



## **Monthly Economic and Financial Developments September 2013**

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:

2013: December 2, December 23.

# Monthly Economic and Financial Developments

## September 2013

### *1. Domestic Economic Developments*

Reflecting ongoing weakness in the key tourism sector, domestic economic conditions remained relatively flat, although with sustained positive contributions from foreign investment-led construction projects. In this context, employment conditions remained challenging, while softness in international oil prices tempered domestic consumer price inflation over the twelve months to September. In the monetary sector, both bank liquidity and external reserves contracted during the review month, partly reflecting the seasonal increase in foreign currency demand in the latter half of the year.

Hotel earnings continued to decline in September, amid softness in the key group segment of the market, increased competition from other regional destinations and a modest decline in airlift capacity. Based on preliminary information, from a sample of large hotels in New Providence and Paradise Island, total room revenues decreased by 12.7% in September from a year earlier, partly due to a contraction in room inventory at five hotel properties. The average occupancy rate decreased by 5.5 percentage points to 40.9%, while the average daily room rate (ADR) fell by 3.6% to \$149.99. Similar trends were noted over the nine-month to September period, as the 7.4% reduction in total room revenues was occasioned by a 5.2 percentage point decline in room occupancy to 66.7%, which outpaced the 2.7% advance in the ADR to \$239.50.

According to the Department of Statistics' Labour Force Survey, the jobless rate increased since November 2012, by 2.2 percentage points to 16.2% in May 2013, as an additional 4,715 persons were classified as unemployed. In the underlying developments, the number of discouraged workers was reduced by one-third to approximately 7,970, led by a scaling back in the associated count in New Providence and Grand Bahama, by 26.0% and 47.0%, to 4,085 persons and 2,350 persons, respectively, while the number of employed persons decreased by 1,260 to 163,995. In terms of the major markets, the jobless rate in New Providence grew by 2.8 percentage points to 15.9%, and Grand Bahama's rate firmed by 1.5 percentage points to 19.5%.

Domestic consumer price inflation for the twelve months to September—as measured by the Retail Price Index of The Bahamas—moderated by 2.3 percentage points to 0.6%, as accretions to average transportation costs—which are directly affected by the moderation in global fuel prices—slowed to 0.6% from 4.4% in the comparative year-earlier period. Average price gains also slackened significantly for furnishing, household equipment & maintenance, by 3.1 percentage points to 0.9%, housing, water, gas, electricity & other fuels—the most heavily weighted component in the index—by 3.1 percentage points to 0.6%, food & non-alcoholic beverages, by 2.5 percentage points to 1.0% and education, by 1.6 percentage points to 1.5%. More muted declines in inflation rates were recorded for medical care & health, miscellaneous goods & services and clothing & footwear to 1.1%, 0.4% and 0.6%, from 2.0%, 0.7% and 1.1%, respectively. Further, the contraction in average communication prices was higher at 4.1% from 0.6% in the previous year, while recreation & culture costs decreased by 1.2%, a reversal from a gain of 0.4% a year-earlier. In a modest offset, average price gains for alcohol, tobacco & narcotics and restaurant & hotel services rose to 2.3% and 2.9% from 1.5% and 2.4%, respectively, in the prior twelve months.

In terms of domestic energy prices, the average cost of gasoline fell marginally on a monthly basis, by 0.2% to \$5.43 per gallon in September; however, the price of diesel rose by 1.6% to \$5.07 per gallon. In comparison to the prior year, the cost of both fuels fell by 1.9% and 1.3%, respectively. The Bahamas Electricity Corporation's fuel charge declined by 8.0% to 24.52¢ per kilowatt hour (kWh), on a monthly basis, and by 5.7% year-on-year.

## **2. International Developments**

Preliminary indicators confirm the consensus view that global economic conditions remain challenging, as the International Monetary Fund (IMF), in the October 2013 edition of its World Economic Outlook (WEO), lowered its forecast for world growth in 2013, to 2.9% from 3.1% in July 2013. Over the review period, the recovery in the United States was sustained, despite the short-term disruptions caused by the Government's partial "shutdown", while the export-led Asian economies expanded at below trend growth rates and conditions in Europe continued to improve.

In the United States, indications are that economic conditions maintained a positive trajectory in September, as industrial production rose by 0.6%, buoyed by gains in the utilities sector; however, retail sales fell by 0.1%, due to declines in car purchases. In the external sector, the trade deficit widened slightly, by \$0.2 billion to \$38.8 billion in August, due solely to a decline in exports. In this environment, the unemployment rate narrowed by 10 basis points to 7.2%, supported by the addition of 148,000 non-farm payroll jobs. Consumer prices rose slightly by 0.1% in August, owing to higher rent and medical care costs, while the persistence of excess capacity in the economy and fiscal policy concerns, led the Federal Reserve to maintain the size of its Government bond buying programme at \$85 billion per month.

Economic activity in Europe exhibited further improvement during the review period. Real output in the United Kingdom expanded by 0.8% in the third quarter—the fastest pace in almost three years—buoyed by growth in the construction and agricultural sectors, and the volume of retail sales rose by 0.6% in September, after falling by 0.8% a month earlier. In the external sector, August's trade deficit steadied at £3.3 billion, as the 0.4% gain in exports outweighed the 0.1% rise in imports. The jobless rate fell by 10 basis points to 7.7% during the three months to August, while annual consumer price inflation stabilized at 2.7% in September. In the euro area, the volume of retail trade grew by 0.7% in August, in contrast to the previous month's 0.3% decrease, and industrial production rose by 1.0%—a turnaround from a 2.1% decline a month earlier. However, the region's goods surplus narrowed by €10.9 billion to €7.1 billion in August, month-on-month, as the 0.2% increase in imports outpaced the 0.1% rise in exports. Occasioned by reductions in energy prices and an easing in average costs for food, alcohol and tobacco, the inflation rate slowed by 0.2 of a percentage point to 1.1% in September, while the unemployment rate stabilized at 12.0%. In monetary policy developments, both the Bank of England and the European Central Bank maintained their highly accommodative policy stances, in an effort to stimulate economic growth.

