

Quarterly Economic and Financial Developments Report

December 2022

Research Department



Domestic Economic Developments

Preliminary data suggests that the domestic economy sustained its recovery trajectory during the final quarter of 2022, from the negative effects of the Novel Coronavirus (COVID-19) pandemic. Tourism sector output further strengthened, undergirded by healthy growth in the high value-added air segment and recovered sea traffic, given relaxed pandemic restrictions and pent-up demand in the major source markets.

Real Sector

- During January–November, 2022, tourist arrivals rebounded to 6.1 million from the multi-year contraction to 1.9 million over 2020 & 2021.
- Nassau Airport Development Limited (NAD) annual departures expanded to 1.3 million passengers in 2022 from 0.8 million in 2021.
- Varied-scale FDI projects, together with continued hurricane reconstruction work, provided support to the construction sector.

Monetary Sector

- During 2022, banking sector liquidity expanded, as the growth in the deposit base contrasted with the decline in domestic credit.
- Supported by the receipt of proceeds from Government's external borrowings and foreign currency inflows from real sector activities, external reserves increased over the year, extending the growth recorded in 2021.



TOURISM SECTOR

Visitor Arrivals

(January-November 2022)

Official data from the Ministry of Tourism revealed that total visitor arrivals increased to 6.1 million visitors during the eleven months of the year, from 1.6 million in the comparative 2021 period.

- Air arrivals (indicative of stopovers) extended to 1.3 million from 0.8 million in the previous year.
- Sea arrivals rose to 4.8 million passengers, vis-à-vis 0.8 million in corresponding 2021 period.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
Arrivals	2021	2022	2021	2022	2021	2022
Air	83.6	77.7	67.0	82.8	162.0	33.5
Sea	-45.0	466.3	-45.0	433.6	-33.8	484.5
Total	-1.1	220.1	-34.5	349.7	-14.9	350.7

Cruise Ship Sector Update

- In December, the cruise sector welcomed two new vessels - Holland America Line's Nieuw Statendam and Windstar Cruise Line's Legend. The vessels accommodate approximately 2,666 and 312 passengers, respectively.

