

Quarterly Economic and Financial Developments Report

September 2024

*Featuring the latest Lending Conditions Survey for
the First Half of 2024*

Research Department



CENTRAL BANK OF THE BAHAMAS
1974-2024



Domestic Economic Developments

Preliminary data indicates that the domestic economy growth momentum moderated during the first nine months of 2024, as economic indicators converged closer to their medium-term potential. Output from the tourism sector remained positive, but with stopover output more capacity constrained in contrast to very robust cruise market gains. Foreign investment inflows also supported continued growth.

Real Sector

- Propelled by cruise, tourist arrivals increased by 15.8% to 7.7 million visitors during the first eight months of 2024, although air arrivals grew only by 2.1% relative to the comparative period in 2023.
- Over the first nine months of 2024, departures from the Lynden Pindling International Airport grew by 4.7% to 1.3 million.

Monetary Sector

- Bank liquidity expanded during the first nine months of the year, despite the growth in the deposit base, trailing the rise in domestic credit.
- External reserves increased by \$358.7 million in the nine months to September, a switch from a \$9.1 million reduction in the previous 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

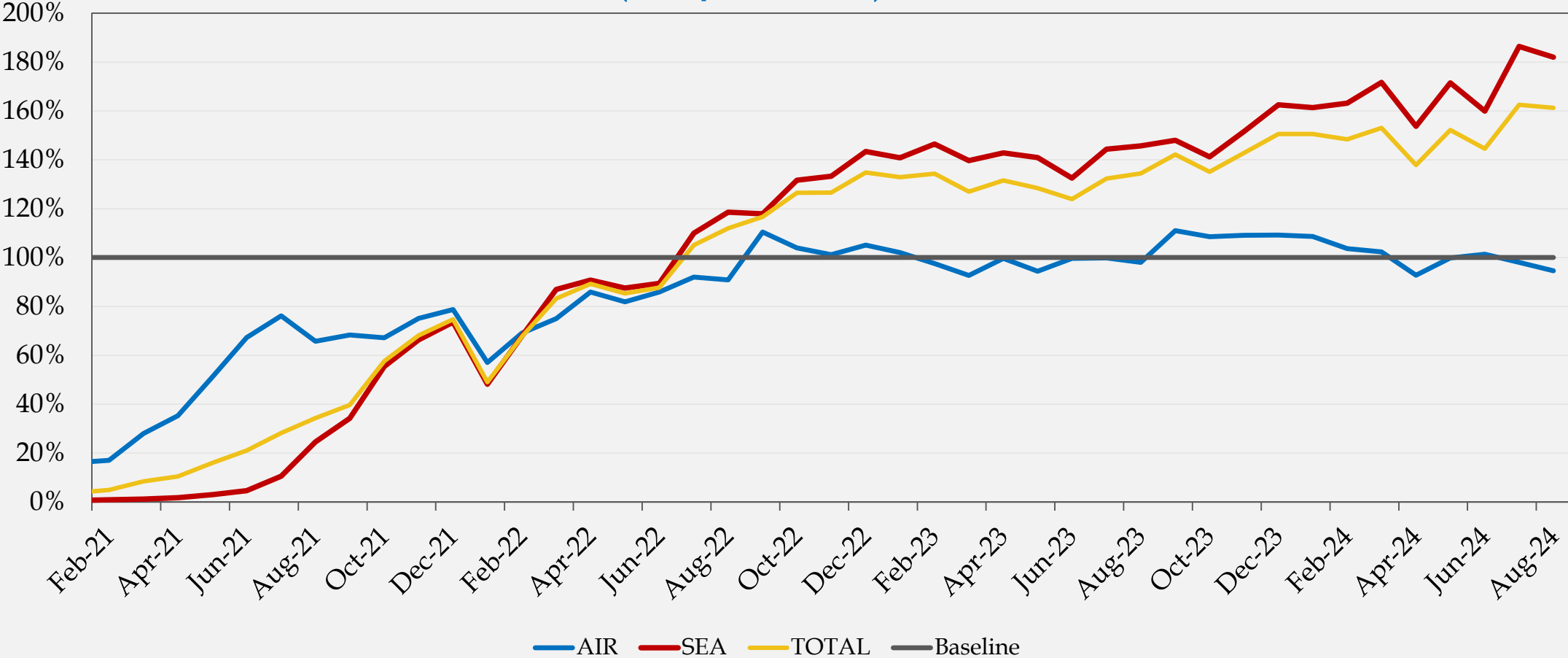
(January - August 2024)

Official data from the Ministry of Tourism revealed that total visitor arrivals rose by 15.8% to 7.7 million visitors during the first eight months of the year. The year-to-date gain in 2023 exceeded 50.0%.

- Air arrivals increased by 2.1% to 1.3 million visitors, tempering last year's growth which exceeded 20.0%.
- Sea arrivals expansion narrowed, paced at 19.0% to 6.4 million visitors, compared to the 63.3% expansion to 5.3 million in the corresponding period of 2023.

Total Visitor Arrivals YTD	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2023	2024	2023	2024	2023	2024
Air	21.4	2.0	47.0	7.8	22.6	1.6
Sea	62.6	27.3	70.1	3.4	63.0	14.9
Total	46.9	19.3	67.5	3.8	58.7	13.9

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

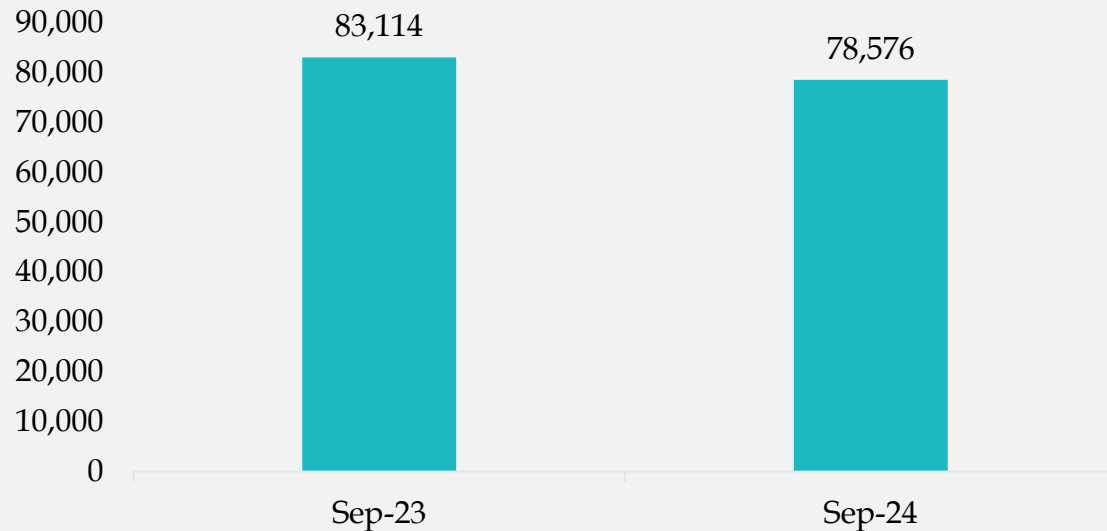


Nassau Airport Development (NAD) International Departures January - September 2024

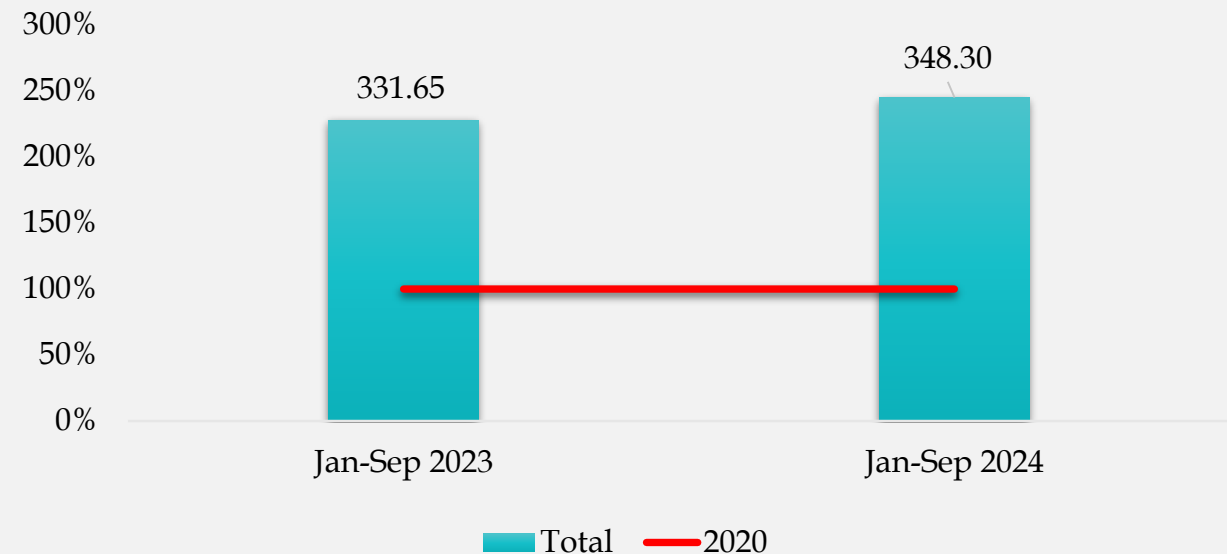
Total departures via Nassau Airport decreased by 5.5% to 78,576 passengers in September 2024.

