

Quarterly Economic and Financial Developments Report

December 2021

Research Department



Domestic Economic Developments

Preliminary data indicated that the domestic economy maintained its gradual pace of recovery during the final quarter of 2021, although developments continued to be largely impacted by the COVID-19 pandemic and its highly transmissible variants. Further strengthened tourism output was undergirded by seasonal gains in the high value-added air segment and the modest uptick in sea traffic, as international vaccination efforts progressed.

Real Sector

- Stopover tourism indicators rebounded strongly, and with it earnings, even though the delayed restart of cruise activity contracted total arrivals by 9.7% during the eleven months to November, 2021. Yet, the reduction was sharply tapered from 73.1% in the same period of 2020.
- Several varied-scale FDI projects, along with ongoing hurricane rebuilding works, provided stimulus to the construction sector.

Monetary Sector

- During 2021, bank liquidity rose by \$101.1 million for an ending balance of \$2.3 billion, as the rise in deposits outstripped gains in domestic credit.
- External reserves grew by \$78.6 million to \$2.5 billion in 2021. Despite lower net Government external borrowing, the outcome was bolstered by the IMF SDRs allocation and significantly reduced net private sector outflows. External balances growth, however, was greater in 2020.

A wide-angle photograph of a tropical beach. The foreground shows a sandy beach with several palm trees and some small structures. The middle ground is a vast expanse of turquoise water, transitioning to a deeper blue further out. The horizon is visible in the distance. The text "TOURISM SECTOR" is overlaid in the center of the image.

TOURISM SECTOR

Visitor Arrivals

(January – November 2021)

Stopover recovery led the rebound in tourism.

- Over the first 11 months of the year, air arrivals expanded by 97.8%, a reversal from the 74.5% falloff in 2020.
- Sea arrivals reduced by 40.1%, lower than the 72.6% decline a year earlier. Consequently, total visitor arrivals still declined by 9.7%, which was tapered from a 73.1% reduction in the same period of 2020.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
Arrivals	2020	2021	2020	2021	2020	2021
Air	-74.3	83.6	-79.0	67.0	-74.6	162.0
Sea	-77.3	-45.0	-77.2	-45.0	-65.6	-35.1
Total	-76.3	-1.1	-77.4	-34.5	-66.7	-16.1

Source: Ministry of Tourism

Cruise Ships Industry Update

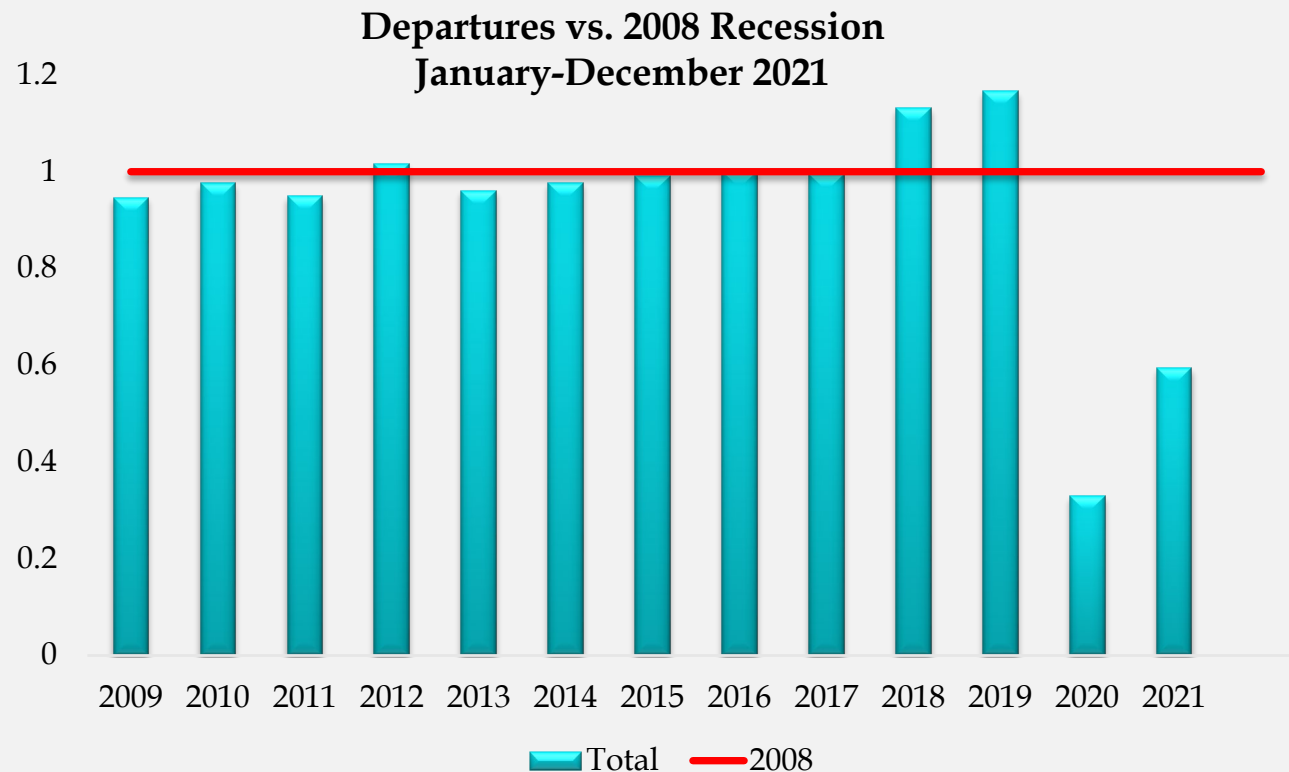
- The resumption of the cruise industry was stalled until late in the summer of 2021, with a steady seasonal recovery thereafter.
- According to Nassau Cruise Port CEO, the US CDC Level 4 Travel Notice has not adversely affected cruise travel. Cruise berth bookings for 2022 remain stronger than pre-pandemic levels.



