



Monthly Economic and Financial Developments September 2018

In an effort to provide the public with more frequent information on its economic surveillance activities, the Central Bank has decided to release monthly reports on economic and financial sector developments in The Bahamas. The Bank monitors these conditions as part of its monetary policy mandate, to assess whether money and credit trends are sustainable relative to levels of external reserves required to protect the value of the Bahamian dollar and, if not, the degree to which credit policies ought to be adjusted. The main data source for this surveillance is financial institutions' daily reports on foreign exchange transactions and weekly balance sheet statements. Therefore, monthly approximations may not coincide with calendar estimates reported in the Central Bank's quarterly reports. The Central Bank will release its "Monthly Economic and Financial Developments" report on the Monday following its monthly Monetary Policy Committee Meeting.

Future Release Dates:

2018: December 3, December 17.



1. Domestic Economic Developments

Overview

The domestic economy's mild growth trajectory was maintained during September. Activity was underpinned by the ongoing gains in tourism, amid increases in high-end hotel inventory and airline seat capacity, while construction sector output was driven by several varied-scale foreign investment projects. On the prices front, average energy costs firmed modestly, due mainly to the increase in global oil prices. In monetary developments, bank liquidity contracted, amid an increase in commercial bank credit to Government and a reduction in domestic deposits. External reserves also fell, in line with seasonal factors and heightened public sector demand for foreign currency—related mainly to fuel imports.

Real Sector

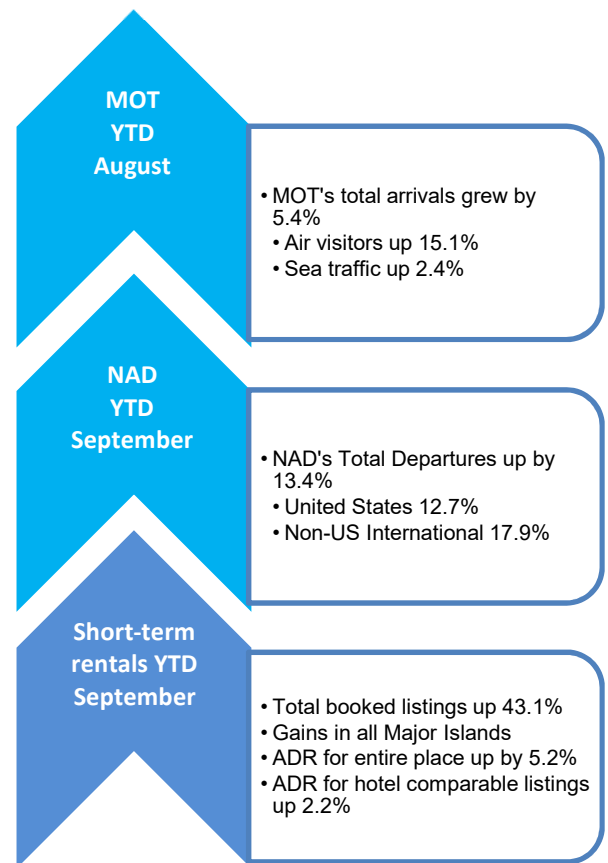
Tourism

Tourism sector indicators showed a notable improvement during the review period, supported in part by sustained growth in several key source markets and a relatively mild hurricane season.

Official data from the Ministry of Tourism (MOT), revealed a 5.4% expansion in total visitor arrivals during the first eight months of the year, a reversal from a 2.8% contraction in the prior period. The improvement was driven by the high value-added air segment, which advanced by 15.1%, following a 6.3% reduction in the prior period. Further, sea passengers firmed by 2.4%, relative to a 1.6% softening in 2017.

By major port of entry, air arrivals to New Providence firmed by 17.2%, a reversal from a 5.7% falloff recorded a year ago. However, the higher volume sea component, contracted by 10.6%, resulting in a 2.8% decrease in total visitors, vis-à-vis 2017's 4.6% uptick. In Grand Bahama, total arrivals rose by 8.6%, in contrast to a 29.1% plunge in the prior period, amid gains in both sea and air traffic of 9.4% and 2.5%, respectively. Further, the Family Island market continued to exhibit strong growth, with increases in the sea and air components of 22.1% and 11.5% respectively, resulting in a turnaround in total arrivals to a 20.3% expansion, from a 3.0% decline in the preceding year.

Chart 1: Tourism Indicators at a Glance



Sources: Ministry of Tourism, Nassau Airport Development Company and Air DNA

In terms of more recent tourism performance indicators, data from the Nassau Airport Development Company Ltd. (NAD) for September, revealed a 42.3% expansion in tourist departures—net of domestic passengers—in contrast to a 22.7% decline a year earlier, when Hurricane Irma disrupted travel itineraries. In the underlying developments, US departures in September rebounded by 44.7%, following a 23.2% reduction in the prior period. Similarly, non-US international traffic grew by 30.5%, relative to a 20.5% fall in 2017.

Similar trends were noted over the nine-month period, as total departures recovered by 13.4%, from a 3.0% decline in 2017. There were gains in both US and non-US international traffic of 12.7% and 17.9%, respectively, vis-à-vis contractions of 3.0% and 3.2%, in the previous year.

In line with the strengthening in air arrivals—as well as an increase in the number of listings—data from AirDNA¹ revealed a 51.4% strengthening in total bookings in the short-term rental market, relative to the same period in 2017. Bookings in Abaco improved by 88.9%, led by an expansion in rental of entire units as opposed to segmented use of units (including specified rooms), while reserved listings for Grand Bahama, the Exumas, and New Providence, advanced by between 40% and 60%. In terms of the average daily room rate (ADR)—which is more comparable between periods—the data showed that the rates for entire place listings firmed by 8.2% to \$284.37 per day; however, those for private rooms (hotel comparable) listings, fell by 3.8% to \$126.34 per day.

Over the nine-month period, total booked residential listings increased by 43.1%, in comparison to 2017, with both the entire place and private room bookings up by 42.6% and 32.6%, respectively. In addition, the ADR for both entire place rentals and hotel comparable rooms, rose by 5.2% and 2.2% to \$337.57 and \$139.36, respectively.

Prices

Reflecting the pass-through effects of elevated global oil prices, domestic energy costs firmed during the review period. Specifically, in September, the Bahamas Power and Light's (BPL) fuel charge increased by 9.7% to 19.15 cents/KWH relative to the previous month, and firmed by 52.2% year-on-year. At the fuel pump, price developments varied, as gasoline costs softened by 0.8% to \$4.91 per gallon, while diesel prices edged up by 0.2% to \$4.58 per gallon. However, both gasoline and diesel costs firmed by 13.9% and 19.3%, respectively, relative to the previous year.

2. Domestic Monetary Trends **September 2018 vs. 2017**

Liquidity

Following an increase in commercial bank credit to Government, and a decline in total deposits, bank liquidity contracted in September. Specifically, excess liquid assets—a broad measure of liquidity—decreased by \$104.8 million to \$1,737.2 million, a reversal from the external borrowing-led increase of \$95.5 million in the prior year, while the narrower excess reserves indicator fell by \$110.4 million to \$736.6 million, vis-à-vis the previous period's \$117.0 million expansion.

