



Quarterly Economic Review

March, 2008

Vol. 17, No. 1

The Quarterly Economic Review is a publication of The Central Bank of The Bahamas, prepared by The Research Department for issue in March, June, September and December. It replaces the former Quarterly Review which was last published for March 1992. All correspondence pertaining to the Economic Review should be addressed to:

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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary data suggest mild growth conditions in the Bahamian economy during the review period, as healthy gains in tourism output and a slightly lower pace of consumer demand moderated the weakness in foreign-investment led construction activity. Persistent strengthening in global oil and other commodity values continued to exert significant upward pressure on domestic prices. Preliminary data for the third quarter of FY2007/2008, showed a significant improvement in the fiscal deficit, buoyed by revenue gains and a modest reduction in expenditure. On the monetary front, the slowdown in economic activity restrained the growth in bank liquidity which, alongside slackened private sector credit expansion, supported accretions to external reserves. In the external sector, the estimated current account deficit improved, supported by tourism income gains, lower net construction payments, and contracted net imports. However, the capital account surplus declined, owing to significantly tapered direct investment net inflows.

Amid less buoyant economic conditions, net free cash reserves of the banking system expanded by \$34.4 million (18.1%) to \$224.5 million, substantially below the \$81.1 million increase in 2007, but representing a slightly higher percentage of Bahamian dollar deposits at 4.1%. Similarly, accretions to the broader surplus liquid assets were \$39.7 million (26.2%) higher at \$191.6 million, for a steadied 21.7% excess over the statutory minimum. With regard to loan costs, the weighted average interest rate on deposits widened by 22 basis points to 4.02%, with the corresponding loan rate rising by 28 basis points to 11.0%. Consequently, the interest rate spread advanced by 6 basis points to 6.98%. Treasury bill rates declined, on average, by 14 basis points to 2.69%; while the benchmark rates—the Central Bank's Discount Rate and the Commercial Banks' Prime—were unchanged at 5.25% and 5.50%, respectively.

Reflecting mild real sector developments, money supply (M3) growth slackened to 2.6% from 3.4% a year earlier. The expansion in both savings and fixed deposits

moderated to 1.7% and 3.2%, respectively, and the 6.9% gain in currency in active circulation in the year-earlier period was reversed to a 4.2% decline. Some offset was provided by strengthened accretions to demand deposits of 1.6%.

Domestic credit fell marginally by \$1.0 million (0.01%), down from a \$60.1 million (0.9%) hike a year earlier. The outcome featured a moderation in private sector credit alongside a decline in net claims on the public sector. Specifically, claims on the private sector advanced at a slower rate of 0.6% (\$34.5 million) relative to 1.6% (\$90.1 million), whereas the decrease in net credit to the public sector was slightly extended to 2.9% (\$35.5 million).

Preliminary estimates of fiscal operations for the January to March quarter of FY2007/2008 indicated a 61.4% contraction in the overall deficit to \$9.8 million, supported by a 3.6% hike in revenue collections and a 0.7% reduction in expenditures. In terms of earnings, tax receipts advanced by 3.9%, explained partly by a timing-related increase in business and professional license fees as well as higher revenues from international trade and transaction taxes, which outpaced the downturn in property and gaming revenues. In contrast, non-tax revenues were relatively unchanged at \$37.0 million. With regards to spending, current expenditure rose by \$4.5 million (1.3%) to \$339.0 million, buoyed by heightened outlays for transfers as well as personal emoluments. However, capital spending was reduced by 9.1% to \$32.8 million, owing to declines in outlays for health and economic services; and net lending for budgetary assistance to public entities fell by 22.2% to \$13.1 million.

The Direct Charge on the Government receded by 0.4% to \$2,621.3 million and, inclusive of the 1.8% falloff in liabilities guaranteed by the Government for public corporations, the National Debt moved lower by 0.6% to \$3,045.2 million.

Developments in the tourism sector registered a 2.3% upturn in total visitor arrivals vis-à-vis the 0.9% decline last year, benefitting from increased arrivals from Canada and Europe. In terms of cruise arrivals, the

sector benefitted from the return of several cruise vessels and increased load factors. Air visitors grew by 3.5%, while sea passengers expanded by 1.8%. By major destinations, arrivals to New Providence fell by 0.8%, owing to a 4.8% decline in the more significant sea component which overshadowed the 6.1% improvement in the air segment. Arrivals to Grand Bahama contracted by 13.5%, due to weakness in both air (6.4%) and sea (16.9%) visitors. In contrast, the Family Island destinations registered a gain of 15.5%, as air and sea arrivals increased by 0.8% and 18.4%, respectively.

Consumer price inflation, as measured by changes in the Average Retail Price Index, moderated to 2.5% over the quarter vis-à-vis the 3.1% expansion last year, mainly due to more moderate rate of increases in transport & communication and other goods and services costs.

Activity in the construction sector was primarily supported by domestic demand over the first three months of 2008, with mortgage disbursements up by 9.9% to \$147.1 million. Information from banks, insurance companies and the Bahamas Mortgage Corporation showed a strengthening in the number and value of mortgage commitments by 20.9% and 62.0%, respectively. In terms of rates, average borrowing costs eased by 2 basis points to 8.8% for commercial mortgages, while the residential component firmed by 1 basis point to 8.6%.

In the external sector, the estimated current account deficit was approximately halved to \$190.1 million during the quarter, as a combination of improved tourism receipts, lower net imports, and reduced construction services payments underpinned an expansion in the surplus on the services account. The deficit on the income account also narrowed by \$11.5 million, owing largely to reduced remittance of private related investment income, however, net transfer outflows firmed by \$3.9 million.

Consistent with the slowdown in foreign investment activity, the surplus on the capital and financial account was reduced by \$47.7 million to \$382.7 million. In particular, net direct investment inflows contracted by \$124.9 million to \$185.0 million, outpacing the growth in project-related loan inflows of \$62.4 million to \$204.1 million.

FISCAL OPERATIONS

OVERVIEW

Preliminary data for the third quarter of FY2007/2008 indicated that the fiscal deficit contracted by 61.4% to \$9.8 million, in comparison to the 2.3% advance in the corresponding quarter of FY2006/2007. The outcome was buoyed by broad-based growth in revenue receipts and a slight reduction in expenditure, due to declines in the capital and net lending segments.

REVENUE

Total revenue advanced by 3.6% to \$375.2 million, following a 16.4% expansion in the previous year. Tax receipts, which accounted for an estimated 90.1% of the total, firmed by 3.9% (\$12.8 million) to \$338.2 million. Reflecting timing-related factors associated with revenues received from international business companies, business and professional business transactions expanded by

Government Revenue By Source				
(Jan - Mar)				
	FY06/07		FY07/08	
	B\$M	%	B\$M	%
Property Tax	32.6	9.0	21.0	5.6
Selective Services Tax	7.8	2.2	10.2	2.7
Busines. & Prof Lic. Fees	17.9	4.9	30.1	8.0
Motor Vehicle Tax	6.0	1.7	5.4	1.4
Departure Tax	19.7	5.4	18.2	4.8
Import Duties	121.6	33.6	131.9	35.2
Stamp Tax from Imports	34.6	9.6	37.8	10.1
Export Tax	3.5	1.0	3.3	0.9
Stamp Tax from Exports	0.0	--	0.0	--
Other Stamp Tax	75.7	20.9	72.9	19.4
Other Tax Revenue	6.5	1.8	19.0	5.1
Fines, Forfeits, etc.	20.1	5.6	20.8	5.5
Sales of Govt. Property	0.1	0.0	3.2	0.9
Income	16.5	4.6	1.9	0.5
Other Non-Tax Rev.	0.0	--	0.0	--
Capital Revenue	0.0	--	0.0	--
Grants	--	--	--	--
Less: Refunds	0.5	0.1	0.5	0.1
Total	362.1	100.0	375.2	100.0

68.6% (\$12.2 million) to \$30.1 million. Taxes on international trade and transactions, which comprise the bulk of revenues at 46.1%, grew by 8.3% (\$13.2 million) to \$173.0 million—supported by improvements in both import (\$10.3 million) and associated stamp taxes (\$3.2 million). Property tax collections contracted by 35.5% (\$11.6 million) to \$21.0 million, and gaming taxes were halved to \$2.1 million. Smaller percentage declines were recorded for motor vehicle and other stamp taxes.

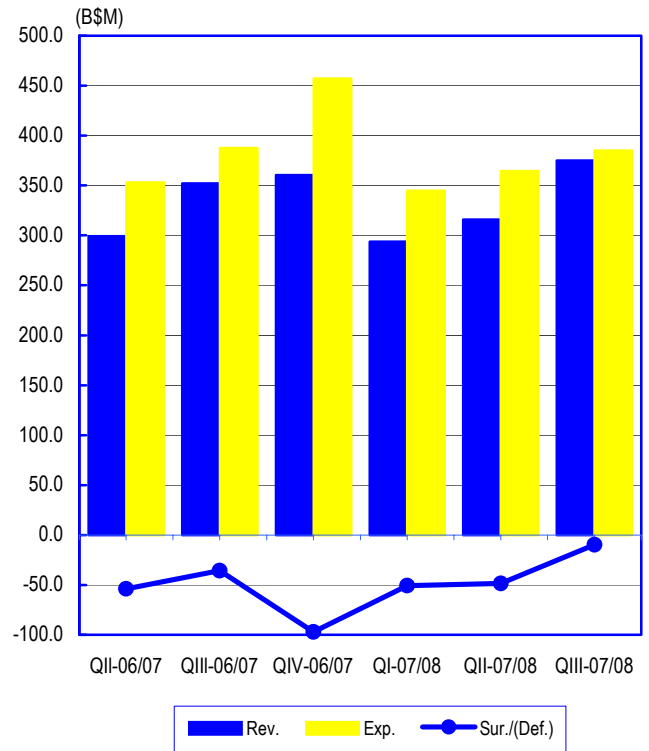
Non-tax revenue, at 9.9% of total receipts, remained relatively flat at \$37.0 million. The dominant category, fines, forfeits and administrative fees, rose by 3.5% to \$20.8 million and receipts from the sale of Government property advanced from less than \$0.2 million to \$3.2 million. However, income from other sources, consisting of dividends and rental income receipts, contracted by 19.9% (\$3.2 million) to \$13.0 million.

EXPENDITURE

Total expenditure fell marginally by 0.7% to \$385.0 million, in contrast to a 15.3% expansion in the corresponding period of 2007. The falloff was occasioned by a \$3.3 million (9.1%) drop in capital spending (8.5% of the total), and a \$3.7 million (22.2%) contraction in net lending. In contrast, current expenditure (88.1% of the total) rose by \$4.5 million (1.3%) to \$339.0 million.

Growth in current outlays was largely explained by a \$13.8 million (12.1%) hike in transfer payments to \$127.7 million. Consistent with the recent increments to Bahamian dollar debt, interest payments increased by 13.9% to \$35.7 million. Subsidies & other transfers also rose by 11.4% to \$92.0 million, with amounts earmarked for the Public Hospital Authority boosting subsidies by 15.6% and scholarship, pensions and gratuity payments elevating transfers to households by 44.5%. Conversely, declines were posted for transfers to non-profit institutions (22.5%), public corporations (6.2%) and abroad (37.3%). Meanwhile, the goods and services bill was lower by \$9.9 million (11.5%) at \$76.0 million, reflecting a reduction in payments for contractual services; whereas, outlays for salaries and wages expanded marginally by \$0.6 million (0.4%) to \$135.3 million.

Fiscal Operations



By functional classification, expenditure on public services, which accounted for 28.1% of recurrent spending, tapered by 8.5% to \$95.1 million. Higher spending was posted for education (8.3% to \$65.8 million), health (13.5% to \$60.1 million), and defense (13.6% to \$10.5 million). The combined spending for social benefits and services also grew by 27.6% to \$27.0 million, mainly as a result of increased outlays for old age, disability & services and other public assistance programmes. Expenditures for economic services, at 11.9% of current outlays, fell by 19.8% to \$40.3 million, primarily reflecting contractions in the tourism (15.7%) and air transportation (56.2%) areas.

The 9.1% fall-off in capital spending to \$32.8 million was primarily associated with a decline in asset acquisitions, particularly land, by 23.4% to \$9.6 million. Expenditures on infrastructure projects also softened by 2.2% to \$22.0 million.

FINANCING AND NATIONAL DEBT

During the review quarter, the Direct Charge on Government declined from the previous quarter, by \$11.3 million (0.4%) to \$2,621.3 million, but exceeded the year-earlier level by \$193.8 million (8.0%). Bahamian dollar denominated debt constituted 88.9% of the total, being held by private and institutional investors (31.5%), public corporations (31.3%), commercial banks (23.3%), the Central Bank (13.8%) and other local financial institutions (0.1%). By security type, Government long-term bonds represented the largest portion of the debt (86.8%), bearing an average maturity of 11.8 years. Next were Treasury bills, at 9.9%, with loans and advances from commercial banks and the Central Bank for the remainder, at 3.3%.

Government's contingent liabilities, being debt guaranteed for public corporations and the private sector, fell by 1.8% to \$423.9 million. As a result, the National Debt was 0.6% below the previous quarter at \$3,045.2 million, but surpassed the March 2007 level by \$124.0 million (4.2%).

PUBLIC SECTOR FOREIGN CURRENCY DEBT

Preliminary data on the public sector's foreign currency debt for the March quarter indicated a 6.2% expansion in debt obligations to \$680.5 million, as new drawings of \$50.0 million outdistanced the \$10.1 million in amortization payments. Public corporations held \$389.1 million of the total (57.2%), and Government, the remaining \$291.4 million (42.8%).

By creditor profile, commercial banks continued to hold the majority of foreign currency debt (53.8%), followed by private capital markets (29.4%), multilateral institutions (15.5%), other agencies (0.8%) and bilateral institutions (0.5%).

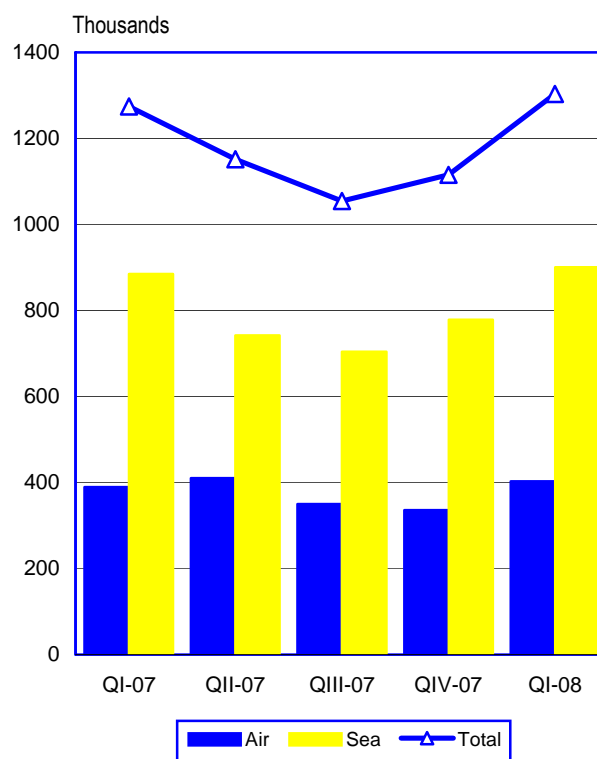
The public sector's foreign currency debt service payments fell by 18.0% to \$14.0 million, in comparison to the corresponding quarter last year, as interest outlays declined by 23.9% to \$4.0 million and amortization payments contracted by 15.5% to \$10.1 million. Debt service represented 1.5% of exports of good and non-factor services, while the ratio of debt service to total revenue rose marginally to 0.5%.

REAL SECTOR

TOURISM

Although expenditure data are not yet available, other indications of tourism activity, especially trends in banks' purchases of foreign currency from customers suggest a positive outturn for the first quarter of 2008.

