COMMONWEALTH OF THE BAHAMAS

TWELVE MONTHS FY2021/22 FISCAL SNAPSHOT

September 2022

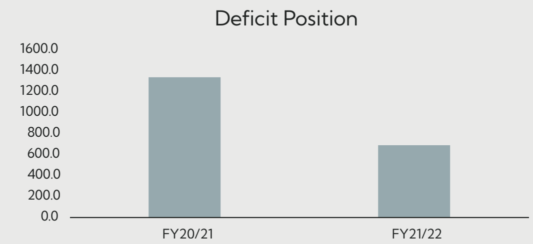
ECONOMIC OUTLOOK

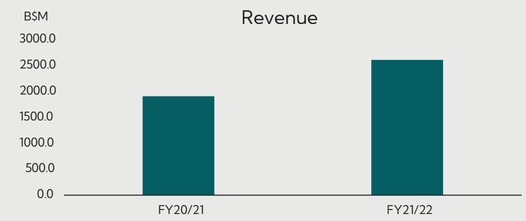
As a result of improved vaccination rates and reduced COVID-19 infections, global growth was forecast to rebound during the FY2021/2022. This forecast was tempered by the war in Ukraine and increased global prices. Despite downturns at the global scale, The Bahamian economy has maintained a steady pace of recovery through sustained tourism activity. Tourist arrivals increased 334.5 percent during the fourth quarter of the FY2021/2022 relative to the same period of the prior year. Accordingly, cruise visitor arrivals outperformed the prior year with a record level of cruise visitor arrivals in April 2022.

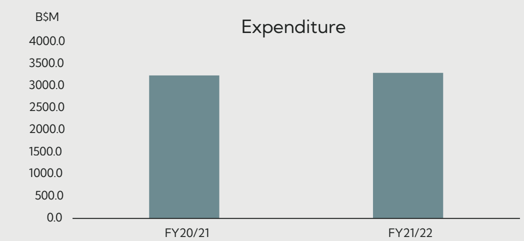
Government's revenue collections improved year-over-year owing to the continued relaxation of COVID-19 restrictions. Nevertheless, during the first half of the fiscal year, inflationary pressures began to mount due to increasing global oil prices and supply chain shortages amidst rebounding global economies. This situation was exacerbated due to the war in Ukraine which commenced in February 2022. Year-over-year domestic consumer prices for all items elevated 6.2 percent. Despite persistent inflationary pressures, fiscal performance outperformed budget targets, and as a result of domestic economic rebound, unemployment estimates also reduced.

FISCAL BALANCE

Central Government's operations for the fiscal year 2021-2022 indicate a narrowing of the fiscal deficit to $689.5 million from $1,335.7 million in the year prior indicating strong revenue collections with total revenues nearing pre-Dorian pre-COVID-19 levels. Amidst strengthened economic activity, Government spending returned to historic trends as Government outlays for COVID-19 related programs were gradually eliminated.

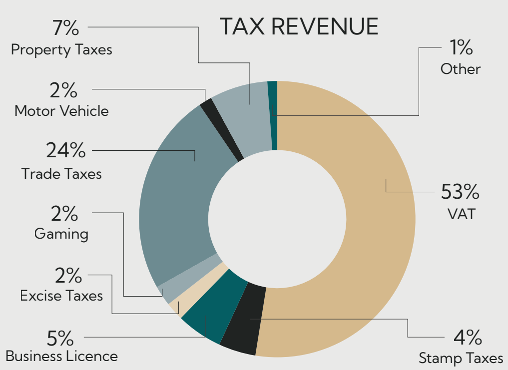






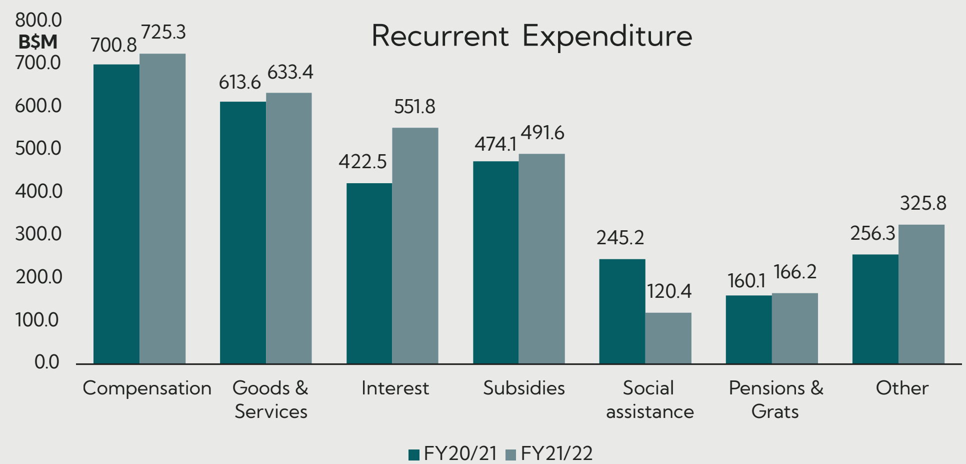
REVENUE

Revenue receipts for FY2021/2022 increased by $700.7 million (36.7 percent), compared to FY2020/2021. At an estimated $2,608.6 million, total revenue exceeded targets by $269.8 million representing 111.5 percent of the budget reflecting economic upturn. Resumption of business activity resulting from relaxed COVID-19 restrictions and improved tourism activity amplified taxable economic activity, firming revenue receipts over the period.



EXPENDITURE

Aggregate expenditure firmed by $54.5 million (1.7 percent) to $3,298.1 million, accounting for 95.6 percent of total target expenditures. As economic conditions improved over the year, Government continued to wind down many of its COVID-19 social support programs such as unemployment assistance program and food distribution initiatives. Compared to the prior year social assistance spending contacted by $124.7 million, totaling $120.4 million at end June 2022. Compensation of employees totaled $725.3 million, public debt interest payments were made of $551.8 million and $491.6 million in subsidies were provided. Overall Expenditure increase was tempered in part by reductions in spending for finance charges ($42.4 million), capital transfers ($37.4 million) and fixed assets ($50.1 million).



TAX REVENUE PERFORMANCE

Tax collections rose $551.0 million, a 34.2 percent increase to $2,161.8 million, representative of 107.1 percent of the budget. Improvements were noted in Value Added Tax (VAT) of $395.7 million (122.7 percent of budget); license to conduct special business of $19.4 million (110.5 percent of budget); gaming taxes of $13.5 million (95.0 percent of budget); excise duties of $81.7 million (229.0 percent of the budget) and departure taxes of $74.2 million (89.6 percent of budget) —reflecting increased economic activity. Despite the overall increase in public revenue excise taxes declined $129.8 million (73.6 percent) to $46.5 million when compared to the prior year.

NON-TAX REVENUE SUMMARY

Non-tax performance firmed by $149.5 million (50.3 percent) to $446.4 million, supported by improvements of $47.5 million in property income, $53.1 million in miscellaneous & unidentified revenue, and $31.2 million in immigration fee collections.

RECURRENT EXPENDITURE

Recurrent expenditure increased by $142.0 million (4.9 percent) to $3,014.5 million during the FY2021/2022, as compared to the prior year – representing 97.4 percent of the targeted spend. Compensation of employees grew by $24.4 million (3.5 percent) to $725.3 million. Expenditures for the acquisition of goods and services increased by $19.8 million (3.2 percent) to $633.4 million. Public debt interest broadened by $129.3 million (30.6 percent) to $551.8 million. Pension and gratuity payments increased by $6.1 million (3.8 percent) to $166.2 million, attributed to Government's promised cost of living adjustment for pensioners.

Total Government subsidies amounted to 491.6 million underpinned by a $22.0 million expansion in subsidies to public non-financial corporations to further contest the coronavirus pandemic via PHA, and support developments through Water and Sewerage. Social assistance benefits declined by $124.7 million (50.9 percent) to $120.4 million, representing 78.9 percent of the budget; owing to reduced COVID-19 induced social economic assistance provided to the public as the country rebounded.

CAPITAL EXPENDITURE

Capital spending contracted by $87.4 million to $283.6 million – representing 80.4 percent of the budget. Capital transfers contracted by $37.4 million to $58.8 million with decreases in key transfers to other structures ($46.5 million), buildings other than dwellings ($4.5 million), and transport equipment ($2.4 million).

FINANCING ACTIVITIES

The Government experienced a net deficit of $689.5 million, which represented a decrease of $646.2 million (48.4 percent) as compared to the prior fiscal year. Net financing amounted to $892.5 million, an $825.6 million (48.1 percent) decrease in the net liability as compared to the $1,718.1 million experienced in the prior fiscal year.

Changes in Government Debt

Government Debt is money owed directly by the Government. It is also referred to as the Direct Charge on Government. These financials are reported by the Government by fiscal year. Given the developments in net borrowing, the Direct Charge at end-June 2022 totaled $10,803.9 million or 85.2 percent of GDP, as compared to 100.9 percent of GDP at end-June 2021.

