Quarterly Economic Review

Vol. 27, No. 2

June, 2018

The Quarterly Economic Review (QER) is a publication of the Central Bank of The Bahamas, prepared by the Research Department, for issue in March, June, September and December. All correspondence pertaining to the QER should be addressed to:

The Manager
Research Department
The Central Bank of The Bahamas
P.O. Box N-4868
Nassau, Bahamas

www.centralbankbahams.com
Email address: research@centralbankbahamas.com

Contents

REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS 1

DOMESTIC ECONOMIC DEVELOPMENTS 1

Overview 1

Real Sector 1

Tourism 1

Construction 2

Employment 3

Prices 4

Fiscal Operations 4

Overview 4

Revenue 4

Expenditure 5

Financing and the National Debt 6

Public Sector Foreign Currency Debt 6

2018/2019 Budget Highlights 7

Money, Credit and Interest Rates 9

Overview 9

Liquidity 9

Deposits and Money 9

Domestic Credit 10

Mortgages 10

The Central Bank 11

Domestic Banks 11

Credit Quality 12

Capital Adequacy and Provisions 13

Bank Profitability 13

Interest Rates 13

Capital Market Developments 14

International Trade and Payments 14

INTERNATIONAL ECONOMIC DEVELOPMENTS 16

STATISTICAL APPENDIX (TABLES 1-16) 18

REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

OVERVIEW

Preliminary data suggests that the domestic economy sustained it modest growth trajectory during the second quarter of 2018, as tourism output continued to strengthen, supported by gains in the high value-added stopover segment of the market. In addition, foreign investment projects provided ongoing impetus to the construction sector. In this environment, the number of employed persons increased, buoyed by tourism-related job gains; although a corresponding rise in the labour force, led to a slight uptick in the jobless rate on a yearly basis. Inflationary pressures remained relatively subdued; however, domestic energy costs increased, due to the rise in global oil prices.

Government's budgetary operations for the eleven months of FY2017/2018, featured a narrowing in the overall deficit in comparison to the same period last year, explained by a capital spending-led reduction in aggregate expenditure, combined with a rise in total revenue. Financing needs were secured largely from external sources, including a $750.0 million external bond issue in November 2017.

In monetary developments, the expansion in domestic credit eclipsed the rise in deposits, resulting in a slowdown in bank liquidity gains, while external reserves contracted, reflecting an increase in demand for foreign currency to facilitate mainly fuel imports. Further, banks' credit quality indicators improved during the review quarter, owing in part to the modest strengthening in economic conditions. Bank profitability levels also increased over the first three months of the year—the latest period of available data—attributed to reductions in interest expenses and operating costs, which overshadowed the fall in revenues.

On the external side, the estimated current account deficit widened sharply during the review quarter, as an expansion in net investment outflows contributed to a deterioration in the income account deficit, and a timing-related two-fold increase in net, non-tourism related outflows, led to a sharp reduction in the services account surplus. In contrast, the estimated capital and financial account surplus doubled, owing to gains in net direct and other "miscellaneous" investment inflows.

REAL SECTOR

TOURISM

Preliminary evidence suggests that the growth in the tourism sector noted over the first three months of the year was sustained during the review quarter, supported by continued improvements in the key source markets, alongside increased airlift and gains in high-end hotel capacity, following the opening of the final resort in the multi-billion dollar Baha Mar development.

Based on information from the Ministry of Tourism for the second quarter, total visitor arrivals rose by 5.4%, in contrast to a 1.8% reduction during the same period of 2017. In particular, a 12.6% strengthening in the high value-added air segment to 0.4 million, contrasted with a 2.8% decrease a year earlier; and sea passengers rose by 3.0% to 1.2 million, vis-a-vis a 1.4% contraction in the preceding year.

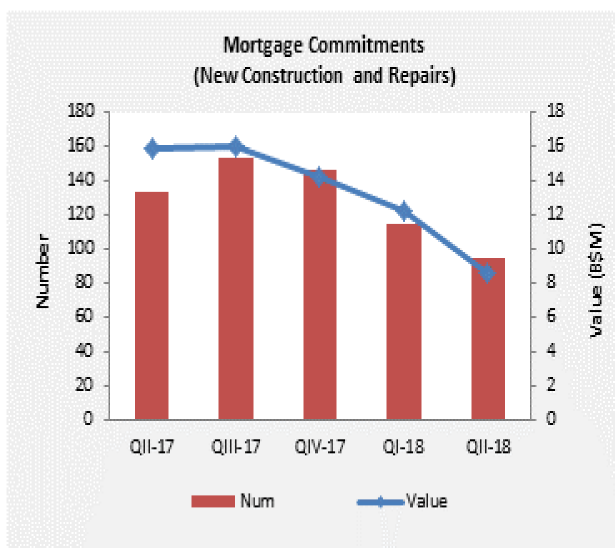
By major ports of entry, total arrivals to the Family Islands expanded by 28.4% to 0.6 million, reversing a 0.7% decline in 2017. Sea traffic strengthened by 34.4%, attributed in part to an increase in one cruise operator's calls on a number of Family Island destinations, while air arrivals grew by 6.6%, mainly reflecting improvements for Eleuthera and Abaco. Further, supported by gains in both sea and air passengers, of 10.2% and 4.8%, respectively, total visitors to Grand Bahama rose by 9.5% to 0.2 million, a reversal from a 32.8% reduction in the prior year. Despite the 15.2% expansion in air arrivals, a 14.4% falloff in the larger sea component, reduced total visitors to New Providence—the largest market—by 5.8% to 0.9 million, vis-à-vis a 6.4% advance a year earlier.

Airport departure data also affirmed the stopover market strengthening. According to the Nassau Airport Development Company (NAD), total departures through the country's main airport—net of the domestic segment—rose by 11.2%, exceeding the 1.9% increase a year earlier. The dominant United States destined departures—at 86.2% of the total—expanded by 10.2%, following the 1.6% gain in 2017. In addition, the non-US visitor segment grew by 17.6%, compared to a 4.5% gain in the same period of the prior year.

Information from a sample of large properties in New Providence and Paradise Island—obtained from the Bahamas Hotel and Tourism Association and the Ministry of Tourism—reinforced the trends noted in air arrivals. Specifically, total average room revenues for the quarter grew by 26.0%, outstripping the marginal 0.7% increase a year earlier. Underlying this outturn, the average hotel occupancy rate firmed by 1.5 percentage points to 68.0%, a turnaround from a 9.7% falloff in the prior year, as the number of room nights sold rose on average by 27.3%. Nevertheless, the average daily room rate (ADR) fell by 1.7% to $240.12, due in part to some price discounting by several properties in April, to stimulate demand during the Easter holiday period.

CONSTRUCTION

During the second quarter, the construction sector continued to benefit from ongoing foreign investment projects; although activity was less brisk given the winding-down of the building phase of the Baha Mar development. In addition, domestic construction activity showed some signs of improvement, following several periods of weakness.



In terms of the domestic component, the latest available construction sector data for the first quarter of 2018, revealed a 4.9% reduction in the number of building starts in New Providence and Grand Bahama to 97, following a 19.7% falloff in the comparable period of 2017. In addition, the corresponding value declined by 58.9% to $25.3 million, after growing more than two-fold to $61.7 million in the prior period. Supporting this outcome, the number of commercial projects fell by 17.6% to 14, and the associated value decreased by 62.2% to $4.5 million. In a slight offset, the residential component grew by 12.2% to 83 in number, with the value increasing by 12.9% to $20.8 million. Further, the public sector component reported no activity during the review quarter.

The overall number of completions in New Providence and Grand Bahama rose marginally by 0.7% to 143, while the attendant value increased more than two-fold ($55.8 million) to $105.5 million. In the underlying developments, the number of completed residential projects rose by 2.9% to 108, with the corresponding value expanding by 54.0% to $47.2 million. Similarly, the number of commercial completions firmed by 2.8% to 35, with the value substantially higher at $58.3 million. However, the public sector registered no completions.

Data for the second quarter, showed that total mortgage disbursements for new construction and repairs—as reported by domestic banks, insurance companies and the Bahamas Mortgage Corporation—rose by 20.9% ($5.4 million) to $31.3 million, a reversal from a 23.3% contraction in 2017. Underlying this development, the dominant residential segment firmed by 29.3% ($6.5 million) to $28.8 million, vis-à-vis a 27.1% contraction in the prior period. In contrast, commercial disbursements declined by 30.8% ($1.1 million) to $2.5 million, compared to a 13.7% advance in the prior year.

Data for mortgage commitments, suggests that domestic activity will remain subdued over the near-term, as loan approvals for the dominant residential component fell in number by 38 to 95, and in value by 40.1% ($5.8 million) to $8.6 million. No new commercial approvals were granted during the second quarter, compared to just one a year earlier, valued at $1.6 million.

In terms of interest rates, the average financing cost for a commercial mortgage firmed by 30 basis points to 7.8%. In contrast, the average rate charged for a residential loan softened by 30 basis points to 7.2%.

EMPLOYMENT

Information from the Department of Statistics' Labour Force Survey, showed an overall improvement in labour market conditions, as the number of employed persons rose by 2.2% during the six-month period ending May, and firmed by 4.0% in comparison to May 2017, supported mainly by hirings in the tourism sector. In addition, the unemployment rate fell slightly by 10 basis points over the six-month period to 10.0%; however, due to the offsetting effect of a rise in the labour force, the jobless rate edged-up by 10 basis points, year-on-year. In addition, the number of discouraged workers grew by 13.0% to 2,175 over the prior year.

A disaggregation by major job markets, showed that on a yearly basis the unemployment rate for New Providence—the most heavily populated center—declined by 40 basis points to 10.0%. This outturn was due to a 3.2% increase in the number of employed persons, year-on-year, benefitting from the on-boarding of employees at Baha Mar; however, the rate in Abaco firmed by 2.9 percentage points to 10.7% on an annual basis. Further, the jobless rate in the second largest market, Grand Bahama, remained at an elevated 12.4%, reflecting the ongoing challenges in the economy following the hurricane-related damage to the hotel sector in prior periods.

PRICES

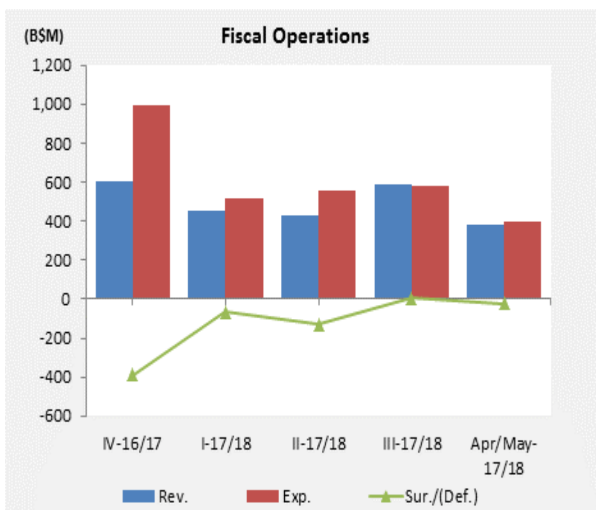
With the upward trajectory in global oil prices, the average Retail Price Index for The Bahamas rose by 1.2% over the twelve months to March, surpassing the 0.5% increase in the same period of 2017. Reflecting this development, average prices for restaurant & hotel services increased by 3.4%, reversing a decline of 2.0% in the prior year. Similarly, following reductions last year, average costs firmed for recreation & culture, by 2.3%; transport, by 1.3% and food & non-alcoholic beverages, by 1.1%. In addition, the inflation rate accelerated for housing, water, gas, electricity & other fuels—the most heavily weighted component—by 2.4 percentage points to 3.2% and for communication services, by 44 basis points, to 2.6%. Providing some offset, accretions to average costs slowed modestly for health to 1.1% and for alcoholic beverages, tobacco & narcotics to 0.7%. Further, average price declines were noted for the remaining components, compared to gains a year earlier.

In line with the comparatively higher international oil prices, domestic energy costs rose over the second quarter. Specifically, the Bahamas Power & Light's (BPL) fuel charge increased by 2.0% to $16.03 per kilowatt hour (kWh) over the three-month period and firmed by 14.7%, year-on-year. Further, during the first two months of the second quarter—the latest available data—the average costs for both gasoline and diesel, grew by 8.5% and 12.7%, to $4.60 and $4.31 per gallon, respectively, vis-à-vis the same period of 2017.

FISCAL OPERATIONS

OVERVIEW

Reflecting in part a capital spending-led $59.8 million (2.8%) decrease in aggregate expenditure to $2,058.8 million, and a $27.7 million (1.5%) gain in total revenue to $1,846.9 million, the Government's overall deficit narrowed by $87.5 million (29.2%) to $211.9 million during the eleven months of FY2017/2018, relative to the comparative period of the previous year.



REVENUE

In terms of revenue, tax receipts—which comprised 90.6% of aggregate inflows—grew by $33.1 million (2.0%), to $1,673.2 million. Value added taxes (VAT)—which constituted a dominant 36.5% of the total—rose by 2.5% to $610.7 million, while selective taxes on services and motor vehicle taxes climbed by 38.3% to $34.5 million, and by 28.8% to $30.8 million, respectively. In addition, other "unallocated" taxes increased to $60.6 million, from $8.6 million a year earlier. Providing some offset, taxes on international trade and transactions contracted by 4.5% to $475.2 million, largely reflecting a falloff in imports and excise taxes, which eclipsed the gain in export taxes. Further, business and professional license fees declined by 9.0% to $133.7 million and property taxes fell by 10.2% to $105.9 million, while other non-trade related stamp taxes decreased by 2.2% to $100.4 million.

