



2026 Barbados budget highlights

“Greater will our nation grow”

KPMG Barbados
March 16, 2026



Contents

01	Foreword	3-5
02	Economic snapshot	6-8
03	Key budget proposals	9-16
04	Growth measures	17-21
05	Economic review	22-28
	KPMG in Caricom	30
	Our services	31
	Contact us	32



01

Foreword

Foreword

The Honourable Ryan Straughn M.P., Minister of Finance, delivered the Budgetary Proposals and Financial Statement 2026 under the theme: “Greater Will Our Nation Grow” on March 16, 2026.

The Minister noted the Budget was the first to be presented while not in an International Monetary Fund (“IMF”) programme. Moreover, the debt management of the economy was highlighted, regarding the achievement of a reduction from the 2018 debt to GDP ratio of 178.9%, to the current ratio of 93.3% as of January 31, 2026.

Improved Credit Quality and Increased Investment

By achieving the foregoing reduction in the debt to GDP ratio over the last eight years, has afforded the Government of Barbados (“GOB”) to significantly improve its credit quality as a sovereign nation and concomitantly, improve the cost of borrowing for the country. With these key metrics trending in the right direction, this has improved the financial capacity of the GOB to make additional infrastructure investments which has provided the impetus for economic growth.

In addition to the above, Minister Straughn pointed out that Barbados also improved its standing from a transparency and financial regulatory perspective, highlighting that it was no longer present on monitoring lists such as:

1. FATCA - Foreign Account Tax Compliance Act,
2. FATF - Financial Action Task Force, and
3. OECD - Organization for Economic Cooperation and Development.

Domestic Performance

Over the last 18 quarters, the Barbados economy has realised growth and this is projected to continue for the current quarter, to extend the growth term to 19 quarters. Other key performance metrics and or highlights noted were:

1. Unemployment rate of 6.1% as of January 31, 2026,
2. Forecast capital expenditure of \$520 million for the quarter ended March 31, 2026,
3. Budgeted capital expenditure for 2027 of \$875 million, and
4. Real GDP growth of 2.7%.

Geopolitical Impact on the Economy

As an island economy, the impact of various geopolitical events was noted along with the knock-on effects. These included but were not limited to the covid 19 pandemic, the Ukraine war, and more recently, the Iran war (less than three weeks old). The ripple effect throughout the Barbadian economy is not only from an oil perspective, but the impact on everything interwoven with the oil and gas dependency, including:

1. tourism and the cost of travel,
2. supply chain (goods) and the cost of transportation,
3. electricity and the cost of fuel.

With the various externalities continuing to impact the economy, the Minister outlined various plans across a number of key areas, regarding:

1. Cost of living,
2. Citizen security and resilience,
3. Growth enhancing measures.



Christopher Brome

Head of Advisory
KPMG Caricom and Office
Managing Partner, KPMG in
Barbados & the Eastern
Caribbean



Roger Kirton

Director, Advisory
KPMG Caricom



Chris Sulaiman

Director, Tax
KPMG Caricom

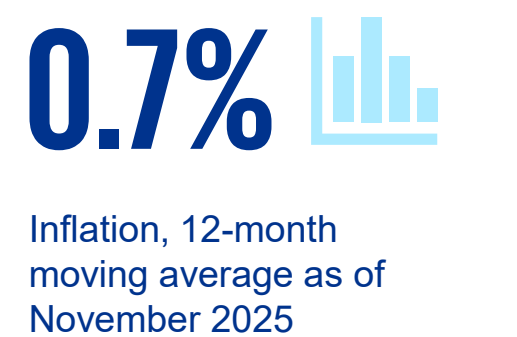
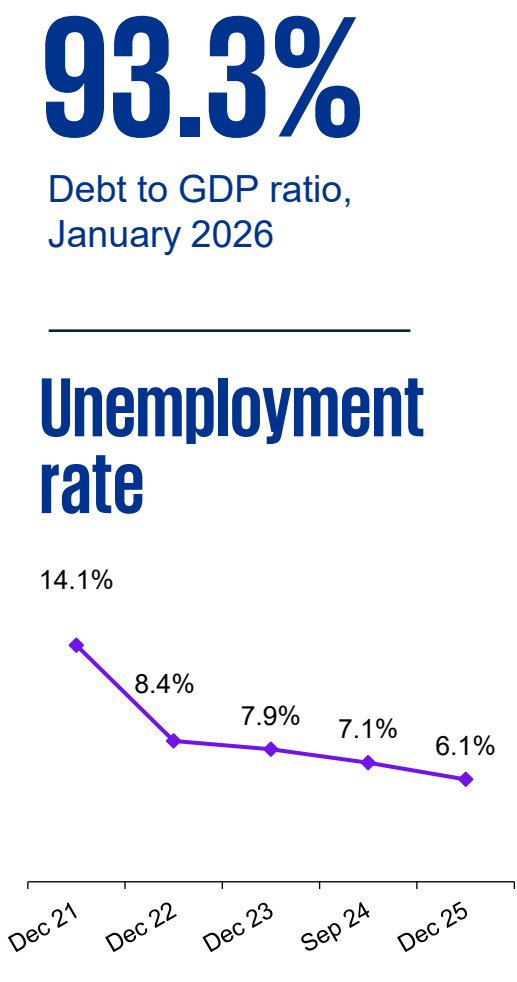
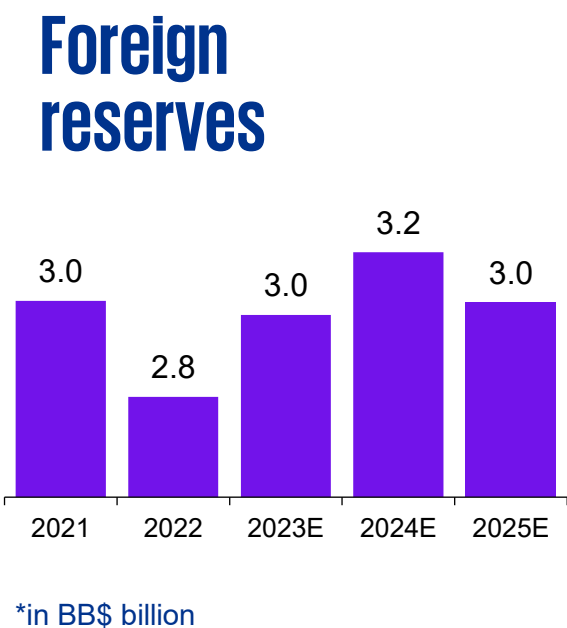
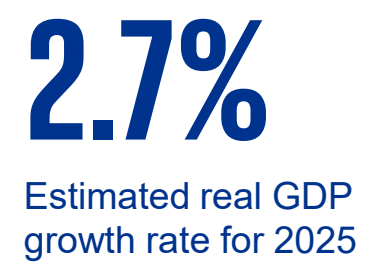


02

Economic snapshot

Economic snapshot (1/2)

All amounts are in BB\$ unless otherwise stated



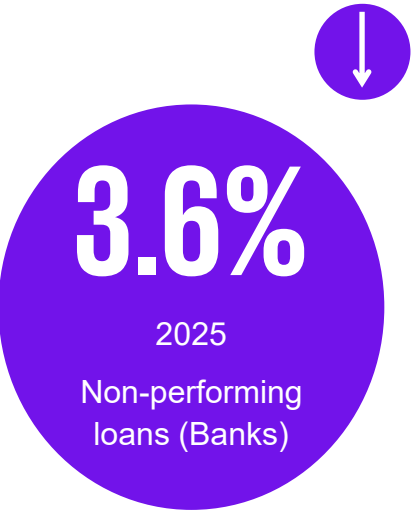
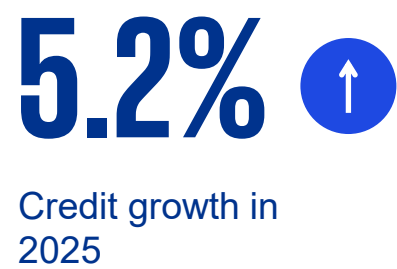
Source: CBB, IMF and Budget Proposals and Financial Statements 2026



