

Quarterly Economic and Financial Developments Report

June 2022

Research Department



Domestic Economic Developments

Preliminary indications are that the domestic economy maintained its recovery momentum during the first half of the year, amid continued adjustments to the Novel Coronavirus (COVID-19). Tourism sector output further strengthened, supported by strong growth in the high value-added air segment and a notable rise in sea traffic, as vaccination efforts progressed and COVID-19 restrictions eased in some of the major source markets.

Real Sector

- Tourist arrivals grew to 2,435,934 during January-May 2022, a rebound from the 83.6% contraction in the preceding year.
- During the six months to June, Nassau airport departures rose by 143.6% to 631,484.
- Varied-scale foreign investment projects, along with ongoing hurricane rebuilding efforts supported construction sector output.

Monetary Sector

- During the six months to June, bank liquidity expanded, as the growth in the deposit base contrasted with the decline in domestic credit.
- Bolstered by the receipt of proceeds from Government's external borrowings and foreign currency inflows from real sector activities, external reserves increased considerably during the first half of 2022, extending the growth in 2021.

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 across it. In the foreground, there are more palm trees and some buildings, possibly part of a resort. The sky is clear and blue.

TOURISM SECTOR

Visitor Arrivals

(January-May 2022)

Official data from the Ministry of Tourism revealed that total visitor arrivals recovered to 2,435,934 over the first five months of the year, from the contracted level of 278,561 a year earlier.

- Air arrivals (indicative of stopovers) regained 593,716, compared to 244,355 in the prior year.
- Sea arrivals rebounded to 1,842,218 passengers, from just 34,206 in the comparative 2021 period, when cruise activity was paused.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2021	2022	2021	2022	2021	2022
Arrivals						
Air	-44.7	182.5	-33.7	150.0	55.1	62.7
Sea	-99.0	12929.2	-94.3	1523.9	-96.6	4322.7
Total	-81.1	617.9	-89.4	821.6	-85.8	1022.8

Source: Ministry of Tourism

Cruise Ship Sector Update

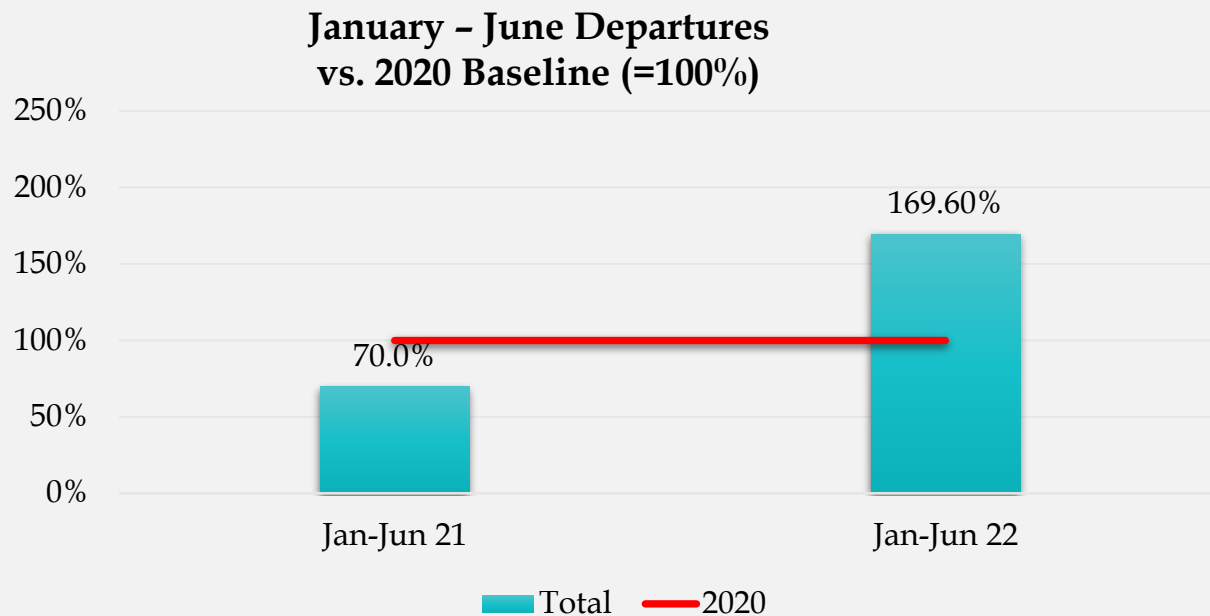
- The cruise industry welcomed six new vessels – Norwegian Sky, Carnival Conquest, Carnival Magic, Carnival Freedom, Freedom of the Seas and Independence of the Seas in June. The Nassau port has started to experience up to six ships on peak volume days, compared to pre-pandemic docking capacity that was capped at five vessels.



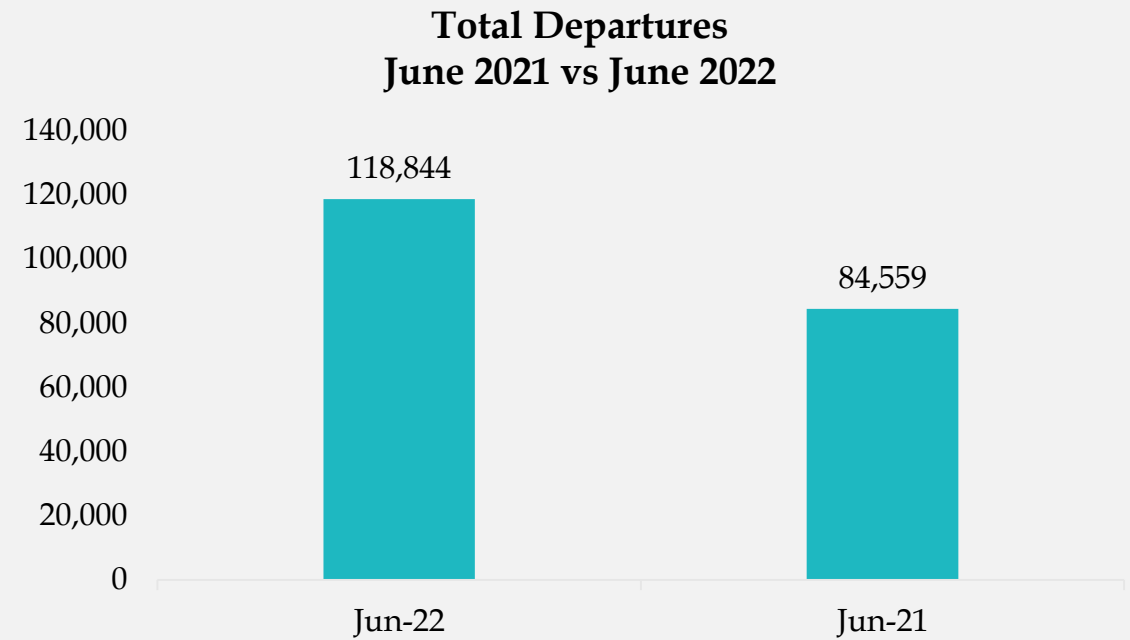
Nassau Airport (NAD) International Departures January - June 2022

The latest data from NAD showed that departures totaled 631,484 passengers over the first half of the year, a recovery from the 30.4% reduction in the corresponding period in 2021.

