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# REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

## DOMESTIC ECONOMIC DEVELOPMENTS

### OVERVIEW

Initial indications are that the domestic economy contracted during the first quarter of 2020, dominated by the Novel Coronavirus (COVID-19) pandemic. Globally imposed travel restrictions related to COVID-19 resulted in a falloff in tourism sector output, as both the high value-added air segment and sea passengers came to a halt in March. Further, foreign investment-related activity, and to a lesser extent ongoing post hurricane rebuilding work, which provided stimulus to the construction sector, also paused, owing to the compulsory lockdown of the country in an attempt to contain the spread of the virus. In price developments, domestic inflation remained relatively subdued, reflective of the decrease in international oil prices.

Provisional data for the third quarter of FY2019/2020, showed that the Government's position reversed to a deficit from a surplus in the comparative quarter of FY2018/2019. The outturn was largely attributed to unplanned hurricane-related spending and disrupted revenue collections from the storm, which contributed to a hike in aggregate expenditure and a falloff in total revenue. Budgetary financing was obtained mainly from the domestic market, comprising of a combination of long and short-term debt.

In monetary developments, both bank liquidity and external reserves expanded, as the receipt of re-insurance proceeds, led to the build-up in the deposit base, which contrasted with the reduction in domestic credit. However, banks' credit quality indicators weakened slightly during the first quarter. Nevertheless, the latest available data for the fourth quarter of 2020, showed an increase in banks' overall profitability, as the rise in income from interest earned and commissions & foreign exchange fees, outstripped higher operating outlays.

On the external side, the estimated current account balance recorded a deficit during the review quarter, vis-à-vis a surplus in the corresponding period last year. Contributing to this development was a considerably tourism-related decline in the services account surplus, combined with a widening in the merchandise trade deficit and a rise in net income outflows. In contrast, the capital and financial account shifted to a surplus from a deficit a year earlier, largely reflecting a reversal in the "other investments" balance to a net receipt from a net outflow, and gains in net direct investment inflows.

### REAL SECTOR

#### TOURISM

During the first quarter, developments in the tourism sector were dominated by the COVID-19 pandemic, which led to globally imposed travel restrictions that reduced tourism output. Both the high value-added air segment and sea traffic contracted in New Providence and Grand Bahama, outstripping cruise-based gains in the Family Islands.

Data provided by the Ministry of Tourism (MOT) revealed that total tourist arrivals contracted by 14.7% during the March quarter, following a 12.3% increase in 2019 and an average gain of 2.7% over the last five years. Underlying this outturn, the air segment declined by 28.0% to 0.3 million, a reversal from a 17.3% expansion a year earlier and the five-year average of 7.4%. Similarly, the dominant sea category reduced by

10.5% to 1.4 million, vis-à-vis a 10.8% growth last year and an average increase of 1.5% over the past five years.

A disaggregation by major ports of call showed that total visitor arrivals to New Providence contracted sharply by 29.3% during the review quarter, a turnaround from a 27.0% gain in the prior year. Both sea and air passengers decreased, by 32.4% and 22.1%, respectively. Further, visitor arrivals to Grand Bahama reduced by 34.4%, extending the 19.5% falloff in 2019, amid respective declines of 58.9% and 30.9% in air and sea traffic. In contrast, underpinned by a rise in sea arrivals (33.3%), total arrivals to the Family Islands grew by 21.1%, following a 0.8% retrenchment last year. However, the Family Island air component decreased sharply (45.0%), as resort facilities in Abaco remained under repair following Hurricane Dorian.



Information from the Bahamas Hotel Association and the Ministry of Tourism for a sample of large properties in New Providence and Paradise Island confirmed the falloff in hotel sector performance during the first quarter. Specifically, room revenue fell by 28.0%, vis-à-vis a 37.0% growth last year. Reflective of this outturn, the average daily rate (ADR) reduced by 9.3% to \$273.57, a reversal from a 9.7% increase in 2019. Likewise, the number of room nights sold reduced by 21.0%, contributing to a 14.8 percentage points narrowing in the average hotel occupancy rate to 63.2%.

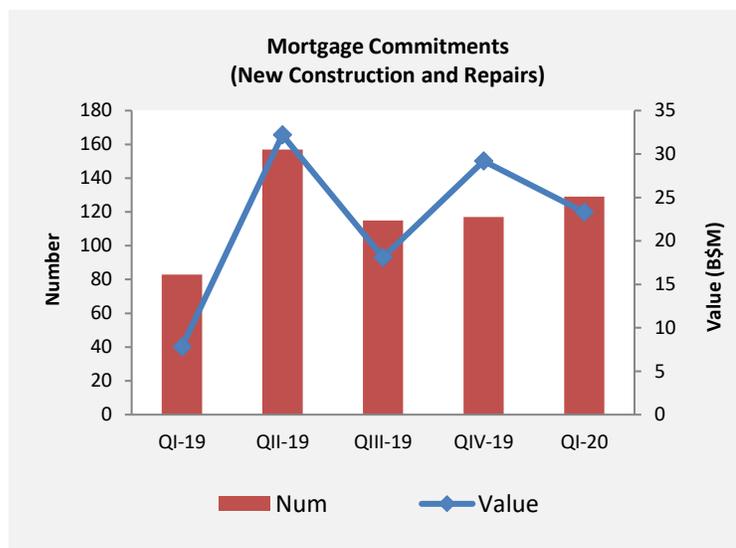
In the private vacation rental market, data from AirDNA revealed that the demand for off-resort business persisted during the first quarter of 2020, despite ongoing concerns surrounding the global health pandemic. Specifically, total room nights sold rose by 13.4%, relative to the same period in 2019. An analysis by rental category showed that bookings for hotel comparable listings grew by 30.2% year-on-year, and by 11.5% for entire place listings. Further, the average occupancy rate for entire place listings edged up by a 0.7 percentage point to 52.5% over the first quarter of 2019, as the average daily room rate decreased by 3.0% to \$383.41. Conversely, the average occupancy rate for hotel comparable listings declined by 0.6 percentage points to 54.2%, with the average daily room rate reducing by 6.5% to \$151.49.

Reflective of the start of border closures in March, data provided by the Nassau Airport Development Company Limited (NAD) showed that total departures—net of domestic passengers—fell by 13.8%, contrasting with a 22.0% increase last year. Underpinning this outturn was a 14.3% falloff in the dominant U.S. departures, overturning the 23.8% gain a year earlier. Similarly, non-U.S. international departures declined by 11.3%, after growing by 13.2% in 2019.

## CONSTRUCTION

Construction sector output during the first quarter continued to be dominated by a number of ongoing, varied-scaled, foreign investment projects in both the capital and Family Islands. However, domestic-financed activity remained relatively subdued over the three-month period.

On the domestic side, total mortgage disbursements for new construction and repairs—as reported by banks, insurance companies and the Bahamas Mortgage Corporation—reduced by 16.3% (\$5.2 million) to \$26.6 million, a turnaround from the prior year’s growth of 28.1%. The dominant residential component contracted by 16.7% to \$26.0 million. In contrast, commercial disbursements rose by 5.9% to \$0.6 million.



Compared to the same period in 2019, total mortgage commitments for new buildings and repairs—a forward-looking indicator of domestic activity—grew in number by 46 to 129, while the corresponding value increased more than three-fold (\$7.8 million) to \$23.4 million. Disaggregated by loan category, the number of un-disbursed approvals for the residential component rose by 43 to 125, with the associated value more than doubled to \$21.7 million. In addition, 4 commercial commitments were approved, valued at \$1.6 million, compared to 1, valued at an estimated \$0.04 million in the previous year.

With regard to interest rates, the average financing costs for commercial mortgages narrowed by 1.8 percentage points to 5.25%. Further, the average rate for residential mortgages softened by 10 basis points to 6.79%.

### PRICES

In line with the comparatively lower international oil prices, domestic energy costs declined during the review quarter. Specifically, the average cost of diesel decreased by 2.2% to \$4.23 per gallon over the three-month period, and edged down by 0.3% in comparison to the same period of 2019. Similarly, the average price of gasoline fell by 1.0% to \$4.51 per gallon; however, on an annual basis, the average cost rose by 6.1%. In addition, the Bahamas Power & Light’s (BPL) fuel charge reduced by 5.6% to 15.56 cents per kilowatt hour (kWh) over the three-month period. Further, year-on-year fuel charge contracted by 18.8%.

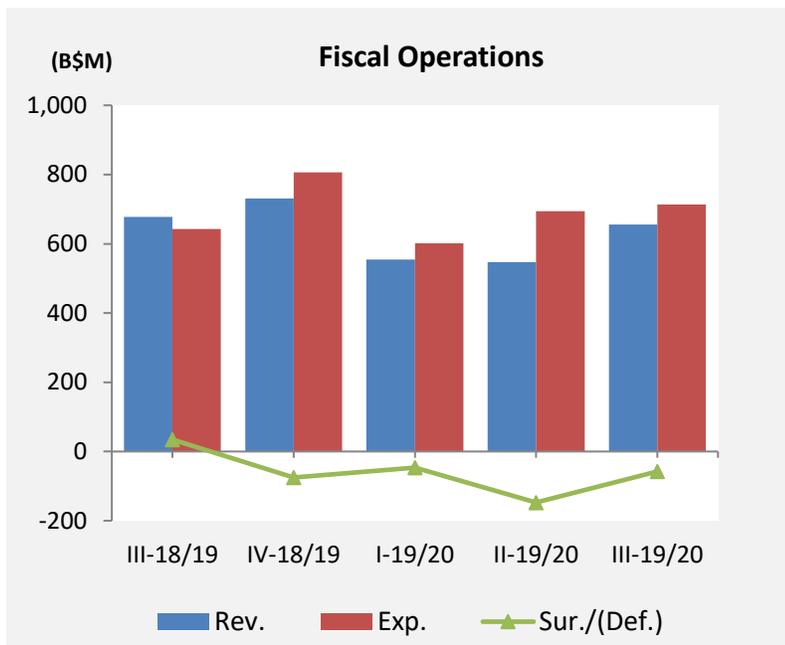
## FISCAL OPERATIONS

### OVERVIEW

Preliminary data on the Government’s budgetary operations for the third quarter of FY2019/20 showed that the fiscal position reversed to a deficit of \$57.6 million, from a modest surplus of \$34.5 million in the comparable period of FY2018/19. The outturn largely reflected the disruption in economic activities from Hurricane Dorian, which led growth in aggregate expenditure, by \$70.3 million (10.9%) to \$713.2 million and a \$21.8 million (3.2%) reduction in total revenue to \$655.6 million.

### REVENUE

Tax receipts—which comprised 85.1% of total revenue—contracted by \$64.3 million (10.3%) to \$557.6 million, due overall to some revenue reclassification to the non-tax category and a moderation in taxable economic activities.



Timing-related factors led to a decrease of \$1.3 million (10.0%) in collections from specific taxes—mainly gaming—to \$11.4 million. Also taxes on the use of goods reduced by \$52.3 million (11.5%) to \$403.5 million, mainly reflecting the reclassification of bank & trust companies to the reimbursements and repayments category under non-tax revenue. The latter also impacted receipts from business licensing fees, which fell by \$11.7 million (14.1%) to \$71.3 million. Similarly motor vehicle taxes, declined by \$5.6 million (45.3%) to \$6.8 million; company taxes, by \$2.5 million (20.7%) to \$9.6 million; and property taxes, by \$7.7 million (13.2%) to \$51.0 million.

In terms of the remaining categories, taxes on international trade contracted by \$4.2 million (4.0%) to \$101.9 million, as the closure of borders due to COVID-19 led to a falloff in departure taxes, by \$4.4 million (8.8%) to \$45.2 million. Further, export taxes reduced by \$1.8 million (36.2%), to \$3.2 million and general stamp taxes edged down by \$0.1 million (4.3%) to \$1.2 million. In contrast, receipts from customs & other import duties rose by \$2.0 million (3.8%) to \$53.5 million. Also, excise taxes increased by \$2.9 million (5.6%) to \$55.0 million.

Impacted by policy shifts, proceeds from stamp taxes on financial and realty transactions declined by \$28.6 million (53.0%) to \$25.3 million, attributed to the reclassification of such levies to the value-added taxes (VAT) category. As such, VAT—which represented 34.1% of total revenue—increased by \$19.8 million (9.7%) to \$223.4 million.

Non-tax revenue—at 14.9% of the total—grew by \$42.5 million (76.5%) to \$98.0 million. The outturn was partly attributed to a surge in receipts from reimbursements & repayments to \$39.4 million, from a muted \$0.1 million, due to the reclassification of inflows from banks and trust companies. Also noteworthy, property income advanced to \$14.9 million from \$0.9 million, associated with a rise in

Government Revenue By Source (Jan - Mar.)				
	FY18/19		FY19/20	
	B\$M	%	B\$M	%
Property Tax	58.7	8.7	51.0	7.8
Value Added Tax	203.6	30.1	223.4	34.1
Stamp Taxes (Financial & Realty)	53.9	8.0	25.3	3.9
Excise Tax	52.1	7.7	55.0	8.4
Specific Taxes (Gaming Tax)	12.7	1.9	11.4	1.7
Motor Vehicle Taxes	12.4	1.8	6.8	1.0
Company Taxes	12.1	1.8	9.6	1.5
License to Conduct Specific Bus. Act.	83.0	12.3	71.3	10.9
Marine License Activities	0.6	0.1	0.6	0.1
Bank & Trust Companies	25.3	3.7	--	--
Customs & Other Import Duties	51.6	7.6	53.5	8.2
Taxes on Exports	5.0	0.7	3.2	0.5
Departure Taxes	49.5	7.3	45.2	6.9
Other Taxes on Transactions	0.1	0.0	0.0	0.0
General Stamp Taxes	1.3	0.2	1.2	0.2
Property Income	0.9	0.1	14.9	2.3
Sales of Goods & Services	52.8	7.8	39.6	6.0
Fines, Penalties & Forfeits	1.0	0.1	2.1	0.3
Reimbursements & Repayments	0.1	0.0	39.4	6.0
Misc. & Unidentified Revenue	0.4	0.1	2.0	0.3
Sales of Other Non-Financial Assets	0.4	0.1	0.1	0.0
Grants	--	--	--	--
Capital Revenue	--	--	--	--
<b>Total</b>	<b>677.4</b>	<b>100.0</b>	<b>655.6</b>	<b>100.0</b>

revenue from Government property. Proceeds from fines, penalties & forfeitures doubled to \$2.1 million, while income from “miscellaneous” & unidentified taxes increased to \$2.0 million from \$0.4 million, a year earlier. However, revenue from the sale of goods & services decreased by \$13.2 million (25.0%) to \$39.6 million, amid a falloff in collections from immigration fees.

#### **EXPENDITURE**

The growth in total expenditure was led by a \$36.7 million (6.2%) rise in current spending to \$631.6 million, along with a \$33.6 million (69.9%) increase in capital outlays to \$81.6 million, largely associated with unplanned spending related to hurricane recovery efforts.

An analysis by economic category, revealed that the expansion in current spending was underpinned by a marked increase in other “miscellaneous” payments by \$26.3 million (55.6%) to \$73.6 million, attributed to a timing-related hike in health insurance premium payments, which offset the decline in current transfers. In addition, employee compensation outlays grew by \$19.2 million (11.1%) to \$192.6 million. Further, subsidies rose by \$9.9 million (9.7%) to \$113.0 million, explained by higher allocations to a utility company. Interest payments on debt rose by \$1.5 million (1.9%) to \$76.9 million, due mainly to a rise in Bahamian dollar costs. Likewise, disbursements for social benefits edged up by \$0.9 million (2.2%) to \$44.1 million, reflecting in part higher pension & gratuity payments. Providing some offset, spending for the use of goods and services reduced by \$18.5 million (12.5%) to \$128.7 million, while grants fell by \$2.7 million (50.3%) to \$2.6 million.

The growth in capital outlays largely reflected an expansion in capital transfers to \$28.9 million from \$5.5 million in the prior year, associated with unplanned hurricane-related spending. Similarly, the acquisition of non-financial assets advanced by \$10.2 million (24.0%) to \$52.7 million, occasioned by a considerable increase in fixed assets.

#### **FINANCING AND THE NATIONAL DEBT**

Budgetary financing for the third quarter of FY2019/20, was obtained primarily from internal sources, which consisted of \$207.0 million in loans & advances, \$135.6 million in Government securities and \$26.2 million in net Treasury bill/notes issues. Further, external funding amounted to \$55.0 million. Debt repayments for the period totaled \$261.9 million, with the largest portion (94.4%) being utilized to retire Bahamian dollar debt.

As a result of these developments, the Direct Charge on the Government rose by \$158.0 million (2.0%) over the quarter and by \$414.3 million (5.5%) on an annual basis, to \$7,891.3 million at end-March, 2020. A disaggregation by component, revealed that Bahamian dollar debt represented 66.4% of the total, while foreign currency liabilities accounted for the remaining 33.6%.

By creditor grouping, banks held the largest share of local debt (44.6%), followed by “other” private and institutional investors (38.7%), public corporations (11.2%) and the Central Bank (5.5%). By instrument type, Government bonds comprised the majority of the domestic debt (71.5%) and featured an average maturity of 9.8 years, compared to 8.8 years recorded in 2019. In addition, Treasury bills & notes and loans & advances accounted for smaller shares of 17.9% and 10.6%, respectively

The Government’s contingent liabilities reduced by \$6.1 million (0.8%) during the first quarter of 2020, and by \$21.1 million (2.9%), year-on-year to \$717.8 million. As a consequence, the National Debt—inclusive of contingent liabilities—expanded by \$151.9 million (1.8%) over the three-month period and by \$393.2 million (4.8%), vis-à-vis March 2019, to \$8,609.1 million.

As a ratio to GDP, the Direct Charge rose by an estimated 11 basis points on a yearly basis, to 69.5% at end-March. In addition, the National Debt-to-GDP ratio firmed to an estimated 75.8%, compared to 64.1% in the same quarter of 2019.

Estimates of the Debt-to-GDP Ratios			
March (%) <sup>1</sup>			
	2018 <sub>p</sub>	2019 <sub>p</sub>	2020 <sub>p</sub>
<b>Direct Charge</b>	58.0	58.3	69.5
<b>National Debt</b>	63.7	64.1	75.8
<b>Total Public Sector Debt</b>	66.3	67.1	78.8

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

GDP estimates for 2019 & 2020 are derived from IMF projections.

<sup>1</sup> In the absence of actual quarterly GDP data, the ratios presented should be taken as broad estimates of the relevant debt ratios and are therefore subject to revision.

### **PUBLIC SECTOR FOREIGN CURRENCY DEBT**

The public sector foreign currency debt grew by \$24.9 million (0.7%) to \$3,500.9 million during the first quarter, as new drawings of \$55.0 million, outstripped amortization payments of \$26.2 million. On an annual basis, public sector foreign currency debt obligations increased by \$38.9 million (1.1%). By component, the Government's liabilities—which accounted for 75.8% of the total—rose by \$36.4 million (1.4%) to \$2,654.1 million, on a quarterly basis. In contrast, the public corporations' debt stock declined by \$11.5 million (1.3%) to \$846.8 million.

