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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary indicators suggest that the Bahamian economy continued to be adversely impacted by weakness in the tourism sector and a slowdown in construction output amid reduced domestic financing opportunities and foreign investment-led activities. In the fiscal sector, a small deficit emerged during the third quarter of FY2001/02, marked by sluggish revenue performance related to import and tourism activities. Monetary developments were marked by a slowdown in domestic credit growth, which supported a stronger seasonal buildup in bank liquidity and external reserves, and influenced marginal easing in average deposit interest rates. On the external side, the current account position reverted to an overall surplus, owing to reduced net goods imports, and the surplus on the short term capital and financial account expanded in the context of net short-term inflows by bank and public sector net borrowing activities.

Existing policy constraints on private sector lending, combined with seasonal foreign currency inflows, supported a more than twofold hike in free cash balances of the banking system to $114.1 million during the first quarter of 2002, most of which was held as excess balances with the Central Bank. This was equivalent to an improved 3.2% of Bahamian dollar deposit liabilities as compared to 1.8% in 2001. Broader surplus liquid assets also grew by 57.1% to $106.0 million, to nearly double the March 2001 estimate. Although these conditions influenced an 8 basis-point softening in commercial banks' weighted average deposit rate to 4.37%, a stronger emphasis on mortgage lending caused a similar decline in the corresponding loan rate to 11.20%, thereby maintaining the average quarterly spread at 6.83%. Increased competition for investment assets led to an 8 basis points hike in the 90-day Treasury bill rate to 2.63%, but benchmark rates—commercial banks' Prime and the Central Bank's Discount Rate—were unchanged at 6.00% and 5.75%, respectively.

Reflecting a subdued contribution from tourism and lower investment related foreign currency inflows, monetary expansion (M3) was moderately lower at 2.3% from 2.7% in the first quarter of 2001, placing the overall money stock at $3.80 billion. In particular, fixed deposit gains narrowed to 2.2% from 3.6%, countering a rebound in demand deposits of 3.5% after a 0.5% decline last year, and accelerated growth in savings deposits of 4.1% vis-à-vis 2.6% in 2001. The currency component contracted further by 4.0%.

In the context of weak domestic demand, total domestic credit expansion abated to 1.0% from 2.1% in 2001. Growth was evident only in the public sector, where the 4.7% decline in net claims on Government was offset by a 26.7% surge in credit to the public corporations. Conversely, the rate of increase in private sector credit slackened to 1.0% from 2.3%, featuring significantly reduced expansion in personal mortgages of 2.2% relative to 7.7% in 2001. Otherwise, consumer credit, a traditionally significant growth component, contracted marginally by 0.2% to contrast with growth of 1.1% last year.

On the fiscal front, preliminary indicators point to a small deficit of $2.4 million in budgetary operations during the third quarter of FY2001/02, following a marginal surplus of $0.4 million in the comparative period last year. Generally weak economic conditions occasioned a 6.4% fall-off in revenue collections to $218.1 million. Meanwhile, on the expenditure side, the public corporations' $25.0 million net repayment masked otherwise increased recurrent and capital spending of 6.1% and 50.3% to $223.5 million and $22.1 million, respectively. Inclusive of short-term resources obtained through the banking system, budgetary financing activities resulted in a net repayment on Bahamian dollar debt of $27.7 million, and on foreign currency obligations of $26.3 million. This contributed to a 2.1% decrease in the Direct Charge on Government to $1,573.3 million. However, after a $45.8 million increase in Government's contingent liabilities to $408.7 million, the National Debt rose by $12.0 million (0.6%) to $1,981.7 million—to contrast with a $6.5 million (0.3%) decline in 2001.

As regard tourism, the extent of the recovery since September 11 was primarily marked by a reduced seasonal level of expenditure decline, as evidenced by a diminished rate of price discounting of the stopover product. Although total visitor arrivals strengthened over the same period last year by 2.9% to 1.2 million, this was based entirely on a 7.5% gain in sea arrivals vis-à-vis 8.7% last year, which was concentrated in the Family Islands. Air arrivals, which include the stopover segment, contracted by 5.8% in contrast to a 4.5% upturn last year. According to stopover indicators, first quarter data for New Providence suggested marginal gains in room night sales (0.3%), which were insufficient to compensate for an average price decline of 1.4%, thereby precipating an estimated 1.1% loss in room revenue. The respective revenue losses for January and February in Grand Bahama and the Family Islands were 10.3% and 9.9%, following combined declines in both occupied room nights and average nightly rates. During the previous quarter, average room revenue loses throughout The Bahamas exceeded 25.0%, with more marked reductions in both occupancy and average room rates.

Although official statistics on construction activity were not available, mortgage lending data suggest progressive moderation in the sector during the first quarter. In particular, the Central Bank's latest survey of lenders (including banks, insurance companies and The Bahamas Mortgage Corporation), revealed curtailed growth in total residential and commercial loans at $21.1 million and $14.8 million respectively, from $60.5 million and $56.7 million in the first quarter of 2001. In the residential segment, total loan commitments on new construction and property repairs also decreased by 14.9% to $24.7 million, although similar commercial commitments expanded three-fold to $11.6 million.

Inflation, as measured by the quarterly change in the average Retail Price Index, moderated to 0.5% from 0.7% in the first quarter of 2001. This reflected declines in average costs on recreation & entertainment services and on medical care & health, and more decelerated advances in average costs for food & beverages and clothing & footwear. On a twelve-month basis, average consumer price inflation firmed broadly to 2.3% vis-à-vis 1.5% in 2002, inclusive of tuition-based acceleration in average education costs (11.2%). The only increase was noted in medical & health care costs (1.5%).

On the external side, the estimated current account balance switched to a surplus of $53.3 million during the first quarter of 2002, from a deficit of $29.6 million in the corresponding 2001 period. The trade deficit contracted by 33.2% to an estimated $199.0 million, which outdistanced the 2.8% tourism-led cut in net invisible receipts to $285.5 million. Otherwise, the current account surplus was also curtailed by the 20.1% increase in net income outflows to $44.7 million, and slightly reduced net transfer receipts of $11.4 million.

Despite a sizeable reduction in net foreign direct investments, the recorded surplus on the capital and financial account improved to an estimated $63.8 million from $53.6 million in 2001. The position was upheld by a reversal in the public sector's transactions to a net borrowing of $13.8 million from a net repayment of $2.4 million last year. Another contributing factor was the $39.6 million rise in the banking system's net short-term inflows. Conversely, the private sector's combined equity and real estate inflows decreased to $19.0 million from $28.6 million in 2001, while private long-term loan facilities recorded a marginal net repayment of $0.6 million as opposed to a net borrowing of $34.1 million in 2001.

FISCAL OPERATIONS

Based on preliminary data for the third quarter of FY2001/02, the Government's budgetary operations resulted in an overall deficit of $2.5 million, as compared to a $0.4 million surplus in the year-earlier period. This outcome occurred despite a 5.2% decline in total expenditure to $220.5 million—related to a significant net repayment on lending to the public corporations—as revenue collections fell more sizeably by 6.4% to $218.1 million.

REVENUE

Of the $218.1 million in revenue receipts, tax collections represented $191.9 million or 88.0%, for a 6.3% decline from the corresponding FY2000/01 period. Taxes on international trade and transactions fell by 24.6% to $115.3 million, as imports slowed amid persistent sluggishness in tourism activity and tight private sector credit conditions. Weakness in the tourism sector also explained the 11.2% contraction in departure taxes to $13.5 million, and the 8.7% drop in selective taxes on tourism services to $10.5 million, which included a 27.5% decline in hotel occupancy taxes. Motor vehicle taxes were also lower by 10.9% at $4.1 million. Conversely, business and professional license fees grew by 12.9% to $15.8 million, and featured a doubling in income derived from the registration of international business companies following the 2001 restructuring activities. Collections of real property and stamp taxes on financial and other transactions gained 10.0% and 17.7% respectively, to $10.9 million and $19.3 million.

Revenue from non-tax sources, which represented the remaining 12.0% of total receipts, was reduced by 7.1% to $26.2 million. The $9.2 million (36.7%) loss in income from fines, forfeits and administrative fees to $15.9 million, was only partially countered by the nearly four-fold boost in receipts from public enterprises and other sources to $10.1 million.

EXPENDITURE

Excluding the public corporations' $25.0 million net repayment, combined recurrent and capital outlays were higher by $20.3 million (9.0%) at $245.6 million. This was principally explained by significantly increased capital expenditures on public works projects, alongside a sizeable hike in purchases of goods and services. On a proportional basis, recurrent spending comprised 91% of total expenditure and capital outlays, the remaining 9%.

By economic classification, current expenditure included a 30.0% hike in outlays on goods and services to $56.3 million, which was linked to stepped-up tourism promotional activities following the events of September 11, 2001. A more marginal increase of 0.9% was recorded for personal emoluments which, at $92.5 million, represented the largest single component (41.4%) of the total. Meanwhile, transfer payments declined by 1.1% to $74.7 million, as subsidies & non-interest transfers fell by 3.0% to counter the 2.8% increase in interest payments on debt obligations to $25.4 million.

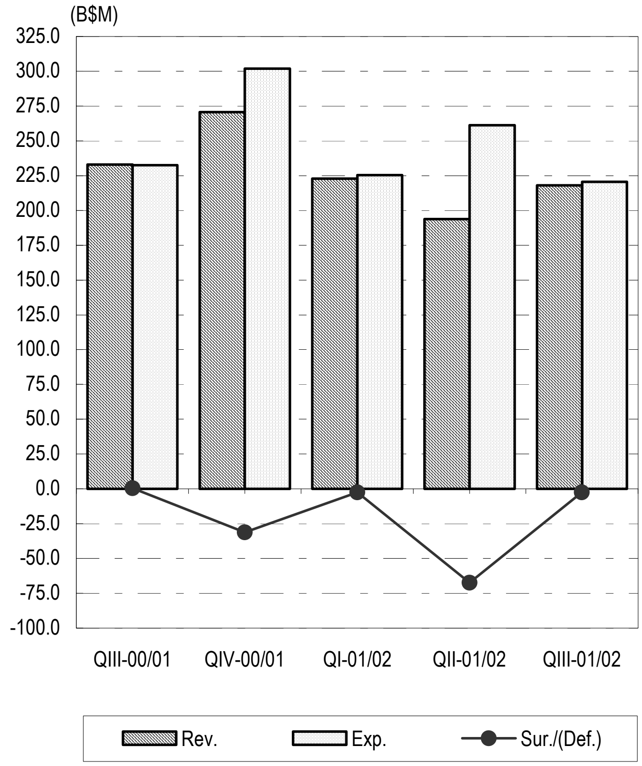
Government Revenue By Source
(January - March)

	FY99/00p		FY00/01p	
	B$M	%	B$M	%
Property tax	8.3	3.7	9.9	4.1
Selective Services tax	14.9	6.6	11.4	4.7
Bus. & Prof. Lic. fees	15.8	7.0	14.0	5.8
Motor Vehicle tax	7.3	3.2	4.5	1.9
Departure tax	15.4	6.8	15.2	6.3
Import duties	119.9	52.9	119.0	49.4
Stamp tax from imports	25.0	11.0	30.2	12.5
Export tax	1.4	0.6	3.8	1.6
Stamp tax from exports	0.1	-	-	-
Other stamp duty	27.7	12.2	16.4	6.8
Other tax revenue	-24.4	-10.7	-10.6	-4.4
Fines, forfeits. etc.	13.4	5.9	25.0	10.4
Income	2.7	1.2	2.8	1.2
Other non-tax rev.	0.1	-	0.4	0.2
Capital revenue	-	-	0.1	-
Grants	-	-	-	-
Less: Refunds	0.9	0.4	1.3	0.5
Total	226.7	100.0	240.8	100.0

On a functional basis, general public services accounted for 25.5% of recurrent spending, gaining 1.8% to $57.0 million during the fiscal quarter. Outlays for health, which absorbed 16.7% of the total, advanced by 5.4% to $37.4 million; disbursements for economic services rose by 36.6% to $39.6 million (17.7% of the total)—which was concentrated in tourism; and expenditures on social benefits & services grew by 14.1% to $17.0 million. In contrast, spending on education was lower by 8.1% at $38.6 million (17.3% of the total).

Capital spending growth featured a nearly three-fold hike in outlays on public infrastructural projects to $12.8 million—primarily for the continuation of the New Providence Road Development Project. Expenditures for education also rose to $3.6 million from $2.6 million, whereas investments in health related projects and general public services decreased to $0.6 million and $3.4 million from $1.6 million and $3.6 million, respectively in 2001.

Fiscal Operations



FINANCING AND NATIONAL DEBT

Budgetary financing during the third quarter of FY2001/02 included a $20.0 million Bahamian dollar advance from the Central Bank and $0.2 million in external loan proceeds. Of the $54.0 million in debt amortization, $27.7 million went towards retiring Bahamian dollar obligations and the balance, for foreign currency debt. As a result, the Direct Charge on Government contracted by 2.1% to $1,573.3 million over the quarter. For Bahamian dollar denominated debt, which represented 91.5% of the total, the majority was held by public corporations (39.3%), followed by commercial banks (27.4%), private and institutional investors (21.7%), the Central Bank (11.3%) and Other Local Financial Institutions (0.2%).

Government's contingent liabilities grew by 12.6% to $408.5 million, primarily influenced by accretions to the Educational Guarantee Fund scheme. Consequent on these developments, the National Debt increased by 0.6% to $1,981.7 million at end-March 2002, which was some $102.1 million (5.4%) above the March 2001 level.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt grew by an estimated $10.6 million (2.7%) to $400.2 million during the first quarter of 2002, based on new drawings of $42.2 million as against principal repayments of $31.6 million. The Government's share constituted one-third of the outstanding stock at $133.9 million and the public corporations, the remaining $266.3 million.

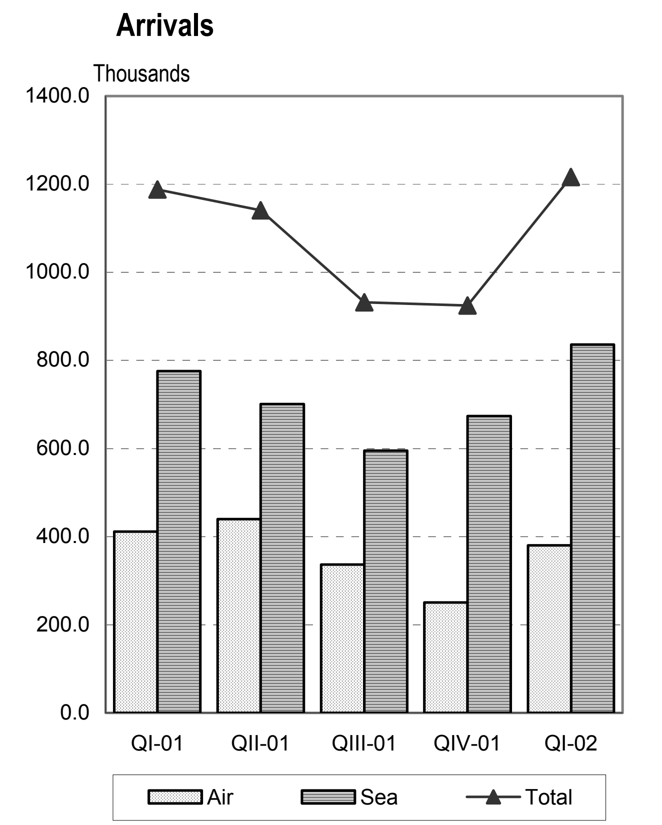
Compared to the first quarter of 2001, foreign currency debt servicing rose to $35.8 million, comprising a $25.2 million hike in amortization payments to $31.6 million, following a repayment on short-term facilities obtained by the Government in the previous quarter, and a marginal rise in interest charges to $4.1 million. Debt service as a proportion of estimated exports of goods and non-factor services intensified to 5.4% from 1.5%, and the ratio of the Government's foreign currency debt service to total revenue, to 12.6% from 1.3%.

