Quarterly Economic Review

Vol. 27, No. 1

March, 2018

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

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

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

Contents

REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

OVERVIEW

Preliminary indications are that the domestic economy grew modestly during the first quarter of 2018, supported by the recovery in the high value-added stopover segment of the tourism market. In addition, foreign investment projects provided ongoing impetus to the construction sector. In price developments, inflation remained relatively mild, although the recent uptick in international oil prices contributed to a rise in energy-related costs.

Estimates for the Government's budgetary operations over the third quarter of FY2017/2018, showed that the surplus narrowed relative to the same period a year earlier, reflecting a tax-related falloff in aggregate revenue, combined with growth in total expenditure. Funding for the deficit was sourced largely from the domestic market, while external financing was dominated by a US$51.7 million equivalent loan.

Monetary developments featured expansions in both liquidity and external reserves, as the growth in the deposit base contrasted with a contraction in domestic credit. This outcome reflected mainly the receipt of foreign currency inflows from real sector activities, as well as net proceeds from the Government's external borrowing activities. In addition, banks' credit quality indicators improved during the review quarter, reflecting in part sustained tourism-related job gains, ongoing debt restructuring activities and loan write-offs. However, the latest available data for the fourth quarter of 2017, indicated a decline in banks' overall profitability, underpinned by reduced net interest income and higher operating costs.

In the external sector, the estimated current account deficit narrowed over the review period, as gains in tourism earnings contributed to an expansion in the service account surplus; however, a rise in fuel imports led to a slight increase in the merchandise trade deficit. In contrast, the estimated surplus on the capital and financial account contracted sharply, due largely to a reduction in private investment inflows, which overshadowed the increase in the public sector's net external financing.

REAL SECTOR

TOURISM

Preliminary evidence suggests that the tourism sector recovered during the first quarter of 2018. This outturn reflected an expansion in hotel room capacity following the completion of additional phases of the multi-billion dollar Baha Mar resort and the re-opening of properties elsewhere, which were closed in the prior year to facilitate hurricane repairs.

According to data from the Ministry of Tourism, during the review period total visitor arrivals grew by 2.8%, a reversal from a 2.2% contraction a year earlier. This outturn was due to an increase in the high value-added air segment by 18.0% to 0.3 million, compared to a 9.4% reduction a year earlier. In contrast, the larger sea component fell by 1.0%, extending the 0.2% decline in 2017.

An analysis by major ports of entry showed that arrivals to New Providence contracted by 1.8% to 1.0 million, a reversal from a 7.3% gain in the preceding year. Nevertheless, healthy stopover activity was shown in a 19.5% increase in air arrivals, in contrast to a 9.1% contraction in the larger sea segment. For the Family Islands, the number of visitors firmed by 10.4% to 0.5 million, a turnaround from an 11.0% decrease in the prior year, reflecting a 19.4% expansion in air arrivals—with the most significant gains occurring in the islands of Abaco and Eleuthera. The Family Islands' sea passengers also firmed by 9.0%, buoyed in part by a marked increase in cruise passengers to Eleuthera. Similarly, total visitors to Grand Bahama rose by 5.1% to 0.2 million, vis-à-vis a 16.6% reduction in the previous period, supported by an increase in sea traffic of 6.3%, which outstripped a 4.9% fall in the air component.

Further signs of growth in tourism output for the first quarter were seen in data from a sample of large properties in New Providence and Paradise Island.[1] Indeed, total room revenues firmed by 39.0%, compared to a 15.3% reduction in the prior year. This outturn reflected a 10.9% rise in the average daily room rate (ADR) to $273.59, in contrast to a 9.1% decrease in 2017 and a 26.0% uptick in the number of room nights sold. In contrast, the average hotel occupancy rate fell by 4.9 percentage points to 63.7%, following a 5.1% decrease a year earlier, reflecting in part the significant gain in room stock.

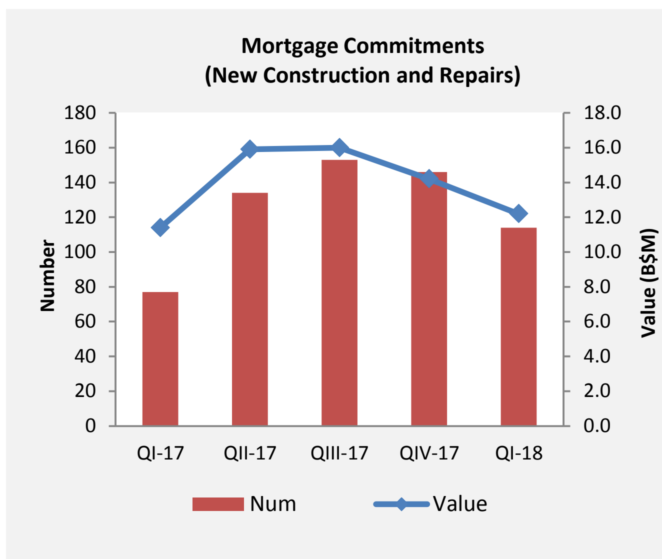
Construction

During the review quarter, output within the construction industry remained heavily influenced by foreign investment projects. However, on the domestic front, residential and commercial building activity remained subdued, due in part to banks' conservative lending stance.

Reflecting constrained local conditions, total mortgage disbursements for new construction and repairs—as reported by domestic banks, insurance companies and the Bahamas Mortgage Corporation—declined by 2.6% ($0.7 million) to $24.8 million, albeit a slowdown from 2017's 16.1% contraction. The outcome was concentrated in the residential segment, with no reported commercial disbursements, vis-à-vis $0.6 million in disbursements over the previous year.

With regard to the forward-looking indicators, it appears that domestic mortgage financing could improve over the near-term. This however, remains confined to the residential sector, with corresponding commitments for new buildings and repairs increasing in number, by 37 to 114, and in value, by 7.1% ($0.8 million) to $12.2 million. There were no new commercial loan commitments disclosed for the review quarter.

In terms of interest rates, the average financing cost for commercial mortgages narrowed by 2.8 percentage points to 8.0% over the review quarter, vis-à-vis the prior year's rate. Similarly, the average rate on residential mortgages decreased by 50 basis points to 7.4%.



[1] Information from the Bahamas Hotel Association and the Ministry of Tourism

Prices

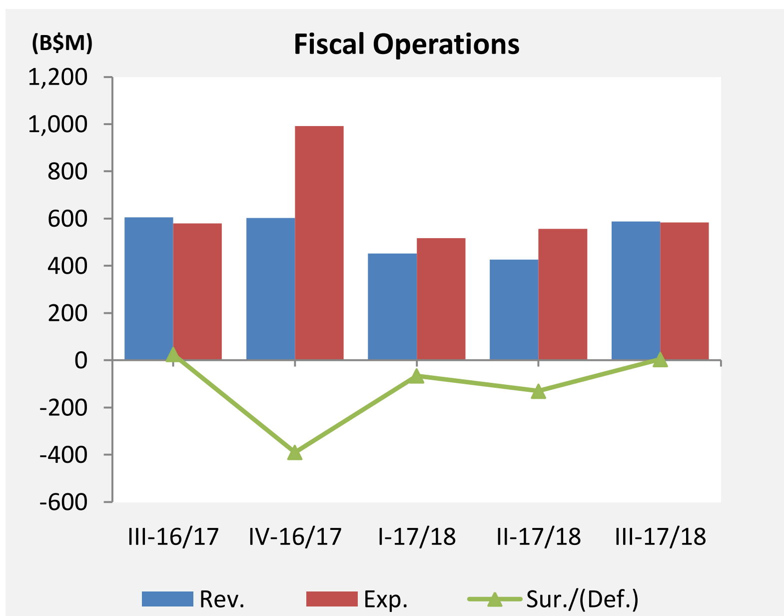
Reflecting in part the pass-through effects of the uptrend in global oil costs, average consumer prices for the twelve months to February—as measured by changes in the Retail Price Index (RPI) for The Bahamas—increased by 1.4%, outpacing the slight 0.1% uptick in the comparative period of 2017. Underlying this development, average costs for housing, water, gas, electricity & other fuels—the most heavily weighted index component—firmed by 3.5%, after remaining unchanged in the previous period. Further, in contrast to last year's respective decreases of 1.8% and 2.3%, average prices firmed for restaurant & hotels by 3.0% and transport, by 1.7%. Similarly, average costs rose for recreation & culture, by 2.0% and food & non-alcoholic beverages, by 0.9%, after posting declines of 0.6% and 1.6%, respectively, in the prior period. In addition, the rate of inflation quickened for communication, by 90 basis points to 2.9%. Providing some offset, inflation rates slowed for health services and alcoholic beverages, tobacco & narcotics, while average costs fell for clothing & footwear, furnishing, household equipment & routine maintenance, education and "other" residual items in the RPI.

The rise in global oil prices was also evident in domestic fuel costs, as both diesel and gasoline prices rose, on average, by 4.9% and 2.0%, to $4.21 and $4.47 per gallon, respectively. However, these increases were comparatively smaller than the respective gains of 6.2% and 6.1% recorded in the same period of 2017.

Fiscal Operations

Overview

Preliminary data on the Government's operations for the third quarter of FY2017/18, showed a narrowing in the surplus to a mere $4.0 million, from $25.6 million in the same quarter of FY2016/17. Underpinning this outturn was an $18.6 million (3.1%) reduction in total revenue to $587.3 million, coupled with a modest $3.0 million (0.5%) increase in aggregate expenditure to $583.3 million.



Revenue

Tax receipts—which comprised 91.5% of total revenue—declined by 1.6% to $537.4 million. Specifically, taxes on international trade and transactions contracted by 14.2% to $120.2 million, largely attributed to declines in import and excises taxes, which overshadowed gains in export taxes. Meanwhile, value added tax (VAT) receipts—at 30.7% of the total—grew by 1.3% to $165.2 million, while departure taxes and non-trade stamp taxes, mainly on financial transactions, rose by 5.9% and 5.6%, to $38.7 million and $29.4 million, respectively.

In terms of the other tax components, the Government also recorded a decrease in property taxes, by 23.3% to $57.2 million, in comparison to the prior year, when intensified efforts to collect outstanding arrears boosted receipts by 85.6%. In addition, business & professional license fees contracted by 12.3% to $84.5 million, owing to a reduction in some fee schedules. However, an improvement was noted for motor vehicle taxes by 12.0% to $9.3 million, while modest gains were posted for selected taxes on services (mainly gaming) by 6.3% to $13.0 million and in amounts "unallocated" to particular revenue categories to $32.3 million, following a negative outturn of $12.4 million in the previous year.

Non-tax revenue—at 8.5% of the total—contracted by 16.4% to $49.9 million. Proceeds from fines, forfeits & administration fees, which dominated this total, increased by 14.8% to $44.2 million; however, revenue from "miscellaneous" sources and income from public enterprises fell by 78.2% and 25.9% to $4.2 million and $1.5 million, respectively.

Government Revenue By Source
(Jan. - Mar.)

	FY16/17		FY17/18	
	B$M	%	B$M	%
Property Tax	75	12.3	57	9.7
Selective Services Tax	12	2.0	13	2.2
Business. & Prof Lic. Fees	96	15.9	85	14.4
Motor Vehicle Tax	8	1.4	9	1.6
Departure Tax	37	6.0	39	6.6
Import Duties	76	12.5	63	10.7
Stamp Tax from Imports	--	--	--	--
Excise Tax	64	10.6	54	9.1
Export Tax	0	0.0	4	0.6
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	28	4.6	29	5.0
Value Added Tax	163	26.9	165	28.1
Other Tax Revenue	(12)	(2.0)	20	3.4
Fines, Forfeits, etc.	38	6.3	44	7.5
Sales of Govt. Property	0	0.0	0	0.0
Income	21	3.5	6	1.0
Other Non-Tax Rev.	0	0.0	0	0.0
Capital Revenue	0	0.0	0	0.0
Grants	--	--	--	--
Less: Refunds	0	0.1	--	--
Total	**606**	**100.0**	**587**	**100.0**

EXPENDITURE

The uptick in total expenditure primarily reflected a $40.8 million (8.1%) rise in current spending to $546.1 million. In contrast, amid the unwinding of hurricane-related repair work, capital outlays contracted by over one-half to $37.3 million. In addition, net lending to public corporations remained negligible.

An analysis by economic classification, showed that the increase in current spending was led by a 10.7% expansion in transfer payments to $266.5 million, as subsidies and other transfers firmed by 14.9% to $191.8 million and interest payments rose by 1.4% to $74.7 million. The former reflected an expansion in general subsidies by 21.2% to $97.8 million, related to spending on health care services. In addition, transfers to public corporations & provisions for contingencies firmed by 25.0% to $41.3 million, while transfers to households and those paid abroad advanced by $6.8 million and $2.0 million, to $37.9 million and $5.2 million, respectively. However, transfers to non-profit institutions and non-financial public enterprises, were reduced to a combined $9.7 million. Consumption spending also grew by 5.6% to $279.6 million, as purchases of goods & services firmed by almost this same amount, reflecting the payment of medical insurance premiums for public service workers; meanwhile personal emolument payments were slightly reduced by 0.7% to $170.8 million.

On a functional basis, the growth in recurrent expenditure was associated with higher spending for categories, including: general public services, health, social benefits & service, housing services, defense, and education, and economic services. The only reduced expenditure classification was for other community & social services.

The decrease in capital outlays reflected a 43.6% falloff in infrastructure spending, to $30.6 million, attributed to the winding-down of repair work on several Family Islands following the passage of Hurricane Matthew in 2016. Similarly, asset acquisitions contracted by approximately two-thirds to $6.7 million, as investments in equities, largely related to public/private partnerships, were more than halved to $4.1 million, while purchases of other "miscellaneous" assets contracted by $4.9 million to $2.5 million.

Financing and the National Debt

Budgetary financing for the third quarter of FY2017/18, was sourced mainly from the domestic market and comprised Government bonds of $110.0 million, while Treasury notes accounted for a significantly smaller $1.6 million. In addition, external financing totaled $54.2 million, the majority of which related to a US$51.7 million equivalent loan. Debt repayments for the quarter amounted to $155.4 million, the bulk of which (84.5%) was utilized to retire Bahamian dollar debt, while external repayments accounted for the remaining 15.5%.

As a consequence of these developments, the Direct Charge on the Government expanded by $19.8 million (0.3%) over the quarter and by $881.3 million (13.9%) on an annual basis, to $7,202.7 million at end-March 2018. As a result, the ratio of the Direct Charge to GDP fell by an estimated 1.5 percentage points over the three-month period, but firmed by 4.9 percentage points, year-on-year, to 57.6%. Bahamian dollar obligations accounted for the majority (63.1%) of the total debt stock, while foreign currency liabilities comprised the remaining 36.9%.

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

	2016p	2017p	2018p*
Direct Charge	51.1	52.7	57.6
National Debt	57.5	58.7	63.2
Total Public Sector Debt	58.8	60.7	65.6

Source: The Central Bank of The Bahamas and theDepartment of Statistics

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

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

An analysis by creditor, showed that commercial banks held the largest portion of local debt (42.0%), followed by "other" private and institutional investors (35.0%), public corporations (13.2%), the Central Bank (9.2%), and "other" financial institutions (0.6%). In terms of the various instruments, bonds accounted for the largest share of domestic currency debt (77.2%) and featured an average maturity of 8.4 years. In addition, Treasury bills and loans & advances comprised smaller shares of 14.5% and 8.3%, respectively.

Government's contingent liabilities fell by $1.0 million (0.1%) over the previous quarter, and by $24.5 million (3.4%), year-on-year, to $703.2 million. As a result, the National Debt—which includes contingent liabilities—rose by $18.8 million (0.2%) over the three-month period and by $856.8 million (12.2%) on an annual basis, to $7,906.0 million. At end-March, the National Debt-to-GDP ratio stood at an estimated 63.2%, a decrease of 1.7 percentage points over the quarter, while in comparison to the prior year, the ratio firmed by 4.5 percentage points.

Public Sector Foreign Currency Debt

During the first quarter, public sector foreign currency debt rose by $37.0 million (1.1%) to $3,524.1 million and by $890.8 million (33.8%), vis-à-vis the same period of the prior year, as new drawings of $57.5 million, outstripped amortization payments of $29.9 million. In terms of the components, Government's outstanding liabilities—which comprised 75.4% of the total—grew by 1.5% to $2,658.6 million. Conversely, the public corporations' debt stock declined slightly by 0.3% to $865.5 million.

