



Monthly Economic and Financial Developments January 2014

In an effort to provide the public with more frequent information on its economic surveillance activities, the Central Bank has decided to release monthly reports on economic and financial sector developments in The Bahamas. The Bank monitors these conditions as part of its monetary policy mandate, to assess whether money and credit trends are sustainable relative to levels of external reserves required to protect the value of the Bahamian dollar and, if not, the degree to which credit policies ought to be adjusted. The main data source for this surveillance is financial institutions' daily reports on foreign exchange transactions and weekly balance sheet statements. Therefore, monthly approximations may not coincide with calendar estimates reported in the Central Bank's quarterly reports. The Central Bank will release its "Monthly Economic and Financial Developments" report on the Monday following its monthly Monetary Policy Committee Meeting.

Future Release Dates:

2014: March 3, March 31, April 28, June 2, June 30, August 5, September 1, September 29, November 3, December 1, December 22.

Recent Monetary and Credit Statistics

(B\$ Millions)

	JANUARY					
	Value		Change		Change YTD	
	2013	2014	2013	2014	2013	2014
1.0 LIQUIDITY & FOREIGN ASSETS						
1.1 Excess Reserves	412.48	512.22	-37.54	110.51	-37.54	110.51
1.2 Excess Liquid Assets	955.34	1,177.19	-16.15	92.29	-16.15	92.29
1.3 External Reserves	789.95	912.11	-22.15	172.34	-22.15	172.34
1.4 Bank's Net Foreign Assets	-601.29	-517.40	20.50	169.61	20.50	169.61
1.5 Usable Reserves	350.26	406.87	1.97	160.51	1.97	160.51
2.0 DOMESTIC CREDIT						
2.1 Private Sector	6,590.12	6,503.87	-26.23	-25.32	-26.23	-25.32
a. B\$ Credit	6,197.06	6,128.11	-23.42	-16.51	-23.42	-16.51
of which: Consumer Credit	2,110.09	2,105.74	-10.75	-6.24	-10.75	-6.24
Mortgages	3,098.69	3,103.71	-4.38	3.15	-4.38	3.15
Commercial and Other Loans B\$	988.29	918.66	-8.29	-13.43	-8.29	-13.43
b. F/C Credit	393.06	375.76	-2.82	-8.81	-2.82	-8.81
of which: Mortgages	144.48	140.06	-0.26	-2.19	-0.26	-2.19
Commercial and Other Loans F/C	248.58	235.71	-2.56	-6.62	-2.56	-6.62
2.2 Central Government (net)	1,658.18	1,706.44	64.78	-255.02	64.78	-255.02
a. B\$ Loans & Securities	1,779.00	1,859.56	62.27	-164.62	62.27	-164.62
Less Deposits	120.00	150.96	-2.13	-35.08	-2.13	-35.08
b. F/C Loans & Securities	0.00	0.00	0.00	-125.00	0.00	-125.00
Less Deposits	0.83	2.16	-0.38	0.48	-0.38	0.48
2.3 Rest of Public Sector	399.75	400.38	-7.29	-0.01	-7.29	-0.01
a. B\$ Credit	114.54	126.49	-4.31	-0.10	-4.31	-0.10
b. F/C Credit	285.21	273.90	-2.98	0.08	-2.98	0.08
2.4 Total Domestic Credit	8,648.06	8,611.89	30.69	-280.36	30.69	-280.36
a. B\$ Domestic Credit	7,970.62	7,963.19	36.11	-146.15	36.11	-146.15
b. F/C Domestic Credit	677.44	648.70	-5.42	-134.21	-5.42	-134.21
3.0 DEPOSIT BASE						
3.1 Demand Deposits	1,360.52	1,482.28	2.56	47.56	2.56	47.56
a. Central Bank	5.43	13.58	-6.65	5.18	-6.65	5.18
b. Banks	1,355.09	1,468.69	9.21	42.38	9.21	42.38
3.2 Savings Deposits	1,072.13	1,107.92	4.46	-3.36	4.46	-3.36
3.3 Fixed Deposits	3,437.00	3,313.23	14.80	-5.54	14.80	-5.54
3.4 Total B\$ Deposits	5,869.65	5,903.43	21.82	38.65	21.82	38.65
3.5 F/C Deposits of Residents	238.54	284.50	15.39	33.51	15.39	33.51
3.6 M2	6,066.01	6,104.96	13.02	27.29	13.02	27.29
3.7 External Reserves/M2 (%)	13.02	14.94	-0.39	2.77	-0.39	2.77
3.8 Reserves/Base Money (%)	92.22	94.67	2.28	14.69	2.28	14.69
3.9 External Reserves/Demand Liabilities (%)	89.83	90.26	2.28	15.30	2.28	15.30
	Value		Year to Date		Change	
	2013	2014	2013	2014	Month	YTD
4.0 FOREIGN EXCHANGE TRANSACTIONS						
4.1 Central Bank Net Purchase/(Sale)	-23.35	172.57	-23.35	172.57	195.92	195.92
a. Net Purchase/(Sale) from/to Banks	-7.29	22.74	-7.29	22.74	30.03	30.03
i. Sales to Banks	47.23	20.40	47.23	20.40	-26.83	-26.83
ii. Purchases from Banks	39.94	43.14	39.94	43.14	3.20	3.20
b. Net Purchase/(Sale) from/to Others	-16.07	149.83	-16.07	149.83	165.90	165.90
i. Sales to Others	40.55	175.45	40.55	175.45	134.90	134.90
ii. Purchases from Others	24.48	325.28	24.48	325.28	300.80	300.80
4.2 Banks Net Purchase/(Sale)	-11.11	26.79	-11.11	26.79	37.90	37.90
a. Sales to Customers	303.10	270.02	303.10	270.02	-33.07	-33.07
b. Purchases from Customers	291.98	296.81	291.98	296.81	4.83	4.83
4.3 B\$ Position (change)	-5.74	-12.85				
5.0 EXCHANGE CONTROL SALES						
5.1 Current Items	ND	0.00	ND	0.00	ND	ND
of which Public Sector	ND	0.00	ND	0.00	ND	ND
a. Nonoil Imports	ND	0.00	ND	0.00	ND	ND
b. Oil Imports	ND	0.00	ND	0.00	ND	ND
c. Travel	ND	0.00	ND	0.00	ND	ND
d. Factor Income	ND	0.00	ND	0.00	ND	ND
e. Transfers	ND	0.00	ND	0.00	ND	ND
f. Other Current Items	ND	0.00	ND	0.00	ND	ND
5.2 Capital Items	ND	0.00	ND	0.00	ND	ND
of which Public Sector	ND	0.00	ND	0.00	ND	ND
5.3 Bank Remittances	ND	0.00	ND	0.00	ND	ND

