

# Quarterly Economic and Financial Developments Report

June 2023

Research Department



# Domestic Economic Developments

Preliminary indications are that the Bahamian economy's growth trajectory persisted during the first half of 2023, although at a moderated pace, as the recovery from the adverse effects of the Novel Coronavirus (COVID-19) pandemic reached completion. Tourism output further strengthened, undergirded by robust gains in both the high value-added air segment and sea traffic, reflective of the ongoing demand for travel in key source markets.

## Real Sector

- Tourist arrivals expanded to 5.0 million visitors during January-June 2023, from 3.0 million in the comparative period of 2022.
- During the six months to June, Nassau airport departures rose by 31.0% to 0.8 million.
- Varied-scale foreign investment projects efforts sustained construction sector output.

## Monetary Sector

- During the first six months, growth in bank liquidity strengthened, as the increase in the deposit base outpaced the buildup in domestic credit.
- The half-year buildup in external reserves narrowed to \$117.7 million from \$788.0 million in 2022, in the absence of net inflows from Government's external borrowing; and with reduced net private sector retention of foreign exchange.

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 edge. 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 - June 2023)

According to Ministry of Tourism data, during the first six months of 2023, total visitor arrivals increased to 5.0 million, from 3.0 million visitor in the same period of 2022.

- Air arrivals (indicative of stopovers) rose to 1.0 million from 0.8 million in the prior year.
- Sea arrivals advanced to 4.1 million from 2.3 million in 2022 period.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2022	2023	2022	2023	2022	2023
<b>Arrivals</b>						
<b>Air</b>	137.1	26.6	122.9	60.2	48.8	27.0
<b>Sea</b>	12623.8	80.2	1089.0	101.6	3141.2	76.6
<b>Total</b>	<b>490.1</b>	<b>59.3</b>	<b>661.1</b>	<b>96.2</b>	<b>865.4</b>	<b>71.0</b>

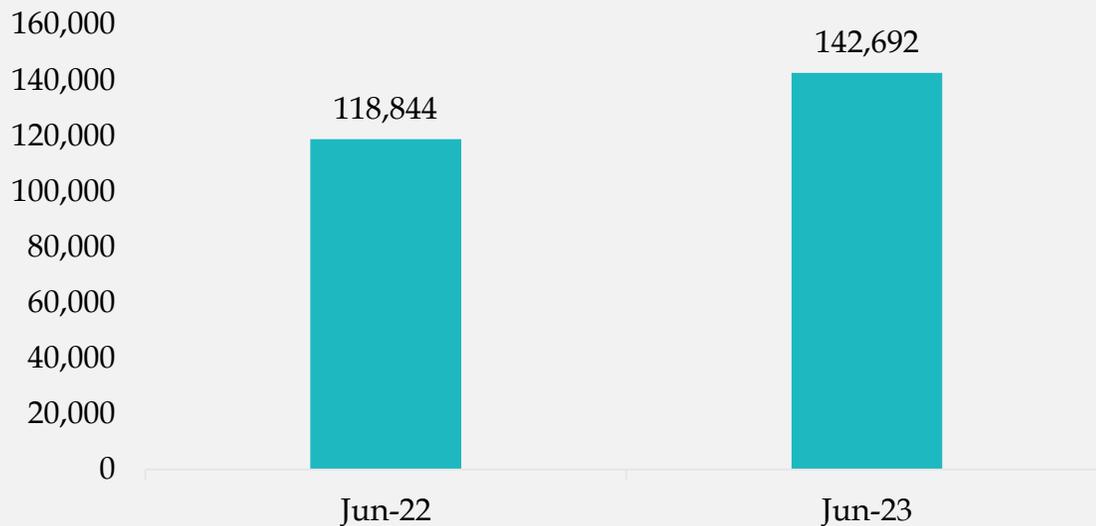
# Nassau Airport Development (NAD) International Departures

## January - June 2023

Total international departures through Nassau airport rose to 0.14 million in June from 0.12 million in 2022, on account of the elimination of travel restrictions globally.

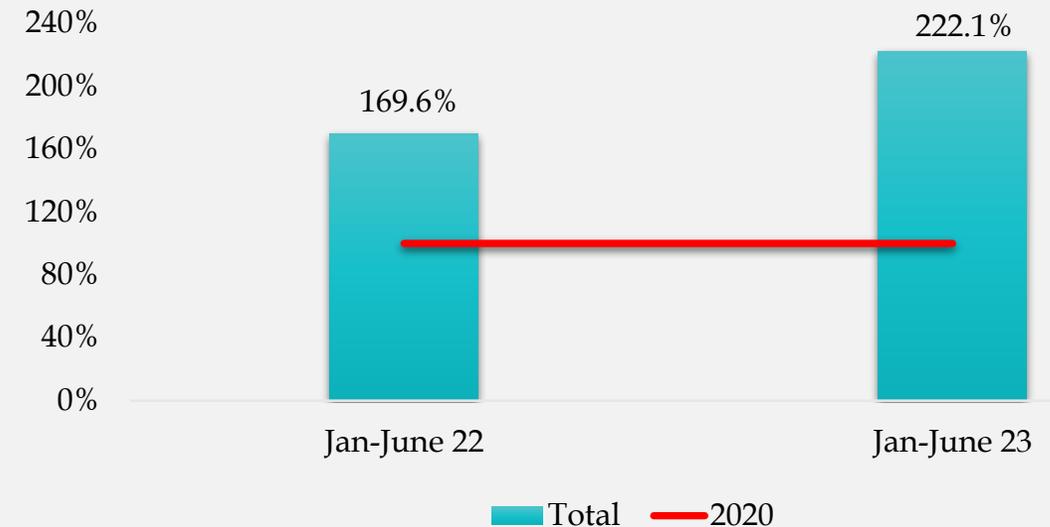
In the first half of 2023, departures grew by 31.0% to 0.8 million passengers.

**Total Departures  
June 2022 vs June 2023**



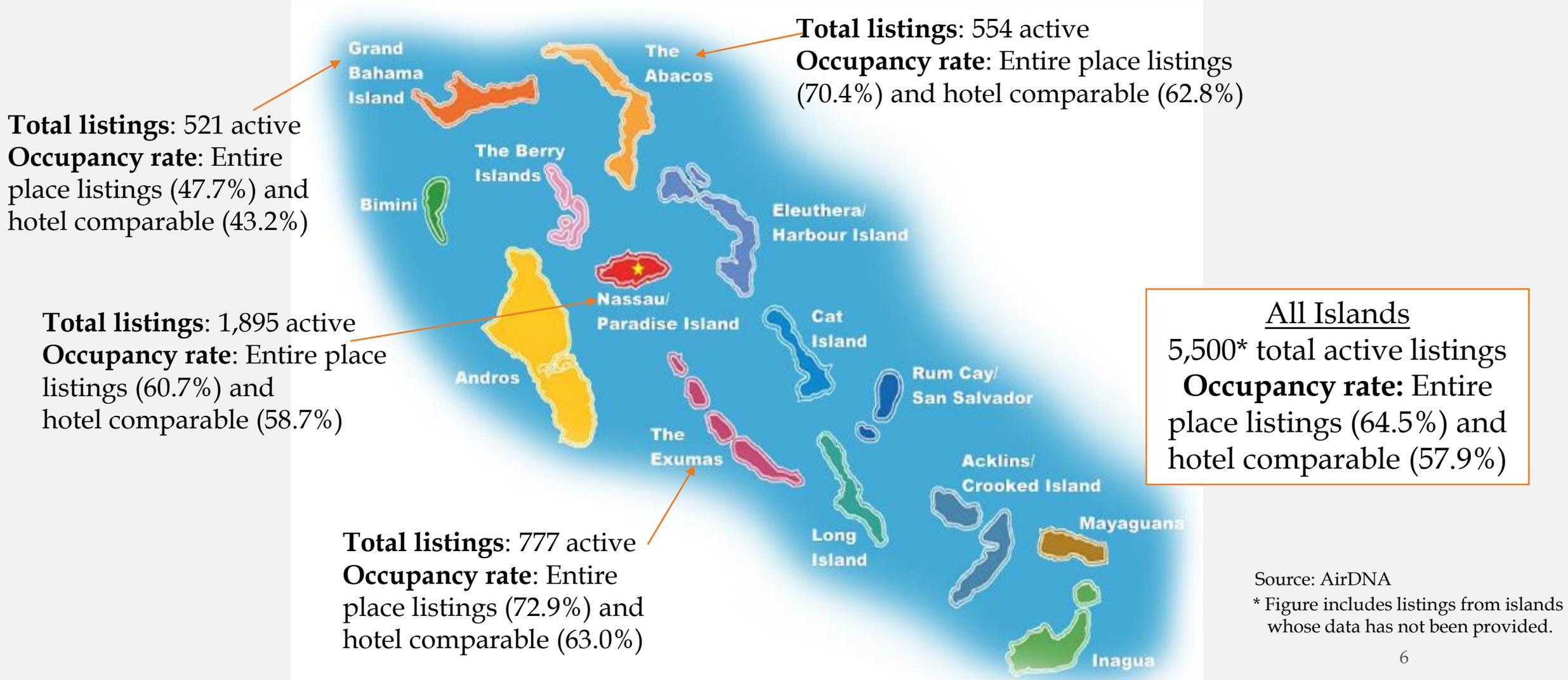
Source: Nassau Airport Development Company

