

## Export and Investment Promotion Planning System

## 88/89 Trade and Economic Overview

Mission: 658 BRIDGETOWN

Country: 525 BARBADOS

ECONOMIC ACTIVITY IN BRBDS, AFTER A RELATIVELY BOUYANT 86, HAS AGAIN LEVELLED OFF & REAL GROWTH OF 1%, AT BEST, IS FORECAST FOR 87 & INTO 88. WORLD MKT PRICES FOR SUGAR REMAIN VERY LOW & EXPORT MFTG IS SEVERELY DEPRESSED; WHEREAS CONSTRUC'N, TOURISM & OTHER SRVCE SECTORS HAVE SHOWN SOME STRENGTH. THE OTHER TEN SMALL COUNTRIES & DEPENDENCIES IN OUR TERRITORY, ALTHOUGH VERY DEPENDENT ON A FEW AGRI. COMMODITIES & SUCCEPTABLE TO THE VAGARIES OF TOURISM, CONTINUE TO SHOW GOOD GROWTH, AVERAGING 4-5% IN 87. THIS PERFORMANCE SHLD BE MAINTAINABLE INTO 88, BUT WITH A GREATER CONVERGENCE OF INDIVIDUAL COUNTRY GROWTH THAN PREVIOUSLY. REG'L TRADE, WHICH HAS DECLINED STEADILY SINCE 83 APPEARS TO HAVE BOTTOMED OUT AND MODEST INCREASES ARE ANTICIPATED. INFLATION REMAINS GENERALLY LOW, WHILE UNEMPLOYMENT CONTINUE TO BE SERIOUS THROUGHOUT MOST OF THE TERRITORY. FOR BRBDS, THE MODERATE DOWNTURN IN IMPORT LEVELS IN 87 (TO US\$500MN) IS EXPECTED TO CONTINUE INTO 88. THIS IS DUE IN PARTICULAR TO THE SHARP DECLINE IN MFTG ACTIVITY & THE LOWER DEMAND FOR INTERMEDIATE GDS. THE MKT FOR CAPITAL & CONSUMER GDS SHLD REMAIN STEADY, WITH THE USA, UK & CDA AS THE MAJOR SUPPLIERS. IMPORTS BY THE WINDWARD & LEEWARD ISLANDS SHLD GROW MARGINALLY BOTH IN 87 & 88; SHOWING SIMILAR SUPPLY PATTERNS & REACHING SOME US\$550MN. SUBSTANTIAL & GROWING TRADE DEFICITS PLUS LOW LEVELS OF PRIVATE SECTOR INVSTMT REMAIN PROBLEMS THROUGHOUT THE ISLANDS. LICENSING OF IMPORTS, TO PROTECT LOCAL & REG'L MFTRS & TO REGULATE FOREIGN EXCHANGE OUTFLOWS, IS BECOMING AN INCREASINGLY SIGNIFICANT FACTOR. TERRITORY EXPORTS TO MAJOR TRADING PARTNERS HAVE IN MANY CASES BEEN DECLINING IN SPITE OF FACILITATIVE PROGRAMMES SUCH AS CBI & LOME. WITH RESPECT TO CARIBCAN, EXPORTS TO CDA WERE WELL UP IN 86 BUT ARE LIKELY TO DECLINE FM BRBDS IN 87. MODEST BUT STEADY GROWTH IS ANTICIPATED IN 88. THE APRIL 87 BRBDS BUDGET, TO RELIEVE PRESSURE ON THE BALANCE OF PAYMENTS FROM CONSUMER-DRIVEN IMPORTS & TO COUNTER A DETERIORATING FISCAL SITUATION, SUBSTANTIALLY RAISED INDIRECT TAXES, IN PARTICULAR STAMP DUTIES & CONSUMPTION TAXES ON EXTRA-REG'L GDS. THE FOREIGN RESERVES POSITION HAS BEEN SUPPLEMENTED WITH FOREIGN BORROWINGS. IN THE REMAINDER OF THE TERRITORY, ALTHOUGH ECONOMIES ARE INDIVIDUALLY MUCH SMALLER & LESS DIVERSIFIED, THEIR FISCAL & FOREIGN RESERVES POSITION HAS GENERALLY IMPROVED. DEVALUA'N OF EAST. CARIBBEAN & BARBADIAN CURRENCIES, BOTH LINKED TO THE AMERICAN DOLLAR, REMAINS A REMOTE POSSIBILITY. WITHOUT THE BENEFIT OF AIRCRAFT DELIVERIES IN 87, CDN SALES TO THE TERRITORY WILL LEVEL OFF. OUR MKT SHARE IS HOWEVER IMPROVING, (PARTICULARLY IN BRBDS), & A LARGE TRADE BALANCE IN OUR FAVOUR WILL BE MAINTAINED. THE GROWTH OF OUR EXPORTS WILL BE AFFECTED BY THE ECONOMIC CLIMATE DESCRIBED ABOVE. SEVERAL SECTORS WILL SUFFER SOMEWHAT FM INCREASED TAXES & DUTIES & LICENSING PROVISIONS BUT OVERALL AN UPTURN IS ANTICIPATED. AS THE MKT IS MADE UP OF NUMEROUS SMALL ISLANDS WITH VARIED