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Regional

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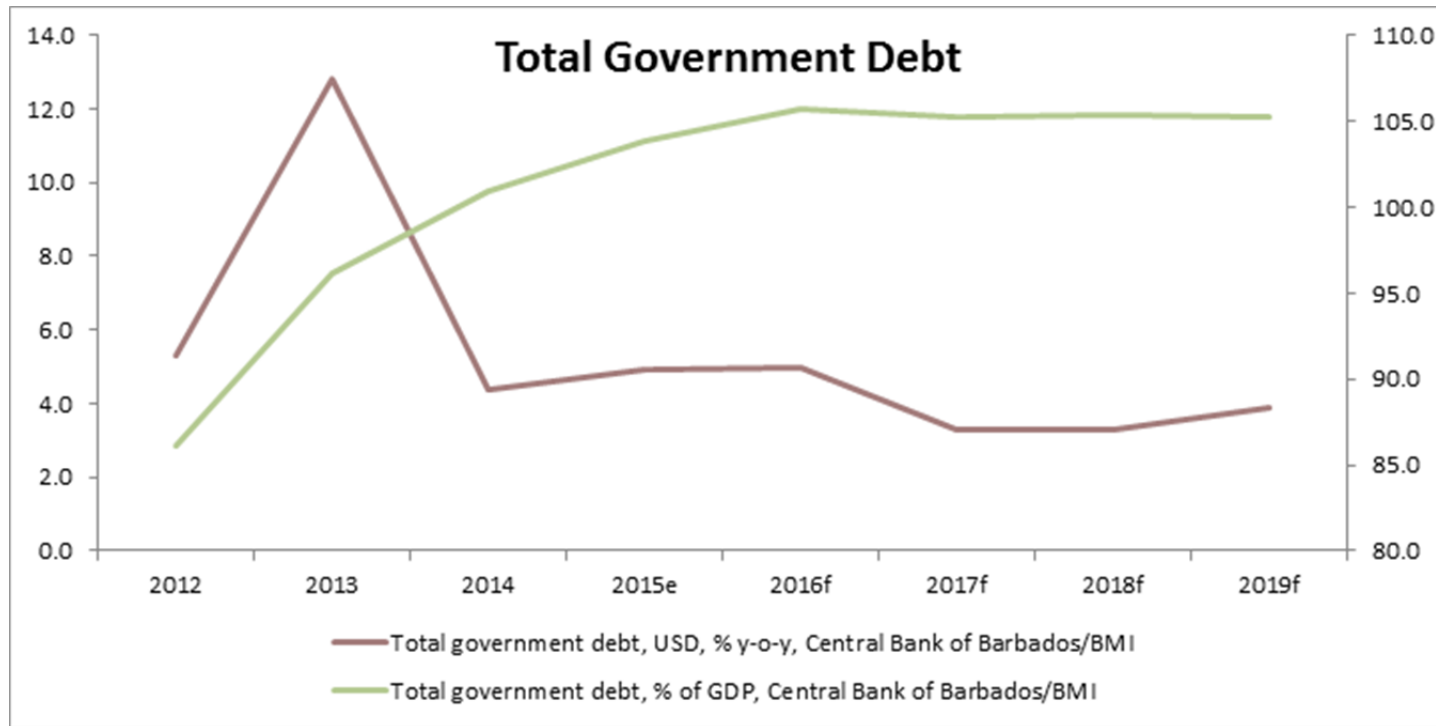
Barbados government bond and issuer rating downgraded by Moody's to Caa1: outlook changed to stable

- On April 01, 2016 Moody's Investors Service ("Moody's") downgraded Barbados' government bond rating and issuer rating to Caa1 and changed the outlook to stable.
- Moody's decision to downgrade Barbados' issuer and bond ratings to Caa1 from B3 and revise the outlook to stable from negative was driven by the following factors:
 - *Slow progress towards achieving fiscal consolidation consistent with a sustainable debt trajectory*
 - *Low level of foreign exchange reserves and weak funding conditions*
- According to Moody's, despite a lessening of Barbados government fiscal deficit and restriction of pressures on foreign exchange reserves, there still exist elevated levels of macroeconomic and credit risk.
- Debt burden remains very high, requiring additional fiscal consolidation to reverse the rising trend.
- Moody's project debt-to-GDP to rise over the next 2-3 years and likely to reach 110% of GDP by 2018 (excluding debt held by the National Insurance Scheme).
- A recovery in the Barbadian tourism and construction sectors is expected to push GDP growth to 1.5% in 2016, outperforming a 5-year average growth of 0.3%.
- Foreign exchange reserves dropped by 19% since 2013, to an estimated USD 463.4 million in 2015, putting pressure on the exchange rate peg.
- The stable outlook reflects the authorities' effort in reducing the fiscal deficit but also considers the risk of further deterioration in debt dynamics.

- The credit rating can improve if government accelerates its fiscal consolidation effort, resulting in an improved debt-to-GDP ratio on a sustainable downward trajectory.
- However, a downgrade can be triggered if the government's ability to service its debt worsens.
- Barbados is currently rated B negative by Standard & Poor's

Name	Coupon	Maturity	Ask Yield to Maturity	Currency	Ask Price	Bid Yield to Maturity
Barbados Government International Bond	7.80	8/6/2019	6.57	USD	103.6	6.91
Barbados Government International Bond	7.25	12/15/2021	6.98	USD	101.2	7.32
Barbados Government International Bond	7.25	12/15/2021	6.97	USD	101.3	7.40
Barbados Government International Bond	7.00	8/4/2022	6.89	USD	100.5	7.18
Barbados Government International Bond	7.00	8/4/2022	6.89	USD	100.5	7.18
Barbados Government International Bond	6.63	12/5/2035	8.00	USD	86.5	8.32
Barbados Government International Bond	6.63	12/5/2035	7.99	USD	86.6	8.37

Source: Bloomberg



Source: BMI



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