



# Quarterly Economic Review

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**March, 2009**

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# QUARTERLY ECONOMIC REVIEW

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# REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

## DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary data suggests that domestic economic activity contracted during the first quarter of 2009. Conditions were characterized by a sharp decline in tourism output, softer consumer demand and reduced stimulus to construction activity from foreign investments. However, as global price pressures further moderated, inflation trended lower, continuing to ebb from the peak levels attained during the middle of 2008. Fiscal operations remained adversely impacted by the weakness in the economy, with the comparative deficit widened during the third quarter of FY2008/09, as a result of a reduction in revenues and increased outlays. On the monetary front, the seasonal rebuilding of bank liquidity occurred within a more subdued private sector credit environment but with narrowed gains in the deposit base. Meanwhile, the reduction in domestic demand and lower oil prices contributed to a significant decline in the trade deficit and a reversal in the estimated current account balance to a modest surplus. However, the capital account surplus contracted, based on the slowdown in private foreign investment inflows.

During the review quarter, net free cash reserves of the banking system expanded by 22.7% to \$201.2 million, just ahead of the 18.1% advance in the corresponding period last year. However, this represented a reduced 3.5% of Bahamian dollar deposits compared to 4.1% in 2008. The broader surplus liquid assets, which also include investments in Government debt securities, firmed by 57.1% to \$404.2 million, exceeding the statutory minimum by a strengthened 43.5% vis-à-vis 21.7% a year earlier. With regard to interest rates, the domestic banks' weighted average spread between loans and deposits narrowed by 4 basis points to 6.49%, as the 14 basis point firming in the average deposit rate to 4.00% exceeded a 10 basis point rise in the corresponding loan rate to 10.49%. The average 90 day Treasury bill rate softened by 9 basis points to 2.64%; however, benchmark rates, the Central Bank's Discount Rate and com-

mercial bank's Prime, were unchanged at 5.25% and 5.50%, respectively.

As support for private sector deposit growth waned, quarterly expansion in the money supply (M3) tempered to 1.8% from 2.6% in 2008, bringing the stock to \$6,028.7 million. Demand deposit gains accelerated to 6.6% from 1.6%, supported by stronger increases in public corporations' deposits. However, slowed accretions to balances for private individuals and business firms narrowed the growth in saving deposits to 1.1% from 1.7%, and in fixed deposits, to 0.7% from 3.2%. Moreover, the increase in residents' foreign currency deposits slowed to 3.8% from 9.5%, while currency in active circulation decreased further by 4.3%.

Owing to the financing activities of the Government, total credit firmed marginally by 0.3%, following a nearly unchanged level in 2008. In particular, net claims on Government rose by 12.9%, overturning the 3.1% reduction last year. Conversely, the contraction in claims on the rest of the public sector widened to 9.2% from 2.5% , following on a significant year-earlier repayment on foreign currency debt. Similarly, private sector credit declined by 0.8%, to contrast with the previous period's increase of 0.6%. In particular, added to a more than halving in residential mortgages growth to 1.1%, consumer credit recorded a comparative downturn of 1.5% and other claims, mainly of a commercial nature, contracted further by 2.6%.

During the third quarter of FY2008/09, the estimated shortfall on the Government's budgetary operations widened to a preliminary \$88.1 million from \$9.8 million in the same period a year ago. With the slowdown in the economy, total revenue fell by 17.1% to \$310.9 million, due mainly to an 18.1% drop in tax revenue to \$277.0 million, that was led by a 22.0% slump in levies on international trade. In addition, non-tax collections decreased by 8.5% to \$33.8 million, partly reflected in lower proceeds from the sale of Government property. Conversely, expenditure advanced by 3.6% to \$399.0 million, due mainly to a 5.7% rise in current outlays to \$358.4 million—including higher payments for salaries, goods &

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services and transfers to households. However, capital outlays contracted broadly by 11.9% to \$28.9 million, encompassing a reduction in spending on infrastructure works; and net lending to public enterprises fell by 11.0% to \$11.7 million. Budgetary financing featured net borrowing of \$121.1 million in Bahamian dollar and \$60.0 million in foreign currency, which raised the Direct Charge by 6.5% to \$2,943.9 million. Also, contingent liabilities advanced by \$2.7 million (0.6%), for an increase in the National Debt of \$182.8 million (5.7%) to \$3,383.1 million.

Weak stopover trends underpinned a reduction in tourism output during the first quarter. The projected moderate decline in total arrivals contrasted with a 2.3% increase in same period of 2008, with air traffic, which encompass higher yielding onshore visitors, contracting by more than 15.0%. This overshadowed an improving trend in sea visitors. Widespread weakness in stopover activity was most severe for Grand Bahama and Family Islands, being characterized by both a reduction in hotel room sales and discounting in average nightly room rates. As a result, negative adjustments continued in the hotel sector, with further employment reduction and scaling back in the hours worked for retained employees. To manage costs, some major properties have announced partial plant closures for the summer months, which are expected to coincide with vacation leave for large blocks of employees.

Construction sector output remained constrained by the softness in foreign investment support; albeit, with ongoing stimulus from domestic mortgage financing. Information from banks, insurance companies and the Bahamas Mortgage Corporation indicated that, in comparison to 2008, the value of domestic mortgage disbursements for new construction and building repairs advanced by 6.7% to \$82.0 million during the quarter. Disbursements for residential projects firmed by 5.8% to \$73.0 million; and for commercial developments, by 14.0% to \$9.0 million. Similarly, the forward looking indicator, mortgage commitments for new construction and repairs, rose by 15.1% to \$53.7 million, as the boost in residential approvals outweighed the reduction in commercial commitments. Compared to 2008, the average residential mortgage loan rate declined by 10 basis points to 8.5%; while the average commercial rate was unchanged at 8.8%.

As energy costs further declined, the average Retail Price Index fell by 0.1% during the quarter, contrasting with a 0.5% rise in the first quarter of 2008. The outcome was due primarily to the 1.7% decline in the most heavily weighted housing component, following an increase of 0.6% in 2008, alongside tapered cost increases for food & beverages and medical care & health. On a 12-month basis, inflation remained more elevated at 4.9% from 2.4% in 2008, although moderated from the food and energy driven high of 6.0% in the summer of 2008. Relative to the March 2008 quarter, however, annual increases were still accelerated for food & beverages (7.8%), housing (3.6%), medical care & health (4.1%) and recreation & entertainment services (4.3%), but comparatively slowed for transportation & communications at 3.0%.

In the external sector, the estimated current account balance shifted to a surplus of \$8.3 million from a deficit of \$214.4 million in 2008. The deficit on the merchandise account narrowed by approximately one-third to \$345.9 million, owing to the sharp decrease in the oil import bill (52.3%) and a reduction in other goods imports, associated with reduced demand for both consumer and capital goods. Led by a decline in net payments for foreign services, including construction and transportation, the invisible surplus improved by 9.9% to an estimated \$378.1 million. In addition, net current transfer receipts increased by 38.4% to \$20.3 million; however, expanded banking sector remittances widened net income inflows by almost one-third to \$34.1 million.

The capital and financial account surplus narrowed to \$149.8 million from \$229.8 million in 2008, reflecting a 39.0% contraction in net private investment inflows. Although net equity financing, which supports private developments, improved to \$119.1 million from \$97.5 million, net loan proceeds narrowed to \$30.5 million from \$158.5 million, and net real estate inflows decreased by 28.2% to \$44.2 million. Meanwhile, the public sector recorded a net external borrowing of \$4.4 million, after a net repayment of \$1.6 million last year; albeit, the banking system tempered the reduction its net foreign liabilities by nearly half to \$38.0 million.

## FISCAL OPERATIONS

### OVERVIEW

Reflecting a significant downturn in revenue receipts and modest firming in expenditure, initial data for the third quarter of FY2008/09 revealed that the deficit on fiscal operations rose sharply to \$88.1 million from \$9.8 million in the same period of the previous fiscal year. Total revenue contracted by 17.1% to \$310.9 million, overturning a 3.6% expansion in the same period a year earlier. However, expenditure—including net lending to public corporations—grew by 3.6% to \$399.0 million, after a marginal decline of 0.7% in 2008.

### REVENUE

Tax receipts—which comprised 89.1% of total revenue—contracted by 18.1% to \$277.0 million, led by a \$38.1 million (22.0%) falloff in international trade and transactions taxes. In the revamped structure introduced in the 2008/09 Budget, import duties represented 67.6% of the trade total; excise taxes, 30.7%, and export taxes, 1.7%. With the slowdown in financial sector activity, stamp taxes on financial and other transactions declined by 46.0% to \$39.4 million, while other “miscellaneous” taxes—mainly unallocated receipts falling into the major categories—fell by 11.5%. Also, departure taxes decreased by 13.7% to \$15.7 million, mainly constrained by the softness in tourism. Although selective taxes on tourism services rose by \$1.8 million (18.0%) to \$12.0 million, this was due to a timing-related boost in gaming taxes, as hotel occupancy taxes also fell by 17.9%. Revenue gains were also recorded for property taxes, of 29.4% to \$27.2 million; business and professional licence fees, of 16.3% to \$35.0 million and motor vehicle taxes, of 12.2% to \$6.1 million.

Non-tax revenue, which represented 10.9% of total receipts, contracted by 8.5% to \$33.8 million. In particular, income from public enterprises and other sources fell by 5.7% to \$12.3 million and receipts from the sale of Government property narrowed to \$0.3 million from \$3.2 million. However, collections of fines, forfeitures and administrative fees rose by 2.3% to \$21.3 million.

## Government Revenue By Source

(Jan - Mar)

	FY07/08		FY08/09	
	B\$M	%	B\$M	%
Property Tax	21.0	5.6	27.2	8.8
Selective Services Tax	10.2	2.7	12.0	3.9
Busines. & Prof Lic. Fees	30.1	8.0	35.0	11.3
Motor Vehicle Tax	5.4	1.4	6.1	2.0
Departure Tax	18.2	4.9	15.6	5.0
Import Duties	131.9	35.2	87.7	28.2
Stamp Tax from Imports	37.8	10.1	3.1	1.0
Excise Tax	--	--	41.2	13.3
Export Tax	3.3	0.9	2.9	0.9
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	72.9	19.4	39.4	12.7
Other Tax Revenue	7.9	2.1	7.1	2.3
Fines, Forfeits, etc.	20.8	5.5	21.3	6.9
Sales of Govt. Property	3.2	0.9	0.3	0.1
Income	13.0	3.5	12.3	4.0
Other Non-Tax Rev.	--	--	--	--
Capital Revenue	--	--	--	--
Grants	--	--	--	--
Less: Refunds	0.5	0.1	0.4	0.1
Total	375.2	100.0	310.8	100.0

### EXPENDITURE

Within the expenditure trends, recurrent outlays—approximately 90% of the total—increased by 5.7% to \$358.4 million. However, capital spending declined by 11.9% to \$28.9 million and net lending to public enterprises, by 11.0% to \$11.7 million.

By economic classification, the advance in current outlays was led by a 7.4% increase in Government consumption, distributed between the 4.8% rise in wages and salaries to \$141.8 million and the 12.0% hike in purchases of goods and services to \$85.1 million. Similarly, transfer payments increased by 3.0% to \$131.5 million, as interest payments on the debt firmed by 4.6% to \$37.3 million, while subsidies and other payments rose by 2.4% to \$94.2 million, driven mainly by the Government's intensified effort to mitigate the effects of the crisis on specific groups. The increases within the latter comprised a hike in transfers to households (9.8%), including social assistance, and in payments to non-profit institu-

tions (12.3%)—which together accounted for almost one-third of the total. Subsidies—mainly to quasi public enterprises—represented 52.0% of non-interest transfers, increasing marginally by 0.5%.

million, as a contraction in fixed asset outlays outstripped firming in land purchases. Spending on infrastructural development also decreased by 7.2% to \$20.4 million. However, investment in non-financial public enterprises expanded marginally by \$0.3 million to \$1.5 million.

#### FINANCING AND THE NATIONAL DEBT

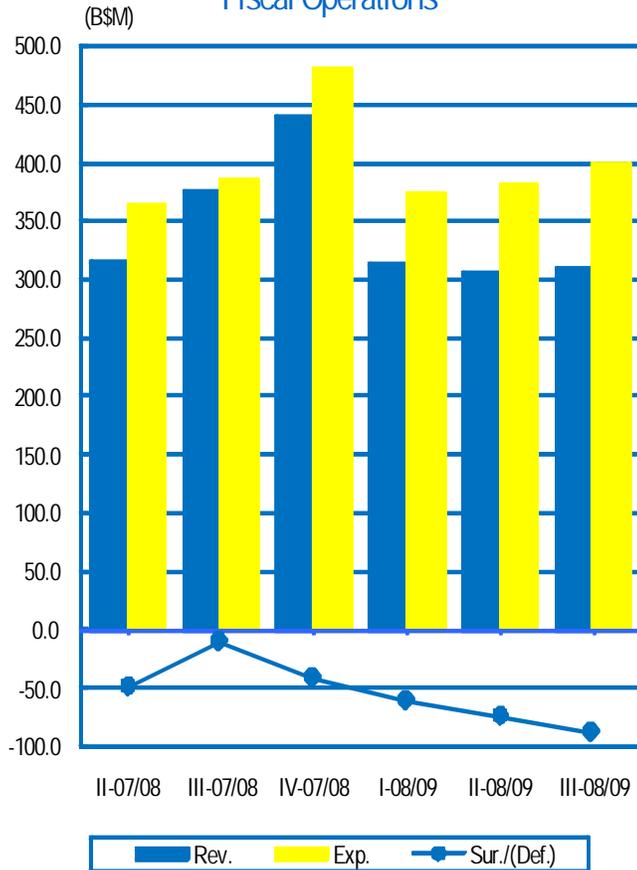
Budgetary financing during the review quarter encompassed \$121.1 million in new Bahamian dollar borrowing and \$60.0 million in foreign currency. Debt repayment represented only \$1.0 million, allocated entirely to external obligations. As a result, the Direct Charge on Government grew by \$180.1 million (6.5%) to \$2,943.9 million, and surpassed the year-earlier level by \$319.4 million (12.2%). Bahamian dollar denominated debt amounted to \$2,500.5 million, or 84.9% of the total, with almost equal shares held by private and institutional investors (31.4%) and domestic banks (31.5%); the remainder was owed to public corporations (28.2%) and the Central Bank (8.9%). In terms of instruments, long-term securities comprised the largest proportion (87.1%) of the Bahamian dollar debt, bearing an average maturity of 12.1 years; with the balance mainly in the form of Treasury bills (9.8%) and advances from the Central Bank (2.9%).

During the quarter, the Government's contingent liabilities rose by \$2.7 million (0.6%) to \$439.2 million. Consequently, the National Debt widened by \$182.8 million (5.7%) to \$3,383.1 million, for an advance of \$331.8 million (10.9%) over the previous year.

#### PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt increased marginally during the quarter, by 0.3% to \$838.1 million, as new drawings of \$106.4 million overshadowed amortization payments of \$104.2 million. The Government owed 52.9% of the outstanding debt, while public corporations—net of inter-public sector loans—were responsible for 47.1%. By creditor profile, commercial banks financed the majority of the obligations (45.3%), followed by investors in private capital markets (35.8%), multilateral institutions (14.3%) and bilateral institutions and other creditors (4.5%). Most obligations were denominated in US dollars (98.6%), with much smaller portions in the euro and yuan; and the debt carried an average maturity of 12.6 years.

Fiscal Operations



On a functional basis, current expenditure on general public services expanded by 2.7% to \$97.7 million (27.3% of the total), reflecting increased payments for public order and safety. Similarly, outlays for economic services rose by 13.1% to \$45.6 million (12.7% of the total), due to higher operating expenses in support of infrastructural developments, and stepped-up tourism promotion. Spending gains were also registered for other community & social services (37.0%), social benefits & services (21.5%), defence (11.8%) and health (8.4%). However, education outlays were reduced by 4.9%.

The 11.9% decline in capital spending was led by a 27.6% reduction in the acquisition of assets to \$7.0

In comparison to the same quarter a year earlier, total debt service payments rose to \$107.6 million from \$15.4 million, as amortization payments expanded by \$94.1 million—dominated by the \$86.5 million refinancing by a public corporation. In contrast, interest charges fell by a third to \$3.4 million. Excluding the refinancing, the debt service ratio firmed by 2.5% of estimated exports of goods and services, from 1.6% last year. However, the Government’s debt service as a percentage of revenue was stable at 0.5%.

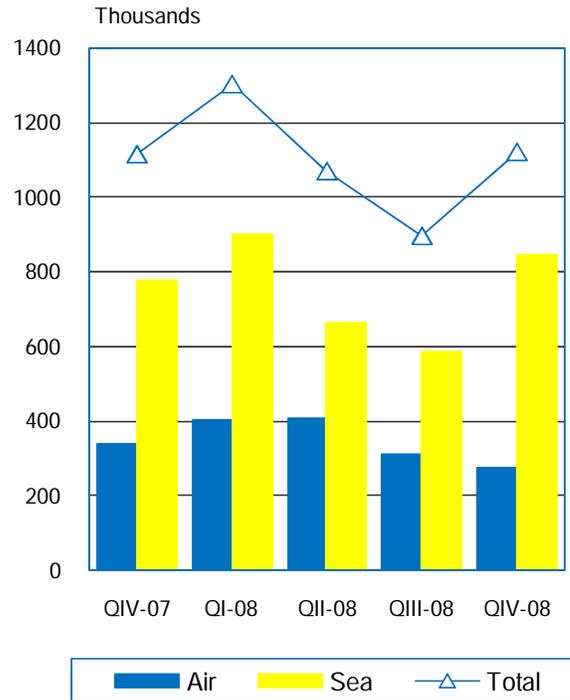
## REAL SECTOR

### TOURISM

Tourism output remained depressed during the first quarter, owing to sustained weakness in major external markets, with a projected retrenchment in stopover output outweighing an expected rise in cruise activity. Although total visitor arrivals for the quarter fell by less than 5.0%, in contrast to a 2.3% increase in the previous year, the outturn included a sharp downturn in air traffic of nearly 16%, relative to a 3.5% improvement a year earlier. Conversely, a modest increase in sea arrivals was projected, following a 1.8% growth in the corresponding quarter of 2008.

