

EBS/84/4

CONFIDENTIAL

January 6, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Barbados - Staff Report for Review Under Stand-By Arrangement

There is attached for the information of Executive Directors a paper on a review under the stand-by arrangement for Barbados.

If Executive Directors have technical or factual questions relating to this paper, they should contact Mr. Kimaro, ext. (5)7161.

Att: (1)

INTERNATIONAL MONETARY FUND

BARBADOS

Staff Report for Review Under Stand-By Arrangement

Prepared by the Western Hemisphere and Exchange and Trade
Relations Departments

(In consultation with the Fiscal, Legal, and
Treasurer's Departments)

Approved by E. Wiesner and W.A. Beveridge

January 4, 1984

I. Introduction

On October 1, 1982 the Executive Board approved a 20-month stand-by arrangement for Barbados (EBS/82/153) in an amount equivalent to SDR 31.875 million (125 percent of quota). The arrangement was reviewed in early 1983 when the financial program for FY 1983/84 (April-March) was negotiated (EBS/83/109). In their letter of April 29, 1983, the Barbados authorities indicated that they would review with the Fund midway through FY 1983/84 the progress made in the implementation of the program; this review is not a performance criterion. A staff mission 1/ visited Bridgetown during October 21-28, 1983 to examine performance under the program for FY 1983/84. Discussions were held with the Director of Finance and Planning and other senior government officials. Mr. Robert K. Joyce, the Executive Director for Barbados, participated in some of the discussions.

Barbados has made five purchases totaling SDR 24.1 million so far under the stand-by arrangement (Table 1). In October 1982 Barbados also purchased SDR 12.6 million under the compensatory financing facility using the early drawing procedure; Barbados repurchased SDR 0.9 million in April 1983 owing to overcompensation. More information on Barbados' relations with the Fund is contained in Attachment I.

1/ Comprising Messrs. Kimaro (Head), Zeas, Di Tata (all WHD), and Sukachevin (ETR), and Mrs. McCuskey (Secretary-WHD).

Table 1. Barbados: Use of Fund Resources, 1982-84

	Oct. 1982- Oct. 1983	Nov. 1983- Jan. 1984	Feb. 1984- May 1984
(In millions of SDRs)			
Total purchases (net)	35.79 ^{1/}	3.90	3.90
Stand-by arrangement	24.07	3.90	3.90
Ordinary resources	(12.97)	(1.77)	(1.77)
Borrowed resources	(11.10)	(2.13)	(2.13)
CFF	11.72	--	--
(In percent of quota)			
Total purchases (end of period)	140.4	155.7	171.0
Stand-by arrangement	94.4	109.7	125.0
CFF	46.0	46.0	46.0

Source: IMF, Treasurer's Department.

^{1/} Actual.

II. Background and Performance Under the Stand-By Arrangement

Barbados' development strategy has stressed export-led growth with a predominant role for private initiative and investment. During the five-year period 1976-80, tourism and export-oriented manufacturing activity expanded substantially, real GDP grew at an average rate of about 5 percent per annum, and unemployment (defined to include those not actively looking for work) declined to 12.6 percent in 1980 (Table 2 and Statistical Appendix Table 1). Foreign private capital inflows related to investments in tourism and in the manufacturing of electronic components increased substantially. In addition, the Government resorted to considerable concessional foreign borrowing. An external current account deficit averaging the equivalent of 5 percent of GDP could thus be financed while maintaining an adequate level of international reserves and a sound external debt profile. At the end of 1980 outstanding government and government-guaranteed foreign debt was equivalent to 12.7 percent of GDP, and related amortization and interest payments that year represented 6.5 percent of receipts from merchandise exports and tourism. The overall fiscal deficit during the five-year period ending with FY 1980/81 averaged the equivalent of 3.6 percent of GDP, and was financed more or less evenly through foreign borrowing and through recourse to the banking system.

Table 2. Barbados: Selected Indicators

	Annual Average 1976-80	1980	1981	1982	Proj. 1983
(Percentage change)					
Nominal GDP	15.5	22.8	12.2	7.2	9.8
Real GDP	5.1	4.9	-2.7	-4.4	1.8
Tourism <u>1/</u>	13.8	--	-6.9	-14.2	5.0
Sugar exports (tonnage)	8.9	10.3	-31.0	6.2	-13.0
Manufactured exports (volume)	12.9	13.9	-1.8	19.9	15.8
Consumer prices	9.7	12.9	14.6	10.3	6.5
Wages	12.4	17.8	12.1	9.5	8.5
Unemployment rate (in percent)	14.0	12.6	10.8	13.6	14.2
(In percent of GDP)					
Balance of payments					
current account deficit	-5.0	1.6	-9.1	-5.0	-3.8
External public debt <u>2/</u>	11.3	12.7	21.9	25.3	29.5
Debt service ratio <u>3/</u>	4.0	6.5	5.9	8.1	8.1
	1976/77- <u>1980/81</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	Rev. <u>1983/84</u>
Overall deficit of General Government <u>4/</u>	-3.6	-3.8	-6.6	-2.6	-1.5

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

1/ Total number of tourist days.

2/ Includes central bank debt.

3/ As a percent of receipts from merchandise exports and tourism.

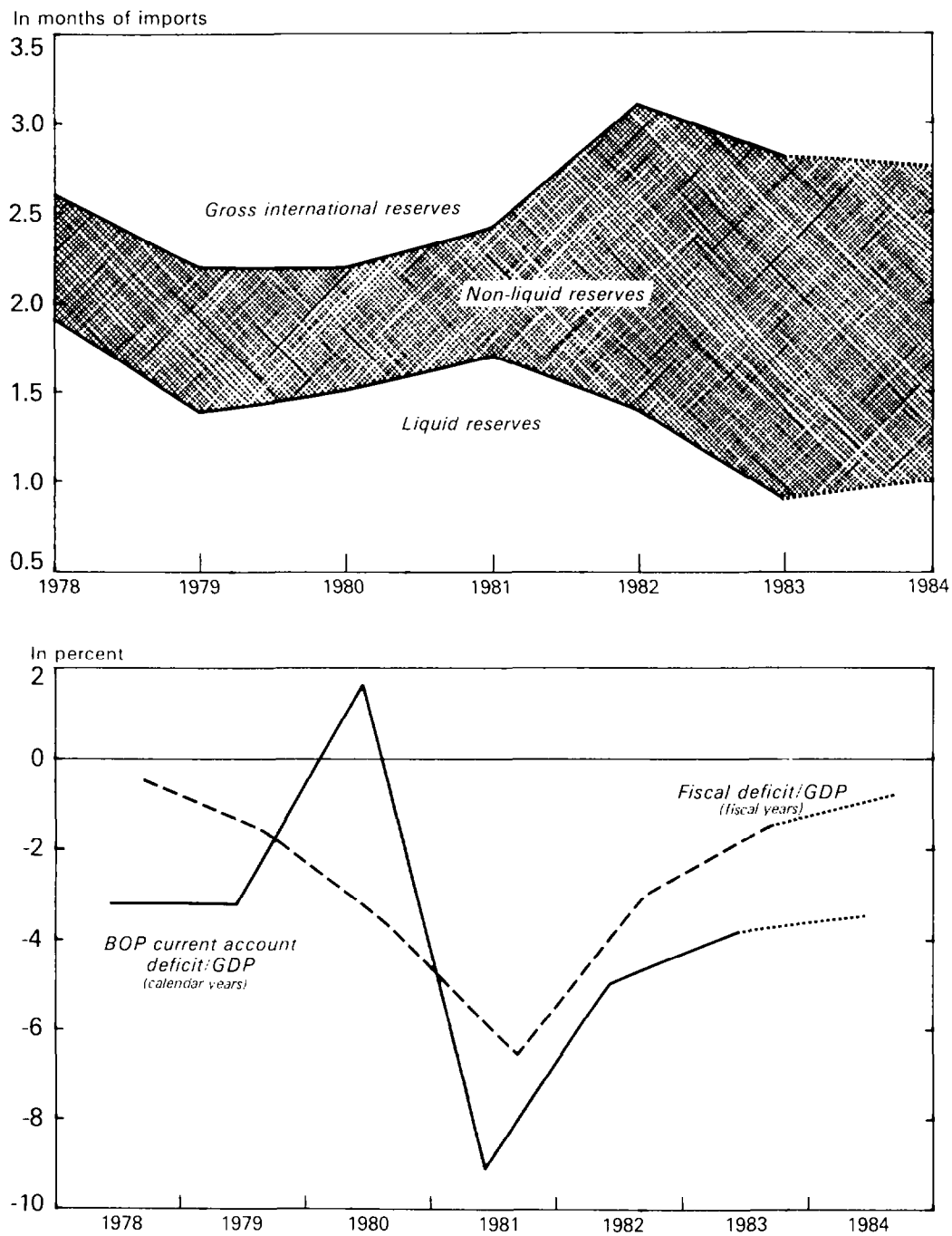
4/ Comprises the Central Government and the Social Security System (NIF).

