A Review of Monetary Control Instruments Used by Central Bank of Barbados

by

Trevor Campbell

To be Presented at 26th Meeting of
Regional Programme for Monetary Studies in
Trinidad and Tobago

November 17-21, 1993

INTRODUCTION

Monetary policy, narrowly defined, is a set of measures taken to influence economic activity by manipulating the money supply, credit and interest rates. In Barbados this was not possible before 1972, because of the country's membership of the Eastern Caribbean Currency Authority. Since the establishment of the Central Bank of Barbados (hereinafter referred to as the Bank), monetary policy has reflected the nature of the economic climate and has often complemented or accommodated itself to fiscal policy.

Barbados maintains a fixed exchange rate which requires an adequate cushion of foreign exchange reserves. In order to achieve this, Bank policy has tried to influence the level, costs and direction of credit by way of a regime of selective controls, refinancing facilities, interest rates and cash and securities requirements. This policy is an acknowledgement that in the case of Barbados, credit is an easier target variable than the money supply; for the most part selective credit policy has been emphasised, reflecting the view that credit is most socially productive when it generates foreign exchange than when it uses foreign exchange. The rest of this paper will analyze the monetary stance used by the Bank since its inception in an effort to see how effective it has been in meeting its objectives.

The Central Bank of Barbados was established by an Act of Parliament in 1972. The functions of this institution are:

(a) to regulate the issue, supply, availability and international exchange of money;

(b) to promote monetary stability;

(c) to promote a sound financial structure;

(d) to foster the development of money and capital markets in Barbados; and

(e) to foster credit and exchange conditions conducive to the orderly and sustained economic development of Barbados.

In achieving these goals, the Bank has relied primarily on interest rate policy and credit policy.

1. INTEREST RATE POLICY

Prior to the Bank's establishment, the only regulation on general interest rates was a statutory limit of 8% on savings deposits and loans to farmers. Deposit rates tended to move in line with London Bank rates and in a period of relatively low rates, this limit did not act as a constraint on deposit rates. Commercial banks were highly selective in their lending and interest rates spreads appeared to have been relatively stable. Deposit growth and credit growth were strong with the latter eventually putting pressure on the banking system's liquidity when deposit growth slowed in 1973. This growing illiquidity of the system became apparent by mid-1973. Deposit growth slowed because the widening differential between the local and foreign rates and an anticipation of exchange controls encouraged an outflow of foreign currency. Loan demand remained strong and was partly financed by overseas borrowing at high rates. Thus the Bank's first intervention in 1973 put upward pressure on interest rates. To ease the liquidity problem and to protect its reserve position, the Bank raised interest rate ceilings to 10%.

The rise in deposit rates with the sharp downturn in loan demand stimulated some deposit growth but with the economy contracting and inflation spiralling there was no increase in real terms. There was also an increase in loan rates, with the prime at December 1974 reaching 12%, four percentage points higher than two years earlier.

As the 1974/75 recession abated interest rate policy shifted towards the restimulation of the economy. The Bank cut its discount rate by three percentage points in 1975 in order to persuade banks to bring down their rates. Deposit growth was strengthening, enabling banks to reduce rates especially on fixed maturity deposits. Lending rates however, were slow to decline and banks increased their excess holdings of cash and government paper to 16½ of their deposits by the end of July.

During 1976 the Bank reduced its discount rate by a further one and a half percentage points and placed restrictions on the prime and average lending rates in order to stimulate loan demand. Deposits slowed relative to loan demand, leading to a fall off in liquidity at the end of the year. The increased lending was concentrated in the personal sector and there was a reserve loss of $25.4 million.

Interest rates were kept fairly stable between 1976-1979. The Bank while maintaining a low interest rate policy to encourage borrowing by the export sectors, also pursued more restrictive credit policies on the personal sectors to protect foreign exchange reserves. The widening differentials between foreign and domestic interest rates did not put undue pressure on the balance of payments. The strong expansion in tourism activity and export manufacturing was enough to guarantee sustained increases in the level of foreign reserves.

In 1980, there emerged for the first time on record unidentified outflows of foreign reserves as the differential between foreign and domestic rates reached 11.85%. This, coupled with strong growth in personal income led to a revision of interest rate policy. Savings and lending rates were increased by five percentage points between May 1980 and October 1981 but the interest rate spreads still remained in excess of three percentage points. The Bank was faced with the dilemma of trying to encourage the productive sectors and preventing capital flight. Foreign firms were unwilling to keep idle funds in Barbados when a much higher rate of return could be gained elsewhere. Indeed, in 1981, the unidentified foreign exchange outflows more than tripled the amount recorded in 1980.

