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Regional

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Review of Barbados' Economic Performance: March 2017

GDP

- During the first 3 months of 2017, the economy expanded by 2%.
- GDP was boosted by improvements in the tourism sector (3%), construction (2%), and finance and other services (2%).

Unemployment

- The average unemployment for the four quarters ending September 2016 was reported at 9.9% compared to 11.3% at the end of 2015.

Inflation

- At the end of December 2016, the 12-month moving average rate of inflation stood at 1.3%, in contrast to the 1.1% decline recorded at the end of December 2015, primarily due to increases in the prices of food and non-alcoholic beverages.

Foreign Reserve

- The international reserves are expected to stabilize during 2017, on the basis of the proceeds from the sale of Government assets, higher public sector project related inflows and the continued strengthening of the tourism sector.
- As at March 31, 2017, the international reserves stood at BBD705.4 million, following an increase of BBD24.3 million in the first quarter. This is equivalent to 10.7 weeks of import cover, still below the 12 week benchmark.

- However, the weakness in the British pound represents a downside risk that needs to be carefully monitored as it could adversely affect tourism spending or real estate related inflows.

Current Account

- For the first quarter of 2017, the external current account registered a surplus of BBD45.4 million, BBD13.0 million below that recorded for the corresponding period of 2016.
- Tourism earnings grew moderately on the basis of improved activity, but these gains were largely eroded by higher retained imports, which were up 6.6%, in contrast to declines for the comparable periods since 2013.
- There was modest growth of consumer and capital goods, but intermediate goods increased by 12.3%, predominantly driven by rising fuel import prices.

Fiscal Deficit

- The fiscal deficit for the period is estimated at BBD67 million, compared to the deficit of BBD59.3 million recorded in the corresponding period of 2016.
- Despite the small increase in the fiscal deficit during the first three months of the calendar year, the overall balance contracted to an estimated 6% of GDP for FY2016/17.
- The improved fiscal outturn reflects the combined impact of higher tax collections and the containment of non-interest expenditure.
- The revenue-to-GDP ratio rose to 30%, largely attributable to the collection of higher indirect taxes which rose by 9.9%.
- The budgetary measures, including the National Social Responsibility Levy, have buoyed VAT receipts which contributed 64% of the improved indirect tax collection.
- Direct tax revenue expanded by 7.5%, on the basis of improved personal income taxes and corporate taxes.
- Non-interest expenditure fell by 2% during FY2016/17, partly due to a reduction in capital spending.
- This resulted in an estimated primary surplus of 1.9%, compared to an average deficit of 1.6% since the 2009 recession.

- However, given the size of the Government's overall indebtedness, interest costs increased by 8.4% resulting in an interest to revenue ratio of 26.3%.

Monetary and Financial Sector

- Excess liquidity in the banking system, as measured by excess cash reserves as a percentage of domestic deposits, reached 17%, up from 10.6% a year ago.
- Total domestic deposits grew by only 2%, but credit extended to the non-financial private sector remained subdued, rising by approximately 1%.
- In addition, there was a BBD84 million switch from foreign to domestic financing because of amortization of foreign loans.
- The resulting money creation by the Central Bank financing Government was BBD114 million.

The Central Bank of Barbados announced a tightening of its monetary policy via an increase in Barbados Dollar securities reserve requirement ratio for commercial banks.

- In a press briefing, the Governor of the Central Bank stated the objective to reduce and ultimately eliminate the central bank's participation in new financing.