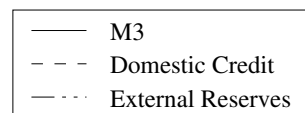
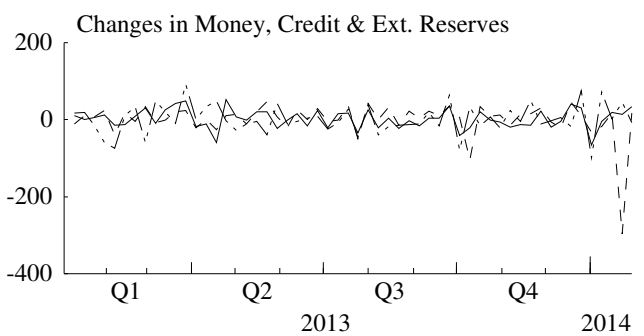
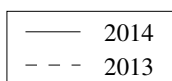
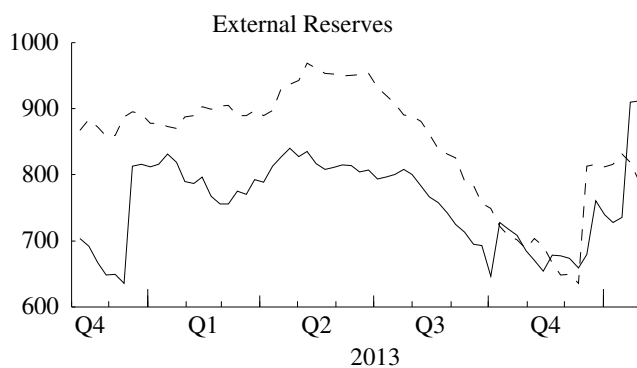
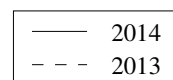
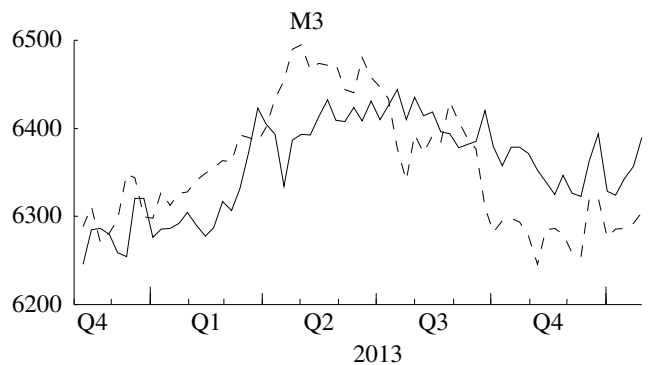
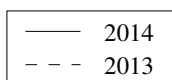
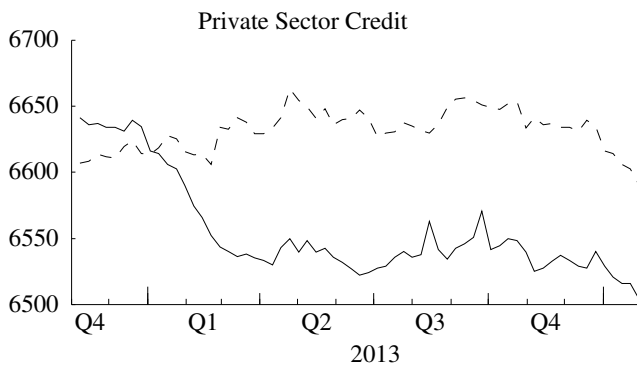
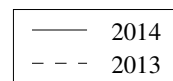
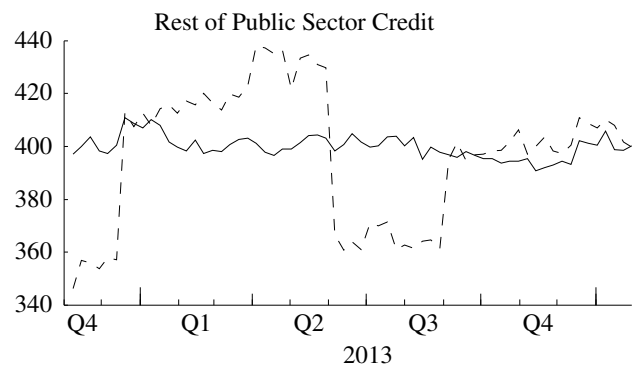
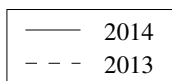
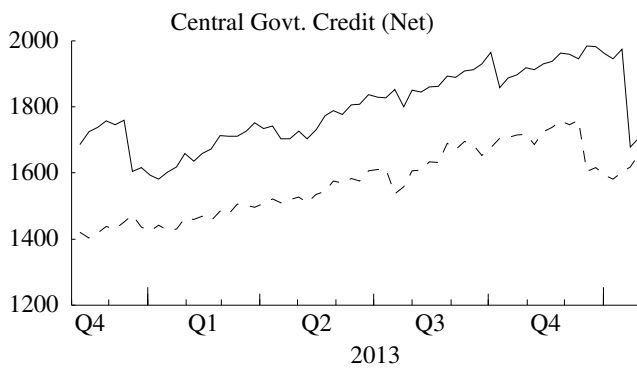
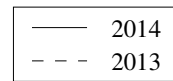
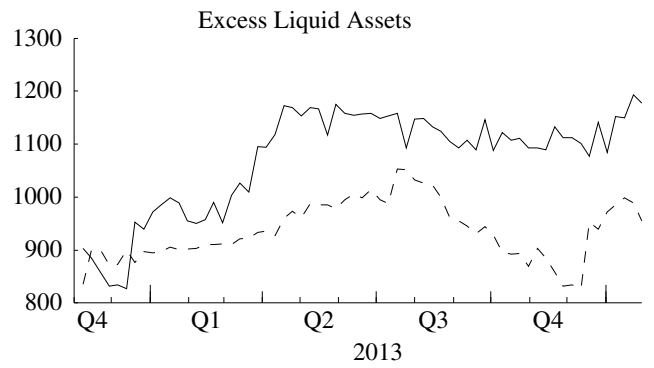
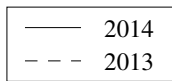
Sources: Research Department Weekly Brief Database and Banking Brief for the weeks ending: JANUARY 30, 2013 and JANUARY 29, 2014

Exchange Control Sales figures are as at month end.

Notes: 1.0, 2.0 and 3.0 YTD change reflects change of current month over previous year end; for 4.0 and 5.0 change is over corresponding period of previous year.

SELECTED MONEY AND CREDIT INDICATORS

(B\$ Millions)



Selected International Statistics

A: Selected Macroeconomic Projections (Annual % Change and % of labor force)						
	Real GDP		Inflation Rate		Unemployment	
	2013	2014	2013	2014	2013	2014
Bahamas	1.9	2.1	1.0	1.9	15.4	N/A
United States	1.6	2.6	1.4	1.8	7.6	7.4
Euro-Area	-0.4	1.0	1.5	1.5	12.3	12.2
<i>Germany</i>	<i>0.5</i>	<i>1.4</i>	<i>1.6</i>	<i>1.8</i>	<i>5.6</i>	<i>5.5</i>
Japan	2.0	1.2	0.0	2.9	4.2	4.3
China	7.6	7.3	2.7	3.0	4.1	4.1
United Kingdom	1.4	1.9	2.7	2.3	7.7	7.5
Canada	1.6	2.2	1.1	1.6	7.1	7.1
<i>Source: IMF World Economic Outlook October 2013, Department of Statistics</i>						

