

BARBADOS

Economy

During the period 1976-80, Barbados showed strong economic performance, with an average annual growth rate of 5% in real terms. Growth was led by continuing improvement in the manufacturing sector and a rise in tourist arrivals up to 370,000 in 1980. Both developments contributed to a rapid fall in unemployment. This period was characterized, however, by rapid increases in real wages and by rising inflation.

In contrast, in 1981 the Barbados economy faltered significantly registering a decline of 2.6% in real terms. The decline in output was concentrated almost exclusively in the major export sectors - sugar production declined by 30% to 95,000 tonnes from the high of 135,000 tonnes in 1980; tourism fell by 9.1%; manufacturing declined by 5%. Real growth was recorded in all other sectors. Due in part to continuing construction activities, unemployment decreased from 12.6% to 10.8%. Inflation increased marginally to 14.6%. The balance of payments swung from the surplus position that the island had enjoyed over the previous three years to a deficit of US \$18.8 million. Sugar earnings had dropped by 50%, tourism receipts were stagnant and domestic exports fell by 15%, while at the same time retained imports rose by 11%, including a 60% increase in the volume of imported fuels. (Although Barbados had supplied a quarter of its own oil needs in 1980, a shift in location of production meant that only 15% of domestic requirements were produced in 1981.)

Recovery in the Barbadian economy will be profoundly conditioned by developments in the industrialized countries. Barbados is a small open economy where imports represent some 70% of GDP. Since prospects for enhanced foreign exchange earnings are slim, Barbados has undertaken to adjust domestic demand temporarily, while at the same time laying the groundwork for future growth when there is an upturn in economic activity.

Investment Environment

The Government of Barbados continues to stress the vital role of the private sector and to actively encourage foreign investment in Barbados. The four principal agencies dealing with the development of the manufacturing sector are the Ministry of Trade and Industry, the Industrial Development Corporation, the Barbados Development Bank and the Export Promotion Corporation. Barbados has traditionally maintained good relations with overseas investors and offers a variety of incentives. Main objectives of the current Development Plan (1979-83) are expansion of employment opportunities and economic diversification. The government looks to continued cooperation with the private sector in the development of both import - substitution and export-oriented