

UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
LIMITED
E/CEPAL/L.250/Add.10
August 1981
ORIGINAL: ENGLISH

CEPAL
Economic Commission for Latin America

ECONOMIC SURVEY
OF LATIN AMERICA

1980

BARBADOS

This preliminary version of the *Economic Survey of Latin America, 1980* is being distributed in separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/L.250 and various addenda to this document, each containing a study of the economic development of a country of the region. These addenda will not appear in alphabetical order, but in order of completion. The complete *Survey* will be published when the comments arising out of this preliminary version have been collected.

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 amount 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

In 1980 the growth rate of the Barbadian economy decreased to about 4% in real terms, as the volume of output did not keep pace with price increases. A CEPAL estimate puts gross domestic product at factor cost in current prices at about 1 400 million Barbados dollars.¹ This means that per capita income amounted to some B\$ 5 557 (see table 1).

Table 1
BARBADOS: MAIN ECONOMIC INDICATORS

	1975	1976	1977	1978	1979	1980(a)
A. Basic economic indicators						
Gross domestic product at factor cost (millions of current Barbados dollars)	742	763	849	953	1 143	1 406
Population (thousands of inhabitants)	245	246	248	250	251	253
Per capita gross domestic product (current Barbados dollars)	3 029	3 103	3 423	3 812	4 554	5 557
<u>Growth rates</u>						
B. Short-run economic indicators						
Gross domestic product (in current values)	13.7	2.8	11.2	12.2	19.9	23.0
Per capita gross domestic product	13.2	2.4	10.3	11.4	19.5	22.0
Terms of trade (goods and services)	12.7	-11.7	-3.7	4.0	-4.7	6.4
Current value of exports of goods and services	3.3	0.2	22.4	27.2	26.8	22.2
Current value of imports of goods and services	8.9	10.0	13.3	16.4	29.9	29.6
Consumer price index						
December-December	12.3	3.9	9.9	11.3	16.8	16.1
Variation between annual averages	20.3	5.0	8.3	9.5	13.2	18.4
Money	20.0	10.0	16.4	21.5	41.5	19.2
Rate of unemployment (b)	22.5	15.6	15.2	12.4	13.7	12.8
Current income of government	...	...	...	26.0	18.9	13.5
Total expenditure of government	...	...	...	6.2	32.6	-2.8
Fiscal deficit/total expenditure of government (b)	...	...	34.5	15.2	17.8	10.1
<u>Millions of dollars</u>						
C. External sector						
Trade balance (goods and services)	-27	-52	-38	-15	-30	-72
Balance on current account	-30	-46	-34	-6	-24	-69
Variation in net international reserves	1	-12	1	20	14	19

Source: CEPAL, on the basis of official data.

(a) Preliminary figures.

(b) Percentage.

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

The 16% increase in sugar production was to some extent attributable to favourable weather conditions during the harvest, which in turn had a favourable effect on the sucrose content of the cane. Higher prices for this commodity, in the face of a shortfall in world production, led to an increase in domestic output and thus gave Barbados export earnings of some B\$ 105 million.

In the tourism sector, the growth rate of tourist arrivals decreased in comparison with 1979, apparently as a result of economic recession in North America and in Europe, although revenue is estimated to have risen by some 22%, mainly on account of price increases.

The sugar bonanza and the increased revenue from tourism did not prevent an increase in the merchandise trade deficit, which worsened by almost 28% from the 1979 level. An estimated increase of nearly 30% in the value of imports brought the import bill to some US\$ 620 million and contributed to a negative balance on current account of some US\$ 69 million. Capital account transactions, however, secured an overall balance of payments surplus of US\$ 19 million, with an increase in international reserves of the same amount.

The Central Bank sought to neutralize the adverse effect of wage increases on the general level of prices by encouraging savings and at the same time discouraging commercial banks from seeking temporary advances from the Central Bank.

Manufacturing production, as measured by the index of industrial production, increased by some 3% in 1980, with significant increases in the production of chemicals, beverages and tobacco. Construction activity increased somewhat in 1980 in response to public works and the need to provide more tourist accommodation.

In recognition of the increasing cost of conventionally derived energy and its adverse effects on the balance of payments, the Government took steps to develop institutional capabilities in the energy sector by the creation of an Energy and Natural Resources Division, which has begun the task of collating all data on energy and acting as a catalyst for the implementation of government policies in this area. Much activity in the areas of exploration for petroleum and natural gas and research on the viability of alternative sources of energy was undertaken, the aim being to achieve cheaper sources of energy.

The Government implemented the personal income tax reforms announced in the 1980 Budget Speech, and the tax reliefs granted, together with wage and salary increases, were major determinants of the 19.2% increase in the total money supply by the end of 1980.