Money Borrowed:

Government's gross borrowing totaled $3,037.6 million as compared to $3,075.8 million in the same period of the prior fiscal year to satisfy budgetary financing requirements and to settle maturing debt instruments. Of this total, $712.4 million was provided via domestic bond issuances, $308.8 million in treasury bills and notes, $895.0 million in Central Bank advances and $100.0 million in domestic bank financing. Foreign currency loan financing of US$29.7 million was drawn on existing facilities with development agencies, $606.6 million was provided in foreign bank financing whilst $385.0 million was issued in foreign bonds.

GOVERNMENT DEBT			% GDP
END-MARCH 2022	10.532.4	MILLION	87.5%
END-JUNE 2022	10,803.9	MILLION	85.2%

MONEY BORROWED		
B$	2016.2	MILLION
NON B$	1021.3	MILLION

MONEY REPAID		
TOTAL ($)	2145.0	MILLION

NATIONAL DEBT		
AS OF JUNE 2022	11,187.6	MILLION

Money Repaid:

Repayments of Government debt increased to $2,145.0 million compared to $1,357.8 million in the same period of the prior year. Bahamian Dollar repayments included reductions in Central Bank advances ($850.0 million); Bahamas Government Registered Stock ($484.1 million); bank loans ($139.6 million) and Treasury note redemptions and conversions ($241.9 million). Foreign repayments amounted to $429.4 million consisting of payments made to Deutsche Bank (EUR15.1 million), Credit Suisse (115.6 million and 42.2 million Swiss Francs), Banco Santander S.A. ($91.4 million) and multilateral development agencies ($23.8 million).

National Debt

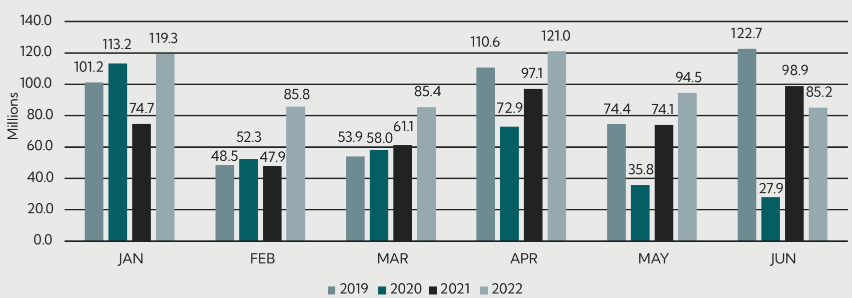
National Debt is calculated by adding Government Debt together with Contingent Liabilities, which are monies owed by State Owned Enterprises that are guaranteed by the Government. The Central Bank of The Bahamas reports on the National Debt every calendar year.

National Debt: $11,187.6 million (to June. 2022)
www.centralbankbahamas.com

POLICY INITIATIVES

In January 2022, the Government began the launch of its expansionary fiscal policy by reducing the nominal rate of VAT from 12 percent to 10 percent, and eliminated many zero rating categories in order to improve equitability in the domestic tax structure. This new policy was implemented on 1st January 2022. Despite the reduction in the nominal VAT rate, revenue outturn from VAT receipts grew period-over-period by 30.3 percent to $591.3 million for the first six months of 2022. The same total increased over the first half of 2021 by $93.5 million (26.0 percent) when compared to the 2020 figure of $360.2 million. However, over the period, inflationary pressures were the highest recorded in The Bahamas. Accounting for the 6.2 percentage change in inflation year-over-year, VAT receipts grew 23.4 percent over the six months following the policy change. This growth (adjusted for inflation) represents the highest in recent years compared to the 29.1 percent decline in 2020, and 23.0 percent increase in 2021.

VAT Collection



SUMMARY OF COVID-19 RELATED EXPENSES (B$M)	FY2019/20	FY2020/21p	FY2021/22p July - June	Total
Recurrent Expenditure	**39.2**	**268.5**	**96.6**	**404.3**
Public Health Safety	1.9	36.6	14.8	**53.3**
Unemployment Assistance	10	164.7	62.3	**237.0**
Goods & Services Acquisition	1.8	2.2	2.7	**6.7**
Job Retention Programme	21.4	23.0	6.4	**50.8**
Food Assistance	2	40.4	7.8	**50.2**
Other	2.1	1.5	2.6	**6.2**
Capital Expenditure	**40.3**	**4.7**	**5.7**	**50.7**
Public Health Safety	0.4	0	0.0	**0.4**
Goods & Services Acquisition	0.6	0.1	0.0	**0.7**
COVID-19 Unit	0.3	0.5	0.0	**0.8**
Small Business Loans	39	4.1	5.7	**48.8**
Total	**79.5**	**273.3**	**102.3**	**455.0**

TWELVE MONTHS FY2021/22 FISCAL SNAPSHOT

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COMMONWEALTH OF THE BAHAMAS

TWELVE MONTH REPORT ON BUDGETARY PERFORMANCE FY2021/22 JULY – JUNE

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Contents

1. About This Report

GENERAL STATEMENT

In keeping with its commitment to transparency in the public finances and align with global fiscal disclosure standards and best practices, the Ministry of Finance provides in-year reporting on the performance of the central Government's revenue, expenditure and financing operations vis-à-vis the approved budget.

» **Periodicity:** Quarterly (Qtr. I: July – September; Qtr. II: July – December; Qtr. III: July – March; and Qtr. IV: July – June).

» **Timeliness:** Within four (4) weeks after the end of the referenced quarter, except for Qtr. IV report which will be released two months after the end of the quarter given year-end closing activities.

» **Publication:** To be released on the Ministry of Finance's Budget website (www.bahamasbudget.gov.bs).

BASIS OF PREPARATION

The budgetary data are prepared using a modified cash basis of accounting and guided by International Public Sector Accounting Standards (IPSAS) cash basis. As such, revenue is recognized when received and not when earned, expenditure is recorded in the period it is incurred and paid, and purchases of fixed assets, including immovable property, plant and equipment, are fully expensed in the year of purchase.

The fiscal data tables compiled in the quarterly reports are presented using the new modified chart of accounts introduced on July 1, 2018, which accomplishes two (2) important objectives, namely:

» prepares for the eventual conversion of the accounting presentation to the IPSAS accrual basis,

» facilitates the aggregation and presentation of the fiscal data to meet the International Monetary Fund's Government Finance Statistics (GFS) 2014 reporting standards. The primary purpose of the GFS is to provide a comprehensive conceptual and reporting framework for analyzing and evaluating the performance of the Government's finances.

UNAUDITED DATA

As reconciliation is ongoing, the fiscal data presented in these quarterly reports are subject to change and, therefore, their status is provisional (denoted as "p") until audited by the Auditor General.

ROUNDING

Because of rounding, some totals may not agree with the sum of their component parts.

2.

Executive Summary

During the 2021/22 fiscal year, Government fiscal performance saw a much broader rebound than originally anticipated. This performance can be attributed to improved global economic performance as major tourist source markets adopted less restrictive COVID-19 measures, and a change in political administration resulting in domestic economic policy changes while continuing to rebound.

Domestic economic growth was somewhat contained by lingering global COVID-19 global supply chain shortages and increased inflationary pressures as a result of the war in Ukraine. Notwithstanding reduced tourist arrivals in certain segments as compared to pre-COVID levels, cruise visitor arrivals outperformed the prior year, with a record level of cruise visitor arrivals in April 2022.

Revenue collections improved year-over-year owing to the continued relaxation of COVID-19 restrictions as well as a return in seasonal tourism activity. The resultant impact was improved hotel occupancies and reduced unemployment estimates.

Inflationary pressures began to mount during the first half of the fiscal year due to increasing global oil prices and supply chain shortages amidst rebounding global economies. These costs have been exacerbated due to the war in Ukraine which commenced in February 2022.

Despite these challenges, Government fiscal performance for FY2021/2022 indicate strong revenue collections with total revenues nearing pre-Dorian pre-COVID-19 levels. Amidst strengthened economic activity, Government spending also continued its return to historic trends as outlays for COVID-19 related programs were gradually eliminated.

- Preliminary data on central Government's fiscal performance for the twelve months end-June 2022 indicate a deficit of $689.5 million (see Table 1), $646.2 million (48.4 percent) lower than the same period of the year prior and 62.1 percent of the budget target.
- Total revenue settled at $2,608.6 million— advancing $700.7 million (36.7 percent) over the prior year and 111.5 percent of the budget target. Tax receipts widened by $551.0 million (34.2 percent) to settle at $2,161.8 million and 107.1 percent of the budget. Notable advances were seen in: Value Added Tax (VAT) of $395.7 million; $25.5 million in stamp taxes on financial and realty transactions; $13.5 million in gaming taxes; $74.2 million in departure taxes. Declines were noted in excise taxes ($129.8 million) owing to rate reduction delays in payment. Non-tax performance firmed by $149.5 million (50.3 percent) to $446.4 million, supported by increases in interest & dividend payment of $37.0 million (189.0 percent) and immigration fees of $31.2 million (32.5 percent).