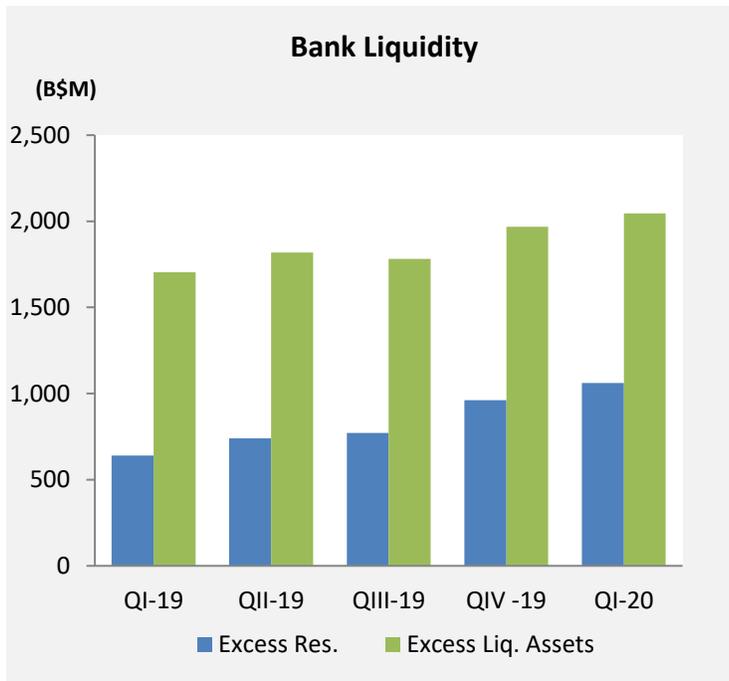
Relative to the same quarter of 2019, total foreign debt service payments reduced by \$24.4 million (29.5%) to \$58.5 million. The outturn was due largely to a \$21.4 million contraction in the Government's component to \$34.7 million, as amortization payments decreased by \$19.5 million (57.0%) to \$14.7 million and interest charges fell by \$1.9 million to \$20.1 million. Further, the public corporations' debt service payments lessened by \$3.0 million to \$23.7 million, as interest charges declined by \$3.0 million (19.8%), while amortization payments held steady at \$11.5 million. As a consequence of these developments, the Government's debt service to revenue ratio stood at 5.3% at end-March, a decline of 3.0 percentage points over the previous year, while the debt service ratio narrowed to 5.6% from 6.3% in 2019.

A disaggregation by creditor profile showed that the majority of the foreign currency debt was held by capital market investors (47.1%), followed by non-resident financial institutions (30.7%), multilateral institutions (10.2%), domestic banks (10.0%) and bilateral institutions (2.0%). A breakdown by currency type revealed that, the bulk of the stock was denominated in United States dollars (87.3%), with smaller portions in the Swiss franc (5.9%), euro (4.8%) and the Chinese yuan (2.0%). At end-March, the average maturity of the outstanding foreign currency debt stood at 8.8 years, a decrease from the 9.3 years recorded in 2019.

## **MONEY, CREDIT AND INTEREST RATES**

### **OVERVIEW**

Monetary developments, during the first quarter, featured deposit base expansion that contrasted with a decline in domestic credit, with deposit gains led by the receipt of re-insurance proceeds. As a result, robust growth was registered in both liquidity and external reserves. However, banks' credit quality indicators weakened slightly. Meanwhile, the most recent profitability indicators available for the fourth quarter of 2019, showed that banks overall net income grew, as gains in income from interest earned and commissions & foreign exchange fees, outpaced the rise in operating outlays. As it relates to interest rate developments, the weighted average interest rate spread widened over the first quarter, due to an increase in the average loan rate, while the corresponding average deposit rate fell.



#### LIQUIDITY

Net free cash reserves of the banking system expanded by \$99.6 million (10.4%) to \$1,061.1 million during the review quarter, extending the year earlier increase of \$37.5 million (6.2%). At end-March, the ratio of free cash reserves to Bahamian dollar deposit liabilities stood at 14.4%, up from 9.6% in the previous year. Similarly, the broader surplus liquid assets rose by \$78.9 million (4.0%) to \$2,046.3 million, albeit lower than last year's \$170.2 million (11.1%) growth, underpinned by a rise in banks' balances at the Central Bank, and holdings of Treasury bills. At end-March, the level of surplus liquid assets exceeded the statutory minimum by approximately 157.6%, relative to 148.3% in March 2019.

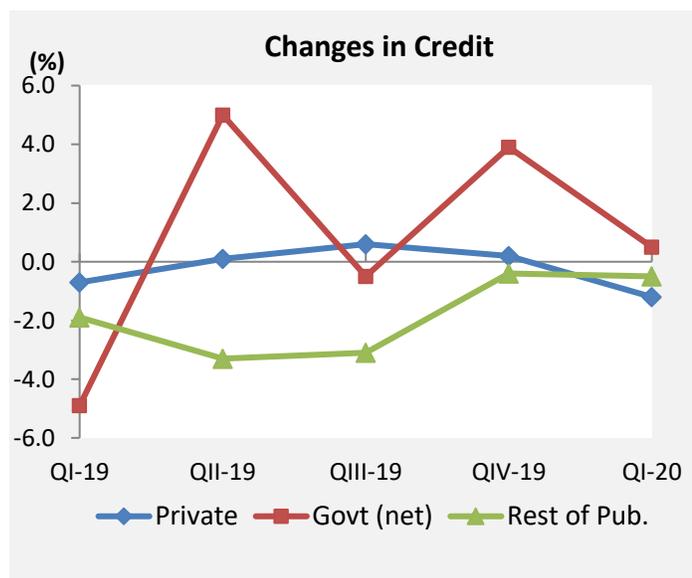
#### DEPOSITS AND MONEY

The overall money supply (M3) grew by \$253.3 million (3.1%) to \$8,146.3 million, following a buildup of \$107.1 million (1.5%) in 2019. By component, accretions to narrow money (M1) accelerated to \$236.0 million (6.8%), from \$28.9 million (1.1%) in the preceding period. Underlying this outturn was a sharp increase in demand deposits to \$226.8 million (7.2%) from \$23.4 million (1.0%) a year earlier, owing largely to gains in both public and private placements. Similarly, currency in active circulation rose by \$9.2 million (2.7%), extending the \$5.5 million (1.8%) growth in 2019. Further, the expansion in broad money (M2) quickened to \$234.1 million (3.1%), from \$53.3 million (0.8%) a year earlier. This included a private sector-led increase in savings deposits to \$94.3 million (5.4%), from \$49.5 million (3.5%) last year. In a partial offset, the decline in fixed balances widened to \$96.1 million (4.1%), from \$25.1 million (1.0%) in the previous year. Meanwhile, growth in residents' foreign currency deposits slowed to \$19.2 million (3.2%), from \$53.8 million (13.4%) in the prior period.

A disaggregation by category showed that Bahamian dollar demand deposits constituted the largest share of the aggregate money stock (38.5%), followed by fixed balances (28.5%) and savings deposits (21.3%). Smaller shares were held for residents' foreign currency deposits (7.5%) and currency in active circulation (4.2%).

#### DOMESTIC CREDIT

During the first quarter, the contraction in total domestic credit moderated to \$62.4 million (0.7%) from \$176.8 million (2.0%) in the same period of 2019; and relative to an average



**Distribution of Bank Credit By Sector**  
(End-March)

	2020		2019	
	B\$M	%	B\$M	%
Agriculture	5.0	0.1	3.4	0.1
Fisheries	1.0	0.0	1.2	0.0
Mining & Quarrying	2.2	0.0	1.5	0.0
Manufacturing	37.8	0.6	38.3	0.6
Distribution	241.8	3.5	252.9	3.8
Tourism	13.9	0.2	10.4	0.2
Enter. & Catering	19.0	0.3	48.0	0.7
Transport	32.9	0.5	37.7	0.6
Construction	312.9	4.6	288.9	4.4
Government	840.6	12.3	573.0	8.6
Public Corps.	204.3	3.0	241.4	3.6
Private Financial	25.1	0.4	23.7	0.4
Prof. & Other Ser.	55.5	0.8	43.6	0.7
Personal	4,951.8	72.4	4,952.5	74.7
Miscellaneous	96.5	1.4	110.1	1.7
<b>TOTAL</b>	<b>6,840.3</b>	<b>100.0</b>	<b>6,626.6</b>	<b>100.0</b>

decrease of 2.0% over a five-year period. In particular, the Bahamian dollar component—which comprised the majority (96.0%) of the total—fell by \$3.7 million, but was markedly lower than the \$158.6 million (1.9%) reduction last year. In contrast, the falloff in foreign currency credit extended to \$58.7 million (14.0%) from \$18.2 million (4.6%) a year earlier.

From a sectoral perspective, private sector credit fell by \$72.6 million (1.2%), exceeding the \$43.5 million (0.7%) decline in the previous year. Conversely, net credit to the Government grew by \$12.5 million (0.5%), a reversal from a \$124.2 million (4.9%) reduction in the prior year, and an average decrease of 1.9% registered over a five-year period. Further, the decrease in credit to the rest of the public sector slowed to \$2.3 million (0.5%), from \$9.1 million (1.9%) in 2019.

A decomposition of the various private sector categories showed that personal loans—

which represented the largest share of the total (72.4%)—firmed by \$8.4 million (0.2%), contrasting with a \$31.2 million (0.6%) contraction a year earlier, and an average decline of 0.4% over the last five years. Underpinning this outturn, consumer credit rose by \$23.3 million (1.1%), overshadowing reductions in residential mortgages and overdrafts of \$10.2 million (0.4%) and \$5.2 million (10.9%), respectively.

A detailed breakdown of consumer credit revealed that net lending expanded for “miscellaneous” purposes (\$18.0 million), travel (\$3.9 million), home improvement (\$3.0 million), private cars (\$2.9 million) and debt consolidation (\$2.2 million). In addition, more muted increases of less than \$1.0 million occurred for land purchases, medical purposes, furnishings & domestic appliances and commercial vehicles. Conversely, net repayments were registered for credit cards (\$7.7 million) and education (\$0.7 million).

The other components of private credit contracted on average. Outstanding balances were reduced for distribution (\$36.1 million), entertainment & catering (\$33.7 million), transport (\$7.7 million), professional & “other” services (\$3.6 million), manufacturing (\$1.9 million), fisheries (\$1.4 million) and “miscellaneous” purposes (\$1.3 million). In contrast, gains were posted for construction (\$5.9 million), and agriculture (\$1.1 million).

### **MORTGAGES**

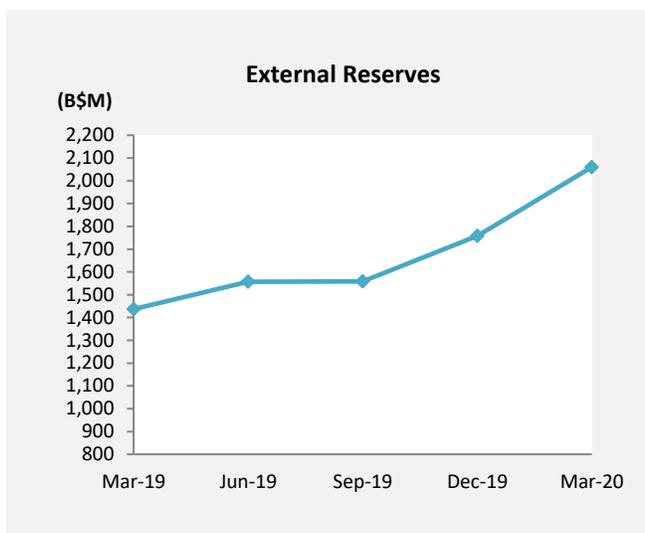
According to data provided by banks, insurance companies and the Bahamas Mortgage Corporation, the total value of outstanding mortgages decreased during the quarter, by \$17.1 million (0.6%) to \$3,001.1 million, extending the \$11.0 million (0.4%) falloff in 2019. Contributing to this outturn, the residential component—which comprised 94.2% of the total—reduced further by \$11.4 million (0.4%), from \$1.7 million (0.1%) in the prior period, for an ending balance of \$2,827.0 million. In addition, commercial balances declined by \$5.7

million (3.2%) to \$174.1 million; albeit lower than the \$9.3 million (5.1%) reduction a year earlier. At end-March, domestic banks held the majority of outstanding mortgages (87.9%), followed by insurance companies (6.5%) and the Bahamas Mortgage Corporation (5.6%).

### THE CENTRAL BANK

The Central Bank’s net claims on the Government contracted by \$178.6 million (45.1%) to \$217.3 million during the first quarter, following a \$188.2 million (37.4%) decline in the previous year. Contributing to this outturn were reductions in Treasury bill holdings and loans and advances.

In contrast, the Bank’s net liabilities to the rest of the public sector rose by \$27.2 million (63.9%), vis-à-vis a \$42.3 million (63.2%) decline in 2019, owing largely to a rise in deposits. In addition, the Bank’s net liabilities to commercial banks grew by \$70.1 million (5.0%) to \$1,459.5 million, although lower than the \$102.4 million (10.9%) growth a year earlier, reflecting gains in deposits, which offset the falloff in notes and coins in circulation.



Buoyed by foreign currency inflows from re-insurance receipts, external reserves expanded by \$301.9 million (17.2%) to \$2,060.0 million, surpassing the prior year’s increase of \$240.6 million (20.1%). Underlying this development, the Bank’s net foreign currency purchases rose by \$147.6 million (63.6%) to \$379.7 million, as net sales to public corporations reduced considerably to \$6.4 million from \$115.3 million a year ago. Further, the net intake from commercial banks grew by \$40.6 million (12.7%) to \$360.7 million. In a modest offset, net purchases from the Government edged down by \$1.8 million (6.5%) to \$25.4 million.

At end-March, the stock of external reserves was equivalent to an estimated 32.2 weeks of the current year’s merchandise imports (inclusive of oil purchases), relative to 21.4 weeks in the corresponding period of 2019. After adjusting for the 50% statutory requirement on the Central Bank’s Bahamian dollar demand liabilities, “usable” reserves stood \$367.7 million (51.8%) higher, at \$1,077.6 million, compared to the same period last year.

### DOMESTIC BANKS

Attributed to a rise in credit and foreign securities, domestic banks net foreign assets almost tripled to \$97.4 million end-March, following a net foreign liability of \$47.8 million last year.

Domestic banks’ credit expanded by \$116.2 million (1.4%), outpacing an \$11.8 million (0.1%) accretion in 2019. Specifically, underpinned by a rise in loans & advances and holding of Treasury bills, net claims on the Government rose by \$191.1 million (8.6%), extending the \$64.0 million (3.1%) growth in the preceding year. In contrast, the reduction in private sector credit accelerated to \$72.6 million (1.2%), from \$43.5 million (0.7%) a year earlier. Similarly, credit to public corporations fell by \$2.3 million (0.5%), lower than the \$8.7 million (1.8%) contraction last year.

Banks’ total deposit liabilities—inclusive of Government balances—grew by \$319.4 million (4.2%) to \$7,976.4 million, extending the \$189.5 million (2.7%) expansion recorded in 2019. Private sector deposit gains nearly doubled to \$228.1 million (3.2%), while the growth in the Government’s balances slowed moderately to \$32.0

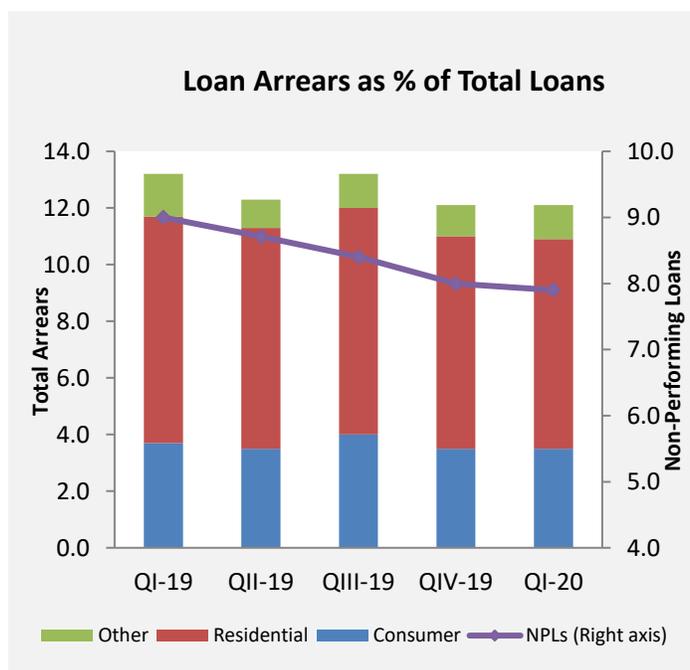
million (14.5%). Conversely, deposits of public corporations fell by \$11.2 million (2.8%), a turnaround from a \$24.7 million (5.8%) buildup in 2019.

At end-March, the majority of banks' deposit liabilities remained denominated in Bahamian dollars (92.3%), with the US dollars and other "miscellaneous" currencies representing smaller proportions of 7.6% and 0.1%, respectively. A breakdown by holder, showed that private individuals held the largest share (49.6%) of total local currency accounts, followed by business firms (30.6%), the public sector (8.3%), private financial institutions (6.7%) and "other" miscellaneous entities (4.8%).

Disaggregated by deposit type, demand deposits comprised the largest share (43.7%) of accounts, followed by fixed (32.7%) and savings (23.5%) balances. Analyzed by range of value and number, the majority of accounts (89.8%), held Bahamian dollar balances of \$10,000 or less, and constituted only 6.5% of the total value. Accounts with balances between \$10,000 and \$50,000 comprised 8.7% of the total number and 11.8% of the overall value, while deposits in excess of \$50,000 represented only 4.3% of the total, but a dominant 88.7% of the aggregate value.

### CREDIT QUALITY

Banks' credit quality indicators deteriorated slightly during the review quarter, but remained improved on an annual basis. Specifically, total private sector loan arrears edged up by \$1.6 million (0.2%) over the three-month period, but declined by \$54.5 million (7.3%) on an annual basis, to \$687.9 million. The resulting ratio of arrears to total private sector loans firmed by 4 basis points on a quarterly basis, but fell by 1.0 percentage point year-on-year, to 12.2%.



A disaggregation by the age of delinquencies, showed that over the quarter, short-term (31-90 days) arrears grew by \$7.7 million (3.3%) to \$240.0 million, raising the attendant ratio by 14 basis points, to 4.2% of total private sector loans. In contrast, the non-performing segment—arrears in excess of 90 days and on which banks have ceased accruing interest—reduced by \$6.1 million (1.3%) to \$447.9 million, resulting in a 10 basis points narrowing in the relevant ratio, to 7.9% of total private sector loans.