2. Trends in economic activity

(a) *Growth of the main sectors*

(i) *Agriculture (including sugar manufacturing)*. The GDP at current prices of the agricultural sector is estimated to have been of the order of B\$ 133 million — a 24.5% increase over the 1979 figure (see table 2). The sugar industry recorded its highest output since 1971, producing some 132 thousand tons of sugar in 1980, despite the late start of harvesting operations² (see table 3). The sugar subsector is excluded, however, there was stagnation or an even possible fall in the output of the sector in 1980, as "other agriculture" was adversely affected by unseasonal weather conditions. Preliminary data³ indicate that production of root crops fell below the level of 1979, with the output of carrots, onions, tomatoes, beans and sweet potatoes estimated as having been below the level of the previous year.

Deliveries of pork to processing plants increased to 337 tons — a 60% rise over the 1979 figure. By mid-1980, chicken and milk production showed signs of at least maintaining the level of the previous year, while at the year end, milk production was estimated to have increased very slightly over the 1979 level.

²The harvesting season was longer in 1980 than in previous years. Mechanical harvesting was relied on to a greater extent than previously, because of shortages of labour.

³Central Bank of Barbados, *Quarterly Report*, Vol. VII, No. 3.

Table 2

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

	Millions of current Barbados dollars			Percentage breakdown		Growth rates		
	1978	1979	1980(a)	1970	1980(a)	1978	1979	1980(a)
	Gross domestic product	953	1 143	1 406	100.0	100.0	12.3	19.9	23.0
Subtotal goods	282	333	409	34.2	29.1	16.6	18.0	22.8
Agriculture	92	107	133	13.9	9.4	0.0	15.9	24.5
Mining and quarrying	7	9	11	10.8	0.8	136.7	31.0	20.4
Manufacturing	108	129	158					
Construction	75	88	107	9.5	7.6	25.0	17.5	21.9
Subtotal basic services	80	88	107	7.2	7.7	8.1	10.5	21.5
Electricity, gas and water	16	18	22	...	1.6	14.3	14.4	21.9
Transport, storage and communications	64	70	85	...	6.1	6.7	9.5	21.4
Subtotal other services	589	722	890	58.6	63.3	10.3	22.5	23.3
Commerce, restaurants and hotels (tourism)	287	361	441	24.6(b)	31.3	16.2	25.8	22.1
Government services	151	180	229	14.7	16.3	6.3	18.9	27.5
Miscellaneous services	153	181	220	19.3	15.7	5.5	18.4	21.7

Source: Data supplied to CEPAL.

(a) Preliminary figures.

(b) Data relate to distribution only.

Fishing catches (in the coastal waters off Barbados) were relatively low, with shrimping continuing to show few signs of activity for the third year in succession. Some of the boats originally procured for these operations were converted and are now being used as coastguard vessels, and moreover a substantial part of the fishing fleet, as well as much equipment, was damaged or lost in the hurricane of 1980.

(ii) *Manufacturing*. Preliminary data on the sector's contribution to the GDP show an increase of approximately 22% for 1980, due mainly to increased exports of manufactures.

Preliminary indicators for manufacturing production show an increase of about 3% over the previous year (see table 4), with significant increases in the production of chemicals (25.6%) and beverages and tobacco (23.3%). Smaller increases occurred in food processing, petro-products and

Table 3

BARBADOS: INDICATORS OF SUGAR PRODUCTION

	1976	1977	1978	1979	1980	Growth rates				
						1976	1977	1978	1979	1980
						Hectares harvested (a)	15.9	15.8	15.9	15.9	16.1	-1.3	-0.8	0.6	0.2	1.3
Cane milled	919	1 046	895	1 052	1 205	8.8	13.8	-14.4	17.5	14.5
Average yield (b)										
Cane per hectare	57.8	66.3	56.8	66.3	74.9	10.0	14.7	-14.3	16.7	13.0
Sugar per hectare	6.5	7.6	6.3	7.1	8.2	6.6	16.9	-17.1	12.7	15.5
Sugar produced (c)	104	120	101	114	132	5.1	15.4	-15.8	12.9	15.8

Source: Barbados Sugar Producers' Association, *Barbados Sugar Review*, No. 41, September, 1979; and data supplied to CEPAL.

(a) Thousands of hectares.

(b) Metric tons.

(c) Thousands of metric tons.

non-metallic products. The modest declines in the other subsectors were not sufficient to offset these increases. Although the production of wearing apparel was less than in 1979 it was second only to food as a major contributor to the 1980 index of manufacturing production.

