Press Release

Review of Barbados' Economic Performance:

January to December 2023

Resilience and Growth in the Face of Challenges:
Barbados' Economic Performance and Strategic Outlook

Overview

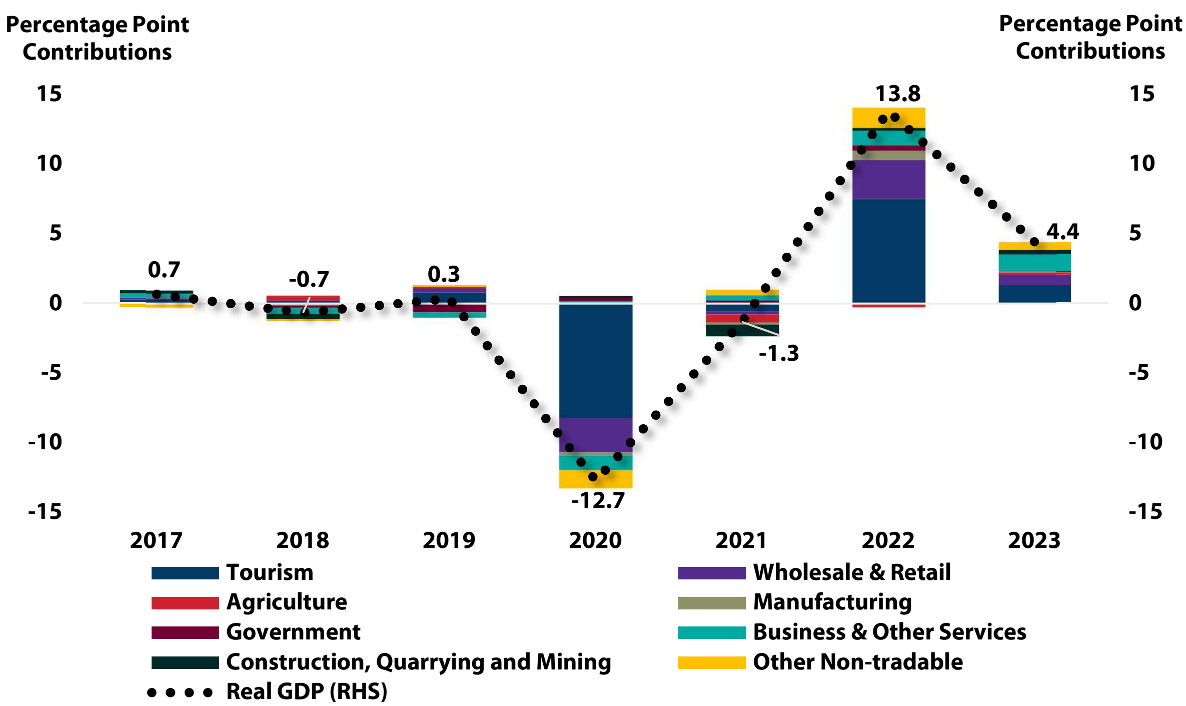
KEY INDICATORS: January to December 2023

Real GDP Growth 4.4 percent	**Inflation** 5.2 percent	**Unemployment** 8.3 percent	**International Reserves** $3 billion
Current Account -$1,026.2 million	**Primary Surplus (FY)** $493.9 million (3.8 percent of GDP)	**Fiscal Balance (FY)** -$9.1 million (-0.1 percent of GDP)	**Gross Public Sector Debt** 115.5 percent of GDP

Despite facing global and local headwinds, the Barbados economy sustained its growth trajectory, driven by the robust performance of the tourism sector. Amidst challenges such as elevated foreign interest rates, geopolitical tensions, and local climatic events affecting agricultural output and local prices, the Barbadian economy demonstrated resilience and continued its upward growth path in 2023. Anchored by thriving tourism, the economy registered an estimated growth of 4.4 percent. This robust expansion not only bolstered transaction-based tax revenues but also contributed significantly to reducing the debt-to-GDP ratio, narrowing the external current account deficit, and enhancing the profitability of the financial sector.

Figure 1: Real GDP Growth and Sectoral Contributions

January - December



Sources: Central Bank of Barbados Estimates (2023) and Barbados Statistical Service

Tourism continued to be the major driver of the economic expansion. The sector's strong performance in its second year of recovery since the COVID-19 pandemic has been bolstered by increased airlift capacity, intensified promotional initiatives in key source markets, high-profile cricket events, and the vibrant revival of the Crop-Over festivities. The sustained growth in tourism has been a catalyst for expansion in the non-traded sectors, particularly energising construction, wholesale & retail, and the business & other services sectors, underscoring the interconnectedness of the economy.

Barbados' external position continued to strengthen during the review period. The current account narrowed by $224.5 million to a reduced deficit of $1,026.2 million, primarily fuelled by a surge in tourism receipts and a decrease in the value of imports. Additionally, the country's foreign reserves benefitted from the inflow of policy-based loans. These positive developments collectively elevated the gross international reserves by $227.2 million, amounting to $2,997.4 million at end December 2023, equivalent to 31.6 weeks of imports of goods and services. This performance marks the second-largest end-of-year reserve position on record, and is another indicator of Barbados' enduring economic resilience.

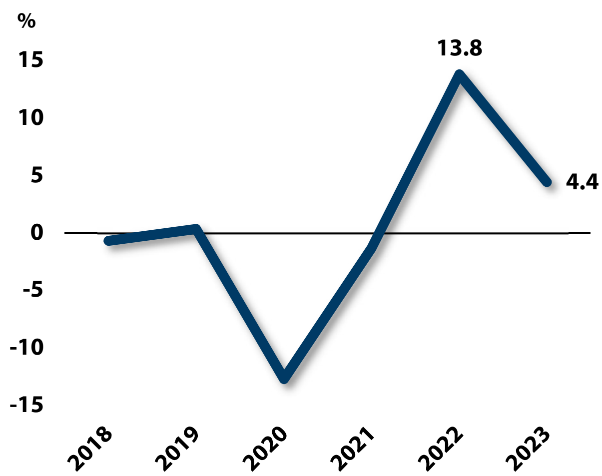
Government effectively balanced its fiscal challenges, achieving its primary surplus target and maintaining a minimal overall deficit. In the face of challenges such as the cessation of the pandemic levy and shifts in the timing of corporation tax collections, Government navigated the fiscal landscape. Enhanced domestic economic activity bolstered transaction-based taxes, effectively mitigating revenue losses. Despite rising interest costs, wages & salaries, and grants to public institutions contributing to increased spending, Government achieved a primary surplus of $493.9 million, equivalent to 3.8 percent of GDP. This not only surpassed the target of $378 million, thus helping to reduce Government's financing requirements, but also resulted in a small overall fiscal deficit of just $9.1 million, or 0.1 percent of GDP.

The debt-to-GDP ratio remains sustainable on its downward trajectory. The ratio fell to 115.5 percent, from 120.3 percent in 2022, in tandem with the rise in economic activity. The period also realised an increase in the uptake of domestic securities and the acquisition of additional policy-related loans from multilateral institutions that pushed up the debt stock. Moreover, the interest-to-revenue ratio rose slightly, influenced in part by the global increase in interest rates.

Financial sector conditions remained stable. The robust economic growth positively influenced the financial sector's performance, enabling higher private sector credit to households and businesses, along with a continued decrease in non-performing loans (NPLs). Despite a slowdown in deposit growth at the end of the year, primarily due to higher drawdowns to facilitate loan repayments, travel by households, and larger holdings of Government securities by individuals and businesses, liquidity in the banking sector remained high. Furthermore, the steady enhancement of capital adequacy ratios and bank profitability underscored the resilience and robustness of the financial system.

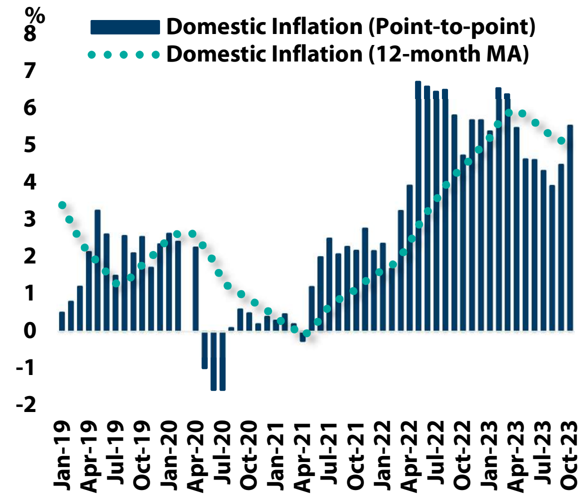
Figure 2: Selected Economic Indicators

Cumulative Real GDP Growth
January - December



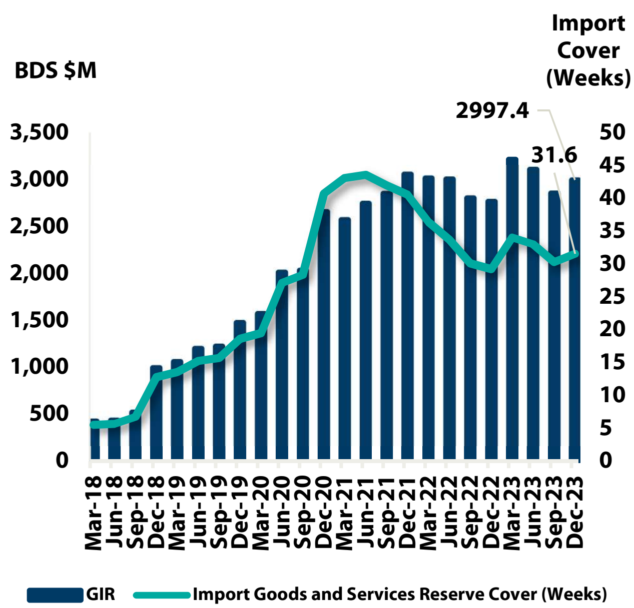
Sources: Central Bank of Barbados and Barbados Statistical Service

Domestic Inflation[1]



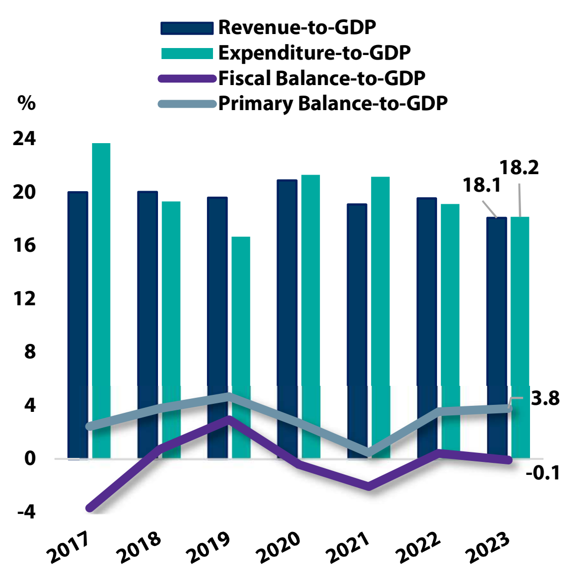
Source: Barbados Statistical Service

Gross International Reserves (GIR) & Import Cover



Source: Central Bank of Barbados

Fiscal Indicators
April - December



Source: Ministry of Finance

[1] The monthly inflation series was revised by the Barbados Statistical Service from February 2019 to July 2023.

Economic Activity

Broad-based increases in output across all sectors fed economic growth, despite higher inflationary pressures. Tourism activity fuelled a significant 4.4 percent expansion in the economy, with the traded sectors experiencing growth of 8.7 percent. This growth positively cascaded into the non-traded sectors, notably boosting construction, wholesale & retail trade, and business & other services. However, data up to October 2023 showed an increase in the inflation rate relative to 2022, mainly reflecting local adverse weather events and rising local demand.

Tourism

Tourism flourished in 2023, boosted by strategic marketing and event resurgence. Arrivals increased by nearly 18 percent in 2023 compared to 2022, marking a continuation of the recovery trend that began in 2021. This positive development is a direct result of enhanced promotion, improved airlift from key source markets, and the staging of signature cultural and sporting events. The year was marked by the full return of the Crop Over festival, cricket matches, and a variety of entertainment activities, all of which played a pivotal role in attracting tourists and revitalising the industry. All the major source markets registered notable increases, highlighting a continued recovery trajectory. This upswing is particularly encouraging when compared with 2022, as it underscores the sector's resilience and the growing global confidence in travel to Barbados. For instance, CARICOM arrivals exhibited extraordinary growth of over 51 percent in 2023 compared to the previous year, demonstrating the strengthening of intra-regional travel with seating capacity increasing by 60 percent. Similarly, significant increases in tourists from Canada and the United States contributed to the 636,540 visitors to the island.

While the 2023 performance is strong, the comparison to the pre-COVID average (2017-2019) presents a mixed picture. The UK market stands out with an 8.7 percent increase over the pre-COVID average, a testament to its robust recovery and enduring popularity. However, other markets like the United States, Canada, and Europe, though showing remarkable improvement from 2022, are still catching up to their pre-pandemic levels. The recovery in these markets is still facing challenges, primarily due to high airline prices and limited airline capacity. These factors continue to be a constraint, impacting the pace at which these markets can rebound to their full potential. Continued collaboration with airlines and stakeholders is a priority to mitigate the impact of high travel costs and capacity constraints.

Cruise arrivals recovered in the fourth quarter after a summer hiatus. By the end of 2023, in-transit arrivals totalled 441,677, representing a 76.3 percent increase relative to 2022. Additional visits by cruise carriers, coupled with new homeporting arrangements boosted the industry. The resumption in cruise business spurred activity in the ancillary sectors such as transport and tourist attractions.

