APPENDIX I

THE GOVERNMENT OF BARBADOS

MID-YEAR REVIEW REPORT

APRIL - SEPTEMBER 2025

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1 Executive Summary

The first half of FY2025/26 was supported by steady activity in tourism, construction and business services. Inflation eased, the labour market improved, and reserves remained strong. That backdrop helped revenues outperform targets, while day-to-day spending remained broadly in line.

On the revenue side, corporation tax and VAT net of refunds carried most of the weight. Property receipts were lower because billing and discount timing normalised compared with last year. On the expenditure side, wages and goods and services were close to target, interest was lower than expected, and transfers and early capital payments were higher as programmes moved forward.

These drivers produced a mid-year fiscal surplus of $250.67 million and a primary surplus of $529.10 million. For the full year, the revised framework points to a small overall deficit of $41.22 million and a strong primary surplus of $676.80 million. The balances remain consistent with programme objectives and with a prudent stance through year-end.

Debt service in the first half reflects liability-management actions that reduced later-year pressures, and interest costs stayed contained. The remaining financing needed by March is modest and can be met from policy deposits and normal market activity.

State-owned enterprise arrears have continued to ease. At the end of August 2025, the stock stood at $74.6 million, down from the July 2022 peak of $117.8 million; most arrears are trade-related, with the larger shares at NPC, BWA and SSA, and about 38 per cent arising in entities monitored under the BERT-supported programme. Tighter monitoring and controls are in place to limit any renewed build-up.

The outlook for the second half is for continued revenue strength relative to targets, careful control of operating spending, and delivery of the adjusted capital programme. The revised framework preserves a robust primary surplus, protects priority social and investment spending, and maintains the path to debt sustainability while addressing near-term SOE arrears risks.

2 Overview of Recent Macroeconomic Developments

2.1 Global and Domestic Economic Developments and Outlook

Barbados' economy continued to expand in the first half of 2025, with activity supported by tourism, construction and business services. Domestically, inflation fell, reserves strengthened, and labour market conditions improved, providing a stronger fiscal outlook. Risks persist from softer external demand, energy price fluctuations, climate-related events, and tighter financial conditions. Globally, growth remained moderate and uneven, while easing commodity prices helped to temper imported inflation. The sections that follow outline the global backdrop, recent domestic trends, price developments, and external sector performance that frame the remainder of the fiscal year.

2.1.1 Global Economic Environment

Global growth remains moderate and uneven, with advanced economies slowing and emerging Asia providing most of the impetus. Inflation continues to ease as goods prices and freight costs normalise, while services inflation is gradually trending down toward central bank targets. Policy rates are expected to decline only gradually, so financial conditions should improve but remain tighter than in the pre-pandemic period. Trade volumes are recovering and supply chains are more stable than a year ago, though energy and food prices remain sensitive to geopolitics and weather.

For Barbados, this backdrop is broadly supportive. Demand from major tourism markets should hold up, imported inflation pressures are easing, and a gradual decline in global interest rates would help funding costs and debt service. At the same time, risks from softer growth in source markets, commodity price swings, climate events and episodes of financial market volatility warrant a cautious stance for the second half of the fiscal year.

2.1.2 Domestic Economic Developments

Economic activity expanded in the first half of 2025. Real GDP is estimated to have grown by approximately 2.5 per cent, driven by tourism, construction, business and other services, and wholesale and retail trade. Unemployment declined to 6.3 per cent in the first quarter.

International reserves increased by approximately $695 million to a record $3.9 billion at the end of June, equivalent to about 37 weeks of import coverage. Public finances strengthened through the first half of FY2025/26, with the overall balance in surplus of about 1.65 per cent of GDP and the primary surplus at about 3.47 per cent of GDP. Gross public sector debt stood at nearly 102 per cent of GDP.

Tourism was the main driver. Long-stay arrivals rose by 3.3 per cent in the first half of 2025, led by the United States market, while cruise passenger arrivals increased by 34.8 per cent. Hotel performance improved, with revenue per available room up by 13.9 per cent.

Non-traded sectors recorded broad-based gains. Construction increased by 5.8 per cent on private projects and public infrastructure works; wholesale and retail expanded by 1.5 per cent; and business and other services grew by 3.3 per cent. In traded activity, agriculture rose modestly, while manufacturing slipped by 0.7 per cent as lower output of beverages and chemicals offset gains.

2.1.3 Inflation and Price Developments

Inflation decelerated sharply. By May 2025, the 12-month moving-average inflation rate was 0.5 per cent, with point-to-point inflation at 0.4 per cent. The moderation reflected lower international oil prices and easing freight costs, with price declines or slower increases across several expenditure categories. The outlook is for inflation to remain low and stable, subject to movements in global energy prices and weather-related risks.

2.1.4 External Sector Performance

External accounts were supported by tourism receipts and capital inflows, despite a modest widening of the current account. For the first half of 2025, the current account deficit was about $269 million. Goods imports rose by 4.4 per cent, while goods exports fell by 7.2 per cent on lower fuel re-exports and softer food and beverages shipments. Travel receipts increased by 8.1 per cent, and imports of services declined, improving the non-goods balance. Financial inflows, including foreign direct investment, policy disbursements, and tourism receipts, increased international reserves to $3.9 billion by the end of June.

Growth is expected to continue through the end of the year, supported by tourism, construction, and ongoing investment projects. Elevated reserves and continued primary surpluses provide buffers. Key risks include global demand, energy price fluctuations, climate shocks, and tighter-than-expected global financial conditions.

2.2 Fiscal Outturn and Outlook

Mid-year results reflect revenues above target and expenditure slightly above target, with the mix driven by corporation tax strength, VAT net of refunds was above target, higher current transfers, and front-loaded capital payments. The following sub-sections set out the heads, the variance-to-target, the main drivers, and the updated year-end view.

