Exploring Inflation and the Cost of living in The Bahamas

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Table of Contents

Abstract

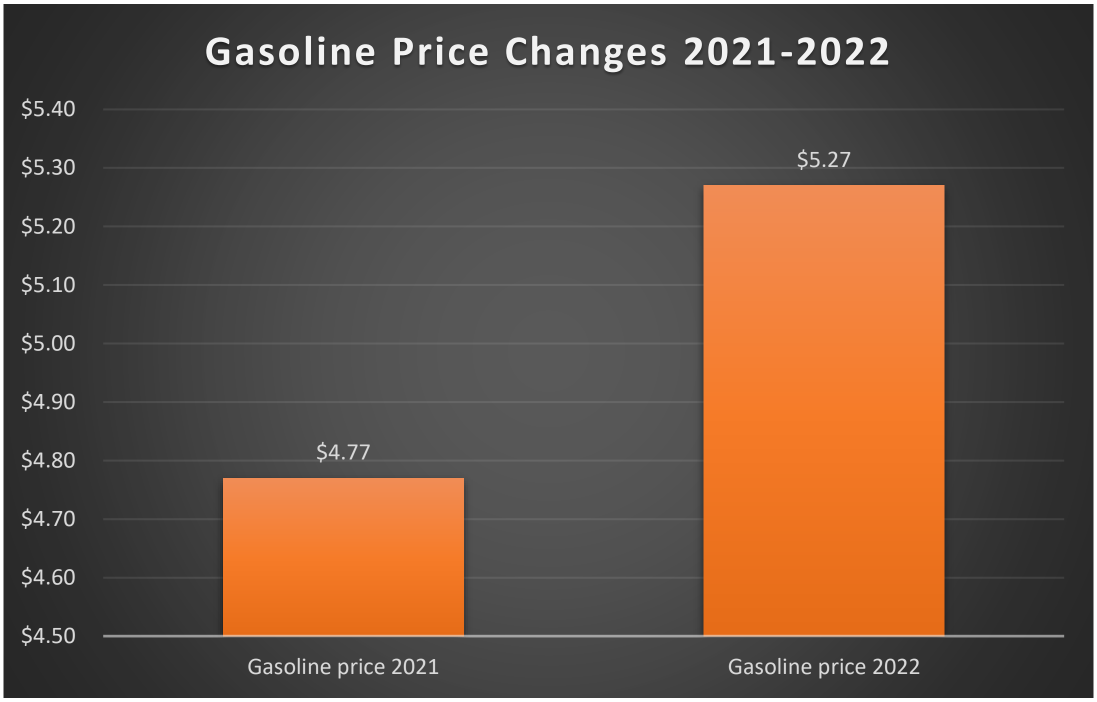
Inflation is generally defined as an overall increase in the prices of goods and services in an economy. Inflation is a global phenomenon that impacts everyone, either directly or indirectly. While low or moderate inflation stabilizes prices and stimulates investment and consumption. Hyperinflation on the other hand can be detrimental as it reduces the purchasing power of money and resources. The global economy is currently facing a serious threat from inflation. During the past two years, the Covid19 pandemic and global inflation have taken the world by storm. Due to The Bahamas' heavy reliance on imports, it is particularly vulnerable to global inflation. When living in an inflationary environment, it is almost impossible to live comfortably. Prices of fuel, energy, and food have increased worldwide due to inflation, resulting in hardships for consumers and suppliers. Due to inflation, the "cost of living" has risen, however, the minimum wage remains the same in The Bahamas. The question arises, then, as to whether the minimum wage is adequate to meet the needs of consumers. If it proves to be insufficient, the purchasing behavior of consumers may deteriorate, resulting in an economic recession. The paper will demonstrate how inflation impacts the "cost of living", purchasing behavior, and household savings. Moreover, the paper provides an overview of inflation and living costs in other countries, which may have significant implications for The Bahamas.

Keywords: inflation, cost of living, minimum wage, consumer spending, savings, a living wage, money, economic growth, The Bahamas, economics.

The Bahamas is a tourist destination well known for its beautiful sun, sand, and sea. The issue of crime, however, has historically posed a threat to Bahamian society. While crime has historically been the primary concern of The Bahamas, inflation has become much more of a concern for The Bahamas, recently.