Reflective of the relaxed global travel measures, total international departures for June 2022 extended to 118,844, from 84,559 in 2021.

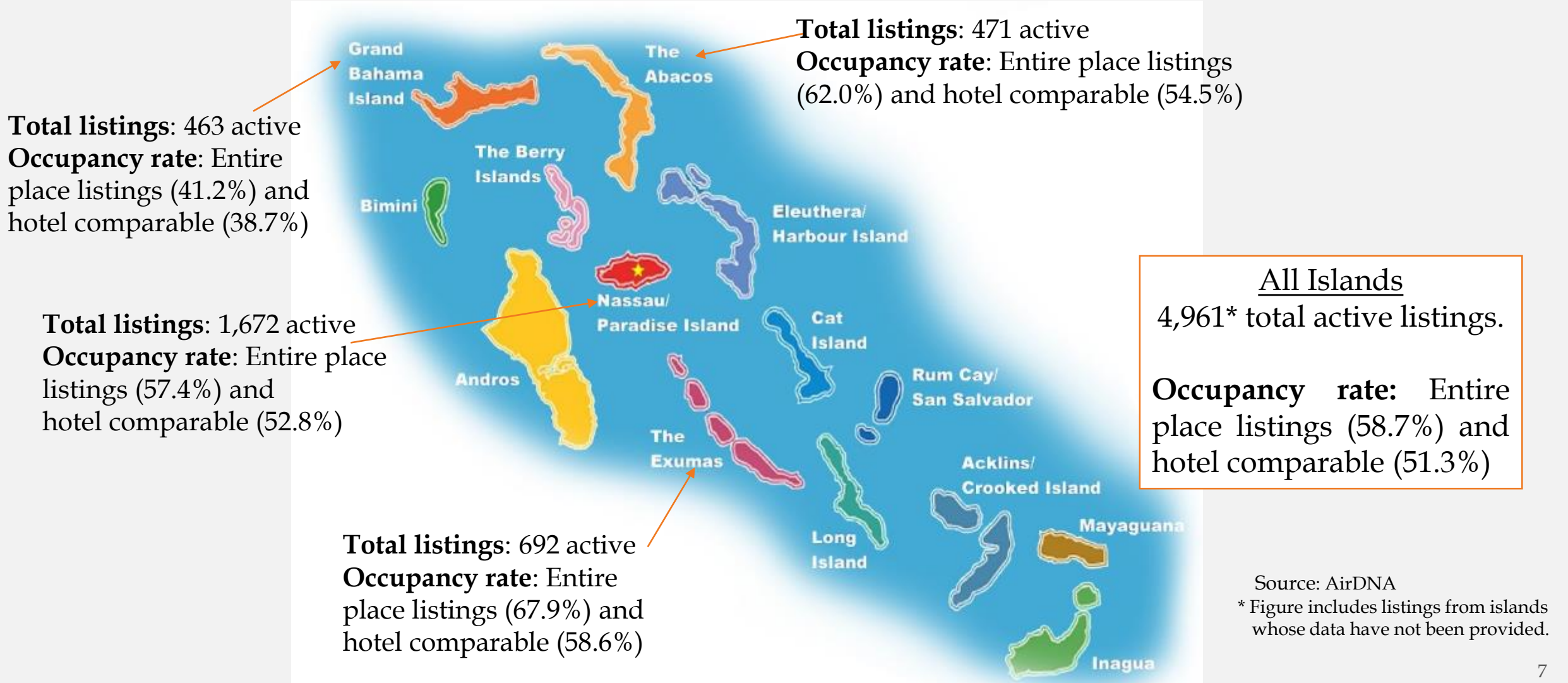


Source: Nassau Airport Development Company



*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals (as at June 2022)



Total listings: 463 active
Occupancy rate: Entire place listings (41.2%) and hotel comparable (38.7%)

Total listings: 471 active
Occupancy rate: Entire place listings (62.0%) and hotel comparable (54.5%)

Total listings: 1,672 active
Occupancy rate: Entire place listings (57.4%) and hotel comparable (52.8%)

Total listings: 692 active
Occupancy rate: Entire place listings (67.9%) and hotel comparable (58.6%)

All Islands
4,961* total active listings.
Occupancy rate: Entire place listings (58.7%) and hotel comparable (51.3%)

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

Airbnb: Vacation Rental Occupancy Rate Trends

(January - June 2022 vs. 2021)

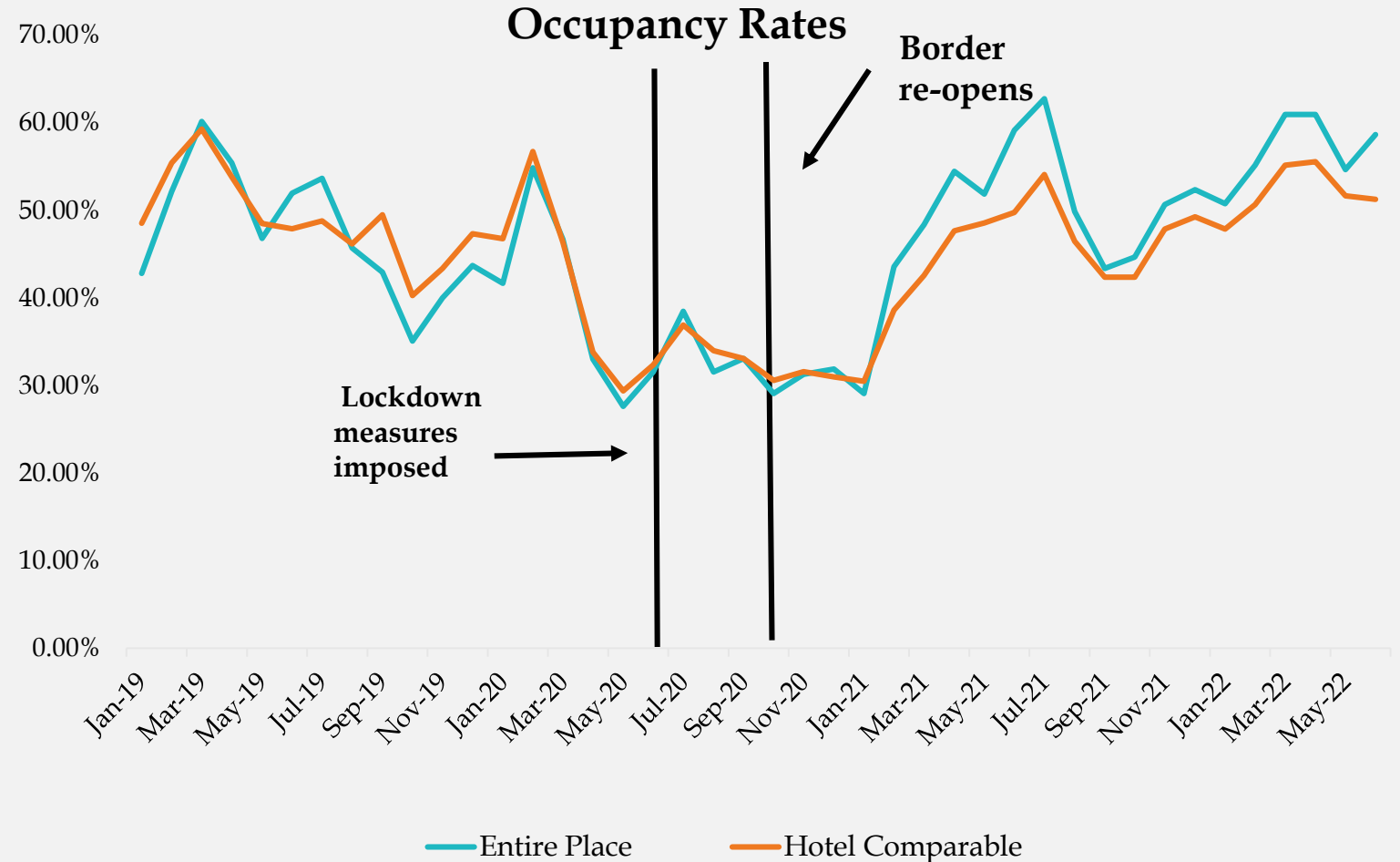
Vacation rental occupancy levels trended upward during the first half of 2022, reflective of the relaxed travel measures, increased preference for off-resort lodging, post-COVID-19.

