

A scenic view of a beach in Barbados. The foreground is a wide, sandy beach with some shadows cast across it. The water is a vibrant turquoise color, transitioning to a deeper blue further out. In the distance, a pier structure with a green roof and yellow walls extends into the water. Several sailboats are visible on the horizon under a bright blue sky with scattered white clouds.

Barbados Economic Performance in Q1, 2021

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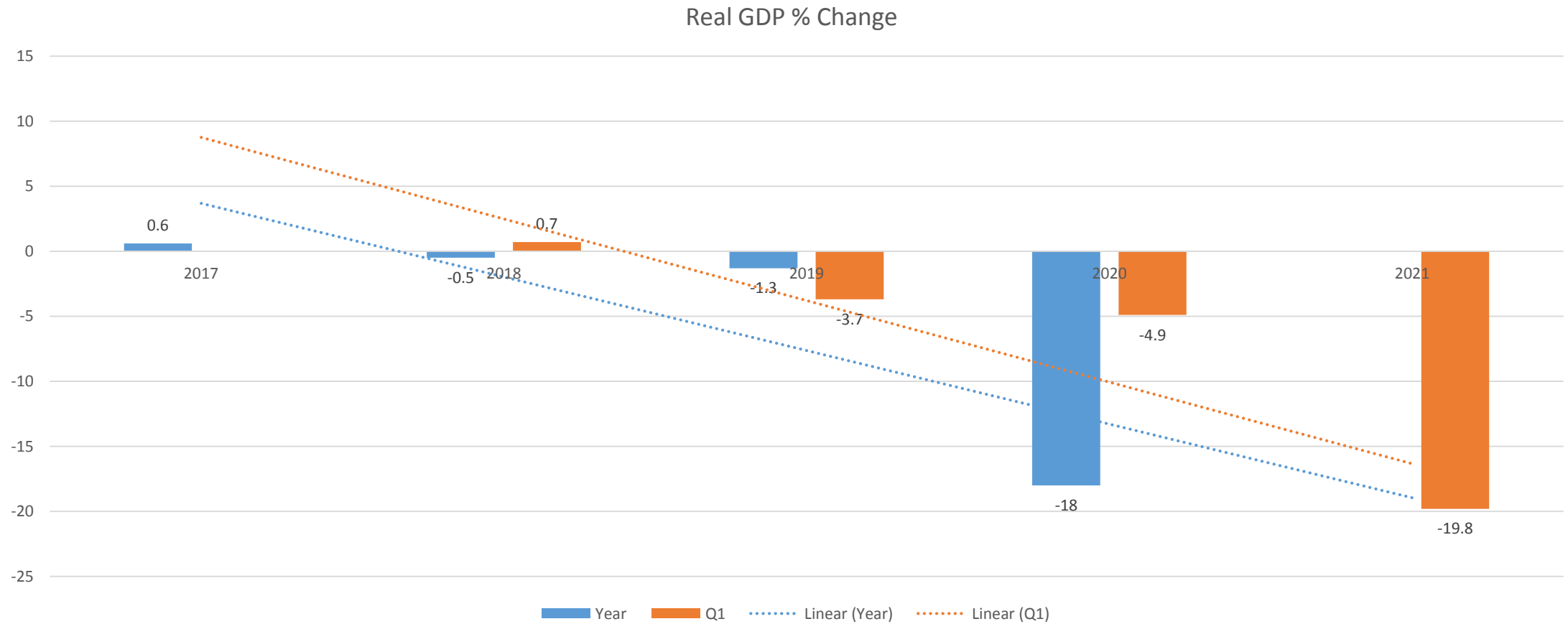
Chart Analysis Based on the Central Bank Report

