

Quarterly Economic and Financial Developments Report

June 2024

Research Department



CENTRAL BANK OF THE BAHAMAS
1974-2024



Domestic Economic Developments

Preliminary data indicates that the domestic economy sustained its growth momentum during the first six months of 2024, albeit at a slower pace, as economic indicators converged closer to their medium-term potential. Output from the tourism sector remained strong, cushioned by advancements in the high value-added air and sea segments, amid persistent demand for travel in key source markets.

Real Sector

- Tourist arrivals increased by 13.5% to 4.8 million visitors during January-May, 2024, as compared to the same period last year.
- Over the first six months of 2024, departures through Nassau Airport Development Limited grew by 7.1% to 885,817.

Monetary Sector

- During the first half of 2024, bank liquidity expanded, as the growth in deposits, contrasted with a public sector concentrated decline in domestic credit.
- Similarly, external reserves increased by \$580.8 million during the six-month period, exceeding the \$102.9 million buildup in the prior 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 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

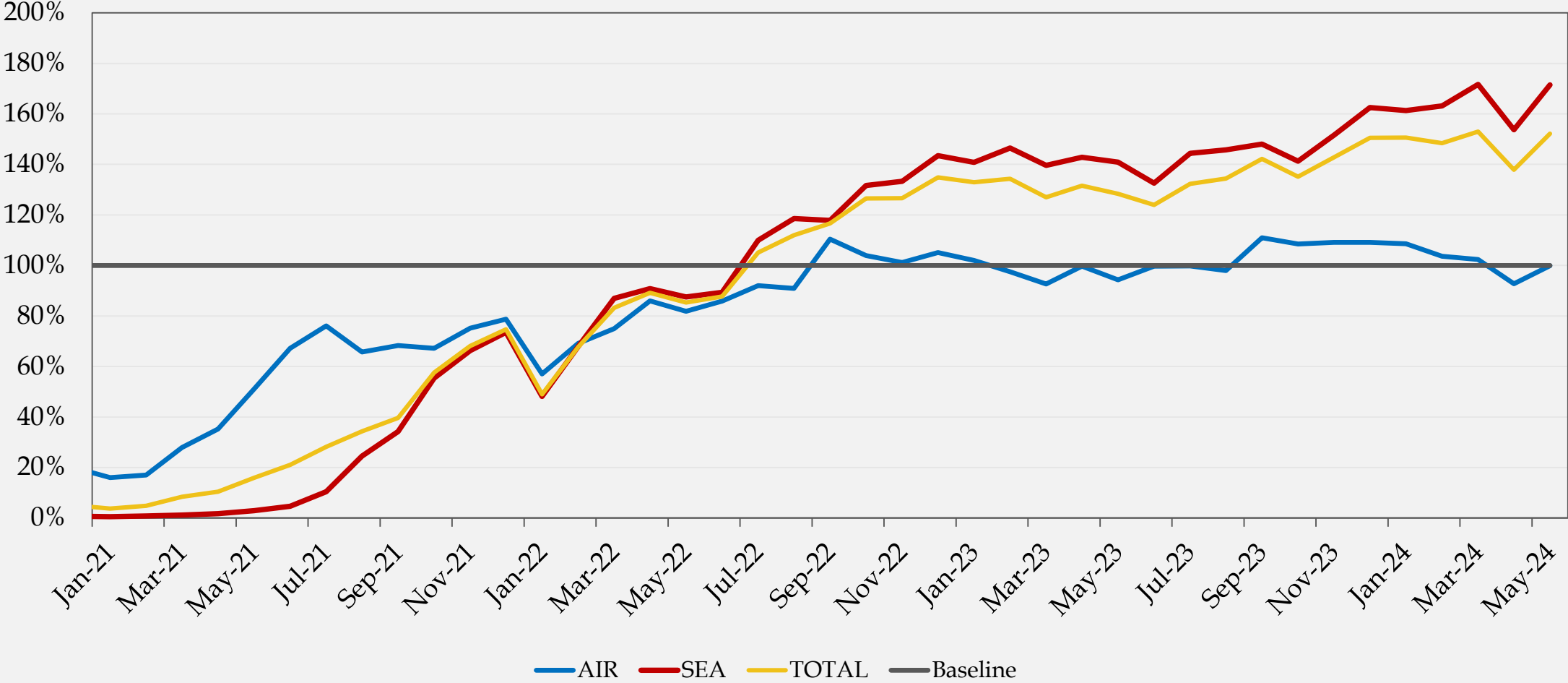
(January - May 2024)

Official data from the Ministry of Tourism revealed that total visitor arrivals expanded to 4.8 million visitors during the first five months of the year, vis-à-vis 4.2 million in the corresponding period of 2023. Underlying this development:

- Air arrivals grew by 3.9% to 0.8 million visitors, compared to the same period last year.
- Sea arrivals advanced by 15.7% to 3.9 million visitors, relative to the comparative period a year.

| | New Providence (% Change) | | Grand Bahama (% Change) | | Family Islands (% Change) | |
|-----------------|------------------------------|------|----------------------------|------|------------------------------|------|
| | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 |
| Arrivals | | | | | | |
| Air | 30.1 | 3.8 | 62.7 | 8.2 | 27.2 | 3.8 |
| Sea | 85.2 | 23.1 | 131.0 | 7.3 | 83.7 | 11.2 |
| Total | 64.0 | 17.2 | 121.2 | 7.4 | 77.3 | 10.6 |

