



Quarterly Economic Review

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The Manager
Research Department
The Central Bank of The Bahamas
P. O. Box N-4868
Nassau, Bahamas

www.centralbankbahamas.com

email address: research@centralbankbahamas.com

QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary data for the second quarter of 2007 indicate that the Bahamian economy expanded at a more moderate pace, compared to the same period a year earlier, based largely on weakened tourism output and reduced growth in consumer demand and tempered foreign investment inflows. Consumer price developments continue to be adversely impacted by the pass-through effects of higher global fuel and commodity prices. Based on preliminary fiscal data for the eleven months to May of FY2006/07, the Government's overall deficit widened as expenditure growth outweighed gains in revenue. In the monetary sector, the slowdown in private sector credit expansion, combined with moderated but still relatively healthy levels of foreign investment inflows, supported improvements in both liquidity and external reserves. External current account developments indicate a marginally lower deficit, benefiting from a reduction in the merchandise trade deficit and an improved surplus on the services account. However, lower foreign investment related inflows led to a narrowing of the capital and financial account surplus.

Net free cash reserves of the banking system rose by 17.6% to \$233.1 million, accounting for a larger portion of Bahamian dollar deposit liabilities at 4.5%; and the broader surplus liquid assets advanced by 29.8% to \$227.6 million, to exceed the statutory minimum by an elevated 26.7%. Interest rate conditions featured a 50 basis points hike in the average interest rate spread to 7.19%, as the average loan rate strengthened by 47 basis points to 10.82%, and the corresponding deposit rate softened by 3 basis points to 3.63%. The average Treasury bill rate for 90 day issues was 9 basis points higher at 2.64%, whereas the benchmark Central Bank Discount Rate and commercial banks' Prime Rate were unchanged at 5.25% and 5.50%, respectively.

The expansion in the monetary aggregates slackened to 4.0% from 4.5% in 2006. Broad money (M2) growth, however, advanced to 3.9% from 3.3%, based on higher increments to both savings (4.4%) and fixed

(3.3%) deposits. Softer gains in demand deposits (5.9%) and currency in active circulation (0.4%) restrained accretions to narrow money (M1) by 1.9 percentage points to 5.0%. Total domestic credit growth at 3.6%, was slightly below the 4.0% advance noted in 2006. Credit to the private sector rose by 2.0%, down from a year-earlier 3.4%, and was buoyed mainly by increases in the personal, transportation and tourism categories. Increased short-term advances and Treasury Bill holdings elevated net credit to Government by 16.5%, up sharply from 3.4% in the previous year; while the rate of increase in credit to the rest of the public sector receded to 5.9% from 15.9%.

Central Government's deficit for the eleven months to May of FY2006/2007 widened by \$15.7 million to \$104.4 million, as the 12.6% hike in expenditures to \$1,314.8 million, surpassed the 12.2% improvement in revenues to \$1,210.4 million. Tax receipts, which also rose by 12.2%, were principally supported by increases in 'other' stamp taxes (35.8%), property taxes (42.0%) and a more modest upturn in taxes on international trade and transactions (6.9%). Moreover, dividend receipts boosted non-tax income by 16.0% (\$15.8 million). On the expenditure side, higher wages and salaries and goods and services payments elevated recurrent spending by 10.5% (\$107.8 million); while the 31.2% (\$31.4 million) advance in capital spending was mainly explained by improvements to public school infrastructure. Net lending to public corporations for budgetary support increased by 18.5% to \$52.9 million. Budgetary financing for the period included borrowings from both domestic and external sources of \$230.3 million and \$13.4 million, respectively. Debt amortization totaled \$122.4 million, and comprised mainly Bahamian dollar obligations. On a calendar year basis, the Direct Charge on Government grew by 0.5% (\$11.1 million) during the second quarter of 2007 to \$2,438.2 million, vis-à-vis end-March. However, the National Debt declined by 1.2% to \$2,884.6 million, as a result of a contraction in Government's contingent liabilities.

Indications are that tourism performance for the second quarter was adversely impacted by developments

relating to the Western Hemisphere Travel Initiative. Total arrivals declined by 12.1% to 1.15 million, with both air and sea visitors lower by 8.8% and 13.8% at 0.41 million and 0.74 million, respectively. The deterioration was broadly based among the major ports of call, with Grand Bahama down by 15.6%; New Providence, by 7.6%, and the Family Islands, by 19.3%. However, the sector benefited from a 6.6% appreciation in hotel room revenues to \$118.6 million, as a 12.6% hike in average room rates offset the 5.3% downturn in the number of rooms sold. This outturn comprised improvements in the New Providence market, where overall room revenues expanded by 8.5%, in contrast to declines in receipts for Grand Bahama (1.1%) and the Family Islands (2.1%), respectively.

A slowdown in mortgage lending suggested a moderation in construction sector activity during the review period, as total disbursements by banking institutions, insurance companies and the Bahamas Mortgage Corporation narrowed by 5.8% to \$127.8 million. Both commercial and residential components recorded respective declines of 10.0% and 5.4%. Similarly, the number of commitments for new construction and repairs receded by 29.9% to 260 and the corresponding value by 34.2% to \$34.0 million. Growth in outstanding mortgages slackened to 12.5% from 17.1%, as the commercial stock declined by 1.1%, while the residential component firmed by 13.9%.

Quarterly consumer price inflation, as measured by changes in the Average Retail Price Index, advanced to 2.2% from 1.7% in the previous year. The largest cost increases were registered for furniture & household operations (5.35%), food and beverages (4.15%) and transport & communication (3.20%). Similarly, in the twelve-months to June, the rate of increase in average consumer prices firmed by 0.8 percentage points to 2.4% over the previous year, reflecting the continuing effects of higher global fuel and commodity prices. The most significant gains occurred for 'other' goods & services (6.64%) and food & beverage (4.18%) costs.

In the external sector, the current account deficit contracted marginally by \$0.5 million to \$291.7 million during the review quarter. This outturn reflected a \$26.6 million (5.6%) improvement in the merchandise trade deficit, based on lower oil and non-oil imports. In addition, the services account surplus expanded by 6.2% to

\$248.3 million, as an upturn in offshore companies' local payments and a reduction in outflows for construction and other "miscellaneous" services, outpaced the weakening in net travel receipts.

The capital and financial account surplus contracted by an estimated \$36.8 million to \$98.0 million, due partly to a slowdown in net direct investment inflows by \$8.9 million to \$91.7 million, as a fall in inflows associated with land sales surpassed the expansion in equity investments. Additionally, other net investment receipts weakened to \$26.3 million from \$61.0 million last year. This development reflected a reduction in net inflows to the private sector by \$30.2 million to \$37.7 million, which offset the \$13.8 million improvement in domestic banks' transactions, to a net inflow of \$10.4 million.

FISCAL OPERATIONS

OVERVIEW

Provisional data on Government's budgetary operations for the eleven months to May of FY2006/07, indicated a widening in the overall deficit to \$104.4 million from \$88.7 million in the comparable period a year earlier. Occasioned by elevated spending on goods and services and personal emoluments, expenditures rose by 12.6% to \$1,314.8 million, outpacing the 12.2% accretion in total revenues to \$1,210.4 million.

REVENUE

Revenue collections advanced by \$131.7 million (12.2%), following a \$168.3 million (18.5%) rise in the comparable period of FY2005/06. The tax component grew by \$119.0 million (12.2%) to \$1,096.0 million and accounted for 90.5% of total receipts. Similarly, non-tax revenues at 9.4% of the total, expanded by \$15.8 million (16.0%) to \$114.4 million. In contrast, capital revenues were lower at \$0.03 million from \$2.2 million a year earlier.

The improvement in tax receipts was mainly associated with a \$52.3 million (35.8%) strengthening in "other" stamp taxes to \$198.4 million and a \$21.7 million (42.0%) upturn in property tax receipts to \$73.2 million, both explained by robust commercial real estate transactions. Taxes on international trade and transactions—primarily import duties—which represented 53.5% of tax revenues,

also posted a gain of \$38.1 million (6.9%) to \$586.1 million; however, this was less than half of the \$78.8 million (16.8%) advance registered in the previous period.

in revenue from other sources to \$45.2 million. Income from fines, forfeits and other administrative fees were lower by \$4.5 million at \$66.7 million, and for property sales, by \$1.3 million at \$0.4 million.

Government Revenue By Source				
(Jul - May)				
	FY05/06		FY06/07	
	B\$M	%	B\$M	%
Property Tax	51.6	4.8	73.2	6.0
Selective Services Tax	32.9	3.0	30.1	2.5
Busines. & Prof Lic. Fees	60.1	5.6	66.8	5.5
Motor Vehicle Tax	16.8	1.6	16.9	1.4
Departure Tax	63.2	5.9	67.2	5.6
Import Duties	420.3	39.0	447.5	37.0
Stamp Tax from Imports	114.6	10.6	126.1	10.4
Export Tax	13.1	1.2	12.5	1.0
Stamp Tax from Exports	0.1	--	--	--
Other Stamp Tax	146.1	13.5	198.4	16.4
Other Tax Revenue	62.4	5.8	65.7	5.4
Fines, Forfeits, etc.	71.2	6.6	66.7	5.5
Sales of Govt. Property	1.7	0.2	0.4	--
Income	25.7	2.4	47.3	3.9
Other Non-Tax Rev.	--	--	0.1	--
Capital Revenue	2.2	0.2	--	--
Grants	1.0	0.1	--	--
Less: Refunds	4.2	0.4	8.4	0.7
Total	1078.7	100.0	1210.4	100.0

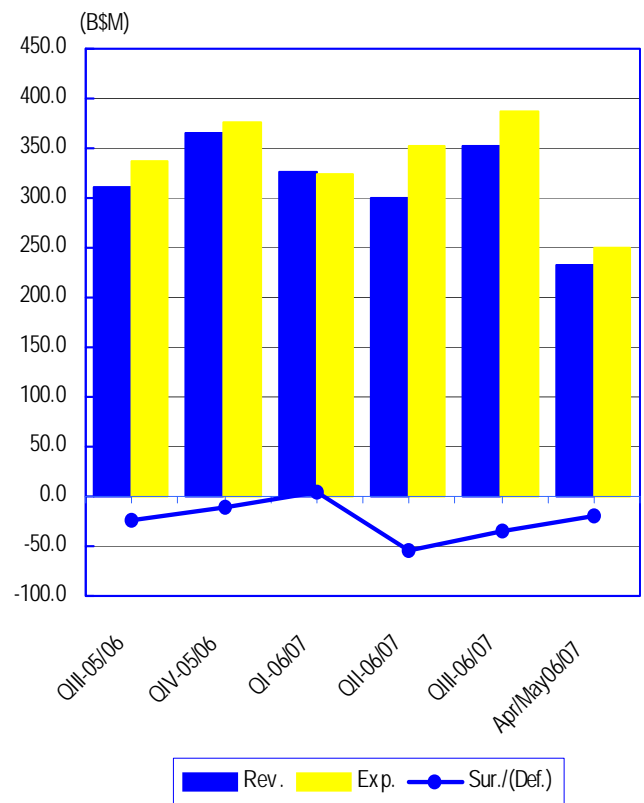
Revenue from business and professional license fees firmed by 11.2% to \$66.8 million, due mainly to a \$3.8 million increase in receipts from international business companies to \$12.3 million; while the intake from company fees & registration rose marginally to \$4.5 million. Additionally, receipts yet to be classified under the appropriate revenue categories, i.e. "other taxes", improved by \$3.2 million to \$65.6 million. Departure taxes grew by \$3.9 million (6.2%) to \$67.2 million and motor vehicle taxes were relatively unchanged at \$16.9 million. Conversely, selective taxes on services fell by 8.3% to \$30.1 million, as the 15.9% decline in hotel occupancy taxes to \$18.7 million outweighed the 7.7% growth in gaming taxes to \$11.4 million.

Non-tax receipts advanced by \$15.8 million (16.0%) to \$114.4 million, as dividend income from a public corporation underpinned a more than two-fold hike

EXPENDITURE

Total expenditure for the review period rose by 12.6%, led by a \$107.8 million (10.5%) hike in recurrent spending to \$1,129.9 million, which represented 86.0% of total outlays. Capital spending, at 10.0% of the total, grew by \$31.4 million (31.2%) to \$132.0 million; while net lending to public corporations (4.0% of the total) increased by \$8.3 million (18.5%) to \$52.9 million.

Fiscal Operations



By economic classification, Government consumption expanded by \$77.4 million (12.1%) to \$716.1 million, comprising a 16.3% advance in purchases of goods and services to \$231.1 million and a 10.2% increase in personal emoluments to \$485.0 million. In addition, transfer payments rose by 7.9% to \$413.8 million, based on growth in subsidies & other transfer

payments (9.3%) and in contractual interest payments on Government's debt obligations (4.6%).

From a functional perspective, expenditures on general public services increased by 14.5% to \$336.5 million, constituting the largest share (29.8%) of recurrent spending. Notable gains were posted for other community service payments (28.2%), education (19.8%), defense (16.1%), health (10.5%) and social benefits (5.6%). Conversely, expenditures on economic services and housing were reduced by 1.9% and 49.1%, respectively—the former reflecting a significant fall-off in outlays for air transportation.

Growth in capital expenditures was largely associated with a near two-fold upturn in spending for education, to \$39.0 million, related to the building and refurbishment of public schools. Outlays for general public services also increased by \$5.6 million to \$23.7 million and for health, by \$5.4 million to \$17.2 million. Lesser gains were registered for economic services (\$2.0 million to \$47.0 million) and for defense (\$0.4 million to \$2.8 million).

FINANCING AND NATIONAL DEBT

Budgetary financing for the period under review included the issuance of an additional \$195.3 million in domestic bonds, \$10.0 million in Treasury bills, external loan drawings of \$13.4 million and advances from the Central Bank and commercial banks of \$25.0 million and \$52.6 million, respectively. Of the \$122.4 million in offsetting debt amortization payments, the majority (\$91.0 million) was allocated for retiring Bahamian dollar obligations and the balance (\$31.4 million) for foreign currency debt.

At end-June 2007, the Direct Charge on Government stood at \$2,438.2 million, some \$11.1 million (0.5%) higher than end-March, but below the \$26.4 million (1.2%) growth to \$2,316.3 million in the comparative period last year. The bulk of Bahamian dollar denominated debt, at 88.9% of the total, was held by public corporations (33.0%), followed by other private and institutional investors (31.8%), commercial banks (26.8%), the Central Bank (8.2%) and Other Local Financial Institutions (0.2%). Government bonds comprised the largest component of Bahamian dollar debt (87.0%), with an average term to maturity in excess of 11 years. Next

were Treasury bills (9.3%) and loans and advances (3.7%)—primarily from the Central Bank.

Inclusive of Government's contingent liabilities, which were reduced by 9.1% to \$446.4 million, the National Debt decreased by 1.2% to \$2,884.6 million; however, on a year-on-year basis, the stock advanced by \$59.3 million (2.1%).

PUBLIC SECTOR FOREIGN CURRENCY DEBT

During the second quarter, public sector foreign currency debt narrowed by \$8.4 million (1.3%) to \$617.0 million, as new drawings (\$68.8 million) were exceeded by amortization payments (\$77.2 million). Government's debt operations comprised new borrowings of \$3.8 million and amortization payments of \$27.6 million, inclusive of a \$25.0 million external bond payment. Public corporations obtained an additional \$65.0 million in bank financing and repaid \$49.7 million of their outstanding debt. At end-June 2007, Government's foreign currency liabilities stood at \$271.3 million, for 44.0% of the total, while the public corporations' stock was \$345.7 million, for the remaining 56.0%.

By creditor profile, commercial banks held the largest share of foreign currency debt (48.9%), followed by private capital markets (32.4%), multilateral and bilateral institutions combined (17.8%) and other agencies (0.9%). Approximately 98% of the foreign currency debt was denominated in United States dollars, with an average maturity of approximately 12 years.

Compared to the second quarter of 2006, foreign currency debt servicing grew by \$65.8 million to \$91.7 million. Amortization payments advanced by \$64.4 million to \$77.2 million and interest expense, by \$1.4 million to \$14.5 million. Consequently, debt service, exclusive of the refinancing of \$40.0 million in public corporations' foreign currency debt, as a proportion of estimated exports of goods and non-factor services, was higher at 6.2% from 3.1% a year-earlier.

2005/2006 BUDGET HIGHLIGHTS

The Government's Budget for FY2007/08, which was presented to Parliament on 30th May 2007 and approved in June 2007, focused on improving the transparency, accountability and orderly conduct of the budgeting process, as well as ongoing rationalization of tariffs

and enhanced tax administration efforts. In this regard, several new policy initiatives were announced, including plans to submit a mid-year performance review of the budget estimates, simplify customs tariffs and merge customs duties and stamp tax on imports. The Budget outlined the Government's intention to achieve a recurrent budget surplus in FY2007/08, and to eliminate the overall deficit by FY2012/13. The improvement in the deficit is projected to reduce the debt-to-GDP ratio in the medium-term to between 30.0% and 35% of GDP, from the current 37.6%.

The Budget projected an overall fiscal deficit of \$125.4 million in FY2007/08, which represents an estimated 1.8% of GDP, and is in line with the earlier projections for FY2006/07. While no new revenue measures were proposed, the Budget emphasized the enforcement of and continued enhancements to revenue administration, with priority placed on the simplification and amalgamation of several categories of taxes and the closing of loopholes. Revenue collections are projected to rise by 10.8% to \$1,483.9 million, buoyed mainly by continued economic growth and increased stamp tax receipts, as revenue administration improves and property sales strengthen. Budgetary outlays were placed at \$1,609.3 million, for a gain of \$145.0 million (9.9%) over FY2006/07, and reflected increased allocations for education, health, defense and social benefits.

On the revenue side, stamp taxes on financial and other transactions and business and professional license fees are budgeted to increase by 41.6% to \$199.6 million and 8.9% to \$85.7 million, respectively. In addition, taxes on international trade and transactions are projected to strengthen by \$79.8 million (11.0%) to \$805.5 million, with some 98.1% representing import-related receipts, which are expected to expand by \$85.6 million (12.1%). Property taxes are anticipated to rise by 21.0% to \$85.6 million; motor vehicle taxes, by 7.9% to \$25.6 million and tourism taxes, by 2.9% to \$55.7 million.

In contrast, non-tax revenue is projected to contract by \$13.9 million (10.2%) to \$122.1 million, explained primarily by a forecasted \$14.5 million (27.9%) reduction in dividend income from public enterprises and receipts from other sources to \$37.6 million. Similarly, collections of fines, forfeits and administration fees are expected to soften by \$0.2 million (0.3%) to \$82.3 million.

In terms of expenditure, recurrent allocations are forecasted to advance by \$115.6 million (9.1%) to \$1,385.1 million, based on hikes in both goods acquisitions and salary payments. Increased allocations for public works projects and asset acquisitions are set to elevate capital expenditures by \$27.4 million (16.9%) to \$189.7 million; and net lending to public corporations is budgeted to rise by \$2.0 million (6.2%) to \$34.4 million.

By economic classification, the budget allotment for Government consumption is expected to expand by 7.8% to \$894.0 million, with an anticipated 6.1% growth in personal emoluments to \$587.5 million and an 11.3% hike in purchases of goods and services to \$306.5 million. Transfer payments are targeted to firm by 11.5% to \$491.2 million, reflecting a significant rise in subsidies and other transfer payments (16.7%), including those to quasi-autonomous agencies (16.1%), households (27.7%) and non-profit institutions (12.5%).