The marginal increase in total private sector loan arrears, over the quarter, was led by a \$3.6 million (5.6%) growth in the commercial component, to \$68.2 million, with the associated ratio moving higher by 58 basis points, to 8.4%. In addition, consumer arrears rose by \$1.3 million (0.7%), to \$199.8 million,

with the corresponding ratio steadied at 8.9%. In contrast, the mortgage segment—at 61.0% of the total—decreased by \$3.3 million (0.8%) to \$419.9 million, contributing to a 5 basis points decline in the attendant ratio to 16.1%.

Banks decreased their total provisions for loan losses by \$5.6 million (1.3%), to \$423.1 million during the review quarter. As a result, the ratio of provisions to total arrears declined by 96 basis points to 61.5%, while the ratio of provisions to non-performing loans edged up by 3 basis points, to 94.5%. Further, banks wrote-off an estimated \$20.3 million in delinquent loans and recovered approximately \$8.8 million, over the three-month period.

### CAPITAL ADEQUACY

Banks maintained robust capital levels over the review period, despite a reduction in the average ratio of capital to risk-weighted assets, of 0.7 percentage points to 28.8%. This stayed well in excess of the regulatory prescribed target and trigger ratios of 17.0% and 14.0%, respectively.

### BANK PROFITABILITY

During the fourth quarter of 2019—the latest available data—banks’ overall profitability grew by \$2.3 million (3.9%) to \$59.8 million in comparison to the corresponding period of the prior year. The net interest margin rose by \$5.2 million (4.0%) to \$137.3 million, as interest income increased by \$5.1 million (3.5%) to \$149.3 million, while interest expense edged down by \$0.2 million (1.5%) to \$12.0 million. In addition, commission & foreign exchange income almost doubled to \$14.1 million from \$7.7 million, resulting in an \$11.7 million (8.4%) expansion in the gross earnings margin, to \$151.4 million.

With regard to expenditure, banks’ aggregate operating outlays rose by 4.6% to \$99.0 million, as occupancy costs more than doubled, to \$14.2 million from \$6.6 million. In a partial offset, non-staff operating costs— inclusive of professional and rental expenses—decreased by 3.9% to \$46.2 million, while staff-related expenses fell by 3.3% to \$38.6 million. Further, banks net income on their “non-core” activities contracted by \$5.1 million (40.8%), to \$7.4 million, as provisions for bad debt rose by 41.5%, to \$40.5 million, outstripping the 14.9% rise in other “non-interest” earnings, to \$50.9 million, and the 5.2% reduction in depreciation costs, to \$3.0 million.

As a result of these developments, banks’ overall profitability relative to average assets fell by 3 basis points to 2.25%. The gross earnings margin firmed by 17 basis points to 5.71%, as the commission & foreign exchange ratio rose by 23 basis points, to 0.53%, overshadowing the 6 basis points narrowing in the interest margin ratio, to 5.18%. In addition, the operating costs ratio edged down by 2 basis points to 3.74%, contributing to a 19 basis points increase in the net earnings margin ratio, to 1.97%. However, a rise in bad debt provisioning, reduced the net contribution from “other” non-fee income sources by 22 basis points to 0.28%.

### INTEREST RATES

During the first quarter, the weighted average interest rate spread at commercial banks widened by 50 basis points, to 10.41 percentage points. Underlying this development, the weighted mean

Banking Sector Interest Rates			
Period Average (%)			
	Qtr. I	Qtr. IV	Qtr. I
	<u>2019</u>	<u>2019</u>	<u>2020</u>
<b>Deposit Rates</b>			
Demand Deposits	0.27	0.50	0.59
Savings Deposits	0.51	0.33	0.38
Fixed Deposits			
Up to 3 months	0.49	0.29	0.26
Up to 6 months	0.71	0.49	0.34
Up to 12 months	0.72	0.55	0.59
Over 12 months	0.95	0.91	0.83
<b>Weighted Avg. Dep. Rate</b>	<b>0.68</b>	<b>0.53</b>	<b>0.41</b>
<b>Lending Rates</b>			
Residential mortgages	4.90	4.82	5.28
Commercial mortgages	6.75	7.25	9.25
Consumer loans	12.38	12.79	12.94
Other Local Loans	10.30	9.37	10.52
Overdrafts	9.20	11.10	11.99
<b>Weighted Avg. Loan Rate</b>	<b>9.66</b>	<b>10.44</b>	<b>10.82</b>

lending rate rose by 38 basis points to 10.82%, while the weighted average deposit rate declined by 12 basis points to 0.41%.

In terms of deposit rates, the average range of interest offered on fixed balances narrowed to 0.26%–0.83% from 0.29%–0.91% in the previous quarter. In contrast, average rates on demand and savings deposits increased by 9 basis points to 0.59%, and by 5 basis points to 0.38%, respectively.

With regard to lending, the average rates for commercial mortgages and overdrafts rose by 2.0 and 0.9 percentage points, to 9.25% and 11.99%, respectively. Further, residential mortgages and consumer loans moved higher by 46 and 15 basis points, to 5.28% and 12.94%, respectively.

Among other key interest rates, the average Treasury bill rate increased by 4 basis points to 1.73%. Meanwhile, the Central Bank’s Discount rate and commercial banks’ Prime rate were unchanged at 4.00% and 4.25%, respectively.

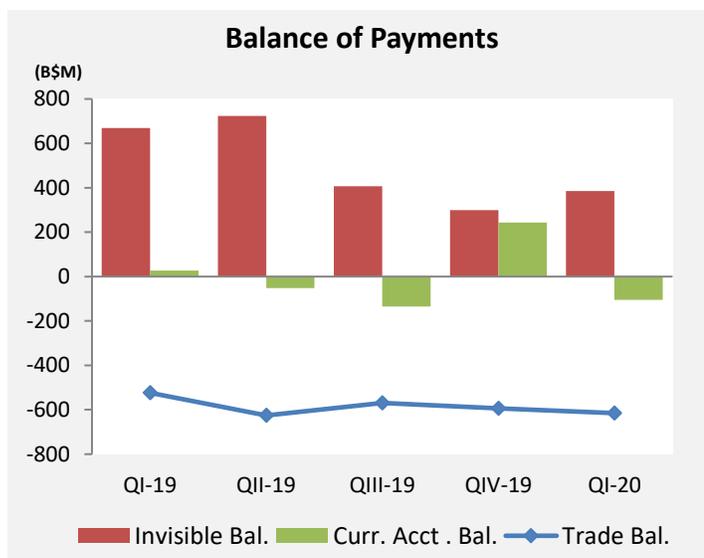
### CAPITAL MARKET DEVELOPMENTS

Domestic capital market developments were subdued during the first three months of the year. In particular, the volume of shares traded on the Bahamas International Securities Exchange (BISX) reduced further by 36.2% to 1,450,402, year-on-year, after decreasing by 14.3% in 2019. Consequently, the aggregate value of shares traded contracted by 19.7% (\$1.9 million), to \$7.9 million, relative to a decline of 26.5% in the previous year. In addition, the BISX All Share Price Index fell by 5.1% to 2,117.17 points over the quarter, contrasting with a marginal increase of 0.5% in 2019. Market capitalization stabilized at \$5.3 million, vis-à-vis a gain of 4.5% a year earlier.

In terms of market participants, as at end-March, the number of publicly traded securities listed on the exchange fell by 1 to 37, and comprised 19 ordinary shares, 7 preference shares and 11 debt tranches.

### INTERNATIONAL TRADE AND PAYMENTS

Based on provisional data for the first quarter of 2020, the estimated current account balance reversed to a deficit of \$104.8 million, from a modest surplus of \$26.9 million in the corresponding period of 2019. Contributing to this outturn was a sharp decrease in the services account surplus, along with a rise in the merchandise trade deficit and higher net income outflows. In contrast, the capital and financial account recorded a surplus of \$137.1 million, vis-à-vis a deficit of \$14.2 million in 2019, mainly reflecting a shift in “other investments” balance to a net receipt from a net outflow, combined with a rise in net direct investment inflows.



The estimated merchandise trade deficit rose by \$91.6 million (17.5%) to \$615.2 million, owing to a \$124.1 million (18.3%) increase in imports, which outstripped the \$32.5 million (21.1%) growth in exports to \$186.8 million. A disaggregation of trade flows showed that net imports of non-oil merchandise grew by \$114.4 million (27.9%) to \$523.9 million. In contrast,

payments for fuel imports reduced by \$30.9 million (18.4%) to \$136.9 million, attributed in part to a falloff in international oil prices. In terms of the fuel type, average per barrel price declines were registered for jet fuel, by 18.6% to \$71.29; propane gas, by 18.0% to \$43.48 and gas oil, by 3.8% to \$78.25. In contrast, the costs for aviation gas moved higher by 20.2% to \$149.92 and motor gas, by 5.4% to \$67.50.

The estimated services account surplus narrowed considerably by \$282.7 million (42.3%) to \$386.3 million. Specifically, net travel receipts—the largest component of the services account—contracted by \$278.0 million (27.8%) to \$722.5 million, as the spread of COVID-19 and containment measures adversely impacted tourism sector output. Further, net outflows for uncategorized services rose by \$11.2 million (6.9%) to \$175.3 million. In addition, net payments for Government services grew by \$4.6 million (7.0%) to \$70.6 million, explained by a rise in disbursements for resident Government operations. Net receipts related to offshore companies' local expenses also edged down by \$0.1 million (0.1%) to \$58.4 million. Providing some offset, net payments for insurance services declined by \$4.5 million (12.3%) to \$32.3 million, owing primarily to a reduction in non-merchandise insurance outflows. Net outflows for transportation services fell by \$3.1 million (2.8%) to \$106.7 million, due mainly to lower disbursement for passenger services. Further, net payments for construction services and royalty & license fees were lower by \$3.5 million (31.7%) at \$7.4 million and by \$0.2 million (8.1%) at \$2.2 million, respectively.

The estimated deficit on the income account widened by \$14.4 million (12.5%) to \$129.7 million, owing in large measure to a more than two-fold increase in labour income remittances, to \$26.9 million. Further, private companies' net interest and dividend payments edged up by \$0.7 million (0.8%) to \$85.9 million, as repatriations by commercial banks rose by \$3.2 million (14.1%) to \$25.8 million, which outweighed the \$2.5 million (4.0%) decline in remittances by non-bank entities to \$60.1 million. Conversely, net outflows for official transactions fell by \$1.4 million (7.8%) to \$16.8 million, underpinned by a reduction in Government's external debt servicing costs.

Current transfers were reversed to a net receipt of \$254.3 million, from a \$3.1 million net payment in the prior year, largely attributed to re-insurance inflows from claims related to Hurricane Dorian. The outturn was mainly reflected under net "miscellaneous" receipts of \$255.1 million, compared to a net outflow of \$8.9 million in 2019. In contrast, net workers' remittances rose by \$4.4 million (12.4%) to \$39.9 million. Further, Government's net transfer receipts decreased by \$2.2 million (5.4%) to \$39.1 million.

The reversal in the balance on the capital and financial account to a surplus during the review period, was underpinned by a turnaround in debt-financed inflows to a net receipt of \$72.4 million, from a net repayment of \$56.3 million in 2019. Specifically, the public sector recorded a net borrowing of \$45.4 million, vis-à-vis a net payment of \$38.4 million a year earlier. In addition, other private sector "loan-based" financing inflows increased considerably to \$101.8 million from \$58.6 million in the previous year. Further, domestic banks' repayment of net short-term liabilities tapered to \$64.8 million, from \$76.4 million in the prior year.

Net direct investment inflows expanded by \$21.4 million to \$67.5 million. Notably, net equity investment inflows rose markedly to \$35.7 million from \$9.5 million last year, offsetting the \$4.8 million (13.0%) decline in net real estate sales to \$31.8 million. Further, migrants' net transfers abroad decreased were approximately halved to \$1.1 million; while net outward portfolio investment, related to the Bahamas Depository Receipt (BDR) programme stabilized at \$1.8 million.

As a result of these developments, and after making adjustments for net errors and omissions, the surplus on the overall balance, which corresponds to the change in the Central Bank's external reserves, expanded by \$61.5 million (25.6%) to \$301.8 million.

## INTERNATIONAL ECONOMIC DEVELOPMENTS

Indications are that the global economy contracted during the first quarter, with developments dominated by COVID-19 and unfavourable economic forecast. In this environment, labour market conditions deteriorated, while inflation stayed relatively subdued, amid the spread of COVID-19 and containment measures. As a result, all of the major central banks expanded their accommodative monetary policy stance, in an effort to encourage economic growth.

During the first quarter of 2020, major economies faced significant headwinds, owing to the COVID-19 pandemic. Specifically, real GDP in the United States contracted by an annualized rate of 4.8 % in the review quarter, following a 2.1% growth in the prior three-month period, as imposed COVID-19 measures led to reductions in personal consumption, expenditure, non-residential fixed investment, exports and private inventory investment. Similarly, real output in the United Kingdom decreased by an estimated 1.6%, a reversal from a 0.4% uptick in the previous quarter, attributed to a falloff in the services industry. In the Euro Area, economic output fell by 3.8% during the first quarter—the highest level since 1995—exceeding the 0.1% weakening in fourth quarter 2019, underpinned by shutdowns in all member states. In Asia, reflecting the impact of COVID-19, real GDP in China contracted by an annual 6.8% for the January-March period—the first since 1992—vis-à-vis a 6.1% expansion in the prior quarter, amid declines in consumer spending, industrial production, manufacturing and wholesale & retail sales. Likewise, Japan's economy declined by an annualized rate of 3.4%, contrasting with the 1.9% growth in the previous quarter, as the pandemic resulted in a falloff in exports, private residential investments and household consumption.

Labour market conditions deteriorated for the major economies during the first quarter, amid the spread of COVID-19 and measures to contain it. In the United States, the unemployment rate rose by 30 basis points to an average 3.8% over the fourth quarter, as non-farm payrolls decreased by an estimated 701,000 in March, owing to notably declines in leisure, hospitality, healthcare and social assistance, professional and business services, retail trade and construction sectors. Similarly, the United Kingdom's jobless rate increased by 10 basis points to 3.9% in the three months to March, with the number of unemployed persons advancing to an estimated 1.4 million. In Asia, China's unemployment rate moved higher by 2.2 percentage points to 5.8% during the first quarter, while Japan's jobless rate firmed by 17 basis points to 2.4% over the prior quarter. Conversely, despite the COVID-19 containment measures, the unemployment rate in the euro area fell by 27 basis points to 7.2%.

Average inflation in the major economies remained subdued during the first quarter, attributed to the sharp falloff in global energy prices. In the United States, underpinned by a marked contraction in the energy index, the annualized inflation rate declined to 1.5% in March from 2.3% in the December quarter. Similarly, the United Kingdom's inflation narrowed by 20 basis points over the previous quarter, to an annualized rate of 1.5% in March, owing to decreases in motor fuels and clothing costs. Further, led by lower energy, food, alcohol & tobacco prices, the euro area's annualized inflation rate reduced to 0.7% in the review quarter from 1.3% in the prior quarter. In Asia, China's inflation rate softened by 20 basis points to 4.3% over the prior quarter, due to reductions in food and non-food costs, while in Japan, consumer prices narrowed to an annualized 0.4% in March from 0.8% in the December quarter, largely reflecting a falloff in transport & communication prices.

In the currency market, developments varied during the first quarter of 2020. In particular, the dollar appreciated vis-à-vis the Canadian dollar, by 8.3% to CAD\$1.41 and the British pound, by 6.7% to £0.81. Similarly, the dollar strengthened relative to the euro, by 1.7% to €0.91 and Chinese Yuan, by 1.7% to CNY 7.08, respectively. Conversely, the dollar weakened against the Japanese yen, by 1.0% to ¥107.54 and Swiss Franc, by 0.7% to CHF0.96.

During the first quarter, attributed to the shock from the COVID-19 pandemic, most of the major equity markets recorded losses. Specifically, in the United States, the Dow Jones Industrial Average (DIJA) fell by 23.2%, while, the S&P 500 index declined by 20.0%. Similar outturns were recorded for the European bourses, with the France CAC 40 contracting by 26.5%, while the Germany DAX and United Kingdom's FTSE 100 fell by 25.0% and 24.8%, respectively. For Asian market, Japan's Nikkei 225 decreased by 20.0% and China's SE composite moved lower by 9.8%.

Attributed to the virus containment measures implemented by Governments, which led to a sharp reduction in global demand for oil, average crude oil prices fell by 26.2% over the three-month period to \$50.48 per barrel at end-March. In the precious metals market, the average price of silver decreased by 21.7% to \$14.00 per troy ounce. In contrast, the average cost of gold rose by 4.0% to \$1,577.18 per troy ounce.

Developments in the external sector were mixed during the first quarter. Specifically, in the United States, for the review period, the deficit on the goods and services account narrowed by \$9.6 billion (6.9%) to an estimated \$129.6 billion over the previous quarter, as the 4.0% reduction in imports to \$733.6 billion, outweighed the 3.4% falloff in exports—mainly industrial supplies, automotive vehicles and capital goods—to \$603.8 billion. Similarly, the United Kingdom's trade deficit declined by £1.3 billion (36.1%) to £2.3 billion in the three-months to March 2020, occasioned by a 7.4% falloff in imports to £165.3 billion, which overshadowed the 6.9% decrease in exports to £163.0 billion. However, the trade surplus for the euro area contracted by €18.1 billion (25.2%) to an estimated €53.7 billion over the prior quarter, as the 5.9% reduction in exports, outstripped the 3.3% decline in imports. In Asia, attributed to the impact of the spread of the COVID-19 outbreak, China's trade surplus fell sharply to US\$12.8 billion in the first quarter, from US\$127.0 billion in the preceding quarter, as exports reduced by 17.2% year-on-year in March, a faster pace than 4.0% contraction in imports. Likewise, Japan's trade surplus shrank considerably to ¥7.4 trillion in the three-months to March from ¥519.0 trillion same period last year, with exports declining on average by 7.5%, while imports fell by an average 5.1% during the first quarter.

To counter economic losses from the pandemic, all of the major central banks eased monetary policies during the March quarter. In particular, the US Federal Reserve lowered its target overnight rate to a range of 0.00%-0.25% from 1.50%-1.75% in the fourth quarter of 2019. In addition, the Federal Reserve established a temporary repurchase agreement facility for foreign and international monetary authorities. Similarly, the Bank of England reduced its benchmark interest rate to 0.1%—the lowest in the Bank's history—from 0.75% in the prior quarter, and maintained its asset purchase programme at £435 billion. Further, the European Central Bank kept its key interest rate at a historic low of 0.00%, amid the introduction of longer-term refinancing operations measures. In Asia, as the People's Bank of China decreased its 7-day repo rate by 30 basis points to 2.2% during the first quarter, while the Bank of Japan retained its benchmark interest rate at -0.1% and supplemented its monetary policy efforts with an emergency stimulus of ¥117.0 million.