Non-tax revenue—at 9.4% of the total—decreased by $5.4 million (3.0%) to $173.6 million. Underpinning this outturn was a sharp reduction in income from other "miscellaneous" sources, by 41.0% to $22.2

Government Revenue By Source (Apr. - May.)				
	FY16/17		FY17/18	
	B$M	%	B$M	%
Property Tax	12	3.4	17	4.5
Selective Services Tax	3	0.8	7	1.8
Business. & Prof Lic. Fees	35	9.8	29	7.5
Motor Vehicle Tax	6	1.7	6	1.6
Departure Tax	26	7.2	23	6.1
Import Duties	49	13.7	46	12.1
Stamp Tax from Imports	--	--	--	--
Excise Tax	49	13.6	51	13.4
Export Tax	0	0.1	1	0.4
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	21	5.7	17	4.5
Value Added Tax	131	36.2	134	35.0
Other Tax Revenue	(0)	(0.1)	22	5.8
Fines, Forfeits, etc.	27	7.6	25	6.6
Sales of Govt. Property	0	0.0	0	0.0
Income	2	0.6	3	0.7
Other Non-Tax Rev.	0	0.0	0	0.0
Capital Revenue	0	0.0	0	0.0
Grants	--	--	--	--
Less: Refunds	1	0.2	--	--
Total	**361**	**100.0**	**381**	**100.0**

million, attributed to a decline in dividend payments by a private company, which overshadowed an 11.9% rise in the intake from public enterprises, to $5.7 million. In contrast, proceeds from fines, forfeitures & administration fees, increased by 6.2% to $144.3 million, while receipts from the sale of Government property edged-up by $0.9 million to $1.4 million.

EXPENDITURE

The reduction in total expenditure reflected mainly a $120.5 million (43.7%) decline in capital outlays to $155.3 million, as infrastructure spending returned to trend levels following the hurricane-rebuilding expenses in the prior period. In contrast, current expenditure rose by $60.9 million (3.3%) to $1,903.6 million.

An analysis by economic classification, showed that the expansion in current spending was explained by a 3.3% increase in consumption outlays to $995.0 million. In particular, wages & salaries rose by 3.5% to $656.7 million and purchases of goods & services firmed by 2.9% to $338.3 million, related in part to the payment of medical insurance premiums for public service workers. Meanwhile, transfer payments grew by 3.3% to $908.6 million, owing primarily to a 13.1% rise in interest costs to $281.6 million, amid the increase in debt levels. In a slight offset, subsidies and other transfers fell marginally by 0.5% to $627.0 million, due to decreased general subsidies—associated with reduced transfers to the Ministry of Tourism. Declines were also recorded for transfers to public corporations & provisions for contingencies, by 8.0% to $127.2 million, while non-financial public enterprises' transfers fell by 69.0% to $4.7 million, and those sent abroad held steady at $11.5 million. Conversely, transfers to households increased by 26.0%, attributed to a rise in pension outlays, as well as Government-financed payouts to a collapsed private insurer's policyholders. In addition, transfers to non-profit institutions grew by 4.5% to $40.9 million.

On a functional basis, the reduction in recurrent spending reflected primarily a decline in outlays for other community & social services, as well as health and economic services. In contrast, a notable increase in expenditure was posted for social benefits & services, owing in large part to a rise in collective social services and other public assistance outlays. More muted gains in spending were recorded for defense, education and general public services.

The contraction in capital expenditure was led by an $86.8 million (40.2%) reduction in infrastructure-related outlays to $129.0 million, as rebuilding work on several islands ratcheted-down following the passage of Hurricane Matthew in 2016. Similarly, asset acquisitions fell by $33.7 million (56.2%) to $26.3 million, explained by reductions in other "miscellaneous" assets, by $24.7 million to $9.0 million and land purchases, by $7.1 million to $0.2 million. In addition, equity investments, mainly associated with public/private partnerships, were halved to $2.0 million.

Financing and the National Debt

Budgetary financing for the first eleven months of FY2017/2018, was dominated by external borrowings of $1,372.0 million (mainly rollover of debt), and consisted of a $750.0 million external bond, as well as loans totaling $622.0 million—the majority of which were repaid following the bond issue. In addition, $567.6 million in financing was obtained from domestic sources in the form of Government securities ($492.0 million), Treasury notes & bills ($61.6 million) and loans ($14.0 million). The significant refinancing operations over the period, were encapsulated in total debt repayments of $1,281.6 million, with the largest portion (60.9%), being utilized to refinance Bahamian dollar obligations.

As a consequence of these developments, the Direct Charge on the Government rose on an annual basis by $695.3 million (10.6%) to $7,245.4 million at end-June, while the increase over the three-month period was more muted at $37.7 million (0.5%). An analysis by component, showed that Bahamian dollar debt represented 63.6% of the total, while foreign currency liabilities accounted for the remaining 36.4%.

A breakdown by creditor, indicated that commercial banks held the largest portion of local debt (41.6%), followed by "other" private and institutional investors (36.8%), public corporations (13.1%), the Central Bank (8.1%) and "other" local financial institutions (0.4%). By instrument, Government bonds comprised the dominant share of domestic currency debt, at 75.7%, and featured an average maturity of 8.2 years, with Treasury bills and loans & advances accounting for much smaller shares of 16.5% and 7.8%, respectively.

Government's contingent liabilities contracted by $2.6 million (0.4%) during the second quarter and by $25.9 million (3.6%) over the fiscal year, to $700.6 million. As a result, the National Debt—inclusive of contingent liabilities—rose by $35.1 million relative to the prior quarter, and by $669.4 million (9.2%), vis-à-vis June 2017, to $7,946.0 million.

As a ratio to GDP, the Direct Charge rose by an estimated 3.3 percentage points on a yearly basis, to 57.9% at end-June. In addition, the National Debt-to-GDP ratio firmed to an estimated 65.8%, from 62.5% a year earlier.

Estimates of the Debt-to-GDP Ratios
June (%)[1]

	2016_P	**2017_P**	**2018_P***
Direct Charge	50.5	54.6	57.9
National Debt	56.8	60.6	63.5
Total Public Sector Debt	59.1	62.5	65.8

Source: The Central Bank of The Bahamas and the Department of Statistics

**GDP estimate for 2018 is derived from IMF projections.*

[1] In the absence of actual quaterly GDP data, the ratios presented should be taken as broad estimates of the relevant debt ratios and are therefore subject to revision.

Public Sector Foreign Currency Debt

Public sector foreign currency debt contracted by $29.3 million (0.8%) to $3,499.8 million during the second quarter, as amortization payments of $16.2 million, along with favourable exchange rate movements, outpaced new drawings of $3.4 million. On an annual basis, however, foreign currency obligations expanded by $849.3 million (32.0%)—the net effect mainly of Government's bond issue. In terms of the components, the Government's liabilities—which accounted for 75.4% of the total—declined by $24.3 million (0.9%) to $2,639.3 million, on a quarterly basis, while the smaller public corporation component, fell by $5.1 million (0.6%) to $860.4 million.

An analysis over the second quarter of 2017, showed that total foreign currency debt service payments grew by $16.8 million (26.8%) to $79.6 million, owing in large measure to a $24.0 million (77.8%) expansion in the Government's segment to $54.8 million. Specifically, interest charges almost doubled to $47.1 million, while amortization payments advanced by a more muted $0.7 million (9.2%) to $7.7 million. In contrast, public corporations' debt service payments were reduced by $7.1 million (22.3%) to $24.9 million, due to a decrease in amortization outlays by 49.2% to $8.4 million, which outstripped the 6.7% rise in interest expenses, to $16.4 million. As a result of these developments, the Government's debt service ratio stood at 7.4% at end-June, an increase of 90 basis points over the prior year.

In terms of creditor profile, the dominant share of the foreign currency debt was held by international capital market investors (47.1%), followed by non-resident entities (34.9%), multilateral institutions (8.1%), international banks (7.4%) and bilateral institutions (2.5%). The majority of the debt was denominated in United States dollars (83.9%), with Swiss Francs, euros and Chinese Yuans accounting for much smaller shares of 7.0%, 6.6%, and 2.6%, respectively. At end-June, the average age of the outstanding foreign currency debt stood at 10.5 years, compared to 11.6 years in the prior period.

2018/2019 Budget Highlights

The FY2018/19 Budget was presented in Parliament at the end of May and approved in June, 2018. The Budget outlined the Government's plans for reducing the fiscal deficit to no more than 0.5% of GDP by FY2020/21 and lowering the national debt to GDP ratio to less than 50.0% over the long-term. Key to these goals, the Government signaled plans to enact fiscal responsibility legislation to limit the growth in expenditure. Meanwhile a number of revenue generating measures were introduced.

At the forefront of the revenue-generating measures was the increase in the VAT rate from 7.5% to 12.0%, effective July 1, 2018. In addition, Parliament approved a new levy on gaming establishments of 5% on all account holders' deposits; and imposed a sliding scale of higher tax rates on revenues for such operations ranging from 20% to 50% of gross revenues, with the upper rate applied on incremental annual receipts in excess of $100 million. The Government also hiked the real property tax rate on foreign-owned vacant land to 2.0% from 1.5% and raised the various categories of immigration fees. A new category of port fees was also introduced.

To cushion the effect of these initiatives on business owners and the wider public, the authorities also made provisions for a number of exemptions and concessions. As a result, the VAT was eliminated on several "bread-basket" items, as well as medicines. In addition, as part of its initial "over-the-hill" Economic Empowerment Zone initiative, the Government announced a series of tax concessions, including the exemption from real property tax on developed property and the waiver of business license fees for certain categories of business with turnover of up to $5.0 million. Special allowances were also been made available for imports related to industries, such as commercial printing, processing and garment manufacturing, in an effort to stimulate activity in those sectors.

On the expenditure front, total spending is budgeted to increase over the period, owing to higher current outlays. A significant share of the gain is due to the inclusion of provisions for the repayment of prior period arrears and higher interest costs.

As a result of the proposed measures, the Government's deficit for FY2018/19 is forecasted to narrow by $87.6 million to $233.8 million, in comparison to the prior year's estimates and the corresponding deficit to GDP ratio is expected to narrow by 80 basis points to 1.8%. Total revenue is forecasted to firm by $498.6

million (23.3%) to $2,637.6 million, outpacing a projected $411.0 million (16.7%) rise in spending to $2,871.4 million.

With regard to receipts, tax collections are projected to grow by 24.9% ($483.8 million) to $2,425.4 million in FY2018/2019, compared to the prior budgeted period. Similarly, non-tax revenue is forecasted to increase by 7.6% ($14.8 million) to $210.0 million, as higher receipts from fines, forfeits & administrative fees, income from public enterprises and the sale of Government property, are expected to overshadow the anticipated contraction in revenue from other “miscellaneous” sources.

A disaggregation of the tax revenue components, revealed an anticipated rise in VAT receipts of $397.8 million (60.1%) to $1,059.4 million—the main revenue support for the consolidation plan—reflecting in part the 4.5 percentage point increase in the tax rate and the expected growth in the economy. In addition, “other” non-trade stamp taxes are estimated to firm by $56.2 million (48.6%) to $171.8 million. Similarly, a $42.9 million (7.1%) increase in taxes on international trade and transactions is projected, as receipts from excises taxes, import duties and export levies are expected to expand. Further, selective taxes—specifically those related to gambling businesses—are forecasted to almost double to $70.0 million, from $36.5 million in the prior period. More modest gains are also expected to accrue for motor vehicle taxes, by $5.8 million (18.7%) to $36.9 million and departure taxes, by $2.6 million (1.8%) to $147.3 million. Conversely, collections from property taxes are projected to contract by $11.3 million (7.9%) to $132.2 million.

Approved expenditure allocations rose by 16.7% ($411.0 million) to $2,871.4 million, reflecting a 15.4% ($342.7 million) rise in current outlay provisions to $2,574.6 million. Moreover, the capital side advanced by 29.7% ($68.5 million) to $299.3 million. In contrast, the net repayment from public enterprises is projected at $2.5 million, as virtually all support is now recognised as subsidies and transfers, rather than repayable credit.

An analysis by economic classification, revealed that the growth in current expenditure reflects a $211.1 million (16.8%) increase in consumption allocations, to $1,471.2 million. Planned purchases of goods and services, as well as personal emoluments, rose by 43.3% and 0.5%, to $687.3 million and $783.9 million, respectively. Further, transfer payment allocations grew by 13.5% to $1,103.4 million, underpinned by higher provisions for both subsidies & other transfers by 11.4% to $756.6 million and interest payments, by 18.6% to $346.8 million, respectively.

On a functional basis, higher allocations are earmarked for general public services, by $203.2 million to $956.9 million; economic services, by $44.5 million to $306.1 million; social benefits & services, by $17.7 million to $205.8 million; education, by $16.6 million to $307.5 million; defense, by $4.5 million to $59.9 million; and housing, by $4.4 million to $16.0 million. In contrast, disbursements for other community & social services are projected to contract by $2.5 million to $36.9 million, while provisions for health remained relatively stable at $338.7 million.

The budgeted increase in capital expenditure was led by a 35.7% ($56.5 million) expansion in infrastructure provisions, to $214.7 million. In addition, planned asset acquisitions firmed by 18.4% to $84.6 million, as “miscellaneous” assets and land purchases are set to rise to $43.5 million and $13.6 million, respectively. However, equity investments are anticipated to decline by 21.4% ($7.5 million) to $27.5 million.

Given the projected deficit, net borrowing requirements should increase the Direct Charge on Government by an equivalent amount to near $7,397.0 million during FY2018/19. However, given the economic growth, the ratio of the debt to GDP is expected to decrease to 56.1% from an estimated 57.2% recorded in

FY2017/2018. It is also expected that the national debt to GDP ratio will stay near to the 63.5% rate measured at end June 2018, given the profile of the guaranteed borrowings of the public enterprises.