Table 4
BARBADOS: INDICATORS OF MANUFACTURING PRODUCTION

	1977	1978	1979	1980(a)	Growth rates		
					1978	1979	1980(a)
<u>Production index (1971 = 100)</u>							
Total, all industries	144.8	150.9	151.7	156.5	4.2	0.5	3.2
Quarrying	81.5	83.7	85.4	108.9	2.7	2.0	27.5
Manufacturing	145.1	147.7	144.3	147.0	1.8	-2.3	1.9
Food	152.0	160.4	168.0	173.8	5.5	4.7	3.5
Beverages and tobacco	124.4	139.4	113.2	139.6	12.1	-18.8	23.3
Wearing apparel	169.0	159.7	166.2	165.4	-5.5	4.1	-0.5
Chemicals	109.8	119.0	118.1	148.3	8.4	-0.8	25.6
Petro-products	115.5	118.8	128.2	133.3	2.9	7.9	4.0
Other non-metallic mineral products	76.7	81.2	98.3	105.4	5.9	21.1	7.2
Other manufactures	165.1	159.4	154.7	146.5	-3.5	-2.9	-5.3
Electricity and gas	153.0	176.9	197.5	209.0	15.6	11.6	5.8

Source: Statistical Service, Barbados, Monthly Digest of Statistics, and data supplied to CEPAL.

(a) Preliminary figures.

Promotional drives by the Barbados Export Promotion Agency boosted the export of local manufactures to B\$ 323 million —25% above the 1979 figure. The Barbados Industrial Development Corporation, in line with its comprehensive action plan for 1978-1982, continued promoting industrial development by means of fiscal concessions, training and research. In collaboration with the Centre for Industrial Development, a review of the local garment industry was completed in 1979, and its findings, if accepted, were expected to be implemented in 1980. All these activities were responsible for the increased growth in the level of the sector's activities (see table 5).

(iii) *Energy*. The pressures deriving from the international petroleum situation, combined with the Government's determination to conserve conventional energy sources and expand alternative forms of energy, resulted in the accelerated formulation and implementation of policies in this field. Even so, however, the import bill for petroleum and petroleum products rose by 36.5% in 1980 (see table 6).

Hydrocarbons continued to be the major source of energy. Drilling operations by Mobil Exploration Corporation continued, with concentration on the Woodbourne area. By the end of 1980, some 48.6 thousand cubic metres of crude petroleum had been produced, together with 13.3 million cubic metres of natural gas —an increase of some 13.6%. Production of gasoline fell slightly, but that of diesel oil increased some 16% above the level of the previous year, while fuel oil production increased by some 5.4% to 96.4 thousand cubic metres. Import prices of crude petroleum increased some 35% in 1980.

The Government continued to grant concessions in the form of lower interest rates on loans to taxi drivers importing diesel-engined vehicles for use in the tourist industry, the aim being to encourage the shift away from high-priced gasoline to the lower-priced dieselene, and thus minimize the energy bill.

A seismic survey was undertaken by Mobil Corporation in order to determine the hydrocarbon potential of the island. An aeromagnetic survey and a gravity survey also sought to determine the petroleum and natural gas resources. The Inter-American Development Bank financed the analysis of the results of the seismic survey.

Table 5

BARBADOS: PRODUCTION OF MAIN MANUFACTURING

	1977	1978	1979	1980(a)	Growth rates		
					1978	1979	1980(a)
Production of some manufactures							
Sugar (b)	120	101	114	132	-15.8	12.9	15.8
Animal feed (b)	38	35	40	39	-7.9	14.3	-2.5
Rum (c)	10 656	10 683	7 464	10 170	0.3	-30.1	36.3
Beer (c)	7 310	9 046	7 383	8 578	23.7	-18.4	16.2
Malt beverages (c)	3 150	4 332	2 914	3 300	37.5	-32.7	13.2
Non-alcoholic beverages (c)	18 225	19 761	19 916	18 916	8.4	0.8	-5.0
Margarine (d)	1 965	2 361	2 074	2 238	20.2	-12.2	7.9
Lard (d)	1 240	1 481	1 259	1 453	19.4	-15.0	15.4
Milk products (d)(e)	9 700	9 700	9 800	10 000	-	1.0	2.0
Cigarettes (d)	190	229	230	224	20.5	0.4	-2.6
Natural gas (f)	4 700	9 599	11 667	13 252	104.2	21.5	13.6
Crude petroleum (f)	19.7	43.5	45.1	48.6	120.8	3.7	7.8
Gasoline (f)	52.1	52.9	55.4	55.1	1.5	4.7	-0.5
Diesel oil (f)	33.9	40.1	42.8	49.7	18.3	6.7	16.1
Fuel oil (f)	82.3	78.9	91.5	96.4	-4.1	16.0	5.4
Other indicators							
Electricity generated (g)	246	269	296	310	9.3	10.0	4.7

Source: Statistical Service, Barbados, Monthly Digest of Statistics, and data supplied to CEPAL.

