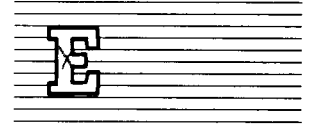


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ECONOMIC SURVEY
OF LATIN AMERICA
1982

BARBADOS

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.

Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

BARBADOS

1. Recent economic trends: Introduction and summary

Estimates of GDP at current factor cost put the 1982 figures at B\$ 1 804 million,¹ a nominal increase of barely 6% over the 1981 performance (see table 1).

The year 1982 marked the second year of economic recession in Barbados, with industrial production contracting by some 1% after a 4% decline in 1981. The near 8% increase in the gross domestic product of the manufacturing sector reflected to a great extent a general price increase rather than an increased physical output. Construction activity also recorded a slowdown as a result of declining credit to the household sector and reduced government demand.

Overall, the goods-producing sectors accounted for nearly 27% of total GDP, while the production of services other than basic contributed 63%, mirroring the importance of the tourist sector in the economy (see table 2). Activity in this sector, however, declined by over 12% in 1982, as the recession in North America and Europe led to a 14% drop in tourist arrivals. Likewise, sugar output amounted to barely 88 000 tons, the lowest in 34 years.

These poor performances in the tourism and sugar sectors contributed to a deterioration in the country's current account position. In spite of a narrowing in the merchandise trade gap, weak external demand caused a depression in foreign exchange earnings, in the face of which the Government secured US\$ 54 million in medium-term balance-of-payments financing from the International Monetary Fund (IMF). In spite of experiencing great pressure in 1982, the balance of payments thus showed a small surplus of US\$ 7 million.

The Central Bank, pursuing a policy aimed at containing domestic expenditure, tightened monetary restrictions, and the Government lowered its planned level of activity, reducing its demand for imports as well as for local goods and services. The liquidity ratios of commercial banks were raised, and selective credit controls more strictly enforced. These actions brought about a sharp reduction in net borrowing from the commercial banking system. The money supply was at the end of the year 1.3% lower than one year earlier. This, together with the recession in North America and Europe, induced a slowdown in the rate of inflation, as the annual variation in the Consumer Price Index declined from 15% to 10%.

A smaller fiscal deficit reduced public sector borrowing needs in 1982, while the proportion of foreign financing fell sharply, placing the burden of financing on the domestic economy. For its part, the national debt rose to B\$ 760 million in 1982: an increase of 11.2% over the 1981 level.

2. Trends in economic activity

a) *Evolution of the main sectors*

i) *Agriculture.* Estimates put the agricultural product, at current prices, at B\$ 124 million: a 4% drop compared to the 1981 figure. The sector's share in GDP thus declined for the second consecutive year and amounted to only 6.8%, barely half of the figure recorded in 1975 (see table 2). Production of sugar and molasses declined for the second year in succession and sugar output amounted to 88 000 tons in 1982, the lowest production since 1948. The increase in unplanned cane fires, a shortened growing season, and poor cultivation practices explained this performance. Sugar cane yields per hectare fell by some 15%, but the amount of sugar extracted from each ton of cane increased by 9% (see table 3).

¹Since July 1975 the Barbados dollar has been linked to the United States dollar at the rate of US\$ 1.00 = B\$ 2.00.

Costs of production increased, as the average cost per ton of sugar reached a figure of B\$ 1 300. Sugar prices did not show any significant increase in 1982, and the country sustained a revenue loss of some B\$ 4 million because of the exchange depreciation of the pound sterling.

The sugar industry was thus heavily in the red, with the deficit on the 1982 crop alone being estimated at some B\$ 30 million. This was exacerbated by a significant debt arising from capital expansion and losses on the 1981 crop. The Government sought to improve the cash flow problem by guaranteeing a support price of B\$ 925 per ton of sugar produced. Additionally, the Government guaranteed a B\$ 17.5 million bond issue by the Barbados Sugar Factories Ltd., and a B\$ 15 million Eurodollar loan to construct a new factory and to refurbish an existing one.

Non-sugar agriculture is estimated to have grown by 11% in 1982. The 4% estimated increase in vegetable production was due to some extent to favourable weather conditions. Part-year data indicate a higher production of cabbage, carrots and sweet peppers, with consequent decreases in the retail prices of those commodities (see table 4). Chicken production grew substantially, but fish landings were 14% lower than the previous year.

ii) *Manufacturing*. The sector's contribution to the GDP at current factor cost grew to B\$ 219 million in 1982 — a near 8% increase over the 1981 figure. The index of industrial production, however, shows a 1% decline in 1982 below the figure of the previous year.