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

The growth in bank liquidity slowed significantly over the second quarter of 2018, as the underlying balance sheet trends revealed that the expansion in domestic credit outpaced the modest rise in deposits. Further, the net foreign assets of the banking system declined, underpinned by the falloff in external reserves, vis-à-vis an increase in net foreign liabilities. The contraction in external reserves reflected a rise in demand for foreign currency to facilitate mainly fuel imports. Banks' credit quality indicators improved over the three-month period, attributed to the modest growth in the economy, as well as ongoing loan restructuring measures and debt write-offs. Further, bank profitability rose during the first three months of the year, amid a reduction in expenditure, which overshadowed the decline in revenue. In addition, the interest rate spread narrowed over the review quarter, as the fall in the weighted average loan rate outpaced the decrease in the corresponding deposit rate.

LIQUIDITY

With regard to liquidity, banks' net free cash reserves grew by $45.0 million (4.8%) to $978.5 million during the second quarter, a slowdown from the previous year's 11.5% expansion. At end-June, the ratio of free cash reserves to Bahamian dollar deposit liabilities stood at 14.6%, vis-à-vis 11.2% in 2017. Correspondingly, amid increased holdings of Treasury bills, the broader excess liquid assets rose by $28.9 million (1.5%) to $1,960.1 million; albeit lower than the $154.3 million (10.5%) growth recorded in 2017. At end-June, the surplus exceeded the statutory minimum by approximately 170.1%, compared to 142.4% during the same period a year earlier.

DEPOSITS AND MONEY

The overall money supply (M3) expanded by $13.7 million (0.2%) to $7,159.1 million, a sharp slowdown from 2017's $257.6 million (3.7%) growth. In terms of the components, narrow money (M1) firmed by $20.4 million (0.7%), compared to a gain of $229.2 million (9.4%) in the previous year. In particular, demand deposit growth slowed significantly to $10.3 million (0.4%), in comparison to a $216.6 million (10.1%) advance in the prior period, when customers shifted funds to participate in capital market offerings. Further, currency in active circulation rose by $10.1 million (3.3%), vis-à-vis growth of $12.6 million (4.5%) in 2017. In contrast, broad money (M2) contracted by $12.0 million (0.2%), a turnaround from an expansion of $232.1 million (3.5%) a year earlier. This reflected a private sector-led slowdown in the growth of saving balances, by $30.0 million (2.1%), from $64.2 million (4.9%) a year earlier; and a steadied decline in fixed deposits of $62.4 million (2.3%). Meanwhile, residents' foreign currency deposit gains continued at $25.7 million (9.0%), approximately the same as in 2017, attributed to a rise in private and public sector balances.

A breakdown by component, showed that fixed deposits comprised the largest share of the overall money stock—37.0% of the total—followed by demand balances (34.4%) and savings deposits (19.9%). The remaining components, namely currency in active circulation and residents' foreign currency holdings, accounted for significantly smaller shares of 4.4% each.

Domestic Credit

The growth in total domestic credit slowed to $77.6 million (0.9%), from the Government financing-led $169.2 million (1.9%) strengthening in 2017. In particular, the dominant Bahamian dollar component—at 95.4% of the total—expanded by $53.9 million (0.6%), although a slowdown from a $173.9 million (2.0%) increase in the prior year. In addition, foreign currency credit grew by $23.7 million (6.1%), vis-à-vis a falloff of $4.6 million (1.1%) in 2017.

An analysis by sector, revealed that net claims on the Government rose by $73.5 million (3.2%), but was markedly lower than the $201.4 million (7.9%) build-up in 2017. Further, the contraction in private sector credit broadened to $30.6 million (0.5%), from $23.1 million (0.4%) last year. In contrast, credit to the rest of the public sector firmed by $34.7 million (7.7%), a turnaround from a $9.1 million (2.3%) decline in the prior period.

A decomposition of the various private sector categories, indicated that personal loans—which accounted for the majority (81.3%) of total Bahamian dollar credit—decreased by $33.3 million (0.7%), extending the $19.0 million (0.4%) reduction in 2017. Underpinning this development, consumer loans and overdrafts contracted by $33.5 million (1.5%) and by $3.5 million (6.1%), respectively, outstripping the marginal $3.8 million (0.1%) gain in residential mortgages.

Distribution of Bank Credit By Sector

(End-June)

	2018		2017	
	B$M	%	B$M	%
Agriculture	3.3	0.1	7.3	0.1
Fisheries	2.4	0.0	4.7	0.1
Mining & Quarrying	1.8	0.0	1.8	0.0
Manufacturing	28.0	0.4	34.1	0.5
Distribution	214.0	3.3	194.2	2.8
Tourism	12.0	0.2	13.8	0.2
Enter. & Catering	48.5	0.7	73.8	1.1
Transport	43.6	0.7	42.8	0.6
Construction	286.7	4.4	347.9	5.1
Government	428.6	6.5	516.0	7.5
Public Corps.	244.5	3.7	214.4	3.1
Private Financial	20.6	0.3	18.2	0.3
Prof. & Other Ser.	45.8	0.7	56.9	0.8
Personal	5,046.2	76.6	5,160.4	75.2
Miscellaneous	158.3	2.4	178.8	2.6
TOTAL	**6,584.3**	**100.0**	**6,865.1**	**100.0**

A further breakdown of consumer credit, showed that net repayments were recorded for loans for "miscellaneous" purposes ($21.1 million), private cars ($5.4 million), land purchases ($4.2 million), home improvement ($3.9 million), credit cards ($3.5 million) and education ($3.2 million). More modest declines of less than $1.0 million were noted for furnishings & domestic appliances, taxis & rented cars and commercial vehicles. In contrast, net lending expanded for debt consolidation, travel and medical by $5.6 million, $2.6 million and $0.1 million, respectively.

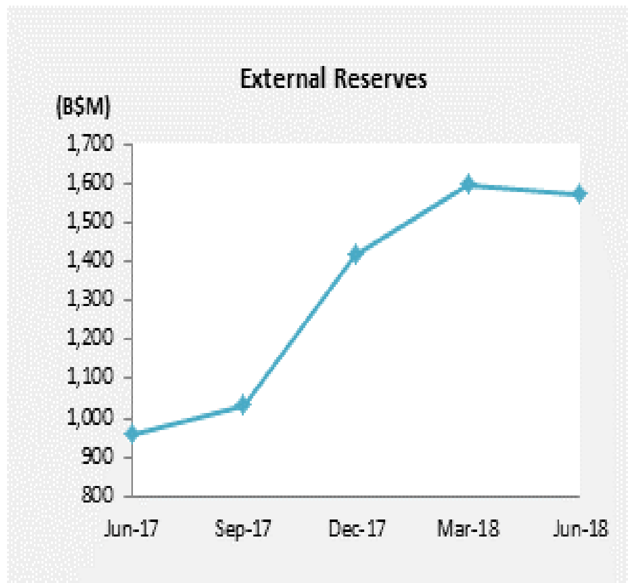
Among the remaining private sector categories, net repayments were recorded for "miscellaneous" purposes ($13.4 million), distribution ($1.7 million), tourism ($1.3 million), manufacturing ($1.2 million) and agriculture ($1.0 million). Further, smaller reductions of under $1.0 million were registered for fisheries and mining & quarrying. Conversely, gains were noted for construction ($8.9 million), professional & other services ($8.1 million) and transport ($5.1 million), while smaller increases were recorded for the remaining categories.

Mortgages

Data obtained from banks, insurance companies and the Bahamas Mortgage Corporation, showed that the total value of mortgages outstanding rose by $13.9 million (0.5%) to $3,064.3 million, extending the marginal uptick of $1.4 million (0.04%) in 2017. Underlying this outcome, the dominant residential component—which comprised 94.0% of the total—grew by $6.0 million (0.2%) to $2,881.9 million, exceeding the gain of $1.4 million (0.1%) in the prior year. Similarly, the commercial component increased by $7.9 million (4.5%) to $182.4 million, relative to an unchanged outturn in the prior year. At end-June, domestic banks held the majority of the outstanding mortgages (87.9%), followed by insurance companies (6.6%) and the Bahamas Mortgage Corporation (5.5%).

The Central Bank

During the review quarter, the Central Bank's net claims on the Government fell by $40.4 million (10.2%) to $355.0 million, a reversal from a 19.7% expansion in the prior year, as the Bank maintained its programme of gradually reducing its holdings of long-term securities through secondary market offerings. Further, the Bank's net liabilities to the rest of the public sector decreased by $2.1 million (10.9%) to $17.4 million, vis-à-vis a gain of $3.8 million (56.6%) in 2017. In addition, reflecting a drawdown in deposits, the Bank's net liabilities to the commercial banks contracted by $58.2 million (4.5%) to $1,242.4 million, in contrast to the prior year's $148.9 million (15.1%) build-up.



Amid a rise in demand for foreign currency for mainly travel and oil payments, external reserves declined by $24.8 million (1.6%) to $1,572.1 million, a turnaround from the prior year's increase of $39.5 million (4.3%). In the underlying transactions, the Bank's position reverted to a net sale of $29.5 million, from a net purchase of $33.3 million in 2017. Specifically, the net sale to the Government widened by $13.1 million to $20.1 million, while the net sale to public corporations—mainly for fuel purchases—advanced by $7.5 million to $71.7 million. In addition, the net intake from commercial banks decreased by $42.3 million to $62.2 million.

In comparison to the prior year, the stock of external reserves rose by 9.2 weeks to 24.7 weeks of total merchandise imports at end-June. Similarly, after adjusting for the 50% statutory requirement on the Central Bank's Bahamian dollar liabilities, "useable" reserves increased to $767.6 million from $216.4 million in the prior year.

Domestic Banks

Total net foreign liabilities of the domestic banks grew by $51.5 million (23.4%), in contrast to a decline of $92.7 million (29.6%) in 2017, owing in large measure to a build-up in non-residents' deposits.

The expansion in domestic banks' credit accelerated to $118.2 million (1.4%), from $33.4 million (0.4%) a year earlier. Specifically, owing in large measure to a rise in holdings of Treasury bills, growth in net claims on the Government firmed to $113.9 million (5.9%), from $65.4 million (3.5%) in the prior period. Further, credit to the public corporations rebounded by $34.9 million (7.9%), after an $8.9 million reduction a year earlier. Conversely, private sector credit contracted by a further $30.6 million (0.5%), following a $23.1 million (0.4%) decrease in the previous year.

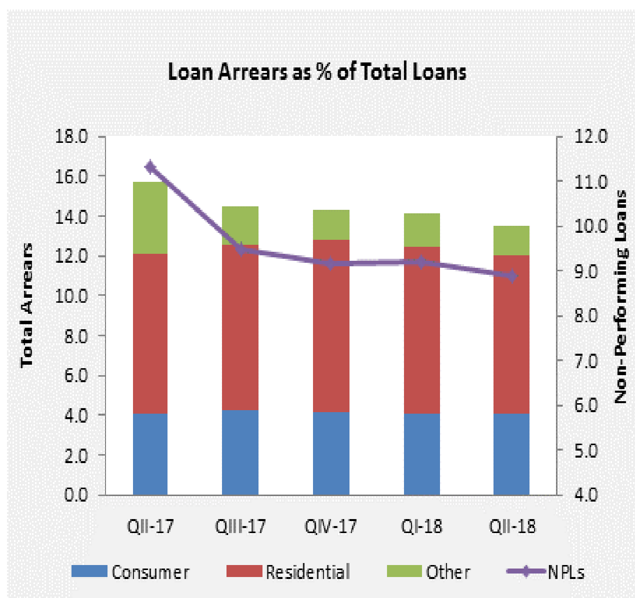
Banks' total deposit liabilities—inclusive of Government balances—fell further by $5.1 million (0.1%) to $7,029.9 million, in contrast to 2017's $211.5 million (3.1%) growth. Specifically, private sector balances contracted by $25.0 million (0.4%), a turnaround from a $245.9 million (4.0%) expansion last year. Similarly, Government's deposits declined by $11.0 million (5.0%), following a decrease of $29.9 million (14.1%) in the preceding year. In contrast, public corporations' balances rose by $30.9 million (8.5%), a reversal from a reduction of $4.5 million (1.3%) in the prior period.

At end-June, the majority of banks' deposit liabilities were denominated in Bahamian dollars (95.5%), with the US dollar and other "miscellaneous" currencies accounting for the remaining 4.4% and 0.1%, respectively. An analysis by holder, showed that private individuals held the bulk (49.7%) of the total local currency accounts, followed by business firms (29.2%), private financial institutions (7.6%), the public sector (8.4%) and "other" miscellaneous entities (5.1%).

Disaggregated by deposit type, fixed balances comprised the largest share (40.3%) of the accounts, followed by demand (38.5%) and savings (21.2%). By range of value and number of accounts, the majority (87.6%) was held in Bahamian dollar balances of lower than $10,000, but constituted a mere 5.6% of the total value. Accounts with values between $10,000 and $50,000, represented 8.3% of the total number and 10.8% of the overall value, while deposits in excess of $50,000 accounted for 4.1% of the total, but a dominant 83.6% of the aggregate value.

Credit Quality

Supported by the modest improvement in the economy, ongoing debt restructuring activities and loan write-offs, total private sector loan arrears in the banking system declined by $38.9 million (4.5%) over the three-month period and by $182.8 million (18.1%) on an annual basis, to $824.3 million. As a result, the ratio of arrears to total private sector loans narrowed by 0.7 and 2.6 percentage points over the quarter and year, respectively, to 14.4%.



A breakdown by the average age of delinquencies, showed that short-term (31-90 day) arrears contracted by $19.4 million (6.5%) to $277.0 million during the second quarter, representing a 33 basis point reduction in the corresponding ratio to 4.9% of total loans. Similarly, the non-performing segment—arrears in excess of 90 days and on which banks ceased accruing interest—declined by $19.5 million (3.4%) to $547.3 million, with the attendant ratio narrowing by 33 basis points to 9.6% of total private sector loans.