Entire Place Listings

- The average occupancy rate rose to 56.9%, from 47.8% in the same period of 2021.

Hotel Comparable Listings

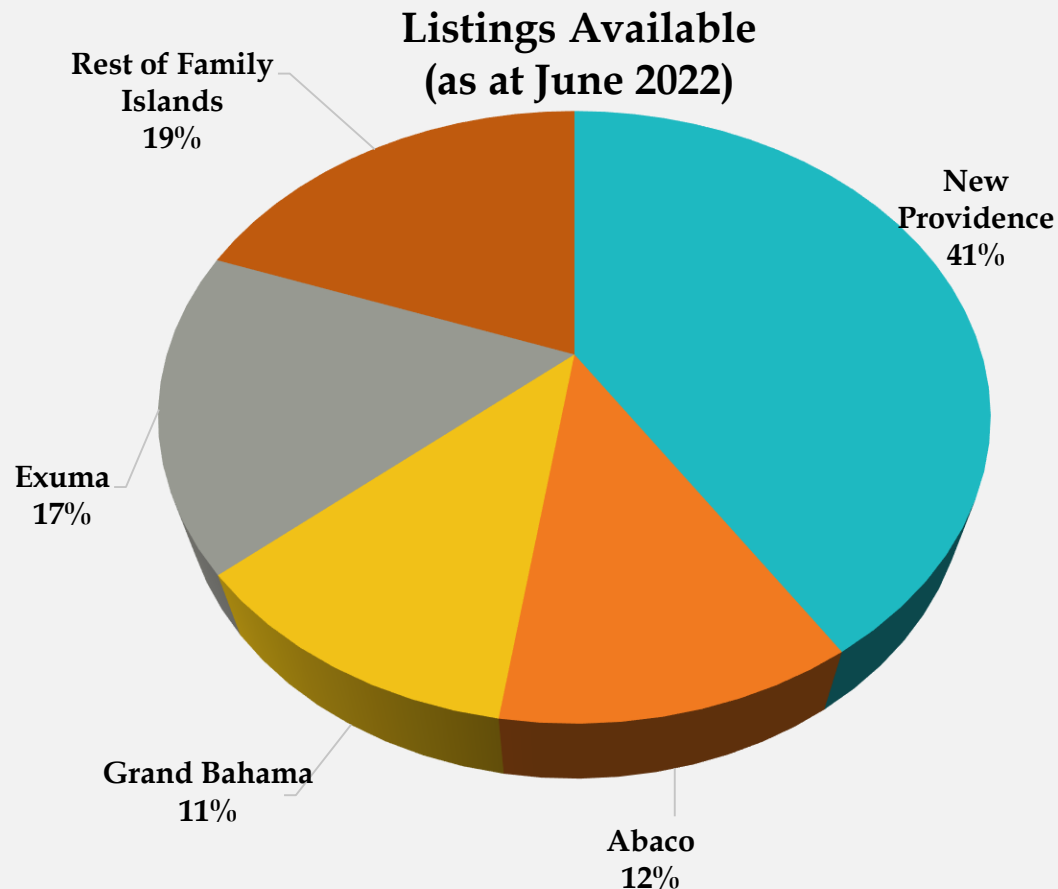
- The average occupancy rate grew to 52.1% from 43.0% last year.



Source: AirDNA

Airbnb: Vacation Rental Market Share by Island (June 2022)

Listings increased in all the of major markets, including New Providence, Abaco, and Grand Bahama. Exuma and the remaining Family Islands accounted for more than 30% of available listings during the six months to June.



Listings for Abaco, Grand Bahama and New Providence rose by 99.6%, 23.8%, and 19.9%, respectively, in June, relative to the same period in 2021.

All Available Listings				
	Dec 2020	June 2021	Dec 2021	June 2022
Abaco	192	236	297	471
Grand Bahama	341	374	396	463
New Providence	1,363	1,395	1,532	1,672

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.

FOREIGN INVESTMENT PROJECTS

Recent Approvals/Announcements

New Foreign Investment Projects

New Providence

TRAI Cabbage Beach LP, BVI

- Approved for condo hotel development, featuring 75-unit condo hotels with 2-bedroom and 4-bedroom units, along with other amenities. Projected to employ 100 workers, with an additional 235 incremental employees as the project advances.

Dan Mosca- New Condo-Hotel Development

- Acquire (\$800,000) for an IPL permit for a developed parcel of land (2.37) acres to construct a 100-unit condo-hotel on West Bay Street.

Coral Harbour Development

- New luxury hotel and residential development, to cover 400 acres in southwestern New Providence and feature a 300-slip marina, 2500 hotel rooms, casino and convention center.

SurgCenter Development-Albany Ambulatory Surgery Center Limited

- Construct Surgical Center on Albany property. The 6,000 square foot property will house 2 operating rooms, 6 private pre- and post-operative care bays. The project will employ 120 workers.

Long Island

Azul Destinations Ltd. & Calypso Cove Destinations Ltd.