Strong domestic demand and exports continued to sustain the growth momentum in Asian economies. Real output in China advanced at a slightly higher quarterly rate of 7.8% in the third quarter. In September, retail sales rose at a relatively stable month-on-month rate of 1.2%; however, accretions to industrial output slowed by 20 basis points to 10.2%, and the monthly trade surplus narrowed by almost half to US\$15.2 billion, as exports softened by 0.3%, while imports firmed by 7.4%. Reflecting higher food costs, the month-on-month inflation rate firmed by 30 basis points to 0.8% in September. In Japan, economic indicators were mixed, with retail sales growing by 1.1% in August, a turnaround from the prior period's 0.3% decline, while industrial production contracted by 0.9%, vis-à-vis a 3.4% gain in July. Provisional data

suggests that the trade deficit improved by ¥30.7 billion to ¥932.1 billion in September, month-on-month, supported by a 6.2% advance in exports, which eclipsed the 1.9% rise in imports. The jobless rate firmed by 30 basis points to 4.3%, while the country's deflationary cycle appeared to abate in September, as consumer prices rose by 0.3% on a monthly basis, supported by higher clothing and food costs. In this environment, the People's Bank of China continued its gradual liberalization policy, announcing plans to reduce controls on bank deposit rates, and the Bank of Japan maintained its quantitative easing measures.

Reflecting concerns that the unfolding fiscal debates in the United States would constrain economic growth in the near-term, the average price of crude oil fell by 5.9% to \$108.96 per barrel in September. In terms of precious metals, the price of gold declined by 4.8% at \$1,328.94 per troy ounce, and silver costs were lower by 7.8% at \$21.70 per troy ounce.

Although stocks pared gains at the end of the month, as the impasse between US policymakers regarding plans to fund the Government and raise the "debt ceiling" intensified, the Dow Jones Industrial Average (DJIA) and S&P 500 index still advanced by 2.2% and 3.0% in September, respectively. Similar increases were posted for European bourses, including Germany's DAX (6.1%), France's CAC 40 (5.3%) and the United Kingdom's FTSE 100 index (0.8%). In Asia, buoyed by the central bank's stimulus measures, Japan's Nikkei 225 moved higher by 8.0% and China's SE composite firmed by 3.6%.

Short-term fiscal concerns dominated developments in foreign currency markets, resulting in the United States dollar weakening relative to most of the major currencies in September. The dollar fell by 4.2% against the British pound to £0.6178, and depreciated relative to the euro by 2.3% to €0.7393. The dollar also sustained a loss vis-à-vis the Swiss Franc and Canadian dollar, of 2.7% and 2.2%, to CHF0.9049 and CAD\$1.0309, respectively. In contrast, the dollar rose slightly relative to the Japanese Yen, by 0.1% to ¥98.25 and stabilised vis-à-vis the Chinese Yuan at CNY6.1202.

### **3. Domestic Monetary Trends** September 2013 vs. 2012

During September, both bank liquidity and external reserves contracted, reflecting a combination of seasonal increases in foreign currency demand, alongside outflows for dividend payments. Banks' excess cash holdings fell by \$25.4 million to \$380.8 million, compared with last year's \$2.2 million gain, while the reduction in the broader measure of excess liquid assets was relatively stable at \$17.1 million, bringing the outstanding level to \$1,088.1 million.

External reserves contracted by \$96.7 million to \$646.0 million, extending the prior year's \$74.4 million falloff. In the underlying transactions, the Central Bank's net foreign currency sale firmed by \$22.1 million to \$98.2 million, as the net outflow to the public sector—mainly for fuel payments—advanced by \$6.7 million to \$51.4 million. Similarly, buoyed in part by a dividend-related payment, the Bank's net sale to commercial banks advanced by \$15.4 million to \$46.9 million, to support a \$32.6 million increase in their net outflow to customers to \$57.6 million.

Bolstered by growth in net claims on the Government, Bahamian dollar credit advanced by \$72.7 million in September, a reversal from a \$28.6 million reduction in the prior period. Specifically, short-term financing from the banking system elevated net credit to the Government by \$72.4 million, following a \$35.2 million decline in 2012. In contrast, the expansion in claims on the private sector eased to \$2.2 million from \$5.3 million a year earlier, led by slower growth in the dominant mortgage component, of \$1.8 million relative to \$5.7 million in the prior period. Consumers continued to have a net repayment position, which

strengthened to \$5.5 million from \$2.6 million in 2012. In a modest offset, the expansion in commercial and other loans improved to \$5.8 million from a year-earlier \$2.1 million. Meanwhile, credit to the rest of the public sector decreased by \$1.9 million, following last year's \$1.4 million accretion.

Banks' credit quality indicators weakened slightly in September, as total private sector loan arrears increased by \$7.0 million (0.6%) to \$1,280.1 million, and by 13 basis points to 20.8% of total loans. In terms of the average age of delinquencies, the short-term 31-90 day segment expanded by \$16.6 million (4.1%) to \$423.6 million, resulting in a 27 basis point rise in the total arrears to loans ratio, to 6.9%. Conversely, non-performing loans—which consist of delinquencies exceeding 90 days, and on which banks have stopped accruing interest—fell by \$9.6 million (1.1%) to \$856.5 million, and by 14 basis point to 13.9% of total loans.