B: Official Interest Rates – Selected Countries (%)					
<i>With effect</i>	CBOB	ECB (EU)	Federal Reserve (US)		Bank of England
	<i>from</i>	Bank Rate	Refinancing Rate	Primary Credit Rate	Target Funds Rate
January 2012	4.50	1.00	0.75	0-0.25	0.50
February 2012	4.50	1.00	0.75	0-0.25	0.50
March 2012	4.50	1.00	0.75	0-0.25	0.50
April 2012	4.50	1.00	0.75	0-0.25	0.50
May 2012	4.50	1.00	0.75	0-0.25	0.50
June 2012	4.50	1.00	0.75	0-0.25	0.50
July 2012	4.50	0.75	0.75	0-0.25	0.50
August 2012	4.50	0.75	0.75	0-0.25	0.50
September 2012	4.50	0.75	0.75	0-0.25	0.50
October 2012	4.50	0.75	0.75	0-0.25	0.50
November 2012	4.50	0.75	0.75	0-0.25	0.50
December 2012	4.50	0.75	0.75	0-0.25	0.50
January 2013	4.50	0.75	0.75	0-0.25	0.50
February 2013	4.50	0.75	0.75	0-0.25	0.50
March 2013	4.50	0.75	0.75	0-0.25	0.50
April 2013	4.50	0.75	0.75	0-0.25	0.50
May 2013	4.50	0.50	0.75	0-0.25	0.50
June 2013	4.50	0.50	0.75	0-0.25	0.50
July 2013	4.50	0.50	0.75	0-0.25	0.50
August 2013	4.50	0.50	0.75	0-0.25	0.50
September 2013	4.50	0.50	0.75	0-0.25	0.50
October 2013	4.50	0.50	0.75	0-0.25	0.50
November 2013	4.50	0.25	0.75	0-0.25	0.50
December 2013	4.50	0.25	0.75	0-0.25	0.50
January 2014	4.50	0.25	0.75	0-0.25	0.50

Selected International Statistics

C. Selected Currencies (Per United States Dollars)						
Currency	Jan-13	Dec-13	Jan-14	Mthly % Change	YTD % Change	12-Mth% Change
Euro	0.7365	0.7276	0.7414	1.89	1.89	0.66
Yen	91.72	105.31	102.04	-3.11	-3.11	11.25
Pound	0.6306	0.6040	0.6082	0.70	0.70	-3.55
Canadian \$	0.9972	1.0623	1.1128	4.75	4.75	11.59
Swiss Franc	0.9101	0.8922	0.9064	1.59	1.59	-0.41
Renminbi	6.2188	6.0556	6.0607	0.08	0.08	-2.54

Source: Bloomberg as of January 31, 2014

D. Selected Commodity Prices (\$)					
Commodity	January 2013	December 2013	January 2014	Mthly % Change	YTD % Change
Gold / Ounce	1663.70	1201.64	1244.55	3.57	3.57
Silver / Ounce	31.46	19.47	19.18	-1.51	-1.51
Oil / Barrel	114.93	111.59	108.15	-3.08	-3.08

Source: Bloomberg as of January 31, 2014

E. Equity Market Valuations – January 31, 2014 (%chg)								
	BISX	DJIA	S&P 500	FTSE 100	CAC 40	DAX	Nikkei 225	SE
1 month	3.45	-5.30	-3.56	-3.54	-3.03	-2.57	-8.45	-3.92
3 month	7.24	0.98	1.48	-3.28	-3.12	3.02	4.09	-5.07
YTD	3.45	-5.30	-3.56	-3.54	-3.03	-2.57	-8.45	-3.92
12-month	12.63	13.26	20.44	3.72	11.60	19.68	33.90	-14.77

Sources: Bloomberg and BISX

F: Short Term Deposit Rates in Selected Currencies (%)			
	USD	GBP	EUR
o/n	0.15	0.42	0.15
1 Month	0.17	0.47	0.20
3 Month	0.24	0.50	0.25
6 Month	0.37	0.62	0.31
9 Month	0.50	0.73	0.41
1 year	0.54	0.87	0.48

Source: Bloomberg as of January 31, 2014

Memo

To: Chairman, Monetary Policy Committee

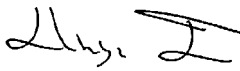
From: Research Department

Date: February 25, 2014

Re: MONTHLY ECONOMIC AND FINANCIAL DEVELOPMENTS JANUARY 2014

Please find attached a paper on the above-captioned for the month of January 2014, prepared by the Research Department, for consideration at the next meeting. The paper has been drafted in format that can be modified for release to the public.

Monetary Policy Committee members should note that the next meeting is scheduled for Wednesday, February 26, 2014 at 9:00 a.m.



Alwyn Jordan

Attachment

cc: MPC Committee Members

Monthly Economic and Financial Developments

January 2014

1. Domestic Economic Developments

Indications are that domestic economic developments were mildly positive during the month of January, reflecting modest gains in tourism output and foreign investment-related construction activity. In this environment, employment conditions improved slightly, while inflation remained relatively subdued, reflecting the pass-through effects of declining global oil prices. The fiscal situation improved over the first half of FY2013/14, as lower capital outlays led to a reduction in spending, outstripping the decline in total revenue. In the monetary sector, both liquidity and external reserves expanded in January, due to net receipts from Government's external bond issue.

Preliminary data on the tourism sector for 2013 showed that total visitor arrivals rose by 3.5% to approximately 6.2 million, lower than the 6.3% increase registered in the prior year. Specifically, sea passengers grew by 6.3%, after a 6.1% gain in 2012; however, air traffic declined by 5.7%, a reversal from the previous year's 7.1% advance, amid persistent economic softness in several key source markets, heightened regional competition and modest declines in room capacity.

By first port of entry, total arrivals to New Providence firmed by 6.3% to 3.5 million, as a 12.2% expansion in the sea segment overshadowed the 6.1% reduction in air visitors. Similarly, the Family Island market firmed by 3.5% to 1.9 million, reflecting gains in both the air and sea segments by 2.6% and 3.6%, respectively. In contrast, Grand Bahama recorded a 7.3% decrease in total arrivals to 0.8 million, reflecting declines in air visitors (16.1%) and sea tourists (6.1%).

Labour market conditions appeared to show a slight improvement over the six months to November 2013, as data obtained from the Department of Statistics revealed that the unemployment rate narrowed by 0.8 of a percentage point to 15.4%, with an additional 2,600 persons receiving employment. Signs of improving job prospects also contributed to a 15.0% reduction in the number of discouraged workers; however, among youth—which have the highest unemployment rates—the percentage of job seekers firmed by 1.5 percentage points to 32.3%.

A disaggregation by major market revealed that the unemployment rate in New Providence decreased by 0.3 of a percentage point to 15.9%, with the number of unemployed persons falling by 320 (1.4%). Similarly, in Grand Bahama, the jobless rate declined to 16.8% from 19.5%, as an additional 820 persons gained employment.

Domestic consumer price inflation—as measured by the Retail Price Index for All Bahamas—softened by 1.8 percentage points to 0.4% in the twelve months to November 2013, due primarily to a decline in housing, water, gas, electricity, water & other fuels—the most heavily weighted component in the Index—by 0.1%, in contrast to the prior year's 3.3% expansion, while transportation costs were relatively flat compared to an increase of 2.1% in 2012. In addition, average price gains slowed for most of the remaining categories, the largest of which related to food & non-alcoholic beverages, by 2.5 percentage points to 0.6%, furnishing, household equipment & maintenance, by 1.9 percentage points to 0.7%, and health, by 0.7 of a percentage point to 1.1%. Additionally, average costs for communication fell by a further 2.9% from 1.9% a year earlier. In contrast, price gains accelerated for restaurant & hotels and alcoholic

beverages, tobacco & narcotics by 1.9 and 1.4 percentage points to 3.5% and 3.1%, respectively, while recreation & culture cost declines slowed to 0.2% from 0.7% in the previous period.