**January - June Departures  
vs. 2020 Baseline (=100%)**



\*All figures are net of domestic departures.

# Airbnb: Snapshot of Vacation Rentals (as at June 2023)



**Total listings:** 521 active  
**Occupancy rate:** Entire place listings (47.7%) and hotel comparable (43.2%)

**Total listings:** 554 active  
**Occupancy rate:** Entire place listings (70.4%) and hotel comparable (62.8%)

**Total listings:** 1,895 active  
**Occupancy rate:** Entire place listings (60.7%) and hotel comparable (58.7%)

**Total listings:** 777 active  
**Occupancy rate:** Entire place listings (72.9%) and hotel comparable (63.0%)

**All Islands**  
5,500\* total active listings  
**Occupancy rate:** Entire place listings (64.5%) and hotel comparable (57.9%)

Source: AirDNA  
\* Figure includes listings from islands whose data has not been provided.

# Vacation Rentals: Occupancy Rate Trends

## (January - June 2023 vs 2022)

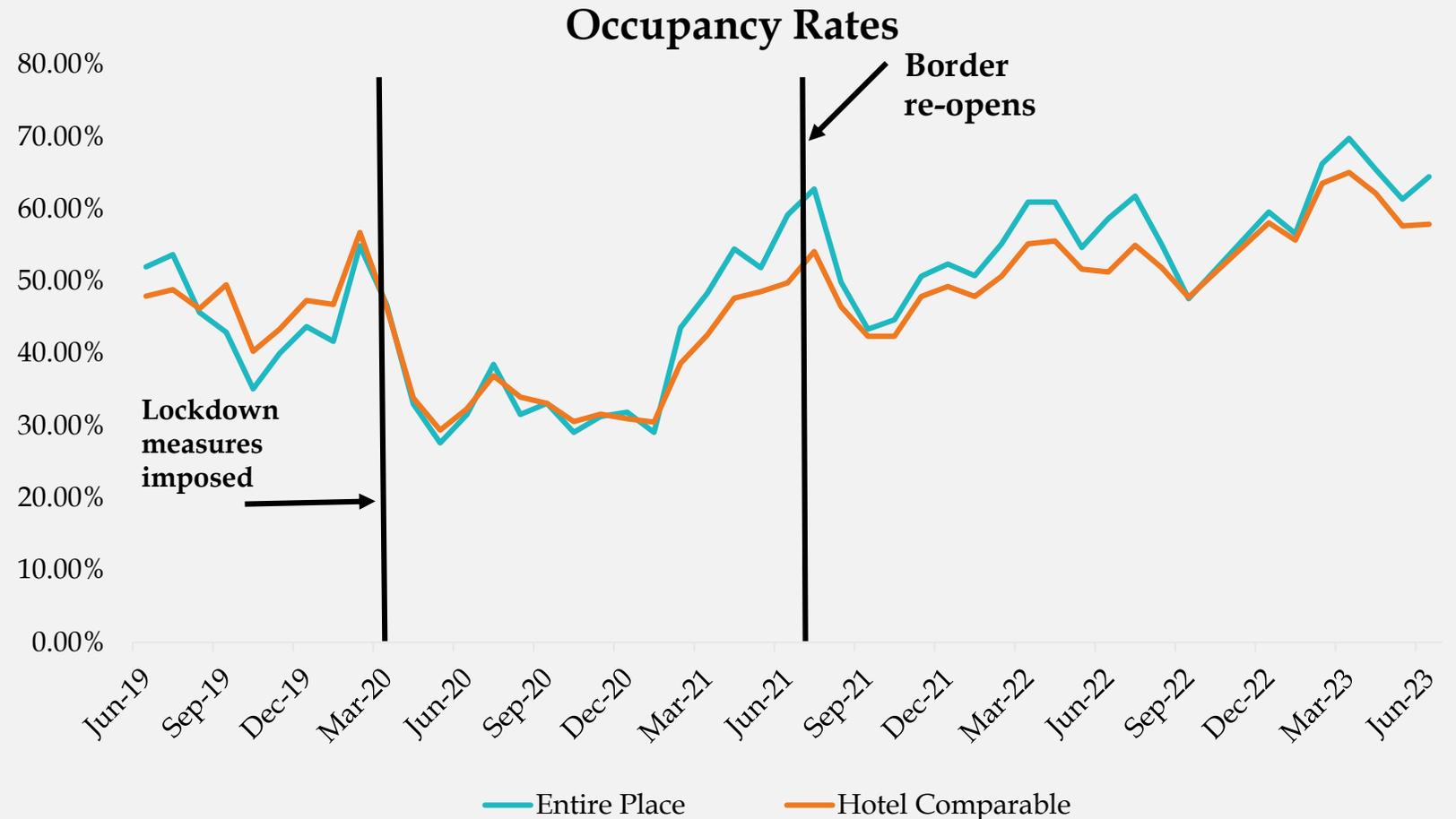
Vacation rental occupancy levels trended upwards in the first half of 2023.

### Entire Place Listings

- The average occupancy rate increased to 64.5%, from 58.7% in the comparative 2022 period.

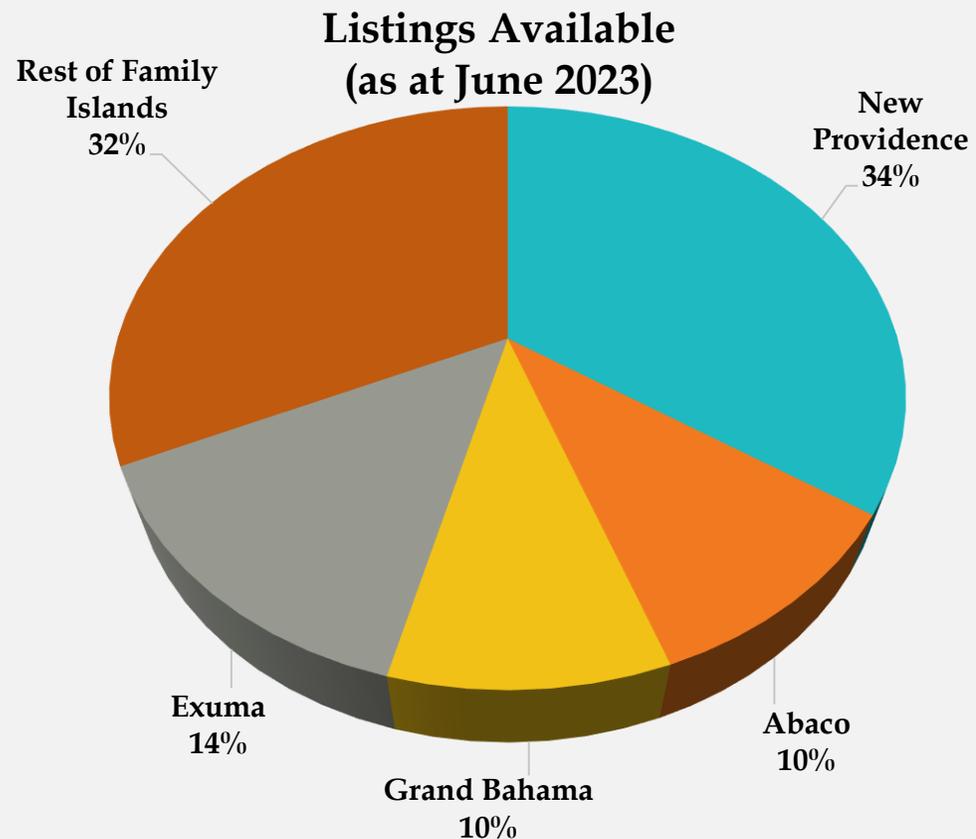
### Hotel Comparable Listings

- The average occupancy rate firmed to 57.9% from 51.3% in the prior year.