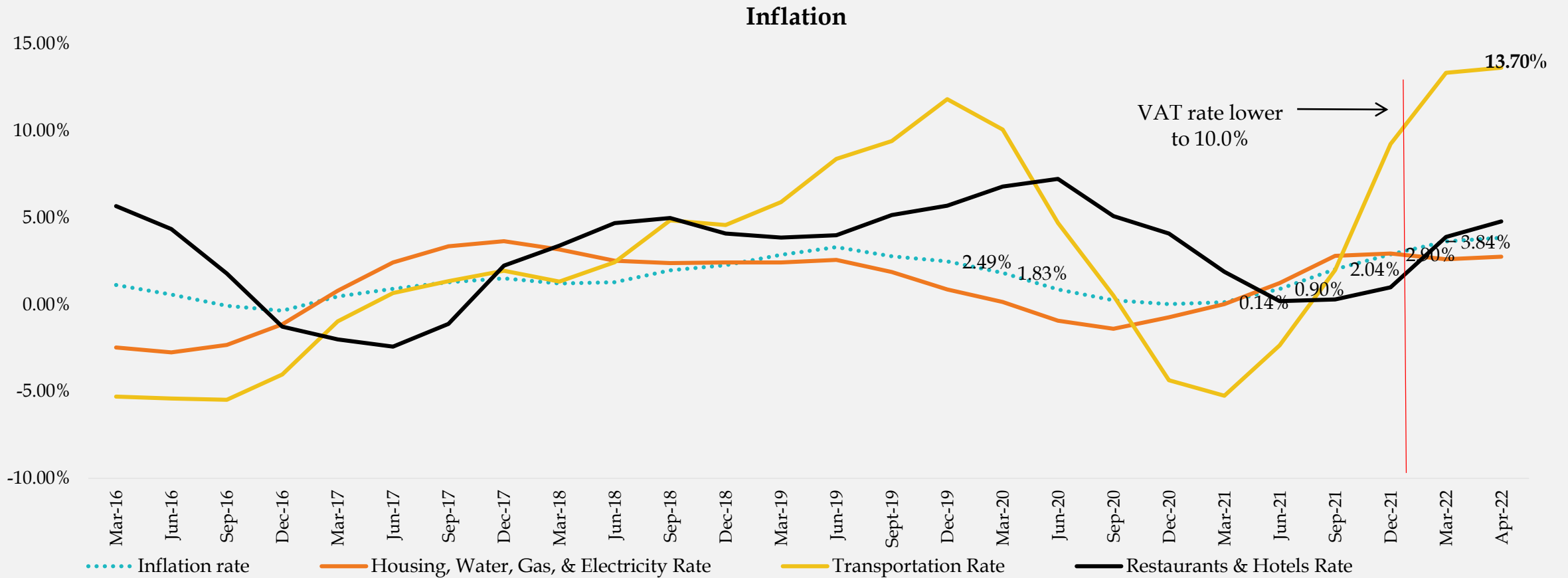
- Has permit to acquire of 1,066 acres of privately-owned land located in South Long Island, and to acquire a crown lease (500 acres land and 50 acres seabed) for the development of an independent cruise port terminal and destination, marina, and a luxury residential resort community to be known as “Calypso Cove”, subject to extensive community stakeholder consultation facilitated by the Bahamas Investment Authority.

A wide-angle photograph of a tropical beach. The water is a vibrant turquoise color, 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 greenery. The sky is clear and bright. The word "INFLATION" is superimposed in the center of the image in a bold, black, serif font.

INFLATION

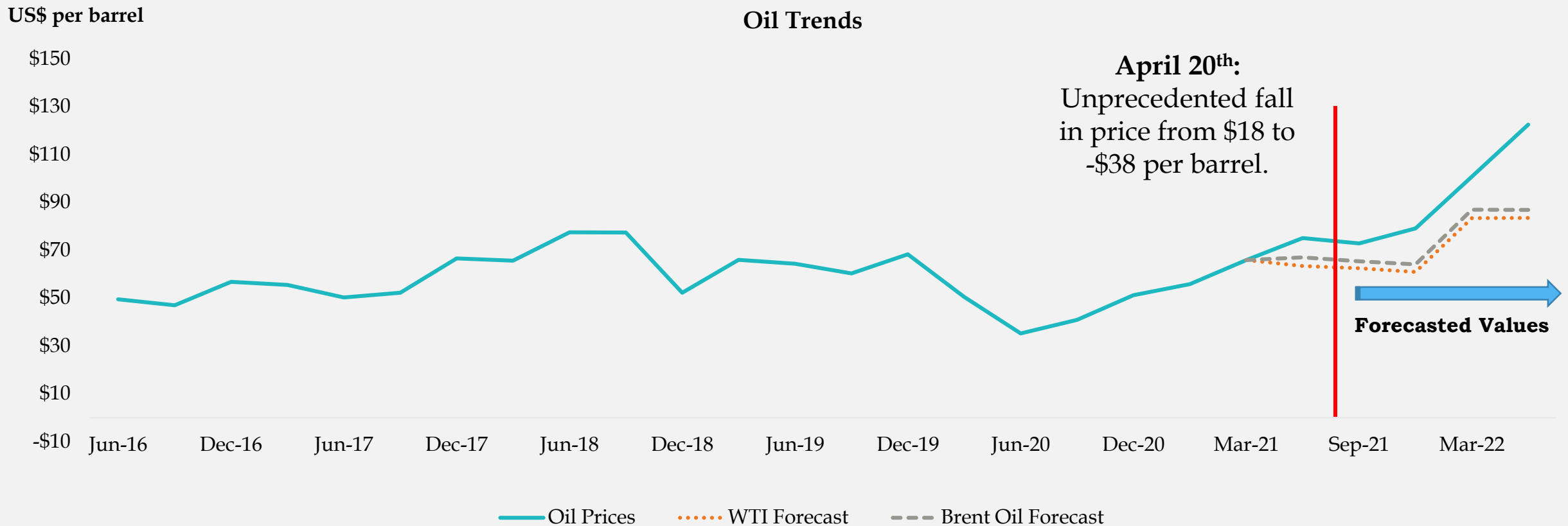
Retail Price Index

Inflation increased by 3.8% during the twelve months to April 2022, reflecting higher prices in most of the major categories, led by transportation costs.



Oil Price Trends

From January to June, 2022 the price of crude oil increased by 12.1% to \$122.61 per barrel, despite the rise in OPEC production by 234 thousands barrels per day in June, to average 28.72 million barrels per day.



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 a small village. The sky is clear and bright.

