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Barbados: Recent Economic Developments

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BARBADOS

Recent Economic Developments

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Approved by the Western Hemisphere Department

January 13, 1998

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Barbados - Basic Data

Social and demographic indicators					
Area	431 sq. km.				
Population density	960 per sq. km. of agricultural land				
Distribution of land ownership	77 percent held by 10 percent of owners				
Income distribution	44 percent to highest quintile				
Population (end of 1995)	264,400				
Annual rate of population increase (1990-95)	0.3 percent				
Infant mortality rate (per thousand - 1995)	13				
Population per physician (1988)	1,240				
Population per hospital bed (1988)	110				
Population with access to safe water (1993)	100 percent				
Population with access to electricity (1988)	96 percent				
Calorie intake	3,086				
Adult literacy rate (25 and over)	99 percent				
Primary school enrollment rate	100 percent				
Unemployment rate (April-June 1997)	14 percent				
GDP (1996)	US\$1,993.9 million				
	BDS\$3,987.8 million				
GDP per capita (1995)	US\$7,050				
	1992	1993	1994	1995	1996
Origin of GDP (percent)					
Agriculture and fishing	7.1	6.7	6.4	6.2	7.0
Manufacturing	9.5	9.2	9.4	9.9	9.4
Tourism	14.3	14.6	15.4	15.2	15.4
Construction	6.4	6.7	6.5	6.7	6.7
Government	14.1	13.9	13.4	13.2	12.6
Other	48.6	48.9	48.9	48.8	48.9
Ratios to GDP 1/					
Exports of goods and nonfactor services	55.2	57.7	62.3	66.7	68.5
Imports of goods and nonfactor services	46.2	51.6	53.8	60.6	62.9
Current account of the balance of payments	9.0	4.3	7.7	4.9	3.8
Central government revenue	30.6	28.7	29.2	29.7	29.8
Central government expenditure	30.1	30.3	30.0	30.0	32.7
Central government saving	3.5	-1.5	2.0	2.5	1.9
Central government overall surplus or deficit (-)	0.4	-1.6	-0.8	-0.3	-2.9
Consolidated public sector revenue	39.5	35.4	37.5	36.8	36.9
Consolidated public sector expenditure	37.5	34.8	35.2	34.7	37.7
Consolidated public sector surplus or deficit (-)	2.0	0.6	2.3	2.1	-0.8
External public debt (end of year) 2/	30.2	27.1	25.5	22.3	20.6
Public debt service ratio (in percent of exports of goods and nonfactor services)	12.7	9.1	9.7	11.3	10.4
Gross national saving	18.5	17.0	21.1	19.0	16.5
Gross domestic investment	9.5	12.7	13.4	14.1	12.7
Money and quasi-money (end of year)	58.8	63.5	61.9	60.0	64.4
Annual changes in selected indicators					
Real GDP per capita	-6.0	0.7	3.5	2.6	4.9
Real GDP	-5.7	1.0	3.8	2.9	5.2
Domestic expenditure (at current prices)	-15.8	7.1	2.7	10.1	7.6
Investment	-48.2	39.5	10.7	13.3	-4.2
Consumption	-9.3	3.4	1.4	9.5	9.7
GDP deflator (at factor cost)	-1.5	6.3	0.6	4.1	-1.5
Consumer prices (annual average)	6.0	1.2	-0.1	2.4	2.4
Central government revenue	-3.1	1.2	5.4	9.2	5.3
Central government expenditure	-2.9	8.1	2.7	7.5	14.5
Central government current expenditure	-1.5	8.0	3.8	7.5	7.8
Consolidated public sector revenue	-0.8	3.1	9.7	5.5	5.3
Consolidated public sector expenditure	-3.1	7.2	4.6	6.1	14.0
Money and quasi-money	-0.1	5.3	8.1	4.0	11.1
Money	-2.8	9.8	19.1	2.3	21.5
Quasi-money	5.3	3.8	4.1	4.7	6.9
Net domestic assets 3/	1.0	3.8	1.5	3.1	4.6
Net credit to public sector 3/	2.3	4.5	-10.7	-1.2	1.5
Credit to private sector 3/	-1.4	-0.1	7.6	10.0	3.2
Interest rate on deposits 4/	5.0	4.8	5.0	5.2	5.2
Interest rate on loans 4/	12.6	11.3	11.9	11.8	11.9

	1992	1993	1994	1995	1996
Annual changes in selected indicators					
Merchandise exports (in U.S. dollars) 5/	7.3	-4.4	1.9	31.6	10.6
Merchandise imports (in U.S. dollars) 6/	-25.0	10.1	6.4	23.6	9.2
Nominal effective exchange rate (depreciation -) 7/	4.2	10.7	5.5	-2.0	1.6
Real effective exchange rate (depreciation -) 7/	3.4	3.8	-2.2	-3.8	1.0
External public debt 8/	2.9	-6.8	-0.9	-6.1	-1.5
Total external debt	0.6	-7.7	-3.0	-6.3	1.2

(In millions of Barbados dollars)

Central government finances 1/					
Revenue and grants	991.9	1,003.5	1,058.1	1,155.9	1,217.6
Expenditure and net lending	978.1	1,057.7	1,085.9	1,166.9	1,336.5
Current account surplus or deficit (-)	115.0	53.3	73.5	97.7	78.0
Overall surplus or deficit (-)	13.8	-54.2	-27.8	-11.0	-118.9
External financing (net)	-60.6	-68.6	-12.8	23.6	25.3
Internal financing (net)	46.8	122.8	40.6	-12.6	93.6

Consolidated public sector finances 1/					
Revenue	1,200.6	1,237.9	1,358.2	1,432.9	1,508.4
Expenditure	1,136.9	1,218.2	1,273.7	1,351.8	1,541.0
Surplus or deficit (-)	63.7	19.7	84.5	81.1	-32.6
External financing (net)	-64.6	-75.6	-9.5	25.9	34.4

(In millions of U.S. dollars)

Balance of payments					
Merchandise exports (f.o.b.) 5/	157.4	150.5	153.4	201.9	223.2
Merchandise imports (c.i.f.) 6/	524.2	577.3	614.2	769.3	832.1
Investment income (net)	-40.0	-52.4	-47.9	-55.8	-54.9
Travel (gross)	470.4	534.4	603.0	664.7	685.0
Other services and transfers (net)	79.8	15.1	40.4	49.8	55.4
Balance of current account	143.4	70.3	134.7	91.3	76.6
Central government borrowing (net)	-39.7	-24.9	15.1	-13.5	1.4
Other, including errors and omissions (net) 9/	-74.3	-24.3	-90.6	-36.9	9.2
Change in net official international reserves (increase -)	-29.4	-21.1	-59.2	-40.9	-87.2

(In millions of U.S. dollars, end of period)

International reserves position and external debt					
Gross official reserves 10/	90.7	75.6	126.4	153.7	222.6
(months of retained imports) 10/	2.3	1.7	2.7	2.7	3.4
Net official reserves	48.6	69.6	128.8	169.6	256.8
Net reserves of the banking system	46.2	62.9	147.5	152.8	210.6
External public debt	480.1	447.4	443.3	416.4	410.0
Total external debt	570.6	526.7	510.9	478.9	484.5

IMF data (as of November 30, 1997)

Article VIII status	
Intervention currency and rate	U.S. dollars at BDS\$2.0 per U.S. dollar
Quota	SDR 48.90 million
Fund holdings of Barbados dollars	SDR 48.88 million
Outstanding purchases and loans	none
Fund holdings (as percent of quota)	100.0
Special Drawing Rights Department	
Cumulative SDR allocation	SDR 8.04 million
Holdings of SDRs	0.3 percent of allocation

1/ Fiscal data are on a fiscal year (April-March) basis; that is, for the fiscal data, 1992=1992/93, and so on. Excludes nonrecurrent operations.

2/ Includes medium- and long-term debt of the central bank.

3/ As a percentage of liabilities to the private sector at the beginning of the period.

4/ Weighted average rate; end of the calendar year.

5/ Includes domestic exports and re-exports.

6/ Includes retained imports and imports for re-export.

7/ Period average.

8/ End of period.

9/ Includes government-guaranteed and central bank long-term foreign borrowing, as well as private sector capital flows.

10/ Excludes CARICOM facility and regional bilateral balances.

I. OVERVIEW OF RECENT ECONOMIC DEVELOPMENTS

A. Summary of Developments and Policies in the 1990s

1. Following balance of payments problems in the late 1980s and early 1990s due to an expansionary fiscal policy and adverse exogenous factors, Barbados adopted a strong adjustment program in 1991. The main components of the program were a tight fiscal policy, credit restraint, and an incomes policy that constrained wage increases. The fixed parity of the Barbados dollar with the U.S. dollar, established since 1975, was maintained. Since that time, a combination of good economic management and a more favorable external environment have facilitated growth and a strengthening of the external position.

2. Economic activity declined during 1990–92 but began to recover in 1993. The recovery started slowly in 1993, but picked up in 1994 and real GDP grew by 3.8 percent in that year (Table 1). Adverse weather in 1994 led to a drop in sugar output in 1995 and a deceleration in the growth rate of the economy to 2.9 percent. As sugar production reverted to normal levels, real GDP growth reached 5.2 percent in 1996. Tourism has the driving force of the economy, although the growth of tourist arrivals slowed down to 1 percent in 1996 from 4 percent in 1995. The number of visitors from the United States has been declining since 1993, while visitors from European countries, except recently from Germany, have been steadily on the rise. Growth in the manufacturing sector has been uneven and certain segments of manufacturing activity have been negatively affected by a reduction in import tariffs. The government has been paying increasing attention to attracting offshore business companies to Barbados in its attempt to diversify the country's economic base.

3. Inflation in Barbados was less than 3 percent a year between 1993 and 1996. Prices, however, jumped by 7 percent in January 1997 following the introduction of a value-added tax (VAT), but subsequently stabilized. The real effective exchange rate showed an appreciation of 10.4 percent between the end of 1996 and September 1997, after an average annual depreciation of 1.9 percent between 1994 and 1996 (Figure 1). There has been considerable wage restraint in recent years facilitated by two successive prices and incomes protocols signed by the government, employers, and labor unions between 1993 and 1997. A new protocol is to be negotiated at the end of 1997. Unemployment declined progressively from over 20 percent in 1994 to 14 percent in mid-1997.

4. During the 1990s Barbados has been following a policy of gradual trade reform by lowering both tariff and nontariff barriers. The trade deficit widened between 1993 and 1996, but the external current account remained in surplus during this period, due to earnings from tourism. The overall balance of payments has been in surplus since 1992, with a steady buildup of international reserves; by September 1997 net international reserves were equivalent to 142 percent of base money and 4.2 months of retained imports.

Table 1. Barbados: Selected Economic and Financial Indicators

	1992	1993	1994	1995	Prel. 1996
(Annual percentage changes; unless otherwise specified)					
National income and prices					
Real GDP	-5.7	1.0	3.8	2.9	5.2
GDP deflator	-1.5	2.0	0.2	0.9	1.4
Tourist arrivals	-2.2	2.7	7.5	3.9	1.1
Consumer prices (12-month increase)	3.3	-1.0	0.5	2.8	1.8
Unemployment rate (in percent of the labor force)	25.1	22.1	21.2	16.4	14.3
Nominal wage index in U.S. dollars (1990=100)	99.1	100.7	100.7	103.7	106.8
External sector					
Domestic exports f.o.b. 1/	10.1	0.6	-1.9	26.3	27.2
Tourism receipts	0.7	13.6	12.8	10.2	3.1
Retained imports, c.i.f. 1/	-23.6	13.7	6.4	23.6	9.2
Real effective exchange rate (depreciation -) 2/3/	4.2	0.5	-3.5	-1.3	-0.8
Central government 4/					
Tax revenue	-2.0	2.6	4.3	10.5	4.5
Expenditure 5/	-2.9	8.1	2.7	7.5	14.5
Money and credit					
Net domestic assets 6/	1.0	3.8	1.5	3.1	4.6
<i>Of which:</i>					
Public sector credit	2.3	4.5	-10.7	-1.2	1.5
Private sector credit	-1.4	-0.1	7.7	10.1	3.2
Money and quasi-money	-0.1	5.3	8.1	4.0	11.1
Velocity (GDP relative to M2)	1.9	1.9	1.8	1.9	1.8
Interest rate on deposits 7/	5.0	4.8	5.0	5.2	5.2
Interest rate on loans 7/	12.6	11.3	11.9	11.8	11.9
(In percent of GDP at market prices)					
Public sector 4/5/					
Public sector underlying balance (deficit-)	2.0	0.6	2.3	2.1	-0.8
Central government overall balance	0.4	-1.6	-0.8	-0.3	-2.9
National insurance system	1.2	2.2	2.1	2.3	2.4
Public enterprises	0.4	0.0	1.0	0.1	-0.3
Central government underlying current balance (deficit -)	3.5	1.5	2.0	2.5	1.9
Central government primary balance (deficit -)	5.5	2.6	3.7	4.5	1.9
Savings and investment					
Gross domestic investment	9.5	12.7	13.4	14.1	12.7
Public investment	3.8	4.1	3.4	3.4	5.7
Private investment	5.7	8.6	10.0	10.7	7.0
Gross national saving	18.5	17.0	21.1	19.0	16.5
Public saving	5.6	4.3	5.5	5.3	4.7
Private saving	12.9	12.7	15.6	13.7	11.8
External current account (deficit -)	9.0	4.3	7.7	4.9	3.8
Public debt 8/					
Total debt	80.8	79.0	76.7	69.6	66.7
<i>Of which:</i>					
Central government	62.7	70.4	71.7	66.5	65.2
External debt	30.5	27.1	25.5	22.3	20.6
<i>Of which:</i>					
Central government	23.8	21.4	20.6	19.3	18.1
(In percent of domestic exports and tourism receipts)					
Debt service on external public debt 9/	18.4	13.0	14.3	16.9	15.8
(In millions of U.S. dollars)					
Overall balance of payments (deficit -)	29.4	21.1	59.2	40.9	87.2
Net international reserves of the monetary authorities					
(months of retained imports)	2.2	1.6	2.7	2.9	4.0
(percentage of base money)	28.1	45.2	85.5	97.7	112.3

Sources: Barbadian authorities; and Fund staff estimates.

1/ Excludes re-exports.

2/ Information Notice System; end of period.

3/ The 1997 data refers to the change between December 1996 and June 1997. The large appreciation reflects the domestic price rise caused by the introduction of the value-added tax in January 1997.

4/ Fiscal year (April-March).

5/ Excludes nonrecurrent operations

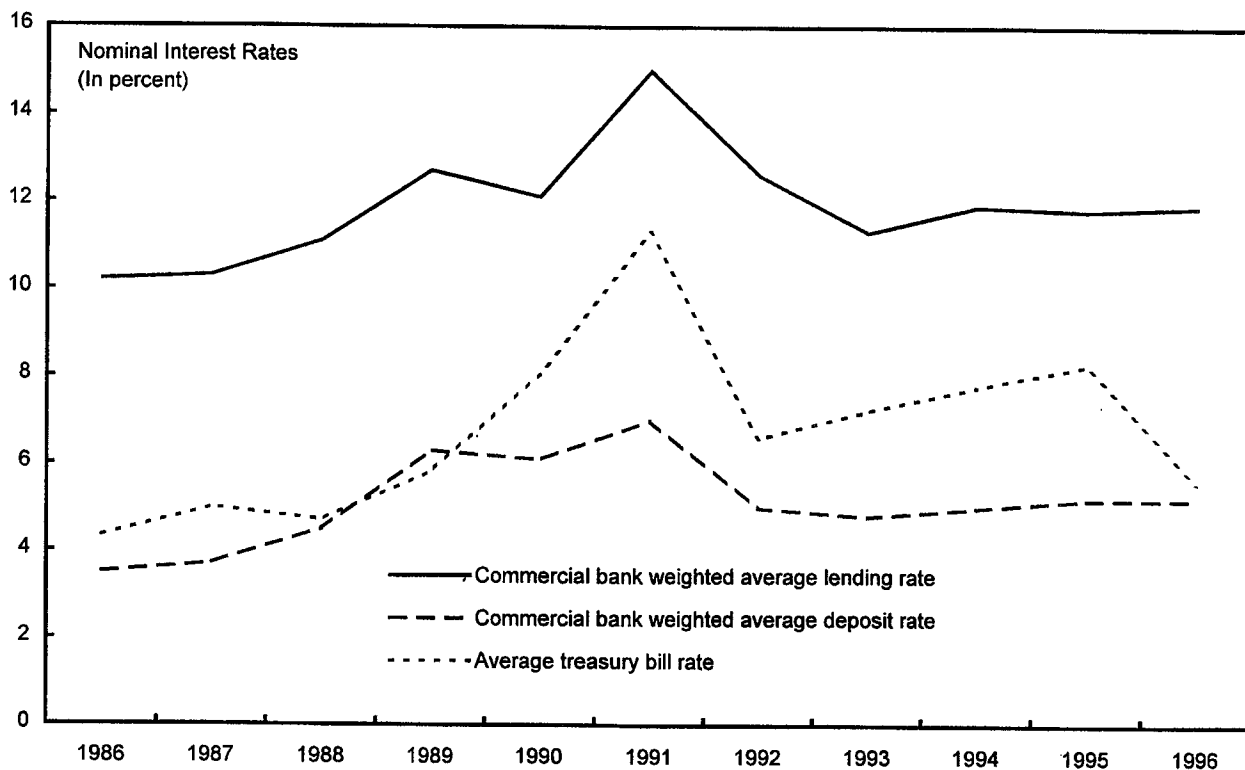
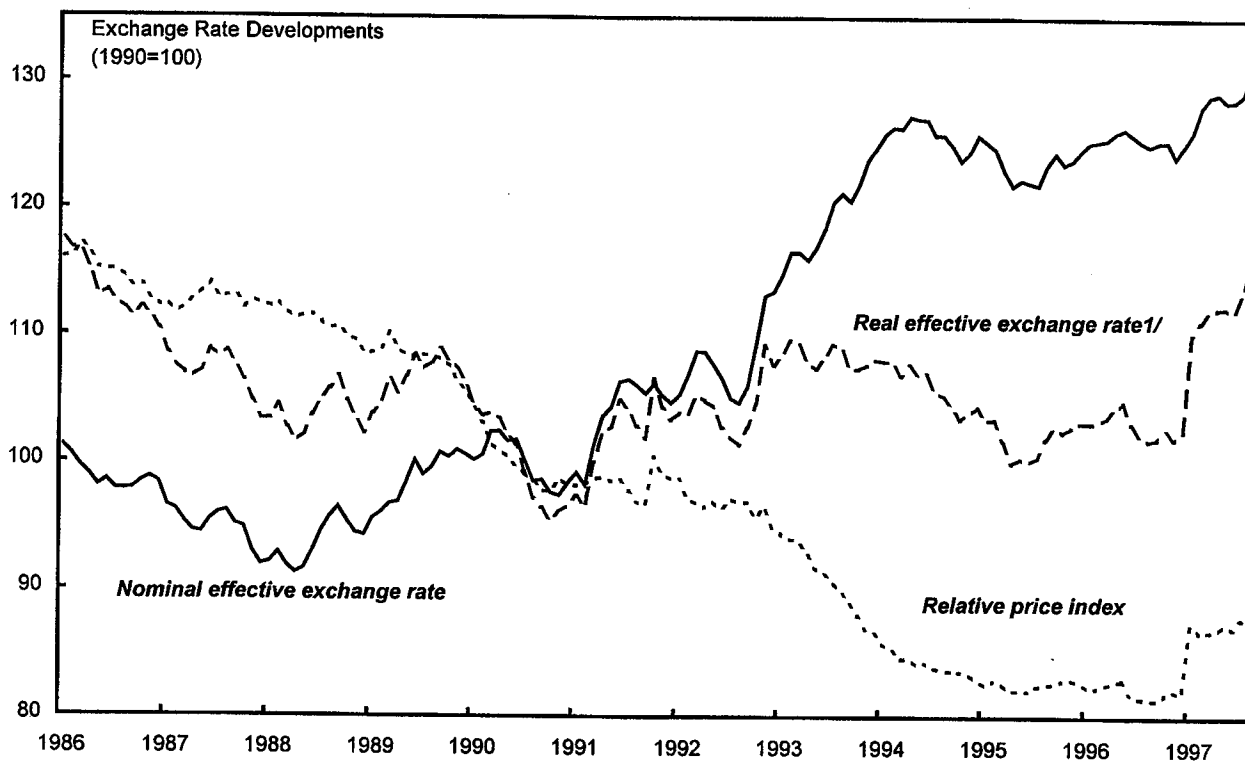
6/ In relation to liabilities of the banking system to the private sector at the beginning of the period.

7/ Weighted average rate; end of period.

8/ Includes debt of the central bank, including debt to the Fund.

9/ Includes Fund repurchases.

Figure 1. Barbados:
Effective Exchange Rate and Interest Rates



Sources: Central Bank of Barbados; and IMF Information Notice System.

1/ Trade-weighted index of nominal exchange rate deflated by seasonally adjusted relative consumer prices; increase indicates appreciation.

5. The overall fiscal position (which includes the operations of the central government, the National Insurance Scheme (NIS), and the nonfinancial public enterprises) was in surplus during FYs 1991/92–1995/96.¹ Small deficits in the central government were offset by surpluses of the NIS. The fiscal outturn reflected current expenditure restraint (particularly on wages), larger tax revenue, and increases in utility rates and social security rates that took place in late 1991; furthermore, public investment contracted relative to the late 1980s and 1990. In FY 1996/97, however, the fiscal position moved into a deficit of 0.8 percent of GDP, due to a decline in central government saving and an expanded investment program. The government has been pursuing a process of tax reform in recent years, involving a simplification of the tax regime and a shift in the tax base from direct toward indirect taxes. The latest development was the introduction of a broad-based VAT in January 1997, that replaced 11 other indirect taxes which had generated 38 percent of tax revenue in the previous fiscal year.

6. Fiscal policy has permitted the implementation of restrained credit policies, allowing for a buildup in the country's international reserves. Monetary policy is geared to preserving the fixed exchange parity with the U.S. dollar. Having eliminated selective credit controls in 1992, the main instruments of monetary policy since that time have been a minimum deposit rate, reserve requirements, and limited open market operations.

7. The banking system in Barbados is dominated by branches of foreign banks. New legislation adopted in July 1997 strengthened prudential control by the central bank over deposit-taking financial institutions. In dealing with the restructuring of a development bank and a government-owned commercial bank, the government became directly involved in rehabilitation programs for the sugar industry in 1993, and several south coast hotels at the end of 1995.

B. Recent Economic Developments: 1995 to mid-1997

Real sector

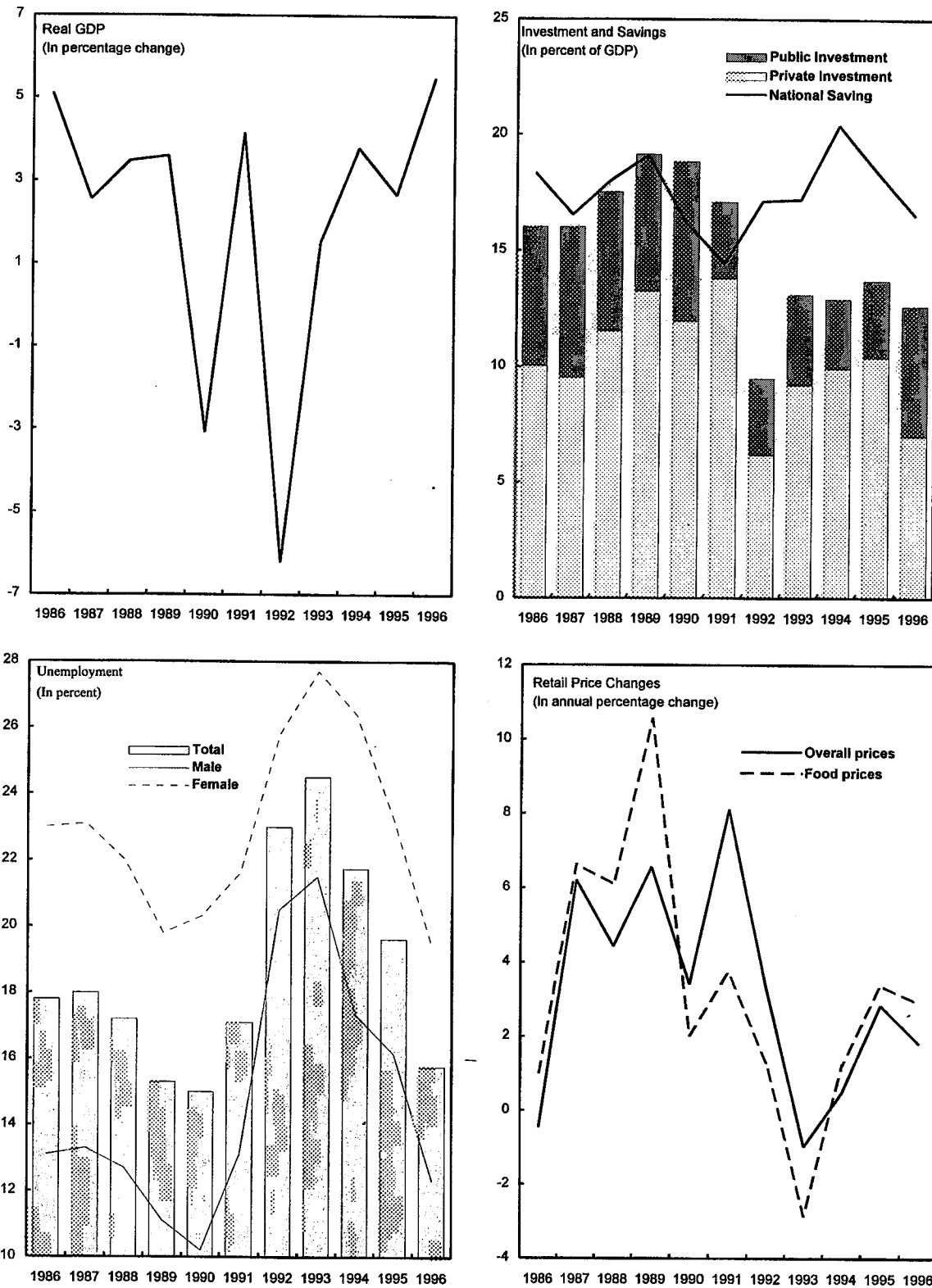
8. A severe drought in 1995 led to a significant decline (26 percent) in sugar output and deceleration in the growth rate of real GDP from 3.8 percent in 1994 to 2.9 percent (Figure 2). The recovery of output in the following year contributed significantly to a 5.2 percent overall rise in GDP in 1996. Sugar output was 64,600 tons in 1996/97 (crop year), allowing Barbados to satisfy its primary quota with the European Union of 54,700 tons.² Since 1993 the government has been involved in a program to rehabilitate the sugar

¹Fiscal years run from April to March.

²Crop years run from July to June. The quotas with the European Union, which involve sugar prices above world market levels, form part of the Sugar Protocol between certain European

(continued...)

Figure 2. Barbados:
Real Sector Developments



Sources: Ministry of Finance; Barbados Statistical Services and Central Bank of Barbados.

industry, arranging for and directly providing finance and management for plantations that were heavily indebted to a government-owned commercial bank (Appendix I).

9. After declining between 1990 and 1992, tourist arrivals have recovered. Arrivals increased by 3.9 percent in 1995 and by 1.1 percent in 1996, but are still below the 1989 peak in arrivals of 460,000. Average length of stay has remained constant at about seven nights. While visitors from the United States have continued to decline, arrivals from the United Kingdom increased by 10 percent in 1996 to reach a historical high of just under 140,000 (Figure 3). For the first half of 1997, total tourist arrivals were about 2.5 percent higher than the same period in 1996. Meanwhile there has been more rapid growth in the number of cruise ship passengers making stop-overs in Barbados.³ Since the average expenditure of the cruise ship passenger is lower than the stay-over arrival, the Barbados government in 1996 intensified its efforts to encourage cruise ship passengers to return as stay overs. At the end of 1995 the government assumed responsibility for the rehabilitation of several south coast hotels. The project, called the "Gems of Barbados," initially aimed to bring common management and marketing to a group of hotels that were heavily indebted to a development bank, but has evolved to include other hotels in the south coast.

