

Preliminary Growth and Fiscal Projections

Government of Barbados

17 July 2018



IMF Negotiations Underway

At the request of the Government of Barbados, an IMF team led by Bert van Selm visited Bridgetown July 2–12, to continue discussions on IMF financial support for the Government of Barbados’s Economic Recovery and Transformation plan. At the end of the visit there was broad agreement on the fiscal plan and Mr. van Selm made the following [statement](#):

“The Barbadian authorities, in close consultation with their social partners, are taking effective steps to address current economic vulnerabilities. The IMF stands ready to partner with Barbados to restore macroeconomic stability in order to secure strong, durable and inclusive growth in the years ahead...

Fiscal consolidation alongside a comprehensive debt restructuring exercise is critical for restoring debt sustainability and policy credibility. In this context, the authorities’ revised budget for 2018/19, approved by Parliament on June 11 is a decisive step in the right direction. The budget targets a primary surplus of 6 percent of GDP...

Significant progress has been made during this IMF staff visit on the plan that could underpin financial support from the IMF...”

IMF press release, 13 July 2018

IMF Negotiations (continued)

The fiscal plans under discussion with the IMF are those that have emerged from the Government's ongoing dialogue with the Social Partnership— a group revived by the Government to identify ways to improve efficiency within the public sector, generate inclusive growth, and build support for fiscal discipline across society.

Discussions and data sharing with the IMF will continue in the coming weeks, alongside further exchanges of views with the Social Partnership. Through this consultative process, the Government expects to finalise a detailed package of revenue- and expenditure-side measures that will have broad-based social support, and form the basis of a Staff-Level Agreement with the IMF, ahead of Executive Board review.

In the meantime, and in the interests of transparency, the Government wishes to share its preliminary medium-term projections for two key macroeconomic variables: the fiscal primary balance and nominal GDP growth.

Preliminary Growth and Fiscal Projections

The projections set out in the table below are serving as a backdrop to the ongoing discussions between the Government and IMF. Although these remain subject to change, the Government wishes to share them with stakeholders early on in order to provide guidance as to the general direction and context of the reform process.

Forecasts (Fiscal Years)

<i>Figures in Barbados dollars</i>	2018	2019	2020	2021	2022	2023	2024	2025	2026
Nominal GDP (bn)	10.3	10.7	11.1	11.5	12.0	12.5	13.0	13.5	14.0
% Change	3.5	3.3	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Primary Surplus (mn)	326	642	666	693	721	687	649	608	562
As % GDP	3.2	6.0	6.0	6.0	6.0	5.5	5.0	4.5	4.0

Debt Restructuring Update

The proposed fiscal trajectory marks a material departure from the unsustainable fiscal stance of the last 10 years, and is intended to restore public finances to a sustainable footing in conjunction with the forthcoming debt restructuring. While the envisaged fiscal adjustment and the associated debt restructuring will require sacrifices from all stakeholders, the Government believes that both exercises are imperative for addressing the serious macroeconomic imbalances and restoring confidence in the economy.

With views converging around what is possible in terms of the size of fiscal consolidation, the Government wishes to commence a dialogue with its creditors over the types of terms that will be required to eliminate the financing gaps that are likely to remain even after the planned fiscal correction and the associated support from international financial institutions is factored in. Detailed forecast financing gaps covering a medium-term horizon will be made publicly available once Barbados and the IMF reach a Staff-Level Agreement, and the size of the multilateral financing package has been confirmed.

Debt Restructuring Update

As well as addressing the forecast financing gaps, the Government will also be focused on debt restructuring terms that reduce Barbados's debt-to-GDP ratio over time to targets that the IMF consider sustainable. This will require an element of debt reduction. However, the Government will, wherever possible, seek to accommodate creditors who have indicated a preference for principal preservation by incorporating both discount and par solutions into a future exchange offer to be launched once a broad consensus on restructuring terms is reached.

The vast majority of creditors have now identified themselves. The Government wishes to convey its gratitude to them for doing so, and also for their expressed willingness to work with Barbados in good faith in addressing the unsustainable debt burden that the current administration has inherited.

Further Data Updates

- In June 2018, and in consultation with the IMF's Caribbean Regional Technical Assistance Centre, the Barbados Statistical Service issued revised national accounts data. The new GDP series puts estimated 2018 fiscal year GDP at BBD 10.3 billion.
- In recent weeks, a team from the Ministry of Finance, Economic Affairs and Investment has further analysed the Government's domestic arrears position, introducing offsetting practices where possible, while discarding claims not backed by complete documentation. This partial clean-up exercise has resulted in a revised estimate for domestic arrears of BBD 1.2 billion.
- Taking the new GDP series into account, the estimate for the Central Government and guaranteed debt as of end-March 2018 is likely to be adjusted downward to approximately BBD 16.1 billion, or 155% of 2018 GDP.