



Monthly Economic and Financial Developments May 2022

In an effort to provide the public with more frequent information on its economic surveillance activities, the Central Bank has decided to release monthly reports on economic and financial sector developments in The Bahamas. The Bank monitors these conditions as part of its monetary policy mandate, to assess whether money and credit trends are sustainable relative to levels of external reserves required to protect the value of the Bahamian dollar and, if not, the degree to which credit policies ought to be adjusted. The main data source for this surveillance is financial institutions' daily reports on foreign exchange transactions and weekly balance sheet statements. Therefore, monthly approximations may not coincide with calendar estimates reported in the Central Bank's quarterly reports. The Central Bank will release its "Monthly Economic and Financial Developments" report on the Monday following its monthly Monetary Policy Committee Meeting.

Future Release Dates:

2022: August 1; August 29; October 3; October 31; November 28; December 28



MAY 2022 SUMMARY
MONTHLY ECONOMIC AND FINANCIAL DEVELOPMENTS

Overall Economic Activity

Indications are that the domestic economy maintained its recovery trajectory during the month of May, amid ongoing adjustments of the Novel Coronavirus (COVID-19). Tourism output further strengthened, underpinned by strong growth in the high value-added air segment and the rebound in sea traffic, as vaccination efforts progressed and the further relaxation of COVID-19 restrictions in some of the major source markets.

Fiscal Developments

Provisional data on the Government's budgetary operations for the first nine months of FY2021/22 revealed a considerably narrowing in the deficit to \$334.3 million from \$879.0 million in the comparable FY2020/21 period. Underlying this outturn, total revenue expanded by \$617.5 million (50.2%) to \$1,847.3 million, outpacing the \$72.8 million (3.5%) growth in aggregate expenditure to \$2,181.6 million.

Monetary Sector

Monetary developments were marked by a buildup in bank liquidity, as the growth in the deposit base outstripped the rise in domestic credit. However, external reserves contracted during the review month, owing largely to net foreign currency outflows through the public sector.

International Economies

Global economic developments during the month of the May, continued to be impacted by the geopolitical tensions in Eastern Europe and persistence of the COVID-19 virus, with rising inflation and slowing growth, raising concerns for monetary policy. In this environment, some of the major central banks tightened their monetary policy stances, in efforts to mitigate the effects of higher inflation.



Monthly Economic and Financial Developments (MEFD)

May 2022

1. Domestic Economic Developments

Overview

Preliminary indications are that the domestic economy sustained its recovery trajectory during the month of May, given ongoing international adjustments to the Novel Coronavirus (COVID-19). Tourism output strengthened, supported by further rebound in the high value-added air segment and the seasonal recovery in sea traffic, as vaccination efforts progressed and the further relaxation of COVID-19 restrictions in some of the major source markets. On the fiscal front, Government’s budgetary operations for the first nine months of FY2021/22 revealed a significant narrowing in the deficit, as the growth in total revenue outpaced the rise in aggregate expenditure. Monetary developments for the month of May revealed an expansion in bank liquidity, as the acceleration in the deposit base, outpaced the rise in domestic credit. However, external reserves contracted, owing primarily to net foreign currency outflows through the public sector.

Real Sector

Tourism

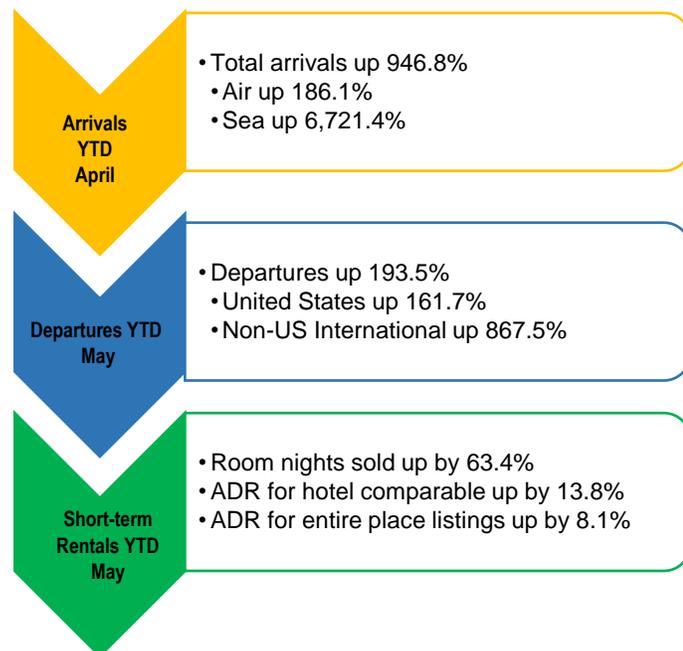
Tourism metrics for the month of May, revealed that the sector’s output indicators continued to rebound, as major source markets further relaxed COVID-19 restrictions.

Official data provided by the Ministry of Tourism (MOT) showed that total visitor arrivals by first port of entry advanced to 586,574 in April, compared to 68,791 visitors in the comparative period of 2021. Leading this outturn, air traffic increased to 145,471, from just 60,305 in the prior year—restoring 85.0% of the volumes recorded in 2019. In addition, sea passengers grew to 441,103, from 8,486 visitors in the previous year, when voyages were suspended.

A breakdown by major port of entry revealed that, arrivals to New Providence recovered to 293,182 in April, from a modest 41,358 in the corresponding period of 2021.

Contributing to this development, air traffic reached 109,880, while sea passengers totalled 183,302. Likewise, foreign arrivals to Grand Bahama amounted to 29,782 vis-à-vis 2,690 a year earlier, with the air and sea components comprising 4,459 and 25,323, respectively. Further, visitors to the Family Islands

Chart 1: Tourism Indicators at a Glance



Sources: Nassau Airport Development Co. & AirDNA

recovered to 263,610 from 24,743 in the prior year, as the air and sea segments rose to 31,132 and 232,478, respectively.

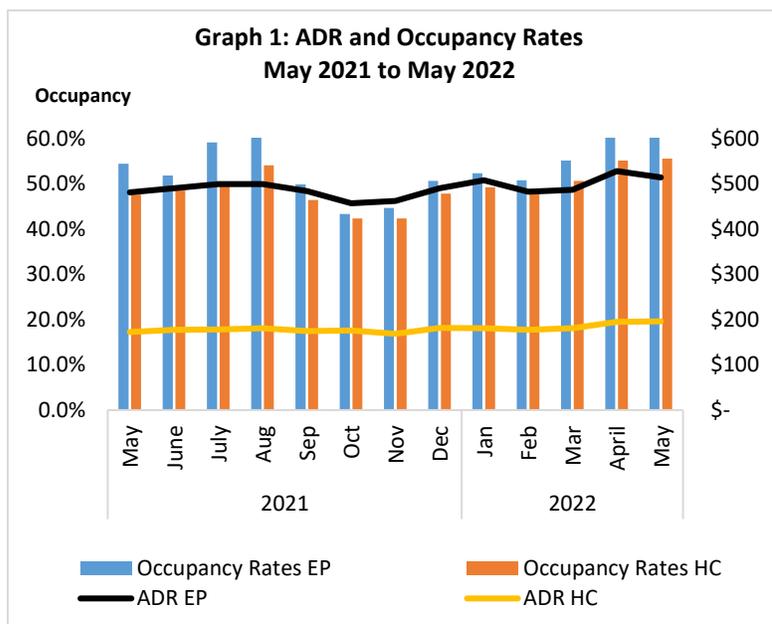
On a year-to-date basis, total arrivals rebounded to 1,933,351, compared to 184,685 in the corresponding 2021 period, when a decline of 89.1% was registered. Underlying this outturn, the air segment rose to 466,896 passengers, a reversal from a 53.1% contraction in the preceding year, reflecting a rise in traffic to all major markets. Similarly, sea arrivals increased to 1,466,455 visitors, following a decrease of 98.4% in 2021 (see Table 1).

