Quarterly Economic Review

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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary data indicate that the Bahamian economy maintained its positive momentum during the second quarter of 2006, benefiting from strengthened tourism output, construction activity and domestic consumer demand. Although the pass-through effects of higher international oil prices resulted in broad-based increases in domestic costs, inflation remained at relatively modest levels. The fiscal situation for the first eleven months of FY2005/06 was appreciably improved as higher tax and income-related receipts surpassed growth in expenditure, to occasion a sharp contraction in Government's deficit. In the monetary sector, public sector foreign currency borrowings augmented money supply growth which outpaced the sustained expansion in domestic credit. In this context, lower levels of accretion were achieved for both liquidity and external reserves. However, buoyant consumer demand conditions supported a narrowing in the loan-to-deposit spread. In the external sector, the escalation in fuel costs combined with heightened import demand resulted in a near doubling of the current account deficit, while increased investment inflows for tourism related projects led to a modestly higher surplus on the capital and financial account.

Net free cash balances of the banking system declined by 2.1% to $184.9 million, representing a smaller 3.9% share of Bahamian dollar deposit liabilities compared to 6.6% in 2005. However, increased holdings of Government paper elevated the broader surplus liquid assets by 13.9% to $192.8 million, although representing a reduced 24.2% over the statutory minimum relative to 42.3% last year. Amid a more competitive credit framework, the weighted average interest rate for loans softened by 35 basis points to 9.90%, and the comparative deposit rate was relatively stable at 3.30%. Consequently, the average loan-to-deposit spread narrowed by 34 basis points to 6.60%. Less buoyant liquidity conditions were reflected in the average 90-day Treasury bill rate gain of 33 basis points to 0.69%, while benchmark rates—Central Bank's Discount rate and commercial banks' Prime—were unchanged at 5.25% and 5.50%, respectively.

Favorable economic conditions alongside proceeds from public foreign currency borrowings underpinned accelerated growth in the monetary aggregates of 4.5% relative to 3.4% last year, for a stock of $5,155.2 million. Strengthened expansion in narrow money of 6.9% from 3.8% a year ago reflected faster pace growth in demand deposits (8.2%) and stable currency in circulation following last year's 3.3% fall. The expansion in broad money (M2) was extended to 3.3% from 2.7% in 2005, based on healthy gains in private individuals' fixed deposits as savings deposit growth slowed.

Domestic credit advanced by $243.9 million (4.0%), broadly in line with last year's $221.6 million (4.1%) expansion—and was supported by sustained strong upswings in both residential mortgages (3.9%) and consumer credit (3.3%), and a firming in personal overdrafts (12.0%). Meanwhile, net claims on the public sector strengthened by $71.1 million (7.6%), reflecting increased liabilities of both Government (3.4%) and public corporations (15.9%).

On the fiscal front, preliminary estimates for the first eleven months of FY2005/06 showed the deficit on the Government's operations contracted by $65.6 million (45.5%). Increased import demand, associated with the expanding economy, reinforced growth of 19.5% to $1,087.6 million, and outpaced the 10.6% hike in expenditures to $1,166.0 million. Following a $75.0 million bond issue in January, budgetary financing consisted largely of Government bond issues ($201.6 million) alongside foreign currency loan drawings ($9.1 million). With debt repayment at an estimated $62.0 million, the Direct Charge on Government rose by 1.2% to $2,316.8 million and the National Debt, by 1.2% to $2,823.5 million at end-June 2006.

Developments in the tourism sector featured a 1.1% recovery in total visitor arrivals to 1.31 million, from last year's 7.9% decline. The 4.2% expansion in air arrivals

offset the 0.5% contraction in cruise visitors, as traffic to both the Grand Bahama and New Providence markets strengthened by 10.9% and 0.4%, respectively. In contrast, visitors to the Family Islands fell by 2.2%. The latest earnings indicators for the first two months of the review quarter, point to continuing expansion in room revenues, reinforced by firming in both room occupancy and average daily rates. Led by New Providence, average occupancy rates rose by 1.4 percentage points to 75.3%, and average daily room rates advanced by 8.5% to $183.81, mainly on account of developments in Grand Bahama and the Family Islands. As a result, total earnings expanded by an estimated 13.6% to $76.9 million.

Preliminary indications are that construction sector output continued its upward momentum during the second quarter, benefiting from sustained investments in tourism and residential developments. Mortgage data from banking institutions, insurance companies and the Bahamas Mortgage Corporation, which tend to be correlated with construction activity, indicated a 10.1% hike in total loan disbursements to $123.7 million. Amounts earmarked for residential projects advanced by 7.1%, with a more significant 61.3% gain for commercial activities. In contrast, mortgage commitments fell by 11.1% to $50.9 million, as the contraction in residential loan approvals countered the improvement in the number of commercial loan commitments.

During the review quarter, consumer price inflation, as measured by changes in the average Retail Price Index, moderated to 1.7% from 2.5% in the comparable 2005 period. The most significant cost increases were recorded for other goods and services (6.9%) – mostly owing to price hikes for professional services, and average food and beverage costs rose by 4.3%. The most dominant component, housing, recorded a modest 1.9% gain, whereas average costs for transport and communication declined by 2.9%, partly reflecting the continuing volatility in energy costs.

In the external sector, preliminary estimates for the June 2006 quarter, point to a further widening in the current account deficit to $362.9 million from $186.6 million over the comparable period of 2005. Rising international oil prices engendered a 55.6% upsurge in the value of oil imports which, combined with a modest

2.6% expansion in non-oil imports led to a deterioration in the merchandise account deficit by 8.1% to $537.6 million. Moreover, the services account surplus contracted by 31.6% to $223.5 million, as accretions to net travel receipts were offset by higher net outflows for offshore companies' local expenses and other "miscellaneous" outflows related to construction services. Net foreign income outflows were relatively stable at $66.1 million, as the slowdown in domestic banks' outflows negated accretions to remittances by other local companies. Net current transfer receipts slackened by 9.3% to $17.4 million, reflecting the decrease in Government inflows which countered the reduction in private sector remittances.

The capital and financial account surplus strengthened by $9.7 million to $206.4 million during the review quarter, partially offsetting the widening of the current account deficit. This development mainly reflected a $110.5 million increase in private sector inflows associated with tourism sector construction projects. In contrast, direct investment net inflows softened by $15.5 million to $92.8 million, while domestic institutions invested an estimated $12.5 million in non-resident debt securities during the quarter.

Fiscal Operations

Overview

Preliminary data for Government's budgetary operations during the first eleven months of FY2005/06, featured a $65.6 million (45.5%) improvement in the overall deficit from the corresponding period last year to $78.4 million. Buoyed by strong consumer demand, which fuelled tax revenues, total receipts advanced by 19.5% to $1,087.6 million to outpace the 10.6% hike in expenditures to $1,166.0 million.

Revenue

Revenue collections for the first 11 months of FY2005/06 grew by an estimated $177.2 million (19.5%)––significantly extending the $42.8 million (4.9%) expansion recorded in the comparable period last year. This was attributed mainly to the tax component, which accounted for 90.7% of total receipts and advanced by

$146.7 million (17.5%) to $986.9 million. Non-tax receipts, at 9.0% of total revenue, increased by $37.5 million (62.5%) to $97.5 million. Capital revenue, representing a much smaller 0.2% of the total, was reduced by

8.0 million to $2.2 million, and a $1.0 million grant was received by the Government.

Government Revenue By Source

(Jul - May)

	FY04/05		FY05/06	
	B$M	%	B$M	%
Property Tax	52.3	5.7	51.6	4.7
Selective Services Tax	42.7	4.7	32.9	3.0
Busines. & Prof Lic. Fees	55.7	6.1	59.6	5.5
Motor Vehicle Tax	15.2	1.7	16.8	1.5
Departure Tax	58.1	6.4	63.2	5.8
Import Duties	360.0	39.5	420.3	38.6
Stamp Tax from Imports	97.7	10.7	114.6	10.5
Export Tax	11.5	1.3	13.2	1.2
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	117.1	12.9	143.5	13.2
Other Tax Revenue	44.5	4.9	75.5	6.9
Fines, Forfeits, etc.	47.7	5.2	70.1	6.4
Sales of Govt. Property	1.7	0.2	1.7	0.2
Income	10.6	1.2	25.7	2.4
Other Non-Tax Rev.	--	--	--	--
Capital Revenue	10.2	1.1	2.2	0.2
Grants	--	--	1.0	0.1
Less: Refunds	14.6	1.6	4.2	0.4
Total	910.4	100.0	1087.6	100.0

Consistent with the favorable economic momentum, gains in tax revenue were led by a $78.8 million (16.8%) hike in international trade-related taxes to $548.1 million. Import and stamp-related taxes accounted for a combined double digit improvement of nearly 17% to $534.9 million, and an increased level of realty transactions supported a $26.4 million (22.5%) boost in other stamp taxes to $143.5 million. Partly reflecting gains in stopover visitor arrivals, departure taxes grew by $5.2 million (8.9%) to $63.2 million, and hotel occupancy taxes advanced by $2.7 million (13.9%) to $22.3 million. Receipts from business and professional license fees were higher by $3.9 million (7.1%) at $59.6 million and motor vehicle taxes, by $1.6 million (10.6%) at $16.8 million. In contrast, property taxes declined by $0.8 million (1.5%) to $51.6 million, and gaming taxes, which were boosted by arrears payments last year, levelled off by $12.6 million (54.2%) to $10.6 million.

With regards to non-tax receipts, income from public enterprises and other sources more than doubled to $25.7 million, reflecting in part property income from leases. Fines, forfeits and administrative fees registered healthy growth of $22.5 million (47.1%) to $70.1 million, mainly on account of increased immigration fees. Meanwhile, proceeds from sale of Government property declined marginally, by $0.1 million (3.4%) to $1.7 million.

EXPENDITURE

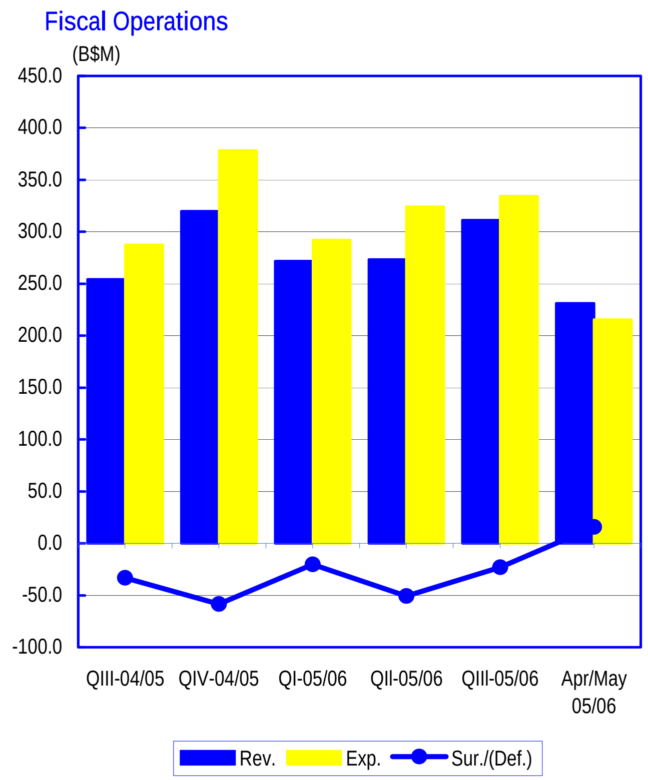
Recurrent spending grew by $86.5 million (9.3%) to $1,020.5 million during the first 11 months of FY2005/06 vis-à-vis an expansion of $59.3 million (6.8%) a year earlier. Capital expenditures were markedly higher by $42.9 million (74.4%) at $100.6 million, while net lending to public corporations decreased by $17.8 million (28.4%) to $44.8 million. On a proportional basis, recurrent expenditures accounted for an estimated 87.5% of total spending; capital outlays, 8.6%; and net lending to public corporations, the remaining 3.9%.

An analysis of current spending by economic classification revealed that Government consumption expanded by $52.7 million (9.0%) to $638.7 million—inclusive of gains in outlays for both goods and services (12.9%) and personal emoluments (7.3%). Transfer payments advanced by $33.8 million (9.7%) to $381.9 million, led by a $31.8 million (13.5%) increase in subsidies and other transfers. Contractual interest payments expanded by 1.7% to $113.6 million.

From a functional perspective, expenditures on general public services, which accounted for the largest share of recurrent spending, rose by $25.1 million (9.3%) to $293.8 million. Outlays on economic services increased by 25.0% to $151.6 million; housing, by 20.8% to $5.8 million; health, by 8.4% to $170.6 million; education, by 5.9% to $187.0 million; social benefits and services, by 4.9% to $60.1 million and defense, by 0.2% to $29.1 million.

The strong growth in capital outlays was mainly associated with ongoing public works and water supply projects, which more than doubled in value to $37.9 million. Expenditures on housing also rose by $1.4 million to $2.3 million; economic services, by 91.7% to

$45.0 million; general public services, by 72.0% to $18.0 million; education, by 56.3% to $21.0 million; health, by 53.5% to $11.8 million; and defense, by 50.4% to $2.4 million.



FINANCING AND NATIONAL DEBT

Budgetary financing for the first eleven months of the FY2005/06 was largely in the form of increased issuance of bonds ($201.6 million), with $3.4 million in internal foreign currency advances and $5.7 million in external loans. Debt amortization provided an offset of $62.0 million, the bulk of which was in Bahamian dollars.

The Direct Charge on Government grew by $26.4 million (1.2%) over the review quarter to $2,316.8 million. Bahamian dollar debt constituted 87.5% of the total, with the majority held by public corporations (34.4%), followed by other institutions (32.3%), commercial banks (26.3%), the Central Bank (6.8%), and other local financial institutions (0.2%). Long-term securities maintained the largest share of Bahamian dollar debt (87.0%), with an average maturity of 11 years, followed by Treasury bills (9.5%) and advances from the Central Bank and commercial banks (3.5%). Incorporating a $7.5 million (1.5%) increase in contingent liabilities to $506.7 million, the National Debt rose by $33.9 million (1.2%) to $2,823.5 million at end-June. This compared with last year's $91.6 million (3.6%) increase to $2,641.9 million.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt grew by $22.8 million (4.0%) to $593.6 million during the June quarter. Developments were led by the $21.8 million net borrowing by the public corporations, bringing their outstanding debt obligations to $305.0 million or 51.4% of the total. Government's component rose by less than 1% to $288.7 million, to account for 48.6% of the total foreign currency debt stock.

By creditor profile, the largest share of foreign currency debt was held by commercial banks (44.1%), followed by private capital markets (37.9%), multilateral institutions (17.9%), and others (0.1%). The majority of the debt was denominated in United States dollars, and the average term to maturity was approximately 12.6 years.

Total debt service (amortization and interest payments) for the quarter was 39.8% higher at $22.3 million, and constituted an estimated 2.6% of exports of goods and non-factor services.

2005/2006 BUDGET HIGHLIGHTS

The FY2006/07 Budget, which was presented to Parliament on May 31st, 2006, and approved in June 2006, envisaged a continuation of the positive economic growth momentum underway which, alongside further enhancements to revenue administration, would contribute to an improved revenue performance. In this context, the budget targeted progressive reduction in the GFS deficit to Gross Domestic Product ratio, to under 2.0% from an estimated 2.8% in the previous fiscal year, and reaffirmed Government's medium-term commitment to reduce the debt-to-GDP ratio from the current 38.0% to 30.0%.

The budget deficit for FY2006/07, at $125.4 million, was some $52.0 million (29.3%) below that for FY2005/06, with the anticipated $206.2 million (18.2%) increase in revenue collection to $1,339.0 million expected to eclipse the $154.2 million (11.8%) expansion in planned outlays to $1,464.3 million. On the expenditure side, increased allocations were announced for the Police, Defence Force, Immigration, Customs Department, the judicial system and for social services which encompass education, training, disaster relief, housing and health. The Urban Renewal Program was also highlighted as an area of expenditure priority for the Government in FY2006/07.

The budget did not provide for any new tax measures, instead relying on the additional tax buoyancy provided by an expanding economy, and on an enhanced revenue compliance framework to be overseen by the operations of the Revenue Compliance Unit of the Ministry of Finance. Taxes on international trade and transactions are expected to grow by $98.2 million (15.6%) to $725.7 million, led by a $95.6 million (15.7%) increase in import-related receipts. Stamp taxes on financial and other transactions and business and professional license fees are also budgeted to increase by 42.4% to $140.9 million and 11.3% to $78.7 million, respectively. Further, tourism taxes are projected to grow by 12.7% to $54.1 million; property taxes, by 9.5% to $70.7 million and motor vehicle taxes, by 3.9% to $23.7 million.

Projected growth in non-tax revenue of $31.7 million (30.5%) to $136.0 million is largely based on an estimated $21.3 million (68.9%) boost in income from public enterprises and other sources. A notable increase of 13.6% is also budgeted to be derived from fines, forfeits and administrative charges.

On the expenditure side, recurrent allocations rose by $123.9 million (10.8%) to $1,269.6 million; capital outlays, by $29.5 million (22.2%) to $162.4 million; and net lending to public corporations, by $0.9 million (2.9%) to $32.4 million. By economic classification, the budget provided for a 9.5% increase in personal emoluments to $553.7 million and a 13.0% hike in purchases of goods and services to $275.4 million. Transfer payments were projected to rise by $44.1 million (11.1%) to $440.5 million, comprising increments in both interest payments (5.9%) and subsidies and other transfer payments (13.8%).

Based on the functional breakdown of recurrent expenditures, the allotment for general public services expanded by 15.3% to $407.6 million, representing 27.8% of total expenditure. Higher allocations were also budgeted for other community and social services, by 44.4% to $11.1 million; defense, by 18.9% to $40.7 million; health, by 11.3% to $205.5 million; education, by 9.7% to $234.3 million; economic services, by 6.6% to $153.6 million; and social benefits and services, by 5.6% to $71.5 million. In contrast, allocations for housing are expected to be reduced by almost a quarter to $3.9 million.

On the capital side, allocations for public works and water supply were increased by 14.2% to $63.6 million; for education, by 24.3% to $24.3 million; general public services, by 27.8% to $28.9 million; and for defense, by 51.1% to $7.5 million.

REAL SECTOR

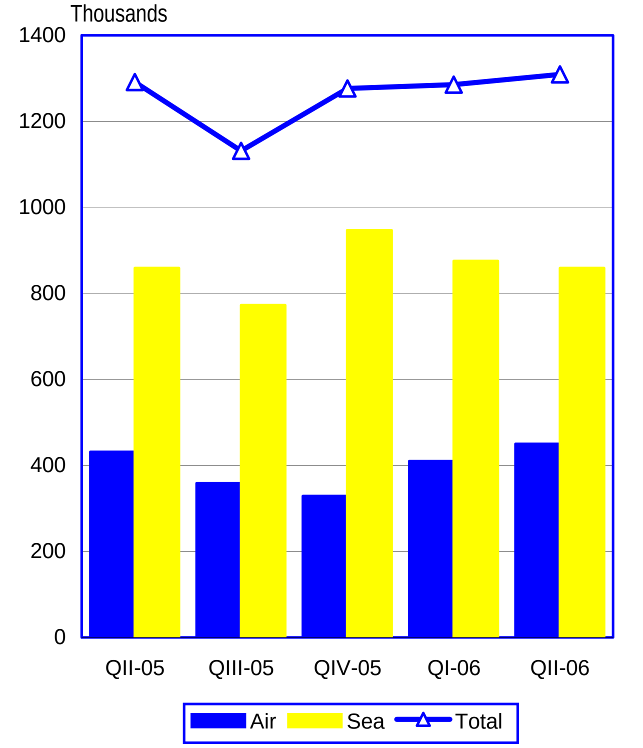
TOURISM

Indications are that tourism output strengthened during the second quarter, supported by higher earnings in the hotel sector as the stopover segment of the market continued to be buoyed by growth in the US economy. However, persistent weakness in the demand for cruises resulted in lower levels of cruise tourists.

