



Press Release

# Review of Barbados' Economic Performance

January to September 2022



## Overview

### KEY INDICATORS

<b>GDP Growth</b> 10.1%	<b>Inflation</b> 7.8%	<b>Unemployment</b> 9.3%	<b>International Reserves</b> \$2,805.9 million
<b>Current Account</b> -\$967.2million	<b>Primary Surplus (FY)</b> \$367.8 million	<b>Fiscal Surplus (FY)</b> \$122.3 million	<b>Gross Public Sector Debt</b> 126.6% of GDP

The Barbados economy continues to recover, as reflected in the double-digit growth achieved for the first nine months of 2022. During the third quarter, the resurgent tourism sector helped to catalyse economic activity and restore employment levels. The economy is not yet producing at pre-pandemic levels but, based on encouraging forward bookings, tourism is expected to sustain its rebound for the remainder of the year.

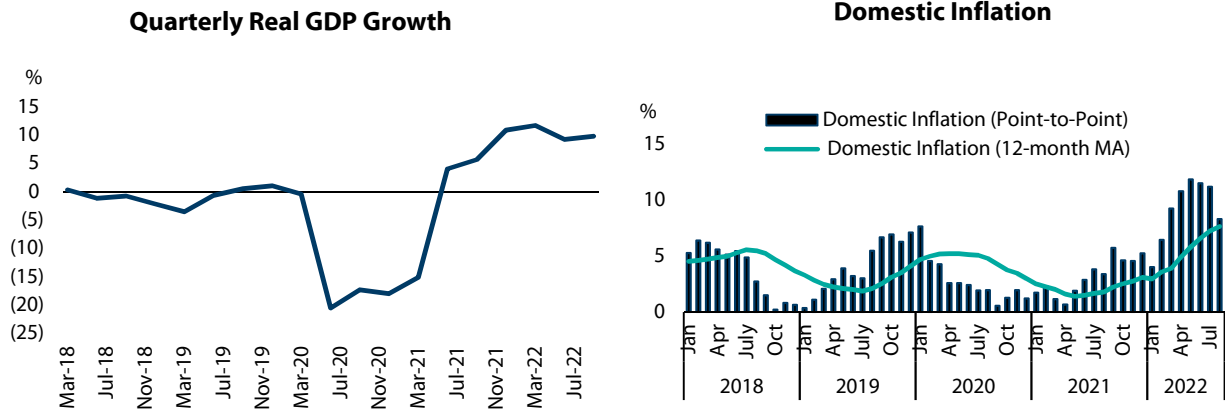
However, significant downside risks to the economic recovery remain, largely revolving around the challenging external economic environment that has impacted the availability and the price of international commodities. In the quarter, food and energy prices started to decline with the re-entry of Ukrainian food supplies into the global commodities market. These trends, coupled with the price-relief initiatives of Government and the local private sector, translated into slower domestic inflation. This reduction in price pressure should aid the on-going recovery, but oil producer efforts to drive up prices and expected supply challenges for fuel in Europe during the winter period now threaten to undermine the gains.

The surge in domestic prices, the strengthening of economic activity and the impact of new temporary taxes boosted Government's revenue for the first six months of the fiscal year. With expenditure falling from a year earlier, there was a significant improvement in the primary surplus when compared to the same period last year. The combined effect of the fiscal outturn and the economic recovery was that the debt-to-GDP ratio continued to fall from the heightened pandemic-induced levels. At the end of the quarter, the ratio was slightly lower than at the end of 2018, just after the domestic debt restructuring.

September marked the end of the 2018 EFF programme with the IMF, and Government was successful in meeting the quantitative targets and structural benchmarks set under the programme. The stronger primary balance this fiscal year reflects Government's renewed commitment to attaining a sustainable debt trajectory through fiscal prudence.

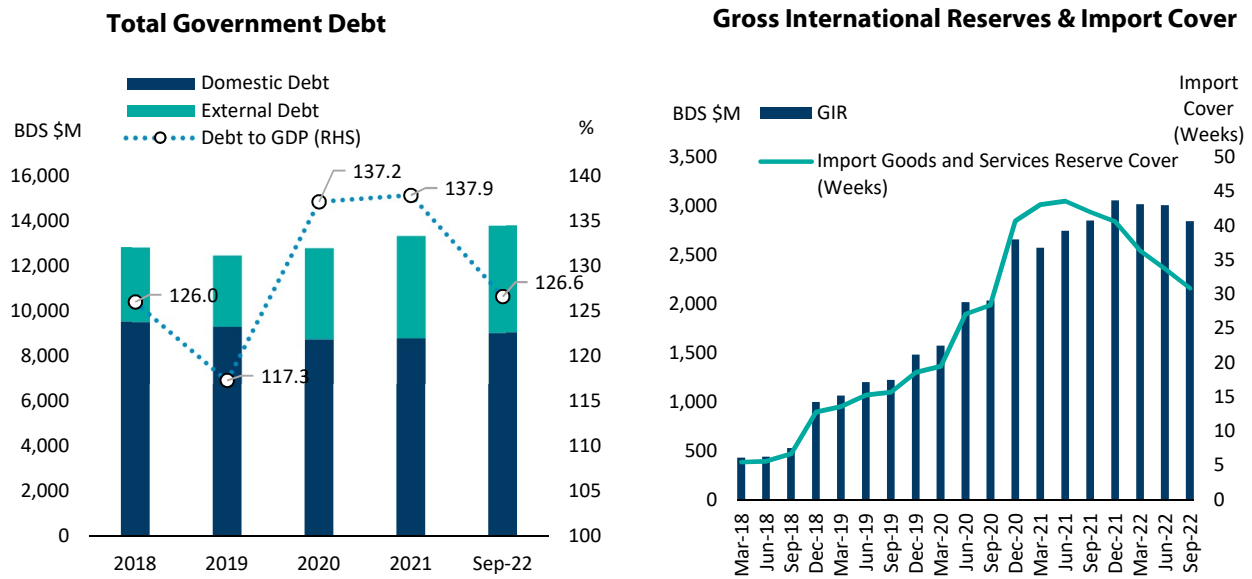
This improved fiscal performance continues to be supported by an international reserve cover of 30 weeks of current year imports, well in excess of the 12-weeks benchmark. As anticipated, the cover has fallen from its peak on account of the heightened economic activity, but the decline in the stock of reserves was attributable to the downward revaluation of the Central Bank's investment portfolio due to rising global interest rates.

**Figure 1: Selected Economic Indicators**



Sources: Barbados Statistical Service and Central Bank of Barbados

Source: Barbados Statistical Service



Source: Ministry of Finance

Source: Central Bank of Barbados

## Economic Activity

The economy registered growth for the sixth successive quarter. The expansion continues to be driven by tourism activity and its spillover into the non-traded sectors and the manufacturing sector. The economy expanded by 9.8 percent during the third quarter, bringing the expansion for the first nine months of 2022 to an estimated 10.1 percent over the corresponding period of last year.

## Tourism

Tourist arrivals at the end of September totalled 302,863 equivalent to 58 percent of 2019 levels. With the relaxation of global COVID-19 containment protocols, tourist arrivals have been steadily rising, reflecting the global demand for travel. The increase in airlift, though still not at 2019 levels, allowed

Barbados to benefit from the rising demand for international travel. Airlift, particularly out of the United States, suffered from staff shortages as some airlines were unable to meet the demand for an increase in the number of flights.

Tourism arrivals continue to be dominated by the traditional source markets with the United Kingdom leading the way, accounting for 40 percent of total arrivals and 71 percent of 2019 levels. This outpaced the recovery from the United States and Canada which had arrivals of 56 percent and 49 percent of 2019 levels, respectively for the nine-month period.

**Table 1: Tourism Arrivals by Source Market**

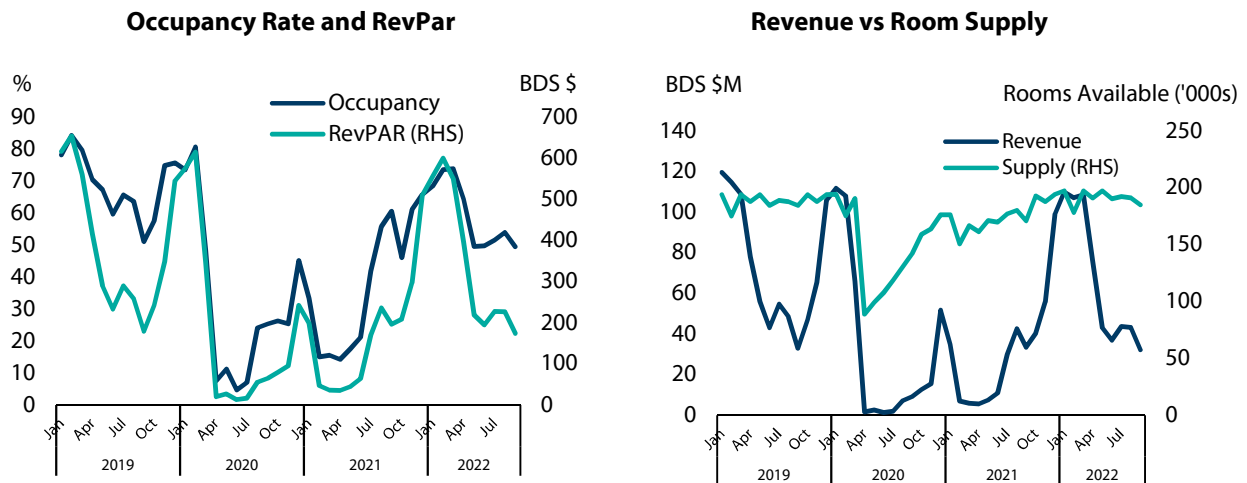
	JANUARY-SEPTEMBER				Absolute Change (2021/22)
	2019	2020	2021	2022	
MAJOR MARKETS					
UNITED STATES	168,281	44,376	21,910	94,358	72,448
CANADA	61,768	27,893	10,089	30,556	20,467
UNITED KINGDOM	171,121	64,619	15,546	121,072	105,526
EUROPE	24,486	11,956	3,925	12,709	8,784
CARIBBEAN	75,971	17,750	9,660	35,295	25,635
OTHER	19,254	5,711	2,094	8,873	6,779
<b>TOTAL ARRIVALS</b>	<b>520,881</b>	<b>172,305</b>	<b>63,224</b>	<b>302,863</b>	<b>239,639</b>

Source: Barbados Statistical Service and Barbados Tourism Marketing Inc. (Sep 2022)

The return of the Crop-Over festival had a positive impact on the sector, and arrivals for the quarter were stronger than originally expected. However, the anticipated slow-down in the rate of recovery during the summer months was compounded by the cruise industry reallocating vessels to other regions. This dampened the recovery of the attractions sub-sector, some of whose members depend heavily on cruise activity.

The accommodation sector recovered in line with long-stay arrivals. Following its traditional pattern of arrivals, occupancy for the third quarter fell off from the first half of the year, but it was stronger than in 2021. The average revenue per available room for the first nine months of the year more than trebled from a year earlier and was just 10 percent lower than 2019. The sharing economy also continued its recovery and occupancy levels averaged 50 percent for the first 9 months of the year.

**Figure 2: Tourism Accommodation Indicators**



Source: Smith Travel Research

Source: Smith Travel Research

## Other Traded Activity

Total agricultural output increased during the first nine months of the year. Global market conditions had an impact on agriculture production as shortages of seeds and rising costs of both fertilisers and the grains used to make animal feed caused major disruptions. Non-sugar agriculture output increased by 3.5 percent, buoyed by food crop and chicken production which benefited from increased demand from the tourism sector. Milk production declined as a result of the inability to adequately feed stock due to drought conditions and the cost of feed.

The manufacturing sector, building on the outturn of 2021, is estimated to have grown by 3.0 percent for the first three quarters of 2022. The sector's performance was influenced by increased production of food and beverages which realised more product demand as the relaxation of COVID-19 protocols saw the resumption of night-life and a return of tourism activity. Additionally, cement production mimicked the resurgence of construction activity within the region as both domestic and regional sales improved when compared to the same period last year.