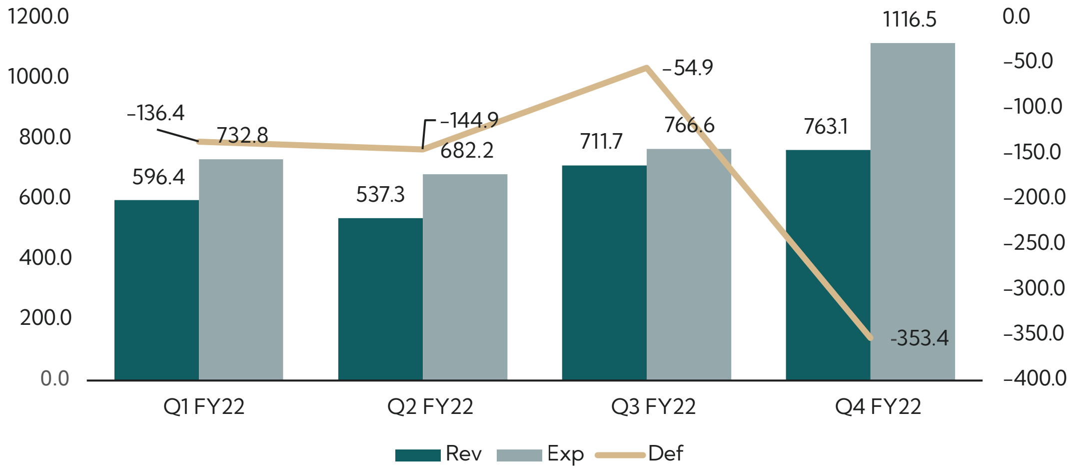
TABLE 1: FISCAL SUMMARY (STATEMENT OF SOURCES & USES OF CASH) (B$M)

	[a]	[b]	[c]	[b] -[c]	[b/a]
(B$M)	Budget	July - June			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Revenue	**2,338.8**	**2,608.6**	**1,907.9**	**700.7**	**111.5%**
Tax	2,018.5	2,161.8	1,610.8	551.0	107.1%
Non-tax	318.3	446.4	296.9	149.5	140.2%
Grants	2.0	0.4	0.2	0.2	17.8%
Expenditure	**3,448.8**	**3,298.1**	**3,243.6**	**54.5**	**95.6%**
Recurrent	3,096.1	3,014.5	2,872.5	142.0	97.4%
Capital	352.7	283.6	371.1	(87.4)	80.4%
Surplus/(Deficit)	**(1,110.0)**	**(689.5)**	**(1,335.7)**	**646.2**	**62.1%**
Financing Activities	**1,110.0**	**689.5**	**1,335.7**	**(646.2)**	**62.1%**
Net Acquisition of financial assets (-)	**59.8**	**66.3**	**31.7**	**34.6**	**110.9%**
Sinking Funds	59.8	66.3	29.6	36.7	110.9%
Equity	0.0	0.0	2.1	(2.1)	0.0%
Other	0.0	0.0	0.0	0.0	0.0%
Net Incurrence of Liabilities (+)	**951.9**	**892.5**	**1,718.0**	**(825.5)**	**93.8%**
Borrowings	1,851.6	3,037.6	3,075.8	(38.2)	164.1%
Debt Repayment	899.7	2,145.0	1,357.8	787.2	238.4%
Change in Cash Balance [()= increase]	**217.9**	**(136.7)**	**(350.6)**	**213.9**	**-62.7%**

» Total expenditure aggregated to $3,298.1 million, a increase of $54.5 million (1.7 percent) compared to the same period of the previous year and 95.6 percent of the budget target.

- Recurrent spending totaled $3,014.5 million, increasing $142.0 million (4.9 percent) and accounting for 97.4 percent of the budget target. The rise in recurrent spending is attributed to increases of: $24.4 million in compensation of employees, $129.3 million in public debt interest payments, $17.5 million in subsidies and $67.3 million in other payments. A $124.7 million reduction in social assistance benefit spending was noted owing to elimination of COVID-19 social assistance and benefits through the year.
- Capital expenditure contracted by $87.4 million (23.6 percent) to $283.6 million and 80.4 percent of the budget target. The fall in capital spending was driven by a $37.4 million (38.8 percent) decrease in capital transfers and $50.1 million (18.2 percent) decrease in spending for the acquisition if fixed assets.

FIGURE 1: BUDGETARY PERFORMANCE (B$M)



- During the FY2021/22, the Government experienced a net deficit of $689.5 million, representing a decline of $646.2 million (48.4 percent) as compared to the prior fiscal year. Net financing amounted to $892.5 million, an $825.5 million (48.0 percent) decrease in the net liability as compared to the $1,718.0 million experienced in the prior fiscal year.
- During the period, voluntary contributions to the sinking funds established to retire future debt obligations totaled $66.3 million. At end-June 2022, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of $259.0 million, while the funds set aside for the two (2) local arrangements stood at $15.6 million. As a result of the February 2022 repurchase agreement, $235.9 million of external bonds have been sold for repurchase in two (2) years.
- Government's gross borrowing totaled $3,037.6 million as compared to $3,075.8 million in the same period of the prior fiscal year to satisfy budgetary financing requirements and to settle maturing debt instruments. Of this total, $712.4 million was provided via domestic bond issuances, $308.8 million in treasury bills and notes, $895.0 million in Central Bank advances and $100.0 million in domestic bank financing. Foreign currency loan financing of US$29.7 was drawn on existing facilities with development agencies, $606.6 million was provided in foreign bank financing whilst $385.0 million was issued in foreign bonds.
- Repayments of Government debt increased to $2,145.0 million compared to $1,357.8 million in the same period of the prior year. Bahamian Dollar repayments included reductions in Central Bank advances ($850.0 million); Bahamas Government Registered Stock ($484.1 million); bank loans ($139.6 million) and Treasury note redemptions and conversions ($241.9 million). Foreign repayments amounted to $429.4 million consisting of payments made to Deutsche Bank (EUR15.1 million), Credit Suisse ($115.6 million and 42.2 million Swiss Francs), Banco Santander S.A. ($91.4 million) and multilateral development agencies ($23.8 million).
- As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by $892.5 million. When exchange rate adjustments are applied, the total Direct Charge at end-June 2022 totaled $10,803.9 million or 85.2 percent of GDP, as compared to 100.9 percent of GDP at end-June 2021.

BOX A: SUMMARY OF COVID-19 EXPENDITURE

During FY2021/22, Government continued the process of contracting its COVID-19 related health containment, mitigation and support programs for impacted families and businesses. These outlays are estimated at $102.3 million and, together with past outlays, brings the aggregate spend to approximately $455.0 million or 3.6 percent of GDP.

TABLE 2: SUMMARY OF COVID-19 RELATED EXPENSES (B$M)

	FY2019/20 Mar – June	FY2020/21p July – June	FY2021/22p July – June	Total
Recurrent Expenditure	39.2	268.5	96.6	**404.3**
Public Health Safety	1.9	36.6	14.8	**53.3**
Unemployment Assistance	10	164.7	62.3	**237.0**
Goods & Services Acquisition	1.8	2.2	2.7	**6.7**
Job Retention Programs	21.4	23	6.4	**50.8**
Food Assistance	2	40.4	7.8	**50.2**
Other	2.1	1.5	2.6	**6.2**
Capital Expenditure	40.3	4.7	5.7	**50.7**
Public Health Safety	0.4	0	0	**0.4**
Goods & Services Acquisition	0.6	0.1	0	**0.7**
COVID-19 Unit	0.3	0.5	0	**0.8**
Small Business Loans	39	4.1	5.7	**48.8**
Total	**79.5**	**273.3**	**102.3**	**455.0**

3. Economic Overview

As a result of improved vaccination rates and reduced COVID-19 infections, global growth was forecast to rebound during the FY2021/2022. This forecast was tempered by the war in Ukraine and increased global prices. In its July 2022 World Economic Outlook, the IMF's projections indicated a reduced pace of global growth in many advanced economies from 6.1 percent last year to 3.2 percent in 2022. The 0.4 percentage point lower outlook from that in the April 2022 World Economic Outlook is the result of growing inflation, lingering supply-demand imbalances and geopolitical conflicts in the Euro area impeding global trade and cooperation. Due to rising food and energy prices, the Outlook revised 2022 global inflation projections upward 0.9 percentage points (6.6 percent) in advanced economies and 0.8 percentage points (9.5 percent) in emerging market and developing economies. However, in its regional economic outlook, the UN ECLAC estimated the world average inflation hit 7.2 percent in May 2022, a rate not seen since mid-2008 at the height of the global economic and financial crisis. Disinflationary monetary policy enacted to mitigate the effects of inflation is expected to take effect in 2023 supporting 2.9 percent growth in global output. However, tightening of financial conditions in advanced economies may adversely affect growth in emerging market and developing economies, inducing debt stress.

