



# Quarterly Economic Review

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**March, 2012**

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# QUARTERLY ECONOMIC REVIEW

Volume 21, No. 1  
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# REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

## DOMESTIC ECONOMIC DEVELOPMENTS

Indications are that the Bahamian economy continued to expand at a modest pace during the first quarter of 2012, benefitting from sustained recovery in tourism's high-value-added stopover business, and ongoing foreign and public sector investment projects. However, employment conditions remained constrained, and consumer price inflation firmed, amid the continued strengthening in international oil prices and the corresponding adverse impact on domestic fuel related costs.

On the fiscal side, Government's budgetary operations reversed to a deficit in the third quarter of FY2011/12 from a surplus a year earlier, as revenues returned to trend levels after extraordinary stamp tax-led gains, and coincided with increases in both current and capital outlays. Budgetary financing was secured mainly from domestic sources, including short-term advances from the domestic banking system and a Treasury bill issue.

Monetary developments featured a sharp slowdown in accretions to both liquidity and external reserves, after one-off public sector related foreign inflows led to robust gains a year ago. In the context of moderate domestic demand, private sector borrowings remained relatively anemic, while a combination of seasonal factors and debt restructuring measures resulted in an improved outcome for banks' asset quality indicators. However, consistent with their ongoing cautious stance, banks continued to augment loan loss provisions.

In the external sector, the estimated current account deficit widened slightly, as the increase in the merchandise trade deficit, associated with a combination of higher oil and construction-related payments, outpaced the tourism-led growth in the services account surplus. On the capital account, higher private sector loan financing inflows, combined with reduced net investment remittances by domestic banks, supported an expansion in the surplus relative to the year-earlier position.

## FISCAL OPERATIONS

### OVERVIEW

Government's budgetary operations recorded a deficit of \$74.7 million, compared with a \$23.9 million surplus in the third quarter of FY2010/11. This reflected a 19.0% (\$85.3 million) reduction in revenues to trend levels following an extraordinary tax receipt led increase a year earlier, alongside a 3.1% (\$13.3 million) hike in total spending.

### REVENUE

Tax receipts—which accounted for the bulk (90.5%) of total collections—declined by 22.3% (\$94.7 million) to \$329.7 million. The intake from non-trade stamp taxes which were boosted by \$141.0 million last year, on account of one-off revenue inflows relating to the sale of an oil company, was more than halved to \$39.0 million. Selective taxes on services also fell by 36.9% (\$8.1 million) to \$13.8 million, as gaming taxes returned to typical collection levels of \$4.0 million, after the receipt of substantial arrears payments in 2011. Other miscellaneous taxes declined by \$8.6 million to \$3.5 million, and departure tax receipts were 7.2% (\$2.2 million) lower at \$27.7 million. Reflecting the modest gains in domestic demand, tax revenue from international trade & transactions—at 48.8% of the total—expanded by 18.4% (\$24.9 million) to \$160.8 million, explained by a 32.3% (\$16.2 million) rise in excise taxes and a 9.1% (\$7.2 million) increase in import taxes. More modest hikes were recorded for business and professional fees and motor vehicle taxes, of 7.3% (\$3.8 million) and 6.0% (\$0.5 million), to \$55.2 million and \$8.6 million, respectively.

Non-tax collections—at 9.5% of total revenue—grew by 37.4% (\$9.4 million) to \$34.5 million, primarily explained by a timing-related increase in dividend payments, which boosted income from "other" sources almost six-fold to \$11.4 million. Proceeds from the sale of Government property were up slightly by \$0.2 million to

\$0.5 million, while collections of fines, forfeits & administration fees steadied at \$22.3 million. Those allocated to public corporations steadied at \$0.5 million.

## EXPENDITURE

Current spending, which accounted for 85.4% of total outlays, grew by 2.9% (\$10.7 million) to \$375.0 million and capital expenditures rose by 14.6% (\$6.8 million) to \$53.5 million. However, net lending to public corporations declined by 28.4% (\$4.2 million) to \$10.5 million.

An analysis of current outlays by economic classification showed growth being driven by a 6.5% (\$14.3 million) hike in consumption related spending, to \$233.3 million, occasioned by gains in both purchases of goods & services (12.1% or \$10.1 million) and personal emoluments (3.1% or \$4.3 million). In contrast, transfer payments declined by 2.5% (\$3.7 million) to \$141.6 million, as the June 2011 interest rate reduction contributed to the 12.0% (\$5.7 million) decrease in interest payments to \$41.6 million. However, subsidies & other transfers advanced by 2.0% (\$2.0 million) to \$100.0 million, as increased transfers to public corporations (\$6.2 million) and subsidies (\$2.2 million) outstripped contractions in assistance to households (\$3.6 million) and non-profit institutions (\$2.7 million).

On a functional basis, the rise in current outlays reflected higher tourism and transportation-led expenditures for economic services, of 22.4% (\$9.0 million) to \$48.9 million. Similarly, spending on healthcare firmed by 4.6% (\$2.9 million) to \$65.7 million and for general public services, by 1.4% (\$1.5 million) to \$106.1 million. More muted increases were registered for education (\$1.3 million), social benefits & services (\$1.0 million), defense (\$0.5 million), other community & social services (\$0.2 million), while housing outlays were unchanged.

Capital expenditure gains were fuelled mainly by the Government's ongoing infrastructure development programme, which resulted in an 11.9% (\$5.0 million) rise in capital formation to \$47.0 million. Similarly, outlays for asset acquisitions were higher by 33.5% (\$1.3 million) at \$5.2 million, as land and other "miscellaneous" asset purchases firmed by \$2.0 million to \$3.6 million, while outlays for equity investments fell by \$0.7 million to \$1.6 million. Capital transfers to nonfinancial public enterprises increased more than three-fold, to \$0.7 million, and

## Government Revenue By Source

(Jan. - Mar.)

	FY10/11		FY11/12	
	B\$M	%	B\$M	%
Property Tax	31.4	7.0	32.7	9.0
Selective Services Tax	22.0	4.9	13.8	3.8
Busines. & Prof Lic. Fees	51.4	11.4	55.2	15.2
Motor Vehicle Tax	8.2	1.8	8.6	2.4
Departure Tax	29.9	6.7	27.7	7.6
Import Duties	78.3	17.4	85.5	23.5
Stamp Tax from Imports	3.8	0.8	5.1	1.4
Excise Tax	50.4	11.2	66.6	18.3
Export Tax	3.4	0.8	3.6	1.0
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	141.0	31.4	39.0	10.7
Other Tax Revenue	12.1	2.7	3.5	1.0
Fines, Forfeits, etc.	22.3	5.0	22.3	6.1
Sales of Govt. Property	0.4	0.1	0.5	0.1
Income	2.4	0.5	11.6	3.2
Other Non-Tax Rev.	--	--	--	--
Capital Revenue	--	--	--	--
Grants	--	--	--	--
Less: Refunds	7.3	1.6	11.7	3.2
Total	449.6	100.0	364.3	100.0

## FINANCING AND THE NATIONAL DEBT

Budgetary financing for the third quarter of FY2011/12 was primarily obtained from domestic sources, comprising increments in advances from commercial banks (\$43.6 million), new issue of Treasury bill (\$20 million) and advances from the Central Bank (\$20.0 million). An additional \$16.4 million was secured by way of drawings on existing project-related external loans against debt repayments of \$2.0 million.

As a consequence of these developments, the Direct Charge on the Government was higher by 1.4% (\$54.3 million) over the quarter and by 3.2% (\$119.7 million) year-on-year, to \$3,860.5 million at end-March, 2012. The bulk (78.9%) of the Direct Charge was denominated in Bahamian dollars, being held primarily by commercial banks (37.3%), private investors (29.5%) and public corporations (22.5%), and with smaller shares for the Central Bank (10.4%) and Other Local Financial Institu-

tions (0.3%). By type of instrument, Government securities constituted the largest component of local current debt (85.1%) and carried an average maturity of approximately 11.4 years, followed by Treasury bills (10.6%) and loans & advances (4.3%).

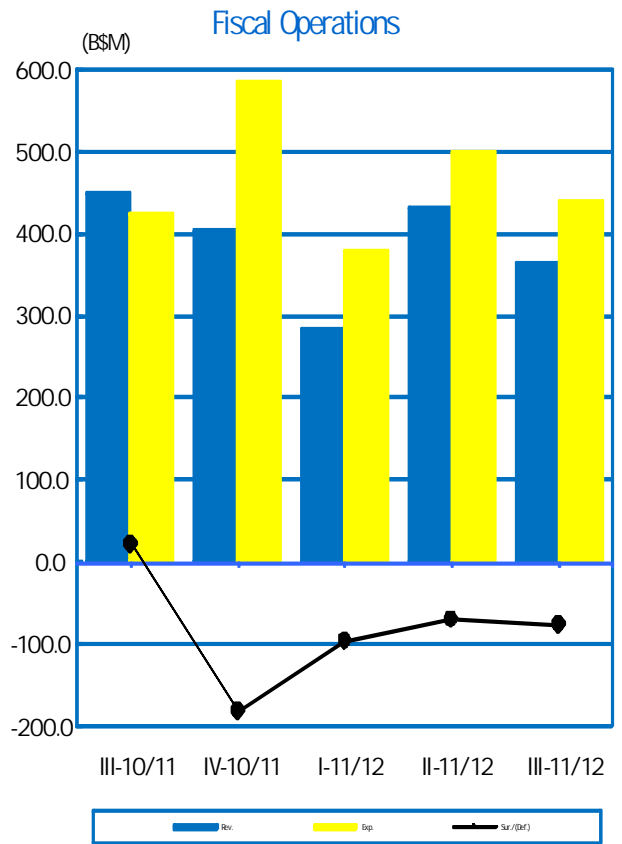
The Government's contingent liabilities were higher by 0.8% (\$4.5 million) at \$555.2 million, owing to an \$8. million rise in the guaranteed debt of the Bahamas Mortgage Corporation. As a result of increases in both the Direct Change and contingent liabilities, the National Debt grew by 1.4% (\$58.9 million) on a quarterly basis, and by 2.4% (\$104.4 million) on an annual basis, to \$4,415.8 million at end-March, 2012.

#### PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt rose by 3.6% (\$50.7 million) to \$1,455.4 million during the first quart of 2012, as new drawings of \$58.9 million outpaced amortization payments of \$8.2 million. Comprising 56.0% of the total, the Government's foreign currency debt expanded by 1.8% (\$14.3 million) to \$814.4 million, compared with a 6.0% (\$36.3 million) hike in the public corporations' component to \$641.0 million.

Relative to the same period a year ago, total debt service payments declined marginally by \$0.6 million to \$15.8 million. Public corporations' payments fell by \$1.2 million to \$12.8 million, eclipsing the \$0.6 million gain in the Government's component to \$3.0 million. Consequently, the debt service ratio was reduced by 0.2 of a percentage point to 1.8%, while debt service as a proportion of total Government revenue increased by 0.3 of a percentage point to 0.8%.

Disaggregated by creditor profile, private capital markets accounted for the largest proportion of foreign currency debt (41.2%), followed by commercial banks (25.0%), other "miscellaneous" firms (16.7%) and multilateral institutions (13.4%), respectively, while bilateral organisations held the remaining 3.7%. At end-March 2012, the stock of outstanding debt carried an average maturity of 14.4 years, with US dollars accounting for the majority (97.6%), followed by Chinese Yuan (2.1%) and euros (0.3%).



## REAL SECTOR

### TOURISM

Supported by a combination of expanded airlift, ongoing travel incentive programs and continued recovery in the key group business, output in the tourism sector improved during the first quarter of 2012. Overall tourist arrivals were up by 10.8% to approximately 1.7 million, in line with the year-earlier comparative 10.4% gain. Air arrivals, which declined by 7.0% last year, recovered strongly by 11.2% to 0.4 million, while the increase in the sea component moderated to 10.7%, for 1.3 million visitors, from last year's 16.2% hike.

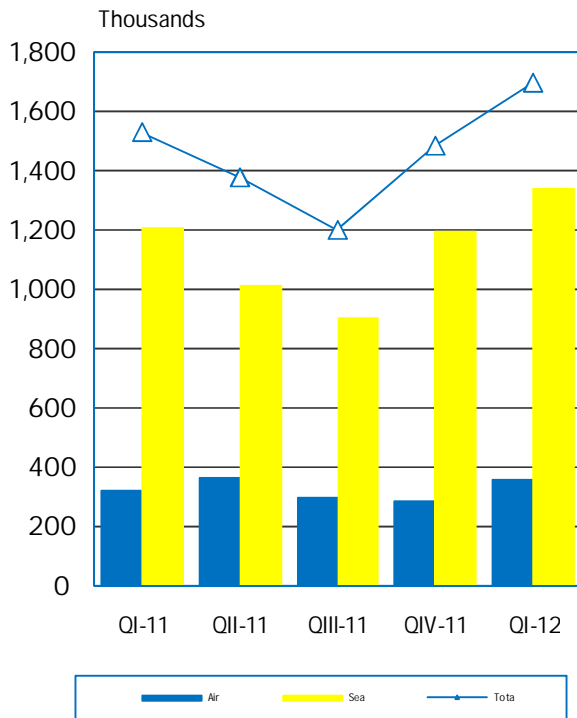
Segmented by major ports of entry, visitors to New Providence—which accounted for 53.7% of the total—increased by 11.7% to 0.9 million, benefitting from double digit improvements in both the air (11.6%) and sea (11.8%) components. Arrivals to the Family Islands firmed by 12.4% to 0.6 million, led by a 13.4% hike in sea

traffic and supported by a 3.3% gain in air visitors. Despite a 21.9% surge in air traffic, due to increased repairs, as reported by domestic banks, insurance companies and the Bahamas Mortgage Corporation, were limited to 3.6% for 0.2 million visitors, given the modest 1.0% rise in the dominant sea segment.

Mortgage disbursements for new construction and repairs, as reported by domestic banks, insurance companies and the Bahamas Mortgage Corporation, were down by 32.4% at \$27.5 million, extending the prior year's 15.4% fall-off. In particular, residential activity contracted by 33.4% to \$26.7 million, relative to last year's 2.8% decrease, while there was a marginal expansion in the commercial segment of \$0.2 million to \$0.8 million, to reverse the year-earlier \$6.2 million decline.

Data on mortgage commitments for new buildings and repairs—a forward looking indicator—suggest that the weakness in the sector is likely to persist over the near-term. Total commitments declined by 44.2% in number to 126 projects, valued 28.1% lower at \$19.1 million. Reflecting these developments, the residential component—at approximately 99% of the aggregate—fell by 43.6% in number to 124 and by 25.8% in value to \$19.0 million. Similarly, commercial loan commitments fell in number from 6 to 2 and in value, by \$0.9 million to \$0.2 million.

### Visitor Arrivals

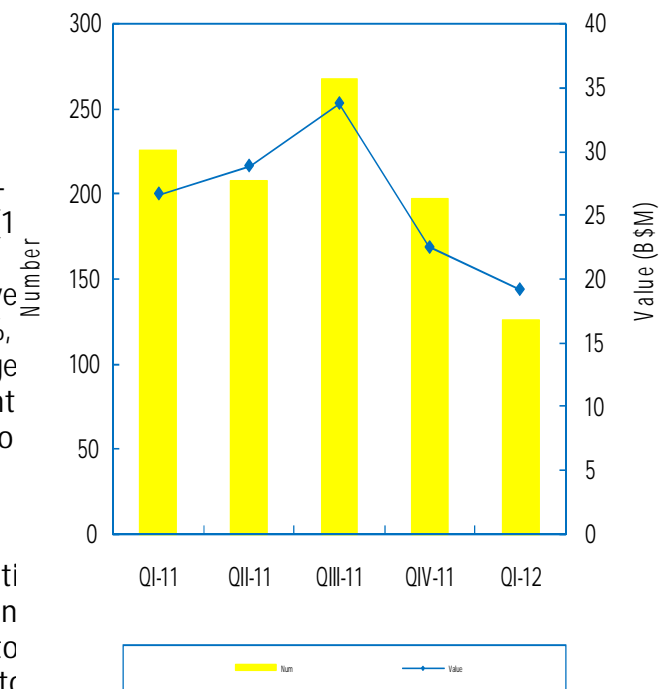


Survey data obtained from the Bahamas Hotel Association covering first quarter performance of fourteen (14) large hotels in New Providence and Paradise Island, indicated that gains in air arrivals translated into improved hotel earnings. Total room revenue was higher by 9.1%, reflecting a 4.6 percentage point rise in the average occupancy rate to 71.2% and a more muted 0.8 percentage point gain in the average daily room rate (ADR) to \$254.77.

### CONSTRUCTION

First quarter 2012 construction sector activity continued to be shaped by large-scale foreign investments in the hotel sector and, to a lesser extent, public sector infrastructural projects, whereas domestic private sector construction activity remained comparatively lackluster.

### Mortgage Commitments: New Construction and Repairs





On balance, lending conditions were more favourable for the sector, with the average residential loan rate lower by 30 basis points from the previous year at 8.1%, due in part to the 75 basis point reduction in the Prime Rate in June, 2011. The average rate on commercial loans, however, moved upwards on a quarterly basis, by 10 basis points to 8.8%.

## PRICES

Buoyed by continued increases in international oil and commodity costs, average consumer prices firmed by 2.53% over the first quarter, in line with the previous year's expansion. Average price gains accelerated for food & non-alcoholic beverages, by 1.38 percentage points to 2.58% and for miscellaneous goods & services by 1.30 percentage points to 1.40%; and was reversed from a 0.88% contraction to a 1.31% upturn for clothing & footwear. In addition, inflation rates firmed by 0.39 of a percentage point for housing, water, gas, electricity and other fuels, communication and alcohol, tobacco & narcotics, to 3.35%, 0.58% and 2.06%, respectively. Some offset was provided by slackened average cost increases for transportation (from 6.87% to 4.00%), furnishing, household equipment & maintenance (to 2.15% from 3.36%) and healthcare (to 1.31% from 2.30%). The rate of average cost gains for education and restaurant & hotel services costs also slowed, by 0.76 and 0.13 of a percentage point, to 2.53% and 2.17%, respectively, whereas average costs for recreation & culture decreased by 0.80%, a reversal from last year's 2.62% gain.