On a year-to-date basis, overall departures advanced by 4.7% to 1.3 million, compared to a recovery-driven increase last year of 25.7%

**International Departures
September 2023 vs September 2024**



**January - September 2024 Departures
vs. 2020 Baseline (=100%)**

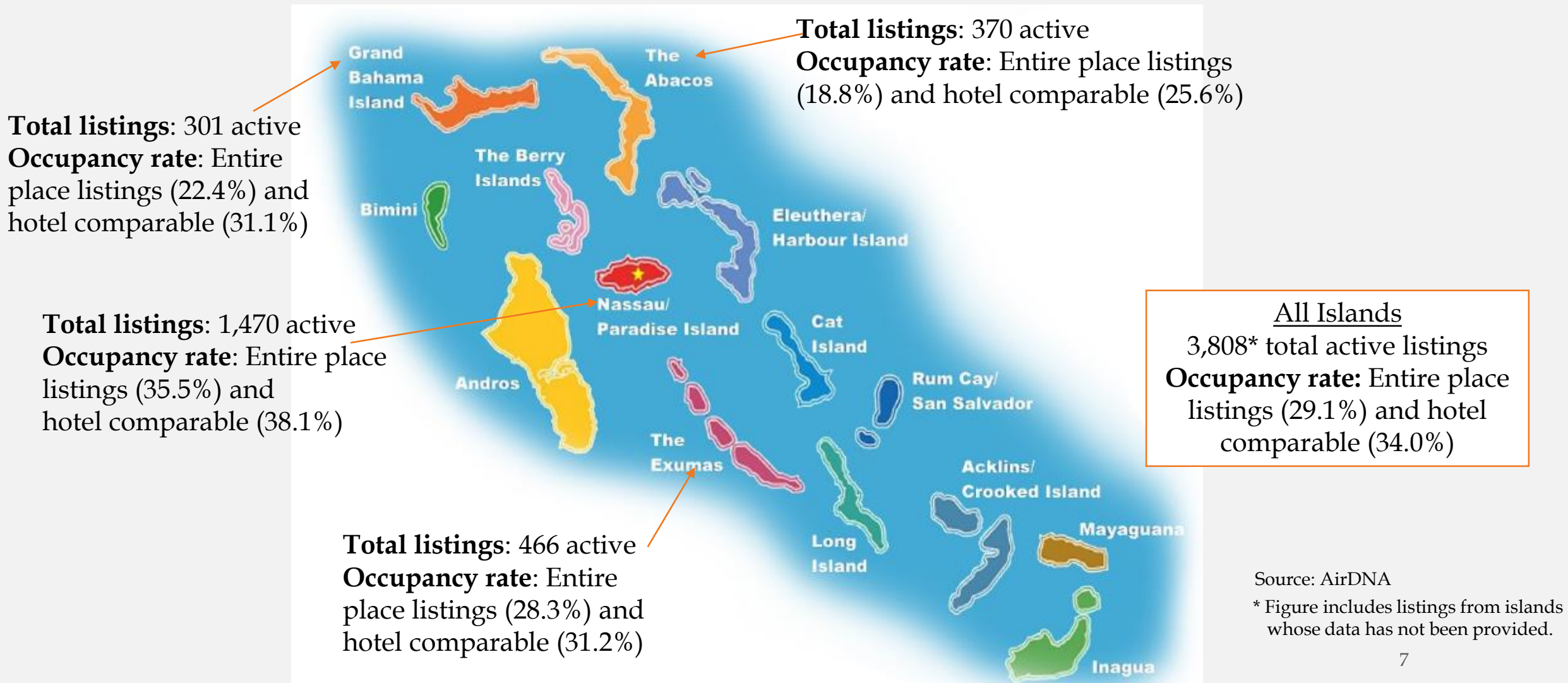


Source: Nassau Airport Development Company

*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals

(as at September 2024)



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

Vacation Rentals: Occupancy Rates

(January - September 2024 vs 2023)

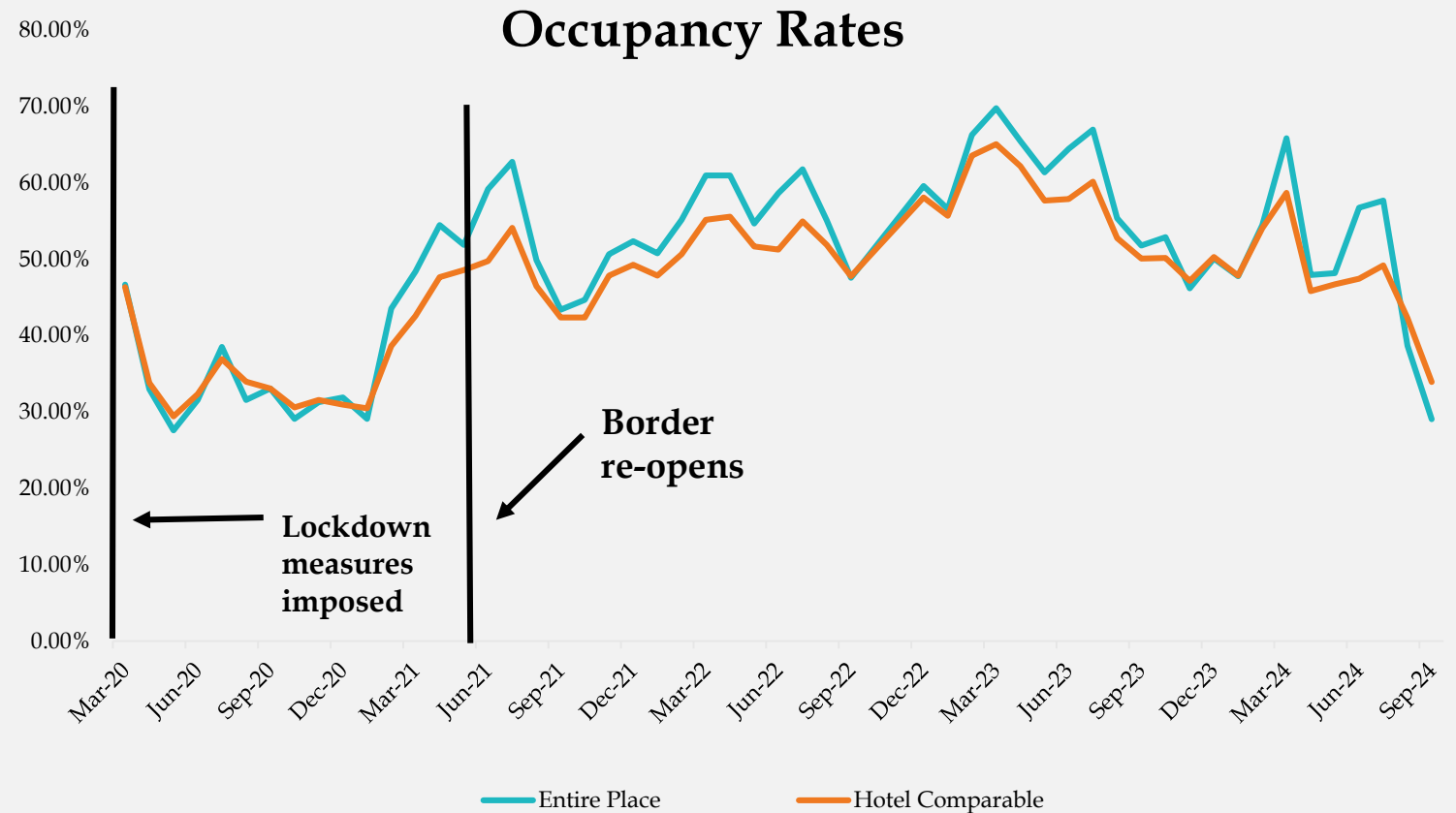
Occupancy levels for vacation rentals reduced during the first nine months of the year.

Entire Place Listings

- The average occupancy rate decreased to 29.1%, from 32.7% in the preceding year.

