

Economic Alert iQ



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Regional

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Review of the Barbados economy for 2015

- Barbados' economy is estimated to have expanded by 0.5% in 2015, following a 0.2% expansion in 2014.
- The expansion was attributed largely to growth of 1.7% in the tradables sector, which in turn was due to a 5.9% expansion in the tourism sector. All other tradable sectors either declined or experienced no growth. The manufacturing sector contracted 1.6% while the agricultural sector contracted by 7.1% (inc. sugar).
- The non-tradable sector experienced a minor expansion of 0.17% as expansions in quarrying (25%), transport (1.4%) and finance/other services (0.6%) were countered by contractions in construction (-3.1%) and distribution (-0.4%).
- Current account inflows are expected to have improved by 41% for the year thanks to a 5.37% reduction in outflows. This reduction stems from a fall in merchandise imports. Also helping the balance was a 0.7% increase in inflows as travel receipts grew by 4.9%. There was also a notable 3.7% increase in rum exports. Overall, a current account deficit of US\$ 230.9 million is expected for 2015, down from a deficit of US\$ 388.3 million in 2014.
- In terms of capital inflows, there were declines in both private and public inflows.
- Foreign currency reserves declined 11.9% from US\$ 526.2 million (14.7 weeks of import cover) in 2014 to US\$ 463.4 million (13.8 weeks of import cover) in 2015.
- The fiscal deficit for FY 2014/15 is estimated at 6.9% of GDP, an improvement from the 11.0% of GDP deficit in FY 2013/14.
- Government interest payments as a percentage of revenue at edged upwards from 26.1% to 26.4% in FY 2014/15.
- A 1.7% decline was reported in current expenditure for the last eight months of 2015 when compared to the same period of 2014. At the same time, there was a 1.3% decrease in total revenues. The nominal deficit fiscal balance was largely unchanged for the last eight months of 2015.
- Gross Public Sector Debt (as a percentage of GDP) increased to 109.4% in 2014 to 110.3% in 2015.
- In the banking system, non-performing loans experienced a decrease from 12.2% in the third quarter of 2014 to 10.8% in the third quarter of 2015.
- Capital adequacy declined from 19.2 to 20.6 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.



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