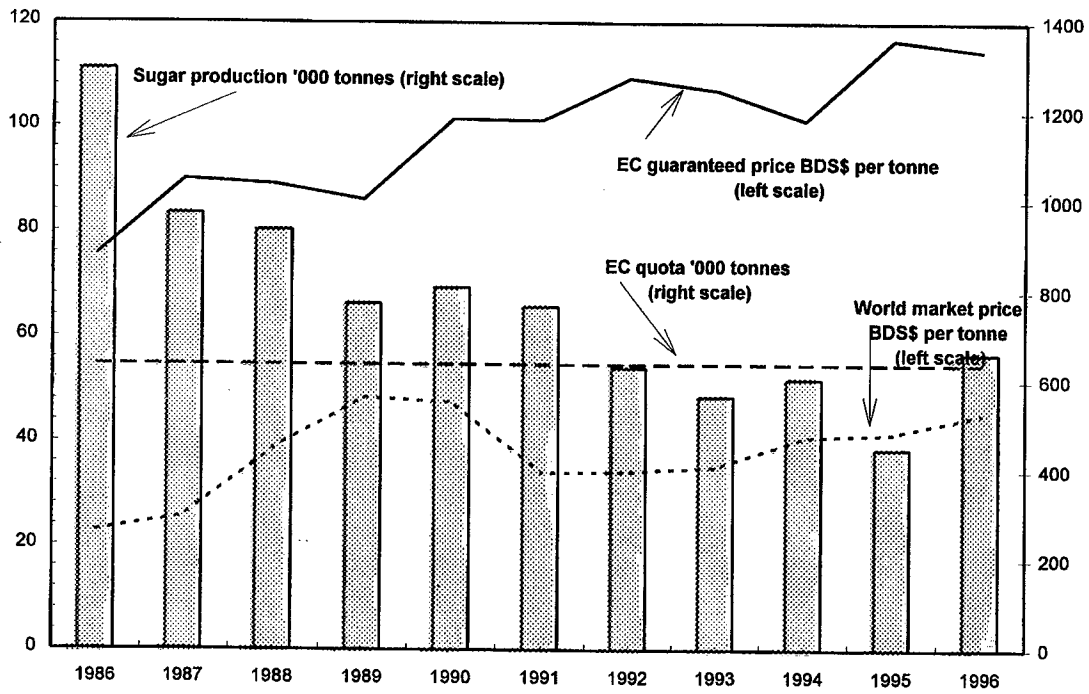
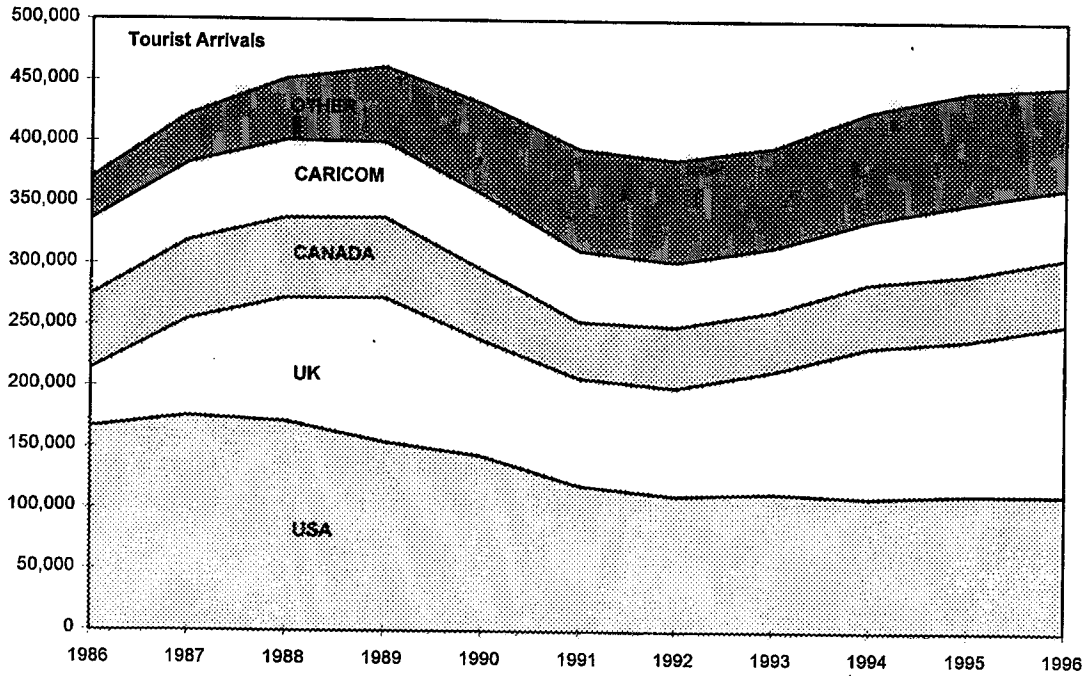
10. Manufacturing continued to recover in 1995, but stagnated in 1996; garments and furniture have been unable to compete successfully with regional and international firms after the reduction in import tariffs. Construction activity in 1995-96 was stimulated by government infrastructural projects, and commercial and residential building. Offshore business activity, which includes offshore banks and other financial institutions, foreign sales corporations, and international business companies, has been growing in recent years. Over 2,000 new offshore companies were registered in Barbados between 1995 and mid-1997 (an increase of 70 percent). However, lack of comprehensive data inhibit measurement of the contribution of the offshore sector to the economy.

11. Unemployment decreased steadily from 21.1 percent of the labor force at the end of 1994 to 14 percent in mid-1997. Unemployment is higher among females, whose participation rate has been risen, while the participation rate for males has declined.

12. Recent legislative changes in the labor market include the Shops Amendment Act which took effect in November 1996 and regulates the hours of work in certain enterprises, and an increase in minimum wages for shop assistants in June 1997. In recent years, prices and incomes protocols have been conducive to a generally stable industrial climate and wage restraint. The first protocol covered the period April 1993 to March 1995 and incorporated a wage freeze. The second protocol, from April 1995 to March 1997, called for general wage restraint and settlements in line with productivity changes. This was extended to September 1997, and negotiations subsequently commenced for a successor agreement. Since 1992 there has been an increase in labor market flexibility due to the growing importance of services

³Since 1992 the number of cruise ship arrivals has surpassed the number of long stay arrivals.

Figure 3. Barbados
Developments in Tourism and Sugar



Sources: Barbados Statistical Services; and Barbados Agricultural Management Company

which, except for tourism, are largely nonunionized, and the increased flexibility of the unions through participation in the protocols⁴ (see section IV). Nonetheless, rigidities persist, including those arising from a noncontributory severance payments scheme.

13. Retail prices increased by 2.8 percent in 1995 and 1.8 percent in 1996.⁵ With inflation lower than the average of its major trading partners and an unchanged parity with the U.S. dollar peg, the real effective exchange rate⁶ depreciated by 1.3 percent in 1995 and 0.8 percent in 1996. The introduction of the VAT led to a jump in domestic prices in January 1997 of 7 percent. Most strongly affected by the VAT were the prices of food, utilities such as electricity and telephone services, and other nonfinancial services. As a result, there was a significant real appreciation of the Barbados dollar in early 1997.

Public sector

14. The nonfinancial public sector in Barbados includes the central government, the national insurance system, and the public enterprises. The public sector had an overall surplus of 2.1 percent of GDP in FY 1995/96 as the surplus of the national insurance system more than offset a small deficit in the central government; the public enterprises were in near balance (Figure 4). In FY 1996/97, however, a decline in saving and an expanded investment program by the central government led to an overall public sector deficit of 0.8 percent of GDP. Capital expenditure included environmentally related projects on coastal conservation and solid waste management, as well as infrastructural development, particularly in transportation.

15. There were several changes in taxation in the FYs from 1995 to 1997. In FY 1995/96 these included increased personal and family deductions from the income tax, corporate tax deductions to stimulate investment in several towns, and an environmental levy.⁷ Furthermore, a range of incentives to foster private saving was included in the FY 1996/97 budget, including tax deductions for investment in public companies, mutual funds, and pension plans. In conjunction with other members of the regional Caribbean Community and Common Market (CARICOM), Barbados committed itself to reducing its common external tariff on non-regional imports. The latest change occurred in April 1997 when Barbados reduced its common external tariff from a range of 5 percent to 30 percent to a range of 5 percent to 25 percent. The deadline for the removal of certain import surcharges that had been introduced in 1993 was shifted from 1998 to 2000.

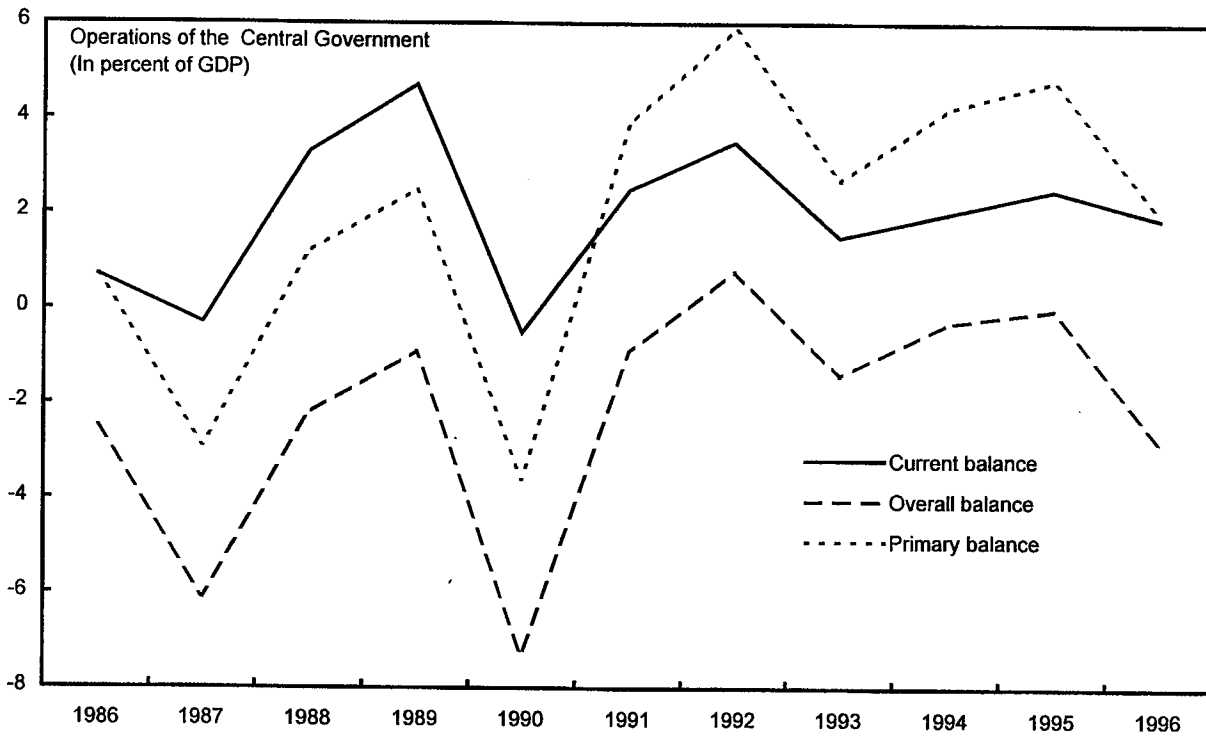
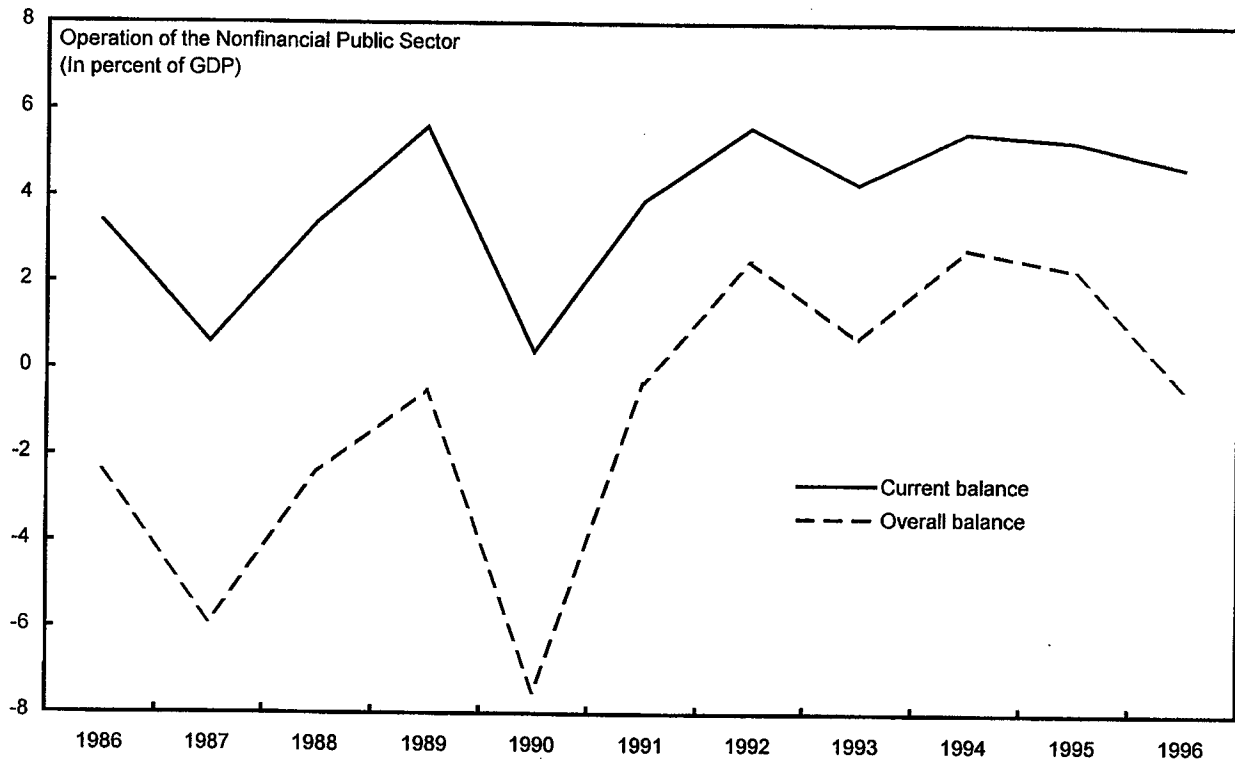
⁴Inter-American Development Bank (IDB), *Labor Markets and Competitiveness in Barbados*, May 1997.

⁵December to December changes.

⁶As measured by relative prices.

⁷See Appendix II for a description of the tax system.

Figure 4. Barbados:
Public Sector Operations



Sources: Ministry of Finance; and Fund staff estimates.

16. The VAT that was introduced in 1997 replaced 11 other indirect taxes. The VAT rate is 15 percent except for hotel accommodations that are taxed at 7.5 percent. A few goods and services were zero-rated and exempted. To alleviate the VAT's impact on the poor, the government increased both the minimum pension and cash grants to welfare recipients, and in October 1997 a list of basic food items was zero-rated. Arrangements were also made with the telephone company to limit the increases in rates for those on welfare. The authorities initially estimated that the VAT would be revenue neutral. However, the VAT was revenue-enhancing during the first nine months of 1997.

17. The government has initiated a number of public sector reforms, including decentralization of authority for personnel, planning, and financial management in the central government, and the design of multiyear financial plans. A tax administration and public expenditure management project, launched since 1993 and financed by the IDB, is designed to strengthen fiscal administration and improve public expenditure management, control, and auditing. This project is ongoing, and major progress was made in tax administration, including in the implementation of the VAT. Progress in the other areas, however, has been slow.

18. Reform has also been taking place in the public enterprises. The Barbados Agricultural Management Company, which manages the rehabilitation of the sugar industry has had some success in introducing mechanization, better fertilizer use, and amalgamation of plantations for more efficient production. The Transport Board has reduced its staff and sold its workshop to former employees in August 1997. The Water Authority has also been reducing its staff and progressively introducing meters to domestic customers, but the collection of arrears remains a major problem. However, the government has been reluctant to increase transport fares and water rates, which are needed to improve the financial situation of these companies. During 1995 and 1996 the government divested its shareholdings in the power company, a tourist facility and a dairy, and sold some state lands.

Monetary sector

19. Broad money increased by 4 percent in 1995, slower than the 7 percent growth averaged over the previous two years. The growth of money picked up significantly in 1996 to 11 percent, related in part to capital inflows. The net domestic assets of the banking system increased by 3 percent in 1995 and 5 percent in 1996. After declining by 6 percent in 1995, credit to the public sector rose in 1996 by 9 percent in line with the widening central government deficit. The growth in private sector credit was fairly strong in 1995 at 16 percent, but slowed to 5 percent in 1996, partly due to a reduced need for business financing because of a drawdown in inventories in anticipation of the introduction of the VAT, since taxes paid on inventories in 1996 were not refundable. Consumers also appeared to have

delayed the purchase of durables expecting price declines on these items in 1997 as the VAT replaced other higher taxes.⁸

20. The faster pace of monetary growth relative to credit in 1996 led to a buildup of liquidity in the banking system, which showed up in commercial banks' deposits at the central bank and holdings of government paper in excess of the legal reserve requirement. By the end of 1996 commercial banks held government securities equivalent to 33 percent of deposit liabilities, compared with the stipulated 23 percent minimum requirement.⁹ The demand for treasury bills led to a drop in rates on these bills to 5.6 percent at the end of 1996, compared with 8.3 percent at the end of 1995. Excess liquidity continued into 1997 and treasury bill rates dropped further to 2.6 percent at the end of June.¹⁰ There was little corresponding movement, however, in commercial bank deposit or lending rates, with average deposit rates remaining at about 5.2 percent and loan rates at 11.9 percent. (See Section III for a discussion of the spread between lending and deposit rates.)

21. Monetary policy in Barbados is focused on creating the conditions for a stable exchange rate and an adequate foreign reserves position, while keeping inflation low. The central bank maintained a minimum deposit rate for commercial banks at 5 percent up to May 1997 when it was reduced to 4 percent.¹¹ Simultaneously, the cash reserve requirement was reduced from 6 percent to 5 percent of deposit liabilities, and the requirement for holding treasury bills was lowered from 15 percent to 12 percent. The central bank conducts open market operations on a limited scale using treasury bills. A new Financial Institutions Act (FIA) became effective in July 1997. This Act, and its accompanying regulations, strengthens the power of the central bank over deposit-taking financial institutions (see Section III).

22. As part of the restructuring of the government-owned Barbados National Bank, which was initiated in 1992, the government recapitalized the bank at the end of 1996. The Barbados Development Bank was closed at the end of 1995 and its assets reorganized into three areas: (i) performing loans were maintained pending a decision on the formation of a new

⁸In 1996 the value of imports of consumer durables declined by 6 percent.

⁹At this time banks were required to maintain at least 15 percent of deposit liabilities in treasury bills and 8 percent in government debentures. There was also a cash reserve requirement of 6 percent of deposit liabilities.

¹⁰Subsequent sterilization operations by the central bank (involving removal of government funds from the banking system and placement of these abroad, as well as open market sales of treasury bills) resulted in a decline in excess liquidity and a recovery in treasury bill rates to 4.2 percent by early November 1997.

¹¹The minimum deposit rate was only applicable to savings deposits up to March 1994, at which time it became applicable to all classes of deposits.

development finance institution; (ii) loans to several hotels on the south coast of Barbados were transferred to a management company for rehabilitation; and (iii) unsalvageable loans are being liquidated. In September 1997 the government announced that there would be two successor institutions to the Barbados Development Bank: one would give loans to micro-enterprises and the other would provide venture capital to small- and medium-sized businesses.

External sector

23. In 1995 Barbados had an external current account surplus equivalent to 4.9 percent of GDP.¹² The current account surplus declined to 3.8 percent of GDP in 1996 due to the weakening of the fiscal position.

24. The capital account, which had been in deficit for many years, including 1995, turned into a surplus in 1996.¹³ This was primarily because of strong private sector direct investment inflows for projects in hotels and telecommunications as well as private borrowing abroad. In 1995 the government accessed a bond from the international capital markets for US\$40 million while in 1996 it relied on multilateral funding, especially from the IDB. Barbados had an overall balance of payments surplus of US\$41 million in 1995 and US\$87 million in 1996.

¹²The balance of payments data present problems. A large negative errors and omissions item suggests that the current account surplus may be overstated (a major problem is the difficulty of estimating tourism expenditure) or that there are sizable unregistered capital outlays.

¹³Barbados maintains an exchange system free of restrictions on payments and transfers for current international transactions. However, the country maintains exchange controls on capital transactions: all capital outflows and certain inflows require approval.

II. RECENT DEVELOPMENTS IN TAX REFORM AND TRADE POLICY

A. Tax Reform¹⁴

25. In 1992 the authorities launched a program to reform the tax system with the intention of simplifying it and making it more efficient. The first stage of the reform involved the reduction and streamlining of direct taxes.¹⁵ The second basically entailed the replacement of several indirect taxes by a VAT, and the reduction of import tariffs.

Direct tax reform

26. Before 1992 income taxes comprised a personal income tax, a corporate income tax, a stabilization tax, and employment, health, training, and transport levies. There was a range of marginal tax rates on personal income with the highest rate at 50 percent. However, the progressivity of the tax was limited by the myriad deductions and exemptions available mainly to higher income earners, and the fact that the levies were applied only up to a certain income level. The corporate tax rate was 35 percent, with lower rates for insurance and construction companies and building societies.

27. The direct tax reform initiated in July 1992 was designed to: (i) reduce the level of personal income taxation by lowering the top marginal tax rate, eliminating most of the payroll levies, indexing income tax brackets to inflation, and taking into account family circumstances; (ii) equalize the personal income and corporate tax rates; (iii) widen the income tax base by streamlining, and reducing exemptions and deductions; and (iv) simplify tax administration by reducing the number of taxes and income tax brackets. By 1997 these components had been implemented, except for indexation of tax brackets for inflation.

28. Between 1993 and 1995 the stabilization tax and other payroll levies, except the training levy, were abolished. The number of personal income tax brackets was reduced from six to two, with tax rates of 25 percent and 40 percent. The corporation tax rate was also equalized with the top personal income tax rate at 40 percent. A number of exemptions and allowances were eliminated and allowances for dependent children and spouses were introduced.

29. Between 1995 and 1997 a personal allowance for mortgage interest and home repairs, an environmental levy, and allowances to stimulate business investment in several towns were

¹⁴For the period up to 1995, this section draws on the analysis of the tax reform in section II of the recent economic developments paper on Barbados, SM/95/54, March 17, 1995. See Appendix II for a summary of the tax system as at October 31, 1997.

¹⁵As a result of the reform process, direct tax revenue as a share of total revenue decreased from 38 percent in FY 1991/92 to 32 percent by FY 1996/97.

instituted. To encourage personal savings, the government introduced a range of tax measures, including deductions for investment in new shares in public companies, mutual funds, credit unions, and retirement plans. Basic personal allowances were also increased in FY 1997/98.

Indirect tax reform

30. Up to 1996, the indirect tax regime comprised duties and luxury surcharges on imports, consumption taxes, stamp duties, a hotel and restaurant sales tax and several minor taxes. Stamp duties and consumption taxes applied to domestic and imported goods. Apart from the sheer number of taxes, numerous exemptions and cascading created a highly distorted and unwieldy system.

31. Since 1992 plans were made to reform the indirect tax system, by substituting a VAT for many of the indirect taxes. The VAT was eventually introduced at the start of 1997 with a basic rate of 15 percent except for hotel accommodations that were taxed at 7.5 percent.¹⁶ The 11 indirect taxes replaced by the VAT were: consumption tax, stamp duty on imports, luxury tax on goods, entertainment tax, hotel and restaurant tax, service tax on pleasure cruises, tax on quarriable minerals, travel ticket tax, airline business tax, tax on overseas telephone calls, and surcharge on rental income. The VAT on motor cars, oil products, alcoholic beverages, and tobacco products was supplemented by new excise taxes on these items so as to retain the revenue that would have been lost on these highly taxed products. The VAT is intended to simplify the indirect tax system, reduce collection and compliance costs, and increase revenue elasticity. It would also eliminate the cascading effects of the existing taxes and ease the tax burden on exports.

B. Trade Policy

32. Barbados also has been steadily liberalizing its trade regime since 1992 as a means of raising efficiency and promoting exports. The current trade system differs markedly from the one prevailing up to the early nineties. At that time, the trade system consisted of a widely dispersed tariff structure with high rates of effective protection for domestic production, and nontariff barriers like quantitative restrictions and price controls. The current system has lower import tariffs in line with the CARICOM's common external tariff and temporary surcharges have replaced most of the quantitative restrictions. Additionally, the VAT, with a uniform rate on imports and no exemptions, has replaced the differentiated stamp taxes on imports and the consumption tax.¹⁷

¹⁶Appendix III provides details on the structure of the VAT. Appendix IV outlines the measures instituted to alleviate the effect of the VAT on the poor.

¹⁷Prior to the VAT, stamp duties ranged from 10–20 percent, and consumption taxes from
(continued...)

Trade regime

33. In April 1997, Barbados completed the third phase towards the agreed reduction of the common external tariff from a rate structure of 0–45 percent prevailing before 1993 to a range of 5–20 percent. As a result, ad valorem tariff rates on imports from outside the region range currently between 5 and 25 percent (some goods are exempt). Barbados is expected to implement the last phase of the common external tariff reduction in 1998. Exemptions from import tariffs include imported inputs for the agriculture and manufacturing sectors.

Additionally, selective inputs in the hotel sector are exempted. Extended duty remission and the gradual reduction in tariff rates have resulted in low and declining effective tariff rates. Effective rates, measured by import duties as a percentage of retained imports, declined from 7.6 percent in FY 1992/93 to 6.9 percent in FY 1994/95 and to 5.7 percent in FY 1996/97.

34. The temporary surcharges that replaced most quantitative restrictions in 1993 were reduced to 75 percent in June 1997. Under current plans they will be further reduced to 35 percent starting in April, 1999 and eliminated in April, 2000. The surcharges are calculated on either the customs value or the customs value less the relevant rate of duty. They apply to a list of imports from outside CARICOM including prepared or preserved vegetables, pasta products, margarine, flour of wheat, and some manufactured products.

35. There are some quantitative restrictions still in place. Agricultural products, soft drinks from CARICOM and oil imports are subject to import licenses. Barbados is committed to eliminate them, but no date has been set for that purpose.

36. The introduction of the VAT and simultaneous elimination of consumption taxes and stamp taxes had an important impact on the trade regime. The VAT rate that applies on imports is 15 percent. By contrast, consumption tax rates ranged between 21 and 49 percent, while stamp tax rates were 10 percent on goods originating in Belize and 20 percent on goods originating outside CARICOM. The VAT has no exemptions on imports and a limited list of zero-rated items. By contrast, stamp and consumption taxes included many special exemption schemes.

37. Overall, the changes implemented in Barbados' trade regime have led to reduced levels of nominal and effective protection. Such reductions would arise from four sources: the reduction in tariff rates, the elimination of the stamp tax, the compression of rates derived from the replacement of the consumption tax by the VAT, and the reduction of the surcharge rate. However, the current regime maintains preferred treatment for certain sectors, including agriculture, which distorts resource allocation.

¹⁷(...continued)
5 to 28 percent.

Trade relations

38. Barbados ratified the WTO agreement in January 1995. At the same time, the country continues to strengthen and expand regional and bilateral agreements through coordinated efforts with CARICOM member countries. The regional grouping has negotiated agreements with Colombia and Venezuela that provide unilateral preferential treatment to certain imports from the Caribbean, and will negotiate the successor agreement under the Lomé Convention on behalf of its member countries. Barbados expects the successor agreement to include favorable treatment for the services sector, a key area in the country's development strategy.

39. Barbados benefits from the European Union's Sugar Protocol, which offers a preferential price and guaranteed quotas. Although the protocol has been attached to the Lomé Convention between the ACP group of countries and the European Union, it has a separate identity and covers only 18 ACP countries that enjoy a preferential sugar trading agreement with the European Union.¹⁸

40. Barbados is a beneficiary of the Caribbean Basin Initiative, which allows a broad range of commodities to be imported into the United States duty-free. It also benefits from "most-favored-nation" status, which allows many of its exports to enter the U.S. market at tariff rates ranging between 5 and 10 percent.

41. In other related areas, CARICOM has completed protocols for the movement of labor and capital within the region. The legislation that enables the movement of labor has not yet been standardized, while provisions on free capital movements face some difficulties due to cross country diversity in legislation and in development strategies. Barbados is reported to have one of the most liberal labor movement policies within CARICOM.

42. New legislation protecting intellectual property rights has been submitted to the National Assembly, but has not yet been sanctioned. Barbados currently prohibits the broadcast of copyrighted material and guarantees the rights of copyright holders. Barbados also has signed investment protection treaties with Italy, Switzerland, Canada, Cuba, and China. These bilateral treaties provide legal protection for the rights of home country investors in the host country.

¹⁸The signatories of the Sugar Protocol are thus a subgroup of the ACP including Barbados, Belize, Guyana, Jamaica, St. Kitts, Suriname, and Trinidad and Tobago.

III. FINANCIAL SYSTEM

A. Overview

43. The financial system comprises the Central Bank of Barbados (CBB), commercial banks, and designated nonbank financial intermediaries. Additionally, credit unions, insurance companies, and offshore banks operate in the country.¹⁹ At the end of 1996 the system's assets and liabilities were equivalent to 129 percent and 67 percent of GDP, respectively.

44. Commercial banks and designated nonbank financial intermediaries operate under the provisions of the FIA and are supervised by the CBB. Commercial banks have a monopoly in the acceptance of demand deposits and the issuance of checks. There are seven commercial banks operating in Barbados. Three of them are branches of foreign parent banks; four are locally incorporated, one of which is government-owned (Barbados National Bank).

45. Designated nonbank financial institutions comprise trust companies, finance companies and merchant banks. Trust and finance companies accept time deposits. The former concentrate their lending activities on mortgages, while the latter specialize in term finance and leasing. The Barbados Mortgage Finance Company is the mortgage division of the Barbados National Bank and specializes in financing resident-owned low- to middle-income homes.

46. Credit unions are regulated under the Cooperative Societies Act of 1990 (amended in 1993) and are supervised by the Registrar of Cooperatives, under the Ministry of Industry, Commerce and Business Development. At the end of 1996 there were 50 credit unions with 57,000 members. They accept membership shares and deposits, and offer consumer loans. Most credit union liquid assets are deposited in the banking system.

47. Domestic insurance companies are governed by the 1970 Insurance Act (amended in 1978, 1981, 1982, and 1988)^{20,21} and are supervised by the supervisor of insurance, under the Ministry of Finance. At the end of 1995, there were 14 insurance companies licensed to write life insurance and 16 licensed to write general insurance. Sixteen companies were locally

¹⁹Commercial houses, which are nonbank commercial enterprises that take deposits as a funding source, are no longer allowed to accept deposits under the new FIA. They must now issue commercial paper and are subject to stock exchange supervision.

²⁰There are also exempt insurance companies operating in Barbados. They are licensed in Barbados but derive their business from outside the country. Exempt insurance companies are regulated by the Exempt Insurance Act.

²¹The government plans to introduce new legislation to strengthen the regulations on minimum paid-up capital, deposit levels, and solvency requirements of insurance companies.

incorporated, while the rest were agencies or branches of foreign insurance companies. Composite insurance companies have been a feature of the local market, although the larger insurance groups tend to supply life and general insurance through separate companies within the group. A high proportion of the premium received is reinsured abroad.

