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Tackling the Cost of Living in The Bahamas: A Trade Diversification Perspective

Julien Acalin

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Tackling the Cost of Living in The Bahamas: A Trade Diversification Perspective

Prepared by Julien Acalin*

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ABSTRACT: This paper develops a methodology to assess the impact of a trade diversification strategy on aggregate import costs. Using granular bilateral import data for The Bahamas, we estimate that strategically reallocating about 2 to 3 percent of imports could reduce the annual import bill by 2 to 5 percent, depending on the degree of import substitution at the intensive and extensive margins. A large share of these savings is concentrated in a small number of source countries and product categories, indicating that a targeted strategy could yield prompt results and improve the current account to GDP ratio by 0.5 to 1.5 percent. The findings also shed light on the potential of trade diversification as a tool to alleviate some cost-of-living pressures in small open economies if accompanied by suitable reforms.

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1 Introduction

The Bahamas, a small open archipelago economy heavily reliant on imports for food and other essential goods, has recurrently made efforts to lower pressures on the cost of living, with some available evidence underscoring these affordability issues.[1] Against this backdrop, and in the face of heightened global trade uncertainty, policymakers have emphasized the need for a trade diversification framework to strengthen economic resilience.[2] Recent policy discussions have focused on reducing trade overdependence on specific markets, for instance by sourcing goods directly from alternative partners rather than primarily re-importing them through the United States.

Using detailed bilateral trade data from The Bahamas National Statistical Institute (BNSI) at the six-digit Harmonized System level (HS-6), we show that the U.S. price advantage has declined over time. While U.S. imports were the lowest-cost option for 73 percent of product categories in 2014, this share declined to 62 percent by 2024. Over the same period, China's share rose from 4 percent to 10 percent. Yet the U.S. remains The Bahamas' dominant supplier, accounting for more than 80 percent of total imports, with similar shares across main aggregate product sections (e.g., Machinery and Transport Equipment, Food and Live Animals, Mineral Fuels, Manufactured Goods). This raises an important question: To what extent could strategic shifts in the composition of import suppliers reduce aggregate import costs?

The main contribution of this paper is to develop a methodology to quantify the reduction in the import bill arising from a well-targeted diversification strategy. The estimated effects depend on the assumed degree of import substitution at both the intensive and extensive margins. The *extensive margin* refers to the ability to diversify towards multiple source countries at the same time, while the *intensive margin* refers to the ability to increase the volume of imports from each of them. A key feature of our methodology is that it is straightforward and transparent, and hence easily applicable to other economies.

We consider four scenarios assuming that The Bahamas increases import volume purchases at both the extensive and intensive margins. These scenarios result from constructing counterfactual import bills, in which The Bahamas diversifies toward (i) either all source countries cheaper than the U.S. within a given product category ('high extensive margin'), or only the subset of individual source countries already representing at least 5 percent of import quantities within a given product category ('low extensive

[1] For example, according to the Cost of Living Index compiled by Numbeo (a crowd-sourced online database), The Bahamas consistently ranks among the most expensive countries in the world.

[2] See, e.g., The Bahamas' Fiscal Year 2025/26 Budget documents and the IMF 2026 Article IV report.

margin'); and it increases import volumes from those source countries by (ii) either 20 percent ('low intensive margin') or 50 percent ('high intensive margin')— numbers consistent with historical annual volume shifts—while it decreases imports from the U.S. by similar amounts in order to preserve trade volumes.

Based on these scenarios, we estimate that reallocating around 2 to 3 percent of imports from the U.S. to lower-cost partners could reduce the total import bill by 2 to 5 percent. As imports represent about a third of GDP in The Bahamas, these savings could translate into an improvement in the current account to GDP ratio by 0.5 to 1.5 percent. A small number of country–product category combinations account for most of the potential savings, suggesting that a carefully targeted approach could generate prompt benefits. Additionally, our pass-through estimates suggest that these import cost savings could lower consumer prices by up to 1.5 percent, although large uncertainty remains around this effect.

While strategic import diversification could lower the import bill, realizing these benefits would require complementary efforts in areas such as transportation and distribution logistics, product standards harmonization, and importers' management of currency risk. Other plausible constraints include the narrow economies of scale for small countries, and geographic challenges for trade associated with island nations. Additionally, the pass-through of import cost savings into lower retail prices and reduced cost of living crucially depends on the domestic market structure, including the extent of competition in the wholesale and retail sectors. Complementary reforms in these domains would therefore help maximize the potential benefits from trade diversification strategies.