By port of entry, indications are that all of The Bahamas destination groupings experienced sharp contractions in stopovers, with losses more pronounced for Grand Bahama and the Family Islands. In line with the fall in air visitors, projected hotel room revenues declined markedly, both owing to depressed room night sales and discounting of the average room rate to below the \$231.95 per night recorded in 2008. Given the operating strains, employment downsizing continued in the sector, with work hours for retained workers also contracted in comparison to 2008. As these conditions are expected to persist through the summer months, a number of major properties have signaled the planned temporary closure of some facilities to reduce fixed operating costs. To minimize employment impacts, some closures have been scheduled to coincide with vacation leave for large segments of employees.

### Visitor Arrivals



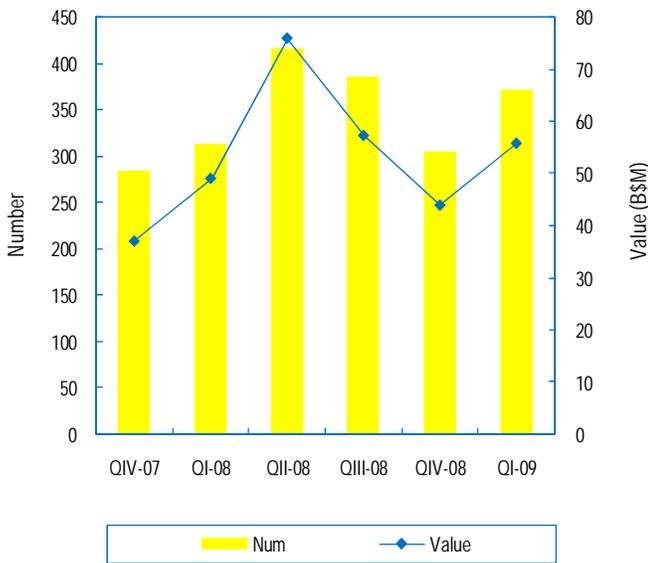
### CONSTRUCTION

Reflecting the scaled-back support from foreign investments, construction output remained sluggish during the review quarter; albeit, with an important contribution provided from domestic activities. Aggregate mortgage disbursements for new construction and building repairs, as reported by commercial banks, insurance companies and the Bahamas Mortgage Corporation, rose by 6.7% to \$82.0 million vis-à-vis the same quarter of 2008. In particular, residential loan disbursements strengthened by 5.8% to \$73.0 million, and commercial financing, by 14.0% to \$9.0 million.

Compared to 2008, mortgage commitments for new construction and repairs—a more forward looking indicator—improved in number by 18.9% to 371 and in value, by 13.6% to \$55.8 million. The number of residential loan approvals rose by 20.3% to 361, with a corresponding gain in value of 15.1% to \$53.7 million. Conversely, the number of commercial commitments fell moderately to 10, with a 14.4% reduction in value to \$2.1 million.

Compared to the first quarter of 2008, the average interest rate on residential loans narrowed by 10 basis points to 8.50%, offsetting an increase of the same magnitude last year. Meanwhile, the average interest rate on commercial loans was stable at 8.80%, following a 20 basis point decline a year earlier.

Mortgage Commitments:  
New Construction and Repairs



## PRICES

Although the annual inflation rate remained elevated during the review quarter, signs of moderation emerged, as benefits from the reduction in energy prices further accumulated in the local economy. In particular, the average Retail Price Index fell during the first quarter, by 0.1% vis-à-vis an increase of 0.5% in the same period of 2008. This mainly reflected a reduction in housing costs—the largest component—by 1.7%, after a 0.6% advance a year earlier, as the surcharge in electricity bills receded by 47.9% to 10.72 cents per kilowatt hour (kwh). Similarly, average inflation slowed for food & beverages, to 0.8% from 1.6%, and medical care & health, to 0.7% from 2.3%. However, average cost increases for the remaining components of the Index accelerated modestly.

## Average Retail Price Index

(Annual % Changes)  
March

Items	Weight	2008		2009	
		Index	%	Index	%
Food & Beverages	138.3	132.0	3.8	142.3	7.8
Clothing & Footwear	58.9	108.0	1.1	109.7	1.5
Housing	328.2	109.0	0.6	112.9	3.6
Furn. & Household	88.7	131.7	6.6	140.4	6.6
Med. Care & Health	44.1	144.6	3.5	150.6	4.1
Trans. & Comm.	148.4	113.4	3.1	116.8	2.9
Rec., Enter. & Svcs.	48.7	126.4	1.5	131.8	4.3
Education	53.1	174.9	2.5	179.9	2.9
Other Goods & Svcs.	91.6	137.1	1.1	150.5	9.8
ALL ITEMS	1000	123.3	2.4	129.4	4.9

On a 12-month basis, average inflation was still elevated at 4.9% from 2.4% in 2009, but with significant moderation from the 6.0% boost associated with food and energy costs during the summer months of 2009. This included a sharp rise in the average rate of cost increases for food & beverages, to 7.8% from 3.8%; housing, to 3.6% from 0.6%; medical care & health, to 4.1% from 3.5%; recreation & entertainment services, to 4.3% from 1.5% and 'other' goods & services, to 9.8% from 1.1%. Also of note, the average cost increase for furniture & household operation was stable at 6.6%, but slightly decelerated for transportation & communications at 3.0%.

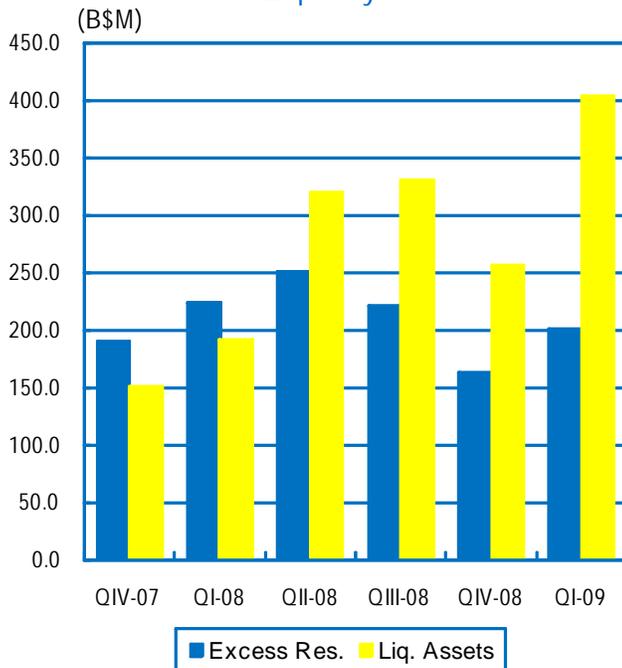
Occasioned by reduced global oil prices, the Department of Statistics' surveys revealed that, along with easing in electricity costs, retail fuel prices sustained their downward trajectory noted since the middle of 2008. The average cost of gasoline and diesel abated over the quarter by 19.9% and 32.4% to \$3.35 and \$2.73 per gallon, respectively, and were 27.5% and 37.1% below the corresponding estimates for 2008.

## MONEY, CREDIT AND INTEREST RATES

### OVERVIEW

Monetary conditions were characterized by a moderately stronger seasonal build-up in liquidity during the review period, but a narrowed reduction in the system's net foreign liabilities. Amid the weakness in the economy and deteriorating asset quality, public sector borrowing outweighed the downturn in private sector lending, for a marginal upturn in domestic credit which, although sustainable, was supported by less robust gains in the deposit base. Meanwhile, increased operating costs and the steady rise in provisioning against bad debts underpinned a reduction in overall bank profitability. However, the weighted average interest rate spread narrowed over the review period, as the rise in deposit rates outpaced the firming in lending rates.

### Liquidity



### LIQUIDITY

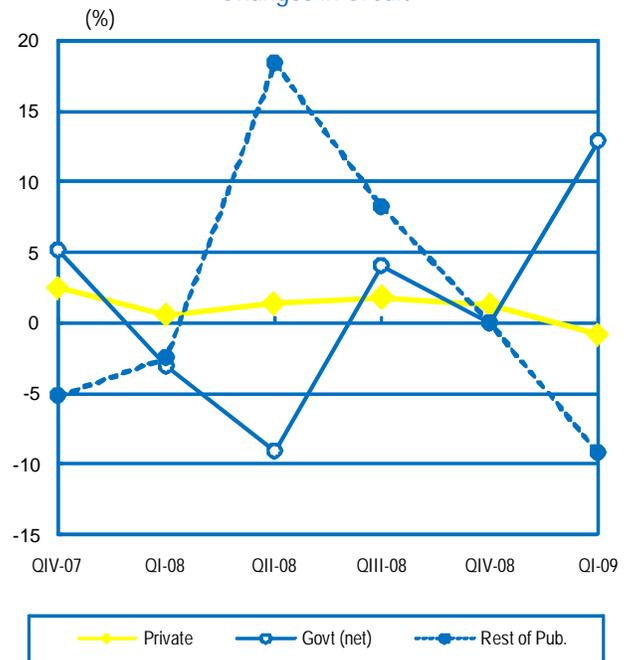
During the quarter, net free cash reserves of domestic banks firmed by \$37.2 million (22.7%) to \$201.2 million, following a \$34.4 million (18.1%) advance in the

same period of 2008. At end-March, the ratio of excess reserves to Bahamian dollar deposit liabilities lessened to 3.5% from 4.1% a year earlier. However, as banks increased their holdings of Government securities, the broader surplus liquid assets rose by \$146.9 million (57.1%) to \$404.2 million, strongly outpacing the \$39.7 million (26.2%) rise in the preceding year, and surpassing the required statutory minimum by 43.5%, compared to 21.7% in the same period of 2008.

### DEPOSITS & MONEY

Amid lessened support for private sector deposit growth, overall money (M3) expansion slowed to 1.8% from 2.6% a year earlier. However, narrow money (M1) gains accelerated to \$61.9 million (4.9%) from \$8.1 million (0.6%) in the previous year, as a strengthening in public sector balances boosted demand deposit expansion to \$70.7 million (6.6%) from \$17.5 million (1.6%); albeit, currency in active circulation narrowed further by \$8.8 million (4.3%).

### Changes in Credit



The increase in broad money (M2) abated to \$97.0 million (1.7%) from \$126.3 million (2.3%) a year earlier. A slowdown in private sector placements tempered

accretions to both savings and fixed deposits, to \$11.0 million (1.1 %) and \$24.1 million (0.7%), from \$17.2 million (1.7%) and \$100.9 million (12.2%), respectively in 2008. Similarly, gains in residents' foreign currency balances slackened to \$7.7 million (3.8%) from \$19.0 million (9.5%), tapering overall money growth to \$104.7 million (1.8%) from \$145.2 million (2.6%) in 2008, for an overall stock of \$6,028.7 million.

Bahamian dollar fixed balances comprised the largest share of the money stock (57.2%), followed by demand (18.9%) and savings deposits (17.1%); with the remainder divided between currency in active circulation (3.3%) and residents' foreign currency deposits (3.5%).

#### DOMESTIC CREDIT

Despite the significant contraction in claims on the private sector, increased lending to Government supported a \$24.7 million (0.3%) upturn in domestic credit, following a virtually unchanged level during the first quarter of 2008. While the increase in the Bahamian dollar component slowed moderately to \$20.8 million (0.3%), foreign currency credit recovered by \$4.0 million (0.5%) from a \$49.8 million (6.8%) decline last year.

The banking sector's net claims on the public sector widened by 5.7%, strongly reversing a decline of 2.9% in 2008. In particular, net credit to the Government rebounded by \$118.9 million (12.9%), following last year's \$26.7 million (3.1%) net repayment. In contrast, credit to the rest of the public sector contracted further, at an accelerated pace of \$41.2 million (9.2%), mainly reflecting the repayment of foreign currency obligations.

During the quarter, private sector credit declined by \$53.0 million (0.8%) vis-à-vis a 0.6% accretion last year. This outturn included a 0.3% contraction in personal loans—which represent 76.7% of the outstanding claims—compared to a 1.1% increase a year earlier; and a continued reduction in other private sector credit, mainly of a commercial nature, by 2.6%. Among the major personal components, overdraft balances and consumer credit declined by \$11.7 million (10.7%) and \$32.9 million (1.5%), respectively, compared to year-earlier increases of 32.8% and 0.8%. In addition, the growth in residential mortgages was more than halved to \$29.3 million (1.1%).

A further analysis of consumer credit revealed sustained net repayments in most categories. Reductions

were noted in loans for miscellaneous purposes (\$12.0 million), private cars (\$11.0 million), credit cards (\$10.8 million), travel (\$5.6 million), education (\$2.1 million) and home improvement (\$1.3 million). Most remaining categories also registered net repayments, of under \$1.0 million; albeit, debt consolidation—consisting of rewritten obligations—firmed by \$11.2 million.

#### Distribution of Bank Credit By Sector End-March

	2008		2009	
	B\$M	%	B\$M	%
Agriculture	11.9	0.2	14.5	0.2
Fisheries	8.6	0.1	8.4	0.1
Mining & Quarry	6.2	0.1	1.1	0.0
Manufacturing	52.7	0.8	33.9	0.5
Distribution	198.3	3.0	161.7	2.3
Tourism	230.6	3.5	204.7	3.0
Enter. & Catering	49.3	0.7	35.8	0.5
Transport	27.7	0.4	26.3	0.4
Public Corps.	251.9	3.8	300.4	4.3
Construction	406.1	6.2	442.2	6.4
Government	133.4	2.0	176.2	2.5
Private Financial	26.6	0.4	23.4	0.3
Prof. & Other Ser.	151.8	2.3	167.4	2.4
Personal	4,669.8	70.8	4,975.1	71.8
Miscellaneous	367.6	5.6	360.1	5.2
TOTAL	6,592.5	100.0	6,931.2	100.0

As regard private credit for commercial and other purposes, the outstanding balances decreased further, most notably for distribution (\$16.9 million), tourism (\$7.8 million), manufacturing (\$7.2 million), construction (\$3.8 million), transport (\$1.9 million) and fisheries (\$1.5 million). Contractions of less than \$1.0 million were recorded in most of the other categories; however, net claims firmed against private financial institutions (\$3.1 million).

#### MORTGAGES

A broader analysis of mortgage lending, as reported by banks, insurance companies and the Bahamas Mortgage Corporation, showed that the expansion in total

liabilities moderated by \$33.9 million (1.1%) from \$54.1 million (1.9%) last year, placing the outstanding balances at \$3,080.4 million. Residential mortgages, at 93.0% of the total, rose further by 1.2% to \$2,863.5 million, trailing a gain of 2.2% a year earlier. However, the contraction in commercial claims was extended by \$0.5 million (0.2%) to \$216.9 million, vis-à-vis the previous year's \$2.1 million (0.9%). At end-March 2009, the majority of outstanding mortgages originated from banks (89.0%), followed by insurance companies (6.2%) and the Bahamas Mortgage Corporation (4.8%).

### THE CENTRAL BANK

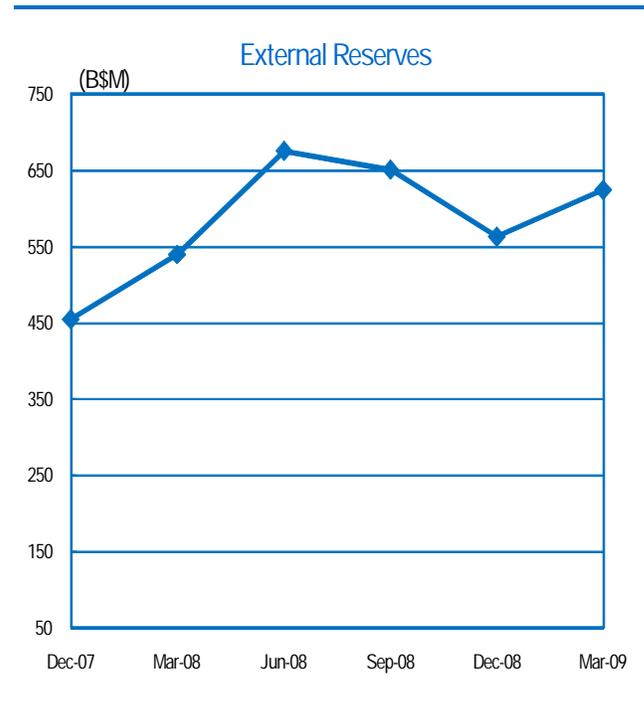
The net domestic liabilities of the Central Bank rose by 10.8% during the first quarter, corresponding to seasonal growth in the external reserves of a similar magnitude.

This position continued to reflect a net claim on Government, although lowered by \$3.5 million (1.8%) to \$195.3 million, as the Bank's deposit liabilities to Government expanded by \$22.0 million, outweighing the \$18.4 million increase in holdings of Government paper. Conversely, owing to increased deposits, the Central Bank's net liabilities to the rest of the public sector firmed to \$9.1 million from \$3.1 million. Corresponding to the seasonal buildup in liquidity, liabilities to domestic banks rose by \$60.9 million (13.9%) to \$499.9 million—of which 57.0% represented statutory reserves. These developments overshadowed the \$8.8 million decrease in Bahamian dollar currency in active circulation.

The 10.8% advance in external reserves trailed an \$85.3 million (18.8%) boost in 2008. In particular, the Bank's net foreign currency purchase declined by 29.8% to \$57.1 million. Indicating lower private sector foreign currency inflows, associated with tourism and foreign direct investments and reduced public sector borrowing, total purchases narrowed by \$92.4 million (31.8%) to \$198.1 million, while total sales fell by \$68.2 million (32.6%) to \$141.0 million. The net foreign currency purchase from Government was nearly halved to \$37.1 million; however, the net purchase from commercial banks rose marginally to \$88.5 million, while the net sale to public corporations tapered slightly to \$68.5 million.

At end-March, external reserves stood at \$623.8 million, relative to \$539.6 million in the corresponding period of 2008, and was equivalent to an estimated 16.4 weeks

of non-oil merchandise imports, up from 12.2 weeks a year earlier. After adjusting for the statutory required 50% of the Bank's demand liabilities—which has to be supported by external balances—"useable" reserves stood higher at \$253.9 million, compared to \$160.9 million at end-March 2008.