As food and fuel prices have risen worldwide, vulnerable populations and countries with low incomes have been particularly affected. The IMF has projected Global Inflation of 5.7% in 2021. (International Monetary Fund, 2022). Accordingly, the World Food Program USA (2021), reported that food prices have surged to levels not seen since July 2011. Moreover, the recent Russia-Ukraine conflict has been a major contributor to inflation, as it has increased commodity prices and resulted in more disruptions in supply chains. (International Monetary Fund, 2022) Consequently, the global oil market has witnessed an increase in supply and demand following the Russian-Ukrainian conflict. In response, oil prices have escalated globally, resulting in significant increases in the price of gasoline and diesel fuel in The Bahamas. In turn, these developments have negatively affected all sectors of The Bahamas' economy, particularly industries including capital works, boating, construction, transportation operators, and heavy equipment operations.

From the Central Bank of The Bahamas March 2022 Quarterly Economic Review, it can be noted that gasoline prices rose by 10.5% to $5.27 per gallon between December 2021 and March 2022 and by 35.5% compared to the same three-month period a year ago. Preliminary indications suggest that prices may continue to escalate since this report was published.



Source: The Central Bank of The Bahamas March 2022 Quarterly Economic Review

Moreover, there is a prediction that electricity prices in The Bahamas will also increase. With this being said, the Government has proposed "initiatives [to] keep the long-term average cost of electricity below $0.20 a Kwh for The Bahamas which is a 20% reduction from the current levels" (The Ministry of Finance, 2022).

Inflation erodes the purchasing power of consumers and negatively impacts their ability to interact in the market. (Boyle, 2022). However, as prices continue to rise and minimum wages remain unchanged, consumers are faced with difficult purchasing decisions. In this regard, it is evident how inflation affects the standard of living, as consumers may become less inclined to purchase certain items, subsequently resorting to substitute goods of a lower price.

Moreover, it is important to monitor the change in consumer purchasing patterns, as they have an impact on the economic landscape. Due to inadequate salaries, most Bahamian workers struggle to meet their daily living expenses or maintain a reasonable standard of living. (Archer,

2021) Thus, it is evident why an increase in the minimum wage has been proposed. It was mentioned that the government intends to increase the minimum wage rate from $210 per week to $250 per week. (Rolle, 2022). With inflation diminishing the purchasing power of the average Bahamian, an increase in the minimum wage is becoming increasingly urgent.

Further, a proposal for an increase in the minimum wage has already been submitted to the Bahamas Public Services Union, and it is anticipated that increases will begin as of July 2022. (The Ministry of Finance, 2022, p.g. 11). However, it was pointed out that there are several factors to be considered when increasing the minimum wage, including the “cost of living” in The Bahamas, inflation, and government policies. (Rolle, 2022). The Central Bank of The Bahamas revealed domestic consumer price inflation rose to 2.3 percent in the last quarter of 2021, a stark increase compared to the 0.2 percent registered during the same period in 2020. (Central Bank of the Bahamas, 2021). Additionally, the Central Bank of The Bahamas Quarterly Economic Review (2022) reported a moderate increase of 0.04% during the same period in 2021, compared with an average of 3.4% for the twelve months to February.

Both consumers and suppliers have been affected by these rising inflationary prices. Further, it has been argued that the decrease in VAT has contributed to the increase in prices. However, according to the Minister of Economic Affairs, Michael Halkitis, it is the spike in the price of imported goods that has led to domestic price increases. (Mckenzie, 2022). Considering that most of what is consumed in The Bahamas is imported, it is understandable how the increase in import prices would adversely affect us. As a consequence, local retailers are forced to raise their prices, resulting in a negative impact on consumers' purchasing power. Ultimately, someone will be forced to bear the cost of rising inflation, whether it be the consumer, the supplier, or the government.

Literature Review

Despite the normal IMF Article IV economic consultation and reviews, there remains a dearth of published articles and academic papers on inflation in The Bahamas that would seem to indicate the need for further dedicated research in this area. The most recent IMF review of the Bahamian economy revealed that “staff expects average inflation to increase to 6¾ percent in 2022 and to only gradually decrease as supply chain constraints” (International Monetary Fund, 2022, p.g. 1) The emergence of inflation as a significant concern has increased the urgency of further investigation, both in developed and developing economies.

