

MINISTERIAL STATEMENT
HONOURABLE RYAN STRAUGHN M.P.
MINISTER IN THE MINISTRY OF FINANCE
November 26, 2024

Mr. Speaker

The Public Finance Management Act, 2019 requires that the Ministry of Finance, Economic Affairs and Investment prepare a mid-year review to report on progress made against the fiscal framework and the annual budget. The full report laid in Parliament provides an update on the fiscal outturn for the first six months of the fiscal year 2024-2025, reviews the fiscal performance against targets set under the Fiscal Framework and is available for members and the public to review. This is critical as we continue to improve transparency and accountability in the management of public finances.

2. Mr. Speaker, we present this report at a time when the **global economic environment** continues to face several challenges. The lingering effects of the COVID-19 pandemic, geopolitical tensions, and the ongoing Russia-Ukraine conflict have resulted in economic uncertainty and price volatility. Despite these challenges, Barbados has remained resilient, continuing its recovery with strong performance in tourism and construction sectors. These sectors have driven economic growth and created employment opportunities for Barbadians.

3. Over the first six months of the fiscal year 2024/25, the economy has shown positive momentum. The economy is expected to grow at a rate of 3.9 percent. Tourism remains the cornerstone of this growth, supported by the construction sector, which is expected to grow, with critical projects such as the Geriatric Hospital and the road rehabilitation programme progressing steadily.

4. Mr. Speaker, I now turn to the **Government's revenue** performance for the first half of the fiscal year. Total revenue for the period amounted to \$1.87 billion, exceeding the forecast of \$1.66 billion by 12.5%. This over performance was driven by strong collections from net corporation tax receipts, which amounted to \$384.49 million, exceeding the mid-year forecast of \$237.3 million by \$147.22 million. However, over the medium term, net income tax receipts declined by \$3.75 million compared to the anticipated target for the current mid-point of the financial year. The **revised forecast for total revenue** for FY 2024/25 now stands at \$3.543 billion, reflecting the strong revenue performance in the first half of the fiscal year.

5. **Property taxes** also performed well, with collections exceeding expectations. Property tax receipts totalled \$180.00 million, exceeding the forecasted \$86.47 million by \$93.53 million. This overperformance was mainly due to net land tax receipts exceeding the mid-year target by \$85.87 million due to the earlier issuance of land tax bills.

6. **Mr. Speaker**, while **VAT receipts** underperformed, domestic consumption remains strong, sustained by the ongoing recovery in tourism and increased consumer confidence. Total net VAT receipts amounted to \$524.55 million, \$30.21 million below the target partly due to higher-than-expected refunds.

7. **Mr. Speaker**, total **Government expenditure** for the first six months of FY 2024/25 stood at \$1.70 billion, below the forecasted \$1.762 billion. Delays in capital project execution drove the lower-than-expected expenditure performance.

8. **Wages and Salaries**, including National Insurance Scheme (NIS) contributions, totalled \$392.39 million, mainly in line with the mid-year target.

Table 1: Revenue Indicators

	Sep-24	Sep-24	FY 2024/25	FY 2024/25
	Actual	Target	FF Target	Mid-Year Revision
Total Revenue of which:	1760.93	1575.89	3334.17	3336.43
Income and Profits	658.09	516.12	1112.82	1167.96
Property Tax	180.00	86.47	223.55	223.04
Goods and Services	752.17	791.16	1615.80	1564.35
International Trade	125.01	132.62	275.56	274.96
Nontax Revenue and Grants	108.12	81.16	172.04	186.04

9. The actual outturn included **interest payments** of \$372.8 million, debt service costs of \$6.3 million, principal repayments of \$ 322.9 million and Sinking Fund Contributions of \$15.7 million. Total expenditure was lower than projected primarily due to slower uptake of domestic securities and redemption of Savings Bonds than projected, as well as Policy Based Loans (PBLs) which ultimately were not pursued as envisaged.

Table 2: Goods and Services

\$BDS M	Sep-24	Sep-24	FY 2024/25	FY 2024/25
Goods and Services	Actual	Target	FF Target	Mid-Year Revision
VAT	524.55	554.76	1156.9419	1109.1197
Excise	115.56	124.3	251.44219	250.73233
Other Goods & Services	36.45	34.604	54.072843	52.919172
Bank Assets	22.44	23.242	46.597979	44.990893
Fuel Tax	37.78	38.759	77.069919	76.882908
Highway Revenue	9.86	10.227	18.981479	18.937993

Source: Barbados Revenue Authority, Customs Department, Ministry of Finance

10. Capital Expenditure was the area of underperformance, with spending for the period totalling \$107.44 million, below the forecasted \$136.0 million by \$28.52 million. The underperformance in capital expenditure is primarily attributed to delays in infrastructure projects. Several public works projects have been initiated, including road repairs and housing developments.