Higher international oil prices also resulted in gains in domestic energy costs. The average price of gasoline and diesel rose by 4.4% to \$5.33 per gallon and by 2.8% to \$5.22 per gallon over the three-months ended March, with sharper annualized increases of 11.4% and 18.8%, respectively. Similarly, the Bahamas Electricity Corporation's fuel charge advanced over the quarter, by 3.7% to 26.00 cents per kilowatt hour (kWh), and surged by 30.1% year-on-year.

## Retail Price Index

(Annual % Changes,  
March

Items	Weight	2011		2012	
		Index	%	Index	%
Food & Non-Alcoholic Beverages	120.4	100.2	-0.6	102.4	2.2
Alcohol, Tobacco & Narcotics	6.4	101.7	2.1	103.1	1.4
Clothing & Footwear	37.76	99.6	0.1	99.9	0.3
Housing, Water, Gas, Electricity	334.83	101.9	2.8	105.2	3.2
Furn. & Household, Maintenance	64.26	100.6	0.7	104.6	4.0
Health	44.5	101.2	2.8	103.0	1.7
Transportation	119.13	103.6	3.7	112.6	8.6
Communication	41.19	100.2	0.1	101.6	1.4
Rec. & Culture	22.73	102.1	1.0	102.8	0.8
Education	30.05	101.6	2.0	104.6	3.0
Restaurant & Hotels	38.24	101.3	1.4	104.4	3.1
Misc. Goods & Svcs.	140.52	100.5	1.2	101.2	0.8
ALL ITEMS	1000	101.3	1.6	104.5	3.2

## MONEY, CREDIT AND INTEREST RATES

### OVERVIEW

Monetary developments featured a significant moderation in accretions to both bank liquidity and external reserves during the first quarter of 2012, occasioned by a return to trend following last year's extraordinary foreign currency inflows. Banks' credit quality indicators improved modestly over the three-month period, reflecting to some extent seasonal factors, as well as increased write-offs and debt restructuring. The most recent bank performance indicators for the fourth quarter of 2011 showed a contraction in overall bank profitability, due to significant reduction in interest income, while the weighted average interest rate spread narrowed during the review quarter, on account of an increase in the deposit rate and a contraction in the lending rate.



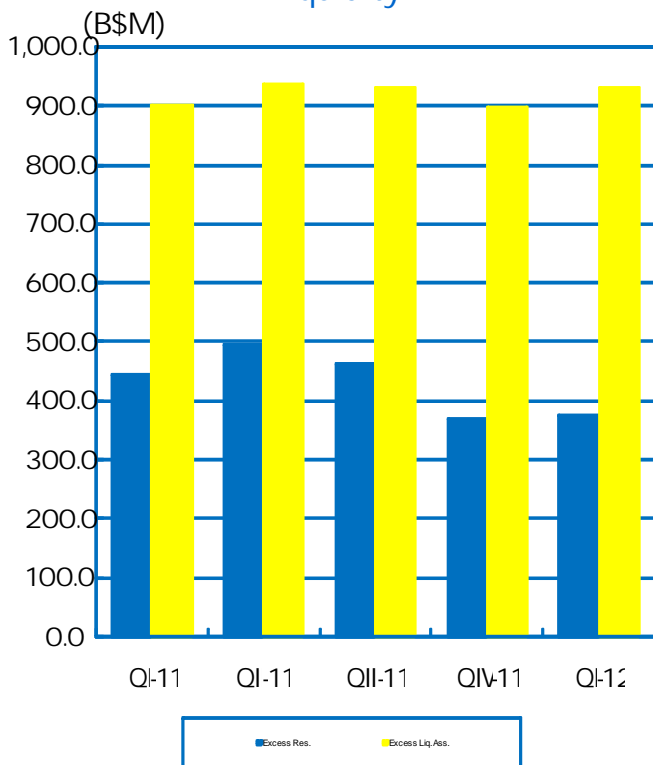
**LIQUIDITY**

Banks' net free cash reserves were higher by \$6.2 million (1.7%) at \$376.8 million, markedly below the \$114.0 million expansion posted in 2011. At end-March 2012, the ratio of free cash reserves to deposit liabilities fell to 6.1% from 7.4% a year earlier. Similarly, the broader surplus liquid assets increased by \$34.9 million (3.9%) to \$931.3 million, representing a slowdown from 2011's \$91.5 million upturn, although a more elevated 95.2% above the statutory minimum, vis-a-vis 93.8% last year.

was slightly above 2011's \$60.9 million (1.0%) increase, with a private sector-led \$21.1 million gain in deposits eclipsing a \$9.2 million reduction in financials. Following a 10.6% (\$23.8 million) contraction year earlier, foreign currency deposits firmed by \$55.6 million, reflecting gains in both public and private sector placements.

As a proportion of the overall money stock, foreign deposits comprised the largest share, at 55.9%, followed by demand balances (19.9%) and savings deposits (10.8%). Foreign currency deposits and currency in active circulation represented much smaller shares of 4.1% and 3.3%, respectively.

**Liquidity**



**DOMESTIC CREDIT**

During the quarter, total domestic credit expanded by \$129.6 million (1.5%), in contrast to a \$146.0 million (1.7%) contraction in 2011. Bahamian dollar credit, which comprised the majority (91.5%) of the total, advanced by \$101.0 million (1.3%), following last year's \$101.0 million (0.8%) reduction. The foreign currency component also rebounded by \$28.6 million (4.0%), reversing a comparative \$87.2 million (10.8%) decrease in 2011.

Growth in domestic credit was largely dominated by increased claims on the public sector, led by a turnaround in the Government's position, to a 5.9% (\$85.6 million) net increase in claims from a 3.3% (\$47.0 million) contraction in 2011. Credit to the rest of the public sector firmed by 5.4% (\$23.8 million), to reverse last year's (\$11.6 million) falloff.

Banks provided additional net credit of \$20.2 million (0.3%) to the private sector, in contrast to an \$8.0 million contraction in 2011, when a local tourism entity repaid an outstanding foreign currency loan. The expansion was solely in the foreign currency component, which advanced 7.2% (\$26.4 million) to outpace the 0.1% (\$6.3 million) reduction in domestic currency claims. Growth in total loans—at 72.1% of the total—declined by 0.1% (\$1.1 million), following a \$7.6 million (0.2%) increase. This outturn was explained by a \$9.4 million (0.4%) decrease in consumer loans, which eclipsed moderate gains in residential mortgages and overdrafts of \$5.0 million (0.2%) and \$3.0 million (3.2%), respectively.

**DEPOSITS & MONEY**

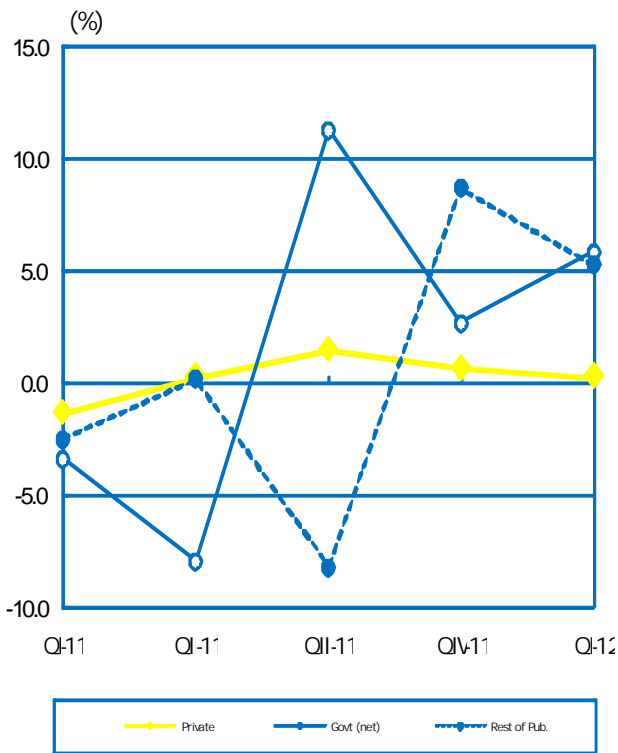
The overall money supply (M3) expanded by \$119.4 million (1.9%) to \$6,429.8 million, up from a \$37.1 million (0.6%) gain a year earlier. In particular, narrow money (M1) advanced by \$51.9 million (3.6%), relative to 2011's \$5.0 million (0.4%) increase, owing to a \$45.3 million (3.7%) rise in demand deposits and a more muted expansion in currency in circulation of \$6.5 million (3.3%). Broad money's (M2) expansion, at \$63.8 million (1.0%),

A breakdown of consumer credit showed decreases for credit card (\$9.6 million), land purchases (\$5.0 million), debt consolidation (\$4.5 million), home improvement (\$3.7 million), private car (\$1.8 million), education (\$1.5 million) and travel (\$1.4 million) loans, with smaller contractions of less than \$1.0 million registered for furnishings & domestic appliances, medical and commercial vehicle categories. Reflecting the continuation of debt consolidation activities, "miscellaneous" loans grew strongly by \$19.4 million, while lending for taxis cars was relatively flat.

Distribution of Bank Credit By Sector  
End-March

	2011		2012	
	B\$M	%	B\$M	%
Agriculture	13.3	0.2	13.8	0.2
Fisheries	5.4	0.1	6.7	0.1
Mining & Quarry	2.5	0.0	2.6	0.0
Manufacturing	34.7	0.5	41.3	0.6
Distribution	162.9	2.3	174.1	2.4
Tourism	56.9	0.8	65.9	0.9
Enter. & Catering	66.7	1.0	66.2	0.9
Transport	35.2	0.5	34.9	0.5
Construction	441.3	6.4	433.2	6.0
Government	147.9	2.1	189.3	2.6
Public Corps.	328.2	4.7	348.7	4.8
Private Financial	17.1	0.2	14.9	0.2
Prof. & Other Ser.	137.4	2.0	128.6	1.8
Personal	5,123.0	73.8	5,185.2	72.1
Miscellaneous	372.9	5.4	485.8	6.8
TOTAL	6,945.4	100.0	7,191.2	100.0

Changes in Credit



Among the remaining private sector loan categories, decreases were registered for private financial institutions (\$6.7 million), tourism (\$4.3 million), transport (\$2.4 million) and fisheries (\$1.9 million). In contrast, significant gains were noted for miscellaneous, professional & other services and construction lending, of \$16.9 million, \$11.4 million and \$8.4 million, respectively, with lesser increases for distribution (\$2.9 million), manufacturing (\$2.5 million) and agriculture (\$0.4 million) credits.

### MORTGAGES

Consistent with the softness of the economy, mortgage data provided by banks, insurance companies and the Bahamas Mortgage Corporation, showed marginal growth in the outstanding stock, of \$3,240.1 million (0.1%) to \$3,240.1 million, compared to a \$27.1 million (0.9%) accretion in the same period of 2011. Both the residential (93.9% of the total) and commercial components slowed to \$0.6 million (0.02%) and \$0.6 million (1.4%), from \$20.9 million and \$6.3 million in 2011. At end-March, commercial banks held 88.9% of outstanding mortgages, followed by insurance companies (6.0%) and the Bahamas Mortgage Corporation (5.1%).

### THE CENTRAL BANK

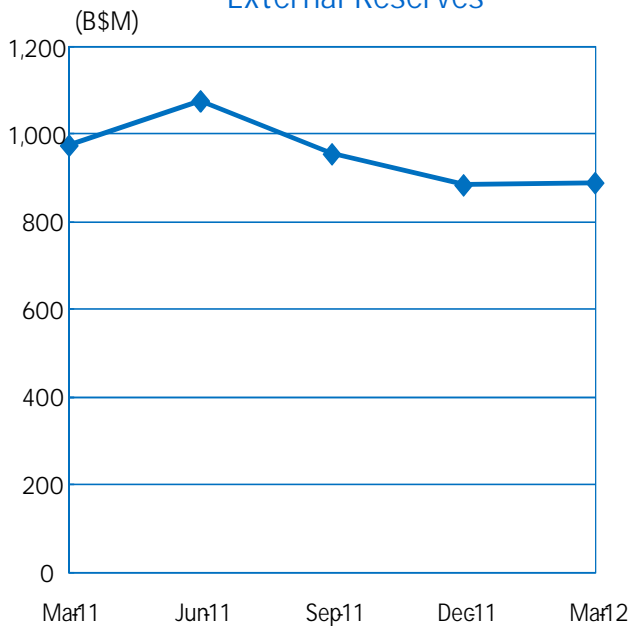
Buoyed by higher advances, the Central Bank's claim on the Government rose by \$15.7 million (\$304.8 million, in contrast with a \$16.8 million contraction a year ago. The Bank's net liabilities to the rest of the public sector also increased by \$7.6 million, reflecting a build-up in their deposits. Liabilities to commercial banks contracted \$76.0 million, a turnaround from a \$100.9 million

surge last year, which was associated with an increase in the capitalization of a new subsidiary.

External reserves rose modestly by \$5.2 million (0.6%) to \$890.0 million, significantly below the previous year's \$114.7 million expansion, which featured several one-off public sector related foreign currency inflows. Following a \$105.9 million net purchase in 2011, the Bank's foreign exchange transactions reversed to a net outflow of \$0.6 million, with the net sale to public corporations—principally for fuel payments—firming by \$17.9 million to \$103.9 million. In addition, the Bank's net purchase from the Government was significantly lower at \$4.8 million from \$96.8 million a year earlier, while net receipts from commercial banks—linked mainly to real sector activities—rose slightly by \$0.4 million million.

Net claims on the Government and public corporations also advanced, by \$69.9 million (6.1%) and \$23.8 million (5.4%), a turnaround from respective declines of \$30.1 million and \$11.6 million a year ago. The reduction in commercial banks' net liabilities was lower at \$22.9 million (3.8%), from \$595.1 million (6.2%) a year earlier. Banks' deposit liabilities at end-March—including Government balances—rose by 1.7% to \$6,331.3 million, of which 95.8% represented local currency deposits. The largest share of Bahamian dollar balances was due to private individuals (57.3%), followed by firms (26.5%), public corporations (6.0%), financial institutions (3.8%), other "miscellaneous" (3.6%), Government (2.0%) and public financial institutions (0.8%).

External Reserves



At end-March 2012, the stock of external reserves represented 18.3 weeks of non-oil merchandise imports, compared to 24 weeks in the same period of 2011, adjusting for the 50% statutory requirement on the Bank's Bahamian dollar liabilities, "useable" reserves declined by \$68.7 million to \$430.8 million.

DOMESTIC BANKS

Credit to the private sector rose by \$20.2 million (0.3%), in contrast to an \$87.6 million (1.3%) contraction

In terms of the broad classifications, fixed balances comprised the bulk (60.1%) of banks' liabilities, followed by demand (22.0%) and savings (17.9%). Analyzed by range of value and number of accounts, the majority of Bahamian dollar balances (89.4%) was below \$10,000 and constituted 6.1% of total value. Accounts ranging between \$10,000 and \$50,000 comprised 7.0% of the number and 10.9% of total value of balances. However, accounts of \$50,000 represented 3.6% of total deposits, but 82.9% of aggregate value.

CREDIT QUALITY

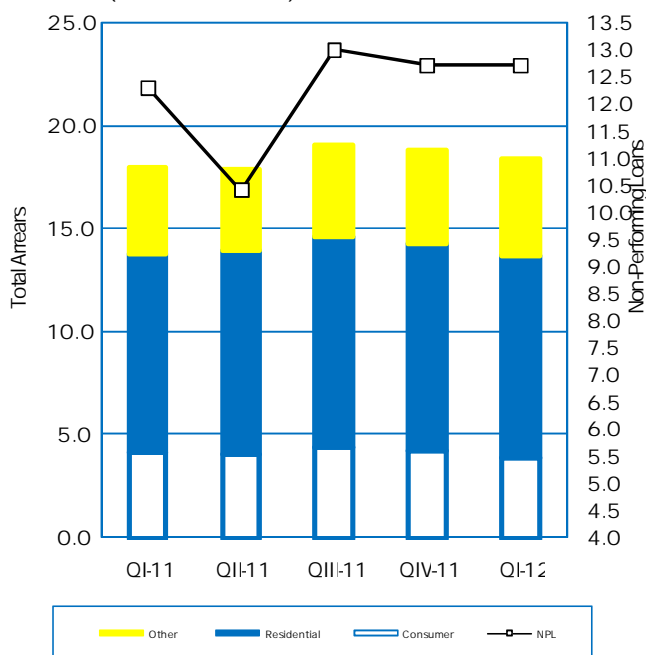
Banks' credit quality indicators were slightly improved during the first quarter, influenced by a combination of seasonal factors and debt restructuring. Total private sector loan arrears declined, on a quarterly and annual basis, by \$15.7 million (1.3%) to \$1,192.4 million (6.3%), to \$1,192.4 million—which is in line with the \$17.5 million (1.5%) contraction registered in 2011. The corresponding ratio of arrears to private sector loans narrowed by 30 basis points over the three-quarter period to 0.73 and 0.71, respectively, a decline of 69 basis points year-on-year, to 19.9%.

In terms of the major categories, the reduction in total arrears was primarily attributed to the \$17.5 million (6.4%) falloff in consumer delinquencies to \$254.3 million, reducing the attendant ratio over the quarter and year by 0.73 and 0.22 percentage points, respectively, to 1.73% and 1.51%, respectively.

Mortgage arrears, which formed the bulk (53.4%) of the total, fell by \$13.8 million (2.1%) to \$636.3 million, the corresponding ratio to total loans decreased over the quarter, by 47 basis points but rose on an annual basis by 74 basis points to 20.7%. In contrast, commercial loan delinquencies deteriorated by \$15.5 million (5.4%) to \$302.2 million, and firmed by 0.7 of a percentage point to 27.3% during the three month period, and by 1.7 percentage points on a yearly basis, to 27.3% of total loans. As a proportion of arrears and non-performing loans, total provisions firmed by 2.7 and 3.1 percentage points, to 27.5% and 40.0%, respectively.