According to the functional breakdown of recurrent expenditure, allocations for general public services are set to rise by 5.3% to \$429.2 million, for 26.7% of the total. Increased outlays are also budgeted for housing (91.0% to \$7.5 million), social benefits and services (21.1% to \$86.6 million); health (18.8% to \$244.1 million), education (17.0% to \$274.2 million), defense (11.6% to \$45.4 million) and economic services (0.9% to \$155.0 million). Conversely, with the redesignation of certain services under different headings, as part of Government's reorganization programme, the contraction in the other community and social services budget mainly reflected some reallocation of expenditure among the various functional categories.

On the capital expenditure side, the budgeted allotment for public works & water supply projects advanced by 4.3% to \$66.3 million. Significant gains in outlays are anticipated for general public services (47.7% to \$42.6 million), education (12.7% to \$27.3 million), health (23.7% to \$17.2 million) and defense (71.6% to \$12.9 million).

REAL SECTOR

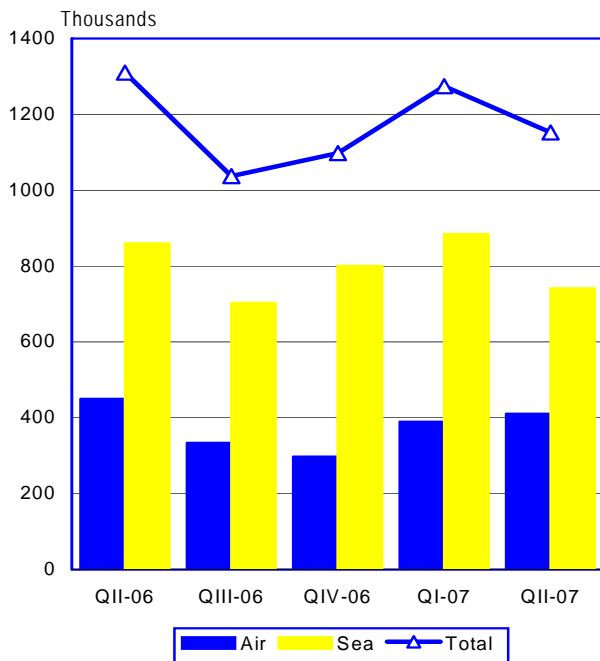
TOURISM

Preliminary tourism performance indicators for the second quarter revealed a contraction in output, as

the complications arising from the Western Hemisphere Travel Initiative (WHTI) appeared to affect travel patterns to The Bahamas.

Consequently, total visitor arrivals declined by 12.1% to 1.15 million, in contrast to a 6.9% expansion in the comparative 2006 period. Air arrivals, at 35.6% of the total, decreased by 8.8% to 0.41 million, a reversal from the year-earlier 4.2% increase; and, following last year's 8.4% improvement, sea visitors contracted by 13.8% to 0.74 million, for a 64.4% share.

Visitor Arrivals



Disaggregated by port of entry, total visitors to New Providence fell by an estimated 7.6% vis-à-vis marginal growth of 0.7% a year earlier, as air and sea traffic declined by 10.8% and 5.3%, respectively. After advancing by 11.0% last year, arrivals to the Grand Bahama market contracted by 15.6%, based on declines in both the air (8.3%) and sea (18.8%) components. Similarly, arrivals to the Family Islands weakened by 19.3%, reversing last year's 19.7% expansion, and reflecting a sharper downturn in the sea segment (24.3%).

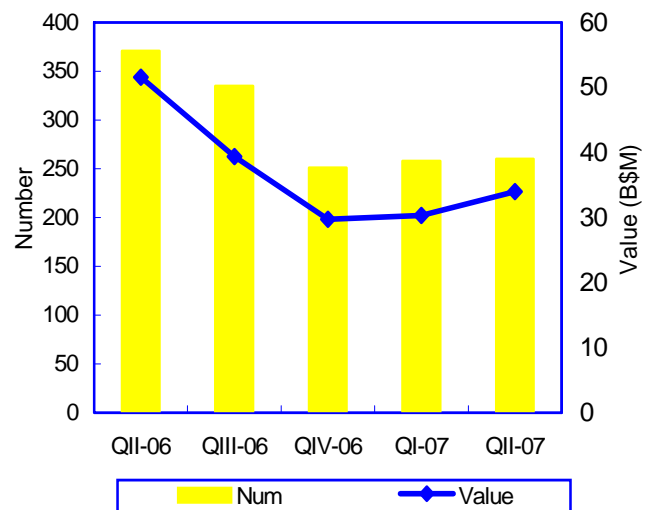
Despite the fall in visitor arrivals and hotel occupancy, the firming in average room rates in the main New Providence market led to heightened hotel revenues

during the second quarter. Total room receipts moved higher by 6.6% to \$118.6 million, occasioned by a 12.6% improvement in average daily room rates to \$200.31 per night, which outstripped a 5.3% reduction in occupied room nights. In terms of major markets, room revenues for the largest New Providence properties advanced by 8.5%, as the 5.6% weakening in occupied room nights was eclipsed by the 15.0% upturn in average room rates. Despite average room growth of 3.2%, Grand Bahama's hotel receipts decreased by 1.1%, owing to a 4.1% decline in the number of rooms sold. Total room revenues in the Family Islands also fell by 2.1%, as the 2.7% rise in average daily rates did not compensate for the 4.6% reduction in occupied room nights.

CONSTRUCTION

Indications are that construction output remained relatively subdued during the review quarter, as evidenced by moderated lending for local building activity. Quarterly data on mortgages, as reported by banks, insurance companies and the Bahamas Mortgage Corporation, placed total mortgage disbursements 5.8% below the year-earlier period at \$127.8 million. This reflected declines in both commercial (10.0%) and residential (5.4%) loan disbursements, to \$9.0 million and \$118.8 million, respectively.

Mortgage Commitments: New Construction and Repairs



Suggestive of near-term softness in domestically financed construction activity, mortgage commitments for new construction and repair projects contracted by 29.9% to 260, with a corresponding fall-off in value by 34.2% to \$34.0 million. Both the number and value of residential commitments fell by 31.0% to 245, and 37.6% to \$31.4 million, respectively. Similarly, commercial commitments moderated by 1 to 15; however, the total value rose by \$1.3 million to \$2.6 million.

At end-June, the total value of mortgages outstanding rose, on a year-on-year basis, by 12.5% to \$2,631.5 million, although below the previous year's growth of 17.1%. Residential mortgages, at 92.0% of the total, firmed by 13.9% to \$2,421.2 million; however, commercial mortgages declined by 1.1%. Domestic banks accounted for the largest share of mortgages (88.5%), followed by insurance companies (7.1%) and the Bahamas Mortgage Corporation (4.4%).

Lending terms were slightly tightened, with the average rate on commercial loans up by 3 basis points, on a year-on-year basis, to 9.1% at end-June, vis-à-vis a 6 basis point drop to 8.8% in 2006. Similarly, the average residential loan rate firmed by 5 basis points to 8.8%, in contrast to a 1 basis point easing to 8.3% a year earlier.

PRICES

Domestic consumer price developments, as measured by the variations in the Retail Price Index, continued to be influenced by the pass-through effects of higher fuel and commodity prices. The rate of increase in average consumer prices firmed to 2.20% in the second quarter from 1.67% in the same period of 2006, with gains broadly-based among the various items.

The most significant increases were recorded for furniture & household operation (5.35%), transport & communication (3.20%), recreation & entertainment services (2.44%) and education (2.25%). Meanwhile, average price gains moderated for food & beverages (4.15%), "other" good & services (2.04%), medical care & health (1.34%), clothing & footwear (0.70%) and housing (0.25%).

For the twelve-months through June 2007, average consumer price inflation strengthened to 2.43% from 1.63% in 2006. Notable price gains were registered for "other" goods & services (6.64%), food & beverages

(4.18%), recreation & entertainment services (3.21%), furniture & household operation (2.65%) and medical care & health (2.61%); with more modest accretions of less than 2.0% among the remaining categories.

Average Retail Price Index

(Annual % Changes)
June

Items	Weight	2006		2007	
		Index	%	Index	%
Food & Beverages	138.3	123.3	4.1	128.5	4.2
Clothing & Footwear	58.9	106.2	-0.3	107.1	0.8
Housing	328.2	107.4	2.8	108.4	1.0
Furn. & Household	88.7	122.0	2.1	125.3	2.7
Med. Care & Health	44.1	136.6	1.4	140.1	2.6
Trans. & Comm.	148.4	109.0	-1.0	110.9	1.7
Rec., Enter. & Svcs.	48.7	121.4	-1.8	125.3	3.2
Education	53.1	170.1	1.3	171.5	0.8
Other Goods & Svcs.	91.6	127.7	3.8	136.2	6.6
ALL ITEMS	1000	118.2	1.6	121.1	2.4

During the review quarter, global oil market developments fed through to hikes in average gasoline and diesel costs, which rose by 16.9% to \$4.40 per gallon and 9.0% to \$3.32 per gallon, respectively. Moreover, the continued run-up in oil prices also impacted electricity generation costs, as the Bahamas Electricity Corporation (BEC) increased its assessed fuel surcharge over the three-month period, by an estimated 9.3% to 10.57¢ per kWh.

MONEY, CREDIT AND INTEREST RATES

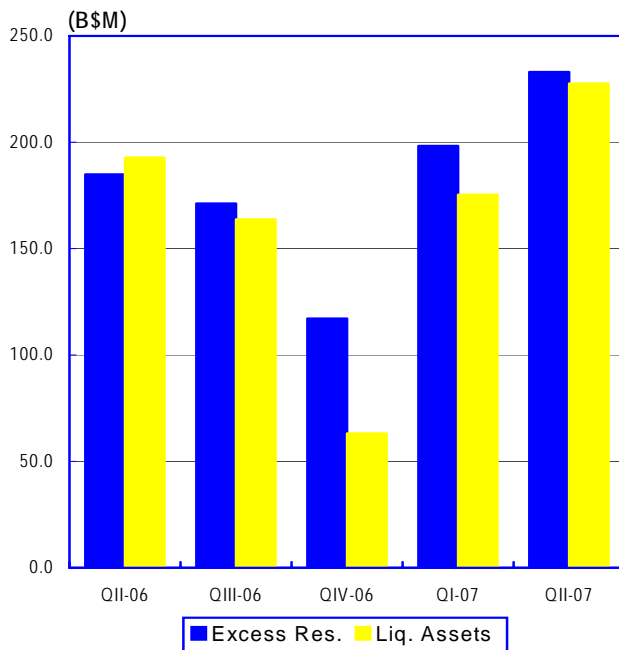
OVERVIEW

Monetary developments over the second quarter featured a moderation in private sector credit expansion which, alongside tempered foreign investment related inflows, supported growth in liquidity and external reserves. Competitive credit conditions and the build-up in

deposits widened the average loan-to-deposit spread, as borrowing costs firmed and deposit rates softened.

Data for the first three months of 2007 indicate sustained gains in banks' profitability ratios, reinforced by improvements in net interest income and reduced costs in several major categories. Moreover, asset quality indicators for the April to June period were stable compared to the preceding quarter, as the proportion of total loan arrears in banks' portfolios remained relatively unchanged.

Liquidity



LIQUIDITY

Net free cash reserves of the banking system strengthened by \$34.8 million (17.6%) to \$233.1 million, reversing last year's \$4.1 million (2.1%) contraction to \$184.9 million. Consequently, the ratio of net free cash reserves to total Bahamian dollar deposits increased on a year-on-year basis by 0.6 percentage points to 4.5%. Likewise, the broader surplus liquid assets rose by \$52.3 million (29.8%) to \$227.6 million, exceeding the statutory minimum by an elevated 26.7% at end-June 2006.

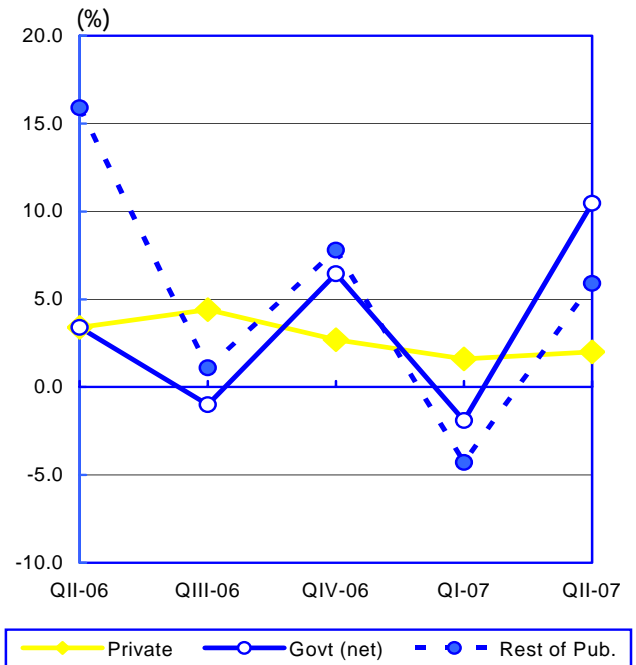
DEPOSITS AND MONEY

The overall money supply (M3) expanded by 4.0% (\$211.1 million) to \$5,533.0 million, following growth of 4.5% a year earlier. Accretions to narrow money (M1) were slightly lower at 5.0% vis-à-vis 6.9%, mainly on account of a marked slowdown in the expansion of demand deposit growth to 5.9%, whereas the rate of increase in the currency component was relatively unchanged at 0.4%. The advance in broad money (M2) widened to 3.9% from 3.3% a year ago, based on strengthened accretions to both savings (4.4%) and fixed deposits (3.3%), respectively. Gains in private sector deposits elevated foreign currency balances by 6.2% to \$170.4 million, although below the 51.3% upturn registered last year.

Proportionally, Bahamian dollar fixed deposits represented the largest component of the money stock (54.3%), followed by demand deposits (20.1%), savings deposits (18.6%), currency in active circulation (3.9%), and resident's foreign currency deposits (3.1%).

DOMESTIC CREDIT

Changes in Credit



Total domestic credit grew by 3.6% (\$246.3 million) during the quarter, compared to 4.0% (\$243.9 million) in the comparative period last year. The slowing was primarily attributed to the private sector, which accounted for the bulk of credit at 83.3%, and registered a lower increase of \$114.4 million (2.0%) relative to last year's \$172.8 million (3.4%). Conversely, the expansion in net claims on the public sector broadened by more than four-fifths to 12.6% (\$131.9 million), mainly on account of a 16.5% (\$109.5 million) firming in net credit to Government, by way of increased advances and Treasury bill holdings. However, this was partially offset by a more than halving in growth of public corporations' liabilities to 5.9% (\$22.5 million).

(2.4%), residential mortgages (3.2%) and personal overdrafts (3.3%).

By economic sector, credit increased for transport (13.6%), tourism (2.7%), construction (0.7%), manufacturing (1.3%) and distribution (0.2%). In contrast, net claims on professional & other services, entertainment & catering, fisheries and mining & quarrying contracted by 3.4%, 10.5%, 4.3% and 1.1%, respectively.

In terms of the consumer component, significant loan gains were recorded for debt consolidation (\$13.2 million), miscellaneous (\$11.6 million), private cars (\$6.6 million), land purchases (\$5.2 million), credit cards (\$4.9 million) and home improvement (\$3.5 million) purposes. Smaller credit extensions were registered for medical purposes (\$0.7 million), travel (\$0.6 million), furnishings & domestic improvements (\$0.2 million), and education (\$0.03 million); while there was a net repayment of \$0.3 million for taxis & rented car companies.

THE CENTRAL BANK

Increased holdings of Government deposits alongside sales of Treasury bills, underpinned a 16.0% contraction in the Central Bank's net claims on Government to \$163.1 million, in contrast to last year's 16.8% expansion. Based on an upturn in deposits, growth in the Bank's net liabilities to the rest of the public sector was contained to \$7.1 million vis-à-vis \$24.1 million a year-earlier, while net liabilities to commercial banks contracted by \$20.4 million.

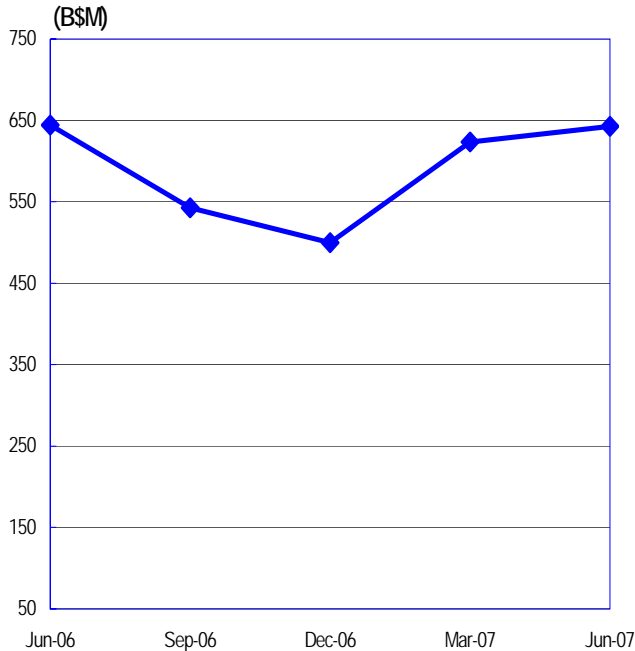
Foreign investment inflows, combined with more moderated private sector expansion, elevated growth in external reserves by \$19.2 million (3.1%) compared to \$6.4 million last year. However, the level of reserves at end-June was \$1.3 million lower than the previous year at \$642.9 million. The Bank's improved net foreign currency purchase position was largely explained by a 52.3% hike in the net intake from commercial banks to \$90.6 million, which offset the 40.8% increase in the net sale to the public sector to \$78.3 million.

At end-June, the ratio of external reserves to non-oil merchandise imports stood slightly lower at an estimated 16.5 weeks, and useable reserves declined by \$18.1 million to \$281.7 million.

Distribution of Bank Credit By Sector				
End-June				
	2006		2007	
	B\$M	%	B\$M	%
Agriculture	10.4	0.2	10.3	0.2
Fisheries	14.7	0.3	14.9	0.2
Mining & Quarry	14.2	0.3	9.4	0.1
Manufacturing	49.8	0.9	51.8	0.8
Distribution	185.5	3.3	207.9	3.3
Tourism	235.5	4.2	252.9	4.0
Enter. & Catering	61.2	1.1	47.0	0.8
Transport	21.0	0.4	42.0	0.7
Public Corps.	322.2	5.7	262.4	4.2
Construction	398.3	7.0	413.9	6.6
Government	75.7	1.3	139.7	2.2
Private Financial	21.7	0.4	26.1	0.4
Prof. & Other Ser.	157.3	2.8	148.8	2.4
Personal	3,760.8	66.5	4,299.1	68.6
Miscellaneous	330.0	5.8	341.0	5.4
TOTAL	5,658.2	100.0	6,267.2	100.0

On a currency basis, Bahamian dollar claims, which accounted for the majority of credit extended (90.0%), advanced by 4.0% (\$242.0 million) compared to 3.9% (\$208.2 million) in 2006. Accretions to foreign currency credit were sharply lower by \$31.3 million at \$4.3 million. The bulk of private sector claims were concentrated in personal loans (73.5%), which firmed by \$144.4 million (3.5%), reflecting gains in consumer credit

External Reserves



90.0% of accounts. Balances between \$10,000 and \$50,000 comprised 13.4% of the total value and 6.9% of the overall number; and accounts with balances exceeding \$50,000 represented a corresponding 78.4% of the aggregate value but only 3.1% of the accounts.

Credit quality indicators showed continued soundness of the financial system, as total balances in arrears, represented by loans with past due payments of at least one month, fell marginally to 7.6%, although a slight increase from the 7.2% rate at end-June 2006. By major categories, the arrears rate for commercial loans softened by 1.7 percentage points to 8.3% over end-March 2007, although remaining above the 6.1% of last year. The quarterly arrears rate advanced slightly for both mortgages and consumer loans, to 7.5% and 7.7%, respectively.

