THE CENTRAL BANK OF THE BAHAMAS

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QUARTERLY ECONOMIC REVIEW

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Review of Economic and Financial developments

Domestic Economic Developments

According to preliminary estimates, domestic economic activity contracted during the fourth quarter of 2008, under the impact of declining tourism receipts and foreign investment inflows, with the underlying weakness reflecting the unchecked deterioration of the United States' economy and the global financial markets. The corresponding falloff in domestic demand occasioned a decline in Government's revenue which, alongside expansionary outlays, resulted in an increase in the overall deficit for the second quarter of FY2008/09. As the easing in global fuel prices started to accumulate locally, average inflation softened during the review period, but remained accelerated on an annual basis. Monetary developments were marked by public sector-led acceleration in credit growth, which contrasted with reduced deposit gains and contributed to the seasonal decline in bank liquidity. Amid otherwise buoyant liquidity conditions, the average interest rate spread narrowed on domestic banks' loans and deposits, owing to a more sizeable easing in average lending rates. In the external sector, the estimated current account deficit narrowed, both in response to a contraction in the oil bill and reduced domestic demand for other goods and services. On the capital and financial account, the surplus contracted in the context of decreased net private investments inflows.

In line with the seasonal accommodation of credit, net free cash reserves of the banking system fell during the fourth quarter by 26.2% to $164.0 million vis-à-vis a 27.7% drawdown a year earlier, as commercial banks reduced their deposits with the Central Bank. This level represented a reduced 2.9% of Bahamian dollar deposit liabilities compared to 3.6% in 2007. Although narrowing by 22.4% to $257.3 million, the broader surplus liquid assets approximated a higher excess over the statutory minimum of 28.2% versus 17.7% a year ago. In interest rate developments, banks' weighted average spread on loans and deposits fell by 57 basis points to 6.53%, with the weighted average loan rate softening by 61 basis points to 10.39% and the corresponding deposit rate, by 4 basis points to 3.86%. Conversely, the average Treasury bill rate for 90 day issues rose by 4 basis points to 2.73%; albeit, the Central Bank's Discount Rate and commercial banks' Prime Rate were unchanged at 5.25% and 5.50%, respectively.

Reflecting the drawdown in public corporations' deposits and slowed accretions to private sector balances, the money supply (M3) was virtually unchanged at $5,924.0 million compared to a 1.7% advance in 2007. Net withdrawals by public corporations, private individuals and institutional depositors underpinned a 4.6% reduction in demand deposits, vis-à-vis a 1.6% gain in 2007. Savings deposits registered a 1.4% rebound, while accretions to fixed deposits were nearly halved to 1.4%, as the moderately strengthened gain in business balances was dampened by narrowed net placements by individuals and institutional depositors and reduced public corporations' deposits. Also significant, was a 5.5% contraction in residents' foreign currency deposits, while the rise in currency in circulation tapered to 3.1%.

Domestic credit expansion firmed to 2.9% from 2.4% a year ago, underpinned by an accelerated advance in net claims on the public sector of 11.5%. In particular, the rise in net credit to Government was extended to 16.2% from 5.2% in 2007, while claims on the public corporations rebounded by 2.8%, following a 5.2% contraction in 2007. Meanwhile, growth in private sector credit slackened to 1.3% from 2.5% in 2007, dominated by a slowed increase in Bahamian dollar claims of 1.6%. Consumer credit gains tapered to 1.2%, overshadowing a slightly firmed advance in residential mortgages of 3.3%. Conversely, lending for other private sector purposes, including commercial activity, declined by 1.2%.

Provisional data on the Government's budgetary operations for the second quarter of FY2008/09 indicated that the overall deficit widened by 53.7% to $74.8 million vis-à-vis the same period of FY2007/08. Revenue collections contracted by 2.9% to $306.9 million, with tax receipts reduced by 4.0% to $278.4 million, mainly as a consequence of declining proceeds from trade taxes.

However, non-tax collections, consisting predominantly of fines and administrative fees, rose by 9.7% to $28.5 million. The Government's total expenditures rose by 4.7% to $381.7 million, explained by a 4.8% rise in recurrent spending to $334.5 million—partly due to an increase in social spending—and a 39.2% hike in net lending to public enterprises to $16.7 million. Although capital outlays were scaled back by 8.9% to $30.5 million, spending on infrastructural works was boosted by 13.8%. Budgetary financing during the second quarter comprised external borrowing of $11.5 million, against Bahamian dollar dominated amortization of $12.9 million. Consequently, the Direct Charge on Government fell by $1.4 million (0.1%) to $2,763.8 million. The Government's contingent liabilities also declined by $5.9 million (1.3%) to $436.5 million, contributing to a 0.2% decrease in the National Debt, to $3,200.3 million. On an annual basis, however, the Direct Charge rose by $128.3 million (4.9%) and the National Debt firmed by $130.3 million (4.2%).

Tourism performance continued to be negatively impacted by the deterioration in global economic conditions, with the significant weakness in stopover activity moderately tempered by a revival in cruise traffic. For the two months to November 2008, total arrivals recovered by 1.4% to 0.668 million, following a year-earlier 1.6% decrease, and benefitting from a strong rebound in sea arrivals by 13.6% from a 6.7% contraction last year. Meanwhile, air visitors fell by 24.0%, to reverse the 10.8% gain in 2007. By port of entry, arrivals to New Providence, which accounted for approximately 57.2% of the total, registered a 3.4% decline during the first two months of the quarter, as opposed to a strong gain in the previous year, corresponding to the deterioration in air traffic which outweighed the boost in sea visitors. Conversely, Grand Bahama traffic recovered by 2.5% vis-à-vis a 14.9% contraction in 2007, as the upturn in sea visitors countered the continued slump in air arrivals. Similarly, total tourists to the Family Islands rebounded by 11.1%, with gains in sea visitors contrasted with a falloff in the air segment. While projected cruise earnings increased during the fourth quarter, indications are that major hotel properties experienced reductions in both room sales and average pricing, resulting in contracted foreign currency inflows from the stopover segment. Both the quarter's weak performance and soft bookings for the 2009 winter season led to a retrenchment of some 1,241 hotel sector jobs and a reduction in the hours worked for many retained staff.

Despite positive financing support for domestic projects, construction activity fell during the fourth quarter, owing to reduced stimulus from foreign investments. On the domestic side, data collected from banks, insurance companies and the Bahamas Mortgage Corporation revealed that, relative to 2007, the value of mortgage disbursements for new construction and building repairs rose by 5.5% to $84.9 million, following a 20.5% contraction in the comparative 2007 quarter. Disbursements for commercial projects more than doubled to $9.1 million, outweighing a marginal decrease in residential outlays of 0.8% to $75.8 million. On a more forward looking basis, total mortgage commitments for new construction and repairs expanded by 18.6% to $44.0 million, led by a 31.6% rise in residential approvals to $41.6 million. However, commercial commitments were halved to $2.4 million. In terms of mortgage financing, the average interest rate for respective residential and commercial mortgages each firmed by 0.1 percentage points to 8.5% and 9.1% respectively, owing to adjustments among insurance companies, as rates at commercial banks softened over the review period.

The decline in energy prices during the second half of the year led to softening in the quarterly inflation rate, as measured by the change in the average Retail Price Index, to 0.2% from 0.8% in the same quarter of 2007. In particular, average housing costs, the most heavily weighted component in the Index, declined by 0.7% after an increase of 0.3% in 2007. Downturns in average prices were also recorded for transportation & communication (1.1%) and recreation & entertainment services (1.0%). For the year, however, the inflation rate accelerated to 4.5% from 2.5% in 2007, with the rise in housing costs sharply higher at 3.5% from 0.5%, and the rate of increase for food & beverages nearly doubled to 6.7%. Firmer average annual price increases were also posted for furniture & household operations (6.8%), medical care & health (5.0%), education (2.6%) and clothing & footwear (1.5%). On the other hand, average price gains were tempered for transport & communication (3.0%) and recreation & entertainment services (2.5%).

Compared with the same quarter of 2007, the estimated current account deficit narrowed by $132.9 million

(50.2%) to $131.7 million. In particular, the trade deficit decreased by 16.0% to $430.2 million, due mainly to a sizeable reduction in the oil bill and a moderation in non-oil import demand. Also, net service receipts improved by 13.8%, as the estimated decrease in tourist earnings was overshadowed by contractions in the net payment for foreign services and residents' overseas travel expenditures. In addition, a reduction in net private sector interest and dividend remittances lowered the net income outflow by 36.3% to $25.1 million, while the net current transfer receipt tapered slightly to $10.9 million.

On the capital and financial account, the estimated surplus receded to $75.7 million from $218.3 million in the previous year. Amid the ongoing global credit freeze, net private foreign investments decreased to $93.2 million from $273.2 million in 2007, as a $43.6 million net repayment on debt facilities, contrasting with a net borrowing of $119.5 million in 2007. Also, net real estate sales tapered to $23.9 million from $100.8 million the previous year; however, net equity financed investments more than doubled to $112.9 million. These developments, alongside a narrowing in the public sector's net external loan proceeds to $7.4 million from $11.4 million, offset the reversal in the domestic banks' short-term transactions, to a net inflow of $10.6 million from a $46.2 million net repayment in 2007.

FISCAL OPERATIONS

OVERVIEW

During the second quarter of FY2008/09, preliminary estimates placed the fiscal deficit higher by 53.7% at $74.8 million. Weak domestic demand reinforced a 2.9% reduction in overall revenues to $306.9 million, while total expenditures rose by 4.7% to $381.7 million, owing to a hike in current spending and increased budgetary support to public enterprises.

REVENUE

Tax collections, which constituted 90.7% of total revenues, declined by 4.0% to $278.4 million. Reflecting the softening in import demand, estimated taxes on international trade transactions contracted by 4.8% to $161.0 million. Providing a nearly complete offset, however, was the more than doubled yield for "other" uncategorized taxes, to $13.3 million, which captures receipts yet to be distributed among the major components. Despite weakness in tourism, which contributed to a 20.9% reduction in hotel occupancy taxes, selective levies on tourism services rose by 17.4% to $8.7 million, primarily supported by timing-related lags in gaming receipts. However, departure taxes fell by 38.8% to $11.9 million and income from stamp taxes on financial and other transactions weakened by 24.5% to $40.7 million. Improvements were registered for property taxes of 28.9% to $28.7 million, and business and professional license fees, of 21.8% to $10.3 million; while motor vehicle taxes were stable at $4.2 million.

Revenues from non-tax sources, which constituted the remaining 9.3% of receipts, advanced by 9.7% to $28.5 million. Notably, the 8.3% increase in collections from fines, forfeitures & administration fees, to $26.4 million, was augmented by a rise in the combined income from public enterprises and other sources, of 50.2% ($0.6 million) to $1.9 million.

Government Revenue By Source

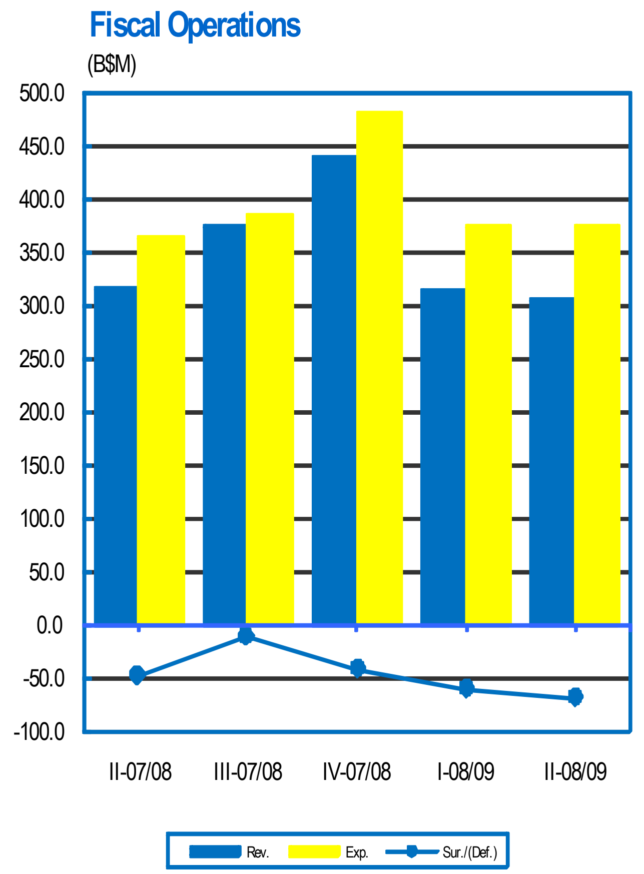
(Oct- Dec)

	FY07/08		FY08/09	
	B$M	%	B$M	%
Property Tax	22.3	7.1	28.7	9.3
Selective Services Tax	7.4	2.3	8.7	2.8
Busines. & Prof Lic. Fees	8.5	2.7	10.3	3.4
Motor Vehicle Tax	4.2	1.3	4.2	1.4
Departure Tax	19.4	6.1	11.9	3.9
Import Duties	130.7	41.4	100.2	32.6
Stamp Tax from Imports	36.3	11.5	3.6	1.2
Excise Tax	--	--	55.4	18.0
Export Tax	2.2	0.7	1.9	0.6
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	53.9	17.1	40.7	13.3
Other Tax Revenue	5.5	1.7	13.3	4.3
Fines, Forfeits, etc.	24.3	7.7	26.4	8.6
Sales of Govt. Property	0.3	0.1	0.2	0.1
Income	1.3	0.4	1.9	0.6
Other Non-Tax Rev.	--	--	--	--
Capital Revenue	--	--	--	--
Grants	--	--	--	--
Less:Refunds	0.4	0.1	0.4	0.1
Total	**315.9**	**100.0**	**307.0**	**100.0**

Expenditure

Total expenditure growth featured a 4.8% expansion in current outlays to $334.5 million and a 39.2% hike in net lending to public enterprises to $16.7 million. However, capital spending fell by 8.9% to $30.5 million. On a proportional basis, recurrent expenses comprised 87.6% of total expenditure; capital outlays, 8.0%, and net lending to public corporations, 4.4%.

Based on economic classifications, the increase in current expenditures included a 5.6% boost in salary payments which represented 42.9% of the total, while purchases of goods and services contracted by 3.4%. Transfer payments rose by 8.1%, with nearly half of the advance due to the 11.9% rise in interest payments on debt to $40.7 million. Subsidies and other transfers also increased by 6.4% to $92.0 million, mostly corresponding to the hike in social assistance payments to households.



On a functional basis, the current expenditure priorities reflected reductions of 1.5% in outlays for general public services (26.5% of the total), education (1.3%) and housing (13.3%). In contrast, spending on health rose by 6.4%, defense, by 7.5% and economic services by 4.8%—which was concentrated in the area of public works.

The fall-off in capital spending reflected a near halving in acquisitions of fixed assets to $6.3 million, which contrasted with a 13.8% rebound in expenditures on capital works to $24.2 million. The latter mainly corresponded to increased investments under education and infrastructure developments, whereas investments were lowered for health and the general public services.

Financing and the National Debt

Budgetary financing during the second quarter of FY2007/08 was provided via an $11.5 million drawdown in external loans, being slightly outpaced by debt amortization of $12.9 million—of which $10.0 million was in Bahamian dollars. As a result, the Direct Charge on Government fell marginally by 0.1% to $2,763.8 million at end-December. For the Bahamian dollar portion, which represented 86.1% of the total, the majority was held by private and institutional investors (32.0%), followed by public corporations (30.3%), domestic banks (29.2%) and the Central Bank (8.5%).

The Government's contingent liabilities also fell during the quarter by $5.9 million (1.3%) to $436.5 million. As a result, the National Debt decreased by 0.2% to $3,200.3 million. On a calendar year basis, however, the National Debt rose by $130.3 million (4.2%), owing to respective gains in the Direct Charge and contingent liabilities of $128.3 million (4.9%) and $2.0 million (0.5%).

Public Sector Foreign Currency Debt

The public sector's foreign currency debt rose by $2.1 million (0.2%) to an estimated $835.9 million during the fourth quarter of 2008, with new drawings of $11.5 million relative to principal repayments of $9.4 million. The Government held $384.4 million (46.0%) of the outstanding amount, and the public corporations, $451.5 million (54.0%).

Compared to the fourth quarter of 2007, foreign currency debt servicing declined more than three-fold to $26.3 million. In particular, debt amortization resettled lower at $9.4 million from a refinancing led spike of $78.9 million last year; whereas interest charges edged up by $0.5 million to $16.9 million. As a result, debt service as a proportion of estimated exports of goods and non-factor services eased significantly to 3.4% from 11.1% last year. Nevertheless, the ratio of the Government's foreign currency debt service to total revenue firmed to 4.7%, partly owing to the softer revenue outturn.

By creditor groupings, commercial banks retained the largest share of the foreign currency debt (47.8%), followed by private capital market investors (35.9%), multilateral institutions (13.4%), bilateral and other creditors (2.9%). The average maturity of the debt was centered at just over twenty-six years, and almost entirely denominated in United States dollars.

