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Detailed tables and methodology of the National Accounts results can be found on The Central Bank of the Bahamas website at www.centralbankbahamas.com.

The Department of Statistics welcomes your questions and comments on this publication.

Printed October 2006
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FOREWORD
This publication introduces Gross Domestic Product of the Bahamas via the production and the expenditure approaches, in current and constant prices. This presentation increases the analytical usefulness and statistical reliability of the national accounts. The information contained in this report is one of the most sensitive leading indicators of economic conditions in The Bahamas. Users of this information will find it a meaningful addition to the usual body of information for planning and decision-making.

The data has been structured on the basis of the 1993 Revised United Nations System of National Accounts, as far as the Bahamian statistical system permits. Abbreviated definitions of the basic aggregates and an outline of the methodology employed to derive the data are also included. Persons interested in the details of the sources and methods of the estimates are advised to contact the National Accounts Section.

The report covers the period 2000 to 2005. The 2000 to 2001 data represent the Final version to this series of data. The 2002 and 2003 are Revised and 2004 is Provisional figures pending any adjustment or revision by data sources. The 2005 data are available only in constant prices, and are based mainly on indicators and are therefore, Preliminary.

Charles Stuart
Director
Department of Statistics

October 2006

ACKNOWLEDGEMENTS
This report is produced by the staff of the National Accounts Section of the Department of Statistics.

The department wishes to thank the business community, public corporations and governmental agencies for the cooperation received in the provision of the necessary data.

The department also acknowledges the invaluable contribution of:
- Mrs. Leona Wilson (Economics Coordinator)
- Mr. Chandrakant A. Patel (IMF Consultant)
- Mr. Howard Murad (CARTAC)
- Mrs. Cynthia Baumgarten (Technical Consultant)
- Mrs. Clarice Turnquest (National Accounts Supervisor)
- Mr. Alexious Rolle (National Accounts Staff)
- Ms. Shanell Moss (National Accounts Staff)
- Ms. Tenniel Rolle (National Accounts Staff)
- Mr. Andrew Khan (National Accounts Staff)
- Mr. Dwayne Archer (National Accounts Staff)
- Ms. Terah Francis (National Accounts Staff)
- The Business Establishment Section
- The Consumer Prices Section
- The External Trade Section
- The Ministry of Finance
- The Ministry of Agriculture
- The Department of Fisheries
- The Ministry of Tourism
- The Central Bank of The Bahamas.
- The Insurance Registrar

CONCEPTS & DEFINITIONS
The System of National Accounts (SNA): SNA consists of a coherent, consistent and integrated set of macroeconomic accounts, balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. It provides a comprehensive accounting framework within which economic data can be compiled and presented in a format that is designed for purposes of economic analysis, decision-taking and policy-making.1

Gross Domestic Product (GDP) at Market Prices: is the sum of the remuneration of all Bahamian factors of production - labor, capital and land - employed in the creation of the unduplicated total output of the Bahamian economy in the Bahamas. It also includes net indirect taxes i.e. indirect taxes less subsidies. When such net indirect taxes are excluded from the total, it is known as GDP at factor cost.

Gross National Product (GNP): either at market prices or factor cost, differs from the domestic product by including the income of Bahamian capital earned abroad and excluding the contribution of foreign capital to the Bahamian economy. These contributions are represented by interest and dividend receipts and payments to and from abroad.

Gross value added: constitutes the salaries and wages and the gross operating surplus of any or all industries making up GDP. The difference between gross and net value added and gross and net operating surplus is depreciation. The industrial composition of GDP follows the International Standard Industrial Classification (ISIC).

Expenditure on Gross Domestic Product: - sometimes referred to shortly as Gross Domestic Expenditure (GDE) - constitutes all final expenditures made within the year. Final expenditure is defined as expenditure that is not used up in the production process within the year. The differences between Gross Domestic Expenditure and Gross National Expenditure, is identical to the difference between GDP and GNP.

SOURCES AND METHODS

1 System of National Accounts 1993 pg. 1
A: GROSS VALUE ADDED OF INDUSTRIAL ORIGIN:

Production Approach:
The economy is divided into industries such as manufacturing, electricity, construction etc., based on the International Standard Industrial Classification Revision 3. The measure is Gross Value Added which is calculated as Revenue/Sales minus Cost of Goods Sold and Intermediate Consumption, plus taxes less subsidies.

Most industries are surveyed by the Department of Statistics (DOS) Business Establishment Section. Questionnaires were delivered to commercial establishments. (An establishment is defined as a unit of business that can give information on its gross revenue and specified items of cost). For the largest entities in the various industries the survey is a census, while for the smaller entities a scientifically constructed sample survey is used. The data derived from questionnaires ask such details as gross revenue, salaries and wages, expenses incurred in carrying out the business etc.