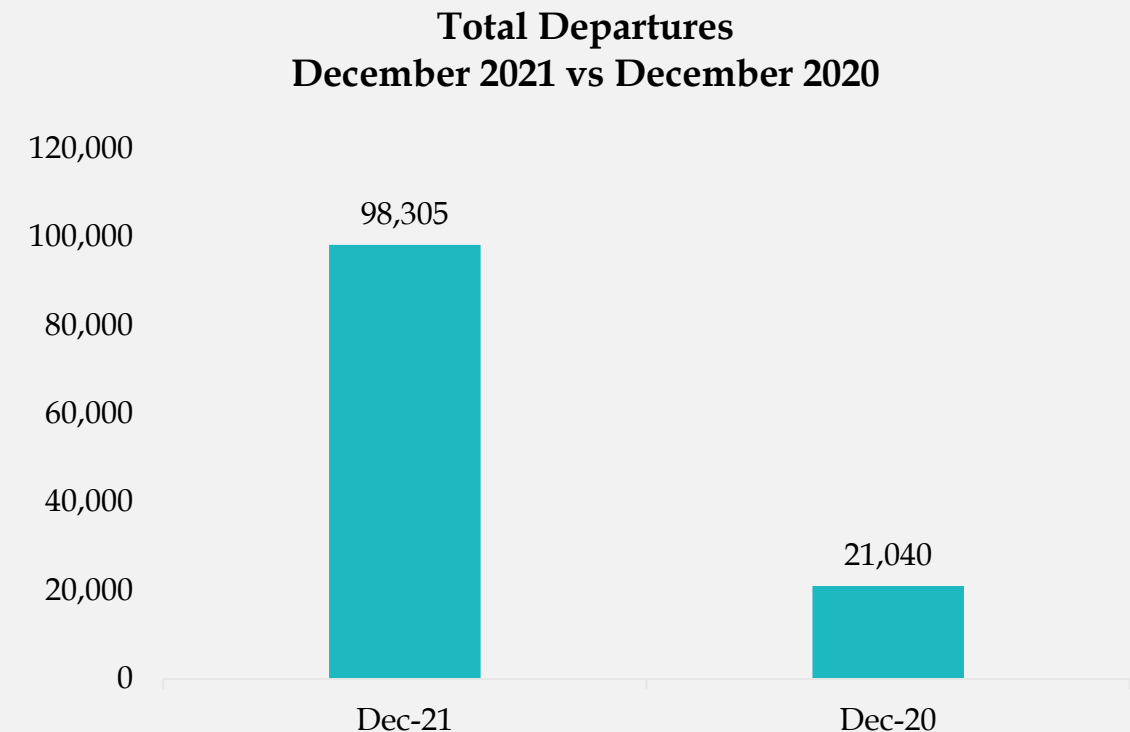
Nassau Airport (NAD) International Departures January - December

International air departures through Nassau Airport rebounded by 80.0% in 2021, after a 74.2% reduction in 2020.

Total departures for December, 2021 amounted to 98,305 vis-à-vis 21,040 departures in December, 2020; representing 50.9% of 2019 levels.



Source: Nassau Airport Development Company

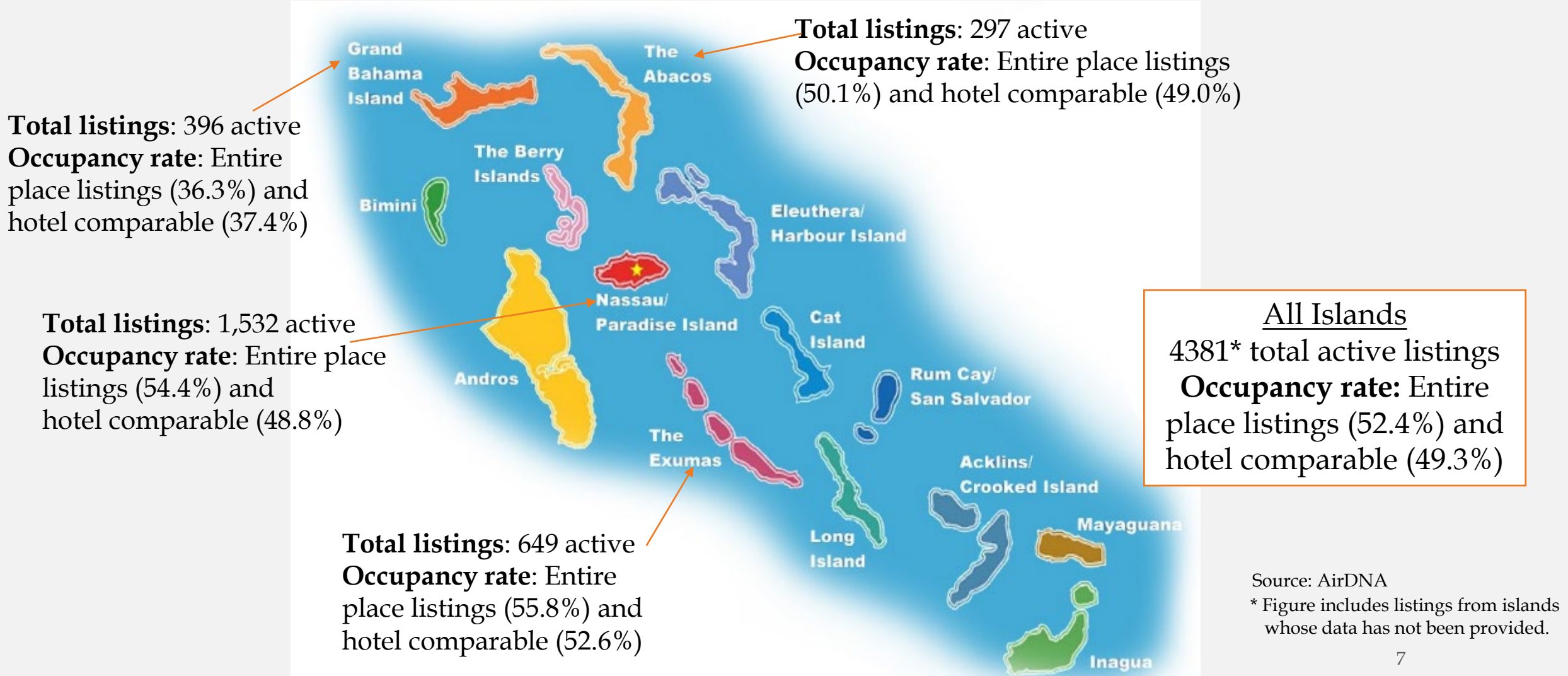


*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals

(as at December 2021)

The Bahamas' vacation rental market remained vibrant, and on a strengthening trajectory.