Visitor Arrivals



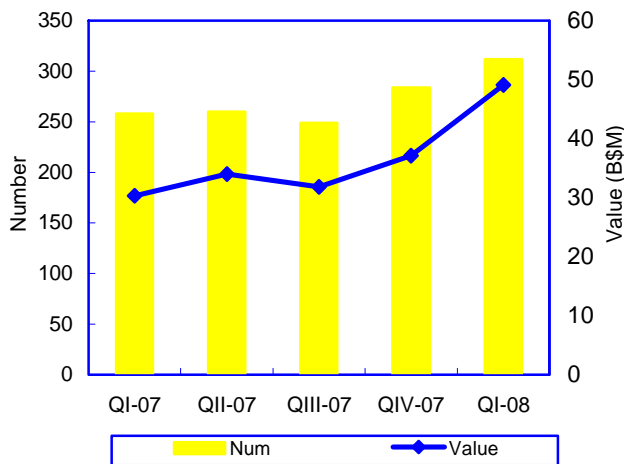
Supportive of this outcome, preliminary data indicate a rebound in total visitor arrivals of 2.3% to 1,303,601 vis-à-vis a 0.9% decline to 1,274,045 a year earlier. Air arrivals grew by 3.5% to 403,333, a reversal from the 5% contraction a year ago; and sea traffic, which accounted for 69.1% of the total, firmed by a slightly higher 1.8% to 900,268, reflecting the return of a few cruise vessels as well as increased load factors. An analysis of stopover visitors by country of origin revealed strengthened gains in Canadian and European traffic of 25.8% and 9.5%, respectively, reflecting the appreciation of their currencies vis-à-vis the US dollar; whereas longer stay visitors from the US market, at 79% of the total, was relatively flat.

Among the main domestic destinations, arrivals to New Providence contracted, by 0.8% to \$0.7 million, as the 6.1% gain in air travelers was overshadowed by the 4.8% fall in the larger sea segment. Visitors to Grand Bahama also fell by 13.5%, extending the 8.1% downturn in the first quarter of 2007 and reflecting decreases in both air (6.4%) and sea (16.9%) visitors. In contrast, growth in arrivals to the Family Islands strengthened to 15.5% from 8.0% a year earlier, largely on account of an 18.4% gain in the sea component.

CONSTRUCTION

Despite indications of slackened foreign investment-related construction activity, preliminary evidence suggests that domestic investments, alongside smaller scaled resort developments continued to support mild gains in the sector during the review quarter. On the domestic side, mortgage disbursements for new construction and repairs rose by 4.2% (\$2.9 million) to \$71.4 million, owing to a more than 50% increase in the commercial component to \$7.9 million, while the residential segment firmed marginally by 0.1% to \$63.6 million.

Mortgage Commitments:
New Construction and Repairs



Similarly, mortgage commitments for new construction and repairs—a leading indicator of future construction activity—firmed in number by 20.9% to 312 and in value by 62.0% to \$49.1 million. Residential commitments led the increase, rising by 21.5% in number to 300 and by 67.4% in value to \$46.7 million. For the commer-

cial segment, the number of commitments edged up by 1 to 12, with the value unchanged at \$2.4 million.

Marginal changes were recorded for borrowing costs during the review period, as the average interest rate on commercial mortgages fell by 2 basis points, on a year-on-year basis, to 8.8% at end-March, vis-à-vis a 1 basis point increase to 9.0% over the same period in 2007. In contrast, lending rates for residential mortgages rose by 1 basis point to 8.6%, in line with the expansion posted a year earlier.

PRICES

Following on increased global fuel and commodity price pressures, domestic consumer prices rose by 2.5% during the first quarter of 2008, albeit lower than the 3.1% gain noted a year earlier. The easing in inflationary rates mainly reflected moderations in the rate of price increases for transportation & communication and other goods & services components, by 2.5 and 7.1 percentage points to 2.5% and 0.8%, respectively; while average costs for recreation, entertainment & services contracted by 2.1%, compared to a 7.2% gain a year earlier. However, accelerated price increases were registered for housing, the largest component of the Index, by 0.6 percentage points to 1.5%; medical care & health, by 2.0 percentage points to 5.6%; food & beverages, by 0.8 percentage points to 4.2% and clothing & footwear, by 0.8 percentage points to 1.5%.

For the 12-months to March, average consumer price inflation was 0.1 percentage points higher at 2.4%, reflecting broad-based gains in the major categories. The largest price accelerations were recorded for furniture and household consumption (6.6%), medical care & health (3.5%), transport & communication (3.1%), education (2.5%), and more modest price appreciations were registered for food and beverages (3.8%), recreation & entertainment services (1.5%), clothing & footwear and other goods & services (1.1%) each and housing (0.6%).

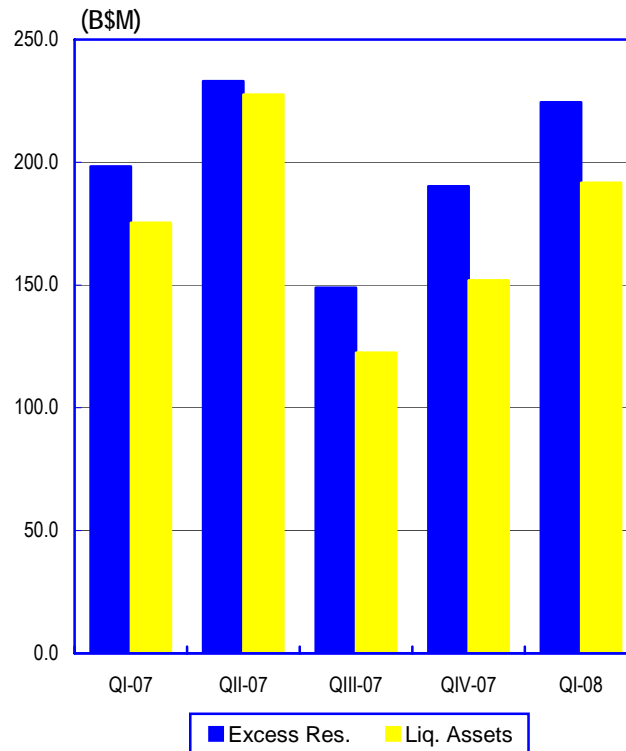
The surge in global oil prices elevated average domestic expenditures for fuel and electricity charges. The average cost of gasoline firmed by 2.8% to \$4.63 per gallon, and the price of diesel rose by 8.6% to \$4.34 per gallon. The Bahamas Electricity Corporation hiked its fuel surcharge, from 13.27¢ to 15.95¢ per KWH, an upward adjustment of 20.1% from end-2007.

Average Retail Price Index

(Annual % Changes)
March

Items	Weight	2007		2008	
		Index	%	Index	%
Food & Beverages	138.3	128.9	3.4	134.4	4.2
Clothing & Footwear	58.9	107.1	0.7	108.8	1.5
Housing	328.2	108.2	0.9	109.8	1.5
Furn. & Household	88.7	124.1	1.7	132.7	6.9
Med. Care & Health	44.1	140.5	3.6	148.3	5.6
Trans. & Comm.	148.4	111.9	5.0	114.7	2.5
Rec., Enter. & Svcs.	48.7	128.8	7.2	126.1	-2.1
Education	53.1	172.5	1.7	176.9	2.5
Other Goods & Svcs.	91.6	136.2	7.9	137.4	0.8
ALL ITEMS	1000	121.4	3.1	124.5	2.5

Liquidity



MONEY, CREDIT AND INTEREST RATES

OVERVIEW

During the first quarter of 2008, monetary conditions featured a moderation in private sector credit expansion, which alongside healthy real sector related foreign currency inflows supported an improvement in liquidity and external reserves, and a reduction in banks' net foreign liabilities. In this context, the interest rate spread widened, as the weighted average loan rate firmed more than the corresponding deposit rate.

Data for the fourth quarter of 2007 indicated that banks' profitability ratios moderated, as net income fell due to increased costs for several major categories. In addition, asset quality indicators for the first three months of 2008 signaled some deterioration in banks' long-term credit conditions, as the proportion of non-performing loans to total loans rose marginally.

LIQUIDITY

Supported by seasonal foreign currency inflows, net free cash reserves of the banking system advanced by \$34.4 million (18.1%) to \$224.5 million, although below the \$81.1 million (69.2%) gain to \$198.3 million posted

over the same period of 2007. Banks' free cash balances represented an enlarged 4.1% of total Bahamian dollar deposits, relative to 3.9% a year ago. Similarly, the broader surplus liquid assets grew by a lesser \$39.7 million (26.2%) to \$191.6 million, vis-à-vis \$112.3 million a year earlier, and was largely concentrated in increased Treasury bill holdings. Nonetheless, the excess over statutory minimum of 21.7% was relatively unchanged from 2007's level.

DEPOSITS AND MONEY

The expansion in the monetary aggregates tapered to 2.6% from 3.4% in 2007, occasioned by a decelerated buildup in private sector deposits and a contraction in currency in active circulation. Growth in narrow money (M1) slackened to 0.6% from 1.3% a year earlier, underpinned by a 4.2% reduction in currency in active circulation, in contrast to last year's 6.9% upturn. Conversely, demand deposit gains strengthened by 1.6% from 0.3% a year ago.

Advances in broad money (M2) narrowed to 2.3% from 3.5% in 2007, as savings deposit growth was nearly halved to 1.7% and gains in fixed deposits slackened to

3.2% from 4.5%. However, the expansion in residents' foreign currency deposits quickened to 9.5% from 0.8%. Consequently, overall money (M3) growth receded to \$145.2 million (2.6%), for an end-quarter stock of \$5,782.5 million, representing a slowdown from the \$176.8 million (3.4%) expansion a year ago.

By composition, Bahamian dollar fixed deposits maintained the largest component (56.1%) of the money stock, followed by demand (18.9%) and savings (17.5%) balances; while residents' foreign currency deposits and currency in active circulation comprised 3.8% and 3.7%, respectively.

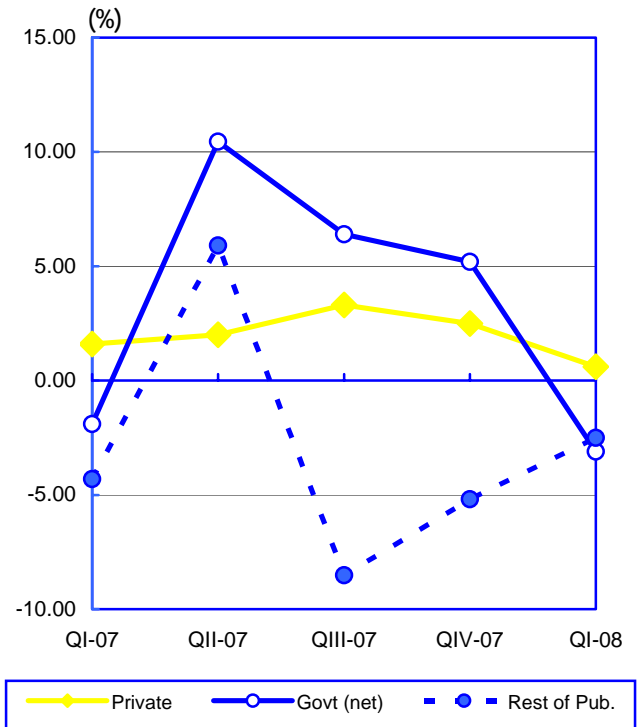
DOMESTIC CREDIT

Occasioned by a substantial contraction in credit to the public sector, combined with an easing in consumer demand, net domestic credit declined marginally by \$1.0 million (0.01%) during the review quarter, contrasting with an increase of \$60.1 million (0.9%) a year earlier. Growth in the Bahamian dollar component, which comprised 90.8% of the total, receded to \$48.7 million (0.7%) from \$141.5 million (2.4%), due to a slowing in private sector credit expansion and a turnaround in public sector net balances. Reflecting loan repayments by hotels and the public sector, foreign currency credit contracted by \$49.8 million (6.8%), following a fall of \$81.3 million (10.0%) in 2007.

Net claims on the public sector fell at a comparable rate of 2.9% (\$35.5 million) vis-a-vis the corresponding year-earlier period. Higher deposit holdings facilitated a strengthened \$26.7 million (3.1%) reduction in net credit to Government, relative to \$12.8 million (1.9%) in 2007; whereas the decline in claims on the rest of the public sector was lower at \$8.8 million (2.5%) from \$17.1 million (4.3%) a year ago.

In line with the moderation in economic growth, accretions to private sector credit receded to \$34.5 million (0.6%) from \$90.1 million (1.6%). Growth in the Bahamian dollar component was curtailed to \$69.9 million (1.2%) from \$88.2 million (1.7%), and there was a \$35.4 million (7.1%) net repayment in the foreign currency portion in contrast to a modest accumulation of \$1.9 million (0.4%) a year ago.

Changes in Credit



Private sector lending continued to be concentrated in personal loans (75.0%), which registered a lower rate of expansion at \$51.8 million (1.1%) relative to \$76.7 million (1.9%) in the previous period. Accretions to residential mortgages moderated to 2.7% (\$62.5 million) from 3.3% (\$66.9 million), and consumer credit growth was more than halved to 0.8% (\$17.6 million) from 1.9% (\$35.9 million) a year-earlier. However, personal overdraft balances declined by 9.8% (\$11.7 million), a turnaround from last year's 7.8% (\$6.0 million) increase.

A disaggregation of consumer credit showed notable increases in loans for debt consolidation (\$8.7 million), land purchases (\$5.7 million), miscellaneous credit (\$3.4 million), home improvements (\$1.9 million), credit cards (\$1.3 million) and medical (\$0.5 million) purposes. Conversely, net repayments were recorded for travel (\$2.5 million), education (\$0.8 million) and private cars (\$0.7 million).

Among the other private sector credit categories, gains in bank lending were registered for miscellaneous purposes (\$27.4 million), transport (\$19.1 million), distribution (\$2.9 million), entertainment & catering (\$2.3

million), professional & other services (\$2.2 million), agriculture (\$0.6 million) and manufacturing (\$0.2 million). Some offset was provided from net repayments for construction (\$54.1 million), tourism (\$14.3 million), fisheries (\$2.2 million), mining & quarrying (\$0.9 million) and private financial institutions (\$0.7 million).

Distribution of Bank Credit By Sector				
End-March				
	2007		2008	
	B\$M	%	B\$M	%
Agriculture	10.3	0.2	11.9	0.2
Fisheries	15.5	0.3	8.6	0.1
Mining & Quarry	9.5	0.2	6.2	0.1
Manufacturing	51.1	0.8	52.7	0.8
Distribution	207.5	3.4	198.3	3.0
Tourism	246.3	4.0	230.6	3.5
Enter. & Catering	52.5	0.9	49.3	0.7
Transport	22.6	0.4	43.9	0.7
Public Corps.	253.7	4.2	235.7	3.6
Construction	410.9	6.7	406.1	6.2
Government	107.7	1.8	133.4	2.0
Private Financial	26.6	0.4	26.6	0.4
Prof. & Other Ser.	154.0	2.5	151.8	2.3
Personal	4,154.8	68.1	4,669.8	70.8
Miscellaneous	375.8	6.2	367.6	5.6
TOTAL	6,098.8	100.0	6,592.5	100.0

MORTGAGES

Total Bahamian dollar mortgages outstanding expanded by 1.8% (\$52.0 million) to \$2,864.5 million, which was below the 2.4% (\$60.5 million) pace last year. The residential segment—which comprised 92.1% of the total, grew by 2.1% to \$2,636.9 million. In contrast, commercial mortgages declined marginally by 0.9%, following a 3.0% reduction a year ago. At end-March, 2008 commercial banks maintained the majority of outstanding mortgages (89.3%), followed by insurance companies (6.6%) and the Bahamas Mortgage Corporation (4.1%).

