

Quarterly Economic and Financial Developments Report

March 2022

*Featuring the latest Lending Conditions Survey for
the Second Half of 2021*

Research Department



Domestic Economic Developments

Preliminary data suggests that domestic economic activity continued to recover during the quarter, amid the subsided COVID-19 conditions. Tourism sector output maintained its strengthening, underpinned by gains in the high value-added air segment and the rebound in sea traffic, owing to progress in local and international vaccination efforts.

Real Sector

- During January and February, tourist arrivals expanded to 723,522, a recovery from the 53,129 registered in the same period of 2021.
- Over the first quarter 2022, visitor departures via Nassau airport recovered sharply by 283.7% to 275,086.
- Varied-scale FDI projects and hurricane rebuilding efforts sustained construction sector output.

Monetary Sector

- Bank liquidity expanded, as the buildup in the deposit base contrasted with a decrease in domestic credit.
- External reserves rose by \$523.0 million, a reversal from a \$129.9 million contraction in the comparative 2021 period.



TOURISM SECTOR

Visitor Arrivals

(January-March 2022)

Official data from the Ministry of Tourism indicated that total arrivals advanced to 723,522 visitors during January and February, compared to just 53,129 in the same period of 2021.

- Air arrivals resurged to 173,712 passengers, relative to 46,511 in the prior year.
- Sea arrivals increased to 549,810 visitors, from 6,618 in the comparative year.

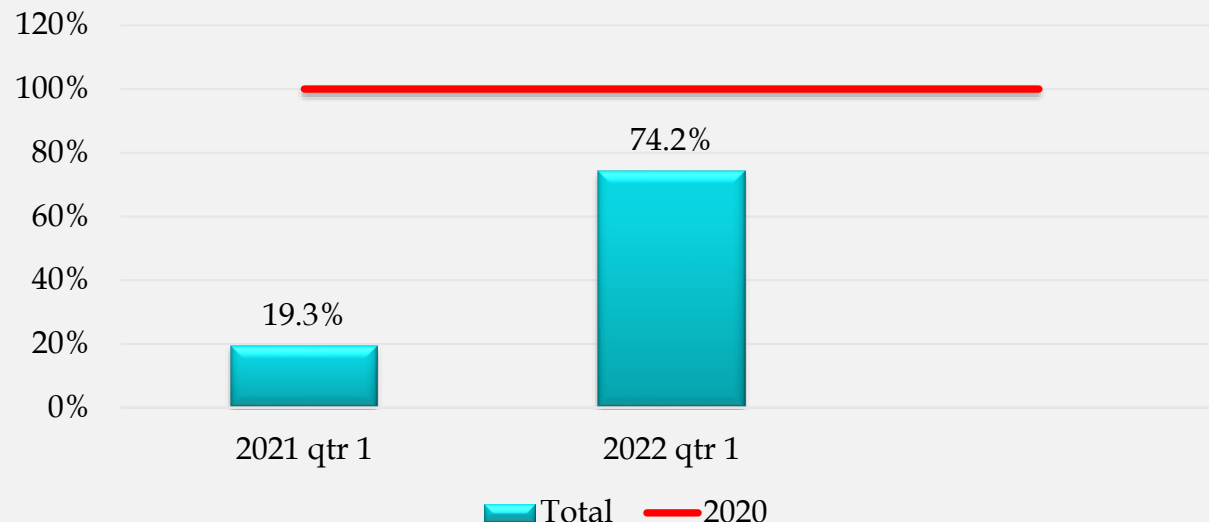
	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
Arrivals	2021	2022	2021	2022	2021	2022
Air	-87.7	373.2	-82.3	174.7	-52.1	123.3
Sea	-99.6	15,659.2	-98.4	1,666.8	-99.2	7,236.6
Total	-95.6	1,146.3	-97.0	825.4	-96.0	1,468.3

Nassau Airport (NAD) International Departures January – March 2022

The latest data from NAD showed that quarterly departures amounted to 275,086 passengers, a rebound from the 80.7% reduction registered in 2021.

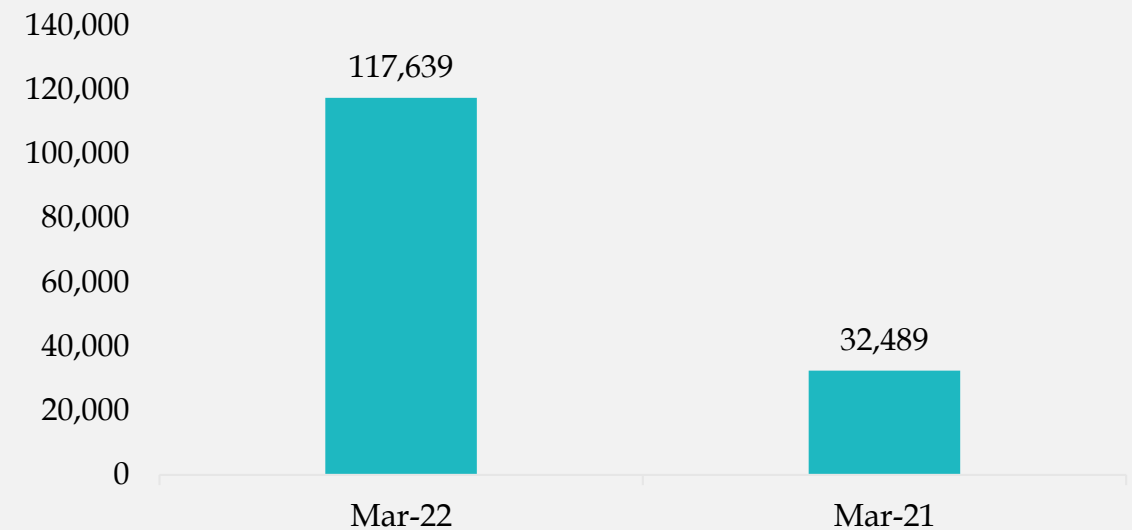
Reflective of the relaxed global travel measures, total international departures for March 2022 amounted to 117,639, vis-à-vis 32,489 in 2021.

**January – March Departures
vs. 2020 Baseline (=100%)**



Source: Nassau Airport Development Company

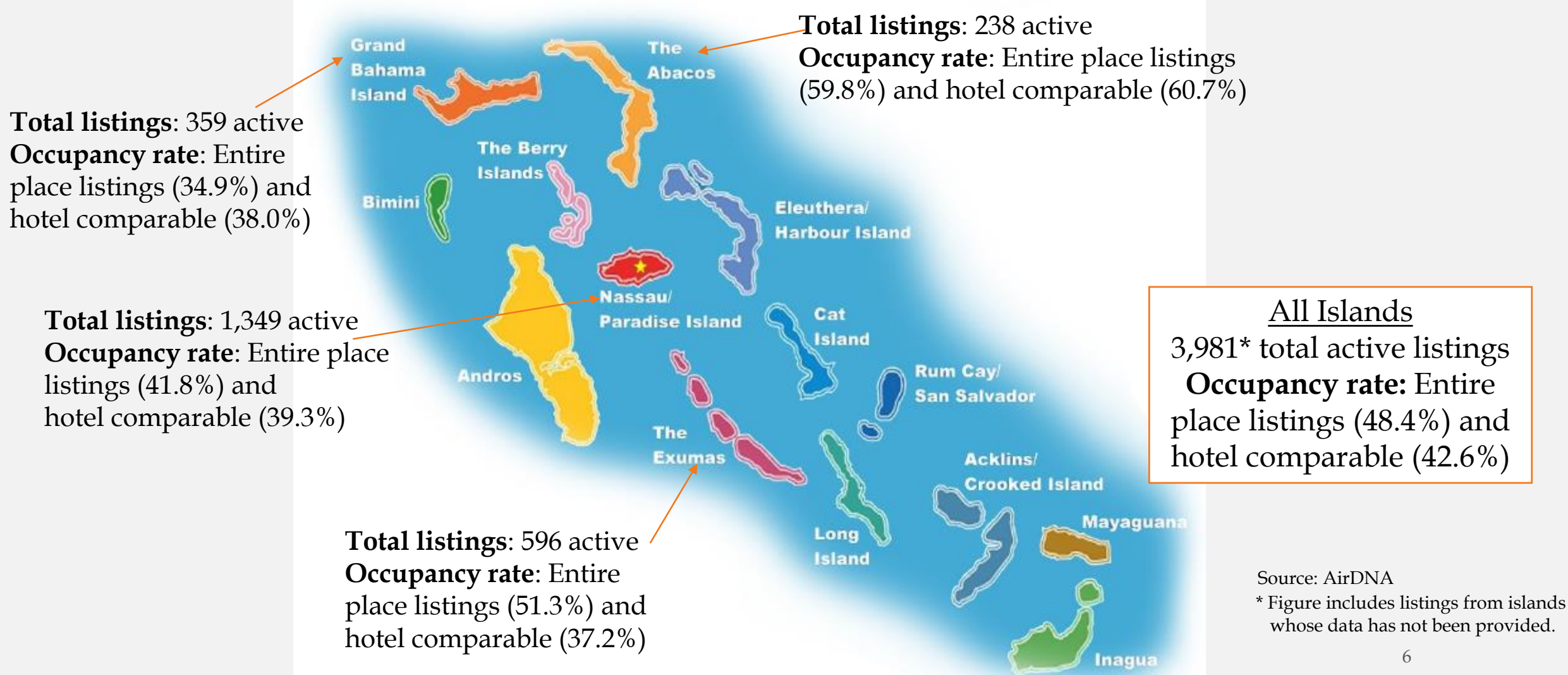
**Total Departures
March 2021 vs March 2022**



