

# Quarterly Economic and Financial Developments Report

September 2022

*Featuring the latest Lending Conditions Survey for  
the First Half of 2022*

Research Department



# Domestic Economic Developments

Indications are that during the nine months to September 2022, the domestic economy maintained its recovery momentum, from the adverse impact of the Novel Coronavirus (COVID-19) pandemic. Tourism sector output continued to improve, bolstered by notable gains in the high value-added air segment and a sustained rise in sea traffic, as vaccination efforts progressed and COVID-19 restrictions eased in the major source markets.

## Real Sector

- Tourist arrivals expanded to 4,292,783 during January-August 2022, a turnaround from the 54.6% contraction in the prior year.
- During the nine months to September, Nassau airport departures recovered by 88.0% to 982,293.
- Varied-scale FDI projects, along with ongoing hurricane rebuilding efforts, supported construction sector output.

## Monetary Sector

- During the nine months to September 2022, banking sector liquidity expanded, as the buildup in the deposit base, contrasted with the reduction in domestic credit.
- Supported by the receipt of proceeds from Government's external borrowing activities and inflows from real sector activities, external reserves grew over the nine-month period, extending the 2021 accumulation.

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 2022)

Official data from the Ministry of Tourism indicated that total visitor arrivals increased to 4.3 million visitors over the first eight months of the year, from 0.8 million in the same period of 2021.

- Air arrivals (indicative of stopovers) advanced to 1.0 million compared to 0.6 million in the preceding year.
- Sea arrivals accelerated to 3.3 million passengers, from just 0.2 million in the comparative 2021 period.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2021	2022	2021	2022	2021	2022
<b>Arrivals</b>						
<b>Air</b>	<b>38.8</b>	<b>88.0</b>	<b>36.0</b>	<b>90.2</b>	<b>146.4</b>	<b>37.1</b>
<b>Sea</b>	<b>-88.6</b>	<b>1,806.7</b>	<b>-71.3</b>	<b>596.6</b>	<b>-83.3</b>	<b>1,487.5</b>
<b>Total</b>	<b>-45.8</b>	<b>328.8</b>	<b>-62.0</b>	<b>440.4</b>	<b>-64.0</b>	<b>656.2</b>



# Cruise Ship Sector Update

- Added to scheduled calls, the cruise industry welcomed five diverted vessels in September – Carnival Legend, MSC Seashore, Scarlett Lady, Carnival Mardi Gras and Carnival Freedom.
- The diversions of 16,000 passengers to Nassau’s Cruise Port were due to severe weather conditions.



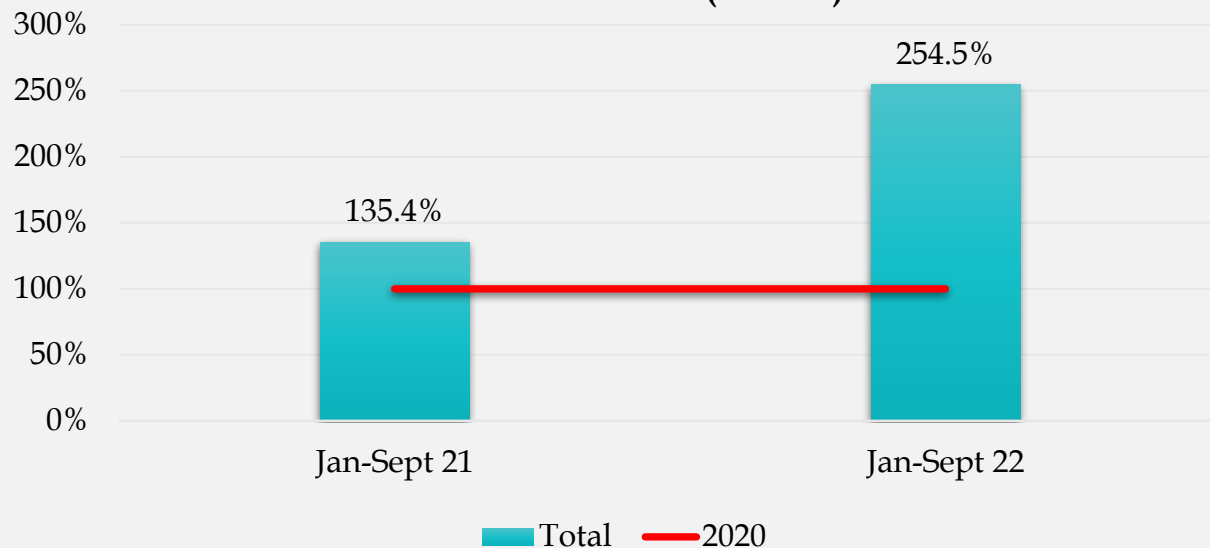
Source: [www.Bahamas.com](http://www.Bahamas.com) Photo from Prince George Dock

# Nassau Airport (NAD) International Departures January - September 2022

The latest data from NAD revealed that the nine-month departures totaled almost 1.0 million passengers, extending the 35.4% recovery in the corresponding period in 2021.

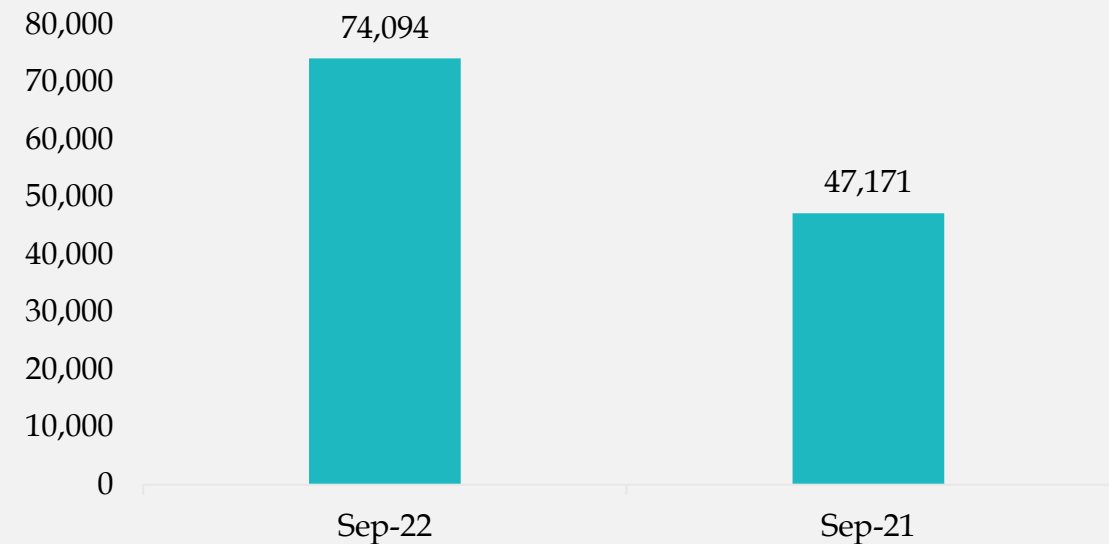
Reflective of the relaxed global travel measures, total international departures for September 2022 extended to 74,094, from 47,171 in the previous year.