Literature Review. A growing body of work examines how the composition of countries' import sources shapes macroeconomic performance, price dynamics, and vulnerability to external shocks. Recent empirical evidence shows that import-source reallocation has meaningful effects on aggregate prices. In a closely related paper, Chinagorom-Abiakalam and Leibovici (2025) decompose U.S. import price movements into within-country price changes versus shifts in the mix of sourcing partners. They find that compositional changes—particularly the long-run shift toward low-cost suppliers—accounted for a substantial share of the decline in U.S. import prices prior to the trade war, whereas recent diversification away from China has exerted upward pressure on import and consumer prices. Consistent with their paper, we highlight that sourcing composition is itself a key macroeconomic margin, and that any policy-driven diversification strategy has potential first-order implications for import costs.

Cross-country evidence confirms the importance of supplier concentration in shaping import costs. Balteanu et al. (2025) document a strong positive relationship between import concentration and import prices across advanced economies. Their findings suggest that diversification may reduce price premia and improve bargaining conditions, albeit with heterogeneity across products. From a broader development perspective, Jaimovich (2012) shows that import diversification is a systematic feature of the growth process. As countries expand, they widen both the range of goods imported and the set of trading partners from which they source, moving progressively toward more distant and technologically advanced suppliers.

Trade and supply-chain diversification can improve macroeconomic resilience. Ahn and Tan (2025) shows that economies with more geographically diversified import baskets experience smaller supply-chain disruptions and lower price volatility when exposed to foreign shocks. Their results suggest that diversification reduces exposure to idiosyncratic supplier-specific risk and generates positive resilience externalities, particularly in small open economies where import dependency is structurally high. At the micro level, Antras et al. (2017) develop a multi-country sourcing model providing a structural foundation for evaluating the feasibility and cost-effectiveness of large-scale reallocation of sourcing.

Relative to the previous literature, the novel contribution of this paper is to quantify the aggregate import bill savings from a targeted import diversification strategy, showing the extent of potential benefits for a small open economy with high import dependence.

The remainder of the paper proceeds as follows. Section 2 describes the data. Section 3 documents the decline in the U.S. position as lowest-cost import supplier to The Bahamas over the past decade. Section 4 quantifies the import bill savings from trade diversification. Section 5 provides a discussion of possible constraints and challenges linked to this type of import diversification strategy. Section 6 concludes.

2 Data

The Bahamas National Statistical Institute (2025) presents data on the value and volume of all trade between The Bahamas and the rest of the world collected by The Bahamas Customs Department following the Harmonized System (HS) classification.[3] The value of imports are c.i.f, that is, the value at the port of importation including freight and

[3]The HS arranges goods according to their degree of manufacture and classifies them into ninety-seven chapters which are grouped into twenty-one sections. Throughout the paper we use the terminology 'categories' to refer to HS-6 product level.

insurance charges and other charges incidental to the delivery at the port of import. This allows us to capture relevant charges when assessing the trade diversification policies.

Our analysis uses annual bilateral import data at the six-digit Harmonized System (HS-6) level from BNSI covering 2014–2024. Prices are proxied by unit values, defined as the ratio of import values to quantities, and expenditure shares are constructed at the source country–category–year level. Although unit values may reflect product quality variation, they are widely used in the trade literature as practical measures of price movements (Feenstra, 1994, Amiti et al., 2014, 2019).

To reduce the influence of outliers, we follow standard data cleaning procedures (Amiti et al., 2024). Specifically, we exclude observations with missing quantities, inconsistent quantity units within categories, and unidentified partners labeled as 'Other Countries.' Extremely low or high unit values—below 1 percent or above 1,000 percent of the corresponding U.S. unit value in a given year and category—are also dropped. These steps help ensure meaningful cross-country price comparisons. The final sample consist of 141,035 observations, covering 125 source countries over 11 years. The United States represents about 32 percent of all observations. Food categories represent on average 54 percent of total import value over the period, with the largest categories being 'Meat and Edible Meat' (10%) and 'Miscellaneous Edible Preparations' (6%), while 'Plastics' (11%) and 'Articles of Iron and Steel' (6%) represent the largest non-food shares.

Following the contribution of Hummels and Klenow (2002), recent literature acknowledges that diversification of traded goods can take place at alternative margins. Our analysis focuses on changes within a set of already traded goods, because we can observe their prices by source country and year, while prices for potential new trade corridors are unobserved. As such, in this paper we refer to the *extensive margin* of trade diversification as the ability to diversify towards multiple source countries within each product category, while the *intensive margin* refers to the ability to increase the volume of imports from each source country.

The total number of observations by year in our sample increased from 9,953 in 2014 to 15,391 in 2018, decreased to 10,527 during the Covid-19 crisis, and recovered to 12,611 in 2024, suggesting an initial increase in the extensive margin depth followed by more trade concentration post-Covid. The median annual increase in non-U.S. source country–category pair volumes is about 66 percent, and around 21 percent when restricting the sample to food categories, among source countries representing at least 5 percent of import quantities within a given product category. These numbers illustrate the potential intensive margin depth and will serve as a benchmark for our intensive margin assumptions in Section 4.

