



## First Quarter Economic Review

*March 31<sup>st</sup>, 2025*

### **The Economy**

Indications are that the Bahamian economy continued its moderation through the first quarter of 2025 in line with its medium-term potential. Positive signaling from the tourism sector and increased foreign direct investments continue to dominate economic activity, while data from the monetary sector revealed a continued moderation in banking sector liquidity through the first quarter. The latest inflationary data indicated a moderation in prices after significant decline over the last twelve months through February.

Overall arrivals for the first quarter improved by 10.1% to 2.1 million visitors. Ministry of Tourism data revealed sea excursion travel strengthened by 12.8% to 1.8 million, while total outbound traffic decreased by 3.6% or 0.4 million. Further analysis revealed that in March, total departures (net of domestic passengers), a proxy for stayover visitors, declined by 2.5% to 0.2 million. The Average Daily Rate (ADR) improved by 1.4% to \$194.09 for hotel accommodations while the ADR for entire place listings declined by 0.6% to \$741.31. In comparison to 2024 figures, quarterly data revealed total room nights sold improved by 3.1% to 169,738 while occupancy rates of hotel listings and entire place listings fell by 5.8% and 6.6%, respectively. Room inventory constraints are contributing to the decrease in stayover visitors and higher room rates.

Provisional data from the fiscal sector revealed that for the first six months of fiscal year 2024/2025, the deficit widened to \$394.8 million from \$258.7 million. A further breakdown revealed revenue increased by 10.9% or \$142.2 million to \$1,443 million; most notably VAT (Value Added Tax) receipts increased by 3.3% or \$21.0 million to \$667.0 million. However, expenditures outpaced revenues by 17.8% or \$278.3 million to \$1,839.1 million, led by a widening in capital outlays by 64.1% or \$86 million to \$220.1 million.

Monetary trends revealed that on a comparative basis, excess reserves (a narrow measure of liquidity) increased by \$63.8 million, marking a significant slowdown in accumulation from the \$305.9 million build-up last year during the comparative quarter. Growth of excess liquid assets slowed to \$152.2 million compared to the \$337.8 million growth recorded in the preceding year. At the end of March, external reserves rose by \$171.2 to \$2,791.2 million. The ratio of external reserves to Central Bank's demand liabilities increased to 93.1%. External reserves to total merchandise imports were equivalent to 7.9 months compared to 6.3 months in December 2024.

Lending conditions revealed that Bahamian dollar credit reduced by \$18.7 million from \$113.3 million reduction last year. Domestic credit data revealed a growth in private sector credit which continued its expansion through the quarter to \$85.0 million from \$33.9 million during the 2024 first quarter. Commercial credit rose by \$58.4 million, consumer lending improved a further \$14.8 million and residential mortgages extended \$11.8 million. Data from the public sector revealed net claims on the Government decreased by \$103.8 million from \$135.8 million. On a year-to-date basis, average arrears declined for private sector loans by 1.6% to 7.7%. A further breakdown of arrears by loan type reveals that mortgages declined to 11.4% (from 13.3%), consumer loans declined to 5.7% (from 6.8%) and commercial loans to 3.6% (from 4.4%).

In the 12 months to February 2025, the rate of inflation declined significantly to 0.3% from 2.5% year-over-year, with reductions in apparel, recreation, housing, utilities, fuel, and hospitality costs. Crude oil prices were \$73.18 per barrel, down 1.6% at the end of the first quarter. On the supply-side, OPEC's crude oil production fell 37,000 barrels per day in March.



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### **Economic Outlook:**

Further moderation in the growth rate is expected through 2025, sustained by the tourism sector and foreign-led investment projects. Data from the Bahamas Investment Authority revealed recently approved foreign direct investment projects throughout the chain of islands totalled \$521.3 million. Domestic fiscal and monetary trends should continue at a similar pace through 2025. The employment rate should continue to trend upward due to increased activity in the construction sector. Headwinds from US trade policy uncertainty have increased risks to the tourism sector through potential inflationary pressure.

### **The Markets**

During the first quarter, the Bahamas All Share Index rose 0.60 percent over the previous quarter. The Index closed the first quarter of the year at 3,026.26, representing a change of 18.04 points over the end of 2024 or 0.60% percent. During the period, gains of 12.7 percent, 6.1 percent, 4.7 percent, and 3.7 percent for Emera Incorporated (EMAB), FamGuard (FAM), Bank of the Bahamas (BOB) and Commonwealth Brewery Limited (CBB) respectively.