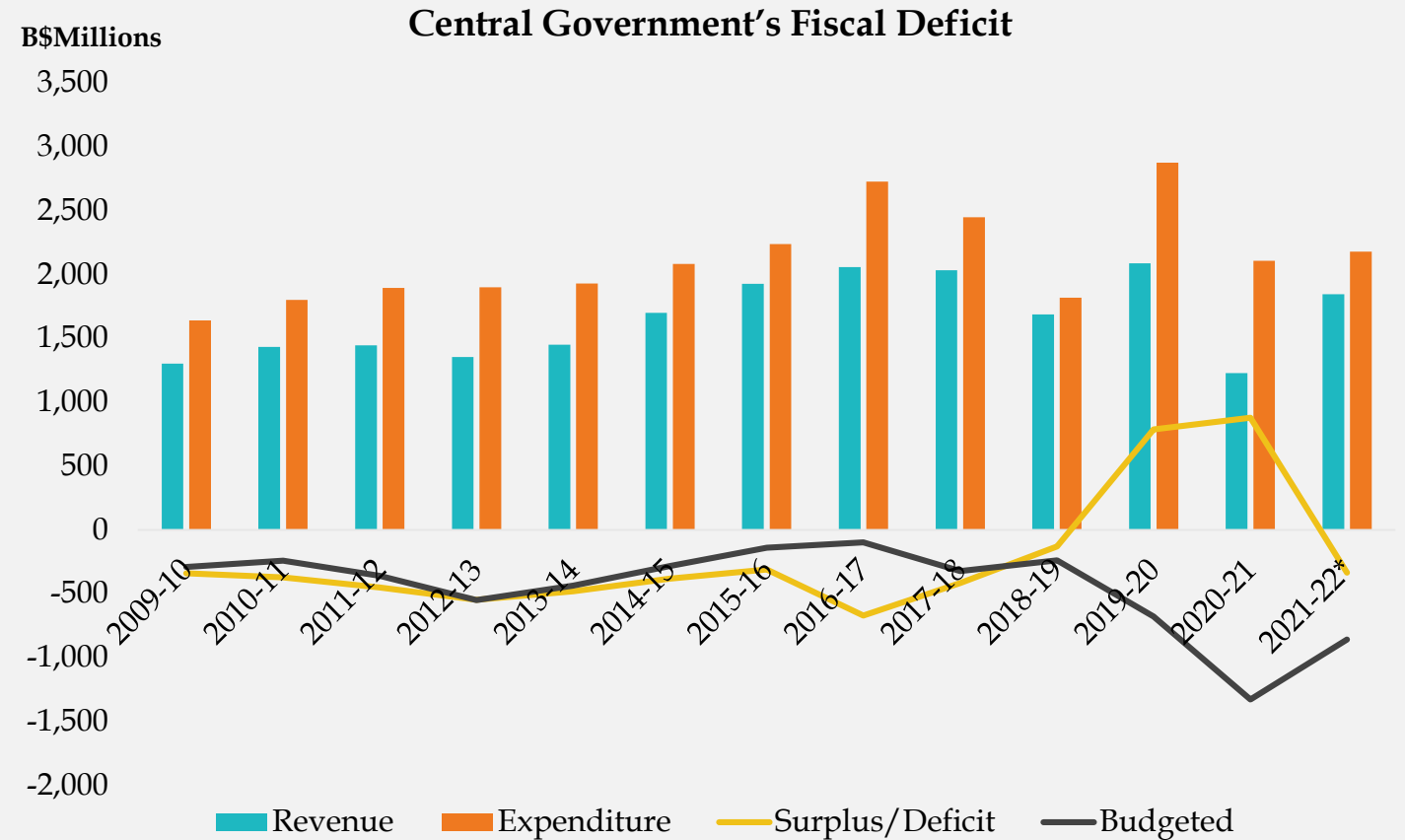
FISCAL SECTOR

Fiscal Sector

First Nine Months of FY2021/22

During the first nine months of FY2021/22, the deficit narrowed substantially to \$334.3 million from \$879.0 million a year earlier, reflecting a notable recovery in revenue collections and only a moderate rise in aggregate spending.

- Revenue expanded by \$617.5 million (50.2%) to \$1,847.3 million.
 - Taxes on goods and services grew by \$325.6 million (42.1%) to \$1,098.4 million.
- Expenditure rose by \$72.8 million (3.5%) to \$2,181.6 million.
 - Recurrent outlays increased by \$80.7 million (4.2%) to \$2,021.5 million.
 - Conversely, capital outlays decreased by \$7.8 million (4.7%) to \$160.1 million

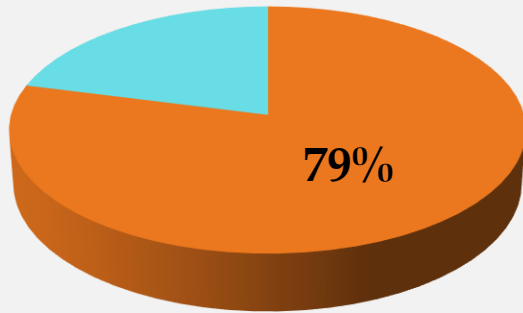


Source: Ministry of Finance

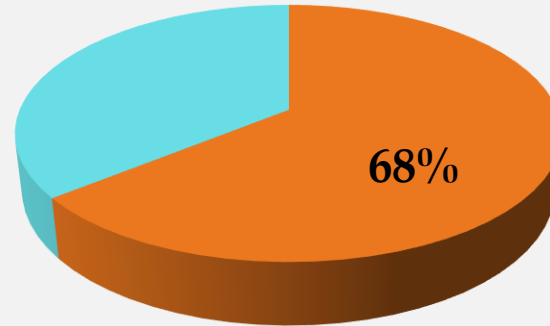
*Data for Nine of Months of 2021/22.

FY2021/22 Budget Projections vs. 9 Months Actual Outturn

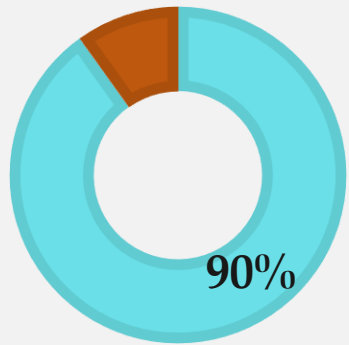
Revenue



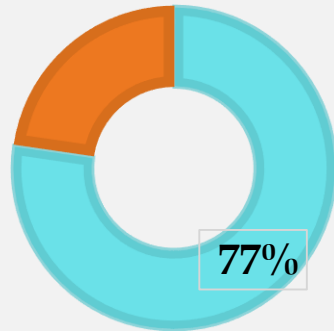
Expenditure



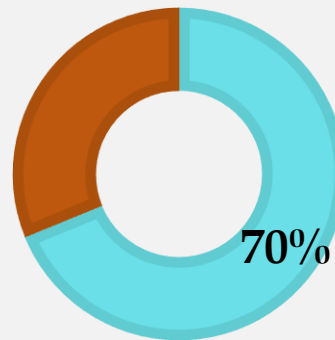
Thus far, more than two-thirds of the budget estimates or projections have been realized for all major categories.