3 U.S. Dominance in Bahamian Imports and Decline in Price Advantage

Table 1 shows that the U.S. supplies the bulk of Bahamian imports, with an import share standing at 87.4 percent in 2024. This high share is explained by a few factors, notably that the U.S. is the largest economy in the world, and the geographically closest trading partner to The Bahamas which has a long-standing currency peg vis-a-vis the U.S. dollar.

Table 1: Top 10 Source Countries for The Bahamas in 2024

Trading Partner	**Import Share**	**Change 2014-2024**	**Count Share**	**Change 2014-2024**
United States	87.4	-2.6	34.8	-4.1
China	2.9	2.0	10.1	4.0
Japan	1.7	0.6	2.0	-0.3
Switzerland	0.9	0.6	1.2	-1.4
Panama	0.7	0.2	3.7	-0.9
Canada	0.6	-0.1	5.9	-0.5
Brazil	0.5	0.1	0.7	-0.1
Germany	0.5	0.2	2.4	-0.6
United Kingdom	0.5	-0.1	4.9	-1.1
Jamaica	0.4	0.4	1.8	0.4

Notes: The table shows the top 10 source countries (in values) for The Bahamas in 2024. The first column shows the share of each country within total imports' value, and the second column shows the change in this share between 2014 and 2024. The third column shows the count share of each country within all observations, and the last column shows the change in this share between 2014 and 2024. Source: BNSI; author's calculations.

However, the U.S. dominance is gradually declining, albeit modestly, as competitors increase their presence. Between 2014 and 2024 the share of China in Bahamian imports increased from 0.9 to 2.9 percent, while the shares of Japan and Switzerland both increased by 0.6 percent points over the same period. Notably, the count share of Chinese observations among all observations has increased by 4 percentage points over this period, matching the drop in the corresponding U.S. share. This mild decrease in the U.S. share in Bahamian imports is associated with a relative decline of its traditionally held price advantage over the past decade. The upper panel of Figure 1 indicates that the U.S. still remains the most frequent lowest-cost supplier to The Bahamas, followed by China, with some other partners gaining shares but trailing far behind. The lower panel reports the share of HS-6 categories for which each of the top two main partners, the U.S. and China, offered the lowest import unit value. The U.S. share declined from 73 to 62 percent between 2014 and 2024, while China's rose from 4 to 10 percent.

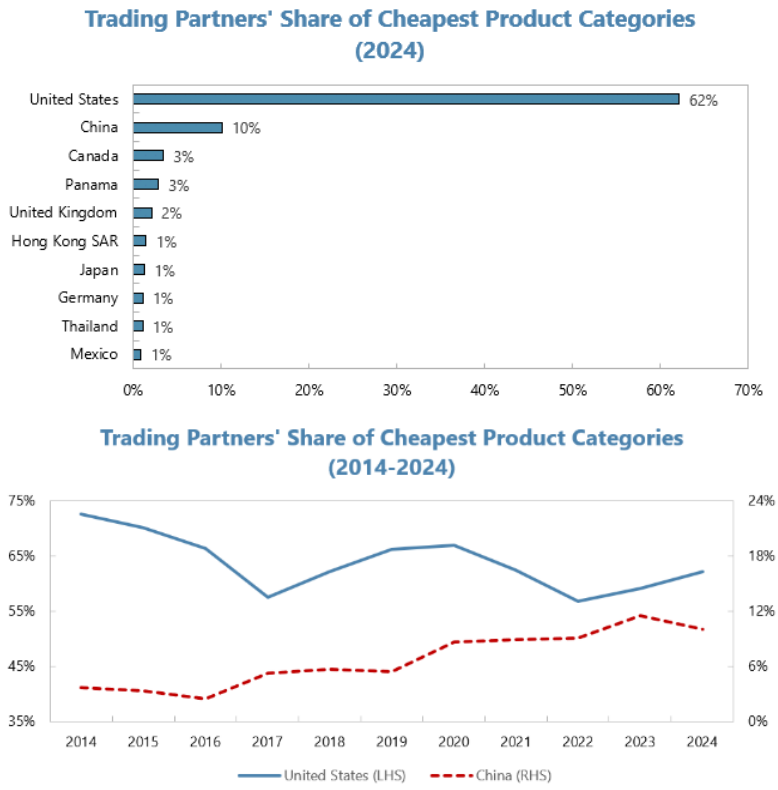


Figure 1: Evolution of Lowest-Cost Import Suppliers to The Bahamas

Notes. The upper panel shows the share of HS-6 categories for which each trading partner is the lowest-cost supplier. The lower panel shows the evolution of the U.S. and China shares of HS-6 categories for which each of them is the lowest-cost supplier. Source: BNSI; author's calculations.