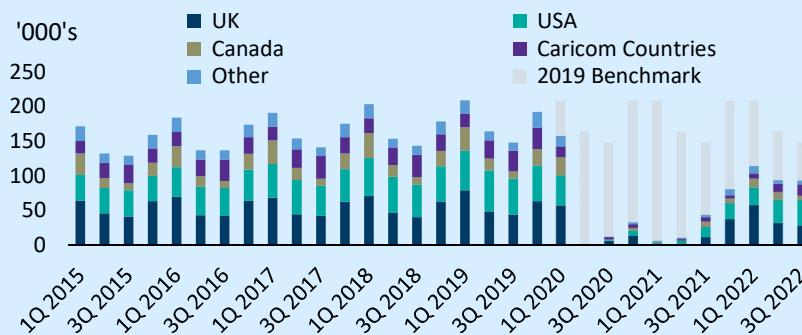
## Non-Traded Activity

Non-traded sector activity increased by 2.3 percent during the first three quarters of 2022, driven mainly by the wholesale and retail and business and other services sectors. These gains are attributable to the substantial improvement in tourism and business activity, relative to the first three quarters of 2021. Though there were delays on some major projects slated to start this year, construction activity still contributed positively to economic growth as the continuation of the Wyndam Hotel and Sagicor Retirement Village was bolstered by increased residential construction.

## The Pound Sterling and Tourism Demand

The recovery of the tourism sector has been especially strong in the Caribbean region, according to World Travel and Tourism Council<sup>1</sup> (WTTC), with the travel and tourism GDP in the region increasing by 37 percent, relative to the global recovery of 22 percent in 2021. The rebound was attributed to a uniform upturn in domestic and international spending, as the leisure and business segments increased by just over 40 percent. While Barbados was out-performed by its regional counterparts, such as St. Lucia and the Dominican Republic in 2021, its path to recovery gathered momentum in 2022 and the island recorded the third highest winter period growth rate, according to the Caribbean Tourism Organisation. Demand from the United Kingdom, which traditionally accounts for over 30 percent of long-stay visitors to Barbados, has been integral to the recovery, spurred by the hosting of sporting events and a rebound in seating capacity.

**Figure 1: Quarterly Tourism Trends by Source Market 2015-3Q2022**



Source: Barbados Statistical Service

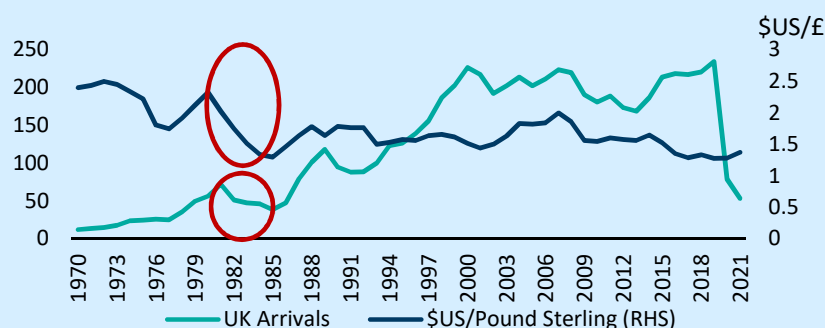
Growth prospects remain strong for the upcoming winter period, but the tenuous condition of the global economic environment remains a concern. For instance, added to the destabilising effects of the Ukraine-Russian conflict, the fallout from heightened economic uncertainty in the United Kingdom demonstrates the potential frailty of the global recovery. Indeed, as the speculative actions of investors resulted in the pound plunging to a record low and reigniting concerns about the possibility of a global recession, apprehensions reverberated across tourism-dependent economies.

The Barbadian tourism product has demonstrated resilience to shocks, and the ability to recover quickly, characteristic of Caribbean economies as noted by Browne et al. (2009)<sup>2</sup>. However, there have been instances where sufficiently large and persistent exchange rate depreciations, undermined tourism demand from the United Kingdom. For instance, during the early 1980's, tourism demand contracted by 36 percent, against a backdrop of a 45 percent depreciation of the pound. In contrast, a small decline was evident in the midst of the global financial crisis.

<sup>1</sup> World Travel & Tourism Council (2022). Travel & Tourism in the Caribbean - Prospects for Growth. World Travel & Tourism Council.

<sup>2</sup> Browne, R., Edwards, L., & Moore, W. (2009). Tourism and Unexpected Shocks. *Central Bank of Barbados, Working Papers*

**Figure 2: Quarterly Pound to US Dollar Exchange Rate and Long-stay United Kingdom Tourist Arrivals to Barbados**



Sources: International Monetary Fund (International Financial Statistics) and the Barbados Statistical Service

Notably, the pound has been in long-term decline, reflecting the United Kingdom’s deteriorating trade performance, as the country’s reliance on imports increases<sup>3</sup>. In the early 1980s, the US. dollar appreciated against all currencies, reflecting a tightening of monetary policy aimed at combatting high inflation. The next crisis for the pound was linked to the United Kingdom exiting the Exchange Rate Mechanism that was designed to manage currency fluctuations ahead of the launch of the euro in 1992<sup>4</sup>. The dot-com and housing-market bubble bursts<sup>5</sup> in 2001 and 2007 saw subsequent dips in the value of sterling.

The depreciation of the exchange rate, represents an erosion in the purchasing-power of British citizens, particularly for cross-border transactions and, when coupled with heightened inflation pressures, it can stifle demand. For instance, Ding and Timmer (2022)<sup>6</sup> found that exchange rate movements vis-à-vis the US dollar influence tourism flows and pricing, particularly for tourism-dependent countries. On the other hand, long-stay arrivals from the United Kingdom to Barbados have, on average, increased progressively over the last three decades, suggesting a degree of demand inelasticity, indicative of the high-value of the Barbados’ tourism offerings and the strength of repeat visits.

In spite of this trend, the vulnerability of the tourism market to external shocks cannot be ignored. Developing domestic tourism and addressing leakages represent key opportunities, as the WTTC noted that the Caribbean suffered from a significantly higher degree of economic leakage of around 27.5 percent in 2019, relative to the world average of 6.4 percent. Barbados possessed the eighth highest leakage in the Caribbean, as measured by the share of the domestic supply-chain relative to the total supply-chain. Market diversification and strengthening economic linkages must therefore remain at the forefront of policy development, even as we navigate the current challenges of the global economic environment.

<sup>3</sup> Financial Times. (n.d.). Sterling’s Long-term Decline. Retrieved October 3, 2022, from <https://www.ft.com/content/30dd70be-a9cb-11e7-ab66-21cc87a2edde>

<sup>4</sup> Bruce, A. (2019, August 1). *Factbox: No so Sterling - A History of UK Currency Crises*. Retrieved from Reuters: <https://www.reuters.com/article/uk-britain-eu-sterling-crisis-factbox-idUSKCN1UR4TK>

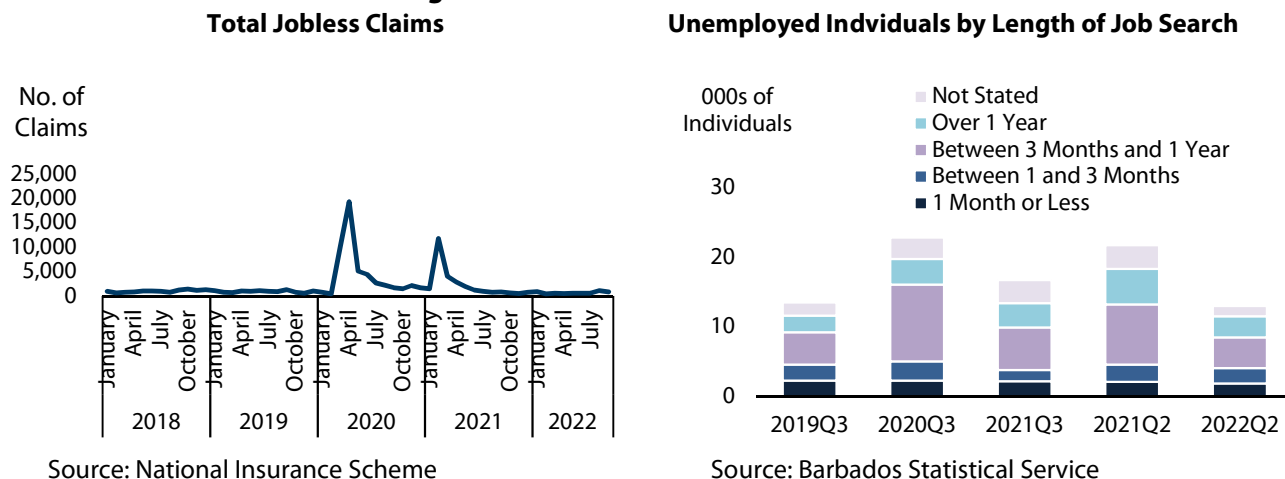
<sup>5</sup> Parker, C. (2016, June 27). *A Short History of the British Pound*. Retrieved from World Economic Forum: <https://www.weforum.org/agenda/2016/06/a-short-history-of-the-british-pound/>

<sup>6</sup> Ding, D., & Timmer, Y. (2022). Exchange Rate Elasticities of International Tourism and the Role of Dominant Currency Pricing. *International Monetary Fund, Working Paper, WP/22/24*.

## Labour Market

Labour market conditions continue to improve during 2022. Jobless claims have reverted to a normal trend and, at June 2022, the unemployment rate was 9.3 percent, down from 15.9 percent a year earlier. The three main industries accounting for improvements in the unemployment rate were tourism, wholesale and retail trade and construction.

**Figure 3: Select Labour Force Indicators**



Source: National Insurance Scheme

Source: Barbados Statistical Service

As the economy recovers, more persons are entering the labour force, causing the participation rate to improve steadily from an average of 61.3 percent in 2021 to 64.5 percent at the end of the second quarter of 2022. The buoyancy of the labour market has also benefitted those seeking employment with improvements in the distribution of the length of time taken to find work. The latest Barbados Statistical Service Household and Labour Force Survey indicates that there was a decrease of more than 2,000 persons in the category of persons searching for jobs for over a year.

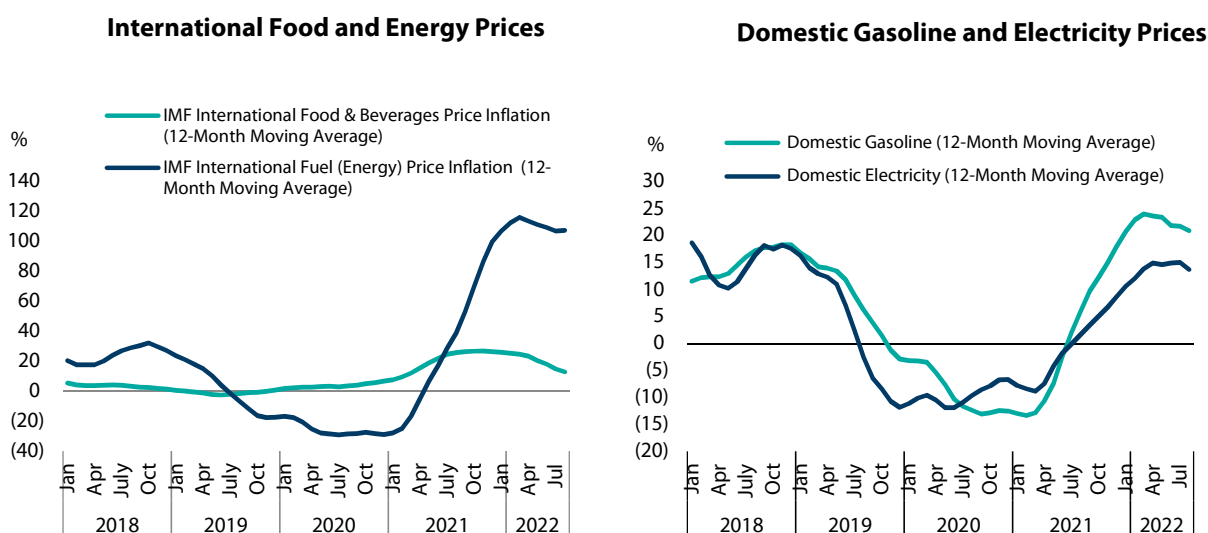
## Prices

Elevated international commodity prices, especially for food and energy, triggered the sharp rise in consumer prices during the first nine months of the year. With international oil prices rising from \$83 a barrel in January to a peak of \$114 in June and with imported prices for food, especially grains and oils, also surging as the Russia-Ukraine conflict deepened, the inflationary spike was particularly acute between April and July. During the quarter, international prices started to taper off, with oil prices returning to January levels. In addition, as Government, in association with the private sector, initiated a suite of price abating measures, the point-to-point inflation rate which had reached 11.5 percent at end June slowed to 8.3 percent at end August, bringing the 12-month moving average rate to 7.8 percent.