In terms of currency composition, more than 95% of the debt remained denominated in United States dollars, and overall, carried an approximate average maturity of 10 years. By creditor classification, banks' share shifted upwards to 28.5% from 21.6% in 2001, following repayment of all bilateral flows. However, multilateral organizations remained the largest creditors, although representing a slightly reduced 58.8% share; and private capital markets and other holders accounted for the remaining 12.7%.

REAL SECTOR

TOURISM

Against the backdrop of continued weak global demand, available indicators revealed ongoing sluggishness in the tourism sector for the first quarter. Although total visitor arrivals rose by 2.9% to 1,216,381, this was well below the 7.2% advance achieved in 2001 and was concentrated in a recovery of sea arrivals to the Family Islands, as reductions in stopover volumes and pricing discounts continued to influence industry trends.



Although sea arrivals improved by 7.5% to 835,901, they were below last year's 8.7% gain, and air arrivals fell by 5.8% to 380,480 to contrast with a 4.5% upturn in 2001. Disaggregation of port of entry data showed total arrivals to New Providence, including Paradise Island, lower by an estimated 5.3% following a 13.8% boost last year, with the respective fall-offs in air and sea traffic estimated at 6.7% and 4.5%. For Grand Bahama, the 3.6% downturn corresponded to nearly equivalent rates of reduction in both visitor segments. Conversely, arrivals to the Family Islands rebounded by 32.3% from a 2.7% contraction last year, sustained by a 41.0% upturn in sea arrivals.

Consistent with the softening in air arrivals and ongoing hotel pricing discounts, preliminary indications are that industry earnings deteriorated during the review period. Although a 6.7% reduction in capacity boosted average occupancy levels in New Providence to 80.3% from 74.7% last year, room sales were only neglibly higher by 0.3%. When combined with a 2.7% drop in average nightly room rates to $193.47, room revenue posted losses of some 1.1% in contrast to a 2.9% increase last year. Grand Bahama also experienced a setback, as evidenced by the 10.3% decline in room expenditure for the first two months of 2002. This reflected a combined 2.8% depreciation in the average room rate and reduced room sales of 7.8%, which also pulled the average occupancy rate lower to 50.4% during January and February. Based on data for the first two months of 2002, a similar trend was evident in the Family Islands, where capacity and occupancy rates sagged by 8.5% and 7.4% respectively, and the average nightly room rate by 2.7%.

Prices

Consumer price inflation, measured by quarterly variations in the average Retail Price Index, softened to 0.5% during the first quarter, from 0.7% in the corresponding 2001 period. Although stronger increases emerged for the average costs of transportation & communication services (1.7%) and furniture & household operations (1.2%), more incremental firming was exhibited in food & beverages (0.9%) and the clothing & footwear (0.2%) indexes. In addition, average declines were observed for recreation & entertainment services (0.9%) and medical care & health (0.1%) costs.

Average Retail Price Index
(Annual % Change)
March

		2001		2002	
Items	Weight	Index	%	Index	%
Food & Beverages	138.3	108.8	1.9	111.3	2.2
Clothing & Footwear	58.9	106.6	0.6	107.4	0.7
Housing	328.2	102.7	0.1	102.9	0.2
Furn. & Household	88.7	106.6	2.0	110.0	3.2
Med. Care & Health	44.1	109.5	2.3	111.2	1.5
Trans. & Comm.	148.4	102.6	1.8	104.8	2.2
Rec., Enter. & Svcs.	48.7	109.1	-0.5	113.1	3.6
Education	53.1	133.5	8.9	148.5	11.2
Other Goods & Svcs.	91.6	102.9	0.5	108.1	5.0
ALL ITEMS	1000	106.3	1.5	108.8	2.3

For the twelve months ending March 2002, average consumer price inflation firmed to 2.3% from 1.5% in 2001. This primarily reflected an acceleration in the average advance for education costs (11.2%), alongside larger increases in most of the remaining components, including furniture & household operations (3.2%) transportation & communication services (2.2%), food & beverages (2.2%), recreation & entertainment (3.6%), clothing & footwear (0.7%) and other goods & services (5.0%). In contrast, the rate of increase in medical care & health costs slowed to 1.5%.

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

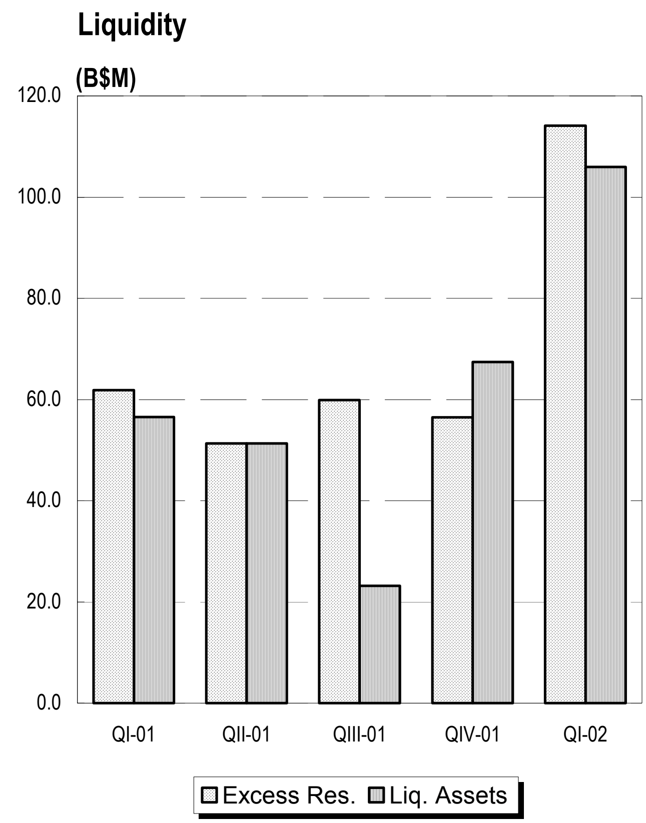
Despite seasonally moderated trends, monetary expansion, which benefited from slightly increased net foreign currency inflows, paced ahead of domestic credit expansion during the first quarter of 2002. This supported a marked improvement in bank liquidity and an overall reduction in financial institutions' net foreign liabilities. Nevertheless, equal firming in average deposit and loan rates left the weighted average loan-to-deposit spread unchanged.

Amid more stable liquidity and external reserve trends, in February 2002 the Central Bank recinded its temporary relaxation of commercial banks' Bahamian Dollar Open Position beyond the mandated $0.5 million and up to a maximum limit of $5.5 million.

Meanwhile, the latest available profitability indicators for the fourth quarter of 2001 suggest some weakening in earnings ratios relative to the same period a year ago, mainly owing to a narrowing in banks' net interest margins.

LIQUIDITY

During the review quarter, net free cash reserves of the banking system more than doubled to $114.1 million–equivalent to an increased 3.2% of banks' Bahamian dollar deposit liabilities as against 1.8% in the comparable period last year. According to the broader liquidity measure, surplus liquid assets rose strongly by 57.1% to $106.0 million, which exceeded the minimum requirement by 18.1% vis-à-vis a lesser 10.0% for March 2001.



DEPOSITS AND MONEY

Growth in narrow money (M1) of 2.0% contrasted with a 0.8% fall-off in the first quarter of 2001. This corresponded to demand deposits' gain of 3.5%, concentrated in liabilities to the public corporations, which more than reversed last year's decline of 0.5%. The 4.0% reduction in currency in active circulation eclipsed the 2.2% drop recorded a year earlier.

Broad money (M2) expansion was marginally higher at 2.5%. Given the downturn in public corporations' holdings, accretions to fixed deposits slackened to 2.2% from 3.6%, and countered stronger savings growth of 4.1% as opposed to 2.6% last year. With residents' foreign currency deposits contracting by 4.7% as against a 16.6% uptrend last year, growth in overall money (M3) abated to $84.6 million (2.3%) from $97.2 million (2.7%) in 2001, for an outstanding stock of $3,801.7 million.

As regard the major components, Bahamian dollar fixed deposits represented the largest share of money (60.3%), followed by demand deposits (17.0%), savings

(16.5%) and currency in active circulation (3.9%); the remainder (2.3%) constituted foreign currency deposits.

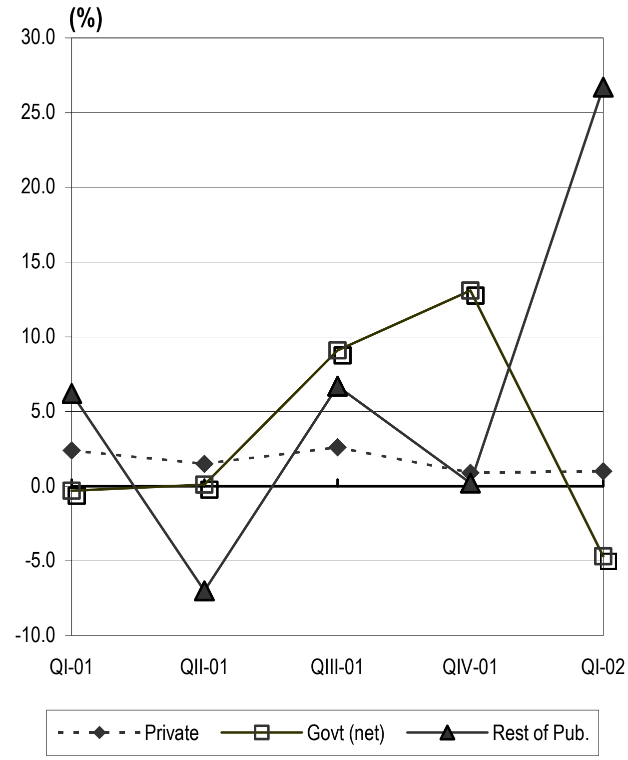
Banks' total deposit liabilities—inclusive of government balances—amounted to $3,602.4 million at end-March, with the largest share owed to private individuals (56.9%). An analysis by deposit values indicated that 90.6% of all such accounts were valued at under $10,000, although comprising only 9.7% of the aggregate value. Conversely, individual balances in excess of $50,000 represented 75.0% of the total value, but only 2.8% of all accounts. Otherwise, accounts with balances between $10,001 to $20,000 made up 5.6% of deposits, followed by those between $20,001 - $30,000 (4.0%), $30,001 - $40,000 (3.0%) and $40,001 - $50,000 (2.7%).

Domestic Credit

Domestic credit expansion was nearly halved to $48.2 million (1.0%) from $89.5 million (2.1%) a year ago, amid a deceleration in private sector credit gains to $37.9 million (1.0%) from $84.5 million (2.3%) in 2001. Conversely, public sector credit growth firmed to 1.3%, based on an accelerated advance in claims on the public corporations to $39.9 million (26.7%) from $6.8 million (4.7%) in 2001, which was only mildly offset by the $29.6 million (4.7%) decrease in net credit to Government. Approximately 87.8% of overall lending growth was denominated in Bahamian dollars, and continued to be concentrated in mortgages.

Reflecting the general weakness in economic activity, the sectoral breakdown of private sector credit featured sharply moderated growth in personal loans of $13.8 million (0.6%) as compared to $90.9 million (4.0%) in 2001, to account for almost one quarter of the total. The only notable increase occurred in the residential mortgages category, albeit approximately two-thirds less at $22.2 million. This, however, contrasted with a marginal net repayment on consumer loans of 0.2% and a further reduction in personal overdrafts of 15.3%.

Changes in Credit



Among the remaining private sector credit components, quarterly increases were also recorded for miscellaneous purposes ($4.4 million), private financial institutions ($1.9 million) and tourism ($1.1 million). Meanwhile, the largest net repayments occurred in construction ($4.4 million), professional & other services ($2.2 million), transport ($2.0 million), entertainment & catering ($1.9 million), distribution ($1.1 million) and agriculture ($1.0 million).

Consumer credit trends signaled notable net repayments for home improvement ($8.4 million), debt consolidation ($4.9 million), private cars ($3.8 million) and travel ($2.8 million). However, significant net advances were recorded under education ($6.8 million) and for miscellaneous purposes ($10.2 million).

Distribution of Bank Credit By Sector End-March				
	2001		2002	
	B$M	%	B$M	%
Agriculture	8.7	0.2	6.9	0.2
Fisheries	6.6	0.2	7.6	0.2
Mining & Quarry	22.8	0.6	23.2	0.6
Manufacturing	65.2	1.7	67.7	1.6
Distribution	215.6	5.5	223.8	5.3
Tourism	221.8	5.6	225.9	5.4
Enter. & Catering	42.4	1.1	30.9	0.7
Transport	68.6	1.7	80.1	1.9
Public Corps.	134.8	3.4	171.4	4.1
Construction	309.0	7.9	339.9	8.1
Government	91.5	2.3	98.2	2.3
Private Financial	25.5	0.7	29.2	0.7
Prof. & Other Ser.	130.2	3.3	122.8	2.9
Personal	2388.5	60.8	2555.7	60.8
Miscellaneous	195.9	5.0	217.2	5.2
TOTAL	3927.1	100.0	4200.5	100.0

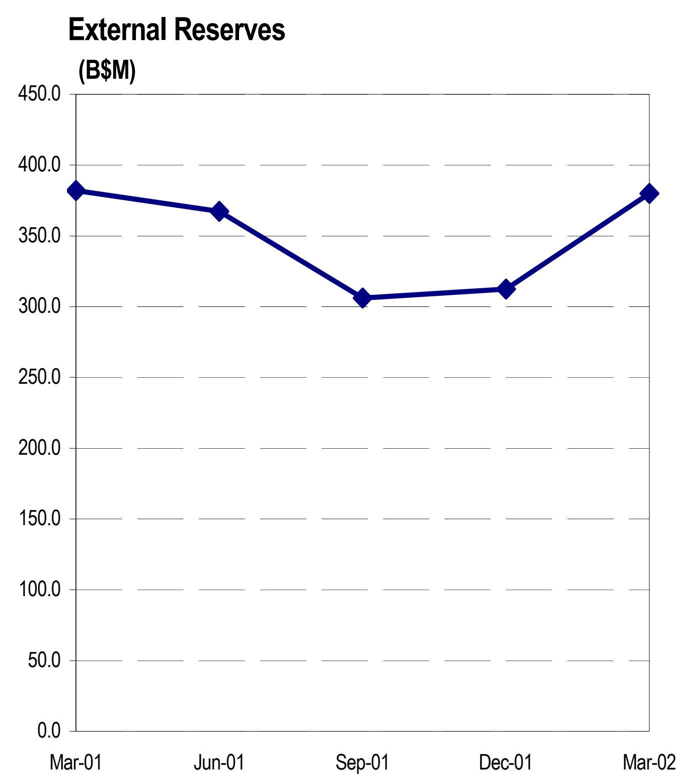
COMMERCIAL BANKS

First quarter growth in commercial banks' lending to the private sector was more than halved to $32.7 million (0.9%), although pacing considerably below the 2.7% slowing in corresponding deposit liabilities' growth. Although the advance in the combined net claims on the public sector strengthened, this featured a 0.6% contraction in net credit to Government, as opposed to a stronger and more dominant 28.3% escalation in claims on the public corporations compared to last year's 5.1%. Added to this, the public corporations' deposits at banks fell by 2.4%, following the 1.8% gain a year earlier. These developments were facilitated by a hike in commercial banks' net foreign liabilities.