In comparison to the same period last year, total foreign currency debt service payments expanded by (15.5%) to $68.6 million, led by a 41.9% increase in the Government's segment, to $47.9 million. Specifically, amortization payments nearly doubled to $24.1 million and interest charges advanced by 16.5% to $23.9 million. In contrast, the public corporations' debt service payments decreased by 19.4% to $20.7 million, as the 46.9% reduction in amortization payments, outweighed the 1.4% increase in interest charges. As a result of these developments, the Government's debt service to revenue ratio firmed by 2.6 percentage points to 8.2%, while the debt service ratio rose by 20 basis points to 7.0%.

A disaggregation by creditor profile, showed that the majority of the foreign currency debt was held by international capital market investors (46.8%), followed by non-resident investors (35.0%), multilateral institutions (8.1%), banks (7.5%) and bilateral institutions (2.6%). The bulk of the stock was denominated in United States dollars (83.8%), with the Swiss Franc, euro and the Chinese Yuan accounting for smaller portions of 7.0%, 6.6% and 2.6%, respectively. At end-March, the average age of the outstanding foreign currency debt stood at 10.7 years, a decline from the 11.9 years recorded in 2017.

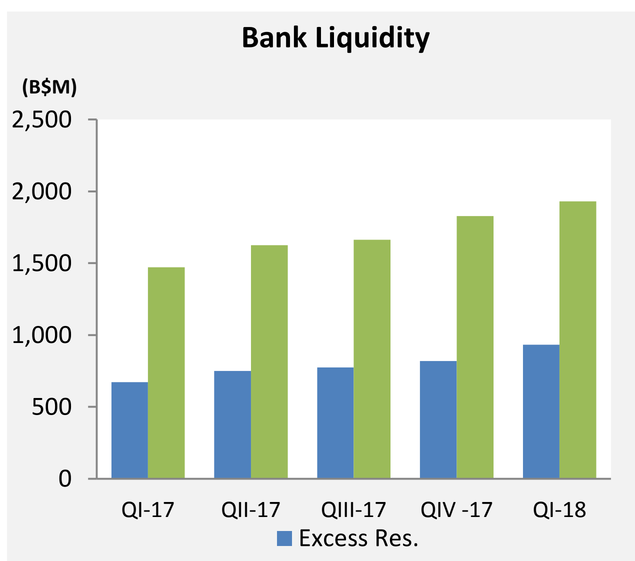
MONEY, CREDIT AND INTEREST RATES

OVERVIEW

Monetary developments during the first quarter, featured a contraction in private sector credit, which contrasted with the growth in deposits. Correspondingly, there was a further build-up in both banking sector liquidity and external reserves, buoyed by the receipt of foreign currency proceeds from real sector activities and the Government's external borrowing activities. In addition, banks' credit quality indicators improved during the review period, attributed to the modest increase in economic activity, alongside ongoing debt restructuring measures and loan write-offs. Meanwhile, the latest profitability indicators available for the fourth quarter of 2017, showed that banks net income contracted, owing in large measure to a decline in interest income and higher operating costs. In addition, the weighted average interest rate spread widened, as the decline in the average deposit rate, eclipsed the reduction in the lending rate.

LIQUIDITY

Buoyed by the receipt of net foreign currency inflows from real sector activities, combined with decreased holdings of Bahamas Government Stocks (BGS), banks' net free cash reserves grew by 14.0% to $933.5 million during the review period, a reversal from a 10.4% contraction in the prior year. At end-March, the ratio of free cash reserves to Bahamian dollar deposit liabilities stood at 13.8%, compared to 10.3% in the previous period. Similarly, the broader surplus liquid assets expanded by 5.7% to $1,931.2 million, a turnaround from 2017's 0.6% reduction. At end-March, the surplus exceeded the statutory minimum by approximately 168.9%, vis-a-vis 131.8% in the comparative period last year.



Deposits and Money

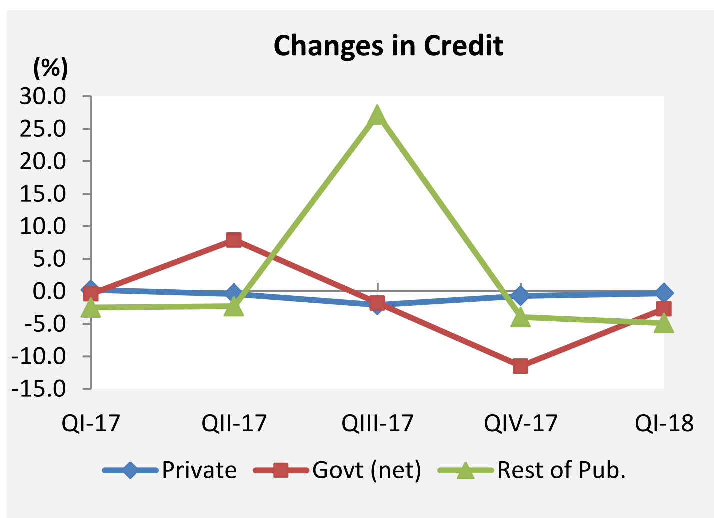
The overall money supply (M3) grew by $108.1 million (1.5%) to $7,145.4 million, a turnaround from a $44.9 million (0.6%) reduction in 2017. With regard to the components, narrow money (M1) rose by $99.6 million (3.8%), in contrast to a $30.4 million (1.2%) reduction in the previous year, as gains in both public and private sector placements boosted demand deposits by $90.1 million (3.8%), while currency in active circulation increased by $9.4 million (3.2%). Similarly, broad money (M2) expanded by $96.1 million (1.4%), vis-à-vis a reduction of $35.1 million (0.5%) in the prior period. This included a private sector-led increase in savings balances by $24.1 million (1.8%), which contrasted with a $27.5 million (1.0%) contraction in fixed deposits. Further, residents' foreign currency balances rose by $12.0 million (4.4%), a reversal from a $9.8 million (3.2%) falloff in the preceding year.

A breakdown of the various categories, showed that Bahamian dollar fixed deposits comprised the largest share of the total money supply at 38.0%, followed by demand (34.3%) and savings deposits (19.5%). The remaining balances were divided between currency in active circulation (4.2%) and foreign currency deposits (4.0%).

Domestic Credit

Total domestic credit contracted by $107.4 million (1.2%), extending the $12.0 million (0.1%) reduction last year, due to decreased claims on both the public and private sectors. The dominant Bahamian dollar component—which represented 95.6% of the total—fell by $103.7 million (1.2%), outpacing the $4.5 million (0.1%) falloff in the previous year. In addition, foreign currency credit declined by $3.7 million (1.0%), although a slowdown from the $7.5 million (1.7%) decrease in 2017.

From a sectoral perspective, net claims on the Government contracted by $64.5 million (2.7%), exceeding the $11.2 million (0.4%) falloff in the previous year, as proceeds from an external debt issue were used to reduce Bahamian dollar obligations. Similarly, the contraction in credit to the rest of the public sector broadened to $23.4 million (4.9%), from $10.1 million (2.5%) in 2017. In addition, private sector credit decreased by $19.6 million (0.3%), a turnaround from a $9.3 million (0.2%) gain a year earlier.



A disaggregation of claims on the private sector, showed that personal loans—which comprised the majority (81.9%) of total Bahamian dollar credit—declined by $36.7 million (0.7%), following the prior year's $5.1 million (0.1%) reduction. In the underlying transactions, the consumer component fell by $29.3 million (1.3%), while residential mortgages and overdrafts decreased by $5.9 million (0.2%) and $1.5 million (2.5%), respectively.

A further breakdown of consumer credit, revealed reductions in amounts owed for credit cards ($7.7 million), "miscellaneous" purposes ($5.9 million), private cars ($4.9 million), land purchases ($3.0 million), home improvement ($2.9 million), education ($2.4 million) and travel ($2.1 million). More muted declines of less than $1.0 million each were reported for debt

Distribution of Bank Credit By Sector (End-March)				
	2018		2017	
	B$M	%	B$M	%
Agriculture	4.2	0.1	7.4	0.1
Fisheries	2.8	0.0	5.8	0.1
Mining & Quarrying	1.9	0.0	1.9	0.0
Manufacturing	29.2	0.4	17.7	0.3
Distribution	215.7	3.3	203.4	3.0
Tourism	13.5	0.2	16.7	0.2
Enter. & Catering	48.2	0.7	73.4	1.1
Transport	38.5	0.6	43.3	0.6
Construction	278.3	4.2	348.7	5.1
Government	417.1	6.4	516.6	7.5
Public Corps.	197.6	3.0	223.3	3.2
Private Financial	17.9	0.3	19.2	0.3
Prof. & Other Ser.	39.5	0.6	56.0	0.8
Personal	5,079.9	77.5	5,178.7	75.1
Miscellaneous	170.8	2.6	182.1	2.6
TOTAL	**6,554.9**	**100.0**	**6,894.1**	**100.0**

consolidation, furnishings & domestic appliances and commercial vehicles. In contrast, net lending expanded slightly for medical and taxis & rented cars by $0.7 million and $0.1 million, respectively.

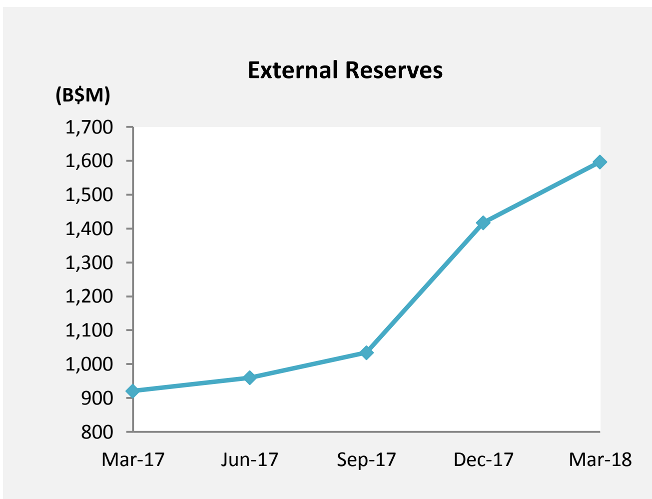
Among the remaining private sector categories, declines were registered for construction ($5.2 million), agriculture ($2.3 million) and manufacturing ($1.1 million), with more muted contractions of under $1.0 million occurring for “miscellaneous” ($0.8 million), private financial institutions, ($0.4 million), entertainment & catering ($0.3 million) and mining & quarrying ($0.1 million). In contrast, credit rose for distribution ($15.2 million), transport ($4.8 million), professional and “other” services ($3.0 million), fisheries ($0.4 million) and tourism ($0.2 million).

Mortgages

According to data provided by banks, insurance companies and the Bahamas Mortgage Corporation, the total value of mortgages outstanding fell by $6.7 million (0.2%) to $3,050.4 million, following last year’s $10.8 million (0.3%) reduction. This reflected a further decline in the dominant residential component (at 94.3% of the total) by $4.7 million (0.2%), and in commercial claims by $2.0 million (1.1%). At end-March, domestic banks held the majority of outstanding mortgages (88.0%), followed by insurance companies (6.5%) and the Bahamas Mortgage Corporation (5.5%).

The Central Bank

Reflecting a slight uptick in holdings of long-term securities, the Central Bank’s net claims on the Government rose by 1.4% to $395.4 million during the first quarter, a turnaround from a 3.6% contraction a year ago. Conversely, the Bank’s net liabilities to the rest of the public sector more than doubled to $19.6 million, due to an increase in deposits. Similarly, a build-up in excess reserve balances expanded liabilities to commercial banks by 12.8% to $1,300.7 million, a reversal from a 2.1% contraction in the prior year.



Buoyed by the receipt of proceeds from the Government’s external loan and predominately tourism sector inflows, external reserves strengthened by $179.5 million (12.7%) to $1,596.9 million, surpassing the prior year’s increase of $16.5 million (1.8%). In the underlying transactions, the Central Bank’s net foreign currency purchase widened to $148.9 million, from $11.9 million, as the net intake from commercial banks increased by more than three-fold to $164.7 million. Similarly, the Bank’s net receipts from the

Government more than doubled to $73.3 million. In a partial offset, the net sales to public corporations firmed by a third to $89.1 million, reflecting mainly a rise in fuel-related payments.

At end-March, the stock of external reserves was equivalent to an estimated 25.5 weeks of the current year's total merchandise imports, compared to 16.1 weeks in 2017. After adjusting for the 50% statutory requirement on the Central Bank's Bahamian dollar liabilities, "useable" reserves strengthened by almost three-fold to $769.7 million.

DOMESTIC BANKS

Total net foreign liabilities of domestic banks declined by $44.8 million (16.9%) during the review quarter, vis-à-vis growth of $87.8 million (38.9%) in 2017, amid a build-up in deposits and a falloff in credit.

Domestic banks' credit contracted by $112.7 million (1.3%), following an increase of $14.2 million (0.2%) in the prior year. In particular, net claims on the Government fell by $69.8 million (3.5%), in contrast to a $15.0 million (0.8%) advance in the previous period, as both bond holdings and loans contracted. Similarly, the reduction in credit to public corporations widened to $23.4 million (5.0%), from $10.1 million (2.5%) last year. Further, private sector credit declined by $19.6 million (0.3%), a reversal from a $9.3 million (0.2%) gain in the prior period.

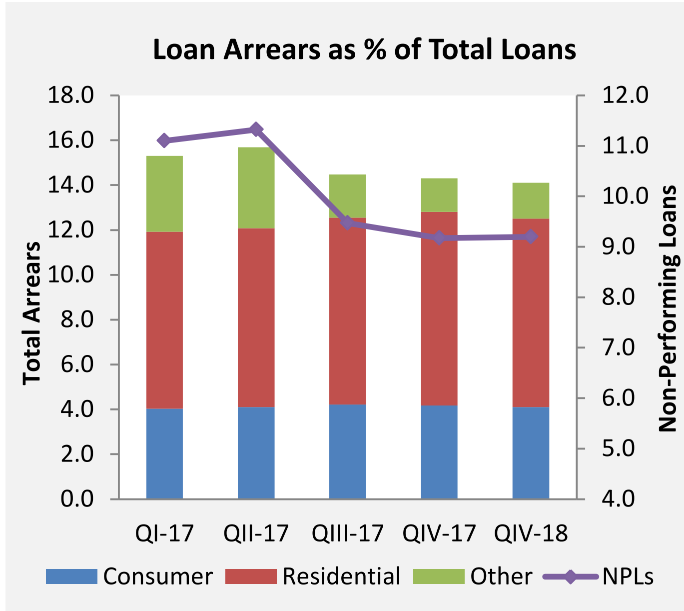
Banks' total deposit liabilities—inclusive of Government balances—rose by $109.1 million (1.6%) to $7,035.1 million, after contracting by $24.2 million (0.4%) last year. In the underlying components, private sector deposits recovered by $75.1 million (1.2%), following a $28.6 million (0.5%) decline in 2017. Further, the growth in the Government's balances was only moderately tempered by $20.7 million (10.4%), while public corporations' deposits rose by $13.4 million (3.8%), in contrast to the preceding period's $20.4 million (5.6%) falloff.

At end-March, the majority of deposit liabilities remained denominated in Bahamian dollars (95.8%), with the remainder being held in mostly US dollars (4.0%). By holder, private individuals owned the bulk (49.3%) of total local currency accounts, followed by business firms (30.0%), public sector corporations (8.4%), private financial institutions (7.3%) and "other" miscellaneous entities (5.0%).

Disaggregated by account type, fixed deposits comprised the majority share (41.0%), followed by demand (38.3%) and savings (20.7%) balances. By range of value and number, the majority of accounts (87.8%), held Bahamian dollar balances of less than $10,000, but comprised only 6.1% of the total value. Accounts with balances between $10,000 and $50,000 constituted 8.2% of the total number and 10.7% of the overall value, while deposits in excess of $50,000 represented 4.0% of the total, but a dominant 83.2% of the aggregate value.

CREDIT QUALITY

Banks' credit quality indicators improved modestly during the quarter. Responding to the improvement in economic conditions, with ongoing debt restructuring measures, as well as loan write-offs, total private sector loan arrears decreased by $21.7 million (2.5%) over the three-month period, and by $121.4 million (12.3%) year-on-year, to $863.1 million. Correspondingly, the ratio of arrears to total private sector loans moved lower by 0.3 and 1.5 percentage points, on a quarterly and annual basis, respectively, to 15.1%. This trend mostly favoured short-term (31-90 day) arrears, which contracted by $21.0 million (6.6%) during the review quarter, to $296.3 million, with the attendant ratio narrowing by 34 basis points to 5.2% of total private sector loans. The non-performing segment—arrears in excess of 90 days and on which banks have stopped accruing interest—declined marginally by $0.7 million (0.1%) to $566.8 million. The relevant ratio firmed by 3 basis points to 9.9%, although some 2.2 percentage points below the 2017 estimate.