Domestic energy price developments were mixed in January, as the average cost of gasoline increased marginally on a monthly basis by 0.2% to \$5.13 per gallon, while the average price of diesel fell by 4.9% to \$5.06 per gallon. Similar trends were noted over the year, as the cost of gasoline rose by 1.2%, while diesel fell by 1.4%.

Preliminary fiscal sector data for the first half of FY2013/14 showed that the overall deficit improved by \$60.9 million (22.6%) to an estimated \$209.1 million, as aggregate expenditure contracted by \$64.2 million (6.9%) to \$870.5 million, outpacing the marginal \$3.3 million (0.5%) decrease in total revenue to \$661.5 million. Further, net lending to public corporations moved lower by more than half to \$30.2 million from \$70.0 million in the comparative period a year earlier. In terms of receipts, tax collections fell by \$30.0 million (5.1%) to \$553.1 million, due mainly to reductions in international trade and departure taxes of \$19.8 million (6.5%) and \$25.8 million (33.8%), respectively. In contrast, other “miscellaneous” taxes more than doubled to \$42.6 million from \$20.5 million in the same period last year. Non-tax revenue firmed by \$26.5 million (32.4%) to \$108.2 million, buoyed by gains in fines, forfeits and administrative fees by \$15.9 million (33.6%), and income receipts by \$11.5 million (34.4%). The contraction in expenditure was largely attributed to a \$38.8 million (33.7%) decline in capital outlays to \$76.4 million, as the completion of several large-scale projects resulted in a \$28.9 million (30.3%) reduction in infrastructure spending to \$66.6 million, while asset acquisitions fell modestly by \$1.5 million (14.8%) to \$8.6 million. Conversely, current spending firmed by \$14.3 million (1.9%) to \$763.9 million, as higher interest outlays and subsidies led to a \$28.1 million (9.7%) advance in transfer payments. However, consumption spending fell by \$13.8 million (3.0%) to \$446.1 million, underpinned by an 11.3% decrease in purchases of goods & services, which negated a marginal \$4.3 million (1.4%) rise in wages and salaries.

The deficit was financed by a combination of local and foreign currency borrowings, and comprised \$115.0 million in Registered Stock, while smaller shares consisted of short-term advances (\$59.0 million) and Treasury bills (\$51.0 million). Domestic foreign currency borrowing totalled \$125.0 million, with external loans accounting for the major portion (\$123.8 million).

2. International Developments

Global economic conditions were relatively volatile in January, amid fears of a debt default by Argentina and concerns over the stability of other emerging markets as the Federal Reserve continued to scale-back its “quantitative easing” programme. As a consequence, equity markets fell worldwide and the US Dollar appreciated against most major countries.

Indications are that real GDP growth in the United States, slackened to 1.9% in 2013 from 2.8% in the prior year, reflecting a slowdown in business investment and consumer spending, while federal government outlays contracted. Further, in January 2014, severe winter weather conditions contributed to a 0.3% decrease in industrial production, in contrast to a gain of the similar magnitude a month earlier; while retail sales fell by 0.4%, extending the marginal 0.1% contraction in December. In external sector developments, the trade deficit deteriorated by \$4.1 billion to \$38.7 billion in December, as exports fell by 1.8% and imports rose by a marginal 0.3%. Labour market conditions improved modestly in January, with the addition of 113,000 jobs to non-farm payrolls—mainly construction, manufacturing, wholesaling and mining—which resulted in a 10 basis points softening in the unemployment rate to 6.6%. Given the

consistent improvement in economic and labour market conditions over the last few years, the Federal Reserve announced its intent to scale-back its “quantitative easing” measures, by reducing the pace of its purchase of domestic securities by \$10.0 billion per month to \$65.0 billion, while leaving key interest rates within the 0.00%-0.25% range.

Preliminary data suggests that the nascent recovery in Europe was maintained during the review period. In the United Kingdom, real output rose by 0.7% in the final quarter of 2013, in line with the growth recorded in the prior three-month period. Buoyed by improvements in the mining and manufacturing sectors, industrial production firmed by 0.4% in December, a reversal from a 0.1% falloff in the prior month, while the trade deficit narrowed to £2.6 billion to £1.0 billion, month-on-month, owing to a rise in exports and a decrease in imports. Labour market conditions continued to improve during the fourth quarter, with the jobless rate decreasing by 0.4 of a percentage point over the prior period to 7.2%, as some 193,000 persons were added to the employers’ payrolls. Further, reflecting a decline in the cost of recreation & culture activities and furniture, household equipment & routine maintenance, the annual inflation rate fell by 10 basis points to 1.9% in January. Activity in the euro area remained sluggish, with real GDP firming marginally by 0.3% in the fourth quarter, compared to a 0.1% gain in the prior three-month period. However, reflecting decreases in the production of capital and non-durable consumer goods, industrial production fell slightly by 0.7% in December, after strengthening by 1.6% in the prior month, while the volume of retail trade was contracted by 1.6%, in contrast to the previous period’s 0.9% gain. On the external side, the trade surplus narrowed by €3.1 billion to €13.9 billion in December, as the decline in exports overshadowed the contraction in imports. The jobless rate stabilized at 12.0% in December, while consumer price inflation softened by 10 basis points to 0.7% in January—for the third consecutive month. In this environment, both the Bank of England and the European Central Bank maintained their highly accommodative monetary policy stance.

Asia’s economic performance remained relatively robust, although moderating from the previous year’s level. In a sign that China’s economy was slowing from previous elevated levels, retail trade growth moderated to 13.1% from 14.3% in the prior year. In contrast, the trade surplus expanded on a monthly basis by US\$6.3 billion to US\$31.9 billion in January, as the 10.6% rise in exports eclipsed the 10.0% gain in imports. In terms of consumer prices, the annual inflation rate was unchanged at 2.5% in January, with downward pressure from factory prices offsetting the increase in food costs; employment conditions remained robust as the unemployment steadied at 0.1 basis point to 4.1% in December. In Japan, economic indicators were mixed, as reduced private consumption and capital outlays led to a slowdown in real output growth to an annualized 1.0% in the final quarter of 2013 from 1.9% in the preceding three-month period. In addition, retail sales gains slowed by 1.8 percentage points on a monthly basis to 0.8% in December. However, industrial production firmed by 1.1% a reversal from a 0.1% decline in November. In the external sector, the trade deficit deteriorated to a record ¥1,302.1 billion in December from ¥1,294.1 billion a month earlier, as a surge in energy-related imports outstripped the growth in exports. The rate of inflation firmed slightly by 10 basis points to 1.3% in December, owing to higher costs for food, while labour market conditions improved in December, with the unemployment rate declining by 30 basis points to 3.7%. On the monetary front, the People’s Bank of China injected some US\$42.0 billion into the financial system, in an effort to ease liquidity measures during the high demand holiday period, while the Bank of Japan sustained the pace of its “quantitative easing” programmes.

Reflective of a rise in OPEC’s oil production by approximately 30,000 barrels per day (bpd) to an average of 29.7 million bpd, the price of crude oil declined by 3.1% to \$108.15 per barrel in January. Reflecting

institutions' increased demand for relatively "safe" assets, the cost of gold moved higher by 3.6% to \$1,244.55 per troy ounce; however, silver prices were reduced by 1.5% to \$19.18 per troy ounce.