Real Sector

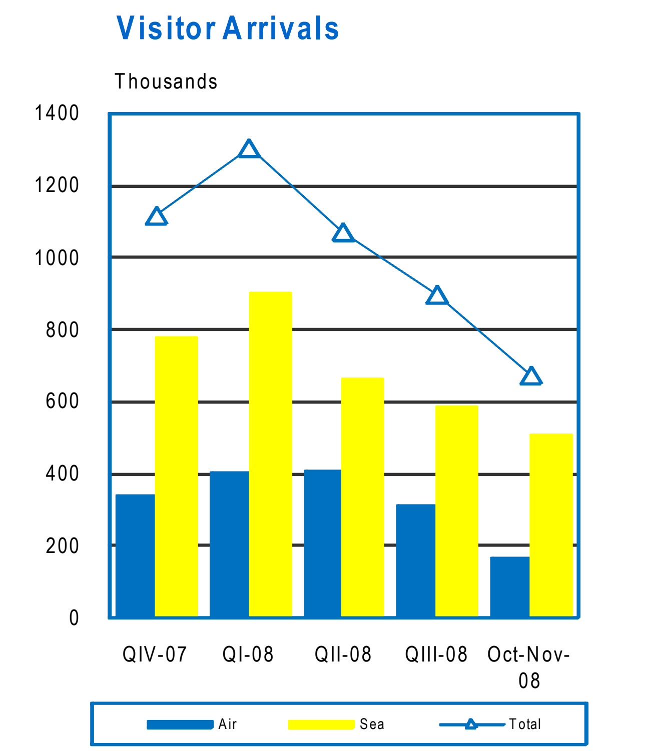
Tourism

Tourism output weakened during the fourth quarter, amid adverse external pressures, especially the contraction in the US economy and concomitant slump in consumer confidence. The downturn was concentrated in the stopover market, overshadowing a projected increase in cruise earnings.

Available data for the first two months of the quarter indicated a 1.4% gain in total visitor arrivals to 0.7 million, after a decline of 1.7% in the comparative period of 2007. Comprising 75.6% of the total, sea visitors recovered strongly by 13.6% from a decline of 6.7% last year. However, air arrivals recorded an intensified downturn of 24.0% vis-à-vis a 10.8% increase a year ago.

Generally improved sea traffic contrasted with broad-based weakness in stopover visitors. Arrivals to New Providence were reversed, to a 3.4% decline from an 8.8% increase in 2007, as a sharp contraction in air traffic (26.5%) negated the extended gain in sea arrivals (13.6%). Grand Bahama experienced a 2.5% growth in visitors as opposed to the 14.9% decrease in 2007, owing to increases in the dominant sea passengers (9.6%) relative to a further softening in air traffic (15.6%). Similarly, visitors to the Family Islands rebounded by 11.1% from a 13.8% slump, as the upturn in sea traffic (15.1%) outpaced the reduction in air arrivals (14.6%).

Preliminary indicators of hotel sector performance suggest a contraction in industry output. Estimated room revenues at major properties declined, following both a reduction in room sales and in average nightly room rates to below the 2007 estimate of $182.36 per night. Both the contracted performance in the last half of 2008 and a significant drop in bookings for the 2009 winter season contributed to a retrenchment in hotel sector operations, with some 1,241 jobs eliminated between August and December, and many remaining staff working reduced hours. To cushion these trends, promotional activities were significantly stepped up for the sector, led by increased external marketing by the Ministry of Tourism, including the effective subsidization of some airline travel costs.



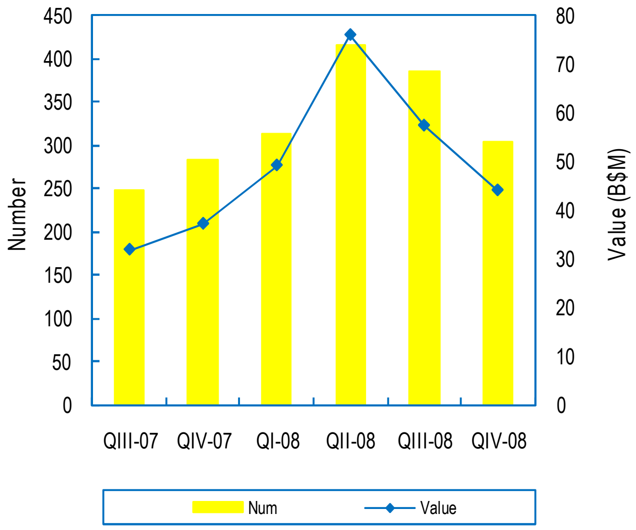
Construction

Reduced foreign investment inflows, including the sharp reduction in second home purchases, led to a subdued level of construction activity during the fourth quarter, although financing for domestic activities provided ongoing positive support.

Compared to the same period in 2007, total mortgage disbursements for new construction and building repairs, as reported by domestic banks, insurance companies and the Bahamas Mortgage Corporation, rose by 5.5% to $84.9 million. Although residential outlays contracted marginally, by 0.8% to $75.8 million, commercial disbursements more than doubled to $9.1 million.

Mortgage commitments for local developments, a leading indicator of future building activity, strengthened in number by 7.0% to 304 and in value, by 18.6% to $44.0 million. In particular, residential approvals increased by 22.6% to 293, valued 31.6% higher at $41.6 million. However, commercial commitments declined in number by 75.6% to 11, with a corresponding 55.7% drop in value to $2.4 million.

Mortgage Commitments: New Construction and Repairs



Regarding mortgage financing costs, the average interest rate for residential mortgages firmed relative to the fourth quarter of 2007, by 10 basis points to 8.50%; and the commercial rate, by the same amount to 9.10%—both reflecting increases by insurance companies, as average rates at commercial banks were slightly lower.

PRICES

With the easing of external price pressures over the second half of the year, inflation trended lower during the fourth quarter, but remained sharply elevated on an annual basis. The quarterly rise in the average Retail Price Index moderated sharply to 0.2% from a 0.8% run-up in the same period in 2007. Given the downtrend in energy costs, the housing component—the most heavily weighted item in the Index—declined by 0.7%, after an increase of 0.3% in 2007. Average price declines were also recorded for transportation & communication (1.1%) and recreation & entertainment services (1.0%), while average cost increases abated for clothing & footwear (0.4%) and medical care & health (0.5%). Conversely, higher average price gains were registered for food & beverages (2.2%) and education (3.4%).

Average Retail Price Index
(Annual % Changes)
December

Items	Weight	2007 Index	2007 %	2008 Index	2008 %
Food & Beverages	138.3	130.6	3.6	139.4	6.7
Clothing & Footwear	58.9	107.6	0.9	109.3	1.5
Housing	328.2	108.6	0.5	112.5	3.5
Furn. & Household	88.7	129.6	5.3	138.4	6.8
Med. Care & Health	44.1	142.6	3.0	149.7	5.0
Trans. & Comm.	148.4	112.7	3.7	116.2	3.0
Rec., Enter. & Svcs.	48.7	127.1	3.8	130.3	2.5
Education	53.1	173.8	2.3	178.3	2.6
Other Goods & Svcs.	91.6	136.8	2.8	147.1	7.5
ALL ITEMS	1000	122.5	2.5	128.0	4.5

For 2008, consumer price inflation accelerated to 4.5% from 2.5% in 2007. The rise in average housing costs quickened to 3.5% from 0.5%, and the rate of increase in food & beverages prices nearly doubled to 6.7%. Average costs for "other" goods and services also rose at a significantly stepped-up pace of 7.5%; and incrementally firmer price increases were recorded for furniture & household operations (6.8%), medical care & health (5.0%), education (2.6%) and clothing & footwear (1.5%). Meanwhile, the average price gains were tempered for transportation & communication (3.0%) and recreation & entertainment services (2.5%).

Reflecting the recent decline in international crude oil prices, the average retail price of both diesel and gasoline decreased during the fourth quarter, by 30.7% and 25.2%, to $4.04 and $4.18 per gallon, respectively; remaining above the 2007 final quarter averages of $4.00 for diesel but lower for gasoline which was at $4.50 per gallon. Similarly, the Bahamas Electricity Corporation's average energy fuel surcharge was lowered over the quarter, by 21.9% to 18.06 cents per kilowatt hour (kWh), although still exceeding the corresponding 2007 average of 13.27 cents per kWh.

Money, Credit and Interest Rates

Overview

Monetary developments featured a larger seasonal drawdown in liquidity during the fourth quarter, as slightly accelerated credit growth contrasted with a significant slowdown in Bahamian dollar deposit gains. The increase in the banking system's net foreign liabilities was correspondingly larger than in 2007, reflecting a decline in external reserves and gains in commercial banks' net external liabilities. As liquidity remained relatively buoyant in comparison to 2007, the average interest rate spread on loans and deposits narrowed, with the easing in the average loan rate exceeding the reduction in the average deposit rate.

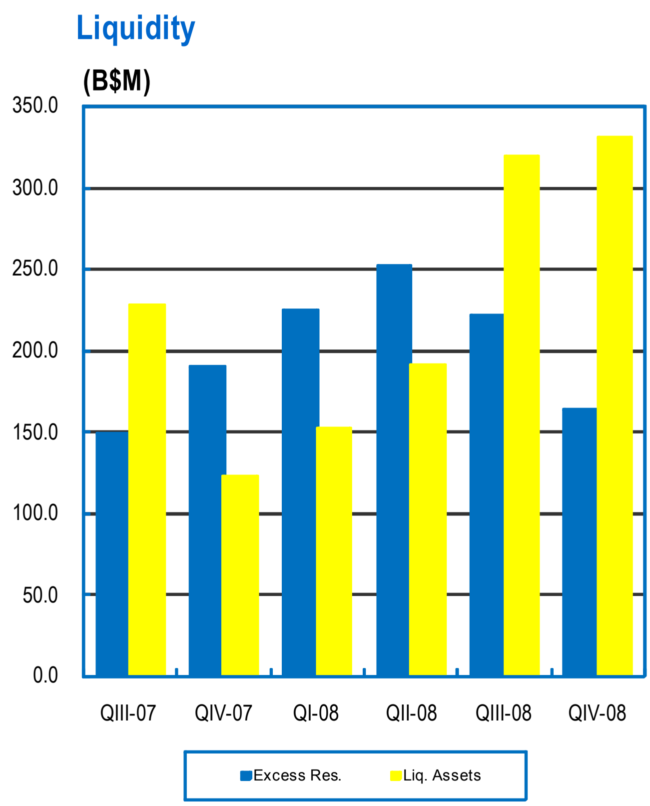
Data on domestic banks' profitability ratios for the third quarter of 2008, the latest available, indicated a marked decrease in earnings, due mainly to mounting bad debt provisions. Meanwhile, as loan servicing difficulties increased among private sector borrowers, a larger proportion of banks' credit balances were in payment arrears.

Liquidity

As banks reduced their deposits with the Central Bank, net free cash reserves of the banking system fell by $58.1 million (26.2%) to $164.0 million vis-à-vis the $41.3 million (27.7%) expansion to $190.1 million in 2007. This corresponded to a slightly decreased ratio to total Bahamian dollar deposits of 2.9% versus 3.6% in 2007. Similarly, the broader surplus liquid assets fell during the quarter, by $74.2 million (22.4%) to $257.3 million which exceeded the statutory minimum by 28.2% in comparison to 17.7% at end-December 2007.

Deposits & Money

Growth in the overall money supply (M3) was relatively flat during the quarter with the aggregate level at $5,924.0 million. Narrow money (M1) contracted by 3.5%, following a 2.1% uptrend in 2007, as the tapered 3.1% increase in currency in active circulation was offset by a 4.6% drop in demand deposits, attributed mainly to drawdowns by public corporations, private individuals and institutional depositors.



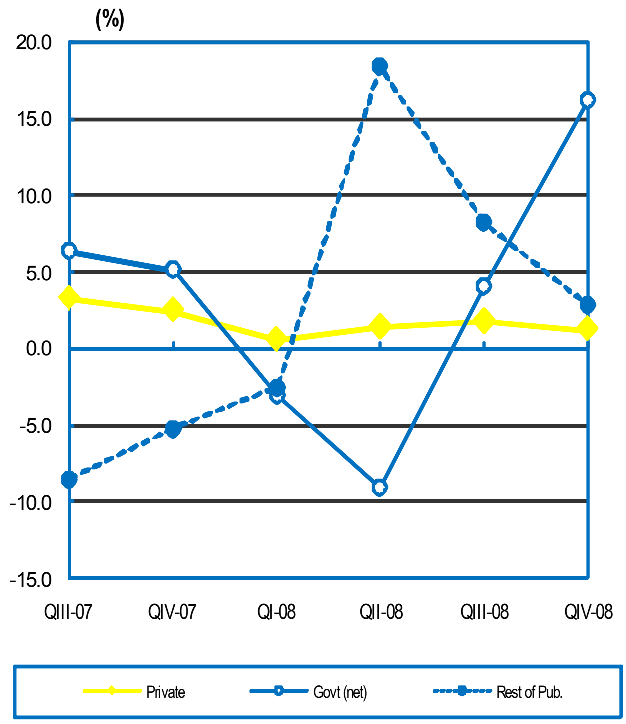
Broad money (M2) gains narrowed to 0.3%, as the 1.4% recovery in savings deposits contrasted with a near halving in fixed deposits growth to 1.4%. The latter included a modest reduction in public corporations' placements and significantly slowed accretions by private individuals. After a 5.5% contraction in resident's foreign currency balances, overall money (M3) rose by $2.6

million (0.04%), a marked deceleration from an increase of $94.6 million (1.7%) in 2007. Bahamian dollar fixed deposits remained the largest share of the money stock (57.9%), followed by demand (18.0%) and savings deposits (17.2%), and with almost equal proportions represented by currency in active circulation (3.5%) and foreign currency deposits (3.4%).

Domestic Credit

Growth in domestic credit firmed to $223.6 million (2.9%) from $175.2 million (2.4%) a year ago, due primarily to increased public sector borrowing activity, as banks adopted a more conservative lending stance towards the private sector. The advance in the Bahamian dollar component firmed moderately to $233.8 million (3.4%), while the foreign currency portion contracted further; albeit, at a more tempered pace of $10.3 million (1.3%).

Changes in Credit



Growth in net credit to the public sector accelerated to 11.5% from 2.0% in 2007, with the increase in net claims on Government widened to $129.0 million (16.2%) from $43.2 million (5.2%) last year, buoyed mainly by increased holdings of Government Securities as well as higher loans and advances. Also, credit to the public corporations recovered by $12.4 million (2.8%), from a reduction of $19.1 million (5.2%) in the previous year.

In contrast, private sector credit expansion narrowed to $82.2 million (1.3%) from $151.1 million (2.5%) in 2007, with the advance in Bahamian dollar claims nearly halved to 1.6% and a continued net foreign currency repayment of 2.9%. Of the major private sector credit components, the expansion in personal loans—which represented 71.3% of outstanding claims—moderated to $108.3 million (2.2%) from $155.2 million (3.5%) last year, with an ongoing contraction in other, mainly commercial lending, of $19.1 million (1.2%). Within the personal category, consumer credit growth was nearly halved to $27.2 million (1.2%); albeit, residential mortgage gains firmed moderately to $83.8 million (3.3%), and the net overdraft repayment narrowed to $1.5 million (1.4%).

Distribution of Bank Credit By Sector
End-December

	2007		2008	
	B$M	%	B$M	%
Agriculture	11.2	0.2	15.0	0.2
Fisheries	10.7	0.2	9.9	0.1
Mining & Quarry	7.1	0.1	1.5	0.0
Manufacturing	52.5	0.8	41.1	0.6
Distribution	195.4	3.0	178.6	2.6
Tourism	244.8	3.7	212.5	3.0
Enter. & Catering	47.0	0.7	36.4	0.5
Transport	24.8	0.4	28.2	0.4
Public Corps.	243.9	3.7	343.5	4.9
Construction	460.2	7.0	446.0	6.4
Government	120.3	1.8	145.8	2.1
Private Financial	27.3	0.4	20.2	0.3
Prof. & Other Ser.	149.6	2.3	168.0	2.4
Personal	4,618.0	70.5	4,989.1	71.3
Miscellaneous	340.2	5.2	361.5	5.2
TOTAL	6,553.0	100.0	6,997.3	100.0

Lending patterns within consumer credit highlighted the increased financial stress of households, given the weak economic climate, as the bulk of the additional credit was extended for debt consolidation ($30.8 million) and utilization of credit card balances ($13.2 million). Net lending was also registered for land purchases ($8.8 million); however, borrowers made net repayments on loans for all other purposes, including 'miscellaneous" credit ($10.4 million), private cars ($6.2 million), travel ($4.8 million), education ($2.1 million), furnishings & domestic appliances ($0.9 million), medical ($0.6 million) and home improvement ($0.4 million).

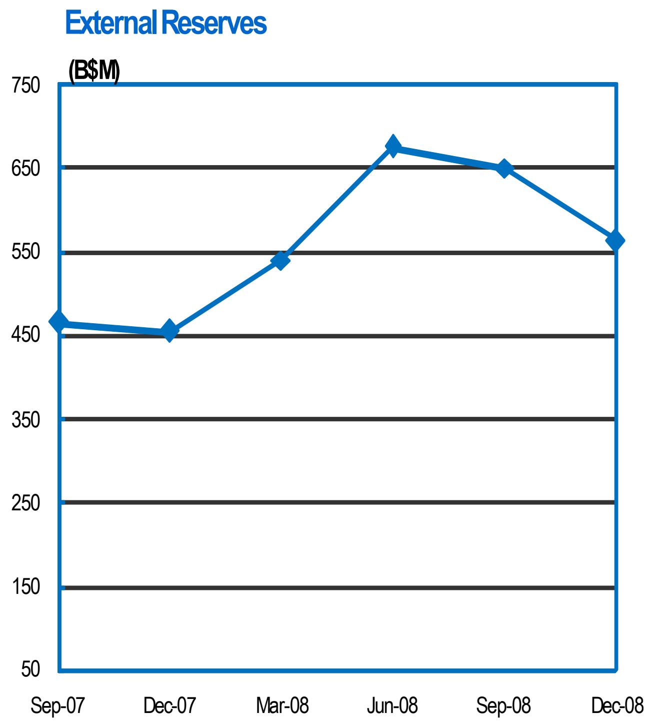
The remaining private sector credit categories (mainly commercial facilities), which contracted on balance, still featured either resumed or expanded net lending for construction ($24.1 million), professional & other services ($20.4 million), tourism ($4.4 million) and entertainment & catering ($3.0 million). The increase in claims was narrowed for agriculture ($0.5 million); although net repayments were noted for the miscellaneous category ($51.2 million), distribution ($8.0 million), private financial institutions ($4.6 million), manufacturing ($3.1 million), fisheries ($3.0 million), mining & quarrying ($1.3 million), and transport ($0.3 million).