THE CENTRAL BANK

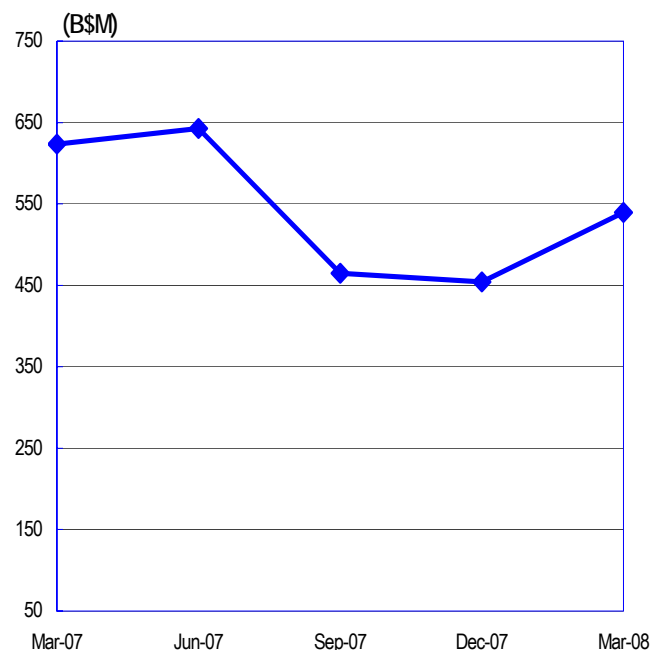
Lower holdings of Treasury bills, combined with a buildup in Government's deposits, occasioned a reduction

in the Central Bank's net claims on Government, by \$37.3 million (11.2%) to \$295.0 million during the quarter, a reversal from last year's \$11.7 million (6.4%) expansion to \$194.2 million. Net liabilities to the rest of the public sector increased by \$7.8 million to \$10.7 million and were mainly in the form of higher deposit balances.

Given the slowdown in consumer demand, combined with tourism-related inflows, external reserves improved by \$85.3 million (18.8%) to \$539.6 million at end-March—although below the \$123.9 million (24.8%) rise in the corresponding period last year.

At end-March, the stock of external reserves was equivalent to an approximated 12.2 weeks of non-oil merchandise imports, compared to 14.0 weeks for the previous year. When adjusted for the statutory required 50% of demand liabilities, which have to be supported by the external balances, "useable" reserves, or Central Bank liquidity, stood lower at \$160.9 million compared to \$259.3 million in 2007.

External Reserves



Based on foreign currency transactions—which underpinned the external reserve growth, the Central Bank's net foreign currency purchase was lower at \$81.3 million from \$117.5 million last year. Underlying this outcome was a surge in total sales by \$72.2 million (52.7%) to

\$209.3 million, which offset the \$36.0 million (14.1%) growth in total purchases to \$290.5 million. The net inflow from the Government firmed by \$60.4 million to \$69.2 million, partly due to receipts from the seabed lease agreement. However, net sales to the rest of the public sector rose by \$4.5 million to \$74.5 million, and the net purchase from commercial banks contracted by more than half to \$86.5 million.

DOMESTIC BANKS

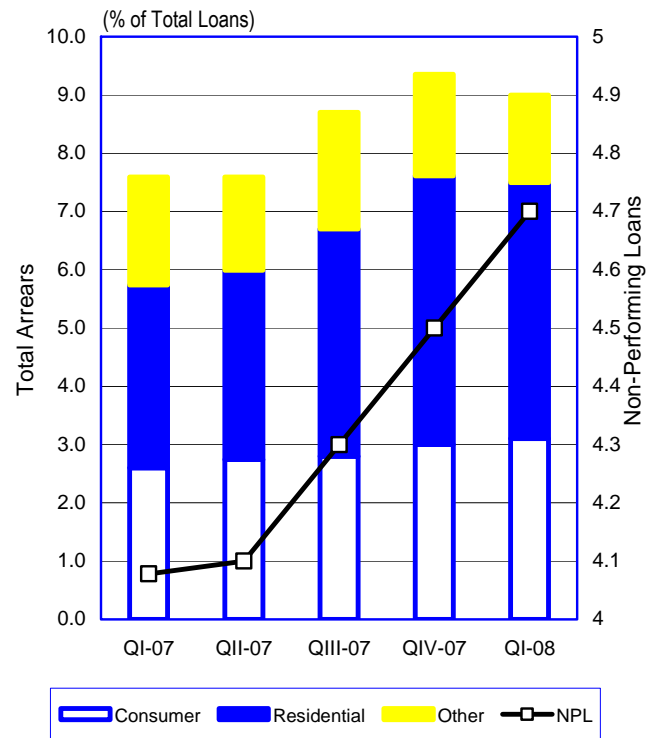
Underpinned by foreign currency inflows and a moderation in domestic credit growth, banks' deposit liabilities increased during the review period. Private sector credit expansion of \$34.5 million (0.6%) trailed the \$137.9 million (2.8%) gain in deposit liabilities. Increased holdings of Treasury bills and short-term lending boosted banks' net claims on Government, by \$10.6 million (2.0%), a reversal of the previous year's contraction of \$24.5 million (5.0%). Following last year's \$17.0 million (4.4%) decline, net claims on the rest of the public sector fell by a reduced \$8.7 million (2.5%). Partly reflecting comparatively less foreign investment-related inflows, the expansion in banks' claims on the Central Bank slackened to \$49.3 million (10.9%), significantly below the \$113.3 million strengthening last year. Banks' accumulation of capital and surplus resources, associated with profits and retained earnings, rose by \$52.5 million, while their net foreign liabilities fell by \$72.5 million (10.9%).

Domestic banks' aggregate deposit liabilities, including balances owed to Government, totaled \$5,676.5 million, the bulk (96.1%) of which was in Bahamian dollars. The largest share was held by private individuals (58.1%), followed by business firms (23.9%), the public sector (9.9%), other depositors (4.8%) and private financial institutions (3.3%). Fixed deposits accounted for 61.0% of the total, with demand and savings balances at 20.5% and 18.5%, respectively.

An analysis of Bahamian dollar accounts by number and range of value show the majority of deposits (90.1%) being concentrated in the up to \$10,000 range, although corresponding to a mere 7.5% of the total value. Balances between \$10,000 and \$50,000 represented 6.8% of total contracts and 12.8% of aggregate value. Conversely, individual balances exceeding \$50,000 comprised 3.1% of accounts and constituted 79.7% of total value.

Adjusted for goodwill, banks' Bahamian dollar capital and surplus position grew at a quarterly rate of 3.6% to \$1,562.4 million compared to a 2.0% gain a year earlier. Profits and retained earnings corresponded to an elevated 58.0% of capital and surplus, relative to 52.0% in the same period last year, as general and specific reserves against loan losses narrowed to 8.6% from 10.4% of the total. Total reserves and provisions, as a percentage of the private sector's loan portfolio, stood slightly lower at 2.3% at end-March.

Loan Arrears & Non-Performing Balances



Asset quality measures for the first quarter of 2008 indicate that banks adopted a conservative posture against credit risks, incrementing their Bahamian dollar loan loss provisions to 2.3% of the total private sector portfolio, from 2.2% at end-December 2007 and 2.1% at end-March of the same year. However, compared to the previous quarter, the ratio of provisions to total non-performing loans was stable at 47.9%, although below the 51.1% recorded at end-March 2007. In terms of the various components, the arrears rate for consumer loans rose over the quarter and year, by 0.5 and 1.6 percentage points, respectively. The total arrears rate for loans with payments past due decreased to 9.1% of out-

standing private balances from 9.4% at end-December, but remained above the 7.7% posted in the comparative 2007 period. Similarly, although the level of delinquency for residential mortgages receded to 9.9% from 10.4% at end-December 2007, it was still higher than the 7.3% registered in the same quarter last year. The commercial mortgages arrears rate was reduced to 8.4% from 9.3% at the end of the previous quarter and 10.0% at end-March 2007.

Total non-performing loans, represented by accounts with past due payments of at least three (3) months, on which banks stopped accruing interest, firmed slightly to 4.7% of outstanding claims, from 4.5% at the end of the previous quarter and 4.1% a year-earlier.

BANK PROFITABILITY

For the quarter ended December 2007, the latest quarter for which data is available, domestic banks' earnings indicators moderated, with estimated net income lower at \$68.1 million from \$71.2 million (4.3%) in the corresponding 2007 period. The gross earnings margin

fell by 3.2% to \$120.4 million, as a 4.0% rise in interest income was overshadowed by a 10.5% hike in interest expense and a 47.3% reduction in commission and foreign exchange income. Banks also registered a 6.7% increase in non-interest operating costs, to \$61.3 million, inclusive of higher occupancy (18.5%) and other operating (18.4%) expenses. Meanwhile, 'other' income rose more than two-fold to \$9.0 million, as a 40.4% decrease in bad debt expenses offset the 10.0% drop in other income and the 4.7% firming in depreciation costs.

These developments were correspondingly reflected in a softening in profitability ratios relative to average domestic assets. The net interest margin ratio narrowed by 46 basis points to 5.51%, and relative flows from commission and foreign exchange income declined by 23 basis points to 0.22% of average assets. Similarly, the operating cost ratio contracted by 5 basis points to 2.92%, and the net income (return on assets) softened by 44 basis points to 3.24%.

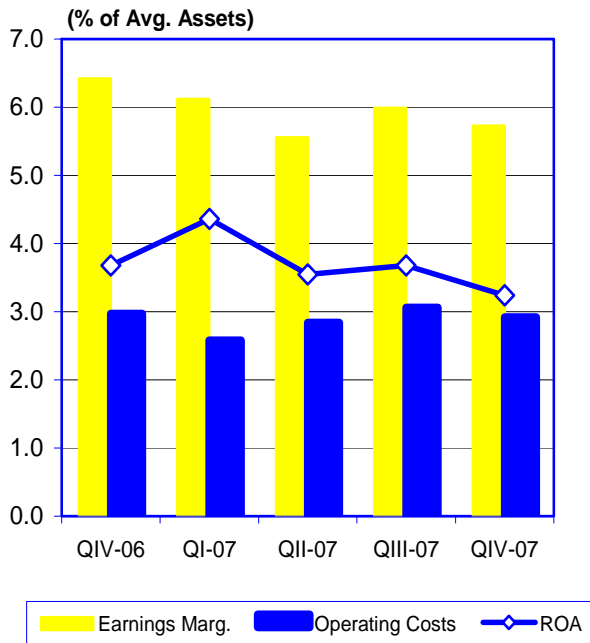
INTEREST RATES

Interest rate trends featured a broadening in commercial banks' average interest rate spread on loans and deposits, by 6 basis points to 6.98%. The weighted average loan rate firmed by 28 basis points to 11.00%, while the corresponding deposit rate widened by 22 basis points to 4.02%.

On the deposit side, the average interest rate on fixed maturities fluctuated within a higher band of 3.74% - 5.05% vis-à-vis 3.58% - 4.71% in the previous quarter, signaling increased competition for longer-term placements. For savings, the average rate offered rose by 6 basis points to 2.30%, but held steady at 1.41% for demand deposits.

In terms of loans, the average interest rate on consumer loans and commercial mortgages narrowed by 5 basis points to 13.00% and 61 basis points to 8.62%, respectively. The average rate on overdrafts, which constitute 12.7% of the loan portfolio, firmed by 47 basis points to 11.34%; the residential mortgage lending rate increased by 7 basis points to 8.36%, while the "other" local loan rate advanced, on average, by 19 basis points to 8.16%.

Domestic Banks' Profitability



fixed income side, there were no new Bahamas Government Registered Stock issues during the quarter.

Fidelity Capital Market Limited's share price index (Findex)—which captures over-the-counter trading—decreased by 1.6% to 938.3 points during the review quarter, compared to a 6.1% appreciation in the first quarter of 2007.

INTERNATIONAL TRADE AND PAYMENTS

Provisional data for the first quarter of 2008 indicate a near halving in the current account deficit to \$190.1 million over the same period last year. Gains in travel receipts combined with a reduction in foreign investment-related construction payments boosted the surplus on the services account, and a contraction in imports contributed to a narrowing of the goods deficit. On the capital and financial account side, the reduced surplus position was mainly on account of decreased direct investments via domestic equity and real estate acquisitions by foreigners, which outpaced growth in other sources of private investments.

The estimated merchandise trade deficit fell by 3.1% (\$19.0 million) to \$600.6 million vis-à-vis a year ago. Continued firming in global oil prices resulted in a 59.9% (\$91.2 million) surge in oil imports to \$243.5 million, which countered the 23.6% (\$110.2 million) reduction in the non-oil import bill to \$357.0 million. The increase in oil imports was broadly based, reflecting significant cost per barrel gains for propane (44.4%), motor gas (49.0%), jet fuel (60.1%), bunker 'C' (70.6%), and gas oil (71.7%).

The services account surplus improved by an estimated 56.4% (\$120.0 million) to \$332.7 million. Gains in visitor arrivals combined with higher room rates boosted net travel receipts by 2.2% (\$10.9 million) to \$506.5 million, and net outflows for construction services declined by 82.0% (\$62.6 million) to \$13.7 million, amid retrenched tourism related investment activities. Similarly, net outflows for the other "miscellaneous" services and Government services narrowed by 19.0% (\$23.9 million) to \$102.1 million and 62.8% (\$10.9 million) to \$6.4 million, respectively.

Banking Sector Interest Rates

Period Average (%)

	Qtr. I 2007	Qtr. IV 2007	Qtr. I 2008
Deposit rates			
Demand Deposits	2.07	1.41	1.41
Savings Deposits	2.01	2.24	2.30
Fixed Deposits			
Up to 3 months	3.44	3.58	3.74
Up to 6 months	3.88	3.98	4.18
Up to 12 months	4.32	4.47	4.83
Over 12 months	4.84	4.71	5.05
Weighted Avg Deposit Rate	3.66	3.80	4.02
Lending rates			
Residential mortgages	7.93	8.29	8.36
Commercial mortgages	8.56	9.23	8.62
Consumer loans	12.15	13.05	13.00
Other Local Loans	7.82	7.97	8.16
Overdrafts	11.47	10.87	11.34
Weighted Avg Loan Rate	10.35	10.72	11.00

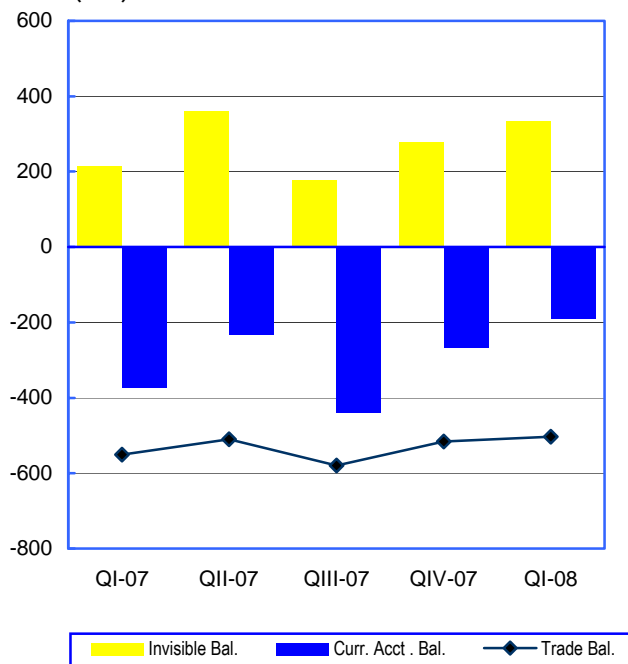
The average 90-day Treasury bill rate trended lower by 14 basis points to 2.69%; however, the benchmark rates—Central Bank's Discount Rate and Commercial Banks' Prime—were unchanged at 5.25% and 5.50%, respectively.

CAPITAL MARKETS DEVELOPMENTS

During the first quarter of 2008, domestic capital market activities remained relatively positive, despite a subdued economic environment. Increased investor activity resulted in the trading volume rising to 1.2 million shares valued at \$7.5 million, compared to 0.8 million shares at \$5.1 million in the same quarter last year. However, reflective of a contraction in the share prices of a number of companies, the Bahamas International Securities Exchange (BISX) All Share Price Index fell by 5.0% to 1,963.40 points, in contrast to the last quarter's gain of 8.2% and a 6.2% increase in the first quarter of 2007. As a consequence, market capitalization on BISX declined by an estimated 6.8% to \$3.1 billion. On the

Balance of Payments

(B\$M)



\$54.7 million, respectively. Other net inward investments registered a \$62.4 million gain to \$204.1 million, led by a 68.8% (\$113.6 million) expansion in net private sector borrowings related to foreign investment financing. In contrast, domestic banks recorded a net repayment of \$72.5 million, more than double last year's \$26.4 million,

as a number of hotel properties reduced their outstanding liabilities. Net transactions with the Central Government were reversed to a \$0.8 million outflow from a \$4.3 million inflow a year earlier; and outward portfolio investments were \$5.1 million at end-March, compared to a nil position a year ago.