### January - September Departures vs. 2020 Baseline (=100%)



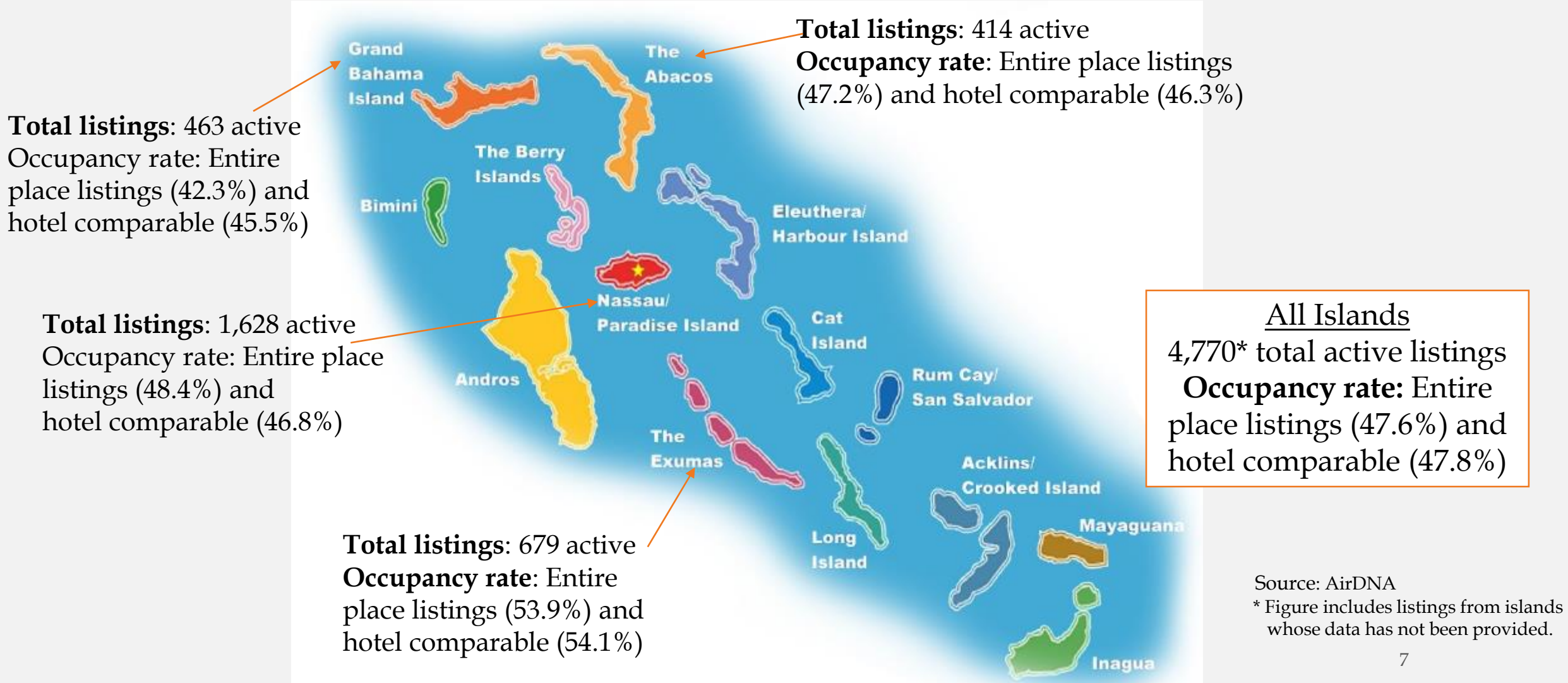
Source: Nassau Airport Development Company

### Total Departures September 2021 vs September 2022



\*All figures are net of domestic departures.

# Airbnb: Snapshot of Vacation Rentals (as at September 2022)



**Total listings:** 463 active  
**Occupancy rate:** Entire place listings (42.3%) and hotel comparable (45.5%)

**Total listings:** 414 active  
**Occupancy rate:** Entire place listings (47.2%) and hotel comparable (46.3%)

**Total listings:** 1,628 active  
**Occupancy rate:** Entire place listings (48.4%) and hotel comparable (46.8%)

**Total listings:** 679 active  
**Occupancy rate:** Entire place listings (53.9%) and hotel comparable (54.1%)

**All Islands**  
4,770\* total active listings  
**Occupancy rate:** Entire place listings (47.6%) and hotel comparable (47.8%)

# Airbnb: Vacation Rental Occupancy Rate Trends

## (January - September 2022 vs. 2021)

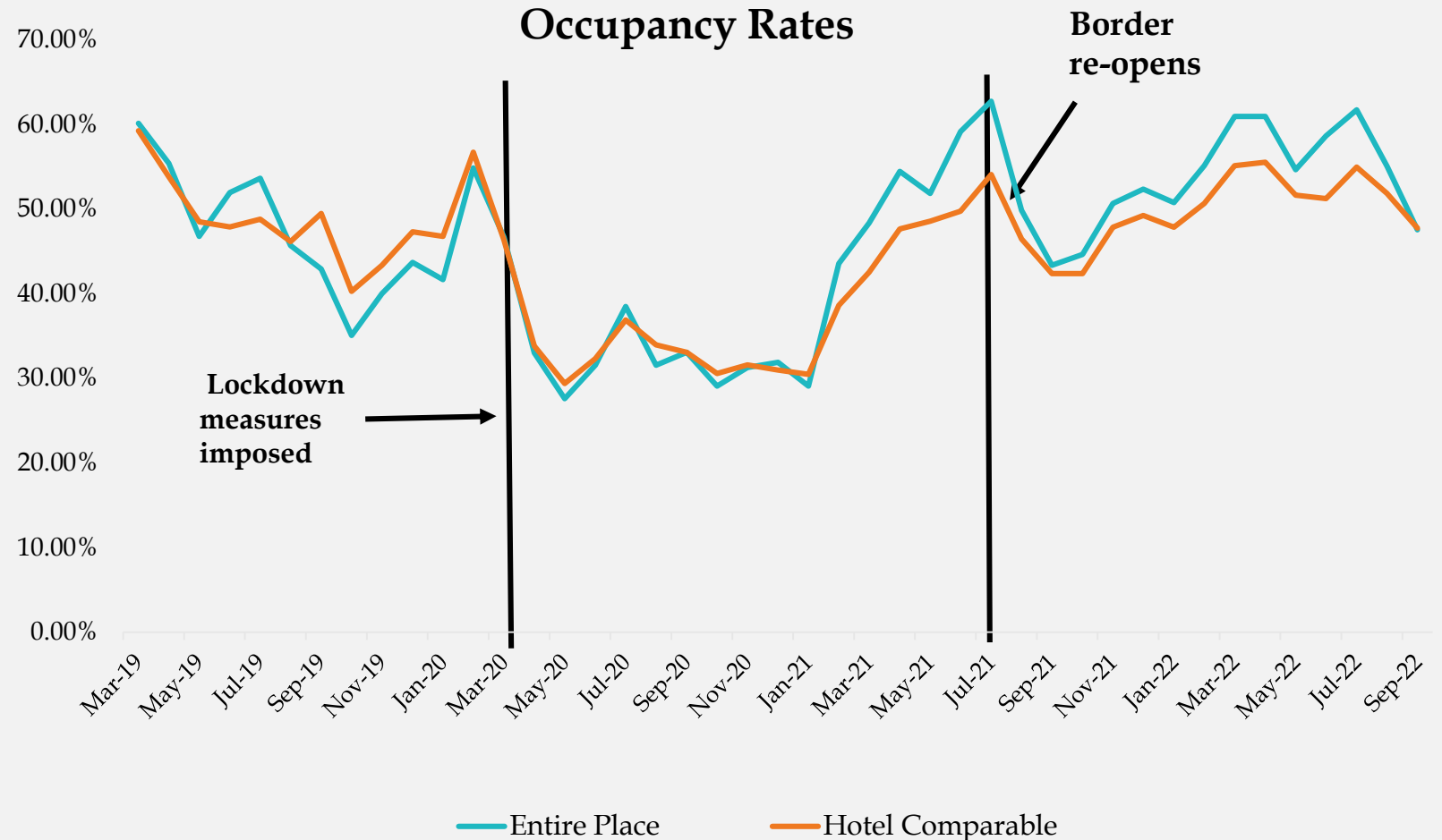
Further buoyed by the relaxed COVID-19 measure, vacation rental occupancy levels trended upward since the beginning of 2022.

### Entire Place Listings

- The average occupancy rate firmed to 47.6%, from 43.4% in the same period of 2021.