Hotel Comparable Listings

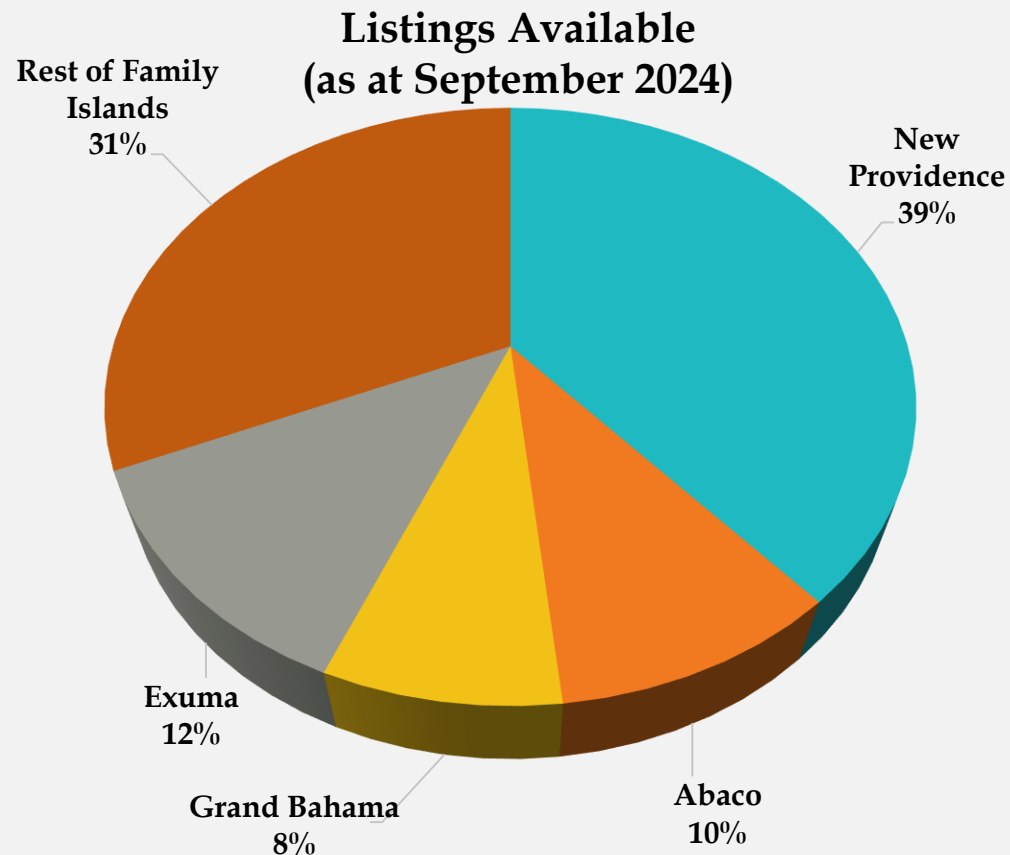
- The average occupancy rate lowered to 34.0%, from 36.0% a year earlier.



Source: AirDNA

Vacation Rental: Market Share by Island (September 2024)

Over the first nine months of 2024, vacation rental listings increased for Abaco, Grand Bahama, and New Providence. Exuma and the remaining Family Islands, accounted for approximately half of total listings.



Listings for Abaco, Grand Bahama and New Providence advanced by 21.3%, 23.4% and 9.7%, respectively, in September, relative to the comparative period last year. However, Exuma listings fell by 17.8%.

All Available Daily Listings				
	Dec 2022	Sept 2023	Dec 2023	Sept 2024
Abaco	385	305	476	370
Grand Bahama	287	244	336	301
New Providence	1,541	1,340	1,883	1,470
Exuma	641	567	664	466

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

**SELECTED APPROVED FOREIGN
INVESTMENT PROJECTS**

Selected New Foreign Investment Projects

New Providence

- **The New Providence Development Company Limited** was approved to construct a \$52.5 million development on the island in the hospitality sector.
- **Etro Construction Bahamas Limited** was selected to construct the Four Seasons Ocean Club, on Paradise Island. It will be a 486,000 square foot resort.
- **Pike Electric, LLC** entered into a 25 year contract with the Bahamas Government to upgrade and manage BPL's transmission and distribution network on August 20, 2024.
- **Vici Properties Inc. and Brookfield Corporation** was approved for a \$382 million project on September 10, 2024 in the hospitality sector.
- **B.P.G. LTD** gained approval from the Bahamas Investment Authority (BIA) on September 17, 2024, to begin a project valued at \$40.0 million in the hospitality sector.
- **Island Grid Solutions Limited** was approved to begin a new electricity infrastructure project valued at \$130.0 million.

Source: Bahamas Investment Authority

Selected New Foreign Investment Projects

Berry Islands	Grand Bahama
<ul style="list-style-type: none">• <u>Turnagain Marine Construction Corporation</u><ul style="list-style-type: none">• Turnagain Marine was approved to construct a \$30.0 million development on the island in the hospitality sector.	<ul style="list-style-type: none">• <u>Oracle Systems Bahamas Ltd</u><ul style="list-style-type: none">• Oracle Systems Bahamas Ltd planned to invest \$21.0 million into the development of their project in the technology industry.
Exuma	Eleuthera
<ul style="list-style-type: none">• <u>Fort Hospitality Bahamas Limited</u><ul style="list-style-type: none">• Approved to began its \$29.0 million venture.	<ul style="list-style-type: none">• <u>RB Resorts Limited</u><ul style="list-style-type: none">• RB Resorts Limited was approved to begin construction of its \$11.4 million venture on August 20, 2024 in the hospitality sector.• <u>Amey OW Bahamas Limited</u><ul style="list-style-type: none">• Amey OW Bahamas Limited began construction on its \$70.0 million infrastructure project in August 20, 2024.

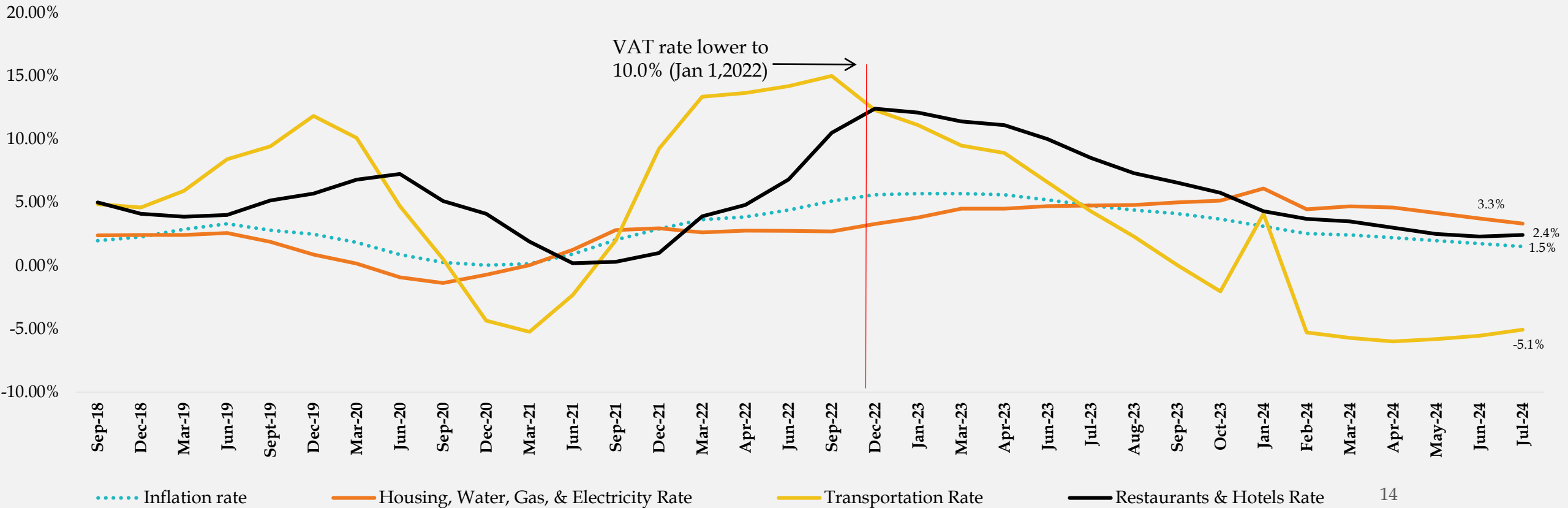


INFLATION

Retail Price Index

During the twelve months to July 2024, inflation slowed to 1.5% from 4.8% in the year prior, led by a reduction in transportation and communication costs.

