

Economic Alert iQ



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Regional

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Highlights of the Barbados economy for the first half of 2015

- Economic growth in Barbados during the first half of 2015 was estimated at 0.5%, following a contraction of 0.1% in the first half of 2014.
- The tourism sector experienced an expansion of 3.35% during the period. Performance was muted in other key sectors such as Finance and other services (0.76%) and Distribution (0.48%).
- Contractions were reported in Manufacturing (-1.36%), Agriculture (-7.34%) and Construction (-2.11%).
- Inflation measured 1.4% at the end of April 2015.
- Foreign reserves were estimated at US\$484.2 million at the end of June 2015, providing 14.4 weeks of import cover (goods & services). This compares to foreign reserves of US\$546.4 million at the end of June 2014, which then provided 14.9 weeks of import cover. This represents a 11.4% decline in foreign reserves.
- Barbados' external current account recorded a smaller deficit during the first half, improving to -US\$85.5 million from -US\$208.8 million one year earlier. The current account benefited from a 5% increase in travel receipts and a 82% increase in transfers.
- In the financial account there was a substantial decline in long term inflows which fell 96% from US\$178 million in H1 2014 to US\$6.4 million in H1 2015.
- Gross public sector debt (as a percentage of GDP) was reported at 108.5% in June 2015, up slightly from 108.2% in the same period of 2014.
- Total revenue decreased by 5.7% during H1 2015 when compared to H1 2014 as tax revenue fell 4.9% and non-tax revenue fell 17.3%. Revenue from VAT decreased 6.7%. The consolidation tax earned BB\$8 million in revenue, down 9% from the same period of 2014.
- Current expenditure fell by 2.1% with a 0.9% fall in wages and salaries and a 2.9% decline in transfers and subsidies. The biggest reduction, however, was a 13.5% reduction in Goods and Services expenses.
- A fiscal deficit of BB\$ 220.6 is expected for H1 2015 compared to a deficit of BB\$191.5 in H1 2014. The primary surplus of BB\$ 15.2 million recorded in the first half of 2014 has reverted to a deficit of BB\$ 6.3 million.
- In the banking system, the capital adequacy ratio was reported at 20.4 as at March 2015 while non-performing loans ratio stood at 11.4.
- Barbados is currently rated B (Negative) by Standard & Poor's and B3 (Negative) by Moody's Investor Services.

We remain cautious on Barbados' economic fundamentals, and will continue to monitor the fiscal accounts and the level of foreign exchange reserves.

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