### Hotel Comparable Listings

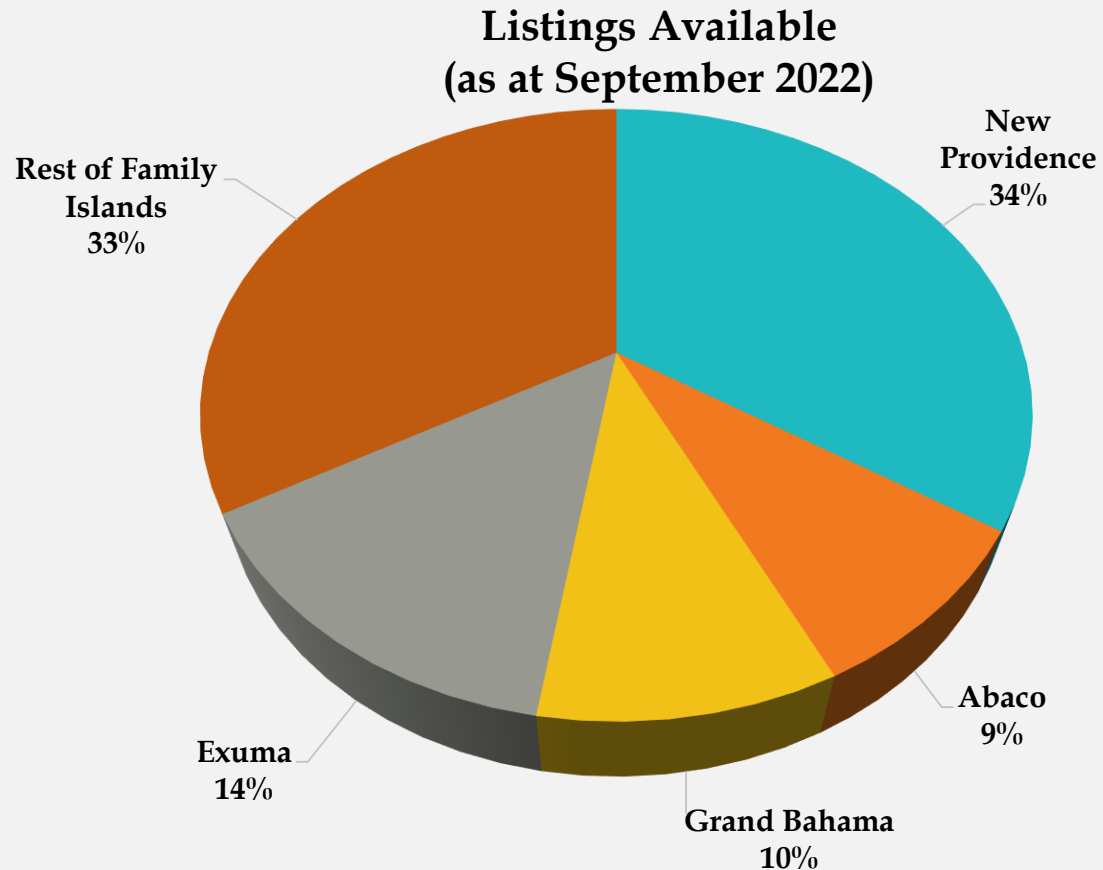
- The average occupancy rate rose to 47.8% from 42.4% last year.





# Airbnb: Vacation Rental Market Share by Island (September 2022)

Listings for all the major markets increased, including New Providence, Abaco, and Grand Bahama. Exuma and the remaining Family Islands accounted for almost half of available listings during the nine months to September.



Listings for Abaco, Grand Bahama and New Providence grew by 102.9%, 30.4%, and 23.1% respectively, in September, relative to the same period in 2021.

All Available Listings				
	Dec 2020	Sept 2021	Dec 2021	Sept 2022
<b>Abaco</b>	192	204	297	414
<b>Grand Bahama</b>	341	355	396	463
<b>New Providence</b>	1,363	1,322	1,532	1,628

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

Eleuthera	Exuma	Andros	Grand Bahama	San Salvador
<p><b><u>Lucayan Yacht residence Ltd.</u></b></p> <ul style="list-style-type: none"> <li>\$66 million investment                             <ul style="list-style-type: none"> <li>Luxury residences</li> <li>70 new jobs &amp; 12 incremental jobs</li> </ul> </li> </ul> <p><b><u>IV Bahamas Ltd. &amp; SDT Bahamas Ltd.</u></b></p> <ul style="list-style-type: none"> <li>\$13.0 million                             <ul style="list-style-type: none"> <li>30 new construction jobs</li> <li>2026 completion</li> </ul> </li> </ul>	<p><b><u>Yntegra Capital LLC</u></b></p> <ul style="list-style-type: none"> <li>\$150 million investment                             <ul style="list-style-type: none"> <li>Resort residences</li> <li>150 new &amp; 120 incremental jobs</li> <li>2024 completion</li> </ul> </li> </ul> <p><b><u>Hotai Group Ltd</u></b></p> <ul style="list-style-type: none"> <li>\$5.7 million investment                             <ul style="list-style-type: none"> <li>Boutique resort</li> <li>12 incremental jobs</li> <li>2025 completion</li> </ul> </li> </ul>	<p><b><u>CABN Farms Ltd. &amp; Fairfield Land Company</u></b></p> <ul style="list-style-type: none"> <li>\$7.9 million investment</li> <li>Commercial/agricultural and livestock farm</li> <li>45 new jobs</li> <li>2027 completion</li> </ul>	<p><b><u>Liwathon Atlantic</u></b></p> <ul style="list-style-type: none"> <li>\$100 million investment                             <ul style="list-style-type: none"> <li>Oil storage and transshipment facility</li> <li>35 new jobs &amp; 6 incremental jobs</li> <li>2023 completion</li> </ul> </li> </ul>	<p><b><u>Club Mediterranean</u></b></p> <ul style="list-style-type: none"> <li>\$5.5 million investment                             <ul style="list-style-type: none"> <li>Resort renovations</li> <li>93 new and 275 incremental jobs</li> </ul> </li> </ul>

