

# Quarterly Economic and Financial Developments Report

September 2023

*Featuring the latest Lending Conditions Survey for  
the First Half of 2023*

Research Department



# Domestic Economic Developments

Indications are that during the nine months to September 2023, the Bahamian economy sustained its growth trajectory, albeit at a moderated pace, as recovery from the adverse effects of the Novel Coronavirus (COVID-19) pandemic reached completion. Tourism output remained buoyant, reflective of healthy gains in both the high value-added air segment and sea traffic, amid persistent demand for travel in key source markets.

## Real Sector

- Tourist arrivals strengthened to 6.6 million visitors during January-August 2023, from 4.3 million in the comparative period of 2022.
- During January to September, Nassau airport departures, an indicator of stopover travel, rose by 25.7% to 1.2 million.
- Varied-scale foreign investment projects provided stimulus to the construction sector.

## Monetary Sector

- Buildup in bank liquidity moderated over the first nine months of the year, as the growth in domestic credit outpaced deposit base gains.
- During the nine months to September, external reserves declined marginally by \$9.1 million to \$2,585.6 million. The previous year recorded a notable expansion, inclusive of net proceeds from the Government's external borrowing.

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 - August 2023)

According to Ministry of Tourism data, during the first eight months of 2023, total visitor arrivals increased to 6.6 million, from 4.3 million visitors in the same period of 2022.

- Air arrivals (indicative of stopovers) grew to 1.3 million from 1.0 million in the previous year.
- Sea arrivals accelerated to 5.4 million relative to 3.3 million in the prior year.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2022	2023	2022	2023	2022	2023
<b>Arrivals</b>						
<b>Air</b>	92.5	21.4	100.1	47.0	39.8	22.6
<b>Sea</b>	1812.5	62.6	598.5	70.1	1492.0	62.9
<b>Total</b>	<b>333.4</b>	<b>46.9</b>	<b>444.8</b>	<b>67.5</b>	<b>659.6</b>	<b>58.7</b>

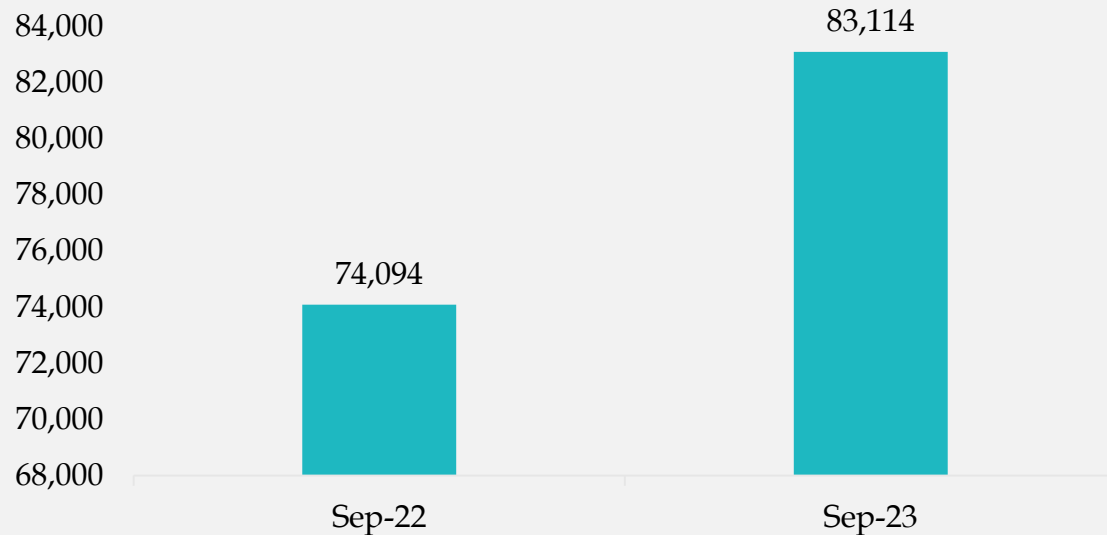
# Nassau Airport Development (NAD) International Departures

## January - September 2023

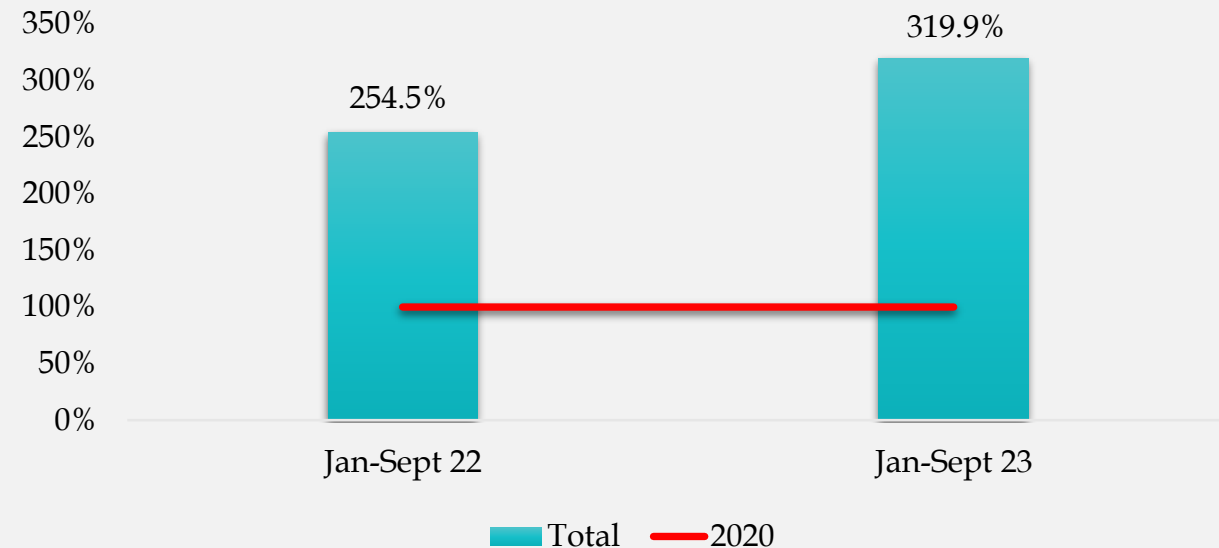
Monthly departures through Nassau Airport grew to 83,114 in September, from 74,094 in 2022.

Departures during the nine months to September 2023 rose by 25.7% to 1.2 million passengers.