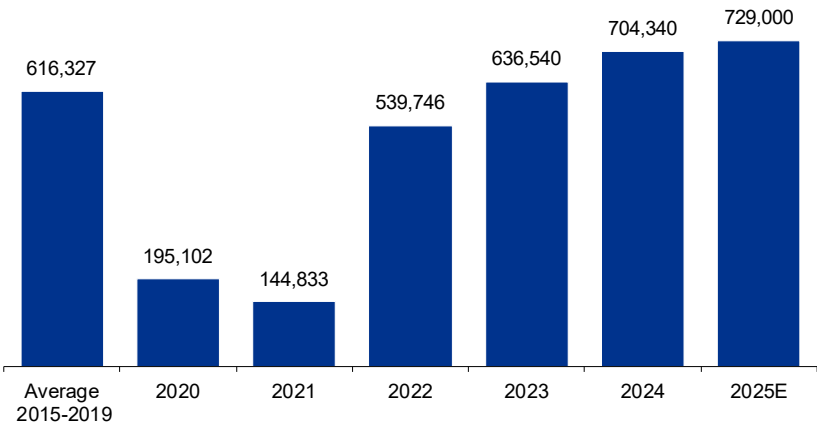
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Economic snapshot (2/2)

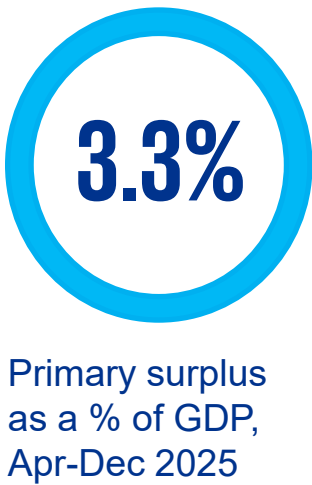
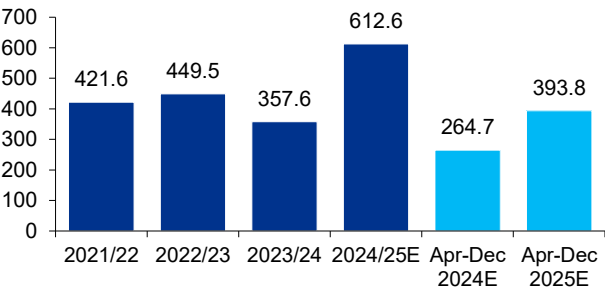
All amounts are in BB\$ unless otherwise stated



Increase in long-stay visitor arrivals, January to December 2025



Capital expenditure



Source: CBB, IMF, Budget Proposals and Financial Statements 2026 and Barbados Statistical Services



03

Key budget proposals

Key budget proposals

1

Individual Tax Relief and Social Support

- The basic income tax rate is reduced from 12.5% to 11.5% (for earners between BB\$25,000 and BB\$75,000). The top-tier rate for earners over BB\$75,000 is reduced from 28.5% to 27.5% (Effective April 1, 2026).
- Reverse Tax Credit (“RTC”) increased from BB\$1,300 to BB\$1,700 for those earning up to BB\$25,000. A new credit of BB\$750 is introduced for those earning between BB\$25,000 and BB\$35,000.
- Compensatory Income Credit (“CIC”) threshold for eligibility is raised from BB\$35,000 to BB\$50,000.
- Pensioner Personal Allowance: Increased from BB\$40,000 to BB\$75,000, significantly reducing the tax burden on retirees.
- Minimum Wage: An automatic 2% increase in the national minimum wage (Effective January 1, 2026).
- A new 5-year personal income tax deduction for the cost of replacement batteries for electric and hybrid vehicles (Effective April 1, 2026).

2

Corporate and Entrepreneurial Measures

- Value Added Tax (“VAT”) Registration Threshold increased from BB\$200,000 to BB\$350,000, exempting smaller businesses from VAT compliance and administrative filings (Effective October 1, 2026).
- Extension of the 100% tax credit for business digitization through 2027. The GOB will also fund 75% of employee retraining costs to bridge the digital skills gaps.
- Tourism Sector Relief:
 - Rental Cars will be designated as “eligible tourism services” with a reduced VAT rate of 10% (subject to 60% foreign exchange revenue).
 - Stand-alone restaurants receive duty-free access to spirits and the removal of duties/VAT on commercial kitchen equipment.
 - Automatic 3-year extension for properties with concessions issued under the Tourism Development Act since 2005.
- Amendments to allow Credit Unions to invest up to 25% of their productive sectors in real estate, renewable energy, and tourism projects.

Key budget proposals

3

Cost of Living and Consumer Relief

- Cost of Living Cash Credit: A BB\$100 monthly credit paid via the NIS for one year to low-income pensioners, seniors over 65 without a pension, and welfare recipients (Effective April 1, 2026).
- The GOB will absorb 50% of the increase in the Fuel Clause Adjustment (“FCA”) on electricity bills for three months. VAT on gasoline is capped at 47 cents/litre and diesel at 37 cents/litre.
- The excise tax on gasoline is reduced by 10 cents (to 89.39 cents) and diesel by 10 cents (to 34.03 cents) for three months.
- For customs purposes, the value of shipping containers is capped at US\$3,000 (20ft) and US\$6,000 (40ft). Duties on food, personal care, and construction items will be calculated using the Free on Board (“FOB”) value only.
- The de minimis threshold for duty-free personal imports increases from BB\$60 to BB\$150. Goods between BB\$150 and BB\$200 are duty-free but subject to VAT.
- Full waiver of customs duties and VAT on CCTV systems, burglar alarms, dashcams, and GPS devices.

4

Green Energy & National Resilience

- The VAT and Excise Tax holiday on Electric Vehicles (“EV”) is extended until March 31, 2029 (with 10% import duty).
- 2-year extension of duty/VAT waivers on residential generators, transfer switches, water tanks, and pumps.
- Provision of climate-smart agriculture to offset increased cost of farming, including a reduced water rate of BB\$1 per cubic meter for registered small farmers.
- The Catastrophe Fund is repurposed into a Resilience and Regeneration Fund. A national Cyber Security Operations Center (“SOC”) will be established to monitor and respond to digital threats.

Legislative and international tax update



Post-Election Fiscal Agenda

- Following the Barbados Labour Party's renewed mandate, the 2026 Budget is primarily focused on domestic priorities - most notably cost-of-living relief, infrastructure investment, and economic resilience.
- From an international tax perspective, the Budget is tempered. There are no new material measures that alter Barbados' international tax framework or fundamentally change the operating environment for internationally mobile businesses.



Pillar Two: Operationalizing the Top-Up Tax

- With the foundational Corporation Top-Up Tax Act in place, which captures in-scope multinational enterprises ("MNEs") with global revenues exceeding Euro750 million, the local landscape has shifted decisively from legislative design to data collection and system readiness for Pillar Two.
- While the general corporate tax rate was increased to 9%, it is critical to note that Barbados has preserved its competitive edge through strategic carve-outs. Approved small businesses remain at 5.5%. Furthermore, specific classes remain outside of the 9%, including: international shipping and licensed insurance entities and those operating within the patent box regime (i.e., earning income from qualifying intellectual property).
- The Barbados Revenue Authority ("BRA") provided significant administrative clarity at the Institute of Chartered Accountants of Barbados ("ICAB") annual tax update on February 10, 2026. Aligning with the OECD's transitional framework, the BRA confirmed the first Qualified Domestic Minimum Top-Up Tax ("QDMTT") return will be due 18 months after the end of the first fiscal/transition year, changing to a 15-month deadline for all subsequent reporting periods.
- This initial 18-month runway is vital for configuring the tax provision processes. MNEs must ensure prompt (one-time) Pillar 2 Registration on the BRA's Global Relation Portal. The launch of the Global Information Return ("GIR"), GIR Notification, and QDMTT return and guidance continues to be anticipated.