- (a) Preliminary figures.
- (b) Thousands of tons.
- (c) Thousands of litres.
- (d) Tons.
- (e) Production of milk products converted to fresh milk equivalent.
- (f) Thousands of cubic meters.
- (g) Millions of kWh.

Table 6

BARBADOS: VALUE OF IMPORTS OF SELECTED HYDROCARBONS
(Millions of Barbados dollars)

	1976	1977	1978	1979	1980(a)
Total	50.9	62.5	60.4	101.7	126.9
Crude petroleum	21.4	26.6	24.8	42.4	32.4
Jet fuel	15.8	18.2	17.8	33.0	58.1
Diesel oil	4.7	7.2	6.3	9.9	12.2
Other fuel oil	5.4	6.6	6.9	10.9	15.7
Liquefied petroleum gas	3.4	3.5	4.0	5.2	7.2
Aviation gasoline	0.2	0.4	0.6	0.3	1.3

Source: Statistical Service, Barbados, Statistics of Monthly Overseas Trade, February 1978, and data supplied to CEPAL.

- (a) January-November.

In 1980, the Barbados Government continued to receive technical assistance in the organization and analysis of geological and geophysical data, the control of drilling practices, the review and development of petroleum legislation, and the estimation and analysis of oil and gas deposits.

In October, a considerable amount of the natural gas previously vented was taken up by the Barbados Light and Power Company for use in the generation of part of its electricity output, the effect being to lessen the dependence on imported fuels.

In an endeavour to develop institutional capabilities in the energy sector, the Government created an Energy and Natural Resources Division which will co-ordinate and manage all activities related to energy and natural resources.

As regards alternative sources of energy, the Government's Energy and Natural Resources Unit has been carrying out research on new and renewable sources of energy, including solar, wind and wave power, bagasse and biogas.

The hotel sector has been studying the use of solar energy as a means of supplementing conventionally-generated electricity. The Barbados Government and the Light and Power Company have applied for a grant from the Inter-American Development Bank to procure a 50-kilowatt wind generator, and the Government will use expertise from the Barbados Light and Power Company to install, operate and maintain the equipment for a period of not less than one year, the electricity generated being fed into the national grid. After 1983 larger wind generators of 200 kw will be introduced on the basis of the performance of the 50-kilowatt generator, bearing in mind its effects as regards noise level and television interference, among other factors. At least two foreign-based companies have expressed interest in setting up wind turbines at their own expense and selling the electricity at a reasonable price to the local power company.

Experiments conducted in mid-1980 successfully fed electricity derived from bagasse into the national grid. One conclusion is that an exhaustive feasibility survey of the use of bagasse for energy production *vis-à-vis* its alternative uses needs to be undertaken.

Biogas as an alternative source of energy gained the attention of Barbadian farmers during 1980. Farmers have recognized the potential for using animal wastes to generate methane gas for farm use, and the possibility of commercial use of this means of energy production is being explored.

(iv) *Construction.* Real growth in the sector levelled off somewhat in 1980, the increased value of the sector's output being due mainly to higher prices.

Public sector activity included continuation of work on roads, public utilities and housing. Encouragement was given to increased private sector activity in construction, while rising incomes promoted greater demand for housing and expectations in the tourism industry reinforced construction of tourist accommodation. A 3% increase in beds available to tourists was achieved through the construction of new accommodation units and the renovation of existing units.

These circumstances led to a general increase in the level of the sector's activity, which ultimately inflated the prices of already scarce building materials. Moreover, the relative inadequacy of skilled labour to service this sector, as well as wage demands and industrial action, contributed somewhat to higher costs in the industry.

(b) *Employment and unemployment*

Indications are that the level of unemployment did not change significantly compared with 1979 (see table 7). In order to upgrade the level of skills of the labour force, the Government, through the Ministry of Labour, embarked on a skills training programme under which training centres were established to upgrade worker skills in construction and manufacturing.

3. The external sector

(a) *The trade balance*

In 1980, the current value of merchandise exports increased by 35% as a result of rises of 3% in volume and almost 31% in unit value (see table 8). During the same period, total exports including services grew by almost 50%. Sugar continued to be the main export, and high prices for this commodity, along with an increase in its output gave export earnings of some B\$ 105 million (see table 9). Non-traditional exports registered almost an 11% increase over the previous year. It is worthwhile pointing out the growing importance of exports of electrical components, which

Table 7

BARBADOS: EMPLOYMENT AND UNEMPLOYMENT

	1978	1979
	<u>Thousands</u>	
Total number of adults	167.3	167.3
Labour force	100.4	107.9
Employed	86.6	94.1
Unemployed	13.8	13.8
Not in the labour force	66.9	59.4
	<u>Percentages</u>	
Unemployed as percentage of labour force	13.7	12.8
Labour force as percentage of total adults	60.0	64.5

Source: Ministry of Finance and Planning, Barbados, Economic Report, 1979.