*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals

(as at March 2021)



Vacation Rentals: Occupancy Rate Trends

(January – March 2022 vs 2021)

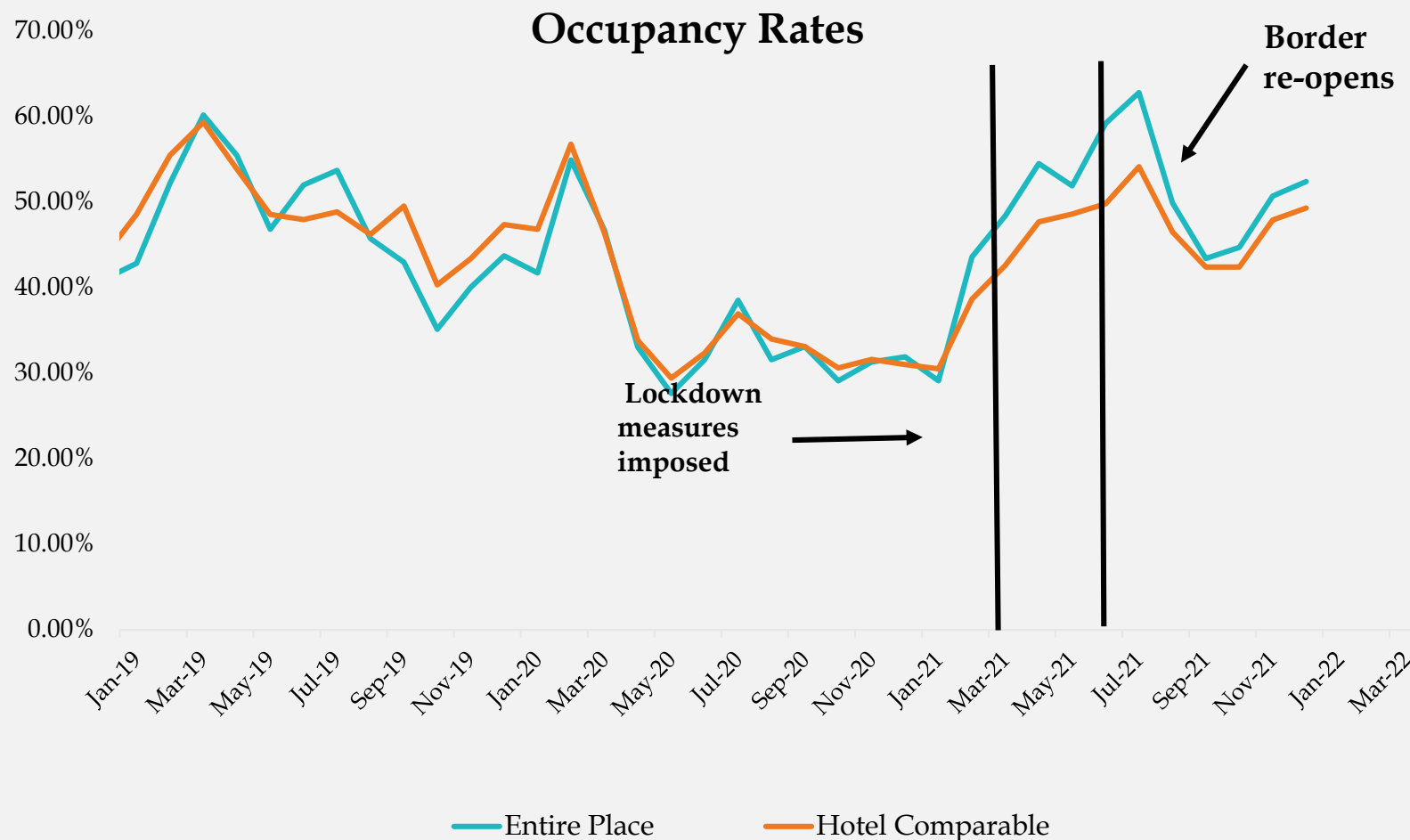
Reflective of relaxed measures by the Government, occupancy levels for the review period trended upward since the beginning of 2022.

Entire Place Listings

- The average occupancy rate increased to 61.0% from 48.4% in the same period of 2021.

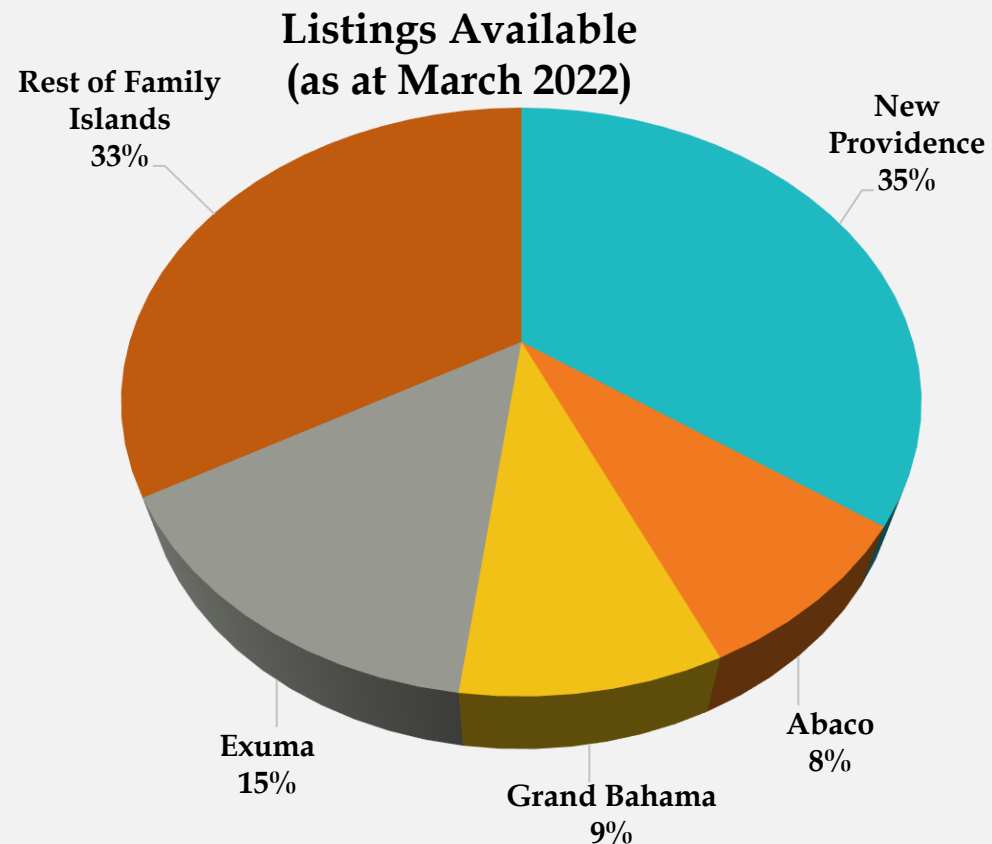
Hotel Comparable Listings

- The average occupancy rate rose to 55.2% from 42.60% last year.



Vacation Rental: Market Share by Island (March 2022)

Listings increased for all the major markets, including New Providence, Grand Bahama and Abaco. Exuma and the remaining Family Islands accounted for more than 40.0% of available listings during the first quarter of 2022.



Listings for Abaco, New Providence, and Grand Bahama strengthened in March 2022 by 55.8%, 13.8% and 8.4% respectively, relative to the same period in 2021.

