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Regional

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Barbados downgraded to CCC+/C; outlook is negative.

- On March 3, 2017, S&P Global Ratings lowered its long-term foreign and local currency sovereign ratings on Barbados to 'CCC+' from 'B-'. The outlook remained negative.
- The short-term ratings was also lowered to 'C' from 'B'. At the same time the transfer and convertibility assessment for Barbados was lowered to 'CCC+' from 'B-'.
The outlook remained negative.
- The downgrade reflects Barbados' weaker ability to meet its debt-servicing requirements due to high fiscal deficits, limited access to private-sector funding in the local market and a decline in external funding and foreign exchange reserves.
- The Barbadian government has not succeeded in substantially reducing high fiscal deficits. Furthermore, reliance on the central bank to directly finance these deficits continued to rise in 2016.
- From April to December 2016, the central bank and National Insurance Scheme (NIS) in effect wholly financed the government's borrowing needs.
- S&P believes that the high level of central bank financing underscores the challenge associated with timely corrective fiscal policy actions.
- Furthermore, one-off revenues from the sale of the Barbados National Terminal Company are still pending after initially expected to materialize a year ago. According to S&P this demonstrates policy inaction and prospects for slow progress on asset sales.
- Delays in complying with terms and requirements for official borrowing (from multilateral agencies, for example) have contributed to delays in reserves.

- In sum, the various failures to respond in a timely fashion to mitigate fiscal and financial pressures further weigh on S&P view of Barbados institutional and policy effectiveness.

Outlook

- S&P predicts that net general government debt will continue to rise toward 111% of GDP over the next three years from 101% in 2016.
- The negative outlook reflects the potential for a downgrade over the next 12 months should the government fail to make additional progress in lowering its high fiscal deficit or if external pressures worsen with persistent and large current account deficits.
- This scenario would lead to further deterioration in the availability of deficit financing and pose challenges for the fixed exchange rate.
- However, if the government succeeds in stemming further slippage in its fiscal accounts be it from implementation of fiscal measures or a stronger than expected rebound in growth, S&P can revise the outlook to stable.

Prime Ministers' Response

- Despite the credit worthiness downgrade from respected ratings agency S&P, Prime Minister Freundel Stuart has suggested that the latest development is not major because Barbados is not interested in borrowing from the international market.
- Mr. Stuart stated that Barbados is on much sounder footing than the economy inherited in January 2008.
- The government plans to present the 2017-2018 budget in the coming month.

Barbados key rating factors	
Institutional assessment	Weakness
Economic assessment	Weakness
External assessment	Weakness
Fiscal assessment: flexibility and performance	Weakness
Fiscal assessment: debt burden	Weakness
Monetary assessment	Weakness

Major Rating Agencies Rating Guide for Long and Short Term Debt

Moody's		S&P		Fitch		Risk Characteristic
Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High Grade
Aa2		AA		AA		
Aa3		AA-	AA-	Upper Medium Grade		
A1		A+	A+			
A2		A	A-1		F1	
A3	P-2	A-	A-2	A-	F2	Lower Medium Grade
Baa1		BBB+		BBB+		
Baa2	P-3	BBB	A-3	BBB	F3	Non-investment grade speculative
Baa3		BBB-		BBB-		
Ba1		Not Prime		BB+		
Ba2	BB		BB			
Ba3	BB-		BB-			
B1	B+		B+	Highly Speculative		
B2	B		B			
B3	B-		B-			
Caa1	Not Prime	CCC+	C	CCC	C	Substantial Risks
Caa2		CCC				Extremely Speculative
Caa3		CCC-				In default with little prospect for recovery
Ca		CC				
C		C				
/		Not Prime		D	/	DDD
/	DD					
/	D					

