

# Quarterly Economic and Financial Developments Report

March 2021

*Featuring the latest Lending Conditions Survey for  
the Second Half of 2020*

Research Department



# Domestic Economic Developments

Preliminary data revealed that domestic economic activity during the three months to March, continued to be largely impacted by the ongoing Novel Coronavirus (COVID-19) pandemic. Tourism sector output remained contracted due to travel restrictions imposed globally, with the high value-added air component at a historic low level and the sea segment suspended. However, foreign investment-led projects, combined with post hurricane rebuilding works, provided some impetus to the construction sector.

## Real Sector

- Tourist arrivals contracted by 93.2% during January-March 2021, extending the 14.7% reduction in the same period of 2020.
- Nassau airport departures were down 80.7% during the first quarter.
- Varied-scale FDI projects and hurricane rebuilding efforts sustained construction sector output.
- Consumer price inflation eased by 2.1 percentage points to 0.04% in the twelve months ending February, 2021.

## Monetary Sector

- During the first quarter of the year, bank liquidity declined by \$50.3 million to \$2.2 billion. Underpinned by a fall in both domestic credit and the deposit base.
- External reserves also moderated by \$125.6 million to \$2.3 billion in the first three months of the year.

An aerial photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a deeper blue further out. The beach is a wide, white sand strip with several palm trees scattered along the shore. In the foreground, there are more palm trees and some buildings, possibly part of a resort. The sky is clear and bright.

# TOURISM SECTOR

# Visitor Arrivals

## (January-March 2021)

Official data from the Ministry of Tourism revealed that total visitor arrivals declined by 93.2% in the January-March period, exceeding the 14.7% reduction in the same period of 2020.

- Air arrivals (indicative of stopover arrivals) fell by 70.4%, extending the 28.0% falloff in 2020.
- Sea arrivals reduced by 99.0%, outpacing the 10.5% decline a year earlier.

Arrivals	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2020	2021	2020	2021	2020	2021
<b>Air</b>	-22.1	-74.7	-58.9	-71.9	-45.0	-30.6
<b>Sea</b>	-32.4	-99.5	-30.9	-98.0	33.3	-98.8
<b>Total</b>	-29.3	-92.2	-34.4	-95.9	21.1	-94.0

# Global Tourism Sector Update

- Travel & Tourism sector suffered a projected loss of almost **US\$4.5 trillion** in 2020 due to the impact of COVID-19.
- Further, the Centers for Disease Control & Prevention (CDC) in the US issued new technical guidance for cruise lines indicating a resumption of sailing mid-2021.

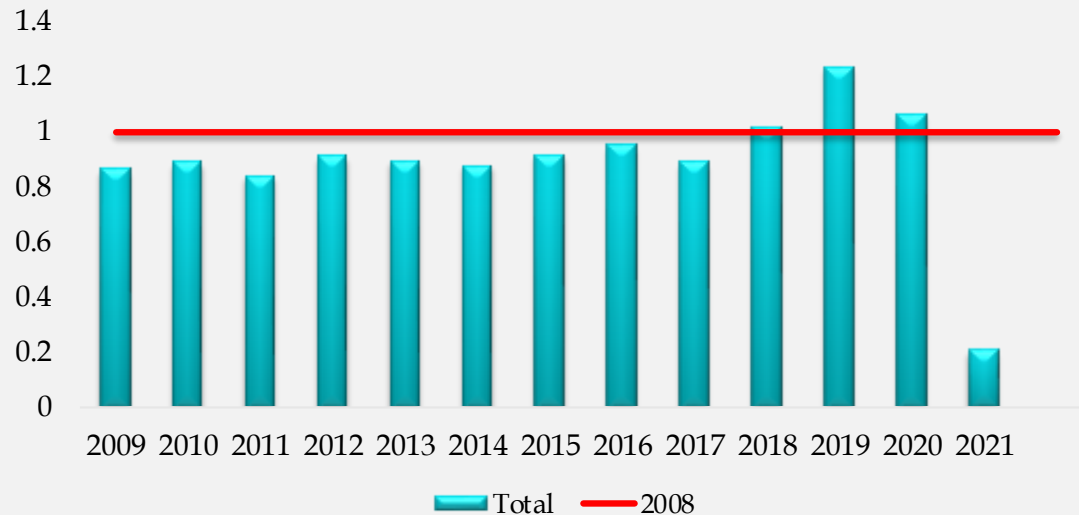


# Nassau Airport (NAD) International Departures January - March

The latest data from NAD showed an 80.7% falloff in total departures, surpassing the 13.8% decline recorded in 2020.

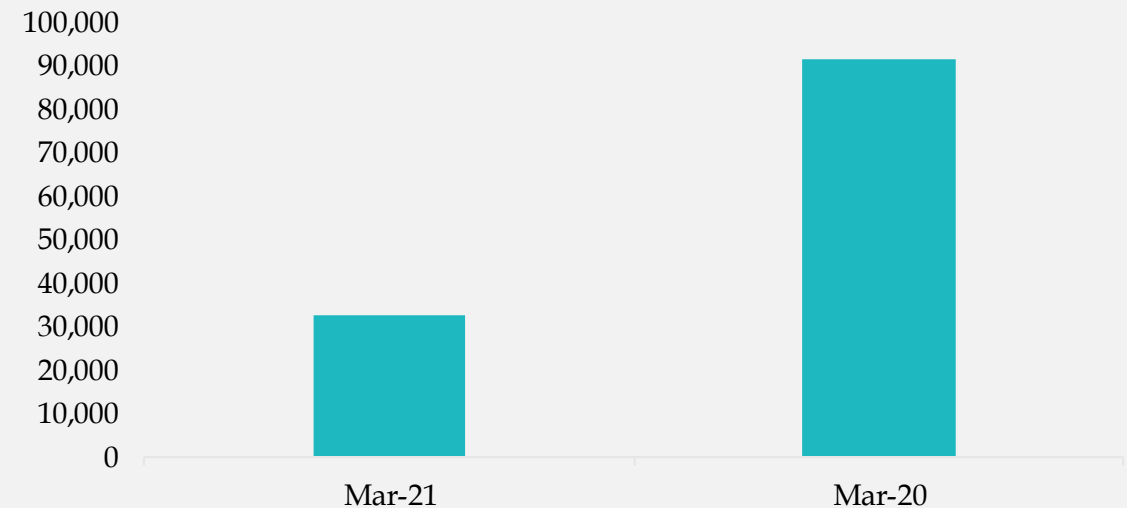
Reflective of the ongoing restrictive global travel measures, total international departures for March 2021 amounted to 32,489, vis-à-vis the 91,538 departures recorded in March 2020.

