



THREE MONTHS FY2022/23 FISCAL SNAPSHOT

RELEASED NOVEMBER 2022

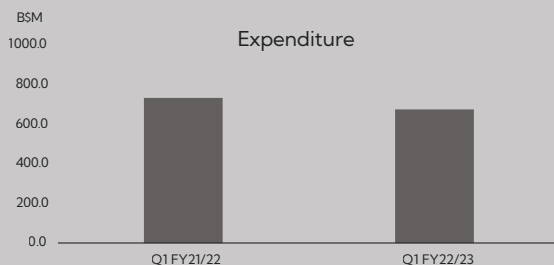
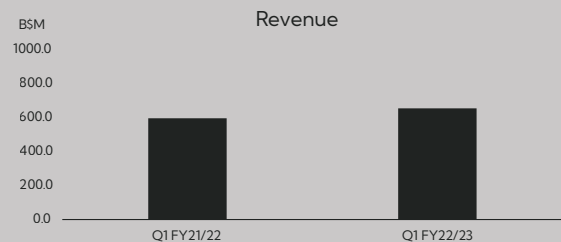
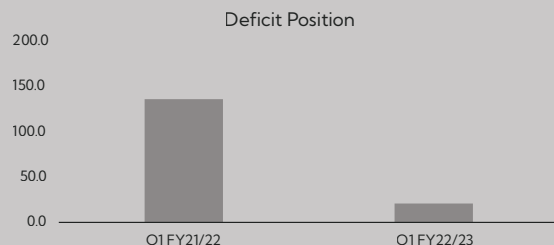
ECONOMIC OUTLOOK

Economic activity in the domestic economy sustains strong levels of output due to performance growth in the tourism sector. Year over year, total stopover visitors remain strong as COVID-19 protocols were eased, and positive Family Island market developments continue. Global economic growth projections for 2023 were tempered to 2.7 percent as a result of elevated inflation, which outpaced levels seen in several decades.

In response, Central Banks in many advanced economies enacted prudent monetary policies, which marked the highest rates recorded in decades. Thus, the lower than average global economic outlook is underpinned by the cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic.

FISCAL BALANCE

Central Government's operations for the first quarter of the FY2022/23 indicate a narrowing of the fiscal deficit to \$20.6 million from \$136.4 million in the year prior, for the same period. This outcome is largely due to growth in revenue receipts while expenditure was contained due to the significant easing of extreme COVID-19 fiscal measures



TAX REVENUE PERFORMANCE

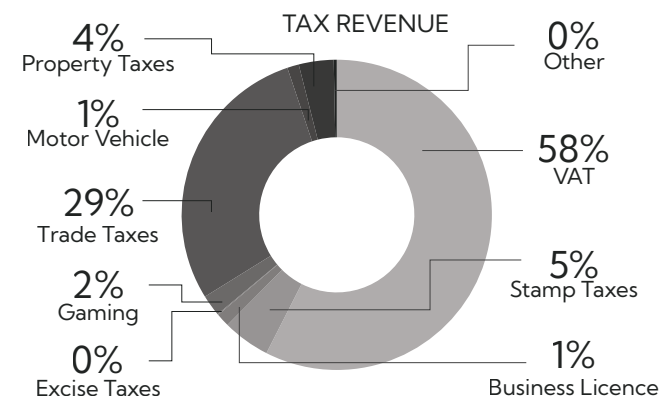
Tax collections rose \$54.1 million, a 10.4 percent increase to \$574.4 million, representing 23.0 percent of the budget target. Improvements were noted for Value Added Tax (\$35.4 million), departure tax (\$26.9 million), excise duties (\$23.6 million), gaming taxes (\$2.3 million), motor vehicle taxes (\$2.2 million), and stamp taxes on financial and realty transactions (\$1.8 million).

NON-TAX REVENUE SUMMARY

Non-tax revenue performance improved by \$3.7 million (4.9 percent) to \$79.9 million relative to the same period of the prior fiscal year. Major growth were noted for miscellaneous revenue (\$14.8 million) and interest and dividend income (\$7.2 million).

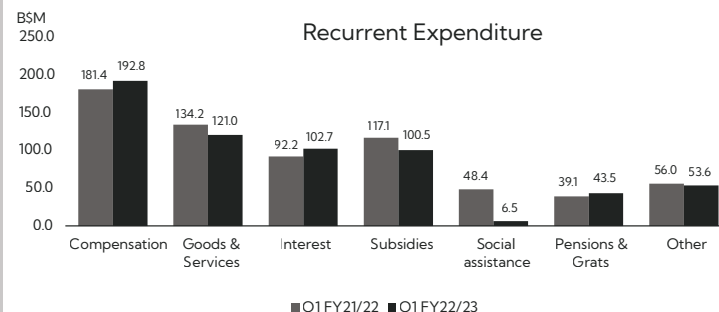
REVENUE

Revenue collection for the first quarter of the FY2022/2023 totaled \$654.3 million, surpassing the prior year collections by \$57.8 million (9.7 percent). During the quarter, major revenue sources grew as economic activity continued to improve. Value Added Tax totaled \$330.8 million, taxes on international trade and transactions amounted to \$165.0 million, property tax collections were \$20.9 million, and non-tax revenues equated \$79.9 million.



