

2022 Country Market Profile: Bahamas

The 2021 CIA World Factbook reports that the Bahamas has the second highest per capita gross domestic product (GDP) in the English-speaking Caribbean with an economy heavily dependent on tourism and financial services. Tourism accounts for approximately 50% of GDP and directly or indirectly employs 70% of the archipelago's labor force. Financial services constitute the second-most important sector of the Bahamian economy, accounting for about 15% of GDP. Manufacturing and agriculture combined contribute less than 7% of GDP and show little growth, despite government incentives aimed at those sectors. The Bahamas is the only country in the Western Hemisphere that is not a member of the World Trade Organization, (WTO).

Euromonitor reports that with GDP per capita standing as the sixth largest in the Latin American region in 2020, Bahamians by and large enjoy strong purchasing power, which bodes well for discretionary spending categories. Furthermore, consumer expenditure is expected to rise by 33.7% in USD terms between 2020 and 2025, which will also support discretionary spending. However, with consumer expenditure accounting for over three quarters of GDP, the country is highly sensitive to changes in consumption.

Over 2021-2040, The Bahamas' total population is forecast to grow by 13.5% to stand at over 450,000 by 2025. Much of this expansion will result from immigration to the islands, which is expected to maintain a positive net migration rate throughout this timeframe, against the backdrop of a fertility rate that will continue to be below the replacement rate of 2.1. Nevertheless, this will enhance the country's appeal as a consumer market, particularly in the context of the wealthy foreign population that owns property and uses the islands as a second base. Consequently, consumer-facing businesses, particularly those in the luxury segments, will continue to find opportunities for expansion on the islands.

Although the 65+ age cohort is expected to increase by 122% over 2021-2040, the Bahamian population will remain relatively young. This can be seen by the old-age dependency ratio that will stand at 23.6% by 2040, which is relatively low compared to advanced economies. While a demographic dividend should be available to The Bahamas, the inability of the private sector to create sufficient jobs to absorb the growing working-age population will prevent the country from capitalizing on the potential of its workforce. Furthermore, the rapidity of the ageing population is also expected to exert additional pressure on state finances, as the country will have to grapple with greater pensions and healthcare provision.

At 10% of GDP in 2020, foreign direct investment (FDI) inflows prove that they are a very important driver of economic development in The Bahamas. However, the majority of FDI has been directed towards the tourism sector, with a substantial portion coming from Chinese investors. Plans to diversify the economy away from tourism could create opportunities for foreign investors to participate in sectors like light manufacturing, information and communications technology (ICT), mining, renewable energies, and agriculture. Political stability, an English-speaking workforce, and an affluent populace

are major draws for investors. However, a shortage of manpower in some sectors and a relatively large bureaucratic burden are deterrents.

USDA's Foreign Agricultural Service (FAS) Caribbean Basin Agricultural Trade Office (ATO) in Miami reports that the Bahamas sources over 70% of its consumer-ready products from the U.S., creating an environment of opportunity for U.S. suppliers of retail products in practically all product categories. Bahamian demand for U.S. products and brands is driven by its proximity to the U.S. and familiarity with the American lifestyle and culture. Modest upticks in the economy and growth in private consumption should create new opportunities for U.S. suppliers in the retail sector.

Advantages & Challenges

Advantages

- With little arable land and food production, the islands of the Caribbean must import most of their food needs.
- Exposure to U.S. food and culture through television, travel, and U.S. food franchises present in the region greatly influence local preferences
- U.S. exporters, particularly south Florida consolidators, service the market well and are in many ways better positioned to supply the Caribbean than competitors.
- The United States has a dominant market share in the vast majority of Caribbean islands (estimated at 50% overall).
- The regulatory environment at present is open to U.S. products.

Challenges

- The COVID-19 lockdown has financially weakened the Caribbean food service sector and has even forced several operators out of business. Until the pandemic subsides, it will weigh down any prospects of a sustained recovery for the sector.
- Caribbean economic well-being is highly dependent on tourism. Hence, the sector is very susceptible to any factors that may disrupt tourism (i.e. the COVID-19 pandemic, the world economy, terrorism, more active hurricane seasons, etc.).
- Additionally, tourism accounts for nearly half of economic activity and around 70% of employment, making The Bahamian economic base very narrow and susceptible to external shocks.