# Vacation Rental: Market Share by Island (June 2023)

During the first half of 2023, vacation rental listings increased for all the major markets, including New Providence, Grand Bahama and Abaco. Exuma and remaining Family Islands, accounted for almost half of available listings.



Listings for Abaco, New Providence and Grand Bahama rose by 17.6%, 13.3%, and 12.5% respectively, in June, as compared to the same period in 2022.

All Available Listings				
	Dec 2021	June 2022	Dec 2022	June 2023
Abaco	297	471	515	554
Grand Bahama	396	463	482	521
New Providence	1532	1672	1811	1895



**SELECTED FOREIGN INVESTMENT  
PROJECTS**  
**Recent Approvals/Announcements**

# New Foreign Investment Projects

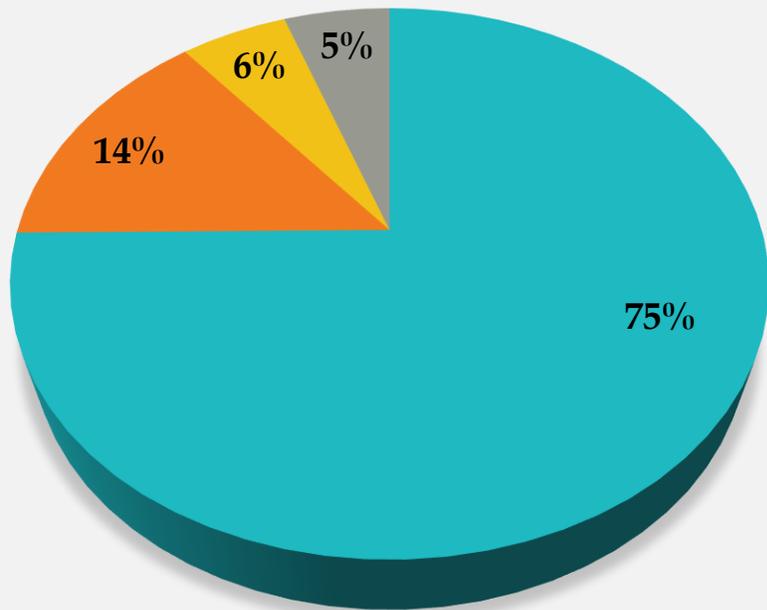
New Providence	Bimini	Exuma
<p data-bbox="129 486 749 568"><b><u>Executive View International Group of Companies Ltd.</u></b></p> <ul data-bbox="129 622 861 789" style="list-style-type: none"> <li>• Approved to develop a \$141.0 million multi-industry conglomerate, including luxury condominiums, a broadcasting facility and a Bahamian multi-island supermarket chain.</li> </ul> <p data-bbox="129 843 580 879"><b><u>The Portsmouth Group Ltd.</u></b></p> <ul data-bbox="129 933 868 1100" style="list-style-type: none"> <li>• Acquired a lot in the Western District (\$0.6 million) to develop a multi-story commercial building featuring modern offices, workshops and ancillary spaces for renting and leasing.</li> </ul>	<p data-bbox="912 486 1128 522"><b><u>MSC Cruises</u></b></p> <ul data-bbox="912 576 1640 968" style="list-style-type: none"> <li>• Approved to expand and upgrade the Ocean Cay MSC Marine Reserve cruise destination to consist of new storm and drain management systems, entertainment areas, 3 new buildings for staff accommodations, along with a private yacht club, a solar farm and other amenities. The project will cost \$100.0 million to complete Phase II of the development.</li> </ul>	<p data-bbox="1696 486 2295 522"><b><u>The Enclave at Tropic of Cancer Ltd.</u></b></p> <ul data-bbox="1696 576 2443 968" style="list-style-type: none"> <li>• Approved-in-principle for resort community development valued at \$65.0 million. It will cover 105 acres and feature 7 buildings, comprising 28 bedrooms and guest amenities, alongside ancillary cottages with 10 bedrooms, villas, an estate home, a restaurant and bar and other amenities. The project will employ 54 incremental employees as the project advances.</li> </ul>