## **STATISTICAL APPENDIX (TABLES I-16)**

**TABLE 1**  
**FINANCIAL SURVEY**

Period	2015	2016	2017	2018		2019				2020
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>(B\$ Millions)</b>										
<b>Net foreign assets</b>	280.2	678.5	1,152.5	1,274.4	1,072.1	1,389.1	1,466.3	1,546.3	1,790.7	2,157.3
Central Bank	811.9	904.0	1,417.4	1,300.7	1,196.3	1,436.9	1,557.6	1,558.8	1,758.1	2,059.9
Domestic Banks	(531.7)	(225.4)	(265.0)	(26.3)	(124.2)	(47.8)	(91.3)	(12.5)	32.6	97.4
<b>Net domestic assets</b>	6,093.7	6,251.4	5,884.6	5,945.5	6,037.1	5,827.8	5,964.7	5,996.8	6,103.1	5,990.0
Domestic credit	8,966.2	9,128.4	8,838.3	8,847.5	8,911.2	8,734.4	8,843.5	8,850.6	8,957.1	8,894.7
Public sector	2,666.4	2,957.6	2,855.5	2,976.1	3,025.0	2,891.8	2,997.1	2,969.4	3,065.5	3,075.7
Government (net)	2,198.0	2,551.4	2,383.0	2,490.9	2,539.3	2,415.1	2,536.3	2,523.0	2,620.9	2,633.4
Rest of public sector	468.4	406.3	472.5	485.2	485.8	476.6	460.8	446.4	444.6	442.3
Private sector	6,299.7	6,170.8	5,982.9	5,871.4	5,886.2	5,842.7	5,846.4	5,881.2	5,891.6	5,819.0
Other items (net)	(2,872.4)	(2,877.0)	(2,953.7)	(2,902.0)	(2,874.1)	(2,906.6)	(2,878.8)	(2,853.8)	(2,854.0)	(2,904.7)
<b>Monetary liabilities</b>	6,373.8	6,930.1	7,037.3	7,220.3	7,108.8	7,215.9	7,429.4	7,540.9	7,892.8	8,146.2
Money	2,071.2	2,460.6	2,654.0	2,711.2	2,728.2	2,757.1	3,003.6	3,060.4	3,248.4	3,484.4
Currency	246.6	280.5	292.6	306.9	310.4	316.0	321.7	315.2	336.8	346.0
Demand deposits	1,824.7	2,180.1	2,361.5	2,404.3	2,417.7	2,441.1	2,681.9	2,745.3	2,911.6	3,138.4
Quasi-money	4,302.6	4,469.5	4,383.3	4,509.1	4,380.7	4,458.9	4,425.8	4,480.5	4,644.4	4,661.8
Fixed deposits	2,966.5	2,866.3	2,737.9	2,585.7	2,552.0	2,526.9	2,486.8	2,454.1	2,419.6	2,323.5
Savings deposits	1,148.3	1,295.6	1,371.2	1,423.3	1,427.1	1,476.6	1,536.3	1,513.6	1,637.0	1,731.3
Foreign currency	187.8	307.6	274.1	500.1	401.5	455.3	402.7	512.7	587.9	607.1
<b>(percentage changes)</b>										
<b>Total domestic credit</b>	1.1	1.8	(3.2)	0.6	0.7	(2.0)	1.2	0.1	1.2	(0.7)
Public sector	6.5	10.9	(3.5)	3.5	1.6	(4.4)	3.6	(0.9)	3.2	0.3
Government (net)	8.6	16.1	(6.6)	4.1	1.9	(4.9)	5.0	(0.5)	3.9	0.5
Rest of public sector	(2.4)	(13.3)	16.3	0.3	0.1	(1.9)	(3.3)	(3.1)	(0.4)	(0.5)
Private sector	(1.1)	(2.0)	(3.0)	(0.8)	0.3	(0.7)	0.1	0.6	0.2	(1.2)
<b>Monetary liabilities</b>	(0.3)	8.7	1.5	(0.6)	(1.5)	1.5	3.0	1.5	4.7	3.2
Money	3.8	18.8	7.9	(2.2)	0.6	1.1	8.9	1.9	6.1	7.3
Currency	5.9	13.7	4.3	(1.6)	1.1	1.8	1.8	(2.0)	6.9	2.7
Demand deposits	3.5	19.5	8.3	(2.3)	0.6	1.0	9.9	2.4	6.1	7.8
Quasi-money	(2.1)	3.9	(1.9)	0.5	(2.8)	1.8	(0.7)	1.2	3.7	0.4

Source: Central Bank of The Bahamas

**TABLE 2**  
**MONETARY SURVEY**

Period	2015	2016	2017	2018		2019				2020
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>(B\$ Millions)</b>										
<b>Net foreign assets</b>	360.1	730.5	1,218.0	1,335.3	1,128.2	1,465.0	1,543.8	1,615.8	1,851.4	2,240.8
Central Bank	811.9	904.0	1,417.4	1,300.7	1,196.3	1,436.9	1,557.6	1,558.8	1,758.1	2,059.9
Commercial banks	(451.8)	(173.5)	(199.5)	34.6	(68.1)	28.0	(13.8)	57.0	93.4	180.9
<b>Net domestic assets</b>	5,956.8	6,131.5	5,742.1	5,792.6	5,910.7	5,690.6	5,815.5	5,858.6	5,963.7	5,827.2
Domestic credit	8,926.2	9,097.0	8,808.7	8,816.7	8,866.4	8,684.1	8,785.9	8,795.5	8,898.8	8,840.1
Public sector	2,653.2	2,941.4	2,841.7	2,961.4	3,009.1	2,875.5	2,972.1	2,951.4	3,050.1	3,061.8
Government (net)	2,187.2	2,535.5	2,369.6	2,476.5	2,523.7	2,399.3	2,511.3	2,505.0	2,605.5	2,619.5
Rest of public sector	466.0	405.9	472.1	484.8	485.4	476.3	460.8	446.4	444.6	442.3
Private sector	6,273.0	6,155.6	5,967.0	5,855.3	5,857.2	5,808.5	5,813.9	5,844.1	5,848.6	5,778.3
Other items (net)	(2,969.4)	(2,965.5)	(3,066.6)	(3,024.1)	(2,955.7)	(2,993.5)	(2,970.4)	(2,936.9)	(2,935.0)	(3,012.8)
<b>Monetary liabilities</b>	6,316.8	6,862.1	6,960.3	7,128.3	7,038.4	7,154.5	7,357.7	7,472.2	7,814.3	8,066.9
Money	2,024.9	2,406.8	2,591.4	2,632.4	2,671.3	2,706.8	2,942.8	3,004.4	3,186.5	3,421.0
Currency	246.6	280.5	292.6	307.0	310.5	316.0	321.7	315.2	336.9	346.1
Demand deposits	1,778.3	2,126.4	2,298.8	2,325.4	2,360.8	2,390.8	2,621.1	2,689.2	2,849.6	3,074.8
Quasi-money	4,291.9	4,455.3	4,368.8	4,495.9	4,367.2	4,447.7	4,414.9	4,467.8	4,627.8	4,646.0
Savings deposits	1,148.3	1,295.0	1,371.2	1,423.3	1,427.1	1,476.6	1,536.3	1,513.6	1,637.0	1,731.3
Fixed deposits	2,955.9	2,854.8	2,725.8	2,574.6	2,540.6	2,516.3	2,476.4	2,442.5	2,408.3	2,312.3
Foreign currency deposits	187.8	305.5	271.9	498.0	399.4	454.8	402.2	511.7	582.5	602.4
<b>(percentage change)</b>										
<b>Total domestic credit</b>	1.0	1.9	(3.2)	0.6	0.6	(2.1)	1.2	0.1	1.2	(0.7)
Public sector	6.4	10.9	(3.4)	3.4	1.6	(4.4)	3.4	(0.7)	3.3	0.4
Government (net)	8.6	15.9	(6.5)	4.1	1.9	(4.9)	4.7	(0.2)	4.0	0.5
Rest of public sector	(2.8)	(12.9)	16.3	0.3	0.1	(1.9)	(3.3)	(3.1)	(0.4)	(0.5)
Private sector	(1.1)	(1.9)	(3.1)	(0.8)	0.0	(0.8)	0.1	0.5	0.1	(1.2)
<b>Monetary liabilities</b>	(0.3)	8.6	1.4	(0.5)	(1.3)	1.6	2.8	1.6	4.6	3.2
Money	3.6	18.9	7.7	(2.3)	1.5	1.3	8.7	2.1	6.1	7.4
Currency	5.9	13.7	4.3	(1.6)	1.1	1.8	1.8	(2.0)	6.9	2.7
Demand deposits	3.3	19.6	8.1	(2.4)	1.5	1.3	9.6	2.6	6.0	7.9
Quasi-money	(2.0)	3.8	(1.9)	0.5	(2.9)	1.8	(0.7)	1.2	3.6	0.4

Source: Central Bank of The Bahamas

**TABLE 3**  
**CENTRAL BANK BALANCE SHEET**

**(BS Millions)**

Period	2015	2016	2017	2018		2019				2020
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>Net foreign assets</b>	811.9	904.0	1,417.4	1,300.7	1,196.3	1,436.9	1,557.6	1,558.8	1,758.1	2,059.9
Balances with banks abroad	206.6	254.8	698.5	422.7	375.8	612.2	722.8	688.9	794.5	838.2
Foreign securities	521.7	550.5	614.7	727.5	670.5	675.1	685.1	703.5	779.8	1,025.7
Reserve position in the Fund	8.7	25.9	27.5	26.9	26.8	26.8	26.8	26.3	26.7	25.9
SDR holdings	75.0	72.7	76.8	123.6	123.2	122.9	123.0	140.1	157.1	170.0
<b>Net domestic assets</b>	340.6	555.3	209.6	181.4	228.4	95.5	49.1	112.9	145.4	(79.6)
Net claims on Government	493.7	716.6	390.1	403.0	503.6	315.4	304.2	372.1	395.9	217.3
Claims	523.1	731.9	417.0	424.6	525.1	377.8	355.7	441.2	460.4	294.5
Treasury bills	126.6	223.9	7.2	54.9	155.7	68.3	77.5	170.3	135.3	10.0
Bahamas registered stock	261.1	372.6	274.5	248.7	249.0	239.7	263.1	255.8	249.9	269.1
Loans and advances	135.4	135.4	135.4	120.9	120.4	69.8	15.2	15.1	75.2	15.5
Deposits	(29.4)	(15.3)	(26.9)	(21.6)	(21.6)	(62.4)	(51.5)	(69.1)	(64.4)	(77.2)
In local currency	(29.4)	(15.3)	(26.9)	(21.6)	(21.6)	(62.4)	(51.5)	(69.1)	(64.4)	(77.2)
In foreign currency	-	-	-	-	-	-	-	-	-	-
Deposits of rest of public sector	(17.3)	(12.6)	(17.2)	(37.4)	(74.6)	(31.9)	(41.7)	(48.9)	(49.6)	(76.9)
Credit to commercial banks	-	-	-	-	-	-	-	-	-	-
Official capital and surplus	(163.7)	(173.1)	(185.1)	(185.7)	(208.0)	(208.1)	(208.0)	(208.2)	(226.8)	(226.5)
Net unclassified assets	19.0	15.4	13.8	(6.3)	(0.2)	12.8	(12.5)	(9.2)	18.9	(0.6)
Loans to rest of public sector	3.7	3.6	2.8	2.6	2.5	2.5	2.4	2.4	2.3	2.3
Public Corp Bonds/Securities	5.2	5.3	5.2	5.2	5.2	4.7	4.8	4.7	4.8	4.8
<b>Liabilities To Domestic Banks</b>	(733.5)	(1,011.4)	(1,157.0)	(1,001.3)	(940.9)	(1,043.3)	(1,111.8)	(1,186.6)	(1,394.4)	(1,464.5)
Notes and coins	(142.4)	(145.1)	(145.8)	(99.9)	(149.3)	(101.0)	(111.1)	(114.1)	(151.5)	(128.6)
Deposits	(591.1)	(866.3)	(1,011.2)	(901.4)	(791.7)	(942.4)	(1,000.7)	(1,072.5)	(1,242.9)	(1,335.9)
SDR allocation	(172.4)	(167.3)	(177.4)	(173.9)	(173.3)	(173.0)	(173.3)	(169.9)	(172.3)	(169.7)
Currency held by the private sector	(246.6)	(280.5)	(292.6)	(306.9)	(310.4)	(316.0)	(321.7)	(315.2)	(336.8)	(346.0)

**Source: Central Bank of The Bahamas**

**TABLE 4  
DOMESTIC BANKS BALANCE SHEET**

Period	(B\$ Millions)									
	2015	2016	2017	2018		2019				2020
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>Net foreign assets</b>	(531.7)	(225.4)	(265.0)	(26.3)	(124.2)	(47.8)	(91.3)	(12.5)	32.6	97.4
<b>Net claims on Central Bank</b>	730.0	1,012.4	1,158.0	1,002.2	941.9	1,044.3	1,112.7	1,187.6	1,395.3	1,465.5
Notes and Coins	142.4	145.1	145.8	99.9	149.3	101.0	111.1	114.1	151.5	128.6
Balances	587.5	867.3	1,012.2	902.3	792.6	943.3	1,001.6	1,073.5	1,243.8	1,336.8
Less Central Bank credit	-	-	-	-	-	-	-	-	-	-
<b>Net domestic assets</b>	5,569.8	5,483.7	5,483.6	5,421.4	5,482.2	5,423.0	5,597.6	5,594.3	5,672.6	5,765.8
Net claims on Government	1,704.4	1,834.8	1,992.9	2,088.0	2,035.7	2,099.7	2,232.1	2,150.9	2,225.0	2,416.1
Treasury bills	662.6	531.9	611.4	736.9	669.8	773.1	822.3	741.4	771.9	866.1
Other securities	895.4	987.1	1,137.7	1,058.7	990.9	988.3	1,033.1	1,012.6	985.4	962.5
Loans and advances	416.8	502.7	442.2	489.2	564.4	573.0	609.7	620.9	688.8	840.6
Less: deposits	270.5	186.9	198.5	196.8	189.4	234.6	233.0	224.0	221.1	253.2
Net claims on rest of public sector	117.6	31.0	113.6	(1.4)	54.2	20.8	6.6	31.9	31.7	40.6
Securities	221.0	163.9	262.6	229.5	229.5	228.0	227.6	230.9	230.9	230.9
Loans and advances	238.4	233.5	201.9	247.8	248.6	241.4	226.0	208.3	206.6	204.3
Less: deposits	341.8	366.4	350.8	478.7	423.9	448.6	447.1	407.4	405.8	394.6
Other net claims	43.9	(2.9)	(2.6)	5.5	(1.0)	1.3	(0.2)	(3.2)	18.8	0.2
Credit to the private sector	6,299.7	6,170.8	5,982.9	5,871.4	5,886.2	5,842.7	5,846.4	5,881.2	5,891.6	5,819.0
Securities	24.4	19.6	19.1	21.5	32.3	30.5	30.5	26.9	26.0	23.6
Mortgages	3,164.7	3,035.5	2,949.5	2,927.5	2,935.3	2,936.2	2,928.1	2,934.3	2,912.2	2,902.8
Loans and advances	3,110.7	3,115.7	3,014.3	2,922.4	2,918.5	2,875.9	2,887.9	2,920.0	2,953.4	2,892.6
Private capital and surplus	(2,651.2)	(2,594.4)	(2,699.3)	(2,647.4)	(2,642.6)	(2,607.6)	(2,543.3)	(2,396.8)	(2,394.7)	(2,414.9)
Net unclassified assets	55.5	44.5	96.2	105.2	149.9	66.1	56.0	(69.7)	(99.8)	(95.2)
<b>Liabilities to private sector</b>	5,768.1	6,270.7	6,376.6	6,397.3	6,299.9	6,419.5	6,619.0	6,769.4	7,100.6	7,328.7
Demand deposits	1,868.3	2,287.4	2,420.1	2,521.8	2,503.6	2,570.8	2,731.6	2,918.4	3,116.5	3,321.0
Savings deposits	1,162.0	1,315.0	1,390.4	1,453.9	1,454.3	1,506.8	1,568.3	1,544.3	1,667.3	1,765.0
Fixed deposits	2,737.8	2,668.3	2,566.1	2,421.6	2,342.0	2,341.8	2,319.2	2,306.8	2,316.7	2,242.7

Source: Central Bank of The Bahamas

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

(B\$'000s)