### Loan Arrears & Non-Performing Balances

(% of Total Loans)



By average age, non-performing loans—arrears in excess of 90 days and on which banks stopped accruing interest—rose modestly by \$5.4 million (0.7%) to \$821.5 million, increasing by 5 and 59 basis points over the quarter and year, respectively, to 13.1% of total loans. The rise in non-accrual loans was associated with an \$8.5 million (1.9%) growth in mortgage delinquencies, to \$458.6 million, which outpaced respective declines in both the consumer and commercial segments, of 1.7% and 0.1%. However, the short-term 31 - 90 days category contracted by \$21.1 million (5.4%) to \$370.9 million, owing to reductions in both consumer and mortgage delinquencies, of 13.9% and 11.1%, respectively, which

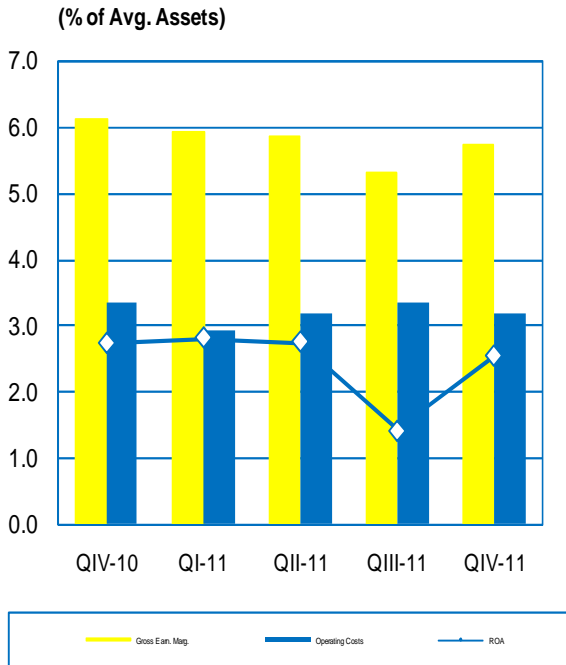
As a result of these developments, the major banks' profitability ratios—as measured against assets—declined in comparison to 2010. The margin narrowed by 40 basis points to 5.47%, commission & foreign income ratio grew slightly for a 39 basis points decrease in the gross margin to 5.72%. With the operating cost ratio by 16 basis points to 3.18%, the net earnings margin was lower by 22 basis points at 2.55%. After a depreciation and bad debt provisions, the net ratio was reduced by 19 basis points to 2.54%.

### BANK PROFITABILITY

Reflecting the reduction in lending rates, bank income contracted during the fourth quarter of \$4.2 million (6.5%) to \$60.1 million, in contrast to gain in 2010. Banks' net interest earnings fell (\$8.7 million) to \$129.3 million, as lower rates cut to a 12.3% (\$23.7 million) reduction in interest which outpaced a 27.4% (\$15.0 million) decrease in interest expense. Some offset was provided by commission & foreign exchange fee income, by (\$0.3 million) to \$6.1 million, moderating the decrease in gross earnings margin to 5.9% (\$8.5 million) for \$135.4 million.

Total operating outlays fell by \$3.5 million (4%) to \$75.1 million, as a 15.6% reduction in "miscellaneous" operating expenses eclipsed gains in staffing and occupancy costs, by 1.7% and 12.9%, respectively. Income from non-core operating activities moderated by \$0.1 million to \$0.1 million, attributed to reductions in provision expenses (\$1.6 million) and provisions for bad debt (\$0.7 million), which overshadowed a \$1.4 million contraction in other "miscellaneous" income.

## Domestic Banks' Profitability



## INTEREST RATES

During the March quarter, commercial banks' weighted average interest rate spread narrowed by 13 basis points to 8.02 percentage points. The average lending rate decreased by 39 basis points to 10.25% while the average deposit rate rose by 4 basis points to 2.23%.

Among deposits, the average rate declined by 17 basis points to 0.69% for demand balances, but widened for fixed maturities, to 1.71% - 2.96% from 1.89% - 2.75%. Rates on savings deposits rose on average by 27 basis points to 1.88%.

Broad-based reductions were registered for average lending rates. Average consumer and overdraft loan rates moved lower by 50 and 48 basis points, to 12.82% and 9.36%, respectively. Commercial mortgage rates fell marginally by 3 basis points to average 8.09% while residential mortgage rates firmed on average, by 8 basis points to 7.58%.

The buoyancy levels in bank liquidity further depressed the average 90-day Treasury bill rate, on a basis points to 0.1%, while the Central Bank's Discount Rate and commercial banks' Prime Rate stabilized at 4.50% and 4.75%, respectively.

## Banking Sector Interest Rates

Period Average (%)

	Qtr. I 2011	Qtr. IV 2011	Qtr. I 2012
<b>Deposit Rat</b>			
Demand Deposits	1.76	0.86	0.69
Savings Deposits	1.85	1.61	1.88
Fixed Deposits			
Up to 3 months	2.82	1.89	1.71
Up to 6 months	3.31	2.01	2.08
Up to 12 months	3.92	2.75	2.69
Over 12 months	3.89	2.59	2.96
Weighted Avg Deposit	3.18	2.19	2.23
<b>Lending Rat</b>			
Residential mortgages	8.07	7.50	7.58
Commercial mortgages	8.75	8.12	8.09
Consumer loans	13.51	13.32	12.82
Other Total Loans	7.98	7.55	8.04
Overdrafts	10.21	9.84	9.36
Weighted Avg Loan	11.18	10.64	10.25

## CAPITAL MARKETS DEVELOPMENTS

Conditions in the domestic equity markets registered a 4.1% reduction in the Bahamas International Securities Exchange's (BISX) All Share Index, to 1,308.9, extending the 1.7% contraction of 2011. The volume of securities traded was higher by \$0.5 million at \$0.9 million, while the corresponding value contracted by \$2.2 million to \$3.8 million. Market capitalization fell by approximately 6.9% to \$2,723.8 million, while the number of securities rose by 2 to 25.



## INTERNATIONAL TRADE AND PAYMENTS

million. The net payment for royalty and licenses was relatively unchanged at \$3.3 million.

Provisional data for the first quarter of 2012 showed a widening in the estimated current account deficit by \$70.7 million (25.0%) to \$354.1 million, in comparison to the corresponding quarter a year earlier. The deficit was attributed to an expansion in the merchandise trade deficit, linked to increases in both fuel and non-oil imports, which offset the tourism-led strengthening in the services account surplus. In a partial funding of the current account deficit by foreign investment inflows, the capital and financial account surplus firmed by \$13.5 million (3.8%) to \$366.2 million.

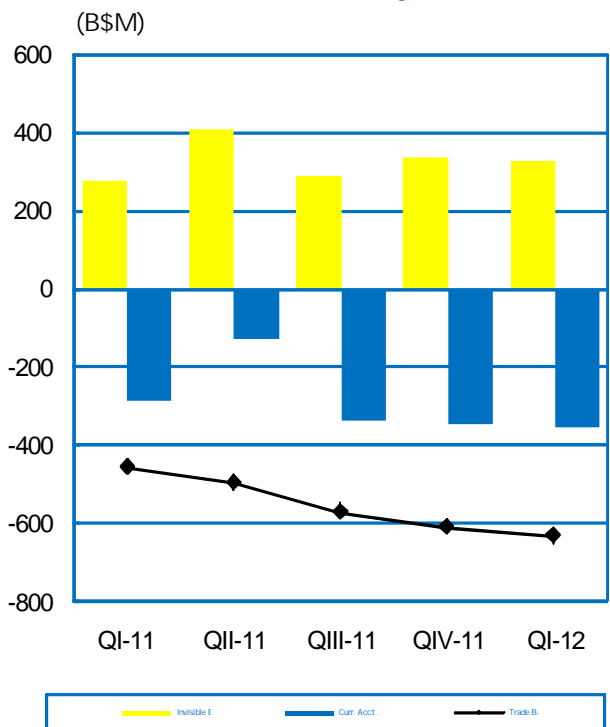
The merchandise trade deficit deteriorated by \$175.1 million (38.4%) to an estimated \$631.5 million. Increased imports related to foreign investment activity and domestic demand requirements elevated net imports by \$154.8 million (45.0%) to \$498.6 million, while higher international oil prices contributed to a \$24.0 million (12.3%) gain in net fuel purchases to \$211.1 million. Growth in oil imports was broadly based among the major components, with the highest increases being registered for jet fuel, aviation gas and motor gasoline, up 47.7% to \$139.08, 36.4% to \$171.87 and 14.4% to \$134.71 per barrel, respectively. The average cost of propane firmed more modestly by 2.6% to \$74.1 per barrel, while the cost of bunker "C" gas was slightly lower by 0.5% to \$87.21 per barrel.

The estimated surplus on the services account extended by \$50.1 million (18.1%) to \$327.2 million, owing mainly to a \$47.1 million (9.4%) improvement in net travel receipts to \$548.1 million. Government transactions were reversed, to a net inflow of \$10.1 million from a \$4.7 million net outflow in 2011, while net payments for offshore companies' local expenditures grew by \$10.9 million (7.6%) to \$40.9 million. Another positive contribution to the overall outcome was the incidence of lower net flows for insurance and other 'miscellaneous' services, down by \$22.8 million (35.2%) and \$16.4 million (24.1%) to \$41.9 million and \$73.6 million, respectively. Net payments for construction services, however, increased by \$24.8 million (37.9%) to \$90.3 million, linked to higher payments for foreign investment projects, and higher import costs contributed to the upturn in net outflows for transportation services, by \$28.4 million (84.7%)

The income account deficit narrowed by \$13.8 million (6.1%) to \$59.1 million. The deficit was reduced by \$6.2 million in the net investment outflow by \$47.3 million, as net interest and dividend payments to private companies fell by \$5.5 million (9.9%) to \$49.8 million, and commercial banks' transactions were reversed to a net inflow of \$16.0 million from a net outflow of \$0.8 million. However, the net outflow to non-bank entities increased by \$11.3 million to \$11.3 million. In addition, net inflows from official trade credit were firmed marginally by \$0.6 million to \$3.1 million. Net pension payments to non-residents rose by \$2.2 million (24.2%) to \$11.8 million.

Net current transfer transactions were reversed to a net inflow of \$9.4 million from a \$41.0 million net outflow in 2011. This was explained by a decline in net "miscellaneous" outflows, by \$51.9 million to \$5.2 million, while net receipts of worker remittances were relatively stable at \$17.4 million. In contrast, net receipts of the Government abated by \$1.3 million (3.9%) to \$32.0 million.

### Balance of Payments



The expansion in the capital and financial position in the previous three-month period. Economic surplus was solely attributed to a \$37.1 million increase in Asia were mixed, with China's year-on-year advance in net "miscellaneous" investment growth maintained at a buoyant 8.1%, although Some \$17.8 million was attributed to increased by 0.8 of a percentage point from the previous loan financing inflows, while the net repayment expansion, due to decelerated growth of real domestic banks fell by \$19.4 million, and public developments and investments in fixed assets. Foreign capital transactions steadied at \$19.5 million. In a flat fourth quarter, Japan's output advanced best offset, net direct investment inflows, continuing to benefit from increased consumer and residential \$22.0 million (8.5%) to \$237.8 million, as the spending, as the country continued to recover from equity investments and real estate sales devastated by events of 2011.

\$10.7 million and \$11.3 million, to \$235.2 million and \$2.6 million, respectively. In addition, capital transfers rose by \$1.0 million to \$1.6 million, and net outward investments, mainly under the Bahamian Dollar Deposit Receipts programme, were higher by \$0.5 million.

After adjusting for net errors and omissions, the surplus plus on the overall balance, which corresponds to a change in the Central Bank's external reserves, was significantly lower at \$4.6 million from the extraordinary transaction-led \$114.7 million in 2011.

## INTERNATIONAL ECONOMIC DEVELOPMENTS

Sustained turbulence in the euro area, due to the continuing debt crisis, served to slow the pace of the global recovery during the first quarter of 2012. As a consequence, employment conditions remained challenging in several developed markets, while anaemic consumer demand contained inflationary pressures. Amid weakening economic prospects, most major banks either maintained or enhanced their accommodative monetary policy stance, boosting investor confidence and supporting broad-based gains in the major indices.

In the United States, real GDP growth slackened to 1.9% from 3.0% in the previous quarter, and was attributed to reductions in the build-up of private inventory and non-residential fixed investment. The United Kingdom's economy slipped back into recession, as weak construction and production output occasioned a second consecutive quarterly decline in GDP of 0.3%. Despite steady improvements in Germany—the largest euro area economy—ongoing Government austerity programmes reduced recessions in several southern states, leading to a flat GDP during the first quarter, following a 0.3% decline in the

Reflecting the sluggish global recovery, employment conditions continued to show considerable slack in the major economies. In particular, the unemployment rate in the United States narrowed marginally by 0.4 of a percentage point to 8.3%, linked to gains in the manufacturing and food services sectors. The euro area's jobless rate softened to 8.2% from 8.4% in the first quarter of 2011, as the number of unemployed persons declined by 45,000. With countries such as Spain and Greece recording double-digit unemployment rates of 23.8% and 21.6%, respectively, the jobless rate in the euro area firmed by 0.3 of a percentage point to 10.8% at end-March. More favourable growth conditions within the major Asian economies held jobless rates in Japan and China stable at 4.5% and 4.1%, respectively. Inflationary pressures remained relatively subdued over the review quarter, amid weak consumer demand. Core inflation slowed by 0.3 of a percentage point to 2.7% in the United States, as gains in food and services prices were abated. Higher costs for food, clothing and services elevated average prices in the United Kingdom to 0.5%, although subsiding from the 4.2% increase in the previous quarter. Euro area inflation steadied at 2.7%; however, increased costs for food and fuel led to a marginal 0.3% hike in Japan's average consumer prices, relative to a contraction of the same magnitude in the previous quarter. In China, year-on-year inflation improved by 0.5 of a percentage point to 3.6% in March. In the United States, despite the increased global uncertainty, the dollar continued to be treated against most major currencies over the March quarter. In Europe, the dollar retreated against the euro, the Swiss Franc and the British Pound, by 2.9% to €0.75, 3.8% to C



and 2.9% to £0.62, respectively. The Canadian dollar also appreciated against the dollar, by 2.2% to CDN\$1.00. In contrast, the outcome was mixed for other currencies, with the Chinese Renminbi down by 0.1% to CNY6.29, while the Japanese Yen strengthened by 7.0% relative to the dollar, to ¥82.87.

Buoyed by a series of monetary policy measures aimed at supporting economic growth, all of the major equity bourses rallied over the period. In Europe, Germany's DAX, France's CAC 40 and the United Kingdom's FTSE 100 advanced by 17.8%, 8.4%, and 3.5%, respectively. In the United States, the Dow Jones Industrial Average (DJIA) and the S&P 500 rose by 8.5% and 12.0%, respectively. Asian markets also rebounded, with Japan's Nikkei 225 surging by 19.3%, and China's Composite by a more subdued 2.9%.

Spurred by unfolding geopolitical tensions in the Middle East, alongside indications of improved economic conditions within the United States, oil prices rose by 14.9% to \$123.67 over the quarter. As investors increased their demand for relatively "safe assets", the average cost of silver and gold firmed, by 15.8% and 6.7%, to \$32.24 and \$1,668.15, respectively.

In a bid to support the fragile global recovery, most central banks within the major economies either sustained or enhanced their expansionary monetary policy measures over the quarter. The United States' Federal Reserve kept its key Fed Funds rate within the 0.00-0.25% range and maintained the measures implemented in the third quarter of 2011, to lower long-term interest rates and support the economic recovery, by purchasing \$400 billion in Treasury bonds with 6-30 year maturities and selling the same value of bonds with maturities of 3 years or less. The Bank also reinvested principal payments from its holdings of agency debt and mortgage backed securities and rolled over maturing Treasury bills to bolster mortgage conditions. With inflation on a downward trajectory, the Bank of England held its policy rate at 0.5% and increased the size of its asset purchase programme, by £50.0 billion to £325.0 billion. Similarly, the European Central Bank kept its key interest rates unchanged and lent an additional €530.0 billion to euro area banks under its long-term refinancing facility, to ensure the stability of the financial sector. In China, the country's central bank left the main lending and deposit rates

unchanged but, in a bid to spur economic activity, reduced the banks' reserve requirement ratio by 0.5% to 19.0%. The Bank of Japan sustained measures to support the country's economic recovery, by increasing the amount of credit available through its Growth-Supporting Funding Facility, from ¥3.5 trillion to ¥5.5 trillion, and expanding its Asset Purchase Programme by ¥100.0 trillion to ¥550.0 trillion. The Bank also left its overnight call rate between 0.0% - 0.1%.

External sector developments were mixed, as weakness in Europe led to worsening terms of trade with its major trading partners during the first quarter in comparison to the December period. In the United States, the trade deficit deteriorated by 6.2% to \$11.0 billion, as the 3.3% advance in imports outpaced a 2.6% improvement in exports. Similarly, the United Kingdom's trade deficit widened by 3.3% to £25.0 billion, due to a rise in imports by £0.8 billion, as exports were unchanged. In the euro area, a surge in net exports resulted in an €11.8 billion reduction in the trade deficit to €2.6 billion. The export driven Japanese economy recorded its fourth consecutive trade deficit, as a 1.1% gain in import efforts supported a 1.1% gain in imports when combined with a similar contraction in exports, which resulted in a ¥360.6 million expansion in the trade deficit to ¥1.5 billion. The Chinese trade situation deteriorated significantly during the review period, owing to a 1.1% increase in demand from Europe—the country's largest trading partner. As a consequence, exports plunged by 13.9% against a 6.5% hike in imports, to occur a \$47.6 billion reduction in the trade surplus to \$1.5 billion.

