

Quarterly Economic and Financial Developments Report

March 2024

*Featuring the latest Bank Lending Conditions Survey for the
Second Half of 2023*

Research Department



Domestic Economic Developments

Preliminary indications show the Bahamian economy's growth momentum was moderated during the first quarter of 2024, converging closer to its expected medium-term potential. Tourism registered strong growth, supported by robust gains in both the high value-added air segment and the dominant sea traffic, on account of the persistent demand for travel in key source markets.

Real Sector

- Tourist arrivals expanded to 1.9 million visitors during January-February 2024 vis-à-vis 1.7 million travelers in the corresponding 2023 period.
- Over the first quarter of 2024, Nassau airport departures rose by 11.1% to 444,495.
- Varied-scale FDI projects continued to support construction sector output.

Monetary Sector

- The buildup in bank liquidity accelerated during the first quarter, as the growth in the deposit base, contrasted with the reduction in domestic credit.
- Similarly, external reserves expanded by \$547.0 million in the quarter, well extending the \$98.2 million accumulation in the preceding year.

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 part of a resort. The sky is clear and bright.

TOURISM SECTOR

Visitor Arrivals

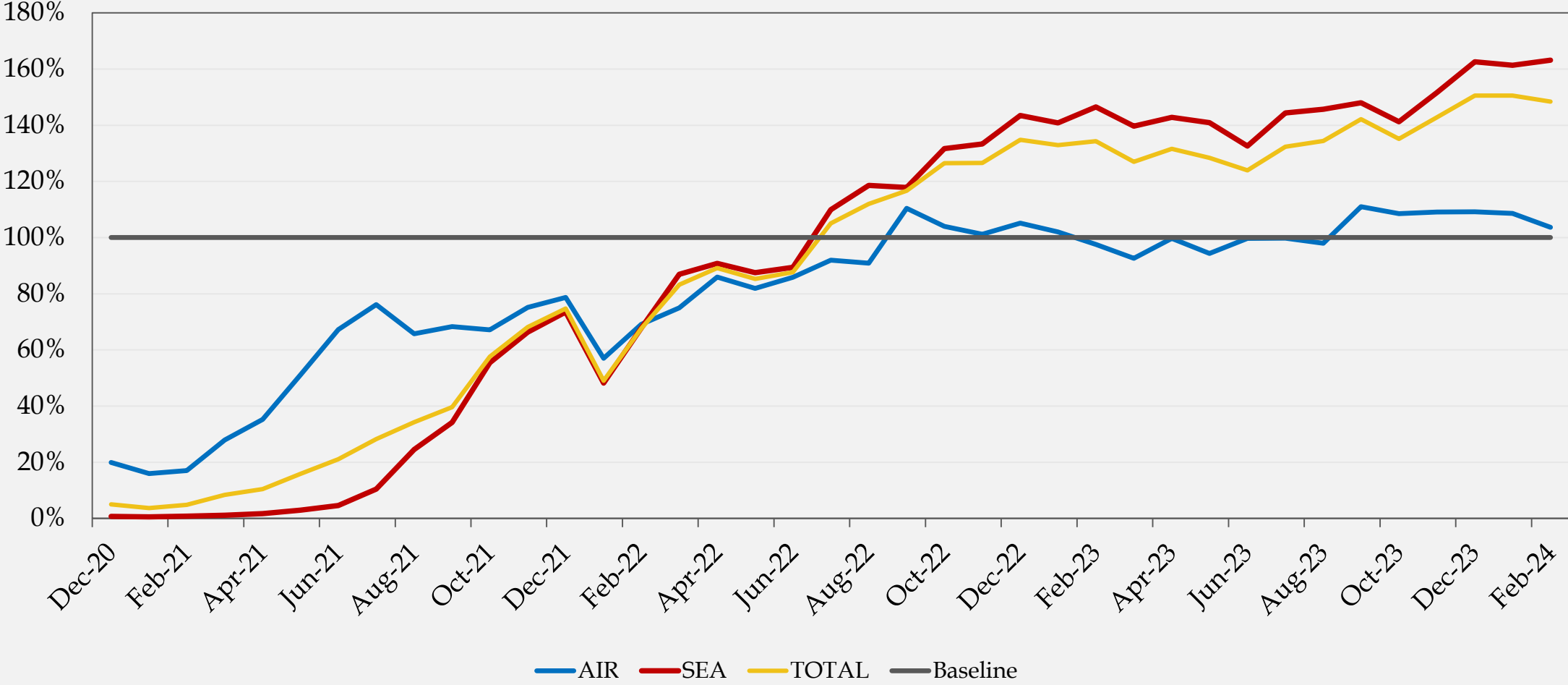
(January - February 2024)

Official data from the Ministry of Tourism indicated that total visitor arrivals increased by 11.7% to 1.9 million visitors during the first two months of 2024.

- Sea arrivals increased to 1.6 million visitors from 1.4 million in the previous year.
- Air arrivals (indicative of stopovers) held steady at 0.3 million.

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2023	2024	2023	2024	2023	2024
Arrivals						
Air	61.8	5.6	131.8	8.4	40.5	2.8
Sea	144.8	14.4	299.9	21.0	143.9	11.1
Total	114.4	12.0	270.1	19.6	131.9	10.5

Tourism Arrivals vs Pre-Pandemic Baseline (2018/19=100%)

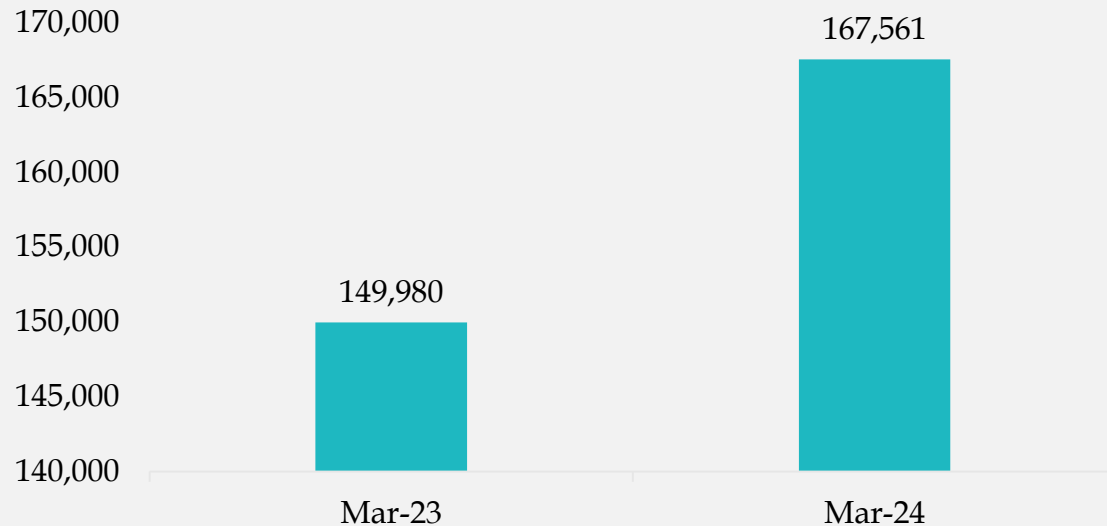


Nassau Airport Development (NAD) International Departures January – March 2024

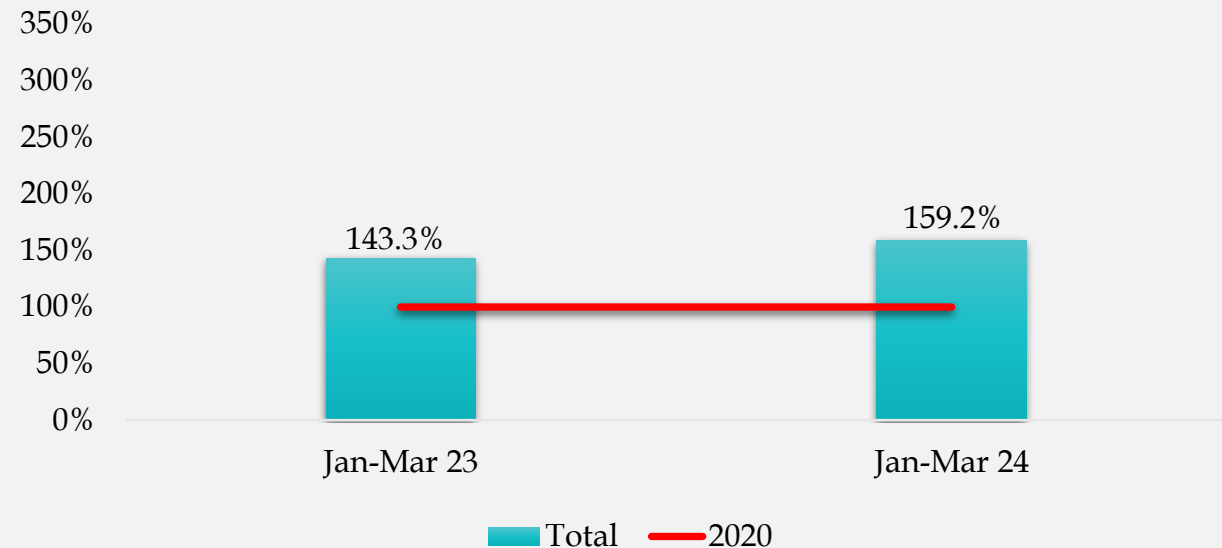
Monthly departures through Nassau Airport grew by 11.7% to 0.2 million during March 2024.

