

Economic Alert iQ



April 15th 2019 – 2:00pm

Regional

Prepared by: Mikael Herrera, Economic Analyst (Research & Analytics)

mikael.herrera@firstcitizenstt.com

The Bahamas : IMF Staff Concluding Statement of the 2019 Article IV Mission

Key Highlights

- Real GDP is estimated to have grown by 2.3% in 2018, and growth is projected to steady at 2.1% in 2019, underpinned by continued growth in the tourism sector.
- Inflation increased to an average of 2.2% in 2018 but is projected to fall to 1.6% in 2019 as the temporary effect of the VAT rate increase fades.
- The unemployment rate remains high at 10.7% and is projected to decline only gradually, albeit, positive job growth.
- The current account deficit increased to 15.9% of GDP in 2018, in part reflecting one-off factors related to the completion of Baha Mar and an overvalued real effective exchange rate.
- The banking sector remains sound, but credit growth is hampered by non-performing loans (NPLs) and lack of information about potential borrowers.
- The Fiscal Responsibility Law (FRL) will bolster policy credibility and ensure durable gains from fiscal consolidation, which will bring public debt towards the anchor of 50% of GDP.

- Available data point to weaker-than-expected revenue performance, partly due to grace periods granted for the implementation of revenue measures and legal disputes. The fiscal deficit is projected to narrow to 2.1% of GDP in 2018, bringing the outturn close to the 1.8% target.

Risks to the Outlook

- The medium-term outlook is positive, but risk factors could weigh on growth.
- Economic growth is projected to converge to its potential of 1.5% in the medium term as tourism growth normalizes.
- A significant slowdown in the U.S. and other advanced economies would, however, adversely affect the tourism-dependent Bahamian economy.
- Reputational risks in the offshore sector remain even as the government has strengthened regulatory and transparency standards, and existing business models could be challenged.
- Vulnerability to hurricanes and climate change is high.

The Bahamas' Credit Rating Profile

Commonwealth of the Bahamas	
Moody's	
1) Outlook	STABLE
2) CC LT Foreign Bank Depst	Baa3
3) CC LT Foreign Curr Debt	Baa1
4) CC ST Foreign Bank Depst	P-2
5) CC ST Foreign Curr Debt	P-2
6) Long Term Rating	Baa3
7) LC Curr Issuer Rating	Baa3
8) FC Curr Issuer Rating	Baa3
9) Foreign Currency LT Debt	Baa3
10) Local Currency LT Debt	Baa3
Standard & Poor's 	
11) Outlook	STABLE
12) Foreign Currency LT Debt	BB+
13) Local Currency LT Debt	BB+
14) Foreign Currency ST Debt	B
15) Local Currency ST Debt	B

Source: Bloomberg



Follow us on Twitter @FCISResearch

Disclaimers

All information contained in this article has been obtained from sources that First Citizens Investment Services believes to be accurate and reliable. All opinions and estimates constitute the Author's judgment as of the date of the article; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this article is given or made by First Citizens Investment Services in any form whatsoever. First Citizens Investment Services and/or its employees or directors may, where applicable, make markets and effect transactions, or have positions in securities or companies mentioned herein. Neither the information nor any opinion expressed shall be construed to be, or constitute an offer or a solicitation to buy or sell.