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BAHAMAS

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This preliminary version of the Economic Survey of Latin America, 1979 is being distributed in 27 separate parts: an Introduction of a general nature, bearing the symbol E/CEPAL/R.227, and 26 Addenda to this document, each containing a study of the economic development of a country of the region. These Addenda will not appear in alphabetical order, but in order of completion. The complete Survey will be published in the usual printed version when the comments arising out of this preliminary version have been collected.

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BAHAMAS

1. The overall picture

Throughout the mid-1970s the Bahamas' economy stagnated, owing to the unfavourable evolution of the tourist sector, which is largely determinant of the overall level of economic activity. There was a strong recovery in 1978, but the economy seems to have grown at a much slower pace in 1979, while the annual average rate of inflation climbed from 6% to 9%.

Indicators of the level of output in the primary and secondary sectors are not available for 1979. However, indirect estimates of the performance of these sectors suggest little change from 1978 levels of activity. In contrast, construction showed a significant increase, as the nominal value of building starts and completions jumped 73% and 67%, respectively. It was this increase which enabled the economy to achieve a modest level of expansion, as tourist receipts probably declined slightly in real terms notwithstanding the fact that tourist arrivals rose 5%.

As regards the external sector, third quarter data show a balance-of-payments surplus of 43 million dollars, against an 8 million dollar deficit for the preceding year.^{1/}

Among the major developments in public sector policy in 1979 may be mentioned a new land-use programme designed to eliminate land speculation and restrict the sale of land to foreigners; the upgrading of social services for the poor, elderly and handicapped; and an expanded government housing programme which includes the construction of low cost dwellings and slum clearance and urban redevelopment in Nassau. Finally, two major programmes in agriculture and fishing were initiated at the end of 1979. These projects, costing a total of 40 million dollars, are designed primarily to overcome transportation and marketing bottlenecks.

^{1/} Unless otherwise indicated, Bahamas dollars are used throughout. The Bahamas dollar is on par with the US dollar.

2. Sectoral trends

(a) Agriculture and fishing

The currently available indicators of agricultural production do not permit an evaluation of the sector's performance during 1979. In the preceding year, however, the estimated current value of farm production, excluding dairy products, declined somewhat, while food prices rose by over 8%. The fall was accounted for principally by the drop in poultry, since the value of fruit and vegetable production jumped by 34% - a development which was also reflected in the purchases effected by the Government Produce Exchange (see tables 1 and 2).

The volume of the fish catch, after showing a 14% rise over the course of the previous two years, fell by more than 1% in 1979, owing mainly to the drop in "other" fish (see table 3). In contrast to the overall trend, the conch catch increased by almost a third, thus reversing the sharp decline suffered in the previous two years.

The year 1979 marked the commencement of a 20 million dollar two-year programme to upgrade the infrastructure, particularly in the area of island transportation, for the production and marketing of crops and dairy products with a view to reducing the large food import bill. Another 20 million dollar programme, designed to improve and increase the capacity of the fishing fleet and handling installations, was also initiated in 1979.

(b) Manufacturing and mining

No official production data for this sector are available at present. It may be noted, however, that petroleum refining provides the lion's share of the value of manufacturing and mining production. Most of the remainder is accounted for by cement and the argonite and salt mines. This sector employs less than 5% of the labour force.

(c) Construction

All indicators of construction activity in 1979 show a marked increase over 1978 levels, which were themselves significantly above the relatively depressed levels of the preceding years (see table 4).

/Thus, in

Thus, in 1979 the number of building permits rose by somewhat less than 15%; building starts increased well over 49% by the end of the third quarter, and the number of building completions rose some 17% (first half of 1979 against first half of 1978). The growth of building starts was led by the 61% rise in the residential subsector, since commercial and industrial building starts showed a relatively small increase in numbers and actually declined somewhat in terms of current value.

Given the time lag between building permits or starts and building completions, and the significantly greater numbers recorded in the first two categories over the last few years, it may be concluded that the sector should continue to record substantial gains in the short term.

One of the principal factors underlying the strong recovery in construction over the last two years has been the implementation of a government housing programme which now includes both direct participation in the construction and ownership of low-cost housing and the provision of financial assistance for private housing purchase by those with low incomes. At the same time the sharp upturn in tourism in 1978 provided a significant stimulus to the sector.

(d) Tourism

In the Bahamas virtually every activity is ultimately, if not primarily, dependent on the evolution of tourism. In 1976, for example, this sector generated almost three-fourths of GNP.

