



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
2022

FIRST QUARTER REPORT
ON BUDGETARY PERFORMANCE
FY2021/2022 | JULY-SEPTEMBER

MINISTRY OF FINANCE | OCTOBER, 2021



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I. ABOUT THIS REPORT

GENERAL STATEMENT

In keeping with its commitment to transparency in the public finances and align with global fiscal disclosure standards and best practices, the Ministry of Finance provides in-year reporting on the

performance of the central Government's revenue, expenditure and financing operations vis-à-vis the approved budget.

- PERIODICITY:** Quarterly (Qtr. I: July – September; Qtr. II: July – December; Qtr. III: July – March; and Qtr. IV: July – June).
- TIMELINESS:** Within four (4) weeks after the end of the referenced quarter, except for Qtr. IV report which will be released two months after the end of the quarter given year-end closing activities.
- PUBLICATION:** To be released on the Ministry of Finance's Budget website (www.bahamasbudget.gov.bs).

BASIS OF PREPARATION

The budgetary data are prepared using a modified cash basis of accounting and guided by International Public Sector Accounting Standards (IPSAS) cash basis. As such, revenue is recognized when received and not when earned, expenditure is recorded in the period it is incurred and paid, and purchases of fixed assets, including immovable property, plant and equipment, are fully expensed in the year of purchase.

The fiscal data tables compiled in the quarterly reports are presented using the new modified chart of accounts introduced on July 1, 2018, which accomplishes two (2) important objectives, namely:

- »prepares for the eventual conversion of the accounting presentation to the IPSAS accrual basis,
- »facilitates the aggregation and presentation of the fiscal data to meet the International Monetary Fund's Government Finance Statistics (GFS) 2014 reporting standards. The

primary purpose of the GFS is to provide a comprehensive conceptual and reporting framework for analyzing and evaluating the performance of the Government's finances.

UNAUDITED DATA

As reconciliation is ongoing, the fiscal data presented in these quarterly reports are subject to change and, therefore, their status is provisional (denoted as "p") until audited by the Auditor General.

ROUNDING

Because of rounding, some totals may not agree with the sum of their component parts.



2. EXECUTIVE SUMMARY

The Bahamas's improved economic performance during the first quarter FY2021/22 is reflective of the accelerated pace of recovery in the domestic economy as COVID-19 vaccination and containment efforts improve both domestically and internationally.

As a result of increased vaccine availability, relaxed curfews and the cessation of lockdowns, tourism activity has improved with stopover visitor arrivals nearing pre-pandemic levels. Despite the improvement in the tourism sector, unemployment levels remain elevated with 17,154 beneficiaries relying on the government unemployment benefits program administered by the National Insurance Board to assist persons impacted by COVID-19. Inflation remains relatively contained but is projected to rise in the near term as global markets rebound.

As a result of elevated debt levels to weather the impact of Hurricane Dorian and the coronavirus pandemic and a weak economic outlook, Moody's Investor Service downgraded The Bahamas's sovereign debt rating during the quarter from Ba2 to Ba3, in September 2021.

Government fiscal performance during the first quarter FY2021/22 demonstrates a strengthening in revenue collections largely due to a resurgence in the travel and tourism sector. As a result of the protracted impact of COVID-19, government was forced to maintain elevated levels of spending to support health, social and economic assistance initiatives, as well as operational requirements to several State Owned Enterprises. To curb the

impact of elevated relief spending on the government's fiscal position, discretionary capital expenditure was contained.

Consequent on these developments, preliminary data on central Government's fiscal performance for the first quarter FY2021/22 indicate a deficit of \$153.5 million (*see Table 1*), \$182.8 million (54.4 percent) less than the year prior, but substantially in line with the projected deficit at 16.1 percent of the budget target.

» Total revenue settled at \$572.8 million—\$271.9 million (90.3 percent) more than same period of the prior year and 25.5 percent of the budget target. Tax receipts improved period-over-period by \$230.2 million, an 85.4 percent increase to \$499.7 million, representative of 25.9 percent of the budget. During the quarter, taxes on property totaled \$20.6 million, an increase of \$12.1 million (142.8 percent) supported by the Government's Real Property Amnesty program. Improvements were also noted in Value Added Tax (VAT) of \$294.7 million (34.9 percent of budget); excise taxes of \$26.9 million (11.4 percent of budget); gaming taxes of \$10.5 million (19.4 percent of budget), departure taxes \$10.6 million (11.2 percent of budget) —reflecting increased economic activity. Non-tax performance firmed by \$41.6 million (132.5 percent) to \$73.0 million, supported by improvements in immigration fee collections of \$34.0 million, a \$20.2 million (146.6 percent) increase period-over-period as tourist travel increased.