The Evolution of Economic Substance

- The recent repeal of the Companies (Economic Substance) Act, 2019, does not signal the end of substance requirements, but rather a strategic consolidation. Core provisions are now integrated directly into the Income Tax Act.
- For fiscal years ending in 2025 and beyond, Economic Substance declarations should be integrated into annual corporate tax filings.
- We should continue to anticipate deeper technical scrutiny of companies with Core Income-Generating Activities (CIGA) of Insurance, International Shipping and Intellectual Property).

Legislative and international tax update

Other measures previously announced but not yet in law

Initially floated in the 2019 budget and re-announced in 2023, the codification of comprehensive Transfer Price rules remains the most significant pending compliance legislation. We anticipate the finalised draft legislation will strictly adopt the OECD's "arm's length" principle and introduce rigorous documentation requirements, including contemporaneous Local and Master Files for intra-group transactions.



Other structural measures

- To maintain jurisdictional competitiveness under the OECD's Global Anti-Base Erosion ("GloBE") rules, the restructuring of existing domestic business incentives into Pillar Two-compliant Qualified Refundable Tax Credits ("QRTCs") remain a highly anticipated legislative priority.
- Group relief provisions are now fully active, allowing for the surrender of trading losses within 75% group structures for all companies for 2025.



Barbados' global positioning

These combined legislative shifts signal Barbados' transition into a high-compliance competitive-rate jurisdiction. By prioritizing with BEPS 2.0 standards and streamlining domestic reporting, Barbados reforges its standing as a transparent and stable hub for international capital, ready to navigate the complexities of the global tax landscape.



Measures for individuals

The 2026 tax measures aim to target overall stimulus and resilience. By adjusting personal thresholds and individual tax rates, the GOB aims to protect individual purchasing power against inflation while maintaining a competitive environment for businesses. These fiscal adjustments serve as a stabilizer, ensuring the cost of living remains manageable as the island pursues its broader diversification agenda. To support households and private enterprise, the budget proposes the following:

Proposal	
Personal Income Tax Reductions (RTC, CIC, & Rates)	A three-tiered tax relief package: 1) Increasing the RTC from BB\$1,300 to BB\$1,700 for earners under BB\$25,000; 2) Raising the CIC threshold from BB\$35,000 to BB\$50,000; and 3) Reducing the basic individual income tax rate from 12.5% to 11.5%, and the top rate from 28.5% to 27.5%. The RTC and CIC changes apply to Income Year 2025, while the individual income tax rate reductions take effect April 1, 2026.
Pensioner Support	A dual-action relief plan for seniors that raises the Pensioner Personal Allowance to BB\$75,000 and introduces a BB\$100 monthly Cost of Living Cash Credit. This cash credit is specifically earmarked for low-income pensioners and Barbadians over 65 who do not receive any local or foreign pension income. The increased allowance applies to Income Year 2025; the BB\$100 monthly credit begins April 1, 2026, for a one-year period. This measure provides both tax relief and direct liquidity support for low-income pensioners.
Electric Vehicle Deduction	The introduction of a personal income tax deduction for the cost of replacement batteries for electric and hybrid vehicles. This allows owners to deduct the replacement cost over a five-year period. Effective from April 1, 2026.
Community Resilience Programme	A two-year extension of the import duty and VAT waivers on residential generators, transfer switches, water tanks, septic tanks, and electrical pumps. Effective from April 1, 2026, for a duration of two years. It encourages residential homeowners to invest in climate-resilience infrastructure.
KPMG comment	
These tax measures are to implement a "disposable income stimulus" that protects the standard of living for the average Barbadian. By combining direct cash credits with significant tax threshold adjustments, the GOB is attempting to reduce the tax liability of the most vulnerable, while keeping pace with the rising cost of living without triggering a wage-price spiral. The focus on pensioners and welfare recipients ensures that the economic recovery remains inclusive, preventing the most vulnerable from being left behind by inflationary pressures. From a broader perspective, these measures act as a social stabilizer. The focus on pensioners ensures the economic recovery remains inclusive, while the Resilience and Electronic Vehicle measures shift some responsibility for sustainability and disaster preparedness from the state to the individual. Collectively, these measures seeks to build a more resilient domestic base, ensuring that the fundamental economic security of citizens remains the top priority.	

Measures for companies and businesses

Proposal	
Small Business VAT Threshold	Increasing the threshold for mandatory VAT registration from BB\$200,000 to BB\$350,000. This allows small-to-medium enterprises ("SMEs") within this revenue bracket to opt out of the VAT regime, removing the requirement to charge VAT or file returns. Effective October 1, 2026. Provides significant administrative relief for small businesses, improving immediate cash flow and allowing for more competitive pricing.
Digitization of Tax Credit	A two-year extension of the 100% tax credit for business investment in process re-engineering and digitization. Additionally, the GOB will contribute 75% of employee retraining costs via the NIS Retraining Fund to address the digital skill gap. Credit extension runs through Income Year 2027; retraining access is effective immediately. This incentivizes companies to modernize their backend operations and upskill their workforce.
Tourism Sector Relief	Designating rental car companies as "eligible tourism services"—granting them a reduced VAT rate of 10%—and providing stand-alone restaurants with duty-free access to spirits, provided they meet specific compliance and foreign revenue criteria. Effective July 1, 2026. This levels the playing field for stand-alone establishments and rental agencies that support the tourism product.
VAT and Excise Tax Holiday	Extension of the VAT and Excise Tax holiday on EVs until 2029 (subject to a 10% import duty). This allows businesses to transition their commercial fleets to green energy with significantly lower upfront capital expenditure. Extended to March 31, 2029. This lowers the cost of logistics and corporate transport.
KPMG comment	
These business measures look to foster a "modernized and resilient" private sector. By raising the VAT threshold and subsidizing digitization, the GOB is removing the administrative friction that typically prevents small businesses from scaling. Furthermore, the specific relief for tourism ancillaries and the heavy push for EV adoption represent a risk-mitigation strategy. By lowering the cost of green technology and supporting local restaurants and car rentals, the GOB is protecting the broader economy from external price shocks and ensuring that the tourism value chain remains profitable even as global travel trends evolve. Collectively, these measures aim to build a nimble business environment.	

Cost of living relief

Proposal	
Energy and Fuel Price Shielding	The GOB will absorb 50% of any increase in the Fuel Clause Adjustment ("FCA") on electricity bills. Additionally, the VAT collected on gasoline and diesel is capped at 47 cents and 37 cents per litre, respectively, while the excise tax on fuel is reduced by 10 cents. Effective April 1, 2026; fuel excise and FCA measures are for an initial three-month duration. Directly limits the "pass-through" effect of global oil prices, preventing a surge in costs from cascading into the prices of basic goods and public transportation.
Shipping and Freight Value Capping	To neutralize global shipping inflation, Customs will calculate duties on food, personal care, and construction materials using the FOB value (excluding shipping and insurance). Furthermore, container values for duty purposes are capped at US\$3,000 (20ft) and US\$6,000 (40ft). Effective April 1, 2026, through March 31, 2027. Lowering the taxable base for essential imports. This ensures that even if international freight rates rise, the tax component remains static, effectively subsidizing the shelf price of groceries and building supplies.
De Minimis Shipping Threshold	Raising the "tax-free" threshold for personal courier and postal shipments from BB\$60 to BB\$150 (FOB). For goods valued between BB\$150 and BB\$200, duties are waived, though VAT remains applicable. Effective April 1, 2026. Provides immediate relief for the digital consumer and those receiving personal packages from abroad. It reduces the landed cost of small-ticket items and improves administrative efficiency at ports of entry.
Consumer Safety & Security Incentives	A total waiver of customs duties and VAT on the importation of CCTV systems, burglar alarms, dashcams, and GPS devices. Lowers the financial barrier for households and vehicle owners to invest in private safety technology, encouraging a decentralized approach to community security and road safety. Dashcam/GPS waivers for one year from April 1, 2026; security system waivers are ongoing.
KPMG comment	
These measures construct a "fiscal firewall" that shields the Barbadian economy from global commodity volatility. By capping VAT on fuel and neutralizing shipping inflation through FOB-based duty calculations, the GOB is trying to mitigate external shocks from embedding into the domestic price floor. This "supply-side relief" stabilizes household disposable income without triggering a wage-price spiral. Furthermore, incentivizing private security and raising de minimis shipping thresholds modernizes the consumer experience. Collectively, these interventions shift the burden of resilience from the state to the individual, ensuring national stability amid a turbulent global landscape.	

