



## Fourth Quarter Economic Review

December 31<sup>st</sup>, 2024

### The Economy

Indications are that the Bahamian economy's growth trajectory moderated through the fourth quarter of 2024 in line with its medium-term potential. Increasing domestic credit activity by commercial banks continues to signal confidence in the stability of the economy. Data from the monetary sector revealed a moderate build up in banking sector liquidity through the fourth quarter, while inflationary pressures have steadily declined.

According to the Nassau Airport Development Company Limited (NAD), data through the end of December 2024 revealed a slight advance in total outbound traffic by 2.6% passengers, representing a marked downshift from the previous year's 22.9% advance for the comparable period. US departures increased by 2.4% to 1.4 million air passengers, significantly departing from last year's advance of 23% (1.38 million). Similarly, non-US departures edged higher by 3.7% to 0.22 million air passengers for the same period, representing a significant decrease from last year's 14.2%.

Provisional data from the fiscal sector revealed that for the first three months of the fiscal year 2024/2025, the deficit widened to \$185.4 million from \$61.5 million in the same period last year, the result of an increase in aggregate expenditure exceeding growth in total revenue. Revenue growth rose moderately by 2.8% or \$18.7 million to \$682.2 million, with VAT receipts growing moderately by 0.4% or \$1.5 million to \$339.4 million. Expenditures outpaced revenues by 19.7% or \$142.6 million to \$867.7 million, led by a near doubling in capital outlays which increased by 91.5% or \$59.1 million to \$123.8 million.

Monetary trends revealed that on a year-to-date basis, excess reserves (a narrow measure of liquidity) increased by \$18.2 million, a reversal of the \$61.0 million reduction the previous year. A notable deceleration in the growth of excess liquid assets was observed, increasing by \$75.9 million compared to the \$111.4 million growth recorded in the preceding year. At the end of the year, external reserves rose to \$2,620 million from \$2,347.4 million at the end of 2023, while the ratio of external reserves to Central Bank's demand liabilities increased to 90.3% from 79.1% (95.3% in 2019). External reserves to total merchandise imports at the end of year were equivalent to 6.3 months from 6.9 months in the previous year (5.9 months in 2019).

Total Bahamian dollar credit nearly doubled from \$221.9 million to \$428.1 million during the year. Domestic credit data revealed a growth in private sector credit which expanded almost six-fold from \$50.3 million to \$296.7 million during 2024. Commercial credit rose to \$112.8 million from \$76.4 million and net consumer lending expanded to \$116.8 million from \$19.1 million the year before. Continuing its recovery, mortgage claims extending to \$67.1 million from \$45.3 million. Conversely, data from the public sector revealed net claims on the Government decreased by a third to \$116.7 million from \$175.5 million. On a year-to-date basis, credit quality also improved as the ratio of total provisions for loan losses fell by \$28.2 million (8.6%). Total provisions to arrears steadied at 5.5% while the ratio of total provisions to non-performing loans increased by 3.7%.

In the 12 months to September 2024, the rate of inflation moderated to 1.2% from 3.9% year-over-year, primarily due to reductions in transportation costs. By year-end, crude prices were \$74.38 per barrel, 5% lower than \$78.42 per barrel December in 2023. On the supply-side, OPEC's crude oil production increased by 52% in December to 40.7 million barrels per day from 26.7 million barrels in the equivalent month the year before.



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**Economic Outlook:**

The normalization in the growth rate of the economy should continue through 2025, sustained by the tourism sector and foreign-led investment projects. Domestic fiscal and monetary trends should continue at a similar pace through 2025. Internationally, geopolitical tensions war may reignite higher inflationary levels, trade wars and supply chain disruptions.

**The Markets**

During the fourth quarter, the Bahamas All Share Index rose 0.74 percent over the previous quarter. The Index closed the year at 3,008.22 at year-end, representing a change of 156.58 points over 2023 or 5.49 percent. During the period, gains of 11.7 percent, 9.4 percent, 6.7 percent, and 6.4 percent were recorded for FamGuard (FAM), Bahamas Property Fund (BPF), FOCOL Holdings (FCL) and Abaco Markets (AML), respectively.