The reduction in total delinquencies was led by the dominant mortgages component—at 59.4% of the total—which fell by $21.5 million (4.0%) to $512.6 million, constituting a decline of 75 basis points to 19.2% of total private sector loans. In addition, consumer loan arrears decreased by $4.2 million (1.6%) to $254.2 million, reducing the relevant ratio by 4 basis points to 11.0%. In contrast, the commercial component rose by $4.0 million (4.4%) to $96.4 million, raising the attendant ratio by 33 basis points to 13.1%.

Capital Adequacy and Provisions

The banking system sustained its high level of capital during the review quarter, with the capital to risk-weighted assets ratio firming by 20 basis points to 32.7%—well in excess of the Bank's regulatory prescribed target and trigger ratios of 17.0% and 14.0%, respectively. Meanwhile, banks increased their total provisions for loan losses by $1.1 million (0.3%) to $424.7 million. Consequently, the ratio of total provisions to arrears rose by 1.3 percentage points to 49.2%. However, the corresponding non-performing loan ratio decreased by 28 basis points to 74.9%. In addition, banks wrote-off an estimated $27.1 million in delinquent loans and recovered approximately $6.9 million during the review quarter.

Bank Profitability

Reflecting a reduction in interest income, banks' aggregate net earnings contracted by 13.4% to $48.3 million during the fourth quarter of 2017–the latest available data. The net interest margin fell by 7.0% to $125.7 million, as interest income declined by 8.3% to $141.0 million, overshadowing the 17.8% fall in interest expense to $15.3 million. In a slight offset, commissions and foreign exchange fees grew by 9.4% to $7.3 million, slowing the decrease in the gross earnings margin to 6.3%, for an ending balance of $133.0 million.

Banks' total operating outlays grew by 16.3% to $100.4 million, due to a 34.2% increase in "other" operating costs—inclusive of advertising, professional and rental expenses—to $51.6 million, and a 4.9% rise in staff-related outlays to $42.8 million. In contrast, occupancy expenditures declined by 15.4% to $5.9 million. Further, lower bad debt expense and gains in "other" income, which eclipsed higher depreciation costs, led to a firming in banks net earnings from "non-core" activities to $15.7 million, from a mere $0.2 million a year earlier.

An analysis of banks' profitability ratios as a percentage of average assets, showed that the gross earnings margin ratio narrowed by 47 basis points to 5.18%, as a 48 basis point reduction in the interest margin ratio to 4.89%, overshadowed a 2 basis point uptick in the commission & foreign exchange income ratio to 0.28%. In addition, a 47 basis point rise in the operating cost ratio to 3.91%, contributed to a 94 basis point decline in the net earnings margin ratio to 1.27%. After accounting for the fall in bad debt provisioning and the modest increase in depreciation costs, the net income ratio fell by 34 basis points to 1.88%.

INTEREST RATES

During the review quarter, the commercial banks' weighted average interest rate spread widened by 4 basis points to 10.49%. In particular, the 12 basis point reduction in the weighted average deposit rate to 0.91%, outstripped the 8 basis point decrease in the weighted average lending rate to 11.40%.

In terms of deposits, the average rates on demand and savings balances fell by 1 basis point each to 0.25% and 0.71%, respectively. Further, the average range of interest earned on fixed balances narrowed to 0.67% - 1.41%, from 0.88% - 1.57% in the prior quarter.

With regard to lending, the average rate for overdrafts and commercial mortgages moved lower by 47 and 23 basis points to 10.47% and 7.52%, respectively, while the rate for consumer loans decreased by 6 basis points to 13.58%. However, the average rate for residential mortgages steadied at 5.50%.

Banking Sector Interest Rates

Period Average (%)

	Qtr. I 2017	Qtr. IV 2017	Qtr. I 2018
Deposit Rates			
Demand Deposits	0.26	0.29	0.25
Savings Deposits	0.77	0.72	0.61
Fixed Deposits			
Up to 3 months	0.80	0.88	0.27
Up to 6 months	0.65	0.62	0.30
Up to 12 months	1.27	1.14	0.59
Over 12 months	1.45	1.57	1.32
Weighted Avg. Dep. Rate	**1.00**	**1.03**	**0.70**
Lending Rates			
Residential mortgages	6.14	5.50	5.92
Commercial mortgages	6.38	7.75	7.75
Consumer loans	13.60	13.64	14.05
Other Local Loans	7.17	7.35	4.75
Overdrafts	10.78	10.94	13.17
Weighted Avg. Loan Rate	**11.88**	**11.48**	**12.94**

Among other key interest rates, the average 90-day Treasury bill rate fell by 4 basis points to 1.78%. However, the Central Bank's Discount rate and commercial banks' prime rate were unchanged at 4.00% and 4.25%, respectively.

CAPITAL MARKET DEVELOPMENTS

Buoyed by two block trades executed for companies in the retail and banking sectors, activity in the domestic equity market gained traction during the review period, as the volume of shares traded on the Bahamas International Securities Exchange (BISX), rose by 54.6% to 2,651,061, a turnaround from a 10.0% contraction in the comparable period of 2017. The corresponding value of shares traded increased sharply by 63.4% to $13.3 million, vis-à-vis a decrease of 14.8% last year.

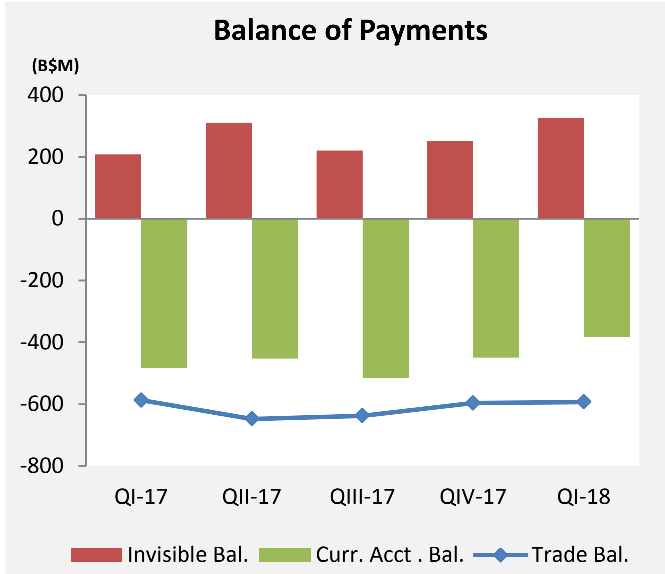
Total market capitalization fell by 4.5% over the three-month period to $4.2 billion at end-March, although it firmed on a yearly basis by 7.7%. Further, the BISX All Share Price Index fell by 4.9% to 1,962.11 points, extending the 1.8% reduction a year earlier. In addition, the number of publicly traded securities listed on the exchange grew by 2 to 54, and consisted of 13 preference shares, 20 ordinary shares and 21 debt tranches.

INTERNATIONAL TRADE AND PAYMENTS

Provisional estimates for the first quarter of 2018, revealed a narrowing in the current account deficit by approximately $98.7 million to $383.4 million, in comparison to the same period of 2017. This outturn reflected a tourism-led widening in the services account surplus, in contrast to a slight increase in the merchandise trade deficit. Meanwhile, the capital and financial account surplus contracted sharply to $15.9

million, from $321.2 million in the previous year, owing largely to an estimated decline in investment inflows for private sector projects.

The merchandise trade deficit widened marginally by approximately $5.4 million (0.9%) to $592.8 million, as the 15.4% reduction in estimated exports to $116.5 million, outweighed a 2.2% decrease in imports to $709.3 million. In the underlying developments, net payments for fuel purchases rose by 7.5% to $133.2 million, reflecting the increase in international oil prices, which paced ahead of reduced non-oil merchandise imports by 0.9% to $495.9 million. With regard to fuel costs, per barrel price appreciations were recorded across all categories: for aviation gas (by 43.2% to $146.62); jet fuel (by 21.3% to $85.42), propane (by 10.4% to $51.39), gas oil (by 9.6% to $71.02) and motor gas (by 9.5% to $85.15).



The estimated surplus on the services account widened by $117.8 million (56.7%) to $325.7 million, owing in large measure to a 20.1% expansion in net travel receipts—the largest component—to $710.6 million, as the tourism sector's performance improved. In addition, net outflows for construction services declined by 84.4% to $10.2 million, reflecting in part the winding-down of work to complete a major foreign investment project. Further, net payments for Government services fell by almost a third to $30.6 million, largely due to lower overseas costs for the local component. Similarly, net outflows for royalty & license fees and transportation services decreased by 13.4% to $3.4 million, and by 6.0% to $88.3 million, respectively, with the latter reflecting broad-based declines in passenger services, air and sea freight services, and port and airport charges. In a modest offset, net outflows for insurance services almost doubled to $35.6 million, as transactions normalized following residual hurricane claims settlement in 2017. Further, net disbursements for other 'miscellaneous' services expanded by 29.9% to $246.6 million, while net inflows for offshore companies' local expenses declined by 3.3% to $29.8 million.

During the quarter, the estimated deficit on the income account narrowed slightly by 0.7% to $101.2 million, explained mainly by a 2.8% decline in net outflows for investment income to $88.9 million. This corresponded to reduced interest and dividend payments by private companies, that outweighed higher net external debt costs for the public sector. Similarly, labor income remittances grew by $1.9 million (18.1%) to $12.3 million.

Net current transfer payments increased to an estimated $15.1 million, from an almost balanced outcome a year earlier. Underpinning this outturn was a reversal in 'other' miscellaneous transactions to a net outflow of $8.8 million, from a net receipt of $28.7 million in 2017. In contrast, net outflows for workers' remittances declined by 15.5% to $44.4 million. Providing some offset, general Government's net receipts rose by two-thirds to $38.1 million.

The significant reduction in the capital and financial account surplus was mainly attributed to a $195.9 million falloff in debt-financed private inflows to $17.0 million, owing in large measure to a decrease in project-related financing, following the winding-down of construction activity for a multi-billion dollar project. Further, domestic banks' repaid short-term liabilities of $31.6 million, following a net receipt of

$87.8 million in 2017. Conversely, the public sector registered a net inflow of $29.1 million, a reversal from a net repayment of $12.4 million a year earlier, buoyed by the Government's external borrowings.

In terms of investments, the net direct component declined by an estimated $38.8 million to $8.1 million, mainly reflecting lower net equity inflows. Much less significant in the aggregates, residents' net portfolio investments abroad fell by $0.9 million to $3.5 million, while migrants' net remittances declined by $6.2 million to $3.3 million.

As a result of these developments, and after adjusting for net errors and omissions, the surplus on the overall balance, which corresponds to the change in the Central Bank's external reserves, increased markedly by $162.8 million to $179.3 million.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Preliminary indicators suggest that the global economy sustained its modestly positive growth momentum during the first quarter, supported by robust real GDP expansion in China, along with sustained gains in the United States and European markets. In this environment, labour market conditions continued to improve, while inflation stayed relatively subdued, despite the upward trajectory in international oil prices. Given these developments, most of the major central banks maintained their accommodative monetary policy stance, with the exception of the Federal Reserves and the People's Bank of China, which pursued further tightening measures.

Real GDP growth in the United States slowed to an annualized 2.3% in the first quarter, from 2.9% in the prior three-month period, owing to reductions in personal consumption expenditure, residential fixed investments, exports and Government spending. Similarly, the euro area's real output expansion moderated to 0.4%, after an increase of 0.7% in the prior three-month period, as GDP growth waned in Germany and France—the region's largest economies. Further, accretions to economic output in the United Kingdom tapered to 0.1%, from 0.4% in the previous quarter, attributed to a sharp decrease in construction sector output, combined with weaker manufacturing growth. In Asia, Japan's economy contracted by an annualized 0.6% in the first quarter—the first decline in over two years—vis-à-vis a similar expansion in the preceding quarter, underpinned by a falloff in investment and consumption, alongside a slowdown in export growth. In contrast, China's economy strengthened by 6.8%, outpacing the gain of 6.0% recorded in the prior period, buttressed by strong consumer demand and property investment.

Reflecting the improvement in economic conditions, the jobless rate in most major economies continued to decline over the review period. In the United States, non-farm payrolls increased by an estimated 616,000 persons, owing to gains in healthcare, manufacturing, food & beverages, mining, professional & business services and construction; although a corresponding rise in the labour force led to the unemployment rate remaining at 4.1%. Further, the United Kingdom's jobless rate narrowed by 20 basis points to 4.2% in the first quarter—the lowest in over four decades—as the number of employed persons grew by 197,000, while the corresponding rate for the euro area fell by 10 basis points to 8.5%—reflecting improving market conditions. Similar trends were recorded in Asia, as the unemployment rate in China declined by 20 basis points to 5.0% in the March quarter, while Japan's jobless rate fell by 10 basis points to 2.5%, in comparison to the prior period.

Inflation in the major economies remained relatively benign during the first quarter, although higher energy prices contributed to some firming in rates. In the United States, buoyed by a rise in energy prices, the inflation rate increased by 30 basis points to 2.4% in the twelve months to March. Similarly, the rise in

Japan's consumer prices quickened by 60 basis points to 1.1%, attributed mainly to gains in food, medical care and fuel-related costs. In addition, China's consumer prices advanced by 2.1% on an annual basis, following a 1.8% increase in the prior three-month period. In contrast, the United Kingdom's annualized rate of inflation softened by 20 basis points to 2.5% over the prior quarter, due to lower costs for alcoholic drinks & tobacco, motor fuel and accommodation services. Further, annual inflation in the euro area edged-down by 10 basis points to 1.3%.

The United States dollar depreciated against almost all of the major currencies during the first quarter, reflecting in part the uncertainty caused by unfolding trade disputes with the country's major trading partners. Specifically, the dollar weakened relative to the British pound, by 3.5% to £0.71 and the euro, by 2.6% to €0.81. Similarly, the dollar fell vis-à-vis the Japanese yen, by 5.7% to ¥106.28, Chinese Yuan, by 3.3% to CNY6.29, and the Swiss Franc, by 2.1% to CHF0.95. Conversely, the dollar appreciated by 2.6%, against the Canadian dollar to CAD$1.29.

Amid concerns that higher inflation in the United States could accelerate the rate of Federal Reserve policy tightening, most of the major equity markets registered losses during the first quarter. Specifically, in the United States, the Dow Jones Industrial Average (DIJA) and the S&P 500 indices contracted by 7.6% and 6.2%, respectively. Similarly, in Europe, the German DAX fell by 4.4%, while the United Kingdom's FTSE 100 declined by 4.4% and 0.4%, respectively; however, France's CAC 40 firmed by 0.7%. In Asia, China's SE Composite Index fell by 4.2%, attributed in part to on-folding trade tensions with the United States, while Japan's Nikkei 225 index decreased by 2.7%.

Buoyed by the Organization of Petroleum Exporting Countries' (OPEC) ongoing agreement to constrain production, combined with a winter weather-related rise in demand, average crude oil prices rose by 18.6% to $68.40 per barrel during the first quarter. Similarly, the average cost of gold edged-up by 0.6% to $1,325.00 per troy ounce; however, the average price of silver fell by 1.1% to $16.37 per troy ounce.

Developments in the external sector were mixed during the first quarter. In the United States, the deficit on the goods and services account decreased by $1.7 billion (18.5%) to an estimated $54.5 billion, as a $1.6 billion gain in exports to $204.6 billion—of mainly food, industrial and capital goods—outstripped the slight $0.1 billion rise in consumer and capital good-related imports. Similarly, the United Kingdom's trade deficit declined by £0.7 billion to £6.9 billion in the three-months to March 2018, due to a reduction in goods imports from non-EU countries. In contrast, the trade surplus for the euro area narrowed by €21.2 billion (30.0%) to an estimated €49.4 billion, underpinned by a 1.8% falloff in exports and a 2.2% expansion in imports. Similar trends were recorded in Asia, as Japan's trade surplus contracted sharply by ¥767.7 billion (30.5%) to ¥1,745.3 billion in the quarter, as the 7.4% expansion in imports, overshadowed the 4.9% increase in exports. In addition, buoyed by an 11.7% gain in imports of mainly crude oil and soybeans, which eclipsed the 7.4% gain in exports, of mainly electronic products, China's trade surplus contracted by 21.8% to US$ 51.1 billion.