### Departures vs. 2008 Recession January-March



Source: Nassau Airport Development Company

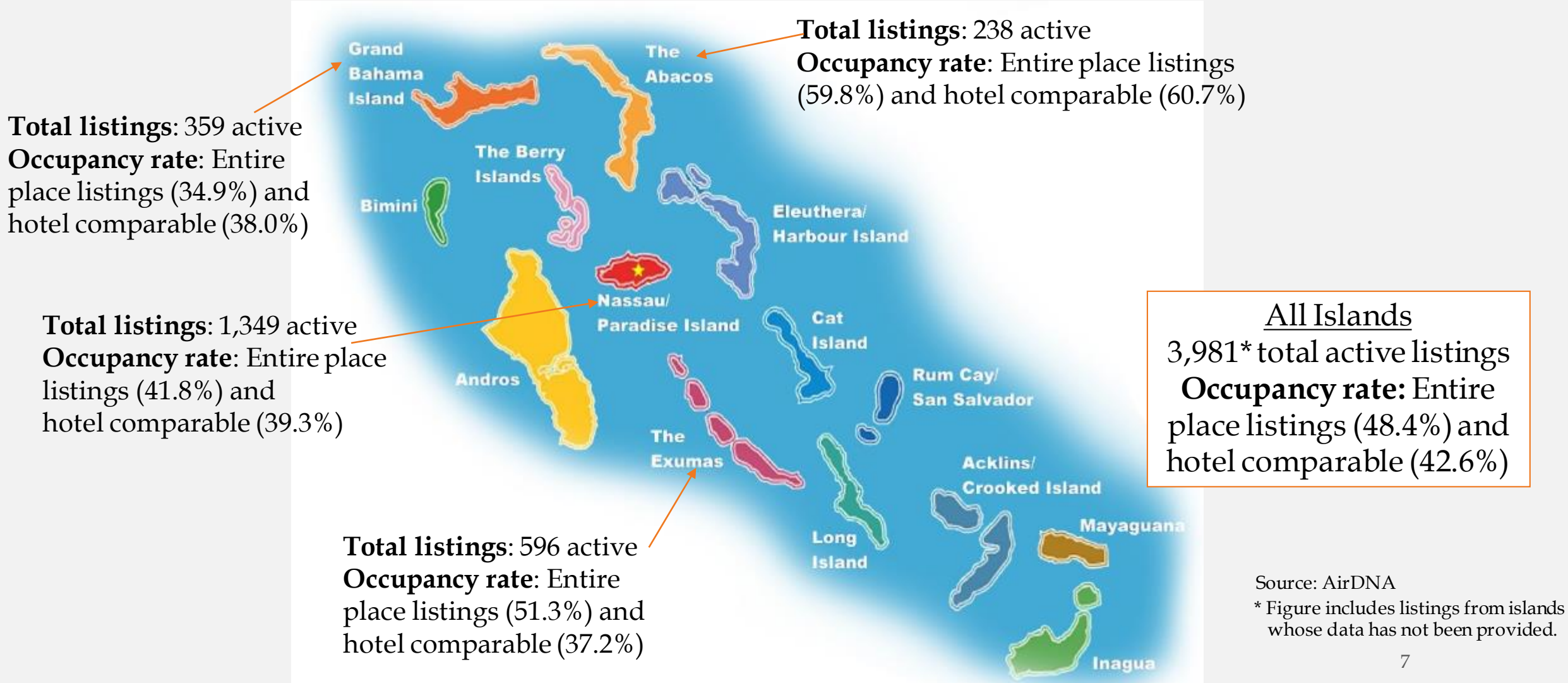
### Total Departures March 2021 vs March 2020



\*All figures are net of domestic departures.

# Airbnb: Snapshot of Vacation Rentals

(as at March 2021)



**Total listings:** 359 active  
**Occupancy rate:** Entire place listings (34.9%) and hotel comparable (38.0%)

**Total listings:** 238 active  
**Occupancy rate:** Entire place listings (59.8%) and hotel comparable (60.7%)

**Total listings:** 1,349 active  
**Occupancy rate:** Entire place listings (41.8%) and hotel comparable (39.3%)

**Total listings:** 596 active  
**Occupancy rate:** Entire place listings (51.3%) and hotel comparable (37.2%)

**All Islands**  
3,981\* total active listings  
**Occupancy rate:** Entire place listings (48.4%) and hotel comparable (42.6%)

# Airbnb: Occupancy Rate Trends

## (January - March 2021 vs. 2020)

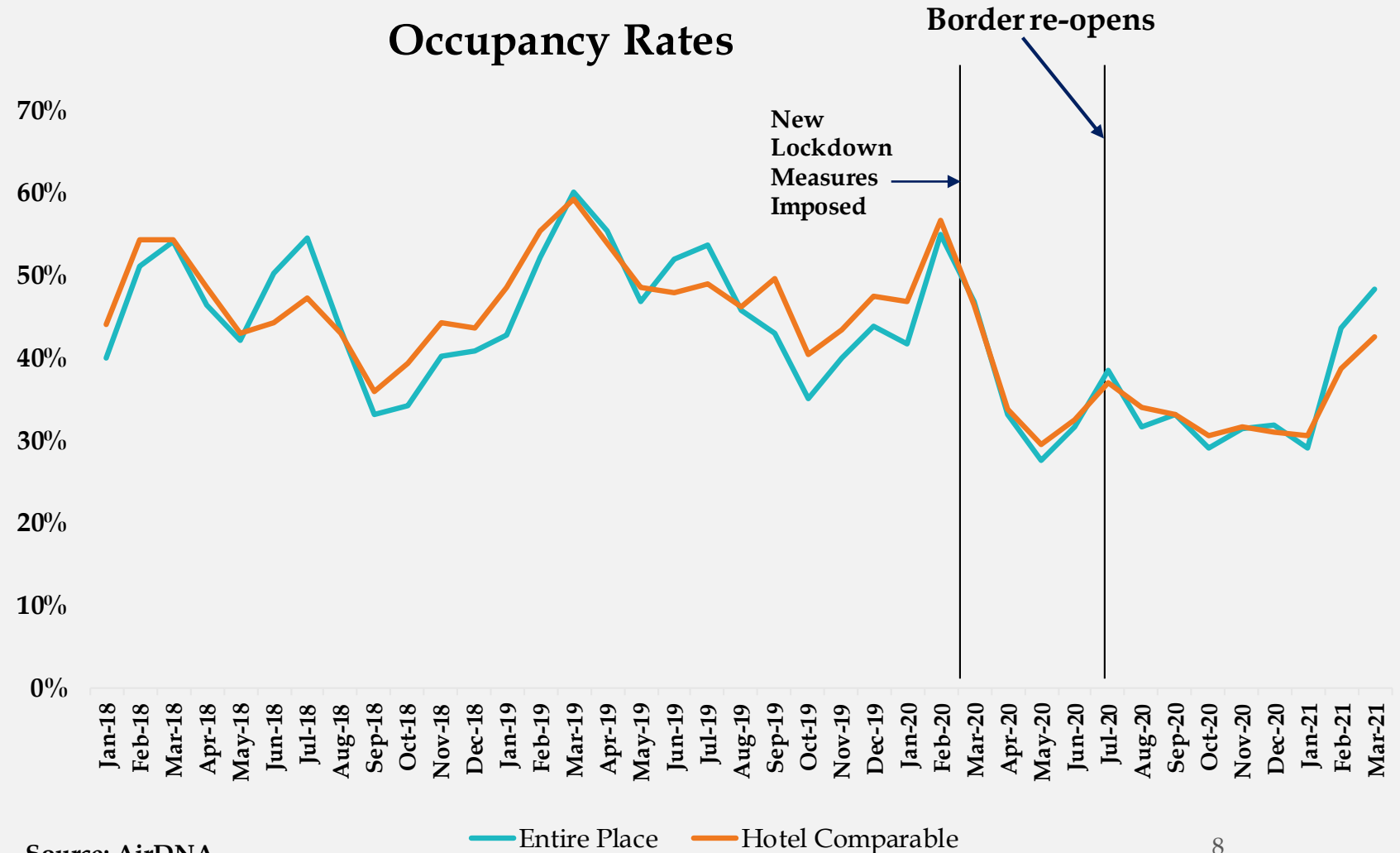
Reflective of relaxed measures by the Government, occupancy levels for the review period trended upward since the beginning of 2021.

### Entire Place Listings

- The average occupancy rate increased to 48.4%, from 46.7% in the same period of 2020.