On a year-to-date basis, excess liquid assets declined by \$61.1 million, following a \$260.3 million expansion in the prior period, when the Government secured significant short-term external financing. Similarly, excess reserves fell by \$121.0 million, a turnaround from the \$195.0 million build-up last year.

¹ This company compiles and distributes data obtained from the Airbnb website.

External Reserves

During the review month, external reserves contracted by \$123.8 million to \$1,316.4 million, a significant turnaround from a \$90.8 million expansion reported in the previous year. In the underlying developments, the Central Bank's transactions with the public sector reversed to a \$70.4 million net sale—to facilitate fuel purchases and part-payment for the acquisition of a hotel—from a \$105.3 million net purchase in the prior period. In addition, the Bank's net sale to commercial banks rose by \$39.7 million to \$55.8 million, as banks' net sales to customers widened by \$29.4 million to \$47.9 million.

Despite a modest tourism-related build-up in the first half of the year, the seasonal increase in private sector demand in the subsequent months, combined with heightened public sector foreign currency demand, resulted in external reserves contracting by \$91.9 million over the nine-month period. In contrast, external borrowings supported a \$162.8 million expansion last year. In particular, the Central Bank's transactions with the public sector reversed to a net sale of \$252.3 million, from 2017's net purchase of \$58.4 million. In contrast, amid an improvement in the foreign exchange earning sectors, the Bank's net purchase from commercial banks strengthened by \$53.1 million to \$137.7 million, even though commercial banks' net purchase from clients narrowed by \$37.3 million to \$58.1 million.

Exchange Control Sales

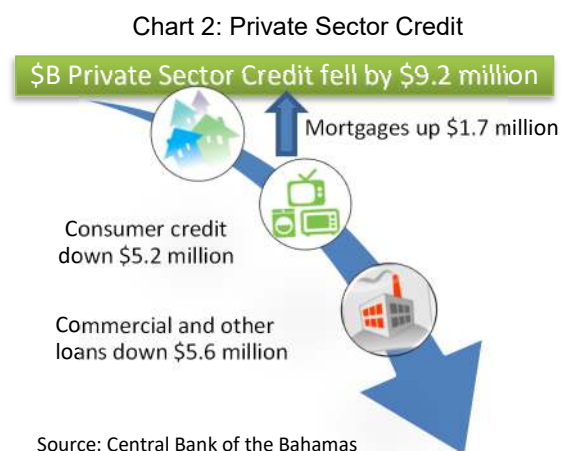
During the month of September, partial exchange control data showed that foreign currency sales for current account transactions increased by an estimated \$73.6 million to \$414.9 million, relative to the same period last year. This outturn reflected gains of \$31.2 million and \$24.8 million in factor income-related transactions (10.5% of sales) and oil imports (12.7% of the total), respectively, while sales associated with services under "other current items" (44.0% of the total) rose by \$47.3 million. A more muted increase of \$3.8 million was recorded for travel-associated sales (6.6% of the total); however, transactions related to non-oil imports (23.6%) and transfers (2.6%), narrowed by \$23.0 million and \$10.5 million, respectively.

On a year-to-date basis, recorded foreign currency sales increased by approximately \$336.4 million to \$4,114.0 million, largely attributed to a \$149.6 million expansion in factor income outflows (which accounted for 8.1% of the total) and a \$383.2 million gain in "other current items" (45.7% of the total). In a partial offset, declines were recorded for sales related to non-oil imports (27.9% of the total) by \$139.7 million, transfers (4.5%) by \$33.7 million, oil imports (8.2%) by \$15.0 million, and travel (5.6%) by \$8.0 million.

Domestic Credit

Bahamian Dollar Credit

Bahamian dollar credit expanded by \$46.3 million in September, a reversal from a \$152.2 million contraction a year-earlier. In particular, the decline in credit to the private sector narrowed to \$9.2 million, from \$134.8 million in 2017, when one institution sold a significant tranche of its non-performing loans (NPLs) to a non-bank entity. This outturn reflected a slowdown in the contraction of commercial loans to a mere \$5.6 million, from the prior year's \$72.4 million downturn, while the falloff in consumer credit narrowed to \$5.2 million, from



\$12.0 million. Moreover, residential mortgages grew slightly by \$1.7 million, vis-à-vis a \$50.5 million contraction in 2017. In public sector developments, given increased Treasury bill holdings, net claims on the Government firmed by \$55.0 million, a reversal from a \$17.4 million decline in the previous year. Further, accretions to credit to the rest of the public sector quickened by \$0.5 million to \$0.6 million.

Over the nine-month period, Bahamian dollar credit advanced by \$39.1 million, outpacing the \$4.7 million increase in 2017. The expansion in credit reflected a \$114.0 million uptick in net claims on the Government, relative to a \$145.8 million gain a year earlier, while credit to public corporations firmed by \$25.6 million, contrasting with 2017's \$6.4 million reduction. Meanwhile, following an asset sale-led reduction last year, the falloff in private sector credit lessened to \$100.6 million, from the previous year's \$134.7 million, as the declines in commercial loans and mortgages narrowed to \$22.1 million and \$14.4 million, respectively, from \$41.5 million and \$62.8 million a year earlier. In a slight offset, the decrease in consumer credit broadened by \$33.5 million to \$64.0 million.

Foreign Currency Credit

Total foreign currency credit rose slightly by \$1.0 million in September, a reversal from the prior year's \$3.4 million reduction. This outturn reflected mainly a \$5.8 million expansion in net claims on the Government, compared to a \$1.5 million decline a year earlier. Further, the contraction in credit to public corporations eased to a mere \$0.8 million from \$4.7 million. In contrast, credit to the private sector fell by \$3.9 million, a reversal from a \$2.8 million gain in 2017, as both commercial loans and mortgages fell.

On an annual basis, foreign currency credit expanded by \$28.3 million, vis-à-vis a \$22.2 million reduction recorded over the same period of 2017. This outcome was led by a \$21.5 million increase in claims on public corporations, following a falloff of similar magnitude a year ago, as one entity accessed long-term loan financing. In addition, private sector credit firmed by \$5.8 million, vis-à-vis a \$1.0 million decrease in 2017, with gains spread almost evenly between mortgages and commercial loans. In addition, net claims on the Government expanded by \$1.0 million, after a \$0.2 million softening in the prior year.

Credit Quality

Banks' credit quality indicators improved during September, with total private sector arrears declining by \$25.3 million (3.0%) to \$811.9 million and by 42 basis points to 14.3% of total private sector loans. This outcome reflected a \$23.2 million (7.5%) reduction in the short-term (31-90 day) segment to \$287.4 million, resulting in a 40 basis point decline in the accompanying ratio to 5.1%. In addition, non-performing loans (NPLs) decreased marginally by \$2.1 million (0.4%) to \$524.4 million, and by 2 basis points to 9.2% of total private sector loans.