Table 1

BARBADOS: MAIN ECONOMIC INDICATORS

	1980	1981	1982 ^a
A. Basic economic indicators			
Gross domestic product at factor cost (millions of current Barbados dollars)	1 530	1 707	1 804
Population (thousands of inhabitants)	249	250	251
Per capita gross domestic product Current Barbados dollars	6 145	6 815	7 206
Growth rates			
B. Short-run economic indicators			
Gross domestic product	27.7	11.6	5.7
Per capita gross domestic product	30.9	10.9	5.7
Current value of exports of goods and services	43.3	-22.5	15.6
Current value of imports of goods and services	26.5	10.5	-3.0
Consumer price index			
December - December	14.0	12.3	6.9
Variation between annual averages	6.9	14.6	10.3
Money supply	11.4	5.6	-1.3
Wages and salaries ^b	26.1	8.4	12.5
Rate of unemployment ^c	12.6	10.7	13.6
Current income of government	23.7	6.2	8.7
Total expenditure of government	20.6	32.2	-8.1
Fiscal deficit as a percentage of total expenditure of government	11.4	28.9	15.8
Millions of dollars			
C. External sector			
Trade balance (goods and services)	-46	-128	-48
Balance on current account	-26	-113	-42
Variation in net international reserves	-21	-25	-7
External debt	82	130	144

Source: Ministry of Finance and Planning, Barbados, *Barbados Economic report, 1981*, February 1982; Central Bank of Barbados, *Annual Statistical Digest, 1981*; *Economic and Financial Statistics*, February 1982; *Balance of Payments of Barbados*, 1981, and data supplied to ECLA.

^a Preliminary figures.

^b Data relate to approximate average annual percentage increase.

^c Per cent.

Table 2

**BARBADOS: GROSS DOMESTIC PRODUCT, BY KIND OF
ECONOMIC ACTIVITY, AT CURRENT FACTOR COST**

	Millions of Barbados dollars		Percentage breakdown		Growth rates	
	1981	1982 ^a	1975	1982 ^a	1981	1982 ^a
Gross domestic product	1 707.2	1 804.4	100.0	100.0	11.6	5.7
Goods	471	486	30.4	26.9	2.8	3.8
Agriculture	129	124	13.3	-6.8	-15.3	-3.9
Mining and quarrying	13	14	0.2	0.8	14.5	8.3
Manufacturing	204	219	10.3	12.2	11.1	7.6
Construction	125	128	6.6	7.1	11.3	2.4
Basic services	152	180	8.7	10.0	26.7	18.4
Electricity, gas and water	39	45	1.5	2.5	16.4	15.9
Transport, storage and communications	113	135	7.2	7.5	29.9	19.3
Other services	1 085	1 139	61.0	63.2	14.1	5.0
Wholesale and retail trade	369	398	18.2	22.1	15.6	7.9
Tourism	207	181	9.3	10.0	12.9	-12.6
Finance, insurance, real estate and business services	210	250	14.0	13.9	21.7	19.0
General services	69	77	4.4	4.3	20.4	11.6
Government services	230	233	15.1	12.9	5.3	1.3

Source: Barbados Statistical Service, and Ministry of Finance and Planning, *Barbados Economic Report*, 1981.

^aPreliminary figures.

Table 3

BARBADOS: SUGAR PRODUCTION - AREAS AND AVERAGE YIELDS

Year	Hectares reaped	Cane milled (thousands of tons)	Cane/ hectare (tons per hectare)	Average yield of sugar (tons per hectare)	Sugar output (thousands of tons)
	(1)	(2)	(1/2) (3)	(1/5) (4)	(5)
1978	15 854	895	36.4	6.3	101.0
1979	15 800	1 052	66.3	7.1	114.0
1980	16 096	1 205	74.9	8.2	135.0
1981	15 800	966	61.1	5.9	94.0
1982 ^a	15 490	804	51.9	5.7	88.0

Source: Barbados Sugar Producers' Association and data supplied to ECLA.

^aPreliminary figures.

The recession adversely affected manufacturing activity, with production in the quarrying and chemicals subsectors falling by some 18% and 13%, respectively. Activity in the food sector declined by some 6%. Output of petroleum products recorded a slight decrease, while relatively small increases in production were observed in the wearing apparel and electricity and gas subsectors. The foreign-owned electronic components subsector is estimated to have registered significant growth, and to have created about four hundred new jobs in 1982. The production of most manufactured products went down in 1982. Especially important were the decreases in the output of margarine, lard and rum, which declined by 31%, 32% and 18%, respectively (see table 5).

iii) *Energy.* Oil production recovered somewhat from its slump of 1981, mainly as a result of the re-emphasis on shallow drilling. Output of crude petroleum rose to 41 100 cubic metres — a 22% increase over the 1981 figure, but still some 15% below the output of 1980. Natural gas produced in association with crude petroleum increased by about 4% to a total of 10.3 million cubic metres, still 41% below the 1980 figure but sufficient to satisfy domestic demand. Some 1.4 million cubic metres were used to generate electricity, the consumption of which is estimated to have increased despite the reduced activity in the goods producing sectors.

In July, the Government of Barbados entered into an agreement to purchase the assets of Mobil Exploration, Barbados Ltd., valued at B\$ 24 million.

iv) *Construction.* Growth in the construction sector was a mere 2.4%. This slowdown resulted from cutbacks in expenditure on the Government's capital works programme, and from the weak demand for housing. High mortgage interest rates acted as a further deterrent. Several significant projects were completed during the year, but the only new government project set in motion was the cement plant, embarked on as a joint venture with the Government of Trinidad and Tobago. For its part, the output of quarry products declined by 17%.

b) *Employment*

The number of persons in the labour force rose to 115 100 in 1982. However, as a consequence of the fall-off in economic activity, the number of employed decreased by some 2 500. Not all new entrants into the labour market found jobs, and as a result an estimated 900 job seekers immediately joined the unemployed, whose number rose by some 3 400 during the same period, yielding an unemployment rate of 13.6% (see table 6).