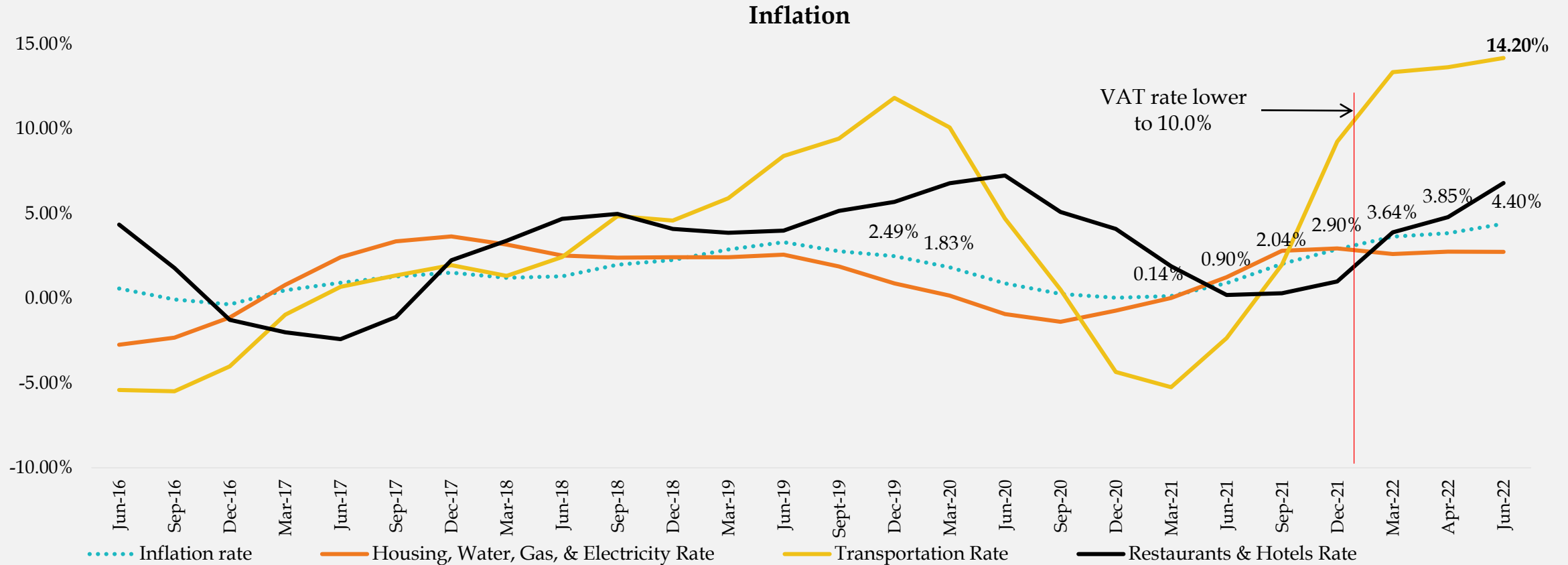


# INFLATION



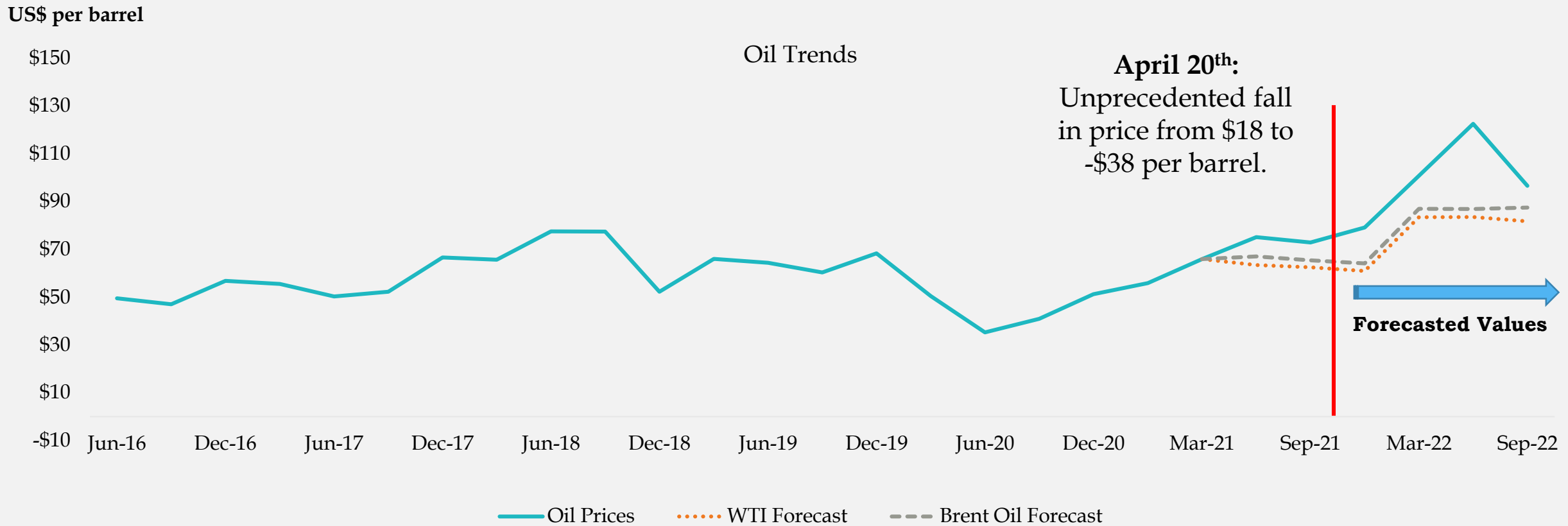
# Retail Price Index

Inflation rose by 4.4% during the twelve months to June, 2022 from 0.9% in the comparative 2021 period, led by higher transportation costs.



# Oil Price Trends

From January to September, 2022 the price of crude oil reduced by 12.1% to \$96.59 per barrel. Supply side, OPEC average daily production rose in September by 0.5% to 29.77 million.



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.

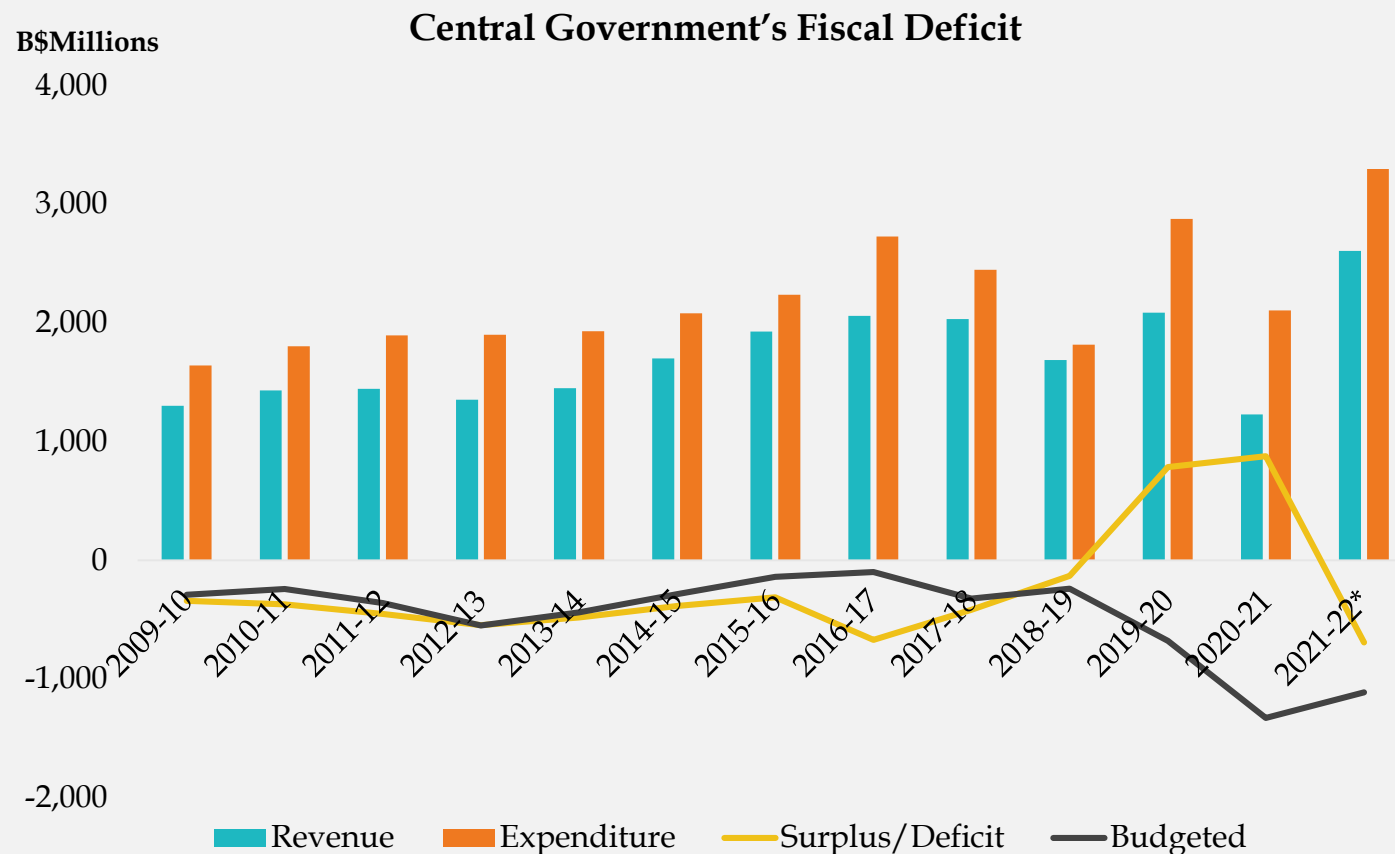
# **FISCAL SECTOR**

# Fiscal Sector

## Fiscal Year Outcome: 2021/22

During the fiscal year 2021/22, the deficit narrowed significantly to \$689.5 million from \$1,335.7 million a year earlier, reflecting a notable recovery in revenue collections against only modest rise in aggregate spending.

- Revenue expanded by \$700.7 million (36.7%) to \$2,608.6 million.
  - Specifically, VAT receipts grew by \$395.7 million (53.5%) to \$1,135.8 million.
- Expenditure rose by \$54.5 million (1.7%) to \$3,298.1 million.
  - Recurrent outlays increased by \$142.0 million (4.9%) to \$3,014.5 million.
  - Conversely, capital outlays reduced by \$87.4 million (23.6%) to \$283.6 million.



Source: Ministry of Finance

\*Data for Twelve Months of 2021/22.



# FY2021/22 Budget Projections vs. Actual Outturn

(B\$ Millions)

	Actual Outturn	Budgeted	Difference (+/-)
<b>Revenue</b>	2,608.6	2,338.8	269.8
Tax Revenue	2,161.8	2,018.5	143.3
Non-tax Revenue	446.4	318.3	128.1
<b>Expenditure</b>	3,298.1	3,448.8	-150.7
Recurrent Expenditure	3,014.5	3,096.1	-81.6
Capital Expenditure	283.6	352.7	-69.1

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.