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

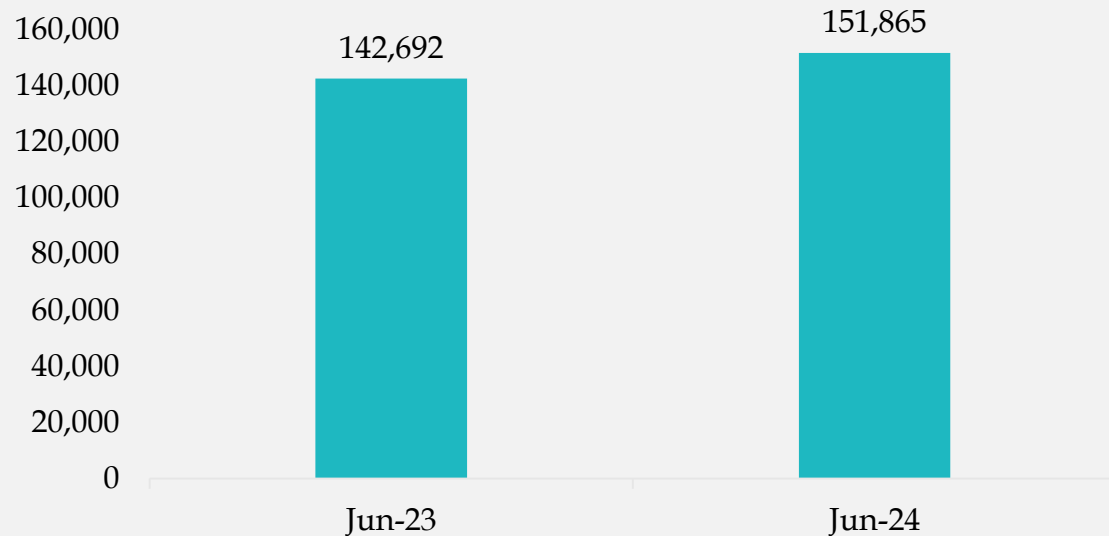


Nassau Airport Development (NAD) International Departures January – June 2024

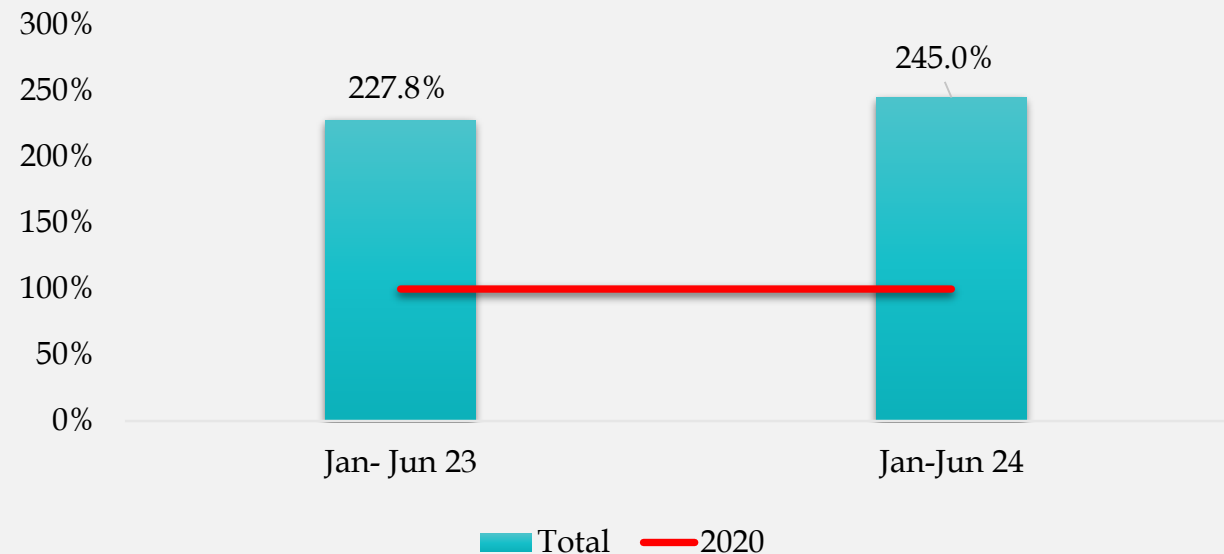
Total departures through the Nassau Airport strengthened by 6.4% to 0.15 million passengers in the review month.

On a year-to-date basis, total departures increased by 7.1% to 0.9 million, as compared to same period in the preceding year.

**International Departures
June 2023 vs June 2024**



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

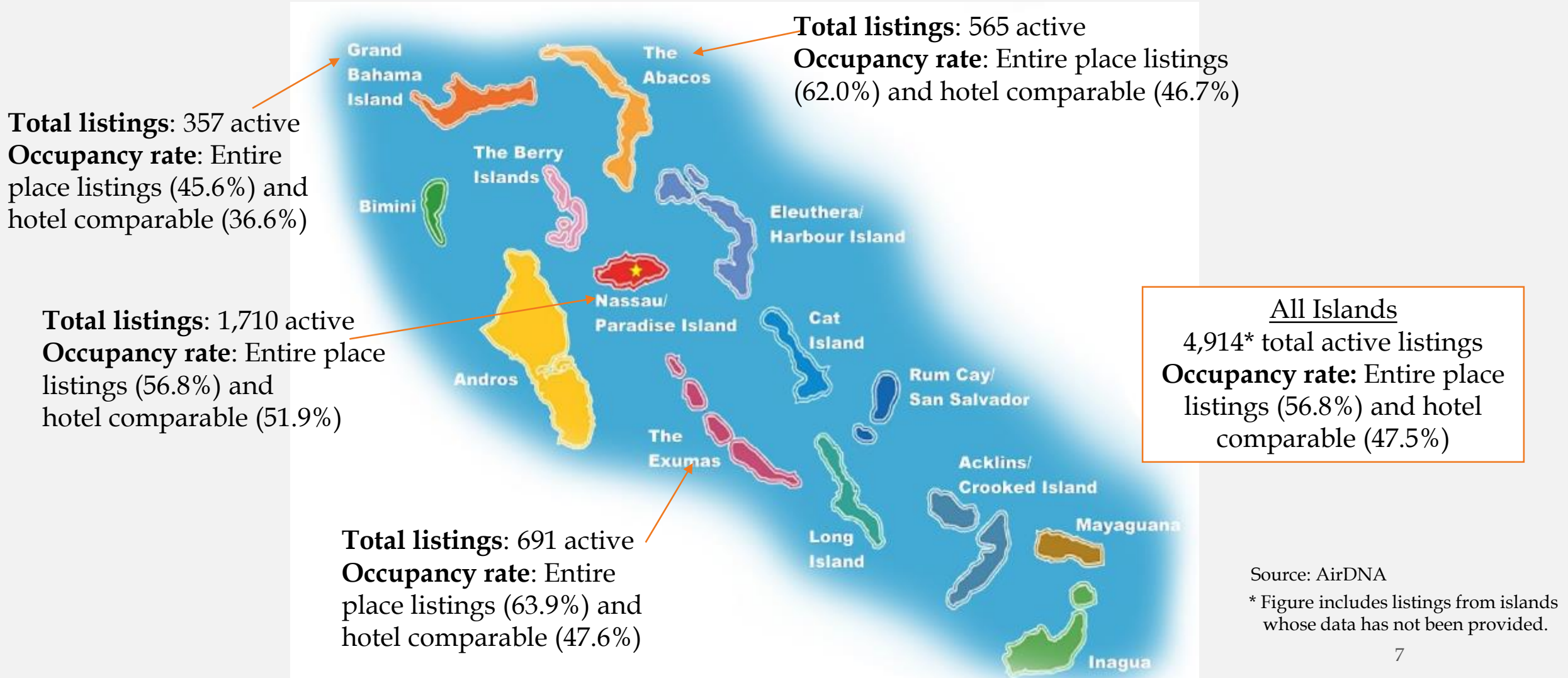


Source: Nassau Airport Development Company

*All figures are net of domestic departures.