Airbnb: Occupancy Rate Trends

(January - December 2021 vs. 2020)

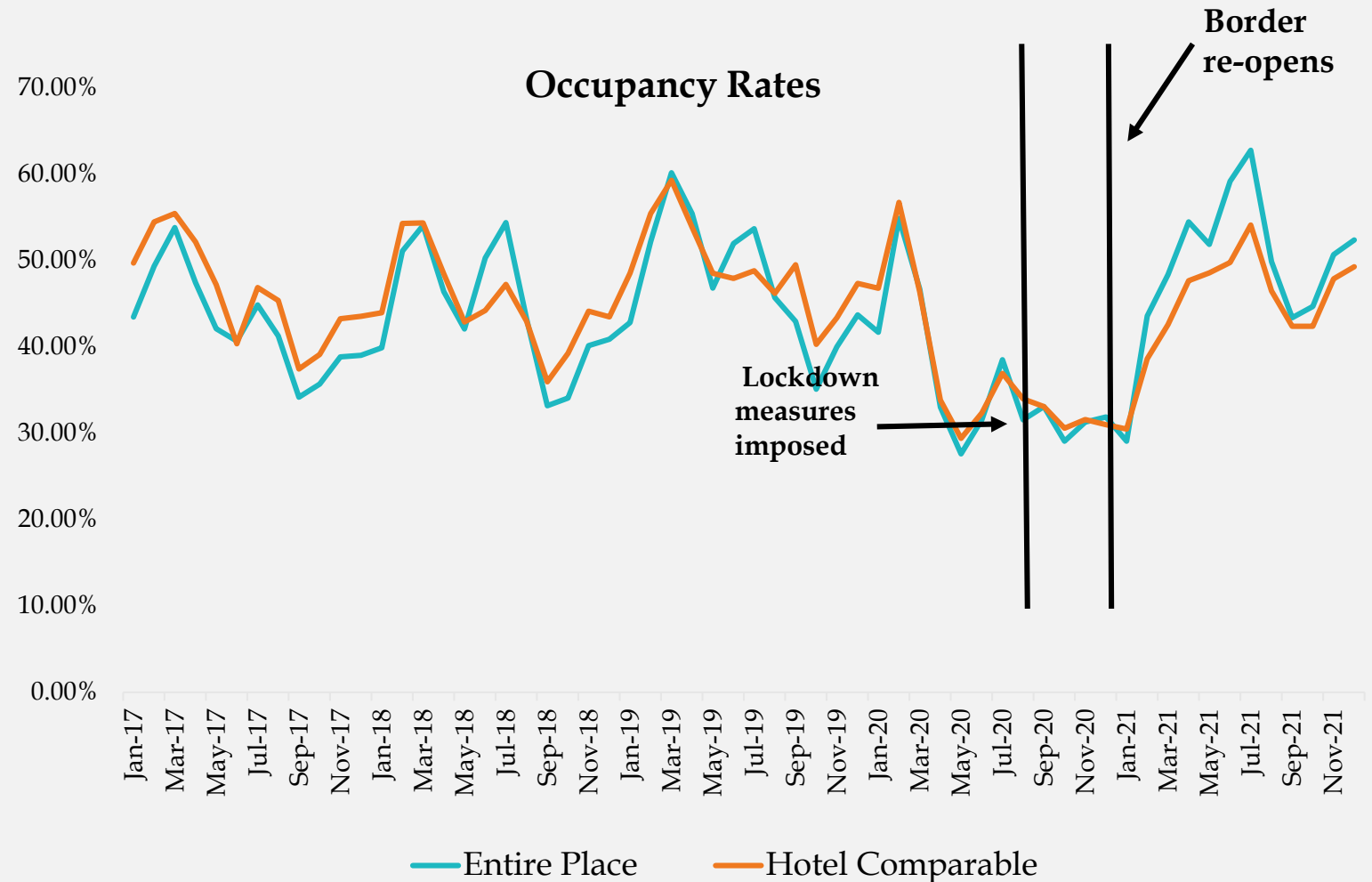
During the year, occupancy levels trended upward, benefitting from the relaxation of the COVID-19 related restrictions.

Entire Place Listings

- The average occupancy rate increased to 52.4%, from 31.9% in the same period of 2020.

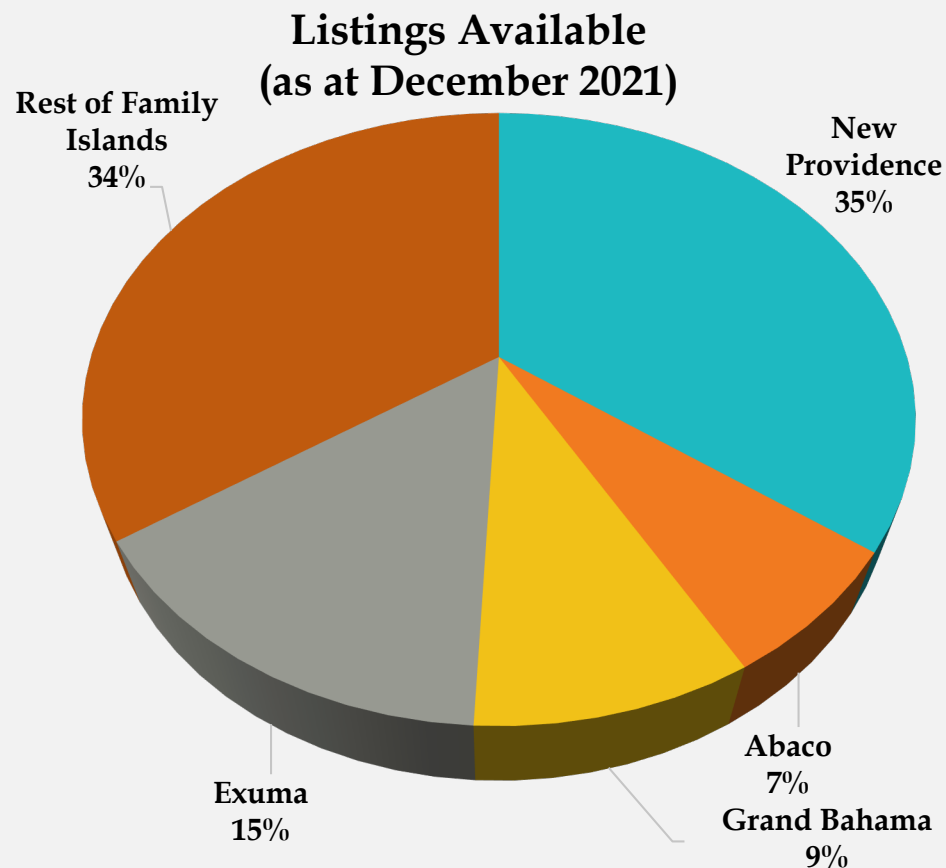
Hotel Comparable Listings

- The average occupancy rate rose to 49.3% from 31.0% in 2020.



Airbnb: Market Share by Island (December 2021)

Exuma and the remaining Family Islands, accounted for approximately half of all available listings during the year, with listings increasing for all the major markets, including New Providence, Grand Bahama, and Abaco.