TABLE I: FISCAL SUMMARY (STATEMENT OF SOURCES & USES OF CASH)

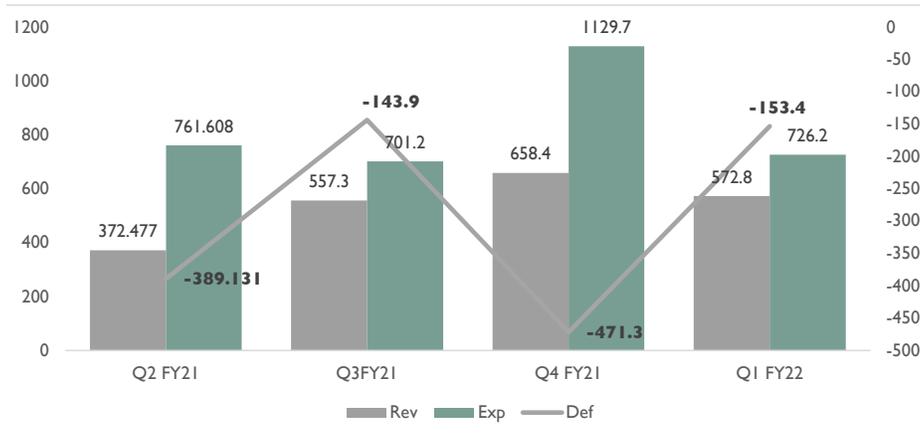
(B\$M)	[a]	[b]	[c]	[b] -[c]	[b/a]
	Budget	July - Sept			
	FY2021/22	FY2021/22p Actual	FY2020/21p Actual	Variance	% of Budget
Revenue	2,246.5	572.8	300.9	271.9	25.5%
Tax	1,926.2	499.7	269.5	230.2	25.9%
Non-tax	318.3	73.0	31.4	41.6	22.9%
Grants	2.0	0.0	0.0	0.0	0.0%
Expenditure	3,198.3	726.2	646.0	80.2	22.7%
Recurrent	2,825.9	663.6	585.6	78.0	23.5%
Capital	372.4	62.6	60.4	2.2	16.8%
Surplus/(Deficit)	(951.8)	(153.5)	(345.1)	191.6	16.1%
Financing Activities	951.8	153.5	345.1	(191.6)	16.1%
Net Acquisition of financial assets (-)	59.8	13.3	0.0	13.3	22.2%
Sinking Funds	59.8	13.3	0.0	13.3	22.2%
Equity	0.0	0.0	0.0	0.0	0.0%
Other	0.0	0.0	0.0	0.0	0.0%
Net Incurrence of Liabilities (+)	951.9	154.6	692.0	(537.4)	16.2%
Borrowings	1,851.6	497.4	921.0	(423.6)	26.9%
Debt Repayment	899.7	342.9	229.0	113.9	38.1%
Change in Cash Balance [(=) increase]	59.7	12.2	(346.9)	359.1	20.5%

» Aggregate expenditure increased by \$80.2 million (12.4 percent) period-over-period to \$726.2 million. Recurrent expenditure of \$663.6 million was supported elevated levels of social assistance benefits of \$48.4 million as Government continued COVID-19 relief programs. Compensation of employees totaled \$131.8 million, public debt interest payments were made of \$92.2 million and \$117.1 million in subsidies were provided. These elevated levels of expenditure were partly offset by reductions in spending for supplies &

materials (\$2.4 million) and current transfers (\$0.9 million). Capital spend increased by \$2.2 million (3.7 percent) to \$62.6 million. Capital transfers contracted by \$3.8 million to \$15.8 million with decreases in key transfers to small business development (\$7.3 million) and capital contingencies for various departments (\$5.2 million). Transfers were made to post-Dorian disaster recovery (\$3.8 million) and to support energy restoration (\$5.5 million).



BUDGETARY PERFORMANCE (B\$M)



- » During the quarter, the Government made contributions to the external discretionary sinking fund for future debt amortization of \$13.5 million. Debt repayment increased to \$342.9 million from \$229.0 million in the same period of the year prior largely due to timing of the repayment of short term advances. Bahamian dollar repayments included \$160.0 million in Central Bank advances, \$92.3 million for matured Bahamas Government Registered Stock, and \$7.8 million in Treasury note redemptions and conversions. Foreign debt repayments were made to Deutsche Bank (\$10.4 million), Credit Suisse (\$12.1 million) and multilateral development agencies (\$1.7 million).
- » With the rebounding domestic economy, Government’s gross borrowing was contained at \$497.0 million as compared to \$921.0 million in the same period of the prior

- year. Of this total, \$48.8 million was provided via domestic bond issuances. Treasury bills and Central Bank advances equated to \$265.0 million and \$160.0 million respectively. Foreign borrowing from international development agencies totaled US\$23.7 million, mainly comprised of US\$10.4 million for energy sector reconstructions, US\$2.8 million for government digitization initiatives, US\$2.7 for a micro and small business program, and US\$2.4 million to support the health sector with COVID-19 containment.
- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$151.7 million to \$10,087.0 million or 98.1 percent of GDP at end-September 2021, as compared to 100.5 percent of GDP at end-June 2021.

¹ In its May 2021 release, the Bahamas Statistical Institute adjusted previously reported national account estimates using 2012 as a base year. As a result, revisions have been made to the IMF’s GDP estimates in the October 2021 WEO. As a result, June 2021 debt/GDP ratios have been updated to reflect this adjustment.



BOX A: SUMMARY OF COVID-19 EXPENDITURE

During FY2021/22, Government continued its COVID-19 related health containment, mitigation and support programs for impacted families and businesses. These outlays are estimated at \$39.4 million and, together with past outlays, brings the aggregate spend to approximately \$392.1 million.