Table 4
BARBADOS: INDICATORS OF AGRICULTURAL PRODUCTION
 (Tons)

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982
Production of main crops						
Sugar cane ^b	1 205	966	804	14.5	-19.8	-16.8
Cotton	77	77	...	54.7	-	...
Root crops						
Sweet potatoes	4 631	3 000	...	108.7	-35.2	...
Yams	7 700	4 000	...	30.3	-48.1	...
Vegetables						
Beans	521	510	509	...	-1.9	-0.2
Beets	356	507	480	...	42.4	-5.3
Cabbage	1 717	1 399	1 577	51.9	-18.5	12.7
Carrots	2 395	2 145	2 416	-61.1	-10.4	12.6
Cucumbers	818	1 808	1 701	...	121.0	-5.9
Onions	473	396	432	23.1	-16.0	9.1
Pumpkins	512	527	493	...	2.9	-6.5
Tomatoes	1 636	1 055	1 208	133.0	-35.5	14.5
Other vegetables	1 077	1 307	1 247	...	21.4	-4.6
Stock-raising production						
Beef	414	442	376	27.8	6.8	-14.9
Pork	918	942	1 300	14.5	2.6	38.0
Mutton	62	51	21	55.0	-17.7	-58.8
Poultry	5 248	6 026	6 700	-0.5	14.8	11.1
Eggs	1 476	1 350	...	-35.0	-8.5	...
Milk	7 500	6 146	6 054	135.0	-18.0	-1.5

Source: Ministry of Agriculture, Food and Consumer Affairs, Barbados.

^aPreliminary figures.

^bThousands of tons.

Table 5

BARBADOS: INDICATORS OF INDUSTRIAL PRODUCTION

	1980	1981	1982 ^a	Growth rates	
				1981	1982
Production of some					
Manufactured goods					
Sugar ^b	132	94	88	-28.8	-6.4
Rum ^c	8 467	5 719	4 690	-32.5	-18.0
Beer ^c	8 578	9 220	8 815	7.5	-4.4
Margarine ^d	2 238	3 796	2 625	69.6	-30.8
Lard ^d	1 453	2 206	1 510	51.8	-31.6
Malt beverages ^c	3 300	3 691	3 605	11.8	-2.3
Non-alcoholic beverages ^c	18 916	17 934	17 411	-5.2	-2.9
Animal feeds ^b	39	45	50	15.4	11.1
Milk products ^{de}	10 000	9 300	8 500	-7.0	-8.6
Cigarettes ^d	224	260	271	16.1	4.2
Crude petroleum ^f	48.6	33.6	41.1	-30.9	22.3
Natural gas ^f	17 500	9 900	10 300	-43.4	4.0
Gasoline ^f	55.1	58.4	56.4	6.0	-3.4
Diesel oil ^f	49.7	50.3	48.6	1.2	-3.4
Fuel oil ^f	96.4	99.1	106.3	2.8	7.3
Other indicators					
Electricity generated ^g	310	327	331	5.5	1.2

Source: Statistical Service, Barbados, *Monthly Digest of Statistics*.

^a Preliminary figures.

^b Thousands of tons.

^c Thousands of litres.

^d Tons.

^e Converted to the fresh milk equivalent.

^f Thousands of cubic metres.

^g Millions of kWh.

Table 6

BARBADOS: SELECTED DATA ON EMPLOYMENT AND UNEMPLOYMENT

(Thousands of persons)

	1979	1980	1981	1982 ^a
Total number of adults	171.0	174.2	176.8	177.6
Labour force	109.0	114.8	114.3	115.1
Employed	95.0	100.3	101.9	99.4
Unemployed	14.0	14.5	12.4	15.7
Not in labour force	62.0	59.4	62.5	62.5
Unemployed, as a percentage of the labour force	12.8	12.6	10.7	13.6
Labour force, as a percentage of total adults	63.7	65.9	64.7	64.8

Source: Statistical Service, Barbados, Ministry of Finance and Planning, *Economic Report, 1981*, and data supplied to ECLA.

^a Preliminary figures.