### DOMESTIC BANKS

During the review quarter, domestic banks recorded an accumulation of surplus resources and a reduction in net external liabilities, after net flows from deposit and credit activities with public corporations and the private sector outpaced the rise in net claims on Government. Amid the downturn in consumer demand and a more cautious lending stance, credit to the private sector contracted by \$53.0 million (0.8%), offsetting the 0.6% advance of a year earlier, and contrasting with a \$55.5 million (1.1%) increase in deposit liabilities to the sector. Moreover, the exposure to the public corporations switched, to a net liability of \$89.9 million from a net claim of \$3.4 million at end-December, owing to a combination of deposit growth (11.9%) and a reduction in outstanding credit (9.3%)—mainly on foreign currency claims. But-tressed by increased holdings of debt securities and an advance in foreign currency loans, net claims on the

Government rose further by \$122.4 million (16.9%). Banks also obtained net funding from an additional \$47.0 million (2.5%) in capital and surplus resources (mainly retained earnings), which facilitated a \$38.0 million (5.4%) reduction in net foreign liabilities and a \$60.9 million (13.9%) hike in balances held at the Central Bank.

At end-March, the total value of domestic banks' deposit liabilities, including amounts owed to Government, stood at \$5,831.7 million, an increase of 1.9% during the quarter. Bahamian dollar accounts comprised 96.4% of the total. The majority of deposits were held by private individuals (57.9%), followed by business firms (23.7%), the public sector (10.8%), other customers (4.0%) and private financial institutions (3.6%). Disaggregated by type of contracts, fixed deposits made up the bulk of accounts (61.4%), followed by demand deposits (20.6%) and saving balances (18.0%).

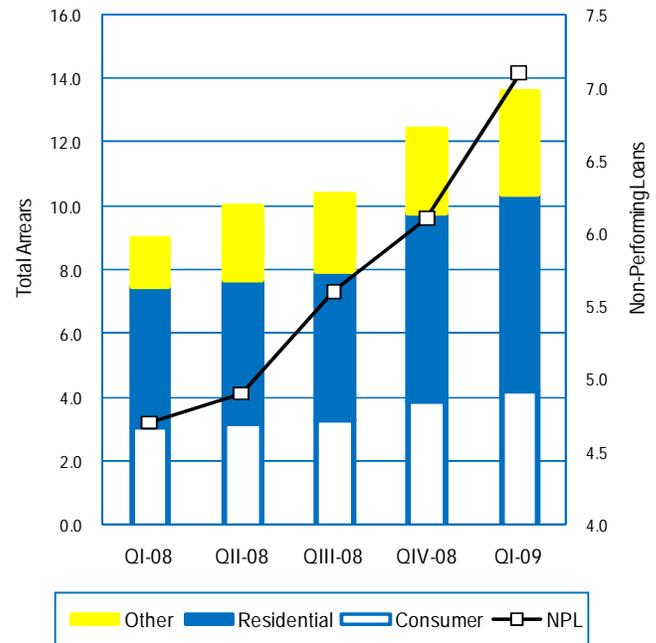
Data on the range of value and number of Bahamian dollar accounts, showed that the bulk (90.9%) of contracts were still against balances under \$10,000, which represented only 7.1% of the aggregate value. Balances in the range of \$10,000 to \$50,000 made up 6.2% of the accounts and 12.4% of the total value; while deposits in excess of \$50,000 represented 2.9% of the accounts, but the majority of the value (80.5%).

### CREDIT QUALITY

During the first quarter, domestic banks' credit quality indicators deteriorated further, as the unchecked pressures on borrowers' ability to repay loans caused more slippage of obligations into non-performing status. The total value of private sector Bahamian dollar facilities in payment arrears of 30 days or more increased more moderately by \$66.9 million (8.7%) to \$838.7 million. The corresponding ratio of arrears to total loans firmed to 13.66% from 12.51% in December 2008 and 9.12% a year earlier. The most significant increase occurred in commercial loan arrears, by \$33.7 million (20.9%) to \$194.9 million, with the portfolio arrears rate worsening to 18.9% from 15.5% in the previous quarter and 8.4% a year ago. For consumer credit, balances in arrears rose by \$16.9 million (7.0%) to \$257.2 million, representing 11.7% of the respective portfolio and up from 10.8% at end-December and 8.8% at end-March 2008. Further, residential mortgage arrears advanced by \$16.2 million (4.4%) to \$380.4 million at end-March, pushing the ar-

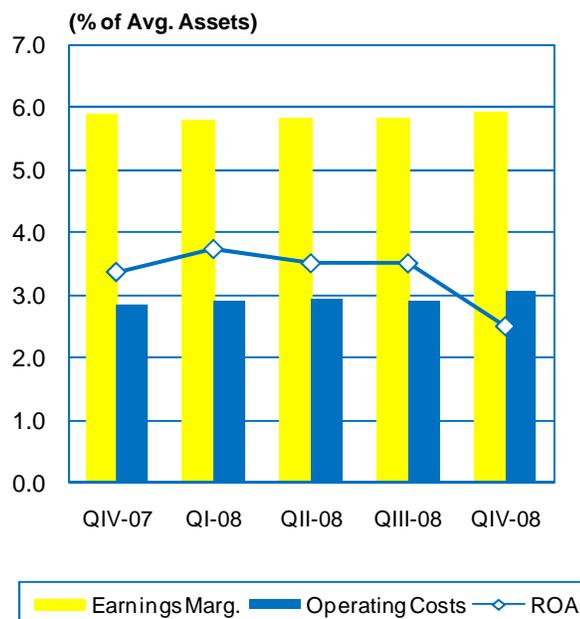
rears rate to 13.7% from 13.2% in the previous quarter and 9.9% at end-March 2008.

Loan Arrears & Non-Performing Balances  
(% of Total Loans)



Reflecting a significant increase in the average age of arrears, non-performing loans—with past due payments of more than 90 days, on which banks no longer accrued interest—rose by \$59.3 million (16.1%) to \$427.0 million at quarter's end; and, as a share of total claims, increased to 7.1% from 6.1% at end-December and 4.7% at end-March 2008. In line with the worsening conditions, banks continued to take a more conservative posture against losses, increasing provisions for bad debt by \$11.9 million (7.0%) to \$181.0 million. The corresponding ratio of provisions to total loans firmed during the quarter by 0.21 percentage points to 2.95%; and contrasted with a lower estimate of 2.21% a year earlier. However, reflecting more rapid growth in non-performing balances, the ratio of provisions to non-performing loans decreased to 42.39% from 45.98% at end-December and 47.89% 12 months earlier.

## Domestic Banks' Profitability



### BANK PROFITABILITY

With the increasing provisions for bad debt and firming in operating costs, domestic banks' estimated profits narrowed to \$57.1 million in the fourth quarter of 2008—the latest period for which data is available—from \$71.0 million in the same quarter of 2007. The net interest margin improved by 8.0% to \$128.1 million, supported by higher loan balances and relatively stable interest expenses. This, added to the 42.8% advance in commission and foreign exchange income to \$7.3 million, increased the gross earnings margin by 9.4% to \$135.4 million. However, operating costs rose by 17.6% to \$70.3 million, driven in part by hikes in salaries, rent and administrative expenses. Also, "other" non-operating income, net of depreciation and bad debt expenses, recorded a deficit of \$8.1 million, due to a more than doubling in provisions for bad debts.

Profitability ratios, relative to average domestic assets, also weakened over the review period. The net interest margin fell by 4 basis points to 5.60% of average assets, while the corresponding ratio for commission and foreign exchange increased by 8 basis points to 0.32%. Additionally, the operating cost ratio rose by 23 basis points to 3.07%, while the reversal in "other income" flows

reduced this support by 69 basis points. As a result, the net income (return on assets) ratio declined by 88 basis points to 2.49%.

### INTEREST RATES

In interest rate developments, the weighted average spread on domestic banks' loan and deposit rates narrowed by 4 basis points to 6.49%, as the average deposit rate firmed by 14 basis points to 4.00%, outstripping a 10 basis point rise in the corresponding loan rate to 10.49%. With regard to deposits, the average savings rate advanced by 13 basis points to 2.19%, while the range on fixed maturities widened to 3.64% - 4.67% from 3.63% - 4.35% in the previous quarter. Similarly, the average demand deposit rate rose by 13 basis points to 1.66%.

### Banking Sector Interest Rates

	Period Average (%)		
	Qtr. I 2008	Qtr. IV 2008	Qtr. I 2009
<b>Deposit Rates</b>			
Demand Deposits	1.41	1.53	1.66
Savings Deposits	2.30	2.06	2.19
<b>Fixed Deposits</b>			
Up to 3 months	3.74	3.63	3.64
Up to 6 months	4.18	4.04	4.23
Up to 12 months	4.83	4.35	4.67
Over 12 months	5.05	4.11	4.66
Weighted Avg Deposit Rate	4.02	3.86	4.00
<b>Lending Rates</b>			
Residential mortgages	8.36	8.25	8.29
Commercial mortgages	8.62	8.64	8.58
Consumer loans	13.00	12.55	12.49
Other Local Loans	8.16	8.22	8.12
Overdrafts	11.34	11.10	12.84
Weighted Avg Loan Rate	11.00	10.39	10.49

On the lending side, the average residential mortgage rate gained 4 basis points to 8.29%, and the average rate on overdraft facilities moved higher by 1.74 percentage points to 12.84%. In contrast, rates on com-

mercial and consumer loans both softened by 6 basis points, to 8.58% and 12.49%, respectively.

Among other key rates, the average 90-day Treasury bill rate declined by 9 basis points to 2.64%; however, the Central Bank's Discount Rate and Commercial Banks' Prime Rate remained stable at 5.25% and 5.50%, respectively.

## CAPITAL MARKETS DEVELOPMENTS

As the economic downturn continued to weigh heavily on investor confidence, both valuations and trading volumes for domestic equities declined during the period. The Bahamas International Securities Exchange (BISX) Share Price Index contracted by 1.8% to 1,638.8 points, adding to a 5.0% decrease in the same quarter in 2008. The volume of shares traded on the Exchange was also depressed, to 0.6 million valued at \$2.9 million, compared to 1.2 million shares at a market value of \$7.6 million in 2008. Moreover, market capitalization dipped by 3.9% to \$2.6 billion, extending the 20.5% decline of a year earlier.

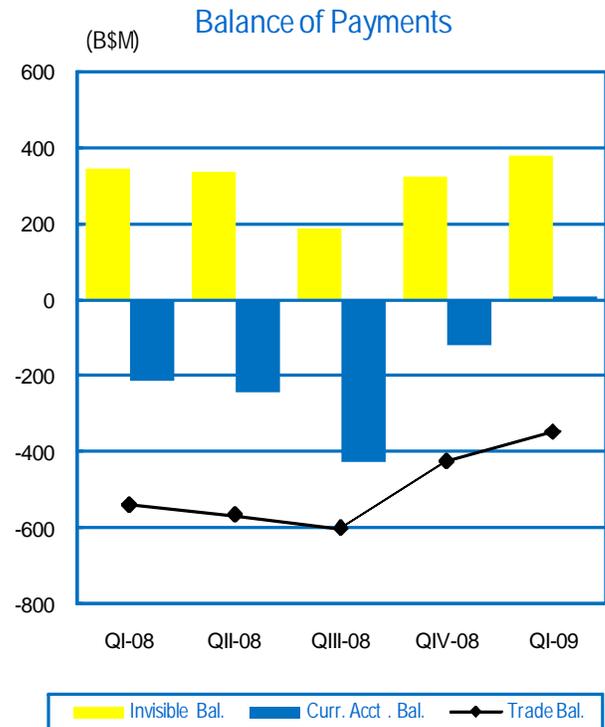
Similar trends were observed for the Fidelity Capital Market Index (FINDEX)—inclusive of securities traded over-the-counter—which decreased by 3.4% to end the quarter at 806.7 points.

## INTERNATIONAL TRADE AND PAYMENTS

Reflecting lower oil prices and weaker domestic demand, provisional data for the first quarter of 2009 indicate that the current account recorded a surplus of \$8.3 million, after a \$214.4 million deficit in the comparable period a year ago. The slowdown in tourism-related capital inflows, which also contributed to reduced imports and service payments, underpinned a significant narrowing in the surplus on the capital and financial account.

The estimated merchandise trade deficit decreased by \$190.0 million (35.8%) to \$345.9 million, led by a more than halving in the oil bill to \$149.6 million. In particular, the per barrel cost of imported propane declined by 44.3%; motor gas, by 39.8%; jet fuel by, 48.5%, bunker 'C fuel,' by 19.2% and gas oil by 89.1%. Similarly, the

non-oil trade deficit contracted by \$73.8 million (21.9%) to \$262.8 million, reflecting a sharper falloff in demand (19.8%) relative to the easing in estimated exports.



The services account surplus improved by \$34.1 million (9.9%) to \$412.3 million. With the moderation in shipping and travel activity, net outflows for transportation services decreased by \$25.8 million (31.3%) to \$56.5 million. Amid the slowdown in investment activity, net outflows for foreign construction services were nearly halved to \$8.2 million. Similarly, net outflows for other services, including royalty payments, declined by 15.4% (\$14.5 million) to \$94.1 million; while net external payments for insurance and Government services tapered to \$10.7 million and \$3.5 million, from \$6.4 and \$28.7 million, respectively. Partially countering these trends, net travel receipts fell by \$15.6 million (3.0%) to \$504.6 million, as estimated tourism inflows declined by more than the easing in residents' overseas expenditures. Also, the offshore companies local expenditure inflows narrowed by 26.9% (\$17.1 million) to \$46.4 million.

The net income deficit widened by almost one-third to \$44.2 million, led by the increased repatriation of investment income to \$29.8 million from \$18.7 million in 2008. This contrasted with the 7.1% decline in employees' net remittances, to \$14.3 million. Within the investment component, trends were dominated by the elevated net profit remittances of domestic banks, which overshadowed a decline in other private sector net outflows. Moreover, the reduction in earnings on the Central Bank's foreign reserves led to narrowed inflows from official transactions, net of interest payment on public sector debt, to \$0.8 million from \$4.3 million in 2008.

Under current transfers, net receipts advanced by 38.4% to \$20.3 million, boosted by a one-third rise in the net Government surplus to \$22.0 million. Also, workers' net remittances decreased slightly to \$1.9 million.

The estimated surplus on the capital and financial account narrowed to \$149.8 million from \$229.8 million in 2008. The reduction in the financial surplus, to \$160.2 million from \$241.4 million, dominated the marginal narrowing in migrant worker's net capital outflows, to \$10.4 million from \$11.6 million. On the financial account, net private foreign investment inflows decreased to \$193.8 million, from an estimated \$317.5 million in 2008. Of the total, net equity financing advanced by 22.1% to \$119.1 million; albeit, net real estate purchases fell by 28.2% to \$44.2 million and net loan financing tapered significantly to \$30.5 million from \$158.5 million in 2008. In the public sector, external debt operations were reversed, to a \$4.4 million net borrowing from a \$1.6 million net repayment in 2008; and residents did not undertake any external portfolio investments during the period, compared to a net purchase of \$2.0 million last year. Meanwhile, the net repayment of the domestic banks' short-term liabilities was almost halved to \$38.0 million.

After adjusting for possible net errors and omissions, the surplus on the overall balance, which reflects the change in the Central Bank's external reserves, moderated to \$60.7 million from \$85.6 million in 2008.

## INTERNATIONAL ECONOMIC DEVELOPMENTS

During the first quarter of 2009, indications are that the global economy remained in a deep recession, al-

though the outlook improved in response to the decisive, unrelenting policy measures pursued in the major countries. Nevertheless, labour market conditions deteriorated further, amid continued adjustments by businesses in the face of reduced demand. However, both the softness in consumer demand and the downturn in energy prices had a further moderating effect on inflationary pressures. On the monetary front, major central banks sustained their expansionary efforts, reducing key interest rates and injecting significant liquidity into the credit markets. While a general improvement in equity prices was noted during March, major indices remained lower for the quarter, owing to the sharp price declines during the first two months of the year. In currency trends, as investors increased their holdings of US assets, the dollar appreciated against most major currencies. In the external sector, estimates continued to indicate reductions in the major countries' trade imbalances, mostly attributed to the persistent slowdown in imports, due to internal weaknesses.

Except for the United States, most major economies experienced sharper output declines in the review quarter; albeit, expectations are that economic outlook is beginning to improve. Real GDP in the United States decreased at an annualized rate of 5.7%, slightly moderated from the 6.3% falloff in the previous quarter, while contrasting with weak growth of 0.9% in the same quarter of 2008. Developments reflected sustained softness in the housing and construction sectors, but included signs of some stabilization in private consumption expenditures. Influenced by weaker services and manufacturing output, real GDP for the United Kingdom contracted further, on a quarterly basis, by 1.9% vis-à-vis a decrease of 1.6% in the last quarter of 2008 and a tepid advance of 0.3% a year earlier. Similarly, output fell further, by 2.5%, in the euro zone, after a decline of 0.7% in the fourth quarter of 2008, owing to weaker consumer demand. This reflected broad-based slowing in most countries in the zone, with Germany and France—the two largest economies—contracting by 3.8% and 1.2%, respectively. Asian economies remained moribund, with real output in Japan, the region's largest economy, receding by 4.8%, following a 3.8% decrease in the final quarter and a more upbeat performance in the first quarter of 2008. China continued to anchor growth in the region, but experienced a significantly decelerated output gain of 6.1% on a year-to-year

basis, vis-à-vis 10.6% in 2008, which was nonetheless supported by the Government's US\$585 billion stimulus package; exports remained hampered by the slump in demand from the major industrial countries.

Employment conditions continued to be depressed among the major countries, amid ongoing private sector adjustments, including business failures and restructuring. In the United States, the average unemployment rate accelerated to 8.1% in the first quarter, from 6.9% the previous quarter and 5.1% in the corresponding period of 2008. An additional 2.5 million jobs were eliminated, bringing cumulative losses since the beginning of the recession in late 2007, to 5.1 million. Similarly, the United Kingdom's average unemployment rate firmed to 7.1% from 6.3% in the previous quarter and was 1.9 percentage points higher than a year earlier, marked by the elimination of another 0.2 million jobs. The euro area's average unemployment rate increased by 1.5 percentage points to 8.7% over the same quarter a year ago, also pushing the jobless rate above the 8.0% recorded in the fourth quarter of 2008. Notably, the unemployment rate in Germany and France deteriorated to 7.4% and 8.6% from 7.1% and 8.2%, respectively, in the previous quarter. The first quarter unemployment rate edged up to an estimated 4.6% from 3.9% in Japan, and for China, to 4.3% from 4.2% in the previous period.