Total visitor arrivals advanced by 1.1% to 1.31 million, a turnaround from the 7.9% decline experienced in the corresponding quarter of 2005. Air visitors, which accounted for 34.4% of total arrivals, rebounded by 4.2% to 0.45 million from the 0.8% decline last year. Representing 65.6% of total visitors, sea arrivals registered a more moderate 0.5% reduction to 0.86 million, relative to 11.1% in 2005.

Data by first port of entry revealed a modest 0.4% increase in visitors to New Providence, following a stronger 6.9% cruise-led contraction in 2005, as air traffic firmed by 3.4%. Weakness in sea visitors (4.8%) overshadowed the rise in air arrivals (8.5%), leading to continued softening in Family Island arrivals by 2.2%. For Grand Bahama, the visitor count strengthened markedly by 10.9%, following a 20.0% contraction last year—benefiting from resumed growth in both air (2.6%) and sea (15.0%) segments.

Visitor Arrivals

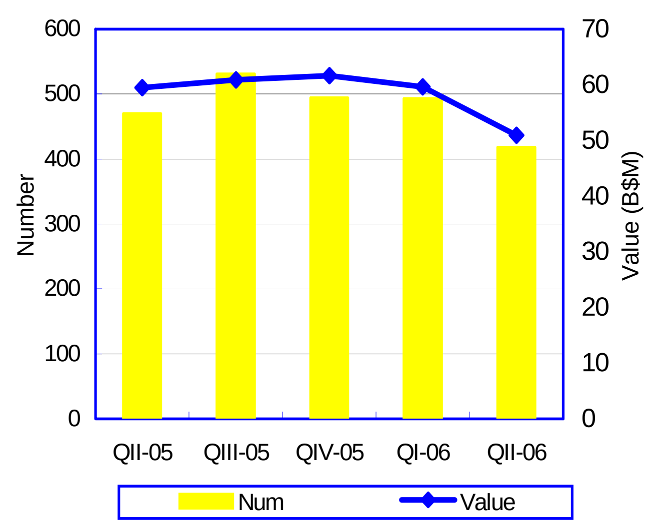


Based on preliminary indicators, tourism output was sustained by growth in room revenues—on account of higher occupancy and average daily room rates. For the first two months of the quarter, total room revenue increased by 13.6%, as the number of available room nights expanded by 2.7%, and occupancy rates improved to 75.3% from 73.9% last year. Moreover, average daily room rates were 8.5% higher at $183.81. In New Providence, available room nights remained unchanged, while occupied room nights and occupancy rates both rose by 5.4% and 4.3%, respectively. The average daily room rate also advanced by 6.0%, resulting in a comparative 11.7% improvement in room revenues to $61.8 million. A similar pattern was observed for the Family Islands, where occupancy rates firmed to 49.8% from 47.4%, and appreciated average daily room rates supported a healthy 15.4% gain in room revenues. In Grand Bahama, the 14.3% rise in available room nights outstripped demand, to occasion a 10% contraction in occupancy rates to 59.3%. Notwithstanding, the 21.7% increase in the average daily room rate to $140.09 facilitated a 25.2% upturn in room revenues to $10.6 million for the first two months of the quarter.

CONSTRUCTION

Construction activity continued at a brisk pace during the quarter, supported by ongoing investments in both residential and tourism-related commercial projects. As an indicator of residential construction activity, mortgage data reported by banking institutions, insurance companies and the Bahamas Mortgage Corporation, showed a 10.1% rise in loan disbursements to $123.7 million over the second quarter last year. Specifically, residential loan disbursements increased by 7.1% to $113.7 million, while the commercial component expanded by 61.3% to $10.0 million.

Mortgage Comittments:
New Construction and Repairs



Mortgage commitments for new construction and building repairs fell 11.1% in number to 418, valued at $50.9 million for the June quarter. In particular, residential loan commitments were 13.5% lower at 397, with a corresponding value of $49.7 million. Commercial mortgage loans gained in number by 90.9% to 21, valued at $1.2 million.

The total value of mortgages outstanding rose by 15.9% to $2,313.8 million during the second quarter, with similar gains registered for both residential and commercial components at respective shares of 90.8% and 9.2%. In terms of lender profile, the largest proportion was accounted for by domestic banks (87.9%), followed by insurance companies (8.1%) and the Bahamas Mortgage Corporation (4.0%). Interest rate data indicated that the average cost of commercial mortgages softened by 6 basis points to 8.8%, whereas the average residential mortgage rate was relatively stable at 8.3% vis-à-vis the corresponding quarter of 2005.

Prices

Consumer price inflation during the quarter, as measured by the average Retail Price Index, softened to 1.7% from 2.5% in the corresponding quarter of 2005. Cost increases were noted for other goods & services (6.9%), partly attributed to higher legal and other service costs; food & beverages (4.3%); furniture & household operations (2.3%); housing—the most heavily weighted category (1.9%); medical care & health (1.7%), and clothing & footwear (1.3%). In contrast, price gains were tempered by reduced costs for transport & communication (2.9%), education (1.0%) and recreation & entertainment services (0.9%).

Average Retail Price Index

(Annual % Changes)
June

Items	Weight	2005 Index	2005 %	2006 Index	2006 %
Food & Beverages	138.3	118.5	3.0	123.3	4.1
Clothing & Footwear	58.9	106.5	-1.2	106.2	-0.3
Housing	328.2	105.3	1.4	107.4	2.0
Furn. & Household	88.7	119.5	0.5	122.0	2.1
Med. Care & Health	44.1	134.7	4.7	136.6	1.4
Trans. & Comm.	148.4	110.1	2.9	109.0	-1.0
Rec., Enter. & Svcs.	48.7	123.7	0.1	121.4	-1.8
Education	53.1	168.6	2.7	170.1	0.9
Other Goods & Svcs.	91.6	123.1	0.6	127.7	3.8
ALL ITEMS	1000	116.3	1.7	118.2	1.6

Annual data to June, which captured longer term trends in fuel prices, indicated a decrease in average inflation to 1.6% from 1.7% in 2005. Accelerations in costs were noted for food & beverages (4.1%); other goods & services (3.8%); housing (2.0%); furniture & household operations (2.1%); medical care & health (1.4%), and education (0.9%). Conversely, cost declines were registered for recreation and entertainment services (1.8%), transport & communication (1.0%) and clothing & footwear (0.3%)

Oil market developments highlighted amplified average fuel prices for New Providence during the quarter. At end-June, average gasoline and diesel prices had posted quarterly gains of 10.0% and 6.38%, to $4.25 per gallon and $3.34 per gallon, respectively. On a June point-to-point basis, gasoline prices expanded by 26.7% and diesel costs, by 25.6%. Oil price pressures also influenced developments in the electricity generation market, as The Bahamas Electricity Corporation (BEC) increased fuel surcharges over the three-month period, by an estimated 55.9% to 10.40¢.

Money, Credit and Interest Rates

Overview

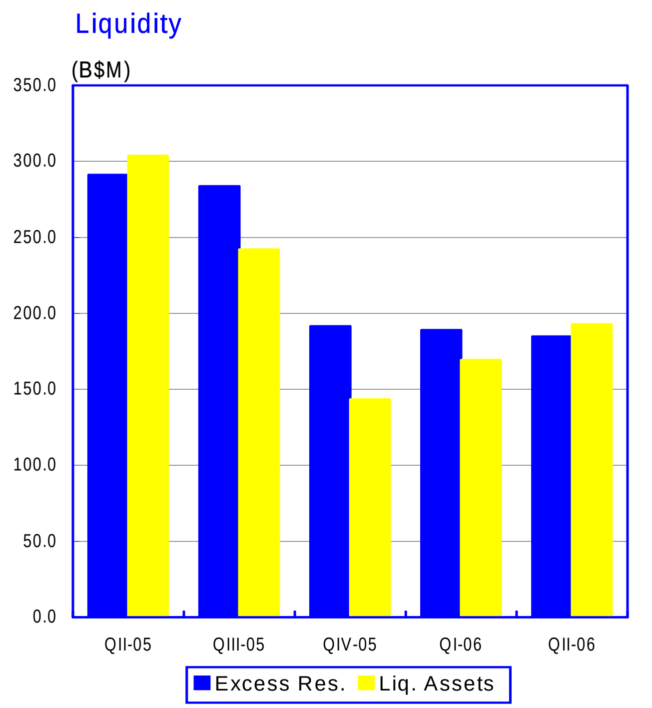
Monetary developments featured a sustained expansion in Bahamian dollar private sector credit and an increase in public sector foreign currency borrowings. The latter contributed to faster growth in the money supply aggregates. However, the strong pace of domestic demand resulted in a slowing in external reserves and liquidity levels.

Despite higher operating costs, first quarter's estimates indicate ongoing gains in banks' profitability ratios, linked to increased net interest income. Asset quality indicators improved for the second consecutive quarter in the three-months ending June, as the proportion of loan arrears in banks' portfolios decreased.

Liquidity

During the second quarter, net free cash reserves of the banking system contracted by $4.1 million (2.1%) to $184.9 million, in contrast to a $59.8 million (25.8%) expansion in the comparable period last year. As a consequence, the ratio of net free cash reserves to total

Bahamian dollar deposits was reduced to 3.9% from 6.6% in 2005. However, the broader surplus liquid assets rose by 13.9% to $192.8 million, which exceeded the statutory minimum by 24.2% vis-à-vis a more robust 42.3% for June 2005.



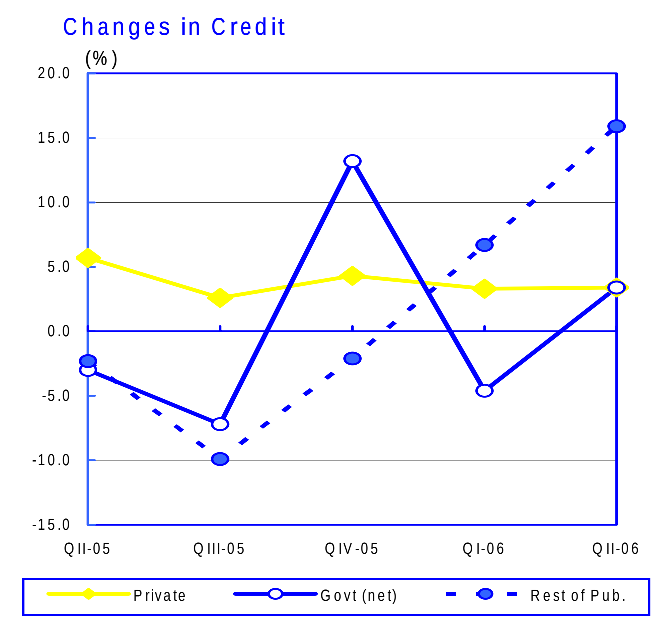
Deposits and Money

The overall money supply (M3) expanded by 4.5% to $5,155.2 million, compared with a 3.4% advance in the comparative year-earlier period. A buildup in public corporations' demand balances underpinned acceleration in narrow money (M1) growth, to 6.9% from 3.8%, whereas currency in active circulation was relatively unchanged compared to a 3.3% contraction in 2005.

Broad money (M2) growth advanced to 3.3% from 2.7% in 2005, facilitated by gains in private individuals' fixed deposits, as the rate of increase in savings deposits was more than halved to 2.2%. Bolstered by public sector loan proceeds, residents' foreign currency deposits surged by 51.3%, surpassing last year's rise of 28.6%. On a proportional basis, Bahamian dollar fixed deposits represented the largest component (52.1%) of the money stock, followed by demand (22.4%) and savings (18.1%) deposits. Smaller shares were accounted for by currency in active circulation (3.8%) and residents' foreign currency deposits (3.6%).

Domestic Credit

Robust consumer demand, combined with a favourable credit environment, facilitated domestic credit growth of $243.9 million (4.0%) in the second quarter of 2006 compared with $221.6 million (4.1%) in 2005. The expansion was concentrated in Bahamian dollar claims, and advanced to $208.2 million (3.9%) from $115.2 million (2.4%) a year ago. In contrast, accretions to foreign currency credit tapered to $35.6 million (5.0%) from $106.3 million (17.8%) in the previous period, when banks financed the acquisition of properties associated with a major tourism investment.



The banking system's net claims on the public sector grew by $71.1 million (7.6%), reversing 2005's decline of 2.8%. In a turnaround from last year's 2.3% reduction, public corporations' liabilities rose by 15.9%. Meanwhile, banks' higher holdings of Government securities elevated net claims on Government by 3.4%, in contrast to last year's 3.0% contraction.

As foreign currency credit levelled off, private sector credit expansion moderated to $172.8 million (3.4%) from $248.8 million (5.7%) in 2005. Dominated by Bahamian dollar credit (3.7%), lending was concentrated in personal loans (71.5%), which had moderated growth of $129.8 million (3.6%). The outturn reflected extended gains in consumer credit of $55.8 million (3.3%), and residential mortgages of $70.4 million (3.9%). Personal overdraft balances also recorded a $7.3 million (12.0%) accretion.

Distribution of Bank Credit By Sector
End-June

	2005 B$M	2005 %	2006 B$M	2006 %
Agriculture	10.0	0.2	10.4	0.2
Fisheries	13.6	0.3	14.7	0.3
Mining & Quarry	17.4	0.3	14.2	0.3
Manufacturing	54.5	1.1	49.8	0.9
Distribution	202.1	4.1	185.5	3.3
Tourism	268.1	5.4	235.5	4.2
Enter. & Catering	61.2	1.2	61.2	1.1
Transport	26.0	0.5	21.0	0.4
Public Corps.	302.0	6.1	322.2	5.7
Construction	290.7	5.8	398.3	7.0
Government	80.5	1.6	75.7	1.3
Private Financial	20.8	0.4	21.7	0.4
Prof. & Other Ser.	120.8	2.4	157.3	2.8
Personal	3,239.1	65.0	3,760.7	66.5
Miscellaneous	275.5	5.5	330.0	5.8
TOTAL	4,982.3	100.0	5,658.2	100.0

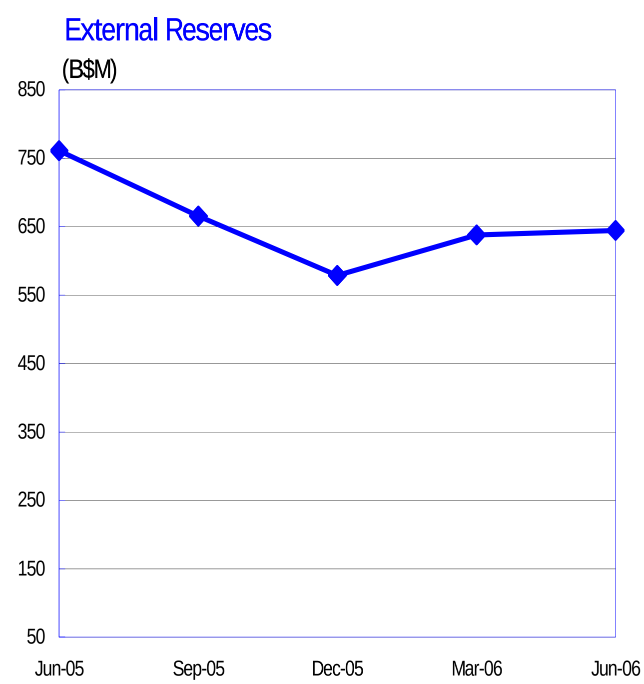
Trends among the other private loan categories were mixed, with reduced claims registered for fisheries (4.6%), mining & quarrying (0.5%), tourism (0.4%), distribution (0.3%), entertainment & catering (3.8%), and professional & other services (1.4%). In contrast, credit advanced for manufacturing (9.2%), private financial institutions (4.2%), miscellaneous and transport (3.5%) each.

Increases were evident across all categories of consumer credit, led by more significant gains in loans for miscellaneous purposes ($12.3 million), debt consolidation ($10.3 million), credit cards ($9.8 million), land purchases ($8.4 million), and private cars ($5.9 million). Smaller net increases were registered for home improvements ($4.2 million), travel ($2.7 million) and medical purposes ($1.3 million).

The Central Bank

During the review quarter, the Central Bank's net claims on Government registered reduced growth of $18.7 million (16.8%) to $129.9 million, reflecting a combination of increased holdings of bonds and lower deposit liabilities for the Government. Amid heightened domestic demand, growth in external reserves slackened to $6.4 million (1.0%) from $42.5 million (5.9%) last year, which was partly boosted by proceeds from the sale of properties related to a major tourism development project. Consequently, at end-June, external reserves stood lower at $644.2 million, compared to $761.1 million in 2005.

An analysis of foreign currency transactions underlying movements in external reserves showed a reduction in the Central Bank's net foreign currency purchase to $7.4 million from $32.1 million a year earlier. The Bank's net intake from commercial banks narrowed to $59.5 million from $62.0 million, while higher oil payments influenced a near doubling in the public sector's net outflow to $52.1 million.



At end-June, external assets approximated a lessened 17.7 weeks of non-oil merchandise imports, as compared to 23 weeks in the corresponding period last year. When adjusted for the statutory required 50% of the Bank's Bahamian dollar liabilities, which has to be supported by external assets, useable reserves stood $15.9 million lower at $299.8 million.

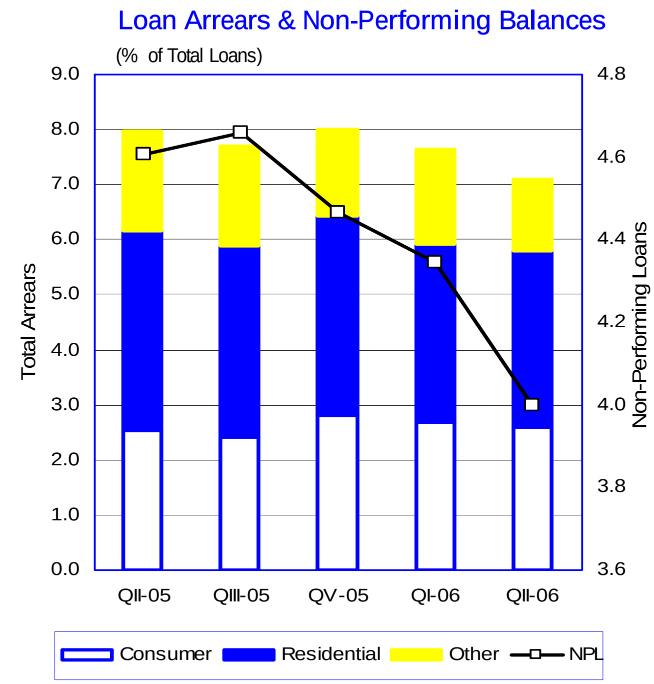
Domestic Banks

For the second quarter, growth in domestic banks' deposit liabilities to the private sector of $144.0 million (3.3%) was relatively on par with the $145.3 million (3.6%) expansion recorded in 2005, but below the $172.8 million (3.4%) advance in credit to the private sector. Banks' net claims on the public corporations also expanded by $2.7 million (23.7%), and claims on the Central Bank were incremented by $1.9 million. Additional funding for the excess credit growth over deposits was provided by a $20.8 million (1.6%) increase in bank's capital and surplus, associated with higher profits, which also permitted a reduction in their net foreign liabilities by $3.5 million (0.5%).