### International Departures September 2022 vs September 2023



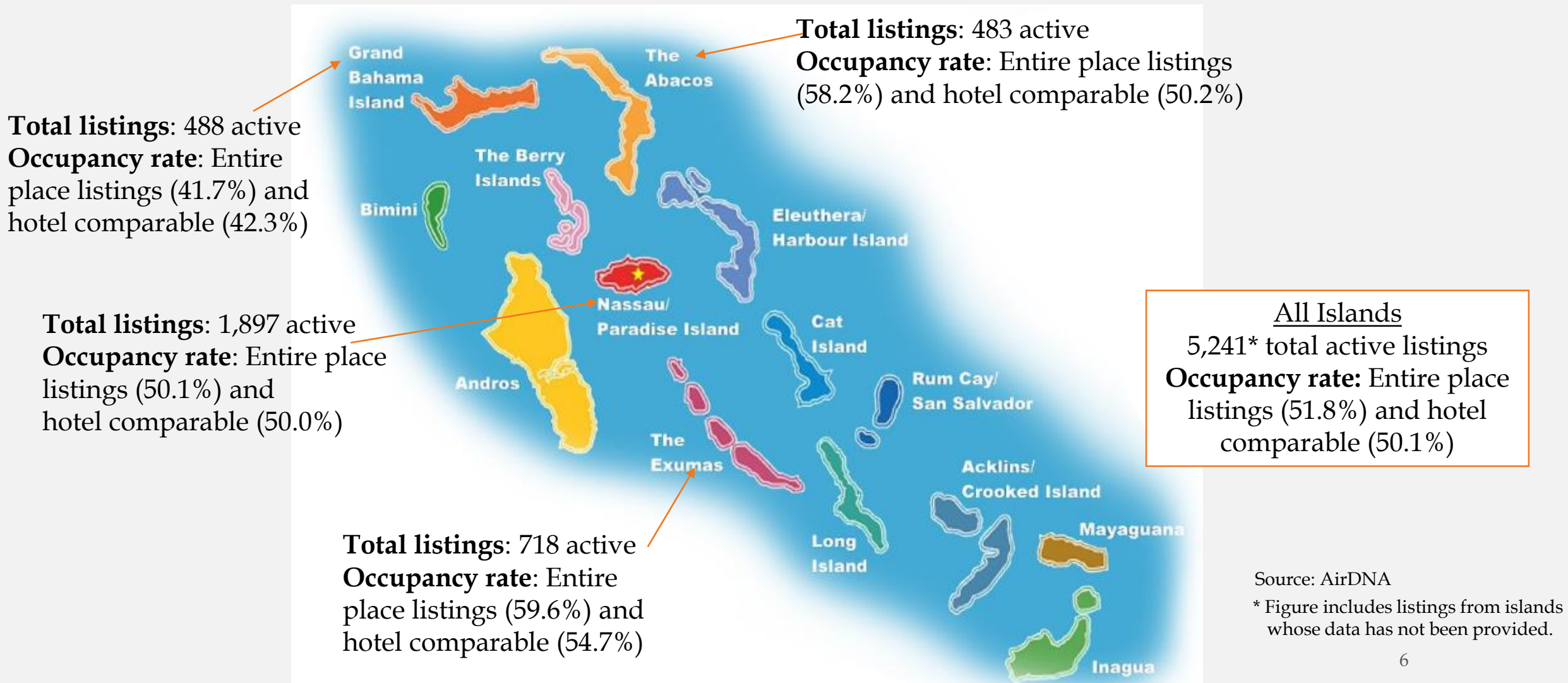
### January - September Departures vs. 2020 Baseline (=100%)



Source: Nassau Airport Development Company

\*All figures are net of domestic departures.

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



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

# Vacation Rentals: Occupancy Rates

## (January - September 2023 vs 2022)

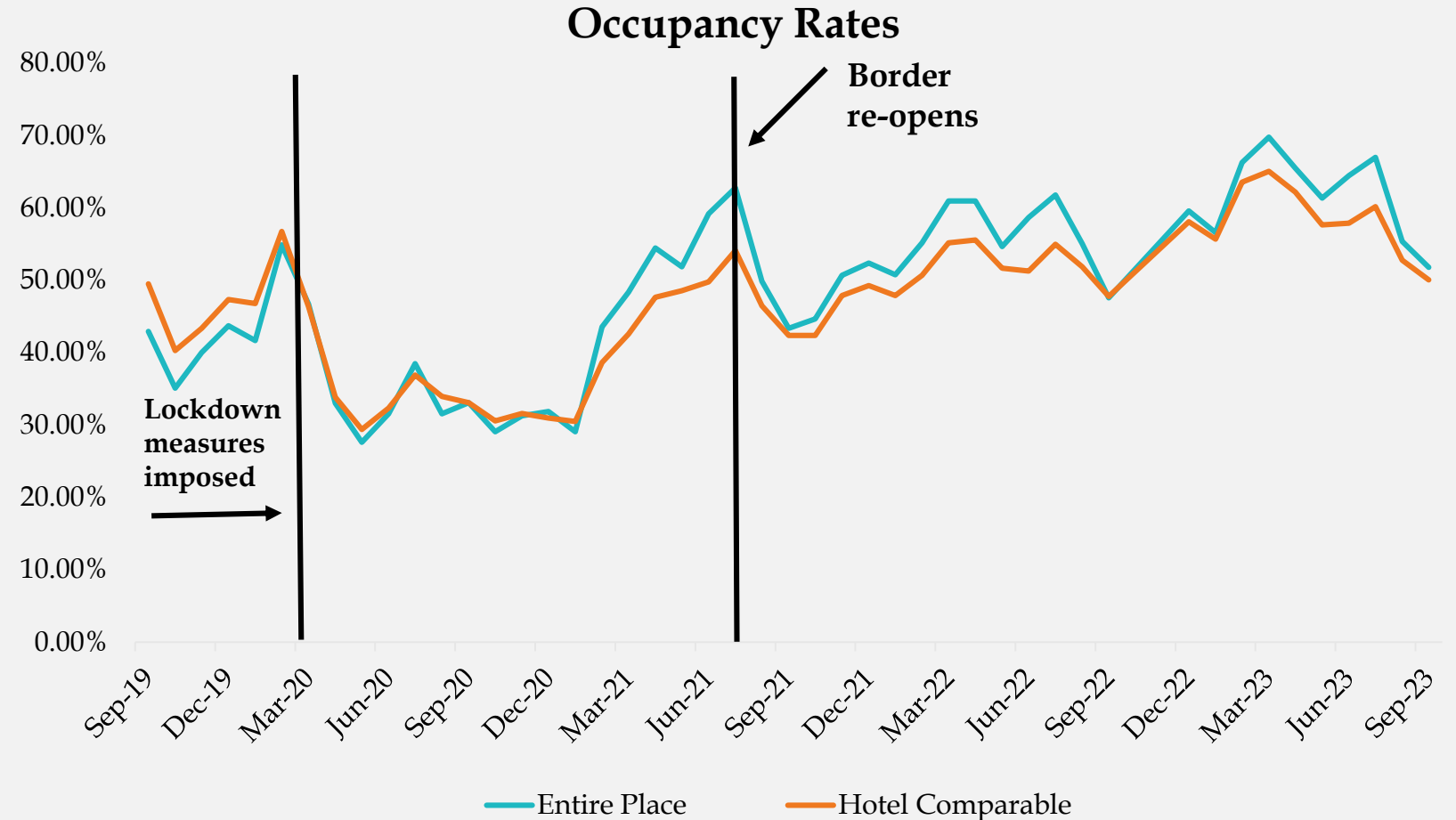
Vacation rental occupancy levels increased during the first nine months of 2023.

### Entire Place Listings

- The average occupancy rate rose to 51.8%, from 47.6% in the comparative 2022 period.