Table 7

BARBADOS: DOMESTIC EXPORTS OF GOODS, FOB

	Millions of dollars		January-October		Percentage breakdown		Growth rates ^a	
	1980	1981	1981	1982	1977	1981	1981	1982 ^b
Total exports^c	168.	148.5	105.6	146.8	100.0	100.0	-11.9	39.0
Main traditional exports	65.3	34.2	31.9	29.8	34.7	23.0	-47.6	-6.9
Sugar	54.7	25.7	25.7	23.7	25.0	17.3	-52.9	-8.2
Molasses	5.9	4.1	3.1	3.0	3.6	2.8	-30.3	-1.6
Rum	1.7	2.1	1.5	1.9	3.2	1.4	17.1	27.6
Lard and margarine	3.0	2.3	1.6	1.2	2.9	1.5	-26.2	-28.1
Non-traditional exports	56.5	65.1	41.6	57.9	41.8	43.8	15.1	39.0
Clothing	24.5	26.1	16.0	19.9	21.6	17.6	6.3	24.1
Electronic components	31.7	38.7	25.3	37.7	20.2	26.0	22.1	48.8
Petroleum products	0.3	0.3	0.3	0.3	-	0.2	-	-
Other exports	46.9	49.2	32.1	59.1	23.5	33.2	5.0	84.4

Source: Statistical Service, Barbados, *External Trade Publications*; Central Bank of Barbados, *Economic and Financial Statistics, February 1983*, and data supplied to ECLA.

^aRates may not agree exactly with figures because of rounding.

^bBased on January-August comparison.

^cTotal domestic exports. Excludes re-exports.

Table 8

BARBADOS: RETAINED IMPORTS OF GOODS

	Millions of dollars		January-August		Percentage breakdown		Growth rates ^a	
	1980	1981	1981	1982	1977	1981	1981	1982 ^b
Consumer goods	171.2	186.4	112.5	105.4	40.6	35.3	8.9	-12.1
Food and beverages	81.8	89.6	57.2	55.3	20.6	17.0	9.6	-3.3
Other non-durables	42.2	46.1	29.0	25.7	10.1	8.7	9.5	-11.2
Durables	19.4	25.2	10.3	9.9	4.9	4.8	30.4	-4.4
Other manufactured goods	27.8	25.5	16.0	14.5	4.9	4.8	-9.0	-9.7
Intermediate goods	162.1	184.9	123.0	85.0	33.8	35.0	14.2	-30.9
Fuels	54.2	71.9	49.7	19.4	9.4	13.6	32.4	-61.1
Textiles	19.7	21.8	12.8	12.2	4.8	4.1	10.7	-4.3
Other	88.2	91.2	60.5	53.4	19.6	17.2	3.3	-11.8
Capital goods	133.9	156.0	97.5	118.1	22.4	29.5	16.5	21.1
Machinery	93.7	113.5	66.9	94.9	15.3	21.5	21.1	41.8
Construction materials	40.2	42.5	30.6	23.2	7.2	8.1	6.0	-24.2
Unclassified goods	1.3	1.4	2.1	2.2	3.2	0.3	8.0	7.1
Total retained imports	468.5	528.7	335.1	310.7	100.0	100.0	13.5	-7.3
Total imports	524.6	575.6	335.4	367.9	-	-	9.7	9.7

Source: Statistical Service, Barbados, *External Trade Publications*; Central Bank of Barbados, *Economic and Financial Statistics, February 1983*, and data supplied to ECLA.

^aRates may not agree exactly with figures because of rounding.

^bBased on January-August comparison.

3. The external sector

a) *Merchandise trade*

i) *Exports.* January to October data indicate that exports rose in 1982 by 39% over the previous year, to a value of US\$ 146.8 million, as compared with US\$ 105.6 million for the corresponding period of the previous year. This increase was primarily due to the good performance of exports of manufactures. Exports of clothing, electrical components, furniture and chemicals grew appreciably, whereas exports of processed foods, beverages and tobacco fell below the level of 1981. Export earnings from sugar fell to US\$ 51 million—the lowest figure in 34 years. Some 51 000 tons of sugar were exported to the EEC at a price of US\$ 346 per ton, while 18 000 tons exported to the United States were sold at a price of US\$ 420 per ton (see table 7).

The main export markets for Barbadian products continued to be the United States, the CARICOM countries and the United Kingdom. Within the CARICOM group, Trinidad and Tobago was the most important export market; total sales to that country at the end of July amounted to US\$ 22 million, of which US\$ 19 million were domestic exports.

ii) *Imports.* The total value of imports increased by almost 10% in the period January to August 1982. Total retained imports decreased in value by 7%, with both consumer and intermediate goods registering drops of 12% and 31%, respectively. The value of capital goods purchased increased by 21%, partly reflecting preparation for the construction of a cement plant (a joint venture with the Government of Trinidad and Tobago), and expansion by the Barbados Light and Power Company (see table 8). Credit control helped to depress imports of consumer durables, while the slower growth in personal disposable income, and possibly the decline in tourism, explained much of the decrease in demand for food and other non-durables. Imports of intermediate goods fell in value by 31%, in response to lower levels of domestic production. More favourable energy prices and an increase in domestic crude oil production kept fuel payments 61% below the figure of the previous year.

b) *Services trade*

Tourism remained the main earner of foreign exchange, but once again it was adversely affected by the recession in the major tourist markets. The sharp drop in tourist arrivals influenced significantly the overall results of the Barbadian economy in 1982 (see table 9).