Listings for Abaco, Grand Bahama, and New Providence strengthened in December 2021 by 54.7%, 16.1% and 12.4%, respectively, relative to the same period in 2020.

All Available Listings				
	Jun 2020	Dec 2020	Jun 2021	Dec 2021
Abaco	307	192	236	297
Grand Bahama	350	341	374	396
New Providence	1,306	1,363	1,395	1,532

An aerial photograph of a tropical beach. The water is a vibrant turquoise blue, transitioning to a deeper blue further out. The beach is a wide, white sandy strip. In the foreground, there are several palm trees and some small structures. The horizon is visible in the distance under a clear sky.

NEW FOREIGN INVESTMENT PROJECTS

New Foreign Investment Projects

New Providence

Aqualina Limited : \$75.0 million

- Approved for the development of a condo hotel in the Cable Beach vicinity. The project was valued at \$75.0 million and is projected to provide 200 new jobs.

Box Marine Limited : \$22.0 million

- Approved to build on 14 acres at a cost of \$22.0 million. The development will include a boat storage, restaurant and bar, pool and convenience store.

Neuro Cynotonix Bahamas Limited : \$6.0 million

- The \$6.0 million facility, which will provide comprehensive therapy for brain injuries and disorders, will provide 36 jobs on the completion.

Eleuthera

Bel Air Resort: \$74.0 million

- Approval granted to construction a \$74.0 million resort, on 56 acres. It will comprise of over 60 resort cottages, 40 private residences, a beach club, yoga studio, and spa. An estimated 130 new jobs and 44 incremental jobs will be added to the island economy during the implementation phases.

Grand Bahama

Lucayan Medical Philanthropic Ltd: \$3.2 million

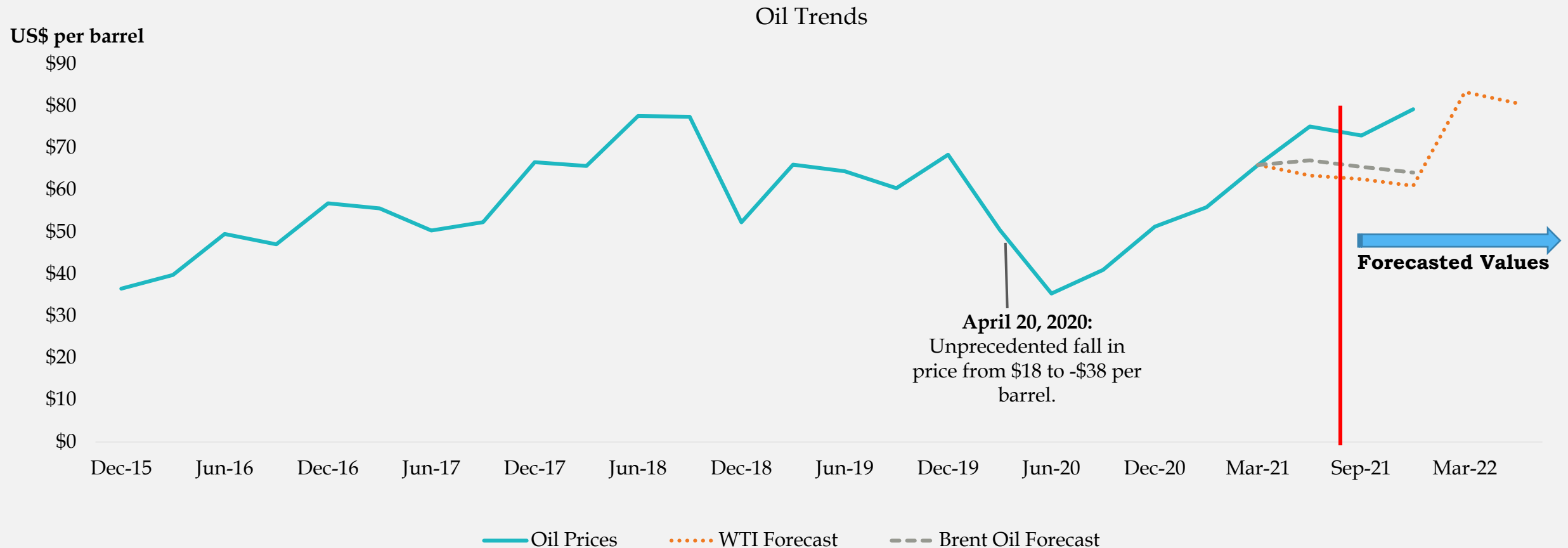
- Land was acquired in in the central Freeport area to renovate and establish a health care facility at a cost of \$3.2 million. Redevelopment and outfitting of the First Commercial Centre, as a hospital and or urgent health care facility to be operated by Doctors Hospital (Bahamas) Limited will employ 90 persons.

A wide-angle photograph of a tropical beach. The water is a vibrant turquoise blue, transitioning to a deeper blue further out. The sand is bright white and stretches along the shoreline. In the foreground, there are several palm trees and some low-lying green vegetation. The sky is clear and bright. The word "INFLATION" is superimposed in the center of the image in a bold, black, serif font.

INFLATION

Oil Price Trends

During the January to December 2021, crude oil prices increased by 54.5% to \$79.20 per barrel.