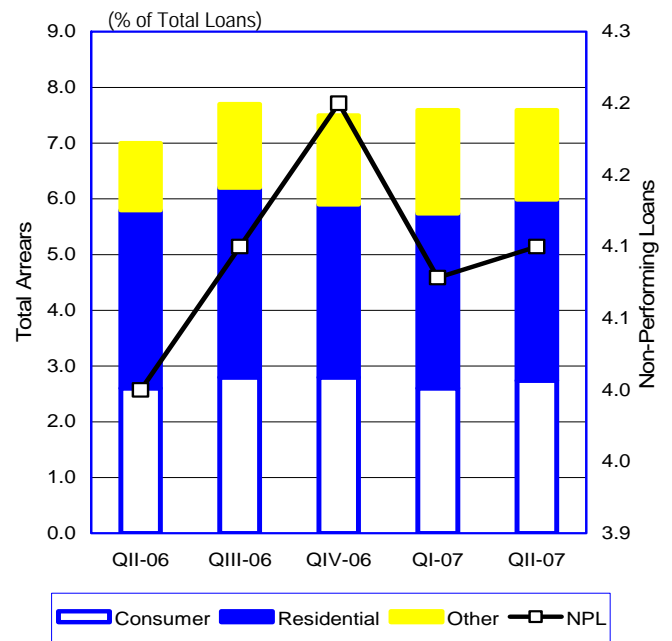
Domestic Banks

Banks' liquidity measures improved moderately for the quarter, as stabilized gains in deposit liabilities (3.3%) outstripped growth in the dominant private sector credit (2.0%) category. Increased investments in Treasury bills caused banks' claims on the public sector to advance more strongly by 19.4%, and resulted in a corresponding decline in net claims on the Central Bank by \$19.4 million, compared to a slight \$1.9 million advance a year ago. Meanwhile, higher profitability levels underpinned a \$50.8 million strengthening in capital & surplus resources and a \$10.4 million (1.4%) reduction in net foreign liabilities to \$767.3 million.

The banking system's deposit liabilities totaled \$5,392.9 million at end-June, with the majority (96.8%) denominated in Bahamian dollars. Of the latter, the largest share was held by private individuals (57.9%), followed by business firms (25.4%) and public corporations (7.4%). The remaining combined balance (9.3%) was attributed to the Government and other miscellaneous holders.

An analysis of Bahamian dollar deposits by range of value and number of accounts revealed that balances of \$10,000 or less accounted for 8.2% of total value and

Loan Arrears & Non-Performing Balances

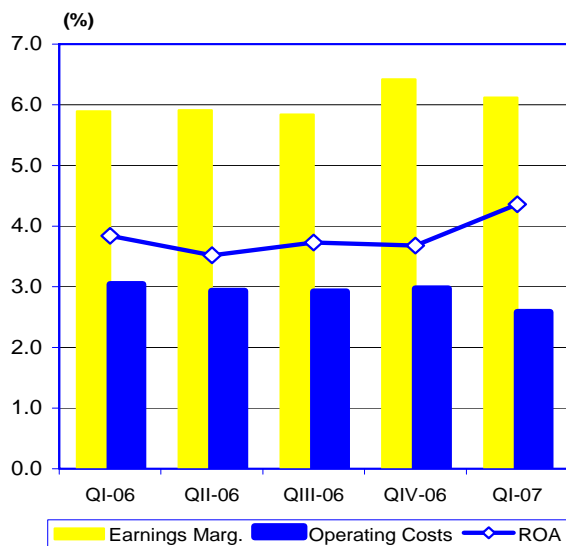


In the context of these developments, banks' Bahamian dollar loan-loss provisions stabilized on a quarterly basis, at 2.1%. Total provisions as a percentage of non-performing loans—represented by accounts with past due payments of at least 3 months on which banks have ceased accruing interest—firmed marginally to 51.3% at end-June 2007, and the latter was a consistent 4.1% of total loans.

BANK PROFITABILITY

During the first quarter of 2007, domestic banks' net profits expanded by \$17.9 million (26.1%) to \$86.4 million, compared to the corresponding period of 2006. Buoyed by relatively higher loan rates, interest income firmed by \$37.5 million (25.8%) to \$182.7 million, outpacing the deposit led growth in interest expense of \$21.6 million (45.7%) to \$68.9 million. Consequently, the net interest margin advanced by 16.2% (\$15.9 million) to \$113.8 million. Inclusive of a 7.7% (\$0.5 million) advance in commission & forex income, the gross earnings margin expanded by 15.6% (\$16.4 million) to \$121.5 million. In addition, operating expenses fell by 5.6% to \$51.2 million, due mainly to a decline in staff costs (\$6.7 million), which offset accretions in 'other' operating costs (\$3.7 million). In contrast, other "miscellaneous" net income contracted by 8.9% (\$1.6 million) to \$16.2 million, led by a decline in revenue from other sources by 7.3% (\$2.0 million).

Domestic Banks' Profitability



Banks' profitability in relation to domestic assets also showed modest strengthening. The net interest margin improved by 0.25 percentage points to 5.74%, although the commission and foreign exchange earnings ratio softened by 0.1 percentage points to 0.39%. Reflective of efficiency gains, the operating cost ratio fell by 0.46 percentage points to 2.58%. Consequently, the net income ratio improved by 0.52 percentage points to 4.36%.

INTEREST RATES

Domestic banks' average interest rate spread on loans and deposits widened by 50 basis points to 7.19% during the quarter, as fairly competitive credit conditions boosted average loan rates by 47 basis points to 10.82%. Reflecting the excess supply of funds, average deposit rates fell marginally by 3 basis points to 3.63%.

On the deposit side, the average savings rate eased on a quarterly basis by 5 basis points to 1.96%, while the spread between the various maturities of fixed deposits narrowed from 3.44% - 4.84% to 3.50% - 4.19%. In contrast, the average demand deposit rate firmed by 38 basis points to 2.45%.

Lending rate developments included a 20 basis points hike in the average residential mortgage rate to 8.13%, which was offset by a 30 basis points easing in the average commercial loan rate to 8.26%. Average costs advanced for consumer loans, by 67 basis points to 12.82%; for overdrafts, by 92 basis points to 12.39% and for other "miscellaneous" loans, by 20 basis points to 8.02%. The average Treasury bill rate for 90 day issues trended slightly higher to 2.64% by end-June; while the benchmark rates, commercial bank's Prime and the Central Bank's Discount Rate, remained at 5.50% and 5.25%, respectively.

CAPITAL MARKETS DEVELOPMENTS

The Bahamas International Share Exchange (BISX) All Share Price Index gained 1.9% to 1,815.1 points during the review quarter, following a 2.0% increase in the previous three-month period. Share volumes for the period more than doubled to 2.1 million, inclusive of a 1.1 million equity transaction on behalf of Colina Holdings/Global Bahamas Holdings Ltd. Correspondingly, the value of shares traded was enlarged by 30.7% to \$6.6 million, with market capitalization up marginally by 2.2% to \$3.4 billion.

Since end-March, the Fidelity Capital Market Limited's Index (FINDEX)—which includes over-the-counter trading—grew by 2.3% to 805.7 points at end-June, although below the 12.3% gain in the comparative 2006 period.

Banking Sector Interest Rates

Period Average (%)

	Qtr. II <u>2006</u>	Qtr. I <u>2007</u>	Qtr. II <u>2007</u>
Deposit rates			
Demand Deposits	2.32	2.07	2.45
Savings Deposits	2.13	2.01	1.96
Fixed Deposits			
Up to 3 months	3.13	3.44	3.50
Up to 6 months	3.60	3.88	3.86
Up to 12 months	3.88	4.32	4.19
Over 12 months	4.10	4.84	4.05
Weighted Avg Deposit Rate	3.30	3.66	3.63
Lending rates			
Residential mortgages	7.82	7.93	8.13
Commercial mortgages	8.42	8.56	8.26
Consumer loans	11.97	12.15	12.82
Other Local Loans	7.64	7.82	8.02
Overdrafts	10.38	11.47	12.39
Weighted Avg Loan Rate	9.90	10.35	10.82

the more expensive product categories led to an \$11.7 million (6.0%) reduction in oil imports to \$183.0 million. In terms of average prices, the cost per barrel of gas oil increased by 3.6% to \$91.82; jet fuel, by 46.9% to \$134.32; propane fuel, by 5.0% to \$60.31 and motor gas by 3.6% to \$104.67; however, bunker 'c' fuel prices fell by 20.9% to \$23.21.

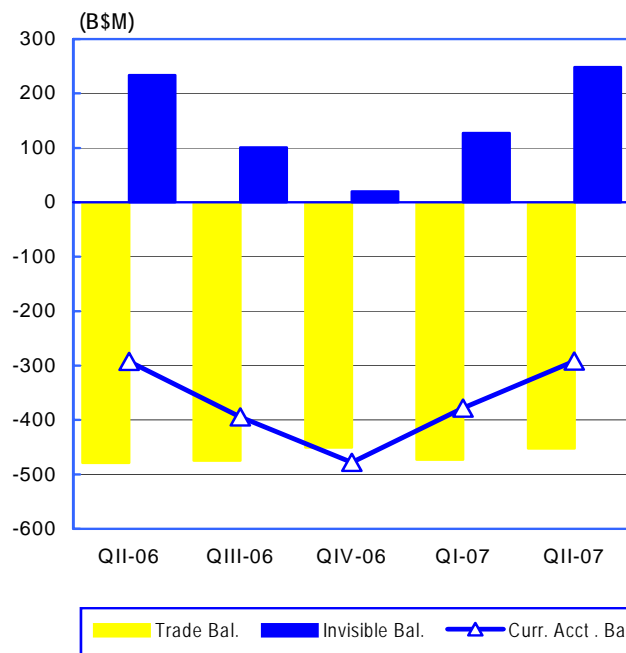
The estimated surplus on the services account widened by \$14.5 million (6.2%) to \$248.3 million, inclusive of an upturn in offshore companies' local expenses by \$12.4 million to \$46.4 million. Similarly, net outflows for construction, other "miscellaneous" and Government services moderated by \$15.5 million, \$9.0 million and \$1.2 million, to \$36.4 million, \$132.5 million and \$3.9 million, respectively. These tempered the contraction in net travel receipts by an estimated \$21.2 million (4.2%) to \$488.8 million. Moreover, modest gains were registered for net transportation and net insurance service payments.

INTERNATIONAL TRADE AND PAYMENTS

Preliminary data for the second quarter of 2007 indicate that the current account deficit was relatively unchanged from the comparative 2006 period at \$291.7 million. Moderated import demand led to a contraction in the merchandise trade deficit, while the services account surplus improved as the weakening in net travel inflows was offset by the decline in largely foreign investment related service outflows and growth in offshore companies local expenses. In contrast, net income payments expanded, while net current transfer receipts weakened.

The merchandise trade deficit contracted by an estimated \$26.6 million (5.6%) to \$452.3 million, as a slowdown in domestic demand led to a reduction in non-oil imports by \$19.1 million (5.3%) to \$343.2 million. Goods procured in port also declined by \$4.3 million (5.5%) to \$74.0 million. Despite upturns in total oil volumes and average prices, a reduction in the quantity of

Balance of Payments



Net payments by the private sector underpinned a \$31.8 million (48.1%) hike in net income outflows to \$98.0 million. Net investment income outflows rose by a similar magnitude, as non-bank net interest and dividend payments more than doubled to \$79.3 million; while the

commercial banks' portion reverted to a net receipt of \$2.0 million from a net payment of \$12.7 million last year. However, outflows under the official transactions account eased marginally to \$1.1 million.

Net current transfer receipts contracted by almost half to \$10.2 million, as inflows to Government decreased by \$7.2 million to \$12.8 million. In contrast, private sector net outflows more than doubled to \$2.6 million, occasioned by a strengthening in workers' remittance payments to \$2.9 million from \$1.3 million a year earlier.

Preliminary data positioned the surplus on the capital and financial account \$36.8 million lower at \$98.0 million. This development reflected a slowdown in net inflows for other investments to \$26.3 million from \$61.0 million last year, as the reversal in domestic banks' transactions to a net receipt of \$10.4 million was overshadowed by a moderation in private sector investment inflows by almost half to \$37.7 million. In addition, Government's net outflows rose by \$21.3 million to \$22.8 million, reflecting the final repayment on an external bond issue.

Net direct investment inflows were lower by \$8.9 million at \$91.7 million, owing to a \$12.2 million decline in land purchases, which outpaced the \$3.3 million increase in inward equity investment flows. In contrast, portfolio investment outflows slackened by \$9.4 million to \$3.1 million, while net outward capital transfers by migrants firmed by \$2.7 million to \$16.8 million.

As a result of these developments, and after adjusting for possible errors and omissions, the overall balance as measured by changes in external reserves, recorded a higher surplus of \$19.2 million, compared to \$6.3 million in the second quarter of 2006.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Indications are that global economic growth remained strong during the second quarter, buoyed by robust activity in the United States and Asia, alongside sustained expansions in Europe. In this context, labour market conditions were slightly improved. Monetary policy was tightened in both Europe and Asia in response to upside price risks, but was unchanged in the United States where the countervailing forces of inflation and

economic growth appeared to be in balance. The consequential narrowing in the average interest rate spread between the United States and other major markets contributed to further depreciation in the dollar. In contrast, investors' confidence over prospects for global growth and strong merger and acquisition activity resulted in world equity indices firming throughout the quarter.

The United States economy expanded at a brisk annualized rate of 4.0% in the second quarter compared with 0.6% in the March period. The accelerated momentum mainly reflected growth in federal government spending and inventory and business investments, as consumer spending, which accounts for two-thirds of overall economic activity, grew at a much slower pace of 1.4% vis-à-vis 3.7%. Fuelled by improvements in the production and construction sectors, output in the United Kingdom rose by 0.8% on a quarterly basis, 0.1 percentage points higher than the previous period's expansion. Real GDP growth in the euro area slowed to an annualized 2.5% from 3.2% in the first quarter, mainly due to softening investments and a sharp contraction in construction activity in the two largest economies—Germany and France. After posting a 3.2% annualized rise in the opening quarter, output in Japan fell by 1.2% in the following period, as corporate spending, which had been the key driver of growth in recent years, registered its second consecutive quarterly decline. China's rapid growth continued unabated, rising higher by an annualized 11.9%, up from 11.1% last quarter, amid an upsurge in foreign capital investments and net export gains.

With relatively stable labour force and employment trends, the unemployment rate in the United States was unchanged at 4.5% in the second quarter. In contrast, the United Kingdom's jobless rate declined by 0.1 percentage points to 5.4%. Improvements in labour market conditions in both Germany and France, fostered a decline in the quarterly unemployment rate in the euro zone, from 7.1% to 6.9% at end-June 2007. On a quarterly basis, Japan's unemployment rate improved by 0.6 percentage points to 3.6% in June, its lowest monthly level in a year.

Despite the pickup in commodity costs, efforts by central banks to reduce consumer demand helped to contain the rise in average consumer prices. In the United States, inflation for the twelve-months to June stood slightly lower at 2.7%, compared with 2.8% in March, with

the main increases in the food, medical care and energy sectors. The annualized growth in average consumer prices in the United Kingdom slowed to 2.4% in June from 3.1% at end-March, as fuel and food costs moderated. Euro zone inflation stabilized at 1.9% over the second quarter. After posting a marginal monthly 0.3% expansion in March, average consumer prices in Japan declined by 0.2% in June; and the higher cost of food was a key factor behind the 1.7% acceleration in China's inflation rate to 4.4%.

In exchange rate developments, the narrowing in the interest rate spread between the United States and other major economies, along with the continued uncertainty in that country's housing sector, resulted in the dollar falling against most of the major currencies. On a quarterly basis, the dollar depreciated against the Pound Sterling by 2.0% to £0.4978, and by 1.39% to €0.7384 versus the Euro, but gained 0.49% vis-à-vis the Swiss Franc to CHF1.22. In terms of the Asian currencies, the dollar declined against the Chinese Yuan by 1.46% to 7.61 Yuan and, influenced by a low interest rate environment in Japan, rose against the Yen by 4.54% to ¥123.18.

Despite higher market interest rates and concerns about the US sub-prime mortgage sector, equity markets posted impressive gains in the second quarter—supported by strong economic growth and robust levels of merger and acquisition activity. In the United States, the Dow Jones Industrial Average (DJIA) attained a series of historical highs, briefly eclipsing the 13,600 level and closing out with a quarterly gain of 8.5% to 13,408.62 points. The Standard and Poor's 500 Index (S&P 500) increased by 5.8% to 1,503.35 points, having surpassed its March 2000 record close of 1,527.57 near end-May. A similar pattern was observed in the European markets, as the United Kingdom's FTSE 100, France's CAC 40 and Germany's DAX rose by 4.75% to 6,607.9 points, 7.47% to 6,054.93 points, and 15.76% to 8,007.32 points, respectively. In Asia, Japan's Nikkei 225 advanced by 4.9% to 18,138.36 points, while the sustained buoyancy of the Chinese economy fueled a 20% surge in the Shanghai Composite Index to 3,820.7 points.

In the commodity markets, concern over gasoline supplies and a series of problems at major refineries resulted in crude oil prices increasing by 6.1% to \$70.77 per barrel during the review quarter. With regards to

precious metals, the price of gold and silver decreased by 2.1% to \$649.65 per ounce and 7.2% to \$12.41 per ounce, respectively, as investors sought higher returns in other asset classes.

During the second quarter, the Federal Reserve held the federal funds and primary credit rates unchanged at 5.25% and 6.25% respectively, as concerns over the impact of higher commodity prices on inflation were balanced against the housing induced slowdown in the economy. In contrast, the European Central Bank increased its key interest rates by 25 basis points each, amid apprehension over the “upside risks to price stability”. With inflation still above the 2.0% target and the economy accelerating, the Bank of England also raised its official rate by 25 basis points in May to 5.5%. Faced with softened growth prospects and benign inflation, the Bank of Japan maintained both the overnight call and complimentary lending facility rates at 0.5% and 0.75%, respectively. On the other hand, the People's Bank of China raised the reserve requirement ratio on depository institutions on three separate occasions, by a combined 1.5 percentage points to 11.5%, in an effort to tighten liquidity and prevent the economy from “overheating”. In addition, the Bank expanded the reserve requirement on foreign currency deposits by one percentage point to 5.0% and adjusted both the benchmark deposit and lending rates, by 0.27 and 0.18 percentage points to 3.06% and 6.57%, respectively.