The quarterly reduction in total private sector loan arrears, was led by the dominant mortgages component—at 58.6% of the total—which decreased by $29.3 million (5.7%) to $483.3 million, resulting in the relevant ratio contracting by 1.1 percentage points to 18.1%. In addition, commercial delinquencies fell by $5.2 million (5.4%) to $91.2 million, with the associated loan ratio declining by 1.1 percentage points to

12.0%. Further, consumer arrears decreased by $4.4 million (1.7%) to $249.8 million, resulting in a softening in the relevant ratio by 2 basis points to 11.0%.

CAPITAL ADEQUACY AND PROVSIONS

Banks' capital remained at robust levels during the review quarter. Specifically, the average capital to risk-weighted assets ratio increased by 40 basis points to 34.2%—well in excess of the Bank's regulatory prescribed target ratio of 17.0% and the international benchmark of 8.0%. In addition, the ratios of provisions to both non-performing loans (NPLs) and total arrears increased by 2.6 and 2.3 percentage points, to 77.6% and 51.5%, respectively, despite a slight reduction in provisions by $0.3 million to $424.4 million. Further, banks wrote-off an estimated $29.6 million in delinquent loans and recovered approximately $5.0 million during the review quarter.

BANK PROFITABILITY

During the first quarter of 2018—the latest available data—banks' overall profitability grew by 20.3% to $53.6 million, vis-à-vis the same period of the previous year, underpinned by reductions in interest expenses and operating costs. Specifically, the net interest margin increased by 2.0% to $132.1 million, as a 24.2% contraction in interest expense to $14.2 million, outpaced a 1.3% decrease in interest income to $146.3 million. However, a reduction of 3.0% to $7.2 million in commissions and foreign exchange fees, contained the growth in the gross earnings margin to 1.7%, for an ending balance of $139.3 million.

With regard to expenditure, aggregate operating outlays decreased by 4.4% to $92.2 million, attributed to an 8.4% decline in "other" operating costs—which include advertising, rental and professional expenses—to $45.6 million and a 1.8% falloff in staff-related outlays, to $39.4 million. In contrast, occupancy expenditures rose by 9.5% to $7.2 million. In addition, reflecting a rise in other "non-interest" income and a decrease in depreciation costs, which outweighed the modest growth in bad debt expenses, net income from "non-core" activities expanded to $6.5 million, from $4.1 million in the previous year.

An analysis of banks' profitability ratios as a percentage of average assets, showed that the gross earnings margin ratio narrowed by 4 basis points to 5.39%, associated with decreases in the interest margin and commission and foreign exchange fee ratios, by 3 and 1 basis points to 5.11% and 0.28%, respectively. Further, the operating cost ratio declined by 26 basis points to 3.57%, contributing to a 21 basis point rise in the net earnings margin ratio to 1.82%. After accounting for an increase in bad debt provisioning and a reduction in depreciation costs, the net income ratio firmed by 30 basis points to 2.07%.

INTEREST RATES

During the review quarter, the commercial banks' weighted average interest rate spread narrowed by 6 basis points to 10.43 percentage points, as a 15 basis point reduction in the weighted average loan rate to 11.25%, outpaced the 9 basis point decrease in the weighted average deposit rate to 0.82%.

Banking Sector Interest Rates

Period Average (%)

	Qtr. II 2017	Qtr. I 2018	Qtr. II 2018
Deposit Rates			
Demand Deposits	0.25	0.25	0.28
Savings Deposits	0.72	0.71	0.67
Fixed Deposits			
Up to 3 months	0.68	0.67	0.56
Up to 6 months	0.66	0.62	0.58
Up to 12 months	1.32	0.94	1.07
Over 12 months	1.80	1.41	1.52
Weighted Avg. Dep. Rate	**0.98**	**0.91**	**0.82**
Lending Rates			
Residential mortgages	6.00	5.50	5.46
Commercial mortgages	6.58	7.52	6.74
Consumer loans	13.82	13.58	13.49
Other Local Loans	6.23	7.28	6.41
Overdrafts	10.65	10.47	10.04
Weighted Avg. Loan Rate	**12.02**	**11.40**	**11.25**

With regard to deposits, the mean rate on savings balances fell by 4 basis points to 0.67%. In contrast, the average rate for demand balances rose by 3 basis points to 0.28%, while the average range of interest earned on fixed deposits widened to 0.56% - 1.52% from 0.67% - 1.41% during the prior quarter.

In terms of lending, the average rate for commercial mortgages and overdrafts fell by 78 and 43 basis points to 6.74% and 10.04%, respectively. In addition, the average consumer loan rate moved lower by 9 basis points to 13.49%, while the average rate for residential mortgages fell by 4 basis points to 5.46%.

Among other key interest rates, the average 90-day Treasury bill rate steadied at 1.78% over the second quarter. In addition, the Central Bank's Discount Rate and the Commercial Banks' Prime rate were unchanged at 4.00% and 4.25%, respectively.

CAPITAL MARKET DEVELOPMENTS

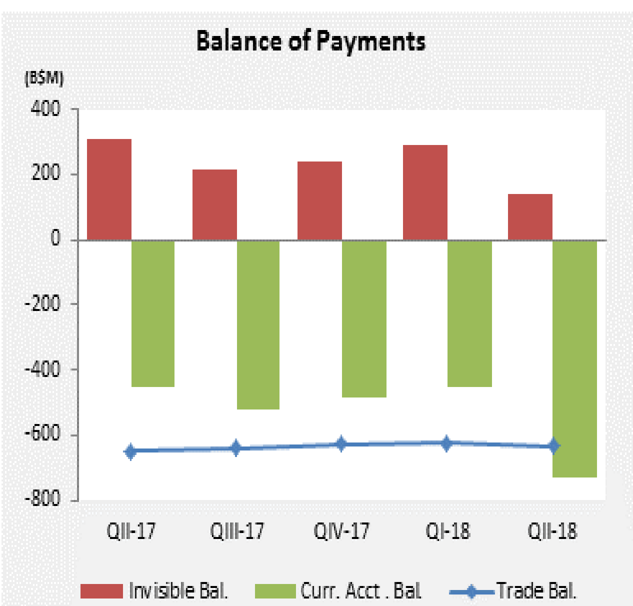
Activity on the domestic capital market was relatively subdued during the review quarter, as the volume of shares traded on the Bahamas International Stock Exchange (BISX), decreased by 54.1% to 1.22 million, vis-à-vis a 35.9% gain a year earlier. Correspondingly, the aggregate value contracted by 33.9% to $8.8 million, a turnaround from a robust 49.2% expansion in 2017.

During the review period, total market capitalization rose by 0.6% to $4.5 billion, vis-à-vis a 2.0% reduction a year earlier. In addition, the BISX All Share Index edged-up by 0.5% over the three-month period to 1,971.53 points, compared to a 2.0% decline in the corresponding period of 2017.

With regard to market participants, the number of publicly traded securities listed on the exchange decreased by 1 to 51, as the ordinary share count fell by the same magnitude to 19, while the preference share and debt tranche categories steadied at 13 and 19, respectively.

INTERNATIONAL TRADE AND PAYMENTS

Provisional data for the second quarter of 2018, revealed a significant widening in the current account deficit by $275.0 million to $730.6 million. This outturn reflected a sharp timing-related increase in the income account deficit, combined with a notable contraction in the services account surplus. In contrast, the estimated surplus on the capital and financial account expanded by two-fold to $599.9 million, explained by gains in both net direct and other "miscellaneous" investment inflows.



The estimated merchandise trade deficit narrowed by $15.6 million (2.4%) to $635.1 million, as the $25.4 million (14.0%) expansion in exports to $207.3 million, outpaced the $9.8 million (1.2%) rise in imports to $842.4 million. A further breakdown of trade flows, showed that net non-oil imports decreased by $88.5 million (16.1%) to $462.8 million, as imports returned to trend levels after a surge in the prior period to facilitate hurricane rebuilding activities and the completion of a major tourism investment project.

In contrast, fuel payments grew by $101.8 million (74.5%) to $238.4 million, on account of the steady increase in international oil prices. Specifically, average price per barrel gains were recorded for aviation gas, by 13.4% to $172.73; motor gas, by 27.1% to $97.51; jet fuel, by 37.6% to $91.54; gas oil, by 20.7% to $80.09 and propane, by 59.4% to $50.80.

The surplus on the services account decreased significantly by $169.2 million (54.6%) to $140.7 million, led by a nearly three-fold timing-related gain in net outflows for other "miscellaneous" services to $462.1 million, from $164.9 million in the second quarter of 2017. In addition, net payments for insurance services grew by 29.9% to $36.4 million, due largely to a rise in non-merchandise insurance outflows. Further, net payments for transportation services firmed by 8.8% to $107.2 million, as transactions for port and airport charges reversed from a net receipt of $1.8 million in 2017, to a net payment of $9.1 million, and outflows for passenger services rose by 16.6% to $44.2 million. Providing some offset, net travel inflows expanded by 15.1% to $735.6 million, buoyed by the significant increase in stopover tourist arrivals. Further, net inflows from offshore companies' local expenses, firmed by 7.2% to $18.8 million, while net outflows for construction services decreased sharply to a mere $3.7 million from $24.0 million, attributed mainly to the winding-down of work to complete a major foreign investment project. In addition, net payments for Government services contracted to $1.7 million from $27.3 million, owing mainly to a decline in disbursements for resident Government.

The estimated deficit on the income account more than doubled to $225.6 million, from $98.2 million in the comparable period of last year. In the underlying transactions, net investment income outflows increased almost three-fold to $220.1 million from $88.4 million, as private companies' net interest and dividend payments rose to $177.6 million from $69.1 million in the same period of 2017. Remittances outflows strengthened for both private entities and commercial banks. Similarly, net outflows for official transactions advanced to $42.5 million from $19.3 million a year earlier, as the expansion in the Government's external debt servicing costs overshadowed the marginal increase in net investment income receipts by the Central Bank. In a modest offset, labor income remittances fell by $4.3 million (44.0%) to $5.5 million.

Net current transfer payments declined by $6.1 million (36.6%) to $10.5 million, as general Government's net receipts grew by $3.0 million (8.7%) to $38.0 million. In addition, net "miscellaneous" outflows decreased by $3.0 million (5.8%) to $48.5 million, as workers' net remittances contracted by 22.7% to $45.5 million, while other residual transactions reversed to a net outflow of $3.0 million, from a net receipt of $7.4 million in the prior period.

The growth in the surplus on the capital and financial account, was led by a nearly two-fold increase in net direct investment inflows to $459.2 million from $231.6 million in 2017. This was due in large measure to a reversal in private equity transactions to a net receipt of $243.1 million, from a net outflow of $2.7 million in 2017, related to a major hotel's refinancing activities. Providing some offset, net real-estate investment inflows declined by $18.2 million to $216.1 million. In addition, "other" credit-financed inflows advanced to $144.8 million from $75.8 million in the previous period, as domestic banks' short-term transactions reversed to a net inflow of $51.5 million, vis-à-vis a net repayment of $92.7 million a year earlier. In contrast, private sector—mainly loan-based financing inflows—fell by $57.3 million to $103.7 million. Further, the public sector registered a net repayment on external debt of $10.4 million, compared to a net borrowing of $7.6 million last year. Further, residents' net portfolio investments abroad decreased by $2.8 million to $1.8 million. Meanwhile, net migrants' transfers declined by $1.4 million to $2.3 million.

As a result of these developments, and after adjusting for net errors and omissions, the overall balance—which corresponds to the change in the Central Bank's external reserves—reversed to a deficit of $24.9 million, from a surplus of $39.5 million in the prior year.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Despite escalating trade tensions capped by the imposition of tariffs on a number of large exporting countries' products by the United States' administration, indications are that most of the major economies maintained their growth momentum during the second quarter, bolstered by gains in domestic demand and investments. Against this backdrop, unemployment rates among the major economies continued to decline gradually, while inflation remained relatively benign. Given the increase in uncertainty globally, the developed countries' central banks retained their accommodative monetary policy stance, in an effort to encourage further economic growth—with the Federal Reserve being the sole exception.

During the second quarter, the United States' economy expanded significantly by 4.2%, outstripping the 2.2% growth in the prior three-month period, buoyed by gains in consumer and Government spending, as well as increased exports. Similarly, the United Kingdom's real economic output growth quickened to 0.4% from 0.2% in the previous quarter, attributed to increases in retail services and construction, which overshadowed declines in production and manufacturing. In the euro area, real GDP grew by 0.4%, following a similar rise in the prior period, as unseasonably warm weather contributed to a rise in consumer spending. Buoyed by gains in household and business outlays, Japan's economy expanded by an annualized 1.9% in the second quarter, a turnaround from a slight 0.6% contraction in previous three-month period. Further, China's output growth steadied at 6.7%, fuelled by strong gains in exports ahead of the imposition of major tariffs by the United States Government and by positive contributions from information technology-related services.

Given the sustained positive developments in the major economies, labour market conditions continued to improve over the review period. Specifically, the jobless rate in the United States narrowed by 20 basis points to 3.9% in the second quarter, as an estimated 632,000 jobs were added primarily in professional & business services, manufacturing, health care and mining & construction. Similarly, the unemployment rate in the United Kingdom fell by 20 basis points to 4.0%—the lowest rate in over 40 years—as the number of employed persons increased by approximately 42,000, while the euro area's jobless rate decreased by 10 basis points to 8.4%. Asian economies also registered employment gains, with rates in both China and Japan declining by 20 basis points each to 4.6% and 2.3%, respectively, vis-à-vis the previous quarter.

