

Tuesday 15<sup>th</sup> September 2015 – 9:40am

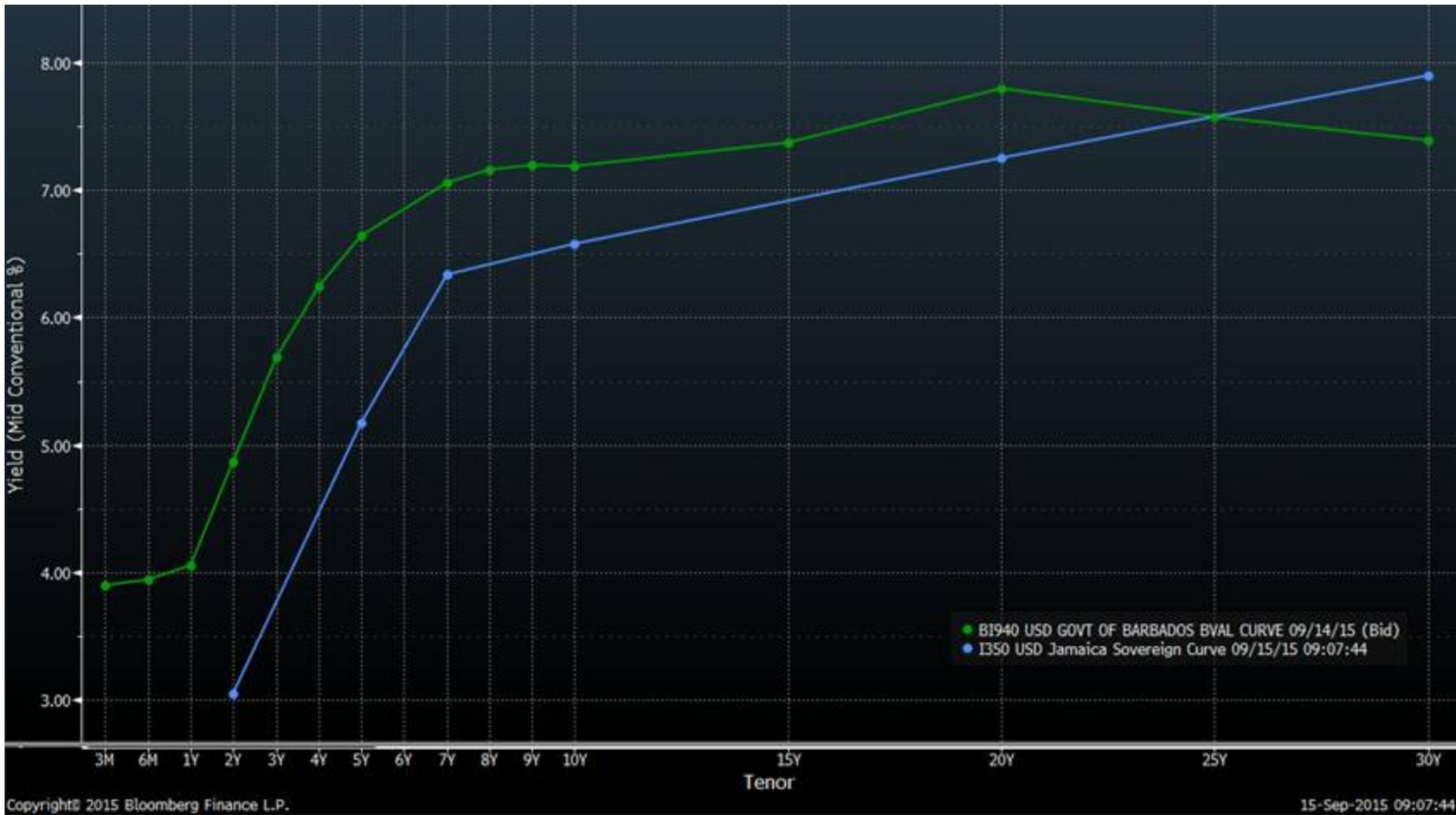
Regional

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## Barbados' credit rating affirmed by S&P at B

- On 14<sup>th</sup> September 2015, Standard & Poor's affirmed its B long-term, foreign currency rating on Barbados. The rating outlook remains *negative*.
- The major concerns identified by S&P include the country's large fiscal deficits, its high debt burden that continues to rise and narrower financing options.
- The government has succeeded in lowering the central government deficit to 7.3% of GDP at the end of March 2015, from 12.2% of GDP in the previous fiscal year ended March 2014.
- Achieving the official deficit target will rely mostly on additional revenue measures, such as higher property and excise taxes and widening the value-added tax base, as well as further austerity at public institutions.
- S&P expects the net general government debt burden to rise a bit further and stabilize at 88%-90% of GDP in 2015-2018 from 85% in 2014 and 78% in 2013.
- Additionally, S&P noted that financing the government deficit continues to rely on official and central bank funding given reduced appetite in both local and external capital markets. The National Insurance Scheme (NIS) is less able to finance the government because of declining surpluses while financing from local banks is increasingly based on shorter tenors and higher interest rates.
- The ratings agency expects that the economy will see GDP growth of about 1% this year and 2% in 2016.
- On an equivalent basis, Barbados is rated one notch lower at B3 by Moody's Investor Services with a *negative* rating outlook.
- The yield on Barbados sovereign debt is slightly higher than that of Jamaica (S&P: B) with the Jamaica 11.625% 2022 issue trading at 6.542% while Barbados 7.25% 2021 traded at 6.916%. Higher required yields for Barbados debt are also suggested by the yields curves seen below.



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