An aerial night photograph of a city, likely San Francisco, showing a dense urban landscape with numerous lights from buildings and streets. The sky is dark blue with some clouds. A semi-transparent blue rectangular box is overlaid on the lower-left portion of the image, containing the text '04 Growth measures'.

04

Growth measures

Economic diversification

The 2026 Budget signals a pivot from traditional "Sun and Sea" tourism toward a high-productivity, production-led economy. By aggressively funding green technology, digital infrastructure, and food security, the GOB aims to insulate the GDP from global shocks and create thousands of technical roles.

To achieve this structural shift, the budget proposes the following:

Proposals	
Economic Growth and Diversification Fund	A state-led investment fund that provides "patient capital" and equity to high-growth companies in the film, creative, and green-technology sectors. It works by co-investing with private entities to scale local intellectual property for global export. The fund serves as a strategic bridge for businesses in emerging markets that require direct fiscal support for scaling and internationalization. The measure is active for the 2026/2027 fiscal year, with an allocated BB\$75 million earmarked for immediate strategic deployment. Primarily targeted at entities within the Film and Creative Industries, high-tech manufacturing, and digital service
Green Industrialisation Gateway Advantage ("GIGA") Strategy	The GIGA strategy is the GOB's flagship industrial policy aimed at rebranding Barbados as a hub for advanced, sustainable manufacturing and agro-processing, artificial intelligence infrastructure, life sciences and specialized digital services. This policy should facilitate the creation of six "Plug-and-Play" industrial zones. Implementation is ongoing throughout the 2026 fiscal cycle, with a focus on establishing the regulatory and physical infrastructure (industrial zones and digital corridors) required to support high-value exports. This strategy primarily impacts large-scale manufacturers, logistics providers, and digital service firms.
KPMG comment	
These measures signal a critical shift toward economic de-risking. By subsidizing the "Orange" and Green economies, the GOB is attempting to reduce the island's GDP sensitivity to tourism - a sector highly vulnerable to external shocks and climate change and financial services to a high-value production economy. For investors, the value lies in structural stability. The BB\$75 million investment fund lowers the barrier to entry for high-technology firms, while GIGA provides a hedge against the volatile energy costs that typically plague Caribbean manufacturing. This shift is designed to attract significant foreign direct investment and generate thousands of high-skilled technical roles in robotics and green engineering, fundamentally diversifying the GDP and providing a stable, low-carbon environment for global export hubs.	

Small business and entrepreneurship

Proposals	
Trust Loan Program	The GOB is doubling the maximum loan limit for micro-businesses. This increases the available borrowing ceiling from BB\$10,000 to BB\$20,000 per applicant. This is a direct injection of credit for the "smallest of the small." By raising the cap, the state is providing capital for micro-enterprises to move beyond simple survival into actual equipment and inventory scaling. Effective for the 2026/2027 fiscal cycle. Over 5,000 existing borrowers now have access to a second tier of financing to bridge larger working capital gaps without the collateral requirements of commercial banks.
Financial Infrastructure	A two-part financial reform: 1) Establishing a legislative registry that lets businesses pledge "movable" assets (such as machinery or stock) as loan security, and 2) Creating a BB\$3 million fund to pay businesses upfront for their outstanding invoices (factoring). This measure breaks the "fixed requirement" for credit. It allows service-based and technology firms to use their actual business assets and sales orders to secure immediate cash. Factoring facility starts in 2026; Registry rollout mid-2026. Significantly improves cash flow for SMEs that have plenty of work but are "cash poor" while waiting 30 - 60 days for payments.
Business Compliance Unit	Establishing a dedicated GOB concierge desk to handle annual filings and regulatory paperwork for small businesses that don't have accountants or lawyers on retainer. This removes the "administrative tax" on small business owners. Instead of struggling with filings alone, the unit acts as a guided intermediary to keep businesses' legally compliant and eligible for GOB grants. Expected to be operational by the second half of 2026. Reduces the risk of penalties and ensures small firms can remain in "good standing" to participate in GOB tenders.
KPMG comment	
These measures represent a structural shift towards institutionalizing the small business sector as a primary driver of non-tourism growth. By formalizing a Collateral Registry and factoring facility, the GOB is moving away from a traditional fixed asset-centric lending model, enabling service and technology firms to unlock capital based on operational performance rather than physical land. This should stabilize the local supply chain and create a more transparent and compliant vendor ecosystem. The focus on "filing consistency" via the Compliance Unit signals a push for professional standards across all enterprises, which ultimately simplifies the due diligence process for future partnerships and mergers, further integrating SMEs into the broader diversified economy.	

Agriculture and food security

Agriculture and food security

Agriculture Rebates

A comprehensive relief package that maintains the BB\$1.00 per cubic metre water rate, increases the Farm Security Rebate to BB\$15,000 (a 50% subsidy on surveillance/fencing), and introduces a BB\$5,000 rebate for utilizing organic fertilizers and bio-inputs. This is a multi-pronged effort to lower the "risk and cost" profile of farming.

The increased security limits and organic rebates take effect April 1, 2026.

Protects the livelihoods of existing farmers while encouraging a shift toward sustainable, circular farming practices that rely less on expensive imported chemicals.

Climate-Smart Infrastructure Support

A specialized rebate designed to offset high electricity costs for agricultural infrastructure. This provides financial relief specifically for the energy-intensive components of modern farming, such as irrigation pumps, cooling systems, and processing machinery. To lower the high operational "burn rate" of running a modern farm.

Applicable throughout the 2026/2027 fiscal year.

Ensures that the sophisticated infrastructure already on the ground remains financially viable to operate, preventing "infrastructure abandonment" due to rising utility overheads.

Apiculture and Bee Industry Commercialization

A 50% rebate (up to BB\$5,000) on beekeeping equipment and a nationwide program for hive kit distribution and technical training. The GOB views bees as essential biological infrastructure; beyond honey production, improved pollination is critical for increasing the yields and quality of the entire island's fruit and vegetable crops.

Training workshops and equipment grants are active through 2026.

Creates an accessible entry point for farmers and significantly improves the health and productivity of the island's wider agricultural ecosystem.

KPMG comment

The intent behind these measures is to aggressively lower the "risk and cost" profile of farming, transforming agriculture from a legacy industry into a high-technology, protected pillar of the economy. By subsidizing water, organic materials, and security, the GOB is tackling input inflation and theft - the primary deterrents to sector investment.

Ultimately, these initiatives are designed to achieve food independence. Treating bees as "biological infrastructure" enhances overall crop yields through pollination, while infrastructure support de-risks the move toward modernization. Collectively, this is another set of measures that are shifting the national GDP away from its singular reliance on tourism and financial services, building a self-sustaining agricultural sector that can withstand global supply chain shocks.