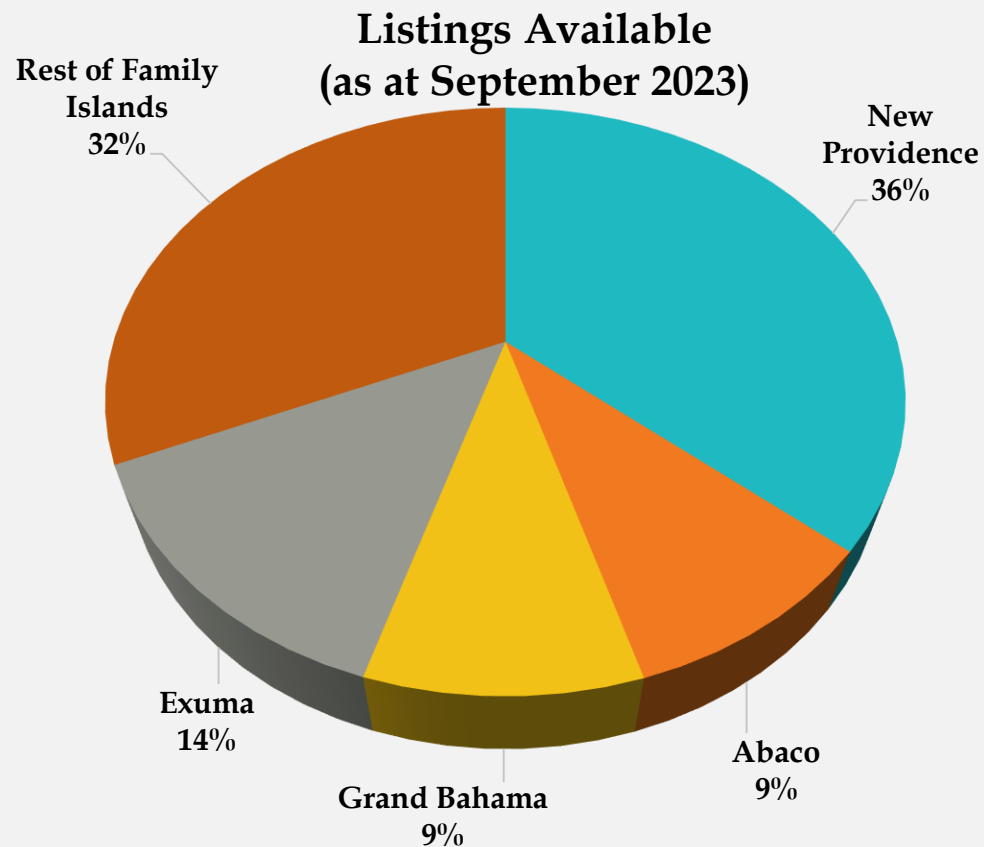
### Hotel Comparable Listings

- The average occupancy rate firmed to 50.1% from 47.8% in the prior year.



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

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



September listings for Abaco, New Providence and Grand Bahama rose by 16.7%, 16.5%, and 3.8% respectively, relative to the same period in 2022.

All Available Listings				
	Dec 2021	Sept 2022	Dec 2022	Sept 2023
Abaco	297	414	515	483
Grand Bahama	396	463	482	488
New Providence	1,532	1,628	1,811	1,897

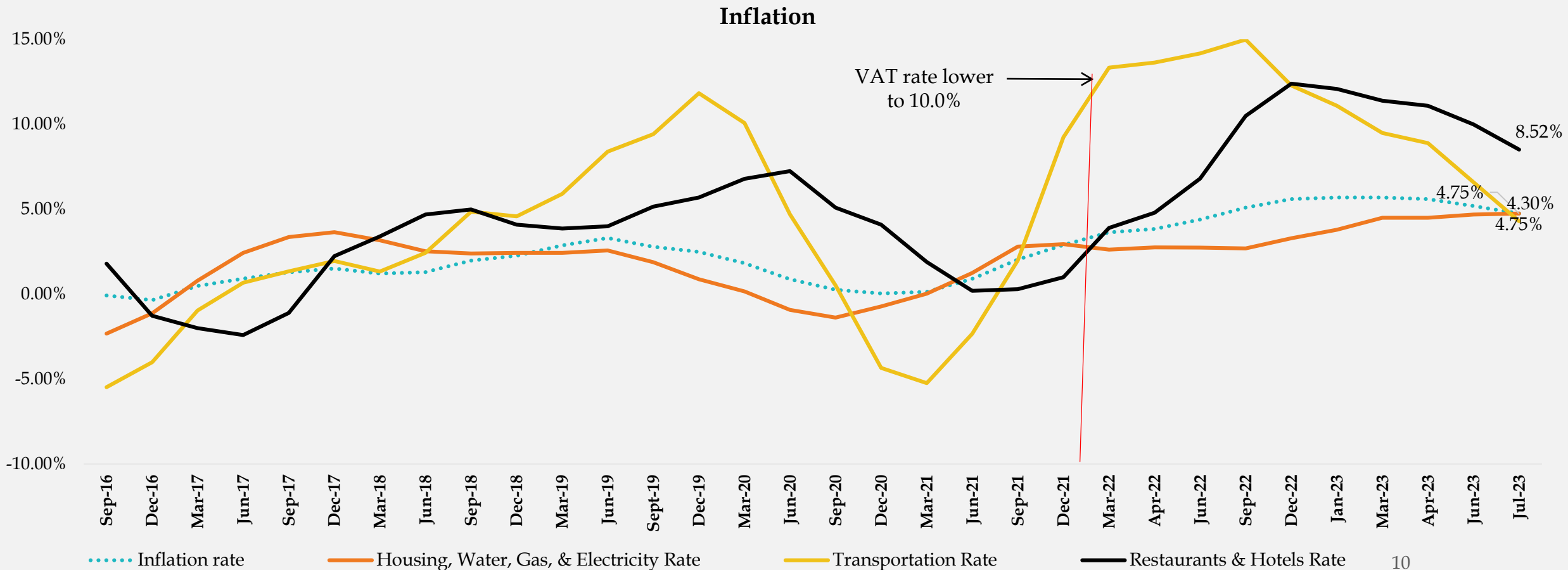




# INFLATION

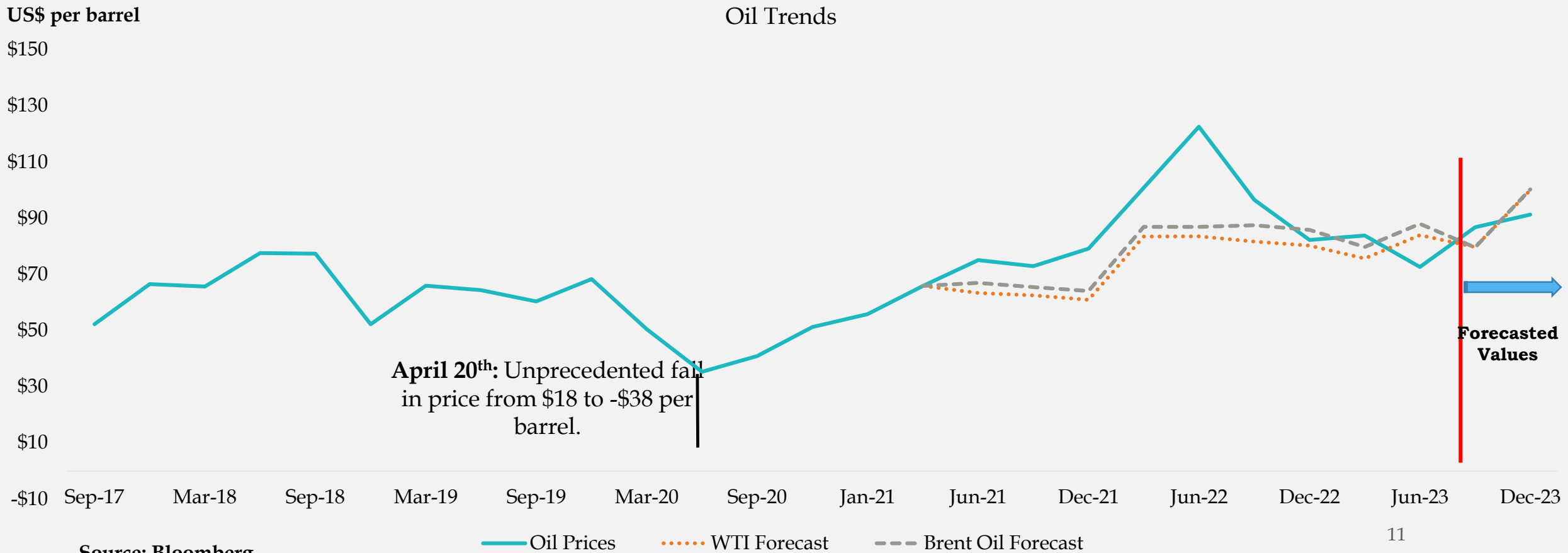
# Retail Price Index

On an annual basis to July 2023, inflation measured 4.8% as compared to 4.7% in the same period of 2022. This was led by higher average costs for recreation & culture and food & non-alcoholic beverages.



# Oil Price Trends

From January to September 2023, the cost of crude oil increased by 1.5% to \$86.84 per barrel. On the supply-side, OPEC's crude oil production rose by 1.0% in September to 27.75 million barrels per day.