48. Offshore banks operate under the provisions of the Offshore Banking Act of 1980 and the supervision of the CBB. In addition, the qualification and licensing of offshore banks are subject to guidelines issued by the CBB. Licences for offshore banking operations are issued for eligible companies with business activities restricted to offshore banking, and qualified foreign banks or their branches, subsidiaries or affiliates. Their number and activities in Barbados have grown rapidly in recent years. There were 38 banks operating at the end of 1996 with total assets of BDS\$16 billion, compared to 25 banks and total assets of BDS\$4.3 billion in 1994.

49. Foreign parent banks own most of the trust companies. However, they must report their activities separately because there is no legal framework for universal banking and these companies are subject to different reserve and capital requirements. There are growing ownership links between insurance companies and banks. This would call for adjustments in the regulation and supervision of these combined financial institutions to ensure that their functions are carried out separately.

B. The Situation of Commercial Banks

50. Commercial banks accounted in 1996 for over 85 percent of the financial system's assets and deposits. From mid-1996 until mid-1997, commercial banks were very liquid and accumulated large excess reserves at the CBB and in the form of government securities. This development resulted from a much faster growth in banks deposits than in credit to the private sector. Deposits grew by 11 percent in nominal terms during 1996, and by 12 percent in the 12 months to June 1997, while credit to the private sector rose by 5 and 6 percent in the same periods. The rapid growth of deposits was associated with a strong external sector and large capital inflows.

51. Reflecting these recent trends, loans as a percentage of total deposits fell from 60 percent in 1995 to 52 percent in June 1997. At the same time, even though the structure of deposits has not registered important changes (savings deposits continue to account for 65-70 percent of total deposits, demand deposits around 20 percent, and time deposits 10-15 percent), the term structure of credit operations has continuously increased. Overdrafts and loans of one year or less represented 42 percent of the loan portfolio at December 1996, down from 49 percent one year earlier and 53 percent at December 1994. The sectoral distribution of credit by commercial banks remained largely unchanged during 1995 and 1996, except for the share of commercial credit which declined from 20 percent at the end of 1994 to 16 percent at the end of 1996; tourism continued to receive about 8 percent of bank credit, manufacturing about 8 percent, agriculture about 2.5 percent, while personal loans represented the largest component at about 30 percent.

52. Bank capital represented 10.9 percent of total assets at the end of 1996 (compared to 9.7 percent in 1995),²² which would seem adequate since commercial banks have more than 30 percent of their assets in the form of cash, deposits at the CBB, and government securities. However, substandard loans represented 6.7 percent of total loans as of December 1996 (7.4 percent in 1995) and loans with little or no probability of recovery 3.4 percent (5.3 percent in 1995); reserves for loan losses were equivalent to 4.5 percent of total loans as of December 1996.

53. In 1996 bank profits before taxes were equivalent to 1.5 percent of total assets, i.e., 13.9 percent of net capital. Net return on capital was 8.8 percent. The ratio of non-interest expenses to total assets was 4.3 percent for 1996. This is high compared to international standards of 2–3 percent, and the small size of the market could partly explain it. Another indicator that can be used to analyze the efficiency of commercial banks is the intermediation margin, which is reflected in the spread between lending and deposits interest rates. The following table presents a breakdown of the intermediation margins based on the financial statements of commercial banks for the period 1993–96.²³

²²The increase is related in part to the recapitalization of the Barbados National Bank by the government in December 1996 with a view to its eventual privatization.

²³The intermediation margin can be expressed as a percent of earning assets as follows:

$$i_l - i_d = OC/EA + P/EA - NIY/EA + i_d * CRR/EA + (i_l - i_{tb}) * GRR/EA + i_d * (TD - CRR - EA)/EA$$

where, i_l	=	implicit lending interest rate
i_d	=	implicit deposits interest rate
OC	=	operating costs
EA	=	earning assets (loans and investments)
NIY	=	non-interest income (service charges, commissions, rentals, etc.)
P	=	profits and taxes
TD	=	remunerated deposits
CRR	=	cash reserve requirements
GRR	=	reserves required in government securities
i_{tb}	=	interest rate on government securities

Table 2. Barbados: Commercial Banks
Components of Intermediation Margins

(As percent of earning assets)

	1993	1994	1995	1996
Operating costs	7.62	7.25	6.92	6.51
Implicit costs of reserve requirements	1.31	1.13	1.04	1.70
Cash reserve requirements	0.27	0.25	0.30	0.31
Government securities requirements	1.04	0.88	0.74	1.39
Gross profits	0.94	2.13	2.64	2.37
Non-interest income	-2.83	-3.00	-2.95	-3.28
Other	-0.53	-0.76	-0.77	-0.38
Intermediation margin	6.51	6.75	6.88	6.92

54. As shown in the table, the intermediation margin has increased somewhat in recent years notwithstanding a decline in operating costs. During 1993–95, the reduction in operating costs resulted in an increase in bank profits. In 1996 a further reduction in operating costs was more than offset by higher implicit costs of reserve requirements due to a decline in the treasury bill rate relative to other interest rates.²⁴

²⁴There are two types of reserve requirements in Barbados: in cash and in government securities. The cash requirement rate is 5 percent (it was reduced from 6 percent in May 1997), while the government securities rate is 20 percent (it was reduced from 23 percent). The interest rate on government securities is lower than the lending rate of commercial banks; therefore, those holdings would be costly for banks and would lead to higher interest rate spreads (as reflected in the previous table). However, it should be noted that banks hold voluntarily government securities in excess of requirements. In December 1996, for example,
(continued...)

C. Banking Sector Supervision

55. The current FIA became operational in July of 1997 and reinforces the role of the CBB in setting regulations and supervising financial institutions. It gives legal status to the operating guidelines that had been issued by the CBB. These guidelines are based on international standards and refer to loan classification and provisioning, capital requirements and adequacy criteria.

56. Under the new regulations, the minimum capital is set at BDS\$4 million (up from BDS\$2 million under the 1993 Act) for commercial banks, and BDS\$2 million for finance and trust companies. These requirements refer to the stated capital of local institutions and the assigned capital of foreign ones. Capital adequacy standards are similar to Basle Accord, i.e., the ratio of capital (Tier I and Tier II) to risk-weighted assets should be a minimum of 8 percent of which the core element (Tier I) should be at least 4 percent. The FIA also requires the establishment of a reserve fund at each institution that should receive at least 25 percent of net profits of each year (prior to the distribution of dividends), if the reserves are less than 100 percent of the paid-up or assigned capital.

57. The CBB also has issued guidelines for the review of loan portfolio, the classification of loans, loan loss provisioning, loan renegotiating, the suspension of interest on past due loans, and write off procedures. Financial institutions are required to conduct annual reviews of at least 70 percent of their total loan portfolio, including all large credits, past-due loans, nonperforming loans, and other loans identified as problem loans. Following the portfolio review, loans must be classified into five categories: pass, special mention (potential problem credits), substandard, doubtful, and loss. There are no general loan loss provisions for pass and special mention loans. Minimum levels of provisions are 10 percent for substandard loans not fully secured by cash or government securities/guarantees (to be increased to 20 percent within the next five years), 50 percent for doubtful loans, and 100 percent for loss loans.

58. Financial institutions must conform to limits on concentration of credit. They cannot grant loans or guarantees to individuals or groups for an aggregated amount greater than 25 percent of the sum of a financial institution's stated capital and published reserves (including a maximum of 10 percent in unsecured portions). There are also limits on the size of the unsecured portions as well as on terms and conditions of loans to board members, shareholders, other related parties, and staff.

²⁴(...continued)

banks had government securities equivalent to 33.5 percent of deposits, 10.5 percent more than required at that time. This might be explained by a lack of lending opportunities or by a higher risk-adjusted return on government securities.

59. Liquidity standards are limited to reserve requirements on bank deposits. Other financial institutions are not subject to reserve requirements or specific liquidity provisions. There are no limits on interest rates, and sectoral (apart from real estate) risks.

60. Banking supervision standards are based on CARICOM's Bank Supervision Harmonization Project. Traditionally, the authorities had relied on the controls exerted by head offices of branch banks. However, increased local ownership and macroeconomic policy concerns have increased the importance of banking supervision. The FIA includes some features like temporary or definitive suspension of financial institutions and also the possibility of inspecting and/or asking for relevant information of holding companies, parent companies or any company that owns the majority of the shares in a Barbados licensee.

61. The supervisory approach adopted by CBB since mid-1995 places more emphasis on off-site examination and focuses on verifying and analyzing the accuracy of data submitted to the CBB. The rationale of off-site analysis is to target supervision and on-site inspections on weaker institutions. However, there is no composite rating system at the CBB to help target supervision and the Bank Supervision Department at CBB still lacks sufficient trained personnel. Regular on-site inspections on all banks take place every 12 to 18 months. The CBB is trying to improve the supervisory processes through computerization and the devising of more detailed forms. For that purpose, the CBB is preparing a new plan of accounts based on international accounting norms to standardize the accounting procedures and reports from financial institutions.

62. Offshore banks are subject to the same prudential guidelines as onshore banks. However, they are not subject to reserve requirements and their minimum capital is BDS\$2 million. The supervision of offshore banks by the CBB basically relates to licensing and to off-site reporting. There are no on-site inspections, but the CBB is trying to establish bilateral information sharing on offshore banks with other countries in the region. Money laundering guidelines for licensed financial institutions are in place. Barbados is working on an Anti-Money Laundering Act based on a model by CARICOM's Secretariat.

63. The regulation and supervision of the overall financial system should be strengthened. Regulations affecting credit unions and insurance companies as well as their supervisory agencies are weak; and, there is no consolidated supervision of financial institutions. The authorities are aware of these problems. An initial step was taken by including in the FIA a provision that allows the CBB to regulate any institution with potential of generating systemic risk. Additionally, the government is studying a proposal to create a consolidated supervisory entity. Advances in these areas need to be accelerated.

IV. THE LABOR MARKET²⁵

A. Overview

64. Since the economic downturn of 1990–92, the labor market has become more flexible, industrial relations have been stable, and unemployment has declined considerably, from 23 percent of the labor force in 1992 to 14 percent in mid-1997. Nevertheless, unemployment remains high²⁶ and the labor market is still subject to considerable rigidities.

B. Legal and Institutional Framework

65. Four pieces of legislation provide the legal framework for labor relations, namely the National Insurance and Social Security Act of 1966, the Severance Pay Act of 1971, the Shops Amendment Act which took effect in November 1996, and the Wages Councils Act of June 1997.

66. The National Insurance and Social Security Act established the NIS which includes in its benefits: unemployment, sickness, employment injury, maternity, invalidity, funeral grants, and old age pensions. To qualify for unemployment insurance, a worker who has lost his or her job, or has had earnings reduced by more than 50 percent, (i) must have been insured for at least one year, (ii) must have at least 20 weekly contributions within the last three consecutive quarters of employment, (iii) must be actively seeking work, and (iv) must remain in Barbados. Unemployment insurance is calculated on the basis of 60 percent of weekly earnings with a minimum of BDS\$12.60 per week and a maximum of BDS\$429 per week. The benefits are limited to 26 weeks.

67. Under the Severance Pay Act, workers between the ages of 16 and 65 are entitled to severance pay if dismissed without cause or laid off after two years of employment. The benefits are two and a half weeks of pay for each year of service up to 10 years, three weeks of pay between 10 and 20 years, and three and one half weeks of pay between 20 and 33 years of service. Pay is determined by the wage at the time employment is terminated and is capped at a maximum of BDS\$715 per week. Employers are required to pay 1 percent of insurable earnings into the Severance Payments Fund which is administered by the NIS. Employers are also required to pay severance to employees directly after which they may claim a rebate of 25 percent to the NIS. If employers are unable to meet their severance liabilities, employees

²⁵This chapter draws on *Labor Markets and Competitiveness in Barbados*, May 1997, IADB.

²⁶The definition of unemployment used in Barbados may impart an upward bias to the unemployment rate. A person is counted as unemployed if he or she has been unemployed for the preceding three months independently of whether he or she has been actively looking for work. This reference period is much longer than the reference period used in other countries.

can file claims with the NIS which will then seek to recover 75 percent of the severance paid from the employer.

68. The Shops Amendment Act regulates the hours of work in certain enterprises, establishing a 40-hour work week with 2 days off per week. The Wages Councils Act increased the minimum wage for attendants at the retail level from the BDS\$150 per week established since 1989 to BDS\$170 per week from June 1997. While this is a minimum wage legislation, wages in other sectors do not seem to respond to changes in the wages of shop assistants.

C. Social Partnership

69. The labor force in Barbados is highly unionized. According to the Barbados Employers' Confederation, formal labor unions represent about 60 percent of the labor force, while most of the remainder is represented by employee organizations which act in a quasi-union manner. About 75 percent of the work force is employed under wage contracts. These are negotiated by a main union in a particular sector, and serve as guidelines for nonunion workers in that sector as well. The main labor unions are the National Union of Public Workers, the Barbados Workers' Union (BWU), and the Barbados Teachers' Union. Approximately two-thirds of unionized workers are represented by the BWU with the National Union of Public Workers (NUPW) representing the bulk of the rest. The BWU is the main negotiating agent in the private sector with some activity in the public sector. The only sector not covered by the BWU is retail trade which is subject to the minimum wage regulations. The NUPW is the main negotiating agent in the public sector.

70. There are two main private sector employer groups: (i) the Barbados Employers' Confederation with 300 members, including the Barbados Hotel and Tourism Association, and covering 50 percent of the private sector labor force and 33 percent of the working population; and (ii) the Sugar Producers Federation. The Barbados Employers' Confederation has about 80 contracts with unions and employee organizations. The public sector represents itself in negotiations.

71. Contracts typically have a two- to three-year duration and are front-loaded with most of the wage increases occurring in the first year. They not only include a schedule for wage increases but also rigid definitions of work practices. In the private sector, negotiations are typically enterprise-specific with some industry wide agreements in the tourism, garments, sugar, and construction sectors. Over the period 1992-96, an average of 25 contracts were negotiated each year. In the public sector, contracts are negotiated with the different unions.

72. In the 1980s, Barbados' competitiveness deteriorated in part due to the escalation of wages. By 1991, the economic downturn and concerns about competitiveness helped to develop a consensus on the need for wage restraints, and the tone of discussions between the social partners has been one of cooperation and continued dialogue in the context of two successive prices and incomes protocols.

73. The first protocol covering the period April 1993 through March 1995 stipulated a wage freeze except in cases where increases had previously been incorporated into contracts, productivity bonuses, and profit sharing arrangements. The second protocol in force until September 1997, called for wage increases in line with productivity—a hard concept to measure in most sectors in Barbados. A renewed commitment to the protocols is expected at the end of 1997.

D. Main Issues

74. The wage restraint achieved under the protocols (nominal wages are estimated to have increased by 6 percent between 1991 and 1996) has played a major role in reducing unemployment and strengthening of the country's competitiveness. At the same time, the labor market has become more flexible due to the growing importance of services which are mainly not unionized, the relative decline of the highly unionized manufacturing sector, and, as important, increased flexibility of the unions. Nevertheless, some areas of concern remain.

75. First, lower unemployment and the increase in prices associated with the introduction of a VAT in January 1997 are leading to wage pressures after a long period of wage restraint. Needless to say, large wage increases are not compatible with Barbados' fixed exchange rate regime.

76. Second, the work practices included in labor contracts still impart a high degree of rigidity to the workplace. This precludes the optimal allocation of workers across tasks with adverse effects on productivity. The problem seems to be more pervasive in large than in small employers. Small hotels, for example, find that individual workers are willing to bend work rules in contracts. In contrast, larger employers are subject to closer scrutiny by unions and, therefore, tend to have more rigid work rules.

77. Third, progress toward linking productivity to wage increases has been limited. In the hotel sector, an effort was made to negotiate contracts which contained revenue per man/hour as a proxy for productivity but they proved to be un-enforceable either because of unavailability of relevant data, or because of the unwillingness of managers to disclose information.

78. Fourth, duplication of benefits across the national insurance scheme and the severance payments system may lead both to high labor costs for employers and too good an outside option for employees that could result in sustained high unemployment. For example, after only two years of employment, a worker qualifies for severance pay and unemployment benefits, both of which are generous. Taking a shop attendant with a minimum wage of BDS\$170 per week, if severed after two years, he/she may earn BDS\$272 per week for up to five weeks (BDS\$102 in unemployment benefit and BDS\$170 in severance), which is *more* than would be earned if employed. A similar example can be constructed for the hotel and restaurant industry where minimum wages are BDS\$235 per week, on average; if severed a

worker could earn BDS\$376 per week (BDS\$141 in unemployment benefit and BDS\$235 in severance) for up to five weeks. Pensions and severance pay are also not coordinated. Upon turning 65, workers lose the right to severance pay with no additional supplement to pensions.

79. Finally, because the severance pay system operates on a non-funded basis without individual accounts, the resulting lack of *portability* may contribute to the *rigidity* of the labor market. On one hand, workers cannot quit one job and carry their severance account to the next job. On the other hand, employers must honor all severance liabilities upon the sale of an enterprise to a new owner. The resulting low level of worker and employer turnover may have adverse effects on productivity and efficiency.

E. Summary and Trends

80. Growth in the tourism and offshore sector and the impulse given to construction by the public and private investment projects are expected to extend the favorable current cycle and produce positive developments for labor markets. Over the last three years, unemployment has declined and is expected to decline further in 1997. Also, a renewed commitment to the protocols would help maintain wage restraint and favorable industrial relations. Stability in labor relations, particularly in the offshore sector, should set the tone for continued price and wage restraints, as well as increased flexibility in work rules.

81. Aside from measurement issues, unemployment continues to be structurally high particularly among women and the young.²⁷ Some institutional measures such as reform of the severance payments system and the social safety net provided by the NIS are needed. A higher degree of coordination between different entitlement schemes would improve the incentive structure and help reduce long spells of unemployment. The method of funding for the severance payments fund needs to be revised. The current unfunded system precludes portability and may, therefore, contribute to labor market rigidity. Furthermore, by its unfunded nature, the severance pay fund is subject to cyclical fluctuations, in phase with those of the economy.

²⁷The unemployment rate among women in 1996 in April–June 1997 was 16.5 percent compared with 11.6 percent for males.

UPDATE ON SUGAR REHABILITATION PROGRAM

Background¹

Sugar production once dominated economic activity in Barbados. A steep decline in the industry occurred in the 1980s, and output in 1990 was less than half of the 137,000 tonnes produced in 1980. High labor costs, which generally kept pace with wages in the service sector, contributed to declining profitability in the industry. In the early 1990s sugar production costs in Barbados were about 40 percent higher than the world average, and more than double the free international market price of the commodity. The sugar plantations and the Barbados Sugar Industry Limited (BSIL)—which handled the milling and marketing of sugar—accumulated substantial debts, particularly to the government-owned Barbados National Bank (BNB), and by 1992 had defaulted on most of their debt service to this institution.² In 1992 the government, concerned about the decline in the sugar sector's employment and foreign exchange earning capacity and its associated social problems, adopted a medium-term plan to restore profitability to the industry, through reorganizing its operations and restructuring its debt.

Two institutions were set up in 1993, the Barbados Agricultural Credit Trust (BACT) as a debt work-out agency, and the Barbados Agricultural Management Company (BAMC) to manage the plantations and the sugar factories. The BAMC made a 12-year leasing arrangement with the plantations and the factories (the proceeds to be used to reduce outstanding debts), and contracted out their management to a foreign company with experience in the sugar industry. Sugar cane production was centralized to achieve economies of scale and rationalize factory operations. As regards debt restructuring, in October 1994, the BNB wrote off BDS\$40.8 million of the total debt, while the government assumed the remaining BDS\$208.9 million in debt and provided the BNB with the equivalent in government bonds.

Recent developments

The initial restructuring plan targeted sugar production of 65,000 tonnes by 1998 using two factories, but in 1995 the government raised the target to 75,000 tonnes, which involved maintaining a third factory in operation. The foreign management company has continued to

¹For a more detailed analysis of the sugar rehabilitation program up to 1995 see section VII of the Recent Economic Developments paper, SM/95/54, March 17, 1995.

²At end-December 1990 the industry's outstanding debt amounted to BDS\$265 million (8 percent of GDP), of which BDS\$240 million was owed to the BNB. This included government-guaranteed "sugar bonds" issued by the BSIL in 1981–86 to finance its loans to plantations.

manage the sugar plantations and factories on behalf of the BAMC, under a five-year contract that expires in 1998, but does not expect to achieve the 75,000-tonne target by this time. Its latest plan aims at 72,200 tonnes by 2001. Because of a severe drought, production in 1995 was 38,500 tonnes, much lower than the 54,200 tonnes targeted for that year. By 1997 sugar production of 64,600 tonnes was close to that year's targeted amount. However, dry weather conditions in 1997 are expected to adversely affect the 1998 crop.

Achievement of the sugar production targets depend on bringing additional land under cane cultivation but little progress has been made in this area. In 1996, 26,000 acres were under cane, which was 2,000 acres short of the required amount to meet the 75,000 tonnes of sugar target. The government has implemented several plans to encourage production by independent plantations, including incentives for land cultivation, cane planting and sugar production but these have had limited success. The BAMC has also recommended the designation of certain lands for sugar cultivation accompanied by penalties for noncompliance, but the government has not taken this step. In 1996 and 1997 the BAMC was given the management of certain plantations previously under the Barbados Agricultural Development and Marketing Corporation (BADMC) but these were already under cane.

The cost of sugar production in Barbados remains very high. Production cost per tonne in 1996 was BDS\$1,389, compared to the EC-guaranteed price of BDS\$1,337 and 164 percent above the world market price. Substantial maintenance costs have been incurred to keep the three factories in operation. The BAMC reported a loss of BDS\$3.5 million for the crop year ending June 1997. Financing of the company's operations during the crop year 1996-97 included drawdowns on a US\$11.5 million sugar rehabilitation loan from the Caribbean Development Bank (CDB), and government-guaranteed bond placements on the domestic market. In August 1997 the BAMC took over responsibility from the BADMC for wholesale domestic marketing of sugar,³ an activity that would enhance the former's earnings.

The company's medium-term financial plan indicates the need for continued support from the government over the coming five years (either in the form of transfers or debt guarantees), a large part for capital investment. The plan also calls for a major reduction in labor costs, additional land under cane, and acquisition of the assets of the BSIL to avoid further lease payments. The BAMC projects a 3 percent annual decline in the price Barbados receives from the European market, and acknowledges that the Barbados sugar industry will continue to require preferential market access.

³The domestic price of sugar is set by the government at a level that is about three times the world market price.

Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on income and profits			
1.1. Individual income			
1. Basis of assessment. The tax year runs from January 1 to December 31. Income other than wages and salaries may be reported on the basis of the accounting year ending within the preceding year.	1. Exemptions. These include the emoluments of the Governor General; income received by diplomats or technical assistance officers as specified by Regulation; certain traveling expenses; the income of charities, registered friendly societies, and cooperative societies; interest earned by pensioners over 60 years old; interest on Government of Barbados bonds held by nonresidents to the extent specified by Regulation; 50 percent of income of authors from royalties; interest on holdings of National Development, National Housing and savings bonds up to BDS\$50,000; shares up to BDS\$5,000 issued in lieu of retirement gifts; and bonus payments up to a limit of BDS\$7,500 converted to shares and issued to employees. Dividends taken in the form of shares are exempt from the final 12½ percent tax on dividends. Also included are emoluments and other benefits and income of any person which are declared to be exempt from tax by any other enactment in force in Barbados.	The tax is applied according to the following progressive rate schedule: Marginal Rate (percent) On taxable income up to 24,200 25 over 24,200 40	
2. Liability of income tax. Domiciled residents are liable in respect of income from any source in or out of Barbados. Residents not domiciled are liable only in respect of income arising in and income remitted whether constructively or otherwise, to Barbados. Nonresidents are liable only in respect of income arising in Barbados.	Special rates apply to the following: (a) A final tax at the rate of 15 percent is withheld from fees paid to nonresidents for the provision of management or administrative services and from remittances made in respect of interest and dividends, except where treaty considerations apply. (b) There is a final withholding tax on interest and dividends of 12½ percent for resident individuals.		
3. Assessable income is defined as: (a) earnings in money or otherwise in respect of employment; (b) any emoluments derived from the public revenue of Barbados; and (c) interest, dividends, profits, and income from partnerships or syndicates. For preference dividends, the tax credit is the tax which has been deducted at source viz—40 percent.			
4. Filing of returns. Individuals who obtain assessable income of more than BDS\$13,000 during the income year (BDS\$15,000 from January 1, 1998) must complete and file an income tax return on or before April 30 of the following year. Returns are also required in respect of Trusts and Estates and from all individuals engaged in business or professional activities irrespective of whether or not a profit has been derived.	2. Deductions. The basic deduction is BDS\$13,000 (BDS\$15,000 from January 1, 1998). However, the basic deduction is allowed to increase by BDS\$1,000 for each dependent child up to a maximum of two, and by BDS\$3,000 for a nonworking spouse. Individuals investing in new share issues or in mutual funds (or other designated funds) can claim a deduction of up to BDS\$10,000 per year. Individuals participating in registered retirement plans can claim a deduction of BDS\$4,000. A taxpayer aged 60 and over and in receipt of a pension may claim a deduction of BDS\$23,000 (BDS\$30,000 from January 1, 1998).		
5. Payment. Tax on emoluments paid to employees is withheld through a pay-as-you-earn system. Withholding also applies to the following: (a) Interest paid to nonresidents: 15 percent and residents: 12½ percent of the interest paid at BDS\$100 or more; (b) Dividends paid to nonresidents: 15 percent on ordinary dividends paid from taxable profits, and 45 percent on dividends paid from exempt profits;			

Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates
	(c) Rent: 40 percent where paid to nonresidents;		
	(d) Management fees and administrative fees: 15 percent where paid to nonresidents;	3. Losses may be offset against profits from other sources. Where losses cannot be wholly offset for the same year, they may be written off against income for the next nine years in succession.	
	(e) Covenants: 20 percent where paid to nonresidents;		
	(f) Earnings of foreign entertainers: 25 percent;	4. Personal allowances. There is an allowance of (a) up to BDS\$3,500 per year for mortgage interest, repairs, renovation, energy or water saving devices, solar water heaters, and water storage tanks; and (b) BDS\$3,000 for savings with a credit union.	
	(g) Royalties: 15 percent where paid to nonresidents;		
	(h) Refunds of pension contribution: 10 percent.		
	The withholding tax payable by nonresidents as detailed at (a), (b) (in respect of ordinary dividends) (d), (f) and (g) above represent a final tax (except where treaty considerations apply) and a prepayment of tax in respect of those at (c) and (e) above; the tax detailed at (h) also represents a prepayment of tax.		
	Taxpayers who obtain professional or business or rental income are subject to a current payment system whereby three installments, each equal to 25 percent of the tax payable on the previous year's income, must be paid during the current income year (by June 15, September 15, and December 15).		
	Any balance due after taking into account amounts withheld or prepaid must be paid on or before April 30 of the year following the income year. Taxpayers whose main source of income is wages or salaries (at least 75 percent of their total assessable income) are allowed to pay the balance due in two installments; one half by April 30 and the other half by September 30.		
	Interest on delinquent taxes is payable at the rate of 1 percent per month.		

Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2. Corporation tax	<p>6. Double taxation relief. Relief from double taxation is granted through double tax treaties. It may also be given according to Commonwealth arrangements where the particular country reciprocates. Treaties have been concluded with the United Kingdom, Norway, Sweden, Switzerland, Finland, Canada and the United States. There is also a CARICOM Treaty. Where income is derived from countries other than those mentioned above, the net income is taxed (foreign income less tax paid).</p>	<p>The exemptions and deductions mentioned with respect to the individual income tax also benefit corporations insofar as they are applicable. Special treatment accorded to investment under the Fiscal Incentive Act, the export allowance provisions of the Income Tax and the Hotel Aids Act; also applicable is a foreign currency earnings credit of 50 percent of the net foreign currency earned, in respect of fees paid as a result of the undertaking of qualifying overseas construction projects or in respect of qualifying overseas professional services. Losses may be carried forward for nine years. Losses on life insurance business may not be brought forward.</p>	<p>The corporate tax rate is 40 percent. However, a tax at 12 ½ percent is charged on the profits earned on mortgages by approved mortgage lending companies.</p> <p>Life insurance companies are taxed at a rate of 5 percent on the taxable income from life insurance business.</p>
	<p>The tax is applied on total taxable income of companies, with no deduction for dividends distributed except preference dividends. Section 27 of the Act contains a provision for preventing undue retention of earnings by closely held corporations.</p>	<p>An additional tax on premium income is paid according to the following rates:</p>	<p>Percent</p> <p>Property business 3 Resident insurer 3 Nonresident insurer 6</p>
	<p>The Act contains special rules for determining the assessable income of insurance companies. In addition to the tax payable on their assessable income determined according to such rules, insurance companies must pay a separate tax on their premium income.</p>	<p>Branch profits: To the extent that the branch has reinvested such profits in Barbados dollars other than in the replacement of fixed assets.</p>	<p>General business other than property 1½ Resident insurer 3 Nonresident insurer 3</p>
	<p>Companies, whose fiscal periods end in the period January to September, have to prepay taxes by September 15 equal to 50 percent of the previous year's tax payment. The remaining payment has to be made by the following March 15. For companies with fiscal periods ending October-December the prepayment deadlines are December 15 and March 15; whereas the remaining payment has to take place by June 15.</p>		<p>Life insurance business Resident insurer 3 Nonresident insurer 5</p>

Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates																						
2. Employer/employee contributions	<p>Companies must withhold a 15 percent tax on ordinary dividends paid to nonresidents. When the dividends are distributed from exempt profits, the withholding rate is equal to 45 percent.</p> <p>Branches of nonresident companies are liable to tax on their after-tax profits where remitted or deemed to have been remitted. The rate is 10 percent and is payable by June 30 in each year.</p>	<p>The rates of tax applicable to international business companies are between 1 percent and 2½ percent on profits. However, where an international business company is engaged exclusively in the business of buying, selling, holding or managing securities, it is not subject to tax, but only where its shares are held by a trust and the settlor is not resident in Barbados. In addition, the company must be managed by an offshore bank.</p>																							
2.1. National insurance contributions	<p>All gainfully employed persons over 16 and under 65 are required to be insured under the National Insurance and Social Security Act. Employers must collect employees' contributions on each pay date and pay these over together with the employers' contribution on a monthly basis. Self-employed persons contribute on a quarterly basis.</p> <p>The total contributions are assessed on earnings of BDS\$21 to BDS\$715 per week for employed persons (or BDS\$91 to BDS\$3,100 monthly) and BDS\$273 to BDS\$9,300 per quarter for self-employed persons.</p>	<p>The current contribution schedule for the private sector is as follows:</p>	<table border="0"> <tr> <td>Employer's share</td> <td>Percent</td> </tr> <tr> <td>Of which:</td> <td></td> </tr> <tr> <td>National Insurance</td> <td>9/4</td> </tr> <tr> <td>employment injury unemployment</td> <td>6</td> </tr> <tr> <td>Severance Fund</td> <td>¼</td> </tr> <tr> <td>Employee's share</td> <td>1½</td> </tr> <tr> <td>Of which:</td> <td>1</td> </tr> <tr> <td>National Insurance unemployment</td> <td>7½</td> </tr> <tr> <td>Self-employed workers</td> <td>6</td> </tr> <tr> <td></td> <td>1½</td> </tr> <tr> <td></td> <td>13¼</td> </tr> </table>	Employer's share	Percent	Of which:		National Insurance	9/4	employment injury unemployment	6	Severance Fund	¼	Employee's share	1½	Of which:	1	National Insurance unemployment	7½	Self-employed workers	6		1½		13¼
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2.2. Payroll taxes	<p>On December 31, 1994 all payroll levies, except the training levy, were abolished.</p>	<p>The current contribution schedule for the training levy is as follows:</p>	<table border="0"> <tr> <td></td> <td>(Percent)</td> </tr> <tr> <td>Employer</td> <td>0.0</td> </tr> <tr> <td>Employee</td> <td>½</td> </tr> </table>		(Percent)	Employer	0.0	Employee	½																
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Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates
3. Taxes on property			
3.1. Land tax	<p>This tax is levied annually on both urban and rural properties. All site values (except for specified exemptions) are included in the tax base. Improvements are also taxed provided their assessed value is higher than BDS\$10,000. The Act established a three-year assessment cycle.</p>	<p>Government property owned and occupied by the Crown, church property used for religious purposes, and other specified items of property are exempt. Improvements under BDS\$10,000 are also exempt. Rebates are paid to developers on tax payable in respect of single and condominium housing units in the year preceding completion and year of completion. Agricultural land in use receives ½ percent rebates on value over BDS\$300,000.</p>	<p>The land tax schedule is as follows: property owners are taxed at 0.95 percent on 70 percent of the value for owner occupied homes, on 95 percent of value for non-owner occupied and nonresidential properties, and on 50 percent of value for pensioners of own resident. Owner occupied homes up to BDS\$100,000 of value are taxed at 0.35 percent and thereafter 0.95 percent. 13/4</p>
3.2. Property transfer tax	<p>A tax on the gross proceeds of the transfer of land or shares payable by the vendor. When the purchaser is a non-national, an additional transfer tax is payable by the purchaser.</p>	<p>Land taxes payable by hotels, apartment hotels, and by pensioners receive a 50 percent reduction.</p> <p>Where the vendor is a Barbados citizen or resident and the property transferred consists of shares of improved land, the tax applies only on the amount by which the sale price exceeds BDS\$50,000.</p> <p>Some transfers involving secured mortgages, liquidation proceedings, trust property management, intestate estates, and transfers by the Crown are exempt from the property transfer tax.</p>	<p>Payable by citizen or resident vendors: 5 percent. Payable by nonresident vendors: 8 percent. Payable by noncitizen and nonresident purchases: 10 percent.</p>
4. Taxes on domestic goods and services			
4.1. Value-added tax (VAT)	<p>VAT is imposed on the value or mark-up added to imports and other goods and services supplied by one business to another or to final consumers.</p>	<p>Full exemption of property transfer tax is permitted where there is no change in ultimate beneficial ownership.</p> <p>For exempt goods or services, no VAT is charged by the supplier. Exempted items include the supply of financial services, public transportation and educational instruction.</p>	<p>15 percent on all goods and services except those zero-rated and those exempted. 7½ percent on hotel accommodation.</p>

Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.2. Excise duties	Taxes on specified goods (alcoholic beverages, tobacco and petroleum products) produced or sold within Barbados, payable by the manufacturer or seller.	None.	A good or service is zero-rated where a zero rate of tax is charged on its output, and the business is allowed to claim a full credit for the taxes it paid on the inputs that went into the production of that good or service. In such a situation, the business receives a full refund of all taxes it paid on inputs. Zero-rated items include a list of basic food items, exports, inputs for agriculture and supplies to foreign sales corporations, international business companies, exempt insurance companies and offshore banking companies.
4.3. Motor vehicle licenses	Tax applicable annually, according to weight on motorcars, vans, and other private or commercial vehicles.	None.	Specific rates. Per liter. Different rate schedules apply to: (a) motorcars, including taxi cabs; (b) vans, omnibuses, and commercial vehicles; (c) heavy commercial vehicles. For example, private motor cars weighing up to 1,150 kg. pay BDS\$200; weighing between 1,151-1,350 kg. pay BDS\$330; weighing between 1,351-1,550 kg. pay BDS\$600; weighing over 1,550 kg. pay BDS\$1,060.
4.4. Bank tax on assets	This tax is levied annually on the total assets of commercial banks in Barbados calculated on an average basis over the previous year as certified by the Central Bank. Payable in July in respect of the previous year's assets.	Banks which operate under the Offshore Banking Act. The higher tax rates assessed on foreign companies do not apply in the presence of double taxation treaties between Barbados and the country where the company is incorporated.	A commercial vehicle not exceeding 2,000 kg pays BDS\$250. One-fifth of 1 percent.
4.5. Airport service charge (departure tax)	Charge levied on each traveler leaving from the airport for a place outside Barbados.	Specified government officials, representatives of foreign governments, aircraft crew, in-transit passengers and passengers of small aircraft and such other persons as specified by order.	BDS\$25 per traveler.

Barbados: Summary of the Tax System as of October 31, 1997

Tax	Nature of Tax	Exemptions and Deductions	Rates
4.6. Tax on remittances	Tax imposed on certain types of remittances.	None.	<p>(a) Remittances to nonresident insurers carrying on general insurance business other than health plans: 20 percent of the remittance;</p> <p>(b) Remittances to nonresident insurers carrying on long-term insurance business including health and pension plans: 15 percent of the remittance;</p> <p>(c) Remittances to a nonresident person administering pension funds—6 percent of the remittances; and</p> <p>(d) Remittances of surplus funds by:</p> <p>(i) foreign companies carrying on long-term insurance business: 15 percent of the remittance and (ii) foreign companies carrying on general insurance business: 10 percent.</p>
4.7. Environmental levy	Imposed on all plastics, glass bottles, refrigerators, stoves, paper board boxes and cartons, tires, washing machines, motor vehicles, batteries, television sets, and mattresses.	None.	<p>Specific rates: motor vehicles, BDS\$150.00; tires, BDS\$10.00; refrigerators, stoves, washing machines, BDS\$15.00; television sets, mattresses, car batteries, BDS\$10.00; plastic bags and sheets, BDS\$1.00 per kg.; plastic and glass bottles, BDS\$0.10 per bottle; boxes of paper board, \$1.00 per kg.</p>
5. Taxes on international trade			
5.1. Customs duties	<p>(a) Customs duties are based entirely, that is without exception, on the provisions of CARICOM's Common External Tariff.</p> <p>(b) The Barbados Customs Tariff is structured according to the Harmonized Commodity Description and Coding System (H.S.).</p>	<p>Relatively few food items are zero rated or exempt from import (Customs) duty, except those of CARICOM Origin. Enterprises operating under special tax incentive schemes—such as the Hotel Aids Act—are granted exemptions from customs duties on certain imports.</p> <p>On February 3, 1994 most quantitative restrictions on imports were replaced with temporary import surcharge of 100 percent. The surcharge was lowered to 75 percent on April 1, 1996.</p> <p>On October 1, 1994 the agriculture and manufacturing sectors were exempt from all taxation on inputs.</p> <p>Effective May 1, 1996, a charge of 5 percent was levied at point of entry on articles destined for duty free shops.</p>	<p>Effective April 1, 1997 ad valorem tariff rates range from 5–25 percent. Motor vehicles are charged at 45 percent.</p>

THE VALUE-ADDED TAX

The value-added tax (VAT) was introduced in Barbados on January 1997. Several changes were made in the budget presentation of September 29, 1997 for FY 1997/98, effective October 1, 1997.

Taxes replaced by the VAT

Eleven taxes were abolished with effect from January 1, 1997. In FY 1995/96 these taxes brought in 38 percent of central government current revenue or 12 percent of GDP.

- Consumption tax;
- Stamp duty on imports;
- Luxury tax on goods;
- Entertainment tax;
- Hotel and restaurant tax;
- Service tax on pleasure cruises;
- Tax on quarriable minerals;
- Travel ticket tax;
- Airline business tax;
- Tax on overseas telephone calls; and
- Surcharge on rental income.

Rates of the VAT

- Fifteen percent of all goods and services except those zero-rated and those exempted; and
- Seven and a half percent on hotel accommodation.

Zero-rated items

- Supply of goods for export;
- Sale of duty-free goods to tourists;
- Supply of international freight transportation services;
- Supply of services to an unregistered nonresident person relating to repair, maintenance, cleaning, outfitting, refurbishing or improving a ship, aircraft, or cargo container used by the person in international commercial service;

- Supply of services by the Barbados Port Authority and the Civil Aviation Division of the Ministry of International Transport to ships and aircraft, respectively;
- Charter of ship or aircraft for use in international commercial service;
- Supply of service for a consideration that is payable in foreign currency to an unregistered nonresident individual who is outside Barbados when the service is performed;
- Supply of services relating to repairing, altering, or improving an imported article
- Supply of telecommunications services to telecommunications carriers who carry on business solely outside of Barbados;
- Supply of live animals, live fish, and live insects, of a kind that are ordinarily used or kept to produce or to be used as food for human consumption, and supply of poultry or fish eggs for hatching purposes to a person who carries on a business of agriculture or aquaculture for use or supply in that business;
- Supply of animal feed to a person who carries on a business of agriculture or aquaculture for use or supply in that business;
- Supply of plants used as food for human consumption or as animal feeding stuffs;
- Supply of seeds or other part of plants for use in propagating such plants where the plants are to be used as food for human consumption or as animal feeding stuffs;
- Supply of fertilizer, insecticide, pesticide, herbicide, fungicide, or other preparation formulated for agricultural use;
- Supply of veterinary services;
- Supply of approved goods to a person for use in commercial fishing;
- Supply of drugs or other related items within the meaning of the Drug Service Act to particular individuals or establishments;
- Supply of prescribed medical devices;
- Supplies to foreign sales corporations, international business companies, exempt insurance companies, and offshore banking companies;
- Unconditional gifts of goods or services to a charity;

- Supply to an individual of approved books of an educational, scientific, cultural or literary nature;
- Effective October 1, 1997, literature of educational or scientific nature recorded on either electronic or printed medium; and
- Effective October 1, 1997, a list of basic food items: fresh milk, condensed milk, evaporated milk, fresh fruit, fresh vegetables, ground provisions, unsweetened bread, cane sugar, rice, cooking oil (soya bean, corn oil), margarine, fresh eggs, unsweetened biscuits, macaroni, including spaghetti, noodles and chow mein, flour, corn meal, cheese, salted meat, salted fish, corned beef, luncheon meat, sardines in tins, mackerel in tins, fresh meat, chicken whole or in part, chicken offal, table salt, chocolate and other preparations containing cocoa, dried leguminous vegetables, milk-based baby food.

Items exempted from the VAT

- Supply of financial services;
- Sale, transfer, or other disposition of real property other than a transfer or disposition deemed to be a supply or service;
- Lease of real property for a term of at least 25 years under which the lessee is given continuous exclusive possession of the real property throughout the term of the lease;
- A lease or license of farmland where the recipient of the supply uses the farmland in the business of farming;
- Supply of residential property;
- Supply of goods or services made by a condominium corporation to the owner or occupant of residential condominium unit located on the land operated by the condominium corporation, where the goods or services are supplied in relation to or in connection with the occupancy or use of the unit;
- The provision of transportation to passengers in a motor omnibus, minibus, taxi, maxi taxi, on route taxi in respect of which a registration number that includes the letters "BM", "B", "Z", "ZM", or "ZR" has been assigned by the Barbados Licensing Authority;
- Supply of water or sewerage services by the Barbados Water Authority;
- Supply of postal services by the Post Office;

- Supply of goods or services by a charity, where the charity does not make supplies of those goods or services on a regular basis;
- Supply of medical, dental, nursing, midwifery, or paramedical services by persons qualified under the appropriate Acts to do so by a public hospital;
- Supply of ambulance service;
- Provision of education or instruction by an approved educational institution;
- Supply of services by trade unions to a member of the trade union or to another trade union where the supply is made in the ordinary course of fulfilling the objects and purposes of the trade union;
- Supply of tickets, cards, or other license, right or device that permits or entitled the recipient of the supply to participate in a game of chance; and
- Supply of a service of accepting a bet.
- Effective October 1, 1997, construction services for residential houses.

Items not included in the VAT system

The supply in the course of business of:

- Any gift of goods or services, not exceeding \$20.00 generally available to customers of the business;
- A trade sample; and
- Any securities, any patent or other right to intellectual property, or any other personal rights of property which can only be claimed or enforced by legal action.

MEASURES TO ALLEVIATE THE IMPACT OF THE VALUE-ADDED TAX

On December 31, 1996, the Prime Minister of Barbados unveiled a package of measures designed to alleviate the impact of the value-added tax (VAT) on vulnerable sections of the population. The system was designed to provide relief to an estimated 32,430 Barbadians (12 percent of the population). There are three categories of beneficiaries:

Pensioners in receipt of noncontributory pensions and the minimum contributory pension

- Minimum contributory pension were increased by BDS\$7.75 (9 percent) from BDS\$82.50 to BDS\$90.25 per week.
- Noncontributory pension were increased were by BDS\$7.75 (12 percent) from BDS\$67 to BDS\$74.75 per week.
- Each of these people would receive an annual grant of BDS\$53 (to defray the increase in electricity bills due to VAT).
- The Barbados Telephone Company Ltd. agreed not to increase rates to non-contributory old age pensioners and the non-elderly poor.

Table 3. Barbados: Estimated Beneficiaries of Cash Grants from the Welfare Department

Category	Number	Current BDS\$ per week	New BDS\$ per week
Children under 16	5,023	12	25
Children over 16	358	15	28
Able-bodied	581	15	28
Disabled-low	594	16	29
Disabled-high	1,411	20	33
Persons over 55 not receiving pensions from NIS	861	25	38
Total	8,828	103	181

- The Welfare Department would be provided with additional sums to meet VAT payable on electricity bills for people whose bills were being paid by the Welfare Department. These payments would be covered through use of resources made available under the interest subsidy of the government guarantee of the EIB loan to the Barbados Light and Power Company.

Persons in receipt of minimum wages

- Each registrant would receive a grant of BDS\$350 per year.

RECENT DEVELOPMENTS IN TOURISM

Overview

Barbados is an attractive tourist destination because of its political and economic stability, developed infrastructure, hospitality of its people, and natural physical attributes.

Traditionally, Barbados has catered for two segments of the market. The south and west coasts are sought by low- and high-end tourists, respectively; the former having the most price elastic demand.

In 1996, 447 thousand stay over tourists and 510 thousand cruise-ship passengers visited Barbados. Over the period 1992–96, and after the effects of the U.S. recession and the Gulf War, the average growth of stay over and cruise-ship arrivals was 3 and 5 percent per year respectively. Over the same period, the average length of stay for stay over arrivals has remained fairly constant at about seven days and bed capacity has remained at about 11.5 thousand beds. Bed occupancy rates, however, have been rising from 47.8 percent in 1992 to 59.5 percent in 1996, and capacity constraints have begun to develop in the high season.

In 1996, about 25 percent of long-stay arrivals came from the United States, 31 percent from the United Kingdom, 12 percent from Canada, and 13 percent from the Caribbean Community and Common Market. Cruise-ship arrivals have been on an increasing trend during the last decade and surpassed long-stay arrivals in 1992. Barbados' share of tourism in the Caribbean remained at around 3 percent over the period 1992–96. Barbados' share of the United States and Canadian markets also has remained flat at 1.5 and 6.6 percent over the same period.

During 1994, Barbados seems to have had labor costs in line with the average for the Caribbean region. Table 6 shows a minimum monthly wage of around US\$427 in the hotel and restaurant sector during 1994 thus making Barbados a competitive destination from that vantage point (not considering profit margins).

Recent developments

The Caribbean Tourism Organization (CTO) reports that arrivals into the Caribbean have grown by 1 percent in 1996 and are expected to grow at 2 percent in 1997. Tourism is growing fastest in Cuba and the Dominican Republic which account for 50 percent of overall growth. These destinations are increasingly presenting other traditional destinations, such as Barbados, with competition, particularly in the low end of the market.

According to the Barbados Tourism Authority (BTA), long-stay arrivals into Barbados grew by 1 percent in 1996 and are projected to grow at 4 percent in 1997 with uneven performance in different markets. The United Kingdom market registered strong growth (10 percent in 1996 and 11 percent in the first half of 1997) and increased its share of arrivals at the expense of the U.S. market (stagnant in 1996 and a decline of 6 percent in the first half of 1997). Other

markets such as Italy and Canada have also registered strong performances in 1997 with growth rates of 35 and 7.5 percent for the first half. The German market has been weak with a decline of 29 percent in the first half of 1997. According to the CTO, the decline in arrivals from the United States and Germany may be partially explained by the one-time price level increase in 1997 attributable to the introduction of a VAT.

Prospects

Growth prospects for the sector in 1998 and 1999 are of about 3–4 percent. Capacity constraints have begun to bind particularly in the winter, and substantial infrastructure investment projects are under way to increase and refurbish existing capacity. The airport expansion scheduled to start in 1998 should improve conditions for stay over arrivals while the projected improvement of port facilities should permit a continuation of the rising trend in cruise-ship arrivals. Projects to increase room capacity include: the Turtle Beach Resort (140 new rooms by end-1997), the Bougainvillea Hotel (60 new rooms by end-1997), the Hilton Hotel (120 new rooms by end-1998), the Gems of Barbados (360 new rooms by end 1998), the Sandy Lane Hotel, the Royal Westmoreland, and Port St. James. While the Gems of Barbados is aimed at the low-end market, projects such as, Sandy Lane, Port St. James and the Royal Westmoreland have the high-end market as a target.

Several initiatives are also underway at the BTA to improve marketing and transportation. First, a strategic plan to restructure marketing strategies is in place. Regional sales offices are being established in the United States (New York, Miami, Los Angeles), Canada, the United Kingdom, and Germany to increase presence in target markets. Second, airlift was increased in 1997 through the initiation of direct service from New York by Air Jamaica, and the establishment of the Montego Bay Hub providing connections from the northeastern United States into Barbados. Third, the expensive air time of info-mercials and call-to-action television programs in the United States is under revision together with potential joint marketing ventures with Blockbuster and McDonalds.

To make full use of new and existing capacity, a marketing effort is needed to dampen seasonality, particularly in the high end of the market. West coast hotels have occupancy rates of about one hundred percent in the winter and of about thirty percent in the summer. South coast hotels tend to have a less pronounced seasonal cycle. An improved scheduling of cruise-ship arrivals could also aid in dampening seasonality.

Table 4. Barbados: Minimum Monthly Wage Rates in Hotel and Restaurant Sector, 1994

(In U.S. dollars)

	Cook	Waiter	Bartender	Cashier	Dish-Washer	Maid
Bermuda	1,866	832	1,716	1,744	1,704	1,092
Puerto Rico	1,248	673	1,075	1,127	1,057	741
Bahamas	1,049	631	780	1,057	914	673
Antigua & Barbuda	780	590	777	520	490	532
Anguilla	612	559	719	515	485	511
Curacao	508	490	650	490	421	490
Aruba	490	473	490	449	388	394
Barbados	450	430	477	448	352	391
Dominica	368	321	321	299	241	241
St. Kitts & Nevis	321	278	269	289	208	241
Grenada	315	217	247	246	204	213
Trinidad & Tobago	296	206	200	200	200	200
St. Lucia	248	201	136	133	199	199
Belize	200	200	Dominica	...	...	152
Mexico	152	...	Trinidad & Tobago	...	...	115
Average	594	436	604	578	528	412

Sources: Caribbean Tourism Association; and Fund staff estimates.

UPDATE ON THE SOCIAL SAFETY NET

Background and recent developments¹

Barbados has an extensive social safety net comprising long- and short-term social insurance benefits and social assistance. Long-term social insurance benefits are pensions for all persons over 65, invalidity benefits, and survivor benefits. The short-term social insurance benefits are sickness benefits, paid maternity leave, maternity grants, employment injury benefits, funeral payments, severance payments, and unemployment insurance. The National Insurance Scheme administers most of the insurance benefits. Social assistance includes cash and in-kind benefits, subsidized housing and public transportation, and other services to the elderly, poor, and those with special needs. Government-provided health services and education through the university level are free.

In recent years, the changes that have occurred in the social safety net in Barbados have mainly been in the areas of increasing pension benefits and cash grants, change of some contribution rates, and improving administration. Between 1995 and 1997, the government increased the minimum contributory pension in two stages, from BDS\$76 to BDS\$90.25 per week; noncontributory pensions were simultaneously increased from BDS\$63 to BDS\$74.75.² During this period, the government also topped up the foreign pensions of nationals living in Barbados to the level of the minimum noncontributory pensions where necessary. As of January 1, 1997 the government required that claimants for noncontributory pensions should present affidavits demonstrating that they were not gainfully employed. This was to prevent abuses of the scheme whereby a growing number of gainfully employed persons had not been making contributions but were collecting noncontributory pensions after age 65. In June 1996 the government increased the rate of unemployment benefit payable to 60 percent of average weekly insurable earnings for 26 weeks instead of the previous limit of 60 percent of average weekly earnings for 10 weeks and 40 percent for the remaining 16 weeks.

About 80 percent of social insurance spending in Barbados is allocated to long-term programs, mostly pensions (see Tables 7 and 8). In 1996 the total expenditure on long-term programs amounted to BDS\$240 million (6 percent of GDP), of which BDS\$223 million was for the major pension benefits (contributory, noncontributory, and civil service pensions). Expenditure on short-term social insurance benefits by the National Insurance Scheme totaled BDS\$49 million, mainly sickness benefits and unemployment insurance (see Tables 9 and 10). Payments for unemployment insurance amounted to BDS\$15 million, an increase from the previous year, but significantly lower than the BDS\$27 million paid in the recession year 1992, when the unemployment rate averaged 23 percent.

¹For more detailed analyses of the social safety net up to 1994 see *The Social Safety Net in Barbados: A Description and Assessment*, World Bank, July 1994 and Section IV of the Recent Economic Developments paper, SM/95/54, March 17, 1995.

²The increase in 1997 was intended to alleviate the effect of the VAT on the cost of living (see Appendix IV).

The government has recently been increasing its budgetary allocations on social expenditure, including the setting up of a BDS\$6 million fund earmarked for poverty alleviation in FY 1997/98. To relieve some of the effects of the VAT that was introduced at the start of 1997, in addition to the increase in pension benefits, cash grants to welfare recipients were increased by BDS\$13 per week, while the government absorbed the increased cost of electricity bills for those individuals. Arrangements were also made with the telephone company to limit the increase in telephone bills to the elderly and poor (see Appendix IV).

Main current issues

The principal issue over the medium term for Barbados' social insurance system is the maintenance of the financial viability of the National Insurance Scheme, which has registered surpluses of 2 to 2.5 percent of GDP in recent years. Basically, the National Insurance Scheme's income from contributions is declining relative to its outlays on pensions. The continued growth in the number of pension beneficiaries is expected to lead to a decline of its balances in the next decade in the absence of an increase in contribution rates.³ At the start of 1997 the unemployment fund was legally separated from the National Insurance Scheme and BDS\$90 million was transferred from the former to the latter. This helped the finances of the National Insurance Scheme in the short term and may postpone but not eliminate the need for an increase in contributions over the medium term. Furthermore, the finances of the unemployment fund itself remain vulnerable to adverse changes in economic conditions.⁴

There is some overlap in administration of the social assistance benefits. The Welfare Department administers the national assistance program and the family services program which include care for the elderly and the disabled, and provides cash benefits and aid-in-kind to low-income households. The National Assistance Board provides assistance in the form of housing repairs, household help, and other aid-in-kind services, mainly to the elderly. The Transportation Board provides subsidized public transportation to the elderly and school children, and reclaims some of the subsidy from the Ministry of Education and Welfare Department. The National Housing Corporation provides housing at subsidized rates to low-income families.

The government is presently considering a proposal to streamline and better coordinate the activities of the various welfare agencies. The National Housing Corporation is in the process of increasing its stock of houses to be provided to low-income persons, but needs to tighten its administration in light of a review in the early 1990s which showed that many tenants were earning income in excess of the eligibility ceilings. As discussed in Section IV, severance policies also need to be reformed.

³Barbados National Insurance Scheme, *Eighth Actuarial Review of the National Insurance Scheme*, December 1993.

⁴The financial situation of the unemployment fund has varied with economic conditions, prompting a raising of the contribution rate and lowering of benefits in 1991; as the economy improved, contribution rates were lowered in 1994 and again in 1996.

Table 5. Barbados: Expenditure on Major Long-Term Social Insurance Programs, 1986-96

	Invalidity Benefits	Survivor Benefits	Contributory Pensions	Noncontri- butory Pensions	Civil Service Pensions	Sugar Pensions	Total
Total outlays (in millions of Barbados dollars)							
1986	2.7	1.6	35.0	45.3	40.4	0.8	125.8
1987	3.3	2.0	38.7	45.8	42.3	1.0	133.1
1988	3.9	2.1	43.2	45.7	47.2	0.8	142.9
1989	4.8	2.3	50.4	47.0	52.3	0.8	157.6
1990	5.5	2.4	54.5	49.9	56.0	0.7	169.0
1991	7.0	2.9	65.1	52.7	59.6	0.6	187.9
1992	7.5	2.9	68.3	52.0	66.0	0.5	197.2
1993	8.1	3.1	72.3	49.7	64.0	0.4	197.6
1994	9.0	3.8	76.4	49.5	66.4	0.9	206.0
1995	10.4	4.0	86.0	49.9	67.0	0.3	217.6
1996	12.0	4.5	94.5	50.8	77.4	0.4	239.6
Number of recipients							
1986	748	1,404	9,986	17,621	...	...	29,759
1987	795	1,475	10,571	17,274	...	2,316	32,431
1988	900	1,476	11,125	16,856	...	2,107	32,464
1989	1,031	1,544	11,577	16,691	...	1,860	32,703
1990	1,107	1,509	12,051	16,253	...	1,688	32,608
1991	1,225	1,525	12,577	15,744	5,300	1,518	37,889
1992	1,434	1,429	12,886	15,368	5,300	1,356	37,773
1993	1,592	1,499	13,224	15,092	5,300	1,205	37,912
1994	1,699	1,556	13,415	14,668	5,300	1,040	37,678
1995	1,810	1,563	13,725	14,312	5,300	933	37,643
1996	2,021	1,662	14,115	13,946	5,300	763	37,807
Outlays per recipient (in Barbados dollars)							
1986	3,610	1,140	3,505	2,571	...	...	4,227
1987	4,151	1,356	3,661	2,651	...	...	4,104
1988	4,333	1,423	3,883	2,711	...	380	4,402
1989	4,656	1,490	4,353	2,816	...	430	4,819
1990	4,968	1,590	4,522	3,070	...	415	5,183
1991	5,714	1,902	5,177	3,347	11,245	395	4,959
1992	5,230	2,029	5,300	3,384	12,453	369	5,221
1993	5,088	2,068	5,467	3,293	12,075	332	5,212
1994	5,297	2,442	5,695	3,375	12,528	865	5,467
1995	5,746	2,559	6,266	3,487	12,642	322	5,781
1996	5,938	2,708	6,695	3,643	14,604	524	6,337

Sources: *The Social Safety Net in Barbados: A Description and Assessment*, World Bank, July 1994; and National Insurance Board.

1/ Civil service pension outlays are for fiscal years and include invalidity. Numbers of civil service pensioners are estimates.

Table 6. Barbados: Major Pension Schemes

	Contributory	Noncontributory	Civil Service
Recipient	Covered workers (at age 65 or older) with sufficient cumulative earnings credits. Number of recipients in 1996: 14,115.	People at age 65 or older who are not covered by contributory pension scheme. Number of recipients in 1996: 13,946.	Retired civil servants at age 65 or older (age 55 or older if entered government service prior to September 1975, and age 60 or older if entered it prior to July 1985). Number of recipients in 1996: 5,300 (estimated).
Eligibility	Five hundred weeks of earnings credits before reaching age of 65 (actual weeks of covered earnings plus earnings credits awarded to persons over age 45 at the time of the scheme's inception in 1966).	Not receiving any pension; living in Barbados at least 12 years after reaching age 40 or 20 years after age 18.	Ten or more years of service.
Benefit	$(0.4+0.01 \times (W-500)/50) \times AI$ W: contribution weeks (maximum W=1500) AI: average income of the best three years during the 15 years prior to retirement (maximum AI=BD\$715/week) Maximum pension benefit: BD\$429/week Minimum pension benefit: BD\$90.25/week Average pension benefit: BD\$128.75/week in 1996	BD\$74.75	$(M/60) \times AI$ M: months of creditable service (maximum M=400) AI: average income for the last three years, or $(3/4) \times (M/60) \times AI + \text{lump-sum payment where lump-sum payment} = (25/2) \times (1/4) \times (M/60) \times AI \text{ (yearly)}$ Maximum pension benefit: none Minimum pension benefit: BD\$370/month Average pension benefit in 1996: BD\$1,217/month
Contribution rate of Employee	Contribution rate to National Insurance is as follows: a. private sector employees (and temporary public sector employees): 6 percent of insurable earnings b. permanent public sector employees: 5.45 percent of insurable earnings.	None	No contribution to civil service pension scheme. Civil service pensions are paid out of budget. Civil servants contribute to NIB contributory pension scheme.
Administering Agency	NIB	NIB	Treasury Department.
Others	A worker who does not have the 500 weeks needed to qualify for a contributory pension but has some prior earnings (not fewer than 50 weeks of creditable earnings) can claim contributory pension grant, which is a lump-sum payment (in addition to the noncontributory pension) calculated by the following formula: $0.46 \times (W/50) \times AI$ W: worker's covered weeks AI: average weekly income		Monthly verification of continued survival is required. If entered government service prior to September 1975, an NIB contributory pension could be received at age 65.