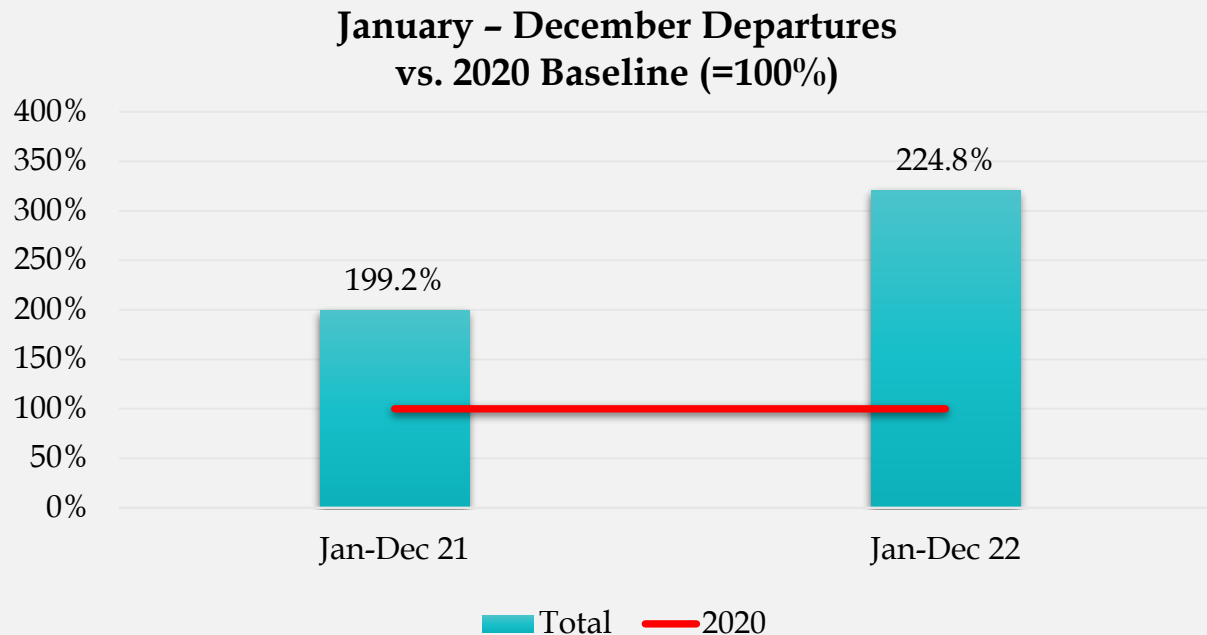


Source: www.Bahamas.com Photo from Prince George Dock

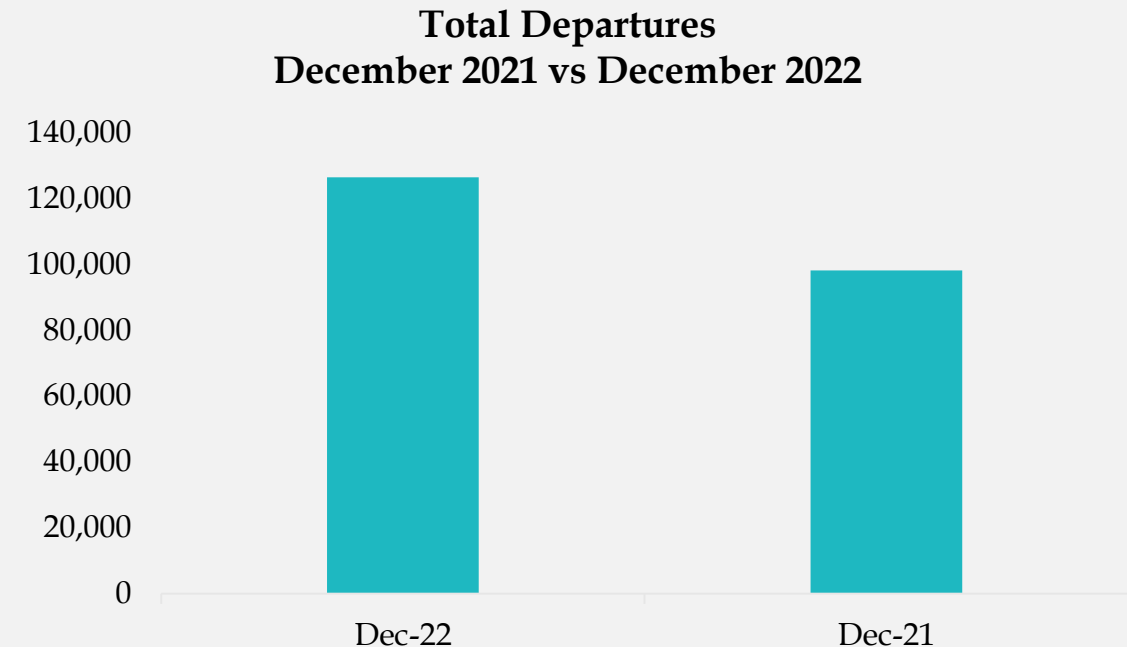
Nassau Airport (NAD) International Departures January – December 2022

The latest data from NAD indicated that annual departures amounted to 1.3 million passengers in 2022, extending the 80.0% rebound in 2021.

Reflective of the relaxed global travel measures, total international departures for December 2022 measured were 0.13 million, compared to 0.1 million in December 2021.



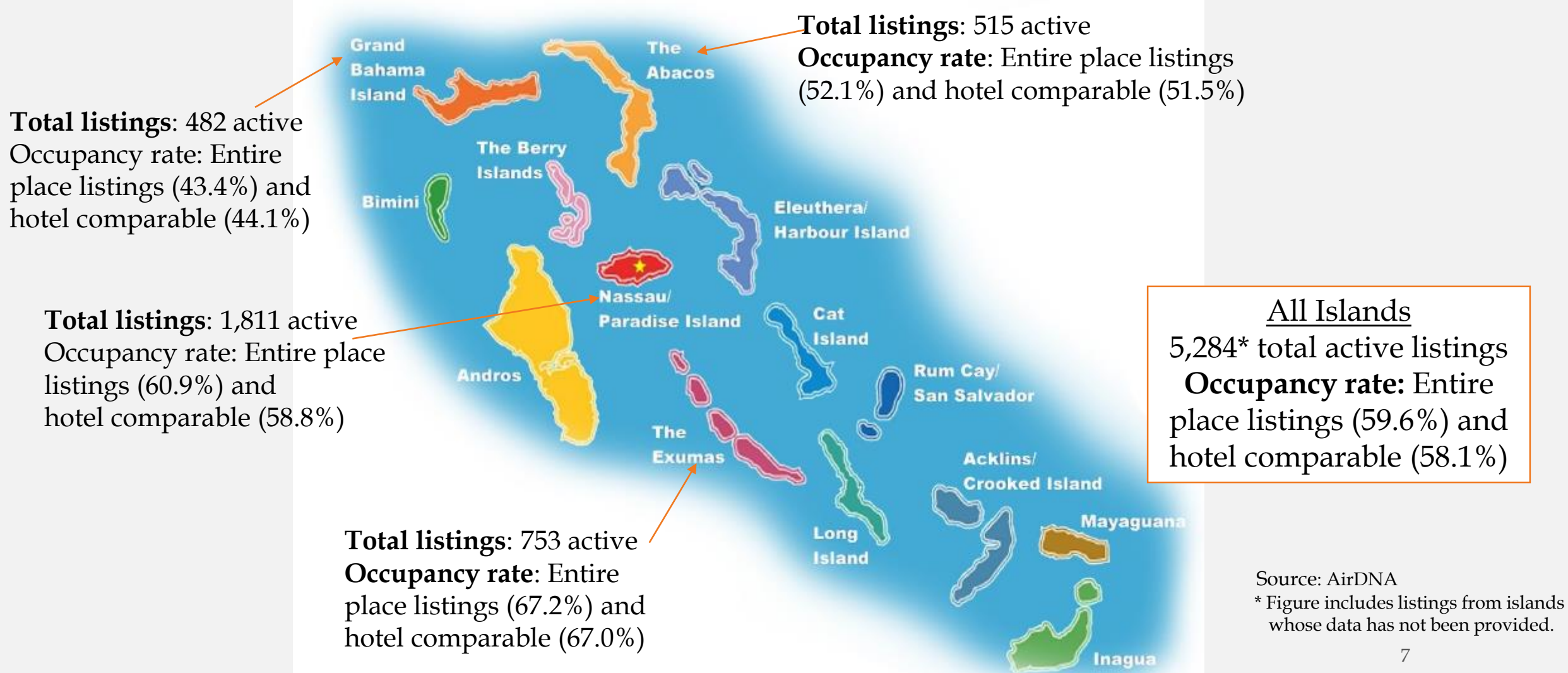
Source: Nassau Airport Development Company



*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals

(as at December 2022)



Airbnb: Vacation Rental Occupancy Rate Trends

(January - December 2022 vs. 2021)