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 a resort or a small village. The sky is clear and bright.

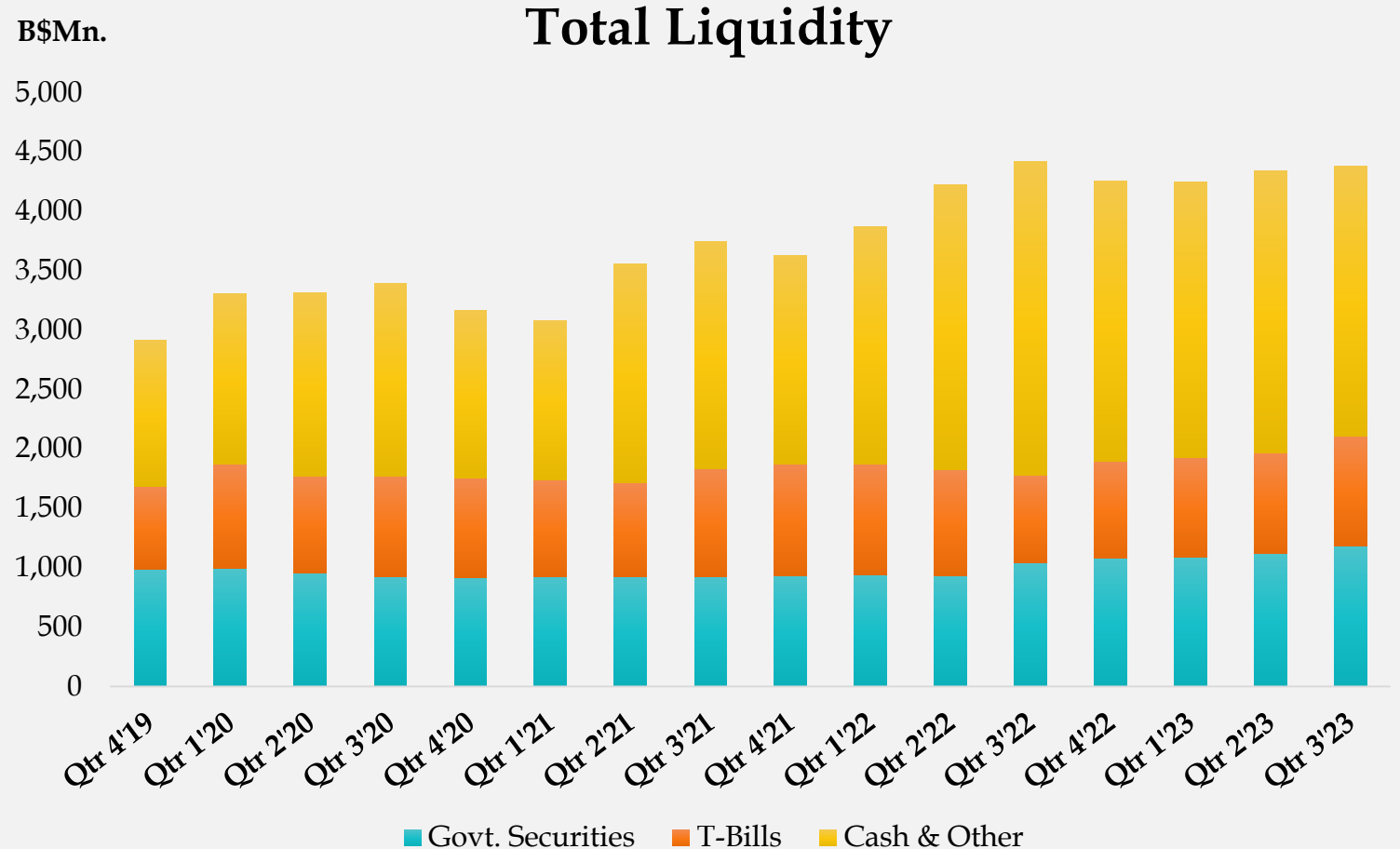
# MONETARY SECTOR

# Money and Banking: Liquidity Conditions

## January-September 2023 vs. 2022

During January to September 2023, the accumulation in liquidity slowed considerably from 2022, which had included significant net receipts from Government's external borrowings and more sizeable foreign exchange gains from real sector activities.

- The build up in excess liquid assets slowed to \$173.9 million, from \$530.6 million.
- Excess reserves decreased by \$1.7 million, following a \$714.2 million expansion in 2022.



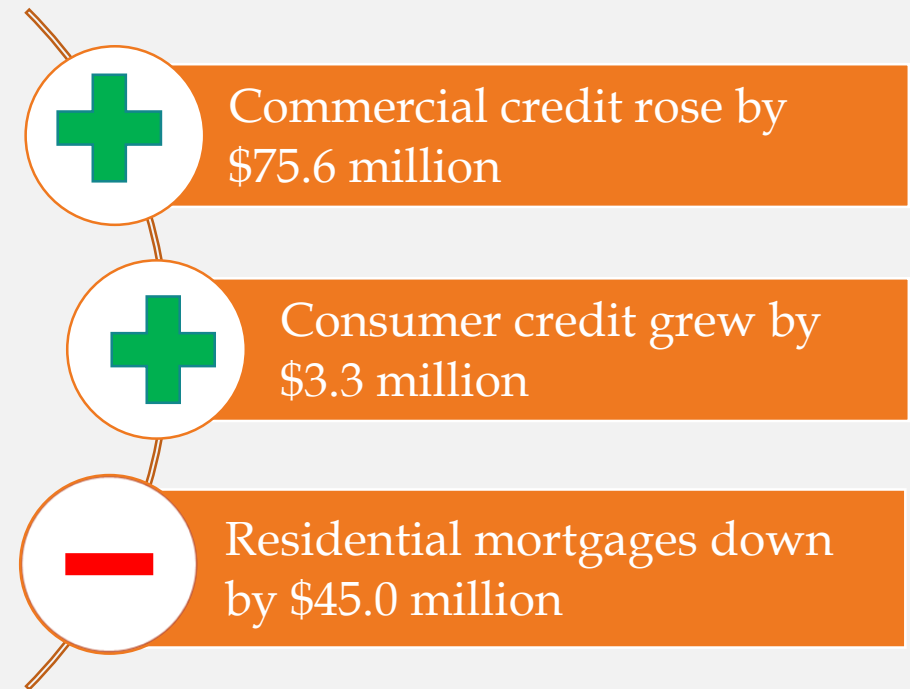
# Lending Conditions

## January- September 2023 vs. 2022

During the review period, total Bahamian dollar credit grew by \$200.1 million, a reversal from a \$269.6 million reduction in the preceding year.

- Net claims on the Government rose by \$174.1 million, reversing a \$177.1 million contraction in the comparative period last year.
- Conversely, credit to public corporations decreased by \$7.9 million, a turnaround from a \$36.8 million accumulation in the prior year.