In 1981 real GDP declined by 2.7 percent owing to a poor sugar crop and to the adverse impact of the world recession. Earnings from tourism and merchandise exports declined, while import payments increased by 14.5 percent due to expansionary fiscal and credit policies and to larger fuel imports occasioned by a temporary shortfall in domestic petroleum production. As a result, the external current account registered a deficit equivalent to 9.1 percent of GDP. The fiscal deficit rose to the equivalent of 6.6 percent of GDP in FY 1981/82 (compared with 3.8 percent in the preceding year) because of a marked increase in capital expenditure and in wages and salaries. To maintain the international reserve position and finance the fiscal deficit, the authorities resorted to commercial foreign borrowing on a significant scale; by end-1981, outstanding government and government-guaranteed foreign debt had increased to the equivalent of 21.9 percent of GDP. Government recourse to bank credit also increased sharply, contributing to the intensification of domestic inflation; the consumer price index rose by 14.6 percent in 1981, compared to an average annual increase of 9.7 percent during the preceding five-year period.

In the second half of 1981, the authorities initiated a series of adjustment measures which in the following year were consolidated in a program supported by the stand-by arrangement with the Fund. The initial financial program detailing policies for FY 1982/83 and the follow-up program covering FY 1983/84 envisaged the elimination of the overall balance of payments deficit by 1984. The external current account deficit, which was estimated at the equivalent of 10 percent of GDP in 1982, was projected to decline to 8.2 percent in 1983 and to 5.2 percent in 1984. The overall fiscal deficit was to be reduced to the equivalent of 3.5 percent and 2.3 percent of GDP in FY 1982/83 and FY 1983/84, respectively, through substantial tax measures, curbs on current and capital expenditure, and utility tariff adjustments aimed at containing budgetary transfers to the public enterprises. In particular, the budget for FY 1983/84 included revenue measures estimated to yield the equivalent of 1.2 percent of GDP and limited the increase in total expenditure to 6 percent (including a rise of 5 percent in wages and salaries attributable to automatic adjustments and a supplementary award of 2 1/2 percent retroactive to April 1, 1982). The program also provided for increases in interest rates to encourage financial savings and stem foreign capital outflows, and for restraint in credit expansion, wages, and external borrowing.

Thus far Barbados has made satisfactory progress in implementing the financial programs for FY 1982/83 and FY 1983/84. All performance criteria through end-September 1983 were met (Table 3). As is shown in Chart 1, the external and fiscal deficits declined significantly. The external current account deficit in 1982 turned out to be equivalent to 5 percent of GDP, approximately one half the original program estimate. As a result, the overall deficit was below the program limit (US\$4 million compared with a program limit of US\$33 million), notwithstanding a shortfall in capital inflows. Purchases from the Fund under the stand-by arrangement and the compensatory financing facility enabled the

CHART 1
BARBADOS
FISCAL AND EXTERNAL DEVELOPMENTS¹



Sources: Central Bank and Ministry of Finance of Barbados, and Fund staff estimates.

¹Dotted lines show staff projections in the tentative financial program (discussed below) for 1984:85.



Table 3. Barbados: Quantitative Performance Criteria
(End of Period)

	Dec. 1982	1983				March 1984
		March	June	Sept.	Dec.	
(In millions of Barbados dollars)						
<u>Net domestic assets</u> <u>1/</u>						
Limit	111	97	69	83	74	85
Actual	48	53	29	56	...	...
Margin	63	44	40	27	...	...
<u>Banking system credit to the nonfinancial public sector</u>						
Limit	180	151	154	168	182	156
Actual	159	136	140	147	...	...
Margin	21	15	14	21	...	...
(In millions of U.S. dollars)						
<u>External debt authorization</u> <u>2/</u>						
Limit	35.0	35.0	45.5	45.5	45.5	45.5
Actual	20.5	20.5	20.5	20.5		
Margin	14.5	14.5	25.0	25.0		

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

1/ Defined as currency issue and the counterpart of any new issue of SDRs less net international reserves.

2/ Authorizations (cumulative) of government and government-guaranteed debt with maturities of one to ten years.

authorities to build up gross international reserves to the equivalent of three months of imports by end-September 1983. An unforeseen development in 1982 and early 1983 was the rapid buildup of nonliquid reserves, consisting mostly of claims against the Caribbean Multilateral Clearing Facility (CMCF) to which Guyana is the principal debtor; at end-March 1983, when multilateral settlements through the CMCF were suspended, nonliquid reserves amounted to US\$65 million (nearly two thirds of gross official international reserves).

In other areas, the overall fiscal deficit in FY 1982/83 fell to the equivalent of 2.6 percent of GDP (compared with a program ceiling of 3.5 percent) as both capital expenditure and wage and salary payments rose less than expected. Progress also was made in containing the rates of credit expansion and wage increase, and in narrowing the negative differential between domestic and foreign interest rates (Table 4). Furthermore, in early 1983 the authorities abolished import quotas on passenger and small commercial vehicles, and the differential fees on purchases of foreign exchange, which constituted a multiple currency practice, were eliminated effective June 1, 1983.

Developments as regards growth, employment and prices have been broadly as expected. Real GDP declined by 4.4 percent in 1982, but there are indications that a modest recovery has started in 1983. In particular, production of electronic components, which are shipped mostly to the United States, has increased by over one half in the first nine months of 1983 (compared with the corresponding period of 1982). The rate of unemployment, however, has risen to about 14 percent in September 1983, owing partly to layoffs in textile and other labor-intensive manufacturing industries, which largely cater for the Caribbean market. Meanwhile, a slowdown in import price increases and the abatement of internal demand pressures resulted in a decline in the rate of increase in consumer prices from 14.6 percent in 1981 to an annual rate of 6.5 percent during the first nine months of 1983.