After adjusting for possible net errors and omissions, the surplus on the overall balance, which reflects the change in the Central Bank's external reserves, moderated to \$85.6 million vis-à-vis \$123.9 million a year ago.

INTERNATIONAL ECONOMIC DEVELOPMENTS

During the March quarter, international developments were squarely focused on the adverse impact of the United States housing and credit crisis. Amid the resulting turmoil in the global financial sector, the United States Federal Reserve, along with other major central banks, implemented measures geared at preventing the crisis from spreading rapidly to other sectors of their economies.

Despite the actions of the central banks, major concerns over the depth and duration of the financial downturn—which culminated in the collapse of a major investment bank in the United States—contributed to significant declines in equity indices worldwide, and led to further erosion in the value of the US dollar. Increased demand among emerging markets combined with supply constraints underpinned a significant firming in the prices of several major commodities, providing further impetus to inflation, which rose to elevated levels in a number of countries.

Reflecting continued weakness in the housing and financial sectors, economic output remained moribund in the United States, as the economy expanded marginally by 0.9%, following growth of 0.6% in the same period of 2007. The outcome was attributed to increased personal expenditures for services, exports of goods and services

The deficit on the income account moved lower by an estimated 25.2% (\$11.5 million) to \$34.1 million, explained by contractions in both net labour income payments (\$1.5 million) and net investment outflows (\$10.0 million). The latter included a 46.1% improvement in commercial banks' net factor income receipts to \$11.2 million, and a reduction in remittances by other private companies of 18.1% to \$34.2 million. In contrast, net official inflows decreased by 21.0% (\$1.2 million) to \$4.3 million.

Net current transfers advanced by 36.2% (\$3.9 million) to \$14.7 million, reflecting a \$4.6 million gain in inflows to the Government to \$17.3 million, which offset the \$0.7 million increase in outflows for workers' remittances to \$2.6 million.

Preliminary data suggest that the surplus on the capital and financial account narrowed by \$47.7 million to \$382.7 million, led by a 12.7% (\$57.4 million) decline to \$394.3 million in the financial account surplus, which overshadowed sharply recessed capital transfers of \$11.6 million. With regards to the financial account, net direct investment inflows fell by 40.3% (\$124.9 million) to \$185.0 million, as net equity and foreign real estate inflows receded by 8.7% to \$130.4 million and 67.3% to

and federal government spending, which overshadowed declines in residential fixed investment, and personal consumption expenditure for durable goods. Despite the 3.8% expansion in business and financial services, a 4.5% decline in mining and quarrying output resulted in the UK's GDP growth slowing by 0.4 percentage points to 2.5% on an annual basis, compared to the first quarter of 2007. Buoyed by the 1.5% upturn in the German economy, real GDP in the euro zone firmed by 0.8% in the first quarter of 2008, on par with the increase recorded in the same period of 2007. Economic output among the Asian economies rose at a reduced rate. China's GDP expanded on a year-on-year basis by 10.6% in the first quarter, down from the 11.7% recorded in 2007, as severe weather conditions reduced domestic activity and contributed to a fall in exports. Amid firming in import growth, accretions to real GDP in Japan softened to 4.0% compared to a rate of 4.5% last year.

Buoyed by contractions in the construction and financial services sectors, the unemployment rate in the United States firmed by 0.1 percentage points to 5.1% at end-March. In the United Kingdom, the jobless rate remained unchanged at 5.2% compared to the previous quarter, but fell by 0.3 percentage points over the year. Supported by improvements in the unemployment rates in Germany and France, by 0.4 and 0.1 percentage points to 7.4% and 7.8%, respectively, the unemployment rate in the euro zone declined marginally by 0.1 percentage points to 7.1%. Amid the improving economic situation, Japan's jobless rate moved lower to 3.8%.

Given the increased uncertainty regarding the United States economy, the dollar continued its fall against most of the major currencies during the review period. The dollar weakened on a quarterly basis against the Yen, by 10.8% to ¥99.69, against the yuan, by 3.9% to RMB 7.0120 and vis-à-vis the euro, by 7.6% to €0.63. Conversely, in light of the challenges faced by the financial sector in the United Kingdom, the dollar maintained its value against the Pound Sterling of £0.50.

Equity markets worldwide suffered significant losses during the quarter, amid the heightened uncertainty caused by the adverse effects of the global financial sector crisis. In the US, the Dow Jones Industrial Aver-

age declined by 7.6% to 12,262.9 points, as weakness in the financial sector dampened investors' confidence. Likewise, the Standard & Poor's 500 Index (S&P 500) had its worst quarterly performance in five years, contracting by 10.4% to 1,324 points. The European markets also reacted negatively to the economic uncertainty, with the major equity indices declining over the period. The UK's FTSE 100 decreased by 11.7%, and Germany's DAX and France's CAC 40 moved lower by 19.0% and 16.2%, respectively. With regards to Asia, Japan's Nikkei 225 recorded its worse quarterly performance in 18 years, falling by 18.2%, and China's Shanghai Composite index slumped by 34.0%, after surging by 145.2% in the same period of 2007.

In commodity markets, crude oil prices registered exceptional volatility and price appreciation, driven by a number of factors, including the instability in the financial markets, the depreciation of the US dollar and the slowdown in the US economy, alongside increased recourse to hedging strategies. Oil prices were at \$92.39 at end-January, and rose to the \$100 mark by mid-March. At end-March, oil prices had risen to \$104.17, a 9.7% hike over the end-December 2007 level. Similar developments were noted in other commodity markets, as gold prices rose by 9.9% to \$916.88 per ounce, and silver firmed by 16.6% to \$17.24 per ounce.

As the outlook for the housing and financial sectors worsened in the United States, the Federal Reserve rapidly increased the level of monetary accommodation by lowering the primary credit and federal funds rates, on three occasions, during the quarter. Consequently, the primary credit rate was reduced by 2.25 percentage points to 2.50% and the federal funds rate moved lower by 2.0 percentage points to 2.25%. The Federal Reserve also injected additional liquidity into the banking sector and allowed investment banks to borrow directly from its discount window. In an effort to stimulate activity in the credit market and lower borrowing costs, the Bank of England cut its targeted rate twice, by a total of 0.50 percentage points to 5.00%, to prevent the economy from going into a recession. In contrast, the European Central Bank maintained its marginal lending and deposits rates at 5.00% and 3.00%, respectively, although inflation remained above the Bank's 2.0% target rate, due to higher food and energy prices. With inflation relatively benign and economic output expanding at a modest

pace, the Bank of Japan held its overnight call and basic loan rates at 0.50% and 0.75%, respectively. The People's Bank of China maintained its restrictive monetary policy stance, as rapid increases in business investment led to a surge in average consumer prices. As a result, the Bank hiked the reserve requirement ratio by 0.5 percentage points to 15.5%.

In the external sector, the United States' deficit on goods and services increased by \$263 million to \$178.9 billion during the first quarter compared to the same period of the previous year, reflecting an expansion in the goods deficit, which outpaced the improvement in the surplus on the services account. The euro zone's trade

deficit grew significantly, by €10.9 billion to €12.2 billion, as the region's fuel imports appreciated considerably through the opening two months of the year. Similarly, the United Kingdom's trade and services deficit increased to £13.4 billion, reflecting a weakening in the services account surplus in addition to the deterioration in the goods deficit. For the first quarter of 2008, Japan's current account surplus decreased by 4.3% to ¥6.6 trillion. The surplus on the trade account in China contracted, as a weakening in demand from the United States and severe winter weather hampered its exports. For the first quarter, its trade surplus narrowed to US\$41.4 billion, compared to US\$46.3 billion in the same period of 2007.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

TABLE 1
FINANCIAL SURVEY

End of Period	2003			2004			2005			2006			2007			2008																											
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.																										
Net foreign assets	(143.8)	104.3	(32.2)	(16.3)	(6.4)	(181.1)	(254.4)	(133.4)	(124.5)	(249.0)	(213.4)	(55.5)	484.3	667.8	578.8	637.8	644.2	542.7	499.7	623.5	642.8	464.7	454.2	539.5	(628.1)	(563.5)	(611.0)	(654.1)	(650.6)	(723.8)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)							
Net domestic assets	4,147.1	4,317.2	4,862.4	4,950.5	5,161.6	5,259.8	5,399.5	5,455.3	5,657.5	5,791.8	5,850.7	5,838.0	4,974.0	5,227.2	5,899.5	6,051.4	6,295.3	6,524.9	6,742.9	6,802.1	7,049.3	7,259.1	7,434.3	7,433.3	879.4	887.8	945.8	935.7	1,006.8	1,004.5	1,074.2	1,044.3	1,176.2	1,191.8	1,215.9	1,180.4							
Domestic credit	506.5	547.1	642.5	621.2	642.2	636.0	677.0	664.2	773.7	823.6	866.8	840.1	372.9	340.7	303.3	314.5	364.6	368.5	397.2	380.1	402.5	368.2	349.1	340.3	4,094.6	4,339.4	4,953.7	5,115.7	5,288.5	5,520.4	5,668.7	5,757.8	5,873.1	6,067.3	6,218.4	6,252.9							
Government (net)	(826.9)	(910.0)	(1,037.1)	(1,100.9)	(1,133.7)	(1,265.1)	(1,343.4)	(1,346.8)	(1,391.8)	(1,467.3)	(1,583.6)	(1,595.3)	4,003.3	4,421.5	4,830.2	4,934.2	5,155.2	5,078.7	5,145.1	5,321.9	5,533.0	5,542.7	5,637.3	5,782.5	907.4	1,134.4	1,247.6	1,265.5	1,352.7	1,263.6	1,251.1	1,267.9	1,330.7	1,273.2	1,300.3	1,308.4							
Rest of public sector	160.1	176.6	195.3	198.2	198.3	199.0	202.1	216.1	216.9	213.3	223.7	214.2	747.3	957.8	1,052.3	1,067.3	1,154.4	1,064.6	1,049.0	1,051.8	1,113.8	1,059.9	1,094.2	1,094.2	3,095.9	3,287.1	3,582.6	3,668.7	3,802.5	3,815.1	3,894.0	4,054.0	4,202.3	4,269.5	4,337.0	4,474.1							
Private sector	2,315.9	2,410.3	2,556.6	2,636.2	2,687.9	2,720.8	2,781.5	2,907.3	3,002.0	3,074.3	3,144.8	3,245.7	678.8	779.9	881.8	911.6	931.8	941.1	953.3	986.2	1,029.9	1,012.9	992.1	1,009.3	101.2	96.9	144.2	120.9	182.8	153.2	159.2	160.5	170.4	182.3	200.1	219.1							
Other items (net)																																											
Monetary liabilities																																											
Money																																											
Currency																																											
Demand deposits																																											
Quasi-money																																											
Fixed deposits																																											
Savings deposits																																											
Foreign currency																																											
Total domestic credit	0.7	5.1	12.9	2.6	4.0	3.6	3.3	0.9	3.6	3.0	2.4	(0.0)	1.0	1.0	6.5	(1.1)	7.6	(0.2)	6.9	(2.8)	12.6	1.3	(2.9)	(2.2)	8.0	17.4	(11.0)	(8.6)	6.0	14.2	3.3	3.4	4.4	2.7	1.6	2.0	3.3	2.5	0.6				
Public sector																																											
Government (net)																																											
Rest of public sector																																											
Private sector																																											
Monetary liabilities	4.4	10.4	14.0	2.2	4.5	(1.5)	1.3	3.4	4.5	4.0	1.7	2.6	11.0	25.0	9.2	1.4	6.9	(6.6)	(1.0)	1.3	5.0	(4.3)	0.6	(4.2)	3.4	10.3	10.0	(8.6)	6.0	14.2	3.3	3.4	4.4	2.7	1.6	2.0	3.3	2.5	0.6				
Money																																											
Currency																																											
Demand deposits																																											
Quasi-money																																											

(percentage changes)

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

End of Period	2003			2004			2005			2006			2007			2008	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
	(B\$ Millions)																
Net foreign assets	(130.7)	70.9	(65.9)	(47.7)	(30.2)	(148.5)	(84.1)	(68.6)	(226.7)	(197.2)	(35.6)						
Central Bank	484.3	667.8	578.8	637.8	644.2	542.7	623.5	642.8	464.7	454.2	539.5						
Commercial banks	(615.0)	(596.9)	(644.7)	(685.5)	(674.4)	(691.2)	(707.6)	(711.4)	(691.4)	(651.4)	(575.1)						
Net domestic assets	4,025.1	4,247.2	4,786.9	4,880.9	5,094.5	5,140.3	5,327.1	5,518.9	5,709.2	5,800.3	5,820.6						
Domestic credit	4,822.8	5,083.1	5,752.7	5,900.8	6,142.5	6,372.6	6,650.8	6,899.5	7,120.3	7,401.4	7,413.6						
Public sector	874.9	883.4	945.8	930.9	1,001.6	999.0	1,039.0	1,171.0	1,186.5	1,212.8	1,177.3						
Government (net)	502.1	542.7	642.5	616.4	637.0	630.5	658.9	768.5	818.3	863.8	837.0						
Rest of public sector	372.8	340.7	303.3	314.5	364.6	368.5	380.0	402.5	368.2	349.0	340.3						
Private sector	3,947.9	4,199.7	4,806.9	4,969.9	5,140.9	5,373.6	5,611.8	5,728.5	5,933.8	6,188.6	6,236.3						
Other items (net)	(797.7)	(835.9)	(965.8)	(1,019.9)	(1,048.0)	(1,232.3)	(1,323.7)	(1,380.6)	(1,411.1)	(1,601.1)	(1,593.0)						
Monetary liabilities	3,894.4	4,318.1	4,716.1	4,833.2	5,064.3	4,991.8	5,243.0	5,450.3	5,482.4	5,603.1	5,785.0						
Money	895.8	1,124.7	1,223.0	1,245.5	1,338.1	1,246.3	1,254.3	1,313.0	1,256.1	1,278.9	1,325.4						
Currency	160.1	176.6	195.3	198.2	198.3	199.0	216.1	217.0	213.3	223.7	214.2						
Demand deposits	735.7	948.1	1,027.7	1,047.3	1,139.8	1,047.3	1,036.0	1,096.0	1,042.8	1,055.2	1,111.2						
Quasi-money	2,998.6	3,193.4	3,493.1	3,587.7	3,726.2	3,745.5	3,988.7	4,137.3	4,226.3	4,324.2	4,459.6						
Savings deposits	678.5	779.7	881.6	911.5	931.7	941.1	986.0	1,029.6	1,012.6	991.9	1,009.1						
Fixed deposits	2,218.8	2,316.8	2,467.4	2,555.3	2,611.7	2,651.2	2,842.2	2,937.3	3,031.4	3,132.2	3,231.4						
Foreign currency deposits	101.3	96.9	144.1	120.9	182.8	153.2	160.5	170.4	182.3	200.1	219.1						
	(percentage change)																
Total domestic credit	0.6	5.4	13.2	2.6	4.1	3.7	0.9	3.7	3.2	3.9	0.2						
Public sector	0.8	1.0	7.1	(1.6)	7.6	(0.3)	(2.8)	12.7	1.3	2.2	(2.9)						
Government (net)	(22.5)	8.1	18.4	(4.1)	3.3	(1.0)	(1.9)	16.6	6.5	5.6	(3.1)						
Rest of public sector	69.9	(8.6)	(11.0)	3.7	15.9	1.1	(4.3)	5.9	(8.5)	(5.2)	(2.5)						
Private sector	0.6	6.4	14.5	3.4	3.4	4.5	1.7	2.1	3.6	4.3	0.8						
Monetary liabilities	4.1	10.9	9.2	2.5	4.8	(1.4)	3.5	4.0	0.6	2.2	3.2						
Money	10.8	25.6	8.7	1.8	7.4	(6.9)	1.3	4.7	(4.3)	1.8	3.6						
Currency	3.4	10.3	10.6	1.5	0.1	0.4	6.9	0.4	(1.7)	4.9	(4.2)						
Demand deposits	12.5	28.9	8.4	1.9	8.8	(8.1)	0.2	5.6	(4.9)	1.2	5.3						
Quasi-money	2.2	6.5	9.4	2.7	3.9	0.5	4.2	3.7	2.2	2.3	3.1						