Table 8

BARBADOS: MAIN FOREIGN TRADE INDICATORS

	1975	1976	1977	1978	1979	1980
	<u>Growth rates</u>					
Exports of goods						
Value	40.3	-19.5	19.5	22.1	18.4	35.0
Volume	10.5	12.0	24.6	8.5	17.5	3.1
Unit value	26.9	-28.1	-4.1	12.5	0.8	30.9
Imports of goods						
Value	6.2	11.3	14.2	14.9	31.8	30.0
Volume	-5.3	8.2	6.7	8.3	14.2	13.3
Unit value	12.1	2.9	7.0	6.1	15.4	14.7
Terms of trade	13.4	-30.2	-10.4	6.2	-12.4	14.8
	<u>Indexes (1970 = 100)</u>					
Terms of trade	165.2	115.3	103.4	109.8	96.2	110.5
Purchasing power of exports of goods	152.4	118.3	131.7	152.1	157.8	187.7
Purchasing power of exports of goods and services	132.9	128.4	146.3	176.0	195.5	210.5

Source: CEPAL, on the basis of official statistics.

Table 9

BARBADOS: EXPORTS OF GOODS, FOB

	Millions of current Barbados dollars				Percentage breakdown		Growth rates	
	1977	1978	1979	1980(a)	1977	1980(a)	1978	1979
<u>Total</u>	<u>151</u>	<u>188</u>	<u>235</u>	<u>323</u>	<u>100.0</u>	<u>100.0</u>	<u>24.3</u>	<u>25.0</u>
<u>Main traditional exports</u>	<u>66</u>	<u>65</u>	<u>75</u>	<u>125</u>	<u>43.5</u>	<u>38.7</u>	<u>-1.1</u>	<u>15.1</u>
Sugar	51	47	58	105	33.5	32.5	-7.1	23.4
Molasses	6	7	8	12	3.8	3.6	15.5	16.4
Rum	6	6	5	3	3.8	0.9	5.3	-20.0
Lard and margarine	4	5	4	6	2.4	1.7	45.9	-20.4
<u>Non-traditional exports</u>	<u>54</u>	<u>79</u>	<u>86</u>	<u>100</u>	<u>35.5</u>	<u>31.1</u>	<u>46.2</u>	<u>13.1</u>
Clothing	37	41	46	45	24.6	14.0	9.1	13.1
Electrical components	17	38	40	55	10.9	17.1	129.7	6.6
Others	31	44	74	98	21.0	30.1	39.9	66.5

Source: Statistical Service, Barbados, External Trade Publications, and data supplied to CEPAL; Central Bank, Barbados, Economic and Financial Statistics (various issues).

(a) January-November.

represented more than 50% of non-traditional exports and amounted to B\$ 55 million — a 49% rise over 1979.

As regards tourism, though the level of arrivals continued to be high, it was not enough to sustain the previous year's growth rate, and 1980 tourist arrivals are therefore estimated to have fallen slightly below the previous year's level, although cruise ship visitors increased by 15%. Estimated tourist expenditure amounted to B\$ 441 million — a 33% increase over 1979 (see table 10). The intense activity in this sector produced an increase of B\$ 56 million in the travel account, mostly because of higher hotel rates (which rose approximately 20%) and higher general prices, since there was no change in the average length of stay of tourists.

Table 10
BARBADOS: SELECTED TOURISM STATISTICS

	1978	1979	1980(a)	Growth rates		
				1978	1979	1980(a)
Total visitors (b)	457.0	481.0	496.6	22.7	5.3	3.2
Stop-over visitors (b)	316.9	370.9	370.0	16.7	17.0	-0.2
Cruise-ship visitors (b)	140.1	110.1	126.6	35.9	-21.4	15.0
Number of hotel beds available (b)	11.1	11.9	12.3	8.8	7.2	3.4
Hotel bed occupancy rate	58.2	68.8	66.7	7.6	18.2	-3.1
Average length of stay (c)	11.6	11.7	11.7	12.6	0.9	-
Estimated expenditure (d)	270.0	332.0	440.7	22.2	23.0	32.7
Hotel and restaurant tax (d)	9.5	11.0	14.6	31.9	15.8	32.7

Source: Ministry of Finance and Planning, Barbados, Economic Report, 1979, and data supplied to CEPAL.

(a) Preliminary figures.