1/ National Insurance covers not only contributory pensions, but also invalidity, survivor, sickness, maternity, and funeral benefits.

Table 7. Barbados: Expenditure on Major Short-Term Social Insurance Programs, 1986-96

	Sickness Benefits	Maternity Leave Payments	Maternity Grants 1/	Funeral Payments	Employment Injury Benefits	Unemployment Insurance	Severance Payments from the Fund 2/	Severance Payments to Workers 3/	Total 4/
1986	72	3.9		0.2	1.5	16.2	6.1	13.4	35.1
1987	8.2	4.0	0.1	0.2	2.0	17.9	3.4	10.7	35.8
1988	8.8	3.9	0.1	0.2	2.4	11.6	3.8	14.3	30.8
1989	9.7	4.3	0.2	0.5	3.7	11.2	4.5	13.5	34.1
1990	10.9	5.1	0.3	0.8	4.1	14.5	2.3	14.0	38.0
1991	11.8	5.2	0.3	0.9	4.9	18.9	5.7	11.3	47.7
1992	10.6	5.4	0.3	0.8	4.6	27.0	5.9	18.5	54.6
1993	10.4	4.5	0.2	1.0	4.5	19.5	6.0	11.9	46.1
1994	10.8	4.2	0.3	0.9	4.6	13.3	10.5	23.5	44.6
1995	13.1	4.6	0.2	1.0	5.7	11.0	4.1	8.3	39.7
1996	14.9	4.8	0.2	1.1	6.8	14.7	6.8	22.2	49.3
				Number of recipients					
1986	32,050	1,369	243	486	2,070	9,818		1,518	47,554
1987	29,611	1,443	382	559	2,451	9,365		1,046	44,857
1988	29,242	1,195	615	535	2,312	6,429		1,672	42,000
1989	37,869	2,495	569	795	4,360	9,252		1,288	56,628
1990	42,821	2,693	709	841	4,135	12,141		1,025	64,365
1991	38,457	2,683	761	939	3,898	16,573		1,183	64,494
1992	31,828	2,616	582	953	3,445	19,662		1,572	60,658
1993	32,665	2,345	451	1,092	3,453	14,767		1,334	56,107
1994	34,037	2,219	507	961	4,005	10,775		1,834	54,338
1995	44,514	2,222	467	1,148	4,420	7,607		618	60,996
1996	48,325	2,436	456	1,237	5,433	10,135		1,881	69,903
				Outlays per recipient (in Barbados dollars)					
1986	225	2,849	-	412	725	1,650		8,827	738
1987	277	2,772	262	358	816	1,911		10,229	798
1988	301	3,264	163	374	1,038	1,804		8,553	733
1989	256	1,723	351	629	849	1,211		10,481	602
1990	255	1,894	423	951	992	1,194		13,659	590
1991	307	1,938	394	958	1,257	1,140		9,552	740
1992	333	2,064	515	839	1,335	1,373		11,768	900
1993	318	1,919	443	916	1,303	1,321		8,921	822
1994	317	1,893	592	937	1,149	1,234		12,814	821
1995	294	2,070	428	871	1,290	1,446		13,430	651
1996	308	1,970	439	889	1,252	1,450		11,802	705

Source: *The Social Safety Net in Barbados: A Description and Assessment*, World Bank, July 1994 and National Insurance Board.

1/ One-time payments to women whose employment period is too short to be eligible for maternity benefits.

2/ Severance Fund outlays for rebates to employers and direct payments to workers.

3/ Total payments to workers from employers and the Severance Fund.

4/ Total outlays in this column include severance payments from the Fund but not severance payments to workers.

Table 8. Barbados: Major Short-Term Social Insurance Programs

	Sickness	Unemployment	Severance
Recipient	Sick workers Number of recipients in 1996: 48,325.	Unemployed workers Number of recipients in 1996: 10,135.	Severed workers Number of recipients in 1996: 1,881.
Eligibility	A worker must have paid contribution in at least 7 of the 13 weeks of the second calendar quarter preceding the onset of sickness.	A claimant must have worked 20 of 39 weeks during the second to fourth completed quarters prior to the beginning of unemployment and 7 of the 13 weeks in the second completed prior quarter.	Two years of continued employment by one employer.
Benefit	Two thirds of previous earnings (three-day waiting period, which is compensated if a sickness lasts 21 days or more). Average daily compensation in 1996: BDS\$44.	60 percent of previous earnings for the 26 weeks.	Two and a half weeks' basic pay per year for 1-10 years of seniority. Three weeks' basic pay per year for 11-20 years of seniority. Three and a half weeks' basic pay per year for 1-33 years of seniority (basic pay=average for the last two years). 75 percent paid by employees; 25 percent paid by NIS (100 percent paid by NIS in case of bankruptcy).
Contribution Rate of Employee	Contribution rate to National Insurance is as follows: <ul style="list-style-type: none"> • private sector employee (and temporary public sector employee): 6 percent of insurable earnings permanent • public sector employee: 5.45 percent of insurable earnings 	1.5 percent of insurable earnings.	No contribution by employees. Employers contribute 1 percent of payroll.

1/ National insurance short-term benefits also include old-age, invalidity, maternity, and funeral benefits.

PROSPECTS IN THE OFFSHORE SECTOR

Overview

Offshore companies operate in a host country, under regulatory and institutional settings insulated from those affecting the rest of the economy. Barbados is considered to be a well suited domicile for offshore companies because of its (a) tax incentives and tax treaties, (b) freedom from exchange controls,¹ (c) low levels of regulation and a developed legal framework, (d) low political and economic risk, (e) highly literate and skilled labor force, and (f) a good telecommunications infrastructure. Barbados is a low-tax jurisdiction rather than a nontax jurisdiction. This permits negotiation of tax treaties and the repatriation of profits at lower tax rates. The benefits to Barbados of having an offshore sector are the resulting foreign exchange earnings, tax revenue through fees and licenses, and the generation of employment.

The offshore sector in Barbados appears to have grown significantly over the past decade. However, measurement of its contribution to the economy is not possible due to a lack of consolidated data. Scattered evidence of its importance is available from the Central Bank of Barbados, the Ministry of Finance, the Ministry of International Trade and Business, the Corporate Registry, and the National Insurance Scheme. However, these data have not been brought together.

Structure of the sector

Offshore companies in Barbados include: Captive Insurance Companies (CIC), Foreign Sales Corporations (FSC), International Business Companies (IBC), Trust Services (TS), Societies with Restricted Liability (SRL), and Offshore Banks (OB).

CICs insure against risks outside Barbados, receive premiums outside of Barbados, and are owned by residents outside of CARICOM. Foreign sales corporations are in essence a vehicle for foreign corporations to reduce income tax on exports of goods and services. Barbados was the first jurisdiction for FSCs following an exchange of information agreement with the United States. FSCs conduct international trade operations with nonresidents. IBCs, which include data processing companies, engage in the trade of goods and services which do not originate in Barbados and are not destined for Barbados; exports of manufactured goods must be exclusively outside CARICOM. IBCs reside in Barbados but do not have more than 10 percent CARICOM ownership or financial interests.

TSs are relationships whereby property is held by one party (trustee) for the benefit of another party (beneficiary). A settlor originates the trust and has no further part in running the trust. International trusts are created by settlers not residing in Barbados, have at least one trustee residing in Barbados, have no beneficiaries residing in Barbados, and have no immovable

¹For offshore activities.

property (real estate) in Barbados. SRLs are hybrids which may be either recognized as corporations or partnerships. They operate in the same areas as IBCs and are characterized by: (a) limited liability, (b) a maximum fifty years duration, (c) the rights, powers and privileges of an individual, and (d) the ability to seek tax exemption and other benefits.

OBs can perform a variety of banking and trust operations with foreign currency funds. Their parent companies include financial as well as nonfinancial entities (like Barbados-based IBCs). They benefit from low taxes on profits (marginal rates range between 1 and 2.5 percent), exemptions from other taxes in Barbados and double taxation treaties between Barbados and the home country.

Recent evolution and prospects

While the relative size of the offshore sector cannot be quantified there is evidence of significant growth in the sector over the past five years. Table 9 indicates an average growth in registered companies of 16 percent over the period 1993 to mid-1997. Growth appears strongest for IBCs and FSCs. Table 10 indicates that employment in data processing IBCs increased at an average rate of 14.1 percent over the period 1991-95 compared with overall employment growth of 0.6 percent (minus 0.4 percent for males and 1.7 percent for females). Furthermore, employment in the offshore sector accounted for 2.7 percent of total employment in 1995 compared with 1.4 percent in 1991.

The current growth strategy for Barbados relies on employment creation, in part, through continued buoyancy in the offshore sector. Specifically, employment generation is envisioned from sustained growth in the number and size of data processing companies. In order to help fulfill this growth strategy, the Barbados Investment and Development Corporation (BIDC) has provided assistance in the form of subsidized rent of industrial sites as well as subsidized credit to these companies. Also, to promote growth of the offshore sector, in 1992, the International Business and Services Unit of the Ministry of Finance was created with the objective of negotiating tax treaties, identifying markets, and catalyzing changes to legislation. In 1994, the Ministry of International Trade and Business was created and it incorporated all existing promotional agencies.

Prospects for the offshore sector continue to be positive. However, increased competition from other jurisdictions, especially in financial services, cannot be ignored. Furthermore, in the data processing services, continued stable labor relations are necessary for development of the sector.

Table 9. Barbados: Registered Offshore Companies

	1993	1994	1995	1996	1997 1/
(Number of registered companies)					
Total	2,351	2,904	3,612	4,452	4,946
International business companies	1,171	1,474	1,822	2,260	2,479
Foreign sales corporations	923	1172	1514	1907	2160
Captive insurance companies 2/	238	232	243	231	241
Societies with restricted liability	...	...	...	14	26
Offshore banks	19	26	33	40	40
(Percentage change)					
Total	...	23.5	24.4	23.3	11.1
International business companies	...	25.9	23.6	24.0	9.7
Foreign sales corporations	...	27.0	29.2	26.0	13.3
Captive insurance companies 2/	...	-2.5	4.7	-4.9	4.3
Societies with restricted liability	...	...	...	...	85.7
Offshore banks	...	36.8	26.9	21.2	0.0

Source: Ministry of International Trade and Business.

1/ Data through July 1997.

2/ Active companies.

Table 10. Barbados: Employment in Data Processing Companies

	1991	1992	1993	1994	1995
(Number of employees)					
In the economy	107,100	101,700	100,500	105,600	110,100
In data processing	1,528	1,861	2,006	2,344	2,950
(Percent change)					
In the economy	...	-5.0	-1.2	5.1	4.3
In data processing	11.9	21.8	7.8	16.8	25.9
(Percent of total)					
In the economy	100.0	100.0	100.0	100.0	100.0
In data processing	1.4	1.8	2.0	2.2	2.7

Sources: Central Bank of Barbados; and Barbados Investment and Development Corporation.

PROFILE OF THE NATIONAL DEBT AT THE END OF 1996

At the end of 1996 the gross national debt of Barbados stood at BDS\$2.8 billion or 71 percent of GDP (see Table 11). As a share of GDP, the total debt has been declining from the high of 84 percent in 1993. Most of the public sector debt is domestically held (72 percent at the end of 1996), a significant change from the situation in 1986 when domestic debt was less than one-half of the total public debt. The marked shift from external to domestic debt is related to the continuous growth in domestic monetary resources in the context of a small range of alternative uses of funds: private share and bond issues have been relatively minor, while exchange controls limit investment abroad. Reserve requirements mandating that commercial banks hold a certain proportion of deposits in government securities have also led to a "captive" market for government paper.

Over the past few years, there has been a change in the creditor composition of Barbados' external debt, with an increase in the share of multilateral lenders, as opposed to commercial creditors. For the central government, the share of external debt to multilateral institutions increased from 35 percent to 45 percent between 1990 and 1996. About one-third of the government's external debt at the end of 1996 was to the Inter-American Development Bank.

The growth in the domestic debt of the public sector has been largely based on an increase in the issue of the longer term debentures, particularly after 1992. By the end of 1996, the value of debentures was more than double that of treasury bills, while a decade earlier, the reverse was the case (Tables 12 and 13).¹ Placement of debentures was facilitated by the requirement for commercial banks to hold these securities: this requirement was introduced in 1975 at a rate of 2 percent of deposit liabilities, and was increased over time to reach 8 percent in 1986, a level that has subsequently been maintained. Apart from banks, the major holder of government debentures has been the National Insurance Board, which held BDS\$589 million or just under one-half of total debentures by the end of 1996. Commercial banks were also required to hold treasury bills beginning in 1973 when the stipulated ratio was 1 percent of deposits; this ratio was gradually raised to 17 percent by 1991 and later reduced to 15 percent in 1993 and to 12 percent in May 1997. Commercial banks have in practice held government securities (treasury bills and debentures) in excess of the reserve requirement, particularly in periods of high liquidity. At the end of 1996, their holdings of securities amounted to BDS\$879 million, or BDS\$275 million in excess of the requirement.

¹Treasury bills carry maturities of up to one year, while debentures have maturities of up to 35 years.

Table 11. Barbados: Public Debt Outstanding

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
(In millions of Barbados dollars)											
Total external debt	1,043.8	1,170.5	1,146.1	1,102.9	1,079.9	1,120.4	1,132.7	1,053.4	1,022.7	944.7	860.7
Central government	588.3	738.1	817.0	852.8	859.4	834.4	755.0	704.6	714.4	717.7	725.0
International Institutions	210.0	244.7	264.7	280.1	296.6	313.5	299.9	285.0	279.3	277.4	326.2
Bonds	134.4	134.4	214.8	214.8	170.8	199.0	182.3	182.3	274.2	346.2	338.1
Other	243.9	359.0	337.5	357.9	392.0	321.9	272.8	237.3	160.9	94.1	60.7
Government guaranteed	124.5	106.1	85.0	59.1	44.3	34.7	25.2	22.8	16.0	9.0	5.6
Central bank	131.1	75.0	48.6	31.0	29.7	50.3	171.6	167.4	157.1	106.1	39.6
Private sector	199.9	251.3	195.5	160.0	146.5	201.0	180.9	158.6	135.2	111.9	90.5
Total domestic debt	815.6	852.9	952.2	1,013.4	1,223.2	1,324.5	1,434.5	1,714.0	1,858.6	1,842.8	1,977.4
Central government	713.0	753.0	821.8	878.0	1,020.6	1,113.5	1,236.6	1,617.9	1,777.8	1,762.0	1,896.6
Short term	478.1	493.3	498.1	516.4	630.0	711.5	781.5	804.9	640.3	565.5	602.3
Treasury bills	422.5	423.9	434.0	427.0	506.2	497.8	635.2	648.5	515.3	504.4	595.5
Loans and Advances	55.6	69.4	64.1	89.4	123.8	213.7	146.3	156.4	125.0	61.1	6.8
Long Term	234.9	259.7	323.7	361.6	390.6	402.0	455.1	813.0	1,137.5	1,196.5	1,294.3
Debentures	189.9	234.9	294.4	319.4	341.2	350.7	411.1	762.1	1,079.7	1,132.8	1,222.7
Savings bonds	13.7	21.5	26.0	26.9	34.6	37.1	30.2	37.6	45.1	51.7	59.0
Loans and advances	31.3	3.3	3.3	15.3	14.8	14.2	13.8	13.3	12.7	12.0	12.6
Government guaranteed	102.6	99.9	130.4	135.4	202.6	211.0	197.9	96.1	80.8	80.8	80.8
Public institutions	63.0	64.9	77.7	82.7	158.0	168.6	168.5	83.3	68.0	68.0	68.0
Private sector	39.6	35.0	52.7	52.7	44.6	42.4	29.4	12.8	12.8	12.8	12.8
Total debt	1,859.4	2,023.4	2,098.3	2,116.3	2,303.1	2,444.9	2,567.2	2,767.4	2,881.3	2,787.5	2,838.1

Table 11. Barbados: Public Debt Outstanding (concluded)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Total external debt	39.4	40.2	37.0	32.2	31.4	33.0	35.7	31.9	29.4	25.3	21.6
Central government	22.2	25.3	26.4	24.9	25.0	24.6	23.8	21.3	20.6	19.2	18.2
International institutions	7.9	8.4	8.5	8.2	8.6	9.2	9.4	8.6	8.0	7.4	8.2
Bonds	5.1	4.6	6.9	6.3	5.0	5.9	5.7	5.5	7.9	9.3	8.5
Other	9.2	12.3	10.9	10.4	11.4	9.5	8.6	7.2	4.6	2.5	1.5
Government guaranteed	4.7	3.6	2.7	1.7	1.3	1.0	0.8	0.7	0.5	0.2	0.1
Central bank	5.0	2.6	1.6	0.9	0.9	1.5	5.4	5.1	4.5	2.8	1.0
Private sector	7.6	8.6	6.3	4.7	4.3	5.9	5.7	4.8	3.9	3.0	2.3
Total domestic debt	30.8	29.3	30.7	29.6	35.6	39.0	45.2	51.9	53.5	49.4	49.6
Central government	26.9	25.8	26.5	25.6	29.7	32.8	38.9	49.0	51.2	47.3	47.6
Short term	18.1	16.9	16.1	15.1	18.3	21.0	24.6	24.4	18.4	15.2	15.1
Treasury bills	16.0	14.5	14.0	12.5	14.7	14.7	20.0	19.6	14.8	13.5	14.9
Loans and advances	2.1	2.4	2.1	2.6	3.6	6.3	4.6	4.7	3.6	1.6	0.2
Long term	8.9	8.9	10.4	10.6	11.4	11.8	14.3	24.6	32.7	32.1	32.5
Debentures	7.2	8.1	9.5	9.3	9.9	10.3	12.9	23.1	31.1	30.4	30.7
Savings bonds	0.5	0.7	0.8	0.8	1.0	1.1	1.0	1.1	1.3	1.4	1.5
Loans and advances	1.2	0.1	0.1	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Government guaranteed	3.9	3.4	4.2	4.0	5.9	6.2	6.2	2.9	2.3	2.2	2.0
Public institutions	2.4	2.2	2.5	2.4	4.6	5.0	5.3	2.5	2.0	1.8	1.7
Private sector	1.5	1.2	1.7	1.5	1.3	1.2	0.9	0.4	0.4	0.3	0.3
Total debt	70.3	69.4	67.7	61.8	66.9	72.1	80.8	83.8	82.9	74.8	71.2

Sources: Central Bank of Barbados; Annual Statistical Digest.

Table 12. Barbados: Government of Barbados Treasury Bills by Institutional Holder

(In millions of Barbados dollars)

Period ended	Central Bank	Commercial Banks and Trust Companies	National Insurance Board	Statutory Boards	Other	Total Outstanding
1986	31.1	182.5	174.8	25.6	8.5	422.5
1987	0.9	221.7	176.8	19.1	5.5	424.0
1988	21.2	212.2	176.8	19.1	4.6	433.9
1989	59.7	164.4	183.7	18.1	1.0	426.9
1990	73.6	223.2	192.2	16.0	1.2	506.2
1991	46.0	231.2	200.2	16.0	4.3	497.7
1992	88.3	324.9	199.7	19.0	3.2	635.1
1993	64.8	299.0	228.7	19.5	36.4	648.4
1994	90.2	304.5	18.7	19.0	82.9	515.3
1995	53.2	332.8	3.0	26.0	89.4	504.4
1996	0.0	479.2	5.0	20.7	90.6	595.5

Sources: Central Bank of Barbados; and Economic and Financial Statistics.

Table 13. Barbados: Government of Barbados Debentures by Institutional Holder and Savings Bonds

(In millions of Barbados dollars)

Period ended	Debentures						Total Outstanding	Savings Bonds
	Central Bank	Deposit money banks and trust companies	National Insurance Board	Statutory Boards	Insurance Companies	Other		
1987	17.6	118.3	44.1	7.2	33.1	14.7	235.0	21.5
1988	15.2	161.3	63.3	7.3	33.3	14.0	294.4	26.0
1989	12.0	168.1	79.3	7.1	35.1	17.7	319.3	26.9
1990	12.0	183.0	82.2	6.9	34.8	22.4	341.3	34.6
1991	9.7	177.1	98.0	6.9	36.0	23.0	350.7	37.1
1992	7.9	200.6	118.1	10.6	39.5	34.5	411.2	30.2
1993	7.5	269.0	149.0	12.3	48.5	275.8	762.1	37.6
1994	7.5	275.6	404.6	12.3	81.8	298.0	1,080	45.1
1995	0.0	382.3	460.9	11.6	78.6	199.5	1,133	51.7
1996	0.0	419.7	589.0	10.0	88.1	115.9	1,223	59.0

Sources: Central Bank of Barbados; and Economic and Financial Statistics.

Table 14. Barbados: Sectoral Origin of Real GDP at Factor Cost

	1992	1993	1994	1995	1996
(In millions of Barbados dollars at 1974 prices)					
GDP	795.9	803.9	834.5	858.9	903.3
Sugar	23.1	20.9	22.2	16.6	26.4
Other agriculture and fishing	33.4	32.9	31.2	36.7	37.2
Mining and quarrying	5.7	6.3	6.9	7.4	7.4
Manufacturing	76.0	73.8	78.8	85.0	85.2
Electricity, gas, and water	27.6	27.5	28.6	30.3	30.9
Construction	51.1	53.7	53.9	57.7	60.3
Wholesale and retail trade	148.4	152.0	159.7	164.8	175.3
Tourism	113.5	117.7	128.8	130.3	139.0
Transport, storage, and communications	65.2	66.0	67.9	69.7	72.7
Business and general services	139.9	141.1	144.5	147.3	154.9
Government services	112.0	112.0	112.0	113.1	114.0
(Annual percentage change)					
GDP	-5.7	1.0	3.8	2.9	5.2
Sugar	-17.5	-9.5	6.2	-25.2	59.0
Other agriculture and fishing	-2.1	-1.5	-5.2	17.6	1.4
Mining and quarrying	-9.5	10.5	9.5	7.2	0.0
Manufacturing	-8.4	-2.9	6.8	7.9	0.2
Electricity, gas, and water	1.5	-0.4	4.0	5.9	2.0
Construction	-8.1	5.1	0.4	7.1	4.5
Wholesale and retail trade	-7.9	2.4	5.1	3.2	6.4
Tourism	-2.0	3.7	9.4	1.2	6.7
Transport, storage, and communications	-3.6	1.2	2.9	2.7	4.3
Business and general services	-5.3	0.9	2.4	1.9	5.2
Government services	-4.9	0.0	0.0	1.0	0.8
(In percent of GDP)					
GDP	100	100	100	100	100
Sugar	2.9	2.6	2.7	1.9	2.9
Other agriculture and fishing	4.2	4.1	3.7	4.3	4.1
Mining and quarrying	0.7	0.8	0.8	0.9	0.8
Manufacturing	9.5	9.2	9.4	9.9	9.4
Electricity, gas, and water	3.5	3.4	3.4	3.5	3.4
Construction	6.4	6.7	6.5	6.7	6.7
Wholesale and retail trade	18.6	18.9	19.1	19.2	19.4
Tourism	14.3	14.6	15.4	15.2	15.4
Transport, storage, and communications	8.2	8.2	8.1	8.1	8.0
Business and general services	17.6	17.6	17.3	17.1	17.1
Government services	14.1	13.9	13.4	13.2	12.6

Sources: Central Bank of Barbados; and Fund staff estimates.

Table 15. Barbados: National Accounts by Expenditure at Current Prices

	1992	1993	1994	1995	1996
(In millions of Barbados dollars)					
Consumption expenditure	2,590	2,677	2,715	2,974	3,262
Central government	473	507	521	554	600
Private sector	2,117	2,170	2,194	2,420	2,662
Gross capital formation	301	420	465	527	505
Public sector 1/	124	145	122	133	233
Private sector	177	275	343	394	272
Gross domestic expenditure	2,891	3,097	3,180	3,501	3,767
Exports of goods and nonfactor services	1,755	1,906	2,164	2,485	2,731
Imports of goods and nonfactor services	1,469	1,702	1,870	2,258	2,510
GDP at market prices	3,177	3,301	3,474	3,728	3,988
Net subsidies and indirect taxes	474	510	553	592	611
GDP at factor cost	2,703	2,791	2,921	3,137	3,377
Factor income (net)	1	-63	-25	-44	-68
GNP at factor cost	2,704	2,728	2,896	3,092	3,309
GNP at market prices	3,178	3,238	3,449	3,684	3,920
Memorandum items:					
Gross national savings	588	561	734	710	658
Public sector 1/	181	150	200	205	192
Private sector	407	411	534	505	466
Foreign savings (current account surplus -)	-287	-141	-269	-183	-153
(In percent of GDP at market prices)					
Consumption expenditure	81.5	81.2	78.1	79.8	81.7
Central government	14.9	15.4	15.0	14.9	15.1
Private sector	66.6	65.8	63.1	64.9	66.6
Gross capital formation	9.5	12.7	13.4	14.1	12.7
Public sector 1/	3.8	4.1	3.4	3.4	5.7
Private sector	5.7	8.6	10.0	10.7	7.0
Gross domestic expenditures	91.0	93.8	91.5	93.9	94.5
Exports of goods and nonfactor services	55.2	57.7	62.3	66.7	68.5
Imports of goods and nonfactor services	46.2	51.6	53.8	60.6	62.9
Memorandum items:					
Gross national savings	18.5	17.0	21.1	19.0	16.5
Public sector 1/	5.6	4.3	5.5	5.3	4.7
Private sector	12.9	12.7	15.6	13.7	11.8
Foreign savings (current account surplus -)	-9.0	-4.3	-7.7	-4.9	-3.8

Sources: Central Bank of Barbados; Barbados Statistical Service; and Fund staff estimates.

1/ Consolidated nonfinancial public sector.

Table 16. Barbados: Index of Industrial Production

	1992	1993	1994	1995	1996
Total	110.2	107.2	112.9	120.9	122.6
Mining and quarrying	148.4	143.8	146.5	157.2	157.2
Electricity and gas	167.3	168.1	174.6	186.5	193.6
Manufacturing	100.9	97.5	103.4	110.7	111.9
Food	119.2	119.7	123.0	128.8	136.0
Beverages and tobacco	117.4	129.3	137.1	140.6	140.2
Wearing apparel	30.4	25.6	15.6	14.3	13.0
Wooden furniture	100.6	40.4	47.3	40.8	51.9
Chemicals	80.2	77.0	72.5	99.5	100.6
Petroleum products	113.0	124.6	127.8	133.1	136.0
Nonmetallic mineral products	90.2	90.7	118.1	125.5	125.4
Electronic products	71.5	59.6	58.3	56.8	60.5
Other manufacturing	137.3	135.0	152.5	169.0	165.9

Source: Barbados Statistical Service.

Table 17. Barbados: Selected Sugar Statistics

	1992	1993	1994	1995	1996
(Crop years: July-June)					
Sugar production (thousands of metric tons) 1/	54.0	48.4	51.9	38.5	59.1
Sugarcane milled (thousands of metric tons)	527.9	441.0	439.1	357.2	534.9
Area harvested (thousands of hectares)	9.2	7.9	7.8	7.5	8.9
Average yield					
Cane/sugar	9.8	9.1	8.5	9.3	9.1
Cane/hectare harvested (metric tons)	57.2	55.9	56.3	47.8	60.1
Quota (thousands of metric tons)					
EC	54.7	54.7	54.7	54.7	54.7
United States 2/	9.2	8.2	6.9	8.7	7.4
(Calendar years)					
Factory receipts (BDS\$ million)	65.6	57.5	61.7	53.4	71.3
Factory receipts per metric ton (BDS\$)	1,171.4	1,188.0	1,188.8	1,237.6	1,189.6
Production cost per metric ton (BDS\$)	...	...	1,370.0	1,367.8	1,389.2
Profit or loss per metric ton (percent of cost) 3/	...	...	-13.2	-9.5	-14.4
Export receipts (BDS\$ million) 1/	66.8	58.1	58.4	51.3	70.2
Exports of sugar and fancy molasses (thousands of metric tons)	52.3	46.5	48.1	37.4	53.6
Export unit value per metric ton (BDS\$)	1,276.3	1,249.0	1,214.1	1,325.1	1,397.9
Average employment during out-of-crop season					
Sugar estates	...	...	...	2,800.0	3,000.0
Sugar factories	...	390.0	270.0	250.0	250.0
Memorandum item:					
Price of Caribbean sugar (New York, BDS\$/metric ton)	402.2	444.3	537.0	...	...
EC guaranteed price (BDS\$/metric ton)	1,276.0	1,249.0	1,182.0	1,362.0	1,337.0

Sources: Barbados Agricultural Management Co. Ltd.; Barbados Sugar Industry Ltd.; and Ministry of Finance and Economic Affairs.

1/ Includes special sugars and fancy molasses.

2/ The quota year is October-September.

3/ Difference between factory receipts and production costs, as percent of the latter.