Data from NAD indicated that during the three months to March, departures increased by 11.1% to 0.4 million.

**International Departures
March 2023 vs March 2024**



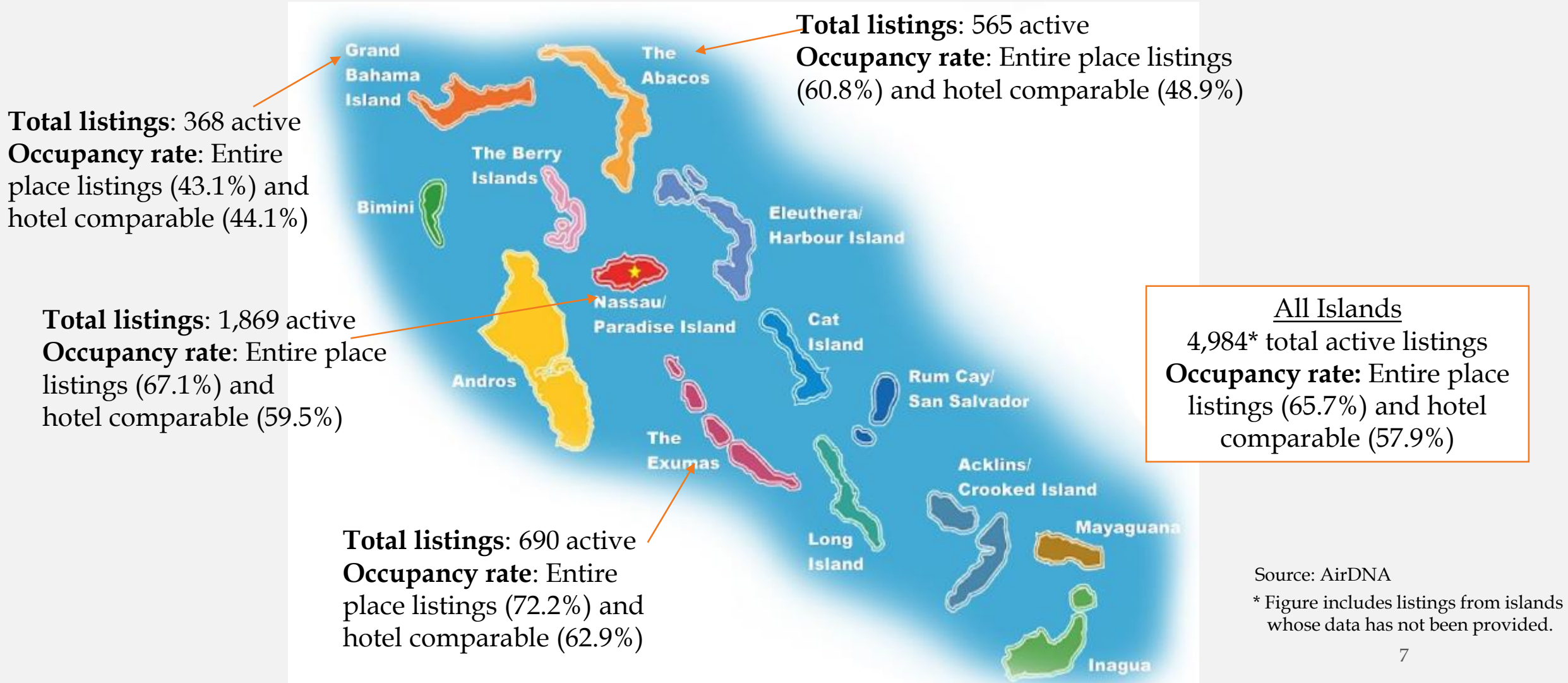
**January – March 2024 Departures
vs. 2020 Baseline (=100%)**



Source: Nassau Airport Development Company

*All figures are net of domestic departures.

Snapshot of Vacation Rentals (March 2024)



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

Vacation Rentals: Occupancy Rates

(January - March 2024 vs 2023)

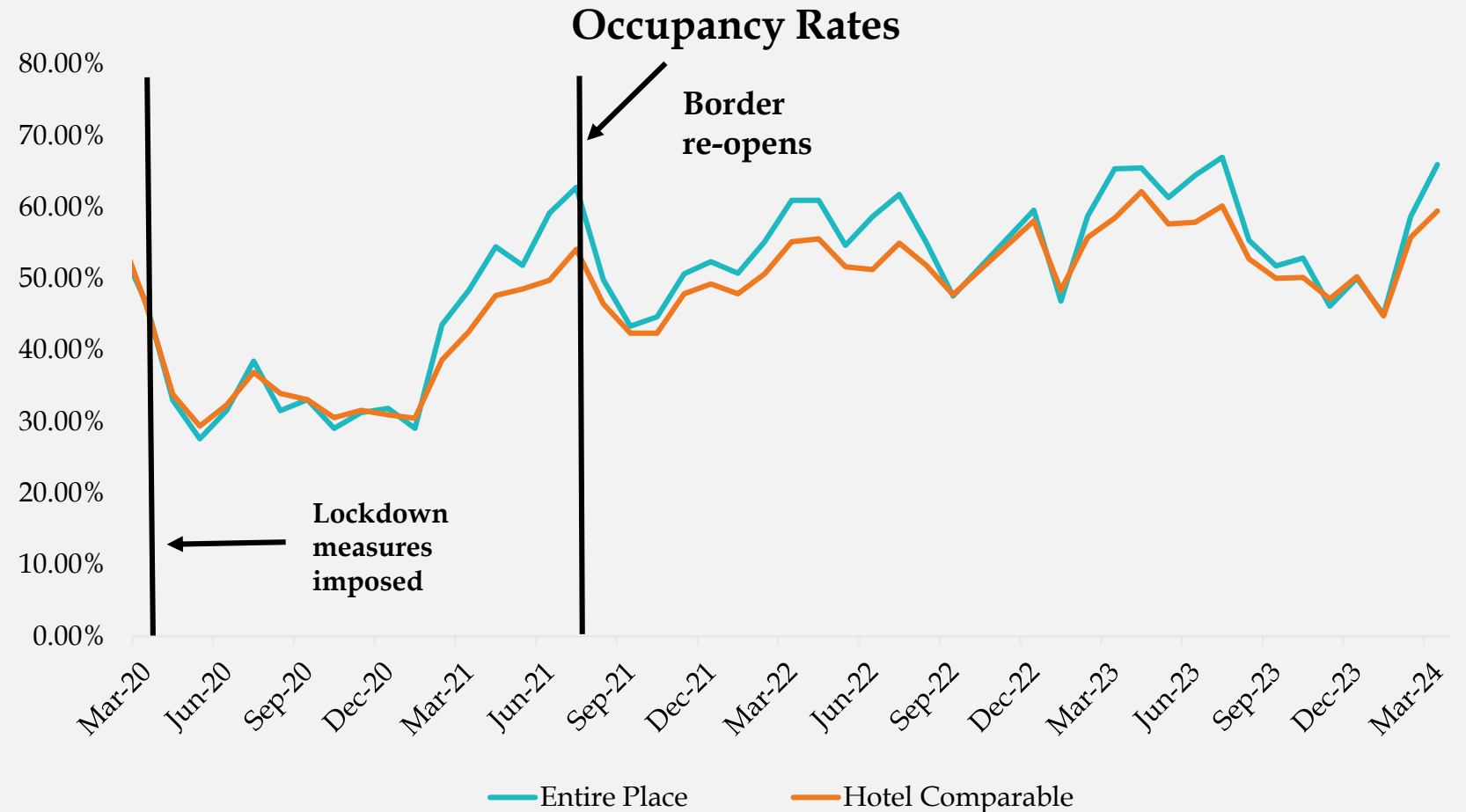
Vacation rental occupancy levels declined during the first quarter of 2024 when compared to the same period last year.