The growth in total arrears was concentrated in the mortgage segment, which firmed by \$7.5 million (1.1%) to \$684.4 million, as the \$15.6 million (8.9%) expansion in 31-90 day delinquencies outpaced the \$8.1 million (1.6%) decrease in non-performing loans. A more modest increase was noted for consumer loan arrears of \$1.0 million (0.4%), owing primarily to a \$1.2 million rise in the non-accrual component, which eclipsed the \$0.3 million falloff in the 31-90 day category. In contrast, commercial loan arrears fell by \$1.5 million (0.4%), based on a \$2.7 million (1.4%) decline in the non-performing category, which offset the \$1.3 million (0.9%) gain in short-term delinquencies.

During September, banks increased their loan loss provisions by \$2.5 million (0.6%) to \$423.3 million, for a slight increase in the ratio of provisions to overall arrears, to 33.1%, although the corresponding non-performing loan ratio moved higher by 83 basis points to 49.4%. Banks also wrote-off an estimated \$11.0 million in loans and recovered \$4.9 million in outstanding obligations.

Domestic foreign currency credit growth slackened to \$4.6 million from \$30.1 million in 2012, as claims on public corporations fell by \$0.6 million vis-à-vis a prior \$34.2 million build-up, mainly on account of an increase in liabilities by a utility company. The falloff in the system's net claim on the Government was lower at \$0.1 million from \$0.8 million in 2012, whereas foreign currency claims on the private sector advanced by \$5.3 million, following on the prior year's \$3.4 million contraction.

Total Bahamian dollar deposits grew marginally by \$2.2 million, in contrast to 2012's \$100.6 million reduction, and were primarily explained by a \$15.4 million increase in demand deposits, after having contracted by \$64.0 million in 2012, when institutional investors used cash balances to participate in a \$100 million registered stock issue. In contrast, savings balances fell by \$7.8 million, vis-à-vis a \$1.7 million gain in 2012, and the decline in fixed deposits was lower by \$32.8 million at \$5.4 million.

In interest rate developments, the weighted average deposit rate rose by 11 basis points to 1.65% in September, with the highest rate of 5.00% offered on fixed balances of over 12 months. Borrowing conditions included a reduction in the weighted average loan rate, by 30 basis points to 11.24%.

#### January – September 2013 vs. 2012

Bank liquidity registered a strong expansion over the nine-month period, amid subdued private sector credit demand and borrowings by the Government. As institutions increased their holdings of Government paper, excess reserves decreased by \$69.2 million, which was similar to the year-earlier \$65.0 million reduction. The broader excess liquid assets advanced by \$116.6 million, outpacing the prior year's \$46.8 million gain.

External reserves declined by \$166.1 million to \$646.0 million over the nine-month period, slightly above last year's \$135.3 million falloff, and continued to reflect softness in foreign currency receipts from real sector activities, combined with the traditional rise in demand during the latter half of the year. In the underlying foreign currency transaction movements, the Bank's net sale firmed to \$177.0 million from \$145.7 million in 2012. Specifically, the net purchase from commercial banks fell by almost half to \$75.6 million, consistent with a similar reduction in their corresponding net intake from customers to \$68.9 million. In a modest offset, the Bank's net sale to the public sector—mainly for fuel payments—was lower by \$36.2 million at \$252.6 million.

Bahamian dollar credit growth, which expanded by \$99.0 million to \$293.8 million, continued to be dominated by the Government's borrowing activities. Higher short-term liabilities elevated the expansion in banks' net claims on the Government to \$371.4 million from \$216.0 million in the prior year, whereas credit to the rest of the public sector rose by a modest \$0.5 million, compared with last year's \$3.3 million gain. Persistent weakness in consumer demand, contributed to claims on the private sector declining by \$77.5 million, which exceeded the previous year's \$24.5 million falloff. In particular, reflecting mainly a private entity's use of proceeds from an equity issue to repay outstanding loans, the commercial segment fell by \$69.4 million outstripping the \$22.7 million falloff in 2012, while consumer loans fell further by \$21.8 million, following a year-earlier \$26.0 million reduction. Growth in the mortgage component also slowed by almost half to \$13.7 million.

Banks' credit quality indicators worsened over the nine-month period, owing mainly to a rise in commercial loan delinquencies. Total private sector loan arrears rose by \$29.6 million (2.4%) to \$1,280.1 million, with the ratio of arrears to total loans higher by 76 basis points at 20.8%. The deterioration was concentrated in the short-term segment, which grew by \$40.7 million (10.6%) to \$423.6 million and by 74 basis points to 6.9% of total loans. Conversely, the non-performing category decreased by \$11.1 million (1.3%) to \$856.5 million, resulting in the attendant ratio firming marginally by 1 basis point to 13.9%.

Commercial delinquencies accounted solely for the increase in total arrears during the nine-month period, rising by \$72.9 million (26.9%) to \$343.8 million, due to growth in both the 31-90 day and non-accrual components, by \$69.1 million (86.7%) and \$3.8 million (2.0%), respectively. However, consumer loan arrears declined by \$28.3 million (10.1%), with the short-term segment lower by \$17.2 million (17.0%) and non-performing loans down by \$11.1 million (6.2%). Similarly, the mortgage component fell by \$15.0 million (2.2%), with improvements recorded in both the 31-90 day and non-performing segments, of \$11.3 million (5.6%) and \$3.7 million (0.8%), respectively.

Amid the deterioration in delinquencies, banks increased their total provisions for loan losses by \$50.6 million (13.6%) to \$423.3 million. Consequently, both the ratio of provisions to total arrears and non-performing loans firmed by 3.26 and 6.46 percentage points, to 33.07% and 49.42%, respectively. In addition, banks wrote-off an estimated \$93.4 million in delinquent loans and recovered an estimated \$33.4 million.

