ON MANAGING FOREIGN RESERVES DURING A CRISIS - THE BARBADIAN EXPERIENCE 1991 - 1993

by

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The Barbadian Experience, 1991 to 1993

Introduction

Barbados' external sector had been under pressure during most of the 1980s, but with continued access to foreign borrowing, liquid foreign reserves normally had been sufficient to service import demand and service debt obligations. However, foreign reserves registered sizeable declines in 1989 and 1990, resulting from rising merchandise imports and capital outflows (in 1989) and a weakening in tourism (in 1990).

Thereafter, the underlying weakness in the external sector came to the fore and there was a rapid deterioration in the balance of payments (BOP) between March and September, 1991, with the net international reserves (NIR)[1] of the Central Bank and Government falling by almost $146 million. There was much discussion about the possibility of a currency devaluation which induced some importers to seek to protect themselves by stocking up, and settling promptly for, merchandise imports. This only served to exacerbate the situation. It was clearly an untenable state of affairs and the authorities were forced to introduce remedial measures during the last quarter of the year.

The defensive stance adopted by the authorities featured both demand and supply components. On the demand side, the authorities implemented contractionary fiscal and monetary policies which were intended to limit the use of scarce foreign exchange. The austerity programme had as its main elements cuts in government expenditure, (anchored by an 8% pay cut for civil servants and some lay offs) and tighter credit conditions. The Bank also instituted some changes in the administrative arrangements pertaining to the sale of foreign exchange to the general public and commercial banks. These measures were to form the core of a programme, still being negotiated with the International Monetary Fund (IMF), to be supported by a Standby Arrangement and Compensatory Financing from that institution.

However, since it was not intended to completely choke off all economic activity, ways also had to be found to increase the supply of foreign exchange available to the Central Bank and to carefully manage what was available. This paper examines the various methods which were employed in achieving these objectives during the crisis period, 1991 to 1993.

1. The Overview

Much of the literature on the management of foreign reserves has concentrated on the appropriate quantity and the "optimal" composition of reserves. The need to perform transactions, to intervene in the foreign exchange market and to diversify wealth have been cited as reasons for holding foreign reserves (Roger [1993, pp. 10-13] provides a good commentary on these issues). Some commentators have argued that the transactions motive is the most important consideration for developing countries. They emphasise these countries' limited access to external borrowing and the seasonality in their foreign exchange transactions. Blackman [1981] suggests that when foreign reserves are weak, the maintenance of adequate liquidity should be the only objective of reserves management. However, he stops short of suggesting a way of measuring the adequacy of this "liquidity tranche".

During the recent economic crisis in Barbados, management of the foreign reserves concentrated on maintaining the adequacy of reserves in order to resist pressure to adjust the parity of the Barbados dollar. Adequacy was seen from two perspectives. One objective was to meet the quarterly targets for foreign reserves (the NIR) which had been agreed with the IMF. It was well known that if all of the programme's performance criteria were met, there would be an return of lost confidence, it would be easier to once more borrow on international capital markets, to rebuild reserves and avoid a devaluation.

However, to the extent that the NIR included assets which were not available for BOP purposes, the authorities also decided to monitor the trend in liquid assets, a more operationally useful concept (for a discussion, see Codrington [1994]. In this regard, the yardstick of adequacy was the liquid-reserves-to-imports ratio, a statistic which measures the number of weeks imports which can be financed from liquid foreign reserves[2]. As is the case in most countries, it was considered prudent to strive for an import cover of 12 or 13 weeks, a level which is most likely a creature of the international financial institutions (IFIs). Hence, it was to the achievement of the NIR target and an import cover of three months that the management of the foreign reserves was dedicated between 1991 and 1993. The two objectives were not mutually exclusive, since normally a rising reserve cover would imply an increase in liquid foreign reserves and the NIR[3].