Airbnb: Snapshot of Vacation Rentals

(as at June 2024)



Vacation Rentals: Occupancy Rates

(January - June 2024 vs 2023)

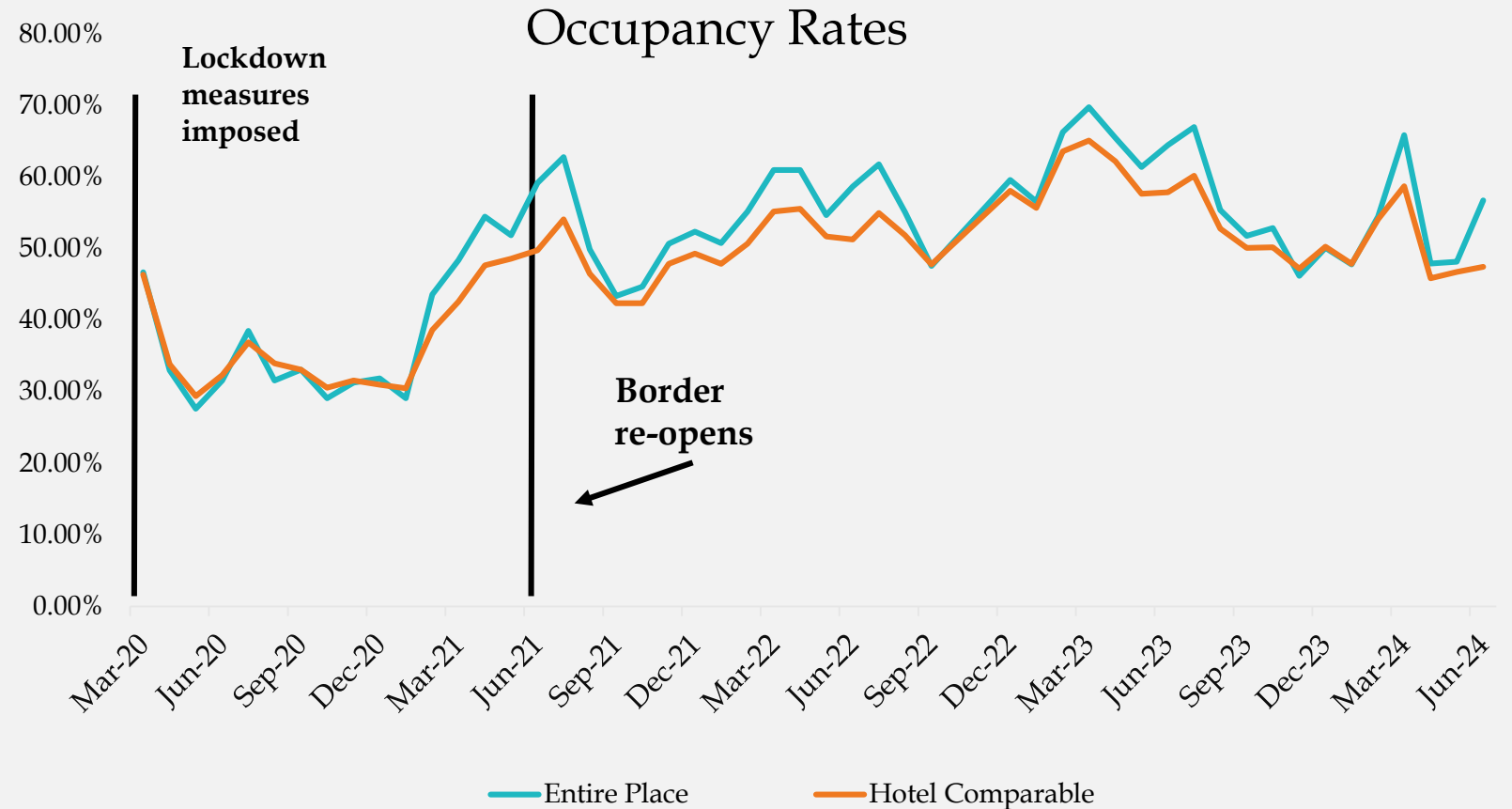
While average occupancy levels for vacation rentals decreased during the first half of the year, total sales firmed, given more inventory.

Entire Place Listings

- The average occupancy rate lowered to 56.8%, from 59.2% in the previous year.

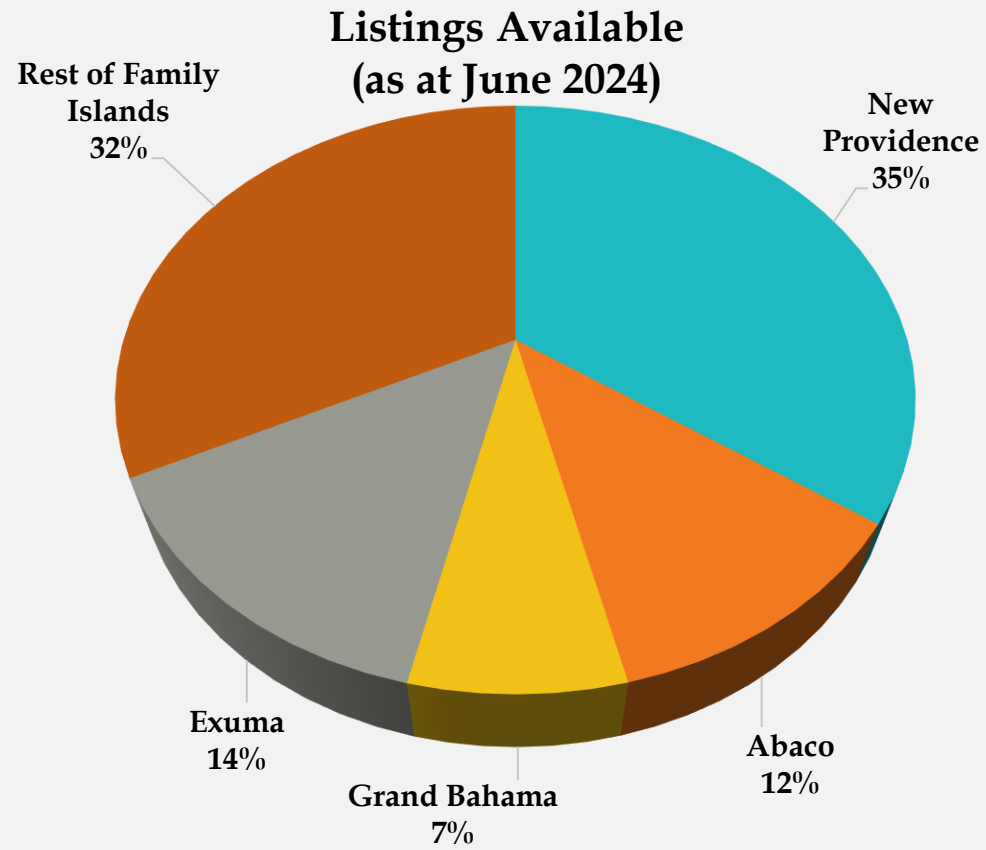
Hotel Comparable Listings

- The average occupancy rate narrowed to 47.5%, from 48.5% last year.



Vacation Rental: Market Share by Island (June 2024)

Seasonal comparisons of vacation rental listings against June 2023 were all strengthened. However, against December 2023, listings only rose for Grand Bahama, remained the same in Abaco, and decreased in New Providence. Exuma and the remaining Family Islands accounted for approximately half of the total listings.