Domestic foreign currency credit contracted by \$8.7 million over the review period, reversing the year-earlier expansion of \$47.6 million. Specifically, private sector credit growth slowed significantly to \$2.9 million from \$61.2 million last year, which was boosted by gains in mortgage and commercial lending. In a modest offset, the decline in claims on the public corporations slowed by \$2.0 million to \$12.0 million, while the gain in net claims on the Government was stable at \$0.4 million.

Bahamian dollar deposits rebounded by \$61.6 million, vis-à-vis a \$31.6 million contraction last year. Underlying this outturn, the reduction in fixed deposits moderated to \$33.0 million from \$159.7 million in the previous year, while the gain in demand balances was slightly higher by \$1.2 million at \$78.1 million. In contrast, accretions to savings deposits receded by \$34.8 million to \$16.5 million.

#### **4. Outlook and Policy Implications**

Expectations are that the domestic economy will continue to face headwinds over the remaining months of 2013, reflecting weakness in the tourism sector—specifically the high value-added stopover segment, although anecdotal information suggest emerging signs of improvement in several key indicators. Construction activity is anticipated to provide positive impulses in the near-term, supported mainly by foreign investment developments and, to a lesser extent, public sector infrastructure programmes. In this context, unemployment levels are projected to remain elevated, until the recovery becomes more established and broadens to other sectors. The relatively benign inflationary environment is expected to persist over the near-term, although global oil price developments will continue to affect domestic energy costs.

Near-term developments in the fiscal sector remain heavily dependent on the strength of the domestic recovery, as well as success of the Government's initiatives to increase revenues and curtail expenditure growth.

On the monetary front, liquidity in the banking sector should remain at robust levels, largely attributed to continued softness in private sector demand, banks' conservative lending policies and generally high indebtedness levels. Although external reserves are projected to remain above international benchmarks, further declines are anticipated in the remaining months due to the traditional increase in demand in the latter half of the year, and a cautionary outlook for rebuilding opportunities arising from the real sector, given the weakness in economic activity. Given the ongoing challenges in employment and business conditions, domestic banking sector loan arrears are projected to stay elevated; nevertheless, capital buffers remain adequate to mitigate any financial sector stability concerns.



# Recent Monetary and Credit Statistics

(B\$ Millions)

| <b>SEPTEMBER</b> |      |        |      |            |      |  |
|------------------|------|--------|------|------------|------|--|
| Value            |      | Change |      | Change YTD |      |  |
| 2012             | 2013 | 2012   | 2013 | 2012       | 2013 |  |

## 1.0 LIQUIDITY & FOREIGN ASSETS

|                               |         |          |        |        |         |         |
|-------------------------------|---------|----------|--------|--------|---------|---------|
| 1.1 Excess Reserves           | 369.85  | 380.79   | 2.24   | -25.35 | -65.01  | -69.23  |
| 1.2 Excess Liquid Assets      | 943.97  | 1,088.07 | -17.57 | -17.13 | 46.82   | 116.59  |
| 1.3 External Reserves         | 756.65  | 645.98   | -74.43 | -96.65 | -135.34 | -166.12 |
| 1.4 Bank's Net Foreign Assets | -627.37 | -565.39  | -48.93 | -17.74 | -18.33  | 56.40   |
| 1.5 Usable Reserves           | 336.64  | 210.08   | -64.44 | -81.54 | -102.06 | -138.21 |

## 2.0 DOMESTIC CREDIT

|                                     |                 |                 |               |              |               |               |
|-------------------------------------|-----------------|-----------------|---------------|--------------|---------------|---------------|
| <b>2.1 Private Sector</b>           | <b>6,651.06</b> | <b>6,541.77</b> | <b>1.90</b>   | <b>7.45</b>  | <b>36.69</b>  | <b>-74.59</b> |
| a. B\$ Credit                       | 6,235.66        | 6,142.97        | 5.26          | 2.16         | -24.48        | -77.51        |
| of which: Consumer Credit           | 2,120.65        | 2,099.07        | -2.58         | -5.46        | -26.01        | -21.77        |
| Mortgages                           | 3,110.82        | 3,116.74        | 5.74          | 1.80         | 24.22         | 13.67         |
| Commercial and Other Loans B\$      | 1,004.19        | 927.17          | 2.10          | 5.82         | -22.70        | -69.41        |
| b. F/C Credit                       | 415.40          | 398.80          | -3.36         | 5.30         | 61.18         | 2.92          |
| of which: Mortgages                 | 144.76          | 152.99          | 0.43          | -1.72        | 15.61         | 8.26          |
| Commercial and Other Loans F/C      | 270.65          | 245.81          | -3.79         | 7.01         | 45.57         | -5.33         |
| <b>2.2 Central Government (net)</b> | <b>1,653.33</b> | <b>1,965.18</b> | <b>-35.98</b> | <b>72.32</b> | <b>216.34</b> | <b>371.78</b> |
| a. B\$ Loans & Securities           | 1,788.13        | 2,097.12        | -26.46        | 64.87        | 223.79        | 380.39        |
| Less Deposits                       | 133.47          | 131.12          | 8.76          | -7.56        | 7.84          | 9.00          |
| b. F/C Loans & Securities           | 0.00            | 0.00            | 0.00          | 0.00         | 0.00          | -0.00         |
| Less Deposits                       | 1.33            | 0.82            | 0.76          | 0.11         | -0.39         | -0.40         |
| <b>2.3 Rest of Public Sector</b>    | <b>396.89</b>   | <b>395.47</b>   | <b>35.54</b>  | <b>-2.49</b> | <b>-10.67</b> | <b>-11.57</b> |
| a. B\$ Credit                       | 106.76          | 119.31          | 1.35          | -1.91        | 3.33          | 0.46          |
| b. F/C Credit                       | 290.13          | 276.16          | 34.20         | -0.58        | -14.00        | -12.03        |
| <b>2.4 Total Domestic Credit</b>    | <b>8,701.28</b> | <b>8,902.42</b> | <b>1.44</b>   | <b>77.28</b> | <b>242.36</b> | <b>285.06</b> |
| a. B\$ Domestic Credit              | 7,997.08        | 8,228.28        | -28.63        | 72.67        | 194.79        | 293.77        |
| b. F/C Domestic Credit              | 704.21          | 674.15          | 30.07         | 4.62         | 47.57         | -8.71         |