In external account developments, the United States' trade deficit declined by an estimated 0.5% to \$175.9 million in the second quarter vis-à-vis the previous three-month period, benefiting from growth in net exports. The United Kingdom's trade deficit narrowed on a quarterly basis by £2.9 billion to £10.9 billion in the April to June period. The goods and services trade surplus in the euro zone weakened to €22.3 billion during the review quarter, compared to a €24.0 billion balance recorded in the previous period. Reflective of an improvement in net investment inflows, which offset a deterioration in the trade and services balance, Japan's current account surplus increased by ¥9.2 trillion to ¥65.5 trillion. Surging exports reinforced growth in China's trade surplus during the second quarter, on a year-on-year basis, by 85.5% to \$26.9 billion.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

TABLE 1
FINANCIAL SURVEY

End of Period	2002			2003			2004			2005			2006			2007		
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.			
	(B\$ Millions)																	
Net foreign assets	(357.3)	(143.8)	104.3	180.4	154.4	71.1	(32.2)	(16.3)	(6.4)	(181.1)	(254.4)	(133.4)	(124.5)					
Central Bank	373.2	484.3	667.8	718.6	761.1	665.2	578.8	637.8	644.2	542.7	499.7	623.5	642.8					
Domestic Banks	(730.5)	(628.1)	(563.5)	(538.2)	(606.7)	(594.1)	(611.0)	(654.1)	(650.6)	(723.8)	(754.1)	(756.9)	(767.3)					
Net domestic assets	4,193.5	4,147.1	4,317.2	4,435.4	4,620.1	4,601.1	4,862.4	4,950.5	5,161.6	5,259.8	5,399.5	5,455.3	5,657.5					
Domestic credit	4,940.4	4,974.0	5,227.2	5,359.8	5,581.4	5,624.2	5,899.5	6,051.4	6,295.3	6,524.9	6,742.9	6,802.1	7,049.3					
Public sector	870.8	879.4	887.8	981.0	953.8	876.2	945.8	935.7	1,006.8	1,004.5	1,074.2	1,044.3	1,176.2					
Government (net)	651.3	506.5	547.1	639.1	619.7	575.1	642.5	621.2	642.2	636.0	677.0	664.2	773.7					
Rest of public sector	219.5	372.9	340.7	341.9	334.1	301.1	303.3	314.5	364.6	368.5	397.2	380.1	402.5					
Private sector	4,069.6	4,094.6	4,339.4	4,378.8	4,627.6	4,748.0	4,953.7	5,115.7	5,288.5	5,520.4	5,668.7	5,757.8	5,873.1					
Other items (net)	(746.9)	(826.9)	(910.0)	(924.4)	(961.3)	(1,023.1)	(1,037.1)	(1,100.9)	(1,133.7)	(1,265.1)	(1,343.4)	(1,346.8)	(1,391.8)					
Monetary liabilities	3,836.2	4,003.3	4,421.5	4,615.8	4,774.5	4,672.2	4,830.2	4,934.2	5,155.2	5,078.7	5,145.1	5,321.9	5,533.0					
Money	817.7	907.4	1,134.4	1,244.3	1,291.0	1,184.0	1,247.6	1,265.5	1,352.7	1,263.6	1,251.1	1,267.9	1,330.7					
Currency	154.8	160.1	176.6	175.6	169.8	188.8	195.3	198.2	198.3	199.0	202.1	216.1	216.9					
Demand deposits	662.9	747.3	957.8	1,068.7	1,121.2	995.2	1,052.3	1,067.3	1,154.4	1,064.6	1,049.0	1,051.8	1,113.8					
Quasi-money	3,018.5	3,095.9	3,287.1	3,371.5	3,483.5	3,488.2	3,582.6	3,668.7	3,802.5	3,815.1	3,894.0	4,054.0	4,202.3					
Fixed deposits	2,296.2	2,315.9	2,410.3	2,426.4	2,463.3	2,514.2	2,556.6	2,636.2	2,687.9	2,720.8	2,781.5	2,907.3	3,002.0					
Savings deposits	630.7	678.8	779.9	814.6	852.4	852.6	881.8	911.6	931.8	941.1	953.3	986.2	1,029.9					
Foreign currency	91.6	101.2	96.9	130.5	167.8	121.4	144.2	120.9	182.8	153.2	159.2	160.5	170.4					
	(percentage changes)																	
Total domestic credit	5.6	0.7	5.1	2.5	4.1	0.8	4.9	2.6	4.0	3.6	3.3	0.9	3.6					
Public sector	12.3	1.0	1.0	10.5	(2.8)	(8.1)	7.9	(1.1)	7.6	(0.2)	6.9	(2.8)	12.6					
Government (net)	4.0	(22.2)	8.0	16.8	(3.0)	(7.2)	11.7	(3.3)	3.4	(1.0)	6.4	(1.9)	16.5					
Rest of public sector	47.1	69.9	(8.6)	0.4	(2.3)	(9.9)	0.7	3.7	15.9	1.1	7.8	(4.3)	5.9					
Private sector	4.3	0.6	6.0	0.9	5.7	2.6	4.3	3.3	3.4	4.4	2.7	1.6	2.0					
Monetary liabilities	3.2	4.4	10.4	4.4	3.4	(2.1)	3.4	2.2	4.5	(1.5)	1.3	3.4	4.0					
Money	5.3	11.0	25.0	9.7	3.8	(8.3)	5.4	1.4	6.9	(6.6)	(1.0)	1.3	5.0					
Currency	0.8	3.4	10.3	(0.6)	(3.3)	11.2	3.4	1.5	0.1	0.4	1.6	6.9	0.4					
Demand deposits	6.4	12.7	28.2	11.6	4.9	(11.2)	5.7	1.4	8.2	(7.8)	(1.5)	0.3	5.9					
Quasi-money	2.7	2.6	6.2	2.6	3.3	0.1	2.7	2.4	3.6	0.3	2.1	4.1	3.7					

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

End of Period	2002			2003			2004			2005			2006			2007	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.		
	(B\$ Millions)																
Net foreign assets	(349.7)	(130.7)	70.9	161.4	121.6	35.5	(65.9)	(47.7)	(30.2)	(148.5)	(235.0)	(84.1)	(68.6)				
Central Bank	373.2	484.3	667.8	718.6	761.1	665.2	578.8	637.8	644.2	542.7	499.7	623.5	642.8				
Commercial banks	(722.9)	(615.0)	(596.9)	(557.2)	(639.5)	(629.7)	(644.7)	(685.5)	(674.4)	(691.2)	(734.7)	(707.6)	(711.4)				
Net domestic assets	4,092.4	4,025.1	4,247.2	4,348.0	4,546.6	4,534.6	4,786.9	4,880.9	5,094.5	5,140.3	5,299.4	5,327.1	5,518.9				
Domestic credit	4,793.2	4,822.8	5,083.1	5,218.9	5,438.3	5,482.6	5,752.7	5,900.8	6,142.5	6,372.6	6,588.8	6,650.8	6,899.5				
Public sector	867.6	874.9	883.4	976.7	949.0	871.4	945.8	930.9	1,001.6	999.0	1,068.9	1,039.0	1,171.0				
Government (net)	648.2	502.1	542.7	634.8	614.9	570.3	642.5	616.4	637.0	630.5	671.7	658.9	768.5				
Rest of public sector	219.4	372.8	340.7	341.9	334.1	301.1	303.3	314.5	364.6	368.5	397.2	380.0	402.5				
Private sector	3,925.6	3,947.9	4,199.7	4,242.2	4,489.3	4,611.2	4,806.9	4,969.9	5,140.9	5,373.6	5,519.9	5,611.8	5,728.5				
Other items (net)	(700.8)	(797.7)	(835.9)	(870.9)	(891.7)	(948.0)	(965.8)	(1,019.9)	(1,048.0)	(1,232.3)	(1,289.4)	(1,323.7)	(1,380.6)				
Monetary liabilities	3,742.7	3,894.4	4,318.1	4,509.4	4,668.2	4,570.1	4,716.1	4,833.2	5,064.3	4,991.8	5,064.4	5,243.0	5,450.3				
Money	808.5	895.8	1,124.7	1,231.2	1,275.1	1,169.6	1,223.0	1,245.5	1,338.1	1,246.3	1,238.1	1,254.3	1,313.0				
Currency	154.8	160.1	176.6	175.6	169.8	188.8	195.3	198.2	198.3	199.0	202.1	216.1	217.0				
Demand deposits	653.7	735.7	948.1	1,055.6	1,105.3	980.8	1,027.7	1,047.3	1,139.8	1,047.3	1,036.0	1,038.2	1,096.0				
Quasi-money	2,934.2	2,998.6	3,193.4	3,278.2	3,393.1	3,400.5	3,493.1	3,587.7	3,726.2	3,745.5	3,826.3	3,988.7	4,137.3				
Savings deposits	630.4	678.5	779.7	814.3	852.2	852.4	881.6	911.5	931.7	941.1	953.1	986.0	1,029.6				
Fixed deposits	2,212.2	2,218.8	2,316.8	2,333.4	2,373.1	2,426.8	2,467.4	2,555.3	2,611.7	2,651.2	2,714.1	2,842.2	2,937.3				
Foreign currency deposits	91.6	101.3	96.9	130.5	167.8	121.3	144.1	120.9	182.8	153.2	159.1	160.5	170.4				
	(percentage change)																
Total domestic credit	5.3	0.6	5.4	2.7	4.2	0.8	4.9	2.6	4.1	3.7	3.4	0.9	3.7				
Public sector	12.4	0.8	1.0	10.6	(2.8)	(8.2)	8.5	(1.6)	7.6	(0.3)	7.0	(2.8)	12.7				
Government (net)	4.1	(22.5)	8.1	17.0	(3.1)	(7.3)	12.7	(4.1)	3.3	(1.0)	6.5	(1.9)	16.6				
Rest of public sector	47.1	69.9	(8.6)	0.4	(2.3)	(9.9)	0.7	3.7	15.9	1.1	7.8	(4.3)	5.9				
Private sector	3.8	0.6	6.4	1.0	5.8	2.7	4.2	3.4	3.4	4.5	2.7	1.7	2.1				
Monetary liabilities	2.9	4.1	10.9	4.4	3.5	(2.1)	3.2	2.5	4.8	(1.4)	1.5	3.5	4.0				
Money	5.1	10.8	25.6	9.5	3.6	(8.3)	4.6	1.8	7.4	(6.9)	(0.7)	1.3	4.7				
Currency	0.8	3.4	10.3	(0.6)	(3.3)	11.2	3.4	1.5	0.1	0.4	1.6	6.9	0.4				
Demand deposits	6.2	12.5	28.9	11.3	4.7	(11.3)	4.8	1.9	8.8	(8.1)	(1.1)	0.2	5.6				
Quasi-money	2.3	2.2	6.5	2.7	3.5	0.2	2.7	2.7	3.9	0.5	2.2	4.2	3.7				

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

End of Period	(B\$ Millions)																	
	2002			2003			2004			2005			2006			2007		
	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Mar.	Jun.	
Net foreign assets																		
Balances with banks abroad	373.2	484.3	667.8	761.1	665.2	578.8	637.8	644.2	542.7	499.7	623.5	642.8	644.2	542.7	499.7	623.5	642.8	
Foreign securities	126.3	183.7	311.1	309.3	230.0	145.4	210.4	212.1	116.8	90.5	226.7	246.2	212.1	116.8	90.5	226.7	246.2	
Reserve position in the Fund	238.3	291.3	347	442.7	426.1	424.4	418.4	422.8	416.47	399.8	387.3	387.0	422.8	416.47	399.8	387.3	387.0	
SDR holdings	8.5	9.3	9.7	9.1	9.1	9.0	9.0	9.3	9.3	9.4	9.5	9.5	9.3	9.3	9.4	9.5	9.5	
	0.1	--	--	--	--	--	--	--	0.1	--	--	0.1	--	0.1	--	--	0.1	
Net domestic assets																		
Net claims on Government	92.0	15.2	(13.1)	(62.4)	27.9	23.1	(21.0)	(25.9)	83.9	85.1	89.9	50.9	(25.9)	83.9	85.1	89.9	50.9	
Claims	172.9	108.4	141.9	167.5	134.7	122.0	111.3	129.9	182.3	182.5	194.2	163.1	129.9	182.3	182.5	194.2	163.1	
Treasury bills	182.4	114.8	149.5	215.9	152.8	149.7	150.7	137.4	198.0	190.6	201.8	176.9	137.4	198.0	190.6	201.8	176.9	
Bahamas registered stock	72.0	--	--	--	--	--	--	--	43.4	52.2	49.1	--	--	43.4	52.2	49.1	--	
Loans and advances	38.6	43.8	78.5	138.9	75.8	72.7	73.7	75.4	77.6	76.4	90.6	104.9	75.4	77.6	76.4	90.6	104.9	
Deposits	71.8	71.0	71.0	77.0	77.0	77.0	77.0	62.0	77.0	62.0	62.0	72.0	62.0	77.0	62.0	62.0	72.0	
In local currency	(9.5)	(6.4)	(7.6)	(48.4)	(18.1)	(27.7)	(39.4)	(7.5)	(15.7)	(8.1)	(7.5)	(13.8)	(7.5)	(15.7)	(8.1)	(7.5)	(13.8)	
In foreign currency	(9.5)	(6.4)	(7.6)	(48.4)	(18.1)	(27.7)	(39.4)	(7.5)	(15.7)	(8.1)	(7.5)	(13.8)	(7.5)	(15.7)	(8.1)	(7.5)	(13.8)	
	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Deposits of rest of public sector	(10.1)	(21.6)	(87.7)	(153.3)	(34.0)	(26.1)	(54.1)	(77.8)	(12.4)	(18.3)	(22.8)	(29.8)	(77.8)	(12.4)	(18.3)	(22.8)	(29.8)	
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Official capital and surplus	(98.3)	(97.3)	(98.2)	(102.7)	(105.2)	(105.5)	(114.0)	(108.5)	(107.2)	(107.3)	(115.4)	(112.6)	(108.5)	(107.2)	(107.3)	(115.4)	(112.6)	
Net unclassified assets	19.9	18.4	22.3	17.7	24.0	24.4	27.6	22.3	13.1	20.1	25.8	22.3	22.3	13.1	20.1	25.8	22.3	
Loans to rest of public sector	6.7	6.4	7.6	7.4	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	7.2	7.2	7.1	7.0	6.9	
Public Corp Bonds/Securities	0.9	0.9	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	
Liabilities To Domestic Banks																		
Notes and coins	(296.5)	(324.2)	(462.2)	(514.0)	(489.5)	(392.0)	(403.9)	(404.9)	(412.4)	(367.3)	(481.7)	(461.3)	(404.9)	(412.4)	(367.3)	(481.7)	(461.3)	
Deposits	(66.3)	(79.6)	(78.5)	(69.5)	(54.9)	(105.8)	(57.0)	(60.4)	(59.1)	(116.2)	(60.3)	(72.0)	(60.4)	(59.1)	(116.2)	(60.3)	(72.0)	
	(230.2)	(244.6)	(383.7)	(444.5)	(434.6)	(286.2)	(346.9)	(344.5)	(353.3)	(251.1)	(421.4)	(389.2)	(344.5)	(353.3)	(251.1)	(421.4)	(389.2)	
SDR allocation	(13.9)	(15.2)	(15.9)	(14.9)	(14.8)	(14.6)	(14.7)	(15.1)	(15.2)	(15.4)	(15.4)	(15.5)	(15.1)	(15.2)	(15.4)	(15.4)	(15.5)	
Currency held by the private sector	(154.8)	(160.1)	(176.6)	(169.8)	(188.8)	(195.3)	(198.2)	(198.3)	(199.0)	(202.1)	(216.1)	(216.9)	(198.3)	(199.0)	(202.1)	(216.1)	(216.9)	

Source: The Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

End of Period	(B\$ Millions)																	
	2002			2003			2004			2005			2006			2007		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	
Net foreign assets	(730.5)	(628.1)	(563.5)	(538.2)	(606.7)	(594.1)	(611.0)	(654.1)	(650.6)	(723.8)	(754.1)	(756.9)	(767.3)					
Net claims on Central Bank	295.8	322.4	461.4	435.8	513.2	488.7	389.7	403.2	405.1	418.1	366.5	479.8	460.4					
Notes and Coins	66.3	79.6	78.5	62.1	69.5	54.9	105.8	57.0	60.4	59.1	116.2	60.3	72.0					
Balances	230.3	243.6	383.7	374.5	444.5	434.6	284.7	347.0	345.5	359.8	251.1	420.4	389.2					
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8					
Net domestic assets	3,750.3	3,814.7	4,018.7	4,129.4	4,265.7	4,267.0	4,518.2	4,615.1	4,753.6	4,797.4	4,935.4	5,003.4	5,190.8					
Net claims on Government	478.4	398.1	405.2	497.7	452.2	440.4	528.9	510.0	512.3	453.8	494.5	469.9	610.6					
Treasury bills	38.8	47.6	26.7	85.4	86.5	48.5	66.1	78.0	125.3	34.6	10.0	18.9	139.6					
Other securities	341.2	369.6	393.3	398.0	385.6	414.3	400.5	413.9	417.8	447.5	437.1	446.7	437.9					
Loans and advances	170.0	74.5	78.2	115.5	85.3	77.0	150.7	122.6	75.7	70.9	156.3	107.7	139.7					
Less: deposits	71.6	93.6	93	101.2	105.2	99.4	88.4	104.5	106.5	99.2	108.9	103.3	106.6					
Net claims on rest of public sector	(143.8)	53.0	91.5	84.3	46.4	5.0	(25.3)	(11.4)	(14.0)	(15.2)	12.3	15.4	(7.7)					
Securities	9.4	18.6	18.6	21.6	23.6	20.6	20.6	22.6	34.3	34.3	121.1	118.4	115.9					
Loans and advances	202.5	347.0	313.5	311.8	302.0	272.1	265.8	283.6	322.2	326.1	268.1	253.7	278.6					
Less: deposits	355.7	312.6	240.6	249.1	279.2	287.7	311.7	317.6	370.5	375.6	376.8	356.6	402.3					
Other net claims	3.5	3.5	(14.1)	(8.7)	(7.4)	(4.3)	(5.9)	(4.2)	8.2	(42.3)	(17.9)	(31.3)	(37.6)					
Credit to the private sector	4069.6	4094.6	4339.4	4,378.8	4,627.6	4,748.0	4,953.7	5,115.7	5,288.5	5,520.4	5,668.7	5,757.8	5,873.1					
Securities	10.2	20.4	14.7	15.6	28.4	18.1	28.2	27.4	28.2	29.2	21.7	20.3	24.3					
Mortgages	1309.2	1438.4	1631.1	1,680.5	1,762.2	1,836.3	1,919.1	1,996.8	2,084.2	2,182.3	2,258.1	2,320.7	2,390.4					
Loans and advances	2,750.2	2,635.8	2,693.6	2,682.7	2,837.0	2,893.6	3,006.4	3,091.5	3,176.1	3,308.9	3,388.9	3,416.9	3,458.4					
Private capital and surplus	(722.9)	(1032.5)	(1121.4)	(1,130.8)	(1,141.8)	(1,160.4)	(1,197.5)	(1,278.4)	(1,299.2)	(1,420.7)	(1,477.5)	(1,501.3)	(1,552.1)					
Net unclassified assets	69.0	301.5	318.1	299.4	281.3	234.0	264.3	283.4	257.8	301.4	255.3	292.8	304.5					
Liabilities to private sector	3,315.3	3,508.9	3,916.6	4,026.9	4,172.2	4,161.6	4,297.1	4,364.2	4,508.1	4,491.7	4,547.8	4,726.4	4,883.9					
Demand deposits	690.5	766.2	921	974.8	1,044.6	999.2	1,092.2	1,066.1	1,161.4	1,128.7	1,112.9	1,124.8	1,164.7					
Savings deposits	634.3	682.1	783.7	818.5	856.9	855.1	885.3	915.1	937.6	949.0	956.8	988.3	1,032.7					
Fixed deposits	1990.5	2060.6	2211.9	2,233.6	2,270.7	2,307.3	2,319.6	2,383.0	2,409.1	2,414.0	2,478.1	2,613.3	2,686.5					