Analysed by loan type, the contraction in total private sector arrears was largely attributed to a \$13.0 million (2.6%) fall in the mortgage component to \$489.4 million, supported by a \$14.1 million (7.8%) decrease in short-term delinquencies, which eclipsed the \$1.1 million (0.3%) gain in NPLs. Similarly, consumer arrears contracted by \$10.4 million (4.3%) to \$233.0 million, with both the short and long-term segments narrowing by \$8.3 million (8.5%) and by \$2.1 million (1.4%), respectively. Further, commercial arrears fell by a more muted \$1.9 million (2.1%) to \$89.5 million, linked to a \$1.1 million (1.9%) decrease in arrears in excess of 90 days and a \$0.8 million (2.4%) softening in 31-90 day delinquencies.

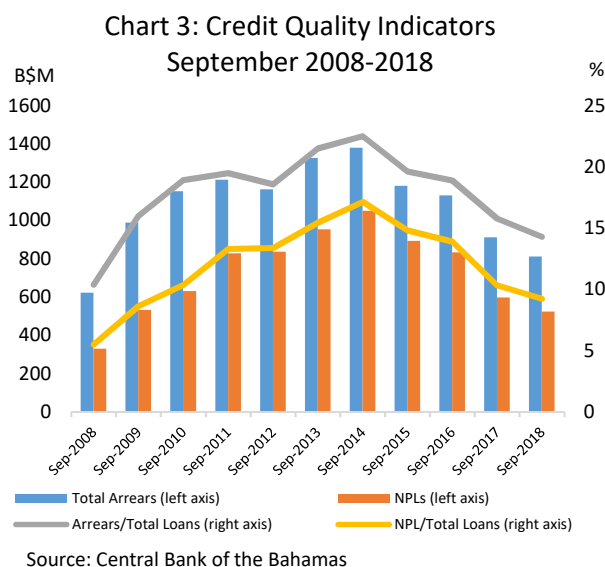
Banks increased their total provisions for loan losses by \$1.9 million (0.5%) to \$424.5 million. As a result, the ratio of total provisions to arrears rose by 1.8 percentage points to 52.3%, while the corresponding ratio

to NPLs firmed by 68 basis points to 81.0%. During the month, banks also wrote-off an estimated \$7.6 million in claims and recovered \$2.1 million.

Credit quality improvement trends also accumulated over the first nine-months of 2018, as total loan arrears fell by \$73.0 million (8.2%), while the corresponding loan ratio decreased by 1.1 percentage points. This development reflected mainly a \$43.0 million (7.6%) decline in NPLs, resulting in a 64 basis point reduction in the corresponding loan ratio, while short-term (31-90 day) arrears fell by \$29.9 million (9.4%), with the accompanying ratio lower by 46 basis points.

A disaggregation by loan type revealed broad-based declines across the various loan categories. Specifically, mortgage arrears fell by \$44.7 million (8.4%), on account of declines in both the short and long-term components, while consumer loan delinquencies contracted by \$25.4 million (9.8%), also amid reductions in both aged portions. Comparatively, commercial loan delinquencies fell by a more muted \$2.9 million (3.1%), as the 12.1% decrease in non-accruals, contrasted with the 18.0% uptick in short-term arrears. Over the nine-month period, loan write-offs totalled \$89.4 million, while recoveries firmed by \$19.3 million.

On a year-on-year basis, the total private sector arrears rate fell by 1.5 percentage points when compared to September 2017. Specifically, the non-accrual rate declined by 1.1 percentage points, while the short-term (31-90) day rate, softened by 40 basis points. Declines were recorded across all loan categories, with the largest occurring for commercial loans (4.8 percentage points), while mortgage and consumer loan arrears rates narrowed by 1.2 and 0.9 percentage points, respectively.



Deposits

Total Bahamian dollar deposits contracted by \$68.6 million in September, a turnaround from a \$29.3 million gain in the prior year. This was largely attributed to a \$48.3 million reduction in demand balances, after a \$2.1 million uptick in the prior period. Similarly, fixed and savings deposits decreased by \$13.8 million and \$6.6 million, vis-à-vis expansions of \$10.7 million and \$16.5 million, respectively, in the prior period.

During the nine-month period, total Bahamian dollar deposits were virtually unchanged following a \$176.4 million expansion a year ago. In terms of the components, accretions to demand and savings balances slowed to \$101.1 million and \$55.3 million from \$210.4 million and \$77.1 million last year; however, the decrease in fixed deposits accelerated to \$156.1 million, from \$111.0 million in the previous year.

Interest Rates

In interest rate developments, the weighted average deposit rate at banks increased by 31 basis points to 1.0% in September, with the highest rate of 4.50% offered on balances of over 12 months. Conversely, the weighted average loan rate contracted by 27 basis points to 11.05%.

3. Domestic Outlook

Expectations are that the domestic economy will continue to strengthen during the remainder of the year, as tourism sector output benefits from additional airlift, increased high-end room capacity and sustained improvements in the key source markets. Meanwhile, the construction sector should continue to be supported by a number of varied-scale foreign direct investment projects, in both the capital and the Family Islands. Against this backdrop, labor market conditions are expected to continue to improve gradually, with the majority of the gains accruing to the tourism and construction sectors. Domestic inflation should remain relatively mild over the near-term, although the persistent increase in global oil prices will continue to affect local energy costs.

In the fiscal sector, sustained improvements in the deficit and debt indicators will remain highly dependent on the effectiveness of Government's measures to strengthen revenue administration, and contain the growth in expenditure, such as the operationalization of the fiscal responsibility legislation and the enhancements to the debt management framework.

Liquidity in the banking sector is projected to remain at robust levels over the near-term, as banks maintain their conservative lending stance and consumers continue to deleverage.

As banks remain well capitalized above their prudential requirements, some gradual reduction from these levels is targeted over the medium-term. By some measure, this could shift additional liquidity to the private sector, as well as sustain a source of demand on foreign exchange, for any capital repatriated from The Bahamas.

The seasonal pattern of drawdown in external reserves is expected to continue over most of the remainder of 2018, although key indicators are expected to continue to exceed international benchmarks. Other than the downside risks discussed below, the medium-term outlook is still favorable for reserves.

4. Monetary Policy Implications

The Bank will continue to closely monitor economic developments, in an environment where external reserve indicators are healthy—although declining from recent peaks—and credit conditions remain relatively benign. That said, significant headwinds could negatively affect the outlook, both in the external and domestic environment. Chief among these is the heightened uncertainty in the global economy caused by the unfolding “trade wars” between the major economies, and their potential effect on domestic growth and inflation. In addition, the sustained elevated levels of liquidity in the banking system are a potential source of long-term instability in the domestic market—if not managed effectively—as they could potentially be deployed to fuel credit demand, thereby placing downward pressure on external reserves. To mitigate these effects, the Bank is undertaking measures to gradually reduce its overall holdings of Government debt. These efforts would succeed at an accelerated pace, as the fiscal consolidation efforts sustain their momentum.

The Bank will therefore continue to monitor economic developments and when necessary, adjust its policy stance to ensure that economic and financial stability are maintained.