Data in the Agriculture and Fishing industries were constructed from information obtained from the Ministry of Agriculture and the Department of Fisheries. The Financial Industry data is obtained mainly from the Registrar of Insurance and the Central Bank of the Bahamas. Information for Public Administration, Public Education and Public Health came from the treasury accounts of the government of the Bahamas.

The industrial total thus derived yielded GDP at factor cost to which were added all indirect taxes less subsidies to obtain GDP at market prices.

B: EXPENDITURE ON GROSS DOMESTIC PRODUCT:
**Expenditure Approach:**
The economy is divided into consumption patterns of Government and Household Consumption, Investment, Exports minus Imports. It is intended to measure what is consumed or put-in-place.

**Government Final Consumption Expenditure** was derived from an analysis of the Treasury Accounts.

**Private Final Consumption Expenditure** of Residents has many constituent elements. A major part of the total was derived from the establishment survey and consists of revenue in retail trade - adjusted for sales made for purposes of Gross Fixed Capital Formation and sales made to other businesses. The revenues of hotels, restaurants and service establishments and revenues derived from medical and dental practices as well as revenues derived from personal expenditure on the services of accountants, lawyers and architects and the expenditure of charitable organizations as well as associations of individuals such as labor unions were all included. Gross paid and imputed residential rents for household accommodation was derived mainly from the census of population and labor force surveys. Paid and imputed service charges for personal banking and insurance services were also included. An estimate for expenditure in the informal economy was made.

**The Change in Stocks** were obtained from records of public corporations and the establishment survey in retail and wholesale trade. A present, no knowledge of inventory accounting practices exists nor are there any price indices measuring the change in the value of inventories, these estimates must be considered rough approximations to the true change in the value of inventories. Presently no data exist in areas other than outlined above.

The values of **Residential Building Construction** and of **Other Construction** were based on the establishment surveys in the construction industry and information from the Balance of Payments. **Purchases of Machinery and Equipment** were derived from detailed import data adjusted for custom duties and mark-ups.

The **value of Exports and Imports of Goods and Services** are anchored to the Balance of Trade and Balance of Payment data estimated by the Department of Statistics and the Central Bank of the Bahamas respectively. The Tourism data is based on Ministry of Tourism figures.
USES OF NATIONAL ACCOUNTS:

1. Monitoring the behavior of the economy: by comparing and following the movement of economic flows such as production, household consumption, government consumption, capital formation, exports, imports etc.

2. Macro-economic analysis: using econometric models to investigate the casual, functional relationships between different economic variables.

3. Economic policy making and decision taking: short term policy can be made based on recent behavior and the current state of the economy and a view or precise forecast about likely future developments.

4. Harmonization between different statistical systems by promoting consistency in terms of concepts, definitions and classifications. Revisions of these various systems are conducted in parallel with the SNA.

5. International Comparison which normally compare GDP or GDP per head, ratio's of investment, taxes or government expenditure on GDP. These are used to evaluate the performance of similar economies, eligibility for loans, aid or other funds or conditions on which such loans, aid or funds are made available. It also determines the size of the contributions which member countries of international organizations make to finance operations of these organizations.

---

2 System of National Accounts 1993 pg. 6 & 7
The Gross Domestic Product (GDP) estimates for 2005 are Preliminary, 2004 are Provisional, 2003 & 2002 are Revised and 2000 to 2001 are Final. Preliminary estimates are an approximation of what has transpired in the economy and are based on indicators that give an idea of how a particular industry performed. Provisional estimates benefit from the first or early results from the Establishment Surveys for the reference year and while these results reflect the responses to date, they are not complete in that there are still many outstanding responses yet to be received and tabulated. Consequently, with the availability of actual data, Preliminary and Provisional GDP estimates are potentially subject to some major revisions.

The Bahamian economy can be characterized as having experienced three distinct phases since 1989: a recession in the early 1990’s, followed by a strong recovery through 1999 and continued growth through 2005.

**Growth in 2005 due to major Investment Projects:**

According to available Preliminary indicators for 2005, we experienced the following movements in the Bahamian economy. The GDP grew by 3.7%, moving from $5.7billion to $5.9billion in 2005. This growth was predominately due to capital development by government in the housing market and private investments mainly in the Hotel Industry. Major projects that were under construction in part or whole of 2005 were Sun Atlantis on Paradise Island which began phase three of its development project and the Ocean Club Residences & Marina, International Marinas Chub Cay, Bimini Bay Resort & Casino, Eleuthera Properties Ltd and Cotton Bay Resort in Eleuthera. As a result of these investments, it is anticipated that the domestic Construction Industry experienced a growth of 6%.

Gross Capital Formation grew by 5.6% based on increases experienced in the Building Construction Materials index. Components of the index such as Electrical Installation and materials related to construction of floors and walls, showed an increasing trend since 1st quarter 2004. Machinery and Equipment grew from $864million in 2004 to $912million in 2005, based on preliminary External Trade data.