The Central Bank

Growth in the Central Bank's net claims on Government slowed significantly to $13.5 million (7.3%) from $53.6 million (19.2%) in 2007 when there were larger holdings of Government securities. Concurrently, net deposit liabilities to the rest of the public sector contracted by $17.8 million (85.1%) and, in line with the seasonal expansion in credit, banks reduced their balances held with the Central Bank by $60.2 million (12.1%), which outweighed a $6.2 million (3.1%) rise in currency held by the private sector. As a result of these trends, the Central Bank's net domestic liabilities contracted by 17.7%, nearly corresponding to the $87.1 million (13.4%) drawdown in external reserves which outpaced the $10.5 million (2.3%) decrease of last year.

Underlying the change in external assets was a net foreign currency sale of $92.3 million, as the 34.7% decline in purchases to $106.7 million surpassed an 11.5% increase in sales to $199.0 million. This also reflected a nearly doubled net sale to the public sector of $81.6 million, and a reversal in transactions with commercial banks, to a net sale of $10.7 million from a net purchase of $28.4 million last year.

At year-end, external reserves stood at $563.1 million, an improvement from the $454.2 million in 2007. Balances were equivalent to an estimated 12.2 weeks of non-oil merchandise imports versus 10.0 weeks in 2007. When adjusted for the statutory required 50% of the Bank's Bahamian dollar demand liabilities, which have to be supported by the external balances, "useable" reserves stood higher at $233.2 million as compared to $104.5 million in 2007.



The balance sheet developments of domestic banks featured a narrowed expansion in deposit liabilities to the private sector of $45.9 million (0.9%), offsetting nearly half of the $82.2 million (1.3%) increase in claims on the sector. The net position to the public corporations switched to a net claim of $3.4 million from a net liability of $40.7 million, and net credit to the Government rose by $115.5 million (18.9%).

In addition to utilization of deposits held at the Central Bank, commercial banks' funding gap was closed by the accumulation of capital and surplus resources, associated with profits and retained earnings, of $82.2 million (1.3%) and increased net foreign liabilities of $24.2 million (3.6%).

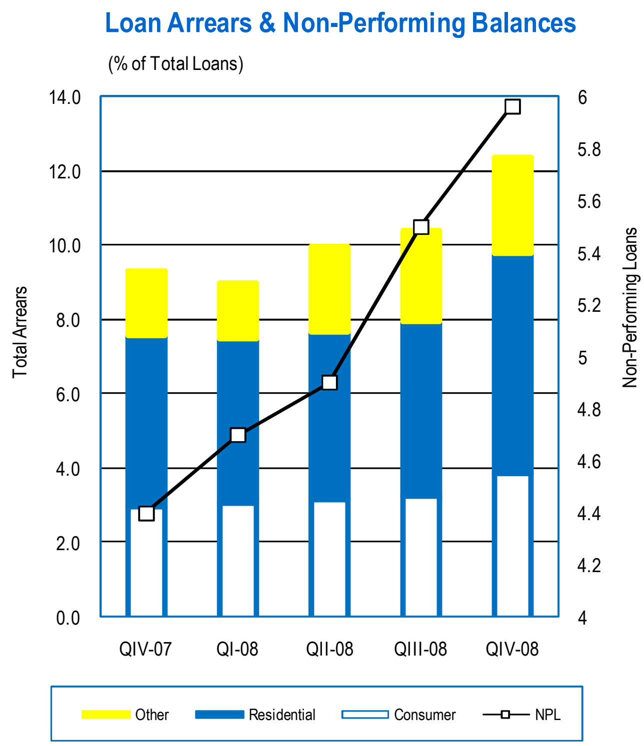
The aggregate deposit liabilities of domestic banks, including those to the public sector, totaled $5,842.2 million at end-December, with the majority (96.5%) denominated in Bahamian dollars. Private individuals held the bulk of these balances (58.6%), followed by business firms (24.3%), the public sector (9.9%), other customers (3.9%) and private financial institutions (3.3%). By category, fixed deposits maintained the largest share of the total (62.1%), then demand deposits (19.8%) and savings (18.1%).

Analyzed by range of value and number of contracts, the majority of Bahamian dollar deposits (90.7%) consisted of balances under $10,000, although constituting only 7.0% of the total value. Accounts with balances between $10,000 and $50,000 represented 6.3% of total contracts (12.1% of the aggregate value), and balances exceeding $50,000 comprised 3.0% of accounts but 80.9% of the total value.

CREDIT QUALITY

Commercial banks experienced a further deterioration in asset quality during the fourth quarter, as loan servicing difficulties mounted amid the deterioration in economic conditions. The value of loans facing payment arrears of 30 days or more moved higher by $143.5 million (22.8%) to $771.8 million, representing an elevated arrears rate of 12.5% vis-à-vis 9.4% in the corresponding period in 2007 and 10.5% at end-September 2008. On a 12-month basis, commercial loan arrears registered the most marked weakening, 15.5% from 13.6% in September 2008 and 9.3% in December 2007. The arrears rate for residential mortgages also increased to 13.2% from 10.5% in the September quarter and 10.4% in December 2007; and for consumer loans, by 1.7 percentage points to 10.8% vis-à-vis the previous quarter and 2.5 percentage points higher than in 2007.

Non-performing loans, those in arrears for over 90 days and on which banks no longer accrue interest, rose to 5.96% of total claims at end-December, from 5.51% at end-September and 4.40% at December 2007. In line with rising credit risks, the banking system's loan loss provisions expanded to 2.74% of total loans from 2.57% in September and 2.11% in December 2007. However, the corresponding ratio of provisions to the total non-performing loans ratio was lower at 45.98% from 46.65% at end-September, given the more accelerated increase in loan servicing difficulties.

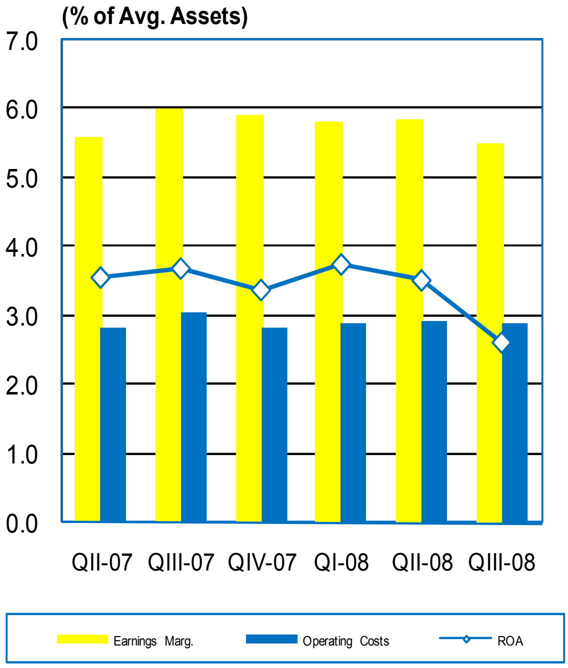


BANK PROFITABILITY

During the three-month period ending September 2008, the latest quarter for which data is available, domestic banks' net income decreased by $17.7 million (23.1%) to $59.0 million, relative to the same quarter last year. The net interest margin improved by 3.1% to $117.6 million, but was offset by a reduction in the contribution from commission and foreign exchange income, which decreased by 43.7% to $6.2 million. This consequently lowered the gross earnings by 1.0%, amid a 2.3% rise in operating costs to $65.3 million. However, the most significant effect on the outcome was the reduction in the other income component (net of depreciation and bad debt expenses), to $0.6 million from $15.6 million in

2007, corresponding mainly to a hike in provisions for bad debts.

Domestic Banks' Profitability



Profitability ratios were also compressed in comparison to average domestic assets. The net interest margin ratio declined by 27 basis points to 5.20%, while the commission and foreign exchange income ratio fell by 25 basis points to 0.27%. Although some offset was provided from the reduction in the operating costs ratio, by 17 basis points to 2.89%, the support from the "other" net income ratio fell by 72 basis points to 0.03%. As a consequence, the net income (return on assets) ratio receded by 107 basis points to 2.61%.

INTEREST RATES

In interest rate developments, commercial banks' average interest rate spread on loans and deposits narrowed during the quarter, by 57 basis points to 6.53%, reflecting the 4 basis point easing in the weighted average deposit rate to 3.86% versus the 61 basis point reduction in the weighted average lending rate to 10.39%.

For deposits, the average savings rate declined by 11 basis points to 2.06%, with rates on fixed maturities trending within a lower band of 3.63% – 4.35%, relative to 3.71% - 4.48% in the previous quarter.

Banking Sector Interest Rates

Period Average (%)

	Qtr. IV 2007	Qtr. III 2008	Qtr. IV 2008
Deposit Rates			
Demand Deposits	1.41	1.42	1.53
Savings Deposits	2.24	2.17	2.06
Fixed Deposits			
Up to 3 months	3.58	3.71	3.63
Up to 6 months	3.98	4.00	4.04
Up to 12 months	4.47	4.48	4.35
Over 12 months	4.71	4.31	4.11
Weighted Avg Deposit Rate	**3.80**	**3.90**	**3.86**
Lending Rates			
Residential mortgages	8.29	8.25	8.25
Commercial mortgages	9.23	8.37	8.64
Consumer loans	13.05	13.07	12.55
Other Local Loans	7.97	8.83	8.22
Overdrafts	10.87	11.57	11.10
Weighted Avg Loan Rate	**10.72**	**11.00**	**10.39**

On the lending side, the average residential mortgage rate stabilized at 8.25%; albeit, 4 basis points lower than in 2007. The commercial mortgage rate gained 27 basis points to 8.64% but eased by 59 basis points from a year-earlier; while the average consumer loan rate declined in both comparisons, by some 50-52 basis points, to 12.55%. In contrast, average rates on overdrafts were lower by 47 basis points, but rose relative to 2007, by 23 basis points to 11.10%.

For the quarter, the average 90-day Treasury bill rate edged higher by 4 basis points to 2.73%, but was 10 basis points below the 2007 level. Meanwhile, the Central Bank's Discount Rate and the Commercial Bank's Prime Rate remained unchanged at 5.25% and 5.50%, respectively.

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CAPITAL MARKETS DEVELOPMENTS

During the quarter, investor confidence remained weak on domestic capital markets. Given the lackluster performance of the economy, The Bahamas International Securities Exchange (BISX) All Share Price Index fell by 4.4% to 1,712.4 points, culminating in a loss of 17.2% for 2008. The volume of shares traded during the quarter, at 1.031 million, was priced at $6.9 million, compared to 0.9 million shares changing ownership in the same period last year, valued at $5.9 million.

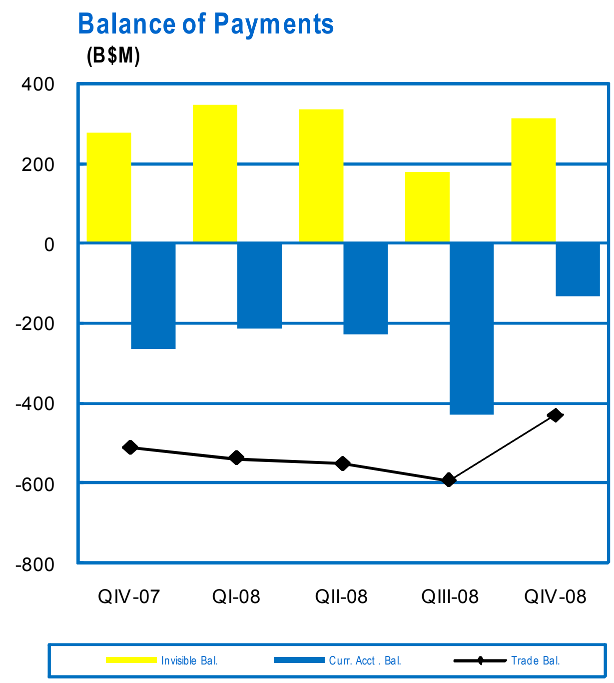
The Fidelity Capital Market Limited's broader Findex weighted share price index, which included equities traded over-the-counter, also fell during the fourth quarter, by 5.1%, to close the year at 834.83 points, off by 11.0% for the year.

INTERNATIONAL TRADE AND PAYMENTS

Preliminary estimates for the fourth quarter of 2008 indicated that the current account deficit narrowed by $132.9 million (50.2%) to $131.7 million, compared with the same quarter of 2007. In particular, the merchandise trade deficit decreased by 16.0%, due mainly to a sizeable reduction in the oil bill and moderately lower non-oil import demand. Also of note, the net services surplus improved by 13.8%, while net income outflows decreased by 36.3%.

The trade deficit contracted by $81.6 million (16.0%) to an estimated $430.2 million. Although the non-oil bill declined by $28.0 million (8.2%) to $314.9 million, total goods exports—including those procured in ports by foreign ships—fell by $26.9 million (11.9%). However, with oil prices broadly lower, the value of oil imports declined by $77.4 million (30.7%) to $174.4 million. The per barrel price of propane gas decreased by 40.7% to $31.55; motor gas, by 23.2% to $70.49; bunker "C", by 41.9% to $96.88 and gas oil, by 11.2% to $91.10.

When compared with the same period in 2008, the estimated services account surplus improved by $37.9 million (13.8%) to $312.7 million. Despite an estimated fall in tourism inflows, net travel receipts rose by $16.0 million (4.1%) to $405.3 million, as residents' overseas travel expenditures declined by more than one-third. Owing to reduced net payments for foreign construction services, net outflows for other services narrowed by $31.3 million (37.9%) to $51.2 million, while net insurance payments decreased by $3.4 million (15.8%) to $18.2 million. In a partial offset, net outflows for transportation rose by $1.1 million (1.6%) to $70.1 million; net payments for Government services more than doubled to $13.3 million; and offshore companies local expenses were trimmed by $2.8 million (4.4%) to $60.2 million.



Net income remittances contracted by $14.3 million (36.3%) to $25.1 million. Compensation for labour services was halved to $12.7 million; net repatriation of interest and profits by banks and other private sector companies moderated sharply to $6.4 million from $12.1 million, while the public sector's net interest payments on external debt more than doubled to $5.9 million.

Net current transfer receipts narrowed by 7.8% to $10.9 million, with net inflows to the Government moderately reduced to $12.7 million, and workers' outward net remittances abated slightly to $2.0 million.

On the capital and financial account, the estimated surplus slackened to $75.7 million from $218.3 million the previous year. Migrants' net capital repatriation more than doubled to $35.5 million while—affected by the soft foreign investment climate—the financial surplus receded sharply to $111.3 million from $234.3 million in 2007. The latter included a marked curtailment in net private foreign investment to $93.2 million from $273.2 million in 2007. A net repayment on debt facilities of $43.6 million, followed net inflows of $119.5 million in 2007, and net receipts from real estate sales tapered off to $23.9 million from $100.8 million. Nevertheless, net equity investments more than doubled to $112.9 million, while resident's net portfolio investments were flat for the quarter. For the public sector, net external loan proceeds were lower at $7.4 million from $11.4 million; however, domestic banks recorded a net increase in short-term external funding of $10.6 million, as compared to net repayment of $46.2 million in the same period last year.

Consequent on these developments and, after adjusting for net errors and omissions, the overall payment balance deficit, which corresponds to a change in the Central Bank's external reserves, was significantly higher at $87.1 million compared to $10.5 million in the fourth quarter of 2007.

International Economic Developments

The global economic recession deepened during the fourth quarter of 2008, with most of the major economies recording contractions, while China and India, Asia's second and third largest economies respectively, registered smaller output gains. Correspondingly, declines in average employment rates persisted across countries. However, inflation rates eased substantially, as weak demand led to moderation in both food and energy prices. The expansionary focus of monetary policy and fiscal policies was accelerated, as major central banks attempted to jumpstart tight credit markets and shore up sagging private sector confidence. Despite such interventions, major equity markets remained volatile and on a downward trajectory, as uncertainty mounted over the depth and duration of the economic meltdown. In currency markets, the US dollar experienced mixed movements, but still functioned as a safe haven choice against most major currencies. Since for most major economies decreasing trade was more attenuated in imports, external trade balances narrowed, on balance, contrasting with deteriorations in the more export dependent economies.

Most of the leading economies contracted during the fourth quarter, despite the aggressive and widespread injection of monetary and fiscal stimulus. In particular, the United States' economy contracted at an annualized rate of 6.2%, the sharpest quarterly decline since the first three months of 2002. This extended the 0.5% falloff in the third quarter, and a milder reduction of 0.2% in the fourth quarter of 2007. The slump reflected a 19.7% decrease in exports, alongside internal weakness in demand, including a 3.5% reduction in real personal consumption expenditures and sharp declines in both business and housing investments. These outweighed a 6.7% expansion in federal government spending. Similarly, in the United Kingdom, real GDP decreased at an accelerated quarterly rate of 1.5% compared to 0.6% in the third quarter, as consumer spending receded under the weight of rising unemployment, heavy debt burdens and tighter credit markets. Overall weakness was also underscored by reductions in both services and manufacturing output. The Euro area's malaise resulted in a fourth quarter GDP decline of 1.5% vis-á-vis 0.2% in the previous three-months. In particular, uncertain conditions in financial markets and employment constrained consumer demand, while weakness lingered in both private sector investments and exports. The Japanese economy contracted by a much larger 12.7% compared to 1.8% in the third quarter, primarily due to reductions in exports and consumption expenditures. Meanwhile, China's growth moderated to 6.8% from 9.0% in the previous quarter, given diminishing export demand and a downturn in the domestic real estate market.