# EMPLOYMENT

# Labor Market Share (May 2023)

Labour Market Shares as at May 2023

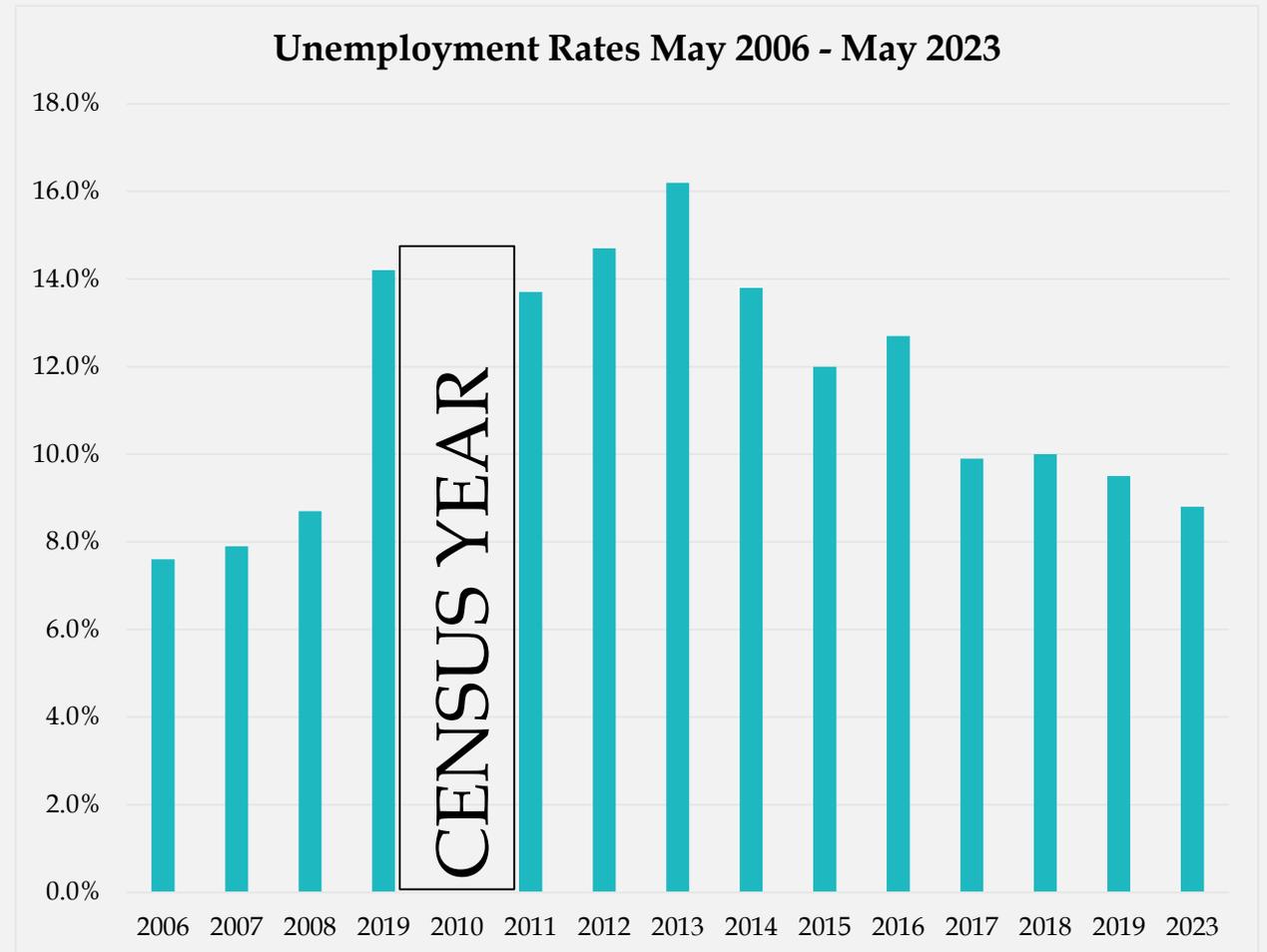


■ New Providence ■ Grand Bahama ■ Abaco ■ Family Islands

- A breakdown by island revealed that approximately 75% of the surveyed labor force was in New Providence.
- The island is home to the majority of the population and commercial activities, accounting for the bulk of the labour force.
- Grand Bahama and Abaco account for 20% of the total Bahamas labor force, while the remainder is held by the Family Islands.

# Unemployment Rates

- The unemployment rate fell 70 basis points to 8.8% in May 2023, vis-à-vis 9.5% in May 2019. In the outcome, discouraged workers increased by 2.3% to 2,035.
- The number of employed persons reached 200,175, compared to 214,890 in May 2019-- 6.8% decrease.
  - The private sector engaged the largest share of employed persons at 61.0%, followed by the Government (16%).
- The number of self-employed persons grew by 5.0% to 34,095 relative to 32,485 in May 2019.

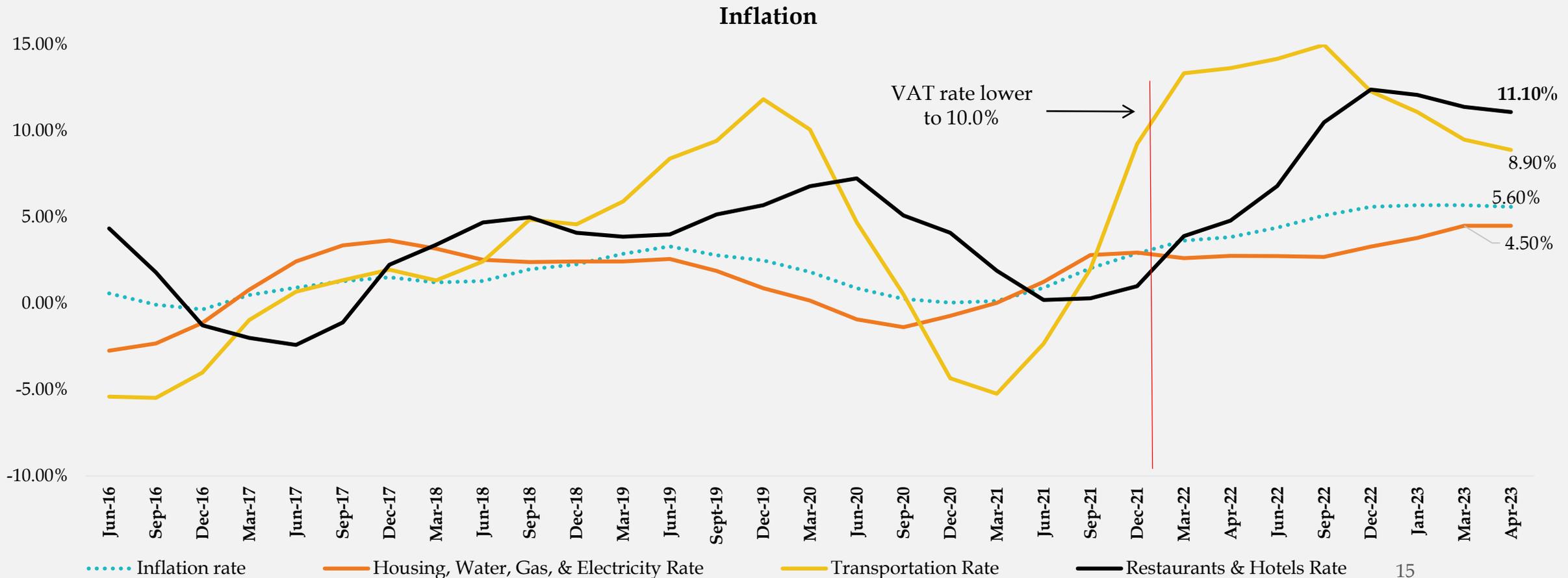




# INFLATION

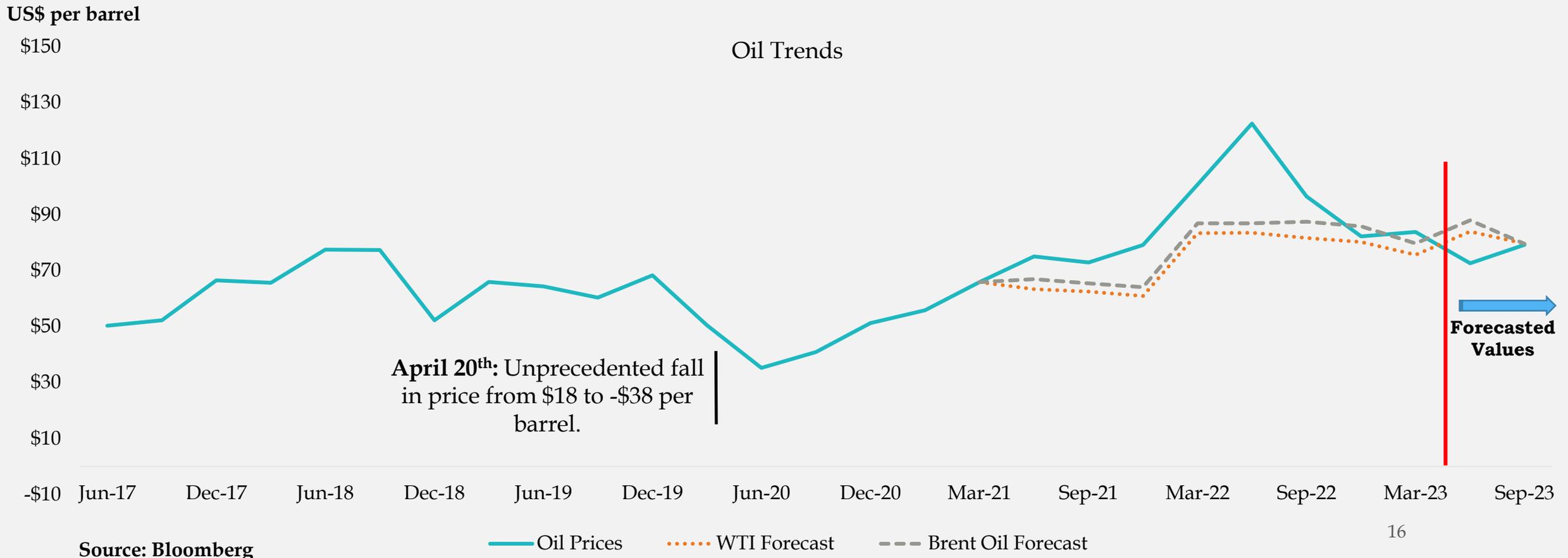
# Retail Price Index

During the twelve months to April, 2023, inflation accelerated to 5.6% from 3.8% in the comparative period of 2022, led by increases in the average costs for restaurants and hotels, followed by transportation.



# Oil Price Trends

From January to June 2023, the cost of crude oil reduced by 8.6% to \$72.68 per barrel. On the supply-side, OPEC's crude oil production increased by 0.3% in June, to 28.19 million barrels per day.