Of the $4,985.2 million in deposit liabilities, the majority (96.3%) was in Bahamian dollars. Of the latter, the largest share was held by private individuals (57.3%), followed by business firms (26.2%), the public sector (9.4%), other depositors (3.9%) and private financial institutions (3.2%). By contractual type, most predominant was fixed (56.9%), followed by demand (23.7%) and savings (19.4%) balances.

An analysis of Bahamian dollar deposits by range of value and number of accounts, indicated that accounts which held balances of $10,000 or less made up 90.0% of the contracts but held a mere 8.3% of the total value. Accounts with balances between $10,000 and $50,000 represented 6.9% of total contracts and 13.5% of aggregate value. However, individual balances exceeding $50,000 comprised 3.1% of accounts and constituted 78.2% of total deposits.

The Central Bank's most recent survey revealed that the asset quality improvements noted during the first quarter were preserved in the second quarter, with banks maintaining their Bahamian dollar loan loss provisions at 2.3% of the total private sector portfolio at end-June 2006.

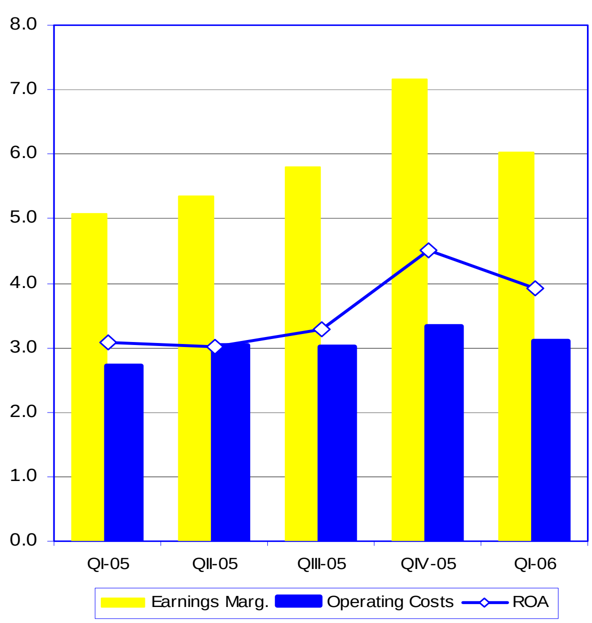


Nevertheless, banks adopted a more conservative position against credit risks, raising total non-performing loan provisions to 57.7%, compared to 51.8% in the first quarter of 2006 and 47.0% at end-June 2005. The improving economic situation was highlighted by a narrowing in total non-performing balances, represented by accounts with past due payments of at least three (3) months on which banks stopped accruing interest, to 4.0% of outstanding claims from 4.3% at the end of the March quarter and 4.6% at end-June 2005. Similarly, the total arrears rate, including balances affected by at least one month's past due payment, moderated to 7.0% of outstanding claims on the private sector compared to 7.7% at end-March 2006 and 8.0% for end-June 2005. Compared to the previous quarter, the arrears rate on consumer loans narrowed to 7.4% from 7.7%, but was slightly higher than the 7.3% recorded a year earlier. For residential mortgages, the arrears rate improved to 7.5% from 7.8% in the first three months and from 8.9% in the same quarter last year. Commercial loans delinquency rates also receded to 6.1% from 8.4% at end-March and 8.2% a year earlier.

Bank Profitability

Buoyed by the increased level of economic activity, domestic banks' earnings indicators showed robust growth during the first three months of the year. An appreciably expanded loan base combined with gains in commission and foreign exchange income underpinned a 27.6% hike in the gross earnings margin to $105.1 million. These gains were sufficient to offset the 23.4% rise in operating costs, with the net earnings margin higher by 32.3%. In addition, growth in other "miscellaneous" income exceeded the increase in provisions for bad debt expenses and depreciation costs, for a $18.6 million (37.2%) rise in net income to $68.5 million.

Domestic Banks' Profitability



Reflecting these trends, profitability ratios relative to average domestic assets strengthened. The net interest margin ratio widened by 89 basis points to 5.62%, accompanied by a 5 basis points increase in the ratio of commission and foreign exchange income to 0.41% of average assets. The ratio of operating costs in proportion to average domestic assets also firmed, by 40 basis points to 3.11%. Consequently, the improvement in the overall profitability ratio (return on assets) widened to 3.93% from 3.08% in the corresponding 2005 period.

Interest Rates

During the quarter, domestic banks' average interest rate spread on loans and deposits narrowed by 34 basis points to 6.60%, as the weighted average loan rate softened by 35 basis points to 9.90%, amid a more competitive lending environment, while the corresponding deposit rate declined by 1 basis point to 3.30%.

With regards to savings, the average interest rate on fixed maturities fluctuated within a slightly lower band of 3.13% - 4.10% compared to 3.15% - 4.13% in the previous quarter. The average rate offered on demand deposits firmed by 8 basis points to 2.32%; however, the average savings rate fell by 6 basis points to 2.13%.

Banking Sector Interest Rates

Period Average (%)

	Qtr. II 2005	Qtr. I 2006	Qtr. II 2006
Deposit rates			
Demand Deposits	2.10	2.24	2.32
Savings Deposits	2.26	2.19	2.13
Fixed Deposits			
Up to 3 months	3.06	3.15	3.13
Up to 6 months	3.19	3.44	3.60
Up to 12 months	3.25	3.85	3.88
Over 12 months	3.47	4.13	4.10
Weighted Avg Deposit Rate	3.09	3.31	3.30
Lending rates			
Residential mortgages	8.02	7.94	7.82
Commercial mortgages	8.13	8.12	8.42
Consumer loans	11.81	12.01	11.97
Overdrafts	11.14	11.18	10.38
Weighted Avg Loan Rate	10.03	10.25	9.90

Average loan rates were broadly lower, narrowing for consumer and other local loans, by 4 and 2 basis points to 11.97% and 7.64%, respectively. The average rate decreased by 80 basis points to 10.38% for overdrafts; softened by 12 basis points to 7.82% for residential lending, but widened by 30 basis points to 8.42% for commercial mortgages. In other interest rate developments, the average 90-day Treasury bill rate tightened by

33 basis points to 0.69%, while the two key benchmark rates, the Central Bank's Discount Rate and commercial banks' Prime Rate were unchanged, at 5.25% and 5.50%, respectively.

Capital Markets Developments

During the second quarter, there were no new listings on the Bahamas International Securities Exchange (BISX); however, positive economic fundamentals and investor confidence translated into appreciated average equity prices on domestic capital markets and increased trading activity. The BISX All Share Price Index firmed by 10.4% to 1,519.1 points in the second quarter, extending the first quarter's 1.8% gain. The first six months increase of 12.5% was slightly below the comparative 13.0% for 2005. However, over the same period, trading volume advanced to 4.80 million shares from 1.37 million shares, and the value of shares traded was considerably higher at $14.9 million relative to $5.0 million in 2005.

Fidelity Capital Market Limited's broader Findex weighted share price index, which includes equities traded over-the-counter, appreciated by 12.3% to 668.41 points during the second quarter compared to an increase of 7.2% in the same period last year. On a year-to-date basis, the Findex advanced by 21.1% compared to 15.4% a year earlier.

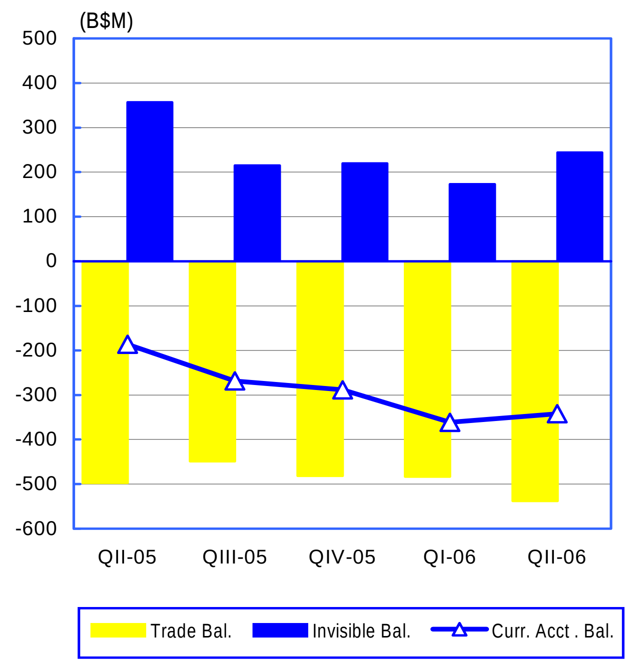
International Trade and Payments

Provisional estimates for the second quarter of 2006 indicated a widening in the current account deficit to $342.3 million from $186.6 million over the same period last year. Influencing this outcome was an expansion in the merchandise trade deficit which resulted from higher oil prices and accelerated domestic credit growth. There was also a narrowing in the services account surplus, partly due to a significant increase in other services outflows, which countered the expansion in net travel receipts. Additionally, investment income outflows increased marginally, while net current transfers' receipts contracted.

The merchandise trade deficit widened by 8.1% ($40.4 million) to an estimated $537.6 million. Merchandise exports increased by 30.9% to $164.8 million, and imports rose by 12.7% to $702.4 million, reflecting growth in both oil and non-oil components by 55.6% and 2.6%, respectively. On an average price basis, the price per barrel cost of propane gas advanced by 36.6% to $57.47; motor gas, by 43.4% to $101.01; aviation-gas, by 6.6% to $134.25; jet fuel, by 27.9% to $91.42 and gas oil, by 32.1% to $88.65. However, the cost for bunker "C" fuel remained relatively unchanged at $29.34.

The estimated surplus on the services account narrowed vis-à-vis the corresponding quarter of 2005, by 31.6% to $244.1 million. Net travel receipts rose by $6.9 million (1.3%) to $531.8 million, and net inflows for offshore companies' local expenses by 29.6% to $30.9 million. Net outflows for transportation services were reduced by 9.9% to $79.6 million, and net payments for Government services were lower by more than half to $6.8 million. Conversely, net outflows associated with other services increased to $142.1 million from $48.8 million, partly due to increases in management and other business services fees. Insurance services outflows expanded by 57.2% to $33.8 million, and royalty and license fees grew by 24.3% to $4.6 million. Further, construction services net payments expanded more than fivefold to $51.7 million, reflecting higher payments to non-resident companies for tourism projects.

Balance of Payments



Under the income account, net factor remittances registered a modest increase to $66.1 million, with net repatriation of investment income relatively stable at $47.0 million, as the decrease in domestic banks outflows by $12.7 million offset growth in profit and dividend remittances by other local companies. Additionally, labour remittances were higher at $19.2 million, while official transactions net outflows were relatively stable at $1.3 million.

Net current transfer receipts fell by $1.8 million (9.3%) to $17.4 million, with general Government net inflows decreasing by $2.9 million (13.5%) to $18.4 million. This countered the contraction in private sector net outflows by $1.1 million to $1.0 million, associated with lower outward workers remittances.

During the second quarter, the capital and financial account continued to be influenced by higher net investment inflows, with the surplus widening to $181.4 million from $172.7 million in 2005. Increased net remittances associated with migrants' transfers resulted in a 4.2% rise in capital transfers to $14.2 million. Meanwhile, the financial account posted a 5.0% upturn in net inflows to $195.5 million, associated with a significant expansion in net inflows under "other investments" to $115.2 million from $78.0 million. Underlying this development was a strong upswing in net private sector inflows, to $122.1 million from $11.6 million, as investments in the tourism sector broadened.

In contrast, short-term capital transactions through the domestic banking system were reversed, to a net outflow of $3.5 million from a net inflow of $68.5 million in the previous year, associated with the financing of the Cable Beach Redevelopment project. Further, the public sector recorded a 54.5% increase in net repayments to $3.4 million. Net direct investments receded to $92.8 million from $108.3 million last year, as direct equity inflows fell by 6.0% to $68.8 million and real estate transactions decreased by 31.6% to $24.0 million. Further, domestic institutions invested approximately $12.5 million in non-resident debt issues during the review period

Consequent on these developments and, after adjusting for possible errors and omissions, the overall balance—measured by changes in external reserves—recorded a lower surplus of $6.4 million vis-à-vis $42.5 million a year-earlier.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Despite rising fuel and energy costs, major economies achieved relatively healthy growth rates during the second quarter of 2006, reinforcing the positive outlook for the global economy. The US and Japan experienced a slowdown in the rate of economic expansion in the second quarter compared to the first quarter, contrasting with a strengthened outturn in the euro area as the influx of over one million tourists into Germany for the FIFA World Cup boosted that country's performance. Amid concerns over inflation, two of the major central banks, the Federal Reserve and the European Central Bank, tightened their monetary policy stance. Notwithstanding, labour market conditions were generally improved, but the hike in oil prices eroded the current account balances in several economies. Global commodity markets were very volatile as investors' concerns about the rise in interest rates, inflation and slowing economic growth triggered a sharp contraction in major equity indices.

In the US, softened consumer spending combined with a downturn in business investment and lower export growth, precipitated a slowdown in second quarter real GDP growth to 2.9% from 5.6% in the previous quarter. Buoyed by continued firming in services sector output, which makes up two-thirds of the economy, economic activity in the United Kingdom rose by an annualized 2.6%, relative to 2.3% in the March quarter. China's meteoric rise in the past 10 years has made it the world's fourth largest economy, and in the second quarter real GDP growth accelerated to 11.3% on a year-on-year basis, from 10.3% in the first quarter. Driven by investment and net export growth, the euro-area economic expansion improved to an annualized 2.6%, from 2.1% in the March quarter. Germany's output firmed to 2.4% from 1.7%, and for France, to an estimated 2.6%, from 1.4% last quarter. With strengthening housing starts and industrial production trends, the Japanese economy continued to show signs of recovery; real GDP rose by 2.5% on a year-on-year basis from 3.6% in the first three months of the year.

Employment in the major industrial countries improved during the second quarter, as economic conditions remained buoyant. The unemployment rate steadied at 4.7% in the US, and moderated slightly to 7.9% for the Euro area, with Germany's rate registering a more significant reduction, to 10.9% from 11.3%. The jobless rate for Japan also eased to 4.2%, China's was unchanged at 4.2%, while in the United Kingdom, the rate deteriorated to 5.5% from 5.2%.

Consumer prices rose in the major economies during the review quarter, as continued firming in international oil prices exerted additional pressure on domestic costs. The US seasonally adjusted annual inflation rate increased to 5.1% from 4.3%, driven by a surge in energy prices and rising food costs. Similarly, the ongoing effects of higher fuel prices resulted in the United Kingdom's core inflation rate accelerating to 2.3% from 1.9% in the previous quarter. Annualized inflation in the euro area advanced to 2.5%, with average prices in both Germany and France rising by 2.0% and 2.2%, respectively. Consumer prices in Japan also trended upwards, following a rise of 0.5% in the first quarter, and the inflation rate in China increased to 1.5%, propelled by higher prices for raw materials.

Despite the recent spate of interest rate hikes, the continued deterioration in the US current account deficit combined with the slowdown in economic growth, resulted in the dollar depreciating against most of the major currencies during the second quarter. The dollar fell by 6.2% against the Swiss franc to CHF1.22. It also weakened against other European currencies, contracting by 6.0% against the British pound and 5.2% vis-à-vis the euro. With respect to the Asian currencies, the dollar lost 2.9% versus the Japanese Yen and 0.4% against the Chinese Renminibi.

Global equity markets weakened during the second quarter, as investors remained concerned over the potential dampening effects of rising interest rates and inflation. In the US, the Standard and Poor's 500 Index, a broad measure of market activity, contracted by 1.8% to 1,279.4 points, while the Dow Jones Industrial Average (DJIA) was the only major stock average to post a gain—a mere 0.4% to 11,150 points. Japan's Nikkei 225 Index loss 9.1% to 15,505 points; the United Kingdom's FTSE 100 Index, 2.2% to settle at 5,833 points; Germany's DAX Index, 4.8% to 5,683 points and France's CAC 40 Index, 4.9% to 4,966 points.

Growing geopolitical tensions in the Middle East and supply disruptions in Nigeria resulted in sustained firming in the price of oil. Average prices rose by 9.4% to $72.44, while production by OPEC decreased marginally by 0.1 million barrels to 29.6 million barrels. In other commodity markets, the story was mixed; the price of gold rose by 5.5% to $615.85, whereas silver prices decreased by 3.6% to $11.10. Prices of other base metals, such as copper, increased by 35.9% to $7,431.0 per metric tonne, due in part to surging demand, especially from China.

Amid concerns over rising inflation, several major central banks reduced the level of monetary accommodation in their respective economies. In the United States, the rise in core consumer prices above the Federal Reserve's "comfort level" prompted the authorities to tighten monetary policy twice, raising the federal funds target rate and the discount rate to 5.25% and 6.25%, respectively. This represented the 17th one-quarter point rate increase by the Federal Reserve over the past two years. The European Central Bank also increased its main refinancing rate by 25 basis points in June to 2.75%, as the level of inflation remained above the ECB's target rate of 2.0%. However, the Bank of England held its repo rate unchanged at 4.5%, noting that risks to growth and inflation were balanced. The Bank of Japan kept its overnight call rate at near zero percent, but signalled a tightening in the coming months. In contrast, the People's Bank of China raised the benchmark one year rate by 27 basis points to 5.85% over the quarter, in an effort to dampen the acceleration in private investment.

In the external environment, the rising cost of imported fuel along with other economic factors resulted in mixed effects on the major economies current account balance performance during the quarter. The US trade deficit widened in the second quarter, to $193.1 billion from $190.7 billion in the first quarter. However, China's trade surplus increased significantly by 62.8% in the quarter ended June from $23.3 billion in the first quarter. The most recent quarterly data for Japan showed that the current account surplus firmed to ¥5.5 trillion in the first three months of the year from ¥4.7 trillion in the fourth quarter, reflecting improvements in the services and income balances. The United Kingdom's trade deficit deteriorated to £4.0 billion from £3.6 billion at end-March, owing mainly to a 2.5% increase in imports. The euro area's quarterly current account deficit slowed, to €13.3 billion from €15.2 billion deficit in the March quarter, as the income and transfer balances declined by €15.3 billion and €15.6 billion, respectively.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

The following symbols and conventions are used throughout this report:

1. n.a. not available
2. -- nil
3. p provisional
4. Due to rounding, the sum of separate items may differ from the totals.