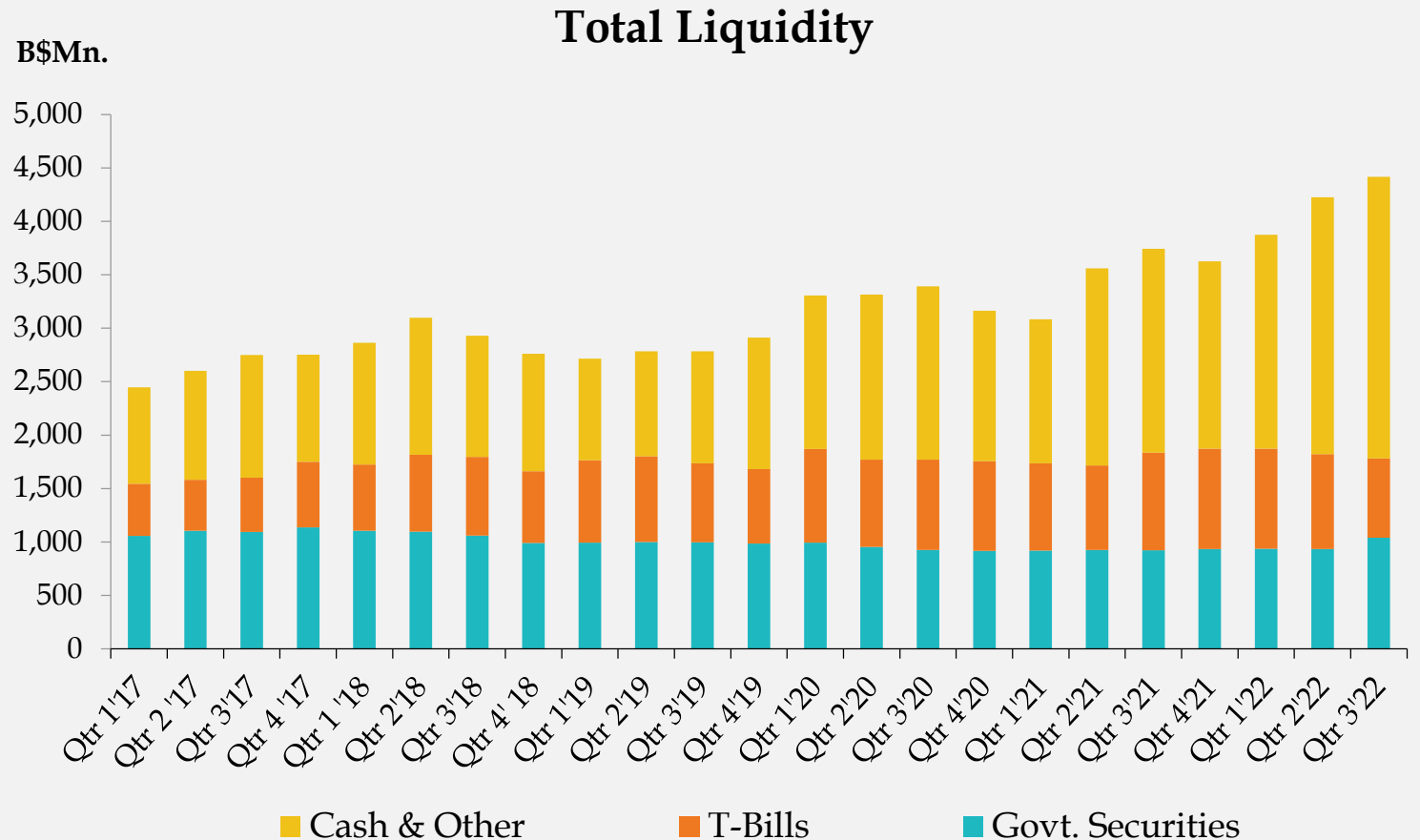
# **MONETARY SECTOR**

# Money and Banking: Liquidity Conditions

## January-September 2022 vs. 2021

Over the first three quarters of 2022, build-up in banking sector liquidity was supported by the receipt of proceeds from Government's external borrowings and real sector activities.

- Excess liquid assets expanded by \$535.7 million, extending the \$193.9 million accumulation in the previous year.
- Excess reserves rose sharply by \$714.2 million, outpacing the \$93.8 million growth registered in the prior year.



Source: Central Bank of The Bahamas

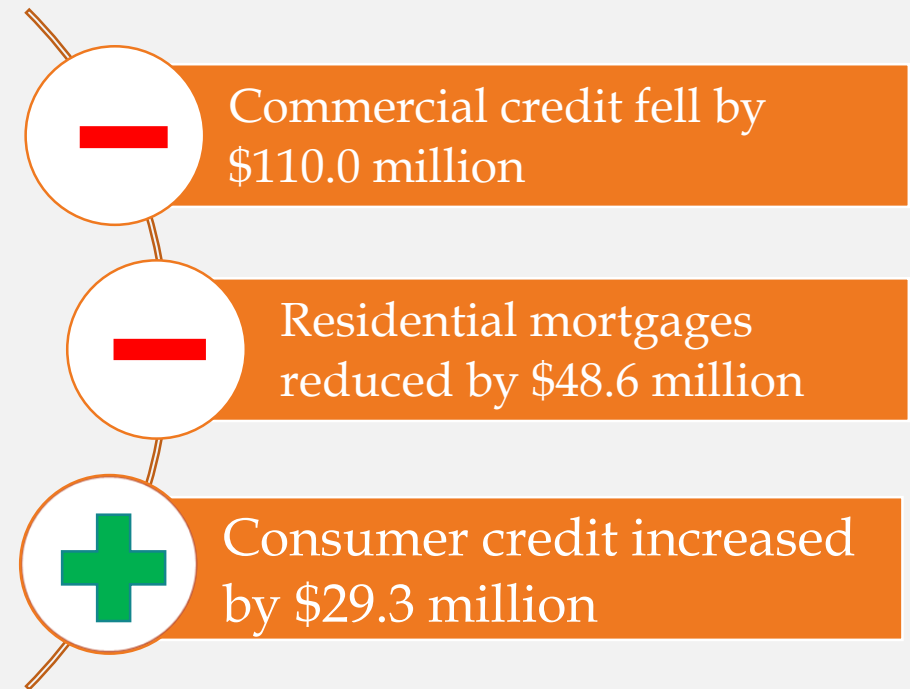
# Lending Conditions

## January-September 2022 vs. 2021

Total Bahamian dollar credit decreased by \$269.6 million, reversing the \$183.3 million increase a year earlier.

- Net claims on the Government declined by \$177.1 million, vis-à-vis a \$235.6 million expansion in the previous year.
- Credit to public corporations grew by \$36.7 million, exceeding the \$15.4 million accumulation in the preceding year.

