

# Quarterly Economic and Financial Developments Report

December 2023

Research Department



# Domestic Economic Developments

Indications are that during 2023, the Bahamian economy's growth momentum moderated, with the pace of expansion converging closer to its expected medium-term rate. Tourism output registered healthy growth, supported by 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

- During the first three quarters of 2023, tourist arrivals expanded to 7.2 million visitors, from 4.8 million in the same period of 2022.
- Over the full year, Nassau Airport Development Limited (NAD) annual departures rose by 22.9% to 1.6 million.
- Varied-scale foreign investment projects continued to provide stimulus to the construction sector.

## Monetary Sector

- During 2023, the narrow measure of bank liquidity decreased by \$61.0 million, a shift from a \$387.8 million increase in 2022. However, excess liquid assets rose by \$111.4 million, trailing 2022's \$334.0 million accumulation.
- On an annual basis, external reserves reduced by \$247.3 million to \$2,347.4 million. The previous year, registered a \$135.5 million expansion, partly given net proceeds from the Government's external borrowings.

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

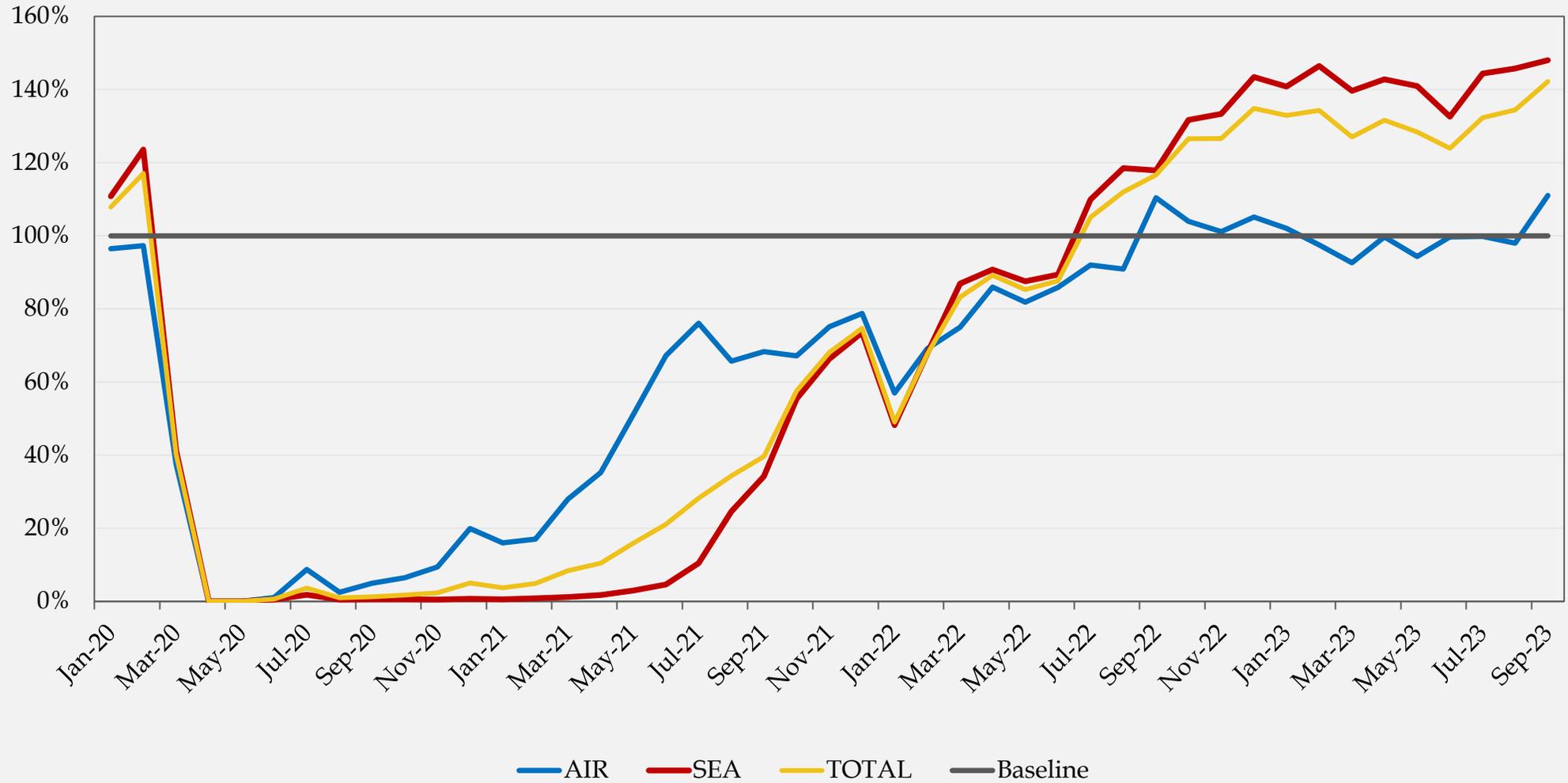
## (January - September 2023)

According to Ministry of Tourism data, during the first nine months of 2023, total visitor arrivals increased to 7.2 million, from 4.8 million visitors in the comparative period of 2022.

- Air arrivals (indicative of stopovers) firmed by almost 20.9% to 1.3 million.
- Sea arrivals accelerated to 5.9 million relative to 3.7 million in the previous year.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
Arrivals	2022	2023	2022	2023	2022	2023
<b>Air</b>	90.6	20.0	98.2	43.6	39.1	21.5
<b>Sea</b>	1171.1	58.0	580.4	67.4	1037.1	59.2
<b>Total</b>	<b>307.4</b>	<b>43.8</b>	<b>438.5</b>	<b>64.8</b>	<b>566.3</b>	<b>55.5</b>