Given the positive economic developments in the first quarter, most of the major central banks sustained their accommodative monetary policy stance. In particular, the Bank of England retained its benchmark interest rate at an historic low of 0.25% and maintained its asset purchase programme at £435.0 billion. Similarly, the European Central Bank kept its key interest rates unchanged to encourage economic growth. In Asia, the Bank of Japan kept its policy rate at -0.1%; however, the People's Bank of China raised its 7-day reverse repo rate marginally by 5 basis points to 2.55%. In line with it goal to normalize interest rates over time, the Federal Reserve increased its target range for the federal funds rate by 25 basis points to 1.50%-1.75%. The Bank also continued to reduce the size of its asset purchase programme by an additional $10.0 billion per month during the quarter.

STATISTICAL APPENDIX (TABLES 1-16)

TABLE 1
FINANCIAL SURVEY

Period	2013	2014	2015	2016 Sept.	2016 Dec.	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.
					(B$ Millions)					
Net foreign assets	46.7	286.4	280.2	524.1	678.5	607.3	739.5	778.5	1,152.5	1,376.7
Central Bank	741.6	787.7	811.9	898.8	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9
Domestic Banks	(694.9)	(501.2)	(531.7)	(374.7)	(225.4)	(313.2)	(220.5)	(255.3)	(265.0)	(220.2)
Net domestic assets	6,270.6	6,103.7	6,093.7	6,050.8	6,251.4	6,277.6	6,403.0	6,233.6	5,884.6	5,766.5
Domestic credit	8,957.1	8,870.5	8,966.2	8,961.1	9,128.4	9,116.4	9,285.7	9,211.0	8,838.3	8,730.9
Public sector	2,406.0	2,503.6	2,666.4	2,725.7	2,957.6	2,936.4	3,128.7	3,185.2	2,855.5	2,767.6
Government (net)	1,946.6	2,024.0	2,198.0	2,307.5	2,551.4	2,540.2	2,741.6	2,693.0	2,383.0	2,318.6
Rest of public sector	459.4	479.7	468.4	418.2	406.3	396.1	387.0	492.1	472.5	449.1
Private sector	6,551.1	6,366.9	6,299.7	6,235.5	6,170.8	6,180.1	6,157.0	6,025.8	5,982.9	5,963.3
Other items (net)	(2,686.5)	(2,766.8)	(2,872.4)	(2,910.3)	(2,877.0)	(2,838.8)	(2,882.7)	(2,977.4)	(2,953.7)	(2,964.4)
Monetary liabilities	6,317.2	6,390.0	6,373.8	6,575.1	6,930.1	6,885.2	7,142.8	7,012.4	7,037.3	7,145.4
Money	1,641.2	1,995.7	2,071.2	2,298.0	2,460.6	2,430.2	2,659.3	2,606.6	2,654.0	2,753.6
Currency	214.4	232.8	246.6	255.5	280.5	281.5	294.1	284.3	292.6	302.0
Demand deposits	1,426.8	1,762.9	1,824.7	2,042.5	2,180.1	2,148.7	2,365.2	2,322.3	2,361.5	2,451.7
Quasi-money	4,676.0	4,394.3	4,302.6	4,277.0	4,469.5	4,455.0	4,483.5	4,405.8	4,383.3	4,391.8
Fixed deposits	3,288.0	3,101.9	2,966.5	2,865.2	2,866.3	2,840.5	2,779.3	2,756.4	2,737.9	2,710.3
Savings deposits	1,114.0	1,067.5	1,148.3	1,218.6	1,295.6	1,316.7	1,380.9	1,368.1	1,371.2	1,395.3
Foreign currency	274.0	224.8	187.8	193.2	307.6	297.8	323.3	281.3	274.1	286.1
					(percentage changes)					
Total domestic credit	3.1	(1.0)	1.1	1.7	1.9	(0.1)	1.9	(0.8)	(4.0)	(1.2)
Public sector	16.6	4.1	6.5	5.9	8.5	(0.7)	6.5	1.8	(10.4)	(3.1)
Government (net)	22.1	4.0	8.6	9.8	10.6	(0.4)	7.9	(1.8)	(11.5)	(2.7)
Rest of public sector	(1.9)	4.4	(2.4)	(11.7)	(2.9)	(2.5)	(2.3)	27.2	(4.0)	(4.9)
Private sector	(1.2)	(2.8)	(1.1)	(0.0)	(1.0)	0.1	(0.4)	(2.1)	(0.7)	(0.3)
Monetary liabilities	0.2	1.2	(0.3)	(0.0)	5.4	(0.6)	3.7	(1.8)	0.4	1.5
Money	4.2	21.6	3.8	4.6	7.1	(1.2)	9.4	(2.0)	1.8	3.8
Currency	(0.9)	8.6	5.9	3.2	9.8	0.4	4.5	(3.3)	2.9	3.2
Demand deposits	5.0	23.6	3.5	4.7	6.7	(1.4)	10.1	(1.8)	1.7	3.8
Quasi-money	(1.1)	(6.0)	(2.1)	(2.3)	4.5	(0.3)	0.6	(1.7)	(0.5)	0.2

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

Period	2013	2014	2015	2016		2017				2018
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
				(B$ Millions)						
Net foreign assets	76.4	334.2	360.1	596.1	730.5	675.8	790.1	828.9	1,218.0	1,450.2
Central Bank	741.6	787.7	811.9	898.8	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9
Commercial banks	(665.2)	(453.5)	(451.8)	(302.7)	(173.5)	(244.6)	(169.9)	(204.9)	(199.5)	(146.7)
Net domestic assets	6,189.3	6,002.0	5,956.8	5,921.7	6,131.5	6,161.6	6,279.0	6,132.6	5,742.1	5,631.7
Domestic credit	8,929.8	8,837.0	8,926.2	8,930.9	9,097.0	9,074.4	9,239.6	9,184.4	8,808.7	8,697.6
Public sector	2,396.6	2,492.5	2,653.2	2,710.0	2,941.4	2,925.1	3,101.5	3,175.1	2,841.7	2,753.0
Government (net)	1,937.7	2,013.2	2,187.2	2,292.2	2,535.5	2,529.3	2,714.8	2,683.3	2,369.6	2,304.3
Rest of public sector	458.9	479.3	466.0	417.8	405.9	395.8	386.7	491.8	472.1	448.7
Private sector	6,533.2	6,344.5	6,273.0	6,221.0	6,155.6	6,149.4	6,138.2	6,009.3	5,967.0	5,944.6
Other items (net)	(2,740.5)	(2,834.9)	(2,969.4)	(3,009.2)	(2,965.5)	(2,912.9)	(2,960.6)	(3,051.8)	(3,066.6)	(3,065.9)
Monetary liabilities	6,265.6	6,336.1	6,316.8	6,518.0	6,862.1	6,837.8	7,069.4	6,961.8	6,960.3	7,084.1
Money	1,610.9	1,955.0	2,024.9	2,257.6	2,406.8	2,397.4	2,603.7	2,568.5	2,591.4	2,705.9
Currency	214.4	232.8	246.6	255.5	280.5	281.5	294.1	284.3	292.6	302.0
Demand deposits	1,396.5	1,722.2	1,778.3	2,002.1	2,126.4	2,115.9	2,309.6	2,284.2	2,298.8	2,403.9
Quasi-money	4,654.7	4,381.1	4,291.9	4,260.5	4,455.3	4,440.4	4,465.7	4,393.4	4,368.8	4,378.3
Savings deposits	1,114.0	1,067.5	1,148.3	1,218.0	1,295.0	1,316.5	1,380.8	1,368.1	1,371.2	1,395.3
Fixed deposits	3,266.7	3,088.8	2,955.9	2,853.7	2,854.8	2,828.0	2,766.3	2,744.9	2,725.8	2,699.1
Foreign currency deposits	274.0	224.8	187.8	188.8	305.5	295.9	318.6	280.3	271.9	283.8
				(percentage change)						
Total domestic credit	3.1	(1.0)	1.0	1.9	1.9	(0.2)	1.8	(0.6)	(4.1)	(1.3)
Public sector	16.9	4.0	6.4	5.7	8.5	(0.6)	6.0	2.4	(10.5)	(3.1)
Government (net)	22.5	3.9	8.6	9.6	10.6	(0.2)	7.3	(1.2)	(11.7)	(2.8)
Rest of public sector	(1.9)	4.4	(2.8)	(11.3)	(2.9)	(2.5)	(2.3)	27.2	(4.0)	(4.9)
Private sector	(1.2)	(2.9)	(1.1)	0.3	(1.1)	(0.1)	(0.2)	(2.1)	(0.7)	(0.4)
Monetary liabilities	0.3	1.1	(0.3)	(0.0)	5.3	(0.4)	3.4	(1.5)	(0.0)	1.8
Money	4.5	21.4	3.6	4.7	6.6	(0.4)	8.6	(1.4)	0.9	4.4
Currency	(0.9)	8.6	5.9	3.2	9.8	0.4	4.5	(3.3)	2.9	3.2
Demand deposits	5.4	23.3	3.3	4.9	6.2	(0.5)	9.2	(1.1)	0.6	4.6
Quasi-money	(1.1)	(5.9)	(2.0)	(2.4)	4.6	(0.3)	0.6	(1.6)	(0.6)	0.2

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B$ Millions)

Period	2013	2014	2015	2016		2017				2018
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	741.6	787.7	811.9	898.8	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9
Balances with banks abroad	122.4	155.2	206.6	260.3	254.8	251.6	286.0	340.4	698.5	783.9
Foreign securities	551.0	544.9	521.7	536.0	550.5	569.3	571.9	590.0	614.7	681.8
Reserve position in the Fund	9.6	9.1	8.7	26.9	25.9	26.2	26.8	27.3	27.5	28.0
SDR holdings	58.6	78.5	75.0	75.5	72.7	73.4	75.2	76.3	76.8	103.2
Net domestic assets	374.7	375.6	340.6	513.5	555.3	520.6	647.0	582.2	209.6	190.8
Net claims on Government	493.1	523.4	493.7	668.5	716.6	690.5	826.5	763.2	390.1	395.4
Claims	545.3	571.4	523.1	696.9	731.9	711.1	860.3	781.9	417.0	415.4
Treasury bills	186.6	119.7	126.6	259.5	223.9	202.1	357.5	317.8	7.2	-
Bahamas registered stock	223.5	316.5	261.1	301.5	372.6	373.4	367.1	328.3	274.5	279.8
Loans and advances	135.2	135.2	135.4	135.9	135.4	135.5	135.7	135.9	135.4	135.5
Deposits	(52.1)	(48.0)	(29.4)	(28.4)	(15.3)	(20.6)	(33.8)	(18.8)	(26.9)	(19.9)
In local currency	(52.1)	(48.0)	(29.4)	(28.4)	(15.3)	(20.6)	(33.8)	(18.8)	(26.9)	(19.9)
In foreign currency	-	-	-	-	-	-	-	-	-	-
Deposits of rest of public sector	(11.7)	(26.0)	(17.3)	(7.5)	(12.6)	(15.7)	(19.3)	(21.8)	(17.2)	(27.5)
Credit to commercial banks	-	-	-	-	-	-	-	-	-	-
Official capital and surplus	(140.0)	(152.3)	(163.7)	(159.4)	(173.1)	(172.5)	(170.8)	(169.6)	(185.1)	(183.7)
Net unclassified assets	23.0	21.1	19.0	3.0	15.4	9.4	1.9	2.4	13.8	(1.5)
Loans to rest of public sector	4.6	4.2	3.7	3.6	3.6	3.7	3.4	3.0	2.8	2.8
Public Corp Bonds/Securities	5.7	5.2	5.2	5.2	5.3	5.3	5.3	5.2	5.2	5.2
Liabilities To Domestic Banks	(710.3)	(750.2)	(733.5)	(983.1)	(1,011.4)	(990.7)	(1,139.6)	(1,155.8)	(1,157.0)	(1,304.6)
Notes and coins	(138.1)	(142.5)	(142.4)	(101.3)	(145.1)	(97.6)	(93.7)	(94.4)	(145.8)	(101.2)
Deposits	(572.2)	(607.7)	(591.1)	(881.8)	(866.3)	(893.1)	(1,046.0)	(1,061.4)	(1,011.2)	(1,203.4)
SDR allocation	(191.6)	(180.3)	(172.4)	(173.7)	(167.3)	(168.9)	(173.3)	(176.0)	(177.4)	(181.1)
Currency held by the private sector	(214.4)	(232.8)	(246.6)	(255.5)	(280.5)	(281.5)	(294.1)	(284.3)	(292.6)	(302.0)

Source: The Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

(B$ Millions)

Period	2013	2014	2015	2016		2017				2018
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	(694.9)	(501.2)	(531.7)	(374.7)	(225.4)	(313.2)	(220.5)	(255.3)	(265.0)	(220.2)
Net claims on Central Bank	651.7	749.2	730.0	984.0	1,012.4	991.7	1,140.6	1,156.7	1,158.0	1,305.5
Notes and Coins	138.1	142.5	142.4	101.3	145.1	97.6	93.7	94.4	145.8	101.2
Balances	513.6	606.7	587.5	882.8	867.3	894.0	1,046.9	1,062.4	1,012.2	1,204.3
Less Central Bank credit	-	-	-	-	-	-	-	-	-	-
Net domestic assets	5,803.7	5,537.6	5,569.8	5,345.6	5,483.7	5,563.5	5,567.8	5,442.6	5,483.6	5,366.3
Net claims on Government	1,453.5	1,500.5	1,704.4	1,639.0	1,834.8	1,849.8	1,915.2	1,929.9	1,992.9	1,923.1
Treasury bills	392.4	454.5	662.6	557.9	531.9	489.3	475.1	506.5	611.4	620.0
Other securities	962.2	907.0	895.4	891.1	987.1	1,055.5	1,105.9	1,094.3	1,137.7	1,105.2
Loans and advances	253.6	352.1	416.8	389.7	502.7	516.6	516.0	528.0	442.2	417.1
Less: deposits	154.7	213.1	270.5	199.6	186.9	211.7	181.8	198.9	198.5	219.1
Net claims on rest of public sector	118.6	124.6	117.6	52.1	31.0	41.2	36.7	121.7	113.6	76.9
Securities	119.4	219.0	221.0	168.6	163.9	163.9	163.9	275.7	262.6	243.6
Loans and advances	329.8	251.3	238.4	240.7	233.5	223.3	214.4	208.3	201.9	197.6
Less: deposits	330.6	345.7	341.8	357.2	366.4	346.0	341.6	362.3	350.8	364.3
Other net claims	56.4	24.8	43.9	24.3	(2.9)	1.0	(5.2)	(4.9)	(2.6)	(5.0)
Credit to the private sector	6,551.1	6,366.9	6,299.7	6,235.5	6,170.8	6,180.1	6,157.0	6,025.8	5,982.9	5,963.3
Securities	16.6	16.8	24.4	18.6	19.6	25.8	22.4	19.4	19.1	23.0
Mortgages	3,310.3	3,211.4	3,164.7	3,139.1	3,035.5	3,024.8	3,028.0	2,972.8	2,949.5	2,946.6
Loans and advances	3,224.2	3,138.7	3,110.7	3,077.8	3,115.7	3,129.4	3,106.6	3,033.7	3,014.3	2,993.6
Private capital and surplus	(2,586.4)	(2,499.2)	(2,651.2)	(2,638.8)	(2,594.4)	(2,580.9)	(2,639.7)	(2,693.6)	(2,699.3)	(2,684.1)
Net unclassified assets	210.6	20.0	55.5	33.5	44.5	72.5	103.7	63.8	96.2	92.3
Liabilities to private sector	5,760.6	5,785.5	5,768.1	5,954.9	6,270.7	6,242.0	6,487.9	6,344.0	6,376.6	6,451.7
Demand deposits	1,593.5	1,830.6	1,868.3	2,075.0	2,287.4	2,261.3	2,482.6	2,383.5	2,420.1	2,495.1
Savings deposits	1,119.9	1,074.1	1,162.0	1,238.8	1,315.0	1,335.1	1,400.9	1,386.1	1,390.4	1,416.6
Fixed deposits	3,047.1	2,880.8	2,737.8	2,641.0	2,668.3	2,645.7	2,604.3	2,574.3	2,566.1	2,540.0