On a proportional basis, commercial banks managed 97.9% of total banking sector Bahamian dollar deposits, which were mainly owed to the private sector (88.7%) and concentrated in average balances valued at over $50,000 (74.7%). A breakdown of deposits by contractual categories revealed that fixed balances maintained the largest share (62.8%), followed by demand (19.7%) and savings deposits (17.5%).

OTHER LOCAL FINANCIAL INSTITUTIONS

The Other Local Financial Institutions (OLFIs), primarily engaged in mortgage lending, reported further but abated contraction in private sector deposits of $0.4 million (0.5%); however, credit to the sector expanded at an almost steady pace of $5.2 million (4.3%). In the latter regard, mortgages, which represented 92.1% of the total, increased over the review period by 4.6% to $115.5 million. As a result of these developments, the OLFIs' foreign position switched to a net liability of $4.6 million from a net asset of $1.5 million at the end of the previous quarter.



A broader analysis of the OLFIs' deposit liabilities showed that 90.5% of the total was held in accounts with average values exceeding $50,000. Otherwise, some 90.2% were in the form of fixed deposits, 9.5% in demand balances and 0.3% in savings deposits.

THE CENTRAL BANK

The first quarter reduction in the Central Bank's net claims on Government widened to $26.7 million (14.2%) from $13.4 million (11.1%) in 2001, as the Bank reduced its holdings of Treasury bills.

Although the seasonal buildup in external reserves widened to $67.7 million (21.7%) from $39.5 million (11.5%) in 2001, the stock was still some $2.0 million lower at $380.1 million. Underlying these trends, the Bank's net foreign currency purchase rose by $22.2 million to $58.0 million. The public sector and others recorded a combined decrease in net outflows of 22.1% to $19.3 million as borrowings exceeded outward payments; and the net inflow from commercial banks was relatively stable at $77.4 million. On an aggregated basis, foreign currency purchases rose by 4.4% to $163.4 million, but sales declined by 12.7% to $105.4 million reflecting generally weaker domestic demand conditions.

INTEREST RATES

Interest rate movements during the review quarter featured even firming in average lending rates on both loans and deposits, leaving the weighted average spread unchanged at 6.83%. In particular, commercial banks' weighted average deposit rate rose by 8 basis points to 4.37%, and the average loan rate by an equivalent amount to 11.20%.

On the deposit side, rate movements were led by the 63 basis point hike in the average rate for fixed maturities over 12 months to 5.28%. Deposit rate firming was also evident on the lower maturity spectrum, with the average rate on fixed deposits advancing to 4.27% - 4.83% from 4.20% - 4.83%. Meanwhile, the average rate offered on savings deposits also rose by 3 basis points to 2.73%.

Movements in average loan rates were influenced by the dominance of mortgage lending, with the respective commercial and residential loan rates rising by 13 and 4 basis points to 9.07% and 8.88%. In contrast, the average rate on consumer loans fell by 59 basis points to 12.31% and on overdrafts, by 46 basis points to 10.18%.

Benchmark rates, commercial banks' Prime and the Central Bank's Discount Rate, remained at their July 1999 levels of 6.00% and 5.75%, respectively. However, the average 90-day Treasury bill rate moved higher by 8 basis points to 2.63%.

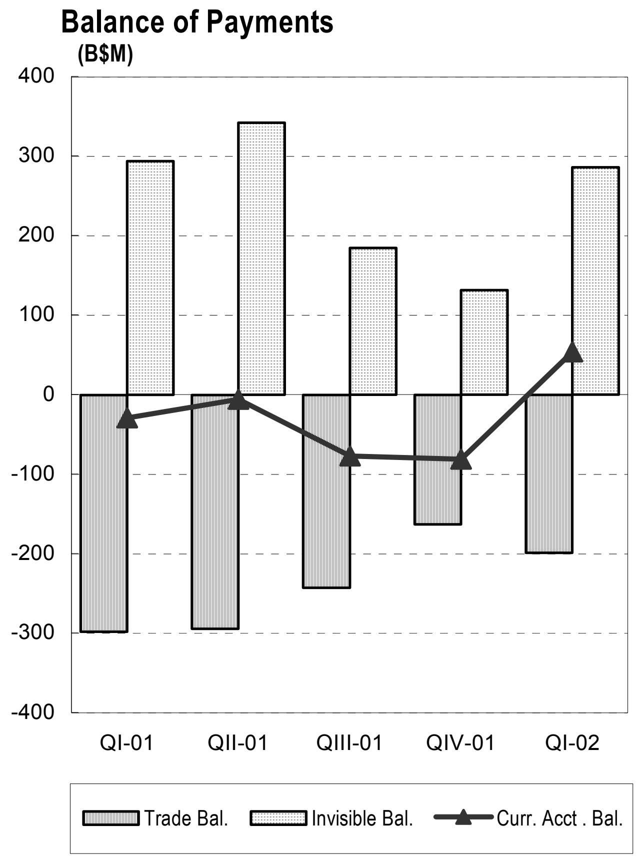
BANK PROFITABILITY

According to the most recent data for the quarter ended December 2001, banks' profits declined over the corresponding 2000 period by 18.6% to $35.9 million, impacted by the leveling-off in private sector credit balances and reduced transaction volumes within the sector. In particular, the gross earnings margin narrowed by 11.0%, reflecting a 10.1% decrease in net interest income alongside a 21.4% contraction in commission and foreign exchange income. A partial offset was provided from the more modest 4.3% retreat in operating costs, arising from a decrease in staffing costs associated with smaller bonus payments.

These developments were also transmitted to various profitability ratios linked to banks' average domestic assets. Although the operating cost ratio decreased to 3.29% from 3.74%, it was broadly offset by the narrowing in the net interest margin to 5.51% from 6.66% in December 2000, while relative flows from commission and foreign exchange income decreased by 17 basis points to 0.43% of average assets. After the netting out of higher depreciation and bad debt expenses, the corresponding ratio for other sources of income softened by 8 basis points to 0.16%. Within this context, the net income (return on assets) ratio deteriorated to 2.81% from 3.76% in the corresponding 2000 period.

INTERNATIONAL TRADE AND PAYMENTS

Preliminary indications are that the current account balance switched to an estimated surplus of $53.3 million during the first quarter of 2002, from a deficit of $29.6 million in the same period last year. This was principally explained by generally weakened import demand conditions, which caused the merchandise trade deficit to contract by one-third. Otherwise, net invisible receipts registered a modest decrease, due mainly to reduced net tourism receipts, while similar outcomes resulted from elevated net income outflows and marginally reduced net transfer receipts.



The estimated trade deficit contracted to $199.0 million from $297.8 million in the first quarter of 2001. In particular, a 24.8% reduction in non-oil merchandise imports to $298.4 million countered both the 6.9% decline in goods exports to $130.8 million and the 19.1% drop in the oil bill to $58.1 million.

Developments in the oil bill were consistent with comparatively softened international fuel prices, although these were some gains in volume. The per barrel price of propane fuel declined by 38.0% to an estimated $22.24; motor gasoline, by 25.4% to $29.89; jet fuel, by 24.5% to $27.19; bunker 'C' fuel by 9.3% to $21.76 and gasoline oil, by 29.2% to $23.08.

On the services account, the estimated surplus receded to $285.5 million from $293.7 million in 2001. Weakness in tourism precipated a 5.7% contraction in net travel receipts to $393.0 million and net outflows under government services grew by 54.1% to $10.7 million. These overshadowed decreased net payments for foreign transportation services of 22.7% to $24.1 million, alongside incrementally lower net premiums for foreign insurance services of $16.1 million, and a slowdown in net outflows for foreign construction services to $5.9 million from $10.5 million in 2001. Also noteworthy was a strengthening in offshore companies' local expenditures to $23.5 million from $9.4 million in 2001.

Under the income account, outflows rose to an estimated $44.7 million from $37.2 million in 2001. Added to the marginal increase in net labour income outflows to $10.9 million, net repatriation of investment income rose by almost one-fourth to $33.7 million. This included a 19.7% increase in private sector net interest and dividend payments, which was led by a six-fold growth in bank remittances. Official interest payments were reduced by 26.8% to $2.8 million, although including an increase in public sector interest payments to $1.3 million from $0.7 million last year.

For current transfers, net receipts fell by 2.7% to $11.4 million, as general Government net inflows declined to $11.9 million, alongside slightly increased net private sector outflows at $0.5 million.

The surplus on the capital and financial account expanded to an estimated $63.8 million from $53.6 million in 2001. This position was aided by net public sector borrowing of $13.8 million, reversing a $2.4 million net repayment last year, and by the banking sector's net short-term inflow of $40.7 million as opposed to the net outflow of $1.1 million in 2001. Otherwise, migrant outward transfers were higher at $9.0 million from $5.6 million last year and net private foreign direct investments declined to $19.0 million from $28.6 million. The latter comprised sharply curtailed net real estate sales of $6.4 million, but only marginally reduced net equity investments. In addition, the private sector recorded a foreign currency loan repayment of $0.6 million, in contrast to net borrowings of $34.1 million in 2001.

After adjusting for errors and omissions, the overall balance recorded a surplus of $67.7 million, nearly double the 2001 outturn of $39.5 million.

INTERNATIONAL ECONOMIC DEVELOPMENTS

The rebound in economic activity in the major industrial countries gained in momentum during the first quarter, largely benefiting from the lagged effects of stimulative monetary and fiscal policy initiatives introduced last year. Labour market conditions generally held steady, while the modest firming in energy and fuel prices contributed to the marginal upturn in consumer prices in some major countries. With the emergence of more expansionary economic trends, major central banks maintained official interest rates at their reduced December 2001 levels, and pressure resurfaced in several major economies to resume fiscal consolidation efforts. Amid improved consumer confidence indicators, average equity prices trended higher on most major exchanges. On the external side mixed global demand conditions alongside the broadly appreciated U.S. dollar underpinned continued divergence in the major countries' trade balances.

Indications are that first quarter output growth was marginally strengthened among most of the major economies. Building on the 1.7% recovery of the final quarter of 2001, the United States' economy posted an accelerated gain of 6.1% during the first three months of 2002. Most of the growth was due to a slower rate of inventory reduction, and Government spending added 1.4 percentage points to the growth, inclusive of an increase in defence outlays for the military offensive in Afghanistan. In the euro area, where the weakness troughed in the previous quarter, preliminary estimates suggest that Germany's real GDP recovered by 0.25%, supported by an upturn in exports. Benefitting from an expansion in the services sector, the United Kingdom recorded annualized output growth of 0.4% from a flat outturn in the previous quarter. However, recessionary conditions prevailed in Japan where an export stimulated 0.7% rebound in industrial production moderated the fourth quarter's 0.3% decline.

Labour market conditions in the major countries recorded marginally mixed shifts during the March quarter. Although the average jobless rate in the United States held steady at 5.6%, the monthly rate was incrementally firmer at 5.7% in March from 5.5% in February. Also, Germany's average jobless rate rose slightly to 9.6% and contrasted with an unchanged average 8.4% rate for the euro area. Conversely, the United Kingdom's jobless rate eased to 3.1% from 3.2% in the preceding period; and in Japan, the marked deterioration in the unemployment rate noted over the past 15 months eased to 5.2%, after peaking at 5.5% in December.

Consumer price inflation trends among major industrial countries remained subdued but varied for the review quarter, reflecting continued low energy costs and tepid global economic growth. In the United States, the rate of advance in consumer prices softened to 1.2% from 1.9% in the previous quarter, despite inventory rebuilding and increased government spending. Average consumer prices in the euro area firmed incrementally to 2.5%, with a similar rise in Germany's average consumer prices to 1.7%. For the United Kingdom, average prices also strengthened to 1.3% from 0.7% in the previous quarter, but contracted by 0.8% for Japan, as weakness in the domestic sector outweighed the impact of higher import prices.

In currency markets, the relatively stronger performance of the United States' economy supported some appreciation of the dollar against most major currencies during the review period. The only exception was the pound sterling, against which the dollar retreated by 2.0% to £0.70. However, the dollar appreciated relative to the euro by 2.0% to €1.15; against the Swiss Franc by 1.3% to SF1.68; and vis-a-vis the Yen and Canadian dollar by 0.8% and 0.1% to ¥132.73 and C$1.59, respectively.

Commodity markets featured an uptrend in fuel and precious metal prices during the quarter. In the wake of the increased violence in the Middle East and the decision by one member of OPEC to suspend oil exports, the per barrel price of North Sea Brent Crude rose by nearly a third to $25.60 at quarter's end. Meanwhile, the price of gold rose throughout the period, by 15.0% to $303.00 per troy ounce and silver prices, which attained a high of $4.62 per ounce, at year-end 2001, firmed to $4.66 per ounce at end-March after a month-end low of $4.23 per ounce in January.

The rebound in global equity markets evidenced in the final quarter of 2001 continued during the first quarter of 2002, as markets confirmed a more positive outlook for corporate earnings and the global economy. In the United States, the Dow Jones Industrial Average (DJIA) advanced by 3.8% to 10,404 points at quarter's end, although the broader S&P 500 index was essentially unchanged over the quarter ending at 1147.4 points. In Europe, Germany's Dax share price index rose by 4.6%

to 5,397 points, France's CAC-40 index by 1.4% to 4,688 points and the United Kingdom's FTSE-100 index, by 1.04% to 5,272 points. Similarly, Japan's Nikkei-225 index gained 4.6% to 11,026 points at end-March.

On the monetary policy front, a less uncertain economic outlook and the stablization of major economies following the events of September 11, 2001 brought an end to the cycle of official interest rate reductions at major central banks. The United States' Federal Reserve left both the key federal funds and discount rates unchanged at 1.75% and 1.25%, respectively, also signalling a shift towards a more neutral policy stance from its previous easing bias. Likewise, both the European Central Bank and the Bank of England cited more positive economic conditions as justification for maintaining their respective key rates at 3.25% and 4.00%. The Bank of Japan kept its official discount rate at the unprecedented low 1.0% set on September 19, 2001.

