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Barbados

Prepared by: Mikael Herrera, Economic Analyst (Research & Analytics)

[mikael.herrera@firstcitizenstt.com](mailto:mikael.herrera@firstcitizenstt.com)

## Central Bank of Barbados Review of Economy: Jan-June 2018

### Real Sector

- Economic activity in Barbados is estimated to have contract by 0.6% during the first six months of 2018.
- Tourist arrivals for the first half of the year increased by an estimated 3.4%, but the expansion was not sufficient to off-set a weakening of length-of-stay on real tourism output.
- Visitors from the North American region continued a fourth year of strong growth, with long-stay arrivals from the United States and Canada increasing by 8.9% and 3%, respectively, while the number of United Kingdom tourists grew by 3.6%.
- Cruise visitors declined following a reduction in ship calls for the six months ending June 2018.
- Traded sector activity benefitted from increased sugar cane production, which enabled a modest rise in sugar output.
- Construction activity weakened and output fell by 4.0% for the first six months. In addition, the fiscal consolidation measures of recent years continued to dampen activity in the other non-traded sectors.
- The average unemployment rate for the four quarters ending March 2018 was 10%, compared with 9.7% one year earlier.
- Domestic inflation increased to 4.9% at the end of April, compared to a rate of 4.5% at the end of 2017.

### **External Sector**

- The international reserves rose by BBD 33mn to reach BBD 443mn during the first six months of the year. This is the first increase for the comparable period since 2008.
- The Central Bank received an increase in net purchases of foreign exchange from commercial banks but the overall outturn partly reflected lower outflows on debt service (BBD 99mn) in June following Government's decision to suspend external debt payments.
- The import cover of 7.2 weeks remained.
- The deficit on the external current account of the balance of payments narrowed, on account of higher receipts from travel credits and lower external interest payments.
- There was an estimated 3% decline in imports despite the continued rise in oil prices during the first half of the year.

### **Financial Sector**

- The financial system remained liquid with holdings of excess cash of about 15% above the statutory requirement.
- Credit to the private sector by banks remained weak but there was a moderate recovery in deposits which had declined during the corresponding period a year earlier.

### **Fiscal Sector**

- A small deficit of BBD10mn was recorded for Q1 2018/19.
- This deficit reflected the improved primary surplus balance resulting from the fiscal consolidation efforts of the two preceding years and the suspension of external interest payments.
- Revenues are estimated to have risen by BBD 69mn, the foreign exchange fee (FXF) and excises being the main sources of revenue growth, contributing BBD 29mn, BBD 19mn, and BBD 10mn, respectively.
- Current expenditures contracted by BBD 46mn due to the reduced interest payments.
- Transfers to public institutions were unchanged, while capital expenditures remained consistently below budgeted allocations.

## Table of Selected Economic Indicators

	2013	2014	2015	2016	2017 <sup>(p)</sup>	Jun 2015	Jun 2016	Jun 2017 <sup>(p)</sup>	Jun 2018 <sup>(e)</sup>
Nominal GDP (\$ Million) <sup>1</sup>	9,354.5	9,392.7	9,450.9	9,681.3	9,979.0	4,656.2	4,795.4	5,012.3	5,147.0
Real Growth (%)	(1.4)	0.0	2.2	2.5	0.1	1.0	3.0	1.5	(0.6)
Inflation (%) <sup>2</sup>	1.8	1.8	(1.1)	1.5	4.5	0.8	(0.9)	3.5	4.9
Avg. Unemployment (%) <sup>3</sup>	11.6	12.3	11.3	9.7	10.0	12.0	10.2	10.0	10.0
Foreign Exchange Reserves (\$ Million)	1,144.1	1,054.9	929.4	683.6	409.7	972.8	885.7	635.5	443.1
Foreign Exchange Reserves Cover, Weeks	15.6	14.8	13.7	10.5	6.7	14.0	13.9	9.7	7.2
BoP Current Account (% of GDP)	(8.4)	(9.2)	(6.1)	(4.3)	(3.8)	(6.5)	(2.5)	(3.0)	(1.7)
Total Imports of Goods (% of GDP)	37.8	37.0	34.2	33.5	32.1	33.8	32.8	31.4	29.6
Travel Credits (% of GDP)	20.7	18.9	20.0	21.5	21.7	22.6	24.5	24.7	24.4
Net Capital Inflows (\$ Millions)	513.5	734.0	441.2	84.9	84.4	194.9	74.2	147.1	149.8
Gross Public Sector Debt <sup>4</sup> (% of GDP)	131.5	137.0	144.2	151.2	148.4	140.6	144.9	146.9	155.0
External Debt Service to Curr. Acct. Cred.	6.4	6.7	9.5	8.0	8.3	11.5	8.1	8.7	7.0
Treasury-Bill Rate	3.2	2.6	1.8	3.1	3.2	2.8	3.2	3.1	3.0
Average Deposit Rate <sup>5</sup>	2.5	2.5	0.4	0.3	0.2	1.4	0.4	0.2	0.2
Average Loan Rate <sup>5</sup>	7.4	7.1	6.8	6.7	6.6	7.0	6.7	6.7	6.6
Excess Liquidity Ratio	3.9	6.7	10.6	14.5	14.1	8.7	12.8	15.6	15.5
Private Sector Credit Growth (%)	(2.2)	(4.6)	0.5	1.1	3.0	(0.9)	(0.6)	0.2	(0.5)
Private Sector Credit (% of GDP)	60.1	57.1	57.1	56.3	56.3	56.7	55.9	55.2	55.2
Domestic Deposits (% of GDP)	87.4	86.0	89.2	90.8	88.2	89.2	89.1	88.4	87.9
<b>Fiscal Year</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17<sup>(p)</sup></b>	<b>2017/18<sup>(e)</sup></b>				
Fiscal Deficit (% of GDP)	(10.3)	(7.6)	(9.0)	(5.3)	(4.3)				
Primary Balance (% of GDP)	(3.7)	(0.5)	(2.0)	2.2	3.3				
Interest (% of GDP)	6.5	7.0	7.0	7.6	7.6				
Fiscal Current Account (% of GDP)	(8.5)	(5.5)	(6.6)	(3.0)	(2.6)				
Revenue (% of GDP)	25.0	25.8	25.7	28.0	28.5				
Expenditure (% of GDP)	35.3	33.4	34.8	33.4	32.8				
<i>Non-interest Expenditure (% of GDP)</i>	28.7	26.4	27.7	25.8	25.2				
<i>Capital Expenditure (% of GDP)</i>	1.8	2.1	2.5	2.3	1.7				
Gov't Interest Payments (% of Revenue)	26.1	27.2	27.4	26.9	26.7				

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

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

<sup>1</sup> - Barbados Statistical Service and Central Bank of Barbados Provisional Quarterly Estimate for June 2018

<sup>2</sup> - Data to April 2018

<sup>3</sup> - Data to March 2018

<sup>4</sup> - Gross Public Sector Debt = Gross Central Government Debt - Domestic Debt held by NIS - Domestic Debt held by CBB + Other Public Sector Debt

<sup>5</sup> - Data to May 2018

Source: Barbados Statistical Service and Central Bank of Barbados



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