Barbados's economic freedom score is 71.3, making its economy the 28th freest in the 2022 Index. Barbados is ranked 4th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

Barbados’s tourist-dependent economic growth turned sharply negative in 2020 but rebounded in 2021. Economic freedom has expanded significantly over the past five years. Led by score increases in rule of law and labor freedom, Barbados has recorded an impressive 16.8-point overall gain in economic freedom since 2017 and has climbed from the “Moderately Free” category into the “Mostly Free” category. Judicial effectiveness, fiscal health, and monetary freedom are strong, but trade freedom is well below average.

IMPACT OF COVID-19: As of December 1, 2021, 231 deaths had been attributed to the pandemic in Barbados, and the government’s response to the crisis ranked 22nd among the countries included in this Index in terms of its stringency. The economy contracted by 17.6 percent in 2020.

BACKGROUND: Barbados transitioned from a parliamentary constitutional monarchy tied to the United Kingdom to become an independent republic in 2021. Former Governor-General Dame Sandra Mason was elected to serve as the island nation’s first president. Prime Minister Mia Mottley, the country’s first female leader, was elected to a five-year term in 2018 and remains head of government. Mottley’s center-left Barbados Labor Party has nearly unanimous control of the legislature. Against a backdrop of high public debt and unemployment, Mottley faces the challenge of enacting structural fiscal reforms. Barbados is a middle-income country with a diversified economy built on tourism and offshore banking and has one of the Caribbean’s highest incomes per capita. Tourism has rebounded, but Barbados still faces challenges to medium-term growth.
Protection of property rights is robust, but property registration is time-consuming, expensive, and becoming more difficult. Civil law protects physical property and mortgage claims. The court system is based on British common law and is generally unbiased and efficient. The rule of law is respected, but the government has failed to implement key anticorruption measures. Money laundering remains a problem.

The top individual income tax rate is 28.5 percent, and the top corporate tax rate is 5.5 percent. The overall tax burden equals 33.1 percent of total domestic income. Government spending has amounted to 31.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 0.4 percent of GDP. Public debt is equivalent to 149.0 percent of GDP.

The business regulatory environment can be difficult and time-consuming. The curtailment of the tourism industry as a result of the pandemic has caused unemployment to skyrocket. Rigid and complex labor laws restrict labor freedom. The government has borrowed hundreds of millions of dollars from international financial institutions to fund a broad array of new subsidies.

Barbados has three preferential trade agreements in force. The trade-weighted average tariff rate is 13.3 percent, and 128 nontariff measures are in effect. The investment climate has improved, but much investment activity is subject to government approval, and certain activities are prohibited to foreigners. The banking sector provides a wide range of services for domestic and foreign investors, but securities markets are relatively illiquid.