As regard fiscal developments, the major countries gave mixed signals on the resumption of budgetary consolidation efforts. For the United States, increased military spending, the tax cut enacted in 2001 as well as the fall-off in government revenues were expected to result in a federal deficit in the current fiscal year (2001/02) of some 1.4% of GDP, with shortfalls also continuing into 2003. Germany's budget for the fiscal year 2002/03 is expected to feature the most marked rate of spending cuts since the end of World War II. This follows efforts to reverse the 2001/02 deficit of 2.7% of GDP and to achieve a balance budget by 2004, in keeping with Germany's obligation within the European Monetary System. A preview of the United Kingdom's FY2002/03 budget foreshadowed higher taxes over the next three years to fund increased spending on public health, and is likely to push the country further away from the fiscal rules governing euro area members. In Japan, the fiscal position is expected to deteriorate further, as weakness in the financial sector and the effects of price deflation continue to retard economic growth.

On the external account, divergent movements persisted in most major countries' trade balances. In the United States, the stronger dollar continued to support net imports growth, contributing to an increase in the trade deficit, on a seasonally adjusted basis, to $31.6 billion from $24.7 billion in the previous quarter. For the United Kingdom, a relatively strong currency hampered exports and also caused the trade deficit to expand beyond the previous quarter's seasonally adjusted $12.1 billion. Conversely, both Germany and Japan benefited from strengthening net exports, given weaker currencies, with consequent gains in respective trade surpluses, to $10.2 billion and $10.6 billion on an annual basis.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

The following symbols and conventions are used throughout this report:

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

TABLE 1

FINANCIAL SURVEY

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
			(B$ Millions)					
Net foreign assets	(23.9)	(50.5)	(86.6)	(40.8)	(77.0)	(155.2)	(234.5)	(207.7)
Central Bank	338.8	404.0	342.6	382.1	367.4	306.2	312.4	380.1
Commercial banks	(376.8)	(456.6)	(449.5)	(450.5)	(454.1)	(466.5)	(548.4)	(583.2)
Other local fin. institutions	14.1	2.1	20.3	27.6	9.7	5.1	1.5	(4.6)
Net domestic assets	2,928.1	3,298.1	3,645.6	3,703.7	3,737.6	3,863.8	3,951.6	4,009.4
Domestic credit	3,425.7	3,823.5	4,278.6	4,371.1	4,414.9	4,570.2	4,677.3	4,725.5
Public sector	589.0	668.3	649.8	656.9	646.8	702.3	775.2	785.5
Government (net)	452.6	495.4	508.5	506.8	507.2	553.4	626.0	596.4
Rest of public sector	136.4	172.9	141.3	150.1	139.6	148.9	149.2	189.1
Private sector	2,836.7	3,155.2	3,628.8	3,714.2	3,768.1	3,867.9	3,902.1	3,940.0
Other items (net)	(497.6)	(525.4)	(633.0)	(667.4)	(677.3)	(706.4)	(725.7)	(716.1)
Monetary liabilities	2,904.2	3,247.6	3,559.0	3,662.9	3,660.6	3,708.6	3,717.1	3,801.7
Money	596.4	758.2	807.8	806.5	795.6	786.9	776.7	792.1
Currency	125.6	148.4	151.4	148.0	149.5	149.9	153.5	147.3
Demand deposits	470.8	609.8	656.4	658.5	646.1	637.0	623.2	644.8
Quasi-money	2,307.8	2,489.4	2,751.2	2,856.4	2,865.0	2,921.7	2,940.4	3,009.6
Fixed deposits	1,809.2	1,888.4	2,068.8	2,144.2	2,156.2	2,215.0	2,244.0	2,292.9
Savings deposits	437.9	548.0	596.1	611.6	618.9	620.2	604.6	629.2
Foreign currency	60.7	53.0	86.3	100.6	89.9	86.5	91.8	87.5
			(percentage changes)					
Total domestic credit	12.0	11.6	11.9	2.2	1.0	3.5	2.3	1.0
Public sector	15.9	13.5	(2.8)	1.1	(1.5)	8.6	10.4	1.3
Government (net)	7.8	9.5	2.6	(0.3)	0.1	9.1	13.1	(4.7)
Rest of public sector	54.1	26.8	(18.3)	6.2	(7.0)	6.7	0.2	26.7
Private sector	11.2	11.2	15.0	2.4	1.5	2.6	0.9	1.0
Monetary liabilities	15.8	11.8	9.6	2.9	(0.1)	1.3	0.2	2.3
Money	15.0	27.1	6.5	(0.2)	(1.4)	(1.1)	(1.3)	2.0
Currency	14.5	18.2	2.0	(2.2)	1.0	0.3	2.4	(4.0)
Demand deposits	15.1	29.5	7.6	0.3	(1.9)	(1.4)	(2.2)	3.5
Quasi-money	16.0	7.9	10.5	3.8	0.3	2.0	0.6	2.4

Source: The Central Bank of The Bahamas

TABLE 2

MONETARY SURVEY

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
				(B$ Millions)				
Net foreign assets	(38.0)	(52.6)	(106.9)	(68.4)	(86.7)	(160.3)	(236.0)	(203.1)
Central Bank	338.8	404.0	342.6	382.1	367.4	306.2	312.4	380.1
Commercial banks	(376.8)	(456.6)	(449.5)	(450.5)	(454.1)	(466.5)	(548.4)	(583.2)
Net domestic assets	2,896.9	3,230.2	3,572.2	3,635.1	3,653.1	3,769.7	3,874.7	3,926.8
Domestic credit	3,353.1	3,735.7	4,158.5	4,243.4	4,280.8	4,432.5	4,553.8	4,722.3
Public sector	585.8	664.3	645.4	652.5	642.3	698.0	771.9	782.3
Government (net)	449.4	491.5	504.2	502.5	502.9	549.2	622.8	593.3
Rest of public sector	136.4	172.8	141.2	150.0	139.4	148.8	149.1	189.0
Private sector	2,767.3	3,071.4	3,513.1	3,590.9	3,638.5	3,734.5	3,781.9	3,940.0
Other items (net)	(456.2)	(505.5)	(586.3)	(608.3)	(627.7)	(662.8)	(679.1)	(795.5)
Monetary liabilities	2,858.9	3,177.6	3,465.3	3,566.7	3,566.4	3,609.4	3,638.7	3,723.7
Money	592.3	754.1	796.6	790.5	783.3	774.6	769.2	784.7
Currency	126.0	148.9	151.9	148.4	150.3	150.5	153.5	147.3
Demand deposits	466.3	605.2	644.7	642.1	633.0	624.1	615.7	637.4
Quasi-money	2,266.6	2,423.5	2,668.7	2,776.2	2,783.1	2,834.8	2,869.5	2,939.0
Savings deposits	436.2	545.5	593.4	608.8	616.0	617.3	604.3	628.9
Fixed deposits	1,769.7	1,825.1	1,989.0	2,066.8	2,077.2	2,131.0	2,173.4	2,222.6
Foreign currency deposits	60.7	52.9	86.3	100.6	89.9	86.5	91.8	87.5
				(percentage change)				
Total domestic credit	12.0	11.4	11.3	2.0	0.9	3.5	2.7	3.7
Public sector	15.9	13.4	(2.8)	1.1	(1.6)	8.7	10.6	1.3
Government (net)	7.8	9.4	2.6	(0.3)	0.1	9.2	13.4	(4.7)
Rest of public sector	54.1	26.7	(18.3)	6.2	(7.1)	6.7	0.2	26.8
Private sector	11.2	11.0	14.4	2.2	1.3	2.6	1.3	4.2
Monetary liabilities	15.9	11.1	9.1	2.9	(0.0)	1.2	0.8	2.3
Money	14.9	27.3	5.6	(0.8)	(0.9)	(1.1)	(0.7)	2.0
Currency	14.6	18.2	2.0	(2.3)	1.3	0.1	2.0	(4.0)
Demand deposits	15.0	29.8	6.5	(0.4)	(1.4)	(1.4)	(1.3)	3.5
Quasi-money	16.2	6.9	10.1	4.0	0.2	1.9	1.2	2.4

Source: The Central Bank of The Bahamas

TABLE 3

CENTRAL BANK BALANCE SHEET

(B$ Millions)

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	338.8	404.0	342.6	382.1	367.4	306.2	312.4	380.1
Balances with banks abroad	243.5	180.6	119.3	159.4	143.6	75.3	44.5	100.5
Foreign securities	86.7	214.8	215.1	214.7	215.9	222.8	260.0	271.8
Reserve position in the Fund	8.6	8.6	8.1	7.9	7.8	8.0	7.8	7.8
SDR holdings	--	--	0.1	0.1	0.1	0.1	0.1	--
Net domestic assets	(14.2)	(16.6)	31.4	18.7	36.0	100.3	107.5	66.5
Net claims on government	59.3	69.8	120.7	107.4	113.6	178.4	187.4	160.7
Claims	61.9	73.0	128.5	110.0	121.2	185.1	189.7	162.7
Treasury bills	--	13.9	66.2	44.3	59.3	109.5	98.8	57.7
Bahamas registered stock	8.4	5.6	8.8	12.2	8.4	8.2	34.0	38.8
Loans and advances	53.5	53.5	53.5	53.5	53.5	67.4	56.9	66.2
Deposits	(2.6)	(3.2)	(7.8)	(2.6)	(7.6)	(6.7)	(2.3)	(2.0)
In local currency	(2.6)	(3.2)	(7.8)	(2.6)	(7.6)	(6.7)	(2.3)	(2.0)
In foreign currency	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(6.4)	(17.4)	(14.8)	(12.3)	(8.5)	(7.9)	(10.3)	(25.9)
Credit to commercial banks	0.3	0.2	--	--	--	--	--	--
Official capital and surplus	(86.9)	(90.7)	(98.0)	(99.4)	(92.9)	(94.5)	(94.4)	(96.6)
Net unclassified assets	14.5	13.6	15.1	14.7	15.6	16.2	16.8	20.4
Loans to rest of public sector	4.7	6.5	7.6	7.5	7.4	7.3	7.2	7.1
Public Corp Bonds/Securities	0.3	1.4	0.8	0.8	0.8	0.8	0.8	0.8
Liabs. to Commercial Banks & OLFIs	(184.6)	(225.0)	(209.3)	(239.9)	(241.2)	(243.5)	(253.6)	(286.5)
Notes and coins	(47.7)	(74.7)	(64.4)	(36.6)	(38.2)	(39.0)	(64.9)	(45.3)
Deposits	(136.9)	(150.3)	(144.9)	(203.3)	(203.0)	(204.5)	(188.7)	(241.2)
SDR allocation	(14.4)	(14.0)	(13.3)	(12.9)	(12.7)	(13.1)	(12.8)	(12.8)
Currency held by the private sector	(125.6)	(148.4)	(151.4)	(148.0)	(149.5)	(149.9)	(153.5)	(147.3)

Source: The Central Bank of The Bahamas

TABLE 4

COMMERCIAL BANKS BALANCE SHEET

(B$ Millions)

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	(376.8)	(456.6)	(449.5)	(450.5)	(454.1)	(466.5)	(548.4)	(583.2)
Net claims on Central Bank	182.0	225.4	207.1	235.0	226.1	230.6	248.7	279.4
Notes and Coins	47.4	74.2	63.9	36.2	37.4	38.4	64.9	45.3
Balances	135.4	152.0	144.0	199.6	189.5	193.0	184.6	234.9
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Net domestic assets	2,751.6	3,026.5	3,244.3	3,319.6	3,321.9	3,345.9	3,421.3	3,509.5
Net claims on government	390.1	421.7	383.4	395.1	389.3	370.7	435.4	432.6
Treasury bills	95.5	93.4	49.9	71.8	74.6	35.4	63.5	93.8
Other securities	290.2	327.4	315.3	309.1	312.2	313.7	314.2	302.5
Loans and advances	72.7	68.4	89.0	91.5	79.2	88.2	115.4	98.2
Less: deposits	68.3	67.5	70.8	77.3	76.7	66.6	57.7	61.9
Net claims on rest of public sector	(38.4)	(50.0)	(163.8)	(160.1)	(182.5)	(200.3)	(212.1)	(163.6)
Securities	3.7	8.5	6.9	6.9	6.9	6.9	8.0	9.8
Loans and advances	127.6	157.6	125.9	134.8	124.4	133.8	133.2	171.3
Less: deposits	169.7	216.1	296.6	301.8	313.8	341.0	353.3	344.7
Net claims on OLFIs.	(17.8)	(19.4)	(10.1)	5.7	(12.7)	(12.0)	(0.8)	(2.7)
Credit to the private sector	2,767.3	3,071.4	3,513.1	3,590.9	3,638.5	3,734.5	3,781.9	3,814.6
Securities	0.8	5.3	6.9	6.9	6.9	7.1	6.3	6.7
Loans and advances	2,766.5	3,066.1	3,506.2	3,584.0	3,631.6	3,727.4	3,775.6	3,807.9
Private capital and surplus	(328.5)	(415.3)	(509.9)	(538.8)	(560.1)	(575.0)	(592.8)	(591.6)
Net unclassified assets	(21.1)	18.1	31.6	26.8	49.4	28.0	9.7	20.2
Liabilities to private sector	2,556.8	2,795.3	3,001.9	3,104.1	3,093.9	3,110.0	3,121.6	3,205.7
Demand deposits	476.6	601.8	669.6	686.3	678.0	670.2	661.9	658.0
Savings deposits	435.7	544.5	596.9	609.7	617.0	618.7	606.2	630.9
Fixed deposits	1,644.5	1,649.0	1,735.4	1,808.1	1,798.9	1,821.1	1,853.5	1,916.8

Source: The Central Bank of The Bahamas

TABLE 5

OTHER LOCAL FINANCIAL INSTITUTIONS BALANCE SHEET

(B$ Millions)

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	14.1	2.1	20.3	27.6	9.7	5.1	1.5	(4.6)
Net claims on Central Bank	(12.5)	4.1	(4.8)	(10.0)	(4.5)	0.6	4.0	4.2
Notes and Coins	0.3	0.5	0.5	0.4	0.7	0.6	--	--
Balances	2.2	3.6	4.7	4.6	4.8	5.0	4.0	4.2
Less Central Bank credit	15.0	--	10.0	15.0	10.0	5.0	--	--
Net domestic assets	43.6	63.3	77.7	78.2	88.9	93.3	72.8	78.4
Net claims on government	3.2	3.9	4.4	4.3	4.3	4.3	3.2	3.1
Treasury bills	--	--	--	--	--	--	--	--
Other securities	3.2	3.9	4.4	4.3	4.3	4.3	3.2	3.1
Loans and advances	--	--	--	--	--	--	--	--
Less: deposits	--	--	--	--	--	--	--	--
Net claims on rest of public sector	(0.5)	(0.9)	(0.9)	(0.7)	(0.7)	(0.7)	0.1	0.1
Securities	--	--	0.1	0.1	0.1	0.1	0.1	0.1
Loans and advances	--	--	--	--	--	--	--	--
Less: deposits	0.5	0.9	1.0	0.8	0.8	0.8	--	--
Net claims on commercial banks	16.8	17.5	12.4	5.6	15.1	6.6	1.6	(0.3)
Credit to the private sector	69.4	83.7	115.7	123.2	129.7	133.4	120.2	125.3
Securities	0.2	0.4	4.2	7.1	7.8	7.3	2.7	2.9
Mortgages	56.6	67.0	90.5	95.3	99.7	104.6	110.4	115.5
Loans and advances	12.6	16.3	21.0	20.8	22.2	21.5	7.1	6.9
Private capital and surplus	(60.2)	(56.1)	(66.9)	(69.9)	(66.1)	(66.4)	(68.4)	(67.8)
Net unclassified assets	14.9	15.2	13.0	15.7	6.6	16.1	16.1	18.0
Liabilities to private sector	45.2	69.5	93.2	95.8	94.1	99.0	78.3	78.0
Demand deposits	4.5	4.6	11.7	16.4	13.0	12.9	7.5	7.5
Savings deposits	1.8	2.5	2.7	2.8	2.9	2.8	0.2	0.2
Fixed deposits	38.9	62.4	78.8	76.6	78.2	83.3	70.6	70.3