Source: The Central Bank of The Bahamas

TABLE 5

PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

Period	2013	2014	2015	2016				2017			
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
1. Interest Income	646,083	617,808	626,420	158,211	152,709	150,401	153,783	148,243	146,844	154,093	140,978
2. Interest Expense	117,811	98,321	85,414	20,807	20,410	18,595	18,547	18,688	16,236	16,146	15,252
3. **Interest Margin (1-2)**	528,272	519,487	541,006	137,404	132,299	131,806	135,236	129,555	130,608	137,947	125,726
4. Commission & Forex Income	23,278	22,484	29,530	5,756	6,636	5,802	6,648	7,417	6,993	6,854	7,273
5. **Gross Earnings Margin (3+4)**	551,550	541,971	570,536	143,160	138,935	137,608	141,884	136,972	137,601	144,801	132,999
6. Staff Costs	181,910	171,579	170,396	40,906	41,677	41,468	40,840	40,170	39,764	37,717	42,821
7. Occupancy Costs	30,120	27,797	27,018	6,883	7,025	7,574	7,020	6,549	6,756	6,824	5,939
8. Other Operating Costs	132,475	279,278	150,629	39,236	40,452	47,833	38,464	49,797	42,378	46,814	51,629
9. **Operating Costs (6+7+8)**	344,505	478,654	348,043	87,025	89,154	96,875	86,324	96,516	88,898	91,355	100,389
10. **Net Earnings Margin (5-9)**	207,045	63,317	222,493	56,135	49,781	40,733	55,560	40,456	48,703	53,446	32,610
11. Depreciation Costs	16,969	14,637	15,769	3,632	3,560	4,099	3,808	3,985	3,710	3,943	4,254
12. Provisions for Bad Debt	149,114	266,624	132,574	20,347	36,032	30,344	29,405	22,425	51,302	22,236	17,168
13. Other Income	98,023	103,893	111,263	32,759	32,657	34,300	33,459	30,470	37,649	30,781	37,136
14. **Other Income (Net) (13-11-12)**	(68,060)	(177,368)	(37,080)	8,780	(6,935)	(143)	246	4,060	(17,363)	4,602	15,714
15. **Net Income (10+14)**	138,985	(114,051)	185,413	64,915	42,846	40,590	55,806	44,516	31,340	58,048	48,324
16. **Effective Interest Rate Spread (%)**	6.85	6.83	29	7.24	7.16	7.28	7.24	6.96	7.04	7.20	7.24
				(Ratios To Average Assets)							
Interest Margin	5.42	5.31	5.42	5.44	5.21	5.27	5.38	5.14	5.14	5.39	4.89
Commission & Forex Income	0.22	0.23	0.22	0.23	0.26	0.23	0.26	0.29	0.28	0.27	0.28
Gross Earnings Margin	5.64	5.54	5.64	5.67	5.47	5.50	5.64	5.43	5.42	5.65	5.18
Operating Costs	3.68	4.89	3.68	3.45	3.51	3.87	3.43	3.83	3.50	3.57	3.91
Net Earnings Margin	1.96	0.65	1.96	2.22	1.96	1.63	2.21	1.61	1.92	2.09	1.27
Net Income/Loss	1.43	-1.16	1.43	2.57	1.69	1.62	2.22	1.77	1.23	2.27	1.88

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

Source: The Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

(B$ Millions)

End of Period	2013	2014	2015	2016 Sept.	2016 Dec.	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.
Money Supply (M1)	1,641.2	1,995.7	2,071.2	2,298.0	2,460.6	2,430.2	2,659.3	2,606.6	2,654.0	2,753.6
1) Currency in active circulation	214.4	232.8	246.6	255.5	280.5	281.5	294.1	284.3	292.6	302.0
2) Demand deposits	1,426.8	1,762.9	1,824.7	2,042.5	2,180.1	2,148.7	2,365.2	2,322.3	2,361.5	2,451.7
Central Bank	11.7	26.0	17.3	7.5	12.6	15.7	19.3	21.8	17.2	27.5
Domestic Banks	1,415.1	1,736.9	1,807.3	2,035.1	2,167.6	2,133.0	2,346.0	2,300.4	2,344.2	2,424.2
Factors affecting money (M1)										
1) Net credit to Government	1,946.6	2,024.0	2,198.0	2,307.5	2,551.4	2,540.2	2,741.6	2,693.0	2,383.0	2,318.6
Central Bank	493.1	523.4	493.7	668.5	716.6	690.5	826.5	763.2	390.1	395.4
Domestic banks	1,453.5	1,500.5	1,704.4	1,639.0	1,834.8	1,849.8	1,915.2	1,929.9	1,992.9	1,923.1
2) Other credit	7,010.5	6,846.5	6,768.1	6,653.6	6,577.1	6,576.2	6,544.0	6,518.0	6,455.3	6,412.3
Rest of public sector	459.4	479.7	468.4	418.2	406.3	396.1	387.0	492.1	472.5	449.1
Private sector	6,551.1	6,366.9	6,299.7	6,235.5	6,170.8	6,180.1	6,157.0	6,025.8	5,982.9	5,963.3
3) External reserves	741.6	787.7	811.9	898.8	904.0	920.5	960.0	1,033.9	1,417.4	1,596.9
4) Other external liabilities (net)	(694.9)	(501.2)	(531.7)	(374.7)	(225.4)	(313.2)	(220.5)	(255.3)	(265.0)	(220.2)
5) Quasi money	4,676.0	4,394.3	4,302.6	4,277.0	4,469.5	4,455.0	4,483.5	4,405.8	4,383.3	4,391.8
6) Other items (net)	(2,686.5)	(2,766.8)	(2,872.4)	(2,910.3)	(2,877.0)	(2,838.8)	(2,882.7)	(2,977.4)	(2,953.7)	(2,964.4)

Source: The Central Bank of The Bahamas

TABLE 7

CONSUMER INSTALMENT CREDIT

(B$' 000)

End of Period	2014	2015	2016				2017				2018
			Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
CREDIT OUTSTANDING											
Private cars	186,731	181,447	177,367	179,811	177,103	176,178	176,368	174,265	169,892	163,974	159,105
Taxis & rented cars	853	1,026	947	879	855	777	735	770	795	796	855
Commercial vehicles	1,958	1,498	1,381	1,290	1,109	1,050	1,274	1,238	1,247	1,208	1,158
Furnishings & domestic appliances	7,911	8,081	7,833	7,994	8,015	8,302	8,491	9,089	9,056	8,493	8,238
Travel	30,033	36,836	36,170	38,928	43,721	41,197	40,030	42,427	47,008	45,457	43,318
Education	36,571	41,117	40,343	39,369	52,837	52,245	50,540	48,614	54,208	53,065	50,684
Medical	11,744	12,471	13,294	13,118	13,144	12,824	13,140	13,170	12,816	12,025	12,752
Home Improvements	131,723	114,265	111,294	108,346	108,671	121,959	123,739	123,237	119,768	113,898	110,992
Land Purchases	216,760	193,163	187,987	181,767	177,984	169,847	164,302	160,905	156,141	152,771	149,817
Consolidation of debt	777,804	802,034	805,547	795,914	979,674	984,569	984,153	969,146	954,528	951,071	950,187
Miscellaneous	625,074	640,154	649,073	685,088	515,430	546,313	549,889	559,433	568,221	564,703	558,803
Credit Cards	245,254	249,164	243,919	243,214	253,828	256,166	247,825	246,364	250,934	254,852	247,113
TOTAL	2,272,416	2,281,256	2,275,155	2,295,718	2,332,371	2,371,427	2,360,486	2,348,658	2,344,614	2,322,313	2,293,022
NET CREDIT EXTENDED											
Private cars	11,324	(5,284)	(4,080)	2,444	(2,708)	(925)	190	(2,103)	(4,373)	(5,918)	(4,869)
Taxis & rented cars	(224)	173	(79)	(68)	(24)	(78)	(42)	35	25	1	59
Commercial vehicles	(376)	(460)	(117)	(91)	(181)	(59)	224	(36)	9	(39)	(50)
Furnishings & domestic appliances	(8)	170	(248)	161	21	287	189	598	(33)	(563)	(255)
Travel	(2,978)	6,803	(666)	2,758	4,793	(2,524)	(1,167)	2,397	4,581	(1,551)	(2,139)
Education	2,713	4,546	(774)	(974)	13,468	(592)	(1,705)	(1,926)	5,594	(1,143)	(2,381)
Medical	(266)	727	823	(176)	26	(320)	316	30	(354)	(791)	727
Home Improvements	7,780	(17,458)	(2,971)	(2,948)	325	13,288	1,780	(502)	(3,469)	(5,870)	(2,906)
Land Purchases	(8,305)	(23,597)	(5,176)	(6,220)	(3,783)	(8,137)	(5,545)	(3,397)	(4,764)	(3,370)	(2,954)
Consolidation of debt	(24,923)	24,230	3,513	(9,633)	183,760	4,895	(416)	(15,007)	(14,618)	(3,457)	(884)
Miscellaneous	61,752	15,080	8,919	36,015	(169,658)	30,883	3,576	9,544	8,788	(3,518)	(5,900)
Credit Cards	4,013	3,910	(5,245)	(705)	10,614	2,338	(8,341)	(1,461)	4,570	3,918	(7,739)
TOTAL	50,502	8,840	(6,101)	20,563	36,653	39,056	(10,941)	(11,828)	(4,044)	(22,301)	(29,291)

Source: The Central Bank of The Bahamas

TABLE 8
SELECTED AVERAGE INTEREST RATES

(%)

Period	2013	2014	2015	2016		2017				2018
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
DOMESTIC BANKS										
Deposit rates										
Savings deposits	0.97	0.89	0.83	0.72	0.87	0.77	0.72	0.68	0.72	0.71
Fixed deposits										
Up to 3 months	1.37	1.16	1.13	0.94	0.90	0.80	0.68	0.74	0.88	0.67
Up to 6 months	1.35	1.22	1.08	0.89	1.00	0.65	0.66	0.63	0.62	0.62
Up to 12 months	2.15	1.76	1.71	1.43	1.57	1.27	1.32	1.11	1.14	0.94
Over 12 months	2.20	1.64	1.57	2.02	2.15	1.45	1.80	1.61	1.57	1.41
Weighted average rate	1.68	1.42	1.41	1.14	1.22	1.00	0.98	0.98	1.03	0.91
Lending rates										
Residential mortgages	7.27	7.16	6.47	6.20	6.13	6.14	6.00	5.41	5.50	5.50
Commercial mortgages	8.21	8.02	7.89	8.29	8.33	6.38	6.58	6.75	7.75	7.52
Consumer loans	13.65	13.91	14.26	14.37	13.96	13.60	13.82	13.36	13.64	13.58
Overdrafts	9.32	9.76	10.36	11.60	11.09	10.78	10.65	10.12	10.94	10.47
Weighted average rate	11.10	11.81	12.29	12.93	12.68	11.88	12.02	11.64	11.48	11.40
Other rates										
Prime rate	4.75	4.75	4.75	4.75	4.75	4.25	4.25	4.25	4.25	4.25
Treasury bill (90 days)	0.30	0.53	0.68	1.94	2.11	1.96	1.77	1.77	1.82	1.78
Treasury bill re-discount rate	0.80	1.03	1.18	2.44	2.61	2.46	2.27	2.27	2.32	2.28
Bank rate (discount rate)	4.50	4.50	4.50	4.50	4.33	4.00	4.00	4.00	4.00	4.00

Source: The Central Bank of The Bahamas

TABLE 9
SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS*

(%)

Period	2013	2014	2015	2016		2017				2018
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
Loan Portfolio										
Current Loans (as a % of total loans)	**78.4**	**79.7**	**80.9**	**82.3**	**84.3**	**84.7**	**84.3**	**85.5**	**85.7**	**85.9**
Arrears (% by loan type)										
Consumer	5.0	5.2	4.7	4.1	4.0	4.0	4.1	4.2	4.2	4.1
Mortgage	11.0	11.0	10.9	10.0	8.1	7.9	8.0	8.3	8.6	8.4
Commercial	5.5	4.1	3.5	3.7	3.6	3.4	3.6	1.9	1.5	1.6
Public	0.1	0.0	-	0.0	-	0.0	0.0	0.0	0.0	0.0
Total Arrears	**21.6**	**20.3**	**19.1**	**17.7**	**15.7**	**15.3**	**15.7**	**14.5**	**14.3**	**14.1**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Loan Portfolio										
Current Loans (as a % of total loans)	**78.4**	**79.7**	**80.9**	**82.3**	**84.3**	**84.7**	**84.3**	**85.5**	**85.7**	**85.9**
Arrears (% by days outstanding)										
30 - 60 days	3.6	2.9	3.1	2.9	2.8	2.7	2.7	3.3	3.3	3.5
61 - 90 days	2.5	2.0	1.8	1.7	1.6	1.5	1.7	1.7	1.8	1.4
90 - 179 days	2.1	2.0	1.6	1.7	1.5	1.4	1.5	1.6	1.4	1.5
over 180 days	13.3	13.3	12.6	11.4	9.8	9.8	9.8	7.9	7.7	7.7
Total Arrears	**21.6**	**20.3**	**19.1**	**17.7**	**15.7**	**15.3**	**15.7**	**14.5**	**14.3**	**14.1**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Accrual Loans (% by loan type)										
Consumer	21.5	23.6	22.2	20.9	23.2	23.5	23.9	26.4	27.2	28.0
Mortgage	50.7	53.8	57.4	56.1	50.7	50.3	49.6	59.5	61.4	60.2
Other Private	27.2	22.6	20.4	23.0	26.1	26.1	26.5	14.2	11.4	11.8
Public	0.6	-	-	-	-	0.0	0.0	0.0	0.0	0.0
Total Non Accrual Loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Provisions to Loan Portfolio										
Consumer	6.1	6.5	7.1	7.2	7.4	7.1	7.1	6.6	6.1	6.8
Mortgage	5.6	8.9	9.9	9.8	8.9	7.6	7.8	8.0	8.3	7.8
Other Private	7.9	11.4	10.2	12.2	11.6	12.3	15.4	7.4	8.1	8.0
Public	-	-	-	-	-	-	-	-	-	-
Total Provisions to Total Loans	6.0	7.9	8.3	8.5	8.0	7.4	7.9	6.7	6.8	6.9
Total Provisions to Non-performing Loans	39.0	51.2	58.5	65.4	70.6	66.8	69.8	71.1	74.6	74.9
Total Non-performing Loans to Total Loans	15.4	15.3	14.2	13.1	11.4	11.1	11.3	9.5	9.2	9.2

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

TABLE 10
SUMMARY OF BANK LIQUIDITY*

(B$ Millions)

Period	2013	2014	2015	2016 Sept.	2016 Dec.	2017 Mar.	2017 Jun.	2017 Sept.	2017 Dec.	2018 Mar.
I. Statutory Reserves										
Required reserves	303.3	311.2	316.9	328.4	325.1	330.1	333.8	335.4	336.9	338.6
Average Till Cash	117.4	122.7	123.0	104.3	130.4	99.8	101.3	104.1	125.8	106.7
Average balance with central bank	593.3	676.6	598.7	921.3	945.1	902.6	982.4	1,006.7	1,030.3	1,165.4
Free cash reserves (period ended)	407.4	488.0	404.9	697.1	750.5	672.3	749.9	775.4	819.2	933.5
II. Liquid Assets (period)										
A. Minimum Required Liquid Assets	988.3	1,025.5	1,044.6	1,079.4	1,098.6	1,116.7	1,142.2	1,140.7	1,128.9	1,143.7
B. Net Eligible Liquid Assets	2,126.1	2,182.2	2,361.6	2,504.8	2,579.9	2,588.6	2,768.4	2,804.0	2,956.2	3,074.9
i) Balance with Central Bank	513.6	606.7	587.5	882.8	867.3	894.0	1,046.9	1,062.4	1,012.2	1,204.3
ii) Notes and Coins	138.6	143.0	142.9	101.8	145.6	98.1	94.2	94.9	146.3	101.7
iii) Treasury Bills	392.4	454.5	662.6	557.9	531.9	489.3	475.1	506.5	611.4	620.0
iv) Government registered stocks	962.2	907.0	895.4	891.1	987.1	1,055.5	1,105.9	1,094.3	1,137.7	1,105.2
v) Specified assets	56.6	56.0	55.6	51.0	51.0	51.0	50.9	50.8	50.8	50.6
vi) Net Inter-bank dem/call deposits	62.7	15.1	17.4	20.3	(3.0)	0.7	(4.5)	(4.9)	(2.2)	(7.0)
vii) Less: borrowings from central bank	-	-	-	-	-	-	-	-	-	-
C. Surplus/(Deficit)	1,137.7	1,156.8	1,316.9	1,425.4	1,481.3	1,471.9	1,626.2	1,663.4	1,827.3	1,931.2