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

	FY2019/20	FY2020/21p	FY2021/22 July - Sept	Total
Recurrent Expenditure	39.2	268.5	39.4	347.1
Public Health Safety	1.9	36.6	0.0	38.5
Unemployment Assistance	10.0	164.7	29.7	204.4
Goods & Services Acquisition	1.8	2.2	0.4	4.4
Job Retention Programme	21.4	23.0	0.0	44.4
Food Assistance	2.0	40.4	8.8	51.2
Other	2.1	1.5	0.5	4.1
Capital Expenditure	40.3	4.7	0.0	45.0
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	0.0	43.1
Total	79.5	273.3	39.4	392.1

As a result of national elections held 16 September, 2021, a change in administration occurred. The new administration has signaled its intent to shift policy direction which is reflected in its supplementary budget and will be reflected in future versions of this report.



3. ECONOMIC OVERVIEW

Economic activity during the first quarter FY2021/22 reflects the accelerated pace of recovery of the domestic economy beyond projections as COVID-19 vaccination procedures strengthen both domestically and internationally. In its July 2021 World Economic Outlook, while the global economy continues to be projected to grow by 6.0 percent, the United States economy is forecast to grow by 7.0 percent, up from the 5.1 percent projected in January 2021. Correspondingly, economic growth in The Bahamas was forecast at 2.0 percent as the country rebounds.

In the major economies, labor market conditions continue to improve. In the United States, the unemployment rate positioned at 4.8 percent for September 2021 represents a decline from the 5.2 percent experienced in August 2021 and 5.4 percent in July 2021. In the Euro area, the unemployment rate declined modestly to 7.5 percent in August 2021 from 7.6 percent in July 2021 and nearer to pre-COVID-19 rates unemployment levels.

Inflationary pressures continued to increase month-on-month in the Euro area. The annual inflation rate for September 2021 firmed to 3.4 percent compared to 3.0 percent in August 2021 and the 2.2 percent experienced in July 2021. In the United States, consumer prices increased by 0.4 percent in September 2021, an increase over the 0.3 percent price increase in August 2021 and lower than the 0.5 percent price increase experienced during July 2021. Consumer prices in China flattened in September 2021,

remaining unchanged from the 0.1 percent increase experienced in August 2021 and smaller than the 0.3 percent rise in prices during July 2021.

Tourism activity continued to improve with increases in stopover and cruise visitors ensuing from the reopening of international borders and relaxed travel restrictions as compared to the year prior. Visitor arrivals totaled 183,270 in July 2021 compared to 23,820 arrivals in the same period of the year prior during the first attempt to reopen domestic borders. However, comparative tourism indicators remain far below pre-Dorian pre-pandemic levels and account for 79.0 percent of the July 2019 visitor totals.

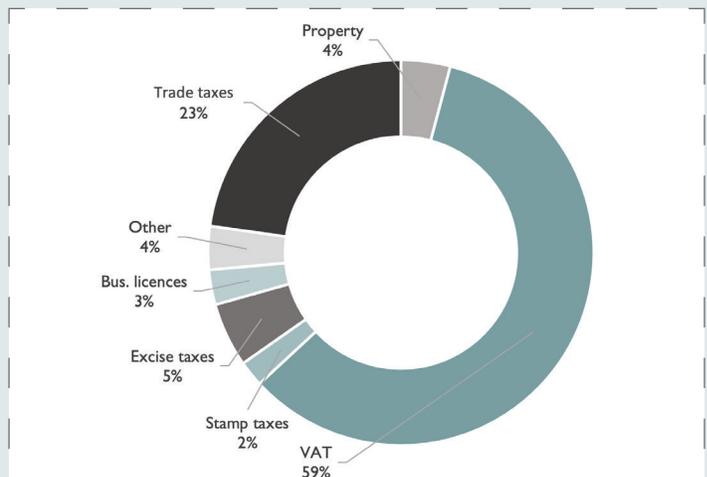
In the last labor force survey, conducted May 2019, national unemployment was estimated at 9.5 percent (22,635 persons). As a result of the impact of the COVID-19 pandemic, 17,154 persons continue receive temporary unemployment assistance from the Government’s unemployment assistance program administered by the National Insurance Board.

During the month of September 2021, Moody’s Investor Service downgraded the sovereign debt credit rating for The Bahamas from Ba2 to Ba3. This decision was defended by the erosion of the country’s economic and fiscal position as a result of the impact of the coronavirus pandemic on the Government’s fiscal position resulting in elevated levels of borrowing and the anticipated protracted recovery.

4. REVENUE PERFORMANCE

Total revenue receipts for the first quarter of FY2021/22 increased by \$271.9 million (90.3 percent) to \$572.8 million when compared period-on-period, and represented 25.5 percent of the budget forecast (see **Table 2**). The improved revenue performance is largely the result of a relaxation of COVID-19 health and safety measures in place in the year prior, including boarder closures and the imposition of lockdowns. The above budget gains were supported by tax revenue increases of \$230.2 million (85.4 percent) to \$499.7 million (25.9 percent of budget) compared to same period in the previous year. Similarly, non-tax revenue improved by \$41.6 million (132.5 percent) to \$73.0 million (55.2 percent of the budget).

