

Quarterly Economic and Financial Developments Report

September 2021

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

Research Department



Domestic Economic Developments

Domestic economic activity showed continued signs of recovery over the nine-months to September. Tourism output sustained its gradual strengthening, underpinned by ongoing gains in the high value-added air segment and the modest resumption in sea traffic, attributed to progress in vaccination efforts, both locally and internationally. Foreign investment-led projects, combined with post hurricane rebuilding works, provided some impetus to the construction sector.

Real Sector

- The cruise-led contraction in tourist arrivals slowed to 54.6% during January-August 2021, from 65.9% same period last year
 - ...but air arrivals were already recovered.
- Nassau airport departures were up 35.4% during the first nine months of the year.
- Varied-scale FDI projects and hurricane rebuilding efforts supported construction sector output.

Monetary Sector

- During the nine months to September, bank liquidity expanded by \$93.8 million to \$1.5 billion, undergirded by a buildup in the deposit base which surpassed domestic credit growth.
- Underpinned by the receipt of proceeds from Government's external borrowing activities and IMF SDRs allocations, external reserves increased for the first nine months of 2021, albeit less than the 2020 growth.

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 2021 vs. 2020)

Official data from the Ministry of Tourism revealed that total visitor arrivals declined by 54.6% over the first eight months of the year, although a slowdown from the 65.9% falloff in the same period of 2020.

- Air arrivals (indicative of stopover arrivals) grew by 56.8% and across all major markets, a reversal from the 71.4% contraction in 2020.
- Conversely, sea arrivals reduced by 84.7%, outpacing the 64.0% decline a year earlier.
 - Restart of cruise activity was delayed until late in the summer months.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2020	2021	2020	2021	2020	2021
Arrivals						
Air	-69.8	38.8	-80.4	36.0	-75.8	146.2
Sea	-69.9	-88.6	-75.0	-71.3	-53.0	-83.3
Total	-69.9	-45.8	-75.6	-62.0	-56.4	-64.1

Cruise Ships Industry Update

- Virgin Voyages embarked on its “MerMaiden Voyage” travelling from Port Miami to Nassau, and on to Bimini, aboard the 909 foot “Scarlet Lady” vessel.
- Although occupancy rates continue to fluctuate in 2021, many cruise liners are seeing pre-pandemic level bookings for 2022.
- Several expanded Disney Cruise Lines itineraries are scheduled “coast-to-coast from U.S. home ports” to The Bahamas and Western Caribbean, in 2023:
 - Disney Wish will offer three and four night voyages to Nassau and Castaway Cay.
 - Disney Magic will offer four, five, six and seven night voyages to The Bahamas.
 - Disney Dream will embark on four-and five-night cruises to locales including Grand Cayman, Nassau, Castaway Cay and Cozumel, Mexico.

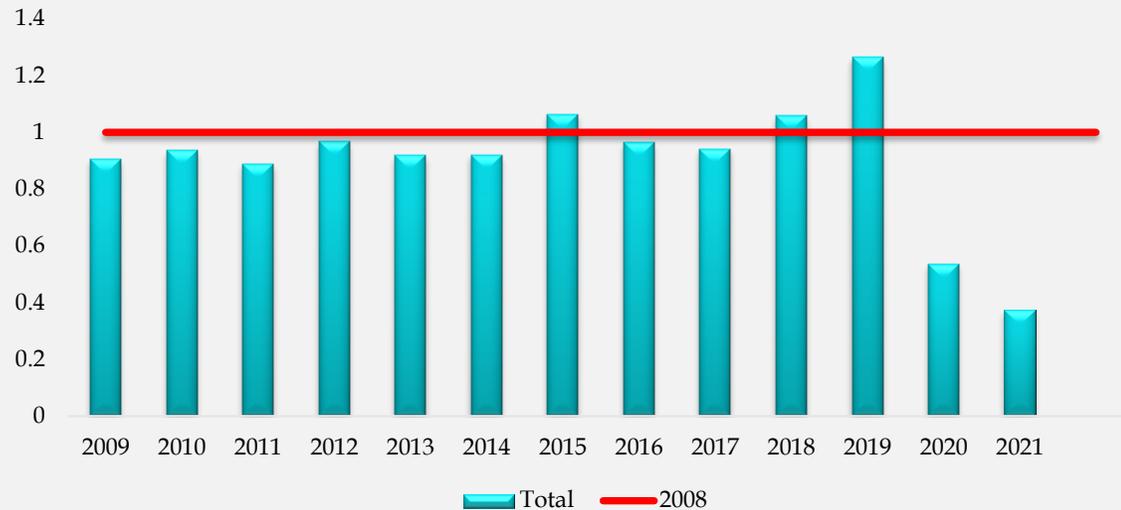


Nassau Airport (NAD) International Departures (January – September 2021 vs. 2020)

The latest data from NAD showed growth in total departures by 35.4% over the first nine months of the year, compared with a 70.0% decline in the corresponding period in 2020.

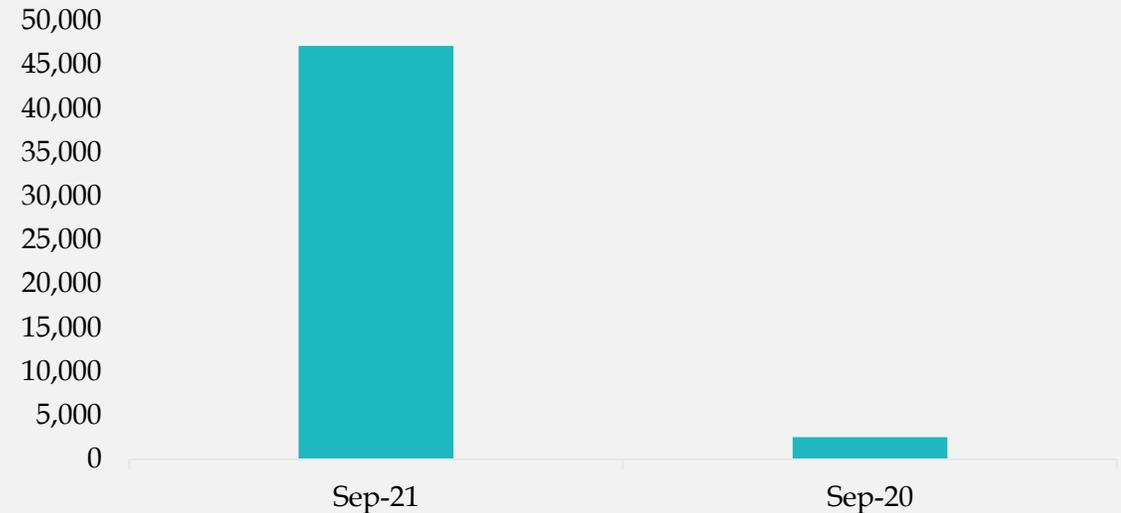
Total international departures for September 2021 amounted to 47,171 vis-à-vis just 2,526 departures recorded in September 2020.