## 3.0 DEPOSIT BASE

|   |                 |                 |                |              |               |               |
|---|-----------------|-----------------|----------------|--------------|---------------|---------------|
| 3.1 Demand Deposits                                 | 1,312.24        | 1,436.08        | -64.04         | 15.44        | 76.93         | 78.12         |
| a. Central Bank                                     | 9.76            | 21.97           | -10.73         | 7.08         | 1.54          | 9.89          |
| b. Banks  | 1,302.48        | 1,414.11        | -53.32         | 8.36         | 75.38         | 68.23         |
| 3.2 Savings Deposits                                | 1,117.26        | 1,084.19        | 1.69           | -7.79        | 51.25         | 16.51         |
| 3.3 Fixed Deposits                                  | 3,447.08        | 3,389.16        | -38.23         | -5.41        | -159.72       | -33.04        |
| 3.4 Total B\$ Deposits                              | 5,876.57        | 5,909.43        | -100.58        | 2.24         | -31.55        | 61.59         |
| 3.5 F/C Deposits of Residents                       | 238.59          | 274.18          | -12.53         | -11.91       | 45.72         | 51.04         |
| <b>3.6 M2</b>                                       | <b>6,071.52</b> | <b>6,104.92</b> | <b>-107.20</b> | <b>-2.78</b> | <b>-34.90</b> | <b>51.94</b>  |
| <b>3.7 External Reserves/M2 (%)</b>                 | <b>12.46</b>    | <b>10.58</b>    | <b>-0.99</b>   | <b>-1.58</b> | <b>-2.15</b>  | <b>-2.84</b>  |
| <b>3.8 Reserves/Base Money (%)</b>                  | <b>92.38</b>    | <b>78.09</b>    | <b>-8.13</b>   | <b>-8.18</b> | <b>-8.51</b>  | <b>-11.85</b> |
| <b>3.9 External Reserves/Demand Liabilities (%)</b> | <b>90.08</b>    | <b>74.10</b>    | <b>-6.56</b>   | <b>-8.23</b> | <b>-8.31</b>  | <b>-13.45</b> |
|   | Value           |                 | Year to Date   |              | Change        |               |
|   | 2012            | 2013            | 2012           | 2013         | Month         | YTD           |

## 4.0 FOREIGN EXCHANGE TRANSACTIONS

|   |               |               |                |                |               |               |
|---|---------------|---------------|----------------|----------------|---------------|---------------|
| <b>4.1 Central Bank Net Purchase/(Sale)</b> | <b>-76.10</b> | <b>-98.23</b> | <b>-145.66</b> | <b>-176.98</b> | <b>-22.14</b> | <b>-31.33</b> |
| a. Net Purchase/(Sale) from/to Banks        | -31.46        | -46.86        | 143.09         | 75.57          | -15.40        | -67.52        |
| i. Sales to Banks                           | 44.33         | 67.24         | 165.15         | 245.40         | 22.91         | 80.25         |
| ii. Purchases from Banks                    | 12.87         | 20.38         | 308.24         | 320.97         | 7.51          | 12.73         |
| b. Net Purchase/(Sale) from/to Others       | -44.64        | -51.37        | -288.75        | -252.55        | -6.74         | 36.19         |
| i. Sales to Others                          | 64.17         | 68.24         | 528.63         | 484.37         | 4.06          | -44.26        |
| ii. Purchases from Others                   | 19.54         | 16.86         | 239.89         | 231.82         | -2.67         | -8.06         |
| <b>4.2 Banks Net Purchase/(Sale)</b>        | <b>-24.96</b> | <b>-57.55</b> | <b>144.83</b>  | <b>68.89</b>   | <b>-32.59</b> | <b>-75.95</b> |
| a. Sales to Customers                       | 279.60        | 442.41        | 2,624.53       | 2,843.21       | 162.82        | 218.68        |
| b. Purchases from Customers                 | 254.64        | 384.86        | 2,769.36       | 2,912.09       | 130.23        | 142.74        |
| <b>4.3 B\$ Position (change)</b>            | <b>-4.39</b>  | <b>4.44</b>   |                |                |               |               |

## 5.0 EXCHANGE CONTROL SALES

|                               |               |           |                 |           |           |           |
|-------------------------------|---------------|-----------|-----------------|-----------|-----------|-----------|
| <b>5.1 Current Items</b>      | <b>269.98</b> | <b>ND</b> | <b>2,376.62</b> | <b>ND</b> | <b>ND</b> | <b>ND</b> |
| <b>of which Public Sector</b> | <b>3.53</b>   | <b>ND</b> | <b>18.09</b>    | <b>ND</b> | <b>ND</b> | <b>ND</b> |
| a. Nonoil Imports             | 113.22        | ND        | 1,044.20        | ND        | ND        | ND        |
| b. Oil Imports                | 40.74         | ND        | 333.63          | ND        | ND        | ND        |
| c. Travel                     | 16.18         | ND        | 168.17          | ND        | ND        | ND        |
| d. Factor Income              | 6.95          | ND        | 84.91           | ND        | ND        | ND        |
| e. Transfers                  | 7.56          | ND        | 61.00           | ND        | ND        | ND        |
| f. Other Current Items        | 85.33         | ND        | 684.70          | ND        | ND        | ND        |
| <b>5.2 Capital Items</b>      | <b>7.01</b>   | <b>ND</b> | <b>46.37</b>    | <b>ND</b> | <b>ND</b> | <b>ND</b> |
| <b>of which Public Sector</b> | <b>1.93</b>   | <b>ND</b> | <b>10.84</b>    | <b>ND</b> | <b>ND</b> | <b>ND</b> |
| <b>5.3 Bank Remittances</b>   | <b>0.00</b>   | <b>ND</b> | <b>0.00</b>     | <b>ND</b> | <b>ND</b> | <b>ND</b> |