Table 9

BARBADOS: SELECTED TOURISM INDICATORS

	1979	1980	1981	1982 ^a	Growth rates	
					1981	1982 ^a
Total visitors ^b	481.0	526.5	488.4	408.3	-7.2	-15.1
Stopover visitors ^b	370.9	370.0	352.6	303.8	-4.7	-13.8
From: United States	91.4	86.0	74.5	75.5	-13.4	1.3
Canada	92.7	85.0	70.0	59.6	-17.6	-14.7
United Kindom	49.4	56.2	72.1	51.1	28.3	-29.1
Europe	40.8	38.4	29.6	21.6	-22.9	-27.0
CARICOM countries	76.0	85.4	87.4	82.3	1.5	-5.9
Other countries	20.6	19.0	19.0	13.7	0.0	-27.9
Cruise-ship visitors ^b	110.1	156.5	135.8	104.5	-13.2	-23.0
Hotel and guest-house beds ^b	11.8	13.4	14.1	14.4	5.2	2.1
Average length of stay of stopover visitors ^c	9.9	9.8	9.6	8.3	-2.0	-13.5
Hotel bed occupancy rate	76.4	65.3	54.0	45.5	-17.3	-15.7
Estimated visitor expenditure ^d	200.4	249.6	260.4	249.7	4.3	-4.1
Hotel and restaurant tax ^d	5.5	7.3	7.2	...	-0.7	...

Source: Ministry of Finance and Planning, *Barbados Economic Report, 1981*, and data supplied to ECLA.

^a Preliminary figures.

^b Thousands.

^c Days.

^d Millions of US dollars.

Tourist arrivals (excluding cruise-ship passengers) fell by nearly 14% in 1982, to a total of some 304 000. Tourists from CARICOM countries accounted for the greatest number of arrivals, followed by tourists from the United States and Canada, in that order.

Arrivals from the United Kingdom declined, partly because of the rise in costs affecting these tourists as a result of the depreciation of the pound sterling. Other factors contributing to this poor performance were the cessation of important air services from Europe and Canada, and the bankruptcy of key tour operators.

Table 10
BARBADOS: BALANCE OF PAYMENTS
(Millions of dollars)