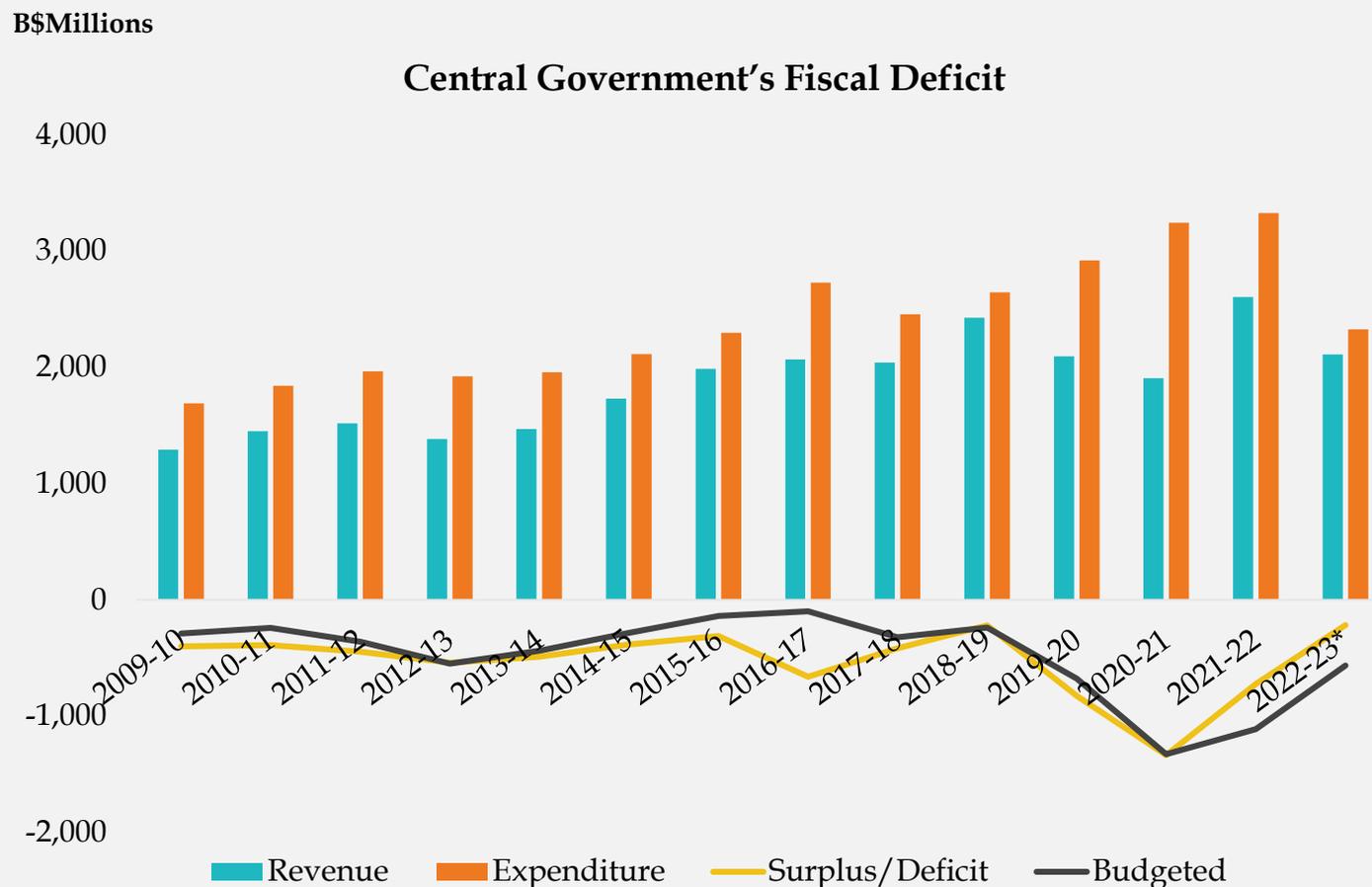
# FISCAL SECTOR

# Fiscal Sector

## Provisional First Nine Months, FY2022/2023

During the first nine months of FY2022/23, the deficit narrowed to \$216.2 million from \$336.2 million in the comparable FY2021/22 period. Growth in total revenue, outpaced the rise in aggregate expenditure.

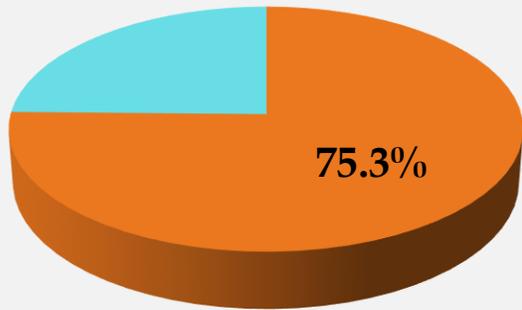
- Revenue expanded by \$267.1 million (14.5%) to \$2,112.6 million.
  - Specifically, VAT receipts grew by \$112.4 million (13.5%), to \$947.5 million.
- Expenditure rose by \$147.1 million (6.7%) to \$2,328.7 million.
  - Recurrent outlays increased by \$113.2 million (5.6%) to \$2,134.8 million.
  - Likewise, capital spending moved higher by \$33.9 million (21.1%) to \$193.9 million.



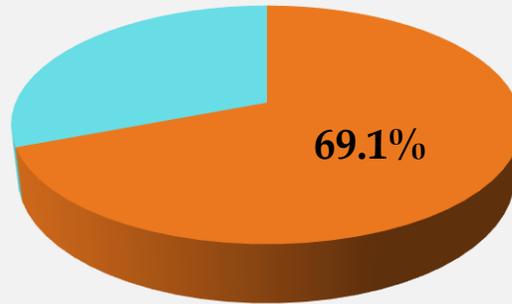
Source: Bahamas Ministry of Finance  
 \*Data for first nine months of FY2022/23.

# FY2022/23 Budget Projections vs. First Nine Months Actual Outturn

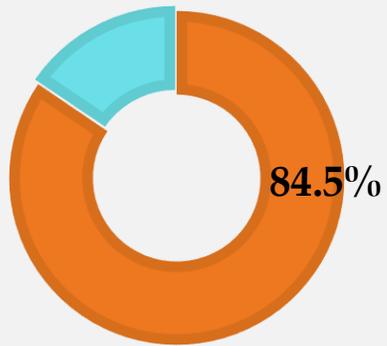
### Revenue



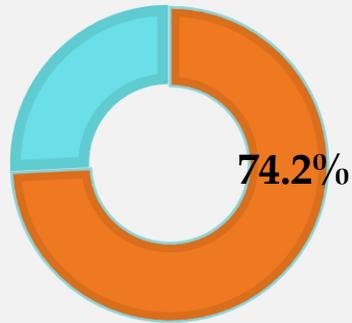
### Expenditure



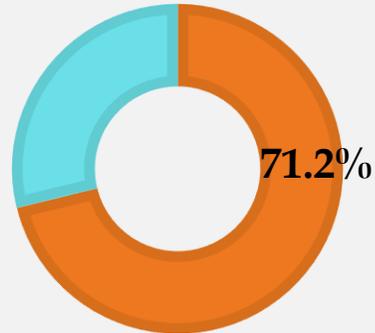
For the first nine months of the fiscal year 2022/23, more than 50% of the original budget was utilized for the major categories.