**Tourism Arrivals vs Pre-Pandemic Baseline**  
(2018/19=100%)

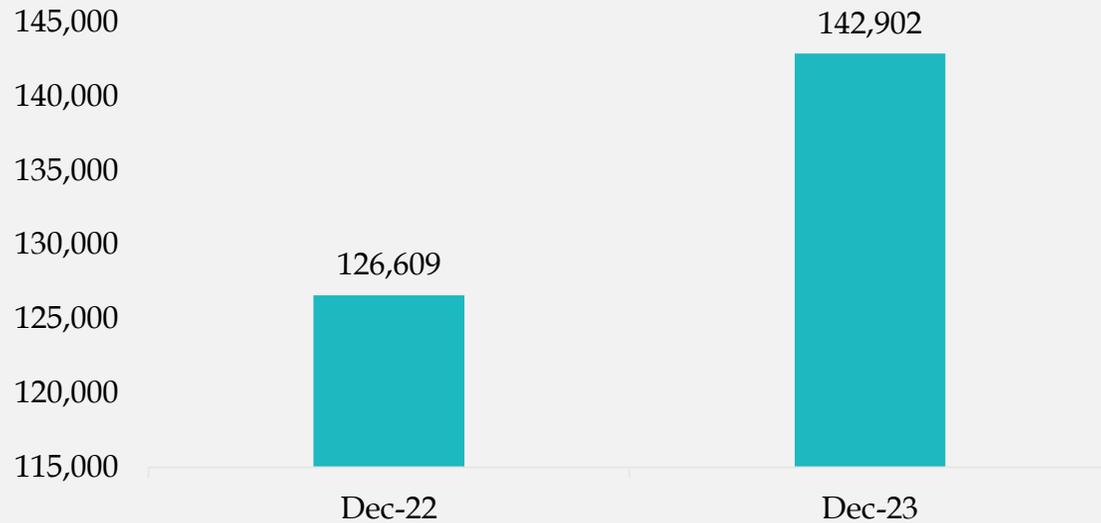


# Nassau Airport Development (NAD) International Departures January – December 2023

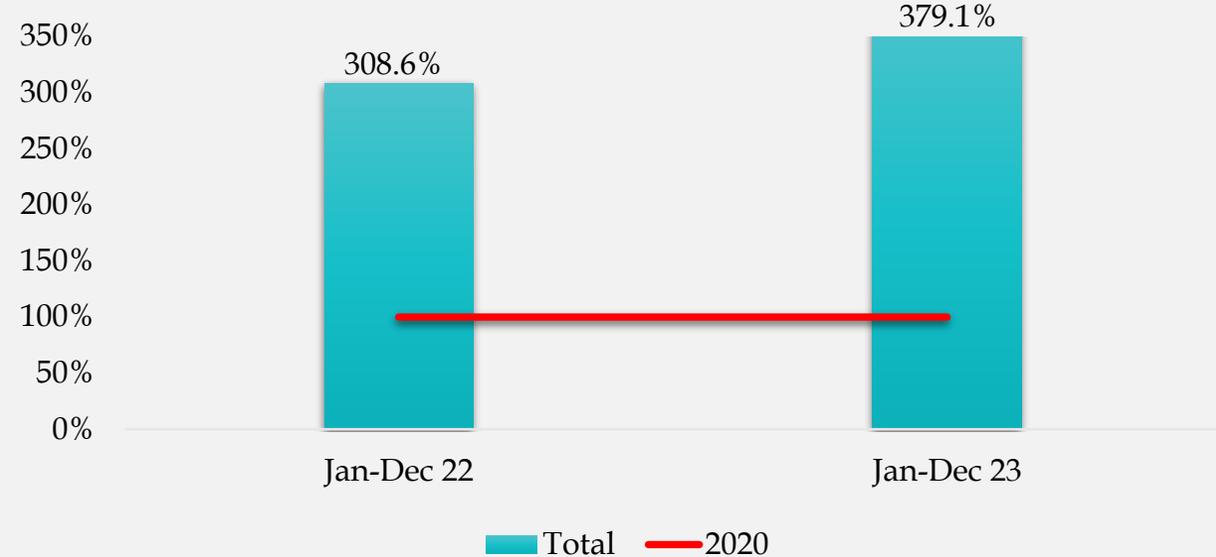
Monthly departures through Nassau Airport grew by 12.9% to 142,902 in December.

Data from NAD indicated that annual departures rose by 22.9% to 1.6 million passengers in 2023.

**International Departures  
December 2022 vs December 2023**



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

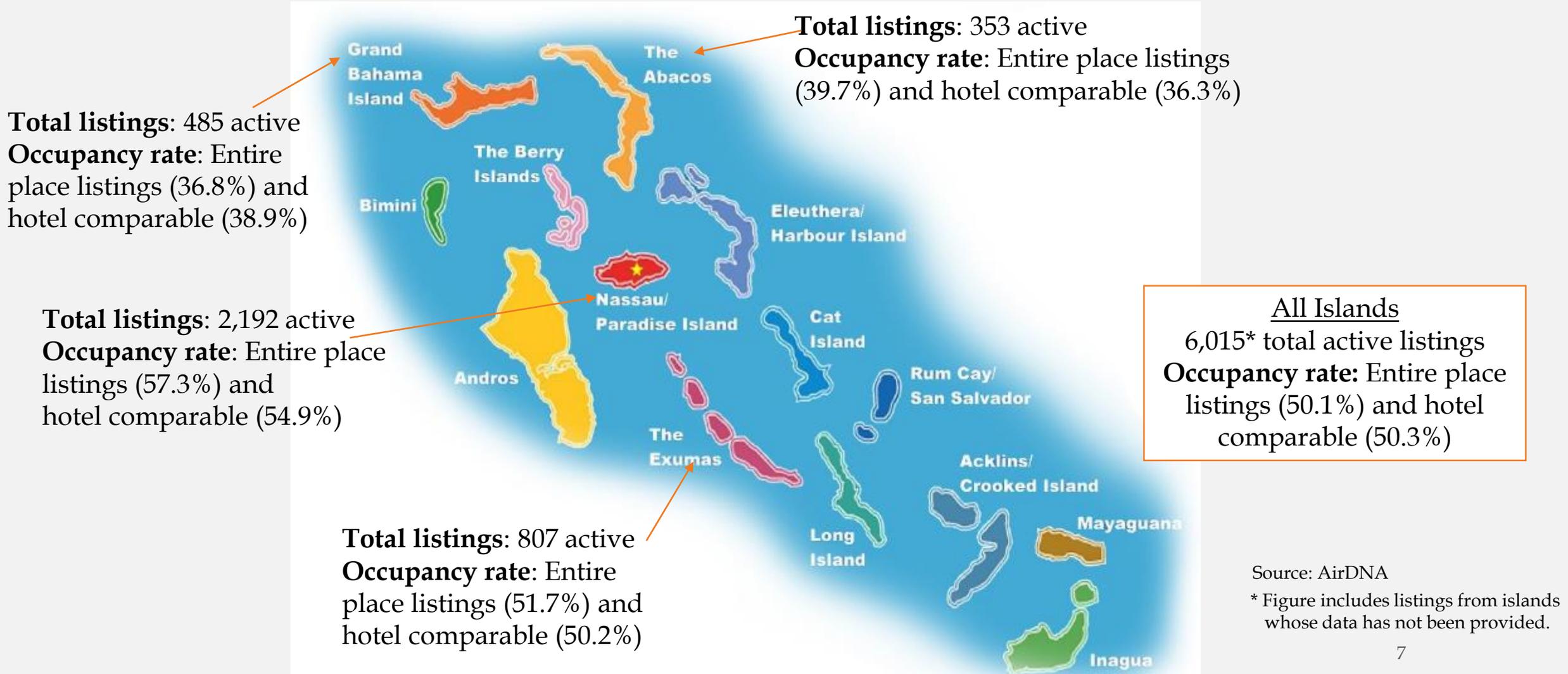


Source: Nassau Airport Development Company

\*All figures are net of domestic departures.