There is no denying that the authorities were successful at increasing foreign exchange reserves between 1991 and 1993. From a level of $10.4 million in September, 1991, the NIR rose to $38.9 million by end-1991, $97.1 million at end-1992 and $139.2 million by the end of 1993. All of the quarterly targets for the NIR were met with margins averaging 53.3% above the agreed amounts. The largest margins were achieved in the middle of the programme, suggesting some early difficulty as the stabilisation package was introduced, spectacular success as it took root and then, perhaps, some loss of enthusiasm towards the end.

Despite the recovery in foreign reserves, the goal of an import cover of 12 to 13 weeks was not achieved. Ironically enough, an import-reserve cover this high had never been recorded in Barbados, even during the best of times. It averaged 8.7 weeks during the economic expansion of 1976-80, falling to 3.6 weeks in the two subsequent years of recession. Thereafter, under the impetus of the expanding export sectors, the ratio reached an average of 6.9 weeks between 1983 and 1986. The best outturn, an average cover of 11.6 weeks, was realised between the first quarter of 1987 and the first quarter of 1989.

When the recent crisis escalated during 1991, the imports cover fell to a low of 1.3 weeks at the end of September that year. With the emphasis on demand management during 1992, declining imports were the source of the improvement in the BOP and the import cover averaged 10.3 weeks. In the next year, output started to respond to the stabilisation measures, and the ratio rose to 11.6 weeks between January and June. However, by the end of the year in light of a pick-up in merchandise imports and weaker invisible exports, it declined to 7.4 weeks. That the end-1993 figure was still above those recorded for three quarters of 1990 and all of 1991 underscored the improvement which had taken place in the liquidity situation.

2. The Management Strategy

The management of the foreign reserves during the crisis spoke to the need for both demand- and supply-oriented policies. It also recognized the necessity to derive the maximum advantage, wherever possible, by manipulating the portfolio of foreign assets.

(a) Demand management

The improvement in the foreign reserves between 1991 and 1993 would have been impossible without supportive fiscal policy. It is now accepted that in small, open economies the size of the budget deficit can both make and break the BOP. It should come as no surprise therefore that the deterioration in the balance of payments in Barbados between 1989 and 1991 was accompanied by a worsening fiscal position; by 1991, the fiscal deficit as a percentage of GDP had reached around 6%. Accordingly, tight fiscal policy was the order of the day between late 1991 and 1993. The package included layoffs and a pay cut in the public service, a reduction in transfers and subsidies and revenue-enhancing measures (higher taxation and user costs).

The decline in the fiscal deficit was a clear indication that the authorities could take tough, politically unpopular decisions in the national interest. There was an increase in goodwill and support for official policies, particularly from abroad. More importantly, it removed most of the pressure on the demand side of the economy and allowed attention to focus more acutely on measures to increase the supply of foreign reserves.

(b) The Supply of Foreign Exchange

The supply-side approach emphasised debt management (short- and medium-term borrowing and debt-rescheduling) and divestment of public assets.

(i) **Short-term Debt**

Short term credit lines normally have maturities of 3 to 6 months. By the start of the crisis, the Central Bank already had a record of using this type of borrowing to augment foreign exchange liquidity, having first resorted to this in 1980. At the end of 1981, the outstanding short-term liabilities stood at $58 million; with improving economic fortunes thereafter, the total declined to $9 million by mid-1985, never exceeding the end-1981 level until June 1989. When the BOP weakened in the latter half of 1989, additional lines were negotiated and the outstanding amounts stood at $100.5 million by year-end. Further deterioration in the external sector occurred in 1990 and by the end of that year, the outstanding short-term liabilities reached $122.9 million.

During the major years of crisis (1991 through 1993), the pattern of short-term credit showed two distinct periods. First, there was a phase between January 1991 and March 1992, when the funds from the Standby programme with the IMF became available; in this period, the monthly average outstanding was $128.6 million.

Between April 1992 and December 1993, a comparatively easier period for the BOP, the monthly average fell to $79.0 million.