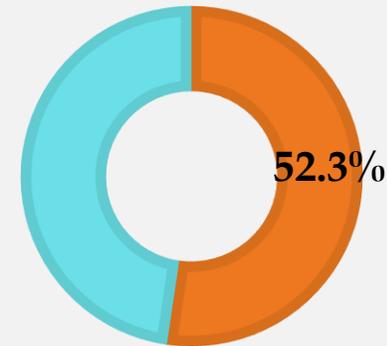
Non Tax Revenue



Tax Revenue



Recurrent Expenditure



Capital Expenditure

Percentages indicate what proportion of budget was used during the nine months of FY22/23

# 2023/2024 Budget: Key Expenditure Measures

## Expenditure for Healthcare Initiatives & Social Assistance

- \$20.7 million for new health facilities in Grand Bahama & New Providence & upkeep of community clinics
- \$7.1 million to expand the Urban Renewal Program
- \$7.0 million for food security initiatives
- \$0.9 million for BAMSI grants
- \$0.5 million for the construction of a women's shelter

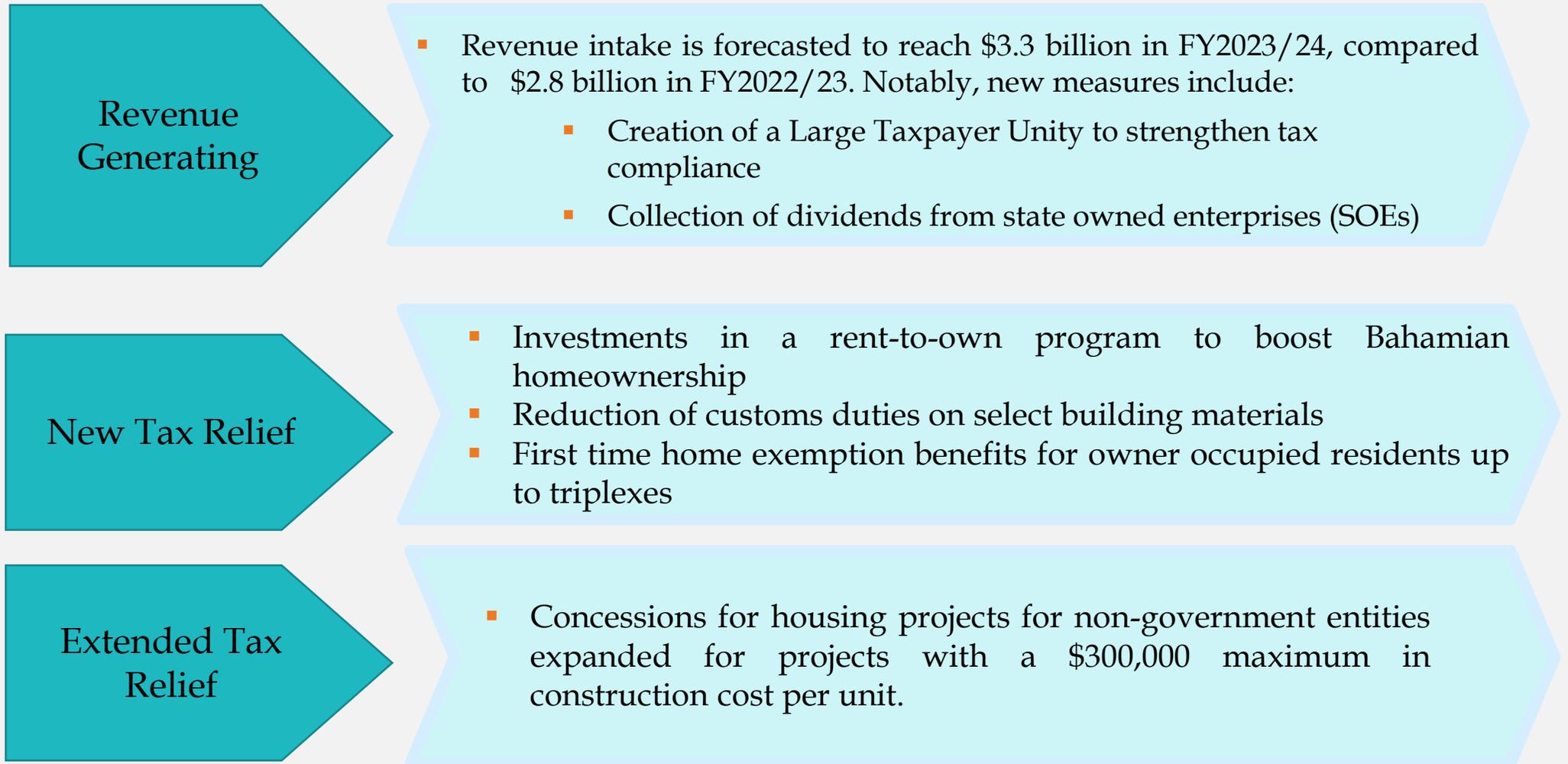
## Expenditure for National Security Services

- \$25.2 million for national security

## Expenditure for Infrastructure Upgrades

- \$43.9 million to improve roads, bridges and drain infrastructure
- \$22.0 million to facilitate solar technology in the Southern Bahamas
- \$19.1 million to improve airport infrastructure
- \$10.6 million to upgrade Thomas A. Robinson Stadium

# 2023/2024 Budget: Key Revenue Measures



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. In the foreground, there are several palm trees and some buildings. The sky is clear and bright.

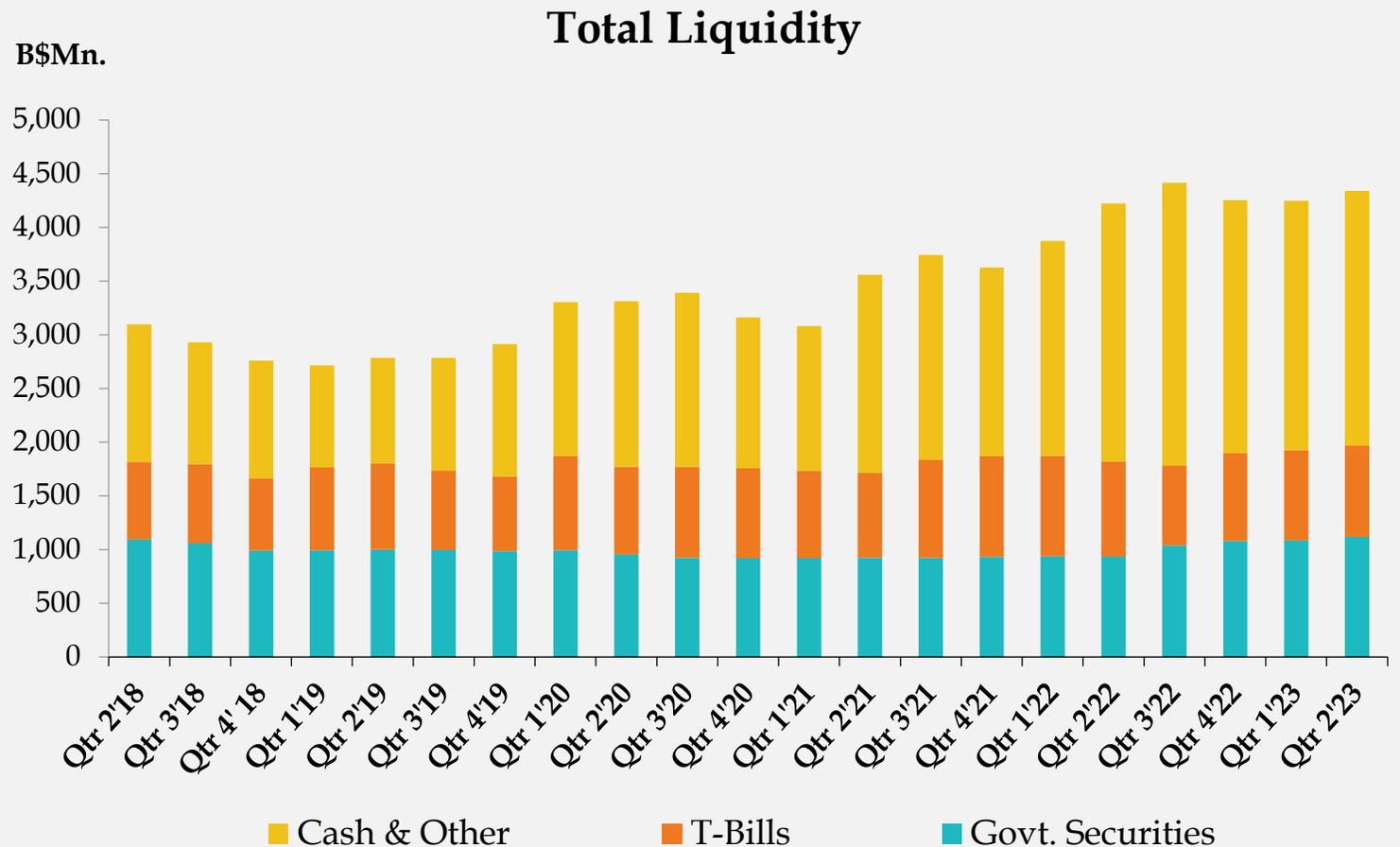
# MONETARY SECTOR

# Money and Banking: Liquidity Conditions

## January-June 2023 vs. 2022

During the first half of 2023, growth in liquidity was attributed to lessened proceeds from Government's external borrowings and narrowed net foreign currency inflows from real sector activities.

