



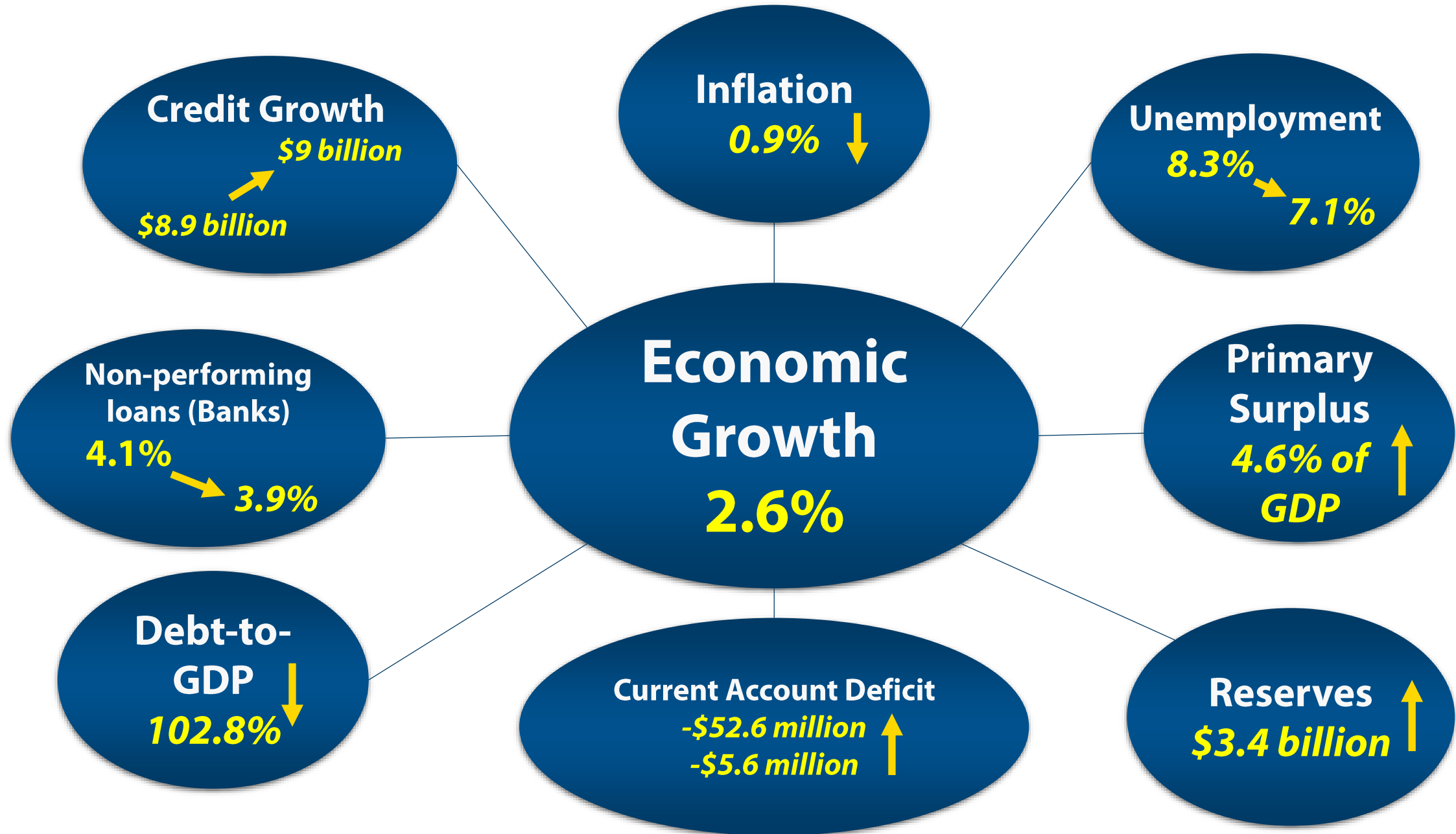
# BARBADOS' ECONOMIC REVIEW





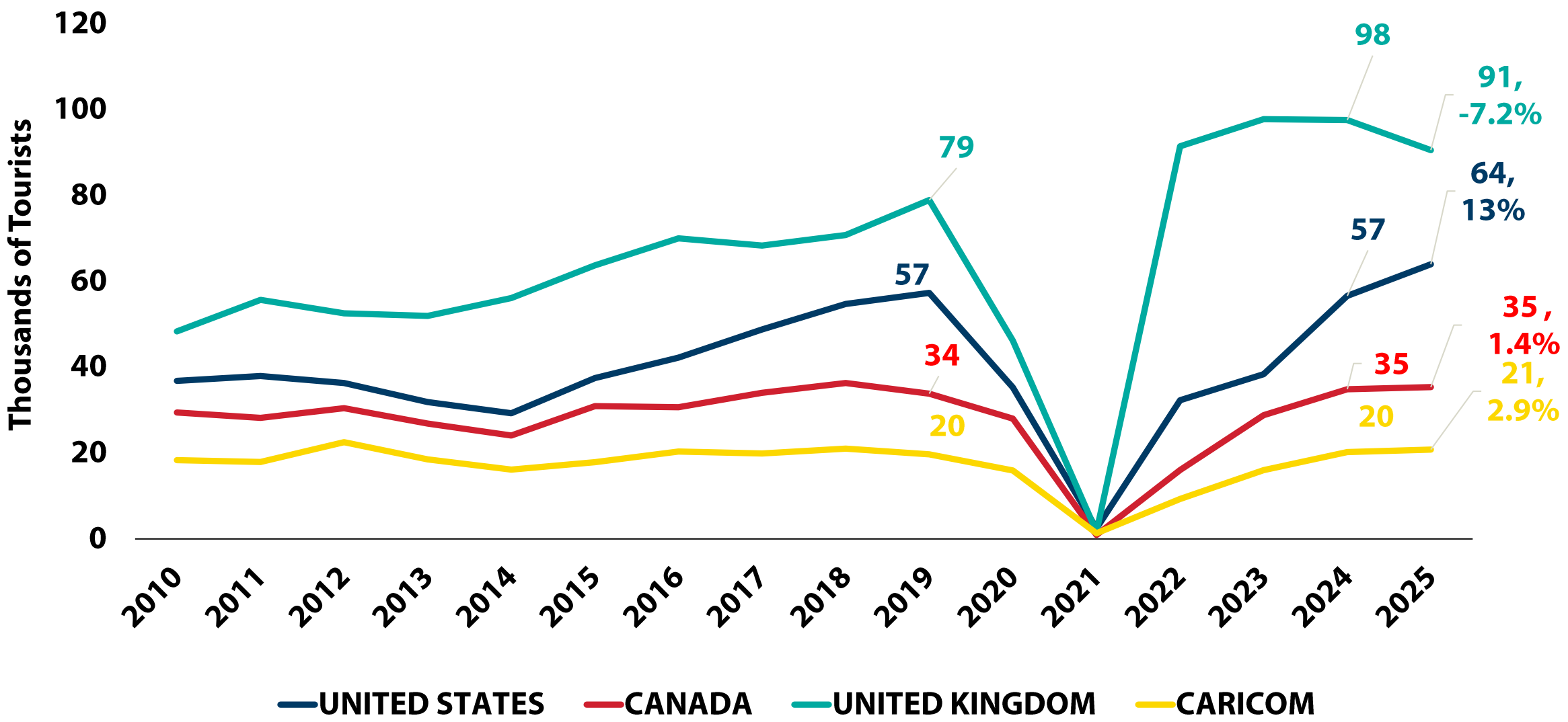
# **OVERVIEW OF THE ECONOMY**

# The economy recorded growth in the face of global challenges

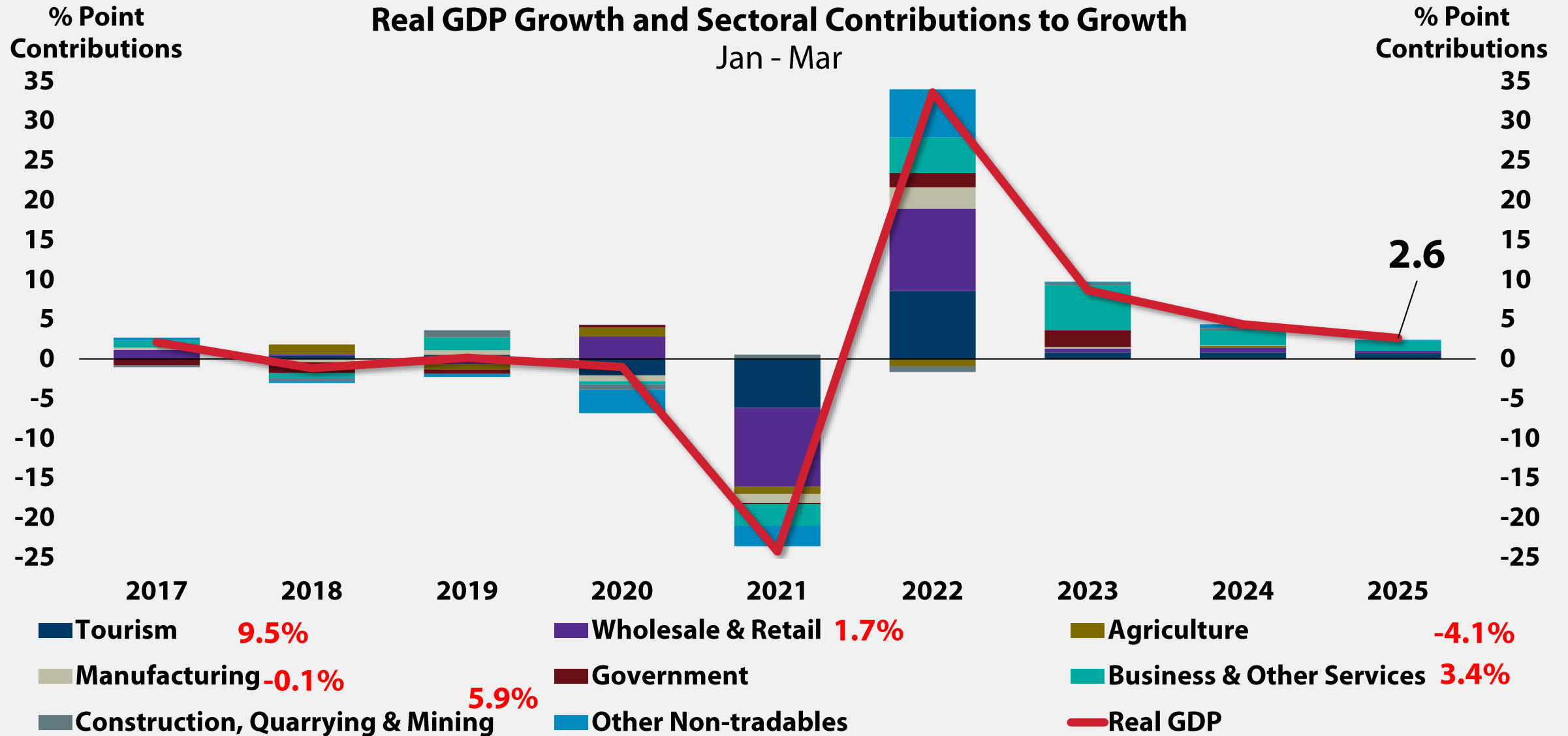


# Long-stay tourist arrivals increased by 2.4% – *year-on-year increase*

Jan - Mar

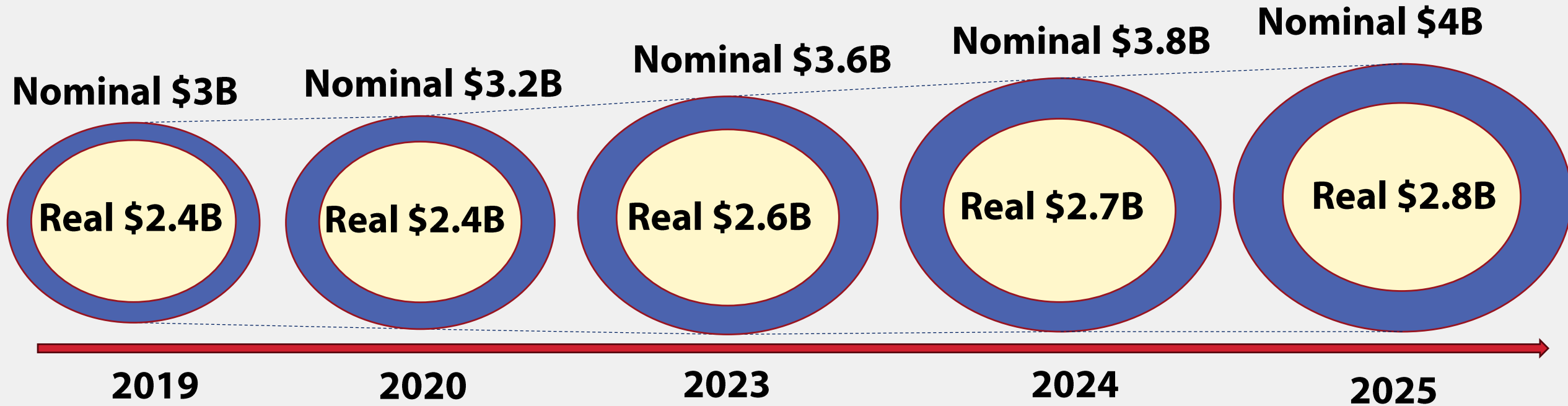