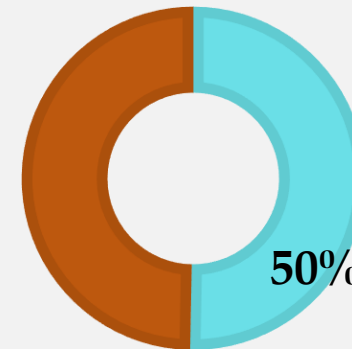
Non-Tax Revenue



Tax Revenue



Recurrent Expenditure



Capital Expenditure

Percentages indicate what proportion of budget has been used during the first 9 months of FY20/21

2022/2023 Budget: Key Expenditure Measures

Expenditure for Healthcare Initiatives & Social Assistance

- \$10.0 million for catastrophic health care
- \$1.5 million for the provision of greenhouses and smart technology on the Family Islands
- \$1.1 million for the restoration of the Gladstone Road feed mill
- \$0.5 million for grants to farmers

Expenditure for National Security Services

- \$6.0 million to improve national security services

Expenditure for Infrastructure Upgrades

- \$21.0 million for renewable energy projects
- \$150.0 million to improve hospital infrastructure in Grand Bahama
- \$1.0 million to facilitate the hosting of CARIFTA

2022/2023 Budget: Key Revenue Measures

Revenue Generating

- Revenue intake is expected to reach \$2.8 billion in FY2022/23, a 19.9% increase from FY2021/22. Notably new measures :
 - Enhancement of revenue collection across various sectors including property tax and business license fees. Government also reconstructed the Revenue Enhancement Unit.

New Tax Relief

- Reduction of duty on roofing materials, plumbing materials, electrical supplies and electrical vehicles.
- 10% reduction of import duty on electric cars valued under \$70,000 and 25% for electric cars valued over \$70,000.
- Elimination of duty on telecommunications equipment.

Extended Tax Relief

- Extension of VAT exemptions on realty transactions valued above \$250,000, but below \$300,00 for first time home buyers
- Cap on maximum property tax payable on owner occupied property increased from \$60,000 to \$120,000.

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.

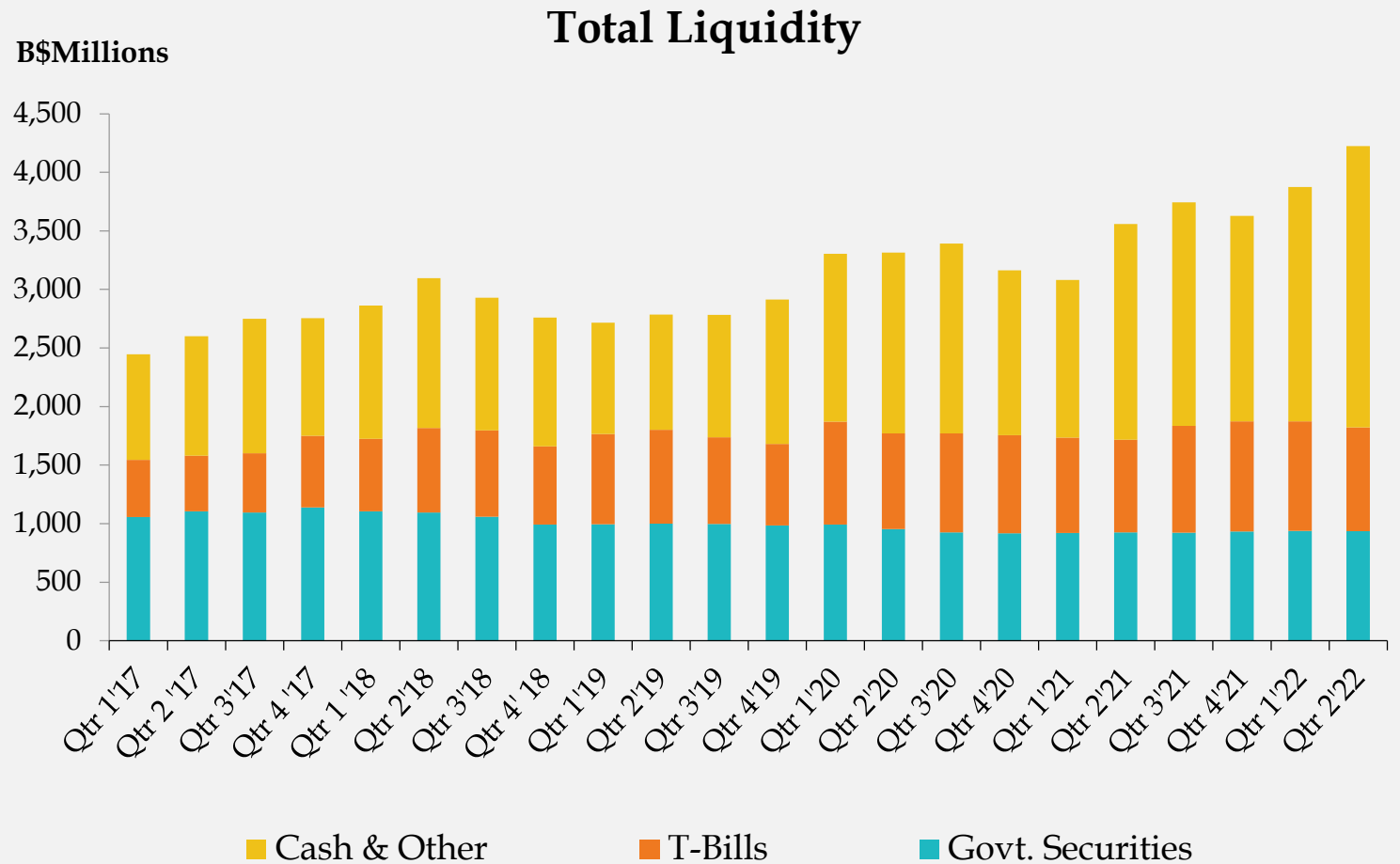
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-June 2022 vs. 2021

During the six months to June, the growth in bank liquidity was underpinned by the receipt of proceeds from Government's external borrowings and foreign currency inflows from real sector activities.

- Liquidity held as excess cash and central bank balances rose by \$500.2 million, notably higher than the \$206.3 million accumulation in the prior year.
- Excess liquid assets (cash, balances and securities) grew by \$236.6 million, surpassing the \$140.1 million expansion in the previous year.



Source: Central Bank of The Bahamas

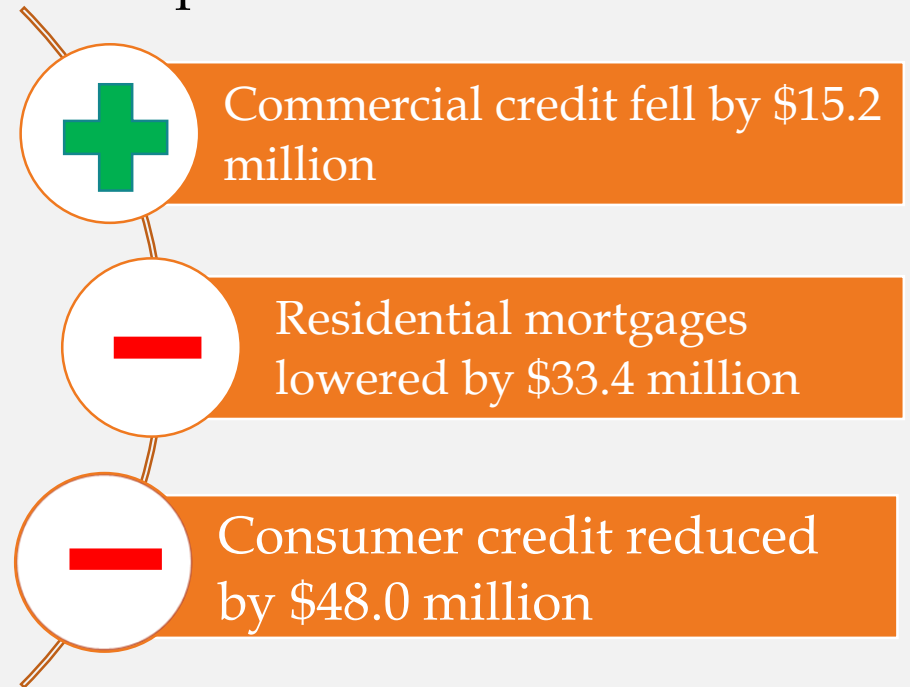
Lending Conditions

January-June 2022 vs. 2021

During the review period, total Bahamian dollar credit contracted by \$286.5 million, reversing the \$21.7 million growth in the prior year.