The entrenched economic weakness contributed to worsening employment conditions in the major economies. In the United States, the average unemployment rate escalated to 6.9% at end–December from 6.0% in September, as job losses, on a seasonally adjusted basis, mounted to 1.6 million compared to 0.6 million in the third quarter. In the United Kingdom, the unemployment rate reached a ten-year high of 6.3% in the fourth quarter, an increase of 0.4 percentage points over the previous three-month period. The Euro area registered a similar quarterly increase in the unemployment rate, to 8.0%; and the jobless rates in China and Japan advanced by 0.2 and 0.4 percentage points, to 4.2% and 4.4%, respectively.

Weak consumer demand and a slide in energy prices contributed to a reduction in the major countries' inflation rates during the review quarter. The United States consumer price inflation contracted at an annualized rate of 12.7% for the fourth quarter, following an abated increase of 2.6% in the third quarter, after energy and transportation costs plunged by 55.6% and 76.6%, respectively. Average core prices were also lower, after excluding the volatile food and energy components. In the United Kingdom, decreased energy costs and reduction in the VAT reinforced a moderation in the annualized inflation, to 3.1% in December from 5.2% in September, though still higher than the Bank of England's upper policy limit of 3.0%. The Euro area registered a tempered inflation rate of 1.6% compared to 3.6% three months earlier, also due to a reduction in energy prices, alongside a smaller advance in foods costs. Similar factors contributed to a deceleration in the annualized inflation rate in Japan, to 1.0% in the final quarter from 2.3% in the third quarter; however, China's annualized inflation rate, at 5.9% in December, showed signs of firming, primarily due to higher costs for food and housing.

As the global uncertainly mounted, the United States' dollar generally remained a safe haven currency during the quarter, as investors perceived that the actions of the Government were more proactive than those implemented by other countries. Consequently, the dollar appreciated by 17.8% relative to the British pound, to £1.4629; by 14.1% against the Canadian dollar, to CDN$1.2142, and by 0.9% vis-à-vis the Euro, to €1.3973. However, the US currency declined against the Swiss franc, by 4.6% to CHF1.0721 and relative to the Japanese Yen, by 14.5% to ¥90.68.

Amid lingering financial market uncertainty and the worsening economic outlook, the volatile, downward spiral persisted for the major stock market indices. In particular, the United States' Dow Jones Industrial Average (DJIA) lost 19.1% to close the quarter at 8,776.4 points, and the Standard & Poor's 500 (S&P 500) index retreated by 22.6% to 903.3 points. In Europe, the United Kingdom's FTSE 100 index fell by 9.6% to 4,434.2 points; Germany's DAX, by 17.5% to 4,810.2 points and France's CAC 40, by 20.2% to 3,218.0 points. Both Japan's Nikkei 225 index and China's Shanghai SE Composite index also dropped 21.3% to 8,859.6 points, and 20.6% to 1,820.8 points, respectively.

As global demand for oil contracted during the fourth quarter, led by adjustments in the largest consuming country, the United States, crude oil prices plummeted by 59.6% to $39.53 per barrel. In contrast, the increased demand for gold, as a safer alternative to equity investments, further elevated the price, by 1.3% to $882.05 per ounce. However, the price of silver declined by 5.3% to $11.39.

The expansionary stance of monetary policies was more entrenched during the final quarter, as major economies maintained efforts to revive credit markets and stimulate a recovery in demand. In the United States, the Federal Reserve lowered the federal funds rate by 50 basis points to 1% in October and more aggressively in December, to a target range of 0-0.25%. Over the same period, the discount rate was reduced by a total of 125 basis points to 0.5% by December. The Federal Reserve also provided additional market liquidity through its Term Auction Facility and, in December, announced plans to begin purchasing the mortgage-backed securities of the major government agencies so as to increase support for the housing market. In December, the Bank of England reduced its bank rate by 1.0 percentage point to 2.0%, following a 1.5 percentage cut a month earlier. Similarly, the European Central Bank lowered its marginal lending facility and deposit rates during the quarter, by a total of 1.75 and 0.75 percentage points, respectively. Between October and November, the Bank of Japan decreased its target overnight rate, by an aggregate 40 basis points to 0.1%, and the rate on its complementary lending facility, by 45 basis points to 0.30%. Further, to encourage maintenance of adequate liquidity in the banking system, a temporary interest rate of 0.1% was introduced on excess reserves held at the central bank. In an attempt to ensure sufficient liquidity in the banking system, China reduced its reserve requirement for the largest banks, to 16% from 17%, and the requirement for smaller banks, to 14% from 16%, to take effect at end-December.

On the external accounts, for most major countries, the falloff in demand for imports outpaced the decline in exports and resulted in improved fourth quarter trade balances. The United States' trade deficit narrowed by

22.1% to $138.7 billion, as imports declined at a faster rate of 15.1% compared to a 12.5% narrowing in exports. Similarly, in the United Kingdom, the trade deficit decreased to £11.5 billion from £13.1 billion in the previous quarter, and the Euro area deficit retracted to €11.3 billion from €12.6 billion. Conversely, Japan registered a trade deficit of ¥145.5 billion, a turnaround from a surplus of ¥486.4 billion in the third quarter, due to the 22.8% decline in exports which exceeded a 20.2% fall in imports. China's estimated surplus also contracted, owing to softening net export demand.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

The following symbols and conventions are used throughout this report:

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

TABLE 1

FINANCIAL SURVEY

End of Period	2004	2005	2006	2007 Mar.	2007 Jun.	2007 Sept.	2007 Dec.	2008 Mar.	2008 Jun.	2008 Sept.	2008 Dec.
				(B$ Millions)							
Net foreign assets	104.3	(32.2)	(254.4)	(133.4)	(124.4)	(249.0)	(213.4)	(55.4)	61.9	(29.4)	(140.7)
Central Bank	667.8	578.8	499.7	623.5	642.9	464.7	454.2	539.6	674.8	650.2	563.1
Domestic Banks	(563.5)	(611.0)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)	(612.9)	(679.6)	(703.8)
Net domestic assets	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	6,064.7
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
Public sector	887.8	945.8	1074.2	1044.3	1,176.2	1,191.8	1,215.9	1,180.4	1,166.7	1,230.9	1,372.3
Government (net)	547.1	642.5	677.0	664.2	773.7	823.6	866.8	840.1	763.8	795.0	924.0
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
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	6454.6	6536.8
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)	(1,844.4)
Monetary liabilities	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
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
Currency	176.6	195.3	202.1	216.1	216.9	213.3	223.7	214.2	204.2	199.6	205.8
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
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
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
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
Foreign currency	96.9	144.2	159.2	160.5	170.4	182.3	200.1	219.1	214.1	213.2	201.4
				(percentage changes)							
Total domestic credit	5.1	12.9	14.3	0.9	3.6	3.0	2.4	(0.0)	1.0	2.4	2.9
Public sector	1.0	6.5	13.6	(2.8)	12.6	1.3	2.0	(2.9)	(1.2)	5.5	11.5
Government (net)	8.0	17.4	5.4	(1.9)	16.5	6.4	5.2	(3.1)	(9.1)	4.1	16.2
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
Private sector	6.0	14.2	14.4	1.6	2.0	3.3	2.5	0.6	1.4	1.8	1.3
Monetary liabilities	10.4	9.2	6.5	3.4	4.0	0.2	1.7	2.6	1.3	1.1	0.0
Money	25.0	10.0	0.3	1.3	5.0	(4.3)	2.1	0.6	(0.2)	1.1	(3.5)
Currency	10.3	10.6	3.5	6.9	0.4	(1.7)	4.9	(4.2)	(4.7)	(2.3)	3.1
Demand deposits	28.2	9.9	(0.3)	0.3	5.9	(4.8)	1.6	1.6	0.7	1.7	(4.6)
Quasi-money	6.2	9.0	8.7	4.1	3.7	1.6	1.6	3.2	1.8	1.0	1.0

Source: The Central Bank of The Bahamas

TABLE 2

MONETARY SURVEY

End of Period	2004	2005	2006	2007				2008			
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
				(B$ Millions)							
Net foreign assets	70.9	(65.9)	(235.0)	(84.1)	(68.5)	(226.7)	(197.2)	(35.5)	82.5	(11.8)	(123.4)
Central Bank	667.8	578.8	499.7	623.5	642.9	464.7	454.2	539.6	674.8	650.2	563.1
Commercial banks	(596.9)	(644.7)	(734.7)	(707.6)	(711.4)	(691.4)	(651.4)	(575.1)	(592.3)	(662.0)	(686.5)
Net domestic assets	4,247.2	4,786.9	5,299.4	5,327.1	5,518.8	5,709.2	5,800.3	5,785.8	5,743.2	5,906.0	6,018.3
Domestic credit	5,083.1	5,752.7	6,588.8	6,650.8	6,899.5	7,120.3	7,401.4	7,413.6	7,480.2	7,659.5	7,882.7
Public sector	883.4	945.8	1,068.9	1,039.0	1,171.0	1,186.5	1,212.8	1,177.3	1,163.7	1,227.9	1,369.3
Government (net)	542.7	642.5	671.7	658.9	768.5	818.3	863.8	837.0	760.9	792.0	921.0
Rest of public sector	340.7	303.3	397.2	380.0	402.5	368.2	349.0	340.3	402.8	435.9	448.3
Private sector	4,199.7	4,806.9	5,519.9	5,611.8	5,728.5	5,933.8	6,188.6	6,236.3	6,316.5	6431.6	6513.4
Other items (net)	(835.9)	(965.8)	(1,289.4)	(1,323.7)	(1,380.7)	(1,411.1)	(1,601.1)	(1,627.8)	(1,737.0)	(1,753.5)	(1,864.4)
Monetary liabilities	4,318.1	4,716.1	5,064.4	5,243.0	5,450.3	5,482.4	5,603.1	5,750.3	5,825.7	5,894.2	5,894.9
Money	1,124.7	1,223.0	1,238.1	1,254.3	1,313.0	1,256.1	1,278.9	1,290.7	1,284.8	1,305.0	1,257.6
Currency	176.6	195.3	202.1	216.1	217.0	213.3	223.7	214.2	204.2	199.6	205.8
Demand deposits	948.1	1,027.7	1,036.0	1,038.2	1,096.0	1,042.8	1,055.2	1,076.5	1,080.6	1105.4	1051.8
Quasi-money	3,193.4	3,493.1	3,826.3	3,988.7	4,137.3	4,226.3	4,324.2	4,459.6	4,540.9	4,589.2	4,637.3
Savings deposits	779.7	881.6	953.1	986.0	1,029.6	1,012.6	991.9	1,009.1	1,018.7	1006.0	1020.2
Fixed deposits	2,316.8	2,467.4	2,714.1	2,842.2	2,937.3	3,031.4	3,132.2	3,231.4	3,308.1	3370.0	3415.8
Foreign currency deposits	96.9	144.1	159.1	160.5	170.4	182.3	200.1	219.1	214.1	213.2	201.3
				(percentage change)							
Total domestic credit	5.4	13.2	14.5	0.9	3.7	3.2	3.9	0.2	0.9	2.4	2.9
Public sector	1.0	7.1	13.0	(2.8)	12.7	1.3	2.2	(2.9)	(1.2)	5.5	11.5
Government (net)	8.1	18.4	4.5	(1.9)	16.6	6.5	5.6	(3.1)	(9.1)	4.1	16.3
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
Private sector	6.4	14.5	14.8	1.7	2.1	3.6	4.3	0.8	1.3	1.8	1.3
Monetary liabilities	10.9	9.2	7.4	3.5	4.0	0.6	2.2	2.6	1.3	1.2	0.0
Money	25.6	8.7	1.2	1.3	4.7	(4.3)	1.8	0.9	(0.5)	1.6	(3.6)
Currency	10.3	10.6	3.5	6.9	0.4	(1.7)	4.9	(4.2)	(4.7)	(2.3)	3.1
Demand deposits	28.9	8.4	0.8	0.2	5.6	(4.9)	1.2	2.0	0.4	2.3	(4.8)
Quasi-money	6.5	9.4	9.5	4.2	3.7	2.2	2.3	3.1	1.8	1.1	1.0

Source: The Central Bank of The Bahamas

TABLE 3

CENTRAL BANK BALANCE SHEET

(B$ Millions)

End of Period	2004	2005	2006	2007				2008			
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
Net foreign assets	667.8	578.8	499.7	623.5	642.9	464.7	454.2	539.6	674.8	650.2	563.1
Balances with banks abroad	311.1	145.4	90.5	226.7	246.3	69.8	59.5	149.8	285.1	261.7	205.2
Foreign securities	347	424.4	399.8	387.3	387.0	385.1	384.7	379.4	379.4	378.7	348.2
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
SDR holdings	--	--	--	--	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net domestic assets	(13.1)	23.1	85.1	89.9	50.7	175.3	235.7	191.9	71.9	64.5	118.3
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
Claims	149.5	149.7	190.6	201.8	176.9	288.1	347.8	320.0	201.5	199.1	202.9
Treasury bills	--	--	52.2	49.1	--	116.0	143.5	117.6	--	--	6.3
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
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
Deposits	(7.6)	(27.7)	(8.1)	(7.5)	(13.8)	(9.4)	(15.6)	(25.0)	(23.0)	(13.8)	(4.1)
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)
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
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)	(125.5)
Net unclassified assets	22.3	24.4	20.1	25.8	22.1	17.5	17.9	28.3	26.4	28.4	27.3
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
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
Liabilities To Domestic Banks	(462.2)	(392.0)	(367.3)	(481.7)	(461.2)	(410.8)	(450.1)	(500.5)	(525.8)	(499.2)	(439.0)
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)
Deposits	(383.7)	(286.2)	(251.1)	(421.4)	(389.2)	(337.2)	(340.0)	(420.8)	(444.0)	(420.1)	(321.4)
SDR allocation	(15.9)	(14.6)	(15.4)	(15.4)	(15.5)	(15.9)	(16.2)	(16.8)	(16.7)	(15.9)	(15.8)
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)

Source: The Central Bank of The Bahamas

TABLE 4

DOMESTIC BANKS BALANCE SHEET

(B$ Millions)

End of Period	2004	2005	2006	2007				2008			
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
Net foreign assets	(563.5)	(611.0)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)	(612.9)	(679.6)	-703.8
Net claims on Central Bank	461.4	389.7	366.5	479.8	460.4	412.3	448.4	499.7	525.0	498.4	439.1
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
Balances	383.7	284.7	251.1	420.4	389.2	339.6	339.1	420.8	444.0	420.1	322.3
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
Net domestic assets	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
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
Treasury bills	26.7	66.1	10.0	18.9	139.6	60.7	50.8	71.7	197.4	189.8	180.2
Other securities	393.3	400.5	437.1	446.7	437.9	463.1	468.5	466.3	460.7	520.5	533.5
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
Less: deposits	93	88.4	108.9	103.3	106.6	115.1	105.0	126.3	130.0	165.7	134.3
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
Securities	18.6	20.6	121.1	118.4	115.9	98.0	97.7	97.2	95.2	89.3	97.5
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
Less: deposits	240.6	311.7	376.8	356.6	402.3	416.0	420.5	429.5	452.9	469.3	437.7
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
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
Securities	14.7	28.2	21.7	20.3	24.3	24.9	29.6	29.6	36.3	35.9	28.8
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	2766.3	2819.7
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	3652.4	3688.3
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)	-1864.6
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
Liabilities to private sector	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
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	1164.4	1150.2
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	1024.1
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	3095.9

Source: The Central Bank of The Bahamas

TABLE 5

PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

Period	2005	2006	2007	2007				2008		
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III
1. Interest Income	533,519	646,269	744,537	182,718	181,288	187,091	193,440	184,145	189,882	187,818
2. Interest Expense	178,153	225,205	291,206	68,909	74,410	73,078	74,809	69,067	68,655	70,259
3. **Interest Margin (1-2)**	355,366	421,064	453,331	113,809	106,878	114,013	118,631	115,078	121,227	117,559
4. Commission & Forex Income	28,665	29,543	31,714	7,680	7,979	10,936	5,119	9,544	9,322	6,154
5. **Gross Earnings Margin (3+4)**	384,031	450,607	485,045	121,489	114,857	124,949	123,750	124,622	130,549	123,713
6. Staff Costs	125,378	138,087	133,309	26,848	34,586	36,696	35,179	35,281	36,908	37,410
7. Occupancy Costs	18,558	20,669	20,612	4,595	5,390	5,167	5,460	5,111	5,971	5,879
8. Other Operating Costs	54,888	63,002	79,480	19,773	18,603	21,972	19,132	22,073	22,710	22,033
9. **Operating Costs (6+7+8)**	198,824	221,758	233,401	51,216	58,579	63,835	59,771	62,465	65,589	65,322
10. **Net Earnings Margin (5-9)**	185,207	228,849	251,644	70,273	56,278	61,114	63,979	62,157	64,960	58,391
11. Depreciation Costs	12,625	11,088	11,673	2,935	2,986	2,967	2,785	3,101	3,347	3,363
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
13. Other Income	76,750	101,633	107,271	24,794	32,565	27,202	22,710	37,831	28,299	27,385
14. **Other Income (Net) (13-11-12)**	42,228	47,416	55,781	16,163	17,012	15,621	6,985	18,503	13,648	604
15. **Net Income (10+14)**	227,435	276,265	307,425	86,436	73,290	76,735	70,964	80,660	78,608	58,995
16. **Effective Interest Rate Spread (%)**	6.45	6.15	6.25	5.88	5.80	6.44	6.88	6.36	6.60	6.40
				(Ratios To Average Assets)						
Interest Margin	5.42	5.62	5.51	5.74	5.17	5.47	5.64	5.33	5.41	5.20
Commission & Forex Income	0.44	0.40	0.39	0.39	0.39	0.52	0.24	0.44	0.42	0.27
Gross Earnings Margin	5.85	6.02	5.89	6.12	5.56	5.99	5.88	5.78	5.83	5.47
Operating Costs	3.02	2.97	2.83	2.58	2.84	3.06	2.84	2.90	2.93	2.89
Net Earnings Margin	2.83	3.05	3.06	3.54	2.72	2.93	3.04	2.88	2.90	2.58
Net Income	3.47	3.69	3.74	4.36	3.55	3.68	3.37	3.74	3.51	2.61