All Available Listings				
	Dec 2020	Mar 2021	Dec 2021	Mar 2022
Abaco	192	238	297	371
Grand Bahama	341	359	396	389
New Providence	1,363	1,349	1,532	1,536



FOREIGN INVESTMENT PROJECTS

Recent Approvals/Announcements

New Foreign Investment Projects

New Providence	Eleuthera	Abaco
<p><u>TRAI Cabbage Beach LP, BVI</u></p> <ul style="list-style-type: none"> A joint venture formation of AI Holdco Limited, BVI and Two Roads Development LLC to TRAI Cabbage Beach LP BVI for development 6.14 acres of land on Paradise Island, including a 50-70 room Four Seasons branded condo-hotel. <p><u>Buccara Bahamas Limited</u></p> <ul style="list-style-type: none"> Approved to develop 48.73 acres on Rose Island comprising 27 homes, 25 cabanas, 87 guest rooms, 3 restaurants/bar, back of house facilities and a welcome center on Nassau. 	<p><u>4M Harbour Island Ltd. And 4M Harbour Island 2 Limited</u></p> <ul style="list-style-type: none"> Approved for revised expansion including a construction of a waterfront bar and restaurant, retail shops, marina lighthouse store and market club with restaurant, bar, beach club and amenities, membership club, 93 estates homes, and a dock. Other features to include operation of a seaplane facility, installation of solar panels, wind turbines, electrical grid (power plant and vessel power plant), non-motorized water sports, and in-house real estate broker. 	<p><u>SBR Ultra Lux LLC</u></p> <ul style="list-style-type: none"> Development of 40 acre tract known as Serenity Point Sub near Schooner Bay and an adjacent tract (80 acres), to include an all-inclusive boutique hotel, club house, restaurant and back of house facilities

New Foreign Investment Projects

Exuma

Jerry O. Johnson

- Redevelopment of a Resort and Marina–Approved to acquire the remainder of the leasehold interest in a portion of Crown Lease for the 155 acres on Little Sampson Cay (land price \$26.5 million) to renovate the existing restaurant, rental units, bar, office, store, houses, marina, and docks. Phase 1 of new construction will include a pool, tennis courts, tiki bar, gym and spa. Phase 2 will include 30 to 40 new guests bungalows, another restaurant and a new beach bar.

Expected to employ:
30 incremental workers

EcoIsland Elizabeth Limited and Silent Resorts

- New Resort Development - an integrated land/sea, zero carbon, solar powered residence and yacht resort community on Elizabeth Island

Berry Islands

Vital Cays Bahamas LLC

- Conditional Approval to acquire approximately 500 acres comprising several parcels of land on Vital Cay, Great Harbour Cay and Cistern Cay to develop a 15-room eco-resort.

Expected to employ:

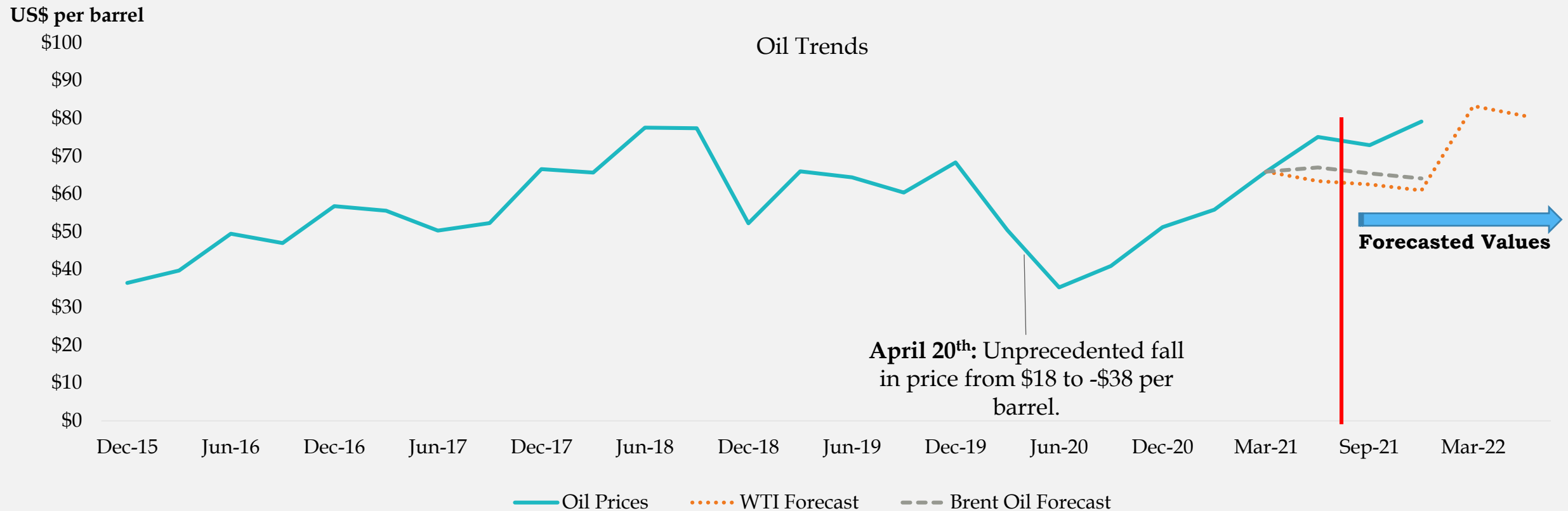
- 110 new workers at peak
- 26 incremental workers



INFLATION

Oil Price Trends

From January to March, 2022 the price of crude oil rose by 10.5% to \$100.85 per barrel, even as OPEC production rose by 57 thousands barrels per day (0.4%) in March, to average 28.6 million barrels per day.





FISCAL SECTOR

Fiscal Sector

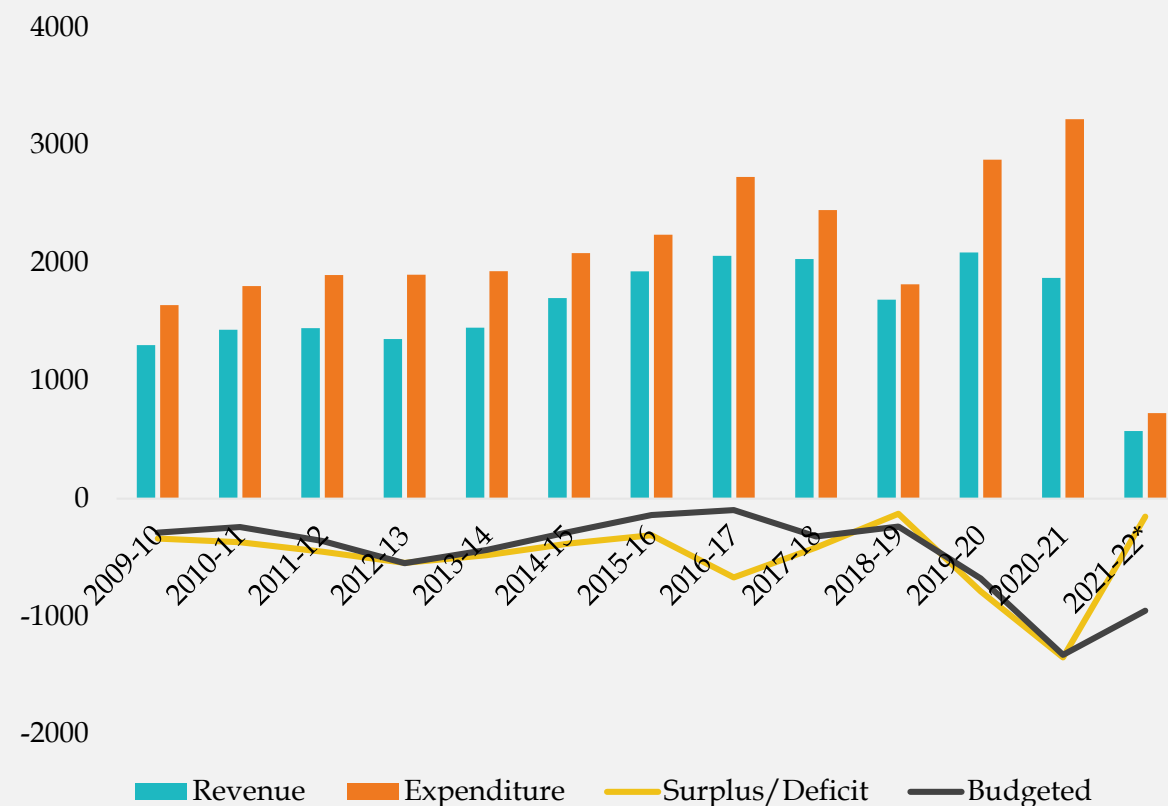
Provisional First Six Months FY2021/22

During the first six months of FY2021/22, the deficit narrowed to \$287.6 million from \$734.3 million in the comparable FY2020/21 period. Growth in total revenue, outpaced the marginal increase in aggregate expenditure.