The anti-inflationary measures, though broad-based, are intended to be temporary. For example, the negotiated reduction in the mark-ups on 44 essential personal hygiene and food items and the reduction in the VAT rate from 17.5 percent to 7.5 percent for the supply of electricity on the first 250 kilowatt hours (KWh) used by households were introduced for a six-month period. Temporary caps on the cost of freight used for the purpose of calculating customs duties and on the maximum VAT to be applied to gasoline and diesel were extended to limit the impact of high costs. These measures have started to ease inflationary pressures, evidenced in the reduction of prices in the bread and cereals,



**Figure 4: International and Domestic Price Developments**



Source: International Monetary Fund

Source: Barbados Statistical Service

meat, milk, cheese and eggs and personal care categories when compared to July, 2022. However, prices still remain elevated when compared to August last year. Additionally, the reduction in VAT paid on electricity bills resulted in a decline in the overall cost of electricity of 14 percent when compared to July 2022, and 2 percent compared to August last year.

**Table 2: Impact of Price Reducing Initiatives on Select Prices**

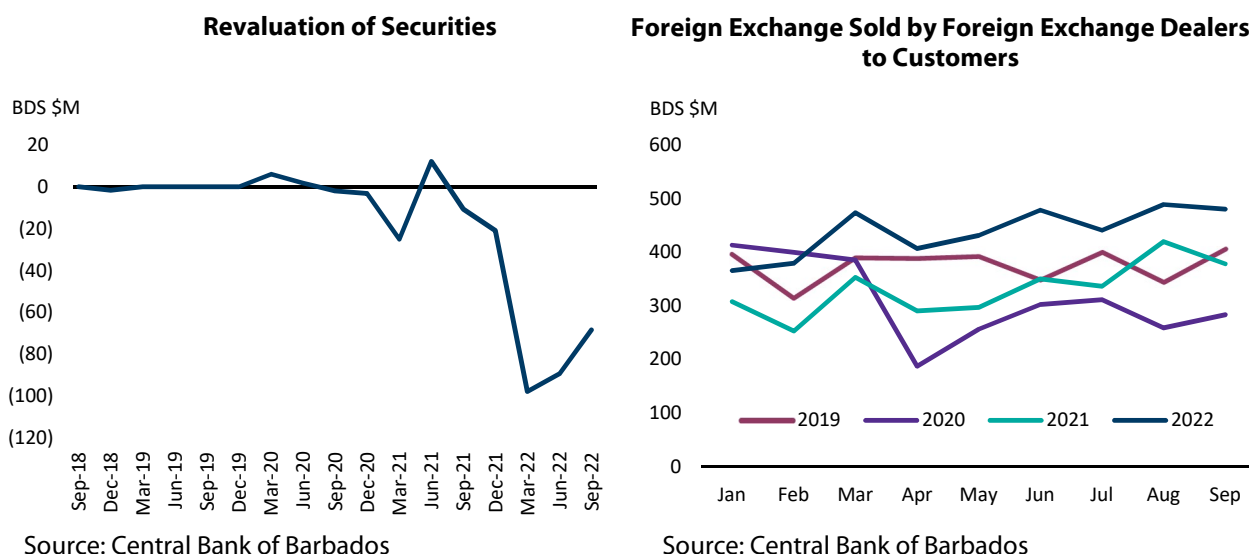
	August 2022 vs August 2021	August 2022 vs July 2022
<b>Bread and cereals</b>	<b>6.5%</b>	<b>(3.6%)</b>
of which: Cream of Wheat	(6.9%)	(14.6%)
Corn Flakes	12.0%	(3.3%)
Rice Packaged	12.8%	-2.3%
<b>Meat</b>	<b>12.5%</b>	<b>(4.4%)</b>
of which: Chicken Whole	10.4%	(8.8%)
Beef	18.3%	(2.6%)
<b>Milk, cheese and eggs</b>	<b>5.4%</b>	<b>(2.0%)</b>
of which: Eggs	1.3%	(3.8%)
Milk, Evaporated	(2.9%)	(4.6%)
<b>Fruit</b>	<b>0.0%</b>	<b>(8.0%)</b>
of which: English Apples, Fresh	(8.6%)	(8.5%)
Oranges, Fresh Dried	(3.8%)	(16.1%)
Grapefruits, Fresh, Dried	17.1%	(6.1%)
<b>Fish and sea-food</b>	<b>15.4%</b>	<b>0.5%</b>
of which: Tuna	0.7%	(2.7%)
Sardines	5.4%	(1.8%)
<b>Personal care</b>	<b>3.2%</b>	<b>(0.4%)</b>
of which: Toilet Soap (cakes)	0.4%	(3.8%)
Sanitary Napkins of Paper Pulp	(16.4%)	(3.2%)
Baby Napkins of paper Pulp	(17.1%)	(0.6%)
<b>Electricity</b>	<b>(2.1%)</b>	<b>(14.0%)</b>

Source: Barbados Statistical Service

## International Reserves

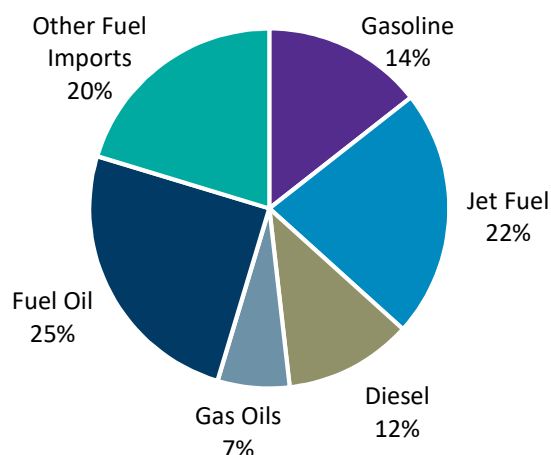
As at end-September, gross international reserves totalled \$2,806 million, equivalent to 30 weeks of imports of goods and services. Government’s external borrowing from multilateral sources was significantly lower than the two previous years but foreign exchange receipts from the tourism and international business sectors largely offset the impact of rising import prices on the demand for foreign exchange. Sales of foreign exchange by banks rose by 32 percent but unlike in 2021, on a net basis banks were able to fund their needs through incoming flows rather than through the Central Bank. Despite, external debt service payments have been increasing, there was an underlying increase in reserves of \$2 million. However, with the sharp increase in global interest rates, the Bank’s investment portfolio suffered unrealised losses that reduced the value of the reserves by \$255 million. These losses are expected to reverse as the fixed income securities mature.

**Figure 5: International Reserves Developments**



Imports for the first nine months increased by \$846 million or 39 percent, partly because of the rising international prices. The increase in imports was widespread, but fuels accounted for almost half of the expansion, as fuel demand also rose in line with the economic recovery. Fuels imports represented about 26 percent of total imports, somewhat lower than the average of 30 percent for between 2011-2013 when the average imported price per barrel of fuel exceeded US\$ 110. In line with historical norms, re-exports of fuels tallied approximately 30 percent of fuel imports. Gasoline and diesel accounted for 26 percent of fuel imports while fuel oils used mainly in the generation of electricity were responsible for 25 percent.

**Figure 6: Total Imports of Fuels Broken Down into Major Fuel Categories (Jan – Sep 2022)**



Source: Barbados Statistical Service

Non-fuel imports grew 27 percent, linked mainly to higher imports of food and beverages, chemicals and construction materials. In addition, as the economy continues its transition to alternative energy, there were higher imports of hybrid and electric vehicles. With the rise in prices, the value of photovoltaic systems increased but the volume declined.

**Table 3: Change in Gross International Reserves**

	Jan-Sep 2017	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2020	Jan-Sep 2021	Jan-Sep 2022
<b>Net Central Government</b>	(257)	(209)	(187)	99	108	(50)
Inflows	88	72	38	489	451	333
Outflows	345	281	225	389	344	383
<i>Of Which: Debt Service</i>	242	167	110	230	189	259
<b>Net Commercial Banks</b>	114	283	243	247	(159)	13
<b>Net Other</b>	19	40	172	208	245	(215)
<b>Change in GIR</b>	(124)	114	228	554	194	(253)
<b>GIR as at the end of September</b>	<b>516</b>	<b>526</b>	<b>1,227</b>	<b>2,035</b>	<b>2,854</b>	<b>2,806</b>

Source: Central Bank of Barbados

Although, the effect of rising international prices was softened by the recovery in the tourism sector and the resultant increase in travel receipts which, along with improved export performance and higher tax receipts from the international business sector, the current account worsened slightly when compared to the same 9-month period of 2021. The improvement in domestic exports was mainly attributable to food, beverages and fuels .

## Fiscal Operations

For the first six months of the fiscal year, there was a significant improvement in Government accounts. Preliminary data indicates that the primary balance, which excludes interest expenditure, registered a surplus of \$368 million, enabling an overall positive fiscal balance for the period. The more than ten-

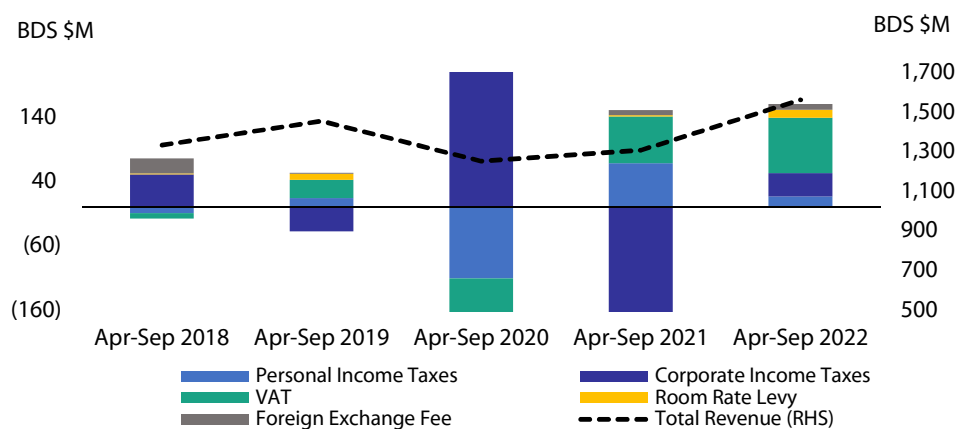
fold increase in the primary balance reflects the combined effects of the inflation dividend caused by rising prices and the containment of non-interest spending. Revenue growth is anticipated to slow while expenditure, particularly on capital works, is anticipated in the second half of the year, resulting in an overall primary surplus equivalent to approximately 2 percent of GDP.

## Revenue

Total revenues rose by \$254 million, on the strength of broad-based increases in tax revenues. VAT receipts grew by \$86 million due to the pick-up in domestic economic activity, higher imports and a reduction in transfers for current year refunds to the Barbados Revenue Authority (BRA). The higher imports also led to import duties rising by \$16 million but excises and the fuel tax incurred a cumulative decline of \$22 million, in part due to timing differences in the transfer of taxes by the Barbados National Oil Company.

Direct taxes netted an additional \$115 million, of which the newly implemented Pandemic Levy charged on corporations and individuals raised a combined total of \$31 million. Corporation taxes realised an increase of \$37 million, benefitting from a number of new companies as well as improvements in the settlement of arrears. Personal income tax collections increased by \$17 million, reflective of improved employment while the improved performance of property tax receipts were supported by increased real estate activity. Non-tax revenues were up \$34 million as \$20 million in grant funding was received to support housing development.

