

THE ISLANDS OF THE BAHAMAS ARRIVALS REPORT



**1st Quarter 2010
Ministry of Tourism
Research and Statistics Department**

THE DAWN OF NEW HOPE

The importance of Tourism to the economy of the Bahamas is indisputable. Tourism is so important to the economy of the Bahamas that when it catches a cold and begins to wheeze the effects are quickly felt throughout the island nation. The Tourism Industry has caught many colds over the years but the worse one in decades was the “Great Recession” which began in the United States and quickly spread to the rest of the world.

In December 2007, the United States entered into a recession. Most of the world and many Americans were not even aware of that fact until the financial meltdown of September 2008 when Wall Street crashed and many of the most prominent banks began to fail. On September 15th 2008, The United States of America experienced a major blow to its financial market sector when Lehman Brothers, a 158 year old financial services bank said that they would file for bankruptcy. In addition Merrill Lynch was sold to Bank of America and Washington Mutual Inc. (WaMu) was closed by the US government and the assets sold to JP Morgan Chase.¹ On September 16th 2008, AIG (American International Group) one of the major insurance companies that also operates globally experienced liquidity problems when their credit rating was downgraded.² Earlier on in 2008 Bear Sterns, Countrywide (Real Estate Company), Fanny Mae and Freddie Mac had all experienced major problems. Fanny Mae and Freddie Mac had to be bailed out.

This recession which became known as the “Great Recession” had devastating effects on the lives of the American people. When the iron claws of the recession began to grapple its way across America, the casualties began to fall as many Americans began to lose their jobs by the thousands. When the recession began in December 2007, the unemployment rate in the United States was 5% and by the end of December 2009, it was 10%.³ In the 4th quarter of 2009, the number of job losses in the United States began to slow down. By the end of 1st quarter 2010 the unemployment rate in the United States had fallen to 9.7%⁴ (i.e. 15 million unemployed Americans) and the number of job losses had begun to fall significantly as signs of an economic recovery slowing began to make its presence known.⁵

After the financial meltdown of September 2008 the effects of the recession began to manifest in the Islands of the Bahamas. Arrivals declined dramatically (-53% air and 21% sea arrivals) and hotel occupancy levels naturally dropped as a result. In the month of the financial meltdown, hotel occupancy in the Bahamas fell 16% and the ADR (Average Daily Rate) fell 4.6% over the same period of 2007. Hotels in the Bahamas began to lay off persons as they tried to keep their hotels in the black.

The hotel sector in The Bahamas was not the only area affected by this economic recession that had begun in the United States. Job losses in the Bahamas began to occur in other

¹ Source: “Wamu is largest U.S. Bank Failure” by Elinor Comlay and Jonathan Stempel, September 25, 2008, news.yahoo.com.

² Source: Wikipedia, the free encyclopedia

³ www.miseryindex.us/urbymonth.asp

⁴ www.miseryindex.us/urbymonth.asp

⁵ News.yahoo.com/s/ap/20100609/ap_on_bi_ge/us_bernanke

industries as well. In 2009, industries in the Bahamas such as: Construction, Manufacturing (15% decline), Transportation/Storage/Communication Sector (-22%), Community/Social/Personal Service Industry (this sector includes the civil service, police and domestic service), Skilled Agricultural and Fishery Workers (-26%), the Professionals/Technicians/Associate Professionals (-12%) and Elementary Occupation (-11%) all contributed to an increased unemployment rate in the Bahamas.⁶ In 2007, before the recession took control of the economy in the United States, the unemployment rate in the Bahamas was 7.9%.⁷ In 2008, the unemployment rate in the Bahamas rose to 8.7%.⁸ By May 2009, the unemployment rate in the Bahamas had increased to 14.2%.⁹ Unemployment in the youth appeared to be the most affected. In 2008, youth unemployment stood at 17.6%, but by 2009 it had risen to 26.2%.¹⁰ In addition, to the increase in unemployment between 2007 and 2009, average household income in the Bahamas declined from \$43,459 in 2008 to \$38,314 in 2009.¹¹

As the recession continued the rise in unemployment began to put a strain on government revenue as unemployment assistance had to be put in place to give aid to the persons who had lost their jobs. The government knew that a large portion of this government assistance to the unemployed would eventually have to come to an end. The government and the Bahamian people were all hoping that Tourism would start to bounce back enough so that the private sector would begin to hire the persons who had been laid off and drive down unemployment.

The Tourism sector did begin to rebound but slowly. In 2009, the driving force behind the increase in arrivals to the destination was cruise arrivals. With the exception of February 2009, cruise arrivals (1st port of entry) to the Bahamas Overall were up for every month in 2009. Air arrivals to the destination were not so fortunate. Air arrivals faltered for most of 2009. By September 2009 however, one year after the financial meltdown in the United States, air arrivals began to crawl back up the ladder into the sunshine of promise. In December 2009 both air and sea arrivals were up. The Islands of the Bahamas finished 2009 up by 5.7% but most people knew that cruise arrivals were the major contributing factor to this increase.

In 1st Qtr. 2010, arrivals to the Bahamas began to see new light as the percentage growth in arrivals continued their upward trek. At the end of 1st Qtr. 2010, foreign air and sea arrivals to the Bahamas were up by 9% (air arrivals were up 5.4% and sea arrivals were up 10.5%). Stopover visitors to the destination were up from the USA (primarily in March), Canada, Europe, Latin America and other parts of the world in general. The only primary market to the Bahamas that faltered in 1st Qtr. 2010 was stopovers from the Caribbean. March 2010 was really fruitful this year and helped to propel 1st Qtr. Arrivals up significantly. In March and April of each year thousands of spring-breakers converge on the Islands of the Bahamas as is tradition.

⁶ The Department of Statistics Labour Dept.

⁷ The Department of Statistics, Labour Dept.

⁸ The Department of Statistics, Labour Dept.

⁹ The Department of Statistics, Labour Dept.

¹⁰ The Department of Statistics, Labour Dept.

¹¹ The Department of Statistics, Labour Dept.

The increase in air arrivals to the destination in 1st Qtr. 2010 was due to a number of important factors such as: the strengthening of the US economy, the strengthening of the Canadian economy, Spring-Break season, and the joint promotional efforts of the Bahamas Ministry of Tourism/Promotion Boards and the private sector. In 2010, the Islands of the Bahamas in conjunction with the private sector launched a new campaign called “Free Companion Air Fare.” This campaign allowed visitors to the Bahamas to save big on flying into the destination.

The success of the 1st Qtr arrivals to the Bahamas stimulated new hope for the Bahamian people who were in dire need of inspiration. The question on the minds of everyone now was “Would this successful trend continue?” The answer to that question depended on the economies of two of our biggest markets. If both the United States and Canada managed to strengthen their wobbling legs and stood firm, the answer could very well be yes. If our third biggest supplier of business, Europe managed to recover from its debt crisis then the answer could very well be yes. If the Bahamas could continue to stimulate growth in other emerging markets as they had begun to do, then the answer could be yes. Only time would tell as The Islands of the Bahamas now stood on the edge of a new Dawn of Hope.

MARKET FACTS

- There are definite signs that an economic recovery is on the horizon for both the United States and Canada.
- The number of jobs losses in the United States has begun to decline.
- The unemployment rate in the United States has begun to fall from 10% in December 2009 to 9.7% at the end of the 1st Qtr. 2010.¹²
- The unemployment rate in the Bahamas stands at 14.2% as of May 2009.¹³
- There are definite signs that foreclosures in the United States have begun to slow.
- There are signs that the private sector in the United States has begun to hire again but hiring remains very weak.
- The private sector in Canada has also begun to hire again.
- The Canadian economy has stabilized and is expected to see a growth (in GDP) in 2010 of 3.1% according to RBC Economics. According to Craig Wright, Senior Vice President of RBC Economics and chief economist “An economic recovery is solidly taking root in Canada with the full impact of stimulus spending historically low interest rates and improved credit markets all taking effect this year.”¹⁴
- Consumer spending in 1st Qtr. 2010 in the US was up by 7%,¹⁵ however much of this growth is thought to have come out of savings and not necessarily out of increases in income.
- The Consumer Confidence Index stood at 56.5 in January 2010, 46.4 in February and 52.5 in March.¹⁶ The closer the Consumer Confidence Index gets to 100 the stronger the

¹² www.miseryindex.us/urbymonth.asp

¹³ The Department of Statistics Labour Dept.

¹⁴ Source:Canada’s economy to expand y 3.1% in 2010:RBC by Julie Fortier, Financial Post, March 11, 2010

¹⁵ Source:“Year-Over-Year Spending Up 7% in March” by Dennis Jacobe, Chief Economist, April 9, 2010, www.gallup.com/poll127277/year-year-spending-up-7-march.aspx

economy is thought to be. The Consumer Confidence Index is highly influenced by consumer feelings, (*“The US Consumer Confidence Index (CCI) is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending.”*¹⁷) The Consumer Confidence Index measures attitudes about current and future economic conditions.¹⁸

- The CPI rose 0.2% in January, 2010 and 0.1% in March. It was flat in February 2010. According to the American Heritage Dictionary, the consumer price index (CPI) is “an index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed base period. Also called the cost-of-living index.”
- Oil prices for a barrel of oil steadily increased for every month in 1st Qtr. 2010 over the same period of 2009 (increasing oil prices is one of the signs of economic recovery). In January 2010, it was \$78.33 compared to \$41.71 in 2009. In February 2010, it was \$76.39 per barrel compared to \$39.09 in 2009. In March 2010, it was \$81.20 per barrel compared to \$47.94 in 2009.
- The US Dollar gained strength against some other currencies like the Euro.
- 2010 did not bring the best news for Europe as it entered a debt crisis that threatened to seriously drive down the value of the Euro. Greece was one of the countries at the centre of this crisis.
- The exchange rate for the Euro against the US dollar went from 1.43574 at the very beginning of the 1st Qtr. to 1.35093 by the end of the qtr.¹⁹

CRUISE ARRIVALS

1ST Qtr. 2010

- ❖ Cruise Arrivals to the Bahamas Overall for 1st Qtr. 2010 were up by 12.4% (1st Port of Entry).
- ❖ Cruise Arrivals to Nassau/Paradise Island for 1st Qtr. 2010 were up by 22.9% (1st Port of Entry).
- ❖ Cruise Arrivals to Grand Bahama for 1st Qtr. 2010 were up by 41.8% (1st Port of Entry).
- ❖ Cruise Arrivals to the Out Islands for 1st Qtr. 2010 were down by 6.3% (1st Port of Entry).

ALL BAHAMAS

- ❖ The increase in cruise arrivals for 1st Qtr. 2010 (1st port of entry) was 12.4%.
- ❖ Most of the increase by 1st port of entry to the Bahamas Overall came from Royal Caribbean International’s “Oasis of the Seas.” Royal Caribbean’s “Freedom of the Seas,” helped to push the increase in cruise arrivals even higher. With the introduction of the

¹⁶ www.conference-board.org, The Conference Board

¹⁷ Source: Wikipedia, the free encyclopedia

¹⁸ Consumer Confidence Index by Kimberly Amadeo, About.com Guide

¹⁹Source:Exchange-rates.org

Oasis of the Seas and the Freedom of the Seas to the Bahamas itinerary, it increased the number of passengers brought in by Royal Caribbean by 68.3%.

- ❖ Carnival Cruise line's "Carnival Dream," "Carnival Liberty," "Carnival Pride," and "Sensation," together were the next big contributors to the increase of cruise passengers to the destination. Carnival Cruise lines (by itself not including their other cruise lines) brought in 17.7% more passengers in 1st Qtr. 2010 than in the same period of 2009.
- ❖ The combination of Costa Cruise's "Costa Atlantica," and "Costa Fortuna," were the next big contributors to the increase in cruise passenger arrivals to the Bahamas. In 2009, Costa Atlantica did not even come into the Bahamas during 1st Qtr. In 1st Qtr. 2010, Costa Cruises brought in 348.5% more cruise passengers than in the same period of 2009. Carnival is the parent company for Costa Cruises.
- ❖ Celebration Cruise Lines' "Bahamas Celebration" also contributed to the increase in cruise arrivals to the Bahamas. As the Regal Empress faded off the scene in 1st Qtr. 2009, the Bahamas Celebration moved in to fill the void in Nassau/P.I. In March 2010, the Bahamas Celebration shifted their operations from Nassau/P.I. to Grand Bahama.
- ❖ MSC Cruise's ship "Poesia" made a significant contribution to the increase in cruise passenger arrivals to the Bahamas Overall. The MSC Poesia did not come into the Bahamas in 1st Qtr. 2009 but it did in 1st Qtr. 2010.
- ❖ Celebrity Cruise's "Mercury" and "Solstice" also contributed to the increase in cruise arrivals by bringing in 156.5% more passengers in 1st Qtr. 2010 than in the same period of 2009. Celebrity Cruise lines is a subsidiary of Royal Caribbean Int'l.

NASSAU/PARADISE ISLAND

- ❖ The increase in cruise arrivals for 1st Qtr. 2010 (1st port of entry) was 22.9%.
- ❖ Nassau/Paradise Island had an increase in the number of cruise passengers for all of the ports (1st, 2nd and 3rd port of call) of entry for 1st Qtr. 2010.
- ❖ Most of the increase by 1st port of entry to Nassau/Paradise Island came from Royal Caribbean International's "Oasis of the Seas" which used this destination as one of its major ports of call. With the introduction of the Oasis of the Seas to the Nassau/P.I. itinerary, it increased the number of passengers brought into the destination significantly.
- ❖ Costa Cruises was the next big contributor to the increase in cruise passenger arrivals to Nassau/P.I. (by 1st Port of Entry). Costa Cruise's ships Costa Fortuna and Costa Atlantica together brought in 348.6% more passengers in 1st Qtr. 2010 than in the same period of 2009. Costa Cruises is a subsidiary of Carnival Cruise Lines.
- ❖ Celebration Cruise's "Bahamas Celebration" was the next big contributor to the increase in cruise arrivals to Nassau/Paradise Island. At the end of the 1st Qtr. 2009 (March 10, 2009), the Bahamas Celebration came on stream when the Regal Empress was fading off the scene to the island. At the end of 1st Qtr. 2010, the itinerary of the Bahamas Celebration changed from Nassau/Paradise Island to Grand Bahama. The Bahamas

Celebration went to Grand Bahama on the 7th of March 2010. On the 16th of March they began regularly scheduled service to Grand Bahama and as a result service to Nassau/Paradise Island was discontinued.

- ❖ MSC Cruises was the next big contributor to the increase in cruise arrivals to Nassau/Paradise Island. MSC Cruise's ship the "Poesia" took over from their ship the "Orchestra" in 1st Qtr. 2010 and brought in 99.9% more passengers.
- ❖ Other cruise lines such as Celebrity Cruises (namely the ship "Mercury"), Disney Cruises (the Disney Magic and the Disney Wonder) and Regent Seven Seas Cruises (the Seven Seas Navigator and the Seven Seas Mariner) all also contributed to the increase in cruise passenger arrivals to Nassau/Paradise Island.

GRAND BAHAMA

- ❖ Grand Bahama Island had an increase in the number of cruise passengers that came to them as a 1st, and 2nd port of call for 1st Qtr. 2010.
- ❖ The increase in cruise arrivals for 1st Qtr. 2010 (1st port of entry) was 41.8%.
- ❖ This increase came from three major cruise lines, Carnival Cruises, Norwegian Cruises and Celebration Cruises.
- ❖ Carnival Cruises (namely the Sensation, Carnival Triumph, and Carnival Destiny) brought in 46% more cruise passengers to Grand Bahama in 1st Qtr. 2010 than in the same period of 2009 (1st Port of Entry). They were the biggest contributor to the increase in cruise arrivals to the island.
- ❖ Norwegian Cruises brought in 63% more cruise passengers to Grand Bahama in 1st Qtr. 2010 than in the same period of 2009 (1st Port of Entry). They were the second largest contributor to the increase in cruise arrivals to the island.
- ❖ Celebration Cruise's ship "Bahamas Celebration" began service into Grand Bahama in March 2010. This service helped to contribute to the increase in cruise arrivals to the destination.
- ❖ The Discovery Sun still remained an important component to the arrival mode for cruise passengers to Grand Bahama even though they brought in fewer passengers than in the same period of 2009.

OUT ISLANDS

- ❖ The decline in cruise arrivals to the Out Islands for 1st Qtr. 2010 (1st port of entry) was 6.3%.
- ❖ The decline in cruise arrivals for 1st Qtr. 2010 (1st port of entry) to the Out Islands came as a result of the fact that all of the major cruise lines that sent ships to these islands focused on the other two primary islands of the Bahamas namely Nassau/Paradise Island and Grand Bahama.
- ❖ Royal Caribbean's "Freedom of the Seas," helped to push the increase in cruise arrivals higher to the Bahamas overall and namely to Coco Cay, Berry Islands. This increase in

cruise passenger arrivals to the Out Islands was however not enough to offset the decline in cruise arrivals by other cruise lines.

- ❖ Although both Royal Caribbean and Carnival Cruise lines (parent company) increased the number of cruise arrivals that they brought in during the 1st qtr. 2010 to the Out Islands it was not enough to offset the decline in cruise arrivals brought in by other major cruise lines to the Out Islands like Holland American Cruises, Norwegian Cruises, Princess Cruises and Disney Cruises.
- ❖ Carnival Cruise Line's subsidiary Holland American Cruises brought in 31.9% less cruise passengers to Half Moon Cay in 1st Qtr. 2010 (1st port of entry) than in the same period of 2009.
- ❖ Norwegian Cruises brought in 18.3% less cruise passengers to Great Stirrup Cay, Berry Islands in 1st Qtr. 2010 as a 1st port of call than in the same period of 2009 and instead sent a large percentage of their ships to Grand Bahama first. They also slightly reduced the number of 2nd port of calls to Great Stirrup Cay.
- ❖ Princess Cruises which is a subsidiary of Carnival Cruises brought in 16.3% less cruise passengers to Princess Cay, Eleuthera in 1st Qtr. 2010 (1st port of entry) than in the same period of 2009.
- ❖ Disney Cruises brought in 21.1% less cruise passengers to Castaway Cay, Abaco in 1st Qtr. 2010 (1st port of entry) than in the same period of 2009 but increased service into Nassau/Paradise Island.

APPENDIX: DEFINITIONS

- *“The gross domestic product (GDP) or gross domestic income (GDI) is a measure of a country's overall economic output. It is the market value of all final goods and services made within the borders of a country in a year. **It is often positively correlated with the standard of living.**”*
Sources: Wikipedia, the free encyclopedia and Sullivan, Arthur; Steven M. Sheffrin (1996). *Economics: Principles in action*. Upper Saddle River, New Jersey 074589: Pearson Prentice Hall. pp. 57, 305. ISBN 0-13-063085-3.
- *A cruise stopover is a person who comes to the destination on a cruise ship, stays in the destination for 24 hours or more and does not use the cruise ship for accommodation (primarily seen in Grand Bahama). A cruise stopover is not the same as a cruise arrival who does use the ship for accommodation purposes. Cruise stopover visitors, other sea landed visitors/sea stopovers [i.e., boaters/yachters] and cruise arrivals make up the sea arrival numbers.*
- *1st Port of Entry refers to the first port of call in the Islands of the Bahamas for a cruise ship. Some ships make more than one stop in the Islands of the Bahamas. The second stop is the 2nd Port of Entry and refers to the second port of call in the Islands of the Bahamas for a cruise ship. If a cruise ship makes a third stop in the Bahamas this 3rd stop is the 3rd port of entry and refers to the third port of call in the Islands of the Bahamas.*
- ***In this report we have concentrated on 1st port of entry numbers, because the report is based on the Overall Bahamas. If a person wanted to get a total count of the number of cruise visitors to the island of Nassau/Paradise Island only, they would have to add 1st, 2nd and 3rd port together.***

TYPE OF VISITORS

Visitors to the Islands of The Bahamas can come to the Bahamas by air or by sea.

- ⇒ *Air arrivals*, are visitors who come to the destination by air and may include stopover visitors, day visitors, and transit visitors.
- ⇒ *Sea arrivals*, are visitors who come to the destination by sea, i.e. cruise arrivals. Sea arrivals also include stopover visitors like boaters/yachters.

Main Types of Visitors

- ⇒ **Stopovers**, defined as persons staying for 24 hours or more, hotel visitors help to make up the stopover visitors. Boaters/yachters are also stopover visitors even though they may come to the islands by sea.
 - **Cruise Stopover Visitors**, are a special category of visitors that we have for Grand Bahama primarily. These visitors come to The Bahamas on a cruise ship but stay in land based accommodations and stay 24 hours or more.
- ⇒ **Cruise Visitors**, defined as persons visiting The Islands of The Bahamas by cruise ship and using the cruise ship for their accommodation.
- ⇒ **Day Visitors**, defined as persons visiting The Islands of The Bahamas for less than 24 hours
- ⇒ **Transits** defined as persons in transit from one country to another.

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