- Revenue expanded by \$453.8 million (67.4%) to \$1,127.1 million, as VAT receipts more than doubled to \$573.5 million from \$286.4 million in the same period in FY2020/21.
- Expenditure grew by \$7.1 million (0.5%) to \$1,414.8 million, as recurrent outlays grew by \$12.8 million (1.0%) to \$1,311.1 million. In contrast, capital spending fell by \$5.7 million (5.2%) to \$103.7 million.

B\$Millions

Central Government's Fiscal Deficit

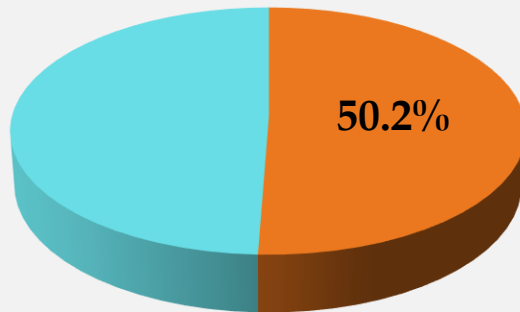


Source: Ministry of Finance
*Data for first half of FY2021/22.

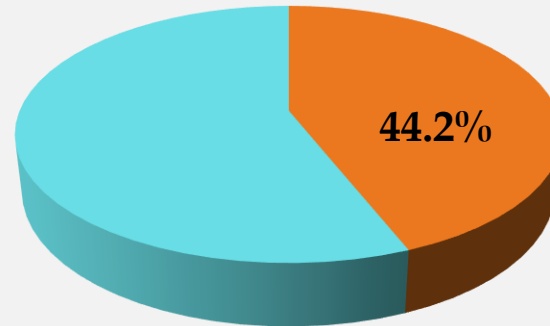
FY2021/22 Budget

Projections vs. First Six Months Actual Outturn

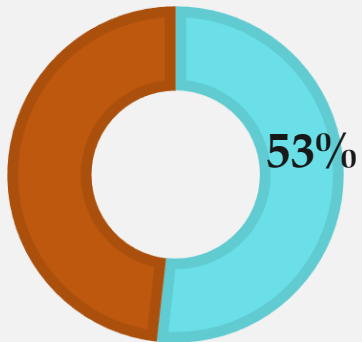
Revenue



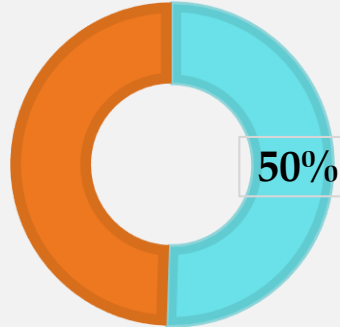
Expenditure



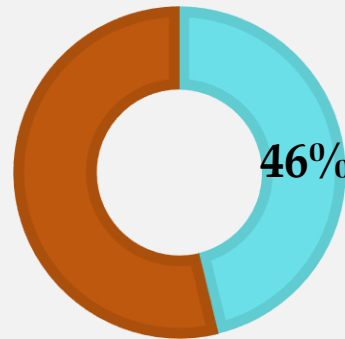
- Over the first six months of the fiscal year, an average 50.0% of forecasted revenue has been realized for the major categories.
- About 44.0% of budgeted outlays were expensed.



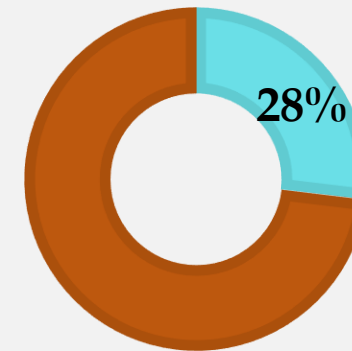
Non Tax Revenue



Tax Revenue



Recurrent Expenditure



Capital Expenditure

Percentages indicate the proportion of budget that has been used during the six months of FY21/22

A wide-angle photograph of a tropical beach. The water is a vibrant turquoise blue, transitioning to a deeper blue further out. The beach is a wide expanse of white sand, dotted with several palm trees and some small structures. The sky is a clear, pale blue. The text "MONETARY SECTOR" is overlaid in the center of the image in a bold, black, serif font.

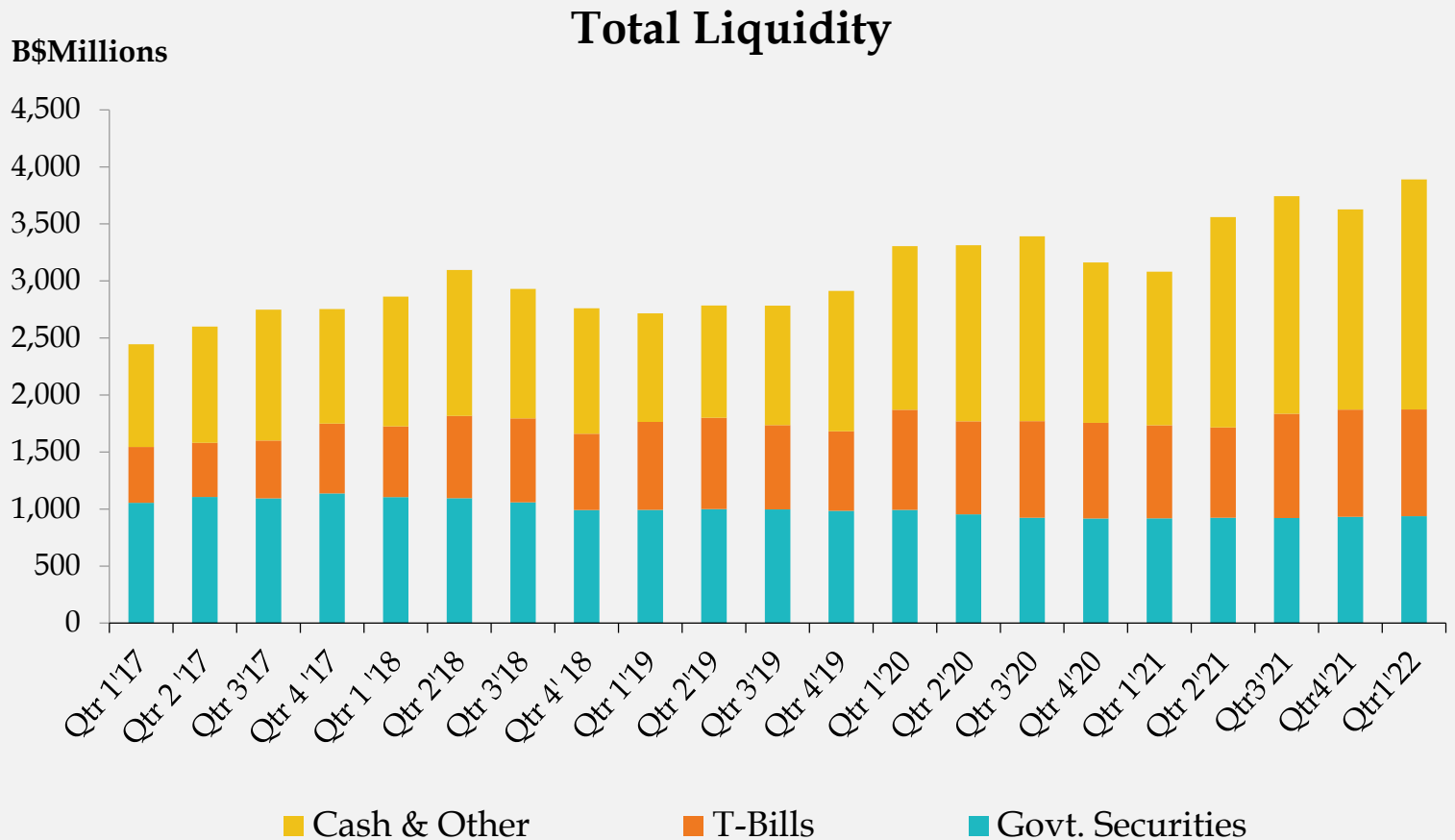
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-March 2022 vs. 2021

During the quarter ended March, growth in liquidity was attributed to net foreign currency inflows through the private sector and the further receipt of proceeds from Government's external borrowings.

