

Friday 8 May 2015 – 3:20 pm

Regional

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## IMF Concludes 2015 Article IV Visit to Barbados

- A team from the International Monetary Fund (IMF) visited Barbados during April 27<sup>th</sup> 2015 to May 8<sup>th</sup> 2015 to conduct discussions for the 2015 Article IV consultation. The team made the following observations:
  - The government has made strides in its adjustment program and a tourism-led recovery is underway. Real GDP is estimated to have grown by 0.2% in 2014 and is projected to rise by 1.0% in 2015, driven by stronger tourism inflows but will be offset by the drag from fiscal consolidation.
  - Private sector credit contracted again in 2014 and is expected to remain sluggish over the near term amid uncertainty about the outlook.
  - Foreign reserves have stabilized in recent months, supported by lower oil prices, the rebound in tourism, and stronger private capital inflows, and stood at US\$565 million at end-March (about 3.5 months worth of imports).
  - Central government debt excluding (including) securities held by the National Insurance Scheme was 101% (134%) of GDP in March 2015.
  - Staff analysis finds that an average primary surplus near 4% of GDP would be needed to bring the debt-to-GDP ratio to 91% by 2020.
  - Staff noted that a significant increase in public investment would help raise growth, but foreign financing of public investment would add to government debt and hinder the goal of lowering debt and macro vulnerabilities, unless fiscal space is made elsewhere.
  - The team encourages the government to continue lowering the overall wage bill, which is one of the highest in the region, and reform the civil service to manage this transition.
  - Additionally, a review of social spending would be important, in particular by reducing the provision of free services and goods to high-income groups.
  - “The Central Bank of Barbados (CBB) increased its holdings of government securities in 2014/15 and kept short-term interest rates low. The impact on liquidity of CBB financing of the government has been offset by increased deposits by banks at the CBB and capital controls. This approach may have run its course and we would suggest reconsidering it in view of its importance for supporting the peg”.
- Barbados is rated B/negative by Standard & Poor's and B3/negative by Moody's Investor services.

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