Listings for Grand Bahama, Abaco and New Providence increased by 23.1%, 20.0% and 15.3%, respectively, in June, relative to the same period last year.

| All Available Listings | | | | |
|------------------------|----------|-----------|----------|-----------|
| | Dec 2022 | June 2023 | Dec 2023 | June 2024 |
| Abaco | 385 | 471 | 476 | 565 |
| Grand Bahama | 287 | 290 | 336 | 357 |
| New Providence | 1,541 | 1,483 | 1,883 | 1,710 |

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

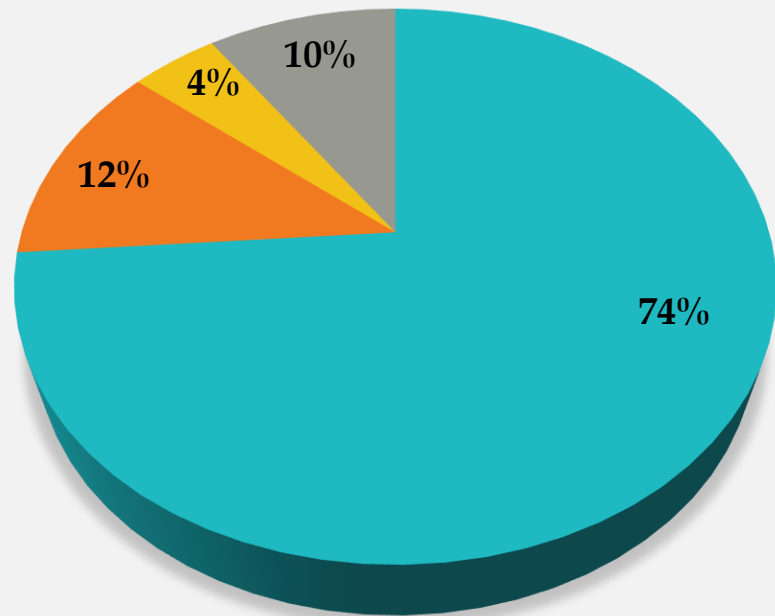
| New Providence | Abaco | Exuma |
|--|--|--|
| <p><u>Pleasure Play Limited</u></p> <ul style="list-style-type: none"> Pleasure Play Limited will complete a \$300.0 million project on the island, estimated to add over 500 jobs to the local economy. <p><u>East Coast Aviation Bahamas</u></p> <ul style="list-style-type: none"> East Coast Aviation Bahamas plans to launch an infrastructural development project in the capital, valued at \$89.0 million. | <p><u>Green Point Holdings LLC</u></p> <ul style="list-style-type: none"> Green Point Holdings LLC will build a \$177.0 million development on the island. The project is expected to generate a total of 400 jobs (350 Bahamian; 50 Non-Bahamian). | <p><u>The Bonefish Lodge and Land Company</u></p> <ul style="list-style-type: none"> The Bonefish Lodge and Land Company plan to invest \$7.4 million into the development of their project, creating 60 new jobs for Exuma residents. |



EMPLOYMENT

Labor Market Share (December 2023)

Labour Market Shares as at December
2023

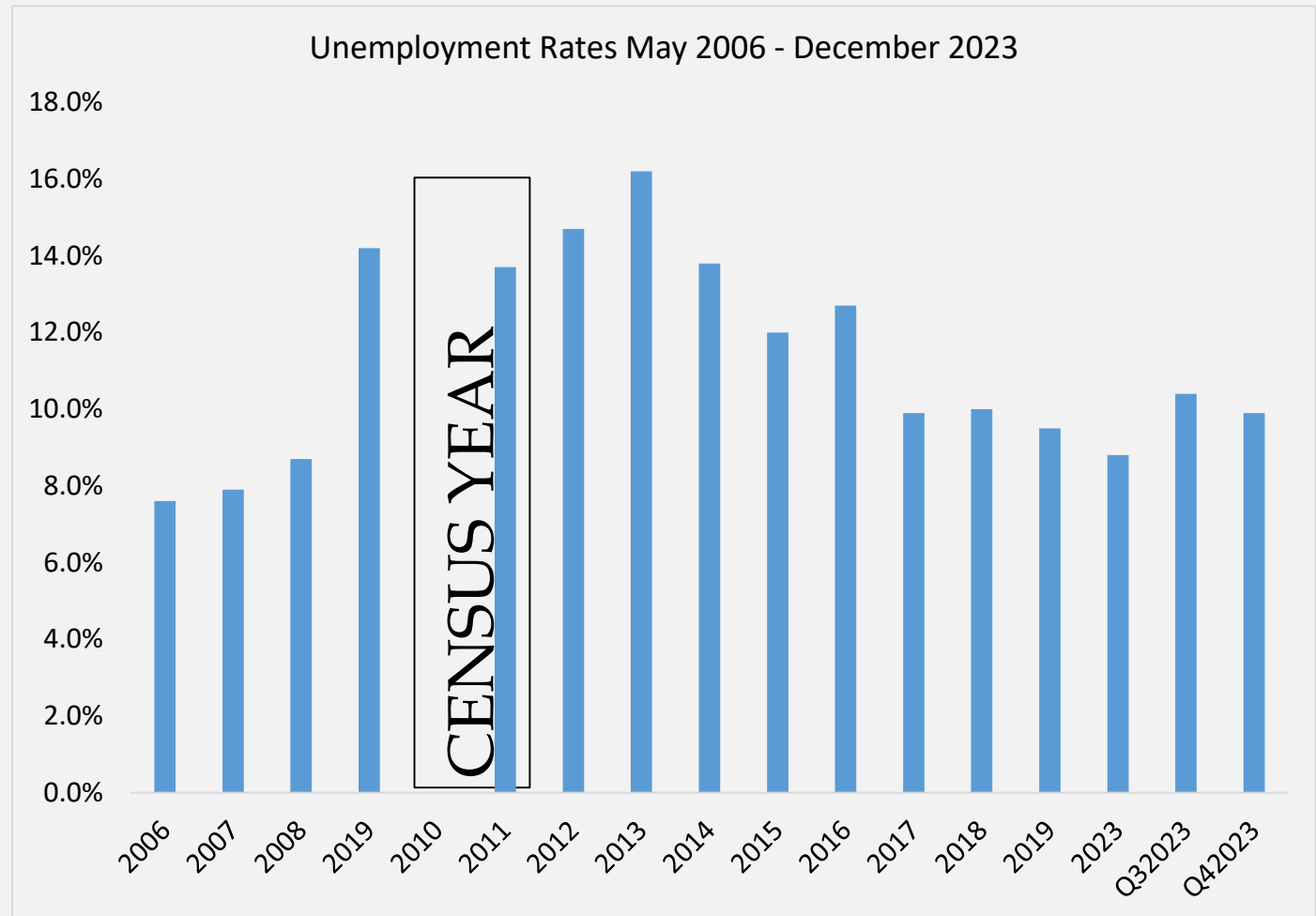


■ New Providence ■ Grand Bahama ■ Abaco ■ Family Islands

- A breakdown by island showed that approximately 74.0% of the surveyed labor force was in New Providence.
- Grand Bahama and Abaco accounted for a combined 16.0% of the total labor force surveyed.
- The remainder represented other Family Islands.

Unemployment Rates

- The unemployment rate fell to 9.9% during the fourth quarter of 2023, from 10.4% in the previous quarter.
- The number of employed persons firmed to 214,170, from 212,285 in the prior quarter.
 - The private sector employed the largest percentage of the workforce (63.0%), followed by the government sector (16.0%).
- The number of self-employed persons reduced to 32,775 in the fourth quarter of 2023, from 33,130 in the third quarter.

