

Local Economic Review

First Quarter 2024

Economic Highlights:

- Preliminary data for the first half of FY2023/24 (July - December) indicates that the overall deficit declined by \$19.2M (6.9%) to \$258.8M compared to the same period of FY2022/23.
- Advanced estimates for 2023 released by The Bahamas National Statistical Institute stated that economic activity in The Bahamas increased 2.6% in real terms during the year, with the total value of goods and services produced in the economy estimated at \$12.8B in real prices.
- The country's debt levels remain elevated with national debt totaling \$11.78B as at December 2023, of which \$11.43B is comprised of Direct Charge and \$350.9M of Contingent Liabilities.
- The tourism industry experienced robust growth reaching record levels for the 2023 year. Tourist arrivals increased 37.91% year over year to 9.65M from 7.0M visitors seen in the previous year. The momentum continued in 2024, with 1.86M visitors year to date as at February, an increase of 11.7% over the same period in 2023.
- The local stock market, BISX, ended the quarter with positive gains of 3.00%.

Economic Review

Fiscal Review

Preliminary data for the first half of FY2023/24 (Jul - Dec) indicates that the overall deficit declined by \$19.2M (6.9%) to \$258.8M compared to the same period of FY2022/23. Over the period, total revenues increased by \$43.8M or 3.5% to \$1.3B, representing 33.4% of the budgeted revenues for FY2023/24. Tax revenues experienced growth of 6.6% or \$72.9M, of which non-tax revenues declined 17.4% or \$28M to \$132.7M. The growth was mainly attributable to a large expansion in Excise Taxes of \$14.3M (or 1,300.0%) to \$15.40M, as well as increases in Departure Taxes of \$13.3M (or 18.6%) to \$84.8M, and VAT of \$47.2M (or 7.9%) to \$646M. Marine License Activities and License to Conduct Special Business Activity also saw noteworthy growth of 50% and 51.2% respectively. Total expenditure stood at \$1.56B for the period, representing an increase of \$24.9M (or 1.6%) from the same period last year. This increase was primarily driven by increases in Social Assistance Benefits of \$9.2M (or 44.2%) to \$30M, Employee Compensations of \$18.2M (or 4.6%) to \$417.6M and Public Debt Interest of \$20.2M (or 7.2%) to \$301.1M. Meanwhile, Grants declined by 77.8% to \$1M, Special Financials Transactions decreased 67.3% to \$8.7M and Utilities & Telecommunications declined 37.6% to \$19.1M. Revenues and expenditure for FY2023/24 are projected to come in at \$3.32B and \$3.45B respectively, resulting in a deficit of \$131.1M or 0.9% of GDP.

According to 2023 advance estimates released by the Bahamas National Statistical Institute (BNSI), economic activity within The Bahamas increased 2.6% in real terms and the total value of goods and services produced within the economy was estimated at \$12.8B in real prices. Using the production approach, industries that experienced the most increases year over year include Accommodation and Food Services (\$226M or +26%), Construction (\$113M or +22%), Transportation and Storage (\$98 million or +16%) and Arts and Other Services (\$97M or +10%).

As of December 2023, The Bahamas' national debt stood at \$11.78B, increasing \$352.6M or 3.09% from the prior year. Direct Charge accounted for 97.02% of national debt and saw an increase of \$391.5M (or 3.55%) to \$11.4B. Meanwhile, Contingent Liabilities accounted for 2.98% of national debt and declined \$38.97M (or 10%) over the year. For 2023, Total Direct Charge was comprised of 55.99% or \$6.4B external debt and 44.01% of \$5.0B internal debt. National Debt to GDP stood at 84.2% as of December 2023 compared to 88.6% in the same period of the previous year, while Direct Charge to GDP stood at 81.7% compared to 85.6% in the previous year.

Tourism

The tourism sector experienced significant growth throughout the year as total arrivals grew 37.91% year over year to 9.65M from 7.0M visitors seen in December 2022. Sea arrivals increased 2.4M (or 43.48%) to 7.9M from 5.5M. Meanwhile, air arrivals increased by 249,736 or 16.99% from 1.4M to 1.7M. All islands within The Bahamas experienced growth in tourist arrivals, with New Providence seeing growth of 35.70%, Grand Bahama of 43.76% and Family Islands of 39.40%. Islands with the largest percentage growth in air arrivals include San Salvador (+348.1%), Grand Bahama (+31.8%), and Abaco (+25.1%). According to the Central Bank of The Bahamas' (CBOB) December 2023 Monthly Economic and Financial Developments (MEFD) report, the short-term vacation rental market saw entire place bookings growing 23.3% and hotel comparable bookings 28.5%.

Year to date as of February 2024, tourist arrivals were 1.86M representing an increase of 194,640 or 11.7% year over year. However, the Central Bank's MEFD report for February 2024, reported that occupancy rates for entire place and hotel comparable listings decreased to 54.5% and 54.1% respectively, from 66.3% and 63.6% from the previous year.

Monetary & Financial Developments

During Q4 2023, the banking sector was faced with a decline in liquidity. External reserves declined over the period in line with seasonal demand, although at a slower rate than the same period last year. The Central Bank reported that during Q4 2023, excess reserves declined by \$36.2M (1.9%) to \$1.83B, while excess liquid assets saw growth of \$8.8M (0.3%). At the end of December, external reserves stood at \$2.52B, which is equivalent to 30.0 weeks of the current year's total merchandise imports compared to 33.9 weeks in the same period of 2022.

The Bahamas continues to face the challenges of rising domestic inflation. According to recent numbers released by the BNSI in January 2024, the CPI rose 1.3% compared to the same period in 2023. The main contributors to this increase include Health (5.3%), Furniture and Household Equipment Furnishings (4.9%) and Electricity and Gas and other Fuels (3.5%). However, on a monthly basis for January 2024, inflation decreased by 0.6% from December 2023 with major contributors being Transportation, Health, Furniture and Furnishing. Notably, the index value remains stubbornly high at 120.98 compared to 109.71 in January 2021.

Capital Market Developments

The local stock exchange, BISX, saw growth of 3.00% or 85.44 points during Q1 2024 from 2,851.64 to 2,937.08. The index rose 7.81% in 2023. Top performers for Q1 2024 include FOCOL Holdings Ltd. (+14.74%), Family Guardian (+11.90%), and Bahamas First (+10.00%). Detractors to performance included Consolidated Water BDRs (-17.70%), Emera Incorporated (-7.21%), and Bank of the Bahamas (-2.59%). During the quarter, FOCOL Holdings Limited conducted a rights offering for approximately 5 million shares, raising over \$25 million.

The local fixed income market continues to be dominated by monthly offerings of government securities, specifically Bahamas Government Registered Stock (BGS) and Treasury Bills which seek to raise new capital and refinance existing securities. The CBOB had three Bahamas Registered Stock offerings over the quarter: two benchmark offerings, and one short term offering. Benchmark rates ranged from 3.64% for 3 years to 6.59% for 30 years. 1-year rates were 3.25%. The average Treasury Bill discount rate as of the end of February stood at 2.91%, while weighted average rates on deposits and consumer loans stood at 0.56% and 13.03% respectively.

Conclusion

Robust growth within the tourism sector continues to drive economic growth within The Bahamas as seen in the data presented. Tourism arrivals have reached record levels for 2023, increasing over 33% from 2019 previous record, which have resulted in improvements in GDP and revenue performance. However, the country continues to face the lingering challenge of an increasing national debt which remains as a detractor to growth. Although The Bahamas has seen some narrowing in its fiscal deficits, the Government must push ahead with a plan focused on reducing national debt to sustainable levels while promoting further economic growth.