III. Report on the Discussions

The discussions centered on the progress made thus far in implementing the FY 1983/84 program and on the continued adequacy of agreed policies to achieve the objectives of the program. The authorities were satisfied with progress attained thus far and they reaffirmed their commitment to the ceilings and targets set for the remainder of the program period. Moreover, they agreed on the need for further adjustment in FY 1984/85, in order to bring the public finances to a sustainable position and to increase the liquid official international reserves.

1. Developments and policies during FY 1983/84

The authorities noted that the prospects for economic recovery had been improving, and they were expecting real GDP to rise by 2 percent in 1983; at the time of the staff visit early in the year, they foresaw

Table 4. Barbados: Selected Monetary Indicators

	Annual Average 1976-80	1980	1981	1982	1983
I. <u>Summary Operations of the Banking System</u>					<u>Sept. 1/</u>
(Changes in percent)					
Net domestic assets <u>2/</u>	16.1	15.2	29.9	6.9	13.0
Credit to general government <u>2/</u>	(3.7)	(-1.3)	(7.5)	(1.8)	(1.7)
Private sector <u>2/</u>	(13.3)	(16.1)	(18.3)	(6.1)	(12.5)
Liabilities to the private sector	16.3	17.3	13.9	7.4	5.6
II. <u>Interest Rates (end of period)</u>					
Discount rate		22.0	20.0	20.0	16.0
Commercial banks' maximum weighted lending rate		11.0	13.8	13.5	12.0
Savings deposit rate		5.0-5.3	8.0	6.0	5.0
Real savings deposit rate <u>3/</u>		-8.0	-7.2	-2.8	-1.2
Interest rate spread <u>4/</u>		-7.8	-6.9	-4.3	-3.2
III. <u>Required Reserve Ratios (end of period)</u>					
(As percent of deposits)					
<u>Required reserves</u>		20.0	25.0	27.0	27.0
Cash		8.0	8.0	8.0	8.0
Government securities		12.0	17.0	19.0	19.0
<u>Actual reserves</u>		28.1	28.2	31.8	28.7
Cash		8.5	8.3	9.1	8.1
Government securities		19.6	19.9	22.7	20.6
<u>Excess reserves</u>		8.1	3.2	4.8	1.7
Cash		0.5	0.3	1.1	0.1
Government securities		7.6	2.9	3.7	1.6

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

1/ The figures for the banking system refer to annualized changes during the January-September period.

2/ In relation to the liabilities to the private sector at beginning of period.

3/ Difference between the interest rate on savings deposits and the increase in the consumer price index during the previous 12 months.

4/ Difference between Barbados' and U.S. interest rates on three-month deposits.

virtually no growth for 1983. With the rate of increase in consumer prices in 1983 estimated to come down to less than 7 percent, the authorities expected a moderation of wage demands during the forthcoming negotiations for the 1984-85 period, which would reinforce the policies of demand restraint, stimulate production and exports, and help increase employment.

a. Fiscal developments

The authorities expect the fiscal deficit to decline to the equivalent of 1.5 percent of GDP in FY 1983/84, compared with a program ceiling of 2.3 percent (Table 5). Revenue is expected to exceed the program estimates by about 2 percent, with a shortfall in nontax receipts being more than offset by higher-than-expected income and import taxes. Income tax receipts are projected to exceed the program estimate by 5 percent, reflecting the stronger economic recovery and improvements in the collection of personal taxes. Higher imports and a number of discretionary changes introduced in the course of the year are likely to result in increased import duties and, to a lesser extent, in higher taxes on consumption.

Total expenditure in FY 1983/84 is expected to be slightly lower than programed, with savings on wages and salaries and on capital outlays being partly offset by increased net lending. The increase in the latter reflects the counterpart of disbursements of U.S. AID and World Bank loans which the Central Government is expected to on-lend to the private sector. Consistent with the lower-than-programed fiscal deficit, the Government is expected to make less recourse to foreign financing and to require no borrowing from the domestic nonbank sector. The authorities indicated that Barbados' participation in the military operations in Grenada might raise government expenditure in the last half of FY 1983/84, but they were confident that this could be accommodated within the public sector's unutilized margin of bank credit under the program.

b. Monetary policy

During the first eight months of 1983, the banking system's liabilities to the private sector declined slightly, compared with an increase of more than 3 percent for the corresponding period in 1982 (Statistical Appendix Table 2). The decline reflected increased competition from domestic nonbank financial intermediaries, which were offering interest rates more attractive than those available at the banks. The authorities reacted to this development by imposing controls on interest rates offered by nonbank intermediaries, and they are examining ways of bringing these intermediaries under more active surveillance of the Central Bank. At present the Central Bank fixes minimum savings rates, maximum weighted lending rates of commercial banks, the prime rate and a variety of preferential rediscount rates.

Table 5. Barbados: Consolidated Accounts of the Central Government and the National Insurance Fund

	1982/83		1983/84		Staff		
	1981/82	Program 1/ Actual	Program 1/ Actual	Actual April/ Sept.	Proj. 1984/85 2/		
(In millions of Barbados dollars)							
Current revenue	509.0	591.0	599.6	652	299.6	661	724
Income, profits, and levies	171.4	182.9	213.3	217	90.8	227	254
Consumption taxes	121.0	156.6	127.9	136	68.2	139	154
Import and stamp duties	95.0	96.5	92.2	105	55.6	111	124
Property	27.5	28.0	26.4	31	6.3	29	32
Nontax	36.2	41.0	36.8	43	19.0	37	38
NIF net of transfers	57.9	86.0	103.0	120	59.7	118	122
Current expenditure	459.4	541.0	510.1	572	259.3	555	609
Wages and salaries	183.7	221.1	202.5	228	103.7	215	(...
Transfers	150.3	134.0	129.3	126	65.0	130	(
Interest	52.4	71.0	71.1	75	29.2	77	80
Goods and services	41.9	52.0	42.4	59	25.4	61	...
NIF	31.1	67.0	64.8	84	36.0	72	90
Current surplus	49.6	50.0	89.5	80	40.3	106	115
Capital receipts	1.6	2.0	1.8	1	1.9	2	2
Capital expenditure	158.2	112.2	103.7	98	47.9	95	119
Net lending 3/	16.4	11.8	39.6	34	22.3	45	15
Overall deficit	-123.4	-72.0	-52.0	-51	-28.1	-32	-17
Foreign financing	91.1	35.0	52.2	31	30.6	27	17
Drawings	104.3	50.2	66.8	47	37.0	43	34
Amortization	-13.2	-15.2	-14.6	-16	-6.4	-16	-17
Domestic financing	32.3	37.0	-0.2	20	-2.5	5	--
Banking system	55.5	35.0	-2.5	5	13.0	5	--
Other	-23.2	2.0	2.3	15	-15.5	--	--
(As percent of GDP)4/							
Current revenue	27.4	29.0	30.1	29.8	...	30.2	29.5
Current expenditure	24.7	26.5	25.6	26.1	...	25.3	24.8
Current surplus	2.7	2.5	4.5	3.7	...	4.8	4.7
Capital expenditure	8.5	5.5	5.2	4.5	...	4.3	4.9
Net lending	0.9	0.6	2.0	1.5	...	2.1	0.6
Overall deficit	-6.6	-3.5	-2.6	-2.3	...	-1.5	0.7
Foreign financing	4.9	1.7	2.6	1.4	...	1.2	0.8
Domestic financing	1.7	1.8	--	0.9	...	0.3	-0.1
Of which: banking system	(3.0)	(1.7)	(-0.1)	(0.2)	(...)	(0.3)	(--)

Sources: Ministry of Finance and Planning; and Fund staff projections.