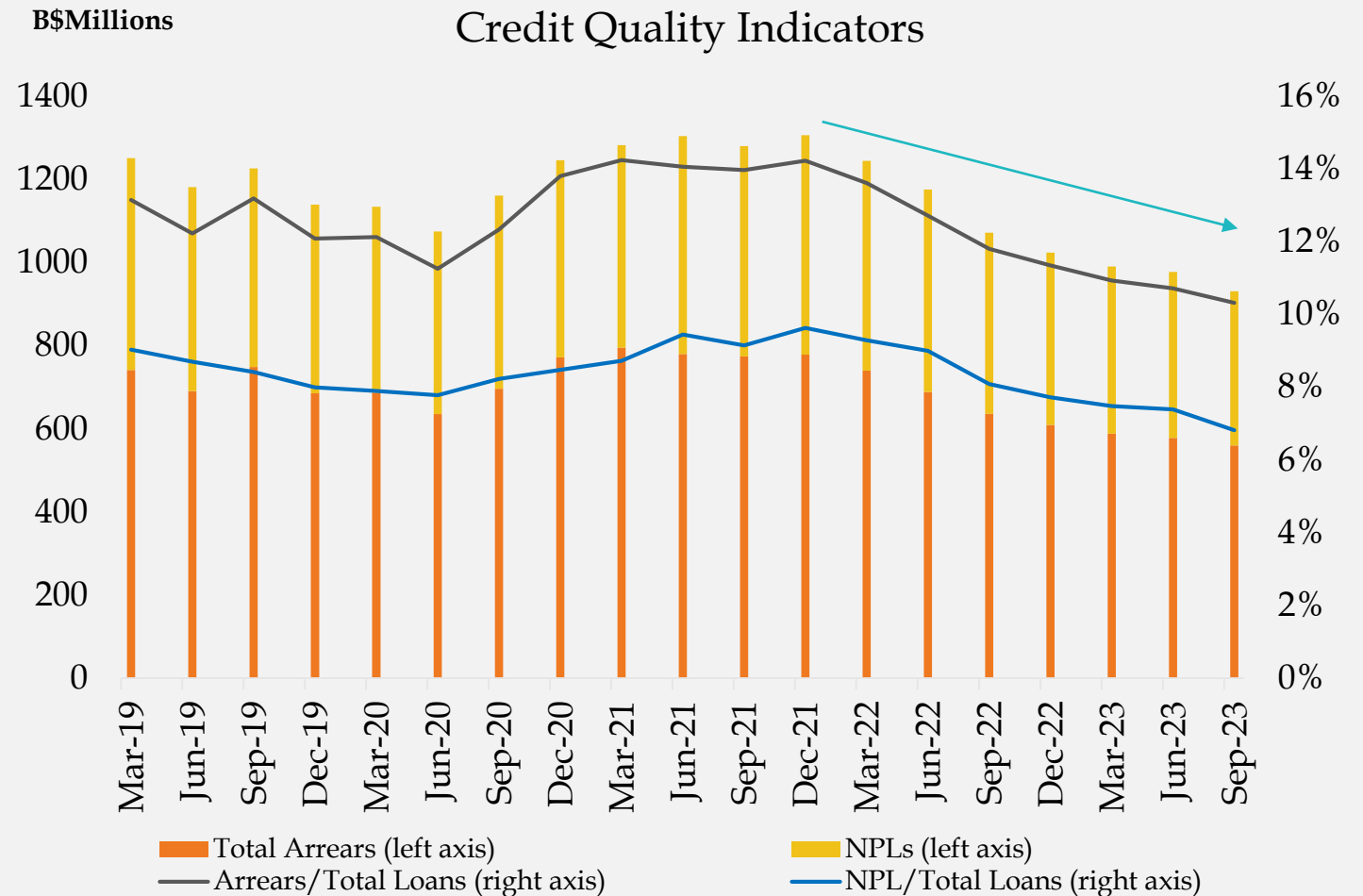
- Private sector credit increased by \$33.9 million, partly recovering from the \$129.3 million reduction in 2022.



# B\$ Credit Quality Indicators

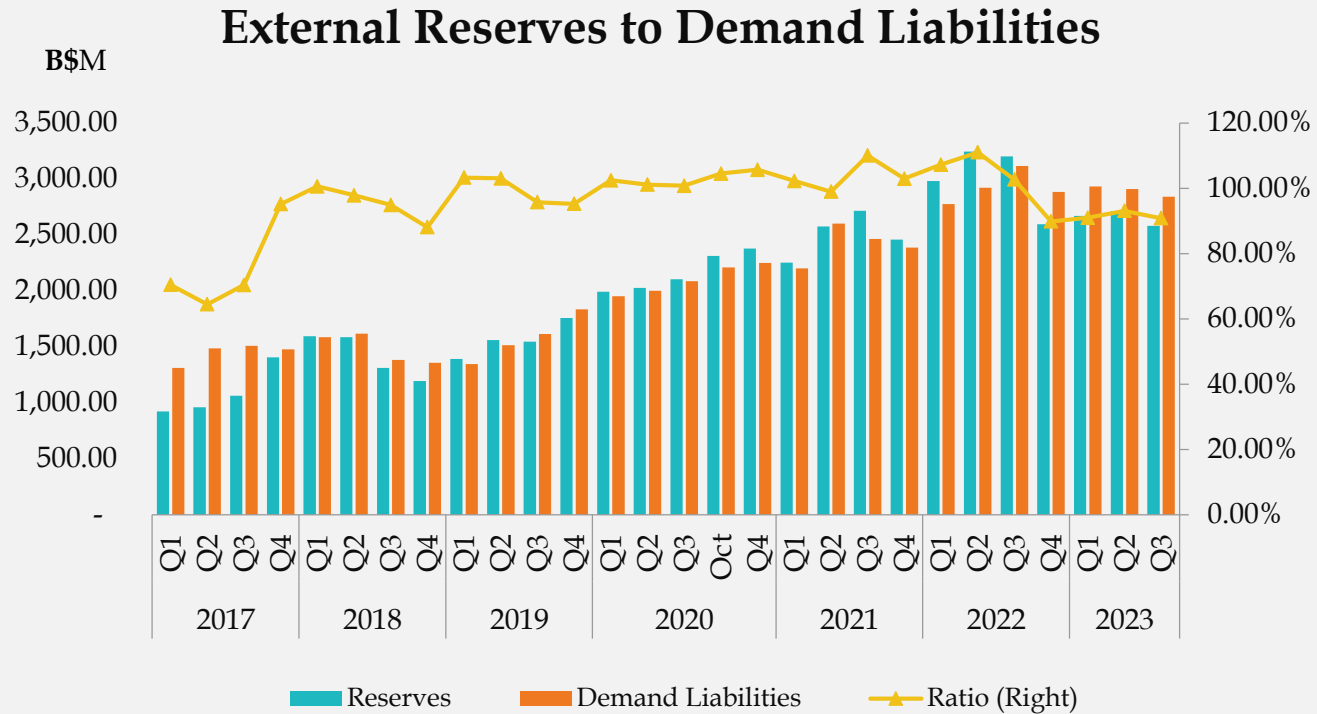
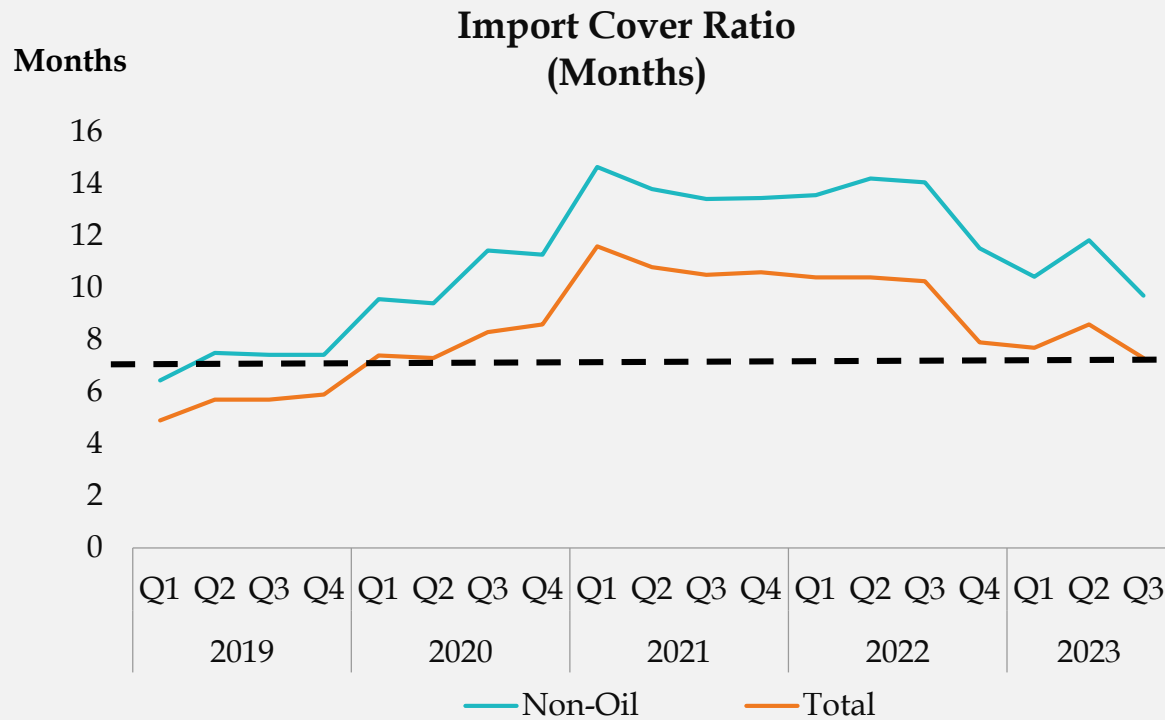
## September 2023 vs. 2022