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B\$ Millions)

End of Period	2003			2004			2005			2006			2007			2008			
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	
Net foreign assets	484.3	667.8	578.8	637.8	644.2	542.7	499.7	623.5	642.8	464.7	454.2	539.5	623.5	642.8	464.7	454.2	539.5	623.5	
Balances with banks abroad	183.7	311.1	145.4	210.4	212.1	116.8	90.5	226.7	246.2	69.7	59.5	149.7	226.7	246.2	69.7	59.5	149.7	226.7	
Foreign securities	291.3	347	424.4	418.4	422.8	416.47	399.8	387.3	387.0	385.1	384.7	379.4	387.3	387.0	385.1	384.7	379.4	387.3	
Reserve position in the Fund	9.3	9.7	9.0	9.0	9.3	9.3	9.4	9.5	9.5	9.7	9.9	10.3	9.5	9.5	9.7	9.9	10.3	9.5	
SDR holdings	--	--	--	--	--	0.1	--	--	0.1	0.1	0.1	0.1	--	0.1	0.1	0.1	0.1	--	
Net domestic assets	15.2	(13.1)	23.1	(21.0)	(25.9)	83.9	85.1	89.9	50.9	175.3	236.2	192.0	89.9	50.9	175.3	236.2	192.0	89.9	
Net claims on Government	108.4	141.9	122.0	111.3	129.9	182.3	182.5	194.2	163.1	278.7	332.3	295.0	194.2	163.1	278.7	332.3	295.0	194.2	
Claims	114.8	149.5	149.7	150.7	137.4	198.0	190.6	201.8	176.9	288.1	347.8	320.0	201.8	176.9	288.1	347.8	320.0	201.8	
Treasury bills	--	--	--	--	--	43.4	52.2	49.1	--	116.0	143.5	117.6	49.1	--	116.0	143.5	117.6	49.1	
Bahamas registered stock	43.8	78.5	72.7	73.7	75.4	77.6	76.4	90.6	104.9	100.1	132.4	130.4	90.6	104.9	100.1	132.4	130.4	90.6	
Loans and advances	71.0	71.0	77.0	77.0	62.0	77.0	62.0	62.0	72.0	72.0	72.0	72.0	62.0	72.0	72.0	72.0	72.0	62.0	
Deposits	(6.4)	(7.6)	(27.7)	(39.4)	(7.5)	(15.7)	(8.1)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(7.5)	
In local currency	(6.4)	(7.6)	(27.7)	(39.4)	(7.5)	(15.7)	(8.1)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(7.5)	
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(21.6)	(87.7)	(26.1)	(54.1)	(77.8)	(12.4)	(18.3)	(22.8)	(29.8)	(17.4)	(10.4)	(17.6)	(22.8)	(29.8)	(17.4)	(10.4)	(17.6)	(22.8)	
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(97.3)	(98.2)	(105.5)	(114.0)	(108.5)	(107.2)	(107.3)	(115.4)	(112.6)	(111.4)	(111.6)	(121.3)	(115.4)	(112.6)	(111.4)	(111.6)	(121.3)	(115.4)	
Net unclassified assets	18.4	22.3	24.4	27.6	22.3	13.1	20.1	25.8	22.3	17.5	18.4	28.4	25.8	22.3	17.5	18.4	28.4	25.8	
Loans to rest of public sector	6.4	7.6	7.3	7.2	7.2	7.1	7.0	7.0	6.9	6.8	6.8	6.7	7.0	6.9	6.8	6.8	6.7	7.0	
Public Corp Bonds/Securities	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.1	0.8	0.8	1.0	1.0	1.1	0.8	0.8	1.0	
Liabilities To Domestic Banks	(324.2)	(462.2)	(392.0)	(403.9)	(404.9)	(412.4)	(367.3)	(481.7)	(461.3)	(410.8)	(450.1)	(500.5)	(481.7)	(461.3)	(410.8)	(450.1)	(500.5)	(481.7)	
Notes and coins	(79.6)	(78.5)	(105.8)	(57.0)	(60.4)	(59.1)	(116.2)	(60.3)	(72.0)	(73.5)	(110.1)	(79.7)	(60.3)	(72.0)	(73.5)	(110.1)	(79.7)	(60.3)	
Deposits	(244.6)	(383.7)	(286.2)	(346.9)	(344.5)	(353.3)	(251.1)	(421.4)	(389.2)	(337.2)	(340.0)	(420.8)	(421.4)	(389.2)	(337.2)	(340.0)	(420.8)	(421.4)	
SDR allocation	(15.2)	(15.9)	(14.6)	(14.7)	(15.1)	(15.2)	(15.4)	(15.4)	(15.5)	(15.9)	(16.2)	(16.8)	(15.4)	(15.5)	(15.9)	(16.2)	(16.8)	(15.4)	
Currency held by the private sector	(160.1)	(176.6)	(195.3)	(198.2)	(198.3)	(199.0)	(202.1)	(216.1)	(216.9)	(213.3)	(223.7)	(214.2)	(216.1)	(216.9)	(213.3)	(223.7)	(214.2)	(216.1)	

Source: The Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

End of Period	(B\$ Millions)																	
	2003			2004			2005			2006			2007			2008		
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.
Net foreign assets	(628.1)	(563.5)	(611.0)	(654.1)	(650.6)	(723.8)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)						
Net claims on Central Bank	322.4	461.4	389.7	403.2	405.1	418.1	366.5	479.8	460.4	412.3	448.4	499.7						
Notes and Coins	79.6	78.5	105.8	57.0	60.4	59.1	116.2	60.3	72.0	73.5	110.1	79.7						
Balances	243.6	383.7	284.7	347.0	345.5	359.8	251.1	420.4	389.2	339.6	339.1	420.8						
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8						
Net domestic assets	3,814.7	4,018.7	4,518.2	4,615.1	4,753.6	4,797.4	4,935.4	5,003.4	5,190.8	5,197.3	5,199.7	5,215.9						
Net claims on Government	398.1	405.2	528.9	510.0	512.3	453.8	494.5	469.9	610.6	544.9	534.5	545.1						
Treasury bills	47.6	26.7	66.1	78.0	125.3	34.6	10.0	18.9	139.6	60.7	50.8	71.7						
Other securities	369.6	393.3	400.5	413.9	417.8	447.5	437.1	446.7	437.9	463.1	468.5	466.3						
Loans and advances	74.5	78.2	150.7	122.6	75.7	70.9	156.3	107.7	139.7	136.1	120.3	133.4						
Less: deposits	93.6	93	88.4	104.5	106.5	99.2	108.9	103.3	106.6	115.1	105.0	126.3						
Net claims on rest of public sector	53.0	91.5	(25.3)	(11.4)	(14.0)	(15.2)	12.3	15.4	(7.7)	(55.7)	(78.9)	(96.6)						
Securities	18.6	18.6	20.6	22.6	34.3	34.3	121.1	118.4	115.9	98.0	97.7	97.2						
Loans and advances	347.0	313.5	265.8	283.6	322.2	326.1	268.1	253.7	278.6	262.3	243.9	235.7						
Less: deposits	312.6	240.6	311.7	317.6	370.5	375.6	376.8	356.6	402.3	416.0	420.5	429.5						
Other net claims	3.5	(14.1)	(5.9)	(4.2)	8.2	(42.3)	(17.9)	(31.3)	(37.6)	(5.3)	(6.9)	(1.2)						
Credit to the private sector	4094.6	4339.4	4953.7	5,115.7	5,288.5	5,520.4	5,668.7	5,757.8	5,873.1	6,067.3	6,218.4	6,252.9						
Securities	20.4	14.7	28.2	27.4	28.2	29.2	21.7	20.3	24.3	24.9	29.6	29.6						
Mortgages	1438.4	1631.1	1919.1	1,996.8	2,084.2	2,182.3	2,258.1	2,320.7	2,390.4	2,480.1	2,580.4	2617.4						
Loans and advances	2,635.8	2,693.6	3006.4	3,091.5	3,176.1	3,308.9	3,388.9	3,416.9	3,458.4	3,562.3	3,608.4	3605.9						
Private capital and surplus	(1032.5)	(1121.4)	(1197.5)	(1,278.4)	(1,299.2)	(1,420.7)	(1,477.5)	(1,501.3)	(1,552.1)	(1,600.9)	(1,654.1)	(1,706.6)						
Net unclassified assets	301.5	318.1	264.3	283.4	257.8	301.4	255.3	292.8	304.5	247.0	186.7	222.3						
Liabilities to private sector	3,508.9	3,916.6	4297.1	4,364.2	4,508.1	4,491.7	4,547.8	4,726.4	4,883.9	4,896.0	4,982.7	5,120.6						
Demand deposits	766.2	921	1092.2	1,066.1	1,161.4	1,128.7	1,112.9	1,124.8	1,164.7	1,137.7	1,174.8	1182.5						
Savings deposits	682.1	783.7	885.3	915.1	937.6	949.0	956.8	988.3	1,032.7	1,016.2	994.7	1013.8						
Fixed deposits	2060.6	2211.9	2319.6	2,383.0	2,409.1	2,414.0	2,478.1	2,613.3	2,686.5	2,742.0	2,813.2	2924.3						

Source: The Central Bank of The Bahamas

TABLE 5
PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

Period	2005				2006				2007				2007			
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
1. Interest Income	533,519	646,269	740,930	145,220	156,110	162,343	182,596	182,718	181,288	187,091	189,833	187,091	181,288	187,091	189,833	189,833
2. Interest Expense	178,153	225,205	290,439	47,289	53,343	57,560	67,013	68,909	74,410	73,078	74,042	73,078	74,410	73,078	74,042	74,042
3. Interest Margin (1-2)	355,366	421,064	450,491	97,931	102,767	104,783	115,583	113,809	106,878	114,013	115,791	114,013	106,878	114,013	115,791	115,791
4. Commission & Forex Income	28,665	29,543	31,230	7,134	6,973	6,648	8,788	7,680	7,979	10,936	4,635	7,979	7,979	10,936	4,635	4,635
5. Gross Earnings Margin (3+4)	384,031	450,607	481,721	105,065	109,740	111,431	124,371	121,489	114,857	124,949	120,426	124,949	114,857	124,949	120,426	120,426
6. Staff Costs	125,378	138,087	132,473	33,502	33,914	35,985	34,686	26,848	34,586	36,696	34,343	34,586	34,586	36,696	34,343	34,343
7. Occupancy Costs	18,558	20,669	21,017	4,744	5,292	5,682	4,951	4,595	5,390	5,167	5,865	5,167	5,390	5,167	5,865	5,865
8. Other Operating Costs	54,888	63,002	81,476	16,036	15,093	14,022	17,851	19,773	18,603	21,972	21,128	21,972	18,603	21,972	21,128	21,128
9. Operating Costs (6+7+8)	198,824	221,758	234,966	54,282	54,299	55,689	57,488	51,216	58,579	63,835	61,336	63,835	58,579	63,835	61,336	61,336
10. Net Earnings Margin (5-9)	185,207	228,849	246,755	50,783	55,441	55,742	66,883	70,273	56,278	61,114	59,090	61,114	56,278	61,114	59,090	59,090
11. Depreciation Costs	12,625	11,088	11,629	2,818	2,842	2,810	2,618	2,935	2,986	2,967	2,741	2,967	2,986	2,967	2,741	2,741
12. Provisions for Bad Debt	21,897	43,129	37,697	6,181	10,819	7,967	18,162	5,696	12,567	8,614	10,820	8,614	12,567	8,614	10,820	10,820
13. Other Income	76,750	101,633	107,144	26,750	23,607	26,185	25,091	24,794	32,565	27,202	22,583	27,202	32,565	27,202	22,583	22,583
14. Other Income (Net) (13-11-12)	42,228	47,416	57,818	17,751	9,946	15,408	4,311	16,163	17,012	15,621	9,022	15,621	17,012	15,621	9,022	9,022
15. Net Income (10+14)	227,435	276,265	304,573	68,534	65,387	71,150	71,194	86,436	73,290	76,735	68,112	76,735	73,290	76,735	68,112	68,112
16. Effective Interest Rate Spread (%)	6.45	6.15	6.21	6.24	6.28	6.12	5.96	5.88	5.80	6.44	6.72	6.44	5.80	6.44	6.72	6.72
	(Ratios To Average Assets)															
Interest Margin	5.42	5.62	5.47	5.49	5.49	5.49	5.97	5.74	5.17	5.47	5.51	5.47	5.17	5.47	5.51	5.51
Commission & Forex Income	0.44	0.40	0.38	0.40	0.38	0.35	0.45	0.39	0.39	0.52	0.22	0.39	0.39	0.52	0.22	0.22
Gross Earnings Margin	5.85	6.02	5.85	5.89	5.91	5.84	6.42	6.12	5.56	5.99	5.73	5.99	5.56	5.99	5.73	5.73
Operating Costs	3.02	2.97	2.85	3.04	2.93	2.92	2.97	2.58	2.84	3.06	2.92	2.84	2.84	3.06	2.92	2.92
Net Earnings Margin	2.83	3.05	3.00	2.85	2.99	2.92	3.45	3.54	2.72	2.93	2.81	2.93	2.72	2.93	2.81	2.81
Net Income	3.47	3.69	3.71	3.84	3.52	3.73	3.68	4.36	3.55	3.68	3.24	3.68	3.55	3.68	3.24	3.24

*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

(B\$ Millions)

End of Period	2003			2004			2005			2006			2007			2008	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.
Money supply (M1)	907.4	1,134.4	1,247.6	1,265.5	1,352.7	1,263.6	1,251.1	1,267.9	1,330.7	1,273.3	1,300.3	1,308.4	1,308.4				
1) Currency in active circulation	160.1	176.6	195.3	198.2	198.3	199.0	202.1	216.1	216.9	213.3	223.7	214.2					
2) Demand deposits	747.3	957.8	1,052.3	1,067.3	1,154.4	1,064.6	1,049.0	1,051.8	1,113.8	1,060.0	1,076.6	1,094.2					
Central Bank	21.7	87.7	26.1	54.1	78.2	12.4	18.3	22.8	29.8	17.4	10.4	18.2					
Domestic Banks	725.6	870.1	1,026.2	1,013.2	1,076.2	1,052.2	1,030.7	1,029.0	1,084.0	1,042.5	1,066.2	1,076.0					
Factors affecting changes in money (M1)																	
1) Net credit to Government	506.5	547.1	642.5	621.2	642.2	636.0	677.0	664.2	773.7	823.6	866.8	840.1					
Central Bank	108.4	141.9	122.0	111.2	129.9	182.3	182.5	194.2	163.1	278.7	332.3	295.0					
Domestic Banks	398.1	405.2	520.5	510.0	512.3	453.7	494.5	470.0	610.6	544.9	534.5	545.1					
2) Other credit	4,467.5	4,680.1	5,257.0	5,430.2	5,653.1	5,888.9	6,065.9	6,137.9	6,275.6	6,435.5	6,567.5	6,593.2					
Rest of public sector	372.9	340.7	303.3	314.5	364.6	368.5	397.2	380.1	402.5	368.2	349.1	340.3					
Private sector	4,094.6	4,339.4	4,953.7	5,115.7	5,288.5	5,520.4	5,668.7	5,757.8	5,873.1	6,067.3	6,218.4	6,252.9					
3) External reserves	484.3	667.8	578.8	637.8	644.2	542.7	499.7	623.5	642.8	464.7	454.2	539.5					
4) Other external liabilities (net)	(628.1)	(563.5)	(611.0)	(654.1)	(650.6)	(723.8)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)					
5) Quasi money	3,095.9	3,287.1	3,582.6	3,668.7	3,802.5	3,815.1	3,894.0	4,054.0	4,202.2	4,269.4	4,337.0	4,474.1					
6) Other items (net)	(826.9)	(910.0)	(1,037.1)	(1,100.9)	(1,133.7)	(1,265.1)	(1,343.4)	(1,346.8)	(1,391.8)	(1,467.3)	(1,583.6)	(1,595.3)					

Source: The Central Bank of The Bahamas

TABLE 7
CONSUMER INSTALMENT CREDIT**

(B\$' 000)