**Departures vs. 2008 Recession
January-September 2021**



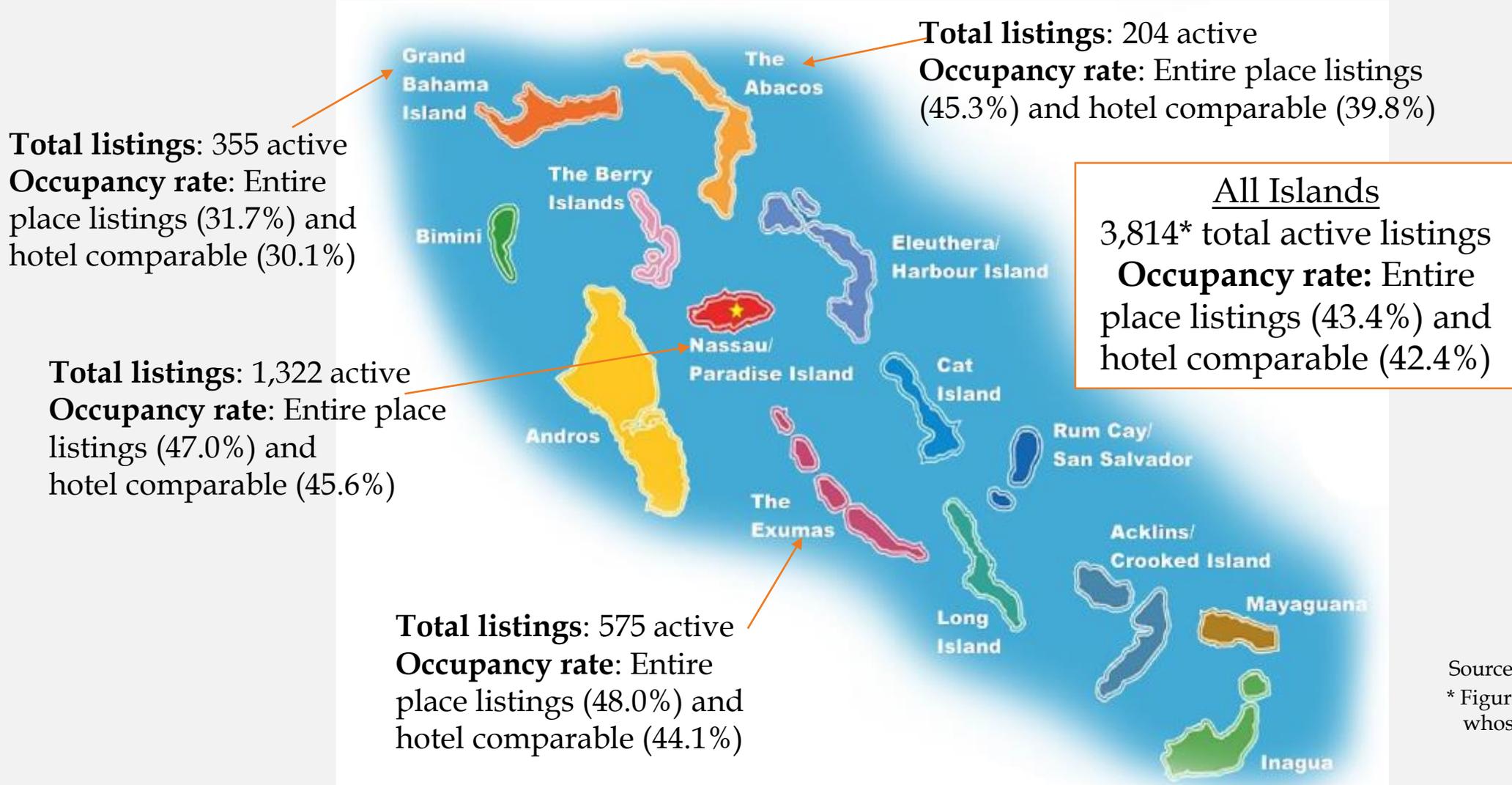
Source: Nassau Airport Development Company

**Total Departures
Sept 2021 vs Sept 2020**



*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals (as at September 2021)



Total listings: 355 active
Occupancy rate: Entire place listings (31.7%) and hotel comparable (30.1%)

Total listings: 204 active
Occupancy rate: Entire place listings (45.3%) and hotel comparable (39.8%)

All Islands
3,814* total active listings
Occupancy rate: Entire place listings (43.4%) and hotel comparable (42.4%)

Total listings: 1,322 active
Occupancy rate: Entire place listings (47.0%) and hotel comparable (45.6%)

Total listings: 575 active
Occupancy rate: Entire place listings (48.0%) and hotel comparable (44.1%)

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

Airbnb: Occupancy Rate Trends (January - September 2021 vs. 2020)

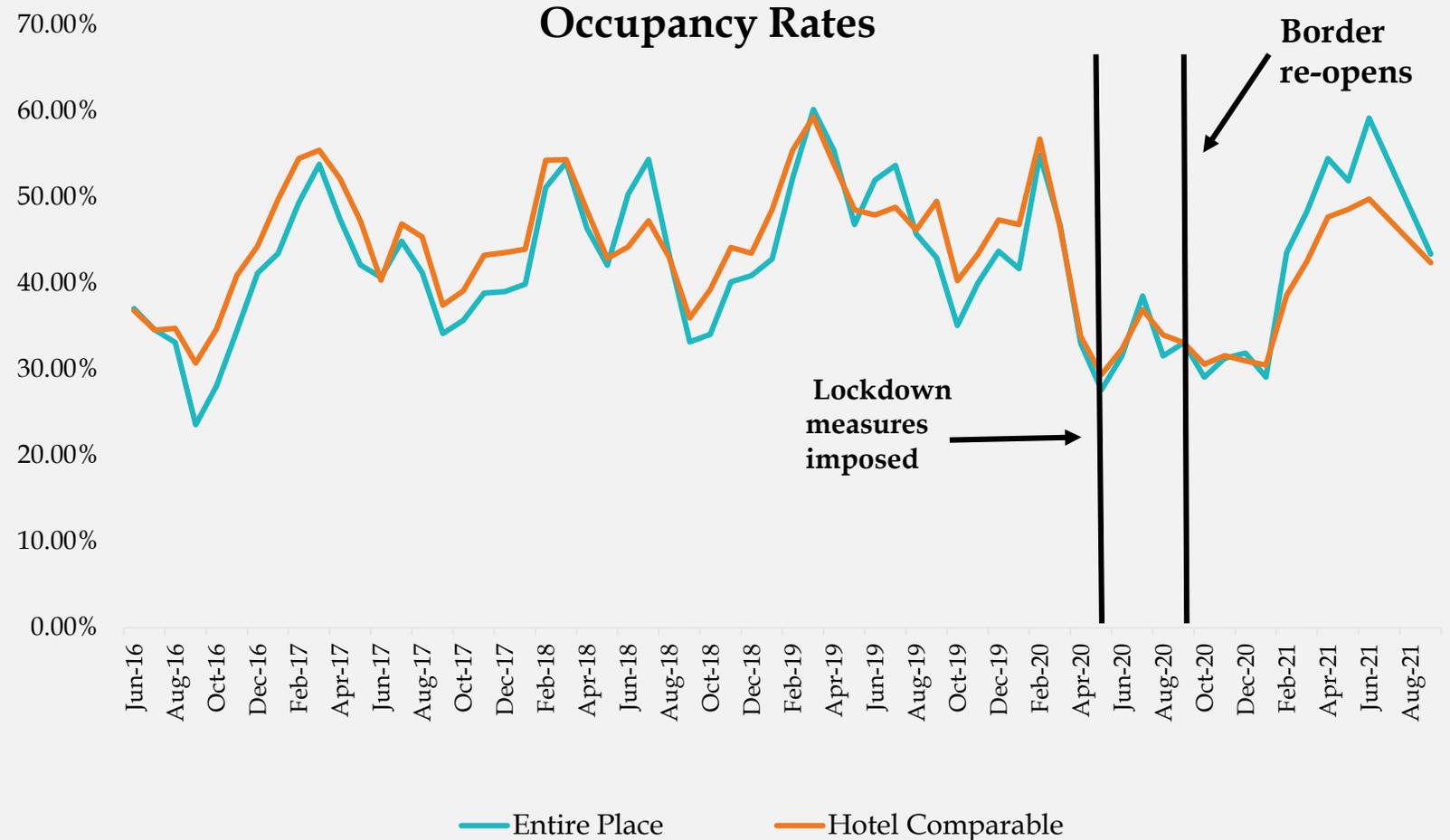
Reflective of relaxed measures by the Government, occupancy levels for the review period trended upward since the beginning of 2021.

Entire Place Listings

- The average occupancy rate increased to 43.4%, from 33.11% in the same period of 2020.