- Excess liquid assets grew by \$131.6 million, a slowdown from the \$237.6 million expansion in the prior year.
- Excess reserves increased by \$72.3 million, lower than the \$500.2 million accumulation in 2022.



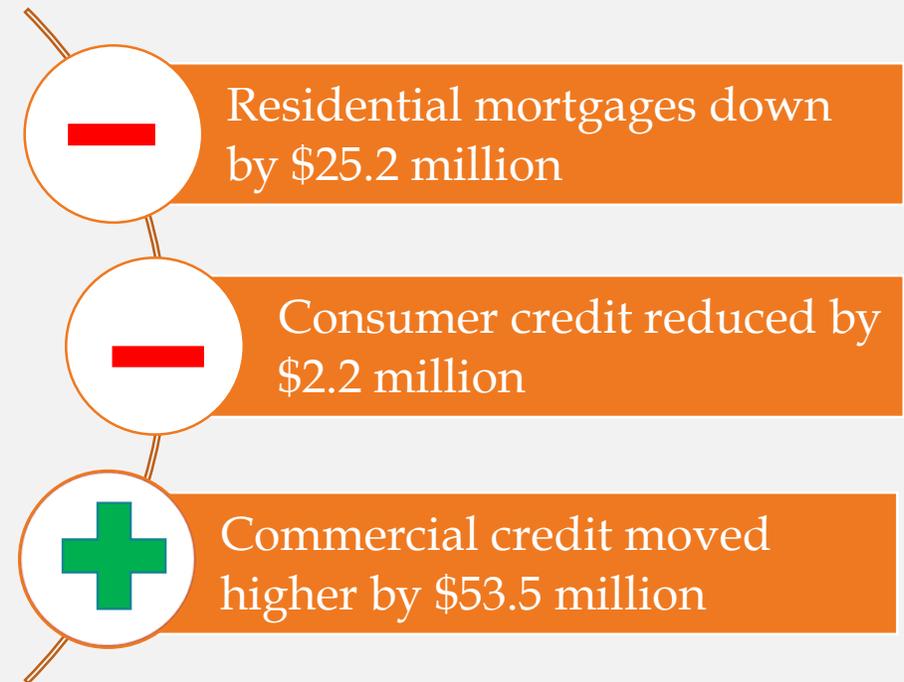
# Lending Conditions

January-June 2023 vs. 2022

During the review period, total Bahamian dollar credit grew by \$98.1 million, a switch from a \$286.9 million contraction in the preceding year.

- Net claims on the Government rose by \$78.0 million, vis-à-vis a \$227.3 million decline in 2022.
- Credit to public corporations fell by \$6.0 million, a turnaround from the \$37.0 million growth last year.

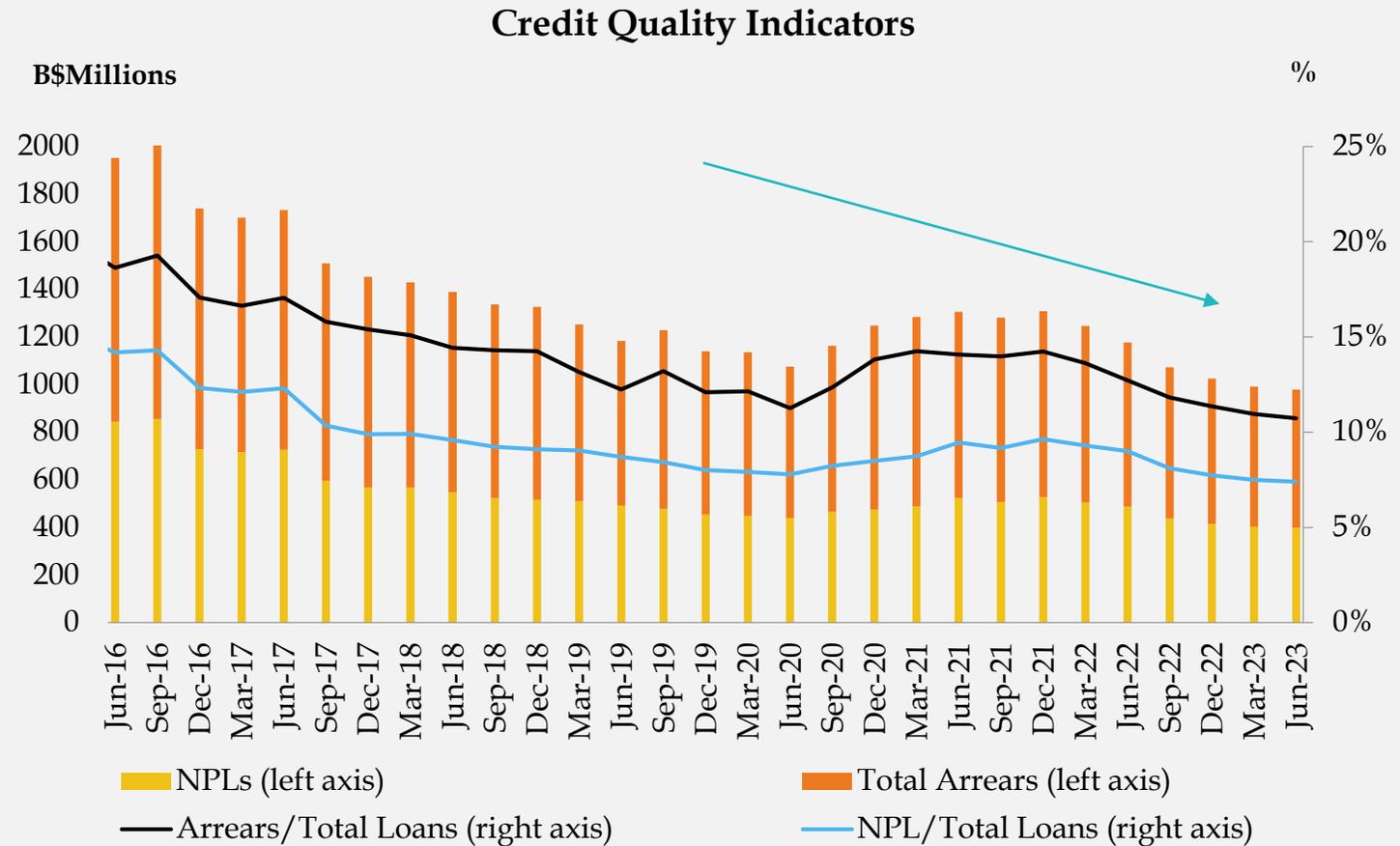
- Private sector credit recovered by \$26.1 million from a \$96.6 million reduction in 2022.



# B\$ Credit Quality Indicators

## January-June 2023 vs. 2022

- During the second quarter of 2023, the average arrears rate for private sector credit narrowed to 10.7% from 12.7% in 2022.
  - The short-term arrears rate was 3.3% (3.7% in June 2022).
  - The NPL rate was 7.4% (9.0% in June 2022).
  
- Arrears rate by loan type:
  - Mortgages : 14.3% vs 16.0% in 2022.
  - Consumer: 8.3% vs 11.0% in 2022.
  - Commercial: 6.4% vs 7.5% in 2022.

