

BARBADOS

Table 1 **2023**

Population, million	0.3
GDP, current US\$ billion	6.2
GDP per capita, current US\$	22144.0
School enrollment, primary (% gross) ^a	95.6
Life expectancy at birth, years ^a	77.6
Total GHG emissions (mtCO2e)	3.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Barbados' economy grew at 4.5 percent in 2023, exceeding pre-pandemic levels as the number of tourists returned to pre-2019 levels. The resurgence of the economy is expected to alleviate poverty and improve households' living conditions. The government continues to implement the Barbados Economic Recovery and Transformation (BERT) plan, which seeks to increase the primary surplus, enhance debt sustainability, and reduce external and natural disaster-related vulnerabilities. A slowdown in tourism source markets, increases in global oil prices, and climate change represent latent risks.

Key conditions and challenges

Barbados confronts several challenges, including its small size, its high dependence on tourism from a few key markets, import dependency, and vulnerability to external shocks, including from climate change. It is highly affected by increases in import prices, especially from the US. The Central Bank has limited tools to address rising inflation. High public debt levels, exacerbated by the recent economic downturn, reduced fiscal space. However, the Government continues to implement the BERT 2022 plan, which seeks to reduce public debt to about 60 percent of GDP by 2035/36, incentivize a transition to green energy, diversify the economy, and improve competitiveness. It also includes a pledge to social cohesion, with investment in education and health, provision of affordable housing, and enhanced social safety nets. Barbados was one of the first countries to receive financial support from the IMF through the Resilience and Sustainability Facility (RSF) through a program approved in December 2022.

There have been no official poverty estimates since 2017. In 2016, approximately a quarter of the population lived below Barbados' basic needs threshold, and 3.4 percent of households could not afford even a minimum food basket. The poverty rate was higher among females, female-headed households, and larger households. Approximately 55.3 percent

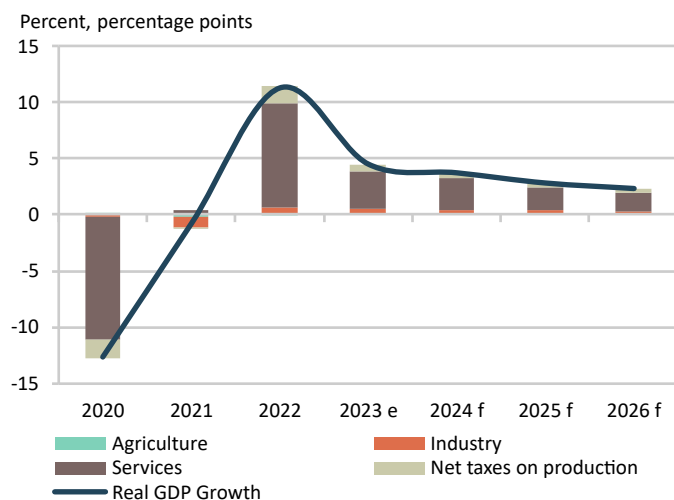
of the population was covered by at least one social protection benefit in 2021. However, social assistance to vulnerable groups through the National Assistance Program covered only 5,800 beneficiaries in 2020. Social insurance, operated by the National Insurance Scheme (NIS), faces longer-term challenges due to increasing expenditure on old-age pensions as a result of an aging population.

Recent developments

In 2023, real GDP expanded by an estimated 4.5 percent as tourist arrivals increased by 19 percent between January and September, pushing GDP above its pre-pandemic level. The recovery in tourism also led to significant overall growth in the services sector, particularly in areas such as hotels, retail trade, and entertainment, and in the agriculture sector which benefited from increased demand for local produce, also a result of the tourism upturn. Manufacturing led the industrial sector to a 5.0 percent rebound in 2023.

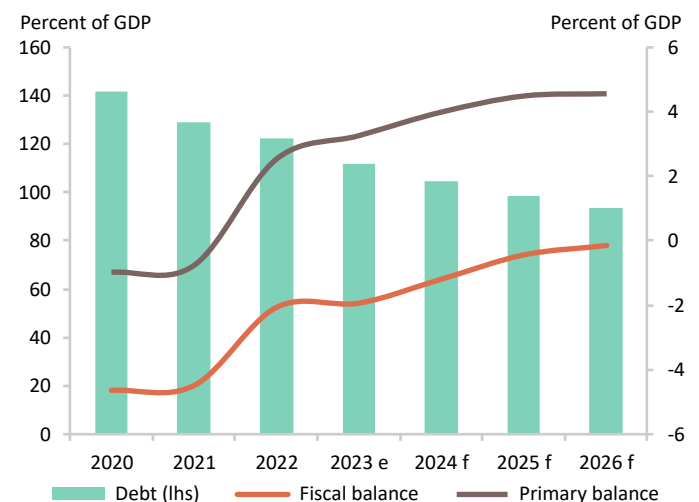
The primary fiscal balance reached 2.3 percent of GDP in the first half of FY2023/24, exceeding the government's target of 1.7 percent. The overall fiscal balance recorded a deficit of 0.5 percent of GDP, down from 2.3 percent of GDP in the first half of FY2022/23, as revenues continued to recover, and pandemic-related spending was phased out. The public debt-to-GDP ratio is estimated at 111.8 percent at the end of 2023, down from 122.3 percent at the end of 2022.