Source: The Central Bank of The Bahamas

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

Period	2003				2004				2005				2006				2007	
	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	
1. Interest Income	435,099	474,049	533,519	646,269	120,307	126,166	134,328	152,718	145,220	156,110	162,343	182,596	182,718					
2. Interest Expense	164,071	168,412	178,153	225,205	43,723	43,388	44,443	46,599	47,289	53,343	57,560	67,013	68,909					
3. Interest Margin (1-2)	271,028	305,637	355,366	421,064	76,584	82,778	89,885	106,119	97,931	102,767	104,783	115,583	113,809					
4. Commission & Forex Income	23,451	26,425	28,665	29,543	5,787	6,766	8,950	7,162	7,134	6,973	6,648	8,788	7,680					
5. Gross Earnings Margin (3+4)	294,479	332,062	384,031	450,607	82,371	89,544	98,835	113,281	105,065	109,740	111,431	124,371	121,489					
6. Staff Costs	114,818	116,033	125,378	138,087	29,918	30,322	32,286	32,852	33,502	33,914	35,985	34,686	26,848					
7. Occupancy Costs	18,585	16,284	18,558	20,669	3,623	5,273	4,082	5,580	4,744	5,292	5,682	4,951	4,595					
8. Other Operating Costs	52,182	60,051	54,888	63,002	10,443	15,305	14,915	14,225	16,036	15,093	14,022	17,851	19,773					
9. Operating Costs (6+7+8)	185,585	192,368	198,824	221,758	43,984	50,900	51,283	52,657	54,282	54,299	55,689	57,488	51,216					
10. Net Earnings Margin (5-9)	108,894	139,694	185,207	228,849	38,387	38,644	47,552	60,624	50,783	55,441	55,742	66,883	70,273					
11. Depreciation Costs	22,803	9,739	12,625	11,088	3,119	2,843	3,053	3,610	2,818	2,842	2,810	2,618	2,935					
12. Provisions for Bad Debt	38,562	35,806	21,897	43,129	5,015	6,866	4,779	5,237	6,181	10,819	7,967	18,162	5,696					
13. Other Income	75,669	74,197	76,750	101,633	19,701	21,452	16,272	19,325	26,750	23,607	26,185	25,091	24,794					
14. Other Income (Net) (13-11-12)	14,304	28,652	42,228	47,416	11,567	11,743	8,440	10,478	17,751	9,946	15,408	4,311	16,163					
15. Net Income (10+14)	123,198	168,346	227,435	276,265	49,954	50,387	55,992	71,102	68,534	65,387	71,150	71,194	86,436					
16. Effective Interest Rate Spread (%)	5.99	6.48	6.45	6.15	6.12	6.32	6.60	6.76	6.24	6.28	6.12	5.96	5.88					
	(Ratios To Average Assets)																	
Interest Margin	4.71	4.91	5.42	5.62	4.73	4.94	5.28	6.71	5.49	5.54	5.49	5.97	5.74					
Commission & Forex Income	0.41	0.43	0.44	0.40	0.36	0.40	0.53	0.45	0.40	0.38	0.35	0.45	0.39					
Gross Earnings Margin	5.11	5.34	5.85	6.02	5.08	5.34	5.81	7.17	5.89	5.91	5.84	6.42	6.12					
Operating Costs	3.22	3.09	3.02	2.97	2.71	3.04	3.01	3.33	3.04	2.93	2.92	2.97	2.58					
Net Earnings Margin	1.89	2.25	2.83	3.05	2.37	2.30	2.79	3.84	2.85	2.99	2.92	3.45	3.54					
Net Income	2.14	2.70	3.47	3.69	3.08	3.01	3.29	4.50	3.84	3.52	3.73	3.68	4.36					

*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

(B\$ Millions)

End of Period	2002			2003			2004			2005			2006			2007		
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	
Money supply (M1)	817.7	907.4	1,134.4	1,244.3	1,291.0	1,184.0	1,247.6	1,263.6	1,251.1	1,265.5	1,352.7	1,263.6	1,251.1	1,267.9	1,330.7			
1) Currency in active circulation	154.8	160.1	176.6	175.6	169.8	188.8	195.3	199.0	202.1	198.2	198.3	199.0	202.1	216.1	216.9			
2) Demand deposits	662.9	747.3	957.8	1,068.7	1,121.2	995.2	1,052.3	1,064.6	1,049.0	1,067.3	1,154.4	1,064.6	1,049.0	1,051.8	1,113.8			
Central Bank	10.1	21.7	87.7	164.1	153.3	34.0	26.1	12.4	18.3	54.1	78.2	12.4	18.3	22.8	29.8			
Domestic Banks	652.8	725.6	870.1	904.6	967.9	961.2	1,026.2	1,052.2	1,030.7	1,013.2	1,076.2	1,052.2	1,030.7	1,029.0	1,084.0			
Factors affecting changes in money (M1)																		
1) Net credit to Government	651.3	506.5	547.1	639.1	619.7	575.1	642.5	636.0	677.0	621.2	642.2	636.0	677.0	664.2	773.7			
Central Bank	172.9	108.4	141.9	141.4	167.5	134.7	122.0	182.3	182.5	111.2	129.9	182.3	182.5	194.2	163.1			
Domestic Banks	478.4	398.1	405.2	497.7	452.2	440.4	520.5	453.7	494.5	510.0	512.3	453.7	494.5	470.0	610.6			
2) Other credit	4,289.1	4,467.5	4,680.1	4,720.7	4,961.7	5,049.1	5,257.0	5,888.9	6,065.9	5,430.2	5,653.1	5,888.9	6,065.9	6,137.9	6,275.6			
Rest of public sector	219.5	372.9	340.7	341.9	334.1	301.1	303.3	368.5	397.2	314.5	364.6	368.5	397.2	380.1	402.5			
Private sector	4,069.6	4,094.6	4,339.4	4,378.8	4,627.6	4,748.0	4,953.7	5,520.4	5,668.7	5,115.7	5,288.5	5,520.4	5,668.7	5,757.8	5,873.1			
3) External reserves	373.2	484.3	667.8	718.6	761.1	665.2	578.8	644.2	499.7	637.8	644.2	542.7	499.7	623.5	642.8			
4) Other external liabilities (net)	(730.5)	(628.1)	(563.5)	(538.2)	(606.7)	(594.1)	(611.0)	(723.8)	(754.1)	(654.1)	(650.6)	(723.8)	(754.1)	(756.9)	(767.3)			
5) Quasi money	3,018.5	3,095.9	3,287.1	3,371.5	3,483.5	3,488.2	3,582.6	3,802.5	3,894.0	3,668.7	3,802.5	3,815.1	3,894.0	4,054.0	4,202.2			
6) Other items (net)	(746.9)	(826.9)	(910.0)	(924.4)	(961.3)	(1,023.1)	(1,037.1)	(1,133.7)	(1,343.4)	(1,100.9)	(1,133.7)	(1,265.1)	(1,343.4)	(1,346.8)	(1,391.8)			

Source: The Central Bank of The Bahamas

TABLE 7
CONSUMER INSTALMENT CREDIT*

End of Period	2003			2004			2005			2006			2007		
	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Jun.	Sept.	Dec.	Mar.	Jun.	
CREDIT OUTSTANDING															
Private cars	221,334	212,679	209,092	207,781	209,879	226,337	222,787	226,337	228,421	231,191	237,786				
Taxis & rented cars	2,054	2,349	2,431	2,323	2,317	2,568	2,340	2,502	2,568	2,305	2,004				
Commercial vehicles	4,254	5,212	6,224	6,681	6,038	6,829	6,551	6,588	6,829	7,024	6,985				
Furnishings & domestic appliances	12,727	13,972	15,220	15,673	17,309	19,658	18,277	18,768	19,658	20,018	20,265				
Travel	40,815	40,814	38,601	41,454	41,435	45,944	42,151	46,929	45,944	42,898	43,506				
Education	49,903	46,926	45,748	48,891	47,737	52,858	48,257	53,095	52,858	52,219	52,249				
Medical	13,662	13,811	14,002	14,157	14,446	17,320	16,227	16,691	17,320	18,149	18,846				
Home Improvements	109,296	114,199	122,629	128,838	134,334	152,851	142,222	145,557	152,851	154,103	157,601				
Land Purchases	120,265	150,096	160,883	165,735	174,645	201,318	186,023	190,508	201,318	212,473	217,701				
Consolidation of debt	343,660	346,795	361,100	391,303	413,193	459,791	439,948	447,458	459,791	469,828	482,978				
Miscellaneous	334,267	374,008	376,510	392,602	412,162	489,122	438,374	463,648	489,122	505,010	516,608				
Credit Cards	148,265	166,073	161,334	172,367	188,058	226,401	196,474	210,102	226,401	223,774	228,627				
TOTAL	1,400,502	1,486,934	1,513,774	1,587,805	1,661,553	1,903,081	1,759,631	1,828,183	1,903,081	1,938,992	1,985,156				
NET CREDIT EXTENDED															
Private cars	-23,844	-8,655	-455	-1,311	2,098	2,084	6,322	3,550	2,084	2,770	6,595				
Taxis & rented cars	78	295	106	-108	-6	66	18	162	66	-263	-301				
Commercial vehicles	-259	958	462	457	-643	241	378	37	241	195	-39				
Furnishings & domestic appliances	-1,804	1,245	691	453	1,636	890	610	491	890	360	247				
Travel	-2,320	-1	-5	2,853	-19	-985	2,662	4,778	-985	-3,046	608				
Education	-9,584	-2,977	-682	3,143	-1,154	-237	-136	4,838	-237	-639	30				
Medical	-656	149	81	155	289	629	1,287	464	629	829	697				
Home Improvements	-2,505	4,903	7,168	6,209	5,496	7,294	4,234	3,335	7,294	1,252	3,498				
Land Purchases	9,790	29,831	5,885	4,852	8,910	10,810	8,393	4,485	10,810	11,155	5,228				
Consolidation of debt	-7,282	3,135	10,709	30,203	21,890	12,333	10,403	7,510	12,333	10,037	13,150				
Miscellaneous	-8,359	39,741	1,683	16,092	19,560	25,474	12,611	25,274	25,474	15,888	11,598				
Credit Cards	-10,519	17,808	808	11,033	15,691	16,299	9,831	13,628	16,299	-2,627	4,853				
TOTAL	-57,264	86,432	26,451	74,031	73,748	74,898	56,613	68,552	74,898	35,911	46,164				

Source: The Central Bank of The Bahamas
* Includes both demand and add-on loans

TABLE 8
SELECTED AVERAGE INTEREST RATES

(%)

Period	2004		2005		2006		2007		
	2004	2005	2005	2006	2006	2007	2007	2007	
	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
DOMESTIC BANKS									
Deposit rates									
Savings deposits	2.57	2.26	2.16	2.10	2.13	2.16	2.14	2.01	1.96
Fixed deposits									
Up to 3 months	3.69	3.13	3.17	3.04	3.13	3.16	3.25	3.44	3.50
Up to 6 months	4.46	3.41	3.63	3.28	3.60	3.63	3.83	3.88	3.86
Up to 12 months	4.26	3.58	3.93	3.53	3.88	3.88	4.10	4.32	4.19
Over 12 months	4.30	3.62	4.18	3.53	4.10	4.15	4.32	4.84	4.05
Weighted average rate	3.83	3.22	3.36	3.11	3.30	3.31	3.51	3.66	3.63
Lending rates									
Residential mortgages	8.81	8.08	7.85	7.82	7.82	7.84	7.78	7.93	8.13
Commercial mortgages	9.17	8.10	8.37	8.15	8.42	8.30	8.65	8.56	8.26
Consumer loans	12.96	12.22	11.96	12.59	12.07	12.10	11.75	12.15	12.82
Overdrafts	11.67	10.86	10.56	11.14	10.45	10.44	10.23	11.47	12.39
Weighted average rate	11.27	10.34	9.97	10.69	9.99	9.93	9.79	10.35	10.82
Other rates									
Prime rate	6.00	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Treasury bill (90 days)	0.55	0.14	0.87	0.06	0.17	0.69	1.74	2.55	2.64
Treasury bill re-discount rate	1.05	0.64	1.37	0.56	0.67	1.19	2.24	3.05	3.14
Bank rate (discount rate)	5.75	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25

Source: The Central Bank of The Bahamas

TABLE 9
SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS

Period	2003				2004				2005				2006				2007		
	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	Qtr. II	
Loan Portfolio																			
Current Loans (as a % of loans total)	89.9	90.8	92.0	92.3	92.0	92.3	92.0	92.0	92.3	92.3	93.0	92.4	92.5	92.4	100.0	92.4	92.4	92.4	92.4
Arrears (% by loan type)																			
Consumer	3.5	2.9	2.6	2.4	2.8	2.7	2.8	2.7	2.7	2.7	2.6	2.8	2.8	2.8	2.6	2.6	2.6	2.7	2.7
Mortgage	4.0	3.8	3.6	3.5	3.6	3.2	3.6	3.6	3.2	3.2	3.2	3.4	3.1	3.1	3.1	3.1	3.1	3.3	3.3
Commercial	2.6	2.5	1.8	1.8	1.6	1.8	1.6	1.6	1.8	1.8	1.2	1.4	1.6	1.6	1.9	1.9	1.9	1.5	1.5
Public	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	0.0	0.1	0.1
Total Arrears	<u>10.1</u>	<u>9.2</u>	<u>8.0</u>	<u>7.7</u>	<u>8.0</u>	<u>7.7</u>	<u>8.0</u>	<u>8.0</u>	<u>7.7</u>	<u>7.7</u>	<u>7.0</u>	<u>7.6</u>	<u>7.5</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>
Total B\$ Loan Portfolio	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Loan Portfolio																			
Current Loans (as a % of loans total)	89.9	90.8	92.0	92.3	92.0	92.3	92.0	92.0	92.3	92.3	93.0	92.4	92.5	92.4	100.0	92.4	92.4	92.4	92.4
Arrears (% by days outstanding)																			
30 - 60 days	3.2	2.9	2.4	2.3	2.7	2.7	2.7	2.7	2.7	2.7	2.3	2.4	2.5	2.4	2.5	2.7	2.7	2.6	2.6
61 - 90 days	1.8	1.5	1.1	0.9	1.0	0.7	1.0	1.0	0.7	0.7	0.7	1.2	0.9	1.2	0.9	0.8	0.8	1.0	1.0
90 - 179 days	1.1	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.7	0.8	0.9	0.8	0.9	0.8	0.8	0.7	0.7
over 180 days	4.0	4.0	3.7	3.6	3.4	3.4	3.4	3.4	3.4	3.4	3.3	3.2	3.2	3.2	3.2	3.3	3.3	3.4	3.4
Total Arrears	<u>10.1</u>	<u>9.2</u>	<u>8.0</u>	<u>7.7</u>	<u>8.0</u>	<u>7.7</u>	<u>8.0</u>	<u>8.0</u>	<u>7.7</u>	<u>7.7</u>	<u>7.0</u>	<u>7.6</u>	<u>7.5</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>	<u>7.6</u>
Total B\$ Loan Portfolio	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Non Accrual Loans (% by loan type)																			
Consumer	39.9	39.7	34.9	32.9	33.9	35.1	36.5	33.9	35.1	36.5	36.5	37.0	35.0	37.0	35.0	31.9	33.1	33.1	33.1
Mortgage	38.4	38.8	44.0	41.8	42.9	41.6	44.3	42.9	41.6	44.3	44.3	41.7	40.9	41.7	40.9	42.7	42.1	42.1	42.1
Other Private	21.7	21.4	21.0	25.2	23.1	23.2	19.1	23.1	23.2	19.1	19.1	21.2	24.0	21.2	24.0	25.3	22.8	22.8	22.8
Public	0.0	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 Non Accrual Loans	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Provisions to Loan Portfolio																			
Consumer	3.7	4.0	3.4	3.3	3.0	3.1	3.3	3.0	3.1	3.3	3.3	3.5	3.4	3.5	3.4	2.8	3.0	3.0	3.0
Mortgage	1.2	1.2	1.4	1.4	1.3	1.5	1.5	1.3	1.5	1.5	1.5	1.3	1.3	1.3	1.3	1.2	1.3	1.3	1.3
Other Private	0.9	1.0	1.6	1.7	1.6	2.3	2.3	1.6	2.3	2.3	2.3	2.3	2.5	2.3	2.5	2.8	2.4	2.4	2.4
Public	0.0	0.0	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Provisions to Total Loans	2.1	2.2	2.2	2.1	2.0	2.3	2.3	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.1
Total Provisions to Non-performing Loans	40.2	45.0	47.0	46.0	44.9	51.8	57.7	44.9	51.8	57.7	57.7	56.5	54.7	56.5	54.7	51.0	51.3	51.3	51.3
Total Non-performing Loans to Total Loans	5.1	4.8	4.5	4.6	4.5	4.3	4.0	4.5	4.3	4.0	4.0	4.1	4.2	4.1	4.2	4.1	4.1	4.1	4.1

Source: The Central Bank of The Bahamas

Figures may not sum to total due to rounding.

TABLE 10
SUMMARY OF BANK LIQUIDITY

End of Period	(B\$ Millions)																	
	2002			2003			2004			2005			2006			2007		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	
I. Statutory Reserves																		
Required reserves	183.4	187.2	205.3	211.5	217.0	222.4	226.3	228.6	238.0	244.6	244.7	248.5	258.5					
Average Till Cash	55.3	66.7	70.2	57.8	64.9	60.8	86.5	60.8	67.8	68.2	96.9	67.9	71.4					
Average balance with central bank	217.8	250.2	407.5	385.9	444.1	446.1	332.2	357.5	355.9	348.5	265.7	379.6	421.0					
Free cash reserves (period ended)	88.9	128.9	271.6	231.4	291.2	283.7	191.5	189.0	184.9	171.2	117.2	198.3	233.1					
II. Liquid Assets (period)																		
A. Minimum required Liquid assets	589.9	615.6	677.2	691.9	717.8	731.1	752.2	768.5	797.6	800.4	802.5	813.6	851.8					
B. Net Eligible Liquid Assets	687.6	772.3	909.7	955.3	1021.5	973.2	895.6	937.8	990.4	964.2	865.6	988.9	1079.5					
i) Balance with Central Bank	230.3	243.5	383.7	374.5	444.6	434.6	284.7	347.0	345.5	359.8	251.1	420.4	389.2					
ii) Notes and Coins	66.8	80.1	79.0	62.6	70.0	55.4	106.3	57.5	60.9	59.6	116.7	60.8	72.5					
iii) Treasury Bills	38.8	47.6	26.7	85.4	86.4	48.5	66.1	78.0	125.3	34.6	10.0	18.9	139.6					
iv) Government registered stocks	335.3	369.5	393.3	402.3	390.4	419.1	400.4	413.9	417.8	447.5	437.1	446.7	437.9					
v) Specified assets	17.9	26.8	24.9	27.8	27.5	26.3	26.0	28.0	39.3	39.0	39.9	39.7	39.5					
vi) Net Inter-bank dem/call deposits	(0.7)	5.6	2.9	3.5	3.4	(9.9)	12.9	14.2	2.4	24.5	11.7	3.3	1.5					
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)					
C. Surplus/(Deficit)	97.7	156.7	232.5	263.4	303.7	242.1	143.4	169.3	192.8	163.8	63.1	175.4	227.6					