- Excess liquid assets grew by \$247.2 million, a switch from the \$52.7 million falloff in the previous year.
- Excess reserves rose by \$265.9 million, a reversal from the \$62.2 million reduction recorded last year.



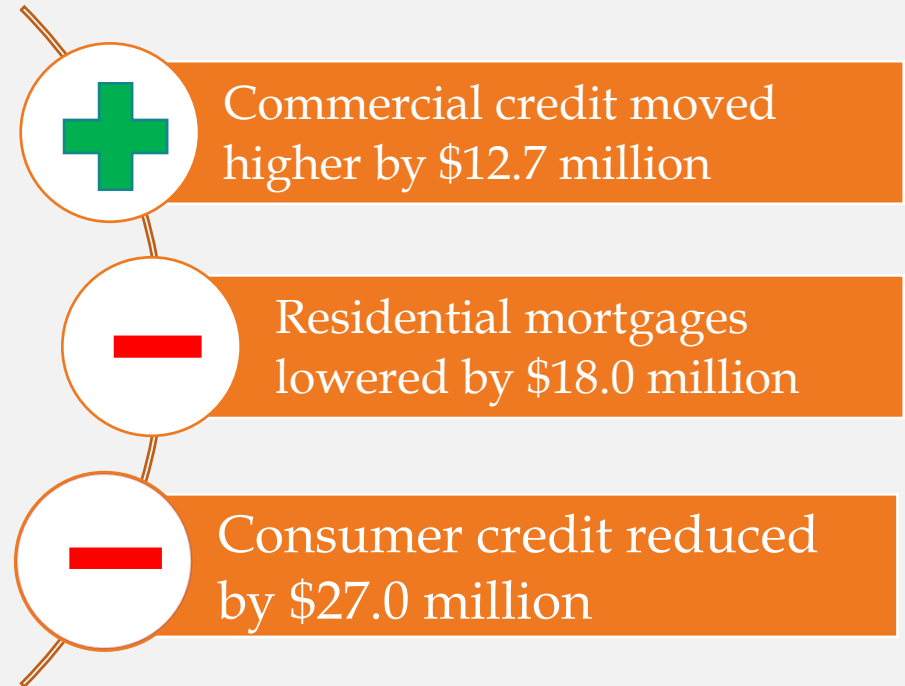
Lending Conditions

January-March 2022 vs. 2021

Total Bahamian dollar credit reduced by \$135.8 million, a turnaround from the \$108.3 million expansion in the prior year.

- Net claims on the Government decreased by \$102.6 million, vis-à-vis a \$130.3 million expansion in the same period of the previous year.
- Credit to public corporations reduced by \$0.9 million, contrasting with a \$2.4 million uptick last year.

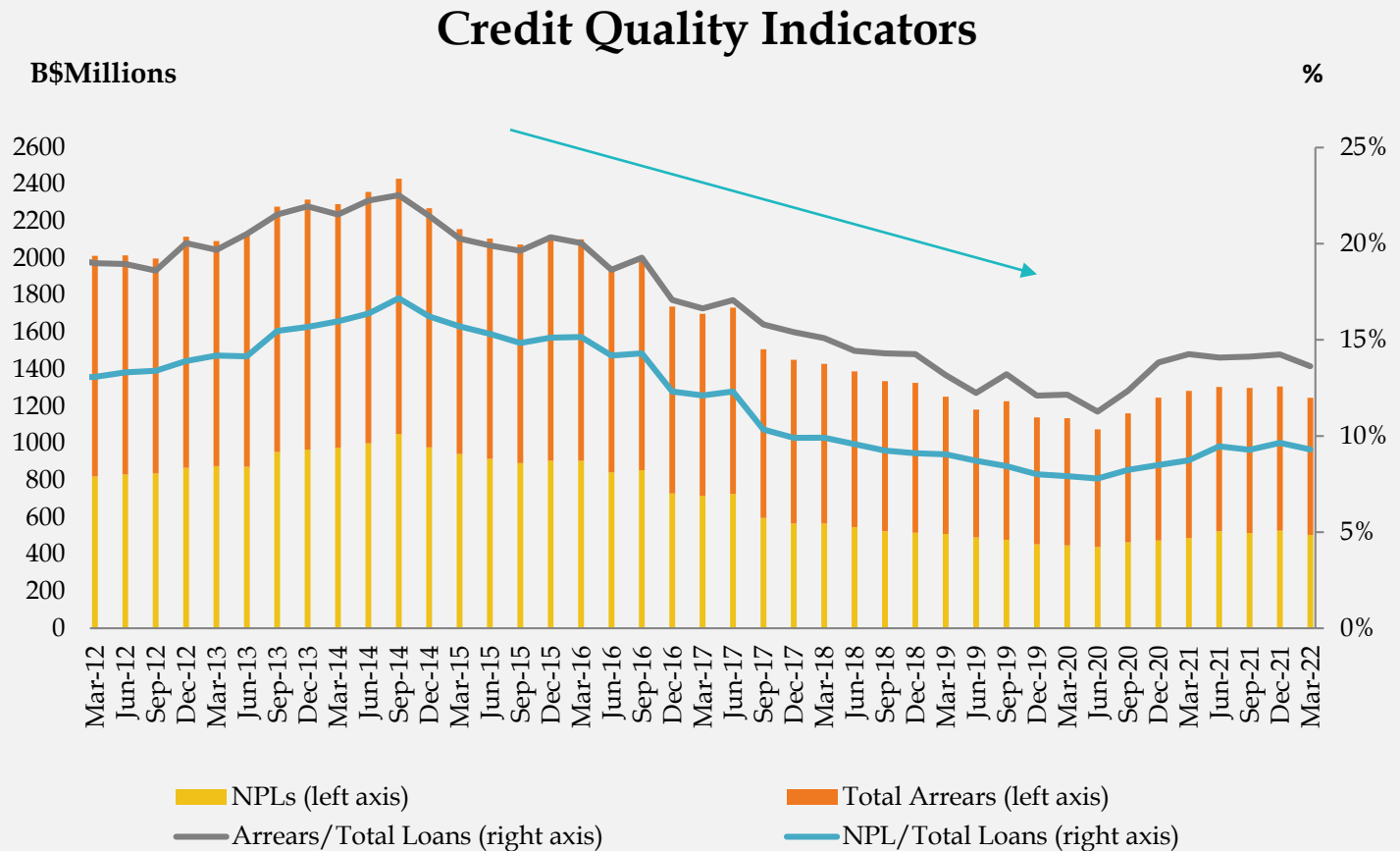
- Private sector credit decreased by \$32.4 million, extending the \$24.4 million falloff in 2021.



B\$ Credit Quality Indicators

January-March 2022 vs. 2021

- During the first quarter of 2022, the average arrears rate for private sector credit narrowed to 13.6% from 14.3% in 2021.
 - The short-term arrears rate was 4.3% (5.5% in March 2021).
 - The NPL rate was 9.3% (8.7% in March 2021).
- Arrears by loan type:
 - Mortgages: 16.6% vs 18.4% in 2021.
 - Consumer: 12.1% vs 12.5% in 2021.
 - Commercial: 8.6% vs 6.3% in 2021.