Table 1: Total Visitor Arrivals January- April 2021

	New Providence (% Change)		Grand Bahama (% Change)		Family Islands (% Change)	
	2021	2022	2021	2022	2021	2022
Arrivals						
Air	-63.5	235.9	-56.1	203.9	6.2	88.0
Sea	-99.3	13901.4	-96.7	2005.6	-97.9	5588.4
Total	-87.5	776.8	-93.4	1029.7	-90.6	1212.4

Source: Ministry of Tourism

The most recent data provided by the Nassau Airport Development Company Limited (NAD) indicated that for the month of May, total departures—net of domestic passengers—rose to 112,493 from 55,662 in the same month of 2021. In particular, U.S. departures expanded to 94,467 from 54,362 in the prior year, while non-U.S. departures amounted to 18,026, vis-à-vis 1,300 in the previous year. On a year-to-date basis, total outbound traffic nearly tripled to 512,640, from 174,680 passengers in the preceding year, when a 53.0% contraction occurred. Supporting this outturn, U.S. departures recovered to 436,672 visitors, a reversal from the 46.3% falloff in 2021. Correspondingly, non-U.S. departures grew to 75,968, a shift from the 87.0% reduction in the corresponding period last year.



Source: AirDNA

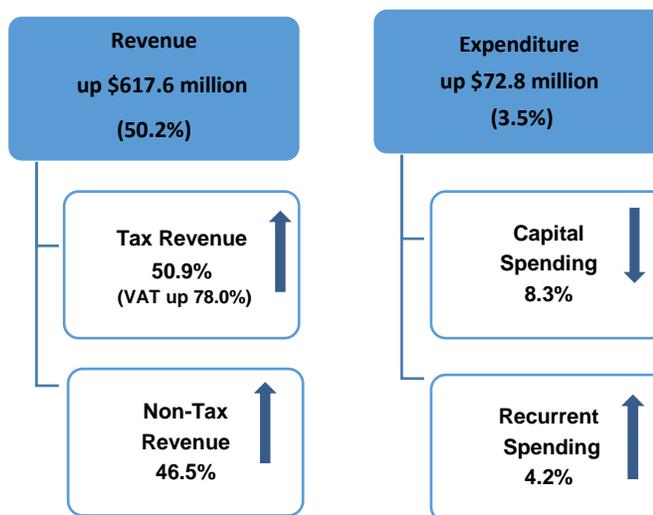
As it relates to the short-term vacation rental market, data provided by AirDNA mirrored these positive trends. In particular, during the month of May, total room nights sold advanced to 136,311, from 98,387 in the comparative 2021 period. Underlying this outturn, occupancy rates for both entire place and hotel comparable listings firmed to 54.7% and 51.7%, respectively, from 51.9% and 48.6% a year earlier. Further, as depicted in Graph 1, price indicators showed that year-over-year, the average daily room rate (ADR) for entire place appreciated by 5.6% to \$518.75 and hotel comparable listings, by 8.6% to \$192.69.

Fiscal

Preliminary data on the Government's budgetary operations for the nine months of FY2021/22 revealed that the deficit narrowed considerably to \$334.3 million from \$879.0 million in the comparable FY2020/21 period. The outcome reflected a \$617.5 million (50.2%) expansion in total revenue to \$1,847.3 million, which outstripped the \$72.8 million (3.5%) increase in aggregate spending to \$2,181.6 million.

The growth in revenue collections was bolstered by a \$526.4 million (50.9%) recovery in tax receipts. Specifically, taxes on goods and services grew by \$325.6 million (42.1%) to \$1,098.4 million, as VAT collections expanded by \$366.3 million (78.0%), to \$836.1 million, reflecting the recovery in economic activity. In addition, stamp taxes related to financial and realty transactions rose by \$11.0 million (26.3%), to \$52.6 million. Likewise, revenue from gaming taxes more than doubled to \$37.5 million from \$16.4 million in the prior year. Taxes on the use or supply of goods and services also rose by \$10.0 million (8.6%) to \$126.1 million, on account of higher intake from business licenses (\$7.0 million), marine licenses (\$2.3 million) and motor vehicle taxes (\$0.9 million). Meanwhile, proceeds from international trade and transactions—inclusive of exports, customs & other import duties and departure taxes—more than doubled to \$346.6 million, from \$163.0 million a year earlier, reflective of the rebound in tourism sector activity. Further, property tax collections increased by \$9.8 million (10.2%) to \$106.4 million; while general stamp taxes surged to \$9.1 million from \$1.6 million in the prior year. Non-tax revenue expanded by \$90.9 million (46.5%) to \$286.6 million, as receipts from the sale of goods and services moved higher by \$58.6 million (52.4%), while property income advanced to \$64.9 million, from \$19.0 million a year earlier.

Chart 2: Budgetary Operations at a Glance
Nine Months of FY2021/2022



Source: The Ministry of Finance

The rise in aggregate expenditure was owing primarily to an increase of \$80.7 million (4.2%) in recurrent spending, to \$2,021.5 million. Underpinning this outturn, interest payments rose by \$69.7 million (26.4%), to \$333.8 million, vis-à-vis the same period in FY2020/21, attributed to elevated borrowings related to the COVID-19 pandemic. In addition, outlays for employee compensation moved higher by \$24.4 million (4.7%) to \$538.3 million; the use of goods & services, by \$21.8 million (5.7%) to \$403.0 million and subsidies, by \$21.3 million (6.5%) to \$351.3 million. Further, other “miscellaneous” outlays grew by \$14.1 million (8.0%), to \$189.0 million, largely attributed to a growth in insurance premium payments. In a modest offset, spending for social benefits fell by \$70.8 million (26.2%) to \$199.6 million. Meanwhile, capital outlays decreased by \$7.8 million (4.7%) to \$160.1 million, explained by a \$9.3 million (20.9%) reduction in capital transfers to \$35.1 million.

2022/2023 Budget Communications Highlights

The Government's Budget Communication for FY2022/2023 entitled “The Way Forward”, was presented in Parliament on May 25, 2022, and approved in June 2022. It conveyed the overarching objective of

Chart 3: FY2022/2023 Budget Highlights

strengthening economic growth, and advancing the country’s recovery from the COVID-19 pandemic. The articulated policies focused on rebuilding and revolutionizing economic activity, expanding support related to COVID-19, and stimulating the creation and expansion of jobs and ownership opportunities.

In the 2022/23 Budget, the Government plans to improve economic sustainability via extensive tariff relief efforts, and revenue collection enhancement measures. In this regard, the Budget forecasted a revenue intake of \$2.8 billion in FY2022/23, a \$465.6 million (19.9%) increase from the revised estimated revenue for FY2021/22, led by a forecasted 52.5% rise in value added tax (VAT) collections.

With regard to revenue measures, no general increase in taxes nor rates are scheduled for FY2022/23, consistent with the Government’s goal of counteracting rising living costs. However, the Government expects to boost yields by strengthening tax compliance and via the introduction of new and targeted fees. These include, the reconstruction of the Revenue Enhancement Unit (REU), an increase in the maximum cap on property tax on owner occupied property to \$120,000 from \$60,000, the introduction of business licenses for financial service providers, the introduction of business license fees to insurance institutions, along with the removal of the premium tax and the re-imposition of business license fees on commercial banks.

The Government also announced a number of tax relief measures, which include reductions on duty rates for roofing and plumbing materials and electrical and building supplies. Similarly, import duty on electric cars was decreased to 10.0% for those valued under \$70,000 and 25.0% for values over \$70,000. In addition, elimination of duty on telecommunications equipment was proposed to allow Utilities Regulation and Competition Authority (URCA) licensees to benefit from a reduction in communication fees for emerging technologies investments on the Family Islands. Further, to stimulate the real estate sector, the Government extended VAT exemptions to include realty transactions valued above \$250,000, but below \$300,000 for first time home buyers. The Government announced the elimination of VAT on property transfers between joint tenants of property, if the value is below \$1.0 million.