FIGURE 1 Barbados / Real GDP growth and contributions to real GDP growth



Sources: Government of Barbados, IMF and World Bank staff calculations.

FIGURE 2 Barbados / Fiscal balances and public debt



Sources: Government of Barbados, IMF and World Bank staff calculations.

The government has taken several measures to strengthen fiscal management, including the establishment of a Fiscal Council to ensure transparency and accountability in fiscal strategy implementation.

The Central Bank of Barbados has kept its benchmark rate at 2 percent. Inflation moderated, falling to 4.4 percent by the end of 2023 from a peak of 6.7 percent in May 2022, driven by lower international fuel prices and freight costs. However, some domestic factors, such as prolonged drought conditions and higher demand for restaurants and recreational activities, have pushed up the prices of certain food items and domestic services. Efforts to improve monetary and financial sector policies have led to a well-capitalized, liquid, and profitable banking system, with credit to the non-financial private sector experiencing a modest growth of 1.7 percent. The international reserves position continued to strengthen, with the current account deficit narrowing to an estimated 8.1 percent of GDP in 2023 and foreign reserves reaching an estimated 6.1 months of imports of goods.

The labor market also showed improvement in 2023. The rebound in tourism led

to higher employment, with unemployment claims reverting to pre-pandemic levels. Unemployment stood at 8.3 percent in July-September 2023, a substantial y-o-y decline from 12.4 percent in the same period a year earlier and compared to 10.1 percent in the second quarter of 2019. The difference in the unemployment rate of women and men is relatively small, at 8.6 and 8.1 percent respectively.

Outlook

The economy is projected to continue recovering, with real GDP expected to expand annually by around 3.7 percent in 2024 and 2.8 percent in 2025. Efforts to implement structural reforms, enhance fiscal institutions, and promote investments in renewable energy projects are expected to support sustainable and inclusive growth. Inflation is projected to reach 3.7 percent in 2024 and decline below 3 percent thereafter. Fiscal consolidation is expected to continue, with the fiscal deficit falling to 0.4 percent of GDP and the primary surplus increasing to 4.5 percent of GDP by

2025. The government plans to decrease transfers to state-owned entities and persist modernizing tax exemptions, bolstering revenue administration, and improving public financial management. The current account deficit is forecasted to narrow to 6.2 percent of GDP by 2025, driven by anticipated robust performance in the tourism sector, reduced commodity prices, and aided by fiscal consolidation. At the same time, government initiatives to combat climate change and to improve business environment are expected to stimulate investment. Overall, the government's commitment to fiscal consolidation, climate resilience, and debt sustainability, along with ongoing support from international financial institutions, sets the stage for continued progress in the country's reform agenda. The outlook remains subject to risks, including potential global economic and financial shocks, climate-related natural disasters, and an intensification of regional conflicts in other parts of the world, which could impact global commodity prices and raise inflation. The level of public debt remains high and exacerbates the potential impact of these risks.

TABLE 2 Barbados / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-0.8	11.3	4.5	3.7	2.8	2.3
Real GDP growth, at constant factor prices	-0.8	11.3	4.5	3.7	2.8	2.3
Agriculture	-10.4	-6.4	3.0	3.0	3.0	3.0
Industry	-6.3	5.0	3.6	2.9	2.8	2.4
Services	0.6	12.9	4.7	3.8	2.8	2.3
Inflation (consumer price index)	3.1	9.2	5.0	3.7	2.8	2.4
Current account balance (% of GDP)	-10.5	-10.3	-8.1	-7.2	-6.2	-5.8
Fiscal balance (% of GDP)	-4.5	-2.1	-1.9	-1.2	-0.4	-0.1
Revenues (% of GDP)	27.7	27.9	28.5	30.2	30.2	30.3
Debt (% of GDP)	129.1	122.3	111.8	104.6	98.7	93.5
Primary balance (% of GDP)	-0.8	2.5	3.3	4.0	4.5	4.6
GHG emissions growth (mtCO₂e)	-3.6	-1.2	1.8	1.1	0.8	0.6
Energy related GHG emissions (% of total)	25.0	23.6	24.2	24.1	23.7	23.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.