Source: The Central Bank of The Bahamas

**TABLE II
GOVERNMENT OPERATIONS AND FINANCING**

Period	2005/06p				Budget				2005/06p				2006/07p		(B\$. Millions)		
	2003/04p	2004/05p	2005/06p	2006/07	2007/08	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Total Revenue & Grants	943.8	1,039.4	1,221.5	1,339.0	1483.9	311.3	365.0	326.9	299.1	352.0	1,078.7	1,210.4					
Current expenditure	994.0	1,053.1	1,149.6	1,269.6	1385.1	289.6	312.8	283.4	299.7	334.6	1,022.1	1,129.9					
Capital expenditure	80.9	90.4	123.5	162.4	189.7	31.3	42.2	30.3	35.2	36.1	100.6	132.0					
Net lending	35.3	71.4	54.5	32.4	34.4	15.1	20.3	9.7	18.0	16.9	44.6	52.9					
Overall balance	(166.4)	(175.5)	(106.1)	(125.4)	(125.4)	(24.8)	(10.4)	3.6	(53.8)	(35.5)	(88.7)	(104.4)					
I. Foreign currency borrowing	166.4	175.4	106.1	125.4	125.7	24.8	10.4	(3.6)	53.8	35.5	88.7	104.4					
External	206.7	2.9	8.7	32.7	23.0	1.4	--	3.0	2.7	5.0	5.3	13.4					
Domestic	--	--	3.4	...	...	--	3.4	--	--	--	3.4	--					
II. Bahamian dollar borrowing	132.3	325.1	201.7	195.3	166.6	75.0	51.6	115.0	--	50.0	201.7	230.3					
i) Treasury bills	--	13.1	--	...	...	--	--	--	--	--	--	10.0					
Central Bank	--	13.1	--	...	...	--	--	--	--	--	--	--			
Commercial banks & OLFIs	--	--	--	...	...	--	--	--	--	--	--	--			
Public corporations	--	--	--	...	...	--	--	--	--	--	--	--			
Other	--	--	--	...	...	--	--	--	--	--	--	--			
ii) Long-term securities	98.3	306.3	201.7	...	...	75.0	51.6	100.0	--	50.0	201.7	195.3					
Central Bank	33.3	55.9	11.5	...	...	4.0	2.5	5.0	--	20.0	11.5	70.3					
Commercial banks & OLFIs	20.1	46.3	35.2	...	...	11.4	12.4	34.9	--	--	35.2	34.9					
Public corporations	21.7	125.6	25.3	...	...	6.3	3.5	19.1	--	30.0	25.3	49.1					
Other	23.2	78.5	129.6	...	...	53.3	33.2	41.0	--	--	129.6	41.0					
iii) Loans and Advances	34.0	5.7	--	...	...	--	--	15.0	--	--	--	25.0					
Central Bank	34.0	5.7	--	...	...	--	--	15.0	--	--	--	--					
Commercial banks	--	--	--	...	...	--	--	--	--	--	--	--			
III Debt repayment	251.4	98.4	62.1	102.6	63.9	21.7	28.6	35.7	17.5	11.3	62.0	122.4					
Domestic	242.0	92.6	58.1	94.7	56.0	21.0	27.1	35.0	15.9	10.5	58.1	92.8					
Bahamian dollars	112.0	92.6	57.2	94.7	56.0	21.0	26.2	35.0	15.0	10.5	57.2	91.0					
Internal foreign currency	130.0	--	0.9	...	...	--	0.9	--	0.9	--	0.9	1.8					
External	9.4	5.8	4.0	7.9	7.9	0.7	1.5	0.7	1.6	0.8	3.9	29.6					
IV Cash balance change	(33.7)	(45.8)	39.5	...	...	(27.9)	29.9	(0.8)	(2.1)	5.0	38.7	5.1					
V. Other Financing	112.5	(8.3)	(81.6)	...	...	(2.0)	(45.9)	(85.1)	70.7	(13.2)	(98.3)	(22.0)					

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

TABLE 12
NATIONAL DEBT

End of Period	(B\$' 000s)									
	2004p		2005p		2006p		2006p		2007p	
	2004p	2005p	2006p	2006p	2006p	2006p	2006p	2007p	2007p	
TOTAL EXTERNAL DEBT	284,611	286,528	289,185	285,748	288,070	289,185	293,449	270,641		
By Instrument										
Government Securities	225,000	225,000	225,000	225,000	225,000	225,000	225,000	200,000		
Loans	59,611	61,528	64,185	60,748	63,070	64,185	68,449	70,641		
Commercial banks	--	--	--	--	--	--	--	--		
Offshore financial institutions	--	--	--	--	--	--	--	--		
Multilateral institutions	59,611	61,528	64,186	60,748	63,070	64,185	64,835	67,026		
Bilateral Institutions	--	--	--	--	--	--	3,614	3,615		
Private Capital Markets	225,000	225,000	225,000	225,000	225,000	225,000	225,000	200,000		
TOTAL INTERNAL DEBT	1,813,297	1,948,696	2,094,191	2,030,593	2,110,593	2,094,191	2,133,690	2,167,571		
By Instrument										
Foreign Currency	--	--	1,580	2,482	2,482	1,580	1,580	676		
Government securities	--	--	--	2,482	2,482	--	--	--		
Loans	--	--	1,580	--	--	1,580	1,580	676		
Bahamian Dollars	1,813,297	1,948,696	2,092,611	2,028,111	2,108,111	2,092,611	2,132,110	2,166,895		
Advances	71,019	76,988	61,988	61,988	76,988	61,988	61,988	71,988		
Treasury bills	179,400	192,469	192,469	192,469	192,469	192,469	192,469	202,469		
Government securities	1,552,633	1,668,993	1,829,908	1,764,908	1,829,908	1,829,908	1,869,908	1,885,192		
Loans	10,245	10,246	8,246	8,746	8,746	8,246	7,745	7,246		
By Holder										
Foreign Currency	--	--	1,580	2,482	2,482	1,580	1,580	676		
Commercial banks	--	--	1,580	2,482	2,482	1,580	1,580	676		
Other local financial institutions	--	--	--	--	--	--	--	--		
Bahamian Dollars	1,813,297	1,948,696	2,092,611	2,028,111	2,108,111	2,092,611	2,132,110	2,166,895		
The Central Bank	149,535	149,682	190,824	137,376	198,066	190,824	202,087	176,930		
Commercial banks	427,858	463,385	450,974	532,394	471,108	450,974	468,353	581,222		
Other local financial institutions	4,321	4,811	5,271	4,815	4,860	5,271	5,271	5,171		
Public corporations	717,098	763,092	764,486	698,129	747,576	764,486	761,637	714,170		
Other	514,485	567,726	681,056	655,396	686,501	681,056	694,762	689,402		
TOTAL FOREIGN CURRENCY DEBT	284,611	286,528	290,765	288,230	290,552	290,765	295,029	271,317		
TOTAL DIRECT CHARGE	2,097,908	2,235,224	2,383,376	2,316,341	2,398,663	2,383,376	2,427,139	2,438,212		
TOTAL CONTINGENT LIABILITIES	439,852	497,206	498,455	508,932	503,170	498,454	491,317	446,398		
TOTAL NATIONAL DEBT	2,537,760	2,732,430	2,881,831	2,825,273	2,901,833	2,881,830	2,918,456	2,884,610		

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

TABLE 13
PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS

	(B\$' 000s)									
	2004p	2005p	2006p	2006p			2007p			
				Jun.	Sept.	Dec.	Mar.	Jun.		
Outstanding debt at beginning of period	616,967	579,270	551,011	570,404	592,325	583,467	630,408	625,361		
Government	288,545	284,611	286,528	287,247	288,230	290,552	290,765	295,029		
Public Corporations	328,422	294,659	264,483	283,157	304,095	292,915	339,643	330,332		
Plus new drawings	28,304	42,862	128,950	34,784	3,005	59,692	6,859	68,840		
Government	4,240	4,974	10,485	3,386	3,005	2,692	5,018	3,840		
Public corporations	24,064	37,888	118,465	31,398	--	57,000	1,841	65,000		
Less Amortization	66,001	71,121	49,553	12,863	11,863	12,751	11,906	77,216		
Government	8,174	3,057	6,248	2,403	683	2,479	754	27,552		
Public corporations	57,827	68,064	43,305	10,460	11,180	10,272	11,152	49,664		
Outstanding debt at end of period	579,270	551,011	630,408	592,325	583,467	630,408	625,361	616,985		
Government	284,611	286,528	290,765	288,230	290,552	290,765	295,029	271,317		
Public corporations	294,659	264,483	339,643	304,095	292,915	339,643	330,332	345,668		
Interest Charges	27,340	30,178	35,239	13,118	5,152	13,172	5,216	14,529		
Government	18,203	18,141	18,254	8,643	427	8,761	484	8,947		
Public corporations	9,137	12,037	16,985	4,475	4,725	4,411	4,732	5,582		
Debt Service	93,341	101,299	84,792	25,981	17,015	25,923	17,122	91,745		
Government	26,377	21,198	24,502	11,046	1,110	11,240	1,238	36,499		
Public corporations	66,964	80,101	60,290	14,935	15,905	14,683	15,884	55,246		
Debt Service ratio (%)	3.4	3.3	2.7	3.1	2.3	3.5	2.1	10.9*		
Government debt Service/ Government revenue (%)	2.7	1.9	1.9	3.0	0.3	3.8	0.4	n.a		
Commercial banks	236.7	215.9	293.4	261.2	251.1	293.4	285.1	301.5		
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Multilateral Institutions	113.1	109.5	106.3	105.7	107.0	106.3	105.9	106.3		
Bilateral Institutions	0.0	0.0	0.0	0.0	0.0	0.0	3.6	3.6		
Other	4.4	0.5	5.7	0.4	0.3	5.7	5.7	5.7		
Private Capital Markets	225.0	225.0	225.0	225.0	225.0	225.0	225.0	200.0		

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

Note: *Debt servicing during the 2nd quarter of 2007 includes the re-financing of \$40 million in Public Corporations (internal) debt.

Net of these payments, the adjusted debt service ratio was 6.2%

TABLE 14
BALANCE OF PAYMENTS SUMMARY*

	(B\$ Millions)											
	2004p			2005p			2006p			2007		
	Qtr.Ip	Qtr.IIip	Qtr.IVp	Qtr.Ip	Qtr.IIip	Qtr.IVp	Qtr.Ip	Qtr.IIip	Qtr.IVp	Qtr.Ip	Qtr.IIip	Qtr.IVp
A. Current Account Balance (I+II+III+IV)	(305.2)	(814.5)	(1,577.3)	(177.1)	(250.1)	(275.5)	(412.9)	(292.2)	(394.4)	(477.8)	(377.8)	(291.6)
I. Merchandise (Net)	(1,427.6)	(1,809.6)	(1,932.0)	(487.7)	(433.7)	(470.6)	(527.4)	(478.8)	(474.9)	(450.9)	(473.2)	(452.3)
Exports	477.4	589.6	692.2	135.4	170.6	171.6	165.1	161.7	181.7	183.7	175.1	176.7
Imports	1,905.0	2,399.2	2,624.2	623.1	604.3	642.2	692.5	640.5	656.6	634.6	648.3	629.0
II. Services (Net)	1,012.6	1,113.1	520.4	357.0	218.1	221.5	165.2	233.8	101.2	20.2	127.4	248.2
Transportation	(249.4)	(312.9)	(288.5)	(88.3)	(78.5)	(69.5)	(78.5)	(74.0)	(65.6)	(70.4)	(81.1)	(75.8)
Travel	1,568.9	1,725.4	1,671.2	524.9	377.7	343.7	487.6	510.0	342.9	330.7	477.2	488.8
Insurance Services	(81.6)	(97.1)	(119.3)	(21.5)	(22.5)	(30.8)	(21.9)	(33.2)	(34.3)	(29.9)	(14.0)	(33.8)
Offshore Companies Local Expenses	136.1	148.2	188.1	23.9	43.4	57.6	32.5	34.0	45.6	76.0	44.2	46.4
Other Government	(29.2)	(50.4)	(68.4)	(21.2)	(7.8)	(12.9)	(21.0)	(5.1)	(8.9)	(33.4)	(17.3)	(3.9)
Other Services	(332.2)	(300.1)	(862.7)	(60.8)	(94.2)	(66.6)	(233.5)	(197.9)	(178.5)	(252.8)	(281.6)	(173.5)
III. Income (Net)	(141.0)	(203.3)	(217.8)	(65.6)	(43.6)	(35.1)	(67.0)	(66.2)	(27.0)	(57.6)	(45.2)	(97.7)
1. Compensation of Employees	(63.2)	(73.2)	(92.9)	(18.9)	(15.8)	(18.5)	(41.1)	(19.2)	(16.3)	(16.3)	(16.9)	(19.7)
2. Investment Income	(77.8)	(130.1)	(125.0)	(46.7)	(27.8)	(16.6)	(25.9)	(47.0)	(10.7)	(41.4)	(28.3)	(78.0)
IV. Current Transfers (Net)	250.8	85.3	52.1	19.2	9.1	8.7	16.3	19.0	6.3	10.5	13.2	10.2
1. General Government	59.7	59.1	58.3	21.3	12.0	11.2	17.8	20.0	9.0	11.5	15.1	12.8
2. Private Sector	191.1	26.2	(6.2)	(2.1)	(2.9)	(2.5)	(1.5)	(1.0)	(2.7)	(1.0)	(1.9)	(2.6)
B. Capital and Financial Account (I+II) (excl. Reserves)	479.8	633.0	1,140.0	172.6	147.5	134.0	262.1	134.8	308.5	434.6	371.6	98.2
I. Capital Account (Net Transfers)	(47.9)	(60.4)	(63.5)	(13.6)	(22.3)	(13.1)	(13.8)	(14.2)	(21.8)	(13.7)	(21.4)	(16.8)
II. Financial Account (Net)	527.7	693.4	1,203.5	186.2	169.8	147.1	275.9	149.0	330.3	448.3	393.0	115.0
1. Direct Investment	442.9	563.9	705.8	108.3	191.4	117.3	178.6	100.5	139.8	286.9	260.0	91.7
2. Portfolio Investment	--	--	(18.8)	--	--	--	--	(12.5)	(6.3)	--	--	(3.1)
3. Other Investments	84.8	129.5	516.5	77.9	(21.6)	29.8	97.3	61.0	196.8	161.4	133.0	26.4
Central Gov't Long Term Capital	(4.2)	1.1	1.9	--	(0.7)	2.0	0.7	(1.5)	1.8	0.9	4.3	(22.8)
Other Public Sector Capital	(16.5)	(9.8)	(6.1)	(2.2)	(3.2)	(1.7)	(1.2)	(1.9)	(1.1)	(1.9)	(1.1)	1.1
Banks	(64.5)	47.6	143.0	68.5	(12.5)	16.9	43.0	(3.5)	73.2	30.3	2.8	10.4
Other	170.1	90.6	377.7	11.6	(5.2)	12.6	54.8	67.9	122.9	132.1	127.0	37.7
C. Net Errors and Omissions	9.1	92.6	358.1	47.1	6.8	55.1	209.9	163.7	(15.7)	0.2	130.0	212.6
D. Overall Balance (A+B+C)	183.7	(88.9)	(79.1)	42.6	(95.8)	(86.4)	59.1	6.3	(101.6)	(42.9)	123.8	19.2
E. Financing (Net)	(183.7)	88.9	79.1	(42.6)	95.8	86.4	(59.1)	(6.3)	101.6	42.9	(123.8)	(19.2)
Change in SDR holdings	--	0.0	0.1	--	(0.1)	0.1	--	--	--	0.1	--	--
Change in Reserve Position with the IMF	(0.4)	0.7	(0.5)	0.3	--	0.1	(0.1)	(0.2)	--	(0.2)	--	--
Change in Ext. Foreign Assets () = Increase	(183.3)	88.2	79.6	(42.9)	95.9	86.2	(59.0)	(6.1)	101.6	43.1	(123.8)	(19.2)

Source: The Central Bank of the Bahamas

* Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

	(B\$ '000)											
	2005				2006				2006			
	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
I. OIL TRADE												
i) Exports	40,583	92,997	5,685	9,455	14,968	10,475	18,891	22,695	26,416	24,995		
ii) Imports	507,845	605,383	106,214	115,611	139,289	146,731	143,657	161,840	197,023	102,863		
II. OTHER MERCHANDISE												
Domestic Exports												
Crawfish	74,499	89,906	10,712	5,836	27,537	30,414	14,692	7,159	26,136	41,919		
Fish & other Crustacea	3,532	5,188	311	1,179	926	1,116	1,015	1,857	1,434	882		
Fruits & Vegs.	927	1,233	234	216.00	--	477	690	--	--	543		
Aragonite	52	--	52	--	--	--	--	--	--	--		
Rum	16,842	9,218	8,040	4,653	3,010	1,139	381	289	4,928	3,620		
Other Cordials & Liqueurs	24	--	12	--	12	--	--	--	--	--		
Crude Salt	14,807	12,016	4,825	3,075	4,026	2,881	3,490	3,398	3,688	1,440		
Hormones	--	--	--	--	--	--	--	--	--	--		
Chemicals	--	--	--	--	--	--	--	--	--	--		
Other Pharmaceuticals	--	--	--	--	--	--	--	--	--	--		
Fragrances	--	--	--	--	--	--	--	--	--	--		
Other	160,169	187,400	28,730	38,159	46,903	46,377	53,748	45,934	42,925	44,793		
i) Total Domestic Exports	270,852	304,961	52,916	53,118	82,414	82,404	74,016	58,637	79,111	93,197		
ii) Re-Exports	117,233	110,868	26,692	33,602	24,953	31,986	36,578	23,373	23,721	27,196		
iii) Total Exports (i+ii)	388,085	415,829	79,608	86,720	107,367	114,390	110,594	82,010	102,832	120,393		
iv) Imports	2,059,317	2,375,341	480,809	547,027	498,292	533,189	587,270	575,447	618,388	594,236		
v) Retained Imports (iv-ii)	1,942,084	2,264,473	454,117	513,425	473,339	501,203	550,692	552,074	594,667	567,040		
vi) Trade Balance (i-v)	(1,671,232)	(1,959,512)	(401,201)	(460,307)	(390,925)	(418,799)	(476,676)	(493,437)	(515,556)	(473,843)		

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

Period	2004p			2005p			2006p			2005p			2006p			2007p				
	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. I	Qtr. II	Qtr. III		
Visitor Arrivals	5,003,691	4,779,417	4,730,607	1,066,194	1,196,650	1,285,708	1,310,123	1,036,799	1,097,977	1,274,045	1,152,037	1,274,045	1,152,037	1,274,045	1,152,037	1,274,045	1,152,037	1,274,045	1,152,037	
Air	1,450,037	1,514,532	1,491,633	358,664	329,142	410,156	449,996	334,010	297,471	389,597	410,372	389,597	410,372	389,597	410,372	389,597	410,372	389,597	410,372	410,372
Sea	3,553,654	3,264,885	3,238,974	707,530	867,508	875,552	860,127	702,789	800,506	884,448	741,665	884,448	741,665	884,448	741,665	884,448	741,665	884,448	741,665	
Visitor Type																				
Stopover	1,561,312	1,608,153	1,600,112	383,149	333,214	423,753	495,583	357,726	323,050	n.a.	n.a.	357,726	323,050	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cruise	3,360,012	3,078,709	3,076,397	653,725	846,976	839,777	797,684	662,164	776,772	854,457	696,715	662,164	776,772	854,457	696,715	854,457	696,715	854,457	696,715	
Day/Transit	86,291	83,619	68,085	20,815	15,743	17,933	19,875	15,165	15,112	n.a.	n.a.	15,165	15,112	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Tourist Expenditure(B\$ 000's)	1,884,482	2,068,859	2,056,428	483,043	433,407	566,722	597,559	457,719	434,429	566,722	434,429	457,719	434,429	566,722	434,429	457,719	434,429	566,722	434,429	
Stopover	1,693,487	1,883,863	1,880,300	443,348	384,093	517,798	550,619	420,766	391,118	n.a.	n.a.	420,766	391,118	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cruise	185,817	179,979	172,043	38,446	48,369	47,848	45,748	36,043	42,404	n.a.	n.a.	36,043	42,404	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Day	5,177	5,017	4,085	1,249	945	1,076	1,193	910	907	n.a.	n.a.	910	907	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Number of Hotel Nights	3,269,602	3,224,892	3,266,878	811,541	806,068	827,956	831,916	806,698	800,308	827,956	800,308	806,698	800,308	827,956	800,308	806,698	800,308	827,956	800,308	
Average Length of Stay	6.3	6.4	6.4	6.0	6.7	6.8	6.3	5.9	6.7	6.8	6.3	5.9	6.7	6.8	6.3	5.9	6.7	6.8	6.3	
Average Hotel Occupancy Rates (%)																				
New Providence	70.9	75.4	76.9	74.1	65.8	83.3	83.4	75.4	65.8	79.9	78.5	75.4	65.8	79.9	78.5	79.9	78.5	79.9	78.5	
Grand Bahama	59.8	63.7	52.0	58.8	59.6	70.0	57.7	43.5	36.8	49.4	54.8	43.5	36.8	49.4	54.8	49.4	54.8	49.4	54.8	
Other Family Islands	37.1	39.4	36.3	33.4	29.7	34.6	51.1	30.8	28.8	41.8	49.3	30.8	28.8	41.8	49.3	41.8	49.3	41.8	49.3	
Average Nightly Room Rates (\$)																				
New Providence	164.9	164.8	172.0	149.7	144.4	189.2	182.9	159.0	156.7	201.6	213.6	159.0	156.7	201.6	213.6	201.6	213.6	201.6	213.6	
Grand Bahama	92.3	109.8	122.3	97.9	109.4	143.7	133.7	98.8	113.0	158.2	137.9	98.8	113.0	158.2	137.9	158.2	137.9	158.2	137.9	
Other Family Islands	169.8	190.1	205.1	201.3	175.7	223.8	213.0	184.0	199.7	243.8	218.7	184.0	199.7	243.8	218.7	243.8	218.7	243.8	218.7	

Source: The Ministry of Tourism

Survey Of Private Pension Plans In The Bahamas (2005)

Introduction

This article analyzes the results of the Central Bank's latest survey (2005) on private (sponsored) pension plans in The Bahamas. The available database on these activities now spans thirteen years, starting from 1992. According to the 2005 results, sponsored pension assets rose at a strengthened pace of 11.9% to approximately \$954 million, consolidating continuous average yearly gains from an estimated low of \$300 million in 1992. Recent annual gains have been supported by the expansionary trends in the Bahamian economy, which have resulted in more employees contributing to these schemes and elevated average returns on invested assets. The largest concentration of assets and participants continues to be in plans sponsored by employers in the tourism, financial services and communications & utilities sectors. Based on investment patterns, the largest share of pension assets is still held in Government

bonds and securities, although the proportion of both these investments as well as bank deposits have decreased due to diversification in equities, mutual funds and other private capital market instruments.