***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			
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
Money supply (M1)	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) Currency in active circulation	176.6	195.3	202.1	216.1	216.9	213.3	223.7	214.2	204.2	199.6	205.8
2) 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
Central Bank	87.7	26.1	18.3	22.8	29.8	17.4	10.4	18.2	17.1	28.3	10.4
Domestic Banks	870.1	1,026.2	1,030.7	1,029.0	1,084.0	1,042.6	1,066.2	1,076.0	1,084.4	1,092.3	1,058.3
Factors affecting changes in money (M1)											
1) Net credit to Government	547.1	642.5	677.0	664.2	773.7	823.6	866.8	840.1	763.8	795.0	924.0
Central Bank	141.9	122.0	182.5	194.2	163.1	278.7	332.3	295.0	178.5	185.3	198.8
Domestic Banks	405.2	520.5	494.5	470.0	610.6	544.9	534.5	545.1	585.3	609.7	725.2
2) Other credit	4,680.1	5,257.0	6,065.9	6,137.9	6,275.6	6,435.5	6,567.5	6,593.2	6,742.4	6,890.5	6,985.1
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
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
3) External reserves	667.8	578.8	499.7	623.5	642.9	464.7	454.2	539.6	674.8	650.2	563.1
4) Other external liabilities (net)	(563.5)	(611.0)	(754.1)	(756.9)	(767.3)	(713.7)	(667.6)	(595.0)	(612.9)	(679.6)	(703.8)
5) 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
6) 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)	(1,844.4)

Source: The Central Bank of The Bahamas

TABLE 7

CONSUMER INSTALMENT CREDIT*

End of Period	2004	2005	2006	2007				2008			
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
CREDIT OUTSTANDING											
Private cars	212,679	209,879	228,421	231,191	237,786	241,465	248,152	247,418	251,167	245,023	238,775
Taxis & rented cars	2,349	2,317	2,568	2,305	2,004	2,095	1,908	1,925	2,033	2,020	1,909
Commercial vehicles	5,212	6,038	6,829	7,024	6,985	6,926	6,956	6,966	6,876	6,350	6,111
Furnishings & domestic appliances	13,972	17,309	19,658	20,018	20,265	21,111	22,394	22,435	22,818	22,043	21,173
Travel	40,814	41,435	45,944	42,898	43,506	50,326	50,970	48,520	51,036	54,412	49,602
Education	46,926	47,737	52,858	52,219	52,249	58,196	54,725	53,938	54,012	59,306	57,255
Medical	13,811	14,446	17,320	18,149	18,846	20,231	20,520	21,014	22,034	22,001	21,435
Home Improvements	114,199	134,334	152,851	154,103	157,601	162,026	163,070	164,973	167,272	171,886	171,454
Land Purchases	150,096	174,645	201,318	212,473	217,701	221,946	227,236	232,912	234,282	237,334	246,168
Consolidation of debt	346,795	413,193	459,791	469,828	482,978	496,945	496,296	505,038	531,296	563,738	594,565
Miscellaneous	374,008	412,162	489,122	505,010	516,608	536,264	559,119	562,536	556,726	552,197	541,837
Credit Cards	166,073	188,058	226,401	223,774	228,627	243,125	256,995	258,291	264,375	281,198	294,377
TOTAL	1,486,934	1,661,553	1,903,081	1,938,992	1,985,156	2,060,656	2,108,341	2,125,966	2,163,927	2,217,508	2,244,661
NET CREDIT EXTENDED											
Private cars	-8,655	-2,800	18,542	2,770	6,595	3,679	6,687	-734	3,749	-6,144	-6,248
Taxis & rented cars	295	-32	251	-263	-301	91	-187	17	108	-13	-111
Commercial vehicles	958	826	791	195	-39	-59	30	10	-90	-526	-239
Furnishings & domestic appliances	1,245	3,337	2,349	360	247	846	1,283	41	383	-775	-870
Travel	-1	621	4,509	-3,046	608	6,820	644	-2,450	2,516	3,376	-4,810
Education	-2,977	811	5,121	-639	30	5,947	-3,471	-787	74	5,294	-2,051
Medical	149	635	2,874	829	697	1,385	289	494	1,020	-33	-566
Home Improvements	4,903	20,135	18,517	1,252	3,498	4,425	1,044	1,903	2,299	4,614	-432
Land Purchases	29,831	24,549	26,673	11,155	5,228	4,245	5,290	5,676	1,370	3,052	8,834
Consolidation of debt	3,135	66,398	46,598	10,037	13,150	13,967	-649	8,742	26,258	32,442	30,827
Miscellaneous	39,741	38,154	76,960	15,888	11,598	19,656	22,855	3,417	-5,810	-4,529	-10,360
Credit Cards	17,808	21,985	38,343	-2,627	4,853	14,498	13,870	1,296	6,084	16,823	13,179
TOTAL	86,432	174,619	241,528	35,911	46,164	75,500	47,685	17,625	37,961	53,581	27,153

Source: The Central Bank of The Bahamas

* Includes both demand and add-on loans

TABLE 8
SELECTED AVERAGE INTEREST RATES

(%)

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

Source: The Central Bank of The Bahamas

TABLE 9

SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS

Period	2004	2005	2006	2007				2008			
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
Loan Portfolio											
Current Loans (as a % of total loans)	**90.8**	**92.0**	**92.5**	**92.4**	**92.4**	**91.3**	**90.6**	**90.9**	**89.9**	**89.5**	**87.5**
Arrears (% by loan type)											
Consumer	2.9	2.8	2.8	2.6	2.7	2.8	3.0	3.1	3.2	3.3	3.9
Mortgage	3.8	3.6	3.1	3.1	3.3	3.9	4.6	4.4	4.5	4.7	5.9
Commercial	2.5	1.6	1.6	1.9	1.5	1.9	1.7	1.5	2.3	2.4	2.6
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	**9.2**	**8.0**	**7.5**	**7.6**	**7.6**	**8.7**	**9.4**	**9.1**	**10.1**	**10.5**	**12.5**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Loan Portfolio											
Current Loans (as a % of total loans)	**90.8**	**92.0**	**92.5**	**92.4**	**92.4**	**91.3**	**90.6**	**90.9**	**89.9**	**89.5**	**87.5**
Arrears (% by days outstanding)											
30 - 60 days	2.9	2.7	2.5	2.7	2.6	3.1	3.6	3.2	3.4	3.3	4.5
61 - 90 days	1.5	1.0	0.9	0.8	1.0	1.3	1.3	1.2	1.7	1.6	1.9
90 - 179 days	0.8	0.9	0.9	0.8	0.7	0.9	1.2	1.4	1.2	1.5	1.6
over 180 days	4.0	3.4	3.2	3.3	3.4	3.4	3.3	3.3	3.8	4.1	4.5
Total Arrears	**9.2**	**8.0**	**7.5**	**7.6**	**7.6**	**8.7**	**9.4**	**9.1**	**10.1**	**10.5**	**12.5**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Accrual Loans (% by loan type)											
Consumer	39.7	33.9	35.0	31.9	33.1	30.8	29.4	32.8	31.4	31.6	30.2
Mortgage	38.8	42.9	40.9	42.7	42.1	42.7	45.6	46.4	45.3	45.2	44.3
Other Private	21.4	23.1	24.0	25.3	22.8	24.6	23.2	19.0	21.5	22.2	23.9
Public	0.1	0.1	0.1	0.1	2.0	1.9	1.8	1.8	1.8	1.0	1.6
Total Non Accrual Loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Provisions to Loan Portfolio											
Consumer	4.0	3.0	3.4	2.8	3.0	2.7	2.8	3.0	3.1	2.2	3.3
Mortgage	1.2	1.3	1.3	1.2	1.3	1.2	1.2	1.2	1.3	1.2	1.0
Other Private	1.0	1.6	2.5	2.8	2.4	3.2	3.2	3.3	3.7	4.9	5.4
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	2.1	2.3	2.4	2.6	2.7
Total Provisions to Non-performing Loans	45.0	44.9	54.7	51.1	51.3	48.7	47.9	47.9	47.9	46.7	46.0
Total Non-performing Loans to Total Loans	4.8	4.5	4.2	4.1	4.1	4.3	4.4	4.7	4.9	5.5	6.0

Source: The Central Bank of The Bahamas

Figures may not sum to total due to rounding.

TABLE 10

SUMMARY OF BANK LIQUIDITY

(B$ Millions)

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

Source: The Central Bank of The Bahamas

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

Period	2005/06p	2006/07p	2007/08p	Budget 2007/08	Budget 2008/09	2006/07p QTR. III	2006/07p QTR. IV	2007/08p QTR. I	2007/08p QTR. II	2007/08p QTR. III	2007/08p QTR. IV	2008/09p QTR. I	2008/09p QTR. II
Total Revenue & Grants	1,221.5	1,338.5	1,424.0	1484.2	1569.3	352.2	360.2	293.7	315.9	375.2	439.2	314.6	306.9
Current expenditure	1,149.6	1,285.7	1,344.0	1385.4	1484.2	334.6	368.0	303.6	319.1	339.0	382.3	331.4	334.5
Capital expenditure	123.5	166.3	176.7	189.7	188.7	36.1	64.6	30.5	33.5	32.8	79.9	28.5	30.5
Net lending	54.5	69.1	54.1	34.4	62.2	16.9	24.5	10.4	12.0	13.1	18.6	14.8	16.7
Overall balance	**(106.1)**	**(182.5)**	**(150.9)**	**(125.4)**	**(165.7)**	**(35.3)**	**(96.9)**	**(50.8)**	**(48.7)**	**(9.8)**	**(41.6)**	**(60.1)**	**(47.2)**
FINANCING (I+II-III+IV+V)	106.1	182.5	82.4	125.4	165.7	35.3	96.9	50.8	48.7	9.8	(26.8)	60.1	(27.9)
I. Foreign currency borrowing	**8.7**	**14.5**	**126.7**	**23.0**	**27.9**	**5.0**	**3.8**	**2.6**	**23.0**	**0.3**	**100.8**	**3.6**	**11.5**
External	5.3	14.5	106.7	23.0	27.9	5.0	3.8	2.6	3.0	0.3	100.8	3.6	11.5
Domestic	3.4	--	20.0	--	--	--	--	--	20.0	--	--	--	--
II. Bahamian dollar borrowing	**201.7**	**230.3**	**194.5**	**166.6**	**207.2**	**50.0**	**65.3**	**128.0**	**66.5**	--	--	**100.0**	--
i) Treasury bills	--	10.0	28.0	--	--	--	10.0	28.0	--	--	--	--	--
Central Bank	--	10.0	28.0	--	--	--	10.0	28.0	--	--	--	--	--
Commercial banks & OLFI's	--	--	--	--	--	--	--	--	--	--	--	--	--
Public corporations	--	--	--	--	--	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--	--	--	--
ii) Long-term securities	**201.7**	**195.3**	**166.5**	--	--	**50.0**	**45.3**	**100.0**	**66.5**	--	--	**100.0**	--
Central Bank	11.5	70.3	41.5	--	--	20.0	45.3	--	41.5	--	--	--	--
Commercial banks & OLFI's	35.2	34.9	25.2	--	--	--	--	25.2	--	--	--	47.0	--
Public corporations	25.3	49.1	55.8	--	--	30.0	--	30.8	25.0	--	--	13.7	--
Other	129.6	41.0	44.0	--	--	--	--	44.0	--	--	--	39.3	--
iii) Loans and Advances	--	**25.0**	--	--	--	**--**	**10.0**	--	--	--	--	--	--
Central Bank	--	25.0	--	--	--	--	10.0	--	--	--	--	--	--
Commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--
III Debt repayment	**62.1**	**122.5**	**83.6**	**63.9**	**60.1**	**11.3**	**58.1**	**21.3**	**3.1**	**11.3**	**47.9**	**15.9**	**12.9**
Domestic	**58.1**	**92.8**	**78.4**	**56.0**	**55.0**	**10.5**	**31.4**	**20.5**	**1.4**	**10.5**	**46.0**	**15.0**	**11.0**
Bahamian dollars	57.2	91.0	56.6	56.0	55.0	10.5	30.5	20.5	0.5	10.5	25.1	15.0	10.0
Internal foreign currency	0.9	1.8	21.8	--	--	--	0.9	--	0.9	--	20.9	--	1.0
External	**4.0**	**29.7**	**5.2**	**7.9**	**5.1**	**0.8**	**26.7**	**0.8**	**1.7**	**0.8**	**1.9**	**0.9**	**1.9**
IV. Cash balance change	**39.5**	**(7.6)**	**(32.5)**	--	--	**5.0**	**(9.7)**	**(4.0)**	**3.9**	**(30.8)**	**(1.6)**	**(26.5)**	**44.1**
V. Other Financing	**(81.6)**	**67.8**	**(54.3)**	**(0.3)**	**(9.3)**	**(13.5)**	**95.6**	**(54.5)**	**(41.6)**	**51.6**	**(9.8)**	**(1.1)**	**32.2**

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

TABLE 12

NATIONAL DEBT

(B$' 000s)

End of Period	2006p	2007p	2008p	2007p	2008p			
				Dec.	Mar.	Jun.	Sept.	Dec.
TOTAL EXTERNAL DEBT	289,186	272,403	383,024	272,403	271,877	370,824	373,505	383,024
By Instrument								
Government Securities	225,000	200,000	300,000	200,000	200,000	300,000	300,000	300,000
Loans	64,186	72,403	83,024	72,403	71,877	70,824	73,505	83,024
By Holder								
Commercial Banks	--	--	--	--	--	--	--	--
Offshore Financial Institutions	--	--	--	--	--	--	--	--
Multilateral Institutions	64,186	68,788	79,409	68,788	68,262	67,209	69,890	79,409
Bilateral Institutions	--	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	200,000	300,000	300,000	300,000
TOTAL INTERNAL DEBT	2,097,077	2,363,056	2,380,750	2,363,056	2,352,564	2,306,653	2,391,653	2,380,750
By Instrument								
Foreign Currency	4,966	23,160	1,354	23,160	23,160	2,257	2,257	1,354
Government Securities	--	--	--	--	--	--	--	--
Loans	4,966	23,160	1,354	23,160	23,160	2,257	2,257	1,354
Bahamian Dollars	2,092,111	2,339,896	2,379,396	2,339,896	2,329,404	2,304,396	2,389,396	2,379,396
Advances	61,988	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
Government Securities	1,829,908	2,031,693	2,071,693	2,031,693	2,021,693	1,996,693	2,081,693	2,071,693
Loans	7,746	5,746	5,246	5,746	5,254	5,246	5,246	5,246
By Holder								
Foreign Currency	4,966	23,160	1,354	23,160	23,160	2,257	2,257	1,354
Commercial Banks	4,966	23,160	1,354	23,160	23,160	2,257	2,257	1,354
Other Local Financial Institutions	--	--	--	--	--	--	--	--
Bahamian Dollars	2,092,111	2,339,896	2,379,396	2,339,896	2,329,404	2,304,396	2,389,396	2,379,396
The Central Bank	190,824	348,842	202,993	348,842	320,819	201,548	199,072	202,993
Commercial Banks	450,474	520,904	691,739	520,904	541,561	662,162	701,305	691,739
Other Local Financial Iinstitutions	5,271	3,032	2,932	3,032	3,032	2,932	2,932	2,932
Public Corporations	764,486	729,259	720,783	729,259	729,580	713,163	721,172	720,783
Other	681,056	737,859	760,949	737,859	734,412	724,591	764,915	760,949
TOTAL FOREIGN CURRENCY DEBT	294,152	295,563	384,378	295,563	295,037	373,081	375,762	384,378
TOTAL DIRECT CHARGE	2,386,263	2,635,459	2,763,774	2,635,459	2,624,441	2,677,477	2,765,158	2,763,774
TOTAL CONTINGENT LIABILITIES	500,885	434,507	436,492	434,507	426,870	422,807	442,389	436,492
TOTAL NATIONAL DEBT	2,887,148	3,069,966	3,200,266	3,069,966	3,051,311	3,100,284	3,207,547	3,200,266

Source: Treasury Accounts & Treasury Statistical Summary Printouts
Public Corporation Reports
Creditor Statements, Central Bank of The Bahamas

TABLE 13

PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS

(B$' 000s)

	2006p	2007p	2008p	2007p	2008p			
				Dec.*	Mar.	Jun.	Sep	Dec.
Outstanding debt at beginning of period	**553,442**	**636,225**	**643,887**	**612,744**	**643,887**	**684,131**	**772,366**	**833,786**
Government	286,528	294,152	295,563	275,203	295,563	295,037	373,081	375,762
Public Corporations	266,914	342,073	348,324	337,541	348,324	389,094	399,285	458,024
Plus new drawings	**132,336**	**187,002**	**256,209**	**109,971**	**50,309**	**120,830**	**73,604**	**11,466**
Government	13,872	33,161	116,209	22,971	309	100,830	3,604	11,466
Public corporations	118,464	153,841	140,000	87,000	50,000	20,000	70,000	--
Less Amortization	**49,553**	**179,340**	**64,234**	**78,828**	**10,065**	**32,595**	**12,184**	**9,390**
Government	6,248	31,750	27,394	2,611	835	22,786	923	2,850
Public corporations	43,305	147,590	36,840	76,217	9,230	9,809	11,261	6,540
Outstanding debt at end of period	**636,225**	**643,887**	**835,862**	**643,887**	**684,131**	**772,366**	**833,786**	**835,862**
Government	294,152	295,563	384,378	295,563	295,037	373,081	375,762	384,378
Public corporations	342,073	348,324	451,484	348,324	389,094	399,285	458,024	451,484
Interest Charges	**35,234**	**40,418**	**39,749**	**16,487**	**5,294**	**13,200**	**4,308**	**16,939**
Government	18,254	18,000	20,949	7,965	891	8,008	607	11,434
Public corporations	16,980	22,418	18,800	8,522	4,403	5,192	3,701	5,505
Debt Service	**84,787**	**219,758**	**103,983**	**95,315**	**15,359**	**45,795**	**16,492**	**26,329**
Government	24,502	49,750	48,343	10,576	1,726	30,794	1,530	14,284
Public corporations	60,285	170,008	55,640	84,739	13,633	15,001	14,962	12,045
Debt Service ratio (%)	2.7	6.5	3.0	11.1	1.6	5.1	2.0	3.4
Government debt Service/ Government revenue (%)	1.9	3.7	3.4	3.3	0.5	7.0	0.5	4.7
MEMORANDUM								
Holder distribution (B$ Mil):								
Commercial banks	296.7	312.2	399.7	312.2	354.0	345.2	405.1	399.7
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	108.7	107.5	112.3	107.5	106.0	103.0	104.7	112.3
Bilateral Institutions	0.0	18.6	18.4	18.6	18.6	18.6	18.5	18.4
Other	5.7	5.6	5.5	5.6	5.5	5.5	5.5	5.5
Private Capital Markets	225.0	200.0	300.0	200.0	200.0	300.0	300.0	300.0

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

Note: *Debt servicing during the 4th quarter of 2007 includes the refinancing of $65 million in Public Corporations (internal) debt. Net of this payment, the adjusted debt service ratio was 3.5%.

