

MEDIA RELEASE

December 14, 2023

Government of Barbados upgraded

Caribbean Information and Credit Rating Services Limited (CariCRIS) has upgraded by two notches the sovereign issuer credit ratings assigned to the Government of Barbados (GOB) to *Cari***BBB-** (Regional Scale Local Currency). Additionally, CariCRIS has aligned the LC and FC ratings as the country now has significant foreign currency reserves and we assess the risk of the GOB's discrimination between LC and FC debt repayment to be low. The ratings indicate that the level of creditworthiness of this obligor, adjudged in relation to other obligors in the Caribbean is **adequate**.

The two-notch upgrade is based on the following improvements in the credit risk profile of the GOB:

- (i) Continued improvement in the debt-to-GDP ratio, as it declined to 115.4% as at September 2023 from 126.3% a year earlier and close to 150% in 2017.
- (ii) The consistent economic expansion over the past 10 quarters demonstrates that Barbados is on a sustainable growth path.
- (iii) Tourism arrivals are now at 86.7% of the pre-pandemic level and expected to exceed that level in the next 12 to 15 months.
- (iv) Following the successful completion of the IMF's four-year Extended Fund Facility (EFF) programme, Barbados became the first country to access the IMF's three-year Resilience and Sustainability Trust (RST) programme in September 2022. The nation's exemplary commitment to meeting the benchmarks set by the IMF has allowed access to additional funding.
- (v) The primary balance is expected to remain above 2% of GDP and improve in the medium-term.

- (vi) Gross International Reserves are expected to remain more than 7 months of import cover.

CariCRIS has also assigned a stable outlook on the ratings. The stable outlook is based on the balance between the anticipated primary surpluses which contain debt and the modest growth expected over at least the medium-term.

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 105% of GDP
- A fiscal balance better than 3% 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 282,000¹ 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.

¹ *United Nations estimate at July 2023.*

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 Facility (EFF) which was approved on 1 October 2018. The IMF's endorsement facilitated over Bds \$1.5 billion in 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, in December 2022, Barbados became 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. The RST is a 3-year program in the amount of SDR 141.75 million (about US \$189 million). At the same time, Barbados entered into a further 3-year EFF equivalent to SDR 85.05 million (about US \$113 million). The programs are undertaken under a BERT 2022 plan which will bolster the economic recovery from COVID-19 and other economic shocks³. Additionally, 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 the first nine months of 2023 Barbados' economy expanded by 4.4%, the largest 9-month expansion since 2006, excluding the pandemic recovery period. Overall, as at September 2023, there have been ten consecutive quarters of growth alongside a reducing debt-to-GDP ratio and a narrowing trade deficit.

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

Note

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