Entire Place Listings

- The average occupancy rate decreased to 56.5%, from 57.0% in 2023 period.

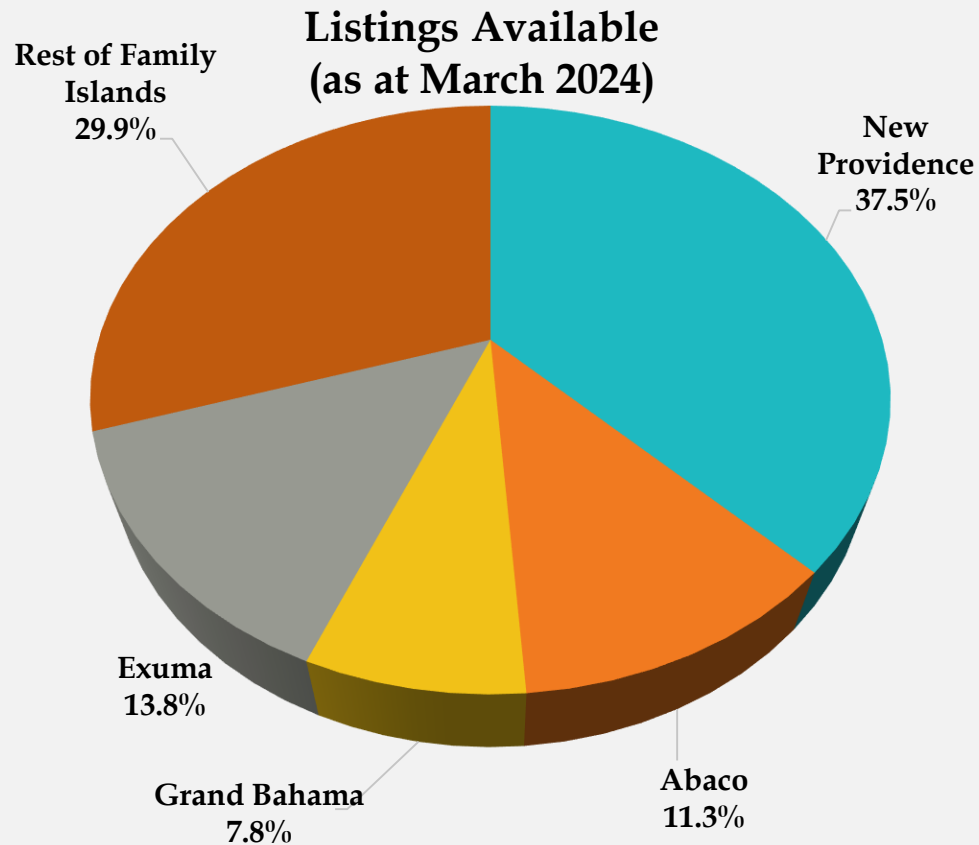
Hotel Comparable Listings

- The average occupancy rate fell to 53.4% from 54.2% in the prior year.



Vacation Rental: Market Share by Island (March 2024)

During the first quarter of 2024, vacation rental listings increased for New Providence, Grand Bahama and Abaco. Exuma and the remaining Family Islands, accounted for approximately 43.8% of available listings.



All Available Listings				
	Dec 2022	March 2023	Dec 2023	March 2024
Abaco	419	439	510	565
Grand Bahama	318	314	383	368
New Providence	1627	1544	1974	1869

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.

SELECTED FOREIGN INVESTMENT PROJECTS

Recent Approvals/Announcements

Selected New Foreign Investment Projects

Eleuthera

Governor's Harbour Resort & Marina Ltd. and French Leave Resort & Marina Limited-Sunset Beach

- Approval was granted for the revised master plan for the Governor's Harbour Resort & Marina Ltd. and French Leave Resort & Marina Limited: Sunset Beach that is estimated at \$20 million dollars and is expected to accommodate 85 Bahamian employees.

G.E.S Bahamas Ltd.

- Approval was granted for G.E.S Bahamas Limited. The project is estimated to cost \$12 million dollars and is expected to employ and accommodate eighty (80) Bahamian workers.

CMK Holdings Limited

- Approval was granted for CMK Holdings Limited. The project is estimated to cost \$22.4 million dollars and is expected to render five (5) work permits.

Abaco

SSKL Ltd.

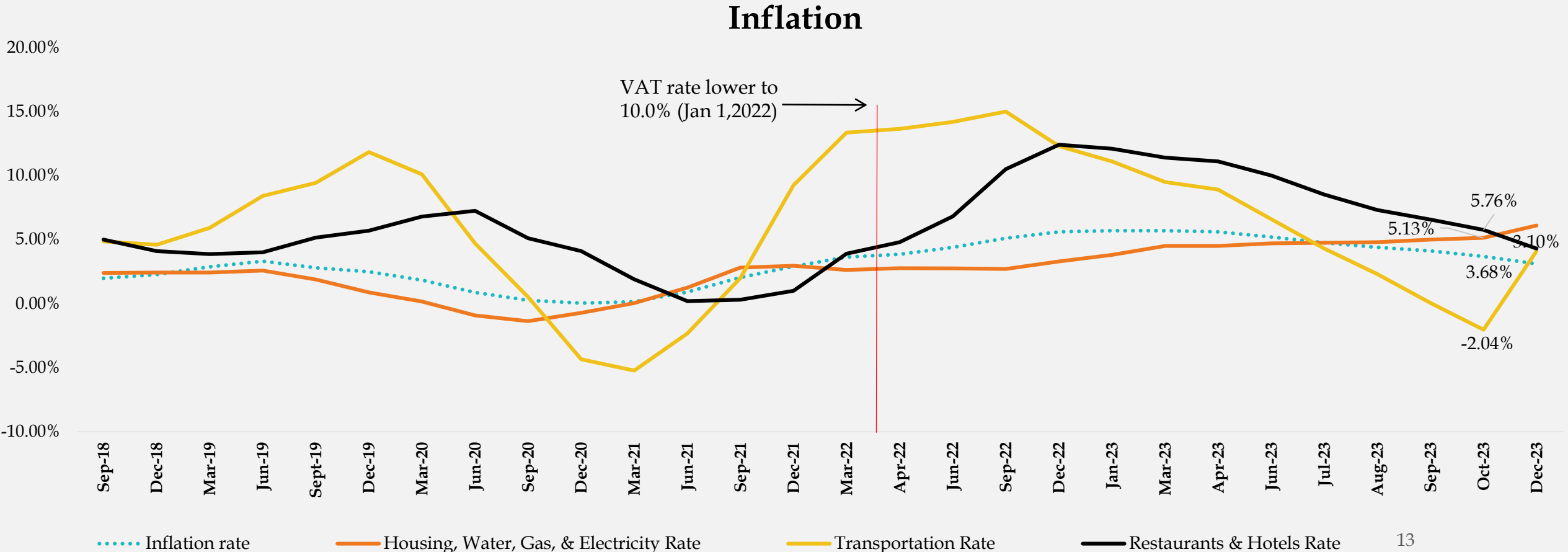
- Approved to begin Phase I of the development. The project is estimated to cost \$1.8 million dollars and is expected to employ 5 Bahamian workers.