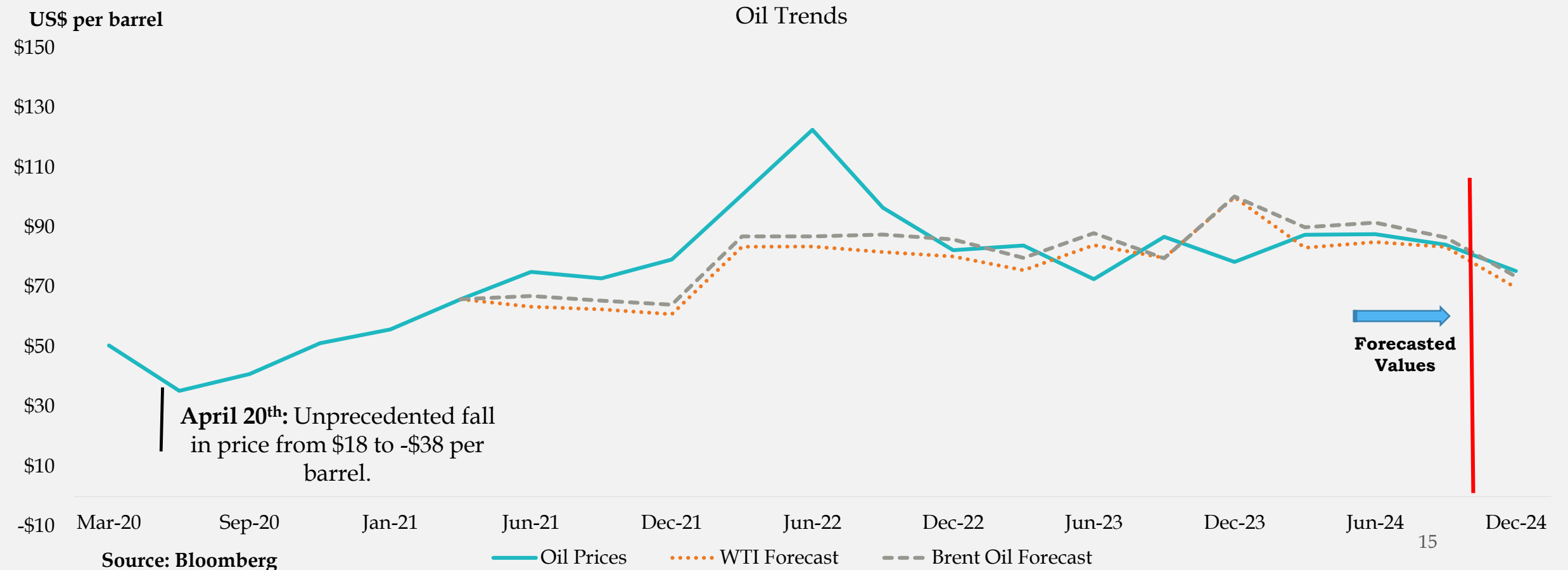
Inflation



Source: Bahamas National Statistical Institute and Central Bank of The Bahamas

Oil Price Trends

Over the period January to September 2024, the cost of crude oil declined by 8.5% to \$71.77 per barrel. On the supply-side, OPEC's crude oil production reduced by 9.0% in September, to 40.1 million barrels per day.



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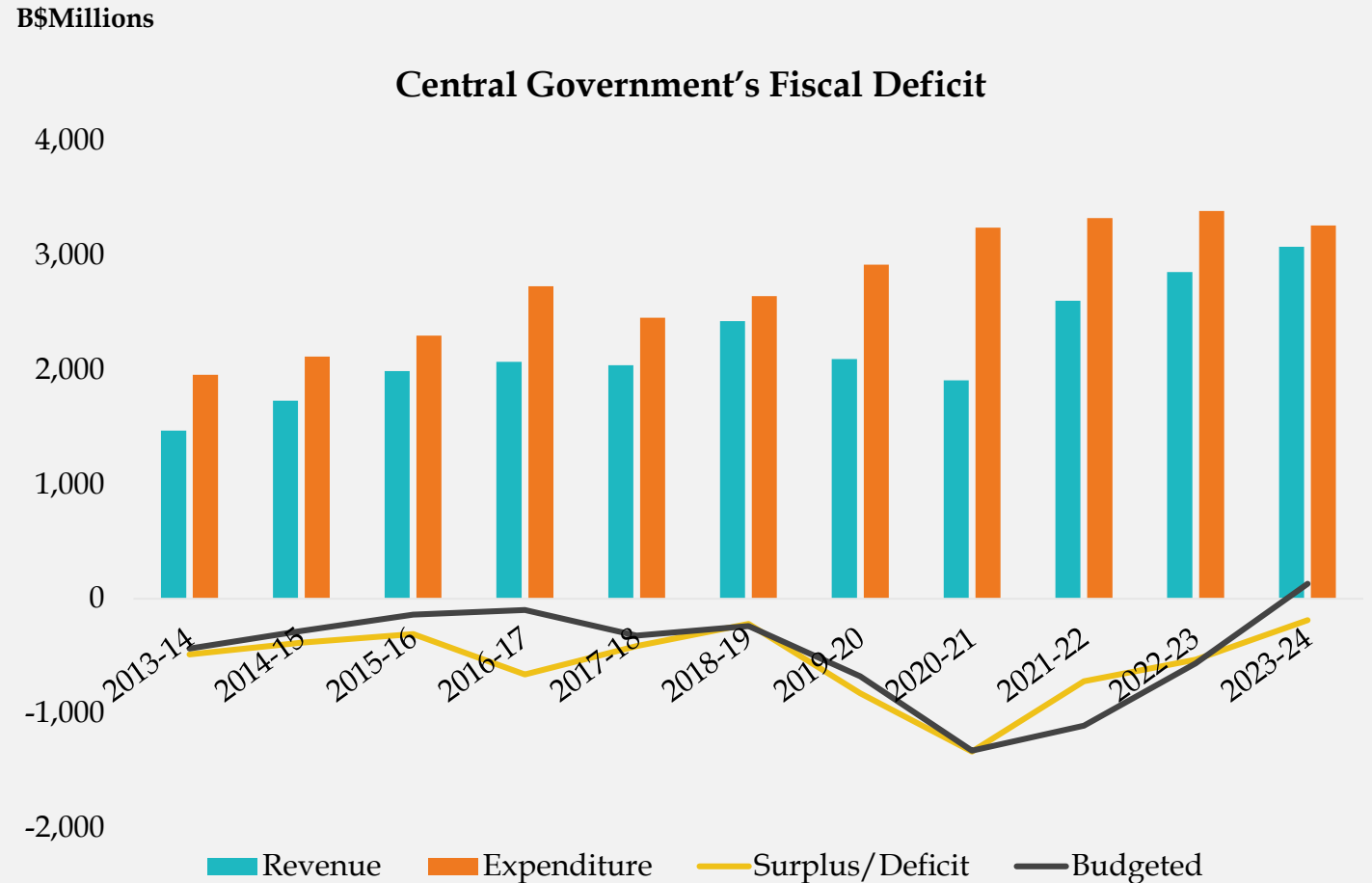
FISCAL SECTOR

Fiscal Sector

Fiscal Year Outcome: FY2023/2024

During FY2023/24, the deficit reduced to \$186.7 million, from \$533.8 million in FY2022/2023, supported by an increase in total revenue, and a falloff in aggregate expenditure.

- Total revenue grew by \$220.2 million (7.7%), to \$3,075.6 million.
 - Of significance, VAT receipts rose by \$101.3 million (8.1%), to \$1,353.4 million.
- Total outlays decreased by \$127.0 million (3.7%) to \$3,262.3 million.
 - Recurrent expenditure fell by \$101.1 million (3.3%) to \$2,960.7 million.
 - Similarly, capital spending declined by \$25.9 million (7.9%) to \$301.5 million.