### Hotel Comparable Listings

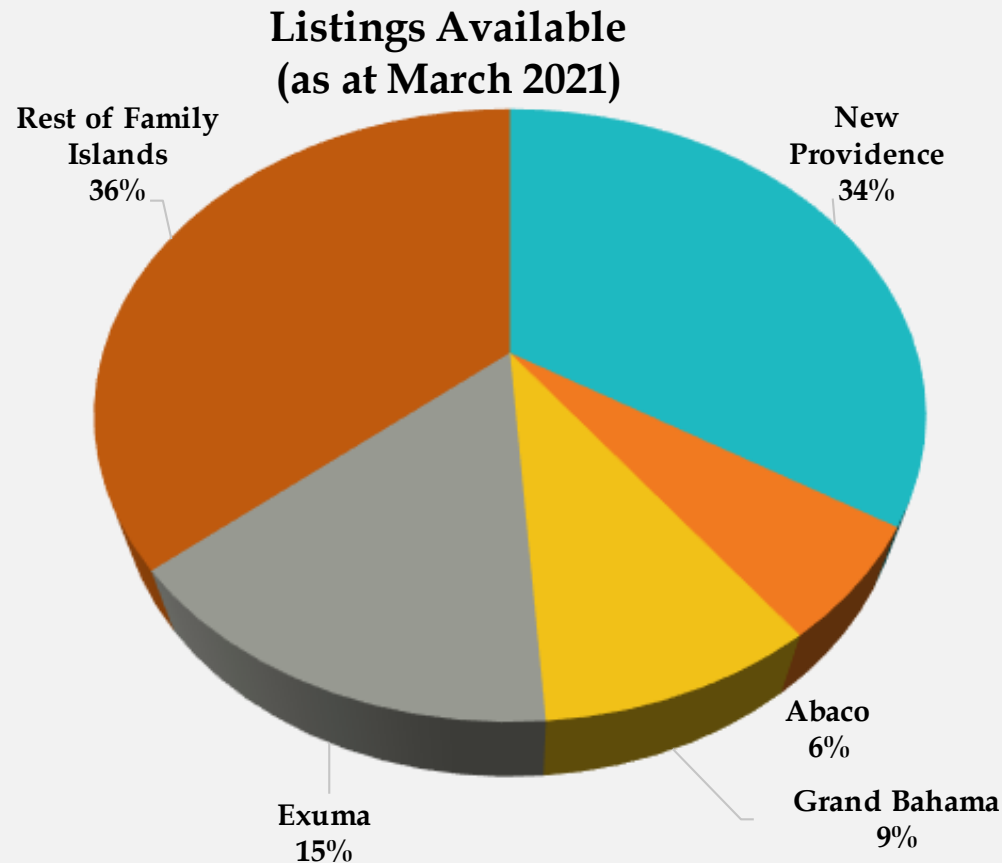
- The average occupancy rate declined to 42.6% from 46.4% last year.





# Airbnb: Market Share by Island (March 2021)

Exuma and the remaining Family Islands, accounted for more than half of all available listings during the three months to March, with listings declining for Abaco, Grand Bahama and New Providence.



Listings for Abaco, New Providence and Grand Bahama declined by 40.2%, 5.3% and 2.4% respectively, in March, relative to the same period in 2020.

All Available Listings				
	Dec 2019	Mar 2020	Dec 2020	March 2021
<b>Abaco</b>	624	398	192	238
<b>Grand Bahama</b>	407	368	341	359
<b>New Providence</b>	1540	1425	1363	1349

An aerial photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a deeper blue further out. The beach is white and sandy, with several palm trees scattered along the shore. In the foreground, there are more palm trees and some buildings, possibly part of a resort or development. The sky is clear and bright.

# FOREIGN INVESTMENT PROJECTS

# New Foreign Investment Projects

<p><b>New Providence</b> <b>\$35.0 million</b></p>	<p><b>Grand Bahama</b> <b>\$102.5 million</b></p>	<p><b>Abaco</b> <b>\$1.0 million</b></p>	<p><b>Andros</b> <b>\$20.0 million</b></p>
<p><b><u>HotelConsult Bahamas Limited:</u></b></p> <ul style="list-style-type: none"> <li>The Construction of a hotel on 107 acres of land purchased for \$10.3 million to include a restaurant, bar, five bungalows, pool lounges, cabanas and the expansion of existing dock and marina.</li> </ul> <p><b>Expected to employ:</b></p> <ul style="list-style-type: none"> <li>- 100 new workers at peak</li> <li>- 80 incremental workers</li> </ul>	<p><b><u>WDS Discovery Ltd. (The Discovery Bay Project):</u></b></p> <ul style="list-style-type: none"> <li>The acquisition of approximately 30 acres of land situate at the southeast terminus of Fortune Bay Drive and approved development of a mixed-use resort.</li> </ul> <p><b>Expected to employ:</b></p> <ul style="list-style-type: none"> <li>- 80 new workers at peak</li> <li>- 40 incremental workers</li> </ul>	<p><b><u>Navigare Yachting Bahamas Ltd. :</u></b></p> <ul style="list-style-type: none"> <li>Approved the establishment of an operations office at the Conch Inn in Marsh Harbor, for the purpose of leasing yachts to local customers for recreational purposes.</li> </ul> <p><b>Expected to employ:</b></p> <ul style="list-style-type: none"> <li>- 6 incremental workers</li> </ul>	<p><b><u>Pinnacle Farm (Bahamas) Limited:</u></b></p> <ul style="list-style-type: none"> <li>Approved to operate a full-scale poultry farm.</li> </ul> <p><b>Expected to employ:</b></p> <ul style="list-style-type: none"> <li>- 50 new workers at peak</li> <li>- 50 incremental workers</li> </ul>

# New Foreign Investment Projects

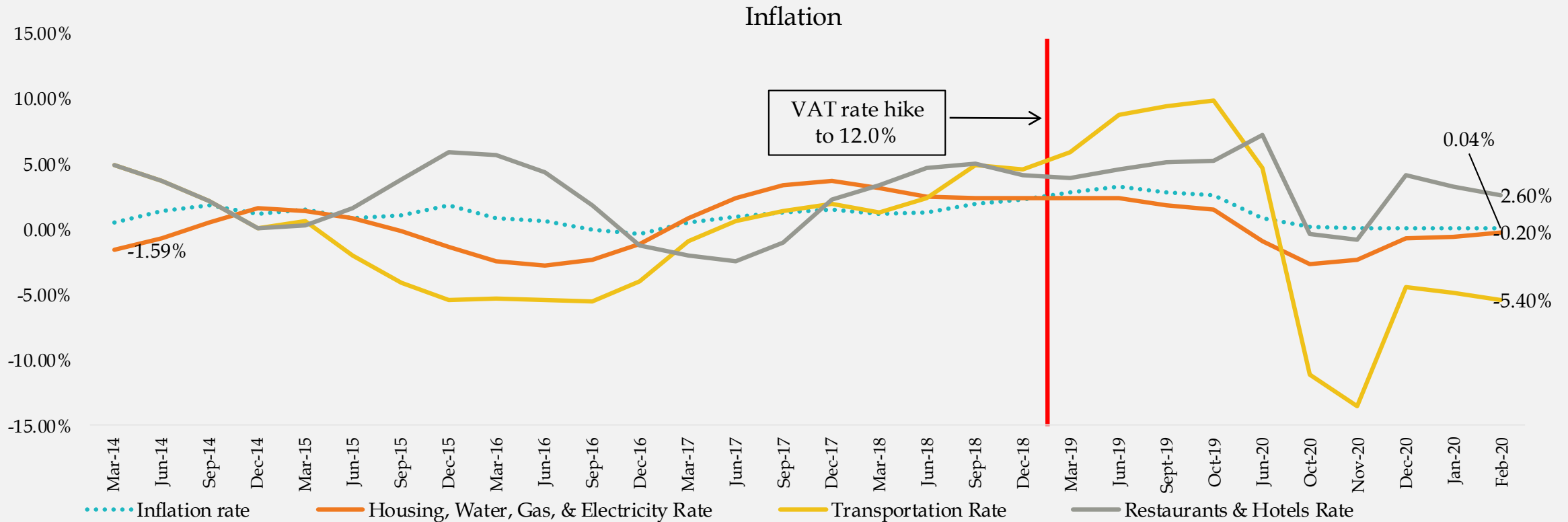
Berry Island		Bimini
<p><b><u>Soul Fly Lodge (Bahamas) LLC: \$1.8 million</u></b></p> <ul style="list-style-type: none"> <li>Agreed to issue IPL Permit to acquire land for the development of a fishing lodge.</li> </ul> <p>Expected to employ:</p> <ul style="list-style-type: none"> <li>8 incremental workers</li> </ul>	<p><b><u>Marquis Point Holdings Ltd. &amp; Marquis Point Ltd.: \$10.0 million</u></b></p> <ul style="list-style-type: none"> <li>Will acquire land at Great Harbor to develop a property consisting of:               <ul style="list-style-type: none"> <li>A 20 room-guest luxury resort</li> <li>An 8-room employee housing complex</li> </ul> </li> </ul> <p>Expected to employ:</p> <ul style="list-style-type: none"> <li>10 incremental workers</li> </ul>	<p><b><u>Genting Americas, RAV Bahamas &amp; Phoenix Infrastructure Group</u></b></p> <ul style="list-style-type: none"> <li>Approved-in-principle to enter into negotiations with the Government for a public/private partnership to redevelop, manage and operate the Bimini Airport.</li> </ul>