Over time, inflation has been defined by several diverse sources, however, each definition appears to be in accordance with one another. Sexton (2010) defines “inflation as the rise in the overall price level, which decreases the purchasing power of money.” This definition is consistent with that proposed by Kankpeyeng (2021), who refers to inflation as a sustained rise in general prices in an economy over a long period.

Inflation is generally viewed as a negative phenomenon; however, it has been found that it has negative and positive effects. According to Sexton (2010), inflation creates uncertainty which can discourage investment and economic growth. This uncertainty complicates planning and decision-making for businesses and households, which is vital to capital formation.

During times of inflation, the price of goods and commodities increases, and money becomes more unstable. (Pankwar, 2016). Accordingly, Oner (2021) suggests that inflation has plunged countries into periods of instability for a considerable length of time. As a result of this instability, economies may be adversely affected. Therefore, central bankers sometimes referred to as “inflation hawks” have made it a priority to maintain price stability and control inflation.

(Oner, 2021). As explained in Oner (2021), central bankers attempt to control inflation through disinflationary or contractionary policies, and they rely on their ability to influence inflation expectations in order to achieve this goal. Similarly, Hetzel (2004) asserts that inflation is controlled by monetary policy and by ensuring the public's expectations of inflation are in line with the central bank's inflation target. Accordingly, the International Monetary Fund (2022) reports that the Central Bank of Kazakhstan strives to maintain price stability, regardless of its short-run impact on growth, to improve macroeconomic stability and sustain economic growth. Inflation targeting allows them to achieve their objectives. For the Central Bank of The Bahamas, inflation targeting may therefore be a useful tool for controlling inflation. Moreover, it was emphasized that price stability preserves a standard of living, which is undoubtedly important, especially during an inflationary period.

High inflation is considered to be undesirable by most economies. High inflation levels have had disastrous consequences, and countries have been forced to adopt difficult and costly policy measures to bring inflation down. In Zimbabwe, for instance, the national currency was given up. (Oner, 2021). Eloy (2021) found that high inflation levels increase volatility in an already volatile regional economy, resulting in increased returns demanded by both domestic and international investors. Additionally, high inflation exacerbates uncertainty and risk pricing, affecting credit, especially long-term financing. (Eloy, 2021).

Although the presence of high inflation can be detrimental to an economy, the presence of deflation, or declining prices, can also be detrimental. (Oner, 2021). The term deflation refers to the decrease in the overall level of prices that increases the purchasing power of money. (Sexton, 2010). In times of falling prices, consumers delay purchases as much as possible, anticipating future lower prices. Consequently, less economic activity will be experienced by the economy (Oner, 2021). The claim that deflation is a negative phenomenon is further supported by Sexton's argument that deflation makes it difficult to use expansionary monetary policy successfully. The study by Tien (2021) confirms the findings of previous studies by arguing that government monetary policies have been intensified as a means of preventing deflation and promoting economic growth.

Furthermore, most economists now believe that a low, stable, and most importantly predictable level of inflation is beneficial for an economy. A low and predictable inflation rate makes it easier to capture it in price-adjustment contracts and interest rates, reducing its distortionary effects. (Oner, 2021). The findings of Iyke (2017) confirm that high and volatile inflation hinders economic growth and welfare, whereas low and stable inflation improves them. It is consistent with Sexton's (2010) finding that predictably low inflation rates are significantly worse than high and variable inflation rates. According to him, predicting future price increases is relatively straightforward when there is a slow, predictable rate of inflation. Furthermore, he noted that when inflation rates are high and variable, it is difficult to establish long-term contracts since both prices and interest rates may fluctuate throughout the day. Alternatively, a lower inflation rate will make setting interest rates easier and minimize the redistribution effects of inflation. (Oner, 2021). Furthermore, consumers are more likely to purchase products earlier if they know that future prices will be higher, thus stimulating the economy. (Oner, 2021)

The Relationship between Inflation and Economic Growth

Studies of inflation reveal conflicting conclusions regarding the relationships between inflation and economic growth. Certain studies have shown that inflation can have a positive impact on economic growth. (Tien, 2021). In contrast, other studies contend that inflation negatively impacts economic growth. (Kankpeyeng, 2021). Moreover, while Kaldor (1959) observed that inflation reduces savings motivation which inversely increases consumption motivation leading to higher investment spending and higher economic growth, Gylfason (1997) however, concluded that inflation distorts the marginal returns of real and financial capital, thus negatively affecting economic growth.