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

TABLE 11

GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

	Annual		Budget		2016/17p				2017/18p		
Period	2015/16p	2016/17p	2016/17	2017/18	QTR. I	QTR. II	QTR. III	QTR. IV	QTR. I	QTR. II	QTR. III
Total Revenue & Grants	1,929.6	2,060.5	2,168.8	2,139.0	450.4	401.4	605.9	602.8	452.2	426.4	587.3
Current Expenditure	2,005.0	2,339.7	2,024.4	2,231.9	469.5	535.4	505.3	829.5	483.4	514.9	546.1
Capital Expenditure	231.3	390.2	242.1	230.9	65.1	87.3	75.0	162.7	34.4	41.5	37.3
Net Lending	3.6	0.0	(0.1)	(2.4)	0.1	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)
Overall Balance	**(310.4)**	**(669.3)**	**(97.6)**	**(321.3)**	**(84.3)**	**(221.3)**	**25.6**	**(389.3)**	**(65.6)**	**(129.9)**	**4.0**
FINANCING (I+II-III+IV+V+VI)	310.4	669.3	97.6	321.3	84.3	221.3	(25.6)	389.3	65.6	129.9	(4.0)
I. Foreign Currency Borrowing	255.8	43.3	85.1	9.5	11.7	14.0	4.0	13.6	358.2	954.6	54.2
External	205.8	43.3	85.1	9.5	11.7	14.0	4.0	13.6	358.2	954.6	54.2
Domestic	50.0	-	-	-	-	-	-	-	-	-	-
II. Bahamian Dollar Borrowing	**411.1**	**1,132.1**	**299.5**	**743.5**	**206.6**	**546.2**	**86.6**	**292.7**	**97.6**	**232.7**	**111.6**
i) Treasury Bills/Treasury Notes	301.2	337.7	-	-	37.6	70.7	11.6	217.7	8.6	0.7	1.6
ii) Long-term Securities	87.3	545.0	-	-	155.0	240.0	75.0	75.0	75.0	232.0	110.0
iii) Loans and Advances	22.6	249.5	-	-	14.0	235.5	-	-	14.0	0.0	0.0
III Debt Repayment	**322.7**	**595.1**	**287.1**	**426.2**	**146.8**	**265.1**	**88.5**	**94.8**	**140.8**	**884.9**	**155.4**
Domestic	294.3	557.1	258.9	388.6	136.2	258.0	75.2	87.7	125.9	427.2	131.4
Bahamian Dollars	244.3	557.1	258.9	388.6	136.2	258.0	75.2	87.7	125.9	427.2	131.4
Internal Foreign Currency	50.0	-	-	-	-	-	-	-	-	-	-
External	28.4	38.1	28.2	37.6	10.6	7.1	13.3	7.1	14.9	457.7	24.1
IV Net Sale of Shares & Other Equity	-	**(120.2)**	-	-	(102.5)	-	(17.7)	-	(50.0)	(19.0)	(19.0)
V. Cash Balance Change	**(110.4)**	**227.6**	-	-	**162.3**	**25.8**	**22.7**	**16.7**	**(2.1)**	**(7.7)**	**(13.7)**
VI Other Financing	**76.6**	**(18.4)**	**0.0**	**(5.5)**	**(47.0)**	**(99.6)**	**(32.8)**	**161.1**	**(197.3)**	**(145.8)**	**18.3**

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

TABLE 12
NATIONAL DEBT

(B$ '000s)

Period	2015	2016	2017	2016 QTR III.	2016 QTR IV.	2017 QTR I.	2017 QTR II.	2017 QTR III.	2017 QTR IV.	2018 QTR I.
TOTAL EXTERNAL DEBT	1,641,210	1,745,483	2,619,062	1,757,003	1,745,483	1,739,915	1,763,572	2,116,702	2,619,062	2,658,580
By Instrument										
Government Securities	900,000	900,000	1,650,000	900,000	900,000	900,000	900,000	900,000	1,650,000	1,650,000
Loans	741,210	845,483	969,062	857,003	845,483	839,915	863,572	1,216,702	969,062	1,008,580
By Holder										
Commercial Banks	-	-	-	-	-	-	-	-	-	-
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-	-
Multilateral Institutions	221,348	216,959	213,715	219,422	216,959	217,306	216,568	216,852	213,715	214,595
Bilateral Institutions	72,352	80,846	90,688	74,671	80,846	81,594	90,323	88,949	90,688	90,419
Private Capital Markets	900,000	900,000	1,650,000	900,000	900,000	900,000	900,000	900,000	1,650,000	1,650,000
Other Financial Institutions	447,510	547,678	664,659	562,910	547,678	541,015	556,681	910,901	664,659	703,566
TOTAL INTERNAL DEBT	4,263,352	4,570,098	4,563,864	4,281,896	4,570,098	4,581,539	4,786,541	4,758,311	4,563,864	4,544,155
By Instrument										
Foreign Currency	36,615	-	-	-	-	-	-	-	-	-
Government Securities	-	-	-	-	-	-	-	-	-	-
Loans	36,615	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,226,737	4,570,098	4,563,864	4,281,896	4,570,098	4,581,539	4,786,541	4,758,311	4,563,864	4,544,155
Advances	134,657	134,657	134,657	134,657	134,657	134,657	134,657	134,657	134,657	134,657
Treasury Bills	816,513	793,896	655,749	857,971	793,896	730,479	870,626	862,043	655,749	657,395
Government Securities	3,072,783	3,314,783	3,492,283	3,142,783	3,314,783	3,389,783	3,454,783	3,457,783	3,492,283	3,506,709
Loans	202,784	326,762	281,175	146,485	326,762	326,620	326,475	303,828	281,175	245,394
By Holder										
Foreign Currency	36,615	-	-	-	-	-	-	-	-	-
Commercial Banks	36,615	-	-	-	-	-	-	-	-	-
Other Local Financial Institutions	-	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,226,737	4,570,098	4,563,864	4,281,896	4,570,098	4,581,539	4,786,541	4,758,311	4,563,864	4,544,155
The Central Bank	519,533	727,531	413,570	692,598	727,531	695,407	856,295	774,450	413,570	415,729
Commercial Banks	1,708,532	1,789,051	1,975,909	1,539,499	1,789,051	1,819,657	1,839,739	1,854,101	1,975,909	1,908,570
Other Local Financial Iinstitutions	26,395	17,208	27,162	16,674	17,208	12,285	28,157	16,364	27,162	28,037
Public Corporations	650,289	600,691	602,287	620,523	600,691	610,691	612,684	603,518	602,287	600,352
Other	1,321,988	1,435,617	1,544,936	1,412,602	1,435,617	1,443,499	1,449,666	1,509,878	1,544,936	1,591,467
TOTAL FOREIGN CURRENCY DEBT	1,677,825	1,745,483	2,619,062	1,757,003	1,745,483	1,739,915	1,763,572	2,116,702	2,619,062	2,658,580
TOTAL DIRECT CHARGE	5,904,562	6,315,581	7,182,926	6,038,899	6,315,581	6,321,454	6,550,113	6,875,013	7,182,926	7,202,735
TOTAL CONTINGENT LIABILITIES	755,310	734,602	704,191	735,544	734,602	727,689	726,478	712,646	704,191	703,229
TOTAL NATIONAL DEBT	6,659,872	7,050,183	7,887,117	6,774,443	7,050,183	7,049,143	7,276,591	7,587,659	7,887,117	7,905,964

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

TABLE 13
PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS

(B$' 000s)

Period	2015p	2016p	2017p*	2016p		2017p				2018p
				QTR III.	QTR IV.	QTR I.	QTR I.	QTR III.	QTR IV.**	QTR I.
Outstanding Debt at Beginning of Period	**2,453,016**	**2,574,001**	**2,646,751**	**2,721,880**	**2,669,275**	**2,646,751**	**2,633,273**	**2,650,423**	**2,994,857**	**3,487,082**
Government	1,572,394	1,677,825	1,745,483	1,753,276	1,757,003	1,745,483	1,739,915	1,763,572	2,116,702	2,619,062
Public Corporations	880,622	896,176	901,268	968,604	912,272	901,268	893,358	886,851	878,155	868,020
Plus: New Drawings	**188,993**	**282,333**	**1,349,898**	**14,576**	**22,613**	**7,106**	**23,739**	**361,301**	**957,752**	**57,479**
Government	143,384	166,786	1,330,444	11,653	14,004	4,037	13,629	358,213	954,565	54,191
Public Corporations	45,609	115,547	19,454	2,923	8,609	3,069	10,110	3,088	3,187	3,288
Less: Amortization	**51,486**	**193,524**	**545,716**	**69,864**	**26,704**	**24,284**	**23,682**	**26,718**	**471,032**	**29,907**
Government	21,448	83,071	493,002	10,608	7,097	13,303	7,059	14,931	457,709	24,081
Public Corporations	30,038	110,453	52,714	59,256	19,607	10,981	16,623	11,787	13,323	5,826
Other Changes in Debt Stock	**(16,522)**	**(16,059)**	**36,149**	**2,683**	**(18,433)**	**3,700**	**17,093**	**9,851**	**5,505**	**9,410**
Government	(16,505)	(16,057)	36,137	2,682	(18,427)	3,698	17,087	9,848	5,504	9,408
Public Corporations	(17)	(2)	12	1	(6)	2	6	3	1	2
Outstanding Debt at End of Period	**2,574,001**	**2,646,751**	**3,487,082**	**2,669,275**	**2,646,751**	**2,633,273**	**2,650,423**	**2,994,857**	**3,487,082**	**3,524,064**
Government	1,677,825	1,745,483	2,619,062	1,757,003	1,745,483	1,739,915	1,763,572	2,116,702	2,619,062	2,658,580
Public Corporations	896,176	901,268	868,020	912,272	901,268	893,358	886,851	878,155	868,020	865,484
Interest Charges	**133,117**	**143,735**	**152,815**	**33,155**	**39,472**	**35,106**	**39,139**	**35,559**	**43,011**	**38,680**
Government	79,963	87,477	92,969	19,931	24,154	20,474	23,759	20,987	27,749	23,850
Public Corporations	53,154	56,258	59,846	13,224	15,318	14,632	15,380	14,572	15,262	14,830
Debt Service	**184,603**	**337,259**	**698,531**	**103,019**	**66,176**	**59,390**	**62,821**	**62,277**	**514,043**	**68,587**
Government	101,411	170,548	585,971	30,539	31,251	33,777	30,818	35,918	485,458	47,931
Public Corporations	83,192	166,711	112,560	72,480	34,925	25,613	32,003	26,359	28,585	20,656
Debt Service Ratio (%)	5.4	9.9	7.3	12.9	8.6	6.8	6.6	7.9	8.2	7.0
Government Debt Service/ Government Revenue (%)	5.3	9.0	6.5	6.8	7.8	5.6	5.1	7.9	8.3	8.2
MEMORANDUM										
Holder Distribution (B$ Mil):										
Banks	319.1	297.8	267.7	304.8	297.8	289.0	281.9	274.8	267.7	264.5
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-	-
Multilateral Institutions	281.9	285.8	285.6	282.7	285.8	285.9	290.5	290.5	285.6	286.2
Bilateral Institutions	72.4	80.8	90.7	74.7	80.8	81.6	90.3	88.9	90.7	90.4
Other	1,000.6	1,082.3	1,193.1	1107.1	1082.3	1076.8	1087.7	1440.6	1193.1	1232.9
Private Capital Markets	900.0	900.0	1,650.0	900.0	900.0	900.0	900.0	900.0	1650.0	1650.0

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

*Debt servicing for 2017 includes the refinancing of $450 million in Government's external debt. Net of this transaction, the Debt Service Ratio was 7.3% and the Government Debt Service/Revenue Ratio was 6.5%.

** Debt servicing for the 4th quarter of 2017 includes the refinancing of $450 million in Government external debt. Net of these transactions, the Debt Service Ratio was 8.2% and the Government Debt Service/Revenue ratio was 8.3%.

TABLE 14

BALANCE OF PAYMENTS SUMMARY*

(B$ Millions)

	2015p	2016p	2017p	2016		2017				2018
				Qtr.IIIp	Qtr.IVp	Qtr.Ip	Qtr.IIp	Qtr.IIIp	Qtr.IVp	Qtr.Ip
A. Current Account Balance (I+II+III+IV)	**(1,610.2)**	**(1,158.3)**	**(1,899.2)**	**(512.4)**	**(221.4)**	**(482.1)**	**(452.2)**	**(515.1)**	**(449.7)**	**(383.4)**
I. Merchandise (Net)	**(2,433.5)**	**(2,150.2)**	**(2,469.2)**	**(581.0)**	**(561.4)**	**(587.4)**	**(647.7)**	**(637.5)**	**(596.6)**	**(592.8)**
Exports	520.5	481.4	561.0	104.6	131.6	137.7	181.7	117.1	124.5	116.5
Imports	2,954.0	2,631.6	3,030.1	685.6	693.0	725.1	829.3	754.6	721.1	709.3
II. Services (Net)	**1,280.5**	**1,115.9**	**989.4**	**228.6**	**82.3**	**207.9**	**310.3**	**220.7**	**250.6**	**325.7**
Transportation	(258.1)	(267.7)	(360.8)	(68.1)	(62.7)	(93.9)	(98.2)	(80.5)	(88.3)	(88.3)
Travel	2,264.7	2,261.3	2,206.5	502.4	457.7	591.6	639.3	466.7	508.9	710.6
Insurance Services	(144.8)	(155.1)	(113.2)	(45.6)	(31.6)	(17.9)	(28.0)	(32.6)	(34.8)	(35.6)
Offshore Companies Local Expenses	165.7	168.8	128.6	47.5	30.9	30.8	17.5	49.5	30.7	29.8
Other Government	(73.2)	(208.7)	(105.8)	(48.5)	(42.0)	(43.2)	(27.3)	(33.8)	(1.5)	(30.6)
Other Services	(673.8)	(682.6)	(765.7)	(159.0)	(269.9)	(259.5)	(193.1)	(148.7)	(164.5)	(260.2)
III. Income (Net)	**(362.9)**	**(439.9)**	**(364.3)**	**(142.3)**	**(109.9)**	**(101.9)**	**(98.2)**	**(79.7)**	**(84.5)**	**(101.2)**
1. Compensation of Employees	(67.9)	(38.9)	(38.7)	(10.0)	(9.6)	(10.4)	(9.9)	(9.8)	(8.6)	(12.3)
2. Investment Income	(295.0)	(401.0)	(325.6)	(132.3)	(100.3)	(91.5)	(88.4)	(69.9)	(75.9)	(88.9)
IV. Current Transfers (Net)	**(94.3)**	**316.0**	**(55.2)**	**(17.7)**	**367.6**	**(0.8)**	**(16.6)**	**(18.7)**	**(19.2)**	**(15.1)**
1. General Government	130.0	118.4	114.0	33.1	20.4	23.2	34.9	31.1	24.8	38.1
2. Private Sector	(224.3)	197.6	(169.2)	(50.8)	347.2	(23.9)	(51.5)	(49.8)	(44.0)	(53.2)
B. Capital and Financial Account (I+II) (excl. Reserves)	**336.7**	**461.3**	**1,602.3**	**(56.5)**	**444.4**	**321.2**	**64.7**	**687.7**	**528.6**	**15.9**
I. Capital Account (Net Transfers)	**(20.2)**	**(13.8)**	**(26.1)**	**(2.6)**	**(3.9)**	**(9.6)**	**(3.7)**	**(8.5)**	**(4.4)**	**(3.3)**
II. Financial Account (Net)	**356.9**	**475.1**	**1,628.4**	**(53.9)**	**448.3**	**330.8**	**68.4**	**696.2**	**532.9**	**19.2**
1. Direct Investment	69.8	73.7	73.6	38.6	23.9	46.9	(2.8)	21.4	8.0	8.1
2. Portfolio Investment	(12.4)	(21.7)	(16.7)	(7.4)	(4.9)	(4.4)	(4.6)	(2.2)	(5.5)	(3.5)
3. Other Investments	299.4	423.1	1,571.5	(85.1)	429.3	288.2	75.8	677.0	530.4	14.6
Central Gov't Long Term Capital	94.7	118.5	833.0	1.0	5.1	(9.3)	6.6	343.2	492.5	30.1
Other Public Sector Capital	6.5	100.4	(9.8)	(1.8)	9.0	(3.1)	1.0	(3.1)	(4.6)	(1.0)
Banks	29.6	(306.3)	26.4	(21.1)	(149.3)	87.8	(92.7)	34.7	(3.3)	(31.6)
Other	168.6	510.5	721.9	(63.3)	564.5	212.9	161.0	302.2	45.8	17.0
C. Net Errors and Omissions	**1,297.7**	**789.0**	**810.5**	**415.6**	**(217.8)**	**177.4**	**427.0**	**(98.7)**	**304.7**	**546.9**
D. Overall Balance (A+B+C)	**24.3**	**92.0**	**513.5**	**(153.3)**	**5.1**	**16.5**	**39.5**	**73.9**	**383.6**	**179.3**
E. Financing (Net)	**(24.3)**	**(92.0)**	**(513.5)**	**153.3**	**(5.1)**	**(16.5)**	**(39.5)**	**(73.9)**	**(383.6)**	**(179.3)**
Change in SDR holdings	3.5	2.3	(4.0)	0.2	2.8	(0.6)	(1.8)	(1.1)	(0.5)	(26.2)
Change in Reserve Position with the IMF	0.4	(17.3)	(1.5)	0.1	1.0	(0.2)	(0.7)	(0.4)	(0.2)	(0.6)
Change in Ext. Foreign Assets ( ) = Increase	(28.1)	(77.0)	(507.9)	153.1	(8.9)	(15.6)	(37.0)	(72.4)	(382.9)	(152.5)