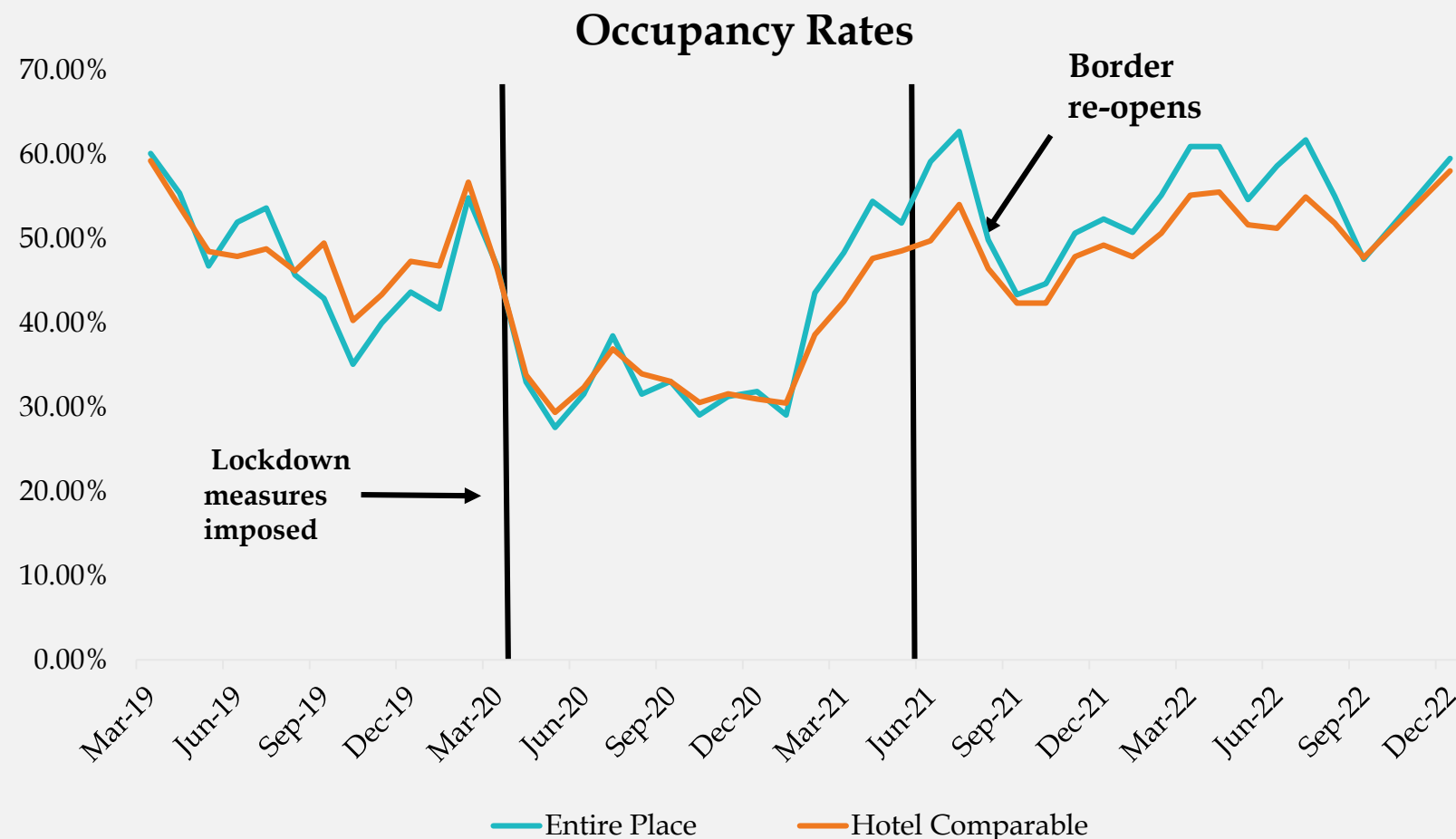
Vacation rental occupancy levels strengthened in 2022, assisted by further relaxed pandemic-related international travel environment.

Entire Place Listings

- The average occupancy rate increased to 59.6%, from 52.4% in the previous year.