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

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## STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

**TABLE 1**  
FINANCIAL SURVEY

End of Period	2007			2008			2009			2010			2011			2012		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
	<b>(B\$ Millions)</b>																	
<b>Net foreign assets</b>	(213.4)	(140.9)	134.1	178.8	250.0	(28.0)	152.1	312.0	571.5	382.1	280.8	308.9						
Central Bank	454.2	562.9	816.0	819.0	862.1	765.4	860.4	975.1	1076.1	955.6	884.8	890.0						
Domestic Banks	(667.6)	(703.8)	(681.9)	(640.2)	(612.1)	(793.4)	(708.3)	(663.1)	(504.6)	(573.5)	(604.0)	(581.1)						
<b>Net domestic assets</b>	5,850.7	6,064.9	5,898.2	5,948.6	6,007.3	6,261.9	6,038.9	5,916.0	5,779.9	5,969.9	6,029.6	6,120.9						
Domestic credit	7,434.3	7,909.1	8,039.7	8,118.4	8,223.1	8,444.5	8,448.2	8,302.3	8,213.2	8,415.2	8,536.9	8,666.5						
Public sector	1,215.9	1,372.3	1,443.8	1,569.7	1,696.7	1,869.1	1,875.5	1,817.0	1,710.3	1,815.7	1,889.4	1,998.8						
Government (net)	866.8	924.0	1,023.9	1,131.3	1,257.1	1,346.3	1,413.7	1,366.8	1,259.2	1,401.4	1,439.2	1,524.8						
Rest of public sector	349.1	448.3	419.9	438.4	439.6	522.8	461.8	450.2	451.1	414.3	450.2	474.0						
Private sector	6,218.4	6,536.8	6,595.9	6,548.7	6,526.4	6,575.4	6,572.7	6,485.3	6,502.9	6,599.5	6,647.5	6,667.7						
Other items (net)	(1,583.6)	(1,844.2)	(2,141.5)	(2,169.8)	(2,215.8)	(2,182.6)	(2,409.3)	(2,386.3)	(2,433.3)	(2,445.3)	(2,507.3)	(2,545.6)						
<b>Monetary liabilities</b>	5,637.3	5,924.0	6,032.3	6,127.4	6,257.3	6,233.9	6,191.1	6,228.0	6,351.4	6,352.0	6,310.4	6,429.8						
Money	1,300.3	1,274.5	1,283.6	1,274.8	1,374.7	1,365.8	1,335.2	1,340.0	1,425.7	1,423.9	1,434.8	1,486.7						
Currency	223.7	205.8	207.8	186.9	186.7	188.7	194.5	194.3	194.1	202.1	196.9	203.5						
Demand deposits	1,076.6	1,068.7	1,075.8	1,087.9	1,188.0	1,177.1	1,140.6	1,145.7	1,231.6	1,221.8	1,237.9	1,283.2						
Quasi-money	4,337.0	4,649.5	4,748.7	4,852.6	4,882.6	4,868.1	4,855.9	4,888.0	4,925.7	4,928.1	4,875.6	4,943.1						
Fixed deposits	3,144.8	3,427.7	3,521.4	3,610.6	3,641.5	3,653.5	3,615.4	3,647.3	3,663.3	3,676.3	3,605.9	3,596.7						
Savings deposits	992.1	1,020.4	995.4	1,004.6	1,012.4	1,006.0	1,015.8	1,039.9	1,040.0	1,037.5	1,063.7	1,084.8						
Foreign currency	200.1	201.4	231.9	237.4	228.7	208.6	224.7	200.8	222.4	214.3	206.0	261.6						
	<b>(percentage changes)</b>																	
<b>Total domestic credit</b>	10.3	6.4	1.7	1.0	1.3	2.7	0.0	(1.7)	(1.1)	2.5	1.4	1.5						
Public sector	13.2	12.9	5.2	8.7	8.1	10.2	0.3	(3.1)	(5.9)	6.2	4.1	5.8						
Government (net)	28.0	6.6	10.8	10.5	11.1	7.1	5.0	(3.3)	(7.9)	11.3	2.7	5.9						
Rest of public sector	(12.1)	28.4	(6.3)	4.4	0.3	18.9	(11.7)	(2.5)	0.2	(8.2)	8.7	5.3						
Private sector	9.7	5.1	0.9	(0.7)	(0.3)	0.8	(0.0)	(1.3)	0.3	1.5	0.7	0.3						
<b>Monetary liabilities</b>	9.6	5.1	1.8	1.6	2.1	(0.4)	(0.7)	0.6	2.0	0.0	(0.7)	1.9						
Money	3.9	(2.0)	0.7	(0.7)	7.8	(0.6)	(2.2)	0.4	6.4	(0.1)	0.8	3.6						
Currency	10.7	(8.0)	1.0	(10.1)	(0.1)	1.1	3.1	(0.1)	(0.1)	4.1	(2.6)	3.3						
Demand deposits	2.6	(0.7)	0.7	1.1	9.2	(0.9)	(3.1)	0.4	7.5	(0.8)	1.3	3.7						
Quasi-money	11.4	7.2	2.1	2.2	0.6	(0.3)	(0.3)	0.7	0.8	0.0	(1.1)	1.4						

Source: The Central Bank of The Bahamas

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

End of Period	2007			2008			2009			2010			2011			2012		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun. <sup>R</sup>	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
	<b>(B\$ Millions)</b>																	
<b>Net foreign assets</b>	(197.2)	(123.6)	167.3	203.8	269.0	(19.2)	113.9	266.4	516.9	385.2	287.5	304.3						
Central Bank	454.2	562.9	816.0	819.0	862.1	765.4	860.4	975.1	1,076.1	955.6	884.8	890.0						
Commercial banks	(651.4)	(686.5)	(648.7)	(615.2)	(593.1)	(784.6)	(746.6)	(708.7)	(559.2)	(570.4)	(597.3)	(585.7)						
<b>Net domestic assets</b>	5,800.3	6,018.5	5,832.9	5,889.6	5,947.4	6,216.5	6,040.6	5,919.4	5,793.2	5,924.9	5,978.9	6,054.3						
Domestic credit	7,401.4	7,882.7	8,000.0	8,080.6	8,191.8	8,414.9	8,417.1	8,273.2	8,187.4	8,389.4	8,509.0	8,637.2						
Public sector	1,212.8	1,369.3	1,428.3	1,552.5	1,683.0	1,854.9	1,861.0	1,802.2	1,702.2	1,806.7	1,879.5	1,986.7						
Government (net)	863.8	921.0	1,008.4	1,114.2	1,243.3	1,332.2	1,404.6	1,357.4	1,251.2	1,392.9	1,429.8	1,513.2						
Rest of public sector	349.0	448.3	419.9	438.3	439.6	522.7	456.4	444.8	451.0	413.8	449.7	473.5						
Private sector	6,188.6	6,513.4	6,571.7	6,528.1	6,508.9	6,559.9	6,556.1	6,470.9	6,485.2	6,582.6	6,629.5	6,650.4						
Other items (net)	(1,601.1)	(1,864.2)	(2,167.1)	(2,191.0)	(2,244.4)	(2,198.4)	(2,376.5)	(2,353.8)	(2,394.2)	(2,464.5)	(2,530.1)	(2,582.9)						
<b>Monetary liabilities</b>	5,603.1	5,894.9	6,000.2	6,093.3	6,216.4	6,197.3	6,154.6	6,185.8	6,310.1	6,308.6	6,266.4	6,358.6						
Money	1,278.9	1,257.6	1,261.9	1,253.2	1,345.1	1,342.6	1,314.7	1,316.4	1,401.5	1,398.4	1,408.2	1,448.9						
Currency	223.7	205.8	207.8	186.9	186.6	188.7	194.5	194.3	194.1	202.1	196.9	203.5						
Demand deposits	1,055.2	1,051.8	1,054.1	1,066.3	1,158.4	1,153.9	1,120.2	1,122.1	1,207.4	1,196.3	1,211.3	1,245.5						
Quasi-money	4,324.2	4,637.3	4,738.3	4,840.1	4,871.4	4,854.8	4,839.8	4,869.4	4,908.6	4,910.2	4,858.2	4,909.7						
Savings deposits	991.9	1,020.2	995.3	1,004.4	1,012.4	1,005.9	1,015.8	1,039.9	1,040.0	1,037.5	1,063.7	1,084.8						
Fixed deposits	3,132.2	3,415.8	3,511.1	3,598.3	3,630.4	3,640.2	3,601.8	3,632.1	3,649.4	3,660.6	3,592.3	3,580.7						
Foreign currency deposits	200.1	201.3	231.9	237.4	228.6	208.6	222.2	197.4	219.2	212.1	202.2	244.2						
	<b>(percentage change)</b>																	
<b>Total domestic credit</b>	12.3	6.5	1.5	1.0	1.4	2.7	0.0	(1.7)	(1.0)	2.5	1.4	1.5						
Public sector	13.5	12.9	4.3	8.7	8.4	10.2	0.3	(3.2)	(5.6)	6.1	4.0	5.7						
Government (net)	28.6	6.6	9.5	10.5	11.6	7.1	5.4	(3.4)	(7.8)	11.3	2.6	5.8						
Rest of public sector	(12.1)	28.4	(6.3)	4.4	0.3	18.9	(12.7)	(2.5)	1.4	(8.2)	8.7	5.3						
Private sector	12.1	5.2	0.9	(0.7)	(0.3)	0.8	(0.1)	(1.3)	0.2	1.5	0.7	0.3						
<b>Monetary liabilities</b>	10.6	5.2	1.8	1.6	2.0	(0.3)	(0.7)	0.5	2.0	(0.0)	(0.7)	1.5						
Money	3.3	(1.7)	0.3	(0.7)	7.3	(0.2)	(2.1)	0.1	6.5	(0.2)	0.7	2.9						
Currency	10.7	(8.0)	1.0	(10.1)	(0.1)	1.1	3.1	(0.1)	(0.1)	4.1	(2.6)	3.3						
Demand deposits	1.9	(0.3)	0.2	1.2	8.6	(0.4)	(2.9)	0.2	7.6	(0.9)	1.3	2.8						
Quasi-money	13.0	7.2	2.2	2.1	0.6	(0.3)	(0.3)	0.6	0.8	0.0	(1.1)	1.1						

Source: The Central Bank of The Bahamas

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

End of Period	(B\$ Millions)																								
	2007			2008			2009			2010			2011			2012									
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.							
<b>Net foreign assets</b>	454.2	562.9	816.0	819.0	862.1	765.4	860.4	975.1	1,076.1	955.6	884.8	890.0	Balances with banks abroad	59.5	205.8	270.9	270.5	317.7	157.3	175.2	265.7	298.5	183.2	115.0	124.1
Foreign securities	384.7	347.4	356.2	365.6	366.2	420.7	499.7	518.5	584.9	584.4	585.0	579.4	Reserve position in the Fund	9.9	9.6	9.8	9.5	9.3	9.7	9.6	9.9	10.0	9.8	9.6	9.7
SDR holdings	0.1	0.1	179.1	173.4	168.9	177.7	175.9	181.0	182.7	178.2	175.2	176.8	<b>Net domestic assets</b>	235.7	76.9	73.3	77.0	80.6	144.2	156.7	148.4	111.9	179.9	187.4	194.9
Net claims on Government	332.3	198.8	182.1	179.3	186.3	244.1	259.8	244.6	213.8	282.7	289.2	304.9	Claims	347.8	202.9	202.8	189.7	200.4	259.3	274.3	261.7	222.2	291.3	300.8	315.8
Treasury bills	143.5	6.3	--	--	7.2	22.2	--	--	--	19.9	26.2	20.0	Bahamas registered stock	132.4	124.6	105.8	92.7	96.2	125.1	162.3	149.7	148.2	160.9	164.0	165.2
Loans and advances	72.0	72.0	97.0	97.0	97.0	112.0	112.0	112.0	74.0	110.6	110.6	130.6	Deposits	(15.6)	(4.1)	(20.7)	(10.4)	(14.1)	(15.2)	(14.5)	(17.0)	(8.4)	(8.6)	(11.6)	(10.9)
In local currency	(15.6)	(4.1)	(20.7)	(10.4)	(14.1)	(15.2)	(14.5)	(17.0)	(8.4)	(8.4)	(8.6)	(10.9)	In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(10.4)	(10.4)	(15.8)	(12.6)	(13.9)	(13.4)	(15.4)	(7.5)	(9.4)	(10.4)	(7.1)	(14.8)	Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(111.6)	(125.9)	(140.5)	(137.4)	(137.6)	(132.1)	(132.0)	(133.6)	(134.9)	(136.6)	(139.2)	(140.5)	Net unclassified assets	17.9	7.1	40.5	40.9	39.0	39.0	38.0	38.5	36.0	37.9	38.4	39.2
Loans to rest of public sector	6.8	6.5	6.2	6.0	6.0	5.8	5.6	5.6	5.6	5.4	5.2	5.2	Public Corp Bonds/Securities	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9
<b>Liabilities To Domestic Banks</b>	(450.1)	(439.0)	(486.5)	(520.2)	(572.0)	(527.3)	(631.0)	(731.9)	(794.8)	(739.1)	(684.3)	(688.8)	Notes and coins	(110.1)	(117.6)	(111.8)	(86.2)	(89.1)	(83.8)	(113.2)	(84.5)	(85.7)	(79.7)	(126.9)	(80.6)
Deposits	(340.0)	(321.4)	(374.7)	(434.0)	(482.9)	(443.5)	(517.8)	(647.4)	(709.1)	(659.4)	(557.4)	(608.2)	SDR allocation	(16.2)	(15.8)	(195.0)	(188.9)	(184.0)	(193.6)	(191.6)	(197.3)	(199.1)	(194.3)	(191.0)	(192.7)
Currency held by the private sector	(223.7)	(205.8)	(207.8)	(186.9)	(186.7)	(188.7)	(194.5)	(194.3)	(194.1)	(202.1)	(196.9)	(203.5)	<b>Source: The Central Bank of The Bahamas</b>												

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

(B\$ Millions)

End of Period	2007			2008			2009			2010			2011			2012		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Net foreign assets</b>	(667.6)	(703.8)	(681.9)	(640.2)	(612.1)	(793.4)	(705.8)	(663.1)	(504.6)	(573.5)	(604.0)	(581.1)						
<b>Net claims on Central Bank</b>	448.4	439.9	487.4	521.3	572.5	528.4	631.9	733.1	795.7	739.9	687.0	689.8						
Notes and Coins	110.1	117.6	111.8	86.2	89.1	83.8	113.2	84.5	85.7	79.7	126.9	80.6						
Balances	339.1	322.3	375.6	435.1	483.4	444.6	518.7	648.6	710.0	660.2	560.1	609.2						
Less Central Bank credit	0.8	--	--	--	--	--	--	--	--	--	--	--						
<b>Net domestic assets</b>	5,199.7	5,534.1	5,564.4	5,565.7	5,614.4	5,811.9	5,567.7	5,465.3	5,346.5	5,510.7	5,579.5	5,675.9						
Net claims on Government	534.5	725.2	843.0	952.0	1,070.8	1,102.2	1,152.3	1,122.2	1,045.4	1,118.6	1,150.0	1,219.9						
Treasury bills	50.8	180.2	214.0	218.3	267.6	264.1	293.7	294.8	253.3	281.6	275.4	301.6						
Other securities	468.5	533.5	704.6	705.4	740.4	752.8	799.6	799.4	772.9	811.1	847.6	848.7						
Loans and advances	120.3	145.8	76.5	166.3	205.3	212.6	180.3	148.0	141.0	143.4	145.7	189.3						
Less: deposits	105.0	134.3	152.1	138.0	142.5	127.3	121.3	120.1	121.8	117.5	118.7	119.7						
Net claims on rest of public sector	(78.9)	3.4	(25.7)	(49.5)	(49.0)	31.4	(31.9)	(47.2)	(66.2)	(54.4)	0.4	41.2						
Securities	97.7	97.5	107.0	107.0	107.0	107.0	115.6	115.6	114.6	115.1	117.4	119.4						
Loans and advances	243.9	343.6	305.9	324.6	325.9	409.1	339.8	328.2	330.1	293.0	326.8	348.7						
Less: deposits	420.5	437.7	438.6	481.1	481.9	484.7	487.3	491.0	510.9	462.5	443.8	426.9						
Other net claims	(6.9)	(0.1)	(8.1)	(7.2)	(1.9)	(2.7)	(3.4)	(10.1)	(38.2)	(21.2)	5.5	(19.3)						
Credit to the private sector	6,218.4	6,536.8	6,595.9	6,548.7	6,526.4	6,575.5	6,572.7	6,485.3	6,502.9	6,599.5	6,647.6	6,667.6						
Securities	29.6	28.8	27.2	25.9	22.3	21.4	17.4	16.0	12.8	14.8	16.4	14.4						
Mortgages	2,580.4	2,819.7	2,949.6	2,950.0	2,968.8	3,078.4	3,192.4	3,218.6	3,218.9	3,226.1	3,227.6	3,232.9						
Loans and advances	3,608.4	3,688.3	3,619.1	3,572.8	3,535.3	3,475.7	3,363.0	3,250.7	3,271.2	3,358.6	3,403.6	3,420.3						
Private capital and surplus	(1,654.1)	(1,864.6)	(2,033.0)	(2,062.1)	(2,061.8)	(2,034.4)	(2,281.9)	(2,254.5)	(2,295.3)	(2,305.7)	(2,357.8)	(2,419.6)						
Net unclassified assets	186.7	133.4	192.3	183.8	129.9	139.9	159.9	169.7	197.9	173.9	133.8	186.1						
<b>Liabilities to private sector</b>	4,982.7	5,270.2	5,370.0	5,446.8	5,574.8	5,547.0	5,493.7	5,535.3	5,637.5	5,677.1	5,662.5	5,784.6						
Demand deposits	1,174.8	1,150.2	1,204.2	1,184.4	1,296.3	1,271.3	1,249.6	1,237.1	1,307.2	1,302.4	1,325.6	1,410.6						
Savings deposits	994.7	1,024.1	1,003.5	1,007.3	1,014.1	1,008.0	1,017.8	1,042.7	1,043.5	1,040.5	1,067.1	1,088.0						
Fixed deposits	2,813.2	3,095.9	3,162.3	3,255.1	3,264.4	3,267.7	3,226.3	3,255.5	3,286.8	3,334.2	3,269.8	3,285.9						