In most instances, private pensions supplement contributory retirement benefits to which Bahamians are entitled under the National Insurance Board (NIB) Act. Unlike the mandatory NIB scheme, which uses a formula to cap contributions and retirement benefits against an annual income of \$20,800, total funding and potential benefits from sponsored schemes continue to increase along with participants' earnings. An estimated one-fourth of the Bahamian workforce participates in such schemes, and the Government operates a non-funded gratuity scheme for tenured civil service employees. The other significant sources of domestic financial savings are bank deposits held by individuals, and the assets of domestic credit unions and insurance companies.

Table 1: Selected Indicators of Domestic Savings

	2002	2003	2004	2005	2002	2003	2004	2005	Avg. Growth
	(B\$ Million)				(% of GDP)				02-05 (%)
Private Pension Funds	748.6	795.6	852.7	954.3	14.2%	13.9%	15.1%	15.9%	6.3%
National Ins. Board (Cash and Investments) ¹	1,069.3	1,152.8	1,238.0	1,294.5	19.3%	19.8%	21.9%	21.6%	4.9%
Life & Health Ins. Cos.(Current Assets and Inv) ²	551.3	617.2	529.0	687.9	10.3%	10.2%	9.3%	11.5%	5.7%
Private Individuals (Bank deposits) ³	2,059.7	2,100.3	2,383.4	2,611.7	39.2%	38.2%	42.1%	43.6%	6.1%
Credit Unions (Deposit and Shares) ⁴	132.5	150.1	170.2	190.4	2.3%	2.5%	3.0%	3.2%	9.5%

Sources:

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

As to their relative importance, private pension assets at \$954.3 million represented an increased 15.9% of GDP in 2005 (see Table 1). This remained less than the

approximately \$1,295 million (21.6% of GDP) of collective savings held by NIB, but outpaced the comparable pools held by domestic life and health insurance companies of

\$688 million (11.5% of GDP) and credit unions, of \$190 million (3.2% of GDP). Notwithstanding, the bulk of private individuals' savings are in bank deposits, placed in 2005 at \$2,612 million or 43.6% of GDP. The skewed distribution of deposit holdings, however, diminishes their retirement significance for most persons in the workforce, as more than 75% of the aggregate balances are concentrated in less than 10 percent of the individual accounts.

The rest of this article summarizes the results of the 2005 Pension Fund Survey. This includes an overview of how such schemes are categorized, a description of the survey process and estimation methodology and an analysis of the profile and attributes of the various schemes in existence. The report then presents an analysis of the investment portfolio of these plans and concludes with a discussion on the outlook for the industry.

Categorization of Sponsored Plans

Pension plans are categorized according to the rules governing funding and payment of retirement benefits. The common types of schemes are defined benefit, defined contribution and provident funds. Defined benefit plans guarantee the payment of specified retirement benefits linked to the participants' employment tenure and salary level. Annual funding, as a percentage of participants salaries, varies according to the actuarially determined amount which, along with expected investment earnings, would ensure that the estimated present value of projected future benefits payable to participants is matched by the present value of the assets likely to accumulate over the future duration of the scheme. In addition to the expected future rates of returns, this determination is very sensitive to the demographic characteristics of each employer's workforce, such as the average age of active employees, the ratio of the number of pensioners relative to active employees and the average life expectancy of pensioners. Defined benefit plans are considered fully funded when the present value of assets and liabilities are evenly matched, under-funded when the actuarial value of assets are less than corresponding liabilities, and over-funded if the reverse occurs. The administrative costs of these plans tend to be more uncertain than for the other schemes, with the sponsors bearing the financial responsibility for any variation in funding requirements.

For both defined contribution and provident fund plans, retirement benefits are not predetermined, but based on the accumulated contributions and corresponding returns on such savings during the respective employee's working years; this therefore eliminates the funding uncertainty. The distinction between these two plans lies in the fact that provident schemes provide for payment of the full amount of the benefit as a lump sum on the retirement date, while defined contribution plans convert some fraction of the benefit into an annuity that is disbursed as a periodic pension. Since payouts from provident funds can also be used to purchase similar annuities, the analysis that follows combines these two sets of results.

Survey and Estimation Methodology

The 2005 pension fund survey was sent to 122 existing and potential plan sponsors in The Bahamas, as the 150 companies surveyed in 2004 were adjusted to exclude international banks and trust companies, which either reportedly did not sponsor pension schemes or whose plans were integrated into those of head office. The number of respondents improved to 92 from 88 and covered approximately 70% of total plan assets for 2005. Average sector growth rates were calculated from these responses and used to estimate the remaining 30%. However, only those entities which actually reported their information were used to derive average rates of return and funding contribution rates.

Characteristics of Local Pension Plans

Survey results for 2005 revealed that defined contribution (including provident fund) plans remained the most popular scheme in The Bahamas, representing an estimated 81% of organized plans, although only 21.6% of total pension assets and 14.7% of pension participants. These schemes are predominantly utilized by smaller employers, who take advantage of the reduced funding costs and, in most instances, were more recently instituted compared to the long-standing defined benefit schemes. Defined benefit plans, which accounted for 85.3% of participants and 79.4% of estimated total assets, are more commonly sponsored by larger firms and public corporations.

Regarding fund administration, approximately 31.4% of the plans, with 20.1% of the estimated assets, had in-

Table 2
Private Pension Investments By Industry

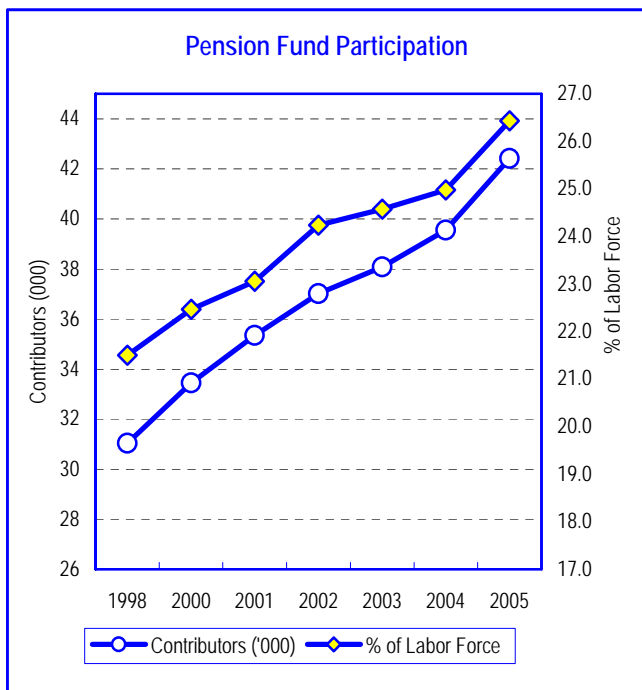
	2001R	2002R	2003R	2004R	2005P
INDUSTRY	(B\$'000)				
Construction	939	926	1,101	1,100	2,334
Communications & Utilities	250,780	256,741	270,986	273,722	294,945
Education	9,883	10,630	11,728	12,766	13,542
Financial Sector	188,349	182,999	190,076	218,048	247,502
Health	1,225	1,093	1,042	1,319	1,810
Hotel & Restaurants	164,621	170,980	185,126	197,140	228,589
Manufacturing	7,854	6,895	7,561	8,093	8,093
Non - Profit Organizations	832	833	1,044	2,334	1,584
Oil Companies	15,250	15,808	16,689	18,202	21,710
Other Services	27,864	31,177	35,652	40,102	45,268
Private Distribution	18,569	23,891	26,715	29,861	31,873
Professional Services	9,116	10,900	11,694	12,844	14,285
Real Estate	5,831	4,885	5,173	5,745	5,572
Transportation	27,033	30,885	31,006	31,409	37,168
TOTAL	728,146	748,643	795,593	852,685	954,274
INDUSTRY	(% Distribution)				
Construction	0.13	0.12	0.14	0.13	0.24
Communications & Utilities	34.44	34.29	34.06	32.10	30.91
Education	1.36	1.42	1.47	1.50	1.42
Financial Sector	25.87	24.44	23.89	25.57	25.94
Health	0.17	0.15	0.13	0.15	0.19
Hotel & Restaurants	22.61	22.84	23.27	23.12	23.95
Manufacturing	1.08	0.92	0.95	0.95	0.85
Non - Profit Organizations	0.11	0.11	0.13	0.27	0.17
Oil Companies	2.09	2.11	2.10	2.13	2.27
Other Services	3.83	4.16	4.48	4.70	4.74
Private Distributions	2.55	3.19	3.36	3.50	3.34
Professional Services	1.25	1.46	1.47	1.51	1.50
Real Estate	0.80	0.65	0.65	0.67	0.58
Transportation	3.71	4.13	3.90	3.68	3.89
TOTAL	100.00	100.00	100.00	100.00	100.00

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

house administration, the majority representing funds sponsored by financial sector firms possessing staff capable of handling such functions. The remaining schemes were externally administered by insurance companies (27.5%), "other" professional administrators (24.2%), and banks and trust companies (17.0%).

Pension schemes are also distinguished according to whether employee participation is mandatory or voluntary and how funding costs are shared between employees and employers. According to the 2005 results, there was an almost even distribution between mandatory and voluntary participation, with more than half of the defined benefit plans (65.1%) requiring mandatory participation, while an estimated 46.4% of defined contribution schemes were compulsory. For the 83.7% of schemes considered contributory, with funding provided jointly by the employees and employers, there was an approximate balance between the voluntary and mandatory participation requirements. Conversely, for voluntary schemes (16.3%) funded by employers, 56% of the companies surveyed still had employee participation in the schemes.

Labour Force Participation

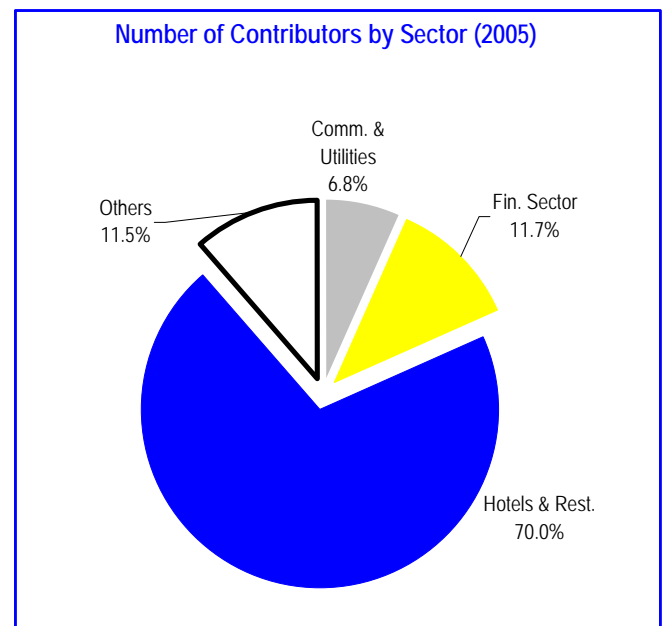


The number of active participants in private pension schemes grew further by 4.6% to 41,568 in 2005, for an

elevated 25.9% of the labour force. The largest share of participants (70.0%) remained concentrated in the tourism sector (hotels and restaurants), while 11.7% were employed in financial services firms and 6.8% in the communication and utilities sector. The remaining eleven (11) sectors accounted for a combined 11.5% of industry participants.

Contributions Ratios

With average rates of return on invested assets further improved, the average paid-in contribution as a percentage of employees' salaries softened during 2005. Weighted by asset size, the average combined employee and employer contribution rate moderated to 11.3% of salaries in 2005 from a stable 11.6% in 2004 and 2003, respectively. Despite this easing, contribution rates remained much higher than the 1990's and early 2000 when they averaged less than 10% of salaries. For defined benefit plans, the funding rate decreased to 11.1% in 2005, from 11.7% in 2004 and 11.8% in 2003. Conversely, the average defined contribution rate trended higher to 12.0%, from 11.0% in 2004 and 10.8% in 2003.



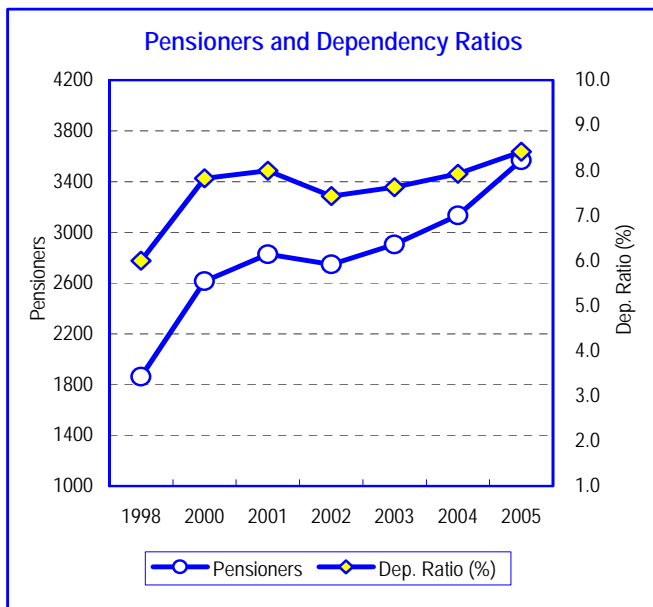
On average, employers' funding contribution as a fraction of employee salaries moderated to 9.3% in 2005 from 9.8% in both 2004 and 2003. In particular, the average rate for defined benefit plans declined further to 10.2%, but remained above the 8.0% range noted during

the 1990s. Conversely, for defined contribution plans, the employers' average contribution rate was extended to 6.2% of salaries from 5.8% and 5.6% in 2004 and 2003.

When employees actually contributed to their schemes, average rates ranged from a low of 1% to a high of 12% of salaries, with the median rate estimated at 5.0%. However, inclusive of participants in non-contributory plans, the average employee funding rate rose slightly to 2.0%. In defined benefit schemes, the average contribution rate steadied at 1.0% for the third consecutive year; while the corresponding rate for defined contribution plans recovered to 5.8%, following a slight easing to 5.2% during 2004 and 2003.

Of the plans surveyed, the weighted average return on investments rose to 9.14% in 2005 from 7.25% in 2004, partly reflecting the continued shift in asset allocations towards higher yielding capital market instruments. The improvement was more pronounced for defined contribution schemes, where average returns strengthened to 10.1% from 6.7% in 2004 and the low 4.0% range in the preceding two years. Meanwhile, the average return for defined benefit plan investments advanced to 8.9%, from 7.3% in 2004 and 5.9% in 2003.

Pension and Benefits Payout

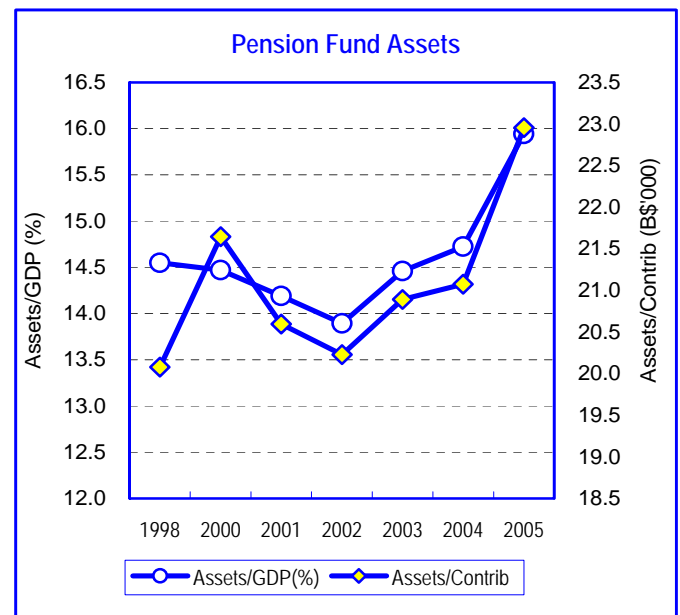


During 2005, the number of pensioners in sponsored plans rose by 11.3% to 3,568, with the largest increment

noted in the tourism sector. Moreover, the aggregate annual pension payment increased to an estimated \$30.9 million from a revised \$28.7 million in 2004. As a result, the average dependency ratio for the number of pensioners as a percentage of active plan participants rose incrementally by 0.3 percentage points to 8.4%. Likewise, the estimated dependency rate, pensions paid as a percentage of funding contributions, increased to 49.9% from 45.0% in 2004.

Asset Size and Distribution

Growth in the contribution base, supported by positive economic fundamentals and higher returns on investments, elevated private pension assets by 11.9% to an estimated \$954.3 million in 2005. This extended the previous year's upwardly revised growth of 7.2% to \$852.7 million and moved closer to pre-2000 average annual gains of just above 10.0%. Total assets were equivalent to increased average savings per active participant of \$22,957 compared to \$21,451 in 2004.