# Tourism drove broad-based economic growth



# *GDP continued to expand in both Real & Nominal Terms*

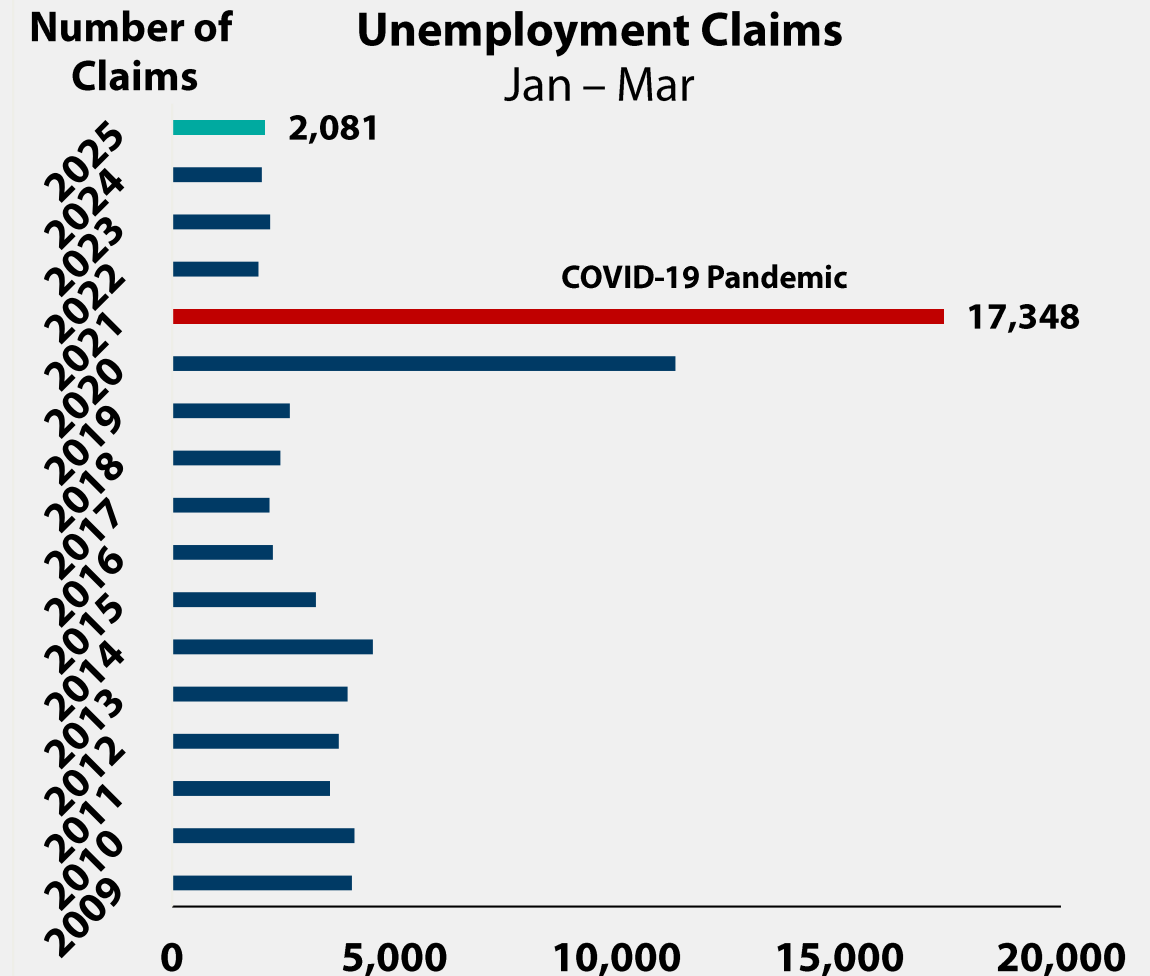
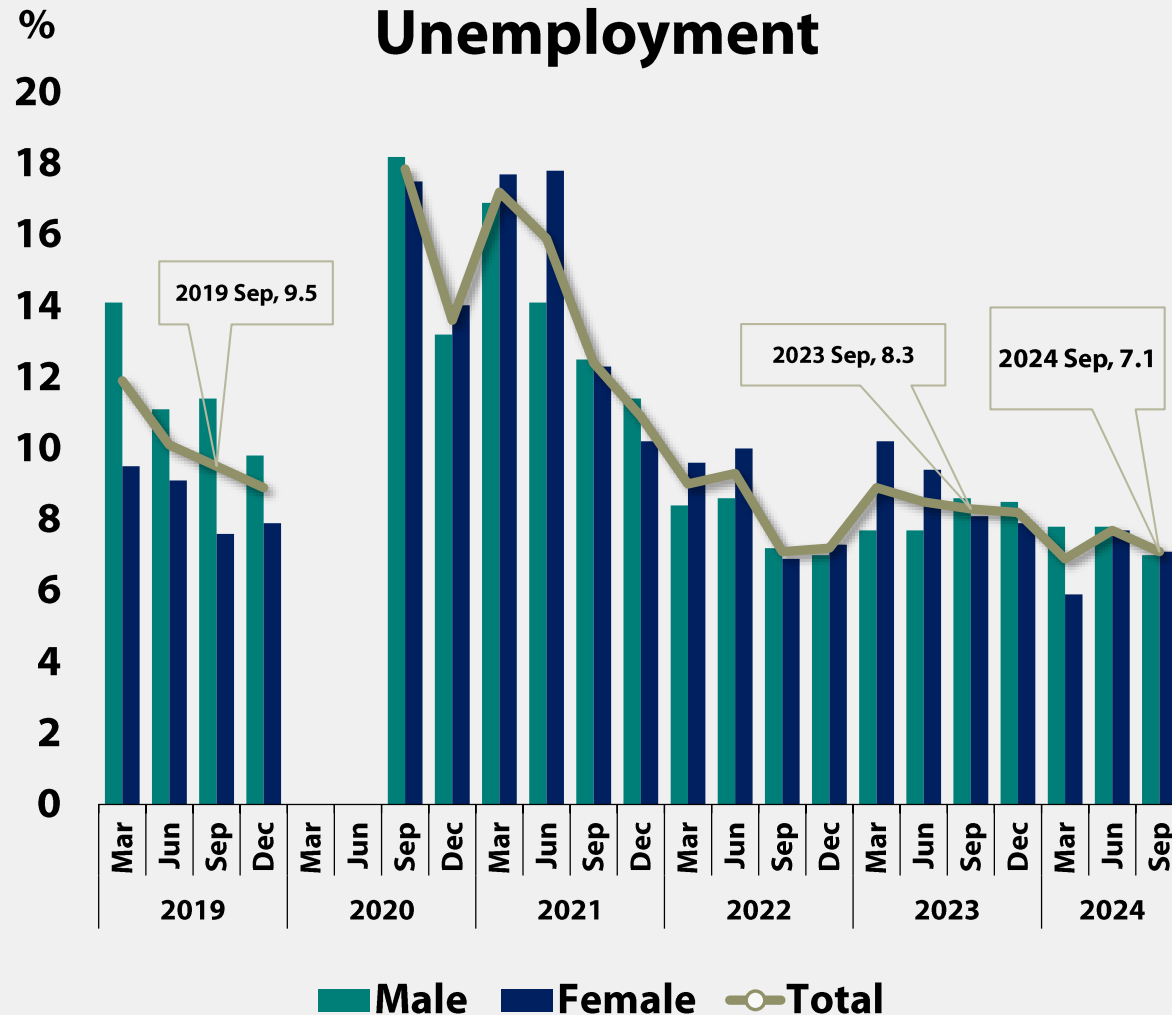
Jan-Mar



# Labour market conditions remained stable

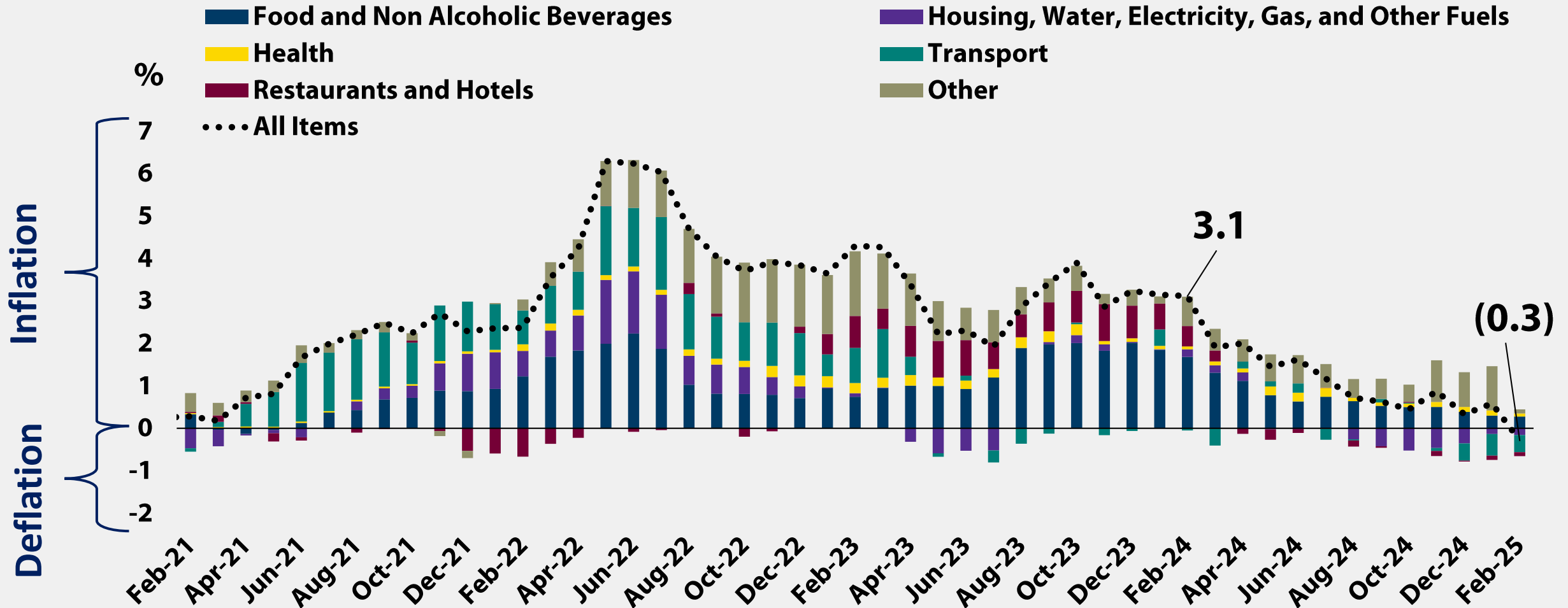
*The unemployment rate decreased.*

*Number of unemployment claims was lower than Q1 of 2024, remaining well below pre-pandemic levels.*