# Airbnb: Snapshot of Vacation Rentals

(as at December 2023)



# Vacation Rentals: Occupancy Rates

## (January - December 2023 vs 2022)

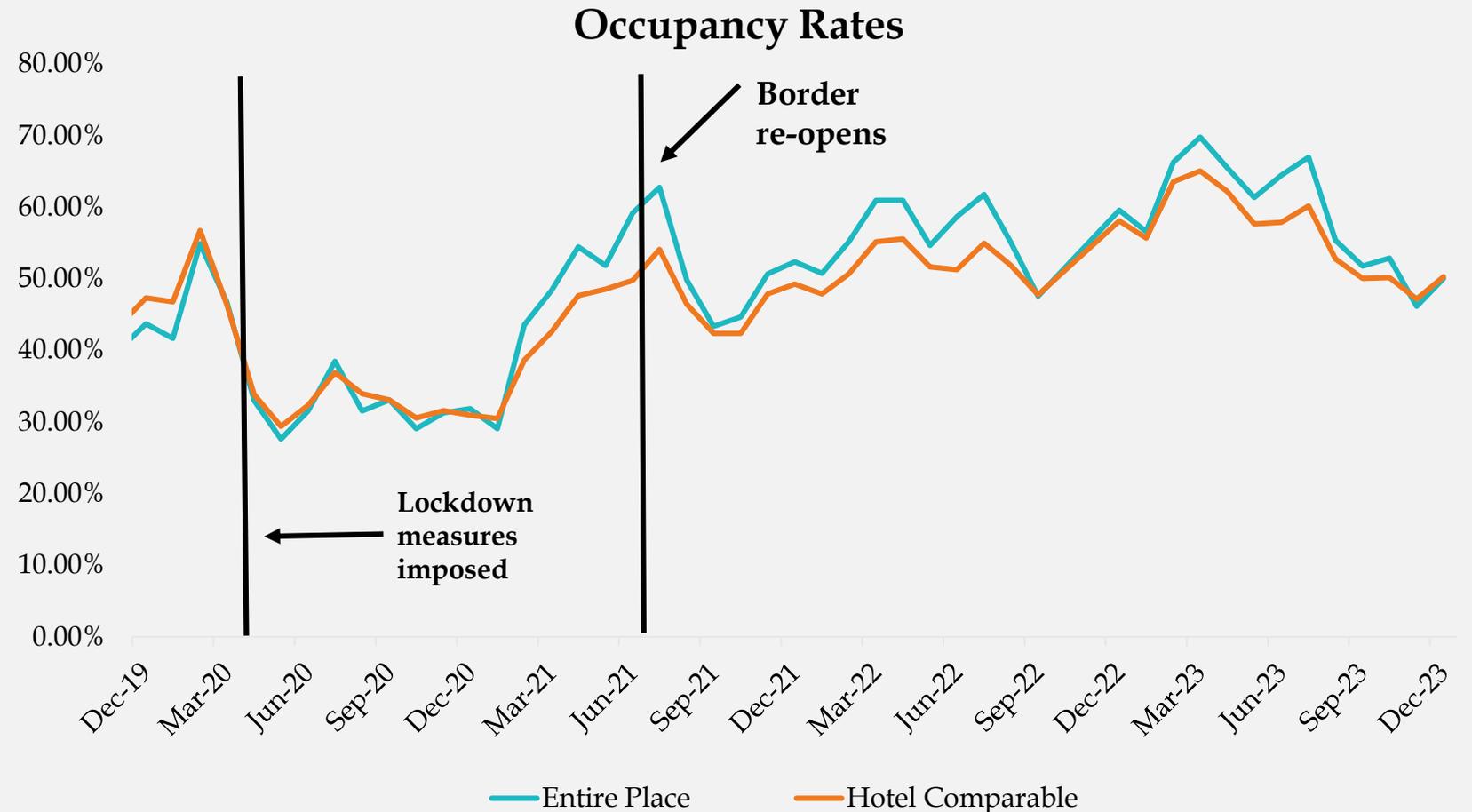
Vacation rental occupancy levels increased in 2023.

### Entire Place Listings

- The average occupancy rate increased to 59.0%, from 55.6% in 2022 period.