# INFLATION

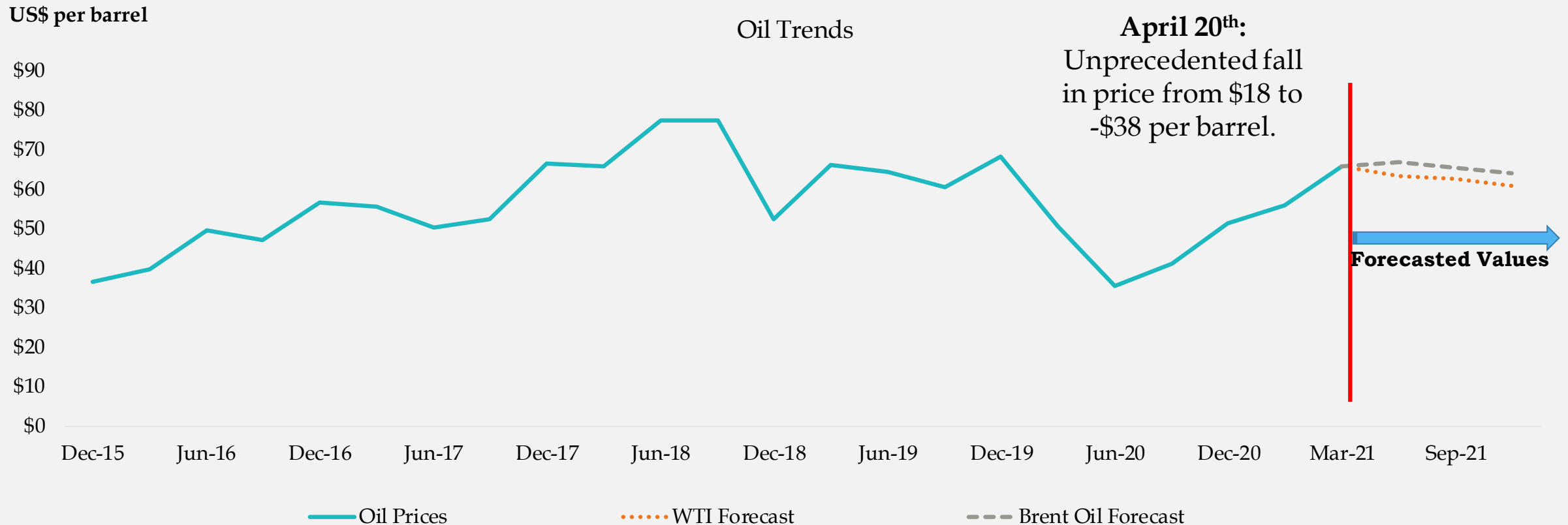
# Retail Price Index

Inflation rate fell to a mere 0.04% during the twelve months to February 2021, from 2.2% a year earlier, reflecting lower prices in most of the major categories, including energy costs.



# Oil Price Trends

From January to March, crude oil prices increased by 28.7% to \$65.95 per barrel.



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# MONETARY SECTOR

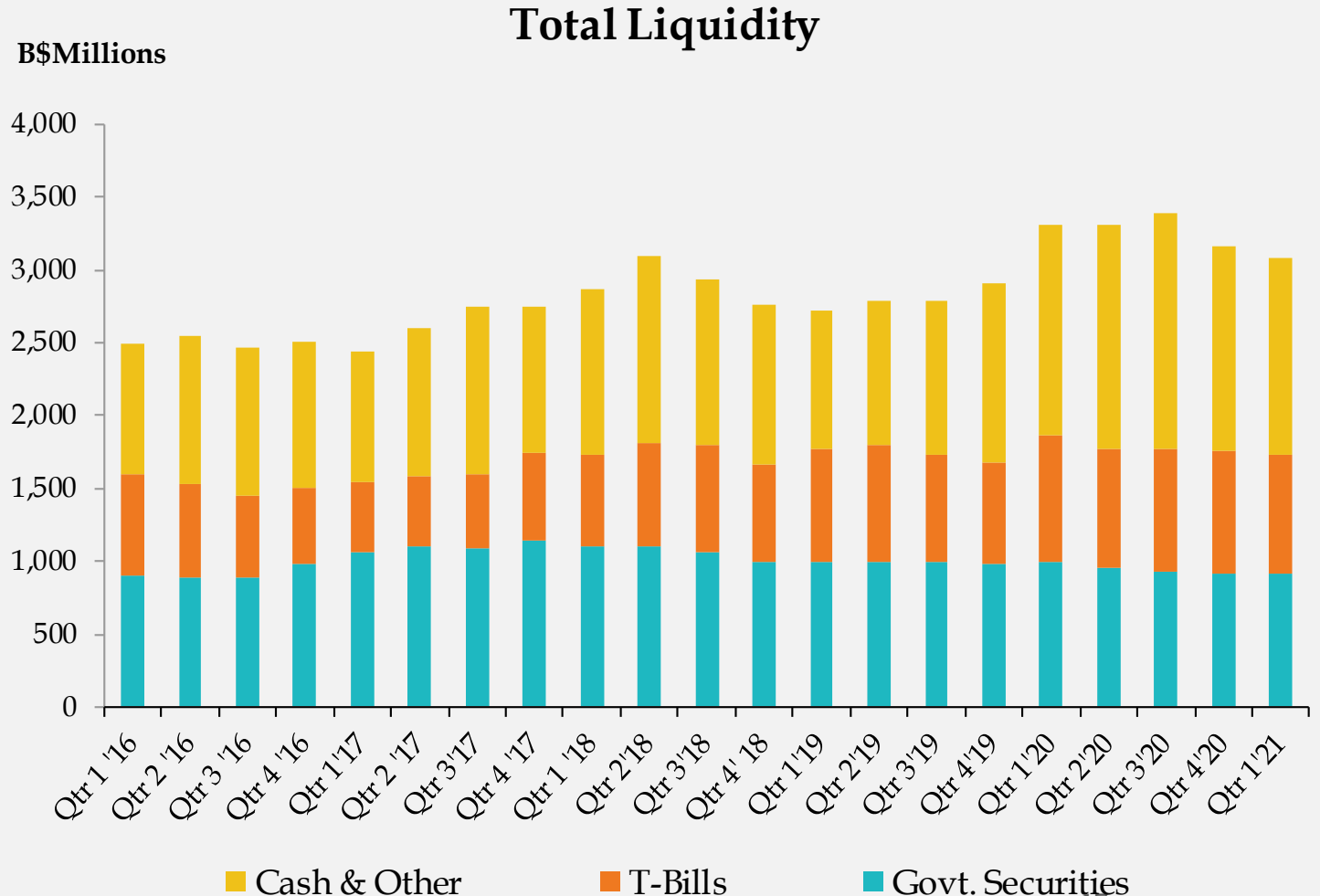


# Money and Banking: Liquidity Conditions

## January-March 2021 vs. 2020

During the first three months of the year, growth in liquidity was largely attributed to net foreign currency inflows from Government's external borrowings.

- Excess liquid assets contracted by \$50.3 million, a reversal from the \$83.7 million growth in the previous year.
- Excess reserves fell by \$62.3 million, vis-à-vis the \$44.7 million increase recorded a year earlier.