Hotel Comparable Listings

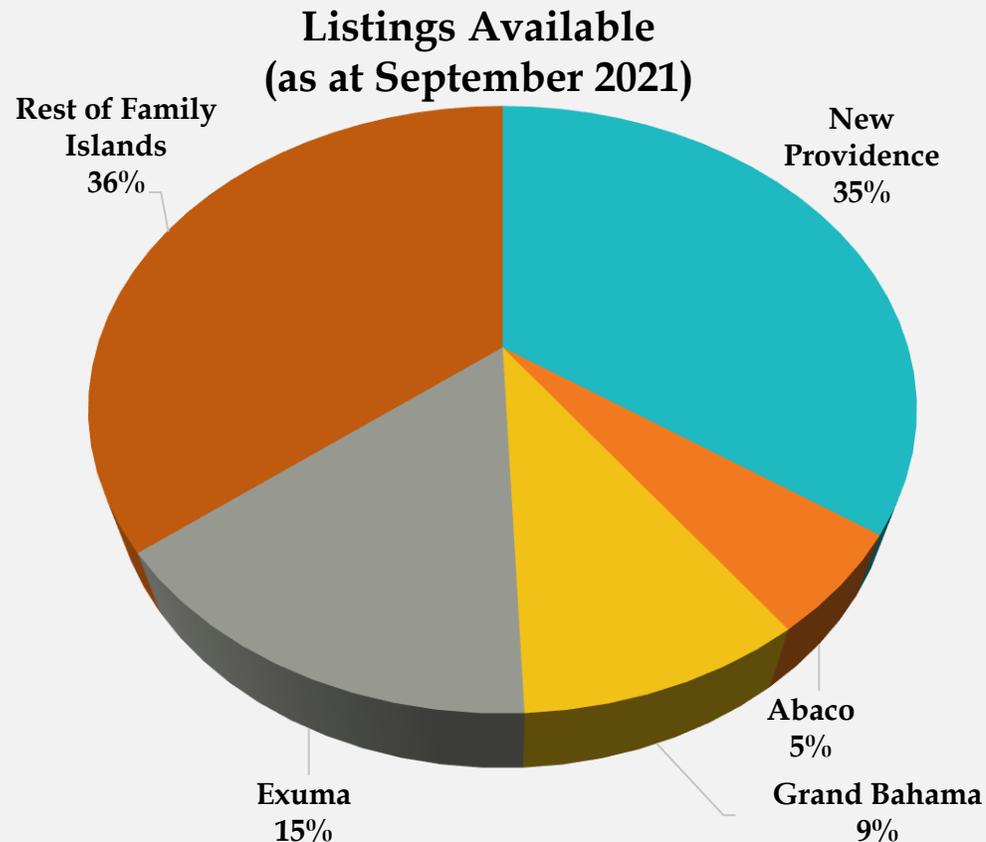
- The average occupancy rate rose to 42.4% from 33.11% in 2020.



Source: AirDNA

Airbnb: Market Share by Island (September 2021)

Exuma and the remaining Family Islands, accounted for approximately half of all available listings during the nine months to September, followed by New Providence, Grand Bahama, and Abaco.



Listings for Abaco, Grand Bahama and New Providence rose by 18.2%, 9.3% and 9.8% respectively, in September, relative to the same period in 2020,

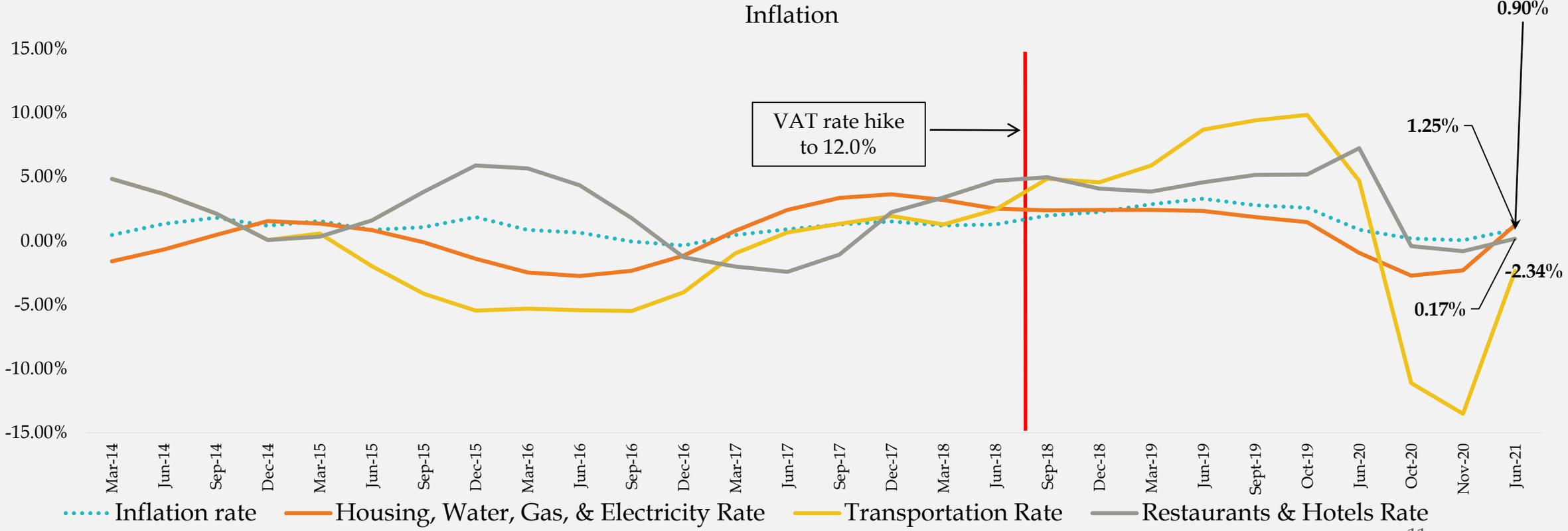
All Available Listings				
	Mar 2020	Sept 2020	Mar 2021	Sep 2021
Abaco	398	166	238	204
Grand Bahama	368	322	359	355
New Providence	1425	1192	1349	1322



INFLATION

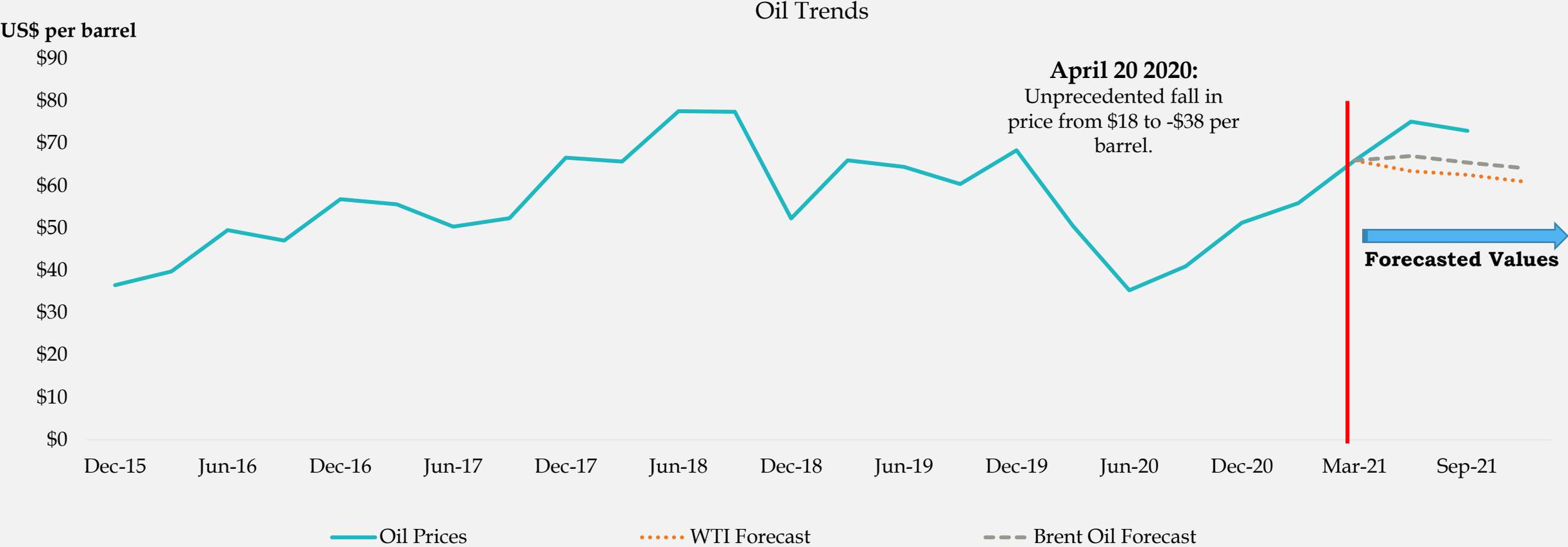
Retail Price Index

During the twelve months to June 2021, the inflation rate moved higher to 0.90% from 0.88% a year earlier, reflecting higher prices in most of the major categories.



