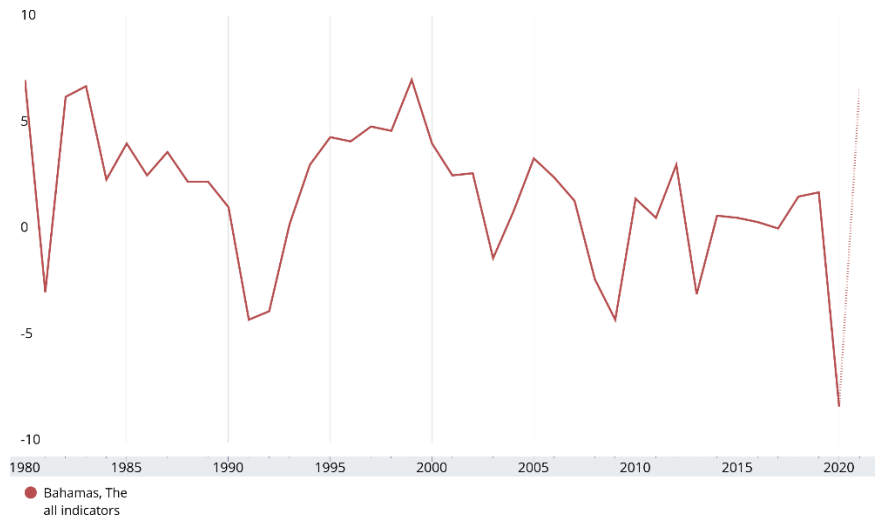


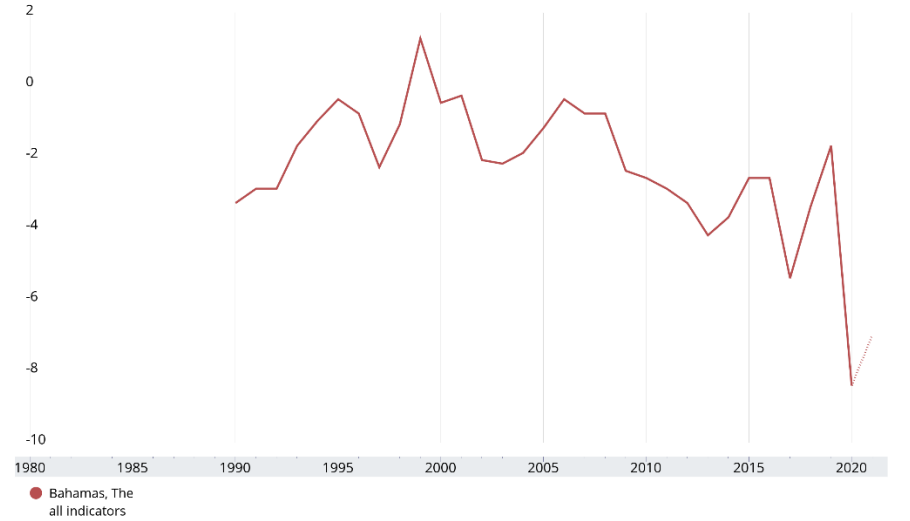
Company (Ticker) (S&P / Moody's / Fitch)	Major Issues / Risks	Major Developments	Credit Outlook																																								
<p>Bahamas (BAHAMA) (BB/Baa3/--)</p> <p>Bahamas is a small economy that is heavily dependent on tourism and offshore banking. The economy grew at an average rate of 0.7% annually between 2014 and 2018. This performance occurred despite accelerated activity in the tourism and construction sectors. This was driven by steady foreign investment which supported the construction of new resorts and marina developments. Manufacturing and agriculture continued to show little growth, despite government incentives aimed at the stimulating activity within these sectors. In support of the growth agenda, the government pursued reforms to address fiscal and structural challenges and reaffirmed its commitment to improving transparency and accountability.</p> <p>The forward momentum has since been challenged by the passage of Hurricane Dorian in 2019, despite the fact that the Tourism was largely spared the brunt of the damage. More recently, the economy has been faced by unprecedented headwinds arising from the COVID-19 pandemic that has significantly curtailed economy activity, particularly in the Tourism sector.</p> <table border="1"> <thead> <tr> <th colspan="5">Economic Statistics</th> </tr> <tr> <th></th> <th>2021</th> <th>2020</th> <th>2019(e)</th> <th>2018</th> </tr> </thead> <tbody> <tr> <td>Real GDP growth (%)</td> <td>6.7</td> <td>-8.3</td> <td>1.8</td> <td>1.6</td> </tr> <tr> <td>Fiscal Balance (% of GDP)</td> <td>-2.7</td> <td>-6.7</td> <td>-7.6</td> <td>-1.8</td> </tr> <tr> <td>General government net lending/borrowing (Percent of GDP)</td> <td>-7</td> <td>-8.4</td> <td>-1.7</td> <td>-3.4</td> </tr> <tr> <td>Inflation (%)</td> <td>2.7</td> <td>2.9</td> <td>1.8</td> <td>2</td> </tr> <tr> <td>Unemployment rate (%)</td> <td>13.6</td> <td>15.2</td> <td>13.4</td> <td>10.4</td> </tr> <tr> <td>Current Acc. Balance (% of GDP)</td> <td>-9.3</td> <td>-12.7</td> <td>0.6</td> <td>-12.1</td> </tr> </tbody> </table> <p>Source: S&P, IMF</p>	Economic Statistics						2021	2020	2019(e)	2018	Real GDP growth (%)	6.7	-8.3	1.8	1.6	Fiscal Balance (% of GDP)	-2.7	-6.7	-7.6	-1.8	General government net lending/borrowing (Percent of GDP)	