INFLATION

Retail Price Index

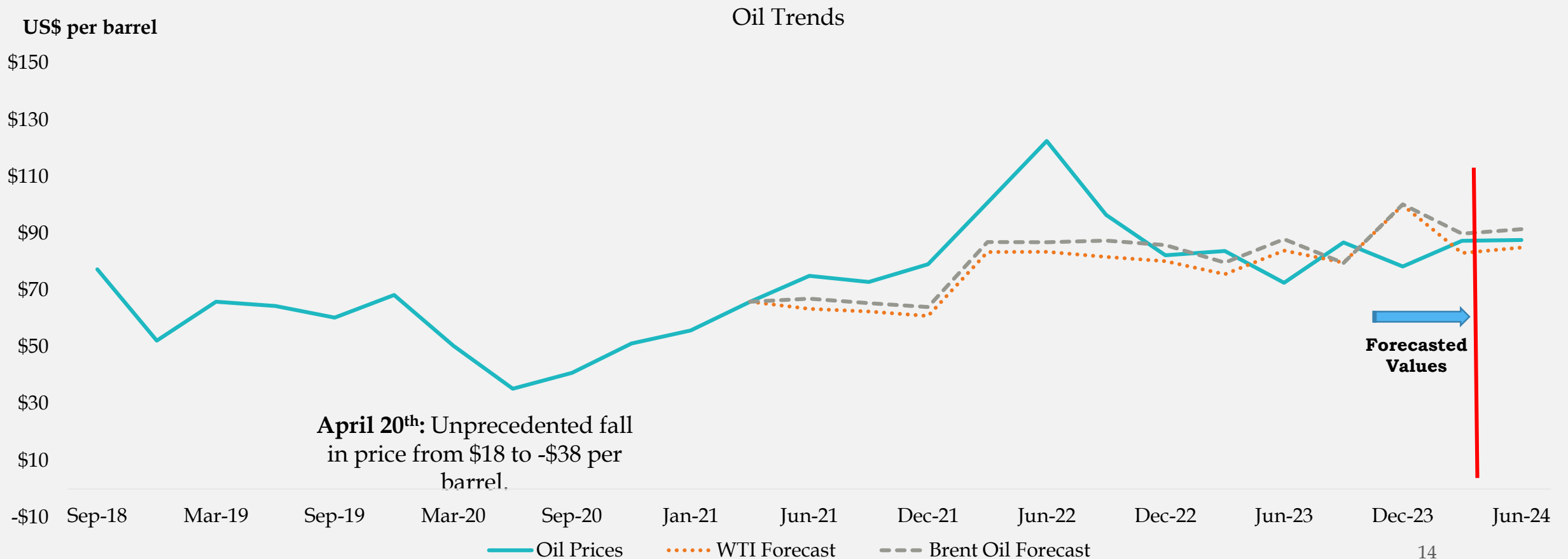
For 2023, inflation moderated to 3.1% from 5.6% in 2022. Transport and communication posted the largest reduction in prices.



Source: Bahamas National Statistical Institute and Central Bank of The Bahamas

Oil Price Trends

From January to March 2024, the cost of crude oil increased by 11.2% to \$87.48 per barrel. On the supply-side, OPEC's crude oil production rose by 7.0% in March to 26.6 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 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 a resort or a small village. The sky is clear and bright.

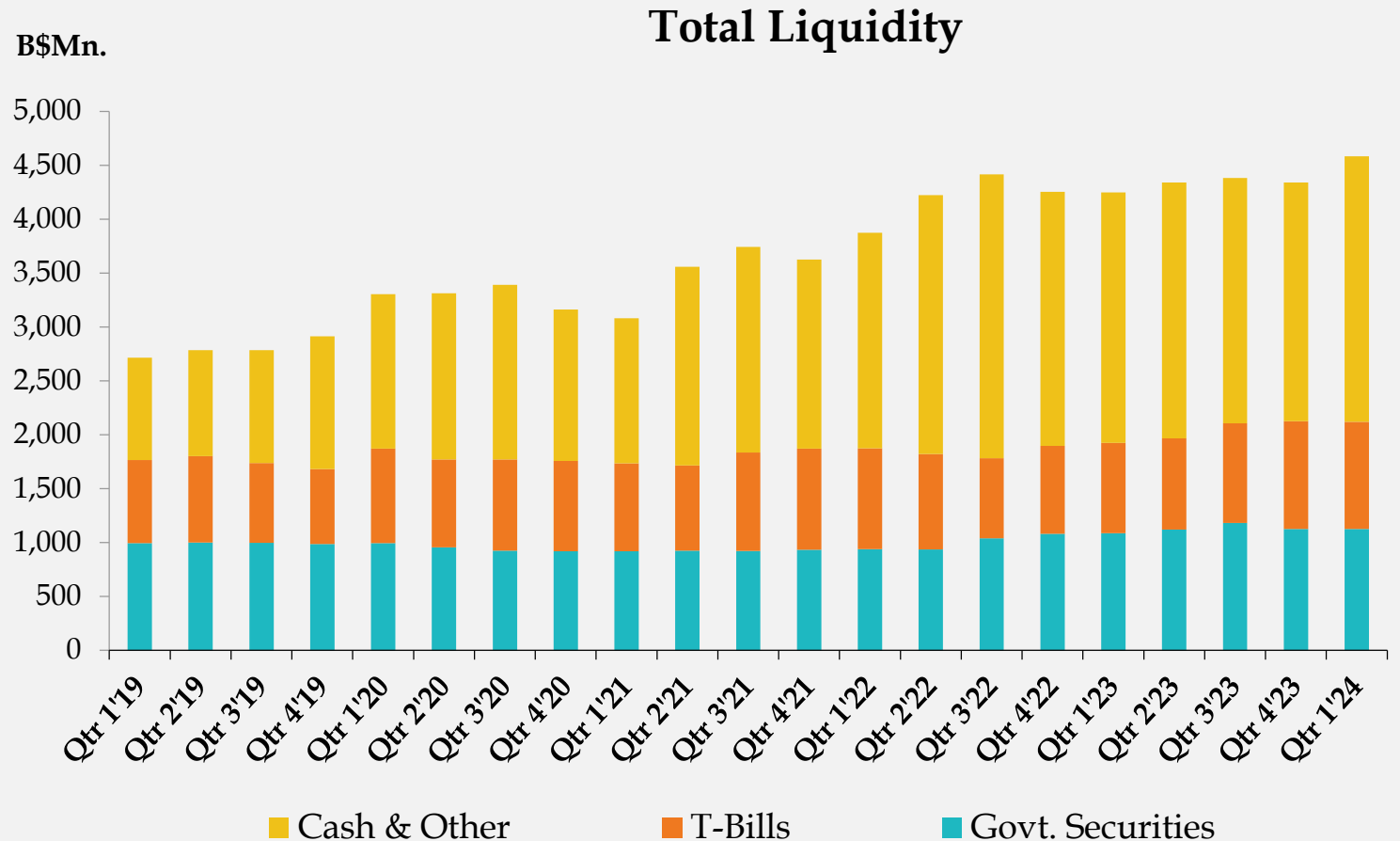
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-March 2024 vs. 2023

During the first quarter of 2024, the buildup in banking sector liquidity accelerated relative to the 2023 period, with the seasonal growth in the deposit base, contrasted with decreased domestic credit.

- Excess liquid assets rose by \$337.8 million, extending the \$96.4 million expansion in 2023.
- Further, excess reserves increased by \$305.9 million, surpassing the \$80.4 million accumulation in the comparable period last year.



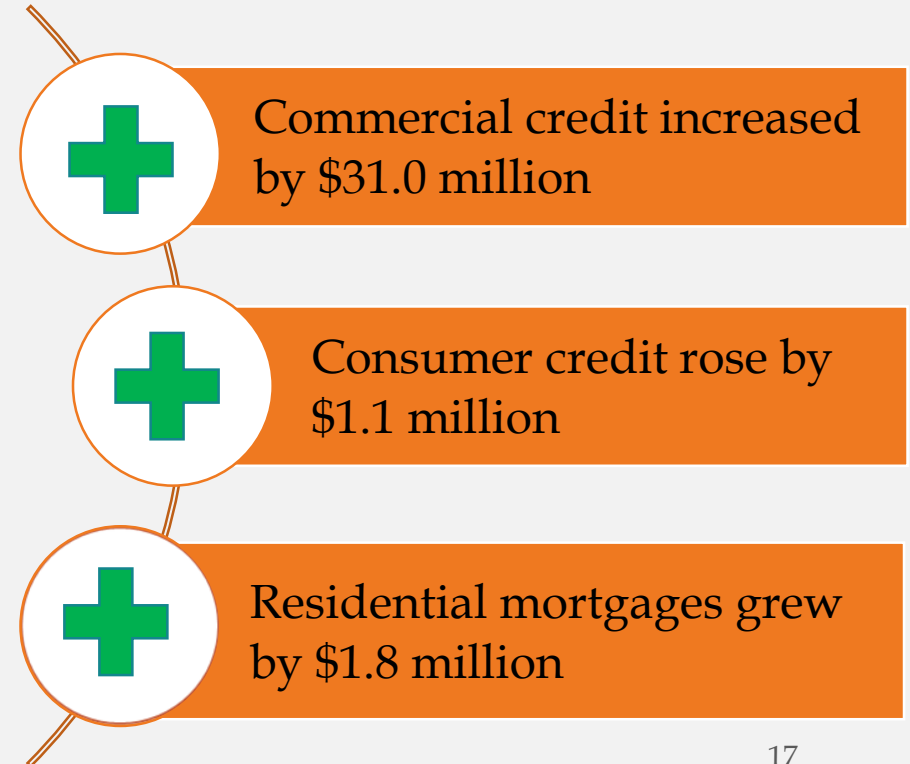
Lending Conditions

January - March 2024 vs. 2023

During the review quarter, total Bahamian dollar credit contraction eased to \$113.2 million, from the prior year's \$170.4 million reduction.