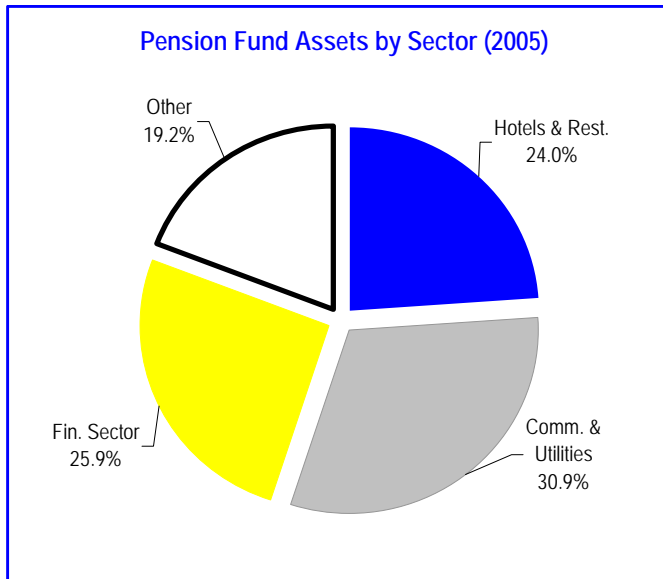


On a sectoral basis, the largest portion of pension assets remained concentrated in plans sponsored by firms in the communications and utilities (30.9%), financial services (25.9%) and tourism (24.0%) sectors. The remaining 19.2% included sectoral shares ranging from a low of 0.19% for health to 4.74% for other services.

Table 3
Private Pension Investments

	Total				
	2001R	2002R	2003R	2004R	2005P
Total Fund					
of which:	728,143	748,643	795,592	852,685	954,274
	(B\$'000)				
Government Bonds	236,611	266,275	289,270	343,905	343,107
Bank Deposits	210,404	194,328	195,705	170,185	168,370
Real Estate	7,060	12,675	12,788	8,017	7,076
Employer's Business	7,146	6,674	7,077	4,918	8,350
Mortgages	38,207	35,370	32,021	30,159	25,554
Private Sector Bonds	663	3,253	3,105	21,489	2,294
Equities	114,020	119,533	127,962	138,203	201,830
Mutual Funds	43,477	35,489	38,118	59,244	88,923
Loans	9,236	10,124	11,510	17,865	18,392
Contributor Arrears	5,103	5,290	10,368	5,031	5,368
Dividends	10,136	10,553	10,049	5,808	3,996
Other Investment	46,080	49,079	57,619	47,860	81,013
	2001R	2002R	2003R	2004P	2005P
	(% Distribution)				
Total Fund	100	100	100	100	100
of which:					
Government Bonds	32.50	35.57	36.36	40.33	35.95
Bank Deposits	28.90	25.96	24.60	19.96	17.64
Real Estate	0.97	1.69	1.61	0.94	0.74
Employer's Business	0.98	0.89	0.89	0.58	0.88
Mortgages	5.25	4.72	4.02	3.54	2.68
Private Sector Bonds	0.09	0.43	0.39	2.52	0.24
Equities	15.66	15.97	16.08	16.21	21.15
Mutual Funds	5.97	4.74	4.79	6.95	9.32
Loans	1.27	1.35	1.45	2.10	1.93
Contributor Arrears	0.70	0.71	1.30	0.59	0.56
Dividends	1.39	1.41	1.26	0.68	0.42
Other Investment	6.33	6.56	7.24	5.61	8.49
Memorandum Items:					
* Weighted Avg. Rate of Return	4.01	4.00	5.86	7.25	9.14
* Weighted Avg. Contrib. Rate	9.78	12.02	11.57	11.57	11.28

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

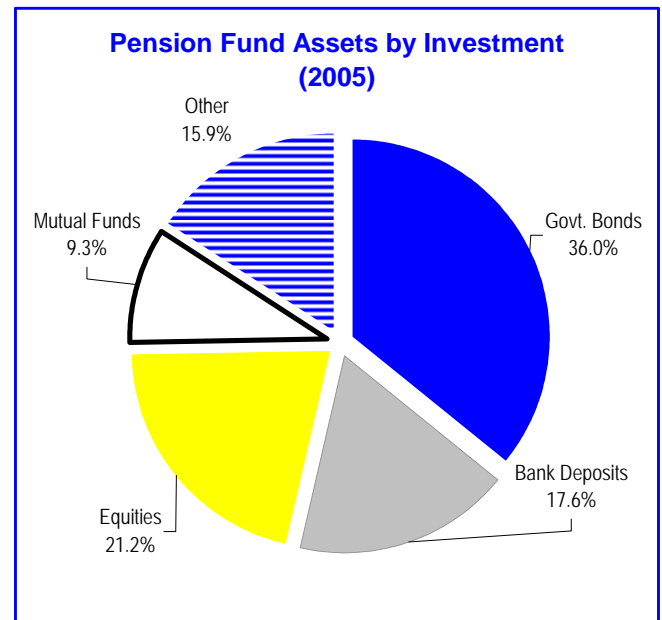


The portfolio distribution of pension assets for 2005 (see Table 3), indicates a further shift towards private capital market instruments, with holdings of equities and mutual funds accounting for a record 30.7% of assets relative to 25.7% in 2004. Correspondingly, public debt maintained the largest share of assets, although lower at 35.9% from 40.3% in 2004; and the share in bank deposits eased further to 17.6% from 20.0%. Also, the combined proportion of investments in real estate, the employers' business, loans to participants, mortgages and contribution arrears was slightly higher at 15.7% vis-à-vis 14.0% in 2004.

Pension assets held outside The Bahamas rose by 12.8% to an estimated \$121.6 million, which was 12.7% of the industry's total. This trailed the previous year's increase of 15.7%, which was buoyed by higher returns in the international capital markets. Financial sector sponsored plans held the bulk of these assets, which were predominantly invested in capital market instruments (66.8%) and foreign Government securities (25.2%). The remainder was held in bank deposits (3.7%) and "other" uncategorized assets (4.3%).

Investment strategies differed among the various sectors (see Tables 4A and 4B). In comparison to 2004, plans in the communications and utilities sector held a slightly higher proportion of assets in public sector securities (46.8%), with bank deposits representing a lower 28.6% and capital market instruments 10.3%. For plans in the financial sector, investments in public sector securi-

ties constituted a slightly increased 34.2% of assets, capital market holdings retained a dominant and moderately elevated share at 38.2%, while the proportion held as deposits narrowed to 15.8%. Within tourism sector plans, the most important allocation—capital market instruments—occupied a strengthened 49.3% share, partly facilitated by the reduced proportion for public debt instruments to 39.2%.



Also notable was the moderately increased share in deposits to 8.4%. The remaining sector plans collectively reduced their direct holdings of public sector debt in half to 17.0% of the total assets with a corresponding doubling in capital market allocations to 30.3%, via a significantly increased participation in mutual funds. There was also a notably reduced fraction of assets in deposits (14.1%), contrasting with a one-third boost in the residual investment share—including real estate, employers' business and "other" unclassified assets—to 32.1%.

Defined Benefits vs. Defined Contributions

During 2005, total assets in defined benefit schemes rose by 10.3% to \$747.9 million (Table 5), extending the revised 2004 increase of 4.5%. Although the average contribution rate for these plans softened, the outcome was favoured by increased contributors (2.6%) and an overall firming in the weighted average rate of return on

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

	(B\$'000)												
	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contribution Arrears	Dividends	Investments	Other Total Assets
2004R													
Communications & Utilities	121,818	85,888	0	0	13,102	18,004	9,602	1,216	0	4,514	2,156	17,422	273,722
Construction Companies	370	136	17	0	195	0	372	0	0	0	12	-2	1,100
Education	325	437	0	0	1,236	0	503	724	0	35	57	9,447	12,766
Financial Sector	73,825	38,250	1,407	3,046	4,821	3,445	25,453	50,233	1,020	379	743	15,428	218,048
Health	522	25	0	0	0	0	425	173	0	0	9	165	1,319
Hotels & Restaurants	92,065	11,603	239	0	0	0	79,878	6,634	5,250	0	1,451	20	197,140
Manufacturing Companies	3,714	784	105	0	653	0	1,242	0	0	0	99	1,495	8,093
Non-Profit	1,730	300	0	0	0	0	217	0	0	0	0	87	2,334
Oil Companies	6,413	4,657	19	0	384	0	1,961	0	2,745	0	45	1,978	18,202
Other Services	23,241	7,715	152	0	2,795	0	5,459	0	179	19	166	376	40,102
Private Distribution	7,368	8,609	282	1,817	6,546	0	3,790	264	0	0	573	611	29,861
Professional Services	4,210	4,993	581	0	80	40	1,623	0	549	6	101	662	12,844
Real Estate	226	2,031	1,589	0	125	0	1,578	0	0	0	27	170	5,745
Transportation	8,078	4,758	3,626	55	223	0	6,101	0	8,122	77	371	0	31,409
Total	343,905	170,185	8,017	4,918	30,159	21,489	138,203	59,244	17,865	5,031	5,808	47,860	852,685
2005P													
Communications & Utilities	137,929	84,278	0	0	13,325	0	29,028	1,310	0	4,864	30	24,181	294,945
Construction Companies	308	128	13	0	167	0	344	1,368	0	0	10	-2	2,334
Education	490	641	0	0	1,311	0	608	768	0	38	61	9,624	13,542
Financial Sector	84,562	39,147	1,580	3,482	5,691	2,054	39,695	52,883	770	390	1,373	15,875	247,502
Health	761	124	0	0	0	0	781	54	0	0	0	89	1,810
Hotels & Restaurants	89,550	19,184	239	0	0	0	105,922	6,702	5,460	0	1,506	26	228,589
Manufacturing Companies	3,714	784	105	0	653	0	1,242	0	0	0	99	1,495	8,093
Non-Profit	1,176	183	0	0	0	0	196	0	0	0	0	29	1,584
Oil Companies	5,368	2,251	19	0	380	0	5,890	4,658	3,046	0	66	31	21,710
Other Services	680	50	0	1,748	0	200	3,531	10,610	0	0	0	28,450	45,268
Private Distribution	4,676	7,311	161	1,964	3,820	0	3,419	9,459	0	0	445	618	31,873
Professional Services	4,337	5,720	568	0	0	40	2,618	438	443	0	99	22	14,285
Real Estate	223	1,796	0	1,117	0	0	1,724	413	0	0	23	275	5,572
Transportation	9,331	6,775	4,392	38	207	0	6,832	260	8,673	77	283	300	37,168
Total	343,107	168,370	7,076	8,350	25,554	2,294	201,830	88,923	18,392	5,368	3,996	81,013	954,274

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

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

	Employer's										Contribution		Other Investments	Total Assets
	Govt. Bonds	Deposits	Real Estate	Business	Mortgages	Private Bonds	Equities	Mutual Funds	Loans	Arrears	Dividends			
2004R														
Communications & Utilities	44.50	31.38	-	-	4.79	6.58	3.51	0.44	-	1.65	0.79	6.36	100.00	
Construction Companies	33.64	12.36	1.56	-	17.76	-	33.83	-	-	-	1.07	(0.22)	100.00	
Education	2.55	3.42	-	-	9.68	-	3.94	5.68	-	0.28	0.45	74.01	100.00	
Financial Sector	33.86	17.54	0.65	1.40	2.21	1.58	11.67	23.04	0.47	0.17	0.34	7.08	100.00	
Health	39.58	1.90	-	-	-	-	32.22	13.12	-	-	0.68	12.51	100.00	
Hotels & Restaurants	46.70	5.89	0.12	-	-	-	40.52	3.37	2.66	-	0.74	0.01	100.00	
Manufacturing Companies	45.90	9.69	1.30	-	8.07	-	15.35	-	-	-	1.22	18.47	100.00	
Non-Profit	74.14	12.86	-	-	-	-	9.28	-	-	-	-	3.73	100.00	
Oil Companies	35.23	25.58	0.10	-	2.11	-	10.77	-	15.08	-	0.24	10.87	100.00	
Other Services	57.95	19.24	0.38	-	6.97	-	13.61	-	0.45	0.05	0.41	0.94	100.00	
Private Distribution	24.68	28.83	0.95	6.09	21.92	-	12.69	0.88	-	-	1.92	2.05	100.00	
Professional Services	32.78	38.87	4.52	-	0.62	0.31	12.63	-	4.28	0.05	0.78	5.15	100.00	
Real Estate	3.93	35.35	27.66	-	2.17	-	27.47	-	-	-	0.47	2.96	100.00	
Transportation	25.72	15.15	11.54	0.18	0.71	-	19.42	-	25.86	0.24	1.18	-	100.00	
Total	40.33	19.96	0.94	0.58	3.54	2.52	16.21	6.95	2.10	0.59	0.68	5.61	100.00	
2005P														
Communications & Utilities	46.76	28.57	-	-	4.52	-	9.84	0.44	-	1.65	0.01	8.20	100.00	
Construction Companies	13.19	5.47	0.54	-	7.14	-	14.73	58.59	-	-	0.44	(0.10)	100.00	
Education	3.62	4.73	-	-	9.68	-	4.49	5.68	-	0.28	0.45	71.07	100.00	
Financial Sector	34.17	15.82	0.64	1.41	2.30	0.83	16.04	21.37	0.31	0.16	0.55	6.41	100.00	
Health	42.07	6.83	-	-	-	-	43.18	2.97	-	-	-	4.94	100.00	
Hotels & Restaurants	39.18	8.39	0.10	-	-	-	46.34	2.93	2.39	-	0.66	0.01	100.00	
Manufacturing Companies	45.90	9.69	1.30	-	8.07	-	15.35	-	-	-	1.22	18.47	100.00	
Non-Profit	74.26	11.53	-	-	-	-	12.40	-	-	-	-	1.81	100.00	
Oil Companies	24.73	10.37	0.09	-	1.75	-	27.13	21.46	14.03	-	0.31	0.14	100.00	
Other Services	1.50	0.11	-	3.86	-	0.44	7.80	23.44	-	-	-	62.85	100.00	
Private Distribution	14.67	22.94	0.50	6.16	11.99	-	10.73	29.68	-	-	1.40	1.94	100.00	
Professional Services	30.36	40.04	3.98	-	-	0.28	18.33	3.06	3.10	-	0.70	0.16	100.00	
Real Estate	4.01	32.23	-	20.05	-	-	30.94	7.42	-	-	0.42	4.93	100.00	
Transportation	25.11	18.23	11.82	0.10	0.56	-	18.38	0.70	23.34	0.21	0.76	0.81	100.00	
Total	35.95	17.64	0.74	0.88	2.68	0.24	21.15	9.32	1.93	0.56	0.42	8.49	100.00	

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

assets. For the second year in a row, defined contribution assets grew at a more robust pace—18.1% vis-à-vis 19.1%—to \$206.4 million, as elevated asset yields and average contribution rates reinforced another above average gain in the number of participants (17.9%). Nevertheless, the average savings per participant in defined contribution plans steadied at \$33,740 in contrast to a 7.6% rise to \$21,096 for defined benefit plans.

Both plan types exhibited similar portfolio allocation trends during the survey period, with reduced allocations for public sector securities and bank deposits, and corresponding increases in shares for capital market holdings. The bulk of defined benefit plan assets continued to be invested in public sector securities, although these accounted for a reduced 40.4% allocation, and the share in deposits narrowed to 16.2%. Conversely, there was an increased preference for capital market instruments, which advanced to 30.8% of assets, and for other combined assets, including real estate, employers business and loans, at 12.6% of the total. Defined contribution plans also revealed a moderately lower share of investments in bank deposits (23.0%) and Government securities (20.0%); albeit, the average allocation was increased for capital market investments (30.3%).

Conclusions

In tandem with the improving economic climate, private pension activity in The Bahamas strengthened in 2005, as measured both by total assets and the fraction of the labour force covered by these schemes. Healthy growth prospects for the economy over the medium term, particularly in the tourism sector, should continue to augment the number of participants in these schemes and sustain further asset gains, from both funding sources and returns on investments.

Further, growth prospects should benefit from the increased marketing of retirement products by domestic financial services providers to a higher number of small-scale employers. These plans, which impose minimal administrative costs on sponsors, are in many instances, portable, thereby facilitating continuity in coverage whenever job changes occur.

Although pension plan management in The Bahamas generally conforms to international best practices, an earlier proposal to establish a formal regulatory framework for sponsored provision plans would codify and reinforce the existing legislation via the inclusion of prudential norms and guidelines for pension investments and plan administration; and, inter alia, introduce minimum reporting and disclosure requirements.

**Table 5
Private Pension Investments By Fund Type**

	Defined Benefit					Defined Contribution				
	2001R	2002R	2003R	2004R	2005P	2001R	2002R	2003R	2004R	2005P
	(B\$'000)					(B\$'000)				
Total Fund	604,534	607,040	648,825	677,938	747,854	123,609	141,603	146,767	174,747	206,419
of which:										
Government Bonds	220,713	240,837	261,580	304,429	301,802	15,898	25,439	27,691	39,476	41,305
Bank Deposits	163,938	147,165	151,186	123,681	120,805	46,466	47,163	44,519	46,504	47,565
Real Estate	602	6,322	6,301	672	519	6,458	6,353	6,487	7,345	6,558
Employer's Business	6,058	5,379	5,371	3,044	5,228	1,088	1,295	1,706	1,874	3,122
Mortgages	34,647	29,850	26,006	22,367	18,776	3,559	5,520	6,015	7,793	6,778
Private Sector Bonds	40	876	844	18,418	665	623	2,377	2,261	3,071	1,630
Equities	99,674	100,752	107,573	117,432	167,021	14,346	18,781	20,389	20,771	34,809
Mutual Funds	33,639	29,056	31,924	47,739	62,858	9,838	6,433	6,194	11,505	26,065
Loans	2,270	2,396	2,530	5,844	5,717	6,967	7,727	8,980	12,021	12,675
Contributor Arrears	4,418	4,241	9,253	4,533	4,901	685	1,049	1,115	497	467
Dividends	8,909	9,191	8,741	4,710	2,907	1,226	1,361	1,308	1,099	1,088
Other Investment	29,625	30,975	37,516	25,067	56,655	16,455	18,105	20,104	22,793	24,358
	(% Distribution)					(% Distribution)				
Total Fund	100	100	100	100	100	100	100	100	100	100
of which:										
Government Bonds	36.51	39.67	40.32	44.91	40.36	12.86	17.96	18.87	22.59	20.01
Bank Deposits	27.12	24.24	23.30	18.24	16.15	37.59	33.31	30.33	26.61	23.04
Real Estate	0.10	1.04	0.97	0.10	0.07	5.22	4.49	4.42	4.20	3.18
Employer's Business	1.00	0.89	0.83	0.45	0.70	0.88	0.91	1.16	1.07	1.51
Mortgages	5.73	4.92	4.01	3.30	2.51	2.88	3.90	4.10	4.46	3.28
Private Sector Bonds	0.01	0.14	0.13	2.72	0.09	0.50	1.68	1.54	1.76	0.79
Equities	16.49	16.60	16.58	17.32	22.33	11.61	13.26	13.89	11.89	16.86
Mutual Funds	5.56	4.79	4.92	7.04	8.41	7.96	4.54	4.22	6.58	12.63
Loans	0.38	0.39	0.39	0.86	0.76	5.64	5.46	6.12	6.88	6.14
Contributor Arrears	0.73	0.70	1.43	0.67	0.66	0.55	0.74	0.76	0.28	0.23
Dividends	1.47	1.51	1.35	0.69	0.39	0.99	0.96	0.89	0.63	0.53
Other Investment	4.90	5.10	5.78	3.70	7.58	13.31	12.79	13.70	13.04	11.80
Memorandum Items:										
* Weighted Avg. Rate of Return	4.16	4.00	6.12	7.36	8.88	3.13	4.00	4.79	6.73	10.09
* Weighted Avg. Contrib. Rate	9.19	11.76	11.78	11.71	11.05	12.42	13.31	10.78	11.01	12.04

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