Source: Central Bank of The Bahamas

Note: "Other" is balances with Central Bank

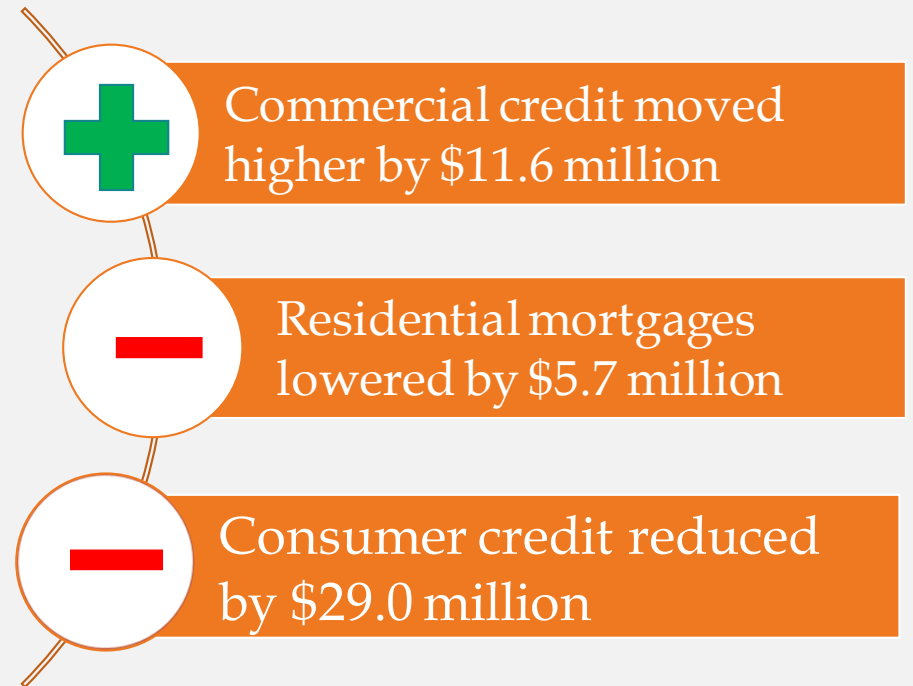
# Lending Conditions

## January-March 2021 vs. 2020

During the quarter, Bahamian dollar domestic credit expanded by \$100.4 million, a turnaround from the \$9.4 million contraction in the preceding year.

- Net claims on the Government rose by \$120.9 million, versus a \$0.4 million growth last year.
- Credit to public corporations grew by \$2.5 million, vis-à-vis a \$1.0 million reduction one year earlier.

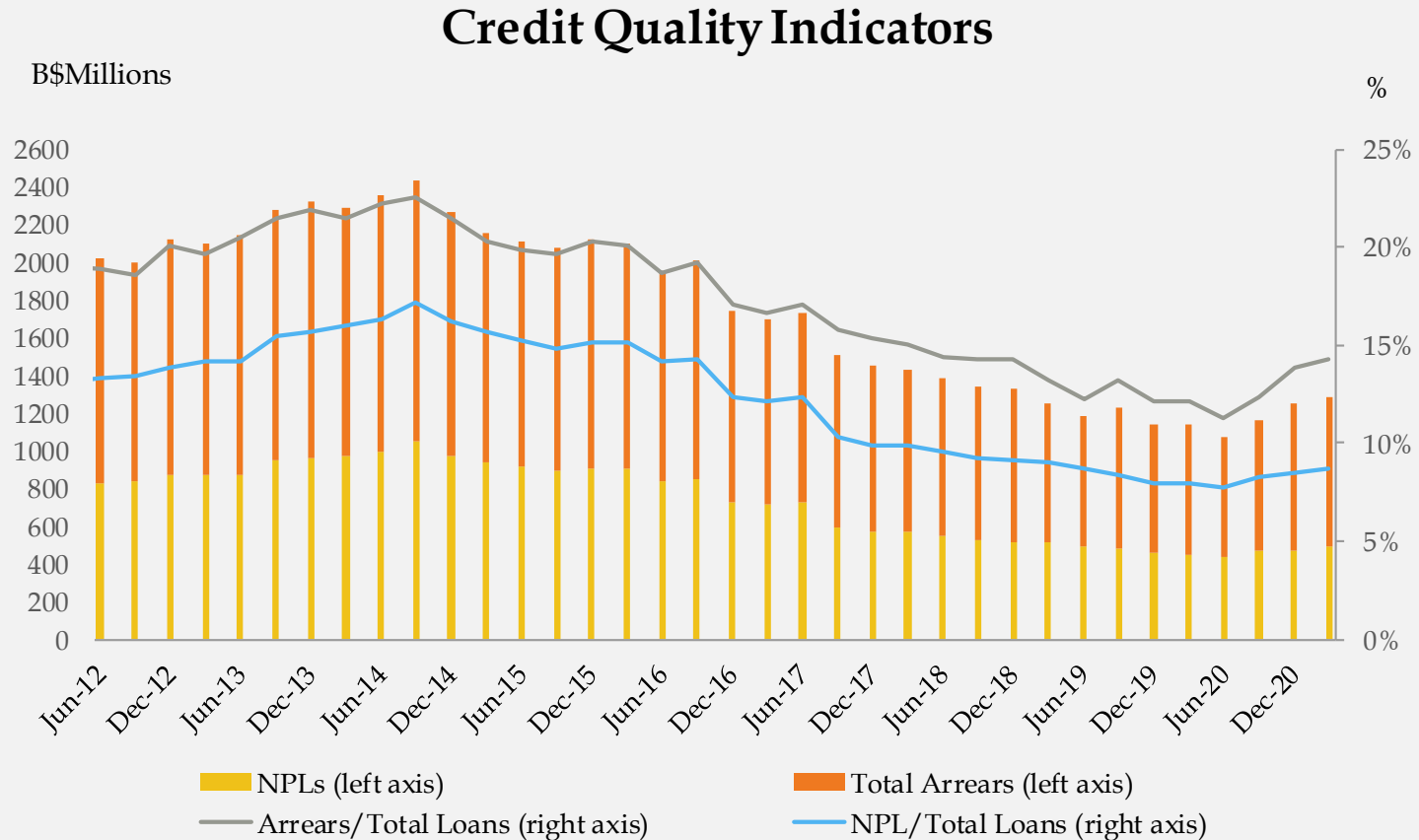
- Private sector credit reduced further by \$23.0 million, versus the \$8.8 million decrease in 2020.



# B\$ Credit Quality Indicators

## January-March 2021 vs. 2020

- During the first quarter of 2021 the average arrears rate for private sector credit rose to 14.2% from 12.2% in 2020.
  - The short-term arrears rate was 5.5% (4.2% in March 2020).
  - The NPL rate was 8.7% (7.9% in March 2020).
  
- Arrears rate by loan type:
  - Mortgages: 18.4% vs 16.1% in 2020.
  - Consumer: 12.5% vs 8.9% in 2020.
  - Commercial: 6.3% vs 8.4% in 2020.

