



C O M M O N W E A L T H O F T H E B A H A M A S

2021

**FIRST NINE MONTHS FY2021/22  
FISCAL SNAPSHOT COPY**

May 2022



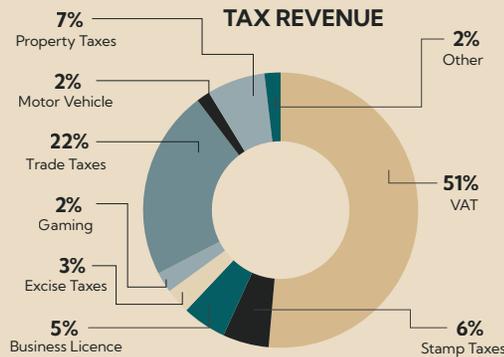
# ECONOMIC OUTLOOK

The Bahamian economy has sustained a bullish economic performance during the first nine-months FY2021/22 despite the emergence of the Omicron variant of the COVID-19 virus and global supply chain shortages during the quarter. The continually improving economic activity is reflective of the continued recovery of domestic economic conditions in the wake of widespread COVID-19 vaccination and containment efforts, both domestically and internationally. With the full reopening of the Bahamian economy, macroeconomic indicators signify

a rebounding of the Bahamian economy to pre-pandemic levels. Strengthened output in the tourism sector is underpinned by an influx of tourist activity for the Spring Break and Easter season. Resumed activity in the tourism sector supports improved employment estimates to accommodate higher hotel occupancies. Supported by increasing global oil prices and supply chain shortages, inflationary pressures are anticipated to continue to increase over the near term, especially as the war in Ukraine persists.

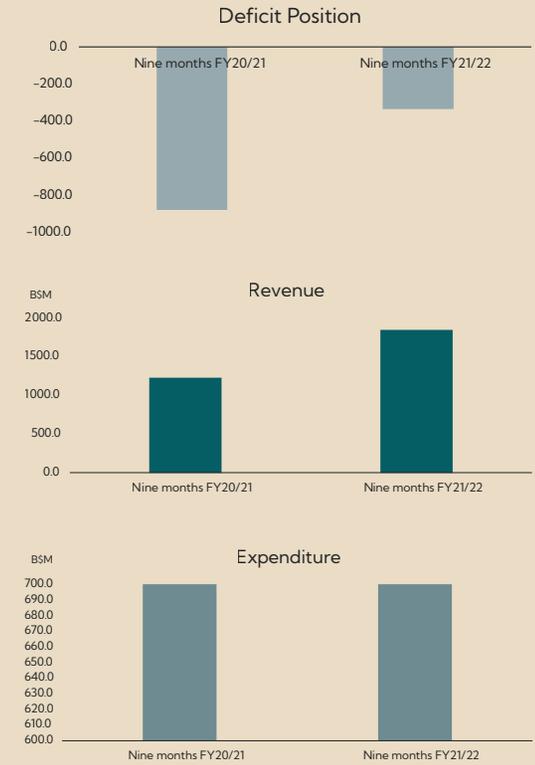
# REVENUE

Revenue collection for first nine months of FY2021/2022 totaled \$1,847.3 million, surpassing the prior year collections by 50.2 percent (\$617.6 million). During the period, revenue collections firmed as economic activity improved as a result of relaxed COVID-19 restrictions allowing for an increase in stopover tourism and taxable activities.



# FISCAL BALANCE

Preliminary data on central Government's fiscal performance for the first nine-months of FY2021/22 indicate a narrowing of the fiscal deficit to \$334.3 million, a decrease of \$544.8 million (62.0 percent) from the same period of the year prior and 38.9 percent of the budget target. This outcome is largely due to the rebounding of economic conditions, as well as, the improvement of revenue receipts with increased stopover tourism and taxable activities. Furthermore, during the quarter government expenditure continued to return to historic trends as Government COVID-19 health & safety and social support programmes continue to be gradually eliminated. Notwithstanding increases in pensions and restoration of promotional exercises and gratuities increasing recurrent expenditure, capital expenditure continued to be contained.



# EXPENDITURE

Aggregate expenditure contracted by \$72.8 million (3.5 percent) to \$2,181.6 million, accounting for 68.2 percent of total target expenditures. During the period, the Government continued winding down many of its COVID-19 social support programs such as unemployment assistance program and food distribution initiatives. Compared to the same period of the prior year social assistance spending decreased by \$88.6 million, totaling \$78.7 million in the first nine months of the FY2021/2022. Compensation of employees totaled \$538.3 million, public debt interest payments were made of \$333.8 million and \$357.7 million in subsidies and grants were provided. Overall Expenditure increase was tempered in part by period-over-period reductions in spending for finance charges (\$37.4 million), utilities and telecommunications (\$1.2 million) and current transfers (\$1.6 million).





# TAX REVENUE PERFORMANCE

Tax receipts improved period-over-period by \$526.4 million, a 50.9 percent increase to \$1,560.5 million, representative of 77.3 percent of the budget. Improvements were also noted in Value Added Tax (VAT) of \$366.3 million (90.3 percent of budget); gaming taxes of \$21.0 million (69.4 percent of budget), departure taxes \$42.8 million (51.4 percent of budget) —reflecting resumed economic activity.

# NON-TAX REVENUE SUMMARY

Non-tax performance firmed by \$90.9 million (46.5 percent) to \$286.6 million, supported by improvements in immigration fee collections of \$43.6 million (77.6 percent) to \$99.8 million and a \$35.5 million (789.3 percent) increase in interest and dividends, totaling \$40.0 million.