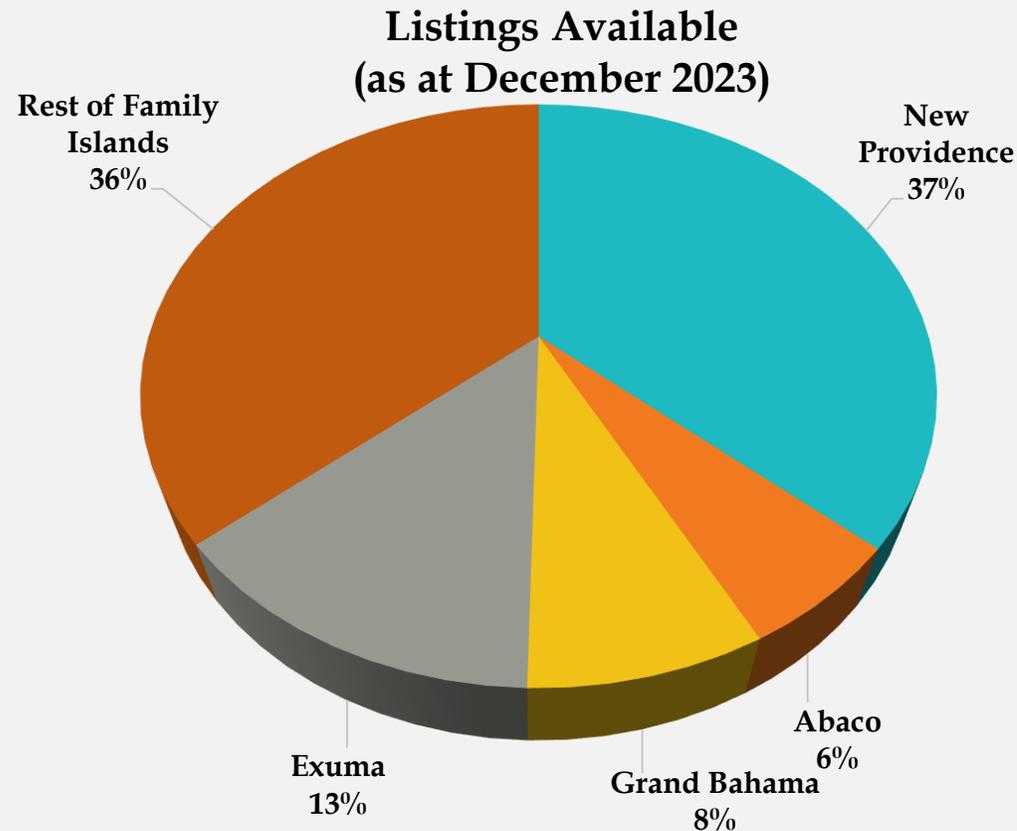
### Hotel Comparable Listings

- The average occupancy rate grew to 56.1% from 52.1% in the prior year.



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

During 2023, vacation rental listings increased for New Providence and Grand Bahama; while listings for Abaco fell. Exuma and the remaining Family Islands, accounted for approximately half of available listings.



In December, listings for New Providence and Grand Bahama rose by 21.0% and by 0.6%, respectively; however, Abaco listings fell by 31.5%.

All Available Listings				
	June 2022	Dec 2022	June 2023	Dec 2023
Abaco	471	515	554	353
Grand Bahama	463	482	521	485
New Providence	1,672	1,811	1,895	2,192

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, possibly a resort or hotel. The sky is clear and bright.

# **SELECTED FOREIGN INVESTMENT PROJECTS**

## **Recent Approvals/Announcements**

# Selected New Foreign Investment Projects

## New Providence

### RCCL- PDI Paradise Island Limited

- Approval was granted for the revised master plan for the Royal Beach club entertainment facility on the western end of Paradise Island (\$165.0 million).

## Abaco

### Walker's Cay Landholding Limited

- Approved to begin Phase II of the development, which will feature 16 condo-cottages, glamping facilities and other amenities. The project, estimated to cost \$200.0 million, is expected to employ 300 workers, with an additional 150 incremental employees as Phase II progresses.

### Lookout Hill Ltd.

- Approved for private residential development (10 acres) featuring 17 high-end homes, a 17 dock slip marina and other amenities. The project will cost \$110.0 million and is anticipated to employ 125 workers.