TABLE 14

BALANCE OF PAYMENTS SUMMARY*

(B$ Millions)

	2006p	2007p	2008p	2007				2008			
				Qtr.Ip	Qtr.IIp	Qtr.IIIp	Qtr.IVp	Qtr.Ip	Qtr.IIp	Qtr.IIIp	Qtr.IVp
A. Current Account Balance (I+II+III+IV)	**(1,373.7)**	**(1,314.8)**	**(1,001.3)**	**(362.2)**	**(255.9)**	**(432.0)**	**(264.7)**	**(214.5)**	**(225.8)**	**(429.4)**	**(131.7)**
I. Merchandise (Net)	**(2,033.2)**	**(2,154.5)**	**(2,115.6)**	**(540.1)**	**(531.1)**	**(571.4)**	**(511.9)**	**(538.9)**	**(551.8)**	**(594.7)**	**(430.2)**
Exports	694.2	801.8	953.0	183.7	189.9	201.1	227.1	289.0	222.5	241.3	200.2
Imports	2,727.4	2,956.3	3,068.6	723.8	721.0	772.5	739.0	827.9	774.3	836.0	630.4
II. Services (Net)	**825.4**	**1,019.5**	**1,169.7**	**212.7**	**356.1**	**176.1**	**274.7**	**343.9**	**335.3**	**177.8**	**312.7**
Transportation	(301.1)	(315.9)	(301.6)	(87.3)	(83.6)	(76.0)	(69.0)	(82.3)	(79.6)	(69.6)	(70.1)
Travel	1,671.2	1,809.8	1,848.7	495.6	545.1	379.7	389.3	520.2	528.4	394.8	405.3
Insurance Services	(120.7)	(107.1)	(105.9)	(14.7)	(34.6)	(36.0)	(21.7)	(28.7)	(26.0)	(33.0)	(18.2)
Offshore Companies Local Expenses	188.1	210.2	218.8	44.2	46.4	56.7	63.0	63.5	44.2	50.9	60.2
Other Government	(68.4)	(44.8)	(56.3)	(17.3)	(1.5)	(21.6)	(4.5)	(6.4)	(18.6)	(18.0)	(13.3)
Other Services	(543.8)	(532.7)	(434.0)	(207.7)	(115.8)	(126.7)	(82.4)	(122.4)	(113.1)	(147.3)	(51.2)
III. Income (Net)	**(217.9)**	**(231.6)**	**(113.9)**	**(45.6)**	**(98.0)**	**(48.6)**	**(39.4)**	**(34.1)**	**(29.0)**	**(25.8)**	**(25.1)**
1. Compensation of Employees	(92.9)	(84.7)	(58.6)	(16.9)	(19.7)	(23.8)	(24.4)	(15.4)	(16.9)	(13.6)	(12.8)
2. Investment Income	(125.1)	(146.9)	(55.3)	(28.7)	(78.4)	(24.9)	(15.0)	(18.7)	(12.1)	(12.3)	(12.3)
IV. Current Transfers (Net)	**52.1**	**51.8**	**58.6**	**10.8**	**17.2**	**12.0**	**11.9**	**14.7**	**19.7**	**13.3**	**10.9**
1. General Government	58.3	60.9	65.4	12.7	19.8	13.8	14.7	17.3	20.2	15.3	12.7
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)
B. Capital and Financial Account (I+II) **(excl. Reserves)**	**1,216.6**	**954.9**	**899.8**	**430.3**	**181.9**	**124.3**	**218.3**	**229.8**	**361.9**	**232.4**	**75.7**
I. Capital Account (Net Transfers)	**(63.5)**	**(75.7)**	**(76.2)**	**(21.4)**	**(16.8)**	**(21.5)**	**(16.0)**	**(11.6)**	**(10.7)**	**(18.4)**	**(35.5)**
II. Financial Account (Net)	**1,280.1**	**1,030.6**	**976.0**	**451.7**	**198.7**	**145.8**	**234.4**	**241.4**	**372.6**	**250.8**	**111.2**
1. Direct Investment	706.4	713.3	672.3	310.0	119.5	130.1	153.7	159.0	219.4	157.1	136.8
2. Portfolio Investment	(18.8)	(7.2)	(9.2)	--	(3.1)	--	(4.1)	(2.0)	(3.6)	(3.6)	0.0
3. Other Investments	592.5	324.4	312.9	141.8	82.3	15.6	84.8	84.4	156.8	97.3	(25.6)
Central Gov't Long Term Capital	2.6	(15.4)	110.6	4.3	(22.8)	1.8	1.3	(0.5)	98.9	2.7	9.5
Other Public Sector Capital	(6.2)	9.0	(6.3)	(1.1)	1.1	(1.1)	10.1	(1.1)	(1.9)	(1.2)	(2.1)
Banks	143.0	(86.6)	22.6	(26.4)	4.3	(18.3)	(46.2)	(72.5)	17.9	66.6	10.6
Other	453.0	417.4	186.0	165.0	99.7	33.1	119.5	158.5	41.9	29.2	(43.6)
C. Net Errors and Omissions	**77.9**	**314.0**	**210.7**	**55.6**	**93.2**	**129.7**	**35.6**	**70.2**	**(0.9)**	**172.4**	**(31.1)**
D. Overall Balance (A+B+C)	**(79.1)**	**(45.9)**	**109.1**	**123.8**	**19.2**	**(178.1)**	**(10.8)**	**85.6**	**135.2**	**(24.6)**	**(87.1)**
E. Financing (Net)	**79.1**	**45.9**	**(109.1)**	**(123.8)**	**(19.2)**	**178.1**	**10.8**	**(85.6)**	**(135.2)**	**24.6**	**87.1**
Change in SDR holdings	0.1	--	--	--	--	--	--	--	--	--	--
Change in Reserve Position with the IMF	(0.5)	(0.4)	0.3	--	--	(0.3)	(0.1)	(0.4)	0.1	0.5	0.1
Change in Ext. Foreign Assets ( ) = Increase	79.6	46.3	(109.4)	(123.8)	(19.2)	178.4	10.9	(85.2)	(135.3)	24.1	87.0

Source: The Central Bank of the Bahamas

* Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

(B$ '000)

	2006	2007	2006		2007				2008	
			Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
I. OIL TRADE										
i) Exports	92,997	167,600	26,416	24,995	28,438	40,098	38,598	60,466	51,401	23,465
ii) Imports	605,383	615,782	197,023	102,863	106,550	169,542	173,969	165,721	211,264	252,625
II. OTHER MERCHANDISE										
Domestic Exports										
Crawfish	89,906	81,370	26,136	41,919	16,594	9,174	20,408	35,194	n.a.	n.a.
Fish & other Crustacea	5,188	1,864	1,434	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	4,928	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	3,688	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	42,925	44,793	35,205	41,487	37,029	33,569	n.a.	n.a.
i) Total Domestic Exports	304,961	379,089	79,111	93,197	85,909	85,969	105,075	102,136	96,330	88,411
ii) Re-Exports	110,868	123,398	23,721	27,196	27,865	29,322	29,888	36,323	80,730	79,043
iii) Total Exports (i+ii)	415,829	502,487	102,832	120,393	113,774	115,291	134,963	138,459	177,060	167,454
iv) Imports	2,375,341	2,488,023	618,388	594,236	659,118	620,817	650,398	557,690	596,808	570,663
v) Retained Imports (iv-ii)	2,264,473	2,364,625	594,667	567,040	631,253	591,495	620,510	521,367	516,078	491,620
vi) Trade Balance (i-v)	(1,959,512)	-1,985,536	(515,556)	(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	2005p	2006p	2007p	2006p		2007p				2008p		
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III
Visitor Arrivals	**4,779,417**	**4,730,607**	**4,595,582**	**1,036,799**	**1,097,977**	**1,274,045**	**1,152,037**	**1,054,442**	**1,115,058**	**1,303,601**	**1,069,611**	**895,757**
Air	1,514,532	1,491,633	1,486,301	334,010	297,471	389,597	410,372	350,033	336,299	403,333	405,135	309,782
Sea	3,264,885	3,238,974	3,109,281	702,789	800,506	884,448	741,665	704,409	778,759	900,268	664,476	585,975
Visitor Type												
Stopover	1,608,153	1,600,112	1,521,691	357,726	323,050	397,861	449,971	363,779	310,080	n.a	n.a	n.a
Cruise	3,078,709	3,076,397	2,970,659	662,164	776,772	854,457	696,715	660,787	758,700	868,745	615,566	549,047
Day/Transit	83,619	68,085	n.a	15,165	15,112	n.a.	n.a	n.a	n.a	n.a	n.a	n.a
Tourist Expenditure(B$ 000's)	**2,068,859**	**2,056,428**	n.a	**457,719**	**434,429**	n.a.	n.a	n.a	n.a	n.a	n.a	n.a
Stopover	1,883,863	1,880,300	n.a	420,766	391,118	n.a.	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	179,979	172,043	n.a	36,043	42,404	n.a.	n.a	n.a	n.a	n.a	n.a	n.a
Day	5,017	4,085	n.a	910	907	n.a.	n.a	n.a	n.a	n.a	n.a	n.a
Number of Hotel Nights	3,224,892	3,266,878	3,249,959	806,698	800,308	789,030	831,207	817,761	811,961	n.a	n.a	n.a
Average Length of Stay	6.4	6.4	n.a	5.9	6.7	n.a.	n.a	n.a	n.a	n.a	n.a	n.a
Average Hotel Occupancy Rates (%)												
New Providence	75.4	76.9	73.7	75.4	65.8	79.9	78.5	71.6	64.9	69.1	66.1	59.9
Grand Bahama	63.7	52.0	46.6	43.5	36.8	49.4	54.8	44.6	37.7	46.8	46.6	36.6
Other Family Islands	39.4	36.3	38.5	30.8	28.8	41.8	49.3	35.0	27.7	39.6	33.3	34.3
Average Nightly Room Rates ($)												
New Providence	164.8	172.0	201.0	159.0	156.7	201.6	213.6	191.9	197.0	n.a	n.a	n.a
Grand Bahama	109.8	122.3	124.8	98.8	113.0	158.2	137.9	103.7	99.3	n.a	n.a	n.a
Other Family Islands	190.1	205.1	219.9	184.0	199.7	243.8	218.7	200.6	216.5	n.a	n.a	n.a

Source: The Ministry of Tourism

Survey Of Private Pension Plans In The Bahamas (2006 - 2007)

Introduction

This article presents the findings of the Central Bank's latest survey of private (sponsored) pension plans in The Bahamas. The survey covers the years 2006 and 2007, and extends the pension fund database, which includes information on plans dating back to 1992. Preliminary data indicates that the total value of sponsored pension assets increased from just over $300 million in 1992 to approximately $1.1 billion by 2007, as periods of healthy economic results fuelled increases in average returns on local investments and was accompanied by the enlistment of a growing number of employees in these schemes. The largest concentration of participants, and hence accumulated pension fund assets, are in employer sponsored plans in the tourism, financial services and communications & utilities sectors. Over the years, the investment portfolios of private schemes have remained relatively conservative, with the largest share of savings still accumulated in public sector securities and bank deposits. However, with the steady development of the private capital markets, investments have become more diversified into private debt, equities and mutual funds.

The retirement benefits from private schemes supplement, in most cases, pensions paid mainly by the National Insurance Board (NIB) and, in some cases, personal savings from insurance annuity products. For civil servants, NIB benefits are 10% less than private sector beneficiaries for an equivalent wage base, but these are coupled with non-contributory gratuity payments from the Government. The supplementary significance of private savings is underscored by the fact that NIB's contributions are calculated on insurable earnings capped at $400 per week. Contributions into private pension funds are typically based on the employee's total salary, allowing retirement benefits to vary more directly in proportion to lifetime earnings. For employees outside the civil service, who do not participate in private pension schemes, the most significant likely source of retirement resources are personal savings in insurance annuity products and bank deposits.

Private pension fund assets represent a significant source of domestic savings, continuing to outpace the nominal growth in gross domestic product (GDP), to account for 15.4% of GDP in 2007, up from the revised estimate of 14.4% in 2005. Nevertheless, private individuals' savings in bank deposits and the invested assets of NIB remain the two largest concentrations of national savings (see Table 1). Personal savings in bank accounts stood at $3.1 billion or the equivalent of 43.0% of GDP in 2007, compared to 40.1% two years prior. However, for most account holders, the resources are not a

Table 1: Selected Indicators of Domestic Savings

	2004	2005 (B$ Million)	2006	2007	2004	2005 (% of GDP)	2006	2007	Avg. Growth 04-07 (%)
Private Pension Funds	852.7	934.7	1,001.8	1,111.5	14.1%	14.4%	14.6%	15.4%	8.7%
National Ins. Board (Cash and Investments)[1]	1,238.0	1,294.5	1,378.8	1,451.9	20.5%	19.9%	20.1%	20.1%	5.9%
Life & Health Ins. Cos.(Current Assets and Inv)[2]	529.0	687.9	844.9	892.3	8.8%	10.6%	12.3%	12.3%	9.7%
Private Individuals (Bank deposits)[3]	2,383.4	2,611.7	2,830.3	3,109.0	39.5%	40.1%	41.2%	43.0%	10.3%
Credit Unions (Deposit and Shares)[4]	170.2	190.4	216.0	236.3	2.8%	2.9%	3.1%	3.3%	12.0%

Sources:

[1]The National Insurance Board, Annual Statement of Accounts , [2]The Registrar of Insurance Companies , [3]The Central Bank of The Bahamas and [4]The Department of Cooperative Development

significant retirement buffer, as the average balances in more than 75% of these accounts is less than $10,000 and more than three quarters of the aggregate savings are concentrated in less than 10% of individual accounts. The NIB held collective retirement savings of $1.3 billion, representing 18.4% of GDP in 2007 vis-à-vis a slightly lower 19.9% in 2005. The combined domestic savings in life insurance companies and credit unions approached $1.1 billion in 2007, approximately 14.9% and 3.9% of GDP, respectively.

The rest of this article analyzes the results of the 2006 and 2007 pension fund survey. This includes information on how sponsored plans are categorized, a description of the survey and estimation methodology, a detailed analysis of private plans according to their characteristic features and sectors of sponsorship; and a review of investment patterns over time. The article concludes by discussing the outlook for the private pension market.

Categorization of Sponsored Plans

Pension schemes are categorized as defined benefit, defined contribution or provident funds, depending on how they are funded and whether they provide a guaranteed level of retirement benefit. Defined benefit plans guarantee the payment of specified benefits upon retirement, based on the participants' length of employment and income history. To ensure that funds are adequate to satisfy pre-determined benefit payments, an actuarial balance between the present value of assets and liabilities must be maintained. The actuarial assessment of these schemes determines the present value of future benefits payable, based on credible assumptions about the employers' workforce demographics and the present value of assets, which are affected by the projected accumulation of savings and expected future returns. Contribution rates at variance from such levels can result in either overfunded or underfunded plans, with the present value of assets correspondingly exceeding or being less than the present value of liabilities. Where contributions are adequate to maintain the equality between the present value of assets and liabilities, defined benefit plans are said to be fully-funded.

Defined contribution and provident schemes use established contribution rates that are not varied, which ensure relatively stable funding costs for employers. However, benefits cannot be projected in advance but are linked to the accumulated savings at retirement. Defined contribution and provident plans differ in that defined contribution schemes convert, at least a portion of the retirement benefit into annuities which are payable in installments, while provident funds pay the entire benefit as a lump sum amount. Since lump sums can also be converted to annuities, the distinction between the two types of plans is ignored, and the results are combined for the purpose of this analysis.