Hotel Comparable Listings

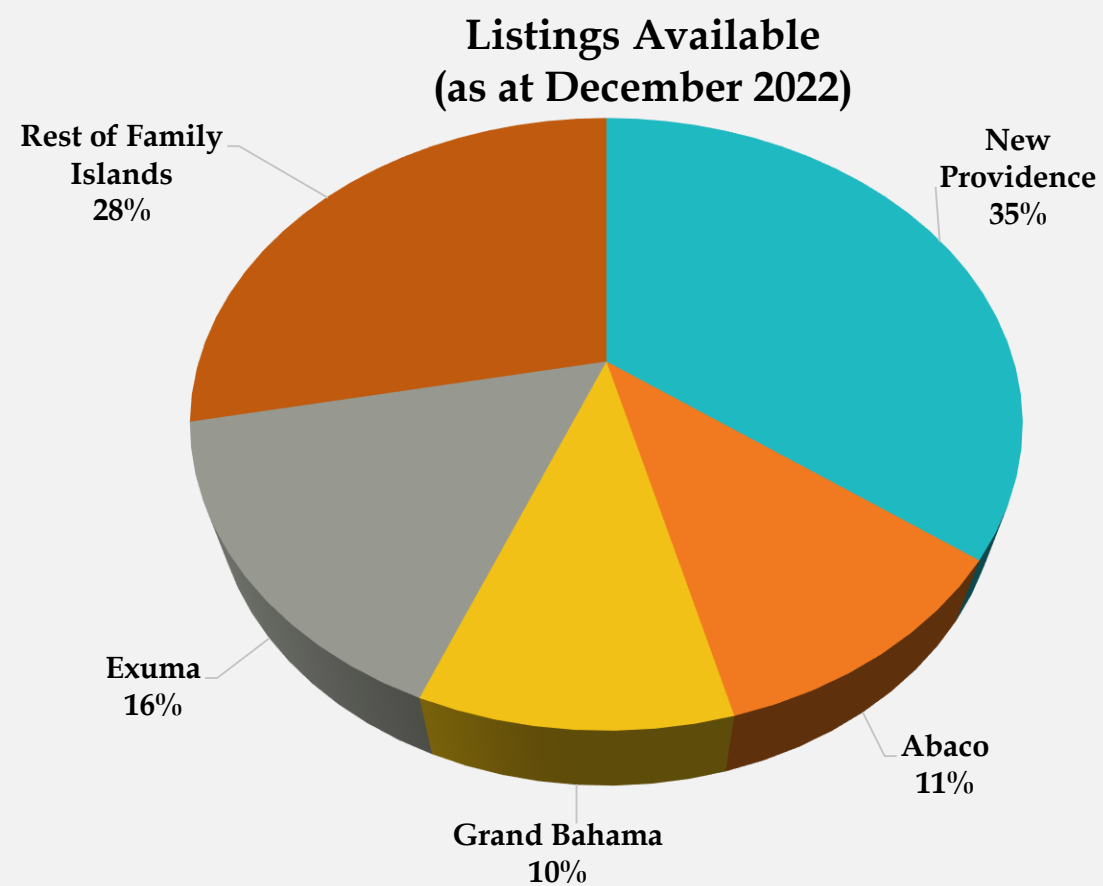
- The average occupancy rate grew to 58.1% from 49.3% in 2021.



Source: AirDNA

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

Exuma and the remaining Family Islands, accounted for more than half of all available listings during the 2022. Meanwhile listings expanded for major markets, including New Providence, Abaco, and Grand Bahama.



Listings for Abaco, Grand Bahama and New Providence rose by 73.4%, 21.7%, and 18.2% respectively, in December, vis-à-vis the comparative period in 2021.

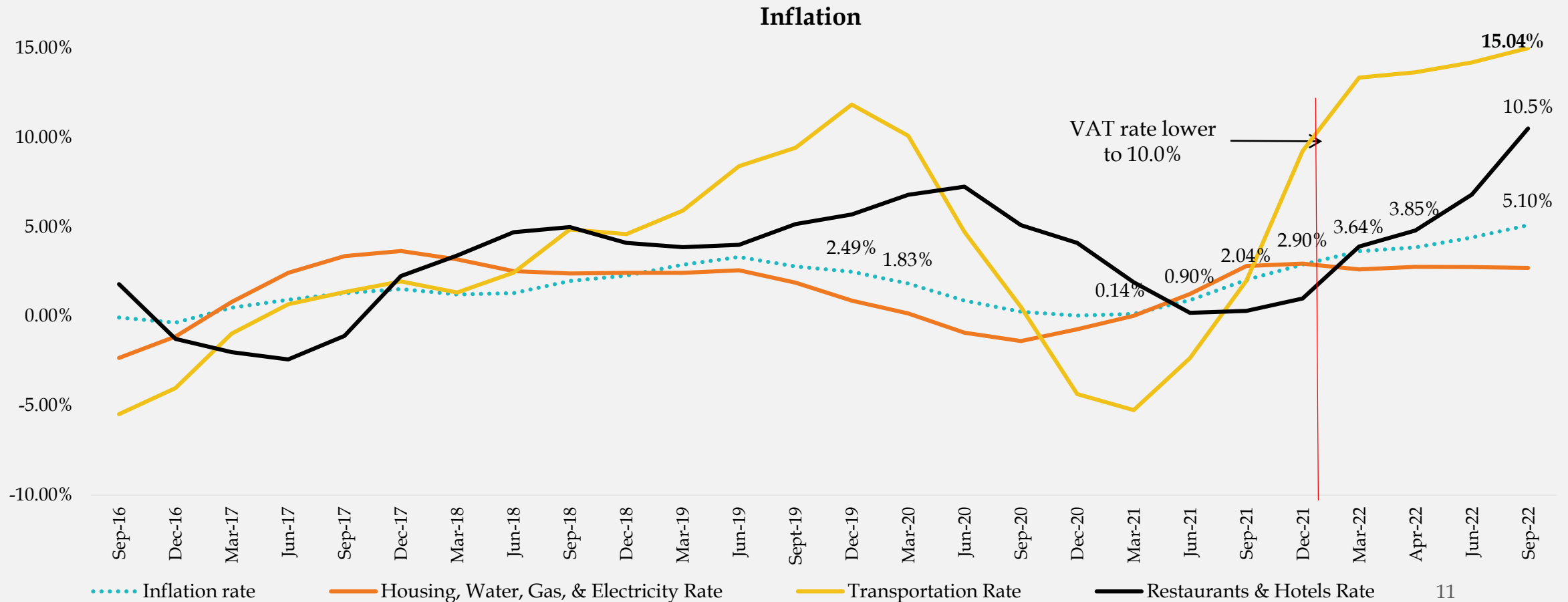
All Available Listings				
	Jun 2021	Dec 2021	Jun 2022	Dec 2022
Abaco	236	297	471	515
Grand Bahama	374	396	463	482
New Providence	1,395	1,532	1,672	1,811