APPENDIX

International Developments

Although global economic conditions were relatively positive over the review period, concerns over the escalation in trade tensions between several of the largest economies, combined with signs of softness in emerging markets, due to higher oil prices and deleveraging, led to the International Monetary Fund (IMF) lowering its forecast for global growth in 2018 by 20 basis points to 3.7%. Specifically, the Fund reduced its growth forecast for the euro area and emerging & developing markets by 20 basis points each to 2.0% and 4.7%, respectively. Expectations were unchanged for the United States (2.9%) and the United Kingdom (1.4%), while the outlook for Japan was raised slightly, by 10 basis points to 1.1%.

Economic indicators for the United States were mostly positive during the month of September. In labour market developments, total non-farm payrolls advanced by 134,000, lowering the unemployment rate by 20 basis points to 3.7%, after stabilizing in the prior month. Further, retail sales edged-up by 0.4%, buoyed by higher gasoline and non-store purchases, in line with last month's 0.5% expansion. Despite the disruption to factory production caused by Hurricane Florence, industrial output rose by 0.3%, following a similar gain in the prior month. In external developments, the trade deficit grew by \$3.2 billion (6.4%) to \$53.2 billion, amid a \$1.5 billion (0.6%) expansion in imports to \$262.7 billion and a \$1.7 billion (0.8%) falloff in exports to \$209.4 billion. In terms of inflation, increases in shelter and food costs contributed to a 0.1% uptick in consumer prices in September, on a monthly basis, following a 0.2% gain in August. In light of the improving economic and labour market conditions, along with relatively benign inflation, the Federal Reserve raised its Federal Funds target rate to a range of 2.00%-2.25%, from 1.75%-2.00%, as the central bank sustained its efforts to "normalise" rates over the medium term.

Economic conditions in Europe softened over the review period, amid concerns over the negative impact of the UK's exit from the European Union without a formal agreement, on the region's economies. In the euro area, industrial production expanded by 1.0%, a turnaround from a 0.7% falloff in the prior month, while growth in the UK's industrial production quickened by 10 basis points to 0.2%, due mainly to increased output of electricity & gas, as well as mining & quarrying. In labour market developments, the euro area's unemployment rate declined by 10 basis points to 8.1% in August, while the United Kingdom's jobless rate for the three months to August steadied at 4.0%, on a quarterly basis. Contractions in mainly food, drinks and tobacco sales, led to a 20 basis point decrease in retail trade in the euro area, following an identical decline a month earlier. Similarly, retail sales within the United Kingdom softened by 0.8% in September, reflecting a reduction in food store sales. On the external front, the euro area's trade surplus narrowed by €5.9 billion to €11.7 billion in August, as exports fell by 6.7% to €181.5 billion, outpacing the 4.1% reduction in imports to €169.8 billion. In terms of inflation, consumer prices firmed by 2.1% in the euro area, following the prior month's 2.0% gain, while in the UK, the inflation rate narrowed by 20 basis points to 2.2%, due to downward pressure from food & non-alcoholic beverages. After raising interest rates by 25 basis points in the previous month, the Bank of England left its policy rates unchanged, and the European Central Bank also sustained its highly accommodative monetary policy stance.

Asian economies remained relatively buoyant over the review period, as an expansion in the transport equipment and general purpose machinery industries, supported a 0.7% increase in industrial production in Japan in September, a reversal from a 0.2% decline in the prior month. Similarly, gains in mining and manufacturing supported the growth in China's industrial production by 6.1%, in line with the 6.0% advance in the prior period. Further, Japan's purchasing manager's index (PMI) recorded a level of 52.3, following 52.5² in the prior month, as manufacturing orders increased; however, in China, the PMI fell by 50 basis points to 50.8 from the prior month. Supported by growth in their economies, the unemployment rates in both China and Japan softened by 10 basis points to 5.0% and 2.4%, respectively. In terms of inflation, higher food and recreation prices contributed to a monthly 0.5% gain in consumer prices in Japan, after a 0.3% increase in the prior month. Similarly, higher costs for food, tobacco and liquor contributed to the 0.7% advance in average consumer prices in China during September, in line with the previous month's 0.7% uptick. Against this backdrop, the People's Bank of China maintained its accommodative monetary policy stance, while the Bank of Japan applied a -0.1% short-term interest rate to balances in current accounts held by financial institutions at the Bank, in an effort to encourage banks to deploy more resources towards credit.

Amid continued trade tensions and an ongoing commitment by the major producers to maintain production levels for an extended period, crude oil prices firmed by 6.9% to \$82.72 per barrel. In the market for precious metals, the price of silver grew by 1.1% to \$14.70 per ounce, while the price of gold declined by 0.7% to \$1,192.50 per ounce.

Despite the ongoing "tariff wars," the U.S stock market maintained its upward momentum, as both the DJIA and S&P 500 rose by 1.9% and 0.4%, respectively. Similarly, Asian bourses ended the review period on a positive note, with Japan's Nikkei 225 index firming by 5.5%, and China's SE composite advancing by 3.5%. Meanwhile in Europe, the UK's FTSE and France's CAC40, rose by 1.1% and 1.6% respectively;

² A reading above 50% indicates growth in output.

however, Germany's DAX contracted slightly by 0.9%.

During the month of September, the U.S dollar appreciated against the Japanese Yen by 2.4% to ¥113.70, the Swiss Franc by 1.3% to CHF0.9817 and the Chinese Renminbi by 0.6% to CNY6.8690. However, the dollar depreciated relative to the Canadian dollar by 1.0% to CAD1.2909 and the British pound by 0.5% to £0.7674, while remaining relatively stable against the euro at €0.8618.

Recent Monetary and Credit Statistics

(B\$ Millions)

SEPTEMBER						
Value		Change		Change YTD		
2017	2018	2017	2018	2017	2018	

1.0 LIQUIDITY & FOREIGN ASSETS

1.1 Excess Reserves	918.74	736.59	116.96	-110.35	195.02	-120.96
1.2 Excess Liquid Assets	1,707.38	1,737.23	95.49	-104.75	260.30	-61.05
1.3 External Reserves	1,064.87	1,316.40	90.81	-123.83	162.80	-91.89
1.4 Bank's Net Foreign Assets	-172.49	-34.52	-41.15	11.29	-41.33	136.47
1.5 Usable Reserves	309.16	624.37	41.09	-77.33	65.31	-44.53

2.0 DOMESTIC CREDIT

2.1 Private Sector	6,017.06	5,881.68	-132.05	-13.10	-135.70	-94.79
a. B\$ Credit	5,778.66	5,651.51	-134.84	-9.20	-134.71	-100.55
of which: Consumer Credit	2,216.97	2,133.48	-11.98	-5.24	-30.46	-64.04
Mortgages	2,898.06	2,867.59	-50.46	1.66	-62.75	-14.42
Commercial and Other Loans B\$	663.63	650.44	-72.40	-5.63	-41.49	-22.10
b. F/C Credit	238.40	230.17	2.79	-3.90	-0.99	5.77
of which: Mortgages	67.11	65.96	0.13	-1.46	-0.93	3.76
Commercial and Other Loans F/C	171.29	164.21	2.67	-2.44	-0.06	2.00
2.2 Central Government (net)	2,683.81	2,492.99	-18.91	60.72	145.62	114.98
a. B\$ Loans & Securities	2,912.15	2,708.10	-33.26	45.61	160.98	99.14
Less Deposits	223.99	211.28	-15.86	-9.35	15.20	-14.86
b. F/C Loans & Securities	0.00	0.00	-0.00	0.00	0.00	0.00
Less Deposits	4.35	3.83	1.50	-5.77	0.15	-0.98
2.3 Rest of Public Sector	278.53	318.01	-4.64	-0.26	-27.34	47.12
a. B\$ Credit	100.91	125.80	0.09	0.55	-6.39	25.60
b. F/C Credit	177.62	192.22	-4.73	-0.80	-20.95	21.52
2.4 Total Domestic Credit	8,979.43	8,692.70	-155.56	47.32	-17.57	67.32
a. B\$ Domestic Credit	8,567.72	8,274.13	-152.15	46.29	4.67	39.05
b. F/C Domestic Credit	411.71	418.57	-3.41	1.03	-22.24	28.28

