



Third Quarter Economic Review

September 30th, 2024

The Economy

Indications are that the growth trajectory of the Bahamian economy moderated during the first nine months of 2024, but was still led firmly by tourism output. Monetary sector trends revealed a build-up in liquidity through the third quarter resulting from the sustained momentum within the economy and the reduction in external borrowings. In contrast, growth in the deposit base continued to trail the expansion in domestic credit. Reports also revealed that inflation is on the downward trend.

Ministry of Tourism (MOT) data for the first eight months of 2024 revealed total visitor arrivals expanded 15.8% (from 6.6 million) to 7.7 million in the equivalent 2023 period. On a year-to-date basis through September, Nassau airport departures (a proxy for stopover visitors) increased by 2.1% to 1.3 million passengers. This pales in comparison to the 20.0% increase for the same period last year. Sea arrivals improved to 6.4 million during the same period from 5.3 million visitors in the previous year.

On a year-to-date basis, excess reserves (a narrow measure of liquidity) increased by \$198.72 million, a reversal of the \$1.7 million decrease the previous year. Accumulation in excess liquid assets increased by \$167.6 million, narrowing from the \$173.9 million growth in the preceding comparable period. External reserves increased by \$358.7 million for the nine-month period reversing a \$9.1 million decrease over the prior period.

Total Bahamian dollar credit growth slowed to \$156.8 million on a year-to-date basis, compared to a \$190.7 million increase in 2023. Underpinning this development, net claims on the Government decreased by \$12.6 million, a shift from the prior year's \$164.6 million accumulation. Private sector credit grew to \$145.0 million, an improvement on the \$33.9 million increase a year earlier (over the same period). A breakdown of this expansion revealed commercial credit climbed by \$24.2 million, consumer credit expanded \$81.6 million and residential mortgages by \$39.2 million. Credit to public corporations improved by \$24.4 million from the \$7.9 million decline of last year. On a year-to-date basis, total private sector arrears lowered to 8.6% (from 10.3%), short-term arrears fell to 2.8% (from 3.5%) and non-performing loans declined to 5.7% (from 6.8%).

The Retail Price Index for the twelve-month period to July 2024 revealed the rate of inflation continued its declining trend from 4.8% to 1.5% led by reductions in both transportation and communication costs. From January to September 2024, the price of crude oil decreased by 8.5% to \$71.77 per barrel. OPEC's crude oil production slowed in September to 40.1 million barrels per day (27.7 million barrels per day in September 2023). Oil prices are anticipated to continue this declining trend through the end of 2024.

Economic Outlook:

Indications are that the post-pandemic tourism boon has concluded. Thus, the tourism sector's growth level is expected to moderate to a pace more closely aligned with the economy's medium-term growth projections. The fiscal deficit is in a downward trend and is anticipated to continue over the near-term. Monetary trends are expected to remain within satisfactory levels with the Bahamian currency peg well-supported. The real sector is expected to benefit from recently approved direct foreign investment projects throughout the country. Tailwinds in the form of international interest rate cuts and global growth projections may prove positive for real sector growth over the near-term. Tailwinds from supply chain challenges, imported inflation and contractions in oil production are expected over the near term. The implications from the US elections in November and continuing geopolitical tensions remain to be seen.



The Markets

Bahamian equities were mostly positive during the third quarter, led by strong returns in the banking sector. During the quarter, gains of 20 percent, 18.3 percent, and 16.3 percent were recorded for Bahamas Property Fund (BPF), Emera Incorporated (EMAB) and FOCOL Holdings (FCL) respectively. The BISX All-Share Index returned 1.4 percent during the third quarter, bringing its year-to-date return to 4.7 percent.