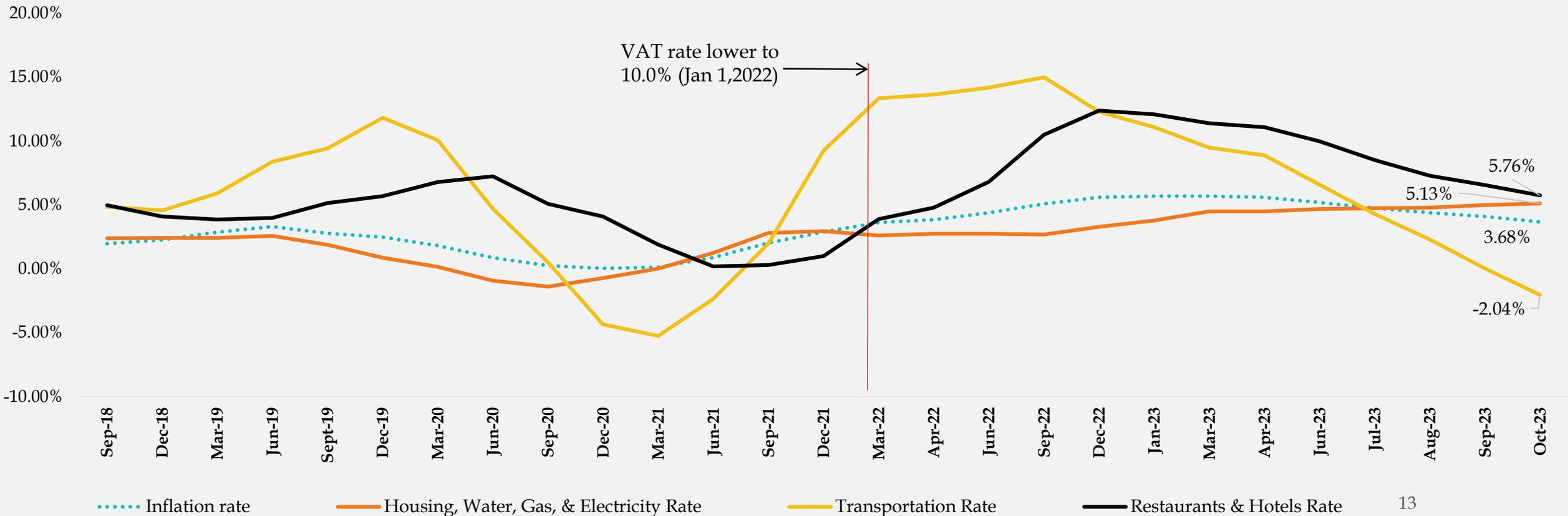


# INFLATION

# Retail Price Index

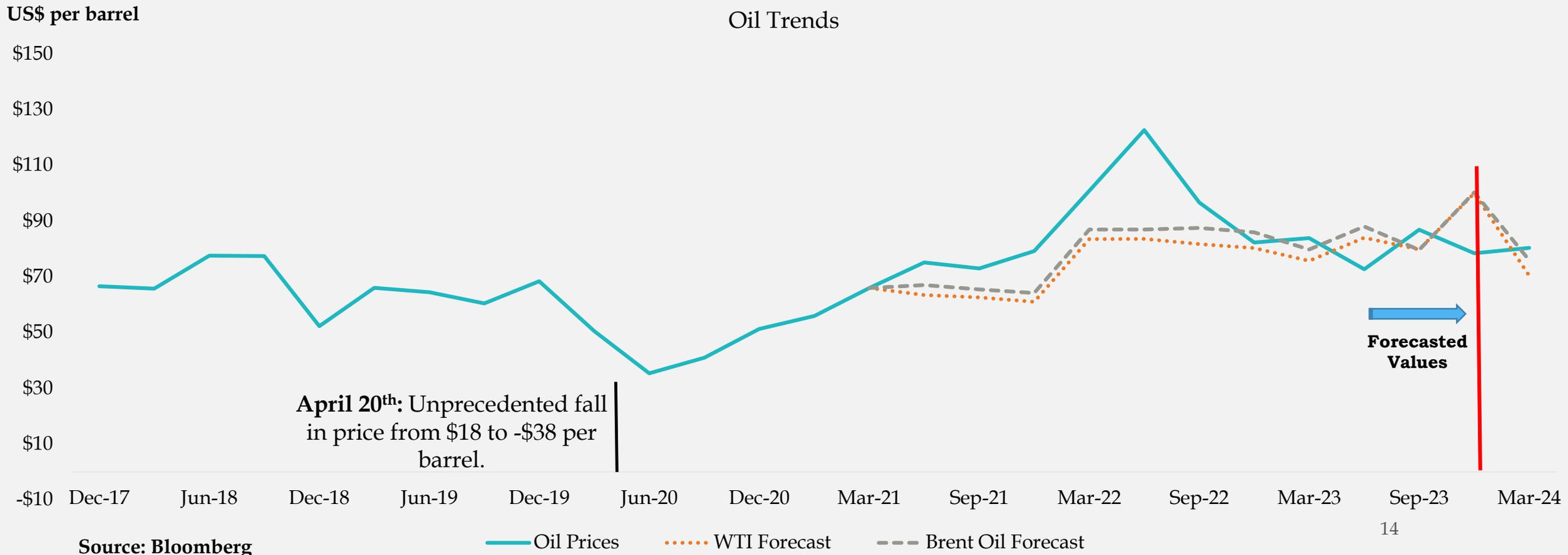
On an annual basis to October 2023, inflation softened to 3.7% from 5.4% in the same period of 2022. The outturn was led by decreases in average costs for transportation and communication.

## Inflation



# Oil Price Trends

At end-2023, the cost of crude oil decreased by 10.2% to \$78.42 per barrel. On the supply-side, OPEC's crude oil production rose by 0.3% in December, to 26.7 million barrels per day.





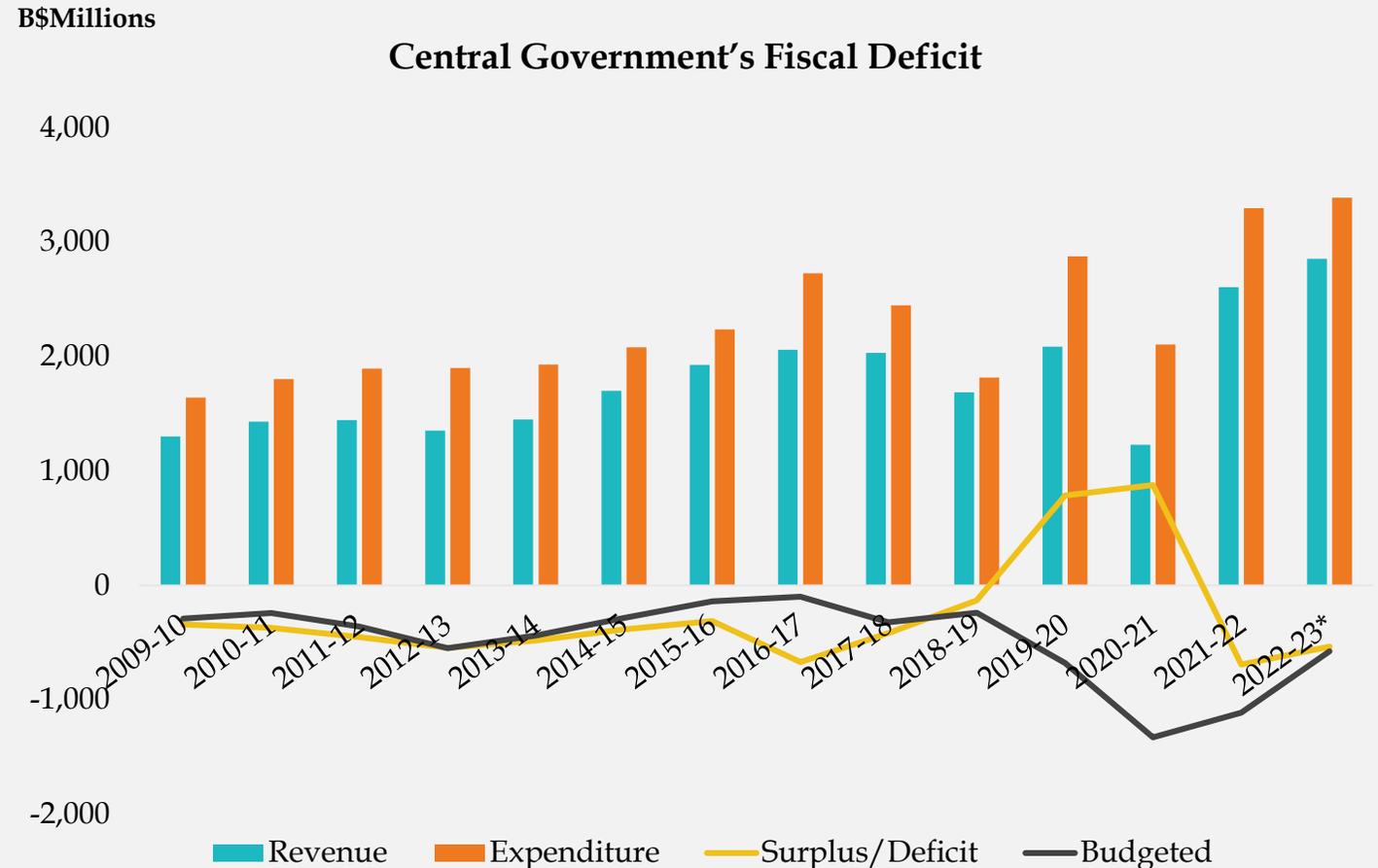
# FISCAL SECTOR

# Fiscal Sector

## Fiscal Year Outcome: FY2022/2023

During fiscal year FY2022/23, the deficit narrowed to \$533.4 million from \$717.4 million in FY2021/22, attributed to growth in total revenue, which outpaced the rise in aggregate expenditure.

- Revenue expanded by \$246.5 million (14.4%) to \$2,855.8 million.
  - Specifically, VAT receipts grew by \$116.2 million (10.2%), to \$1,252.0 million.
- Expenditure rose by \$62.5 million (1.9%) to \$3,389.2 million.
  - Recurrent outlays increased by \$18.9 million (0.6%) to \$3,061.8 million.
  - Likewise, capital spending advanced by \$43.6 million (15.4%) to \$327.4 million.