In terms of expenditures, which is forecasted at \$3.4 billion, recurrent outlays are planned at approximately \$3.0 billion, slightly above the revised \$2.9 billion approved projected outcome for FY2021/22. However,

Revenue Measures	Expenditure Measures
<ul style="list-style-type: none"> • Enhance revenue collections with the reconstruction of the Revenue Enhancement Unit. • Increase in the maximum cap on property tax on owner occupied property. • Introduction of business licenses for financial service providers and insurance companies. • Re-imposition of business license fees on commercial banks. • Increase in real property tax fee of 75% for high-end properties. • Increase in real property tax exemption on owner-occupied properties from 250,000 to 300,000. • Elimination of VAT on property transfers between joints tenants of property. • Duty reduction on food items. • Elimination of VAT on telecommunications equipment. • VAT reduced from 12.0% to 10.0% across goods and services. 	<ul style="list-style-type: none"> • Increase in agriculture allocations. • Increase in funding for food assistance. • Increase in public health allocations. • Allocations to business support programs. • Allocations to national security agencies. • Allocations to infrastructure upgrades. • Allocations to renewable energy projects. • Increase in social assistance benefits. • Increase in funding for Ministry of Youth Sports and Culture.

Source: Bahamas Government Budget Communication FY2022/2023

capital spending is provisioned at \$371.1 million, exceeding the revised \$318.2 million estimates for FY2021/22. With regard to major expenditure measures, increased allocations are scheduled to support domestic food security initiatives, including the provision of greenhouses and other smart technology on the Family Islands, and relevant training and capacity building (\$1.5 million), the supply of livestock (\$1.1 million), the restoration of the Gladstone Road feed mill (\$0.3 million) and grants to farmers (\$0.5 million). As it relates to the health care sector, the Government allocated \$150.0 million to improve hospital infrastructure in Grand Bahama. In addition, \$10.0 million was budgeted for catastrophic health care. As it pertains to renewable energy efforts, allocations were made for the Reconstruction with Resilience in the Energy Sector of The Bahamas (\$21.0 million), to assist with the rehabilitation of critical energy infrastructure and restoration of electricity service in islands heavily impacted by Hurricane Dorian. In addition, the Government budgeted \$6.0 million to improve national security services. Further, \$1.0 million was allocated to facilitate the hosting of CARIFTA, while grants for the Ministry of Youth Sports and Culture rose by 10.0%.

Based on the current economic outlook, the Government estimated a fiscal deficit of \$564.0 million, or 4.3% of GDP for FY2022/23. This is projected lower than both the originally budgeted \$951.8 million and revised budgeted \$858.6 million deficits for FY2021/22.

Prices

Reflective of the pass-through effects of higher international oil prices, average consumer price inflation—as measured by changes in the average Retail Price Index for The Bahamas—increased to 3.6% during the twelve months to March, from 0.1% in the same period of 2021. Contributing to this development, average costs for transport rose by 13.4%; for communication, by 12.5%, and for education, by 2.3%, after posting respective reductions in the prior year. In addition, average inflation accelerated for clothing and footwear (5.5%), alcohol beverages, tobacco & narcotics (4.6%), health (4.3%), food & non-alcoholic beverages (4.2%), restaurant and hotels (3.8%), housing, water, gas, electricity & other fuels (2.6%), and furnishing, household equipment & maintenance (2.6%). In contrast, average prices for miscellaneous goods & services decreased by 2.3%, following a gain in 2021; while the falloff in average costs for recreation & culture extended to 3.1%.

2. Monetary Trends

May 2022 vs. 2021

Liquidity

Monetary developments during the month of May featured a buildup in bank liquidity, as the expansion in the deposit base outpaced the growth in domestic credit. In particular, excess reserves—a narrow measure of liquidity—grew by \$111.9 million to \$2,043.9 million, extending last year's accumulation of \$89.5 million. Likewise, excess liquid assets—the broad measure of liquidity—rose by \$70.5 million to \$2,836.4 million, exceeding the \$38.1 million increase in 2021.

External Reserves

During the review month, external reserves contracted by \$64.6 million to \$3,002.1 million, a switch from a growth of \$126.6 million a year earlier. Reflective of this outturn, the Central Bank's transactions with the public sector reversed to a net sale of \$154.8 million from a net purchase of \$102.7 million in the previous year. By contrast, the Central Bank's net purchase from the commercial banks broadened to \$88.2 million

from \$15.3 million in the preceding year. Further, commercial banks net intake from their clients widened to \$102.3 million from \$16.2 million in the prior year.

Exchange Control Sales

Provisional data on foreign currency sales for current account transactions showed that monthly outflows increased by \$51.3 million to \$599.2 million in May, relative to the same period in 2021. Specifically, payments for non-oil imports moved higher by \$33.9 million and “other” current items—primarily credit and debit card financed imports—by \$29.9 million. Further, outflows for oil imports grew by \$5.1 million and travel related transactions, by \$2.3 million. Conversely, decreases were posted for factor income, by \$16.6 million and transfer payments, by \$3.4 million.

Domestic Credit

Bahamian Dollar Credit

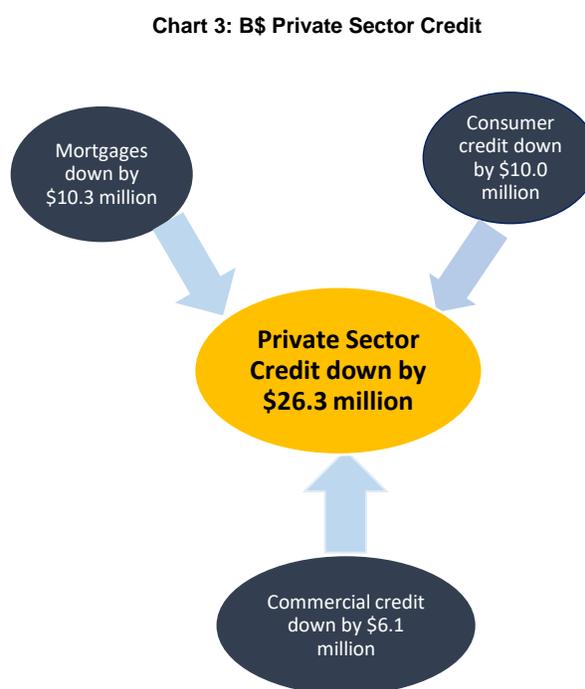
Total Bahamian dollar credit expanded by \$141.1 million, vis-à-vis a \$45.7 million retrenchment in the same period last year. Underlying this outturn, net claims on the Government rose by \$129.8 million, a shift from the \$36.6 million reduction in 2021. Similarly, credit to public corporations grew by \$37.6 million, extending the \$0.5 million uptick in the preceding year. In contrast, the falloff in private sector credit broadened to \$26.3 million from \$9.6 million a year earlier. Specifically, mortgages declined by \$10.3 million; consumer credit by \$10.0 million and commercial credit by \$6.1 million.

Foreign Currency Credit

Domestic foreign currency credit rose by \$79.1 million during the review month, contrasting with a \$5.1 million decrease a year earlier. In particular, private sector credit increased by \$82.4 million, a reversal from a \$5.2 million retrenchment last year. Specifically, mortgages grew by \$54.2 million and commercial and other loans by \$28.2 million, following respective reductions of \$0.1 million and \$5.1 million in the previous year. Providing some offset, net claims on the Government declined by \$3.3 million, a turnaround from a \$0.1 million uptick in the prior year. Meanwhile, credit to public corporations registered a flat outturn.