- Net claims on the Government decreased by \$226.9 million, a turnaround from the \$82.7 million expansion recorded in the same period of the previous year.
- Credit to public corporations expanded by \$37.0 million, extending the \$3.8 million buildup in the preceding year.

- The reduction in private sector credit deepened to \$96.6 million, from \$64.8 million in the comparative 2021 period.

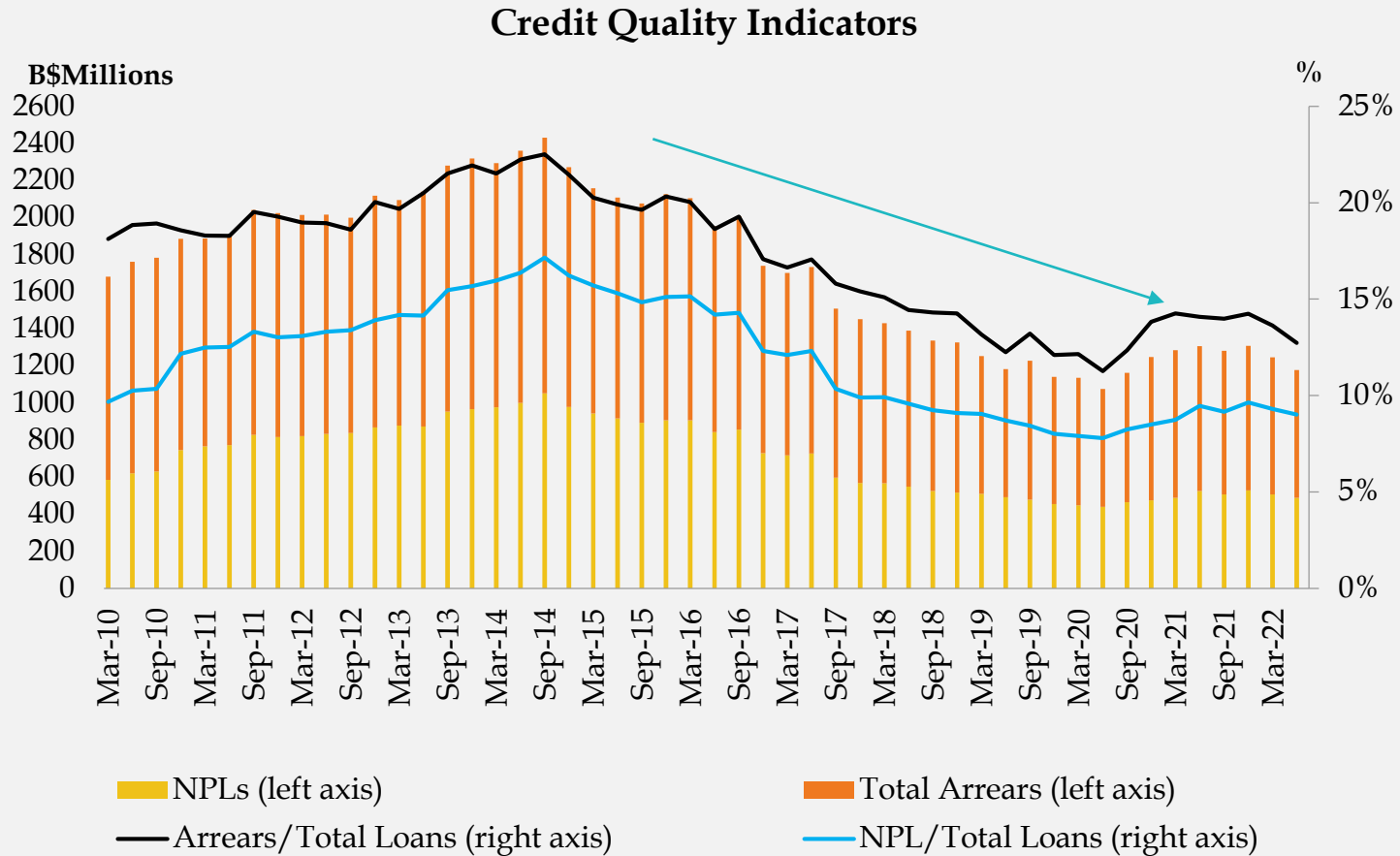


B\$ Credit Quality Indicators

January-June 2022 vs. 2021

- During the six months to June, the average arrears rate for private sector credit narrowed to 12.7% from 14.1% in 2021.
 - The short-term arrears rate was 3.7% (4.6% in June 2021).
 - The NPL rate was 9.0% (9.5% in June 2021).

- Arrears rate by loan type:
 - Mortgages : 15.9% vs 17.5% in 2021.
 - Consumer: 11.2% vs 11.7% in 2021.
 - Commercial: 7.2% vs 9.7% in 2021.