2.2.1 Revenue Performance

Income and Profits

Total revenue for April to September was $2,163.09 million against a mid-year target of $1,790.02 million. Income and Profits totalled $933.74 million compared to $517.60 million, driven by net corporation tax of $639.45 million versus $229.10 million and net income tax of $274.85 million versus $265.90 million. The outturn reflects stronger prepayments and settlements by larger taxpayers, including in-scope multinational groups. Goods and Services amounted to $811.05 million against $795.49 million; within this, VAT (net) was $576.33 million versus $556.51 million, consistent with domestic economic activity and higher corporation-tax prepayments and settlements, while excise $107.91 million and fuel taxes $39.36 million were slightly below their targets ($120.25 million and $39.74 million). Property was $170.27 million, down from $189.36 million, reflecting differences in billing and discount timing compared with last year. International Trade taxes were $122.21 million versus $139.26 million, and higher corporation-tax prepayments and settlements. Non-Tax Revenue was $83.11 million against a target of $100.37 million, reflecting the timing of fee receipts and grants. See Table 1, Revenue Indicators, and Table 3, Goods and Services.

Table 1: Revenue Indicators

	Sep-25 Actual	Sep-25 Target	FY 2025/26 FF Target	FY 2025/26 Mid-Year Revision
Total Revenue of which:	2,163.09	1,790.02	3,843.91	3,864.51
Income and Profits	933.74	517.60	1,334.09	1,379.13
Property Tax	170.27	189.36	235.09	226.38
Goods and Services	811.05	795.49	1,645.16	1,655.47
International Trade	122.21	139.26	294.60	285.78
Non-tax Revenue	83.11	100.37	210.67	194.69

Sources: Ministry of Finance, Barbados Revenue Authority, and Central Bank of Barbados

Corporation Tax

Corporation tax remained the principal driver of the revenue over-performance. Net remittances of $639.45 million were materially above the target of $229.10 million. Administrative detail indicates that the composition reflects robust prepayments and higher settlements by some taxpayers. The variance is consistent with a general increase in profitability for that tax year. Corporation-tax arrears receipts contributed a further $20.9 million. Together, these items explain the scale of the mid-year variance in corporation tax relative to the target.

Additional Receipts

The prepayment regime for in-scope multinational enterprise groups continued to bolster mid-year corporation-tax flows relative to the original half-year target. Within the corporation-tax outturn, prepayments totalled approximately $248.61 million for the first half of FY 2025/26, supported by accelerated remittances from a subset of entities and steady adherence to the instalment schedule.

Property Tax

Property-related revenue totalled $170.27 million at the end of September, compared with a target of $189.36 million, resulting in an under-performance of $19.13 million. This was mainly due to the Net land tax being lower than expected, registering $161.38 million against the target of $171.82 million. The pattern reflects a return to the regular billing calendar, with an August discount window this year; by September, collections had converged mainly, even though the mid-year snapshot sits slightly below target.

Table 2: Land Tax Compliance

	Mid-Year 2024/25	Mid-Year 2025/26
Complete Payments made (YTD)	45,710	45,167
Partial Payments made (YTD)	2,682	2,934
Revenue collected (YTD)	$135.7M	$138.1M
Expected number of payments	81,775	82,242
Expected revenue value	$219.7M[1]	$222.6M

[1] Expected revenue = tax levied at billing + tax adjustments – rebates – discounts at billing – discounts at the cashier. Taxpayers did not remit as early as 2023/24, so their expected revenue value appeared somewhat higher until discounts were applied.

Goods and Services

Collections under Goods and Services were $811.05 million, modestly above the $795.49 million target by $15.56 million. This was due to an overperformance in VAT receipts. Excise and Fuel Tax underperformed by $12.34 million and $0.38 million, respectively. Other Goods and Services recorded $48.62 million relative to the target of $39.18 million (surplus $9.44 million). The Bank Assets Levy was $23.55 million, largely on par with the target of $23.60 million.

VAT

VAT receipts to September were $576.33 million, compared to a mid-year target of $556.51 million, resulting in a positive variance of $19.82 million. VAT net of refunds was above target, supported by steady domestic spending and routine filing and enforcement by the revenue authority. Refunds were processed in line with policy, with Treasury cash transfers recorded in the period, so the net amount reflects the underlying base after refunds. Sectorally, strength in tourism-linked activity, construction and selected retail and food services supported collections, while the refund schedule reduced volatility

[1] Expected revenue = tax levied at billing + tax adjustments – rebates – discounts at billing – discounts at the cashier

relative to last year.

International Trade Taxes

Receipts were $122.21 million to September against a mid-year target of $139.26 million, resulting in a variance of –$17.05 million. This head accounted for about 5.6 per cent of total revenue year-to-date ($2,163.09 million). See Table 1 and Appendix 6.1.

Table 3: Goods and Services

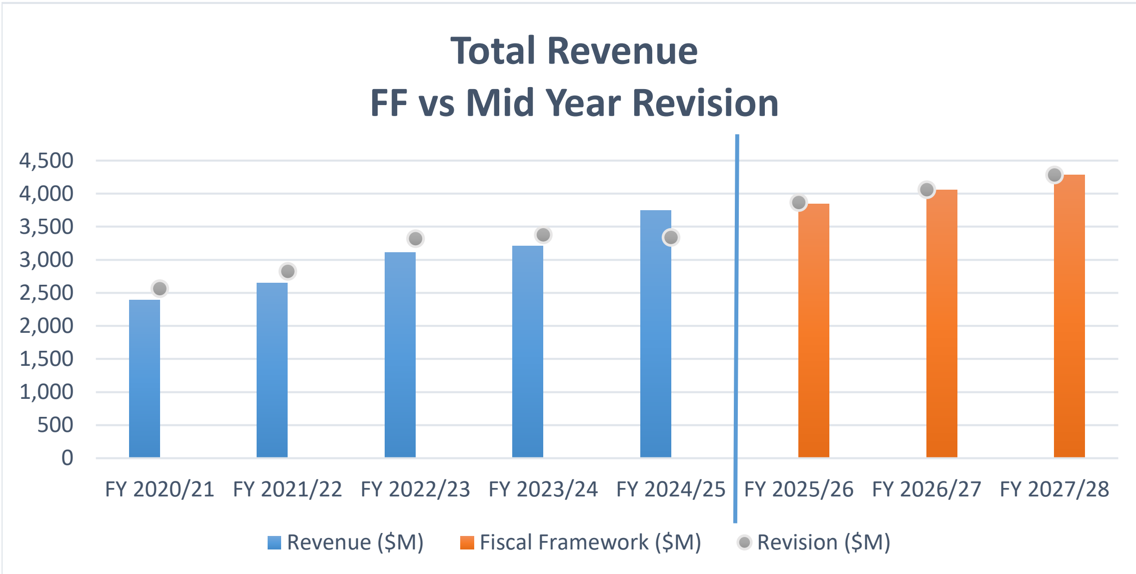
$BDS M	Sep-25	Sep-25	FY 2025/26	FY 2025/26
	Actual	**Target**	**FF Target**	**Mid-Year Revision**
Total Goods and Services, of which:	**811.05**	**795.49**	**1,645.16**	**1,655.47**
VAT	576.33	556.51	1,172.19	1,173.06
Excise	107.91	120.25	248.34	251.35
Other Goods & Services	48.62	39.18	58.54	66.22
Bank Assets	23.55	23.60	47.85	47.79
Fuel Tax	39.36	39.74	84.97	84.60
Highway Revenue	9.64	10.38	21.46	20.66