Amid investor concerns regarding the unwinding of the Federal Reserve's economic stimulus measures and its potential for disrupting emerging markets, broad-based declines were registered in all the major equity markets. In the United States both the Dow Jones Industrial Average (DJIA) and the S&P 500 index declined by 5.3% and 3.6%, respectively. European bourses also posted losses during the review month, with the United Kingdom's FTSE 100 (3.5%) followed by France's CAC 40 (3.0%) and Germany's DAX (2.6%) largest occurring for the Asian markets also fell as Japan's Nikkei 225 index plunged by 8.5% and China's SE composite, decreased more modestly by 3.9%.

In foreign currency developments, the dollar appreciated against most of the major currencies in January and firmed relative to the euro, by 1.9% to €0.7414. The dollar also posted gains vis-à-vis the dollar strengthened versus the Canadian dollar, by 4.8% to CAD\$1.1128 and the Swiss franc and British pound by 0.7% to £0.6082, respectively. In terms of performance against Asian currencies, outcomes were mixed, with the dollar weakening relative to the Japanese Yen, by 3.1% to ¥102.04, but it stabilised versus the Chinese Yuan, at CNY6.0607.

3. Domestic Monetary Trends

January 2014 vs. 2013

Developments in the monetary sector were dominated by the significant build-up in both bank liquidity and external reserves, reflecting the receipt of net proceeds from Government's US\$300.0 million external bond offering. Consequently, excess reserves expanded by \$110.5 million to \$512.2 million, a reversal from the previous year's \$37.5 million contraction. Similarly, the broader excess liquid assets advanced by \$92.3 million to \$1,177.2 million, vis-a-vis a \$16.2 million decrease in 2013.

Bolstered by Government's debt inflows, external reserves expanded by \$172.4 million to \$912.1 million, a turnaround from last year's \$22.2 million reduction. Reflecting this development, the Central Bank's transactions with the public sector reversed to a net purchase of \$149.8 million, from a net sale of \$16.1 million, in the prior year. In addition, the Bank recorded a net intake of \$22.7 million from commercial banks, vis-à-vis a net sale of \$7.3 million in 2013, as banks in turn, registered a net purchase of \$26.8 million from their clients.

Bahamian dollar credit contracted significantly by \$146.2 million, a reversal from a \$36.1 million accumulation in the prior year, as Government utilised proceeds from its external bond issue to repay short-term borrowings from the banking system. As a result, net credit to the Government contracted by \$129.5 million, in contrast to a \$64.4 million increase a year earlier, while claims on public corporations fell by a mere \$0.1 million, following a \$4.3 million decrease in the previous year. Amid the weakness in consumer demand, private sector credit contracted by \$16.5 million, following a decrease of \$23.4 million in 2013. The falloff in credit reflecting declines in consumer credit (\$6.2 million) and commercial and other loans (\$5.0 million), following declines of \$10.8 million and \$8.3 million, respectively, in the prior year; however, mortgages firmed by \$3.2 million), a reversal from a \$4.4 million contraction a year earlier.

Banks' credit quality indicators improved modestly in January, although the decrease in arrears was not broad-based. Total private sector loan arrears fell by \$8.7 million (0.6%) to \$1,343.5 million, with the corresponding ratio of arrears to total loans softening by 13 basis points to 21.80%. By average age, short-term, 31 to 90 day, delinquencies fell by \$18.0 million (4.7%) to \$368.2 million, and the relevant ratio

narrowed by 29 basis points to 5.98%. In a modest offset, non-performing loans, those over 90 days and on which banks have stopped accruing interest, rose by \$9.3 million (1.0%) to \$975.3 million, with the attendant ratio firming by 16 basis points to 15.83%.

By loan category, the reduction in total arrears was due mainly to a decline in the mortgage segment, by \$9.3 million (1.3%) to \$721.7 million, explained by a \$10.3 million (4.9%) decrease in 31-90 day delinquencies, which outweighed the \$1.1 million (0.2%) rise in those in excess of 90 days. Similarly, consumer loan arrears fell by \$3.7 million (1.4%) to \$263.6 million, owing to an \$8.4 million (8.7%) contraction in the short-term segment, which outstripped the \$4.7 million (2.8%) rise in non-accrual loans. Conversely, commercial loan delinquencies moved higher by \$4.3 million (1.2%), reflecting gains in both the non-performing and the short-term categories by \$3.5 million (1.3%) and \$0.8 million (1.1%), respectively.

Despite the modest improvement in arrears, banks maintained their conservative posture during the review month, increasing their loan loss provisions by \$3.3 million (0.8%) to \$446.1 million. As a consequence, the ratio of provisions to arrears firmed by 46 basis points to 33.2%; although the corresponding non-performing loan ratio fell by 9 basis points to 45.7%. In addition, banks wrote-off an estimated \$4.9 million in bad loans and recovered \$2.8 million in outstanding obligations.

Supported by the repayment of outstanding claims by the Government, domestic foreign currency credit contracted by \$134.2 million, following a slight \$5.4 million reduction in the previous year. Underpinning this outturn, net credit to the Government declined by \$125.5 million, a reversal from a marginal \$0.4 million gain in 2013, as external bond receipts were utilised to repay short-term loans from commercial banks. Similarly, private sector credit declined by \$8.8 million, exceeding the previous year's \$2.8 million falloff, as commercial and other loans fell by \$6.6 million and mortgages by \$2.2 million. In contrast, credit to the rest of the public sector grew marginally by \$0.1 million, vis-à-vis a decrease of \$3.0 million a year ago.

The growth in total Bahamian dollar deposits accelerated to \$38.7 million from \$21.8 million last year, as accretions to demand deposits increased by \$45.0 million to \$47.6 million. In contrast, fixed and savings deposits were reduced by \$5.5 million and \$3.4 million, respectively, a reversal from increases of \$14.8 million and \$4.5 million in the prior year.

In interest rate developments, the weighted average deposit rate narrowed by 0.2 of a percentage point to 1.28%; with the highest rate of 4.00% offered on fixed balances of up to 3 months. Similarly, the weighted average loan rate moved lower by 1.1 percentage points to 10.60%.

4. Outlook and Policy Implications

The domestic economy is expected to improve modestly in 2014, as growth in several key source markets supports the recovery in the main tourism sector and construction activity continues to benefit from a number of varied-scale foreign investment projects. In this environment, opportunities for further employment are expected to gradually increase, while inflationary trends will be dominated by the movement in global oil prices, with additional impetus resulting from the implementation of the Government's Value-Added Tax (VAT).

In the fiscal sector, any improvements in the deficit and corresponding debt indicators will depend significantly on the pace of the economic recovery, along with the success of Government's initiatives to broaden the tax base, increase revenue collection and curtail the growth in spending.

On the monetary front, liquidity conditions are anticipated to remain robust over the year, reflecting the weakness in domestic demand and banks' conservative lending stance, while the outlook for external reserves will be influenced to a large extent by receipts from real sector activities and the demand for foreign currency to facilitate imports. Given the challenging business environment and high unemployment levels, banks' credit quality indicators are likely to remain elevated over the coming months: however, banks' capitalisation levels should remain comfortably above regulatory requirements, thereby muting any financial stability concerns.