- For the 1<sup>st</sup> three quarters of 2023, the arrears rate for private sector credit narrowed to 10.3% from 11.8% in 2022.
  - The short-term arrears rate was 3.5% (3.7% in September 2022).
  - The NPL rate was 6.8% (8.1% in September 2022).
  
- Arrears rate by loan type:
  - Mortgages: 13.8% vs 15.7% in 2022.
  - Consumer: 8.0% vs 9.4% in 2022.
  - Commercial: 6.1% vs 6.6% in 2022.



# External Reserves

## January-September 2023 vs. 2022



SOURCE: Central Bank of The Bahamas

External reserves reduced over the nine-month period, by \$9.1 million, contrasting with a \$746.3 million growth in 2022. Last year's outcome included proceeds from the Government's external borrowing activities and larger net private sector inflows. At end-September, external balances were \$2,585.6 million:

- Equivalent to 90.9% of the Central Bank's demand liabilities.
- Equivalent to 7.3 months of the current year's total merchandise imports.





**RESULTS FROM  
BANK LENDING CONDITIONS SURVEY**

# BANK LENDING CONDITIONS OVERVIEW

## January to June 2023

During the first half of 2023 Bank Lending Conditions improved, when compared to the same period in 2022.

Total applications received continued to increase, underpinned by a rise in consumer loans.

- Applications processed: 15,899
  - A 9.4% rise over the first half of 2022.
  - New Providence accounted for 81.6% of applications.
- The Approval Rate: 75.2%.
- Leading reasons cited for denied applications: high debt service ratio (DSR), no collateral, insufficient time on the job and under-employment.

# Bank Lending Conditions Results (January - June 2023)

Over the first six-months of 2023, the volume of credit applications grew, vis-à-vis June 2022, bolstered by increased demand for consumer credit.

## Total Applications

- 15,899 applications were received, 9.4% higher than the comparable period in 2022.

- The majority of applications were processed in New Providence (81.6%).

## Consumer Applications

- Consumer applications increased by 11.6%, year-on-year, representing 89.8% of total loans processed.

- During the same period, the approval rate firmed to 78.1%

## Mortgage Applications

- Total mortgage applications declined by 8.8%, relative to June 2022.

- Compared with the first half of 2022, the approval rate narrowed by 1.4 percentage points, to 32.2%, for this component.

## Commercial Applications

- Commercial applications fell by 1.5% year on year, owing to a falloff in demand in New Providence.

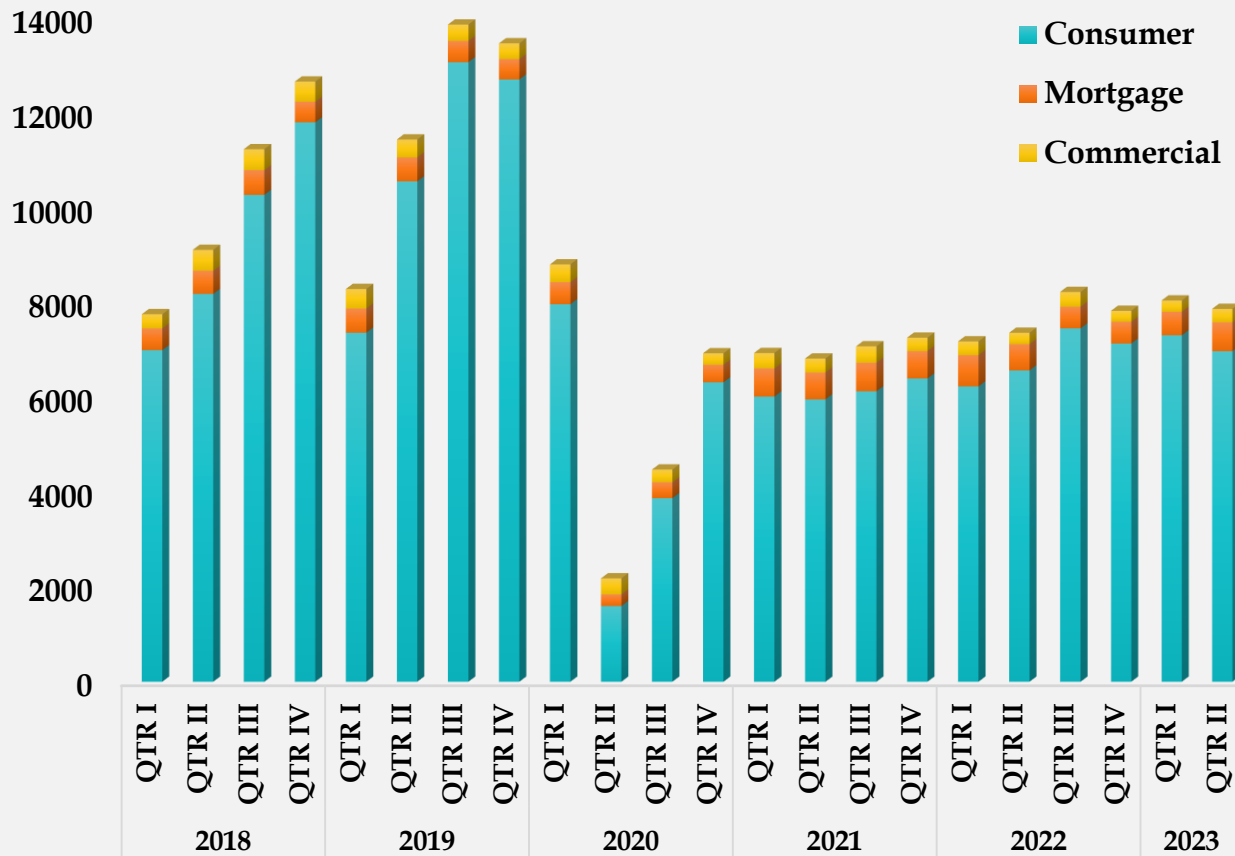
- Over the same period, the approval rate fell by 2.1 percentage points, to 86.6%.

## Loan Denials

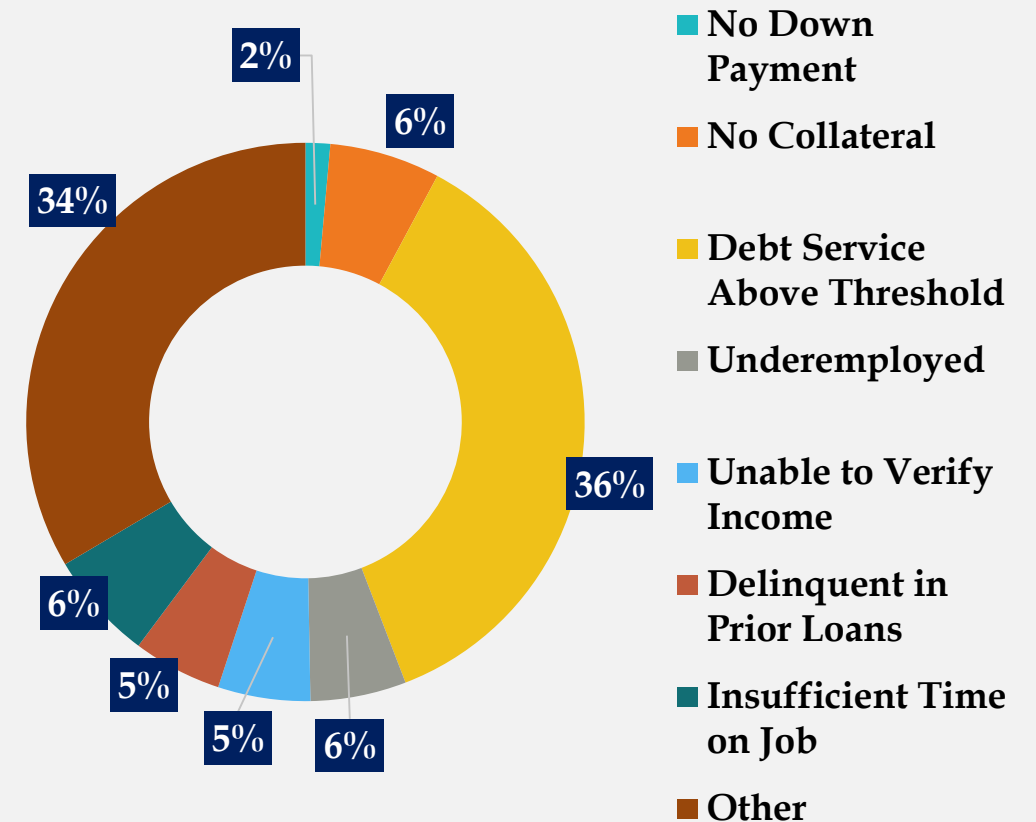
- Lenders cited high debt service ratio (DSR), no collateral, insufficient time of the job and underemployment, as top reasons for rejection of loan applications.