DeLisle Worrell

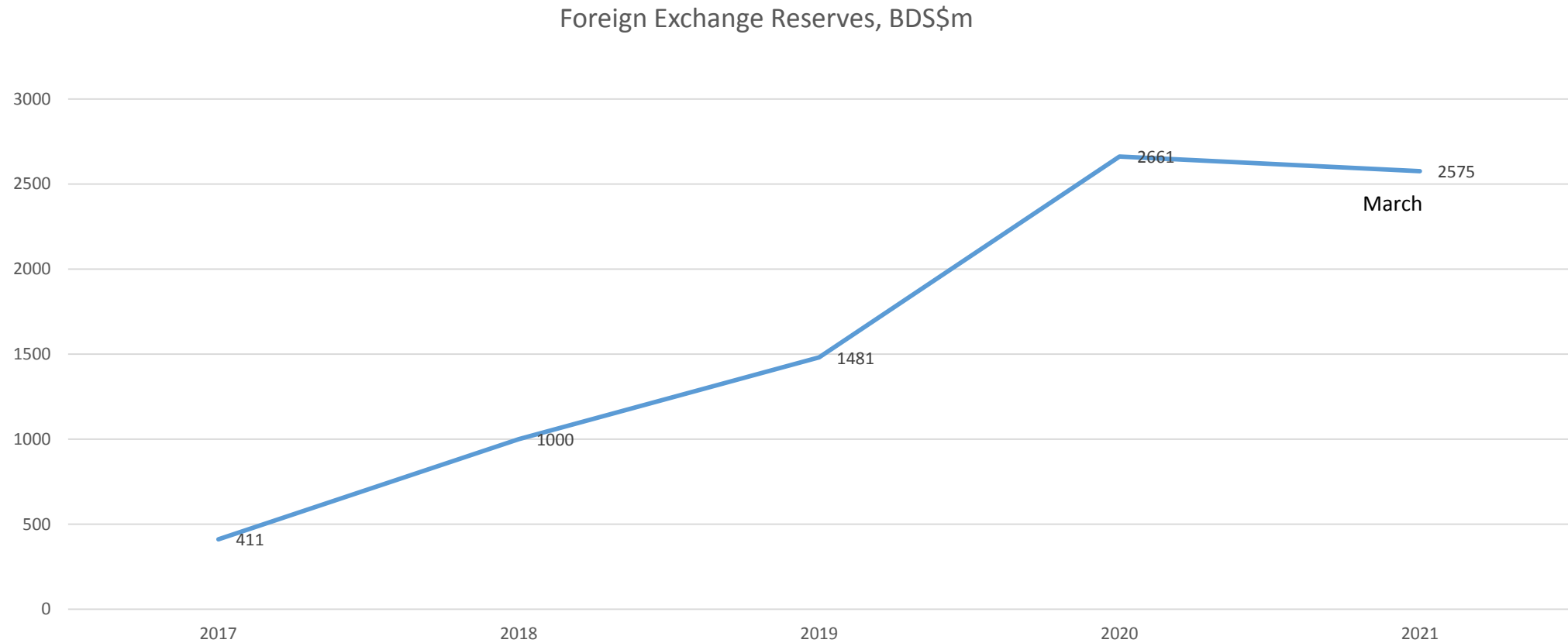
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May 6, 2021

Real GDP contracted by 19% in the first quarter, following an 18% contraction last year