**Private sector credit contracted by \$129.3 million, extending the \$67.7 million falloff in 2021.**

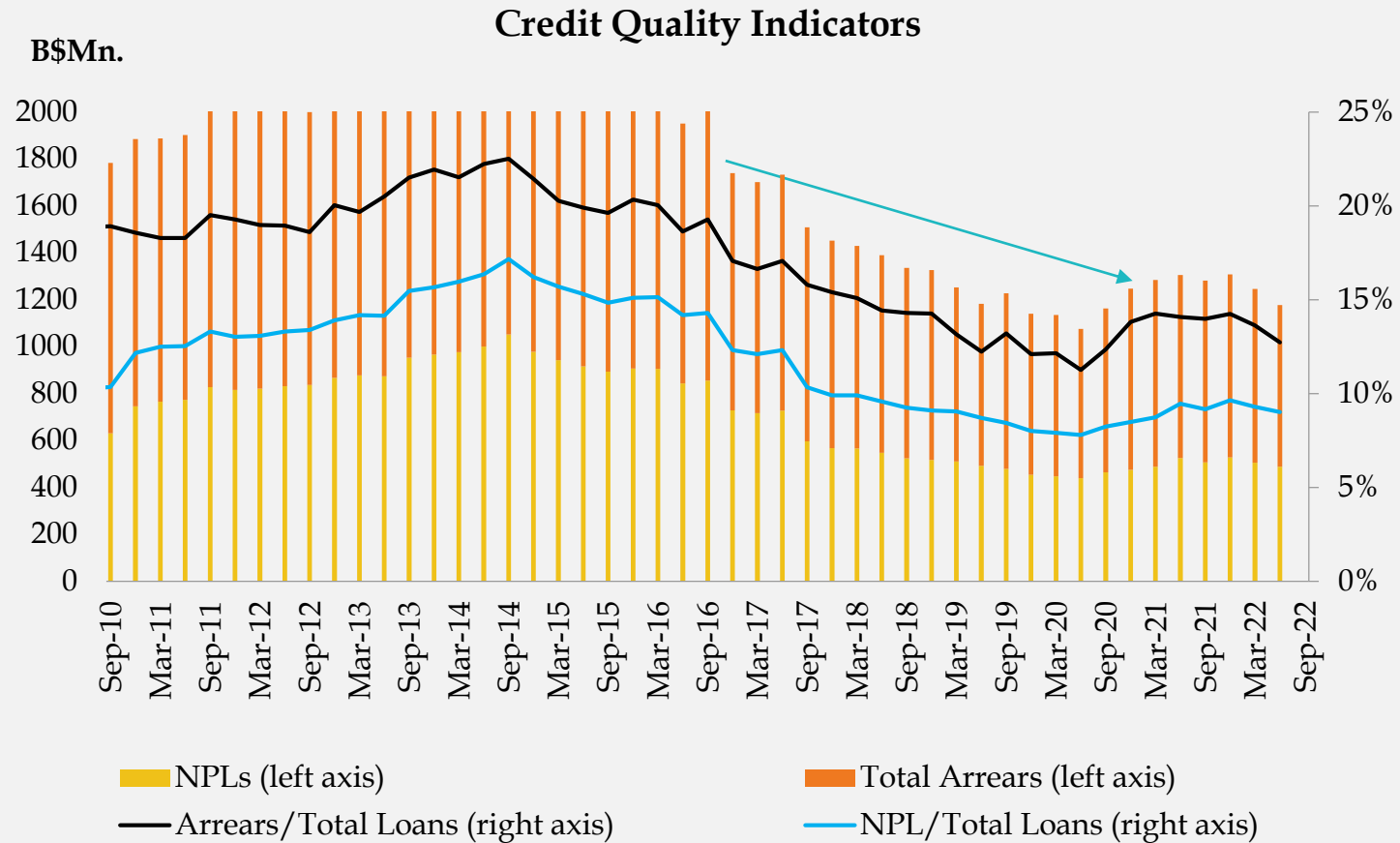




# B\$ Credit Quality Indicators

## January-September 2022 vs. 2021

- During the nine months to September, the average arrears rate for private sector credit moderated to 11.8% from 14.0% in 2021.
  - The short-term arrears rate was 3.7% (4.9% in September 2021).
  - The NPL rate was 8.1% (9.1% in September 2021).
  
- Arrears rate by loan type:
  - Mortgages : 15.6% vs 17.8% in 2021.
  - Consumer: 9.4% vs 11.9% in 2021.
  - Commercial: 6.6% vs 7.7% in 2021.

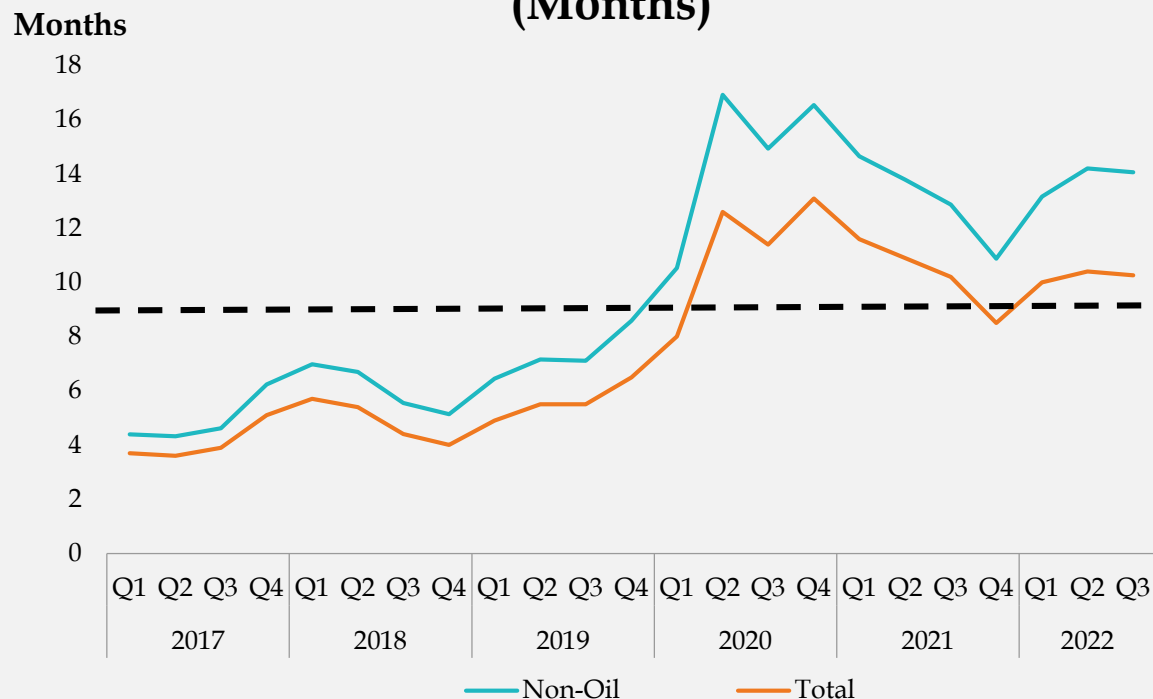


Source: Central Bank of The Bahamas

# External Reserves

## January- September 2022 vs. 2021

### Import Cover Ratio (Months)



### External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

External reserves grew by \$746.3 million to \$3,205.4 million, extending the \$337.0 million increase registered in the prior year.

- Balances represented 102.8% of the Central Bank's demand liabilities.
- Equivalent to 10.3 months of the current year's total merchandise imports.

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 edge. In the foreground, there are more palm trees and some buildings, possibly a resort or a small town. The sky is clear and bright.

# **RESULTS FROM BANK LENDING CONDITIONS SURVEY**

# Bank Lending Conditions Overview (January-June 2022)

During the first half of 2022, lending conditions improved, relative to the significant softening, noted at the onset of the COVID-19 pandemic.

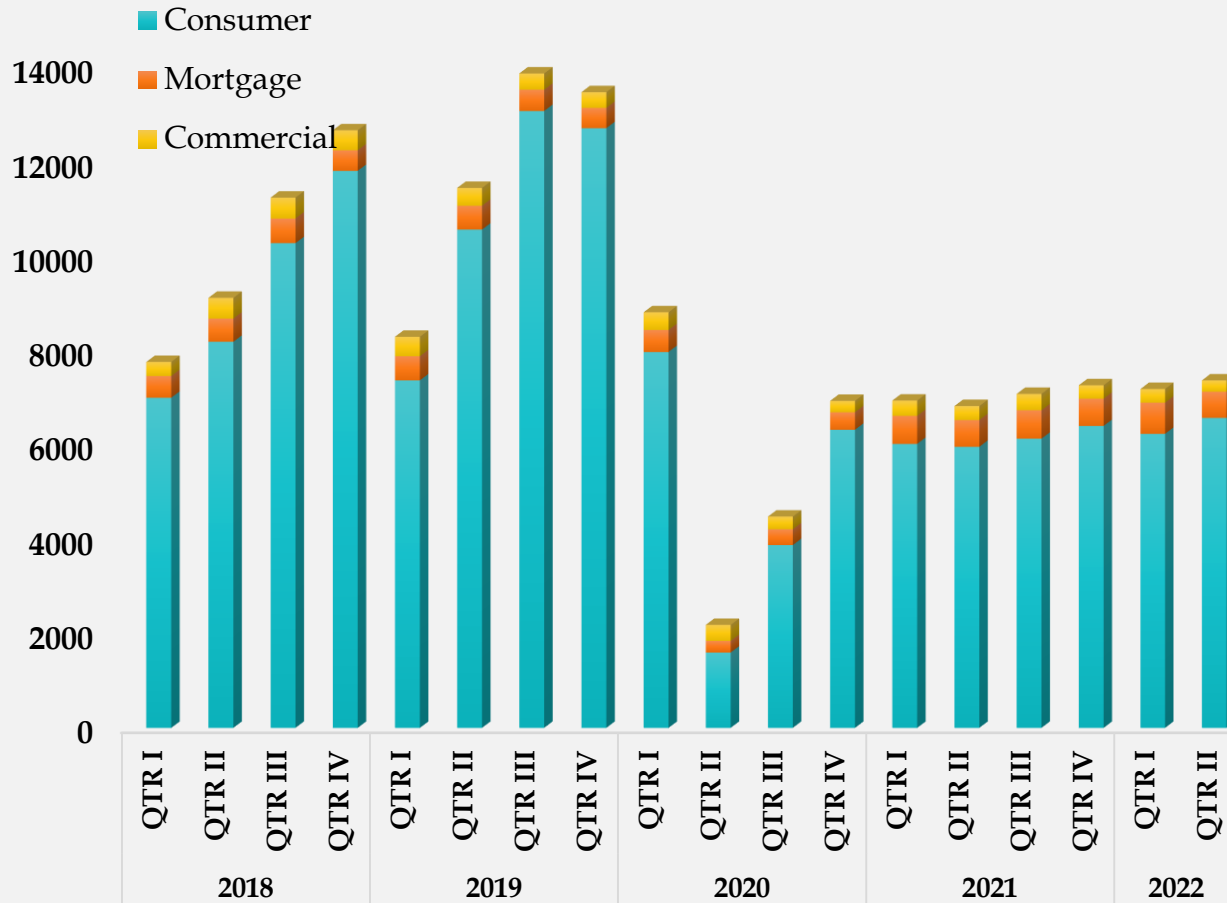
Total credit applications continued to rise over the review period, reflective of gains in the demand for mortgages and consumer loans.