Survey and Estimation Methodology

The 2006-2007 survey was sent to 141 existing and potential plan sponsors in The Bahamas, as efforts were made to adequately survey plan sponsors, as well as administrators of individual and multi-employer plans. The number of surveyed companies that responded was 94, equivalent to a 67% response rate. According to new data reported, surveyed schemes accounted for 75% of the total estimated assets for 2007. From these responses, average sector growth rates were calculated to estimate the remaining 16.8% of plan assets for 2006 and 25% of assets for 2007. Only reported data was used to derive average rates of return and funding contribution rates over the survey period.

Characteristics of Local Pension Plans

According to survey results, defined contribution (including provident fund) plans remained the most commonly sponsored scheme in The Bahamas, at 73.8% of organized plans in 2007. However, such plans only amassed 24.7% of total pension assets, and enlisted 16.5% of pension participants. These schemes tended to be instituted after 1990, and by relatively smaller employers, for whom the predictability of funding costs is an important consideration. In comparison, defined benefit schemes have typically been maintained for longer periods of time by public corporations and larger companies in the tourism and financial sectors. These schemes have 83.5% of local participants and hold 75.3% of total private pension fund assets.

Disaggregated by type of administrative arrangement, approximately 29.2% of the domestic schemes were managed in-house. These self-managed plans, which accounted for an estimated 25.2% of total assets, were primarily sponsored by financial institutions and

Table 2
Private Pension Investments By Industry

	2003R	2004R	2005P	2006P	2007P
INDUSTRY			**(B$'000)**		
Construction	1,101	1,100	2,335	3,126	3,784
Communications & Utilities	270,986	273,722	295,241	310,006	345,882
Education	11,728	12,766	13,542	14,157	14,617
Financial Sector	190,076	200,083	227,639	250,029	295,032
Health	1,042	1,319	1,810	1,956	3,006
Hotel & Restaurants	185,126	197,140	228,589	231,235	239,355
Manufacturing	7,561	8,093	8,093	9,142	10,183
Non - Profit Organizations	1,044	2,334	1,584	1,482	1,674
Oil Companies	16,689	18,202	21,709	19,391	19,819
Other Services	35,652	40,102	45,269	51,732	58,103
Private Distribution	26,715	29,861	31,873	46,001	47,363
Professional Services	11,694	12,844	14,286	15,396	18,260
Real Estate	5,173	5,745	5,572	6,176	7,032
Transportation	31,006	31,409	37,168	41,987	47,386
TOTAL	795,593	834,720	934,710	1,001,816	1,111,496

	2003R	2004R	2005P	2006P	2007P
INDUSTRY			**(% Distribution)**		
Construction	0.14	0.13	0.25	0.31	0.34
Communications & Utilities	34.06	32.79	31.59	30.94	31.12
Education	1.47	1.53	1.45	1.41	1.32
Financial Sector	23.89	23.97	24.35	24.96	26.54
Health	0.13	0.16	0.19	0.20	0.27
Hotel & Restaurants	23.27	23.62	24.46	23.08	21.53
Manufacturing	0.95	0.97	0.87	0.91	0.92
Non - Profit Organizations	0.13	0.28	0.17	0.15	0.15
Oil Companies	2.10	2.18	2.32	1.94	1.78
Other Services	4.48	4.80	4.84	5.16	5.23
Private Distributions	3.36	3.58	3.41	4.59	4.26
Professional Services	1.47	1.54	1.53	1.54	1.64
Real Estate	0.65	0.69	0.60	0.62	0.63
Transportation	3.90	3.76	3.98	4.19	4.26
TOTAL	100.00	100.00	100.00	100.00	100.00

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

professional service firms which tended to have skilled internal resources that could be used for such purposes. For the remaining schemes, administration was outsourced to insurance companies (27.9%), "other" professional administrators (25.9%) and banks & trust companies (17.0%).

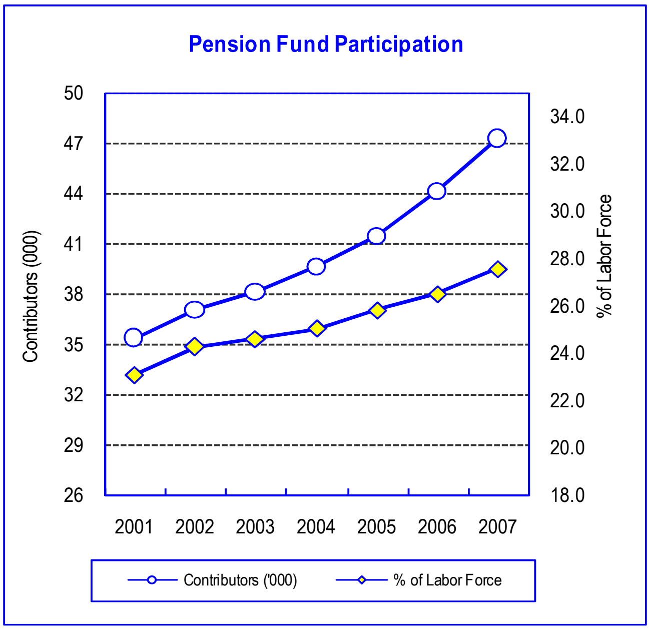
Local pension plans are also distinguished by how funding responsibility is shared between the employer and employees. Contributory plans, funded jointly by employees and employers, were the most popular (83.4% of all schemes), while the remaining non-contributory plans were funded solely by employers. Over 90% of defined contribution plans were jointly funded by employers and employees, while 63.2% of defined benefit schemes had a similar profile.

As to whether employee participation was compulsory or voluntary, more than half (51.7%) of the schemes surveyed made this mandatory, while the remainder made participation optional. In particular, defined benefit plans had a higher rate of compulsion (63.2%) than defined contribution funds (47.7%).

Labour Force Participation

Supported by a healthy economic climate and employment growth, the estimated number of participants in private pension schemes was pegged at 47,221 in 2007, having increased by 6.5% in 2006 and by 7.1% in 2007. As a proportion of the employed labour force, the share of workers represented in these schemes increased from 25.8% in 2005 to 27.5% in 2007. Moreover, the average coverage rate for participants as a percentage of total employees within the respective surveyed institutions also improved to 91.4% in 2007 from 88.6% in 2005.

Reflecting the sectoral composition of employment throughout the wider economy, the proportional distribution of participants by sector has remained relatively stable over the past five years. In 2007, over two-thirds were employed in the tourism sector (hotels and restaurants) where 3,917 new participants were added since 2005. The financial sector accounted for 11.9% of participants, followed by the communications & utilities sector (6.0%) and the private distribution sector (3.4%). Each of the ten (10) remaining classified sectors accounted for less than 2% of the local participants.

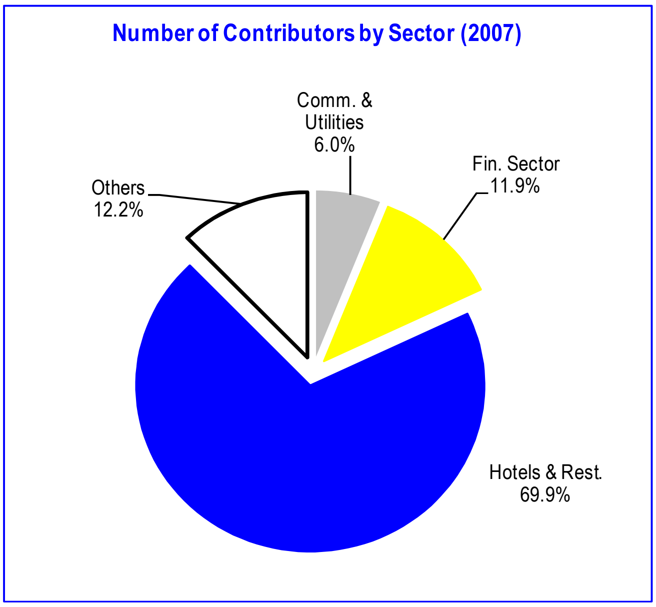


Contributions Ratios

Despite improved average rates of return on investment assets for 2007 vis-à-vis 2005, sponsors were motivated to steadily increase the average paid-in contribution for pension funds as a percentage of employees' salaries. Weighted by total assets, the average contribution rate increased marginally to 11.61% in 2007, after a slight dip to 11.46% in 2006 and a paid-in rate of 11.52% in 2005. These, however, remained slightly less than the average contribution rate of 11.6% over the period 2002-2005, despite lower average rates of return on investments during the earlier period. For defined benefit schemes, the average contribution rate rose to 12.12% in 2007, compared to 11.42% in 2005 and 11.94% in 2006. Conversely, the average defined contribution rate moved lower to 10.3% in 2007 from 11.94% for 2005 and 10.32% in 2006, as the support to assets from higher rates of average return increased.

Employers have consistently funded the largest portion of pension contributions, maintaining an average paid-in rate of at least 5% above that of employees since 1992, given the significance of non-contributory schemes. Although employers' average contribution rate recovered in 2007 vis-à-vis 2006, it was still softened to 9.5% from an average of 9.8% during 2003- 2005, influenced by a decrease in the average rate for defined contribution funds to 5.52% in both 2006 & 2007, from 6.09% in 2005.

Conversely, for defined benefit plans, the average employer funding rate firmed since 2005, by 31 basis points to 11.0% in 2007.



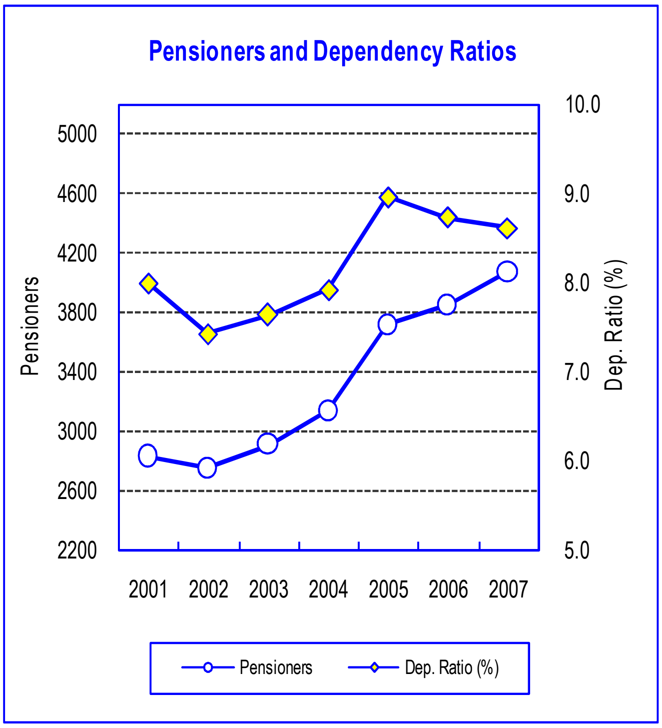
In most cases, where employees made a non-zero contribution, the estimate was at 5.0% of salary, and was matched or exceeded by employers. For a small number of plans, the contribution rate was as low as 1.0% in 2007; while for others, participants paid between 6.0% - 10.0% of their salaries. Taking account of non-contributory plans, the average employee contribution rate increased from 1.78% in 2005 to 2.10% in 2007, surpassing the average rate of every year surveyed, except 1997. Relative to 2005, the average employee contribution rate for defined benefit schemes moved higher by 40 basis points to 1.12% in 2007; while the corresponding rate for defined contribution funds decrease to 4.72% in 2007 from 5.85% in 2005.

Average Returns

After dipping to 7.75% in 2006, the weighted average return on invested pension assets rose to 9.37% in 2007, the highest average annual rate in any survey period and eclipsing the more recent high of 8.83% in 2005. The average return for defined contribution funds was elevated to 10.77% in 2007, compared to 8.18% in 2006 from 10.09% in 2005. Defined benefit plans exhibited a similar trend at 8.85% in 2007 relative to 7.60% in 2006 and 8.55% in 2005.

Pension and Benefits Payout

Since the 2005 survey, the number of pensioners increased by 357 (9.6%) to 4,065, with over 300 retirees reported for the hotel sector alone. Over the same period, annual pension payments grew by 7.1% to $32.3 million (3.4% on an average yearly basis). Consequently, the average dependency rate, which measures pensions paid as a percentage of funding contributions, remained high, near 40.0%, after a spike to 48.6% in 2005 when a significant number of retirees were added to plans sponsored by hotels, public corporations and oil companies. During 1995 – 2004, the dependency rate ranged between 25% - 30%. Meanwhile, as the number of plan contributors rose faster than the number of pensioners, the ratio of pensioners to active plan participants decreased to 8.6% in 2007 from 9.0% in 2005.



Asset Size and Distribution

Steady average annual increases in pension fund contributions and reasonable returns on invested assets underpinned respective growth in private pension assets of 7.2% in 2006 and 10.9% in 2007, to approximately $1,111.5 million vis-à-vis $934.7 million in 2005. This compared to an increase of 12.1% in 2005 and exceeded

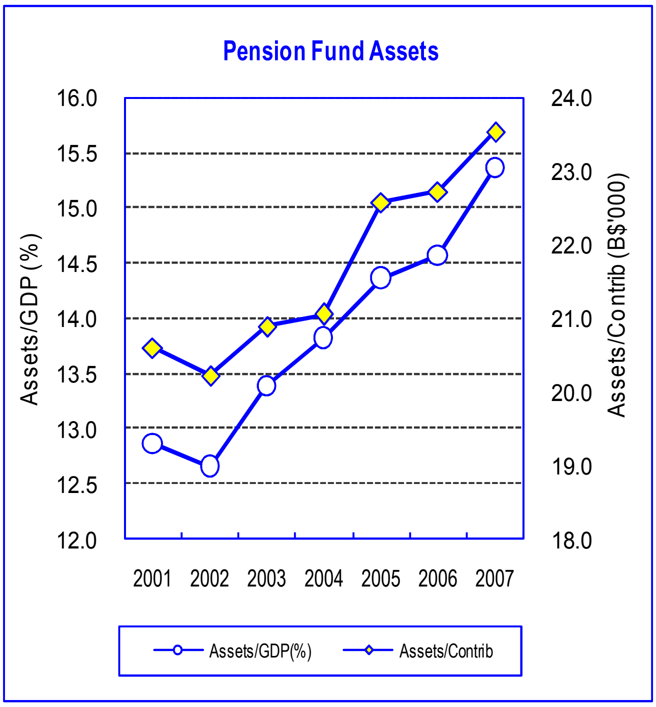
Table 3
Private Pension Investments

	Total 2003R	2004R	2005P	2006P	2007P
	(B$'000)				
Total Fund	795,592	852,685	954,274	1,001,813	1,111,498
of which:					
Government Bonds	289,270	343,905	343,107	371,562	399,980
Bank Deposits	195,705	170,185	168,370	156,870	190,984
Real Estate	12,788	8,017	7,076	12,458	12,789
Employer's Business	7,077	4,918	8,350	6,377	6,635
Mortgages	32,021	30,159	25,554	17,404	16,813
Private Sector Bonds	3,105	21,489	2,294	1,144	1,176
Equities	127,962	138,203	201,830	234,958	259,048
Mutual Funds	38,118	59,244	88,923	95,569	104,946
Loans	11,510	17,865	18,392	20,043	25,434
Contributor Arrears	10,368	5,031	5,368	5,859	5,737
Dividends	10,049	5,808	3,996	3,864	4,653
Other Investment	57,619	47,860	81,013	75,705	83,303
	2003R	2004P	2005P	2006P	2007P
	(% Distribution)				
Total Fund	100	100	100	100	100
of which:					
Government Bonds	36.36	40.33	35.95	37.09	35.99
Bank Deposits	24.60	19.96	17.64	15.66	17.18
Real Estate	1.61	0.94	0.74	1.24	1.15
Employer's Business	0.89	0.58	0.88	0.64	0.60
Mortgages	4.02	3.54	2.68	1.74	1.51
Private Sector Bonds	0.39	2.52	0.24	0.11	0.11
Equities	16.08	16.21	21.15	23.45	23.31
Mutual Funds	4.79	6.95	9.32	9.54	9.44
Loans	1.45	2.10	1.93	2.00	2.29
Contributor Arrears	1.30	0.59	0.56	0.58	0.52
Dividends	1.26	0.68	0.42	0.39	0.42
Other Investment	7.24	5.61	8.49	7.56	7.49
Memorandum Items:					
* Weighted Avg. Rate of Return	5.86	7.29	8.83		
* Weighted Avg. Contrib. Rate	11.57	11.57	11.28		

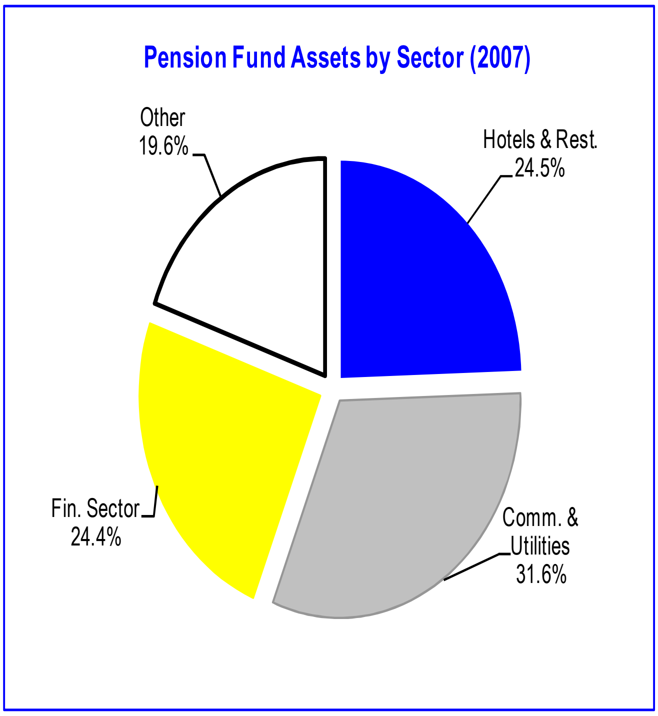
Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

annual average gains of 4.6% during 2001-2004. With total asset growth outpacing participation gains, between 2005 and 2007, average savings per active participant rose by 4.3% per annum to $23,538.