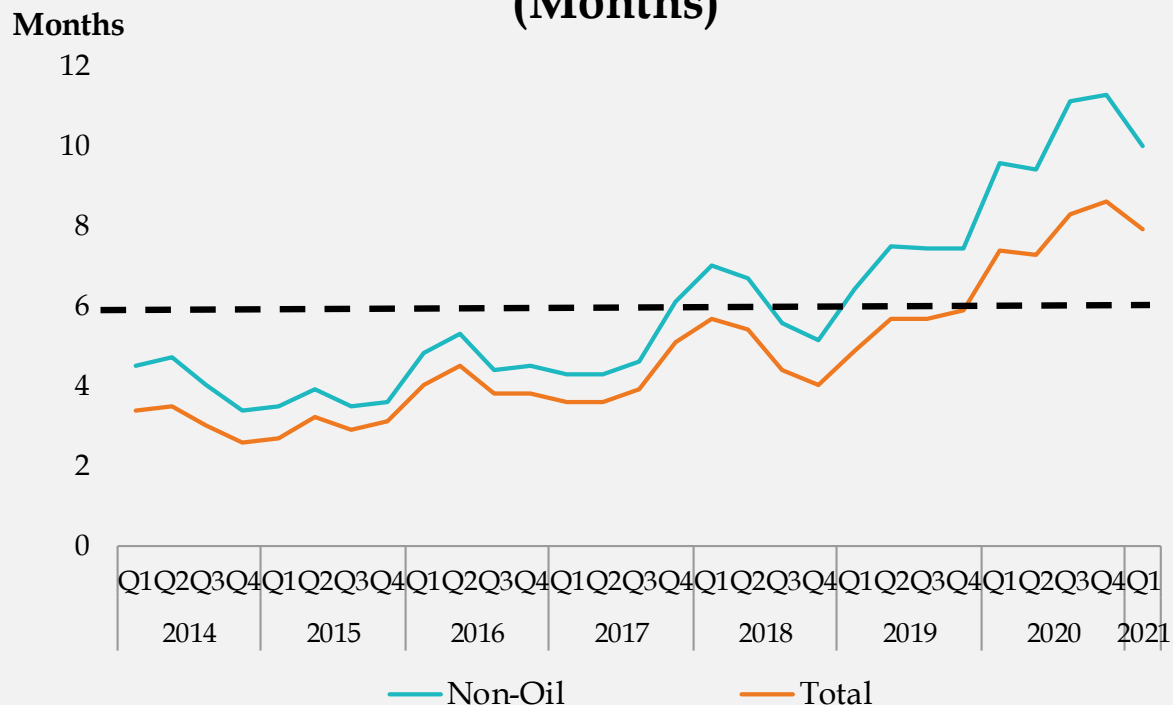


SOURCE: Central Bank of The Bahamas

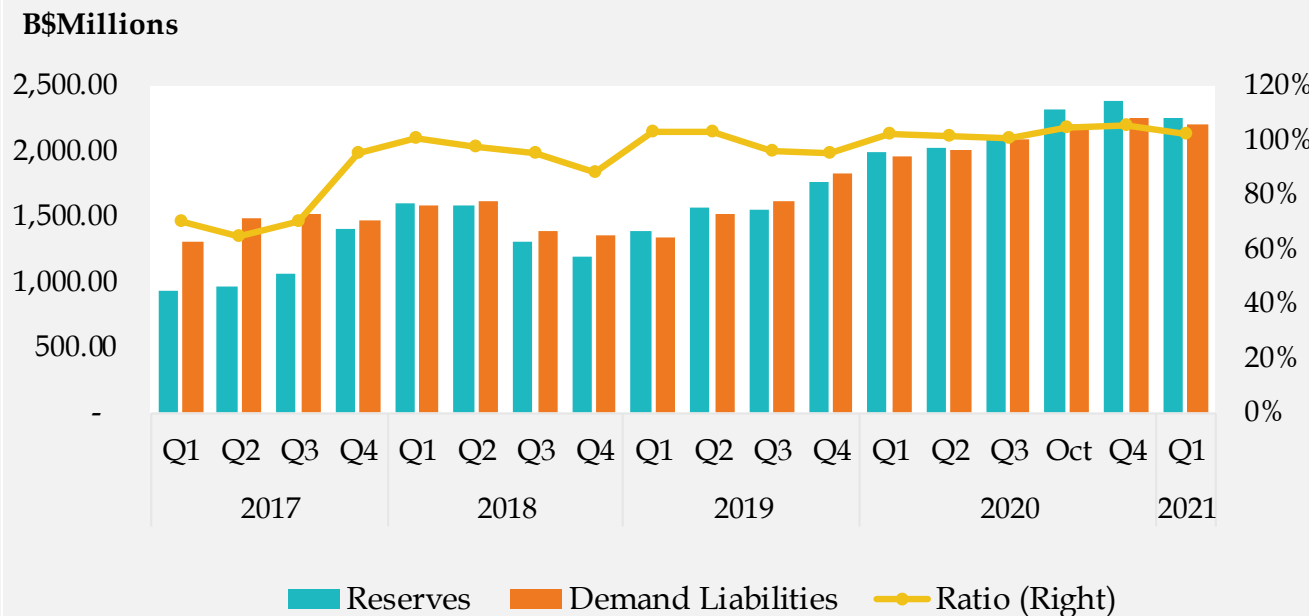
# External Reserves

## January-March 2021 vs. 2020

### Import Cover Ratio (Months)



### External Reserves to Demand Liabilities



Source: Central Bank of The Bahamas

External reserves declined by \$125.6 million to \$2.3 billion over the quarter. Growth in 2020 was \$291.4 million, which had included re-insurance inflows.

- Balances represented 102.3% of the Central Bank's demand liabilities.
- Equivalent to 7.9 months of the current year's total merchandise imports.

An aerial photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a deeper blue further out. The beach is a wide, white sand strip with several palm trees scattered along the shore. In the distance, there are some buildings and more palm trees on a small island or peninsula.

# **RESULTS FROM BANK LENDING CONDITIONS SURVEY**

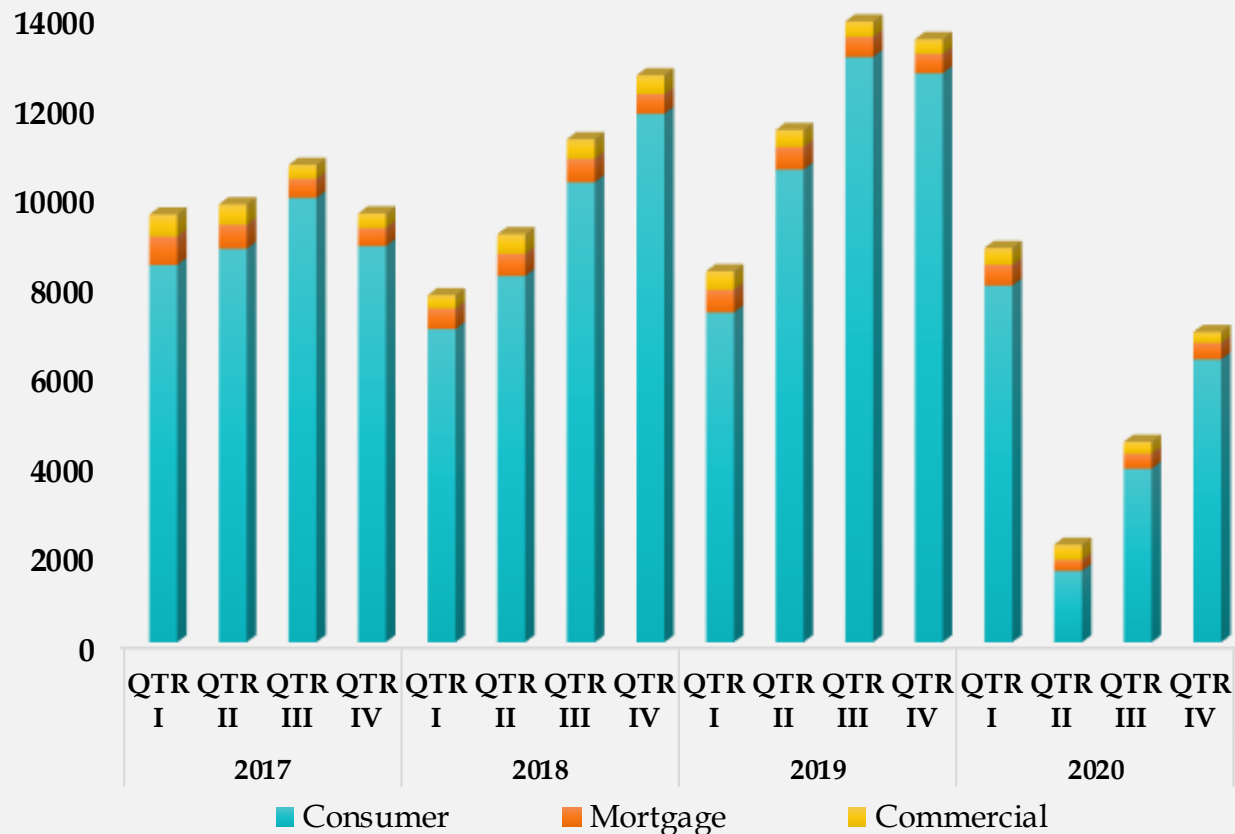
# Bank Lending Conditions Overview (July – December 2020)

- During the second half of 2020, the demand for credit reduced sharply, relative to the same period in 2019.
- The number of credit applications were sharply contracted, attributed to the economic downturn, as a result of the Novel Coronavirus (COVID-19) pandemic.

- ✓ Applications processed: 11,398
  - A 58.3% decline over the second half of 2019.
  - New Providence accounted for 84.1% of applications.
- ✓ Applications approved: 67.4%
- ✓ Most loan denials were due to high DSR's, lack of collateral and underemployment.
- ✓ Consumer loan applications continued to dominate, representing 89.3% of total loans; 67.0% of which were approved.
- ✓ In mortgages market, applications received were lower by 19.6%, when compared with the second half of 2019.
- ✓ Demand for commercial credit also declined vis-à-vis the latter half of 2019.