11. Mr. Speaker, the revised forecast for total expenditure for FY 2024/25 now stands at \$3.78 billion, reflecting the expected increase in capital expenditure in the second half of the fiscal year. The Government remains committed to investing in critical infrastructure to support economic growth while maintaining a prudent approach to managing recurrent expenditure.

12. Mr. Speaker, I now turn to the issue of **public debt** and the **fiscal balance**. As of September 30, 2024, Barbados' total public debt was \$14.878 billion, approximately 104.8 percent of GDP. This is comprised of external debt of \$5,616.9 million, domestic debt of \$8,983.3 million, external guaranteed debt of \$55.8 million and central government arrears of \$222.0 million. The Government prioritises debt servicing to ensure we remain in good standing with our creditors and maintain access to international financial markets.

Table 3: Expenditure Indicators

	Sep-24	Sep-24	FY 2024/25	FY 2024/25
	Actual	Target	FF Target	Mid-Year Revision
Total Expenditure, of which:	1699.67	1762.75	3759.90	3775.71
Wages and Salaries	392.39	393.36	781.87	781.872
Goods and Services	233.03	268.58	647.30	647.303
Interest	372.80	395.10	790.36	790.36
Current Transfers	541.84	532.83	1038.15	1038.15
Capital Expenditure	107.44	135.95	426.38	441.65

Sources: Treasury Department, Ministry of Finance

13. As we move into the second half of the fiscal year, total debt service payments at September 30, 2024, total debt service including ~~Sinking Fund contributions (actual expenditure under Program 111 – Debt Management)~~ amounted to approximately \$717.8 million compared to the

Figure 1: Grants to Individuals – Target vs Actual *Table 4: Expenditure Indicators*

	Sep-24	Sep-24	FY 2024/25	FY 2024/25
	Actual	Target	FF Target	Mid-Year Revision
Total Expenditure, of which:	1642.306	1762.754	3759.896	3775.714
Wages and Salaries	389.83	393.3553	781.8724	781.8724
Goods and Services	209.39	268.583	647.3034	647.3034
Interest	374.07	395.0963	790.3556	790.3557
Current Transfers	515.54	532.8331	1038.148	1038.148
Capital Expenditure	102.56	135.9531	426.3806	441.6485

maintain fiscal discipline and reduce the debt-to-GDP ratio. The revised framework considers the stronger-than-expected revenue performance and the slight underperformance in capital expenditure

Sources: Treasury Department, Ministry of Finance

16. The **primary balance** target of \$558.04 million for FY 2024/25 is unchanged; however, due to an expected improvement in the GDP, it now equates to 3.8 percent of GDP instead of the initial target of 4.0 percent. As at the end of September 2024 the primary balance stood at 3.7 percent of GDP. The government aims to continue its fiscal consolidation efforts under the Barbados Economic Recovery and Transformation (BERT) Plan.

17. Mr. Speaker, the Government’s focus on public sector reform remains a central pillar of our economic strategy. As part of the broader

Barbados Economic Recovery and Transformation (BERT) Plan, we have undertaken significant efforts to improve the efficiency of public services, reduce waste, and enhance the governance of State-Owned Enterprises (SOEs).

18. Reforming **SOEs** is a key priority, with the aim of reducing the fiscal burden on the Government's budget while ensuring that these entities operate efficiently. Over the past year, the Government has made significant strides in restructuring several SOEs, resulting in improved operational performance and a reduction in subsidies.

19. Tax administration has also been a focus of the Government's reform efforts. The Barbados Revenue Authority (BRA) continues to implement measures to improve tax compliance, reduce arrears, and enhance the overall efficiency of the tax system. These efforts have contributed to the stronger revenue performance seen in the first half of the fiscal year, and we expect further gains as these reforms continue to take effect.

20. Mr. Speaker, as we move forward into the second half of FY 2024/25, the Government remains committed to maintaining fiscal discipline while supporting economic growth and development. The revised fiscal framework reflects the challenges we face in the global economy, but also the opportunities for growth and resilience.

21. Our focus on public sector reform, debt management, and prudent fiscal policies will ensure that Barbados remains on a sustainable fiscal path, while continuing to invest in the future of our people and our country. The achievements of the first half of the fiscal year give us confidence that we are on track to meet our targets, and the Government will continue to work tirelessly to ensure that these targets are met.

22. I am obliged to you.