Credit policy was again dictated by international events during 1981 and 1982. In the latter part of 1981 the Bank raised its rates for short term discounts to commercial banks form 18% to 22%, shifting more of Government's financing requirements on to the commercial banking system. During 1982, the Bank maintained its tight policy but provided substantial assistance to the sugar industry and increased its rediscounts to the industry from $78.2 million at the end of the year to $88.6 million at the end of the following year. Manufacturing and tourism also benefitted from the Bank's assistance as low levels of economic activity aggravated cash flow problems. Nevertheless the sugar produced was barely enough to satisfy guaranteed markets, the result of an increase in cane fires and the poor quality of cane which had been left to grow long past maturity. Tourism was severely affected by a decline in European arrivals and gross receipts from this sector fell by some 15% to $446 million while manufacturing was generally hampered by the international recession.

In light of declining foreign interest rates after 1982, the Bank lowered interest rates in an effort to stimulate the economy. But as the impact of the recession dragged on, loan demand remained weak. Several companies collapsed and banks remained cautious in their lending.

In December 1983, the Rate of Interest Act was amended to allow the Bank, subject to the concurrence of the Minister of Finance, to fix the rates and thus avoid delays in implementing rate changes. The completion of major public works projects late that year created some slack resources in construction and the Bank move to revive house building. Mortgage interest rates were lowered in October 1983 to 10% and 12% for residential and commercial mortgages respectively. By then deposit interest rates had also been reduced in the hope that the gap between deposit and mortgage rates would provide sufficient incentive for mortgage institutions, severely affected by the supply of loanable funds. to resume lending for housing. The mortgage market responded sluggishly to these measures and commercial mortgages from banks and trust companies remained at the same level as in 1982 while those for housing fell by $5.7 million.

During 1984 interest rates were generally stable. In view of the severe cash flow problems throughout the private sector, the Bank tried to maintain the lid on interest rates.

However, as another adverse interest rate differential emerged concern for possible capital flight increased and in July of that year, the Bank allowed the average lending rate to rise from 11.5% to 12%. There was no change in the minimum deposit rate but banks reduced slightly their maximum rates on fixed deposits as competition for available funds slackened. The Bank raised the interest rate on new mortgages twice during that year. Such changes allowed trust companies to offer more competitive deposit rates and so increase the flow of funds into the mortgage market. The rate on new residential mortgages in April was raised to 11%, in July, it was raised to 13% along with the rate on commercial mortgages. The rate on existing mortgages was then set at 11%.

Activity in the mortgage market picked up and mortgage loans by all financial institutions increased by 10%. Acting on a government directive, the National Insurance scheme on-lent $5.0 million to Barbados Mortgage Finance Company to provide funds for new mortgages. Trust companies were allowed to charge 13% on new mortgages to allow a wider margin on their cost of funds, and their lending increased by 9.7% during the year. Insurance companies increased their mortgage portfolios by 17.4% but commercial bank mortgages outstanding fell slightly.

A general decline in interest rates occurred in 1986 as the Bank took advantage of the decline in interest rates abroad to cut domestic rates and reduce the cost of funds to businessmen. High liquidity in the banking system led to a fall in the time deposit rate, inducing the Bank to lower the minimum savings deposit rate by one percentage point to 3%. Unlike the previous year, the mortgage rate was reduced to 9% and the residential mortgage market grew by $53.4 million. Trust companies' mortgages for homeowners rose by $28.7 million, almost three times as much as in 1985 while insurance companies provided just over $11 million. Commercial banks although not a major source of mortgage finance, increased their home mortgage loan by $10.8 million while the Barbados Mortgage Finance Company's disbursements increased by $7.3 million. The maximum average lending rate was reduced by the Bank to 9½%, bringing the cumulative decline since the end of 1984 to two and a half percentage points.

Within the next year, slower deposit growth and an exceptional increase in private sector led to a marked tightening of commercial bank liquidity. Consequently the minimum interest rate on saving deposits and the average lending rate rose by approximately two percentage points each. Inspite of this, construction activity remained high for most of 1989 although it slackened off at the end of that year.