Consumer price inflation in most of the major countries moderated during the first quarter, given the downturn in consumer demand and abated energy prices. In the United States, the annualized seasonally adjusted inflation rate stood at 2.2%, contrasting with an average price decline of 12.4% in the fourth quarter of 2008, when energy costs plummeted. However, significant moderation continued relative to the advance of 3.1% in the first quarter of 2008. Similarly, owing to reductions in energy prices, annual inflation in the euro area fell to its lowest level on record, of 0.6% in March, from 3.6% a year earlier and 1.6% in the final quarter of 2008. The United Kingdom's annual inflation, estimated at 2.9% in March, softened from 3.1% in the previous period; but was slightly firmed from the 2.5% noted a year earlier, reflecting upward pressure from recreation & culture and clothing & footwear, which offset receding gas and heating oil bills. As Japan's economic condition worsened, weaker consumer spending underpinned a decline in average consumer prices of 0.1% in the first quarter, from a

slowed increase of 1.0% last period and a 1.2% rise a year ago. For China, consumer prices fell by 1.2% for the first quarter, in contrast to an 8.3% gain last year—also partly influenced by easing domestic demand.

In foreign exchange markets, the US dollar appreciated against most of the major currencies during the first quarter, amid signs that the economy might emerge from the recession more quickly than other developed nations. The dollar moved higher against the Japanese yen, by 9.2% to ¥98.98; relative to the Swiss franc, by 6.5% to CHF1.14; the Canadian dollar, by 3.3% to C\$1.26 and the Chinese Yuan, by 0.1% to 6.83. The dollar also strengthened against the euro and the British pound, by 5.4% and 2.12%, to €0.75 and £0.70, respectively.

Although investor sentiments improved significantly during March, in response to positive earnings signals and some firming in the global economic outlook, the sharp contraction in stock prices over the first two months of the year dominated the quarter's result, for a consequent decline in valuations on the major bourses. In the United States, the Dow Jones Industrial Average (DJIA) fell by 13.3% to 7,908.9 points and the broader Standard and Poor's 500 index, by 11.5% to 794.8 points. In Europe, the United Kingdom's FTSE 100 share price index also depreciated, by 11.5% to 3,926.1 points; Germany's DAX index, by 15.1% to 4,084.8 points and France's CAC 40 index, by 12.8% to 2,807.3 points. Further, Japan's Nikkei 225 index contracted by 8.5% to 8,109.5 points; however, China's Shanghai SE composite index appreciated by 30.3% to 2,373.2 points.

Commodity market developments featured some rebound in crude oil prices during the review quarter, due to the Organization of Petroleum Exporting Countries' (OPEC) decision to reduce daily output and evidence of some stabilization in the outlook for global demand. The per barrel price of crude oil rose by 26.1% to \$49.84 vis-à-vis end-December 2008. As investors augmented their holdings of relatively "safe" assets, precious metal prices increased over the review quarter, with gold higher by 4.5% at \$919.15 per ounce and silver, by 13.9% at \$12.97 per ounce.

On the monetary front, major central banks sustained their expansionary policies, targeting reductions in short and long-term interest rates, increased financial market

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liquidity, and a boost in the direct supply of long-term credit. In the United States, the Federal Reserve maintained the target federal funds rate within an historically low band of 0.00-0.25% and the primary credit rate at 0.50%. The Fed also either strengthened or initiated new measures to improve the flow of credit and to reduce long-term interest rates. The Bank of England, meanwhile, reduced its policy rate by 1.5 percentage points, to an historic low of 0.50%, and announced a plan to purchase an estimated £75 billion in private and public sector debt using central bank reserves. Similarly, the European Central Bank decreased its benchmark rate by 1.0 percentage point to 1.50%, the lowest level since the Bank's inception. The Bank of Japan maintained its relatively relaxed monetary policy stance, advanced over the previous quarters, holding the rate on its complementary lending facility stable at a low 0.3%.

The major countries' external current accounts continued to be impacted by the decline in global trade flows, with mixed trends, corresponding to the relative impor-

tance of domestic versus external demand in the overall balances. The United States' trade deficit narrowed over the first three months of 2009, to an estimated \$124.0 billion on a seasonally adjusted basis, from \$218.8 billion a year earlier, as the demand-related reduction in imports outweighed the falloff in exports. For the United Kingdom, the seasonally adjusted deficit on the trade in goods and services was reduced to £7.8 billion in the first quarter from £12.2 billion over the same period last year. In contrast, the euro area's trade deficit rose by 4.3% to €12.3 billion, as the 22.0% contraction in exports outpaced the 21.0% decline in imports. Also, China's quarterly trade surplus firmed by US\$20.0 billion to \$62.3 billion over the corresponding period a year earlier, with a fall in imports of 30.9% exceeding the 19.7% decline in exports. However, Japan recorded a trade deficit of ¥2.86 billion in the first quarter, in contrast to a surplus of ¥23.5 billion a year earlier, as a 47.4% plunge in exports eclipsed a 38.0% contraction in imports.

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**STATISTICAL APPENDIX**  
**(Tables 1-16)**

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## STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

**TABLE 1**  
FINANCIAL SURVEY

End of Period	2004			2005			2006			2007			2008			2009	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.
	<b>(B\$ Millions)</b>																
<b>Net foreign assets</b>	104.3	(32.2)	(254.4)	(133.4)	(124.4)	(249.0)	(213.4)	(55.4)	61.9	(29.4)	(140.9)	(42.0)					
Central Bank	667.8	578.8	499.7	623.5	642.9	464.7	454.2	539.6	674.8	650.2	562.9	623.8					
Domestic Banks	(563.5)	(611.0)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)	(612.9)	(679.6)	(703.8)	(665.8)					
<b>Net domestic assets</b>	4,317.2	4,862.4	5,399.5	5,455.3	5,657.4	5,791.7	5,850.7	5,837.9	5,797.3	5,950.8	6,064.9	6,070.7					
Domestic credit	5,227.2	5,899.5	6,742.9	6,802.1	7,049.3	7,259.1	7,434.3	7,433.3	7,506.2	7,685.5	7,909.1	7,933.8					
Public sector	887.8	945.8	1,074.2	1,044.3	1,176.2	1,191.8	1,215.9	1,180.4	1,166.7	1,230.9	1,372.3	1,450.0					
Government (net)	547.1	642.5	677.0	664.2	773.7	823.6	866.8	840.1	763.8	795.0	924.0	1,042.9					
Rest of public sector	340.7	303.3	397.2	380.1	402.5	368.2	349.1	340.3	402.9	435.9	448.3	407.1					
Private sector	4,339.4	4,953.7	5,668.7	5,757.8	5,873.1	6,067.3	6,218.4	6,252.9	6,339.5	6,454.6	6,536.8	6,483.8					
Other items (net)	(910.0)	(1,037.1)	(1,343.4)	(1,346.8)	(1,391.9)	(1,467.4)	(1,583.6)	(1,595.4)	(1,708.9)	(1,734.7)	(1,844.2)	(1,863.1)					
<b>Monetary liabilities</b>	4,421.5	4,830.2	5,145.1	5,321.9	5,533.0	5,542.7	5,637.3	5,782.5	5,859.2	5,921.4	5,924.0	6,028.7					
Money	1,134.4	1,247.6	1,251.1	1,267.9	1,330.7	1,273.3	1,300.3	1,308.4	1,305.7	1,320.2	1,274.5	1,336.4					
Currency	176.6	195.3	202.1	216.1	216.9	213.3	223.7	214.2	204.2	199.6	205.8	197.0					
Demand deposits	957.8	1,052.3	1,049.0	1,051.8	1,113.8	1,060.0	1,076.6	1,094.2	1,101.5	1,120.6	1,068.7	1,139.4					
Quasi-money	3,287.1	3,582.6	3,894.0	4,054.0	4,202.3	4,269.4	4,337.0	4,474.1	4,553.5	4,601.2	4,649.5	4,692.3					
Fixed deposits	2,410.3	2,556.6	2,781.5	2,907.3	3,002.0	3,074.2	3,144.8	3,245.7	3,320.5	3,381.7	3,427.7	3,451.8					
Savings deposits	779.9	881.8	953.3	986.2	1,029.9	1,012.9	992.1	1,009.3	1,018.9	1,006.3	1,020.4	1,031.4					
Foreign currency	96.9	144.2	159.2	160.5	170.4	182.3	200.1	219.1	214.1	213.2	201.4	209.1					
	<b>(percentage changes)</b>																
<b>Total domestic credit</b>	5.1	12.9	14.3	0.9	3.6	3.0	2.4	(0.0)	1.0	2.4	2.9	0.3					
Public sector	1.0	6.5	13.6	(2.8)	12.6	1.3	2.0	(2.9)	(1.2)	5.5	11.5	5.7					
Government (net)	8.0	17.4	5.4	(1.9)	16.5	6.4	5.2	(3.1)	(9.1)	4.1	16.2	12.9					
Rest of public sector	(8.6)	(11.0)	31.0	(4.3)	5.9	(8.5)	(5.2)	(2.5)	18.4	8.2	2.8	(9.2)					
Private sector	6.0	14.2	14.4	1.6	2.0	3.3	2.5	0.6	1.4	1.8	1.3	(0.8)					
<b>Monetary liabilities</b>	10.4	9.2	6.5	3.4	4.0	0.2	1.7	2.6	1.3	1.1	0.0	1.8					
Money	25.0	10.0	0.3	1.3	5.0	(4.3)	2.1	0.6	(0.2)	1.1	(3.5)	4.9					
Currency	10.3	10.6	3.5	6.9	0.4	(1.7)	4.9	(4.2)	(4.7)	(2.3)	3.1	(4.3)					
Demand deposits	28.2	9.9	(0.3)	0.3	5.9	(4.8)	1.6	1.6	0.7	1.7	(4.6)	6.6					
Quasi-money	6.2	9.0	8.7	4.1	3.7	1.6	1.6	3.2	1.8	1.0	1.0	0.9					

Source: The Central Bank of The Bahamas



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

End of Period	2004			2005			2006			2007			2008			2009	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
<b>Net foreign assets</b>	667.8	578.8	499.7	623.5	642.9	464.7	454.2	539.6	674.8	650.2	562.9	623.8	674.8	650.2	562.9	623.8	674.8
Balances with banks abroad	311.1	145.4	90.5	226.7	246.3	69.8	59.5	149.8	285.1	261.7	205.8	268.5	285.1	261.7	205.8	268.5	285.1
Foreign securities	347	424.4	399.8	387.3	387.0	385.1	384.7	379.4	379.4	378.7	347.4	345.9	379.4	378.7	347.4	345.9	379.4
Reserve position in the Fund	9.7	9.0	9.4	9.5	9.5	9.7	9.9	10.3	10.2	9.7	9.6	9.4	10.3	10.2	9.7	9.6	10.3
SDR holdings	--	--	--	--	0.1	0.1	0.1	0.1	0.1	0.1	0.1	--	0.1	0.1	0.1	--	0.1
<b>Net domestic assets</b>	(13.1)	23.1	85.1	89.9	50.7	175.3	235.7	191.9	71.9	64.5	97.7	88.4	71.9	64.5	97.7	88.4	71.9
Net claims on Government	141.9	122.0	182.5	194.2	163.1	278.7	332.3	295.0	178.5	185.3	198.8	195.3	178.5	185.3	198.8	195.3	178.5
Claims	149.5	149.7	190.6	201.8	176.9	288.1	347.8	320.0	201.5	199.1	202.9	221.4	201.5	199.1	202.9	221.4	201.5
Treasury bills	--	--	52.2	49.1	--	116.0	143.5	117.6	--	--	6.3	28.7	--	--	6.3	28.7	--
Bahamas registered stock	78.5	72.7	76.4	90.6	104.9	100.1	132.4	130.4	129.5	127.1	124.6	120.7	130.4	129.5	124.6	120.7	130.4
Loans and advances	71.0	77.0	62.0	62.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0	72.0
Deposits	(7.6)	(27.7)	(8.1)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(23.0)	(13.8)	(4.1)	(26.1)	(25.0)	(23.0)	(4.1)	(26.1)	(25.0)
In local currency	(7.6)	(27.7)	(8.1)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(23.0)	(13.8)	(4.1)	(26.1)	(25.0)	(23.0)	(4.1)	(26.1)	(25.0)
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(87.7)	(26.1)	(18.3)	(22.8)	(29.8)	(17.4)	(10.4)	(17.6)	(17.1)	(28.2)	10.4	16.3	(17.6)	(17.1)	(28.2)	10.4	16.3
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(98.2)	(105.5)	(107.3)	(115.4)	(112.6)	(111.4)	(111.6)	(121.3)	(123.3)	(128.4)	(125.9)	(127.6)	(121.3)	(123.3)	(128.4)	(125.9)	(127.6)
Net unclassified assets	22.3	24.4	20.1	25.8	22.1	17.5	17.9	28.3	26.4	28.4	7.1	(2.8)	28.3	26.4	28.4	7.1	(2.8)
Loans to rest of public sector	7.6	7.3	7.0	7.0	6.9	6.8	6.8	6.7	6.6	6.6	6.5	6.4	6.7	6.6	6.6	6.5	6.4
Public Corp Bonds/Securities	1.0	1.0	1.0	1.0	1.0	1.1	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>Liabilities To Domestic Banks</b>	(462.2)	(392.0)	(367.3)	(481.7)	(461.2)	(410.8)	(450.1)	(500.5)	(525.8)	(499.2)	(439.0)	(499.9)	(500.5)	(525.8)	(499.2)	(439.0)	(499.9)
Notes and coins	(78.5)	(105.8)	(116.2)	(60.3)	(72.0)	(73.5)	(110.1)	(79.7)	(81.8)	(79.1)	(117.6)	(78.2)	(79.7)	(81.8)	(79.1)	(117.6)	(78.2)
Deposits	(383.7)	(286.2)	(251.1)	(421.4)	(389.2)	(337.2)	(340.0)	(420.8)	(444.0)	(420.1)	(321.4)	(421.7)	(420.8)	(444.0)	(420.1)	(321.4)	(421.7)
SDR allocation	(15.9)	(14.6)	(15.4)	(15.4)	(15.5)	(15.9)	(16.2)	(16.8)	(16.7)	(15.9)	(15.8)	(15.3)	(16.8)	(16.7)	(15.9)	(15.8)	(15.3)
Currency held by the private sector	(176.6)	(195.3)	(202.1)	(216.1)	(216.9)	(213.3)	(223.7)	(214.2)	(204.2)	(199.6)	(205.8)	(197.0)	(214.2)	(204.2)	(199.6)	(205.8)	(197.0)

**Source: The Central Bank of The Bahamas**

**TABLE 4**  
**DOMESTIC BANKS BALANCE SHEET**

End of Period	(B\$ Millions)																
	2004			2005			2006			2007			2008			2009	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	
<b>Net foreign assets</b>	(563.5)	(611.0)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)	(612.9)	(679.6)	(703.8)	(665.8)					
<b>Net claims on Central Bank</b>	461.4	389.7	366.5	479.8	460.4	412.3	448.4	499.7	525.0	498.4	439.1	500.0					
Notes and Coins	78.5	105.8	116.2	60.3	72.0	73.5	110.1	79.7	81.8	79.1	117.6	78.2					
Balances	383.7	284.7	251.1	420.4	389.2	339.6	339.1	420.8	444.0	420.1	322.3	422.6					
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8					
<b>Net domestic assets</b>	4,018.7	4518.2	4,935.4	5,003.4	5,190.8	5,197.3	5,199.7	5,215.9	5,271.0	5,405.5	5,534.9	5,491.4					
Net claims on Government	405.2	528.9	494.5	469.9	610.6	544.9	534.5	545.1	585.3	609.7	725.2	847.6					
Treasury bills	26.7	66.1	10.0	18.9	139.6	60.7	50.8	71.7	197.4	189.8	180.2	208.8					
Other securities	393.3	400.5	437.1	446.7	437.9	463.1	468.5	466.3	460.7	520.5	533.5	602.6					
Loans and advances	78.2	150.7	156.3	107.7	139.7	136.1	120.3	133.4	57.2	65.1	145.8	176.2					
Less: deposits	93	88.4	108.9	103.3	106.6	115.1	105.0	126.3	130.0	165.7	134.3	140.0					
Net claims on rest of public sector	91.5	(25.3)	12.3	15.4	(7.7)	(55.7)	(78.9)	(96.6)	(57.4)	(40.7)	3.4	(89.9)					
Securities	18.6	20.6	121.1	118.4	115.9	98.0	97.7	97.2	95.2	89.3	97.5	99.5					
Loans and advances	313.5	265.8	268.1	253.7	278.6	262.3	243.9	235.7	300.3	339.3	343.6	300.4					
Less: deposits	240.6	311.7	376.8	356.6	402.3	416.0	420.5	429.5	452.9	469.3	437.7	489.8					
Other net claims	(14.1)	(5.9)	(17.9)	(31.3)	(37.6)	(5.3)	(6.9)	(1.2)	(3.1)	(1.7)	(0.1)	(5.1)					
Credit to the private sector	4339.4	4953.7	5,668.7	5,757.8	5,873.1	6,067.3	6,218.4	6,252.9	6,343.1	6,454.6	6,536.8	6,483.8					
Securities	14.7	28.2	21.7	20.3	24.3	24.9	29.6	29.6	36.3	35.9	28.8	29.2					
Mortgages	1631.1	1919.1	2,258.1	2,320.7	2,390.4	2,480.1	2,580.4	2,617.4	2,702.6	2,766.3	2,819.7	2,848.4					
Loans and advances	2,693.6	3006.4	3,388.9	3,416.9	3,458.4	3,562.3	3,608.4	3,605.9	3,604.2	3,652.4	3,688.3	3,606.2					
Private capital and surplus	(1121.4)	(1197.5)	(1,477.5)	(1,501.3)	(1,552.1)	(1,600.9)	(1,654.1)	(1,706.6)	(1,775.0)	(1,815.7)	(1,864.6)	(1,911.6)					
Net unclassified assets	318.1	264.3	255.3	292.8	304.5	247.0	186.7	222.3	178.1	199.3	134.2	166.6					
<b>Liabilities to private sector</b>	3,916.6	4297.1	4,547.8	4,726.4	4,883.9	4,896.0	4,982.7	5,120.6	5,183.1	5,224.2	5,270.2	5,325.6					
Demand deposits	921	1092.2	1,112.9	1,124.8	1,164.7	1,137.7	1,174.8	1,182.5	1,164.9	1,164.4	1,150.2	1,177.8					
Savings deposits	783.7	885.3	956.8	988.3	1,032.7	1,016.2	994.7	1,013.8	1,024.2	1012.1	1,024.1	1,036.5					
Fixed deposits	2211.9	2319.6	2,478.1	2,613.3	2,686.5	2,742.0	2,813.2	2,924.3	2,994.0	3047.7	3,095.9	3,111.3					