(b) Thousands.

(c) Days.

(d) Millions of current Barbados dollars.

Total imports amounted to US\$ 620 million — a 30% increase over 1979 (see table 11) — the main items in this increase being an oil bill 25% higher than in 1979 (see table 6) and larger imports of capital and intermediate goods for the construction sector.

As regards intra-CARICOM trade, Barbados imported B\$ 117 million of goods from other CARICOM countries and exported B\$ 118 million to those countries: increases of approximately 16% and 33%, respectively. Trinidad and Tobago remained the main CARICOM trading partner, providing 78% of imports and absorbing 41% of exports, followed by Jamaica and Guyana, which together accounted for 16% of imports and 12% of exports.

Mainly as a consequence of higher prices for sugar on international markets, there was an improvement of Barbados' terms of trade of almost 15%. This, together with an increase in the volume of exports of goods and services, including tourism, made possible an increase of approximately 19% in the purchasing power of exports.

(b) *The balance of payments*

At year end, the current account registered a deficit of US\$ 69 million, although this was offset by short and long-term capital inflows of US\$ 88 million which gave an overall balance of payments surplus of US\$ 19 million and an increase in international reserves of a similar amount. During 1980, capital inflows increased almost four times with respect to 1979.

(c) *External debt*

A marked increase in long-term borrowing was observed during 1980. In the second half of the year the Central Bank engaged in open market operations which raised some B\$ 48 million on the Trinidad and Tobago market, while private sector borrowing amounted to some B\$ 44 million.

Table 11

BARBADOS: BALANCE OF PAYMENTS
(Millions of US dollars)

	1975	1976	1977	1978	1979	1980(a)
Exports of goods and services	227	227	278	353	448	548
Goods FOB	95	76	91	111	132	178
Services (b)	132	151	187	242	316	370
Transport and insurance	23	19	27	33	41	...
Travel	89	104	126	168	222	250
Imports of goods and services	254	279	316	368	478	620
Goods FOB	197	219	250	288	379	493
Services (b)	57	60	66	80	99	127
Transport and insurance	32	31	33	41	51	...
Travel	7	8	9	12	13	13
Trade balance	-27	-52	-38	-15	-30	-72
Profits and interest	-10	-5	-9	-6	-11	-12
Profits	-8	-4	-5	-5	-6	...
Interest	-2	-1	-4	-1	-5	...
Unrequited private transfer payments	7	11	13	15	17	15
Balance on current account	-30	-46	-34	-6	-24	-69
Unrequited official transfer payments	1	2	4	2	5	
Long-term capital	24	24	36	24	4	
Direct investment	22	6	5	9	15	
Portfolio investment	-	-	1	2	-9	
Other long-term capital	2	18	30	13	-2	
Official sector (c)(d)	-	3	15	15	4	
Loans received	1	5	18	16	8	
Amortization payments	-1	-2	-3	-1	-4	
Commercial banks (d)	-1	2	6	2	-6	
Loans received	-	2	6	2	-	
Amortization payments	-1	-	-	-	-6	88
Other sectors (e)(d)	3	13	9	-4	-	
Loans received	-	11	6	-	-	
Amortization payments	-	-	-	-5	-1	
Basic balance	-5	-20	6	20	-15	
Short-term capital	-5	4	2	10	31	
Official sector	-	-	-1	-1	1	
Commercial banks	-8	2	-3	-5	9	
Other sectors	3	2	6	16	21	
Errors and omissions (net)	17	2	-3	-9	-3	
Counterpart items (f)	-6	2	-4	-1	1	
Global balance	1	-12	1	20	14	19
Total variation in reserves (minus sign indicates an increase)	-1	12	-1	-20	-14	-19
Monetary gold	-	-	-	-	-	...
Special Drawing Rights	-	-	-	-	-2	3
IMF reserve position	-2	-	-	1	-	-3
Foreign exchange assets	-1	11	-8	-20	-4	-14
Other assets	2	1	-1	-1	-8	...
Use made of IMF credit	-	-	8	-	-	-5

Source: 1975-1979: International Monetary Fund, *Balance of Payments Yearbook*, (magnetic tape, March 1981); 1980: CEPAL, on the basis of official data.

- (a) Preliminary figures.
- (b) Services also include other official and private transactions.
- (c) In addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.
- (d) Includes counterpart items in respect of monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.
- (e) Includes private and State non-bank enterprises.
- (f) Includes counterpart items in respect of monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

As for the external debt, Barbados continued to register one of the lowest levels of indebtedness in the region (see table 12). In 1980, for the second consecutive year, a decrease in debt corresponding to private lenders was observed, while debt corresponding to official lenders increased at a lower pace than in previous years. Total external disbursed debt amounted to US\$ 68 million, a 3% rise over the previous year. Debt service accounted for 2.6% of exports of goods and services, the same percentage as in 1979.