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

Non-Tax Revenue

Non-tax revenue was $83.11 million, against a mid-year target of $100.37 million, resulting in a variance of $17.26 million. This line includes Grants and Post Office receipts for reporting consistency and represents about 3.8 per cent of total revenue year-to-date ($2,163.09 million).

Figure 1: Total Revenue FF vs. Mid-Year Revision



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

2.3 Expenditure Performance

Total expenditure in the first half was $1,910.42 million against a mid-year target of $1,841.07 million. Wages and salaries were $405.80 million, down from $412.43 million, reflecting vacancies and allowances due later in the year. Goods and services totalled $333.79 million, up from $328.19 million, consistent with normal procurement timing. Interest was $276.43 million compared to $362.08 million, following the first-half liability-management operation and the current interest path. Current transfers were $586.56 million, up from $502.08 million, reflecting higher support to entities and programmes. Capital expenditure (including Non-capital Assets) was $266.07 million, up from $196.18 million, driven by mobilisation and stage payments cleared in the first half. See Table 4: Expenditure Indicators.

Table 4: Expenditure Indicators

	Sep-25 Actual	Sep-25 Target	FY 2025/26 FF Target	FY 2025/26 Mid-Year Revision
Total Expenditure, of which:	**1,910.42**	**1,841.07**	**3,890.94**	**3,905.73**
Wages and Salaries	405.80	412.43	841.47	841.47
Goods and Services	333.79	328.19	726.48	726.48
Interest	276.43	362.08	720.44	718.02
Current Transfers	586.56	502.08	1,089.94	1,149.62
Capital Expenditure	266.07	196.18	432.62	390.15

Sources: Treasury Department, Ministry of Finance

2.3.1 Goods and Services

Spending on goods and services reached $333.79 million in September, marginally above the target of $328.19 million by $5.60 million. The end of FY projection remains unchanged at $726.48 million, as the modest overshoot at mid-year is expected to be contained within the remainder of the fiscal period. The outturn is consistent with the steady execution of operating inputs across ministries and departments, including utilities, maintenance, and contracted services. Procurement timing effects likely explain the slight deviation from the target rather than any structural drift.

2.3.2 Wages and Salaries

Wages and salaries totalled $405.80 million, $6.63 million below the mid-year target of $412.43 million. The full-year estimate is $841.47 million, unchanged from the Fiscal Framework, indicating stable payroll dynamics relative to plan. The mid-year underrun reflects routine vacancy lags and standardisation of allowances rather than policy changes. Absent new settlements, wages and salaries are expected to close the year on target.

2.3.3 Transfers and Subsidies

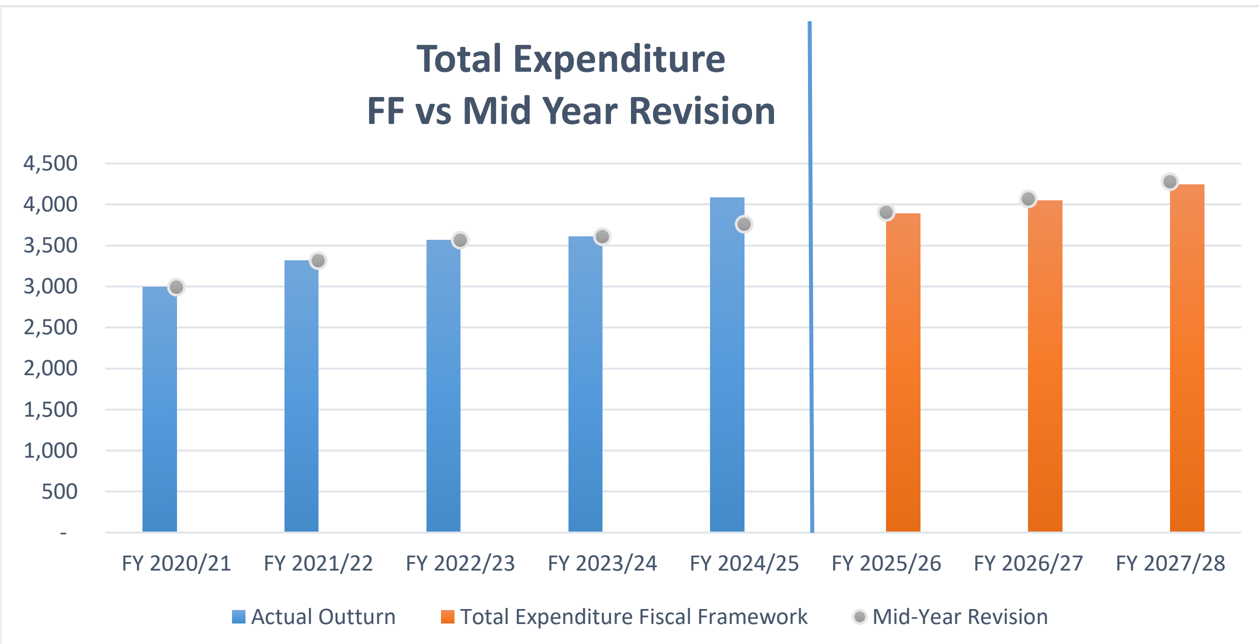
Current transfers amounted to $586.56 million at mid-year, exceeding the target of $502.08 million by

$84.48 million. Transfers and Subsidies were $586.56 million against a mid-year target of $502.08 million, reflecting first-half support to entities and the timing of statutory and programme payments. The full-year envelope has been revised to $1,149.62 million from $1,089.94 million.