Table 1: Tourism Arrivals by Source Market
January – December

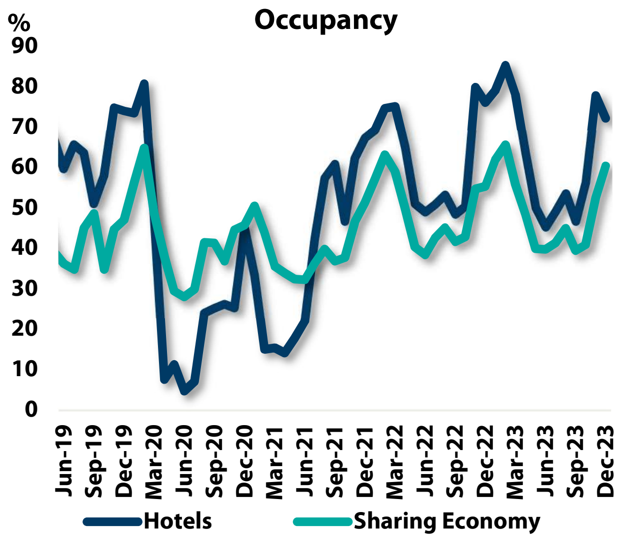
MAJOR MARKETS	2018	2019	2020	2021	2022	2023	Absolute Change (2022/23)	2023 as % 2017-19 Arrivals
UNITED STATES	204,274	219,182	43,222	44,804	148,326	176,614	28,288	86.6
CANADA	86,600	85,775	32,932	17,316	55,759	77,140	21,381	89.9
UNITED KINGDOM	221,167	234,659	63,923	53,639	234,510	243,857	9,347	108.7
EUROPE	38,552	40,053	18,022	8,959	26,606	28,306	1,700	71.5
CARICOM	103,051	107,210	22,390	13,908	58,435	88,524	30,089	84.8
OTHER	25,834	26,067	14,613	6,207	16,110	22,099	5,989	84.0
TOTAL ARRIVALS	**679,478**	**712,946**	**195,102**	**144,833**	**539,746**	**636,540**	**96,794**	**93.0**
Intransit Arrivals	675,789	686,813	250,569	71,953	250,527	441,677	191,150	64.8
Total Cruise Calls	436	422	223	147	319	376	57	74.3

Source: Barbados Statistical Service

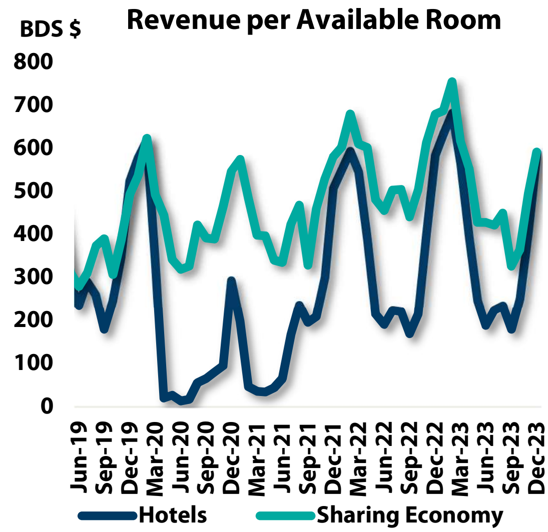
Increased tourism activity drove up demand for hotel accommodations, while interest for the entire place[2] in the sharing economy eased in the last quarter. In 2023, average hotel occupancy rates and revenues per available room (RevPar) grew by 1.9 percent and 6.9 percent respectively relative to 2022. At the end of 2023, average occupancy rates in the sharing economy for the entire place remained on par with 2022 levels while hotel comparable[3] options in the sharing economy experienced a significant 5 percent year-on-year increase.

[2] The sharing economy relates to activities generated by agents who buy or rent commodities and services through a digital platform. In the context of tourism accommodation, the term refers to agents who use platforms such as Airbnb and Vrbo to advertise availability of rooms for short-term accommodation. An entire place usually includes a bedroom, a bathroom, and a kitchen and exclusive access to the entire property during the stay.
[3] "Hotel comparable" in the context of the sharing economy refers to accommodations listed on the platform that are similar in style, amenities, or features to traditional hotel rooms.

Figure 3: Tourism Accommodation Indicators



Sources: Smith Travel Research and AirDNA



Sources: Smith Travel Research and AirDNA

Global Business Sector

Barbados continues to attract more global business. A total of 2,519 foreign currency permits were issued during 2023, some 219 more than in 2022. Greater activity within the sector also generated a 5.7 percent expansion in the average earnings of employees by the end of the period.

Other Traded Activity

Despite challenges in meat and dairy production, robust food crop production spurred overall agricultural output. By the end of 2023, food crop production increased by 20.7 percent compared to 2022. Increases in bananas, chives, thyme, plantain, and cassava drove the overall expansion. On the other hand, milk, chicken, and other meat production suffered from the extreme heat during the summer months and inconsistent feed quality. The high temperatures disrupted lactation and breeding cycles, resulting in a 5 percent contraction in milk production. Chicken output fell by 0.7 percent owing to a combination of the hot weather conditions and inconsistent feed quality, while other meat production contracted by 4.3 percent. The influx of sargassum seaweed and historical overfishing contributed to a falloff in fish landings during the period. Overall, higher food crop production outweighed the decline in meat production, culminating in 1.1 percent growth in the agricultural sector.

Overall manufacturing output expanded despite a significant decline in the non-metallic minerals category. The export market for rum experienced a notable upswing which contributed substantially to overall beverages production. Concurrently, a surge in tourism activity and an increase in local entertainment events boosted domestic demand for locally-made food and beverages. As a result, food output and beverages production grew by 2.6 percent and 3.5 percent respectively relative to 2022. Chemicals production also increased, expanding by 1.4 percent due to the overall rise in economic activity. However, the discontinuation of the local production of clinker (an essential element in cement production) earlier in the year, resulted in a decline in the output of other non-metallic mineral products. Consequently, overall manufacturing sectoral output was constrained to a growth rate just 1.0 percent relative to 2022.

Non-traded Activity

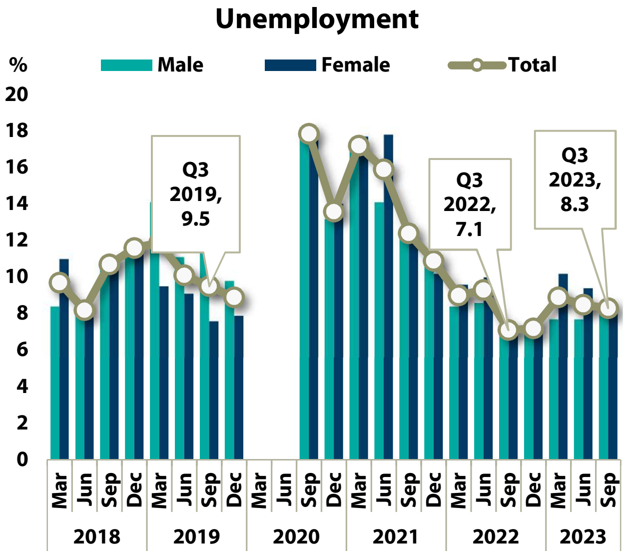
Tourism activity propelled growth in the non-traded sectors. Over the year, increased tourism activity spurred a 4.9 percent growth in the wholesale & retail sector and a 3.5 percent rise in the business & other services sector. The higher energy consumption by commercial and industrial service users resulted in a 3.5 percent increase in electricity, gas & water production, with renewable energy generation growing by over 27 percent. Construction activity received a boost from ongoing projects like the Wyndham Grand Barbados Sam Lord's Castle, Indigo, the Crane Resort, Apes Hill Villas, the Geriatric Hospital, and various public sector water and road work projects.

Labour Market

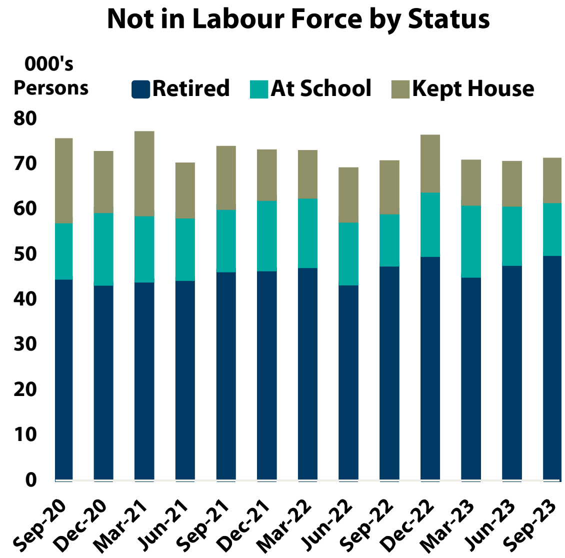
Despite a slight rise in unemployment, job growth in key sectors indicate a resilient labour market. A 2,300 increase in the number of retirees, contributed to a slight adjustment in the labour force decreasing by about 3,500 persons at the end of September 2023. This shift, along with an increase in unemployed individuals in agriculture as well as administrative & other services, resulted in the unemployment rate reaching 8.3 percent at the end of the period, up from 7.1 percent recorded a year earlier. Despite the slight increase in job losses by the end of the third quarter, the unemployment rate remained below the historical average of 10.3 percent from 2001 to 2023. Moreover, positive job growth occurred in sectors such as wholesale & retail trade, manufacturing, and utilities, with many individuals securing jobs within one to three months.

Unemployment claims in 2023 increased relative to 2022, driven by the severance of workers under the national clean-up programme, the restructuring of the Arawak Cement Plant, and those displaced by the divestment of the BAMC. Despite these developments, jobless claims remained on average, below pre-pandemic levels.

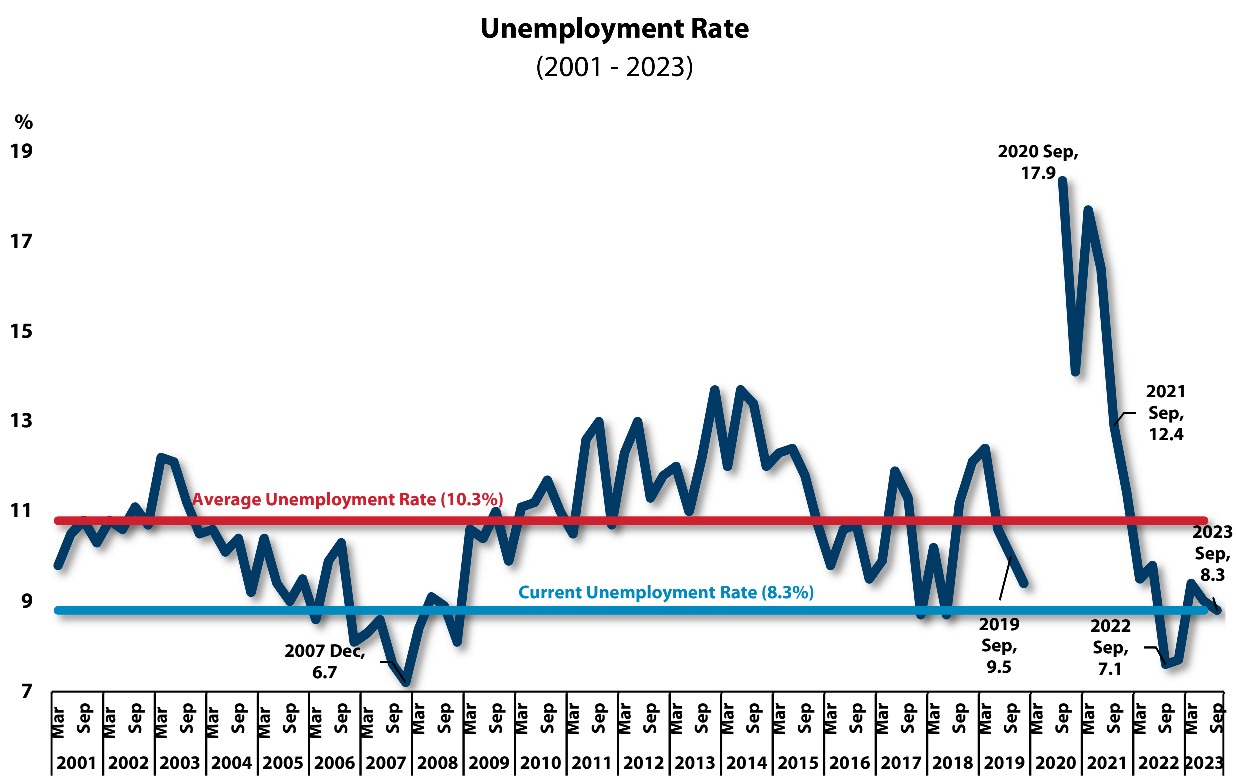
Figure 4: Selected Labour Market Indicators



Source: Barbados Statistical Service

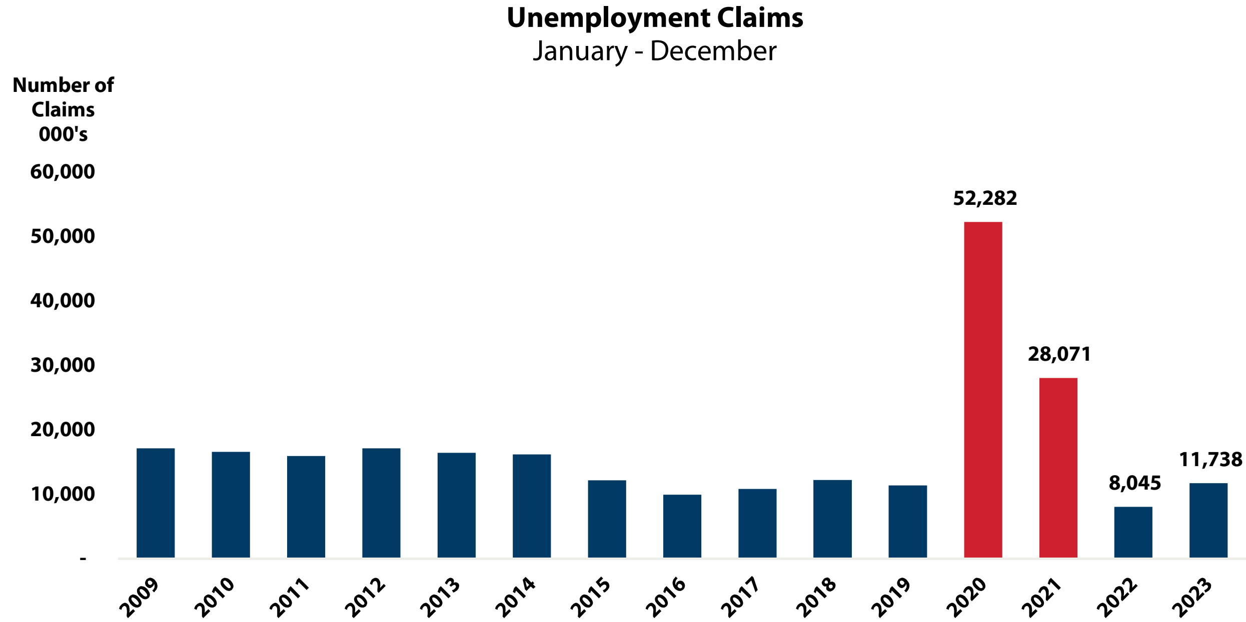


Source: Barbados Statistical Service



Source: Barbados Statistical Service

Figure 5: Selected Labour Market Indicators (Continued)



Source: National Insurance Scheme

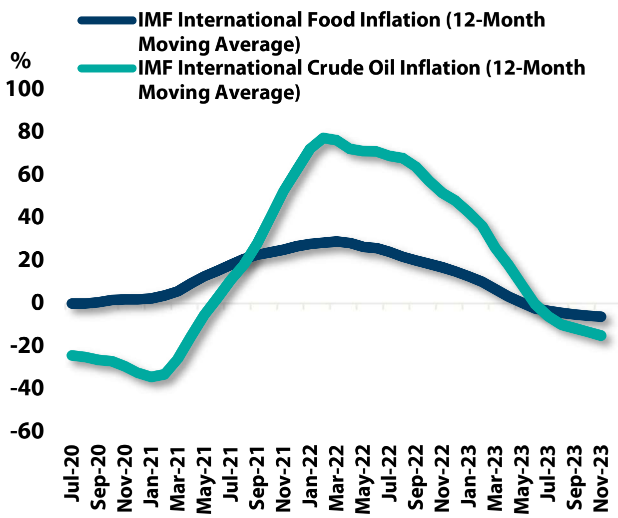
Prices

Domestic factors primarily contributed to the rise in inflation rates, despite easing external price pressures. By the end of October 2023, the 12-month moving average inflation rate increased to 5.2 percent, from 4.4 percent in the previous year. The modest price hike during the period resulted from higher domestic demand for dining, alcoholic beverages, clothing, and household furnishings. While easing international food prices slightly reduced domestic food inflation, adverse local weather conditions curtailed the supply of certain crops, such as cucumbers, yams, okras, sweet peppers, beets, and carrots. This limited supply disruption restrained the overall decline in food prices. In contrast, the electricity and gas sub-indices experienced an average decrease, despite a rise in global oil prices amid OPEC+ countries' production cuts in the third quarter. Additionally, shipping and freighting costs saw an increase towards the year's end, driven by rerouting expenses due to Panama Canal congestion and geopolitical conflicts in the Middle East.