End of Period	2004			2005			2006			2007			2008		
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.	
CREDIT OUTSTANDING															
Private cars	212,679	209,879	216,465	222,787	226,337	228,421	231,191	237,786	241,465	248,152	247,418				
Taxis & rented cars	2,349	2,317	2,322	2,340	2,502	2,568	2,305	2,004	2,095	1,908	1,925				
Commercial vehicles	5,212	6,038	6,173	6,551	6,588	6,829	7,024	6,985	6,926	6,956	6,966				
Furnishings & domestic appliances	13,972	17,309	17,667	18,277	18,768	19,658	20,018	20,265	21,111	22,394	22,435				
Travel	40,814	41,435	39,489	42,151	46,929	45,944	42,898	43,506	50,326	50,970	48,520				
Education	46,926	47,737	48,393	48,257	53,095	52,858	52,219	52,249	58,196	54,725	53,938				
Medical	13,811	14,446	14,940	16,227	16,691	17,320	18,149	18,846	20,231	20,520	21,014				
Home Improvements	114,199	134,334	137,988	142,222	145,557	152,851	154,103	157,601	162,026	163,070	164,973				
Land Purchases	150,096	174,645	177,630	186,023	190,508	201,318	212,473	217,701	221,946	227,236	232,912				
Consolidation of debt	346,795	413,193	429,545	439,948	447,458	459,791	469,828	482,978	496,945	496,296	505,038				
Miscellaneous	374,008	412,162	425,763	438,374	463,648	489,122	505,010	516,608	536,264	559,119	562,536				
Credit Cards	166,073	188,058	186,643	196,474	210,102	226,401	223,774	228,627	243,125	256,995	258,291				
TOTAL	1,486,934	1,661,553	1,703,018	1,759,631	1,828,183	1,903,081	1,938,992	1,985,156	2,060,656	2,108,341	2,125,966				
NET CREDIT EXTENDED															
Private cars	(8,655)	(2,800)	6,586	6,322	3,550	2,084	2,770	6,595	3,679	6,687	(734)				
Taxis & rented cars	295	(32)	5	18	162	66	(263)	(301)	91	(187)	17				
Commercial vehicles	958	826	135	378	37	241	195	(39)	(59)	30	10				
Furnishings & domestic appliances	1,245	3,337	358	610	491	890	360	247	846	1,283	41				
Travel	(1)	621	(1,946)	2,662	4,778	(985)	(3,046)	608	6,820	644	(2,450)				
Education	(2,977)	811	656	(136)	4,838	(237)	(639)	30	5,947	(3,471)	(787)				
Medical	149	635	494	1,287	464	629	829	697	1,385	289	494				
Home Improvements	4,903	20,135	3,654	4,234	3,335	7,294	1,252	3,498	4,425	1,044	1,903				
Land Purchases	29,831	24,549	2,985	8,393	4,485	10,810	11,155	5,228	4,245	5,290	5,676				
Consolidation of debt	3,135	66,398	16,352	10,403	7,510	12,333	10,037	13,150	13,967	(649)	8,742				
Miscellaneous	39,741	38,154	13,601	12,611	25,274	25,474	15,888	11,598	19,656	22,855	3,417				
Credit Cards	17,808	21,985	(1,415)	9,831	13,628	16,299	(2,627)	4,853	14,498	13,870	1,296				
TOTAL	86,432	174,619	41,465	56,613	68,552	74,898	35,911	46,164	75,500	47,685	17,625				

Source: The Central Bank of The Bahamas

* Includes both demand and add-on loans

TABLE 8
SELECTED AVERAGE INTEREST RATES

Period	(%)													
	2005			2006			2007			2008				
	2005	2006	2007	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	
DOMESTIC BANKS														
Deposit rates														
Savings deposits	2.26	2.16	2.05	2.19	2.13	2.16	2.14	2.01	1.96	2.00	2.24	2.30		
Fixed deposits														
Up to 3 months	3.13	3.17	3.51	3.15	3.13	3.16	3.25	3.44	3.50	3.52	3.58	3.74		
Up to 6 months	3.41	3.63	3.89	3.44	3.60	3.63	3.83	3.88	3.86	3.85	3.98	4.18		
Up to 12 months	3.58	3.93	4.28	3.85	3.88	3.88	4.10	4.32	4.19	4.12	4.47	4.83		
Over 12 months	3.62	4.18	4.52	4.13	4.10	4.15	4.32	4.84	4.05	4.48	4.71	5.05		
Weighted average rate	3.22	3.36	3.69	3.31	3.30	3.31	3.51	3.66	3.63	3.68	3.80	4.02		
Lending rates														
Residential mortgages	8.08	7.85	8.16	7.94	7.82	7.84	7.78	7.93	8.13	8.28	8.29	8.36		
Commercial mortgages	8.10	8.37	8.75	8.12	8.42	8.30	8.65	8.56	8.26	8.93	9.23	8.62		
Consumer loans	12.22	11.96	12.70	12.01	11.97	12.10	11.75	12.15	12.82	12.76	13.05	13.00		
Overdrafts	10.86	10.56	11.44	11.18	10.38	10.44	10.23	11.47	12.39	11.04	10.87	11.34		
Weighted average rate	10.34	9.97	10.63	10.25	9.90	9.93	9.79	10.35	10.82	10.63	10.72	11.00		
Other rates														
Prime rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50		
Treasury bill (90 days)	0.14	0.87	2.66	0.36	0.69	0.69	1.74	2.55	2.64	2.63	2.83	2.69		
Treasury bill re-discount rate	0.64	1.37	3.16	0.86	1.19	1.19	2.24	3.05	3.14	3.13	3.33	3.19		
Bank rate (discount rate)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25		

Source: The Central Bank of The Bahamas

TABLE 9
SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS

Period	2005				2006				2007				2008		
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. I	
Loan Portfolio															
Current Loans (as a % of total loans)	90.8	92.0	92.3	93.0	92.4	92.5	92.4	92.5	92.4	92.4	92.4	92.4	91.3	90.6	90.9
Arrears (% by loan type)															
Consumer	2.9	2.8	2.7	2.6	2.8	2.8	2.8	2.8	2.8	2.6	2.7	2.8	2.8	3.0	3.1
Mortgage	3.8	3.6	3.2	3.2	3.4	3.1	3.4	3.1	3.1	3.1	3.3	3.9	3.9	4.6	4.4
Commercial	2.5	1.6	1.8	1.2	1.4	1.6	1.4	1.6	1.9	1.9	1.5	1.9	1.9	1.7	1.5
Public	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Total Arrears	<u>9.2</u>	<u>8.0</u>	<u>7.7</u>	<u>7.0</u>	<u>7.6</u>	<u>7.5</u>	<u>7.6</u>	<u>7.5</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>8.7</u>	<u>8.7</u>	<u>9.4</u>	<u>9.1</u>
Total B\$ Loan Portfolio	100.0	100.0	100.0	100.0	100.0	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)	90.8	92.0	92.3	93.0	92.4	92.5	92.4	92.5	92.4	92.4	92.4	92.4	91.3	90.6	90.9
Arrears (% by days outstanding)															
30 - 60 days	2.9	2.7	2.7	2.3	2.4	2.5	2.4	2.5	2.4	2.7	2.6	3.1	3.1	3.6	3.2
61 - 90 days	1.5	1.0	0.7	0.7	1.2	0.9	1.2	0.9	0.8	0.8	1.0	1.3	1.3	1.3	1.2
90 - 179 days	0.8	0.9	0.9	0.7	0.8	0.9	0.8	0.9	0.8	0.8	0.7	0.9	0.9	1.2	1.4
over 180 days	4.0	3.4	3.4	3.3	3.2	3.2	3.2	3.2	3.3	3.3	3.4	3.4	3.4	3.3	3.3
Total Arrears	<u>9.2</u>	<u>8.0</u>	<u>7.7</u>	<u>7.0</u>	<u>7.6</u>	<u>7.5</u>	<u>7.6</u>	<u>7.5</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>8.7</u>	<u>8.7</u>	<u>9.4</u>	<u>9.1</u>
Total B\$ Loan Portfolio	100.0	100.0	100.0	100.0	100.0	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	39.7	33.9	35.1	36.5	37.0	35.0	37.0	35.0	31.9	31.9	33.1	30.8	30.8	29.4	32.8
Mortgage	38.8	42.9	41.6	44.3	41.7	40.9	41.7	40.9	42.7	42.7	42.1	42.7	42.7	45.6	46.4
Other Private	21.4	23.1	23.2	19.1	21.2	24.0	21.2	24.0	25.3	25.3	22.8	24.6	24.6	23.2	19.0
Public	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	2.0	1.9	1.9	1.8	1.8
Total Non Accrual Loans	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Provisions to Loan Portfolio															
Consumer	4.0	3.0	3.1	3.3	3.5	3.4	3.5	3.4	2.8	2.8	3.0	2.7	2.7	2.8	3.0
Mortgage	1.2	1.3	1.5	1.5	1.3	1.3	1.3	1.3	1.2	1.2	1.3	1.2	1.2	1.2	1.2
Other Private	1.0	1.6	2.3	2.3	2.3	2.5	2.3	2.5	2.8	2.8	2.4	3.2	3.2	3.2	3.3
Public	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Provisions to Total Loans	2.2	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.1	2.1	2.2	2.3
Total Provisions to Non-performing Loans	45.0	44.9	51.8	57.7	56.5	54.7	56.5	54.7	51.1	51.1	51.3	48.7	48.7	47.9	47.9
Total Non-performing Loans to Total Loans	4.8	4.5	4.3	4.0	4.1	4.2	4.1	4.2	4.1	4.1	4.1	4.3	4.3	4.5	4.7

Source: The Central Bank of The Bahamas

Figures may not sum to total due to rounding.

TABLE 10
SUMMARY OF BANK LIQUIDITY

End of Period	(B\$ Millions)																
	2003			2004			2005			2006			2007			2008	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
I. Statutory Reserves																	
Required reserves	187.2	205.3	226.3	228.6	238.0	244.6	244.7	248.5	258.5	263.1	265.0	269.3					
Average Till Cash	66.7	70.2	86.5	60.8	67.8	68.2	96.9	67.9	71.4	72.5	92.8	74.9					
Average balance with central bank	250.2	407.5	332.2	357.5	355.9	348.5	265.7	379.6	421.0	340.2	363.1	419.7					
Free cash reserves (period ended)	128.9	271.6	191.5	189.0	184.9	171.2	117.2	198.3	233.1	148.9	190.1	224.5					
II. Liquid Assets (period)																	
A. Minimum required Liquid assets	615.6	677.2	752.2	768.5	797.6	800.4	802.5	813.6	851.8	858.0	860.0	883.7					
B. Net Eligible Liquid Assets	772.3	909.7	895.6	937.8	990.4	964.2	865.6	988.9	1079.5	980.5	1011.9	1075.3					
i) Balance with Central Bank	243.5	383.7	284.7	347.0	345.5	359.8	251.1	420.4	389.2	339.6	341.2	420.8					
ii) Notes and Coins	80.1	79.0	106.3	57.5	60.9	59.6	116.7	60.8	72.5	74.0	110.6	80.2					
iii) Treasury Bills	47.6	26.7	66.1	78.0	125.3	34.6	10.0	18.9	139.6	60.7	50.8	71.7					
iv) Government registered stocks	369.5	393.3	400.4	413.9	417.8	447.5	437.1	446.7	437.9	463.1	468.5	466.3					
v) Specified assets	26.8	24.9	26.0	28.0	39.3	39.0	39.9	39.7	39.5	37.3	36.6	36.5					
vi) Net Inter-bank dem/call deposits	5.6	2.9	12.9	14.2	2.4	24.5	11.7	3.3	1.5	6.6	5.0	0.6					
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)					
C. Surplus/(Deficit)	156.7	232.5	143.4	169.3	192.8	163.8	63.1	175.4	227.6	122.5	151.9	191.6					

Source: The Central Bank of The Bahamas

**TABLE 11
GOVERNMENT OPERATIONS AND FINANCING**

(B\$ Millions)

Period	2004/05p			2006/07p			Budget			2006/07p			2007/08p			
	1,039.4	1,053.1	90.4	1,338.5	1,285.7	166.2	1,339.0	1,483.9	1,385.1	189.7	326.9	289.1	362.2	293.7	315.9	375.2
Total Revenue & Grants																
Current expenditure																
Capital expenditure																
Net lending																
Overall balance																
FINANCING (I+II-III+IV+V)																
I. Foreign currency borrowing																
External																
Domestic																
II. Bahamian dollar borrowing																
i) Treasury bills																
Central Bank																
Commercial banks & OLFIs																
Public corporations																
Other																
ii) Long-term securities																
Central Bank																
Commercial banks & OLFIs																
Public corporations																
Other																
iii) Loans and Advances																
Central Bank																
Commercial banks																
III Debt repayment																
Domestic																
Bahamian dollars																
Internal foreign currency																
External																
IV. Cash balance change																
V. Other Financing																

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

TABLE 12
NATIONAL DEBT

End of Period	2005p	2006p	2007p	2007p			2008p
				Mar.	Jun.	Sept.	
TOTAL EXTERNAL DEBT							
By Instrument							
Government Securities	286,528	289,186	272,128	293,450	270,744	271,916	272,128
Loans	225,000	225,000	200,000	225,000	200,000	200,000	200,000
	61,528	64,186	72,128	68,450	70,744	71,916	72,128
Multilateral institutions	61,528	64,186	68,513	64,835	67,129	68,301	68,513
Bilateral Institutions	--	--	3,615	3,615	3,615	3,615	3,615
Private Capital Markets	225,000	225,000	200,000	225,000	200,000	200,000	200,000
TOTAL INTERNAL DEBT	1,948,696	2,094,529	2,360,508	2,134,028	2,167,910	2,275,410	2,360,508
By Instrument							
Foreign Currency	--	1,918	20,112	1,918	1,015	1,015	20,112
Government securities	--	--	--	--	--	--	--
Loans	--	1,918	20,112	1,918	1,015	1,015	20,112
Bahamian Dollars	1,948,696	2,092,611	2,340,396	2,132,110	2,166,895	2,274,395	2,340,396
Advances	76,988	61,988	71,988	61,988	71,988	71,988	71,988
Treasury bills	192,469	192,469	230,469	192,469	202,469	230,469	230,469
Government securities	1,668,993	1,829,908	2,031,693	1,869,908	1,885,192	1,965,192	2,031,693
Loans	10,246	8,246	6,246	7,745	7,246	6,746	6,246
By Holder							
Foreign Currency	--	1,918	20,112	1,918	1,015	1,015	20,112
Commercial banks	--	1,918	20,112	1,918	1,015	1,015	20,112
Bahamian Dollars	1,948,696	2,092,611	2,340,396	2,132,110	2,166,895	2,274,395	2,340,396
The Central Bank	149,682	190,824	348,842	202,087	176,930	288,568	348,842
Commercial banks	463,385	450,974	521,404	468,353	581,222	526,549	521,404
Other local financial institutions	4,811	5,271	3,032	5,271	5,171	5,171	3,032
Public corporations	763,092	764,486	729,259	761,637	714,170	722,058	729,259
Other	567,726	681,056	737,859	694,762	689,402	732,049	737,859
TOTAL FOREIGN CURRENCY DEBT	286,528	291,104	292,240	295,368	271,759	272,931	292,240
TOTAL DIRECT CHARGE	2,235,224	2,383,715	2,632,636	2,427,478	2,438,654	2,547,326	2,632,636
TOTAL CONTINGENT LIABILITIES	501,637	500,885	431,507	493,747	448,828	440,408	431,507
TOTAL NATIONAL DEBT	2,736,861	2,884,600	3,064,143	2,921,225	2,887,482	2,987,734	3,064,143

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)							
	2005p	2006p	2007p	2007p			2008p	
				Mar.*	Jun.*	Sep		Dec.*
Outstanding debt at beginning of period	581,709	553,442	633,177	633,177	628,130	619,857	610,472	640,564
Government	284,611	286,528	291,104	291,104	295,368	271,759	272,931	292,240
Public Corporations	297,098	266,914	342,073	342,073	332,762	348,098	337,541	348,324
Plus new drawings	42,862	129,288	186,727	6,859	68,942	2,005	108,921	50,000
Government	4,974	10,824	32,886	5,018	3,942	2,005	21,921	--
Public corporations	37,888	118,464	153,841	1,841	65,000	--	87,000	50,000
Less Amortization	71,129	49,553	179,340	11,906	77,215	11,390	78,829	10,065
Government	3,057	6,248	31,750	754	27,551	833	2,612	835
Public corporations	68,072	43,305	147,590	11,152	49,664	10,557	76,217	9,230
Outstanding debt at end of period	553,442	633,177	640,564	628,130	619,857	610,472	640,564	680,499
Government	286,528	291,104	292,240	295,368	271,759	272,931	292,240	291,405
Public corporations	266,914	342,073	348,324	332,762	348,098	337,541	348,324	389,094
Interest Charges	30,937	35,234	40,418	5,226	14,450	4,251	16,487	3,979
Government	18,141	18,254	18,000	494	8,947	590	7,965	892
Public corporations	12,796	16,980	22,418	4,732	5,503	3,661	8,522	3,087
Debt Service	102,066	84,787	219,758	17,132	91,665	15,641	95,316	14,044
Government	21,198	24,502	49,750	1,248	36,498	1,423	10,577	1,727
Public corporations	80,868	60,285	170,008	15,884	55,167	14,218	84,739	12,317
Debt Service ratio (%)	3.4	2.7	6.6	2.1	10.8	2.0	11.6	1.5
Government debt Service/ Government revenue (%)	1.9	1.9	3.8	0.4	10.1	0.5	3.3	0.5
Commercial banks	215.9	293.7	324.1	285.5	301.8	292.3	324.1	365.9
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	112.0	108.7	107.3	108.4	108.8	108.9	107.3	105.4
Bilateral Institutions	0.0	0.0	3.6	3.6	3.6	3.6	3.6	3.6
Other	0.5	5.7	5.6	5.7	5.7	5.6	5.6	5.5
Private Capital Markets	225.0	225.0	200.0	225.0	200.0	200.0	200.0	200.0

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

Note: *Debt servicing during the 2nd & 4th quarters of 2007 includes the refinancing of \$40 million & \$65 million in Public Corporations (internal) debt. Net of these payments, the respective adjusted debt service ratios were 5.7% & 3.7%.