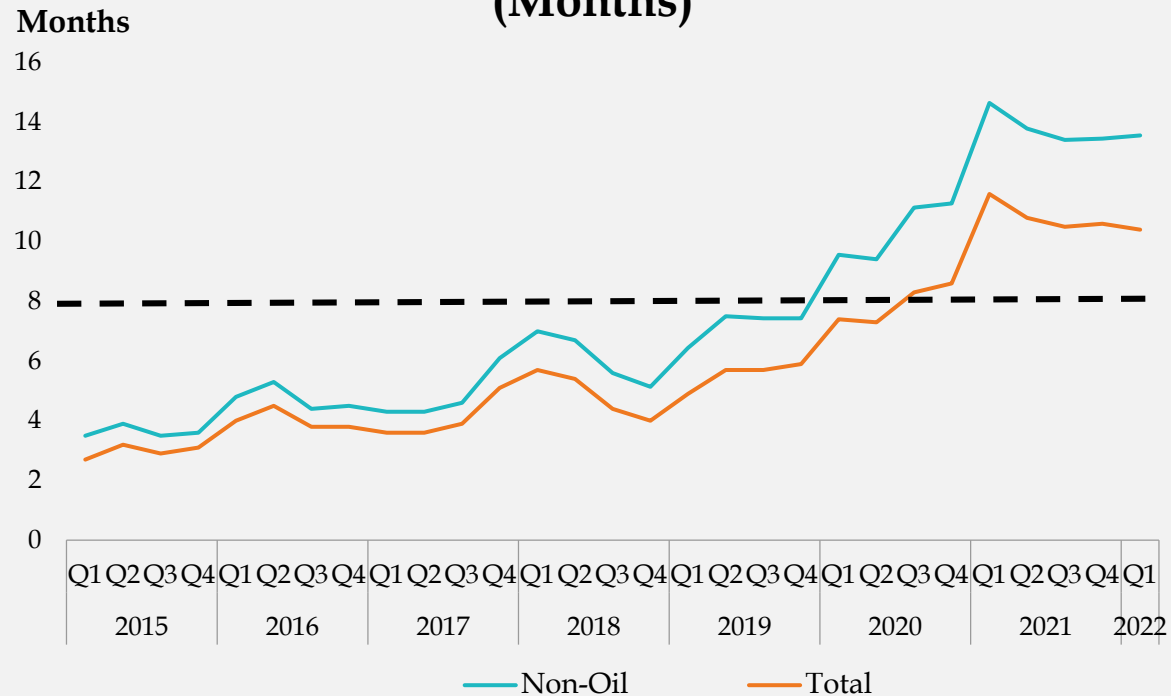


SOURCE: The Central Bank of The Bahamas

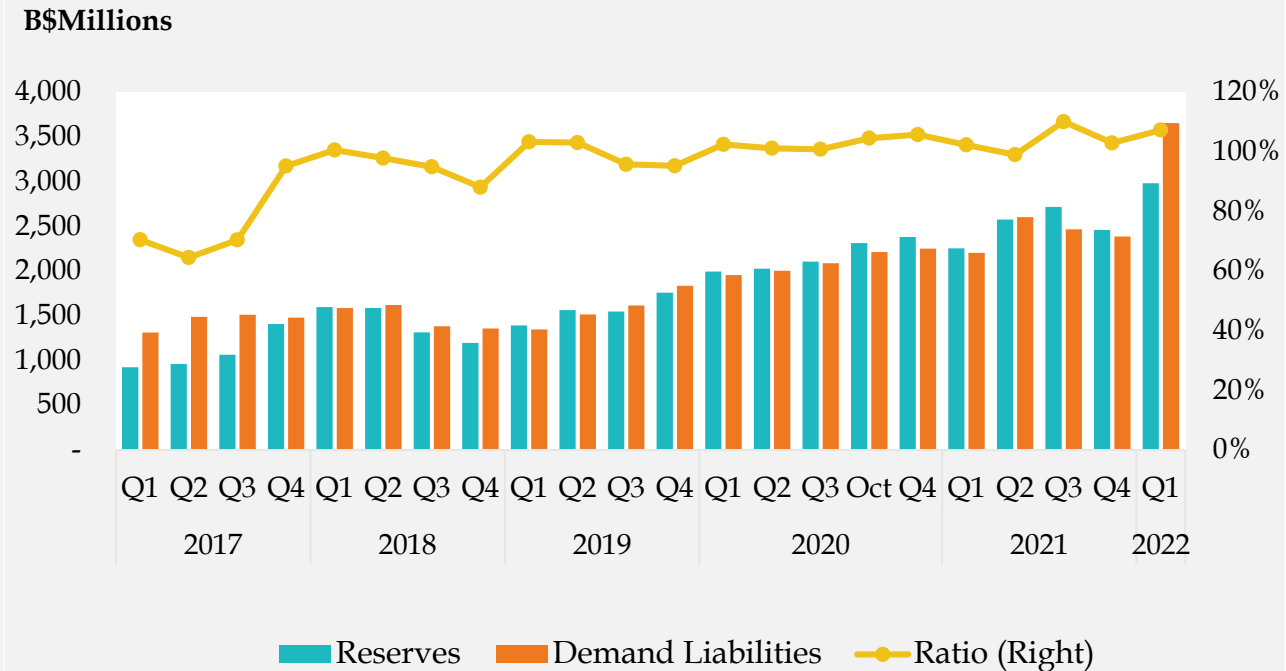
External Reserves

January-March 2022 vs. 2021

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



Source: Central Bank of The Bahamas

External reserves expanded by \$523.0 million to \$2,982.1 million in the first quarter of 2022, after reducing by \$129.9 million in the previous year. Supporting net foreign currency inflows reflected rebounded private sector activity and further proceeds from Government's external borrowings.

- Balances represented 107.3% of the Central Bank's demand liabilities.
- Equivalent to 10.4 months of the current year's total merchandise imports.



RESULTS FROM THE BANK LENDING CONDITIONS SURVEY

Bank Lending Conditions Overview

(July – December 2021)

- During the second half of 2021, the demand for credit strengthened relative to the same period in 2020, responding to resuming economic activity, as COVID-19 restrictions relaxed.
- The number applications for credit rose across all major loan categories.

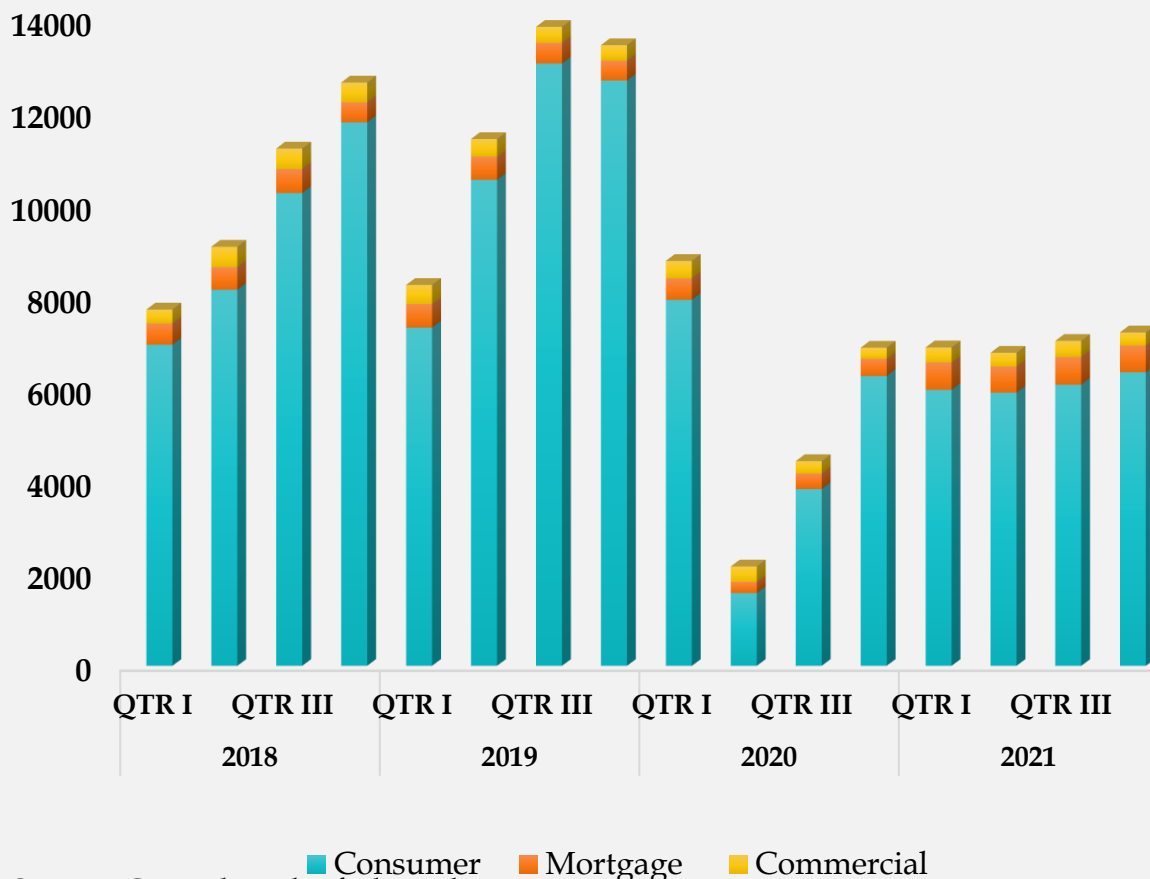
- ✓ Applications processed: 14,325
 - A 25.7% increase vis-à-vis the second half of 2020.
 - Applications received in New Providence comprised 84.7% of total requests.
- ✓ Approval Rate: 78.2%
- ✓ Main reasons for denials:
 - High DSR
 - Others including unsatisfactory employment history/verification, delinquency history, underemployment, no collateral

Trends vs 2020

- Consumer loan requests up by 22.9%. These represented 87.4% of all applications. The approvals rate was 81.6%.
- Mortgage requests up by 66.9%.
- Commercial credit applications up by 23.5%.