The study of Kankpeyeng (2021) however, found both negative and positive conclusions. He concluded that general level inflation, low-level inflation, and physical capital have a positive statistically significant effect on GDP, whereas government expenditures and high inflation rates have a negative statistically significant impact. As in the previous study, Tien (2021) found that mild inflation positively affected GDP growth, whereas high inflation inhibited it.

While the previous studies, explored the relationship between inflation and economic growth, this study will explore the correlation between inflation and living costs.

Methodology

The study examines the effects of inflation on the “cost of living” in The Bahamas. The paper analyzes inflation rates in other countries and seeks ways to improve economic stability in The Bahamas while confronting inflationary pressures. Consequently, it will demonstrate The Bahamas' difficulty in dealing with inflation. As part of the research process, qualitative and quantitative data were collected, i.e., graphs, tables, etc. To conduct and increase the credibility of this research, secondary data gathered by various researchers concerning inflation and its cost was reviewed and utilized. A significant portion of the data was no older than 10 years old and was collected from a variety of sources, such as textbooks, Ebscohost, Google Scholar, and Research Gate. The following research questions will be addressed in this study: 1.) How has inflation impacted the "cost of living" in The Bahamas? 2.) How are inflation and the "cost of living" correlated? 3.) Has inflation impacted savings?

Based on the data gathered from the research, tables, charts, and diagrams will be generated using the Microsoft Excel tool. Through visual representation, these illustrations will serve to enhance understanding of the data. In this manner, information can be communicated clearly to the reader so that they can more easily comprehend the text.

Discussion

Inflation in The Bahamas is a major concern that many did not anticipate. Global inflation has driven up the cost of fuel, energy, and food resulting in hardship for consumers and suppliers. Certainly, inflation has altered the way we live, but does it have any significant impact on economic growth, consumer purchasing behavior, and savings? Perhaps the most important question to ask is whether there is a relationship between inflation and the "cost of living" and if so, has inflation significantly impacted the "cost of living" in The Bahamas? These questions will be addressed in this section.

Inflation Vs Cost of Living

Oftentimes, inflation and "cost of living" are used interchangeably; however, they are two separate concepts that exhibit a close correlation. In Bahamian society, improper usage of the two terms occurs frequently due to an insufficient understanding of the economic terms. Consequently, to understand the relationship between inflation and living costs, it is necessary to establish a distinction between both. While inflation measures the increase in prices of goods and services or the decline in the purchasing power of the dollar, the cost-of-living measures changes in the cost of a clearly defined basket of goods that is considered "necessities of life" such as food, housing, transportation, and healthcare. (Ullman, 2022). A key difference between the cost of living and inflation is that the "cost of living" is a subjective concept, as it is usually a matter of personal finance that determines an individual's living expenses.

Conversely, inflation is a universal concept that measures how the cost of goods and services changes for everyone over time. (Reed, 2022). Furthermore, while the "cost of living" varies by geographical location, such as by city, region, or district, inflation boundaries may encompass an entire country or continent. In (Sexton, 2010) microeconomics is defined as the "study of household and firm behavior and how they interact in the marketplace." Whereas, macroeconomics is the study of the economy, including topics of inflation, unemployment, and economic growth." Further, he asserts that "microeconomics looks at trees while macroeconomics looks at forests" (Sexton, 2010). How does this relate to the "cost of living" and inflation? Well, this analogy seems to fit both concepts since the "cost of living" is a more narrowly focused concept, represented by trees, while the inflation concept is broader, representing the economy as a whole. This analogy clearly illustrates the difference between the two concepts.

How does Inflation affect the Cost of Living and Consumer Purchasing Behavior?