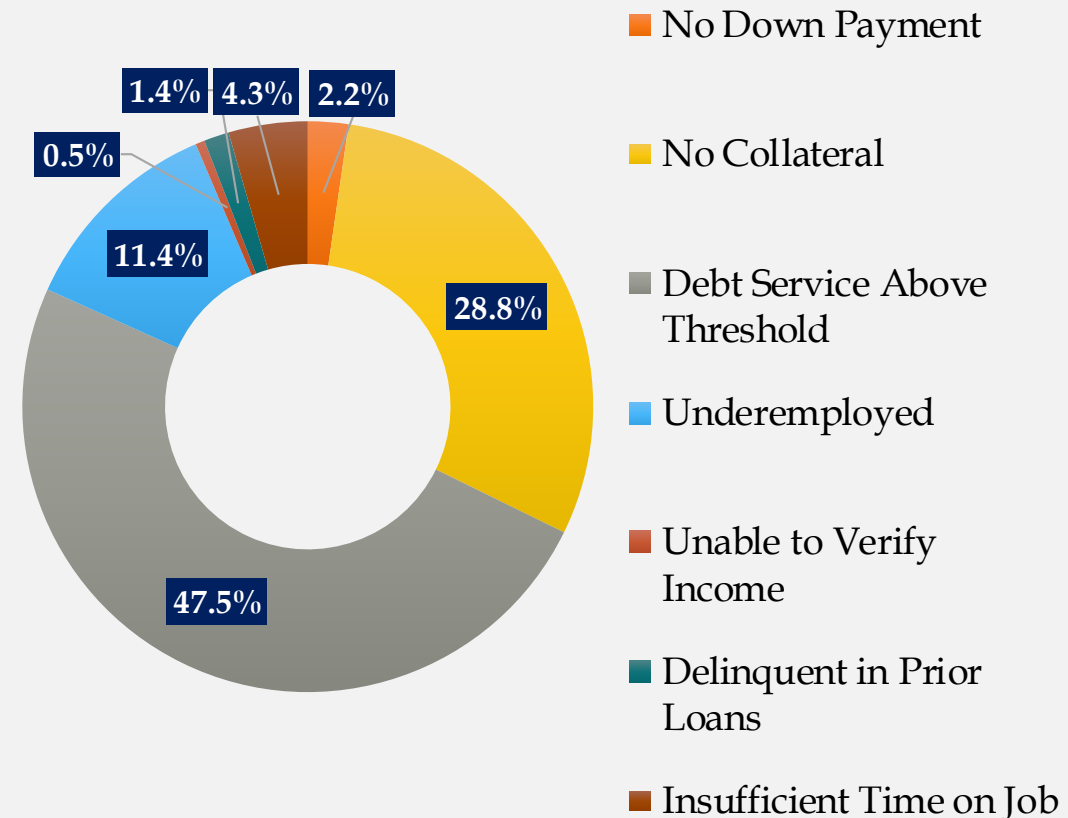
# Bank Lending Conditions Overview (July - December 2020)

## Loan Applications Received by Loan Type



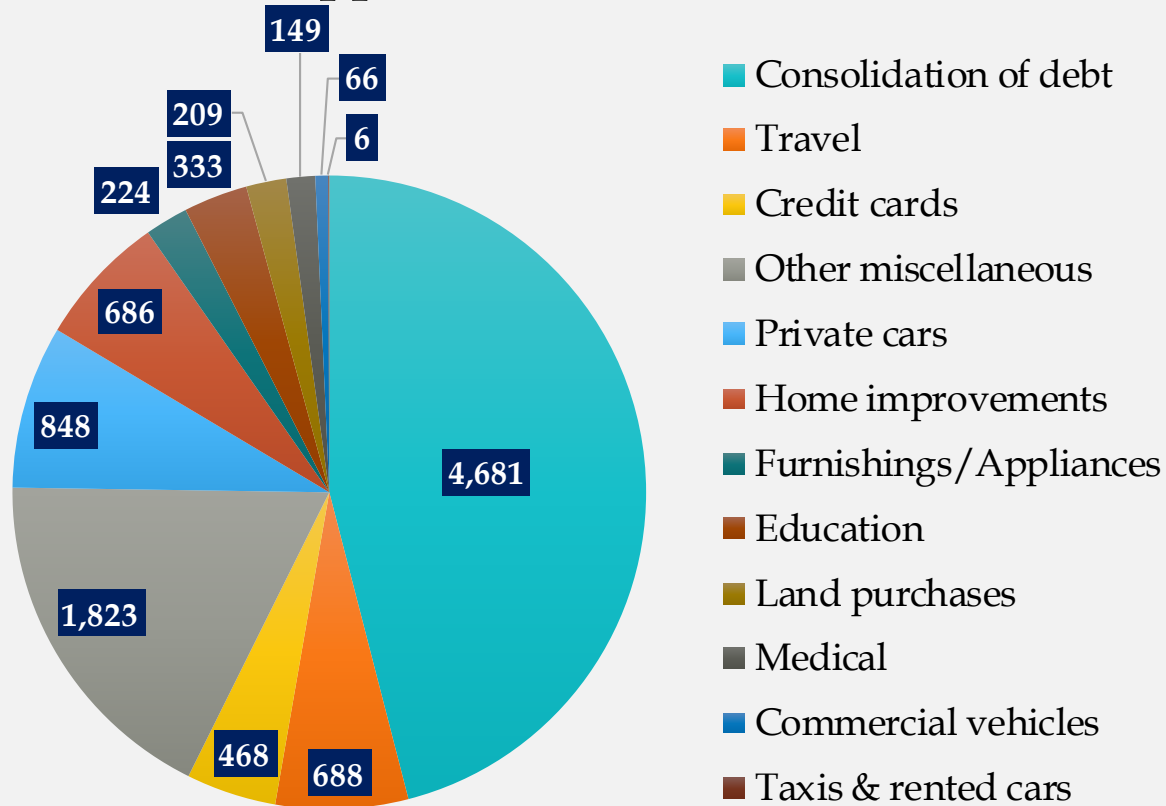
**Total applications denial rate: 26.3%**

## Loan Denial Reasons



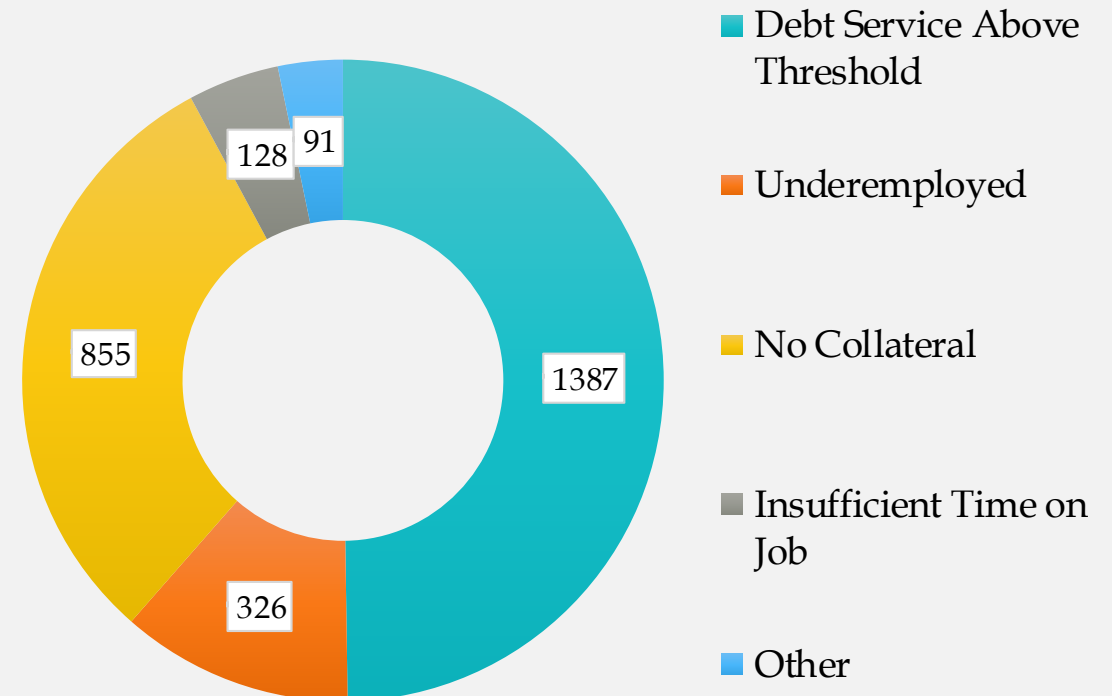
# Bank Lending Conditions (Consumer Loan Applications)