Tourism and regional connectivity

Tourism and regional connectivity	
Regional Travel Fee Reduction	A strategic reduction of the Air Travel and Tourism Development Fee specifically for CARICOM travelers, lowering the cost from US\$35 to US\$20. The intent is to stimulate the intra-regional travel market by lowering the high "tax barrier" that often makes Caribbean flight prices prohibitive for neighbours. This is a temporary measure active for one year to test market elasticity and demand. Aims to drive high-frequency, short-haul tourism, increasing capacity utilisation for regional carriers and diversifying the visitor base.
Concession Extension	An automatic three-year extension of tourism concessions for properties that were originally granted their incentives on or after January 1, 2005, under the Tourism Development Act. The Intent is to provide long-term fiscal certainty and immediate administrative relief to the hospitality sector, encouraging reinvestment in property upgrades. Effective immediately, providing a bridge of support through 2029. This removes the burden of reapplying for tax breaks, allowing owners to focus on evolving their product offerings and maintaining international competitiveness.
KPMG comment	
The intent behind these measures is to transition the tourism sector from a passive long-haul destination into a proactive regional hub while providing the private sector with the stability needed to modernize. By lowering regional travel fees, the GOB is effectively treating the Caribbean as a "single domestic market," aimed at boosting intra-regional business and leisure flows. Simultaneously, the three-year concession extension acts as a structural stabilizer. By removing the uncertainty of expiring incentives, the GOB is incentivizing property owners to invest more in this sector and pivot towards niche and authentic experiences. This dual approach ensures that tourism remains a resilient pillar of the economy, capable of attracting high-spending visitors and fostering deeper regional integration, even as the island pursues broader GDP diversification into new, high-technology sectors.	

The background image shows a harbor scene under a clear blue sky. In the center is a large, light-colored stone building with a semi-circular section and a tall clock tower on the right. The clock tower has a black clock face and a flag on top. To the left, a red sailboat is docked. In the foreground, there are several white and red buoys in the water. A semi-transparent blue rectangle is overlaid on the lower half of the image, containing the text '05 Economic review'.

05

Economic review

State of the economy

Barbados has maintained strong post-pandemic growth, supported by the Barbados Economic Recovery and Transformation (“BERT”) programme, the International Monetary Fund’s (“IMF”) Extended Fund Facility (“EFF”), and the Resilience and Sustainability Facility (“RSF”) arrangements, which concluded in June 2025. The economy continues to demonstrate resilience, despite escalating global trade tensions.

Economic conditions in 2025 remained stable, with economic expansion supported by both the traded and non-traded sectors. Real GDP grew by 2.7%, driven mainly by the tourism, business and other services, construction, and agriculture sectors, with business and other services being the primary contributor. Tourism activity strengthened notably in 2025, supported by increased airlift capacity and strengthened demand from key source markets. Long-stay arrivals rose by 3.3% to reach an all-time high, underpinned by an 8.1% increase in arrivals from the United States. In contrast, arrivals from the United Kingdom fell by 5.9%, due to reduced seating capacity and the high cost of living.

Inflationary pressures eased in 2025, largely reflecting lower oil and freight costs, which reduced the 12-month average inflation rate to 0.7%. However, rising housing and utility expenses, alongside increased demand for dining services, contributed to a rise in point-to-point inflation to 1.7% by November. Over the medium-term, the IMF expects growth and inflation to converge to long-term historical averages of approximately 2.0% and 2.4%, respectively. At the end of the third quarter, unemployment remained relatively low at 6.6%.

Labour market conditions continued to strengthen in 2025. The unemployment rate declined from 7.1% in 2024 to 6.1% as at the end of December 2025, marking the lowest level recorded in recent years. This improvement reflects sustained recovery in labour demand, supported by ongoing activity in key sectors such as construction, tourism, and agriculture. The decline also signals a more resilient labour market environment, as broader economic conditions continued to improve.

Barbados maintained strong external buffers in 2025, ending the year with \$3 billion in international reserves supported by robust tourism receipts and project-related inflows. The Government demonstrated continued fiscal prudence, achieving a primary surplus of \$541.7 million (3.3% of GDP) despite higher infrastructure spending, helping lower the debt-to-GDP ratio to 93.3% as at January 2026.



Economic review

Economic growth

GDP growth

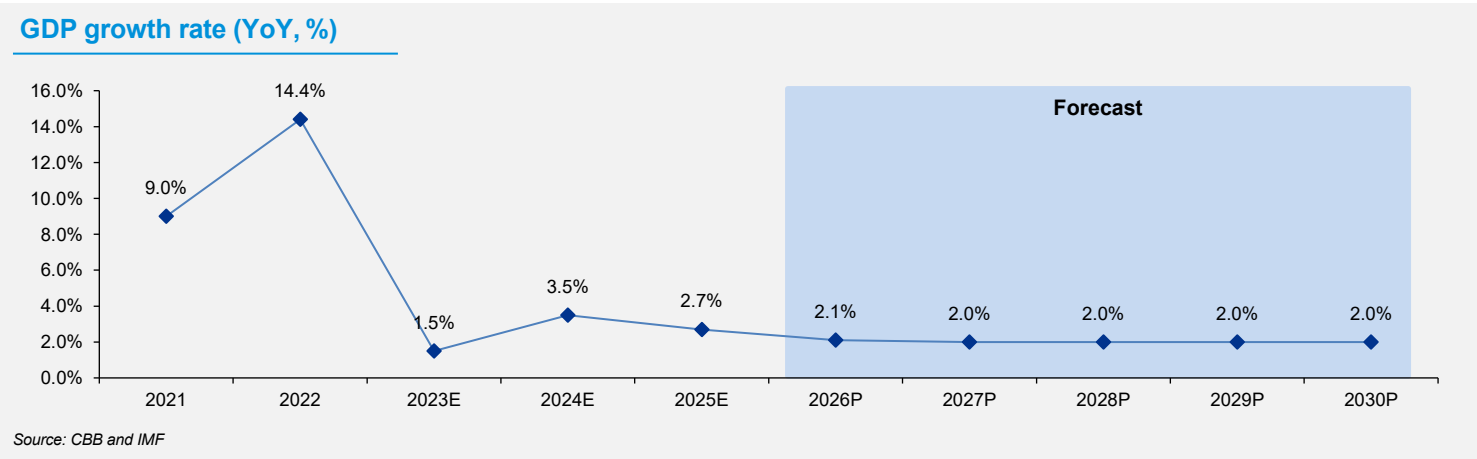
Barbados’ economy has continued its expansion, achieving a real GDP growth rate of approximately 2.7%. Though a higher growth was recorded for 2024 (3.5%), this year signals 18 to 19 consecutive quarters of economic growth. While tourism remains the bedrock of Barbados’ economy, business and other services played a significant role in driving growth for 2025. In addition, construction and agriculture sectors also supported 2025 growth.

The CBB projects 2026 real GDP growth in the range of 2.5% to 3.0%, supported by continued strengthening in the business services, construction and infrastructure, and tourism sectors. This growth will be supported by structural changes as outlined in the BERT 2026 program, which aims to transform recent macroeconomic stability into long-term, inclusive growth. Medium-term real GDP growth is projected at approximately 2.0%.

In 2026, tourism is expected to see continued expansion in both long-stay and cruise arrivals after reaching record levels in 2025. In addition to expanded airlift, enhanced international connections, and an attractive calendar of events to increase visitor appeal, enhancements to the Grantley Adams International Airport are expected to increase capacity and improve passenger flow, bolstering Barbados’ position as a regional travel hub. Similarly, increased port calls and high vessel occupancy rates are expected to keep cruise travel strong throughout the year.