**Source: The Central Bank of The Bahamas**

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

Period	(B\$'000s)												
	2005			2006			2007			2008			
	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
1. Interest Income	533,519	646,269	744,537	182,718	181,288	187,091	193,440	184,145	189,882	187,818	198,314		
2. Interest Expense	178,153	225,205	291,206	68,909	74,410	73,078	74,809	69,067	68,655	70,259	70,238		
3. <b>Interest Margin (1-2)</b>	355,366	421,064	453,331	113,809	106,878	114,013	118,631	115,078	121,227	117,559	128,076		
4. Commission & Forex Income	28,665	29,543	31,714	7,680	7,979	10,936	5,119	9,544	9,322	6,154	7,308		
5. <b>Gross Earnings Margin (3+4)</b>	384,031	450,607	485,045	121,489	114,857	124,949	123,750	124,622	130,549	123,713	135,384		
6. Staff Costs	125,378	138,087	133,309	26,848	34,586	36,696	35,179	35,281	36,908	37,410	38,765		
7. Occupancy Costs	18,558	20,669	20,612	4,595	5,390	5,167	5,460	5,111	5,971	5,879	6,448		
8. Other Operating Costs	54,888	63,002	79,480	19,773	18,603	21,972	19,132	22,073	22,710	22,033	25,051		
9. <b>Operating Costs (6+7+8)</b>	198,824	221,758	233,401	51,216	58,579	63,835	59,771	62,465	65,589	65,322	70,264		
10. <b>Net Earnings Margin (5-9)</b>	185,207	228,849	251,644	70,273	56,278	61,114	63,979	62,157	64,960	58,391	65,120		
11. Depreciation Costs	12,625	11,088	11,673	2,935	2,986	2,967	2,785	3,101	3,347	3,363	3,601		
12. Provisions for Bad Debt	21,897	43,129	39,817	5,696	12,567	8,614	12,940	16,227	11,304	23,418	31,255		
13. Other Income	76,750	101,633	107,271	24,794	32,565	27,202	22,710	37,831	28,299	27,385	26,819		
14. <b>Other Income (Net) (13-11-12)</b>	42,228	47,416	55,781	16,163	17,012	15,621	6,985	18,503	13,648	604	(8,037)		
15. <b>Net Income (10+14)</b>	227,435	276,265	307,425	86,436	73,290	76,735	70,964	80,660	78,608	58,995	57,083		
16. <b>Effective Interest Rate Spread (%)</b>	6.45	6.15	6.25	5.88	5.80	6.44	6.88	6.36	6.60	6.40	6.68		
	<b>(Ratios To Average Assets)</b>												
Interest Margin	5.40	5.63	5.50	5.74	5.17	5.47	5.64	5.33	5.41	5.20	5.60		
Commission & Forex Income	0.44	0.39	0.38	0.39	0.39	0.52	0.24	0.44	0.42	0.27	0.32		
Gross Earnings Margin	5.84	6.02	5.89	6.12	5.56	5.99	5.88	5.78	5.83	5.47	5.92		
Operating Costs	2.91	2.64	2.83	2.58	2.84	3.06	2.84	2.90	2.93	2.89	3.07		
Net Earnings Margin	2.93	3.38	3.05	3.54	2.72	2.93	3.04	2.88	2.90	2.58	2.85		
Net Income	3.57	4.02	3.73	4.36	3.55	3.68	3.37	3.74	3.51	2.61	2.49		

\*Commercial Banks and OLFIs with domestic operations  
Source: The Central Bank of The Bahamas

**TABLE 6**  
**MONEY SUPPLY**

(B\$ Millions)

End of Period	2004			2005			2006			2007			2008			2009		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Money supply (M1)</b>	1,134.4	1,247.6	1,251.1	1,267.9	1,330.7	1,273.3	1,308.4	1,305.7	1,320.2	1,300.3	1,308.4	1,305.7	1,320.2	2,137.4	1,336.4			
1) Currency in active circulation	176.6	195.3	202.1	216.1	216.9	213.3	214.2	204.2	199.6	223.7	214.2	204.2	199.6	1,068.7	197.0			
2) Demand deposits	957.8	1,052.3	1,049.0	1,051.8	1,113.8	1,060.0	1,094.2	1,101.5	1,120.6	1,076.6	1,094.2	1,101.5	1,120.6	1,068.7	1,139.4			
Central Bank	87.7	26.1	18.3	22.8	29.8	17.4	18.2	17.1	28.3	10.4	18.2	17.1	28.3	10.4	16.3			
Domestic Banks	870.1	1,026.2	1,030.7	1,029.0	1,084.0	1,042.6	1,076.0	1,084.4	1,092.3	1,066.2	1,076.0	1,084.4	1,092.3	1,058.3	1,123.1			
<b>Factors affecting changes in money (M1)</b>																		
1) Net credit to Government	547.1	642.5	677.0	664.2	773.7	823.6	840.1	763.8	795.0	866.8	840.1	763.8	795.0	924.0	1,042.9			
Central Bank	141.9	122.0	182.5	194.2	163.1	278.7	295.0	178.5	185.3	332.3	295.0	178.5	185.3	198.8	195.3			
Domestic Banks	405.2	520.5	494.5	470.0	610.6	544.9	545.1	585.3	609.7	534.5	545.1	585.3	609.7	725.2	847.6			
2) Other credit	4,680.1	5,257.0	6,065.9	6,137.9	6,275.6	6,435.5	6,593.2	6,742.4	6,890.5	6,567.5	6,593.2	6,742.4	6,890.5	4,692.6	6,890.9			
Rest of public sector	340.7	303.3	397.2	380.1	402.5	368.2	340.3	402.9	435.9	349.1	340.3	402.9	435.9	6,536.8	407.1			
Private sector	4,339.4	4,953.7	5,668.7	5,757.8	5,873.1	6,067.3	6,252.9	6,339.5	6,454.6	6,218.4	6,252.9	6,339.5	6,454.6	(1,844.2)	6,483.8			
3) External reserves	667.8	578.8	499.7	623.5	642.9	464.7	539.6	674.8	650.2	454.2	539.6	674.8	650.2	562.9	623.8			
4) Other external liabilities (net)	(563.5)	(611.0)	(754.1)	(756.9)	(767.3)	(713.7)	(595.0)	(612.9)	(679.6)	(667.6)	(595.0)	(612.9)	(679.6)	(703.8)	(665.8)			
5) Quasi money	3,287.1	3,582.6	3,894.0	4,054.0	4,202.3	4,269.4	4,474.1	4,553.5	4,601.2	4,337.0	4,474.1	4,553.5	4,601.2	3,427.7	4,692.3			
6) Other items (net)	(910.0)	(1,037.1)	(1,343.4)	(1,346.8)	(1,391.9)	(1,467.4)	(1,595.4)	(1,708.9)	(1,734.7)	(1,583.6)	(1,595.4)	(1,708.9)	(1,734.7)	5,924.0	(1,863.1)			

**Source: The Central Bank of The Bahamas**

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

(B\$' 000)

End of Period	2005			2006			2007			2008			2009			
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.
<b>CREDIT OUTSTANDING</b>																
Private cars	209,879	228,421	231,191	237,786	241,465	248,152	247,418	251,167	245,023	238,775	227,757					
Taxis & rented cars	2,317	2,568	2,305	2,004	2,095	1,908	1,925	2,033	2,020	1,909	1,817					
Commercial vehicles	6,038	6,829	7,024	6,985	6,926	6,956	6,966	6,876	6,350	6,111	5,656					
Furnishings & domestic appliance	17,309	19,658	20,018	20,265	21,111	22,394	22,435	22,818	22,043	21,173	20,284					
Travel	41,435	45,944	42,898	43,506	50,326	50,970	48,520	51,036	54,412	49,602	43,996					
Education	47,737	52,858	52,219	52,249	58,196	54,725	53,938	54,012	59,306	57,255	55,199					
Medical	14,446	17,320	18,149	18,846	20,231	20,520	21,014	22,034	22,001	21,435	21,159					
Home Improvements	134,334	152,851	154,103	157,601	162,026	163,070	164,973	167,272	171,886	171,454	170,162					
Land Purchases	174,645	201,318	212,473	217,701	221,946	227,236	232,912	234,282	237,334	246,168	246,754					
Consolidation of debt	413,193	459,791	469,828	482,978	496,945	496,296	505,038	531,296	563,738	594,565	605,784					
Miscellaneous	412,162	489,122	505,010	516,608	536,264	559,119	562,536	556,726	552,197	541,585	529,609					
Credit Cards	188,058	226,401	223,774	228,627	243,125	256,995	258,291	264,375	281,198	294,377	283,615					
<b>TOTAL</b>	<b>1,661,553</b>	<b>1,903,081</b>	<b>1,938,992</b>	<b>1,985,156</b>	<b>2,060,656</b>	<b>2,108,341</b>	<b>2,125,966</b>	<b>2,163,927</b>	<b>2,217,508</b>	<b>2,244,409</b>	<b>2,211,792</b>					
<b>NET CREDIT EXTENDED</b>																
Private cars	-2,800	18,542	2,770	6,595	3,679	6,687	-734	3,749	-6,144	-6,248	-11,018					
Taxis & rented cars	-32	251	-263	-301	91	-187	17	108	-13	-111	-92					
Commercial vehicles	826	791	195	-39	-59	30	10	-90	-526	-239	-455					
Furnishings & domestic appliance	3,337	2,349	360	247	846	1,283	41	383	-775	-870	-889					
Travel	621	4,509	-3,046	608	6,820	644	-2,450	2,516	3,376	-4,810	-5,606					
Education	811	5,121	-639	30	5,947	-3,471	-787	74	5,294	-2,051	-2,056					
Medical	635	2,874	829	697	1,385	289	494	1,020	-33	-566	-276					
Home Improvements	20,135	18,517	1,252	3,498	4,425	1,044	1,903	2,299	4,614	-432	-1,292					
Land Purchases	24,549	26,673	11,155	5,228	4,245	5,290	5,676	1,370	3,052	8,834	586					
Consolidation of debt	66,398	46,598	10,037	13,150	13,967	-649	8,742	26,258	32,442	30,827	11,219					
Miscellaneous	38,154	76,960	15,888	11,598	19,656	22,855	3,417	-5,810	-4,529	-10,612	-11,976					
Credit Cards	21,985	38,343	-2,627	4,853	14,498	13,870	1,296	6,084	16,823	13,179	-10,762					
<b>TOTAL</b>	<b>174,619</b>	<b>241,528</b>	<b>35,911</b>	<b>46,164</b>	<b>75,500</b>	<b>47,685</b>	<b>17,625</b>	<b>37,961</b>	<b>53,581</b>	<b>26,901</b>	<b>-32,617</b>					

**Source: The Central Bank of The Bahamas**

\* Includes both demand and add-on loans

**TABLE 8**  
SELECTED AVERAGE INTEREST RATES

Period	2006				2007				2008				2009
	2006	2007	2008	2009	2007	2008	2009	2010	2008	2009	2010	2011	2009
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
<b>DOMESTIC BANKS</b>													
<b>Deposit rates</b>													
Savings deposits	2.16	2.05	2.20	2.24	2.01	1.96	2.00	2.24	2.30	2.25	2.17	2.06	2.19
Fixed deposits													
Up to 3 months	3.17	3.51	3.70	3.58	3.44	3.50	3.52	3.58	3.74	3.71	3.71	3.63	3.64
Up to 6 months	3.63	3.89	4.08	3.98	3.88	3.86	3.85	3.98	4.18	4.09	4.00	4.04	4.23
Up to 12 months	3.93	4.28	4.56	4.47	4.32	4.19	4.12	4.47	4.83	4.57	4.48	4.35	4.67
Over 12 months	4.18	4.52	4.44	4.71	4.84	4.05	4.48	4.71	5.05	4.28	4.31	4.11	4.66
Weighted average rate	3.36	3.69	3.92	3.80	3.66	3.63	3.68	3.80	4.02	3.91	3.90	3.86	4.00
<b>Lending rates</b>													
Residential mortgages	7.85	8.16	8.36	8.29	7.93	8.13	8.28	8.29	8.36	8.58	8.25	8.25	8.29
Commercial mortgages	8.37	8.75	8.72	9.23	8.56	8.26	8.93	9.23	8.62	9.24	8.37	8.64	8.58
Consumer loans	11.96	12.70	13.03	13.05	12.15	12.82	12.76	13.05	13.00	13.49	13.07	12.55	12.49
Overdrafts	10.56	11.44	11.45	10.87	11.47	12.39	11.04	10.87	11.34	11.79	11.57	11.10	12.84
Weighted average rate	9.97	10.63	10.95	10.72	10.35	10.82	10.63	10.72	11.00	11.42	11.00	10.39	10.49
<b>Other rates</b>													
Prime rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Treasury bill (90 days)	0.87	2.66	2.73	2.83	2.55	2.64	2.63	2.83	2.69	2.83	2.69	2.73	2.64
Treasury bill re-discount rate	1.37	3.16	3.23	3.33	3.05	3.14	3.13	3.33	3.19	3.33	3.19	3.23	3.14
Bank rate (discount rate)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25

Source: The Central Bank of The Bahamas

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

Period	2004		2005		2006		2007				2008				2009	
			Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. I
<b>Loan Portfolio</b>																
Current Loans (as a % of total loans)	90.8	92.0	92.5	92.4	91.3	90.6	90.9	89.9	89.5	87.5	86.3					
Arrears (% by loan type)																
Consumer	2.9	2.8	2.8	2.6	2.7	3.0	3.1	3.2	3.3	3.9	4.2					
Mortgage	3.8	3.6	3.1	3.1	3.3	4.6	4.4	4.5	4.7	5.9	6.2					
Commercial	2.5	1.6	1.6	1.9	1.5	1.7	1.5	2.3	2.4	2.6	3.2					
Public	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1					
Total Arrears	<u>9.2</u>	<u>8.0</u>	<u>7.5</u>	<u>7.6</u>	<u>8.7</u>	<u>9.4</u>	<u>9.1</u>	<u>10.1</u>	<u>10.5</u>	<u>12.5</u>	<u>13.7</u>					
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>					
<b>Loan Portfolio</b>																
Current Loans (as a % of total loans)	90.8	92.0	92.5	92.4	91.3	90.6	90.9	89.9	89.5	87.5	86.3					
Arrears (% by days outstanding)																
30 - 60 days	2.9	2.7	2.5	2.7	2.6	3.6	3.2	3.4	3.3	4.5	4.3					
61 - 90 days	1.5	1.0	0.9	0.8	1.0	1.3	1.2	1.7	1.6	1.9	2.3					
90 - 179 days	0.8	0.9	0.9	0.8	0.7	1.2	1.4	1.2	1.5	1.6	2.1					
over 180 days	4.0	3.4	3.2	3.3	3.4	3.3	3.3	3.8	4.1	4.5	5.0					
Total Arrears	<u>9.2</u>	<u>8.0</u>	<u>7.5</u>	<u>7.6</u>	<u>8.7</u>	<u>9.4</u>	<u>9.1</u>	<u>10.1</u>	<u>10.5</u>	<u>12.5</u>	<u>13.7</u>					
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>					
Non Accrual Loans (% by loan type)																
Consumer	39.7	33.9	35.0	31.9	33.1	29.4	32.8	31.4	31.6	30.2	30.0					
Mortgage	38.8	42.9	40.9	42.7	42.1	45.6	46.4	45.3	45.2	44.3	43.4					
Other Private	21.4	23.1	24.0	25.3	22.8	23.2	19.0	21.5	22.2	23.9	25.2					
Public	0.1	0.1	0.1	0.1	2.0	1.8	1.8	1.8	1.0	1.6	1.4					
Total Non Accrual Loans	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>					
<b>Provisions to Loan Portfolio</b>																
Consumer	4.0	3.0	3.4	2.8	3.0	2.8	3.0	3.1	2.2	3.3	3.6					
Mortgage	1.2	1.3	1.3	1.2	1.3	1.2	1.2	1.3	1.2	1.4	1.6					
Other Private	1.0	1.6	2.5	2.8	2.4	3.2	3.3	3.7	4.9	5.4	5.6					
Public	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Total Provisions to Total Loans	2.2	2.0	2.3	2.1	2.1	2.1	2.3	2.4	2.6	2.7	3.0					
Total Provisions to Non-performing Loans	45.0	44.9	54.7	51.1	51.3	47.9	47.9	47.9	46.7	46.0	42.4					
Total Non-performing Loans to Total Loans	4.8	4.5	4.2	4.1	4.1	4.5	4.7	4.9	5.6	6.1	7.1					

**Source: The Central Bank of The Bahamas**

Figures may not sum to total due to rounding.