Credit Quality

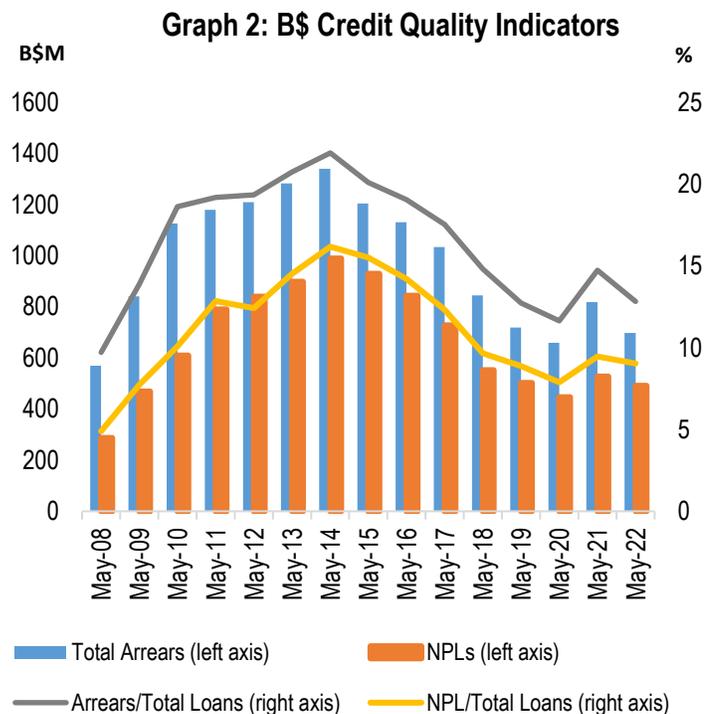
During May, commercial bank’s credit quality indicators improved, reflective of a decline in short-term arrears. Specifically, total private sector arrears decreased by \$28.3 million (3.9%) to \$697.3 million, with the attendant ratio narrowing by 55 basis points to 12.8%. An analysis by average age of delinquency showed that, short-term arrears (31-90 days) reduced by \$29.5 million (12.5%) to \$205.8 million, lowering the associated ratio



Source: Central Bank of The Bahamas

by 55 basis points to 3.8%. In contrast, non-performing loans (NPLs) increased marginally by \$1.2 million (0.3%) to \$491.4 million, with the corresponding ratio remaining unchanged at 9.0%.

Disaggregated by loan category, mortgage arrears contracted by \$16.6 million (4.0%) to \$400.8 million, owing to declines in short-term arrears by \$14.2 million (9.5%) and NPLs by \$2.4 million (0.9%). Likewise, consumer delinquencies fell by \$9.4 million (3.9%) to \$230.8 million, as the short-term segment decreased by \$5.6 million (8.9%) and the non-accruals component by \$3.8 million (2.1%). Similarly, commercial arrears reduced by \$2.4 million (3.5%) to \$65.7 million, attributed to a \$9.8 million (42.2%) falloff in short-term arrears, which outstripped the \$7.4 million (16.5%) growth in the long-term segment.



Source: Central Bank of The Bahamas

Banks reduced their total provisions for loan losses by \$4.7 million (1.0%) to \$473.4 million in May. Consequently, the ratio of total provisions to non-performing loans moved lower by 1.2 percentage points to 96.3%. However, the ratio of total provisions to arrears rose by 2.0 percentage points to 67.9%. Meanwhile, the coverage ratio of specific provisions to non-accruals fell by 1.2 percentage points to 76.6%. During the review month, banks wrote-off an estimated \$8.0 million in bad loans and recovered approximately \$4.4 million.

In comparison to May 2021, the total private sector arrears rate reduced by 1.9 percentage points. In particular, the short-term component decreased by 1.5 percentage points and the long-term category by 0.4 percentage points. By loan type, the arrears rate on mortgages declined by 2.6 percentage points; commercial credit, by 2.4 percentage points and consumer loans, by 0.7 percentage points.

Deposits

During the review month, total Bahamian dollar deposits expanded by \$146.2 million, extending the \$68.2 million rise in the corresponding period of 2021. In terms of the components, the growth in demand balances accelerated to \$155.2 million from \$79.0 million a year earlier. Further, savings deposits grew by \$16.9 million, a reversal from a \$3.9 million contraction last year. In contrast, the reduction in fixed deposits accelerated to \$25.9 million from \$7.0 million in the prior year. Meanwhile, foreign currency deposits rose by \$15.8 million, in contrast to the prior year's \$23.2 million decline.

Interest Rates

In interest rates developments, banks' weighted average loan rate decreased by 25 basis points to 10.97%. Likewise, the weighted average deposit rate fell by 12 basis points to 0.40%, with the highest rate of 3.75% offered on fixed balances over 12 months.

3. Domestic Outlook

Expectations are that the domestic economy will maintain its recovery trajectory in 2022, with further strengthening supported by ongoing improvements in tourism sector output. Nonetheless, risks to the industry persist, as emerging strains of the COVID-19 virus could potentially undermine the progress made on the international health front and disrupt travel sector activity. In addition, the rise in global fuel prices could weaken the travel industry's competitiveness, while the major central banks' counter-inflation policies could diminish the travel spending capacity of key source market consumers. However, new and ongoing foreign investment-led projects, combined with post-hurricane rebuilding works, are anticipated to provide impetus via the construction sector, and by extension economic growth.

In the labor market, the unemployment rate is projected to remain above pre-pandemic levels, with any job gains concentrated predominantly in the construction sector and the full rehiring of tourism sector employees. With regard to prices, inflationary pressures are predicted to remain elevated, owing to the rise in international oil prices, higher costs for other imported goods and supply chain shortages, related to geopolitical tensions in Eastern Europe.

On the fiscal front, the Government's net financing gap is expected to stay elevated, albeit trending downwards. Specifically, the Government's fiscal position will be mainly impacted by ongoing disbursements for the required health and social welfare outlays related to COVID-19, and spending still associated with the restoration of key infrastructure following the major hurricane in 2019. Meanwhile, the recovery in revenue is anticipated to be significantly linked to tourism-led improving trends in taxable economic activity. Financing of the estimated budgetary gap is expected to require both domestic and external borrowings, but with a likely increased ratio of the total funding coming from domestic sources.

Monetary sector developments should continue to feature high levels of banking sector liquidity, as commercial banks maintain their conservative lending posture. Further, external reserves are forecasted to remain robust over the year, undergirded by anticipated foreign currency inflows from tourism and other net private sector receipts, thus ending 2022 above international benchmarks. Consequently, external balances should remain more than adequate to sustain the Bahamian dollar currency peg.

4. Monetary Policy and Financial Stability Implications

In this environment, the Central Bank will retain its accommodative policy stance for private sector credit and pursue policies that ensure a favorable outturn for external reserves, and mitigate financial sector disruptions. The Bank will also continue to monitor developments within the foreign exchange market, and if necessary, adopt appropriate measures to support a favourable outcome for the foreign reserves.

APPENDIX

International Developments

Global economic conditions revealed a mixed outcome during the month of May. Geopolitical tensions in Eastern Europe and the persistence of the COVID-19 virus contributed to sluggish economic growth and continued to fuel a rise in inflation. In this environment, some of the major central banks tightened their monetary policy stances, in an effort to mitigate the effect of higher inflation.

Developments in the United States were mildly positive over the review period. Specifically, industrial production grew by 0.2% in May, albeit a sharp deceleration from the previous month's 1.4% increase, reflecting a moderation in the growth in utilities output and a falloff in manufacturing. In contrast, retail sales reduced by 0.3% in May, compared with a 0.7% increase a month earlier, mainly attributed to a decline in general merchandise sales. Regarding the labor market, the jobless rate was unchanged at 3.6% in May, relative to the prior month; although total non-farm payroll employment rose by 390,000, with notable gains registered in leisure & hospitality, professional & business services, and transportation and warehousing. Further, the consumer price index firmed by 1.0% in the review month, following an increase of 0.3% in April, led by a significant rise in energy costs. On the external front, the trade deficit reduced by 19.1% to \$87.1 billion in April, reflecting a 3.5% rise in exports and a 3.4% decline in imports. In this environment, the Federal Reserve raised its benchmark interest rate to a range of 1.50%-1.75% from 0.75%-1.00%, with subsequent increases anticipated in an attempt to curb inflation.