Recent Monetary and Credit Statistics

(B\$ Millions)

JANUARY						
Value		Change		Change YTD		
2013	2014	2013	2014	2013	2014	

1.0 LIQUIDITY & FOREIGN ASSETS

1.1 Excess Reserves	412.48	512.22	-37.54	110.51	-37.54	110.51
1.2 Excess Liquid Assets	955.34	1,177.19	-16.15	92.29	-16.15	92.29
1.3 External Reserves	789.95	912.11	-22.15	172.34	-22.15	172.34
1.4 Bank's Net Foreign Assets	-601.29	-517.40	20.50	169.61	20.50	169.61
1.5 Usable Reserves	350.26	406.87	1.97	160.51	1.97	160.51

2.0 DOMESTIC CREDIT

2.1 Private Sector	6,590.12	6,503.87	-26.23	-25.32	-26.23	-25.32
a. B\$ Credit	6,197.06	6,128.11	-23.42	-16.51	-23.42	-16.51
of which: Consumer Credit	2,110.09	2,105.74	-10.75	-6.24	-10.75	-6.24
Mortgages	3,098.69	3,103.71	-4.38	3.15	-4.38	3.15
Commercial and Other Loans B\$	988.29	918.66	-8.29	-13.43	-8.29	-13.43
b. F/C Credit	393.06	375.76	-2.82	-8.81	-2.82	-8.81
of which: Mortgages	144.48	140.06	-0.26	-2.19	-0.26	-2.19
Commercial and Other Loans F/C	248.58	235.71	-2.56	-6.62	-2.56	-6.62
2.2 Central Government (net)	1,658.18	1,706.44	64.78	-255.02	64.78	-255.02
a. B\$ Loans & Securities	1,779.00	1,859.56	62.27	-164.62	62.27	-164.62
Less Deposits	120.00	150.96	-2.13	-35.08	-2.13	-35.08
b. F/C Loans & Securities	0.00	0.00	0.00	-125.00	0.00	-125.00
Less Deposits	0.83	2.16	-0.38	0.48	-0.38	0.48
2.3 Rest of Public Sector	399.75	400.38	-7.29	-0.01	-7.29	-0.01
a. B\$ Credit	114.54	126.49	-4.31	-0.10	-4.31	-0.10
b. F/C Credit	285.21	273.90	-2.98	0.08	-2.98	0.08
2.4 Total Domestic Credit	8,648.06	8,611.89	30.69	-280.36	30.69	-280.36
a. B\$ Domestic Credit	7,970.62	7,963.19	36.11	-146.15	36.11	-146.15
b. F/C Domestic Credit	677.44	648.70	-5.42	-134.21	-5.42	-134.21

3.0 DEPOSIT BASE

3.1 Demand Deposits	1,360.52	1,482.28	2.56	47.56	2.56	47.56
a. Central Bank	5.43	13.58	-6.65	5.18	-6.65	5.18
b. Banks	1,355.09	1,468.69	9.21	42.38	9.21	42.38
3.2 Savings Deposits	1,072.13	1,107.92	4.46	-3.36	4.46	-3.36
3.3 Fixed Deposits	3,437.00	3,313.23	14.80	-5.54	14.80	-5.54
3.4 Total B\$ Deposits	5,869.65	5,903.43	21.82	38.65	21.82	38.65
3.5 F/C Deposits of Residents	238.54	284.50	15.39	33.51	15.39	33.51
3.6 M2	6,066.01	6,104.96	13.02	27.29	13.02	27.29
3.7 External Reserves/M2 (%)	13.02	14.94	-0.39	2.77	-0.39	2.77
3.8 Reserves/Base Money (%)	92.22	94.67	2.28	14.69	2.28	14.69
3.9 External Reserves/Demand Liabilities (%)	89.83	90.26	2.28	15.30	2.28	15.30
	Value		Year to Date		Change	
	2013	2014	2013	2014	Month	YTD

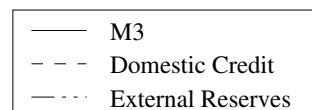
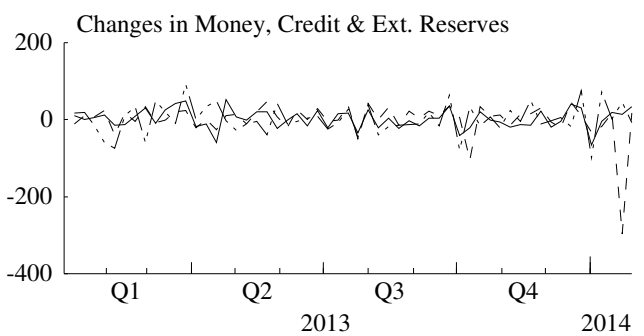
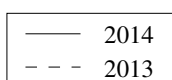
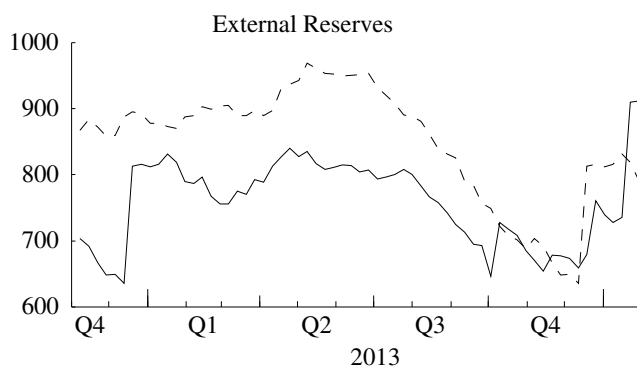
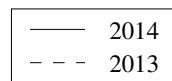
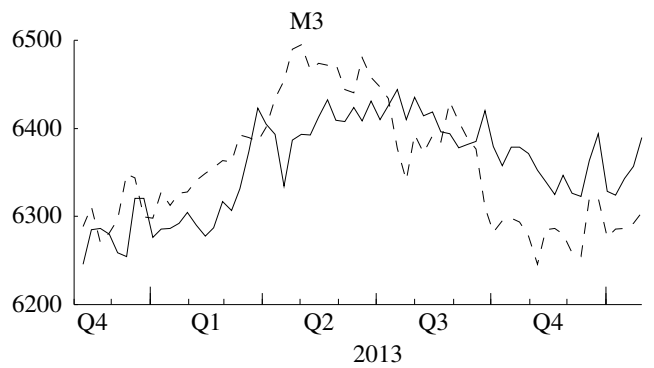
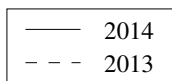
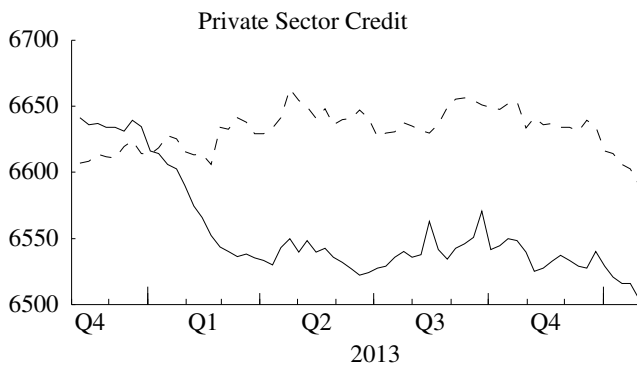
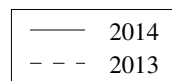
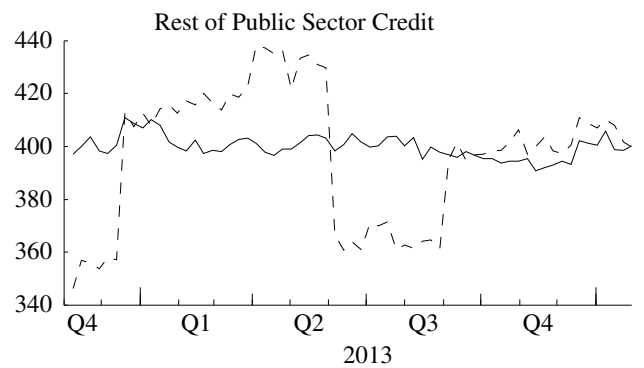
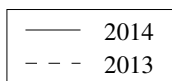
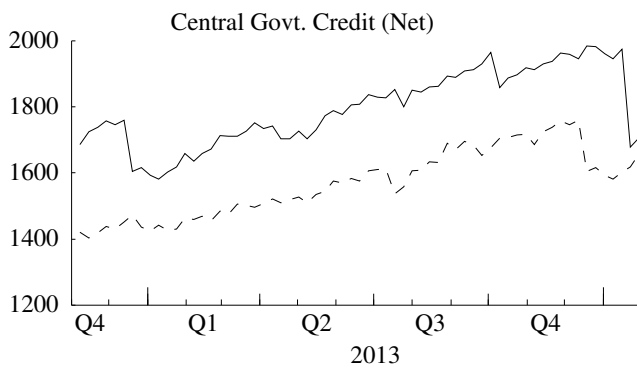
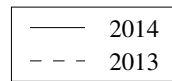
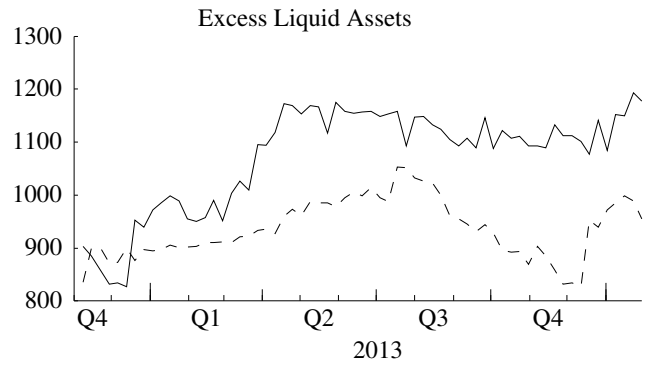
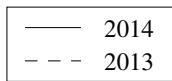
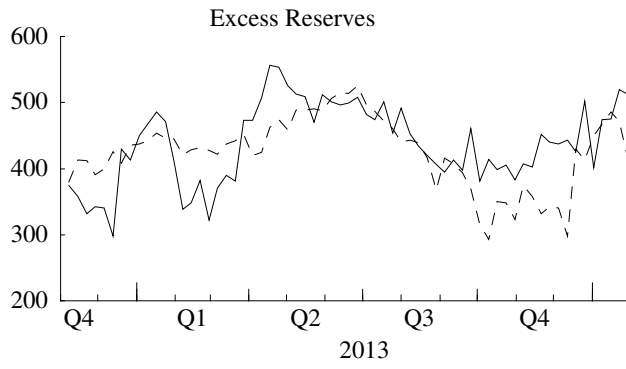
4.0 FOREIGN EXCHANGE TRANSACTIONS