Source: The Central Bank of The Bahamas



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

Period	2007				2008				2009				2010				2011							
	Qtr. I		Qtr. II		Qtr. III		Qtr. IV		Qtr. I		Qtr. II		Qtr. III		Qtr. IV		Qtr. I		Qtr. II		Qtr. III		Qtr. IV	
1. Interest Income	744,537	760,159	728,878	744,537	183,559	183,176	182,764	192,675	186,517	182,266	182,266	182,266	182,266	186,517	182,266	182,266	182,266	186,517	182,266	182,266	164,729	164,729	168,979	168,979
2. Interest Expense	291,206	278,219	244,468	291,206	57,990	56,879	56,503	54,618	51,951	49,265	49,265	49,265	49,265	51,951	49,265	49,265	49,265	51,951	49,265	49,265	45,075	45,075	39,658	39,658
3. <b>Interest Margin (1-2)</b>	453,331	481,940	484,410	453,331	125,569	126,297	126,261	138,057	134,566	133,001	133,001	133,001	133,001	134,566	133,001	133,001	133,001	134,566	133,001	133,001	119,654	119,654	129,321	129,321
4. Commission & Forex Income	31,714	32,328	22,005	31,714	5,495	5,889	5,651	5,785	5,822	5,685	5,685	5,685	5,685	5,822	5,685	5,685	5,685	5,822	5,685	5,685	5,567	5,567	6,052	6,052
5. <b>Gross Earnings Margin (3+4)</b>	485,045	514,268	506,415	485,045	131,064	132,186	131,912	143,842	140,388	138,686	138,686	138,686	138,686	140,388	138,686	138,686	138,686	140,388	138,686	138,686	125,221	125,221	135,373	135,373
6. Staff Costs	133,309	148,364	149,222	133,309	38,400	40,032	38,808	40,993	39,277	42,611	42,611	42,611	42,611	39,277	42,611	42,611	42,611	39,277	42,611	42,611	41,395	41,395	41,676	41,676
7. Occupancy Costs	20,612	23,409	23,417	20,612	5,978	5,621	6,422	5,943	5,743	6,283	6,283	6,283	6,283	5,743	6,283	6,283	6,283	5,743	6,283	6,283	7,048	7,048	6,712	6,712
8. Other Operating Costs	79,480	91,867	87,245	79,480	25,864	23,609	25,875	31,703	23,872	26,089	26,089	26,089	26,089	23,872	26,089	26,089	26,089	23,872	26,089	26,089	30,424	30,424	26,753	26,753
9. <b>Operating Costs (6+7+8)</b>	233,401	263,640	259,884	233,401	70,242	69,262	71,105	78,639	68,892	74,983	74,983	74,983	74,983	68,892	74,983	74,983	74,983	68,892	74,983	74,983	78,867	78,867	75,141	75,141
10. <b>Net Earnings Margin (5-9)</b>	251,644	250,628	246,531	251,644	60,822	62,924	60,807	65,203	71,496	63,703	63,703	63,703	63,703	71,496	63,703	63,703	63,703	71,496	63,703	63,703	46,354	46,354	60,232	60,232
11. Depreciation Costs	11,673	13,412	14,134	11,673	3,601	4,185	4,080	3,372	3,587	3,519	3,519	3,519	3,519	3,587	3,519	3,519	3,519	3,587	3,519	3,519	3,777	3,777	1,810	1,810
12. Provisions for Bad Debt	39,817	82,204	121,092	39,817	20,616	26,549	52,123	25,398	23,937	21,056	21,056	21,056	21,056	23,937	21,056	21,056	21,056	23,937	21,056	21,056	31,799	31,799	24,711	24,711
13. Other Income	107,271	120,334	96,990	107,271	27,806	30,093	25,517	27,868	22,516	25,854	25,854	25,854	25,854	22,516	25,854	25,854	25,854	22,516	25,854	25,854	22,721	22,721	26,429	26,429
14. <b>Other Income (Net) (13-11-12)</b>	55,781	24,718	(38,236)	55,781	3,589	(641)	(30,686)	(902)	(5,008)	1,279	1,279	1,279	1,279	(5,008)	1,279	1,279	1,279	(5,008)	1,279	1,279	(12,855)	(12,855)	(92)	(92)
15. <b>Net Income (10+14)</b>	307,425	275,346	208,295	307,425	64,411	62,283	30,121	64,301	66,488	64,982	64,982	64,982	64,982	66,488	64,982	64,982	64,982	66,488	64,982	64,982	33,499	33,499	60,140	60,140
16. <b>Effective Interest Rate Spread (%)</b>	6.25	6.51	6.34	6.25	6.20	6.24	6.04	6.20	5.88	6.24	6.24	6.24	6.24	5.88	6.24	6.24	6.24	5.88	6.24	6.24	6.16	6.16	6.28	6.28
	5.50	5.39	5.31	5.50	5.55	5.50	5.47	5.86	5.69	5.64	5.64	5.64	5.64	5.69	5.64	5.64	5.64	5.69	5.64	5.64	5.07	5.07	5.47	5.47
Interest Margin	0.38	0.36	0.24	0.38	0.24	0.26	0.24	0.25	0.25	0.24	0.24	0.24	0.24	0.25	0.24	0.24	0.24	0.25	0.24	0.24	0.24	0.24	0.26	0.26
Commission & Forex Income	5.89	5.75	5.55	5.89	5.80	5.76	5.71	6.11	5.93	5.88	5.88	5.88	5.88	5.93	5.88	5.88	5.88	5.93	5.88	5.88	5.30	5.30	5.72	5.72
Gross Earnings Margin	2.83	2.95	2.85	2.83	3.11	3.02	3.08	3.34	2.91	3.18	3.18	3.18	3.18	2.91	3.18	3.18	3.18	2.91	3.18	3.18	3.34	3.34	3.18	3.18
Operating Costs	3.05	2.80	2.70	3.05	2.69	2.74	2.63	2.77	3.02	2.70	2.70	2.70	2.70	3.02	2.70	2.70	2.70	3.02	2.70	2.70	1.96	1.96	2.55	2.55
Net Earnings Margin	3.73	3.09	2.28	3.73	2.85	2.71	1.30	2.73	2.81	2.75	2.75	2.75	2.75	2.81	2.75	2.75	2.75	2.81	2.75	2.75	1.42	1.42	2.54	2.54
Net Income																								

**(Ratios To Average Assets)**

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

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

(B\$ Millions)

End of Period	2007			2008			2009			2010			2011			2012		
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.
<b>Money supply (M1)</b>	1,300.3	1,274.5	1,283.6	1,274.8	1,374.7	1,365.8	1,340.0	1,425.7	1,423.9	1,340.0	1,425.7	1,423.9	1,340.0	1,425.7	1,434.8	1,486.7	1,434.8	1,486.7
1) Currency in active circulation	223.7	205.8	207.8	186.9	186.7	188.7	194.3	194.1	202.1	194.3	194.1	202.1	196.9	196.9	203.5	203.5	196.9	203.5
2) Demand deposits	1,076.6	1,068.7	1,075.8	1,087.9	1,188.0	1,177.1	1,140.6	1,231.6	1,221.8	1,145.7	1,231.6	1,221.8	1,237.9	1,237.9	1,283.2	1,283.2	1,237.9	1,283.2
Central Bank	10.4	10.4	15.9	12.6	13.9	13.4	15.4	9.4	10.4	7.5	9.4	10.4	7.1	7.1	14.8	14.8	7.1	14.8
Domestic Banks	1,066.2	1,058.3	1,059.9	1,075.3	1,174.1	1,163.7	1,125.2	1,222.2	1,211.4	1,138.2	1,222.2	1,211.4	1,230.8	1,230.8	1,268.4	1,268.4	1,230.8	1,268.4
<b>Factors affecting money (M1)</b>																		
1) Net credit to Government	866.8	924.0	1,023.9	1,131.3	1,257.1	1,346.3	1,413.7	1,259.2	1,401.4	1,366.8	1,259.2	1,401.4	1,439.2	1,439.2	1,524.8	1,524.8	1,439.2	1,524.8
Central Bank	332.3	198.8	180.9	179.3	186.3	244.1	261.4	213.8	282.8	244.6	213.8	282.8	289.2	289.2	304.9	304.9	289.2	304.9
Domestic Banks	534.5	725.2	843.0	952.0	1,070.8	1,102.2	1,152.3	1,045.4	1,118.6	1,122.2	1,045.4	1,118.6	1,150.0	1,150.0	1,219.9	1,219.9	1,150.0	1,219.9
2) Other credit	6,567.5	6,985.1	7,015.8	6,987.1	6,966.0	7,098.2	7,034.5	6,954.0	7,013.8	6,935.5	6,954.0	7,013.8	7,097.7	7,097.7	7,141.7	7,141.7	7,097.7	7,141.7
Rest of public sector	349.1	448.3	419.9	438.4	439.6	522.7	461.8	451.1	414.3	450.2	451.1	414.3	450.2	450.2	474.0	474.0	450.2	474.0
Private sector	6,218.4	6,536.8	6,595.9	6,548.7	6,526.4	6,575.5	6,572.7	6,502.9	6,599.5	6,485.3	6,502.9	6,599.5	6,647.5	6,647.5	6,667.7	6,667.7	6,647.5	6,667.7
3) External reserves	454.2	562.9	816.0	819.0	862.1	765.4	860.4	1,076.1	955.6	975.1	1,076.1	955.6	884.8	884.8	890.0	890.0	884.8	890.0
4) Other external liabilities (net)	(667.6)	(703.8)	(681.9)	(640.2)	(612.1)	(793.4)	(708.3)	(504.6)	(573.5)	(663.1)	(504.6)	(573.5)	(604.0)	(604.0)	(581.1)	(581.1)	(604.0)	(581.1)
5) Quasi money	4,337.0	4,649.5	4,748.7	4,852.6	4,882.6	4,868.1	4,855.9	4,925.7	4,928.1	4,888.0	4,925.7	4,928.1	4,875.6	4,875.6	4,943.1	4,943.1	4,875.6	4,943.1
6) Other items (net)	(1,583.6)	(1,844.2)	(2,141.5)	(2,169.8)	(2,215.8)	(2,182.6)	(2,409.3)	(2,433.4)	(2,445.3)	(2,386.3)	(2,433.4)	(2,445.3)	(2,507.3)	(2,507.3)	(2,545.6)	(2,545.6)	(2,507.3)	(2,545.6)

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

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

(B\$' 000)

End of Period	2007			2008			2009			2010			2011		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>CREDIT OUTSTANDING</b>															
Private cars	248,152	238,775	206,689	199,228	197,138	188,509	185,044	182,112	174,192	181,837	182,112	174,192	171,751		
Taxis & rented cars	1,908	1,909	1,832	1,552	1,296	1,046	985	794	1,138	889	794	1,138	910		
Commercial vehicles	6,956	6,111	4,955	4,761	3,966	3,682	3,353	3,274	3,027	3,214	3,274	3,027	2,510		
Furnishings & domestic appliances	22,394	21,173	19,134	18,164	17,244	15,257	15,126	13,131	11,610	14,072	13,131	11,610	11,126		
Travel	50,970	49,602	36,369	32,345	29,425	28,587	26,464	25,543	26,261	24,291	25,543	26,261	25,221		
Education	54,725	57,255	55,227	53,037	50,529	52,604	50,875	47,050	37,647	49,148	47,050	37,647	35,750		
Medical	20,520	21,435	19,697	19,075	18,422	17,303	16,399	15,731	15,011	15,773	15,731	15,011	14,409		
Home Improvements	163,070	171,454	163,991	166,094	163,512	131,455	129,860	121,350	126,413	125,429	121,350	126,413	126,543		
Land Purchases	227,236	246,168	243,696	240,898	244,594	242,369	240,391	239,710	242,256	240,987	239,710	242,256	239,790		
Consolidation of debt	496,296	594,565	648,024	661,379	665,886	683,852	714,616	766,315	797,592	734,975	766,315	797,592	828,634		
Miscellaneous	559,119	541,585	515,002	498,410	494,605	504,394	494,961	476,373	461,332	479,768	476,373	461,332	455,553		
Credit Cards	256,995	294,377	278,749	265,044	261,017	261,531	262,871	250,021	253,505	253,023	250,021	253,505	251,924		
<b>TOTAL</b>	<b>2,108,341</b>	<b>2,244,409</b>	<b>2,193,365</b>	<b>2,159,987</b>	<b>2,147,634</b>	<b>2,130,589</b>	<b>2,140,945</b>	<b>2,141,404</b>	<b>2,149,984</b>	<b>2,123,406</b>	<b>2,141,404</b>	<b>2,149,984</b>	<b>2,164,121</b>		
<b>NET CREDIT EXTENDED</b>															
Private cars	19,731	(9,377)	(32,086)	(7,461)	(2,090)	(8,629)	(3,465)	275	(7,920)	(3,207)	275	(7,920)	(2,441)		
Taxis & rented cars	(660)	1	(77)	(280)	(256)	(250)	(61)	(95)	344	(96)	(95)	344	(228)		
Commercial vehicles	127	(845)	(1,156)	(194)	(795)	(284)	(329)	60	(247)	(139)	60	(247)	(517)		
Furnishings & domestic appliances	2,736	(1,221)	(2,039)	(970)	(920)	(1,987)	(131)	(941)	(1,521)	(1,054)	(941)	(1,521)	(484)		
Travel	5,026	(1,368)	(13,233)	(4,024)	(2,920)	(838)	(2,123)	1,252	718	(2,173)	1,252	718	(1,040)		
Education	1,867	2,530	(2,028)	(2,190)	(2,508)	2,075	(1,729)	(2,098)	(9,403)	(1,727)	(2,098)	(9,403)	(1,897)		
Medical	3,200	915	(1,738)	(622)	(653)	(1,119)	(904)	(42)	(720)	(626)	(42)	(720)	(602)		
Home Improvements	10,219	8,384	(7,463)	2,103	(2,582)	(32,057)	(1,595)	(4,079)	5,063	(4,431)	(4,079)	5,063	130		
Land Purchases	25,918	18,932	(2,472)	(2,798)	3,696	(2,225)	(1,978)	(1,277)	2,546	596	(1,277)	2,546	(2,466)		
Consolidation of debt	36,505	98,269	53,459	13,355	4,507	17,966	30,764	31,340	31,277	20,359	31,340	31,277	31,042		
Miscellaneous	69,997	(17,534)	(26,583)	(16,592)	(3,805)	9,789	(9,433)	(3,395)	(15,041)	(15,193)	(3,395)	(15,041)	(5,779)		
Credit Cards	30,594	37,382	(15,628)	(13,705)	(4,027)	514	1,340	(3,002)	3,484	(9,848)	(3,002)	3,484	(1,581)		
<b>TOTAL</b>	<b>205,260</b>	<b>136,068</b>	<b>(51,044)</b>	<b>(33,378)</b>	<b>(12,353)</b>	<b>(17,045)</b>	<b>10,356</b>	<b>17,998</b>	<b>8,580</b>	<b>(17,539)</b>	<b>17,998</b>	<b>8,580</b>	<b>14,137</b>		

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

\* Includes both demand and add-on loans

**TABLE 8**  
SELECTED AVERAGE INTEREST RATES

Period	2009	2010	2011	2010				2011				2012					
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	
<b>DOMESTIC BANKS</b>																	
<b>Deposit rates</b>																	
Savings deposits	2.15	1.94	1.75	2.06	2.03	1.84	1.83	1.85	1.89	1.63	1.61	1.88					
Fixed deposits																	
Up to 3 months	3.55	3.19	2.33	3.45	3.23	3.09	3.01	2.82	2.64	1.97	1.89	1.71					
Up to 6 months	3.94	3.56	2.67	3.73	3.51	3.62	3.38	3.31	2.79	2.56	2.01	2.08					
Up to 12 months	4.26	3.99	3.24	4.22	4.01	3.86	3.88	3.92	3.54	2.77	2.75	2.69					
Over 12 months	4.37	4.04	3.19	4.31	3.83	4.00	4.00	3.89	3.55	2.75	2.59	2.96					
Weighted average rate	3.79	3.44	2.64	3.73	3.46	3.33	3.25	3.18	2.90	2.27	2.19	2.23					
<b>Lending rates</b>																	
Residential mortgages	8.25	8.15	7.77	8.22	8.25	8.10	8.01	8.07	7.94	7.57	7.50	7.58					
Commercial mortgages	8.60	8.79	8.37	8.60	8.71	9.20	8.63	8.75	8.57	8.04	8.12	8.09					
Consumer loans	12.69	13.21	13.35	12.90	12.74	13.51	13.69	13.51	13.29	13.29	13.32	12.82					
Overdrafts	11.67	10.87	10.03	11.91	10.79	10.40	10.38	10.21	10.15	9.94	9.84	9.36					
Weighted average rate	10.58	11.05	10.98	10.63	10.73	11.41	11.43	11.18	11.08	11.01	10.64	10.25					
<b>Other rates</b>																	
Prime rate	5.50	5.50	4.94	5.50	5.50	5.50	5.50	5.50	4.75	4.75	4.75	4.75					
Treasury bill (90 days)	2.62	2.28	1.25	2.39	2.48	2.14	2.09	1.80	1.52	0.96	0.71	0.10					
Treasury bill re-discount rate	3.12	2.78	1.75	2.89	2.98	2.64	2.59	2.30	2.02	1.46	1.21	0.60					
Bank rate (discount rate)	5.25	5.25	4.69	5.25	5.25	5.25	5.25	5.25	4.50	4.50	4.50	4.50					

Source: The Central Bank of The Bahamas

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

Period	2009				2010				2011				2012					
	2007	2008	2009	2010	2010	2010	2010	2010	2011	2011	2011	2011	2011	2012	2012	2012	2012	
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	
<b>Loan Portfolio</b>																		
Current Loans (as a % of total loans)	90.6	87.5	82.3	81.8	81.5	81.8	81.5	81.8	81.7	82.1	80.8	81.1	81.5	81.5	80.8	81.1	81.5	81.5
Arrears (% by loan type)																		
Consumer	3.0	3.9	5.2	4.6	4.4	4.3	4.4	4.3	4.2	4.1	4.4	4.2	3.9	4.1	4.4	4.2	3.9	3.9
Mortgage	4.6	5.9	8.6	9.4	9.9	9.8	9.9	9.8	9.8	9.8	10.2	10.1	9.8	9.8	10.2	10.1	9.8	9.8
Commercial	1.7	2.6	3.8	4.1	4.1	4.0	4.1	4.0	4.2	3.9	4.5	4.5	4.7	3.9	4.5	4.5	4.7	4.7
Public	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Arrears	9.4	12.5	17.7	18.2	18.5	18.2	18.5	18.2	18.3	17.9	19.2	18.9	18.5	17.9	19.2	18.9	18.5	18.5
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Loan Portfolio</b>																		
Current Loans (as a % of total loans)	90.6	87.5	82.3	81.8	81.5	81.8	81.5	81.8	81.7	82.1	80.8	81.1	81.5	81.5	80.8	81.1	81.5	81.5
Arrears (% by days outstanding)																		
30 - 60 days	3.6	4.5	5.6	5.9	6.0	4.0	6.0	4.0	5.5	3.6	3.9	4.1	3.6	3.6	3.9	4.1	3.6	3.6
61 - 90 days	1.3	1.9	2.7	2.4	2.3	2.3	2.3	2.3	2.1	2.0	2.2	2.1	2.2	2.0	2.2	2.1	2.2	2.2
90 - 179 days	1.2	1.6	3.0	2.4	2.3	2.6	2.3	2.6	2.1	2.3	2.7	2.3	2.1	2.3	2.7	2.3	2.1	2.1
over 180 days	3.3	4.5	6.3	7.1	7.9	9.3	7.9	9.3	8.6	9.9	10.4	10.5	10.7	9.9	10.4	10.5	10.7	10.7
Total Arrears	9.4	12.5	17.7	18.2	18.5	18.2	18.5	18.2	18.3	17.9	19.2	18.9	18.5	17.9	19.2	18.9	18.5	18.5
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Non Accrual Loans (% by loan type)																		
Consumer	29.4	30.2	29.8	26.6	24.3	21.4	24.3	21.4	22.9	20.0	20.7	20.3	19.8	20.0	20.7	20.3	19.8	19.8
Mortgage	45.6	44.4	41.4	42.7	45.1	52.1	45.1	52.1	47.1	53.9	53.0	54.8	55.4	53.9	53.0	54.8	55.4	55.4
Other Private	23.2	23.9	27.8	27.4	29.6	25.7	29.6	25.7	29.1	25.4	25.7	24.2	24.1	25.4	25.7	24.2	24.1	24.1
Public	1.8	1.5	1.0	1.0	1.0	0.8	1.0	0.8	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
<b>Total Non Accrual Loans</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Provisions to Loan Portfolio</b>																		
Consumer	2.8	3.3	4.2	4.4	4.5	5.1	4.5	5.1	4.9	4.7	4.9	4.9	5.4	4.7	4.9	4.9	5.4	5.4
Mortgage	1.2	1.4	1.8	1.9	2.1	2.4	2.1	2.4	2.4	2.5	2.7	2.7	3.2	2.5	2.7	2.7	3.2	3.2
Other Private	3.2	5.4	6.9	7.5	8.7	9.1	8.7	9.1	9.6	10.2	10.6	10.6	10.6	10.2	10.6	10.6	10.6	10.6
Public	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Provisions to Total Loans	2.1	2.7	3.4	3.6	3.7	4.3	3.9	4.3	4.4	4.4	4.7	4.7	5.1	4.4	4.7	4.7	5.1	5.1
Total Provisions to Non-performing Loans	47.9	46.0	37.1	38.3	37.5	36.6	38.8	36.6	41.0	36.5	36.1	36.8	40.0	36.5	36.1	36.8	40.0	40.0
Total Non-performing Loans to Total Loans	4.5	6.1	9.3	9.4	9.9	11.9	10.1	11.9	10.7	12.2	13.0	12.7	12.7	12.2	13.0	12.7	12.7	12.7