PERCENTAGE COMPOSITION OF TAX REVENUE (FY2021/22)



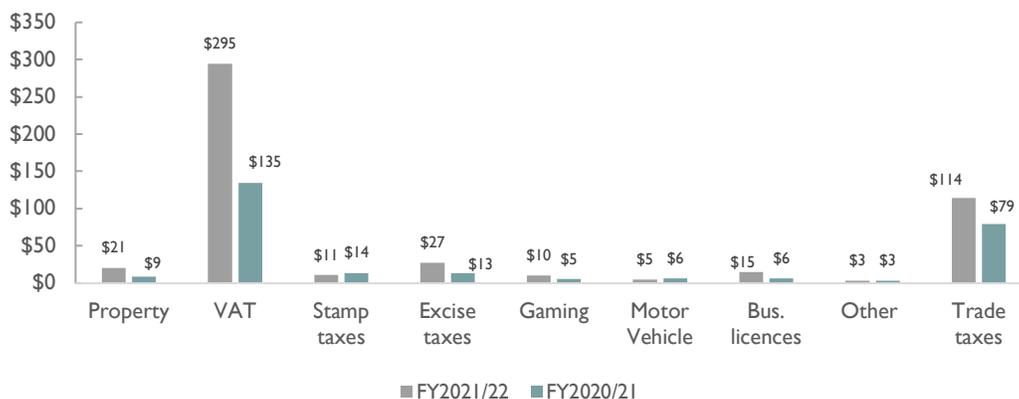


Key developments underlying revenue performance for the first three months in FY2021/22 relative to the prior year are outlined below.

- » Taxes on Property improved by an estimated \$12.1 million to \$20.6 million, and represented 13.0 percent of the annual budget for such collections. Property tax collections during the quarter benefitted from an additional \$9.8 million as the result of Government’s Real Property Tax Amnesty program.
- » Taxes on Goods & Services, which encompasses 72.6 percent of tax revenues, were elevated by \$182.4 million (101.0 percent), representing 26.7 percent of budget.
- « As a result of the relaxation of health and safety restrictions related to the COVID-19 virus as compared to the same period in the prior year, VAT receipts were elevated by \$160.0 million (118.8 percent) to \$294.7 million or 34.9 percent of the budget.

- « Stamp taxes on financial and real estate transactions dampened by \$3.7 million (30.0 percent) to \$8.6 million, for 14.7 percent of the budget.
- « Excise tax outturn increased by \$13.7 million (103.7 percent) to \$26.9 million or 11.4 percent of budget.
- « Taxes on specific services (gaming taxes) increased by \$5.1 million (93.7 percent) totaling \$10.5 million largely due to improvements in labour market conditions as compared to the year prior.
- « Motor vehicle taxes decreased by \$1.3 million (21.2 percent) to \$4.8 million and represented 13.6 percent of budget.
- « Company taxes declined by \$0.7 million (27.6 percent) at \$1.8 million. This represented 8.6 percent of the budget.

3- MONTH COMPARISON OF TAX REVENUE PERFORMANCE (B\$M)



- « Collections from license to conduct special business activity – which comprise specific business licenses and communication levies – improved by \$8.5 million to \$14.6 million.
- « Marine License Activities contributed an increase in revenue of \$0.8 million to an estimated \$1.1 million.
- » Taxes on International Trade & Transactions increased by \$34.8 million (44.0 percent) to position at \$113.9 million – 28.1 percent of budget. In the year prior, international activities were hampered after the attempt to reopen the tourism sector of the economy failed due to a second COVID-19 wave necessitating border closures and the reimposition of lockdowns. Adding to 22.8 percent of tax revenue collections, contributing to this outcome were:
 - « increases in customs and other import duties by \$19.4 million (45.8 percent) to \$61.7 million; and

- « improvements in departure tax collections of \$9.0 million (560.9 percent) to \$10.6 million and 11.2 percent of budget.
- « General stamp taxes were estimated at \$2.2 million (55.2 percent of budget) – a \$0.9 million (71.5 percent) increase from the previous \$1.3 million.
- « Property income receipts firmed by \$14.9 million (1,866.9 percent) to \$15.7 million, and thus far constituted 74.5 percent of the annual target.
- « Revenue from the sale of goods and services improved by \$26.1 million (88.6 percent) to \$55.6 million, for 23.5 percent of budget.
- « Miscellaneous and unidentified collections stood at a position of \$0.4 million this quarter. This represented an increase of \$0.1 million or 36.3 percent.