The distribution of assets by sector (see Table 2) remained relatively unchanged from 2005. Schemes with sponsors in the communications & utilities sector continued to maintain the largest share of assets (31.1%), followed by the financial (26.5%) and the tourism (21.5%) sectors. Collectively, sponsored plans of the remaining sectors amassed 20.9% of pension assets, with no individual sector holding more than 6.0% of the total.



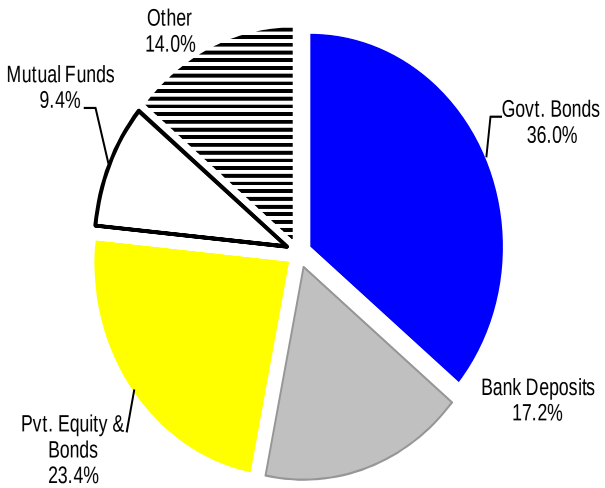
An analysis of the distribution of pension assets by investment type (see Table 3) reveals that the holdings of private capital market instruments (mutual funds, equities and bonds) are progressively comprising a larger share of the total, at 32.9% in 2007, up from 30.9% in 2005; albeit, the rate of shift into these investments has slowed, partly in response to a diminished level of new capital being raised by private entities since 2004. Meanwhile, public sector securities (mainly government bonds), retained the predominant portfolio share, although a marginally smaller 36.0% of total assets vis-à-vis 37.6% in 2005 and a 2004 peak of 40.4%. The reduction in Government securities was offset by an approximately equivalent increase in the share of deposit placements, from 15.7% of total assets in 2005 to 17.2% in 2007—which ensured that the collective holdings of low-risk assets continued to account for approximately 53% of the portfolio. As the portfolio allocation became more concentrated in capital market instruments and liquid assets, the combined percentage of investments in real estate, the employers' business, mortgages, loans to participants, contribution arrears and other investments declined from 15.8% in 2005 to 14.0% in 2007.



On a geographic basis, the value of pension assets invested outside The Bahamas declined from $121.6 million in 2005 to $119.4 million in 2007, after peaking at $1,230.0 million, in 2006. This is due entirely to a scale back among the hotel sector plans. Conversely, external asset plans within financial institutions—the majority of the financial sector, continued to experience an expansion. Capital market instruments accounted for most of the external assets, although, given the hotel sector's adjustment, the proportion contracted to 63.1% from 66.7% in 2005 and an elevated 72.8% in 2006. The share in foreign government securities also declined to 20.2% in 2007 from 25.2% in 2005; albeit, foreign deposits rose to 13.2% of the total from 3.7% in 2005.

As in previous years, the investment strategies of local pension plans varied across and within sectors over time (see Tables 4A and 4B). Relative to 2005, the communications & public utilities sector schemes further increased their allocation to public sector securities, to 52.9% of assets from 51.9% in 2005. These plans also placed more investments in capital market instruments (17.2%), scaling back deposit placements to just below their 2005 level (19.5%) and slightly reducing the share of "other" residual investments (0.4%).

Pension Fund Assets by Investment (2007)



The asset holding pattern within financial sector schemes shifted further in favour of capital markets as the predominant investment (43.2%), with a decrease in allocations to public sector securities (33.5%) and bank deposits (13.1%). For tourism sector plans (hotels and restaurants) with a similar portfolio structure, the respective share was notably reduced for public sector instruments (32.0%) and moderately for private sector securities (44.5%); this supported a more than doubled share in deposits 19.7%. For the remaining sectors combined, the shift of holdings into capital market investments and public sector debt that occurred in 2005 was basically maintained, with shares fairly stable through 2007, at 30.9% and 17.9% of the combined portfolio, even as the share in deposits rose to 16.3% and the fraction of "residual" investments decreased slightly to 35.1%.

Defined Benefits vs. Defined Contributions

Defined benefit schemes still accounted for the majority (75.3%) of private pension fund assets at end-2007, with savings increasing steadily from $728.0 million to $837.1 million, or at an average annual growth rate of 7.2% since 2005 (see Table 5). Trends reflected both the firming in the paid-in funding rate and average annual growth in contributors of 5.7% over the two years. Moreover, the consolidated investment strategy generated an increased average annual rate of return on assets of just above 8.0% over both years.

For the fourth year in a row, total assets in defined contribution schemes grew faster than those of defined benefit plans, at an average annual pace of 15.2% during 2005-2007. Despite a softening in the average contribution rate, plans enlisted an average 12.8% more contributors each year and experienced a weighted average annual rate of return slightly above 9.0%. As the rise in the number of contributors did not outstrip the rate of asset accumulation, savings per defined contribution participant rose at an average annual rate of 2.1% during 2006 and 2007 to $35,187, which was above the 1.4% average annual increase to $21,235 for defined benefit plans.

A comparison of the average investment strategies continued to indicate a more risky asset composition for defined contribution plans. The assets of defined contribution funds were most heavily concentrated in capital market investments, as opposed to the largest single emphasis for defined benefit plans on public debt. For defined benefit plans, the portfolio share of capital market investments advanced to 32.4% and deposit holdings to 16.6%, while the allocations to public debt and other residual investments were decreased to 40.3% and to 10.8%, respectively. Defined contribution plans further expanded holdings of private capital instruments to 33.9% of their portfolio, and the share of public sector securities, to 22.8%. Conversely, these schemes reduced the asset shares of residual investments and deposits, to 24.2% and 19.0%, respectively.

Table 4A
PRIVATE PENSION INVESTMENTS: BY INDUSTRY/ASSET ALLOCATION

(B$'000)

	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contribution Arrears	Dividends	Other Investments	Total Assets
2006P													
Communications & Utilities	170,278	56,260	630	0	8,239	0	47,041	1,522	129	5,195	1,615	19,096	310,005
Construction Companies	138	822	7	0	41	0	404	1,713	0	0	3	-3	3,125
Education	1,256	339	0	0	1,439	10	968	876	0	22	63	9,183	14,156
Financial Sector	88,917	32,384	402	4,146	3,167	489	45,220	55,854	1,431	584	891	16,545	250,029
Health	1,956	0	0	0	0	0	0	0	0	0	0	0	1,956
Hotels & Restaurants	75,009	31,151	0	0	0	0	109,813	9,665	5,363	0	234	0	231,235
Manufacturing Companies	6,067	1,101	105	0	653	0	745	0	0	0	108	362	9,142
Non-Profit	1,119	181	0	0	0	0	182	0	0	0	0	0	1,482
Oil Companies	3,932	1,371	19	0	380	0	5,921	4,658	3,046	0	35	31	19,391
Other Services	1,342	116	0	0	0	0	8,158	12,709	-52	0	17	29,441	51,732
Private Distribution	4,356	17,825	5,625	2,182	3,253	202	4,055	7,358	0	0	460	686	46,002
Professional Services	4,682	6,300	568	0	0	442	2,336	432	573	0	40	24	15,396
Real Estate	1,181	2,034	0	0	0	0	2,443	485	0	0	14	18	6,175
Transportation	11,329	6,986	5,103	49	233	0	7,671	297	9,554	58	384	323	41,987
Total	**371,562**	**156,870**	**12,458**	**6,377**	**17,404**	**1,144**	**234,958**	**95,569**	**20,043**	**5,859**	**3,864**	**75,705**	**1,001,812**
2007P													
Communications & Utilities	183,117	67,381	630	0	6,893	0	57,702	1,698	129	5,195	1,831	21,306	345,882
Construction Companies	168	929	8	0	49	0	489	2,140	0	0	4	-4	3,784
Education	1,345	409	0	0	1,488	0	1,013	928	0	0	65	9,370	14,617
Financial Sector	98,890	38,651	484	4,362	3,664	516	61,699	65,661	1,697	542	1,081	17,787	295,033
Health	3,006	0	0	0	0	0	0	0	0	0	0	0	3,006
Hotels & Restaurants	76,492	47,222	0	0	0	0	101,693	4,822	8,730	0	396	0	239,355
Manufacturing Companies	6,425	1,420	117	0	728	0	930	0	0	0	135	429	10,183
Non-Profit	1,267	127	0	0	0	0	146	73	0	0	0	59	1,673
Oil Companies	4,049	1,288	19	0	380	60	6,255	4,658	3,046	0	35	31	19,819
Other Services	1,722	257	0	0	0	0	9,127	14,176	0	0	26	32,797	58,104
Private Distribution	4,632	17,107	5,787	2,247	3,349	200	4,472	8,364	0	0	500	707	47,364
Professional Services	5,520	7,167	0	0	0	400	2,295	1,503	751	0	70	554	18,260
Real Estate	1,493	1,825	0	0	0	0	3,032	647	0	0	18	18	7,032
Transportation	11,854	7,203	5,745	26	263	0	10,195	276	11,082	0	493	250	47,386
Total	**399,980**	**190,984**	**12,789**	**6,635**	**16,813**	**1,176**	**259,048**	**104,946**	**25,434**	**5,737**	**4,653**	**83,303**	**1,111,500**

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

Table 4B
DISTRIBUTION OF PRIVATE PENSION INVESTMENTS: BY INDUSTRY/ASSET ALLOCATION

(B$'000)

	Govt. Bonds	Deposits	Real Estate	Employer's Business	Mortgages	Private Bonds	Equities	Mutual Funds	Loans	Contribution Arrears	Dividends	Other Investments	Total Assets
2006R													
Communications & Utilities	54.93	18.15	0.20	-	2.66	-	15.17	0.49	0.04	1.68	0.52	6.16	100.00
Construction Companies	4.43	26.31	0.21	-	1.30	-	12.94	54.80	-	-	0.11	(0.10)	100.00
Education	8.87	2.40	-	-	10.16	0.07	6.84	6.19	-	0.16	0.44	64.87	100.00
Financial Sector	35.56	12.95	0.16	1.66	1.27	0.20	18.09	22.34	0.57	0.23	0.36	6.62	100.00
Health	100.00	-	-	-	-	-	-	-	-	-	-	-	100.00
Hotels & Restaurants	32.44	13.47	-	-	-	-	47.49	4.18	2.32	-	0.10	-	100.00
Manufacturing Companies	66.37	12.05	1.15	-	7.15	-	8.15	-	-	-	1.18	3.96	100.00
Non-Profit	75.49	12.20	-	-	-	-	12.31	-	-	-	-	-	100.00
Oil Companies	20.28	7.07	0.10	-	1.96	-	30.53	24.02	15.71	-	0.18	0.16	100.00
Other Services	2.59	0.22	-	-	-	-	15.77	24.57	(0.10)	-	0.03	56.91	100.00
Private Distribution	9.47	38.75	12.23	4.74	7.07	0.44	8.82	15.99	-	-	1.00	1.49	100.00
Professional Services	30.41	40.92	3.69	-	-	2.87	15.17	2.81	3.72	-	0.26	0.15	100.00
Real Estate	19.13	32.94	-	-	-	-	39.56	7.85	-	-	0.23	0.29	100.00
Transportation	26.98	16.64	12.15	0.12	0.55	-	18.27	0.71	22.76	0.14	0.92	0.77	100.00
Total	37.09	15.66	1.24	0.64	1.74	0.11	23.45	9.54	2.00	0.58	0.39	7.56	100.00
2007P													
Communications & Utilities	52.94	19.48	0.18	-	1.99	-	16.68	0.49	0.04	1.50	0.53	6.16	100.00
Construction Companies	4.43	24.55	0.21	-	1.30	-	12.94	56.56	-	-	0.11	(0.10)	100.00
Education	9.20	2.80	-	-	10.18	-	6.93	6.35	-	-	0.44	64.10	100.00
Financial Sector	33.52	13.10	0.16	1.48	1.24	0.18	20.91	22.26	0.58	0.18	0.37	6.03	100.00
Health	100.00	-	-	-	-	-	-	-	-	-	-	-	100.00
Hotels & Restaurants	31.96	19.73	-	-	-	-	42.49	2.01	3.65	-	0.17	-	100.00
Manufacturing Companies	63.10	13.94	1.15	-	7.15	-	9.13	-	-	-	1.33	4.21	100.00
Non-Profit	75.75	7.62	-	-	-	-	8.74	4.37	-	-	-	3.53	100.00
Oil Companies	20.43	6.50	0.09	-	1.92	0.30	31.56	23.50	15.37	-	0.17	0.16	100.00
Other Services	2.96	0.44	-	-	-	-	15.71	24.40	-	-	0.04	56.45	100.00
Private Distribution	9.78	36.12	12.22	4.74	7.07	0.42	9.44	17.66	-	-	1.06	1.49	100.00
Professional Services	30.23	39.25	-	-	-	2.19	12.57	8.23	4.11	-	0.38	3.03	100.00
Real Estate	21.23	25.95	-	-	-	-	43.12	9.19	-	-	0.25	0.26	100.00
Transportation	25.02	15.20	12.12	0.06	0.55	-	21.52	0.58	23.39	-	1.04	0.53	100.00
Total	35.99	17.18	1.15	0.60	1.51	0.11	23.31	9.44	2.29	0.52	0.42	7.49	100.00

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates

Conclusions

The survey results reveal that the firming growth in private pension fund assets in The Bahamas, which began after the economic slowdown in 2001 and 2002, continued through 2007. Asset accumulation benefitted from a positive environment that stimulated both growth in contributors and higher average returns on invested assets. This momentum is expected to slow through 2010, owing to weaker economic projections, which could stall participant gains and dampen potential rates of returns, especially on capital market investments. The medium to long-term outlook for the industry; however, remains positive. In particular, the low cost feature of defined contribution schemes continues to make these more attractive to smaller employers, and is expected to sustain increasing coverage of the labour force. This trend is also likely to be favoured by the expanded marketing of specialized pension products by financial institutions, other than insurance companies, which enable employers to provide these benefits at significantly reduced administrative costs.

There continues to be prospects for the establishment of a regulatory framework for sponsored pension plans, which will also aid the sector's growth. Among other issues, it is expected that legislation will address portability of benefits between employers, and facilitate more efficient labour force dynamics, given the existing importance of long service employer/employee relationships to determining the vesting requirements for employer funded benefits.

Table 5
Private Pension Investments By Fund Type

	Defined Benefit				Defined Contribution			
	2004R	2005P	2006P	2007P	2004R	2005P	2006P	2007P
	(B$'000)				(B$'000)			
Total Fund	677,938	747,854	759,097	837,181	174,747	206,419	242,716	274,318
of which:								
Government Bonds	304,429	301,802	315,996	337,381	39,476	41,305	55,566	62,600
Bank Deposits	123,681	120,805	108,159	138,897	46,504	47,565	48,712	52,087
Real Estate	672	519	873	892	7,345	6,558	11,585	11,897
Employer's Business	3,044	5,228	3,600	3,621	1,874	3,122	2,777	3,014
Mortgages	22,367	18,776	12,494	11,340	7,793	6,778	4,910	5,472
Private Sector Bonds	18,418	665	0	0	3,071	1,630	1,144	1,176
Equities	117,432	167,021	188,677	202,413	20,771	34,809	46,281	56,634
Mutual Funds	47,739	62,858	64,568	68,578	11,505	26,065	31,001	36,368
Loans	5,844	5,717	5,615	9,115	12,021	12,675	14,429	16,319
Contributon Arrears	4,533	4,901	5,778	5,736	497	467	81	1
Dividends	4,710	2,907	2,855	3,338	1,099	1,088	1,009	1,315
Other Investment	25,067	56,655	50,483	55,869	22,793	24,358	25,222	27,434
	(% Distribution)				(% Distribution)			
Total Fund	100	100	100	100	100	100	100	100
of which:								
Government Bonds	44.91	40.36	41.63	40.30	22.59	20.01	22.89	22.82
Bank Deposits	18.24	16.15	14.25	16.59	26.61	23.04	20.07	18.99
Real Estate	0.10	0.07	0.12	0.11	4.20	3.18	4.77	4.34
Employer's Business	0.45	0.70	0.47	0.43	1.07	1.51	1.14	1.10
Mortgages	3.30	2.51	1.65	1.35	4.46	3.28	2.02	1.99
Private Sector Bonds	2.72	0.09	-	-	1.76	0.79	0.47	0.43
Equities	17.32	22.33	24.86	24.18	11.89	16.86	19.07	20.65
Mutual Funds	7.04	8.41	8.51	8.19	6.58	12.63	12.77	13.26
Loans	0.86	0.76	0.74	1.09	6.88	6.14	5.94	5.95
Contributon Arrears	0.67	0.66	0.76	0.69	0.28	0.23	0.03	0.00
Dividends	0.69	0.39	0.38	0.40	0.63	0.53	0.42	0.48
Other Investment	3.70	7.58	6.65	6.67	13.04	11.80	10.39	10.00
Memorandum Items:								
* Weighted Avg. Rate of Return	7.36	8.55	7.60	8.85	6.73	10.09	8.18	10.77
* Weighted Avg. Contrib. Rate	11.71	11.42	11.86	12.12	11.01	11.94	10.31	10.25

Source: The Central Bank of the Bahamas Survey on Pension Funds & Central Bank estimates