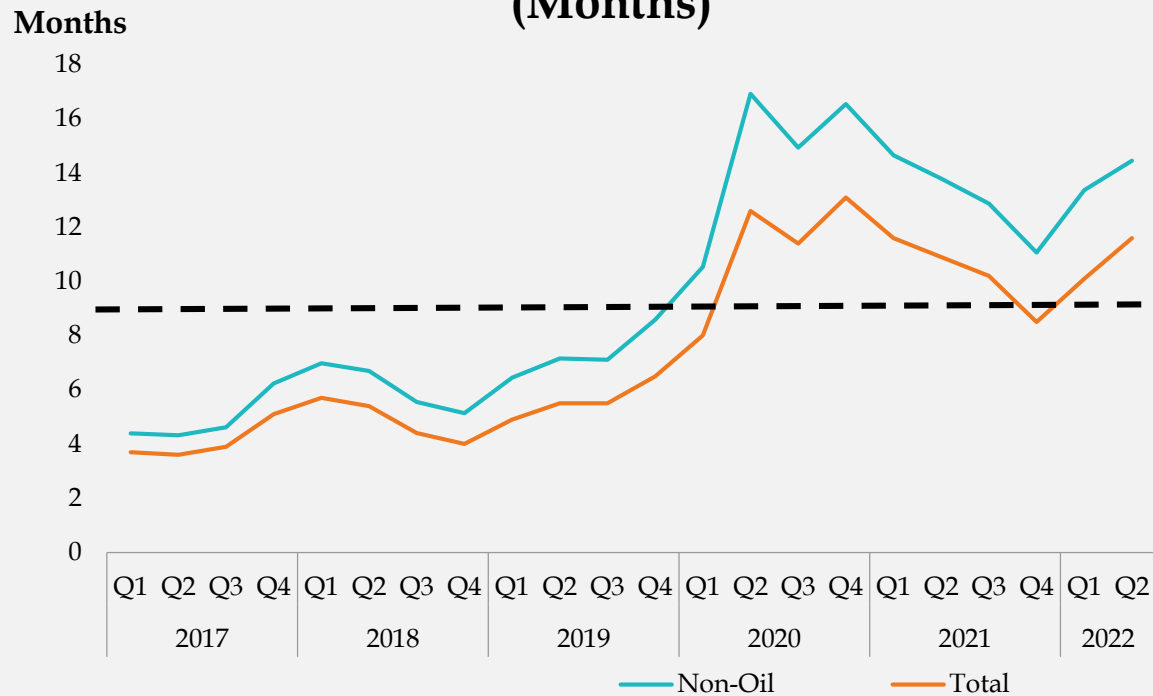


Source: Central Bank of The Bahamas

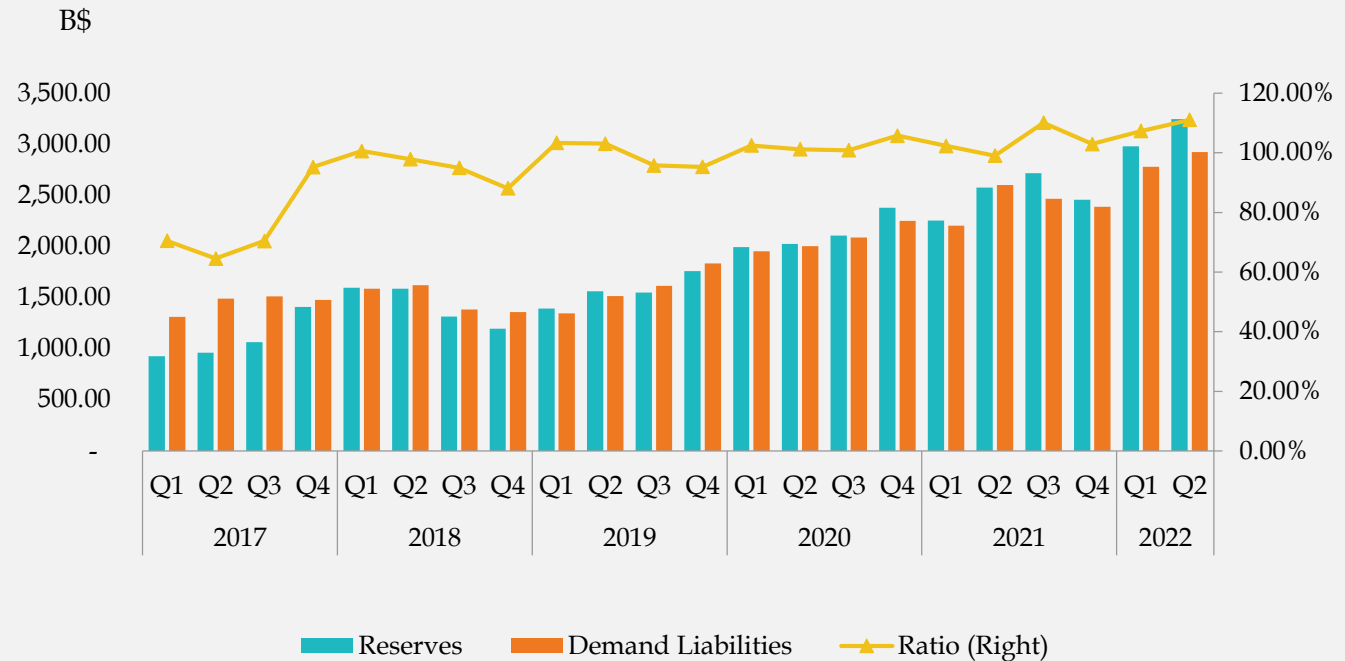
External Reserves

January-June 2022 vs. 2021

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

External reserves expanded by \$788.0 million to \$3,247.1 million, extending the \$195.5 million growth registered in the previous year.

- Balances represented 111.1% of the Central Bank's demand liabilities.
- Equivalent to 11.6 months of the current year's total merchandise imports.

A wide-angle photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a deeper blue further out. The beach is composed of fine white sand, with several palm trees scattered along the shoreline. In the foreground, there are more palm trees and some greenery. The sky is clear and bright. The word "OUTLOOK" is written in a large, bold, black serif font across the center of the image.

OUTLOOK

Real Sector

- The domestic economy is expected to sustain its recovery trajectory in 2022, undergirded by notable rebound in both stopover and cruise activities.
- Sustaining the pace of tourism recovery towards pre-pandemic levels remains dependent upon continued success in global health initiatives, ongoing vaccination efforts, maintained relaxation of all international travel restrictions, and further relaxation of airline sector capacity constraints.
- The unemployment rate is anticipated to trend downwards, but stay above pre-COVID-19 levels. Job gains remain concentrated predominantly in the construction sector and re-employment of tourism sector employees.
- Elevated inflationary pressures are expected, owing primarily to the increase in international oil prices, higher costs for other imported goods; and supply chain shortages, related to geopolitical tensions in Eastern Europe.

Fiscal Sector

- Though trending downwards, the fiscal deficit is projected to remain above trend in FY2022/2023; with net financing needs staying elevated.
- Projected revenue shortfall should persist, although the gap is forecasted to narrow, as taxable economic activity further improve in line with the recovery in the tourism sector.
- Budgetary financing remains dependent on the important use of both domestic and external credit, however, with more sustainability from domestic credit sources.

Monetary Sector and External Reserves



Banking sector liquidity is projected to remain elevated over the near term, as banks sustain their conservative lending stance.

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



External reserve balances are projected to remain at healthy levels in 2022, staying well above international benchmarks, undergirded by anticipated foreign currency inflows from tourism, and other net private sector receipts.

Balances are anticipated to remain at satisfactory levels to sustain the Bahamian dollar currency peg.

Risks to The Outlook

TOURISM

Further mutations of COVID-19 could potentially undermine progress made on the international health front and disrupt travel sector activity.

EXTERNAL RESERVES

Increased demand for foreign currency for reconstruction and constrained tourism output could hasten the drawdown in reserves.

GLOBAL

The COVID-19 pandemic and emerging variants, along with geopolitical tensions could disrupt global outlook.

INFLATION

Geopolitical tensions, decrease in oil production and food supply disruptions could result in more increased acceleration of prices.

EMPLOYMENT

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

FISCAL

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

The End