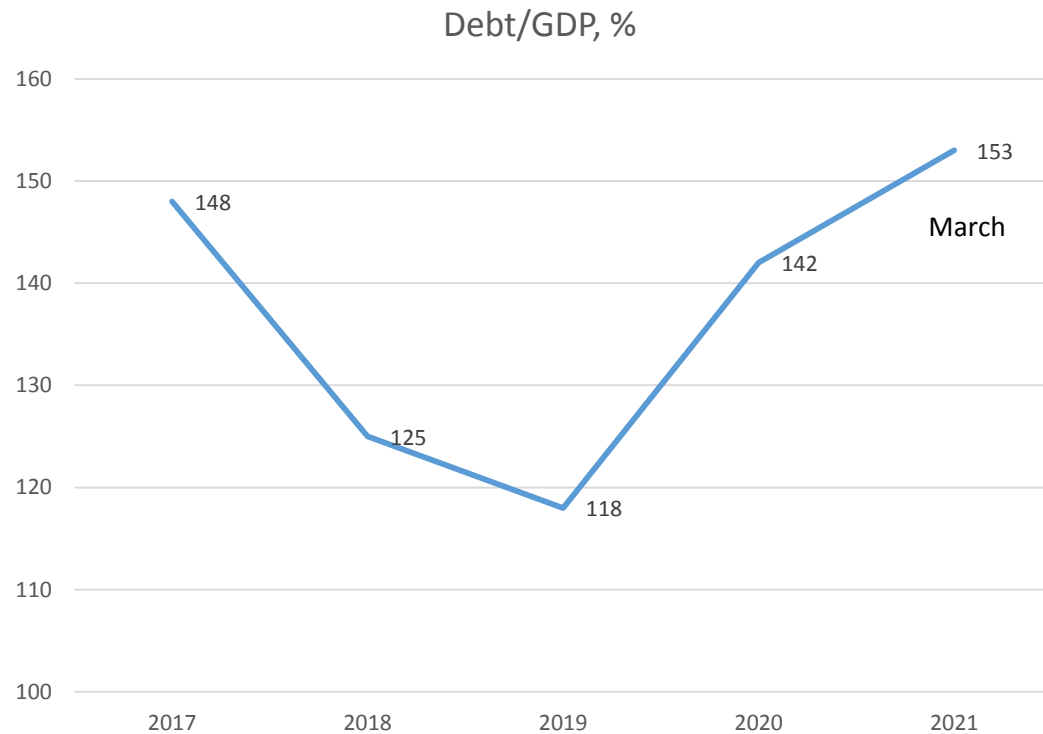


Foreign reserves fell \$86m in the first quarter, the first downturn since 2017

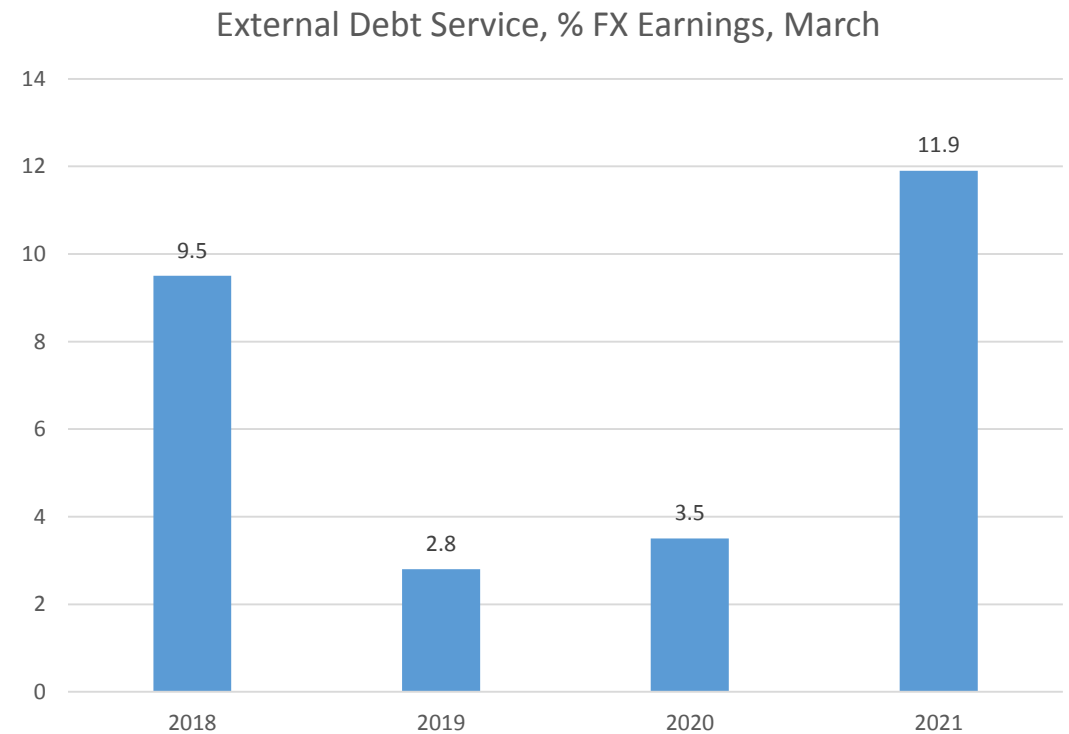


Government debt

The debt/GDP ratio at March was 5 points higher than at the end of 2017

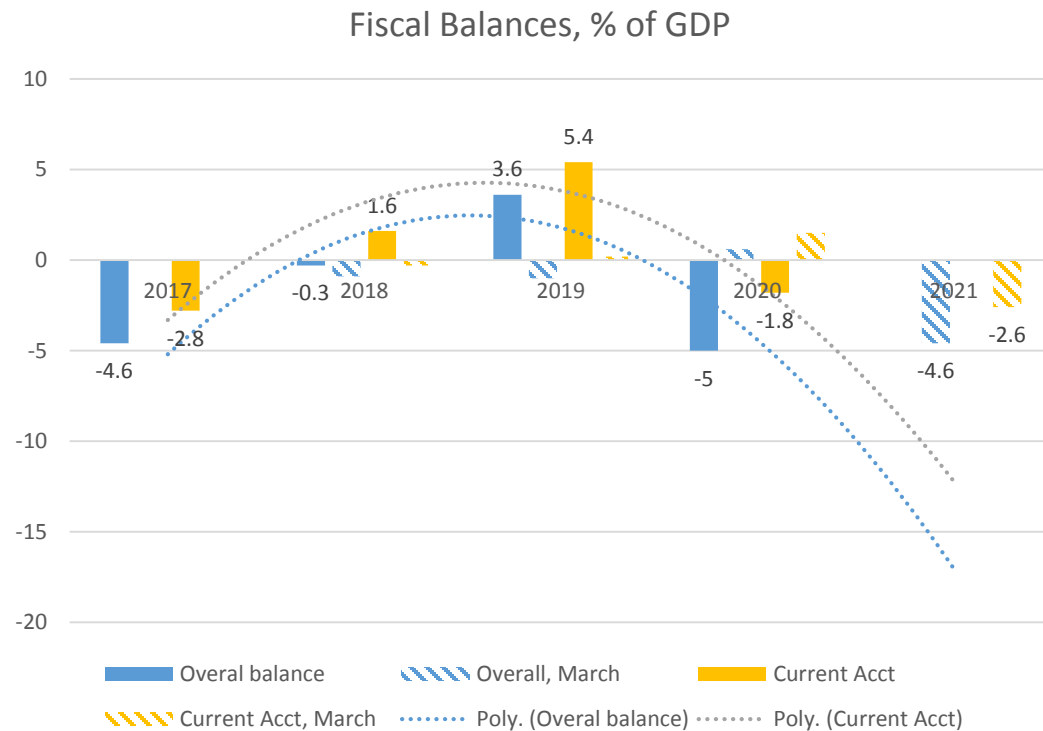


