

MEDIA RELEASE

December 15, 2022

Positive Outlook for Barbados

Caribbean Information and Credit Rating Services Limited (CariCRIS) has reaffirmed the regional scale ratings to the Government of Barbados (GOB) of *CariBB* (Local Currency) and *CariBB-* (Foreign Currency). The ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **below average**.

CariCRIS has also revised the outlook on the ratings to **positive** from stable. The positive outlook is based on the following:

- (i) The successful completion of the IMF's four-year EFF programme and the provision of a further three-year RST programme
- (ii) The expected continuation of the recovery of the tourism sector
- (iii) Continued improvement in the debt-to-GDP ratio, as it declined to 126.3% as at September 2022 from 139% a year earlier
- (iv) Improvement in the primary balance to surplus and expected to grow over the medium-term
- (v) Gross International Reserves are expected to remain at more than 7 months of import cover.

The ratings of the GOB are supported by: (1) Debt to GDP on continuing downward trajectory, (2) Implementation of a procedural fiscal rule that builds in budgetary responsibility, (3) Comfortable and growing foreign currency reserves, (4) Good financial sector stability indicators, and (5) Continued support from the IMF and other international development agencies. However, the ratings are tempered by: (1) Current high debt to GDP, (2) Limited access to commercial international credit, (3) Potential for tourism source market disruptions due to inflation and recession, and (4) Negative inflationary effects on scheduled projects.

Rating Sensitivity Factors

Factors that could, individually or collectively, lead to an improvement in the Ratings and/ or Outlook include:

- A decrease in the total public sector debt to below 120% of GDP
- A fiscal balance better than -1% of GDP over the next 12 months

Factors that could, individually or collectively, lead to a lowering of the Ratings and/ or Outlook include:

- Import cover below 12 weeks with no likely sources to increase reserves
- Delays in the construction of tourism-related investment projects scheduled for completion in 2023
- Derailment in any material way of the BERT 2022 plan

ABOUT THE SOVEREIGN

Barbados is the most easterly island of the Lesser Antilles in the Caribbean. The island is twenty-one (21) miles long and has a maximum width of fourteen (14) miles, covering a total area of 167 square miles. The island is relatively flat but rises gently to the central highland region known as Scotland District, with the high point being Mount Hillaby (1,120 ft above sea level). A large proportion of the island is circled by its ecologically important coral reefs. Erosion of limestone in the northeast has resulted in the formation of caves and gullies. The population of Barbados is 270,000¹ and is one of the world's most densely populated islands making it susceptible to environmental impact pressures as it has a lower than world average biocapacity.

Historically, the economy of Barbados was dependent on sugarcane cultivation; however, from the 1980s it transitioned to tourism, financial services and manufacturing. More recently, offshore finance and information services have become important sectors and foreign exchange earners.

Barbados gained independence from the United Kingdom on 30 November 1966 and 55 years later became a Republic. The Head of State is Dame Sandra Mason and the Prime Minister is the Honourable Ms. Mia Mottley. Upon taking office in May 2018, Prime Minister Mottley's-led administration (the Barbados Labour Party, BLP) immediately implemented the "Barbados Economic Reform and Transformation" (BERT) 2018 plan. This plan was supported by a four-year IMF arrangement under its Extended Fund

¹ 2021 End of year population – Barbados Statistical Service. The rate of population growth is -0.4% per year.

Facility (EFF) which was approved on 1 October 2018. The IMF's endorsement facilitated over Bds \$1.5 billion of budget support in the form of policy-based loans from other international development institutions². The IMF's EFF was successfully concluded in September 2022. Subsequently, Barbados has become the first country to reach a staff-level agreement to access IMF funding under the newly created "Resilience and Sustainability Trust" (RST). The RST provides long-term financing at low-interest rates that will assist in building resilience against climate change. This IMF three-year programme for US \$300 million will facilitate a BERT 2022 plan, which will bolster the economic recovery from COVID-19 and other economic shocks³. In addition, it is expected that Bds \$1 billion in other multilateral financing for project-specific funding will be made available to support the country's economic development.

For more information on the Government of Barbados' ratings, please visit www.caricris.com or contact:

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² Caribbean Development Bank, Inter-American Development Bank, World Bank, Development Bank of Latin America

³ Ashfall from St Vincent in April 2021, and Hurricane Elsa in July 2021