Figure 6: Domestic and International Price Developments

International Commodity Prices

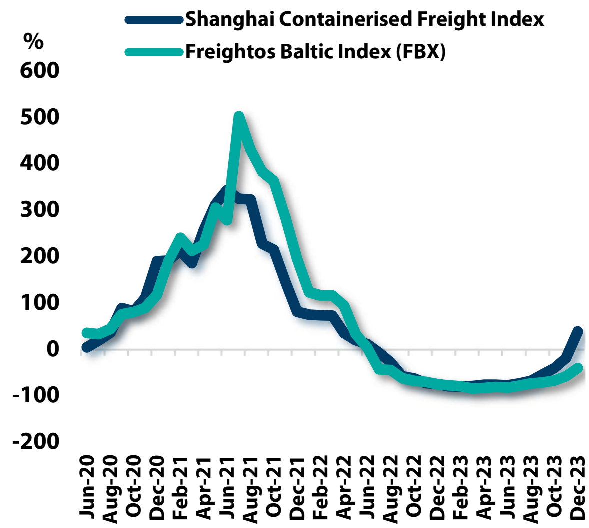
(y-o-y % change)



Source: International Monetary Fund

Freight Costs

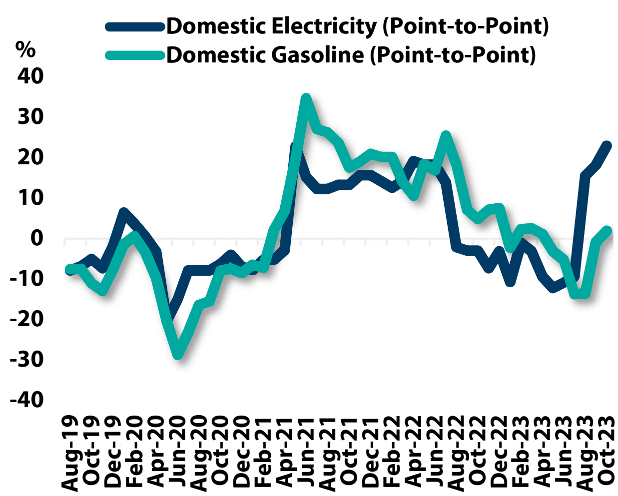
(y-o-y % change)



Sources: MacroMicro and Freightos

Domestic Electricity and Gasoline

(y-o-y % change)

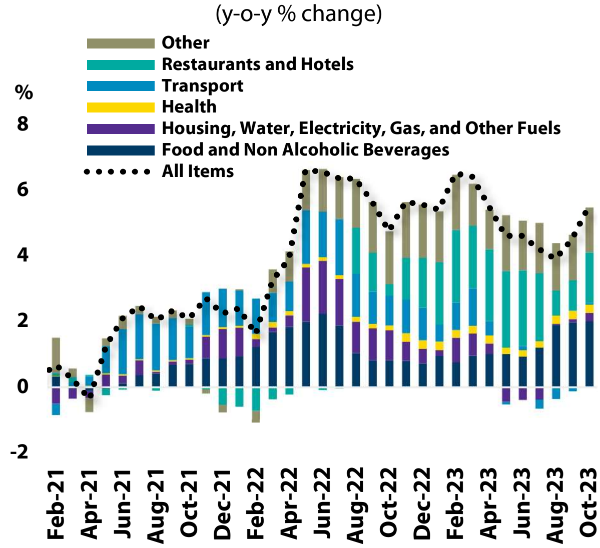


Source: Barbados Statistical Service

Domestic Inflation

Selected Categories

(y-o-y % change)



Source: Barbados Statistical Service

Barbados' Updated Retail Price Index: Reflecting Changing Consumption and Driving Development

In 2022, the world confronted unprecedented inflation rates, the highest in several decades. This inflationary period, fuelled by supply chain disruptions, logistic challenges, and rising interest costs, significantly increased the volatility of prices, thereby escalating costs for businesses and consumers alike. This scenario highlights the critical need for effective tracking and measurement of inflation.

Responding to this need, the Barbados Statistical Service (BSS) launched a revised Retail Price Index (RPI) series in January 2023, adopting July 2018 as the new base period. This shift in the base period from 2001 to 2018 enhances the precision in reflecting current consumer price level changes by incorporating more recent consumption pattern changes.

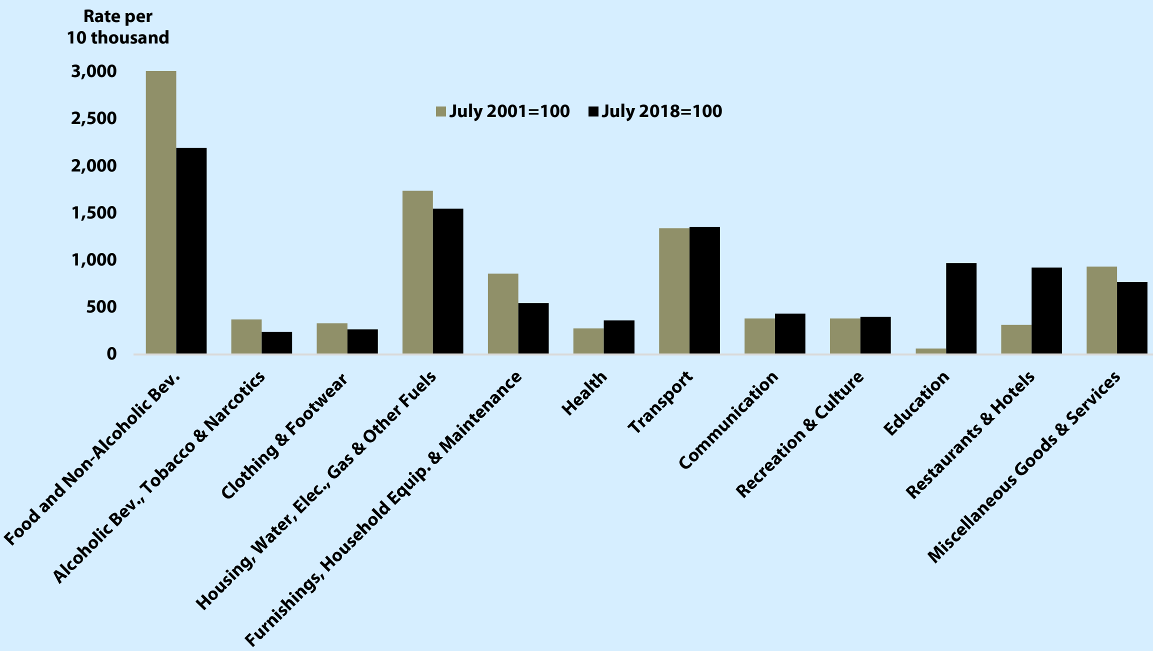
For the updated RPI, the BSS employed a revised basket of goods and services, collecting price quotations from a representative sample of outlets across the island. The selection of items and outlets for this revised basket drew on data from the latest Survey of Living Conditions (SLC) conducted in 2016-2017. The index weights combine average expenditure shares from the 1998 Household Budget Survey (HBS) and the SLC, aiming to mitigate the impact of temporary measures during the SLC enumeration. This revision introduced new groupings and refined existing ones to enhance the RPI's accuracy in measuring the current cost of living in the consumer market.

Over the past two decades, Barbados has experienced significant shifts in consumption patterns, mirroring its economic and social progression. Notable improvements in human development since 2001 are evident, with increases in average life expectancy, educational attainment, and a higher standard of living as indicated by the gross national income per capita. According to Engel's Law, as income and expenditure rise, the proportion of income spent on food decreases, even though absolute food expenditure increases. In Barbados, the proportion of food and non-alcoholic beverages in the consumer basket has decreased by 8 percent compared to the 2001 average. Additionally, development levels also influence service demand preferences. Healthcare spending responsiveness to income changes varies with the country's income level (Farag et al., 2012)[1]. Notably, expenditure on education, recreational & cultural activities, and restaurants & hotels (influenced primarily by dining and lunch services) now constitute larger portions of the average consumer basket.

Increased spending on education, can foster national development if it leads to a more skilled workforce earning higher incomes. However, the growing share of health expenditure in the overall consumption budget may indicate increased spending due to rising cases of non-communicable diseases among Barbados' aging population, presenting lasting budget implications.

[1] Farag, M., Nandakumar, A., Wallack, S., Hodgkin, D., Gaumer, G., & Erbil, C. (2012). The Income Elasticity of Health Care Spending in Developing and Developed Countries. International Journal of Health Care Finance and Economics, 12, 145-162.

Figure 1: Retail Price Index Major Component Weights
July 2001=100 vs. July 2018=100

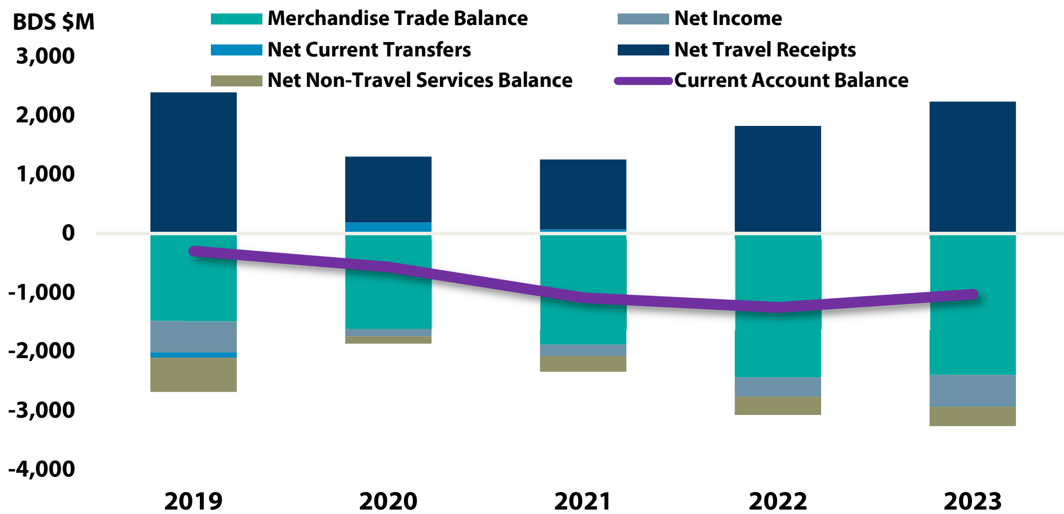


Source: Barbados Statistical Service

External Position

Barbados' current account strengthened due to a rise in tourism earnings and savings on the import bill. The current account position improved by $224.5 million over the previous year, reducing the deficit to $1,026.2 million. This outcome was facilitated by higher tourism receipts and lower import values, contributing to a more favourable external current account position. Despite this progress, an increase in dividend outflows to external investors slightly offset these gains.

Figure 7: Current Account Balances
January – December

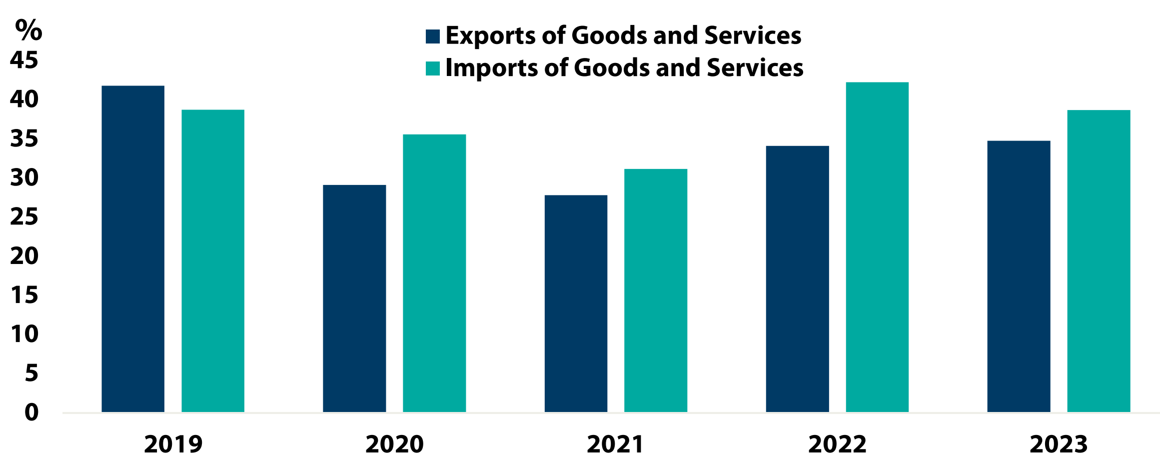


Source: Central Bank of Barbados

Merchandise Trade Developments

Savings from reduced global energy and food prices improved the merchandise trade balance. In 2023, the balance improved by $37.4 million compared to 2022, marking a 1.5 percent enhancement. The value of total imports fell by 1.9 percent. Lower imports of fuel, chemicals, and some building materials compensated for higher outlays on food & beverages, motor vehicles, and machinery imports. Despite a boost in rum exports driven by increased bulk rum sales, total domestic exports experienced a 5.6 percent decline. This decrease was primarily due to the contraction in construction materials exports, as a major local producer stopped clinker production, and a reduction in fuel exports also contributed to the overall drop in domestic exports.

Figure 8: Exports and Imports of Goods and Services (percent of GDP)
January – December



Source: Central Bank of Barbados

Travel and Other Services

Robust visitor spending and higher prices significantly increased tourism inflows, impacting the services account surplus. Heightened visitor spending and elevated average prices propelled a $450.7 million increase in tourism inflows compared to the previous year, marking the largest rise in travel credits since 2007, excluding the post-COVID surge in 2022. The rise in tourism earnings significantly boosted the surplus on the services account. However, growing demand for professional, transportation, and insurance services from non-residents slightly reduced this surplus.