Following the stagnation suffered by the sector through the mid-1970s, 1978 saw a significant recovery: the number of tourists rose by over 24%, while expenditures climbed almost 16%. In 1979 the growth in the number of tourists arrivals declined to 5%, while total tourist expenditures rose 6% (see table 5). In view of the fact that the consumer price index rose by 9%, the real value of tourist expenditures was therefore obviously below the 1978 level. On the other hand, the implementation of a series of tax increases relating to tourism brought a rise in tourist income retained within the economy.

/Recent years

Recent years have seen an unfavourable trend in tourist expenditure patterns. Between 1976 and 1979, tourist expenditure per visit stagnated in current values, whereas the consumer price index rose by almost 18%. The fall in the real value of the average expenditure of tourists may indicate a change in the structural composition of tourists towards an increasing participation of excursion-type groups, and/or a general change in tourist spending habits. In any event, given the negative trend in expenditure patterns, a significant increase in the number of tourist arrivals will be required if the sector's GDP, and thus the economy as a whole, is to achieve a favourable performance.

3. The external sector

The preliminary and fragmentary data for the balance of payments in 1979 do not permit the formulation of any categorical statements concerning the final results of the external sector in 1979 (see table 6). Through September, however, the traditional surplus on the current account was maintained. As usual, the deficit on merchandise trade and the repatriation of profits was more than offset by the surplus on services. It is worth noting that by the end of the third quarter the nominal value of merchandise exports showed a small increase over the total for 1978, while merchandise imports up to the same date were some 27% below the full 1978 figure. Since the merchandise trade deficit and profit remittances typically increase significantly in the fourth quarter, however, the surplus on current account recorded at the end of the third quarter will probably fall substantially by the end of the year.

The balance on capital account also showed a surplus at the end of the third quarter, thanks to a significant inflow of private long-term capital.

In September, the official reserves stood 43 million dollars above the December 1978 figure. Indirect estimates of the official reserves at the end of December 1978 show that these were equivalent to rather less than the average value of imports for 3.5 months.

4. Prices

Traditionally, price movements have been negligible in the Bahamas, and rates of inflation in recent years, except in 1974-1975, have been below those prevailing in the international economy, owing partly to the fact that the domestic petroleum refinery supplies products at lower than international prices. For instance, between 1974 and 1978 the prices of gasoline and propane in the Bahamas actually fell somewhat.

In 1979, the annual average rate of inflation jumped 50% to slightly more than 9%, which represented the highest rate of inflation since 1975, while the December to December price index recorded an acceleration of some 75% in its growth rate (see table 7). Price rises were most pronounced during the second and third quarters; in the final quarter the rate of increase slowed down markedly.

The rise in prices was fuelled principally by the behaviour of the prices of food, and clothing and footwear. All the remaining categories showed increases below the overall average.

5. Monetary and fiscal policy

Through the end of the third quarter of 1979, the money supply increased well over 30% with respect to the same period in 1978. This significant expansion followed a 20% rate of increase in 1978 (see table 8).

The principal factor of expansion was the sharp reduction in the net negative position of the international reserves, which in turn was wholly accounted for by the increase in official reserves. Internal credit expanded by a mere 5%: i.e., less than the rate of inflation. Government borrowing actually declined in nominal terms.

Data on the sectoral breakdown of the banking sector's credit operations through the third quarter are given in table 9. For the second consecutive year agriculture was favoured with a sizeable increase in finance, a development which may be traced to the government programmes designed to improve agricultural production. Manufacturing, after suffering three successive years of cuts in nominal credit outlays, received a modest increase in 1979. Building and construction other than that relating to tourism was favoured with an increase of similar magnitude, after a decline in 1978. In contrast, the amount of lending to tourist-related construction fell by almost 16%.

/Partial data

Partial data for the fiscal accounts, available only up to the end of November, are included in table 10. Recurrent income rose by over 21%, while recurrent expenditure increased by 12%. Consequently, savings on the current account doubled and in fact more than covered capital expenditures. This surplus, if maintained through December, would be the first in recent years.

The significant rise in recurrent income was accounted for mainly by the increases in taxes levied in the tourist and banking sectors and the upturn in construction. At the same time, the assets acquired by the government in the tourist sector the previous year provided an increase of 42% in non-tax revenues.

Owing to the fact that no new assets were purchased in 1979, and to the large savings on current account, the government was able both to increase capital expenditures by 51% and to reduce the level of its external debt during the course of the year.