Figure 2 provides further evidence on cross-country price differences by plotting country fixed effects from regressions of log unit values on country and product fixed effects (Chinagorom-Abiakalam and Leibovici, 2025). The upper panel pools 2014–2024 data and shows that China consistently offered lower average prices than the U.S. (by a magnitude of 25 percent), while most other exporters are relatively more expensive. The lower panel, estimated for 2024 only, confirms that the U.S. price advantage has declined in recent years, with its position in the distribution of average unit values increasing from the 31st percentile in the full sample to the 48th percentile in 2024 as a few other source countries, notably Japan, became relatively cheaper.

Overall, these results point to growing opportunities for import bill savings through strategic trade diversification. While these country-specific results are informative, they average out interesting differences across country–product pairs, which are further explored in the next section.

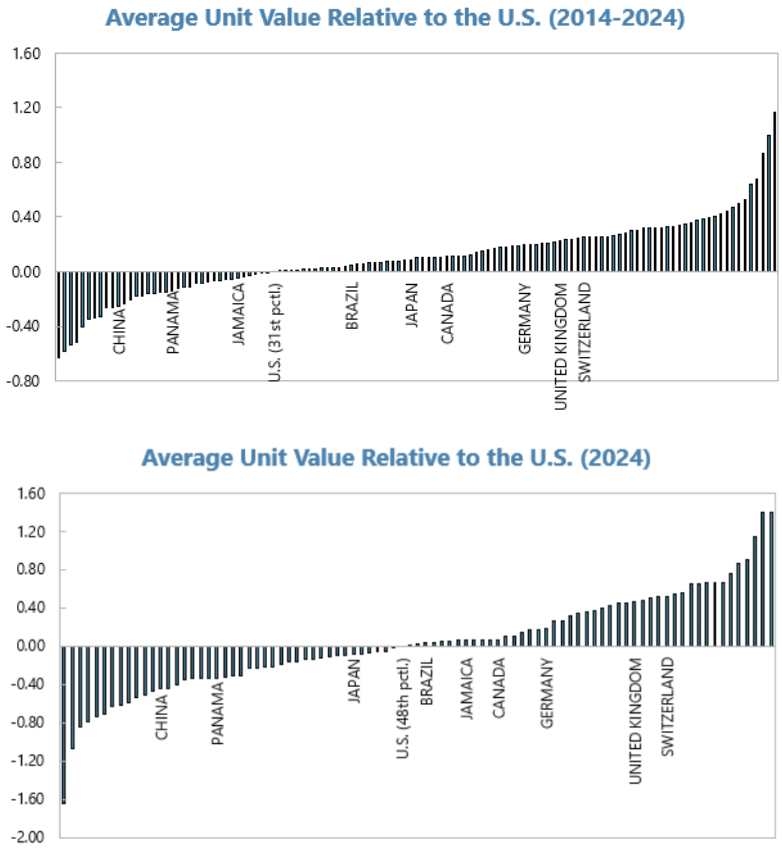


Figure 2: Average Unit Values Relative to the U.S.

Notes: The charts plot the country fixed effects from regressions of log unit values on country and HS-6 fixed effects. All values are relative to the U.S. The upper panel shows results from a pooled regression over 2014–2024. The lower panel shows results for year 2024 only. The country names shown are the top 10 source countries for The Bahamas reported in Table 1. Source: BNSI; author's calculations.

4 Import Cost Savings from Trade Diversification

4.1 Assumptions

This section describes the methodology used to quantify the import cost savings from a trade diversification strategy. Let the import bill in year t be:

$$M_t = \sum_i \sum_j Q_{i,j,t}\, c_{i,j,t}, \tag{1}$$

where $Q_{i,j,t}$ and $c_{i,j,t}$ are, respectively, the import volume and unit value (price) from country i for product category j at time t. We discuss our assumptions regarding the trade diversification margins, and price elasticity.

Extensive Margin. We focus on country–category pairs where the non-U.S. source country partner i has a lower unit value than the U.S. in year t, i.e. $c_{i,j,t} < c_{US,j,t}$. We report results under the alternative assumptions that trade is diverted towards either all source countries cheaper than the U.S. within a given product category j ('high extensive margin') or only the subset of individual source countries already representing at least 5 percent of import quantities within a given product category ('low extensive margin'). This 5 percent calibration for the low extensive margin assumption implies that the trade diversification efforts are concentrated in a relatively narrow group of countries accounting for about 10 percent of the non-U.S. observations but more than 40 percent of the non-U.S. import value. This threshold also plausibly implies that connectivity or infrastructure limitations in source countries should not be major obstacles to scale up their exports to The Bahamas. Mathematically, we assume The Bahamas increases $Q_{i,j,t}$ if:

$$\textbf{High Extensive: } c_{i,j,t} < c_{US,j,t}$$
$$\textbf{Low Extensive: } c_{i,j,t} < c_{US,j,t} \text{ and } Q_{i,j,t} \geq 0.05\, Q_{j,t}$$