During the first quarter of 1991, pressure on the BOP intensified. There was tremendous doubt about the ability of the Central Bank to defend the value of the currency. This manifested itself in an increasing propensity to import and, more importantly, to pay in cash for those items. Falling reserves, a large fiscal deficit and high debt service commitments precluded borrowing on international money markets. Given the economic situation, such borrowing required an arrangement with the IMF, but this was still under discussion. Short-term borrowing was the quickest way of maintaining adequate levels of foreign exchange liquidity. The result was an increase in short-term debt, to $147.9 million by end-February and $179.3 million in October of 1991.

The BOP improved significantly in 1992 as the stabilisation programme which had been negotiated with the IMF took root. The accompanying contractionary monetary and fiscal policies achieved significant import compression and a concomitant fall in the demand for foreign exchange. Accordingly, the Bank's reliance on credit lines was reduced and it was possible to retire some of them entirely. Outstanding short term lines fell from $128.4 million at end-January 1992 to $80.4 million at the end of the year. Although import demand and debt service commitments picked up in 1993, so too did foreign exchange earnings and it became possible to reduce outstanding short-term credit by a further $21 million during that year.

One point of interest is that the credit lines came from a variety of sources. These included commercial banks (e.g. Barclays), state agencies (the Crown Agents in the UK), multilateral institutions (the I.D.B.), regional central banks, a Latin American export bank (Bladex) and business firms. These institutions were also located in many different countries - Canada, the US, the UK, Caricom and Central America. This diversification of the sources of credit minimised the damage to the foreign reserves that could result from the possible recall of credit by any one institution or group of institutions.

The pattern of borrowing also shows that the easier sources were tapped first. If it were possible to rank the various creditors by the degree of difficulty which the Bank would have in negotiating credit, the ranking may be as follows (where 1 denotes the least difficulty): 1 - commercial banks; 2 - Caricom central banks; 3 - agencies of foreign governments and multilateral organisations; 4 - the Central American export bank; and 5 - business firms.

The commercial banks were the Central Bank's traditional business partners. The Bank was naturally more familiar with their operations and could get credit from them more easily than from elsewhere. The country had a history of cordial relations with the Crown Agents and transactions with multilateral institutions had been going on since Independence (in 1966). Caricom central banks were another set of creditors with whom the Bank felt reasonably comfortable and to whom it was known. During 1980, a BOP support loan had been secured from the Central Bank of Trinidad and Tobago. There had also been credit flows from Latin America during the 1980s, when financing for petroleum imports was secured from the Venezuela Investment Fund. The most difficult prospects would be local business firms which had never provided foreign financing for the authorities.

At the beginning of 1991, the overwhelming proportion of credit was already coming from creditors in categories 1 and 3; commercial banks supplied 86.1%, the Crown Agents 8.1%, with a negligible amount coming from the IDB. This heavy concentration on commercial bank credit was maintained until the middle of 1991, when it reached 90.3%.

Around this time, the slide in reserves became more precipitous, with some of this pressure coming from financing imports of crude oil. By now, the bank had virtually exhausted all available commercial bank lines. Accordingly, it resorted to borrowing from Caricom central banks, creditors with a somewhat higher index of difficulty. At the same time it negotiated a new line of credit with Bladex to finance imports of crude oil. By the end of October 1991 (when outstanding credit lines peaked) the distribution had changed remarkably; commercial bank lines accounted for 49.1%,the central banks 13.4% and Bladex 7.3%.

Further diversification occurred during the fourth quarter of 1991 when the borrowings were extended to the most difficult creditors of all, the business firms. By the end of that year (when the full complement of creditors was in place) the distribution was as follows:- commercial banks 48.7%, business firms 19.0%, Caricom central banks 17.7%, the Crown Agents 8.8% and Bladex 5.8%.