In China, further lockdowns and the heightening real estate crisis have led growth to be revised down by 1.1 percentage points to 3.3 percent. Zero policy lockdowns continue cause major global spillovers, namely a hindrance to international trade. With exception to the COVID-19 crisis in 2020, July projections represent the lowest growth in more than four decades. Downgrades are primarily the result of lowered production owing to COVID-19 outbreaks and zero policy lockdowns. The outlook for recovery is bleak on account of the risk of renewed COVID-19 outbreaks and lockdowns, as well as a further escalation of the property sector crisis further suppressing Chinese growth. Year-over-year China saw a 2.1 percent increase in consumer prices through April and May, followed by 2.5 percent rise in June. Unemployment conditions improved over the quarter falling from 6.1 at the start of the quarter to 5.5 in June.

Euro area market conditions were directly affected by spillovers from the war in Ukraine and tighter monetary policy. Tightened embargos on Russia are expected to stop European gas imports from Russia, inflating petrol prices even further. Consequently Euro area had magnified prices, 7.4 percent in April, 8.1 percent in May and 8.6 percent in June. Over the quarter employment remained constant at 6.6 percent.

The United States' downward revision of 1.4 percentage points is the result of lower growth during the previous quarter, reduced household purchasing power, and tighter monetary policy. Despite the IMF's pessimistic outlook, unemployment remained steady over the period at 3.6 percent for all three months. The United States is currently resisting stagflation as June

2022 consumer prices reach an all-time high of 9.1, the highest in over 40 years. In an effort to combat mounting prices the Federal Reserve enacted its most stringent monetary policy action since the early 1990s, in taking the benchmark overnight borrowing rate up to a range of 2.25 percent to 2.5 percent. In hopes of slowing economy activity, the rate hike is expected to affect consumer products such as adjustable mortgages, auto loans and credit cards.

In the United Nations most recent Economic Survey of Latin America and the Caribbean, it was revealed that escalating global inflation has accelerated the rise in prices in the economies of Latin America and the Caribbean with the highest rates for food and energy. Regional inflation trended upward since May 2020 (1.8 percent), surpassing 2008 global financial crisis levels in 2021 (6.6 percent) and stood at 8.4 percent in June 2022. At end-2021, food inflation in the region stood at 7.4 percent, and by June 2022 it had reached 11.9 percent. Caribbean nations are highly vulnerable to rising prices for food and non-alcoholic beverages, housing and transportation, ranging between 14 and 29 percent in increases, with high income nations paying the most in housing. This volatility is underpinned by dependence on highly priced imported international commodities, along with any potential exchange rate fluctuations, which ultimately place additional pressure on the price of final goods in the local market. The rising global inflation presents challenges to the bilateral trade within the region, which is likely to be transmitted to both consumer goods and local production costs.

Comparable to other small island developing states, domestic consumer prices have risen in response to global forces. Supply chain disruptions, adverse effects of climate change, and high oil prices resulting from geopolitical conflicts in Europe have underpinned inflationary pressures across all sectors. According to the BNSI, for the month of June 2022 monthly inflation for all items rose 0.5 percent from the month prior. Year-over-year consumer prices for all items elevated 6.2 percent, following a 5.5 percent increase in May 2022. Despite reaching the highest change in recent years local inflation is 1.1 percent below the regional median of 7.7 percent. Over the period, fuel commodities rose 7.9 percent month-over-month, with gasoline consumption priced 33.5 percent higher than the prior year. In addition to the high cost of transportation, construction output was hindered by supply shortages, fortifying high prices within the sector.

Despite downturns at the global scale, The Bahamian economy has maintained a steady pace of recovery through sustained tourism sector activity. Continuous sector activity is bolstered by the release of pent up demand for travel, steady conditions in source markets, as well as improved vaccinations rates. Tourist arrivals increased 334.5 percent over the quarter compared to the same three month period of the prior year. Year-over-year cruise arrivals grew 15,500.2 percent (183,302 arrivals) in April 2022, a record high for the industry as more cruise lines port in The Bahamas. Significant cruise arrivals continued through the quarter with 9,695 percent increase in May 2022 and 11,173.8 percent in June 2022 compared to the prior year. Officials are optimistic of continued growth in this sector with the construction of a new port in downtown Nassau.

As the nation reopened and COVID-19 containment measures expired, demand for the home rental market persisted potentially indicating visitor preferences for solitude following the pandemic. Over the year Airbnb occupancy averaged 24.3 percent, a 100.8 percent increase compared to the 12.1 percent average of the prior year. Likewise bookings improved 76.7 percent (60,849 reservations) to 140,186 reservations for the year. The year-over-year growth in home rentals is resultant of the influx of visitor arrivals over the twelve months end-June 2022. Moreover Airbnb rentals indicated an expansion in family island tourism with an incursion of 280 new property listings, totaling 2,322 family island listings at end June 2022 (exclusive of New Providence and Grand Bahama).

Numerous foreign investment projects provide promise of industrial expansion. Such projects include the $800,000 Dan Mosca Condo-Hotel Development, TRAI Cabbage Beach Condo-Hotel Development, Coral Harbour Luxury Hotel and Residential Development, and the SurgCenter Development-Albany Ambulatory Surgery Center Limited, catering to recreational and medical tourism. New infrastructure in tandem with the restructuring of the UB College of Tourism Hospitality, Culinary Arts and Leisure Management provides opportunity for growth within the tourism sector over the medium term. Furthermore, the elimination of testing requirements for interisland and international travel, and the removal of mask mandates at hotels/resort in June 2022 is expected to encourage more arrivals over the coming period. Despite cautious optimism for continued tourism activity there are risks to sustained sector recovery. Increased cases of Monkeypox across the United States as well as the threat of new COVID strains pose the threat of another global health pandemic limiting travel. Further obstructions to sector activity are natural disasters i.e. hurricanes, and economic downturns in source markets, i.e. recession, stagflation in the United States

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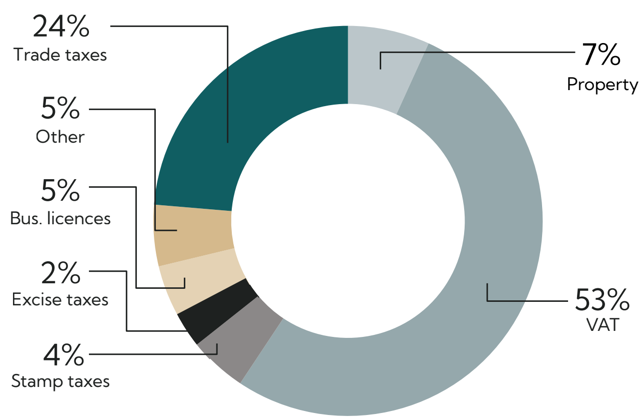
4. Revenue Performance

Revenue receipts for FY2021/2022 increased by $700.7 million (36.7 percent), reflecting economic upturn. At an estimated $2,608.6 million, total revenue exceeded targets by $269.8 million representing an 11.5 percent budget gain (see Table 3). The development in revenue performance was supported by increases in tax revenue of $551.0 million (34.2 percent) to $2,161.8 million (107.1 percent of budget) while non-tax revenue expanded by $149.5 million (50.3 percent) to $446.4 million (140.2 percent of the budget).

FIGURE 2: PERCENTAGE COMPOSITION OF TAX REVENUE (TWELVE MONTHS FY2021/22)



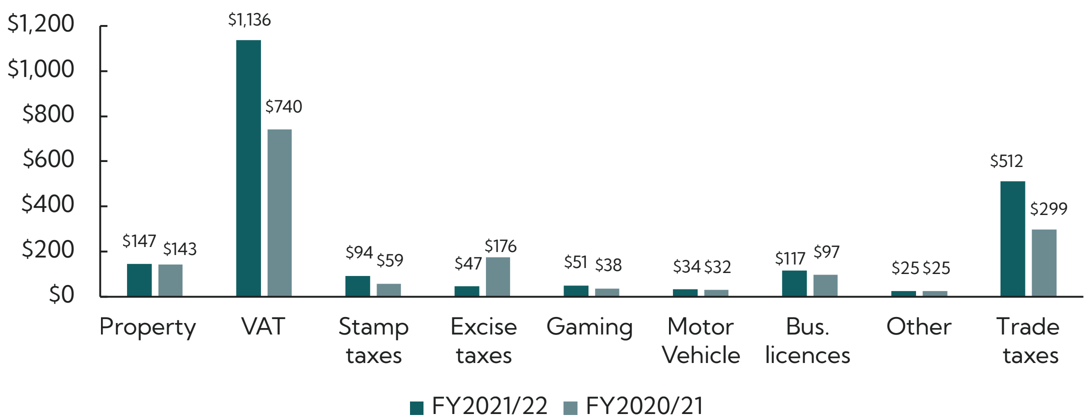
Key developments underlying FY2021/2022 revenue performance, relative to the comparative FY2020/2021 period are outlined below.