1/ "Program" figures for 1982/83 and 1983/84 reflect the budget as agreed under the respective financial programs.

2/ Assuming no new revenue measures.

3/ Includes counterpart of U.S. AID and IBRD loans to be on-lent through the Central Bank to the private sector.

4/ The "program" figures for 1982/83 and 1983/84 were computed using earlier GDP estimates which have been revised.

In recent years the growth in the banking system's private sector liabilities also has been weakened by unfavorable differentials between domestic and foreign interest rates. The interest rate differential (for 90-day deposits) in favor of the United States narrowed from 6.9 percentage points at end-1981 to 4.3 percentage points at end-1982 and to 1.2 percentage points at the end of March 1983, before widening to more than 3 percentage points by the end of September. The authorities recognized that interest rate differentials had prompted substantial capital outflows, and noted that they were reviewing the situation with a view to taking appropriate action.

Following a marked slowdown during 1982, the rate of increase of the banking system's net domestic assets picked up during the first nine months of 1983 (see Table 4). This acceleration reflected an expansion of 12 1/2 percent (annual rate)^{1/} in credit to the private sector. Commercial banks financed this credit expansion through increases in medium- and long-term foreign borrowing and in liabilities to the rest of the financial system. The authorities explained that the increase in foreign borrowing reflected mainly the refinancing by the banks of outstanding debts of the telephone company. In this regard, they agreed that it would be undesirable to support substantial private sector credit expansion, especially for consumption, through increased foreign borrowing by the commercial banks.

c. External policies

The external current account deficit is now expected to decline to the equivalent of 3.8 percent of GDP in 1983, or less than one half the program target (Table 6). Merchandise exports are expected to rise by about 19 percent, compared to a program estimate of about 8 percent, owing to higher exports of electronic components and, to a lesser extent, other manufactured products to nonregional markets. Reflecting the poor economic performance of certain neighboring countries, exports to the Caribbean region (mostly textiles and other labor-intensive products) were much smaller during the first four months of 1983 than in the corresponding period of the preceding year. The value of sugar exports is estimated to have declined by about 5 percent in 1983, following a third consecutive poor crop. At the same time, the projection of imports has been revised from an increase of 3 percent estimated in the program to an increase of about 8 percent, reflecting in part the upward revision of real GDP.

Receipts from tourism are estimated to rise by about 5 percent in 1983 as had been projected. Tourist arrivals during the first nine months of 1983 increased at an annual rate of 5 percent--a rate which trailed those of most other countries in the region, reflecting to a large extent differences in the geographic origin of tourists. The number of visitors from the United States, which accounts for about one

^{1/} In relation to monetary liabilities at the end of 1982.

Table 6. Barbados: Balance of Payments

	1980	1981	1982		1983		Staff Proj. 1984
			Prog.	Prel.	Prog.	Rev.	
(In millions of U.S. dollars)							
<u>Current account</u>	<u>13.6</u>	<u>-84.6</u>	<u>-100.5</u>	<u>-50.2</u>	<u>-89.6</u>	<u>-42.1</u>	<u>-42.7</u>
Trade balance	-276.2	-356.5	-361.5	-296.5	-314.5	-300.2	-320.2
Domestic exports, f.o.b.	168.0	152.0	163.5	184.8	185.3	219.1	254.9
Retained imports, c.i.f.	-444.2	-508.5	-525.0	-481.3	-499.8	-519.3	-575.1
Gross tourist receipts	250.5	261.8	251.5	225.0	235.9	236.3	252.8
Other services and private transfers (net)	39.3	10.1	9.5	21.3	-11.0	21.8	24.7
<u>Capital account (net)</u>	<u>4.7</u>	<u>58.9</u>	<u>68.0</u>	<u>46.5</u>	<u>79.6</u>	<u>32.6</u>	<u>58.2</u>
Of which:							
Official capital	(5.8)	(18.1)	(13.8)	(13.4)	(42.9)	(38.3)	(17.8)
Private long-term capital <u>1/</u>	(15.2)	(12.5)	(68.7)	(40.7)	(42.4)	(16.4)	(40.5)
Private short-term capital <u>2/</u>	(-30.6)	(-15.6)	(-2.5)	(-6.0)	(-0.9)	(-24.6)	(1.8)
Official exceptional financing	(18.0)	(30.0)	(--)	(--)	(--)	(--)	(--)
<u>SDR allocation</u>	<u>1.6</u>	<u>1.5</u>	--	--	--	--	--
<u>Overall balance</u>	<u>19.9</u>	<u>-24.2</u>	<u>-32.5</u>	<u>-3.7</u>	<u>-10.0</u>	<u>-9.5</u>	<u>15.5</u>
<u>Change in net official reserves (increase -)</u>	<u>-19.9</u>	<u>24.2</u>	<u>32.5</u>	<u>3.7</u>	<u>10.0</u>	<u>9.5</u>	<u>-15.5</u>
(In percent)							
<u>Memorandum items</u>							
Current account/GDP	1.6	-9.1	-10.1	-5.0	-8.2	-3.8	-3.5
Terms of trade (deterioration -)	0.9	-1.4	...	4.1	0.3	4.9	3.4
Real effective exchange rate (depreciation -)	-3.3	7.2	--	6.5	--	3.8 <u>3/</u>	--
GDP at current market prices (in millions of Barbados dollars)	1,658	1,861	2,040	1,995	2,210	2,191	2,454

Source: Statistical Appendix Table 3.

1/ Including operations on government-guaranteed debt.

2/ Including errors and omissions

3/ Up to September 1983.

fourth of Barbados' tourists,^{1/} rose markedly owing to strong economic recovery and the concentration of promotional efforts in that country. Arrivals from virtually all other countries declined, reflecting, at least in part, the relatively weak economic situation in certain European and Caribbean countries. The authorities acknowledged that the decline in tourist arrivals from countries other than the United States may have been influenced also by the continuing real effective appreciation of the Barbados dollar, but pointed out that the recent bankruptcy of two major tour operators in Canada and Europe may have contributed even more significantly.

Total net capital inflows in 1983 will be considerably lower than had been estimated in the program, reflecting sizable short-term capital outflows presumably spurred by the unfavorable spreads between domestic and foreign interest rates. The official capital inflows anticipated for 1983 have been secured, except for concessionary assistance of US\$10 million which the authorities expect to replace with the issue of a medium-term debenture in the capital market of a neighboring country. This issue would be counted against the program ceiling on external debt authorizations with maturities of one to ten years. An overall balance of payments deficit of about US\$10 million is still being envisaged for 1983.

Since mid-1975, the Barbados dollar has been pegged to the U.S. dollar at a rate of BD\$2 = US\$1. The real trade-weighted exchange value of the Barbados dollar, which increased by 7.2 percent in 1981, rose further by 6.5 percent in 1982 and 3.8 percent during the first nine months of 1983. The authorities stated that they were not contemplating any modification in their exchange rate policy during the remainder of the program period. They noted that reduced wage and price increases were contributing toward a substantial slowdown in the real appreciation of the Barbados dollar in effective terms. Moreover, they pointed to the renewed expansion of tourism and buoyancy of manufactured exports to non-regional markets as evidence of Barbados' international competitiveness. They also informed the mission that a technical review of exchange rate policy of member countries of the Caribbean Community was in progress.