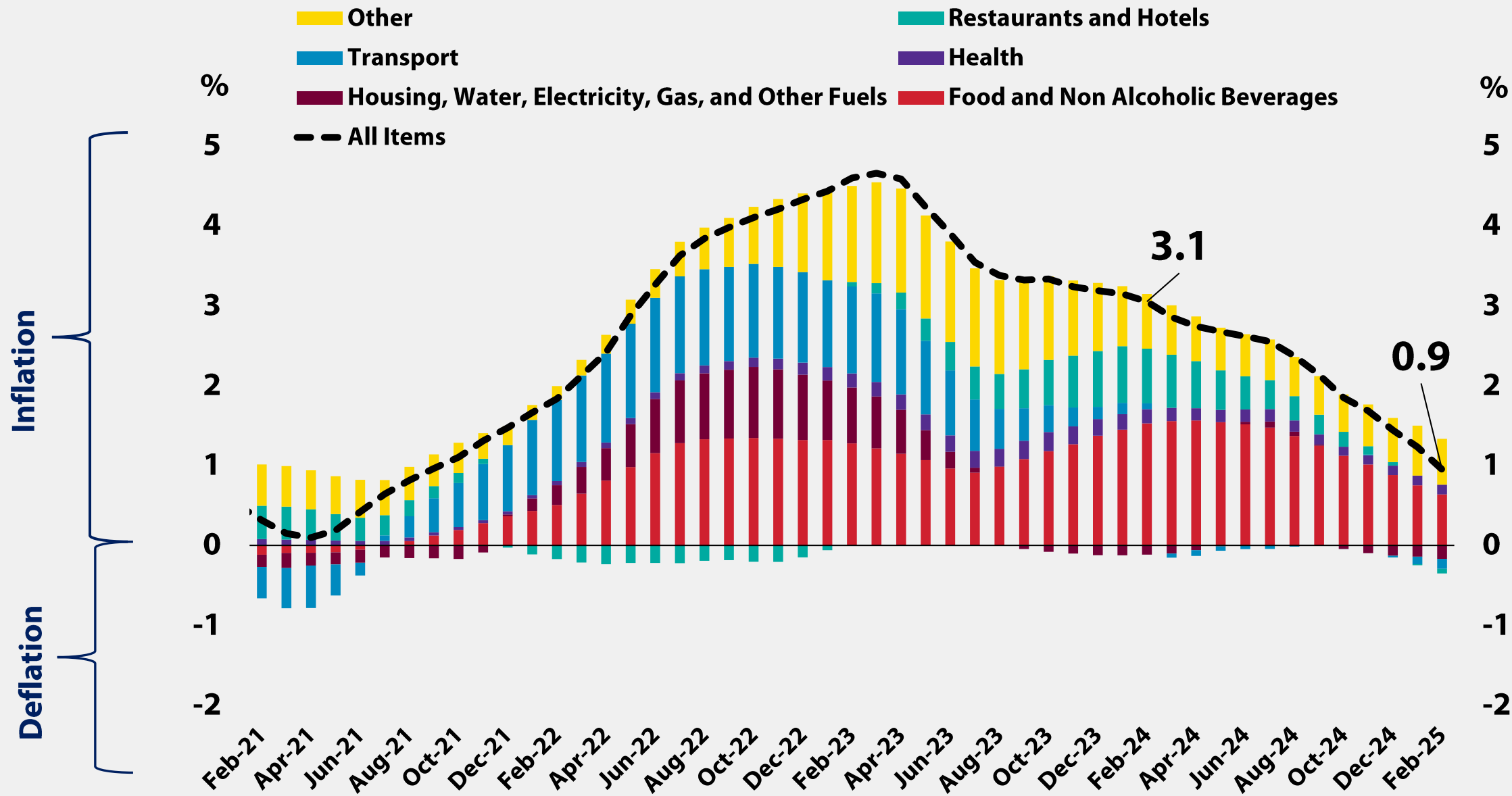


# Inflation slowed primarily due to:

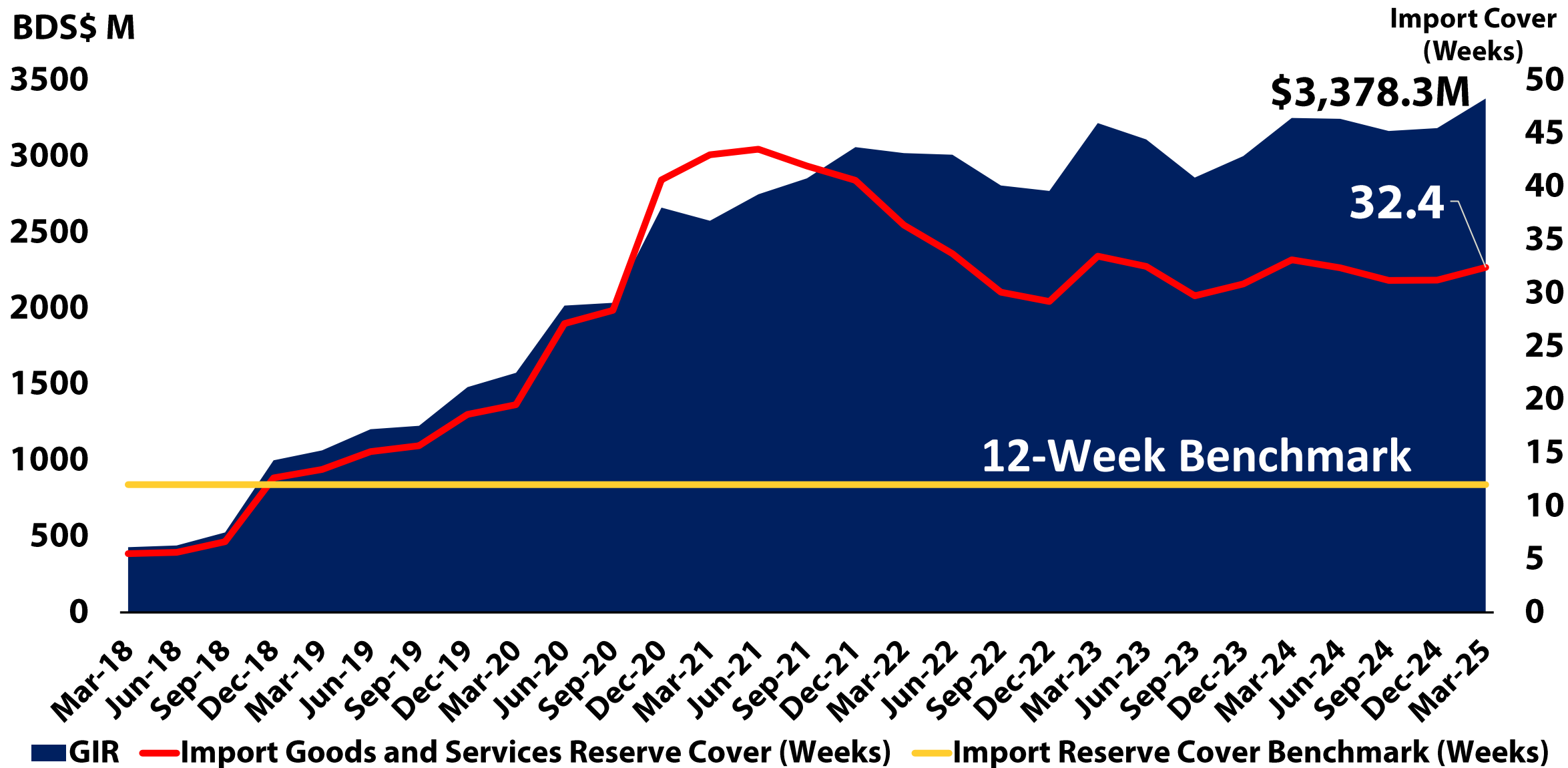
- 1) Clothing, furnishings, and recreational goods.
- 2) International oil, food, and freight costs fell.



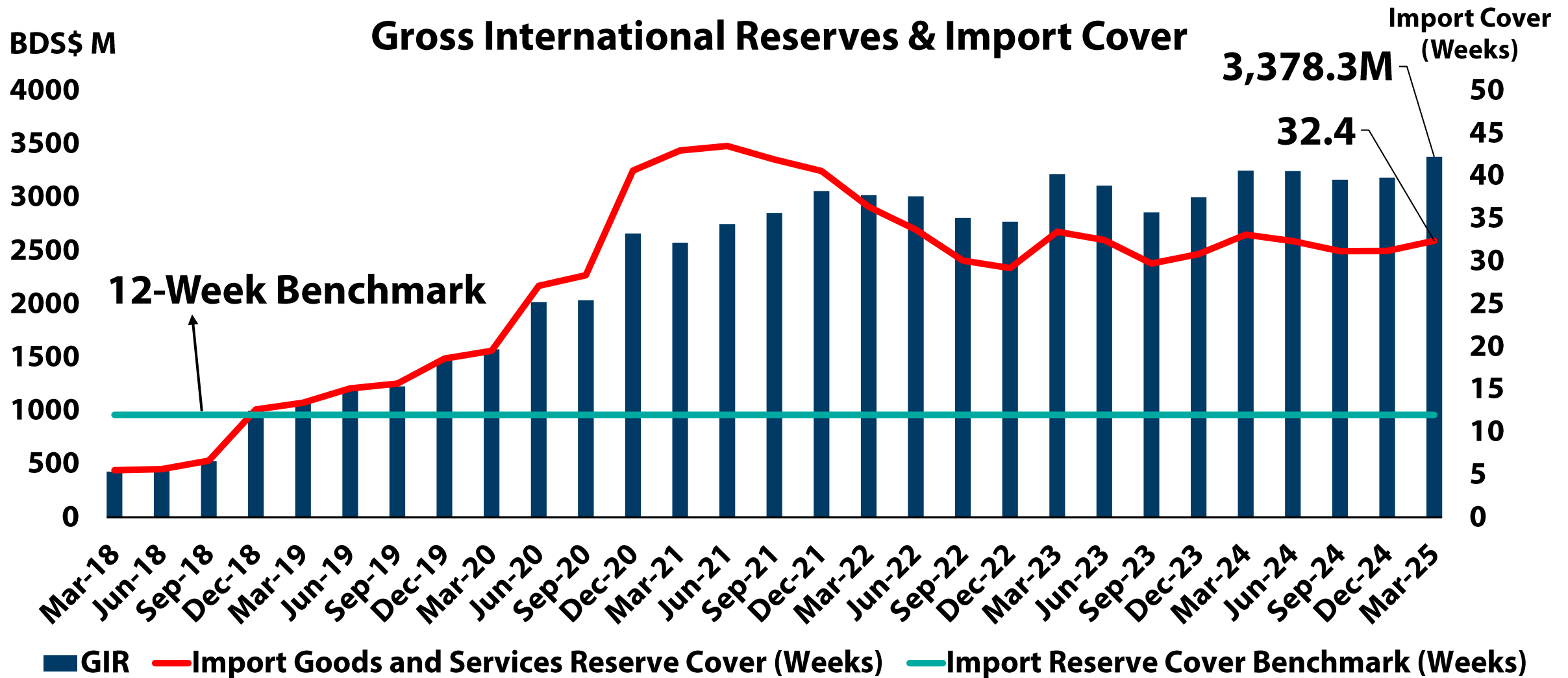
# 12-month moving average inflation slowed