**Figure 7: Categorical Changes in Revenues April-September FY 2021/22 vs FY 2022/23**

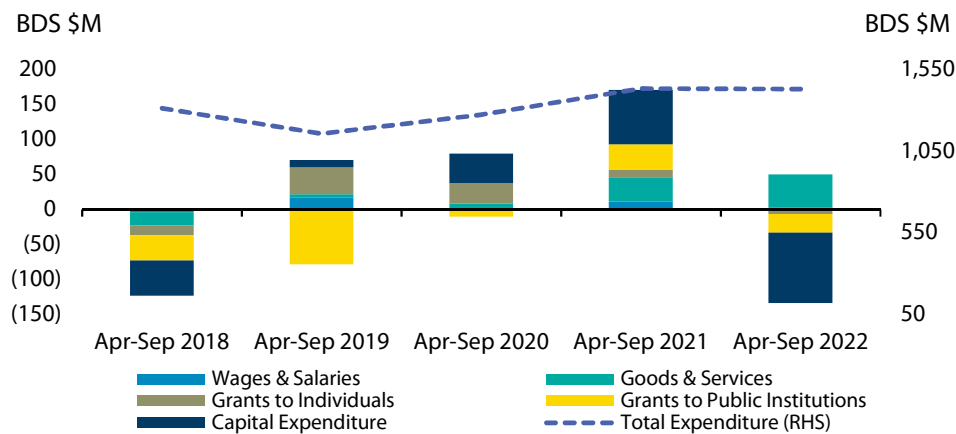


Source: Ministry of Finance

## Expenditure

Non-interest expenditure declined by \$78 million given one-off capital spending occurring during the previous fiscal year, including the recapitalisation of the NIS ( \$50 million) and the purchasing of roll-out carts under the Sanitation Service Authority (\$18 million). Grants to public institutions also registered a \$27 million decline given a shift in the timing of transfers to some SOEs while grants to individuals contracted by \$7 million during the period. Goods and services rose by \$47 million as spending on property maintenance, general operating expenses and utilities increased over the period. Wages and salaries remained broadly in line with the previous fiscal year while spending on interest payments increased as the step-up interest rate feature on domestic bonds commenced.

**Figure 8: Categorical Changes in Expenditure April-September FY 2021/22 vs FY 2022/23**

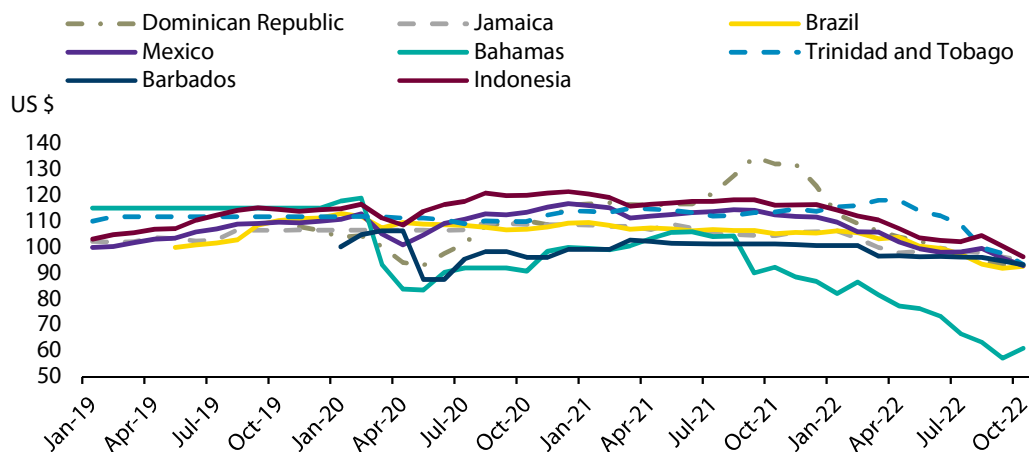


Source: Ministry of Finance

## Debt and Financing

The surplus generated over the first half of the fiscal year eased Government’s borrowing needs and assisted with the repayment of debt service obligations. As a result, the principal financing transaction during the period was the debt- for-nature swap undertaken by Government in domestic and foreign currencies to retire expensive debt. The successful execution of this transaction, which was supported by guarantees provided by the IDB and Nature Conservancy, marked Barbados’ first foray into external capital markets since the 2019 debt restructuring. The external portion of the debt buyback occurred at a discount, reflecting the price at which Barbados’ debt was trading on the market.

**Figure 9: Selected International Bond Prices**



Source: Bloomberg

The key feature of the sovereign debt conversion is that it frees up resources for marine conservation without any increase in net debt. The retirement of the domestic bonds was immediate but, the 2029 bonds that were surrendered as part of the operation, will remain outstanding until at least October

2024, and is therefore still included in the debt stock due to a clause negotiated in the bond documentation by bondholders during the restructuring. This is a technical issue as the interest payments will flow back to the Treasury. The Government will have the option to extinguish its holdings of 2029 bonds any time after October 2024.

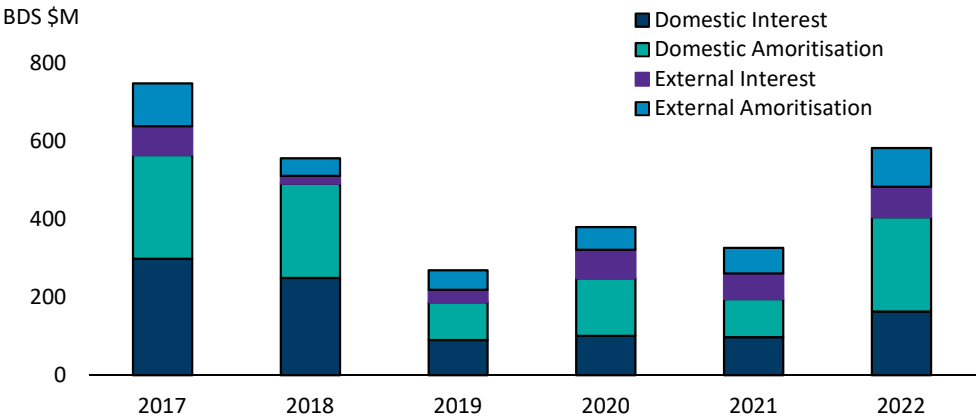
**Table 4: Debt for Nature Swap**

	(BDS\$M)	Interest Rate (%)	Maturity
Domestic	146.5	3.3	Q3-2037
Foreign	146.5	4.4	Q3-2037

Source: Ministry of Finance

With the swap, debt service payments accelerated during the quarter, with the NIS reducing its exposure to Government. The commercial banking sector financed the domestic buy-back.

**Figure 10: Domestic and External Debt Service (April to September)**



Source: Ministry of Finance

At the end of September 2022, the public debt stock stood at \$13.8 billion or 126.6 percent of GDP. Domestic debt increased by 2.3 percent of GDP primarily due to added legacy arrears<sup>1</sup> (\$214 million) and the sale of treasury notes. Following the swap, external debt now accounts for approximately one-third of public debt.

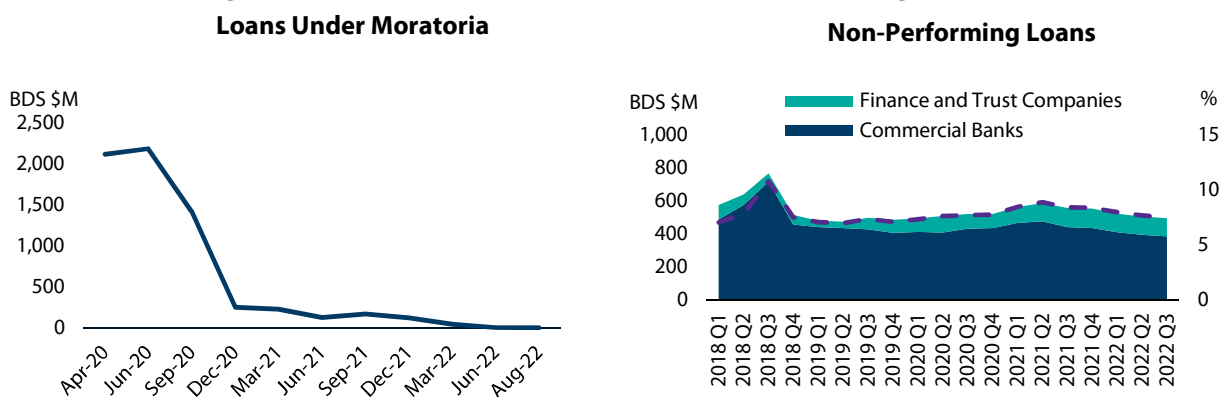
### Financial Sector Developments

The financial sector remains resilient with capital buffers at commercial banks staying well above the minimum requirement. As at the end of August 2022, loans under moratoria were negligible and attributable to the personal sector. Even as the loan moratoria programme continued to wind down, credit quality recovered further, with declines in NPLs and the NPL ratio being recorded at commercial

<sup>1</sup> Legacy arrears are arrears under the pre-TAMIS system which were identified and recognised by the Barbados Revenue Authority.

banks and finance and trust companies. The majority of this decline was seen in the NPLs of the real estate and personal sectors at commercial banks.

**Figure 11: Loans Under Moratoria and Non-Performing Loans**

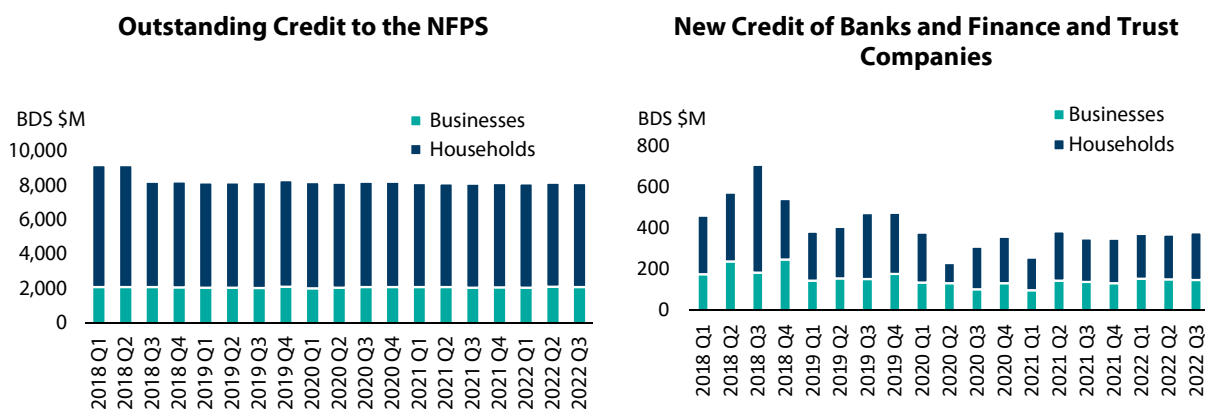


Source: Central Bank of Barbados

Source: Central Bank of Barbados

Credit to the non-financial private sector (NFPS), which has been on a steady decline, stabilised over the past nine months. Lending to corporates grew marginally as the real estate and distribution sectors borrowed for investments in fixed assets and to fund working capital. New corporate credit surpassed that recorded for the corresponding period in 2021, but remained moderately below that of 2019. New household borrowing which accounted for 58 percent of new lending was also higher than for the corresponding period in 2021, as lending conditions have become more accommodating. Loan repayments continued to trend above new loan disbursements, resulting in stable loan balances of the NFPS.

**Figure 12: Non-Financial Private Sector Credit**



Source: Central Bank of Barbados

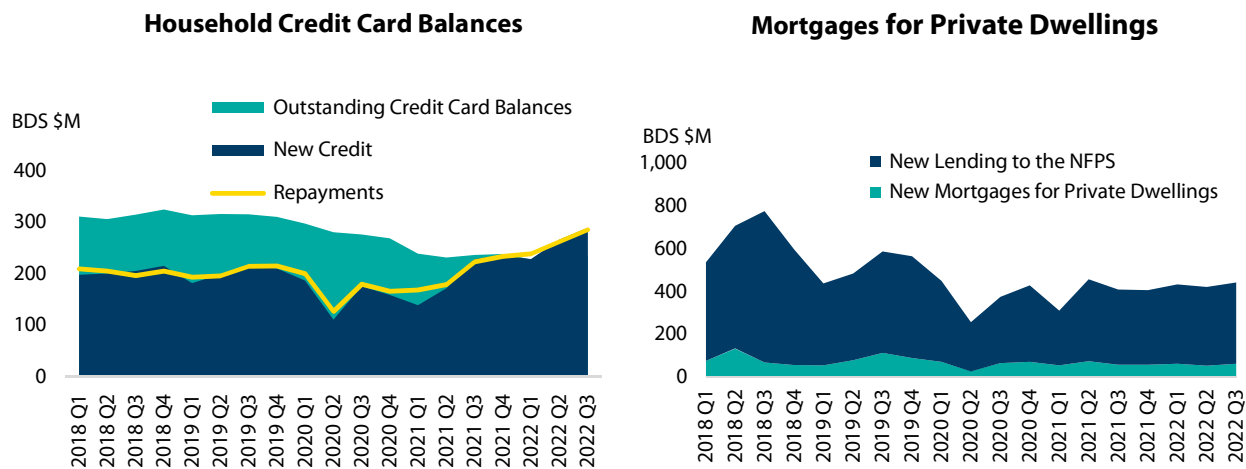
Source: Central Bank of Barbados

Households' credit card activity also trended up, with new credit card debt standing 35 percent over the corresponding period in 2019 and measuring its highest for the last decade. The increase in new credit is in part the result of the recovery of outbound travel, but timely repayments have tempered

increases in household credit card balances. As a result, household credit card balances as a percentage of GDP has fallen from 3.9 percent at end 2019 to 3.1 percent at the end of this quarter.

