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Barbados
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Barbados Local Currency Ratings Raised To 'B-/B' On Debt Exchange; 'SD' Foreign Currency Ratings Affirmed by S&P Rating Agency

- On Nov. 16, 2018, S&P Global Ratings raised its long- and short-term local currency sovereign credit ratings on Barbados to 'B-/B' from 'SD/SD' (selective default).
- S&P Global Ratings also raised its transfer and convertibility assessment on the country to 'B-' from 'CC'.
- The stable outlook on the local currency rating balances the administration's strong mandate to implement broad fiscal and macroeconomic reforms with the political and economic challenges of doing so.
- S&P expects the government to implement policies over the next 12-18 months that gradually achieve fiscal consolidation and instil institutional safeguards, while slowly strengthening macroeconomic stability.
- The 'B-' local currency rating reflects the government's still-high debt burden, despite an improved debt profile and fiscal outlook following the debt exchange and diminished refinancing risks.
- Barbados experienced low economic growth since the 2008 global financial crisis, and they are expected to have muted growth over the next two years as the government engages in an ambitious fiscal consolidation program.
- The debt exchange and fiscal consolidation plans will lead to a decreasing debt and interest burden over the forecast horizon, although high debt levels will continue to constrain creditworthiness.
- Net general government debt, including debt held by the Central Bank, the National Insurance Scheme (NIS), and government-supported entities that have debt incorporated in the exchange, is expected to fall to 118% of GDP in 2018 and 110% in 2021, from 136% in 2017.

- Foreign exchange reserve levels are forecasted to strengthen on the back of official and private investment inflows, however, external liquidity will continue to represent a credit weakness, which limited market access will exacerbate following the government's recent defaults.

- There should be improved confidence in Barbados' exchange-rate regime as increasing reserve levels, reduced dependence on the central bank for monetary financing of the central government's deficit, and reforms to central bank regulation. However, this will take time to strengthen the credibility and effectiveness of the country's monetary policy.

- S&P could raise the local currency rating over the next year should the government adhere to its ambitious fiscal targets and reform agenda, which could strengthen investor confidence and contribute to improved GDP growth prospects. Higher economic growth would facilitate a reduced debt burden.

- However, the rating agency can lower the rating, if there is a failure to meet fiscal and debt targets over the next year that could weaken investor confidence and result in a loss of official capital inflows.

- The foreign currency rating will remain at 'SD' until Barbados resolves its foreign currency debt exchange.

Table 1								
Barbados -- Selected Indicators								
	2013	2014	2015	2016	2017	2018f	2019f	2020f
ECONOMIC INDICATORS (%)								
Real GDP growth	-1.4	-0.2	2.2	2.3	-0.2	-0.5	-0.1	0.6
Real exports growth	-1.4	-0.2	2.2	2.3	-0.2	-0.5	-0.1	0.6
Unemployment rate	11.6	12.3	11.3	9.7	10	11	11	10
Balance/GDP	-8.3	-5.9	-7.8	-4.5	-3.6	-1.2	1.9	2
Primary balance/GDP*	-3.4	-0.7	-2.5	1.2	2.1	2.3	4.5	4.5
Debt/GDP	133.6	139.2	146.1	153.1	148.5	122.3	122.7	119.4
Net debt/GDP	118.1	125	134.1	140.3	136.4	117.8	118.2	115.1
CPI growth	1.8	1.8	-1.1	1.3	4.7	4.2	0.8	1.9
Current account balance/GDP	-8.4	-9.2	-6.1	-4.3	-3.8	-4.1	-4.6	-4.1
Current account balance/CARs	-17.1	-19.4	-12.5	-8.6	-7.9	-8.4	-9.2	-8.2

Source : *S&P Global Ratings*

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