The Bahamas is the 3rd largest U.S. export market for consumer ready food products in the Caribbean after the Dominican Republic and Cuba. Exports of these products grew 15% to US\$273.2 million in 2021. That represented 89.5% of the agricultural total. Bahamas is also the 2nd largest market in the Caribbean for processed food as well. 2021 U.S. exports totaled US\$193.2 million, an increase of 14%. Top 2021 U.S. exports of processed food products included:

- Alcoholic Beverages
- Non-Alcoholic Beverages

- Snack Foods
- Processed/Prepared Dairy Products
- Food Preparations & Ingredients
- Fats & Oils
- Condiments, Sauces, Jams & Jellies

Retail Sector Highlights:

Euromonitor has indicated that the market size of the packaged food retail business in The Bahamas will reach US\$475.6 million in 2022, an increase of 15.9% from 2018, or US\$65.2 million. They also forecast growth of 21.2% to 2026, or another US\$100.9 million during the period for a total of US\$576.5 million from 2022. High growth categories in the forecast include:

- Cheese
- Baby Food
- Ice Cream & Frozen Desserts
- Dairy (Ex. Cheese)
- Processed Meat, Seafood & Alternatives to Meat
- Ready Meals
- Savory Snacks
- Sweet Biscuits, Snack Bars & Fruit Snacks

FAS Miami reports that the majority of supermarkets in The Bahamas are located in Nassau, on the island of New Providence, which is home to roughly 80% of the country's population. Supermarkets are also located in Freeport on Grand Bahama Island. Deli counters are present in most supermarkets, and a few supermarkets have bakeries and seafood departments. Although large-chain supermarkets are located in the populated areas, smaller independent grocers maintain a strong presence in the market. While these retail outlets carry a more limited inventory than the larger supermarkets, they are conveniently located throughout the main islands of The Bahamas and typically offer products at lower prices and a wide selection of ethnic condiments and spices.

Wholesale club stores in Nassau, Freeport, and Abaco are usually located in major shopping centers. These outlets carry a full line of food products in club and institutional-sized packs, in addition to apparel, appliances, and home furnishings. Gas marts obtain practically all of their products from local importers/distributors. Seldom will convenience stores buy direct from overseas suppliers, as their limited product mix is usually readily available from local distributors. The best method of targeting gas marts is through local distributors.

The Bahamas has a wide variety of products available. However, importers and consumers are always interested in new food and beverage alternatives. Although not present in large quantities, the health food trend has recently been on the rise in the Bahamian food market. Some of the more affluent areas of The Bahamas, like Cable Beach, on New Providence Island, have witnessed a small surge in health and gourmet

food stores openings. Supermarkets have widened their offerings of food and beverages for the health-conscious consumer and tourist.

Best Product Prospects:

FAS Miami reports that market opportunities exist for practically all high/value consumer-oriented foods and beverages and seafood products in The Bahamas. In 2021, the following product categories had good growth levels: dairy products, beef, pork, soft drinks, vegetable oils and soybean oil.

Foodservice Sector Highlights:

FAS Miami reports that unfortunately, the COVID-19 pandemic has had a huge impact on the Caribbean, especially on the region's hotel, restaurant and institutional (HRI) food service sector. Bahamas did not escape the wrath of the pandemic. March 2020 saw lockdowns implemented throughout the region and an abrupt halt to tourist arrivals, bringing practically the entire HRI sector to a standstill. As a result, many people in the sector lost their jobs or were furloughed, especially those employed at hotels and resorts.

FAS Miami reports that the Caribbean HRI food service sector is estimated to account for roughly 30% of consumer-oriented agricultural imports. According to Euromonitor International, the sector is made up of over 6,500 outlets, with full-service restaurants, cafes and bars accounting for 55% of these. With only 13% of all outlets, limited service restaurants (mainly fast food chains) account for 57% of the sector's total sales, estimated at US\$1.4 billion in 2020. As a whole, sales in the sector are estimated to have plunged by 34% in 2020 (largely due to COVID-related shutdowns), but they are expected to rebound by 19% and 15% in 2021 and 2022, respectively.

At last report which is Pre-Covid and therefore temporarily affected, FAS Miami advised that with a well-developed tourism infrastructure, proximity to the U.S. the Bahamas is the perfect Caribbean playground for U.S. tourists. Nearly 1.5 million stop-over tourists (with nearly 80% coming from the U.S.) and over 4.5 million cruise passengers visit The Bahamas annually. For U.S. food service suppliers, this translates into excellent opportunities in the food service sector, especially since The Bahamas has very little domestic food production of its own.

The larger hotels and resorts purchase roughly 40% of their food and beverage needs through local importers, while 60% is purchased directly from U.S. suppliers. Some hotels have even positioned offices in south Florida to facilitate shipment to the seaports of the Bahamas. Moreover, the chained food service establishments located in the Bahamas typically import directly from U.S. buying offices. Most restaurants turn to local importers, which also serve as wholesalers/distributors, to source their imported food and beverage supply, while the majority of the seafood, bottled beverages, and seasonal fruits and vegetables tend to be bought directly from vendors on the island.

The competition between the U.S. and other nations varies between product categories. It is also worth noting that many products from other countries are transshipped through the U.S., meaning the market share of other countries may be understated. The close proximity of the U.S. to The Bahamas allows for quicker and less expensive means of transport of U.S., as well as other foreign products. Nevertheless, it is assumed that the U.S. dominates in all major food categories.