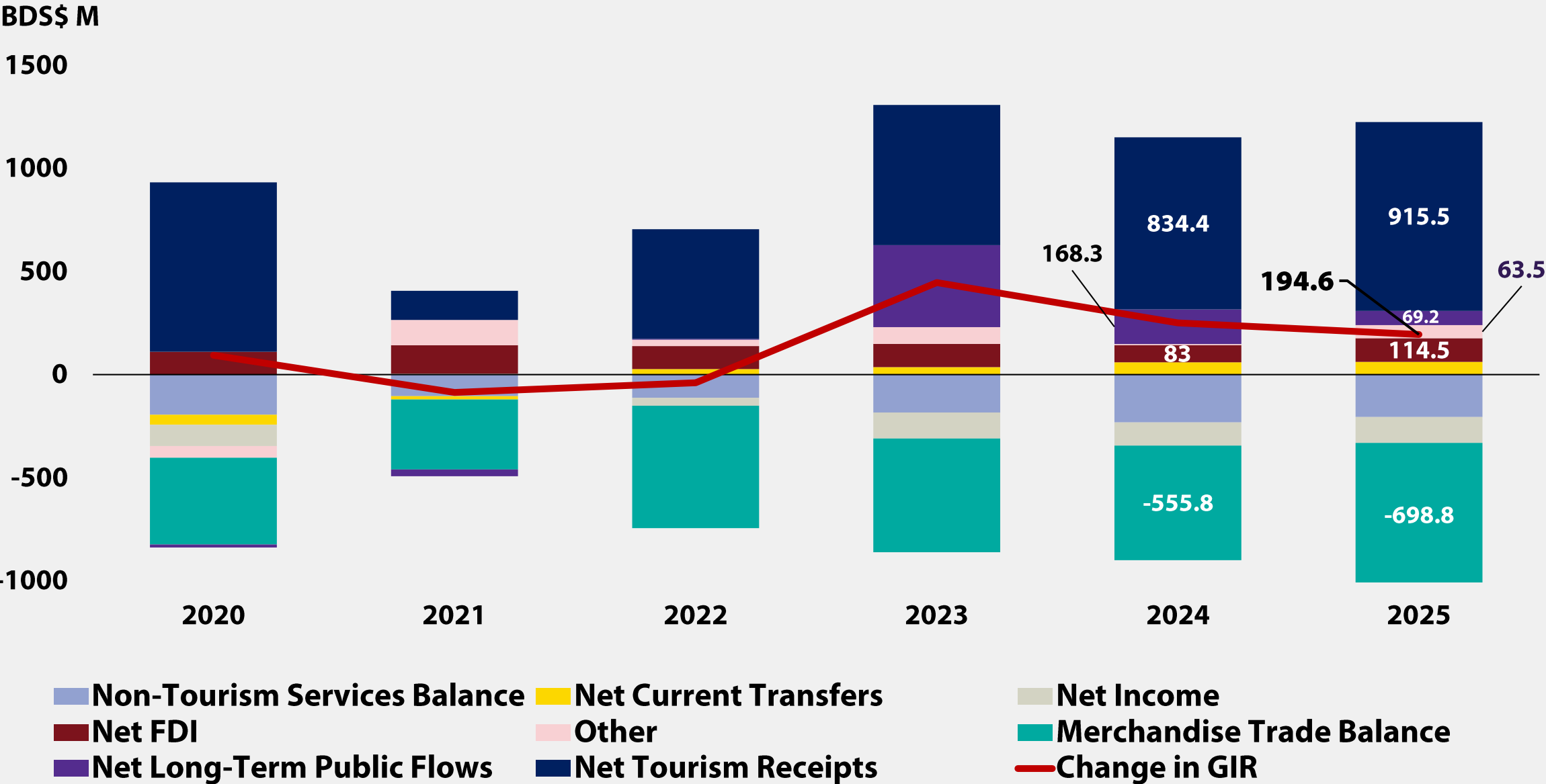
# Foreign reserves hit an end-of-March high of *32.4 weeks of import cover!*



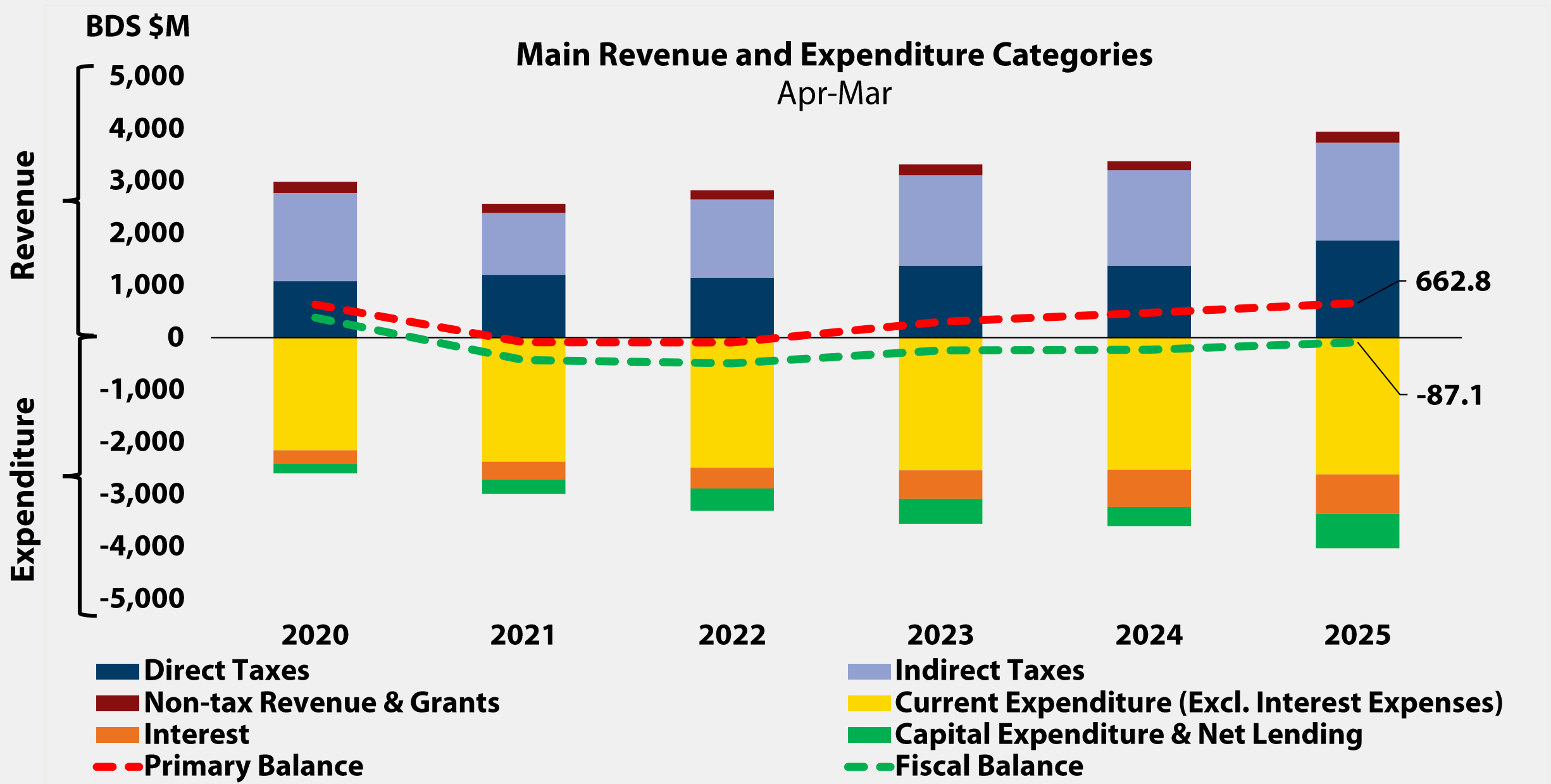
# Foreign reserves hit an end-of-March high of *32.4 weeks of import cover!*



# Increased tourism earnings and net FDI drove the reserve accumulation



# Fiscal operations resulted in a primary surplus



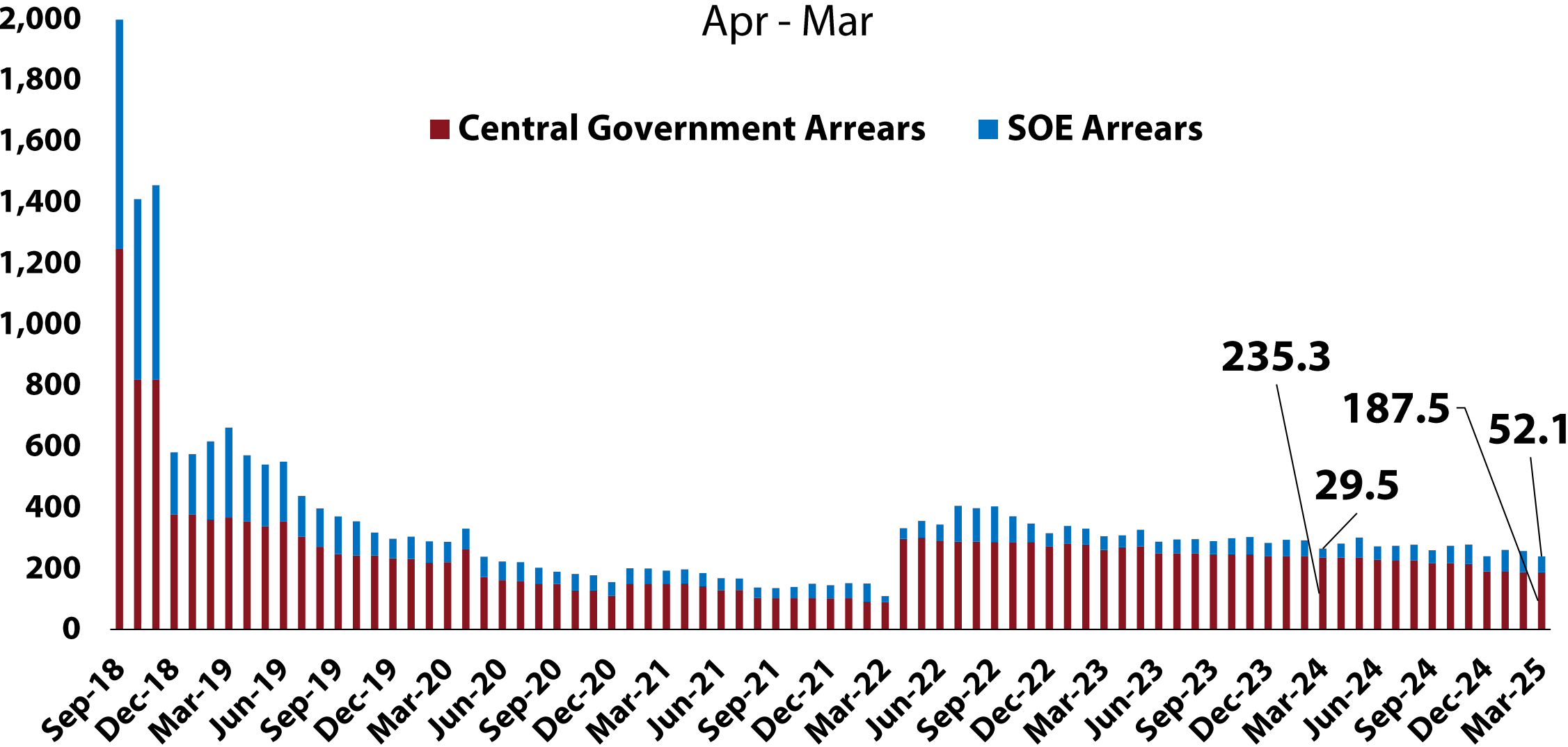
# Central Government arrears continued to decline