2.3.4 Capital Expenditure

Capital outlays were $266.07 million by September, $63.68 million above the $196.18 million target.

Figure 2: Total Expenditure FF vs Mid-Year Revision



Source: Treasury Department, Ministry of Finance

2.4 Revised Expected Fiscal and Primary Balance

At the end of September 2025, Barbados recorded a fiscal surplus of $250.67 million, equivalent to 1.65 per cent of GDP, compared with a mid-year target of $51.04 million (−0.34 per cent of GDP). The outturn reflects stronger-than-targeted revenues, driven by corporation tax and VAT, as well as wages and goods and services, which are broadly on plan.

The primary balance at mid-year was $529.10 million or 3.47 per cent of GDP, well above the target of $311.04 million (2.04 per cent of GDP). This performance incorporates lower-than-expected interest payments in the first half of FY 2025/26, along with the revenue gains noted above.

The framework has been updated to a revised overall deficit of $41.22 million (−0.27 per cent of GDP), an improvement from the initial deficit of $47.03 million (−0.31 per cent of GDP). The revised primary surplus is $676.80 million (4.44 per cent of GDP), slightly higher than the original $673.41 million (4.40 per cent of GDP). The revision preserves the BERT programme objective of maintaining a robust primary surplus while accommodating higher transfers and a trimmed, deliverable capital envelope to year-end. Maintaining the revised path will require continued control of current spending and steady execution of priority projects through the fourth quarter.

2.5 Medium-Term Outlook

The medium-term path remains anchored by steady revenue growth and disciplined current spending, with the aggregate shaped by the cadence of capital execution and the trajectory of interest rates. The updated framework for FY2025/26 is set out below, along with detailed year-to-date drivers.

Revenue Forecasts

For FY2025/26, total revenue is revised to $3,864.51 million compared with a Fiscal Framework of $3,843.91 million. The revised composition is Income and Profits $1,379.13 million, Property $226.38 million, Goods and Services $1,655.47 million, International Trade $285.78 million, and Non-tax revenue $194.69 million.

Expenditure Forecasts

For FY2025/26, total expenditure is revised to $3,905.73 million. The composition is wages and salaries $841.47 million, goods and services $726.48 million, interest $718.02 million, current transfers $1,149.62 million, and capital expenditure (including Non-capital Assets) $390.15 million. Operating lines remain aligned to targets; the revision reflects the updated transfer envelope and the capital timetable for the second half of the year.

Fiscal and Primary Balance Targets

On the revised framework for FY2025/26, the overall balance is –$41.22 million (about –0.27 per cent of GDP) and the primary balance is a surplus of $676.80 million (about 4.44 per cent of GDP). Delivery rests on holding operating spending to target, maintaining revenue performance through the fourth quarter, and executing the adjusted capital programme.

3 Net Debt

3.1 Developments during April to September 2025

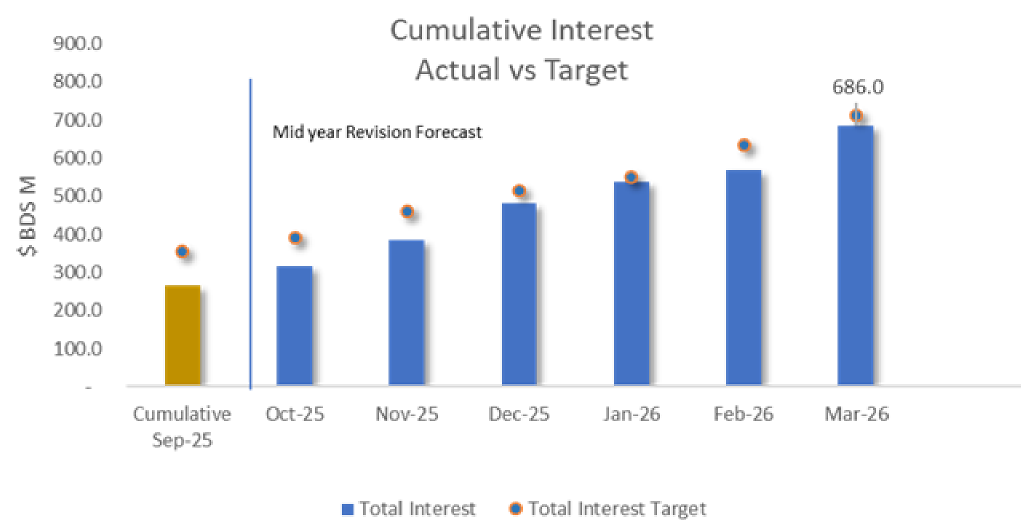
3.1.1 Debt Service

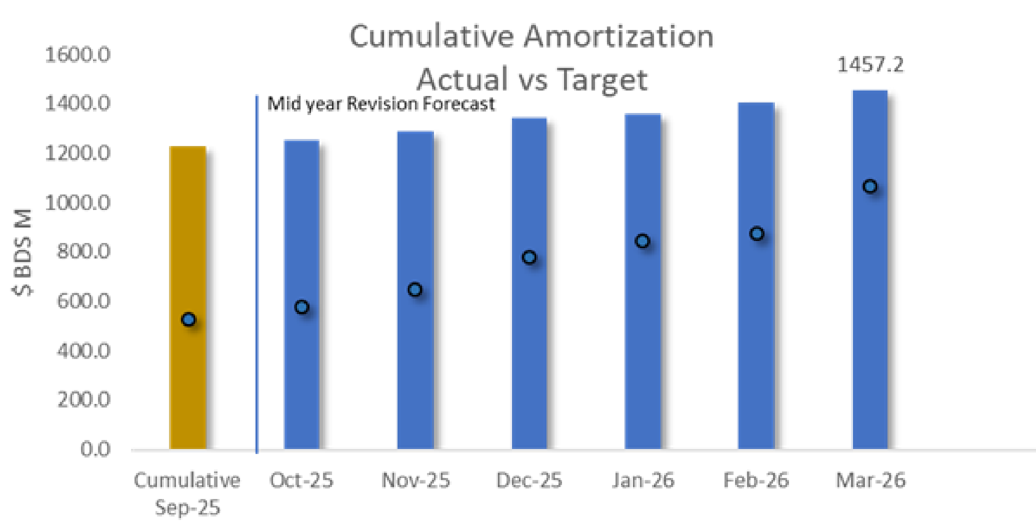
During the first two quarters of FY 2025/26, total debt service, including Sinking Fund contributions (actual expenditure under Program 111 - Debt Management), amounted to approximately $1,681.6 million compared to the Approved Estimates of $913.7 million. Actual outturn included interest payments of $324.6 million, debt service costs of $10.3 million, principal repayments of $1,328.4 million, and Sinking Fund Contributions of $18.3 million. Total expenditure was higher than projected, primarily due to a liability management operation (LMO) conducted by the Government of Barbados (GOB) to prepay approximately US$107.1 million and US$340 million regarding the GOB's IMF EFF facility and the US$530.6 million 6.5 per cent 2029 bond, respectively.