**Source: The Central Bank of The Bahamas**  
Figures may not sum to total due to rounding.

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

End of Period	2007		2008		2009		2010			2011			2012		
	Mar.	Jun.	Mar.	Jun.	Mar.	Jun.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
(B\$ Millions)															
<b>I. Statutory Reserves</b>															
Required reserves	265.0	283.3	290.3	285.3	296.6	299.1	298.1	298.1	298.1	298.1	303.3	306.8	305.0	306.0	
Average Till Cash	92.8	95.4	94.7	79.7	83.7	83.3	98.2	79.0	83.9	86.5	118.3	90.1			
Average balance with central bank	363.1	352.7	425.1	438.7	516.6	464.6	530.5	663.7	715.6	683.8	557.3	592.6			
Free cash reserves (period ended)	190.1	164.0	229.5	233.1	303.7	248.8	330.6	444.6	496.2	463.5	370.6	376.8			
<b>II. Liquid Assets (period)</b>															
A. Minimum Required Liquid Assets	860.0	911.2	929.6	938.5	958.0	958.1	946.7	959.1	969.5	971.1	968.7	977.8			
B. Net Eligible Liquid Assets	1,011.9	1,168.5	1,423.7	1,460.9	1,601.9	1,567.5	1,755.1	1,859.0	1,906.7	1,900.7	1,865.1	1,909.1			
i) Balance with Central Bank	341.2	322.2	375.6	435.1	483.4	444.6	518.7	648.6	709.9	660.2	560.1	609.1			
ii) Notes and Coins	110.6	118.1	112.3	86.7	89.6	84.3	113.7	85.0	86.2	80.2	127.4	81.1			
iii) Treasury Bills	50.8	180.2	214.0	218.3	267.6	264.1	293.7	294.8	253.3	281.6	275.4	301.6			
iv) Government registered stocks	468.5	513.3	671.4	672.4	711.0	721.8	774.8	775.1	767.6	805.7	843.7	843.7			
v) Specified assets	36.6	36.8	45.7	45.8	45.6	45.6	53.0	52.9	52.8	53.0	55.2	57.1			
vi) Net Inter-bank dem/call deposits	5.0	(1.3)	4.7	2.6	4.7	7.1	1.2	2.6	36.9	20.0	3.3	16.5			
vii) Less: borrowings from central bank	(0.8)	(0.8)	--	--	--	--	--	--	--	--	--	--			
C. Surplus/(Deficit)	151.9	257.3	494.1	522.4	643.9	609.4	808.4	899.9	937.2	929.6	896.4	931.3			

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

**TABLE 11  
GOVERNMENT OPERATIONS AND FINANCING**

(B\$ Millions)

Period	Budget				2010/11p				2011/12p			
	2009/10p	2010/11p	2010/11	2011/12	QTR. I	QTR. II	QTR. III	QTR. IV	QTR. I	QTR. II	QTR. III	QTR. IV
Total Revenue & Grants	1,302.5	1,433.0	1,492.2	1,520.2	271.2	307.3	449.6	404.9	284.6	432.1	364.3	364.3
Current expenditure	1,395.9	1,524.5	1,467.2	1,598.0	330.8	356.2	364.3	473.2	345.8	366.4	375.0	375.0
Capital expenditure	156.8	206.3	227.6	237.3	36.9	46.3	46.7	76.4	25.7	74.2	53.5	53.5
Net lending	89.4	72.9	38.7	44.4	8.1	14.4	14.7	35.6	8.3	60.0	10.5	10.5
<b>Overall balance</b>	<b>(339.5)</b>	<b>(370.7)</b>	<b>(241.3)</b>	<b>(359.4)</b>	<b>(104.6)</b>	<b>(109.6)</b>	<b>23.9</b>	<b>(180.3)</b>	<b>(95.2)</b>	<b>(68.4)</b>	<b>(74.7)</b>	<b>(74.7)</b>
<b>I. FINANCING (I+II-III+IV+V)</b>	<b>339.5</b>	<b>370.7</b>	<b>241.3</b>	<b>359.4</b>	<b>104.6</b>	<b>109.6</b>	<b>(23.9)</b>	<b>180.3</b>	<b>95.2</b>	<b>68.4</b>	<b>74.7</b>	<b>74.7</b>
<b>I. Foreign currency borrowing</b>	<b>318.3</b>	<b>127.6</b>	<b>55.0</b>	<b>94.0</b>	<b>77.9</b>	<b>16.7</b>	<b>21.6</b>	<b>11.4</b>	<b>11.8</b>	<b>36.3</b>	<b>16.4</b>	<b>16.4</b>
External	318.3	57.6	55.0	94.0	7.9	16.7	21.6	11.4	11.8	36.3	16.4	16.4
Domestic	--	70.0	--	--	70.0	--	--	--	--	--	--	--
<b>II. Bahamian dollar borrowing</b>	<b>282.0</b>	<b>293.6</b>	<b>235.0</b>	<b>220.6</b>	<b>140.0</b>	<b>143.6</b>	--	<b>10.0</b>	<b>214.6</b>	<b>60.0</b>	<b>40.0</b>	<b>40.0</b>
<b>i) Treasury bills</b>	<b>57.3</b>	--	--	--	--	--	--	--	<b>48.0</b>	--	<b>20.0</b>	<b>20.0</b>
Central Bank	57.3	--	--	--	--	--	--	--	48.0	--	20.0	20.0
Commercial banks & OLFIs	--	--	--	--	--	--	--	--	--	--	--	--
Public corporations	--	--	--	--	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--	--	--
<b>ii) Long-term securities</b>	<b>209.7</b>	<b>235.0</b>	--	--	<b>100.0</b>	<b>135.0</b>	--	--	<b>100.0</b>	<b>60.0</b>	--	--
Central Bank	15.1	65.0	--	--	30.0	35.0	--	--	15.0	3.0	--	--
Commercial banks & OLFIs	99.0	16.8	--	--	15.0	1.8	--	--	60.3	36.9	--	--
Public corporations	45.7	26.3	--	--	15.0	11.3	--	--	2.1	1.2	--	--
Other	49.9	126.9	--	--	40.0	86.9	--	--	22.5	18.9	--	--
<b>iii) Loans and Advances</b>	<b>15.0</b>	<b>58.6</b>	--	--	<b>40.0</b>	<b>8.6</b>	--	<b>10.0</b>	<b>66.6</b>	--	<b>20.0</b>	<b>20.0</b>
Central Bank	--	58.6	--	--	40.0	8.6	--	10.0	66.6	--	20.0	20.0
Commercial banks	15.0	--	--	--	--	--	--	--	--	--	--	--
<b>III Debt repayment</b>	<b>284.2</b>	<b>269.3</b>	<b>70.0</b>	<b>58.7</b>	<b>36.1</b>	<b>22.7</b>	<b>1.2</b>	<b>209.3</b>	<b>66.8</b>	<b>3.3</b>	<b>2.0</b>	<b>2.0</b>
<b>Domestic</b>	<b>251.8</b>	<b>260.5</b>	<b>58.9</b>	<b>48.9</b>	<b>35.0</b>	<b>19.5</b>	--	<b>206.0</b>	<b>65.0</b>	--	--	--
Bahamian dollars	90.0	189.6	58.9	48.9	35.0	18.6	--	136.0	65.0	--	--	--
Internal foreign currency	161.8	70.9	--	--	--	0.9	--	70.0	--	--	--	--
<b>External</b>	<b>32.4</b>	<b>8.8</b>	<b>11.0</b>	<b>9.8</b>	<b>1.1</b>	<b>3.2</b>	<b>1.2</b>	<b>3.3</b>	<b>1.8</b>	<b>3.3</b>	<b>2.0</b>	<b>2.0</b>
<b>IV Net Sale of Shares &amp; Other Equity</b>	--	<b>203.7</b>	--	--	--	--	--	<b>203.7</b>	--	--	--	--
<b>V. Cash balance change</b>	<b>26.5</b>	<b>26.4</b>	--	--	<b>14.2</b>	<b>8.4</b>	<b>(3.0)</b>	<b>6.9</b>	<b>4.1</b>	<b>(4.2)</b>	<b>(0.3)</b>	<b>(0.3)</b>
<b>VI Other Financing</b>	<b>(3.0)</b>	<b>192.3</b>	<b>21.3</b>	<b>103.5</b>	<b>(91.3)</b>	<b>(36.4)</b>	<b>(41.4)</b>	<b>361.3</b>	<b>(68.5)</b>	<b>(20.4)</b>	<b>20.7</b>	<b>20.7</b>

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



**TABLE 12**  
NATIONAL DEBT

End of Period	2010p				2011p			2011p			2012p	
	2009p	2010p	2011p	2011p	Mar.	Jun.	Sept.	Dec.	Mar.			
<b>TOTAL EXTERNAL DEBT</b>	703,138	727,882	800,091	800,091	702,218	707,525	714,262	800,091			814,425	
By Instrument												
Government Securities	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000			600,000	
Loans	103,138	127,882	200,091	200,091	102,218	107,525	114,262	200,091			214,425	
By Holder												
Commercial Banks	--	--	--	--	--	--	--	--			--	
Offshore Financial Institutions	--	--	--	--	--	--	--	--			--	
Multilateral Institutions	98,954	123,698	171,793	171,793	98,034	103,341	110,078	171,793			180,570	
Bilateral Institutions	4,184	4,184	28,298	28,298	4,184	4,184	4,184	28,298			33,855	
Private Capital Markets	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000			600,000	
<b>TOTAL INTERNAL DEBT</b>	2,617,268	2,992,479	3,006,080	3,006,080	2,601,268	2,693,389	2,868,389	3,006,080			3,046,079	
By Instrument												
Foreign Currency	1,806	70,000	--	--	1,806	903	70,903	--			--	
Government Securities	--	--	--	--	--	--	--	--			--	
Loans	1,806	70,000	--	--	1,806	903	70,903	--			--	
Bahamian Dollars	2,615,462	2,922,479	3,006,080	3,006,080	2,599,462	2,692,486	2,797,486	3,006,080			3,046,079	
Advances	96,988	111,988	110,588	110,588	96,988	96,988	111,988	110,588			130,588	
Treasury Bills	244,309	301,609	301,609	301,609	244,309	301,609	301,609	301,609			321,609	
Government Securities	2,268,919	2,503,637	2,593,637	2,593,637	2,252,919	2,288,644	2,378,644	2,593,637			2,593,637	
Loans	5,246	5,246	246	246	5,246	5,246	5,246	246			246	
By Holder												
Foreign Currency	1,806	70,000	--	--	1,806	903	70,903	--			--	
Commercial Banks	1,806	70,000	--	--	1,806	903	70,903	--			--	
Other Local Financial Institutions	--	--	--	--	--	--	--	--			--	
Bahamian Dollars	2,615,462	2,922,479	3,006,080	3,006,080	2,599,462	2,692,486	2,797,486	3,006,080			3,046,079	
The Central Bank	201,509	274,275	292,802	292,802	189,706	200,459	259,442	292,802			315,756	
Commercial Banks	886,358	1,066,784	1,118,285	1,118,285	891,843	978,313	984,931	1,118,285			1,136,520	
Other Local Financial Institutions	4,167	6,996	8,383	8,383	5,867	5,782	6,096	8,383			8,541	
Public Corporations	722,999	702,541	684,963	684,963	713,481	703,968	704,043	684,963			685,007	
Other	800,429	871,883	901,647	901,647	798,565	803,964	842,974	901,647			900,255	
<b>TOTAL FOREIGN CURRENCY DEBT</b>	704,944	797,882	800,091	800,091	704,024	708,428	785,165	800,091			814,425	
<b>TOTAL DIRECT CHARGE</b>	3,320,406	3,720,361	3,806,171	3,806,171	3,303,486	3,400,914	3,582,651	3,806,171			3,860,504	
<b>TOTAL CONTINGENT LIABILITIES</b>	588,997	564,629	550,727	550,727	581,487	572,465	564,394	550,727			555,248	
<b>TOTAL NATIONAL DEBT</b>	3,909,403	4,284,990	4,356,898	4,356,898	3,884,973	3,973,379	4,147,045	4,356,898			4,415,753	

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**

	2009p*	2011p			2012p		
		Mar.	Jun.**	Sep.	Dec.***	Mar.	
<b>Outstanding Debt at Beginning of Period</b>	<b>859,878</b>	<b>1,139,567</b>	<b>1,357,660</b>	<b>1,369,917</b>	<b>1,279,476</b>	<b>1,303,495</b>	<b>1,404,753</b>
Government	387,205	704,944	797,882	818,302	756,462	766,400	800,091
Public Corporations	472,673	434,623	559,778	551,615	523,014	537,095	604,662
<b>Plus: New Drawings</b>	<b>856,717</b>	<b>388,807</b>	<b>137,070</b>	<b>23,420</b>	<b>31,265</b>	<b>60,803</b>	<b>58,850</b>
Government	561,772	102,807	81,070	11,420	11,765	36,303	16,350
Public Corporations	294,945	286,000	56,000	--	19,500	24,500	42,500
<b>Less: Amortization</b>	<b>577,028</b>	<b>170,714</b>	<b>106,164</b>	<b>80,048</b>	<b>7,246</b>	<b>9,545</b>	<b>8,182</b>
Government	244,033	9,869	78,861	1,162	1,827	2,612	2,016
Public Corporations	332,995	160,845	27,303	8,163	5,419	6,933	6,166
<b>Other Changes in Debt Stock</b>	<b>--</b>	<b>--</b>	<b>16,187</b>	<b>--</b>	<b>--</b>	<b>50,000</b>	<b>--</b>
Government	--	--	--	--	--	--	--
Public Corporations	--	--	16,187	(33,813)	--	50,000	--
<b>Outstanding Debt at End of Period</b>	<b>1,139,567</b>	<b>1,357,660</b>	<b>1,404,753</b>	<b>1,279,476</b>	<b>1,303,495</b>	<b>1,404,753</b>	<b>1,455,421</b>
Government	704,944	797,882	800,091	818,302	766,400	800,091	814,425
Public Corporations	434,623	559,778	604,662	551,615	537,095	604,662	640,996
<b>Interest Charges</b>	<b>41,356</b>	<b>67,022</b>	<b>75,254</b>	<b>7,103</b>	<b>6,676</b>	<b>30,892</b>	<b>7,663</b>
Government	27,581	47,055	48,002	1,276	798	22,991	994
Public Corporations	13,775	19,967	27,252	5,827	5,878	7,901	6,669
<b>Debt Service</b>	<b>618,384</b>	<b>237,736</b>	<b>181,418</b>	<b>110,631</b>	<b>13,922</b>	<b>40,437</b>	<b>15,845</b>
Government	271,614	56,924	126,863	2,438	2,625	25,603	3,010
Public Corporations	346,770	180,812	54,555	13,990	11,297	14,834	12,835
<b>Debt Service Ratio (%)</b>	<b>20.2</b>	<b>7.4</b>	<b>5.3</b>	<b>2.0</b>	<b>1.7</b>	<b>4.7</b>	<b>1.8</b>
<b>Government Debt Service/ Government Revenue (%)</b>	<b>20.4</b>	<b>4.5</b>	<b>10.1</b>	<b>0.5</b>	<b>0.9</b>	<b>5.9</b>	<b>0.8</b>
<b>MEMORANDUM</b>							
Holder Distribution (B\$ Mil):							
Commercial Banks	358.2	414.1	330.8	406.7	317.9	330.8	364.7
Multilateral Institutions	126.4	145.1	187.2	149.1	164.2	187.2	195.0
Bilateral Institutions	21.4	4.2	44.2	19.9	23.3	44.2	53.3
Other	33.6	194.3	242.5	194.3	192.5	242.5	242.4
Private Capital Markets	600.0	600.0	600.0	600.0	600.0	600.0	600.0

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

\*Debt servicing for 2009 includes the refinancing of \$297 million and \$235 million in Public Corporations' and Government's debt, respectively. Net of these transactions, the Government's debt service/revenue ratio was 2.7%.

\*\* Outstanding debt at end-June 2011 excludes \$32.063 million in outstanding debt of The Bahamas Telecommunications Company, which was privatized in April 2011.

\*\*\* Outstanding debt at end-Dec 2011 includes \$50.0 million in outstanding debt of The Nassau Airport Development Company, previously held by the Government.