Oil Price Trends

From January to September, crude oil prices increased by 42.3% to \$72.94 per barrel.



Source: Bloomberg

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.

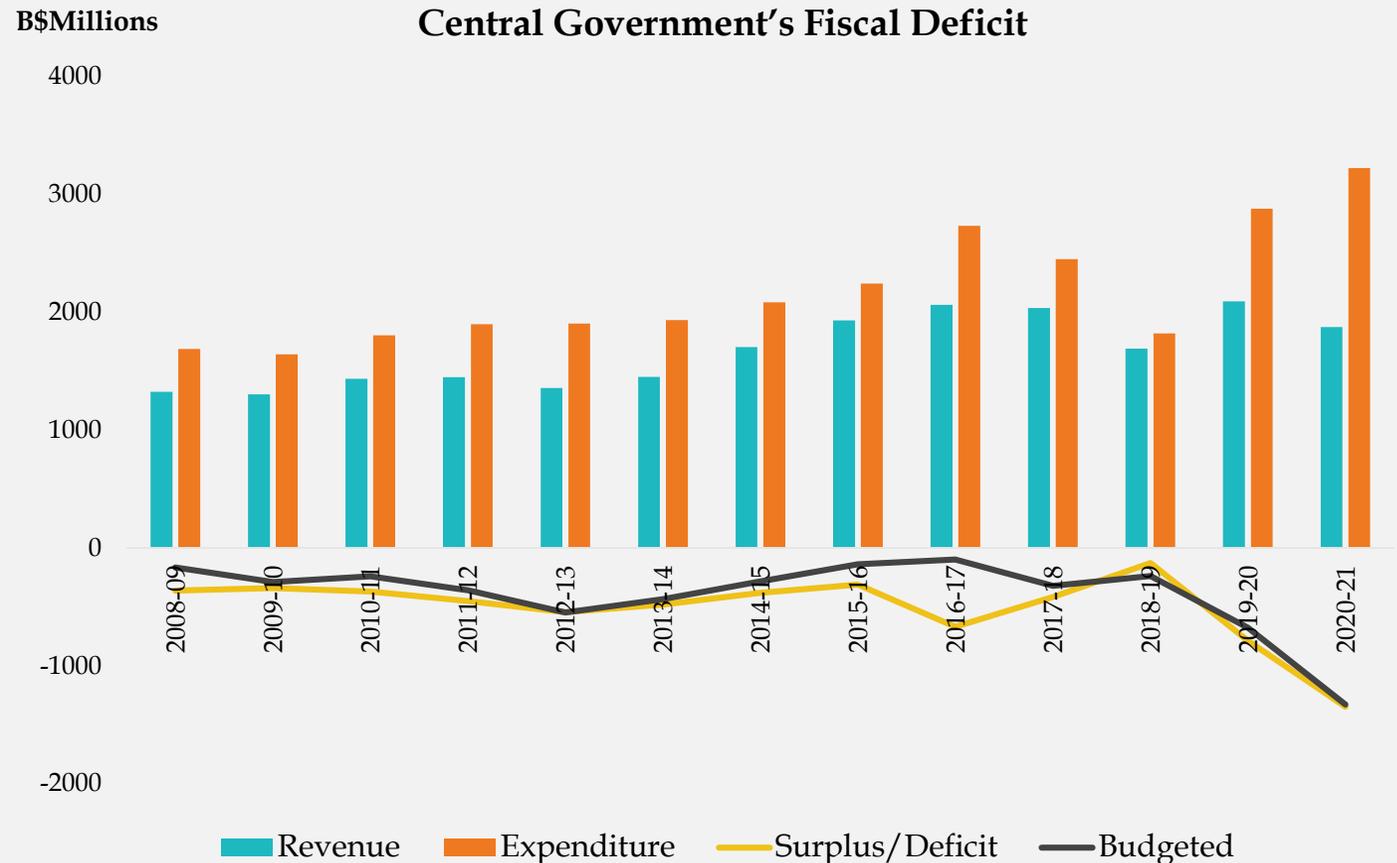
FISCAL SECTOR

Fiscal Sector

(FY2020/21 vs. FY2019/20)

During the fiscal year 2020/21, the deficit grew by \$536.3 million (66.1%) to \$1,348.0 million, amid a notable falloff in revenue collections and an increase in welfare spending related to the COVID-19 pandemic (social assistance and employment policy measures).

- Revenue contracted by \$214.2 million (10.3%) to \$1,872.7 million.
 - Specifically, VAT receipts reduced by \$138.0 million (15.7%) to \$741.7 million.
- Expenditure rose by \$322.1 million (11.1%) to \$3,220.7 million.
 - Recurrent outlays increased by \$324.9 million (12.9%) to \$2,851.3 million.
 - Conversely, capital spending decreased by \$2.7 million (0.7%) to \$369.5 million.



Source: Ministry of Finance
 *Data for Nine of Months of 2020/21.

FY2020/21 Budget Projections vs. Actual Outturn

(B\$ Millions)

	Actual Outturn	Budgeted	Difference (+/-)
Revenue	1,872.7	1,762.6	110.1
Tax Revenue	1,603.3	1,513.3	90.0
Non-tax Revenue	269.2	247.3	21.9
Expenditure	3,220.8	3,089.8	131.0
Recurrent Expenditure	2,851.3	2,574.3	277.0
Capital Expenditure	369.5	515.5	-145.5

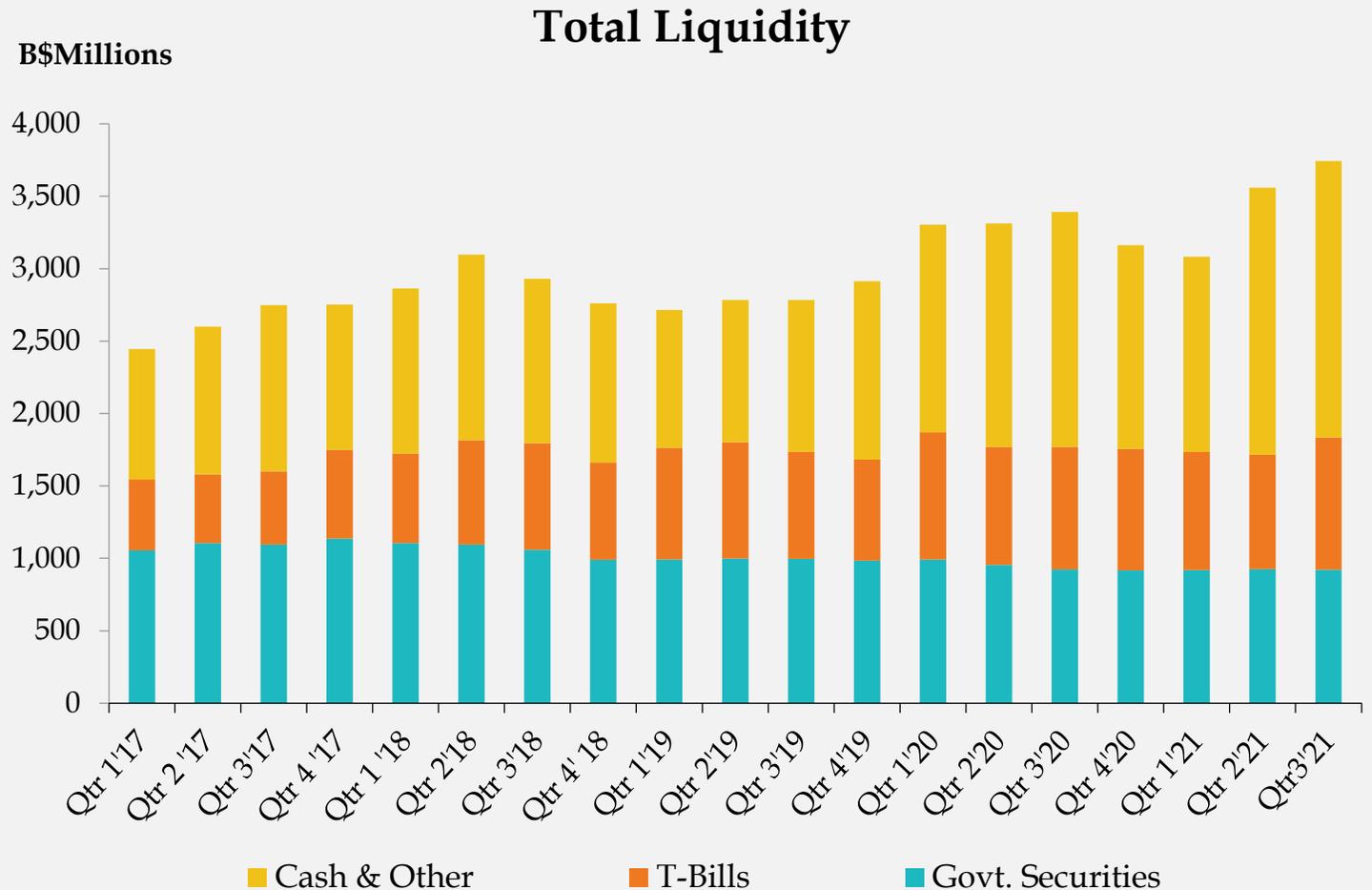
An aerial photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a deeper blue further out. The beach is a wide, white sand strip with several palm trees scattered along the shore. In the distance, a small island or peninsula is visible, surrounded by more water. The sky is clear and bright.