Approximately $816.8 million will be required to service existing debt obligations for the period from October 2025 to March 2026, comprising $361.1 million for interest expense, $5.1 million for debt service costs, $419.8 million for amortisation, and $30.8 million for Sinking Fund contributions. This represents approximately $102.8 million less than the budgeted amount for the period. This is primarily due to the GOB's LMO, which lowered principal payments for the US530.6 million 6.5% 2029 bond and paid off principal for the IMF EFF facility until June 2028.

The total revised debt expenditure for 2025-2026 is estimated at $2,498.4 million, approximately $674.3 million above the approved amount. The projected increase in expenditure is primarily attributed to the prepayment of the GOB's IMF EFF facility and the US$530.6 million 6.5 per cent 2029 bond, which resulted from the GOB's LMO. The issuance of a US$500 million 2035 8 per cent Note funded the LMO.

Figure 3: Cumulative Interest Actual vs Target and Cumulative Amortisation Actual vs Target





3.2 New Developments

3.2.1 Debt for Climate Swap

Barbados continues to utilise innovative financing solutions, embarking on its third debt swap conversion, and collaborating with several Multilateral Development Banks, including the Inter-American Development Bank (IDB), the World Bank, the Development Bank of Latin America and the Caribbean, and the Caribbean Development Bank. The Government of Barbados is in the early stages of negotiating a debt-for-social swap.

3.2.2 Debt Refinancing

The Government refinanced some of its external debt by issuing a new US$500 million 2035 8 per cent Note. The proceeds from this Note were approximately US$107.1 million for the GOB's IMF EFF facility and US$340 million for the US$530.6 million 6.5 per cent 2029 bond, respectively.

3.2.3 Public Debt

Public debt outstanding as of August 31, 2025, stood at approximately $14,829.0 million, accounting for approximately 99.5 per cent of GDP. This comprises external debt of $5,855.2 million, domestic debt of $8,724.7 million, external guaranteed debt of $69.2 million, and central government arrears of $179.9 million.

4 Financing issues

4.1 Cash Flow

In the first half of the fiscal year, the cash flow statement recorded total cash inflows of $2,317.5 million and outflows of $2,745.3 million, resulting in a deficit of $427.8 million. This shortfall was primarily financed through the special deposit account, policy deposits, and project-related deposits. Financing was sourced through $314.3 million in special deposits over the six months. Inflows from project deposits totalled $78.4 million, while $45 million was used from the policy deposit account, both of which contributed to reducing the financing gap for the period. This additional coverage enabled the

Government to pay down $27.5 million on the short-term overdraft facility (Ways and Means Account) at the Central Bank.

Activity in the money and bond markets also contributed to meeting the financing requirement, primarily through net BOSS Bond placements of $57.9 million. Moreover, at the end of June 2025, the Government successfully issued US$500 million in commercial bonds. Proceeds from this issuance supported liquidity management efforts, including the refinancing of the 2029 Eurobond and the prepayment of IMF loans. The remaining funds from these efforts were used for liquidity purposes.

The outlook for the October–March 2025/26 period is as follows:

For the second half of the fiscal year, revenues are projected at $1,663.8 million. At the same time, cash expenditures, including amortisation and other outflows, are expected to reach $2,397.6 million, resulting in a financing requirement of approximately $9.9 million for the period ending March 2026. To meet this obligation, the Government anticipates accessing the following financing sources:

- $317 million from available policy deposits (inclusive of IADB project funds of $200 million expected in the last quarter of the fiscal year)
- $108.8 million from money and bond market activity
- the short-term overdraft facility (limit of $242.1 million)

4.1.1 Downside Risks to Financing

Unidentified financing for the remainder of the fiscal year could become more challenging if revenue is lower than expected or spending increases. The financing position also hinges on the appetite for Government securities. A slow rate of purchase for BOSS+ bonds or Savings Bonds would reduce the amount of financing available during the forecast period. It also assumes all anticipated disbursements for policy and project loans occur. The forecast for the last six months of FY2025/26 also assumes that at least $100 million in project funds will be withdrawn from deposits, contingent upon the successful implementation of the project.