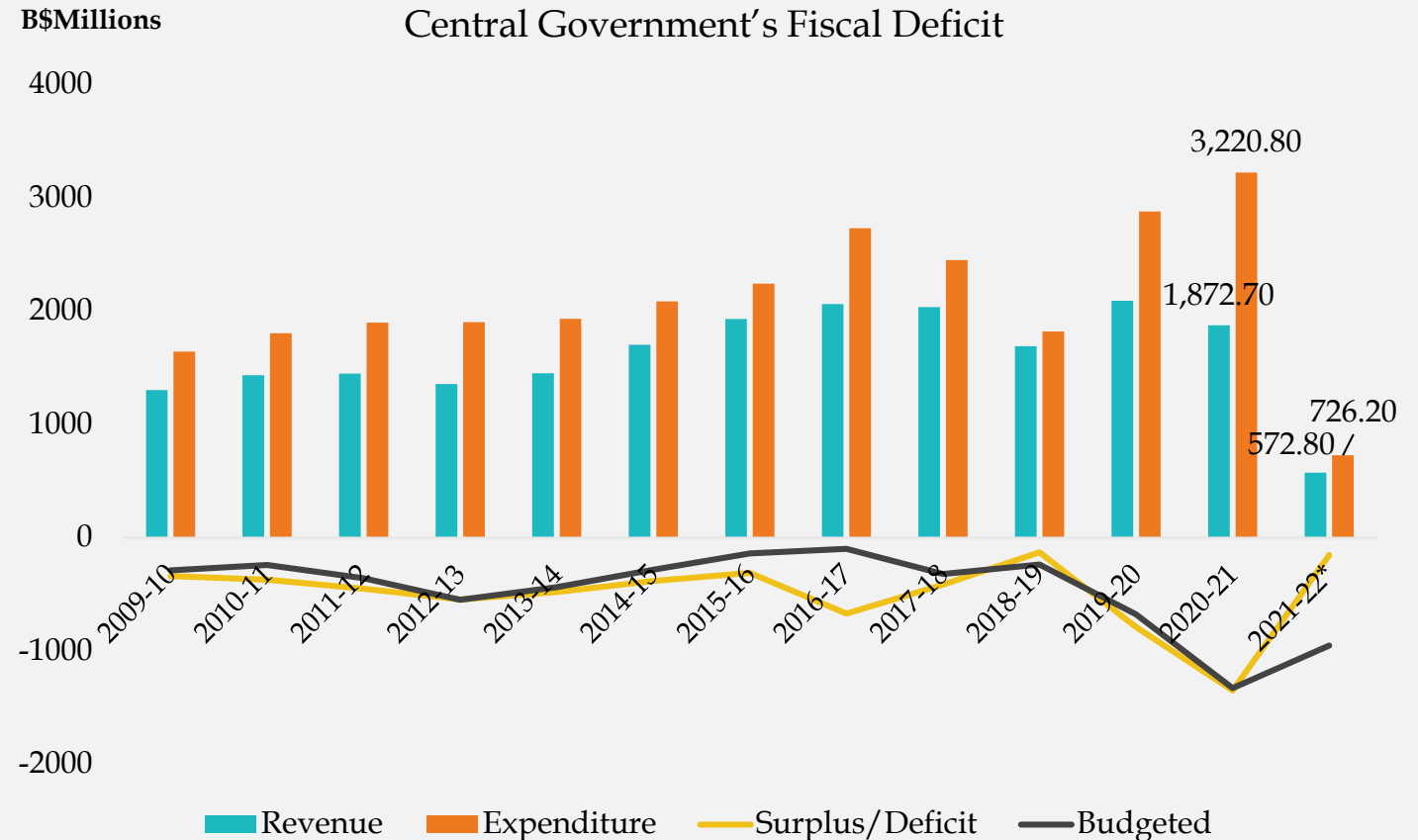
FISCAL SECTOR

Fiscal Sector

Provisional Q1 FY2021/2022

During the first three months of FY2021/22, the deficit narrowed to \$153.5 million from \$345.1 million a year earlier, with tourist receipts and taxable activities contributing to the improvement.

- Revenue grew by \$271.9 million (90.4%) to \$572.8 million, as VAT receipts expanded by \$160.0 million to \$294.7 million.
- Expenditure rose by \$80.3 million (12.4%) to \$726.2 million: recurrent outlays increased by \$78.0 million (13.3%) to \$663.6 million and capital spending, by \$2.3 million (3.7%) to \$62.6 million.

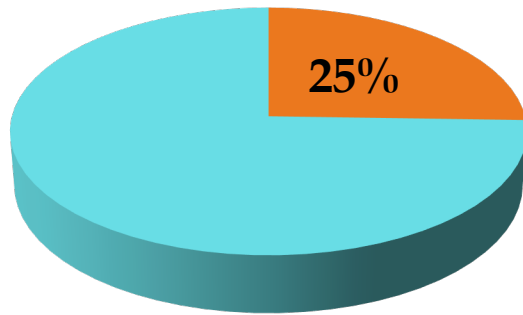


Source: Ministry of Finance
*Data for Q1 2021/22.

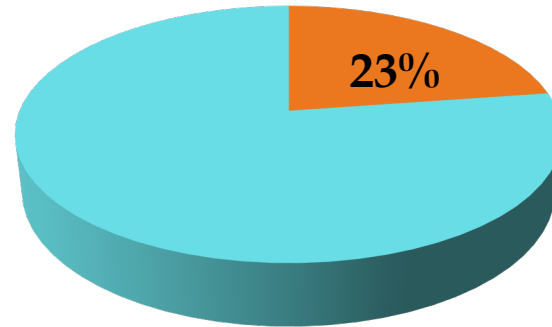
FY2021/2022 Budget

Projections vs. First Quarter Actual Outturn

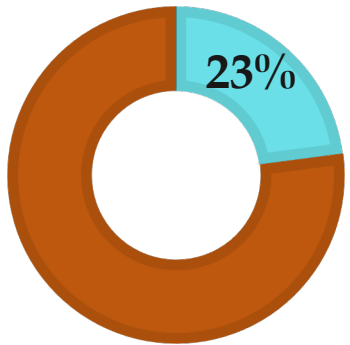
Revenue



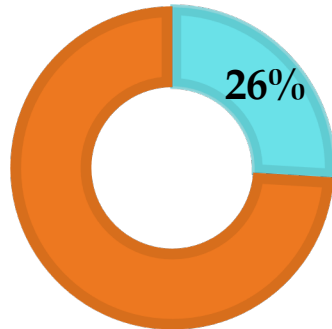
Expenditure



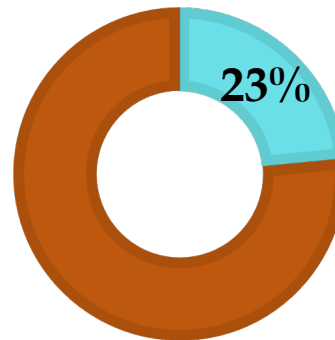
For the first three months of fiscal year 2021/22, in excess of 20.0% of the budget has been utilized for almost all of the categories.



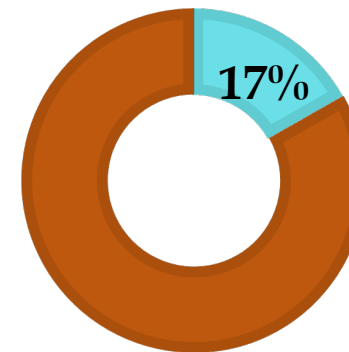
Non Tax Revenue



Tax Revenue



Recurrent Expenditure



Capital Expenditure

A wide-angle photograph of a tropical beach. The water is a vibrant turquoise blue, transitioning to a deeper blue further out. The beach is a wide expanse of white sand, dotted with several palm trees and some small structures. The sky is a clear, pale blue. The text "MONETARY SECTOR" is overlaid in the center of the image in a bold, black, serif font.