INFLATION

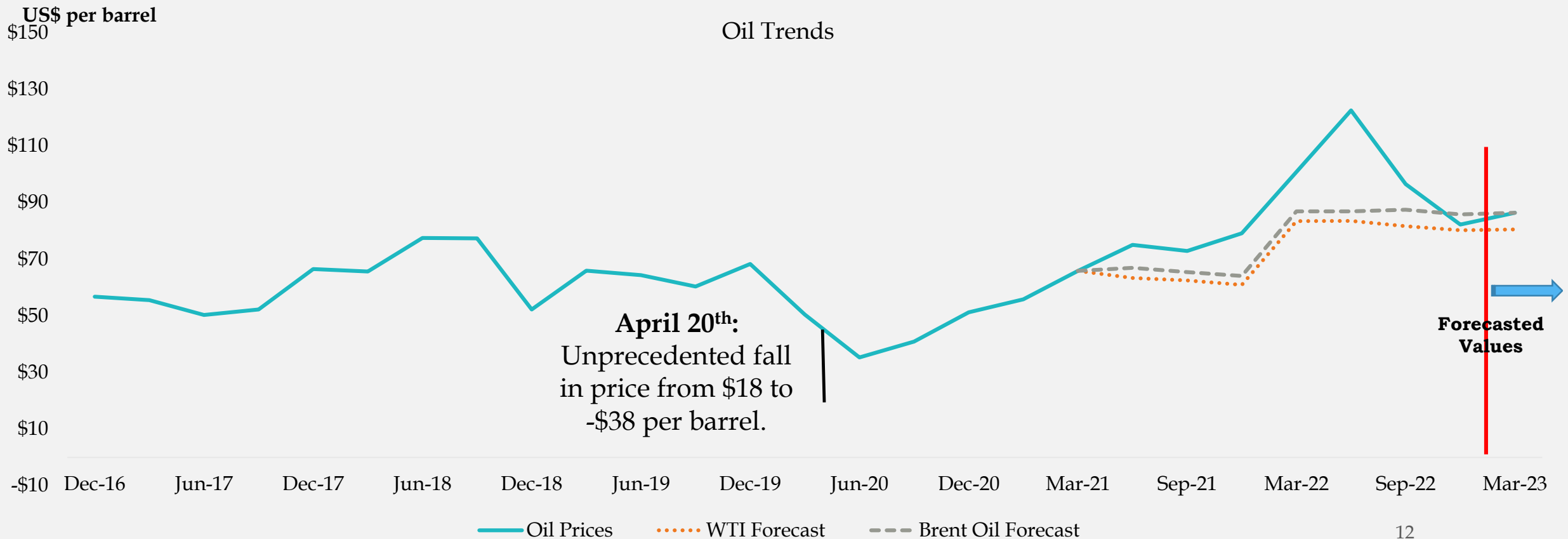
Retail Price Index

During the twelve months to September, 2022, inflation accelerated to 5.1% from 2.0% in the same period of 2021. Transportation costs led the uptick, with intensification also notable for hotels & restaurants.



Oil Price Trends

At end-2022, the price of crude oil declined by 13.2% to \$82.32 per barrel. Alongside an OPEC daily production increase of 1.7% in December global demand outlook had eased. However, average monthly prices outpaced 2021.



A wide-angle photograph of a tropical beach. The foreground shows a white 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 as it meets the horizon. The sky is a clear, pale blue. The text "MONETARY SECTOR" is overlaid in the center of the image.

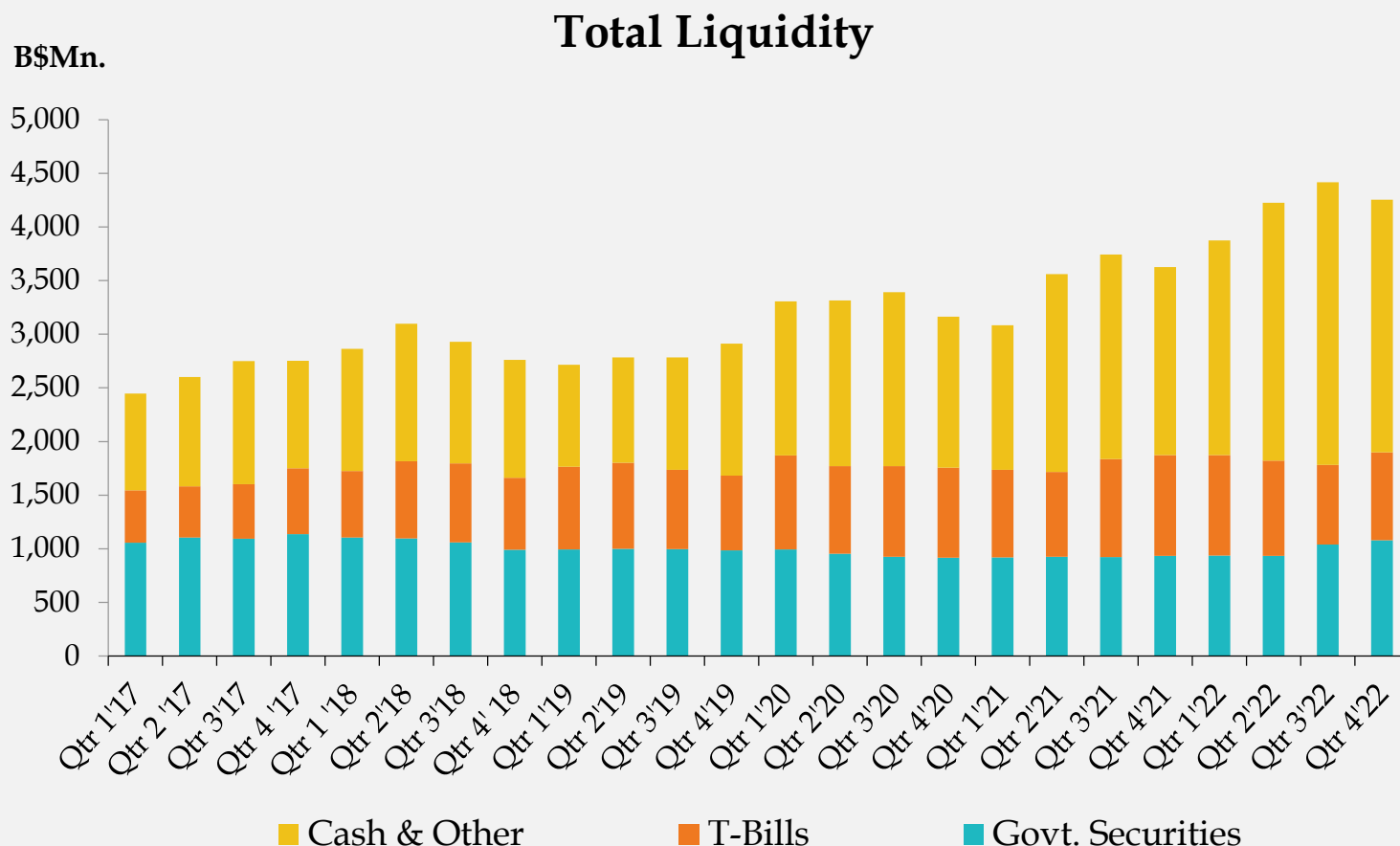
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-December 2022 vs. 2021