Having established the differences between inflation and costs of living, we can evaluate the relationship between the two. Real income erosion is a significant consequence of unevenly rising prices. (Oner, 2021). The purchasing power of a consumer is diminished as a result of the uneven rise in prices. This implies that inflation reduces the number of goods and services one can purchase. When purchasing power diminishes, this will affect how households interact in the market. In fact, according to Jacobs et al. (2014), households often worry about the amount of money they have to spend on goods and services necessary to achieve an acceptable standard of living. Following the law of demand, demand decreases when prices rise. On the other hand, demand increases as prices decrease. (Sexton, 2010). The shift in consumer behavior during an inflationary period can be attributed to this factor.

Furthermore, it is apparent that inflation can lead to an increase in costs of living due to an increase in the price of goods. (Reed, 2022) For instance, with the rising cost of necessities like food, medicine, and housing, it is apparent how consumer living expenses increase. Additionally, with new inflationary prices, consumers will now have to decide how much they are willing to spend on certain goods and services. When it comes to discretionary consumption, consumers typically balance their lifestyle choices and their budgets. In other words, people will lower their standard of living in response to an increase in the “cost of living”. (Reed, 2022).

In assessing how inflation affects the “cost of living”, it is important to consider wage levels as well. According to Sexton (2010), the slow wage growth concerning rising prices may result in inflationary hardships for wage workers. Consequently, as inflation increases the “cost of living” in The Bahamas, low-wage workers have difficulty maintaining a comfortable standard of living. (Archer, 2021) According to the Tribune article “Near 50% of Bahamians cannot make ends meet” (Hartnell, 2018) as their monthly incomes are insufficient to cover their living expenses. In an inflationary environment where prices are consistently rising, this is not surprising. Food and gasoline have skyrocketed in price, and people who cannot afford these necessities are forced to do without. Moreover, Ogbebor (2020) found that households do not expect wage increases to keep pace with inflation, which results in a reduction in household income, which, in turn, discourages spending. Consequently, a reduction in consumer spending can adversely affect an economy by reducing economic activity. This in turn results in less income generated by producers, and ultimately, a lower level of economic growth. (Oner, 2021).

As mentioned previously, consumption patterns have been impacted by inflation and rising living costs. This has led to the proposal of a living wage as a means of providing financial stability for both consumers and suppliers. "A living wage can be defined as the income required to sustain a worker's physical, emotional, social and cultural needs, as well as the needs of that worker's family beyond mere subsistence" (Archer, 2021). Marshall & Weil-Accardo (2019) suggest that the implementation of a living wage will prove beneficial to employees, employers, as well as the economy, the government, and society as a whole.

Additionally, workers are presumed to be able to receive fair compensation, a higher quality of life, enhanced health, and a reduction in hours of work. (Marshall & Weil-Accardo, 2019). In addition to workers, employers can also benefit from the implementation of a livable wage. Employer benefits are expected to include "decreased employee turnover; cost savings for staff hiring and training; improved job quality, productivity, and service delivery; lower absenteeism" (Wayland, 2011, p.1). As for its societal benefits, it is said to be able to stimulate consumer spending, increase competition for contracts, and improve the reputation and corporate social responsibility of firms. (Wayland, 2011).

Last but not least, Archer (2021) suggests that standardizing a liveable wage would contribute to the reduction of poverty and the closing of the gender pay gap within a country. Despite the potential benefits of standardizing a livable wage, there are also arguments against its adoption. Among the arguments are employer concerns regarding job losses and their inability to meet the wage rate due to overhead costs and cash flow constraints. Also, it is argued that employers should not be held solely responsible for providing workers with a living wage since the average "cost of living" in society is determined by many factors beyond their control.

(Archer, 2021). The argument is compelling, as employers must receive support in some form, whether it is in the form of government assistance or not.