- Reduction in net claims on the Government moderated to \$135.8 million from \$161.8 million.
- However, the decline in credit to public corporations extended to \$11.2 million from \$1.8 million in 2023.

- Private sector credit grew by \$33.9 million, a turnaround from a \$6.9 million retrenchment in 2023.

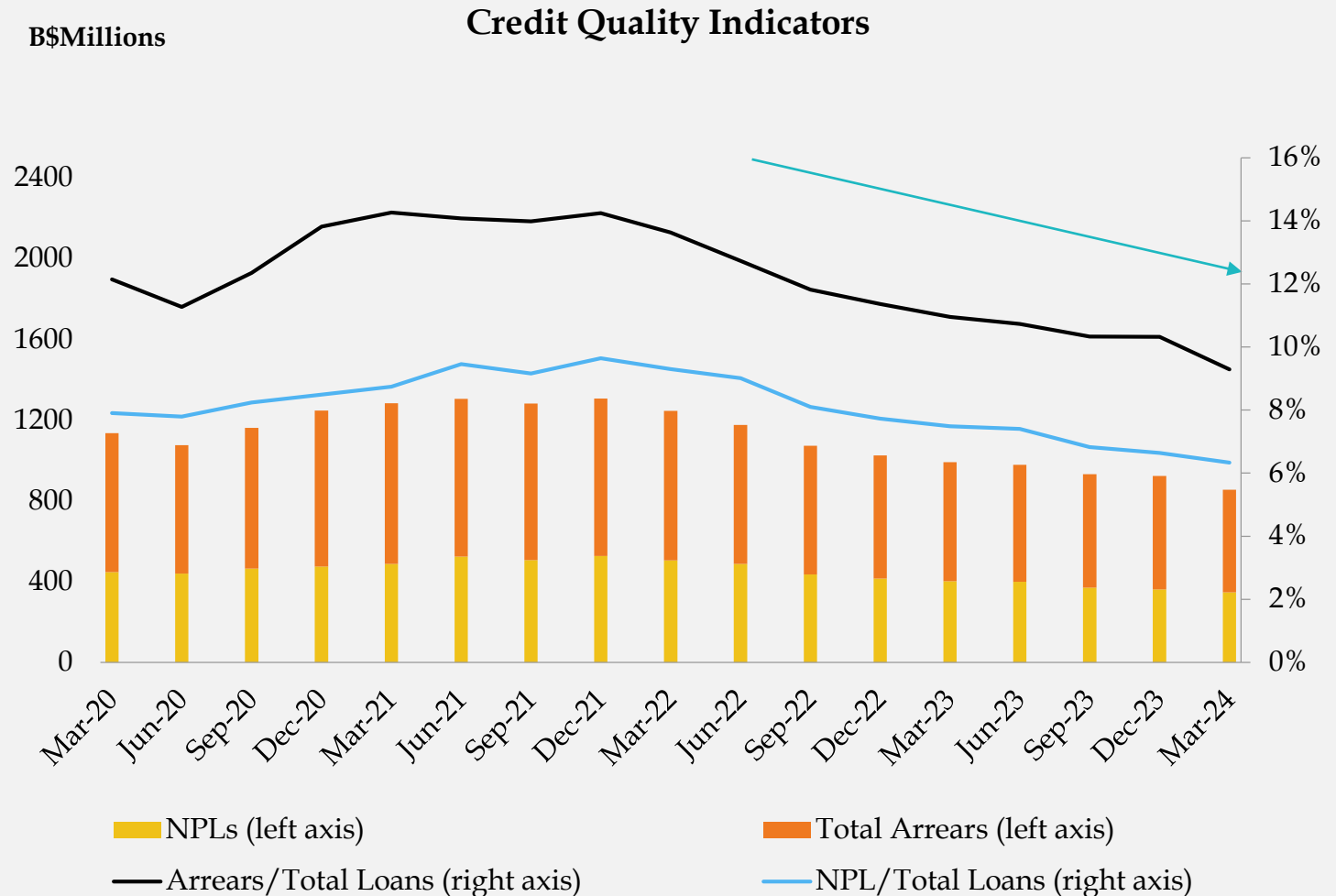


B\$ Credit Quality Indicators

January-March 2024 vs. 2023

- On a year-to-date basis, the average arrears rate for private sector loans decreased to 9.3% from 11.0% in 2023.
 - The short-term arrears rate was 3.0% (3.5% in March 2023).
 - The NPL rate was 6.3% (7.5% in March 2023).

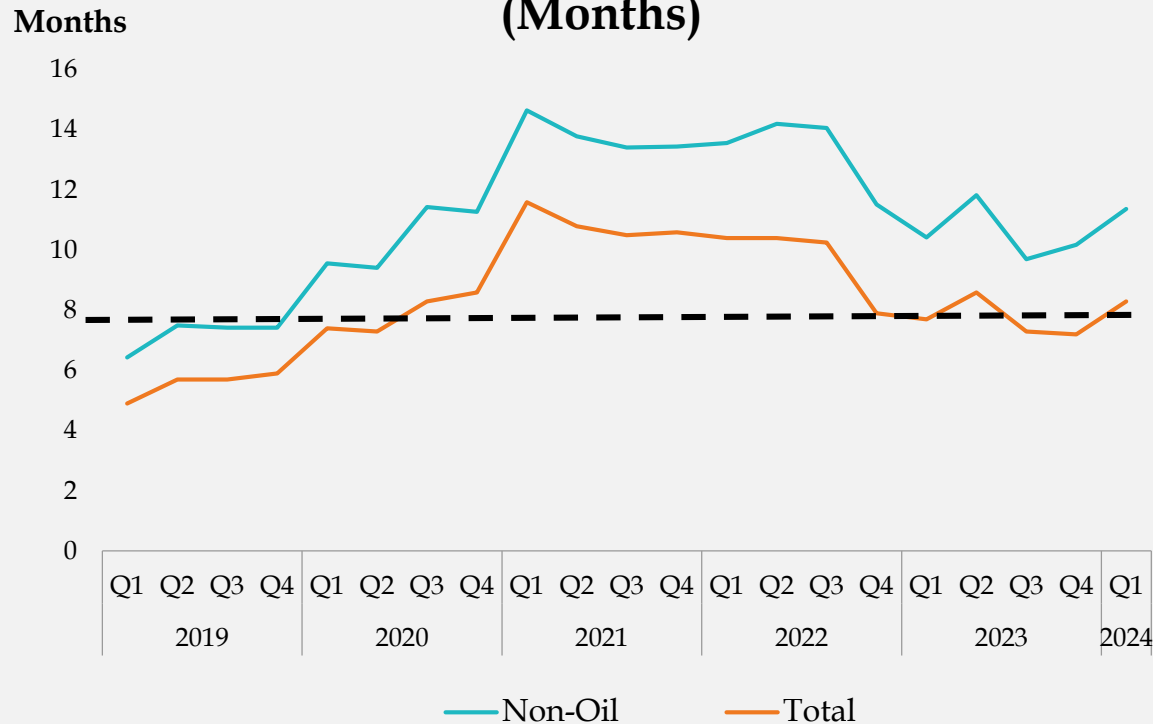
- Arrears rate by loan type:
 - Mortgages: 13.3% vs 14.6% in 2023.
 - Consumer: 6.8% vs 8.6% in 2023.
 - Commercial: 4.4% vs 6.1% in 2023.