Table 1

BAHAMAS: ESTIMATED VALUE OF FARM PRODUCTION

	Millions of current Bahamas dollars				Growth rates			
	1975	1976	1977	1978	1975	1976	1977	1978(a)
Fruit and vegetables	2.17	3.28	4.23	5.67	24.7	51.1	29.0	34.0
Dairy products	1.06	1.13	-13.1	6.6
Meat (beef and mutton)	0.41	0.45	0.45	0.37	-10.9	9.7	-	-17.8
Poultry products	8.70	9.60	11.18	10.14	35.8	10.3	16.5	-9.3
<u>Total</u>	<u>13.35</u>	<u>14.46</u>	<u>16.36</u>	<u>16.17</u>	<u>27.1</u>	<u>8.3</u>	<u>13.1(b)</u>	<u>-1.2(b)</u>

Source: Data supplied to CEPAL by the Bahamas Ministry of Agriculture.

(a) Preliminary figures.

(b) Total excludes dairy products.

Table 2

BAHAMAS: PURCHASE OF SELECTED COMMODITIES BY THE GOVERNMENT PRODUCE EXCHANGE

Commodity	Quantity				
	1975	1976	1977	1978(a)	1979(b)
Oranges (c)	1 655	715	809	708	...
Limes (c)	1 156	1 815	1 533	1 159	919
Bananas (d)	192	240	346	319	251(e)
Pineapples (c)	38	44	9	582	...
Watermelons (d)	145	176	33	162	149
Pigeon peas (green and dry) (d)	42	60	19	25	...
Tomatoes (fresh) (f)	669	1 560	731	1 452	761(g)
Onions (d)	190	290	11	291	274(h)
Sweet potatoes (d)	96	89	40	77	20(g)

Source: Department of Statistics, Bahamas, Agricultural and Fishing Statistics Report (several issues), and data supplied to CEPAL.

- (a) For the period January to September 1978.
- (b) Preliminary figures.
- (c) Thousands of units.
- (d) Metric tons.
- (e) January-October.
- (f) Thousands of pounds.
- (g) January-June.
- (h) February-July.

Table 3

BAHAMAS: VOLUME OF SEAFOOD CAUGHT

	Metric tons				Growth rates			
	1976	1977	1978	1979(a)	1976	1977	1978	1979
Crawfish	323	450	496	539	46.8	39.3	10.2	2.5
Conch	287	239	168	220	4.0	-16.7	-29.7	31.0
Turtle	30	33	41	20	3.4	10.0	24.2	-51.2
Other	822	874	947	850	-4.5	6.3	8.4	-10.2
<u>Total</u>	<u>1 452</u>	<u>1 596</u>	<u>1 652</u>	<u>1 629</u>	<u>4.8</u>	<u>9.9</u>	<u>3.5</u>	<u>-1.4</u>

Source: Department of Estatistics, Bahamas, Agricultural and Fishing Statistics Report, 4th Quarter, 1977, and data supplied to CEPAL.

(a) Preliminary figures.

Table 4

BAHAMAS: CONSTRUCTION INDICATORS

	1977	1978	1979	Growth rates			
				1976	1977	1978	1979
Building permits							
Number	1 704	1 835	1 036(a)	-9.5	9.9	7.7	14.6(b)
Value (c)	63	42	51(a)	27.9	14.5	3.2	14.6(b)
Building starts (d)							
Number	756	953	1 425(e)	5.6	18.7	26.0	49.5(f)
Value (c)	27	42	73(e)	78.9	-20.6	55.6	73.8(f)
Residential buildings							
Number	600	765	1 234(e)	13.2	20.2	27.5	61.3(f)
Value (c)	20	29	62(e)	32.3	11.1	45.0	113.8(f)
Commercial and industrial buildings							
Number	150	182	191(e)	13.1	21.0	21.3	4.9(f)
Value (c)	7	13	11(e)	86.0	-33.2	92.4	-16.7(f)
Building completions							
Number	489	540	299(a)	-17.2	1.9	10.4	16.8(b)
Value (c)	19	21(a)	15(a)	0.8	14.9	11.6	66.6(b)

Source: Central Bank of Bahamas, Quarterly Review, June, 1979, and data supplied to CEPAL.

(a) January-June.

(b) January-June 1979 with respect to January-June 1978.

(c) Millions of current Bahamas dollars.

(d) New Providence and Grand Bahama Islands only.

(e) January-September.

(f) January-September 1979, with respect to January-September 1978.