4.1 Central Bank Net Purchase/(Sale)	-23.35	172.57	-23.35	172.57	195.92	195.92
a. Net Purchase/(Sale) from/to Banks	-7.29	22.74	-7.29	22.74	30.03	30.03
i. Sales to Banks	47.23	20.40	47.23	20.40	-26.83	-26.83
ii. Purchases from Banks	39.94	43.14	39.94	43.14	3.20	3.20
b. Net Purchase/(Sale) from/to Others	-16.07	149.83	-16.07	149.83	165.90	165.90
i. Sales to Others	40.55	175.45	40.55	175.45	134.90	134.90
ii. Purchases from Others	24.48	325.28	24.48	325.28	300.80	300.80
4.2 Banks Net Purchase/(Sale)	-11.11	26.79	-11.11	26.79	37.90	37.90
a. Sales to Customers	303.10	270.02	303.10	270.02	-33.07	-33.07
b. Purchases from Customers	291.98	296.81	291.98	296.81	4.83	4.83
4.3 B\$ Position (change)	-5.74	-12.85				

5.0 EXCHANGE CONTROL SALES

5.1 Current Items	ND	0.00	ND	0.00	ND	ND
of which Public Sector	ND	0.00	ND	0.00	ND	ND
a. Nonoil Imports	ND	0.00	ND	0.00	ND	ND
b. Oil Imports	ND	0.00	ND	0.00	ND	ND
c. Travel	ND	0.00	ND	0.00	ND	ND
d. Factor Income	ND	0.00	ND	0.00	ND	ND
e. Transfers	ND	0.00	ND	0.00	ND	ND
f. Other Current Items	ND	0.00	ND	0.00	ND	ND
5.2 Capital Items	ND	0.00	ND	0.00	ND	ND
of which Public Sector	ND	0.00	ND	0.00	ND	ND
5.3 Bank Remittances	ND	0.00	ND	0.00	ND	ND

SELECTED MONEY AND CREDIT INDICATORS (B\$ Millions)



Selected International Statistics

A: Selected Macroeconomic Projections (Annual % Change and % of labor force)						
	Real GDP		Inflation Rate		Unemployment	
	2013	2014	2013	2014	2013	2014
Bahamas	1.9	2.1	1.0	1.9	15.4	N/A
United States	1.6	2.6	1.4	1.8	7.6	7.4
Euro-Area	-0.4	1.0	1.5	1.5	12.3	12.2
<i>Germany</i>	<i>0.5</i>	<i>1.4</i>	<i>1.6</i>	<i>1.8</i>	<i>5.6</i>	<i>5.5</i>
Japan	2.0	1.2	0.0	2.9	4.2	4.3
China	7.6	7.3	2.7	3.0	4.1	4.1
United Kingdom	1.4	1.9	2.7	2.3	7.7	7.5
Canada	1.6	2.2	1.1	1.6	7.1	7.1
<i>Source: IMF World Economic Outlook October 2013, Department of Statistics</i>						

B: Official Interest Rates – Selected Countries (%)					
<i>With effect</i>	CBOB	ECB (EU)	Federal Reserve (US)		Bank of England
	<i>from</i>	Bank Rate	Refinancing Rate	Primary Credit Rate	Target Funds Rate
January 2012	4.50	1.00	0.75	0-0.25	0.50
February 2012	4.50	1.00	0.75	0-0.25	0.50
March 2012	4.50	1.00	0.75	0-0.25	0.50
April 2012	4.50	1.00	0.75	0-0.25	0.50
May 2012	4.50	1.00	0.75	0-0.25	0.50
June 2012	4.50	1.00	0.75	0-0.25	0.50
July 2012	4.50	0.75	0.75	0-0.25	0.50
August 2012	4.50	0.75	0.75	0-0.25	0.50
September 2012	4.50	0.75	0.75	0-0.25	0.50
October 2012	4.50	0.75	0.75	0-0.25	0.50
November 2012	4.50	0.75	0.75	0-0.25	0.50
December 2012	4.50	0.75	0.75	0-0.25	0.50
January 2013	4.50	0.75	0.75	0-0.25	0.50
February 2013	4.50	0.75	0.75	0-0.25	0.50
March 2013	4.50	0.75	0.75	0-0.25	0.50
April 2013	4.50	0.75	0.75	0-0.25	0.50
May 2013	4.50	0.50	0.75	0-0.25	0.50
June 2013	4.50	0.50	0.75	0-0.25	0.50
July 2013	4.50	0.50	0.75	0-0.25	0.50
August 2013	4.50	0.50	0.75	0-0.25	0.50
September 2013	4.50	0.50	0.75	0-0.25	0.50
October 2013	4.50	0.50	0.75	0-0.25	0.50
November 2013	4.50	0.25	0.75	0-0.25	0.50
December 2013	4.50	0.25	0.75	0-0.25	0.50
January 2014	4.50	0.25	0.75	0-0.25	0.50