Despite the modest firming in energy costs, inflation in the major economies stayed relatively benign during the review quarter. In the United States, the pace of growth in consumer prices quickened by 50 basis points to an annualized 2.9% in June, reflecting higher prices for shelter, gasoline and food. Similarly, amid increases in costs for food, alcohol & tobacco, services and non-energy industrial goods, consumer prices in the euro area rose over the quarter by 2.0%, outpacing the 1.3% gain recorded in the prior three-month period. In contrast, the annualized rate of inflation in the United Kingdom slowed by 20 basis points to 2.3%, attributed to a reduction in air and sea fares. With regard to Asia, China's consumer prices grew by 1.9% on an annual basis, a slowdown from a 2.1% increase in the prior three-month period, underpinned by slight declines in prices for food items—specifically fresh vegetables, fruits and meat. In addition, led by a decrease in food and clothing & footwear costs, Japan's inflation rate narrowed by 40 basis points to 0.7%.

Reflecting a variety of domestic and international factors, the United States dollar appreciated against all major currencies during the second quarter. Specifically, amid concerns over the potential adverse effects of the UK's exit from the European Union, the dollar strengthened relative to the British pound by 6.1% to £0.76 and gained by 5.4% versus the euro to €0.86, as the European Central Bank (ECB) announced its intention to end its bond-buying programme. In addition, the escalating trade dispute between the world's two largest economies, contributed to the dollar firming vis-à-vis the Chinese Yuan, by 5.3% to ¥6.62. Further, the dollar recorded gains relative to the Japanese yen, by 4.2% (¥110.75), the Swiss Franc, by 3.8% (CHF 0.99) and the Canadian dollar, by 1.8% (CAD$1.31).

Given the general improvement in large firms' earnings, due the reduction in US corporate tax rates, most of the major equity markets improved during the second quarter. Specifically, in the United States, the S&P 500 and the Dow Jones Industrial Average (DJIA) rose by 2.9% and 0.5%, respectively. Similarly, European bourses advanced, with the United Kingdom's FTSE100 index firming by 8.2%, while France's CAC 40 and Germany's DAX rose by 3.0% and 1.7%, respectively. The performance of the equity markets in Asia varied, as China's SE Composite fell sharply by 10.1% over the quarter, due in part to the Government's efforts to reduce the high level of shares purchased with borrowed funds. In contrast, Japan's Nikkei 225 advanced by 4.0%.

International oil prices grew by 13.2% to $77.40 per barrel during the second quarter, following a 10.7% gain in the prior three-month period, as most of the major producers continued their coordinated efforts to restrain output supply. In contrast, in the precious metal market, both the prices of gold and silver fell by 5.4% and 1.6%, to $1,253.17 and $79.44 per troy ounce, respectively.

In external sector developments, most of the major economies recorded improvements in their trade positions during the review quarter, despite the ratcheting-up of trade tensions among the major exporters and the imposition of $50.0 billion in tariffs by the US on various Chinese exports. Specifically, in the United States, the deficit on the goods and services account narrowed by 12.9% to an estimated $135.6 billion, underpinned by a 3.4% rise in exports of goods—mainly industrial supplies, foods, feeds & beverages and capital goods—which outweighed the slight 0.1% gain in imports. Further, the euro area's trade surplus widened by 12.8% to €55.7 billion over the review period, as the 2.8% expansion in exports, of mainly manufactured goods, eclipsed the 1.8% growth in imports. In light of the increase in shipments to the US ahead of the anticipated imposition of additional tariffs, China's trade surplus more than doubled to US$953.7 million from US$483.9 million, attributed to a 15.5% increase in exports, of largely construction materials, aluminum and steel, which outpaced the 7.6% gain in imports. Similarly, Japan's trade surplus grew by 10.5% to ¥1,924.9 billion, reflecting a 1.3% increase in exports, combined with a 3.2% falloff in imports. In contrast, the United Kingdom's trade deficit widened by £4.7 billion to £8.6 billion in the second quarter, as exports of primarily automobiles and aircraft declined, while imports expanded.

In the context of heightened trade-related uncertainty in the markets, most of the major central banks either enhanced or maintained their accommodative monetary policy stance during the second quarter. Specifically, the People's Bank of China (PBOC) lowered the reserve requirement ratio for both large and small-scale supervised financial institutions by one percentage point to 17.0% and 15.0%, respectively, in an effort to stimulate domestic demand. In addition, the Bank of England kept the size of its asset purchase programme at £435.0 billion and retained its key policy rate at 0.5%. Similarly, the European Central Bank sustained its asset purchase programme at €30 billion per month and left its benchmark interest rates at historical lows, while the Bank of Japan (BOJ) continued with its Government bond purchase programme, in order to sustain 10-year yields at 0.0%, while leaving its main policy rate at -0.1%. In contrast, amid the improving economic and labour market conditions, and relatively low inflation environment, the Federal Reserve continued to "normalise" its' policy rate, by adjusting the target range for the federal funds rate upwards by an additional 25 basis points to 1.75%-2.0%.

STATISTICAL APPENDIX (TABLES 1-16)

TABLE 1
FINANCIAL SURVEY

Period	2014	2015	2016	2017				2018	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
				(B$ Millions)					
Net foreign assets	286.4	280.2	678.5	607.3	739.5	778.5	1,152.5	1,376.7	1,300.4
Central Bank	787.7	811.9	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9	1,572.1
Domestic Banks	(501.2)	(531.7)	(225.4)	(313.2)	(220.5)	(255.3)	(265.0)	(220.2)	(271.7)
Net domestic assets	6,103.7	6,093.7	6,251.4	6,277.6	6,403.0	6,233.6	5,884.6	5,766.5	5,857.1
Domestic credit	8,870.5	8,966.2	9,128.4	9,116.4	9,285.7	9,211.0	8,838.3	8,730.9	8,808.6
Public sector	2,503.6	2,666.4	2,957.6	2,936.4	3,128.7	3,185.2	2,855.5	2,767.6	2,875.8
Government (net)	2,024.0	2,198.0	2,551.4	2,540.2	2,741.6	2,693.0	2,383.0	2,318.6	2,392.0
Rest of public sector	479.7	468.4	406.3	396.1	387.0	492.1	472.5	449.1	483.9
Private sector	6,366.9	6,299.7	6,170.8	6,180.1	6,157.0	6,025.8	5,982.9	5,963.3	5,932.7
Other items (net)	(2,766.8)	(2,872.4)	(2,877.0)	(2,838.8)	(2,882.7)	(2,977.4)	(2,953.7)	(2,964.4)	(2,951.4)
Monetary liabilities	6,390.0	6,373.8	6,930.1	6,885.2	7,142.8	7,012.4	7,037.3	7,145.4	7,159.1
Money	1,995.7	2,071.2	2,460.6	2,430.2	2,659.3	2,606.6	2,654.0	2,753.6	2,774.0
Currency	232.8	246.6	280.5	281.5	294.1	284.3	292.6	302.0	312.1
Demand deposits	1,762.9	1,824.7	2,180.1	2,148.7	2,365.2	2,322.3	2,361.5	2,451.7	2,461.9
Quasi-money	4,394.3	4,302.6	4,469.5	4,455.0	4,483.5	4,405.8	4,383.3	4,391.8	4,385.1
Fixed deposits	3,101.9	2,966.5	2,866.3	2,840.5	2,779.3	2,756.4	2,737.9	2,710.3	2,648.0
Savings deposits	1,067.5	1,148.3	1,295.6	1,316.7	1,380.9	1,368.1	1,371.2	1,395.3	1,425.3
Foreign currency	224.8	187.8	307.6	297.8	323.3	281.3	274.1	286.1	311.8
				(percentage changes)					
Total domestic credit	(1.0)	1.1	1.8	(0.1)	1.9	(0.8)	(4.0)	(1.2)	0.9
Public sector	4.1	6.5	10.9	(0.7)	6.5	1.8	(10.4)	(3.1)	3.9
Government (net)	4.0	8.6	16.1	(0.4)	7.9	(1.8)	(11.5)	(2.7)	3.2
Rest of public sector	4.4	(2.4)	(13.3)	(2.5)	(2.3)	27.2	(4.0)	(4.9)	7.7
Private sector	(2.8)	(1.1)	(2.0)	0.1	(0.4)	(2.1)	(0.7)	(0.3)	(0.5)
Monetary liabilities	1.1	(0.3)	8.7	(0.6)	3.7	(1.8)	0.4	1.5	0.2
Money	21.6	3.8	18.8	(1.2)	9.4	(2.0)	1.8	3.8	0.7
Currency	8.5	5.9	13.7	0.4	4.5	(3.3)	2.9	3.2	3.3
Demand deposits	23.6	3.5	19.5	(1.4)	10.1	(1.8)	1.7	3.8	0.4
Quasi-money	(6.0)	(2.1)	3.9	(0.3)	0.6	(1.7)	(0.5)	0.2	(0.2)

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

Period	2014	2015	2016	2017				2018	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
				(B$ Millions)					
Net foreign assets	334.2	360.1	730.5	675.8	790.1	828.9	1,218.0	1,450.2	1,398.9
Central Bank	787.7	811.9	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9	1,572.1
Commercial banks	(453.5)	(451.8)	(173.5)	(244.6)	(169.9)	(204.9)	(199.5)	(146.7)	(173.2)
Net domestic assets	6,002.0	5,956.8	6,131.5	6,161.6	6,279.0	6,132.6	5,742.1	5,631.7	5,665.4
Domestic credit	8,837.0	8,926.2	9,097.0	9,074.4	9,239.6	9,184.4	8,808.7	8,697.6	8,778.3
Public sector	2,492.5	2,653.2	2,941.4	2,925.1	3,101.5	3,175.1	2,841.7	2,753.0	2,863.6
Government (net)	2,013.2	2,187.2	2,535.5	2,529.3	2,714.8	2,683.3	2,369.6	2,304.3	2,380.1
Rest of public sector	479.3	466.0	405.9	395.8	386.7	491.8	472.1	448.7	483.5
Private sector	6,344.5	6,273.0	6,155.6	6,149.4	6,138.2	6,009.3	5,967.0	5,944.6	5,914.7
Other items (net)	(2,834.9)	(2,969.4)	(2,965.5)	(2,912.9)	(2,960.6)	(3,051.8)	(3,066.6)	(3,065.9)	(3,112.8)
Monetary liabilities	6,336.1	6,316.8	6,862.1	6,837.8	7,069.4	6,961.8	6,960.3	7,084.1	7,065.9
Money	1,955.0	2,024.9	2,406.8	2,397.4	2,603.7	2,568.5	2,591.4	2,705.9	2,694.5
Currency	232.8	246.6	280.5	281.5	294.1	284.3	292.6	302.0	312.1
Demand deposits	1,722.2	1,778.3	2,126.4	2,115.9	2,309.6	2,284.2	2,298.8	2,403.9	2,382.4
Quasi-money	4,381.1	4,291.9	4,455.3	4,440.4	4,465.7	4,393.4	4,368.8	4,378.3	4,371.5
Savings deposits	1,067.5	1,148.3	1,295.0	1,316.5	1,380.8	1,368.1	1,371.2	1,395.3	1,425.3
Fixed deposits	3,088.8	2,955.9	2,854.8	2,828.0	2,766.3	2,744.9	2,725.8	2,699.1	2,636.7
Foreign currency deposits	224.8	187.8	305.5	295.9	318.6	280.3	271.9	283.8	309.5
				(percentage change)					
Total domestic credit	(1.0)	1.0	1.9	(0.2)	1.8	(0.6)	(4.1)	(1.3)	0.9
Public sector	4.0	6.4	10.9	(0.6)	6.0	2.4	(10.5)	(3.1)	4.0
Government (net)	3.9	8.6	15.9	(0.2)	7.3	(1.2)	(11.7)	(2.8)	3.3
Rest of public sector	4.4	(2.8)	(12.9)	(2.5)	(2.3)	27.2	(4.0)	(4.9)	7.7
Private sector	(2.9)	(1.1)	(1.9)	(0.1)	(0.2)	(2.1)	(0.7)	(0.4)	(0.5)
Monetary liabilities	1.1	(0.3)	8.6	(0.4)	3.4	(1.5)	(0.0)	1.8	(0.3)
Money	21.4	3.6	18.9	(0.4)	8.6	(1.4)	0.9	4.4	(0.4)
Currency	8.6	5.9	13.7	0.4	4.5	(3.3)	2.9	3.2	3.3
Demand deposits	23.3	3.3	19.6	(0.5)	9.2	(1.1)	0.6	4.6	(0.9)
Quasi-money	(5.9)	(2.0)	3.8	(0.3)	0.6	(1.6)	(0.6)	0.2	(0.2)

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B$ Millions)