MONETARY SECTOR

Money and Banking: Liquidity Conditions (January-September 2021 vs. 2020)

During the nine months to September, growth in liquidity was attributed to the receipt of proceeds from Government's external borrowings and retained private sector foreign exchange receipts.

- Excess liquid assets grew by \$193.8 million, surpassing the \$186.8 million expansion in the previous year.
- Excess reserves rose by \$93.8 million, but trailed the \$188.6 million accumulation recorded in the prior year.



Source: Central Bank of The Bahamas

Note: "Other" is balances with Central Bank 17

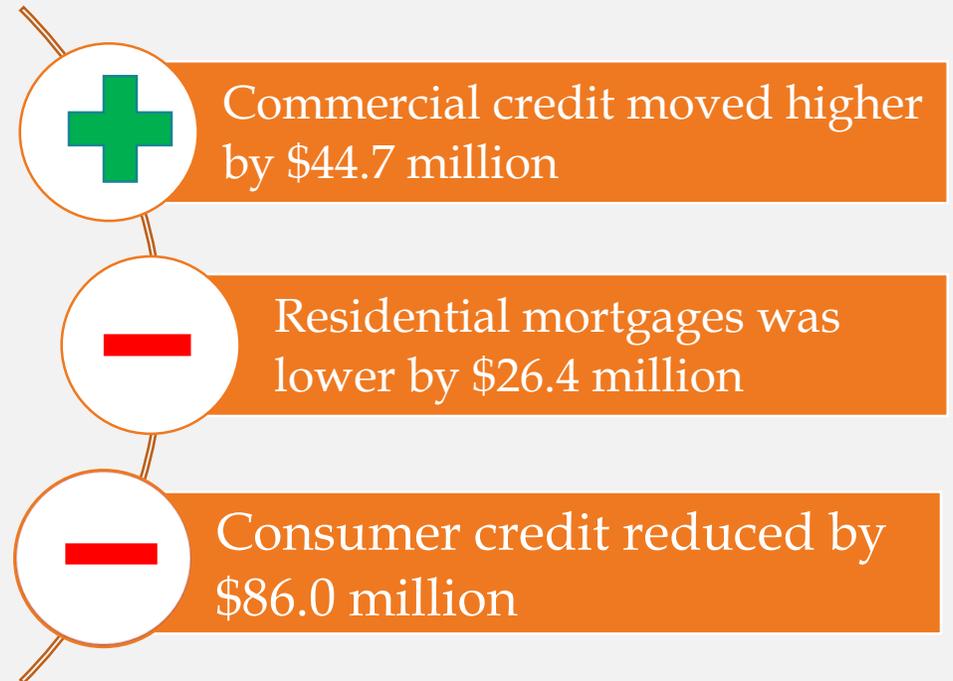
Lending Conditions

(January-September 2021 vs. 2020)

During the review period, total Bahamian dollar credit expanded by \$183.4 million, exceeding the \$79.7 million increase in the prior year.

- Growth in net claims on the Government extended to \$217.6 million from \$91.9 million in the same period of the previous year.
- Credit to public corporations recovered by \$15.4 million from a \$2.0 million decline last year.

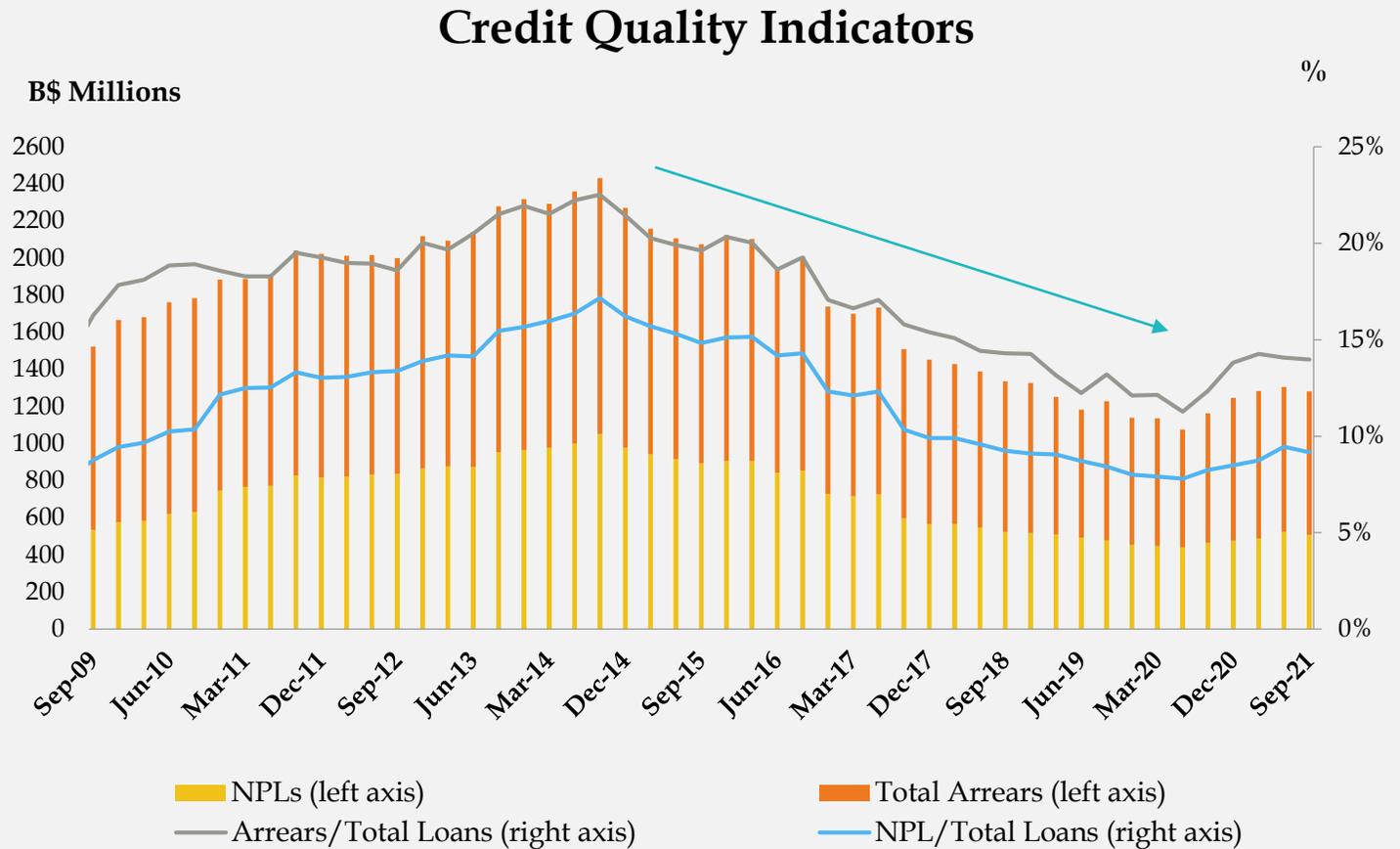
- Private sector credit contracted by \$67.7 million, extending the \$10.2 million falloff in 2020.