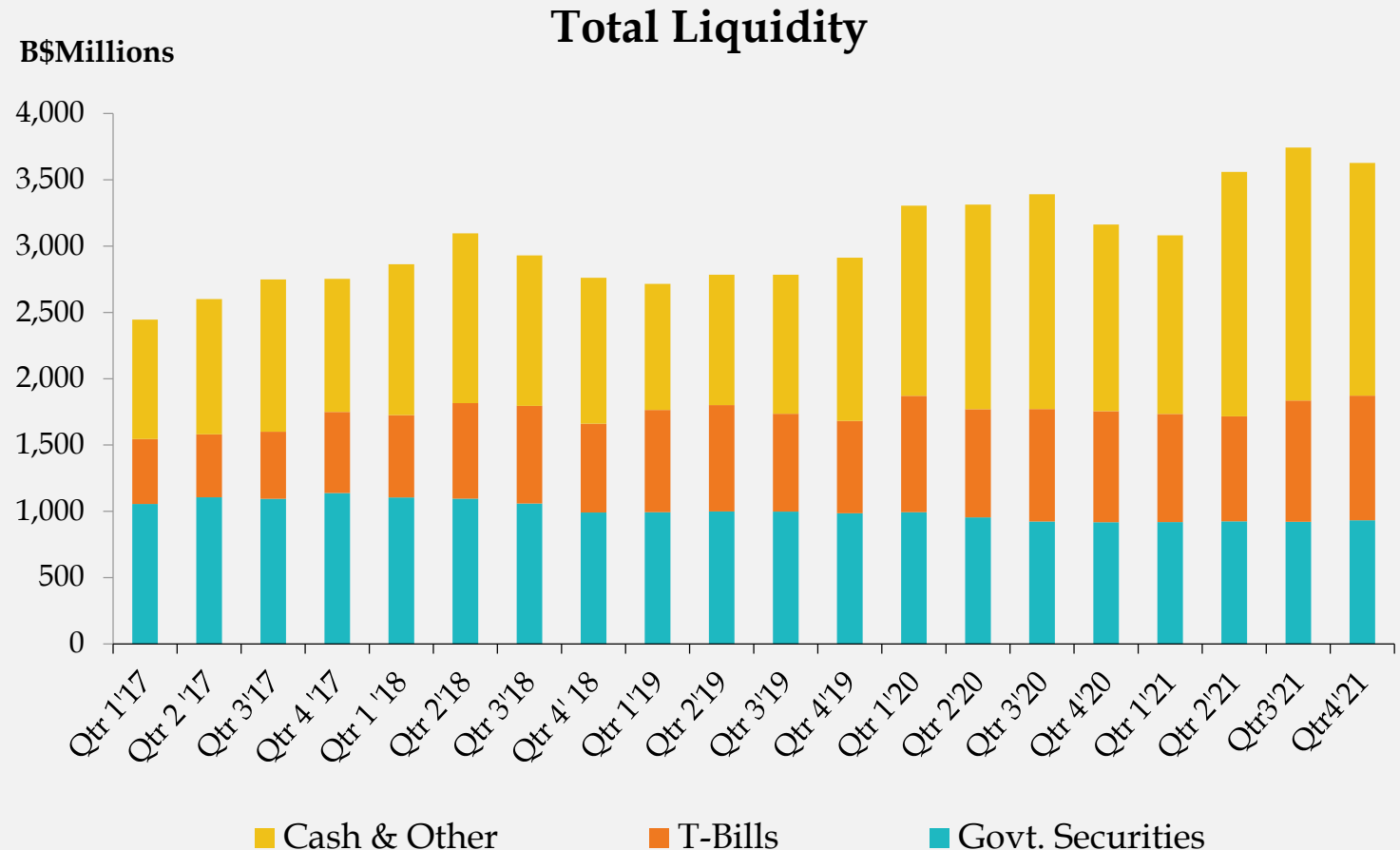
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-December 2021 vs. 2020

In 2021, the growth in liquidity was largely attributed to relatively lower resources pressures from credit expansion compared with deposit gains. But the resources slack narrowed in comparison to 2021.

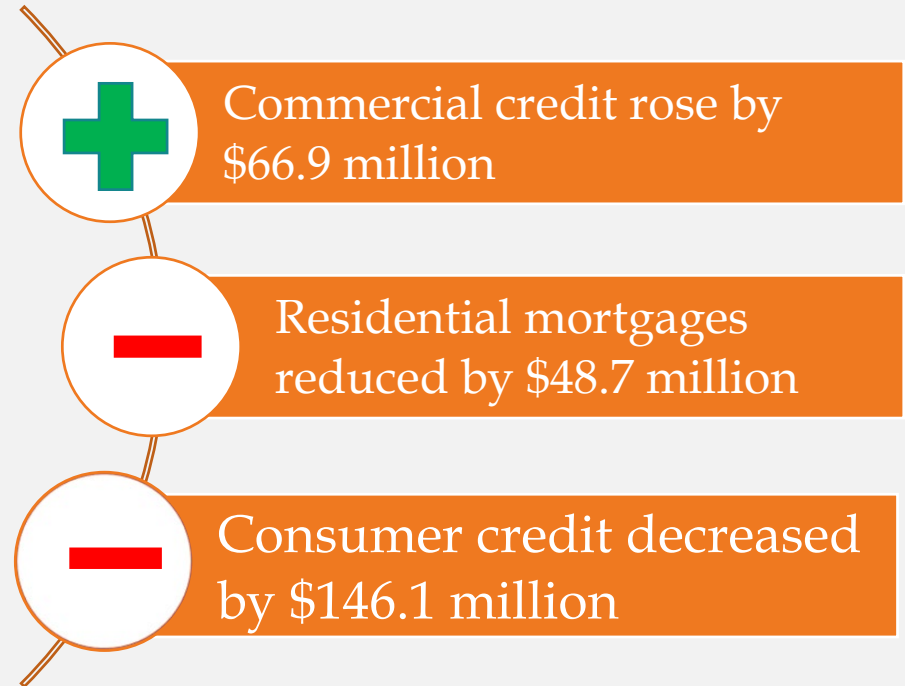
- Excess liquid assets rose by \$101.1 million, a slowdown from the \$264.4 million accumulation in the previous year.
- Similarly, excess reserves grew by \$1.1 million, trailing a \$330.0 million expansion in the preceding year.