Income and Current Transfers

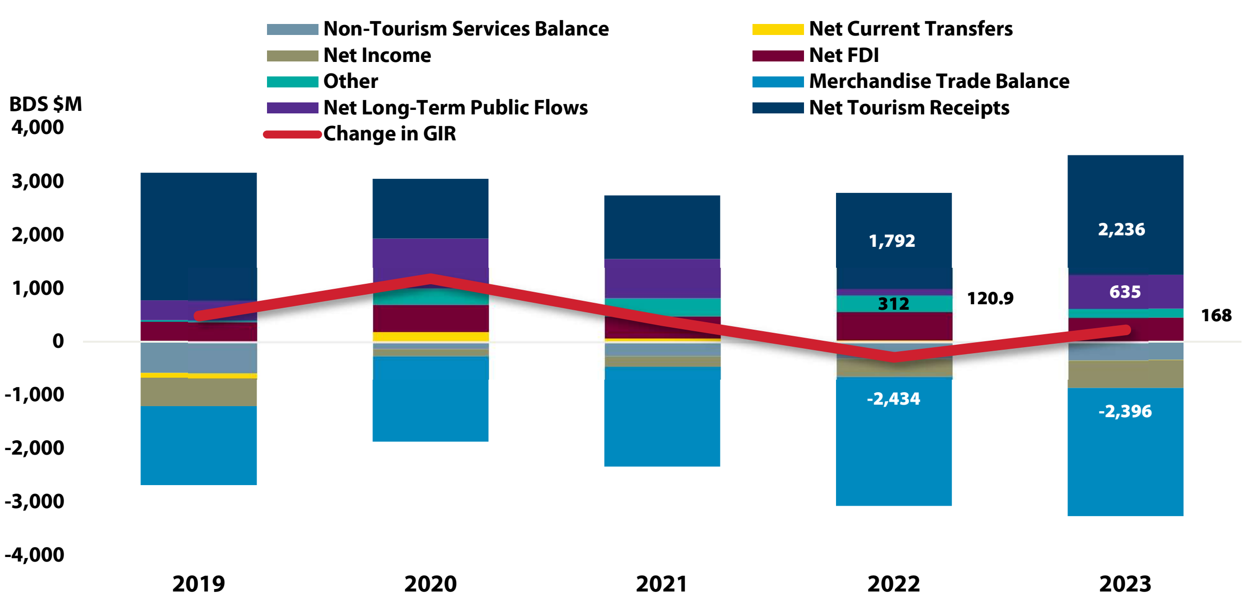
Income outflows increased because of higher dividend payments and foreign interest obligations to non-residents. In the context of the sustained economic upturn, the corporate sector recorded increased profitability, leading to higher dividend outflows. The global uptick in interest rates, alongside higher external debt, resulted in elevated foreign interest payments. Although commercial banks benefitted more from foreign deposits due to these higher rates, this has not completely offset the rise in net income outflows. Additionally, there was a decrease in current transfers, mainly due to lower corporate tax receipts from the global business sector, following higher prepayments in 2022.

International Reserves

Gross international reserves surged in 2023, bolstered by improved tourism earnings and funding from International financial institutions. In 2023, gross international reserves rose by $227.2 million, culminating in a robust year-end balance of $2,997.4 million. This level represents a substantial 31.6 weeks of import cover. Key drivers of this reserve accumulation include a significant rise in net tourism receipts and notable disbursements from multilateral development partners to the public sector.

Figure 9: Explanation of Reserve Movements

January – December



Source: Central Bank of Barbados

Fiscal Operations

Higher transaction-based tax receipts coupled with prudent non-interest spending helped Government achieve the primary surplus target. The termination of the pandemic levy on individuals and companies, combined with a change in corporation tax receipt timings, led to a $84.2 million reduction in direct taxes. In line with the provisions of the 2022 Budget Speech, the exemption of properties valued up to $300,000 decreased property taxes by $6.9 million. However, an increase in transaction-based taxes, notably VAT and import duties, partially compensated for the direct tax decline. Rising international interest rates and the step-up rate feature of domestic restructured debt continued to boost expenditure. Additionally, increases in wages & salaries, as well as grants to public institutions played a significant role in sustaining expenditures. This fiscal performance culminated in a $9.1 million deficit, equating to -0.1 percent of GDP, while achieving a primary surplus of $493.9 million, or 3.8 percent of GDP.

Revenue

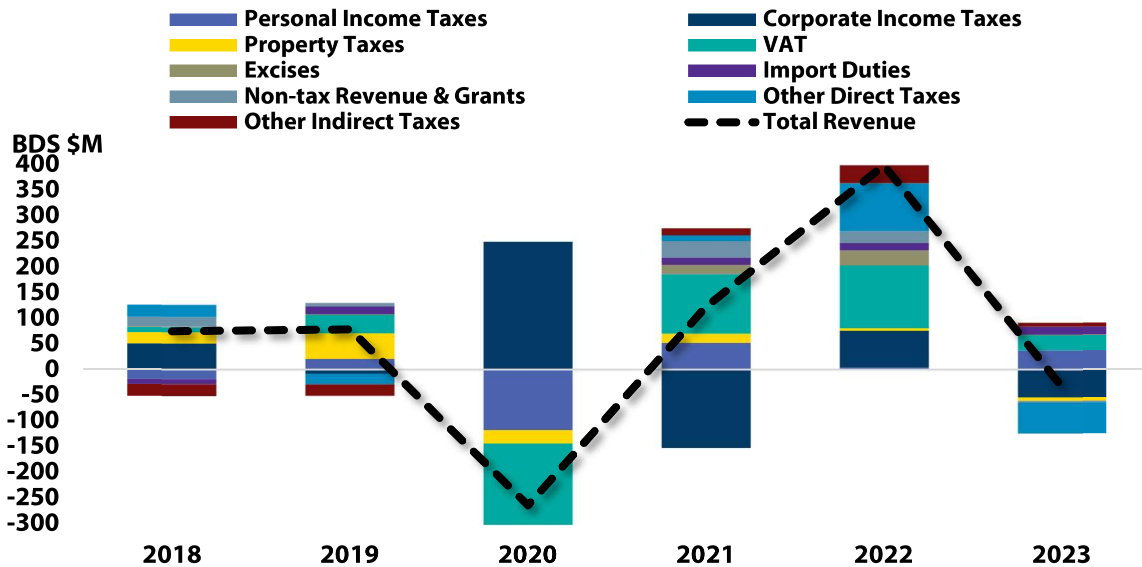
Direct taxes declined mainly due to the discontinuation of the pandemic levy and a change in the timing of corporation tax collections. The cessation of the pandemic levy resulted in a $60.8 million drop in collections at the end of the December 2023.[4] Corporate income taxes contracted by $54.3 million, as entities that would have settled their corporation taxes in June 2023, were required to prepay more in the third quarter (October – December) of the previous year.[5] The decline of $6.9 million in property taxes resulted from the implementation of an exemption on the first $300,000 of property values. Conversely, personal income taxes grew by $37.2 million, as the category benefitted from rising compensation levels.

Indirect tax collections were strengthened by the performance in economic activity. Government earned $29.6 million more in VAT, which was boosted by increased activity in the transportation & storage, manufacturing, and tourism sectors. Import duties and excises expanded, following the timely transfer of collections which were stalled in the previous fiscal year. Residual receipts from the Airline Travel and Tourism Development Fee totalling $8.7 million, also contributed to the indirect tax intake.

[4] The Pandemic Levy charged on individuals was implemented from April 1st 2022 and ended March 31st 2023 but some payments were received after March 2023.

[5] Corporate taxpayers are required to prepay 50 percent of the total tax expense for the previous income year by October 15th or December 15th, depending on the end date of the company's fiscal period.

Figure 10: Changes in Major Revenue Categories
April – December



Source: Ministry of Finance

Expenditure

Elevated global rates pushed up interest costs. Both domestic and external interest expenses primarily drove the increase in recurrent spending during the period. External interest, rising by $89.1 million due to higher global interest rates on variable rate external debt, accounted for the majority of this increase. Moreover, the agreed step-up rates on domestic restructured debt resulted in a $32.3 million expansion in domestic interest payments.

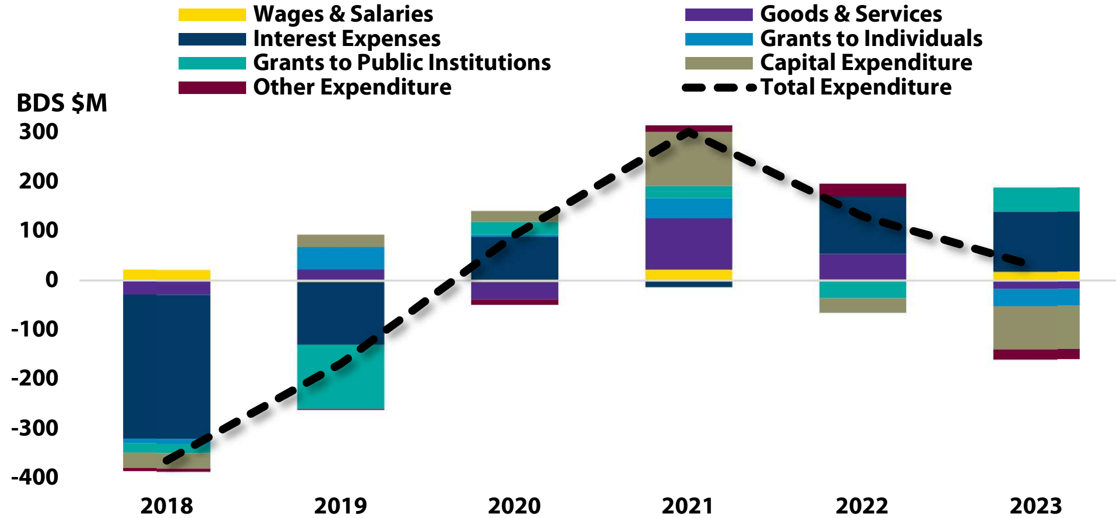
Spending on grants to public institutions, and wages & salaries, were the main contributors to the performance of non-interest expenditure. Grants to public institutions surpassed the previous fiscal year by $48.6 million, primarily due to transfers to the Barbados Agricultural Management Company (BAMC) for its dissolution, resumed regular funding to the University of the West Indies (UWI), and the reclassification of transfers to the National Cultural Foundation (NCF) from "grants to a non-profit agency" to "grant to a public institution". Wages & salaries rose by $17.8 million, reflecting the public sector wages and salaries settlement in March 2023[6]. However, reduced COVID-related outlays and welfare grants led to a $34.3 million decrease in grants to individuals, while lower expenses in property maintenance, professional services, and utilities, resulted in a $17.5 million reduction in spending on goods and services.

Capital expenditure continued to be concentrated in the areas of water and road infrastructural improvements. Capital spending totalled $101.8 million, primarily reflective of outlays on key projects including the Barbados Water Authority ($20 million), Road Rehabilitation, Highway Construction & Maintenance ($17.8 million) and projects under the Ministry of Education ($11.2 million).

[6] The March 2023 settlement of public sector salary negotiations included a cumulative 3 percent increase in salaries and allowances for FY2023/24 and FY2024/25.

Figure 11: Changes in Major Expenditure Categories

April – December



Source: Ministry of Finance

Debt and Financing

Government's gross financing needs increased due to higher debt service. For the first nine months of FY2023/24, the Government's gross financing needs increased by $90.8 million compared to the same period in the previous fiscal year. A $135.1 million rise in debt service payments primarily drove this expansion. Foreign interest expenses, which constituted 65.9 percent of this increase, significantly boosted the overall debt service costs. Importantly, a $59.5 million rise in the primary surplus effectively moderated the growth in gross financing needs.

Table 2: Gross Financing Requirement

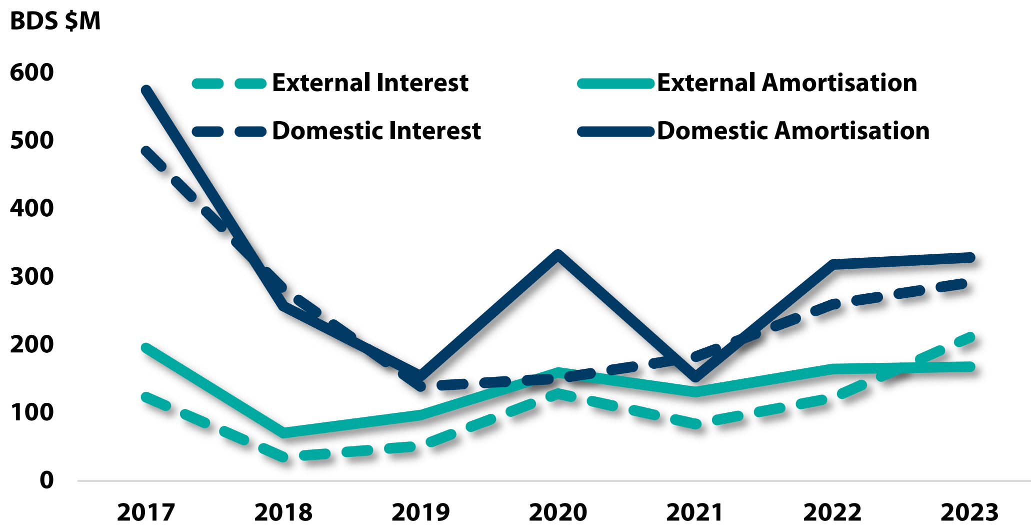
April – December

	BDS $M	% GDP	BDS $M	% GDP
Gross Financing Requirement	**452.4**	**3.9**	**543.2**	**4.3**
Primary Balance	**434.3**	**3.7**	**493.9**	**3.9**
Debt Service	**864.0**	**7.4**	**999.1**	**7.8**
Amortisation	**482.4**	**4.1**	**496.1**	**3.9**
Domestic	*318.0*	*2.7*	*328.2*	*2.6*
Foreign	*164.4*	*1.4*	*167.9*	*1.3*
Interest	**381.6**	**3.3**	**502.9**	**3.9**
Domestic	*259.5*	*2.2*	*291.8*	*2.3*
Foreign	*122.1*	*1.0*	*211.2*	*1.7*
Sinking Fund Contributions	**1.9**	**0.0**	**17.0**	**0.1**
Domestic Arrears Repayment	**20.9**	**0.2**	**21.0**	**0.2**

Sources: Central Bank of Barbados and Ministry of Finance

Interest and amortisation payments expanded during the first nine months of the fiscal year. The rise in interest on variable-rate debt and additional foreign borrowing increased foreign interest outlays by $89.1 million. In addition, domestic interest costs climbed by $32.3 million, as a result of the step-up interest rate feature of the restructured domestic bonds and the issuances of Barbados Optional Saving Scheme Plus (BOSS+) securities. These developments increased the interest-to-revenue ratio by 5.4 percentage points, to end the period at 21.3 percent. Amortisation payments also rose by $13.7 million, with domestic and foreign payments expanding by $10.2 million and $3.5 million, respectively.

Figure 12: Debt Service
April - December



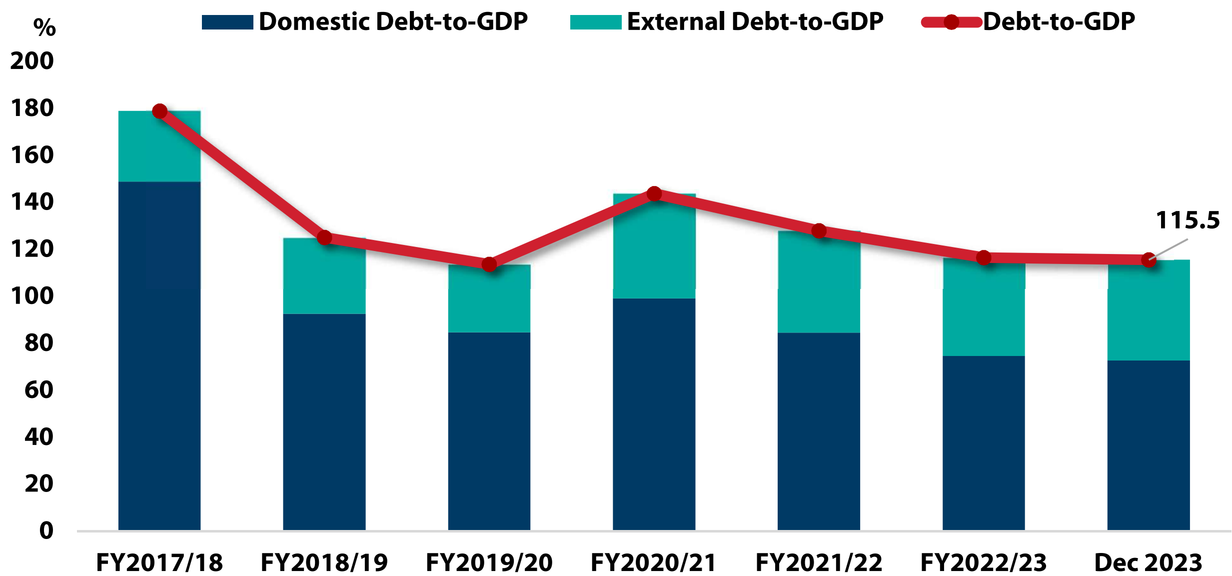
Sources: Central Bank of Barbados and Ministry of Finance

Government raised domestic financing by issuing securities and drawing down some of its Central Bank deposits. The Government broadened its public investment offerings by resuming three-month Treasury Bill issuances, generating $57.2 million in proceeds during the fiscal year's first three quarters. Domestic finances received further support from $198.6 million in sales of BOSS+ bonds, predominantly purchased by households, commercial banks, credit unions, and insurance companies. The Government also withdrew $391.9 million from its Central Bank deposits.