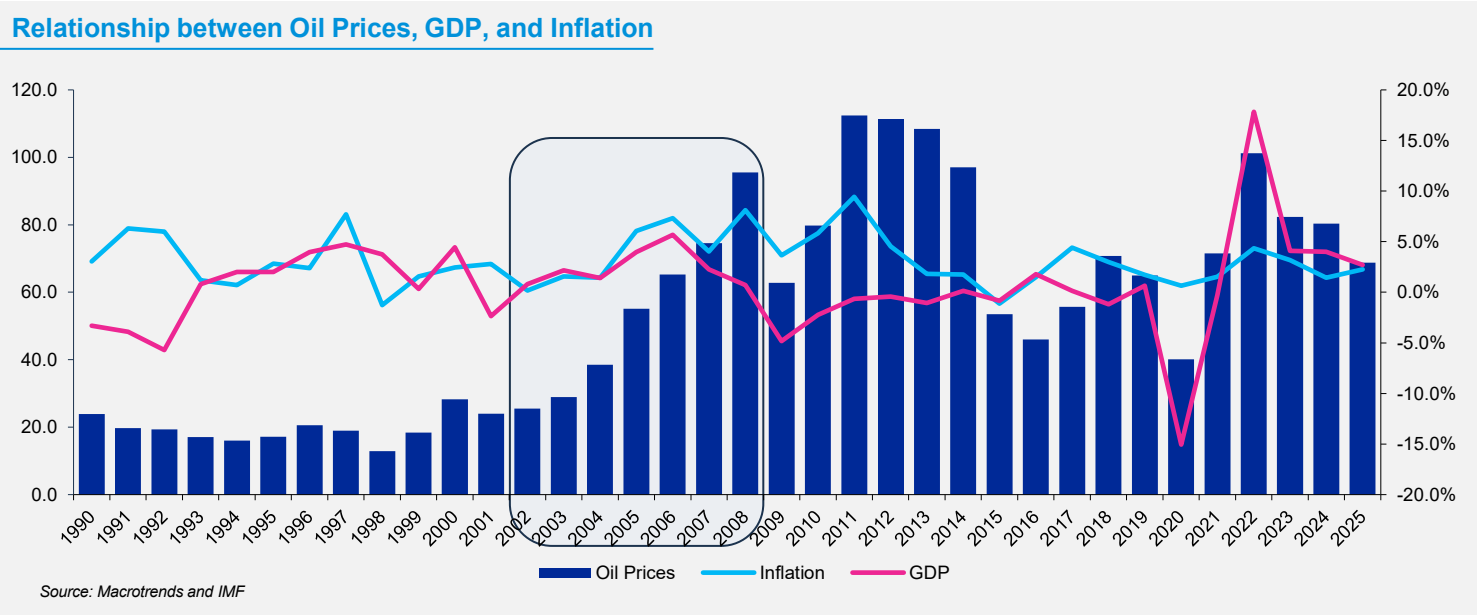
Investments in road network expansion, sewage treatment upgrades, water infrastructure improvements, renewable energy projects, and new housing complexes are expected to increase construction performance and alleviate capacity limitations. In addition to providing employment, these projects will establish the structural groundwork for increased productivity and climate resilience in the coming years.

Barbados’ current economic performance provides a solid foundation for sustained growth and stability. However, fallout from global trade tensions, tariff pressures, and most recently, the US-Israel-Iran conflict, can adversely impact Barbados’ economic performance.

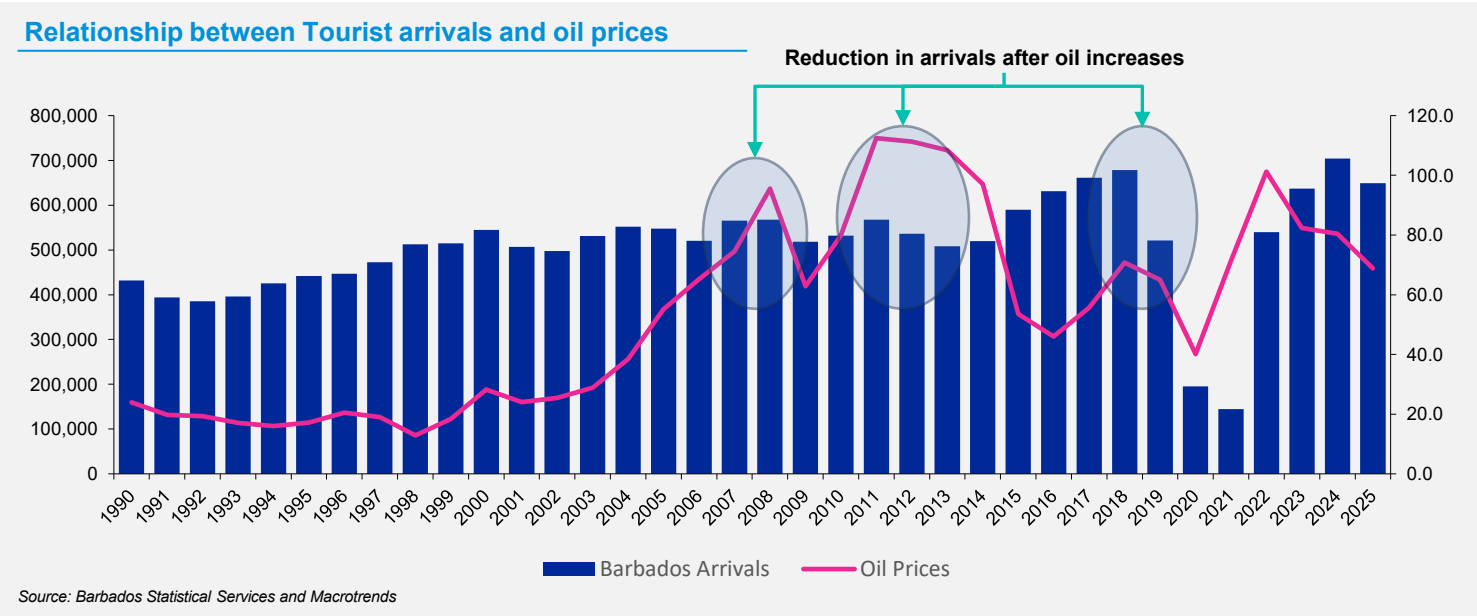


US-Israel-Iran conflict: Economic impact

Since the February 28, 2026, US-Israel attack on Iran, oil prices have skyrocketed from approximately US\$72 to US\$103 per barrel, over a 2-week period. Iran’s response has resulted in the closure of the Strait of Hormuz, the world’s major oil artery, along with the suspension of oil and gas production at key production facilities in the Middle East. The increase in oil prices will have a trickle-down effect across various sectors, including, but not limited to, transportation, food and consumer supplies, construction materials and utilities. Barbados’ current growth trajectory depends heavily on tourism, construction and agriculture sectors. Barbados also relies heavily on the import of goods to satisfy local demand. As such, the US-Israel-Iran conflict and the fall-out therefrom, should be monitored closely to assess the economic impact on Barbados in the short-to-medium term.



As outlined below, the historical trend of increases in oil prices demonstrates a lag in relation to the decrease in tourism arrivals to Barbados. As such, there is a possibility that if the conflict in the Middle East is protracted, the forward bookings for 2027 could be impacted.



Inflation and unemployment

Inflation

Barbados’ inflation is influenced by a combination of external and internal factors, with high import dependence, oil prices, freight costs and inflation dynamics in key trading partners being significant determinants of domestic price movements.

In 2025, inflation was driven mainly by price increases in a few key categories rather than broad-based price pressures. On a 12-month moving-average basis, inflation eased significantly, falling to 0.7% by November, due to moderation in food price increases, declines across several consumer categories, and lower oil and freight costs.