The servicing of external debt absorbed 12% of foreign earnings

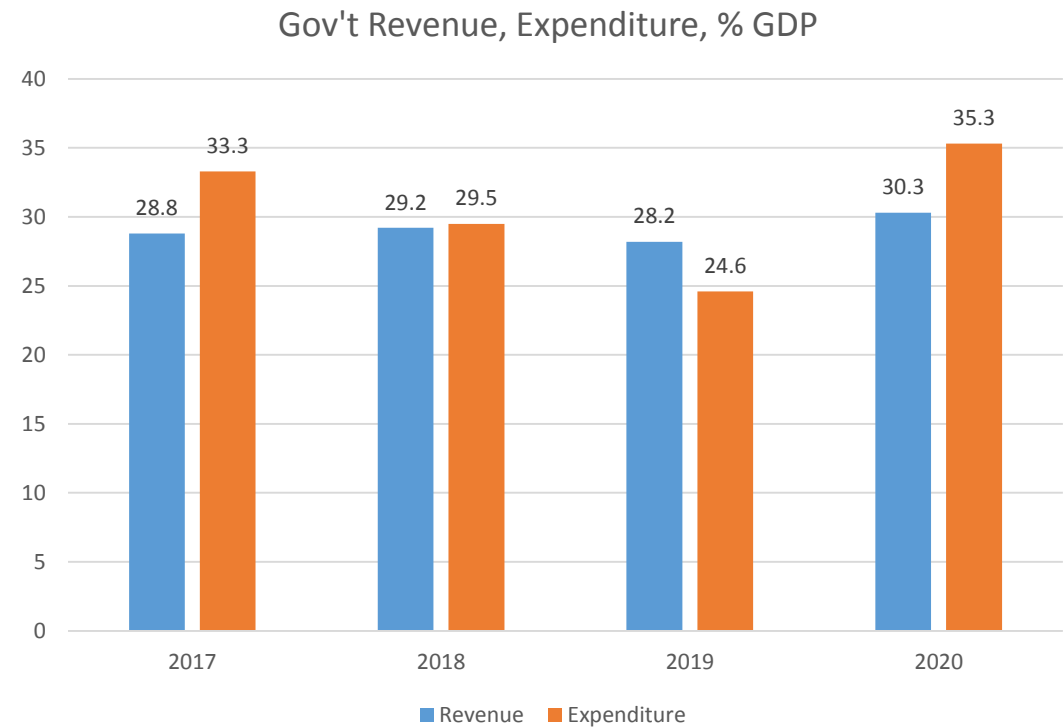


Government expenditures, revenues and the fiscal balance

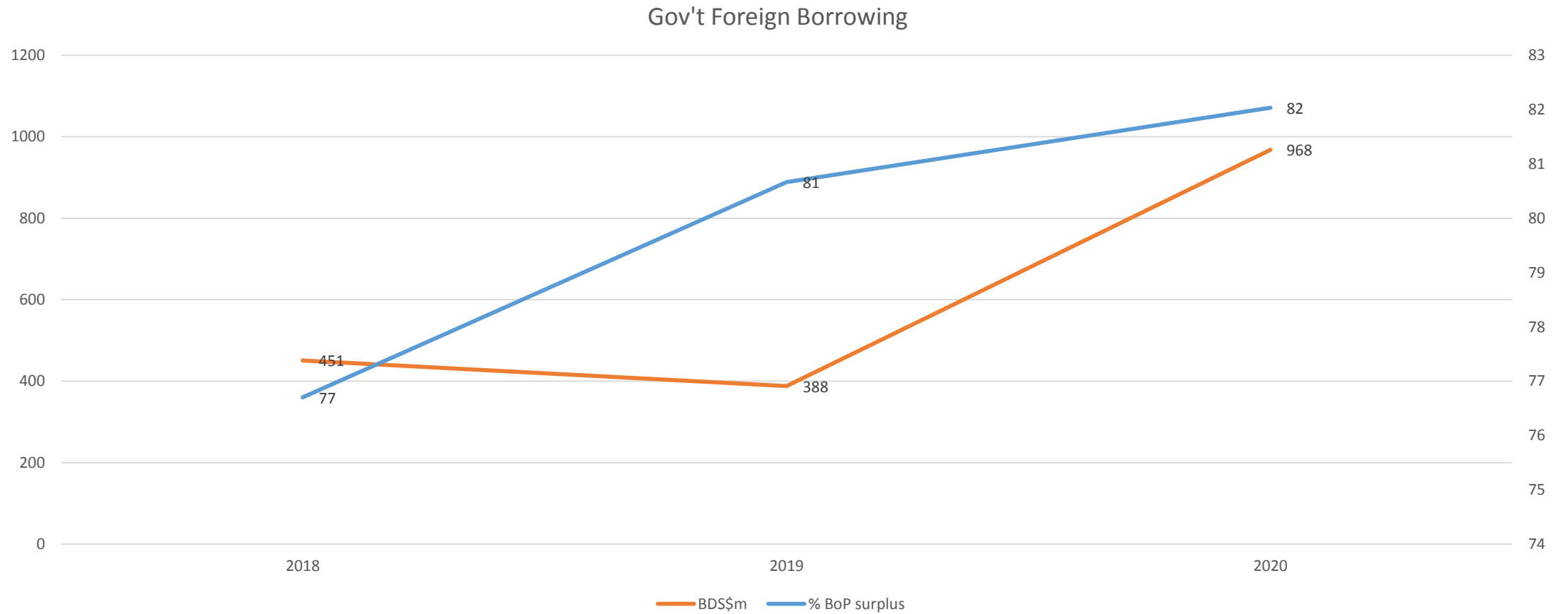
The deficit was 5% of GDP in Q1, almost the same as for the 2020/21 fiscal year