FIRST QUARTER REPORT ON BUDGETARY PERFORMANCE FY2021/22

TABLE 2: REVENUE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] -[c]	[b]/[a]
	Budget	July - September			
	FY2021/22	FY2021/22 ^P	FY2020/21 ^P	Variance	% of Budget
		Actual	Actual		
TAX REVENUE (a+b+c+d)	1,926.2	499.7	269.5	230.2	25.9%
a. Taxes on Property	158.8	20.6	8.5	12.1	13.0%
b. Taxes on Goods & Services (i+ii+iii)	1,358.2	363.0	180.6	182.4	26.7%
i. General	1,140.3	330.2	160.2	170.0	29.0%
VAT	845.4	294.7	134.7	160.0	34.9%
Stamp taxes (Financial & Realty)	58.4	8.6	12.3	(3.7)	14.7%
Excise Tax	236.5	26.9	13.2	13.7	11.4%
ii. Specific (Gaming taxes)	54.0	10.5	5.4	5.1	19.4%
iii. Taxes on Use of Goods/Permission to Use	163.9	22.3	15.0	7.3	13.6%
Motor Vehicle Taxes	35.4	4.8	6.1	(1.3)	13.6%
Company Taxes	21.1	1.8	2.5	(0.7)	8.6%
Licence to Conduct Special Bus.Activity	105.7	14.6	6.1	8.5	13.8%
Marine License Activities	1.6	1.1	0.3	0.8	68.2%
c. Taxes on Int'l Trade & Transactions	405.1	113.9	79.1	34.8	28.1%
Customs & other import duties	232.8	61.7	42.3	19.4	26.5%
Excise Duty	77.5	41.5	35.2	6.3	53.6%
Departure Taxes	94.7	10.6	1.6	9.0	11.2%
Other	0.0	0.1	0.0	0.1	0.0%
d. General Stamp Taxes	4.0	2.2	1.3	0.9	55.2%
NON-TAX REVENUE (e+f+g+h+i+j)	318.0	73.0	31.4	41.6	23.0%
e. Property Income	21.1	15.7	0.8	14.9	74.5%
Interest & Dividends	6.0	5.9	0.7	5.2	98.9%
Revenue_Gov't Property	15.1	9.8	0.1	9.7	64.8%
f. Sales of goods & services	237.2	55.6	29.5	26.1	23.5%
i. Fees & Service Charges	221.6	52.1	26.5	25.6	23.5%
General Registration	3.7	0.7	0.5	0.2	17.6%
General Service	15.0	2.2	2.4	(0.2)	14.7%
Immigration	130.2	34.0	13.8	20.2	26.1%
Land & Building	2.2	0.6	0.3	0.3	28.3%
Legal	1.0	0.2	0.2	(0.0)	19.8%
Customs	60.0	12.7	8.4	4.3	21.1%
Port & Harbour	7.4	1.2	0.9	0.3	16.8%
Health	2.1	0.1	0.0	0.1	6.8%
Other Fees	0.0	0.3	0.0	0.3	<100.0%
ii. Other	15.6	3.6	3.0	0.6	22.9%
g. Fines, Penalties & Forfeits	5.3	1.2	0.8	0.4	22.1%
h. Reimbursements & Repayments	47.5	0.0	0.0	0.0	0.0%
i. Misc. & Unidentified Revenue	6.7	0.4	0.3	0.1	6.1%
j. Sales of other Non-Financial Assets	0.1	0.1	0.0	0.1	64.8%
TOTAL TAX & NON-TAX REVENUE	2,244.1	572.8	300.9	271.9	25.5%
GRANTS	2.0	0.0	0.0	0.0	0.0%
CAPITAL REVENUE	0.0	0.0	0.0	0.0	0.0%
GRAND TOTAL	2,246.1	572.8	300.9	271.9	25.5%



BOX B: QUARTERLY TRENDS IN GOVERNMENT REVENUE PERFORMANCE & POLICY INITIATIVE

The previous quarter, which signified the closure of the 2020-2021 fiscal year, ended with tax revenues totaling \$1,630.1 million. Overall, tax revenue collections continue to improve with reduced tax revenue collections as compared to the prior quarter owing to seasonal fluctuations.

TABLE 2: REVENUE SUMMARY (B\$M)

	FY2020/21				FY2021/22	
	QI	QII	QIII	QIV	Total	QI
TAX REVENUE (a+b+c+d)	269.4	308.1	491.2	561.4	1,630.1	499.7
a. Taxes on Property	8.5	16.5	71.5	46.9	143.5	20.6
b. Taxes on Goods & Services (i+ii+iii)	207.5	240.5	333.1	412.9	1,194.0	363.0
i. General	187.1	217.8	243.7	352.9	1,001.5	330.2
VAT	134.7	183.7	183.5	263.7	765.6	294.7
Stamp taxes (Financial & Realty)	12.3	20.1	20.1	15.8	68.2	8.6
Excise Tax	40.2	14.1	40.1	73.3	167.7	26.9
ii. Specific (Gaming taxes)	5.4	5.6	5.4	21.4	37.8	10.5
iii. Taxes on Use of Goods/Permission to Use	15.0	17.0	84.0	38.6	154.6	22.3
Motor Vehicle Taxes	6.1	7.0	10.6	8.6	32.3	4.8
Company Taxes	2.5	3.5	11.2	4.6	21.7	1.8
Licence to Conduct Special Bus.Activity	6.1	6.3	61.6	23.5	97.5	14.6
Marine License Activities	0.3	0.3	0.6	2.0	3.2	1.1
c. Taxes on Int'l Trade & Transactions	52.1	51.0	86.3	100.7	290.2	113.9
Customs & other import duties	42.3	43.4	48.8	52.8	187.3	61.7
Taxes on Exports	8.2	6.3	34.5	43.1	92.0	41.5
Departure Taxes	1.6	1.3	2.9	4.8	10.7	10.6
Other	0.0	0.0	0.0	0.1	0.2	0.1
d. General Stamp Taxes	1.3	0.1	0.3	0.9	2.5	2.2

REAL PROPERTY TAX (RPT) FORGIVENESS PROGRAMME

On March 1, 2021, the Government announced the RPT Forgiveness Programme, which provided waivers to Bahamian and non-Bahamian property owners in The Bahamas who are in arrears. The Programme seeks to boost the collection of outstanding property taxes, by incentivizing property owners, many of whom have been adversely impacted by the COVID-19 pandemic, to become compliant. The Programme ended September 31, 2021 and yielded \$37.5 million in total. As a result of this initiative, \$61.9 million in tax revenue was foregone by the Government.