Table 5

BAHAMAS: TOURIST INDICATORS

	1976	1977	1978	1979(a)	Growth rates		
					1977	1978	1979
Total number of tourists (b),(c)	1 345	1 318	1 626	1 711	-2.1	24.2	5.2
Stopover tourists	940	965	1 176	1 235	2.7	21.9	5.1
Cruise-ship tourists	405	353	450	476	-12.8	27.5	5.8
Average length of stay (d)	6.7	7.0	7.0	7.0	4.5	0.0	0.0
Total expenditure (e)	368	412	495	524	12.1	20.0	6.0
Stopover tourists	351	395	472	500	12.3	19.6	5.9
Daily expenditure (f)	56	59	58	58	5.4	-1.9	0.0
Expenditure per visit (f)	374	409	402	405	9.4	-1.8	0.7
Cruise-ship tourists	17	18	23	24	6.7	27.4	6.7
Expenditure per visit (f)	41	50	50	50	22.0	0.0	0.0
Hotel rooms available (g)	11.1	11.4	11.2	...	3.0	-2.3	...
Average percentage rate of occupancy (h)	64.3	66.6	76.9	...	3.6	15.5	...

Source: Ministry of Tourism, Bahamas, Annual Report on Tourism, 1978 and Tourist Statistics, 1979, and data supplied to CEPAL.

- (a) Preliminary estimates.
- (b) Thousands.
- (c) Excludes travellers in transit.
- (d) Days.
- (e) Millions of current Bahamas dollars.
- (f) Current Bahamas dollars.
- (g) Maximum number of licensed rooms in the year, in thousands.
- (h) New Providence Island only. In 1978 the average rate of occupancy in Grand Bahama Island was 65.4% in the Family Islands, 41.6%.

Table 6

BAHAMAS: BALANCE OF PAYMENTS

	Millions of current Bahamas dollars			
	1976	1977	1978	1979(a)
Merchandise	-285	-279	-326	-196
Exports	135	139	155	157
Imports	-420	-417	-481	-353
Services	332	351	396	271
Travel	319	353	428	...
Other	13	-2	-33	...
Net transfer payments	-12	-13	-15	-3
Balance on current account	36	59	55	72
Capital account	-22	59	-24	7
Long-term capital	7	39	-26	16
Official	-10	5	-10	-8
Private sector	17	35	-16	23
Short-term capital	-	-	-	-
Other capital (b)	-29	20	2	-9
Errors and omissions	-20	-98	-39	-35
Reserve movements (minus sign indicates an increase)	6	-20	8	-43

Source: Central Bank of Bahamas, Quarterly Review, and data supplied to CEPAL.

(a) January to September.

(b) Includes net transactions of authorized dealers and other financial institutions.

Table 7

BAHAMAS: RETAIL PRICE INDEX (NEW PROVIDENCE ISLAND)

	1976	1977	1978	1979
	<u>Variation between annual averages</u>			
Consumer price index	3.6	3.1	6.2	9.1
Food	2.9	1.9	8.2	10.9
	<u>Variation December to December</u>			
Consumer price index	3.2	4.6	6.6	11.6
Food	1.2	5.3	8.3	15.0

Source: Department of Statistics, Bahamas, Retail Price Index, and data supplied to CEPAL.

Table 8

BAHAMAS: MONETARY BALANCE

	Balance at end of:					Growth rates		
	(millions of current Bahamas dollars)							
	1976	1977	1978	1978(a)	1979(a)	1977	1978	1979(b)
1. <u>Money</u>	78	90	107	102	134	15.5	19.7	31.5
Currency outside banks	21	23	26	25	28	13.7	13.7	16.0
Demand deposits	57	66	81	77	106	16.1	21.8	36.4
2. <u>Factors of expansion</u>	359	315	356	367	429	-12.2	13.2	16.8
Foreign assets (net)	-6	-86	-77	-50	-10	-	-	-
Domestic credit	365	401	433	417	440	9.8	8.0	5.4
Government (net)	89	88	100	87	84	-1.3	13.8	-4.0
Private sector	65	287	309	306	331	8.2	7.9	8.2
Other institutions	11	26	24	24	25	134.5	-9.8	3.3
3. <u>Factors of absorption</u>	281	225	249	266	296	-19.9	10.7	11.3
Quasi-money								
(savings and time deposits)	237	198	216	219	247	-16.4	8.9	13.0
Other items (net)	44	27	33	47	49	-38.8	23.9	3.0

Source: International Monetary Fund, International Financial Statistics, March 1980.

(a) January-September.

(b) January-September 1979 compared with January-September 1978.