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

	(B\$ Millions)									
	2009p		2010p		2010		2011		2012	
	2009p	2010p	2010p	2011p	Qtr.II	Qtr.III	Qtr.IV	Qtr.II	Qtr.III	Qtr.IV
<b>A. Current Account Balance (I+II+III+IV)</b>	<b>(808.5)</b>	<b>(813.1)</b>	<b>(1,089.8)</b>	<b>(107.4)</b>	<b>(329.5)</b>	<b>(329.1)</b>	<b>(283.3)</b>	<b>(125.9)</b>	<b>(334.7)</b>	<b>(345.8)</b>
<b>I. Merchandise (Net)</b>	<b>(1,824.7)</b>	<b>(1,888.2)</b>	<b>(2,131.3)</b>	<b>(454.7)</b>	<b>(516.4)</b>	<b>(501.8)</b>	<b>(456.4)</b>	<b>(496.9)</b>	<b>(569.7)</b>	<b>(608.2)</b>
Exports	710.7	702.4	833.5	199.9	173.4	168.0	192.4	213.8	216.0	211.3
Imports	2,535.3	2,590.6	2,964.8	654.6	689.9	669.8	648.9	710.8	785.7	819.5
<b>II. Services (Net)</b>	<b>1,154.8</b>	<b>1,312.5</b>	<b>1,313.7</b>	<b>402.9</b>	<b>259.6</b>	<b>253.7</b>	<b>277.1</b>	<b>409.6</b>	<b>289.6</b>	<b>337.5</b>
Transportation	(267.6)	(223.8)	(195.8)	(60.4)	(61.1)	(60.3)	(33.5)	(46.3)	(56.2)	(59.8)
Travel	1,773.7	1,919.2	2,007.9	523.9	416.1	429.2	501.0	542.6	449.3	514.9
Insurance Services	(92.5)	(43.1)	(185.9)	(45.8)	(39.4)	(55.0)	(64.7)	(44.0)	(44.3)	(32.9)
Offshore Companies Local Expenses	182.0	157.8	138.9	42.7	38.1	44.4	38.0	46.0	28.0	26.8
Other Government	(87.0)	(43.1)	13.4	9.3	(11.8)	(7.7)	(4.7)	8.6	0.3	9.1
Other Services	(353.8)	(332.4)	(464.7)	(66.8)	(82.2)	(97.0)	(159.0)	(97.4)	(87.7)	(120.7)
<b>III. Income (Net)</b>	<b>(152.2)</b>	<b>(234.9)</b>	<b>(236.0)</b>	<b>(65.8)</b>	<b>(66.1)</b>	<b>(66.9)</b>	<b>(63.0)</b>	<b>(46.8)</b>	<b>(52.0)</b>	<b>(74.3)</b>
1. Compensation of Employees	(11.8)	(27.4)	(47.9)	(8.2)	(7.1)	(9.7)	(9.5)	(12.9)	(13.9)	(11.6)
2. Investment Income	(140.3)	(207.5)	(188.1)	(57.6)	(59.1)	(57.2)	(53.4)	(33.9)	(38.1)	(62.7)
<b>IV. Current Transfers (Net)</b>	<b>13.5</b>	<b>(2.6)</b>	<b>(36.2)</b>	<b>10.1</b>	<b>(6.6)</b>	<b>(14.2)</b>	<b>(41.0)</b>	<b>8.2</b>	<b>(2.6)</b>	<b>(0.8)</b>
1. General Government	86.8	87.4	113.4	29.3	22.1	18.2	33.3	34.4	22.6	23.1
2. Private Sector	(73.3)	(89.9)	(149.6)	(19.2)	(28.8)	(32.4)	(74.3)	(26.2)	(25.2)	(23.9)
<b>B. Capital and Financial Account (I+II)</b>	<b>1,114.6</b>	<b>1,141.4</b>	<b>952.2</b>	<b>217.2</b>	<b>410.8</b>	<b>363.5</b>	<b>352.6</b>	<b>162.0</b>	<b>312.0</b>	<b>125.5</b>
(excl. Reserves)										
<b>I. Capital Account (Net Transfers)</b>	<b>(7.2)</b>	<b>(3.6)</b>	<b>(5.5)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(1.1)</b>	<b>(0.6)</b>	<b>(1.4)</b>	<b>(2.2)</b>	<b>(1.4)</b>
<b>II. Financial Account (Net)</b>	<b>1,121.8</b>	<b>1,144.9</b>	<b>957.7</b>	<b>218.2</b>	<b>411.7</b>	<b>364.5</b>	<b>353.2</b>	<b>163.3</b>	<b>314.2</b>	<b>126.9</b>
1. Direct Investment	664.0	872.0	666.6	236.8	161.7	320.5	259.8	229.7	123.6	53.5
2. Portfolio Investment	(16.7)	(25.4)	(44.2)	(4.4)	(4.1)	(9.4)	(5.8)	(9.4)	(9.9)	(19.2)
3. Other Investments	474.5	298.3	335.3	(14.2)	254.1	53.4	99.2	(57.0)	200.5	92.5
Central Gov't Long Term Capital	319.5	24.7	72.2	5.3	6.7	13.5	20.4	8.2	9.9	33.7
Other Public Sector Capital	184.0	123.7	21.9	(3.9)	17.1	99.5	(0.8)	3.8	8.9	10.0
Banks	(21.9)	23.6	(101.4)	(28.1)	181.3	(87.9)	(42.4)	(158.6)	69.0	30.5
Other	(7.2)	126.4	342.6	12.5	49.0	28.3	121.9	89.6	112.7	18.4
<b>C. Net Errors and Omissions</b>	<b>(53.1)</b>	<b>(283.7)</b>	<b>162.1</b>	<b>(66.6)</b>	<b>(177.9)</b>	<b>60.7</b>	<b>45.4</b>	<b>64.9</b>	<b>(97.8)</b>	<b>149.6</b>
<b>D. Overall Balance (A+B+C)</b>	<b>253.0</b>	<b>44.5</b>	<b>24.5</b>	<b>43.1</b>	<b>(96.7)</b>	<b>95.0</b>	<b>114.7</b>	<b>101.0</b>	<b>(120.5)</b>	<b>(70.7)</b>
<b>E. Financing (Net)</b>	<b>(253.0)</b>	<b>(44.5)</b>	<b>(24.5)</b>	<b>(43.1)</b>	<b>96.7</b>	<b>(95.0)</b>	<b>(114.7)</b>	<b>(101.0)</b>	<b>120.5</b>	<b>70.7</b>
Change in SDR holdings	(178.9)	3.1	0.7	4.5	(8.8)	1.8	(5.1)	(1.7)	4.5	3.0
Change in Reserve Position with the IMF	(0.2)	0.2	0.0	0.2	(0.5)	0.1	(0.3)	(0.1)	0.2	0.2
Change in Ext. Foreign Assets ( ) = Increase	(73.9)	(47.8)	(25.1)	(47.9)	106.0	(96.9)	(109.3)	(99.2)	115.7	67.6

Source: The Central Bank of the Bahamas  
\* Figures may not sum to total due to rounding

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

	(B\$ '000)															
	2009			2010			2011			2010			2011			
	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
<b>I. OIL TRADE</b>																
i) Exports	112,077	159,706	216,129	45,718	39,746	30,702	16,262	8,129	10,387	61,039	64,338	42,222	48,530			
ii) Imports	557,132	687,073	930,047	144,343	195,178	191,175	206,992	267,666	251,101	204,288						
<b>II. OTHER MERCHANDISE*</b>																
<b>Domestic Exports</b>																
Crawfish	57,668	68,371	64,337	9,968	6,362	14,818	16,262	8,129	10,387	29,559						
Fish & other Crustacea	3,566	4,013	4,371	351	2,258	1,281	772	2,885	548	166						
Sponge, Coral & Like Material	784	547	842	137	212	68	168	522	-	152						
Fruits & Veggies.	525	195	24	135	-	15	24	-	-	-						
Aragonite	12,973	11,688	11,498	3,195	1,797	2,648	774	6,587	1,248	2,889						
Other Natural Sands	3,309	2,932	2,894	1,383	83	921	529	350	1,232	783						
Rum, Vinegar & Other Beverages	-	-	-	-	-	-	-	-	-	-						
Crude Salt	11,154	16,429	12,021	7,164	2,437	3,172	4,846	4,133	1,577	1,465						
Polystyrene Products	122,429	104,076	135,846	20,786	29,401	24,868	30,431	34,070	35,826	35,519						
Other	121,300	96,570	94,610	10,793	35,914	27,171	16,642	27,537	32,280	18,151						
<b>i) Total Domestic Exports</b>	333,707	304,821	326,443	53,912	78,464	74,962	70,448	84,213	83,098	88,684						
<b>ii) Re-Exports</b>	164,824	156,969	184,371	37,419	45,317	30,450	34,715	55,328	52,302	42,026						
<b>iii) Total Exports (i+ii)</b>	498,531	460,563	510,814	90,328	122,594	106,376	105,163	139,540	135,400	130,710						
<b>iv) Imports</b>	2,239,333	2,175,688	2,480,809	470,455	517,967	567,005	519,926	594,742	645,961	720,180						
<b>v) Retained Imports (iv-ii)</b>	2,074,509	2,018,719	2,296,438	433,036	472,650	536,555	485,211	539,414	593,659	678,154						
<b>vi) Trade Balance (i-v)</b>	(1,740,801)	(1,714,121)	(1,969,995)	(379,124)	(395,372)	(460,629)	(414,763)	(455,202)	(510,561)	(589,470)						

Source: Department of Statistics Quarterly Statistical Summaries

\*Reclassification of categories

**TABLE 16**  
SELECTED TOURISM STATISTICS

Period	2009			2010			2011 <sup>R</sup>			2012		
	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. I
<b>Visitor Arrivals</b>	<b>4,645,115</b>	<b>5,248,121</b>	<b>5,585,994</b>	<b>1,324,445</b>	<b>1,196,170</b>	<b>1,343,945</b>	<b>1,527,601</b>	<b>1,376,089</b>	<b>1,200,286</b>	<b>1,482,018</b>	<b>1,692,978</b>	
Air	1,252,393	1,294,804	1,267,540	368,304	304,067	277,510	320,680	363,202	297,199	286,459	356,531	
Sea	3,392,722	3,953,317	4,318,454	956,141	892,103	1,066,435	1,206,921	1,012,887	903,087	1,195,559	1,336,447	
<b>Visitor Type</b>												
Stopover <sup>R</sup>	1,327,006	1,368,053	1,343,293	403,088	333,937	276,992	342,597	397,982	323,576	279,138	n.a	n.a
Cruise	3,255,780	3,803,122	4,161,556	902,780	842,128	1,041,920	1,172,006	956,900	857,345	1,175,305	1,302,956	n.a
Day/Transit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
<b>Tourist Expenditure(B\$ 000's)</b>												
Stopover	2,014	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	1,812	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Day	200	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
	3	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
<b>Number of Hotel Nights</b>	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
<b>Average Length of Stay</b>	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
<b>Average Hotel Occupancy Rates (%)</b>												
New Providence	56.3	58.0	58.9	63.2	57.7	48.9	62.3	62.8	57.9	52.6	n.a	n.a
Grand Bahama	36.9	36.2	41.6	37.0	36.7	35.9	45.3	47.2	39.4	34.4	n.a	n.a
Other Family Islands	27.0	36.4	39.0	42.9	34.7	31.9	37.9	46.9	36.3	34.7	n.a	n.a
<b>Average Nightly Room Rates (\$)</b>												
New Providence	214.4	219.7	225.0	224.7	200.2	200.5	242.2	241.2	209.4	207.2	n.a	n.a
Grand Bahama	90.6	86.1	90.5	94.0	73.8	79.5	91.4	87.9	90.9	91.7	n.a	n.a
Other Family Islands	194.1	156.2	152.2	168.0	153.1	141.2	179.2	161.5	128.2	140.0	n.a	n.a

Source: The Ministry of Tourism

## INTRODUCTION

The Central Bank's 2011 survey on the gross economic contribution of the financial sector—which constitutes an estimated 15% of the country's gross domestic product—captures the sector's ongoing importance to the domestic economy in terms of job opportunities and direct outlays. Generally, banks and trust companies operations remained relatively stable during 2011, despite continuing challenges posed by mild domestic economic conditions for the commercial banks, and higher market volatility, compounded by an onerous global regulatory environment for international banking activities. The non-bank financial service providers, inclusive of insurance companies, credit unions, mutual fund administrators and financial and corporate service providers also registered stable outcomes during the year.

## THE BANKING SECTOR

Banks and trust companies account for the largest segment of the financial sector's contribution to the domestic economy, in terms of employment, spending and the scale of their operations and assets.

During 2011, the total number of banks and trust companies licensed to operate in The Bahamas increased by a net of 2 to 278, following a gain of 4 in 2010. Growth was limited to the restricted trust and nominee trust licensees, which rose by 5 to 155, while public banks and trust licensees fell by 2 to 116 and non-active licensees decreased by 1 to 7. The public licensee group included 74 Bahamian incorporated entities, 24 euro-currency divisions of foreign banks and trust companies, and 18 domestic banks. Among the domestic banks, there were 10 authorized agents, largely providing trust and wealth management services and limited Bahamian dollar business, and 8 authorized dealers or commercial banks.

In 2011, the operational environment for the (8) domestic commercial banks was shaped by persistently high liquidity and anaemic private sector credit growth, amid very mild consumer demand. Total assets

of the domestic banking system expanded by \$106.4 million) to \$9.5 billion, supported by new loans and holdings of Government securities. As borrowers experienced persistent difficulty meeting loan commitments, the level of domestic and non-performing loans remained elevated, at 13.0% of total private sector loans, respectively. However, banks' average capital ratios rose percentage points to 27.6% of total risk weighted assets during the year, considerably in excess of the Bank's requirements. Overall, profitability levels maintained during 2011, mainly as a result of provisions against loan losses, while the downward adjustment in interest rates, in June, had only a small effect on average rates on new loans.

On the international side, firms had to contend with renewed volatility and uncertainty in market conditions, weakened investment allocations and returns, and a stepped-up global regulatory agenda necessitated strategic reviews and adjustments to the business models. Despite the challenges faced by the sector, total assets of the international banks and companies rose by 12.6% (\$65.7 billion) to \$540.5 billion.

## EMPLOYMENT

Employment outcomes in the banking sector continued to reflect measures taken by firms to contain costs and rationalise operations, amid slowed growth opportunities. Preliminary data placed total employment in the banking sector lower by 2.3% (113) at 4,795, compared to a slight 0.1% gain in 2010 and an average growth of 1.1% over the preceding three years. Bahamian employees declined by 2.3% (4,500) and non-Bahamian employees, by 1.7% (295)—leaving their respective proportions of total employment unchanged at 93.8% and 6.2%. Nearly 90% of Bahamians were engaged in local banking activities, while the remainder in offshore banking, trust administration and related wealth management services.

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

Period	2006p	2007p	2008p	2009r	2010r	2011p
<b>A. Stamp Taxes on Transactions</b>	<b>78.9</b>	<b>108.3</b>	<b>84.3</b>	<b>74.2</b>	<b>68.8</b>	<b>102.2</b>
Gross Insurance Premium Tax 1/	22.0	18.2	21.3	17.4	15.5	13.6
Mortgages	16.3	42.4	21.3	13.5	10.2	35.8
Other Banking Transactions	40.3	47.5	41.6	43.1	43.0	52.6
Instruments & Bonds	0.1	0.2	0.2	0.2	0.1	0.1
<b>B. Licence &amp; Registration Fees</b>	<b>23.6</b>	<b>28.1</b>	<b>34.8</b>	<b>36.0</b>	<b>34.3</b>	<b>38.6</b>
International Business Companies (IBCs)	13.5	15.2	21.3	20.1	18.3	17.6
Banks and Trust Companies	8.4	11.1	11.6	13.7	16.0	20.9
Insurance Companies, Brokers & Agents	0.3	0.2	0.3	0.7	0.0	0.0
Financial & Corp. Svcs. Providers 2/	0.04	0.10	0.10	n/a	n/a	n/a
Investment Funds 3/	1.4	1.5	1.5	1.6	n/a	n/a
<b>C. Total Revenues</b>	<b>102.5</b>	<b>136.4</b>	<b>119.1</b>	<b>110.2</b>	<b>103.1</b>	<b>140.8</b>

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

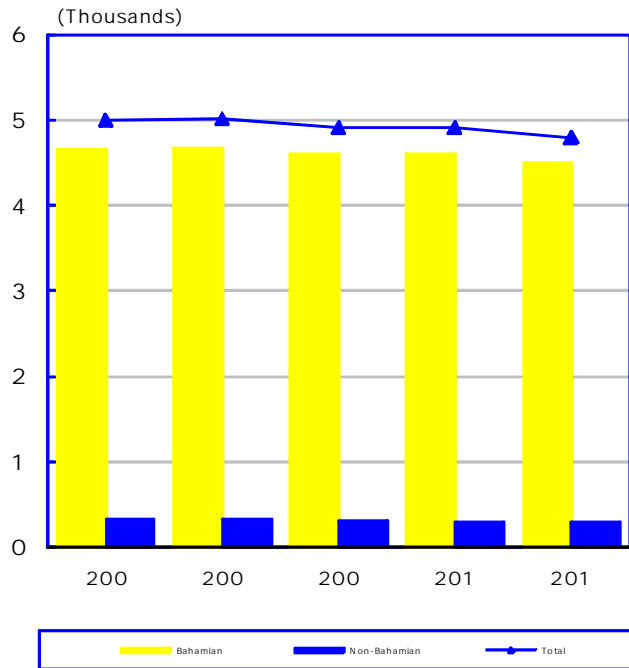
Notes: 1/ Premium Tax collected from Insurance Commission as at 2009.

2/ Central Bank Estimates for 2008.