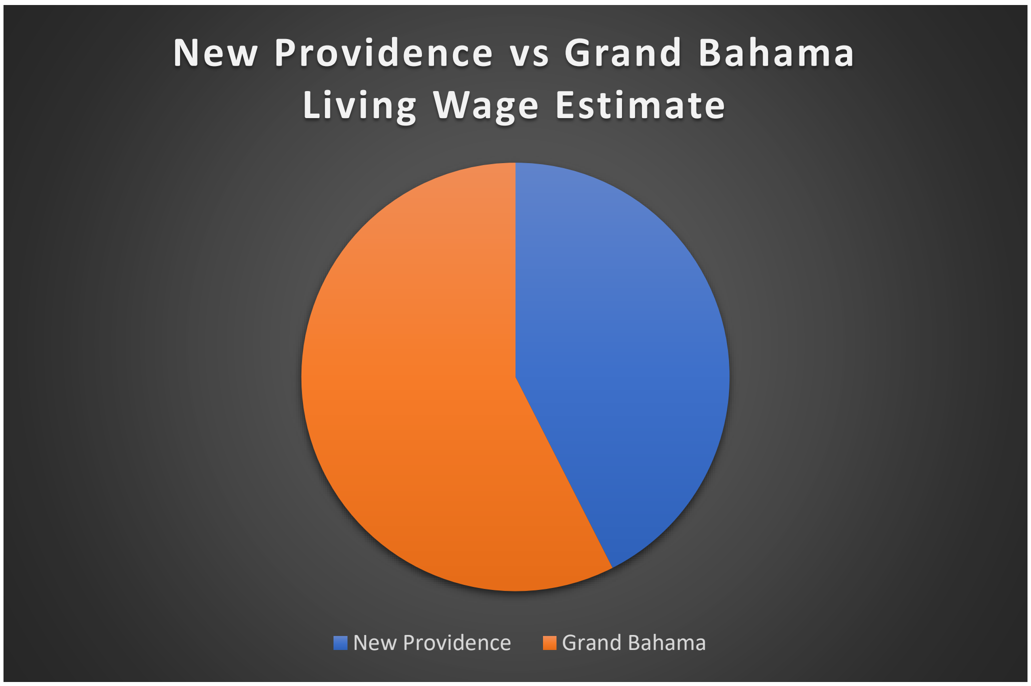
Furthermore, maintaining ones standard of living is often challenging when income does not rise in tandem with the rising “cost of living”. In this regard, it is therefore obvious how inflation may affect the standard of living of a population. (Ogbebor, 2020). Having low purchasing power makes it difficult for an individual to purchase. As a result of consumers being unable to purchase essentials, their marginal propensity (MPC) increases. Consequently, their quality of life is lowered, as it becomes more difficult to live comfortably.

Moreover, low purchasing power impacts not only the ability to spend but also the ability to save. According to Ogbebor (2020), the marginal propensity to save (MPS) decreases as the MPC increases, which results in negative savings mobilization. The findings of Pankwar (2016) indicate that inflation has decreased the savings of all consumers including government employees and private employees, as well as those in business and agriculture. However, those in the retired class and labor class of consumers experience a significant decrease in savings. Unfortunately, reduced savings negatively impacts the growth of the financial system and the economy as well.

In addition, a study conducted by Archer (2021) of the University of The Bahamas, examined what would constitute a living wage for Bahamians. Based on the results of the study, the gross monthly living wage for a full-time worker to support a family of four in New Providence and Grand Bahama is $2625 and $3550, respectively as seen in Figure 1. Interestingly, Grand Bahama demands a higher living wage than New Providence. In New Providence, their findings indicated that they were almost 200% higher than the minimum wage and nearly 130% higher than the poverty line. They found, however, that wages in Grand

Bahama were nearly 300% higher than the minimum wage and nearly 160% higher than the poverty line. This study confirms that the "cost of living" in The Bahamas is high and further highlights the need for either a reduction in the "cost of living", the implementation of a living wage, or an increase in the minimum wage. (Archer, 2021).

Figure 1: New Providence Vs Grand Bahama Living Wage Estimate



Source: University of The Bahamas

Source: Department of Statistics Summaries and International Financial Statistics, IMF, U.S. Department of Labour, U.K. National Statistics.