Period	2014	2015	2016	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.	2018 Jun.
Net foreign assets	787.7	811.9	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9	1,572.1
Balances with banks abroad	155.2	206.6	254.8	251.6	286.0	340.4	698.5	783.9	740.0
Foreign securities	544.9	521.7	550.5	569.3	571.9	590.0	614.7	681.8	705.3
Reserve position in the Fund	9.1	8.7	25.9	26.2	26.8	27.3	27.5	28.0	27.1
SDR holdings	78.5	75.0	72.7	73.4	75.2	76.3	76.8	103.2	99.7
Net domestic assets	375.6	340.6	555.3	520.6	647.0	582.2	209.6	190.8	161.6
Net claims on Government	523.4	493.7	716.6	690.5	826.5	763.2	390.1	395.4	355.0
Claims	571.4	523.1	731.9	711.1	860.3	781.9	417.0	415.4	380.0
Treasury bills	119.7	126.6	223.9	202.1	357.5	317.8	7.2	-	(0.0)
Bahamas registered stock	316.5	261.1	372.6	373.4	367.1	328.3	274.5	279.8	244.3
Loans and advances	135.2	135.4	135.4	135.5	135.7	135.9	135.4	135.5	135.7
Deposits	(48.0)	(29.4)	(15.3)	(20.6)	(33.8)	(18.8)	(26.9)	(19.9)	(24.9)
In local currency	(48.0)	(29.4)	(15.3)	(20.6)	(33.8)	(18.8)	(26.9)	(19.9)	(24.9)
In foreign currency	-	-	-	-	-	-	-	-	-
Deposits of rest of public sector	(26.0)	(17.3)	(12.6)	(15.7)	(19.3)	(21.8)	(17.2)	(27.5)	(25.2)
Credit to commercial banks	-	-	-	-	-	-	-	-	-
Official capital and surplus	(152.3)	(163.7)	(173.1)	(172.5)	(170.8)	(169.6)	(185.1)	(183.7)	(185.3)
Net unclassified assets	21.1	19.0	15.4	9.4	1.9	2.4	13.8	(1.5)	9.3
Loans to rest of public sector	4.2	3.7	3.6	3.7	3.4	3.0	2.8	2.8	2.6
Public Corp Bonds/Securities	5.2	5.2	5.3	5.3	5.3	5.2	5.2	5.2	5.2
Liabilities To Domestic Banks	(750.2)	(733.5)	(1,011.4)	(990.7)	(1,139.6)	(1,155.8)	(1,157.0)	(1,304.6)	(1,246.4)
Notes and coins	(142.5)	(142.4)	(145.1)	(97.6)	(93.7)	(94.4)	(145.8)	(101.2)	(95.7)
Deposits	(607.7)	(591.1)	(866.3)	(893.1)	(1,046.0)	(1,061.4)	(1,011.2)	(1,203.4)	(1,150.7)
SDR allocation	(180.3)	(172.4)	(167.3)	(168.9)	(173.3)	(176.0)	(177.4)	(181.1)	(175.3)
Currency held by the private sector	(232.8)	(246.6)	(280.5)	(281.5)	(294.1)	(284.3)	(292.6)	(302.0)	(312.1)

Source: The Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

(B$ Millions)

Period	2014	2015	2016	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.	2018 Jun.
Net foreign assets	(501.2)	(531.7)	(225.4)	(313.2)	(220.5)	(255.3)	(265.0)	(220.2)	(271.7)
Net claims on Central Bank	749.2	730.0	1,012.4	991.7	1,140.6	1,156.7	1,158.0	1,305.5	1,247.3
Notes and Coins	142.5	142.4	145.1	97.6	93.7	94.4	145.8	101.2	95.7
Balances	606.7	587.5	867.3	894.0	1,046.9	1,062.4	1,012.2	1,204.3	1,151.6
Less Central Bank credit	-	-	-	-	-	-	-	-	-
Net domestic assets	5,537.6	5,569.8	5,483.7	5,563.5	5,567.8	5,442.6	5,483.6	5,366.3	5,451.1
Net claims on Government	1,500.5	1,704.4	1,834.8	1,849.8	1,915.2	1,929.9	1,992.9	1,923.1	2,036.9
Treasury bills	454.5	662.6	531.9	489.3	475.1	506.5	611.4	620.0	720.5
Other securities	907.0	895.4	987.1	1,055.5	1,105.9	1,094.3	1,137.7	1,105.2	1,095.9
Loans and advances	352.1	416.8	502.7	516.6	516.0	528.0	442.2	417.1	428.6
Less: deposits	213.1	270.5	186.9	211.7	181.8	198.9	198.5	219.1	208.1
Net claims on rest of public sector	124.6	117.6	31.0	41.2	36.7	121.7	113.6	76.9	80.9
Securities	219.0	221.0	163.9	163.9	163.9	275.7	262.6	243.6	231.6
Loans and advances	251.3	238.4	233.5	223.3	214.4	208.3	201.9	197.6	244.5
Less: deposits	345.7	341.8	366.4	346.0	341.6	362.3	350.8	364.3	395.1
Other net claims	24.8	43.9	(2.9)	1.0	(5.2)	(4.9)	(2.6)	(5.0)	(1.8)
Credit to the private sector	6,366.9	6,299.7	6,170.8	6,180.1	6,157.0	6,025.8	5,982.9	5,963.3	5,932.7
Securities	16.8	24.4	19.6	25.8	22.4	19.4	19.1	23.0	21.5
Mortgages	3,211.4	3,164.7	3,035.5	3,024.8	3,028.0	2,972.8	2,949.5	2,946.6	2,955.0
Loans and advances	3,138.7	3,110.7	3,115.7	3,129.4	3,106.6	3,033.7	3,014.3	2,993.6	2,956.2
Private capital and surplus	(2,499.2)	(2,651.2)	(2,594.4)	(2,580.9)	(2,639.7)	(2,693.6)	(2,699.3)	(2,684.1)	(2,647.5)
Net unclassified assets	20.0	55.5	44.5	72.5	103.7	63.8	96.2	92.3	49.8
Liabilities to private sector	5,785.5	5,768.1	6,270.7	6,242.0	6,487.9	6,344.0	6,376.6	6,451.7	6,426.7
Demand deposits	1,830.6	1,868.3	2,287.4	2,261.3	2,482.6	2,383.5	2,420.1	2,495.1	2,500.3
Savings deposits	1,074.1	1,162.0	1,315.0	1,335.1	1,400.9	1,386.1	1,390.4	1,416.6	1,443.9
Fixed deposits	2,880.8	2,737.8	2,668.3	2,645.7	2,604.3	2,574.3	2,566.1	2,540.0	2,482.4

Source: The Central Bank of The Bahamas

TABLE 5

PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

Period	2013	2014	2015	2016				2017				2018
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
1. Interest Income	646,083	617,808	626,420	158,211	152,709	150,401	153,783	148,243	146,844	154,093	140,978	146,250
2. Interest Expense	117,811	98,321	85,414	20,807	20,410	18,595	18,547	18,688	16,236	16,146	15,252	14,159
3. **Interest Margin (1-2)**	528,272	519,487	541,006	137,404	132,299	131,806	135,236	129,555	130,608	137,947	125,726	132,091
4. Commission & Forex Income	23,278	22,484	29,530	5,756	6,636	5,802	6,648	7,417	6,993	6,854	7,273	7,192
5. **Gross Earnings Margin (3+4)**	551,550	541,971	570,536	143,160	138,935	137,608	141,884	136,972	137,601	144,801	132,999	139,283
6. Staff Costs	181,910	171,579	170,396	40,906	41,677	41,468	40,840	40,170	39,764	37,717	42,821	39,427
7. Occupancy Costs	30,120	27,797	27,018	6,883	7,025	7,574	7,020	6,549	6,756	6,824	5,939	7,174
8. Other Operating Costs	132,475	279,278	150,629	39,236	40,452	47,833	38,464	49,797	42,378	46,814	51,629	45,638
9. **Operating Costs (6+7+8)**	344,505	478,654	348,043	87,025	89,154	96,875	86,324	96,516	88,898	91,355	100,389	92,239
10. **Net Earnings Margin (5-9)**	207,045	63,317	222,493	56,135	49,781	40,733	55,560	40,456	48,703	53,446	32,610	47,044
11. Depreciation Costs	16,969	14,637	15,769	3,632	3,560	4,099	3,808	3,985	3,710	3,943	4,254	3,407
12. Provisions for Bad Debt	149,114	266,624	132,574	20,347	36,032	30,344	29,405	22,425	51,302	22,236	17,168	25,641
13. Other Income	98,023	103,893	111,263	32,759	32,657	34,300	33,459	30,470	37,649	30,781	37,136	35,567
14. **Other Income (Net) (13-11-12)**	(68,060)	(177,368)	(37,080)	8,780	(6,935)	(143)	246	4,060	(17,363)	4,602	15,714	6,519
15. **Net Income (10+14)**	138,985	(114,051)	185,413	64,915	42,846	40,590	55,806	44,516	31,340	58,048	48,324	53,563
16. **Effective Interest Rate Spread (%)**	6.85	6.83	29	7.24	7.16	7.28	7.24	6.96	7.04	7.20	7.24	7.12
					(Ratios To Average Assets)							
Interest Margin	5.42	5.31	5.42	5.44	5.21	5.27	5.38	5.14	5.14	5.34	4.89	5.11
Commission & Forex Income	0.22	0.23	0.22	0.23	0.26	0.23	0.26	0.29	0.28	0.27	0.28	0.28
Gross Earnings Margin	5.64	5.54	5.64	5.67	5.47	5.50	5.64	5.43	5.42	5.60	5.18	5.39
Operating Costs	3.68	4.89	3.68	3.45	3.51	3.87	3.43	3.83	3.50	3.54	3.91	3.57
Net Earnings Margin	1.96	0.65	1.96	2.22	1.96	1.63	2.21	1.61	1.92	2.07	1.27	1.82
Net Income/Loss	1.43	-1.16	1.43	2.57	1.69	1.62	2.22	1.77	1.23	2.25	1.88	2.07

***Commercial Banks and OLFIs with domestic operations**

Source: The Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

(B$ Millions)

End of Period	2014	2015	2016	2017				2018	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Money Supply (M1)	1,995.7	2,071.2	2,460.6	2,430.2	2,659.3	2,606.6	2,654.0	2,753.6	2,774.0
1) Currency in active circulation	232.8	246.6	280.5	281.5	294.1	284.3	292.6	302.0	312.1
2) Demand deposits	1,762.9	1,824.7	2,180.1	2,148.7	2,365.2	2,322.3	2,361.5	2,451.7	2,461.9
Central Bank	26.0	17.3	12.6	15.7	19.3	21.8	17.2	27.5	25.2
Domestic Banks	1,736.9	1,807.3	2,167.6	2,133.0	2,346.0	2,300.4	2,344.2	2,424.2	2,436.7
Factors affecting money (M1)									
1) Net credit to Government	2,024.0	2,198.0	2,551.4	2,540.2	2,741.6	2,693.0	2,383.0	2,318.6	2,392.0
Central Bank	523.4	493.7	716.6	690.5	826.5	763.2	390.1	395.4	355.0
Domestic banks	1,500.5	1,704.4	1,834.8	1,849.8	1,915.2	1,929.9	1,992.9	1,923.1	2,036.9
2) Other credit	6,846.5	6,768.1	6,577.1	6,576.2	6,544.0	6,518.0	6,455.3	6,412.3	6,416.6
Rest of public sector	479.7	468.4	406.3	396.1	387.0	492.1	472.5	449.1	483.9
Private sector	6,366.9	6,299.7	6,170.8	6,180.1	6,157.0	6,025.8	5,982.9	5,963.3	5,932.7
3) External reserves	787.7	811.9	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9	1,572.1
4) Other external liabilities (net)	(501.2)	(531.7)	(225.4)	(313.2)	(220.5)	(255.3)	(265.0)	(220.2)	(271.7)
5) Quasi money	4,394.3	4,302.6	4,469.5	4,455.0	4,483.5	4,405.8	4,383.3	4,391.8	4,385.1
6) Other items (net)	(2,766.8)	(2,872.4)	(2,877.0)	(2,838.8)	(2,882.7)	(2,977.4)	(2,953.7)	(2,964.4)	(2,951.4)

Source: The Central Bank of The Bahamas

TABLE 7
CONSUMER INSTALMENT CREDIT

(B$' 000)

End of Period	2014	2015	2016	2017				2018	
				Mar.	Jun.	Sept.	Dec.	Mar.	June
CREDIT OUTSTANDING									
Private cars	186,731	181,447	176,178	176,368	174,265	169,892	163,974	159,105	153,708
Taxis & rented cars	853	1,026	777	735	770	795	796	855	803
Commercial vehicles	1,958	1,498	1,050	1,274	1,238	1,247	1,208	1,158	1,124
Furnishings & domestic appliances	7,911	8,081	8,302	8,491	9,089	9,056	8,493	8,238	7,863
Travel	30,033	36,836	41,197	40,030	42,427	47,008	45,457	43,318	45,909
Education	36,571	41,117	52,245	50,540	48,614	54,208	53,065	50,684	47,491
Medical	11,744	12,471	12,824	13,140	13,170	12,816	12,025	12,752	12,857
Home Improvements	131,723	114,265	121,959	123,739	123,237	119,768	113,898	110,992	107,081
Land Purchases	216,760	193,163	169,847	164,302	160,905	156,141	152,771	149,817	145,587
Consolidation of debt	777,804	802,034	984,569	984,153	969,146	954,528	951,071	950,187	955,742
Miscellaneous	625,074	640,154	546,313	549,889	559,433	568,221	564,703	558,803	537,745
Credit Cards	245,254	249,164	256,166	247,825	246,364	250,934	254,852	247,113	243,617
TOTAL	2,272,416	2,281,256	2,371,427	2,360,486	2,348,658	2,344,614	2,322,313	2,293,022	2,259,527
NET CREDIT EXTENDED									
Private cars	11,324	(5,284)	(5,269)	190	(2,103)	(4,373)	(5,918)	(4,869)	(5,397)
Taxis & rented cars	(224)	173	(249)	(42)	35	25	1	59	(52)
Commercial vehicles	(376)	(460)	(448)	224	(36)	9	(39)	(50)	(34)
Furnishings & domestic appliances	(8)	170	221	189	598	(33)	(563)	(255)	(375)
Travel	(2,978)	6,803	4,361	(1,167)	2,397	4,581	(1,551)	(2,139)	2,591
Education	2,713	4,546	11,128	(1,705)	(1,926)	5,594	(1,143)	(2,381)	(3,193)
Medical	(266)	727	353	316	30	(354)	(791)	727	105
Home Improvements	7,780	(17,458)	7,694	1,780	(502)	(3,469)	(5,870)	(2,906)	(3,911)
Land Purchases	(8,305)	(23,597)	(23,316)	(5,545)	(3,397)	(4,764)	(3,370)	(2,954)	(4,230)
Consolidation of debt	(24,923)	24,230	182,535	(416)	(15,007)	(14,618)	(3,457)	(884)	5,555
Miscellaneous	61,752	15,080	(93,841)	3,576	9,544	8,788	(3,518)	(5,900)	(21,058)
Credit Cards	4,013	3,910	7,002	(8,341)	(1,461)	4,570	3,918	(7,739)	(3,496)
TOTAL	50,502	8,840	90,171	(10,941)	(11,828)	(4,044)	(22,301)	(29,291)	(33,495)