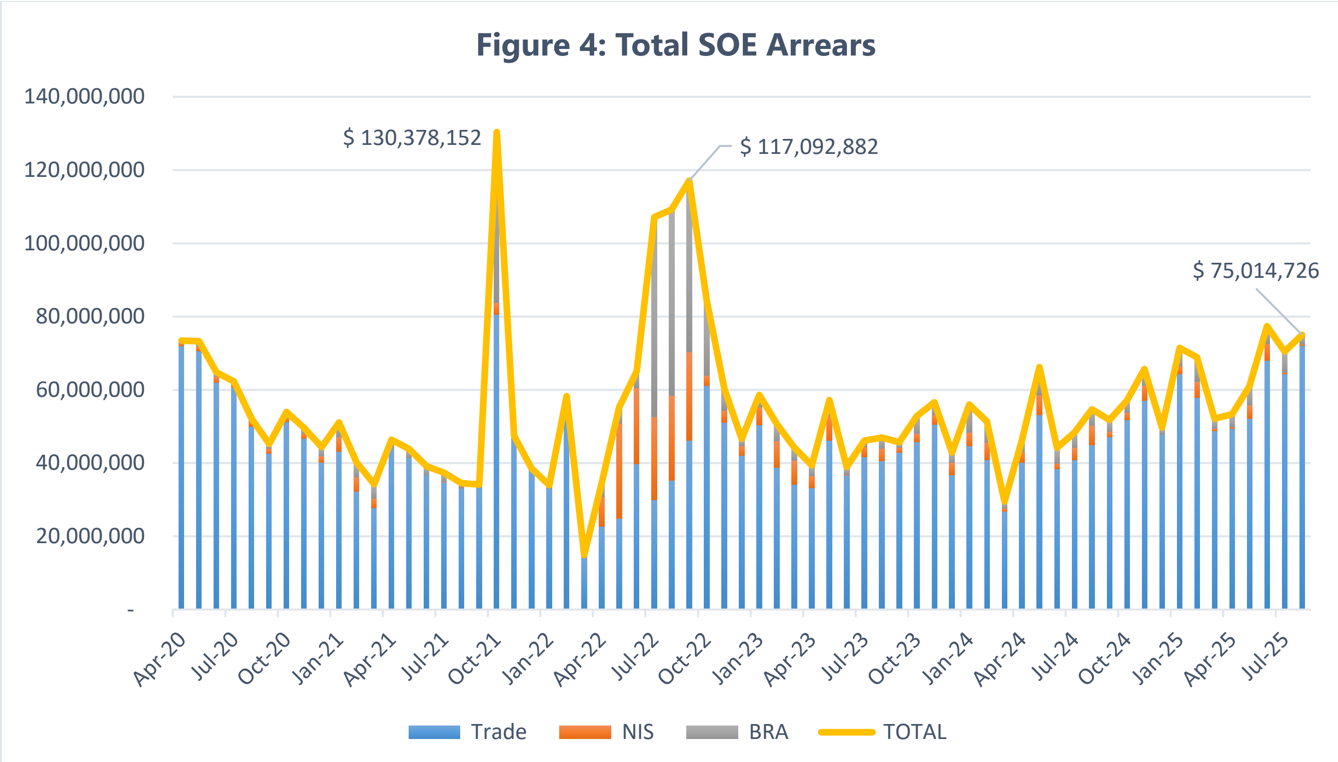
4.2 Central Government Arrears

At the end of August 2025, gross central government arrears totalled $182.4 million, a decline of $42.9 million from August 2024. This reduction in the arrears stock was primarily driven by the settlement of $40.3 million in VAT refund arrears. Payments of corporation tax refund arrears totalling $2.4 million also contributed to the decrease in the arrears stock over the period. This downward trajectory reflects a commitment to steadily reducing the stock of central government arrears through a minimum annual repayment of $20 million.

4.3 State-Owned Entities Arrears

At the end of August 2025, total SOE arrears stood at $74.6 million, down from the July 2022 peak of $117.8 million. About 38 per cent of the August stock is in SOEs monitored under the BERT-supported programme, and roughly 78 per cent is concentrated at the National Petroleum Corporation, the Barbados Water Authority, and the Sanitation Service Authority. Tighter monitoring and controls are being maintained to limit any renewed build-up of arrears.

SOEs monitored under the BERT-supported programme accounted for 38.0 per cent of the total SOE arrears stock at the end of August 2025, with the majority representing trade arrears. Furthermore, 77.7 per cent of the total SOE arrears were held by entities such as the National Petroleum Corporation, the Barbados Water Authority, and the Sanitation Service Authority. It is expected that the tightening of SOE monitoring systems will continue to limit the build-up of arrears.



5 Update of Risks

5.1 General Economic Risk

Barbados' economic outlook remains cautiously optimistic, underpinned by sustainable economic growth and efforts to foster long-term resilience. However, the fiscal risk landscape presents vulnerabilities that could potentially derail the country's growth trajectory from its targets. Key risks stem from geopolitical tensions, climate-related shocks, demographic pressures (such as rising dependency ratios and declining birth rates), and fiscal exposures linked to SOEs.

Barbados remains susceptible to imported inflation, especially from U.S. food and fuel imports, due to general economic uncertainty. Domestically, food prices remain vulnerable to weather fluctuations and global commodity market trends, despite ongoing investments in climate-resilient agricultural practices.

Likewise, the performance of state-owned enterprises (SOEs) remains a focal point of monitoring to ensure there is prudent fiscal risk management.

5.2 Steps to Reduce Economic and Fiscal Risks

The home-grown Barbados Economic Recovery and Transformation (BERT) programme, along with the "Investment in Prosperity and Resilience" plan, continues to chart a path toward inclusive, climate-conscious growth. Key priorities, ranging from:

i) Maintaining a robust level of foreign reserves provides some insulation against external shocks.

ii) Ongoing fiscal consolidation efforts, including structural reforms and a declining debt-to-GDP trajectory, targeting 60 per cent of GDP by FY2035/36. These efforts focus on strengthening revenue mobilisation and enhancing public financial management, both of which are expected to support long-term growth and resilience.

iii) Growth in green energy, logistics, and digital services.

iv) Execution of the Barbados 2035 Investment Plan, including public-private infrastructure and climate projects.

v) Building climate resilience in agriculture, coastal and marine ecosystems, energy, finance and other sectors with a focus on mitigation and adaptation, enhancing food security, disaster risk reduction and building a more resilient economy.

vi) Routinely conducts stress testing exercises and sensitivity analysis to evaluate the resilience of its fiscal and financial sectors under various adverse scenarios. These assessments help identify potential vulnerabilities and ensure that both the fiscal and financial institutions are adequately prepared to withstand economic shocks and maintain stability.

As global dynamics become increasingly fragmented, Barbados must remain anchored in prudent fiscal risk management, strategic foresight, and coordinated institutional efforts to safeguard macroeconomic stability and advance toward a more risk-informed fiscal framework.