# FINANCING ACTIVITIES

The Government’s operational activities for the first nine months of FY2021/22 included a net increase in liabilities of \$603.5 million, a \$708.6 million (54.0 percent) decrease in the net liability growth of \$1,312.1 million experienced same period of 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.

As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, totaled \$10,532.4 million or 87.5 percent of GDP at end-March 2021, as compared to 101.0 percent of GDP at end-June 2021.

# RECURRENT EXPENDITURE

Recurrent expenditure increased by \$80.7 million (4.2 percent) to \$2,021.5 million during the third quarter of FY2021/2022, as compared to the same period in the prior year – representing 70.2 percent of the targeted spend. Compensation of employees widened by \$24.4 million to \$538.3 largely due to expansions in employee wages, allowances and employment programmes. Public debt interest payments of \$333.8 million were made, \$351.3 million in subsidies were provided and pensions and gratuities totaled \$120.9 million. These elevated levels of expenditure were partly offset by reductions in social assistance benefits spending which decreased by \$88.6 million during the period. A notable reduction was also seen in finance charges (\$37.4 million), a 70.8 percent contraction from the same period of the year prior.

# CAPITAL EXPENDITURE

Capital spend contracted by \$7.8 million (4.7 percent) to \$160.1 million compared to the first nine months of the prior fiscal year. Capital transfers decreased by \$9.3 million to \$35.1 million with decreases in outlays for land improvements (\$1.3 million), other structures (\$1.8 million) and other machinery and equipment (\$1.2 million).

## Money Borrowed:

Government’s gross borrowing totaled \$2,120.1 million as compared to \$2,392.4 million in the same period of the prior fiscal year. Domestic borrowing amounted to \$426.4 million in bond issuances, \$273.4 million in treasury bills and notes, \$690.0 million in Central Bank advances and \$166.8 million in domestic bank financing. Foreign currency loan financing from development agencies was valued at US\$23.7 and foreign bank financing at \$539.8 million.



GOVERNMENT DEBT		% GDP	
END-DECEMBER 2021	10,317.9 million		92.1%
END-MARCH 2022	10,532.4 million		87.5%

MONEY BORROWED			
BS	1556.6 million		
NON BS	563.5 million		

MONEY REPAID			
TOTAL (\$)	1512.7 million		

NATIONAL DEBT			
AS OF MAR. 2022	11,843.2 million		

**Money Repaid:**

Repayments of Government debt rose, totaling \$1,516.7 million compared to \$1,080.3 million in the same period of the prior year. Bahamian dollar repayments included \$645.0 million reduction in Central Bank advances, \$383.1 million for matured Bahamas Government Registered

Stock, \$242.1 million in bank loans and \$53.9 million in Treasury note redemptions and conversions. Foreign debt repayments were made to Deutsche Bank (\$15.1 million), Credit Suisse (\$115.6 million and 42.2 million Swiss Francs) and multilateral development agencies (\$17.0 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

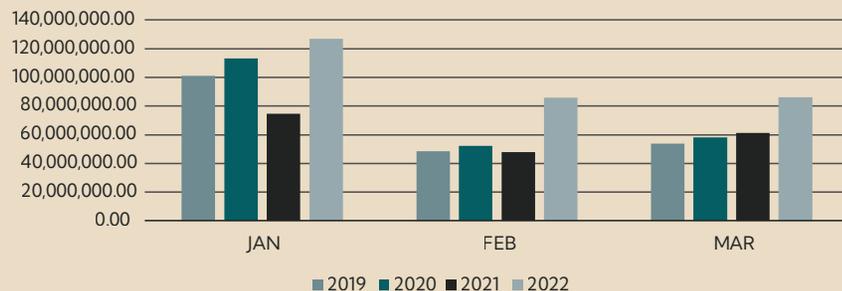
Bank of The Bahamas reports on the National Debt every calendar year. National Debt: \$11,843.2 million (to Mar. 2022) [www.centralbankbahamas.com](http://www.centralbankbahamas.com)

# POLICY INITIATIVES

A major shift, notably the reduction of the value-added tax (VAT) to 10.0 percent from the previous 12.0 percent took effect in the third quarter. Revenue outturns grew period-over-period 62.7 percent to \$298.8 million in 2022, when compared to the prior year. When compared, FY 2021/2022 third quarter VAT

revenue performance outperformed pre-COVID levels (FY2018/2019), by 46.8 percent (\$95.2 million). The growth in VAT receipts is the result of the widened tax base, which allowed for higher collections of VAT on inelastic goods formerly zero rated as "breadbasket" items.

VAT Collection



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

	FY2019/20	FY2020/21p	FY2021/22p	Total
	Mar - June	July - June	July - Mar.	
<b>Recurrent Expenditure</b>	<b>39.2</b>	<b>268.5</b>	<b>58.7</b>	<b>366.4</b>
Public Health Safety	1.9	36.6	10.8	49.3
Unemployment Assistance	10.0	164.7	29.7	204.4
Goods & Services Acquisition	1.8	2.2	2.6	6.6
Job Retention Programme	21.4	23.0	5.1	49.5
Food Assistance	2.0	40.4	8.8	51.2
Other	2.1	1.5	1.6	5.3
<b>Capital Expenditure</b>	<b>40.3</b>	<b>4.7</b>	<b>2.9</b>	<b>47.9</b>
Public Health Safety	0.4	0.0	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	39.0	4.1	2.9	46.0
<b>Total</b>	<b>79.5</b>	<b>273.3</b>	<b>61.6</b>	<b>414.3</b>

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