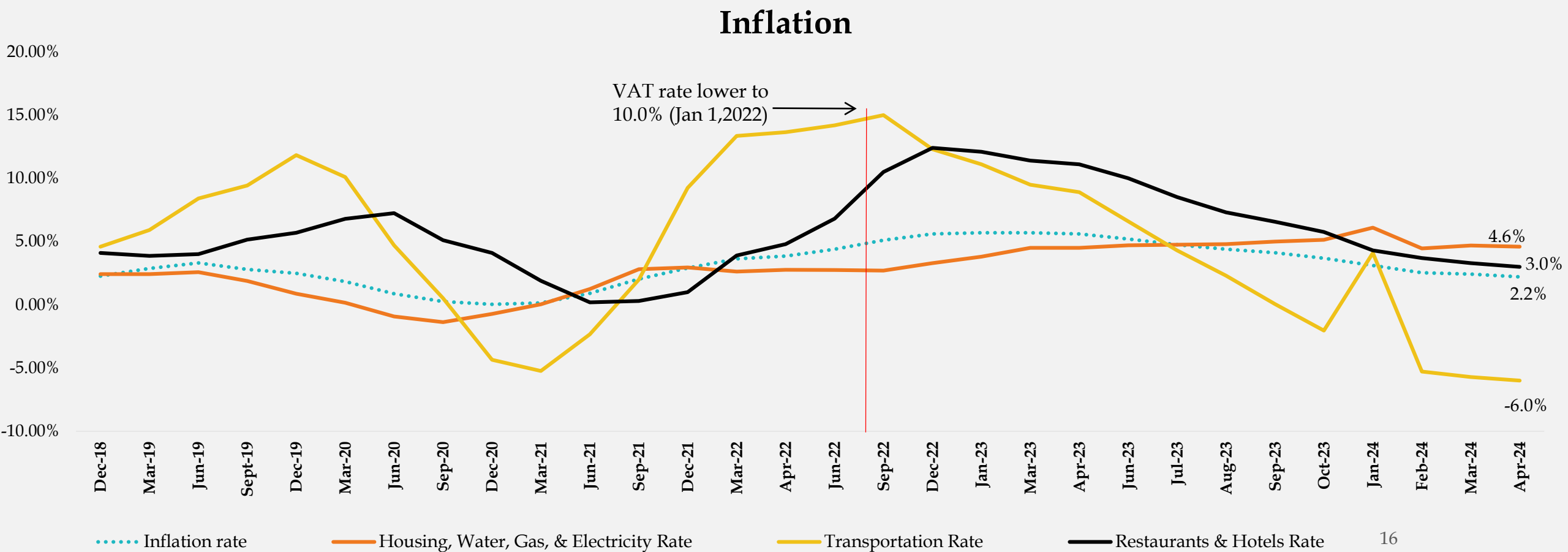




INFLATION

Retail Price Index

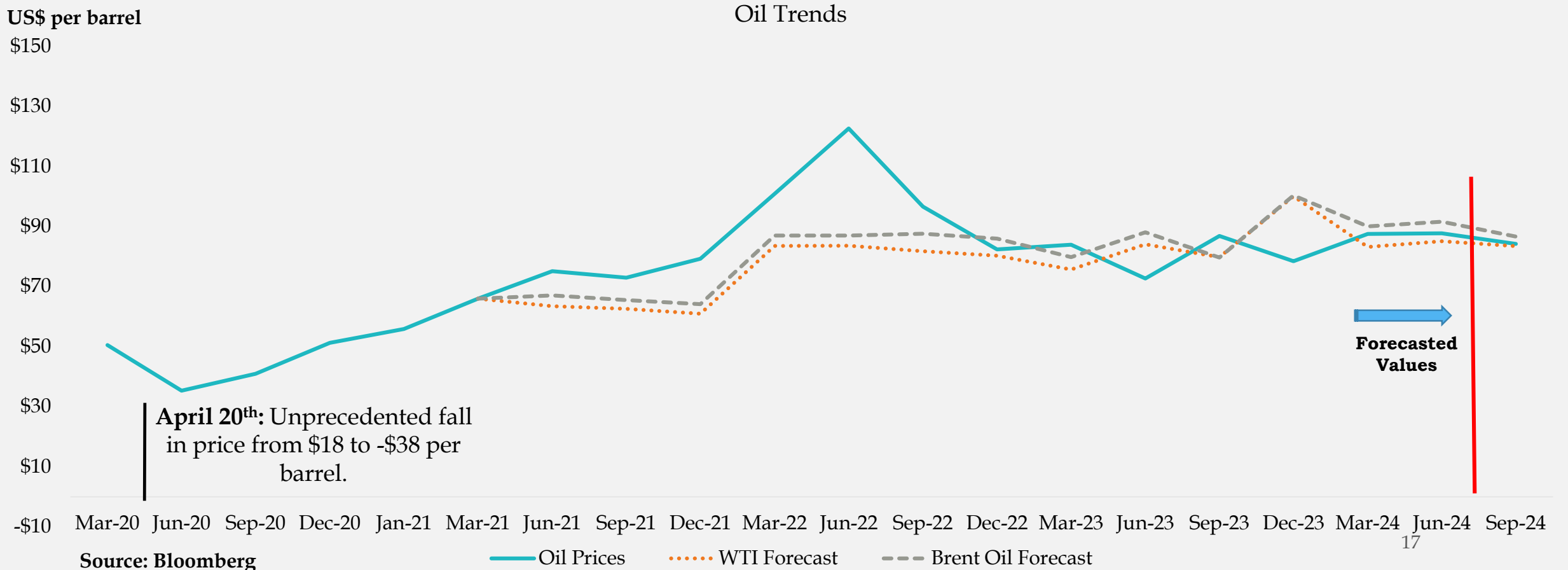
During the twelve months to April 2024, inflation narrowed to 2.2% from 5.6% in the previous year, led by reductions in transportation and communications costs.



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

Oil Price Trends

From January to June 2024, the cost of crude oil rose by 4.1% to \$81.61 per barrel. On the supply-side, OPEC's crude oil production reduced by 7.1% in June, to 40.9 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.