5.3 Contingent Liabilities

The arrears target points to elevated implicit fiscal risk. A projected $34.9 million at the end of September signals a near-term compliance risk. With only $7.3 million of transfer space in August, any corrective action that relies solely on budget transfers would displace other priorities. Medium-term risk is concentrated in utilities with tariffs that do not recover costs, notably BWA and NPC. Persistent gaps in these entities tend to reappear at the centre as cash calls, arrears accumulation, or requests for guarantees. The recommended package for this year comprises a targeted Sewerage Levy drawdown to reduce arrears, tighter collections with legal follow-up across SOEs, and fee or tariff adjustments where user charges are out of line with costs.

Appendices

5.4 Detailed Breakdown of Revenue

$BDS M	Sep-25 Actual	Sep-25 Target	FY 2025/26 Fiscal Framework	FY 2025/26 Mid-Year Revision
Total Revenue	**2,163.09**	**1,790.02**	**3,843.91**	**3,864.51**
Income and Profits	**933.74**	**517.60**	**1,334.09**	**1,379.13**
Corporation Tax (Net)	639.45	229.15	803.21	847.99
Income Tax (Net)	274.85	265.90	477.53	478.08
Withholding Tax	19.41	22.56	53.35	53.05
Property Tax	**170.27**	**189.36**	**235.09**	**226.38**
Goods and Services	**811.05**	**795.49**	**1,645.16**	**1,655.47**
Excise Tax	107.91	120.25	248.34	251.35
Fuel Tax	39.36	39.74	84.97	84.60
Highway Revenue	9.64	10.38	21.46	20.66
Asset Tax	5.64	5.82	11.82	11.78
Other Goods and Services	48.62	39.18	58.54	66.22
VAT (Net)	576.33	556.51	1,172.19	1,173.06
International Trade	**122.21**	**139.26**	**294.60**	**285.78**
Stamp Duties	**8.46**	**8.75**	**17.88**	**18.00**
Special Receipts	**34.25**	**39.20**	**106.41**	**105.07**
Non-Tax Revenue, Grants	**83.11**	**100.37**	**210.67**	**194.69**

5.5 Detailed Expenditure

$BDS M	Sep-25 **Actual**	Sep-25 **Target**	FY 2025/26 **Fiscal Framework**	FY 2025/26 **Mid-Year Revision**
Total Expenditure	**1,910.42**	**1,841.07**	**3,890.94**	**3,905.73**
Wages and Salaries	**405.80**	**412.43**	**841.47**	**841.47**
Goods & Services	**333.79**	**328.19**	**726.48**	**726.48**
Interest	**276.43**	**362.08**	**720.44**	**718.02**
Current Transfers	**586.56**	**502.08**	**1,089.94**	**1,149.62**
Subsidies	25.58	11.11	23.98	36.01
Grants to Individuals	40.73	32.99	65.54	65.54
Other Grants to Individuals				
Retiring Benefits	*129.94*	*128.39*	*275.78*	*275.78*
Other Benefits	*42.62*	*45.31*	*85.70*	*85.70*
Statutory Grants to Individuals	*5.26*	*2.63*	*5.46*	*8.96*
Grants to Non-profit Agencies	9.18	11.54	21.06	21.06
Grants to Public Institutions	326.10	256.78	587.11	631.26
Subscriptions and Contributions	12.15	13.34	25.31	25.31
Capital Expenditure[1]	**266.07**	**196.18**	**432.62**	**390.15**

1. includes Net Lending

MINISTERIAL STATEMENT
HONOURABLE RYAN STRAUGHN M.P.
MINISTER IN THE MINISTRY OF FINANCE
October XX, 2025

Mr. Speaker

The Public Finance Management Act, 2019, requires us to present a Mid-Year Review that compares actual performance with the approved Fiscal Framework and sets out any revisions to the full-year outlook. The Report before this Honourable Chamber covers April to September 2025, presents the revised framework to March 2026, and identifies the main risks and actions for the second half of the fiscal year.

2. Mr Speaker, the **international backdrop** is still uneven. Global growth remains moderate, but inflation pressures have eased, and travel demand has remained supportive. Against that backdrop, Barbados continued to expand in the first half of 2025, driven by tourism, construction, business, and other services. Unemployment eased, inflation moderated, and international reserves remained at historically strong levels.

3. These conditions supported fiscal performance. Administrative improvements at the revenue authority, combined with robust domestic activity, resulted in a stronger-than-expected revenue outturn at mid-year. At the same time, expenditure execution remained broadly manageable relative to programme objectives.

4. **Mr Speaker**, I turn first to revenue. Total revenue for April to September amounted to **$2,163.09 million,** compared with a target of **$1,790.02 million**. The composition is broad-based, with notable strength in Income and Profits and a positive result in Goods and Services.

5. **Income and Profits**, collections totalled **$933.74 million against** a target of **$517.60 million**. Within that, **net corporation tax** reached **$639.45 million,** compared with the target of **$229.10 million**, reflecting prepayments and settlements by some taxpayers, including in-scope multinational groups. **Net income tax** was **$274.85 million,** compared to $265.90 million, and **withholding tax** was **$19.41 million,** compared to $22.56 million.

Table 2: Revenue Indicators

	Sep-25 Actual	Sep-25 Target	FY 2025/26 FF Target	FY 2025/26 Mid-Year Revision
Total Revenue of which:	2,163.09	1,790.02	3,843.91	3,864.51
Income and Profits	933.74	517.60	1,334.09	1,379.13
Property Tax	170.27	189.36	235.09	226.38
Goods and Services	811.05	795.49	1,645.16	1,655.47
International Trade	122.21	139.26	294.60	285.78
Non-tax Revenue and Grants	83.11	100.37	210.67	194.69

Sources: Ministry of Finance, Barbados Revenue Authority, and Central Bank of Barbados

6. **Mr Speaker**, **Goods and Services** revenue amounted to **$811.05 million**, above the target by **$15.56 million**. The main movements were **VAT**, which over-performed by **$19.82 million** ($576.33 million vs $556.51 million), **Excise**, which under-performed by **$12.34 million** ($107.91 million vs $120.25 million), and **Other goods and services**, which exceeded target by **$9.44 million** ($48.62 million vs $39.18 million).