3.0 DEPOSIT BASE

3.1 Demand Deposits	2,399.93	2,461.55	2.12	-48.28	210.43	101.08
a. Central Bank	22.48	44.11	-1.71	15.39	6.71	30.04
b. Banks	2,377.45	2,417.44	3.83	-63.67	203.71	71.04
3.2 Savings Deposits	1,370.70	1,422.91	16.51	-6.55	77.05	55.25
3.3 Fixed Deposits	2,759.42	2,586.54	10.66	-13.80	-111.04	-156.11
3.4 Total B\$ Deposits	6,530.06	6,471.00	29.29	-68.62	176.44	0.21
3.5 F/C Deposits of Residents	326.12	463.53	-42.52	12.26	-52.33	161.51
3.6 M2	6,800.25	6,767.28	19.67	-66.59	152.88	-10.52
3.7 External Reserves/M2 (%)	15.66	19.45	1.29	-1.62	2.09	-1.33
3.8 Reserves/Base Money (%)	72.64	99.97	1.10	-0.94	2.50	2.36
3.9 External Reserves/Demand Liabilities (%)	70.45	95.11	1.47	-2.40	1.93	-0.12

Value		Year to Date		Change	
2017	2018	2017	2018	Month	YTD

4.0 FOREIGN EXCHANGE TRANSACTIONS

4.1 Central Bank Net Purchase/(Sale)	89.16	-126.14	142.96	-114.60	-215.31	-257.56
a. Net Purchase/(Sale) from/to Banks	-16.11	-55.76	84.59	137.72	-39.65	53.13
i. Sales to Banks	42.01	71.21	277.46	309.55	29.21	32.09
ii. Purchases from Banks	25.89	15.46	362.05	447.27	-10.44	85.22
b. Net Purchase/(Sale) from/to Others	105.28	-70.38	58.37	-252.32	-175.66	-310.69
i. Sales to Others	78.92	103.73	527.10	619.46	24.81	92.36
ii. Purchases from Others	184.20	33.34	585.46	367.14	-150.85	-218.32
4.2 Banks Net Purchase/(Sale)	-18.51	-47.91	95.38	58.08	-29.40	-37.30
a. Sales to Customers	309.12	421.36	3,350.08	4,083.75	112.25	733.68
b. Purchases from Customers	290.60	373.45	3,445.46	4,141.83	82.85	696.37
4.3 B\$ Position (change)	0.76	6.37				