Source: The Central Bank of The Bahamas

TABLE 6

PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

			2000				2001			
	1998	1999	Qtr. I	Qtr. II	Qtr.III	Qtr.IV	Qtr. I	Qtr. II	Qtr.III	Qtr.IV
1. Interest Income	339,446	362,402	95,121	98,719	108,454	111,237	111,642	112,627	112,653	110,650
2. Interest Expense	134,297	144,698	32,737	33,452	34,591	33,070	33,954	35,571	36,842	40,321
3. **Interest Margin (1-2)**	205,149	217,704	62,384	65,267	73,863	78,167	77,688	77,056	75,811	70,329
4. Commission & Forex Income	20,546	22,779	4,968	6,088	5,510	6,995	7,713	5,746	5,481	5,461
5. **Gross Earnings Margin (3+4)**	225,695	240,483	67,352	71,355	79,373	85,162	85,401	82,802	81,292	75,790
6. Staff Costs	86,581	93,338	23,117	24,455	27,064	27,135	27,663	25,551	27,753	24,551
7. Occupancy Costs	13,184	14,892	3,873	4,191	4,901	4,215	4,274	4,687	5,288	4,163
8. Other Operating Costs	38,321	45,282	12,368	10,614	10,210	12,542	11,561	12,249	14,741	13,241
9. **Operating Costs (6+7+8)**	138,086	153,512	39,358	39,260	42,175	43,892	43,498	42,487	47,782	41,955
10. **Net Earnings Margin (5-9)**	87,609	86,971	27,994	32,095	37,198	41,270	41,903	40,315	33,510	33,835
11. Depreciation Costs	8,719	11,676	3,308	2,471	2,637	2,480	2,502	2,517	2,614	3,215
12. Provisions for Bad Debt	14,678	18,416	5,635	5,818	5,425	10,553	7,993	6,953	10,018	8,132
13. Other Income	46,081	47,985	13,576	14,710	14,204	15,894	14,654	14,801	15,553	13,413
14. **Other Income (Net) (13-11-12)**	22,684	17,893	4,633	6,421	6,142	2,861	4,159	5,331	2,921	2,066
15. **Net Income (10+14)**	110,293	104,864	32,627	38,516	43,340	44,131	46,062	45,646	36,431	35,901
16. **Effective Interest Rate Spread (%)**	6.52	6.45	6.24	5.56	5.20	5.96	5.96	6.56	6.48	6.24
(Ratios To Average Assets)										
Interest Margin	5.31	5.18	5.59	5.67	6.37	6.66	6.44	6.25	6.07	5.51
Commission & Forex Income	0.53	0.54	0.45	0.53	0.48	0.60	0.64	0.47	0.44	0.43
Gross Earnings Margin	5.85	5.72	6.03	6.20	6.85	7.26	7.08	6.72	6.51	5.94
Operating Costs	3.58	3.65	3.53	3.41	3.64	3.74	3.61	3.45	3.83	3.29
Net Earnings Margin	2.27	2.07	2.51	2.79	3.21	3.52	3.47	3.27	2.68	2.65
Net Income	2.86	2.50	2.92	3.35	3.74	3.76	3.82	3.70	2.92	2.81

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

Source: The Central Bank of The Bahamas

TABLE 7

MONEY SUPPLY

(B$ Millions)

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
Money supply (M1)	596.4	758.2	807.8	806.5	795.6	786.9	776.7	792.1
1) Currency in active circulation	125.6	148.4	151.4	148.0	149.5	149.9	153.5	147.3
2) Demand deposits	470.8	609.8	656.4	658.5	646.1	637.0	623.2	644.8
Central Bank	6.4	17.4	14.8	12.3	8.5	7.9	10.3	25.9
Commercial banks	459.9	587.8	629.9	629.8	624.6	616.2	605.3	611.4
OLFIs	4.5	4.6	11.7	16.4	13.0	12.9	7.6	7.5
Factors affecting changes in money (M1)								
1) Net credit to government	452.6	495.4	508.5	506.8	507.2	553.4	626.0	596.4
Central Bank	59.3	69.8	120.7	107.4	113.6	178.4	187.4	160.7
Commercial banks	390.1	421.7	383.4	395.1	389.3	370.7	435.4	432.6
OLFIs	3.2	3.9	4.4	4.3	4.3	4.3	3.2	3.1
2) Other credit	2,973.1	3,328.1	3,770.1	3,864.3	3,907.7	4,016.8	4,051.3	4,129.1
Rest of public sector	136.4	172.9	141.3	150.1	139.6	148.9	149.2	189.1
Private sector	2,836.7	3,155.2	3,628.8	3,714.2	3,768.1	3,867.9	3,902.1	3,940.0
3) External reserves	338.8	404.0	342.6	382.1	367.4	306.2	312.4	380.1
4) Other external liabilities (net)	(362.7)	(454.5)	(429.2)	(422.9)	(444.4)	(461.4)	(546.9)	(587.8)
5) Quasi money	2,307.8	2,489.4	2751.2	2,856.4	2,865.0	2,921.7	2,940.4	3,009.6
6) Other items (net)	(497.6)	(525.4)	(633.0)	(667.4)	(677.3)	(706.4)	(725.7)	(716.1)

Source: The Central Bank of The Bahamas

TABLE 8

CONSUMER INSTALMENT CREDIT

(B$' 000)

End of Period	1998		1999		2001								2002	
					Mar.		Jun.		Sept.		Dec.		Mar.	
	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*
CREDIT OUTSTANDING														
Private cars	2,178	230,311	922	264,969	549	290,334	477	286,695	416	281,772	405	270,662	325	266,945
Taxis & rented cars	--	1,356	--	1,674	--	2,091	--	2,296	--	2,289	--	2,251	--	2,422
Commercial vehicles	22	5,013	10	5,316	9	4,643	8	4,515	8	4,431	8	4,385	8	4,366
Furnishings & domestic appliances	418	13,268	101	16,746	38	17,177	36	16,646	8	17,711	7	17,514	3	16,954
Travel	145	31,282	88	38,100	46	42,015	30	43,736	28	46,537	25	43,391	22	40,619
Education	101	27,045	50	28,646	27	36,268	24	35,799	18	47,215	16	49,569	15	56,412
Medical	119	12,386	47	11,649	28	13,250	27	13,509	23	13,570	22	13,304	21	13,151
Home Improvements	932	105,710	522	119,070	242	122,445	219	124,215	199	128,466	180	126,542	173	118,103
Land Purchases	682	67,753	450	72,186	79	93,302	76	95,596	72	96,579	61	95,251	56	95,595
Consolidation of debt	1,992	318,722	1,174	346,272	672	358,886	615	360,409	540	359,757	501	356,914	444	352,066
Miscellaneous	1,233	206,851	696	251,550	353	319,231	293	328,579	252	336,835	237	340,739	168	350,991
Credit Cards	. . .	116,674	. . .	128,500	. . .	127,175	. . .	129,521	. . .	134,284	. . .	137,768	. . .	138,379
TOTAL	7,822	1,136,371	4,060	1,284,678	2,043	1,426,817	1,805	1,441,516	1,564	1,469,446	1,462	1,458,290	1,235	1,456,003
NET CREDIT EXTENDED														
Private cars	(3,102)	35,538	(1,256)	34,658	(54)	5,968	(72)	(3,639)	(61)	(4,923)	(11)	(11,110)	(80)	(3,717)
Taxis & rented cars	(28)	(158)	0	318	--	(31)	--	205	--	(7)	--	(38)	--	171
Commercial vehicles	(72)	824	(12)	303	--	(269)	(1)	(128)	--	(84)	--	(46)	--	(19)
Furnishings & domestic appliances	(162)	(698)	(317)	3,478	(2)	(377)	(2)	(531)	(28)	1,065	(1)	(197)	(4)	(560)
Travel	(118)	1,128	(57)	6,818	(6)	(2,662)	(16)	1,721	(2)	2,801	(3)	(3,146)	(3)	(2,772)
Education	(244)	1,819	(51)	1,601	(3)	3,300	(3)	(469)	(6)	11,416	(2)	2,354	(1)	6,843
Medical	(214)	1,931	(72)	(737)	(2)	475	(1)	259	(4)	61	(1)	(266)	(1)	(153)
Home Improvements	(1,259)	4,585	(410)	13,360	(55)	879	(23)	1,770	(20)	4,251	(19)	(1,924)	(7)	(8,439)
Land Purchases	(474)	8,986	(232)	4,433	(28)	1,741	(3)	2,294	(4)	983	(11)	(1,328)	(5)	344
Consolidation of debt	(1,866)	37,710	(818)	27,550	(41)	5,416	(57)	1,523	(75)	(652)	(39)	(2,843)	(57)	(4,848)
Miscellaneous	(1,039)	36,586	(537)	44,699	(67)	5,766	(60)	9,348	(41)	8,256	(15)	3,904	(69)	10,252
Credit Cards	. . .	26,921	. . .	11,826	. . .	(4,126)	. . .	2,346	. . .	4,763	. . .	3,484	. . .	611
TOTAL	(8,578)	155,172	(3,762)	148,307	(258)	16,080	(238)	14,699	(241)	27,930	(102)	(11,156)	(227)	(2,287)

Source: The Central Bank of The Bahamas

* Includes Consumer Credit previously reported under Personal Loans

TABLE 9

SELECTED AVERAGE INTEREST RATES

%

Period	1998	1999	2000	2001				2002
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
COMMERCIAL BANKS								
Deposit rates								
Savings deposits	3.11	2.88	2.71	2.70	2.68	2.66	2.70	2.73
Fixed deposits								
Up to 3 months	5.53	4.50	3.93	4.12	4.20	4.24	4.20	4.27
Up to 6 months	6.05	4.83	4.31	4.40	4.63	4.70	4.75	4.70
Up to 12 months	5.90	4.88	4.50	4.67	4.81	4.57	4.83	4.83
Over 12 months	5.94	4.90	4.31	4.53	5.03	5.73	4.65	5.28
Weighted average rate	5.58	4.50	3.97	4.16	4.25	4.25	4.29	4.37
Lending rates								
Residential mortgages	9.86	9.57	8.96	8.94	9.09	8.93	8.84	8.88
Commercial mortgages	10.12	9.67	9.46	8.59	9.15	8.80	8.94	9.07
Consumer loans	14.55	13.88	13.58	13.64	13.69	13.40	12.90	12.31
Overdrafts	11.00	10.65	10.56	10.42	10.85	9.80	10.64	10.18
Weighted average rate	12.33	11.84	11.74	11.87	11.74	11.14	11.12	11.20
OLFIs								
Deposit rates								
Savings deposits	4.20	3.74	3.43	3.90	3.50	3.55	3.25	--
Fixed deposits								
Up to 3 months	4.41	4.08	3.57	4.04	4.16	4.01	4.30	4.25
Up to 6 months	4.81	4.35	4.08	4.17	4.47	4.25	3.75	3.92
Up to 12 months	5.03	4.63	4.30	4.28	4.17	4.09	3.68	4.46
Over 12 months	4.48	4.42	4.06	4.41	4.00	4.02	4.25	--
Weighted average rate	5.16	4.65	4.21	4.36	4.14	4.45	4.04	4.55
Lending rates								
Residential mortgages	9.90	9.75	8.97	8.53	8.85	9.10	9.08	8.91
Commercial mortgages	--	10.00	--	--	--	--	--	--
Consumer loans	15.14	15.34	15.01	14.24	14.60	15.28	15.75	--
Other loans	--	6.75	9.03	9.10	9.46	9.42	9.46	8.01
Weighted average rate	13.21	12.72	12.11	11.60	11.76	12.60	9.04	8.86
Other rates								
Prime rate	6.75	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Treasury bill (90 days)	3.84	1.97	0.99	1.42	1.80	2.00	2.55	2.63
Treasury bill re-discount rate	4.34	2.47	1.49	1.92	2.34	2.50	3.05	3.13
Bank rate (discount rate)	6.50	5.75	5.75	5.75	5.75	5.75	5.75	5.75

Source: The Central Bank of The Bahamas

TABLE 10

SUMMARY OF BANK LIQUIDITY

(B$ Millions)

End of Period	1998	1999	2000	2001				2002
				Mar.	Jun.	Sept.	Dec.	Mar.
I. Statutory Reserves								
Required reserves	135.5	153.9	166.6	170.2	174.6	175.8	176.1	178.6
Average Till Cash	41.4	61.0	59.6	43.6	39.2	41.7	51.2	47.3
Average balance with central bank	136.1	174.7	149.4	189.3	187.5	194.8	182.2	246.2
Free cash reserves (period ended)	41.2	81.0	41.6	61.9	51.3	59.9	56.5	114.1
II. Liquid Assets (period)								
A. Minimum required Liquid assets	452.8	507.9	539.1	563.8	573.8	573.4	569.3	585.2
B. Net Eligible Liquid Assets	559.7	656.6	579.2	620.3	625.1	596.2	636.7	691.1
i) Balance with Central Bank	137.7	155.5	148.2	203.7	193.5	198.0	188.6	239.1
ii) Notes and Coins	48.2	75.1	64.9	37.1	38.7	39.5	65.4	45.8
iii) Treasury Bills	95.5	93.4	49.9	71.8	74.6	35.4	63.5	93.8
iv) Government registered stocks	264.1	311.4	303.7	297.3	300.5	302.0	306.4	294.6
v) Specified assets	17.4	20.8	20.2	17.3	16.7	15.8	16.9	18.9
vi) Net Inter-bank dem/call deposits	-2.4	1.2	(6.9)	(6.1)	1.9	6.3	(3.3)	(0.3)
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
C. Surplus/(Deficit)	106.9	148.7	40.1	56.5	51.3	22.8	67.4	105.9