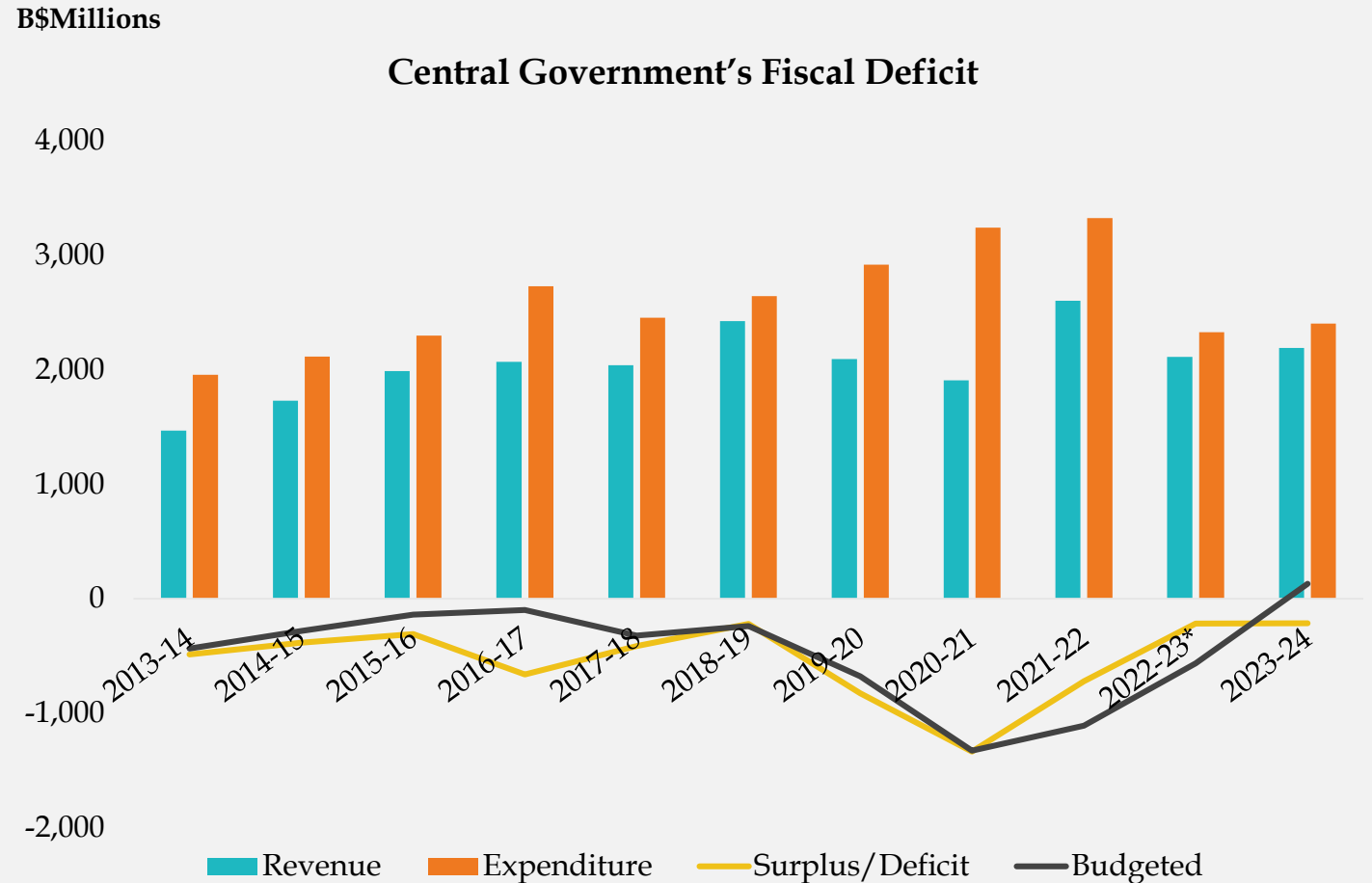
FISCAL SECTOR

Fiscal Sector

Provisional First Nine Months, FY2023/2024

During the first nine months of FY2023/24, the deficit moderated to \$214.2 million, from \$249.7 million in the comparable fiscal period of the preceding year, as the growth in total revenue outstripped the rise in aggregate expenditure.

- Total revenue grew by \$112.4 million (5.4%), to \$2,191.5 million.
 - Notably, VAT receipts expanded by \$58.5 million (6.3%), to \$993.9 million.
- Total expenditure rose by \$76.9 million (3.3%) to \$2,405.6 million.
 - Recurrent expenditure increased by \$35.9 million (1.7%) to \$2,170.7 million.
 - Similarly, capital outlays moved higher by \$41.0 million (21.2%) to \$235.0 million.



Source: Bahamas Ministry of Finance
 *Data for first nine months of FY2023/24

Budget Projections vs. Actual Outturn First Nine Months of FY2023/2024

(B\$ Millions)

| | Actual Outturn | Budgeted | % of Budget |
|-----------------------|----------------|----------|-------------|
| Revenue | 2,191.5 | 3,319.0 | 66.0% |
| Tax Revenue | 1,956.1 | 2,918.8 | 67.0% |
| Non-tax Revenue | 235.4 | 397.5 | 59.2% |
| Expenditure | 2,170.7 | 3,085.5 | 69.7% |
| Recurrent Expenditure | 629.0 | 856.3 | 70.3% |
| Capital Expenditure | 235.0 | 364.6 | 64.4% |

2024/2025 Budget: Key Revenue Measures

Revenue Generation

- Revenue intake is projected to reach \$3.5 billion in FY2024/25, compared to \$3.3 billion in FY2023/24. Specifically, new measures include:
 - Increased minimum investment requirements for permanent economic residency status.
 - Introduction of international business income tax for large corporations.

New Tax Relief

- Elimination of the bond requirement for authorized manufacturers under the Industries Encouragement Act.
 - Elimination of customs duty rates for machinery parts for authorized manufacturers under Act.
- Exemption to credit unions from business license fees conditional on full payment of Central Bank regulatory fees.
- Implementation of VAT exemption for individuals investing in a real estate trust.
- Duty concessions for fishing industry supplies.
- Duty free imports for supplies for Bahamian artists.

2024/2025 Budget: Key Expenditure Measures



2024/2025 Budget: Key Expenditure Measures

Food Initiatives and Social Assistance

- Increased allocations to the Golden Yolk Egg Production Initiative
- Expansion of the breakfast program to schools on the Family Islands
- Allocations to launch the Rent-to-Own Initiative
- Expansion of the affordable homes programs
- \$5.0 million in additional allocations for small home repairs

Education

- \$12.0 million invested in the University of The Bahamas for additional accreditations via external funding
- \$8.0 million in upgrades for Bahamas Technical and Vocational Institute via external funding

Energy and Transport

- Capital allocations for sailing navigation aids
- Allotments for mail-boat operations
- Investments in energy infrastructure

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.