- » Taxes on Property improved by an estimated $3.5 million to $147.0 million, and represented 92.5 percent of the annual budget.
- » Taxes on Goods & Services, which comprises 69.0 percent of tax revenues, increased by $325.4 million (27.9 percent), representing 103.7 percent of budget.
  - Despite the reduction in VAT from a nominal rate of 12 percent as at 1 January 2022, as a result of improved economic conditions and relaxed health & safety measures, VAT receipts improved by $395.7 million (53.5 percent) to $1,135.8 million when compared to the prior year and 122.7 percent of the budget target.
  - Collections of stamp taxes on financial and real estate transactions grew by $25.5 million (44.4 percent) to $83.0 million, for 142.2 percent of the budget.
  - Excise tax outturn were estimated at $46.5 million (19.7 percent of budget) – an $129.8 million decline from the previ-

ous $176.3 million as a result of reallocations and delays in tax remittances amidst pending tax reforms.

- Taxes on specific services (gaming taxes) increased by $13.5 million (35.6 percent) totaling $51.3 million, amounting to 95.0 percent of target collections as unemployment levels declined amidst business reopening after expiration of COVID-19 emergency orders.
- Motor vehicle taxes firmed by $1.3 million (4.1 percent) totaling $33.7 million and reflecting 95.1 percent of the annual budget.
- Taxes levied on companies contracted by $2.2 million (9.9 percent) for $19.5 million or 92.5 percent of the budget.
- Tax receipts for license to conduct special business activity, that is, licenses to conduct specific business and communication levies – increased $19.4 million (19.9 percent) to $116.8 million.

FIGURE 3: 12 – MONTH COMPARISON OF TAX REVENUE PERFORMANCE (B$M)



» Taxes on international trade & transactions broadened by $212.7 million (71.1 percent) to $511.8 compared to prior year collections. This rebound is fueled by rebounds in the domestic travel and trade sectors with the elimination of travel restrictions, allowing persons to exploit pent up travel demand. Reflecting 122.8 percent of budget projections, trade tax performance surpassed target collections by $94.9 million, largely explained by:

- $56.2 million (29.2 percent) firming of customs and other import duties to $248.6 million reflecting 101.6 percent of budget; and
- $74.2 million (695.7 percent) increase in departure tax collections to $84.9 million, representing 89.6 percent of budget.

» General stamp taxes grew by $9.4 million (575.4 percent) to an estimated $11.1 million (274.1 percent of budget).

» Property income receipts improved by $47.5 million (134.3 percent) to $82.8 million surpassing the annual target (391.9 percent).

» Revenue from the sale of goods and services developed by $49.4 million (28.2 percent) to $224.6 million compared to the prior year. Collections fell below the target by 5.4 percent. Increased revenue collections were attributed to:

- Increases in immigration related receipts of $31.2 million (32.5 percent) to $127.0 million and 97.6 percent of budget. Chief among these receipts were $70.4 million in work & residency permits, tourist health visa collections of $31.8 million and $24.8 million in other immigration fees;
- Improved customs fees of $9.9 million (24.6 percent) to $50.2 million (83.6 percent of budget).

» Receipts from miscellaneous and unidentified collections firmed by $53.1 million, amounting to $90.6 million in collections and 1,343.0 percent of the budget. Included in this amount is a $24.5 million dividend from BTC in December 2021, the first in more than a decade.

TABLE 3: REVENUE SUMMARY (B$M)

	[a]	[b]	[c]	[b] –[c]	[b]/[a]
	Budget	July – June			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
TAX REVENUE (a+b+c+d)	**2,018.5**	**2,161.8**	**1,610.8**	**551.0**	**107.1%**
a. Taxes on Property	**158.8**	**147.0**	**143.5**	**3.5**	**92.5%**
b. Taxes on Goods & Services (i+ii+iii)	**1,438.8**	**1,492.0**	**1,166.6**	**325.4**	**103.7%**
i. General	**1,220.9**	**1,265.3**	**973.9**	**291.4**	**103.6%**
VAT	926.0	1,135.8	740.1	395.7	122.7%
Stamp taxes (Financial & Realty)	58.4	83.0	57.5	25.5	142.2%
Excise Tax	236.5	46.5	176.3	(129.8)	19.7%
ii. Specific (Gaming taxes)	**54.0**	**51.3**	**37.8**	**13.5**	**95.0%**
iii. Taxes on Use of Goods/Permission to Use	**163.9**	**175.4**	**154.9**	**20.5**	**107.0%**
Motor Vehicle Taxes	35.4	33.7	32.4	1.3	95.1%
Company Taxes	21.1	19.5	21.7	(2.2)	92.5%
Licence to Conduct Special Bus. Activity	105.7	116.8	97.5	19.4	110.5%
Marine License Activities	1.6	5.3	3.4	2.0	331.6%
c. Taxes on Int'l Trade & Transactions	**416.8**	**511.8**	**299.1**	**212.7**	**122.8%**
Customs & other import duties	244.6	248.6	192.4	56.2	101.6%
Import and Excise Duties	77.5	177.5	95.9	81.7	229.0%
Tourism Taxes	94.7	84.9	10.7	74.2	89.6%
Other	0.0	0.7	0.2	0.6	2037.0%
d. General Stamp Taxes	**4.0**	**11.1**	**1.6**	**9.4**	**274.1%**
NON-TAX REVENUE (e+f+g+h+i+j)	**318.3**	**446.4**	**296.9**	**149.5**	**140.2%**
e. Property Income	**21.1**	**82.8**	**35.3**	**47.5**	**391.9%**
Interest & Dividends	6.0	56.6	19.6	37.0	943.2%
Revenue_Gov't Property	15.1	26.2	15.7	10.4	173.2%
f. Sales of goods & services	**237.5**	**224.6**	**175.2**	**49.4**	**94.6%**
i. Fees & Service Charges	**222.0**	**205.9**	**162.0**	**43.9**	**92.7%**
General Registration	3.7	4.0	4.4	(0.3)	108.3%
General Service	15.0	14.0	11.5	2.5	93.2%
Immigration	130.2	127.0	95.9	31.2	97.6%
Land & Building	2.2	2.4	2.2	0.2	107.8%
Legal	1.0	1.1	1.1	0.0	118.1%
Customs	60.0	50.2	40.3	9.9	83.6%
Port & Harbour	7.4	5.9	5.0	0.9	79.6%

TABLE 3: REVENUE SUMMARY (B$M) CONT'D

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	**July - June**			
	FY2021/22	**FY2021/22p Actual**	**FY2020/21p Actual**	**Variance**	**% of Budget**
Health	2.1	1.2	1.2	0.0	58.7%
Other Fees	0.3	0.0	0.5	(0.5)	0.2%
ii. Other	**15.6**	**18.7**	**13.2**	**5.6**	**120.5%**
g. Fines, Penalties & Forfeits	**5.3**	**5.4**	**5.9**	**(0.5)**	**102.1%**
h. Reimbursements & Repayments	**47.5**	**42.6**	**42.9**	**(0.4)**	**89.7%**
i. Misc. & Unidentified Revenue	**6.7**	**90.6**	**37.5**	**53.1**	**1343.0%**
j. Sales of other Non-Financial Assets	**0.1**	**0.4**	**0.1**	**0.3**	**404.8%**
TOTAL TAX & NON-TAX REVENUE	**2,336.8**	**2,608.2**	**1,907.7**	**700.5**	**111.6%**
GRANTS	**2.0**	**0.2**	**0.2**	**0.1**	**10.1%**
CAPITAL REVENUE	**0.0**	**0.2**	**0.0**	**0.1**	**7721.5%**
GRAND TOTAL	**2,338.8**	**2,608.6**	**1,907.9**	**700.7**	**111.5%**

BOX B: TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVES

FY2021/2022 revenue performance indicates further progression toward the peak figures experienced pre-pandemic and pre-hurricane. Despite the seasonal decline in tax revenue during QII, tax revenue collections continue to firm over the fiscal year (see ***Table 4***). By quarter, 24.1 percent was collected in QI, 20.6 percent in QII, 27.4 percent in QIII and 27.9 percent in QIV.

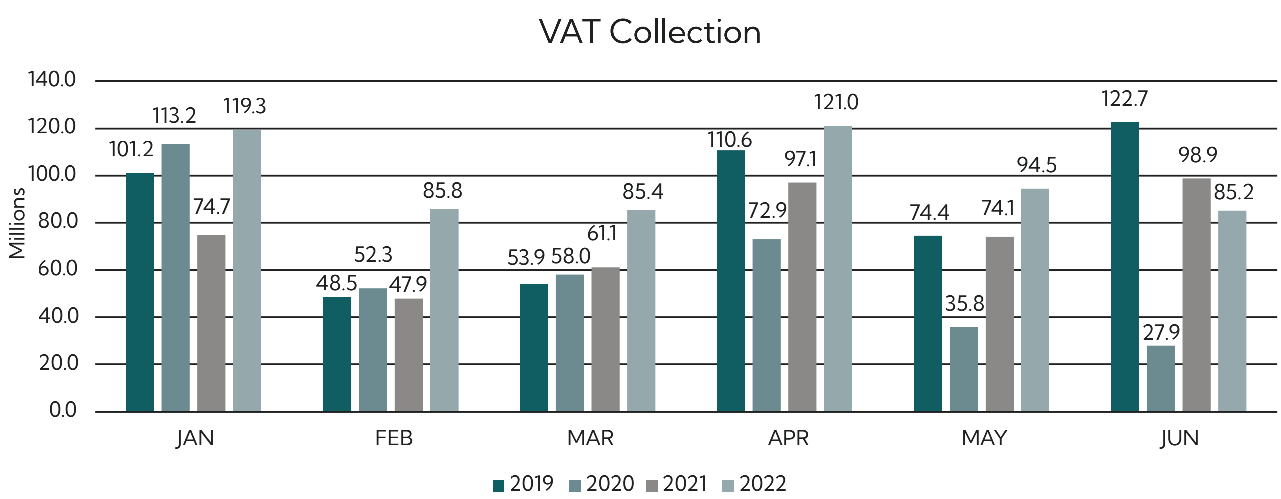
TABLE 4: REVENUE SUMMARY (B$M)