**TABLE 10**  
**SUMMARY OF BANK LIQUIDITY**

End of Period	(B\$ Millions)																
	2004			2005			2006			2007			2008			2009	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
<b>I. Statutory Reserves</b>																	
Required reserves	205.3	226.3	244.7	248.5	258.5	263.1	248.5	258.5	263.1	265.0	269.3	277.4	281.9	283.3	285.2		
Average Till Cash	70.2	86.5	96.9	67.9	71.4	72.5	67.9	71.4	72.5	92.8	74.9	77.2	76.1	95.4	74.0		
Average balance with central bank	407.5	332.2	265.7	379.6	421.0	340.2	379.6	421.0	340.2	363.1	419.7	453.0	428.7	352.7	413.2		
Free cash reserves (period ended)	271.6	191.5	117.2	198.3	233.1	148.9	198.3	233.1	148.9	190.1	224.5	252.0	222.1	164.0	201.2		
<b>II. Liquid Assets (period)</b>																	
A. Minimum required Liquid assets	677.2	752.2	802.5	813.6	851.8	858.0	813.6	851.8	858.0	860.0	883.7	894.0	909.3	911.2	930.3		
B. Net Eligible Liquid Assets	909.7	895.6	865.6	988.9	1079.5	980.5	988.9	1079.5	980.5	1011.9	1075.3	1213.6	1240.7	1168.5	1334.5		
i) Balance with Central Bank	383.7	284.7	251.1	420.4	389.2	339.6	420.4	389.2	339.6	341.2	420.8	444.0	420.1	322.2	422.6		
ii) Notes and Coins	79.0	106.3	116.7	60.8	72.5	74.0	60.8	72.5	74.0	110.6	80.2	82.0	79.6	118.1	78.7		
iii) Treasury Bills	26.7	66.1	10.0	18.9	139.6	60.7	18.9	139.6	60.7	50.8	71.7	197.4	189.8	180.2	208.8		
iv) Government registered stocks	393.3	400.4	437.1	446.7	437.9	463.1	446.7	437.9	463.1	468.5	466.3	460.7	520.5	513.3	590.6		
v) Specified assets	24.9	26.0	39.9	39.7	39.5	37.3	39.7	39.5	37.3	36.6	36.5	34.3	26.5	36.8	38.7		
vi) Net Inter-bank dem/call deposits	2.9	12.9	11.7	3.3	1.5	6.6	3.3	1.5	6.6	5.0	0.6	(4.0)	5.0	(1.3)	(4.1)		
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)		
C. Surplus/(Deficit)	232.5	143.4	63.1	175.4	227.6	122.5	175.4	227.6	122.5	151.9	191.6	319.6	331.4	257.3	404.2		

**Source: The Central Bank of The Bahamas**

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

(B\$ Millions)

Period	Budget																	
	2005/06p			2006/07p			2007/08p			2008/09			2007/08p			2008/09p		
	2005/06p	2006/07p	2007/08p	2007/08	2008/09	QTR. I	QTR. II	QTR. III	QTR. IV	QTR. I	QTR. II	QTR. III	QTR. I	QTR. II	QTR. III			
Total Revenue & Grants	1,221.5	1,338.5	1,424.1	1,484.2	1,569.3	293.7	315.9	375.2	439.2	314.3	306.9	310.9	314.3	306.9	310.9			
Current expenditure	1,149.6	1,285.7	1,344.0	1,385.4	1,484.2	303.6	319.1	339.0	382.3	331.5	334.5	358.4	331.5	334.5	358.4			
Capital expenditure	123.5	166.3	176.7	189.7	188.7	30.5	33.5	32.8	79.9	28.5	30.5	28.9	28.5	30.5	28.9			
Net lending	54.5	69.1	54.1	34.4	62.2	10.4	12.0	13.1	18.6	14.8	16.7	11.7	14.8	16.7	11.7			
<b>Overall balance</b>	<b>(106.1)</b>	<b>(182.5)</b>	<b>(150.8)</b>	<b>(125.4)</b>	<b>(165.7)</b>	<b>(50.8)</b>	<b>(48.7)</b>	<b>(9.8)</b>	<b>(41.6)</b>	<b>(60.4)</b>	<b>(74.8)</b>	<b>(88.1)</b>	<b>(60.4)</b>	<b>(74.8)</b>	<b>(88.1)</b>			
<b>FINANCING (I+II-III+IV+V)</b>	106.1	182.5	150.8	125.4	165.7	50.8	48.7	9.8	41.6	60.4	74.8	88.1	60.4	74.8	88.1			
<b>I. Foreign currency borrowing</b>	<b>8.7</b>	<b>14.5</b>	<b>126.7</b>	<b>23.0</b>	<b>27.9</b>	<b>2.6</b>	<b>2.6</b>	<b>0.3</b>	<b>100.8</b>	<b>3.6</b>	<b>11.5</b>	<b>60.0</b>	<b>3.6</b>	<b>11.5</b>	<b>60.0</b>			
External	5.3	14.5	106.7	23.0	27.9	2.6	3.0	0.3	100.8	3.6	11.5	10.0	3.6	11.5	10.0			
Domestic	3.4	--	20.0	--	--	--	20.0	--	--	--	--	50.0	--	--	50.0			
<b>II. Bahamian dollar borrowing</b>	<b>201.7</b>	<b>230.3</b>	<b>194.5</b>	<b>166.6</b>	<b>207.2</b>	<b>128.0</b>	<b>66.5</b>	--	--	<b>100.0</b>	--	<b>121.0</b>	<b>100.0</b>	--	<b>121.0</b>			
i) <b>Treasury bills</b>	--	10.0	28.0	--	--	28.0	--	--	--	--	--	13.8	--	--	13.8			
Central Bank	--	10.0	28.0	--	--	28.0	--	--	--	--	--	13.8	--	--	13.8			
Commercial banks & OLFIs	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Public corporations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
Other	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
ii) <b>Long-term securities</b>	<b>201.7</b>	<b>195.3</b>	<b>166.5</b>	--	--	<b>100.0</b>	<b>66.5</b>	--	--	<b>100.0</b>	--	<b>107.2</b>	<b>100.0</b>	--	<b>107.2</b>			
Central Bank	11.5	70.3	41.5	--	--	--	41.5	--	--	--	--	--	--	--	--			
Commercial banks & OLFIs	35.2	34.9	25.2	--	--	25.2	--	--	--	47.0	--	67.7	47.0	--	67.7			
Public corporations	25.3	49.1	55.8	--	--	30.8	25.0	--	--	13.7	--	8.0	13.7	--	8.0			
Other	129.6	41.0	44.0	--	--	44.0	--	--	--	39.3	--	31.5	39.3	--	31.5			
iii) <b>Loans and Advances</b>	--	<b>25.0</b>	--	--	--	--	--	--	--	--	--	--	--	--	--			
Central Bank	--	25.0	--	--	--	--	--	--	--	--	--	--	--	--	--			
Commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--			
<b>III Debt repayment</b>	<b>62.1</b>	<b>122.5</b>	<b>83.7</b>	<b>63.9</b>	<b>60.1</b>	<b>21.3</b>	<b>3.1</b>	<b>11.3</b>	<b>47.9</b>	<b>15.9</b>	<b>12.9</b>	<b>1.0</b>	<b>15.9</b>	<b>12.9</b>	<b>1.0</b>			
<b>Domestic</b>	<b>58.1</b>	<b>92.8</b>	<b>78.4</b>	<b>56.0</b>	<b>55.0</b>	<b>20.5</b>	<b>1.4</b>	<b>10.5</b>	<b>46.0</b>	<b>15.0</b>	<b>10.9</b>	<b>0.0</b>	<b>15.0</b>	<b>10.9</b>	<b>0.0</b>			
Bahamian dollars	57.2	91.0	56.6	56.0	55.0	20.5	0.5	10.5	25.1	15.0	10.0	--	15.0	10.0	--			
Internal foreign currency	0.9	1.8	21.8	--	--	--	0.9	--	20.9	--	0.9	--	--	0.9	--			
<b>External</b>	<b>4.0</b>	<b>29.7</b>	<b>5.3</b>	<b>7.9</b>	<b>5.1</b>	<b>0.8</b>	<b>1.7</b>	<b>0.8</b>	<b>1.9</b>	<b>0.9</b>	<b>2.0</b>	<b>1.0</b>	<b>0.9</b>	<b>2.0</b>	<b>1.0</b>			
<b>IV Cash balance change</b>	<b>39.5</b>	<b>(7.6)</b>	<b>(32.5)</b>	--	--	<b>(4.0)</b>	<b>3.9</b>	<b>(30.8)</b>	<b>(1.6)</b>	<b>(26.5)</b>	<b>41.1</b>	<b>(27.7)</b>	<b>(26.5)</b>	<b>41.1</b>	<b>(27.7)</b>			
<b>V. Other Financing</b>	<b>(81.6)</b>	<b>67.8</b>	<b>(54.3)</b>	<b>(0.3)</b>	<b>(9.3)</b>	<b>(54.5)</b>	<b>(41.6)</b>	<b>51.6</b>	<b>(9.8)</b>	<b>(0.7)</b>	<b>35.2</b>	<b>(64.3)</b>	<b>(0.7)</b>	<b>35.2</b>	<b>(64.3)</b>			

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

**TABLE 12**  
**NATIONAL DEBT**

End of Period	(B\$' 000s)											
	2006p	2007p	2008p	2008p			2009p			2009p		
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>TOTAL EXTERNAL DEBT</b>			383,024	271,877	370,824	373,505	383,024					392,068
By Instrument												
Government Securities	289,186	272,403	383,024	200,000	300,000	300,000	300,000	200,000	300,000	300,000	300,000	300,000
Loans	64,186	72,403	83,024	71,877	70,824	73,505	83,024	71,877	70,824	73,505	83,024	92,068
By Holder												
Commercial Banks	--	--	--	--	--	--	--	--	--	--	--	--
Offshore Financial Institutions	--	--	--	--	--	--	--	--	--	--	--	--
Multilateral Institutions	64,186	68,788	79,409	68,262	67,209	69,890	79,409	68,262	67,209	69,890	79,409	88,453
Bilateral Institutions	--	3,615	3,615	3,615	3,615	3,615	3,615	3,615	3,615	3,615	3,615	3,615
Private Capital Markets	225,000	200,000	300,000	200,000	300,000	300,000	300,000	200,000	300,000	300,000	300,000	300,000
<b>TOTAL INTERNAL DEBT</b>			2,380,750	2,352,564	2,306,653	2,391,653	2,380,750	2,352,564	2,306,653	2,391,653	2,380,750	2,551,816
By Instrument												
Foreign Currency	4,966	23,160	1,354	23,160	2,257	2,257	1,354	23,160	2,257	2,257	1,354	51,354
Government Securities	--	--	--	--	--	--	--	--	--	--	--	--
Loans	4,966	23,160	1,354	23,160	2,257	2,257	1,354	23,160	2,257	2,257	1,354	51,354
Bahamian Dollars	2,092,111	2,339,896	2,379,396	2,329,404	2,304,396	2,389,396	2,379,396	2,329,404	2,304,396	2,389,396	2,379,396	2,500,462
Advances	61,988	71,988	71,988	71,988	71,988	71,988	71,988	71,988	71,988	71,988	71,988	71,988
Treasury Bills	192,469	230,469	230,469	230,469	230,469	230,469	230,469	230,469	230,469	230,469	230,469	244,309
Government Securities	1,829,908	2,031,693	2,071,693	2,021,693	1,996,693	2,081,693	2,071,693	2,021,693	1,996,693	2,081,693	2,071,693	2,178,919
Loans	7,746	5,746	5,246	5,254	5,246	5,246	5,246	5,254	5,246	5,246	5,246	5,246
By Holder												
Foreign Currency	4,966	23,160	1,354	23,160	2,257	2,257	1,354	23,160	2,257	2,257	1,354	51,354
Commercial Banks	4,966	23,160	1,354	23,160	2,257	2,257	1,354	23,160	2,257	2,257	1,354	51,354
Other Local Financial Institutions	--	--	--	--	--	--	--	--	--	--	--	--
Bahamian Dollars	2,092,111	2,339,896	2,379,396	2,329,404	2,304,396	2,389,396	2,379,396	2,329,404	2,304,396	2,389,396	2,379,396	2,500,462
The Central Bank	190,824	348,842	202,993	320,819	201,548	199,072	202,993	320,819	201,548	199,072	202,993	221,554
Commercial Banks	450,474	520,904	691,739	541,561	662,162	701,305	691,739	541,561	662,162	701,305	691,739	782,787
Other Local Financial Institutions	5,271	3,032	2,932	3,032	2,932	2,932	2,932	3,032	2,932	2,932	2,932	4,133
Public Corporations	764,486	729,259	720,783	729,580	713,163	721,172	720,783	729,580	713,163	721,172	720,783	706,320
Other	681,056	737,859	760,949	734,412	724,591	764,915	760,949	734,412	724,591	764,915	760,949	785,668
<b>TOTAL FOREIGN CURRENCY DEBT</b>			384,378	295,037	373,081	375,762	384,378	295,037	373,081	375,762	384,378	443,422
<b>TOTAL DIRECT CHARGE</b>			2,763,774	2,624,441	2,677,477	2,765,158	2,763,774	2,624,441	2,677,477	2,765,158	2,763,774	2,943,884
<b>TOTAL CONTINGENT LIABILITIES</b>			436,492	426,870	422,807	442,389	436,492	426,870	422,807	442,389	436,492	439,201
<b>TOTAL NATIONAL DEBT</b>			3,200,266	3,051,311	3,100,284	3,207,547	3,200,266	3,051,311	3,100,284	3,207,547	3,200,266	3,383,085

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<sup>1</sup>**

	(B\$' 000s)											
	2006p			2007p			2008p			2009p		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Outstanding debt at beginning of period</b>	<b>553,442</b>	<b>636,225</b>	<b>643,887</b>	<b>643,887</b>	<b>684,131</b>	<b>833,786</b>	<b>833,786</b>	<b>772,366</b>	<b>772,366</b>	<b>833,786</b>	<b>835,862</b>	<b>835,862</b>
Government	286,528	294,152	295,563	295,563	295,037	373,081	375,762	373,081	373,081	375,762	384,378	384,378
Public Corporations	266,914	342,073	348,324	348,324	389,094	399,285	458,024	399,285	399,285	458,024	451,484	451,484
<b>Plus new drawings</b>	<b>132,336</b>	<b>187,002</b>	<b>256,209</b>	<b>50,309</b>	<b>120,830</b>	<b>73,604</b>	<b>11,466</b>	<b>73,604</b>	<b>73,604</b>	<b>11,466</b>	<b>106,445</b>	<b>106,445</b>
Government	13,872	33,161	116,209	309	100,830	3,604	11,466	3,604	3,604	11,466	60,000	60,000
Public corporations	118,464	153,841	140,000	50,000	20,000	70,000	--	70,000	70,000	--	46,445	46,445
<b>Less Amortization</b>	<b>49,553</b>	<b>179,340</b>	<b>64,234</b>	<b>10,065</b>	<b>32,595</b>	<b>12,184</b>	<b>9,390</b>	<b>12,184</b>	<b>12,184</b>	<b>9,390</b>	<b>104,176</b>	<b>104,176</b>
Government	6,248	31,750	27,394	835	22,786	923	2,850	923	923	2,850	956	956
Public corporations	43,305	147,590	36,840	9,230	9,809	11,261	6,540	11,261	11,261	6,540	103,220	103,220
<b>Outstanding debt at end of period</b>	<b>636,225</b>	<b>643,887</b>	<b>835,862</b>	<b>684,131</b>	<b>772,366</b>	<b>835,862</b>	<b>835,862</b>	<b>833,786</b>	<b>833,786</b>	<b>835,862</b>	<b>838,131</b>	<b>838,131</b>
Government	294,152	295,563	384,378	295,037	373,081	375,762	384,378	375,762	375,762	384,378	443,422	443,422
Public corporations	342,073	348,324	451,484	389,094	399,285	458,024	451,484	458,024	458,024	451,484	394,709	394,709
<b>Interest Charges</b>	<b>35,234</b>	<b>40,418</b>	<b>39,749</b>	<b>5,294</b>	<b>13,200</b>	<b>4,308</b>	<b>16,939</b>	<b>4,308</b>	<b>4,308</b>	<b>16,939</b>	<b>3,425</b>	<b>3,425</b>
Government	18,254	18,000	20,949	891	8,008	607	11,434	607	607	11,434	512	512
Public corporations	16,980	22,418	18,800	4,403	5,192	3,701	5,505	3,701	3,701	5,505	2,913	2,913
<b>Debt Service</b>	<b>84,787</b>	<b>219,758</b>	<b>103,983</b>	<b>15,359</b>	<b>45,795</b>	<b>16,492</b>	<b>26,329</b>	<b>16,492</b>	<b>16,492</b>	<b>26,329</b>	<b>107,601</b>	<b>107,601</b>
Government	24,502	49,750	48,343	1,726	30,794	1,530	14,284	1,530	1,530	14,284	1,468	1,468
Public corporations	60,285	170,008	55,640	13,633	15,001	14,962	12,045	14,962	14,962	12,045	106,133	106,133
<b>Debt Service ratio (%)</b>	<b>2.7</b>	<b>6.5</b>	<b>3.0</b>	<b>1.6</b>	<b>5.1</b>	<b>2.0</b>	<b>3.2</b>	<b>2.0</b>	<b>2.0</b>	<b>3.2</b>	<b>12.7</b>	<b>12.7</b>
<b>Government debt Service/ Government revenue (%)</b>	<b>1.9</b>	<b>3.7</b>	<b>3.3</b>	<b>0.5</b>	<b>7.0</b>	<b>0.5</b>	<b>4.7</b>	<b>0.5</b>	<b>0.5</b>	<b>4.7</b>	<b>0.5</b>	<b>0.5</b>
<b>MEMORANDUM</b>												
Holder distribution (B\$ Mil):												
Commercial banks	296.7	312.2	399.7	354.0	345.2	405.1	399.7	405.1	405.1	399.7	379.9	379.9
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	108.7	107.5	112.3	106.0	103.0	104.7	112.3	104.7	104.7	112.3	120.3	120.3
Bilateral Institutions	0.0	18.6	18.4	18.6	18.6	18.5	18.4	18.5	18.5	18.4	10.4	10.4
Other	5.7	5.6	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	27.6	27.6
Private Capital Markets	225.0	200.0	300.0	200.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0

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

<sup>1</sup> See notes to table

**Note:** \*Debt servicing during the 1<sup>st</sup> quarter of 2009 includes the refinancing of \$86 million in Public Corporations' debt. Net of this payment, the adjusted debt service ratio was 2.5%.