For the rest of the review period, most of the outstanding credit continued to be supplied by commercial banks, the central banks, Bladex and the Crown Agents. However, by the end of 1993 there had been a relative decline in the commercial banks' share (to 33.7%) and a relative increase in the shares of the central banks Bladex and the Crown Agents (to 23.6%, 24.4% and 16.8% respectively). The Central Bank of Barbados clearly set out to hold on the central bank and Crown Agents credit lines as long as possible, since this was comparatively easier to achieve. At the same time, the Bank was showing good faith in steadily repaying the commercial bank loans. Of the total repayments on credit lines between the end of 1991 and the end of 1993, 63% went to commercial banks.

It is clear that, as part of the debt strategy, the Bank actively pursued refinancing of its credit lines. Refinancing was necessary if the Bank needed liquidity but was unable to negotiate new lines. Such need would be based on the recent performance of foreign reserves and expectations about debt-service and imports as well as the maturity and possible loss of credit lines. An important component of the refinancing efforts was timeliness.

At the peak of the crisis in 1991, refinancing played a major role in liquidity management. Liquid assets had fallen for four consecutive quarters in 1990 and by year-end, efforts were already underway to roll-over a number of lines and/or to find new ones. In the first two quarters of that year, an average of 72.8% of outstanding credit resulted from refinancing operations; new lines brought in only 5.2%, on average. As the reserves situation worsened during the latter half of 1991, it became more difficult to refinance and this method accounted for an average of 48.8% of credit outstanding. An intensification of efforts to find new credit lines, resulted in new drawings as a ratio of the total reaching an average of 22.8%.

Early in the next year, the authorities were concerned about the difficulty which was experienced in meeting the December 1991 NIR target (which had been barely achieved). Moreover, two credit lines were due for repayment during the first six months of the year. The Bank had tapped virtually all available short-term sources and refinancing was one viable alternative. Macroeconomic management had regained some external support in the previous few months, in light of the improvements in both the fiscal and foreign reserves positions. Consequently, negotiations led to a large increase in the ratio of refinanced to total debt, from 41.2% to 69.7%, by end-March 1992.

In the last trimester of the year, refinancing featured prominently again, in response to the sluggishness of foreign reserves during the previous two quarters (the NIR actually fell marginally). On average, in 1992, nearly 65% of total short-term credit was refinanced with only 3.3% coming from new drawings. As part of the refinancing operations, at the end of the year, the Bank was able to convert $16.7 million of short-term credit into medium-term debt. This conversion not only helped to boost the NIR but also eased some of the pressure from amortization of foreign debt.

During 1993, a much better year for the export sectors, refinancing was less urgent, and the average amount of outstanding debt which came through this mechanism fell to 49.2%. Nonetheless, there was a sharp rise in the ratio during the fourth quarter, in light of an unusually large, seasonal decline in foreign reserves during the previous three months.

(ii) Medium-term debt

Apart from the loan from the IMF, medium-term borrowing did not feature prominently in the strategy to rehabilitate the foreign reserves. In late 1989 and early 1990, Government had borrowed \$89.5 million on the Euro-dollar market and this was the last access the authorities had to capital markets until mid-1993. With the continued deterioration in the economy during 1991, it was impossible to tap other market sources of finance.

A programme with the IMF had been contemplated since early in the year but the decision to go ahead was only made after the foreign reserves started to decline precipitously during the third quarter. After protracted negotiations, agreement was reached which led to financing from the IMF under a Stand-by Arrangement and the Compensatory and Contingency Financing Facility. An amount of \$86.4 million became available in February 1992, providing a badly-needed increase in liquid assets. Further drawings of \$8.8 million and \$6.8 million were made by the end of the year but these were less useful since, by then, the reduction in imports had allowed foreign reserves to increase considerably.

The only other medium-term financing was secured during the first quarter of 1993, when a consortium of commercial banks (led by County Nat-West in the U.K.) provided \$24 million. However, when this loan was contracted, so buoyant was the growth in foreign reserves, that the proceeds were not drawn down in full until the following quarter.