B\$ Credit Quality Indicators (January-September 2021 vs. 2020)

- During the nine months to September, the average arrears rate for private sector credit firmed to 14.0% from 12.4% in 2020.
 - The short-term arrears rate was 4.9% (4.1% in September 2020).
 - The NPL rate was 9.1% (8.2% in September 2020).

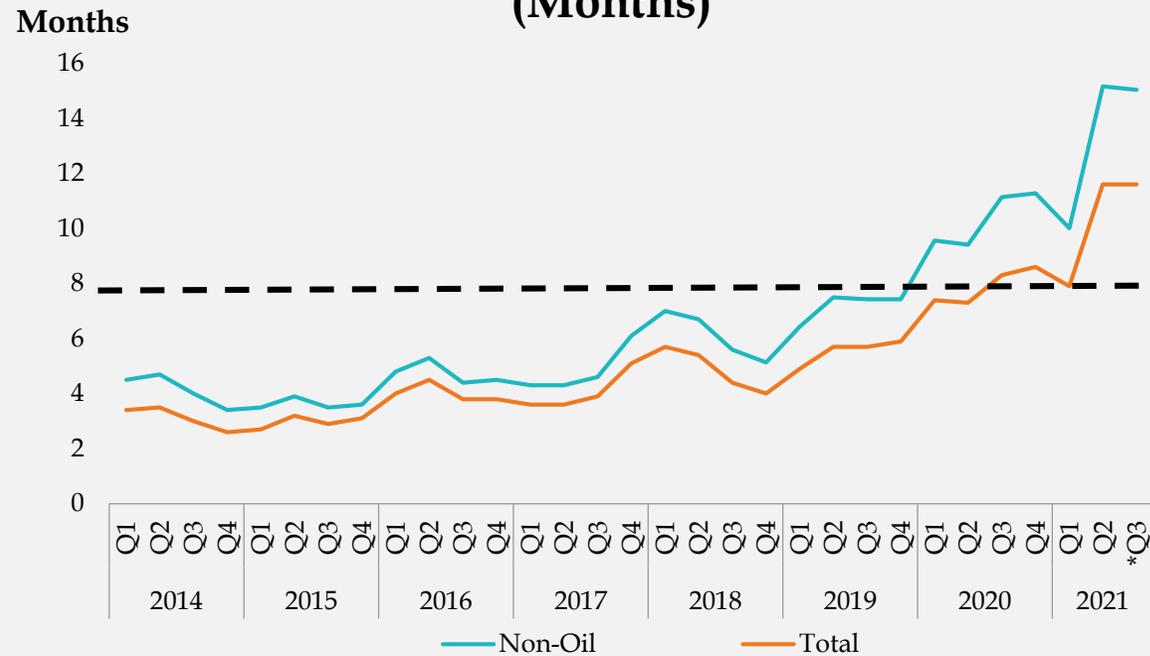
- Arrears rate by loan type:
 - Mortgages: 17.8% vs 15.3% in 2020.
 - Consumer: 11.9% vs 10.4% in 2020.
 - Commercial: 7.7% vs 8.3% in 2020.



Source: Central Bank of The Bahamas

External Reserves (January-September 2021 vs. 2020)

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



External reserves reduced by \$36.4 million to \$2,716.9 million, extending the \$21.5 million falloff registered in 2020.

- Balances represented 110.1% of the Central Bank's demand liabilities, and were equivalent to 11.6 months of the current year's total merchandise imports.

*Provisional figures used.



**RESULTS FROM BANK LENDING
CONDITIONS SURVEY**

Bank Lending Conditions Overview (January-June 2021)

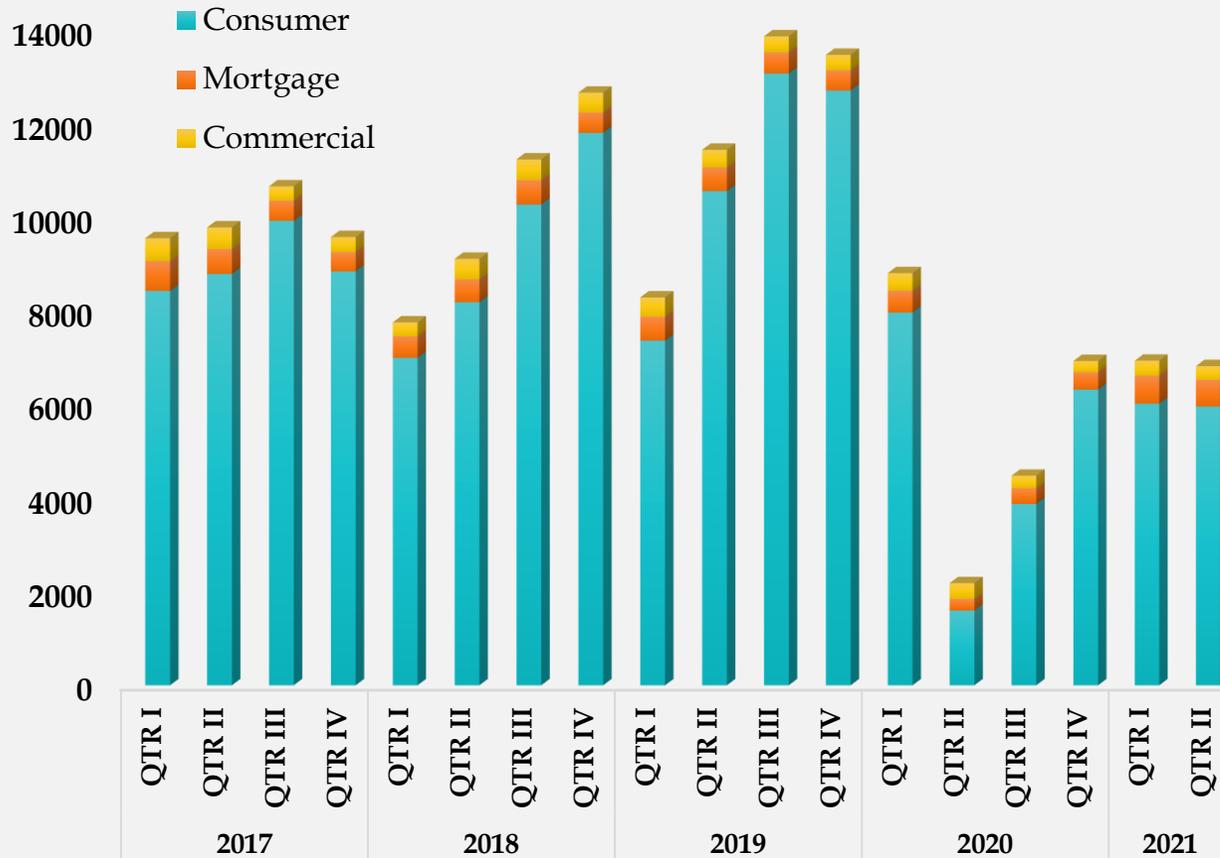
During the first half of the year, lending conditions around supply and demand for credit improved, recovering from a sharp downturn, due to the onset of the COVID-19 pandemic in 2020.

□ Total credit applications rose over the period, driven by upticks in requests for mortgages and consumer loans.

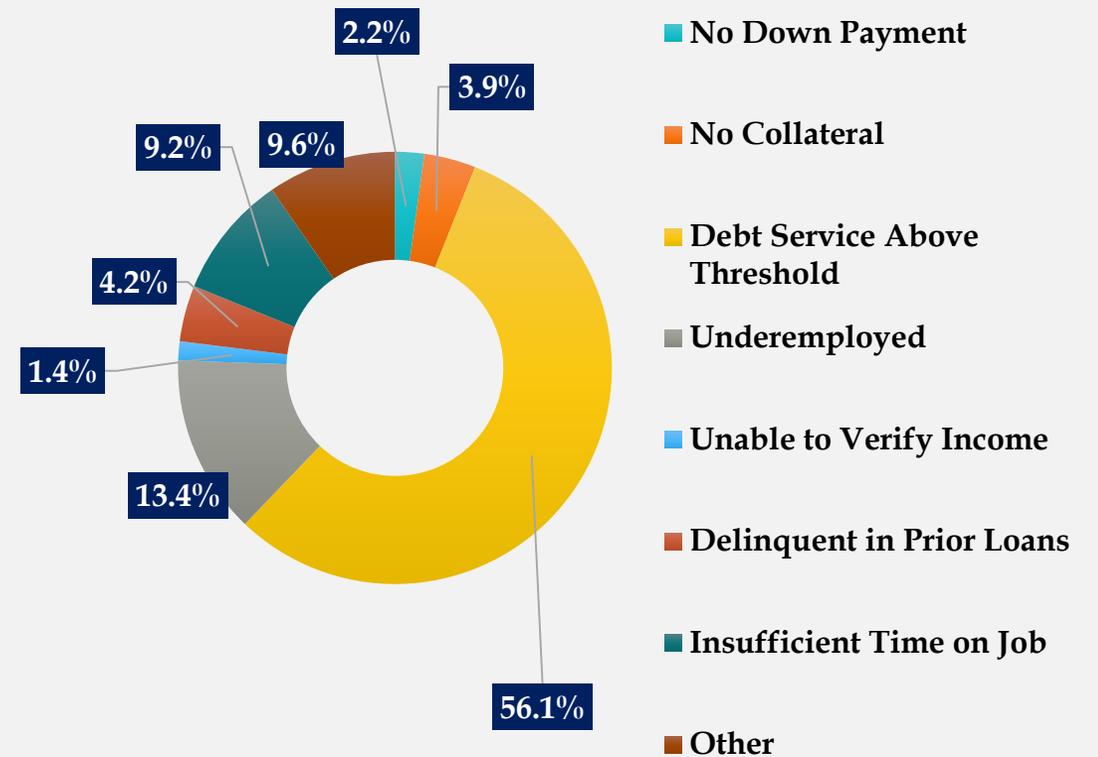
- ✓ Approximately 13,744 loan applications were processed in the first half of 2021, a 25.2% gain over the first half of 2020.
- ✓ The majority of loans (82.6%) were accepted and processed in New Providence.
- ✓ Consumer loan applications continued to dominate, representing 87.0% of total loans; 76.3% of which were approved.
- ✓ Most loan denials were due to high DSRs, underemployment and insufficient time on the job.
- ✓ In the mortgage market, the number of applications received was higher by 61.4%, when compared with the first half of 2020. Specifically, the commercial mortgages component registered a more than five-fold increase, and comprised 3.0% of total mortgages.
- ✓ Demand for commercial credit declined vis-à-vis the first half of 2020.

Bank Lending Conditions Overview (January-June 2021)

Loan Applications Received by Loan Type

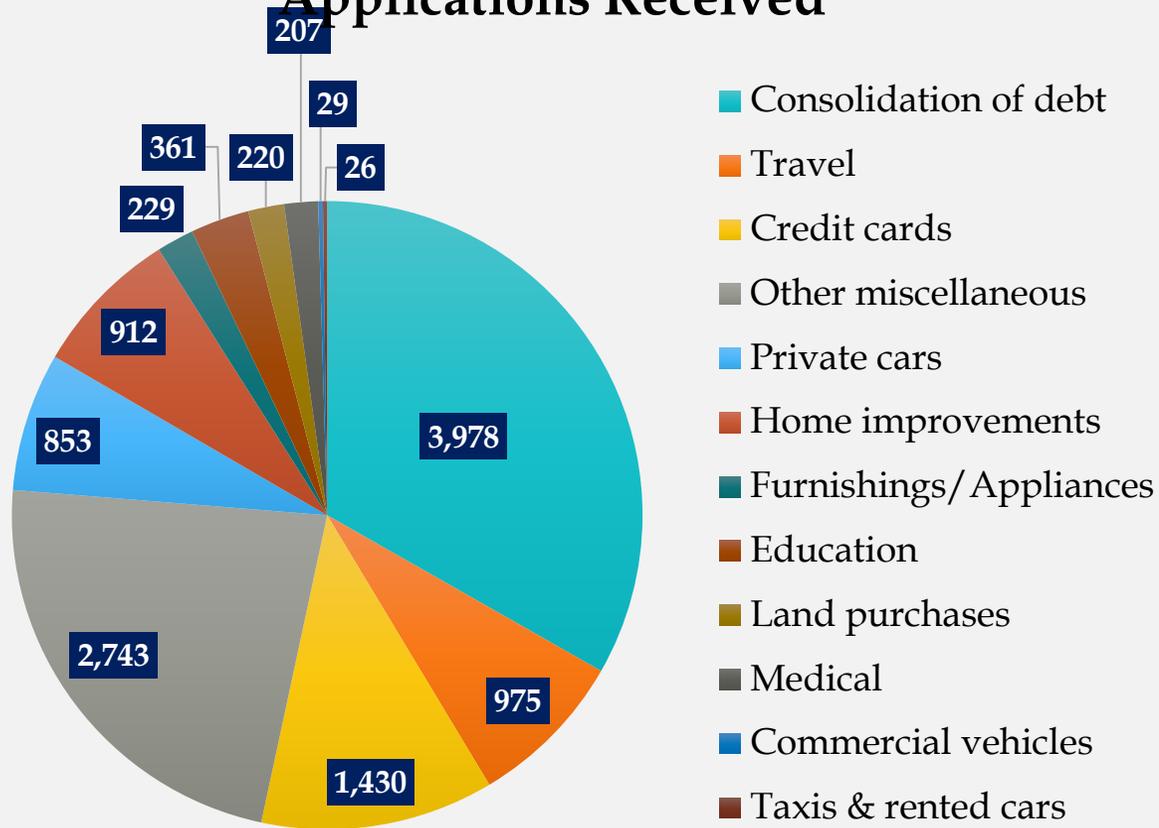


Loan Denial Reasons

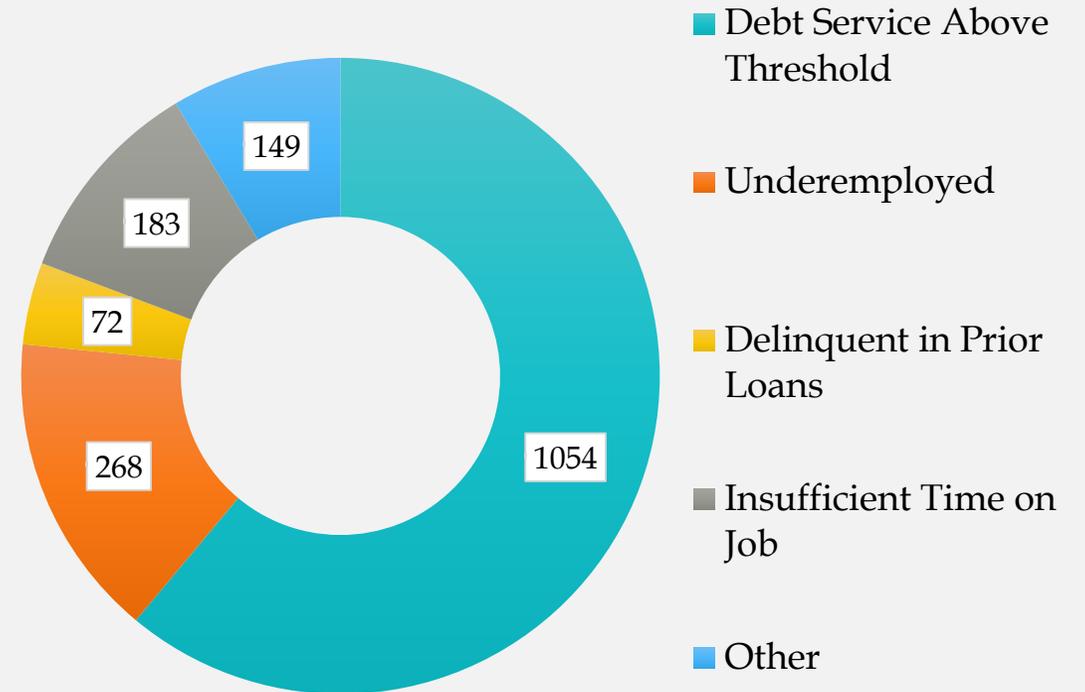


Bank Lending Conditions (Consumer Loan Applications)

Largest Categories of Consumer Loan Applications Received

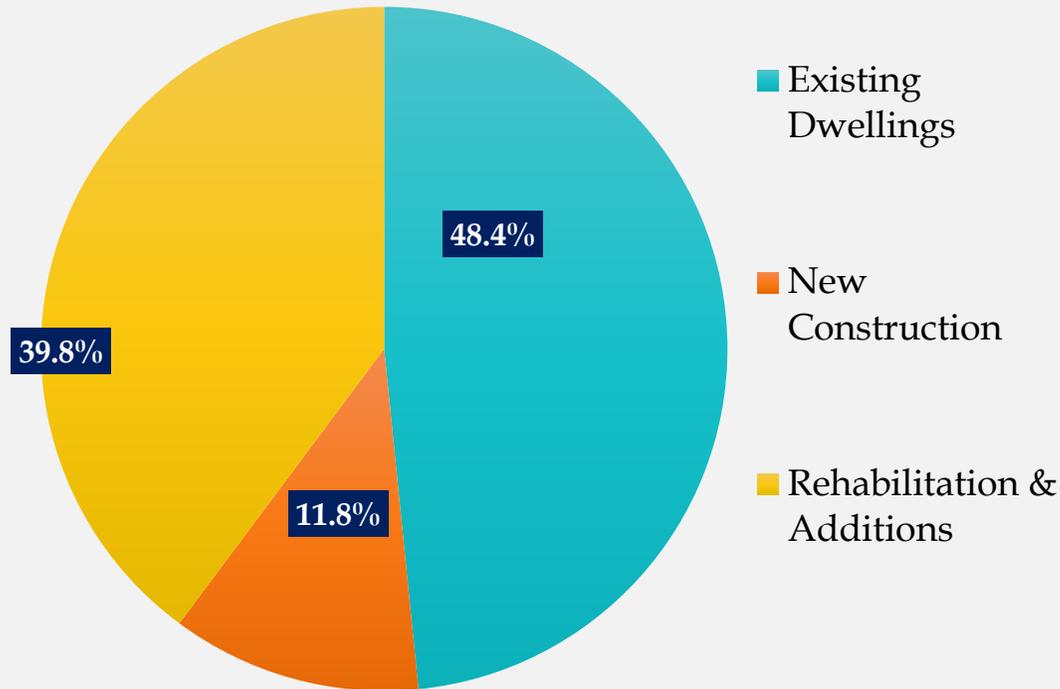


Reasons for Consumer Loan Denials

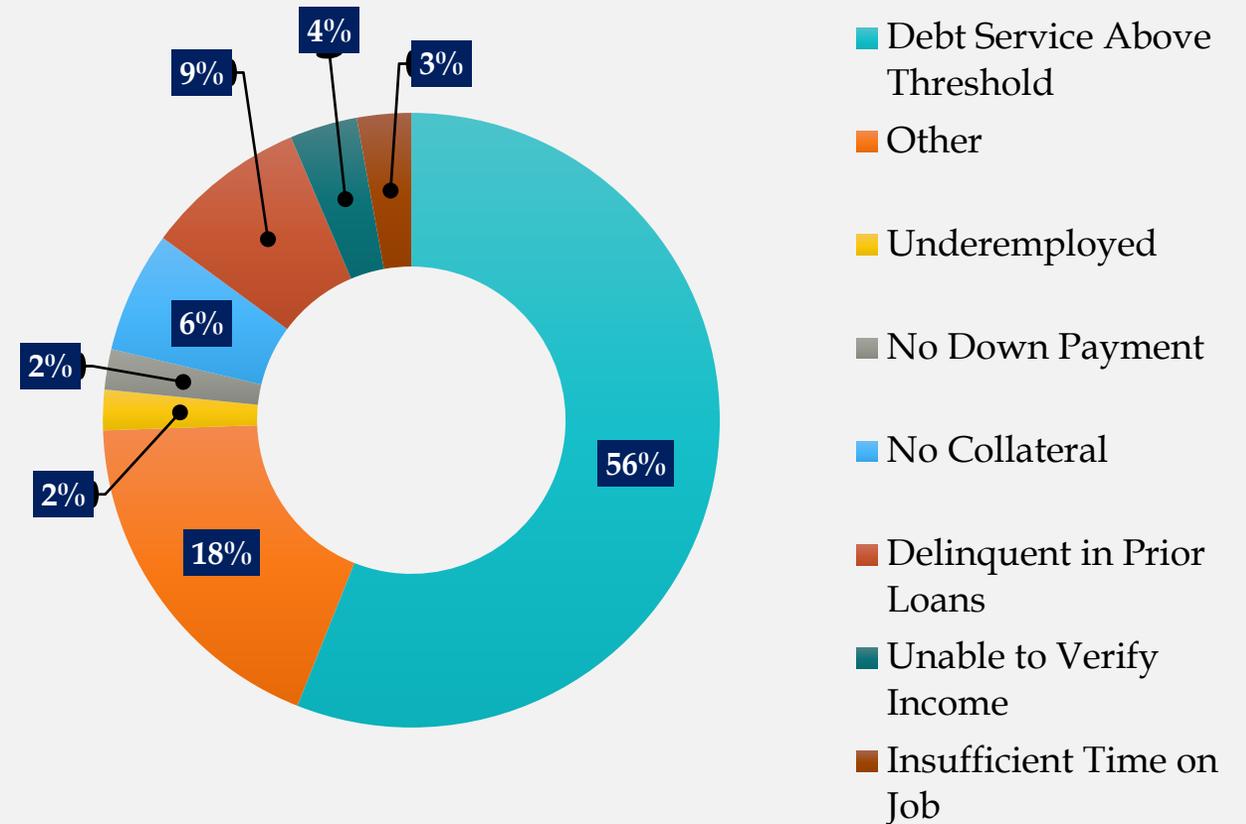


Bank Lending Conditions (Mortgage Applications)

Residential Mortgages Applications



Reasons for Mortgage Loan Denials





OUTLOOK

Real Sector

- The IMF projects that the domestic economy will register a growth of 2.0% in 2021, with the COVID-19 pandemic continuing to constrain economic activity, combined with residual effects from Hurricane Dorian.
- Sustained gradual resumption of tourism activity remains contingent upon the pace of progress on the international health front, the availability, distribution and effectiveness of vaccines and the global demand for travel.
- The near-term unemployment rate is expected to remain elevated, with any job gains concentrated predominantly in the construction sector and the re-employment of tourism sector employees.
- Inflation is expected to remain contained, although an uptick in the rate is anticipated, reflective of the uptrend in global oil prices.
- The fiscal deficit is expected to remain expanded, with financing needs staying elevated into FY2021/22.

Monetary Sector and External Reserves



- Banking sector liquidity is expected to remain elevated over the near term, as banks maintain their conservative lending stance.
- A marginal decrease in private sector credit is likely for 2021.



- External reserve balances are anticipated to surpass 2020 levels, despite forecasts of foreign currency drawdowns, a reduction in inflows related to sub-optimal tourism sector activity and higher imports to aid reconstruction work.
- Balances are anticipated to remain at satisfactory levels to sustain the Bahamian dollar currency peg.

Risks to The Outlook

TOURISM

The pace of travel recovery is dependent on available supply and widespread vaccinations.

EXTERNAL RESERVES

Protracted constrained tourism output and increased demand for foreign currency for reconstruction work could accelerate drawdowns in reserves.

GLOBAL

The COVID-19 pandemic may continue to weigh down the outlook.

INFLATION

Geopolitical tensions, reduction in oil production and food supply disruptions could accelerate price increases.

EMPLOYMENT

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

FISCAL

The fiscal capacity to stabilize the economy could be constrained by a prolonged slowdown in the economy from COVID-19 and diminished access to external credit markets.

The End