Barbados' foreign exchange problems became severe during 1991 as output in the export sectors remained depressed relative to activity in construction, distribution and government services. The net international reserves of the Bank, which stood at $281.6 million at the end of 1988, fell sharply to $39.0 million, the equivalent of two weeks of imports by end-1991. In an effort to correct this deficiency, the government implemented an eighteen month stabilization programme with the help of the International Monetary Fund (IMF) during the fourth quarter. The programme sought to reduce spending on imports in the short term through reductions in the fiscal deficit and private sector credit. To complement the fiscal measures, monetary policy was strengthened. Consequently in July of that year, the Bank raised the minimum savings rate from 5½ to 7% and removed the ceiling on the average lending rate, in an effort to stimulate deposit growth while restraining credit demand. The average lending rate on non-consumer instalment loans rose to 15.6%, almost four and half points higher than a year earlier while the prime rate, which had ranged between 10.25% - 11% increased to between 14½ - 15%. All other rates were also affected.

The short term goals of the stabilization programme were largely achieved during 1992. The net international reserves of the Central Bank were restored to more acceptable levels than the previous year, totalling $97.6 million at year-end and commercial bank liquidity recovered significantly. With the improvement in the liquidity of the banking system, the Bank in the latter part of the year sought to provide favourable conditions for a renewal of economic activity by lowering interest rates. The discount rate was cut six percentage points to 12% and the savings rate from 7% to 4% in two stages during the third quarter while the average lending rate fell to 12.2%. However, the response to these initiatives was poor because of the reduced level of spending in the economy.

CREDIT POLICY

Credit influences economic activity, providing finance for consumption, working capital and fixed investment for future expansion of output. In an open economy with a fixed exchange rate and high consumption of foreign goods, balance of payments consideration make credit policy critical. In order to achieve the objectives of diversifying and expanding the economic base while maintaining adequate reserves, it is necessary that this policy sets out to restrict the level of credit within the system and alter the direction of available credit.

In Barbados, the cash reserve and ratio, a government securities ratio, selective credit controls and the provision of cheap funds for export sectors comprise the principal components of the Bank's credit policy. In general these policies have been confined to commercial banks, reflecting their dominance in the financial system. Banks accounted for 85% of overall credit in 1972; at that time mortgage lending companies were in an embryonic stage and apart from insurance companies, the remainder of the financial system was dominated by public sector development-oriented institutions. During the year, with the Bank still in its formative stages, it attempted to persuade the banking system to alter its lending policies. Import demand was high and the balance of payments was weakening but the Bank was cautious in its approach. It stopped commercial banks from financing their domestic credit operations through borrowing without its endorsement. However, it relied on a gradual phasing in of its reserve and security ratios as a deterrent to credit.

The initial imposition of the cash and security ratios in 1973 came at a time when the banking system was very illiquid. Accordingly, ratios were kept low (2% and 3% respectively) but as deposit growth picked and government revenues could not keep pace with expenditure in the inflationary period, the Bank moved to increase its potential flexibility and to finance government's operations. Prior to 1973, commercial banks had bought small quantities of treasury bills; but in that same year, they sold their holdings of government paper and forced the government to borrow from overseas. The statutory use of security ratio ensured that this could not reoccur.

Some important points to note about the cash reserves and security requirements were that:

1. cash and security ratios were never lowered to encourage lending;
2. the Bank used its influence to affect the cost of funds to government. In general these costs were kept low; and
3. Inspite of the generally low return on treasury bills, banks were willing even in good economic conditions to hold excess government paper.

In 1974 and 1975, credit grew by only 3.9% and 7.9% even though inflation exceeded 20% in each year. It should be noted however that credit to the personal sectors increased by 11.6% in 1974, 17.3% in 1975 and a further 18.5% in 1976. Initially there was some improvement but economic growth and a freer import system in the latter half of 1976 induced a resurgence of imported consumer durables.

After 1976, selective credit controls became an active agent of policy. The sharp deterioration of the balance of payments induced the Bank to take direct stringent measures in an effort to redress the situation. Early in 1977, banks were ordered to reduce instalment credit on selected categories by 25%. The Hire-Purchase, Credit Sale and the Hire Control Act 1975-34, by which minimum downpayments and maximum repayment periods of item sold under hire purchase contracts were specified, was employed and limits were placed on credit to distribution and personal sectors. In addition, the cash reserve ratio which had risen to 6% two years earlier was now increased to 8% while the securities ratio moved up to 12%. These measures were generally successful and with reserves on the rise because of growth in the traded sectors, there was some ease in policy in 1978 and 1979. This period saw the Bank exempting from its limits some aspects of personal lending for home improvement and long-term mortgage loans. However, after a small decline in the previous year, consumer goods shot up in 1979. The rapid growth of durable imports continued into 1980-81 inspite of quotas on motor cars.

