

DeLisle Worrell: The strength of Barbadian institutions and the resolve of Barbadians will see us through the crisis

Op-ed article by Dr DeLisle Worrell, Governor of the Central Bank of Barbados, 15 August 2013.

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Barbadians have every reason to be confident that we can cure the foreign exchange imbalance which has emerged in the last three months, and revive the growth of our economy. First, we have the highest standard of living in the Caribbean, and we have earned it by transforming the economy and investing in infrastructure and human resources, over many decades. Figure 1 compares the Human Development Index (HDI) for Barbados with the rest of the Caribbean. The HDI is the best indicator of the quality of life available for countries worldwide.

Second, Barbados has strong institutions for decision making: our social partnership is the envy of countries worldwide; our economic information systems are the equal of many industrial countries; our media are knowledgeable; and we have a strong mechanism for putting policy into effect. Thirdly, we have preserved the value of our dollar, protecting the value of people's savings, and providing more predictable returns for investors. Fourthly, we have reserves which are more than sufficient to ride out the storm, as may be seen in Figure 2.

With these resources we may confidently address the challenges, which are twofold. The first is to balance foreign exchange inflows and outflows. Following the June 27th Economic Consultation, Government is in discussion with the social partners on measures that will be introduced to reduce the fiscal deficit. The required adjustment is considerable, about 4.5% of GDP, but not sufficient to cause major social disruption, as may be seen in Figure 3. The adjustment will protect the value of our currency, which is vital to Barbados' economic prosperity. Figure 4 shows how the Caribbean countries which have devalued have fared, compared with those that have maintained an unchanged value of their currency in terms of the US dollar.

Economic growth is the second challenge. The social partners continue to pursue actions to revive the economy. Investment amounting to \$2.3 billion is in prospect for the foreign exchange sectors, and Government contemplates \$1 billion of infrastructure and other projects. Initiatives are underway to improve access to finance by small and medium enterprises. Labour is charged with an urgent need to improve productivity and quality of service in every area of activity, so that Barbados becomes a byword for excellence in service.

It is all about self-confidence. The social partners know what we must do to grow the economy, and each and every Barbadian must remind ourselves that we have the power to contribute to our future prosperity. The private investment projects that will grow the economy are known, the government infrastructure has been identified, the financing is being put together, and the fiscal correction package is being stitched together in meetings between Government and the other social partners. What remains is the piece that is up to each and every one of us, that is, to increase worker productivity and commitment to excellence. I am confident that we will each resolve to put our best efforts into playing our part in the revival of our economy, and to sustainable economic growth in the future.