Lending Conditions

January-December 2021 vs. 2020

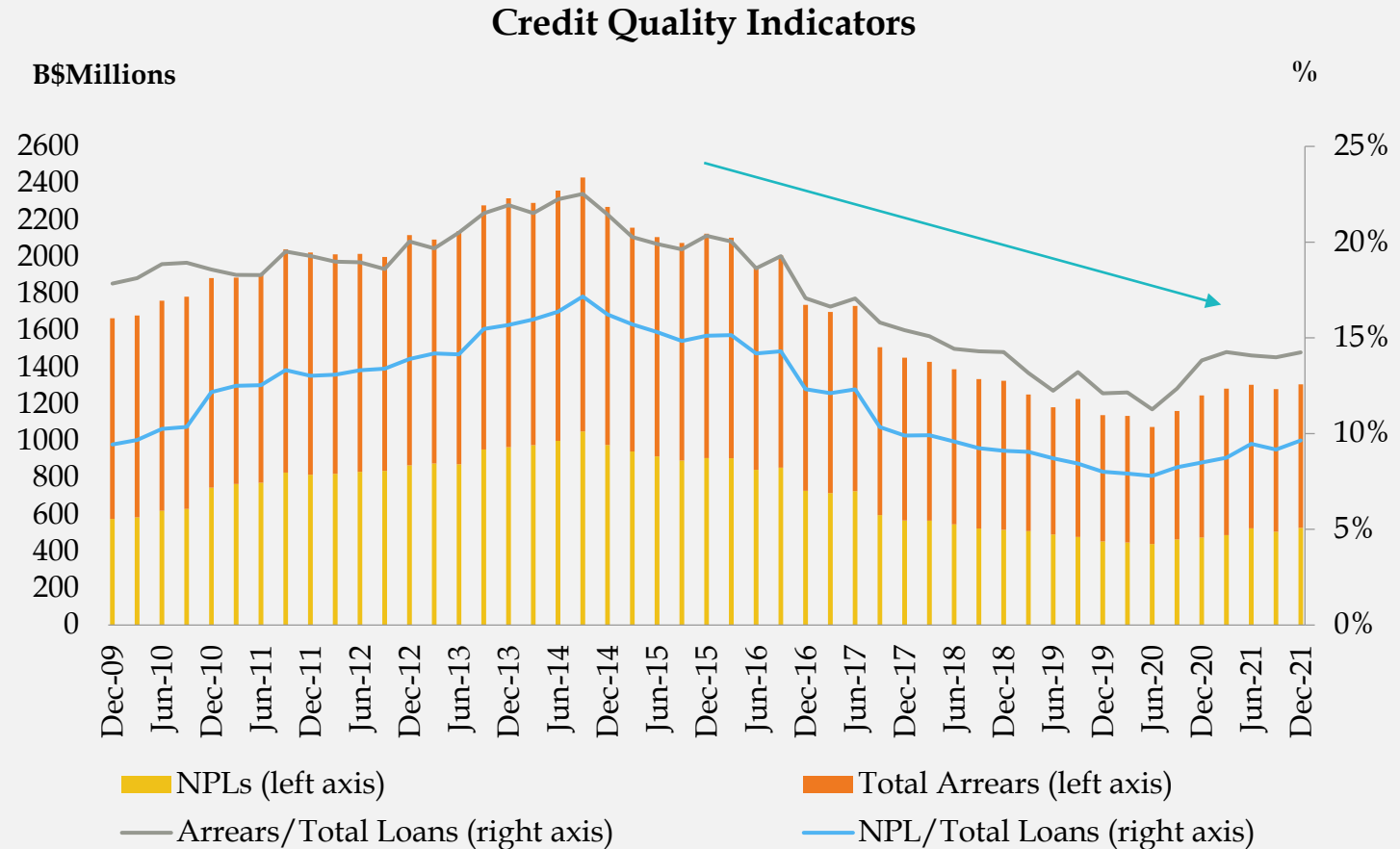
- During 2021, total Bahamian dollar domestic credit rose by \$303.4 million, a turnaround from the \$275.2 million decline in 2020.
- Net claims on the Government expanded by \$420.9 million, contrasting with the \$206.2 million contraction in the previous year.
- Credit to public corporations increased by \$10.5 million, a switch from a \$2.3 million falloff last year.
- Private sector credit contracted by \$128.0 million, extending the \$66.7 million decrease in the prior year.



B\$ Credit Quality Indicators

January-December 2021 vs. 2020

- During 2021, the average arrears rate for private sector credit increased to 14.2% from 13.8% in 2020.
 - The short-term arrears rate was 4.6% (5.3% in December, 2020).
 - The NPL rate was 9.6% (8.5% in December, 2020).
- Arrears rate by loan type:
 - Mortgages : 17.2% vs 18.7% in 2020.
 - Consumer: 13.3% vs 10.6% in 2020.
 - Commercial: 8.0% vs 7.0% in 2020.

