Economic Alert iQ
First Citizens Research & Analytics
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Highlights of the Barbados FY 2016/17 Budget Statement

Review of the Economy FY 2015/16

- At the end of 2015, the Barbadian economy grew 0.8%, compared to 0.3% in 2014.
- The tradable sector grew 2.6%, led by significant growth from the Tourism industry, which contribution to GDP grew by 6.4% over the 2015 review period.
- However sugar production fell by a noteworthy 32.8% due to drought, while the electronic and food production industries fell by 2.9% and 2.6%, respectively.
- The non-tradable sector increased by a margin 0.4%, supported by the mining and quarrying sub-sector which grew by 23.4%, followed by the transport sub-sector which increased by 1.4% and the finance and other services improving by 1.1%.
- The construction sector continued its trend of falling output with a decline of 1.9%. However, the rate of falloffs

slowed since over the previous 3 years (2012-2014) construction output were in excess of 5% decline.

- Output in the distribution sector fell by 0.3%
- The largest contributors to Barbados's GDP were the real estate industry, which contributed 13.1% of GDP or BBD1,038.3m of value added activity, followed by accommodation and food services which also accounted for 13.1% of GDP or BBD1,037.0m; and wholesale and retail trade contributing 9.8% of GDP which is equivalent to BBD777.7m.
- Per capita GDP (basic prices) increased by an estimated 1.4% to record BBD31.7 thousand compared with BBD31.3 thousand in 2014.
- Foreign reserves at the end of 2015 was approximately BBD926m, equivalent to 13.8 weeks of import cover, representing a 5.1% decline in comparison to import cover in 2014, which was recorded at 15 weeks or BBD1,052.2m.
- The deficit at the end of financial year 2015/2016 stood at 6.9% of GDP on a cash basis, or 4.5% on an accrual basis, compared with 5% (on accrual basis) in 2014/2015.
- Total current revenue expanded by 5.5% or BBD136.1m. Revenue intake was bolstered by gains made from land revenue taxes increasing by BBD65.7m and Value Added Tax (VAT) revenues increasing by BBD44m. Excise taxes of BBD36.5m was the third largest revenue gain.

Budgetary Objectives 2016

- Improve foreign reserves position;
- Accelerate GDP growth to a minimum of 2.5% by the end of 2017;

- Reduce fiscal deficit by addressing both expenditure and revenue so that by 2018 the deficit will be no higher than the rate of economic growth;
- Stabilizing national debt by 2018 and reducing it thereafter;
- Preserving access to key social services provided at the highest quality and financed in a sustainable manner.

Strategy to enhance foreign exchange position:

- Complete sale of the Barbados National Terminals Company, drawdown the first payment of the sales proceeds on the Four Seasons Project and also the first transfer from the China Exim Bank for the Sam Lord's Redevelopment. These will be effected in the next 4-6 weeks and inject BBD350m in the Central Bank's Reserves, leading to an improved foreign reserve position in a short period.
- Central bank will work with domestic agencies to accelerate drawdowns of pending flow disbursement in the amount of USD60m due in the next quarter.
- Creation of duty-free zones. These zones would occupy particular geographic shopping spaces for Barbadian and tourist alike.

Strategy to promote economic growth:

- Amend the Tourism Development Act (TDA), to reflect the need for property owners to have flexibility in accessing the waivers according to their capacity to schedule property renovations.
- Remove duty requirement for yachts staying in Barbados waters longer than 6 months and in its place impose an annual license fee of BBD2,000.00 per boat.
- Develop a quality incentive scheme in the form of a reimbursable grant of up to BBD50,000. This grant would make

available to companies engaged in activities raising their overall industry standards to international standards.

- Implement a new Fiscal Incentives Act to conform to WTO requirements.
- Reconfigure the current Industrial Credit Fund to support financing for small businesses in Barbados.

Revenue raising measures:

- Implementation of a 2% import levy on all imports except goods for the manufacturing, agriculture and tourism sectors. It is estimated that the levy will raise annual revenues of BBD60.8m
- Increase Bank Asset Tax from 0.2% to 0.35% effective immediately, with the assessment period for the assets starting from 1 April, 2016.The average additional revenue is expected to be BBD14.3m.The estimated intake is BBD33.3 million using the 2015 asset base of the banking system.

Expenditure targets:

- Aim to reduce transfer by at least BBD50m annually for the next four years.
- Intention is to cut expenditure by BBD25m from all areas of discretionary expenditure and to target an additional BBD25 million in spending adjustments fowling the proposed mid-term Estimates review with all ministries.

Social development:

- Old age pensions increase by BBD40 per month. This is expected to cost the Treasury an additional BBD3.2million a year.
- The Retraining Fund which is managed by NIS will be invited to invest in a special Treasury Bill Issue to the tune of BBD5m to provide an immediate injection to the Student Revolving Loan Fund.

- A Working Committee led by the Ministry of the Civil Service will advise the cabinet on the procedure and legal requirements for appointing all temporary officers to permanent positions in the Public Service with more than three years' continuous service.