Table 12

BARBADOS: INDICATORS OF EXTERNAL INDEBTEDNESS
(Millions of US dollars)

	1975	1976	1977	1978	1979	1980(a)
Total external indebtedness (b)	26.2	30.0	46.0	60.4	65.9	68.0
Official lenders	4.9	9.1	26.5	34.8	44.8	52.5
Bilateral	4.9	8.4	19.5	23.5	25.1	25.0
Multilateral	0.0	0.7	7.0	11.3	19.7	27.5
Private lenders	21.3	20.9	19.5	25.6	21.1	15.5
Servicing of external debt	4.0	3.7	8.9	7.4	11.7	14.2
Amortization payments	1.7	1.8	7.0	4.3	6.8	8.9
Interest payments	2.3	1.9	1.9	3.1	4.9	5.3
Servicing of external debt, as a percentage of exports of goods and services	1.8	1.6	3.2	2.1	2.6	2.6

Source: World Bank, *World Debt Tables*, Volume II, October 1980.

(a) World Bank estimates.

(b) Disbursed public debt.

4. Wages and prices

(a) Wages

Wage increases were granted in 1980 as a result of trade union demands justified by movements in the rate of inflation. In the sugar sector an average wage increase of 28% was granted, while there was a 32% increase in wages in the tourist sector to compensate for incomes eroded by rising prices, and wage increases in the public sector ranged from 20% to 38%, averaging some 33%. These increases, which were accompanied by and income tax revision in favour of the income recipient, left households with more personal disposable income and contributed to upward pressure on price levels. The Central Bank adopted measures to confront the problems of the substantial increase in liquidity, but seasonal end of year expenditures in 1980 nevertheless exceeded those of the previous year by some 40%.

(b) Prices

The Statistical Service published a new retail price index with a base of March 1980, and discontinued publication of the old index. The scope of the new index was widened to include several items that more accurately reflect present consumption patterns in the country.

The consumer price index rose by 18.4% in terms of annual averages⁴ (see table 13). Fuel prices and substantial wage increases were among the major determinants of the general escalation in prices. Prices in the food section of the index in November 1980 were about 10% higher than the January 1980 figure, and the 15% increase in the fuel and lighting index reflected to some extent the increase in petroleum prices between January and November 1980. Over the same period there was a 16% increase in the price of clothing and footwear. Table 6 indicates the extent of the increases in fuel prices.

⁴The figure of 18.4% was calculated by CEPAL on the basis of an estimate of the 1979 annual average on the new base and its comparison with the 1980 annual average, also on the new base.

Table 13

BARBADOS: CONSUMER PRICE INDEX

	1976	1977	1978	1979	1980(a)
<u>Variations between annual averages</u>					
Consumer price index	5.0	8.3	9.5	13.2	18.4
Food and beverages	4.2	8.5	10.1	11.1	...
<u>Variations December to December</u>					
Consumer price index	3.9	9.9	11.3	16.8	16.1
Food and beverages	4.3	8.5	12.8	12.2	...

Source: Central Bank of Barbados, Economic and Financial Statistics, January 1981, and data supplied to CEPAL.

(a) Preliminary figures.

5. Fiscal and monetary policies

(a) *Fiscal policy*

The Government implemented the personal income tax reform announced in the 1980 Budget Speech. The wage increases in the public sector pushed central government recurrent expenditure to BS 326 million, an 8% increase over the previous year's figure (see table 14). At the end of November, the national debt stood at an estimated BS 460 million.

(b) *Monetary policy*

The wage increases granted in 1980, in addition to the implementation of the revised income tax structure which worked in favour of the income recipient, enabled individuals to demand more goods and services, with adverse effects on domestic price levels and on the balance of payments.

The Central Bank therefore took measures to encourage greater savings on the part of individuals, while at the same time seeking to discourage commercial banks from seeking temporary advances. It also realigned the interest rates structure. A summary of the monetary measures adopted is as follows: (i) The minimum deposit rate was increased from 5 to 7%; (ii) the average lending rate was increased from 11 to 12.5%; (iii) the prime lending rate was increased from 9.5 to 11%; (iv) the Central Bank's general discount rate was increased from 7 to 10%; (v)

Table 14

BARBADOS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Millions of current Barbados dollars				Growth rates		
	1977	1978	1979	1980(a)	1978	1979	1980(a)
1. Current income	227	286	340	386	26.0	18.9	13.5
Tax revenue	203	252	306	343	24.1	21.4	12.1
Direct taxes	108	135	153	165	25.0	13.3	7.8
Indirect taxes	48	65	83	99	35.4	27.7	19.3
Taxes on international trade	47	52	70	79	10.6	34.6	12.9
Non-tax revenue	24	34	34	43	41.7	-	26.5
2. Current expenditure	229	256	303	326	11.8	32.8	7.6
3. Saving on current account (1-2)	-2	30	37	50	-	23.3	35.1
4. Capital expenditure	77	69	91	93	-10.4	31.9	2.2
5. Total expenditure (2+4)	306	325	394	419	6.2	32.6	-2.8
6. Fiscal deficit (1-5)	79	39	54	33	-50.6	38.5	-38.9

Source: Central Bank of Barbados, Economic and Financial Statistics, January 1981.

(a) Preliminary figures.

the ceilings on credit to the personal and distributive sectors were maintained at the existing levels until 31 March 1981; (vi) the Central Bank stated its intention to limit its credit for the marketing of sugar to B\$ 50 million, while the rate of discount for agricultural paper was raised to 7.5%, and (vii) the ceiling on the mortgage rate remained at 10%.

As a result of the wage increases and income tax concessions implemented in 1980, the total money supply is estimated to have increased some 15% over the level of the previous year (see table 15). Within this, the basic money supply (M_1) increased by almost 8%, creating the conditions for the observed 40% increase in last quarter spending. By the end of 1980, total outstanding commercial bank credit stood at B\$ 546 million. Personal loans continued to account for the major part of outstanding loans, representing almost 25% of total commercial bank credit. Other major credit recipient sectors were manufacturing, distribution, tourism and construction. (See table 16).

Table 15

BARBADOS: MONETARY BALANCE
(Millions of Barbados dollars)

	Balance at end of:				Growth rates			
	1977	1978	1979	1980	1977	1978	1979	1980
Money	<u>135</u>	<u>164</u>	<u>232</u>	<u>250</u>	<u>16.4</u>	<u>21.5</u>	<u>41.5</u>	<u>7.8</u>
Currency outside banks	55	66	80	102	17.0	20.0	21.2	27.5
Demand deposits	79	98	152	148	14.5	24.1	55.1	-2.7
Factors of expansion	<u>493</u>	<u>573</u>	<u>713</u>	<u>838</u>	<u>13.3</u>	<u>16.2</u>	<u>24.4</u>	<u>17.5</u>
Foreign assets (net)	-16	34	67	103	-	-	97.1	53.7
Domestic credit	509	539	646	735	17.8	5.9	19.9	13.8
Government (net)	155	135	166	165	59.8	-12.9	23.0	-0.6
Official entities	5	6	8	12	-28.6	20.0	33.3	50.0
Private section	349	397	472	558	6.4	13.8	18.9	18.2
Factors of absorption	<u>358</u>	<u>409</u>	<u>481</u>	<u>588</u>	<u>12.2</u>	<u>14.2</u>	<u>17.6</u>	<u>22.2</u>
Quasi-money (savings and time deposits)	344	383	455	542	11.3	11.3	18.8	19.1
Other items (net)	14	26	26	46	40.0	85.7	-	76.9

Source: International Monetary Fund, International Financial Statistics, May 1981.

Table 16

BARBADOS: SECTORAL DISTRIBUTION OF COMMERCIAL BANK CREDIT

	Millions of Barbados dollars (a)				Growth rates			
	1977	1978	1979	1980	1977	1978	1979	1980
Total	<u>372.2</u>	<u>392.6</u>	<u>470.2</u>	<u>546.6</u>	<u>13.0</u>	<u>5.5</u>	<u>19.8</u>	<u>16.2</u>
Agriculture	20.0	20.0	17.6	20.3	-23.7	-	-12.0	15.3
Mining and quarrying	4.3	0.3	0.5	1.4	2.4	-93.0	66.7	180.0
Manufacturing	31.3	38.8	63.2	94.6	25.7	24.0	62.9	49.7
Distribution	63.9	68.5	68.4	87.6	23.1	7.2	-0.1	28.1
Construction	38.2	36.1	44.7	39.4	7.9	-5.5	23.8	-11.9
Tourism	50.8	50.1	51.8	71.1	11.6	-1.4	3.4	37.3
Government	22.2	18.2	6.2	4.7	117.6	-18.0	-65.9	-24.2
Public utilities	20.5	18.4	32.9	30.4	5.1	-10.2	78.8	-7.6
Personal services	93.4	106.9	131.9	135.0	5.9	14.5	23.4	2.4
Other	27.6	35.3	53.0	62.1	18.5	27.9	50.1	17.2

Source: Central Bank of Barbados, Economic and Financial Statistics, January 1981, and data supplied to CEPAL.

(a) As at 31 December.