	FY2020/21					FY2021/22				
	QI	QII	QIII	QIV	Total	QI	QII	QIII	QIV	Total
TAX REVENUE (a+b+c+d)	**269.4**	**300.0**	**465.3**	**576.0**	**1,610.8**	**520.3**	**445.6**	**592.7**	**603.2**	**2,161.8**
a. Taxes on Property	**8.5**	**16.5**	**71.5**	**46.9**	**143.5**	**20.6**	**16.2**	**69.6**	**40.5**	**147.0**
b. Taxes on Goods & Services (i+ii+iii)	**207.5**	**232.4**	**307.2**	**419.5**	**1,166.6**	**381.8**	**317.3**	**397.5**	**395.5**	**1,492.0**
i. General	**187.1**	**209.7**	**217.8**	**359.2**	**973.9**	**349.0**	**283.6**	**300.3**	**332.3**	**1,265.3**
VAT	134.7	151.7	183.7	270.0	740.1	295.4	249.2	290.5	300.8	1,135.8
Stamp taxes (Financial & Realty)	12.3	9.3	20.1	15.8	57.5	26.7	21.0	3.9	31.3	83.0
Excise Tax	40.2	48.7	14.1	73.4	176.3	26.9	13.4	5.9	0.3	46.5
ii. Specific (Gaming taxes)	**5.4**	**5.6**	**5.4**	**21.4**	**37.8**	**10.5**	**7.3**	**19.7**	**13.8**	**51.3**
iii. Taxes on Use of Goods/ Permission to Use	**15.0**	**17.0**	**84.0**	**38.9**	**154.9**	**22.3**	**26.3**	**77.4**	**49.3**	**175.4**
Motor Vehicle Taxes	6.1	7.0	10.6	8.6	32.4	4.8	9.4	10.5	9.0	33.7
Company Taxes	2.5	3.5	11.2	4.6	21.7	1.8	3.4	11.7	2.6	19.5
Licence to Conduct Special Bus. Activity	6.1	6.3	61.6	23.5	97.5	14.6	12.6	53.8	35.9	116.8
Marine License Activities	0.3	0.3	0.6	2.2	3.4	1.1	0.9	1.5	1.8	5.3
c. Taxes on Int'l Trade & Transactions	**52.1**	**51.0**	**86.3**	**109.7**	**299.1**	**115.6**	**110.2**	**120.8**	**165.2**	**511.8**
Customs & other import duties	42.3	43.4	48.8	57.9	192.4	62.3	55.1	63.5	67.6	248.6
Taxes on Exports	8.2	6.3	34.5	46.9	95.9	42.6	39.0	35.0	60.9	177.5
Departure Taxes	1.6	1.3	2.9	4.8	10.7	10.6	15.9	22.2	36.3	84.9
Other	0.0	0.0	0.0	0.1	0.2	0.1	0.1	0.1	0.4	0.7
d. General Stamp Taxes	**1.3**	**0.1**	**0.3**	**0.0**	**1.6**	**2.2**	**2.0**	**4.8**	**2.0**	**11.1**

BOX B: TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVES

In January 2022, the Government began the launch of its expansionary fiscal policy by reducing the nominal rate of VAT from 12 percent to 10 and eliminated many zero rating categories to improve equitability in the domestic tax structure. This new policy was implemented with effect 1 January 2022. Despite the reduction in the nominal VAT rate, revenue outturn from VAT receipts grew period-over-period by 30.3 percent to $591.3 million for the first six months of 2022. The same total increased over the first half of 2021 by $93.5 million (26.0 percent) when compared to the 2020 figure of $360.2 million. However, over the period inflationary pressures intensified to the highest recorded in The Bahamas in recent years. Accounting for the 6.2 percentage change in inflation year-over-year, VAT receipts grew 23.4 percent over the six months following the policy change. 2022 growth adjusted for inflation represents the highest in recent years compared to the 29.1 percent decline in 2020, and 23.0 percent increase in 2021.

FIGURE 4: MONTHLY VAT COLLECTIONS BY YEAR



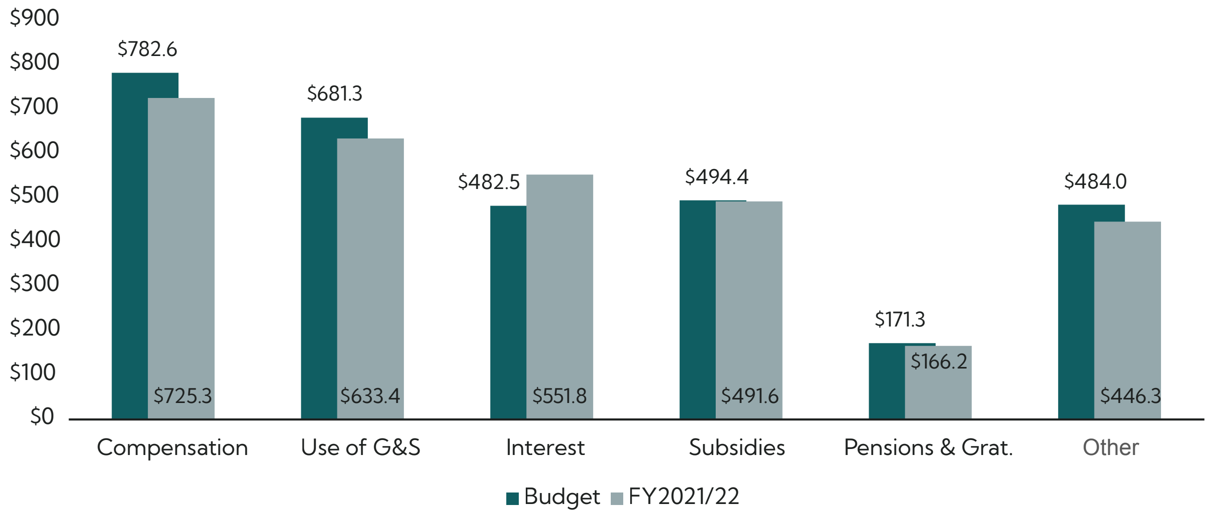
5. Expenditure Developments

A. RECURRENT EXPENDITURE

During FY2021/2022, total outlays for recurrent expenditure increased by $142.0 million (4.9 percent) to aggregate $3,014.5 million compared to the same period in the prior year—representing 97.4 percent of the targeted spend *(see **Table 5**)*.

- Compensation of employees increased by $24.4 million (3.5 percent) to $725.3 million and represented 92.7 percent of the budget target. This firming was largely explained by period-over-period expansions in employee wages ($18.8 million); special employment programs ($1.7 million); discretionary allowances ($1.8 million); summer employment ($1.4 million). This increase in expenditure is largely attributed to the resumption of promotions, staff reclassifications, payment of increments and other employee costs delayed in the past year due to fiscal constraints.
- Spending on the use of goods and services widened by $19.8 million (3.2 percent) to $633.4 million, relative to the same period in the prior year. This accounted for 93.0 percent of the annual budget.
  - Rental costs rose by $21.6 million (34.9 percent) to $83.5 million, for 98.8 percent of the budget. This rise is mainly driven by higher office rent costs ($11.5 million) and lease agreements relative to the National Insurance Board ($8.9 million).
  - Spending on services increased by $21.8 million (12.4 percent) to $198.1 million, for 85.8 percent of the budget; principally warranted by outlays of $11.8 million towards tourism health visa expenses and expanded costs of $6.2 million for consultancy services.
  - Outlays for travel and subsistence grew by $4.7 million (66.7 percent) to $11.8 million and exceeded the budget target by 11.1 percent. Air transportation, inclusive of domestic and international travel, and the repatriation of the ill grew by $2.2 million and $0.8 million, respectively.
  - Expenditure on minor capital repairs increased by $1.1 million (34.9 percent) to $4.1 million, for 76.5 percent of the budget. This was driven by additional allocations for repairs, maintenance and upkeep ($1.0 million).
  - Special financial transactions, which include payment of arrears, increased by $36.0 million (28.5 percent) to $162.2 million, and exceeded the budget by 9.3 percent.
  - Other recurrent expenses during the period increased by $1.4 million (11.8 percent) to $13.0 million, for 97.5 percent of the budget, mostly due to higher public procurement fees ($1.3 million).
  - Conversely, finance charges receded by $42.4 million (63.6 percent) to $24.3 million (81.0 percent of the budget)—primarily explained by reduced outlays related to Government debt financing and foreign exchange hedging activities.
  - Utilities and telecommunications disbursements narrowed by $24.1 million (21.3 percent) to $89.1 million, which represented 85.9 percent of the budget. This was primarily due to a period-over-period reduction in street lighting allocations ($21.6 million).