TABLE 14
BALANCE OF PAYMENTS SUMMARY*

	(B\$ Millions)											
	2005p			2006p			2007p			2008		
	Qtr.Ip	Qtr.IIip	Qtr.IVip	Qtr.Ip	Qtr.IIip	Qtr.IVip	Qtr.Ip	Qtr.IIip	Qtr.IVip	Qtr.Ip	Qtr.IIip	Qtr.IVip
A. Current Account Balance (I+II+III+IV)	(747.0)	(1,438.5)	(1,309.7)	(289.8)	(298.5)	(438.5)	(372.4)	(232.0)	(439.6)	(265.7)	(190.1)	
I. Merchandise (Net)	(1,850.2)	(2,098.2)	(2,155.4)	(501.3)	(539.1)	(482.6)	(550.3)	(510.2)	(579.0)	(515.8)	(503.4)	
Exports	549.0	664.9	743.9	163.1	162.7	170.5	174.8	181.1	194.1	194.0	234.5	
Imports	2,399.2	2,763.2	2,899.3	664.3	701.8	653.1	725.1	691.3	773.1	709.8	737.9	
II. Services (Net)	1,221.2	825.5	1,025.4	262.2	287.8	118.1	212.7	359.1	176.1	277.6	332.7	
Transportation	(312.9)	(300.8)	(310.6)	(76.1)	(78.5)	(73.6)	(87.3)	(80.9)	(76.0)	(66.4)	(80.5)	
Travel	1,724.6	1,671.2	1,809.8	487.6	510.0	342.9	495.6	545.1	379.7	389.3	506.5	
Insurance Services	(97.1)	(120.7)	(106.5)	(21.7)	(33.7)	(30.2)	(14.7)	(34.3)	(36.0)	(21.4)	(28.5)	
Offshore Companies Local Expenses	148.2	188.1	210.2	32.5	34.0	76.0	44.2	46.4	56.7	63.0	62.2	
Other Government	(50.4)	(68.4)	(44.8)	(21.0)	(5.1)	(33.4)	(17.3)	(1.5)	(21.6)	(4.5)	(6.4)	
Other Services	(191.2)	(543.8)	(532.7)	(139.2)	(139.0)	(152.3)	(207.7)	(115.8)	(126.7)	(82.4)	(120.5)	
III. Income (Net)	(203.3)	(217.9)	(231.6)	(67.0)	(66.2)	(57.7)	(45.6)	(98.0)	(48.6)	(39.4)	(34.1)	
1. Compensation of Employees	(73.2)	(92.9)	(84.7)	(41.1)	(19.2)	(16.3)	(16.9)	(19.7)	(23.8)	(24.4)	(15.4)	
2. Investment Income	(130.1)	(125.1)	(146.9)	(25.9)	(47.0)	(41.5)	(28.7)	(78.4)	(24.9)	(15.0)	(18.7)	
IV. Current Transfers (Net)	85.3	52.1	51.8	16.3	19.0	6.3	10.5	17.2	12.0	11.9	14.7	
1. General Government	59.1	58.3	60.9	17.8	20.0	9.0	12.7	19.8	13.8	14.7	17.3	
2. Private Sector	26.2	(6.2)	(9.1)	(1.5)	(1.0)	(2.7)	(1.9)	(2.6)	(1.8)	(2.9)	(2.6)	
B. Capital and Financial Account (I+II)	890.7	1,216.6	951.5	276.9	148.2	342.9	430.3	181.9	123.6	215.5	382.7	
(excl. Reserves)												
I. Capital Account (Net Transfers)	(60.4)	(63.5)	(75.7)	(13.8)	(14.2)	(21.8)	(21.4)	(16.8)	(21.5)	(16.0)	(11.6)	
II. Financial Account (Net)	951.1	1,280.1	1,027.2	290.7	162.4	364.7	451.7	198.7	145.1	231.5	394.3	
1. Direct Investment	563.6	706.4	713.3	178.6	100.5	140.2	310.0	119.5	130.1	153.7	185.0	
2. Portfolio Investments	--	(18.8)	(7.2)	--	(12.5)	(6.3)	--	(3.1)	--	(4.1)	5.1	
3. Other Investments	387.5	592.5	321.0	112.1	74.3	230.8	141.8	82.3	15.0	82.0	204.1	
Central Gov't Long Term Capital	1.1	2.6	(18.9)	0.7	(1.5)	2.3	4.3	(22.8)	1.2	(1.5)	(0.8)	
Other Public Sector Capital	(9.8)	(6.2)	9.0	(1.2)	(2.0)	(1.1)	(1.1)	1.1	(1.1)	10.1	(1.1)	
Banks	47.6	143.0	(86.6)	43.0	(3.5)	73.2	(26.4)	4.3	(18.3)	(46.2)	(72.5)	
Other	348.6	453.0	417.4	69.6	81.3	145.7	165.0	99.7	33.1	119.5	278.6	
C. Net Errors and Omissions	(232.6)	142.8	312.4	72.0	156.6	(6.0)	65.9	69.3	137.9	39.4	(107.1)	
D. Overall Balance (A+B+C)	(88.9)	(79.1)	(45.9)	59.1	6.3	(101.6)	123.8	19.2	(178.1)	(10.8)	85.6	
E. Financing (Net)	88.9	79.1	45.9	(59.1)	(6.3)	101.6	(123.8)	(19.2)	178.1	10.8	(85.6)	
Change in SDR holdings	0.0	0.1	--	--	--	0.1	--	--	--	--	--	
Change in Reserve Position with the IMF	0.7	(0.5)	(0.4)	(0.1)	(0.2)	(0.2)	--	--	(0.3)	(0.1)	(0.4)	
Change in Ext. Foreign Assets () = Increase	88.2	79.6	46.3	(59.0)	(6.1)	101.6	(123.8)	(19.2)	178.4	10.9	(85.2)	

Source: The Central Bank of the Bahamas

* Figures may not sum to total due to rounding

TABLE 16
SELECTED TOURISM STATISTICS

Period	2006p				2007p				2008p			
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
Visitor Arrivals	4,779,417	4,730,607	4,595,582	1,285,708	1,310,123	1,036,799	1,097,977	1,274,045	1,152,037	1,054,442	1,115,058	1,303,601
Air	1,514,532	1,491,633	1,486,301	410,156	449,996	334,010	297,471	389,597	410,372	350,033	336,299	403,333
Sea	3,264,885	3,238,974	3,109,281	875,552	860,127	702,789	800,506	884,448	741,665	704,409	778,759	900,268
Visitor Type												
Stopover	1,608,153	1,600,112	n.a	423,753	495,583	357,726	323,050	397,861	n.a	n.a	n.a	n.a
Cruise	3,078,709	3,076,397	2,970,659	839,777	797,684	662,164	776,772	854,457	696,715	660,787	758,700	868,745
Day/Transit	83,619	68,085	n.a	17,933	19,875	15,165	15,112	n.a	n.a	n.a	n.a	n.a
Tourist Expenditure(B\$ 000's)	2,068,859	2,056,428	n.a	566,722	597,559	457,719	434,429	n.a	n.a	n.a	n.a	n.a
Stopover	1,883,863	1,880,300	n.a	517,798	550,619	420,766	391,118	n.a	n.a	n.a	n.a	n.a
Cruise	179,979	172,043	n.a	47,848	45,748	36,043	42,404	n.a	n.a	n.a	n.a	n.a
Day	5,017	4,085	n.a	1,076	1,193	910	907	n.a	n.a	n.a	n.a	n.a
Number of Hotel Nights	3,224,892	3,266,878	n.a	827,956	831,916	806,698	800,308	789,030	n.a	n.a	n.a	n.a
Average Length of Stay	6.4	6.4	n.a	6.8	6.3	5.9	6.7	n.a	n.a	n.a	n.a	n.a
Average Hotel Occupancy Rates (%)												
New Providence	75.4	76.9	73.7	83.3	83.4	75.4	65.8	79.9	78.5	71.6	64.9	n.a
Grand Bahama	63.7	52.0	46.6	70.0	57.7	43.5	36.8	49.4	54.8	44.6	37.7	n.a
Other Family Islands	39.4	36.3	38.5	34.6	51.1	30.8	28.8	41.8	49.3	35.0	27.7	n.a
Average Nightly Room Rates (\$)												
New Providence	164.8	172.0	201.0	189.2	182.9	159.0	156.7	201.6	213.6	191.9	197.0	n.a
Grand Bahama	109.8	122.3	124.8	143.7	133.7	98.8	113.0	158.2	137.9	103.7	99.3	n.a
Other Family Islands	190.1	205.1	219.9	223.8	213.0	184.0	199.7	243.8	218.7	200.6	216.5	n.a

Source: The Ministry of Tourism

GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2007)

INTRODUCTION

The 2007 survey of the gross economic contribution of the financial sector, with a data pool spanning almost 35 years, highlights the sector's continuing significance to the local economy—estimated at an average 15%-20% of the country's gross domestic product (GDP). While the analysis of bank and trust operations remains the key focus of this exercise, recent attempts to both enhance and broaden the scope of survey information entailed greater emphasis on the contribution of other financial services, including credit unions, insurance companies and investment funds.

Generally, banking sector activities during 2007 pointed to increased outlays for both domestic and international segments, alongside employment gains. Similar trends were noted for other non-bank financial sector institutions. Regulatory and legislative efforts continued to be geared towards increasing the sector's competitiveness and soundness by ensuring compliance with international standards and best practices.

BANKING SECTOR

The banking sector in The Bahamas represents one of the most important pillars within the local economy. Based on the results of the 2007 survey conducted by the Central Bank, the sector's performance featured sustained employment and spending growth, combined with increased capital investments. The total number of banks and trusts companies licensed to operate from or within The Bahamas decreased by 3 to 245 over the previous year, following the cessation of business by 8 licensees and the issuance of 5 new licenses. Of the 245 licensees, more than three quarters (214) had a physical presence in the jurisdiction, a decline of one from the previous year's total; and the remaining 31, which are mainly G-8 branches, operated under managed arrangements approved by the Central Bank, and consistent with international best practices. The number of public banks and trust companies tapered by 5 to 138, while restricted and non-active entities increased marginally by 2 to 107. Among the public banks and trusts, Bahamian incorporated companies fell by 3 to 87; euro-currency operations declined by 1 to 30; whereas, the surrender of an

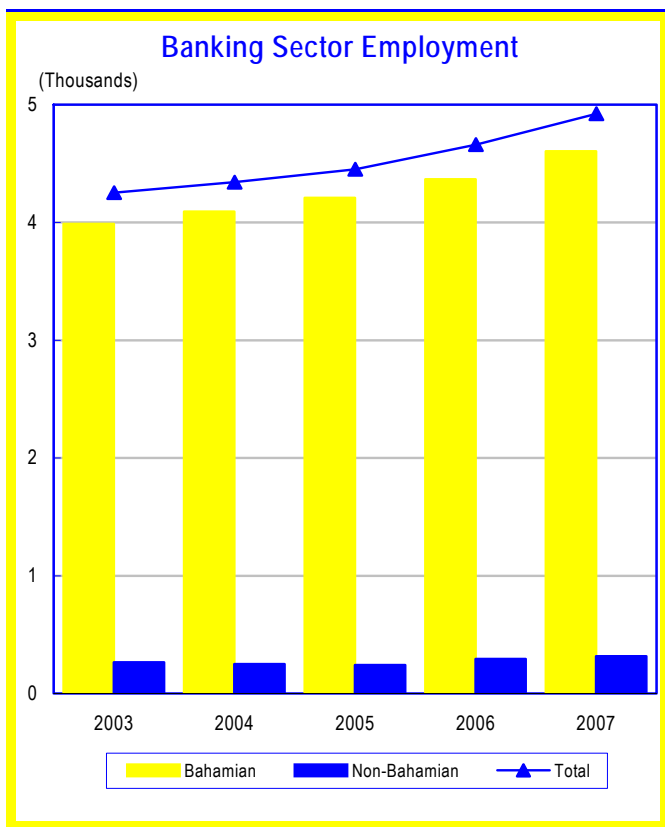
authorized dealer and agent designation decreased the number of domestic banks to 22.

In line with the overall growth in the sector, the asset holdings of international banks and trust companies maintained an upward trajectory. For the period ending June 2007, the total asset base of these entities firmed by 1.1% (\$3.7 billion) to \$351.2 billion. On the domestic side, banks' assets strengthened by \$692.7 million (8.9%) to \$8.4 billion, with the average return on asset ratio steady at 3.7% in 2007, and profits higher by 10.3%. In contrast, due to reductions in deposit balances as well as investments in capital market instruments, the total value of fiduciary assets under management contracted by an estimated 11.6% (\$33.2 billion) to \$254.1 billion, following gains of 26.0% (\$59.3 billion) a year earlier.

Since the coming into force of the new legislation on Private Trust Companies, the Central Bank approved two (2) Financial and Corporate Service providers to act as Registered Representatives of Private Trust Companies and seven (7) Private Trust Companies were certified to be exempted from having to obtain a trust licence, as mandated by the Banks and Trust Companies Regulation Act, 2000, while five (5) of the Bank's licensees indicated that they planned to act as Registered Representatives for Private Trust Companies.

EMPLOYMENT

Buoyed by sustained growth in the financial sector, the banking industry's workforce grew by 5.6% (261) to 4,923. The 5.4% (238) increase in the number of Bahamians employed to 4,606, outpaced the year earlier 3.8% gain, and the 0.8% average expansion for the five year period ending 2006. Following a 22.0% spike a year earlier, aligned with the servicing of new business demands, growth in the number of expatriate workers slackened to 7.8% (23) to 317 at the end of 2007—although exceeding the 1.0% average gain for the previous five years. The share of expatriate and Bahamian workers within the total workforce stabilized at 6.4% and 93.6%, respectively.