In an effort to pressure commercial banks into introducing foreign funds into the system, the Bank raised reserve requirements from 20% to 25% with effect from November 1981. It was stipulated that 4% of the additional increase be held in treasury bills and 10% in government or other approved debentures. The increase on reserves was also calculated to shift some of the burden of financing the widening Government deficit from the Central Bank on to the commercial banking system.

The abandonment of quotas on motor cars in 1982 led to an upsurge in vehicle imports. Banks continued to operate within limits but individuals were willing to dissave and use alternative institutions to support their immediate needs. At the time the Bank was preoccupied with persistent balance of payments problems and the weakening of government's fiscal position. The economic recession in industrial countries adversely affected Barbados' foreign exchange earnings. The Bank reinforced measures introduced in late 1981 when commercial banks were directed to reduce credit outstanding to the person sector. By maintaining its selective credit controls, the Bank brought about a sharp reduction of new commercial bank lending for personal consumption. Banks were encourage to lend to producing sectors-agriculture, tourism, manufacturing.

However, the slowdown in foreign exchange earnings which coincided with a build-up of liquidity assets held with the Caricom Multilateral Clearing Facility (CMCF) which severely threatened the Bank's external position. The Bank therefore supported the government in approaching the IMF to request balance of payments assistance under a stand-by arrangement and Compensatory Financing.

Continued poor performance in the foreign exchange earning sectors as well as the illiquidity of CMCF balances necessitated careful monitoring of the balance of payments for the year 1983. The CMCF was suspended in March when credit outstanding reached US$100 million and Guyana was unable to settle its arrears. To beef up long-term capital funding for the private sector, the Bank worked closely with the World Bank in the development of the Industrial Credit Fund (ICF). The function of the ICF is to provide medium and long-term funds through commercial banks and the Barbados Development Bank for manufacturing tourism, fishing, agro-industry, mining and quarrying and for enterprises providing services to these sectors. The Bank also promoted its Export Credit and Guarantee Scheme[1] which continued to expand steadily. The maximum liability of credit insurance policies and export finance guarantees rose to $20.2 million at the end of 1982 from $14 million at the end of 1981.

1

Two years later the Bank eased its restrictions on access to bank credit by the distributive trades so as to accommodate increased sales from the expected pick-up in the economy. Ceilings on bank loans in this category were raised by 10% but remained in place for credit to the personal sector as to temper consumer spending. The measures also removed loans for housing, construction, extension and repair from all restrictions. As a result, credit to the personal sector rose by 8%, as individuals took advantage of concessions for home improvement. This was also followed by increases in debt outstanding for consumer instalment credit and loans for the purchase of motor cars. Credit unions and the newer finance companies became important in this category of lending.

The Bank's credit policies remained unchanged for 1986 except for minor modifications of the terms on which certain items could be bought on hire-purchase. As a result of the depreciation of the US dollar against other currencies, in particular, the Japanese Yen, the price ranges for minimum downpayments on motor cars were raised, however, the maximum period in which the balance had to be paid was reduced. Reacting to a deliberate policy decision by Government to improve the quality of life, the Bank recommended the easing of the terms on which refrigerators and stoves could be purchased.

The new administration, elected to office on May 28, introduced a package of measures to stimulate a stronger recovery in the economy. Hence following the already expansionary April budget, the July budget sharply reduced income tax receipts, widening the fiscal deficit and substantially boosting disposable income. In these circumstances, the Bank's policy was to ensure adequate funding for the fiscal deficit and to contain consumer spending in order to sustain the balance of payments. The Bank therefore raised the ratio of government debentures held by commercial banks by an additional three percentage points of deposit liabilities. This increase brought the overall reserve requirements of the commercial banks to 30%.

Slow export growth and high amortization payments, including repurchases of earlier drawings from the IMF under the 1982-84 Standby Agreement, prevented the customary build up in foreign exchange reserves before the first half of the year. The Bank therefore made selective drawings on its short term lines of credit.

The following year showed a rapid build-up of commercial bank liquidity although credit ceilings were removed from all credit extended by commercial banks and non-bank financial institutions to the distribution and personal sectors. This pattern continued until 1989 when slower deposit growth and an exceptional increase in private sector credit resulted in a marked tightening of liquidity. This caused the reintroduction of the selective credit controls and ceilings were imposed on the level of personal consumer and distribution credit at financial institutions. Because of their commitment to clients, commercial banks were above the targeted reduction in credit outstanding at year end.