FIGURE 5: 12-MONTH COMPARISON OF RECURRENT EXPENDITURE VS BUDGET FOR FY2021/22 (B$M)



- Public debt interest payments increased by $129.3 million (30.6 percent) to $551.8 million, an excess of 14.4 percent above budget; resulting from the elevated levels of borrowing since the onset of the COVID-19 pandemic. By currency, $303.7 million (55.0 percent) represented payments on foreign currency obligations and $248.1 million (45.0 percent) were for Bahamian debt transactions.
- Government subsidies, which include transfers to Government-owned and/or controlled enterprises that provide commercial goods and services to the public, widened by $17.5 million (3.7 percent) to $491.6 million, which equaled 99.4 percent of the budget.
  - Subsidies to public non-financial corporations were higher by $22.0 million (4.9 percent) at $470.5 million. Additional transfers of $33.0 million were disbursed to the Public Hospital Authority (PHA) as the country further contested the coronavirus pandemic, and $38.7 million to Water and Sewerage Corporation development projects. Albeit, notable reductions during the period occurred for Bahamasair ($50.1 million).
  - Subsidies to private enterprises and other sectors fell by $4.9 million (17.5 percent) to $21.1 million. Transfers narrowed by $4.5 million for salary grants for independent schools owing to COVID-19 support.
- Social assistance benefits contracted by $124.7 million (50.9 percent) to $120.4 million, representing 78.9 percent of the budget; primarily driven by reduced reliance on COVID-19 social and economic assistance as the economy rebounds and unemployment levels trend historic levels.
- Pension and gratuity payments increased by $6.1 million (3.8 percent) to $166.2 million and 97.0 percent of the budget, largely attributed to Government's promised cost of living adjustment for pensioners as outlined in the FY2021/22 Supplementary Budget.
- Payment of insurance premiums grew by $66.9 million (97.1 percent) to $135.8 million (96.7 percent of budget), largely reflecting a return to more timely settlement of Government payments.

TABLE 5: RECURRENT EXPENDITURE BY ECONOMIC CLASSIFICATION (B$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	**July - June**			
	FY2021/22	**FY2021/22p Actual**	**FY2020/21p Actual**	**Variance**	**% of Budget**
RECURRENT EXPENDITURE					
Compensation of Employees	**782.6**	**725.3**	**700.8**	**24.4**	**92.7%**
Use of Goods & Services	**681.3**	**633.4**	**613.6**	**19.8**	**93.0%**
Travel & Subsistence	10.7	11.8	7.1	4.7	111.1%
Rent	84.5	83.5	61.9	21.6	98.8%
Utilities & Telecommunications	103.7	89.1	113.2	(24.1)	85.9%
Supplies & Materials	36.0	32.0	32.3	(0.3)	88.9%
Services	231.0	198.1	176.3	21.8	85.8%
Minor capital repairs	5.4	4.1	3.1	1.1	76.5%
Finance charges	30.0	24.3	66.7	(42.4)	81.0%
Special Financial Transactions	148.5	162.2	126.2	36.0	109.3%
Tourism Related	4.8	1.9	1.8	0.1	39.1%
Local Gov't Districts	13.3	13.3	13.3	(0.0)	99.8%
School Boards	0.1	0.1	0.1	0.0	0.0%
Other	13.4	13.0	11.7	1.4	97.5%
Public Debt Interest	**482.5**	**551.8**	**422.5**	**129.3**	**114.4%**
Subsidies	**494.4**	**491.6**	**474.1**	**17.5**	**99.4%**
Grants	**8.5**	**8.7**	**6.4**	**2.2**	**101.5%**
Social Assistance Benefits	**152.7**	**120.4**	**245.2**	**(124.7)**	**78.9%**
Pensions & Gratuities	**171.3**	**166.2**	**160.1**	**6.1**	**97.0%**
Other Payments	**322.8**	**317.2**	**249.9**	**67.3**	**98.3%**
Current Transfers n.e.c.	182.4	181.4	181.0	0.4	99.5%
Insurance Premiums	140.4	135.8	68.9	66.9	96.7%
TOTAL	**3,096.1**	**3,014.5**	**2,872.5**	**142.0**	**97.4%**

During the FY2021/2022, recurrent expenditure by function of the Government (see Table 6) increased by $142.0 million (4.9 percent) to $3,014.5 million relative to the prior fiscal year, and accounted for 97.4 percent of the annual budget target.

» Outlays for general public service increased by $255.1 million (25.6 percent) to $1,251.1 million relative to the prior year, and accounted for 100.5 percent of the budget target. This widening is explained by delayed employment costs allocated during the period due to the prior year's fiscal constraints owing to the COVID-19 pandemic.

» Disbursements on health rose by $45.9 million (11.8 percent) to $434.3 million for 97.8 percent of the budget; owing to supplementary expenditure on provisions for COVID-19 contingencies and Government's continued efforts against the adverse impacts of the COVID-19 pandemic.

» Conversely, expenditure on social protection fell by $144.9 million (36.0 percent) to $257.7 million (87.1 percent of the budget) mainly due to significant easing of Covid-19 support programs as the economy began to rebound and the level of employment trended towards historic levels.

TABLE 6: RECURRENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION (B$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	**July - June**			
	FY2021/22	**FY2021/22p Actual**	**FY2020/21p Actual**	**Variance**	**% of Budget**
General Public Service	1,244.5	1,251.1	996.1	255.1	100.5%
Defense	62.2	59.4	57.8	1.6	95.5%
Public Order & Safety	248.1	247.9	220.6	27.3	99.9%
Economic Affairs	337.4	265.9	343.6	(77.7)	78.8%
Environmental Protection	108.7	168.9	139.2	29.7	155.3%
Housing & Community Amenities	9.0	8.7	2.1	6.6	96.6%
Health	444.1	434.3	388.5	45.9	97.8%
Recreation, Culture & Religion	28.3	27.6	26.0	1.5	97.5%
Education	317.8	293.1	296.2	(3.2)	92.2%
Social Protection	296.0	257.7	402.5	(144.9)	87.1%
GRAND TOTAL	**3,096.1**	**3,014.5**	**2,872.5**	**142.0**	**97.4%**

B. CAPITAL SPENDING

» Capital outlays contracted by $87.4 million (23.6 percent) to $283.6 million – representing 80.4 percent of the budget (*see **Table 7***).

» Capital transfers subsided by $37.4 million (38.8 percent) to $58.8 million, representing 56.7 percent of the budget target.

- Major declines were noted in support for small and medium sized businesses ($34.8 million) as the prior year provisions to support businesses impacted by Hurricane Dorian and the COVID-19 pandemic fell away with the removal of COVID-19 emergency orders.
- Additional transfers largely occurred for energy restoration and renewable energy ($9.7 million) and public private partnerships ($2.0 million).

» Expenditure on the acquisition of non-financial assets decreased by $50.1 million (18.2 percent) to $224.8 million and representing 90.3 percent of the annual target.

- Investments on buildings other than dwellings decreased by $4.5 million (5.2 percent) to $80.7 million, accounting for 86.2 percent of budget. This rise largely reflected additional allocations for the construction of schools ($4.3 million), upkeep of the community ($6.4 million), and new primary and secondary schools ($2.5 million). During the period, cutbacks primarily occurred for hospital and medical facilities ($11.5 million) and building maintenance ($5.1 million.
- Outlays for other structures were lower by $46.5 million (31.9 percent) to $99.3 million, representing 97.4 percent of budget. This was predominantly driven by declines for bridge repairs and maintenance ($13.5 million), New Providence roadworks ($4.0 million), and the falling away of a $68.4 million investment for hospital construction that occurred in the prior fiscal year. Meanwhile, further allocations notably occurred for the construction and expansion of buildings and structures ($31.3 million), and airport infrastructure ($9.3 million).
- Other machinery and equipment spend lessened by $1.1 million (6.9 percent) to $15.3 million, or 74.1 percent of budget. Expenditure mostly fell for military, police and prison equipment ($1.6 million).
- Outlays for transport equipment were lower by $2.4 million (32.2 percent) to $5.1 million and exceeded the budget target by $4.5 million. The lower outlays were mostly due to reduced allocations for sea vessels ($2.5 million).
- Land improvement expenditures declined by $1.2 million (19.2 percent) to $5.2 million, accounting for 63.7 percent of budget. This was mainly attributed to a reduction of $3.3 million for parks and ground improvement. Albeit, investments of $2.2 million were allocated for food security capital developments.
- Acquisitions of other fixed assets rose by $4.3 million (31.6 percent) to $17.8 million, representing 80.6 percent of the budget. Further investments during the period primarily occurred for the sundry capital expenses ($6.5 million) and the electronic Hansard system ($1.3 million). During the period, major reductions occurred for the digitization project ($4.4 million).