Table 2: Goods and Services

$BDS M	Sep-25 **Actual**	Sep-25 **Target**	FY 2025/26 **FF Target**	FY 2025/26 **Mid-Year Revision**
Total Goods and Services, of which:	**811.05**	**795.49**	**1,645.16**	**1,655.47**
VAT	576.33	556.51	1,172.19	1,173.06
Excise	107.91	120.25	248.34	251.35
Other Goods & Services	48.62	39.18	58.54	66.22
Bank Assets	23.55	23.60	47.85	47.79
Fuel Tax	39.36	39.74	84.97	84.60
Highway Revenue	9.64	10.38	21.46	20.66

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

7. Outside Goods and Services, **Property revenue** was **$170.27 million**, **$19.13 million** below the target of $189.36 million; **International trade taxes** were **$122.21 million**, **$17.05 million** below the $139.26

million target; and **Non-tax revenue** was **$83.11 million**, **$17.26 million** below the $100.37 million target. **Special receipts** were $34.25 million, $4.95 million below target, and **Stamp duties** were $8.46 million, $0.29 million below target.

8. **Mr Speaker**, **total expenditure** for the first half of the FY was **$1,910.42 million**, **$69.35 million** above the target of $1,841.07 million. The largest divergences were **Current transfers** at **$586.56 million**, **$84.48 million** above target, and **Capital expenditure** at **$266.07 million**, **$69.89 million** above target; these were partly offset by Interest at **$276.43 million**, **$85.65 million** below target. **Wages and salaries** were **$405.80 million**, **$6.63 million** below target, and **Goods and services** were **$333.79 million**, **$5.60 million** above target.

Table 4: Expenditure Indicators

	Sep-25 Actual	Sep-25 Target	FY 2025/26 FF Target	FY 2025/26 Mid-Year Revision
Total Expenditure, of which:	**1,910.42**	**1,841.07**	**3,890.94**	**3,905.73**
Wages and Salaries	405.80	412.43	841.47	841.47
Goods and Services	333.79	328.19	726.48	726.48
Interest	276.43	362.08	720.44	718.02
Current Transfers	586.56	502.08	1,089.94	1,149.62
Capital Expenditure	266.07	196.18	432.62	390.15

Sources: Treasury Department, Ministry of Finance

9. The **fiscal balance** recorded a **surplus of $250.67 million,** approximately 1.65 per cent of GDP**,** compared to a projected mid-year deficit of $51.04 million. The **primary surplus** was **$529.10 million,** approximately 3.47 per cent of GDP, compared to a projected $311.04 million. The outturns are explained by stronger-than-expected revenues, led by corporation tax and VAT, with wages and salaries tracking close to plan. Lower-than-expected interest was observed in the first half, while transfers were higher and capital payments were front-loaded.

10. Mr Speaker, the **revised framework** for March 2026 projects **total revenue** of **$3,864.51 million** and **total expenditure** of **$3,905.73 million**, implying an overall deficit of **$41.22 million,** around 0.27 per cent of GDP. The **revised primary surplus** is **$676.80 million,** equivalent to approximately 4.44 per cent of GDP.

11. To deliver the revised framework, we have re-sequenced the capital programme to match confirmed procurement timelines, tightened in-year transfer controls to public entities, and maintained cash and arrears monitoring on a rolling cycle so that payments remain orderly through the fourth quarter.

12. Mr Speaker, on public debt and financing, debt service in the first half reflects a liability management operation that prepaid portions of obligations to the IMF under the Extended Fund Facility and partially addressed the 2029 international bond. Interest outlays were contained relative to the target. The residual financing need for the second half is modest and is expected to be met from policy deposits, domestic market activity and, if required, the overdraft facility.

13. The objective remains clear. We will maintain a strong primary surplus, safeguard priority social and investment spending, and keep debt on a sustainable path. The revised balances are consistent with that objective.

14. Mr Speaker, there are positives to highlight. Revenues are running above target. VAT refunds are above target. Wages and salaries are on plan. Interest payments are tracking below the original target. International reserves remain strong, providing confidence in external financing conditions.

15. There are also headwinds to manage. Transfers to public entities are above target and must be held within the revised ceiling. Capital execution needs close oversight to meet delivery schedules in the second half. International trade taxes and selected non-tax heads are below target and will require continued focus on compliance and collections. External risks include softer global demand, fluctuations in commodity prices, and weather-related shocks.

16. Mr Speaker, on **State-Owned Enterprises**, arrears at the end of August stood at **$75.0 million**. TMU-monitored arrears were **$32.3 million** against a ceiling of $25.0 million. Tax administration reforms at the Barbados Revenue Authority continue to support performance, with targeted enforcement, on-time processing of VAT refunds, and sector-focused compliance work maintained through the first half. These measures are expected to deliver further gains in the second half by maintaining high filing and payment compliance, reducing aged arrears, and sustaining stable net VAT collections while refunds remain current.

17. Mr. Speaker, I would also like to mention that the Government will authorise a targeted application of up to **$9.9 million** from the Sewerage Levy to reduce arrears at the Barbados Water Authority. This will be paired with disciplined transfer execution and stronger collections across entities. Where user charges do not cover costs, fee or tariff adjustments will be advanced, particularly in utilities.

18. Mr Speaker, Tax administration reforms at the Barbados Revenue Authority continue to support performance. Targeted enforcement, timely processing of VAT refunds, improved compliance management and sector-specific initiatives have contributed to the mid-year outturn. The Authority will sustain these efforts in the second half so that the gains realised by September are preserved through year-end.

19. The Barbados Economic Recovery and Transformation Plan remains our anchor. Public sector reform, better service delivery and improved financial reporting across the public sector, including SOEs, will continue to reduce fiscal risks and improve value for money.

20. Mr Speaker, the strategy for the remainder of the year is straightforward. We will preserve the revenue gains realised at mid-year, hold operating spending to target, execute the adjusted capital programme, and implement the SOE actions needed to bring monitored arrears within the TMU ceiling. These steps will keep the programme on track and maintain the path to debt sustainability.

21. The revised framework maintains fiscal discipline and protects priority social and investment spending. It preserves a strong primary surplus and sustains the credibility earned in recent years, while keeping space for targeted interventions where needed. This maintains our path towards achieving the targeted debt-to-GDP ratio of **60% by 2035**.

22. I invite Members to note the progress recorded, the revised outlook to year-end, and the steps being taken to support growth, protect the vulnerable and strengthen the public finances of Barbados

23. Mr. Speaker, I am obliged to you.