- ✓ Applications processed: 14,532
  - A 5.7% increase over the first half of 2021.
  - New Providence accounted for 82.6% of applications
- ✓ Approval rate: 79.4%
- ✓ Consumer loan applications continued to dominate, representing 88.0% of the total; 83.4% 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 grew by 1.9%, when compared with the first half of 2021. Further, commercial financing constituted 5.0% of requests.
- ✓ Demand for commercial credit declined relative to the first half of 2021.



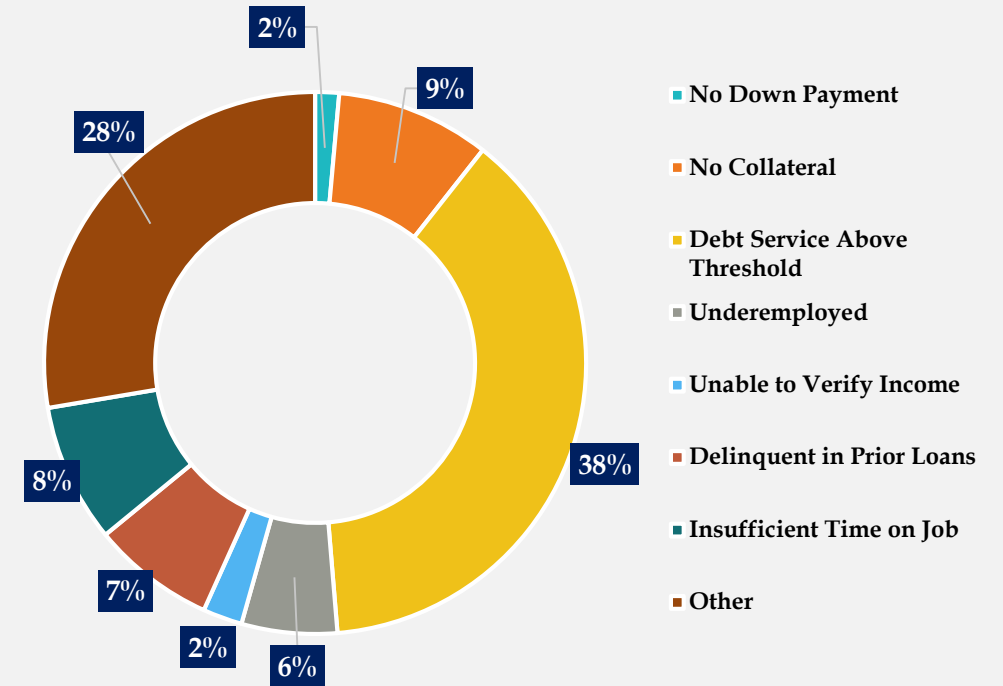
# Bank Lending Conditions Overview (January-June 2022)

## Loan Applications Received by Loan Type



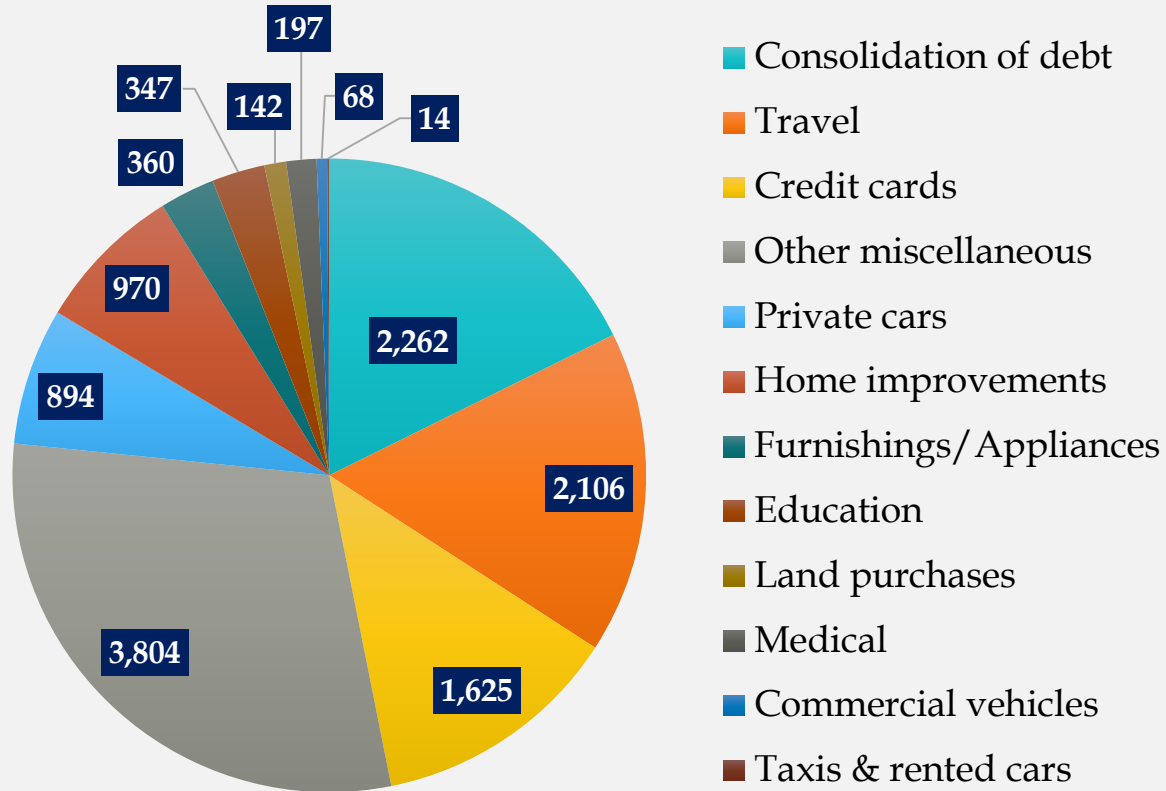
Total applications denial rate: (9.7%)

## Loan Denial Reasons



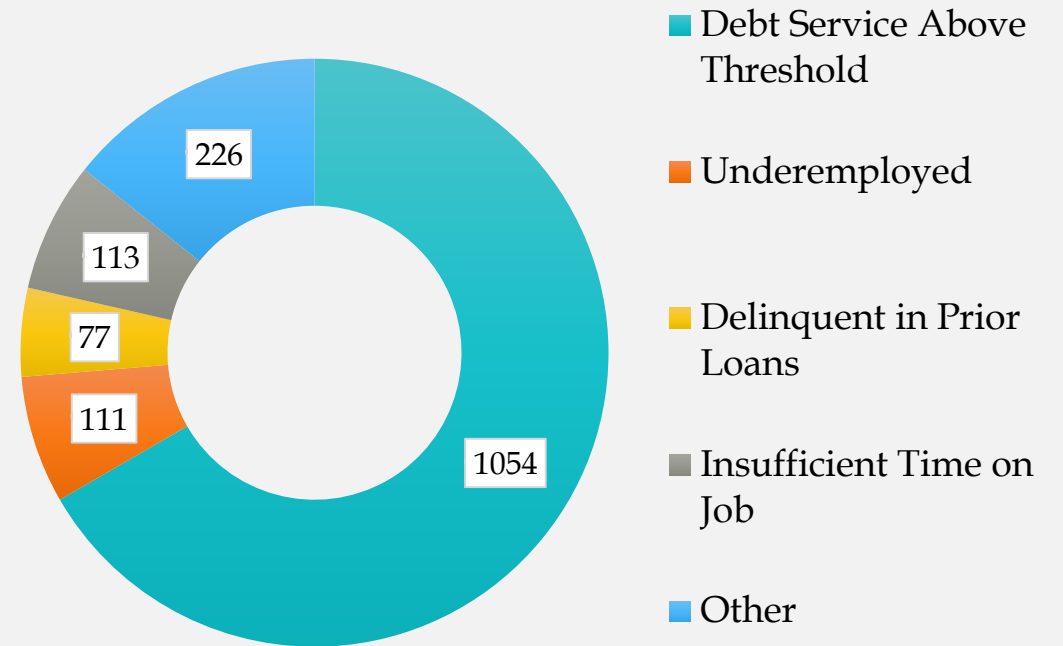
# Bank Lending Conditions (Consumer Loan Applications)