Economic indicators for Europe revealed a mixed performance during the review period. In the United Kingdom, the decline in real GDP accelerated to 0.3% in April, compared with 0.1% in the prior month, reflecting broad-based reductions across major sectors. Retail sales volumes rose by 1.4% in April, a turnaround from the 1.2% contraction recorded in the previous month, owing largely to increased sales for petrol, clothing, and alcohol and tobacco. However, the decrease in industrial production quickened to 0.6% from 0.2% in March, due primarily to a reduction in manufacturing. In addition, the consumer price index rose by 0.7% in May, although a slowdown from the 2.5% rise a month earlier. Meanwhile, labour market conditions improved in the three months to April, as the jobless rate fell by 20 basis points to 3.8%, reflecting the addition of 90,000 workers to the labour force. In external sector developments, the trade deficit narrowed by £1.8 billion (8.0%) to £20.6 billion in April, as exports rose by 7.4%, overshadowing the 0.7% growth in imports. In the euro area, industrial production grew by 0.4% in April, contrasting with a 1.8% decline in the previous month. However, retail sales volumes fell by 1.3%, after an increase of 0.5% in March, driven by reduced sales in food, drinks & tobacco, and non-food products (excluding automotive fuel). Meanwhile, the unemployment rate was unchanged at 6.8% in April, vis-à-vis the preceding month. Further, consumer price inflation accelerated by 70 basis points to 8.1% in May, relative to the previous month, mainly due to upticks in the costs of energy, food, alcohol & tobacco, services, and non-energy industrial goods. On the external front, the euro area recorded a trade deficit of €32.4 billion in April, contrasting with a surplus of €14.9 billion a year earlier, as the 39.4% surge in imports, outpaced the 12.6% rise in exports. Given these developments, the Bank of England increased its key policy rate to 1.25% from 1.00%, in an effort to curtail inflation and sustain economic growth. Meanwhile, the European Central Bank retained its interest rates on its main refinancing operations, the marginal lending facility and the deposit facility, at 0.00%, 0.25% and -0.50%, respectively.

Within the Asian economies, indicators varied in performance over the review month. Specifically, in China, industrial production grew by 5.6% in May, a reversal from the month earlier reduction of 5.8%. In addition, retail sales edged up by 0.1% during the review month, following a decrease of 0.7% in April. Further, labour market conditions improved, as the unemployment rate fell by 20 basis points, over the month, to 5.9%. Meanwhile, the annualized growth in the consumer price index was unchanged at 2.1% in May. Moreover, the trade surplus expanded by \$27.7 million (54.2%) to \$78.8 billion in May, vis-à-vis the month earlier, as the 12.7% gain in exports outstripped the 3.1% rise in imports. In Japan, real GDP contracted by an annualized rate of 0.5% during the first quarter of the year, vis-à-vis a 4.0% growth in the previous quarter. Meanwhile, industrial production fell by 1.5% in April, extending the 0.3% decrease in the prior month, underpinned by declines in electronic parts & devices, production machinery and motor vehicles. Further, the increase in retail sales slowed to 0.8% in April, from 2.0% a month earlier. In terms of the labour market, the unemployment rate decreased by 10 basis points to 2.5% during the review month. In trade developments, Japan recorded a surge in its deficit to ¥2,384.7 billion in May—the largest deficit recorded in eight years—from ¥842.8 billion in the prior month, owing to a 48.9% expansion in imports, which overshadowed the 15.8% increase in exports. Against this backdrop, the Bank of Japan sustained its policy rate at -0.1%, while the People's Bank of China kept its reverse repo rate unchanged at 2.10%.

The major equity markets reported mainly positive movements in May. In Asia, China's SE Composite and Japan's Nikkei 225 grew by 4.6% and 1.6%, respectively. Similarly, the German DAX and the United Kingdom's FTSE 100 registered respective gains of 2.1% and 0.8%. Meanwhile, in the United States, the Dow Jones Industrial Average (DIJA) and the S&P 500 indices were relatively stable over the review period. In contrast, the French CAC 40 fell by 1.0%.

In currency market developments, the US dollar weakened relative to most of the major currencies during the review month. The largest depreciations occurred against the euro, by 1.8% to €0.9316; the Canadian Dollar, by 1.6% to CAD\$1.2647; and the Swiss Franc, by 1.3% to CHF0.9595. In addition, the US dollar decreased vis-à-vis the Japanese Yen, by 0.8% to ¥128.67, and the British Pound, by 0.2% to £0.7935. Conversely, the US dollar strengthened against the Chinese Renminbi, by 1.0% to CNY6.6718.

Outcomes varied among the commodity markets during the month of May. Specifically, the cost of crude oil grew by 1.6% to \$109.36 per barrel in May. Further, OPEC's crude oil production reduced by 176 thousand barrels per day, to 28.5 million barrels per day during the review month. In contrast, the prices of silver declined by 5.4% to \$21.55 per troy ounce and gold, by 3.1% to \$1,837.35 per troy ounce.

Recent Monetary and Credit Statistics

(B\$ Millions)

May					
Value		Change		Change YTD	
2021	2022	2021	2022	2021	2022

1.0 LIQUIDITY & FOREIGN ASSETS

1.1 Excess Reserves	1,537.75	2,043.92	89.49	111.93	101.49	503.61
1.2 Excess Liquid Assets	2,305.66	2,836.40	38.05	70.47	75.95	402.66
1.3 External Reserves	2,380.34	3,002.08	126.58	-64.55	-0.25	542.92
1.4 Bank's Net Foreign Assets	-8.88	280.95	-3.64	-57.71	89.03	195.99
1.5 Usable Reserves	1,175.93	1,543.04	29.83	-69.32	-79.26	277.68

2.0 DOMESTIC CREDIT

2.1 Private Sector	5,677.12	5,573.21	-14.80	56.06	-56.93	-15.11
a. B\$ Credit	5,535.66	5,375.12	-9.64	-26.29	-53.23	-85.79
of which: Consumer Credit	1,990.68	1,848.61	-10.12	-9.96	-46.17	-42.17
Mortgages	2,783.41	2,716.84	-4.14	-10.26	-11.43	-29.27
Commercial and Other Loans B\$	761.57	809.68	4.62	-6.07	4.38	-14.36
b. F/C Credit	141.47	198.09	-5.16	82.36	-3.70	70.68
of which: Mortgages	67.87	114.29	-0.09	54.20	4.59	45.27
Commercial and Other Loans F/C	73.60	83.79	-5.07	28.16	-8.29	25.41
2.2 Central Government (net)	2,689.80	2,819.57	-36.55	126.51	161.16	-125.80
a. B\$ Loans & Securities	2,859.94	3,020.50	15.16	14.82	129.35	-131.82
Less Deposits	340.92	295.08	51.78	-114.96	-31.37	-78.05
b. F/C Loans & Securities	174.13	102.17	0.00	0.00	0.03	-67.80
Less Deposits	3.35	8.01	-0.07	3.27	-0.40	4.23
2.3 Rest of Public Sector	329.55	352.99	0.52	37.63	6.31	36.38
a. B\$ Credit	284.10	322.99	0.52	37.63	7.93	36.38
b. F/C Credit	45.46	30.00	0.00	0.00	-1.62	0.00
2.4 Total Domestic Credit	8,696.47	8,745.78	-50.83	220.20	110.54	-104.54
a. B\$ Domestic Credit	8,338.77	8,423.54	-45.74	141.11	115.43	-103.19
b. F/C Domestic Credit	357.70	322.24	-5.10	79.09	-4.89	-1.35