New mortgages for private dwellings have been rising, accounting for 16 percent of total new lending to the NFPS thus far for 2022. However, the trend of declining credit balances partly reflects the acceleration of principal reductions as loans age against the backdrop of weak lending over the past decade.

**Figure 13: Household Debt to Banks and Finance and Trust Companies**



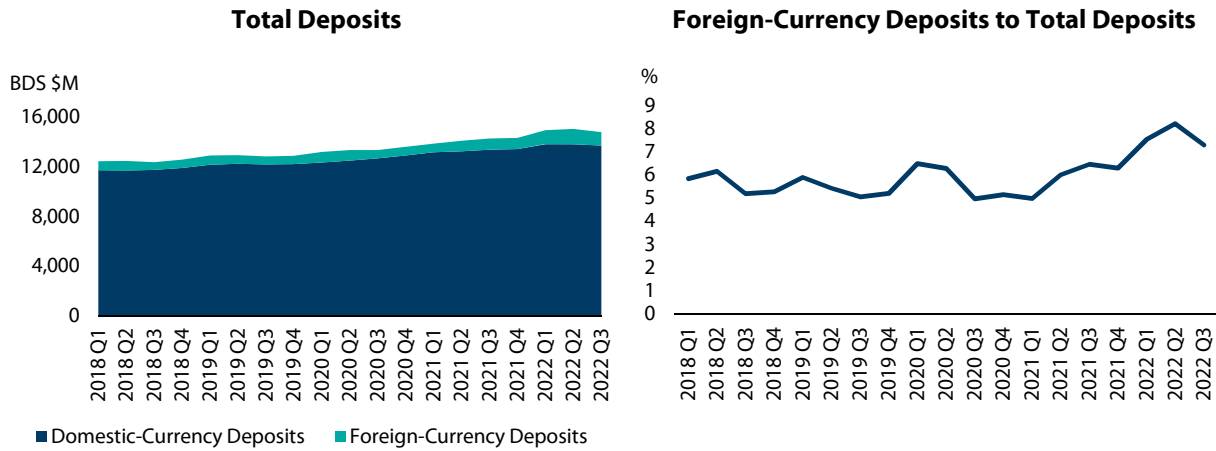
Source: Central Bank of Barbados

Source: Central Bank of Barbados

Total deposits at deposit-taking institutions (DTIs) at the end of September 2022, was 3.2 percent higher than at December 2021. The foreign-currency deposits of tourism-linked sectors, such as hotels and restaurants, real estate and the distribution sectors strengthened relative to December, even though corporates drew on their deposits during the quarter. The share of foreign-currency deposits also strengthened relative to December 2021, moving from 6.3 percent to 7 percent. On the domestic-currency side, household savings remained the main source of growth, although at a slower pace than a year earlier as households increased spending on consumption while making credit repayments.



**Figure 14: Domestic- and Foreign-Currency Deposits of DTIs**

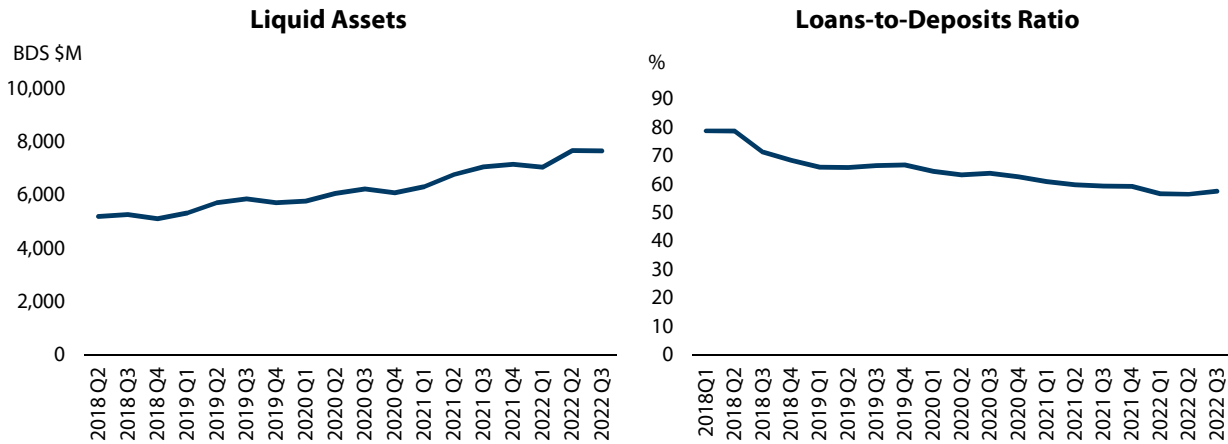


Source: Central Bank of Barbados

Source: Central Bank of Barbados

The expansion of deposits over the nine-month period, increased the value of DTIs’ liquid assets and lowered the sector’s loans-to-deposits ratio. However, the withdrawal of deposits during this quarter, caused this quarter’s loans-to-deposits ratio to rise slightly above last quarter’s. Nonetheless, the financial system still holds ample liquidity, as reflected in large balances at the Central Bank of Barbados and an elevated liquid asset ratio.

**Figure 15: Liquidity of DTIs**

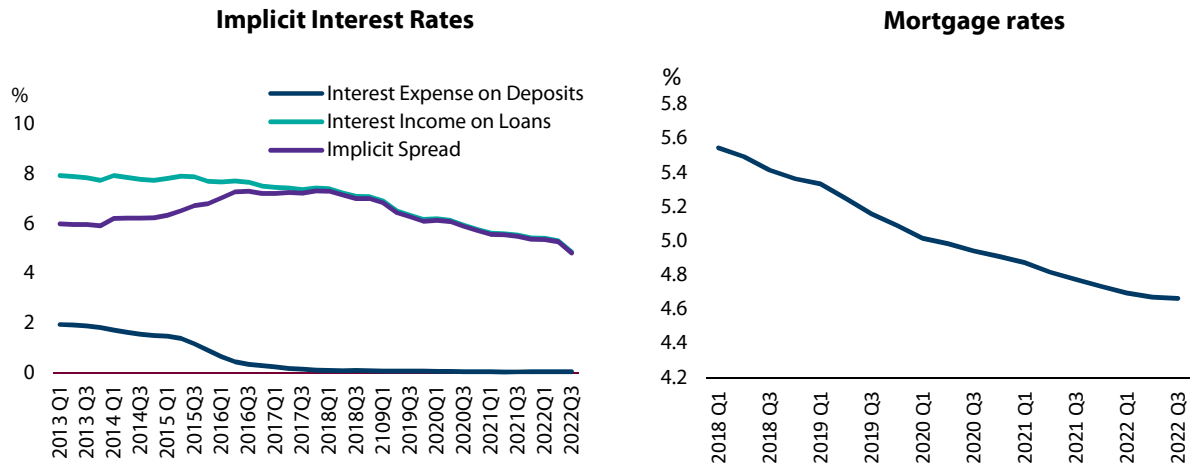


Source: Central Bank of Barbados

Source: Central Bank of Barbados

The excess liquidity continues to influence interest rates. Deposit rates remain negligible, while the average loan rates remain on a downward trajectory. Mortgage rates have followed this path, measuring 4.7 percent, compared to 5.2 percent recorded for a similar period in 2019 as rates on new mortgages fall.

**Figure 16: Commercial Banks' Interest Rates**



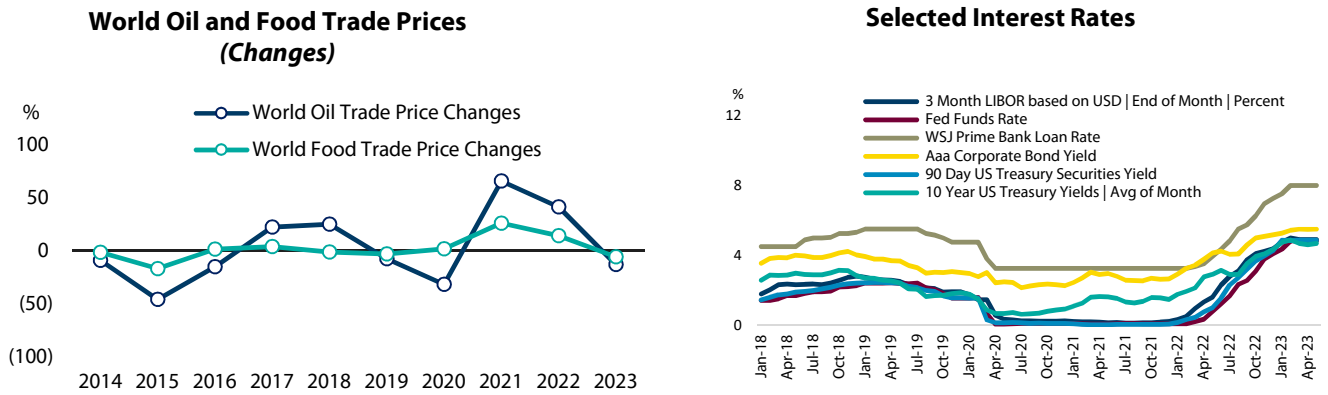
Source: Central Bank of Barbados

Source: Central Bank of Barbados

## Outlook

The Barbados economy is on a path to recovery and economic growth of approximately 10 percent is expected for 2022. However, the forecast is for slower global economic activity amid the tightening of financial conditions in advanced economies, the slowdown in production in China and the potential return of COVID-19 cases during the winter period. The IMF's global growth forecast is now 3.2 percent for 2022 and 2.7 percent for 2023, the weakest growth profile since the global financial crisis. This outlook poses a significant downside risk that has been accentuated by the uncertainty in the United Kingdom market. However, the recovery is expected to continue into 2023, predicated on a further upturn in the global tourism sector coupled with the implementation of large private and public construction projects. Based on scenarios encompassing a weaker performance of the UK tourism market, growth is forecast to reach between 3.5 and 5 percent for 2023.

**Figure 17: World Oil and Food Trade Prices and Selected Interest Rates**



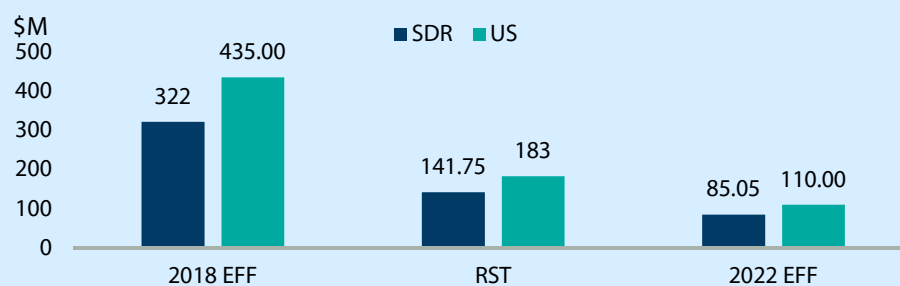
Sources: International Monetary Fund and Forecasts.org

Future prices for energy and food have started to fall as global economic activity slows and global supply chains begin to normalise. These global declines will feature domestically with a lag. The local initiatives to reduce price pressures have started to bear fruit and will provide some ease until the price declines are realised. However, significant uncertainty remains as geopolitical tensions continue to mount, with developments within major global economies, rippling across our major trading partners. The current forecast for prices is 8.8 percent for 2022 and 3.3 percent in 2023.

## Barbados and the Resilience and Sustainability Trust

At the end of the recently concluded IMF staff mission, the Government of Barbados and the IMF reached staff-level agreement on the parameters for a follow-on financing arrangement. Under the new arrangement, Barbados will access additional financing under the Extended Fund Facility (EFF) as well as the new financing facility, the Resilience and Sustainability Trust (RST)<sup>1</sup>. The financing is intended to boost international reserves, provide budgetary support to government, promote growth enhancing structural reforms, strengthen Barbados' resilience to climatic events and catalyse other financial resources. The financing acquired through both instruments gives the country access to total financing of SDR 227 million, equivalent to US\$ 293 million over the three year life of the programme.