## Central Government Arrears and SOE Arrears

Apr - Mar

■ Central Government Arrears ■ SOE Arrears

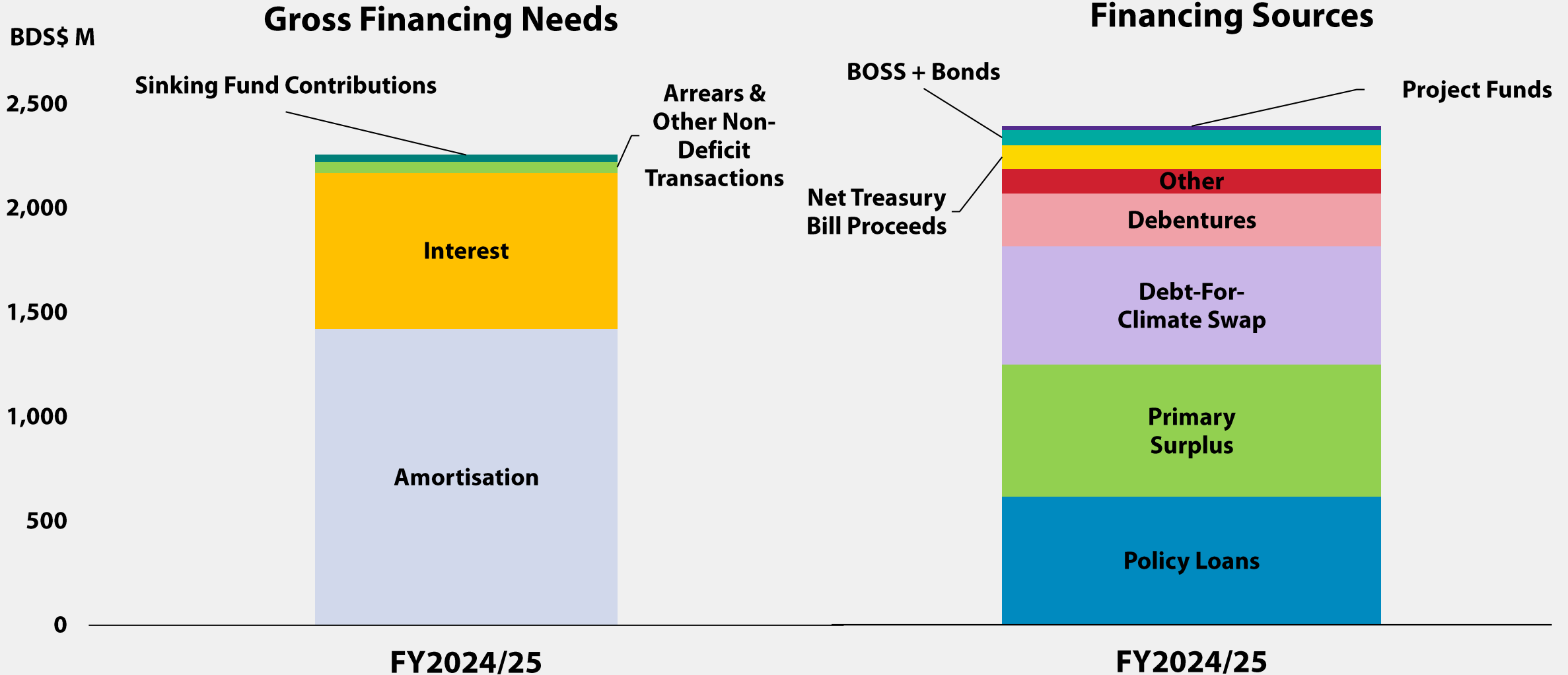
BDS \$M



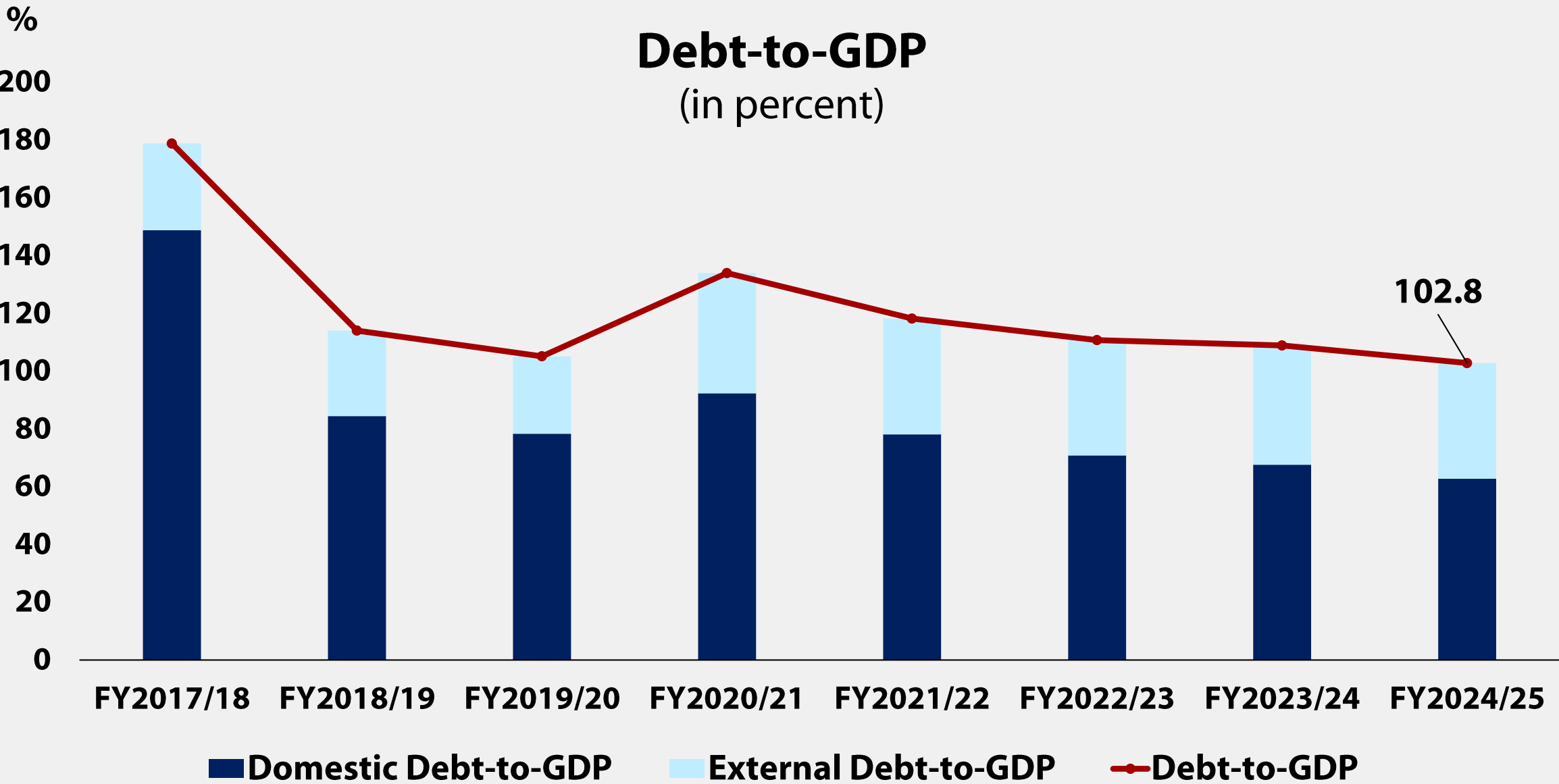
# Government's financing needs were covered

*Higher amortization and interest payments pushed up financing needs...*

*...Sources of finance included the primary balance, policy loans, Debt-for-climate swap, debentures, T-Bills, and BOSS+ Bonds.*