Table 9

BAHAMAS: QUARTERLY ANALYSIS OF LOANS AND ADVANCES

	Millions of current Bahamas dollars at year-end		January- September		Rate of change		
	1976	1977	1978	1979(a)	1977	1978(b)	1979(c)
Agriculture	1.5	1.2	1.4	1.9	-20.2	24.5	33.3
Quarrying	0.1	(d)	(d)	(d)	-70.3	-57.1	-72.2
Manufacturing	17.3	12.5	6.9	7.4	-27.5	-47.0	8.2
Hotels, clubs, restaurants and nightclubs	28.1	51.1	54.7	46.1	81.9	1.2	-15.7
Trade and commerce	32.7	32.3	44.6	50.7	-0.9	36.8	13.8
Utilities (water, electricity and transportation)	10.8	7.2	83.4	9.2	-33.3	33.7	9.9
Building and construction	38.6	36.0	39.3	43.2	-6.7	-1.6	10.0
Real estate	36.1	35.0	51.1	54.8	-3.0	55.8	7.1
Personal loans	42.3	55.7	53.3	59.7	31.6	6.3	12.0
Other local loans	62.7	75.5	63.7	74.4	20.5	-14.1	16.9
<u>Total</u>	<u>270.3</u>	<u>306.7</u>	<u>323.3</u>	<u>347.4</u>	<u>13.5</u>	<u>6.9</u>	<u>7.5</u>

Source: Central Bank of the Bahamas, Quarterly Review, June, 1979, and data supplied to CEPAL.

(a) Preliminary figures.

(b) Growth rates for end-year data.

(c) January-September 1979 compared with January-September 1978.

(d) Less than 100 000 dollars.

Table 10

BAHAMAS: CENTRAL GOVERNMENT INCOME AND EXPENDITURE

	Million of current Bahamas dollars				Growth rates			
	1976	1977	1978	1979 (a)(b)	1976	1977	1978	1979(c)
<u>Current income</u>	<u>137</u>	<u>140</u>	<u>166</u>	<u>179</u>	<u>13.8</u>	<u>1.7</u>	<u>19.1</u>	<u>21.2</u>
Tax revenue	116	125	147	153	18.4	7.2	18.0	18.2
Imports	71	81	97	...	11.4	13.7	19.2	...
Services	10	9	11	...	8.7	-8.0	18.5	...
Stamps	8	8	11	...	8.3	6.4	36.1	...
All others	27	26	28	...	53.1	-4.1	7.7	...
Non-tax revenue	21	15	19	26	-5.2	-28.9	28.7	42.4
<u>Current expenditure</u>	<u>129</u>	<u>136</u>	<u>158</u>	<u>151</u>	<u>13.2</u>	<u>5.4</u>	<u>15.9</u>	<u>12.4</u>
Wages and salaries	75	80	91	90	14.9	6.6	14.7	8.8
Goods and services	34	32	38	36	13.3	-5.6	19.3	19.7
Transfer payments and subsidies	20	24	28	26	6.8	19.7	15.2	16.3
<u>Saving on current account</u>	<u>8</u>	<u>4</u>	<u>9</u>	<u>28</u>	<u>25.4</u>	<u>-56.0</u>	<u>146.0</u>	<u>108.2</u>
<u>Capital expenditure</u>	<u>23</u>	<u>24</u>	<u>28</u>	<u>20</u>	<u>63.0</u>	<u>4.9</u>	<u>19.9</u>	<u>-9.9</u>
Capital formation	16	18	11	11	211.8	15.1	-40.2	51.4
Acquisition of assets	0	0	12	-	-93.7	-56.0	-	-
Other	6	5	6	10	16.4	-18.8	5.8	126.2
<u>Total expenditure</u>	<u>152</u>	<u>160</u>	<u>186</u>	<u>171</u>	<u>18.5</u>	<u>5.4</u>	<u>16.5</u>	<u>9.3</u>
<u>Fiscal deficit</u>	<u>-23</u>	<u>-29</u>	<u>-36</u>	<u>1</u>	<u>59.6</u>	<u>30.2</u>	<u>21.2</u>	<u>95.2</u>
Total national debt	173	219	233(d)	262(d)	15.3	26.8	6.5	12.0

Source: Central Bank of the Bahamas, Quarterly Review, September 1979, and data supplied to CEPAL.

(a) Preliminary figures.

(b) January-November.

(c) January-November 1979 compared with January-November 1978.

(d) Data relating to the period January to June; include contingency liabilities for Statutory Corporations.

