The Bahamas’ economic freedom score is 68.7, making its economy the 38th freest in the 2022 Index. The Bahamas is ranked 6th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The devastation from Hurricane Dorian in 2019 and the loss of tourist revenue associated with COVID-19–related restrictions left the Bahamas’ economy worse off in 2020 than it was in 2016. Economic freedom, however, has grown. Led by increases in scores for rule of law and labor freedom, the Bahamas has recorded a 7.6-point gain in economic freedom since 2017 and has climbed higher in the top half of the “Moderately Free” countries. Scores for tax burden and government spending are high, but trade freedom is far below average.

**IMPACT OF COVID-19:** As of December 1, 2021, 677 deaths had been attributed to the pandemic in the Bahamas, and the government’s response to the crisis ranked 110th among the countries included in this Index in terms of its stringency. The economy contracted by 16.3 percent in 2020.

**BACKGROUND:** Phillip Davis of the Progressive Liberal Party was elected prime minister in September 2021 with a wide parliamentary majority, displacing the Free National Movement party from power. The government continues to face high public debt and rising unemployment. Financial services represent an important sector of the economy. Steep declines in tourism revenue, which normally accounts for more than 60 percent of GDP, have delayed economic recovery from the COVID-19 pandemic and a hurricane in 2019. The replacement of tariff revenues that could be lost if the Bahamas joined the World Trade Organization is the subject of an ongoing debate. Proximity to the U.S. makes the Bahamas a transshipment point for illegal drugs and human trafficking.
Property rights are protected, but the time-consuming and costly property registration process has been rated one of the worst in the world. The judiciary is independent and based on British common law. Contracts are legally enforced through the courts. The political system is plagued by reports of corruption, and anticorruption statutes have been applied inconsistently.

The Bahamas does not levy an individual income tax or a corporate income tax. The overall tax burden equals 18.7 percent of total domestic income. Government spending has amounted to 21.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.8 percent of GDP. Public debt is equivalent to 68.6 percent of GDP.

According to the IMF and the Inter-American Development Bank (IDB), the Bahamas is likely to suffer the Caribbean’s most severe post–COVID-19 economic recession. Tourism employs more than half of the workforce. The population is well educated. Government subsidies to state-controlled entities and public–private partnerships have increased by $19.2 million (6.2 percent) to $330.0 million and represent 89.0 percent of budget allocations.

The Bahamas has three preferential trade agreements in force. The trade-weighted average tariff rate is 18.0 percent, and nontariff measures further impede trade flows. Bureaucratic approval processes hinder investment freedom and undermine development of a more vibrant private sector. Financial services are competitive, and domestic and offshore activities account for approximately 15 percent of GDP.