



PRESS RELEASE

Government Fiscal Rebound Accelerates

Revenue Receipts Exceed Revised Budget by \$269.8 Million

Source: Ministry of Finance, The Bahamas
Date: 121 September, 2022
Contact: Financemail@bahamas.gov.bs

Amidst improved global vaccination rates and reduced deaths and hospitalizations attributed to the COVID-19 virus, original estimates placed output growth in The Bahamas at 14.4 percent for FY2021/22. Owing to rapid demand increases and supply chain disruptions as the global economy rebounded from the COVID-19 induced economic downturn, inflationary pressures rose during the first half of the fiscal year. These inflationary pressures were exacerbated during the second half of the fiscal year following the Russian invasion of Ukraine in February 2022, constraining global growth levels. Domestically, the result was a year-over-year increase in consumer prices for all items to 6.2 percent by end-June 2022.

Despite contractions in global growth, The Bahamian economy maintained a steady pace of recovery, supported by rebounding tourist arrivals. The change in political administration, which ended COVID-19 emergency orders and relaxation of many related restrictive health and safety protocols furthered spurred domestic activity.

Resultantly, revenue collections during the FY2021/2022 totaled \$2,608.6 million, an increase of \$700.7 million over the prior fiscal year and 111.5 percent of the revised budget target. The improved revenue performance also represents an increase of \$364.1 million over original revenue forecasts for the fiscal year, despite the reduction in the nominal VAT rate from 12 percent to 10 percent beginning 1 January 2022.

Key improvements in tax revenue were noted for value added tax (VAT) of \$395.7 million, excise duties of \$81.7 million, departure taxes of \$74.2 million, customs and other import duties of \$56.2 million, stamp taxes (financial and realty) of \$25.5 million, licence to conduct special business activity of \$19.4 million, and gaming taxes of \$13.5 million. Growth in non-tax revenue were largely driven by immigration fees of \$31.2 million, and interest and dividend receipts of \$37.0 million, of which, The Government received a dividend of \$24.5 million from BTC during the second quarter.

Total expenditure aggregated \$3,298.1 million (95.6 percent of budget) and represents a \$54.5 million increase over the prior. This total includes \$251.4 million in supplementary financing approved in May 2022 to settle an equivalent amount of arrears and claims on Government owing from prior fiscal periods.

In recurrent expenditure developments, compensation of employees grew by \$24.4 million to \$725.3 million, largely owing to reinstatement of increments, promotions and other discretionary benefits withheld during the COVID-19 induced economic downturn. Other key items include: \$633.4 million for the acquisition of goods & services, \$551.8 million in public debt interest payments, and \$491.6 million in subsidies to government-owned and/or controlled enterprises.

Capital expenditure contracted by \$87.4 million to settle at \$283.6 million as capital transfers to support businesses impacted by the pandemic lessened by \$37.4 million. The acquisition of non-financial assets contracted by \$50.1 million to equate \$224.8 million, as spending on “other structure” (which comprises transport related infrastructure such as ports, roads and bridges) declined by \$46.5 million. It must be noted that the prior year’s spend was elevated by a \$68.4 million allocation to construct a new hospital tower.

The net result was a deficit of \$689.5 million, a \$646.2 million decrease from the deficit of \$1,335.7 million in the prior fiscal year.

The Ministry of Finance is committed to the Government’s mandate of full transparency and timely reporting. The public is encouraged to visit the national Budget Website (www.bahamasbudget.gov.bs) to view all fiscal reports.