In the next two years, credit was severely affected by the policies implemented under the stabilization programme. Global limits were placed on credit by the Bank and any new credit was mainly for public utilities, professional services and miscellaneous activities. Credit to tourism fell modestly, the result of the substitution of foreign for domestic debt by a major foreign-owned hotel. Credit for residential mortgages contracted significantly, in line with tighter liquidity conditions, and some credit unions had to alter their lending policies to maintain adequate operating balances. The securities ratio was increased to 25% and the Bank imposed a penalty charge of 36% on the cash reserve deficiencies of commercial banks.

With some improvement in the 1992, the Bank, in a series of initiatives that began in July reduced the stipulated securities ratio by 2 percentage points and the hire purchase regulations which had been in placed since 1977 were partially relaxed. The demand for new credit still declined as the economy remained in recession. The non-financial private sector reduced its borrowings from commercial banks by 4% during the first half of the year, with all activities registering declines. However, this trend was partially reversed after June, mainly as a result of higher credit demand by the distributive sector. Wholesale and retail operators borrowed $9.1 million more than in the previous year to help finance restocking towards year-end. Of the other sectors only manufacturing with $9.6 million, increased its borrowings during the year. There were significant declines in lending to tourism, public utilities, construction and professional and other services. Commercial bank loans to the personal sector fell sharply in the first six months of the year and despite a modest increase in borrowing towards year-end, outstanding credit was $16.1 million lower than a year earlier.

CONCLUSION

The paper has attempted to show how the Bank has set out to implement its monetary policies during the period 1973 to 1992. Before the Bank was established, the only regulation on general interest rate was a statutory limit of 8% on savings deposits and loans to farmers. Thereafter, the Bank used interest rate manipulations and a series of credit policies to contract or expand the economy accordingly.

The Bank's monetary policies were dictated by efforts to restimulate the economy, by balance of payments considerations, by international influences, including recessions and the CMCF fiasco.

As to the policies themselves, there can be no doubt these have been generally effective. However, there are some very important factors which need to be considered. For one, individuals' access to non bank financing (e.g. credit unions funds) can frustrate the Bank's efforts to implement measures to protect the balance of payments. An example of this occurred in 1983 after the quota system on motor cars was abolished. Inspite of the measures implemented by the Bank, consumer durables still rose. Also it should be recognized that a reduction in interest rates or ease in credit restrictions does not necessarily guarantee increased economic activity. Timing is also very important. For example, in 1992 when liquidity in the banking system was high and reserves restored to acceptable level, the Bank allowed some ease in its monetary policies.

However, we have observed that there was no increase in the level of aggregate demand. This could have occurred because:

(1) there was less disposable income available or the increasing number of layoffs in the country; and

(2) economic agents were reluctant to incur debt in an uncertain environment.

One further observation relates to the extent to which monetary policy may be compromised, namely involvement with the International Financial Institutions. In Barbados, in 1991, as part of the liberalization process, the ceiling on the average lending rate was removed. Again, only a few months ago, selective credit controls on the personal and distributive sectors have been removed.

Finally, it is to the Bank's credit that it has not confined itself narrowly to the role of monetary policy. It has also been involved in areas which can further economic development. The setting up of its Export Credit and Guarantees Scheme and the Industrial Credit Fund are good examples.

NOTES

On June 30, 1978, the Central Bank implemented a scheme to provide export finance guarantees (pre-shipment) to commercial banks and export credit insurance (post-shipment) coverage for exporters. The export finance guarantee guarantees protected commercial banks against losses arising out of non-payment of pre-shipment financing by exporters. The export credit insurance protected exporters against trading risks as well as risk arising out of circumstances beyond the control of exporters and overseas buyers.

REFERENCES

1. **Annual Report,** various issues, Central Bank of Barbados

2. **Blackman, C.N.(1979),** "The Role of Central Bank in formulation and implementations of economic policy in small developing countries - Prepared for the Bank of Israel's 25th Anniversary International Symposium on "Role of Central Banks in Economic Policy Decision Making Process, November 18, 1979.

3. **Boamah D. (1980)** "The Central Bank of Barbados; An Appraisal" (mimeographed)

4. **Codrington, H. (1993)** "External Influences, Balance of Payments - Developments and Economic Responses in Barbados, 1980 - 1990 - Presented at Annual Review Seminar of Central Bank of Barbados.

5. **Craigwell, R. (1988)** "Interest Rate Policies and Economic Growth in Barbados: 1973-1986", Working Papers, Central Bank of Barbados.

6. **Haynes C. and C. Holder (1985)** "Recent Economic Policy in Barbados 1970-1984", Working Papers, Central Bank of Barbados.