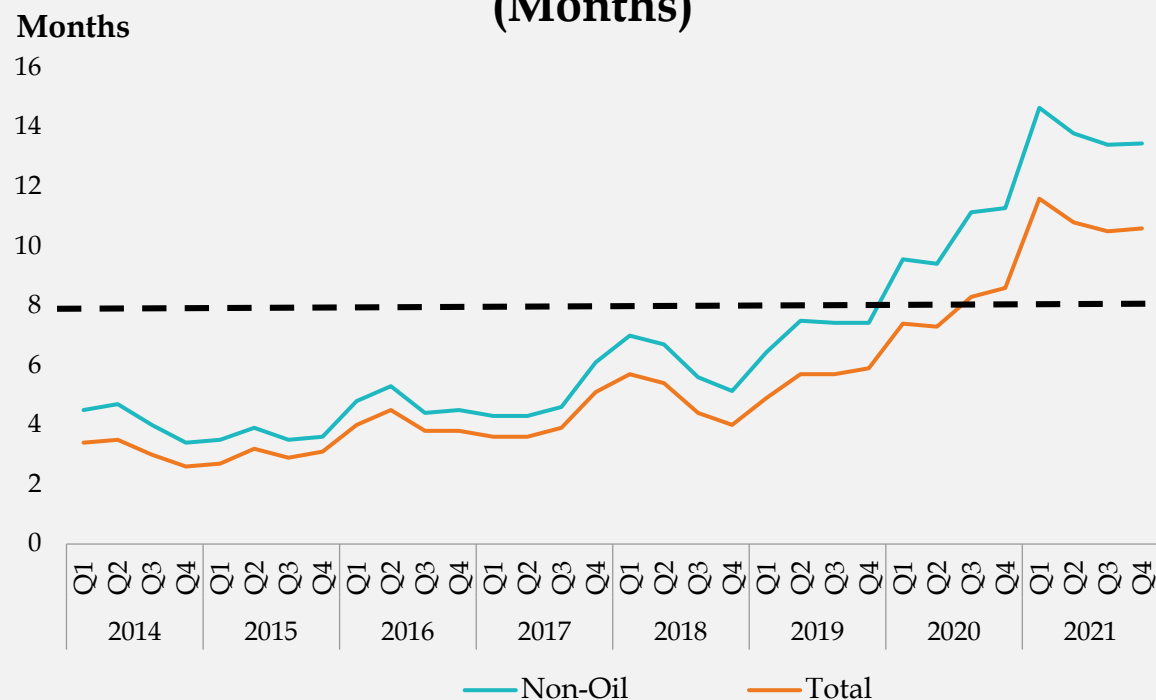


Source: Central Bank of The Bahamas

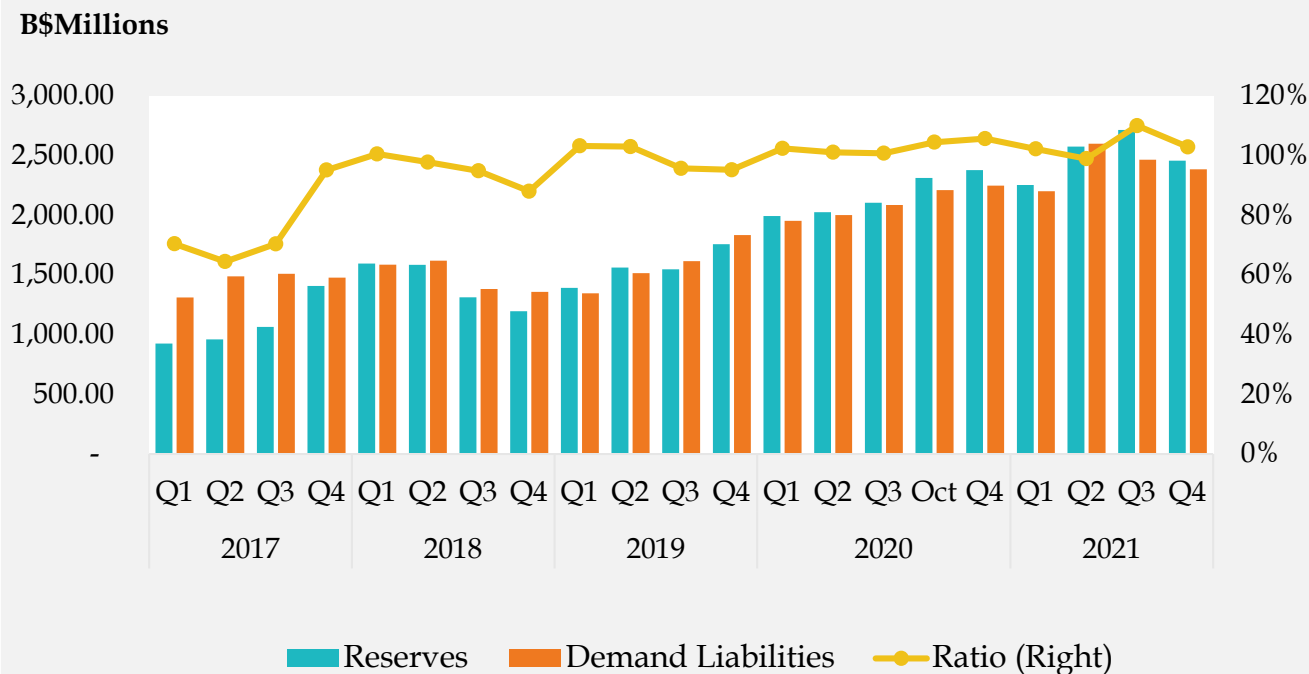
External Reserves

January-December 2021 vs. 2020

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



Source: Central Bank of The Bahamas

External reserves expanded by \$78.6 million to \$2,459.2 million, although a moderation from the \$622.4 million growth registered in the previous year, which had included more elevated proceeds from the Government's external borrowings.

- Balances represented 103.0% of the Central Bank's demand liabilities.
- Equivalent to 10.6 months of the current year's total merchandise imports.



OUTLOOK

Real Sector

- The domestic economy is projected to maintain its recovery-themed growth trajectory in 2022, supported by the continued strengthening in tourism, ongoing post-hurricane rebuilding works and FDI activities.
- The pace of tourism sector rebuilding remains contingent upon sustained progress on international health initiatives to confront the COVID-19 pandemic, including increased vaccination rates across countries and continued easing of globally imposed travel restrictions.
- The unemployment rate is expected to remain high over the near-term, with any job gains concentrated largely in the construction sector and the limited re-employment of tourism sector employees.
- Inflationary pressures are anticipated to remain subdued, although some firming is estimated over the near-term, reflecting the pass-through effects of the rise in international oil prices and other costlier imports from the major trading partners.

Fiscal Sector

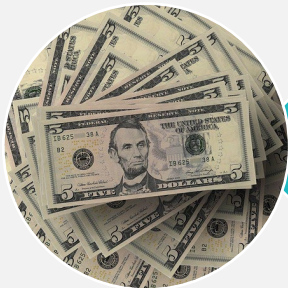
- Though on a declining trajectory, the fiscal deficit is expected to remain elevated, with net financing needs staying high over the rest of fiscal year 2021/2022.
- Projected revenue shortfalls should persist, with expectations that taxable economic activity would only recover to pre-pandemic levels in sync with tourism recovery.
- Budgetary financing is expected to remain reliant on important use of both domestic and external credit, but with domestic sources becoming more sustainable for the monetary sector's evolution.

Monetary Sector and External Reserves



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

Private sector credit is forecasted to increase marginally in 2022 in anticipation of the sustained economic recovery.



External reserve balances are expected to remain buoyant in 2022, but with some net drawdown to accommodate stronger domestic demand, and continued expenditures on rebuilding from the 2019 major hurricane.

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 more evenly distributed global vaccinations.

EXTERNAL RESERVES

Increased foreign currency demand for reconstruction and subdued tourism output could accelerate drawdowns.

GLOBAL

The COVID-19 pandemic and new variants may continue to weigh down the global outlook.

INFLATION

Geopolitical tensions, reduction in oil production and food supply chains disruptions could result in a surge in prices.

EMPLOYMENT

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

FISCAL

A prolonged slowdown from COVID-19 and diminished access to external credit markets could constrain the fiscal capacity to stabilize the economy.

The End