Source: Bahamas Ministry of Finance
*Data for FY2023/24

FY2023/2024 Budget Projections vs. Actual Outturn

(B\$ Millions)

	Actual Outturn	Budgeted	Difference (+/-)
Revenue	3,075.6	3,319.0	-243.4
Tax Revenue	2,743.1	2,918.8	-175.7
Non-tax Revenue	323.5	397.5	-74.0
Expenditure	3,262.3	3,450.1	-187.8
Recurrent Expenditure	2,960.7	3,085.5	-124.8
Capital Expenditure	301.5	364.6	-63.1

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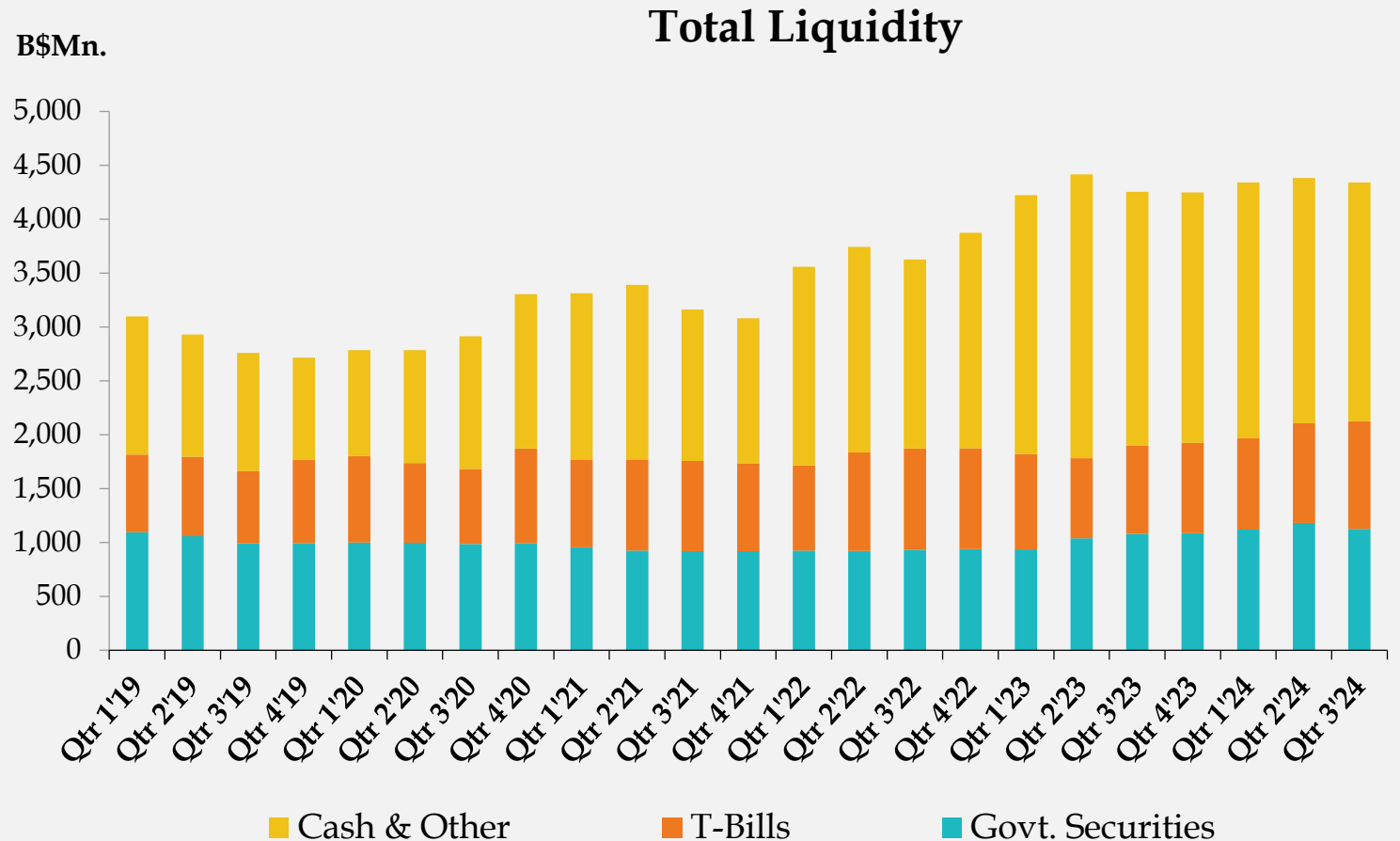
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-September 2024 vs. 2023

During the nine months to September, the buildup in liquidity was attributed mainly to steadied net private sector foreign currency inflows, alongside net receipts (as opposed to outflows) of proceeds from the Government's external borrowings.

- Excess reserves rose by \$198.2 million, a reversal from a \$1.7 million decrease in 2023.
- In addition, excess liquid assets grew by \$167.6 million, compared to the \$173.9 million accumulation in the same period last year.



Lending Conditions

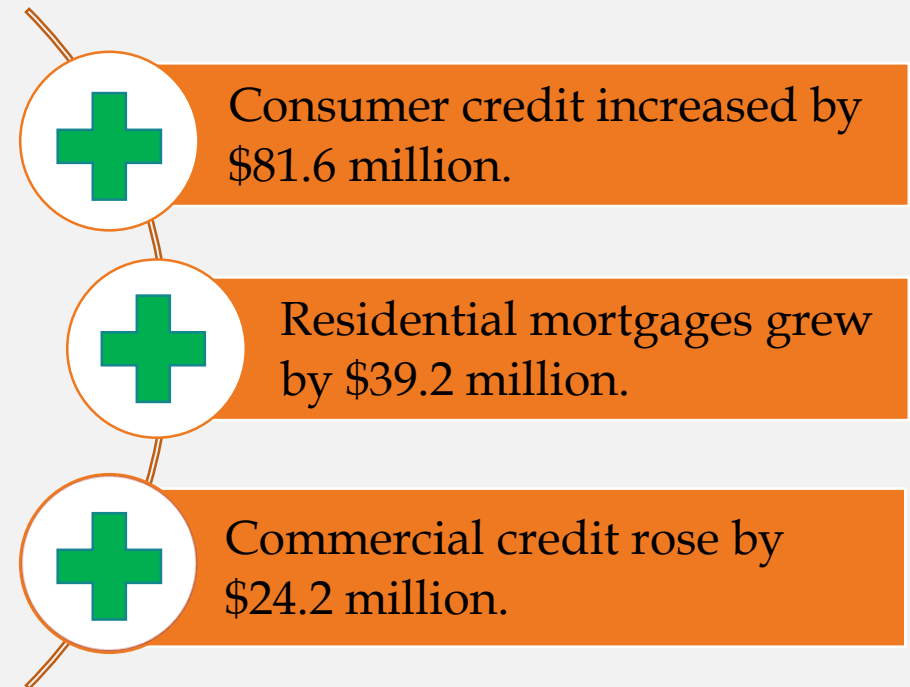
January - September 2024 vs. 2023

On a year-to-date basis, the growth in total Bahamian dollar credit growth slowed to \$156.8 million, from the \$190.7 million in the preceding year.

Net claims on the Government declined by \$12.6 million, in contrast to the prior year's \$164.6 million buildup.

- Conversely, credit to public corporations rebounded by \$24.4 million, from a \$7.9 million reduction in the previous year.

- Private sector credit expansion accelerated to \$145.0 million, from \$33.9 million last year.