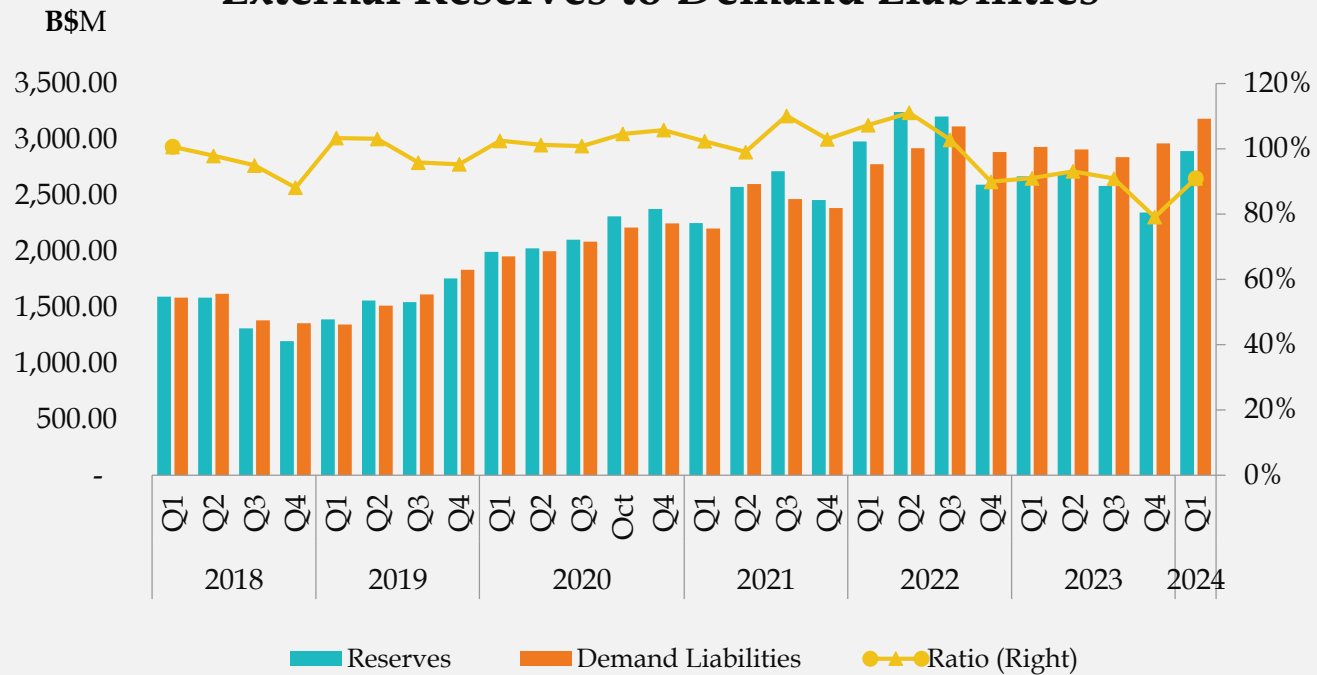
External Reserves

January-March 2024 vs. 2023

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

In the first quarter of 2024, external reserves growth widened to \$547.0 million from \$98.2 million in the preceding year. Net foreign currency inflows increased from the private sector, while net outflows through the public sector moderated. At end-March, external balances were \$2,898.2 million:

- Equivalent to 91.0% of the Central Bank's demand liabilities.
- Equivalent to 8.3 months of the current year's total merchandise imports.



**RESULTS FROM BANK LENDING
CONDITIONS SURVEY**

Bank Lending Conditions Overview (July – December 2023)

Bank lending conditions improved during the latter half of 2023, relative to the same period of 2022.

Total credit applications received and approved grew during the review period.

- **Total applications processed: 16,418.**
 - A 2.4% increase over the second half of 2022.
 - Requests from New Providence accounted for 84.2% of total applications.
- **Approval Rate: 82.6%.**
 - Reasons for personal credit denials include high debt service ratio (DSR), insufficient time on the job, underemployment, and various “other” miscellaneous factors.

Bank Lending Conditions Overview (July – December 2023)

Throughout the last-half of 2023, bank lending indicators improved, supported by an uptick in the quantity of credit applications, when compared to the latter half of 2022.

Consumer Applications

- Consumer applications rose by 3.6%, year-on-year and constituted 92.0% of all loans processed.
- Over the same period last year, the approval rate fell by 2.2 percentage points to 88.3%.

Mortgage Applications

- The contraction in mortgage requests moderated to 14.4%, compared to December 2022.
- However, the approval rate advanced by 14.9 percentage points, to 52.9%.

Commercial Applications

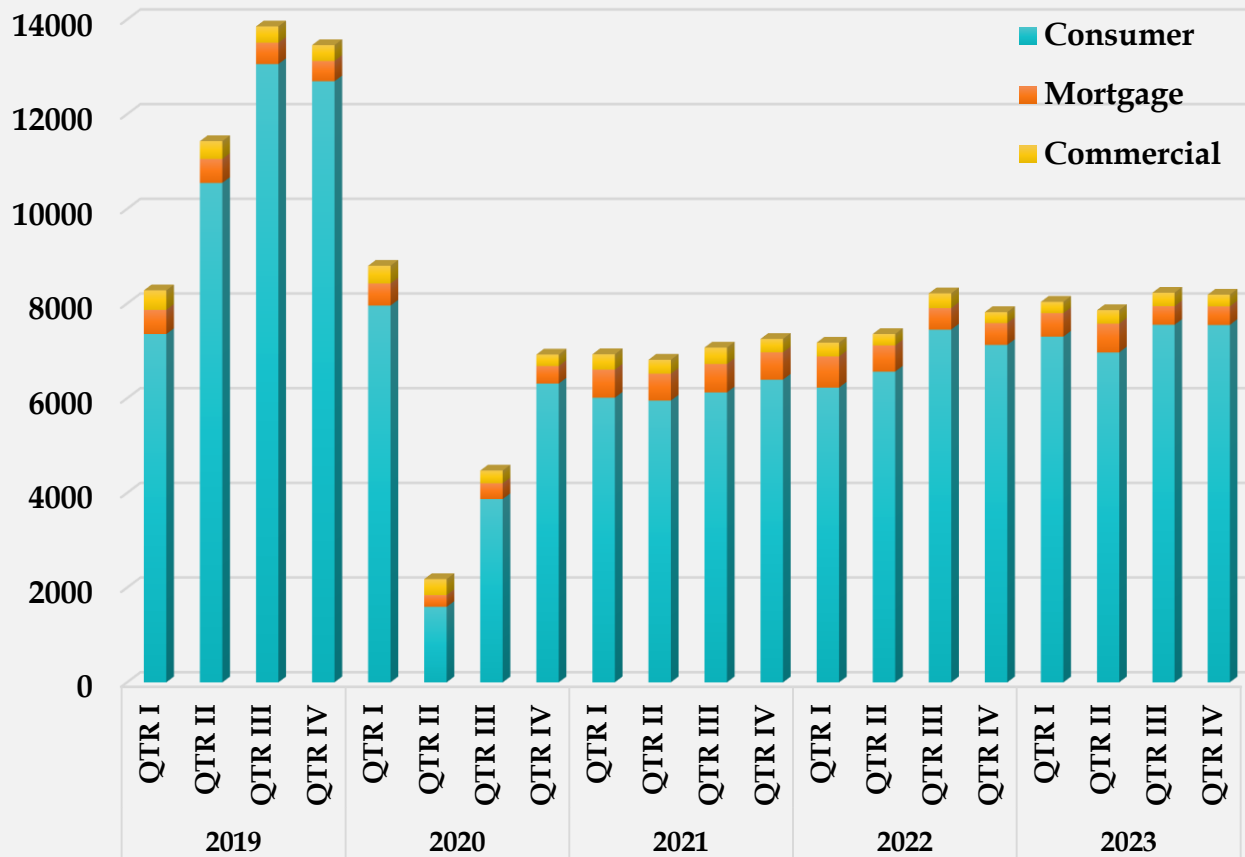
- Commercial applications declined by 1.9% year-on-year, on account of reduced demand in New Providence.
- In the same period, the approval rate fell by 2.2 percentage points, to 88.3%, relative to December 2022.