Period	2017	2018	2019	2017		2018				2019			
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
1. Interest Income	590,158	580,569	593,233	154,093	140,978	146,250	142,891	147,200	144,228	141,520	154,599	147,820	149,294
2. Interest Expense	66,322	55,517	48,618	16,146	15,252	14,159	15,693	13,537	12,128	12,698	12,549	13,229	10,142
<b>3. Interest Margin (1-2)</b>	<b>523,836</b>	<b>525,052</b>	<b>544,615</b>	<b>137,947</b>	<b>125,726</b>	<b>132,091</b>	<b>127,198</b>	<b>133,663</b>	<b>132,100</b>	<b>128,822</b>	<b>142,050</b>	<b>134,591</b>	<b>139,152</b>
4. Commission & Forex Income	28,537	29,445	38,127	6,854	7,273	7,192	7,499	7,193	7,561	7,160	9,221	7,682	14,064
<b>5. Gross Earnings Margin (3+4)</b>	<b>552,373</b>	<b>554,497</b>	<b>582,742</b>	<b>144,801</b>	<b>132,999</b>	<b>139,283</b>	<b>134,697</b>	<b>140,856</b>	<b>139,661</b>	<b>135,982</b>	<b>151,271</b>	<b>142,273</b>	<b>153,216</b>
6. Staff Costs	160,472	157,021	159,361	37,717	42,821	39,427	39,830	37,825	39,939	39,990	41,554	39,189	38,628
7. Occupancy Costs	26,068	27,725	33,932	6,824	5,939	7,174	6,810	7,146	6,595	6,365	6,711	6,670	14,186
8. Other Operating Costs	190,618	183,609	203,070	46,814	51,629	45,638	46,781	43,076	48,114	46,534	61,856	48,451	46,229
<b>9. Operating Costs (6+7+8)</b>	<b>377,158</b>	<b>368,355</b>	<b>396,363</b>	<b>91,355</b>	<b>100,389</b>	<b>92,239</b>	<b>93,421</b>	<b>88,047</b>	<b>94,648</b>	<b>92,889</b>	<b>110,121</b>	<b>94,310</b>	<b>99,043</b>
<b>10. Net Earnings Margin (5-9)</b>	<b>175,215</b>	<b>186,142</b>	<b>186,379</b>	<b>53,446</b>	<b>32,610</b>	<b>47,044</b>	<b>41,276</b>	<b>52,809</b>	<b>45,013</b>	<b>43,093</b>	<b>41,150</b>	<b>47,963</b>	<b>54,173</b>
11. Depreciation Costs	15,892	12,774	11,876	3,943	4,254	3,407	3,061	3,129	3,177	2,671	3,668	2,524	3,013
12. Provisions for Bad Debt	113,131	96,701	96,138	22,236	17,168	25,641	28,480	13,997	28,583	1,318	13,669	40,694	40,457
13. Other Income	136,036	156,965	177,136	30,781	37,136	35,567	37,566	39,555	44,277	44,785	45,153	36,312	50,886
<b>14. Other Income (Net) (13-11-12)</b>	<b>7,013</b>	<b>47,490</b>	<b>69,122</b>	<b>4,602</b>	<b>15,714</b>	<b>6,519</b>	<b>6,025</b>	<b>22,429</b>	<b>12,517</b>	<b>40,796</b>	<b>27,816</b>	<b>(6,906)</b>	<b>7,416</b>
<b>15. Net Income (10+14)</b>	<b>182,228</b>	<b>233,632</b>	<b>255,501</b>	<b>58,048</b>	<b>48,324</b>	<b>53,563</b>	<b>47,301</b>	<b>75,238</b>	<b>57,530</b>	<b>83,889</b>	<b>68,966</b>	<b>41,057</b>	<b>61,589</b>
<b>16. Effective Interest Rate Spread (%)</b>	<b>7.11</b>	<b>7.10</b>	<b>7.08</b>	<b>7.20</b>	<b>7.24</b>	<b>7.12</b>	<b>7.28</b>	<b>7.20</b>	<b>6.80</b>	<b>6.68</b>	<b>7.12</b>	<b>6.60</b>	<b>7.92</b>
<b>(Ratios To Average Assets)</b>													
Interest Margin	5.13	5.12	5.23	5.34	4.89	5.11	4.89	5.22	5.24	5.04	5.46	5.18	5.25
Commission & Forex Income	0.28	0.29	0.37	0.27	0.28	0.28	0.29	0.28	0.30	0.28	0.35	0.30	0.53
Gross Earnings Margin	5.41	5.40	5.60	5.60	5.18	5.39	5.18	5.50	5.54	5.32	5.82	5.47	5.78
Operating Costs	3.69	3.59	3.81	3.54	3.91	3.57	3.59	3.44	3.75	3.63	4.23	3.63	3.74
Net Earnings Margin	1.72	1.81	1.79	2.07	1.27	1.82	1.59	2.06	1.79	1.69	1.58	1.85	2.04
Net Income/Loss	1.78	2.28	2.46	2.25	1.88	2.07	1.82	2.94	2.28	3.28	2.65	1.58	2.32

\*Commercial Banks and OLFIs with domestic operations

Source: Central Bank of The Bahamas

**TABLE 6  
MONEY SUPPLY**

(B\$ Millions)

End of Period	2015	2016	2017	2018		2019				2020
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>Money Supply (M1)</b>	2,071.2	2,460.6	2,654.0	2,711.2	2,728.2	2,757.1	3,003.6	3,060.4	3,248.4	3,484.4
1) Currency in active circulation	246.6	280.5	292.6	306.9	310.4	316.0	321.7	315.2	336.8	346.0
2) Demand deposits	1,824.7	2,180.1	2,361.5	2,404.3	2,417.7	2,441.1	2,681.9	2,745.3	2,911.6	3,138.4
Central Bank	17.3	12.6	17.2	37.4	74.6	31.9	41.7	48.9	49.6	76.9
Domestic Banks	1,807.3	2,167.6	2,344.2	2,366.9	2,343.1	2,409.2	2,640.2	2,696.3	2,861.9	3,061.5
<b>Factors affecting money (M1)</b>										
1) Net credit to Government	2,198.0	2,551.4	2,383.0	2,490.9	2,539.3	2,415.1	2,536.3	2,523.0	2,620.9	2,633.4
Central Bank	493.7	716.6	390.1	403.0	503.6	315.4	304.2	372.1	395.9	217.3
Domestic banks	1,704.4	1,834.8	1,992.9	2,088.0	2,035.7	2,099.7	2,232.1	2,150.9	2,225.0	2,416.1
2) Other credit	6,768.1	6,577.1	6,455.3	6,356.6	6,371.9	6,319.3	6,307.2	6,327.6	6,336.2	6,261.3
Rest of public sector	468.4	406.3	472.5	485.2	485.8	476.6	460.8	446.4	444.6	442.3
Private sector	6,299.7	6,170.8	5,982.9	5,871.4	5,886.2	5,842.7	5,846.4	5,881.2	5,891.6	5,819.0
3) External reserves	811.9	904.0	1,417.4	1,300.7	1,195.6	1,435.6	1,555.7	1,556.3	1,757.3	2,058.9
4) Other external liabilities (net)	(531.7)	(225.4)	(265.0)	(26.3)	(124.2)	(47.8)	(91.3)	(12.5)	32.6	97.4
5) Quasi money	4,302.6	4,469.5	4,383.3	4,509.1	4,380.7	4,458.9	4,425.8	4,480.5	4,644.4	4,661.8
6) Other items (net)	(2,872.4)	(2,877.0)	(2,953.7)	(2,902.0)	(2,874.1)	(2,906.6)	(2,878.8)	(2,853.8)	(2,854.0)	(2,904.7)

Source: Central Bank of The Bahamas

**TABLE 7**  
**CONSUMER INSTALMENT CREDIT**

(B\$' 000)

End of Period	2017	2018	2019	2018			2019			2020	
				June	Sept	Dec.	Mar.	June	Sept	Dec.	Mar.
				<b>CREDIT OUTSTANDING</b>							
Private cars	163,974	146,286	135,786	153,708	148,441	146,286	142,918	140,123	136,824	135,786	138,711
Taxis & rented cars	796	948	1,028	803	897	948	1,015	1,037	1,094	1,028	1,028
Commercial vehicles	1,208	1,036	1,156	1,124	1,062	1,036	1,042	1,209	1,124	1,156	1,354
Furnishings & domestic appliances	8,493	8,205	9,246	7,863	8,346	8,205	8,321	8,619	8,999	9,246	9,539
Travel	45,457	50,872	65,037	45,909	50,530	50,872	50,660	56,648	63,167	65,037	68,914
Education	53,065	43,067	39,976	47,491	48,261	43,067	40,660	39,001	42,116	39,976	39,225
Medical	12,025	12,773	11,873	12,857	12,626	12,773	12,857	12,487	12,288	11,873	12,351
Home Improvements	113,898	102,022	101,255	107,081	103,136	102,022	99,853	98,696	98,724	101,255	104,264
Land Purchases	152,771	139,093	131,400	145,587	141,858	139,093	137,993	136,346	134,722	131,400	132,195
Consolidation of debt	951,071	922,138	908,422	955,742	939,570	922,138	914,635	918,987	917,749	908,422	910,656
Miscellaneous	564,703	541,719	530,172	537,638	538,144	541,719	533,124	532,740	533,325	530,172	548,160
Credit Cards	254,852	249,069	272,999	243,617	246,201	249,069	240,706	240,892	267,913	272,999	265,290
<b>TOTAL</b>	<b>2,322,313</b>	<b>2,217,228</b>	<b>2,208,350</b>	<b>2,259,420</b>	<b>2,239,072</b>	<b>2,217,228</b>	<b>2,183,784</b>	<b>2,186,785</b>	<b>2,218,045</b>	<b>2,208,350</b>	<b>2,231,687</b>
<b>NET CREDIT EXTENDED</b>											
Private cars	(12,204)	(17,688)	(10,500)	(5,397)	(5,267)	(2,155)	(3,368)	(2,795)	(3,299)	(1,038)	2,925
Taxis & rented cars	19	152	80	(52)	94	51	67	22	57	(66)	-
Commercial vehicles	158	(172)	120	(34)	(62)	(26)	6	167	(85)	32	198
Furnishings & domestic appliances	191	(288)	1,041	(375)	483	(141)	116	298	380	247	293
Travel	4,260	5,415	14,165	2,591	4,621	342	(212)	5,988	6,519	1,870	3,877
Education	820	(9,998)	(3,091)	(3,193)	770	(5,194)	(2,407)	(1,659)	3,115	(2,140)	(751)
Medical	(799)	748	(900)	105	(231)	147	84	(370)	(199)	(415)	478
Home Improvements	(8,061)	(11,876)	(767)	(3,911)	(3,945)	(1,114)	(2,169)	(1,157)	28	2,531	3,009
Land Purchases	(17,076)	(13,678)	(7,693)	(4,230)	(3,729)	(2,765)	(1,100)	(1,647)	(1,624)	(3,322)	795
Consolidation of debt	(33,498)	(28,933)	(13,716)	5,555	(16,172)	(17,432)	(7,503)	4,352	(1,238)	(9,327)	2,234
Miscellaneous	18,390	(22,984)	(11,547)	(21,165)	506	3,575	(8,595)	(384)	585	(3,153)	17,988
Credit Cards	(1,314)	(5,783)	23,930	(3,496)	2,584	2,868	(8,363)	186	27,021	5,086	(7,709)
<b>TOTAL</b>	<b>(49,114)</b>	<b>(105,085)</b>	<b>(8,878)</b>	<b>(33,602)</b>	<b>(20,348)</b>	<b>(21,844)</b>	<b>(33,444)</b>	<b>3,001</b>	<b>31,260</b>	<b>(9,695)</b>	<b>23,337</b>

Source: Central Bank of The Bahamas

**TABLE 8**  
**SELECTED AVERAGE INTEREST RATES**

Period	(%)									
	2015	2016	2017	2018		2019				2020
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
<b>DOMESTIC BANKS</b>										
<b>Deposit rates</b>										
Demand deposits	0.30	0.28	0.27	0.25	0.29	0.27	0.40	0.27	0.50	0.59
Savings deposits	0.83	0.82	0.72	0.66	0.50	0.51	0.35	0.34	0.33	0.38
Fixed deposits										
Up to 3 months	1.14	0.97	0.78	0.59	0.58	0.49	0.33	0.28	0.29	0.26
Up to 6 months	1.09	0.99	0.64	0.53	0.74	0.71	0.56	0.49	0.49	0.34
Up to 12 months	1.71	1.58	1.21	1.06	0.79	0.72	0.67	0.77	0.55	0.59
Over 12 months	1.57	1.87	1.61	1.01	1.10	0.95	0.89	0.83	0.91	0.83
Weighted average rate	1.41	1.24	1.00	0.82	0.82	0.68	1.67	0.52	0.53	0.41
<b>Lending rates</b>										
Residential mortgages	6.48	6.22	5.76	5.35	5.33	4.90	4.96	4.94	4.82	5.28
Commercial mortgages	7.95	7.76	6.87	8.71	7.38	6.75	6.15	5.91	7.25	9.25
Consumer loans	14.26	14.03	13.61	13.53	13.35	12.38	13.03	13.24	12.79	12.94
Overdrafts	10.36	11.13	10.62	10.42	9.65	9.20	9.86	11.55	11.10	11.99
Weighted average rate	12.29	12.49	11.75	11.61	11.11	9.66	10.53	11.22	10.44	10.82
<b>Other rates</b>										
Prime rate*	4.75	4.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Treasury bill	0.68	1.64	1.83	1.62 <sub>R</sub>	1.59 <sub>R</sub>	1.52	1.59 <sub>R</sub>	1.63 <sub>R</sub>	1.69 <sub>R</sub>	1.73
Treasury bill re-discount rate	1.18	2.14	2.33	2.12	2.09	2.08 <sub>R</sub>	2.14	2.13	2.19 <sub>R</sub>	2.23
Bank rate (discount rate)*	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00

Source: Central Bank of The Bahamas

\*Reflects end of period rates.

R=Revised | Figures were revised to reflect an average rate.

**TABLE 9**  
**SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS**

Period	(%)									
	2015	2016	2017	2018		2019				2020
				Qtr. III	Qtr. IV	Qtr. I	Qtr. I	Qtr. III	Qtr. IV	Qtr. I
<b>Loan Portfolio</b>										
Current Loans (as a % of total loans)	<b>79.7</b>	<b>82.2</b>	<b>85.1</b>	<b>85.7</b>	<b>85.7</b>	<b>86.8</b>	<b>87.8</b>	<b>86.8</b>	<b>87.9</b>	<b>87.9</b>
Arrears (% by loan type)			0							
Consumer	5.0	4.7	4.4	4.1	4.0	3.7	3.5	4.0	3.5	3.5
Mortgage	11.6	9.0	8.8	8.6	8.8	8.0	7.8	8.0	7.5	7.4
Commercial	3.7	4.0	1.6	1.6	1.4	1.5	1.0	1.2	1.1	1.2
Total Arrears	<b>20.3</b>	<b>17.8</b>	<b>14.9</b>	<b>14.3</b>	<b>14.3</b>	<b>13.2</b>	<b>12.2</b>	<b>13.2</b>	<b>12.1</b>	<b>12.1</b>
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>									
<b>Loan Portfolio</b>			0							
Current Loans (as a % of total loans)	<b>79.7</b>	<b>82.2</b>	<b>85.1</b>	<b>85.7</b>	<b>85.7</b>	<b>86.8</b>	<b>87.8</b>	<b>86.8</b>	<b>87.9</b>	<b>87.9</b>
Arrears (% by days outstanding)			0							
30 - 60 days	3.3	3.2	3.1	3.0	3.3	2.7	2.3	3.1	2.6	2.9
61 - 90 days	2.0	1.9	1.9	2.0	1.9	1.4	1.2	1.7	1.5	1.3
90 - 179 days	1.7	1.7	1.7	1.4	1.4	1.2	1.2	1.2	1.1	1.3
over 180 days	13.4	10.9	8.3	7.8	7.7	7.8	7.5	7.2	6.9	6.6
Total Arrears	<b>20.3</b>	<b>17.8</b>	<b>14.9</b>	<b>14.3</b>	<b>14.3</b>	<b>13.2</b>	<b>12.2</b>	<b>13.2</b>	<b>12.1</b>	<b>12.1</b>
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>									
Non Accrual Loans (% by loan type)			0							
Consumer	22.2	23.6	27.8	27.4	25.8	26.7	25.5	25.8	25.5	26.8
Mortgage	57.4	50.3	60.8	61.7	65	63.2	64.6	63.8	63.5	59.9
Other Private	20.4	26.1	11.4	10.9	9.2	10.2	10.0	10.4	11.0	13.3
Total Non Accrual Loans	<b>100.0</b>									
<b>Provisions to Loan Portfolio</b>			0							
Consumer	7.1	7.8	6.1	6.7	5.5	6.8	6.5	6.6	7.0	7.2
Mortgage	9.9	9.0	8.3	7.9	7.6	8.8	8.7	8.3	8.1	8.0
Other Private	10.2	11.7	8.0	8.5	14.4	7.2	6.5	5.3	7.1	6.9
Total Provisions to Total Private Sector Loans	8.8	8.9	7.4	7.5	7.7	7.8	7.5	7.2	7.5	7.6
Total Provisions to Total Non-performing Loans	58.5	70.6	74.7	81.0	84.8	86.4	86.5	85.6	93.8	95.7
Total Non-performing Loans to Total Private Sector Loans	15.1	12.3	9.9	9.2	9.1	9.0	8.7	8.4	8.0	7.9

**Source: Central Bank of The Bahamas**

Figures may not sum to total due to rounding.

**TABLE 10  
SUMMARY OF BANK LIQUIDITY**

(B\$ Millions)

Period	2015	2016	2017	2018		2019				2020
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>I. Statutory Reserves</b>										
Required reserves	316.9	325.1	336.9	340.8	331.1	331.9	345.3	348.5	349.6	363.4
Average Till Cash	123.0	130.4	125.8	102.6	124.9	108.5	107.8	115.6	129.8	121.3
Average balance with central bank	598.7	945.1	1,030.3	966.7	808.6	863.4	978.0	1,003.5	1,181.3	1,303.2
Free cash reserves (period ended)	404.9	750.5	819.2	728.6	602.5	639.9	740.6	770.5	961.5	1,061.1
<b>II. Liquid Assets (period)</b>										
A. Minimum Required Liquid Assets	1,044.6	1,098.6	1,128.9	1,122.6	1,115.6	1,148.4	1,196.1	1,206.4	1,247.1	1,298.8
B. Net Eligible Liquid Assets	2,361.6	2,579.9	2,956.2	2,851.6	2,649.0	2,852.0	3,014.7	2,988.7	3,214.5	3,345.1
i) Balance with Central Bank	587.5	867.3	1,012.2	902.3	792.6	943.3	1,001.6	1,073.5	1,243.8	1,336.8
ii) Notes and Coins	142.9	145.6	146.3	100.4	149.8	101.5	111.6	114.6	152.0	129.1
iii) Treasury Bills	662.6	531.9	611.4	736.9	669.8	773.1	822.3	741.4	771.9	866.1
iv) Government registered stocks	895.4	987.1	1,137.7	1,058.7	990.9	988.3	1,033.1	1,012.6	985.4	962.5
v) Specified assets	55.6	51.0	50.8	48.5	48.4	46.9	46.6	49.8	49.7	49.8
vi) Net Inter-bank dem/call deposits	17.4	(3.0)	(2.2)	4.7	(2.5)	(1.0)	(0.5)	(3.1)	11.7	0.8
vii) Less: borrowings from central bank	-	-	-	-	-	-	-	-	-	-
C. Surplus/(Deficit)	1,316.9	1,481.3	1,827.3	1,729.0	1,533.4	1,703.6	1,818.6	1,782.4	1,967.5	2,046.3

**Source: Central Bank of The Bahamas**

Figures may not sum to total due to rounding.