During 2022, the growth in liquidity was supported by the receipt of proceeds from Government external borrowings and foreign currency inflows from real sector activities.

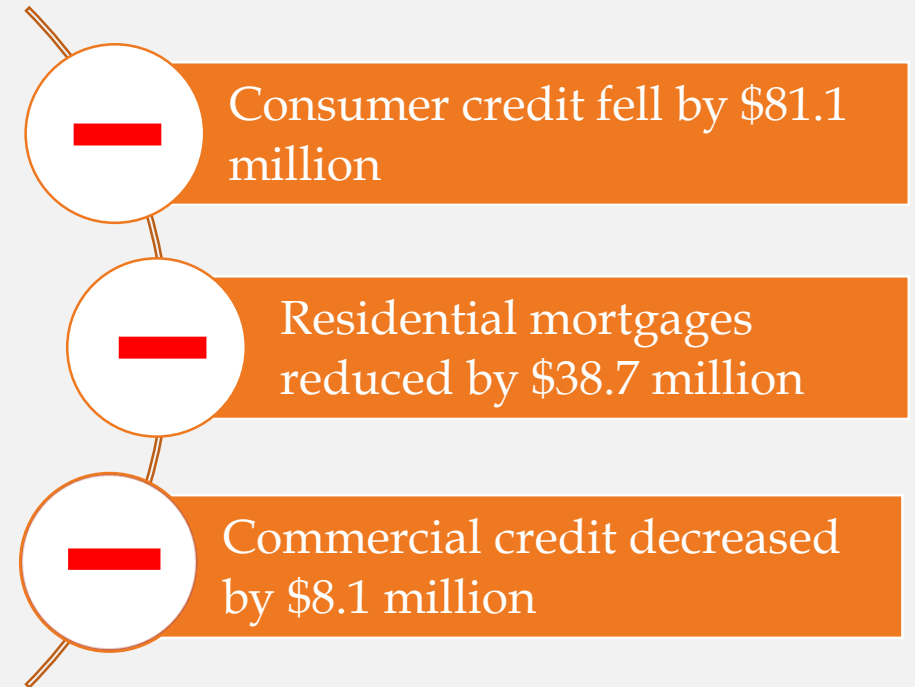
- Excess liquid assets rose by \$333.9 million, exceeding the \$209.1 million expansion in the prior year.
- Similarly, excess reserves grew by \$387.2 million, extending the \$104.0 million accumulation in the preceding year.