Source: The Central Bank of The Bahamas

* Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

(B$ '000)

	2014	2015	2016	2016			2017			
				Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
I. OIL TRADE										
i) Exports	165,336	188,552	166,022	11,439	12,320	12,386	16,285	14,258	16,143	26,006
ii) Imports	868,460	1,490,696	1,423,067	94,856	113,049	124,983	119,192	131,572	150,007	152,092
II. OTHER MERCHANDISE										
Domestic Exports										
Crawfish	-	-	-	-	-	-	-	-	-	-
Fish Conch & other Crustacea	-	-	-	-	-	-	-	-	-	-
Other Cordials & Similar Materials/Sponge	-	-	-	-	-	-	-	-	-	-
Fruits & Vegs.	-	-	-	-	-	-	-	-	-	-
Aragonite	-	-	-	-	-	-	-	-	-	-
Other Natural Sands	-	-	-	-	-	-	-	-	-	-
Rum/Beverages/Spirits & Vinegar	-	-	-	-	-	-	-	-	-	-
Crude Salt	-	-	-	-	-	-	-	-	-	-
Polystrene Products	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
i) Total Domestic Exports	353,216	657,047	684,828	52,595	48,025	55,678	70,519	56,207	38,817	59,240
ii) Re-Exports	170,627	475,459	448,343	66,974	17,998	46,601	27,416	84,865	27,133	32,413
iii) Total Exports (i+ii)	523,843	1,132,509	1,047,890	119,569	66,023	102,279	97,936	141,072	65,951	91,654
iv) Imports	2,921,525	8,030,780	7,356,730	641,450	637,705	677,682	691,555	801,113	657,913	724,318
v) Retained Imports (iv-ii)	2,750,898	7,555,321	6,908,387	574,476	619,707	631,081	664,139	716,248	630,780	691,905
vi) Trade Balance (i-v)	(2,397,682)	(6,898,274)	(6,308,843)	(521,881)	(571,682)	(575,403)	(593,620)	(660,041)	(591,963)	(632,665)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16

SELECTED TOURISM STATISTICS

Period	2015	2016	2017	2016		2017				2018
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
Visitor Arrivals	**6,112,093**	**6,265,019**	**6,136,159**	**1,455,632**	**1,473,246**	**1,726,664**	**1,544,025**	**1,267,754**	**1,597,716**	**1,775,380**
Air	1,390,911	1,391,813	1,336,079	344,647	265,216	348,549	386,672	297,524	303,334	411,308
Sea	4,721,182	4,873,206	4,800,080	1,110,985	1,208,030	1,378,115	1,157,353	970,230	1,294,382	1,364,072
Visitor Type										
Stopover	1,484,063	1,481,832	n.a	374,717	271,362	n.a	n.a	n.a	n.a	n.a
Cruise	4,513,458	4,690,260	4,626,259	1,051,719	1,186,597	1,343,940	1,095,430	918,044	1,268,845	1,326,394
Day/Transit	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Tourist Expenditure (B$ 000's)	2,537,532	2,610,096	n.a	617,281	495,608	n.a	n.a	n.a	n.a	n.a
Stopover	2,224,289	2,312,191	n.a	547,313	440,261	n.a	n.a	n.a	n.a	n.a
Cruise	309,427	294,004	n.a	69,142	54,695	n.a	n.a	n.a	n.a	n.a
Day	3,817	3,901	n.a	826	653	n.a	n.a	n.a	n.a	n.a
Number of Hotel Nights	2,251	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Length of Stay	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Hotel Occupancy Rates (%)										
New Providence	63	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Grand Bahama	55	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Other Family Islands	41	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Nightly Room Rates ($)										
New Providence	233	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Grand Bahama	68	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Other Family Islands	203	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: The Ministry of Tourism

GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2017)

INTRODUCTION

The financial sector is estimated to contribute approximately 10-15% of the country's Gross Domestic Product (GDP), second only to tourism in terms of importance. The industry has both direct effects on employment and spending, and also indirectly impacts other sectors of the economy, such as construction and wholesale and retail trade. The landscape is currently dominated by the banking sector, which is comprises a significant domestic component, offering an array of consumer, commercial and trust services to the public, while the international sector focuses primarily on wealth management. Other smaller, but growing, segments of the financial sector include: credit unions, insurance companies, mutual fund administrators and financial and corporate service providers.

The Central Bank of The Bahamas evaluates annually, the overall economic contribution of the financial sector via a survey of the major participants in the industry. In this regard, the sector exhibited some contraction, given the downsized international operations in the banking and securities industries, in contrast to a more stable outcome for insurance and growth in the credit union sector. Banking and securities firms further streamlined or reduced their operational footprint in response to international regulatory and competitive challenges. That said, anecdotal evidence suggests some settling towards growth in new markets in North America and a less tapered than anticipated, retreat of clientele from markets where tax compliance has become more regularised. This attests to the competitive supervisory and skills infrastructure available for institutions that operate from inside The Bahamas. For Central Bank supervised financial institutions (SFIs), risks also remain from managing more rigorously demanding standards for correspondent banking relationships (CBRs).

THE BANKING SECTOR

The banking sector continued to be impacted by domestic, as well as international developments over the year. On the domestic side, banks' asset quality indicators sustained their improving trend, as non-performing loan exposures contracted. This reflected the sale of a significant portion of one entity's non-performing loan portfolio to the Government's Special Purpose Vehicle—Resolve Corporation—the general improvement in economic conditions and banks' other interventions to either restructure or reduce delinquent accounts. Sector-wide efforts were sustained on strengthening The Bahamas' anti-money laundering and counter financing of terrorism (AML/CFT) regime. This confronted threats from eroding CBRs, known as "de-risking", but with a more general objective to enhance the jurisdiction's contribution to international efforts to prevent criminal abuse of the financial services sector.

In 2017, the total number of banks and trust companies licensed in The Bahamas fell by 6 to 242, following a decline of 1 in 2016. A breakdown showed that the number of public banks and trust companies decreased by 7 to 90, while restricted, non-active and nominee licensees rose by 1 to 152. At end-2017, the public licensees were comprised of 57 Bahamian incorporated entities, 9 authorized agents, 8 authorized dealers—7 of which were clearing banks—and 16 euro-currency branches of foreign banks.

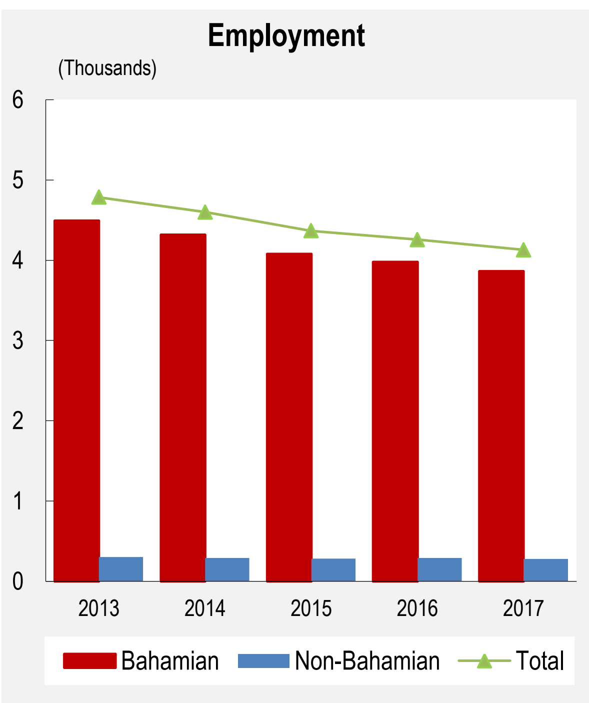
The total domestic assets of the local banking sector rose by 2.1% in 2017 to $10.2 billion, exceeding the 1.6% uptick in the previous year, corresponding to increased Government bond holdings and surplus liquid balances with the Central Bank. In contrast, the total assets in the international banking sector—which have been on a down trend since 2015—declined by a further 2.6% to $171.1 billion, after a 2.7% falloff in 2016.

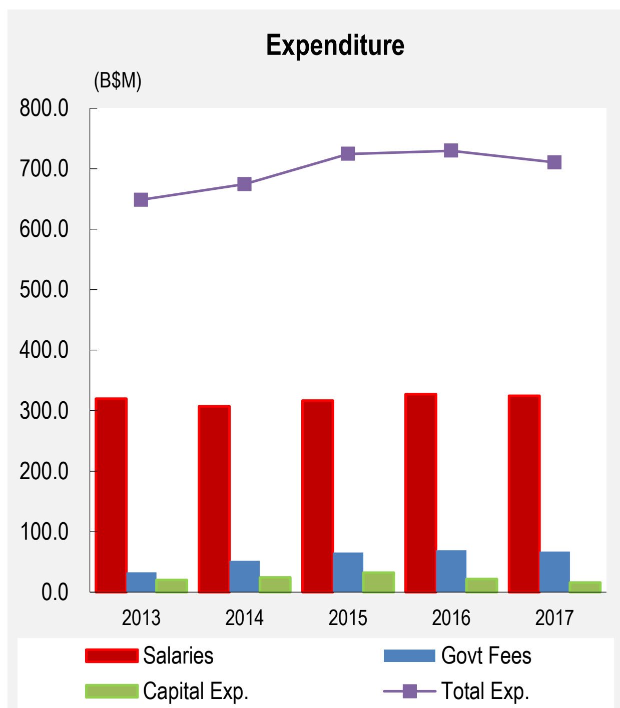
EMPLOYMENT

Preliminary data on employment by banks and trust companies, revealed a reduction in total employment of 127 (3.0%) to 4,129, extending the year earlier 2.5% contraction. This was attributed to the consolidation of business services—including some branches closures—and either the outsourcing or automation of operations. Specifically, the number of Bahamian employees contracted by 117 (2.9%) to 3,862; and non-Bahamians, by 10 (3.6%) to 267. The corresponding shares of Bahamians and non-Bahamian employees in the sector remained unchanged at 93.5% and 6.5%, respectively. Approximately 64.7% of Bahamians were employed in local banking operations, while the remaining 35.3% were engaged in international banking, trust administration, and other wealth management-related activities.

EXPENDITURES

Total expenditure in the banking sector decreased by 2.6% to an estimated $710.4 million in 2017, a reversal from a marginal increase of 0.7% in the previous year, due mainly to the reduction in employment levels. Total operational costs—which comprise 97.8% of total spending—decreased by 1.9% to $694.9 million, after a 2.2% gain last year. The salary component (46.7% of the total) edged-down by 0.8% to $324.4 million, compared to a 3.3% rise in the previous year, as higher redundancy costs almost outweighed lower base salary outlays. Staff training costs also contracted by 11.5% to $2.6 million, after a one-third boost in 2016. Meanwhile, Government fees also fell by 2.5% to $67.2 million, reversing a 5.5% increase in the prior year, due mainly to lower costs on taxable activities other than for license fees. Similarly, 'other' administrative outlays contracted by 2.7% to $300.6 million, a turnaround from a marginal uptick of 0.1% in the previous year, amid reduced outlays following branch consolidations and outsourcing arrangements.





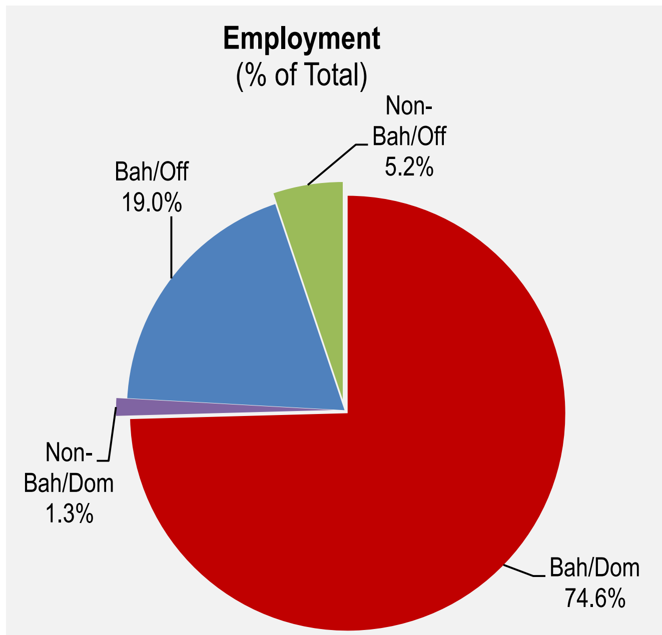
Total capital expenditure, which includes outlays for renovations, construction and other fixed assets, contracted by 28.3% to $15.6 million, following a 32.5% reduction in the previous year, mainly reflecting a decline in the purchase of office equipment and furniture.

DOMESTIC VERSUS INTERNATIONAL BANKING

The remaining analysis of the banking sector shows a comparison of the domestic and international banking operations, which reveals more clearly the differences between domestic banks, which focus mainly on retail banking, and international banking, whose services are more centered on wealth management. Although most domestic banks also provide some international services, the employment and expenditure patterns still concentrate most of their resources in the local, retail side of the operations.

EMPLOYMENT

Total employment in domestic banks fell by 30 persons (0.9%) to 3,133, after a 2.8% decline in the previous year. The adjustment was more notable in the international sector, as employment decreased by 97 (8.9%) to 996 persons, outpacing the year earlier 1.8% reduction, as some operations ceased.



In terms of the composition, the number of Bahamians in the domestic banking sector fell further by 1.6% to an estimated 3,079, relative to a 2.9% decline in 2016. The non-Bahamian component; however, grew by 20 to 54, extending the prior year's gain of 5 positions. Against this backdrop, the ratio of Bahamian to non-Bahamian employees—which is highly sensitive to slight changes in absolute values—moved downwards to approximately 57:1 from 92:1 in 2016.

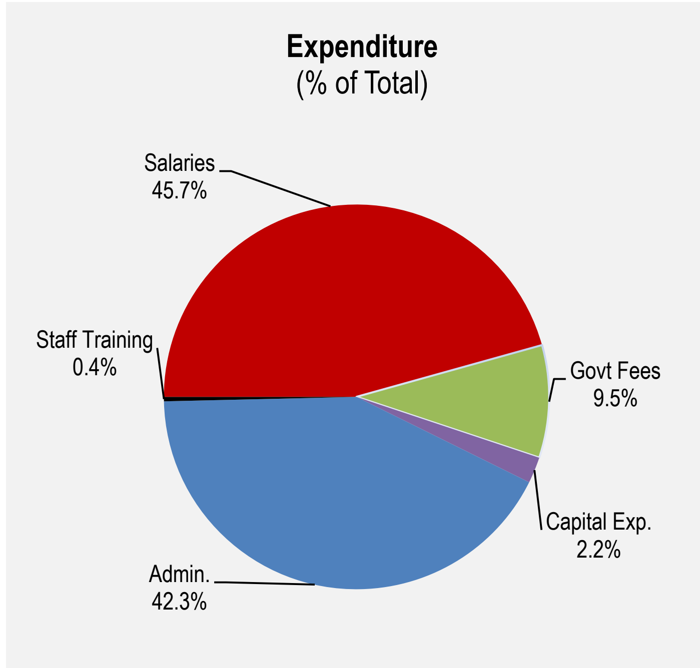
In international operations, the total number of Bahamian employees decreased by 67 (7.9%) to 783, after a 0.2% falloff in the prior year. In addition, non-Bahamian staff fell by 30 (12.3%) to 213 persons, extending the 6.9% reduction registered in 2016. Correspondingly, the ratio of Bahamian to non-Bahamian staff edged-up to 3.7:1 from 3.5:1 last year.