-7	-8.4	-1.7	-3.4	Inflation (%)	2.7	2.9	1.8	2	Unemployment rate (%)	13.6	15.2	13.4	10.4	Current Acc. Balance (% of GDP)	-9.3	-12.7	0.6	-12.1	<p>Strengths/ Opportunities</p> <ul style="list-style-type: none"> • Stable political climate • Strong business environment • Strengthening of regulatory and transparency standards • Low and stable inflation • A well-established tourism sector which supports robust service export earnings • New resorts and marina developments will provide additional employment opportunities. <p>Weaknesses /Threats</p> <ul style="list-style-type: none"> • Economy is highly dependent on tourism for 50% of its revenue, which is primarily from the US. • Low competitiveness and economic diversification • Low goods exports and high current account deficit • Susceptibility of external position to oil price shocks • Vulnerability to hurricanes and climate change. • Economic infrastructure below capacity due to an estimated USD3.4bn (28% of GDP in damage caused by Hurricane Dorian. • Debt burden likely to increase due to the impact of the COVID-19 pandemic on the fiscal accounts. • Challenging economic environment will constrain economic development programmes. 	<p>Modest economic growth - The Bahamian economy posted a modest growth rate in the 4th quarter of 2019 as the Tourism, largely unscathed by the hurricane reported ongoing gains. There was an additional boon from the construction sector which benefited from foreign investment projects as well as post-hurricane reconstruction activity.</p> <p>Ratings downgrade due to the expected impact of COVID-19 on tourism. Bahamas' sovereign credit rating was downgraded by S&P during April 2020. The rating agency cited the significant impact that the COVID 19 pandemic has had on the Tourism sector amid the widespread travel restrictions implemented by countries in an effort to limit the spread of the virus.</p> <p>S&P's estimated that the fallout in tourism could worsen Bahamas' gross external financing. Tourism receipts to current account receipts could fall by 21% to 77%, adversely impacting gross reserves.