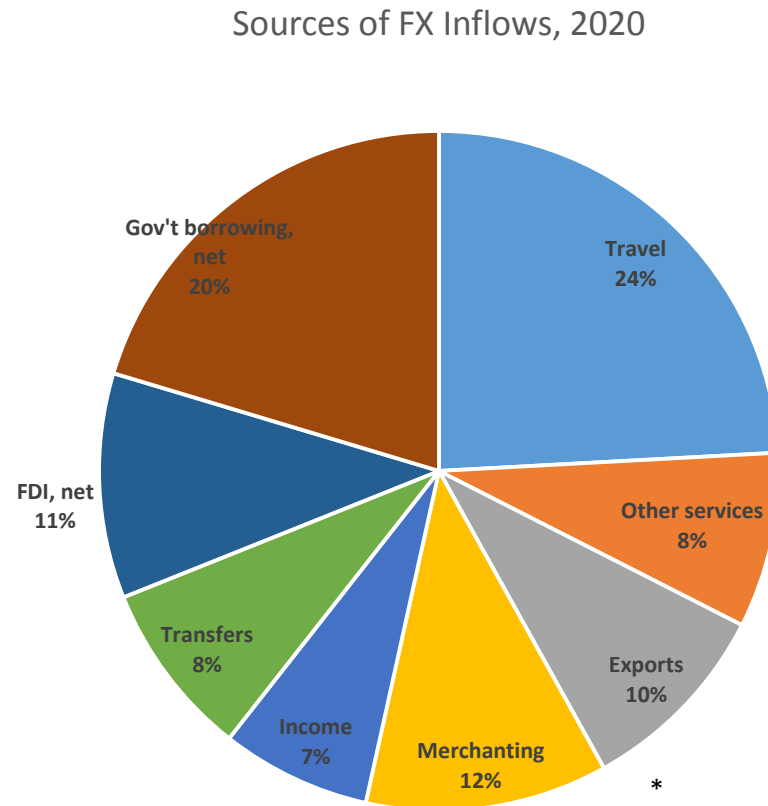
Compared with FY2017/18, the tax burden last year rose 1.5 points of GDP and expenditures were 2 points higher



Government foreign borrowing provided 77% of the foreign reserves accumulation in 2018, 81% in 2019 and 82% in 2020