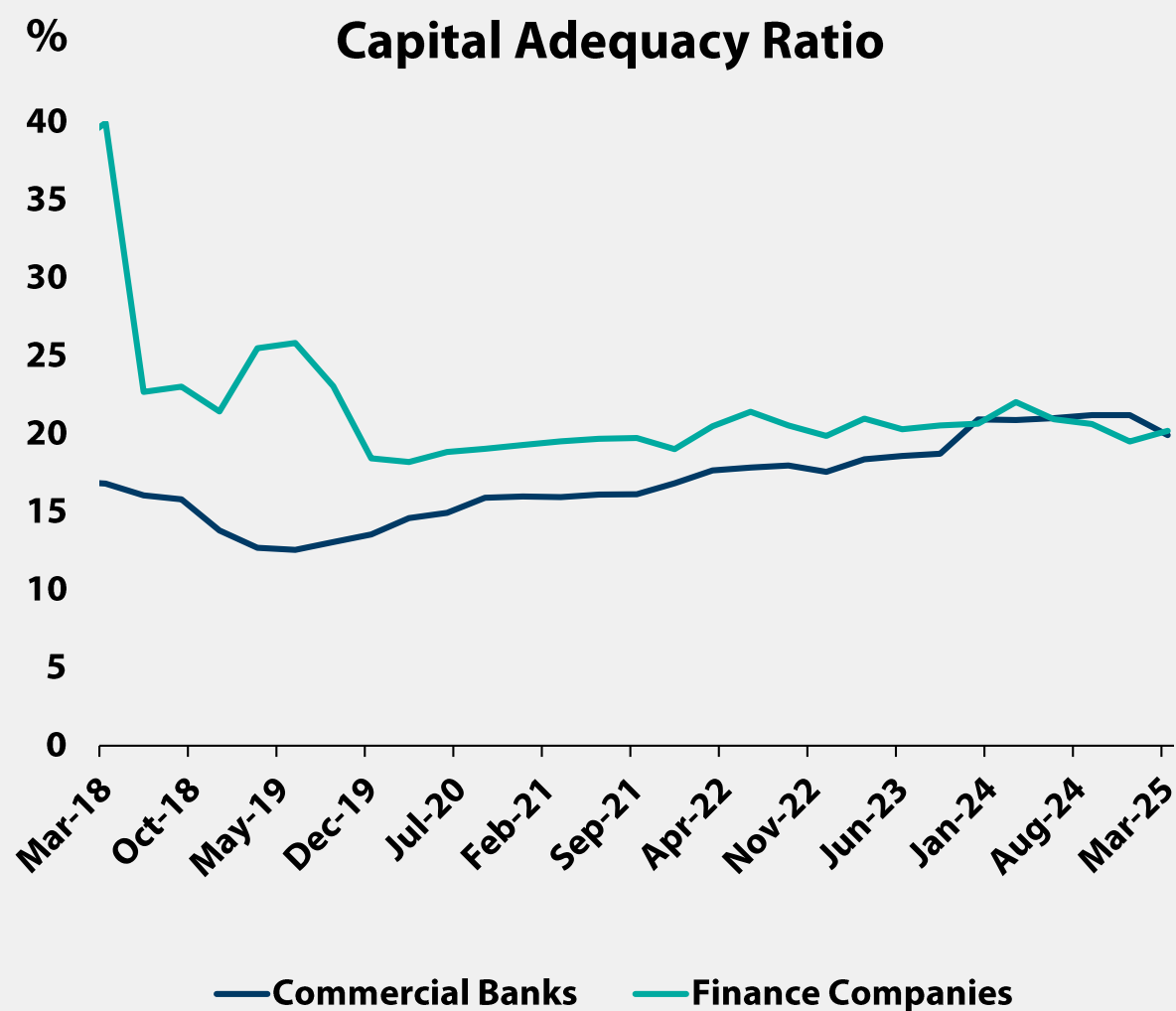


# Debt-to-GDP ratio continues to decline as the economy expands

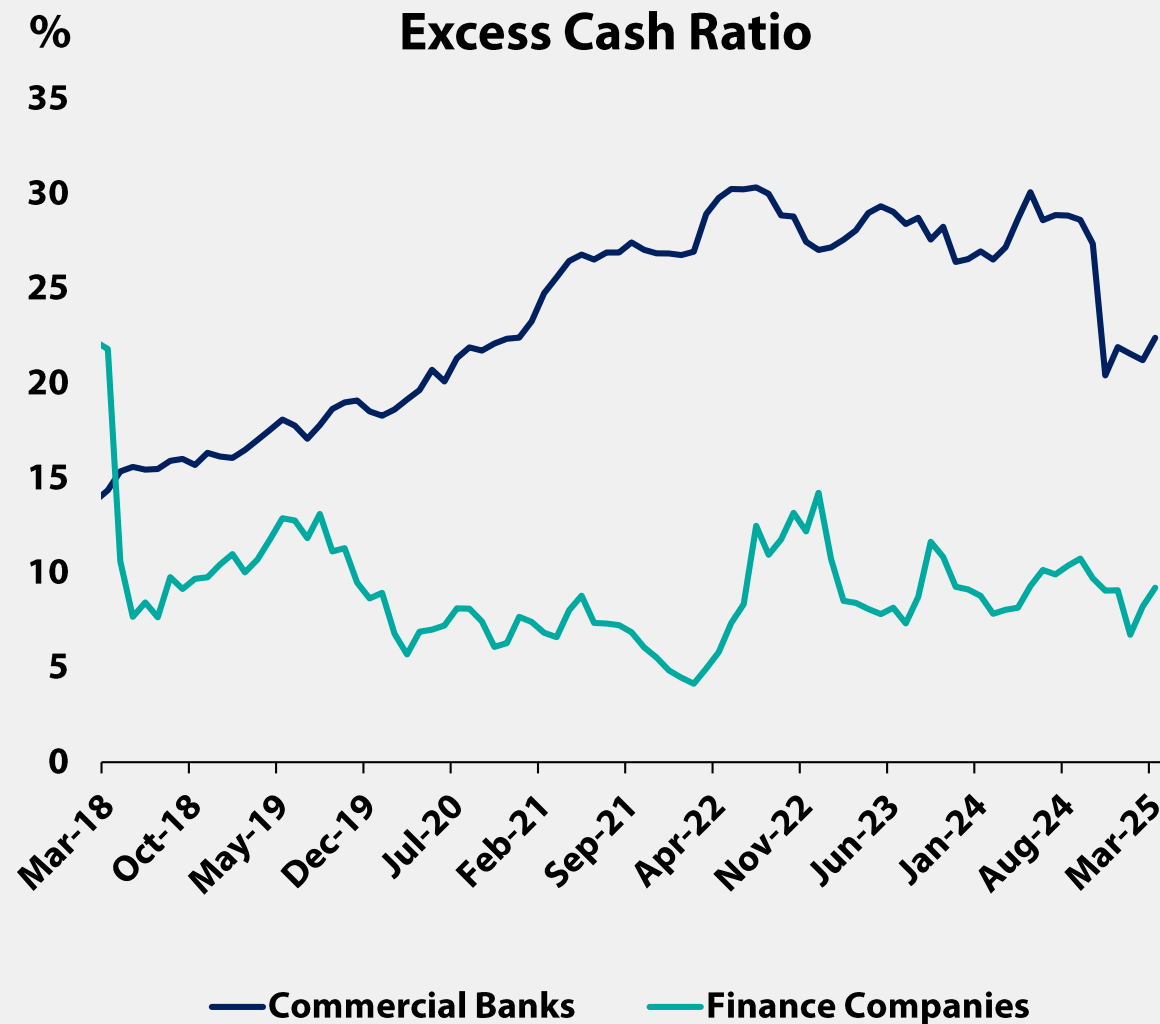


# The financial system remains healthy and stable

*Deposit-taking institutions are well capitalised*

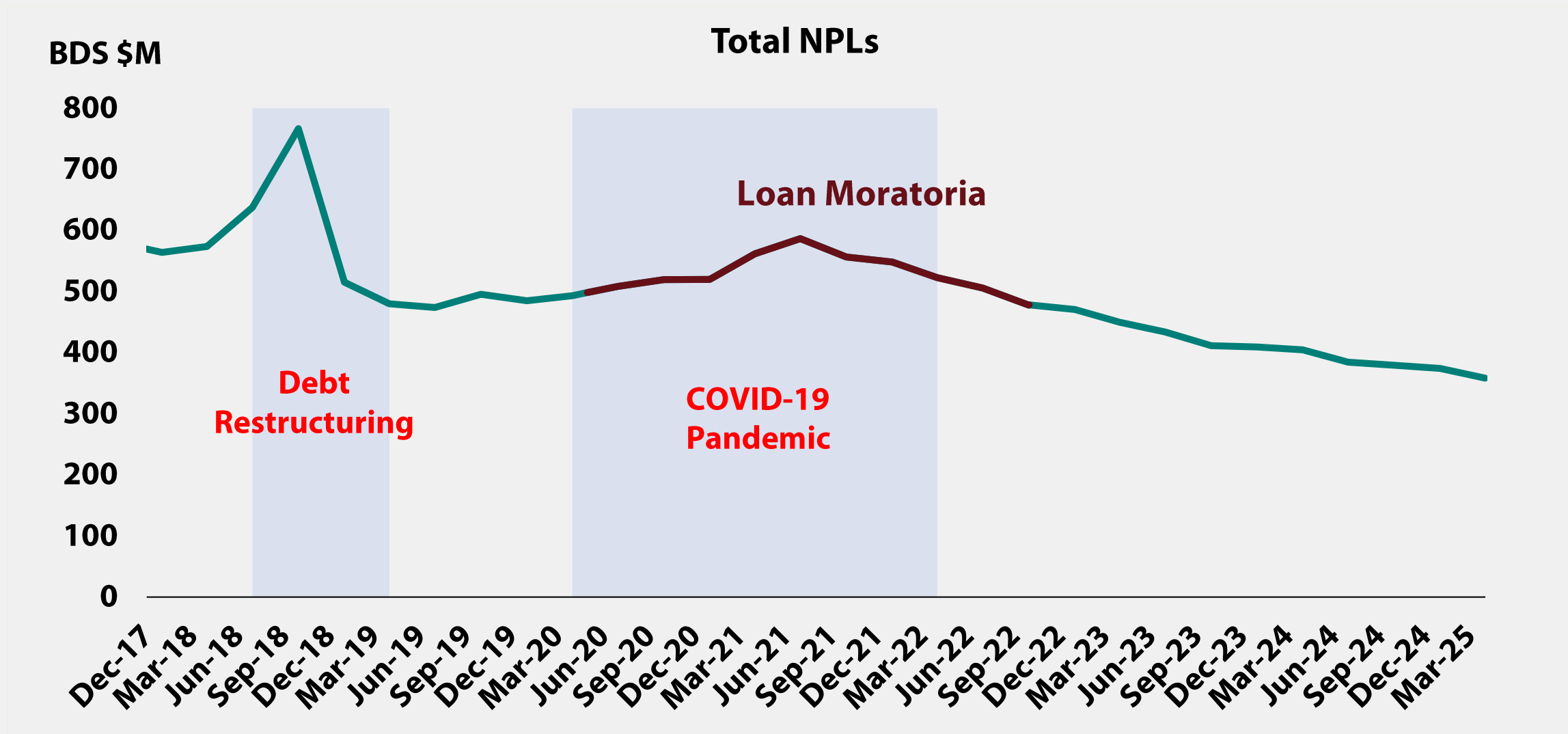


*Liquidity remains high*



# Credit quality strengthened

*Total NPLs continued to decline, supported by sustained economic activity*

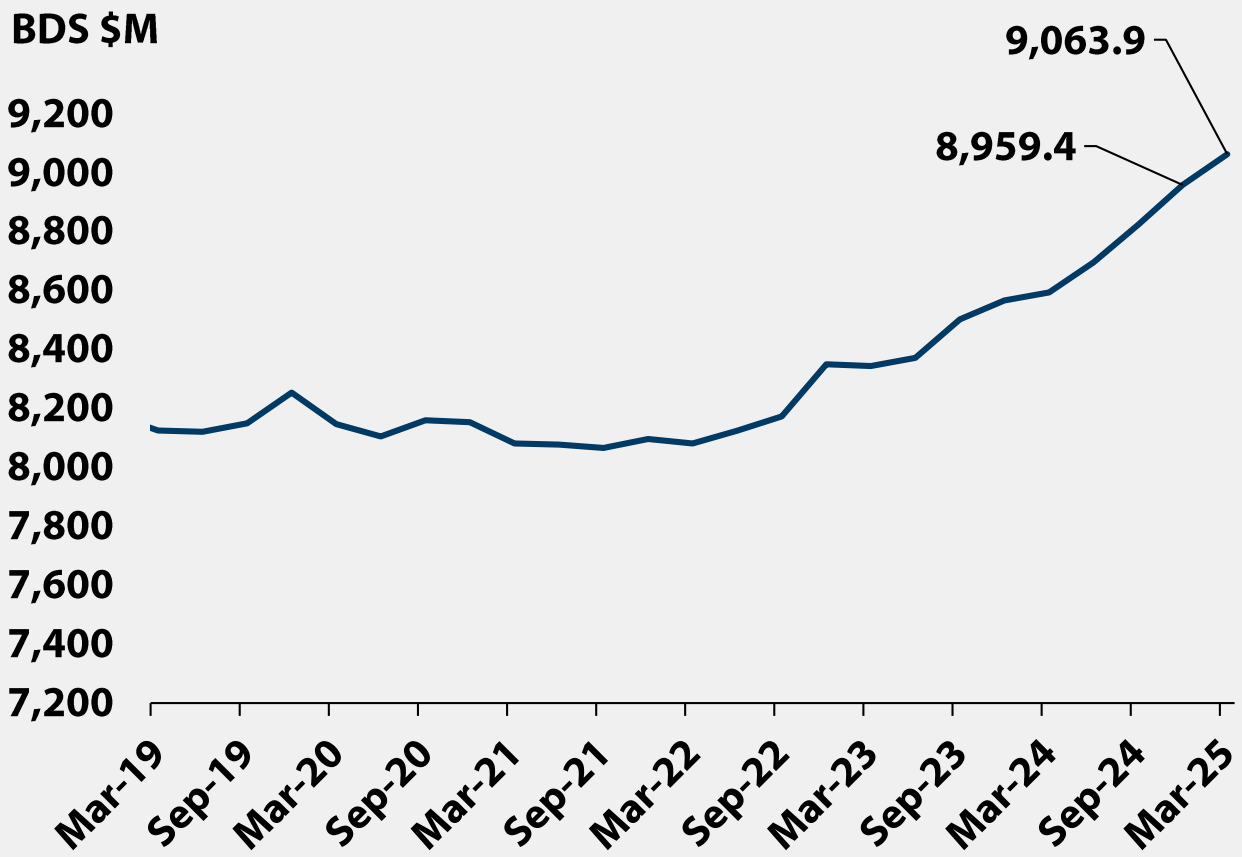


# Credit growth increased marginally

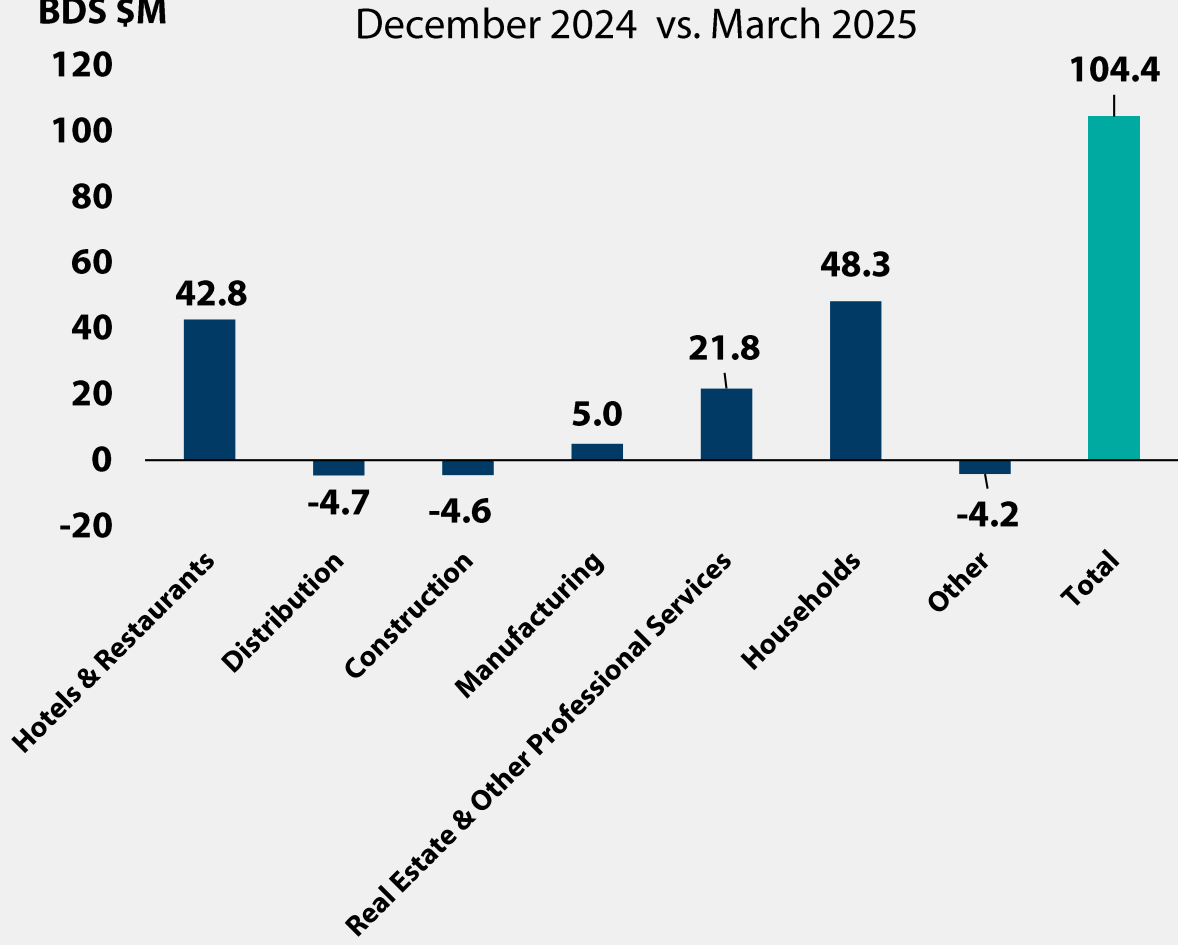
*Overall credit to the non-financial private sector grew marginally over the first quarter...*

*...credit to the households, hotel & restaurants, and real estate & other professional services offset repayments of loans by the distribution and construction sectors*

**Outstanding Credit to the NFPS**



**Changes in Loan Balances of the NFPS**





# **OUTLOOK FOR THE ECONOMY**

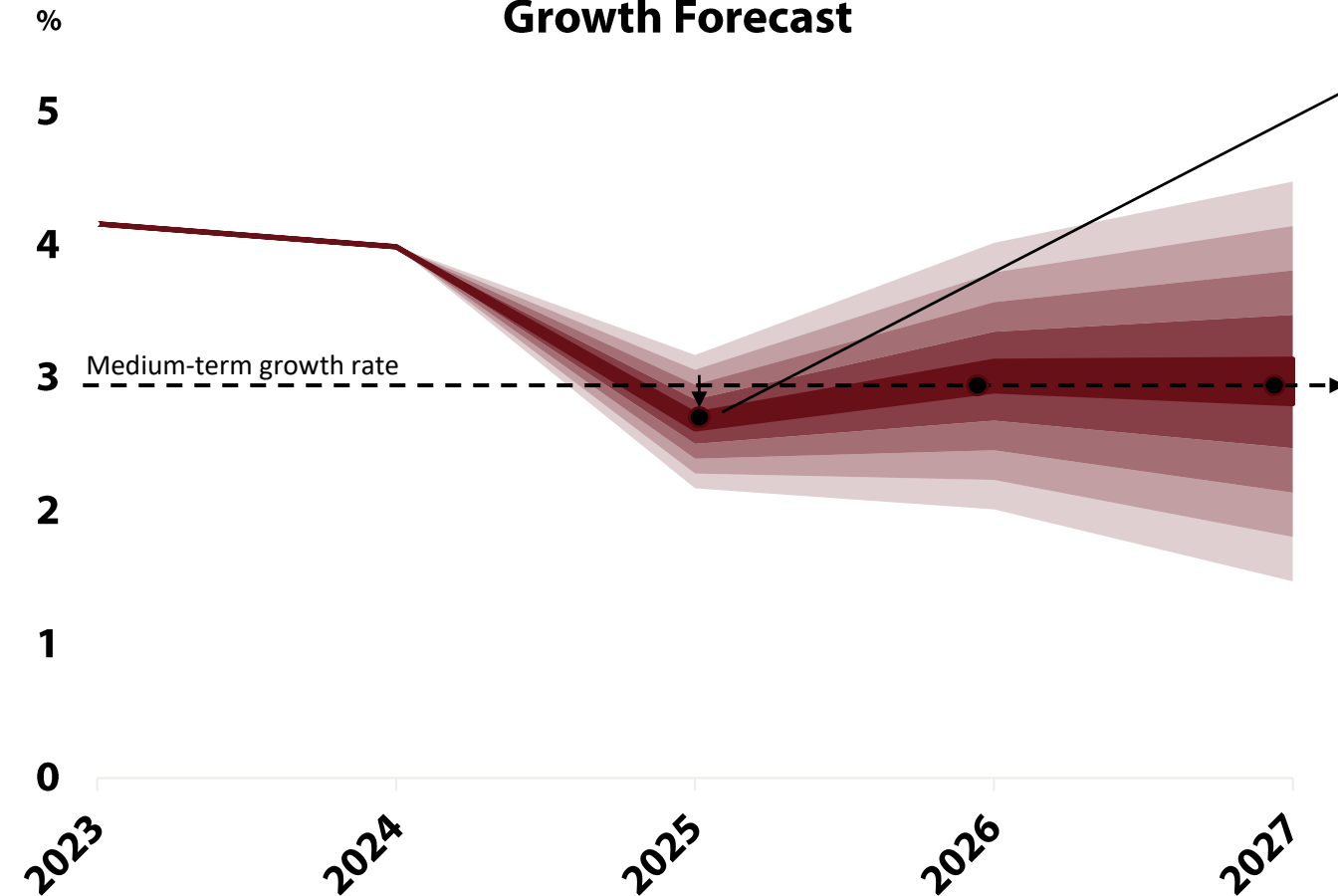
# Global economic projections revised downward, reflecting the impact of heightened trade tensions and policy uncertainties.

| Indicator                  | 2024 Estimate | 2025 Projection | Change   |
|----------------------------|---------------|-----------------|----------|
| Global GDP Growth          | 3.3%          | 2.8%            | ▼ 0.5 pp |
| U.S. GDP Growth            | 2.8%          | 1.8%            | ▼ 1.0 pp |
| Euro Area GDP Growth       | 0.9%          | 0.8%            | ▼ 0.1 pp |
| China GDP Growth           | 4.5%          | 4.0%            | ▼ 0.5 pp |
| Global Trade Volume Growth | 3.0%          | 2.2%            | ▼ 0.8 pp |
| Global Headline Inflation  | 5.8%          | 4.4%            | ▼ 1.4 pp |

# Growth is expected to continue despite global challenges

*Real GDP should continue to expand by about 2.7% in 2025 before returning to its medium-term rate*