Average annual compensation continued to favour the higher value-added functions in the international sector. In particular, the average pay in international banks was estimated at $105,911 per annum in 2017, compared to $53,028 per annum in domestic operations. In 2016, the respective annual compensations were $106,405 and $51,291.

EXPENDITURES

The total expenditure for domestic banks and trust companies grew by 1.3% to $464.6 million in 2017, following a 1.2% uptick in the previous year. In terms of the components, total operational costs—which constituted 97.3% of the aggregate—advanced by 1.7% to $452.0 million, albeit lower than the prior year's 2.4% growth. Of note, salary payments advanced by 2.3% to $182.9 million, ahead of a 1.6% expansion in 2016, owing mainly to gains in base pay and bonuses by 2.4% and 1.1%, respectively. Similarly, other non-staff administrative costs firmed by 2.0% to $210.0 million, reflecting in part an increase in managerial and internal fees paid to head offices abroad. In a slight offset, Government fees paid fell marginally by 0.4% to

$57.5 million, a turnaround from a 9.5% expansion in 2016, due to reductions in outlays on taxable operations (non-license fees). Similarly, capital expenditure among domestic institutions decreased further by 12.4% to $12.6 million.



Driven by the closure of certain operations during the review period, total expenditure by the international banks contracted by 9.3% to $245.8 million, following a stable outturn in 2016. Total operational costs—at 98.8% of the aggregate—decreased by 7.9% to $242.8 million, a turnaround from a 2.3% increase in the previous period. In particular, salary payments fell by 4.5% to $141.5 million, vis-à-vis a 5.5% gain recorded in the preceding year. Specifically, total expenses on base salaries declined by 9.3% to $105.5 million, while outlays for staff training contracted by 6.0% to $0.9 million. Government fee payments also decreased further by 13.5% to $9.8 million, related to broad-based reductions across license fees, work permits and 'other' taxable inputs. In addition, other administrative costs decreased by 12.2% to $90.6 million. Under capital expenditure, outlays were more than halved to $3.0 million, after the 44.1% falloff in 2016.

OTHER FINANCIAL SECTOR ACTIVITIES

SECURITIES INDUSTRY

Data compiled by the Securities Commission of The Bahamas (SCB), point to some reduction in the size of the securities industry's economic contribution in 2017, as the number of registered securities firms decreased by 11 to 151, while the number of licensed investment fund administrators declined by 2 to 62. Meanwhile, the number of licensed investment funds within supervised operations, contracted by 76 to 783, amid some repositioning of SMART[2] structures, which fell by 75 to 493, in response to new tax compliance in some overseas markets. Similarly, the number of registered fund administrators fell by 2 to 62.

The SCB also supervises corporate and financial services providers (CFSPs), which are domestic professional firms that provide services to the financial sector, including incorporation and the management of international business companies (IBCs). There was further attraction to such activities in 2017, with the number of CFSPs increasing by 16 to 341.

INSURANCE SECTOR

Indications are that activity in the insurance sector remained relatively stable in 2017 from the perspective of employment and expenditures, despite marginally fewer supervised entities. Provisional data from the Insurance Commission of The Bahamas (ICB), showed that the number of licensed operators contracted by

[2]SMART refers to Specific Mandate Alternative Regulatory Test.

2 to 146. In the domestic sector, local insurance agents & brokers fell by 2 to 85; foreign-owned entities rose by 1 to 19, while the number of external insurers fell by 1 to 20. In terms of employment, the Central Bank's annual survey of insurance companies, showed that the total number of persons working in the sector increased by 2 to 1,393 persons, due to a similar gain for Bahamian employees to 1,365. Non-Bahamians employed in the sector steadied at 28.

Total expenditures by insurance entities grew by 1.0% to an estimated $143.8 million in 2017. Of this amount, total operational outlays rose by 0.8% to $139.5 million, with payments for Government fees higher by 2.4% at $23.7 million; salaries, by 0.4% to $48.6 million and bonus payments by 3.0% to $13.7 million. Conversely, administrative expenses declined by 0.2% to $47.1 million. Meanwhile, capital outlays also firmed by 6.3% to $4.3 million, primarily on account of an increase in land acquisitions.

Credit Unions

The credit union sector sustained its modest growth during 2017, as the total number of registered institutions—inclusive of the Credit Union League—held steady at 10 in 2017. The sector's aggregate assets rose further by 6.3% to $420.3 million, in line with an upturn in outstanding loans and almost steadied growth in funding resources from members' deposits.

Credit unions' total expenditure firmed by 8.8% to $12.2 million in 2017. In particular, operational outlays advanced by 14.3% to $11.9 million, occasioned by increased Government fee payments, while salary and bonus outlays firmed by 6.0%, to a combined $5.0 million and the remaining operating costs rose by 21.2% to $6.9 million. Similarly, capital expenditure declined to an estimated $0.3 million, from $0.8 million in 2016. With regard to employment, the total number of staff rose by 5 to 160 persons at end-2017.

OTHER FINANCIAL SECTOR DEVELOPMENTS

Regulatory sector developments remained focused on strengthening The Bahamas' supervisory regime in the context of evolving international standards, and initiatives to increase financial sector resilience. National efforts were highlighted by inter-regulatory agency engagement, to chart improvements to the AML/CFT regime, benchmarked against the 2017 Mutual Evaluation Report of the Caribbean Financial Action Task Force (CFATF), and strategies outlined in The Bahamas' now unveiled, National Risk Assessment on AML/CFT. This task force's efforts include the office of the Attorney General, financial sector regulators and law enforcement agencies. The Central Bank's initiatives have focused on transitioning to continuous supervision of AML/CFT systems within its SFIs, through restructured staffing operations, in tandem with a more streamlined approach to continued prudential supervision. The national AML/CFT initiatives have involved proposed reforms to regulation enhancements affecting financial transactions monitoring and reporting , as well as updated anti-corruption legislation.

International tax cooperation also received renewed focus, with The Bahamas in June 2017, making a commitment to implementing the OECD's Global Forum Common Reporting Standard (CRS) for tax information exchange on a multilateral basis. This will create reporting obligations by tax residency on accounts held with SFIs, for onward transmission to multiple foreign competent authorities, in a fashion similar to the requirements under the US' Foreign Accounts Tax Compliance Act (FATCA).

In the prudential supervision space, the Central Bank continued its Basel II/III implementation program and revised its approach towards developing a more streamlined suite of prudential guidelines. In this regard, SFIs participated in an internal capital adequacy assessment process (ICAAP), to determine which licensees could be exempted from this requirement and for others, the frequency with which the requisite reports are to be submitted. The Bank also further enhanced its risk-based supervisory framework with the introduction of the “evergreening” process to firm up the risk profile of each SFI, and determine the frequency, scope and intensity of ongoing supervisory engagements.

With regard to enhancing resilience, significant progress was made towards the establishment of a credit bureau, with the Credit Reporting Bill, 2014 and Credit Reporting Regulations, 2014, receiving further amendments and these were then tabled in Parliament—the legislation was enacted in March, 2018. Further, in an effort to address gaps identified in the Caribbean Financial Action Task Force’s (CFATF) Mutual Evaluation Report (MER), the Bank established an Analytics Unit (AU), to focus on AML/CFT data analytics, and introduced frameworks for the continuous oversight of AML/CFT systems within SFIs. Attention was also given to developing legislative proposals to strengthen The Bahamas’ crisis management framework for resolving troubled financial institutions. This also extended to a review of the adequacy of funding mechanisms for deposit insurance.

CONCLUSION AND OUTLOOK

In the near-term, operational shifts are expected to continue in a gradual fashion in the financial services sector activities, marked by adjustments in the international regulatory and compliance markets, particularly for banks and securities industry operations. Additional adjustments are also likely in the domestic component of banking, to further reduce operating costs, while the domestic insurance and credit union sectors could exhibit more stability. That said, the industry is showing some signs of settling, with growth opportunities more emergent in Latin America. Meanwhile, the sector’s operating footprint continued to be constrained by the regularisation of tax compliance for clients from OECD jurisdictions, including those favored by the Swiss banking model. There is nevertheless some indication that financial institutions are retaining a higher percentage of such clients than projected, after the regularisation process. In this regard, fundamental conditions, including the sound regulatory regime and abundant pool of professionals supporting the industry, continue to promote The Bahamas as a choice jurisdiction, adding value for clients in varied dimensions.

For its part, the Central Bank will sustain its efforts to strengthen the regulatory framework for its SFIs, as this remains an important component in The Bahamas’ offering to international clients. Equally, the collaborative posture across all regulators will be strengthened, to support medium-term growth and resilience in financial services.

Table A: Government Revenue from Financial Sector Activities (B$ Millions)

Period	2013p	2014p	2015p	2016p	2017p
A. Stamp Taxes on Transactions	**74.6**	**51.2**	**76.0**	**66.7**	**76.4**
Gross Insurance Premium Tax 1/	22.3	21.9	21.9	21.7	22.1
Mortgages	8.4	8.5	9.0	15.5	15.2
Other Banking Transactions	60.5	37.1	66.7	51.0	61.0
Instruments & Bonds	0.1	0.1	0.3	0.2	0.2
B. Licence & Registration Fees	**23.3**	**40.1**	**32.8**	**31.3**	**33.4**
International Business Companies (IBCs)	17.2	16.3	16.7	14.4	15.1
Banks and Trust Companies	5.6	23.4	15.7	16.4	18.0
Insurance Companies, Brokers & Agents	0.3	0.3	0.4	0.4	0.3
Financial & Corp. Svcs. Providers	0.1	0.1	0.0	0.0	0.0
Investment Funds 2/	0.1	0.0	0.0	0.0	0.0
C. Total Revenues	**97.8**	**91.3**	**108.8**	**98.0**	**109.9**

Sources: Bahamas Government's Treasury Department, Securities Commission of The Bahamas.
Notes: 1/ Premium Tax collected from Insurance Companies
2/ Amounts collected by the Securities Commission.

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES IN THE BAHAMAS

Period	2013p	2014p	2015p	2016p	2017p
A. TOTAL EMPLOYMENT	4,785	4,599	4,366	4,256	4,129
1. Non-Bahamians	291	281	290	277	267
2. Bahamians (of which)	4,494	4,318	4,076	3,979	3,862
i) Local Banking	3,121	2,948	2,700	2,614	2,500
ii) Offshore Banking	664	642	557	552	588
iii) Trust Administration	514	526	474	450	525
iv) Other	195	202	345	363	249
			(B$ Millions)		
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	628.4	650.1	692.8	708.0	694.9
1. Salaries[1]	319.9	307.0	316.5	327.0	324.4
i) Base Salaries	276.9	264.2	270.7	278.5	271.6
ii) Bonuses	43.0	42.7	45.8	48.5	52.8
2. Government Fees	33.0	51.7	65.4	69.0	67.2
i) Licence	21.8	37.9	49.0	47.7	50.5
ii) Company Registration	1.6	1.2	1.0	0.4	0.7
iii) Work Permits	4.9	8.0	2.3	2.7	2.6
iv) Other Government Fees	4.8	4.7	13.0	18.2	13.5
3. Staff Training	2.4	2.6	2.1	2.9	2.6
4. Other Administrative Costs	273.1	288.9	308.8	309.1	300.6
C. CAPITAL EXPENDITURE[2]	20.0	24.2	32.1	21.7	15.6
D. TOTAL EXPENDITURE (B+C)	648.4	674.3	725.0	729.7	710.4
E. AVERAGE SALARY (B$'000)[3]	57,868	57,457	61,995	65,445	65,784

Source: The Central Bank of The Bahamas

[1] Includes bonuses

[2] Includes construction, renovation expenses and other fixed assets.

[3] Excludes bonuses

TABLE C. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	2013p	2014p	2015p	2016p	2017p	2013p	2014p	2015p	2016p	2017p
	DOMESTIC					**OFFSHORE**				
A. TOTAL EMPLOYMENT	3,667	3,507	3,253	3,163	3,133	1,118	1,092	1,113	1,093	996
1. Non-Bahamians	43	39	29	34	54	248	242	261	243	213
2. Bahamians (of which)	3,624	3,468	3,224	3,129	3,079	870	850	852	850	783
i) Local Banking	3,121	2,948	2,700	2,610	2,500	--	--	--	--	--
ii) Offshore Banking	48	57	13	15	97	616	585	544	541	491
iii) Trust Administration	320	336	277	263	310	190	190	197	187	215
iv) Other	135	127	234	241	172	64	75	111	122	77
	(B$ Millions)									
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	394.8	404.3	434.1	444.3	452.0	233.6	245.9	257.8	263.7	242.8
1. Salaries[1]	191.7	178.3	176.0	178.8	182.9	128.2	128.6	140.5	148.2	141.5
i) Base Salaries	174.5	163.3	159.9	162.2	166.1	102.4	101.0	110.8	116.3	105.5
ii) Bonuses	17.2	15.1	16.2	16.6	16.8	25.8	27.6	29.7	31.9	36.0
2. Government Fees	22.6	40.8	52.7	57.7	57.5	10.4	11.0	12.7	11.3	9.8
i) Licence	17.4	31.9	41.7	40.7	44.3	4.3	6.1	7.3	6.9	6.2
ii) Company Registration	0.3	0.0	0.1	0.0	0.0	1.2	1.2	1.0	0.3	0.7
iii) Work Permits	2.2	5.8	0.5	0.5	0.6	2.6	2.2	1.9	2.2	2.0
iv) Other Government Fees	2.6	3.1	10.5	16.4	12.5	2.2	1.6	2.6	1.8	0.9
3. Staff Training	1.2	1.1	1.2	2.0	1.7	1.2	1.5	0.9	1.0	0.9
4. Other Administrative Costs	179.4	184.1	204.2	205.9	210.0	93.8	104.8	103.7	103.2	90.6
C. CAPITAL EXPENDITURE[2]	15.9	19.6	19.2	14.4	12.6	4.1	4.6	13.1	7.3	3.0
D. TOTAL EXPENDITURE (B+C)	410.7	423.9	453.2	458.7	464.6	237.7	250.4	271.0	271.0	245.8
E. AVERAGE SALARY (B$'000)[3]	47,577	46,558	49,144	51,291	53,028	91,623	92,461	99,562	106,405	105,911

Source: The Central Bank of The Bahamas

[1] Includes bonuses

[2] Includes construction, renovation expenses and other fixed assets.

[3] Excludes bonuses

Table D: Other Selected Financial Sector Statistics

	Unit	2013r	2014r	2015r	2016r	2017p
Investment Funds Adminstrations						
Licensed Investment Funds	Number	735	830	885	859	783
Licensed Administrators	**Number**	**62**	**62**	**66**	**64**	**62**
Net Asset Value	*B$ Billions*	*127.9*	*134.6*	*200.2*	*136.8*	*n/a*
Insurance Companies and Agents	**Number**	**147**	**143**	**149**	**148**	**146**
Domestic Companies and Agents	**Number**	**128**	**122**	**125**	**127**	**126**
Total Domestic Assets	*B$ Millions*	1,563.7	1,669.5	1,768.1	2,305.0	1,902.8
Average Annual Salaries	*B$*	44,187	49,327	44,250	44,390	44,746
Operating Costs / Total Expenditures	*%*	88.5	94.3	94.2	97.1	97
External Insurers & Intermediaries	**Number**	**19**	**21**	**24**	**21**	**20**
Credit Unions (Active)						
Number of Unions	**Number**	**7**	**7**	**9**	**10**	**10**
Total Assets	*B$ Million*	327.6	347.7	370.6	395.5	420.3
Employment	*Number*	141	144	154	155	160
Average Annual Salaries	*B$*	30,090	30,085	29,091	30,404	31,230
Total Expenditures	*B$ Million*	11.06	10.38	10.51	11.20	12.19
Operating Costs / Total Expenditures	*%*	82.8	88.6	92.8	92.8	97.6
Bahamas International Securities Exchange (BISX)						
Securities Listed	**Number**	**27**	**29**	**32**	**52**	**53**
Shares Traded	*Thousands*	4,084	3,979	3,223	5,553	5,129
Market Capitalization	*B$ Billion*	3.00	3.54	3.68	4.44	3.27

Sources:

The Central Bank of The Bahamas, Bahamas International Securities Exchange (BISX),
The Securities Commission of The Bahamas and The Registrar of Insurance Companies.