Loan Denials

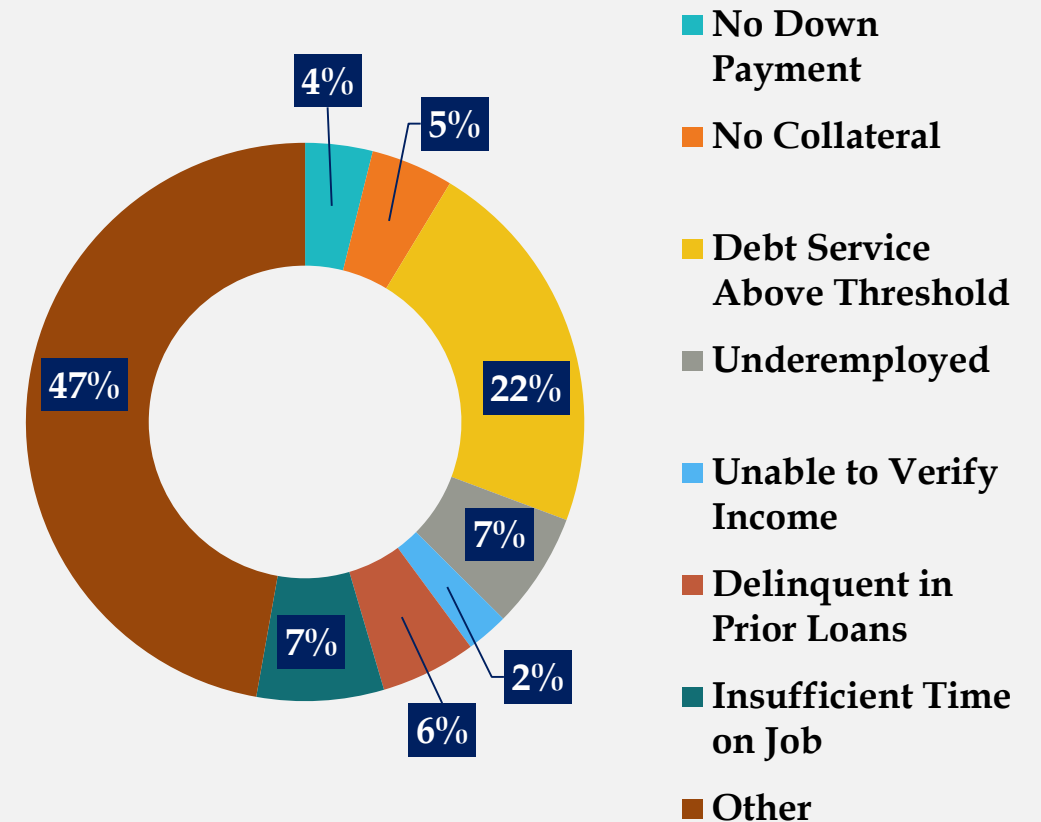
- Lenders cited “other” miscellaneous reasons (excessive risk, inconsistent income), high debt service ratio (DSR), insufficient time of the job, and underemployment, as top reasons for rejections in the review period.

Bank Lending Conditions Overview (July - December 2023)

Loan Applications Received by Loan Type

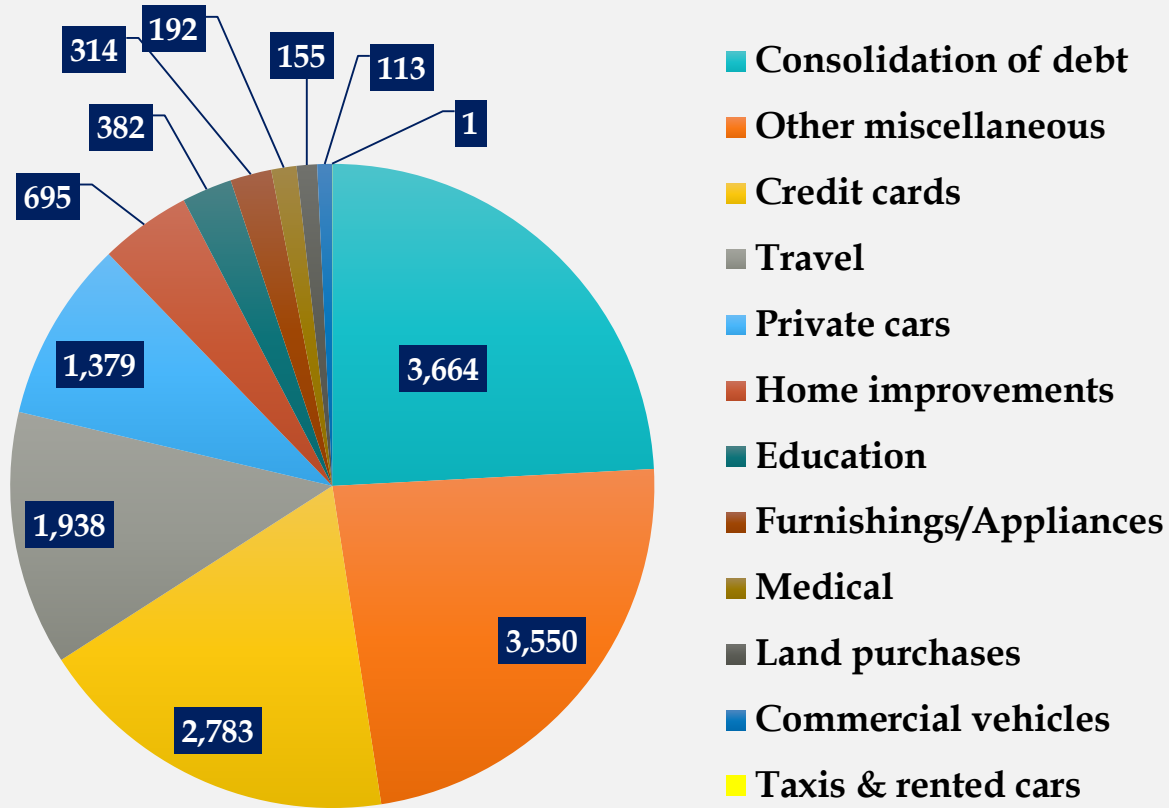


Loan Denial Reasons

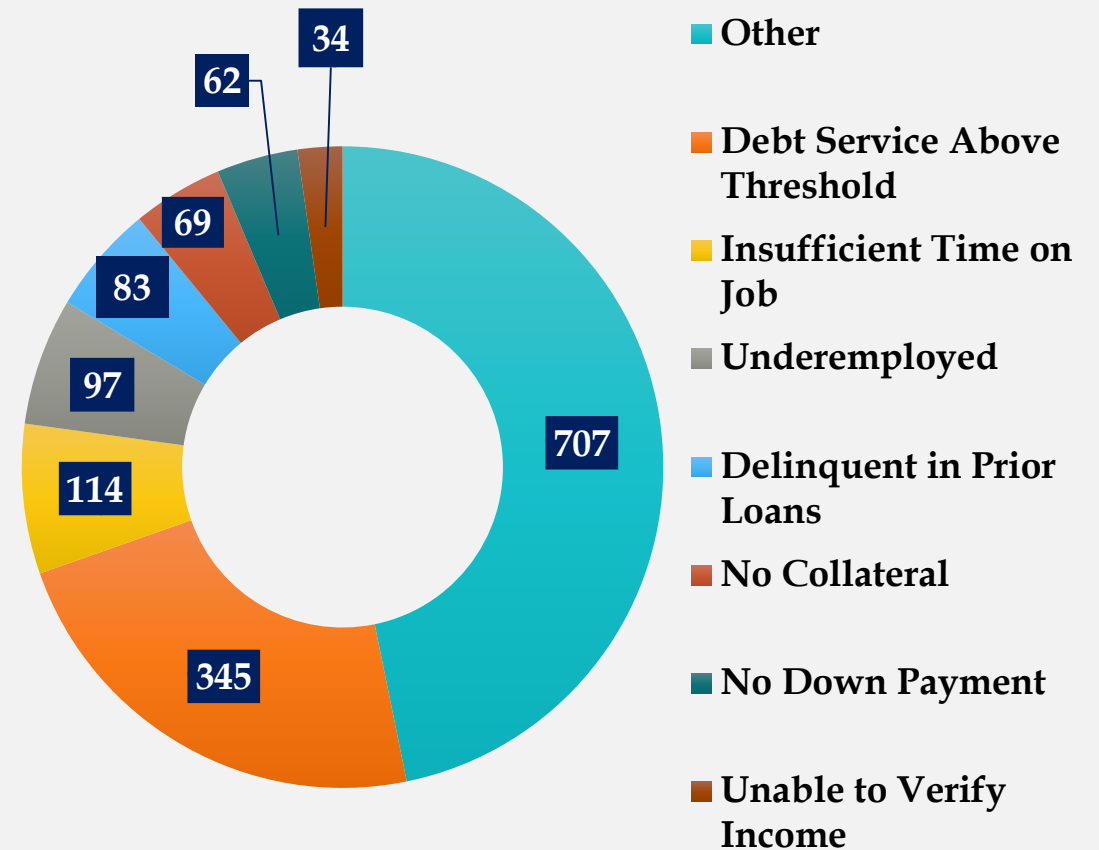


Bank Lending Conditions (Consumer Loan Applications)