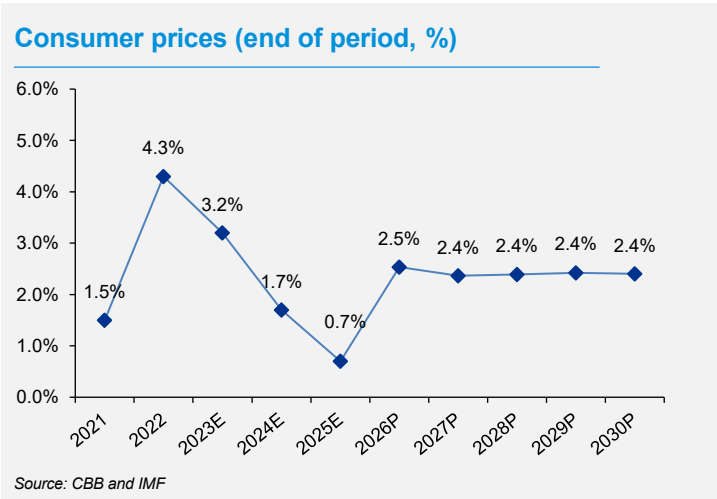
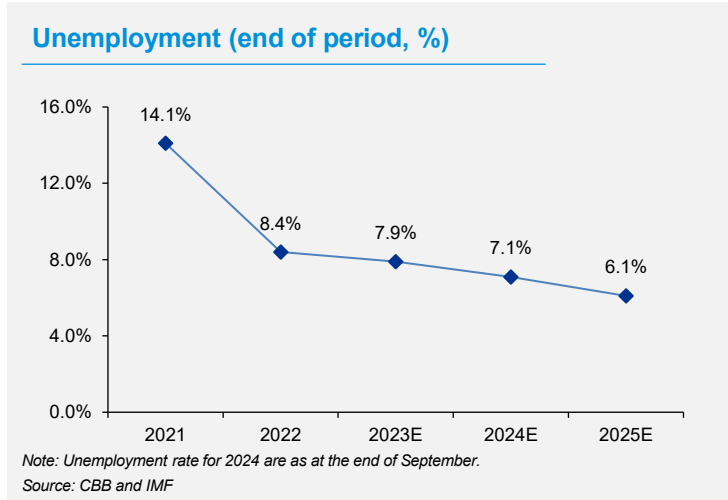
However, in November 2025, point-to-point inflation rose to 1.7% from 0.9% in November 2024, as domestic cost pressures intensified, driven mainly by higher housing and utility expenses and stronger demand for dining services. Food prices also rose, driven mainly by adverse weather and supply constraints while domestic demand resulted in increased hotel and restaurant prices.

IMF forecasts suggest that inflation will remain relatively low at approximately 2.5% through 2030. Nevertheless, current global macroeconomic and trade uncertainty will directly impact inflation dynamics in Barbados. As such, inflation risk over the medium-term should be assessed on an ongoing basis, with a focus on global commodity prices and supply conditions, and domestic demand.

Unemployment

Barbados’ labour market continued to strengthen with the unemployment rate falling to 6.1% at December 2025, compared to 7.1% at September 2024. Employment opportunities, mainly in the construction, agriculture and tourism sectors, have been credited for this improvement.

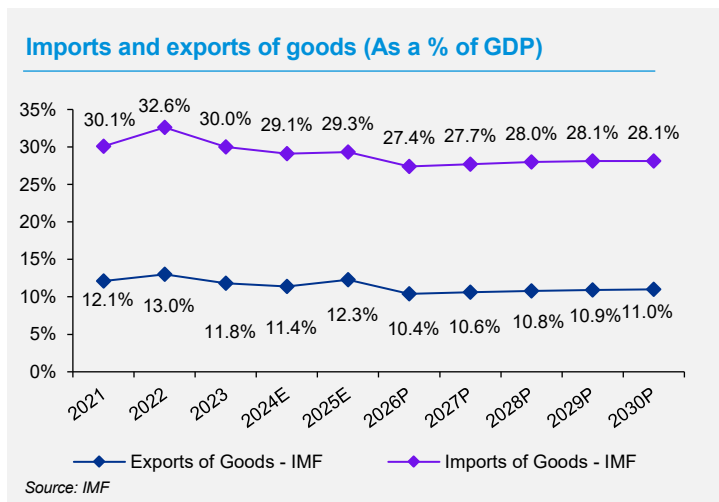
Movement in labour force participation was a primary driver of improvement in unemployment. As retirements and school enrolments increased, the labour force participation rate declined by 2.2%, resulting in an improvement in the unemployment rate, despite an increase of 1.3% in unemployment claims for 2025 compared to 2024.



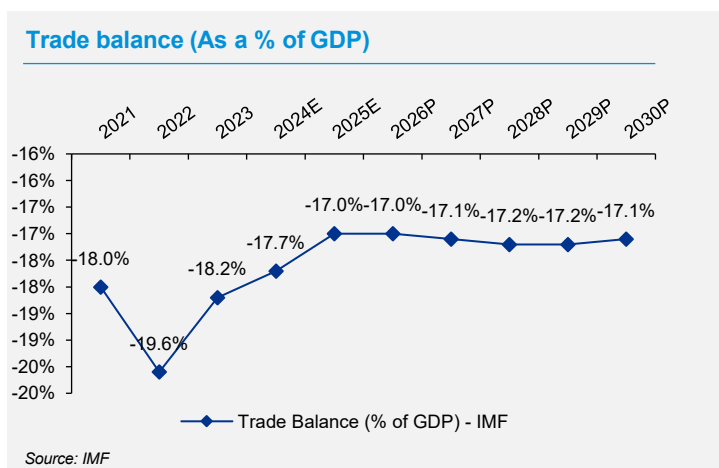
Trade balance and international reserves

Trade balance

The gap between imports and exports of goods as a percentage of GDP is estimated to have decreased by 70 basis points in 2025.



However, the IMF anticipates the trade balance will remain relatively stable in the short to medium term, fluctuating from 17.0% in 2025 to 17.1% in 2030.



Foreign exchange reserves

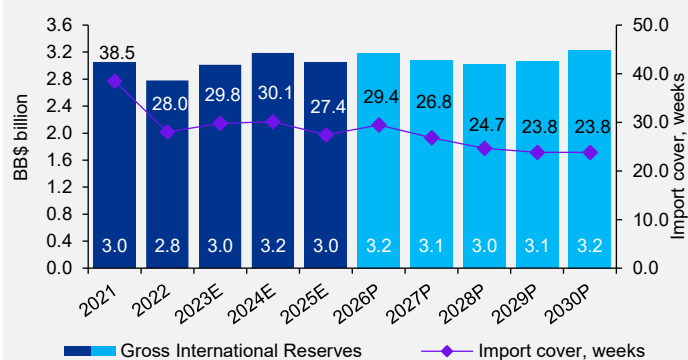
In 2025, international reserves fell by 4.4% to BB\$3.0 billion from a record high of BB\$3.2 billion in 2024. Consequently, import cover fell by 9.0% to 27.4 weeks from 30.1 weeks in 2024.

Despite growth in tourism receipts and inflows for tourism related projects, international reserves fell due to a wider current account deficit.

Increases in goods imports and lower exports, along with higher dividend outflows, a reduction in corporation tax receipts from international financial business companies and reduced inflows to the current transfers account, resulted in the decline in international reserves.

Despite this decline, international reserves remain in a strong position. While import cover stands at its lowest post-pandemic, it remains well above the minimum requirement.