3.0 DEPOSIT BASE

3.1 Demand Deposits	3,295.94	3,871.50	79.02	155.20	187.69	465.39
a. Central Bank	78.85	62.14	45.40	-4.25	26.62	0.77
b. Banks	3,217.09	3,809.36	33.62	159.45	161.07	464.62
3.2 Savings Deposits	1,792.79	1,992.36	-3.89	16.89	8.19	111.55
3.3 Fixed Deposits	2,233.16	2,148.86	-6.98	-25.89	-17.21	-31.94
3.4 Total B\$ Deposits	7,321.89	8,012.72	68.15	146.20	178.67	544.99
3.5 F/C Deposits of Residents	461.85	703.81	-23.17	15.83	34.52	170.83
3.6 M2	7,686.53	8,410.37	59.53	153.85	166.14	553.41
3.7 External Reserves/M2 (%)	30.97	35.69	1.42	-1.45	-0.69	4.40
3.8 External Reserves/Base Money (%)	107.70	108.17	1.77	-7.83	-4.67	-5.77
3.9 External Reserves/Demand Liabilities (%)	98.82	102.88	-2.92	-2.56	-6.95	-0.12
	Value		Year To Date		Change	
	2021	2022	2021	2022	Month	YTD

4.0 FOREIGN EXCHANGE TRANSACTIONS

4.1 Central Bank Net Purchase/(Sale)	118.01	-66.56	-6.45	551.15	-184.57	557.60
a. Net Purchase/(Sale) from/to Banks	15.32	88.21	7.47	431.82	72.89	424.35
i. Sales to Banks	43.00	31.80	125.58	148.10	-11.20	22.52
ii. Purchase from Banks	58.32	120.01	133.05	579.92	61.69	446.87
b. Net Purchase/(Sale) from/to Others	102.69	-154.77	-13.92	119.33	-257.46	133.25
i. Sales to Others	82.22	222.96	342.66	616.15	140.74	273.49
ii. Purchase from Others	184.91	68.19	328.74	735.48	-116.72	406.74
4.2 Banks Net Purchase/(Sale)	16.16	102.31	66.82	486.57	86.14	419.75
a. Sales to Customers	484.93	676.44	1920.04	2624.51	191.51	704.47
b. Purchase from Customers	501.09	778.74	1986.86	3111.08	277.65	1124.22

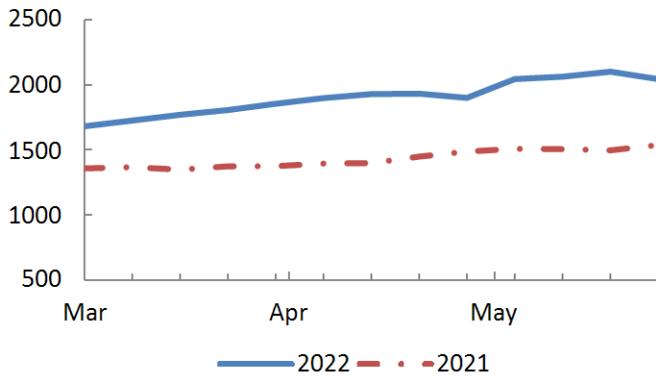
5.0 EXCHANGE CONTROL SALES

5.1 Current Items	547.89	599.18	2,151.41	2,658.88	51.29	507.48
of which Public Sector	82.18	3.67	290.35	284.46	-78.52	-5.89
a. Nonoil Imports	144.15	178.05	655.29	772.35	33.90	117.06
b. Oil Imports	54.22	59.33	142.62	289.79	5.10	147.17
c. Travel	11.33	13.59	51.09	57.92	2.26	6.82
d. Factor Income	53.43	36.88	193.49	207.49	-16.55	14.00
e. Transfers	17.86	14.49	85.38	66.86	-3.36	-18.52
f. Other Current Items	266.90	296.84	1,023.53	1,264.48	29.94	240.95
5.2 Capital Items	10.12	37.29	80.02	248.33	27.17	168.31
of which Public Sector	3.81	0.00	51.58	127.03	-3.81	75.45

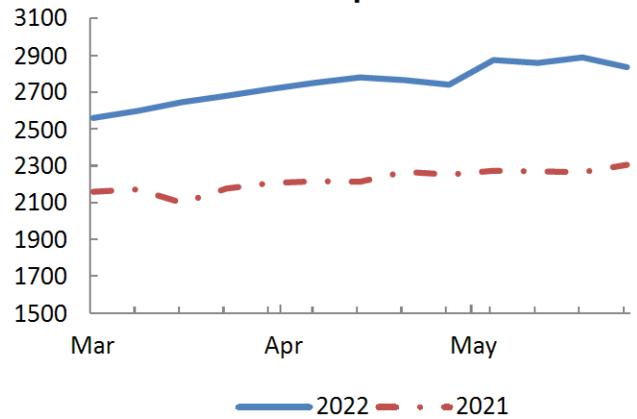
SELECTED MONEY AND CREDIT INDICATORS

(B\$ Millions)

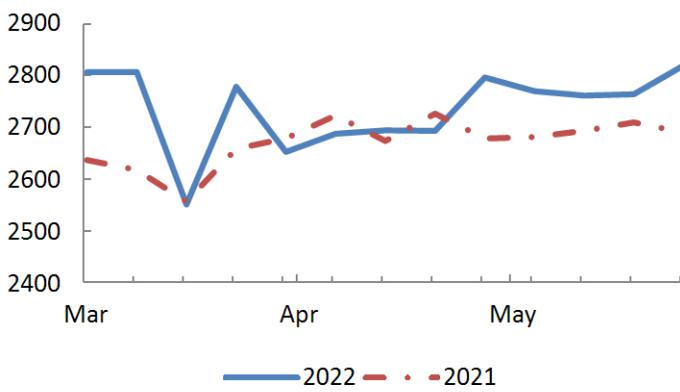
Excess Reserves



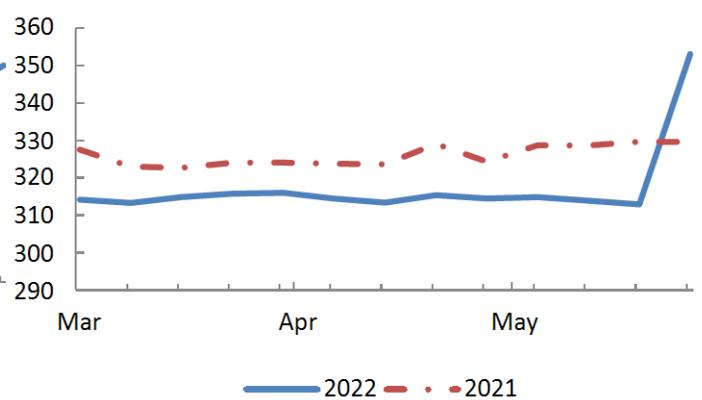
Excess Liquid Assets



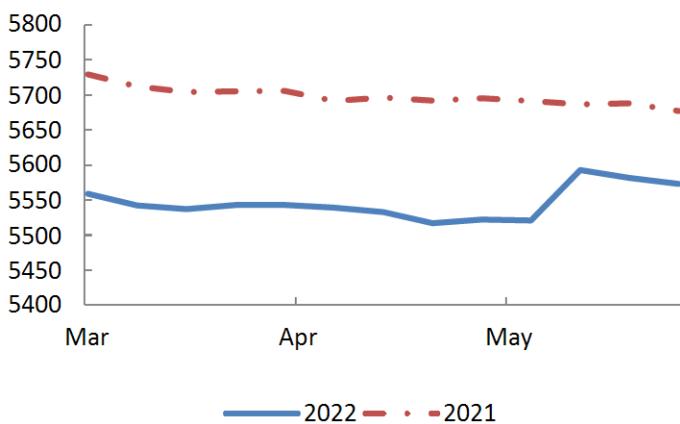
Central Govt. Credit (Net)