(iii) Divestment of Government Assets

During the review period, \$61.6 million in two operations came from the sale of Government assets, but on both occasions there were criticisms that it was "distressed divestment" in which the funds which were received bore no relation to the true value of the assets. Late in 1991, Government sold its shares in the telecommunications company (to the British multinational Cable and Wireless) for \$48.7 million. Apart from its direct impact on foreign reserves, this transaction was critical in helping to achieve (albeit barely) the agreed NIR target for end-December 1991. It was very important to meet this target since it significantly improved the chances of securing the Standby programme, the specifics of the which were still under discussion at the time. Accordingly, in the face of great opposition at home, the authorities sold the assets. During the second quarter of 1992, a portion of Government's ownership in the local flour mill was sold to Maple Leaf Company of Canada for \$12.9 million. In retrospect, one may claim that this sale was less critical than the one before, but at the time everything was secondary to meeting the end-June 1992 target for foreign reserves.

(c) Portfolio Management

During 1988 and 1989 (the final years of the most recent period of economic expansion), the liquid foreign reserves of Barbados were held in a wide variety of assets. On average, US Treasury Bills and US Government bonds - foreign securities - accounted for 12.9% and 25.5%, respectively, foreign bank balances 30.7%, gold 8.9%, the Reserve Tranche and SDRs held with the IMF 8.3% and foreign currencies 5.7%. One may therefore view this distribution as an "optimal" one, especially because of the relatively high proportion of long-term assets (Government bonds).

Over the next few years, the composition of assets would change significantly as the authorities struggled to stabilise the foreign exchange situation. Farrell (1983) comments on the inability of commercial banks to suddenly shift asset holdings between currencies and countries in order to maximise income (pp. 23-24). This constraint is even more binding during periods of weakened foreign reserves. For the most part, the changes in the composition of assets during the review period were necessitated by circumstances beyond the control of the Central Bank. Nonetheless, there were attempts to actively manage the portfolio in the country's best interest.

For example, when it became necessary to liquidate some of its assets the Bank behaved rationally and took the line of least resistance. Gold holdings were among the first to be sold, in April 1990; this sale made sense, since according to Blackman (1981), there is always a willing buyer for gold even in the worst of times. By the end of 1990, the Bank had gotten rid of all its US treasury bills, a move which was quite prudent given the fall in the treasury bill rate from 7.64% at end-1989 to 6.81% a year later. It would seem that the subsequent repurchase of some of these instruments (from the third trimester of 1991) was undertaken when it was felt that there would be no immediate recovery in the treasury bill rate. During the third quarter of 1991 too, the Reserve Tranche with the IMF, to which no conditionality is attached, was fully utilised. By September 1991, the peak of the crisis, the distribution of assets was as follows: treasury bills 56.3%, bonds 8.5%, foreign currencies 11.9%, and other foreign balances 11.9%.

Throughout the crisis, foreign securities and foreign balances accounted for most of the foreign assets. From September 1991, treasury bills replaced bonds as the instrument of choice; it was regrettable that the Bank had to sell long-term assets and incur losses in income, but the liquidity situation called for assets with shorter maturities. Between February 1992 and the end of 1993, the amount of foreign assets held in Treasury Bills (into which the loan proceeds from the IMF had gone) averaged 34.6% each quarter. However, it was only during the quarter when the IMF resources became available that treasury bills accounted for a higher ratio (80.1%) of total assets than other foreign balances (18.4%).

The proportion held in treasury bills appeared to respond somewhat to changes in the US treasury bill rate. The ratio declined to 29.5% by the end of 1992, when the treasury bill rate fell to 2.97% by end-September 1992, but rose to 45.8% early in 1993, in response to a sizeable jump (28 basis) points in the rate in December 1992. Thereafter the share of treasury bill holdings declined to reach 29.1% by the end of the review period, while the treasury bill rate virtually stagnated. Conversely, the share attributed to other foreign balances averaged 62.7% from the second quarter of 1992 to the end of 1993. The return on these deposits, exemplified by the rate on 3 months certificates of deposits, was consistently better than the treasury bill rate.