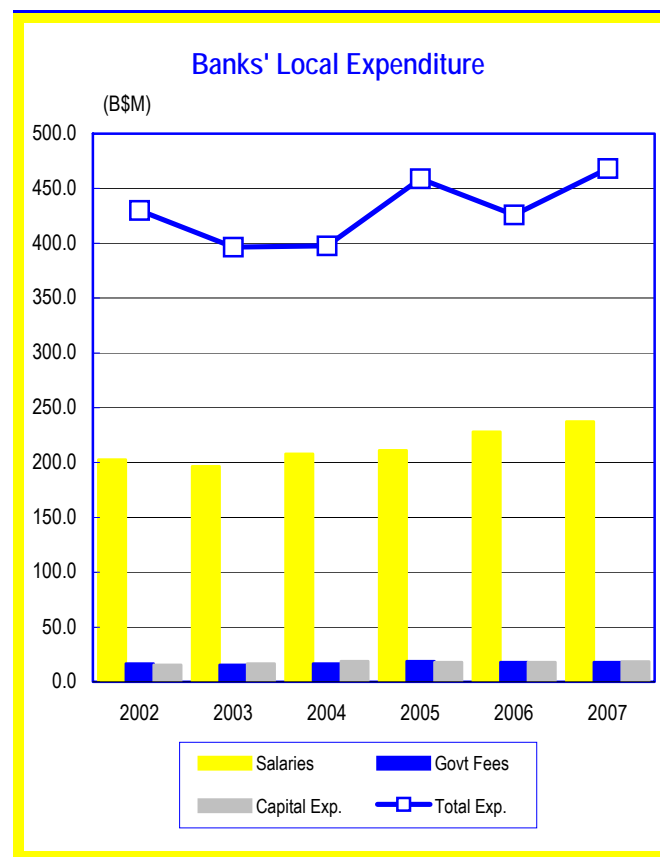
EXPENDITURE

Despite a slight reduction in the number of branches, by 3 to 108, higher operational and capital expenses elevated banks' total expenditures by 2.2% (\$10.2 million) to \$478.3 million, although below the 9.9% upturn in the previous period and the average 4.2% increase noted from 2002 - 2006.

Operational expenditures, which accounted for approximately 94.5% of total spending, rose by a reduced 2.1% (\$9.4 million) to \$451.9 million, compared to the 8.4% and 4.1% respective gains registered in 2006 and over the five years to 2006. In particular, outlays for Government fees, which were stable in 2006, advanced by 3.5% to \$18.7 million, attributed primarily to gains in licensing expenses (16.1%), stamp duties (106.6%) and real property taxes (32.3%), which offset cumulative declines (16.8%) in other fees incurred. The category Other Administrative Costs also declined by 2.9%, in contrast to a 12.3% advance in 2006.

Staff related expenditures trended higher, as salaries firmed by 6.3% to \$237.5 million, extending the previous year's 5.8% growth and pacing above the 2.5%

average increase for the five year period through 2006. The average annual salary paid to employees was slightly higher by 0.7% at \$48,250 building on the gains registered during 2006 and over the last five years, of 1.0% and 1.6%, respectively. The improvement was solely in the non-Bahamians component, whose average salary level grew by 5.8% to \$107,959; whereas Bahamian employees registered a modest fall-off of 0.3% to \$44,141. Indications are that training outlays grew by 11.2% to a six year high of \$3.1 million.



Following a 45.0% surge in 2006, accretions to capital expenses moderated by 3.4% to \$26.4 million. Investments were primarily focused on renovations to existing premises, which at \$6.9 million, almost doubled the previous year's outlays. Capital spending on new premises advanced by 13.2% to \$1.3 million; with spending for office equipment and furniture increased marginally to \$14.9 million while land purchases declined by almost 50% to \$3.3 million.

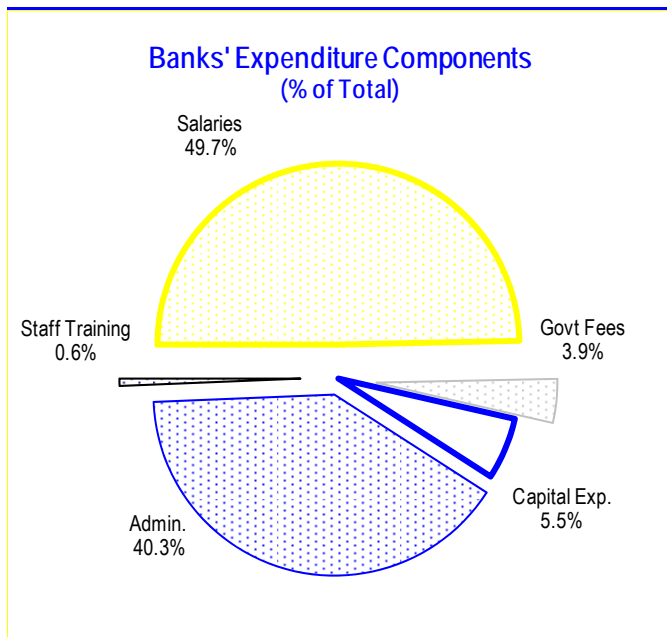
DOMESTIC VERSUS INTERNATIONAL BANKING

Reflecting growth in local banking activities, employment in the domestic banking sector, where the focus is predominantly on retail services strengthened by 5.9% (209 persons) to 3,766 persons at end-2007. Employment for the offshore institutions, which typically require a higher degree of technical and multilingual skills to assist in the provision of wealth management-oriented services and products, rose by 4.7% (52 persons) to 1,157. Consequently, the proportion of total employment accounted for by domestic entities rose only marginally to 76.5%.

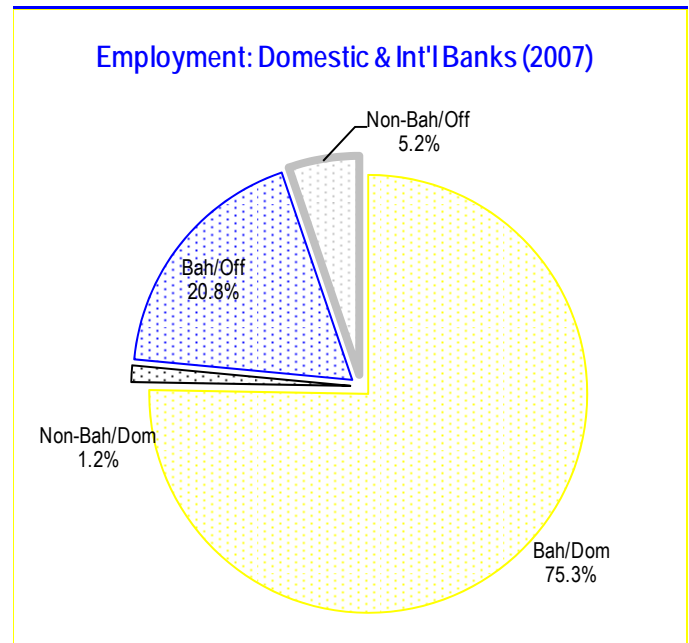
There was a slight firming in the ratio of Bahamian to non-Bahamians employed by domestic banks, to 61:1 from 60:1 in 2006, as the growth in Bahamian workers of 207 to 3,706, surpassed the gain in the expatriate component of 2 to 60. Offshore banks increased Bahamian hires by 31 (3.6%) to 900 persons and non-Bahamians, by 21 (8.9%) to 257—with the ratio of Bahamians to non-Bahamians stable at 3:1.

ries of 4.3% (\$6.5 million); in fees paid to the Government, of 5.3% to \$9.3 million and a 42.9% hike in staff training costs to \$2.1 million. Other administrative outlays contracted by 3.1% to approximately \$110.8 million. Capital spending grew by 12.7% (\$2.0 million), based on elevated expenditures for the renovation of existing premises, the acquisition of new premises as well as for office furniture and equipment purchases, which contrasted with reduced land investments.

Offshore banks and trust companies increased their expenditures by 2.3% to \$181.2 million, which was below the previous year's 10.9% capital-led upturn. Operational expenses were extended by 3.1% to \$173.2 million, in comparison with a more robust 8.7% gain in 2006. Salary-related costs, at 44.7% of the total, advanced by 10.3%, followed by a more moderate 1.8% gain in payments for Government fees. Capital spending tapered off significantly, by 13.2%, following the previous year's broad-based expansion of 80.1%.



With regards to expenditure, domestic banks' total outlays rose marginally by 2.1% (\$6.2 million) to \$297.1 million, trailing 2006's 9.3% upswing to \$290.9 million and the 4.6% average growth of \$46.8 million achieved between 2002 and 2006, which was supported by capital investments. The 1.5% (\$4.1 million) gain in spending for operational activities included a firming in wages & sala-



The survey results also indicated that the average salary dispersion between employees of international banks and trust companies vis-à-vis those of domestic operations widened, as the remuneration of employees in the offshore sector advanced by 5.4% to \$70,031 per annum, while domestic salaries declined by 1.4% to \$41,562 per year.

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	2002p	2003p	2004p	2005p	2006p	2007p	2002p	2003p	2004p	2005p	2006p	2007p
	DOMESTIC						OFFSHORE					
A. TOTAL EMPLOYMENT	3,309	3,208	3,185	3,424	3,557	3,766	1,201	1,045	1,181	1,027	1,105	1,157
1. Non-Bahamians	44	43	38	49	58	60	239	222	214	192	236	257
2. Bahamians (of which:)	3,265	3,165	3,147	3,375	3,499	3,706	962	823	967	835	869	900
i) Local Banking	2,675	2,602	2,689	2,824	2,964	3,146	3	3	2	2	5	0
ii) Offshore Banking	103	101	136	85	79	83	524	483	555	531	548	569
iii) Trust Administration	251	291	206	267	287	293	171	164	190	188	207	207
iv) Other	236	171	116	199	169	184	265	173	220	114	109	124
	(B\$ Millions)											
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	230.1	225.4	250.2	253.7	274.6	278.7	146.8	156.8	177.6	154.6	168.0	173.2
1. Salaries	129.9	129.5	126.4	142.5	150.0	156.5	72.9	67.1	82.8	68.6	73.5	81.0
2. Government Fees	6.4	6.7	7.4	8.8	8.8	9.3	9.1	9.7	11.6	9.2	9.2	9.4
i) Licence	3.2	2.8	2.8	4.9	4.4	5.1	4.1	3.9	4.2	4.7	4.0	4.6
ii) Company Registration	0.7	0.7	0.7	0.7	0.7	0.9	2.1	0.7	0.7	1.2	1.8	1.5
iii) Work Permits	0.4	0.5	0.6	0.6	0.6	0.6	1.9	1.8	1.9	1.8	2.1	2.1
iv) Other Government Fees	2.2	2.7	3.3	2.6	3.1	2.8	1.0	3.4	4.8	1.5	1.4	1.2
3. Staff Training	1.3	1.3	1.3	1.5	1.5	2.1	1.6	1.1	1.2	1.2	1.4	1.0
4. Other Administrative Costs	92.5	87.9	115.1	100.9	114.3	110.8	63.2	78.9	82.1	75.5	83.9	81.7
C. CAPITAL EXPENDITURE I/	13.2	11.9	27.8	12.5	16.3	18.3	6.1	3.6	7.2	5.1	9.2	8.0
D. TOTAL EXPENDITURE (B+C)	243.3	237.2	277.9	266.2	290.9	297.1	153.0	160.3	184.8	159.7	177.2	181.2
E. AVERAGE SALARY (B\$/000)	39,250	40,352	39,699	41,618	42,172	41,562	60,717	64,214	70,082	66,838	66,472	70,031

Source: The Central Bank of The Bahamas

I/ (includes construction, renovation expenses and other fixed assets)

OTHER FINANCIAL SECTOR ACTIVITIES

Indications are that the non-bank financial sector maintained its growth momentum during 2007, buoyed by continued expansions in household and business incomes, improved technology, further staff training and new financial product offerings.

INSURANCE SECTOR

The latest information available for the insurance industry suggest that the total expenditure level increased by 11.5% to \$129.9 million, following a 4.2% contraction in 2006. Provisional data from the Central Bank's annual survey showed that employment in the sector firmed, on a yearly basis, by 83 persons to 1,474, with the Bahamian component increasing by 80 to 1,447, for approximately 98.2% of overall employment. Non-Bahamian workers in the sector rose marginally by 3 to 27.

In line with the increased employment, salaries expanded by an estimated 8.7% to \$67.2 million in 2007. Buoyed by increased gross premium collections and higher stamp duty payments, Government fees firmed by 20.9% to \$14.8 million. In addition, office space renovation costs surged three-fold to \$2.8 million; other administrative expenses rose by 12.9% to \$30.2 million, and outlays for staff training expanded by 17.1% to \$0.4 million. In contrast, other capital expenditures fell by 5.8%, due mainly to a reduction in office equipment and furniture purchases.

CREDIT UNIONS

Preliminary results from the Central Bank's 2007 survey on credit unions confirmed the continued importance of these activities in providing alternative financial services, with assets gaining \$20 million to \$236.0 million in 2007. Overall outlays firmed by 7.1% to \$6.6 million, inclusive of salaries, which accounted for 44.2% of the total at \$2.9 million. Moderate increases were registered for administrative related expenses (\$0.7 million), fees for renovation expenses (\$0.03 million), and public utilities (\$0.04 million). In contrast, other "miscellaneous" capital expenditures fell by \$0.2 million (33.7%) to \$0.4 million, as no land acquisitions were made in 2007, compared to net purchases of \$0.3 million in the previous year. Payments of Government fees also fell marginally by \$0.01 million (19.7%) to \$0.06 million.

Employment increased marginally by 4 (3.8%) to 110 persons, bringing the average annual growth rate to 2.76% over the past five years. Average salaries for the industry were estimated at \$26,555 per worker.

INVESTMENT FUNDS INDUSTRY

The Securities Commission of The Bahamas compilation of investment funds data for 2007 showed that the number of active mutual funds under management grew by 59 (8.2%) over the year to 782. Growth in assets under management surged by US\$92.9 billion to \$297.6 billion. By end-2007, the number of investment fund administrators had increased by 2 to 65.

CAPITAL MARKETS DEVELOPMENTS

The end of year statistics on trade and index performance for the Bahamas International Securities Exchange (BISX) indicated an overall improvement in share values, as the BISX All Share Index rose by 23.2% to 2,066.75 points in 2007, trending in line with the 24.1% increase in 2006. The Fidelity Capital Market Index (FINDEX), which reports on the over-the-counter market trading, was boosted by 26.4% to 938.3 points, although slowing from 2006's 34.5% expansion to 742.2 points. However, the 24.3% gain in market capitalization to \$3.9 billion surpassed the 20.8% year-earlier advance. Meanwhile, the trading volume of shares declined by 9.2% to 4.8 million, and the value fell by 1.6% to \$28.3 million; whereas the number of publicly traded companies remained at 19.

In other capital market developments, two new Bahamas Depository Receipt (BDR) products were offered to the public, following from the Central Bank's Exchange Control liberalization measures, which came into effect in January 2006. Under the current BDR programme, BISX registered broker dealers are allowed to purchase a portion of the Central Bank's foreign exchange reserves under a specific formula, which is then utilized to purchase foreign assets. The assets are subsequently packaged into BDR products, which have been approved by the Securities Commission, and offered for sale to resident investors. One BDR offering totaled \$10.0 million, and the other amounted to \$100,010 divided into 10,000,000 non-voting Class 'A' shares, with a par value

of \$0.01 per share and 10,000 voting Class 'B' shares with a par value of \$0.001 per share, respectively.

RECENT REGULATORY DEVELOPMENTS

Regulatory initiatives continued to support The Bahamas' goal of maintaining a robust and progressive regulatory regime. In this regard, amendments were proposed to the Central Bank's two primary acts, the Central Bank of The Bahamas (Amendment) Act, 2007 and the Banks and Trust Companies Regulation (Amendment) Act, 2007¹ to allow, for the sharing of information with other domestic regulatory authorities—considered important to the proper functioning of the financial sector.

Other notable proposals included legislative changes to the existing Banks and Trust Companies Regulation Act, 2000: to bring the supervision of non-bank money transmission businesses under the authority of the Central Bank; to clearly define the rights and duties of the auditors of licensees in reporting significant information to the Inspector of Banks and Trust Companies; and to modify the documentary requirements for applicants, specifically as it relates to net worth and character references requirements.

¹ These amendments came into effect on May 2, 2008.