7. **Haynes C. and C. Holder (1987)** "Monetary and Fiscal Policy in Barbados 1970-1985", Working Papers, Central Bank of Barbados.

8. **Saunders M. and C. Wood (1987)** "Chronicle of Central Bank Policy", Central Bank of Barbados.

9. **Worrell, D. (1973)** "The Role of the Central Bank in the Development of the Barbadian Economy", Research Papers and Memoranda

Table 1

Consumer Durables
($ million)

Period	Motor Cars	Other	Total
1973	8.1	10.5	18.6
1974	3.8	9.7	13.5
1975	4.4	9.9	14.3
1976	10.7	12.3	23.0
1977	10.3	4.4	24.7
1978	8.3	13.2	21.5
1979	12.8	16.7	29.5
1980	18.6	20.1	38.7
1981	25.3	25.0	50.3
1982	15.0	17.8	32.8
1983	31.0	25.1	56.1
1984	23.4	22.3	45.7
1985	27.4	24.3	51.7
1986	33.3	29.7	63.0
1987	30.4	32.8	63.2
1988	35.9	29.6	65.5
1989	40.9	32.9	73.8
1990	35.1	37.8	72.9
1991	35.0	28.2	63.2
1992 (P)	13.1	28.2	41.3

P = Provisional
Source: Annual Statistical Digest
Central Bank of Barbados

Table 2

Cash Reserve Requirement & Stipulated Government Securities for Commercial Banks (% of Deposits)

Effective Dates	Cash Reserves	Government Securities			Total Reserve Requirement
		Total	Treasury Bills	Debentures	
1973, Dec. 03	2	1	1	-	3
1974, Jan. 31	2	2	2	-	4
1974, Feb. 28	2	3	3	-	5
1974, Sept. 05	4	4	4	-	8
1974, Oct. 31	4	5	5	-	9
1974, Nov. 30	4	6	6	-	10
1975, Mar. 24	4	8	6	2	12
1975, Aug. 01	6	9	6	3	15
1976, Dec. 31	6	12	8	4	18
1977, Aug. 18	8	12	8	4	20
1981, Nov. 04	8	17	12	5	25
1982, Mar. 31	8	19	14	5	27
1986, Sept. 17	8	22	14	8	30
1991, Aug. 15	8	24	16	8	32
1991, Oct. 16	8	25	17	8	33
1992, Sept. 15	8	23	15	8	31
1993, May 01	6	23	15	8	29

Source: Central Bank of Barbados

Table 3

Commercial Bank
Selected Interest Rates
(Percentage Per Annum)

Period	Deposits Savings	Prime Lending	US Prime	Loans Weighted Average Fixed by Central Bank
1973	3.0 - 6.0	10.0 - 11.0	n.a.	-
1974	4.5 - 8.0	10.0 - 12.0	n.a.	-
1975	3.0 - 7.0	9.0 - 10.5	7.26	-
1976	2.5 - 5.0	7.5 - 8.5	6.35	10.0
1977	2.5 - 5.0	7.5 - 8.0	7.75	10.0
1978	3.0 - 5.0	8.0 - 8.5	11.55	10.0
1979	3.0 - 5.0	8.0 - 8.5	15.30	10.0
1980	5.0 - 5.5	9.0 - 8.5	20.35	11.0
1981	8.0	13.0 - 14.0	15.75	15.0
1982	6.0	10.0 - 13.5	11.50	13.0
1983	5.0 - 5.5	10.0 - 11.0	11.00	11.5
1984	5.0 - 5.5	10.0 - 11.5	11.06	12.0
1985	4.0 - 4.5	8.75 - 9.5	9.50	10.0
1986	3.0	8.25 - 8.75	7.50	9.5
1987	3.0	8.25 - 8.75	8.75	9.5
1988	4.0	9.0 - 9.5	10.50	10.5
1989	6.0	11.0 - 12.0	10.50	12.5
1990	5.5	10.25 - 11.0	10.00	11.5
1991	7.0 - 8.0	14.5 - 15.0	6.50	11.5
1992	4.0	10.75 - 11.0	6.00	-*

Source: Annual Statistical Digest
Central Bank of Barbados

* No longer fixed by the Bank

Table 4

Long-Term Residential Mortgages
(BDS$ Million)