Foreign exchange reserves cover (Weeks of imports)



Economic overview

Selected economic indicators	2021	2022	2023E	2024E	2025E	2026P	20267P	2028P	2029P	2030P
Economic indicators (annual percent change, unless otherwise indicated)										
Nominal GDP (BB\$ millions)	11,898	13,773	14,447	15,195	16,033	n.a.	n.a.	n.a.	n.a.	n.a.
Real GDP	9.0	14.4	1.5	3.5	2.7	2.1	2.0	2.0	2.0	2.0
Nominal GDP	10.1	15.8	4.9	5.2	5.5	n.a.	n.a.	n.a.	n.a.	n.a.
Consumer price (end of period)	2.4	3.8	3.2	2.9	2.4	2.4	2.4	2.4	2.4	2.4
Consumer price (average)	1.5	4.3	3.2	1.7	0.7	2.5	2.4	2.4	2.4	2.4
Unemployment rate	14.1	8.4	7.9	7.1	6.6	n.a.	n.a.	n.a.	n.a.	n.a.
Balance of payments (In percent of GDP, unless otherwise indicated)										
Current account balance	-10.3	-9.9	-8.8	-5.9	-5.8	-5.6	-5.4	-5.3	-5.1	-5.0
Trade balance	-18.0	-19.6	-18.2	-17.5	-17.9	-17.0	-17.1	-17.2	-17.2	-17.1
Exports of Goods	12.1	13.0	11.8	11.0	10.3	10.4	10.6	10.8	10.9	11.0
Imports of Goods	30.1	32.6	30.0	28.5	28.2	27.4	27.7	28.0	28.1	28.1
Gross international reserves (US\$ millions)	3,050	2,781	3,010	3,186	3,045	3,188	3,078	3,012	3,062	3,232
Gross international reserves cover, weeks	38.5	28.0	29.8	30.1	27.4	29.4	26.8	24.7	23.8	23.8
Credit ratings										
Standard & Poor's	B-/B	B-/B	B-/B	B-/B	B+	n.a.	n.a.	n.a.	n.a.	n.a.
Moody	Caa1	Caa1	B3	B3	B2	n.a.	n.a.	n.a.	n.a.	n.a.
	2021/22	2022/23E	2023/24E	2024/25E	2025/26E	2026/27E	2027/28P	2028/29P	2029/30P	2030/31P
Fiscal operations, fiscal year (In percent of GDP)										
Public Sector Debt (BB\$ millions)	13,356	14,261	14,899	14,958	15,165*	15,005	14,971	14,931	14,862	14,770
Public sector debt	104.7	101.4	102.3	96.7	94.6*	93.4	88.8	84.5	80.1	76.0
Interest	3.1	3.9	4.9	3.6^	3.3^*	4.3	4.1	4.1	4.0	3.9
Total revenue	22.1	23.6	23.2	18.8^	18.3^*	27.2	27.2	27.2	27.2	27.2
Total expenditure	26.0	25.3	24.8	17.3^	18.4^*	27.1	27.0	26.9	26.7	26.7
Fiscal balance	-3.8	-1.7	-1.6	-0.8	0.0	n.a.	n.a.	n.a.	n.a.	n.a.

Note: Projections are based on IMF's June 2025- Fifth Reviews Under the extended arrangement under the EFF and the arrangement under the RSF – Press release

Source: CBB and IMF

* - As at December 2025

^ - April– December 2024

^^ - April – December 2025



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A photograph of the Independence Square monument in Barbados. The monument features a large, curved, light-colored stone structure with several tall, white columns. The columns have blue and white decorative bands. The words "INDEPENDENCE" and "SQUARE" are inscribed in large, gold-colored letters on a white stone wall. To the right of the text is a white stone relief sculpture. The background is filled with lush green trees and a clear blue sky with some clouds. In the foreground, there are green plants and a small fountain.

INDEPENDENCE SQUARE

“

Greater will our nation grow

”

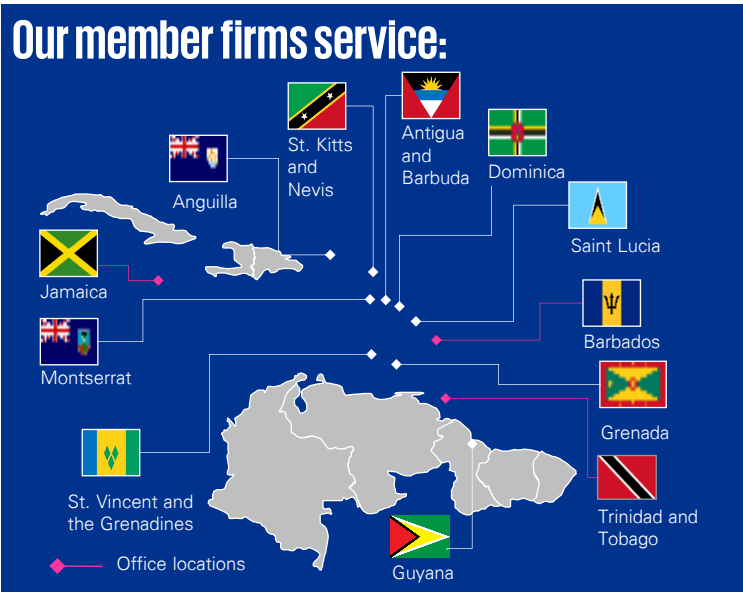
2026 Barbados budget highlights

KPMG in Caricom

KPMG in Caricom forms part of the international network of member firms that operate in 142 countries and territories, with more than 275,000 partners and employees. Our Caricom offices consists of 1,500 professionals collaborating across industries, sectors, and national boundaries to deliver professional services for the benefit of their clients, KPMG people, and the capital markets.

Member firms are located in Jamaica, Trinidad and Tobago, and Barbados (also servicing St. Lucia, Antigua and Barbuda, Anguilla, Dominica, Grenada, Guyana, Montserrat, St. Kitts and Nevis, and St. Vincent and the Grenadines). Our practice has strong professional contacts with the KPMG member firms in the Bahamas, Bermuda, Cayman Islands, all of which have similar cultures and operating environments.

KPMG Caricom operates across the region with a specific understanding of the cultural, economic, and political facets of each individual economy. We are also part of KPMG Islands Group which extends into additional countries such as British Virgin Islands , Guernsey , Jersey, the Isle of Man and Malta. In-depth industry knowledge is available through the global KPMG network which provides access to skilled member firm professionals, across a wide range of industry sectors.



Servicing
12
countries

- Anguilla
- Antigua and Barbuda
- Barbados
- Dominica
- Grenada
- Guyana
- Jamaica
- Montserrat
- St. Lucia
- St. Kitts and Nevis
- St. Vincent and the Grenadines
- Trinidad and Tobago

Celebrating,
100+
years
of service

4
physical
offices

- Barbados
- Jamaica (two offices)
- Trinidad and Tobago

Our people

44
Partners
and Directors

70% | 30%
Gender split (F | M)

Our services



Audit and assurance

- Statutory audit
- Non-statutory audit
- Assurance

Tax

- Tax advisory
- Personal and corporate tax
- International tax
- M&A tax
- Transfer pricing
- Tax due diligence

Advisory

Management Consulting

- Customer and operations
- Healthcare services
- IT advisory
- People and change
- Internal audit risk and compliance
- Accounting advisory
- Cyber Security Services

Risk Consulting

- Financial risk management
- Internal audit and risk consulting
- Accounting advisory services

Deal Advisory

- Corporate finance
- Infrastructure
- Valuation services
- Transaction services
- Restructuring

Contact us

Christopher Brome

Head of Advisory, KPMG Caricom
and Office Managing Partner, KPMG
in Barbados & the Eastern Caribbean

E: cbrome@kpmg.bb
T: +1 246 243 8709

Roger Kirton

Director, Advisory
KPMG Caricom

E: rkirton@kpmg.bb
T: +1 246 832 9572

Chris Sulaiman

Director, Tax
KPMG Caricom

E: chrissulaiman@Kpmg.bb
T: +12464343900

Naweed Nuhuman

Director, Advisory
KPMG Caricom

E: naweednuhuman@kpmg.bb
T: +1 246 233 5014

Juan Wright

Associate Director, Tax
KPMG Caricom

E: juanwright@kpmg.bb
T: +1 246 253 4736

Marianne Greenidge

Associate Director, Tax
KPMG Caricom

E: mariannegreenidge@kpmg.bb
T: +1 246 230 2059

Kara Holder

Manager, Advisory
KPMG Caricom

E: kjholder@kpmg.bb
T: +1 246 230 5425

Raymini Sawh

Manager, Tax
KPMG Caricom

E: rayminisawh@Kpmg.bb
T: +12464343900

Ronald Rice

Senior Associate
KPMG Caricom

E: ronaldrice@kpmg.bb
T: +1 246 233 6363

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