2. Policies for the period following the stand-by arrangement

The authorities felt that the medium-term prospects for the economy were favorable. In particular, the recovery in the industrial countries, coupled with an ongoing expansion of capacity in the tourist, manufacturing, and energy sectors and improved productivity in the sugar sector were expected to result in higher GDP growth. Nevertheless, the liquid international reserves at the end of the stand-by program in March 1984 would be equivalent to less than one month of imports, a level which the authorities consider too low for Barbados' open economy. Also, the

^{1/} The United States accounts for a much higher proportion of tourists to other Caribbean countries.

government finances in FY 1984/85 are expected to be adversely affected by a decline (equivalent to 1/2 percent of GDP) in the overall surplus of the National Insurance Fund owing to continued rapid growth in benefit payments as well as an increase of 21.2 percent in noncontributory old age pensions and a relaxation of qualification for unemployment benefits that have already been announced. Moreover, the sugar sector is expected to require sizable financing from the banking system, which will limit the resources available to finance the budget.

Against this background, the mission discussed with the authorities a tentative financial program for FY 1984/85 aimed at consolidating the progress made under the stand-by program and, specifically, at raising liquid international reserves by the equivalent of about two weeks of imports while avoiding an excessive buildup of external debt. Important elements of this program were a reduction of the fiscal deficit (to less than 1 percent of GDP) mainly through containment of expenditure. In this respect, the authorities noted that a new two-year public sector wage agreement would be negotiated shortly and indicated that they would strive to keep the salary awards substantially below those granted in the last agreement. Other elements of the tentative program were continued restraint in credit and external debt policies and increased flexibility in interest rates.

As regards external debt policies, the authorities reiterated their intention not to allow service payments on government and government-guaranteed external debt (excluding central bank debt) to exceed the equivalent of about 10 percent of receipts from merchandise exports and tourism. With projected service payments rising considerably after 1983 owing partly to scheduled repayments of commercial debts acquired in recent years, the authorities' objective would imply that drawings on foreign loans would need to increase by no more than 2-3 percent per annum in real terms over the medium term. Including central bank debt, overall debt service payments in relation to receipts from merchandise exports and tourism are projected to rise to 13.6 percent in 1986 before starting to decline (Table 7 and Statistical Appendix Table 4).

Medium-term balance of payments projections consistent with the authorities' external debt objective are shown in Statistical Appendix Table 3. The projections suggest, among other things, that Barbados' liquid international reserve position will remain uncomfortable in the years ahead. This would seem to underscore the need for continued caution in demand management and for policies that will strengthen export performance. The authorities explained that they would be undertaking a review of the appropriate strategy for coping with the country's fragile external situation. Depending on the outcome of that review, they would take a decision whether to request further use of Fund resources upon the expiration of the present arrangement.

Table 7. Barbados: External Public Debt

	Rev.			Staff Projections				
	1981	1982	1983	1984	1985	1986	1987	1988
(In millions of U.S. dollars)								
Total outstanding (end of period)	204	249	330	389	432	473	520	570
Debt service	25	33	37	53	61	83	88	84
Amortization	12	13	13	24	26	45	46	38
Interest	13	20	24	29	35	38	42	46
(In percent)								
Total outstanding debt/GDP ratio	21.9	25.0	30.1	31.7	32.0	31.9	31.9	31.7
Debt service ratio	5.9	8.1	8.1	10.4	10.9	13.6	13.1	11.3
Debt service ratio <u>1/</u>	4.0	4.8	5.9	6.9	9.8	9.6	9.3	9.6

Source: Statistical Appendix Table 4.

1/ Excluding Central Bank debt.

IV. Staff Appraisal

Barbados' economic and financial performance deteriorated in 1981 owing mainly to the adverse impact of world recession on exports and tourism and to expansionary financial policies. The authorities reacted to the emerging financial imbalances with a series of adjustment measures which have been supported by a 20-month stand-by arrangement approved by the Board on October 1, 1982. The centerpiece of the adjustment effort has been a strengthening of fiscal performance. Restrained wage, credit, and external debt policies also have played a role.

Economic performance in the early stages of the program period was weak partly because of poor sugar crops and the continued unfavorable effects of recessionary conditions in industrial and certain Caribbean countries on Barbados' tourist and manufacturing industries. However, in the course of 1983 the economy has started to recover, and it seems that the stage has been set for a pickup in the rate of growth next year. The rate of increase in consumer prices has come down in the past two years, owing to reduced domestic demand pressures and favorable developments in import prices. This, together with the rise in unemployment that has taken place, provides the basis for a moderation in wage adjustments in the period ahead.

Thus far Barbados has complied with all performance criteria under the stand-by arrangement, and financial imbalances have been significantly reduced; in particular, there has been a substantial strengthening of the fiscal position. The overall balance of payments performance in 1983 appears to be conforming broadly to initial expectations; the current account deficit is expected to be smaller than that envisaged in the program, but so is the net capital inflow. Although virtually all planned official borrowing has taken place, there has been a considerable net outflow of short-term private capital, which appears to have been prompted by unfavorable interest rate differentials between Barbados and international capital markets.

Notwithstanding the achievement of the program's overall balance of payments objective, the level of liquid official international reserves remains very low, especially taking into account the openness of Barbados' economy and the adherence to a fixed exchange rate for the Barbados dollar. Accordingly, the staff believes that the authorities' emphasis on building up liquid international reserves is appropriate. Pursuit of this objective will require continuing adjustment efforts during the remainder of the program period and in the subsequent years.

The fiscal improvement thus far in FY 1983/84 has been larger than had been envisaged in the program, partly because economic growth was faster than expected. In order to consolidate the progress made in stabilizing the economy, the staff would urge the authorities to build on the good budgetary performance in the first half of the fiscal year and aim at a larger reduction of the fiscal deficit in FY 1983/84 as a whole than had been planned. This would put the authorities in a favorable position to scale down the fiscal deficit further and to strengthen public sector savings in FY 1984/85, largely through action on the expenditure side. In this respect, the staff concurs with the authorities on the importance of keeping wage awards for the 1984-85 period substantially below those granted in the last wage negotiations.

A strong fiscal performance will facilitate a monetary and credit policy consistent with a strengthening of the liquid international reserve position without an undue squeeze on the private sector. This would foster investment and enhance the prospects for sustained growth of output and employment. Furthermore, in order to help stem private capital outflows and to promote a domestic interest rate structure conducive to a greater mobilization and a more efficient allocation of financial savings, the staff would urge the authorities to eliminate controls on interest rates, both in the bank and nonbank sectors. Indeed, the solution to the problems posed to the banking system by the competition coming from nonbank financial intermediaries would seem to be the removal of the interest rate controls previously imposed on the banks rather than the action taken to extend controls to nonbanks, which might close an attractive investment outlet for savers and thus create an additional incentive for the placement of funds abroad.