Source: The Central Bank of The Bahamas

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

Period	1998/99p	1999/00p	2000/01p	Budget 2000/01	Budget 2001/02	2000/01p QTR. III	2000/01p QTR. IV	2001/02p QTR. I	2001/02p QTR. II	2001/02p QTR. III
Total Revenue & Grants	803.8	918.5	957.5	990.5	1,029.7	233.0	270.7	222.9	193.7	218.1
Current expenditure	746.8	817.4	846.1	862.8	893.8	210.6	243.7	204.3	204.2	223.5
Current balance	57.0	101.1	111.4	127.7	135.9	22.4	27.0	18.6	(10.5)	(5.4)
Capital expenditure	94.9	106.7	90.7	99.1	108.8	14.7	44.6	20.0	19.2	22.1
Net lending	32.3	32.1	42.5	29.0	21.3	7.3	13.5	1.0	37.8	(25.0)
Overall balance	(70.2)	(37.7)	(21.7)	(0.3)	5.8	0.4	(31.1)	(2.4)	(67.5)	(2.5)
Adj. Overall balance	(70.2)	(37.7)	(21.7)	(0.3)	5.8	0.4	(31.1)	(2.4)	(67.5)	(2.5)
FINANCING (I+II-III+IV+V)	70.2	37.7	21.7	0.3	(5.8)	(0.4)	31.1	2.4	67.5	2.5
I. Foreign currency loans	18.5	22.4	3.0	18.3	48.9	--	0.5	1.1	37.5	0.2
External	18.5	22.4	3.0	18.3	48.9	--	0.5	1.1	12.5	0.2
Domestic	--	--	--	. . .	. . .	--	--	--	25.0	--
II. Bahamian dollar borrowing	126.7	78.0	75.8	55.8	34.3	--	20.0	64.3	40.9	20.0
i) **Treasury bills**	--	--	20.0	. . .	. . .	--	20.0	16.1	--	--
Central Bank	--	--	20.0	. . .	. . .	--	20.0	16.1	--	--
Commercial banks & OLFI's	--	--	--	. . .	. . .	--	--	--	--	--
Public corporations	--	--	--	. . .	. . .	--	--	--	--	--
Other	--	--	--	. . .	. . .	--	--	--	--	--
ii) **Long-term securities**	126.7	78.0	55.8	. . .	. . .	--	--	34.3	40.9	--
Central Bank	17.0	8.0	6.5	. . .	. . .	--	--	5.0	40.9	--
Commercial banks & OLFI's	53.3	33.1	8.9	. . .	. . .	--	--	10.1	--	--
Public corporations	33.9	18.2	14.4	. . .	. . .	--	--	4.8	--	--
Other	22.5	18.7	26.0	. . .	. . .	--	--	14.4	--	--
iii) Loans and Advances	--	--	--	. . .	. . .	--	--	13.9	--	20.0
Central Bank	--	--	--	. . .	. . .	--	--	13.9	--	20.0
Commercial banks	--	--	--	. . .	. . .	--	--	--	--	--
III Debt repayment	74.3	20.6	74.8	79.3	87.3	7.7	7.6	29.2	29.4	54.0
Domestic	64.7	12.7	67.1	71.2	54.0	6.5	5.0	28.3	28.5	53.1
Bahamian dollars	55.0	1.0	60.4	60.7	47.7	5.2	5.0	25.2	23.5	27.7
Internal foreign currency	9.7	11.8	6.7	10.5	6.2	1.3	0.0	3.1	5.0	25.4
External	9.6	7.9	7.7	8.1	33.3	1.2	2.6	0.9	0.9	0.9
IV. Cash balance change	(3.1)	(19.4)	10.3	. . .	. . .	(1.2)	(1.3)	11.4	13.3	(1.9)
V. Other Financing	2.4	(22.7)	7.4	5.5	(1.7)	8.5	19.5	(45.2)	5.2	38.2

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

TABLE 12

NATIONAL DEBT

(B$' 000s)

End of Period	1998p	1999p	2000p	2001p				2002p
				Mar.	June	Sept.	Dec.	Mar.
TOTAL EXTERNAL DEBT	93,135	105,716	114,389	113,540	111,516	111,731	123,294	122,603
By Instrument								
Government Securities	56,000	50,500	50,500	50,500	50,500	50,500	50,500	50,500
Loans	37,135	55,216	63,889	63,040	61,016	61,231	72,794	72,103
By Holder								
Commercial banks	6,334	25,602	25,265	25,265	23,615	23,615	22,956	22,956
Offshore financial institutions	6,900	980	500	500	500	500	500	500
Multilateral institutions	29,901	29,134	38,624	37,775	37,401	37,616	49,838	49,147
Bilateral Institutions	--	--	--	--	--	--	--	--
Private Capital Markets	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
TOTAL INTERNAL DEBT	1,340,851	1,405,656	1,401,831	1,395,312	1,410,349	1,446,356	1,483,765	1,450,665
By Instrument								
Foreign Currency	44,655	29,706	21,057	19,767	19,767	16,677	36,677	11,287
Government securities	29,200	21,000	16,000	16,000	16,000	16,000	11,000	11,000
Loans	15,455	8,706	5,057	3,767	3,767	677	25,677	287
Bahamian Dollars	1,296,196	1,375,950	1,380,774	1,375,545	1,390,582	1,429,679	1,447,088	1,439,378
Advances	53,519	53,519	53,519	53,519	53,518	67,445	56,945	66,235
Treasury bills	132,500	132,500	132,500	132,500	152,500	168,600	168,600	168,600
Government securities	1,099,856	1,180,586	1,186,386	1,181,386	1,176,424	1,185,724	1,213,633	1,196,633
Loans	10,321	9,345	8,369	8,140	8,140	7,910	7,910	7,910
By Holder								
Foreign Currency	44,665	29,706	21,057	19,767	19,767	16,677	36,677	11,287
Commercial banks	44,665	29,706	21,057	19,767	19,767	16,677	36,677	11,287
Other local financial institutions	--	--	--	--	--	--	--	--
Bahamian Dollars	1,296,196	1,375,950	1,380,774	1,375,545	1,390,582	1,429,679	1,447,088	1,439,378
The Central Bank	61,926	73,101	128,895	110,297	121,422	185,735	190,554	163,136
Commercial banks	360,285	407,481	354,899	370,428	376,550	338,595	373,205	394,805
Other local financial institutions	3,618	6,399	4,287	4,237	4,187	4,187	3,128	3,127
Public corporations	623,817	607,744	590,485	588,552	586,602	584,859	562,309	565,329
Other	246,550	281,225	302,208	302,031	301,821	316,303	317,892	312,981
TOTAL FOREIGN CURRENCY DEBT	137,790	135,422	135,446	133,307	131,283	128,408	159,971	133,890
TOTAL DIRECT CHARGE	1,433,986	1,511,372	1,516,220	1,508,852	1,521,865	1,558,087	1,607,059	1,573,268
TOTAL CONTINGENT LIABILITIES	349,045	376,282	369,915	370,766	373,578	383,934	362,631	408,464
TOTAL NATIONAL DEBT	1,783,031	1,887,654	1,886,135	1,879,618	1,895,443	1,942,021	1,969,690	1,981,732

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$' 000)

	1998p	1999p	2000p	2001p Mar.	2001p June	2001p Sept.	2001p Dec.	2002p Mar.
Outstanding debt at beginning of period	400,823	403,451	404,043	392,433	390,008	383,765	378,754	389,553
Government	147,896	137,790	135,422	135,446	133,307	131,283	128,408	159,971
Public Corporations	252,927	265,661	268,621	256,987	256,701	252,482	250,346	229,582
Plus new drawings	43,752	47,948	26,721	4,043	2,245	3,564	40,845	42,246
Government	6,431	24,611	15,767	308	566	1,141	37,505	211
Public corporations	37,321	23,337	10,954	3,735	1,679	2,423	3,340	42,035
Less Amortization	41,124	47,356	38,331	6,468	8,488	8,575	30,046	31,638
Government	16,537	26,979	15,743	2,447	2,590	4,016	5,942	26,292
Public corporations	24,587	20,377	22,588	4,021	5,898	4,559	24,104	5,346
Outstanding debt at end of period	403,451	404,043	392,433	390,008	383,765	378,754	389,553	400,161
Government	137,790	135,422	135,446	133,307	131,283	128,408	159,971	133,890
Public corporations	265,661	268,621	256,987	256,701	252,482	250,346	229,582	266,271
Interest Charges	30,978	24,684	26,050	3,968	8,720	4,594	9,851	4,114
Government	12,364	8,671	8,237	661	3,848	567	4,804	1,291
Public corporations	18,614	16,013	17,813	3,307	4,872	4,027	5,047	2,823
Debt Service	72,102	72,040	64,381	10,436	17,208	13,169	39,897	35,752
Government	28,901	35,650	23,980	3,108	6,438	4,583	10,746	27,583
Public corporations	43,201	36,390	40,401	7,328	10,770	8,586	29,151	8,169
Debt Service ratio	3.8	3.0	2.5	1.5	2.3	2.1	6.8	5.4
Government debt Service/ Government revenue (%)	3.8	4.1	2.5	1.3	2.4	2.1	5.5	12.6
MEMORANDUM								
Holder distribution (B$ Mil):								
Commercial banks	100.7	100.0	85.1	83.8	81.1	79.3	98.1	113.7
Offshore Financial Institutions	6.9	1.0	0.5	0.5	0.5	0.5	0.5	0.5
Multilateral Institutions	216.8	226.1	233.9	233.0	231.4	228.1	240.2	236.8
Bilateral Institutions	29.1	25.4	21.8	21.8	20.0	20.0	0.0	0.0
Other	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Private Capital Markets	0.0	1.5	1.1	0.9	0.9	0.9	0.8	0.7

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

TABLE 14

BALANCE OF PAYMENTS SUMMARY

(B$ Millions)

	1999p	2000p	2001p	2001 Qtr.Ip	2001 Qtr.IIp	2001 Qtr.IIIp	2001 Qtr.IVp	2002 Qtr.Ip
A. Current Account Balance (I+II+III+IV)	**(406.0)**	**(408.1)**	**(195.2)**	**(29.5)**	**(6.1)**	**(77.9)**	**(81.7)**	**53.3**
I. Merchandise (Net)	**(1,249.2)**	**(1,312.8)**	**(998.3)**	**(297.8)**	**(294.6)**	**(242.9)**	**(163.0)**	**(199.0)**
Exports	523.2	805.3	765.5	172.0	176.4	192.8	224.3	158.2
Imports	1,772.4	2,118.1	1,763.8	469.8	471.0	435.7	387.3	357.2
II. Services (Net)	**936.5**	**1,034.4**	**951.2**	**293.8**	**341.8**	**184.3**	**131.3**	**285.5**
Transportation	(112.3)	(128.9)	(133.8)	(31.2)	(33.7)	(24.7)	(44.2)	(24.1)
Travel	1,272.5	1,521.0	1,453.6	416.7	491.1	302.7	243.1	393.0
Insurance Services	75.0	(60.3)	(81.4)	(16.9)	(31.0)	(18.7)	(14.8)	(16.1)
Offshore Companies Local Expenses	84.7	115.5	50.7	9.4	8.7	3.1	29.5	23.8
Other Government	(26.8)	(29.4)	(48.0)	(7.0)	(23.0)	(4.6)	(13.4)	(10.7)
Other Services	(359.9)	(383.5)	(290.0)	(77.3)	(70.3)	(73.5)	(68.9)	(80.4)
III. Income (Net)	**(129.7)**	**(173.1)**	**(189.8)**	**(37.2)**	**(68.1)**	**(28.5)**	**(56.0)**	**(44.6)**
1. Compensation of Employees	(40.9)	(51.1)	(46.8)	(10.5)	(10.7)	(11.6)	(14.0)	(10.9)
2. Investment Income	(88.6)	(122.0)	(143.0)	(26.7)	(57.4)	(16.9)	(42.0)	(33.7)
IV. Current Transfers (Net)	**36.4**	**43.4**	**41.7**	**11.7**	**14.8**	**9.2**	**6.0**	**11.4**
1. General Government	41.5	47.4	45.8	12.2	16.3	10.3	7.0	11.9
2. Private Sector	(5.1)	(4.0)	(4.0)	(0.4)	(1.5)	(1.1)	(1.0)	(0.5)
B. Capital and Financial Account (I+II) (excl. Reserves)	**583.6**	**419.8**	**259.7**	**53.6**	**33.1**	**58.6**	**114.4**	**63.8**
I. Capital Account (Transfers)	**(13.6)**	**(16.4)**	**(20.2)**	**(5.6)**	**(7.7)**	**(3.1)**	**(3.8)**	**(9.0)**
II. Financial Account	**597.2**	**436.2**	**279.9**	**59.2**	**40.8**	**61.7**	**118.2**	**72.8**
1. Direct Investment	149.1	249.9	100.9	28.6	31.5	23.3	17.4	19.0
2. Other Investments	448.1	108.2	178.3	30.6	9.3	38.4	100.7	53.8
Central Gov't Long Term Capital flow (net)	2.5	0.4	24.5	(2.1)	(2.1)	(2.9)	31.6	(26.2)
Other Public Sector Capital	(7.3)	(11.6)	(28.2)	(0.3)	(4.2)	(3.0)	(20.7)	40.0
Banks	91.8	(28.0)	120.5	(1.1)	15.9	20.2	85.5	40.7
Other	361.3	147.4	61.5	34.1	(0.3)	23.3	4.4	(0.6)
C. Net Errors and Omissions	**(112.3)**	**(43.8)**	**(94.7)**	**15.4**	**(41.6)**	**(41.9)**	**(26.6)**	**(49.5)**
D. Overall Balance (A+B+C)	**65.3**	**(32.1)**	**(30.2)**	**39.5**	**(14.6)**	**(61.2)**	**6.1**	**67.6**
E. Financing	**(65.3)**	**61.5**	**30.0**	**(39.5)**	**14.6**	**61.2**	**(6.2)**	**(67.6)**
Change in SDR holdings	--	(0.1)	0.0	--	--	--	--	0.1
Change in Reserve Position with the Fund	--	0.5	0.3	0.3	0.1	(0.3)	0.2	0.1
Change in External Foreign Assets ( ) = Increase	(65.3)	61.1	29.8	(39.8)	14.5	61.5	(6.4)	(67.8)

Source: The Central Bank of the Bahaqas

Figures may not sum to total due to rounding

TABLE 15

EXTERNAL TRADE

(B$ '000)

	1994	1995	1996	1997				1998			
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
I. OIL TRADE											
i) Exports	3,329	29	6	--	--	--	--	1	--	--	--
ii) Imports	98,618	156,431	192,921	30,694	42,537	51,328	23,934	44,593	26,146	20,474	21,476
II. OTHER MERCHANDISE											
i) Domestic Exports											
Crawfish	58,359	56,148	69,415	11,269	5,968	15,631	26,593	15,576	4,837	14,045	23,015
Fish & other Crustacea	2,927	3,562	4,978	674	972	972	426	3,450	2,625	4,752	2,080
Fruits & Vegs.	3,133	2,842	2,536	1,325	113	1,427	224	341	27	488	317
Aragonite	851	343	828	154	264	342	--	--	225	69	308
Rum	8,335	2,878	4,442	701	1,525	1,418	1,287	2,957	2,286	3,752	3,249
Other Cordials & Liquers	246	361	258	122	46	94	15	6	4	32	9
Crude Salt	15,511	13,463	17,430	5,975	4,050	7,115	4,447	4,546	2,809	2,906	2,617
Hormones	--	--	--	--	--	--	--	--	--	2,594	2,256
Chemicals	--	--	223	--	--	--	--	6,062	7,188	3,987	4,452
Other Pharmaceuticals	78	--	--	--	--	--	--	--	--	--	--
Fragrances	--	--	2,429	--	133	235	797	1	--	--	--
Other	15,491	13,031	12,021	2,698	1,319	2,519	1,150	2,057	1,349	3,300	7,646
TOTAL	104,931	92,628	114,560	22,918	14,390	29,753	34,939	34,996	21,350	35,925	45,949
ii) Re-Exports	62,102	83,291	63,666	36,055	15,132	11,891	16,314	34,028	43,217	35,177	49,678
iii) Total Exports (i+ii)	167,033	175,919	178,226	58,973	29,522	41,644	51,253	69,024	64,567	71,102	95,627
iv) Imports	957,258	1,086,650	1,171,621	296,071	377,356	376,511	423,595	438,815	420,158	410,670	434,031
v) Retained Imports (iv-ii)	895,156	1,003,359	1,107,955	260,016	362,224	364,620	407,281	404,787	376,941	375,493	384,353
vi) Trade Balance (i-v)	(790,225)	(910,731)	(993,395)	(237,098)	(347,834)	(334,867)	(372,342)	(369,791)	(355,591)	(339,568)	(338,404)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16