Table 1: Retail Price Index Comparison 2021

Table 8.3 Comparative Retail Price Index (annual % change)

(November 2014= 100)

PERIOD ENDED	BAHAMAS*	BARBADOS	JAMAICA	TRINIDAD	U.S.A.	U.K.
2012	1.98	4.69	6.88	9.30	2.07	2.89
2013	0.24	2.12	9.33	5.22	1.46	2.53
2014	1.30	1.85	8.29	5.68	1.63	1.17
2015	1.88	(1.05)	3.67	4.70	0.11	0.04
2016	(0.35)	1.15	2.36	3.05	1.26	0.64
2017	1.52	4.42	4.38	1.89	2.14	2.68
2018	2.27	3.66	3.74	1.01	2.43	2.48
2019	2.49	4.06	3.90	1.00	1.93	1.78
2020	0.04	2.53	4.20	0.60	1.24	0.85
2021	2.91	2.81	5.82	1.45	4.76	2.50
2019						
QTR. I	3.44	1.16	2.70	1.37	2.05	1.85
QTR. II	3.35	3.34	4.29	1.06	1.81	2.02
QTR. III	1.70	4.88	3.93	1.15	1.82	1.85
QTR.IV	1.47	6.86	4.69	0.43	2.04	1.40
2020						
QTR. I	0.79	5.50	5.21	0.40	2.12	1.66
QTR. II	(0.44)	1.76	4.80	0.65	0.36	0.68
QTR. III	(0.75)	1.49	4.52	0.52	1.22	0.49
QTR.IV	0.57	1.39	2.28	0.83	1.24	0.58
2021						
Jan	0.77	1.72	5.12	0.19	1.40	0.92
Feb.	1.44	0.00	3.70	0.19	1.68	0.74
Mar.	1.39	1.13	4.54	0.19	3.46	1.01
Apr.	2.70	0.00	3.85	0.93	4.16	1.29
May	2.38	1.54	5.03	0.93	4.99	2.21
Jun.	2.73	2.88	4.33	0.93	5.39	2.58
Jul	3.44	3.70	5.34	1.68	5.37	2.01
Aug.	3.79	3.18	6.06	1.77	5.25	3.03
Sep	4.12	5.57	8.23	1.77	5.39	2.93
Oct	3.76	4.41	8.51	2.98	6.22	3.85
Nov.	4.22	4.60	7.81	2.88	6.81	4.58
Dec.	4.13	5.05	7.34	2.98	7.04	4.84
2022						
Jan	3.85	n.a.	0.10	3.34	7.48	4.85
Feb.	3.78	n.a.	0.11	3.62	7.87	5.48
Mar.	n.a	n.a.	0.11	3.90	8.54	6.20

Source: Department of Statistics Summaries and International Financial Statistics, IMF, U.S. Department of Labour, U.K. National Statistics.

Among the two major measures of consumer, inflation is the Retail Price Index (RPI). (The Investopedia Team, 2020). The following table was derived from the Central Bank of The Bahamas Quarterly Digest May 2022. Table 1 illustrates significant fluctuations in the monthly, quarterly, and annual retail retail index prices among several countries. Moreover, Jamaica recorded the highest inflation in the last six months of 2021 at 7.30 percent, while Trinidad recorded the lowest inflation at 2.98 percent.