Figure 1

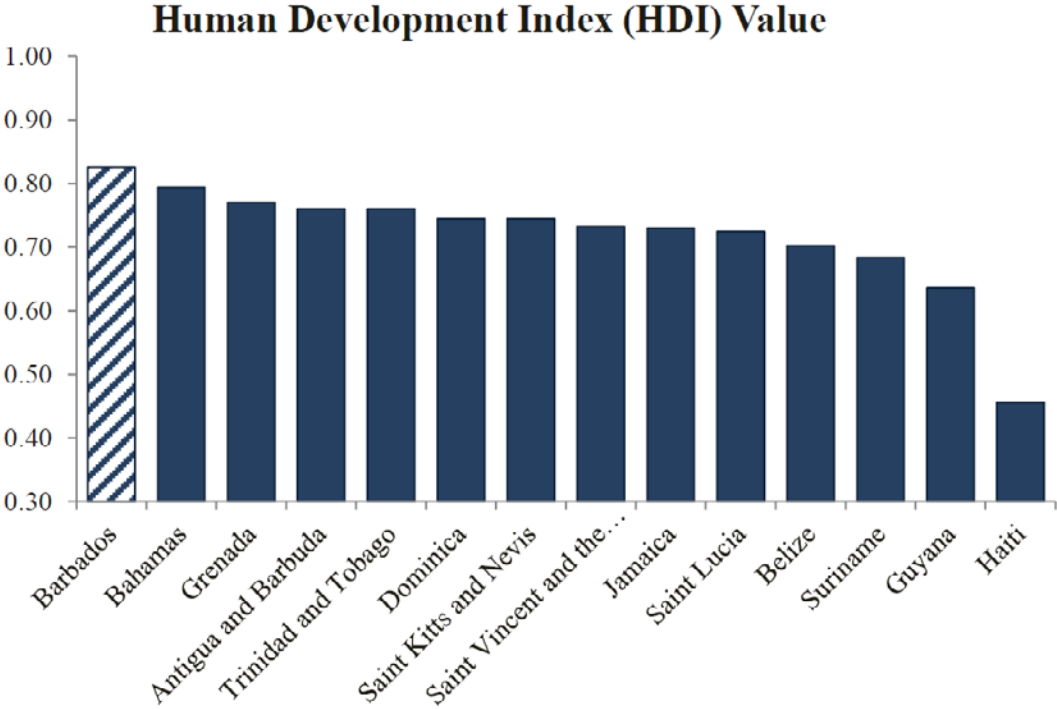


Figure 2

International Reserves



Figure 3

Barbados' Growth Domestic Product

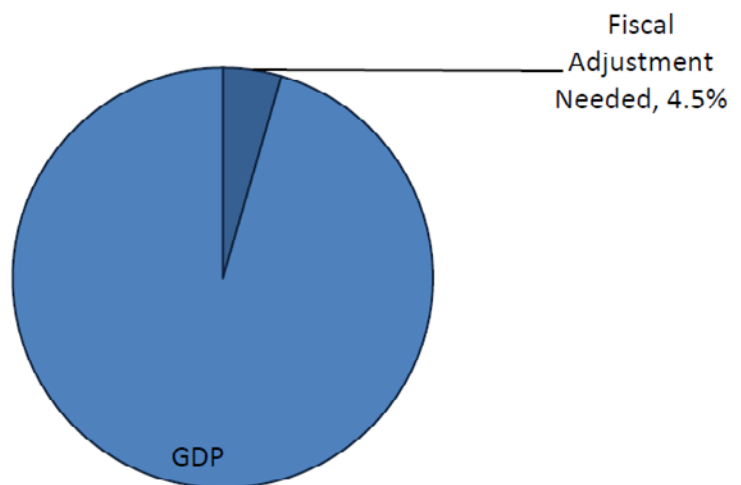
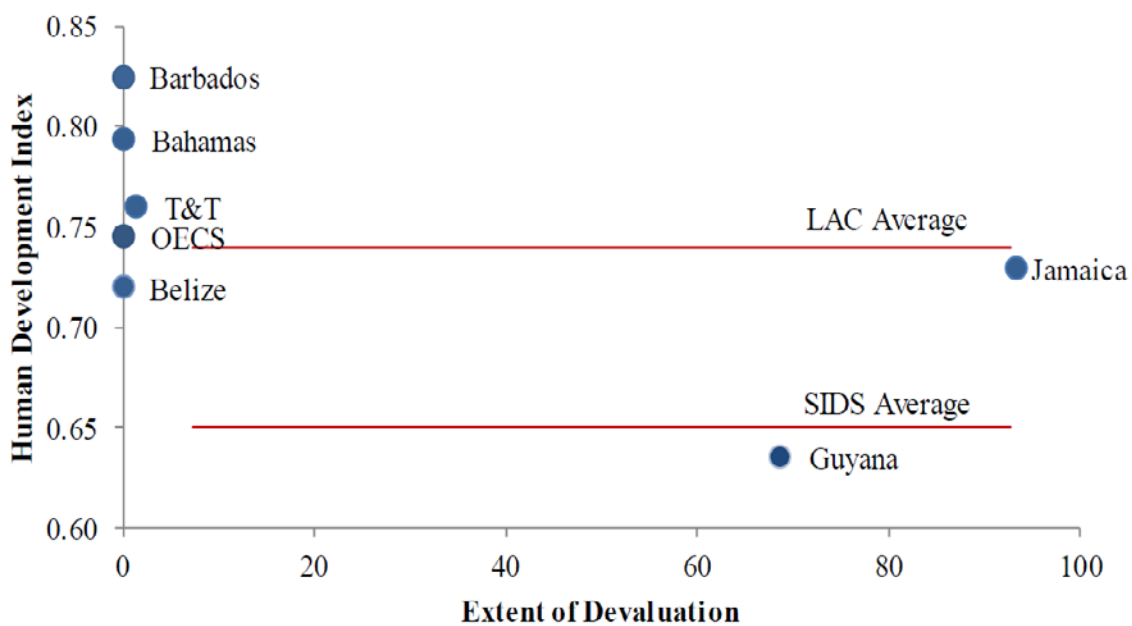


Figure 4

**Devaluation Does Not Improve Competitiveness,
and It Impedes Growth**



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