Table 18. Barbados: Retail Price Index

(May 1994 = 100)

	Total	Food	Tobacco	Housing	Fuel and Light	Household Operations and Supplies	Clothing and Footwear	Trans- portation	Medical and Personal Care	Education Recreation and Mis- cellaneous Services
Weights	1.000	0.394	0.064	0.168	0.052	0.081	0.050	0.105	0.038	0.048
	(Averages)									
1985	74.3	74.3	69.3	67.0	96.5	83.3	97.0	59.8	64.7	82.0
1986	75.3	76.1	72.4	67.2	90.7	81.0	96.4	62.7	64.1	89.0
1987	77.3	79.6	77.3	70.4	91.1	80.7	90.0	63.8	65.8	88.3
1988	80.9	84.7	81.6	72.2	89.5	84.3	93.2	67.7	70.8	87.5
1989	85.6	92.4	85.1	75.9	92.8	85.5	95.7	69.8	75.1	89.7
1990	88.3	96.2	85.5	77.1	96.7	86.5	95.5	73.3	79.5	92.2
1991	93.9	100.8	92.5	85.6	97.0	90.1	98.1	86.0	82.3	93.2
1992	99.5	101.0	99.1	100.1	99.7	99.6	101.1	97.6	90.7	94.0
1993	100.7	101.0	98.1	100.2	102.8	100.4	102.5	102.8	98.4	97.0
1994	100.6	101.2	99.6	100.0	100.6	99.5	101.5	100.8	99.8	99.2
1995	103.0	106.1	101.2	103.7	104.0	98.0	97.4	99.3	101.0	100.3
1996	105.5	110.2	104.2	105.7	103.7	98.7	96.8	100.5	103.6	102.7
	(End of period)									
1995										
January	101.4	103.6	99.2	99.1	103.4	98.9	97.7	102.2	99.6	100.2
February	102.0	103.2	99.4	103.3	104.0	98.6	98.4	101.8	99.8	100.2
March	101.4	102.4	98.8	103.3	105.0	99.6	96.8	99.5	99.2	99.1
April	100.8	101.6	99.2	103.4	104.1	98.9	95.4	99.0	98.8	99.0
May	101.3	102.8	99.3	103.7	104.1	98.4	97.7	97.0	98.6	99.8
June	102.3	104.4	101.2	103.7	102.9	97.1	98.2	100.0	99.8	99.8
July	103.5	107.2	101.8	103.7	104.8	97.4	97.2	99.9	100.5	100.1
August	104.2	109.2	102.9	104.6	104.8	97.2	97.6	96.0	102.4	100.2
September	104.5	110.2	102.9	104.7	105.0	96.8	94.6	96.3	102.4	101.0
October	104.8	109.7	103.5	104.8	103.9	97.4	95.9	99.8	103.4	101.0
November	105.0	109.6	103.7	104.8	103.2	97.8	98.4	100.2	103.9	101.5
December	105.1	109.8	102.0	104.8	103.2	98.2	101.1	99.9	103.9	101.5
1996										
January	104.3	108.5	101.1	104.9	100.4	98.2	99.6	100.1	103.4	101.5
February	104.5	108.9	103.5	104.4	100.2	97.5	99.6	100.0	103.1	101.9
March	104.4	108.7	105.0	104.3	100.8	98.0	97.7	100.2	102.7	101.8
April	104.7	109.1	105.1	104.3	104.6	98.1	96.8	99.8	103.0	101.8
May	105.6	110.2	105.4	105.9	104.6	98.5	96.5	100.7	102.5	102.0
June	105.1	108.8	105.5	106.0	104.8	98.8	96.3	101.3	103.0	102.0
July	105.4	109.8	103.9	106.0	104.7	98.9	96.7	100.7	102.9	102.3
August	105.6	110.2	102.6	106.2	104.4	99.0	96.9	100.3	104.6	104.4
September	105.8	110.3	104.0	106.2	103.3	99.3	98.8	100.5	104.3	104.2
October	106.5	112.3	105.3	106.2	103.6	98.8	96.4	100.1	104.2	103.3
November	106.9	113.1	105.9	106.7	103.5	100.0	94.4	100.2	104.9	103.4
December	107.0	113.0	103.0	106.7	108.9	99.5	92.4	101.6	104.3	103.3

Source: Barbados Statistical Service.

Table 19. Barbados: Selected Labor Statistics

(Household Survey Basis) 1/

	1992	1993	1994	1995	1996
(In thousands)					
Total population	263.1	263.9	264.4	264.4	...
Total adult population 2/	199.6	200.2	200.5	200.7	200.3
Male	92.3	92.6	92.7	92.8	...
Female	107.3	107.6	107.8	107.9	...
Labor force	124.8	126.3	135.1	136.7	135.8
Male	64.5	65.2	68.8	69.1	68.9
Female	60.3	61.1	66.3	67.6	66.9
Employed	96.1	95.4	105.5	109.8	114.9
Male	51.3	51.2	56.7	57.7	60.4
Female	44.8	44.2	48.8	52.1	54.5
Unemployed 3/	28.7	30.9	29.6	26.9	20.9
Male	13.2	14.0	12.1	11.4	8.5
Female	15.5	16.9	17.5	15.5	12.4
(In percent)					
Participation rate 4/	66.3	66.5	67.4	68.2	67.6
Male	74.8	74.3	74.2	74.5	74.2
Female	59.6	59.8	61.5	62.7	61.9
Employment by industry 5/	100	100	100	100	100
Agriculture and fishing	6.2	6.5	5.7	4.6	5.2
Manufacturing	10.4	10.2	10.6	10.6	8.4
Construction 6/	7.5	7.5	7.1	8.0	8.5
Electricity, gas, and water	1.7	1.7	1.4	0.9	1.6
Commerce and tourism	24.8	24.5	24.8	25.9	24.5
Transport, storage, and communications	4.3	4.6	4.7	4.6	3.8
Financial institutions	4.4	4.6	5.7	6.9	7.2
Government and other services	40.7	40.5	40.0	38.4	40.6
Unemployment rate 7/	23.0	24.5	21.9	19.7	15.4
Male	20.5	21.5	17.6	16.5	12.3
Female	25.7	27.7	26.4	22.9	18.5

Source: Barbados Statistical Service.

1/ Based on the 1990 population census and quarterly or semi-annual labor force survey estimates. Results of the 1990 census are used to estimate the proportion of adult population in inter-census years.

2/ Persons 15 years of age or over, end of year.

3/ Unemployed persons comprise those actively seeking work with a three-month period prior to the date of interview.

4/ Employed and actively seeking work unemployed in relation to the labor force.

5/ In percent of total employment, based on labor force surveys. Data for 1990 are based on average of first and fourth quarter survey data. As a result of delays in implementing a new household survey no data were published for the second and third quarter.

6/ Includes mining and quarrying.

7/ Number of persons unemployed in relation to sum of number of workers employed and unemployed.

Table 20. Barbados: Public Service Wage Increases

(In percent)

	Wage Increase 1/	Rate of Change of Retail Price Index	Real Wage Increase
1984	15.0	4.6	9.9
1985	5.0	1.3	3.6
1986	1.4-9.0	1.4	0.0-7.5
1987	2.0	2.7	-0.7
1988	5.0-8.2	4.6	0.4-4.7
1989	2.0	5.9	-3.7
1990	3.5-7.0	3.1	0.4-3.8
1991	3.0	6.4	-10.4
October 1	-8.0		
1992	0.0	6.0	-5.7
1993	8.7	1.2	7.4
1994 2/	0.0	-0.1	0.1
1995 2/	3.0	2.4	0.6
1996 2/	3.0	2.4	0.6

Sources: World Bank, *Barbados-Requirements for Industrial Development*, 1991; Ministry of Finance and Economic Affairs; and Barbados Statistical Service.

1/ Across the board; unless otherwise noted.

2/ For wage increases, estimates.

Table 21. Barbados: Wage Settlements in the Private Sector

	1992	1993	1994	1995	1996
(Number of wage settlements)					
Negotiated settlements	13.0	14.0	...	16.0	46.0
From previous years 1/	4.0	11.0	...	9.0	29.0
From current year	9.0	3.0	...	7.0	17.0
(In percent)					
Nominal wage increases 2/					
Unweighted average for all settlements	0.6	0.8	...	3.0	3.0
Maximum increase	4.0	4.0	...	4.0	5.0
Minimum increase	...	...	...	2.0	2.0

Source: Barbados Employers Confederation.

1/ Negotiation of wage settlements following the expiration of a contract during the previous year.

2/ Wage increases for the current year for which the wage settlement was negotiated. In most cases wage settlements are for more than one year, with the first year increases higher than increases in following years.

Table 22. Barbados: Nominal Wage Index 1/2/

(1980 = 100)

	1992	1993	1994	1995 3/	1996 3/
All sectors	181.1	184.1	184.0	189.5	195.2
Hotels	210.4	210.4	210.4	...	...
Distribution	180.8	180.8	180.8	...	...
Sugar farms	167.7	167.7	167.7	...	...
Transport	197.7	197.7	197.7	...	...
Government	160.6	171.1	171.1	...	...
Construction	177.7	177.7	177.7	...	...
Telephone	202.6	206.6	202.6	...	...
Electricity	208.3	208.3	208.3	...	...
Longshoremen	144.5	144.5	144.5	...	...
Manufacturing	192.0	192.0	192.0	...	...
Garments	167.5	167.5	167.5	...	...
Beverages	250.9	250.9	250.9	...	...
Food	239.8	239.8	239.8	...	...
Chemicals	223.4	223.4	223.4	...	...
Electronics 4/	163.4	163.4	163.4	...	...

Sources: Central Bank of Barbados; and Fund staff estimates.

1/ The index relies on contractual wage settlements as reported by unions to the Barbados Statistical Service and does not capture all sectors.

2/ The index for each sector is based on a simple average of wages in representative categories. Sector weights are calculated as shares in total employment when available, and as shares in contribution to GDP when not. Includes only wages negotiated through collective bargaining except for the electronics industry. Personnel cost increases due to promotions, job reclassification, and overtime pay scales are not accounted for by the index.

3/ Estimates.

4/ Based on a survey conducted by the central bank of the five largest establishments.

Table 23. Barbados: Real Wage Index 1/

(1980 = 100)

	1992	1993	1994	1995 2/	1996 2/
All sectors	92.2	92.7	92.7	93.3	93.8
Hotels	107.2	105.9	106.0	...	...
Distribution	92.1	91.0	91.1	...	...
Sugar farms	85.4	84.4	84.5	...	...
Transport	100.7	99.5	99.6	...	...
Government	81.8	86.2	86.2	...	...
Construction	90.5	89.5	89.5	...	...
Telephone	103.2	104.0	102.1	...	...
Electricity	106.1	104.9	104.9	...	...
Longshoremen	73.6	72.8	72.8	...	...
Manufacturing	98.0	96.9	96.9	...	...
Garments	85.3	84.3	84.4	...	...
Beverages	127.8	126.3	126.4	...	...
Food	122.2	120.7	120.8	...	...
Chemicals	113.8	112.5	112.5	...	...
Electronics 3/	83.2	82.3	82.3	...	...

Sources: Central Bank of Barbados; and Fund staff estimates.

1/ Nominal wage index deflated by the consumer price index.

2/ Estimates.

Table 24. Barbados: Operations of the Consolidated Public Sector

	1992	1993	1994	1995	1996
(In millions of Barbados dollars)					
I. Consolidated Public Sector					
Total revenue and grants	1,200.6	1,237.9	1,358.2	1,432.9	1,508.4
Current revenue	1,199.6	1,233.3	1,355.0	1,430.1	1,506.0
Central government	989.9	998.9	1,054.9	1,153.1	1,215.2
National Insurance Scheme	210.9	231.6	274.6	291.2	305.2
Current balance of public enterprises (before transfers)	-1.2	2.8	25.5	-14.2	-14.4
Capital revenue and grants	1.0	4.6	3.2	2.8	2.4
Total expenditure and net lending	1,136.9	1,218.2	1,273.7	1,351.8	1,541.0
Current expenditure	1,019.2	1,083.2	1,155.1	1,224.9	1,314.4
Central government	831.6	903.9	934.0	996.7	1,079.2
National Insurance Scheme	187.6	179.3	221.1	228.2	235.2
Capital expenditure and net lending 1/	117.7	135.0	118.6	126.9	226.6
Current surplus or deficit (-)	180.4	150.1	199.9	205.2	191.6
Underlying overall surplus or deficit	63.7	19.7	84.5	81.1	-32.6
Extraordinary transactions	12.9	-276.3	16.8	-0.8	-41.4
Overall surplus or deficit (-)	76.6	-256.6	101.3	80.3	-74.0
Foreign financing	-64.6	-75.6	-9.5	25.9	34.4
Domestic financing	-12.0	332.2	-91.8	-106.2	39.6
II. Central Government					
Current revenue	990.9	998.9	1,054.9	1,153.1	1,215.2
<i>Of which:</i>					
Transfers from public enterprises	1.0	0.0	0.0	0.0	0.0
Current expenditure	875.9	945.6	981.4	1,055.4	1,137.2
<i>Of which:</i>					
National Insurance Scheme contributions	25.2	26.7	25.1	27.0	28.6
Transfer to public enterprises	19.1	15.0	22.3	31.7	29.4
Current surplus or deficit (-)	115.0	53.3	73.5	97.7	78.0
Capital revenue and grants	1.0	4.6	3.2	2.8	2.4
Capital expenditure	89.9	110.9	94.8	110.9	195.9
<i>Of which:</i>					
Transfers to public enterprises	5.8	9.7	3.4	5.6	6.6
Net lending	12.3	1.2	9.7	0.6	3.4
Underlying surplus or deficit (-)	13.8	-54.2	-27.8	-11.0	-118.9
Extraordinary transactions 3/	12.9	-276.3	16.8	-0.8	-41.4
Overall surplus or deficit (-)	26.7	-330.5	-11.0	-11.8	-160.3
Total financing	-26.7	330.3	11.0	11.8	160.3
Foreign financing (net)	-60.6	-68.6	-12.8	23.6	25.3
Domestic financing (net)	33.9	399.1	23.8	-11.8	135.0

Table 24. Barbados: Operations of the Consolidated Public Sector (Concluded)

	1992	1993	1994	1995	1996
III. National Insurance Scheme					
Current revenue	236.1	258.3	299.7	318.2	333.8
Contribution from central government	25.2	26.7	25.1	27.0	28.6
Current expenditure	187.6	179.3	221.1	228.2	235.2
Current surplus or deficit (-)	48.5	79.0	78.6	90.0	98.6
Capital expenditure	8.6	1.7	2.6	0.4	1.5
Overall surplus or deficit (-)	39.9	77.3	76.0	89.6	97.1
Foreign financing (net)	0.0	0.0	-3.7	-0.2	-3.9
Domestic financing	-39.9	-77.3	-72.3	-89.4	-93.2
IV. Nonfinancial Public Enterprises 3/					
Current revenue	259.3	266.8	270.8	279.3	291.0
Transfers from central government	20.1	15.0	22.3	31.7	29.4
Current expenditure	241.4	249.0	223.0	261.8	276.0
Transfers to central government	1.0	0.0	0.0	0.0	0.0
Current surplus/deficit (before transfers)	-1.2	2.8	25.5	-14.2	-14.4
Current surplus/deficit (after transfers)	17.9	17.8	47.8	17.5	15.0
Capital revenue	5.8	9.7	3.4	5.6	6.6
From central government	5.8	9.7	3.4	5.6	6.6
Capital expenditure	12.7	30.9	14.9	20.6	32.4
Overall surplus or deficit (before transfers)	-13.9	-28.1	10.6	-34.8	-46.8
Total central government transfers	24.9	24.7	25.7	37.3	36.0
Overall surplus or deficit (after transfers)	11.0	-3.4	36.3	2.5	-10.8
Foreign financing (net)	-4.0	-7.0	7.0	2.5	13.0
Domestic financing	-7.0	10.3	-43.2	-4.9	-2.2
(In percent of GDP)					
Central government current balance	3.5	1.5	2.0	2.5	1.9
National insurance scheme current balance	1.5	2.3	2.2	2.3	2.4
Public enterprises current balance (after transfers)	0.6	0.5	1.3	0.4	0.4
Public enterprises overall balance (after transfers)	0.3	-0.1	1.0	0.1	-0.3
Current balance of public sector	5.6	4.3	5.5	5.3	4.7
Underlying overall public sector balance	2.0	0.6	2.3	2.1	-0.8
Overall public sector balance	2.4	-7.3	2.8	2.1	-1.8

Sources: Ministry of Finance; National Insurance Scheme; and Fund staff estimates.

1/ Net of intrasectoral transfers.

2/ Includes proceeds from divestment; transactions related to the government's assumption of private sector debt in FYs 1993/94 and 1995/96; and capitalization of the Barbados National Bank in FY 1996/97.

3/ Includes the accounts of the National Conservation Commission.

Table 25. Barbados: Central Government Operations 1/

	1992/93 2/	1993/94	1994/95	1995/96	1996/97
(In millions of Barbados dollars)					
Total revenue and grants	991.9	1,003.5	1,058.1	1,155.9	1,217.6
Current revenue	990.9	998.9	1,054.9	1,153.1	1,215.2
Tax revenue	915.4	938.9	979.4	1,082.3	1,130.6
Taxes on income and profits	275.5	287.3	324.7	364.2	385.3
Levies	92.3	60.6	12.2	13.6	20.6
Taxes on property	55.7	56.6	60.6	70.0	75.8
Taxes on goods and services	335.3	378.5	406.7	450.5	488.5
<i>Of which:</i>					
Value-added tax	2.5	0.0	0.0	0.0	74.9
Import duties	74.1	75.2	84.7	93.2	91.4
Stamp duties	82.5	80.7	90.5	90.8	69.0
Nontax revenue	75.5	60.0	75.5	70.8	84.6
Capital revenue and grants	1.0	4.6	3.2	2.8	2.4
Total expenditure and net lending	978.1	1,057.7	1,085.9	1,166.9	1,336.5
Current expenditure	875.9	945.6	981.4	1,055.4	1,137.2
Wages and salaries	350.0	380.1	389.4	412.3	448.9
National insurance contribution	25.2	26.7	25.1	27.0	28.6
Goods and services	97.4	100.4	106.0	114.7	122.4
Interest	164.5	143.5	163.0	187.8	196.7
Domestic	106.4	92.1	113.8	135.4	149.6
Foreign	58.1	51.7	49.2	52.4	47.1
Transfers 3/	238.8	294.6	297.9	313.6	340.6
Capital expenditure and net lending	102.2	112.1	104.5	111.5	199.3
Acquisition of land and existing assets	3.5	5.0	5.8	5.2	11.5
Capital formation	60.5	77.8	71.6	92.0	159.1
Transfers	25.9	28.1	17.4	13.7	25.3
Net lending	12.3	1.2	9.7	0.6	3.4
Underlying surplus/deficit (-)	13.8	-54.2	-27.8	-11.0	-118.9
Nonrecurrent operations 4/	12.9	-276.3	16.8	-0.8	-41.4
Overall surplus/deficit (-)	26.7	-330.5	-11.0	-11.8	-160.3
Total financing	-26.7	330.5	11.0	11.8	160.3
Foreign financing	-60.6	-68.6	-12.8	23.6	25.3
Disbursements	37.4	44.4	116.0	105.4	81.2
Amortization	-98.0	-113.0	-128.8	-81.8	-55.9
Domestic financing	33.9	399.1	23.8	-11.8	135.0
Banking system	8.6	50.8	14.7	-176.8	128.4
Central bank	-85.3	12.7	-106.4	-196.9	-86.1
Commercial banks	93.9	38.1	121.1	20.1	214.5
Rest of financial system	-27.8	303.3	125.2	3.7	-111.2
National Insurance Scheme	32.9	52.7	29.2	54.2	134.6
Other	20.2	-7.7	-145.3	107.1	-16.8
Memorandum items:					
Current surplus/deficit (-)	115.0	53.3	73.5	97.7	78.0
Primary surplus/deficit (-)	178.3	89.6	135.2	176.8	77.8

Table 25. Barbados: Central Government Operations (Concluded)

	1992/93 1/	1993/94	1994/95	1995/96	1996/97
(In percent of GDP)					
Total revenue and grants	30.6	28.7	29.2	29.7	29.8
Current revenue	30.5	28.6	29.1	29.6	29.7
Tax revenue	28.2	26.9	27.0	27.8	27.7
Taxes on income and profits	8.5	8.2	9.0	9.4	9.4
Levies	2.8	1.7	0.3	0.3	0.5
Taxes on property	1.7	1.6	1.7	1.8	1.9
Taxes on goods and services	10.3	10.8	11.2	11.6	12.0
Import duties	2.3	2.2	2.3	2.4	2.2
Stamp duties	2.5	2.3	2.5	2.3	1.7
Nontax revenue	2.3	1.7	2.1	1.8	2.1
Capital revenue and grants	0.0	0.1	0.1	0.1	0.1
Total expenditure and net lending	30.1	30.3	30.0	30.0	32.7
Current expenditure	27.0	27.1	27.1	27.1	27.8
Wages and salaries 5/	11.6	11.6	11.4	11.3	11.7
Goods and services	3.0	2.9	2.9	2.9	3.0
Interest	5.1	4.1	4.5	4.8	4.8
Transfers 3/	7.4	8.4	8.2	8.1	8.3
Capital expenditure and net lending	3.1	3.2	2.9	2.9	4.9
Underlying surplus/deficit (-)	0.4	-1.6	-0.8	-0.3	-2.9
Extraordinary transactions 4/	0.4	-7.9	0.5	0.0	-1.0
Overall surplus/deficit (-)	0.8	-9.5	-0.3	-0.3	-3.9
Total financing	-0.8	9.5	0.3	0.3	3.9
Foreign financing	-1.9	-2.0	-0.4	0.6	0.6
Domestic financing	1.0	11.4	0.7	-0.3	3.3
<i>Of which:</i>					
Banking system	0.3	1.5	0.4	-4.5	3.1
Memorandum items:					
Current surplus/deficit (-)	3.5	1.5	2.0	2.5	1.9
Primary surplus or deficit	5.5	2.6	3.7	4.5	1.9

Sources: Ministry of Finance; and Fund staff estimates.

1/ Fiscal years start on April 1.

2/ Excludes special transactions related to the settlement of intra-public sector arrears.

3/ Includes transport levy contributions.

4/ Extraordinary payments to the sugar industry to clear its debt to the Barbados National Bank (BNB) (BDS\$208.9 million), and to other private sector agencies to clear their debt also to the BNB (BDS\$72.4 million) in FY 1993/94; assumption of Barbados Development Bank debt in FYs 1995/96 and 1996/97 (BDS\$10.8 million and BDS\$11.6 million); and capitalization of BNB in FY 1996/97 (BDS\$34.3 million). Also includes proceeds from divestment.

5/ Includes national insurance contributions.

Table 26. Barbados: Central Government Revenue and Grants

(In millions of Barbados dollars)

	1992/93	1993/94	1994/95	1995/96	1996/97
Total revenue and grants	991.9	1,003.5	1,058.1	1,155.9	1,217.6
Current revenue	990.9	998.9	1,054.9	1,153.1	1,215.2
Tax revenue	915.4	938.9	979.4	1,082.3	1,130.6
Taxes on net income and profits	275.5	287.3	324.7	364.2	385.3
Companies	88.9	86.8	115.4	133.5	136.3
Individuals	133.3	181.0	189.8	212.9	229.6
Other	53.3	19.5	19.5	17.8	19.4
Levies	92.3	60.6	12.2	13.6	20.6
Employment levy 1/	20.9	18.0	0.8	-0.3	0.4
Training levy	11.8	11.7	9.5	14.8	14.0
Transport levy	25.1	5.3	0.7	-0.4	0.5
Health service levy	34.5	25.6	1.2	-0.5	1.0
Environment levy	0.0	0.0	0.0	0.0	4.7
Taxes on property	55.7	56.6	60.6	70.0	75.8
Land tax	46.1	44.4	44.8	54.1	52.2
Estate and succession duties	0.1	0.6	0.0	0.0	0.0
Property transfer tax and other	9.5	11.6	15.8	15.9	23.6
Taxes on domestic goods and services	335.3	378.5	406.7	450.5	488.5
Value-added tax	0.0	0.0	0.0	0.0	74.9
Consumption tax	225.4	261.8	280.5	309.1	255.7
Highway revenue	17.7	18.2	18.4	19.6	21.4
Hotel and restaurant sales tax	15.4	16.3	17.7	22.0	19.6
Airport services	13.5	14.0	15.0	14.3	13.9
Other	63.3	68.2	75.1	85.5	103.0
Taxes on international trade	156.6	155.9	175.2	184.0	160.4
Import duties	74.1	75.2	84.7	93.2	91.4
Stamp duties	82.5	80.7	90.5	90.8	69.0
Nontax revenue	75.5	60.0	75.5	70.8	84.6
Property income	38.6	23.8	32.7	33.1	20.9
<i>Of which:</i>					
Central bank profits	30.0	15.0	23.7	20.2	15.9
Other nontax revenue	36.9	36.2	42.8	37.7	63.7
Capital revenue and grants	1.0	4.6	3.2	2.8	2.4

Sources: Ministry of Finance; and Fund staff estimates.

1/ Includes Public Employees' Fund.

Table 27. Barbados: Central Government Transfers

(In millions of Barbados dollars)

	1992/93	1993/94	1994/95	1995/96	1996/97
Current transfers	238.8	294.6	297.9	313.6	340.6
Nonfinancial public enterprises	19.1	15.0	22.3	31.7	29.4
National Housing Corporation	1.0	0.0	0.0	0.0	0.0
Post Office	-1.0	-0.2	0.2	3.2	1.7
Civil Aviation (net)	3.5	3.2	3.0	4.4	3.8
Investment and Development Corporation	3.8	3.6	4.6	5.2	5.8
Transport Board	4.0	1.4	6.4	1.2	0.9
Caribbean Broadcasting Corporation	1.0	0.0	0.0	0.0	0.0
National Conservation Commission	6.8	7.0	8.1	17.7	17.2
Printing Office	1.8	2.2	2.2	2.0	2.1
Public financial institutions	0.0	10.0	6.9	11.0	13.3
Pensions (contributory)	66.0	64.0	66.4	67.0	77.4
Other public institutions	118.2	153.6	162.0	142.8	158.7
Barbados defense and police	18.7	19.7	20.1	21.5	21.7
Schools, colleges, and the University of the West Indies	39.5	67.6	67.5	47.6	51.5
Tourism promotion	29.6	29.5	32.3	36.5	42.2
Sanitation and public health service	15.6	15.6	16.4	18.1	20.5
Export promotion	1.1	0.0	0.0	0.0	0.0
Welfare and other agencies	9.9	16.9	21.2	13.6	16.9
National Sports Council	3.8	4.3	4.5	5.5	5.9
Nonprofit institutions (child care)	7.6	7.6	7.4	9.2	9.8
Other nonprofit institutions	0.0	6.8	7.4	11.6	13.6
Other transfers to individuals	12.4	11.5	9.2	13.2	21.7
Welfare grants (including NAB)	2.7	2.6	2.6	3.6	3.8
Scholarship bursaries and examinations	5.5	5.2	3.9	7.2	15.4
Schools bus fares	2.0	2.5	2.3	2.1	2.1
Other	2.2	1.2	0.4	0.3	0.4
Sugar industry	0.0	13.8	5.6	15.7	6.3
Subscriptions and contributions	6.8	10.1	8.5	8.8	8.3
Other, including contributions to regional international organizations	6.9	0.0	0.0	0.6	0.0
Capital transfers	20.0	28.1	17.4	13.7	14.2
Nonfinancial public enterprises	5.8	9.7	3.4	5.6	6.6
National Housing Corporation	1.0	1.3	0.0	1.1	1.1
Agricultural Development and Marketing Corporation	3.1	2.4	1.5	1.0	0.4
Civil Aviation	0.0	0.0	0.0	0.0	0.0
Barbados Water Authority	0.0	0.0	0.0	0.0	0.0
Investment and Development Corporation	1.3	4.5	0.9	2.3	4.8
Transport Board	0.0	0.0	0.0	0.0	0.0
Other	0.4	1.5	1.0	1.2	0.3
Public financial institutions	1.9	2.8	0.5	0.0	0.0
Other public institutions	0.0	4.6	5.6	2.7	5.9
Tourism and sports	0.9	1.8	1.7	5.2	1.5
Abroad	11.4	9.2	6.2	0.2	0.2

Sources: Ministry of Finance; and Fund staff estimates.

Table 28. Barbados: Operations of the National Insurance Scheme

(In millions of Barbados dollars)

	1992/93	1993/94	1994/95	1995/96	1996/97
Current revenue	236.1	258.3	299.7	318.2	333.8
Contributions	161.9	178.1	179.9	188.7	225.6
Interest, dividends, etc.	49.0	53.5	94.7	102.5	79.6
Central government insurance contributions	25.2	26.7	25.1	27.0	28.6
Current expenditure	187.6	179.3	221.1	228.2	235.2
Benefits	179.6	165.7	204.3	210.9	221.2
Administration	8.0	13.6	16.8	17.3	14.0
Current surplus	48.5	79.0	78.6	90.0	98.6
Capital expenditure	8.6	1.7	2.6	0.4	1.5
Overall surplus	39.9	77.3	76.0	89.6	97.1
Total financing	-39.9	-77.3	-76.0	-89.6	-97.1
External financing	0.0	0.0	-3.7	-0.2	-3.9
Domestic financing	-39.9	-77.3	-72.3	-89.4	-93.2
Financial intermediaries	-0.5	9.8	-17.7	9.3	48.4
Treasury bills	0.0	16.9	155.6	14.1	1.4
Central government debentures	-25.1	-68.2	-185.2	-44.4	-180.8
Other	-14.3	-35.8	-25.0	-68.4	37.8

Sources: National Insurance Scheme; Central Bank of Barbados; and Economic and Financial Statistics.