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

	(B\$ Millions)											
	2006p			2007p			2008p			2009		
	Qtr.Ip	Qtr.IIip	Qtr.IIIip	Qtr.Ip	Qtr.IIip	Qtr.IIIip	Qtr.Ip	Qtr.IIip	Qtr.IIIip	Qtr.Ip	Qtr.IIip	Qtr.IIIip
<b>A. Current Account Balance (I+II+III+IV)</b>	(1,373.9)	(1,314.5)	(1,000.0)	(362.1)	(255.9)	(431.9)	(264.6)	(214.4)	(242.4)	(424.8)	(118.4)	8.3
<b>I. Merchandise (Net)</b>	(2,033.2)	(2,154.4)	(2,131.8)	(540.1)	(531.1)	(571.4)	(511.8)	(538.9)	(566.2)	(602.1)	(424.6)	(345.9)
Exports	694.2	801.8	997.2	183.7	189.9	201.1	227.1	289.0	224.9	242.0	241.2	216.6
Imports	2,727.4	2,956.2	3,129.0	723.8	721.0	772.5	739.0	827.9	791.1	844.1	665.8	562.5
<b>II. Services (Net)</b>	825.2	1,019.7	1,190.6	212.8	356.1	176.1	274.7	343.9	335.3	187.5	323.9	378.1
Transportation	(301.2)	(315.7)	(301.7)	(87.3)	(83.6)	(75.9)	(69.0)	(82.3)	(79.6)	(69.6)	(70.1)	(56.5)
Travel	1,671.2	1,809.7	1,848.6	495.6	545.1	379.7	389.3	520.2	528.4	394.8	405.3	504.6
Insurance Services	(120.7)	(107.0)	(105.9)	(14.7)	(34.6)	(36.0)	(21.7)	(28.7)	(26.0)	(33.0)	(18.2)	(10.7)
Offshore Companies Local Expenses	188.1	210.2	233.8	44.2	46.4	56.7	63.0	63.5	44.2	54.8	71.2	46.4
Other Government	(68.4)	(44.8)	(56.3)	(17.3)	(1.5)	(21.6)	(4.5)	(6.4)	(18.6)	(18.0)	(13.3)	(3.5)
Other Services	(543.8)	(532.7)	(427.9)	(207.7)	(115.8)	(126.7)	(82.4)	(122.4)	(113.1)	(141.5)	(50.9)	(102.3)
<b>III. Income (Net)</b>	(217.9)	(231.6)	(114.8)	(45.6)	(98.0)	(48.6)	(39.4)	(34.1)	(29.0)	(23.4)	(28.3)	(44.2)
1. Compensation of Employees	(92.9)	(84.7)	(58.7)	(16.9)	(19.7)	(23.8)	(24.4)	(15.4)	(16.9)	(13.6)	(12.7)	(14.3)
2. Investment Income	(125.1)	(146.9)	(56.1)	(28.7)	(78.4)	(24.9)	(15.0)	(18.7)	(12.1)	(9.8)	(15.5)	(29.8)
<b>IV. Current Transfers (Net)</b>	52.0	51.8	56.0	10.8	17.2	12.0	11.9	14.7	17.5	13.3	10.6	20.3
1. General Government	58.3	60.9	62.9	12.7	19.8	13.8	14.7	17.3	18.0	15.3	12.3	22.0
2. Private Sector	(6.2)	(9.1)	(6.9)	(1.9)	(2.6)	(1.8)	(2.9)	(2.6)	(0.5)	(2.1)	(1.7)	(1.6)
<b>B. Capital and Financial Account (I+II)</b>	1,216.6	986.6	940.7	430.4	180.9	157.0	218.3	229.8	362.0	236.1	112.9	149.8
(excl. Reserves)												
<b>I. Capital Account (Net Transfers)</b>	(63.5)	(75.7)	(76.3)	(21.4)	(16.8)	(21.5)	(16.0)	(11.6)	(10.7)	(18.4)	(35.5)	(10.4)
<b>II. Financial Account (Net)</b>	1,280.1	1,062.3	1,017.0	451.7	197.7	178.6	234.3	241.4	372.7	254.4	148.4	160.2
1. Direct Investment	706.3	746.2	699.6	310.0	119.5	163.0	153.7	159.0	219.4	160.7	160.4	163.3
2. Portfolio Investment	(18.8)	(8.4)	(9.2)	--	(4.3)	--	(4.1)	(2.0)	(3.6)	(3.6)	0.0	0.0
3. Other Investments	592.5	324.5	326.6	141.7	82.4	15.6	84.7	84.4	156.9	97.3	(12.0)	(3.0)
Central Gov't Long Term Capital	2.6	(15.4)	110.6	4.3	(22.7)	1.8	1.3	(0.5)	98.9	2.7	9.5	9.0
Other Public Sector Capital	(6.2)	9.0	(6.2)	(1.1)	1.1	(1.1)	10.1	(1.1)	(1.9)	(1.2)	(2.1)	(4.6)
Banks	143.0	(86.5)	36.2	(26.4)	4.3	(18.3)	(46.2)	(72.5)	17.9	66.6	24.2	(38.0)
Other	453.0	417.4	186.0	165.0	99.7	33.1	119.5	158.5	41.9	29.2	(43.6)	30.5
<b>C. Net Errors and Omissions</b>	78.1	282.0	168.3	55.5	94.2	96.8	35.5	70.2	15.7	164.1	(81.6)	(97.4)
<b>D. Overall Balance (A+B+C)</b>	(79.1)	(45.9)	109.1	123.8	19.2	(178.1)	(10.8)	85.6	135.2	(24.6)	(87.1)	60.7
<b>E. Financing (Net)</b>	79.1	45.9	(109.1)	(123.8)	(19.2)	178.1	10.8	(85.6)	(135.2)	24.6	87.1	(60.7)
Change in SDR holdings	0.1	0.1	0.1	--	--	--	--	--	--	--	--	--
Change in Reserve Position with the IMF	(0.4)	(0.5)	0.3	--	--	(0.3)	(0.1)	(0.4)	0.1	0.5	0.1	0.3
Change in Ext. Foreign Assets ( ) = Increase	79.5	46.3	(109.4)	(123.8)	(19.2)	178.4	10.9	(85.2)	(135.3)	24.1	87.0	(61.0)

Source: The Central Bank of the Bahamas

\* Figures may not sum to total due to rounding

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

	(B\$ '000)												
	2006				2007				2008				
	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2008	2008	
		Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
<b>I. OIL TRADE</b>													
i) Exports	92,997	167,600	24,995	28,438	40,098	38,598	60,466	51,401	23,465				
ii) Imports	605,383	615,782	102,863	106,550	169,542	173,969	165,721	211,264	252,625				
<b>II. OTHER MERCHANDISE</b>													
<b>Domestic Exports</b>													
Crawfish	89,906	81,370	41,919	16,594	9,174	20,408	35,194	n.a.	n.a.				
Fish & other Crustacea	5,188	1,864	882	511	525	591	237	n.a.	n.a.				
Fruits & Vegs.	1,233	1,198	543	647	78	8	465	n.a.	n.a.				
Aragonite	--	35,577	--	10,073	8,820	8,530	8,154	n.a.	n.a.				
Rum	9,218	20,282	3,620	5,438	4,497	6,709	3,638	n.a.	n.a.				
Other Cordials & Liqueurs	--	--	--	--	--	--	--	n.a.	n.a.				
Crude Salt	12,016	6,599	1,440	2,179	1,364	1,655	1,401	n.a.	n.a.				
Hormones	--	--	--	--	--	--	--	n.a.	n.a.				
Chemicals	--	84,562	--	15,188	19,930	30,040	19,404	n.a.	n.a.				
Other Pharmaceuticals	--	347	--	74	94	105	74	n.a.	n.a.				
Fragrances	--	--	--	--	--	--	--	n.a.	n.a.				
Other	187,400	147,290	44,793	35,205	41,487	37,029	33,569	n.a.	n.a.				
<b>i) Total Domestic Exports</b>	304,961	379,089	93,197	85,909	85,969	105,075	102,136	96,330	88,411				
<b>ii) Re-Exports</b>	110,868	123,398	27,196	27,865	29,322	29,888	36,323	80,730	79,043				
<b>iii) Total Exports (i+ii)</b>	415,829	502,487	120,393	113,774	115,291	134,963	138,459	177,060	167,454				
<b>iv) Imports</b>	2,375,341	2,488,023	594,236	659,118	620,817	650,398	557,690	596,808	570,663				
<b>v) Retained Imports (iv-ii)</b>	2,264,473	2,364,625	567,040	631,253	591,495	620,510	521,367	516,078	491,620				
<b>vi) Trade Balance (i-v)</b>	(1,959,512)	(1,985,536)	(473,843)	(545,344)	(505,526)	(515,435)	(419,231)	(419,748)	(403,209)				

Source: Department of Statistics Quarterly Statistical Summaries

**TABLE 16**  
SELECTED TOURISM STATISTICS

Period	2006p			2007p			2008p				
	2006p	2007p	2008p	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
<b>Visitor Arrivals</b>	<b>4,730,607</b>	<b>4,595,582</b>	<b>3,321,537</b>	<b>1,274,045</b>	<b>1,152,037</b>	<b>1,054,442</b>	<b>1,115,058</b>	<b>1,303,601</b>	<b>1,069,611</b>	<b>895,757</b>	<b>1,121,314</b>
Air	1,491,633	1,486,301	1,096,704	389,597	410,372	350,033	336,299	403,333	405,135	309,782	273,943
Sea	3,238,974	3,109,281	2,224,833	884,448	741,665	704,409	778,759	900,268	664,476	585,975	847,371
<b>Visitor Type</b>											
Stopover	1,600,112	1,521,691	1,123,830	397,861	449,971	363,779	310,080	414,185	440,465	331,269	276,484
Cruise	3,076,397	2,970,659	2,116,202	854,457	696,715	660,787	758,700	868,745	696,715	549,047	823,347
Day/Transit	68,085	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Tourist Expenditure(B\$ 000's)</b>	<b>2,056,428</b>										
Stopover	1,880,300	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cruise	172,043	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Day	4,085	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Number of Hotel Nights</b>	<b>3,266,878</b>	<b>3,249,959</b>	<b>2,460,929</b>	<b>789,030</b>	<b>831,207</b>	<b>817,761</b>	<b>811,961</b>	<b>1,125,481</b>	<b>1,118,239</b>	<b>1,104,533</b>	<b>1,050,117</b>
<b>Average Length of Stay</b>	<b>6.4</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Average Hotel Occupancy Rates (%)</b>											
New Providence	76.9	73.7	71.7	79.9	78.5	71.6	64.9	69.2	66.5	63.0	48.4
Grand Bahama	52.0	46.6	45.7	49.4	54.8	44.6	37.7	46.8	46.7	37.0	34.0
Other Family Islands	36.3	38.5	37.3	41.8	49.3	35.0	27.7	39.6	41.8	31.0	26.3
<b>Average Nightly Room Rates (\$)</b>											
New Providence	172.0	212.7	238.2	214.5	227.4	205.8	203.2	266.1	240.4	237.9	208.6
Grand Bahama	122.3	114.5	109.4	132.0	120.5	114.8	90.7	128.0	105.9	108.0	96.0
Other Family Islands	205.1	267.0	264.3	330.7	247.2	269.9	220.2	329.3	243.7	275.2	209.1

Source: The Ministry of Tourism

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# GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2008)

## INTRODUCTION

This report summarizes the results of the Central Bank's 2008 survey on the gross economic contribution of the financial sector to The Bahamas. Data on the banking sector's involvement in the economy have been collected from as early as 1977. Over the past eight years, the Bank has sought to expand its coverage to capture the contribution of other financial sector entities, including insurance companies, credit unions, mutual fund administrators and financial and corporate services providers.

Despite the adverse domestic and international developments, which particularly impacted The Bahamas' financial sector during the latter half of 2008, indications are that the sector, which accounts for at least 15% of the gross domestic product (GDP), recorded an increased contribution to the economy in 2008. Gains were noted in employment, and salaries and other expenditures, particularly within the banking sector. Less comprehensive data indicate that developments in several areas of the non-bank financial sector paralleled those among banks and trust companies, with increased value added observed, particularly among credit unions, insurance companies and providers of corporate and financial services (mainly international business companies (IBC) activities).

The bulk of the operating and investment expenditures collected in the survey impact the private sector, with some expenses reflecting payments to Government, mostly for licence and work permit fees, and import taxes. The Government also earns revenue from stamp taxes on financial transactions which, combined with licensing fees, decreased by 16.4% to \$111.1 million in 2008, mainly corresponding to a drop in the volume of transactions, particularly among domestic banks and insurance companies. The component of revenues derived from license fees was further augmented at a healthy pace of 25.1% to \$33.2 million, underpinned by the continued rebound in international business companies (IBCs) activities.

## BANKING SECTOR

### A PROFILE OF THE SECTOR

Banks and trust companies account for the largest portion of the financial sector's contribution to the economy, registering modest firming in employment and expenditure levels within both domestic and international operations during 2008. The number of institutions licensed to operate from or within The Bahamas increased by 26 to 271. This corresponded to a boost in the number of restricted licenses by 35 to 130, relative to reductions in non-active licensees to 10 from 12, and in public licenses—which provide the bulk of the employment—to 131 from 138. Of the total licensees, 20 institutions provided services to the domestic sector, inclusive of 8 commercial banks and 12 other local financial institutions—the latter with a focus primarily on trust operations.

During 2008, assets of international banks and trust companies advanced by 24.0% (\$97.4 billion) to an estimated \$503.0 billion. This corresponded to an observed international pattern benefitting Caribbean financial centres during 2008, as resources flowed out of the US credit markets.<sup>1</sup> However, indications are that the value of fiduciary assets under management (mainly offshore) contracted for the second consecutive year, owing to both a decline in deposits and lowered valuations on portfolios invested in capital market instruments.

On the domestic side, buoyed by increased lending to the private sector and augmented holdings of Government debt, total assets rose by \$697.5 million (8.3%) to \$9.1 billion, an incremental slowing from the advance of 8.9% in 2007. Institutions operated with a network of 110 branches, an increase of two since 2007. Due to higher expenditures—particularly bad debt provisions—domestic banks' net earnings contracted by 10.4% (\$32.1 million) to \$275.3 million, for a reduced 2.74% of average assets compared to 3.05% a year earlier.

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<sup>1</sup> Source: Bank For International Settlements, Quarterly Review, June 2009.

**Table A: Government Revenues from Financial Sector Activities (B\$ Million)**

Period	2003	2004	2005	2006	2007	2008
<b>A. Stamp Taxes on Transactions</b>	<b>51.6</b>	<b>43.8</b>	<b>66.4</b>	<b>78.9</b>	<b>108.3</b>	<b>84.3</b>
Gross Insurance Premium Tax	10.9	7.9	18.1	22.0	18.2	21.3
Mortgages	5.9	6.9	12.2	16.3	42.4	21.3
Other Banking Transactions	34.7	28.9	36.0	40.3	47.5	41.6
Instruments & Bonds	0.1	0.1	0.1	0.1	0.2	0.2
<b>B. Licence &amp; Registration Fees</b>	<b>23.6</b>	<b>25.1</b>	<b>23.8</b>	<b>23.6</b>	<b>28.1</b>	<b>34.8</b>
International Business Companies (IBCs)	15.0	15.7	14.7	13.5	15.2	21.3
Banks and Trust Companies	6.8	7.7	7.2	8.4	11.1	11.6
Insurance Companies, Brokers & Agents	0.2	0.1	0.4	0.3	0.2	0.3
Financial & Corp. Svcs. Providers <u>1/</u>	0.04	0.04	0.05	0.04	0.10	0.10
Investment Funds <u>2/</u>	1.5	1.6	1.4	1.4	1.5	1.5
<b>C. Total Revenues</b>	<b>75.2</b>	<b>68.9</b>	<b>90.2</b>	<b>102.5</b>	<b>136.4</b>	<b>119.1</b>

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

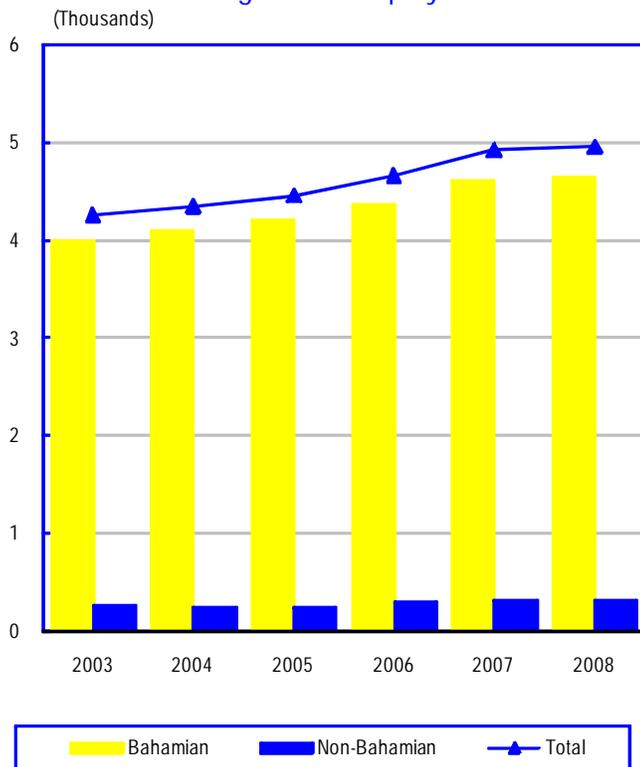
Notes: 1/ Central Bank Estimates for 2008.

2/ Amounts collected by the Securities Commission.

## EMPLOYMENT

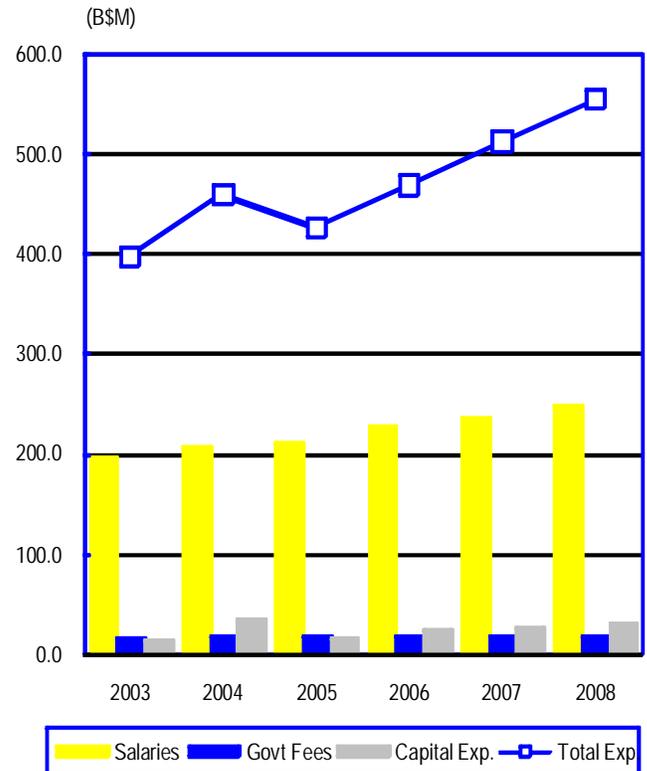
Preliminary estimates showed employment in the banking sector grew at a slowed pace of 0.6% (31) to 4,954 persons, compared to a gain of 5.6% (261 positions) in 2007. This corresponded to a 0.7% (31 positions) rise in the number of Bahamians employed to 4,637; albeit, lagging the previous year's 5.4% gain and the average yearly increase of 155 jobs (3.7%) over the adjoining five years. In contrast, the number of expatriate workers in the sector remained at 317, after a 7.8% hike in 2007. Given these developments, the respective shares of Bahamian and expatriate employees were unchanged, at 93.6% and 6.4% of the total workforce.