The real effective exchange value of the Barbados dollar has continued to increase in 1983, though at a slower pace than in earlier years. Nevertheless, the recent performance of exports and tourism has been satisfactory, particularly when allowance is made for temporary factors, and the staff is of the view that the authorities' exchange rate policy remains consistent with a successful implementation of the stand-by program and a moderate growth of real GDP over the medium term. A significant further real appreciation could, however, undermine the competitiveness of Barbados' producers, prevent the economy from realizing its growth potential, and render the medium-term external position even more fragile. This underscores the importance of a cautious wage policy in the public sector, as it would be conducive to moderate wage settlements in other sectors of the economy and thus safeguard the country's international competitive position. In any event, the authorities should keep exchange rate developments under review.

* * * * *

As this review is not required as a performance criterion, no decision is proposed for adoption by the Executive Board.

Fund Relations with Barbados
(As of November 30, 1983)

Date of membership: December 31, 1970.

Status: Article XIV.

Quota: SDR 25.5 million (Barbados has consented to the increase in its quota to SDR 34.1 million under the Eighth General Review)

		<u>Millions of SDRs</u>	<u>Percent of Quota</u>
Fund holdings of Barbados dollars:	Total currency holdings	61.29	240.35
	Of which: Stand-by	(12.97)	(50.87)
	Enlarged access	(11.10)	(43.54)
	CFF	(11.72)	(45.94)
SDR position:	Net cumulative allocation	8.04	
	Holdings (equal 30.39 per- cent of allocation)	2.44	
Current stand-by arrangement:	Total amount	31.88	125.00
	Ordinary resources	16.52	64.78
	Borrowed resources	15.36	60.22
	Undrawn balance	7.80	30.59
Gold distribution:	Barbados has received four distributions totaling 11,125.930 ounces of fine gold.		
Direct distribution of profits from gold sales:	US\$2.09 million.		
Exchange rate:	Pegged to the U.S. dollar since December 1974 at BDS\$2.00 = US\$1.00.		
Exchange restrictions:	Differential fees on the sale of foreign exchange resulting in a multiple currency practice were eliminated starting June 1, 1983.		
Last Article IV consultation and stand-by review:	Discussions during the period February 15-March 3, 1983 and April 28-May 1, 1983, discussed by the Executive Board on June 22, 1983 (SM/83/82 of May 19, 1983 and EBS/83/109 of May 26, 1983).		
Technical assistance:	During October 19-28, 1983; review of the accounting system of the National Insurance Fund.		
Stand-by review:	During October 21-28, 1983.		

Barbados Basic Data

Area and population

Area	166 sq. miles (430 sq. kilometers)
Population (1982)	251 thousand
Annual rate of population increase (1978-82)	0.3 percent
Unemployment rate (1982)	13.6 percent

GDP (1982)

SDR 904.3 million
US\$997.5 million
BDS\$1,995.0 million

GDP per capita (1982)

SDR 3,603

	1981	1982	Prel. 1983	Proj. 1984
		(percent)		
<u>Origin of GDP</u>				
Agriculture and fishing	9	9	9	...
Manufacturing	12	12	12	...
Tourism	13	12	12	...
Construction	8	8	8	...
Government	13	14	13	...
Other	45	45	46	...

Ratios to GDP

Exports of goods and nonfactor services	61.7	57.7	57.4	56.7
Imports of goods and nonfactor services	72.8	67.0	62.3	60.2
Current account of the balance of payments	-9.1	-5.0	-3.8	-3.5
Central government revenue 1/	24.2	24.9	24.8	24.5
Central government expenditure 1/	32.6	30.5	28.8	27.1
Central government savings 1/	0.9	1.5	2.2	2.8
Central government overall surplus or deficit (-)	-8.3	-5.5	-4.0	-2.4
External government and government-guaranteed debt (end of year)	15.7	16.7	22.8	23.7
Gross domestic savings	14.6	13.3	12.2	...
Gross investment	23.9	22.8	21.6	...
Money and quasi-money (end of year)	42.7	42.8	41.6	41.6

Annual changes in selected economic indicators

Real GDP per capita	-2.9	-4.7	1.2	3.2
Real GDP	-2.7	-4.4	1.8	3.5
GDP at current prices	12.2	7.2	9.8	12.0
Domestic expenditure (at current prices)	20.5	5.4	9.4	6.1
Investment	(16.9)	(2.1)	(3.3)	(6.4)
Consumption	(21.6)	(6.3)	(11.0)	(6.0)

GDP deflator	15.3	12.2	8.0	8.5
Consumer prices (annual averages)	14.6	10.3	6.5	7.0

Central government revenue	5.8	10.1	9.3	10.8
Central government expenditure	17.1	0.1	3.9	5.1

Money and quasi-money	13.4	7.4	5.6	11.9
Money	(-0.1)	(-1.2)	(3.8)	(12.1)
Quasi-money	(20.0)	(10.7)	(6.3)	(11.8)
Net domestic bank assets 2/	29.9	6.9	13.0	9.2
Credit to public sector (net)	(6.0)	(3.0)	(1.8)	-0.9
Credit to private sector	(18.5)	(6.1)	(12.5)	7.6

Merchandise exports (f.o.b., in U.S. dollars)	-9.5	21.6	18.6	16.3
Merchandise imports (c.i.f., in U.S. dollars)	14.5	-5.3	7.9	10.8
Travel receipts (gross, in U.S. dollars)	4.5	-14.1	5.0	7.0

<u>Central government finances (fiscal year from April 1)</u>	<u>1981</u>	<u>1982</u>	<u>Rev. 1983</u>	<u>Proj. 1984</u>
	<u>(millions of Barbados dollars)</u>			
Revenue	452.7	498.4	545.0	604.0
Expenditure	608.0	608.3	632.0	664.0
Current account surplus or deficit (-)	17.6	30.8	48.0	69.0
Overall surplus or deficit (-)	-155.3	-109.9	-87.0	-60.0
External financing (net)	91.2	51.9	27.0	20.0
Internal financing (net) and residual	64.1	58.0	60.0	40.0
<u>Balance of payments</u>	<u>(millions of U.S. dollars)</u>			
Merchandise exports (f.o.b.)	152.0	184.8	219.1	254.9
Merchandise imports (c.i.f.) <u>3/</u>	-508.5	-481.3	-519.3	-575.1
Travel (gross)	261.8	225.0	236.3	252.8
Other services (net)	-17.0	0.9	1.3	2.2
Private transfers (net)	27.1	20.4	20.5	22.5
Balance on current and transfer accounts	-84.6	-50.2	-42.1	-42.7
Official capital (net) <u>4/</u>	48.6	23.6	73.7	61.3
Private capital (net) and errors and omissions <u>5/</u>	10.3	22.9	-41.1	-3.1
SDR allocations	1.5	--	--	--
Change in net official international reserves (increase -)	24.2	3.7	9.5	-15.5
	<u>1981</u>	<u>1982</u>	<u>November 1982</u>	<u>November 1983</u>
<u>International reserve position</u>	<u>(millions of SDRs)</u>			
(end of period)				
Central Bank (gross)	88.8	113.9	105.5	106.9
Central Bank (net)	39.8	36.9	30.8	29.0

^{1/} Fiscal years from April.

^{2/} In relation to liabilities to the private sector at beginning of period. Excludes contra-entry of SDR allocations.

^{3/} Retained imports (excludes imports for re-exports).

^{4/} Including official transfers.

^{5/} Including capital flows of the commercial banks.

