

December 21, 1981 - 81/224

The Chairman's Summing Up at the Conclusion of the
1981 Article IV Consultation with Barbados
Executive Board Meeting 81/159 - December 18, 1981

Executive Directors generally supported the thrust of the views expressed in the staff appraisal for the Article IV consultation with Barbados. They noted the heavy foreign borrowing during the past twelve months and the weakening of the balance of payments position. Directors considered that determined measures of domestic adjustment, including tight credit and fiscal policies to restrain the growth of aggregate demand, were required to strengthen the external position. The recent cutback in planned capital outlays was, therefore, appropriate.

The Government was particularly urged to increase public sector savings through a firm public sector wage policy, the adoption of additional revenue-raising measures, actions to reduce the deficits of, and subsidies to, public enterprises, and restraint on other current outlays. Wage policy was seen to be especially relevant at this juncture, because, given the fixed exchange rate policy, particular attention must be paid to domestic cost developments.

Directors welcomed the recent steps toward tightening of monetary policy and the steps taken to raise the structure of interest rates in Barbados. The view was expressed that elimination of the interest rate ceilings on loans and a concomitant rise in deposit rates could contribute toward strengthening the domestic savings performance, reversing the outflow of private capital, and improving the structure of domestic interest rates. Appropriate adjustment policies would be crucial in protecting the country's international competitiveness and in sustaining employment.