

## Country Market Profile: The Bahamas

Euromonitor reports that the Bahamian economy experienced a sharp recession in 2020. The Bahamas was just recovering from the widespread destruction caused by Hurricane Dorian in the Autumn of 2019, when the Covid 19 pandemic led to a sudden stop in tourism, generating sizable fiscal and external financing needs. The economic outlook remains subject to an unusually high degree of uncertainty. Real Gross Domestic Product (GDP) will bounce back to growth of 2% in 2021 and then is forecast to set a record high growth rate of 8.5% in 2022 as tourism normalizes.

- The economy is vulnerable to external shocks as well as growing competition from other tourist destinations and offshore financial centers. Real GDP fell by 16.3% in 2020, down from 1.2% in 2019. Real value of private final consumption rose by 2.1% in 2019 and growth of 1.8% was expected in 2020. Domestic demand will be constrained by lockdown measures in 2020 as well as by household indebtedness and high levels of unemployment.
- Unemployment was 10.3% in 2019 and it fell to 11.2% in 2020. Youth unemployment is very high. Labor market rigidities constrain the supply of workers. A shortage of skilled labor is another problem.
- The economy is too narrowly based but diversification is a problem due to the high cost of providing adequate infrastructure throughout the islands.

The CIA World Fact Book reports that the Bahamas has the 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 half of the archipelago's labor force. Financial services constitute the second-most important sector of the Bahamian economy, accounting for about 15% of GDP. Large capital projects like the Baha Mar Casino and Hotel are driving growth. The Bahamas is the only country in the Western Hemisphere that is not a member of the World Trade Organization (WTO).

USDA's Foreign Agricultural Service (FAS) Caribbean Basin Agricultural Trade Office (ATO) in Miami hereinafter referred to as "Post" 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.

The Bahamas is the 2<sup>nd</sup> largest U.S. export market for consumer ready food products in the Caribbean after the Dominican Republic. Exports of these products dropped 8% to US\$239.3 million in 2020. That represented about 89% of the agricultural total. Bahamas is also the 2<sup>nd</sup> largest market in the Caribbean for processed food as well. 2020 U.S. exports totaled US\$172.9 million, a decrease of 7%. Top 2020 U.S. exports of processed food products included:

- Food Preparations & Ingredients
- Non-Alcoholic Beverages
- Snack Foods
- Alcoholic Beverages
- Processed/Prepared Dairy Products
- Pasta & Processed Cereal
- Prepared/Preserved Meat Products
- Condiments, Sauces, Jams & Jellies

#### Retail Sector Highlights:

Euromonitor has indicated that the market size of the packaged food retail business in The Bahamas was US\$427.7 million in 2020, an increase of 15.5% from 2016, or US\$57.3 million. They also forecast growth of 15.6% to 2025, or another US\$67.5 million during the period for a total of US\$499.6 million. High growth categories in the forecast include:

- Cheese
- Baby Food
- Pet Food
- Processed Meat & Seafood
- Other Dairy Products
- Savory Snacks
- Sauces Dressings & Condiments
- Ready Meals

Post 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:

Post reports that market opportunities exist for practically all high/value consumer-oriented foods and beverages and seafood products in The Bahamas. In Pre-Covid 2019, the following product categories had record export levels: syrups and sweeteners, processed vegetables and pulses, chocolate and confectionery, dog and cat food, baby food, snack foods, condiments and sauces, beer and wine and distilled spirits and other alcoholic beverages.

#### Foodservice Sector Highlights:

Post 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.

Beginning in May 2020, markets throughout the Caribbean gradually began reopening. However, reopening has been uneven throughout the region, as governments have based their reopening plans on their individual situation in relation to the pandemic. Just how severe the economic decline in 2020 and how robust the upswing in 2021 remains largely dependent on the recovery of the tourism sector, which in turn hinges largely on tourist confidence in travel and mitigation measures.

At last report which is Pre-Covid and therefore temporarily affected, Post 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.