5.0 EXCHANGE CONTROL SALES

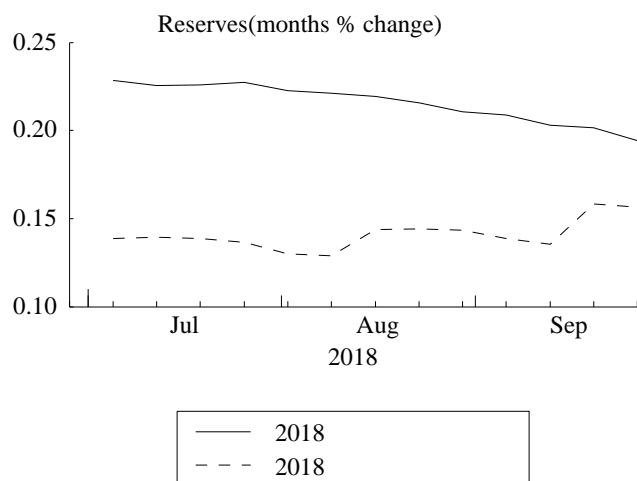
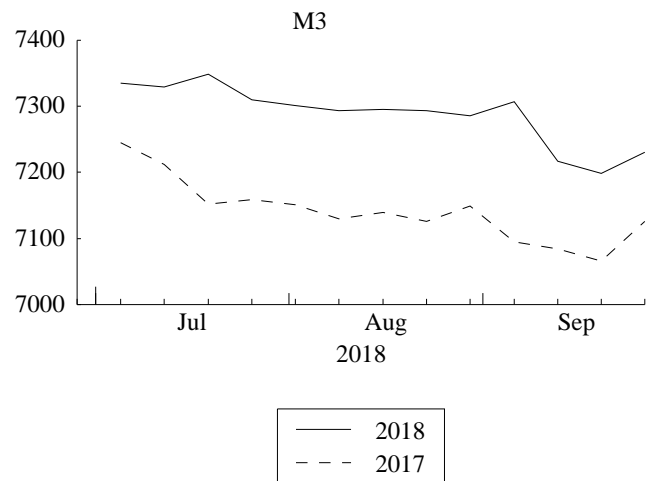
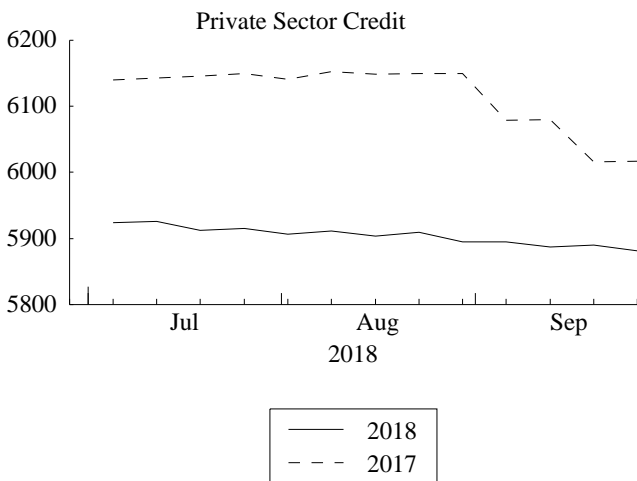
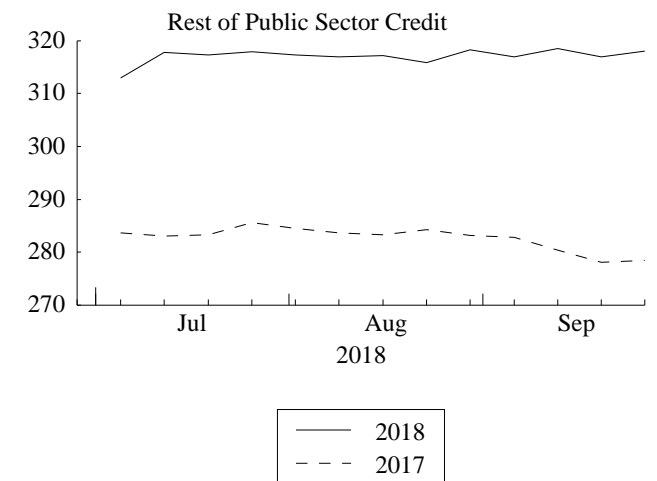
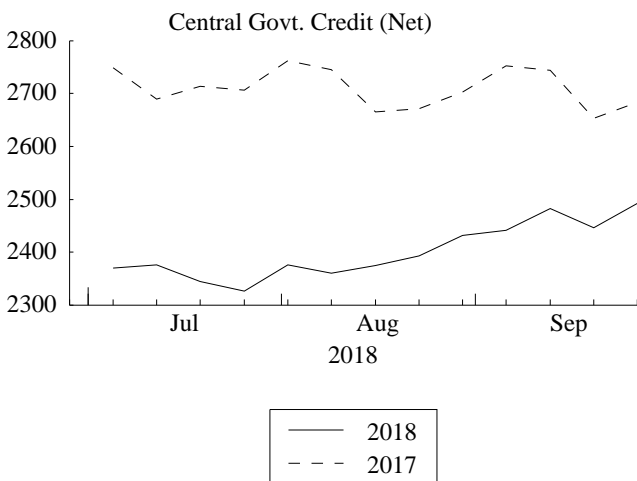
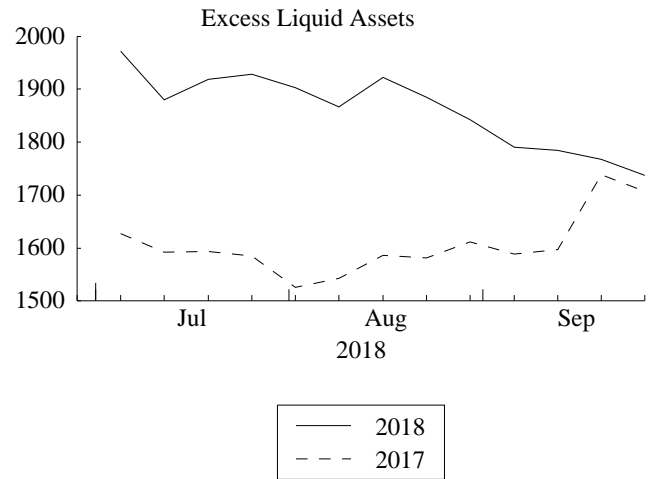
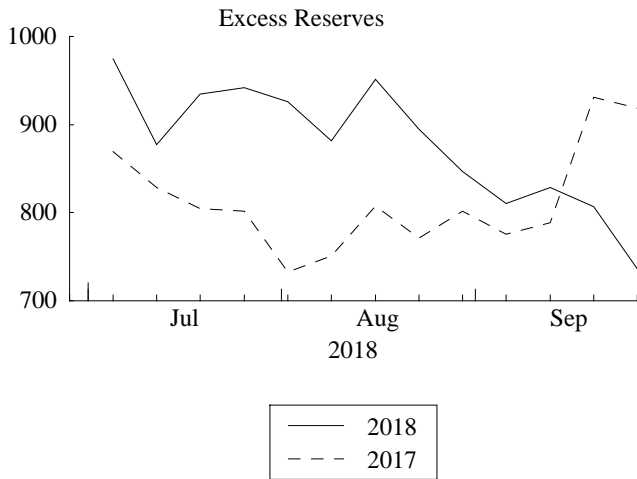
5.1 Current Items	341.26	414.89	3,777.61	4,113.98	73.63	336.38
of which Public Sector	24.34	70.29	477.24	346.38	45.96	-130.86
a. Nonoil Imports	120.85	97.82	1,289.20	1,149.52	-23.04	-139.68
b. Oil Imports	27.78	52.58	353.91	338.93	24.80	-14.99
c. Travel	23.63	27.41	239.41	231.37	3.78	-8.04
d. Factor Income	12.42	43.63	182.23	331.85	31.21	149.62
e. Transfers	21.44	10.97	217.88	184.15	-10.47	-33.73
f. Other Current Items	135.13	182.47	1,494.97	1,878.16	47.34	383.19
5.2 Capital Items	32.10	47.75	186.58	158.43	15.65	-28.14
of which Public Sector	14.32	24.77	70.40	81.93	10.45	11.54
5.3 Bank Remittances	0.00	0.00	0.00	0.00	0.00	0.00

Sources: Research Department Weekly Brief Database and Banking Brief for the weeks ending: SEPTEMBER 27, 2017 and SEPTEMBER 26, 2018

Exchange Control Sales figures are as at month end.

Notes: 1.0, 2.0 and 3.0 YTD change reflects change of current month over previous year end; for 4.0 and 5.0 change is over corresponding period of previous year.

SELECTED MONEY AND CREDIT INDICATORS (B\$ Millions)



Selected International Statistics

A: Selected Macroeconomic Projections (Annual % Change and % of labor force)						
	Real GDP		Inflation Rate		Unemployment	
	2017	2018	2017	2018	2017	2018
Bahamas	1.4	2.3	1.4	2.5	10.1	N/A
United States	2.2	2.9	2.1	2.4	4.4	3.8
Euro-Area	2.4	2.0	1.5	1.7	9.1	8.3
<i>Germany</i>	<i>2.5</i>	<i>1.9</i>	<i>1.7</i>	<i>1.8</i>	<i>3.8</i>	<i>3.5</i>
Japan	1.7	1.1	0.5	1.2	2.9	2.9
China	6.9	6.6	1.6	2.2	3.9	4.0
United Kingdom	1.7	1.4	2.7	2.7	4.4	4.1
Canada	3.0	2.1	1.6	2.6	6.3	6.1
<i>Source: IMF World Economic Outlook October 2018, Department of Statistics</i>						

B: Official Interest Rates – Selected Countries (%)					
<i>With effect</i>	CBOB	ECB (EU)	Federal Reserve (US)		Bank of England
<i>from</i>	Bank Rate	Refinancing Rate	Primary Credit Rate	Target Funds Rate	Repo Rate
August 2016	4.50	0.00	1.00	0.25-0.50	0.25
September 2016	4.50	0.00	1.00	0.25-0.50	0.25
October 2016	4.50	0.00	1.00	0.25-0.50	0.25
November 2016	4.50	0.00	1.00	0.25-0.50	0.25
December 2016	4.00	0.00	1.25	0.50-0.75	0.25
January 2017	4.00	0.00	1.25	0.50-0.75	0.25
February 2017	4.00	0.00	1.25	0.50-0.75	0.25
March 2017	4.00	0.00	1.50	0.75-1.00	0.25
April 2017	4.00	0.00	1.50	0.75-1.00	0.25
May 2017	4.00	0.00	1.75	1.00-1.25	0.25
June 2017	4.00	0.00	1.75	1.00-1.25	0.25
July 2017	4.00	0.00	1.75	1.00-1.25	0.25
August 2017	4.00	0.00	1.75	1.00-1.25	0.25
September 2017	4.00	0.00	1.75	1.00-1.25	0.25
October 2017	4.00	0.00	1.75	1.00-1.25	0.25
November 2017	4.00	0.00	1.75	1.00-1.25	0.50
December 2017	4.00	0.00	2.00	1.25-1.50	0.50
January 2018	4.00	0.00	2.00	1.25-1.50	0.50
February 2018	4.00	0.00	2.00	1.25-1.50	0.50
March 2018	4.00	0.00	2.25	1.50-1.75	0.50
April 2018	4.00	0.00	2.25	1.50-1.75	0.50
May 2018	4.00	0.00	2.50	1.75-2.00	0.50
June 2018	4.00	0.00	2.50	1.75-2.00	0.50
July 2018	4.00	0.00	2.50	1.75-2.00	0.50
August 2018	4.00	0.00	2.50	1.75-2.00	0.75
September 2018	4.00	0.00	2.75	2.00-2.25	0.75