Outlook

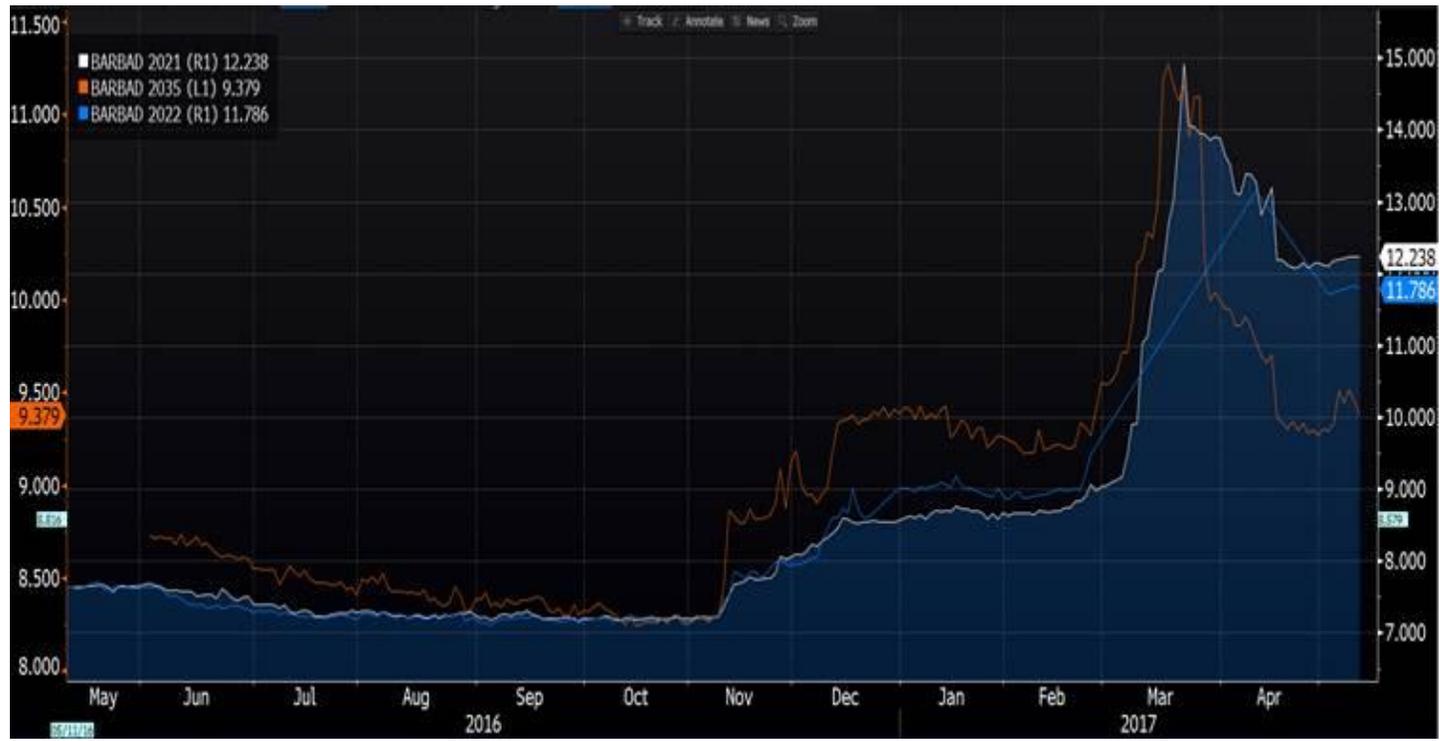
- Economic growth is projected to range between 1.5% to 2.0% in 2017, based on tourism strength and new construction activity.
- Barbados Government forecast fiscal deficit of 4.4% of GDP for financial year 2017/18.
- Urgency is placed on planned asset sale.
- Increasing the capacity of the renewable energy sector.

