

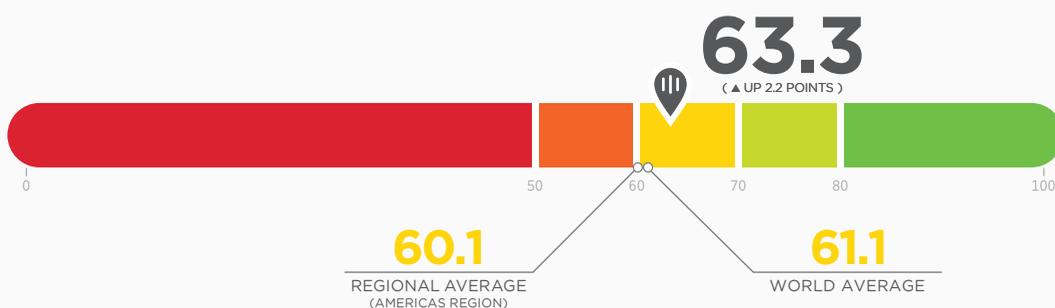
# THE BAHAMAS

The Bahamas' economic freedom score is 63.3, making its economy the 74th freest in the 2018 *Index*. Its overall score has increased by 2.2 points, led by dramatic improvements in scores for **fiscal health**, **government integrity**, and **judicial effectiveness**. The Bahamas is ranked 15th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

As it looks to improve a perilous fiscal situation resulting from recent hurricanes, the government has cut red tape in business licensing, procurement, and business-related immigration. It also aims to streamline public-sector spending. Emergence of a more dynamic and sustainable private sector has been held back by weak rule of law, lingering protectionism, heavy subsidies to state-owned enterprises, and a bloated and slow-moving bureaucracy. Nevertheless, the overall regulatory system is conducive to entrepreneurial activity, and there are no individual or corporate income taxes.



## ECONOMIC FREEDOM SCORE



**NOTABLE SUCCESSES:**  
Tax Policy, Government Spending, and Monetary Stability

**CONCERNS:**  
Rule of Law and Investment Freedom

**OVERALL SCORE CHANGE SINCE 2014:**  
-6.5

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.4 million

**GDP (PPP):**  
\$9.0 billion  
0.0% growth in 2016  
5-year compound annual growth 0.2%  
\$24,555 per capita

**UNEMPLOYMENT:**  
15.3%

**INFLATION (CPI):**  
0.4%

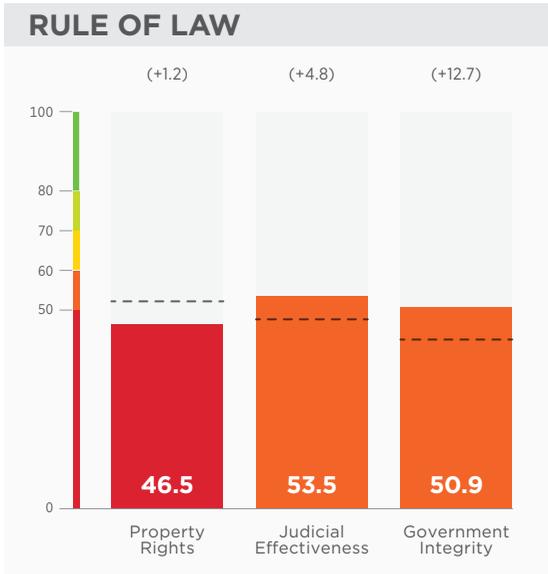
**FDI INFLOW:**  
\$521.9 million

**PUBLIC DEBT:**  
66.9% of GDP

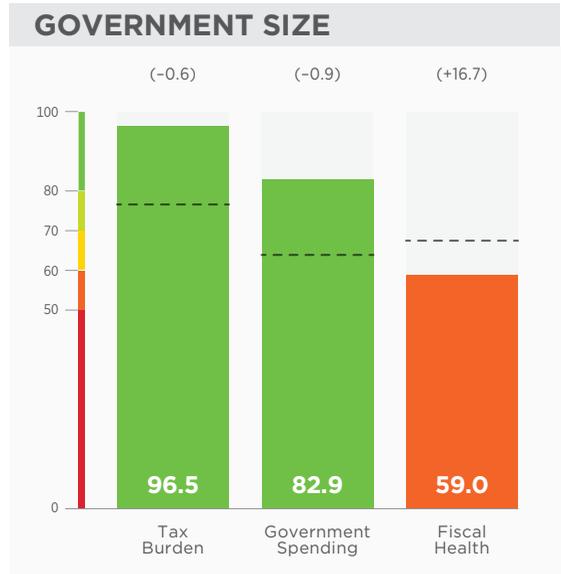
2016 data unless otherwise noted. Data compiled as of September 2017

**BACKGROUND:** The Free National Movement defeated the long-dominant center-left Progressive Liberal Party in May 2017. New Prime Minister Hubert Minnis faces soft economic growth, double-digit unemployment, high household indebtedness, and \$600 million in damages from an October 2016 hurricane. Tourism accounts for more than 60 percent of GDP. International banking, investment management, and financial services are also important. The Bahamas is the only Western Hemisphere country that is not a member of the World Trade Organization; politicians and the private sector remain at loggerheads about how to replace the tariff revenues that WTO membership would cost. Proximity to the U.S. makes the Bahamas a transshipment point for illegal drugs and human trafficking.

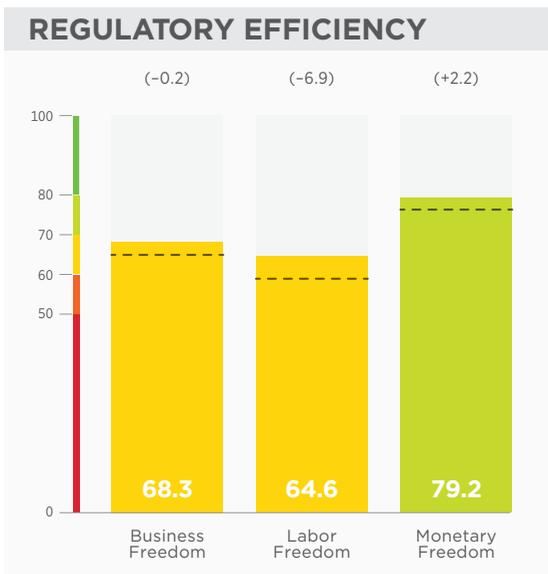
# 12 ECONOMIC FREEDOMS | THE BAHAMAS



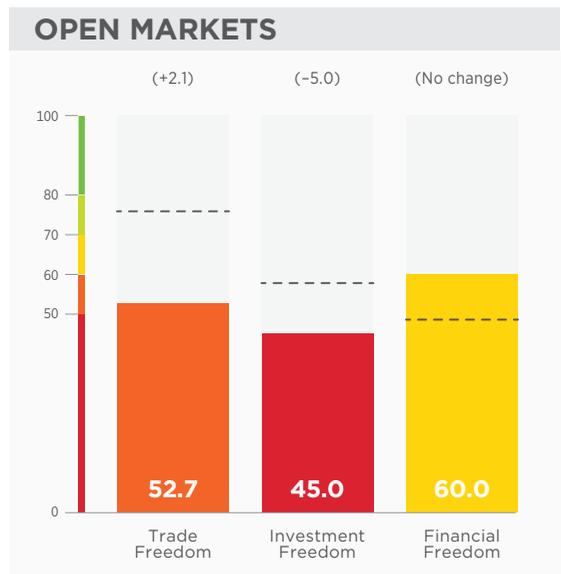
Property disputes can be challenging; cases sometimes drag on for several years. Property registration is difficult and time-consuming, but new civil procedure rules introduced by the government have made contract enforcement easier. The independent legal system is based on British common law, but judicial inefficiency causes trial delays. The new government has pledged to fight the corruption that has been a problem at all levels of government.



The government imposes national insurance, property, and stamp taxes but no income, corporate income, capital gains, or wealth taxes. The overall tax burden equals 18.8 percent of total domestic income. Over the past three years, government spending has amounted to 23.8 percent of total output (GDP), and budget deficits have averaged 4.5 percent of GDP. Public debt is equivalent to 66.9 percent of GDP.



Increased fees and registration costs have made starting a business more difficult, and the recently implemented value-added tax has complicated the payment of taxes for businesses. The labor market is relatively flexible, but enforcement of the labor codes is not uniform. The government may privatize some state-owned enterprises or quasi-government corporations to retire debt and reduce the drag of subsidies on government finances.



Trade is significant for the economy of the Bahamas; the combined value of exports and imports equals 84 percent of GDP. The average applied tariff rate is 18.7 percent. Nontariff barriers impede some trade. Government openness to foreign investment is below average. The diversified banking sector remains stable, but the number of nonperforming loans has increased.