Source: Ministry of Finance  
 \*Data for twelve months of FY2022/23.

# FY2022/23 Budget Projections vs. Actual Outturn

(B\$ Millions)

	Actual Outturn	Budgeted	Difference (+/-)
<b>Revenue</b>	2,855.8	2,857.3	-1.5
Tax Revenue	2,474.1	2,537.2	-63.1
Non-tax Revenue	381.6	320.2	61.4
<b>Expenditure</b>	3,389.2	3,432.8	-43.6
Recurrent Expenditure	3,061.8	3,073.7	-11.9
Capital Expenditure	327.4	359.1	-31.7

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.

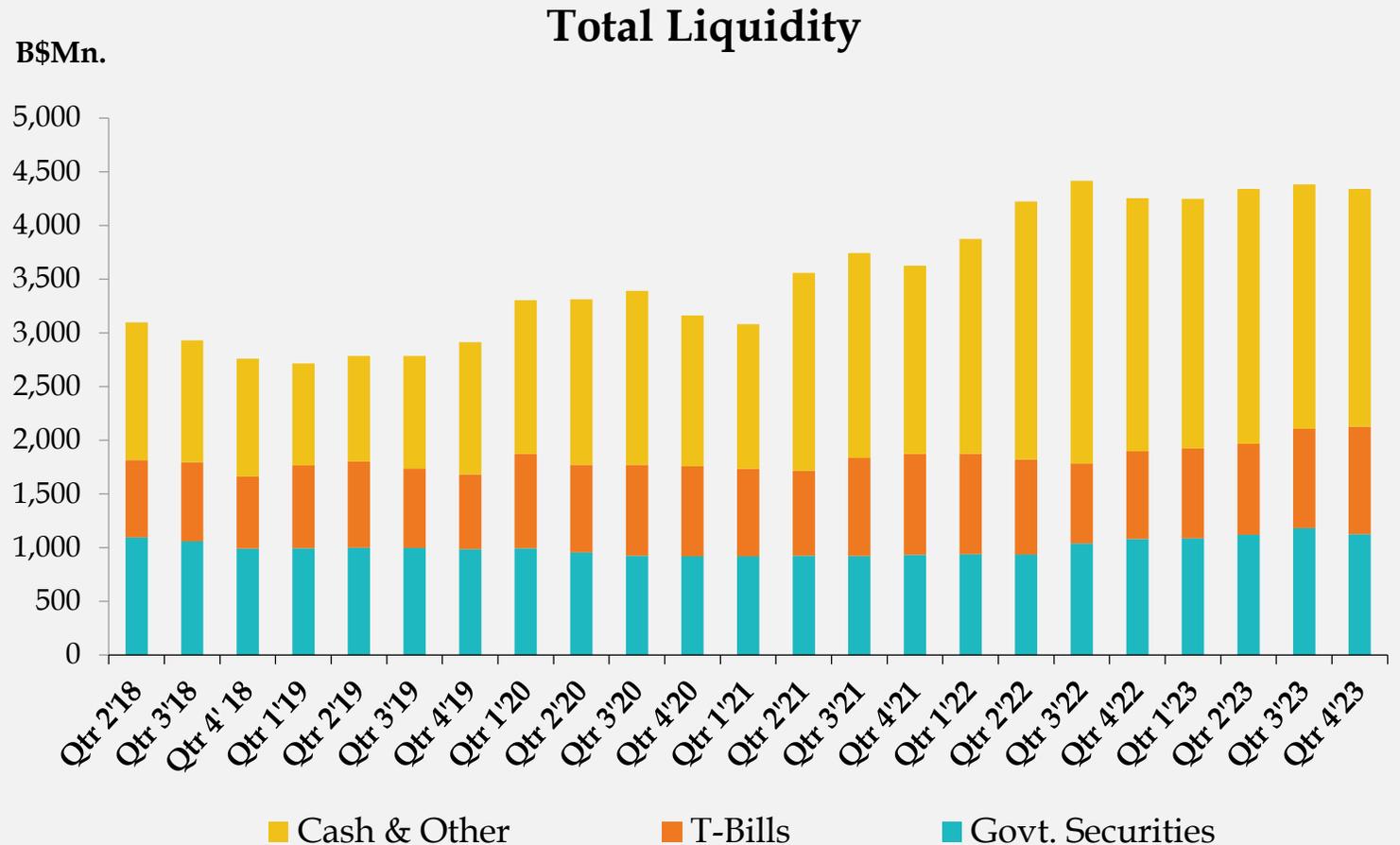
# MONETARY SECTOR

# Money and Banking: Liquidity Conditions

## January-December 2023 vs. 2022

During 2023, the buildup in liquidity moderated vis-à-vis the prior year which had included proceeds from Government's external borrowings.

- The growth in excess liquid assets slowed to \$111.4 million, from \$334.0 million in the prior year.
- Conversely, narrow liquidity (excess reserves) reduced by \$61.0 million, following a \$387.8 million accumulation in 2022.



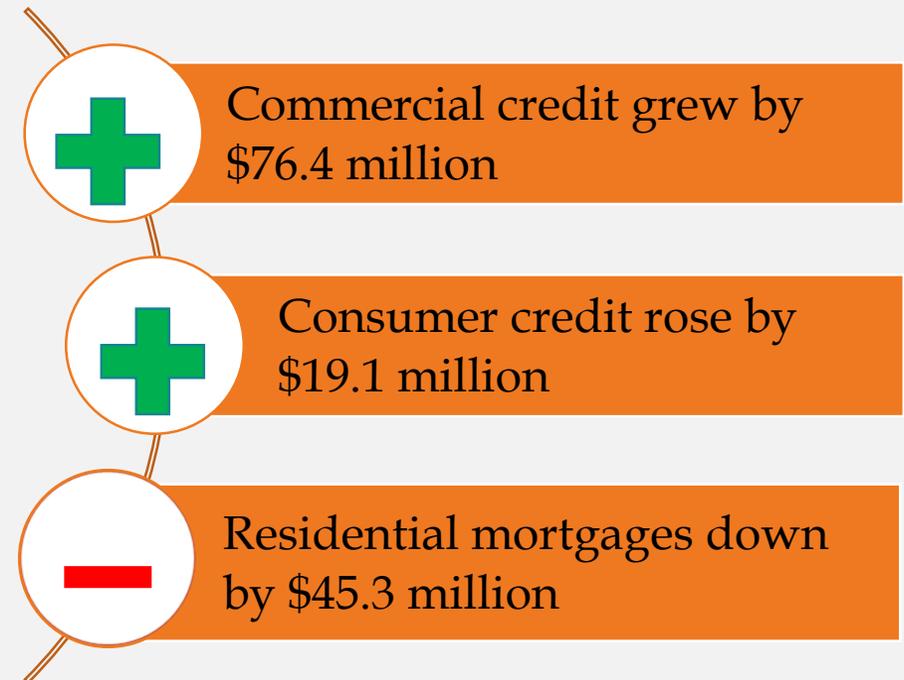
# Lending Conditions

## January- December 2023 vs. 2022

During the review year, total Bahamian dollar credit rose by \$222.0 million, from \$3.2 million in the preceding year.