SELECTED TOURISM STATISTICS

Period	1999	2000	2001p	2001p				2002p
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
Visitor Arrivals	**3,648,291**	**4,203,831**	**4,184,884**	**1,187,456**	**1,140,850**	**932,034**	**924,544**	**1,216,381**
Air	1,438,887	1,481,545	1,439,030	411,633	439,949	336,884	250,564	380,480
Sea	2,209,404	2,722,286	2,745,854	775,823	700,901	595,150	673,980	835,901
Visitor Type								
Stopover	**1,577,066**	**1,596,159**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
U.S.A.	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Canada	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Europe	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Other	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	1,981,481	2,512,626	2,551,673	733,994	632,519	536,098	649,062	n.a
Day/Transit	77,707	66,587	n.a	n.a	n.a	n.a	n.a	n.a
Tourist Expenditure(B$ 000's)	**1,582,926**	**1,814,011**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**	**n.a**
Stopover	1,463,577	1,662,036	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	114,909	147,980	n.a	n.a	n.a	n.a	n.a	n.a
Day	4,440	3,995	n.a	n.a	n.a	n.a	n.a	n.a
Number of Tourist Days*	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Length of Stay	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Hotel Occupancy Rates (%)								
New Providence	76.0	73.3	66.7	74.0	75.9	63	52	80.1
Grand Bahama	53.6	58.2	49.7	58.5	59.8	52	31	n.a
Other Family Islands	44.3	41.0	37.2	37.9	51.6	35	21	n.a

Source: The Ministry of Tourism

* Calculated as the sum of stopovers times average length of stay and total cruise and day visitors.

Gross Economic Contribution of Banks and Trust Companies in The Bahamas, 2001

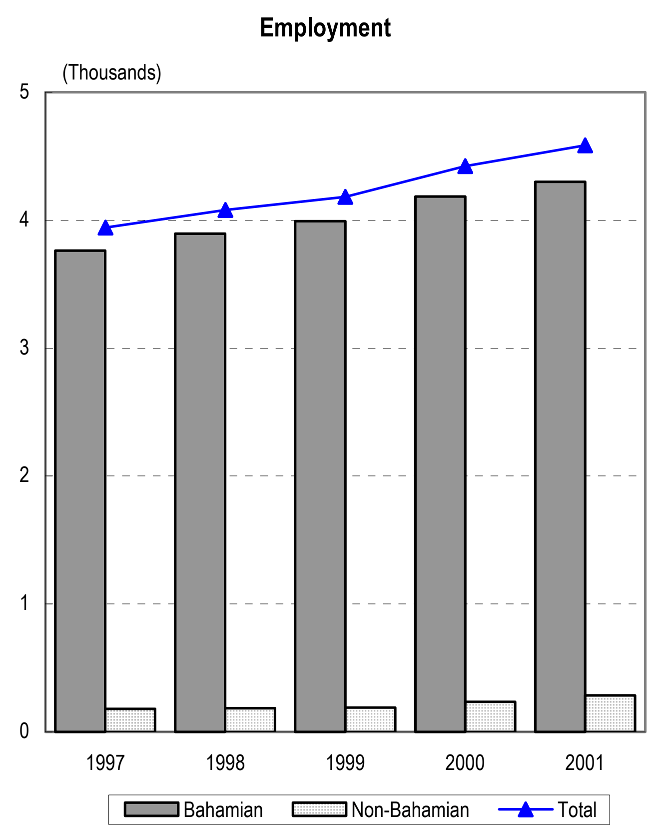
Introduction

Financial services represent the second largest sector of the Bahamian economy, with an estimated contribution to Gross Domestic Product (GDP) of 15%; it provides some of the highest paying jobs, being serviced by a broad cross-section of professionals in areas such as law, accounting, banking, finance and trust. The backdrop to the Central Bank of The Bahamas' 2001 survey of the gross economic contribution of banks and trust companies depicted a sector confronted by increased international competition and mounting challenges from various multilateral initiatives concerned with the prevention of money laundering, ensuring the supervision and stability of the international financial sector, and enhancing the mechanism for the exchange of tax information. The Bahamas has responded with a comprehensive overhaul of its regulatory infrastructure, including a revamping of legislation affecting the provision of banking and trust services, a tightening of the regime for international business companies (IBCs), and the installation of a comprehensive anti-money laundering oversight structure for all sub-sectors of financial and corporate services. The new regime has also strengthened cooperative and information sharing arrangements between local and foreign regulatory agencies.

Key results of the 2001 survey indicate that the banking sector, which accounts for more than half of the financial services industry's total contribution to the economy, increased its staffing and financial resources during the year to oversee anti-money laundering compliance systems and comply with the new physical presence requirements outlined by the Central Bank. Consequently, higher staffing and administrative costs underpinned the bulk of the sector's increased expenditures in 2001, and capital expenditures continued at a high level. However, business growth opportunities, which fueled most of the previous decade's gains, stalled, both in the context of the medium term uncertainty over the competitive impact of the new regulatory regime, and the persistence of weak economic conditions in domestic and international markets.

Employment Trends

Employment growth in the banking sector, although moderated, corresponded mainly to increased compliance staffing needs to meet the requirements of the new financial sector regulatory regime and the establishment of stand-alone operations as mandated under the Central Bank's physical presence directives.



Indications are that total employment rose by 165 (3.7%) to 4,586 persons which, although below 2000's increase of 240 positions (5.7%), exceeded average gains of 148 jobs per annum during the five-year period through 2000. Among Bahamians, employment advanced by 115 (2.7%) to 4,300, accounting for 93.8% of the total. This was comparatively less than the 194 increase in 2000 and the previous five-year average annual gain of 137 positions, and may be attributed to the weakened profitability in the domestic sector and reduced business growth opportunities in the offshore sector.

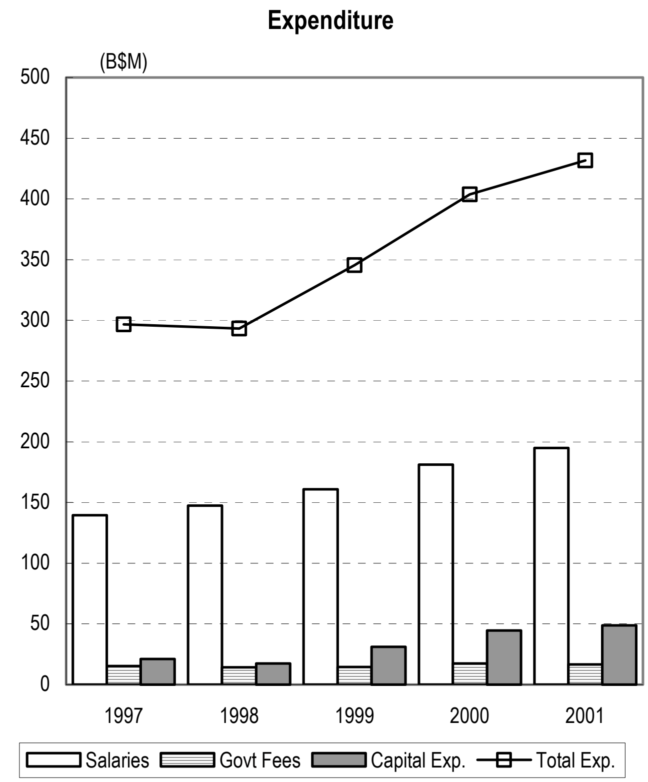
Buoyed by senior level staffing in newly established stand-alone operations, employment among non-Bahamians rose at a strengthened pace of 50 (21.7%) to 286, which compared more favorably to 2000's gain of 46 (24.2%) positions. Consequent on accelerated employment growth among expatriates, the proportion of Bahamians in the total workforce declined to 93.8% from an average 94.7% during the 1996-2000 period.

EXPENDITURES

The banking sector recorded continued but moderated expenditure gains in 2001, reflecting staffing and pay hikes, growth in certain administrative outlays and ongoing capital investments. Gross outlays, at $431.8 million, registered decelerated growth of 7.0% ($28.1 million), which was also below the 10.0% average annual gain sustained in the 1996-2000 period. Proportionally, operational costs, inclusive of staff expenses, government fees and administrative expenses, accounted for a slightly reduced share of the total (88.7%) relative to both the 2000 (89.0%) and the five year average (91.5%) through 2000. Correspondingly, the share for investment outlays was slightly elevated at 11.3% and exceeded the adjoining five-year average of 8.5%.

As regard total operating costs, at $383.0 million, the 2001 increase of $23.8 million (6.6%) lagged both the 2000 peak (14.3%) and the average annual up-trend (9.5%) registered in the preceding five years. Staff salaries, which constituted the largest component of these costs, rose by 7.6% to $194.8 million, as a result of both employment and average salary growth. Nonetheless, this positioned below the 12.6% increase for 2000 and the 9.2% average annual rate for 1996-2000. An examination of average salaries reveal a more tempered gain of 2.7% to $42,193 in 2001, as compared to 6.9% in 2000 and an average annualized 5.1% in the previous five-year period. Trends, though hampered by smaller bonus payments during 2001, were supported by higher premium salaries offered on new compliance related positions.

Education and training efforts, which add to the long-run viability of the financial sector, extend significantly beyond the direct in-house expenditures of financial institutions which decreased by a third to $2.2 million, to reverse 2000's 14.8% increase. Both the public and private sectors provide broad funding support for programs at the Bahamas Institute of Bankers, the College of The Bahamas and other tertiary level institutions.



Meanwhile, administrative costs increased further but at a slackened 7.5% pace to $169.3 million, and also slowed relative to the 10.9% average annual growth achieved in the previous five years.

On a cumulative basis, direct benefits accruing to the Government from banking sector activities amounted

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

Period	1994	1995	1996	1997	1998	1999	2000	2001p
A. TOTAL EMPLOYMENT	3,612	3,680	3,786	3,942	4,080	4,181	4,460	4,586
Bahamians	3,435	3,498	3,607	3,763	3,895	3,991	4,223	4,300
Non-Bahamians	177	182	179	179	185	190	237	286
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	207.4	215.4	249.7	275.5	275.8	314.2	363.1	379.4
1. Salaries	112.0	121.4	127.3	139.5	147.5	160.8	182.9	193.3
2. Government Fees	14.5	15.8	16.6	15.3	14.2	14.4	17.4	16.5
i) Licence	8.0	8.1	7.8	7.7	7.8	8.2	8.7	8.0
ii) Company Registration	0.7	0.5	0.6	0.6	0.6	1.0	1.0	2.6
iii) Work Permits	0.9	1.0	1.2	1.1	1.1	1.3	2.2	2.2
iv) Other Government Fees	4.9	6.2	7.0	5.9	4.7	3.9	5.5	3.7
3. Staff Training	1.5	1.4	1.6	2.0	2.5	2.7	3.1	2.2
4. Other Administrative Costs	79.4	76.8	104.2	118.7	111.6	136.3	159.7	167.4
C. CAPITAL EXPENDITURE[1)]	19.0	20.2	25.5	21.1	17.4	31.2	45.7	48.7
D. TOTAL EXPENDITURE (B+C)	226.4	235.6	275.2	296.6	293.2	345.4	408.8	428.1
E. AVERAGE SALARY (B$'000)	31,008	32,989	33,624	35,381	36,161	38,452	41,010	42,143

Source: The Central Bank of The Bahamas

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

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	1995	1996	1997	1998	1999	2000	2001p	1995	1996	1997	1998	1999	2,000	2001p
	DOMESTIC							OFFSHORE						
A. TOTAL EMPLOYMENT	2,903	2,980	3,050	3,178	3,203	3,274	3,341	777	806	892	902	978	1,186	1,245
Bahamians	2,847	2,925	2,999	3,123	3,155	3,232	3,299	651	682	764	772	836	991	1,001
Non-Bahamians	56	55	51	55	48	42	42	126	124	128	130	142	195	244
	(B$ Millions)													
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	138.0	169.3	185.1	180.5	203.2	216.4	227.7	80.1	80.5	90.4	95.3	111.0	146.8	151.7
1. Salaries	87.5	92.6	100.1	105.8	113.0	119.9	121.5	33.9	34.7	39.4	41.7	47.8	63.0	71.7
2. Government Fees	7.0	8.1	7.2	4.6	6.5	6.2	6.6	8.8	8.5	8.0	9.6	7.9	11.2	9.9
i) Licence	1.9	1.6	1.7	2.1	3.0	3.0	3.0	6.3	6.2	5.9	5.8	5.2	5.7	5.0
ii) Company Registration	0.2	0.3	0.3	0.3	0.6	0.3	1.1	0.3	0.3	0.3	0.3	0.4	0.7	1.4
iii) Work Permits	0.3	0.5	0.4	0.4	0.5	0.4	0.5	0.7	0.7	0.7	0.7	0.8	1.8	1.8
iv) Other Government Fees	4.6	5.7	4.8	1.8	2.4	2.5	2.0	1.5	1.3	1.1	2.8	1.5	3.0	1.7
3. Staff Training	1.0	1.2	1.4	1.6	1.5	1.7	1.2	0.5	0.4	0.7	0.9	1.2	1.5	1.0
4. Other Administrative Costs	42.5	67.4	76.4	68.5	82.2	88.6	98.4	36.9	36.9	42.3	43.1	54.1	71.1	69.1
C. CAPITAL EXPENDITURE 1/	12.5	14.0	12.9	9.3	15.9	14.2	25.3	7.6	11.5	8.2	8.2	15.2	31.4	23.3
D. TOTAL EXPENDITURE (B+C)	150.5	183.3	198.0	189.8	219.1	230.6	253.0	87.7	92.0	98.6	103.5	126.2	178.2	175.0
E. AVERAGE SALARY (B$'000)	30,141	31,062	32,808	33,296	35,270	36,619	36,381	43,629	43,099	44,180	46,255	48,874	53,134	57,603

Source: The Central Bank of The Bahamas

1/ (includes construction,renovation expenses and other fixed assets) to $94.6 million during the period 1996-2001. However, the 2001 contribution was slightly contracted to $16.7 million—reflecting marginally reduced collections of licence fees, customs and stamp duty collections, which overshadowed boosted receipts from company registration and work permits.