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Exports of goods and services	94.9	104.9	118.7	140.4	179.8	208.5	200.0	252.1	317.8	425.8	552.0	532.9	604.3
Goods FOB	35.8	33.3	37.7	47.9	67.3	94.5	76.1	85.3	110.9	131.5	180.8	162.7	208.2
Services ^a	59.1	71.6	81.0	92.5	112.6	114.0	123.8	166.7	206.8	294.3	371.2	370.1	396.1
Transport and insurance	7.5	11.0	10.3	10.1	22.9	22.7	19.3	27.0	33.1	41.1	67.7	48.5	71.0
Travel	40.1	52.0	62.5	69.9	76.2	77.2	83.2	111.1	137.7	206.7	252.4	262.7	253.4
Imports of goods and services	141.6	143.1	165.1	196.8	232.2	253.2	278.4	315.1	364.0	474.8	597.9	661.0	652.1
Goods FOB	106.9	112.1	128.0	152.6	185.6	197.1	219.1	250.2	288.1	378.4	479.0	521.4	501.1
Services ^a	34.7	31.0	37.0	44.2	46.8	56.1	59.2	64.9	75.9	96.4	118.8	139.5	151.0
Transport and insurance	16.5	17.6	19.2	22.4	25.7	31.7	30.7	32.6	41.3	51.4	64.9	73.0	74.0
Travel	3.5	4.2	4.8	6.1	5.9	6.9	8.2	9.2	9.9	12.9	19.0	22.1	26.1
Merchandise balance	-71.1	-78.8	-90.3	-104.7	-118.2	-102.6	-143.0	-164.9	-177.2	-246.9	-298.2	-358.7	-292.9
Trade balance	-46.7	-38.2	-46.5	-56.1	-52.1	-44.7	-78.4	-63.0	-46.2	-49.0	-45.9	-128.2	-47.8
Factor services	-0.3	-2.3	-3.4	-3.2	-2.4	-4.0	1.6	-4.3	-1.8	-7.2	-1.2	-8.5	-11.0
Profits	-4.2	-4.3	-6.4	-6.1	-5.2	-8.0	-3.9	-4.6	-5.1	-5.6	-5.3	-8.3	-6.3
Interest received	3.6	3.2	3.0	3.5	3.6	4.4	3.1	2.5	5.5	8.0	9.9	9.2	10.7
Interest paid	-2.6	-3.6	-3.4	-4.6	-6.1	-6.6	-3.6	-6.5	-5.9	-14.0	-13.0	-18.0	-23.1
Others	2.8	2.4	3.4	4.1	5.4	6.2	5.9	4.3	3.8	4.3	7.2	8.7	7.4
Unrequited private transfer payments	3.9	3.8	4.5	5.7	6.4	6.8	10.9	12.7	14.5	16.9	21.5	24.1	17.1
Balance on current account	-43.1	-36.7	-45.3	-53.9	-48.5	-41.9	-65.9	-54.5	-33.4	-39.3	-25.6	-112.5	-41.7
Unrequited official transfer payments	1.3	1.5	2.1	1.5	0.6	0.5	1.8	3.2	2.1	4.9	0.0	-6.1	6.1
Long-term capital	12.3	16.3	19.8	24.7	11.2	24.3	23.9	35.4	21.8	-16.5	15.5	81.6	11.3
Direct investment	8.5	14.7	17.4	4.8	9.9	22.1	6.2	4.7	9.3	5.0	0.9	7.1	4.4
Portfolio investment	-0.6	0.5	0.5	0.0	-0.2	0.1	0.1	0.6	2.0	-2.6	21.0	1.7	-0.8
Other long-term capital	4.4	1.1	1.8	19.9	1.6	2.1	17.5	30.1	10.5	-19.0	-6.4	72.9	7.6
Official sector ^b	0.9	-0.2	2.1	20.7	-3.2	-0.5	2.7	14.6	12.5	2.1	3.8	51.1	10.2
Loans disbursed	1.1	0.4	2.9	21.5	2.3	0.8	4.8	18.1	13.5	8.4	7.5	52.2	16.6
Amortization payments	0.0	0.0	0.0	0.0	-5.2	-0.8	-1.5	-2.8	-0.5	-5.7	-3.3	-0.5	-3.4
Commercial banks ^b	0.0	0.0	0.0	1.1	4.3	-0.7	1.7	6.2	2.4	-6.5	-3.6	1.7	3.2
Loans disbursed	0.0	0.0	0.0	1.1	4.3	0.0	1.7	6.2	2.4	0.0	0.0	1.7	3.2
Amortization payments	0.0	0.0	0.0	0.0	0.0	-0.7	0.0	0.0	0.0	-6.5	-3.6	0.0	0.0
Other sectors ^b	3.5	1.3	-0.2	-1.9	0.5	3.3	13.2	9.3	-4.4	-14.6	-6.5	20.2	-5.7
Loans disbursed	0.0	0.0	0.0	0.4	0.0	0.0	11.3	6.2	0.0	0.0	8.1	42.2	15.8
Amortization payments	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	-5.0	-0.8	0.0	0.0	0.0
Basic balance	-29.5	-18.9	-23.5	-27.7	-36.7	-17.1	-40.2	-16.0	-9.5	-50.9	-10.2	-37.0	-24.4
Short-term capital	0.2	6.9	3.1	9.7	-14.8	-4.2	4.4	2.0	10.0	29.7	34.6	62.8	9.8
Official sector	-0.1	1.2	-0.4	-3.9	0.5	-0.1	0.1	-0.7	-0.6	0.8	0.7	45.0	-2.9
Commercial banks	-0.9	4.8	5.0	12.5	-15.0	-7.5	2.1	-3.2	-5.3	8.8	9.6	15.0	-3.8
Other sectors	1.2	0.9	-1.4	1.1	-0.2	3.4	2.2	5.8	15.9	20.2	25.6	2.8	16.4
Errors and omissions (net)	23.6	22.4	23.6	17.5	44.7	29.9	24.0	15.8	20.7	25.7	-6.8	-37.7	21.5
Balance on capital account	37.3	47.0	48.3	53.4	41.7	50.6	53.9	56.2	54.5	44.1	43.3	100.7	48.7
Global balance ^c	-5.8	10.3	3.0	-0.5	-6.7	8.7	-12.0	1.6	21.0	4.8	17.7	-11.8	7.0
Total variation in reserves (minus sign indicates an increase)	4.6	-7.6	-10.9	-1.2	2.5	-0.3	10.1	1.1	-22.6	-6.0	-20.5	-24.7	...
Monetary gold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-1.4	-1.5	1.5
Special Drawing Rights	0.0	-1.5	-1.5	-0.3	-0.1	0.2	0.0	-0.0	0.0	-1.9	3.1	0.4	...
IMF reserve position	-2.0	-0.2	0.0	-0.2	-0.0	-1.4	0.0	-0.2	0.1	0.1	-2.6	-0.6	...
Foreign exchange assets	-2.1	-0.6	-7.6	-3.9	-6.6	0.8	11.6	-8.8	-23.0	-4.4	-13.4	-22.5	...
Other assets	8.7	-5.3	-1.7	3.2	9.3	0.2	-1.6	2.2	-0.1	0.3	-0.7	0.5	-1.0
Use made of IMF credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9	0.6	0.1	-5.6	-2.1	...

^aIncludes other non-factor services.

^bIncludes net loans granted and other assets and liabilities.

^cEquals total variation in reserves (of opposite sign), plus counterpart items: monetization or demonetizations of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.

Additionally, the average length of stay of stopover passengers declined, while the number of cruise-ship visitors decreased by 23%.

c) *Balance of payments*

The balance of payments registered a small surplus of US\$ 7 million in 1982. In the merchandise trade account, the value of exports increased while that of imports fell, thereby narrowing the deficit significantly (see table 10). There were substantial inflows of investment and short-term funds, mostly absorbed by the private sector. Long-term capital inflows contracted in 1982 in response to the heavier dependence of the Government on domestic borrowing, but as in 1981, the Central Bank engaged in foreign borrowing to maintain foreign exchange liquidity, and US\$ 5.2 million of long-term funds were obtained from the CARICOM and Venezuelan Oil Facilities. A stand-by arrangement and compensatory financing from the IMF helped to increase international reserves by US\$ 7 million in 1982.