Table 1. Barbados: Selected Economic and Financial Indicators, 1981-84

	1981	1982		1983		1984
		Prog.	Prel.	Prog.	Rev.	Staff
						Proj.
(Annual percent changes, unless otherwise specified)						
National income and prices						
GDP at constant prices	-2.7	-2.2	-4.4	0.1	1.8	4.0
GDP deflator	13.6	12.5	11.5	9.3	8.2	7.7
Consumer prices	14.6	9.7	10.3	8.8	6.5	...
Wages	12.1	...	9.5	...	8.5	...
Unemployment rate (in percent of labor force)	10.8	...	13.6	...	14.2	...
External sector (millions of U.S. dollars)						
Exports, f.o.b.1/	152.0	163.5	184.8	185.3	219.1	254.9
Imports, c.i.f. (retained)	508.5	525.0	481.8	499.8	519.3	575.1
Non-oil imports, c.i.f.	456.7	485.0	439.4	459.8	483.3	539.1
Export volume 1/	-16.8	11.7	13.4	4.7	10.8	7.7
Import volume	3.8	--	-8.1	-1.3	5.8	6.0
Terms of trade (deterioration -)	-1.3	-4.0	4.1	0.3	4.9	3.4
Nominal effective exchange rate						
(depreciation -)	4.6	2.6	4.5	--	4.0	...
Real effective exchange rate						
(depreciation -)	7.2	5.9	6.5	--	3.8	...
Overall balance of payments deficit (-)2/						
(In millions of U.S. dollars)	-24.2	-32.5	-3.7	-10.0	-9.5	15.5
Gross official reserves (months of retained imports)	2.5	1.5	3.1	2.5	2.8	3.1
External payments arrears	--	--	--	--	--	--
Money and credit						
Domestic credit 3/	29.9	10.0	6.9	13.4	13.0	9.2
Public sector 3/	6.0	4.3	3.0	4.6	1.8	-0.9
Private sector 3/	18.3	10.1	6.1	10.5	12.5	7.6
Money and quasi-money (M2)	13.4	11.2	7.4	9.1	5.6	11.9
Velocity (GDP relative to M2)	2.4	2.3	2.3	2.3	2.3	2.2
Interest rate (annual rate one-year savings)	7.2	8.2	9.5	9.2	6.8 4/	...
(In percent of GDP)						
Gross domestic investment	23.9	25.3	22.8	21.6	21.6	...
Gross national savings	14.6	14.8	13.3	12.2	12.2	...
Current account deficit (BOP)	-9.1	-10.0	-5.0	-8.2	-3.8	-3.5
External public debt	21.9	25.3	25.0	30.3	30.1	31.7
Debt service ratio 5/	5.9	7.6	8.1	8.5	8.1	10.4
Interest payments 5/	3.1	4.4	4.8	5.3	5.2	5.8
(Annual percent changes)						
General government budget 6/						
Revenue and grants	9.1	16.1	17.8	9.7	8.8	9.5
Total expenditure	19.4	4.9	3.1	4.8	10.6	6.9
(In percent of GDP)						
General government overall deficit 6/	-6.6	-3.5	-2.6	-2.3	-1.5	-0.7
Central government savings	0.9	0.3	1.5	1.5	2.2	2.8
Central government budget deficit	-8.3	-5.6	-5.5	-4.4	-4.0	-2.4
Foreign financing	4.9	1.7	2.6	1.4	1.2	0.8
Domestic financing	3.4	3.9	2.9	3.0	2.8	1.6

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

1/ Domestic exports: excludes re-exports and oil bunker sales.

2/ Includes balance of payments support loans to the Government.

3/ Banking system, excluding counter-entry of SDR allocations; in relation to liabilities to the private sector at the beginning of period.

4/ As of end-August 1983.

5/ As percent of receipts from merchandise exports and tourism.

6/ Defined as the consolidated account of the Central Government and the National Insurance Fund.

Table 2. Barbados: Consolidated Banking System

(In millions of Barbados dollars; end of period)

	1981	1982			1983		1983	Staff Proj. 1984	
		Mar.	Aug.	Dec.	Mar.	Aug.	Dec.	Mar.	Dec.
Net international reserves	68.6	102.0	63.5	77.0	91.9	74.3	66.7	68.2	94.5
Central Bank	92.7	85.2	62.6	86.4	80.1	75.0	67.4	68.9	95.5
Assets	206.8	179.2	145.9	251.5	210.3	231.3	227.4	...	...
Liabilities	-114.1	-94.0	-83.3	-170.1	-130.2	-156.3	-160.0	...	...
Commercial banks (net)	-24.1	16.8	0.9	-9.4	11.8	-0.7	-0.7	-0.7	-1.0
Net overseas operations	-44.6	-41.8	-47.7	-49.3	-50.6	-54.0	-56.1	-58.7	-63.6
Net domestic assets	889.3	895.5	922.7	945.5	1,002.9	994.5	1,058.6	1,086.1	1,143.4
Public sector (net)	114.5	114.6	139.9	138.4	111.9 ^{1/}	116.3	124.3	118.5	116.5
Central Government	(229.5)	(231.8)	(258.2)	(254.4)	(240.4)	(234.6)	(261.0)	(260.4)	(260.4)
NIF	(-89.1)	(-93.6)	(-98.1)	(-99.6)	(-104.7)	(-96.2)	(-120.9)	(-125.5)	(-127.5)
Other	(-25.9)	(-23.6)	(-20.2)	(-16.4)	(-23.8)	(-22.1)	(-15.8)	(-16.4)	(-15.6)
Private sector	723.1	728.2	742.1	772.7	820.1	826.5	881.2	897.3	944.6
Rest of financial system ^{2/}	75.0	83.1	76.4	76.6	101.4	85.4	89.9	107.2	130.1
Other ^{3/}	-23.3	-30.4	-35.7	-42.2	-30.5	-33.7	-36.8	-36.9	-47.8
Counterpart unrequited foreign exchange	29.6	29.5	18.3	19.4	20.8	20.4	21.5	20.5	20.5
Medium- and long-term foreign liabilities	15.6	20.8	18.8	20.5	49.5	45.4	45.0	42.5	40.0
Liabilities to rest of financial system ^{2/}	57.9	61.9	63.9	63.1	88.0	84.0	84.0	84.8	87.1
Liabilities to the private sector	810.2	843.5	837.5	870.2	885.9	865.0	918.7	947.8	1,026.7
Monetary liabilities	223.7	229.4	213.1	221.7	238.7	221.5	230.1	241.2	258.0
Currency	(109.1)	(101.9)	(101.4)	(108.1)	(115.8)	(107.3)	(113.2)	(120.2)	(126.8)
Demand deposits	(114.6)	(127.5)	(111.7)	(113.6)	(122.9)	(114.2)	(116.9)	(121.0)	(131.2)
Quasi-money	573.1	601.3	610.4	635.5	939.5	638.2	675.3	693.3	755.0
Private capital	13.4	12.8	14.0	13.0	7.7	5.3	13.3	13.3	13.7

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

^{1/} Excludes BDS\$7 million of investments in bonds issued by Barbados Development Bank which previously had been considered as credit to state enterprises, and includes BDS\$12.4 million NIF's demand deposits on commercial banks previously left out.

^{2/} Includes official and private nonbank financial intermediaries.

^{3/} Includes U.S. AID and IBRD loans on-lent by the Central Government to the Central Bank for housing, industrial, and other projects.