Although growth in capital outlays abated to $4.3 million (9.7%), the $48.8 million expended represented the highest annual amount on record, after a marked gain of 42.6% in 2000 and average annual growth of 14.9% during 1996-2000. Institutions spent a moderately reduced amount on office equipment, which accounted for 42.3% of total investments, but raised outlays on office renovations and new premises.

DOMESTIC VS. OFFSHORE

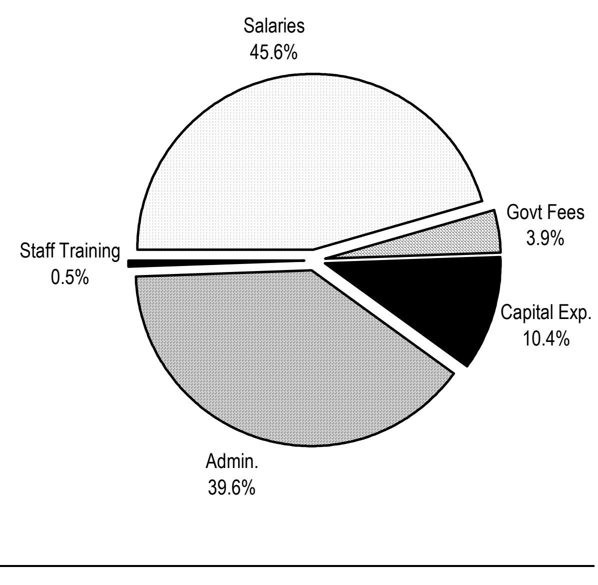
The banking sector's contribution can be further disaggregated on the basis of domestic and offshore institutions. In this regard, the local retail operations, which are more labour intensive, generate the majority of the industry's gross expenditures, while offshore sector jobs generally attract significantly higher average salaries, given higher skill level requirements. However, there is some overlap in operations, since many domestic institutions also have significant offshore business.

During 2001, total employment among domestic banks increased by 67 (2.0%) to 3,341 positions. This, however, represented a reduced share of the sector's total employment gains (76.7%) relative to 2000, as well as the five-year period's average (79.4%), given the faster job growth registered in the offshore sector. Nevertheless, the local employment gains benefited Bahamians most, as positions held increased by 67 to 3,299, while the expatriate component was flat at 42 positions. The trend from 1996-2000 also signals a higher average share of salary gains for Bahamians in domestic operations, as more upper-management posts were assumed.

Meanwhile, the offshore sector exhibited contrasting employment trends, with stronger growth recorded for expatriate hirings. While the number of Bahamians employed in the sector rose by 5.0% to 1,001 in 2001, total expatriate jobs increased faster by 25.8% to 244. This single annual advance captured the response to the Central Bank's physical presence policy, and featured a concentration of non-Bahamians in management posts of the new and smaller stand-alone operations. As a result, the ratio of Bahamians to expatriates in the offshore workforce approximated a reduced 4 to 1 at end-2001, as compared to the previous five years' average of slightly more than 5 to 1.

Based on growth of 9.8% to $253.1 million in 2001, the domestic banks' share of the industry's gross outlays firmed marginally to 58.6%, but remained below the 63.7% average attained for 1996-2000. By comparison, the increase surpassed the 5.2% posted in 2000 and also topped the 5.9% five-year average annual uptrend through 2000. Key to this outcome was a 78.2% hike in capital spending, largely connected with office equipment and fixed asset purchases, as well as further growth in outlays for renovation and acquisition of new premises. Given the importance of salaries which rose at a slackened rate of 1.4%, operational expenditure growth slowed to 5.2% for an aggregate outlay of $227.7 million—both relative to 2000 (6.5%) and the five-year average annual up-trend through 2000 (6.3%). These developments overshadowed an upturn in government fees (6.9%), and more firmer increases in other administrative expenses (11.0%).

Expenditure Components (% of Total)



For offshore banks, total expenditures rose by 3.3% to $178.8 million, well below the 37.2% rate of increase achieved in 2000, that was mainly associated with in-

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	1995	1996	1997	1998	1999	2000p	1995	1996	1997	1998	1999	2000p
	DOMESTIC						**OFFSHORE**					
A. TOTAL EMPLOYMENT	2,903	2,980	3,050	3,178	3,203	3,270	777	806	892	902	978	1,139
Bahamians	2,847	2,925	2,999	3,123	3,155	3,232	651	682	764	772	836	954
Non-Bahamians	56	55	51	55	48	38	126	124	128	130	142	185
					(B$ Millions)							
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	138.0	169.3	185.1	180.5	203.2	207.9	80.1	80.5	90.4	95.3	110.9	142.7
1. Salaries	87.5	92.6	100.1	105.8	113.0	127.9	33.9	34.7	39.4	41.7	47.8	61.3
2. Government Fees	7.0	8.1	7.2	4.5	6.5	6.1	8.8	8.5	8.0	9.6	7.9	11.1
i) Licence	1.9	1.6	1.7	2.1	3.0	2.9	6.3	6.2	5.9	5.8	5.2	5.6
ii) Company Registration	0.2	0.3	0.3	0.3	0.6	0.3	0.3	0.3	0.3	0.3	0.4	0.7
iii) Work Permits	0.3	0.5	0.4	0.4	0.5	0.4	0.7	0.7	0.7	0.7	0.8	1.7
iv) Other Government Fees	4.6	5.7	4.8	1.8	2.4	2.5	1.5	1.3	1.1	2.8	1.5	3.0
3. Staff Training	1.0	1.2	1.4	1.6	1.5	1.7	0.5	0.4	0.7	0.9	1.2	1.5
4. Other Administrative Costs	42.5	67.4	76.4	68.5	82.2	72.2	36.9	36.9	42.3	43.1	54.1	68.9
C. CAPITAL EXPENDITURE 1/	12.5	14.0	12.9	9.3	15.9	14.2	7.6	11.5	8.2	8.2	15.2	30.3
D. TOTAL EXPENDITURE (B+C)	150.5	183.3	198.0	189.8	219.2	222.2	87.7	92.0	98.6	103.5	126.2	173.0
E. AVERAGE SALARY (B$'000)	30,141	31,074	32,820	33,296	35,270	39,112	43,629	43,052	44,180	46,255	48,874	53,777

Source: The Central Bank of The Bahamas

1/ (includes construction,renovation expenses and other fixed assets) vestments in new premises, and the 17.1% estimated average annual growth for the five years through 2000. Operational outlays accounted for 86.8% of these expenses, increasing by 8.8% to $155.3 million. However, capital expenditures contracted by 22.4% to $23.5 million, which still represented the second highest level on record. In this regard, renovation expenses fell by 12%; land purchase, by 67% and acquisition of office equipment and furnishings, by 60%.

As regard staff cost comparisons, salary differences between the domestic and offshore sectors widened further during 2001. In the domestic sector, these costs rose by 1.4% to $121.6 million in 2001, while the offshore sector's average outlays increased more markedly by 19.6% to $73.3 million. Within this context, the average pay per worker in offshore banks rose by 6.6% to $57,397 per annum, while average compensation among domestic banks fell by 0.8% to $36,382, attributed to slower base salary growth and a reduction in bonuses as profits weakened.

LICENSING ACTIVITY

Although the Central Bank's new physical presence requirement policy influenced a reduction in the number of institutions licensed to carry on banking and trust operations from or within the jurisdiction, it nevertheless also contributed to some employment gains. The Bank has indicated that new licences generally would only be granted to institutions that intend to operate stand-alone and independently staffed operations, or to those that are managed through affiliated offshore entities that already have a physical presence in the jurisdiction. During 2001, the Bank instituted a phased-in program, requiring most managed or "brass plate" operations to satisfy the physical requirement by June 2002, or to have their licenses revoked. The Bank also indicated that some qualified licensees would be allowed to maintain managed arrangements through June 2004. Managed institutions which elected not to meet the physical presence requirement accounted for the majority of the 63 licenses that were revoked by the Central Bank in 2001. Also included among the revocations were some 5 restricted trust operations, that were advised that their activities, mainly the incorporation and management of IBCs, should be more appropriately re-licensed under the Inspector of Corporate Services Providers.

Notwithstanding revocations, the Central Bank issued nine (9) new licenses in 2001, and taking into account revocation activities, the number of institutions licensed to carry on banking and trust operations from or within The Bahamas declined by 54 to 356 in 2001. In this regard, the number of public banks and trust companies decreased by 41 to 227, non-active licenses by 5 to 12, and restricted licensees by 8 to 117. Contrary to licensing trends, companies with a physical presence within the domestic economy, which provide a better barometer of employment and expenditure contributions, rose further to 221 from 204.

The list of public licensees included 150 Bahamian incorporated banks and trust companies engaged exclusively in offshore business, similar to the 53 euro currency branches of foreign banks and trust companies. Of the remaining 23 institutions which provide services to the domestic sector, 2 were savings and loans institutions, 9 commercial banks (authorized dealers and authorized dealer/agents) and 12 trust companies (authorized agents) which engage mostly in fiduciary business with foreign clients.

OTHER DEVELOPMENTS IN THE FINANCIAL SECTOR

Regulatory implementation activities were the highlight of financial sector developments during 2001. After broad consultation with other domestic supervisory agencies, including the Central Bank and the Securities Commission, the Financial Intelligence Unit (FIU) issued a detailed series of Suspicious Transactions Guidelines for all licensed providers of financial and corporate services during the fourth quarter of 2001. The guidelines specify minimum internal controls and procedures to detect and prevent money laundering and the related reporting requirements of the FIU.

Within the banking and insurance sectors, in particular, the implementation of statutory anti-money laundering systems also focused on the mandated verification of customer identities under the new "know-your-customer" (KYC) guidelines of the Financial Transaction Reporting Act, 2000. The Minister of Finance extended the compliance deadline for this exercise by six months to 30

June 2002, and it is expected that the process will require a further extension, as permitted by the Act, through 31 December, 2002.

One of the important features of the Central Bank's new supervisory regime is the onsite inspection of banks and trust companies, which commenced in early 2001, and focused broadly, inter alia, on the adequacy of institutions' anti-money laundering and other internal systems of control. Some 116 examinations were conducted last year, including a few limited full inspections, which covered general prudential matters for both domestic and international (offshore) operations. In addition to the more publicized guidelines affecting the phasing out of managed banking and trust operations issued during 2001, the Central Bank also promulgated detailed regulations covering the license application process and guidelines on corporate governance. The Bank plans to increase its focus on the new capital accord proposed by the Basel Committee on Banking Supervision, and to intensify the process of educating the banking sector as to its eventual implementation, now scheduled for 2005/06.

The Bahamas' early enactment of an enhanced package of legislation governing its financial services sector, along with the broad implementation of the new regime, produced early positive results when, in January 2001, The Bahamas obtained a Qualified Jurisdiction (QJ) Status for tax withholding purposes from the Internal Revenue Service of the United States Treasury Department. In June 2001, the jurisdiction was removed from the Financial Action Task Force's list of Non-Cooperative Countries and Territories in the global fight against money laundering and more recent signaling of an OECD commitment has resulted in The Bahamas' removal from that body's list of non-cooperative countries.

The Bahamas' further commitment to international cooperation was demonstrated by its early and decisive implementation of counter-terrorism measures following September 11, and safeguards which ratified the United Nation's Security Council Resolution 1373 for the Prevention and Suppression of the Financing of Terrorist Acts. Additionally, in the first quarter of 2002, a Tax Information Exchange Agreement (TIEA) was signed with the United States, initially establishing a framework to deal with criminal investigations, and in March 2002 a conditional commitment was given to cooperate with the OECD in its Harmful Tax Initiative.

The legislative changes have had the greatest immediate impact on IBC incorporation and management—activities which are ancillary to and supportive of banking sector activities. In the context of wholesale dissolutions and a scaling back in company formations, the number of registered companies decreased to less than 80,000 at end-December 2001, from more than 110,000 in the same period a year earlier. Indications are that the resulting revenue losses from the falloff affected the private rather than the Government sector, and while this may have exceeded the net expenditure increase boosted by the banking sector, the employment impact was more negligible and did not mitigate the corresponding growth achieved.

As regard mutual funds, the number of registered funds under management stood near 700 at end-2001 as compared to 716 at end-2000, and assets under management were slightly increased to approximately $90 billion.

Capital market developments were characterized by significantly depressed equity prices on publicly traded companies during 2001, but with otherwise further deepening trends. Notably, the FINDEX Bahamian weighted share price index, developed by Fidelity Bank & Trust International Ltd., declined by 2.1% to 359.7 points, following strong uptrends of 23.3% and 21.1% in 1999 and 2000. Otherwise, the markets facilitated two additional initial public offerings (IPOs)—including a January 2001 equity placement ($7.5 million) by Freeport Concrete Ltd. and a July preference share issue ($25.0 million) by Caribbean Crossing Ltd., a Cable Bahamas Ltd. telecommunications subsidiary. Although the Bahamas International Securities Exchange (BISX) increased its total number of equity listings to 17, with the additions of Freeport Concrete Ltd. and RND Cinemas Ltd., market capitalization was lower by 15.7% at $1.7 billion. Inclusive of the over-the-counter equities market, the number of publicly traded entities totaled 23, of which two were domestic mutual funds. Another BISX development was the April unveiling of the mutual fund listing facility, aimed at providing initial and secondary listings for registered Bahamian and international mutual funds. The exchange also gained a third trading member, SG Hambros Ltd.

with approval to participate on behalf of its institutional clients.

A number of consolidation and restructuring trends were noted in the domestic banking sector. In particular, Citibank disclosed plans to discontinue its retail and consumer banking operations as of December 31, 2001 and to concentrate instead on corporate wholesale business. Also noteworthy was the October 2001 acquisition of Workers Bank by the Bank of The Bahamas, with consequently only one remaining savings and loans bank. Meanwhile, merger plans were disclosed during the year to combine the onshore Caribbean operations of Barclays Bank and CIBC (West Indies) Holdings Limited under the brand of FirstCaribbean International Bank Ltd. This transaction, which must secure regulatory approval from all of the Caribbean jurisdictions in which the institutions operate, as well as the United Kingdom and Canadian home supervisory authorities of the respective banks, proposes to have the new regional entity headquartered in Barbados.

Regarding the outlook for the financial services sector, the careful review of the regulatory regime is expected to continue during 2002, with particular scrutiny given to the securities industry. Due to the tenuous nature of the domestic and international economy, as well as some uncertainty over the competitive impact of the new regulations, the outlook for business growth is cautious for 2002, although the direction of trends, especially as regard the international sector, are likely to be more discernable during 2003. Expectations are for further retrenchment before the sector stabilizes, with greater implications for the volume of assets booked through the centre as opposed to the domestic resources dedicated to asset management. The Bahamas nevertheless, remains on a more favourable footing compared to its major regional competitors, because of the highly functional character of the centre. As the medium term focus is likely to place less reliance on tax shelter products, this feature together with the regulatory overhaul undertaken, are expected to be critical to maintaining the sector's viability and in satisfying mounting global concerns over the adequacy of supervision of offshore financial services.