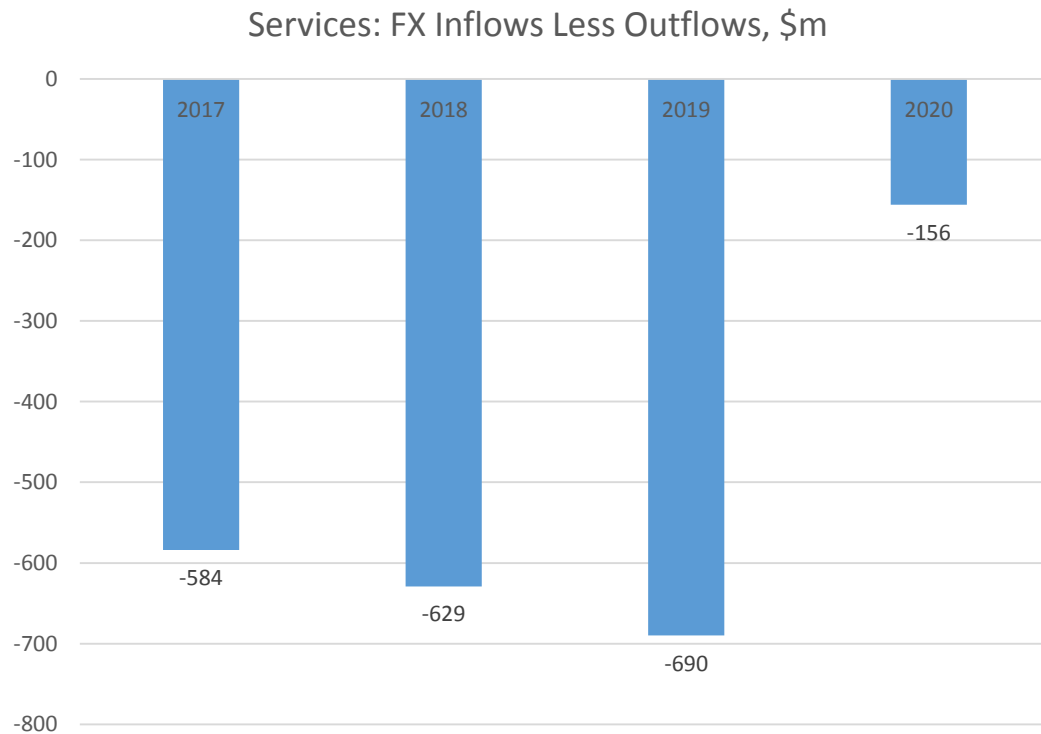
Sources of foreign exchange inflows in 2020



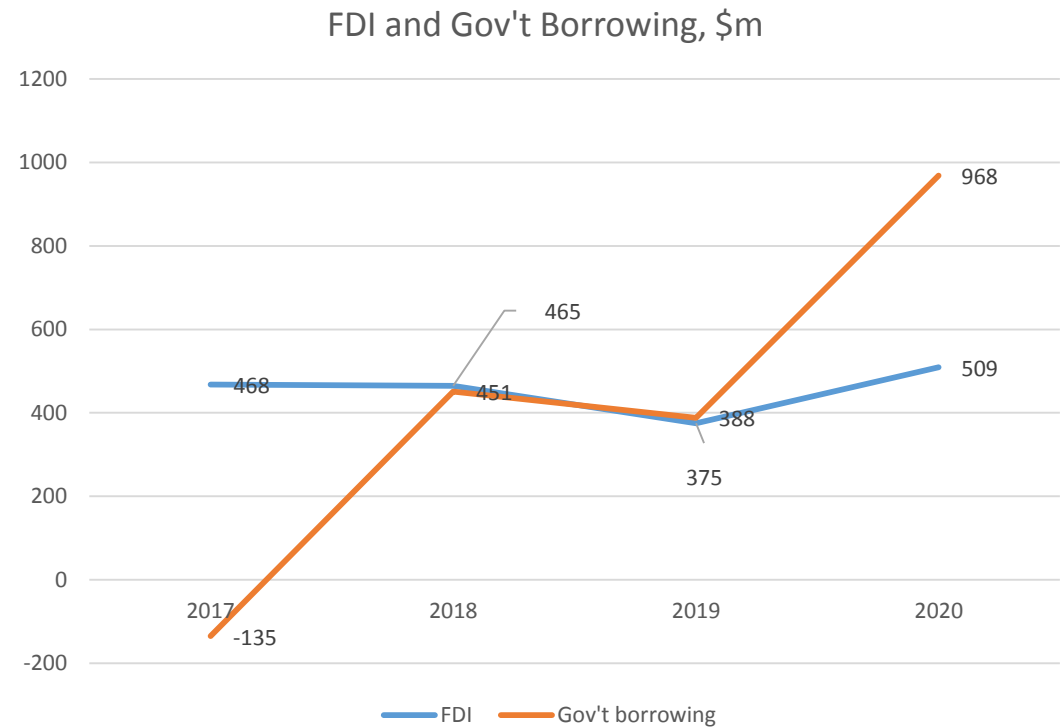
- Tourist earnings provided 24%;
- Gov't borrowing was the second most important, at 20%;
- Merchancing, defined as the purchase of goods from abroad by Barbadians, combined with the sale of those goods abroad, without entering Barbados, accounted for 12%, the third largest contribution;
- FDI contributed 11% and exports 10%

