



Second Quarter Economic Review

June 30th, 2024

The Economy

Indications are that the Bahamian economy continued to strengthen during the second quarter of 2024 led firmly by growth in tourism expenditure and sustained activity. On the fiscal side, noticeable narrowing of the fiscal deficit due to expanded revenues and lower aggregate expenditures continues. Monetary trends persisted with increases in both broad and narrow measures of liquidity due to currency inflows and reductions in external borrowings by the government.

The latest data suggest that the improvements in tourism output sustained course through the second quarter of 2024. According to the Ministry of Tourism (MOT) data, for the first six months of 2024, total visitor arrivals 4.8 million, representing a 13.5% increase over the equivalent 2023 period. The high-value air segment expanded to 0.8 million passengers or 3.9% over the prior year, reflecting gains in all major markets. Sea arrivals improved to 4.0 million an increase of 15.7% over the previous year.

Preliminary government budgetary operations for the first nine months of FY2023/24 revealed the deficit narrowed to \$214.2 million from \$249.7 million in the prior FY2022/23 period. Government revenues extended by \$112.4 million (5.4%) to \$2,191.5 million. Specifically, VAT receipts expanded by \$58.5 million (6.3%) to \$993.9 million outpacing expenditures which rose modestly by 3.3% or \$76.9 million to \$2,405.6 million. A noticeable uptick in capital outlays was observed, rising by 21.2% to \$235.0 million alongside a slight increase in recurrent spending by 1.7% to \$2,107.7 million.

Through the end of June, growth in liquidity continued. On a year-to-date basis, excess liquid assets enlarged by \$270.5 million, more than doubling the \$133.1 million advancement the year prior. Similarly, excess reserves outpaced the \$72.3 million accumulation in 2023 fivefold to \$342.2 million, resultant from the noticeable decline in Government's external borrowing. Net claims on the government declined by \$200.8 million, a reversal of the \$49.4 million increase of the prior year for the same period. Credit for public corporations increased by \$25.9 million from the \$6.0 million reduction last year.

Private sector credit rose by \$64.2 million, improving on the previous year's gain of \$26.1 million. Commercial credit improved to \$36.8 million, a significant improvement from \$4.0 million in 2023. Similar trends were observed in consumer credit and residential mortgages which increased over the preceding year by \$18.9 million and \$8.5 million, respectively.

On a year-to-date basis, total private sector arrears decreased to 8.9% from \$10.7 million in 2023, with noticeable declines in non-performing loans to 6.1% and short-term arrears to 2.8%. Similar declines were observed in mortgages, consumer, and commercial loan arrears which declined to 12.8% (from 14.3%), 6.5% (from 8.3%) and 4.2% (from 6.4%), respectively.

Inflation data revealed in the twelve months ending April 2024 that the All-Bahamas Retail Price Index slowed to a rate of 2.2%, declining from 5.6% in the equivalent 2023 period and led by reductions in transportation and communication costs. Crude oil costs rose over the first six months of 2024 by 4.1% to \$81.61 per barrel and OPEC crude oil production slowed by 7.1% reducing available supply to 40.9 million barrels per day.

Economic Outlook:

Economic growth is expected to maintain through the remainder of the year with anticipated tourism arrivals and real sector growth improvements. Fiscal and monetary trends should continue at a moderate pace over the remainder of 2024. Downside risk factors to the current economy include inflation, a possible US recession, the active hurricane season, and upcoming US election. Geopolitical tensions continue to loom in the background.



The Markets

The local market was partially subdued this quarter with below average activity, as the BISX All-Share Index climbed by 6.46 points for a gain of 0.2%. The largest market gainer was RBC FINCO increasing its share price by 13.3% to end the quarter at \$14.50 per share, followed by APD climbing by 8.4% higher to close out the period at \$44.64, and Abaco Markets Limited, moving 6.7% higher to \$5.59 per share. The largest loss for the quarter was posted by Consolidated Water Company Ltd., suffering a 13.7% loss for the quarter and year-to-date losses of 31.5% to close out the period at \$5.06 per share. In addition, Emera was down 5.8% to \$8.12 per share and FOCOL lost traction to end the quarter down 5.13% at \$5.16. This brings the index return to 3.2% year-to-date. The BISX All-Share Index is a market capitalization weighted index comprised of all primary market listings excluding debt securities.