Selected International Statistics

C. Selected Currencies (Per United States Dollars)						
Currency	Sep-17	Aug-18	Sep-18	Mthly % Change	YTD % Change	12-Mth% Change
Euro	0.8465	0.8618	1.1604	-0.01	3.46	1.81
Yen	112.53	111.02	113.70	2.41	0.90	1.04
Pound	0.7462	0.7714	1.3031	-0.51	3.76	2.85
Canadian \$	1.2471	1.304	1.2909	-1.00	2.67	3.51
Swiss Franc	0.9685	0.9689	0.9817	1.32	0.77	1.36
Renminbi	6.6339	6.8316	6.8690	0.55	5.57	3.54

Source: Bloomberg as of September 28, 2018

D. Selected Commodity Prices (\$)					
Commodity	September 2017	August 2018	September 2018	Mthly % Change	YTD % Change
Gold / Ounce	1280.15	1201.40	1192.50	-0.74	-8.48
Silver / Ounce	16.65	14.54	14.70	1.08	-13.24
Oil / Barrel	52.32	77.42	82.72	6.85	24.20

Source: Bloomberg as of September 28, 2018

E. Equity Market Valuations – September 28, 2018 (% change)								
	BISX	DJIA	S&P 500	FTSE 100	CAC 40	DAX	Nikkei 225	SE
1 month	0.09	1.90	0.43	1.05	1.60	-0.95	5.49	3.53
3 month	-0.38	9.01	7.20	-1.66	3.19	-0.48	8.14	-0.92
YTD	-4.82	7.04	8.99	-2.31	3.40	-5.19	5.95	-14.69
12-month	5.26	18.09	15.66	1.86	3.07	-4.54	18.49	-15.75

Sources: Bloomberg and BISX

F: Short Term Deposit Rates in Selected Currencies (%)			
	USD	GBP	EUR
o/n	2.35	0.71	-0.45
1 Month	2.27	0.76	-0.40
3 Month	2.45	0.74	-0.36
6 Month	2.70	0.91	-0.29
9 Month	2.84	1.12	-0.24
1 year	3.01	1.08	-0.21

Source: Bloomberg as of September 28, 2018

SUMMARY ACCOUNTS OF THE CENTRAL BANK

(B\$ Millions)

	VALUE												CHANGE											
	Aug. 01	Aug. 08	Aug. 15	Aug. 22	Aug. 29	Sep. 05	Sep. 12	Sep. 19	Sep. 26	Aug. 01	Aug. 08	Aug. 15	Aug. 22	Aug. 29	Sep. 05	Sep. 12	Sep. 19	Sep. 26						
I. External Reserves	1,524.09	1,512.19	1,499.78	1,471.87	1,440.23	1,429.86	1,373.42	1,358.98	1,316.40	-31.50	-11.90	-12.42	-27.90	-31.64	-10.37	-56.44	-14.44	-42.58						
II. Net Domestic Assets (A + B + C + D)	-19.47	-58.79	8.96	-9.88	-12.95	-50.86	15.20	13.79	0.38	26.71	-39.32	67.75	-18.83	-3.08	-37.91	66.06	-1.41	-13.41						
A. Net Credit to Gov¹(i + ii + iii - iv)	351.29	336.38	360.19	359.81	357.81	358.02	428.74	399.75	396.07	24.72	-14.91	23.81	-0.38	-1.99	0.20	70.72	-28.99	-3.68						
i) Advances	134.66	134.66	134.66	134.66	134.66	134.66	134.66	119.66	119.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-15.00	0.00						
ii) Registered Stock	242.64	242.70	243.60	243.89	243.97	243.97	244.26	244.29	244.44	0.32	0.05	0.91	0.29	0.08	0.00	0.29	0.03	0.14						
iii) Treasury Bills	0.00	0.00	0.00	-0.01	-0.01	-0.01	69.26	69.26	54.90	0.00	0.00	0.00	-0.01	0.00	0.00	69.26	0.00	-14.36						
iv) Deposits	26.01	40.98	18.07	18.74	20.81	20.61	19.44	33.46	22.92	-24.40	14.96	-22.90	0.66	2.07	-0.20	-1.17	14.02	-10.54						
B. Rest of Public Sector (Net) (i + ii - iii)	-23.10	-24.80	-17.78	-21.15	-26.09	-60.04	-36.66	-30.27	-41.48	6.12	-1.70	7.02	-3.38	-4.94	-33.95	23.38	6.39	-11.21						
i) BDB Loans	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	2.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
ii) BMC Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
iii) Deposits	25.72	27.42	20.40	23.78	28.72	62.67	39.29	32.89	44.11	-6.12	1.70	-7.02	3.38	4.94	33.95	-23.38	-6.39	11.21						
C. Loans to/Deposits with Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
D. Other Items (Net)*	-347.66	-370.37	-333.45	-348.53	-344.68	-348.83	-376.88	-355.69	-354.21	-4.13	-22.72	36.92	-15.07	3.85	-4.16	-28.04	21.18	1.49						
III. Monetary Base	1,504.62	1,453.40	1,508.73	1,462.00	1,427.28	1,379.00	1,388.62	1,372.77	1,316.78	-4.79	-51.22	55.33	-46.73	-34.72	-48.28	9.62	-15.85	-55.99						
A. Currency in Circulation	404.01	411.18	404.78	405.01	408.24	413.21	397.50	403.92	403.03	0.52	7.17	-6.40	0.23	3.22	4.97	-15.71	6.42	-0.89						
B. Bank Balances with CBOB	1,100.62	1,042.22	1,103.95	1,056.98	1,019.04	965.79	991.12	968.85	913.74	-5.31	-58.39	61.73	-46.97	-37.94	-53.25	25.33	-22.27	-55.10						

* Includes capital, provisions and surplus account, fixed and other assets, and other demand liabilities of Bank

FISCAL/REAL SECTOR INDICATORS

(B\$ MILLIONS)

(% change represents current month from previous month)