Table 29. Barbados: National Insurance Scheme: Investments and Cash Balances

	March 31				
	1992	1993	1994	1995	1996
Total assets	531.7	559.7	605.2	654.5	693.9
Cash balances	9.3	11.9	6.6	3.4	3.3
Deposits	185.9	186.4	176.6	194.3	185.0
Domestic investments	335.6	360.9	421.5	452.5	501.1
Debentures	97.7	122.8	191.0	376.2	420.6
Treasury bills	190.4	190.4	173.6	18.0	3.9
Other	47.5	47.7	56.9	58.3	76.6
Foreign assets	0.9	0.5	0.5	4.3	4.5

Source: Central Bank of Barbados.

Table 30. Barbados: Operations of Nonfinancial Public Enterprises

(In millions of Barbados dollars)

	1992/93	1993/94	1994/95	1995/96	1996/97
I. National Housing Corporation					
Current revenue	17.9	17.1	11.8	15.5	16.4
Current expenditure	13.2	10.2	10.0	11.4	13.0
Current surplus or deficit (-)	4.7	6.9	1.8	4.1	3.4
Capital revenue	2.0	1.3	1.1	1.1	1.1
Transfers from central government	2.0	1.3	1.1	1.1	1.1
Capital expenditure	7.7	6.0	2.2	5.7	6.6
Overall surplus or deficit (-)	-1.0	2.2	0.7	-0.5	-2.1
II. National Petroleum Corporation					
Current revenue	10.8	10.9	11.1	11.9	11.3
Current expenditure	7.9	8.0	10.1	9.6	9.2
Current surplus or deficit (-)	2.9	2.9	1.0	2.3	2.1
Capital expenditure	0.5	0.5	0.6	1.6	1.4
Overall surplus or deficit (-)	2.4	2.4	0.4	0.7	0.7
III. Barbados National Oil Company					
Current revenue	19.1	16.5	17.4	20.0	21.6
Current expenditure	12.3	12.0	12.1	13.7	17.3
Other	3.0	0.0	0.0	0.0	
Current surplus or deficit (-)	6.8	4.5	5.3	6.3	4.3
Capital expenditure	0.9	6.5	0.0	0.0	0.0
Overall surplus or deficit (-)	5.9	-2.0	5.3	6.3	4.3
IV. Civil Aviation					
Current revenue	13.3	13.5	14.1	15.1	12.5
Transfers from central government	3.5	3.2	3.0	4.4	3.8
Current expenditure	13.3	14.9	14.6	15.0	16.3
Current surplus or deficit (-)	0.0	-1.4	-0.5	0.1	-3.8
Capital expenditure	0.0	0.0	0.0	3.8	0.0
Overall surplus or deficit (-)	0.0	-1.4	-0.5	-3.7	-3.8
V. Barbados Water Authority					
Current revenues	43.5	47.2	46.9	43.2	44.8
Current expenditure	36.5	35.6	37.6	44.1	44.7
Current surplus or deficit (-)	7.0	11.6	9.3	-0.9	0.1
Capital expenditure	0.9	4.0	4.1	5.2	5.6
Overall surplus or deficit (-)	6.1	7.6	5.2	-6.1	-5.5
VI. Post Office					
Current revenue	13.6	14.1	14.4	16.2	15.1
From central government	-1.0	-0.2	0.2	3.2	1.7
Current expenditure	13.5	13.9	14.8	15.2	16.8
Current surplus or deficit (-)	0.1	0.2	-0.4	1.0	-1.7
Capital expenditure	0.0	0.0	0.0	0.0	0.0
Overall surplus or deficit (-)	0.1	0.2	-0.4	1.0	-1.7

Table 30. Barbados: Operations of Nonfinancial Public Enterprises (Concluded)

	1992/93	1993/94	1994/95	1995/96	1996/97
VII. Barbados Industrial Development Corporation					
Current revenue	9.7	9.9	10.7	11.5	16.7
From central government	3.8	3.6	4.6	5.2	5.8
Current expenditure	11.0	7.7	7.1	12.1	12.9
Current surplus or deficit (-)	-1.3	2.2	3.6	-0.6	3.8
Capital revenue	1.3	4.5	0.9	2.3	5.0
From central government	1.3	4.5	0.9	2.3	4.8
Capital expenditure	1.3	3.6	3.2	5.0	13.7
Overall surplus or deficit (-)	-1.3	3.1	1.3	-3.3	-4.9
VIII. Transport Board					
Current revenue	27.2	25.5	28.4	25.2	25.9
From central government	4.0	2.3	6.4	1.2	0.9
Current expenditure	31.9	29.2	33.8	24.1	34.7
Current surplus or deficit (-)	-4.7	-3.7	-5.4	1.1	-8.8
Capital expenditure	0.0	0.0	0.0	0.0	0.0
Overall surplus or deficit (-)	-4.7	-3.7	-5.4	1.1	-8.8
IX. Barbados Marketing Corporation					
Current revenue	35.3	34.5	37.2	36.8	28.9
Current expenditure	30.1	45.4	41.9	37.3	34.1
Current surplus or deficit (-)	5.2	-10.9	-4.7	-0.5	-5.2
Capital revenue	0.0	2.4	1.5	2.3	0.4
From central government	0.0	2.4	1.5	2.3	0.4
Capital expenditure	0.0	0.1	0.0	0.0	0.0
Overall surplus or deficit (-)	5.2	-8.6	-3.2	1.8	-4.8
X. Barbados Agricultural Development Corporation					
Current revenue	1.8	0.0	0.0	0.0	0.0
Current expenditure	5.9	0.0	0.0	0.0	0.0
Current surplus or deficit (-)	-4.1	0.0	0.0	0.0	0.0
Capital revenue	3.1	0.0	0.0	0.0	0.0
From central government	3.1	0.0	0.0	0.0	0.0
Capital expenditure	0.0	0.0	0.0	0.0	0.0
Overall surplus or deficit (-)	-1.0	0.0	0.0	0.0	0.0
XI. Port Authority					
Current revenue	37.8	40.5	46.6	48.5	50.7
Current expenditure	37.6	35.2	40.5	44.5	39.6
Current surplus or deficit (-)	0.2	5.3	6.1	4.0	11.1
Capital expenditure	0.7	5.0	2.3	0.4	2.9
Overall surplus or deficit (-)	-0.5	0.3	3.8	3.6	8.2
Current expenditure	16.3	15.0	15.6	18.1	20.2
Current surplus or deficit (-)	1.4	2.0	3.4	3.7	9.7
Capital expenditure	0.8	3.0	2.3	1.3	2.2
Overall surplus or deficit (-)	0.6	-1.0	1.1	2.4	7.5

Sources: Ministry of Finance: annual reports and financial statements of the enterprises; and Fund staff estimates.

1/ The Barbados Marketing Corporation and the Barbados Agricultural Development Corporation were merged into the Barbados Agricultural Development and Marketing Corporation in FY 1993/94.

Table 31. Barbados: Summary Accounts of the Consolidated Financial System

	1992	1993	1994	1995	1996
(In millions of Barbados dollars)					
Net international reserves	92.4	125.8	294.9	305.6	421.2
Central bank (net)	97.1	139.2	257.5	339.2	513.7
Commercial banks (net)	-4.7	-13.4	37.4	-33.6	-92.5
Net domestic assets	2,184.5	2,228.5	2,141.2	2,210.3	2,319.7
Domestic credit	2,191.1	2,263.3	2,293.0	2,338.6	2,437.0
Public sector (net)	294.6	345.0	394.6	245.2	307.2
Central government	654.6	652.6	766.6	658.9	641.7
Insurance funds and levies	-208.4	-125.1	-157.0	-167.7	-157.2
Other	-151.6	-182.5	-215.0	-246.0	-177.3
Private sector	1,896.5	1,918.3	1,898.4	2,093.4	2,129.8
Other assets (net)	-6.6	-34.8	-151.8	-128.3	-117.3
Official share capital and surplus (-)	-46.6	-53.0	-65.5	-77.9	-52.4
SDR allocation	-22.2	-23.1	-23.0	-25.5	-23.5
Other unclassified assets (including floats)	62.2	41.3	-63.3	-24.9	-41.4
Medium- and long-term foreign liabilities	104.3	101.9	95.4	82.5	52.7
Liabilities to private sector	2,172.6	2,252.4	2,340.7	2,433.4	2,688.2
Narrow money	435.6	478.4	570.0	583.0	708.5
Currency in circulation	176.8	177.0	189.6	200.3	220.1
Demand deposits	258.8	301.4	380.4	382.7	488.5
Quasi-money	1,659.3	1,701.9	1,653.5	1,727.9	1,858.6
Time deposits	686.7	599.1	472.9	497.6	578.8
Savings deposits	972.6	1,102.8	1,180.6	1,230.3	1,279.7
Other (including bonds)	32.7	28.8	18.5	14.5	0.0
Private share capital and surplus	45.0	43.3	98.7	108.0	121.1
(Annual percentage change)					
Liabilities to private sector	4.0	3.7	3.9	4.0	10.5
Of which:					
Money	-2.8	9.8	19.1	2.3	21.5
Currency in circulation	-1.1	0.1	7.1	5.6	9.9
Demand deposits	-3.9	16.5	26.2	0.6	27.6
Quasi-money	5.3	2.6	-2.8	4.5	7.6
Time deposits	9.1	-12.8	-21.1	5.2	16.3
Savings deposits	2.8	13.4	7.1	4.2	4.0
(Percent of GDP)					
Liabilities to private sector	61.2	65.6	65.2	63.2	67.4
Of which:					
Money	11.9	13.9	15.9	15.1	17.8
Quasi-money	46.9	49.6	46.0	44.9	46.6
(Annual change in percent of liabilities to the private sector at the beginning of the year)					
Net domestic assets	0.3	2.0	-3.9	-6.4	2.5
Of which:					
Public sector credit	-1.4	2.3	2.2	-6.5	2.6
Private sector credit	-1.1	1.0	-0.9	8.4	1.5
Money and quasi-money	3.4	3.9	1.9	3.7	10.5
Money	-0.6	2.0	4.1	0.6	5.2
Quasi-money	4.0	2.0	-2.1	3.2	5.4
Memorandum items:					
Velocity (GDP/M2)	2.0	1.9	1.9	1.9	1.8
(percentage change)	0.5	-1.4	-3.3	3.1	-6.8

Source: Central Bank of Barbados.

Table 32. Barbados: Summary Accounts of the Consolidated Banking System

	1992	1993 1/	1994	1995	1996
(In millions of Barbados dollars)					
I. Banking System					
Net international reserves	92.4	125.8	294.9	305.6	421.2
Central bank (net)	97.1	139.2	257.5	339.2	513.7
Assets	279.5	300.6	391.6	440.0	564.6
Liabilities	182.4	161.4	134.1	100.8	50.9
Commercial banks (net)	-4.7	-13.4	37.4	-33.6	-92.5
Net domestic assets	1,720.3	1,785.5	1,812.7	1,874.8	1,972.0
Domestic credit	1,757.4	1,822.1	1,826.3	1,885.2	1,989.4
Public sector credit (net) 2/	508.4	585.6	390.4	367.0	399.6
Central government (net) 2/	653.2	665.9	542.8	546.7	641.7
Insurance funds and levies 3/	-121.8	-67.3	-88.9	-95.4	-136.2
Other	-23.0	-13.0	-63.5	-84.3	-105.9
Private sector credit 4/	1,136.2	1,134.2	1,273.4	1,475.4	1,542.8
Credit to rest of the financial system	112.8	102.3	162.5	42.8	47.0
Other items (net)	-37.1	-36.6	-13.6	-10.4	-17.4
Liabilities to rest of financial system	-119.6	-118.6	-148.6	-145.4	-227.1
Official share capital and surplus (-)	-20.0	-20.0	-20.0	-20.0	-20.0
Nonmonetary international organizations	-1.4	-1.4	-0.3	-1.7	-0.2
Interbank float	17.5	37.3	43.2	42.7	47.5
SDR allocations	-22.2	-23.1	-23.0	-25.5	-23.5
Other unclassified assets	108.6	89.2	135.1	139.5	206.0
Medium- and long-term foreign liabilities	82.5	89.2	84.7	72.3	50.6
Liabilities to private sector	1,730.2	1,822.1	2,022.9	2,108.1	2,342.6
Broad money (M2) 5/	1,694.7	1,785.3	1,930.7	2,007.1	2,230.7
Narrow money	435.6	478.4	570.0	583.0	708.5
Currency in circulation	176.8	177.0	189.6	200.3	220.1
Demand deposits	258.8	301.4	380.4	382.7	488.5
Quasi-money	1,259.1	1,306.9	1,360.7	1,424.1	1,522.2
Time deposits	304.4	215.2	186.3	206.9	242.9
Savings deposits	954.7	1,091.7	1,174.4	1,217.2	1,279.3
Private share capital and surplus	35.5	36.8	92.2	101.0	111.9
II. Monetary Authorities					
Net international reserves	97.1	139.2	257.5	339.2	513.7
Assets	279.5	300.6	391.6	440.0	564.6
Of which:					
CMCF	154.7	142.3	138.3	129.3	118.3
Liabilities	-182.4	-161.4	-134.1	-100.8	-50.9
Net domestic assets	319.9	235.0	99.1	46.4	-35.5
Net claims on public sector	145.0	111.7	-6.0	-100.7	-224.5
Central government (net)	145.2	116.1	-3.3	-96.7	-209.5
Assets	239.4	225.3	217.4	111.5	71.8
Liabilities	-31.1	-52.9	-146.2	-120.2	-158.4
Other government funds	-63.1	-56.3	-74.5	-88.0	-122.9
Insurance funds and levies	-0.6	-2.8	0.0	0.0	0.0
Decentralized agencies (net)	0.4	-1.6	-2.7	-4.0	-15.0
Official share capital and surplus (-)	-12.0	-12.0	-12.0	-12.0	-12.0
SDR allocations	-22.2	-23.1	-23.0	-25.5	-23.5
Credit to commercial banks	31.2	7.8	0.0	6.0	0.0
Credit to rest of financial system	61.1	23.9	8.5	8.2	9.1
Barbados Development Bank shares	7.0	7.0	7.0	7.0	7.0
Nonmonetary international organizations	-1.4	-1.4	-0.3	-1.7	-0.2
Export credit and guarantee funds	-0.6	-0.6	-0.6	-0.6	0.0
Net unclassified assets	111.8	121.7	125.5	165.7	208.6
Medium- and long-term foreign liabilities	69.8	65.6	55.3	36.9	20.9
Monetary base	347.2	308.6	301.3	348.7	457.3
Liabilities to commercial banks	170.4	131.6	111.7	148.4	237.2
Liabilities to private sector	176.8	177.0	189.6	200.3	220.1

Table 32. Barbados: Summary Accounts of the Consolidated Banking System (Concluded)

	1992	1993 1/	1994	1995	1996
(In millions of Barbados dollars)					
III. Commercial Banks					
Net international reserves	-4.7	-13.4	37.4	-33.6	-92.5
Assets	181.9	191.3	253.1	408.0	682.1
Liabilities	-186.6	-204.7	-215.7	-441.7	-774.6
Monetary reserves and currency holdings	172.9	131.6	111.7	148.4	237.2
Net domestic assets	1,429.1	1,558.3	1,713.6	1,834.4	2,007.5
Net claims on public sector	363.5	473.9	396.4	467.7	624.1
Central government (net)	507.9	549.8	546.1	643.4	851.2
Assets	517.6	558.8	575.2	686.3	874.2
Liabilities	9.7	9.0	29.1	42.9	23.0
Other general government (net)	-26.0	-20.1	-21.5	-30.5	-31.1
Decentralized agencies	2.8	8.7	-39.3	-49.8	-59.8
Insurance funds and levies	-121.2	-64.5	-88.9	-95.4	-136.2
Official share capital and surplus	-8.0	-8.0	-8.0	-8.0	-8.0
Credit to rest of financial system	51.7	78.4	154.0	34.6	37.9
Trust companies	0.0	0.0	0.0	0.0	0.0
Public nonbank institutions	18.9	28.7	112.4	0.2	0.2
Private nonbank institutions	32.8	49.7	41.6	34.4	37.8
Credit to private sector	1,136.2	1,134.2	1,273.4	1,475.4	1,542.8
Liabilities to rest of financial system	-119.6	-118.6	-148.6	-145.4	-227.1
Trust companies	0.0	0.0	0.0	0.0	0.0
Public nonbank institutions	-36.9	-47.4	-55.3	-69.9	-88.7
Private nonbank institutions	-82.7	-71.2	-93.3	-75.5	-138.4
Net interbank float	17.5	37.3	43.2	42.7	47.5
Net unclassified assets	-12.2	-38.9	3.2	-32.6	-9.7
Medium- and long-term foreign liabilities	12.7	23.6	29.4	35.4	29.7
Liabilities to monetary authorities	31.2	7.8	0.0	6.0	0.0
Liabilities to private sector	1,553.4	1,645.1	1,833.3	1,907.8	2,122.6
Demand deposits	258.8	301.4	380.4	382.7	488.5
Time and savings deposits	1,259.1	1,306.9	1,360.7	1,424.1	1,522.2
Private share capital and surplus	35.5	36.8	92.2	101.0	111.9
(Change in percent of private sector liabilities at the end of the preceding year)					
Net domestic assets	-7.8	3.8	1.5	3.1	4.6
Of which:					
Credit to public sector	2.3	4.5	-10.7	-1.2	1.5
Credit to private nonfinancial sector	-1.4	-0.1	7.6	10.0	3.2
Liabilities to private sector	0.3	5.3	11.0	4.2	11.1
(Annual percentage change)					
Net domestic assets	-7.2	3.8	1.5	3.4	5.2
Of which:					
Credit to public sector	8.4	15.2	-33.3	-6.0	8.9
Credit to private sector	-2.0	-0.2	12.3	15.9	4.6
Liabilities to private sector	0.3	5.3	11.0	4.2	11.1
Demand deposits	-17.7	16.5	26.2	0.6	27.6
Time deposits	10.7	-29.3	-13.4	11.1	17.4
Savings deposits	2.4	14.4	7.6	3.6	5.1

Source: Central Bank of Barbados.

1/ Including the accounts of Mutual Finance which was integrated into the banking system at the end of FY 1992/93. For details about the exact impact of this integration see Table 5 of the staff report for the 1993 Article IV consultation (SM/93/168).

2/ For 1993, includes BD\$72.4 million of bond issues to the Barbados National Bank on behalf of certain private sector entities to clear their debt.

3/ Funds collected by the National Insurance Board, including the transport levy.

4/ For 1993, reflects the transactions referred to in footnote 2, and the Caribbean Air Cargo's payment of its debt of BD\$32 million with the Barbados National Bank.

5/ Excludes deposits of nonbank financial institutions.

Table 33 . Barbados: Summary Accounts of the Consolidated Nonbank Financial Intermediaries

(In millions of Barbados dollars)

	1992	1993	1994	1995	1996
I. Consolidated Accounts					
Monetary reserves and currency holdings	1.3	0.7	2.1	1.5	0.0
Net domestic assets	594.9	544.8	537.0	563.8	456.5
Public sector (net)	-213.8	-240.6	4.2	-121.8	-92.4
Insurance funds and levies	-86.6	-57.8	-68.1	-72.3	-21.0
Central government	1.4	-13.3	223.8	112.2	0.0
Other public sector	-128.6	-169.5	-151.5	-161.7	-71.4
Official capital	-26.6	-33.0	-45.5	-57.9	-32.4
Commercial banks	26.4	8.7	3.1	7.3	18.1
Other financial institutions	28.2	26.1	23.4	20.2	17.8
Private sector	760.3	784.1	625.0	618.0	587.0
Net unclassified assets	20.4	-0.5	-73.2	98.0	-41.6
Medium- and long-term foreign liabilities	21.8	12.7	10.7	10.2	2.1
Liabilities to rest of financial system	132.0	102.5	210.6	229.8	108.8
Monetary authorities	65.8	27.7	11.8	11.8	0.1
Commercial banks	35.4	46.2	172.4	193.5	86.2
Other financial institutions	30.8	28.6	26.4	24.5	22.5
Liabilities to private sector	442.4	430.3	317.8	325.3	345.6
II. Trust Companies					
Monetary reserve and currency holdings	0.0	0.0	0.0	0.0	0.0
Net domestic assets	309.2	348.6	288.8	297.5	324.0
Net claims on public sector	-56.2	-11.9	-24.7	-31.4	-4.0
Central government (net)	0.8	16.3	13.8	12.3	0.0
Deposits of insurance funds and levies	-57.0	-28.2	-38.5	-43.7	-4.0
Credit to commercial banks	15.9	8.6	2.0	6.3	14.7
Credit to Barbados Mortgage Finance Co.	25.5	23.5	21.0	19.6	17.8
Credit to private sector	351.3	371.8	396.5	405.0	425.2
Mortgage loans	338.3	350.3	365.3	379.5	404.3
Residential	282.5	292.5	308.9	323.9	343.7
Industrial and commercial	52.6	54.3	52.8	52.1	57.0
Other	3.2	3.5	3.6	3.5	3.6
Other loans	13.0	21.5	31.2	25.5	20.9
Net unclassified assets	-27.3	-43.4	-106.0	-102.0	-129.7
Medium- and long-term foreign liabilities	0.9	1.0	1.1	1.1	1.1
Liabilities to commercial banks	4.6	6.3	46.8	49.1	43.8
Liabilities to private sector	303.7	341.3	240.9	247.3	279.1
Time deposits	299.7	337.3	236.9	243.3	275.1
Private capital and surplus	4.0	4.0	4.0	4.0	4.0
III. Finance Companies					
Monetary reserves and currency holdings	0.6	0.3	0.9	0.0	0.0
Net domestic assets	47.7	25.3	40.6	46.0	65.0
Credit to private sector	39.5	25.6	40.6	36.9	51.7
Credit to banks	10.5	0.1	1.1	1.0	3.4
Net unclassified assets	-2.3	-0.4	-1.1	8.1	9.8
Liabilities to commercial banks	0.7	1.6	3.3	0.2	0.0
Liabilities to private sector	47.6	23.9	38.2	45.8	65.0
Time deposits	42.1	21.4	35.7	42.8	59.8
Private capital and surplus	5.5	2.5	2.5	3.0	5.2

Table 33. Barbados: Summary Accounts of the Consolidated Nonbank Financial Intermediaries (Concluded)

(In millions of Barbados dollars)

	1992	1993	1994	1995	1996
IV. Barbados National Bank, Agricultural Division					
Monetary reserves and currency holdings	0.0	0.1	0.0	0.1	0.0
Net domestic assets	131.9	79.8	140.2	160.2	45.0
Net claims on public sector	-104.1	-164.9	92.6	-27.3	-31.1
Central government (net)	-8.6	-31.0	208.6	98.9	0.0
Other public sector	-95.5	-133.9	-116.0	-126.2	-31.1
Credit to private sector	185.5	201.8	10.2	10.0	9.4
Share capital and reserves (liabilities)	-7.5	-8.7	-10.4	-8.9	-7.4
Net unclassified assets	58.0	51.6	47.8	186.4	74.1
Medium- and long-term foreign liabilities	1.8	1.6	1.4	1.2	1.0
Liabilities to rest of financial system	71.7	42.0	118.6	141.4	42.5
Monetary authorities	47.2	9.1	0.1	0.1	0.1
Commercial banks (head office)	24.5	32.9	118.5	141.3	42.4
Liabilities to private sector	58.4	36.3	20.2	17.7	1.5
Savings deposits	17.9	11.1	6.2	13.1	0.4
Time deposits	40.5	25.2	14.0	4.6	1.1
V. Barbados Development Bank 1/					
Monetary reserves and currency holdings	0.4	0.3	1.2	1.4	...
Net domestic assets	73.9	62.6	41.0	35.6	...
Net claims on public sector	-3.8	-11.6	-11.8	-11.2	...
Central government (net)	9.2	1.4	1.4	1.0	...
National Insurance Fund - Development bonds	-12.6	-12.6	-12.6	-11.6	...
Statutory bodies	-0.4	-0.4	-0.6	-0.6	...
Official capital and surplus (-)	-0.2	-3.7	-13.2	-25.7	...
Credit to Barbados Mortgage Finance Company	2.7	2.6	2.4	0.6	...
Credit to private sector	88.9	87.7	81.5	69.8	...
Net unclassified assets	-13.7	-12.4	-17.9	2.1	...
Medium- and long-term foreign liabilities	19.1	10.1	8.2	7.9	...
Liabilities to banking system	24.2	24.0	15.5	14.6	...
Monetary authorities	18.6	18.6	11.7	11.7	...
Short-term borrowing	10.0	10.0	9.5	9.5	...
National Development Bonds	8.6	8.6	2.2	2.2	...
Commercial banks	5.6	5.4	3.8	2.9	...
National Development Bonds held by private sector	31.0	28.8	18.5	14.5	...
Memorandum item:					
National Development Bonds, total stock	43.7	44.4	27.4	22.4	
VI. Barbados Mortgage Finance Company					
Monetary reserves and currency holdings	0.3	0.0	0.0	0.0	0.0
Net domestic assets	32.2	28.6	26.4	24.5	22.5
Public sector (Housing Credit Fund)	-32.7	-35.2	-34.9	-34.9	-40.3
Deposits of insurance funds and levies	-17.0	-17.0	-17.0	-17.0	-17.0
Credit to private sector	95.1	97.2	96.2	96.3	100.7
Official capital and surplus (-)	-18.9	-20.6	-21.9	-23.3	-25.0
Net unclassified assets	5.7	4.2	4.0	3.4	4.1
Medium- and long-term foreign liabilities	0.0	0.0	0.0	0.0	0.0
Liabilities to rest of financial system	30.8	28.6	26.4	24.5	22.5
Trust companies	25.0	23.0	21.1	19.2	17.4
Rest of financial system	5.8	5.6	5.3	5.3	5.1
Liabilities to the private sector	1.7	0.0	0.0	0.0	0.0

Source: Central Bank of Barbados.

1/ Ceased operations on December 31, 1995.

Table 34. Barbados: Financial System Credit to the Private Sector

(In millions of Barbados dollars)

	1992	1993	1994	1995	1996
Total credit to private sector	1,896.5	1,918.3	1,898.4	2,093.4	2,129.8
Commercial banks	1,136.2	1,134.2	1,273.4	1,475.4	1,542.8
Nonbank financial institutions	760.3	784.1	625.0	618.0	587.0
Sugar industry	190.4	206.5	17.3	16.4	21.8
Commercial banks	11.6	10.2	11.7	10.9	16.3
Agriculture	10.2	9.7	11.7	10.9	16.3
Manufacturing	1.4	0.5	0.0	0.0	0.0
Nonbank financial institutions	178.8	196.3	5.6	5.5	5.5
Mortgages	468.8	481.5	504.4	520.3	550.8
Commercial banks	35.4	34.0	42.9	43.8	45.8
Nonbank financial institutions	433.4	447.5	461.5	476.5	505.0
Tourism	116.4	105.1	161.4	192.5	167.8
Commercial banks	73.7	60.9	118.5	155.0	167.8
Nonbank financial institutions	42.7	44.2	42.9	37.5	0.0
Personal	288.9	337.8	388.6	454.6	526.8
Commercial banks	264.2	315.0	359.3	437.5	526.8
Nonbank financial institutions	24.7	22.8	29.3	17.1	
Other	832.0	787.4	826.7	909.6	862.6

Source: Central Bank of Barbados.

Table 35. Barbados: Liquidity Position of Commercial Banks

(In millions of Barbados dollars at end of period)

	1992	1993	1994	1995	1996
Cash reserve requirement					
Required reserves	144.4	108.7	120.8	128.0	152.6
Actual reserves	156.5	105.0	124.3	115.7	211.9
Cash in vaults	46.7	49.7	46.9	51.5	53.6
Deposits with central bank	109.8	55.3	77.4	64.2	158.3
Excess reserves	12.1	-3.7	3.5	-12.3	59.3
Government securities requirement					
Required holdings 1/	417.6	416.5	470.0	505.3	603.5
Actual holdings	525.1	566.7	579.6	694.7	878.8
Treasury bills	317.2	282.3	299.5	307.9	467.5
Debentures	191.9	204.6	191.8	285.4	307.8
Other government bonds	16.0	79.8	88.3	101.4	103.5
Excess holdings	107.5	150.2	109.6	189.4	275.3
Cash reserve requirement					
Required reserves	8.0	6.0	6.0	6.0	6.0
Actual reserves	8.6	5.8	6.2	5.4	8.3
Excess reserves	0.6	-0.2	0.2	-0.6	2.3
Memorandum item:					
Average three consecutive Wednesdays deposit base for reserve requirement	1,805.0	1,811.7	2,013.3	2,133.3	2,357.9
Government securities requirement					
Required holdings 1/	23.0	23.0	23.0	23.0	23.0
Actual holdings	28.9	30.9	28.4	31.6	33.5
Excess holdings	5.9	7.9	5.4	8.6	10.5
Memorandum item:					
End of the month deposit base for reserve requirement	1,815.6	1,811.8	2,043.5	2,197.0	2,624.1

Source: Central Bank of Barbados.

1/ Eligible securities include treasury bills and debentures, and securities issued by the statutory bodies.