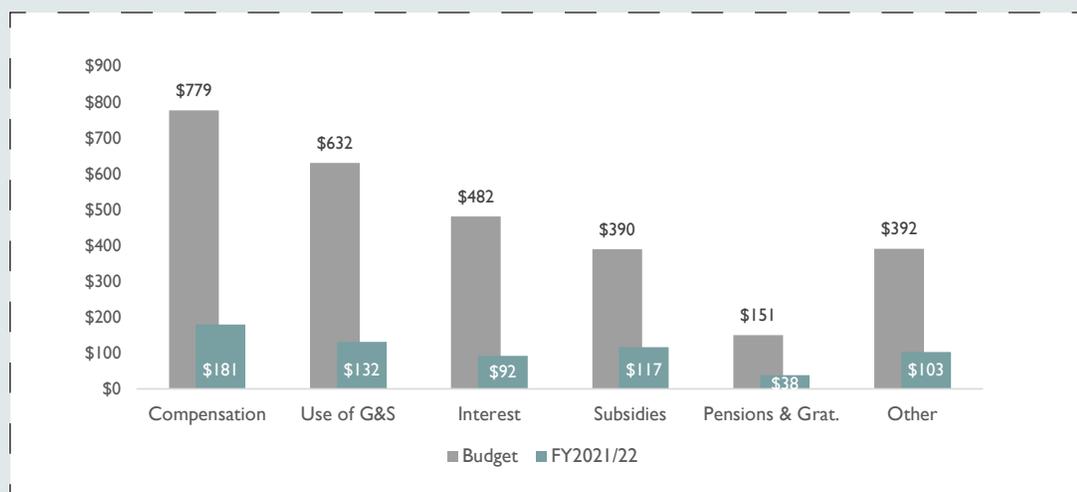
5. EXPENDITURE DEVELOPMENTS

A. RECURRENT EXPENDITURE

Recurrent expenditure expanded during the period by \$78.0 million (13.3 percent) to an estimated \$663.6 million as compared to the same period in the prior year—representing 23.5 percent of the targeted spend (see Table 3). The increase in spending is largely the result of Government returning to pre-COVID pre-Dorian levels of spending, while maintaining COVID-19 support programs as the Bahamian economy rebounds.

- » Compensation of employees expanded by \$11.6 million (6.8 percent) to \$180.7 million, as compared to the same period in the prior year, and represented 23.2 percent of the budget target. This increase was largely explained by period-over-period expansions in salaried employment (\$9.9 million); discretionary allowances (\$1.9 million); summer employment (\$1.2 million); overtime (\$0.3 million); and special employment programs (\$0.1 million). The elevated level of spending is largely attributed to the resumption of promotions, staff reclassifications, payment of increments and other employee costs deferred in the past year due to fiscal constraints.
- » Spending on the Use of Goods & Services widened by \$30.6 million (30.2 percent) to \$131.8 million, for 20.9 percent of the annual budget.
- « Rental costs increased by \$7.6 million (63.6 percent) to \$19.5 million, for 24.9 percent of the budget. This increase was mainly driven by payments of \$5.2 million for a lease agreement with the National Insurance Board and modest expansions in office rent (\$1.8 million) and living accommodations (\$0.5 million).
- « Supplies and materials spend contracted by \$2.4 million (26.0 percent) to \$6.9 million, which represented 18.5 percent of the budget.
- « Spending on services expanded by \$15.0 million (47.0 percent) to \$46.9 million, for 20.1 percent of the budget; principally warranted by outlays of \$10.9 million towards tourism health visa expenses.
- « Finance charges receded by \$10.2 million (78.8 percent) to \$2.8 million (9.2 percent of the budget)—primarily explained by reduced outlays related to the government’s debt financing and foreign exchange hedging activities.
- « Special financial transactions, which include payment of arrears, expanded by \$19.1 million (106.5 percent) to \$37.0 million to constitute 37.0 percent of the budget. During the first quarter of the FY2021/22, approximately \$11.8 million of the budgeted arrears were settled.

3-MONTH COMPARISON OF RECURRENT EXPENDITURE VS BUDGET FOR FY2021/22 (B\$M)





Public debt interest increased by \$11.7 million (14.5 percent) to \$92.2 million, equating to 19.1 percent of the budget as a result of the elevated levels of borrowing since the onset of the COVID-19 pandemic. By currency, \$24.9 million (27.0 percent) represented payments on foreign currency obligations and \$67.3 million (73.0 percent) were for Bahamian debt transactions.

Government subsidies, which include transfers to government-owned and/or controlled enterprises that provide commercial goods and services to the public, widened by \$18.3 million (18.6 percent) to \$117.1 million, which equaled 30.0 percent of the budget.

