Barbados's economic freedom score is 61.4, making its economy the 92nd freest in the 2020 Index. Its overall score has decreased by 3.3 points, dragged down by plummeting scores for judicial effectiveness and fiscal health. Barbados is ranked 17th among 32 countries in the Americas region, and its overall score is approximately equal to the regional and world averages.

Although the Barbadian economy had nearly reached the mostly free category a decade ago, it fell all the way down to mostly unfree by 2017 and only this year has regained moderately free status. Economic growth during the past five years has likewise been depressed.

For economic freedom to resume an upward trajectory in Barbados, the government needs to build on its low tax burden and relatively strong scores for monetary and trade freedom. To restore investor confidence, efforts to shrink the country’s extremely large public debt and implement structural reforms must continue.

**ECONOMIC FREEDOM SCORE**

61.4 ▼ DOWN 3.3 POINTS

REGIONAL AVERAGE (AMERICAS REGION) 60.0

WORLD AVERAGE 61.6

HISTORICAL INDEX SCORE CHANGE (SINCE 1996): −0.9

**RECENT FREEDOM TREND**

**QUICK FACTS**

**POPULATION:** 0.3 million

**GDP (PPP):** $5.3 billion

−0.5% growth in 2018

5-year compound annual growth 0.7%

$18,534 per capita

**UNEMPLOYMENT:** 9.6%

**INFLATION (CPI):** 3.6%

**FDI INFLOW:** $195.1 million

**PUBLIC DEBT:** 124.5% of GDP

BACKGROUND: Independent from the United Kingdom since 1966, Barbados is a stable parliamentary constitutional monarchy. Prime Minister Mia Mottley was elected to a five-year term in 2018. Her center-left Barbados Labor Party won all 30 parliamentary seats in a stunning upset that created an unprecedented single-party legislature and gave the country its first female leader. Mottley faces the challenge of enacting structural fiscal reforms to strengthen public finances against a backdrop of weak economic growth. Barbados has transformed itself from a low-income agricultural economy into a more diversified, middle-income economy built on tourism and offshore banking that generates one of the Caribbean's highest per capita incomes. Tourism receipts have improved, but serious challenges to medium-term economic growth remain.
Civil law protects physical property and mortgage claims, but property registration in Barbados is very time-consuming and expensive. The court system is based on British common law and is generally unbiased and efficient. Protection of property rights is strong, and the rule of law is respected. Despite evidence of official corruption, the government has failed to implement key anticorruption measures.

The top income tax rate has been increased to 40 percent, but the top corporate tax rate has been cut to 5.5 percent. Other taxes include value-added and property taxes. The overall tax burden equals 31.8 percent of total domestic income. Government spending has amounted to 32 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 3.3 percent of GDP. Public debt is equivalent to 124.5 percent of GDP.

Barbados was ranked below the regional average in the 2019 World Bank Doing Business report. The labor market is relatively flexible, and employers are not legally obligated to recognize unions. Wages are among the highest in the Caribbean. The government announced a restructuring of the state-owned LIAT airline that is expected to reduce the airline's cost to taxpayers dramatically.

The total value of exports and imports of goods and services equals 82.8 percent of GDP. The average applied tariff rate is 14.2 percent, and 128 nontariff measures are in force. There are no quotas or other restrictions on foreign ownership, although the state reserves the right not to allow certain investments. The banking sector provides a wide range of services for domestic and foreign investors, but securities markets are relatively illiquid.