



## First Quarter Economic Review

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

### The Economy

Domestic economic developments for the first quarter of 2024 suggested a moderation compared to last years' recovery growth. Robust growth in the real sector was supported by expanded tourist arrivals reflecting persistent pent-up demand in key source markets. Sustained activity in the construction sector was driven by new tourism-related and property development investments. Current trends in the monetary sector revealed growth in the banking sector as the deposit base continued to exceed the rise in domestic credit. External reserves expanded due to net foreign currency inflows from the private sector.

First quarter tourism statistics revealed visitor arrivals for the first quarter remained elevated for the air segment. In comparison to March 2023, Foreign passenger departures grew by 11.7% to 167,561. For the first three months of the year, total room nights sold grew by 13.8% to 177,538 compared to the same time last year. The short-term rental market also showed sustained occupancy figures, with entire place occupancy rates rising slightly to 63.8% from 63.1%. Comparable hotel listings experienced a similar trend with occupancy increasing to 40.9% from 39.0% March 2023.

Steady foreign direct investments are expected to sustain activity within the construction sector, mainly in New Providence. A combined \$56 million in Foreign Investment Projects were approved for Eleuthera and Abaco.

Monetary trends revealed an acceleration in bank liquidity reflective of increased net foreign currency inflows from the real sector. Growth in both broad and narrow measures of liquidity accelerated; excess liquid assets rose by \$337.8 million, beyond the accumulation of \$96.4 million in Q1 2023 and excess reserves expanded by \$305.9 million from \$80.4 million recorded the year prior.

Credit trends were marked by improvements in credit quality as both short and long-term arrears were reduced and increased demand for new credit continues. The average arrears rate for private sector credit narrowed to 9.3% from 11.0% in 2023. Of this total, consumer loan delinquencies reduced to 6.8% from 8.6%, mortgage arrears contracted to 13.3% from 14.6%, and commercial loan arrears decreased to 4.4% from 6.1% in the comparative period in 2023. The contraction in total Bahamian dollar credit slowed to \$113.2 million from \$170.4 million in the prior year. Lending conditions grew more favorable for the first quarter of the year and private sector credit expanded by \$33.9 million, reversing the \$6.9 million retrenchment in 2023.

Inflationary pressures on consumer prices reduced in 2023 to 3.1% from 5.6% in 2022. The largest reductions in inflation were noted in transportation and communication prices. For the first quarter of 2024 oil prices increased 11.2% to \$87.48 per barrel. Oil production also rose by 7.0% in March to \$26.6 million barrels per day.

### Economic Outlook:

The outlook for the domestic economy is still favorable for the rest of 2024. Ongoing visitor arrivals, tourism investments and robust construction activity are expected to moderate over the medium term. In the short term, the economy is expected to remain buoyant as tourism arrivals remain robust and foreign direct investment projects proceed. Inflation and higher oil prices may negatively affect the competitive landscape for the tourism product. Banking sector liquidity is expected to remain elevated while private sector credit should move higher over the short term.

### The Markets

Local equities climbed for the fourth consecutive quarter, as the BISX All-Share Index increased by 128.35 points or 3.0 percent. The market was supported by growth in the share prices of FOCOL Holdings



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(FCL) and CIBC Caribbean (CIB) with gains of 14.7 percent and 7.5 percent, respectively. The BISX All-Share Index is a market capitalization weighted index including all primary market listings excluding debt securities.