## Largest Categories of Consumer Loan Applications Received



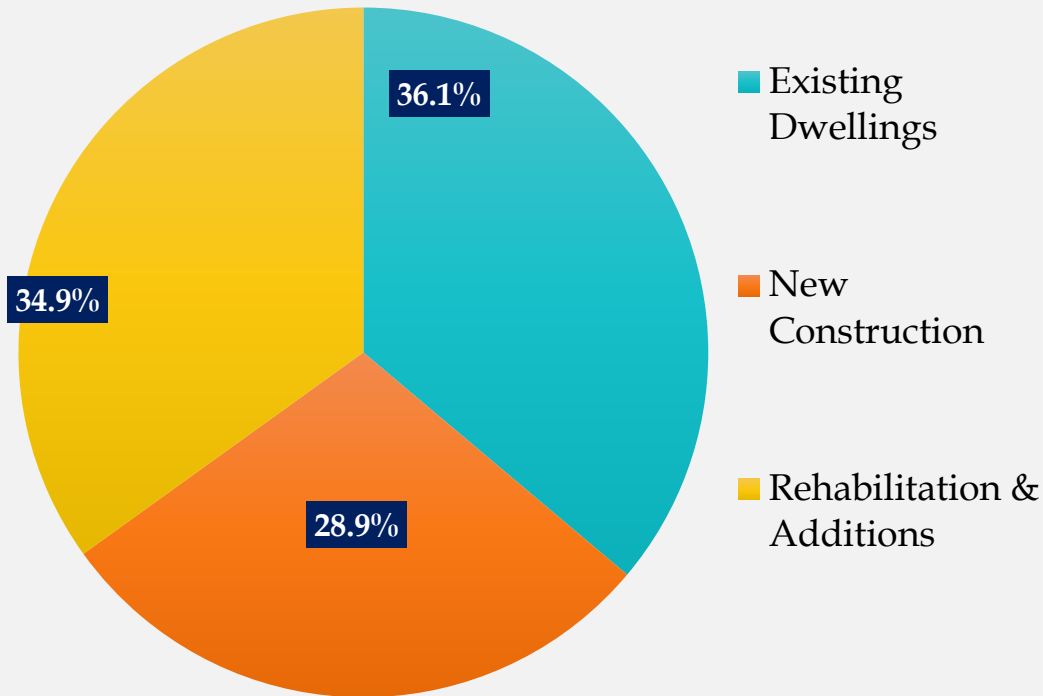
Total applications denial rate: (9.8%)

## Reasons for Consumer Loan Denials



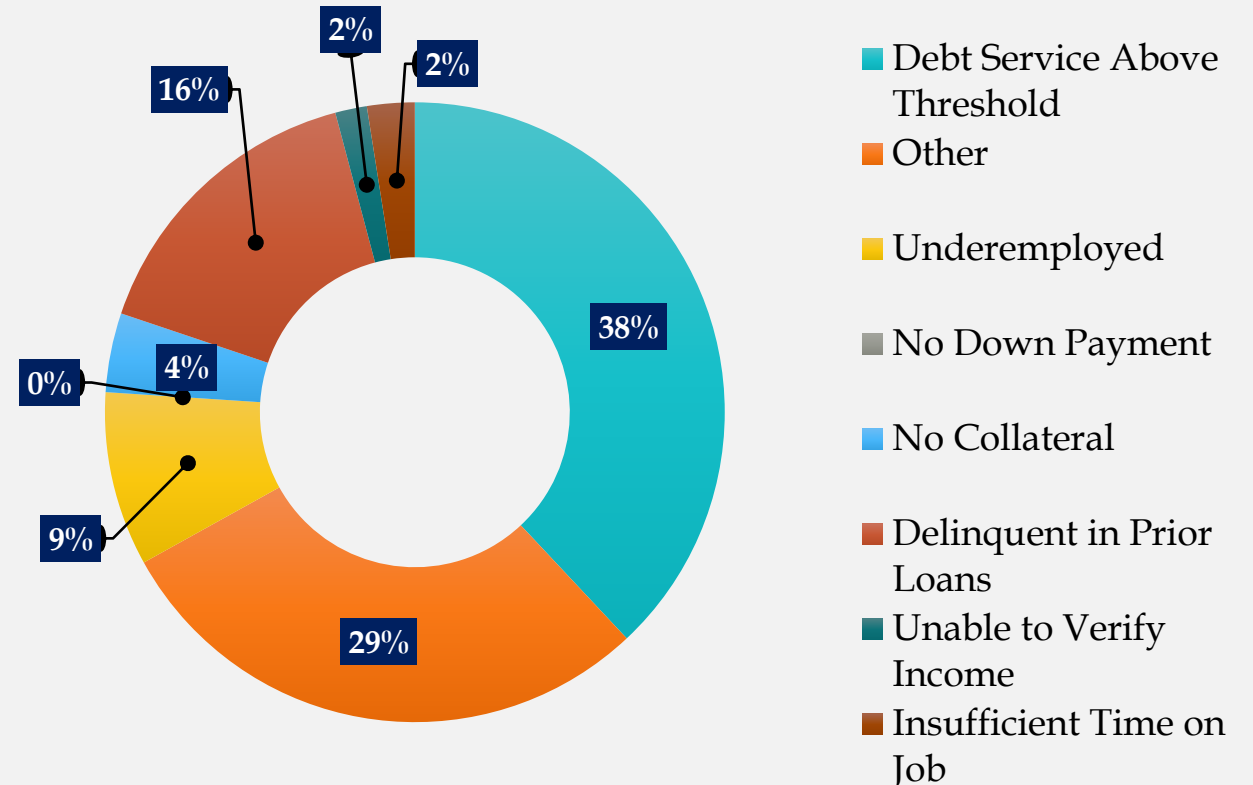
# Bank Lending Conditions (Mortgage Applications)

## Residential Mortgages Applications



Total applications denial rate: (10.0%)

## Reasons for Mortgage Loan Denials





# OUTLOOK

# Real Sector

- The domestic economy is expected to maintain its recovery momentum over the remainder of 2022, bolstered by notable gains in both stopover and cruise tourism; and healthy foreign investment activities.
- Sustaining the pace of the tourism rebound towards pre-pandemic levels remain dependent upon continued success in global health initiatives, improved vaccination rates across countries and continued relaxation of international travel restrictions.
- The unemployment rate, while declining, is anticipated to remain above pre-COVID-19 levels. Job gains are anticipated predominantly in the construction sector and in new and reengaged tourism sector employees.
- Heightened inflationary pressures are expected to persist, owing primarily to 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

- Though trending downwards, the fiscal deficit is anticipated to stay expanded over FY2022/2023; with financing needs remaining elevated.
- The estimated revenue shortfall is forecasted to narrow, as taxable economic activity expands further, in line with the rebound in the tourism sector.
- Budgetary financing is projected to rely 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 forecasted to remain elevated over the near-term, as banks sustain their conservative lending stance.

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



External reserves are estimated to remain at healthy levels in 2022, persisting well above international benchmarks, supported by expected foreign currency inflows from tourism, and other net private sector receipts.

Balances are expected to stay 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 lead to unexpected drawdowns in reserves.

## **GLOBAL**

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

## **INFLATION**

Geopolitical tensions, a decrease in oil production and food supply disruptions could hamper central bank intervention and cause a protracted global recession.

## **EMPLOYMENT**

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

## **FISCAL**

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

# The End