Bank Lending Conditions Overview (July – December 2021)

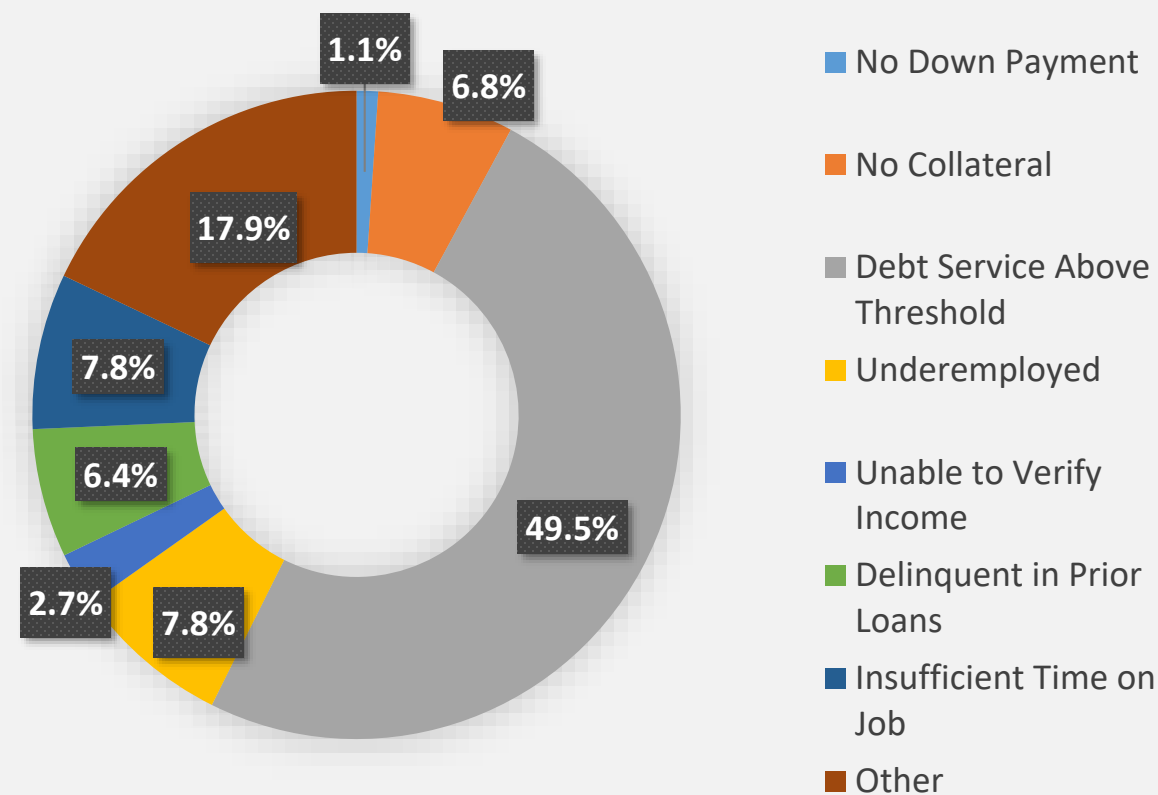
Loan Applications Received by Loan Type



Source: Central Bank of The Bahamas

Total applications denial rate: (10.4%)

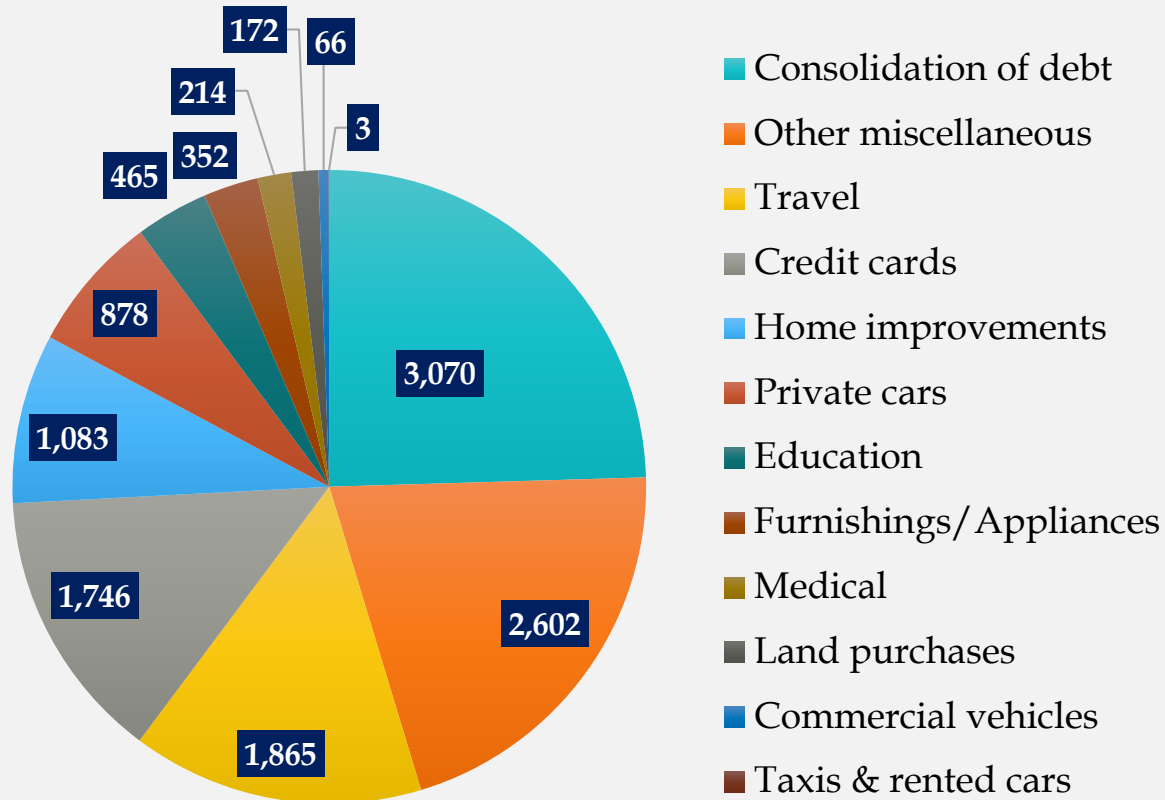
Loan Denial Reasons



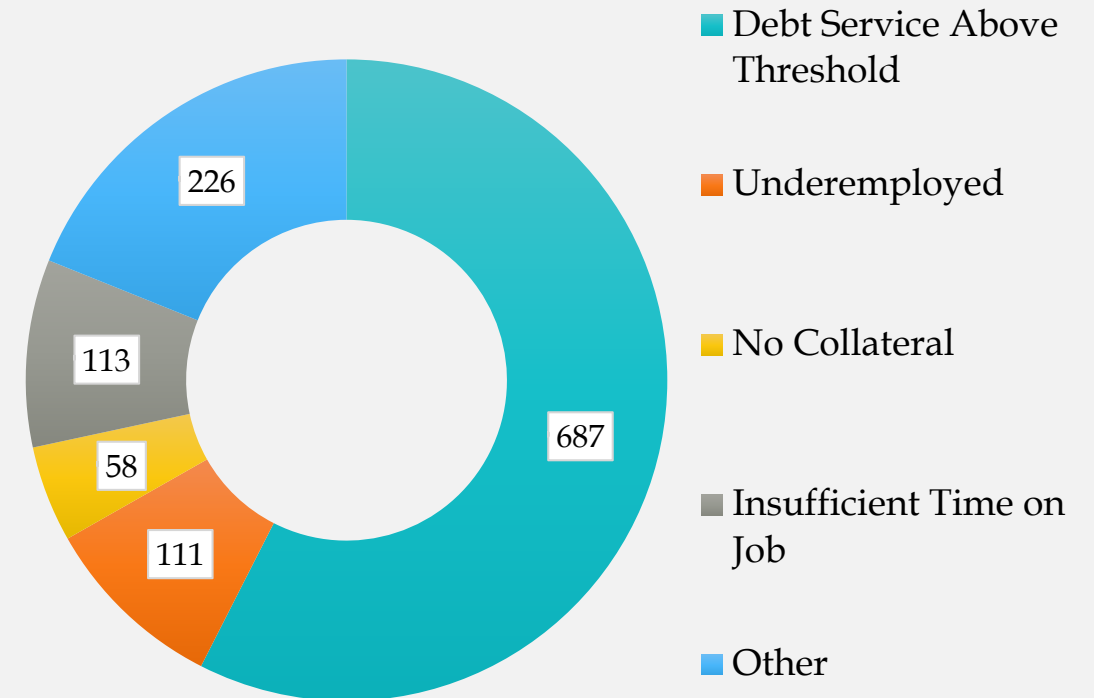
Bank Lending Conditions (Consumer Loan Applications)