Intensive Margin. Informed by the summary statistics reported in Section 2 regarding median annual increases in non-U.S. source country-category pair volumes, and for each of the high vs. low extensive margin scenarios, The Bahamas is assumed to increase import volumes from non-U.S. source countries by either 20 percent ('low intensive margin') or 50 percent ('high intensive margin'), while reducing U.S. volumes for the same category by an equal amount. Mathematically, the counterfactual import quantities $Q^{\star}_{i,j,t}$ are given by:

$$\textbf{High Intensive: } Q^{\star}_{i,j,t} = 1.5\, Q_{i,j,t}$$
$$\textbf{Low Intensive: } Q^{\star}_{i,j,t} = 1.2\, Q_{i,j,t}$$

and U.S. import volumes are reduced such that total volumes are conserved: $\sum_i \sum_j Q^{*}_{i,j,t} = \sum_i \sum_j Q_{i,j,t}$ for all t. Moreover, trade diversification is capped by actual U.S. volumes, such that counterfactual U.S. category-year volumes always remain non-negative.

Price Elasticities. Unit values are conservatively held constant, consistent with both the small size of Bahamian demand relative to global markets and evidence of high export supply elasticities in the literature (Broda and Weinstein 2006, Imbs and Mejean 2015, Feenstra et al. (2018)).[4]

[4]We provide further supporting evidence in Appendix Figure A1 that the assumption of constant unit values for The Bahamas is conservative by showing that increases in import quantities are associated with

Building on this set of assumptions, we present results for all product categories and, separately, for food categories only as these may be more closely connected to domestic cost of living considerations. Counterfactual import bills are given by:

$$M_t^* = \sum_i \sum_j Q_{i,j,t}^* \, c_{i,j,t}, \tag{2}$$

We measure trade diversification gains, in the form of import cost savings, as:

$$G_t^* = \frac{M_t^* - M_t}{M_t}. \tag{3}$$

4.2 Aggregate Results

Figure 3 shows that potential trade diversification gains rose substantially after 2019, in line with the decline in U.S. price advantage documented in Section 3, against a backdrop of international shifts in supply chains and U.S. dollar appreciation[5]. Specifically, in 2024, successful trade diversification could have lowered the import bill from 1.9 percent in a low intensive margin and low extensive margin scenario to 4.9 percent in a high intensive and high extensive margin scenario (Figure 3, upper panel). These aggregate savings could translate into an improvement in the current account to GDP ratio by 0.5 to 1.5 percent as imports represent about a third of GDP in The Bahamas.

Gains are still nontrivial even when restricting the trade diversification efforts to food products only—from 1.4 to 3.5 percent—highlighting the relevance of this strategy for categories which could more directly feed into the cost of living (Figure 3, lower panel). For the results involving both total and food imports, the gains stem mostly from the high intensive margin, suggesting concentrated cost saving opportunities.

Consistent with our assumption of preserved total volume of import, these aggregate import cost gains would have been achieved by sourcing away from less than 0.2 to up to 3.5 percent of total import volumes from the U.S., strategically shifting trade for only 2 to 3 percent of import categories from the U.S. towards lower-cost suppliers (Figure 4).

Importantly, as import bill savings scale approximately linearly with substitution volumes, more aggressive reallocation, i.e. an even higher intensive margin, within the most viable corridors would yield proportionally larger savings. For example, an increase in import volumes by 66 percent along the low extensive margin would lead to import cost

decreases in unit values for the main source country–product category pairs.

[5]As suggestive evidence, a simple OLS regression of the trade diversification gains on the real broad U.S. dollar gives a highly statistically significant positive coefficient and an adjusted R^2 of 0.6.

savings closer to 6 percent of total imports value.[6]

Lastly, the results likely represent a lower bound for potential trade diversification gains as the analysis focuses on a set of already traded goods–consistent with a revealed preference argument–while savings from potential new trade corridors are not considered. This extension is beyond the scope of this paper and left for further research.