## Growth Forecast



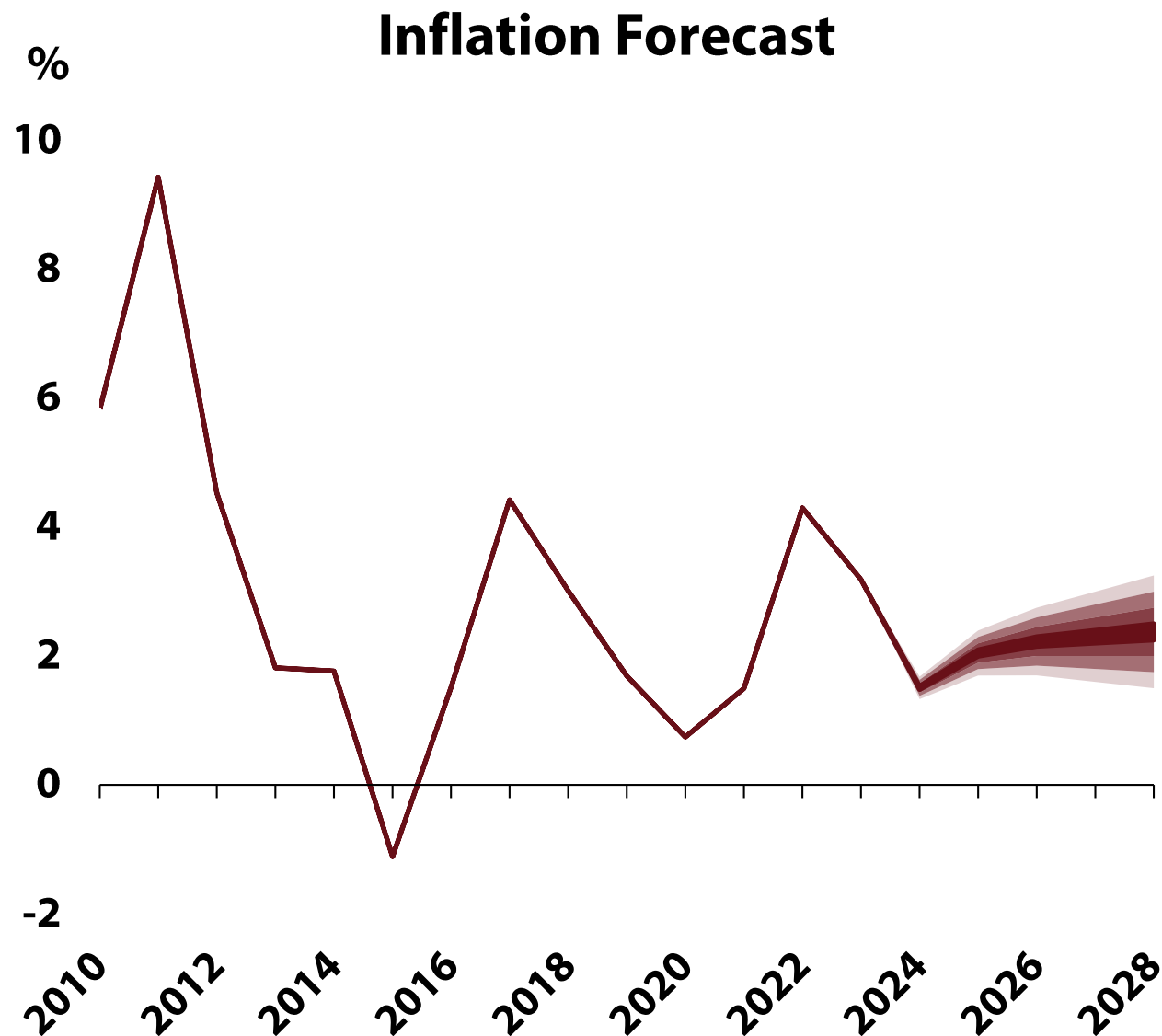
Growth is expected to be led by tourism, construction, and business services

Tourism is expected to remain a key growth driver: Event-driven demand from Crop Over and international sporting events; increased airlift; additional cruise calls.

Fiscal measures introduced in the 2025 Budget are expected to support growth and resilience.

Investment is critical. Particularly in areas such as tourism, infrastructure, the blue and green economies, and food security to support this growth.

# Trade shocks may cause inflationary pressures



□ The 12-month moving average inflation rate is expected to range between 1.7 to 3.5 percent for 2025.

□ Risks to Inflation:

- Heightened trade uncertainty may drive up import prices. Sensitivity to higher port fees, shipping charges, and tariffs, are expected to increase global inflation.
- On the local side, unfavourable weather conditions can cause shortages and place upward pressure on local food prices despite current efforts in strengthening agricultural climate resilience.

## Uncertainties and Risks to the Outlook: *Challenges in Tourism and Economic Growth*

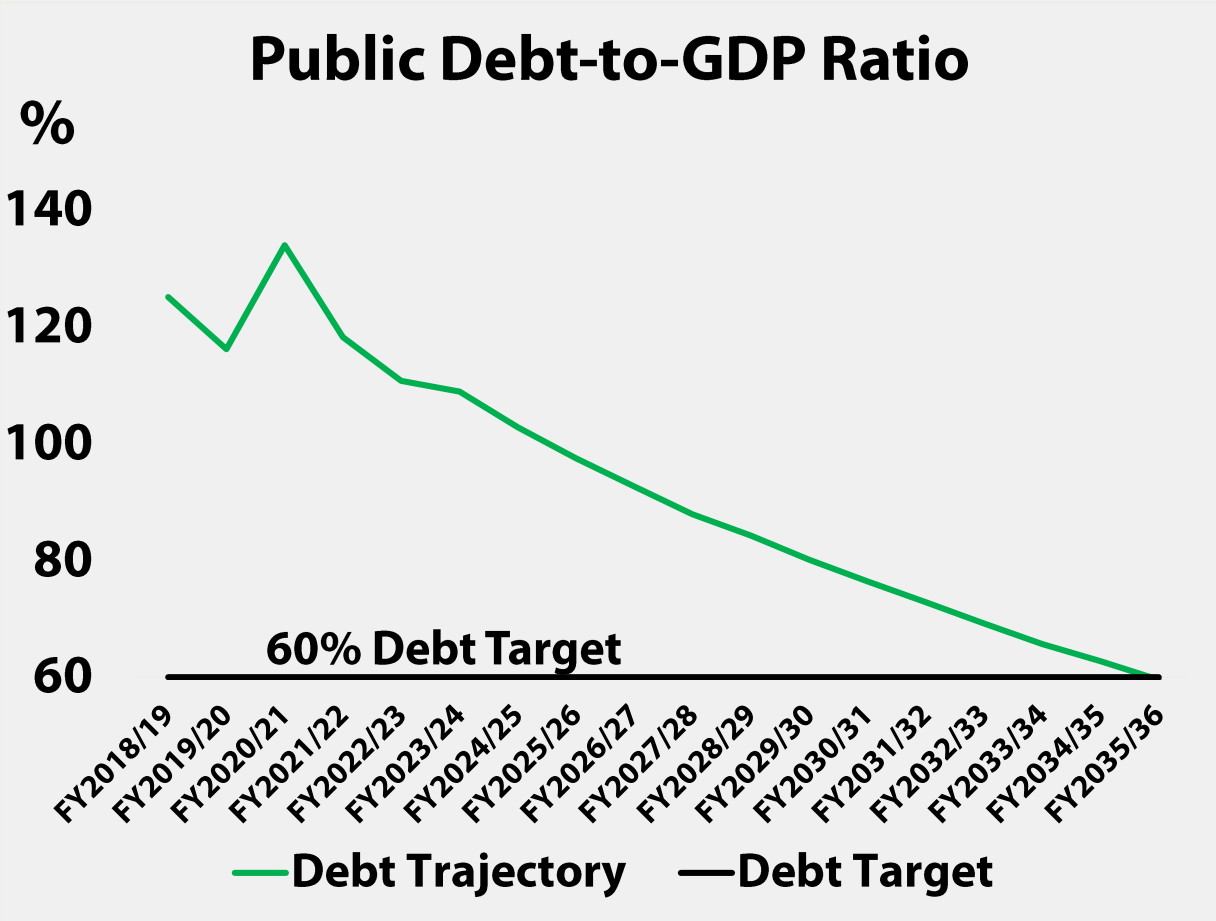
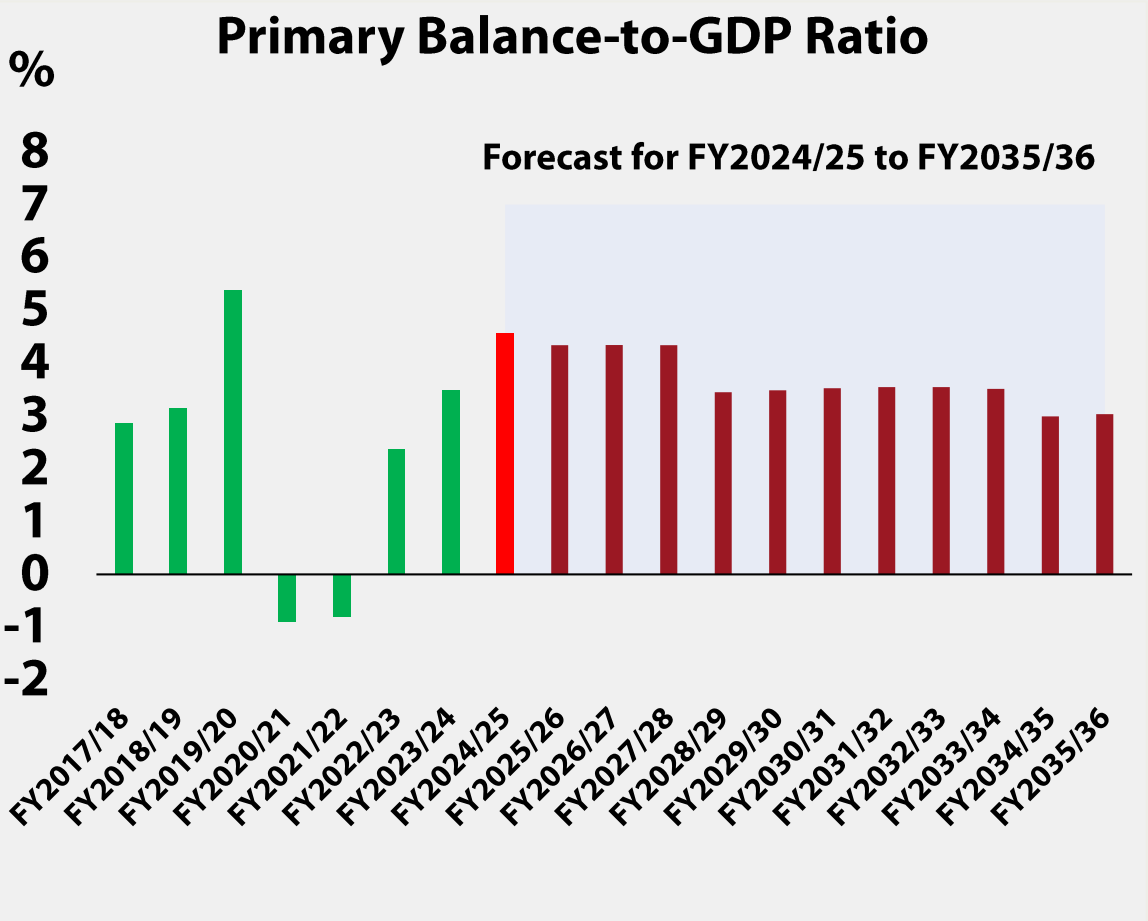
- **Geo-political tensions, trade shocks, and weaker growth in key markets such as the UK** pose risks to trade (widen trade deficit), place upward pressure on prices, and could constrain tourism growth.
- **Climate Risks** such as hurricanes, floods, and other natural disasters can disrupt travel plans, damage infrastructure, and negatively impact the tourism and agriculture sectors. Loss and damage can also drive up public spending.
- **Failure to increase investment and reform SOEs** could harm growth prospects.

- 
- **Global Economic Outlook:** Faster global growth could augur well for the country. The current (IMF) growth forecast is 2.8%, driven by advanced economies such as the USA, the Euro Area, and Canada.
  - **Accelerating investments, particularly in tourism and food security:** will strengthen local industries, reduce reliance on food imports, generate employment, and build resilience.
  - **Faster SOEs' reforms:** Reducing reliance of fiscal support will leave fiscal space for crucial capital investments.

# Debt should remain sustainable on its downward trajectory.

## Robust growth and a strong fiscal stance will continue to drive down debt.

*The primary balance path is consistent with achieving the long-term debt anchor of 60 percent of GDP.*





**THANK YOU**