**TABLE 11**  
**GOVERNMENT OPERATIONS AND FINANCING**

(B\$ Millions)

Period	2017/18p	2018/19p	Budget		2018/19p				2019/20p		
			2018/19	2019/20	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III
Total Revenue & Grants	2,042.4	2,420.1	2,650.9	2,628.1	513.8	497.8	677.4	731.0	554.3	547.1	655.6
Current expenditure	2,188.6	2,418.0	2,589.2	2,530.0	539.9	566.3	594.9	717.0	544.8	633.9	631.6
Capital expenditure	268.7	217.2	299.3	235.0	38.8	41.2	48.1	89.1	56.2	60.4	81.6
Net lending	-	-	-	-	-	-	-	-	-	-	-
<b>Overall balance</b>	<b>(414.9)</b>	<b>(215.1)</b>	<b>(237.6)</b>	<b>(136.9)</b>	<b>(64.9)</b>	<b>(109.6)</b>	<b>34.5</b>	<b>(75.1)</b>	<b>(46.7)</b>	<b>(147.2)</b>	<b>(57.6)</b>
<b>FINANCING (I+II-III+IV+V)</b>	<b>414.9</b>	<b>215.1</b>	<b>237.6</b>	<b>136.9</b>	<b>64.9</b>	<b>109.6</b>	<b>(34.5)</b>	<b>75.1</b>	<b>46.7</b>	<b>147.2</b>	<b>57.6</b>
<b>I. Foreign currency borrowing</b>	<b>1,369.3</b>	<b>9.2</b>	<b>50.4</b>	<b>64.5</b>	<b>1.2</b>	<b>4.9</b>	<b>0.2</b>	<b>3.0</b>	<b>31.9</b>	<b>58.6</b>	<b>55.0</b>
External	1,369.3	9.2	50.4	64.5	1.2	4.9	0.2	3.0	31.9	8.6	55.0
Domestic	-	-	-	-	-	-	-	-	-	50.0	-
<b>II. Bahamian dollar borrowing</b>	<b>617.7</b>	<b>1,085.0</b>	<b>896.6</b>	<b>700.3</b>	<b>301.7</b>	<b>371.2</b>	<b>170.7</b>	<b>241.4</b>	<b>135.7</b>	<b>309.4</b>	<b>368.8</b>
i) Treasury bills	111.7	231.3	-	-	91.7	62.2	1.7	75.7	29.7	21.5	26.2
ii) Long-term securities	492.0	619.7	-	-	110.0	204.0	140.0	165.7	103.0	192.9	135.6
iii) Loans and Advances	14.0	234.0	-	-	100.0	105.0	29.0	-	3.0	95.0	207.0
<b>III. Debt repayment</b>	<b>1,302.6</b>	<b>801.1</b>	<b>709.4</b>	<b>628.0</b>	<b>162.9</b>	<b>253.1</b>	<b>190.2</b>	<b>195.0</b>	<b>98.3</b>	<b>227.4</b>	<b>261.9</b>
Domestic	798.1	717.2	620.9	539.0	128.5	245.3	156.0	187.3	83.7	219.7	247.2
Bahamian dollars	798.1	717.2	620.9	539.0	128.5	245.3	156.0	187.3	83.7	219.7	247.2
Foreign currency	-	-	-	-	-	-	-	-	-	-	-
External	504.4	83.9	88.5	88.9	34.4	7.7	34.1	7.7	14.6	7.7	14.7
<b>IV. Net sale of shares &amp; other equity</b>	<b>(20.0)</b>	<b>(94.4)</b>	<b>-</b>	<b>-</b>	<b>(44.6)</b>	<b>(17.5)</b>	<b>(12.5)</b>	<b>(19.9)</b>	<b>(11.7)</b>	<b>(13.9)</b>	<b>(14.7)</b>
<b>V. Cash balance change &amp; other financing</b>	<b>(249.5)</b>	<b>16.5</b>	<b>-</b>	<b>-</b>	<b>(30.5)</b>	<b>4.1</b>	<b>(2.7)</b>	<b>45.6</b>	<b>(11.0)</b>	<b>20.6</b>	<b>(89.7)</b>

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

**TABLE 12  
NATIONAL DEBT**

Period	(BS '000s)									
	2017	2018	2019	2018		2019				2020
				QTR III.	QTR IV.	QTR I.	QTR II.	QTR III.	QTR IV.	QTR I.
<b>TOTAL EXTERNAL DEBT</b>	2,616,225	2,593,818	2,567,662	2,599,118	2,593,818	2,557,139	2,553,188	2,559,811	2,567,662	2,604,078
By Instrument										
Government Securities	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Loans	966,225	943,818	917,662	949,118	943,818	907,139	903,188	909,811	917,662	954,078
By Holder										
Commercial Banks	-	-	-	-	-	-	-	-	-	-
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-	-
Multilateral Institutions	213,730	207,483	232,075	210,273	207,483	205,780	201,042	231,139	232,075	285,320
Bilateral Institutions	90,688	79,609	72,539	79,719	79,609	78,418	76,651	70,660	72,539	68,320
Private Capital Markets	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Other Financial Institutions	661,807	656,726	613,048	659,126	656,726	622,941	625,495	608,012	613,048	600,438
<b>TOTAL INTERNAL DEBT</b>	4,563,864	4,905,099	5,165,557	4,779,238	4,905,099	4,919,740	4,973,870	5,025,915	5,165,557	5,287,189
By Instrument										
Foreign Currency	-	-	50,000	-	-	-	-	-	50,000	50,000
Government Securities	-	-	-	-	-	-	-	-	-	-
Loans	-	-	50,000	-	-	-	-	-	50,000	50,000
Bahamian Dollars	4,563,864	4,905,099	5,115,557	4,779,238	4,905,099	4,919,740	4,973,870	5,025,915	5,115,557	5,237,189
Advances	134,657	119,657	74,900	119,657	119,657	69,657	14,957	14,900	74,900	14,900
Treasury Bills	655,749	875,746	977,104	829,542	875,746	877,429	938,156	959,858	977,104	948,344
Government Securities	3,492,283	3,536,654	3,725,354	3,518,709	3,536,654	3,601,654	3,675,354	3,725,354	3,725,354	3,780,354
Loans	281,175	373,042	338,199	311,330	373,042	371,000	345,403	325,803	338,199	493,591
By Holder										
Foreign Currency	-	-	50,000	-	-	-	-	-	50,000	50,000
Commercial Banks	-	-	50,000	-	-	-	-	-	50,000	50,000
Other Local Financial Institutions	-	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,563,864	4,905,099	5,115,557	4,779,238	4,905,099	4,919,740	4,973,870	5,025,915	5,115,557	5,237,189
The Central Bank	413,570	518,721	455,725	417,080	518,721	372,250	350,203	436,667	455,725	291,746
Commercial Banks	1,975,909	1,983,549	2,053,618	2,055,874	1,983,549	2,083,906	2,145,017	2,040,377	2,053,618	2,286,884
Other Local Financial Institutions	27,162	11,085	21,671	27,984	11,085	22,638	31,850	32,230	21,671	20,508
Public Corporations	602,287	586,572	602,704	582,118	586,572	597,893	600,404	597,242	602,704	591,476
Other	1,544,936	1,805,172	1,981,839	1,696,182	1,805,172	1,843,053	1,846,396	1,919,399	1,981,839	2,046,575
<b>TOTAL FOREIGN CURRENCY DEBT</b>	2,616,225	2,593,818	2,617,662	2,599,118	2,593,818	2,557,139	2,553,188	2,559,811	2,617,662	2,654,078
<b>TOTAL DIRECT CHARGE</b>	7,180,089	7,498,917	7,733,219	7,378,356	7,498,917	7,476,879	7,527,058	7,585,726	7,733,219	7,891,267
<b>TOTAL CONTINGENT LIABILITIES</b>	704,191	752,251	723,942	772,680	752,251	738,970	736,371	726,647	723,942	717,829
<b>TOTAL NATIONAL DEBT</b>	7,884,280	8,251,168	8,457,161	8,151,036	8,251,168	8,215,849	8,263,429	8,312,373	8,457,161	8,609,096

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**

Period	(B\$ '000s)										
	2017*	2018**	2019	2018		2019				2020	
				QTR III.	QTR IV.	QTR I.	QTR II.	QTR III.	QTR IV.	QTR I.	
<b>Outstanding Debt at Beginning of Period</b>	2,646,751	3,484,245	3,510,146	3,497,538	3,590,981	3,510,146	3,461,968	3,440,616	3,425,622	3,475,997	
Government	1,745,483	2,616,225	2,593,818	2,637,108	2,599,118	2,593,818	2,557,139	2,553,188	2,559,811	2,617,662	
Public Corporations	901,268	868,020	916,328	860,430	991,863	916,328	904,829	887,428	865,811	858,335	
<b>Plus: New Drawings</b>	1,347,128	256,635	93,739	139,304	51,395	175	3,040	31,890	58,634	55,028	
Government	1,327,674	65,330	93,664	1,152	4,923	175	2,965	31,890	58,634	55,028	
Public corporations	19,454	191,305	75	138,152	46,472	-	75	-	-	-	
<b>Less: Amortization</b>	545,717	216,894	122,225	41,125	129,710	45,624	25,184	36,233	15,184	26,156	
Government	493,003	73,906	64,153	34,409	7,708	34,121	7,708	14,616	7,708	14,660	
Public corporations	52,714	142,988	58,072	6,716	122,002	11,503	17,476	21,617	7,476	11,496	
<b>Other Changes in Debt Stock</b>	36,083	(13,840)	(5,663)	(4,736)	(2,520)	(2,729)	792	(10,651)	6,925	(3,952)	
Government	36,071	(13,831)	(5,667)	(4,733)	(2,515)	(2,733)	792	(10,651)	6,925	(3,952)	
Public corporations	12	(9)	4	(3)	(5)	4	-	-	-	-	
<b>Outstanding Debt at End of Period</b>	3,484,245	3,510,146	3,475,997	3,590,981	3,510,146	3,461,968	3,440,616	3,425,622	3,475,997	3,500,917	
Government	2,616,225	2,593,818	2,617,662	2,599,118	2,593,818	2,557,139	2,553,188	2,559,811	2,617,662	2,654,078	
Public corporations	868,020	916,328	858,335	991,863	916,328	904,829	887,428	865,811	858,335	846,839	
<b>Interest Charges</b>	152,815	220,950	203,144	38,812	69,202	37,266	67,063	34,285	64,530	32,312	
Government	92,969	154,701	144,039	22,030	50,979	22,000	51,208	20,445	50,386	20,075	
Public corporations	59,846	66,249	59,105	16,782	18,223	15,266	15,855	13,840	14,144	12,237	
<b>Debt Service</b>	698,532	437,844	325,369	79,937	198,912	82,890	92,247	70,518	79,714	58,468	
Government	585,972	228,607	208,192	56,439	58,687	56,121	58,916	35,061	58,094	34,735	
Public corporations	112,560	209,237	117,177	23,498	140,225	26,769	33,331	35,457	21,620	23,733	
<b>Debt Service ratio</b>	6.5	9.0	7.1	7.8	15.3	6.3	6.5	7.5	8.9	5.6	
<b>Government debt Service/ Government revenue (%)</b>	6.5	10.5	8.3	11.0	11.8	8.3	8.1	6.3	10.6	5.3	
<b>MEMORANDUM</b>											
Holder distribution (B\$ Mil):											
Banks	267.7	332.1	351.9	335.6	332.1	329.2	317.1	304.0	351.9	349.5	
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-	-	
Multilateral Institutions	285.6	284.0	304.1	286.4	284.0	282.1	275.3	305.1	304.1	357.0	
Bilateral Institutions	90.7	79.6	72.5	79.7	79.6	78.4	76.7	70.7	72.5	68.3	
Other	1,190.2	1,164.4	1,097.5	1,239.2	1,164.4	1,122.3	1,121.6	1,095.7	1,097.5	1,076.1	
Private Capital Markets	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	

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

\*The Debt Service and Government Debt Service/Revenue Ratios for 2017 are presented net of a of \$450 million refinancing in Government's external debt.

\*\*The Debt Service Ratio for 2018 is presented net of a \$44.1 million refinancing of Public Corporations' debt.

**TABLE 14**  
**BALANCE OF PAYMENTS SUMMARY\***

(B\$ Millions)

Period	2017	2018	2019	2018		2019				2020
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
<b>A. Current Account Balance (I+II+III+IV)</b>	<b>(1,508.5)</b>	<b>(1,487.7)</b>	<b>83.7</b>	<b>(451.7)</b>	<b>(494.4)</b>	<b>26.9</b>	<b>(51.9)</b>	<b>(134.4)</b>	<b>243.1</b>	<b>(104.3)</b>
<b>I. Merchandise (Net)</b>	<b>(2,537.8)</b>	<b>(2,675.1)</b>	<b>(2,312.8)</b>	<b>(632.1)</b>	<b>(636.3)</b>	<b>(523.7)</b>	<b>(625.5)</b>	<b>(569.8)</b>	<b>(593.8)</b>	<b>(615.2)</b>
Exports	570.6	641.7	653.7	153.3	151.3	154.3	277.8	106.5	115.0	186.8
Imports	3,108.4	3,316.8	2,966.5	785.4	787.7	678.0	903.3	676.3	708.8	802.1
<b>II. Services (Net)</b>	<b>1,445.2</b>	<b>1,938.2</b>	<b>2,097.6</b>	<b>393.8</b>	<b>309.7</b>	<b>668.9</b>	<b>723.2</b>	<b>406.6</b>	<b>298.8</b>	<b>386.3</b>
Transportation	(383.4)	(411.6)	(360.0)	(92.9)	(99.7)	(109.8)	(103.6)	(55.4)	(91.1)	(106.7)
Travel	2,625.2	3,023.4	3,244.3	653.2	676.3	1,000.5	976.5	663.1	604.2	722.5
Insurance Services	(114.0)	(154.0)	(143.5)	(35.2)	(44.9)	(36.8)	(34.9)	(48.6)	(23.1)	(32.3)
Offshore Companies Local Expenses	130.1	249.5	183.8	89.4	51.1	58.5	52.8	34.2	38.2	58.4
Other Government	(105.8)	(97.0)	(132.4)	(34.9)	(29.6)	(66.0)	(22.7)	(29.9)	(13.8)	(70.6)
Other Services	(706.8)	(672.1)	(694.6)	(185.7)	(243.4)	(177.4)	(144.8)	(156.8)	(215.6)	(185.0)
<b>III. Income (Net)</b>	<b>(360.7)</b>	<b>(682.3)</b>	<b>(547.3)</b>	<b>(192.7)</b>	<b>(146.2)</b>	<b>(115.3)</b>	<b>(159.3)</b>	<b>(108.9)</b>	<b>(163.8)</b>	<b>(129.7)</b>
1. Compensation of Employees	(38.7)	(28.9)	(62.8)	(7.9)	(11.7)	(11.7)	(14.3)	(16.8)	(20.0)	(26.9)
2. Investment Income	(321.9)	(653.3)	(484.5)	(184.8)	(134.6)	(103.5)	(145.1)	(92.1)	(143.8)	(102.8)
<b>IV. Current Transfers (Net)</b>	<b>(55.2)</b>	<b>(68.6)</b>	<b>846.2</b>	<b>(20.6)</b>	<b>(21.6)</b>	<b>(3.1)</b>	<b>9.7</b>	<b>137.7</b>	<b>701.9</b>	<b>254.3</b>
1. General Government	114.0	132.8	144.9	26.6	28.4	41.3	42.0	31.5	30.1	39.2
2. Private Sector	(169.2)	(201.4)	701.2	(47.2)	(50.0)	(44.4)	(32.3)	106.1	671.8	215.2
<b>B. Capital and Financial Account (I+II)</b>	<b>1,572.0</b>	<b>609.1</b>	<b>230.8</b>	<b>1.7</b>	<b>156.2</b>	<b>(14.2)</b>	<b>167.8</b>	<b>26.0</b>	<b>51.3</b>	<b>137.1</b>
<b>(excl. Reserves)</b>										
<b>I. Capital Account (Net Transfers)</b>	<b>(26.1)</b>	<b>(20.7)</b>	<b>(20.2)</b>	<b>(12.4)</b>	<b>(2.6)</b>	<b>(2.4)</b>	<b>(6.6)</b>	<b>(9.8)</b>	<b>(1.4)</b>	<b>(1.1)</b>
<b>II. Financial Account (Net)</b>	<b>1,598.1</b>	<b>629.7</b>	<b>250.9</b>	<b>14.2</b>	<b>158.8</b>	<b>(11.9)</b>	<b>174.4</b>	<b>35.8</b>	<b>52.7</b>	<b>138.2</b>
1. Direct Investment	304.6	491.4	264.6	86.0	45.7	46.1	89.0	77.0	52.4	67.5
2. Portfolio Investment	(16.7)	(11.7)	(10.2)	(2.3)	(4.1)	(1.8)	(2.0)	(2.3)	(4.2)	(1.8)
3. Other Investments	1,310.2	150.0	(3.5)	(69.6)	117.2	(56.3)	87.3	(39.0)	4.5	72.4
Central Gov't Long Term Capital	834.7	(8.2)	(22.0)	(32.9)	(2.8)	(33.9)	(4.8)	17.3	(0.6)	40.4
Other Public Sector Capital	(9.8)	(39.7)	(22.6)	18.5	(54.6)	(4.5)	(6.3)	(5.5)	(6.3)	(5.0)
Banks	39.5	(140.8)	(156.8)	(132.9)	97.9	(76.4)	43.5	(78.8)	(45.1)	(64.8)
Other	445.8	338.7	198.0	77.7	76.6	58.6	54.8	28.0	56.5	101.8
<b>C. Net Errors and Omissions</b>	<b>446.0</b>	<b>660.9</b>	<b>247.3</b>	<b>178.5</b>	<b>234.0</b>	<b>227.7</b>	<b>4.8</b>	<b>109.6</b>	<b>(94.9)</b>	<b>269.1</b>
<b>D. Overall Balance (A+B+C)</b>	<b>509.4</b>	<b>(217.7)</b>	<b>561.8</b>	<b>(271.4)</b>	<b>(104.2)</b>	<b>240.3</b>	<b>120.7</b>	<b>1.2</b>	<b>199.5</b>	<b>301.8</b>
<b>E. Financing (Net)</b>	<b>(509.4)</b>	<b>217.7</b>	<b>(561.8)</b>	<b>271.4</b>	<b>104.2</b>	<b>(240.3)</b>	<b>(120.7)</b>	<b>(1.2)</b>	<b>(199.5)</b>	<b>(301.8)</b>
Change in SDR holdings	(3.3)	(46.5)	(33.9)	(23.9)	0.2	0.6	(0.1)	(17.2)	(17.3)	(12.7)
Change in Reserve Position with the IMF	(1.5)	0.6	0.2	0.2	0.1	0.0	(0.0)	0.5	(0.4)	0.5
Change in Ext. Foreign Assets ( ) = Increase	(504.6)	263.6	(528.0)	295.1	103.9	(241.0)	(120.6)	15.5	(181.9)	(289.7)

Source: Central Bank of The Bahamas

\* Figures may not sum to total due to rounding

**TABLE 15**  
**EXTERNAL TRADE**

(B\$ '000s)