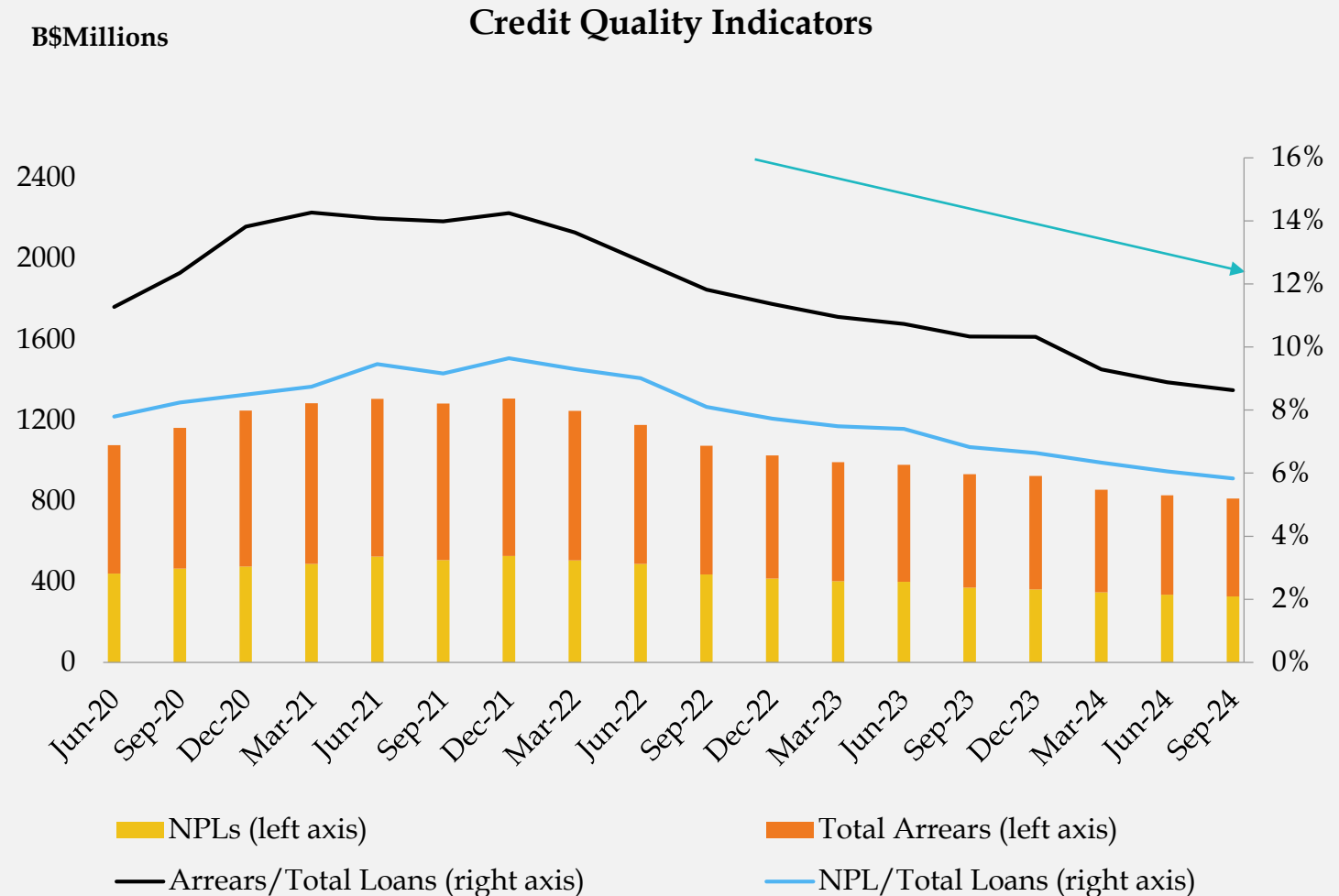


B\$ Credit Quality Indicators

January-September 2024 vs. 2023

- During the review period, the average arrears rate for private sector loans lowered to 8.6% from 10.3% last year.
 - The short-term arrears rate was 2.8% (3.5% in September 2023).
 - The NPL rate was 5.7% (6.8% in September 2023).

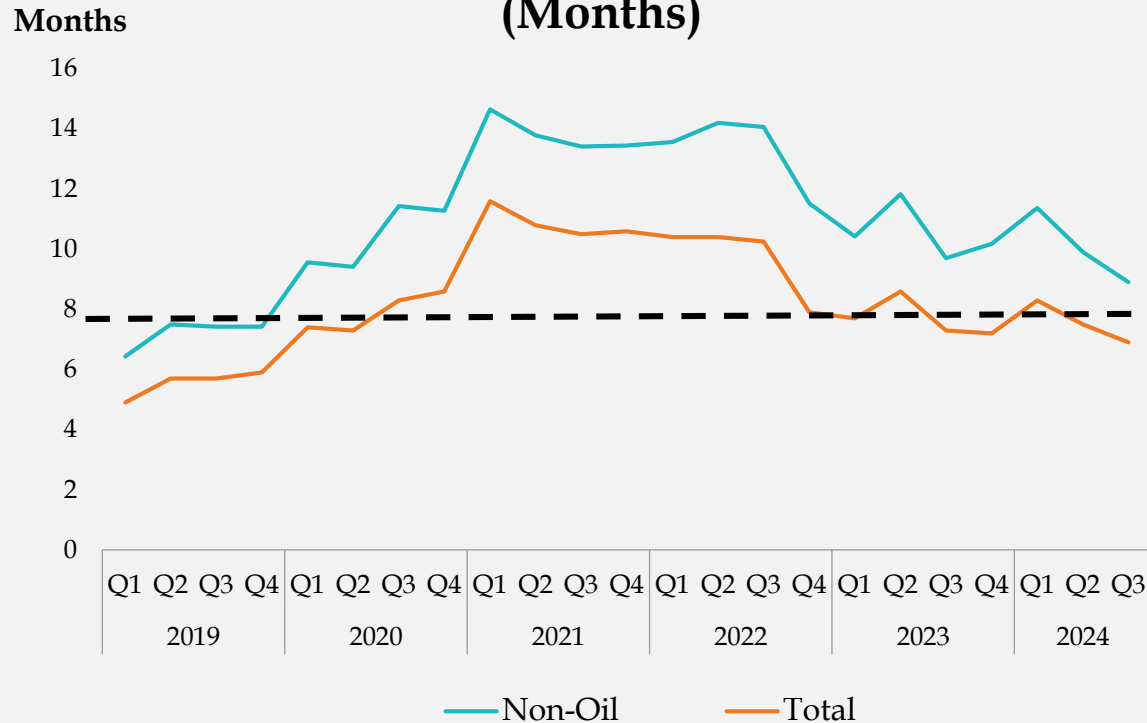
- Arrears rate by loan type for September 2024 vs September 2023:
 - Mortgages: 12.6% vs 13.8% in 2023.
 - Consumer: 6.5% vs 8.0% in 2023.
 - Commercial: 3.6% vs 6.1% in 2023.



External Reserves

January- September 2024 vs. 2023

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

Over the first nine months of 2024, external reserves expanded by \$358.7 million, a reversal from a \$9.1 million decline the year prior. Net foreign currency inflows from the private and public sectors rose during the nine-month period.

- Balances were equivalent to 90.9% of the Central Bank's demand liabilities.
- & equivalent to 6.9 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 edge. 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 (January – June 2024)

During the six-months to June 2024, bank lending conditions improved, vis-à-vis the same period of 2023.

Underpinning this development, total credit applications received and approved advanced during the review period.

- **Total applications processed: 17,118.**
 - A 7.7% increase over the first half of 2023.
 - Requests from New Providence accounted for 83.9% of total applications received.
- **Approval Rate: 80.4%.**
- **Reasons for personal credit denials cited “other” various factors including, high debt service ratio (DSR), insufficient time on job and under-employment.**

Bank Lending Conditions Overview (January – June 2024)

During the first-half of 2024, bank lending indicators strengthened, owing to an uptick in the quantity and quality of credit applications, relative to June 2023.

Consumer Applications

- Consumer applications grew by 10.0%, year-on-year and accounted for 91.7% of total loans.
- Meanwhile, the approval rate rose by 3.3 percentage points to 81.3%.

Mortgage Applications

- The reduction in demand for mortgages extended to 25.5%, from 7.6% in the six-months to June 2023.
- However, the approval rate increased by 22.0 percentage points, to 54.3%.

Commercial Applications

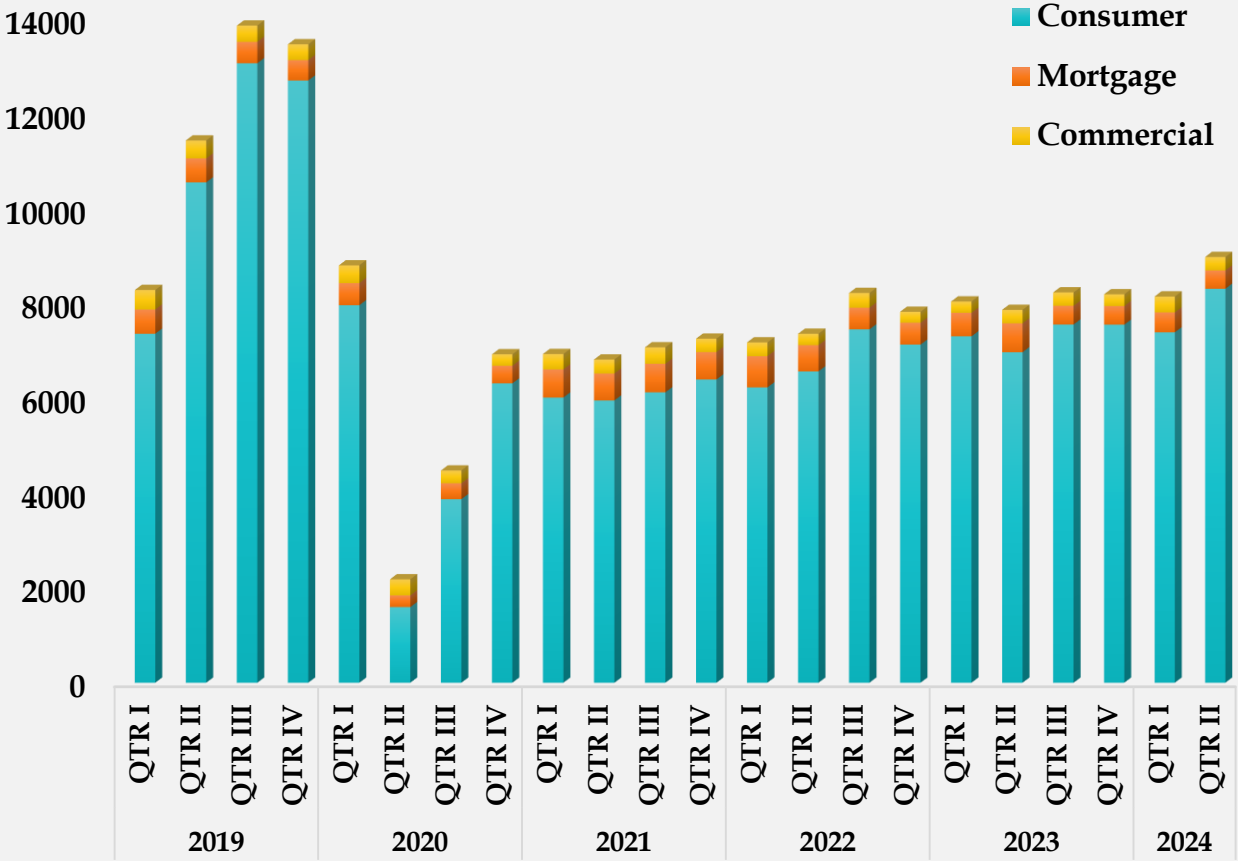
- Commercial loan requests expanded by 18.3% year-on-year, amid increased demand in New Providence and Family of Islands.
- Moreover, the approval rate rose by 4.2 percentage points, to 90.8%, relative to June 2023.

Loan Denials

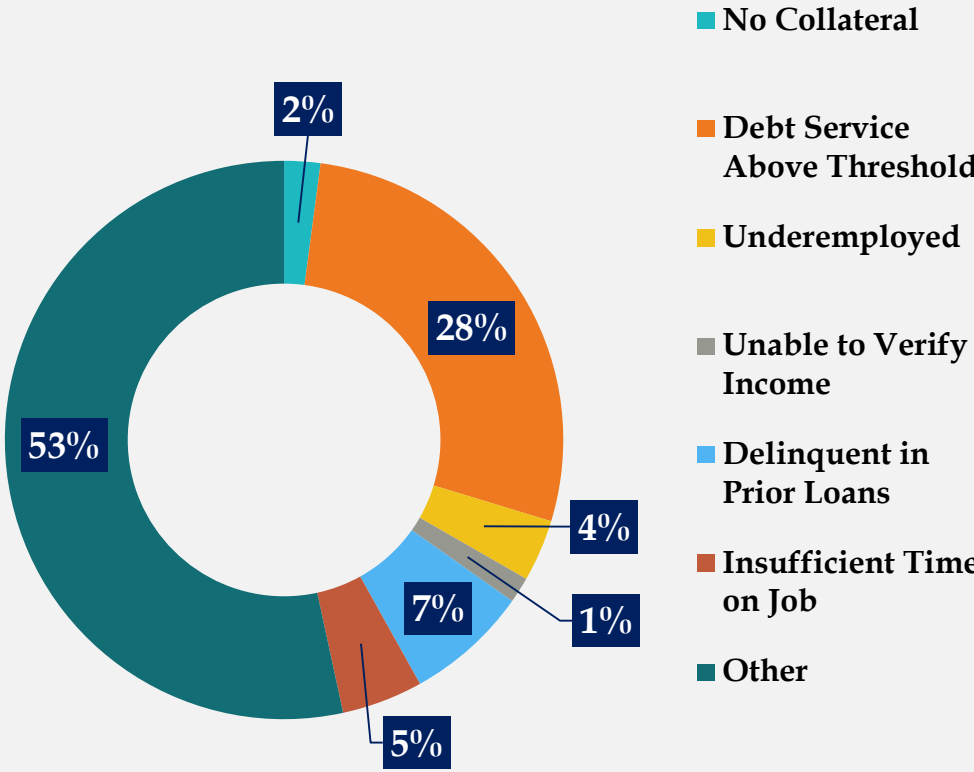
- Lenders cited “other” miscellaneous reasons, high debt service ratio (DSR), insufficient time of the job, and underemployment, as top reasons for rejections in the review period.

Bank Lending Conditions Overview (January - June 2024)

Loan Applications Received by Loan Type



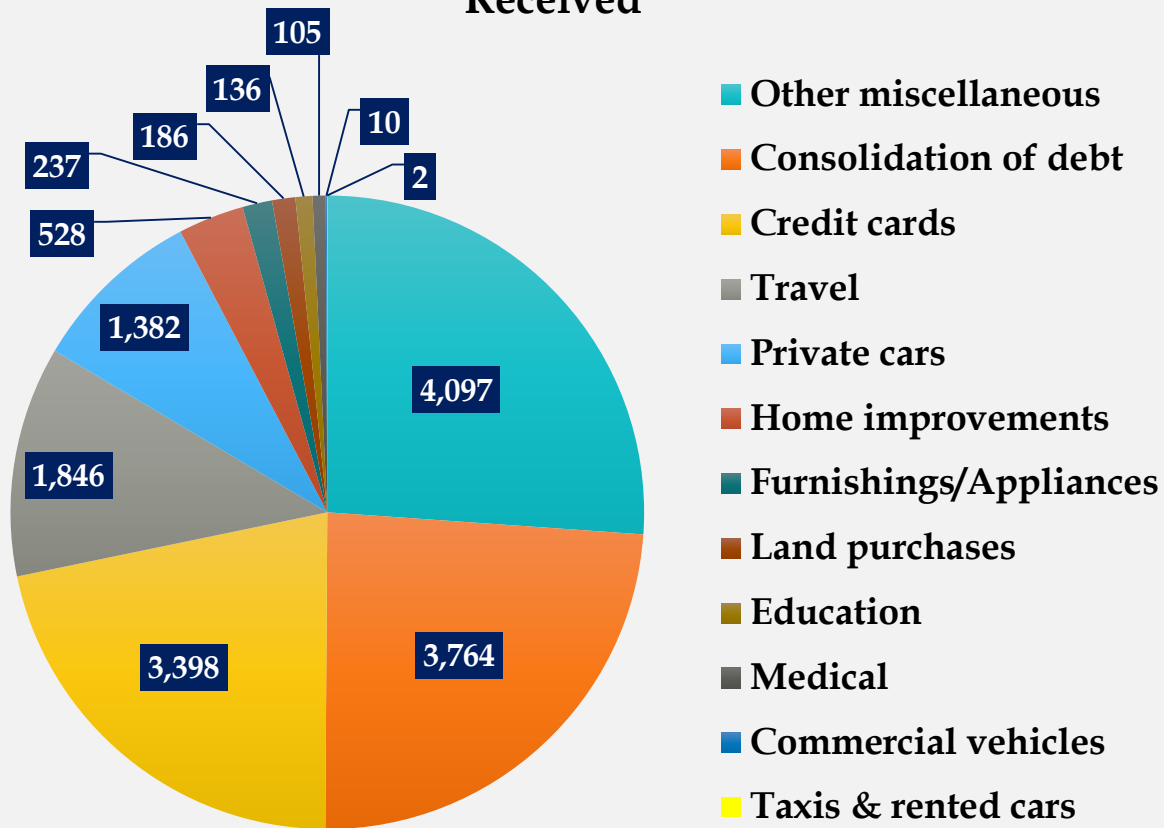
Loan Denial Reasons



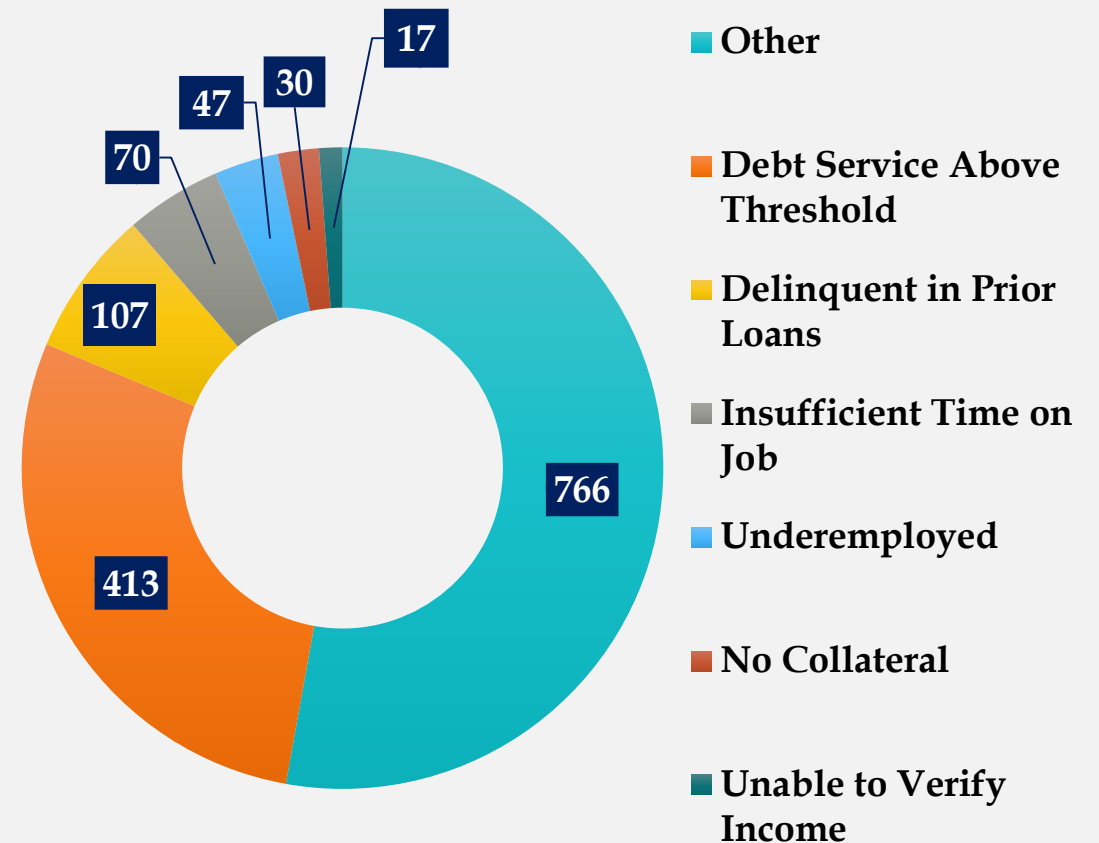
Source: Central Bank of The Bahamas

Bank Lending Conditions (Consumer Loan Applications)

Largest Categories of Consumer Loan Applications Received

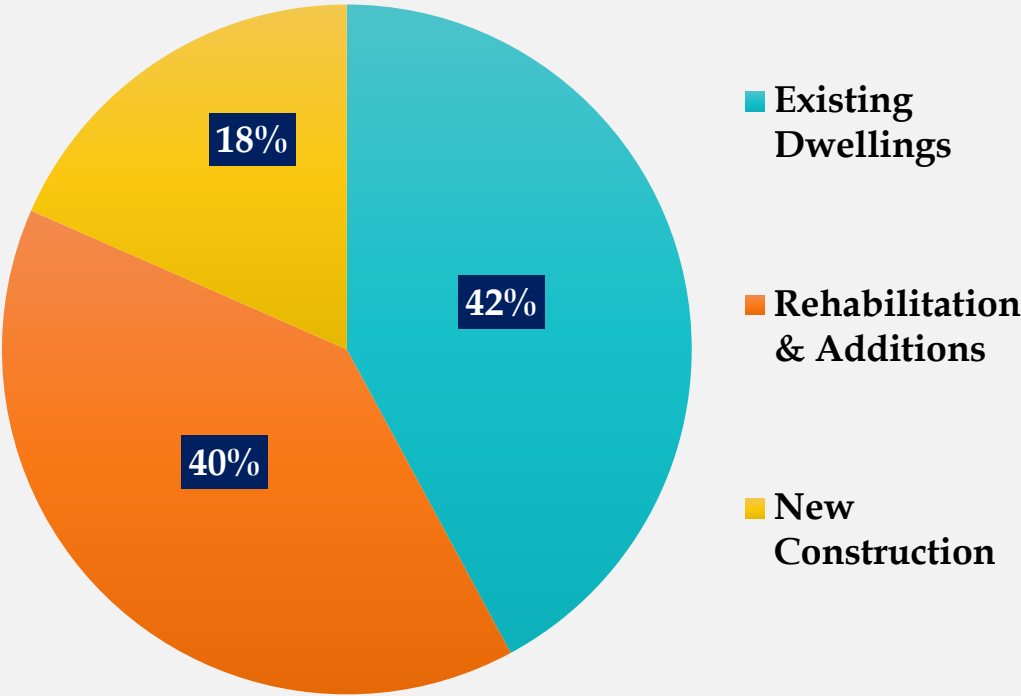


Reasons for Consumer Loan Denials

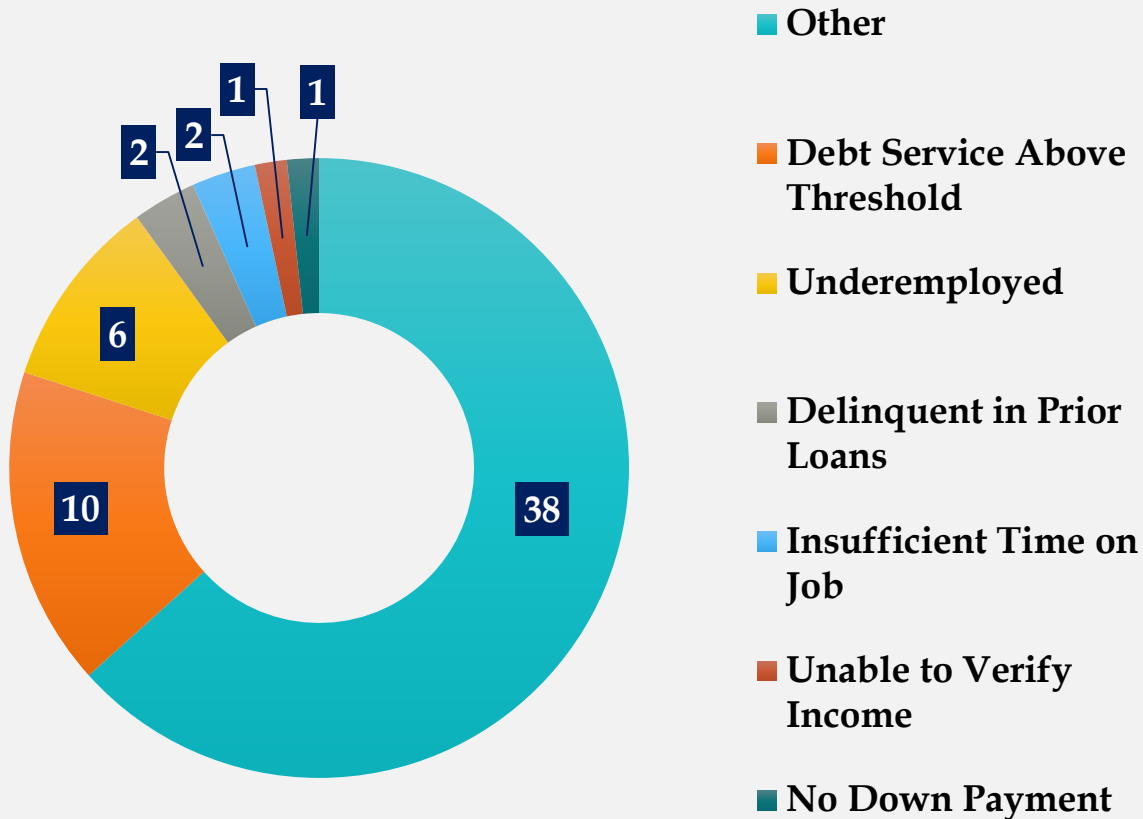


Bank Lending Conditions (Mortgage Applications)

Residential Mortgages Applications



Reasons for Mortgage Loan Denials



Source: The Central Bank of The Bahamas



OUTLOOK

Real Sector

- Compared to 2023, the domestic economy's expansion is expected to remain slower during 2024, in line with closer convergences to the expected medium-term growth potential. The accelerated recovery from the pandemic has concluded. However, gains remain dominated by tourism, along with sustained foreign investments.
- Downside risks to tourism persist, associated with exogenous factors, such as inflation and elevated global oil prices, which could curtail travel sector activity. Further, if major central banks resume their counter-inflation policies, this could restrain the travel spending capacity of visitors from key source markets.
- The employment rate is projected to further improve, with job opportunities concentrated in the tourism and construction sectors.
- The domestic inflation rate is expected to continue to trend downwards, underpinned by a decrease in global oil prices.

Fiscal Sector

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

Monetary Sector and External Reserves



Banking sector liquidity is anticipated to stay elevated over the near-term.

Private sector credit expansion is expected to strengthen marginally for 2024, consistent with the domestic economy's recovery.



External reserve balances are forecasted to remain buoyant in 2024, remaining well above international benchmarks. However, balances are anticipated to decline, owing to growth in private sector credit.

Balances are predicted to remain at satisfactory levels to support the Bahamian dollar currency peg.

Risks to The Outlook

TOURISM

Any resumption in major central banks counter-inflation policies could have a negative effect on the travel spending capacity of key source market consumers.

EXTERNAL RESERVES

Constrained output in the tourism sector could accelerate the drawdown in external reserves.

GLOBAL

Ongoing geopolitical tensions could slow the global outlook.

INFLATION

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

EMPLOYMENT

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

FISCAL

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

The End



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