TABLE 1

FINANCIAL SURVEY

End of Period	2001	2002	2003	2004				2005				2006	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
							(B$ Millions)						
Net foreign assets	(234.5)	(357.3)	(144.0)	(34.0)	65.4	41.2	104.3	180.4	154.4	72.1	(32.2)	(16.3)	(6.5)
Central Bank	312.4	373.2	484.1	593.2	652.5	609.1	667.8	718.6	761.1	665.2	578.8	637.8	644.1
Domestic Banks	(546.9)	(730.5)	(628.1)	(627.2)	(587.1)	(567.9)	(563.5)	(538.2)	(606.7)	(593.1)	(611.0)	(654.1)	(650.6)
Net domestic assets	3,951.6	4,193.5	4,147.3	4,219.6	4,290.2	4,357.1	4,317.2	4,435.4	4,620.1	4,601.9	4,862.4	4,950.5	5,161.7
Domestic credit	4,677.3	4,940.4	4,974.0	5,044.8	5,144.6	5,256.9	5,227.2	5,359.8	5,581.4	5,624.0	5,899.5	6,051.4	6,295.3
Public sector	775.2	870.8	879.4	908.9	924.6	969.7	887.8	981.0	953.8	876.2	945.8	935.7	1006.8
Government (net)	626.0	651.3	506.5	543.9	578.2	626.0	547.1	639.1	619.7	575.1	642.5	621.2	642.2
Rest of public sector	149.2	219.5	372.9	365.0	346.4	343.7	340.7	341.9	334.1	301.1	303.3	314.5	364.6
Private sector	3,902.1	4,069.6	4,094.6	4,135.9	4,220.0	4,287.2	4,339.4	4,378.8	4,627.6	4,747.8	4,953.7	5,115.7	5,288.5
Other items (net)	(725.7)	(746.9)	(826.7)	(825.2)	(854.4)	(899.8)	(910.0)	(924.4)	(961.3)	(1022.1)	(1037.1)	(1100.9)	(1133.6)
Monetary liabilities	3,717.1	3,836.2	4,003.3	4,185.6	4,355.6	4,398.3	4,421.5	4,615.8	4,774.5	4,672.3	4,830.2	4,934.2	5,155.2
Money	776.7	817.7	907.4	1,006.1	1,109.4	1,125.9	1,134.4	1,244.3	1,291.0	1,184.0	1,247.6	1,265.5	1,352.7
Currency	153.5	154.8	160.1	153.4	160.8	165.2	176.6	175.6	169.8	188.8	195.3	198.2	198.3
Demand deposits	623.2	662.9	747.3	852.7	948.6	960.7	957.8	1068.7	1121.2	995.2	1052.3	1067.3	1154.4
Quasi-money	2,940.4	3,018.5	3,095.9	3,179.5	3,246.2	3,272.4	3,287.1	3,371.5	3,483.5	3,488.3	3,582.6	3,668.7	3,802.5
Fixed deposits	2,244.0	2,296.2	2,315.9	2,366.9	2,397.2	2,381.6	2,410.3	2,426.4	2,463.3	2,514.3	2,556.6	2,636.2	2,687.9
Savings deposits	604.6	630.7	678.8	710.6	741.2	754.3	779.9	814.6	852.4	852.6	881.8	911.6	931.8
Foreign currency	91.8	91.6	101.2	102.0	107.8	136.5	96.9	130.5	167.8	121.4	144.2	120.9	182.8
							(percentage changes)						
Total domestic credit	9.3	5.6	0.7	1.4	2.0	2.2	(0.6)	2.5	4.1	0.8	4.9	2.6	4.0
Public sector	19.3	12.3	1.0	3.4	1.7	4.9	(8.4)	10.5	(2.8)	(8.1)	7.9	(1.1)	7.6
Government (net)	23.1	4.0	(22.2)	7.4	6.3	8.3	(12.6)	16.8	(3.0)	(7.2)	11.7	(3.3)	3.4
Rest of public sector	5.6	47.1	69.9	(2.1)	(5.1)	(0.8)	(0.9)	0.4	(2.3)	(9.9)	0.7	3.7	15.9
Private sector	7.5	4.3	0.6	1.0	2.0	1.6	1.2	0.9	5.7	2.6	4.3	3.3	3.4
Monetary liabilities	4.4	3.2	10.7	4.6	3.5	5.3	1.1	1.6	4.0	6.3	1.5	6.2	3.0
Money	(3.8)	5.3	4.4	10.9	4.1	1.0	0.5	4.4	3.4	(2.1)	3.4	2.2	4.5
Currency	1.4	0.8	11.0	(4.2)	10.3	1.5	0.8	9.7	3.8	(8.3)	5.4	1.4	6.9
Demand deposits	(5.1)	6.4	3.4	14.1	4.8	2.7	6.9	(0.6)	(3.3)	11.2	3.4	1.5	0.1
Quasi-money	6.9	2.7	12.7	2.7	11.2	1.3	(0.3)	11.6	4.9	(11.2)	5.7	1.4	8.2

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

End of Period	2001	2002	2003	2004 Mar.	2004 Jun.	2004 Sept.	2004 Dec.	2005 Mar.	2005 Jun.	2005 Sept.	2005 Dec.	2006 Mar.	2006 Jun.
							(B$ Millions)						
Net foreign assets	(236.0)	(349.7)	(130.7)	(17.4)	80.5	10.9	70.9	161.4	121.6	35.5	(65.9)	(47.7)	(30.3)
Central Bank	312.4	373.2	484.3	593.2	652.5	609.1	667.8	718.6	761.1	665.2	578.8	637.8	644.1
Commercial banks	(548.4)	(722.9)	(615.0)	(610.6)	(572.0)	(598.2)	(596.9)	(557.2)	(639.5)	(629.7)	(644.7)	(685.5)	(674.4)
Net domestic assets	3,874.7	4,092.4	4,025.1	4,092.9	4,173.8	4,285.1	4,247.2	4,348.0	4,546.6	4,534.6	4,786.9	4,880.9	5,094.6
Domestic credit	4,553.8	4,793.2	4,822.8	4,896.8	5,001.6	5,114.5	5,083.1	5,218.9	5,438.3	5,482.6	5,752.7	5,900.8	6,142.5
Public sector	771.9	867.6	874.9	904.5	920.2	965.4	883.4	976.7	949.0	871.4	945.8	930.9	1,001.6
Government (net)	622.8	648.2	502.1	539.5	573.8	621.7	542.7	634.8	614.9	570.3	642.5	616.4	637.0
Rest of public sector	149.1	219.4	372.8	365.0	346.4	343.7	340.7	341.9	334.1	301.1	303.3	314.5	364.6
Private sector	3,781.9	3,925.6	3,947.9	3,992.3	4,081.4	4,149.1	4,199.7	4,242.2	4,489.3	4,611.2	4,806.9	4,969.9	5,140.9
Other items (net)	(679.1)	(700.8)	(797.7)	(803.9)	(827.8)	(829.4)	(835.9)	(870.9)	(891.7)	(948.0)	(965.8)	(1,019.9)	(1,047.9)
Monetary liabilities	3,638.7	3,742.7	3,894.4	4,075.5	4,254.3	4,296.0	4,318.1	4,509.4	4,668.2	4,570.1	4,716.1	4,833.2	5,064.3
Money	769.2	808.5	895.8	994.1	1,096.6	1,114.7	1,124.7	1,231.2	1,275.1	1,169.6	1,223.0	1,245.5	1,338.1
Currency	153.5	154.8	160.1	153.4	160.8	165.2	176.6	175.6	169.8	188.8	195.3	198.2	198.3
Demand deposits	615.7	653.7	735.7	840.7	935.8	949.5	948.1	1,055.6	1,105.3	980.8	1,027.7	1,047.3	1,139.8
Quasi-money	2,869.5	2,934.2	2,998.6	3,081.4	3,157.7	3,181.3	3,193.4	3,278.2	3,393.1	3,400.5	3,493.1	3,587.7	3,726.2
Savings deposits	604.3	630.4	678.5	710.3	741.0	754.1	779.7	814.3	852.2	852.4	881.6	911.5	931.7
Fixed deposits	2,173.4	2,212.2	2,218.8	2,269.1	2,308.9	2,290.7	2,316.8	2,333.4	2,373.1	2,426.8	2,467.4	2,555.3	2,611.7
Foreign currency deposits	91.8	91.6	101.3	102.0	107.8	136.5	96.9	130.5	167.8	121.3	144.1	120.9	182.8
							(percentage change)						
Total domestic credit	9.5	5.3	0.6	1.5	2.1	2.3	(0.6)	2.7	4.2	0.8	4.9	2.6	4.1
Public sector	19.6	12.4	0.8	3.4	1.7	4.9	(8.5)	10.6	(2.8)	(8.2)	8.5	(1.6)	7.6
Government (net)	23.5	4.1	(22.5)	7.4	6.4	8.3	(12.7)	17.0	(3.1)	(7.3)	12.7	(4.1)	3.3
Rest of public sector	5.6	47.1	69.9	(2.1)	(5.1)	(0.8)	(0.9)	0.4	(2.3)	(9.9)	0.7	3.7	15.9
Private sector	7.7	3.8	0.6	1.1	2.2	1.7	1.2	1.0	5.8	2.7	4.2	3.4	3.4
Monetary liabilities	5.0	2.9	4.1	4.7	3.0	0.2	0.8	4.4	2.4	6.3	1.9	5.6	2.7
Money	(3.4)	5.1	10.8	11.0	4.4	1.0	0.5	9.5	3.5	(2.1)	3.2	2.5	4.8
Currency	1.1	0.8	3.4	(4.2)	10.3	1.6	0.9	(0.6)	3.6	(8.3)	4.6	1.8	7.4
Demand deposits	(4.5)	6.2	12.5	14.3	4.8	2.7	6.9	11.3	(3.3)	11.2	3.4	1.5	0.1
Quasi-money	7.5	2.3	2.2	2.8	11.3	1.5	(0.2)	2.7	4.7	(11.3)	4.8	1.9	8.8

Source: The Central Bank of The Bahamas

TABLE 3

CENTRAL BANK BALANCE SHEET

(B$ Millions)

End of Period	2001	2002	2003	2004				2005				2006	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Net foreign assets	312.4	373.2	484.3	593.2	652.5	609.1	667.8	718.6	761.1	665.2	578.8	637.8	644.1
Balances with banks abroad	44.5	126.3	183.7	279.6	318.7	253.3	311.1	344.9	309.3	230.0	145.4	210.4	212.0
Foreign securities	260.0	238.3	291.3	304.3	324.6	346.6	347.0	364.2	442.7	426.1	424.4	418.4	422.8
Reserve position in the Fund	7.8	8.5	9.3	9.3	9.2	9.2	9.7	9.5	9.1	9.1	9.0	9.0	9.3
SDR holdings	0.1	0.1	--	--	--	--	--	--	--	--	--	--	--
Net domestic assets	107.5	92.0	15.2	(24.1)	(90.4)	(101.6)	(13.1)	(90.8)	(62.4)	27.9	23.1	(21.1)	(25.8)
Net claims on government	187.4	172.9	108.4	118.0	106.0	123.3	141.9	141.4	167.5	134.7	122.0	111.2	129.9
Claims	189.7	182.4	114.8	122.1	116.6	131.0	149.5	153.4	215.9	152.8	149.7	150.6	137.4
Treasury bills	98.8	72.0	--	--	--	--	--	--	--	--	--	--	--
Bahamas registered stock	34.0	38.6	43.8	51.1	45.6	60.0	78.5	76.4	138.9	75.8	72.7	73.7	75.4
Loans and advances	56.9	71.8	71.0	71.0	71.0	71.0	71.0	77.0	77.0	77.0	77.0	77.0	62.0
Deposits	(2.3)	(9.5)	(6.4)	(4.1)	(10.6)	(7.7)	(7.6)	(12.0)	(48.4)	(18.1)	(27.7)	(39.4)	(7.5)
In local currency	(2.3)	(9.5)	(6.4)	(4.1)	(10.6)	(7.7)	(7.6)	(12.0)	(48.4)	(18.1)	(27.7)	(39.4)	(7.5)
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(10.3)	(10.1)	(21.6)	(73.9)	(128.9)	(154.4)	(87.7)	(164.1)	(153.3)	(34.0)	(26.1)	(54.1)	(77.8)
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(94.3)	(98.3)	(97.3)	(98.8)	(97.2)	(97.5)	(98.2)	(100.0)	(102.7)	(105.2)	(105.5)	(114.0)	(108.5)
Net unclassified assets	16.8	19.9	18.4	23.4	22.5	19.8	22.3	23.4	17.7	24.0	24.4	27.6	22.4
Loans to rest of public sector	7.1	6.7	6.4	6.3	6.2	6.2	7.6	7.5	7.4	7.4	7.3	7.2	7.2
Public Corp Bonds/Securities	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Liabs. to Commercial Banks & OLFIs	(253.6)	(296.5)	(324.2)	(400.6)	(386.2)	(327.3)	(462.2)	(436.7)	(514.0)	(489.5)	(392.0)	(403.9)	(404.9)
Notes and coins	(64.9)	(66.3)	(79.6)	(62.5)	(63.2)	(60.3)	(78.5)	(62.1)	(69.5)	(54.9)	(105.8)	(57.0)	(60.4)
Deposits	(188.7)	(230.2)	(244.6)	(338.1)	(323.0)	(267.0)	(383.7)	(374.6)	(444.5)	(434.6)	(286.2)	(346.9)	(344.5)
SDR allocation	(12.8)	(13.9)	(15.2)	(15.1)	(15.1)	(15.0)	(15.9)	(15.5)	(14.9)	(14.8)	(14.6)	(14.7)	(15.1)
Currency held by the private sector	(153.5)	(154.8)	(160.1)	(153.4)	(160.8)	(165.2)	(176.6)	(175.6)	(169.8)	(188.8)	(195.3)	(198.2)	(198.3)

Source: The Central Bank of The Bahamas

TABLE 4

DOMESTIC BANKS BALANCE SHEET

(B$ Millions)

End of Period	2001	2002	2003	2004				2005				2006	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Net foreign assets	(546.9)	(730.5)	(628.1)	(627.2)	(587.1)	(567.8)	(563.5)	(538.2)	(606.7)	(593.1)	(611.0)	(654.1)	(650.6)
Net claims on Central Bank	252.7	295.8	322.4	399.7	385.0	326.4	461.4	435.8	513.2	488.7	389.7	403.2	405.1
Notes and Coins	64.9	66.3	79.6	62.5	63.2	60.3	78.5	62.1	69.5	54.9	105.8	57.0	60.4
Balances	188.6	230.3	243.6	338.0	322.6	266.9	383.7	374.5	444.5	434.6	284.7	347.0	345.5
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Net domestic assets	3,494.1	3,750.3	3,814.7	3,879.6	3,991.0	4,043.7	4,018.7	4,129.4	4,265.7	4,266.6	4,518.4	4,615.1	4,753.6
Net claims on government	438.6	478.4	398.1	425.9	472.2	502.8	405.2	497.7	452.2	440.4	528.9	510.0	512.3
Treasury bills	63.5	38.8	47.6	73.0	88.8	96.2	26.7	85.4	86.5	48.5	66.1	78.0	125.3
Other securities	317.4	341.2	369.6	368.6	369.3	396.7	393.3	398.0	385.6	414.3	400.5	413.9	417.8
Loans and advances	115.4	170.0	74.5	81.3	111.2	115.6	78.2	115.5	85.3	77.0	150.7	122.6	75.7
Less: deposits	57.7	71.6	93.6	97.0	97.1	105.7	93.0	101.2	105.2	99.4	88.4	104.5	106.5
Net claims on rest of public sector	(212.0)	(143.8)	53.0	51.6	62.2	60.0	91.5	84.3	46.4	5.0	(25.3)	(11.4)	(14.0)
Securities	8.1	9.4	18.6	21.3	21.3	21.3	18.6	21.6	23.6	20.6	20.6	22.6	34.3
Loans and advances	133.2	202.5	347.0	336.4	317.9	315.2	313.5	311.8	302.0	272.1	265.8	283.6	322.2
Less: deposits	353.3	355.7	312.6	306.1	277.0	276.5	240.6	249.1	279.2	287.7	311.7	317.6	370.5
Credit to the private sector	3,902.1	4,069.6	4,094.6	4,135.9	4,220.0	4,287.2	4,339.4	4,378.8	4,627.6	4,747.8	4,953.8	5,115.7	5,288.4
Securities	9.0	10.2	20.4	17.3	17.1	18.8	14.7	15.6	28.4	18.1	28.2	27.4	28.2
Mortgages	1,151.4	1309.2	1438.4	1,488.6	1,537.6	1,574.4	1,631.1	1,680.5	1,762.2	1,836.3	1,919.1	1,996.8	2,084.2
Loans and advances	2,741.7	2,750.2	2,635.8	2,630.0	2,665.3	2,694.0	2,693.6	2,682.7	2,837.0	2,893.4	3,006.5	3,091.5	3,176.0
Private capital and surplus	(661.2)	(722.9)	(1032.5)	(1,038.4)	(1,070.0)	(1,083.2)	(1,121.4)	(1,130.8)	(1,141.8)	(1,160.4)	(1,197.5)	(1,278.4)	(1,299.2)
Net unclassified assets	26.6	69.0	301.5	304.6	306.6	276.9	304.0	299.4	281.3	233.8	258.5	283.4	257.9
Liabilities to private sector	3,199.8	3,315.3	3,508.9	3,652.1	3,788.9	3,802.2	3,916.6	4,026.9	4,172.2	4,162.4	4,297.1	4,364.2	4,508.1
Demand deposits	669.5	690.5	766.2	821.2	871.7	878.3	921.0	974.8	1,044.6	999.6	1,092.2	1,066.1	1,161.4
Savings deposits	606.2	634.3	682.1	714.0	745.6	761.7	783.7	818.5	856.9	854.9	885.3	915.1	937.6
Fixed deposits	1,924.1	1990.5	2060.6	2,116.9	2,171.6	2,162.2	2,211.9	2,233.6	2,270.7	2,307.9	2,319.6	2,383.0	2,409.1

Source: The Central Bank of The Bahamas

TABLE 5

PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

Period	2003	2004	2005	2004				2005				2006
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
1. Interest Income	435,099	474,049	533,519	112,236	116,611	120,303	124,899	120,307	126,166	134,328	152,718	145,220
2. Interest Expense	164,071	168,412	178,153	41,140	43,376	41,885	42,011	43,723	43,388	44,443	46,599	47,289
3. **Interest Margin (1-2)**	271,028	305,637	355,366	71,096	73,235	78,418	82,888	76,584	82,778	89,885	106,119	97,931
4. Commission & Forex Income	23,451	26,425	28,665	7,417	6,463	6,151	6,394	5,787	6,766	8,950	7,162	7,134
5. **Gross Earnings Margin (3+4)**	294,479	332,062	384,031	78,513	79,698	84,569	89,282	82,371	89,544	98,835	113,281	105,065
6. Staff Costs	114,818	116,033	125,378	27,251	27,796	30,494	30,492	29,918	30,322	32,286	32,852	33,502
7. Occupancy Costs	18,585	16,284	18,558	5,025	3,918	3,969	3,372	3,623	5,273	4,082	5,580	4,744
8. Other Operating Costs	52,182	60,051	54,888	12,888	13,107	16,520	17,536	10,443	15,305	14,915	14,225	16,036
9. **Operating Costs (6+7+8)**	185,585	192,368	198,824	45,164	44,821	50,983	51,400	43,984	50,900	51,283	52,657	54,282
10. **Net Earnings Margin (5-9)**	108,894	139,694	185,207	33,349	34,877	33,586	37,882	38,387	38,644	47,552	60,624	50,783
11. Depreciation Costs	22,803	9,739	12,625	5,286	5,180	(3,704)	2,977	3,119	2,843	3,053	3,610	2,818
12. Provisions for Bad Debt	38,562	35,806	21,897	7,323	10,270	10,740	7,473	5,015	6,866	4,779	5,237	6,181
13. Other Income	75,669	74,197	76,750	17,960	19,047	17,343	19,847	19,701	21,452	16,272	19,325	26,750
14. **Other Income (Net) (13-11-12)**	14,304	28,652	42,228	5,351	3,597	10,307	9,397	11,567	11,743	8,440	10,478	17,751
15. **Net Income (10+14)**	123,198	168,346	227,435	38,700	38,474	43,893	47,279	49,954	50,387	55,992	71,102	68,534
16. **Effective Interest Rate Spread (%)**	5.99	6.48	6.45	6.20	6.64	6.40	6.68	6.12	6.32	6.60	6.76	6.24
(Ratios To Average Assets)												
Interest Margin	4.71	4.91	5.42	4.71	4.73	4.99	5.21	4.73	4.94	5.28	6.71	5.62
Commission & Forex Income	0.41	0.43	0.44	0.49	0.42	0.39	0.40	0.36	0.40	0.53	0.45	0.41
Gross Earnings Margin	5.11	5.34	5.85	5.20	5.15	5.38	5.61	5.08	5.34	5.81	7.17	6.03
Operating Costs	3.22	3.09	3.02	2.99	2.90	3.25	3.23	2.71	3.04	3.01	3.33	3.11
Net Earnings Margin	1.89	2.25	2.83	2.21	2.25	2.14	2.38	2.37	2.30	2.79	3.84	2.91
Net Income	2.14	2.70	3.47	2.56	2.49	2.79	2.97	3.08	3.01	3.29	4.50	3.93

