



January 2018 Letter

2018: The Outlook for the Barbados Economy

As I write this in the last week of 2017, the outlook for the economy is dire: foreign reserves reported by the Central Bank were only \$550 million in September, with over \$100 million in foreign debt and interest payments due in the final quarter. The NSRL and foreign exchange fee have fallen short of expectations, and Government continues to spend more than it receives in taxes. The new taxes are driving the economy into recession, and the declining reserves have undermined investor confidence. The country's low credit rating means that it has no access to foreign market borrowing, and maturing debt has to be repaid in full.

Even at this late date, an alternative future is attainable. My paper *The Barbados Economy – The Road to Prosperity*, available for free download at www.DeLisleWorrell.com, offers a seven point strategy to restore foreign reserves, eliminate Government overspending, stimulate sustainable economic growth and repair Government's credit worthiness. The recommendations are:

- A public sector reform package, to be implemented over three years, to eliminate Government's operating deficit and to achieve measurable improvements in public sector productivity;
- As part of that package, job cuts of about 1,500 per year in the public sector over three years, with separation packages to be funded by seeking financial support from international financial institutions;
- A cut in subsidies to state-owned enterprises of 10 percent per year for three years;
- An aggressive programme of divestment of carefully selected public assets;
- Temporary freezing of all public investments, except those funded by foreign finance;
- Final approval and start of major works on all tourism projects that were to have started in 2017; and
- Undertaking negotiations with the IMF, the Interamerican Development Bank, the Caribbean Development Bank and other official and international institutions for financial support for a five year programme of structural adjustment, the centerpiece of which would be conditionalities on the implementation of fiscal reform.

Firm, decisive and urgent action is needed to turn the economy around and set the country on the road to economic prosperity.