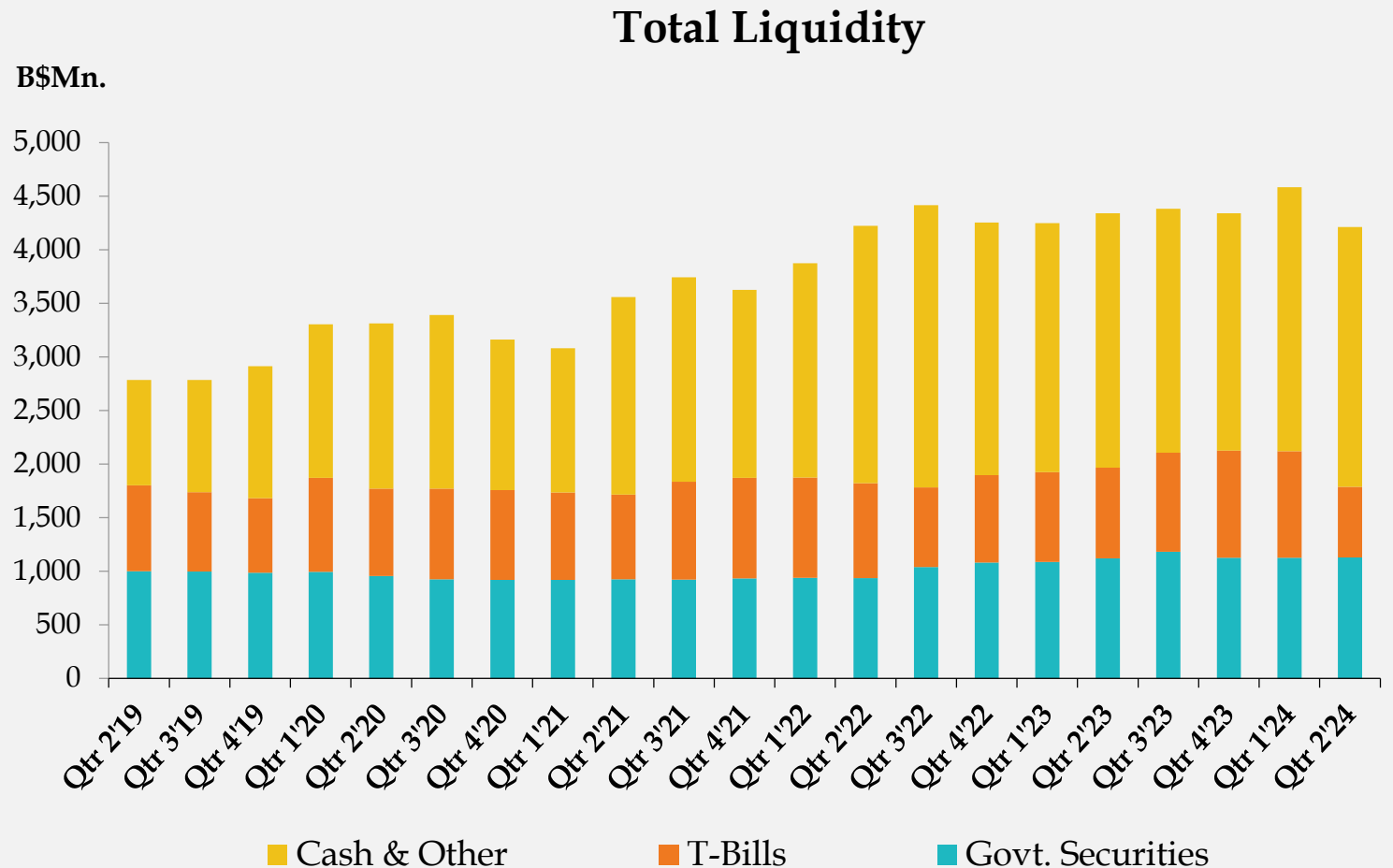
MONETARY SECTOR

Money and Banking: Liquidity Conditions

January-June 2024 vs. 2023

During the first half of 2024, the growth in liquidity was underpinned foremost by foreign currency inflows from real sector activities, followed net proceeds from Government's external borrowings.

- Excess liquid assets grew by \$270.5 million, extending the \$133.1 million advancement in 2023.
- Excess reserves increased by \$342.2 million, exceeding the \$72.3 million accumulation in the comparable period of 2023.



Lending Conditions

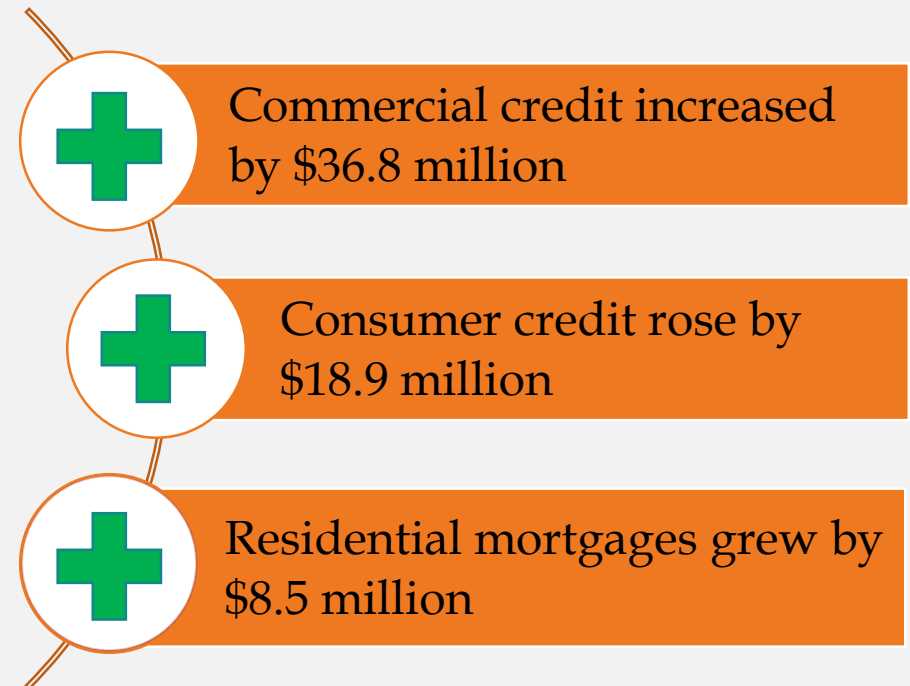
January - June 2024 vs. 2023

Total Bahamian dollar credit fell by \$110.7 million in the first half of the year, a switch from last year's \$69.4 million growth.

Net claims on the Government contracted by \$200.8 million, a turnaround from the \$49.4 million buildup in the previous year.

- However, credit to public corporations grew by \$25.9 million, a reversal from the prior year's \$6.0 million decline.

- Private sector credit rose by \$64.2 million, extending last year's \$26.1 million expansion.