Lending Conditions

January-December 2022 vs. 2021

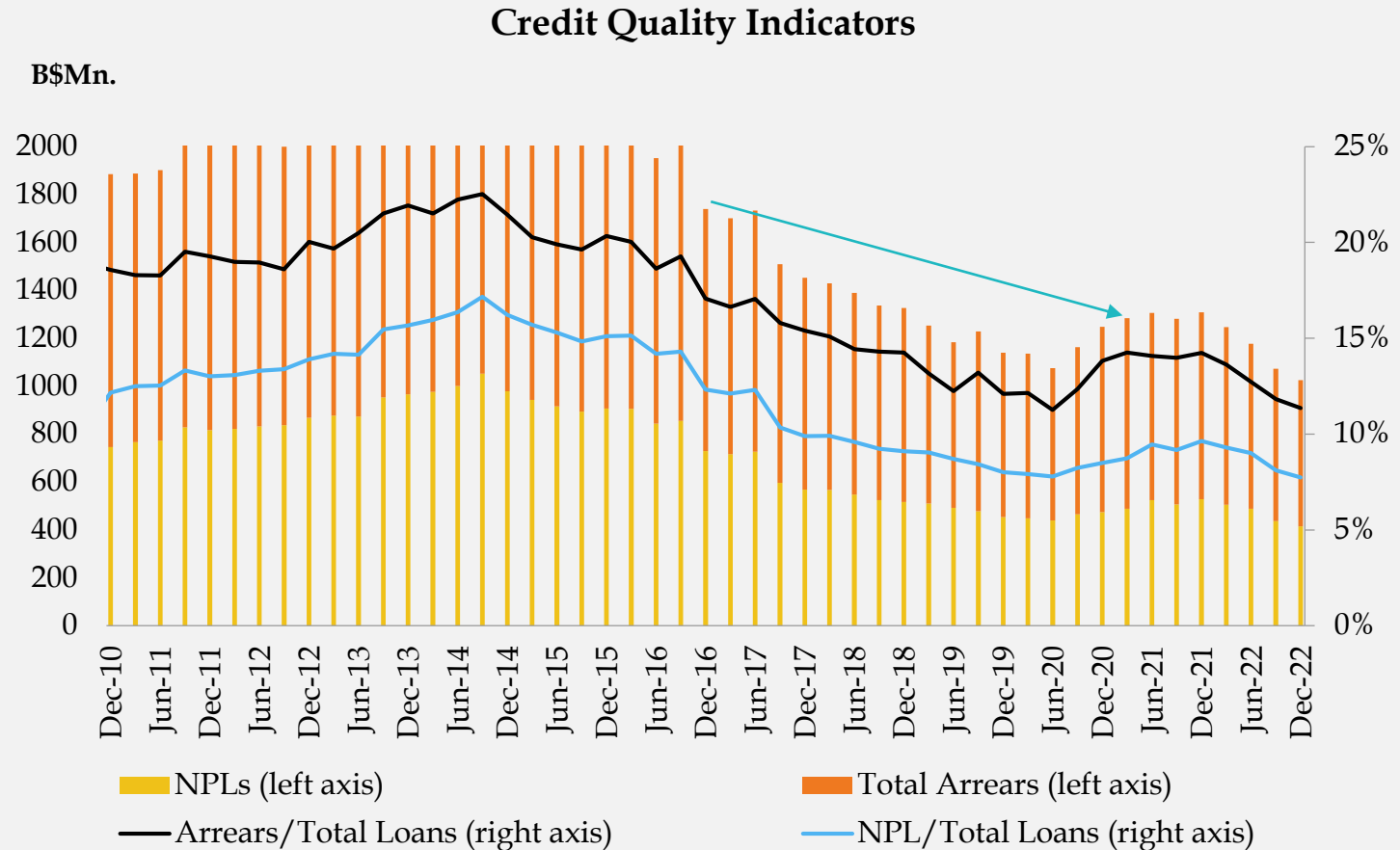
- During 2022, total Bahamian dollar domestic credit contracted by \$2.8 million, a turnaround from the \$303.4 million growth in the prior year.
- Net claims on the Government grew by a lesser \$92.3 million, contrasting with the \$420.9 million buildup in the previous year.
- Credit to public corporations increased by \$32.8 million, outpacing the \$10.5 million growth in the preceding year.
- Private sector credit contracted by \$127.9 million, extending the \$128.0 million falloff in 2021.



B\$ Credit Quality Indicators

January-December 2022 vs. 2021

- During 2022, the average arrears rate for private sector credit moderated to 11.4% from 14.2% in 2021.
 - The short-term arrears rate was 3.6% (4.6% in December, 2021).
 - The NPL rate was 7.7% (9.6% in December, 2021).
- Arrears rate by loan type:
 - Mortgages: 15.2% vs 17.2% in 2021.
 - Consumer: 8.9% vs 13.3% in 2021.
 - Commercial: 6.0% vs 8.0% in 2021.