### Banking Sector Employment



Operational costs, which comprised 94.2% of total expenditures, trended higher by 7.5% to \$521.0 million, ahead of the average yearly increase of 6.2% during the adjoining five years. Inclusive of bonuses, the dominant salaries component rose by 5.9% to \$286.5 million, moderately below 2007's gain of 6.3%.

### Banks' Local Expenditure



Adding bonuses, the average annual employee compensation advanced by 5.3% to \$57,839 in 2008, with a 6.2% increase in Bahamians' pay, contrasting with a 0.6% reduction for non-Bahamians. Excluding bonuses, the average base salary improved by 4.6% to \$50,488 per annum, extending the previous year's 0.7% rise and an average annual 1.1% increase observed from 2003 to 2007. The average base salary for expatriate workers, mainly in selected top level management positions, rose by 7.1% to \$115,591; and the corresponding estimate for Bahamians, by 4.2% to \$46,012. Conversely, direct spending on staff training narrowed by 3.2% to \$3.0 million, vis-à-vis an upturn of 11.2% in 2007.

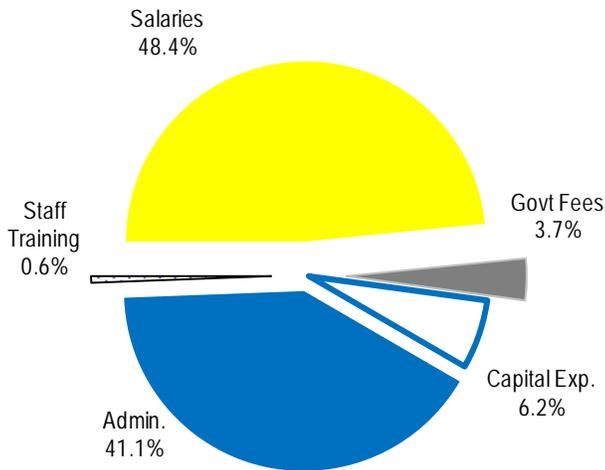
## EXPENDITURES

Higher salary payments, administrative costs and increased capital spending underpinned a rise in the banking sector's gross expenditures by 8.2% to \$553.1 million in 2008. This lagged the 9.2% increase registered in 2007, but was ahead of the 6.5% average growth between 2003 and 2007.



After a 3.5% uptrend in 2007, direct fees paid to Government rose further by 3.6% to \$19.3 million, attributable largely to increased outlays for customs duties, work permits and license fees. Other administrative costs rose by 10.2% to \$212.1 million, offsetting the 2.9% falloff in 2007.

**Banks' Expenditure Components**  
(% of Total)



#### DOMESTIC VERSUS INTERNATIONAL BANKING

It is useful to separately analyse the expenditure trends and patterns of the domestic and the international banking and trust operations. Domestic operations provide more staff intensive, retail services, which account for the bulk of the incurred expenses; albeit, in most cases alongside significant international business. The international licensees specialize in more skills-intensive wealth management operations, providing private banking services for high net worth clients—in many instances depending on operational resources based outside The Bahamas.

Employment growth in both domestic and international operations slowed in 2008, a consequence of the softer business environment. Among domestic licensees, employment rose by 0.7% (25 persons) to 3,791 vis-à-vis a 5.9% rise in 2007. Similarly, jobs in the international sector grew by 0.5% (6 persons) to 1,163 at end-2008, after a stronger gain of 4.7% in 2007. As a result, domes-

tic banks' share of total sector employment steadied at 76.5%.

As to nationalities, net employment opportunities for Bahamians in local banks were tempered during 2008, to 29 positions (0.8%) compared to an annual average increase of 171 positions (4.9%) during the previous two years. Moreover, the foreign workforce fell for the first time in six years, by 4 persons (6.7%) to 56. Correspondingly, the ratio of Bahamians to non-Bahamians employed within local banks firmed to 66:1 from 61:1 a year ago. In the international sector, employment growth was registered for both Bahamians and expatriates, of 2 (0.2%) and 4 (1.6%), respectively; albeit, tempered from the respective increases of 31 (3.6%) and 21 (9.0%) in 2007. However, the ratio of Bahamians to non-Bahamian in international operations remained at 3.5:1.

During 2008, total expenditures for domestic banks advanced by 11.3% to \$342.7 million, led by gains in operating costs, of 10.2% to \$319.2 million, and salary expenses, of 9.0% to \$182.5 million. Partly driven by utilities expenses, administrative costs also rose by 13.3% to \$125.6 million; however, both Government fee payments and staff training costs decreased slightly. Local banks also recorded a 28.3% increase in capital outlays to \$23.5 million, extending last year's growth of 12.7% and the 11.5% average yearly increase over the five years through 2007. Included in this were higher renovation expenses and outlays for new buildings.

In the international sector, total spending strengthened by 3.9% (\$7.9 million) to \$210.4 million, as operational and capital costs firmed by 3.8% and 6.2% to \$201.9 million and \$8.5 million, respectively. At 51.5% of operational outlays, employee compensation grew by 1.7% to \$104.0 million; while Government fees moved higher by 7.4% (\$0.8 million) to \$10.2 million, inclusive of incrementally higher payments for licence and work permit fees. Under investments, increased outlays were registered for new premises and office equipment and furniture, which outweighed a reduction in renovation expenditures.

In a continuation of the 14.3% average annual increase of the preceding five years, capital outlays strengthened by 21.6% to \$32.1 million, exceeding the 3.4% advance noted in 2007. Of particular note were significantly increased investments on new premises (at \$9.1

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

Period	2003p 2004p 2005p 2006p 2007p 2008p 2003p 2004p 2005p 2006p 2007p 2008p											
	DOMESTIC					OFFSHORE						
<b>A. TOTAL EMPLOYMENT</b>	3,208	3,275	3,424	3,557	3,766	3,791	1,045	1,068	1,027	1,105	1,157	1,163
1. Non-Bahamians	43	45	49	58	60	56	222	206	192	236	257	261
2. Bahamians (of which:)	3,165	3,230	3,375	3,499	3,706	3,735	823	862	835	869	900	902
i) Local Banking	2,602	2,689	2,824	2,964	3,146	2,989	3	2	2	5	0	0
ii) Offshore Banking	101	151	85	79	83	115	483	521	531	548	569	566
iii) Trust Administration	291	243	267	287	293	293	164	150	188	207	207	206
iv) Other	171	147	199	169	184	338	173	189	114	109	124	130
							<b>(B\$ Millions)</b>					
<b>B. TOTAL OPERATIONAL COSTS</b> (1+2+3+4)	225.4	260.8	253.7	274.6	289.6	319.2	156.0	163.8	154.6	168.0	194.4	201.9
1. Salaries <sup>1)</sup>	129.5	133.7	142.5	150.0	167.4	182.5	66.4	74.2	68.6	73.5	102.3	104.0
2. Government Fees	6.7	7.6	8.8	8.8	9.3	9.2	9.7	11.3	9.2	9.2	9.4	10.2
i) Licence	2.8	2.9	4.9	4.4	5.1	5.1	3.9	4.1	4.7	4.0	4.6	4.7
ii) Company Registration	0.7	0.7	0.7	0.7	0.9	0.7	0.7	0.7	1.2	1.8	1.5	1.2
iii) Work Permits	0.5	0.6	0.6	0.6	0.6	0.4	1.8	1.8	1.8	2.1	2.1	2.3
iv) Other Government Fees	2.7	3.4	2.6	3.1	2.8	2.9	3.4	4.7	1.5	1.4	1.2	1.9
3. Staff Training	1.3	1.3	1.5	1.5	2.1	1.9	1.1	1.1	1.2	1.4	1.0	1.1
4. Other Administrative Costs	87.9	118.2	100.9	114.3	110.8	125.6	78.9	77.2	75.5	83.9	81.7	86.5
<b>C. CAPITAL EXPENDITURE<sup>2)</sup></b>	11.9	28.0	12.5	16.3	18.3	23.5	3.6	6.7	5.1	9.2	8.0	8.5
<b>D. TOTAL EXPENDITURE (B+C)</b>	237.2	288.9	266.2	290.9	308.0	342.7	159.6	170.5	159.7	177.2	202.5	210.4
<b>E. AVERAGE SALARY (B\$/000)<sup>3)</sup></b>	40,352	40,838	41,618	42,172	41,559	43,125	63,512	69,434	66,838	66,472	70,031	74,488

**Source: The Central Bank of The Bahamas**

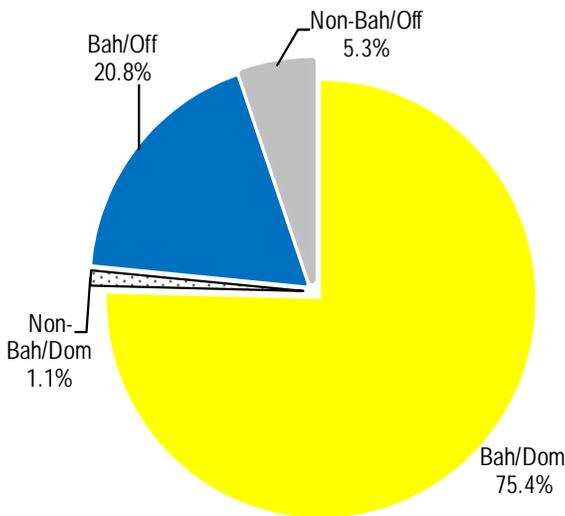
<sup>1)</sup> Includes bonuses

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

<sup>3)</sup> Excludes bonuses

million), led by expansion in domestic banks' branch networks and marginally higher spending on office equipment and furniture, of 1.7% to \$15.1 million. Together, these outweighed a reduction in renovation expenditures, by 1.1% to \$6.8 million, and investments in land and other fixed assets, by a combined 11.6% to \$6.1 million.

Employment: Domestic & Int'l Banks (2008)



Compensation differentials favour jobs in the international sector, which require a greater concentration of specialized skills relative to the domestic banking operations. However, larger bonus increases in domestic operations narrowed the total average annual compensation relative to offshore banks, by an estimated \$2,684. Notably, the 8.3% rise in domestic banks' average pay to \$48,140 outpaced the 1.3% advance in the average total pay within international banks to \$89,424. Conversely, average base salaries, excluding bonuses, rose faster in the international sector, by 6.4% to \$74,488 per annum, compared to an increase of 3.8% to \$43,125 per annum within domestic operations.

## OTHER FINANCIAL SECTOR ACTIVITIES

Indications are that the economic contribution from non-bank financial sector activities also registered gains during 2008, despite the deterioration in economic conditions in the latter half of the year.

## INSURANCE SECTOR

Based on data from the Office of the Registrar of Insurance Companies, the number of licensed operations rose by 5 to 168 in 2008, after a significant consolidation in 2007. In particular, the number of domestic insurance companies remained at 54, while local brokers and agents increased by 3 to 83 and external insurers, by 1 to 20. Although comprehensive estimates were not available, indications are that the domestic sector's operational expenditures rose at a more tempered pace during 2008, supporting total employment in excess of 1,500 persons. Bahamians continued to occupy the majority of positions (98.3%), with non-Bahamians assuming a small number of highly specialized, technical and managerial posts. The domestic sector also experienced some boost in capital spending, related to the expansion of premises and purchase of office equipment. Meanwhile, average compensation for full-time employees in the insurance sector, at nearly \$45,000 per annum, remained competitive against those in domestic banks.

Data from the Government's finance statistics revealed that, although insurance companies and brokers directly paid total licence fees of under \$1.0 million in 2008, their underwriting activities generated an estimated \$11.5 million in gross premium taxes, compared to \$9.1 million in 2007. The mortgage lending operations of domestic insurers also generate stamp revenues; however, the share in the total is not expected to differ significantly from the sector's overall participation in mortgage lending, estimated at 6.2% of the market in 2008.

## CREDIT UNIONS

As credit unions continued to expand their customer base, estimated assets rose by 3.0% to \$244.6 million in 2008; albeit, slowed from an increase of 9.9% in 2007. Total expenditures for the year firmed by an estimated 4.8% to \$6.9 million, supported by a 16.0% hike in administrative outlays to \$3.0 million. Marginal increases were noted for staff training and utilities expenses, while employee compensation and Government fees were unchanged at \$2.8 million and \$0.1 million, respectively. The estimated capital expenditures of credit unions were slightly reduced to \$0.3 million in 2008.

Although the number of persons employed by credit unions declined by 2 to 108 in 2008, staffing has remained relatively stable over the last five years. Given

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

	Unit	2004	2005r	2006p	2007p	2008p
<b>Investment Funds Administrations</b>						
Licensed Mutual Funds	Number	838	699	723	782	867
<b>Licensed Administrators</b>						
Asset Under Management	Number B\$ Billions	59 163.4	59 175.2	61 204.7	65 297.6	66 n/a
<b>Insurance Companies and Agents</b>						
Domestic Companies and Agents	Number	191	190	205	163	168
Total Domestic Assets	Number	152	155	169	144	148
Average Annual Salaries	B\$ Millions	986.59	1,234.64	1,374.97	n/a	n/a
Operating Costs / Total Expenditures	B\$ %	42,120 94.6	44,024 91.9	44,425 94.8	45,225 94.1	45,007 94.9
<b>External Insurers</b>						
	Number	39	35	36	19	20
<b>Credit Unions</b>						
Number of Unions	Number	19	17	16	18	20
Total Assets	B\$ Million	170.2	190.4	216.1	237.4	244.6
Employment	Number	105	105	106	110	108
Average Annual Salaries	B\$	27,602	28,293	28,594	26,555	26,880
Total Expenditures	B\$ Million	7.99	6.87	6.18	6.61	6.93
Operating Costs / Total Expenditures	%	72.9	81.7	89.5	92.8	95.0
<b>Bahamas International Securities Exchange (BISX)</b>						
Securities Listed	Number	19	19	19	19	23
Shares Traded	Thousands	7,996	6,724	5,251	4,770	4,623
Market Capitalization	B\$ Billion	1.90	2.60	3.20	3.98	3.03

**Sources:**

The Central Bank of The Bahamas, Bahamas International Securities Exchange (BISX),  
The Securities Commission of The Bahamas and The Registrar of Insurance Companies.

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the part-time nature of some engagements, despite being competitive with jobs in the rest of the domestic financial sector, the average earned compensation stood at \$26,880 in 2008, advancing by 1.2% since 2007.

#### INVESTMENT FUNDS INDUSTRY

Data from the Securities Commission indicated that the number of active investment funds registered in The Bahamas rose by 85 (10.9%) to 867 in 2008. Data was not available on the net asset value of funds, which stood at \$298 billion in 2007; albeit, the increase in the number of funds is expected to have countered some of the valuation declines in the existing portfolios that were impacted by the global financial crisis. During 2008, the number of investment fund administrators, the direct sources of employment within the sector, increased by 1 to 66. Administrators collectively managed the assets of 800 registered funds, an increase of 42 since 2007. Given these trends, it is expected that employment conditions stabilized during 2008, with average salaries remaining competitive against those in the international banking sector.

#### INTERNATIONAL BUSINESS COMPANIES (IBCs)

The incorporation and management of IBCs generate revenue and support employment within the banking sector and among financial and corporate services providers (FCSPs)—mainly legal and accounting firms. IBC activities increased for the second consecutive year, with the revenues collected by government firms by 40.1% to \$21.3 million in 2008, following an increase of 12.1% in 2007 and a downturn over both 2005 and 2006. Trends included both registration of new companies and the resumption of fee payments by some previously inactive registrants. Based on these trends, it is estimated that the number of active, fee paying IBCs rose further, to more than 50,000 in 2008. The projected private sector benefits from incorporation and company maintenance services surpassed \$50.0 million, from an estimated \$42.3 million in 2007.

#### CAPITAL MARKET DEVELOPMENTS

During the year, the deterioration in the economy and depressed investor confidence led to a sharp downturn in the domestic equity market, with contractions in both share valuations and trading volumes. Developments were highlighted by a 17.2% depreciation in the Bahamas International Securities Exchange's (BISX) All

Share Price Index, compared to a 23.3% gain in 2007. Similarly, the total market capitalization of the companies listed on the Exchange fell by 23.9% to \$3.0 billion. The Fidelity Capital Market Limited's Findex—which includes over the counter trading—declined by 11.0% to 834.8 points, following a 26.4% advance in 2007. On an adjusted basis, net of a significant ownership shift, the value of the shares traded on BISX fell by 3.1% to 4.6 million; however, the total cost of the securities exchanged rose by 11.7% to \$31.6 million.

During the year four (4) new tranches of medium term debt and one (1) preference share issue were listed on the BISX, bringing the number of publicly traded securities to 24, including 19 companies.

#### CONCLUSION AND OUTLOOK

Results from the above analysis suggest that the Bahamian financial services sector remained resilient during 2008, in the face of the global economic downturn and turbulent financial markets developments. Notwithstanding, as the adjustments to these events set in, the pace at which business opportunities expand in the short-to-medium term could slow. Neither the domestic nor the international sectors experienced any destabilising effects from the 2008 upheaval. However, the impact on the local economy continues to accumulate, owing to real sector adjustments in tourism and foreign investments, which have adversely affected balance sheet growth and led to escalated credit risks among economically affected households. Greater attention to risk mitigation rather than business growth is therefore expected to weigh more heavily on domestic banks' short-term strategies. Medium-term adjustments are also anticipated in the international sector, as licensees adopt a more cautious approach to operational initiatives amid developing countries' ongoing determination of regulatory responses to the global financial challenges.

The Bahamas' policy response is expected to feature expanded international cooperation, through tax information exchange agreements (TIEAs) and other information sharing arrangements with countries other than the United States. Enhanced supervisory and regulatory efforts will be maintained to preserve the ongoing stability of both the domestic and international sectors, inclusive of imminent enabling legislation that would strengthen the oversight of the insurance sector.