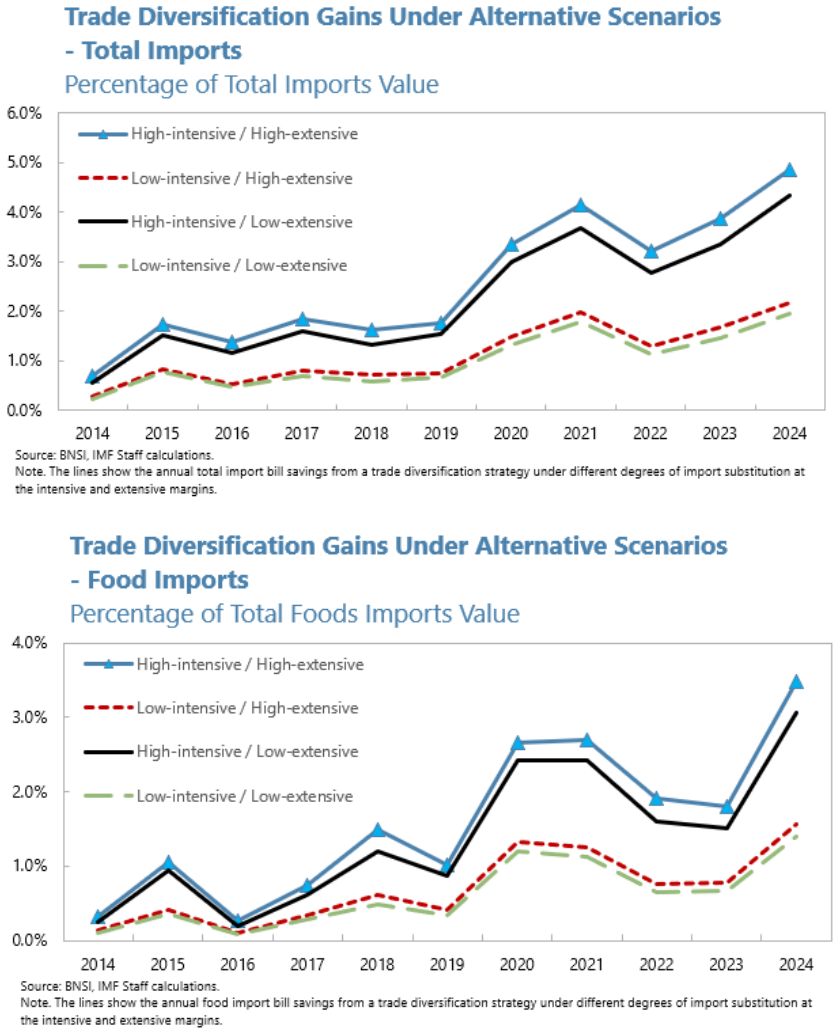


Figure 3: Import Bill Savings From Trade Diversification Under Alternative Scenarios (Percent of Import Value)

Notes: The lines show our estimated import bill savings under different combinations of low and high trade diversification at both the intensive and extensive margins. The upper panel reports aggregate gains for total imports. The lower panel reports gains for food imports only. Source: BNSI; author's calculations.

[6]As reported in Section 2, the median annual increase in non-U.S. source country–category pair volumes is around 66 percent when restricting the sample to the subset of individual source countries already representing at least 5 percent of import quantities within a given product category.

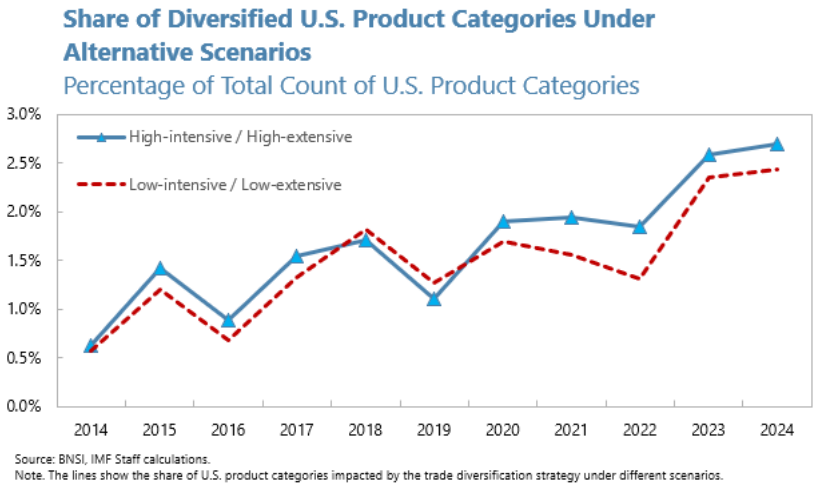


Figure 4: Share of Diversified U.S. Product Categories Under Alternative Scenarios (Percentage of Total Count of U.S. Product Categories)
Notes: The lines show the share of U.S. product categories impacted by the trade diversification strategy under different scenarios. Source: BNSI; author's calculations.

4.3 Disaggregated Results

This sub-section explores which trading partners and categories drive the aggregate gains reported above. A few partners and categories account for most of the potential gains. Table 2 lists the top trading partners in terms of their contribution share to the import bill savings for both all goods and food imports. China, Japan, and Canada feature prominently. The results suggest that targeted trade diversification efforts towards these 3 trading partners only would account for up to 47 percent of the total import bill savings. Targeting Canada, the Dominican Republic, Brazil, and Thailand would yield about 40 percent of the estimated food import bill savings.

