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Regional

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## Review of the Barbados economy for 2014

- Barbados' economy is estimated to have expanded by 0.3% in 2014, following no growth in 2013.
- The expansion was attributed to growth of 0.4% in the non-tradables sector. The distribution sector grew by 0.2% while finance and other services grew by 0.5%.
- No growth is expected for the tradables sector for 2014 despite a 1.29% expansion in the tourism sector. The gain in tourism was eroded by contractions in manufacturing (1.09%) and the sugar sector (14.7%).
- Current account inflows are expected to have improved by 0.7% for the year, however a 0.5% increase in outflows will result in an estimated current account deficit of US\$ 393 million (a fall of 1.0% from 2013).
- Positively, there was a 23.0% increase in long term capital inflows which was mostly private in origin. These private inflows expanded by 79% from that of 2013. This was attributed mainly to real estate purchases and property development by non-residents.
- Foreign currency reserves declined 8.04% from US\$ 572.1 million (15.6 weeks of import cover) in 2013 to US\$ 526.1 million (14.6 weeks of import cover) in 2014.
- The fiscal deficit for FY 2014/15 is estimated at 7.2% of GDP, an improvement from the provisional 12.3% of GDP deficit in FY 2013/14.
- Another favourable development is the maintaining of government interest payments as a percentage of revenue at 27.4% in FY 2014/15.
- A 3% decline was reported in current expenditure for the last nine months of 2014 when compared to the same period of 2013. At the same time, there was a 7% increase in tax revenues.
- Net government debt (as a percentage of GDP) increased to 85.7% in 2014 from 80.4% in 2013.
- In the banking system, non-performing loans experienced an increase from 11.3% in the third quarter of 2013 to 12.2% in the third quarter of 2014.
- Capital adequacy declined from 21.8 to 19.1 during the same period.
- Barbados' long term foreign currency credit rating was lowered two notches by Standard & Poor's in December 2014, from BB- to B. Moody's Investor Services has maintained a B3 credit rating since June 2014. The rating outlook is *negative* for both.

### Barbados Eurobond Spreads over US Treasury Yields

Bond	Dec-13	Dec-14
BARBAD 6.625% due 12/05/35	4.555%	5.900%
BARBAD 7.25% due 12/15/21	5.723%	6.188%
BARBAD 7.80% due 08/06/19	5.958%	5.943%

Source: Bloomberg



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