Period	2017	2018	2019	2018				2019	
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
<b>I. OIL TRADE</b>									
i) Exports	72,692	101,558	44,767	26,569	19,774	26,898	28,317	22,287	22,480
ii) Imports <sup>R</sup>	552,863	583,402	297,928	145,498	102,957	233,644	101,302	127,670	170,258
<b>II. OTHER MERCHANDISE</b>									
<b>Domestic Exports</b>									
Crawfish	34,435	46,025	58,684	17,502	6,922	6,254	28,006	15,984	22,008
Fish Conch & other Crustacea	33,783	2,653	2,770	367	1,435	618	350	1,045	1,437
Other cordials & Similar Materials/Sponge	884	496	450	123	9	141	177	190	271
Fruits & Veggies.	-	-	-	-	-	-	-	-	-
Aragonite	2,040	1,828	2,816	535	735	849	697	607	873
Other Natural Sands	349	460	531	47	153	260	71	77	95
Rum/Beverages/Spirits & Vinegar	-	-	-	-	-	-	-	-	-
Crude Salt	4,099	4,560	13,218	5,147	2,152	1,784	4,135	3,602	1,157
Polystrene Products	80,010	75,471	80,956	16,548	19,691	23,130	21,587	25,792	17,651
Other	46,589	36,337	78,016	7,628	24,880	24,250	21,258	10,283	24,048
<b>i) Total Domestic Exports</b>	<b>202,190</b>	<b>224,783</b>	<b>237,441</b>	<b>47,897</b>	<b>55,977</b>	<b>57,286</b>	<b>76,281</b>	<b>57,580</b>	<b>67,540</b>
<b>ii) Re-Exports</b>	<b>155,016</b>	<b>171,827</b>	<b>172,859</b>	<b>34,664</b>	<b>87,606</b>	<b>30,263</b>	<b>20,326</b>	<b>40,906</b>	<b>145,357</b>
<b>iii) Total Exports (i+ii)</b>	<b>357,206</b>	<b>396,610</b>	<b>410,301</b>	<b>82,561</b>	<b>143,583</b>	<b>87,549</b>	<b>96,608</b>	<b>98,486</b>	<b>212,897</b>
<b>iv) Imports</b>	<b>2,529,125</b>	<b>2,874,959</b>	<b>2,938,015</b>	<b>705,378</b>	<b>875,255</b>	<b>657,741</b>	<b>699,641</b>	<b>581,257</b>	<b>811,272</b>
<b>v) Retained Imports (iv-ii)</b>	<b>2,374,109</b>	<b>2,703,132</b>	<b>2,765,156</b>	<b>670,714</b>	<b>787,649</b>	<b>627,478</b>	<b>679,315</b>	<b>540,351</b>	<b>665,915</b>
<b>vi) Trade Balance (i-v)</b>	<b>(2,171,919)</b>	<b>(2,478,349)</b>	<b>(2,527,715)</b>	<b>(622,817)</b>	<b>(731,672)</b>	<b>(570,192)</b>	<b>(603,034)</b>	<b>(482,771)</b>	<b>(598,375)</b>

Source: Department of Statistics Quarterly Statistical Summaries

**TABLE 16**  
**SELECTED TOURISM STATISTICS**

Period	2017	2018	2019	2018			2019				2020
				Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
<b>Visitor Arrivals</b>	6,135,839	6,622,015	7,243,519	1,627,490	1,519,086	1,700,059	1,994,296	1,888,129	1,553,311	1,807,783	1,701,017
Air	1,335,613	1,558,086	1,662,410	435,037	356,427	355,314	482,626	498,300	361,194	320,290	347,450
Sea	4,800,226	5,063,929	5,581,109	1,192,453	1,162,659	1,344,745	1,511,670	1,389,829	1,192,117	1,487,493	1,353,567
<b>Visitor Type</b>											
Stopover	1,440,855	1,633,445	1,799,706	456,117	386,252	362,025	524,126	545,287	399,247	331,046	343,439
Cruise	4,626,259	4,877,596	5,429,474	1,130,596	1,104,573	1,316,033	1,474,573	1,330,506	1,156,420	1,467,975	1,327,084
Day/Transit	n.a.										
<b>Tourist Expenditure(B\$ 000's)</b>	n.a.										
Stopover	n.a.										
Cruise	n.a.										
Day	n.a.										
<b>Number of Hotel Nights</b>	n.a.										
<b>Average Length of Stay</b>	n.a.										
<b>Average Hotel Occupancy Rates (%)</b>											
New Providence	61.0	61.8	68.1	68.3	58.7	56.3	78.1	75.4	62.7	52.7	62.5
Grand Bahama	n.a.										
Other Family Islands	n.a.										
<b>Average Nightly Room Rates (\$)</b>											
New Providence	232.11	244.72	263.73	240.61	211.71	257.59	298.26	261.98	167.39	263.07	277.83
Grand Bahama	n.a.										
Other Family Islands	n.a.										

Source: The Ministry of Tourism, The Bahamas Hotel & Tourism Industry

# GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2019)

## INTRODUCTION

The financial services sector accounts for an estimated 15%-20% of the country's Gross Domestic Product (GDP), second only to the dominant tourism sector. The industry has a direct impact on domestic employment and expenditure, while also indirectly affecting other substantial sectors, such as construction, and wholesale & retail trade. In the domestic space, value-added is foremost from the intermediation of the resources and facilitation of payments and settlements for commerce. The international sector exports services, provide benefits more exclusively from employment and local operating expenses.

The 2019 survey of The Bahamas' financial services sector revealed that, in expenditure terms and tax revenues, the sector's economic contribution was slightly expanded. Yet heightened challenges remained, with further trend-reduction in employment and in the number of supervised financial institutions (SFIs), particularly, in international operations. The range of domestic financial services across banking, insurance, credit unions and other regulated activities were slightly expanded, albeit the mild credit environment tempered growth prospects. The international activities were further retrenched in both employment and licensed operations, notably in banking and securities industry activity. Uncertainty persisted around adjustments to the jurisdiction's embrace of global tax transparency and cooperation obligations; the convergence of commitments to counter financial crimes abuses; and the adverse interplay of punitive multi-lateral and bilateral sanctioning regimes. These continue to influence the re-domiciling of operations and clients to Europe, outweighing emerging growth in markets such as Latin America. In both domestic and international operations, there also continued to be efficiency driven reduction in operations costs.

The estimated balance sheet size of financial sector operations was expanded in 2019. Domestic and international banks assets registered a marginal rebound to \$186.6 billion, although remaining below estimates at the middle part of the decade. In terms of fiduciary assets, in 2019, a growth of 8.7% was recorded for an end-balance of \$254.9 billion. Similarly, a partial rebound in international assets under management was noted for the securities industry; while the onshore insurance and credit union positions also improved, with the former exceptionally boosted from undisbursed re-insurance claims settlements.

Meanwhile, supervisory bodies and policy makers continued to advance robust strengthening of the regulatory regime. At the Central Bank, this included further concentration on risk-based supervision for both banks and non-bank entities, and sustained strengthening of the AML/CFT framework. Developments in the sector also featured the successful completion of The Bahamas' second Financial Sector Assessment Programme (FSAP) mission in January 2019, conducted by a team from the International Monetary Fund (IMF). The assessment comprised of a series of comprehensive reviews of the key segments of the financial sector, mainly systemic risk oversight, financial stability analysis and stress testing, banking supervision, and crisis management and to a lesser extent, the insurance and securities activities. The findings indicated that there were no threats to financial stability in The Bahamas. Pursuit of enhanced financial inclusion and financial access outcome was also noteworthy, with payments system modernization initiatives helping to promote the digital reach of domestic services.

## GOVERNMENT REVENUES

Aggregate tax revenues by the Government, continue to track the financial sector's trend-performance, narrowing by 13.6% to an estimated \$157.5 million in 2019. A reduced volume of domestic intermediation

trimmed the associated levies by 21.2% to an estimated \$86.0 million, due to lesser valuations on mortgage underwriting, and in the volume of cash and check withdrawals. However, license and registration fees also fell by 2.2% to \$71.5 million. In particular, the returns from banks and trust companies (70.8% of the total) declined by 0.8%; and from international businesses (18.6% of the total), by 9.4%. The associated collections on investment funds (9.2% of the total) rose by 1.2%. Licensing and registration fees have remained elevated since the middle of the decade, though predominately as result of significant appreciation in rates levied on both domestic and international banks trust companies. For commercial banks, this also incorporated new business license fees that were replaced with revenue neutral domestic supervisory levies, starting in 2020.

## THE BANKING SECTOR

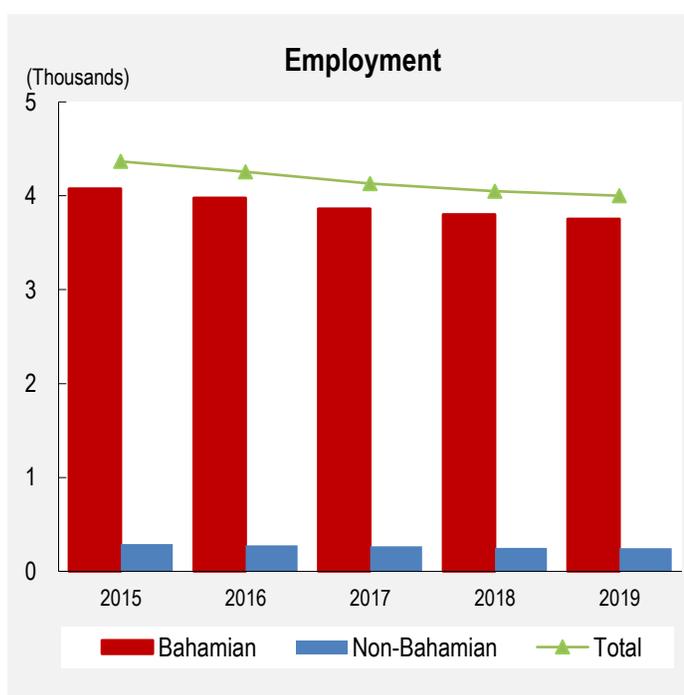
The banking sector remained as the dominant component in the financial system, with domestic intermediation as the largest concentration of activity. On the domestic side, commercial banks operated within an environment of elevated liquidity, attributed to persistently subdued private sector credit demand and banks’ conservative lending posture. These SFIs’ credit quality indicators improved, amid ongoing debt restructuring activities, and accommodative hurricane relief measures. Operations costs increases, more so than employment benefits, fueled higher expenditures in the economy.

Amid ongoing adjustments to external market pressures, the total number of banks and trust companies licensed in The Bahamas decreased further by 10 to 221 in 2019, after a decline of 11 in 2018. Restricted, non-active and nominee licenses reduced by 6 to 136, while public banks and trust companies fell by 4 to 85. The public institutions provide a mix of domestic and international services, with some 47 Bahamian incorporated entities and 14 euro currency branches of foreign banks operating exclusively in the international space. The remaining 16 authorized agents and 8 authorized dealers—inclusive of 7 clearing banks—serviced both sectors. That said, the retail product focus of domestic services generated most of the sector’s value added, even though the high net worth, private banking clientele of international operations supported a balance sheet more than 10-fold higher than the local sector.

Total domestic assets of the domestic banking sector grew by 7.4% to \$10.7 billion in 2019, a turnaround from a 2.4% falloff in 2018 and an average 0.4% over the past five years, amid a rise in holdings of Government Treasury bills and other classified assets. Assets of the international banking sector also increased, by 1.1% to \$167.9 billion, a reversal from a 1.5% decline in 2018. Nevertheless, over the last five years such assets contracted by an average annual rate of 6.0%, as international operations continued to adjust to new and expanding regulatory initiatives.

## EMPLOYMENT

Reflective of the ongoing automation of operations and consolidation of businesses, total employment within banks and trust companies declined by 48 (1.2%) to

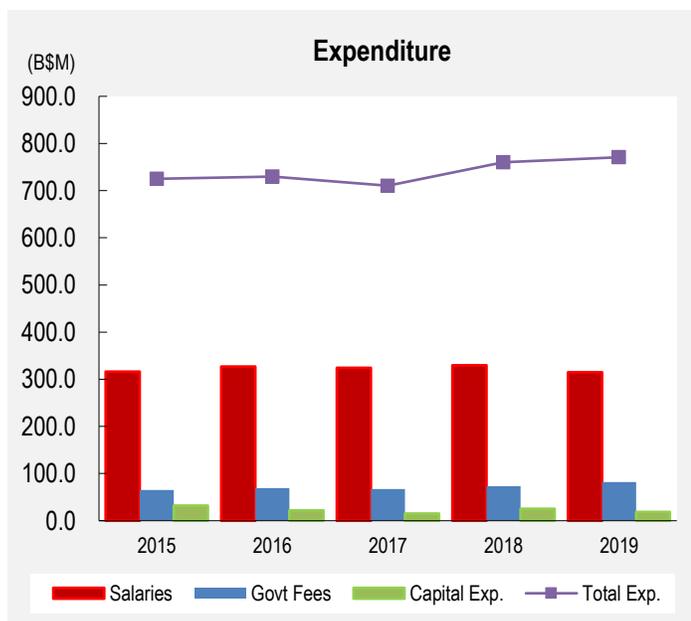


approximately 4,001 in 2019. This followed a 1.9% decrease a year earlier, and an average reduction of 3.1% over the past five years. A breakdown by nationality showed that both Bahamian and non-Bahamian employees reduced by 46 (1.2%) and 2 (0.8%), respectively, to 3,754 and 247 persons. As a result, the share of Bahamian employees in the banking sector softened by 10 basis points to 93.8% over 2018. An analysis by activity revealed that an estimated 65.5% of Bahamians were employed in the local banking sector; 15.7% in international banking, 11.9% in trust administration and 6.9% in other wealth management related activities.

## EXPENDITURES

Total expenditure in the banking sector rose by \$10.6 million (1.4%) to \$770.8 million in 2019, compared to a 7.0% increase in 2018 and an average 3.0% over the 2014-2018 period.

Underlying this outcome, total operational costs—which accounts for 97.6% of expenditure—grew by \$17.6 million (2.4%) to \$752.3 million, following a 5.7% gain last year. However, tracking employment, salaries the largest single expense, reduced by \$14.6 million (4.4%) to \$315.1 million, reversing the 1.6% gain last year. This captured declines of 2.5% and 14.2% in base salaries and bonuses, respectively. Also, staff training edged down by \$0.4 million (13.8%) to \$2.6 million, vis-à-vis a 14.6% expansion in 2018. Offsetting, other administrative costs—inclusive of utilities and charitable contributions—moved higher by \$23.8 million (7.2%) to \$352.9 million, compared to a 9.5% increase a year earlier. Further, payment of Government fees rose by \$8.8 million (12.0%) to \$81.7 million, extending the 8.5% growth in the previous year. Most of these corresponded to licensing renewal costs (\$50.6 million), stamp duty (\$11.2 million), real property tax (\$1.5 million) and other Government fees (\$15.4 million).



Banks and trust companies' capital outlays fell by \$6.9 million (27.4%) to \$18.4 million, contrasting with a 63.1% growth last year, and an average increase of 1.2% over the past five years. The major categories of investments were in purchase of office equipment and furniture (\$15.0 million), and office space renovation (\$3.2 million).

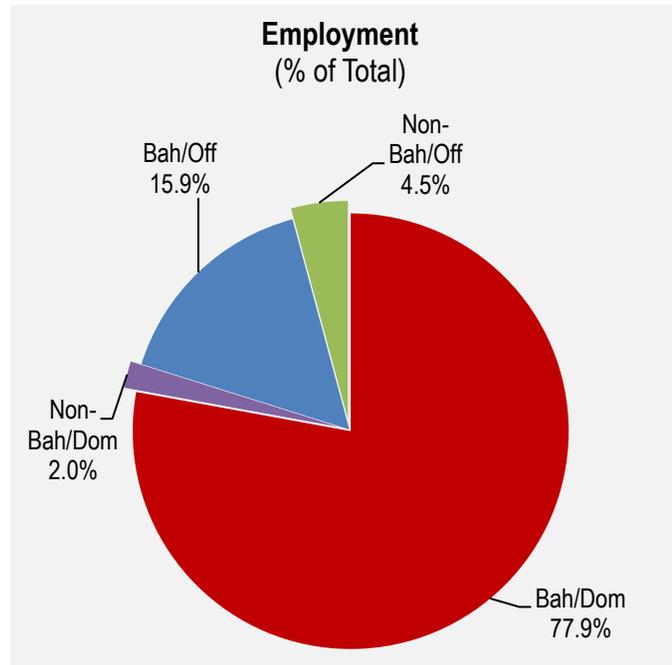
## DOMESTIC VERSUS INTERNATIONAL BANKING

A disaggregated analysis of domestic and international banking operations allows for a more detailed comparison between the domestic sector's retail oriented services and the international banking sector's wealth management related activities. This underscores the larger employment footprint of domestic operations, with a much smaller balance sheet; even though some of these entities also offer significant international services.

## EMPLOYMENT

Total employment in the domestic banking sector grew by 13 (0.4%) to 3,195 persons in 2019, following a 1.6% increase in 2018, and in opposition to an average yearly decline of 2.4% over the last five years. However, employment in the international sector decreased again, by 61 (7.0%) to 806 persons. This was still lower than the 13.0% falloff a year earlier, and an average reduction of 5.6% between 2014 and 2018, reflecting the closure of some international banks and the change in residency status to domestic banks.

An analysis of the employment composition in the domestic banking sector revealed that gains were largely attributed to an increase of 13 (19.7%) to 79 non-Bahamian posts, vis-à-vis a 22.2% advance in 2018. However, total Bahamian employment was stable at 3,116, after a 1.2% uptick last year. Consequently, the ratio of Bahamian to non-Bahamian employees narrowed to 39:1 from 47:1 in 2018.

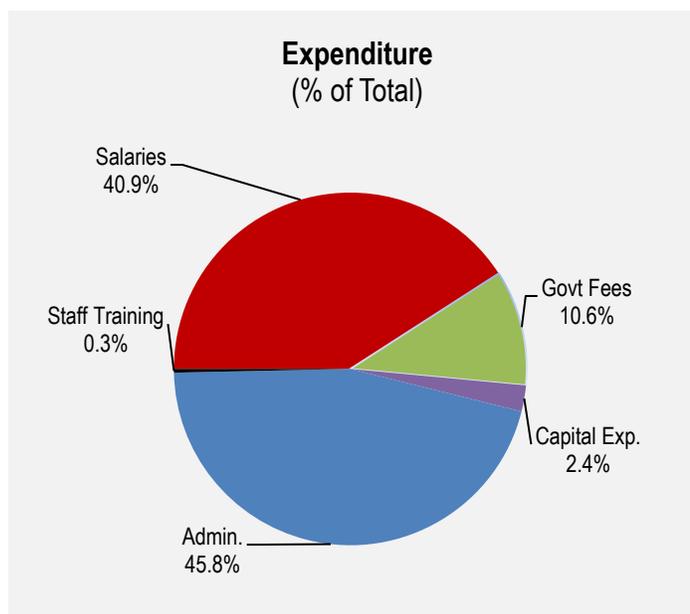


In the international sector, reductions were noted across both employee categories. Specifically, the total Bahamian staff contracted by 46 (6.7%) to 638, adding to the 12.6% falloff in the prior year. The non-Bahamian staff levels also reduced by 15 (8.2%) to 168, compared to a 14.1% decline in 2018. As a result, the ratio of Bahamian to non-Bahamian employees, in international operations firmed to 3.8:1, from 3.7:1 in 2018.

With regard to compensation, movements in average salaries varied across the banking sectors. In particular, the average salary in the international sector grew by 1.2% to \$112,419. Conversely, the average salary in the domestic sector fell by 1.0% to \$55,708. Over the last five years average salaries in the international sector rose by an estimated 4.7% per annum; while the corresponding domestic compensation strengthened by an average 4.9% per annum.

## EXPENDITURES

The domestic banking sector has continued to experience expenditure growth, in contrast to retrenchment in the international sector. Total



expenditure in domestic operations rose by 2.6% to \$524.5 million in 2019, trailing both the 10.0% expansion of year earlier and the average increase of 4.8% over the past five years. Specifically, total operational costs—which accounts for 97.0% of total outlays—grew by 2.7% to \$509.1 million, after a 9.7% gain in 2018. A review of operational costs revealed that this growth was attributed mainly to a 14.4% rise in Government fees to \$72.8 million, relative to a 10.8% increase last year. Similarly, non-staff administrative costs moved higher by 2.1% to \$238.9 million, after rising by 11.5% in 2018. However, salary expenses edged down by 0.1% to \$195.8 million, vis-à-vis a 7.2% gain in 2018, as the 0.6% decrease in base salaries outweighed the 5.3% increase in bonuses; and outlays for training contracted by 24.3% to \$1.6 million, after a 22.1% growth last year. On the capital expenditure side, spending edged up by 1.0% to \$15.4 million, after a healthier 20.9% advance in 2018.

In the international sector, as expenditure outlays fell by 1.1% to \$246.3 million in 2020, a turnaround from the 1.4% uptick a year earlier, and further to an annual average decline of 0.1% over the 2014 to 2018 period. Underlying this development, capital expenditure reduced by 69.6% to \$3.1 million, following a two-fold expansion in 2018. However, operational costs rose by 1.8% to \$243.2 million, extending the 1.6% gain last year. In particular, non-staff administrative costs expanded by 19.9% to \$114.0 million, exceeding the 4.9% growth in 2018. Likewise, outlays for staff training increased by 10.3% to \$1.0 million, after a 0.4% uptick in the previous year. However, salary expenses fell further by 10.7% to \$119.3 million, after a 5.5% decline in 2018, as base earnings and bonuses registered reductions of 6.0% and 23.0%, respectively. Further, Government fees decreased by 4.9% to \$8.9 million, surpassing the 4.2% decline last year, due to respective declines in payments for real property and stamp taxes.

## **OTHER FINANCIAL SECTOR ACTIVITIES**

### **SECURITIES INDUSTRY**

Comprehensive data on expenditure and employment was not available for the securities industry, however reductions in the volume of supervised entities and vehicles suggest abated activity. According to the Securities Commission of The Bahamas (SCB), the number of registered securities firms increased by 7 to 164, while the number of licensed investment fund administrators declined by 5 to 57. Further, the number of licensed investment funds under administration fell by 23 to 725. Nevertheless, total assets under management rose just above an estimated \$190.0 million in 2019, nearly recovered to the 2015 valuation.

The SCB also continued to supervise financial and corporate services providers (FCSPs), which are domestic professional firms that provide services to the financial sector, inclusive of incorporation and the management of international business companies (IBCs). In 2019, the number of FCSPs decreased by 4 to 349.

### **INSURANCE SECTOR**

Indications are that conditions within the local insurance sector remained relatively stable in 2019, despite the losses suffered by non-life firms following the passage of Hurricane Dorian, which devastated Abaco and Grand Bahama. The most recent data from the Insurance Commission of The Bahamas (ICB), revealed that the number of licensed insurers, brokers and agents increased by 9 to 160 in 2019. In particular, domestic intermediaries and insurers increased by 9 to 127, while the number of external insurers and intermediaries steadied at 33.

Amid the influx of reinsurance claims settlements related to Hurricane Dorian, that were still undisbursed at year's end, total assets of domestic companies rose by 51.2% to \$3,107.0 million in 2019. Notably, assets of

the general insurers more than doubled to \$1,661.0 million from \$610.5 million in 2018. The asset base of the long-term insurance segment increased by a muted 0.1% to \$1,446.0 million.

The insurance sector continued to provide relatively stable employment in the region of 1,200 persons in 2019, with average annual salaries close to \$50,000. Although a comprehensive estimate was not derived, indications are that overall expenditures in the economy increased. In particular, with outlays among domestic long-term insurers projected at \$208.6 million, of which 94.3% represented operating cost.

## CREDIT UNIONS

The credit union sector sustained modest growth in economic value-added in 2019, on a stable base of 10 regulated entities—inclusive of the Bahamas Co-operative League Limited. The sector's aggregate assets advanced by 5.6% to \$476.0 million, owing in large measure to a 46.3% rise in liquid assets (mainly cash and deposits). Further, loans to members grew by 1.1% to \$226.8 million, due primarily to expansion in education related facilities. Funding resources, from largely members' deposits, rose by 6.5% to \$411.3 million.

Excluding intermediation costs, credit unions' total expenditure firmed by \$0.5 million (1.8%) to \$31.6 million in 2019. Specifically, operational outlays rose by \$1.6 million (9.1%) to \$19.2 million, attributed to a 13.9% growth in general business expenses to \$0.4 million and a 6.1% increase in staff expenses to \$7.5 million, while the remaining non-capital costs rose by 10.8% to \$6.5 million. Meanwhile, capital expenditure (investment property expenses) grew by 6.8% to \$1.7 million during the review year. With regard to employment, the total number of staff firmed by 1 to 183 persons at end-2019.

## OTHER FINANCIAL SECTOR DEVELOPMENTS

Efforts continued, among key stakeholders, regulators and the public sector to strengthen the Bahamian financial services infrastructure, with sustained focus on satisfying international regulatory benchmarks, and addressing the jurisdiction's obligations on tax transparency and cooperation; reducing financial crimes risks; prudential regulation; and enhancing the product base of the sector.

The work of the Group of Financial Services Regulators (GFSR)<sup>1</sup>, remained pivotal in addressing AML/CFT and anti-proliferation, with ongoing emphasis on the development of joint industry guidance and convening joint engagements with key stakeholders to promote awareness of the national risk reduction strategy for financial crimes. In this regard, The Bahamas' first National Conference on AML/CFT Risk Management was held in June 2019. Regulators also published the ***Bahamas 2018 AML/CFT Report*** in February 2019, focusing on sub-sector developments and risk assessments to inform strategic improvements. GFSR representatives, along with law enforcement agencies also maintained engagement through the Attorney General's Office, with the Regional (CFATF) and Plenary bodies of the Financial Action Task Force. This work focused on executing and monitoring follow-up progress on the 2017 Mutual Evaluation Report on the jurisdiction's AML/CFT effectiveness.

## CENTRAL BANK INITIATIVES

At the Central Bank, initiatives targeted overarching strengthening of the supervisory regime, employing risk-based supervision, for both bank and non-bank entities on AML/CFT and other financial crimes risks, with heightened importance on identifying trends and emerging risks. The Bank launched an engagement

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<sup>1</sup> GFSR members are the Central Bank of The Bahamas, the Securities Commission of The Bahamas, the Insurance Commission of The Bahamas, the Gaming Board for The Bahamas and the Compliance Commission of The Bahamas. The Financial Intelligence Unit also participates in GFSR meetings and activities.

strategy, to sustain correspondent banking relationships, publishing an inaugural newsletter to keep correspondents informed of the jurisdiction's AML efforts. Further, the Bank introduced a new reporting and analytic template to continuously monitor regulatory compliance and the effectiveness of SFIs' risk management systems. The Bank signaled that the next progression would be a tailored report on the outcome of the onsite examinations of these systems that could be disclosed to the respective correspondent banks of SFIs.

Otherwise, the Central Bank concluded the final round of consultation on the proposed legal reforms to the crisis management framework for its SFIs; and to the Central Bank's governance arrangements. On prudential and financial stability, the proposals address strengthening and clarification of the proposed resolution approach for trouble financial institutions; extension of participation in the deposit insurance scheme to credit unions; and broadening of participation in the payments and settlements system to all Central Bank SFIs. The reforms, which touch on other areas too, will result in a new and revamped, Central Bank of The Bahamas Act, a new version of the Bank's and Trust Companies Regulations Act, and amendments to the Protection of Depositors Act.

The last round of public consultation on legal reforms, incorporated input from The Bahamas' second Financial Sector Assessment Programme (FSAP) mission, led by the IMF, in January 2019. The assessment comprised comprehensive reviews of the key segments of the sector, predominantly banking, and to a lesser extent, the insurance and securities activities. The findings summarize that there were no significant threats to the stability of the Bahamian financial sector; and acknowledged the strategic initiatives implemented since the 2012 Mission, which aided in strengthening the overall regulatory and supervisory framework for the banking and trust sectors. The FSAP's input to the draft legislation help to refine crisis management provisions.

In the domestic space, the Central Bank also sustained development of the centralized securities depository (CSD) for Bahamas government debt. This is part of the modernization process to list and trade these instruments on the Bahamas International Securities Exchange (BISX); and to eventually introduce market-based mechanism for the issuance pricing of Government debt. These advances also progress the Central Bank closer towards developing indirect instruments for monetary policy implementation.

As a critical plank in promoting financial inclusion and modernizing the domestic payments system, the Bank piloted the introduction of the Bahamian digital currency, Project Sand Dollar, in Exuma on December 27, 2019. The pilot was expanded to Abaco in February 2020. This initiative is to provide the country with a modernized, interoperable payments infrastructure, accessible to all residents. In addition to the targeted full integration of micro, small and medium-sized businesses into the digital payments ecosystem, expectations are that the digital currency infrastructure will enable universal access to banking services; help to reduce unrecorded economic activities; and help to curtail money laundering and other illicit activities more easily perpetrated with cash. The Bank anticipates moving beyond the pilot phase in the third quarter of 2020, taking advantage of the regulatory framework that would be enabled under the Central Bank of the Bahamas Bill, 2020.

In 2019, the Bank also advanced the ease of access to credit initiative by issuing the first credit bureau license to CRIF Information Services Bahamas Limited. This followed passage of the Credit Reporting Act in 2018, and issuance of the accompanying regulations in the first quarter of 2019. With the introduction of the credit bureau, the jurisdiction is now positioned to strengthen the information quality upon which lending decisions are made.

## CONCLUSION AND OUTLOOK

Although marginal growth was evident in segments of the financial sector's contribution to the Bahamian economy in 2019, it was still overshadowed by the average trend of consolidation stemming from uncertainties in the international space, and the persistent need for efficiency driven adjustments in operating costs. The international product offering has continued to experience negative fallout from the implementation of international tax cooperation and transparency initiatives, suppression of financial crimes risks, and the political sanctioning regimes that empower these reforms. In these respect, losses have concentrated in the European market, with the likelihood that this segment will fuel further re-domiciling of clients and financial institutions to their home countries. That said, business opportunities in new markets such as Latin America have attracted the establishment of new operations, and growth within such client bases for some longer standing licensees.

Beyond contribution that will continue to be anchored by growth in domestic services, from the essential intermediation activities, aggregate outcomes for the financial services sector are also expected to rest upon the adjustment processes within the international sector. Maintaining parity with global regulatory standards, prudential and otherwise, as well healthy outcomes from engagement in the international political process are essential to promoting favourable medium term outcomes for these activities. For its part, the Central Bank will sustain its focus on strengthening the regulatory framework of its SFIs, as this is a key component in the country's offering to international clients. The collaborative stance across all regulators will continue to be strengthened, so as to support the growth and resilience of the financial services sector. The ongoing regulatory reforms are also essential to maintaining confidence and stability in domestic financial services. These objectives will also be sustained through initiatives that promote financial inclusion and financial literacy.

The financial sector's medium-term prospects also hinge on sustained exploitation of new growth prospects in the international space and policy initiatives to strengthen the competitiveness of the operating environment for both domestic and international institutions. Even with business growth, the search for cost efficiencies, including through the increasing digital delivery of financial services, will constrain average employment growth in the medium-term—especially within domestic financial services. That said, the recent establishment of the credit bureau, will reduce medium and longer-term uncertainties, and is expected to generate bi-directional benefits between credit expansion and economic activity.

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

Period	2015p	2016p	2017p	2018p	2019p
<b>A. Taxes on Transactions</b>	<b>97.9</b>	<b>88.4</b>	<b>98.5</b>	<b>109.2</b>	<b>86.0</b>
Gross Insurance Premium Tax 1/	21.9	21.7	22.1	23.2	24.3
Stamp Tax on Mortgages	9.0	15.5	15.2	18.5	8.3
Stamp Tax on Other Banking Transactions	66.7	51.0	61.0	67.3	53.2
Stamp Tax on Instruments & Bonds	0.3	0.2	0.2	0.3	0.4
<b>B. Licence &amp; Registration Fees</b>	<b>71.3</b>	<b>67.5</b>	<b>71.0</b>	<b>73.1</b>	<b>71.5</b>
International Business Companies (IBCs)	16.7	14.4	15.1	14.7	13.3
Banks and Trust Companies 3/	49.0	47.6	50.5	51.0	50.6
Insurance Companies, Brokers & Agents	0.4	0.4	0.3	0.3	0.4
Financial & Corp. Svcs. Providers	0.5	0.5	0.6	0.6	0.6
Investment Funds 2/	4.7	4.6	4.5	6.5	6.6
<b>C. Total Revenues</b>	<b>169.2</b>	<b>155.9</b>	<b>169.5</b>	<b>182.3</b>	<b>157.5</b>

Sources: Bahamas Government's Treasury Department, Securities Commission of The Bahamas.

Notes: 1/ Premium Tax collected from Insurance Companies.

2/ Amounts collected by the Securities Commission.

3/ Amounts revised to include other fees payable.



**TABLE C. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES**

Period	2015p	2016p	2017p	2018p	2019p	2015p	2016p	2017p	2018p	2019p
	<b>DOMESTIC</b>					<b>INTERNATIONAL</b>				
<b>A. TOTAL EMPLOYMENT</b>	3,253	3,163	3,133	3,182	3,195	1,113	1,093	996	867	806
1. Non-Bahamians	29	34	54	66	79	261	243	213	183	168
2. Bahamians (of which)	3,224	3,129	3,079	3,116	3,116	852	850	783	684	638
i) Local Banking	2,700	2,610	2,500	2,430	2,457	--	--	--	--	--
ii) Offshore Banking	13	15	97	182	200	544	541	491	445	390
iii) Trust Administration	277	263	310	317	292	197	187	215	166	155
iv) Other	234	241	172	187	167	111	122	77	73	93
	<b>(B\$ Millions)</b>									
<b>B. TOTAL OPERATIONAL COSTS (1+2+3+4)</b>	434.1	444.3	452.0	495.8	509.1	257.8	263.7	242.8	239.0	243.2
1. Salaries <sup>1</sup>	176.0	178.8	182.9	196.0	195.8	140.5	148.2	141.5	133.7	119.3
i) Base Salaries	159.9	162.2	166.1	179.1	178.0	110.8	116.3	105.5	96.3	90.6
ii) Bonuses	16.2	16.6	16.8	16.9	17.8	29.7	31.9	36.0	37.3	28.7
2. Government Fees	52.7	57.7	57.5	63.7	72.8	12.7	11.3	9.8	9.4	8.9
i) Licence	41.7	40.7	44.3	44.9	44.5	7.3	6.9	6.2	6.2	6.1
ii) Company Registration	0.1	0.0	0.0	0.4	0.1	1.0	0.3	0.7	0.2	0.2
iii) Work Permits	0.5	0.5	0.6	0.9	0.7	1.9	2.2	2.0	1.8	1.9
iv) Other Government Fees	10.5	16.4	12.5	17.5	27.5	2.6	1.8	0.9	1.1	0.6
3. Staff Training	1.2	2.0	1.7	2.1	1.6	0.9	1.0	0.9	0.9	1.0
4. Other Administrative Costs	204.2	205.9	210.0	234.1	238.9	103.7	103.2	90.6	95.0	114.0
<b>C. CAPITAL EXPENDITURE<sup>2</sup></b>	19.2	14.4	12.6	15.2	15.4	13.1	7.3	3.0	10.2	3.1
<b>D. TOTAL EXPENDITURE (B+C)</b>	453.2	458.7	464.6	511.0	524.5	271.0	271.0	245.8	249.2	246.3
<b>E. AVERAGE SALARY (B\$'000)<sup>3</sup></b>	49,144	51,291	53,028	56,289	55,708	99,562	106,405	105,911	111,129	112,419

Source: Central Bank of The Bahamas

<sup>1</sup> Includes bonuses.

<sup>2</sup> Includes construction, renovation expenses and other fixed assets.

<sup>3</sup> Excludes bonuses.

**Table D: Other Selected Financial Sector Statistics**

	Unit	2015r	2016r	2017r	2018r	2019p
<b>Investment Funds</b>						
Licensed Investment Funds	Number	885	859	783	748	725
<b>Licensed Administrators</b>	<b>Number</b>	<b>66</b>	<b>64</b>	<b>62</b>	<b>62</b>	<b>57</b>
Net Asset Value	<i>B\$ Billions</i>	200.2	136.8	86.3	<i>n/a</i>	192.6
<b>Insurance Companies and Agents</b>						
<b>Domestic Companies and Agents</b>	<b>Number</b>	<b>148</b>	<b>142</b>	<b>144</b>	<b>151</b>	<b>160</b>
Total Domestic Assets	<i>B\$ Millions</i>	1,768.1	2,305.0	2,185.3	2,055.5	3,107.0
Average Annual Salaries*	<i>B\$</i>	44,250	44,390	44,746	43,934	47,939
Operating Costs / Total Expenditure	<i>%</i>	94.2	97.1	97.0	97.0	94.3
<b>External Insurers &amp; Intermediaries</b>	<b>Number</b>	<b>32</b>	<b>30</b>	<b>29</b>	<b>33</b>	<b>33</b>
<b>Credit Unions (Active)</b>						
<b>Number of Unions</b>	<b>Number</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Total Assets	<i>B\$ Millions</i>	370.6	395.5	420.8	450.9	476.0
Employment	<i>Number</i>	156	162	165	182	183
Average Annual Salaries	<i>B\$</i>	29,091	37,383	33,352	30,473	31,525
Total Expenditure	<i>B\$ Millions</i>	28.63	28.26	29.25	31.04	31.58
Operating Costs / Total Expenditures		50.1	54.2	53.1	56.7	60.8
<b>Bahamas International Securities Exchange (BISX)</b>						
<b>Securities Listed</b>	<b>Number</b>	<b>45</b>	<b>53</b>	<b>53</b>	<b>49</b>	<b>44</b>
Shares Traded	<i>Thousands</i>	3,223	5,553	5,129	8,520	8,853
Market Capitalization	<i>B\$ Billions</i>	3.68	4.44	3.27	5.40	5.01

**Sources:**

Bahamas International Securities Exchange (BISX), Credit Unions,  
The Securities Commission of The Bahamas and The Insurance Commission of The Bahamas.

**Notes:**

\*2015-2018 data is based on Central Bank estimates and surveys. 2019 based on survey and includes bonus & commissions.