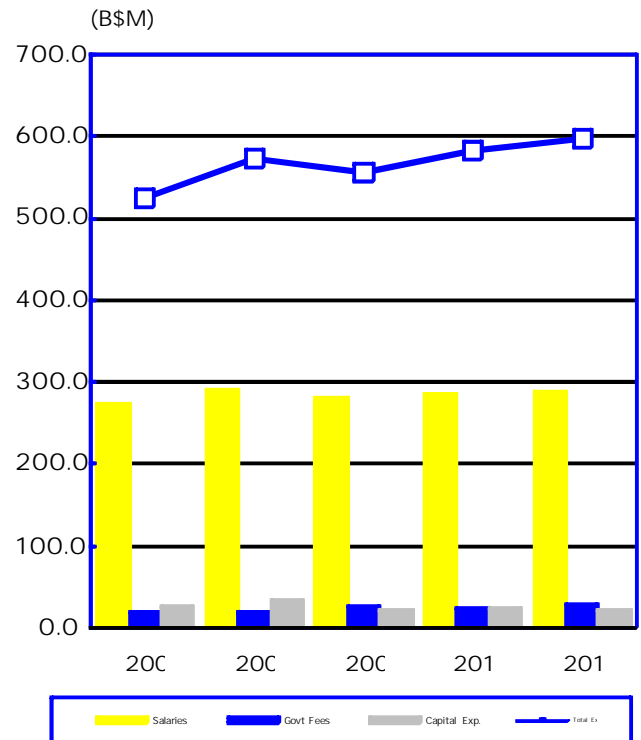
3/ Amounts collected by the Securities Commission.



Banking Sector Employment



Banks' Local Expenditure



EXPENDITURES

Despite the moderation in employment levels, higher outlays for salary, administrative costs and Government fees led to total spending rising by an estimated \$13.6 million (2.3%) to \$595.2 million—following a \$27.8 million (5.0%) gain in 2010. Government fees for outsourced operations, accounted for some 44.2% of the aggregate—up from 42.2% in 2010. Utility payments grew to \$25.1 million, and contributions to charitable organizations declined by 3.2% to \$2.1 million. Amid a decline in expenditures for new premises, as the 4.5% expansion of the prior year and 5.7% average growth for the preceding five years. Salary payments accounted for more than half of these outlays, and were up by 0.6% (\$1.7 million) at \$288.2 million, compared with a 2.1% rise in 2010. Base salaries steadied at \$253.6 million, while bonuses rose by 5.5% (\$1.8 million) and staff training outlays were higher by 11.2% (\$0.2 million) compared to 13.4% for 2010.

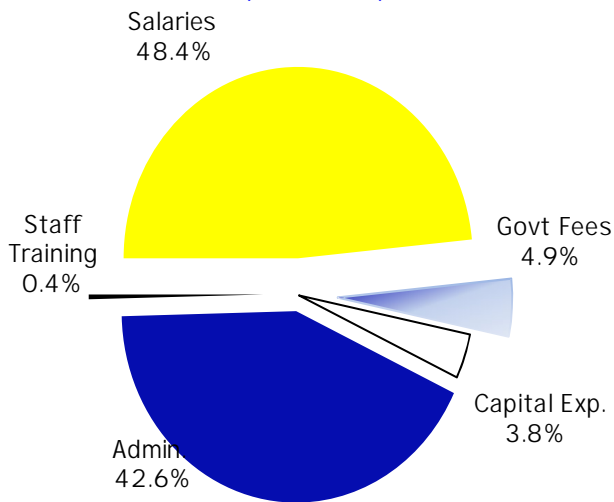
Operational costs, at some 96.2% of total expenditures, grew by 2.9% to \$572.8 million, a slowdown from the 4.5% expansion of the prior year and 5.7% average growth for the preceding five years. Salary payments accounted for more than half of these outlays, and were up by 0.6% (\$1.7 million) at \$288.2 million, compared with a 2.1% rise in 2010. Base salaries steadied at \$253.6 million, while bonuses rose by 5.5% (\$1.8 million) and staff training outlays were higher by 11.2% (\$0.2 million) compared to 13.4% for 2010.

Approximately 5.1% of outlays represented fees paid to Government, which grew by 15.1% (\$3.8 million) to \$28.9 million, in contrast to a 2.7% falloff in 2010. Reflecting recent hikes in fees payable by domestic banks, licensing costs increased by \$4.3 million, to negate a \$0.7 million decline in other "miscellaneous" fee payments. In addition, administrative expenses totalled \$253.3 million, inclusive of lease payments and

DOMESTIC VERSUS INTERNATIONAL BANKING

A disaggregated analysis of domestic and international banking operations emphasizes the more oriented and staff intensive nature of the domestic banks. This compares with the specialized focus of international banks in wealth management operations and other high value-added services, which tend to be relationship focused and require a highly skilled workforce.

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



(6 persons), following the prior year's 5.2% rise. Correspondingly, the ratio of Bahamians to non-Bahamians fell to approximately 3:1 from 4:1.

During 2011, total expenditure of domestic banks increased by 4.0% (\$13.9 million) to \$363.6 million, up from 61.1% of the banking sector's total spending, a moderate increase from the 6.2% (\$20.5 million) rise in 2010. Operational costs, at 95.7% of the total, were up 5.7% (\$18.9 million) at \$348.0 million, due mainly to growth in other administrative costs of 9.6% (\$1.5 million). Increased license fees led to higher payments to the Government, by 37.2% (\$5.4 million), a sharp increase from a 2.0% (\$0.3 million) decline in the prior year. Staff training outlays also advanced by 36.4% (\$0.4 million) to \$1.5 million, whereas reduced construction activity lowered capital expenditure by 24.3% (\$0.9 million) to \$15.6 million. In contrast, salary payments increased marginally by 0.3% (\$0.6 million) to \$171.2 million, offsetting the gain in average salaries by 0.6% at \$42,024.00, which was outpaced by the 6.3% decline in bonus payments to \$4,184.00.

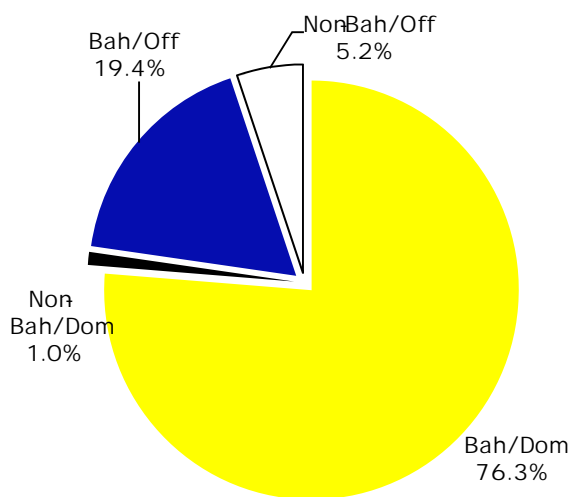
### EMPLOYMENT

Employment in domestic banks declined by 0.3% (11 persons) to 3,705, relative to a 0.7% increase in 2010. For the international banking sector, the continued based contractions resulted in employment falling 8.6% (102) to 1,090 persons, exceeding the decline a year earlier. As a result, domestic banks' share of total sector employment firmed by 1.6 percentage points to 77.3%, while the international bank declined by an equivalent percentage to 22.7%.

A further breakdown showed a reduction in the number of Bahamians employed by domestic banks by approximately 12 persons (0.3%) to 3,657, versus a 0.4% increment in 2010 and a more elevated annual growth rate of 1.2% in the five years to 2010. The number of non-Bahamians was incremented by 48, after a net gain of 11 persons a year earlier; however, on average, non-Bahamians employed in the sector declined by 5.1% between 2006 and 2010. As a result, the ratio of Bahamians to non-Bahamians trended downwards, to 76:1 in 2011, from 78:1 in 2010.

In the international sector, the decline in Bahamian employees was higher at 10.2% (96 persons) to 843 persons, from a 1.1% (10 persons) contraction in 2010. Non-Bahamian workers also decreased by 2.4%

### Employment: Domestic & Int'l Banks (2011)



in the international sector, total outlays declined marginally by 0.2% (\$0.4 million) to \$231.6 million. Operational expenditures fell by 1.3% (\$3.1 million) to \$224.7 million, with employee compensation up 1.1% (\$2.2 million) to \$117.0 million, a reversal from the 1.1% (\$2.1 million) decline a year earlier. Reflecting improvement in salaries, the average base wage

by 8.7% (\$7,183.00) to \$89,817.00 and bonus payments firmed by 28.1% (\$3,848.00) to \$17,523.00. However, Government-related fees fell by \$1.7 million (15.9%) to \$9.0 million and outlays for staff training decreased by \$0.2 million to \$0.9 million. Other administrative expenses were lower by 3.3% (\$3.3 million) at \$97.9 million, relative to the 10.7% rise in 2010. Capital spending grew by \$2.6 million (62.0%) to \$6.8 million in 2011, to reverse the year-earlier 8.7% contraction.

## OTHER FINANCIAL SECTOR ACTIVITIES

### INSURANCE SECTOR

Preliminary indications are that activity in the insurance sector continued to expand at a modest pace, despite some consolidation within the industry aimed at achieving greater cost efficiencies. Based on data from the Insurance Commission of The Bahamas, the number of licensed operations was lower by 51 at 127, partly due to declines in domestic agents & brokers, by 31 to 57, general (non-life), by 24 to 11 and life insurance companies, by 6 to 11.

Domestic insurers' performance indicators were mixed. The total value of assets held fell marginally by 0.3% (\$3.7 million) to \$1,323.9 million, as the decline in the assets of life insurance companies, by 1.5% (\$14.1 million), outpaced an increase in the non-life component of 2.9% (\$10.3 million).

Provisional statistics from the Central Bank's annual survey revealed that, despite the reduction in licensed operators and assets, employment in the sector grew by 4.5% (69 persons) to 1,608. Growth was solely in the Bahamian component, which accounted for 98.3% of the sector's employment, at 1,581, while the number of non-Bahamian employees steadied at 27. Salaries for the sector—excluding bonuses—were up by an estimated \$1.6 million to \$57.3 million; however, the average compensation for full-time employees contracted by 1.9% to \$43,828.00. Government fee payments increased by 20.2% (\$2.8 million) to \$16.6 million, while miscellaneous administrative costs were up by 3.3% to \$30.6 million. Capital outlays, public utility payments and staff training costs were relatively stable at \$11.3 million, \$9.8 million and \$2.5 million, respectively.

### CREDIT UNIONS

Preliminary reports on the credit union sector showed steady gains in activity in comparison to 2010. Total assets of the ten (10) entities in the sector increased by an estimated \$25.7 million (10.3%) to \$274.3 million, following a 5.6% expansion in 2010. The outcome was buoyed by gains in loan portfolios, by 5.2% to \$178.6 million, and liquid investments by 53.0% to \$46.3 million. Estimated revenues for the sector expanded slightly by 1.7% (\$0.4 million) to \$25.0 million, while operational outlays rose by 9.4% (\$1.0 million) to \$11.8 million, occasioned mainly by higher salaries and occupancy costs, of 13.5% and 19.3%, respectively.

According to the Bank's survey of these institutions, at end-2011 credit unions employed 108 Bahamians—a net reduction of 4 from 2010.

### INVESTMENT FUNDS INDUSTRY

Data compiled by the Securities Commission of The Bahamas showed a mixed outcome in terms of licensing activity. The number of approvals granted for Securities Investment Advisors increased to twenty-one (21), from seven (7) a year earlier, due in part to the advantages which companies obtain from utilising management representatives rather than establishing a physical presence. Significantly fewer licenses were granted for Broker Dealers Class I (3) & II (1) and Facilities (1), compared to 2010 when only two (2) licenses were issued for Broker Dealers Class II and none for the other categories. The number of individuals licensed rose by nineteen (19) to one hundred and six (106) and were broken down into Principals (48), securities investment advisers (33), associated persons (15) and brokers (10). In terms of investments, a total of 138 funds and 5 investment fund administrators were licensed in 2011, representing increases over the one hundred and twenty (120) and three (3) recorded in 2010. Further, the number of financial and corporate service providers' licenses fell by three (3) to thirty-three (33)—the bulk of which (22) comprised company registrations.

Active investment funds declined in number by 5.3% (40) to 713, exceeding the 4.4% contraction of 2010. This outturn, reflected significant reductions in the number of Recognized Foreign Funds and Standard Funds, by 54 to 104 and by 20 to 50, respectively, which



During the year, regulators worked closely on preparations for the International Monetary Fund's Financial Sector Assessment Programme (FSAP) mission scheduled for July, 2012. The objectives of the FSAP are to identify financial system strengths, vulnerabilities and risks, and seek to transfer expertise and best practices, and to help the authorities design policy responses to improve the stability and resiliency of the financial system. One aspect of the FSAP is an assessment of The Bahamas' observance with international standards, codes and guidelines in the quality of supervision of the banking [the Basel Core Principles for Effective Banking Supervision (BCP)]; insurance [International Association of Insurance Supervisors' (IAIS) Insurance Core Principles] and securities [International Organization of Securities Commissions' (IOSCO) Objectives and Principles of Securities Regulation] sectors. Earlier self-assessments completed in 2009, and updated by the regulators, were used to identify gaps in their respective legal and regulatory frameworks and develop action plans for addressing such gaps. The FSAP exercise will also examine potential financial stability risks, using stress testing models. Among the documents to be produced at the end of the FSAP, is a Financial System Stability Assessment (FSSA) report, which will contain a summary of the financial sector risks and vulnerabilities, along with a summary of The Bahamas' observance of the various international standards and codes governing regulated activities.

## CONCLUSION AND OUTLOOK

The Bahamian financial services industry continues to demonstrate resilience in the face of ongoing challenges brought on by the global crisis, which has heightened regulatory requirements and squeezed operating margins. Prospects for growing the industry remain favourable, as private/public initiatives continue to exploit increasing wealth management business opportunities in the emerging markets. The Bahamas' commitment to maintaining a competitive environment, in terms of quality services, a robust and adaptive, regulatory and legislative regime, and alignment with international best practices in the areas of transparency, should support this broadening objective.



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

Period	2006r	2007r	2008r	2009r	2010r	2011p	2006p	2007p	2008p	2009p	2010p	2011p
	DOMESTIC						OFFSHORE					
<b>A. TOTAL EMPLOYMENT</b>	3,557	3,766	3,791	3,689	3,716	3,705	1,134	1,223	1,220	1,216	1,192	1,090
1. Non-Bahamians	58	60	56	36	47	48	247	275	278	267	253	247
2. Bahamians (of which)	3,499	3,706	3,735	3,653	3,669	3,657	887	948	942	949	939	843
i) Local Banking	2,964	3,146	3,157	3,162	3,190	3,184	1	--	--	--	--	--
ii) Offshore Banking	79	83	115	61	13	14	566	609	567	652	638	611
iii) Trust Administration	287	293	293	291	341	336	207	210	210	199	192	156
iv) Other	169	184	170	139	125	123	113	129	165	98	109	76
	(B\$ Millions)											
<b>B. TOTAL OPERATIONAL COSTS (1+2+3+4)</b>	275.6	289.3	323.7	312.8	329.1	348.0	171.2	206.3	213.6	220.4	227.8	224.7
1. Salaries <sup>1</sup>	151.3	167.4	182.3	163.8	171.8	171.2	75.7	107.3	107.9	116.9	114.8	117.0
i) Base Salaries	150.0	156.5	163.6	149.5	155.2	155.7	74.5	85.4	90.3	96.4	98.5	97.9
ii) Bonuses	n.a	10.9	18.7	14.3	16.6	15.5	n.a	21.3	17.4	20.5	16.3	19.1
2. Government Fees	8.6	8.9	8.9	14.8	14.5	19.9	9.6	10.4	10.7	11.2	10.7	9.0
i) Licence	4.4	5.1	5.2	11.6	11.5	16.3	4.2	5.0	5.1	5.0	4.9	4.4
ii) Company Registration	0.4	0.5	0.4	0.4	0.3	0.5	1.7	1.5	1.2	1.5	0.9	0.7
iii) Work Permits	0.6	0.6	0.4	0.4	0.3	0.7	2.1	2.3	2.5	2.8	2.8	2.7
iv) Other Government Fees	3.1	2.8	2.9	2.5	2.3	2.4	1.5	1.7	1.9	1.8	2.0	1.2
3. Staff Training	1.5	2.1	1.9	1.0	1.1	1.5	1.4	1.2	1.3	0.9	1.1	0.9
4. Other Administrative Costs	114.3	111.0	130.6	133.2	141.8	155.4	84.6	87.5	93.7	91.4	101.2	97.9
<b>C. CAPITAL EXPENDITURE<sup>2</sup></b>	16.3	18.3	24.2	16.4	20.6	15.6	10.7	9.4	9.0	4.6	4.2	6.8
<b>D. TOTAL EXPENDITURE (B+C)</b>	291.9	307.7	347.9	329.2	349.7	363.6	182.0	215.7	222.6	225.0	232.0	231.6
<b>E. AVERAGE SALARY (B\$'000)<sup>3</sup></b>	42,172	41,559	43,146	40,525	41,764	42,024	65,709	69,860	73,991	79,297	82,634	89,817

Source: The Central Bank of The Bahamas

<sup>1</sup> Includes bonuses

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

<sup>3</sup> Excludes bonuses

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

	Unit	2007p	2008p	2009r	2010r	2011p
<b>Investment Funds Administrations</b>						
Licensed Mutual Funds	Number	782	867	788	753	713
<b>Licensed Administrators</b>						
Asset Under Management	Number	65	66	64	65	65
	<i>B\$ Billions</i>	297.6	269.6	189.6	n/a	n/a
<b>Insurance Companies and Agents</b>						
<b>Domestic Companies and Agents</b>						
Total Domestic Assets	Number	163	170	174	178	127
Average Annual Salaries	Number	144	148	154	157	114
Operating Costs / Total Expenditures	<i>B\$ Millions</i>	1,227.4	1,279.6	1,258.8	1,327.6	1,323.9
	<i>B\$</i>	45,225	45,007	45,084	44,673	43,829
	%	94.1	94.9	92.8	91.2	91.5
<b>External Insurers</b>						
	Number	19	20	20	21	14
<b>Credit Unions</b>						
<b>Number of Unions</b>						
Total Assets	Number	17	17	15	14	10
Employment	<i>B\$ Million</i>	237.4	244.6	257.5	248.6	274.3
Average Annual Salaries	Number	110	108	109	112	108
Total Expenditures	<i>B\$</i>	26,555	26,880	27,099	26,585	27,968
Operating Costs / Total Expenditures	<i>B\$ Million</i>	6.61	6.93	6.46	6.69	6.49
	%	92.8	95.0	95.5	92.2	95.5
<b>Bahamas International Securities Exchange (BISX)</b>						
<b>Securities Listed</b>						
Shares Traded	Number	19	24	24	23	25
Market Capitalization	<i>Thousands</i>	4,770	4,623	4,917	10,860	2,899
	<i>B\$ Billion</i>	3.98	3.30	3.02	2.91	2.91

**Sources:**

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