### Financing From RST and EFF (SDR and US\$ Millions)



Source: International Monetary Fund

### What is the RST?

The RST complements the other existing funding facilities administered by the Fund. It was approved on May 1, 2022 by the IMF to support low- and middle-income economies, through the provision of 20 year financing, with a 10.5 year grace period at low interest rates. Access to the facility is quota-based and is backed by the contribution of Special Drawing Rights (SDRs) from countries with large external positions<sup>2</sup>. This programme is critical as countries emerge from the challenges stemming from the COVID-19 pandemic, while facing high indebtedness and an uncertain macroeconomic environment. These challenges, coupled with the inherent risks related to climatic events such as natural disasters and other possible pandemics, could pose significant problems to economies over the long-term. Indeed, vulnerability to climate change places pressure on the macroeconomic stability of countries like Barbados. By accessing the financing<sup>3</sup> available from the RST, countries will be able to focus on both strengthening the economic resilience and sustainability to climate change. Disbursements under the RST will be tied to achievement of structural benchmarks linked to strengthening resilience.

<sup>1</sup> IMF, 2022. IMF Reaches Staff-Level Agreement with Barbados For A Resilience and Sustainability Trust (RST) Program, with an Accompanying Extended Fund Facility (EFF). <https://www.imf.org/en/News/Articles/2022/09/28/pr22325-imf-reaches-staff-level-agreement-with-barbados-rst-program-with-accompanying-eff>.

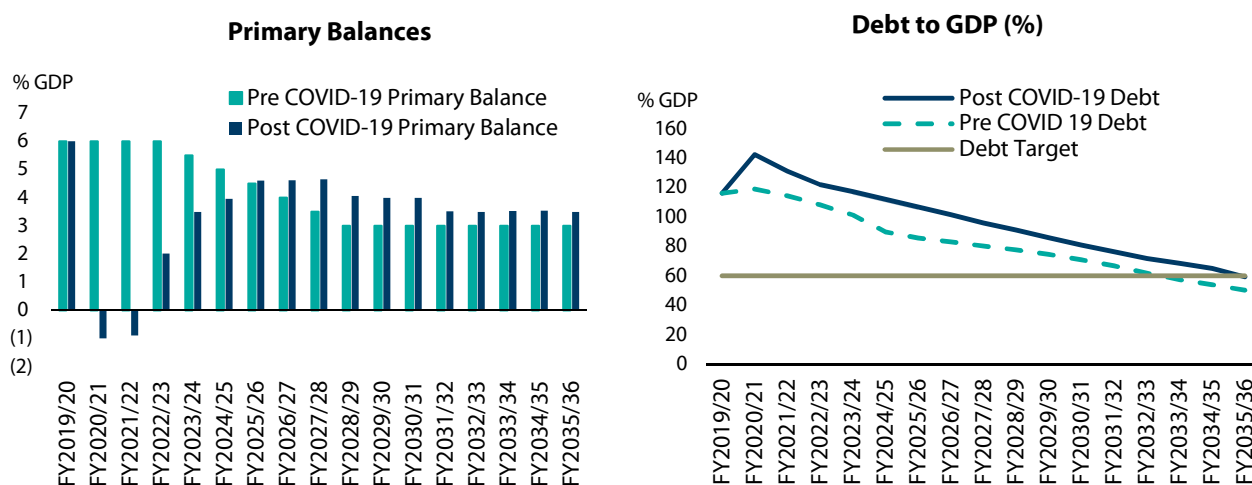
<sup>2</sup> IMF, 2022. IMF Policy Paper- Proposal to Establish A Resilience and Sustainability Trust. <https://www.imf.org/en/Publications/Policy-Papers/Issues/2022/04/15/Proposal-To-Establish-A-Resilience-and-Sustainability-Trust-516692>

<sup>3</sup> The total value of the trust is estimated to be around SDR 33 billion, or US\$ 45 billion.

As the recovery continues, government must continue its reforms, particularly of state owned enterprises (SOEs). These reforms are intended to improve the quality of service while reducing the burden on the public finances and freeing up resources for needed infrastructural developments and improved resilience to climatic events. Better service quality in the public sector should also contribute to the overall enhancements in productivity and competitiveness in the private sector.

Placing the debt ratio on a downward trajectory towards 60 percent remains central to government’s strategy over the medium term. The target date is FY 2035/36 compared to FY 2033/34 established in 2018. The relaxation of primary balances during COVID led to increased borrowing which, together with the contraction in the size of the economy, had a negative impact on the ratio. However, with the recovery, the debt ratio has begun to revert to the downward trend initiated after the 2018 debt restructuring. The debt path anticipates that Government’s planned strengthening of fiscal policy will result in primary surpluses ranging between 3.0 and 5.0 percent of GDP. The ongoing reduction in the debt ratio is designed to instil confidence, engineer further enhancements in Barbados’ credit ratings, similar to the recent B rating provided by FitchRatings, and again lead to access to both domestic and external capital markets but at lower rates than before the debt restructuring.

**Figure 18: Government Primary Balance and Debt-to-GDP**



Sources: Ministry of Finance and Central Bank of Barbados

Sources: Ministry of Finance and Central Bank of Barbados

With the successful conclusion of its four year 2018 EFF programme with the IMF, Government has agreed to a successor three year EFF programme, with the aim of further improving macroeconomic stability and assisting Government in the implementation of structural reforms. In addition, Barbados will access the IMF’s innovative Resilience and Sustainability Trust (RST) which is geared towards providing affordable, long-term financial support to allow countries to increase resilience against climatic events. Approval by the IMF Executive Board, will unlock SDR 226.8 million, equivalent to approximately US\$293 million.

These arrangements are expected to act as a catalyst for additional multilateral financing. Access to these funds is underpinned by the demonstrated commitment of government to fiscal discipline and

will help to boost external liquidity over the medium-term. The new borrowing from international financial institutions, with its favourable financing terms, is consistent with the attainment of the debt anchor of 60 percent. The recent debt for nature swap represents an important first step back into international markets, but access to local funding from domestic capital markets which have been slow to recover post the debt restructuring, will help to maintain the balance between domestic and foreign borrowing.

Private capital flows, particularly for investment in tourism and alternative energy, are expected to complement public sector borrowing and strengthen reserve buffers which remain adequate to meet demands.

## Appendix 1 – Economic Indicators

	2018	2019	2020 <sup>(p)</sup>	2021 <sup>(e)</sup>	Sep 2019	Sep 2020	Sep 2021 <sup>(p)</sup>	Sep 2022 <sup>(e)</sup>
Nominal GDP (\$ Million) <sup>1</sup>	10,194.6	10,648.5	9,343.6	9,687.6	7,841.4	6,964.3	7,006.3	8,223.0
Real Growth (%)	(1.0)	(0.2)	(13.5)	(0.3)	(1.0)	(12.7)	(3.3)	10.1
Inflation (M.A.,%) <sup>2</sup>	3.7	4.2	3.0	3.0	2.1	4.8	1.7	7.8*
Unemployment (End-of-period,%) <sup>3</sup>	11.6	8.9	13.6	10.9	9.5	n.a.	12.4	9.3**
Gross International Reserves (\$ Million)	999.6	1,481.0	2,660.7	3,058.8	1,226.9	2,034.8	2,853.4	2,805.9
Gross International Reserves Cover, Weeks	12.8	18.6	40.7	40.6	15.7	28.4	42.0	30.1
BoP Current Account (% of GDP)	(4.4)	(2.8)	(5.9)	(10.9)	(1.3)	(3.4)	(13.6)	(11.8)
Total Imports of Goods (% of GDP)	29.4	28.2	30.4	32.8	27.3	30.3	31.2	36.8
Travel Credits (% of GDP)	21.9	23.5	12.4	13.0	23.8	14.3	8.3	15.3
Financial Account (\$ Millions)	864.4	776.4	1,621.6	1,207.6	349.3	927.0	955.9	788.3
Gross Public Sector Debt <sup>4</sup> (% of GDP)	126.0	117.4	137.2	137.9	120.3	127.7	139.5	126.6
External Debt Service to Curr. Acct. Cred.	4.9	3.6	9.0	7.0	4.5	12.6	8.0	8.0
Treasury-Bill Rate	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Implicit Deposit Rate	0.1	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Implicit Loan Rate	7.1	6.2	5.8	5.4	6.5	6.1	5.5	5.4
Excess Domestic Cash Ratio	16.1	18.5	22.4	26.8	17.8	20.1	26.5	30.6
Private Sector Credit Growth (%) <sup>5</sup>	0.3	0.9	(1.2)	(0.7)	0.3	(0.2)	(0.3)	0.2
Private Sector Credit (% of GDP) <sup>5</sup>	80.2	77.8	86.9	83.2	92.8	93.2	100.7	87.7
Domestic Currency Deposits (% of GDP) <sup>5</sup>	111.5	109.6	131.0	131.7	132.9	136.7	157.1	142.2
Fiscal Year	2018/19	2019/20	2020/21	2021/22	Apr-Sep 2019	Apr-Sep 2020	Apr-Sep 2021 <sup>(p)</sup>	Apr-Sep 2022 <sup>(e)</sup>
Fiscal Balance (% of GDP)	(0.3)	3.6	(4.8)	(4.8)	2.8	(0.3)	(1.3)	1.0
Primary Balance (% of GDP)	3.5	6.0	(1.0)	(0.9)	3.9	1.7	0.3	3.1
Interest (% of GDP)	3.8	2.3	3.8	3.9	1.2	2.0	1.6	2.1
Fiscal Current Account (% of GDP)	1.6	5.4	(1.7)	(0.6)	3.1	0.6	0.3	1.6
Revenue (% of GDP)	29.3	28.0	28.7	27.8	13.7	14.0	12.9	13.2
Expenditure (% of GDP)	29.6	24.4	33.5	32.6	10.9	14.3	14.1	12.1
Non-interest Expenditure (% of GDP)	25.8	22.1	29.7	28.7	9.7	12.3	12.5	10.1
Capital Expenditure (% of GDP)	1.9	1.8	3.1	4.2	0.4	0.9	1.5	0.5
Gov't Interest Payments (% of Revenue)	12.9	8.4	13.4	14.1	8.4	14.0	12.5	15.7

<sup>(p)</sup> - Provisional

<sup>(e)</sup> - Estimate

<sup>1</sup> - Central Bank of Barbados and Barbados Statistical Service

<sup>2</sup> - Twelve Month Moving Average

<sup>3</sup> - Four Quarter Moving Average as at June 2022

<sup>4</sup> - Gross Public Sector Debt = Gross Central Government Debt + Another Public Sector Debt

<sup>5</sup> - Based on consolidated data for deposit-taking institutions (Commercial Banks, Finance & Trust Companies and Credit Unions)