Selected International Statistics

C. Selected Currencies (Per United States Dollars)						
Currency	Jan-13	Dec-13	Jan-14	Mthly % Change	YTD % Change	12-Mth% Change
Euro	0.7365	0.7276	0.7414	1.89	1.89	0.66
Yen	91.72	105.31	102.04	-3.11	-3.11	11.25
Pound	0.6306	0.6040	0.6082	0.70	0.70	-3.55
Canadian \$	0.9972	1.0623	1.1128	4.75	4.75	11.59
Swiss Franc	0.9101	0.8922	0.9064	1.59	1.59	-0.41
Renminbi	6.2188	6.0556	6.0607	0.08	0.08	-2.54

Source: Bloomberg as of January 31, 2014

D. Selected Commodity Prices (\$)					
Commodity	January 2013	December 2013	January 2014	Mthly % Change	YTD % Change
Gold / Ounce	1663.70	1201.64	1244.55	3.57	3.57
Silver / Ounce	31.46	19.47	19.18	-1.51	-1.51
Oil / Barrel	114.93	111.59	108.15	-3.08	-3.08

Source: Bloomberg as of January 31, 2014

E. Equity Market Valuations – January 31, 2014 (%chg)								
	BISX	DJIA	S&P 500	FTSE 100	CAC 40	DAX	Nikkei 225	SE
1 month	3.45	-5.30	-3.56	-3.54	-3.03	-2.57	-8.45	-3.92
3 month	7.24	0.98	1.48	-3.28	-3.12	3.02	4.09	-5.07
YTD	3.45	-5.30	-3.56	-3.54	-3.03	-2.57	-8.45	-3.92
12-month	12.63	13.26	20.44	3.72	11.60	19.68	33.90	-14.77

Sources: Bloomberg and BISX

F: Short Term Deposit Rates in Selected Currencies (%)			
	USD	GBP	EUR
o/n	0.15	0.42	0.15
1 Month	0.17	0.47	0.20
3 Month	0.24	0.50	0.25
6 Month	0.37	0.62	0.31
9 Month	0.50	0.73	0.41
1 year	0.54	0.87	0.48

Source: Bloomberg as of January 31, 2014

SUMMARY ACCOUNTS OF THE CENTRAL BANK

(B\$ Millions)

	VALUE												CHANGE											
	Dec. 04	Dec. 11	Dec. 18	Dec. 25	Jan. 01	Jan. 08	Jan. 15	Jan. 22	Jan. 29	Dec. 04	Dec. 11	Dec. 18	Dec. 25	Jan. 01	Jan. 08	Jan. 15	Jan. 22	Jan. 29						
I. External Reserves	673.37	659.37	679.68	760.91	739.77	727.75	735.52	909.74	912.11	-4.44	-13.99	20.31	81.23	-21.14	-12.02	7.77	174.22	2.37						
II. Net Domestic Assets (A + B + C + D)	14.91	34.73	9.57	-8.67	-27.48	-4.07	-10.51	-139.80	-149.88	1.11	19.82	-25.17	-18.23	-18.81	23.41	-6.44	-129.28	-10.09						
A. Net Credit to Gov¹(i + ii + iii - iv)	521.24	543.57	520.25	531.40	491.80	494.72	491.89	358.40	361.50	-2.56	22.33	-23.33	11.15	-39.60	2.93	-2.83	-133.49	3.10						
i) Advances	134.66	134.66	134.66	134.66	134.66	134.66	134.66	44.66	44.66	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-90.00	0.00						
ii) Registered Stock	221.19	221.21	215.44	221.14	220.88	220.74	220.72	220.75	220.73	-0.09	0.02	-5.77	5.70	-0.26	-0.14	-0.01	0.03	-0.02						
iii) Treasury Bills	205.45	215.44	215.44	226.42	186.44	186.44	186.44	126.60	126.60	0.00	9.99	0.00	10.97	-39.98	0.00	0.00	-59.84	0.00						
iv) Deposits	40.06	27.74	45.29	50.82	50.18	47.11	49.93	33.61	30.49	2.47	-12.32	17.56	5.52	-0.64	-3.07	2.81	-16.32	-3.12						
B. Rest of Public Sector (Net) (i + ii - iii)	-3.92	-3.86	-6.12	-2.69	-3.86	-7.80	-9.73	-5.53	-9.23	3.27	0.07	-2.27	3.43	-1.17	-3.94	-1.92	4.20	-3.71						
i) BDB Loans	4.55	4.55	4.55	4.55	4.55	4.55	4.55	4.35	4.35	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.20	0.00						
ii) BMC Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
iii) Deposits	8.47	8.41	10.67	7.24	8.41	12.35	14.28	9.88	13.58	-3.27	-0.07	2.27	-3.43	1.17	3.94	1.92	-4.40	3.71						
C. Loans to/Deposits with Banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00						
D. Other Items (Net)*	-502.41	-504.99	-504.56	-537.37	-515.42	-490.99	-492.68	-492.67	-502.15	0.40	-2.57	0.43	-32.82	21.96	24.43	-1.69	0.01	-9.48						
III. Monetary Base	688.28	694.11	689.25	752.25	712.30	723.68	725.01	769.94	762.23	-3.33	5.83	-4.86	63.00	-39.95	11.38	1.33	44.93	-7.72						
A. Currency in Circulation	111.73	114.81	113.37	110.62	140.09	130.65	122.92	112.47	108.19	2.26	3.08	-1.43	-2.75	29.47	-9.43	-7.73	-10.45	-4.28						
B. Bank Balances with CBOB	576.55	579.30	575.88	641.63	572.21	593.03	602.09	657.47	654.03	-5.59	2.75	-3.42	65.75	-69.42	20.82	9.06	55.38	-3.44						

* Includes capital, provisions and surplus account, fixed and other assets, and other demand liabilities of Bank

Bank Balances with the Central Bank: Excess/Deficit Position (B\$'000)*

COMM. BANKS	January	
	2013	2014
FBB	30,806	39,862
BOB	15,510	8,584
CBL	11,855	16,126
CITI	12,017	18,390
FIN	10,611	11,133
GUB		
FCIB	109,293	126,004
RBC	51,150	52,169
SBL	100,932	101,564
SUB TOTAL	342,174	373,832
OLFis	2013	2014
ABL	(48)	(117)
BFC		
BNST	11	10
CBT		
FMB	474	968
RBCT	165	175
RBS		
SGH	54	54
SUB TOTAL	602	1,036
TOTAL	342,776	374,868