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

Source: The Central Bank of The Bahamas

TABLE 6

MONEY SUPPLY

(B$ Millions)

End of Period	2001	2002	2003	2004				2005				2006	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Money supply (M1)	776.7	817.7	907.4	1,006.1	1,109.4	1,125.9	1,134.4	1,244.3	1,291.0	1,184.3	1,247.6	1,265.4	1,352.7
1) Currency in active circulation	153.5	154.8	160.1	153.4	160.8	165.2	176.6	175.6	169.8	188.8	195.3	198.2	198.3
2) Demand deposits	623.2	662.9	747.3	852.7	948.6	960.7	957.8	1,068.7	1,121.2	995.5	1,052.3	1,067.2	1,154.4
Central Bank	10.3	10.1	21.7	73.9	128.9	154.4	87.7	164.1	153.3	34.0	26.1	54.1	78.2
Domestic Banks	612.9	652.8	725.6	778.8	819.7	806.3	870.1	904.6	967.9	961.5	1,026.2	1,013.1	1,076.2
Factors affecting changes in money (M1)													
1) Net credit to government	626.0	651.3	506.5	543.9	578.2	626.0	547.1	639.1	619.7	575.1	642.7	621.2	642.2
Central Bank	187.4	172.9	108.4	118.0	106.0	123.2	141.9	141.4	167.5	134.7	122.0	111.2	129.9
Domestic Banks	438.6	478.4	398.1	425.9	472.2	502.8	405.2	497.7	452.2	440.4	520.7	510.0	512.3
2) Other credit	4,051.3	4,289.1	4,467.5	4,500.9	4,566.4	4,630.9	4,680.1	4,720.7	4,961.7	5,049.1	5,256.8	5,430.2	5,653.1
Rest of public sector	149.2	219.5	372.9	365.0	346.4	343.7	340.7	341.9	334.1	301.1	303.1	314.5	364.6
Private sector	3,902.1	4,069.6	4,094.6	4,135.9	4,220.0	4,287.2	4,339.4	4,378.8	4,627.6	4,748.0	4,953.7	5,115.7	5,288.5
3) External reserves	312.4	373.2	484.3	593.2	652.5	609.1	667.8	718.6	761.1	665.2	578.8	637.8	644.1
4) Other external liabilities (net)	(546.9)	(730.5)	(628.1)	(627.2)	(587.1)	(567.8)	(563.5)	(538.2)	(606.7)	(594.2)	(611.0)	(654.1)	(650.6)
5) Quasi money	2,940.4	3,018.5	3,095.9	3,179.5	3,246.2	3,272.4	3,287.1	3,371.5	3,483.5	3,488.2	3,582.6	3,668.7	3,802.5
6) Other items (net)	(725.7)	(746.9)	(826.9)	(825.2)	(854.4)	(899.8)	(910.0)	(924.4)	(961.3)	(1,022.1)	(1,037.1)	(1,100.9)	(1,133.6)

Source: The Central Bank of The Bahamas

TABLE 7

CONSUMER INSTALMENT CREDIT

(B$' 000)

End of Period	2002	2003	2004	2005				2006	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
CREDIT OUTSTANDING									
Private cars	245,178	221,334	212,679	209,547	209,092	207,781	209,879	216,465	222,383
Taxis & rented cars	1,976	2,054	2,349	2,325	2,431	2,323	2,317	2,322	2,348
Commercial vehicles	4,513	4,254	5,212	5,762	6,224	6,681	6,038	6,173	6,551
Furnishings & domestic appliances	14,531	12,727	13,972	14,529	15,220	15,673	17,309	17,667	18,285
Travel	43,135	40,815	40,814	38,606	38,601	41,454	41,435	39,489	42,159
Education	59,487	49,903	46,926	46,430	45,748	48,891	47,737	48,393	48,306
Medical	14,318	13,662	13,811	13,921	14,002	14,157	14,446	14,940	16,196
Home Improvements	111,801	109,296	114,199	115,461	122,629	128,838	134,334	137,988	142,196
Land Purchases	110,475	120,265	150,096	154,998	160,883	165,735	174,645	177,630	186,019
Consolidation of debt	350,942	343,660	346,795	350,391	361,100	391,303	413,193	429,545	439,879
Miscellaneous	342,626	334,267	374,008	374,827	376,510	392,602	412,162	425,763	438,069
Credit Cards	158,784	148,265	166,073	160,526	161,334	172,367	188,058	186,643	196,474
TOTAL	1,457,766	1,400,502	1,486,934	1,487,323	1,513,774	1,587,805	1,661,553	1,703,018	1,758,865
NET CREDIT EXTENDED									
Private cars	(25,484)	(23,844)	(8,655)	(3,124)	(455)	(1,311)	2,098	6,586	5,918
Taxis & rented cars	(275)	78	295	(24)	106	(108)	(6)	5	26
Commercial vehicles	128	(259)	958	550	462	457	(643)	135	378
Furnishings & domestic appliances	(2,983)	(1,804)	1,245	557	691	453	1,636	358	618
Travel	(256)	(2,320)	(1)	(2,208)	(5)	2,853	(19)	(1,946)	2,670
Education	9,918	(9,584)	(2,977)	(496)	(682)	3,143	(1,154)	656	(87)
Medical	1,014	(656)	149	110	81	155	289	494	1,256
Home Improvements	(14,741)	(2,505)	4,903	1,266	7,168	6,209	5,496	3,654	4,208
Land Purchases	15,224	9,790	29,831	4,902	5,885	4,852	8,910	2,985	8,389
Consolidation of debt	(5,972)	(7,282)	3,135	3,639	10,709	30,203	21,890	16,352	10,334
Miscellaneous	1,887	(8,359)	39,741	827	1,683	16,092	19,560	13,601	12,306
Credit Cards	21,016	(10,519)	17,808	(5,547)	808	11,033	15,691	(1,415)	9,831
TOTAL	(524)	(57,264)	86,432	452	26,451	74,031	73,748	41,465	55,847

Source: The Central Bank of The Bahamas

TABLE 8
SELECTED AVERAGE INTEREST RATES

Period	2003	2004	2005	2004				2005				2006	
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
DOMESTIC BANKS													
Deposit rates													
Savings deposits	2.65	2.57	2.26	2.77	2.55	2.49	2.46	2.59	2.26	2.10	2.10	2.19	2.13
Fixed deposits													
Up to 3 months	3.81	3.69	3.13	3.80	3.73	3.61	3.61	3.39	3.06	3.04	3.03	3.15	3.13
Up to 6 months	4.31	4.46	3.41	4.74	4.97	4.12	3.99	3.62	3.19	3.28	3.56	3.44	3.60
Up to 12 months	4.44	4.26	3.58	4.44	4.21	4.12	4.25	3.70	3.25	3.53	3.85	3.85	3.88
Over 12 months	4.58	4.30	3.62	4.84	4.14	3.87	4.35	3.71	3.47	3.53	3.78	4.13	4.10
Weighted average rate	3.95	3.83	3.22	4.02	3.85	3.69	3.75	3.44	3.09	3.11	3.24	3.31	3.30
Lending rates													
Residential mortgages	8.97	8.81	8.08	8.91	8.84	8.81	8.69	8.50	8.02	7.82	7.96	7.94	7.82
Commercial mortgages	9.61	9.17	8.10	9.23	8.86	9.35	9.22	8.18	8.13	8.15	7.95	8.12	8.42
Consumer loans	13.78	12.96	12.22	13.39	13.08	12.95	12.40	12.42	11.81	12.59	12.07	12.01	11.97
Overdrafts	11.57	11.67	10.86	11.78	11.40	11.77	11.71	11.00	11.14	10.84	10.45	11.18	10.38
Weighted average rate	11.97	11.27	10.34	11.56	11.28	11.40	10.84	10.64	10.03	10.69	9.99	10.25	9.90
Other rates													
Prime rate	6.00	6.00	5.50	6.00	6.00	6.00	6.00	5.50	5.50	5.50	5.50	5.50	5.50
Treasury bill (90 days)	1.78	0.55	0.14	0.94	0.71	0.29	0.25	0.18	0.15	0.06	0.17	0.36	0.69
Treasury bill re-discount rate	2.28	1.05	0.64	1.44	1.21	0.79	0.75	0.68	0.65	0.56	0.67	0.86	1.19
Bank rate (discount rate)	5.75	5.75	5.25	5.75	5.75	5.75	5.75	5.25	5.25	5.25	5.25	5.25	5.25

Source: The Central Bank of The Bahamas

TABLE 9

SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS

Period	2003	2004	2005				2006	
			Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
Loan Portfolio								
Current Loans (as a % of loans total)	**89.9**	**90.8**	**91.5**	**92.0**	**92.3**	**92.0**	**92.3**	**93.0**
Arrears (% by loan type)								
Consumer	3.5	2.9	3.0	2.6	2.4	2.8	2.7	2.6
Mortgage	4.0	3.8	3.7	3.6	3.5	3.6	3.2	3.2
Commercial	2.6	2.5	1.8	1.8	1.8	1.6	1.8	1.2
Public	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Arrears	**10.1**	**9.2**	**8.5**	**8.0**	**7.7**	**8.0**	**7.7**	**7.0**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Loan Portfolio								
Current Loans (as a % of loans total)	**89.9**	**90.8**	**91.5**	**92.0**	**92.3**	**92.0**	**92.3**	**93.0**
Arrears (% by days outstanding)								
30 - 60 days	3.2	2.9	2.8	2.4	2.3	2.7	2.7	2.3
61 - 90 days	1.8	1.5	0.9	1.1	0.9	1.0	0.7	0.7
90 - 179 days	1.1	0.8	1.0	0.8	0.9	0.9	0.9	0.7
over 180 days	4.0	4.0	3.8	3.7	3.6	3.4	3.4	3.3
Total Arrears	**10.1**	**9.2**	**8.5**	**8.0**	**7.7**	**8.0**	**7.7**	**7.0**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Accrual Loans (% by loan type)								
Consumer	39.9	39.7	37.9	34.9	32.9	33.9	35.1	36.5
Mortgage	38.4	38.8	41.0	44.0	41.8	42.9	41.6	44.3
Other Private	21.7	21.4	21.0	21.0	25.2	23.1	23.2	19.1
Public	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Non Accrual Loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Provisions to Loan Portfolio								
Consumer	3.7	4.0	3.5	3.4	3.3	3.0	3.1	3.3
Mortgage	1.2	1.2	1.4	1.4	1.4	1.3	1.5	1.5
Other Private	0.9	1.0	1.6	1.6	1.7	1.6	2.3	2.3
Public	0.0	0.0	0.1	0.4	0.4	0.3	0.3	0.0
Total Provisions to Total Loans	2.1	2.2	2.2	2.2	2.1	2.0	2.3	2.3
Total Provisions to Non-performing Loans	40.2	45.0	45.1	47.0	46.0	44.9	51.8	57.7
Total Non-performing Loans to Total Loans	5.1	4.8	4.8	4.5	4.6	4.3	4.3	4.0

Source: The Central Bank of The Bahamas

Figures may not sum to total due to rounding.

TABLE 10
SUMMARY OF BANK LIQUIDITY

(B$ Millions)

End of Period	2001	2002	2003	2004				2005				2006	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
I. Statutory Reserves													
Required reserves	176.1	183.4	187.2	192.7	200.9	204.8	205.3	211.5	217.0	222.4	226.3	228.6	238.0
Average Till Cash	51.2	55.3	66.7	57.1	56.0	57.9	70.2	57.8	64.9	60.8	86.5	60.8	67.8
Average balance with central bank	182.2	217.8	250.2	326.9	335.3	304.3	407.5	385.9	444.1	446.1	332.2	357.5	355.9
Free cash reserves (period ended)	56.5	88.9	128.9	190.5	189.6	156.6	271.6	231.4	291.2	283.7	191.5	189.0	184.9
II. Liquid Assets (period)													
A. Minimum required Liquid assets	569.3	589.9	615.6	637.1	656.7	660.7	677.2	691.9	717.8	731.1	752.2	768.5	797.6
B. Net Eligible Liquid Assets	636.7	687.6	772.3	874.8	883.6	855.2	909.7	955.3	1021.5	973.2	895.6	937.8	990.4
i) Balance with Central Bank	188.6	230.3	243.5	338.0	322.6	267.0	383.7	374.5	444.6	434.6	284.7	347.0	345.5
ii) Notes and Coins	65.4	66.8	80.1	63.0	63.7	60.8	79.0	62.6	70.0	55.4	106.3	57.5	60.9
iii) Treasury Bills	63.5	38.8	47.6	73.0	88.9	96.1	26.7	85.4	86.4	48.5	66.1	78.0	125.3
iv) Government registered stocks	306.4	335.3	369.5	368.6	369.3	396.7	393.3	402.3	390.4	419.1	400.4	413.9	417.8
v) Specified assets	16.9	17.9	26.8	29.1	28.2	27.9	24.9	27.8	27.5	26.3	26.0	28.0	39.3
vi) Net Inter-bank dem/call deposits	(3.3)	(0.7)	5.6	3.9	11.7	7.5	2.9	3.5	3.4	(9.9)	12.9	14.2	2.4
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
C. Surplus/(Deficit)	67.4	97.7	156.7	237.7	226.9	194.5	232.5	263.4	303.7	242.1	143.4	169.3	192.8

Source: The Central Bank of The Bahamas

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

Period	2002/03p	2003/04p	2004/05p	Budget 2005/06	Budget 2006/07	2004/05p QTR. III	2004/05p QTR. IV	2005/06p QTR. I	2005/06p QTR. II	2005/06p QTR. III	Ytd May 2004/05p	Ytd May 2005/06p
Total Revenue & Grants	901.8	943.8	1039.4	1132.8	1339.0	254.3	319.9	271.8	273.4	311.3	910.4	1087.6
Current expenditure	962.5	994.0	1053.1	1145.7	1269.6	260.7	307.2	260.9	286.3	287.9	934.1	1020.5
Capital expenditure	83.8	80.9	90.4	132.9	162.4	15.3	48.3	26.4	23.6	31.3	57.7	100.6
Net lending	43.1	35.3	71.4	31.5	32.4	11.6	23.0	4.8	14.3	15.1	62.6	44.8
Overall balance	**(187.6)**	**(166.4)**	**(175.5)**	**(177.3)**	**(125.4)**	**(33.2)**	**(58.5)**	**(20.3)**	**(50.7)**	**(23.1)**	**(144.0)**	**(78.4)**
FINANCING (I+II-III+IV+V)	187.6	166.4	175.4	177.3	125.4	33.2	58.5	20.3	60.7	23.1	144.0	78.4
I. Foreign currency borrowing	**34.4**	**206.7**	**2.9**	**30.6**	**32.7**	--	**1.1**	--	3.9	1.8	2.9	9.1
External	9.4	206.7	2.9	30.6	32.7	--	1.1	--	3.9	1.8	2.9	5.7
Domestic	25.0	--	--	. . .	. . .	--	--	--	--	--	--	3.4
II. Bahamian dollar borrowing	**205.9**	**132.3**	**325.1**	**201.6**	**195.3**	**18.8**	**106.4**	**75.0**	**--**	**75.0**	**258.8**	**201.6**
i) Treasury bills	--	--	**13.1**	. . .	. . .	**13.1**	--	--	--	--	**13.1**	--
Central Bank	--	--	13.1	. . .	. . .	13.1	--	--	--	--	13.1	--
Commercial banks & OLFI's	--	--	--	. . .	. . .	--	--	--	--	--	--	--
Public corporations	--	--	--	. . .	. . .	--	--	--	--	--	--	--
Other	--	--	--	. . .	. . .	--	--	--	--	--	--	--
ii) Long-term securities	**186.1**	**98.3**	**306.3**	. . .	. . .	--	**106.4**	**75.0**	**--**	**75.0**	**240.0**	**201.6**
Central Bank	20.0	33.3	55.9	. . .	. . .	--	25.9	5.0	--	4.0	30.0	11.5
Commercial banks & OLFI's	56.4	20.1	46.3	. . .	. . .	--	13.9	11.4	--	11.4	32.4	35.2
Public corporations	33.2	21.7	125.6	. . .	. . .	--	60.0	15.5	--	6.3	105.6	25.3
Other	76.5	23.2	78.5	. . .	. . .	--	6.6	43.1	--	53.3	72.0	129.6
iii) Loans and Advances	**19.8**	**34.0**	**5.7**	. . .	. . .	**5.7**	--	--	--	--	**5.7**	**--**
Central Bank	4.3	34.0	5.7	. . .	. . .	5.7	--	--	--	--	5.7	--
Commercial banks	15.5	--	--	. . .	. . .	--	--	--	--	--	--	--
III Debt repayment	**62.4**	**251.4**	**98.4**	**54.9**	**102.6**	**20.4**	**36.1**	**0.7**	**1.1**	**21.7**	**73.2**	**62.0**
Domestic	**54.4**	**242.0**	**92.6**	**50.8**	**94.7**	**20.0**	**35.0**	--	--	**21.0**	**67.6**	**58.1**
Bahamian dollars	49.4	112.0	92.6	50.8	94.7	20.0	35.0	--	10.0	21.0	67.6	57.2
Internal foreign currency	5.0	130.0	--	. . .	. . .	--	--	--	--	--	--	0.9
External	**8.0**	**9.4**	**5.8**	**4.1**	**7.9**	**0.4**	**1.1**	**0.7**	**1.1**	**0.7**	**5.6**	**3.9**
IV Cash balance change	**15.3**	**(33.7)**	**(45.8)**	. . .	. . .	**(12.6)**	**(40.3)**	**36.1**	**1.5**	**(27.9)**	**(10.5)**	**38.7**
V. Other Financing	**(5.6)**	**112.5**	**(8.3)**	. . .	. . .	**47.4**	**27.4**	**(90.1)**	**56.5**	**(4.2)**	**(34.0)**	**(109.0)**