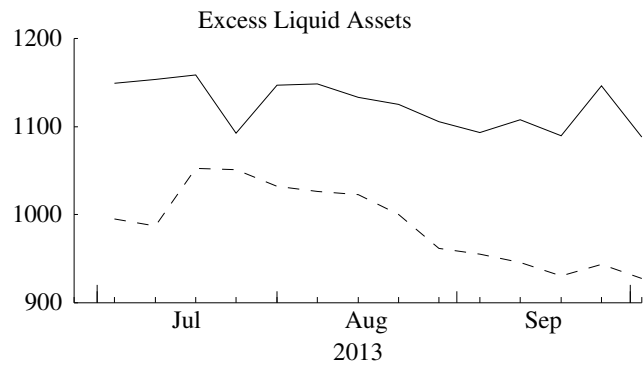


## SELECTED MONEY AND CREDIT INDICATORS

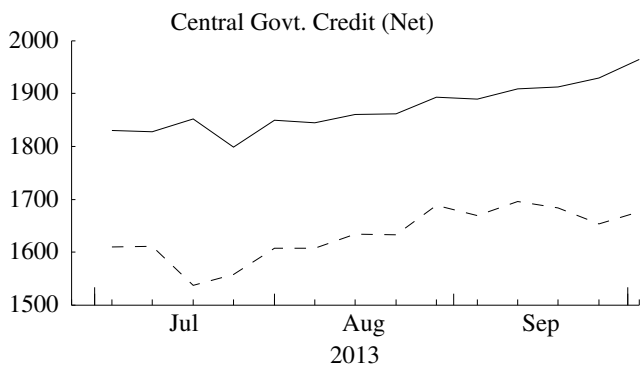
(B\$ Millions)