## Largest Categories of Consumer Loan Applications Received



Consumer loans denial rate: 28.4%

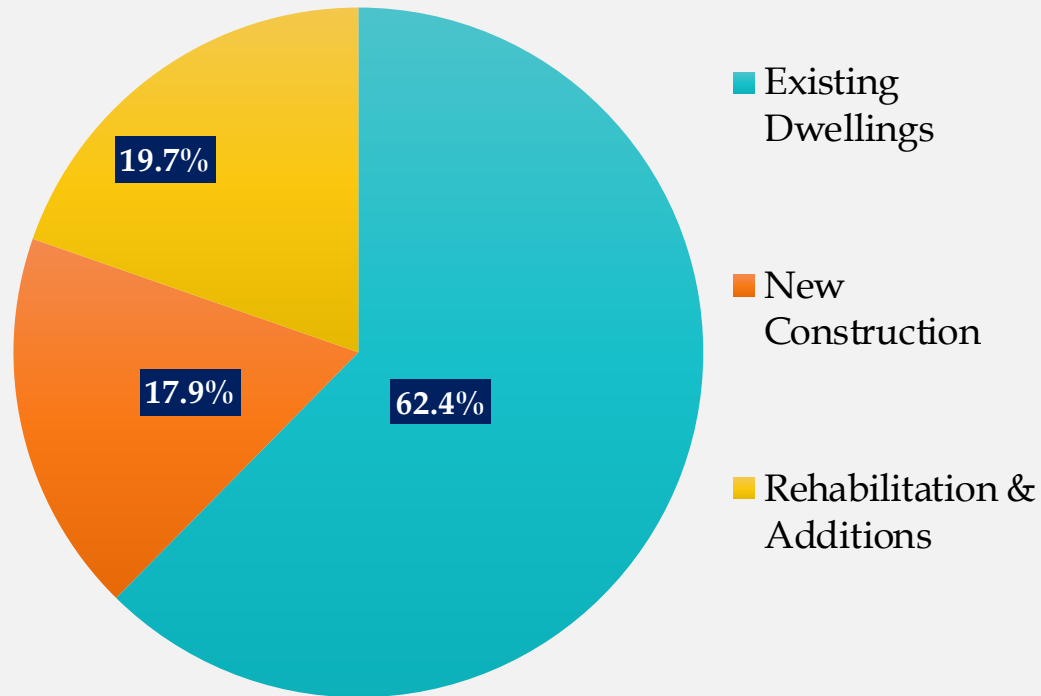
## Reasons for Consumer Loan Denials





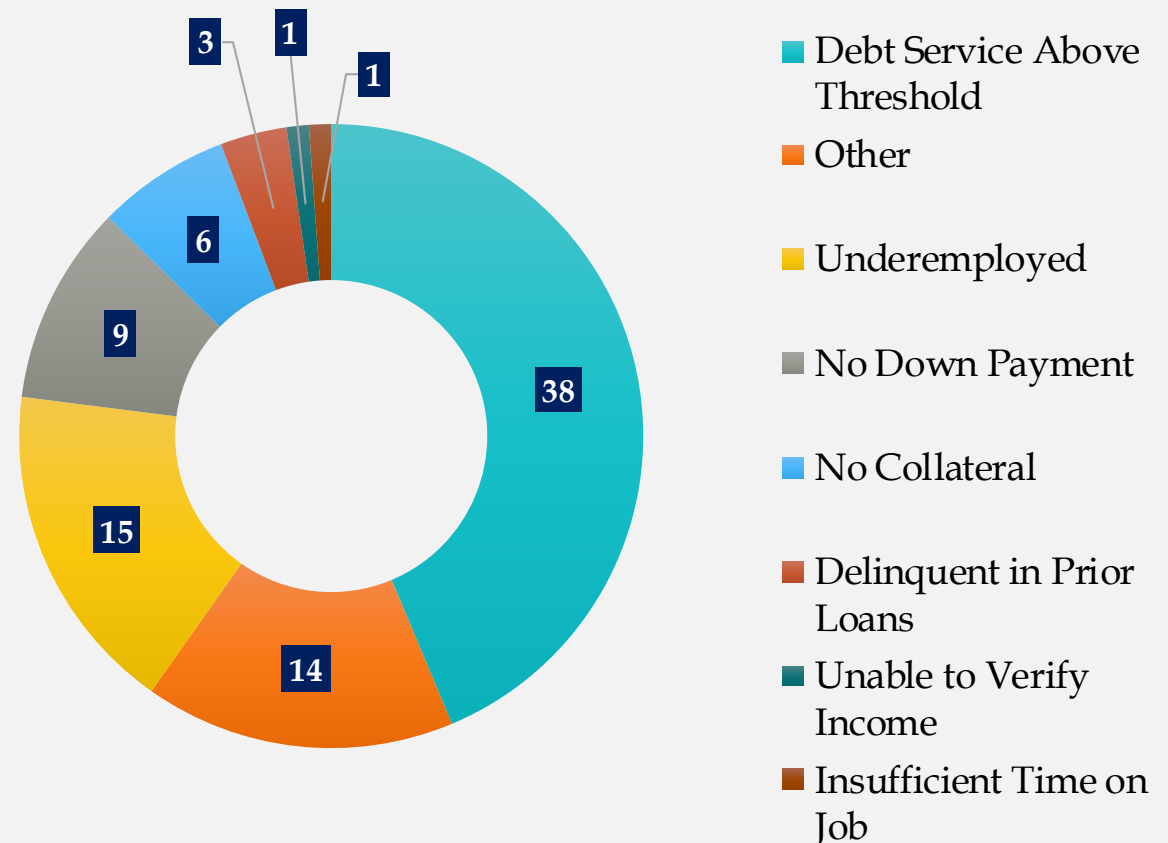
# Bank Lending Conditions (Mortgage Applications)

## Residential Mortgages Applications



Mortgage applications denial rate: 12.3%

## Reasons for Mortgage Loan Denials





# OUTLOOK

# Real Sector

- The domestic economy is projected to register marginal growth in 2021, with the COVID-19 pandemic continuing to dominate economic developments, combined with the residual effects from Hurricane Dorian.
- The sustained, gradual restart of the tourism sector will be dependent upon the pace of progress on the international health front, the effectiveness, availability and distribution of vaccines and the subsequent resumption in global travel.
- The near-term unemployment rate is expected to remain elevated, with any job gains concentrated predominantly in the construction sector and the re-employment of tourism sector employees.
- Inflation is expected to remain contained, barring any shocks to global oil prices.

# Fiscal Sector

- The fiscal deficit is projected to remain significantly expanded over the rest of FY2020/21; with financing needs staying elevated in FY2021/22.
- Other than revenue shortfalls, projected net financing needs are driven by continued restoration of key infrastructure following Hurricane Dorian; and expanded spending for health and social welfare related to COVID-19.
- Into the next fiscal period, budgetary financing is still expected to rely on important use of external credit, but with increased sustainability from domestic credit sources.

# Monetary Sector and External Reserves



- Banking sector liquidity is expected to remain elevated over the near term, as banks maintain their conservative lending stance.
- A marginal increase in private sector credit is estimated for 2021.



- External reserves are projected to remain at healthy levels in 2021, above international benchmarks. But some drawdown in balances is anticipated as forex inflows from tourism stay below capacity, while reconstruction work help drive forex demand.
- Balances are anticipated to remain at satisfactory levels to sustain the Bahamian dollar currency peg.

# Risks to The Outlook

## TOURISM

Impediments to widespread inoculations could hamper the pace of travel recovery.

## EXTERNAL RESERVES

Increased demand for foreign currency for reconstruction work, and protracted constrained tourism output could accelerate drawdown in reserves.

## GLOBAL

The COVID-19 pandemic may continue to weigh down the global outlook.

## INFLATION

Geopolitical tensions, reduction in oil production and food supply disruptions could accelerate prices increases.

## EMPLOYMENT

Insufficient working capital could force some permanent business closures and layoffs.

## FISCAL

A prolonged slowdown in the economy from COVID-19 and diminished access to external credit markets could constrain the fiscal capacity to stabilize the economy.

# The End