Barbados Selected Indicators

Economic Indicators (%)	2011	2012	2013	2014	2015	2016	2017F	2018F	2019F	2020F
Nominal GDP (bil. \$)	4.4	4.3	4.4	4.4	4.3	4.4	4.5	4.5	4.6	4.7
GDP per capita (000s \$)	15.7	15.6	15.7	15.6	15.5	15.6	15.8	16.0	16.3	16.5
Real GDP growth	0.8	0.3	(0.0)	0.0	0.9	1.5	0.8	0.5	0.8	0.5
Real GDP per capita growth	0.8	(0.1)	(0.0)	(0.3)	0.5	1.2	0.5	0.2	0.5	0.2
Real investment growth	7.4	(7.1)	(5.5)	(0.5)	26.2	(21.7)	1.8	1.5	1.8	1.5
Investment/GDP	15.1	14.1	13.2	13.2	16.7	12.8	12.8	12.8	12.8	12.8
Savings/GDP	1.2	4.7	3.8	2.9	10.6	8.1	7.4	7.9	8.7	9.5
Exports/GDP	39.0	39.3	36.4	36.8	37.2	40.8	40.8	40.8	40.8	40.8
Real exports growth	(15.0)	1.1	(7.4)	1.2	1.8	11.5	0.8	0.5	0.8	0.5
Unemployment rate	11.2	11.5	11.6	12.3	11.3	10.0	11.0	11.0	10.5	10.6
EXTERNAL INDICATORS (%)										
Current account balance/GDP	(13.8)	(9.5)	(9.5)	(10.3)	(6.0)	(4.7)	(5.3)	(4.9)	(4.1)	(3.3)
Current account balance/CARs	(25.8)	(18.7)	(18.5)	(20.4)	(11.3)	(8.5)	(9.6)	(8.7)	(7.2)	(5.8)
CARs/GDP	53.7	50.6	51.3	50.4	53.2	55.1	55.8	56.1	56.1	56.2
Trade balance/GDP	(29.2)	(26.7)	(28.5)	(27.8)	(24.3)	(23.9)	(23.7)	(23.0)	(22.4)	(21.8)
Net FDI/GDP	12.0	2.9	5.3	7.9	4.3	1.6	2.1	2.3	1.7	1.6
Net portfolio equity inflow/GDP	0.0	0.0	0.0	0.0	0.0	0.0	2.2	1.8	1.7	1.5
Gross external financing needs/CARs plus usable reserves	125.8	124.5	161.5	164.4	171.4	191.2	231.8	235.9	237.8	239.1
Narrow net external debt/CARs	7.3	19.7	34.0	37.8	34.6	38.4	39.1	39.7	40.1	41.2
Net external liabilities/CARs	75.8	158.8	148.4	144.6	144.0	150.3	154.5	160.0	161.4	163.3
Short-term external debt by remaining maturity/CARs	19.0	19.3	51.6	43.4	50.2	48.1	46.7	45.7	44.9	44.2

Usable Reserves/CAPs (months)	1.4	1.1	0.5	(0.0)	(0.6)	(2.0)	(3.6)	(3.8)	(4.0)	(4.2)
Usable Reserves (mil. \$)	237	120	(8)	(133)	(435)	(809)	(877)	(930)	(979)	(1,043)
FISCAL INDICATORS (% , General government)										
Balance/GDP	(1.7)	(6.5)	(8.4)	(7.0)	(6.9)	(7.1)	(6.9)	(5.0)	(3.2)	(3.1)
Change in debt/GDP	6.2	5.2	8.9	5.7	6.4	6.8	6.9	5.0	3.2	3.1
Primary balance/GDP	2.9	(1.6)	(3.2)	(1.4)	(1.2)	(1.0)	(0.6)	1.5	3.4	3.5
Revenue/GDP	37.6	37.2	35.9	37.4	40.1	40.3	40.1	40.0	39.9	39.9
Expenditures/GDP	39.3	43.7	44.3	44.4	47.0	47.4	47.0	45.0	43.1	43.0
Interest /revenues	12.0	13.1	14.4	15.2	14.3	15.0	15.8	16.2	16.4	16.6
Debt/GDP	80.6	86.3	94.4	100.4	107.1	113.1	118.0	121.3	122.3	123.6
Debt/Revenue	214.1	231.7	262.7	268.8	267.2	280.7	294.3	302.8	306.6	310.0
Net debt/GDP	62.1	68.8	77.8	85.2	94.4	101.0	106.2	109.6	110.8	112.3
Liquid assets/GDP	18.5	17.5	16.6	15.3	12.7	12.1	11.9	11.7	11.5	11.3
MONETARY INDICATORS (%)										
CPI growth	9.4	4.5	1.8	1.9	(1.1)	1.1	1.0	1.0	1.0	1.0
GDP deflator growth	(2.7)	(0.9)	0.9	(0.5)	(1.1)	(0.8)	1.0	1.0	1.0	1.0
Exchange rate, year-end (LC/\$)	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Banks' claims on resident non-gov't sector growth	1.5	6.3	(2.6)	(0.4)	(0.8)	0.3	1.8	1.5	1.8	1.5



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