Products with consistent price advantages from non-U.S. trading partners include, among others, Japanese motor vehicles, Chinese steel, doors and windows, medicaments from the U.K., cement from Dominican Republic, or Brazilian meat. The concentration of gains among a few source country–category pairs suggest that targeted trade missions and supply-chain initiatives could effectively operationalize the trade diversification strategy and yield prompt import bill savings.

Table 2: Top Trading Partners Driving Import-Bill Gains

Trading Partner	**Total (%)**	**Trading Partner**	**Food (%)**
China	25	Canada	12
Japan	17	Dominican Rep.	10
Canada	5	Brazil	10
Mexico	4	Thailand	7
United Kingdom	4	United Kingdom	5
Dominican Rep.	3	China	4
Turkiye	3	Mexico	4
Brazil	2	Jamaica	4
Hong Kong SAR	2	Turkiye	4
Jamaica	2	Peru	3

Notes. This table lists the top 10 trading partners in terms of their contribution share to the total and food import bills' savings. The numbers represent the share of total and food import bill savings which are attributable to each trading partners k under the 'high extensive - high intensive' scenario and is computed as $\sum_{t \in T} \frac{\sum_j \left(Q^{\star}_{k,j,t} - Q_{k,j,t}\right)\left(c_{k,j,t} - c_{US,j,t}\right)}{M^{\star}_t - M_t}$. We obtain similar rankings when using different scenarios. Source: BNSI; author's calculations.

5 Discussion

Using the results for The Bahamas as a potential benchmark for other small economies would suggest that strategic import diversification strategies, toward lower-cost suppliers, can yield nontrivial reductions in the import bill while reducing the risks associated with import concentration. These strategies can also bring meaningful improvements in the current account balance.

However, these diversification strategies may face constraints related to consumers' preferences for certain brands or product quality, or involve trade-offs related to exchange rate risks, regulatory costs and hurdles, supply chain reliability, economies of scale, and geographic factors. Careful cost-benefit considerations, beyond the scope of this paper, are therefore warranted. Furthermore, to help maximize the potential benefits, trade diversification strategies would require complementary improvements in logistics by investing in the efficiency of transportation and distributions networks, product harmonization standards to streamline customs procedures, and exchange-rate risk management to hedge importers' balance-sheet risks. With appropriate enabling policies, trade diversification could serve as a tool to reduce import bill costs.

Moreover, shifts in the composition of import sources on aggregate import prices also have implications for consumer prices (Chinagorom-Abiakalam and Leibovici, 2025). As extensively documented in the tariffs and exchange rates literature, changes in import

prices do pass through to retail prices, but this process is gradual, incomplete, and varies depending on product characteristics and domestic market competition (Cavallo et al. 2021, Berger et al. 2012). Thus, while trade diversification strategies may lead to reductions in import prices relatively quickly, it might take time for wholesalers and retailers to adjust or face competitive pressure to lower their markups.

In small island economies, the pass-through of lower import prices into retail prices is generally considered to be high and relatively rapid due to these countries' high dependence on imports (Alleyne and Blagrave 2025). Our pass-through coefficient estimates for The Bahamas, presented in the Appendix, are around 0.3 suggesting that import cost savings of 5 percent could lower consumer prices by up to 1.5 percent, although large uncertainty remains around this effect. Rolling-window estimates show that this coefficient has been declining since the 1990s and is now closer to 0, suggesting limited initial and very gradual pass-through.

The full pass through into consumer prices still depends on the domestic market structure. In markets with less competition (e.g., monopolies or oligopolies, which may be dominant in isolated island regions), firms may absorb some of the cost reductions in their margins rather than passing the full amount onto consumers. Additionally, even with lower import prices at the border, local distribution costs (transportation, warehousing, etc.) can be high and may cushion or slow the pass-through effect to the final retail price (Bacchetta and van Wincoop 2003, Boug et al. 2013). In essence, while high import reliance may induce a strong link between global import prices and local retail prices, market power and local cost structure can influence the speed and completeness of the pass-through for any specific good.

6 Conclusion

This paper quantifies the import bill reduction that could be achieved by a small open-economy through a strategic import diversification. Using detailed bilateral trade data for The Bahamas, we find that redirecting approximately 2–3 percent of imports toward lower-cost suppliers could reduce the import bill by 2–5 percent annually. A small set of country–product pairs accounts for most gains, implying that targeted efforts could deliver prompt import bill savings. The findings highlight the potential of trade diversification strategies as a tool to alleviate some cost-of-living pressures in small open economies if accompanied by suitable complementary actions.

The methodology developed in this paper is straightforward and transparent, which makes it readily adaptable to other countries. Against a backdrop of heightened global trade uncertainty and widespread concerns regarding the cost of living, a promising avenue for future research in this domain is to quantify the actual gains from trade diversification strategies pursued by other countries, and shed light on both the transmission of lower import bills to domestic retail prices and complementary policies to seize these gains.