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

TABLE 12
NATIONAL DEBT

(B$' 000s)

End of Period	2003p	2004p	2005p	2005p Jun.	2005p Sept.	2005p Dec.	2006p Mar.	2006p Jun.
TOTAL EXTERNAL DEBT	288,545	284,611	286,528	284,454	283,772	286,528	287,674	286,175
By Instrument								
Government Securities	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000
Loans	63,545	59,611	61,528	59,454	58,772	61,528	62,674	61,175
By Holder								
Commercial banks	5,153	--	--	--	--	--	--	--
Offshore financial institutions	--	--	--	--	--	--	--	--
Multilateral institutions	58,392	59,611	61,528	59,454	58,772	61,528	62,674	61,175
Bilateral Institutions	--	--	--	--	--	--	--	--
Private Capital Markets	225,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000
TOTAL INTERNAL DEBT	1,647,607	1,813,297	1,948,696	1,883,696	1,958,696	1,948,696	2,002,696	2,030,594
By Instrument								
Foreign Currency	--	--	--	--	--	--	--	2,483
Government securities	--	--	--	--	--	--	--	--
Loans	--	--	--	--	--	--	--	2,483
Bahamian Dollars	1,647,607	1,813,297	1,948,696	1,883,696	1,958,696	1,948,696	2,002,696	2,028,111
Advances	71,019	71,019	76,988	76,987	76,988	76,988	76,988	61,988
Treasury bills	179,400	179,400	192,469	192,469	192,469	192,469	192,469	192,469
Government securities	1,386,943	1,552,633	1,668,993	1,603,994	1,678,993	1,668,993	1,723,993	1,764,908
Loans	10,245	10,245	10,246	10,246	10,246	10,246	9,246	8,746
By Holder								
Foreign Currency	--	--	--	--	--	--	--	2,483
Commercial banks	--	--	--	--	--	--	--	2,483
Other local financial institutions	--	--	--	--	--	--	--	--
Bahamian Dollars	1,647,607	1,813,297	1,948,696	1,883,696	1,958,696	1,948,696	2,002,696	2,028,111
The Central Bank	114,800	149,535	149,682	215,931	152,817	149,682	150,663	137,532
Commercial banks	423,997	427,858	463,385	482,610	469,970	463,385	474,637	532,394
Other local financial institutions	3,128	4,321	4,811	4,319	4,816	4,811	4,811	5,139
Public corporations	673,345	717,098	763,092	680,808	780,134	763,092	742,862	696,734
Other	432,337	514,485	567,726	500,028	550,959	567,726	629,722	656,311
TOTAL FOREIGN CURRENCY DEBT	288,545	284,611	286,528	284,454	283,772	286,528	287,674	288,658
TOTAL DIRECT CHARGE	1,936,152	2,097,908	2,235,224	2,168,150	2,242,468	2,235,224	2,290,370	2,316,769
TOTAL CONTINGENT LIABILITIES	467,522	439,852	497,206	473,798	500,102	497,206	499,216	506,687
TOTAL NATIONAL DEBT	2,403,674	2,537,760	2,732,430	2,641,948	2,742,570	2,732,430	2,789,586	2,823,455

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

	2003p*	2004p	2005p	2005p			2006p	
				Jun.	Sept.	Dec.	Mar.	Jun.
Outstanding debt at beginning of period	**565,538**	**616,965**	**579,269**	**574,945**	**553,829**	**549,725**	**551,011**	**570,834**
Government	220,987	288,544	284,611	284,407	284,454	283,772	286,528	287,674
Public Corporations	344,551	328,421	294,658	290,538	269,375	265,953	264,483	283,160
Plus new drawings	**362,945**	**28,304**	**42,862**	**9,763**	**7,986**	**12,810**	**31,899**	**33,487**
Government	206,000	4,240	4,974	1,112	--	3,862	1,829	3,387
Public corporations	156,945	24,064	37,888	8,651	7,986	8,948	30,070	30,100
Less Amortization	**311,518**	**66,000**	**71,121**	**30,879**	**12,090**	**11,524**	**12,076**	**10,707**
Government	138,443	8,173	3,057	1,065	682	1,106	683	2,403
Public corporations	173,075	57,827	68,064	29,814	11,408	10,418	11,393	8,304
Outstanding debt at end of period	**616,965**	**579,269**	**551,010**	**553,829**	**549,725**	**551,011**	**570,834**	**593,614**
Government	288,544	284,611	286,528	284,454	283,772	286,528	287,674	288,658
Public corporations	328,421	294,658	264,482	269,375	265,953	264,483	283,160	304,956
Interest Charges	**26,471**	**27,340**	**30,178**	**11,325**	**3,325**	**12,197**	**3,851**	**11,565**
Government	12,927	18,203	18,141	8,611	497	8,605	422	8,597
Public corporations	13,544	9,137	12,037	2,714	2,828	3,592	3,429	2,968
Debt Service	**337,989**	**93,340**	**101,299**	**42,204**	**15,415**	**23,721**	**15,927**	**22,272**
Government	151,370	26,376	21,198	9,676	1,179	9,711	1,105	11,000
Public corporations	186,619	66,964	80,101	32,528	14,236	14,010	14,822	11,272
Debt Service ratio	13.6	3.4	3.3	5.3	2.1	3.1	2.0	2.6
Government debt Service/ Government revenue (%)	16.8	2.7	1.9	3.0	0.4	3.6	0.4	n.a
MEMORANDUM								
Holder distribution (B$ Mil):								
Commercial banks	261.16	236.74	215.93	216.1	215.5	215.9	235.8	262.0
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	118.5	113.1	109.5	110.4	108.7	109.5	109.6	106.2
Bilateral Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	12.3	4.4	0.5	2.3	0.6	0.5	0.5	0.4
Private Capital Markets	225.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0

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

Note: ***Debt** servicing during 2003 includes the respective re-financing of $125M and $123M in Government (internal) and public corporations (external) debt. Net of these payments, the adjusted service/exports ratio was 3.7% and the Government's debt service/revenue ratio was 3.0%.

TABLE 14

BALANCE OF PAYMENTS SUMMARY

(B$ Millions)

	2003p	2004p	2005p	2004			2005				2006	
				Qtr.IIp	Qtr.IIIp	Qtr.IVp	Qtr.Ip	Qtr.IIp	Qtr.IIIp	Qtr.IVp	Qtr.Ip	Qtr.IIp
A. Current Account Balance (I+II+III+IV)	**(472.4)**	**(304.7)**	**(581.8)**	**(7.4)**	**(249.9)**	**(32.1)**	**(41.3)**	**(41.2)**	**(211.2)**	**(288.1)**	**(360.9)**	**(342.3)**
I. Merchandise (Net)	**(1,330.7)**	**(1,427.3)**	**(1,636.4)**	**(328.6)**	**(368.6)**	**(376.4)**	**(360.5)**	**(377.2)**	**(417.6)**	**(481.1)**	**(483.3)**	**(537.6)**
Exports	426.5	477.4	521.8	123.4	98.6	148.2	122.7	122.8	115.2	161.1	156.7	164.8
Imports	1,757.2	1,904.7	2,158.2	452.0	467.2	524.6	483.2	500.0	532.8	642.2	640.0	702.4
II. Services (Net)	**962.1**	**1,012.8**	**1,132.6**	**327.4**	**158.1**	**173.5**	**321.8**	**369.3**	**222.1**	**219.4**	**173.1**	**244.1**
Transportation	(187.5)	(249.4)	(291.4)	(73.6)	(61.0)	(63.9)	(72.6)	(77.2)	(72.1)	(69.5)	(73.8)	(79.6)
Travel	1,452.7	1,568.9	1,724.9	508.2	300.5	282.3	480.0	524.9	378.4	341.6	490.1	531.8
Insurance Services	(105.8)	(81.4)	(94.8)	(26.1)	(21.4)	(15.6)	(21.9)	(20.3)	(21.8)	(30.8)	(21.4)	(33.8)
Offshore Companies Local Expenses	105.9	136.1	144.2	23.3	22.0	54.3	23.3	23.9	39.4	57.6	32.5	30.9
Other Government	(57.3)	(29.2)	(50.4)	(7.5)	(12.7)	(4.0)	(8.5)	(21.2)	(7.8)	(12.9)	(21.0)	(6.8)
Other Services	(245.9)	(332.2)	(299.9)	(96.9)	(69.3)	(79.6)	(78.5)	(60.8)	(94.0)	(66.6)	(233.3)	(198.4)
III. Income (Net)	**(152.4)**	**(141.0)**	**(163.3)**	**(32.3)**	**(47.1)**	**(37.3)**	**(50.9)**	**(52.5)**	**(24.8)**	**(35.1)**	**(67.0)**	**(66.2)**
1. Compensation of Employees	(56.3)	(63.2)	(73.2)	(17.0)	(12.1)	(20.9)	(20.0)	(18.9)	(15.8)	(18.5)	(41.1)	(19.2)
2. Investment Income	(96.1)	(77.8)	(90.1)	(15.3)	(35.0)	(16.4)	(30.9)	(33.6)	(9.0)	(16.6)	(25.9)	(47.0)
IV. Current Transfers (Net)	**48.6**	**250.8**	**85.3**	**26.1**	**7.7**	**208.1**	**48.3**	**19.2**	**9.1**	**8.7**	**16.3**	**17.4**
1. General Government	53.9	59.7	59.1	27.0	8.7	12.3	14.6	21.3	12.0	11.2	17.8	18.4
2. Private Sector	(5.3)	191.1	26.2	(0.9)	(1.0)	195.8	33.7	(2.1)	(2.9)	(2.5)	(1.5)	(1.0)
B. Capital and Financial Account (I+II) (excl. Reserves)	**498.0**	**310.6**	**262.2**	**24.2**	**125.4**	**112.6**	**127.4**	**122.0**	**95.8**	**134.0**	**254.3**	**181.3**
I. Capital Account (Net Transfers)	**(37.4)**	**(47.9)**	**(39.2)**	**(9.7)**	**(10.9)**	**(18.6)**	**(11.4)**	**(13.6)**	**(22.3)**	**(13.1)**	**(13.8)**	**(14.2)**
II. Financial Account (Net)	**535.4**	**358.5**	**301.4**	**33.9**	**136.3**	**131.2**	**138.8**	**135.6**	**118.1**	**147.1**	**268.1**	**195.5**
1. Direct Investment	190.3	273.7	410.3	62.4	105.4	67.1	95.6	57.7	139.7	117.3	178.6	92.8
2. Portfolio Investment	--	--	--	--	--	--	--	--	--	--	--	(12.5)
3. Other Investments	345.1	84.8	129.3	(28.5)	30.9	64.1	43.2	77.9	(21.6)	29.8	89.5	115.2
Central Gov't Long Term Capital	196.0	(4.2)	0.9	1.4	(3.2)	0.7	(0.4)	--	(0.7)	2.0	1.1	(1.5)
Other Public Sector Capital	(143.5)	(16.5)	(9.8)	(2.9)	(4.7)	(3.6)	(2.7)	(2.2)	(3.2)	(1.7)	(1.2)	(1.9)
Banks	(102.4)	(64.5)	47.6	(40.0)	(19.3)	(4.3)	(25.3)	68.5	(12.5)	16.9	43.0	(3.5)
Other	395.1	170.1	90.6	13.0	58.2	71.3	71.6	11.6	(5.2)	12.6	46.6	122.1
C. Net Errors and Omissions	**85.5**	**177.8**	**13.5**	**42.4**	**81.2**	**(21.8)**	**(35.4)**	**(38.2)**	**19.4**	**67.7**	**165.7**	**167.3**
D. Overall Balance (A+B+C)	**111.1**	**183.7**	**(306.1)**	**59.2**	**(43.3)**	**58.7**	**50.7**	**42.6**	**(96.0)**	**(86.4)**	**59.1**	**6.3**
E. Financing (Net)	**(111.1)**	**(183.7)**	**89.1**	**(59.2)**	**43.3**	**(58.7)**	**(50.7)**	**(42.6)**	**96.0**	**86.4**	**(59.1)**	**(6.3)**
Change in SDR holdings	--	--	0.2	--	--	--	--	--	0.1	0.1	--	--
Change in Reserve Position with the IMF	(0.9)	(0.4)	0.7	0.1	--	(0.5)	0.3	0.3	--	0.1	(0.1)	(0.2)
Change in Ext. Foreign Assets ( ) = Increase	(110.2)	(183.3)	88.2	(59.3)	43.3	(58.2)	(51.0)	(42.9)	95.9	86.2	(59.0)	(6.1)

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

TABLE 15
EXTERNAL TRADE

	2001	2002	2003	2004	2003				2004			
					Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
I. OIL TRADE												
i) Exports	68,844	90,579	24,477	37,745	10,309	3	14,165	--	7,836	9,375	9,552	10,982
ii) Imports	292,807	237,630	257,263	286,374	67,329	72,191	55,038	62,705	70,256	75,242	78,175	62,701
II. OTHER MERCHANDISE												
Domestic Exports												
Crawfish	67,696	89,809	106,381	86,107	36,422	529	19,275	50,155	19,432	3,399	18,409	44,867
Fish & other Crustacea	4,211	1,712	1,773	1,285	843	--	538	392	426	389	378	92
Fruits & Vegs.	7,514	2,013	2,000	1,369	542	239	34	1,185	853	--	281	235
Aragonite	278	291	478	80	--	84	394	--	6	74	--	--
Rum	38,190	37,760	22,024	31,344	19,094	2,622	93	215	8,632	7,319	8,235	7,158
Other Cordials & Liqueurs	195	110	48	35	--	23	22	3	3	26	6	--
Crude Salt	13,507	8,389	13,636	12,457	7,392	--	6,244	--	4,016	3,456	2,156	2,829
Hormones	573	--	--	--	--	--	--	--	--	--	--	--
Chemicals	13,124	433	49	--	2	47	--	--	--	--	--	--
Other Pharmaceuticals	81	2,313	--	--	--	--	--	--	--	--	--	--
Fragrances	64	423	--	--	--	--	--	--	--	--	--	--
Other	83,115	85,742	117,726	107,550	27,127	21,017	46,996	22,586	28,408	27,516	21,028	30,598
i) Total Domestic Exports	228,548	228,995	264,115	240,227	91,422	24,561	73,596	74,536	61,776	42,179	50,493	85,779
ii) Re-Exports	78,490	69,203	76,235	123,338	16,059	23,246	19,520	17,410	21,426	55,156	17,585	29,171
iii) Total Exports (i+ii)	307,038	298,198	340,350	363,565	107,481	47,807	93,116	91,946	83,202	97,335	68,078	114,950
iv) Imports	1,635,942	1,600,835	1,616,895	1,690,140	394,326	378,858	413,980	429,731	425,444	401,637	397,509	465,550
v) Retained Imports (iv-ii)	1,557,452	1,531,632	1,540,660	1,566,802	378,267	355,612	394,460	412,321	404,018	346,481	379,924	436,379
vi) Trade Balance (i-v)	(1,328,904)	(1,302,637)	(1,276,545)	(1,326,575)	(286,845)	(331,051)	(320,864)	(337,785)	(342,242)	(304,302)	(329,431)	(350,600)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

Period	2003p	2004p	2005p	2004p		2005p				2006p	
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
Visitor Arrivals	**4,594,042**	**5,003,691**	**5,035,818**	**1,094,044**	**1,109,878**	**1,346,782**	**1,295,825**	**1,132,651**	**1,260,560**	**1,285,708**	**1,309,514**
Air	1,428,973	1,450,037	1,514,532	318,012	284,613	394,922	431,804	358,664	329,142	410,156	449,964
Sea	3,165,069	3,553,654	3,521,286	776,032	825,265	951,860	864,021	773,987	931,418	875,552	859,550
Visitor Type											
Stopover	1,510,169	1,561,312	1,608,052	336,519	282,675	426,435	465,355	383,149	333,113	n.a	n.a
Cruise	2,970,174	3,360,012	3,335,110	723,054	804,023	904,016	800,026	720,182	910,886	847,674	797,684
Day/Transit	113,699	82,367	92,656	34,471	23,180	16,331	30,444	29,320	16,561	n.a	n.a
Tourist Expenditure(B$ 000's)	**1,758,911**	**1,884,482**	**2,071,815**	**386,288**	**378,275**	**558,636**	**595,518**	**483,688**	**433,973**	n.a	n.a
Stopover	1,596,870	1,693,487	1,883,863	346,891	329,486	505,260	551,162	443,348	384,093	n.a	n.a
Cruise	157,006	185,818	182,935	37,675	47,799	52,055	42,855	39,091	48,935	n.a	n.a
Day	5,035	5,177	5,017	1,722	990	1,322	1,502	1,249	945	n.a	n.a
Number of Hotel Nights	3,554,856	3,269,602	3,224,892	780,436	686,012	798,222	809,059	811,543	806,068	827,956	n.a
Average Length of Stay	5.9	6.3	6.4	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Hotel Occupancy Rates (%)											
New Providence	66.4	70.9	75.4	69.1	61.7	80.7	81.1	74.1	65.8	83.3	n.a
Grand Bahama	48.4	59.8	63.7	58.0	53.0	68.0	68.5	58.7	59.6	70.0	n.a
Other Family Islands	34.8	37.1	39.4	34.8	30.4	44.0	50.6	33.4	29.7	34.6	n.a
Average Nightly Room Rates ($)											
New Providence	165.8	164.9	163.5	148.7	151.4	190.1	175.08	144.3	144.4	191.3	n.a
Grand Bahama	83.5	92.3	109.8	82.6	103.6	123.3	108.78	97.9	109.4	143.7	n.a
Other Family Islands	160.5	169.8	190.1	154.6	172.8	196.0	187.31	201.3	175.7	223.8	n.a

Source: The Ministry of Tourism

Survey of Private Pension Plans in The Bahamas (2004)

Introduction

The Central Bank of The Bahamas' latest survey on sponsored (mainly private) pension arrangements obtained results for 2004 and extends the available data coverage, which begins at 1992. Indications are that assets have grown nearly three fold since 1992, from just over $300 million to $833 million in 2004. Growth in pension assets remains strongly correlated with periods of heightened expansion in the economy and the tourism sector in particular, supporting steady increments in the share of the labour force participating in such schemes. Results from the 2004 survey reveal that the share of sponsored pension assets invested in public sector securities and in private capital market instruments continued to increase, while the proportion allocated to bank deposits and holdings such as real estate decreased further. Plans,meanwhile, benefited from steady firming in the average rate of return on investments.

Private pension benefits are generally intended to supplement retirement income received from the National Insurance Board (NIB). However, as opposed to NIB's coverage capped at a wage ceiling of $400 per week, private schemes vary benefits without such limits, in proportion to the earnings of the individual. A non-contributory supplementary scheme also exists for retired civil servants, which is funded by the Government. Grouping the approximately 17,000 central Government employees with those covered by private schemes, therefore, placed the estimated share of the employed Bahamian workforce entitled to supplementary retirement income near 36.0% in 2004.