Multilateral institutions were the main sources of foreign financing for the Government. During the first nine months of FY2023/24, policy-related loans amounted to $427.6 million. The IMF's Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF) contributed $227.6 million, with $151.7 million earmarked for climate resilience. The InterAmerican Development Bank (IADB) provided $200 million in policy loans to enhance the effectiveness and efficiency of social policies and the sustainability of social security in Barbados. Additionally, the IADB, the Export-Import Bank of China (EXIM), and the Development Bank of Latin America and the Caribbean disbursed project funds equivalent to $86.3 million. These funds primarily supported the financing of renewable energy initiatives and road infrastructure programmes, such as the Scotland District Road Rehabilitation Project.

The ratio of public sector debt-to-GDP, continued to decline. The debt-to-GDP ratio stood at 115.5 percent, approximately 4.8 and 1 percentage points lower than at the end of calendar 2022 and FY2022/23, respectively. The growth in the economy underpinned the improvement in the ratio, despite a $497.4 million rise in borrowing and the uptake of Government securities.

Figure 13: Debt-to-GDP

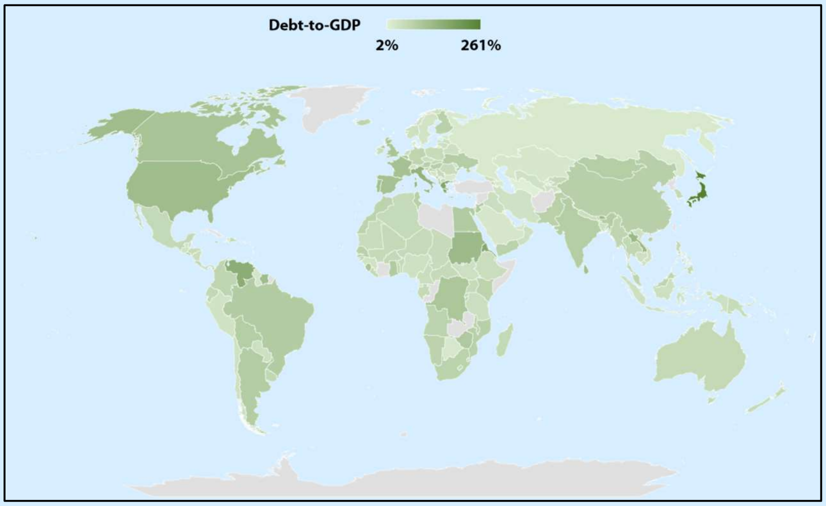


Sources: Central Bank of Barbados and Ministry of Finance

Global Debt Developments

High debt-to-GDP levels have spread across the world, manifesting what the United Nations Conference on Trade and Development (UNCTAD) has termed, a global debt storm. In 2022, 49 countries were above the sustainability threshold of 77 percent debt-to-GDP ratio.[1] Thus, more than a quarter of the globe has an unsustainable sovereign debt stock according to this quoted threshold.

Figure 1: World Map of Debt-to-GDP Ratios as at 2022



Source: UNCTAD (*Countries in grey had no data available)

Unfavourable economic and environmental conditions have permeated worldwide, placing upward pressure on sovereign debt stocks. Since the turn of the century, public debt has increased almost fivefold and developing economies hold a rapidly growing proportion.[2] High leveraging works as an economic amplifier. In periods of growth, economies can experience larger booms, but in periods of distress, the risks of a larger bust are heightened. In 2008-2010, the global financial crisis occurred, spurred by excessive growth in credit to households and firms, resulting in the biggest financial crisis since the Great Depression. Similarly, the COVID-19 pandemic shocked the world economy in 2020. Debt financing was needed to fund immediate infrastructure and medical expenditure to save lives worldwide. If debt financing was not available, the health outcomes from the pandemic would have been much worse, especially for developing economies with weaker fiscal capacity. In recent times, Caribbean islands that

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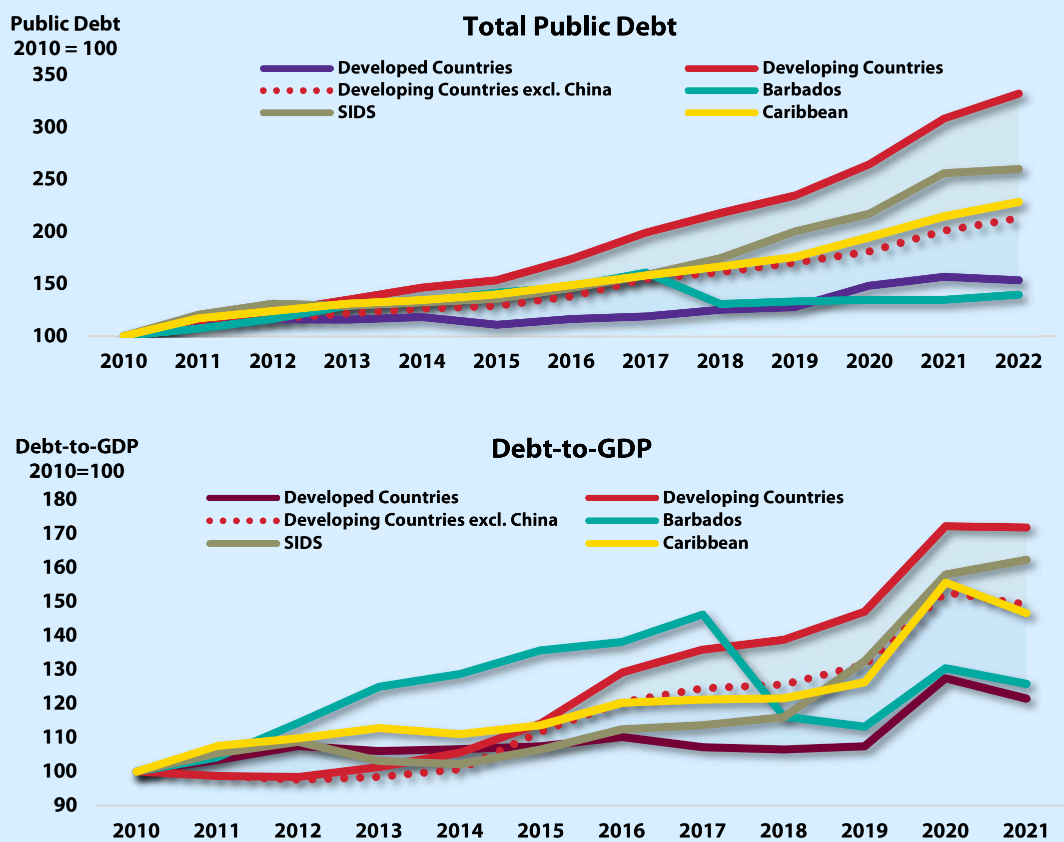
[1] Grennes, Thomas, et al. "Finding the Tipping Point - When Sovereign Debt Turns Bad." Policy Research Working Papers, The World Bank, 23 Aug. 2010, elibrary.worldbank.org/doi/abs/10.1596/1813-9450-5391.

[2] "A World of Debt | UNCTAD." United Nations Conference on Trade and Development, 12 July 2023, unctad.org/publication/world-of-debt.

were hit by hurricanes have seen up to 200 percent of GDP lost in a few days, an increasingly palpable threat with climate change. The invasion of Ukraine also led to an instantaneous disruption to the supply of wheat, grain, and many other commodities, which skyrocketed inflation worldwide. To tackle inflation, monetary authorities across the world hiked their interest rates. Higher global interest rates spelled higher external debt servicing requirements, particularly difficult for the already strained fiscal budgets of small open economies.

Public debt growth rates experienced in developing economies are outstripping those of the rest of the world, but public debt in Barbados currently follows a different trajectory. Up to 2017, Barbados was increasing its debt stock at a similar rate to the Caribbean and other small island developing states. However, its debt-to-GDP ratio within the same time frame was greatly outpacing the rest of the world. In fact, Barbados was the third most indebted country in the world, according to the debt-to-GDP measure in 2014, and the fourth most indebted country for the following three years. The debt restructuring and entrance into the Barbados Economic Recovery and Transformation Programme (BERT), supported by the International Monetary Fund through an Extended Fund Facility (EFF) in 2018, was necessary to revert its debt trend to sustainable levels. Since 2019, Barbados has been trending in debt-to-GDP similarly to developed economies, despite the magnitude of external shocks present throughout these years.

Figure 2: Total Public Debt and Debt-to-GDP Ratio Trajectory from Base Year 2010 Across Country Group



Source: UNCTAD

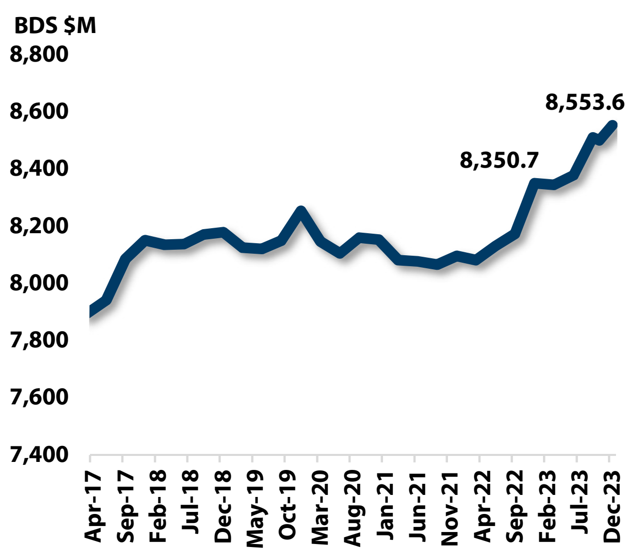
Financial Sector Developments

Financial soundness indicators improved in 2023. The financial sector's health in 2023 actively mirrored the year's economic expansion. Moderate growth in outstanding credit balances and an improvement in credit quality occurred due to increased business activity. Higher bank profits led to a steady improvement in capital adequacy ratios (CAR), while finance companies maintained profits and CARs at levels similar to those of 2022. Despite the financial sector's consistently high liquidity, a slight decline was evident by the end of 2023.

Credit to the non-financial private sector grew during the period. In 2023, credit to the non-financial private sector (NFPS) registered an increase of $203 million (2.4 percent), following a $253.9 million (3.1 percent) expansion in 2022. Higher credit demand for financing projects and activities within the household, construction, manufacturing, and real estate sectors predominantly influenced this outturn. However, substantial loan repayments in the real estate and distribution sectors constrained the overall growth in outstanding credit balances to the NFPS, offsetting increases in new loan disbursements during the period.

Figure 14: Credit to the Non-financial Private Sector

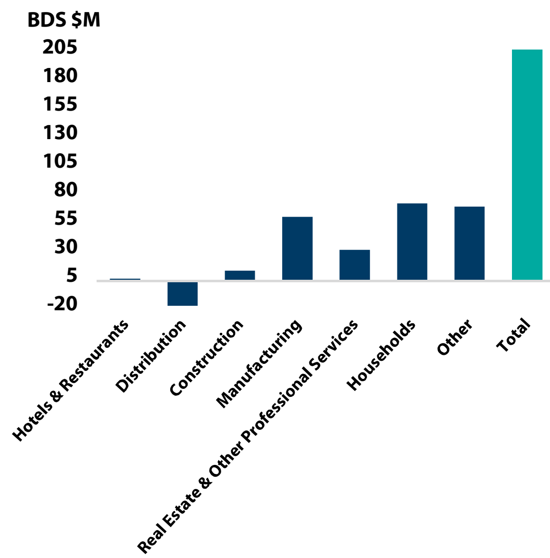
Outstanding Credit



Sources: Central Bank of Barbados and Financial Services Commission

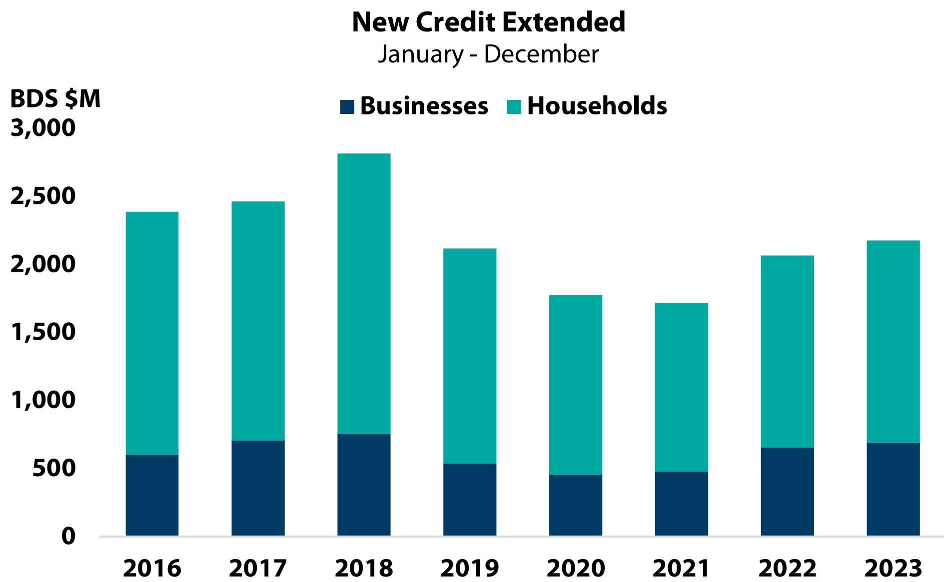
Changes in Loan Balances

December 2023 vs December 2022



Sources: Central Bank of Barbados and Financial Services Commission

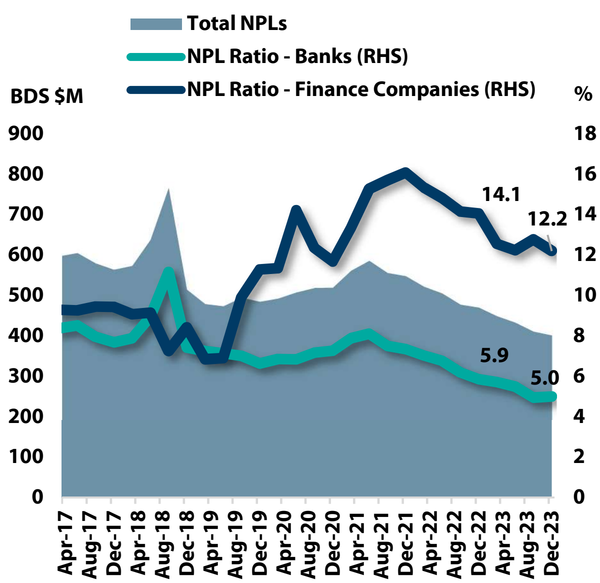
Figure 15: Credit to the Non-financial Private Sector (Continued)



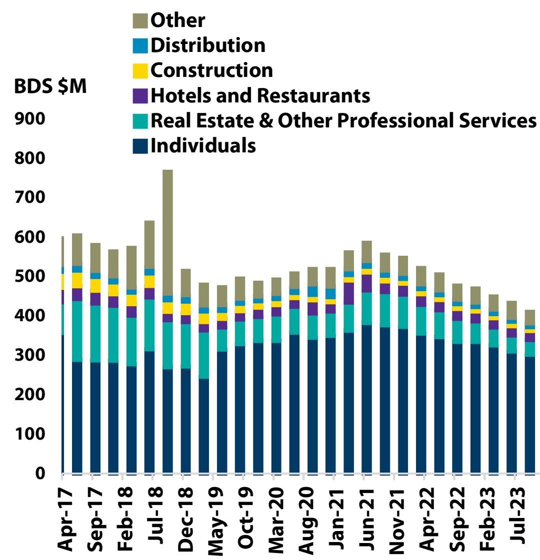
Sources: Central Bank of Barbados and Financial Services Commission

Household and business non-performing loans (NPLs) continued to fall. At the end of 2023, NPLs fell to $405.6 million, which translates to a 5.7 percent combined NPL ratio for banks and finance companies, marking 10 consecutive quarters of declines. A recovery in employment earnings and firm profitability following the COVID-19 downturn, helped to reduce the NPLs of households as well as the real estate & other professional services sector by 10.8 percent and 35.3 percent, respectively. The improved outturn led to a contraction in the NPL ratios of banks and finance companies, which ended the period at 5.0 percent and 12.2 percent, respectively.

Figure 16: Non-Performing Loans (NPLs) of Commercial Banks and Finance Companies



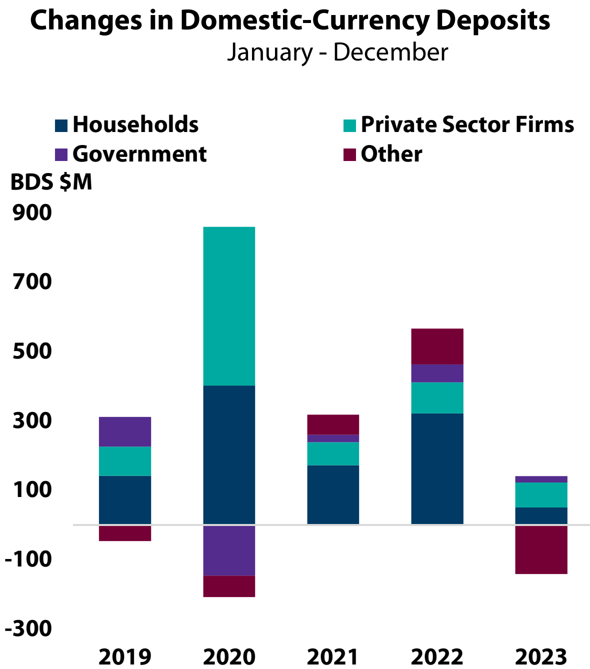
Source: Central Bank of Barbados



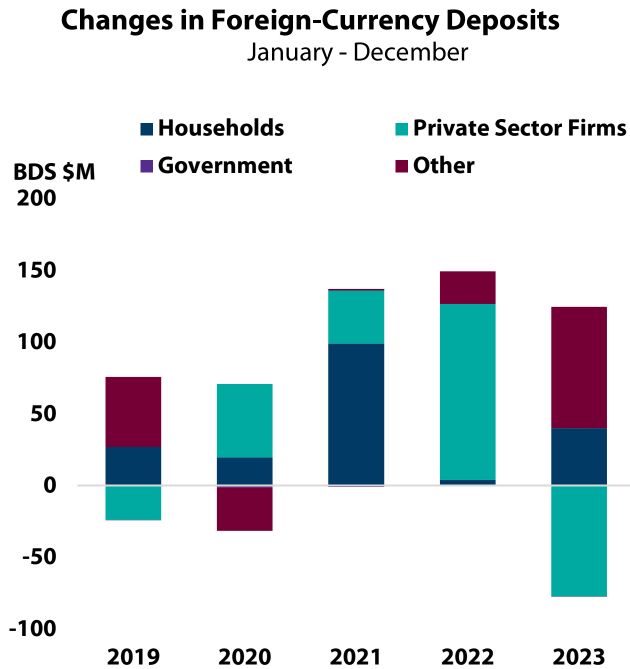
Source: Central Bank of Barbados

Loan repayments, overseas travel, and increased holdings of Government securities slowed deposit growth. Total deposit growth slowed from 5.2 percent observed in 2022 to 1.1 percent in 2023. Higher household expenditure, including on travel and loan settlements, partly influenced the outturn. Foreign-currency deposits contracted marginally (by 0.2 percent), driven by increased foreign transactions in the utilities and distribution sectors. Additionally, purchases of Government securities by households and firms also slowed deposit growth.

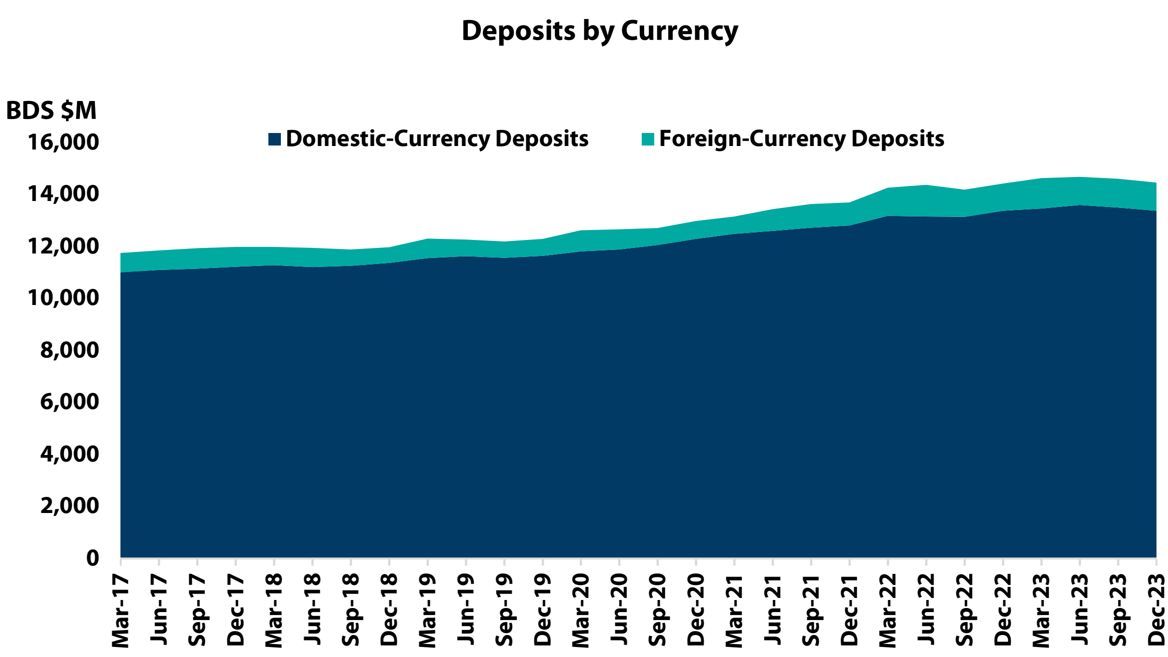
Figure 17: Deposits Held at Deposit-Taking Institutions (DTIs)



Sources: Central Bank of Barbados and Financial Services Commission



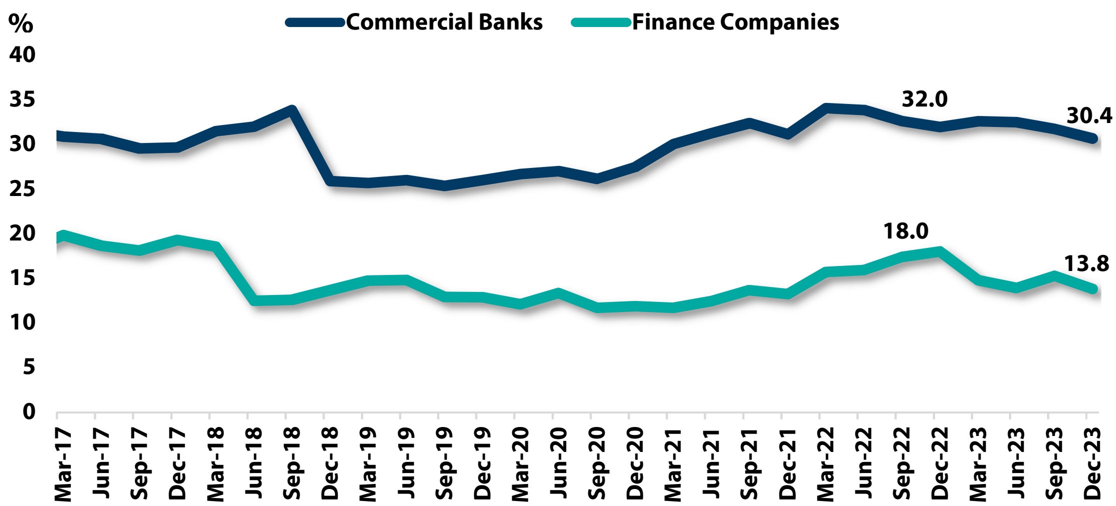
Sources: Central Bank of Barbados and Financial Services Commission



Sources: Central Bank of Barbados and Financial Services Commission

The financial sector remained highly liquid, despite significant drawdowns of deposits. The banks' liquid asset ratio decreased from 32 percent to 30.4 percent, indicative of a $43.8 million decline in currency and deposits. Concurrently, finance companies experienced a reduction in their liquid asset ratio, from 18 percent to 13.8 percent, primarily due to a decrease in their payables and reserves held at the Central Bank.

Figure 18: Liquid-Asset Ratio

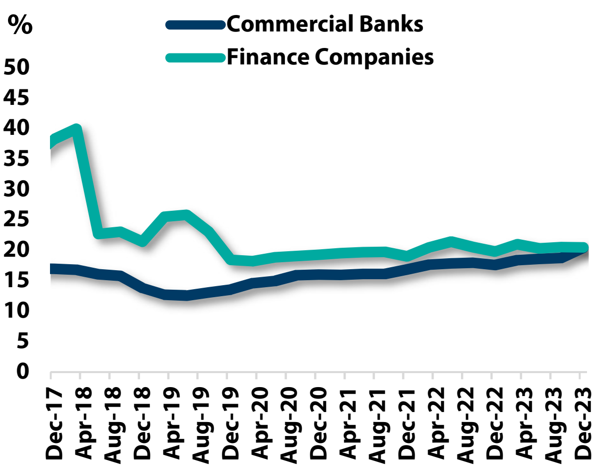


Source: Central Bank of Barbados

Deposit-Taking Institutions (DTIs) maintained satisfactory capital levels, buoyed by rising profitability. Over the period, the capital adequacy ratios of commercial banks increased by 2.8 percentage points to 20.4 percent, while those of finance companies increased slightly by 0.7 percentage points to 20.5 percent. The strong performance within the commercial banking sector stemmed from increased interest earnings on deposits held abroad, lower interest payments on local deposits, consistent fee-based income and a reduction in provisions for loan losses.

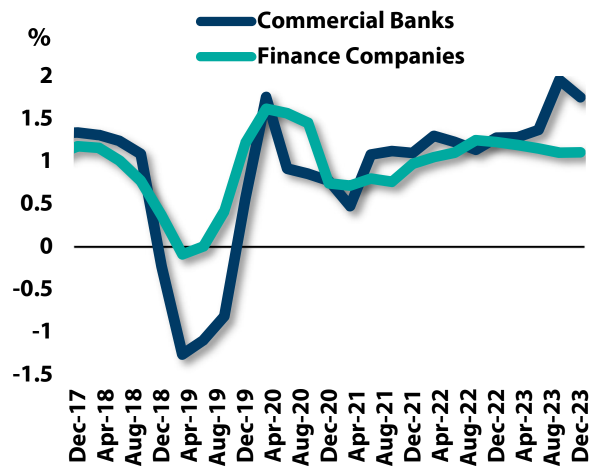
Figure 19: Capital Adequacy and Profitability

Capital Adequacy Ratios



Source: Central Bank of Barbados

Return on Average Assets



Source: Central Bank of Barbados

Outlook

The Barbados economy exhibited significant resilience over the last two years and the outlook for 2024 and into the medium term appears cautiously optimistic. The economy successfully weathered challenges posed by the global pandemic and has recovered to be larger than its pre-COVID size, in both nominal and real terms. The expectations are that GDP will expand further, by about 4 percent in 2024 and into the medium term, predicated on continuous investments by both the public and private sectors.

As Barbados charts it course for 2024, a return to pre-pandemic level tourist arrivals by the end of the year is anticipated. Early forward bookings signal renewed interest from travellers in visiting Barbados while continuous growth in seating capacity represents the airlines' growing confidence and willingness to meet the demand for travel to the destination. The hosting of ICC World Cup matches as well as intensified marketing strategies should also garner significant interest in the destination during the summer months. Increased visitor demand for local goods and services should contribute to broader economic growth through the associated activity in wholesale and retail, transportation, construction, and other ancillary sectors.

The Barbados Economic Recovery and Transformation 2022 (BERT 2022) Plan focuses on amplifying investment to ensure sustainable economic growth over the medium term. The BERT 2022 Plan aims to achieve a public investment to GDP ratio of 5 percent and double private sector investment to15 percent of GDP (roughly $1.9 billion annually) over the medium term (next 4 to 5 years). Foreign direct investment (FDI) also needs to pick up to over $1 billion. Focusing on key areas such as tourism, infrastructure, and the energy sector, the BERT 2022 Plan not only aims to boost productivity and modernise the economy but also seeks to reinforce vital interconnections across various sectors. This approach ensures inclusive benefits for all communities and sectors in Barbados.

It is important to note that the growth outlook remains uncertain and is subject to several risks. A projected global economic slowdown and potential geopolitical conflicts are downside risks to the 2024 forecast. According to the October 2023 IMF World Economic Outlook, a global economic slowdown is anticipated in 2024, driven by monetary policy tightening in advanced economies and conflicts in the Middle East and Europe, which will impact international travel demand. To adapt, Barbados' tourism industry must focus on offering unique and enriching experiences that go beyond the conventional beach holiday, showcasing the island's rich culture, natural beauty, and varied attractions. The willingness to embrace the emerging sharing economy reflects the industry's commitment to diversifying tourism options. By remaining agile, adapting to changing trends, and encouraging collaboration, Barbados' tourism sector is set to not only recover but also flourish as a top global performer. Over the medium term, the main risks to the forecast are failure to increase investment, particularly private and FDI investments, and to complete the reforms of the State-Owned-Enterprises (SOEs) in the interest of greater efficiency in the allocation of public funds and better service delivery.

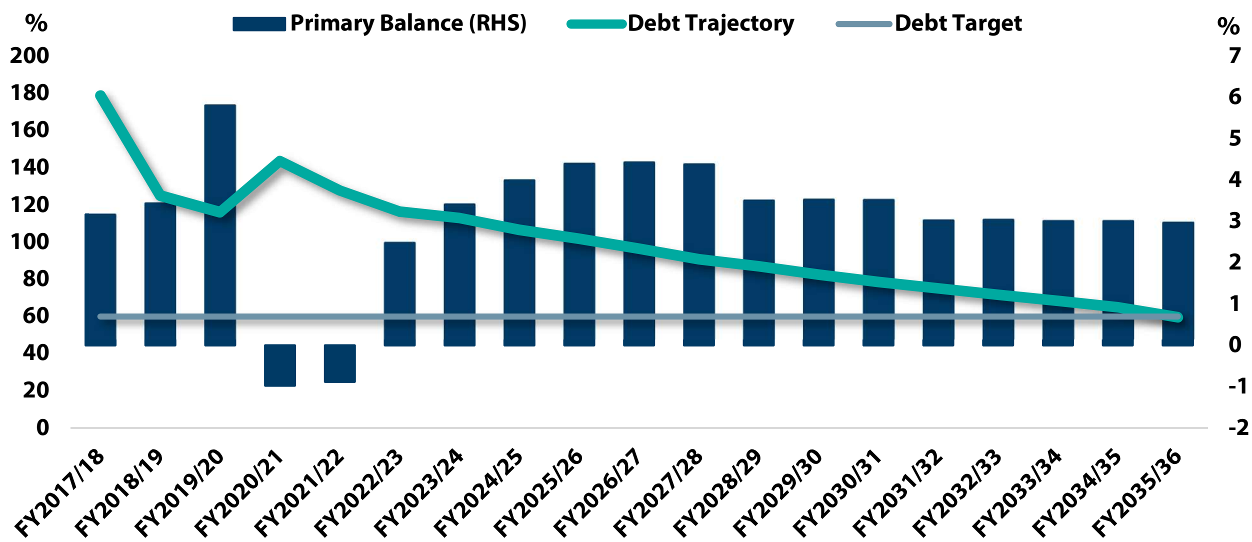
Domestic inflation is projected to recede in the medium term, in accordance with falling international commodity prices. The 12-month moving average inflation rate is expected to moderate to between 3.5 and 4 percent by the end of 2024, supported by declining energy prices. However, medium-term inflation forecasts face potential risks from international events such as the ongoing Russia-Ukraine War, escalating conflicts in the Red Sea region, and continued congestion in the Panama Canal. Moreover, the frequency and severity of adverse weather conditions at home could lead to food shortages and escalate food price inflation. Conversely, the new trade agreements with countries like Suriname and Guyana could help reduce food price inflation over the medium term.

Robust growth in tourism and strategic investments are set to bolster Barbados' international reserves and stabilise its economy against global market fluctuations. The country's international reserves position is expected to be fortified by the projected growth in tourism activity, on-going funding support from international financial institutions and foreign investment flows for tourism related projects. In addition, increased foreign exchange savings are expected in the medium term with the continued push to increase the stock and use of renewable energy products as well as to expand the country's domestic food production capacity. These ongoing developments will aid in cushioning the volatility of international food and fuel prices.

Fiscal discipline and strategic reforms have led to a primary surplus, underpinning the Government's financial stability and future efficiency gains. Despite the lower-than-anticipated revenue outturn in the first nine months of FY 2023/24, Government has maintained fiscal discipline and achieved the end December 2023 primary balance target ($378 million), which bodes well for meeting the primary balance target of $446 million at the end of March 2024. The SOEs reform programme, including the restructuring of the BAMC, the amalgamation of the Rural and Urban Development Corporations, and the reform of the National Housing Corporation, is a major step towards achieving medium-term efficiency gains. Furthermore, reforms in the corporation tax structure, aimed at meeting OECD Inclusive Framework Globe Rules, are expected to yield a net tax positive position in the medium term. These gains will support the Government's implementation of vital capital investment programmes while adhering to its primary balance targets that ensure debt sustainability.

Despite higher foreign interest rates, the debt-to-GDP ratio is sustainable and on course to meet the FY2035/36 target. The revival of the domestic securities market alongside external borrowing will assist in meeting the Government's financing needs. However, despite the increase in debt over the period, the expansion in economic activity and sustained primary surpluses should pave the way for achieving the 60 percent debt target by FY2035/36.

Figure 20: Debt-to-GDP Trajectory and Primary Balance



Sources: Central Bank of Barbados and Ministry of Finance

Maintaining adequate capital buffers and excess liquidity will buttress the soundness of the financial system. The anticipated increase in economic activity is expected to further dampen the level of NPLs and boost credit demand, which will support both household expenditures and business investments. In turn, these developments are likely to generate increased profitability and lower provision expenses in the banking sector, thereby strengthening the adequacy of capital buffers. Although it is likely that the deposit growth will continue to slow as ongoing economic activity will spur demand for imported goods and services, liquidity levels are expected to remain stable.

To secure Barbados' economic prosperity, a united and proactive approach is essential in harnessing growth opportunities and navigating future challenges. As Barbados strides towards a brighter economic future, the call to action is clear. Stakeholders, both public and private, must seize the opportunities presented by the BERT 2022 Plan, focusing on sustainable investments in tourism, infrastructure, and energy. The private sector, in particular, should capitalise on the potential for growth and innovation, especially in light of the emerging global challenges. It is imperative that we collectively embrace change, encourage investments, and support reforms to ensure a resilient and thriving Barbadian economy for the years ahead.

Appendix 1 – Economic Indicators

	2017	2018	2019	2020	2021^(p)	2022^(e)	2023^(e)
Nominal GDP ($ Million)[1]	10,000.9	10,256.7	10,734.3	9,559.5	9,890.6	11,681.3	12,776.0
Real Growth (%)	0.7	(0.7)	0.3	(12.7)	(1.3)	13.8	4.4
Inflation (M.A., %)[2]	4.4	3.0	1.7	0.5	1.6	4.9	5.2
Unemployment (End-of-period, %)*	8.2	11.6	8.9	13.6	10.9	7.2	8.3
Gross International Reserves ($ Million)	411.3	999.6	1,481.0	2,660.7	3,058.8	2,770.3	2,997.4
Gross International Reserves Cover, Weeks	5.3	12.8	18.6	40.7	40.6	29.2	31.6
BoP Current Account (% of GDP)	(3.8)	(4.4)	(2.7)	(5.9)	(11.0)	(10.7)	(8.0)
Total Imports of Goods (% of GDP)	30.4	29.2	28.0	29.7	32.1	34.9	31.3
Travel Credits (% of GDP)	21.6	21.8	23.3	12.0	12.4	15.7	17.9
Financial Account ($ Millions)	54.2	862.6	776.4	1,621.6	1,207.6	932.0	1,385.1
Gross Public Sector Debt[3] (% of GDP)	148.5	125.3	116.4	134.1	135.1	120.3	115.5
Central Government External Debt (% of GDP)	28.6	31.2	28.8	41.6	45.3	40.7	42.7
External Debt Service to Curr. Acct. Cred.	8.1	5.0	3.6	9.0	7.0	7.8	9.4
Treasury-Bill Rate	3.2	0.5	0.5	0.5	0.5	0.5	0.5
Weighted-Average Deposit Rate	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Weighted-Average Loan Rate	6.6	6.7	6.4	5.9	5.7	5.5	5.5
Excess Domestic Cash Ratio	14.2	16.1	18.5	22.4	26.8	27.0	26.6
Private Sector Credit Growth (%)[4]	3.2	0.3	0.9	(1.2)	(0.7)	3.1	2.5
Private Sector Credit (% of GDP)[4]	81.8	80.2	76.9	85.3	81.9	71.5	67.0
Domestic Currency Deposits (% of GDP)[4]	112.7	111.5	96.3	128.5	129.5	114.5	106.0
Fiscal Year	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Apr-Dec 2022**	**Apr-Dec 2023^(p)**
Fiscal Balance (% of GDP)	(0.3)	3.5	(4.8)	(4.7)	(2.0)	0.4	(0.1)
Primary Balance (% of GDP)	3.4	5.8	(1.0)	(0.9)	2.5	3.5	3.8
Interest (% of GDP)	3.7	2.3	3.8	3.8	4.5	3.1	3.9
Fiscal Current Account (% of GDP)	1.6	5.3	(1.7)	(0.6)	1.9	2.1	0.9
Revenue (% of GDP)	29.1	27.4	28.6	27.0	27.1	19.6	18.1
Expenditure (% of GDP)	29.4	23.8	33.4	31.7	29.1	19.1	18.2
Non-interest Expenditure (% of GDP)	25.7	21.6	29.6	27.9	24.6	16.0	14.3
Capital Expenditure (% of GDP)	1.9	1.8	3.1	4.1	3.9	1.7	0.9
Gov't Interest Payments (% of Revenue)	12.9	8.4	13.4	14.1	16.5	15.9	21.3

(e) – Estimate
(p) – Provisional
1 - Central Bank of Barbados and Barbados Statistical Service
2 - Twelve Month Moving Average- Data as at October, 2023
3 - Gross Public Sector Debt = Gross Central Government Debt + Other Public Sector Debt
4 - Based on consolidated data for deposit-taking Institutions (Commercial Banks, Finance & Trust Companies and Credit Unions)
* - Data as at September 2023
Sources: Barbados Statistical Service, Ministry of Finance, Accountant General and Central Bank of Barbados

Appendix 2– GDP by Sector and Activity (BDS$ Millions, Constant Prices)

	2017	2018	2019	2020	2021	2022(p)	2023(e)
Tradeables	**1,519.0**	**1,552.5**	**1,624.7**	**952.2**	**861.3**	**1,415.8**	**1,538.5**
Tourism	**894.8**	**910.7**	**975.5**	**310.1**	**272.0**	**797.2**	**902.6**
Agriculture	**136.4**	**164.9**	**173.0**	**185.4**	**144.3**	**125.8**	**138.4**
Sugar	5.4	6.0	3.1	3.7	3.7	3.8	4.1
Non-Sugar Agriculture	131.0	158.9	169.9	181.7	140.6	122.0	134.3
Manufacturing	**487.8**	**476.9**	**476.1**	**456.8**	**445.1**	**492.8**	**497.5**
of which:							
Rum & Other Beverages	*94.2*	90.6	76.8	76.1	78.1	84.8	87.7
Food	*123.3*	117.3	116.7	99.3	107.7	113.4	116.4
Furniture	*13.4*	12.3	12.0	11.5	12.2	12.4	12.7
Chemicals	*29.2*	28.8	27.4	28.1	27.7	29.6	30.0
Other Non-Metallic Mineral Products	*132.7*	138.7	136.8	137.9	148.6	163.9	131.5
Non-tradeables	**6,620.5**	**6,532.1**	**6,486.8**	**6,128.0**	**6,125.2**	**6,534.9**	**6,762.0**
Mining & Quarrying	40.7	42.2	49.3	56.6	39.5	54.5	56.1
Electricity, Gas & Water	214.8	214.1	213.5	203.5	199.6	204.1	211.3
Construction	492.9	461.6	452.3	457.2	415.9	414.5	438.8
Distribution	1,186.0	1,188.2	1,212.1	1,013.7	997.9	1,192.6	1,250.7
Transport, etc	1,046.7	1,035.9	1,047.2	950.5	982.5	1,079.7	1,115.2
Finance and Other Services	2,783.8	2,748.3	2,721.4	2,635.4	2,663.4	2,736.5	2,833.2
Government	855.6	841.8	791.0	811.1	826.4	853.0	856.8
Total	**8,139.5**	**8,084.6**	**8,111.5**	**7,080.3**	**6,986.5**	**7,950.7**	**8,300.5**
Nominal GDP	**10,000.9**	**10,256.7**	**10,734.3**	**9,559.5**	**9,890.6**	**11,681.3**	**12,776.0**
Real Growth Rates	**0.7**	**(0.7)**	**0.3**	**(12.7)**	**(1.3)**	**13.8**	**4.4**
Tradeables	1.7	2.2	4.6	(41.4)	(9.5)	64.4	8.7
Non-tradeables	0.4	(1.3)	(0.7)	(5.5)	(0.0)	6.7	3.5

(p) - Provisional
(e) - Estimate
1 - BSS' 2010 Base Year Series
Sources: Barbados Statistical Service and Central Bank of Barbados

Appendix 3 – Balance of Payments (BDS $Millions)

	2017	2018	2019	2020(p)	2021(p)	2022 (e)	2023 (e)
Current Account Balance	**(380.5)**	**(447.3)**	**(293.5)**	**(564.7)**	**(1,084.8)**	**(1,250.7)**	**(1,026.2)**
o/w Exports of Goods and Services	4,197.6	4,211.0	4,484.5	2,780.7	2,962.2	3,980.0	4,439.9
o/w Imports of Goods and Services	4,054.4	4,071.6	4,152.6	3,397.3	3,920.7	4,930.7	4,936.8
Merchandise Trade Balance	**(1,434.0)**	**(1,467.9)**	**(1,477.7)**	**(1,605.9)**	**(1,883.3)**	**(2,433.9)**	**(2,396.5)**
Exports of Goods	1,606.3	1,529.8	1,526.0	1,238.1	1,294.1	1,644.4	1,605.4
o/w Domestic	509.7	510.2	507.4	449.4	444.3	501.9	473.6
o/w Re-exports	461.1	385.7	380.8	241.0	237.7	493.4	439.1
o/w Net Export of Goods under Merchanting	635.4	633.8	637.6	547.6	612.1	649.0	692.6
Imports of Goods	3,040.3	2,997.7	3,003.7	2,843.9	3,177.4	4,078.3	4,001.8
o/w Fuel	626.2	712.2	728.0	510.6	685.8	1,122.8	749.1
Services Balance	**1,577.3**	**1,607.3**	**1,809.6**	**989.3**	**924.9**	**1,483.1**	**1,899.5**
Exports	2,591.3	2,681.2	2,958.5	1,542.6	1,668.1	2,335.6	2,834.5
o/w Travel	2,161.4	2,236.5	2,500.0	1,145.2	1,227.0	1,833.0	2,283.7
Imports	1,014.0	1,073.9	1,148.9	553.3	743.3	852.4	935.0
Income Account Balance	**(447.8)**	**(499.6)**	**(533.8)**	**(134.9)**	**(192.5)**	**(331.2)**	**(520.8)**
Credits	529.8	543.0	565.4	338.7	412.4	458.5	503.8
Debits	977.6	1,042.6	1,099.2	473.7	604.8	789.6	1,024.6
Current Transfers Balance	**(75.9)**	**(87.0)**	**(91.6)**	**186.8**	**66.2**	**31.2**	**(8.4)**
Credits	104.7	107.0	110.1	396.6	284.4	275.0	256.9
Debits	180.6	194.0	201.7	209.8	218.2	243.8	265.3
Capital Account	**(2.4)**	**50.9**	**(5.3)**	**(4.5)**	**0.5**	**15.0**	**(4.9)**
Financial Account	**54.2**	**862.6**	**776.4**	**1,621.6**	**1,207.6**	**932.0**	**1,385.1**
Net Foreign Direct Investment	468.2	464.8	375.3	509.2	417.8	528.9	449.8
All Other Investment Flows	(414.0)	397.8	401.1	1,112.4	789.8	403.2	935.3
Net Long-term Public	(167.0)	426.0	371.5	937.7	734.6	120.9	635.4
o/w: IMF	-	101.2	202.5	457.9	95.2	83.6	205.2
Net Long-term Private	(156.8)	(3.8)	113.0	251.3	99.5	310.1	316.0
Net Short-term	(90.1)	(24.4)	(83.5)	(76.7)	(44.3)	(27.8)	(16.1)
Net Errors & Omissions	**100.2**	**123.8**	**3.7**	**125.0**	**319.4**	**204.8**	- **(182.1)**
Overall Balance	**(228.5)**	**589.9**	**481.4**	**1,177.3**	**442.8**	**(98.9)**	**171.9**
Change in GIR: - increase/+ decrease	**228.5**	**(588.3)**	**(481.4)**	**(1,179.7)**	**(398.2)**	**288.6**	**(227.2)**
BOP change in GIR (-increase/+decrease)	**-**	**(589.9)**	**(481.4)**	**(1,177.3)**	**(442.8)**	**98.9**	**(171.9)**
Memorandum Items:							
Gross International Reserves (GIR)	**411.3**	**999.6**	**1,481.0**	**2,660.7**	**3,058.8**	**2,770.3**	**2,997.4**
Gross International Reserves Cover, Weeks	**5.3**	**12.8**	**18.6**	**40.7**	**40.6**	**29.2**	**31.6**

(p) – Provisional
(e) – Estimate
Source: Central Bank of Barbados

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Apr-Dec 2022	Apr-Dec 2023(p)
Total Revenue	**2,845.4**	**2,993.6**	**2,984.2**	**2,563.3**	**2,823.8**	**3,320.0**	**2,393.0**	**2,359.1**
Tax Revenue	**2,656.3**	**2,812.4**	**2,771.2**	**2,387.8**	**2,646.1**	**3,110.6**	**2,261.5**	**2,230.9**
i) Direct Taxes	**968.9**	**1,126.9**	**1,084.7**	**1,202.9**	**1,148.2**	**1,381.2**	**988.7**	**904.5**
Personal	462.6	482.1	454.7	308.1	385.0	393.4	272.4	309.7
Corporate	275.1	355.5	309.0	612.9	450.5	548.8	362.2	307.9
Pandemic Levy (Individuals)	0.0	0.0	0.0	0.0	0.0	13.5	9.3	3.6
Pandemic Levy (Corporations)	0.0	0.0	0.0	0.0	0.0	74.7	55.1	0.0
Property	137.6	161.3	214.7	181.6	205.2	217.0	189.4	182.5
Financial Institutions Asset Tax	48.7	44.6	47.4	45.6	46.2	53.0	40.4	39.6
Other	44.9	83.4	58.9	54.7	61.4	80.8	59.9	61.2
ii) Indirect Taxes	**1,687.4**	**1,685.6**	**1,686.5**	**1,185.0**	**1,497.9**	**1,729.5**	**1,272.8**	**1,326.4**
Stamp	10.5	10.9	11.4	7.6	13.4	21.6	13.0	11.9
VAT	887.3	940.9	966.9	706.3	884.6	1,022.6	757.5	787.1
Excises	303.1	271.2	250.9	154.1	212.3	247.2	177.5	178.7
Import Duties	218.6	213.8	231.6	191.9	220.6	241.9	180.5	195.8
Social Responsibility Levy	152.0	49.4	0.1	0.0	0.0	0.0	0.0	0.0
Other of which:	115.9	199.4	225.6	124.9	167.0	196.1	144.3	152.9
Fuel Tax	0.0	68.6	82.1	63.8	70.2	80.9	56.6	56.4
Room Rate/Shared Accommodation	0.0	10.1	28.1	9.5	25.2	40.2	26.2	28.2
Non-tax Revenue & Grants	**189.1**	**181.2**	**213.0**	**175.4**	**177.8**	**209.4**	**131.5**	**128.2**
Non-tax Revenue of which:	149.0	161.5	201.3	169.5	159.7	173.4	104.5	119.8
Foreign Exchange Fee	53.2	74.5	79.4	65.2	78.7	94.4	56.9	74.1
Grants	22.0	0.1	11.8	0.0	5.7	20.0	20.0	0.0
Post Office - Revenue	18.1	19.6	0.0	5.9	12.3	16.0	7.0	8.4
Current Expenditure	**3,123.8**	**2,826.4**	**2,407.9**	**2,716.8**	**2,889.2**	**3,088.7**	**2,130.7**	**2,246.0**
Wages & Salaries	782.3	811.9	807.4	808.0	834.8	854.6	623.7	641.5
Goods & Services	364.3	356.3	375.5	399.8	493.2	529.0	358.4	340.9
Interest	764.7	384.9	249.7	342.6	398.9	549.2	381.6	503.0
External	168.0	48.0	62.7	144.1	132.4	196.0	122.1	211.2
Domestic	596.7	336.9	187.0	198.5	266.5	353.3	259.5	291.8
Transfers & Subsidies	1,212.5	1,273.3	975.3	1,166.3	1,162.3	1,155.9	767.0	760.5
Grants to Individuals	358.3	362.8	389.2	423.7	454.2	475.0	319.4	285.2
Grants to Public Institutions	761.2	814.8	517.6	657.3	631.8	581.4	383.1	431.8
Subsidies	51.9	51.8	31.8	49.7	33.6	48.2	25.9	19.6
Subscriptions & Contributions	22.1	25.7	20.3	20.3	21.9	23.7	19.4	15.4
Non-Profit Agencies	19.0	18.3	16.4	15.3	20.7	27.7	19.1	8.5
Capital Expenditure & Net Lending	**171.8**	**197.8**	**191.8**	**276.1**	**425.2**	**476.2**	**209.5**	**122.3**
Capital Expenditure	149.1	184.9	185.1	278.3	421.6	449.5	189.1	101.8
Net Lending	22.7	12.9	6.7	-2.2	3.6	26.7	20.4	20.5
Fiscal Balance	**(450.2)**	**(30.5)**	**384.5**	**(429.6)**	**(490.6)**	**(244.9)**	**52.8**	**(9.1)**
Primary Balance	**314.5**	**354.3**	**634.2**	**(87.0)**	**(91.6)**	**304.3**	**434.3**	**493.9**
Fiscal Balance-to-GDP (%)	**(4.5)**	**(0.3)**	**3.5**	**(4.8)**	**(4.7)**	**(2.0)**	**0.4**	**(0.1)**

(p)-Provisional
Source: Ministry of Finance

Appendix 5 -Government Financing (BDS$ Millions)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Apr-Dec 2022	Apr-Dec 2023(p)
Fiscal Balance	**(450.2)**	**(30.5)**	**384.5**	**(429.6)**	**(490.6)**	**(244.9)**	**52.8**	**(9.1)**
Arrears Payments	0.0	(10.0)	(208.3)	(61.9)	(41.1)	(38.2)	(20.9)	(21.0)
Financing	**450.2**	**40.5**	**(176.2)**	**491.5**	**531.7**	**283.1**	**(31.9)**	**30.1**
Domestic Financing (Net)	**643.8**	**(272.3)**	**(274.9)**	**(340.1)**	**107.0**	**(240.0)**	**(190.1)**	**(315.9)**
Central Bank	92.8	(166.4)	164.7	(66.6)	331.6	(132.6)	80.6	91.7
Commercial Banks	257.9	82.8	(86.3)	106.6	(24.5)	99.9	75.0	19.8
National Insurance Board	3.1	8.9	(85.2)	(207.9)	15.3	(60.2)	(44.8)	(57.0)
Private Non-Bank	(57.2)	(119.6)	(217.7)	(34.9)	(47.1)	(136.8)	(63.3)	114.1
Other	347.3	(77.9)	(50.4)	(137.3)	(168.3)	(10.4)	(237.7)	(484.5)
Foreign Financing (Net)	**(193.6)**	**312.8**	**98.7**	**831.6**	**424.7**	**523.2**	**158.3**	**346.0**
Capital Markets	0.0	0.0	0.0	0.0	0.0	146.5	146.5	0.0
Project Funds	92.8	57.1	64.1	51.2	91.4	94.7	92.5	86.3
Policy Loans	0.0	350.0	150.0	968.1	496.6	483.6	83.6	427.6
Amortisation	(286.4)	(94.3)	(115.4)	(187.7)	(163.3)	(201.7)	(164.4)	(167.9)

(p)-Provisional
Source: Central Bank of Barbados

Appendix 6 -Public Debt Outstanding (BDS$ Millions)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Dec 2022	Dec 2023(p)
Gross Central Government Debt[1]	**15,847.1**	**12,755.0**	**12,322.6**	**12,819.1**	**13,310.2**	**14,224.7**	**14,017.3**	**14,730.6**
Gross Central Government Debt/GDP (%)	155.8	124.1	113.0	143.1	127.5	116.2	120.0	115.3
Domestic Debt	**12,923.0**	**9,512.9**	**9,226.4**	**8,872.7**	**8,824.0**	**9,117.9**	**9,263.3**	**9,280.5**
Short Term	**4,266.0**	**598.4**	**697.0**	**708.1**	**710.1**	**662.3**	**709.5**	**766.8**
Treasury Bills[2]	**3,978.0**	**495.1**	**495.1**	**495.1**	**495.1**	**495.1**	**495.1**	**550.3**
Central Bank	1,343.9	207.2	207.2	207.2	207.2	207.2	207.2	207.2
Commercial Banks	1,754.5	285.1	285.1	285.1	285.1	285.1	285.1	297.1
Other	879.6	2.8	2.8	2.8	2.8	2.8	2.8	46.0
Loans	**288.0**	**103.3**	**201.9**	**213.0**	**215.0**	**167.2**	**214.4**	**216.4**
Central Bank	288.0	103.3	201.9	213.0	215.0	167.2	214.4	216.4
Long Term	**8,657.0**	**8,914.5**	**8,529.4**	**8,164.6**	**8,113.9**	**8,455.6**	**8,553.8**	**8,513.7**
Bonds	**6,509.0**	**8,621.0**	**8,358.6**	**8,083.7**	**8,091.2**	**8,051.6**	**8,137.4**	**8,129.0**
Central Bank	597.5	414.4	414.4	414.4	444.4	626.8	626.8	626.8
Commercial Bank	179.9	2,052.5	2,048.0	2,048.8	2,058.3	2,034.2	2,031.3	2,097.6
NIS	3,306.6	2,943.8	2,858.7	2,650.2	2,665.4	2,605.2	2,620.5	2,548.3
Insurance Companies	729.7	1,179.6	821.5	815.8	815.1	810.6	799.2	781.1
Pension Funds	218.0	296.6	304.8	311.7	321.9	317.1	317.2	316.0
Other	1,477.4	1,734.0	1,911.2	1,842.7	1,786.1	1,657.6	1,742.4	1,759.2
Loans & Tax Certificates	**241.0**	**0.1**	**17.9**	**1.5**	**0.1**	**146.6**	**146.6**	**146.6**
Commercial Banks	240.8	-	17.8	1.4	0.0	146.5	146.5	146.5
Other	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Arrears	**1,907.0**	**293.4**	**152.9**	**79.4**	**22.6**	**257.5**	**269.7**	**238.1**
External Debt	**2,924.0**	**3,242.1**	**3,096.2**	**3,946.4**	**4,486.2**	**5,106.8**	**4,754.0**	**5,450.1**
Long Term	**2,924.0**	**3,242.1**	**3,096.2**	**3,946.4**	**4,486.2**	**5,106.8**	**4,754.0**	**5,450.1**
International Bonds	1,161.4	1,161.4	1,137.9	1,072.9	1,072.9	1,070.7	1,071.4	1,070.0
Bilateral	216.0	204.4	242.9	244.4	312.6	376.3	387.5	396.9
Multilateral	1,124.0	1,292.5	1,431.1	2,381.3	2,882.4	3,323.3	2,951.4	3,668.6
IMF (Budget Support)	-	-	-	368.2	464.8	530.8	548.4	754.6
Commercial	422.6	421.2	237.0	247.8	218.3	336.5	343.7	314.7
Arrears	-	162.6	47.3	-	-	-	-	-
Other Public Sector Debt (Guaranteed Contingent Liabilities)	**2,349.6**	**98.3**	**57.9**	**51.9**	**46.0**	**36.2**	**37.6**	**27.8**
Domestic Debt	**2,219.6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
External Debt	**130.0**	**98.3**	**57.9**	**51.9**	**46.0**	**36.2**	**37.6**	**27.8**
Long Term								
Bonds	85.0	65.4	31.1	31.1	31.1	26.0	27.2	23.3
Multilateral	45.0	32.9	26.8	20.9	14.9	10.2	10.4	4.5
Gross Public Sector Debt[3]	**18,196.7**	**12,853.3**	**12,380.5**	**12,871.1**	**13,356.2**	**14,260.9**	**14,054.9**	**14,758.3**
Gross Public Sector Debt/GDP (%)	178.9	125.0	113.6	143.6	127.9	116.5	120.3	115.5

(p) -Provisional
[1] Gross Central Government Debt = Domestic Debt + External Debt
[2] Treasury Bills - Held for a fixed period
[3] Gross Public Sector Debt = Gross Central Government Debt + Other Public Sector Debt (Guaranteed Contingent Liabilities)
Sources: Ministry of Finance, Accountant General and Central Bank of Barbados

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

	2017	2018	2019	2020	2021	2022	2023(p)
Monetary Authorities							
Net International Reserves	334.7	832.5	1,130.8	2,195.0	2,594.6	2,354.5	2,558.1
Monetary base	2,375.9	2,659.0	2,938.8	3,551.8	4,132.8	4,389.2	4,401.1
Net Domestic Assets	1,996.9	1,788.8	1,761.6	1,296.2	1,479.0	1,978.4	1,740.7
Deposit-taking Institutions[1]							
Credit to Public Sector[2]							
Central Government (net)	2,164.5	1,896.4	1,886.7	2,056.5	2,100.1	2,249.8	2,415.3
Rest of the Public Sector	344.8	107.9	65.0	85.3	144.5	157.1	142.6
Credit to Rest of Financial System	248.7	274.5	255.7	262.8	246.3	288.8	303.0
Credit to the Non-Financial Private Sector[3]	8,151.3	8,179.1	8,254.4	8,153.7	8,096.8	8,350.7	8,553.6
Total Deposits	11,978.7	11,967.1	12,284.6	12,976.2	13,697.0	14,413.4	14,578.0
Transferable Deposits[4]	9,667.6	9,844.5	10,394.3	11,178.9	11,855.8	12,643.9	12,896.3
Non-Transferable Deposits	2,311.1	2,122.6	1,890.3	1,797.3	1,841.1	1,769.4	1,681.7
Memo Items							
Domestic Currency Deposits	11,223.9	11,365.1	10,337.2	12,283.2	12,809.9	13,376.8	13,543.4
Foreign Currency Deposits	754.8	602.0	576.2	693.0	887.0	1,036.5	1,034.6
Banking System Financial Stability Indicators[5]							
Capital Adequacy Ratio (CAR)	17.0	13.8	13.5	16.0	16.8	17.6	20.4
Loan-to-Deposit Ratio	74.7	63.0	61.7	57.1	53.0	53.1	54.3
Liquid Assets to Total Assets	29.7	25.9	26.0	27.5	31.1	32.0	30.4
Non-Performing Loans Ratio	7.7	7.4	6.6	7.3	7.3	5.9	5.0
Provisions to Non-Performing Loans	80.4	67.3	59.4	62.0	60.3	50.8	50.3
Return on Average Assets (12-month)	1.3	(0.2)	0.6	0.8	1.1	1.3	2.0

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