

IMF: Tourism rebound boosts Bahamian recovery

■ WASHINGTON

THE International Monetary Fund (IMF) says the Bahamian economy has staged a remarkable recovery since the Covid-19 pandemic, fuelled by a strong rebound in tourism.

It said with economic activity back to pre-Hurricane Dorian levels, growth is slowing, expanding by 1.8% in the first half of 2024, constrained in part by limited hotel capacity. Inflation is now modestly negative, but the cost of living remains high.

But the Washington-based financial institution said that the fiscal position improved in the 2024 financial year, driven by strong revenue performance and expenditure cuts. It said the fiscal deficit narrowed to 1.3% of gross domestic product (GDP) from 3.8% of GDP in the 2023 financial year, while government debt fell to 78.8% of GDP.

Financing costs have declined, driven by global factors, but gross financing needs remain high.

The IMF said that growth is expected to converge to its long-run potential of 1.5% over the medium-term and risks to the outlook are balanced.

Capacity constraints in the tourism sector are expected to become more binding, but there are upside risks from potential new hotel construction or a faster-than-anticipated expansion in the short-term rental market.

Fiscal vulnerabilities, particularly due to high gross fiscal financing needs and the ever-present risk from natural disasters remain constant threats, the IMF said. The IMF's executive directors said they agreed with the thrust of the staff appraisal, welcoming the 'remarkable' recovery in tourism and economic activity following Hurricane Dorian in 2019 and the Covid-19 pandemic.

However, the directors observed that elevated public debt, structural bottlenecks to growth, and high exposure to natural disasters continue to pose significant challenges and called for sustained efforts to address these challenges.