Consumer loans denial rate: (10.5%)

Largest Categories of Consumer Loan Applications Received

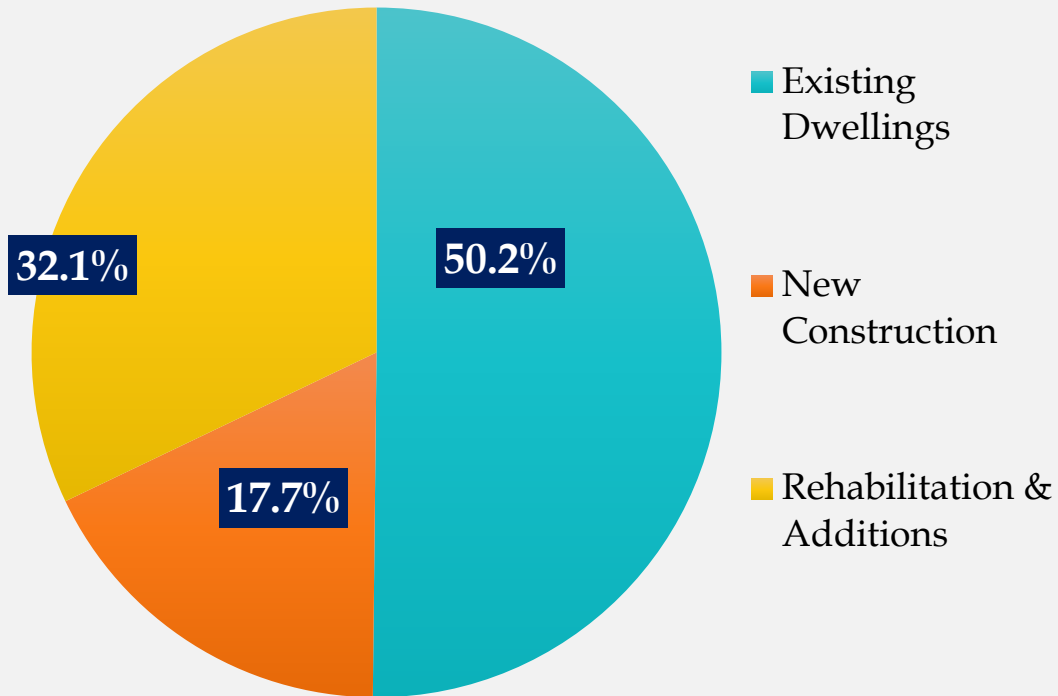


Reasons for Consumer Loan Denials



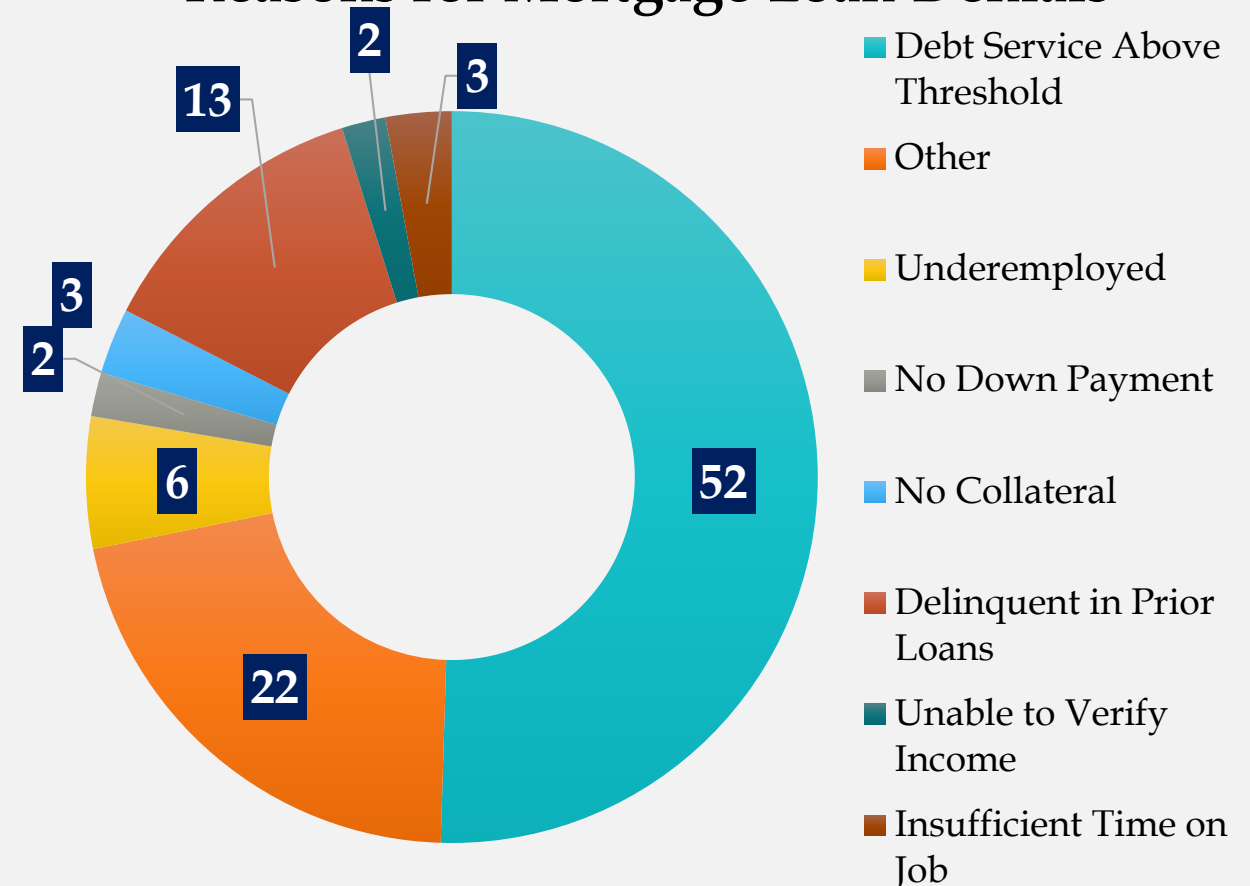
Bank Lending Conditions (Mortgage Applications)

Residential Mortgages Applications



Mortgage applications denial rate: (8.7%)

Reasons for Mortgage Loan Denials





OUTLOOK

Real Sector

- The economy is projected to maintain a healthy recovery momentum in 2022, supported by strong gains in both stopover and cruise activities.
- Sustaining the pace of the tourism recovery towards pre-pandemic levels remains contingent upon steadied success in international health initiatives, increased vaccination rates across countries and easing all globally imposed travel restrictions.
- The unemployment rate is expected to remain above pre-COVID-19 levels, but with further workforce engagement concentrated primarily in the construction sector and full re-employment of tourism sector employees.
- Elevated inflationary pressures are anticipated, as a result of the rise in international oil prices, higher costs for other imported goods; and supply chain shortages, associated with geopolitical tensions in Eastern Europe.

Fiscal Sector

- The fiscal deficit, although trending downwards, is expected to remain elevated. As a result, net financing needs should remain above trend over the rest of fiscal year 2021/22.
- Though projected revenue shortfalls should persist, the gap is expected to narrow as taxable economic activity improve in line with tourism recovery.
- Budgetary financing is anticipated to rely on the important use of both domestic and external credit, more sustainably weighted to the domestic side.

Monetary Sector and External Reserves



Banking sector liquidity is expected to remain high over the near term.

Private sector credit is projected to increase marginally in 2022 in anticipation of the sustained economic recovery.



External reserve balances are expected to remain buoyant in 2022, staying well above international benchmarks, supported by anticipated foreign currency inflows from tourism, and other net private sector receipts.

Balances are projected to persist at satisfactory levels to sustain the Bahamian dollar currency peg.

Risks to The Outlook

TOURISM

The emergence of new strains of COVID-19 could potentially derail the progress made on the international health front and disrupt the travel sector.

EXTERNAL RESERVES

Increased foreign currency demand for reconstruction and subdued tourism output could accelerate drawdowns.

GLOBAL

The COVID-19 pandemic and new variants, along with geopolitical tensions, could weigh down the global outlook.

INFLATION

Geopolitical tensions, reduction in oil production and food supply chains disruptions could result in more accelerated escalation of prices.

EMPLOYMENT

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

FISCAL

Diminished access to credit markets could constrain the fiscal capacity to stabilize the economy.

The End