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Appendix

Price Elasticity

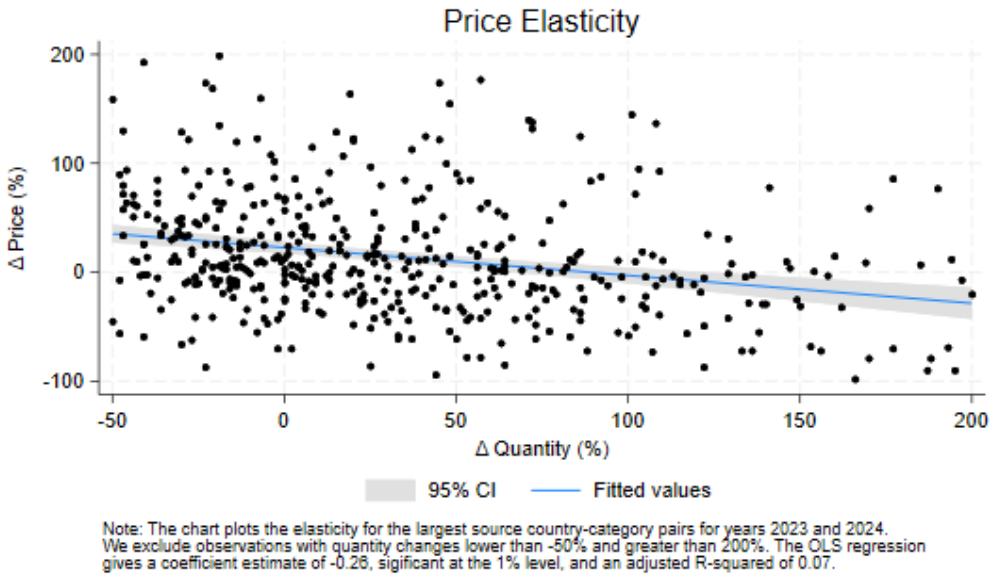


Figure A1: Price Elasticity for Main Country-Product Category Pairs in 2023 and 2024

Notes: The price elasticity estimate shows that increases in quantities are associated with lower prices. The median and average changes in quantity are, respectively, 23 percent and 35 percent. Each dot represents a non-U.S. source country-product category pair in a given year. Source: BNSI; author's calculations.

Pass-through Coefficient Estimates

Data on import and consumption price indices for The Bahamas, respectively denoted by P_m and P_c, are downloaded from the Penn World Table 11.0 database, and cover the period 1970-2023. Following McCarthy (2007), the estimated contemporaneous relationship is:

$$\Delta \ln(P_{c,t}) = \alpha + \beta \Delta \ln(P_{m,t}) + \varepsilon_t. \tag{.1}$$

where β measures the pass-through. We also estimate this specification using 10-year rolling windows to track changes in this pass-through over time.

As shown in Figure A2, the main estimate is around 0.3 although uncertainty remains around this effect. Indeed, rolling-window estimates show that this coefficient has been declining since the 1990s and is now closer to 0, suggesting extremely limited initial and very gradual pass-through from import prices to consumer prices in The Bahamas.

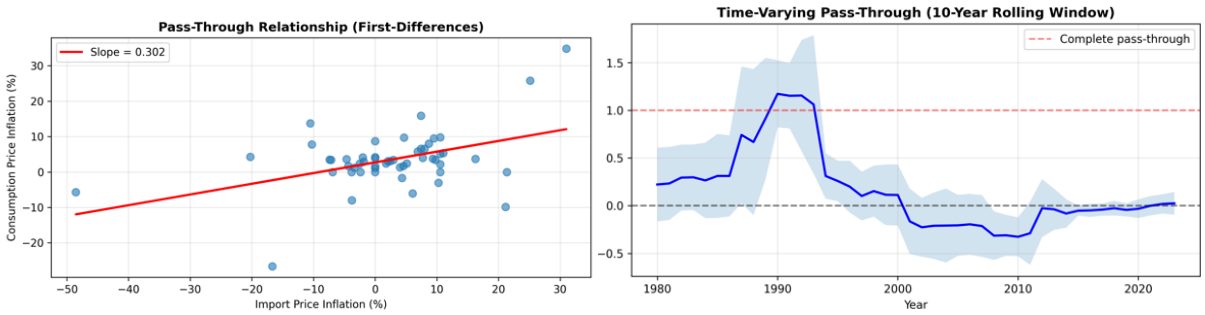


Figure A2: Short-Run Pass-Through Estimates

NOTES: The right-hand chart shows the pass-through relationship over the period 1971-2023. The left-hand chart shows estimates using 10-year rolling-windows. SOURCE: PWT 11.0; author's calculations.

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PUBLICATIONS

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