Period	Commercial Banks	Trust Companies	Barbados Mortgage Finance Company	Insurance Companies	Total
1973	10.2	3.5	10.3	12.2	36.2
1974	11.8	6.8	12.8	14.8	46.2
1975	15.7	10.2	14.0	16.8	56.7
1976	11.1	16.1	15.3	21.8	64.3
1977	9.8	20.5	16.7	20.1	67.1
1978	11.2	27.3	21.9	32.5	92.9
1979	14.2	40.8	28.6	36.2	119.8
1980	17.4	57.8	33.3	45.7	154.2
1981	19.6	72.2	39.1	55.3	186.2
1982	20.2	78.7	43.2	47.4	189.5
1983	23.7	79.1	48.1	53.6	204.5
1984	22.7	86.8	52.6	62.9	225.0
1985	24.3	94.4	55.5	73.1	247.3
1986	29.4	118.0	62.8	82.6	292.8
1987	33.9	146.7	70.3	94.5	345.4
1988	32.9	183.7	74.8	108.0	399.4
1989	33.7	224.8	84.2	123.8	466.5
1990	34.0	252.1	90.1	143.2	519.4
1991	33.5	274.8	93.9	153.3	554.5
1992	32.8	282.5	95.1	159.2	569.6

Source: Annual Statistical Digest
Central Bank of Barbados

Table 5

Balance of Payments of Monetary Authority
($ Million)

Period	Net International Reserves (IMF Basis*)	Balance for Official Financing (Overall Balance)	Net Errors and Omissions
1973	73.1	(25.5)	27.5
1974	61.2	7.9	78.3
1975	79.6	31.2	58.2
1976	54.2	(36.0)	42.5
1977	57.7	(6.0)	37.4
1978	100.9	58.3	60.3
1979	115.7	22.1	74.3
1980	155.9	40.1	(8.4)
1981	144.0	(78.7)	(70.7)
1982	140.6	14.4	23.9
1983	153.8	13.3	8.3
1984	121.2	2.1	9.9
1985	165.1	88.6	18.0
1986	206.0	6.2	(22.7)
1987	208.4	40.5	(71.9)
1988	281.6	71.7	(52.6)
1989	196.5	(71.5)	(133.0)
1990	119.2	(93.3)	(150.7)
1991	39.0	(118.5)	(56.5)
1992	97.6	(57.2)	(15.2)

Source: Balance of Payments
Central Bank of Barbados

* Total Monetary Authority Less Use of Fund Credit

Table 6

Commercial Banks' Deposits by Depositors
($ Million)

Period	Demand Deposits	Savings Deposits	Time Deposits	Total
1973	53.9	100.4	99.8	254.1
1974	60.8	107.9	130.5	299.2
1975	72.1	123.7	164.7	360.5
1976	76.6	145.9	163.2	385.7
1977	85.4	164.6	172.3	422.3
1978	106.4	231.3	182.1	520.1
1979	161.0	278.4	202.8	642.2
1980	164.2	348.1	230.2	742.5
1981	172.3	403.3	245.9	821.5
1982	166.9	412.3	300.8	880.0
1983	200.1	439.3	302.1	941.5
1984	209.5	471.3	365.4	1,046.2
1985	252.2	512.3	355.8	1,120.3
1986	281.2	621.4	281.4	1,184.0
1987	336.5	701.5	304.9	1,342.9
1988	403.1	791.6	330.9	1,525.6
1989	342.5	849.6	378.5	1,570.6
1990	446.5	950.6	435.6	1,832.7
1991	386.7	956.0	418.6	1,761.3
1992	449.6	986.9	484.3	1,920.8