	JUL		AUG		SEP		OCT		NOV		DEC		JAN		FEB		MAR		APR		MAY		JUN		YEAR TO DATE		
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	
Fiscal Operations:																											
1. Government Revenue & Grants	161.8	171.6	135.8	152.7	152.8	127.9	109.9	161.2	148.7	148.7	142.8	140.6	187.3	181.6	176.2	188.5	242.4	237.2	196.1	211.6	165.4	169.5			1,847	1,847	
% change: over previous month	-7.9%	-28.9%	-16.3%	-1.0%	-16.3%	-16.3%	-28.0%	26.1%	35.2%	-25.7%	-3.8%	12.8%	31.7%	29.2%	-5.9%	-7.1%	37.6%	40.7%	-19.1%	-10.8%	-15.6%	-19.9%			3.72%	1.52%	
2. Value Added Tax	68.7	73.4	49.9	49.5	41.7	40.7	53.8	70.1	48.6	41.6	42.5	36.7	71.7	70.2	43.7	48.6	47.7	46.4	77.7	77.8	53.2	55.7			596.0	610.7	
% change: over previous month	148.8%	74.9%	-27.2%	-32.6%	-16.5%	-17.8%	29.0%	72.5%	-15.2%	-40.6%	-6.7%	-11.9%	68.7%	91.4%	-39.1%	-30.8%	9.2%	-4.3%	62.8%	67.4%	-31.5%	-28.3%			-0.7%	2.46%	
3. Import/Excise Duties	42.9	44.0	44.9	47.0	41.4	33.5	28.1	44.5	45.5	42.4	49.5	38.6	41.0	37.6	46.9	42.2	52.2	36.9	44.0	48.0	54.6	49.2			491.0	463.9	
% change: over previous month	73.9%	-47.2%	4.7%	6.7%	-7.9%	-28.8%	-32.2%	33.0%	61.9%	-4.8%	8.8%	-8.8%	-17.0%	-2.7%	14.2%	12.3%	11.3%	-12.7%	-15.5%	30.1%	23.9%	2.57%			4.56%	-5.32%	
4. Recurrent Expenditure	163.1	162.8	148.9	166.6	157.4	164.1	167.3	174.0	208.1	199.7	162.0	151.2	174.6	171.2	146.4	186.3	184.4	188.6	182.7	159.9	149.8	199.3			1,842.7	1,803.6	
% change: over previous month	-18.9%	-0.2%	-8.3%	-3.8%	5.0%	4.8%	6.2%	6.1%	23.2%	9.0%	-21.4%	-20.3%	7.8%	13.2%	-16.1%	8.8%	23.9%	1.2%	-0.8%	-15.2%	-18.0%	34.0%			2.15%	3.30%	
5. Capital Expenditure	14.0	0.0	33.4	17.4	17.7	17.0	14.4	9.4	41.2	16.0	31.8	16.2	21.9	6.2	23.8	16.3	29.3	14.8	35.5	19.6	13.0	22.6			275.9	155.3	
% change: over previous month	-91.0%	-100.0%	137.8%	43.4%	-6.8%	-2.3%	-18.8%	-44.9%	185.8%	70.7%	-22.7%	1.3%	-31.2%	-61.7%	9.1%	163.2%	22.7%	-8.9%	21.4%	32.2%	-63.4%	15.3%			67.5%	-43.69%	
6. Deficit/Suplus*	-15.4	8.8	-46.5	-21.2	-22.4	-53.2	-71.7	-22.2	-98.6	-81.0	-51.0	-26.8	-9.1	4.2	5.9	-34.1	28.8	33.8	-22.1	32.1	2.7	-52.5			-299.4	-211.9	
% change: over previous month	-54.9%	-102.4%	-102.4%	-34.1%	-51.6%	-150.2%	219.6%	-58.3%	-37.3%	265.3%	-46.2%	-67.0%	-82.0%	-115.8%	-164.7%	-905.9%	385.9%	-109.3%	-176.7%	-5.6%	-112.0%	-263.2%			18.62%	-29.33%	

	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC				
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018			
Debt, **																											
7. Total Direct Debt	6,320.1	7,212.2	6,323.9	7,201.2	6,321.5	7,207.7	6,320.6	7,177.4	6,344.8	7,219.4	6,550.1	7,245.4															
% change: over previous month	0.1%	0.3%	0.1%	-0.2%	0.0%	0.1%	0.0%	-0.4%	0.0%	0.6%	3.2%	0.4%															
8. External Debt	1,749.3	2,676.9	1,742.5	2,664.7	1,739.9	2,663.6	1,741.0	2,653.6	1,757.9	2,645.3	1,763.6	2,639.3															
% change: over previous month	0.2%	2.4%	-0.4%	-0.5%	-0.2%	0.0%	0.1%	-0.4%	1.0%	-0.3%	0.3%	-0.2%															
9. Internal F/C Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0															
% change: over previous month																											
10. Bahamian Dollar Debt	4,570.8	4,533.4	4,581.4	4,536.5	4,581.5	4,544.2	4,579.6	4,523.8	4,586.8	4,574.1	4,786.5	4,606.1															
% change: over previous month	0.0%	-0.7%	0.2%	0.1%	0.0%	0.2%	0.0%	-0.4%	0.2%	1.1%	4.4%	0.7%															
11. Total Amortization	3.1	34.7	2.4	29.0	82.9	91.8	4.8	100.4	10.1	0.1	3.3	21.0															
% change: over previous month	-85.6%	4.9%	-28.3%	-19.7%	3319.3%	217.1%	-94.2%	9.3%	108.2%	-99.9%	-67.0%	40681.4%															
12. Total Public Sector F/C Debt	2,650.0	3,546.1	2,642.7	3,531.2	2,633.3	3,529.1	2,633.5	3,519.1	2,649.7	3,510.8	2,650.4	3,498.8															
% change: over previous month	1.4%	1.8%	-0.3%	-0.4%	-0.4%	-0.1%	0.0%	-0.3%	0.6%	-0.2%	0.0%	-0.3%															

	JAN		FEB		MAR																						
	2017	2018	2017	2018	2017	2018																					
Real Sector Indicators																											
13. Retail Price Index	102.1	103.9	103.8	104.3	103.3	104.0																					
% change: over previous month	-0.04%	1.82%	1.74%	0.35%	-0.51%	-0.30%																					
14. Tourist arrivals (000's)	509.3	533.7	534.6	534.2	662.7	707.5																					
% change: over previous year	-4.68%	4.79%	-6.41%	-0.08%	3.55%	3.63%																					
15. Air arrivals (000's)	94.3	100.9	109.2	126.3	146.0	184.1																					
% change: over previous year	-1.6%	6.95%	-10.17%	16.73%	-13.17%	26.09%																					
16. Occupied Room Nights																											
% change: over previous year																											
17. Res. Mortgage Commitments-Value of New Const. & Rehab. (B\$Millions)																											
% change: over previous year																											
2017	103.1	2.20%	104.1	1.00%	1726.7	-2.17%	1775.4	2.82%	348.5	-9.35%	411.3	18.01%															
2018	25.80	4.30%	20.85	-19.17%	14.36	25.5%	8.60	-29.8%	11.44	-24.39%	12.25	-14.01%															

** Debt figures include Central Government only unless otherwise indicated
p - provisional