Source: The Central Bank of The Bahamas

TABLE 8
SELECTED AVERAGE INTEREST RATES

(%)

Period	2014	2015	2016	2017				2018	
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
DOMESTIC BANKS									
Deposit rates									
Savings deposits	0.89	0.83	0.82	0.77	0.72	0.68	0.72	0.71	0.67
Fixed deposits									
Up to 3 months	1.16	1.13	0.97	0.80	0.68	0.74	0.88	0.67	0.56
Up to 6 months	1.22	1.08	0.99	0.65	0.66	0.63	0.62	0.62	0.58
Up to 12 months	1.76	1.71	1.58	1.27	1.32	1.11	1.14	0.94	1.07
Over 12 months	1.64	1.57	1.87	1.45	1.80	1.61	1.57	1.41	1.52
Weighted average rate	1.42	1.41	1.24	1.00	0.98	0.98	1.03	0.91	0.82
Lending rates									
Residential mortgages	7.16	6.47	6.22	6.14	6.00	5.41	5.50	5.50	5.46
Commercial mortgages	8.02	7.89	7.87	6.38	6.58	6.75	7.75	7.52	6.74
Consumer loans	13.91	14.26	14.03	13.60	13.82	13.36	13.64	13.58	13.49
Overdrafts	9.76	10.36	11.13	10.78	10.65	10.12	10.94	10.47	10.04
Weighted average rate	11.81	12.29	12.49	11.88	12.02	11.64	11.48	11.40	11.25
Other rates									
Prime rate	4.75	4.75	4.75	4.25	4.25	4.25	4.25	4.25	4.25
Treasury bill (90 days)	0.53	0.68	1.64	1.96	1.77	1.77	1.82	1.78	1.78
Treasury bill re-discount rate	1.03	1.18	2.14	2.46	2.27	2.27	2.32	2.28	2.28
Bank rate (discount rate)	4.50	4.50	4.46	4.00	4.00	4.00	4.00	4.00	4.00

Source: The Central Bank of The Bahamas

TABLE 9
SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS

(%)

Period	2014	2015	2016	2017 Qtr. I	2017 Qtr. II	2017 Qtr. III	2017 Qtr. IV	2018 Qtr. I	2018 Qtr. II
Loan Portfolio									
Current Loans (as a % of total loans)	**79.7**	**80.9**	**84.3**	**84.7**	**84.3**	**85.5**	**85.7**	**85.9**	**86.6**
Arrears (% by loan type)									
Consumer	5.2	4.7	4.0	4.0	4.1	4.2	4.2	4.1	4.1
Mortgage	11.0	10.9	8.1	7.9	8.0	8.3	8.6	8.4	7.9
Commercial	4.1	3.5	3.6	3.4	3.6	1.9	1.5	1.6	1.5
Public	0.0	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Total Arrears	**20.3**	**19.1**	**15.7**	**15.3**	**15.7**	**14.5**	**14.3**	**14.1**	**13.4**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Loan Portfolio									
Current Loans (as a % of total loans)	**79.7**	**80.9**	**84.3**	**84.7**	**84.3**	**85.5**	**85.7**	**85.9**	**86.6**
Arrears (% by days outstanding)									
30 - 60 days	2.9	3.1	2.8	2.7	2.7	3.3	3.3	3.5	2.8
61 - 90 days	2.0	1.8	1.6	1.5	1.7	1.7	1.8	1.4	1.7
90 - 179 days	2.0	1.6	1.5	1.4	1.5	1.6	1.4	1.5	1.3
over 180 days	13.3	12.6	9.8	9.8	9.8	7.9	7.7	7.7	7.6
Total Arrears	**20.3**	**19.1**	**15.7**	**15.3**	**15.7**	**14.5**	**14.3**	**14.1**	**13.4**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Accrual Loans (% by loan type)									
Consumer	23.6	22.2	23.2	23.5	23.9	26.4	27.2	28.0	28.3
Mortgage	53.8	57.4	50.7	50.3	49.6	59.5	61.4	60.2	60.5
Other Private	22.6	20.4	26.1	26.1	26.5	14.2	11.4	11.8	11.3
Public	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0
Total Non Accrual Loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Provisions to Loan Portfolio									
Consumer	6.5	7.1	7.4	7.1	7.1	6.6	6.1	6.8	7.3
Mortgage	8.9	9.9	8.9	7.6	7.8	8.0	8.3	7.8	7.5
Other Private	11.4	10.2	11.6	12.3	15.4	7.4	8.1	8.0	7.8
Public	-	-	-	-	-	-	-	-	-
Total Provisions to Total Loans	7.9	8.3	8.0	7.4	7.9	6.7	6.8	6.9	6.9
Total Provisions to Non-performing Loans	51.2	58.5	70.6	66.8	69.8	71.1	74.6	74.9	77.6
Total Non-performing Loans to Total Loans	15.3	14.2	11.4	11.1	11.3	9.5	9.2	9.2	8.9

Source: The Central Bank of The Bahamas
Figures may not sum to total due to rounding.

TABLE 10
SUMMARY OF BANK LIQUIDITY

(B$ Millions)

Period	2014	2015	2016	2017				2018	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
I. Statutory Reserves									
Required reserves	311.2	316.9	325.1	330.1	333.8	335.4	336.9	338.6	342.9
Average Till Cash	122.7	123.0	130.4	99.8	101.3	104.1	125.8	106.7	97.1
Average balance with central bank	676.6	598.7	945.1	902.6	982.4	1,006.7	1,030.3	1,165.4	1,224.3
Free cash reserves (period ended)	488.0	404.9	750.5	672.3	749.9	775.4	819.2	933.5	978.5
II. Liquid Assets (period)									
A. Minimum Required Liquid Assets	1,025.5	1,044.6	1,098.6	1,116.7	1,142.2	1,140.7	1,128.9	1,143.7	1,152.2
B. Net Eligible Liquid Assets	2,182.2	2,361.6	2,579.9	2,588.6	2,768.4	2,804.0	2,956.2	3,074.9	3,112.3
i) Balance with Central Bank	606.7	587.5	867.3	894.0	1,046.9	1,062.4	1,012.2	1,204.3	1,150.7
ii) Notes and Coins	143.0	142.9	145.6	98.1	94.2	94.9	146.3	101.7	96.2
iii) Treasury Bills	454.5	662.6	531.9	489.3	475.1	506.5	611.4	620.0	720.5
iv) Government registered stocks	907.0	895.4	987.1	1,055.5	1,105.9	1,094.3	1,137.7	1,105.2	1,095.7
v) Specified assets	56.0	55.6	51.0	51.0	50.9	50.8	50.8	50.6	50.3
vi) Net Inter-bank dem/call deposits	15.1	17.4	(3.0)	0.7	(4.5)	(4.9)	(2.2)	(7.0)	(1.0)
vii) Less: borrowings from central bank	-	-	-	-	-	-	-	-	-
C. Surplus/(Deficit)	1,156.8	1,316.9	1,481.3	1,471.9	1,626.2	1,663.4	1,827.3	1,931.2	1,960.1

Source: The Central Bank of The Bahamas
Figures may not sum to total due to rounding.

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

Period	2015/16p	2016/17p	Budget 2017/18	Budget 2018/19	2016/17p Qtr. III	2016/17p Qtr. IV	2017/18p Qtr. I	2017/18p Qtr. II	2017/18p Qtr. III	2017/18p Qtr. IV*
Total Revenue & Grants	1,929.6	2,060.5	2,139.0	2,637.6	605.9	602.8	452.2	426.4	587.3	381.0
Current expenditure	2,005.0	2,339.7	2,231.9	2,574.6	505.3	829.5	483.4	514.9	546.1	359.2
Capital expenditure	231.3	390.2	230.9	299.3	75.0	162.7	34.4	41.5	37.3	42.2
Net lending	3.6	0.0	(2.4)	(2.5)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.0)
Overall balance	**(310.4)**	**(669.3)**	**(321.3)**	**(233.8)**	**25.6**	**(389.3)**	**(65.6)**	**(129.9)**	**4.0**	**(20.3)**
FINANCING (I+II-III+IV+V)	310.4	669.3	321.3	233.8	(25.6)	389.3	65.6	129.9	(4.0)	20.3
I. Foreign currency borrowing	**255.8**	**43.3**	**9.5**	**50.4**	**4.0**	**13.6**	**358.2**	**954.6**	**59.2**	**0.1**
External	205.8	43.3	9.5	50.4	4.0	13.6	358.2	954.6	59.2	0.1
Domestic	50.0	-	-	-	-	-	-	-	-	-
II. Bahamian dollar borrowing	**411.1**	**1,132.1**	**743.5**	**896.6**	**86.6**	**292.7**	**97.6**	**232.7**	**111.6**	**125.6**
i)Treasury bills	301.2	337.7	-	-	11.6	217.7	8.6	0.7	1.6	50.6
ii)Long-term securities	87.3	545.0	-	-	75.0	75.0	75.0	232.0	110.0	75.0
iii)Loans and Advances	22.6	249.5	-	-	-	-	14.0	-	-	-
III. Debt repayment	**322.7**	**595.1**	**426.2**	**709.4**	**88.5**	**94.8**	**140.8**	**884.9**	**155.4**	**100.5**
Domestic	294.3	557.1	388.6	620.9	75.2	87.7	125.9	427.2	131.4	95.7
Bahamian dollars	244.3	557.1	388.6	620.9	75.2	87.7	125.9	427.2	131.4	95.7
Internal foreign currency	50.0	-	-	-	-	-	-	-	-	-
External	28.5	38.1	37.6	88.5	13.3	7.1	14.9	457.7	24.1	4.7
IV.Net Sale of Shares & Other Equity	**-**	**(120.2)**	**-**	**-**	**(17.7)**	**-**	**(50.0)**	**(19.0)**	**(19.0)**	**-**
V.Cash balance change	**(110.4)**	**227.6**	**-**	**-**	**22.7**	**16.7**	**(2.1)**	**(7.7)**	**(13.7)**	**2.1**
VI.Other Financing	**76.6**	**(18.4)**	**(5.5)**	**(3.8)**	**(32.8)**	**161.1**	**(197.3)**	**(145.8)**	**13.3**	**(7.0)**

Source: Treasury Monthly Printouts. Data compiled according to the International Monetary Fund's Government Finance Statistics format.

*Quarter IV includes data for April & May 2018 only.

TABLE 12
NATIONAL DEBT

(B$ '000s)

Period	2015	2016	2017	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.	2018 Jun.
TOTAL EXTERNAL DEBT	1,641,210	1,745,483	2,619,062	1,739,915	1,763,572	2,116,702	2,619,062	2,663,580	2,639,327
By Instrument									
Government Securities	900,000	900,000	1,650,000	900,000	900,000	900,000	1,650,000	1,650,000	1,650,000
Loans	741,210	845,483	969,062	839,915	863,572	1,216,702	969,062	1,013,580	989,327
By Holder									
Commercial Banks	-	-	-	-	-	-	-	-	-
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-
Multilateral Institutions	221,348	216,959	213,715	217,306	216,568	216,852	213,715	219,595	211,915
Bilateral Institutions	72,352	80,846	90,688	81,594	90,323	88,949	90,688	90,419	85,894
Private Capital Markets	900,000	900,000	1,650,000	900,000	900,000	900,000	1,650,000	1,650,000	1,650,000
Other Financial Institutions	447,510	547,678	664,659	541,015	556,681	910,901	664,659	703,566	691,518
TOTAL INTERNAL DEBT	4,263,352	4,570,098	4,563,864	4,581,539	4,786,541	4,758,311	4,563,864	4,544,155	4,606,089
By Instrument									
Foreign Currency	36,615	-	-	-	-	-	-	-	-
Government Securities	-	-	-	-	-	-	-	-	-
Loans	36,615	-	-	-	-	-	-	-	-
Bahamian Dollars	4,226,737	4,570,098	4,563,864	4,581,539	4,786,541	4,758,311	4,563,864	4,544,155	4,606,089
Advances	134,657	134,657	134,657	134,657	134,657	134,657	134,657	134,657	134,657
Treasury Bills	816,513	793,896	655,749	730,479	870,626	862,043	655,749	657,395	758,108
Government Securities	3,072,783	3,314,783	3,492,283	3,389,783	3,454,783	3,457,783	3,492,283	3,506,709	3,488,709
Loans	202,784	326,762	281,175	326,620	326,475	303,828	281,175	245,394	224,615
By Holder									
Foreign Currency	36,615	-	-	-	-	-	-	-	-
Commercial Banks	36,615	-	-	-	-	-	-	-	-
Other Local Financial Institutions	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,226,737	4,570,098	4,563,864	4,581,539	4,786,541	4,758,311	4,563,864	4,544,155	4,606,089
The Central Bank	519,533	727,531	413,570	695,407	856,295	774,450	413,570	408,966	374,086
Commercial Banks	1,708,532	1,789,051	1,975,909	1,819,657	1,839,739	1,854,101	1,975,909	1,915,333	1,918,395
Other Local Financial Iinstitutions	26,395	17,208	27,162	12,285	28,157	16,364	27,162	28,037	16,668
Public Corporations	650,289	600,691	602,287	610,691	612,684	603,518	602,287	600,352	602,992
Other	1,321,988	1,435,617	1,544,936	1,443,499	1,449,666	1,509,878	1,544,936	1,591,467	1,693,948
TOTAL FOREIGN CURRENCY DEBT	1,677,825	1,745,483	2,619,062	1,739,915	1,763,572	2,116,702	2,619,062	2,663,580	2,639,327
TOTAL DIRECT CHARGE	5,904,562	6,315,581	7,182,926	6,321,454	6,550,113	6,875,013	7,182,926	7,207,735	7,245,416
TOTAL CONTINGENT LIABILITIES	755,310	734,602	704,191	727,689	726,478	712,646	704,191	703,229	700,619
TOTAL NATIONAL DEBT	6,659,872	7,050,183	7,887,117	7,049,143	7,276,591	7,587,659	7,887,117	7,910,964	7,946,035