\* - Data as at end of August

\*\* - Data as at end of June 2022

n.a.- Not Available

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

## Appendix 2– GDP by Sector and Activity (BDS\$ Millions, Constant Prices<sup>1</sup>)

	2018	2019	2020	2021 <sup>(p)</sup>	Sep 2019	Sep 2020	Sep 2021 <sup>(p)</sup>	Sep 2022 <sup>(e)</sup>
<b>Tradeables</b>	<b>1,508.6</b>	<b>1,567.2</b>	<b>859.8</b>	<b>841.4</b>	<b>1,144.7</b>	<b>641.5</b>	<b>541.6</b>	<b>942.9</b>
<b>Tourism</b>	<b>910.7</b>	<b>975.5</b>	<b>310.1</b>	<b>272.0</b>	<b>699.3</b>	<b>235.7</b>	<b>120.2</b>	<b>508.2</b>
<b>Agriculture</b>	<b>121.0</b>	<b>115.5</b>	<b>108.9</b>	<b>113.2</b>	<b>85.4</b>	<b>79.7</b>	<b>80.0</b>	<b>83.0</b>
Sugar	6.0	3.1	3.7	3.7	3.1	3.7	3.7	4.0
Non-Sugar Agriculture	115.0	112.4	105.3	109.6	82.2	76.0	76.3	79.0
<b>Manufacturing</b>	<b>476.9</b>	<b>476.1</b>	<b>440.8</b>	<b>456.1</b>	<b>360.1</b>	<b>326.1</b>	<b>341.4</b>	<b>351.8</b>
of which:								
<i>Rum &amp; Other Beverages</i>	110.8	93.9	93.0	95.5	39.5	39.1	39.9	43.4
<i>Food</i>	112.3	111.7	95.1	103.1	60.2	48.7	53.1	56.1
<i>Furniture</i>	13.5	13.2	12.6	13.4	6.2	5.9	6.7	6.7
<i>Chemicals</i>	25.0	23.8	24.4	24.1	13.5	14.4	14.1	15.2
<i>Electronics</i>	42.7	44.3	42.5	41.4	16.4	18.7	20.6	0.3
<i>Other Manufacturing</i>	172.6	189.2	173.2	178.6	224.3	199.4	207.0	230.0
<b>Non-tradeables</b>	<b>6,517.1</b>	<b>6,442.0</b>	<b>6,064.6</b>	<b>6,063.0</b>	<b>4,768.6</b>	<b>4,519.6</b>	<b>4,451.8</b>	<b>4,555.1</b>
Mining & Quarrying	42.2	49.4	56.6	39.5	36.1	43.4	32.1	32.1
Electricity, Gas & Water	214.1	213.5	203.5	212.1	158.7	151.9	150.7	157.4
Construction	461.6	452.3	457.2	443.5	334.5	345.3	331.0	334.3
Distribution <sup>2</sup>	1,181.5	1,202.8	1,000.7	965.1	874.9	740.0	674.2	699.2
Transport, etc	1,027.7	1,011.5	904.1	911.1	751.8	679.1	665.3	676.3
Finance and Other Services	2,748.3	2,721.4	2,631.4	2,665.8	2,028.0	1,954.1	1,984.7	2,039.8
Government	841.8	791.0	811.1	826.0	584.7	605.8	613.7	616.0
<b>Total</b>	<b>8,025.8</b>	<b>8,009.2</b>	<b>6,924.4</b>	<b>6,904.3</b>	<b>5,913.3</b>	<b>5,161.1</b>	<b>4,993.3</b>	<b>5,498.0</b>
<b>Nominal GDP</b>	<b>10,194.6</b>	<b>10,648.5</b>	<b>9,343.6</b>	<b>9,687.6</b>	<b>7,841.4</b>	<b>6,964.3</b>	<b>7,006.3</b>	<b>8,223.0</b>
<b>Real Growth Rates</b>	<b>(1.0)</b>	<b>(0.2)</b>	<b>(13.5)</b>	<b>(0.3)</b>	<b>(1.0)</b>	<b>(12.7)</b>	<b>(3.3)</b>	<b>10.1</b>
Tradeables	1.4	3.9	(45.1)	(2.1)	3.4	(44.0)	(15.6)	74.1
Non-tradeables	(1.5)	(1.2)	(5.9)	(0.0)	(2.0)	(5.2)	(1.5)	2.3

<sup>(p)</sup> - Provisional

<sup>(e)</sup> - Estimate

<sup>1</sup> - BSS' 2010 Base Year Series

<sup>2</sup> - Inclusive of Food Services from the Accommodation and Food Services category.

Sources: Barbados Statistical Service and Central Bank of Barbados



### Appendix 3 – Balance of Payments (BDS \$Millions)

	2018	2019	2020 <sup>(p)</sup>	2021 <sup>(e)</sup>	Sep 2019	Sep 2020	Sep 2021 <sup>(p)</sup>	Sep 2022 <sup>(e)</sup>
<b>Current Account</b>	<b>(447.4)</b>	<b>(293.6)</b>	<b>(555.2)</b>	<b>(1,056.6)</b>	<b>(99.6)</b>	<b>(235.3)</b>	<b>(953.2)</b>	<b>(967.2)</b>
<b>Inflows</b>	<b>4,860.9</b>	<b>5,159.9</b>	<b>3,525.6</b>	<b>3,687.2</b>	<b>3,912.4</b>	<b>2,910.1</b>	<b>2,375.7</b>	<b>3,454.3</b>
Travel	2,236.5	2,500.0	1,154.8	1,255.3	1,864.0	995.1	581.6	1,257.5
Other Services	444.7	458.5	397.4	441.1	360.1	315.7	342.4	382.8
Domestic Exports	510.2	507.4	449.4	444.3	381.9	340.9	327.8	397.2
Rum	79.8	76.8	75.9	84.5	60.7	59.4	65.0	66.4
Food	65.3	66.4	61.3	66.9	48.5	46.5	47.9	59.6
Sugar	0.4	0.6	0.9	1.8	0.4	0.8	1.2	1.8
Chemicals	80.3	77.8	84.7	68.6	59.0	62.9	47.4	50.5
Printed Paper Labels	26.6	15.3	23.5	25.6	15.3	18.0	19.9	19.9
Construction Materials	51.7	59.1	38.2	35.9	46.3	28.9	26.5	31.9
Other	206.1	211.4	164.9	161.0	151.8	124.4	119.8	167.0
Re-exported Goods	385.7	380.8	241.0	237.7	305.0	202.1	154.4	353.6
Net Export of Goods under Merchandising	633.8	637.6	547.6	612.1	478.2	453.2	454.8	470.6
Income	543.0	565.4	338.7	412.4	432.4	276.6	320.5	358.8
Transfers	107.0	110.1	396.6	284.4	90.7	326.4	194.2	233.8
<b>Outflows</b>	<b>5,308.2</b>	<b>5,453.5</b>	<b>4,080.8</b>	<b>4,743.8</b>	<b>4,011.9</b>	<b>3,145.4</b>	<b>3,328.9</b>	<b>4,421.5</b>
Total Imports of Goods	2,997.7	3,003.7	2,843.9	3,177.4	2,140.9	2,111.2	2,183.2	3,029.3
Fuel Imports	712.2	728.0	510.6	685.8	534.5	395.7	447.8	836.8
Food and Beverages	635.2	657.0	613.3	653.6	473.2	451.6	448.5	595.8
Construction Materials	125.5	138.0	128.8	176.1	101.6	94.7	122.1	201.8
Other Merchandise Imports	1,524.8	1,480.7	1,591.2	1,661.9	1,031.6	1,169.2	1,164.8	1,394.9
Services	1,073.9	1,148.9	553.3	743.3	857.7	466.4	529.7	617.0
Income	1,042.6	1,099.2	473.7	604.8	853.4	401.4	443.0	580.9
General Government	183.2	150.0	139.3	128.1	130.5	84.8	95.8	127.1
Other Sectors	859.5	949.1	334.3	476.8	722.9	316.7	347.2	453.8
Transfers	194.0	201.7	209.8	218.2	159.9	166.3	172.9	194.3
<b>Capital Account</b>	<b>50.9</b>	<b>(5.3)</b>	<b>(4.5)</b>	<b>(5.2)</b>	<b>(4.5)</b>	<b>(3.7)</b>	<b>(4.2)</b>	<b>15.9</b>
<b>Financial Account</b>	<b>864.4</b>	<b>776.4</b>	<b>1,621.6</b>	<b>1,207.6</b>	<b>349.3</b>	<b>927.0</b>	<b>955.9</b>	<b>788.3</b>
Net Foreign Direct Investment	464.8	375.3	509.2	417.8	301.5	346.8	344.9	390.9
All Other Investment Flows	399.6	401.1	1,112.4	789.8	47.8	580.3	611.0	397.4
Net Long-term Public	427.8	371.5	937.7	734.6	123.6	384.2	413.7	102.1
Net Long-term Private	(3.8)	113.0	251.3	99.5	(23.4)	230.5	212.4	305.5
Net Short-term	(24.4)	(83.5)	(76.7)	(44.3)	(52.3)	(34.5)	(15.0)	(10.2)
Net Errors & Omissions	122.0	3.7	115.3	296.9	(18.0)	(139.9)	217.8	165.1
Overall Balance	589.9	481.4	1,177.3	442.8	227.3	548.2	216.4	2.1
<b>Change in GIR: - increase/+ decrease</b>	<b>(588.3)</b>	<b>(481.4)</b>	<b>(1,179.7)</b>	<b>(398.2)</b>	<b>(227.3)</b>	<b>(553.9)</b>	<b>(192.7)</b>	<b>253.0</b>
<b>BOP change in GIR (- increase/+decrease)</b>	<b>(589.9)</b>	<b>(481.4)</b>	<b>(1,177.3)</b>	<b>(442.8)</b>	<b>(227.3)</b>	<b>(548.2)</b>	<b>(216.4)</b>	<b>(2.1)</b>

<sup>(p)</sup>-Provisional

<sup>(e)</sup>-Estimate

Source: Central Bank of Barbados

### Appendix 4-Summary of Government Operations (BDS\$Millions)

	2018/19	2019/20	2020/21	2021/22	Apr-Sep 2019	Apr-Sep 2020	Apr-Sep 2021	Apr-Sep 2022 <sup>(P)</sup>
<b>Total Revenue</b>	<b>2,993.6</b>	<b>2,984.2</b>	<b>2,563.3</b>	<b>2,823.8</b>	<b>1,454.4</b>	<b>1,252.0</b>	<b>1,307.3</b>	<b>1,561.5</b>
<b>Tax Revenue</b>	<b>2,812.4</b>	<b>2,771.2</b>	<b>2,387.8</b>	<b>2,646.1</b>	<b>1,370.4</b>	<b>1,200.5</b>	<b>1,235.4</b>	<b>1,455.9</b>
<b>i) Direct Taxes</b>	<b>1,126.9</b>	<b>1,084.7</b>	<b>1,202.9</b>	<b>1,148.2</b>	<b>583.0</b>	<b>643.8</b>	<b>567.4</b>	<b>682.4</b>
Personal	482.1	454.7	308.1	385.0	241.7	130.9	199.5	216.1
Corporate	355.5	309.0	612.9	450.5	124.1	340.2	169.3	205.9
Pandemic Levy (Individuals)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8
Pandemic Levy (Corporations)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.6
Property	161.3	214.7	181.6	205.2	171.5	132.9	152.5	162.1
Financial Institutions Asset Tax	44.6	47.4	45.6	46.2	17.2	22.1	23.5	27.1
Other	83.4	58.9	54.7	61.4	28.4	17.7	22.6	39.7
<b>ii) Indirect Taxes</b>	<b>1,685.6</b>	<b>1,686.5</b>	<b>1,185.0</b>	<b>1,497.9</b>	<b>787.4</b>	<b>556.8</b>	<b>668.0</b>	<b>773.5</b>
Stamp	10.9	11.4	7.6	13.4	6.3	3.3	4.4	9.3
VAT	940.9	966.9	706.3	884.6	471.3	324.0	396.4	482.5
Excises	271.2	250.9	154.1	212.3	114.8	68.5	89.6	79.8
Import Duties	213.8	231.6	191.9	220.6	102.8	93.4	101.0	117.1
Hotel & Restaurant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Responsibility Levy	49.4	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Other of which:	199.4	225.6	124.9	167.0	92.2	67.6	76.6	84.8
Fuel Tax	68.6	82.1	63.8	70.2	38.4	34.0	33.2	20.6
Room Rate/Shared Accommodation	10.1	28.1	9.5	25.2	11.3	3.6	5.6	18.0
<b>Non Tax Revenue &amp; Grants</b>	<b>181.2</b>	<b>213.0</b>	<b>175.4</b>	<b>177.8</b>	<b>83.9</b>	<b>51.4</b>	<b>71.9</b>	<b>105.6</b>
Non Tax Revenue of which:	161.5	201.3	169.5	159.7	73.9	47.4	66.1	78.7
Foreign Exchange Fee	74.5	79.4	65.2	78.7	39.6	28.7	36.5	45.6
Grants	0.1	11.8	0.0	5.7	10.0	0.0	0.0	20.0
Post Office - Revenue	19.6	0.0	5.9	12.3	0.0	4.0	5.8	6.9
<b>Current Expenditure</b>	<b>2,826.4</b>	<b>2,407.9</b>	<b>2,716.8</b>	<b>2,889.2</b>	<b>1,119.1</b>	<b>1,196.3</b>	<b>1,281.4</b>	<b>1,377.1</b>
Wages & Salaries	811.9	807.4	808.0	834.8	399.0	399.3	410.6	413.5
Goods & Services	356.3	375.5	399.8	493.2	145.0	153.0	187.7	234.7
Interest	384.9	249.7	342.6	398.9	122.6	175.1	163.9	245.5
External	48.0	62.7	144.1	132.4	31.9	73.5	65.4	77.9
Domestic	336.9	187.0	198.5	266.5	90.7	101.5	98.5	167.5
Transfers & Subsidies	1,273.3	975.3	1,166.3	1,162.3	452.5	468.9	519.3	483.4
Grants to Individuals	362.8	389.2	423.7	454.2	180.8	210.2	220.7	214.0
Grants to Public Institutions	814.8	517.6	657.3	631.8	235.5	224.9	261.8	235.0
Subsidies	51.8	31.8	49.7	33.6	18.6	16.8	12.2	13.2
Subscriptions & Contributions	25.7	20.3	20.3	21.9	10.1	9.8	14.9	8.0
Non-Profit Agencies	18.3	16.4	15.3	20.7	7.5	7.2	9.6	13.2
<b>Capital Expenditure &amp; Net Lending</b>	<b>197.8</b>	<b>191.8</b>	<b>276.1</b>	<b>425.2</b>	<b>39.5</b>	<b>78.4</b>	<b>154.6</b>	<b>62.2</b>
Capital Expenditure	184.9	185.1	278.3	421.6	36.5	78.7	156.7	55.6
Net Lending	12.9	6.7	-2.2	3.6	3.0	-0.3	-2.1	6.6
<b>Fiscal Balance</b>	<b>(30.5)</b>	<b>384.5</b>	<b>(429.6)</b>	<b>(490.6)</b>	<b>295.7</b>	<b>(22.7)</b>	<b>(128.8)</b>	<b>122.3</b>
<b>Primary Balance</b>	<b>354.3</b>	<b>634.2</b>	<b>(87.0)</b>	<b>(91.6)</b>	<b>418.3</b>	<b>152.4</b>	<b>35.2</b>	<b>367.8</b>
<b>Fiscal Balance to GDP (%)</b>	<b>(0.3)</b>	<b>3.6</b>	<b>(4.8)</b>	<b>(4.8)</b>	<b>2.8</b>	<b>(0.3)</b>	<b>(1.3)</b>	<b>1.0</b>