TABLE 7: CAPITAL EXPENDITURE BY ECONOMIC CLASSIFICATION (B$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	July - June			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Capital Transfers	**103.7**	**58.8**	**96.2**	**(37.4)**	**56.7%**
Acquisition of Non-financial assets	**249.0**	**224.8**	**274.9**	**(50.1)**	**90.3%**
Fixed Assets	**247.0**	**223.4**	**274.9**	**(51.5)**	**90.4%**
Buildings other than dwellings	93.5	80.7	85.1	(4.5)	86.2%
Other structures	101.9	99.3	145.8	(46.5)	97.4%
Transport equipment	0.6	5.1	7.5	(2.4)	851.0%
Other Machinery & equipment	20.6	15.3	16.4	(1.1)	74.1%
Land Improvements	8.2	5.2	6.5	(1.2)	63.7%
Other Fixed Assets	22.1	17.8	13.5	4.3	80.6%
Land	**2.0**	**1.4**	**0.0**	**1.4**	**70.0%**
TOTAL	**352.7**	**283.6**	**371.1**	**(87.4)**	**80.4%**

During the FY2021/2022, capital expenditure by function of the Government (see Table 8) narrowed by $87.4 million (23.6 percent) to $283.6 million relative to the prior fiscal year, and accounted for 80.4 percent of the annual budget target.

» General public service costs decreased by $26.5 million (52.5 percent) to $24.0 million (43.3 percent of budget) primarily due to a reduction in capital transfers.

» Health disbursements decreased by $81.7 million (79.9 percent) to $20.5 million (55.2 percent of budget) as COVID-19 related spending abate.

» However, outlays towards economic affairs rose by $31.9 million (24.3 percent) to $163.3 million (93.1 percent of budget). During the period, investment outlays went towards construction ($118.6 million), fuel and energy ($15.0 million), nonelectric energy (15.0 million), and transport (11.7 million).

TABLE 8: CAPITAL EXPENDITURE BY FUNCTIONAL CLASSIFICATION (B$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	July - June			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
General Public Service	55.40	24.0	50.4	(26.5)	43.3%
Defense	5.61	5.1	9.0	(3.9)	91.4%
Public Order & Safety	14.26	12.1	11.7	0.4	84.9%
Economic Affairs	175.45	163.3	131.4	31.9	93.1%
Environmental Protection	6.53	3.9	4.0	(0.1)	60.0%
Health	37.13	20.5	102.2	(81.7)	55.2%
Recreation, Culture & Religion	1.00	0.8	-	0.8	75.1%
Education	51.32	50.8	50.4	0.4	99.0%
Social Protection	5.99	3.2	11.9	(8.7)	53.0%
GRAND TOTAL	**352.7**	**283.6**	**371.1**	**(87.4)**	**80.4%**

6.

Financing Activities

NET INCREASE IN LIABILITIES

During the FY2021/22, the Government experienced a net deficit of $689.5 million, which represented a decrease of $646.2 million (48.4 percent) as compared to the prior fiscal year. Net financing totaled $892.5 million, an $825.5 million (48.0 percent) decrease in the net liability growth as compared to the $1,718.0 million experienced in the prior fiscal year.

- » Government utilized gross borrowings of $3,037.6 million as compared to $3,075.8 million in the prior fiscal year to satisfy budgetary financing requirements and to settle maturing debt instruments.
  - Domestic bond issuances totaled $712.4 million, chiefly utilized to refinance $484.1 million of maturing bonds.
  - Two international bond issuances were placed during the fiscal year totaling US$385.0 million—US$135.0 million (Series A) and US$250.0 million (Series B). The series A bond issuance was partially guaranteed by an IDB blue bond facility.
  - Drawings on a credit agreement with Credit Suisse and the National Bank of Jamaica of US$105.0 million to refinance an equivalent value of BPL legacy debt now assumed by Central Government.
  - Financing totaling US$206.5 million was obtained from Goldman Sachs as part of the repurchase agreement for $235.9 million in US Treasuries.
  - Drawings were made on Deutsche Bank Senior Loan facility of EUR$228.4.
  - Drawings on existing loans from international development agencies aggregated US$29.7 million which includes:
    - » Funding received for the Citizen Security & Justice Programme of US$2.4 million;
    - » Government Digital Transformation to Strengthen Competitiveness drawing of US$2.8 million;
    - » A drawing for Reconstruction with Resilience in the Energy Sector in The Bahamas of US$10.4 million;
    - » Financing for the Credit Enhancement Program for Micro, Small and Medium Enterprises of US$2.7 million;
    - » A drawing for the program to support the health sector to contain and control coronavirus and to mitigate its effects in service provision of US$2.4 million;Treasury bills and notes of $273.4 million were issued during the period to meet short term financing needs while $690.0 million in advances were received from the Central Bank.
    - » Funding for the Airport Infrastructure Program of $2.7 million;
    - » Funding for the Climate Resilient Coastal Management and Infrastructure Program amounting to $1.6 million; and
    - » Financing of $1.6 million from the Chinese Export-Import Bank for the North Abaco Port & Little Abaco Bridge Project.
  - Treasury bills and notes of $303.8 million were issued during the period to meet short term financing needs while $895.0 million in advances were received from the Central Bank.
- » Repayments of Government debt increased to $2,145.0 million compared to $1,357.8 million in the same period of the prior year.
  - Payments made to international development agencies totaled $23.8 million comprising:
    - » Total repayment of $8.6 million to the Inter-American Development Bank for the Air Transport program ($1.0 million); supplementary financing for the New

Providence Transportation Project, phrase 1 ($4.8 million) and the Supplementary Financing for the New Providence Transportation Project, phrase 2 ($2.8 million);

» Repayment to the CDB of $1.6 million for the Fiscal Stability and Resilience Building Policy-Based Loan; and

» A repayment to the Chinese Export-Import Bank of $3.8 million towards the Airport Gateway Project and $2.7 million for the North Abaco Port & Little Abaco Bridge Project

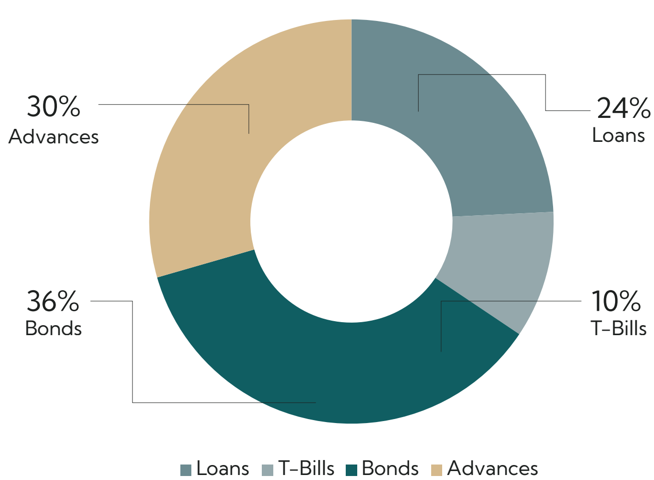
- Repayments were made on an export credit facility from Deutsche Bank of EUR15.1 million.
- Loans from Credit Suisse of 42.2 million Swiss Francs and US$115.6 million were repaid.
- A term facility agreement from Banco Santander S.A amounting to $91.4 million were repaid.
- Bahamian Dollar repayments included reductions in Central Bank advances ($850.0 million); Bahamas Government Registered Stock ($484.1 million); bank loans ($139.6 million) and Treasury note redemptions and conversions ($241.9 million).

» As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by $892.5 million. When exchange rate adjustments are applied, the total Direct Charge at end-June 2022 totaled $10,803.9 million or 85.2 percent of GDP, as compared to 100.9 percent of GDP at end-June 2021.

TABLE 9: CHANGE IN LIABILITIES (BY CURRENCY AND INSTRUMENT) (B$M)

	FY2021/22 July – June		
	Borrowings	**Repayment**	**Net Change**
Bahamian Dollars	**2,016.2**	**1,715.6**	**300.6**
Bonds	712.4	484.1	228.3
Treasury Bills/Notes	308.8	241.9	67.0
Bank Loans	100.0	139.6	(39.6)
Central Bank Advances	895.0	850.0	45.0
Foreign Currency	**1,021.3**	**429.4**	**591.9**
Bank Loans	606.6	405.7	200.9
International Bonds	385.0	-	385.0
Loans from Int'l Dev. Agencies	29.7	23.8	5.9
TOTAL	**3,037.6**	**2,145.0**	**892.5**

FIGURE 6: COMPOSITION OF GOVERNMENT BORROWINGS FOR FY2021/22



CONTRIBUTION TO SINKING FUNDS

During the period, voluntary contributions to the sinking funds established to retire future debt obligations totaled $66.3 million. At end-June 2022, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of $259.0 million, while the funds set aside for the two (2) local arrangements stood at $15.6 million. As a result of the February 2022 repurchase agreement, $235.9 million of external bonds have been sold for repurchase in two (2) years.

TWELVE MONTH REPORT ON BUDGETARY PERFORMANCE FY2021/22 JULY – JUNE

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