The elevated level of subsidies were led by higher outlays to public non-financial corporations of \$20.0 million (20.8 percent) at \$116.2 million over the comparative fiscal period. This total included additional transfers of \$12.0 million to the Public Hospital Authority (PHA) as the country continues to combat the coronavirus pandemic as well as transfers of \$6.6 million to Water and Sewerage and \$3.3 million to Bahamasair

as both entities remain challenged during the coronavirus related economic downturn.

Social assistance benefits firmed by \$1.9 million (4.2 percent) to \$48.4 million, representing 41.8 percent of the budget; primarily driven by the continued social economic assistance provided to the public during the current economic crisis.

Pension & gratuity payments increased by \$4.5 million (13.2 percent) to \$38.4 million, which was 25.4 percent of the budget target.

Current transfers not elsewhere classified contracted by \$0.9 million (2.3 percent) to \$39.2 million (21.3 percent of the budget), reflecting major reductions in transfers to Bahamas Civil Aviation (\$3.5 million); Airport Authority (\$1.9 million); and Nassau Flight Services (\$0.6 million). With the removal of travel restrictions in place in the same period of the prior year and the signed air space agreement with the US government allowing for increased direct revenue for air traffic related services, Government operational support is reduced.

TABLE 3: RECURRENT EXPENDITURE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - September			
	FY2021/22	FY2021/22 ^P	FY2020/21 ^P	Variance	% of Budget
		Actual	Actual		
RECURRENT EXPENDITURE					
Compensation of Employees	778.6	180.7	169.1	11.6	23.2%
Use of Goods & Services	631.5	131.8	101.2	30.6	20.9%
Travel & Subsistence	11.0	1.9	1.8	0.1	17.4%
Rent	78.0	19.5	11.9	7.6	24.9%
Utilities & Telecommunications	104.2	9.9	9.8	0.1	9.5%
Supplies & Materials	37.2	6.9	9.3	(2.4)	18.5%
Services	233.4	46.9	31.9	15.0	20.1%
Minor capital repairs	6.7	0.7	0.6	0.1	9.8%
Finance charges	30.0	2.8	13.0	(10.2)	9.2%
Special Financial Transactions	99.9	37.0	17.9	19.1	37.0%
Tourism Related	4.8	0.0	0.0	0.0	0.0%
Local Gov't Districts	13.3	3.1	2.1	1.0	23.0%
School Boards	0.1	0.0	0.0	0.0	0.0%
Other	13.1	3.3	2.9	0.4	25.0%
Public Debt Interest	482.5	92.2	80.5	11.7	19.1%
Subsidies	390.2	117.1	98.8	18.3	30.0%
Grants	8.5	2.6	3.5	(0.9)	30.0%
Social Assistance Benefits	115.8	48.4	46.5	1.9	41.8%
Pensions & Gratuities	150.9	38.4	33.9	4.5	25.4%
Other Payments	267.9	52.5	52.1	0.4	19.6%
Current Transfers n.e.c.	184.2	39.2	40.1	(0.9)	21.3%
Insurance Premiums	83.7	13.3	12.0	1.3	15.9%
TOTAL	2,825.9	663.6	585.6	78.0	23.5%



B. CAPITAL SPENDING

Capital outlays widened by \$2.2 million (3.7 percent) to \$62.6 million, when compared to FY2020/21 for the same period – representing 16.8 percent of the budget (see Table 4).

- » Capital transfers receded by \$3.8 million (19.6 percent) to \$15.8 million, representing 12.0 percent of the budget target.
 - « Transfers to support small and medium sized business were reduced by (7.3 million) as the provisions in the prior year to support businesses impacted by Hurricane Dorian and the COVID-19 pandemic fell away.
 - « Additional transfers were made to support post-Dorian national disaster recovery (\$3.8 million) and energy restoration and renewable energy (\$5.5 million).
- » Expenditure on the acquisition of non-financial assets was elevated by \$6.1 million (14.9 percent) at \$46.9 million and representing 19.4 percent of the annual target.
 - « Investments in buildings other than dwellings experienced an increase of \$8.3 million (79.5 percent) to \$18.8 million, accounting for 21.8 percent of budget.

- « Outlays for other structures were lower by \$1.8 million (10.3 percent) to \$15.5 million, representing 17.1 percent of budget. Predominant declines occurred for bridge repairs and maintenance (\$4.9 million) and New Providence roadworks (\$1.5 million), a large portion of which was conducted as part of Government's stimulus efforts amidst the COVID induced economic downturn.
- « Other machinery & equipment spend contracted by \$1.6 million (21.0 percent) to \$6.0 million, or 22.1 percent of budget.
- « Land improvement expenditures advanced by \$0.7 million (38.9 percent) to \$2.5 million, accounting for 30.6 percent of budget. This was mainly attributed to the \$0.3 million investment in food security capital developments.
- « Acquisitions of other fixed assets declined by \$0.6 million (22.1 percent) to \$2.3 million, representing 11.0 percent of the budget.