4. Wages and prices

a) *Wages*

Wage increases varied from some 30% in the private sector to 7% in the public sector. Wage restraint helped to curb inflationary pressures during 1982, as personal disposable income did not increase to such an extent as to fuel domestically-originated inflation.

b) *Prices*

The rate of inflation, as measured by the Retail Price Index, declined somewhat from the 1981 rate of 14.6% to an annual average of 10.3% in 1982 (see table 11). This was due to a great extent to the deceleration of inflation in the economies of the country's main trading partners. The largest relative price increases occurred in housing, transportation, medical and personal care, and alcoholic beverages and tobacco. Because of its weighting, food was the major contributor to the increase in the All Items Index, with housing next in significance. The December to December variation declined even more sharply, from 12.3% to a bare 6.9%, indicating a significant deceleration in the inflation rate.

Table 11

BARBADOS: EVOLUTION OF DOMESTIC PRICES

	1980	1981	1982
December to December variation			
All Items Consumer Price Index	14.0	12.3	6.9
Food	12.4	12.6	2.5
Alcoholic beverages and tobacco	17.2	2.6	17.3
Housing	24.7	21.1	10.1
Fuel and light	14.9	-2.1	12.7
Clothing and footwear	18.5	12.7	-1.5
Medical and personal care	7.3	18.2	13.0
Transportation	11.9	17.4	17.0
Variation between annual averages			
All Items Consumer Price Index	6.9	14.6	10.3
Food	6.6	14.8	7.3
Alcoholic beverages and tobacco	11.0	7.9	13.4
Housing	3.4	24.3	21.4
Fuel and light	12.7	6.9	2.6
Clothing and footwear	16.6	17.6	4.2
Medical and personal care	8.7	8.3	15.9
Transportation	11.2	13.6	18.8

Source: Data supplied by the Barbados Statistical Service.

5 Monetary and fiscal policy

a) Monetary policy

The maintenance of selective credit controls during 1982 caused a sharp reduction in new borrowing from the commercial banking system. An analysis of loans outstanding suggests a curback in credit to the private sector; in contrast, credit to the public sector remained relatively high, amounting to some B\$ 47.6 million at the end of 1982 —some 16.1% higher than the level of government borrowing of a year earlier. The total amount of public sector borrowing was however contained in 1982, as the Government incurred a B\$ 91 million fiscal deficit. The effect of the reduction in the foreign deficit was not fully felt on the domestic market because it was to some extent offset by an increase in domestic borrowing and foreign financing.

Credit to the household sector declined by some 6% in 1982 to a year-end level of B\$ 131 million. The fall-off in construction activity in 1982 was reflected in a 28.7% reduction in loans outstanding to the sector, while the decline of 44% in credit to the mining and quarrying sector was in part due to the re-emphasis on shallow drilling and the absence of significant exploration activity (see table 12).

The low level of economic activity dampened the growth in commercial bank liabilities during 1982. Demand deposits declined slowly, while savings deposits showed only a weak increase. However, time deposits grew by 22.3% —the largest increase in this figure since the establishment of the Central Bank. Time deposits of private individuals accounted for 33.8% of the increase, indicating that depositors have become sensitive to the differential between the interest rates on time and savings deposits (see table 13).

Interest rates remained at their end-1981 levels until October 1982 when, in response to the fall in foreign interest rates, the Central Bank lowered most interest rates by one percentage point. A further reduction was made in December as foreign rates continued to fall. The average lending rate declined to 13%, while the minimum rate on deposits fell to 6%. For its part, the rate on residential mortgages was reduced from 12% to 11%.

Monetary and fiscal measures helped to contain foreign payments, contributing to the balance-of-payments surplus.

Loans from the International Monetary Fund (IMF) under the Compensatory Financing Facility and a stand-by arrangement boosted the foreign reserves position. The Compensatory Financing Facility compensates Barbados for part of the fall in tourism and sugar receipts. Under the terms of

Table 12

BARBADOS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

(Millions of Barbados dollars)

	At end of year			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Total	546.6	649.1	680.2	16.2	18.8	4.8
Agriculture (including fisheries)	20.3	26.5	32.5	15.3	30.5	22.6
Mining and quarrying	1.4	2.7	1.5	180.0	92.9	-44.4
Manufacturing	94.6	103.6	115.6	49.7	9.5	11.6
Distribution	87.6	95.0	92.8	28.1	8.4	-2.3
Construction	39.4	45.3	32.3	-11.9	15.0	-28.7
Tourism (including entertainment)	71.1	97.3	114.6	37.3	36.8	17.8
Government	4.7	7.4	10.0	-24.2	57.4	35.1
Public utilities	30.4	33.6	37.6	-7.6	10.5	11.9
Personal	135.0	139.3	131.0	2.4	3.2	-6.0
Other	62.1	98.4	112.3	17.2	58.5	14.1

Source: Central Bank of Barbados, *Economic and Financial Statistics*, and data supplied to ECLA.