<sup>(P)</sup>-Provisional

Source: Ministry of Finance

### Appendix 5-Government Financing (BDS\$Millions)

	2018/19	2019/20	2020/21	2021/22	Apr-Sep 2019	Apr-Sep 2020	Apr-Sep 2021	Apr-Sep 2022 <sup>(p)</sup>
<b>Fiscal Balance</b>	<b>(30.50)</b>	<b>384.5</b>	<b>(429.6)</b>	<b>(490.6)</b>	<b>295.7</b>	<b>(22.7)</b>	<b>(128.8)</b>	<b>122.3</b>
Arrears Payments	(10.0)	(208.3)	(61.9)	(41.1)	(133.3)	(61.9)	(29.9)	(20.9)
<b>Financing</b>	<b>40.5</b>	<b>(176.2)</b>	<b>491.5</b>	<b>531.7</b>	<b>(162.4)</b>	<b>84.6</b>	<b>158.7</b>	<b>(101.4)</b>
<b>Domestic Financing (Net)</b>	<b>(274.9)</b>	<b>(274.9)</b>	<b>(340.1)</b>	<b>107.0</b>	<b>(129.60)</b>	<b>(219.9)</b>	<b>(43.0)</b>	<b>(203.9)</b>
Central Bank	(166.4)	164.7	(66.6)	331.6	175.6	(43.0)	230.5	99.1
Commercial Banks	82.8	(86.3)	106.6	(24.5)	(62.2)	115.0	(20.0)	136.9
National Insurance Board	8.9	(85.2)	(207.9)	15.3	(42.6)	(41.1)	16.7	(147.3)
Private Non-Bank	(119.6)	(217.7)	(34.9)	(47.1)	(104.8)	(54.5)	8.2	(68.7)
Other	(80.5)	(50.4)	(137.3)	(168.3)	(95.6)	(196.3)	(278.5)	(223.9)
<b>Foreign Financing (Net)</b>	<b>315.4</b>	<b>98.7</b>	<b>831.6</b>	<b>424.7</b>	<b>(32.8)</b>	<b>304.5</b>	<b>201.7</b>	<b>102.5</b>
Capital Markets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	146.5
Project Funds	57.1	64.1	51.2	91.4	16.9	21.2	17.9	9.5
Policy Loans	350.0	150.0	968.1	496.6	0.0	341.3	249.1	46.1
Amortisation	(91.7)	(115.4)	(187.7)	(163.3)	(49.7)	(58.0)	(65.4)	(99.6)

<sup>(p)</sup>Provisional

Source: Central Bank of Barbados

### Appendix 6-Public Debt Outstanding (BDS\$Millions)

	2018	2019	2020	2021	Sep 2019	Sep 2020	Sep 2021	Sep 2022
<b>Gross Central Government Debt<sup>1</sup></b>	<b>12,754.5</b>	<b>12,426.4</b>	<b>12,761.2</b>	<b>13,310.7</b>	<b>12,565.0</b>	<b>12,426.3</b>	<b>13,047.9</b>	<b>13,767.7</b>
Domestic Debt	9,555.6	9,336.3	8,786.7	8,826.2	9,289.4	9,024.8	8,845.0	9,070.6
Central Bank <sup>2</sup>	703.8	814.1	757.0	811.5	740.9	806.8	827.9	963.8
Commercial Banks	2,340.2	2,355.2	2,340.4	2,343.7	2,359.4	2,345.4	2,334.2	2,494.1
National Insurance	2,938.4	2,880.0	2,690.6	2,666.1	2,901.3	2,817.6	2,666.9	2,518.1
Insurance Companies	1,114.6	807.5	816.3	828.6	1,118.4	820.5	846.7	819.0
Other	2,150.3	2,312.9	2,140.9	2,142.1	1,989.9	2,154.1	2,134.7	2,038.3
Domestic Arrears	308.2	166.7	41.4	34.3	179.6	80.5	34.6	237.3
External Debt	3,198.9	3,090.0	3,974.5	4,484.4	3,275.6	3,401.5	4,203.0	4,697.1
International Financial Institutions	1,379.5	1,445.5	2,407.8	2,905.1	1,302.8	1,776.2	2,622.6	3,036.1
Bonds	1,142.8	1,126.2	1,067.3	1,062.3	1,130.0	1,127.3	1,062.3	1,062.2
PPP	237.0	228.8	255.0	225.7	228.8	262.3	233.1	204.2
Bilateral	211.5	222.6	244.4	291.3	197.3	235.8	284.9	394.6
External Arrears	228.1	67.0	-	-	416.6	-	-	-
<b>Other Public Sector Debt</b>	<b>94.3</b>	<b>72.3</b>	<b>53.5</b>	<b>47.5</b>	<b>97.9</b>	<b>54.9</b>	<b>49.0</b>	<b>41.0</b>
Foreign Debt	94.3	66.4	53.5	47.5	89.8	54.9	49.0	41.0
Other Public Sector Arrears	-	6.0	-	-	8.1	-	-	-
<b>Gross Public Sector Debt<sup>3</sup></b>	<b>12,848.9</b>	<b>12,498.7</b>	<b>12,814.7</b>	<b>13,358.2</b>	<b>12,662.9</b>	<b>12,481.2</b>	<b>13,096.9</b>	<b>13,808.7</b>
<b>Central Government Financial Assets</b>	<b>795.0</b>	<b>739.6</b>	<b>912.3</b>	<b>517.6</b>	<b>588.0</b>	<b>512.9</b>	<b>344.2</b>	<b>295.1</b>
Central Bank	389.4	311.4	801.9	389.4	184.7	404.5	218.6	124.4
Commercial Banks	174.6	248.4	95.5	112.0	214.4	93.5	110.7	139.3
Sinking Funds	231.0	179.7	14.9	16.2	188.9	14.9	14.9	31.3
<b>Other Public Sector Financial Assets</b>	<b>221.6</b>	<b>392.6</b>	<b>426.0</b>	<b>473.8</b>	<b>339.7</b>	<b>498.1</b>	<b>494.8</b>	<b>452.2</b>
Public Corporations' Deposits	221.6	392.6	426.0	473.8	339.7	498.1	494.8	452.2
Gross Public Sector Debt/GDP (%)	126.0	117.4	137.2	137.9	120.3	127.7	139.5	126.6
Gross Central Government Debt/GDP (%)	125.1	116.7	136.6	137.4	119.4	127.2	139.0	126.3
External Debt/GDP (%)	33.6	29.6	42.5	46.3	32.0	34.8	44.8	43.1
Net Central Government <sup>4</sup> /GDP (%)	117.3	109.8	126.8	132.1	113.8	121.9	135.4	123.6

<sup>(P)</sup> Provisional

<sup>1</sup> Gross Central Government Debt = Domestic Debt + External Debt+ Domestic and External Arrears

<sup>2</sup> Comprises Treasury Bills, Debentures and Ways & Means Account Balance

<sup>3</sup> Gross Public Sector Debt = Gross Central Government Debt + Other Public Sector Debt +Arrears

<sup>4</sup> Net Central Government Debt = Gross Central Government Debt - Central Government Financial Assets

n.a.- Not Available

### Appendix 7-Select Monetary Aggregates and Financial Stability Indicators for the Banking System (BDS\$Millions)

	2018	2019	2020	2021	Sep 2018	Sep 2019	Sep 2020	Sep 2021	Sep 2022 <sup>(p)</sup>
<b>Monetary Authorities</b>									
Net International Reserves	832.5	1,130.8	2,195.0	2,594.6	453.3	970.7	1,567.2	2,380.1	2,344.6
Monetary base	2,659.0	2,938.8	3,551.8	4,132.8	2,598.1	2,896.0	3,444.0	4,151.3	4,432.8
Net Domestic Assets	1,788.8	1,761.6	1,296.2	1,479.0	2,105.2	1,879.9	1,815.2	1,703.1	2,031.9
<b>Deposit-taking Institutions<sup>1</sup></b>									
Credit to Public Sector									
Central Government (net)	1,896.4	1,886.7	2,056.5	2,100.1	2,166.0	1,887.9	2,051.4	2,083.4	2,121.0
Rest of the Public Sector	107.9	65.0	85.3	144.5	300.7	58.5	60.5	140.9	140.5
Credit to Rest of Financial System	274.5	255.7	262.8	246.3	269.4	279.0	258.6	255.8	231.6
Credit to the Non-Financial Private Sector	8,179.1	8,254.4	8,153.7	8,096.8	8,181.1	8,150.3	8,160.2	8,066.4	8,099.1
Total Deposits	11,967.1	12,284.6	12,976.2	13,697.0	11,881.2	12,186.8	12,701.7	13,631.2	14,112.5
Transferable Deposits <sup>4</sup>	9,844.5	10,394.3	11,178.9	11,855.8	9,704.1	10,193.2	10,910.4	11,811.8	12,343.6
Non-Transferable Deposits	2,122.6	1,890.3	1,797.3	1,841.1	2,177.1	1,993.6	1,791.3	1,819.4	1,768.8
<b>Memo Items</b>									
Domestic Currency Deposits	11,365.1	10,337.2	12,283.2	12,809.9	11,250.9	11,559.8	12,051.7	12,720.1	13,049.7
Foreign Currency Deposits	602.0	576.2	693.0	887.0	630.3	627.0	650.0	911.1	1,062.7
<b>Banking System Financial Stability Indicators<sup>5</sup></b>									
Capital Adequacy Ratio (CAR)	13.8	13.5	16.0	16.8	15.8	13.1	15.9	16.1	17.8
Loan to Deposit Ratio	63.0	61.7	57.1	53.0	66.7	61.3	58.7	53.2	50.9
Liquid Assets to Total Assets	21.4	23.1	25.2	28.4	19.5	23.2	23.9	29.1	29.6
Non-Performing Loans Ratio	7.4	6.6	7.3	7.4	11.2	7.1	7.2	7.5	6.6
Provisions to Non-Performing Loans	67.3	59.4	62.0	59.6	51.5	56.0	66.0	59.9	59.1
Return on Average Assets (12-month)	(0.2)	0.6	0.8	1.1	1.1	(0.8)	0.9	1.1	1.1

<sup>(p)</sup> – Provisional<sup>1</sup> Comprises Commercial Banks, deposit-taking Finance & Trust Companies and Credit Unions<sup>2</sup> Reflects both security holdings and loans.<sup>3</sup> Does not include credit to the non-resident sector<sup>4</sup> These comprise of call deposits, demand deposits and savings deposits with unrestricted withdrawal privileges<sup>5</sup> Data on commercial banking sector

Source: Central Bank of Barbados