Table 1: Selected Indicators of Domestic Savings

	2001	2002	2003	2004	2001	2002	2003	2004	Avg. Growth 01-04
	(B$ Million)				(% of GDP)				(%)
Private Pension Funds	728.1	748.6	795.6	833.6	14.2%	13.9%	14.5%	14.7%	3.6%
National Ins. Board (Cash and Investments)[1]	991.5	1,069.3	1,152.8	1,242.7	19.3%	19.8%	20.9%	22.0%	6.7%
Life & Health Ins. Cos.(Current Assets and Inv)[2]	530.41	551.3	617.2	666.5	10.3%	10.2%	11.2%	11.8%	8.4%
Private Individuals (Bank deposits)[3]	2,009.0	2,059.7	2,100.3	2,383.4	39.2%	38.2%	38.2%	42.1%	5.6%
Credit Unions (Deposit and Shares)[4]	120.4	132.5	150.1	170.2	2.3%	2.5%	2.7%	3.0%	11.3%

Sources:

[1]The National Insurance Board, Annual Statement of Accounts (Except 2004, which is a Central Bank estimate), [2]The Registrar of Insurance Companies (except 2004, which is a Central Bank estimate), [3]The Central Bank of The Bahamas and [4]The Department of Cooperative Development

Private or sponsored pension funds are gradually gaining in importance as vehicles for domestic savings (see Table 1).

The accumulated assets in these schemes represented a relatively stable 14.7% of GDP in 2004. While these were appreciably less than the collective savings held by NIB, estimated at 22.0% of GDP in 2004, they exceeded the corpus held by insurance companies, which approximated 11.8% of GDP. A smaller share of domestic savings, representing some 3.0% of GDP is attributed to credit unions.

By far, nevertheless, the bulk of financial savings of private individuals are held in deposits at banks, equivalent to an elevated 42.1% of GDP in 2004 compared to 38.2% in 2003. However, total deposits reflect a significantly skewed savings pattern, as approximately three-quarters of the balances are held in less than one quarter of the accounts. Although based on individuals' salaries, the distribution of savings in private pension funds is much less skewed, while average NIB benefit entitlements are almost evenly distributed among eligible contributors.

Against this backdrop, this article analyzes the results of the 2004 pension survey, highlighting overall trends in the industry and various sub-groupings according to the nature of funds and sectors of sponsors. First, a brief overview of the survey and estimation methodology is discussed, followed by an outline of the characteristics of the various schemes. The article then reviews trends in investment patterns among pension plans and concludes with a discussion on the outlook for the industry.

Categorization of Sponsored Plans

Fund pension schemes commonly fall into three categories, according to either the nature of benefits provided or how they are financed. These are defined benefit, defined contribution and provident funds.

Defined Benefit plans guarantee the payment of specified benefits at retirement, proportionate to participants' earnings age, and the number of years employed with the sponsor. To determine adequacy of funding or long-term solvency of such plans, actuarial estimates of the present value of future benefits payable are subtracted from the present value of assets, represented from expected contributions and earnings on accumulated assets. Fully-funded plans are those for which the present value of assets equals or exceeds that of liabilities, while under-funded plans are those for which actuarial liabilities exceed the present value of assets. Although defined benefit schemes maintain the certainty of retirement benefits, annual costs can vary significantly, as shifts occur in actuarial assumptions about workforce demographics, and the expected future rates of return on investments. Costs differentials normally fall within the ambit of the plan sponsors, who are responsible for maintaining their funded status.

Having features in common, both defined contribution and provident fund plans establish savings and contribution rates upfront, but offer no guaranteed retirement benefit. The costs of maintaining these plans are therefore more predictable than for defined benefit schemes. However, uncertainty arises over future value of benefits, which depend entirely upon the contributions to the schemes and related investment returns. The only difference between the two types of schemes is that provident schemes disburse participants' benefits as lump sum payments upon retirement, while the defined contribution plans convert at least some of this entitlement into annuities, payable in installments. Since lump-sum benefits from provident schemes can also be converted to annuities, this subtle distinction is ignored and these are grouped with defined contribution plans in the analysis below..

Survey and Estimation Methodology

The 2004 pension survey was sent to 150 existing and potential plan sponsors in The Bahamas. This excluded some 137 companies, mostly offshore banks and trust companies which, according to the Central Bank's 2003 survey, either did not sponsor local plans or enrolled their employees in globally sponsored schemes, for which a separate apportionment of local employees' entitlement was not possible. Some 88 returns were received, of which 79 respondents revealed some level of local plan sponsorship and 9 firms disclosed that they did not sponsor such schemes. The respondents that reported schemes were responsible for total plan assets which approximated 72.5% of the estimated aggregates for 2004. From these responses, the average sector

Table 2

Private Pension Investments By Industry

	2000R	2001R	2002R	2003R	2004P
INDUSTRY			**(B$'000)**		
Construction	742	939	926	1,101	1,101
Communications & Utilities	239,874	250,780	256,741	270,986	273,723
Education	9,084	9,883	10,630	11,728	12,765
Financial Sector	179,556	188,349	182,999	190,076	200,083
Health	1,126	1,225	1,093	1,042	1,319
Hotel & Restaurants	154,325	164,621	170,980	185,126	197,140
Manufacturing	40,839	7,854	6,895	7,561	8,093
Non - Profit Organizations	805	832	833	1,044	1,167
Oil Companies	15,250	15,250	15,808	16,689	18,202
Other Services	25,988	27,864	31,177	35,652	40,102
Private Distribution	17,040	18,569	23,891	26,715	29,859
Professional Services	8,920	9,116	10,900	11,694	12,845
Real Estate	6,584	5,831	4,885	5,173	5,745
Transportation	23,832	27,033	30,885	31,006	31,409
TOTAL	723,965	728,146	748,643	795,593	833,553

	2000R	2001R	2002R	2003R	2004P
INDUSTRY			**(% Distribution)**		
Construction	0.10	0.13	0.12	0.14	0.13
Communications & Utilities	33.13	34.44	34.29	34.06	32.84
Education	1.25	1.36	1.42	1.47	1.53
Financial Sector	24.80	25.87	24.44	23.89	24.00
Health	0.16	0.17	0.15	0.13	0.16
Hotel & Restaurants	21.32	22.61	22.84	23.27	23.65
Manufacturing	5.64	1.08	0.92	0.95	0.97
Non - Profit Organizations	0.11	0.11	0.11	0.13	0.14
Oil Companies	2.11	2.09	2.11	2.10	2.18
Other Services	3.59	3.83	4.16	4.48	4.81
Private Distributions	2.35	2.55	3.19	3.36	3.58
Professional Services	1.23	1.25	1.46	1.47	1.54
Real Estate	0.91	0.80	0.65	0.65	0.69
Transportation	3.29	3.71	4.13	3.90	3.77
TOTAL	100.00	100.00	100.00	100.00	100.00

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

growth rates were calculated and used to estimate the remaining 27.5% of plan assets for 2004. Estimation through this methodology does not carry forward the assets from discontinued schemes, which occurred most frequently from ceased operations among offshore manufacturing companies and in the financial sector.

Characteristics of Local Pension Plans

Defined contribution (including provident fund) plans are the most commonly used sponsored pension arrangements in The Bahamas, accounting for 71.0% of the surveyed schemes, as compared to 29.0% for defined benefit schemes. Nevertheless, individuals covered by such plans only accounted for 11.8% of overall private pension participants in 2004; and the respective assets, schemes was less, at 53.0%. Defined benefit schemes were therefore utilized more frequently in the earlier mix (47.0%) relative to the latter period (13.9%), and included those sponsored by the public corporations and a few large financial institutions. Both this longer average period of existence and the larger average number of employees help to explain why, over the years, defined benefit schemes have amassed the majority of private pension assets.

As regard asset management arrangements, approximately two thirds of sponsors (mainly outside of the financial sector) have their plans professionally administered. An estimated 42.8% of pension plans were administered by insurance companies, while 17.9% were managed by banks or trust companies and 7.6% by other professional managers.

Plans are also distinguishable on the basis of how funding is shared between the employee and employer and whether employee participation is compulsory or voluntary. Of the schemes surveyed, almost half (49.0%) required mandatory participation by employees. Defined benefit schemes had a compulsion rate of 59.5% while for defined contribution plans, participation was compulsory in 44.7% of the cases. Meanwhile, larger companies with more than 100 participants were more likely to require mandatory participation of their employees (58.5%), as compared to a smaller percentage of companies (45.2%). Contributory schemes, which share funding between employers and employees represented 89.0% of all schemes surveyed, and made participation

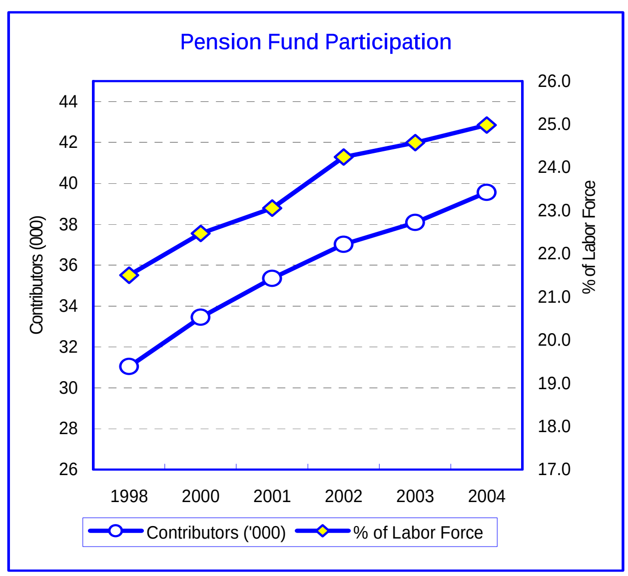
only 18.3% of the industry's total. Given the less costly nature of funding, these plans are more favoured by smaller size companies. In particular, the average number of employees in firms reporting defined contribution plans in 2004 was approximately 213, relative to 71 for defined benefit schemes (excluding the amalgamated hotel sector plans).

Use of defined contribution plans has increased in popularity over the years, as more private firms added this benefit for employees. The majority of the sponsored schemes surveyed (54.4%), were started after 1989, with the proportion of defined contribution plans in this total at 86.1%. Among plans established during or before 1989, the fraction classified as defined contribution or provident

compulsory in only 46.5% of the cases while non-contributory schemes (11.0% of plans) had a compulsion rate of 68.8%.

Labour Force Participation

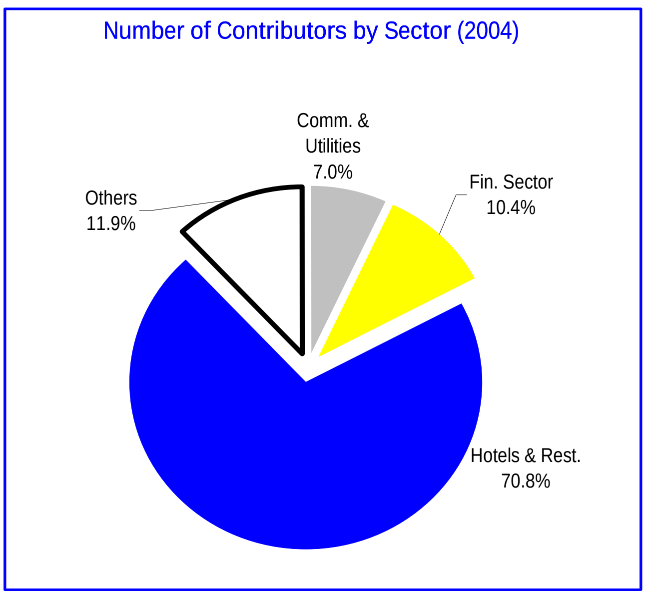
During 2004, the estimated number of participants in private pension schemes increased by 3.9% to 39,554. Over this period, the employed labour force rose by 2.2% to an estimated 158,340.



As such, the estimated labour force participation in private pension schemes firmed incrementally to 25.0% in 2004 from 24.6% in 2003, and extended the gradual annual improvement noted vis-à-vis the 2001 coverage rate of 23.1%. The largest share of pension participants (70.8%) were employed in the tourism sector (hotels and restaurants), followed by employees in the financial services sector (10.4%), and the communication and utilities sector (7.0%), while the other eleven (11) sectors identified accounted for 11.8% of participants.

Contribution Ratios

Amid strengthened returns on plan investment, the average funding rates for pension plans, as a fraction of salaries, softened further during 2004. Weighted by asset size, the combined employer and employee contributions approximated 11.6% of participants' salaries, compared to 11.9% in 2003 and 12.0% in 2002. However, the rate stayed well above the estimated range of 8.0% - 10.0% for 1992-2001, when plans experienced higher returns on investments.



Contributions paid into defined contribution schemes during 2004 decreased to an average 11.0% of salary, compared to 12.9% in 2003 and 13.3% in 2002. For the third consecutive year, the average funding rate defined benefit schemes remained near 11.7%, continuing to be elevated against average rates estimated during the 1990s.

The average employer's portion of the funding contribution softened to 9.8% of salaries from 10.4% in 2002 and 10.3% in 2003, but stayed well above the 8.0% level observed for earlier periods. For defined contribution schemes, the average employer funding rate eased further to 5.8% of average salary from 7.1% in 2003 and 7.4% in 2002. Conversely, the corresponding contribution rate for defined benefit plans was lowered slightly to 10.8% from 11.0% in both 2002 and 2003, while remaining above the average rate observed prior to 2002 of around 8.0%.

For employees, the average contribution rate firmed incrementally to 1.8% of salary from a slight drop to 1.6% in 2002 and 2003. Those in defined benefit schemes paid at a slightly higher average rate of 1.0%, outweighing an easing in the comparative rate for defined contribution schemes, to 5.2% from approximately 5.8% in each of the previous three years.

The weighted average return on investment among plans which reported new data advanced to 7.3% in 2004 from 5.9% in 2003 and 4.0% in 2002. Trends continued to be favoured by the upturn in valuations on equity investments. For the second year in a row, defined benefit plans experienced an improved average return on investments of 7.4% vis-à-vis 6.1% in 2003 and 4.0% in 2002. This outperformed the average rate of return for defined contribution schemes which was, nevertheless, estimated at an improved 6.7% in 2004, from 4.0% and 4.8% respectively, in 2002 and 2003.

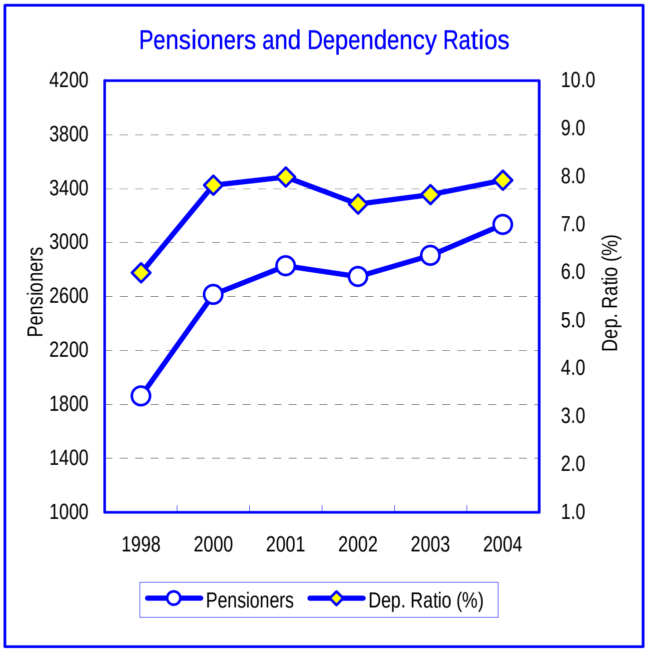
Pension Benefits and Payouts

Compared to 2003, the number of pensioners increased by 7.9% to 3,134 during 2004, with the majority of new retirees added in the tourism and communications & utilities sectors. Annual pension payments rose by almost a third, from $13.3 million to $19.6 million in 2004, mainly due to termination packages in the tourism sector. Consequently, the dependency ratio, which measures the average number of pensioners as a percentage of active plan participants, rose slightly to 7.9% from 7.6% in 2003 and 7.4% in 2002. Similarly, the average dependency rate, or pensions paid as a percentage of funding contributions, firmed to 30.8% from a relatively stable 21.7% in the previous two years.

Table 3
Private Pension Investments

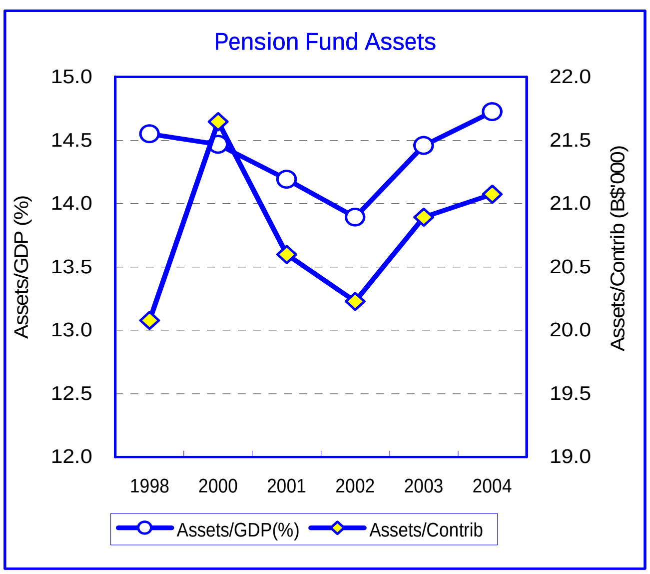
	2000	2001R	2002R	2003R	2004P
			Total		
			(B$'000)		
Total Fund	723,964	728,143	748,643	795,592	833,555
of which:					
Government Bonds	232,286	236,611	266,275	289,270	336,634
Bank Deposits	201,453	210,404	194,328	195,705	168,357
Real Estate	7,332	7,060	12,675	12,788	8,017
Employer's Business	7,216	7,146	6,674	7,077	4,918
Mortgages	43,795	38,207	35,370	32,021	30,159
Private Sector Bonds	644	663	3,253	3,105	21,489
Equities	119,197	114,020	119,533	127,962	132,193
Mutual Funds	48,156	43,477	35,489	38,118	57,215
Loans	9,359	9,236	10,124	11,510	17,865
Contributor Arrears	3,480	5,103	5,290	10,368	5,031
Dividends	9,345	10,136	10,553	10,049	5,689
Other Investment	41,701	46,080	49,079	57,619	45,987
	2000	2001R	2002R	2003R	2004P
			(% Distribution)		
Total Fund	100	100	100	100	100
of which:					
Government Bonds	32.09	32.50	35.57	36.36	40.39
Bank Deposits	27.83	28.90	25.96	24.60	20.20
Real Estate	1.01	0.97	1.69	1.61	0.96
Employer's Business	1.00	0.98	0.89	0.89	0.59
Mortgages	6.05	5.25	4.72	4.02	3.62
Private Sector Bonds	0.09	0.09	0.43	0.39	2.58
Equities	16.46	15.66	15.97	16.08	15.86
Mutual Funds	6.65	5.97	4.74	4.79	6.86
Loans	1.29	1.27	1.35	1.45	2.14
Contributor Arrears	0.48	0.70	0.71	1.30	0.60
Dividends	1.29	1.39	1.41	1.26	0.68
Other Investment	5.76	6.33	6.56	7.24	5.52
Memorandum Items:					
* Weighted Avg. Rate of Return	9.19	4.01	4.00	5.86	7.29
* Weighted Avg. Contrib. Rate	9.77	9.78	12.02	11.93	11.57

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates



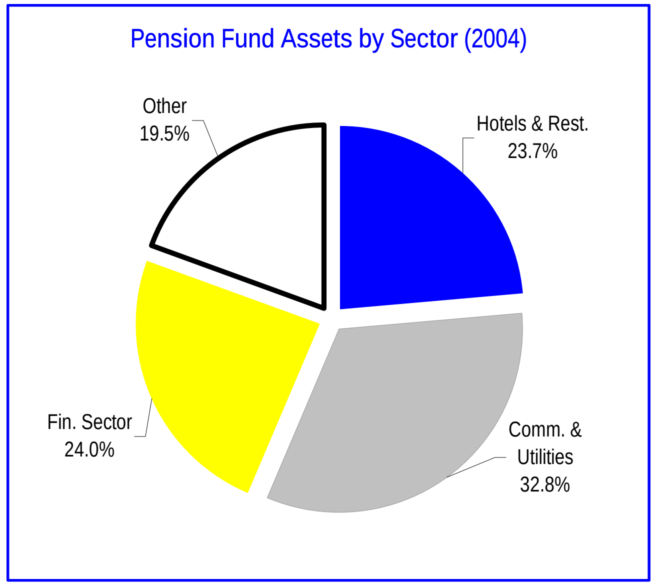
Asset Size and Distribution

During 2004, private pension assets increased by an estimated 4.8% to $833.6 million. While pacing below a stronger gain of 6.3% in 2003, this resulted in an average yearly uptrend of 5.5% over the two years, significantly improved from the slowdown to an average annual 1.7% during the recessionary period of 2001 and 2002.