- Net claims on the Government grew by \$178.6 million, extending the \$98.3 million growth in 2022.
- Conversely, credit to public corporations decreased by \$3.9 million, a shift from the \$32.8 million accumulation in the prior year.

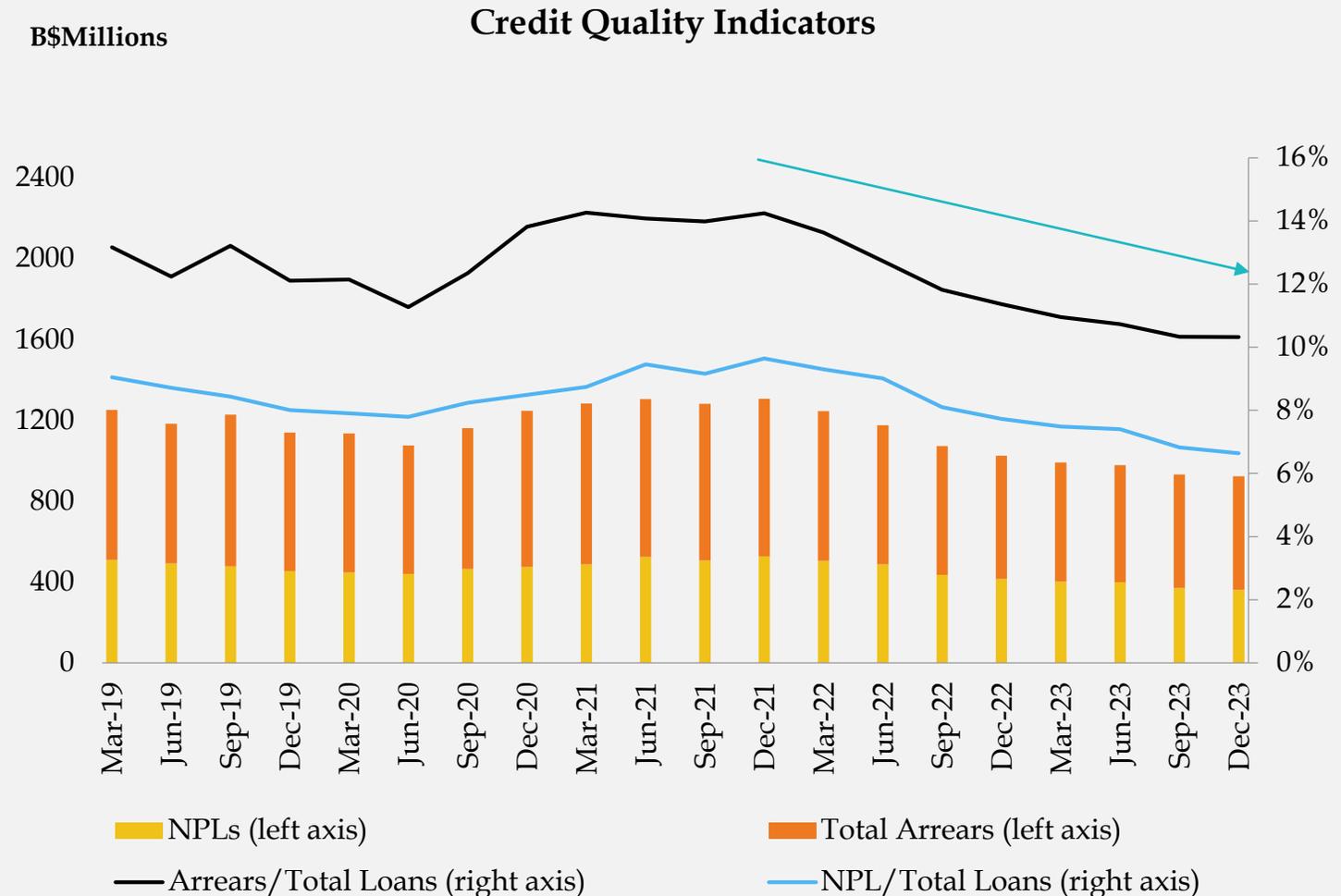
- Private sector credit increased by \$50.3 million, a turnaround from the \$127.9 million reduction in 2022.



# B\$ Credit Quality Indicators

## January-December 2023 vs. 2022

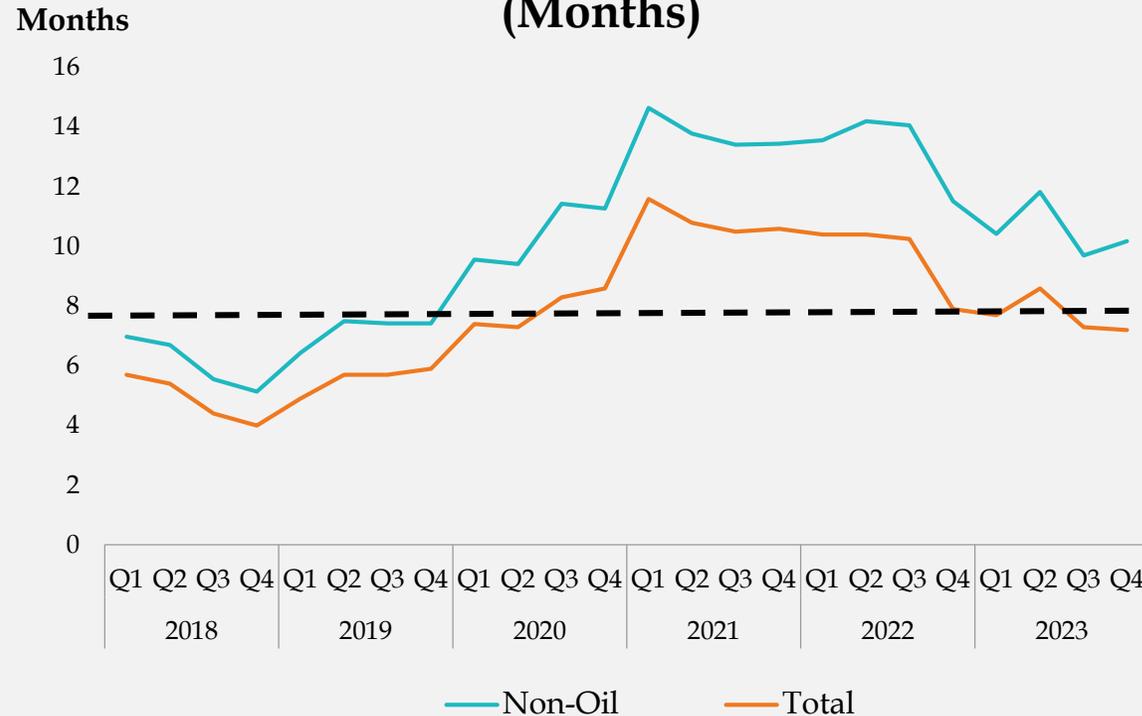
- During 2023, the average arrears rate for private sector credit narrowed to 10.3% from 11.4% in 2022.
  - The short-term arrears rate was 3.7% (3.6% in December 2022).
  - The NPL rate was 6.6% (7.7% in December 2022).
  
- Arrears rate by loan type:
  - Mortgages: 14.0% vs 15.2% in 2022.
  - Consumer: 7.6% vs 8.9% in 2022.
  - Commercial: 6.4% vs 6.0% in 2022.



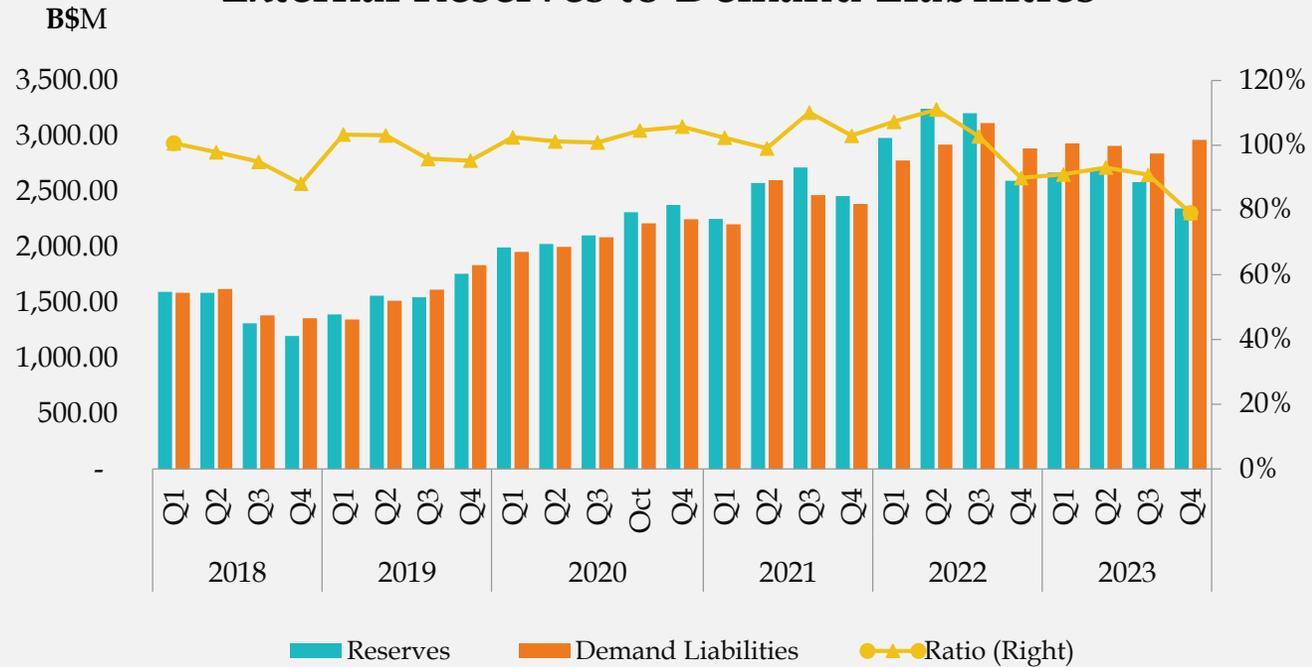
# External Reserves

## January-December 2023 vs. 2022

### Import Cover Ratio (Months)



### External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

In 2023 external reserves decreased by \$247.3 million, contrasting with a \$135.5 million growth in 2022. End of year balances were \$2,347.4 million:

- Equivalent to 79.1% of the Central Bank's demand liabilities.
- Equivalent to 6.3 months of the current year's total merchandise imports.



# OUTLOOK

# Real Sector

- The domestic economy is anticipated to grow at a more moderated pace in 2024, still led by the performance in tourism. This pace of expansion is expected to be closer in line with the economy's medium-term growth potential.
- Downside risks to tourism persist, related to exogenous factors, such as elevated global oil prices, which could disrupt travel sector activity. Further, if major central banks resume counter-inflation policies this could reduce the travel spending capacity of travelers from key source markets.
- The employment rate should further improve, with opportunities primarily concentrated in the construction and tourism sectors.
- The domestic inflation rate is projected to remain high in the near-term, due to the uncertainty surrounding global oil prices and supply chain shortages, related to geopolitical tensions in Eastern Europe and the Middle East.

# Fiscal Sector

- The fiscal deficit is anticipated to continue its downward trend, as conditions remain favorable for consolidation.
- Gains in revenue are anticipated to be significantly linked with tourism-led improvements in taxable economic activities.
- Financing of the budgetary gap is expected to require a blend of domestic and external borrowing, with a higher proportion of total funding from domestic sources.

# Monetary Sector and External Reserves



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

Growth in private sector credit is projected to firm moderately in 2024, reflective of the sustained recovery in the domestic economy.



External reserve balances are expected to taper further in 2024, although remaining at robust levels; holdings should remain well above international benchmarks, supported by robust 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**

Any resumption in major central banks counter-inflation policies could negatively impact the travel spending capacity of key source market consumers.

## **EXTERNAL RESERVES**

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

## **GLOBAL**

Ongoing geopolitical tensions could slow the global outlook.

## **INFLATION**

Geopolitical tensions, contractions in oil production and food supply disruptions could result in higher prices.

## **EMPLOYMENT**

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

## **FISCAL**

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

# The End