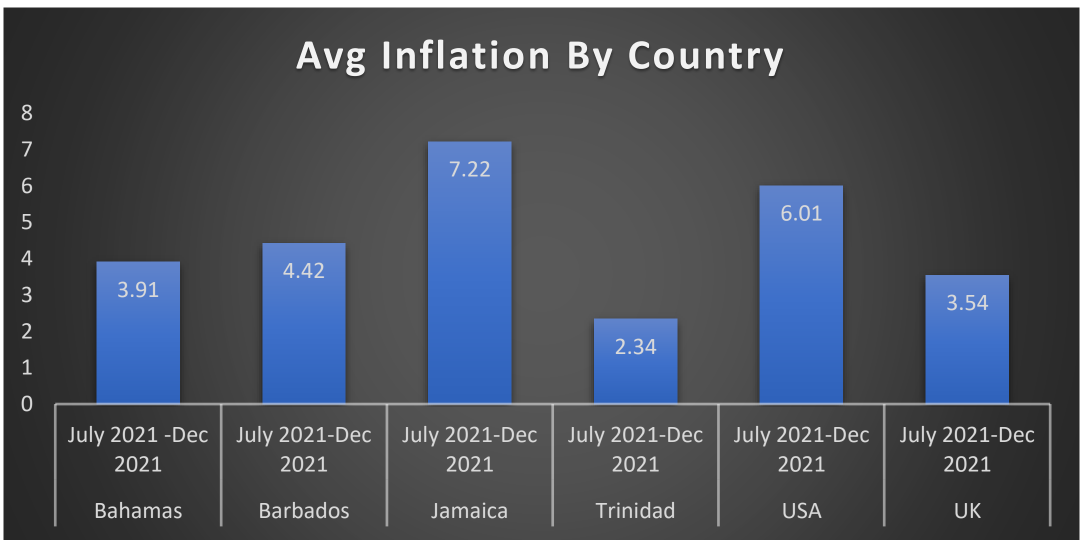
Consequently, Table 2 below shows the retail price index for the last six months of the 2021 period as well as the tallied averages. According to the calculations, Jamaica ranked 1st with the highest average of 7.22%, with the U.S taking 2nd place with 6.01%, Barbados taking 3rd place with a 4.42% average, The Bahamas taking 4th place with 3.91%, the U.K. taking 5th place with a 3.54% and Trinidad taking 6th place with the smallest average of 2.34%. Having been strategically positioned in close proximity to the United States, with the closest island being 50 miles off the coast of Florida, The Bahamas has been heavily dependent on their trade. (U.S Department of State, 2021). It is estimated that 55 percent of Bahamian imports originate from the United States. (Nations Encyclopedia, 2022). In addition, given that the U.S. average rate is 6.01, it is predicted that The Bahamas' rate will likely rise in response to imported inflation as seen in the retail index. Although it is not anticipated that The Bahamas' interest rates will surpass those of the United States, the table is indicative of a future steady rise in prices for The Bahamas.

Table 1: Retail Price Index 2021

Period Ended	*The Bahamas*	*Barbados*	*Jamaica*	*Trinidad*	*USA*	*U.K.*
Jul-21	*3.44*	*3.70*	*5.34*	*1.68*	*5.37*	*2.01*
Aug-21	*3.79*	*3.18*	*6.06*	*1.77*	*5.25*	*3.03*
Sep-21	*4.12*	*5.57*	*8.23*	*1.77*	*5.39*	*2.93*
Oct-21	*3.76*	*4.41*	*8.51*	*2.98*	*6.22*	*3.85*
Nov-21	*4.22*	*4.60*	*7.81*	*2.88*	*6.81*	*4.58*
Dec-21	*4.13*	*5.05*	*7.34*	*2.98*	*7.04*	*4.84*
Average	*3.91*	*4.42*	*7.22*	*2.34*	*6.01*	*3.54*

Source: Central Bank of The Bahamas

Figure 2: Comparison of Country Inflation 2021



Source: Central Bank of The Bahamas

Conclusion

As a nation, The Bahamas has always been known for its robust system and resilience. However, recent global economic challenges such as the Covid-19 pandemic, conflicts, and inflation have posed a significant threat to the Bahamian economy. The paper sought to explore inflation often erroneously called the "cost of living" and its economic influence, both nationally and internationally. While there is only a modest direct correlation between the basket of goods used to determine the C*ost of Living Index* and inflation which measures changes in prices for the entire economy, the study proved that inflation does drive the "cost of living" in The Bahamas higher. As a result, wages in The Bahamas were investigated, as the minimum wage remains at $5.25 despite rising costs. Accordingly, the inflated "cost of living," has driven the demand for a living wage in The Bahamas. Purchasing power erosion has threatened the quality of life for many and continues to affect economic activity by altering consumer spending habits. Consequently, consumers and suppliers are forced to make trade-offs and or economic decisions that may impact the growth of the economy either negatively or positively. Additionally, the study emphasizes the importance of price stabilization, along with the economic implications for the growth of GDP. Further research may investigate how stabilizing prices and controlling inflation may contribute to poverty reduction, quality of life improvements, and entrepreneurial growth. While we continue to face economic challenges, I have no doubt that The Bahamas will prevail, since we are a resilient nation that will continue to move forward, upward, onward, together.

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