Net outflows of services, Government borrowing and private investment

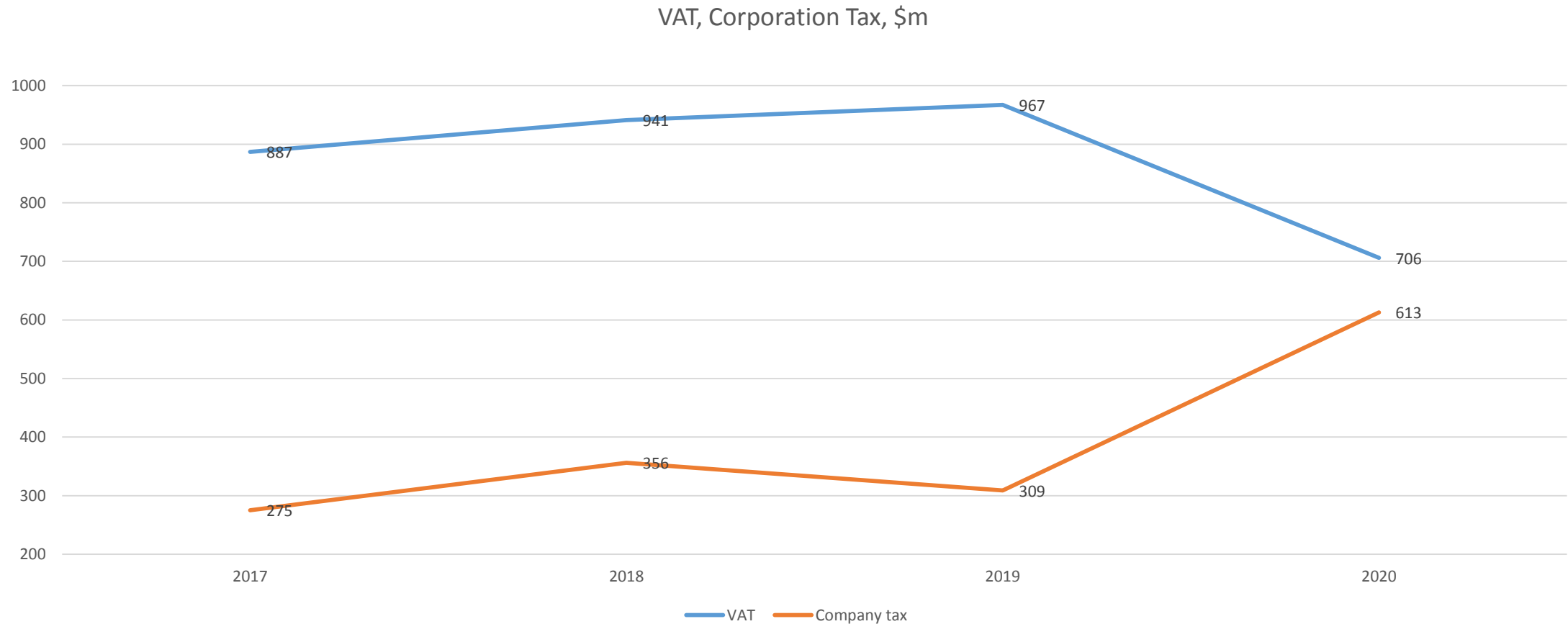
Payments for services from abroad far outweigh the amount of FX received from the international business and financial sector



In 2020 Gov't borrowing contributed almost twice as much to FX inflows as did foreign direct investment