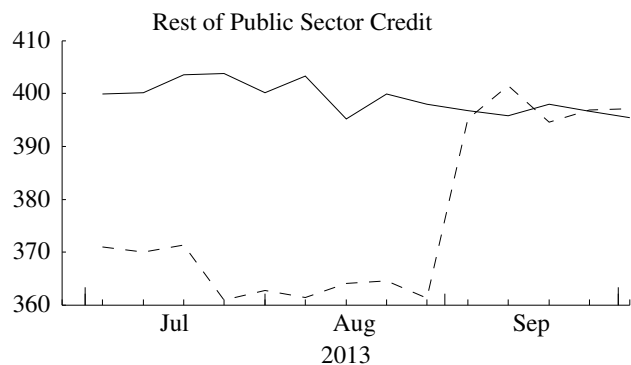
— 2013  
- - - 2012



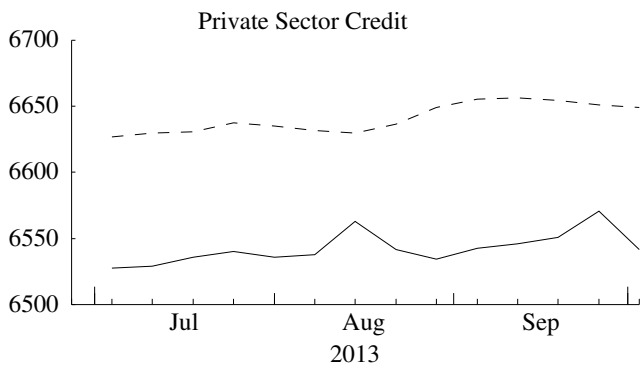
— 2013  
- - - 2012



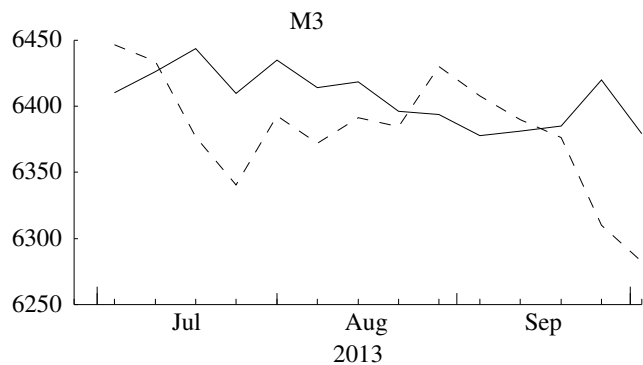
— 2013  
- - - 2012



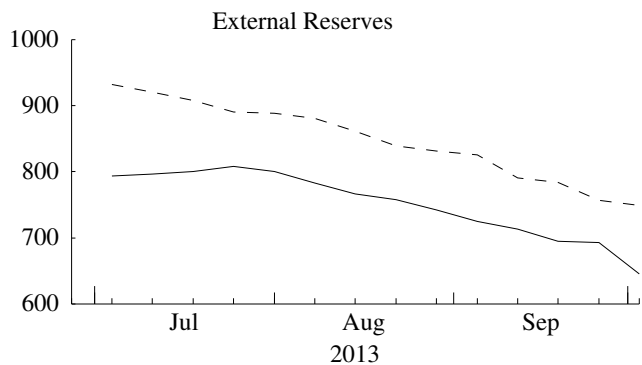
— 2013  
- - - 2012



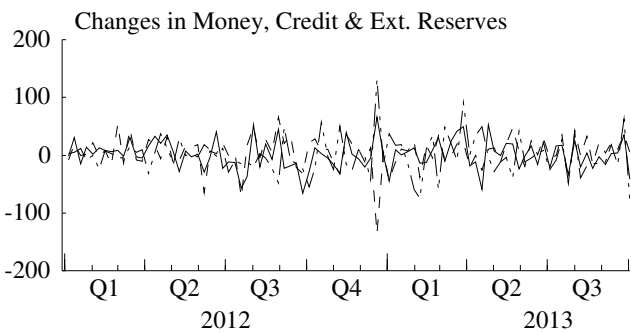
— 2013  
- - - 2012



— 2013  
- - - 2012



— 2013  
- - - 2012



— M3  
- - - Domestic Credit  
- · - External Reserves

## Selected International Statistics

| <b>A: Selected Macroeconomic Projections</b><br>(Annual % Change and % of labor force) |            |            |                |            |              |            |
|--|------------|------------|----------------|------------|--------------|------------|
|  | Real GDP   |            | Inflation Rate |            | Unemployment |            |
|  | 2012       | 2013       | 2012           | 2013       | 2012         | 2013       |
| Bahamas  | 1.8        | 1.9        | 2.0            | 1.0        | 14.0         | 16.2       |
| United States  | 2.8        | 1.6        | 2.1            | 1.4        | 8.1          | 7.6        |
| Euro-Area  | -0.6       | -0.4       | 2.5            | 1.5        | 11.4         | 12.3       |
| <i>Germany</i>   | <i>0.9</i> | <i>0.5</i> | <i>2.1</i>     | <i>1.6</i> | <i>5.5</i>   | <i>5.6</i> |
| Japan  | 2.0        | 2.0        | 0.0            | 0.0        | 4.4          | 4.2        |
| China  | 7.7        | 7.6        | 2.6            | 2.7        | 4.1          | 4.1        |
| United Kingdom   | 0.2        | 1.4        | 2.8            | 2.7        | 8.0          | 7.7        |
| Canada   | 1.7        | 1.6        | 1.5            | 1.1        | 7.3          | 7.1        |
| <i>Source: IMF World Economic Outlook October 2013, Department of Statistics</i>       |            |            |                |            |              |            |

| <b>B: Official Interest Rates – Selected Countries (%)</b> |             |           |                      |                     |                   |
|--|-------------|-----------|----------------------|---------------------|-------------------|
| <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 |
| September 2011   | 4.50        | 1.50      | 0.75                 | 0-0.25              | 0.50              |
| October 2011   | 4.50        | 1.50      | 0.75                 | 0-0.25              | 0.50              |
| November 2011  | 4.50        | 1.25      | 0.75                 | 0-0.25              | 0.50              |
| December 2011  | 4.50        | 1.00      | 0.75                 | 0-0.25              | 0.50              |
| 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        | 0.5       | 0.75                 | 0-0.25              | 0.50              |

## Selected International Statistics

| <b>C. Selected Currencies<br/>(Per United States Dollars)</b> |        |        |        |                   |                 |                   |
|---|--------|--------|--------|-------------------|-----------------|-------------------|
| Currency  | Sep-12 | Aug-13 | Sep-13 | Mthly %<br>Change | YTD %<br>Change | 12-Mth%<br>Change |
| Euro  | 0.7777 | 0.7563 | 0.7393 | -2.25             | -2.48           | -4.94             |
| Yen   | 77.94  | 98.18  | 98.25  | 0.07              | 13.26           | 26.06             |
| Pound   | 0.6185 | 0.6450 | 0.6178 | -4.21             | 0.38            | -0.12             |
| Canadian \$   | 0.9835 | 1.0537 | 1.0309 | -2.16             | 3.90            | 4.82              |
| Swiss Franc   | 0.9398 | 0.9297 | 0.9049 | -2.67             | -1.17           | -3.71             |
| Renminbi  | 6.2858 | 6.1195 | 6.1202 | 0.01              | -1.79           | -2.63             |

*Source: Bloomberg as of September 30, 2013*

| <b>D. Selected Commodity Prices (\$)</b> |                   |                |                   |                   |                 |
|--|-------------------|----------------|-------------------|-------------------|-----------------|
| Commodity                                | September<br>2012 | August<br>2013 | September<br>2013 | Mthly %<br>Change | YTD %<br>Change |
| Gold / Ounce                             | 1772.25           | 1395.15        | 1328.94           | -4.75             | -20.68          |
| Silver / Ounce                           | 34.49             | 23.52          | 21.70             | -7.76             | -28.50          |
| Oil / Barrel                             | 111.53            | 115.83         | 108.96            | -5.93             | -1.50           |

*Source: Bloomberg as of September 30, 2013*

| <b>E. Equity Market Valuations – September 30, 2013 (%chg)</b> |       |       |            |          |        |       |               |       |
|--|-------|-------|------------|----------|--------|-------|---------------|-------|
|  | BISX  | DJIA  | S&P<br>500 | FTSE 100 | CAC 40 | DAX   | Nikkei<br>225 | SE    |
| 1 month  | 1.01  | 2.16  | 2.97       | 0.77     | 5.33   | 6.06  | 7.97          | 3.64  |
| 3 month  | -0.02 | 1.48  | 4.69       | 3.97     | 10.82  | 7.98  | 5.69          | 9.88  |
| YTD  | 4.47  | 15.46 | 17.91      | 9.57     | 13.80  | 12.90 | 39.06         | -4.16 |
| 12-month   | 7.52  | 12.60 | 16.72      | 12.54    | 23.51  | 19.10 | 62.97         | 4.24  |