TABLE 4: CAPITAL EXPENDITURE SUMMARY (B\$M)

	[a]	[b]	[c]	[b] - [c]	[b]/[a]
	Budget	July - September			
	FY2021/22	FY2021/22 ^P	FY2020/21 ^P	Variance	% of Budget
		Actual	Actual		
Capital Transfers	131.2	15.8	19.6	(3.8)	12.0%
Acquisition of Non-financial assets	241.2	46.9	40.8	6.1	19.4%
Fixed Assets	239.2	46.9	40.8	6.1	19.6%
Buildings other than dwellings	86.3	18.8	10.5	8.3	21.8%
Other structures	90.5	15.5	17.3	(1.8)	17.1%
Transport equipment	6.7	1.7	0.7	1.0	26.2%
Other Machinery & equipment	27.1	6.0	7.6	(1.6)	22.1%
Land Improvements	8.2	2.5	1.8	0.7	30.6%
Other Fixed Assets	20.5	2.3	2.9	(0.6)	11.0%
Land	2.0	0.0	0.0	0.0	0.0%
TOTAL	372.4	62.6	60.4	2.2	16.8%



6. FINANCING ACTIVITIES

NET INCREASE IN LIABILITIES

As a result of improved economic and fiscal performance during the first quarter of FY2021/22, a net deficit in Government's fiscal position of \$153.5 million was experienced. This represents a \$191.6 million (55.3 percent) decrease in the deficit experienced in the same period of the prior year. As a result of the improved fiscal performance, the Government's financing experienced a net increase of \$154.6 million as compared to a net increase of \$692.0 million experienced in the prior year.

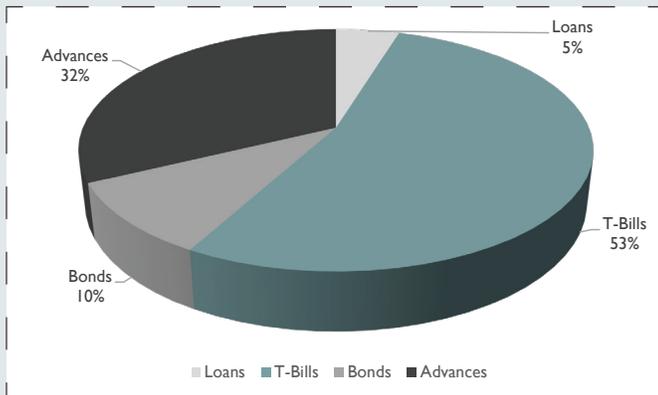
- » Gross borrowings of \$497.4 million, compared to \$921.0 million in the same period of the prior fiscal year, were used to fulfill budgetary financing requirements as well as to settle maturing debt instruments.
 - « Domestic bond issuances totaled \$48.8 million to partially cover repayment of \$92.3 million in maturing securities.
 - « Drawings on existing loans from international development agencies aggregated US\$23.7 million which includes:
 - + funding received for the Citizen Security & Justice Programme of US\$2.4 million;
 - + Government Digital Transformation to Strengthen Competitiveness drawing of US\$2.8 million;
 - + a drawing for Reconstruction with Resilience in the Energy Sector in The Bahamas of US\$10.4 million;
 - + financing for the Credit Enhancement Program for Micro, Small and Medium Enterprises of US\$2.7 million; and
 - + a drawing for the program to support the health sector to contain and control coronavirus and to mitigate its effects in service provision of US\$2.4 million.
- » Treasury bills and notes of \$265.0 million were issued during the period to meet short term financing needs in Treasury bills while \$160.0 million was received in Central Bank advances to settle an equivalent amount.
- » Owing to improved fiscal conditions, repayments for government debt were elevated at \$342.9 million compared to \$229.0 million in the same period of the prior year.
- » Payments were made on an export credit facility from Deutsche Bank of 10.4 million Euros. Loans from Credit Suisse of 12.1 million Swiss Francs were repaid.
- » Other international loan repayments included the settlement of \$1.7 million in financing from multilateral development agencies.
- » Bahamian Dollar repayments included reductions in Central Bank advances (\$160.0 million); Bahamas Government Registered Stock (\$92.3 million); and Treasury note redemptions and conversions (\$7.8 million).
- » As a result of net borrowing activities, the Direct Charge on the Government—exclusive of exchange rate adjustments, increased by \$154.6 million to \$10,087.0 million or 98.1 percent of GDP at end-September 2021, as compared to 100.5 percent of GDP at end-June 2021.



**TABLE 5.CHANGE IN LIABILITIES
(BY CURRENCY AND INSTRUMENT) (B\$M)**

	FY2021/22: July - September		
	Borrowings	Repayment	Net Change
Bahamian Dollars	473.8	306.3	167.4
Bonds	48.8	92.3	(43.5)
Treasury Bills/Notes	265.0	7.8	257.1
Bank Loans	0.0	46.2	(46.2)
Central Bank Advances	160.0	160.0	0.0
Foreign Currency	23.7	36.5	(12.9)
Bank Loans	0.0	34.9	(34.9)
International Bonds	0.0	0.0	0.0
Loans from Int'l Dev.Agencies	23.7	1.7	22.0
TOTAL	497.4	342.9	154.6

COMPOSITION OF GOVERNMENT BORROWINGS FOR FY2020/21



CONTRIBUTION TO SINKING FUNDS

Contributions in the first quarter made to the sinking funds established to retire future debt obligations totaled \$13.5 million. At end-September 2021, the three (3) arrangements earmarked for scheduled retirement of external bonds held a cumulative value of \$222.9 million, while the funds set aside for the two (2) local arrangements stood at \$13.3 million.



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