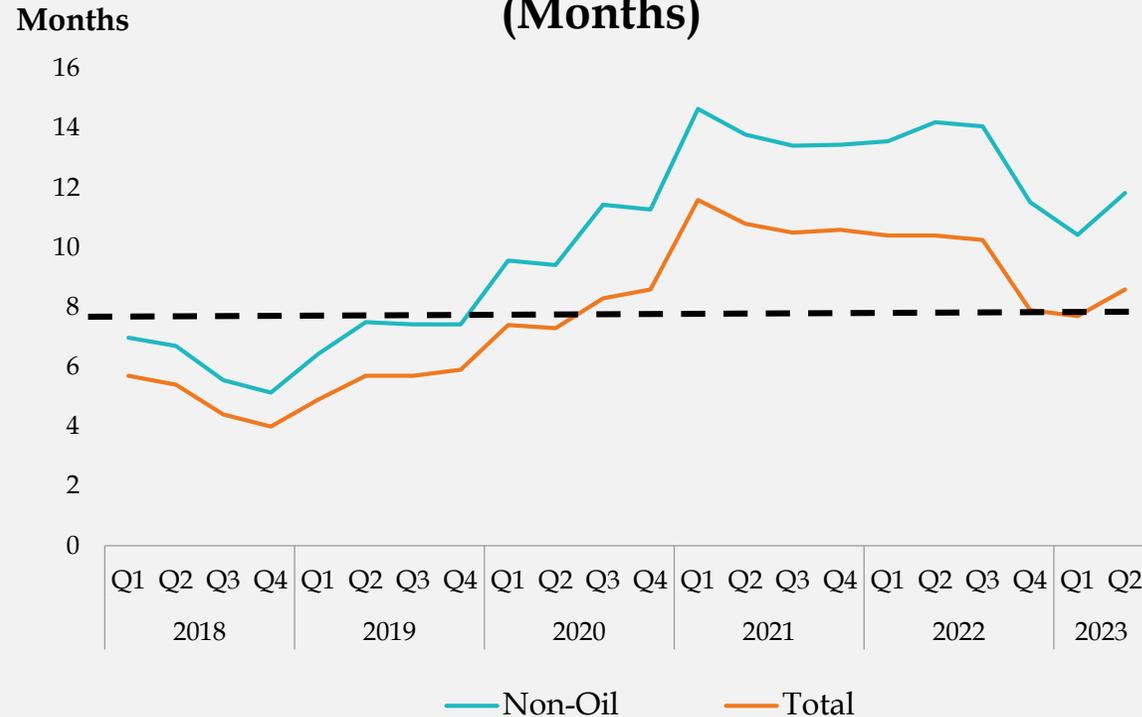


Source: Central Bank of The Bahamas

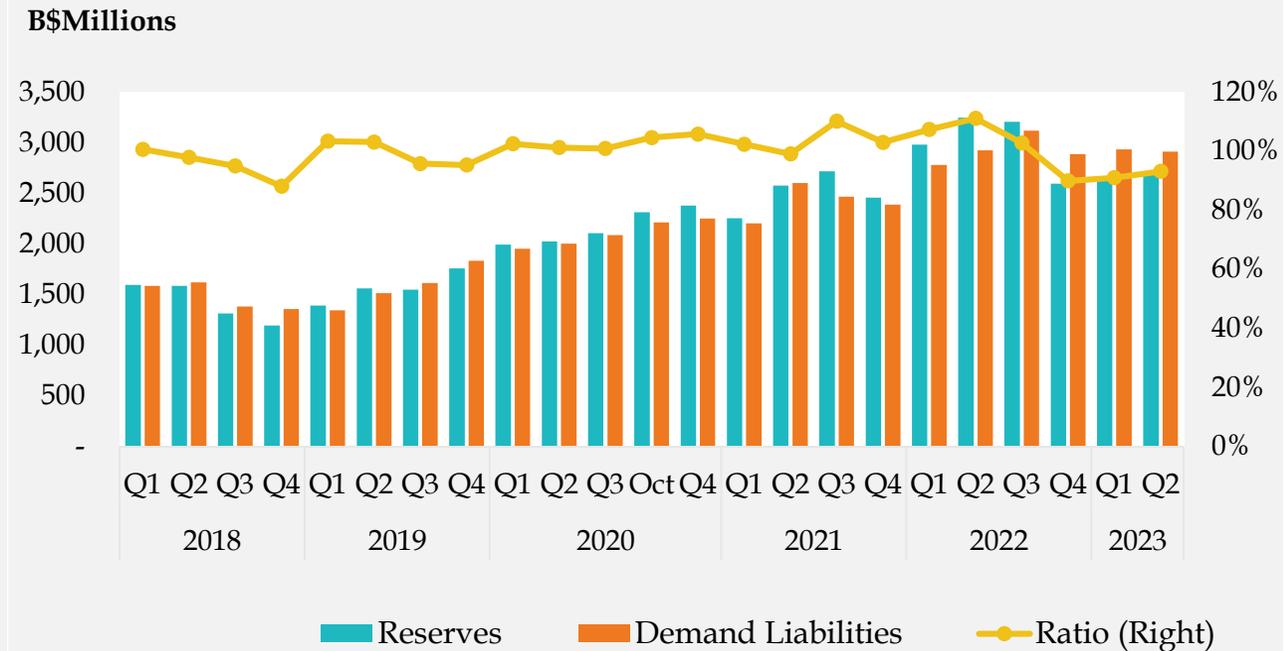
# External Reserves

## January-June 2023 vs. 2022

### Import Cover Ratio (Months)



### External Reserves to Demand Liabilities



Source: Central Bank of The Bahamas

External reserves growth tapered, on a 6-month basis to \$117.7 million from \$788.0 million in the first half of 2022. The 2022 outcome included net receipts of proceeds from the Government's external bond offering. At end-June, external balances were \$2,712.4 million:

- Equivalent to 93.1% of the Central Bank's demand liabilities.
- Equivalent to 8.6 months of the current year's total merchandise imports.



# OUTLOOK

# Real Sector

- The Bahamian economy is expected to maintain its growth trajectory in 2023, albeit at a moderated pace, as output surpasses pre-COVID-19 pandemic levels, and tourism benefits from the release of pent-up demand for travel.
- Downside risks to tourism persist, related largely to exogenous factors, such as higher global prices, which could disrupt future travel. Moreover, major central banks' counter-inflation policies could curtail the spending capacity of travelers from key source markets.
- The employment rate should continue to improve, with gains concentrated mainly in the construction and tourism sectors. A lag remains however, in total employment recovery, expected to be extinguished as the economy expands further beyond pre-pandemic levels.
- Inflationary pressures should subside at lag to moderating conditions in the major trading partners, partly as energy cost pass-through for The Bahamas were delayed. However, upside risks to prices continue from oil cost uncertainties and supply chain shortages, related to geopolitical tensions in Eastern Europe.

# Fiscal Sector

- The fiscal deficit is expected to maintain its downward trend, as conditions become favorable for more consolidation.
- Recovery in revenue is anticipated to be significantly correlated with tourism-led improvements in taxable economic activity.
- Budgetary financing is projected to rely on the important use of both domestic and external credit, with a higher proportion of funding from domestic sources.

# Monetary Sector and External Reserves



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

Private sector credit is estimated to increase marginally for 2023 in synchronisation with the sustained economic recovery.



External reserve balances are expected to remain buoyant in 2023, remaining well above international benchmarks, supported by anticipated foreign currency inflows from tourism, and other net private sector receipts.

Balances are anticipated to remain at satisfactory levels to sustain the Bahamian dollar currency peg.

# Risks to The Outlook

## **TOURISM**

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

## **EXTERNAL RESERVES**

Increased foreign currency demand for rebuilding works and constrained tourism output could accelerate the drawdown in reserves.

## **GLOBAL**

Ongoing geopolitical tensions could slow the global outlook.

## **INFLATION**

Geopolitical tensions, reduction in oil production and food supply disruptions could result in elevated prices.

## **EMPLOYMENT**

Insufficient or slowed pace of private investments, could hamper job creation.

## **FISCAL**

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

# The End