Private Final Consumption Expenditure, which represents 68% of expenditures on GDP, increased by $89million. During this same period of 2005, Banking Consumer Credit increased by 22% according
to the Central Bank Quarterly Statistical Digest February 2006. This implies that the increased consumption by households was supported largely by credit rather than increased wages and investment income. According to the 2005 Labour Force Report, the average household income fell by 1.8% moving from $39,626 to $38,894. Conversely, the Consumer Price Index continues to reflect increasing prices of goods and services in the Bahamian economy growing by 1.98% in 2005.

**Industrial Performances in 1991 prices: 2004-2005**
For the period 2004-2005, the Gross Value Added after adjustment for inflation or real GDP experienced a 3% growth from $4.3 billion in 2004 to $4.4 billion in 2005. Most industries experienced growth in real gross value added according to available indicators, especially the Construction, Water, Mining, Hotel and Restaurant industries.

**Continued Growth in 2000-2004**
The updated preliminary estimates of 2004 revealed that the Bahamian economy, as measured by its Gross Domestic Product (GDP), grew by 2.9% moving from $5.5 billion in 2003 to $5.7 billion in 2004. This followed a modest increase of 2.1% for GDP in 2003.

**Consumer Confidence and Investment continue to drive Economic Growth**
Consumer confidence, as indicated by increases in Private Final Consumption Expenditures of 6.1% in 2003 and 3.2% in 2004, continued to drive the economy in both periods. After a brief weakening of that confidence in 2002, when employment declined slightly and Private Final Consumption Expenditure fell by 1.8%, consumer demand has been strong, buoyed by growth in employment of 2% in 2004 and by total household income and average household income registering 10-year highs in 2004.

**Sectorial Contribution to GDP Current Market Prices**

Increases in Gross Capital Formation in 2004 also contributed to the upward movement on the expenditures on GDP. These increases nudged capital investment beyond the slow decline that was exhibited between 2001 and 2003, which was lead by Machinery & Equipment and Other Construction. Tourism-related development in the family islands combined with government investment in infrastructure also contributed to the capital investments during the period.
Government Final Consumption Expenditure grew a modest 1.9% in 2003 but was bolstered to 5.3% in 2004. The largest component of Government Final Consumption Expenditure (GFCE) was compensation of employees, which grew by 7% in 2004, contributing to the growth spurt seen in the GFCE.

Increases in the value of Exports (tourist expenditure grew $112million) with a lower value of Imports (oil imports fell $121million) led to a decrease in the international trade deficit to a 6-year low in 2002. The smaller deficit reduced the downward pressure on GDP for that year. However, the deficit inched upward in 2003 and again in 2004 as Imports grew more quickly than Exports - rekindling the downward pressure on GDP and slowing its growth. Renewed Construction activity drove up Imports of construction materials, Machinery and Equipment in 2004.

By the end of 2001, the robust growth of the GDP slowed considerably to 2.6%, the smallest increase since 1993. Labour force employment had peaked and consumer confidence had reached its zenith. The turndown in the North American economy overflowed into the Bahamian economy and the events of 9/11 resulted in fewer visitors arriving from North America causing the value of Exports to drop and a slowdown in capital investment resulted in a dampening GDP growth.

The slowdown in GDP growth, reflected declines in the Construction, Other Community & Social Services, Real Estate and Business Services industries. This decline was dampened in part by substantive increases Financial Intermediation, Communication and Manufacturing industries and by more modest increases in other smaller industries.

The Hotel and Restaurant industries started 2001 robustly but the impact of September 11, 2001 was felt moderately in 2001 and more significantly in 2002 as growth in GVA slowed from 6% to 2% for the Hotel Industry and fell from 9% ($143million) to -23% ($109million) for the Restaurant Industry.

Nevertheless, 2002 saw growth in overall nominal GDP recover to a healthy 5%, lead by growth in Marine Transport, Banking, Fishing, Retail Trade and Construction industries.

After adjustment for inflation, economic growth or growth in real GDP from 2002 to 2004 was 3.3%. The expansion of the Bahamian economy which started in the mid nineties was back on track after a slight cooling in 2000 and 2001.

For the period 2003-2004 gross value added after adjusting for inflation, experienced a 1.87% growth from $4.2 billion in 2003 to $4.3 billion in 2004. The main contributor was the Banking Industry, whose GVA grew by $34 million, due mainly to an increase of $17 million earned from fees charged on loans and $17 million increase in Interest income.

The lingering negative effects of September 11th were felt well into 2004 in the Hotel and Restaurant industries. While the number of Cruise Visitors continued to grow during the period, the number of Visitors Nights dipped to a nine year low in 2002 with improvements in 2003 and 2004, growing from 8.7 million in 2002, 9 million in 2003 and 10 million in 2004. As a result real Gross Value Added in 1991 prices for the Hotel industry had a sharp decline in 2002 with a stronger recovery in 2003 and 2004.