# Bank Lending Conditions Overview (January - June, 2023)

## Loan Applications Received by Loan Type

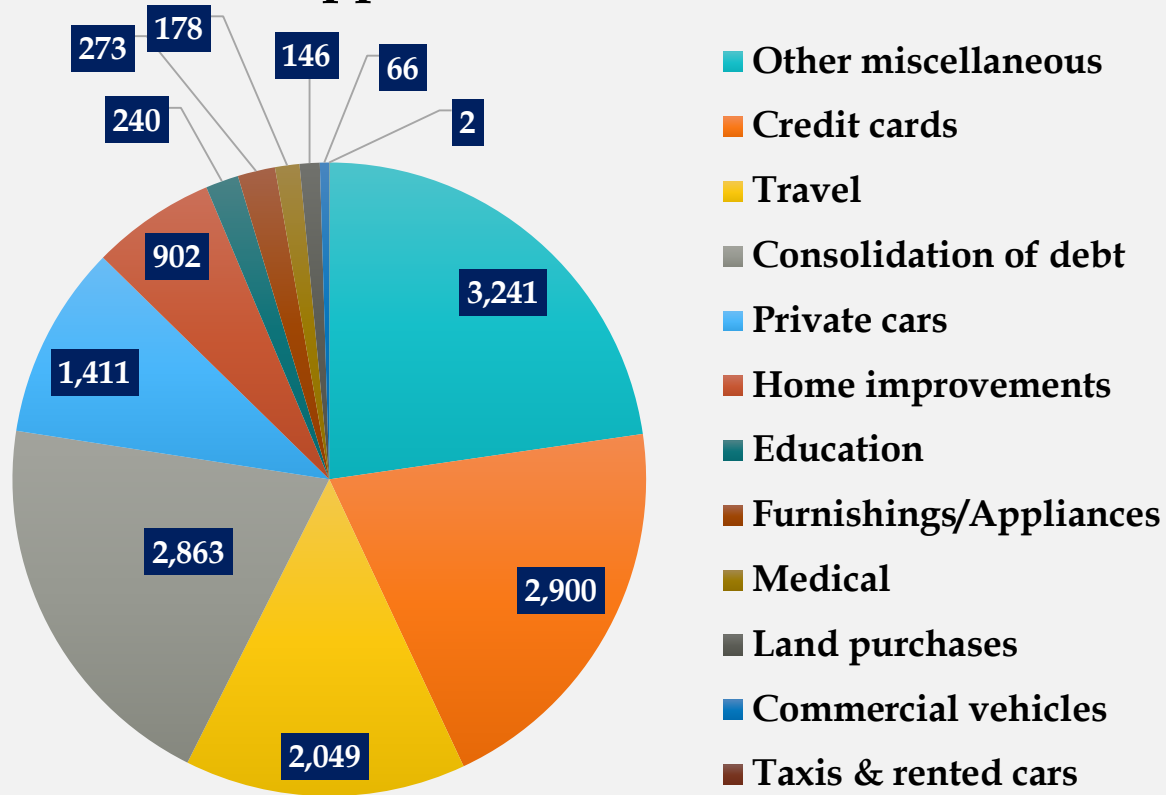


## Loan Denial Reasons

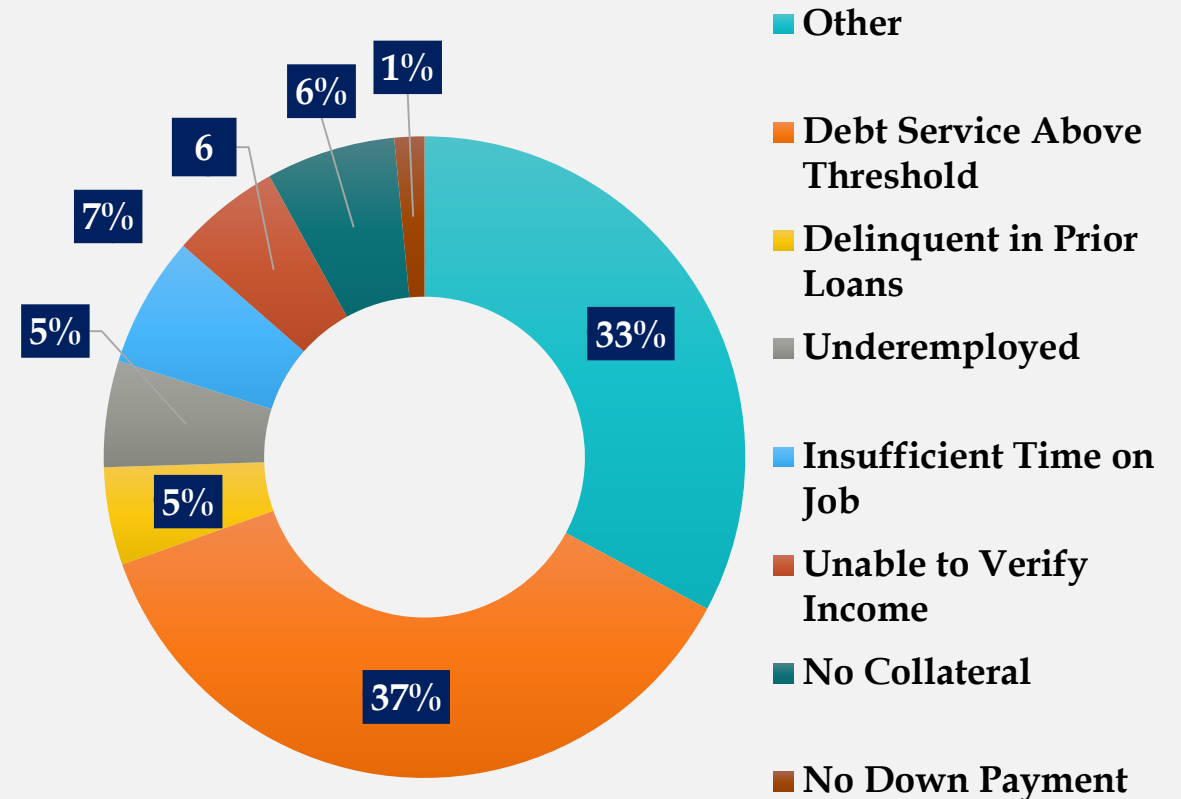


# Bank Lending Conditions (Consumer Loan Applications)

## Largest Categories of Consumer Loan Applications Received

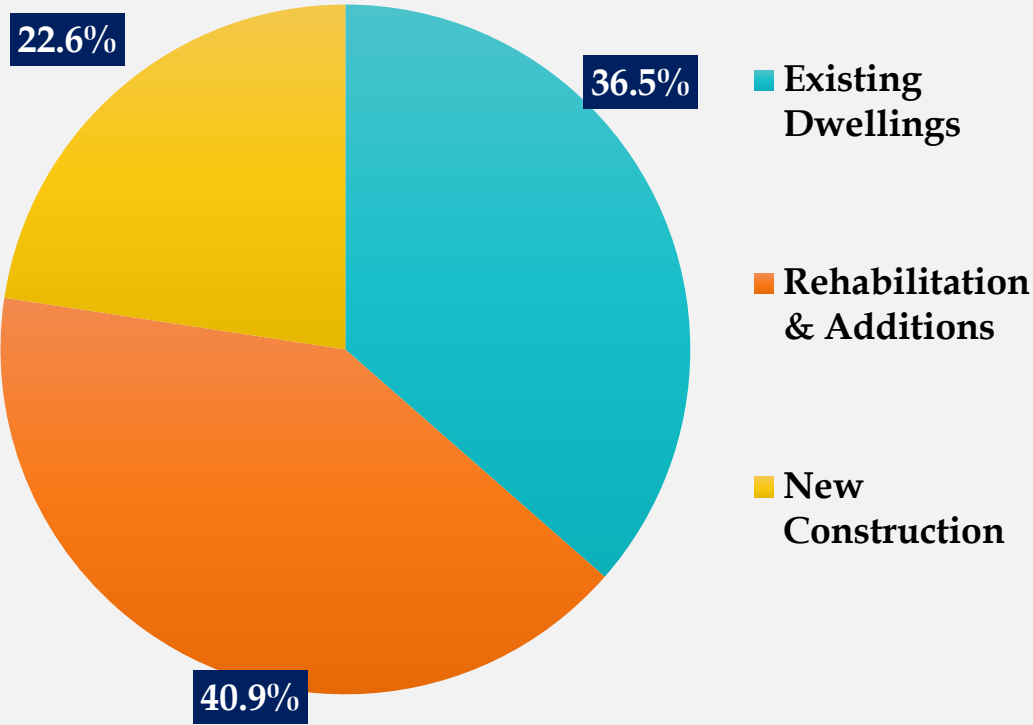


## Reasons for Consumer Loan Denials

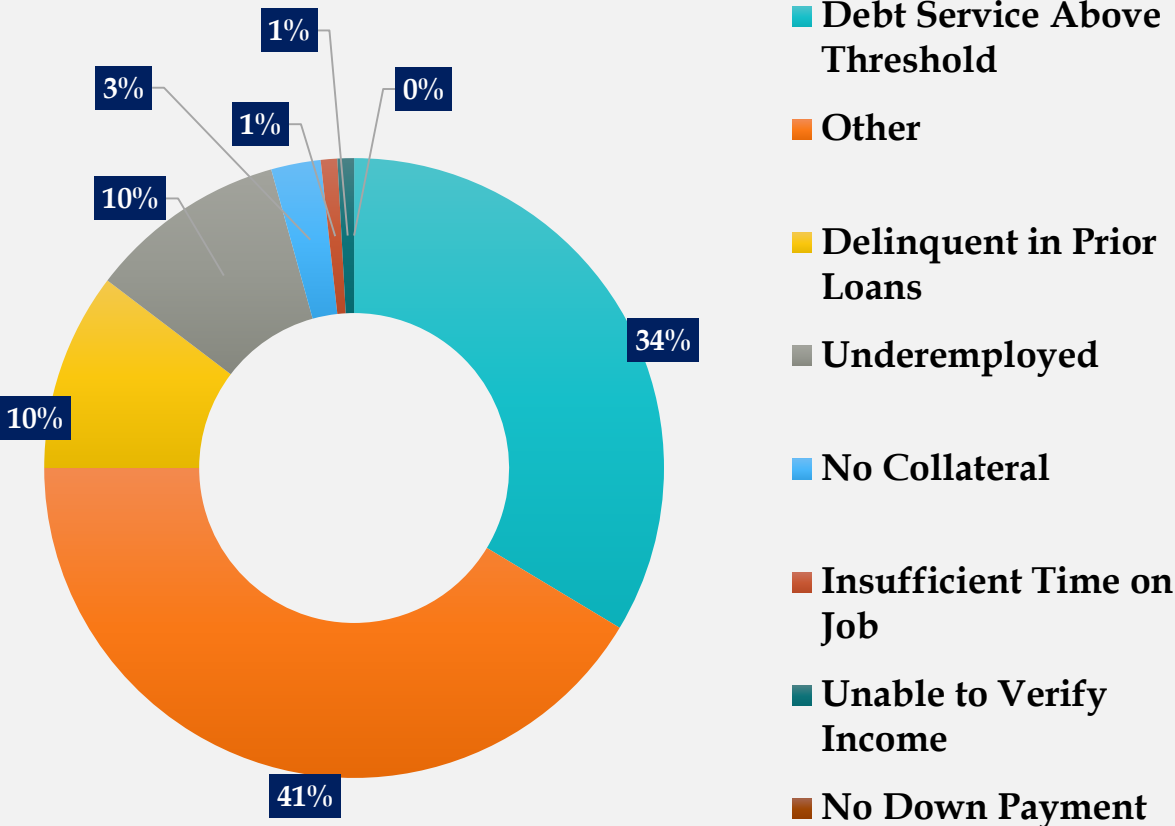


# Bank Lending Conditions (Mortgage Applications)

## Residential Mortgages Applications



## Reasons for Mortgage Loan Denials



Source: Central Bank of The Bahamas



# OUTLOOK

# Real Sector

- The Bahamian economy is projected to experience a healthy growth momentum in 2023, albeit at a moderated pace, as output surpasses pre-COVID-19 pandemic levels. Tourism is expected to benefit from the persistent demand for travel, undergirded by aggressive marketing efforts.
- Downside risks to tourism remain, related mainly to exogenous factors, such as higher global prices, which could hinder 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 beyond pre-pandemic levels.
- Elevated inflationary pressures are expected to persist in the near-term, due to higher global oil prices, increased costs for other imported goods, and supply chain shortages, related to geopolitical tensions in Eastern Europe.



# Fiscal Sector

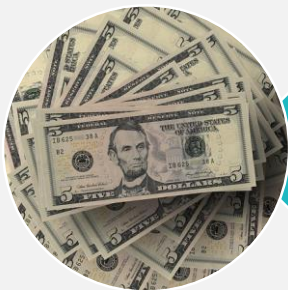
- The fiscal deficit is anticipated to trend downwards, as conditions become favorable for more consolidation.
- Recovery in revenue is anticipated to be significantly correlated with tourism-led improvements in taxable economic activity.
- Budgetary financing is expected to rely on the important use 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 expected to increase marginally in 2023, reflective of the sustained recovery in the domestic economy.



External reserve balances, though buoyant are expected to contract in 2023. However, holding should remain well above international benchmarks, supported by healthy trends in tourism and other private sector activities.

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

# Risks to The Outlook

## **TOURISM**

As the sector surpasses pre-pandemic output levels, the pace of expansion from pent up demand is expected to moderate.

## **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 derail job creation.

## **FISCAL**

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

# The End