EXPENDITURE

Aggregate expenditure decreased by \$58.0 million (7.9 percent) to \$674.8 million, accounting for 20.0 percent of the total budget target. As economic conditions continued to improved, Government significantly eased the COVID-19 social support programs. Thus, compared to the first quarter of the prior fiscal year, social assistance spending contacted by \$41.9 million, totaling \$6.5 million at end-September 2022. During the quarter, compensation of employees totaled \$192.8 million, public debt interest payments amounted to \$102.7 million, \$100.5 million in subsidies were provided, and investments of \$49.2 million were made for the acquisition of non-financial assets.





RECURRENT EXPENDITURE

Recurrent expenditure decreased by \$47.8 million (7.2 percent) to \$620.6 million during the first three months of the FY2022/2023. Spending on the use of goods and services narrowed by \$13.2 million, primarily explained by lower special financial transactions (\$27.5 million). Social assistance benefits receded by \$41.9 million due to the discontinuation of most COVID-19 support programs as unemployment trend towards historic levels and economic activity further improves. Subsidies tightened by \$16.7 million particularly for the Public Hospital Authority (\$13.4 million) as the country sustains the containment of the COVID-19 pandemic. Increased outlays during the quarter resulted from higher public debt interest payments (\$10.5 million), pension and gratuity payments (\$4.4 million), and spending on the compensation of employees (\$11.4 million).

FINANCING ACTIVITIES

The Government experienced a net deficit of \$20.6 million, which represented a decrease of \$115.8 million (84.9 percent) relative to the prior comparable period. Net financing totaled \$12.1 million, a \$142.5 million (92.2 percent) decrease in the net liability as compared to the \$154.6 million experienced in the prior fiscal year for the same period.

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-September 2022 totaled \$10,775.0 million or 83.1 percent of GDP, as compared to 86.9 percent of GDP at end-June 2022.

MONEY REPAID:

Repayments of Government debt increased to \$387.8 million compared to \$342.9 million in the same period of the prior year. Repayment included: \$6.9 million to international development agencies, \$36.1 million to foreign commercial banks, \$205.0 million for Central Bank advances, \$105.5 for Bahamas Government registered stock, and \$34.2 for domestic bank loans.

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: \$11,167.0 million (to September 2022)

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CAPITAL EXPENDITURE

Capital spending contracted by \$10.2 million to \$54.2 million, representing 14.6 percent of the budget target. Key declines in capital outlays were owing to reduced spend on other structures (\$7.6 million), other machinery and equipment (\$4.4 million), and capital transfers (\$11.5 million). During the quarter, additional investments were made on buildings other than dwellings (\$15.1 million) primarily for improvement of hospital and medical facilities and Government buildings.

MONEY BORROWED:

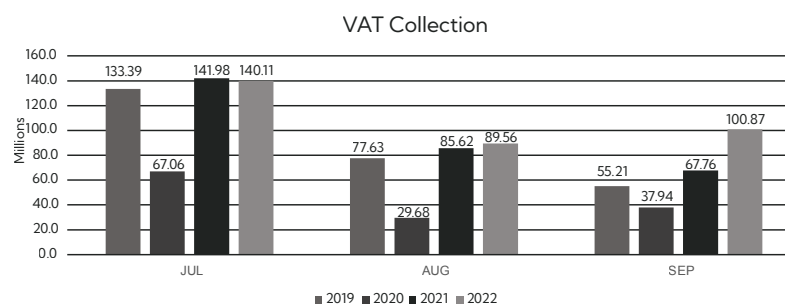
Government utilized gross borrowings of \$399.8 million as compared to \$497.5 million in the prior fiscal year to satisfy budgetary financing requirements and to settle maturing debt instruments. Domestic bond issuances totaled \$118.2 million; treasury bills and notes amounted to \$30.6 million, and Central Bank advances totaled \$205.0 million. Foreign currency financing of \$2.5 was drawn from existing loans with development agencies, and \$43.5 million in financing was provided from foreign bank loans.

GOVERNMENT DEBT				% GDP
END-JUNE 2022	10,792.8	million		86.9%
END-SEPTEMBER 2022	10,775.0	million		83.1%
MONEY BORROWED				
B\$	353.8	million		
NON B\$	46.0	million		
MONEY REPAID				
TOTAL (\$)	387.8	million		
NATIONAL DEBT				
AS OF SEPTEMBER 2022	11,167.0	million		

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 11.9 percent to \$330.5 million for the first three months of FY2022/23.

The same total increased over the first quarter of FY2021/22 by \$160.7 million (119.3 percent) when compared to the FY2020/21 figure of \$134.7 million. Inflationary pressures continued to intensify over the quarter, marking July 2022 prices as the highest recorded in The Bahamas in recent years. Accounting for the 7.9 percentage change in inflation year-over-year, real VAT receipts grew 4.0 percent over the quarter and 15.1 percent over the nine months following the policy change.



SUMMARY OF COVID-19 RELATED EXPENSES (B\$M)

	FY2019/20	FY2020/21p	FY2021/22p	FY2022/23	Total
	Mar - June	July - June	July - June	July - Sept	
Recurrent Expenditure	39.2	268.5	96.6	2.2	406.5
Public Health Safety	1.9	36.6	14.8	0.4	53.7
Unemployment Assistance	10	164.7	62.3	0.0	237.0
Goods & Services Acquisition	1.8	2.2	2.7	0.2	6.9
Job Retention Programme	21.4	23	6.4	1.2	52.0
Food Assistance	2	40.4	7.8	0.0	50.2
Other	2.1	1.5	2.6	0.4	6.6
Capital Expenditure	40.3	4.7	5.7	0.0	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	0.0	48.8
Total	79.5	273.3	102.3	2.2	457.2