,261.9        | 1,352.2        | 1,290.6        | 1,278.8        | 1,242.2        |
| Foreign Assets                   | 833.4          | 888.5          | 1,244.9        | 1,045.2        | 1,126.1        | 1,150.2        | 1,171.1        | 1,163.2        | 1,123.2        |
| Other Foreign Assets             | 833.2          | 888.4          | 1,244.7        | 1,045.0        | 955.9          | 978.5          | 987.1          | 979.1          | 939.2          |
| SDRs                             | 0.2            | 0.1            | 0.2            | 0.1            | 170.2          | 171.6          | 184.0          | 184.1          | 184.0          |
| Domestic Assets                  | 66.5           | 103.6          | 86.7           | 97.1           | 135.8          | 202.1          | 119.5          | 115.6          | 119.1          |
| Public Corporations' Deposits    | 212.9          | 162.5          | 185.4          | 213.8          | 289.4          | 306.6          | 311.7          | 311.2          | 307.8          |
| Net Public Sector Debt           | 1,272.6        | 1,723.5        | 1,770.8        | 1,959.9        | 2,634.0        | 2,926.3        | 3,381.4        | 3,293.8        | 3,523.2        |
| Gross Government Debt/GDP        | 49.0           | 49.4           | 53.2           | 57.1           | 66.2           | 74.4           | 79.2           | 75.1           | 77.1           |
| Gross Public Sector Debt/GDP     | 59.2           | 61.0           | 66.2           | 71.3           | 81.2           | 91.0           | 94.8           | 92.6           | 93.0           |
| Net Government Debt/GDP          | 30.4           | 34.3           | 36.7           | 38.2           | 47.6           | 54.0           | 57.8           | 56.6           | 56.8           |
| Net Public Sector Debt/GDP       | 16.2           | 20.5           | 19.7           | 22.6           | 30.0           | 34.5           | 39.2           | 38.2           | 39.4           |
| <b>Memo Debt Held by NIS (-)</b> | <b>1,100.9</b> | <b>1,253.9</b> | <b>1,404.0</b> | <b>1,673.0</b> | <b>1,849.6</b> | <b>2,213.8</b> | <b>2,380.9</b> | <b>2,336.6</b> | <b>2,485.3</b> |
| T-Bills                          | 30.4           | 125.4          | 120.8          | 128.5          | 105.1          | 185.3          | 270.9          | 268.1          | 287.6          |
| Debentures                       | 1,070.5        | 1,128.5        | 1,283.3        | 1,544.6        | 1,744.5        | 2,028.5        | 2,110.0        | 2,068.5        | 2,197.7        |

\* Equivalent to Central Government debt based on the IMF's Public Sector Statistics: Guide for Compilers and Users

\*\* Due to data unavailability, balances have been kept at 2009 levels

**Table 6: Government Financing (BDS \$Million)**

|                                | Mar 2011     | Jun 2011     | Sep 2011     | Dec 2011     | Mar 2012     | Jun 2012 <sup>P</sup> |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------|
| <b>Total Financing</b>         | <b>278.2</b> | <b>94.7</b>  | <b>105.0</b> | <b>137.7</b> | <b>133.6</b> | <b>113.3</b>          |
| <b>Domestic Financing</b>      | <b>298.8</b> | <b>130.9</b> | <b>132.3</b> | <b>20.0</b>  | <b>169.5</b> | <b>147.1</b>          |
| Central Bank                   | 59.1         | 42.9         | 48.9         | -135.0       | -48.4        | -25.0                 |
| Commercial Banks               | -74.5        | 168.8        | -16.4        | 13.6         | 170.4        | 84.8                  |
| National Insurance Scheme      | 113.7        | 9.1          | 29.9         | 14.4         | 59.5         | 54.9                  |
| Private Non-Bank               | 70.8         | 39.2         | 28.8         | 99.1         | 28.2         | 61.7                  |
| Other                          | 129.7        | -129.2       | 41.1         | 27.9         | -40.2        | -29.3                 |
| <b>Foreign Financing (net)</b> | <b>-20.6</b> | <b>-36.2</b> | <b>-27.3</b> | <b>117.7</b> | <b>-35.9</b> | <b>-33.8</b>          |
| Capital Markets                | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0                   |
| Project Funds                  | 3.9          | 1.4          | 6.2          | 12.1         | 1.1          | 0.0                   |
| Policy Loans                   | 0.0          | 0.0          | 0.0          | 140.0        | 0.0          | 0.0                   |
| Amortisation                   | -24.5        | -37.6        | -33.5        | -34.4        | -37.0        | -33.8                 |

*P-Provisional Data*