^aPreliminary figures.

Table 13

BARBADOS: COMMERCIAL BANKS' LIABILITIES AT 31 DECEMBER

(Millions of Barbados dollars)

	1980	1981	1982 ^a	Growth rates		
				1980	1981	1982 ^a
Total deposits	742.5	821.6	880.0	15.6	10.7	7.1
Demand deposits	164.2	172.3	167.0	1.9	4.9	-3.1
Time deposits	230.2	246.0	300.8	13.6	6.9	22.3
Saving deposits	348.1	403.4	412.3	25.0	15.9	2.2
Balances due to Bank of Barbados	1.2	5.4	16.2	-	35.0	20.0
Balances due to other local banks	15.2	15.5	13.5	-21.2	2.0	-12.9
Foreign liabilities	52.8	81.2	75.4	1.0	53.8	-7.1
Other liabilities	72.1	87.2	124.4	-10.2	20.9	42.7
Total liabilities	883.8	1 011.0	1 109.6	11.1	14.4	9.8

Source: Central Bank of Barbados, *Economic and Financial Statistics, April 1983*.^aPreliminary figures.

Table 14

BARBADOS: MONETARY BALANCE

(Millions of Barbados dollars)

	1980	1981	1982 ^b	Growth rates ^a		
				1980	1981	1982 ^b
Money	255	270	266	11.4	5.6	-1.3
Currency outside banks	102	111	111	27.5	8.8	-
Demand deposits	154	158	155	3.4	2.6	-1.9
Factors of expansion	913	1 039	1 170	15.0	13.8	12.6
Foreign assets	167	126	185	16.0	-24.6	46.9
Domestic credit	747	913	986	14.7	22.2	8.0
Government	172	213	261	3.6	23.8	22.5
Private sector	575	700	725	18.6	21.7	3.6
Factors of absorption	658	769	904	16.5	16.9	17.6
Quasi-money (savings and time deposits)	571	648	706	21.0	13.5	9.0
Other items (net)	87	121	198	-6.5	39.1	63.6

Source: Central Bank of Barbados, *Economic and Financial Statistics, April 1983*.^aRates may not agree exactly with figures because of rounding.^bPreliminary figures.

the stand-by arrangement, the country is provided with quarterly installments of balance-of-payments financing up to May 1984.

The fall-off in economic activity led to a 1.3% contraction in the total money supply in 1982, compared with a 5.6% expansion in 1981 (see table 14).

b) *Fiscal policy*

The Government pursued a policy of restraint in 1982, designed to contain national expenditure and to maintain a comfortable level of foreign exchange reserves.

Current revenue rose to B\$ 486 million in 1982—an 8.7% increase over the 1981 figure—partly as a result of slight increases in consumption taxes, fees, fines and surpluses of State

corporations, and more efficient collection of arrears of direct taxes, revenue from which increased by B\$ 31 million. Hotels and restaurant taxes fell by a reported 15.3% in 1982 as a result of the drop in tourist arrivals (see table 15).

Current expenditure rose by B\$ 20 million to a figure of B\$ 462 million. Factors contributing to this increase were the higher interest payments and wage and salary rates. Nonetheless, a reduction in the labour force in the civil service, and a shift of old age non-contributory pensions from the government budget to the National Insurance Board partly offset this growth.

Capital expenditure fell significantly as some major projects ended and others were postponed. Work began on the construction of a cement plant, estimated to cost B\$ 148 million, in which the Government of Trinidad and Tobago will hold a 49% interest. Expenditure on this project during 1982 was B\$ 9.2 million.

The National Insurance Board continued to be a significant source of financing to Government through an increase in its treasury bill holdings.

A fiscal deficit of B\$ 91 million, nearly half the size of that of the previous year, was financed by heavy domestic borrowing and a drawdown of B\$ 28 million under the IMF's Compensatory Financing Facility.

The national debt rose in 1982 to B\$ 760 million — an increase of some B\$ 76.6 million over the 1981 level. Local indebtedness rose by B\$ 49.1 million to B\$ 473.1 million.

Table 15

BARBADOS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of Barbados dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
1. Current revenue	421	447	486	23.8	6.2	8.7
Tax revenue	373	394	436	21.9	5.6	10.7
Direct	159	166	197	20.5	4.4	18.7
Indirect	214	228	239	23.0	6.5	4.8
On foreign trade	86	92	73	22.9	7.0	-20.7
Non-tax revenue	48	52	57	41.2	8.3	9.6
2. Current expenditure	372	442	462	22.8	18.8	4.5
3. Savings on current account (1 - 2)	49	5	24	32.4	-89.8	380
4. Capital expenditure	103	186	115	13.2	80.6	-38.2
5. Total expenditure (2 + 4)	475	628	577	20.6	32.2	-8.1
6. Fiscal deficit (1 - 5)	-54	-181	-91	0.2	235.2	-49.7

Source: Central Bank of Barbados, *Economic and Financial Statistics*. April 1983.

^aPreliminary figures.