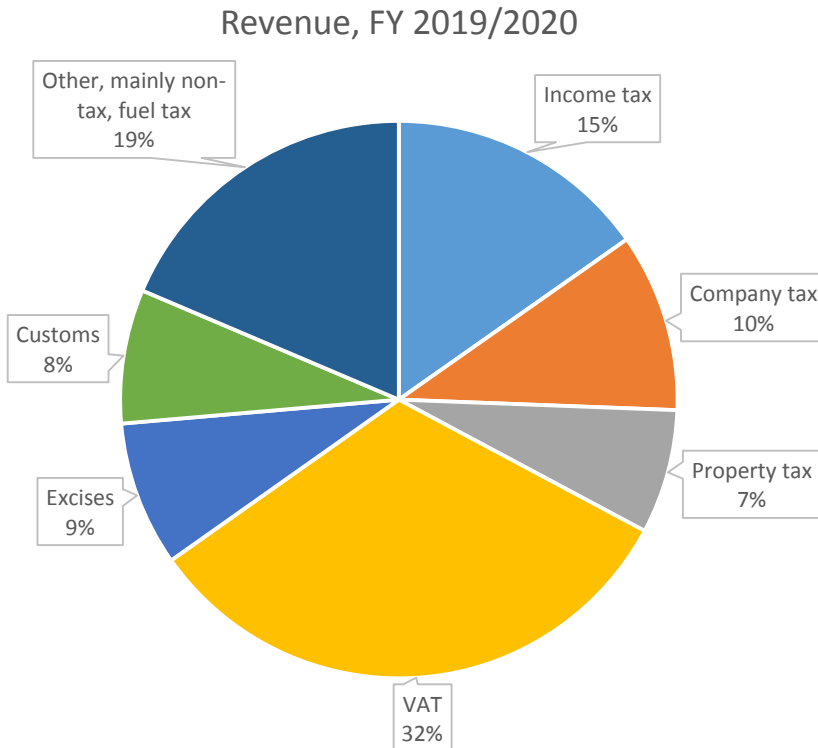


There was a 27% drop in VAT receipts in FY2020/21; company taxes almost doubled

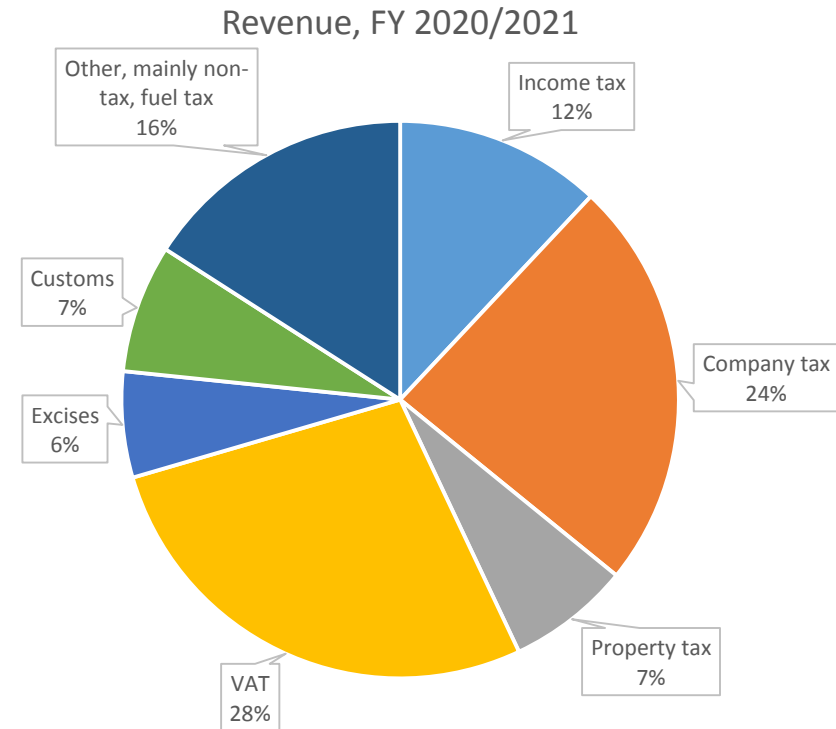


The VAT provides one-third of Gov't revenues, twice the contribution of the income tax

In FY2019/20 the company tax accounted for 10% of revenues

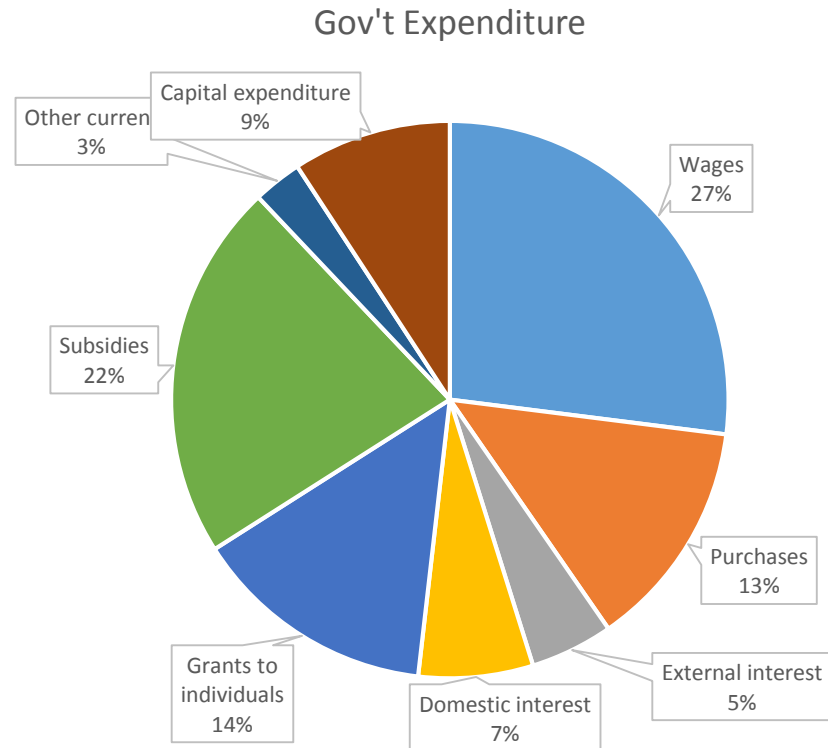


A year later, its contribution was almost as large as for the VAT (24%)



Government expenditure

Wages and grants to state enterprises and UWI together take half of Gov't's spending



Domestic interest payments have been cut drastically, and subsidies less so, but the wages bill is slightly higher than it was in 2017