The Bank's management also tried to make some attempt to diversify assets in line with required payments. For the whole period US balances accounted for the overwhelming majority of foreign assets since most payments for imports and debt-service required US currency. There was a large increase in Sterling balances late in 1991, because of a short-term financing arrangement with a UK bank; these assets were held until the loan was repaid in the following quarter. Yen balances were increased from $0.9 million at end-1988 to $2.4 million at the end of September, 1991. So that, despite the foreign exchange difficulties, the Bank was able to partially repay a Japanese loan commitment due towards the end of that year.

Conclusions

During the recent crisis in Barbados, the authorities succeeded in rebuilding the foreign reserves. However, one may ask whether they could have achieved the same result at lower adjustment costs (measured by the degree of fiscal contraction). If nothing else, the entire episode underscores the importance of timeliness in the management of foreign reserves. As soon as there is evidence which indicates a possible foreign-exchange crisis, a country should do whatever it can to avoid it. If tough measures have to be taken, the earlier the better, while the authorities still have some leverage.

When a plan of action is postponed until foreign reserves start to fall disastrously, a number of things can get in the way. Several of the well-established economic relationships may fail to hold, individual self-interest is given top priority, very often to the detriment of the country and traditional avenues of finance can become difficult to access. Timing is also important when making decisions relating to foreign borrowing, refinancing and supportive macroeconomic policies. There should be a long enough interval between initial discussion of these issues and the time period in which they are intended to come into effect.

In addition to avoiding procrastination, management of reserves in a crisis minimises all other unnecessary risks; one way to do this is through diversification at all levels. In the case of Barbados, there was diversification in the strategy - demand and supply approaches, short- and medium-term debt and sale of assets. Furthermore, the short-term lines were spread over a range of creditors and there was some diversification of foreign asset portfolio. The avoidance of risk also affected the disposal of Government assets. Despite the obviously low prices which were offered, the assets were sold because the high risks of failing to meet the NIR target could not be entertained.

It is always useful to set targets which help to gauge the movement of foreign reserves, even in the absence of a programme with the IFIs. This systematic approach gives transparency to the nexus between the BOP and other sectors and makes it easier to devise global strategies to achieve the foreign reserves objectives. However, targets must be realistic, since failure to achieve them makes it more difficult to stay the course. Conversely, the realisation of targets builds confidence in, and support for, any adjustment effort.

In a crisis situation, liquid, not gross, assets should be the target variable. The maintenance of adequate liquidity keeps the real sector alive, thereby increasing the growth prospects for exports. More importantly, as the buffer against currency speculation, it helps to protect the value of the currency thus preserving whatever confidence still resides in economic management. Portfolio management can be pursued to the extent that it improves liquidity by earning income and maintains adequate amounts of currencies required at particular times.

The Barbadian experience is yet another reminder that prudent fiscal policies are crucial to external viability in Caribbean-type economies. Excessive Government spending can ruin the BOP, but the likelihood of successfully managing foreign reserves during a crisis is enhanced if the strategy is accompanied by the correct fiscal stance. Efforts which are aimed at increasing foreign reserves require tight fiscal policy which restrains the demand for goods and services but is supportive of exports. This is especially true when the authorities preclude the use of the exchange rate, since all of the burden of adjustment will fall on public sector.

Footnotes

1. The Net International Reserves are the gross foreign assets of the Central Bank and Government, less outstanding short-term credit and loans from the IMF.

2. This ratio is limited since it focuses only on the demand for merchandise imports, excluding outflows for debt-servicing and other necessary invisible imports.