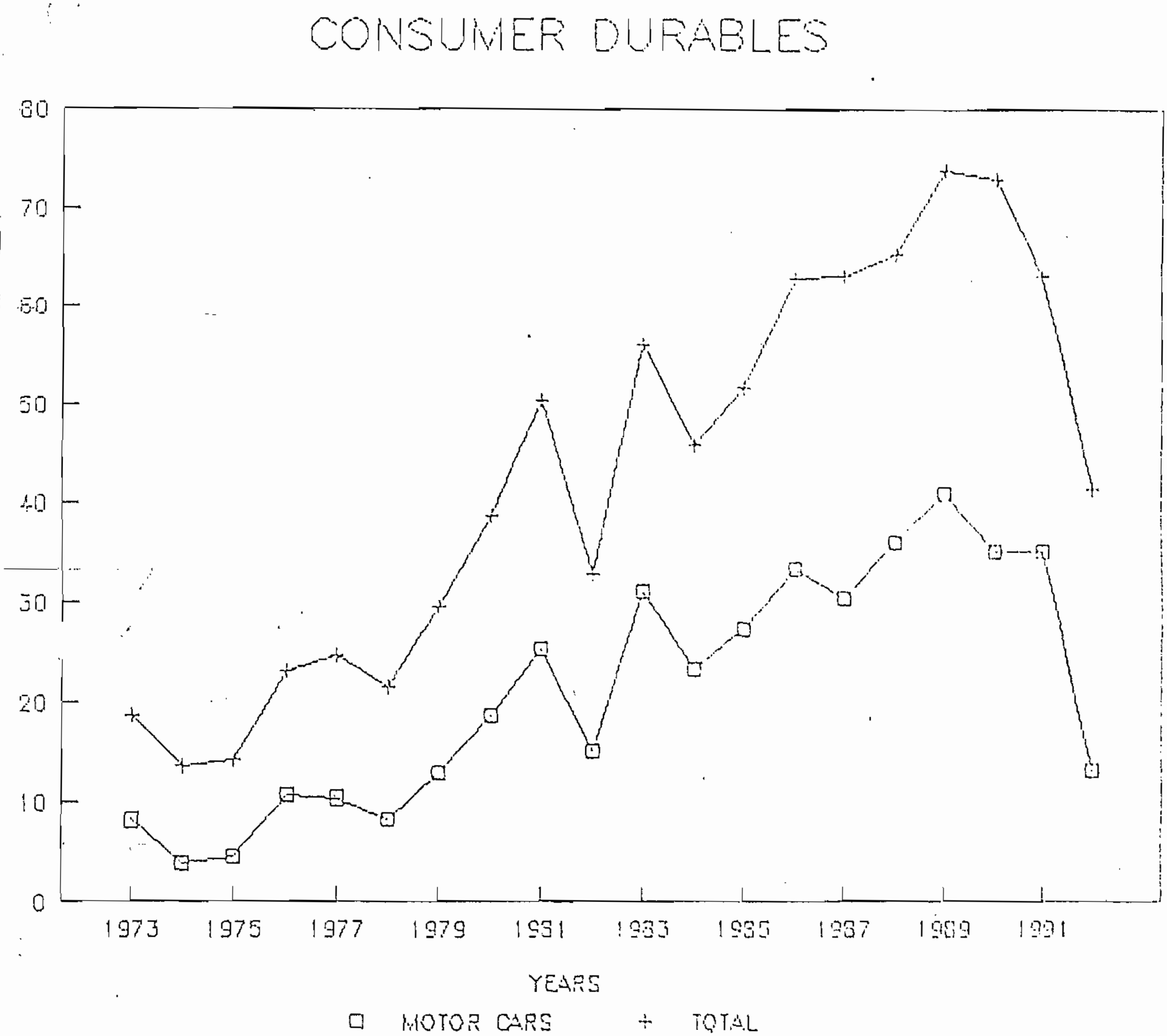
Source: Annual Statistical Digest
Central Bank of Barbados

Table 7

Commercial Bank's Credit-Sectoral Distribution
($ Million)

Period	Agriculture	Manufacturing	Tourism	Distribution	Personal	Overall Total
1973	15.3	21.9	29.2	57.2	56.7	263.4
1974	11.8	26.9	27.2	55.1	63.4	273.7
1975	11.5	28.4	35.2	51.5	74.3	295.5
1976	14.6	24.9	41.5	51.9	88.2	329.5
1977	15.5	38.2	44.7	63.9	93.3	372.2
1978	15.6	38.7	46.8	68.5	106.8	395.5
1979	17.2	63.2	47.7	68.4	131.9	470.2
1980	19.9	94.6	62.3	87.6	135.0	546.5
1981	26.0	103.6	86.5	94.9	139.3	649.1
1982	31.9	115.6	101.6	92.8	130.9	680.2
1983	37.3	120.9	107.7	114.1	152.7	776.4
1984	37.3	123.2	103.7	107.4	160.4	807.2
1985	33.8	116.3	103.9	115.3	172.7	848.9
1986	33.2	112.2	88.2	134.5	198.0	880.1
1987	26.9	115.7	91.1	151.8	231.2	959.9
1988	25.0	131.4	86.8	187.0	283.0	1,047.5
1989	27.4	149.5	76.6	239.6	297.5	1,198.0
1990	28.3	173.5	82.9	204.6	283.3	1,247.0
1991	31.5	176.1	78.6	207.2	279.7	1,262.2
1992	31.0	185.7	73.6	216.3	264.2	1,217.9

Source: Central Bank of Barbados


CONSUMER DURABLES
80
70
60
50
40
30
20
10
0
1973
1975
1977
1979
1981
1983
1985
1987
1989
1991
YEARS
MOTOR CARS
TOTAL