Source: Treasury Accounts & Treasury Statistical Summary Printouts
Public Corporation Reports
Creditor Statements, Central Bank of The Bahamas

TABLE 13
PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS

(B$ '000s)

Period	2015	2016	2017	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.	2018 Jun.
Outstanding Debt at Beginning of Period	2,453,016	2,574,001	2,646,751	2,646,751	2,633,273	2,650,423	2,994,857	3,487,082	3,529,064
Government	1,572,394	1,677,825	1,745,483	1,745,483	1,739,915	1,763,572	2,116,702	2,619,062	2,663,580
Public Corporations	880,622	896,176	901,268	901,268	893,358	886,851	878,155	868,020	865,484
Plus: New Drawings	188,993	282,333	1,349,898	7,106	23,739	361,301	957,752	62,479	3,446
Government	143,384	166,786	1,330,444	4,037	13,629	358,213	954,565	59,191	53
Public corporations	45,609	115,547	19,454	3,069	10,110	3,088	3,187	3,288	3,393
Less: Amortization	51,486	193,524	545,716	24,284	23,682	26,718	471,032	29,907	16,155
Government	21,448	83,071	493,002	13,303	7,059	14,931	457,709	24,081	7,709
Public corporations	30,038	110,453	52,714	10,981	16,623	11,787	13,323	5,826	8,446
Other Changes in Debt Stock	(16,522)	(16,059)	36,149	3,700	17,093	9,851	5,505	9,410	(16,600)
Government	(16,505)	(16,057)	36,137	3,698	17,087	9,848	5,504	9,408	(16,597)
Public corporations	(17)	(2)	12	2	6	3	1	2	(3)
Outstanding Debt at End of Period	2,574,001	2,646,751	3,487,082	2,633,273	2,650,423	2,994,857	3,487,082	3,529,064	3,499,755
Government	1,677,825	1,745,483	2,619,062	1,739,915	1,763,572	2,116,702	2,619,062	2,663,580	2,639,327
Public corporations	896,176	901,268	868,020	893,358	886,851	878,155	868,020	865,484	860,428
Interest Charges	133,117	143,735	152,815	35,106	39,139	35,559	43,011	38,680	63,488
Government	79,963	87,477	92,969	20,474	23,759	20,987	27,749	23,850	47,074
Public corporations	53,154	56,258	59,846	14,632	15,380	14,572	15,262	14,830	16,414
Debt Service	184,603	337,259	698,531	59,390	62,821	62,277	514,043	68,587	79,643
Government	101,411	170,548	585,971	33,777	30,818	35,918	485,458	47,931	54,783
Public corporations	83,192	166,711	112,560	25,613	32,003	26,359	28,585	20,656	24,860
Debt Service ratio	5.4	9.9	7.3	6.8	6.6	7.9	8.2	7.0	7.4
Government debt Service/ Government revenue (%)	5.3	9.0	6.5	5.6	5.1	7.9	8.3	8.2	n.a.
MEMORANDUM									
Holder distribution (B$ Mil):									
Commercial banks	319.1	297.8	267.7	289.0	281.9	274.8	267.7	264.5	260.6
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-
Multilateral Institutions	281.9	285.8	285.6	285.9	290.5	290.5	285.6	286.2	281.7
Bilateral Institutions	72.4	80.8	90.7	81.6	90.3	88.9	90.7	90.4	85.9
Other	1,000.6	1,082.3	1,193.1	1,076.8	1,087.7	1,440.6	1,193.1	1,232.9	1,221.5
Private Capital Markets	900.0	900.0	1,650.0	900.0	900.0	900.0	1,650.0	1,650.0	1,650.0

Source: Treasury Accounts, Treasury Statistical Printouts and Quarterly Reports from Public Corporations, Central Bank of The Bahamas.

TABLE 14
BALANCE OF PAYMENTS SUMMARY*

(B$ Millions)

Period	2015	2016	2017	2016		2017				2018	
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
A. Current Account Balance (I+II+III+IV)	**(1,610.2)**	**(1,158.3)**	**(1,969.9)**	**(512.4)**	**(221.4)**	**(516.0)**	**(455.6)**	**(518.4)**	**(479.9)**	**(452.1)**	**(730.6)**
I. Merchandise (Net)	**(2,433.5)**	**(2,150.2)**	**(2,537.9)**	**(581.0)**	**(561.4)**	**(618.2)**	**(650.7)**	**(640.4)**	**(628.5)**	**(624.6)**	**(635.1)**
Exports	520.5	481.4	570.5	104.6	131.6	139.4	181.9	117.4	131.7	122.5	207.3
Imports	2,954.0	2,631.6	3,108.4	685.6	693.0	757.7	832.6	757.8	760.3	747.1	842.4
II. Services (Net)	**1,280.5**	**1,115.9**	**983.4**	**228.6**	**82.3**	**204.9**	**309.9**	**220.4**	**248.2**	**292.8**	**140.7**
Transportation	(258.1)	(267.7)	(367.9)	(68.1)	(62.7)	(96.8)	(98.5)	(80.8)	(91.8)	(117.0)	(107.2)
Travel	2,264.7	2,261.3	2,206.5	502.4	457.7	591.6	639.3	466.7	508.9	710.3	735.6
Insurance Services	(144.8)	(155.1)	(113.7)	(45.6)	(31.6)	(17.9)	(28.0)	(32.6)	(35.2)	(35.9)	(36.4)
Offshore Companies Local Expenses	165.7	168.8	130.1	47.5	30.9	30.8	17.5	49.5	32.2	29.8	18.8
Other Government	(73.2)	(208.7)	(105.8)	(48.5)	(42.0)	(43.2)	(27.3)	(33.8)	(1.5)	(30.6)	(1.7)
Other Services	(673.8)	(682.6)	(765.7)	(159.0)	(269.9)	(259.5)	(193.1)	(148.7)	(164.5)	(263.7)	(468.5)
III. Income (Net)	**(362.9)**	**(439.9)**	**(360.2)**	**(142.3)**	**(109.9)**	**(101.9)**	**(98.2)**	**(79.7)**	**(80.4)**	**(102.6)**	**(225.6)**
1. Compensation of Employees	(67.9)	(38.9)	(38.7)	(10.0)	(9.6)	(10.4)	(9.9)	(9.8)	(8.6)	(13.2)	(5.5)
2. Investment Income	(295.0)	(401.0)	(321.4)	(132.3)	(100.3)	(91.5)	(88.4)	(69.9)	(71.7)	(89.5)	(220.1)
IV. Current Transfers (Net)	**(94.3)**	**316.0**	**(55.2)**	**(17.7)**	**367.6**	**(0.8)**	**(16.6)**	**(18.7)**	**(19.2)**	**(17.6)**	**(10.5)**
1. General Government	130.0	118.4	114.0	33.1	20.4	23.2	34.9	31.1	24.8	38.1	38.0
2. Private Sector	(224.3)	197.6	(169.2)	(50.8)	347.2	(23.9)	(51.5)	(49.8)	(44.0)	(55.7)	(48.5)
B. Capital and Financial Account (I+II) (excl. Reserves)	**336.7**	**461.3**	**2,123.7**	**(56.5)**	**444.4**	**321.2**	**299.1**	**828.2**	**675.1**	**187.9**	**599.9**
I. Capital Account (Net Transfers)	**(20.2)**	**(13.8)**	**(26.1)**	**(2.6)**	**(3.9)**	**(9.6)**	**(3.7)**	**(8.5)**	**(4.4)**	**(3.3)**	**(2.3)**
II. Financial Account (Net)	**356.9**	**475.1**	**2,149.8**	**(53.9)**	**448.3**	**330.8**	**302.8**	**836.7**	**679.5**	**191.2**	**602.2**
1. Direct Investment	69.8	73.7	595.0	38.6	23.9	46.9	231.6	161.9	154.6	175.1	459.2
2. Portfolio Investment	(12.4)	(21.7)	(16.7)	(7.4)	(4.9)	(4.4)	(4.6)	(2.2)	(5.5)	(3.5)	(1.8)
3. Other Investments	299.4	423.1	1,571.5	(85.1)	429.3	288.2	75.8	677.0	530.4	19.6	144.8
Central Gov't Long Term Capital	94.7	118.5	833.0	1.0	5.1	(9.3)	6.6	343.2	492.5	35.1	(7.7)
Other Public Sector Capital	6.5	100.4	(9.8)	(1.8)	9.0	(3.1)	1.0	(3.1)	(4.6)	(1.0)	(2.7)
Banks	29.6	(306.3)	26.4	(21.1)	(149.3)	87.8	(92.7)	34.7	(3.3)	(31.6)	51.5
Other	168.6	510.5	721.9	(63.3)	564.5	212.9	161.0	302.2	45.8	17.0	103.7
C. Net Errors and Omissions	**1,297.7**	**789.0**	**359.6**	**415.6**	**(217.8)**	**211.2**	**196.0**	**(235.9)**	**188.3**	**443.6**	**105.8**
D. Overall Balance (A+B+C)	**24.3**	**92.0**	**513.4**	**(153.3)**	**5.1**	**16.5**	**39.5**	**73.9**	**383.6**	**179.3**	**(24.9)**
E. Financing (Net)	**(24.3)**	**(92.0)**	**(513.4)**	**153.3**	**(5.1)**	**(16.5)**	**(39.5)**	**(73.9)**	**(383.6)**	**(179.3)**	**24.9**
Change in SDR holdings	3.5	2.3	(4.0)	0.2	2.8	(0.6)	(1.8)	(1.1)	(0.5)	(26.2)	3.5
Change in Reserve Position with the IMF	0.4	(17.3)	(1.5)	0.1	1.0	(0.2)	(0.7)	(0.4)	(0.2)	(0.6)	0.9
Change in Ext. Foreign Assets ( ) = Increase	(28.1)	(77.0)	(507.9)	153.1	(8.9)	(15.6)	(37.0)	(72.4)	(382.9)	(152.5)	20.5

Source: The Central Bank of the Bahamas
* Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

(B$ '000s)

Period	2015	2016	2017	2016			2017				2018
				Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
I. OIL TRADE											
i) Exports	70,350	45,510	72,692	11,439	12,320	12,386	16,285	14,258	16,143	26,006	26,569
ii) Imports	535,306	402,527	553,821	94,856	113,049	124,983	119,509	131,624	150,484	152,204	145,498
II. OTHER MERCHANDISE											
Domestic Exports											
Crawfish	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fish Conch & other Crustacea	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other cordials &Similar Materials/Sponge	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fruits & Vegs.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aragonite	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Natural Sands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rum/Beverages/Spirits & Vinegar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude Salt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Polystrene Products	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
i) Total Domestic Exports	230,074	202,190	228,799	52,595	48,025	55,678	72,271	56,436	39,123	60,969	47,897
ii) Re-Exports	148,616	155,016	171,845	66,974	17,998	46,601	27,416	84,867	27,133	32,429	34,664
iii) Total Exports (i+ii)	378,690	357,206	400,644	119,569	66,023	102,279	99,687	141,303	66,256	93,398	82,561
iv) Imports	2,626,736	2,529,125	2,923,773	641,450	637,705	677,662	729,215	804,932	661,698	727,928	705,378
v) Retained Imports (iv-ii)	2,478,120	2,374,109	2,751,928	574,476	619,706	631,061	701,799	720,065	634,565	695,499	670,714
vi) Trade Balance (i-v)	(2,248,046)	(2,171,919)	(2,523,129)	(521,881)	(571,682)	(575,383)	(629,528)	(663,629)	(595,442)	(634,530)	(622,817)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

Period	2015	2016	2017	2016 Qtr. III	2016 Qtr. IV	2017 Qtr. I	2017 Qtr. II	2017 Qtr. III	2017 Qtr. IV	2018 Qtr. I	2018 Qtr. II
Visitor Arrivals	6,112,093	6,265,019	6,135,839	1,455,632	1,473,246	1,726,664	1,543,705	1,267,754	1,597,716	1,775,380	1,627,490
Air	1,390,911	1,391,813	1,335,613	344,647	265,216	348,549	386,352	297,378	303,334	411,308	435,037
Sea	4,721,182	4,873,206	4,800,226	1,110,985	1,208,030	1,378,115	1,157,353	970,376	1,294,382	1,364,072	1,192,453
Visitor Type											
Stopover	1,484,063	1,481,832	n.a.	374,717	271,362	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cruise	4,513,458	4,690,260	4,626,259	1,051,719	1,186,597	1,343,940	1,095,430	918,044	1,268,845	1,326,394	1,130,596
Day/Transit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tourist Expenditure(B$ 000's)	2,537,382	2,610,097	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Stopover	2,224,289	2,312,191	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cruise	309,426	294,005	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Day	3,667	3,901	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Number of Hotel Nights	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Length of Stay	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Hotel Occupancy Rates (%)											
New Providence	61	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Grand Bahama	57	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Family Islands	41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Nightly Room Rates ($)											
New Providence	235	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Grand Bahama	66	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Family Islands	217	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: The Ministry of Tourism