Barbados Economic Indicators

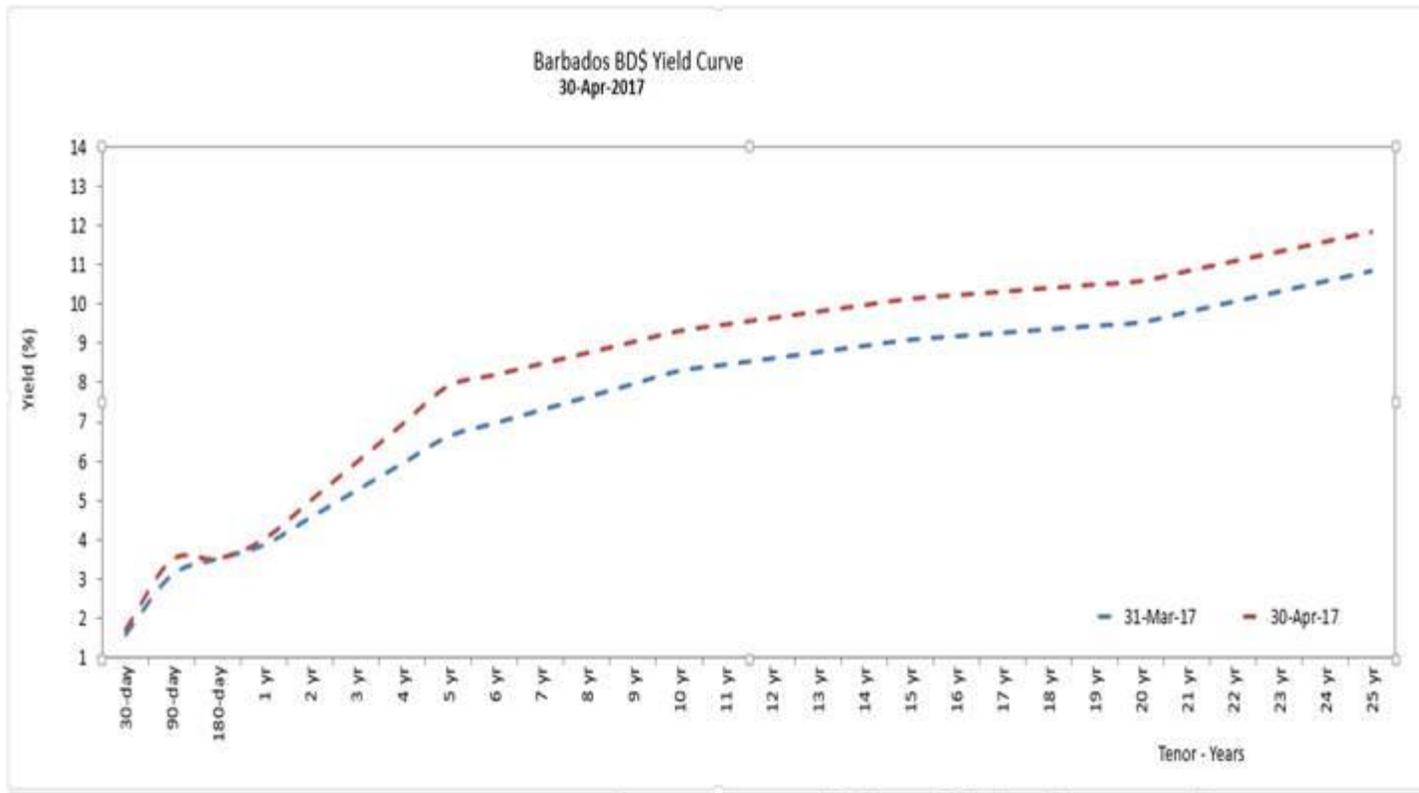
	2009	2010	2011	2012	2013	2014	2015	2016 ^(p)	Jan-Mar 2016 ^(p)	Jan-Mar 2017 ^(e)
Real Growth (%)	(4.0)	0.3	0.8	0.3	(0.6)	0.1	1.0	1.6	2.3	2.0
Tradeables (%)	(4.3)	(0.4)	(2.5)	(3.1)	0.1	(0.3)	2.6	2.2	7.3	4.7
Nontradeables (%)	(4.0)	0.4	1.6	1.2	(0.8)	0.2	0.5	1.5	0.9	1.2
Inflation (%) ¹	3.6	5.8	9.4	4.5	1.8	1.8	(1.1)	1.3	(1.3)	n.a.
Avg. Unemployment (%) ²	10.0	10.3	11.2	11.5	11.6	12.3	11.3	9.9	11.3	n.a.
Foreign Exchange Reserves (\$ Million)	1,477.4	1,423.7	1,414.8	1,457.7	1,144.1	1,052.4	927.0	681.1	940.6	705.4
Foreign Exchange Reserves Cover, Weeks	21.0	18.6	18.0	20.2	15.6	14.7	13.6	10.4	14.2	10.7
BoP Current Account (% of GDP)	(6.6)	(5.5)	(12.2)	(8.7)	(8.6)	(9.4)	(6.3)	(4.5)	2.5	1.8
Net Capital Inflows (\$ Millions)	731.7	512.1	1,094.7	312.7	513.5	734.0	441.2	29.6	(39.7)	(35.7)
Net Public Sector Debt (% of GDP)	38.6	50.6	54.1	56.2	66.5	72.2	69.0	59.0	68.4	53.6
External Debt Service to Curr. Acct. Cred.	5.8	13.3	6.0	6.4	6.4	6.7	9.5	7.9	5.6	5.9
Treasury-Bill Rate	3.4	3.4	3.4	3.6	3.2	2.6	1.8	3.1	3.2	3.1
US Treasury-Bill Rate	0.1	0.1	0.0	0.1	0.1	0.0	0.2	0.5	0.3	0.7
Average Deposit Rate ³	2.7	2.7	2.7	2.5	2.5	2.5	0.4	0.3	0.4	0.3
Average Loan Rate ³	8.9	7.3	6.6	6.8	7.4	7.1	6.8	6.6	6.8	6.7
Excess Liquidity Ratio	6.3	1.3	1.7	4.7	3.9	6.7	10.6	14.5	10.6	17.0
Private Sector Credit (%)	(0.4)	1.5	2.7	10.5	(2.2)	(4.6)	0.5	1.1	(0.6)	1.0
Private Sector Credit (% of GDP)	54.2	57.0	59.6	66.3	64.3	61.6	60.9	59.6	60.0	59.5
Domestic Deposits (% of GDP)	82.3	84.0	87.4	91.8	93.5	92.8	95.3	96.1	97.4	96.9
Fiscal Year	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17^(p)		
Fiscal Deficit (% of GDP)	(7.3)	(8.8)	(4.4)	(8.5)	(11.0)	(8.1)	(8.2)	(6.0)		
Primary Balance (% of GDP)	(2.5)	(3.0)	1.6	(2.0)	(4.0)	(0.6)	(0.6)	1.9		
Interest (% of GDP)	4.8	5.8	6.0	6.6	7.0	7.5	7.5	7.9		
Fiscal Current Account (% of GDP)	(5.3)	(7.2)	(3.1)	(7.1)	(9.0)	(5.9)	(5.6)	(3.7)		
Revenue (% of GDP)	25.3	25.6	29.3	28.4	26.7	27.7	29.3	30.3		
Expenditure (% of GDP)	32.5	34.3	33.7	36.9	37.7	35.8	37.5	36.4		
<i>Non-interest Expenditure (% of GDP)</i>	28.1	28.9	27.5	30.3	30.8	28.2	29.6	28.1		
<i>Capital Expenditure (% of GDP)</i>	2.0	1.5	1.4	1.4	1.9	2.2	2.6	2.3		
Gov't Interest Payments (% of Revenue)	18.8	22.3	20.7	23.2	26.1	27.2	25.9	26.3		

Source: Central Bank of Barbados

Barbados Eurobond



Source: Bloomberg



Source: First Citizens Research & Analytics



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