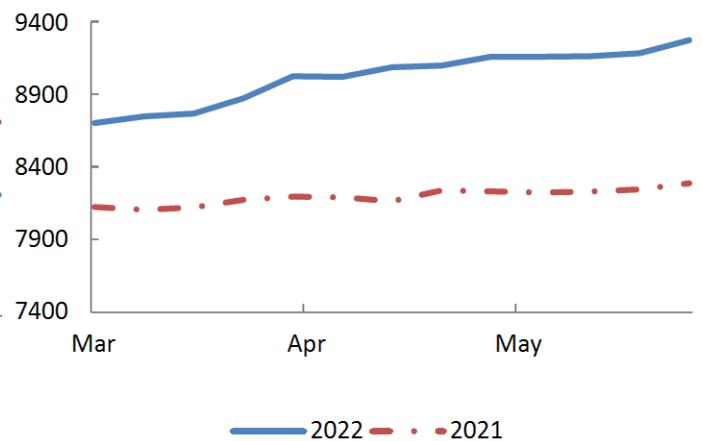
Rest of Public Sector Credit



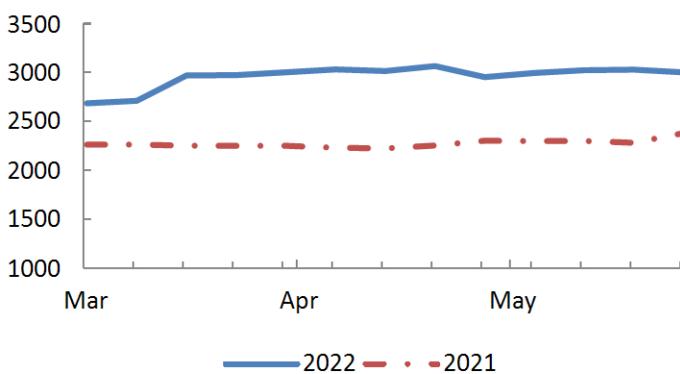
Private Sector Credit



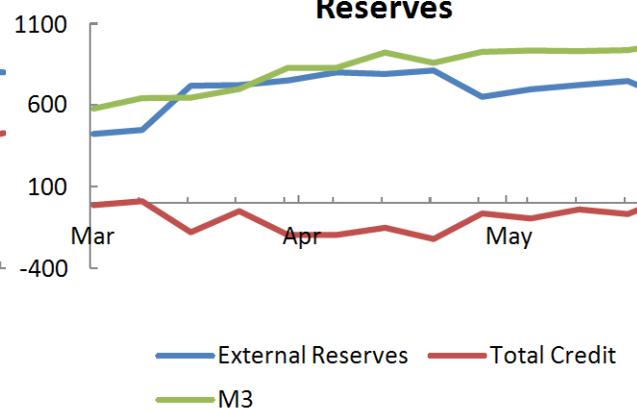
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External Reserves



Changes in Money, Credit & Ext. Reserves



Selected International Statistics

A: Selected Macroeconomic Projections (Annual % Change and % of labor force)						
	Real GDP		Inflation Rate		Unemployment	
	2021	2022	2021	2022	2021	2022
Bahamas	5.6	6.0	5.5	6.7	n/a	n/a
United States	5.7	3.7	4.7	7.7	5.4	3.5
Euro-Area	5.3	2.8	2.6	5.3	7.7	7.3
Germany	2.8	2.1	3.2	5.5	3.5	3.2
Japan	1.6	2.4	-0.3	1.0	2.8	2.6
China	8.1	4.4	0.9	2.1	4.0	3.7
United Kingdom	7.4	3.7	2.6	7.4	4.5	4.2
Canada	4.6	3.9	3.4	5.6	7.4	5.9

Source: IMF World Economic Outlook April 2022.

B: Official Interest Rates – Selected Countries (%)					
<i>With effect from</i>	CBOB	ECB (EU)	Federal Reserve (US)		Bank of England
	Bank Rate	Refinancing Rate	Primary Credit Rate	Target Funds Rate	Repo Rate
February 2020	4.00	0.00	2.25	0.00-0.25	0.25
March 2020	4.00	0.00	1.02	0.00-0.25	0.10
April 2020	4.00	0.00	0.25	0.00-0.25	0.10
May 2020	4.00	0.00	0.25	0.00-0.25	0.10
June 2020	4.00	0.00	0.25	0.00-0.25	0.10
July 2020	4.00	0.00	0.25	0.00-0.25	0.10
August 2020	4.00	0.00	0.25	0.00-0.25	0.10
September 2020	4.00	0.00	0.25	0.00-0.25	0.10
October 2020	4.00	0.00	0.25	0.00-0.25	0.10
November 2020	4.00	0.00	0.25	0.00-0.25	0.10
December 2020	4.00	0.00	0.25	0.00-0.25	0.10
January 2021	4.00	0.00	0.25	0.00-0.25	0.10
February 2021	4.00	0.00	0.25	0.00-0.25	0.10
March 2021	4.00	0.00	0.25	0.00-0.25	0.10
April 2021	4.00	0.00	0.25	0.00-0.25	0.10
May 2021	4.00	0.00	0.25	0.00-0.25	0.10
June 2021	4.00	0.00	0.25	0.00-0.25	0.10
July 2021	4.00	0.00	0.25	0.00-0.25	0.10
August 2021	4.00	0.00	0.25	0.00-0.25	0.10
September 2021	4.00	0.00	0.25	0.00-0.25	0.10
October 2021	4.00	0.00	0.25	0.00-0.25	0.10
November 2021	4.00	0.00	0.25	0.00-0.25	0.10
December 2021	4.00	0.00	0.25	0.00-0.25	0.25
January 2022	4.00	0.00	0.25	0.00-0.25	0.25
February 2022	4.00	0.00	0.25	0.00-0.25	0.50
March 2022	4.00	0.00	0.50	0.25-0.50	0.75
April 2022	4.00	0.00	1.00	0.75-1.00	1.00
May 2022	4.00	0.00	1.75	1.50-1.75	1.25

Selected International Statistics

C. Selected Currencies (Per United States Dollars)						
Currency	May-21	Apr-22	May-22	Mthly % Change	YTD % Change	12-Mth% Change
Euro	0.8179	0.9483	0.9316	-1.76	5.93	13.91
Yen	109.58	129.70	128.67	-0.79	11.81	17.42
Pound	0.7036	0.7953	0.7935	-0.22	7.38	12.78
Canadian \$	1.2064	1.2848	1.2647	-1.56	0.08	4.83
Swiss Franc	0.8989	0.9718	0.9595	-1.27	5.10	6.74
Renminbi	6.3701	6.6085	6.6718	0.96	4.97	4.74

Source: Bloomberg as of May 31, 2022

D. Selected Commodity Prices (\$)					
Commodity	May-21	Apr-22	May-22	Mthly % Change	YTD % Change
Gold / Ounce	1906.87	1896.93	1837.35	-3.14086	0.44555
Silver / Ounce	28.02692	22.7768	21.5500	-5.38618	-7.54366
Oil / Barrel	69.63	107.67	109.36	1.569611	38.08081

Source: Bloomberg as of May 31st, 2022

E. Equity Market Valuations –May 31, 2022 (% change)								
	BISX	DJIA	S&P 500	FTSE 100	CAC 40	DAX	Nikkei 225	SE
1 month	6.66	0.04	0.01	0.84	-0.99	2.06	1.61	4.57
3 month	8.20	-2.66	-5.53	2.00	-2.85	-0.50	2.84	-7.97
YTD	9.10	-9.21	-13.30	3.02	-9.57	-9.42	-5.25	-12.46
12-month	24.60	-4.46	-1.71	8.33	0.34	-6.70	-5.48	-11.87

Sources: Bloomberg and BISX

F: Short Term Deposit Rates in Selected Currencies (%)			
	USD	GBP	EUR
o/n	0.8850	1.0000	-0.5550
1 Month	1.2250	1.1900	-0.5250
3 Month	1.6750	1.4050	-0.3700
6 Month	2.2150	1.7750	0.0025
9 Month	2.4500	1.9950	0.1950
1 year	2.7525	2.1400	0.4000

Source: Bloomberg as of May 31, 2022

Summary Accounts of the Central Bank
(B\$ Millions)