3. This is true except when the improvement in the reserves cover results from a fall in imports.

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Table 1

Indicators of Reserve Adequacy

	NIR ($M)		Liquid Assets ($M)	Import Reserve Cover (weeks)
	Actual	Target		
1990-Dec.	119.3		88.8	3.7
1991-Mar.	156.2		117.3	4.9
June	74.2		34.9	1.5
Sept.	10.4		30.7	1.3
Dec.	38.9	37.1	68.7	2.9
1992-Mar.	79.7	69.2	185.4	10.3
June	96.6	40.8	181.2	10.1
Sept.	98.8	44.6	192.4	10.7
Dec.	97.1	56.0	181.6	10.1
1993-Mar.	176.0	150.6	239.3	11.7
June	189.6	181.7	233.3	11.4
Sept.	117.6		156.4	7.7
Dec.	139.2		151.1	7.4

Source: Central Bank of Barbados

Table 2

Debt Outstanding

	Short-Term	Medium-Term	Other Medium-Term
1990-Dec	122.8		
1991-Mar	105.9		
June	104.1		
Sept.	131.3		
Dec.	135.6		
1992-Mar.	125.4	86.4	6.0
June	104.8		24.0
Sept.	108.0	95.2	
Dec.	80.4	102.0	
1993-Mar.	67.1		
June	59.2		
Sept.	57.7		
Dec.	59.4		

Source: Central Bank of Barbados

Table 3

Refinance Debt (%)

	Total Debt
1991-Mar.	82.2
June	63.4
Sept.	56.4
Dec.	41.2
1992-Mar.	69.7
June	54.3
Sept.	54.6
Dec.	80.9
1993-Mar.	26.8
June	57.4
Sept.	45.1
Dec.	67.3

Source: Central Bank of Barbados

Table 4

Outstanding Short-Term Debt
by Source (%)

	Commercial Banks	Central Bank	Bladex	Crown Agents	All Other
1991-Dec.	48.7	17.7	5.8	19.0	8.8
1992-Mar.	46.6	16.7	5.7	21.5	9.5
June	51.6	18.1	3.6	17.2	9.5
Sept.	46.3	17.6	9.5	17.3	9.3
Dec.	44.8	21.2	16.8	2.4	14.8
1993-Mar.	44.7	21.0	15.3	1.3	17.7
June	43.9	23.7	14.0	1.5	16.9
Sept.	45.1	24.2	11.8	1.6	17.3
Dec.	33.7	23.6	24.4	1.5	16.8

Source: Central Bank of Barbados

Table 5

Distribution of Reserves %

	US Treasury Bills	US Gov't Bonds	Foreign Balances	All Other	Reserve Tranche SDRs	Foreign Currencies
1988-Dec.	10.6	27.3	32.8	15.0	7.9	6.4
1989-Dec.	15.2	23.8	28.7	18.7	8.7	4.9
1990-Dec.	0.0	4.2	82.2	--	9.3	4.3
1991-Mar.	0.0	3.3	83.3	2.2	7.4	3.8
June	0.0	9.1	40.2	3.9	35.9	10.9
Sept.	56.3	8.5	1.7	11.9	9.7	11.9
Dec.	22.8	--	71.0	1.7	2.3	2.2
1992-Mar.	80.1	--	18.4	1.5	--	--
June	40.9	--	56.0	1.2	--	1.9
Sept.	33.7	--	62.7	0.7	--	2.9
Dec.	29.5	--	68.5	0.8	--	1.2
1993-Mar.	45.8	--	52.9	1.2	--	0.1
June	45.1	--	53.4	0.5	--	1.0
Sept.	18.3	--	79.2	0.6	--	1.9
Dec.	29.1	--	66.4	0.6	--	3.9

Source: Central Bank of Barbados; Daily Positions, various issues.
-- denotes negligible amounts

Table 6

Interest Rates %

	US Treasury Bill Rate	US 3-mos CDs
1988-Dec.	8.09	9.25
1989-Dec.	7.64	8.32
1990-Dec.	6.81	7.82
1991-Mar.	5.91	6.45
June	5.60	6.07
Sept.	5.25	5.47
Dec.	4.12	4.47
1992-Mar.	4.05	4.25
June	3.70	3.86
Sept.	2.97	3.13
Dec.	3.25	3.48
1993-Mar.	2.97	3.11
June	3.10	3.21
Sept.	2.96	3.12
Dec.	3.08	3.26

Source: Central Bank of Barbados, Annual Statistical Digest, various issues.