Table 36. Barbados: Selected Interest Rates

(In percent per annum: period average; unless range indicated)

Period	Central Bank Rediscount		Average Bank Lending Rates		All Loans, Actual	Weighted Average Deposit Rate	Savings Deposits	Three-Month Deposits	Average Treasury Bill Rate	Change In Retail Price Index	Memo: U.S. Interest Rates		
	20.0	13.0	Selected Loans Ceiling	Actual							Prime Lending	Three-Month Deposits	Treasury Bill Rate
1982	20.0	13.0	13.0	13.4	13.5	8.0	6.0	6.5-9.5	11.3	10.3	11.5	12.3	8.2
1983	16.0	11.5	11.5	11.7	11.9	6.0	5.0-5.5	5.5-7.5	6.8	5.3	11.0	9.1	9.0
1984	16.0	12.0	12.0	12.0	12.0	6.2	5.0-5.5	5.0-7.0	7.2	4.6	11.1	10.4	9.6
1985	13.0	10.0	10.0	10.3	10.9	4.8	4.0-4.5	4.0-5.5	4.6	3.9	9.5	8.0	7.1
1986	8.0	9.5	9.5	9.4	10.2	3.5	3.0	3.0-4.0	3.0	1.3	8.2	6.5	5.9
1987	8.0	9.5	9.5	9.6	10.3	3.7	3.0	3.0-5.0	5.0	3.4	8.2	6.9	5.8
1988	8.0	10.5	10.5	10.2	11.1	4.5	4.0	3.3-4.5	4.7	7.7	9.3	4.7	6.7
1989	10.2	12.5	12.5	12.2	12.7	6.3	6.0	6.0-7.5	5.8	6.3	10.9	9.1	8.1
1990	13.5	11.8	11.8	11.5	12.2	6.2	5.6	5.6-6.6	7.3	0.8	10.0	8.2	7.5
1991	15.1	13.0	13.0	13.4	13.4	6.6	6.4	5.8-7.0	9.6	2.1	8.5	5.8	5.4
1992	15.5	14.4	14.4	14.4	14.2	6.7	5.6	5.5-7.0	10.3	4.0	6.2	3.7	3.0
1993	9.3	10.4	10.4	10.4	11.2	4.4	4.2	1.5-4.6	5.6	1.2	6.0	3.2	3.0
1994	8.4	10.4	10.4	10.4	11.5	4.4	4.4	4.2	7.4	0.6	7.1	4.6	4.3
1993													
I	12.0	11.5	11.5	11.5	12.1	4.6	4.0	2.3-5.0	5.1	3.5	6.0	3.1	3.0
II	9.3	9.5	9.5	9.5	10.5	4.2	4.0	1.5-4.5	5.0	2.3	6.0	3.1	3.0
III	8.0	9.9	9.9	9.9	10.9	4.0	4.0	1.2-4.5	5.1	0.1	6.0	3.1	3.0
IV	8.0	10.6	10.6	10.6	11.3	4.8	4.7	1.2-4.5	7.2	-1.3	6.0	3.3	3.1
1994													
I	8.0	10.3	10.3	10.3	11.3	4.1	4.7	4.0	8.3	-0.9	6.0	3.5	3.3
II	8.0	10.2	10.2	10.2	11.4	4.1	4.0	4.0	7.2	0.2	6.0	4.3	4.0
III	8.0	10.4	10.4	10.4	11.4	4.1	4.0	4.0	6.7	0.1	7.5	4.9	4.5
IV	9.5	10.9	10.9	10.9	11.9	5.1	5.0	5.0	7.8	1.1	8.1	5.8	5.2
1995													
I	9.5	11.0	11.0	11.0	11.8	5.0	5.0	5.0	8.0	-0.8	8.8	6.2	5.8
II	9.5	11.0	11.0	11.0	11.9	5.1	5.0	5.0	8.0	-0.1	9.0	6.0	5.6
III	9.5	10.8	10.8	10.8	11.9	5.1	5.0	5.0	8.0	2.6	8.8	5.8	5.4
IV	12.5	10.9	10.9	10.9	11.8	5.2	5.0	5.0	8.3	0.9	8.7	5.7	5.3
1996													
I	12.5	11.0	11.0	11.0	11.9	5.2	5.0	5.0	8.0	-0.6	8.3	5.3	5.0
II	12.5	11.1	11.1	11.1	11.9	5.2	5.0	5.0	6.8	0.7	8.3	5.4	5.0
III	12.5	11.1	11.1	11.1	11.9	5.2	5.0	5.0	6.0	0.5	8.3	5.5	5.1
IV	12.5	11.1	11.1	11.1	11.9	5.2	5.0	5.0	5.6	1.1	8.3	5.4	5.0

Sources: Central Bank of Barbados, Economic and Financial Statistics; and IMF, International Financial Statistics.

Table 37. Barbados: Operations of the Credit Unions

(In millions of Barbados dollars)

	March 31				
	1992	1993	1994	1995	1996
Shares and deposits	152.2	142.5	139.4	149.2	169.8
Loans outstanding	148.7	130.3	124.9	143.0	170.7
Total assets	187.7	180.5	178.3	194.3	232.9
Memorandum items:					
Number of credit unions	44	47	46	47	50
Number of members (thousands)	42.3	42.7	44.3	46.5	54.5

Source: Central Bank of Barbados.

Table 38. Barbados: Summary Accounts of Offshore Banks

(In millions of Barbados dollars)

	1992	1993	1994	1995	1996
I. Balance Sheet (End of Period)					
Assets	4,464.5	3,968.7	4,322.7	9,487.4	15,870.0
Due from financial institutions	2,750.6	2,555.9	2,591.8	6,338.5	7,278.5
Other banks	509.4	589.3	476.5	2,223.1	2,957.5
In Barbados	3.3	3.8	33.1	37.0	383.2
Abroad	506.1	585.5	443.4	2,186.1	2,574.3
Head office and branches abroad	2,191.5	1,877.6	2,113.3	4,113.1	4,321.0
Other financial institutions in Barbados	49.7	89.0	2.0	2.3	0.0
Loans and advances	491.9	511.8	495.9	774.7	400.3
To residents	46.3	19.6	90.1	21.1	...
Of which:					
Public corporations	30.3	12.1	59.9	6.4	...
To nonresidents	445.6	492.2	405.8	753.6	...
Investments abroad	1,174.9	885.2	1,179.6	2,268.9	8,200.8
Other unclassified assets (net)	47.1	15.8	55.4	105.3	-9.6
Liabilities	4,494.6	3,980.9	4,323.6	9,487.4	15,870.0
Deposits	205.5	162.9	456.5	567.8	851.1
Demand	31.9	49.7	142.7	274.4	410.6
Time and saving	173.6	113.2	313.8	293.4	440.5
Due to head offices and branches abroad	1,420.4	963.6	1,041.6	4,068.5	6,651.3
Due to other financial institutions	13.8	13.4	2.0	214.7	62.4
Capital and reserves	2,854.9	2,841.0	2,823.5	4,636.4	8,305.2
Of which:					
Undistributed profits	338.6	410.3	458.4	740.2	1,188.7
II. Profits and Loss (Flow During Period)					
Earnings	288.0	195.1	218.6	372.4	689.2
Interest on loans and discounts	131.6	48.9	43.2	76.4	84.6
Other current income	156.4	146.2	175.4	296.0	604.7
Expenses	35.3	43.0	55.6	138.4	268.2
Interest paid on deposits	8.2	5.2	7.9	31.5	41.1
Interest on borrowings	18.1	16.3	22.8	81.7	167.2
Other expenses	9.0	21.5	24.9	25.2	59.9
Net operating surplus	252.7	152.1	163.0	234.0	421.0

Source: Central Bank of Barbados.

Table 39. Barbados: Summary Balance of Payments

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Current account	143.4	70.3	134.7	91.3	76.6
Merchandise trade balance	-366.8	-426.8	-460.8	-567.4	-608.9
Exports	157.4	150.5	153.4	201.9	223.2
<i>Of which:</i>					
Domestic exports	134.6	135.4	132.9	167.9	213.6
Sugar and molasses 1/	30.8	23.8	27.5	25.5	35.5
Other	103.8	111.6	105.4	142.3	178.2
Imports, c.i.f.	524.2	577.3	614.2	769.3	832.1
<i>Of which:</i>					
Retained imports	468.7	532.9	567.2	701.1	765.7
Services (net)	469.8	476.2	560.2	625.0	664.6
Travel (credit)	470.4	534.4	603.0	664.7	685.0
Investment income (net)	-40.0	-52.4	-47.9	-55.8	-54.9
<i>Of which:</i>					
Interest on public debt	-35.3	-29.8	-31.3	-34.0	-65.8
Other services (net)	39.4	-5.9	5.0	16.1	34.5
Unrequited transfers (net)	40.4	20.9	35.3	33.6	21.0
Capital account	-114.0	-49.2	-75.5	-50.4	10.6
Long-term capital	-23.8	3.2	53.9	-5.2	52.9
Public sector	-45.3	-31.3	10.2	-11.9	-6.5
Loans and investment	-37.4	-31.3	10.2	-11.9	-6.5
Central government	-39.7	-24.9	15.1	-13.5	1.4
Government guaranteed	-7.5	-4.3	0.3	3.5	9.6
Central bank	9.8	-2.1	-5.2	-2.0	-17.4
Other	-7.9	0.0	0.0	0.0	0.0
Private sector	21.5	34.6	43.7	6.7	59.4
Direct investment	13.6	17.4	4.0	21.9	47.8
Commercial banks	-4.3	11.4	30.6	7.4	2.6
Other	12.2	5.8	9.1	-22.6	9.0
Short-term capital	-84.8	20.5	-25.3	-36.0	0.0
Public sector	-0.5	-0.5	-1.8	-2.2	-2.2
Commercial banks	11.5	17.8	-22.3	50.1	70.8
Other private	-95.7	3.2	-1.3	-83.8	-68.6
Other capital 2/	-5.4	-72.9	-104.1	-9.2	-42.3
Overall balance (deficit -)	29.4	21.1	59.2	40.9	87.2
Monetary movements	-29.4	-21.1	-59.2	-40.9	-87.2
Gross reserves (increase -)	-80.2	-21.1	-59.0	-24.2	-62.3
Use of Fund credit (net)	50.9	0.0	0.1	-16.5	-25.5
Other liabilities (increase +)	-0.1	0.1	-0.3	-0.2	0.6
(In percent)					
Memorandum item:					
Current account/GDP	9.0	4.3	7.8	4.9	3.8

Sources: Central Bank of Barbados; Barbados Statistical Service; and Fund staff estimates.

1/ Includes valuation adjustment.

2/ Includes net errors and omissions.

Table 40. Barbados: Merchandise Exports, f.o.b.

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Total exports, f.o.b.	157.4	150.5	153.4	201.9	223.2
Re-exports (excludes stores and bunkers)	22.8	15.1	20.4	34.1	9.6
Domestic exports, f.o.b.	134.6	135.4	132.9	167.9	213.6
Sugar and molasses 1/	30.8	23.8	27.5	25.5	35.5
Rum	9.4	7.2	4.2	8.4	11.6
Margarine and lard	3.3	3.1	3.0	4.7	8.3
Other food and beverages	14.8	15.1	13.8	23.7	48.3
Chemicals	21.0	21.1	20.8	26.7	27.3
Electronic components	18.7	24.4	25.7	27.6	26.7
Clothing	5.9	4.6	3.1	3.2	3.8
Other manufactures	29.0	34.5	33.7	45.0	50.6
Other exports	1.7	1.5	1.1	3.0	1.5
(Percentage change)					
Memorandum items:					
Total exports (balance of payments basis)	7.3	-4.4	1.9	31.7	10.5
Domestic exports	10.1	0.6	-1.8	26.3	27.3
(In percent)					
Composition of exports					
Sugar and molasses	22.9	17.6	20.7	15.2	16.6
Electronic components	13.9	18.0	19.3	16.5	12.5
Clothing	4.4	3.4	2.3	1.9	1.8
Other manufactures	21.5	25.5	25.3	26.8	23.7
Other exports	1.3	1.1	0.9	1.8	0.7
Domestic exports/GDP	8.5	8.2	7.7	9.0	10.7

Sources: Central Bank of Barbados; Barbados Statistical Service; and Fund staff estimates.

1/ Includes valuation adjustments.

Table 41. Barbados: Merchandise Imports, c.i.f.

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Total imports, c.i.f.	524.2	577.3	614.2	769.3	832.1
Re-exports (includes stores and bunkers)	55.5	44.4	47.0	68.2	66.4
Retained imports, c.i.f.	468.7	532.9	567.2	701.1	765.7
Consumer goods	204.5	230.6	245.5	300.5	314.1
Nondurables	149.0	156.2	165.3	172.7	193.4
Food and beverages	98.2	101.3	113.7	123.0	130.1
Other	50.8	55.0	51.6	49.7	63.3
Durables	20.1	32.9	43.8	64.8	61.0
Motorcars	6.4	14.4	23.8	36.5	39.5
Other	13.7	18.5	20.0	28.3	21.5
Other manufactured goods	35.4	41.5	36.3	63.0	59.7
Intermediate goods	188.5	204.7	219.2	274.7	271.9
Fuel	29.7	28.5	27.5	31.3	45.3
Electrical components	18.5	16.7	21.9	23.5	0.5
Construction materials	28.8	42.0	45.1	55.2	56.4
Chemicals	31.5	34.8	40.1	61.2	54.1
Textiles	13.1	13.4	14.1	22.8	15.9
Foods and fats	14.3	15.3	16.1	19.0	25.5
Other manufactured goods	52.6	54.0	54.4	61.7	74.2
Capital goods	74.9	97.8	95.3	123.9	157.3
Machinery	64.5	88.1	85.4	111.9	148.0
Other	10.4	9.7	9.9	12.0	9.4
Unclassified goods	0.8	0.0	7.2	2.0	22.3
(In percent of GDP)					
Memorandum items:					
Retained imports	14.8	16.1	16.3	18.8	19.2
Consumer goods	6.4	7.0	7.1	8.1	7.9
Intermediate goods	5.9	6.2	6.3	7.4	6.8
Capital goods	2.4	3.0	2.7	3.3	3.9
(Annual change in percent)					
Import growth					
Imports, c.i.f. (balance of payments basis)	-25.0	10.1	6.4	25.3	8.2
Retained imports	-23.6	13.7	6.4	23.6	9.2
Consumer goods	-15.9	12.8	6.5	22.4	4.5
Intermediate goods	-20.5	8.6	7.1	25.3	-1.0
Capital goods	-37.0	30.5	-2.5	30.1	26.9

Sources: Central Bank of Barbados; Barbados Statistical Service; and Fund staff estimates.

Table 42. Barbados: Invisibles Account

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Total invisibles	510.2	497.1	595.5	658.6	685.6
Credit	800.8	873.1	1,021.3	1,141.5	...
Debit	290.6	376.0	425.9	482.9	...
Services	469.8	476.2	560.2	625.0	664.6
Credit	745.7	829.7	965.9	1,084.3	...
Debit	275.9	353.6	405.7	459.3	...
Transportation	-19.7	-22.6	-24.4	-27.2	...
Credit	6.3	6.7	11.6	12.7	...
Debit	26.0	29.3	35.9	39.9	...
Travel	428.6	481.2	543.9	593.6	...
Credit	470.4	534.4	603.0	664.7	685.0
Debit	41.9	53.3	59.1	71.1	...
Investment income	-40.0	-52.4	-47.9	-55.8	-54.9
Credit	25.7	27.1	37.4	38.1	...
Debit	65.7	79.4	85.2	93.9	...
Government	13.5	3.5	8.9	6.4	...
Credit	28.5	27.0	28.6	22.8	...
Debit	15.0	23.5	19.8	16.4	...
Other services and income	140.2	125.3	142.6	184.6	...
Credit	209.9	230.0	280.7	340.0	...
Debit	69.7	104.7	138.2	155.5	...
Freight and insurance	-52.8	-58.8	-63.0	-76.6	...
Credit	4.9	4.7	4.7	6.2	...
Debit	57.7	63.5	67.6	82.8	...
Unrequited transfers	40.4	20.9	35.3	33.6	21.0
Credit	55.1	43.4	55.5	57.2	...
Debit	14.7	22.5	20.2	23.6	...
Private	41.2	26.1	40.3	34.9	...
Credit	50.6	40.9	54.1	55.7	...
Debit	9.4	14.8	13.9	20.8	...
Government	-0.8	-5.2	-5.0	-1.3	...
Credit	4.6	2.5	1.4	1.5	...
Debit	5.4	7.7	6.3	2.8	...
(In percent of GDP)					
Memorandum items:					
Gross travel receipts	29.6	32.4	34.7	35.7	34.4
Gross invisibles	50.4	52.9	58.8	61.2	...

Sources: Central Bank of Barbados; and Fund staff estimates.

Table 43. Barbados: Tourism Statistics

	1992	1993	1994	1995	1996
	(In units as indicated)				
Total tourist days (thousands) 1/	3,059.5	3,200.5	3,481.5	3,535.2	3,729.1
Stay-over arrivals (thousands)	385.5	396.0	425.6	442.1	447.1
Cruise-ship arrivals (thousands)	399.7	428.6	459.5	484.7	510.0
Average length of stay (days) 2/	6.9	7.0	7.1	6.9	7.2
Total bed capacity (thousands)	11.8	11.6	11.5	10.2	11.4
Total bed occupancy rates (percent)	47.8	51.3	56.4	56.7	59.5
Daily expenditure per head (in U.S. dollars)	151.2	165.0	171.7	192.1	183.7
Total tourist expenditure (in millions of U.S. dollars) 3/	462.6	528.0	597.6	679.0	684.9
Stay-over tourists	424.7	486.9	553.4	631.8	634.4
Cruise-ship tourists	37.9	41.1	44.2	47.2	50.5
	(Annual percentage change)				
Total tourist days	-2.3	4.6	8.8	1.5	5.5
Stay-over visitors	-2.2	2.7	7.5	3.9	1.1
Cruise-ship passengers	7.4	7.2	7.2	5.5	5.2
Tourist expenditures	0.6	14.1	13.2	13.6	0.9
Daily expenditure per head	3.0	9.1	4.0	11.9	-4.4
	(In percent of GDP)				
Total tourist expenditure	29.1	32.0	34.4	36.4	34.3
	(In thousands)				
Stay-over visitors by country of residence	385.5	396.0	425.7	442.1	447.1
United States	110.7	112.7	109.1	112.0	111.7
Canada	50.0	49.2	52.3	53.4	54.9
CARICOM	52.8	52.5	51.5	58.6	56.8
United Kingdom	88.8	100.1	123.5	126.6	139.6
Other	83.2	81.5	89.3	91.5	84.1
Stay-over visitors by intended length of stay	385.4	396.0	425.7	442.2	447.1
1-3 days	54.7	49.9	50.6	59.2	55.3
4-7 days	130.7	133.8	138.4	143.7	156.3
Over 7 days	200.0	212.3	236.7	239.3	235.5
	(In percent of total arrivals)				
Stay-over visitors by country of residence					
United States	28.7	28.5	25.6	25.3	25.0
Canada	13.0	12.4	12.3	12.1	12.3
CARICOM	13.7	13.3	12.1	13.3	12.7
United Kingdom	23.0	25.3	29.0	28.6	31.2
Other	21.6	20.6	21.0	20.7	18.8
Stay-over visitors by intended length of stay					
1-3 days	14.2	12.6	11.9	13.4	12.4
4-7 days	33.9	33.8	32.5	32.5	35.0
Over 7 days	51.9	53.6	55.6	54.1	52.7
	(In thousands)				
Stay-over tourist arrivals in the Caribbean	12,204	13,275	14,184	14,714	...
United States	6,443	7,029	7,326	7,492	...
Canada	751	784	788	802	...
CARICOM	1,103	1,159	1,250	1,308	...
Other	3,907	4,303	4,820	5,112	...
Cruise passenger arrivals in the Caribbean	9,400	9,615	9,790	9,710	...
Caribbean visitor expenditure (in millions of U.S. dollars)	9,934.2	10,980.9	11,712.9	12,682.5	...
	(In percent of total)				
Share of Barbados in total Caribbean	3.2	3.0	3.0	3.0	...
By country of residence					
United States	1.7	1.6	1.5	1.5	...
Canada	6.7	6.3	6.6	6.7	...
CARICOM	4.8	4.5	4.1	4.5	...
Other	4.4	4.2	4.4	4.3	...
Cruise passengers	4.3	4.5	4.7	5.0	...
Tourist expenditure	4.7	4.8	5.1	5.4	...

Sources: Barbadian authorities; and Fund staff estimates.

1/ Stay-over arrivals multiplied by average length of stay, plus cruise-ship arrivals. Assumes average length of stay of tourists in establishments which are not surveyed is the same as that for surveyed establishments.

2/ Derived from a survey of establishments. Tourists staying in establishments that are not surveyed represent about one third of total stay-over arrivals.

3/ Excludes "other travel credits:" students, medical patients, and crewmen. Data based on advertised room rates and do not reflect hotel industry rebates.

Table 44. Barbados: Capital Account

(In millions of U.S. dollars)

	1992	1993	1994	1995	1996
Capital account (net)	-114.0	-49.2	-75.5	-50.4	10.6
Long-term capital (net)	-23.8	3.2	53.9	-5.2	52.9
Public sector (net)	-45.3	-31.3	10.2	-11.9	-6.5
Loans and securities	-37.4	-31.3	10.2	-11.9	-6.5
Central government	-39.7	-24.9	15.1	-13.5	1.4
Gross disbursements	22.2	24.8	58.4	50.5	38.8
Amortization	61.9	49.7	43.3	63.9	37.4
Government guaranteed	-7.5	-4.3	0.3	3.5	9.6
Gross disbursements	0.0	0.9	3.4	6.5	11.6
Amortization	7.5	5.2	3.1	3.0	2.0
Central bank	9.8	-2.1	-5.2	-2.0	-17.4
Gross disbursements	16.1	0.0	22.4	19.4	19.2
Amortization	6.4	2.1	27.5	21.4	36.6
Other	-7.9	0.0	0.0	0.0	0.0
Private capital (net)	21.5	34.6	43.7	6.7	59.4
Direct investment	13.6	17.4	4.0	21.9	47.8
Credit	14.5	17.8	5.7	21.9	47.8
Debit	0.9	0.4	1.7	0.0	0.0
Loans and securities	-10.1	5.0	5.8	-22.6	9.0
Gross disbursements	20.6	20.9	18.6	6.4	19.7
Amortization	30.7	15.9	12.7	29.0	10.7
Commercial banks (net)	-4.3	11.4	30.6	7.4	2.6
Other investment	22.3	0.8	3.3	0.0	0.0
Short-term capital (net)	-84.8	20.5	-25.3	-36.0	0.0
Official	-0.5	-0.5	-1.8	-2.2	-2.2
Credit	0.1	0.0	0.1	0.1	0.1
Debit	0.6	0.5	1.9	2.3	2.3
Private	-84.3	21.0	-23.5	-33.8	2.2
Trade credits	-76.7	35.8	-17.9	-22.4	-13.3
Commercial banks	11.5	17.8	-22.3	50.1	70.8
Other	-19.0	-32.6	16.6	-61.5	-55.3
Other capital, including errors and omissions	-5.4	-72.9	-104.1	-9.2	-42.3

Sources: Central Bank of Barbados; and Fund staff estimates.

Table 45. Barbados: Summary of External Debt

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
I. Public and Publicly Guaranteed					
Total outstanding (end-year)	480.1	447.4	443.3	416.4	410.0
Central government	377.5	352.3	357.2	358.8	360.2
Government guaranteed	16.8	11.4	7.6	4.6	14.2
Central bank	85.8	83.7	78.5	53.0	35.5
Debt to IMF	50.9	51.0	51.0	34.6	9.1
Other	34.9	32.7	27.5	25.6	8.1
Debt service	111.1	86.8	105.2	140.3	141.8
Amortization	75.8	57.0	73.9	106.3	76.0
Central government	61.9	49.7	43.3	63.9	37.4
Government guaranteed	7.5	5.2	3.1	3.0	2.0
Central bank	6.4	2.1	27.5	39.4	36.6
Debt to IMF	0.0	0.0	0.0	18.0	25.5
Other	6.4	2.1	27.5	21.4	36.6
Interest payments	35.3	29.8	31.3	34.0	65.8
Central government	28.8	24.7	25.2	27.0	58.8
Government guaranteed	2.2	1.1	0.5	0.8	0.6
Central bank	4.3	4.1	5.7	6.3	6.4
Debt to IMF	0.0	2.1	3.1	3.2	1.5
Other	4.3	2.0	2.6	3.1	4.9
II. Private Nonguaranteed Debt					
Total outstanding (end of year)	90.5	79.3	67.6	62.5	74.5
Debt service	38.4	21.9	16.4	15.9	37.6
Amortization	30.7	15.9	11.9	11.6	33.8
Interest payments	7.7	6.0	4.5	4.3	3.8
(In percent of GDP)					
Memorandum items:					
Total debt outstanding	35.9	31.9	29.4	25.7	24.3
Public/publicly guaranteed	30.2	27.1	25.5	22.3	20.6
<i>Of which:</i>					
Debt to IMF	3.2	3.1	2.9	1.9	0.5
(In percent of domestic exports and tourism receipts)					
Debt service					
On total debt outstanding	24.7	18.0	20.3	24.6	20.0
On public/publicly guaranteed	18.4	14.4	17.5	22.1	15.8
<i>Of which:</i>					
Debt to IMF	0.0	0.3	0.5	3.3	3.0
(In percent per annum)					
Average interest rate					
On total debt outstanding	7.5	6.8	7.0	8.0	14.4
On public/publicly guaranteed	7.4	6.7	7.1	8.2	16.0

Sources: Central Bank of Barbados; and Fund staff estimates.

Table 46. Barbados: Direction of Trade 1/

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Total exports, f.o.b.	190.2	187.0	181.5	238.9	280.6
United States 2/	31.2	32.5	35.3	34.4	37.7
CARICOM	53.1	61.3	52.8	72.2	97.8
United Kingdom	37.8	29.6	36.7	35.9	46.7
Canada	5.2	6.0	7.9	12.7	12.3
Germany	1.3	0.6	0.9	1.8	...
Japan	1.6	1.1	1.1	1.5	...
Venezuela	0.1	0.1	0.1	3.1	...
Other	59.9	55.8	46.7	77.3	86.3
Total imports, c.i.f.	524.3	577.1	614.3	770.6	833.7
United States 2/	188.7	208.3	239.8	286.3	337.9
CARICOM	99.8	108.4	117.4	123.5	122.7
United Kingdom	45.5	53.9	56.0	73.5	69.8
Canada	29.0	28.7	34.8	39.1	42.7
Germany	11.7	10.8	10.5	20.0	...
Japan	20.2	31.2	29.9	51.5	...
Venezuela	21.9	21.1	19.4	31.1	...
Other	107.5	114.7	106.5	145.6	260.7
(In percent of total)					
Total exports, f.o.b.	100.0	100.0	100.0	100.0	100.0
United States 2/	16.4	17.4	19.4	14.4	13.4
CARICOM	27.9	32.8	29.1	30.2	34.8
United Kingdom	19.9	15.8	20.2	15.0	16.6
Canada	2.7	3.2	4.4	5.3	4.4
Germany	0.7	0.3	0.5	0.8	...
Japan	0.8	0.6	0.6	0.6	...
Venezuela	0.1	0.1	0.1	1.3	...
Other	31.5	29.8	25.7	32.4	30.8
Total imports, c.i.f.	100.0	100.0	100.0	100.0	100.0
United States 2/	36.0	36.1	39.0	37.2	40.5
CARICOM	19.0	18.8	19.1	16.0	14.7
United Kingdom	8.7	9.3	9.1	9.5	8.4
Canada	5.5	5.0	5.7	5.1	5.1
Germany	2.2	1.9	1.7	2.6	...
Japan	3.9	5.4	4.9	6.7	...
Venezuela	4.2	3.7	3.2	4.0	...
Other	20.5	19.9	17.3	18.9	31.3

Sources: Barbados Statistical Services; Central Bank of Barbados; and Fund staff estimates.

1/ Includes re-exports.

2/ Includes exports to Puerto Rico.

Table 47. Barbados: Direction of Trade with CARICOM Countries

	1992	1993	1994	1995	1996
(In millions of U.S. dollars)					
Domestic exports, f.o.b.	53.1	61.3	52.8	72.2	83.2
Jamaica	4.6	12.3	10.1	15.3	20.9
Trinidad and Tobago	19.0	17.8	14.8	16.2	17.6
Guyana	2.7	3.2	3.5	6.5	8.2
Dominica	3.3	3.3	2.5	4.8	4.4
Grenada	3.6	3.4	3.0	3.7	4.6
St. Vincent	4.9	4.9	4.3	5.8	6.5
St. Lucia	7.7	8.6	7.1	10.4	10.6
Antigua	3.1	3.3	3.5	4.4	5.0
Other	4.2	4.5	4.0	5.1	5.4
Imports, c.i.f.	99.8	108.5	117.4	123.5	122.7
Jamaica	14.5	15.1	18.1	16.7	13.7
Trinidad and Tobago	67.6	76.6	79.2	83.2	89.9
Guyana	5.6	6.9	7.9	9.2	7.6
Dominica	2.0	1.6	1.7	1.9	1.7
Grenada	1.2	1.4	1.9	2.4	1.6
St. Vincent	3.4	3.0	5.6	5.8	4.9
St. Lucia	3.1	2.5	1.8	2.1	2.6
Antigua	0.5	0.2	0.2	0.1	0.2
Other	1.9	1.2	1.0	2.1	0.5
(In percent of total)					
Domestic exports, f.o.b.	100.0	100.0	100.0	100.0	100.0
Jamaica	8.6	20.1	19.1	21.2	25.1
Trinidad and Tobago	35.8	29.1	28.1	22.4	21.2
Guyana	5.1	5.2	6.6	9.0	9.9
Dominica	6.2	5.4	4.8	6.6	5.3
Grenada	6.8	5.5	5.8	5.1	5.5
St. Vincent	9.2	8.0	8.1	8.0	7.8
St. Lucia	14.5	14.0	13.5	14.4	12.7
Antigua	5.9	5.4	6.5	6.2	6.0
Other	7.9	7.3	7.5	7.1	6.5
Imports, c.i.f.	100.0	100.0	100.0	100.0	100.0
Jamaica	14.5	13.9	15.4	13.5	11.2
Trinidad and Tobago	67.8	70.6	67.4	67.4	73.3
Guyana	5.6	6.4	6.7	7.5	6.2
Dominica	2.0	1.4	1.5	1.5	1.4
Grenada	1.2	1.3	1.6	2.0	1.3
St. Vincent	3.4	2.8	4.8	4.7	4.0
St. Lucia	3.1	2.3	1.6	1.7	2.1
Antigua	0.5	0.2	0.1	0.1	0.2
Other	1.9	1.1	0.8	1.7	0.4

Sources: Central Bank of Barbados; and Barbados Statistical Service.