Largest Categories of Consumer Loan Applications Received

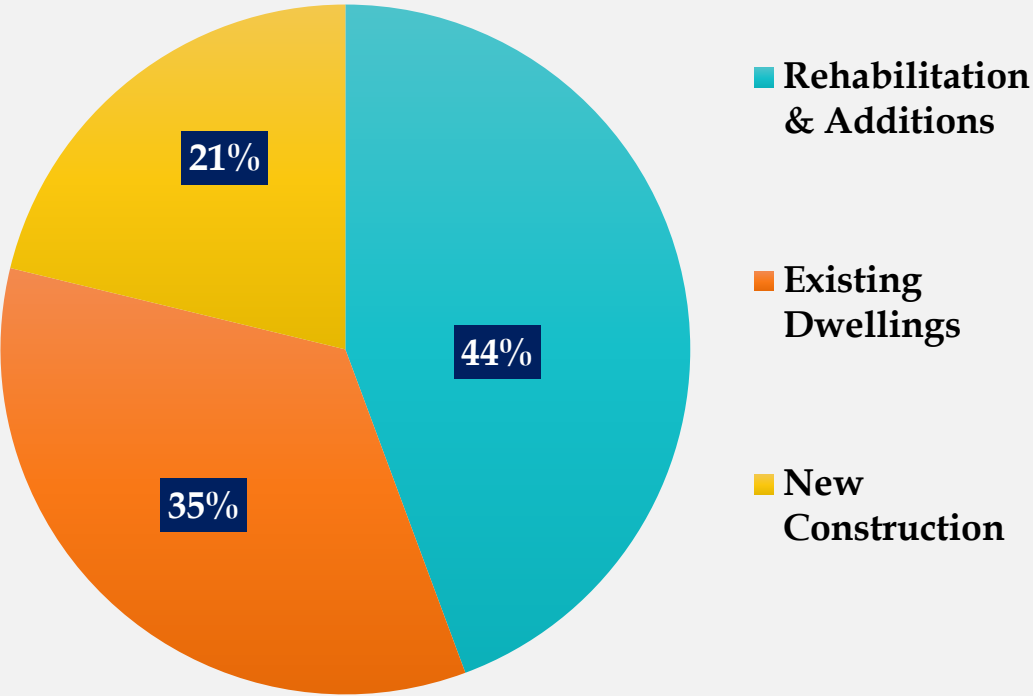


Reasons for Consumer Loan Denials

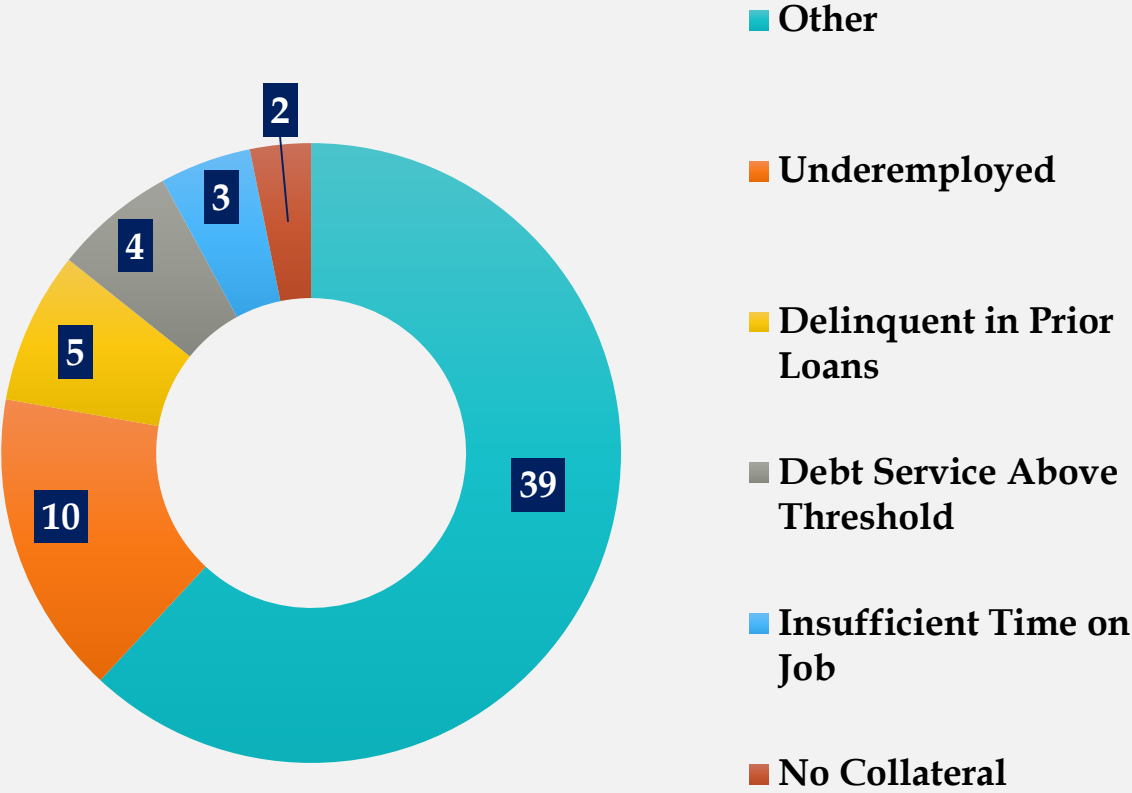


Bank Lending Conditions (Mortgage Applications)

Residential Mortgages Applications



Reasons for Mortgage Loan Denials



Source: Central Bank of The Bahamas



OUTLOOK

Real Sector

- The domestic economy's growth rate is expected to further moderate in 2024, as the economy converges closer to its medium-term potential – but bolstered by ongoing gains in the tourism industry and other areas of the real sector.
- Downside risks to tourism remain related to exogenous factors, such as inflation and heightened global oil prices, which could impede travel sector activity. Moreover, if major central banks resume counter-inflation policies, this could reduce the spending capacity of travelers from key source markets.
- The employment rate is expected to improve, with opportunities mainly concentrated in the construction and tourism sectors.
- Domestic inflation is anticipated to trend downwards, on account of a moderation in global oil prices.

Fiscal Sector

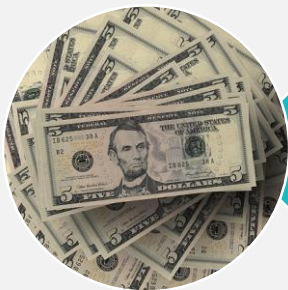
- The fiscal deficit is anticipated to continue its downward trend, as conditions remain favourable for consolidation.
- Gains in revenue are anticipated to be significantly linked to tourism-led improvements in taxable economic activities.
- Financing of the budgetary gap is expected to require a blend of domestic and external borrowing, with a higher proportion of 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 estimated to increase slightly for 2024, as the domestic economy continues to recover.



External reserves are expected to remain buoyant in 2024, with holdings well above international benchmarks, bolstered by robust trends in tourism and other private sector activities.

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

Risks to The Outlook

TOURISM

Any resumption in major central banks counter-inflation policies could negatively impact the travel spending capacity of key source market consumers.

EXTERNAL RESERVES

Outsized foreign currency demand for rebuilding activities and constrained tourism output could accelerate reserves depletion.

GLOBAL

Ongoing geopolitical tensions could slow the global outlook.

INFLATION

Geopolitical tensions, contractions in oil production and food supply disruptions could result in raised prices.

EMPLOYMENT

Insufficient or slowed pace of private investments, could impede job creation.

FISCAL

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

The End



CENTRAL BANK OF THE BAHAMAS
1974-2024