	VALUE								CHANGE							
	Apr. 13	Apr. 20	Apr. 27	May. 04	May. 11	May. 18	May. 25	Jun. 01	Apr. 13	Apr. 20	Apr. 27	May. 04	May. 11	May. 18	May. 25	Jun. 01
I. External Reserves	3,032.40	3,015.74	3,066.63	2,953.72	2,996.08	3,024.19	3,029.74	3,002.08	29.62	(16.66)	50.89	(112.90)	42.36	28.12	5.55	(27.66)
II. Net Domestic Assets (A + B + C + D)	(436.36)	(375.45)	(422.98)	(331.56)	(249.64)	(256.54)	(227.32)	(226.82)	11.69	60.91	(47.53)	91.42	81.92	(6.90)	29.22	0.51
A. Net Credit to Gov't (I + ii + iii -iv)	302.78	341.73	318.20	434.23	419.85	393.60	422.88	428.69	20.68	38.96	(23.53)	116.03	(14.38)	(26.25)	29.28	5.81
i) Advances	205.00	205.00	205.00	205.00	205.00	205.00	205.00	205.00	-	-	-	-	-	-	-	-
ii) Registered Stock	319.83	320.11	311.44	311.79	303.66	303.70	304.00	304.12	(3.68)	0.28	(8.67)	0.36	(8.13)	0.04	0.30	0.12
iii) Treasury Bills	14.98	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	14.98	(14.98)	-	-	-	-	-	-
iv) Deposits	237.04	183.38	198.24	82.57	88.81	115.10	86.12	80.42	(9.37)	(53.66)	14.86	(115.67)	6.24	26.29	(28.98)	(5.69)
B. Rest of Public sector (Net) (i+ii-iii)	(82.96)	(91.12)	(59.42)	(65.78)	(69.59)	(50.46)	(52.27)	(55.29)	13.79	(8.16)	31.70	(6.36)	(3.80)	19.12	(1.80)	(3.02)
i) Loans	1.88	1.88	1.88	1.75	1.75	1.75	1.75	1.75	-	-	-	(0.13)	-	-	-	-
ii) Bonds/Securities	5.10	5.10	5.10	5.10	5.10	5.10	5.10	5.10	-	-	-	-	0.00	-	0.00	-
iii) Deposits	89.93	98.09	66.39	72.63	76.44	57.31	59.12	62.14	(13.79)	8.16	(31.70)	6.24	3.81	(19.12)	1.81	3.02
C. Loans to/Deposits with Banks	-	-	-	-	-	-	-	-	-							
D. Other Items (Net)*	(656.18)	(626.06)	(681.76)	(700.01)	(599.90)	(599.68)	(597.94)	(600.22)	(22.77)	30.12	(55.70)	(18.24)	100.10	0.23	1.73	(2.28)
III. Monetary Base	2,596.03	2,640.29	2,643.64	2,622.16	2,746.44	2,767.65	2,802.42	2,775.26	41.31	44.26	3.36	(21.48)	124.28	21.21	34.76	(27.16)
A. Currency in Circulation	534.82	539.07	538.70	547.74	526.96	527.88	524.73	548.55	9.01	4.25	(0.37)	9.04	(20.79)	0.93	(3.15)	23.82
B. Bank Balances with CBOB	2,061.21	2,101.22	2,104.94	2,074.42	2,219.48	2,239.77	2,277.68	2,226.71	32.30	40.00	3.73	(30.53)	145.07	20.29	37.91	(50.97)

FISCAL/REAL SECTOR INDICATORS

(BS MILLIONS)

(% change represents current period from previous period)

			JUL-SEP						OCT-DEC						JAN-MAR				APR-JUN		YEAR TO DATE	
			2020/2021	2021/2022					2020/2021	2021/2022					2020/2021	2021/2022			2020/2021	2021/2022	2020/2021	2021/2022
																						(Over previous year)
Fiscal Operations^P																						
1. Government Revenue & Grants					300.8	578.3					372.4	548.8					556.6	720.2			1229.8	1847.3
% change: over previous quarter					-10.4%	-14.7%					23.8%	-5.1%					49.5%	31.2%			-30.1%	50.2%
2. Value Added Tax					134.7	277.2					151.7	259.8					183.4	299.0			469.8	836.1
% change: over previous quarter					-1.5%	2.7%					12.6%	-6.3%					20.9%	15.1%			-36.4%	78.0%
3. Import/Excise Duties					82.5	89.2					92.1	68.6					88.6	69.4			263.1	227.2
% change: over previous quarter					212.5%	-32.0%					11.7%	-23.2%					-3.9%	1.2%			-34.8%	-13.7%
4. Recurrent Expenditure					585.6	668.5					712.7	642.9					642.6	710.2			1940.9	2021.5
% change: over previous quarter					-18.1%	-28.3%					21.7%	-3.8%					-9.8%	10.5%			6.8%	4.2%
5. Capital Expenditure					60.4	64.3					49.0	39.4					58.6	56.4			167.9	160.1
% change: over previous quarter					-68.0%	-68.3%					-18.8%	-38.8%					19.5%	43.3%			-15.6%	-4.7%
6. Deficit/Surplus*					-345.2	-154.5					-389.3	-133.4					-144.5	-46.4			-879.0	-334.3
% change: over previous quarter					-39.2%	-66.2%					12.8%	-13.7%					-62.9%	-65.2%			241.0%	-62.0%
Debt^{P **}																						
7. Total Direct Debt	9,440.3	10,182.8	9,482.5	10,157.6	9,526.6	10,532.4	9,521.3	10,393.3	9,719.0	10,395.0												
% change: over previous month	0.2%	-1.3%	0.4%	-0.2%	0.5%	3.6%	-0.1%	-1.3%	2.1%	0.02%												
8. External Debt	4,028.6	4,327.4	4,004.4	4,308.3	4,007.8	4,732.8	4,010.5	4,625.9	4,161.3	4,631.5												
% change: over previous month	-0.1%	-0.4%	-0.6%	-0.4%	0.1%	9.0%	0.1%	-2.3%	3.8%	0.1%												
9. Internal F/C Debt	180.4	112.6	180.4	112.6	180.4	112.6	180.4	108.5	180.4	108.5												
% change: over previous month	0.0%	-36.1%	0.0%	0.0%	0.0%	0.0%	0.0%	-3.8%	0.0%	0.0%												
10. Bahamian Dollar Debt	5,231.2	5,742.8	5,297.6	5,736.7	5,338.3	5,686.9	5,330.4	5,658.8	5,377.2	5,655.0												
% change: over previous month	0.5%	-0.9%	1.3%	-0.1%	0.8%	-0.9%	-0.1%	-0.5%	0.9%	-0.1%												
11. Total Amortization	27.0	482.2	35.8	112.8	95.7	210.7	92.9	293.5	128.1	91.8												
% change: over previous month	-59.4%	372.7%	24.7%	-327.4%	62.6%	46.5%	-2.9%	28.2%	37.8%	-68.7%												
12. Total Public Sector F/C Debt	4,768.3	4,952.3	4,744.1	4,933.2	4,738.1	5,351.1	4,740.8	5,240.0	4,891.6	5,245.6												
% change: over previous month	-0.3%	-1.6%	-0.5%	-0.4%	-0.1%	7.8%	0.1%	-2.1%	3.18%	0.11%												
Real Sector Indicators																						
13. Retail Price Index	109.7	113.93	109.8	114.0	109.9	115.1																
% change: over previous month	0.8%	3.8%	1.4%	3.8%	1.4%	4.7%																
14. Tourist arrivals (000's)	23.6	312.2	29.5	411.3	62.8	623.1	68.8	586.6														
% change: over previous year	-96.6%	1221.8%	-95.9%	1293.8%	-79.2%	892.8%	159879.1%	752.7%														
15. Air arrivals (000's)	20.8	71.9	25.7	101.8	56.4	147.6	60.3	145.4														
% change: over previous year	-83.4%	245.8%	-82.5%	295.8%	-25.5%	161.9%	548127.3%	141.1%														
16. Occupied Room Nights																						
% change: over previous year																						
17. Res. Mortgage Commitments-Value of New Const. & Rehab. (BSMillions)					14.30	11.51																
% change: over previous qtr.					-9.49%	-31.58%																

* Includes Net Lending to Public Corporations

** Debt figures include Central Government only, unless otherwise indicated

P - provisional