*Sources: Bloomberg and BISX*

| <b>F: Short Term Deposit Rates in Selected Currencies (%)</b> |      |      |      |
|---|------|------|------|
|   | USD  | GBP  | EUR  |
| <b>o/n</b>  | 0.13 | 0.43 | 0.13 |
| <b>1 Month</b>  | 0.19 | 0.46 | 0.16 |
| <b>3 Month</b>  | 0.27 | 0.49 | 0.15 |
| <b>6 Month</b>  | 0.40 | 0.56 | 0.27 |
| <b>9 Month</b>  | 0.50 | 0.70 | 0.38 |
| <b>1 year</b>   | 0.58 | 0.84 | 0.46 |

*Source: Bloomberg as of September 30, 2013*

## SUMMARY ACCOUNTS OF THE CENTRAL BANK

(B\$ Millions)

|   | VALUE   |         |         |         |         |         |         |         |         |         |         |         | CHANGE  |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   | Jul. 31 | Aug. 07 | Aug. 14 | Aug. 21 | Aug. 28 | Sep. 04 | Sep. 11 | Sep. 18 | Sep. 25 | Jul. 31 | Aug. 07 | Aug. 14 | Aug. 21 | Aug. 28 | Sep. 04 | Sep. 11 | Sep. 18 | Sep. 25 |
| <b>I. External Reserves</b>                                 | 799.92  | 782.95  | 766.14  | 758.18  | 742.63  | 725.32  | 713.40  | 694.89  | 692.73  | -7.99   | -16.97  | -16.80  | -7.97   | -15.54  | -17.31  | -11.92  | -18.51  | -2.16   |
| <b>II. Net Domestic Assets (A + B + C + D)</b>              | -55.76  | -76.18  | -77.45  | -84.11  | -82.08  | -77.27  | -46.96  | -44.10  | 20.98   | 45.75   | -20.42  | -1.27   | -6.66   | 2.02    | 4.82    | 30.30   | 2.86    | 65.08   |
| <b>A. Net Credit to Gov<sup>h</sup>( i + ii + iii - iv)</b> | 455.30  | 424.09  | 422.97  | 422.98  | 428.05  | 439.04  | 457.23  | 457.63  | 525.40  | 57.16   | -31.21  | -1.12   | 0.01    | 5.07    | 11.00   | 18.19   | 0.40    | 67.77   |
| i) Advances   | 105.66  | 105.66  | 105.66  | 105.66  | 105.66  | 105.66  | 105.66  | 105.66  | 125.66  | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 20.00   |
| ii) Registered Stock  | 178.07  | 177.78  | 177.80  | 177.80  | 177.86  | 178.01  | 178.08  | 178.16  | 223.18  | 8.49    | -0.29   | 0.02    | 0.00    | 0.06    | 0.15    | 0.07    | 0.08    | 45.02   |
| iii) Treasury Bills   | 200.51  | 165.08  | 165.08  | 165.08  | 170.06  | 180.06  | 199.91  | 200.05  | 200.05  | 0.00    | -35.43  | 0.00    | 0.00    | 4.98    | 9.99    | 19.85   | 0.14    | 0.00    |
| iv) Deposits  | 28.93   | 24.42   | 25.57   | 25.56   | 25.53   | 24.68   | 26.41   | 26.23   | 23.49   | -48.67  | -4.51   | 1.14    | -0.01   | -0.03   | -0.85   | 1.73    | -0.18   | -2.75   |
| <b>B. Rest of Public Sector (Net) (i + ii - iii)</b>        | -7.91   | -1.94   | -4.46   | -16.76  | -10.34  | -21.36  | -19.93  | -13.08  | -19.55  | 5.26    | 5.98    | -2.52   | -12.30  | 6.42    | -11.02  | 1.43    | 6.85    | -6.48   |
| i) BDB Loans  | 4.55    | 4.55    | 4.55    | 4.55    | 4.55    | 4.55    | 4.55    | 4.55    | 4.55    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 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   | 12.46   | 6.49    | 9.01    | 21.31   | 14.89   | 25.91   | 24.48   | 17.63   | 24.10   | -5.26   | -5.98   | 2.52    | 12.30   | -6.42   | 11.02   | -1.43   | -6.85   | 6.48    |
| <b>C. Loans to/Deposits with Banks</b>                      | 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    |
| <b>D. Other Items (Net)*</b>                                | -503.15 | -498.34 | -495.96 | -490.32 | -499.79 | -494.95 | -484.26 | -488.66 | -484.87 | -16.67  | 4.82    | 2.38    | 5.64    | -9.47   | 4.84    | 10.68   | -4.39   | 3.79    |
| <b>III. Monetary Base</b>                                   | 744.16  | 706.77  | 688.69  | 674.07  | 660.55  | 648.05  | 666.44  | 650.79  | 713.70  | 37.76   | -37.39  | -18.07  | -14.62  | -13.52  | -12.50  | 18.38   | -15.65  | 62.92   |
| A. Currency in Circulation                                  | 110.35  | 120.19  | 127.88  | 117.01  | 110.45  | 121.88  | 123.05  | 117.51  | 111.15  | -9.17   | 9.83    | 7.69    | -10.87  | -6.56   | 11.44   | 1.17    | -5.55   | -6.36   |
| B. Bank Balances with CBOB                                  | 633.80  | 586.58  | 560.82  | 557.06  | 550.10  | 526.17  | 543.39  | 533.28  | 602.55  | 46.93   | -47.22  | -25.76  | -3.75   | -6.96   | -23.93  | 17.21   | -10.11  | 69.27   |

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

