



We are the Craftsmen of Our Economic Fate



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One year ago in this space I said that “Independence means that the future of Barbados is firmly in the hands of Barbadians. That future is exceptionally promising, but it will not happen unless we make it happen, and like all worthwhile objectives, realising the vision will not be painless.”

I ended that letter with the following: “Every Barbadian of working age has a role to play in securing our country’s future. By each setting a demanding standard of performance in our life and work, and committing ourselves fully to achieving or exceeding that standard, we will ensure that we have personally made our contribution to the enhancement of national productivity, and helped to fortify the market strength of the Barbadian brand. That is the surest way to make our country an even more formidable competitor in every international activity in which we are engaged, and thereby ensure the future prosperity of our country and of all Barbadians.”

Those messages bear repetition.

Barbados' leading sector, tourism, is among the most competitive in the Americas; only the USA, Canada, Mexico, Brazil, Costa Rica and Panama are more competitive. Interest in tourism

investment in the country remains strong. The quality of our international business services is high, and our financial regulation is kept up to speed with international standards. We export world-renowned rums and other products. And we are leading the Caribbean in the adoption of renewable energy. These robust foreign exchange sectors are the drivers of our open economy.

The foundation for growth is a stable economy, and in Barbados that means a balance between foreign exchange inflows and outflows. We know when we have achieved that balance because in that case we do not have to dip into the Central Bank's reserves of foreign currency to make up the difference. The country has failed to achieve that balance since 2013, and there remains a need to dampen spending further in order to protect the country's reserves of foreign exchange. The reserves are what protect us against the devaluation of our currency. The Central Bank remains in a position to provide US dollars at the 2:1 exchange rate to meet all legitimate needs, if no other source is sufficient.

Government is committed to a further reduction in the fiscal deficit in order to relieve pressure on the foreign exchange reserves. The immediate objective is to set the debt to GDP ratio firmly on a downward path by achieving a deficit which is lower than the increase in the GDP forecast for 2017. That will serve to boost confidence and give access to funds from banks and other investors whose contribution to Government financing has not increased in recent times.

The improvement in the national work ethic and the upgrade of public services are high priority. The Global Competitiveness Report 2016-17 reports that one of every five respondents saw “poor work ethic” as inhibiting business, and one in six found Government bureaucracy to be “inefficient”. What is more, Barbadians have failed to take advantage of new technologies to increase productivity, and output per worker has not increased as wages have risen over the past two decades.

Barbados has well-established institutions and tools for addressing and correcting the problems of worker engagement, labour productivity and public sector reform. The Barbados social partnership, which is widely admired, affords the opportunity for ongoing dialogue and monitoring of initiatives to improve productivity, and the Barbados Productivity Council and the Office of Public Sector Reform provide the analysis and measurement necessary for meaningful progress in improving the performance of the public sector. At the end of every quarter the Central Bank reports on the key economic indicators, the level of foreign exchange reserves, the growth rates of the leading foreign exchange sectors, the size of the fiscal deficit, and the proportion of foreign exchange inflows that are needed to service Government’s external debt. The growth rate measures the overall performance of the economy, and the level of foreign reserves, the fiscal deficit and the burden of servicing the US dollar debt tell us whether growth is based on stable foundations.

We know what is to be done, and we have the institutions and tools for the job in hand. We are agreed on the objectives: to grow the economy through the competitiveness of the foreign exchange sectors, to improve productivity in government and the private sector, to reduce government expenditure, and to reverse the decline in foreign reserves. We must be resolute in pursuit of these objectives.