Table 3. Barbados: Balance of Payments

(In millions of U.S. dollars)

	1980	1981	1982		1983		Staff Projections 1/				
			Prog.	Prel.	Prog.	Rev.	1984	1985	1986	1987	1988
Current account	13.6	-84.6	-100.5	-50.2	-89.6	-42.1	-42.7	-49.3	-54.8	-60.6	-64.8
Trade balance	-276.2	-356.5	-361.5	-296.5	-314.5	-300.2	-320.2	-345.9	-371.8	-399.4	-427.0
Domestic exports, f.o.b.	168.0	152.0	163.6	184.8	185.3	219.1	254.9	285.3	321.6	362.5	408.9
Sugar	(54.1)	(29.2)	(29.0)	(29.4)	(30.3)	(24.5)	(36.4)	(40.3)	(46.0)	(53.0)	(60.0)
Electronic components	(31.7)	(38.6)	(44.6)	(60.9)	(61.0)	(93.6)	(119.0)	(134.0)	(151.0)	(170.0)	(192.0)
Clothing	(24.6)	(26.1)	(30.0)	(32.8)	(33.0)	(36.0)	(41.5)	(46.5)	(53.0)	(60.5)	(69.0)
Other manufacturers	(31.3)	(25.3)	(30.0)	(32.6)	(33.0)	(32.4)	(22.2)	(25.2)	(28.0)	(31.0)	(33.5)
Other	(26.3)	(29.8)	(30.0)	(29.1)	(28.0)	(32.6)	(35.8)	(39.3)	(43.6)	(48.0)	(54.4)
Retained imports, c.i.f.	-444.2	-508.5	-525.0	-481.3	-499.8	-519.3	-575.1	-631.2	-693.4	-761.9	-835.9
Capital goods	(-133.8)	(-156.0)	(-175.0)	(-174.5)	(-193.8)	(-194.6)	(-208.6)	(-229.0)	(-252.0)	(-238.0)	(-305.0)
Intermediate	(-140.5)	(-164.7)	(-145.0)	(-142.5)	(-150.0)	(-150.2)	(-170.3)	(-186.0)	(-203.0)	(-222.0)	(-240.0)
Consumer	(-169.9)	(-187.8)	(-205.0)	(-164.3)	(-156.0)	(-174.5)	(-196.2)	(-216.2)	(-238.4)	(-261.9)	(-288.9)
Gross tourist receipts	250.5	261.8	251.5	225.0	235.9	236.3	252.8	270.5	289.4	309.6	331.3
Services (net)	15.5	-17.0	-20.0	0.9	-43.0	1.3	2.2	2.5	2.8	3.2	3.6
Unrequited private transfers (net)	23.8	27.1	29.5	20.4	32.0	20.5	22.5	23.6	24.8	26.0	27.3
Capital account (net) 2/	4.7	58.9	68.0	46.5	79.6	32.6	58.2	54.3	59.8	65.6	69.8
Of which:											
Official capital	(5.8)	(18.1)	(13.8)	(13.4)	(42.9)	(32.9)	(17.8)	(20.0)	(25.8)	(31.6)	(36.0)
Other private long-term capital 3/	(15.2)	(12.5)	(68.7)	(40.7)	(42.4)	(16.4)	(40.5)	(34.3)	(34.0)	(34.0)	(33.8)
Private short-term capital 4/	(-30.6)	(-15.6)	(-2.5)	(-6.0)	(--)	(-24.6)	(1.8)	(--)	(--)	(--)	(--)
Exceptional official borrowing	(18.0)	(30.0)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
SDR allocation	1.6	1.5	--	--	--	--	--	--	--	--	--
Overall balance	19.9	-24.2	-32.5	-3.7	-10.0	-9.5	15.5	5.0	5.0	5.0	5.0
Change in net official reserves (increase -)	-19.9	24.2	32.5	3.7	10.0	9.5	-15.5	-5.0	-5.0	-5.0	-5.0
Foreign assets	-12.2	-23.8	40.9	-21.9	-9.0	--	-15.5	-5.0	-5.0	-5.0	-5.0
Foreign liabilities	-7.7	48.0	-8.4	25.6	19.0	9.5	--	--	--	--	--

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

1/ The following are some of the key assumptions underlying the projections: (a) the terms of trade improve slightly in 1984, but remain largely unchanged thereafter; (b) the trade and payments system remains free of restrictions; (c) imports of capital, intermediate and consumer goods increase in line with projected gross fixed capital formation, value added of the manufacturing sector and nominal GDP, respectively; (d) real and nominal GDP grow by 3 percent and 10 percent, respectively; (e) official capital inflow conforms to authorities' external debt objectives; and (f) interest rates are managed flexibly to forestall capital movements.

2/ Includes official transfers and capital flows of the commercial banks.

3/ Including direct investment and operations on government-guaranteed debt.

4/ Including errors and omissions.

Table 4. Barbados: Debt Service Payments

(In millions of U.S. dollars)

	1980	1981	1982	Rev. 1983	Staff Projections				
					1984	1985	1986	1987	1988
Debt service payments (incl. Fund)	27.0	24.7	33.1	37.1	53.1	60.7	83.0	88.1	83.8
Debt service payments (excl. Fund)	21.3	22.6	30.7	34.5	51.2	58.8	68.9	68.3	72.9
Amortization	14.6	9.9	12.5	12.5	23.7	26.1	32.6	28.5	29.1
Government	(6.7)	(7.4)	(6.0)	(7.2)	(7.8)	(17.9)	(16.2)	(16.4)	(19.0)
Government-guaranteed	(0.2)	(0.5)	(1.5)	(1.8)	(2.4)	(6.7)	(8.3)	(8.3)	(10.0)
Central Bank	(7.7)	(2.0)	(5.0)	(3.5)	(13.5)	(1.5)	(8.1)	(3.8)	(0.1)
Interest	6.7	12.7	18.2	22.0	27.5	32.7	36.3	39.8	43.8
Government	(4.5)	(7.7)	(10.0)	(13.7)	(16.9)	(19.9)	(22.3)	(25.1)	(27.9)
Government-guaranteed	(1.0)	(1.1)	(2.1)	(4.4)	(8.2)	(10.0)	(11.9)	(12.8)	(14.1)
Central Bank	(1.2)	(3.9)	(6.1)	(3.9)	(2.4)	(2.8)	(2.1)	(1.9)	(1.8)
Debt service payments (Fund)	5.7	2.1	2.4	2.6	1.9	1.9	14.1	19.8	10.9
Repurchase	5.5	2.1	0.9	1.0	--	--	12.2	17.9	9.0
Charge	0.2	--	1.5	1.6	1.9	1.9	1.9	1.9	1.9
Debt service ratio <u>1/</u>	6.5	6.0	8.1	8.1	10.5	10.9	13.6	13.1	11.3
Debt service ratio <u>2/</u>	4.5	4.2	5.4	5.6	7.1	7.4	9.2	8.9	7.7
Memorandum items									
Export of goods, services and private transfers	599.3	586.8	610.3	663.5	743.2	833.6	905.6	992.1	1,082.8
Merchandise exports and tourism	418.5	413.8	409.8	455.7	507.7	555.8	611.0	672.1	740.2
GDP at current market prices (in millions of Barbados dollars)	1,658.0	1,861.0	1,995.0	2,191.0	2,454.0	2,699.4	2,969.3	3,266.3	3,592.9

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

1/ As percent of merchandise exports and tourism.2/ As percent of exports of goods and services and private unrequited transfers.

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