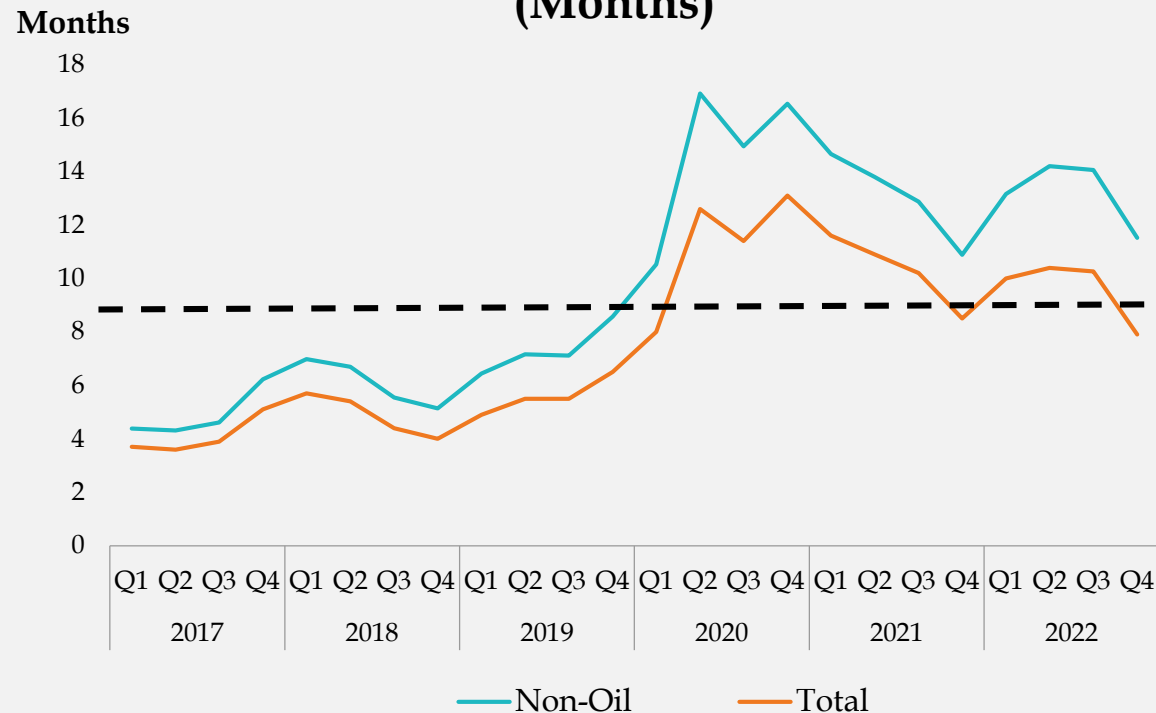


Source: Central Bank of The Bahamas

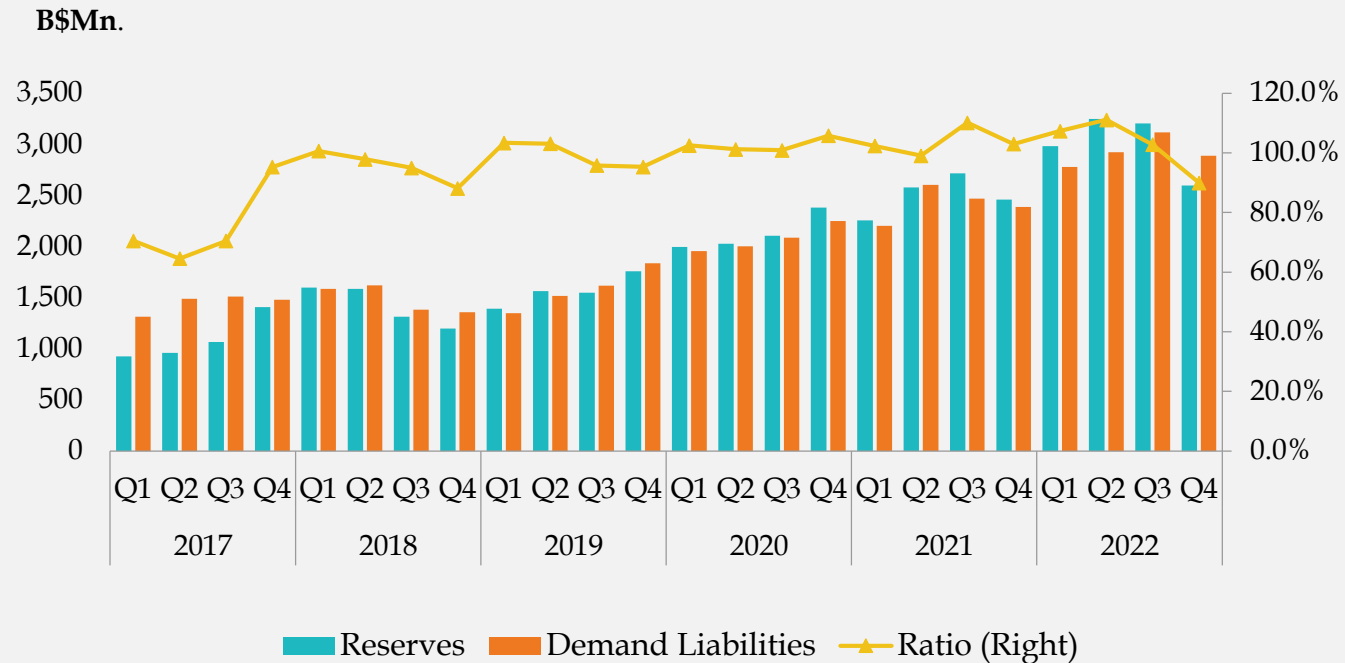
External Reserves

January-December 2022 vs. 2021

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

External reserves expanded by \$137.4 million to \$2,596.5 million, extending the \$78.6 million growth recorded in the previous year.

- Balances represented 89.9% of the Central Bank's demand liabilities.
- Equivalent to 7.9 months of the current year's total merchandise imports.



OUTLOOK

Real Sector

- The domestic economy is projected to sustain its positive trajectory in 2023, buttressed by ongoing gains in the tourism sector.
- Maintaining the pace of the tourism sector rebound to pre-pandemic levels remain contingent upon the continued progress made on the international health front and the continued relaxation of globally imposed travel restrictions.
- The unemployment rate, while declining, is predicted to remain above pre-COVID-19 levels, with any job gains largely concentrated in the construction sector and complete re-employment of tourism sector employees.
- Rising inflationary pressures are anticipated to persist, reflective of the increase in global oil prices, higher costs for other imported goods and supply chain shortages, related to geopolitical tensions in Eastern Europe.

Fiscal Sector

- Although on a declining trajectory, the fiscal deficit is expected to remain elevated over FY2022/2023; with net financing needs staying high.
- However, the revenue gap should continue to narrow, as taxable economic activity further improves in line with the rebound in the tourism sector.
- Budgetary financing is expected to require a blend of domestic and external borrowings, but with an increased proportion of the total funding from domestic sources.

Monetary Sector and External Reserves



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

Private sector credit is forecasted to rise marginally in 2023 in anticipation of the sustained economic recovery.



External reserves are projected to remain at healthy levels in 2023, staying well above international benchmarks, supported by anticipated foreign currency inflows from tourism, and other net private sector receipts.

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

Risks to The Outlook

TOURISM

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

EXTERNAL RESERVES

Heightened demand for foreign currency for rebuilding works and constrained tourism output could accelerate the drawdown in reserves.

GLOBAL

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

INFLATION

Geopolitical tensions, a decrease in oil production and food supply disruptions could result in higher prices.

EMPLOYMENT

Insufficient or slowed pace of private investments, particularly FDI, could hinder jobs creation.

FISCAL

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

The End