</p> <p>S&P noted that the economy is especially vulnerable given that the economy is still recovering from Hurricane Dorian which struck in 2019, causing approximately \$3.4BN in damages. The reduction in economic activity resulted in a sharp decline in government revenue. This, coupled with additional expenditure to support the recovery effort, resulted in a weakening of the fiscal position. Provisional data from the Central Bank indicated that the fiscal deficit widened by \$33.1 million (30.2%) to \$142.7 million during second quarter of FY2019/20, relative to the corresponding FY2018/19 period, largely driven by hurricane-related hike in total expenditure.</p>	<p>Negative</p> <p>The credit outlook has been revised from stable to negative in the context of uncertainty surrounding the duration of the pandemic and the strength and timing of the recovery. If the economic recovery is weaker or more prolonged than anticipated, due to the protracted downturn in the Tourism sector or the failure of COVID-19 containment and mitigation measures, the Bahamas will face the possibility of a further downgrade.</p> <p>Outlook</p> <p>The COVID-19 crisis is expected to cause a downturn in the Bahamian economy. The IMF projects an 8.3% contraction in GDP for 2020, with expectations for a recovery of 6.7% in 2021. Further deterioration of the fiscal position is anticipated as Government revenues are expected to be severely impacted by fallout in Tourism. This will be compounded by additional spending to address health and social welfare needs arising from the pandemic. The country's debt stock is therefore expected to increase over the medium term. External financing to fund the reconstruction effort and COVID-19 related expenditure could result in net borrowing of 8.4% of GDP in 2020 and 7% of GDP in 2021, according to IMF estimates. Based on these estimates, Debt to GDP is expected to increase to 74.2% of GDP by 2020, from 54.4% in 2019.</p> <p>The sovereign's credit situation is likely to be constrained as long as global economic conditions remain unsupportive to growth in its key sector. The country's financing needs will therefore remain elevated in the medium term amid weak credit metrics and unfavorable financial market conditions. In this context, Bahamas may also face challenges in maintaining the exchange rate peg.</p> <p>Recommendation - SELL</p>
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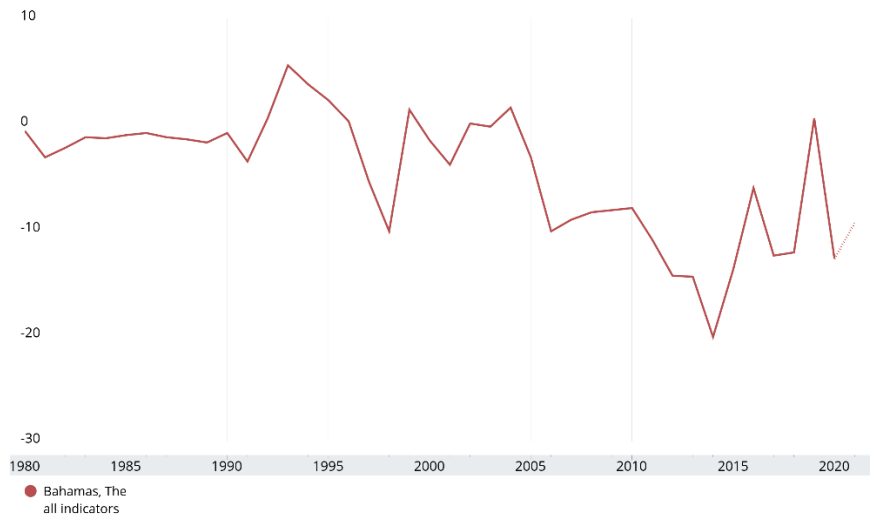
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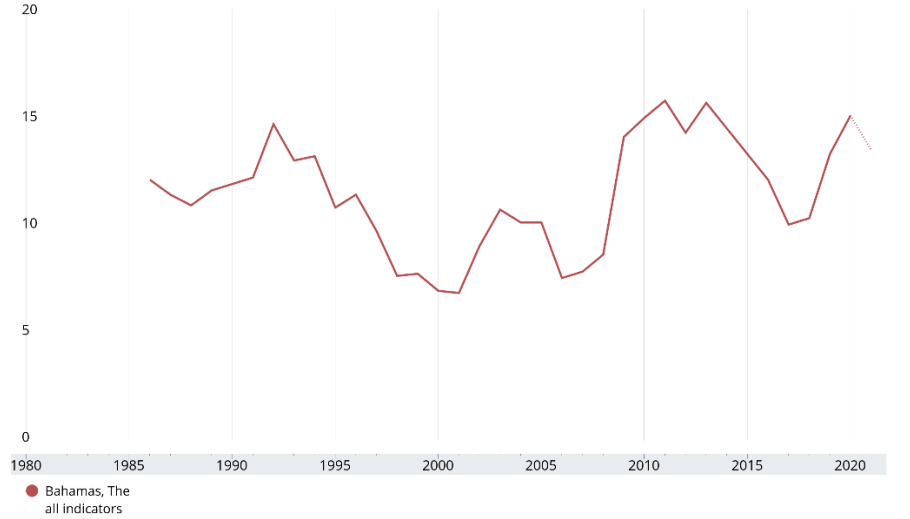
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