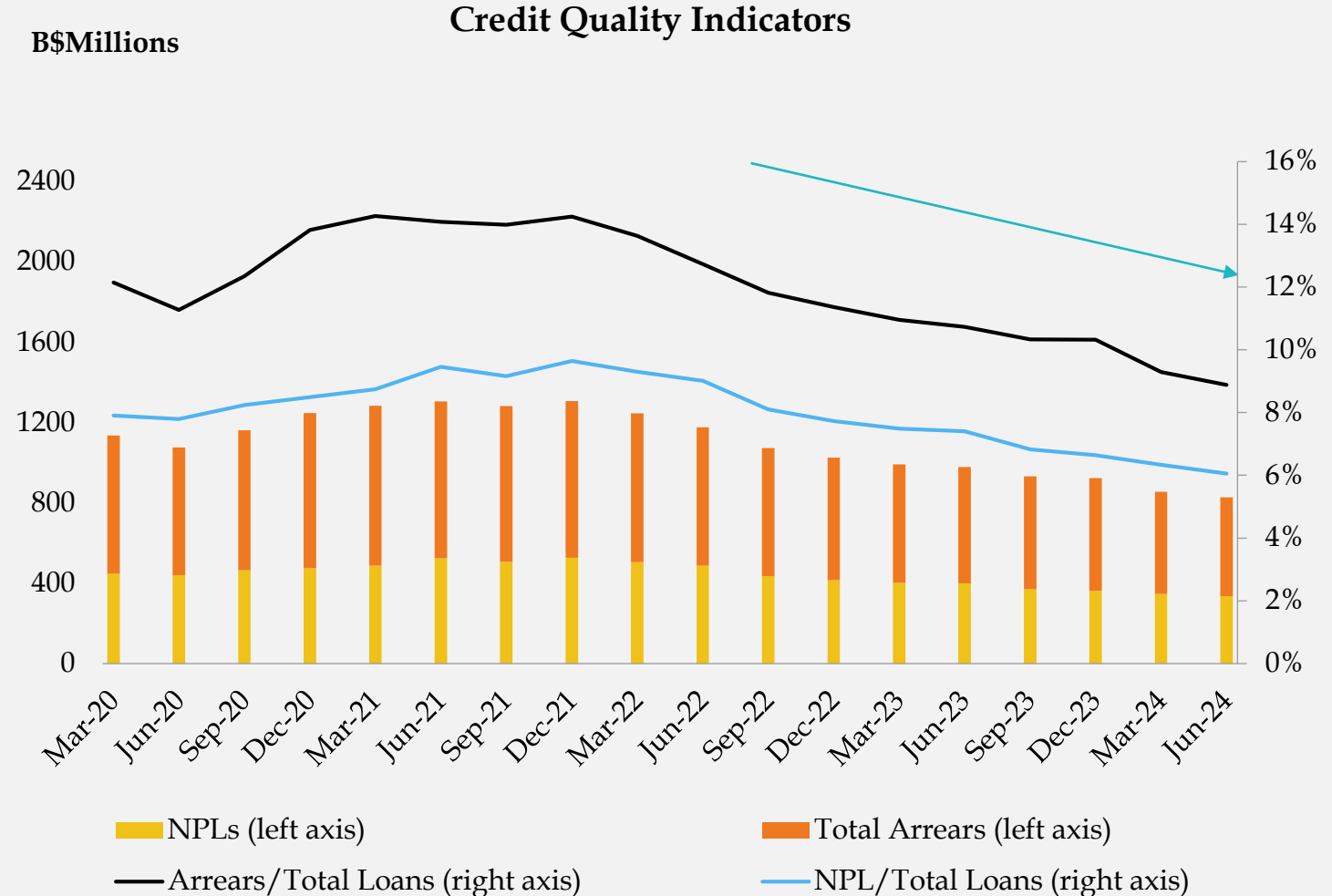


B\$ Credit Quality Indicators

January-June 2024 vs. 2023

- On a year-to-date basis, the average arrears rate for private sector loans declined to 8.9% from 10.7% in 2023.
 - The short-term arrears rate was 2.8% (3.3% in June 2023).
 - The NPL rate was 6.1% (7.4% in June 2023).

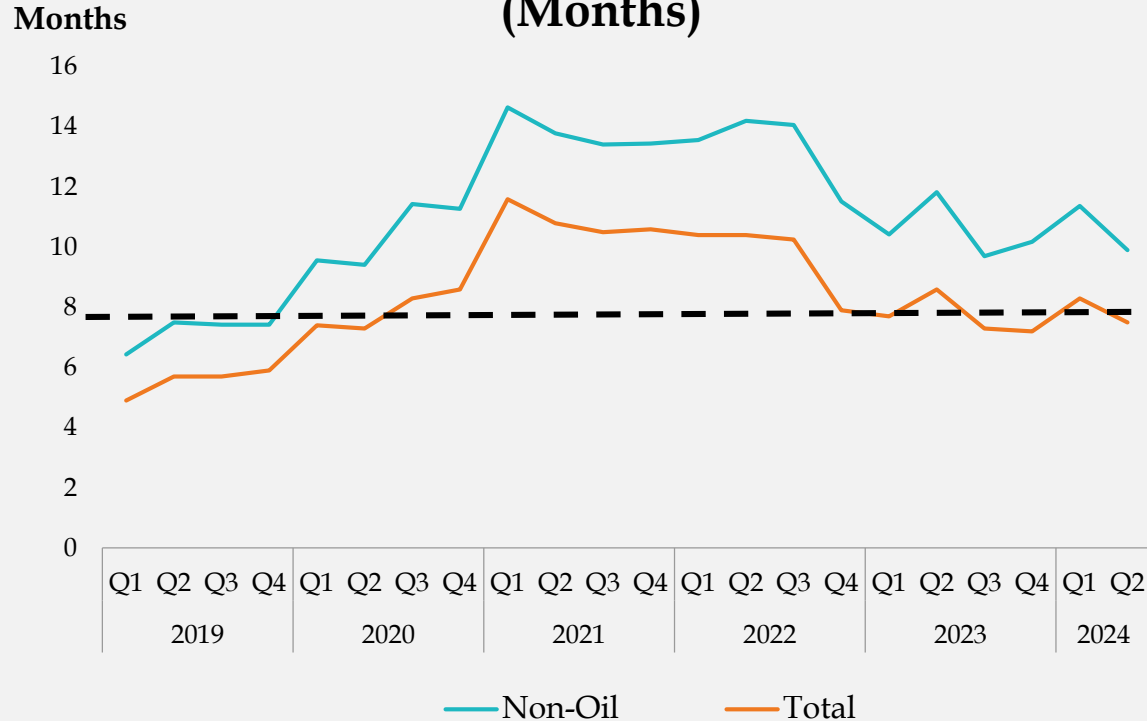
- Arrears rate by loan type:
 - Mortgages: 12.8% vs 14.3% in 2023.
 - Consumer: 6.5% vs 8.3% in 2023.
 - Commercial: 4.2% vs 6.4% in 2023.



External Reserves

January- June 2024 vs. 2023

Import Cover Ratio (Months)



External Reserves to Demand Liabilities



SOURCE: Central Bank of The Bahamas

In the first half of 2024, external reserves expanded by **\$580.8** million, vis-à-vis a \$102.9 million accumulation in the preceding year. Net foreign currency inflows from the private and public sectors increased during the first six months of the year.

- Equivalent to 94.2% of the Central Bank's demand liabilities.
- Equivalent to 7.5 months of the current year's total merchandise imports.



OUTLOOK

Real Sector

- The domestic economy is expected to maintain its growth momentum for the remainder of 2024, as it converges closer to its potential rate of medium-term expansion, driven by continued gains in the tourism industry and other areas of the real sector.
- Downside risks to tourism persist, linked to exogenous factors, such as inflation and elevated global oil prices, which could restrict travel sector activity. Moreover, if major central banks resume their counter-inflation policies, this could minimize the travel spending capacity of visitors from key source markets.
- The employment rate is expected to further improve, with opportunities predominantly concentrated in the tourism and construction sectors.
- The domestic inflation rate is projected to continue its downward trend, in response to a reduction in global oil prices.

Fiscal Sector

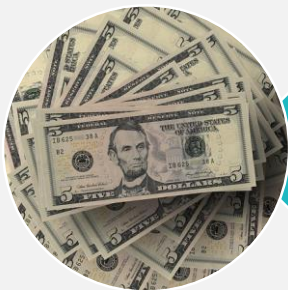
- The fiscal deficit is anticipated to sustain its downward trajectory, as conditions remain favorable for consolidation.
- The buildup in revenue is expected to remain largely connected to tourism-led improvements in taxable economic activities.
- Financing of the estimated budgetary gap is projected to reflect a more pronounced net reliance on domestic sources, although external borrowing should continue to support gross refinancing operations.

Monetary Sector and External Reserves



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

Private sector credit is projected to increase marginally in 2024, in line with the recovery in the domestic economy.



External reserves balances are anticipated to remain buoyant in 2024, staying above international benchmarks. However, a modest reduction is expected, due to projected growth in private sector credit.

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 have a negative impact on the travel spending capacity of key source market consumers.

EXTERNAL RESERVES

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

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 hamper the creation of jobs.

FISCAL

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

The End



CENTRAL BANK OF THE BAHAMAS
1974-2024