Added to strengthened rates of return on plan assets, these trends continued to be favoured by growth in the economy and in increased participation rates, especially within the tourism sector. As asset growth still outpaced the increase in the number of participants (3.9%), average savings per active participant rose marginally to $21,074 from a revised $20,891 in 2003.

A sectoral analysis (see Table 2) reveals that plans sponsored by the communications and utilities sector retained the largest share of total estimated assets (32.8%), closely followed by financial (24.0%) and tourism sector (23.7%) plans; while the other sectors accounted for a combined 19.5% of assets.



The distribution of assets by type of investment is shown in Table 3. On average, the portfolio allocated to government securities, which remained the largest, increased further to 40.4% from 36.4% in 2003. Influenced by capital appreciation and higher dividend yields, more risky private capital market investments (mutual funds, bonds and equity) collectively moved into the second position in the asset mix at 25.3%, compared to 21.3% the previous year. Correspondingly, the investment share was further reduced for bank deposits, to 20.2% from 24.6% in 2003. Remaining assets, which included investments in real estate, employers' business, loans to participants, mortgages and contribution arrears, also occupied a reduced portfolio share of 14.1% compared to 17.7% in 2003.

In line with overall trends, the 2004 survey revealed a further 6.3% increase in reported investments outside of The Bahamas to $114.5 million (13.7% of total estimated assets), largely representative of savings accumu-

Table 4A
PRIVATE PENSION INVESTMENTS: BY INDUSTRY/ASSET ALLOCATION

(B$'000)

	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributon Arrears	Dividends	Other Investments	Total Assets
2003R													
Communications & Utilities	103,264	92,762	0	0	16,291	0	25,606	1,152	0	9,146	6,225	16,540	270,986
Construction Companies	370	136	17	0	195	0	372	0	0	0	12	-2	1,100
Education	502	354	11	0	1,213	20	547	693	0	35	57	8,296	11,728
Financial Sector	60,291	41,197	1,279	5,373	4,517	3,045	18,108	36,038	619	346	1,664	17,598	190,076
Health	413	4	0	0	0	0	363	81	0	0	6	175	1,042
Hotels & Restaurants	80,633	27,307	5,900	0	0	0	62,086	0	0	0	1,046	8,154	185,126
Manufacturing Companies	1,690	717	105	0	653	0	1,268	0	0	0	84	3,043	7,561
Non-Profit	710	201	0	0	0	0	98	0	0	0	11	25	1,044
Oil Companies	4,357	5,724	17	0	354	0	1,809	40	2,530	0	34	1,823	16,689
Other Services	19,694	7,416	135	0	2,485	0	5,043	0	159	19	152	548	35,651
Private Distribution	6,540	7,616	256	1,634	5,914	0	3,386	114	0	0	513	743	26,717
Professional Services	3,922	5,231	12	0	73	40	1,361	0	211	288	31	524	11,693
Real Estate	203	1,834	1,431	0	112	0	1,421	0	0	0	24	147	5,172
Transportation	6,680	5,205	3,624	70	213	0	6,492	0	7,991	535	190	5	31,006
Total	**289,270**	**195,705**	**12,788**	**7,077**	**32,021**	**3,105**	**127,962**	**38,118**	**11,510**	**10,368**	**10,049**	**57,619**	**795,592**
2004P													
Communications & Utilities	121,818	85,888	0	0	13,102	18,004	9,602	1,216	0	4,514	2,156	17,422	273,722
Construction Companies	370	136	17	0	195	0	372	0	0	0	12	-2	1,100
Education	325	437	0	0	1,236	0	503	724	0	35	57	9,447	12,766
Financial Sector	67,419	36,572	1,407	3,046	4,821	3,445	19,551	48,204	1,020	379	624	13,599	200,085
Health	522	25	0	0	0	0	425	173	0	0	9	165	1,319
Hotels & Restaurants	92,065	11,603	239	0	0	0	79,878	6,634	5,250	0	1,451	20	197,140
Manufacturing Companies	3,714	784	105	0	653	0	1,242	0	0	0	99	1,495	8,093
Non-Profit	865	150	0	0	0	0	108	0	0	0	0	44	1,167
Oil Companies	6,413	4,657	19	0	384	0	1,961	0	2,745	0	45	1,978	18,202
Other Services	23,241	7,715	152	0	2,795	0	5,459	0	179	19	166	376	40,102
Private Distribution	7,368	8,609	282	1,817	6,546	0	3,790	264	0	0	573	611	29,861
Professional Services	4,210	4,993	581	0	80	40	1,623	0	549	6	101	662	12,844
Real Estate	226	2,031	1,589	0	125	0	1,578	0	0	0	27	170	5,745
Transportation	8,078	4,758	3,626	55	223	0	6,101	0	8,122	77	371	0	31,409
Total	**336,634**	**168,357**	**8,017**	**4,918**	**30,159**	**21,489**	**132,193**	**57,215**	**17,865**	**5,031**	**5,689**	**45,987**	**833,555**

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

Table 4B

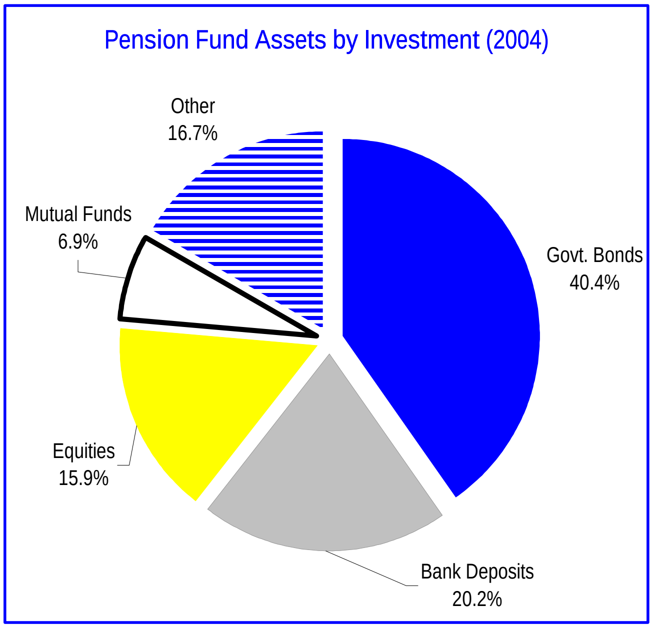
DISTRIBUTION OF PRIVATE PENSION INVESTMENTS: BY INDUSTRY/ASSET ALLOCATION

(B$'000)

	Govt. Bonds	Deposits	Real Estate	Employer's Business	Mortgages	Private Bonds	Equities	Mutual Funds	Loans	Contributor Arrears	Dividends	Other Investments	Total Assets
2003R													
Communications & Utilities	38.11	34.23	-	-	6.01	-	9.45	0.43	-	3.38	2.30	6.10	100.00
Construction Companies	33.64	12.36	1.56	-	17.76	-	33.83	-	-	-	1.07	(0.22)	100.00
Education	4.28	3.02	0.10	-	10.34	0.17	4.66	5.91	-	0.29	0.48	70.74	100.00
Financial Sector	31.72	21.67	0.67	2.83	2.38	1.60	9.53	18.96	0.33	0.18	0.88	9.26	100.00
Health	39.64	0.38	-	-	-	-	34.84	7.77	-	-	0.58	16.79	100.00
Hotels & Restaurants	43.56	14.75	3.19	-	-	-	33.54	-	-	-	0.57	4.40	100.00
Manufacturing Companies	22.36	9.49	1.39	-	8.64	-	16.77	-	-	-	1.11	40.25	100.00
Non-Profit	67.99	19.23	-	-	-	-	9.35	-	-	-	1.06	2.37	100.00
Oil Companies	26.11	34.30	0.10	-	2.12	-	10.84	0.24	15.16	-	0.21	10.93	100.00
Other Services	55.24	20.80	0.38	-	6.97	-	14.15	-	0.45	0.05	0.43	1.54	100.00
Private Distribution	24.48	28.51	0.96	6.12	22.13	-	12.68	0.43	-	-	1.92	2.78	100.00
Professional Services	33.54	44.73	0.10	-	0.62	0.34	11.64	-	1.80	2.46	0.27	4.48	100.00
Real Estate	3.93	35.46	27.66	-	2.17	-	27.47	-	-	-	0.47	2.85	100.00
Transportation	21.55	16.79	11.69	0.22	0.69	-	20.94	-	25.77	1.73	0.61	0.01	100.00
Total	36.36	24.60	1.61	0.89	4.02	0.39	16.08	4.79	1.45	1.30	1.26	7.24	100.00
2004P													
Communications & Utilities	44.50	31.38	-	-	4.79	6.58	3.51	0.44	-	1.65	0.79	6.36	100.00
Construction Companies	33.64	12.36	1.56	-	17.76	-	33.83	-	-	-	1.07	(0.22)	100.00
Education	2.55	3.42	-	-	9.68	-	3.94	5.68	-	0.28	0.45	74.01	100.00
Financial Sector	33.69	18.28	0.70	1.52	2.41	1.72	9.77	24.09	0.51	0.19	0.31	6.80	100.00
Health	39.58	1.90	-	-	-	-	32.22	13.12	-	-	0.68	12.51	100.00
Hotels & Restaurants	46.70	5.89	0.12	-	-	-	40.52	3.37	2.66	-	0.74	0.01	100.00
Manufacturing Companies	45.90	9.69	1.30	-	8.07	-	15.35	-	-	-	1.22	18.47	100.00
Non-Profit	74.13	12.86	-	-	-	-	9.28	-	-	-	-	3.73	100.00
Oil Companies	35.23	25.58	0.10	-	2.11	-	10.77	-	15.08	-	0.24	10.87	100.00
Other Services	57.95	19.24	0.38	-	6.97	-	13.61	-	0.45	0.05	0.41	0.94	100.00
Private Distribution	24.68	28.83	0.95	6.09	21.92	-	12.69	0.88	-	-	1.92	2.05	100.00
Professional Services	32.78	38.87	4.52	-	0.62	0.31	12.63	-	4.28	0.05	0.78	5.15	100.00
Real Estate	3.93	35.35	27.66	-	2.17	-	27.47	-	-	-	0.47	2.96	100.00
Transportation	25.72	15.15	11.54	0.18	0.71	-	19.42	-	25.86	0.24	1.18	-	100.00
Total	40.39	20.20	0.96	0.59	3.62	2.58	15.86	6.86	2.14	0.60	0.68	5.52	100.00

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

lated in financial sector sponsored plans. These holdings continued to be dominated by capital market investments, where the allocation share was boosted to 63.3% from 55.1% in 2003. Holdings of foreign government securities accounted for a rebounded asset share of 27.9%, while the reduced emphasis was placed on deposits, which represented less than 4.6% of the total, compared to being moderately above 10.0%, on average, for years surveyed prior to 2001.



The investment patterns continue to differ according to the sector of the plan sponsors (see Tables 4A and 4B). Assets sponsored by communications and utilities sector firms were invested most heavily in public sector securities (44.5%), which increased in importance; and in bank deposits, with a modestly reduced share (31.4%) vis-à-vis 2003. Reallocations also marginally increased the collective amounts in capital market investments (10.5%), while residual allocations to other assets (13.6%) were reduced relative to 2003. As regards financial sector plans, assets shares in public sector securities (33.7%) and bank deposits (18.3%) retained generous positions, with similar portfolio shifts as in the communications and utilities sector plans. The investment share for capital market instruments (35.6%) rose slightly, whereas other investments decreased in importance (12.4%). For tourism sector plans, aggregate portfolios remained almost evenly split between modestly raised fractions in public sector securities (46.7%) and private capital markets instruments (43.9%). However, the shares for deposits and residual portfolio investments were more than halved to 5.9% and 3.5%, respectively. For all remaining sectors combined, public sector securities (34.0%) dominated the portfolios, followed by bank deposits (21.1%); while private capital market investments constituted a slightly decreased share (15.0%). These schemes collectively placed greater emphasis on residual investments (29.9%), such as lending to participants and investments in real estate.

Defined Benefit vs. Defined Contribution

During 2004, total assets within defined benefit schemes rose by 5.0% to $681.3 million, pacing moderately below growth of 6.9% in the previous year. However, this exceeded estimated gains for defined contribution schemes, which stabilized at 3.7% to $152.2 million. Relative to 2003, some of the slowing for defined benefit plans was due to a mild softening in funding contribution rates, which outweighed an increase in the number of participants (4.8%) and firmer average return on investments. For defined contribution schemes, stable growth was attributed to improved returns on assets, which countered some decrease in the number of participants (2.5%, mainly among financial sector plans) and in the average contribution rates. On an annual basis, average savings per participant increased for both schemes—marginally in defined benefit schemes by 0.2% to $19,525, and by 6.4% to $32,679 for defined contribution schemes.

Portfolio allocation patterns in both plans mirrored the general trend observed for the industry (see Table 5). However, this was more obvious for defined benefit plans where the share represented by government bonds (44.5%) increased and the share for deposits (18.8%) softened. The portfolio share in private capital market investments (26.1%) was also augmented, whereas the balance of the assets (10.6%), held in real estate, employers business, and loans, was reduced in importance. Among defined contribution plans, the largest allocation, albeit reduced, continued to be in the form of banks deposits (26.6%), with an increased allocation for public sector securities (21.9%) and capital market instruments (21.6%).

Conclusion

Growth in sponsored pension assets and labour force participation in these schemes is expected to continue over the medium term, consistent with the anticipated firming in economic expansion linked to tourism sector developments. While this should support added coverage among new entrants to the workforce, coverage is also expected to increase among existing employees in smaller businesses. The latter trend is being encouraged by the growing availability of individually tailored retirement plans marketed by domestic insurance companies and investment management firms. These plans impose minimal administrative costs on sponsors and are portable in many instances, allowing uninterrupted savings as individuals change jobs. However, reforms anticipated in support of the National Insurance Fund, could moderate trends in private sponsorship, as these would provide for an increase in the insurable wage ceiling and, consequently, employer costs associated with such funding. NIB funding would nevertheless increment the level of retirement security provided to the portion of the workforce not covered by supplementary schemes.

While a formal regulatory structure does not yet exist for sponsored pension plans, management of existing schemes in The Bahamas generally adhere to internationally accepted standards. These include prudential guidelines on the manner in which assets are invested and standards for the financial accounting and auditing of plans. However, regulation could eventually address, inter alia, whether the provision of such plans ought to be mandatory for all private sector employers and the extent to which pension savings would be become portable. Regulation, within the overall context of pension reform, could also stimulate and increase the level of domestic savings and the proportion of such savings which support productive investments and capital markets development.

Table 5
Private Pension Investments By Fund Type

	Defined Benefit					Defined Contribution				
	2000R	2001R	2002R	2003R	2004P	2000R	2001R	2002R	2003R	2004P
	(B$'000)					(B$'000)				
Total Fund	609,562	604,534	607,040	648,825	681,338	114,402	123,609	141,603	146,767	152,217
of which:										
Government Bonds	219,598	220,713	240,837	261,580	303,253	12,688	15,898	25,439	27,691	33,381
Bank Deposits	160,321	163,938	147,165	151,186	127,823	41,131	46,466	47,163	44,519	40,534
Real Estate	436	602	6,322	6,301	672	6,896	6,458	6,353	6,487	7,345
Employer's Business	6,168	6,058	5,379	5,371	3,044	1,048	1,088	1,295	1,706	1,874
Mortgages	40,123	34,647	29,850	26,006	23,669	3,673	3,559	5,520	6,015	6,491
Private Sector Bonds	40	40	876	844	18,458	604	623	2,377	2,261	3,031
Equities	104,231	99,674	100,752	107,573	113,939	14,966	14,346	18,781	20,389	18,254
Mutual Funds	38,195	33,639	29,056	31,924	45,626	9,960	9,838	6,433	6,194	11,589
Loans	2,270	2,270	2,396	2,530	8,330	7,089	6,967	7,727	8,980	9,535
Contributon Arrears	3,183	4,418	4,241	9,253	4,627	297	685	1,049	1,115	403
Dividends	8,327	8,909	9,191	8,741	4,666	1,018	1,226	1,361	1,308	1,024
Other Investment	26,669	29,625	30,975	37,516	27,230	15,032	16,455	18,105	20,104	18,757
	(% Distribution)					(% Distribution)				
Total Fund	100	100	100	100	100	100	100	100	100	100
of which:										
Government Bonds	36.03	36.51	39.67	40.32	44.51	11.09	12.86	17.96	18.87	21.93
Bank Deposits	26.30	27.12	24.24	23.30	18.76	35.95	37.59	33.31	30.33	26.63
Real Estate	0.07	0.10	1.04	0.97	0.10	6.03	5.22	4.49	4.42	4.83
Employer's Business	1.01	1.00	0.89	0.83	0.45	0.92	0.88	0.91	1.16	1.23
Mortgages	6.58	5.73	4.92	4.01	3.47	3.21	2.88	3.90	4.10	4.26
Private Sector Bonds	0.01	0.01	0.14	0.13	2.71	0.53	0.50	1.68	1.54	1.99
Equities	17.10	16.49	16.60	16.58	16.72	13.08	11.61	13.26	13.89	11.99
Mutual Funds	6.27	5.56	4.79	4.92	6.70	8.71	7.96	4.54	4.22	7.61
Loans	0.37	0.38	0.39	0.39	1.22	6.20	5.64	5.46	6.12	6.26
Contributon Arrears	0.52	0.73	0.70	1.43	0.68	0.26	0.55	0.74	0.76	0.27
Dividends	1.37	1.47	1.51	1.35	0.68	0.89	0.99	0.96	0.89	0.67
Other Investment	4.38	4.90	5.10	5.78	4.00	13.14	13.31	12.79	13.70	12.32
Memorandum Items:										
* Weighted Avg. Rate of Return	9.34	4.16	4.00	6.12	7.41	8.50	3.13	4.00	4.79	6.74
* Weighted Avg. Contrib. Rate	9.30	9.19	11.76	11.73	11.71	11.95	12.42	13.31	12.91	11.01

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates