



Quarterly Economic Review

March, 2005

Vol. 14, No. 1

The Quarterly Economic Review is a publication of The Central Bank of The Bahamas, prepared by The Research Department for issue in March, June, September and December. It replaces the former Quarterly Review which was last published for March 1992. All correspondence pertaining to the Economic Review should be addressed to:

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QUARTERLY ECONOMIC REVIEW

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CONTENTS

	PAGE
1. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS	
DOMESTIC ECONOMIC DEVELOPMENTS	1
FISCAL OPERATIONS	3
REAL SECTOR	5
<i>TOURISM</i>	5
<i>CONSTRUCTION</i>	6
<i>PRICES</i>	6
MONEY, CREDIT & INTEREST RATES	7
CAPITAL MARKETS DEVELOPMENTS	11
INTERNATIONAL TRADE & PAYMENTS	11
INTERNATIONAL ECONOMIC DEVELOPMENTS	12
2. STATISTICAL APPENDIX (TABLES 1-16)	15
3. ARTICLE	
Gross Economic Contribution of The Financial Sector in The Bahamas (2004)	33

REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Indications are that the Bahamian economy continued to strengthen during the first quarter of 2005, in a climate of subdued inflation. Increased construction stimulus, from intensifying foreign investment inflows, residential investments and hurricane repairs, outweighed the comparative decrease in tourism output, which remained constrained mainly by the reduced capacity in Grand Bahama. While the fiscal outlook was improved, expenditure growth outpaced the rise in revenue, resulting in a widening in the budget deficit for the third quarter of FY2004/05. Financial sector trends featured accelerated expansion in domestic credit, which trailed growth in the monetary aggregates, for further improvement in bank liquidity. In the context of the Central Bank's more accommodative policy stance, interest softened broadly, albeit with some widening in the average loan-to-deposit rate spread. On the external side, the estimated current account deficit widened, partly on account of an increase in the oil import bill. Meanwhile, a more than two-fold hike in net private foreign investments underpinned a significant boost in the surplus on the capital and financial account.

Following a shift of surplus resources into Treasury bills, net free cash balances of banks decreased by 14.8% to \$231.5 million at end-March 2005; however, with liquidity constituting a larger 5.5% of Bahamian dollar deposit liabilities, compared to 4.8% last year. Broader surplus liquid assets, which reflected support from foreign currency inflows, increased by 13.3% to \$263.4 million, exceeding the statutory minimum by 38.1%, relative to the year-earlier ratio of 37.3%. The stable outlook for external reserves growth and continued buoyancy in liquidity, led to the Central Bank's decision in February to reduce the Discount Rate, by 50 basis points to 5.25%. This was followed by an equivalent reduction in Prime by commercial banks to 5.50%. Reflecting these trends, the weighted average interest rate on loans and deposits softened by 20 and 31 basis points, to 10.64%

and 3.44%, respectively, with the corresponding average spread widened by 11 basis points to 7.20%. Meanwhile, the average 90-day Treasury bill rate decreased by 7 basis points to 0.18%.

Healthy growth in private sector deposits supported an almost stable rate of monetary expansion (M3) of 4.4%, compared to 4.6% in 2004, and placed the overall stock at \$4.62 billion vis-à-vis \$4.19 billion in 2004. Accretions to demand deposits firmed to 11.6% from 14.1%, nearly offsetting moderated savings and fixed deposit gains of 4.4% and 0.7%, relative to 4.7% and 2.2% respectively, in 2004. Although currency in active circulation decreased by 0.6%, resident foreign currency balances recovered by a third.

While trailing money growth, domestic credit expansion accelerated to \$132.6 million (2.5%) from \$70.8 million (1.4%) the previous year, resulting in outstanding claims of \$5.36 billion. Firmer growth in net claims on the public sector (10.5%) was led by a more than doubled increase in net credit to Government of 16.8% (\$92.0 million), with marginally rebounded credit to the public corporations of 0.4%. The pace of private sector credit expansion was steadied at 0.9%, with moderate firming in Bahamian dollar claims (1.2%) outpacing a downturn in foreign currency credit (2.4%). Personal loans, the largest share of private claims (71.2%), grew at a more tempered pace (0.4%), encompassing softening in residential mortgages growth (3.0%) and an unchanged level of consumer loans. However, net lending was resumed for claims against most business and other private sector activities.

On the fiscal front, the estimated deficit for the March quarter of FY2004/05 widened to \$33.2 million from \$24.2 million in the year-earlier period. Total revenue rose by 0.4% to \$254.3 million, trailing the 3.6% expansion in expenditure to \$287.5 million. On the revenue side, the 19.1% strengthening in tax receipts, was nearly offset by the significant shift in the timing of flows, which reduced non-tax revenue by more than half, and the absence of capital revenue, as compared to a

significant inflow in 2004. Expenditure trends included increases in both current outlays (4.5%) and net lending to the public corporations (28.1%), which masked a reduction in capital outlays (20.0%). Budgetary financing during the quarter was sourced from an increase in outstanding Treasury bills of \$13.1 million, and in advances from the Central Bank of \$5.7 million. After principal repayment of \$20.4 million, mainly on domestic debt, the Direct Charge on Government declined by 0.1% to \$2,099.6 million. Nevertheless, a 0.7% increase in the guaranteed liabilities of the public corporations to \$435.2 million, caused the National Debt to rise by 0.1 % to \$2,534.9 million.

Capacity constraints, which remained concentrated in Grand Bahama following the September 2004 hurricanes, contributed to a decline in tourism earnings during the first quarter of 2005. First quarter visitor arrivals fell by 3.0% to 1.35 million, following robust growth of 13.3% in 2004. Both air and sea arrivals contracted, by 4.2% and 2.5%, from the year-earlier advances of 7.9% and 15.7%, respectively. In addition to some falloff in cruise earnings, indications are that stopover spending also declined. The Ministry of Tourism's survey indicate that the average nightly room rate gains among large hotel properties, of 9.4% to \$177.88, was partly offset by a 6.1% decrease in nightly room sales, consequently constraining estimated room revenue growth at 2.8% from 10.9% in the first quarter of 2004. While both New Providence and the Family Islands operated with less rooms and the Family Islands experience reduced room sales, the capacity constraint was most marked by the one third fewer rooms in Grand Bahama, as a major hotel remained closed since September 2004.

Construction sector activity was significantly strengthened during the first quarter, as stimulus from foreign investments intensified, and local building expenditures remained firmly supported by re-insurance claim inflows and mortgage lending for both residential and commercial developments. Data collected from banks, insurance companies and the Bahamas Mortgage Corporation revealed that the value of quarterly mortgage disbursements, mainly against residential developments, increased by 14.5% to \$86.0 million. More forward looking, the value of local commitments for new construc-

tion and repairs more than doubled to \$47.1 million, with residential loan approvals accounting for 96.8% of the total. In line with these trends, outstanding mortgages at quarter's end were 11.5% higher than the previous year, with residential claims elevated by 12.2% to \$1,747.0 million and commercial claims, by 3.9% to \$164.0 million.

When compared to the same period in 2004, consumer price inflation, measured by changes in the average Retail Price Index, stabilized at 0.1 % during the first quarter. Declines in average costs on clothing & footwear and housing, and subdued increases in average costs on food & beverages, medical care & health and education were counter-balanced by a comparatively firmer uptrend in the other components in the Index. During the 12 months through March 2005, average inflation eased to 0.9% from 2.5% in 2004, paced by reduced average costs on housing, clothing & footwear and recreation & entertainment services. The annual cost increase softened for most other items in the Index.

In the external sector, the estimated current account deficit widened to \$76.2 million from \$12.9 million in the first quarter of 2004. An elevated oil bill extended the trade deficit by 3.3% to \$363.7 million, while a decrease in net tourism receipts led the contraction in the services account surplus by 18.2% to \$290.0 million. The income account recorded an approximate doubling in the net outflow to \$50.9 million, owing to increased net repatriation of private sector earnings, concentrated in the banking sector. Meanwhile, continued insurance settlements related to the September 2004 hurricanes boosted net current transfer receipts to \$48.4 million from \$9.0 million in 2004.

The estimated surplus on the capital and financial account widened to \$128.5 million from \$49.0 million in 2004. Within this, estimated net private investment inflows were boosted to \$167.8 million from \$66.4 million, with net direct equity inflows elevated to \$71.9 million from \$18.9 million; net real estate sales, to \$24.3 million from \$19.9 million and net loan financing, to \$71.6 million from \$27.6 million. Meanwhile, the public sector's net external debt repayment narrowed to \$2.6 million from \$7.8 million, and the banking system recorded a net short-term outflow of \$25.3 million, in contrast to an approximately balanced outcome in 2004.

FISCAL OPERATIONS

OVERVIEW

Preliminary estimates are that the Government's deficit in the third quarter of Fiscal Year 2004/05 widened to \$33.2 million from \$24.2 million in the same quarter of the previous fiscal year. Total revenue rose by 0.4% to \$254.3 million, lagging a 3.6% increase in total expenditures, to \$287.5 million.

REVENUE

Revenue growth was due to a 19.1% gain in tax receipts, to \$237.5 million, representing 93.4% of the total. This outweighed a 56.9% decrease in non-tax collections to \$16.8 million. Lags in the recognition of cumulative tax flows, over-emphasized the growth in some categories, as evidenced from a \$30 million net reduction in the amount recorded under "other" unidentified sources. These shifts, and improved collections boosted taxes on international trade and transactions, to \$167.7 million from \$94.0 million the previous year. After adjusting for the delayed recognition of import taxes, indications are that actual receipts during the period remained at least 7.0% higher than in 2004. Meanwhile, business and professional license fees were boosted by 29.1% to \$23.0 million, inclusive of a one-third hike in International Business Companies fees. Increased collections were also noted for property taxes, by 31.0% to \$13.8 million, while motor vehicle taxes doubled to \$5.4 million and stamp taxes on financial transactions rose significantly to \$36.7 million—partly reflecting increased activity in the sector. Although departure taxes rose by 29.8% to \$19.0 million, constrained tourism activity was more evident in the 21.8% decrease on selected taxes on tourism services to \$8.8 million, owing principally to a decline in gaming taxes.

Accounting for 6.6% of total revenue, the decrease in non-tax receipts during the quarter, partly reflected a shift in the timing of some important flows. In particular, Government income from public enterprises and other sources softened to \$1.7 million, from \$19.4 million in the previous year, when annual lease receipts were concen-

trated in this quarter. Also, fines, forfeitures & administrative fees decreased by 24.2% to \$14.8 million

Also noteworthy, was the approximate absence of capital revenue in comparison to the \$15.0 million proceeds last year, which were associated with the sale of Government equity holdings in Cable Bahamas and the Bank of The Bahamas.

Government Revenue By Source (January -March)

	FY03/04		FY04/05	
	B\$M	%	B\$M	%
Property Tax	10.5	4.1	13.8	5.4
Selective Services Tax	11.3	4.5	8.8	3.5
Busines. & Prof Lic. Fees	17.8	7.0	23.0	9.0
Motor Vehicle Tax	2.7	1.1	5.4	2.1
Departure Tax	14.6	5.8	19.0	7.5
Import Duties	71.4	28.2	128.4	50.5
Stamp Tax from Imports	18.4	7.3	34.9	13.7
Export Tax	4.2	1.7	4.3	1.7
Stamp Tax from Exports	0.0	0.0	0.0	0.0
Other Stamp Tax	17.2	6.8	36.7	14.4
Other Tax Revenue	32.7	12.9	-32.0	-
				12.6
Fines, Forfeits, etc.	19.4	7.7	14.8	5.8
Sales of Govt. Property	0.1	0.0	0.3	0.1
Income	19.4	7.7	1.7	0.7
Other Non-Tax Rev.	0.0	0.0	0.0	0.0
Capital Revenue	15.0	5.9	0.0	0.0
Grants	0.0	0.0	0.0	0.0
Less:Refunds	1.5	0.6	4.8	1.9
Total	253.2	100.0	254.3	100.0
				0

EXPENDITURE

During the review quarter, total expenditures increased by 3.6% to \$287.5 million, reflecting a 4.5% hike in current outlays to \$260.6 million, a decrease in capital expenditure of 20.0% to \$15.3 million and elevated net lending to public enterprises of 28.1% to \$11.6 million.

Analysis of recurrent expenditure by economic classification revealed that consumption outlays rose by 2.9%, inclusive of a 3.4% increase in personal emolu-

ments to \$113.1 million and a 1.9% rise in purchases of goods and services to \$54.5 million. Transfer payments also increased by 7.6 %, with interest payments on Government debt higher by 7.1% at \$28.0 million, and subsidies and other payments by 7.8% at \$65.1 million. Under the latter, subsidies to quasi-autonomous agencies increased by 6.6% to \$34.1 million; payments to households, by 19.4% to \$19.7 million and to non-financial public enterprises, by 13.7% to \$2.5 million. Conversely, transfers abroad fell by 42.7% to \$1.4 million, while payments to non-profit institutions were approximately unchanged at \$7.0 million.

The decline in capital outlays included a 27.1% decrease in acquisition of assets to \$4.7 million, and a 75.0% reduction in transfers to non-financial public enterprises, to \$0.5 million. Capital formation, although approximately stable at \$10.2 million, included decreased outlays on public works and infrastructure projects.

FINANCING AND NATIONAL DEBT

Budgetary financing during the fiscal quarter comprised a \$18.8 million increase in Treasury bills outstanding and \$5.7 million in net advances from the Central Bank. Debt amortization was divided between \$20.0 million in Bahamian dollars and \$0.4 million in foreign currency. As a result, the Direct Charge on Government fell by \$1.3 million (0.1%) to \$2,099.6 million. Bahamian dollar debt accounted for 86.3% of the total, with the majority held by public corporations (36.2%), followed by local banks (27.7%), institutional and other private investors (27.5%) and the Central Bank (8.6%). Bonds continued to be the largest share of the Bahamian dollar debt (84.6%), with an average term to maturity of 10.3 years. Remaining Bahamian dollar obligations consisted of Treasury bills (10.6%) and loans and advances (4.8%), mainly from the Central Bank.

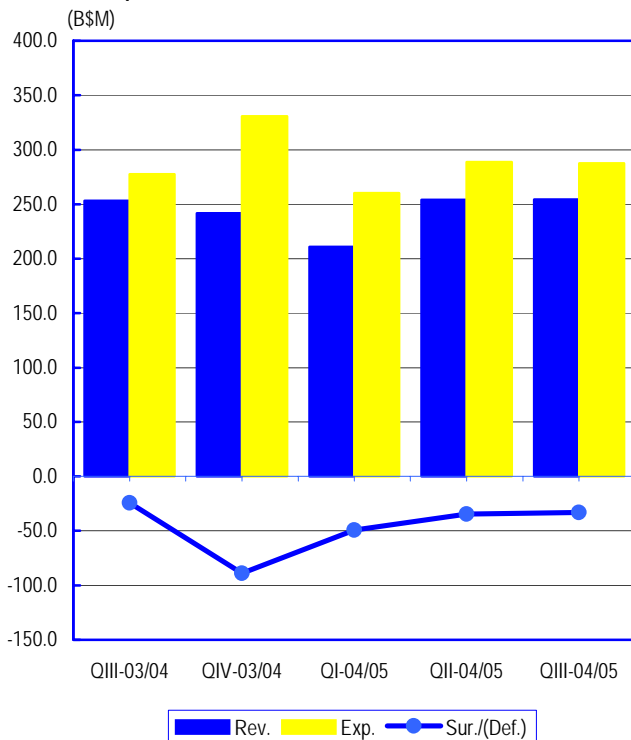
The contingent liabilities, vis-à-vis debt owned by the public corporations, rose during the quarter by 0.7% to \$2,534.9 million. As a result, the National Debt increased by 0.1% to \$2,534.9 million and compared to a stock of \$2,401.5 million a year earlier.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

During the first quarter, public sector foreign currency debt declined by \$4.0 million (0.7%) to \$553.5 million, as drawings of \$12.3 million were exceeded by repayments of \$16.3 million. The Government's transactions resulted in a net repayment of \$0.4 million (0.1%) to \$287.3 million and the public corporations, \$3.6 million (1.4 %) to \$266.2 million.

The creditor profile of the foreign currency debt indicated that a marginally increased 41.0% was held by private capital markets and other investors, a reduced 38.7% among local banks, and 20.2% by multilateral institutions.

Fiscal Operations



On a functional basis, expenditure on general public services, which represented the largest share of recurrent spending (29.7%), rose by 13.4% to \$77.4 million. Also noteworthy, quarterly spending on education decreased by 2.8%, while outlays for health and defense rose by 8.0% and 3.8%, respectively. Expenditures on social benefits and services were approximately stable, but spending under economic services fell by 5.1%, led by an 11.1% reduction in tourism-related expenses.

Compared to 2004, quarterly foreign currency debt servicing fell by 3.2% with debt amortization decreased by 4.4% to \$16.3 million and outweighing increased interest payment of 3.8% to \$3.1 million. Debt service as a proportion of estimated exports of goods and non-factor services stabilized at 2.8%; however, the Government's debt service as a proportion of revenue declined to 0.4% from 1.6% in 2004.

REAL SECTOR

TOURISM

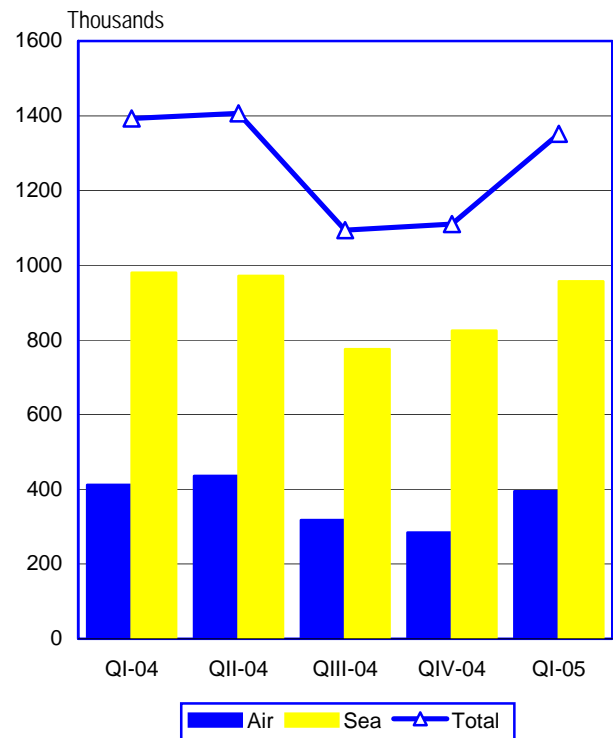
Preliminary estimates suggested that tourism inflows softened during the first quarter of 2005, owing to reduced output in Grand Bahama. Both New Providence and the Family Islands, however, experienced stopover spending gains which contributed to overall earnings growth in the respective sub-economies. Compared to the same quarter in 2004, total visitor arrivals decreased by 3.0% to 1.35 million, contrasting with last year's growth of 13.3%. Sea visitors, which constituted 70.8% of the total and closely track cruise activity, decreased by 2.5% to 0.96 million, compared to robust growth of 15.7% in the first quarter of 2004. Similarly, air arrivals fell by 4.2% to 0.34 million, after a 7.9% increase in 2004.

Broken down by port of entry, growth in arrivals to New Providence slowed to an estimated 5.0% from 10.0% in 2004, with an abated 5.2% hike in sea traffic and a steadied 4.8% increase in air arrivals. Visitors to the Family Islands registered a 5.0% downturn, with a 6.0% decrease in sea arrivals overshadowing a 0.9% upturn in air traffic. For Grand Bahama, where capacity was reduced following the September 2004 hurricanes, total arrivals decreased by 27.2% relative to a 46.6% uptrend in the first quarter of 2004, and included respective declines of 34.7% and 22.4% in air and sea arrivals.

The cruise spending decline and weaker stopover inflows contributed to a reduction in estimated tourism earnings during the first quarter. The Ministry of Tourism's survey of large hotel properties in The Bahamas indicates that estimated room revenues rose by 2.8% during the first quarter, significantly less than the robust 10.9% advance in 2004. Although room night sales

decreased by 6.1%, the average nightly room rate appreciated by 9.4% to \$177.88. The extent of capacity constraint however, was marked by the 17.8% decrease in available hotel rooms throughout the islands, led by a one-third reduction in available rooms nights in Grand Bahama. However, Grand Bahama only experienced a revenue decline of 11.4%, as the remaining room inventory experienced a 29.8% higher average nightly room rate of \$123.25. New Providence, also operated with fewer rooms (12.2%), but posted a 3.1% rise in total sales and a 1.8% appreciation in the average nightly rates to \$190.12, for a 5.0% gain in estimated room revenues. For the Family Islands, average room revenue at large properties rose by 10.1%, as the average nightly room rate firmed by 13.1% to \$197.57, countering both the 13.9% reduction in available rooms and a 2.7% decrease in room night sales.

Visitor Arrivals

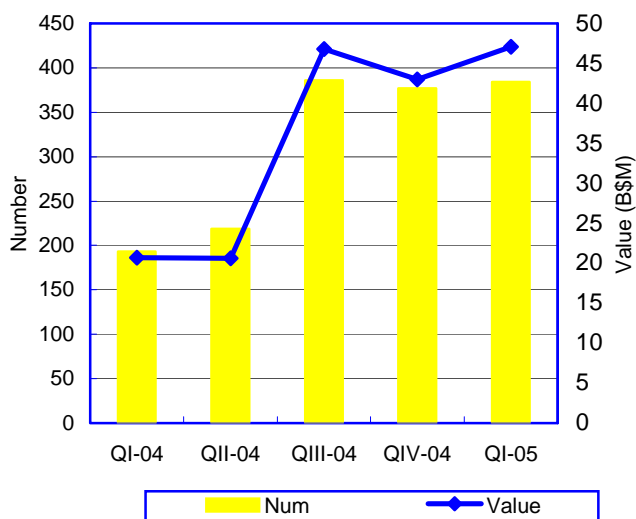


CONSTRUCTION

Construction output strengthened significantly during the first quarter, as stimulus from foreign investments increased, supplementing ongoing hurricane rebuilding activities and support from local mortgage lending.

According to first quarter data from banks, insurance companies and the Bahamas Mortgage Corporation, the number of mortgage commitments for new construction and building repairs almost doubled to 384, with the corresponding value higher at \$47.1 million compared to \$22.7 million in the first quarter of 2004. Residential commitments, comprising mainly new housing projects, accounted for an increased 377 of the total, compared to 189 in 2004, and were valued higher at \$45.6 million vis-à-vis \$19.3 million the previous year. On the commercial side, 7 commitments were reported, estimated at \$1.5 million, compared to 4 valued at \$1.4 million in 2004.

**Mortgage Comittments:
New Construction and Repairs**



Total disbursements against approved residential financing during the first quarter, while also supporting some non-construction expenditures, rose by 12.9% to \$82.1 million. Similarly, commercial disbursements increased to \$3.9 million from \$2.4 million. In line with these trends, outstanding residential mortgages at end-March 2005 rose vis-à-vis the previous year by 12.2% to \$1,747.0 million and commercial claims, by 3.9% to

\$164.0 million. As regards average interest rates, softening was evident for both residential and commercial loans, to 8.6% and 9.5% from the respective 8.8% and 9.7% in the same period last year.

Relative to the total size of the market, banks accounted for the largest share of loans (85.8%), followed by insurance companies (9.3%) and the Bahamas Mortgage Corporation (4.8%).

Average Retail Price Index

(Annual % Changes)
March

Items	Weight	2004		2005	
		Index	%	Index	%
Food & Beverages	138.3	114.3	1.1	117.5	2.8
Clothing & Footwear	58.9	107.7	0.1	107.2	-0.5
Housing	328.2	103.8	0.8	103.3	-0.4
Furn. & Household	88.7	118.8	2.3	119.3	0.4
Med. Care & Health	44.1	125.8	10.1	133.2	5.9
Trans. & Comm.	148.4	106.7	2.3	109.0	2.2
Rec., Enter. & Svcs.	48.7	125.1	5.1	122.9	-1.7
Education	53.1	163.3	1.5	165.7	1.5
Other Goods & Svcs.	91.6	122.6	7.9	122.4	-0.2
ALL ITEMS	1000	114.1	2.5	115.1	0.9

PRICES

Consumer price inflation, measured by the quarterly change in the average Retail Price Index, was approximately stable at 0.1% during the first quarter, relative to the same period in 2004. Of note were downturn in average housing (0.7%) and clothing & footwear (2.7%) costs, alongside subdued average cost increases for food & beverages (2.4%), medical care & health (5.0%) and education (1.4%). These countered firmer average price increases for recreation & entertainment services (2.2%), furniture & household operations (0.5%), transportation & communication (3.3%) and 'other' goods & services (0.1%).

For the 12 months ending March 2005, average inflation softened to 0.9% from 2.5% in 2004. Trends were

marked by downturns in average costs on housing (0.4%), clothing & footwear (0.5%), recreation entertainment & services (1.7%) and 'other' goods and services (0.2%). The average cost increase was stable for education (1.5%), but subdued for furniture & household operations (0.4%), medical & health care (5.9%) and transportation & communication (2.2%). Conversely, the average price increase for food & beverage items accelerated by 2.9%.

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

Credit expansion accelerated during the first quarter of 2005, contrasting with nearly stable growth in the monetary aggregates. Although the seasonal buildup in bank liquidity consequently softened, the financial system recorded a larger increase in net foreign assets. Domestic credit growth was concentrated in Bahamian dollar claims, particularly to the private sector, which featured a resumption in net lending for some business activities, and continued but moderated expansion in residential mortgages.

Amid the persistent high levels of liquidity and the stable outlook for these resources and external reserves growth, the Central Bank reduced its Discount Rate by 50 basis points to 5.25% on February 14. This was followed on February 15, by a similar reduction in commercial banks' Prime Rate to 5.50%, and contributed to overall softening in average rates. Nevertheless, the resultant spread between the weighted average loan and deposit rates widened slightly, as average deposit rates decreased by more than lending rates.

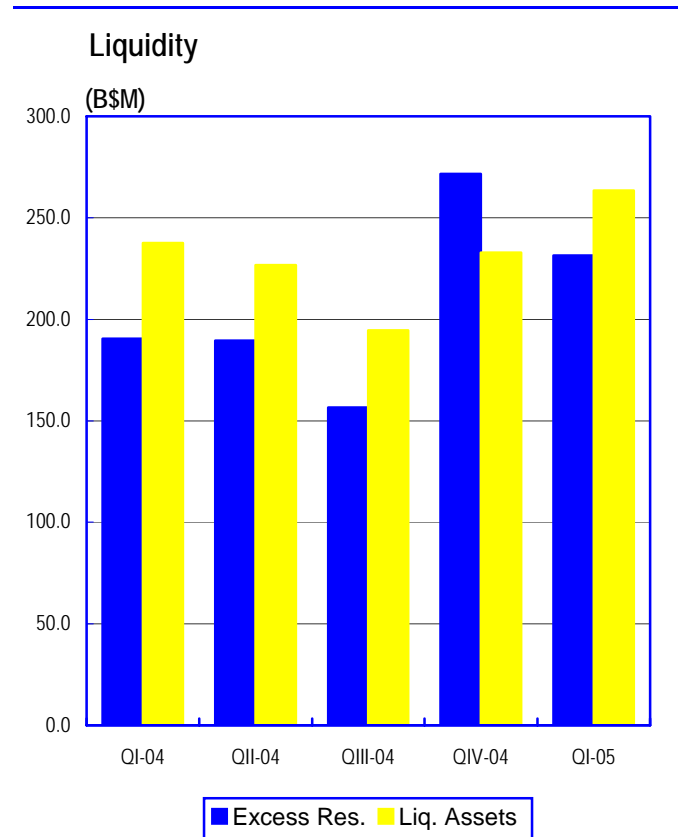
LIQUIDITY

During the review quarter, net free cash reserves of the banking system contracted by \$40.2 million (14.8%) to \$231.5 million, as banks shifted resources into Treasury bills. This compared to a \$61.6 million (47.7%) buildup during the corresponding period in 2004; albeit, equivalent to an enlarged 5.6% of the system's Bahamian dollar deposit liabilities, relative to 4.8% in 2004. Reflecting underlying support from foreign currency

inflows, broader surplus liquid assets rose by 13.3% to \$263.4 million at end-March, exceeding the required minimum by a marginally elevated 38.1% compared to 37.3% in the same quarter last year.

DEPOSITS AND MONEY

Quarterly growth in the monetary aggregates stabilized at 4.4% compared to 4.6% in 2004. Expansion in narrow money (M1) moderated slightly to 9.7% from 10.9%, corresponding to marginally eased demand deposit gains of 11.6%, which were more concentrated in accretions to public corporations' balances. The reduction in currency in active circulation abated to 0.6% from 4.2% a year earlier.



Broad money (M2) expansion narrowed to 3.7% from 4.7%. Gains in fixed deposits slackened to 0.7% from 2.2%, with a further incremental reduction in public corporations' balances and a lessened buildup in private sector deposits. Savings deposit growth also slowed to 4.4% from 4.7% last year. Meanwhile, replenishment of

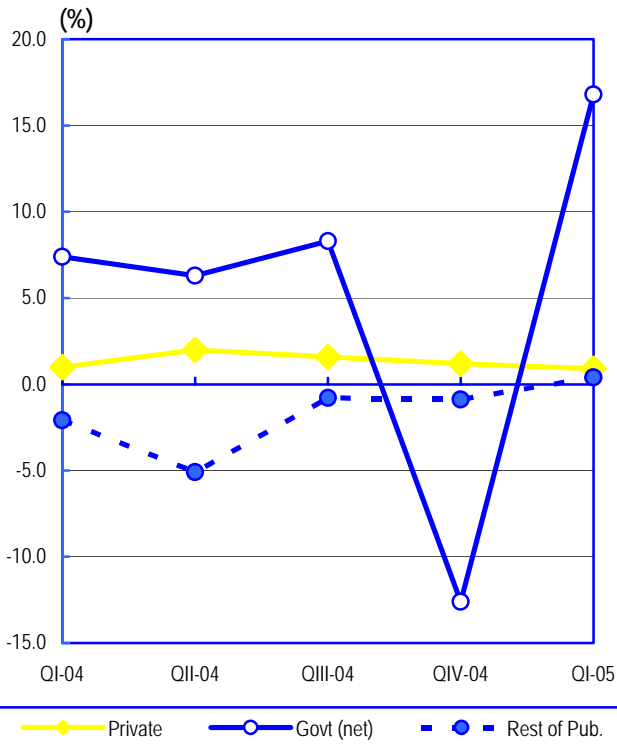
business holdings boosted residents' foreign currency deposits by 34.7%, as compared to a 0.7% gain in 2004. As a result, growth in overall money (M3) reached \$194.3 million (4.4%) compared to \$182.3 million (4.6%) the previous year.

As regard the major components, Bahamian dollar fixed deposits represented the largest share of money (52.6%), followed by demand (23.2%) and savings deposits (17.6%). The remainder represented currency in active circulation (3.8%) and foreign currency deposits (2.8%).

net credit to Government of \$92.0 million (16.8%) compared to \$37.4 million (7.4%) in 2004. Claims on the public corporations rebounded incrementally by 0.4%.

Distribution of Bank Credit By Sector				
End-March				
	2004		2005	
	B\$M	%	B\$M	%
Agriculture	9.3	0.2	10.7	0.2
Fisheries	11.7	0.3	12.7	0.3
Mining & Quarry	20.1	0.4	17.3	0.4
Manufacturing	76.4	1.7	56.6	1.2
Distribution	208.4	4.6	197.4	4.1
Tourism	206.6	4.6	178.1	3.7
Enter. & Catering	27.7	0.6	45.5	1.0
Transport	44.0	1.0	31.4	0.7
Public Corps.	336.4	7.4	311.8	6.5
Construction	236.1	5.2	272.0	5.7
Government	81.4	1.8	111.2	2.3
Private Financial	27.3	0.6	21.0	0.4
Prof. & Other Ser.	120.2	2.6	116.1	2.4
Personal	2875.0	63.4	3107.5	65.0
Miscellaneous	256.3	5.6	293.1	6.1
TOTAL	4536.9	100.0	4782.4	100.0

Changes in Credit



DOMESTIC CREDIT

Domestic credit expansion advanced strongly during the quarter, to \$132.6 million (2.5%) from \$70.8 million (1.4%) in 2004 and remained concentrated in Bahamian dollar claims, which strengthened by 23.0%, as compared to a further marginal decrease in foreign currency credit (1.0%). The increase in claims on the public sector firmed to 10.5% from 3.4%, led by an accelerated rise in

Private sector credit growth was steadied at \$39.4 million (0.9%), with firming in the Bahamian dollar component by \$48.6 million (1.2%), outweighing a downturn in foreign currency credit of \$9.2 million (2.4%). On a sectoral basis, personal loans still comprised the largest share of private sector credit (71.2%), increasing at a more tempered pace of \$13.0 million (0.4%) compared to \$65.6 million (2.3%) in 2004. Of this amount, net residential mortgage lending slowed to \$45.6 million (3.0%) from \$54.4 million (4.2%); personal overdraft balances decreased by \$33.1 million (58.6%), following an expansion of \$7.6 million (14.9%) in 2004, and net consumer lending was unchanged.

As regard consumer credit, notable but offsetting trends featured net repayments for private cars (\$3.1 million), travel (\$2.2 million) and credit cards (\$5.5 mil-

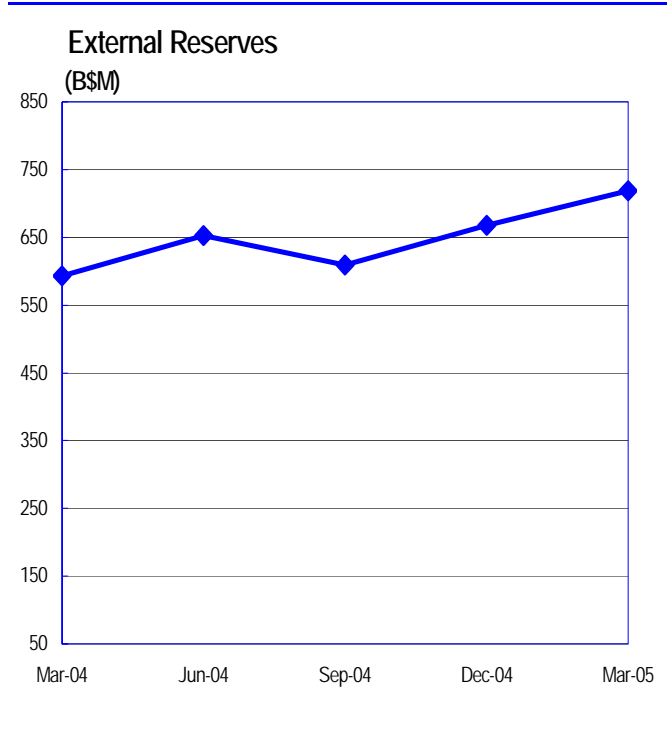
lion), relative to net increases for home improvement (\$1.3 million), land purchases (\$4.9 million) and consolidation of debt (\$3.6 million).

Net lending rebounded for business and other private sector activities, inclusive of a \$27.6 million (11.1%) upturn in outstanding claims for construction; and marginal recovery in combined lending for agriculture and fisheries (\$2.0 million), entertainment & catering (\$1.1 million), private financial institutions (\$0.8 million) and professional & other services (\$0.2 million). Growth in net lending for miscellaneous purpose eased slightly (\$33.3 million) and was significantly slowed for manufacturing (\$1.5 million). Also noteworthy was a sizeable net repayment for distribution (\$27.3 million), a steady decline for tourism (\$10.9 million), and a downturn in credit for transport (\$2.3 million) and mining & quarrying (\$0.4 million) activities.

THE CENTRAL BANK

The Central Bank's net claims on Government declined marginally by \$0.5 million (0.4%) to \$141.4 million during the first quarter. The 2.6% increase in holdings of Registered Stocks and in advances to Government, was offset by a 57.5% rise in the corresponding deposits held at the Bank. Net deposit liabilities to the rest of the public sector nearly doubled to \$155.6 million, partly reflecting balances transferred from commercial banks' in anticipation of investment opportunities. This, and a seasonal reduction in currency in circulation, resulted in a 5.5% decline in liabilities to domestic banks and the private sector. Meanwhile, reduced tourism inflows and accelerated domestic credit expansion slowed the seasonal growth in external reserves to \$50.8 million (7.6%) from \$108.9 million (22.5%) in 2004, for end-quarter stock of \$718.6 million vis-à-vis \$593.2 million in 2004.

At end-March 2005, the stock of reserves was equivalent to an estimated 25.7 weeks of non-oil merchandise imports, relative to 20.7 weeks at the same point in 2004. Adjusted for the statutory foreign balances requirement equivalent to at least 50% of the Bank's Bahamian dollar liabilities, useable reserves, or the Central Bank's liquidity, also stood higher, at \$324.0 million compared to \$276.7 million in 2004.



Net foreign currency transactions, which underpinned the reserves growth, comprised a halving in the net purchase from commercial banks to \$62.5 million in comparison to the year earlier period, with total sales increased by 21.9% to \$83.7 million, and a falloff in purchases of 28.1% to \$146.2 million. Meanwhile, the net sale to the public sector was approximately halved to \$13.8 million.

DOMESTIC BANKS

The improving economic environment supported favourable profit and balance sheet trends for domestic banks during the first quarter. Growth in deposits and other resources outpaced seasonal credit expansion, supporting a further buildup in liquid resources and a 4.5% reduction in net foreign liabilities. The increase in deposit liabilities to the private sector eased to 2.8% from 4.1% in 2004, contrasting with nearly stable rise in claims of 0.9%. The gap nevertheless more than offset the \$92.6 million (22.8%) hike in net claims on Government, concentrated in increased holdings of Treasury bills and extended overdrafts. Claims on public corporations rose incrementally by 0.6%, but lagged the 3.6% growth in deposit liabilities. Banks also recorded a steady net

accumulation of capital resources from profits, retained earnings and loan loss reserves of 1.3%.

For the first quarter, banks' total deposit liabilities, including balances owed to Government amounted to \$4,377.4 million, with the majority (96.9%) in Bahamian dollars. The largest share of these placements was held by private individuals (56.1%), followed by business firms (28.0%), the public sector (8.0%), private financial institutions (3.9%), and other depositors (4.0%). By contractual obligation, the majority of the liabilities were fixed balances (56.8%), followed by demand (24.5%) and savings (18.7%) deposits.

An analysis of Bahamian dollar deposits by range of value and number of accounts indicates that accounts of less than \$10,000 made up 90.0% of the contracts and 8.5% of the value. Conversely, individual balances exceeding \$50,000 comprised 3.1% of the total accounts and 77.3% of the value. Remaining accounts with balances between \$10,000 and \$50,000 represented 14.2% of the aggregate value and 6.9% of total contracts.

Banks experienced further improvement in asset quality measures. Indications are that at end-March, the arrears rate for loans with payments past due of at least 30 days softened to 8.6% of outstanding private balances, from 9.2% at end-December, albeit this was incrementally higher than the 8.7% averaged at end-March 2004. The residential mortgage portfolio featured a further decline in arrears rate to 9.6% from 9.8% at end-December 2004 and 9.8% 12-months earlier. Commercial loans also recorded a softening in the arrears rate, to 8.2% from 10.9% in December and 8.6% at end-March 2004. However, the incidence of distressed borrowers in the Northern Bahamas following the hurricanes, influenced a firming of the arrears rate on consumer loans, to 8.7% from 8.0% at end-December 2004 and from 8.4% a year earlier. Non-performing loans, identified as loan balances with past-due payments of at least 3 months, and on which banks have stopped accruing interest, were stable at 4.9% of outstanding claims, compared to the previous quarter, and softened 5.0% from 12-months earlier.

Compared to the previous quarter, banks' average provisioning levels for losses against Bahamian dollar loans was stable at 2.2% of the total private sector portfolio

at end-March, but slightly higher than the 2.0% averaged at end-March 2004. Provisions corresponded to 45.0% of total non-performing loans, also unchanged from last quarter but up from 39.7% at end-March 2004.

BANK PROFITABILITY

For the quarter ended December 2004, the latest period for which data are available, domestic banks' earnings indicators strengthened, with estimated net income higher at \$47.3 million from \$27.1 million in the same period of 2003. The gross earnings margin rose by 22.5% to \$89.3 million, reflecting a 21.9% increase in net interest income and a 31.0% rise in commission & foreign exchange income. A partial offset was provided from the 1.8% increase in operating costs to \$51.4 million, arising mainly from higher staffing costs (10.5%). Meanwhile, softening in depreciation and bad debt expenses boosted other net income to \$9.4 million from \$4.7 million.

These developments were also reflected in elevated profitability ratios relative to average domestic assets. The ratio for the net interest margin rose by 59 basis points to 5.21% and relative flows from commission and foreign exchange income were higher by 7 basis points at 0.40% of average assets. Favourable gains were noted from the reduction in the operating costs ratio, by 20 basis points to 3.23% while, after the netting out of lower depreciation and bad debt expenses, the corresponding ratio for other net sources of income rose by 27 basis points to 0.59%. Within this context, the net income (return on assets) ratio rose to 2.97% from 1.84% in the corresponding 2003 period.

INTEREST RATES

Interest rate trends were influenced by respective reductions in the Discount Rate and Prime to 5.25% and 5.50%, respectively in mid-February. While both loan and deposits rates were lower, on average, the weighted average spread firmed by 11 basis points to 7.20%, as the weighted average deposit rate declined by 31 basis points to 3.44%, and the corresponding average loan rate eased by 20 basis points to 10.64%.

On the deposit side, rate softening was led by easing on the average bound on fixed deposits to 3.39% - 3.71% from 3.61% - 4.35% last quarter. However, the

average rates on savings and demand deposits firmed by 13 basis points and 40 basis points, to 2.59% and 2.12%, respectively.

Banking Sector Interest Rates			
Period Average (%)			
	Qtr. I <u>2004</u>	Qtr. IV <u>2004</u>	Qtr. I <u>2005</u>
Deposit rates			
Demand Deposits	2.32	1.72	2.12
Savings Deposits	2.77	2.46	2.59
Fixed Deposits			
Up to 3 months	3.80	3.61	3.39
Up to 6 months	4.74	3.99	3.62
Up to 12 months	4.44	4.25	3.70
Over 12 months	4.84	4.35	3.71
Weighted Avg Deposit Rate	4.02	3.75	3.44
Lending rates			
Residential mortgages	8.91	8.69	8.50
Commercial mortgages	9.23	9.22	8.18
Consumer loans	13.39	12.40	12.42
Overdrafts	11.78	11.71	11.00
Weighted Avg Loan Rate	11.57	10.84	10.64

On the lending side, the respective residential and commercial mortgage rates fell by 19 and 104 basis points, to 8.50% and 8.18%. The average rate on overdrafts also decreased by 71 basis points to 11.00%, however, the average consumer loan rate firmed by 2 basis points to 12.42%.

The average 90-day Treasury bill rate moved lower by 7 basis points to 0.18%. Although there was no Government long-term borrowing during the review quarter, the average coupon yield on existing Bahamian dollar Registered Stocks softened by 50 basis points, in line with the reduction in Prime, to which such costs are linked.

CAPITAL MARKETS DEVELOPMENTS

The upbeat economic environment and improving earnings indicators in the private sector stimulated further appreciation in average equity valuations on the domestic capital markets during the first quarter of 2005. The Bahamas International Securities Exchange (BISX) All Share Price Index increased by 5.6% to 1097.08 points compared to the last quarter's advance of 2.7% to 1,039.4 points, and a 5.4% gain in the first quarter of 2004. Total trading volume was 0.6 million shares with an equivalent value of \$2.7 million versus 1.6 million shares at \$10.6 million in the same quarter last year. Market capitalization on BISX rose to \$1.95 billion from \$1.66 billion a year earlier, reflecting both valuation gains and the listing of Kerzner International BDRs and shares of the Bank of The Bahamas since then.

Fidelity Capital Markets Limited's Findex share price index, which includes equities traded over-the-counter, rose by 1.3% during the first quarter, as compared to a 4.0% appreciation in the same period last year 2004. Market capitalization of the index stood at \$2.21 billion.

During the quarter, there were no new listings on BISX. While there were new public bond issues, net Treasury bills outstanding rose by 7.3% to \$192.5 million.

INTERNATIONAL TRADE AND PAYMENTS

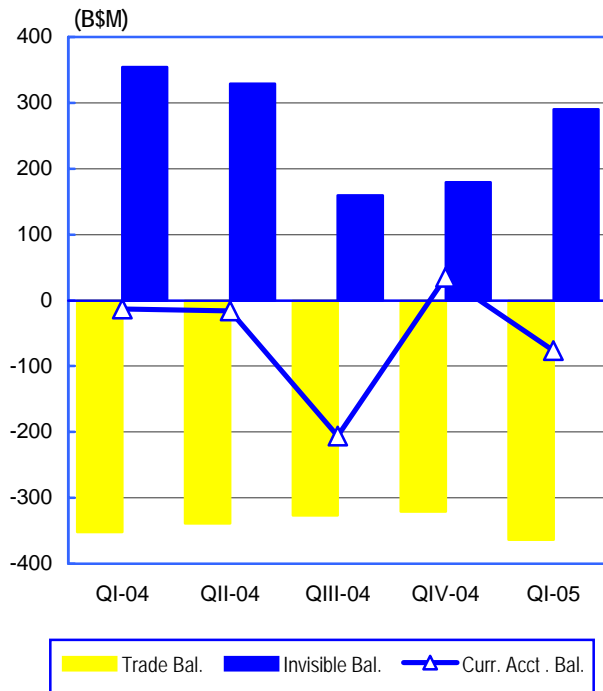
Preliminary indications are that the current account deficit increased to an estimated \$76.2 million during the first quarter of 2005, from \$12.9 million in the same period last year. This was explained by a 3.3% rise in the trade deficit alongside an 18.2% softening in net invisible receipts and a doubling in net income outflows.

The estimated trade deficit widened by 3.3% to \$363.7 million. Although non-oil merchandise imports fell by 4.8% to \$394.6 million, and goods exports rose by a third to an estimated \$92.8 million, the oil bill strengthened by 47.1% to \$87.5 million.

Developments in the oil bill corresponded entirely to firmer international fuel prices, as there was some decrease in the estimated volumes imported. The per

barrel price of propane fuel increased by 15.7% to \$41.98; motor gasoline, by 24.9% to \$60.83; jet fuel, by 40.2% to \$60.41; bunker 'C' fuel, by 1.4% to \$23.23 and gasoline oil, by 29.8% to \$54.22.

Balance of Payments



On the services account, the estimated surplus declined to \$290.0 million from \$354.6 million in 2004. Firming in residents overseas spending and the softening in tourism receipts resulted in a 7.4% decrease in net travel receipts to \$442.6 million. Also, net external payments for foreign transportation services rose by 44.9% to \$72.7 million; for insurance services, by 19.8% to \$21.9 million and government services, by 68.9% to \$8.5 million. Equally noteworthy was the decline in offshore companies' local expenditures to \$21.0 million from \$36.5 million in 2004. Conversely, net outflows for foreign construction services narrowed by 47.9% to \$5.1 million and for "other" services, by 14.9% to \$61.8 million. Net external royalty payments were almost stable at \$3.5 million.

Under the income account, estimated net outflows doubled to \$50.9 million. In addition to a 51.9% increase in net labor income outflows to \$20.0 million net invest-

ment income remittances more than doubled to \$36.5 million—mainly due to a hike in net interest and dividends remittances by local banks. Meanwhile, net official interest income rose by three-fourths to \$5.6 million, due to higher earnings on external reserves.

Net current transfer receipts widened to \$48.4 million from \$9.0 million in 2004. General government net inflows rose by 24.7% to \$14.6 million, while the continuation of the insurance claim settlements resulted in net private receipts of \$33.7 million, compared to last year's outflow of \$2.8 million.

The surplus on the capital and financial account rose to an estimated \$128.5 million from \$49.0 million in 2004. Migrants net outward transfers were higher at \$11.4 million from \$8.7 million, however, net financial inflows widened to \$139.9 million from \$57.6 million. Within the latter, net private foreign direct investments increased to \$96.2 million from \$38.8 million, with net equity investments strengthened to \$71.9 million from \$18.9 million in 2004, and real estate sales of \$24.3 million compared to \$19.9 million. In addition, net private loan financing was extended to \$71.6 million from \$27.6 million last year. For the public sector, the net external debt repayment narrowed to \$2.6 million from \$7.8 million in 2004, while the banking sector's net short-term outflow of \$25.3 million contrasted with an approximately balanced outcome in 2004.

After adjusting for errors and omissions, the overall balance recorded a reduced surplus of \$50.8 million, relative to the 2004 outturn of \$109.1 million.

INTERNATIONAL ECONOMIC DEVELOPMENTS

While high energy costs continued to constrain global economic activity, indications are that there was some consolidation in the pace of real output expansion among the major industrial economies during the first quarter. Although labour market trends were marginally mixed, the outlook for employment creation continued to be more favourable. On the prices front, inflation trends were also mixed, but with some countries experiencing increased demand pressures which added to mounting energy costs. However, only the United States continued

to tighten monetary policies to moderate these trends. Investors remained concerned about crude oil prices, which rebounded during the quarter, but still demonstrated confidence in the improved economic outlook, vis-a-vis an appreciation in average equity prices on major bonuses. Favourable economic trends in the United States and rising interest rates also led to some recovery in the value of the dollar. In the external sector, sluggish exports contributed to some deterioration in most major countries current account balance.

Indications are that first quarter output growth performance was more broadly improved among the major economies. Although moderated, the United States experienced robust real GDP gains of 3.5% on an annualized basis, compared to 3.9% in the fourth quarter of 2004. The outcome, which matched consensus expectations, was bolstered by increased consumer spending, firming in business and residential investments and continued public expenditures on defense and homeland security. Growth in the United Kingdom was estimated at a preliminary 2.7% compared to 2.9% in the previous quarter, reflecting strong growth in services and financial sector activity, in contrast to a decrease in manufacturing output and some slowing in consumer spending increases. In Japan, rising exports and business investments, alongside steady private consumption, underpinned accelerated first quarter growth of 1.2%, relative to the marginal 0.6% gain in the final quarter of 2004. For the euro area, real output growth strengthened above the 0.6% annualized rate of the previous quarter, with Germany's output recovering by 4.2% from the weakening trend exhibited in both of the previous quarters. France's expansion continued at a healthy but moderated pace.

Except for euro zone trends, labour markets conditions in the major economies were marginally improved during the first quarter. Healthy output trends in the United States reduced average unemployment to 5.3% of the workforce from 5.4% in the previous quarter and 5.7% in the first quarter of 2004. Although average unemployment in the euro-zone stabilized at 8.8%, there were signs of marginal deterioration on a monthly basis, to 8.9% at end-March, which partly reflected quarterly deterioration in both Germany and France's average

jobless rate to 11.7% and 10.1% from 10.7% to 10.2%, respectively. In the United Kingdom and Japan, average unemployment remained at 4.7% and 4.5%, respectively.

Consumer price inflation firmed in most major economies as higher energy prices were joined by increased demand pressures from employment and firming growth. In the United States, both energy and non-energy costs contributed to the intensified rise in average consumer prices, to 4.4% from 3.3% in the previous quarter. In particular, the energy component recorded an accelerated rise of 22.0% vis-à-vis 15.4% in the previous quarter. In the United Kingdom, rising food and energy costs contributed to firming in the annual inflation rate to 1.9% through March as compared to 1.6% at the end of the previous quarter. However, average inflation in the euro area eased to 2.0% from 2.2%, with softening in Germany to 1.7% from 2.2%, and in France, to 2.1% from 2.3%. Meanwhile, Japan recorded an average consumer price decline of 0.2% after rising by an identical amount in the fourth quarter of 2004.

In commodities market, developments were underscored by some reintensification of oil price pressures, as supply concerns resurfaced. The price of crude oil rose by an estimated 49.7% to \$59.72 per barrel, reversing the 13.7% moderation registered during the final quarter of 2004. To ensure added price stability, OPEC responded to market conditions by agreeing, in March, to raise its daily crude oil production ceiling by 1.9% to 27.5 million barrels. Actual production, however, remained significantly above the ceiling. For precious metals, more buoyant equity market conditions diminished the attractiveness of investments in gold, as the price decreased by 2.3% to \$428.35 per ounce for the quarter. Conversely, the price of silver rose by 4.3% to \$7.11 per ounce.

The monetary policy stance at most major central banks was unchanged during the first quarter, as policy makers still viewed higher non-oil inflation expectations as being consistent with medium range inflation targets. However, gradual tightening continued in the United States, with the Federal Reserve increasing its target funds rate and the discount rate twice, by a total of 50 basis points, to 2.75% and 3.75% respectively. At the Bank of England, the repurchase rate was maintained at

4.75%, and the European Central Bank held its refinancing rate steady at 2.00%. In Japan, the official discount rate was also left unchanged but liquidity support continued to be provided for the financial markets.

Although superior growth trends and rising interest contributed to some appreciation in the United States dollar during the quarter, the outlook for the currency remained weak, owing to the sizeable budget and trade deficits that are expected to persist over the medium-term. Nevertheless, in the first three months of the year, the dollar rose in value against the Swiss franc, by 4.3% to CHF0.77; against the Canadian dollar, by 0.7% to C\$1.21; the Japanese yen, by 4.4% to ¥107.15; the British pound by 1.5% to £0.53 and the euro, by 4.6% to €0.77.

Increased investor confidence buoyed the performance of major equity markets during the first quarter. Although the United States Dow Jones Industrial Index (DJIA) decreased by 2.6% to 10,503.8 points, the broader Standard & Poor's 500 Index appreciated by 5.8% to 1180.6 points. In the United Kingdom, the FTSE 100 Index rose by 1.6% to 4,894.4 points; Japan's

NIKKEI 225 Index, by 1.5% to 11,669.0 points; France's CAC-40 Index, by 6.5% to 4067.8 and Germany's DAX Index by 2.2% to 4348.8 points.

In the external sector, most major countries experienced some deterioration in their respective current account balances during the first quarter. With imports still paced ahead of exports, the United States' trade deficit rose marginally, and maintained the current account deficit close to the seasonally adjusted \$187.9 billion recorded in the previous quarter. Japan experienced slower export growth, particularly vis-à-vis China, and a consequent reduction in the trade surplus, on a seasonally adjusted basis; however, the current account balance increased due to higher net income inflows. Softer net export growth and a reduction in the trade surplus contributed to a narrowing in the euro area current account surplus for the 12 months through February 2004. In the United Kingdom, the trade balance benefited from increased earnings on oil imports and, consequently, the current account deficit narrowed during the first quarter of 2005..

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

TABLE 1	FINANCIAL SURVEY
TABLE 2	MONETARY SURVEY
TABLE 3	CENTRAL BANK BALANCE SHEET
TABLE 4	COMMERCIAL BANKS BALANCE SHEET
TABLE 5	OTHER LOCAL FINANCIAL INSTITUTIONS BALANCE SHEET
TABLE 6	PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS
TABLE 7	MONEY SUPPLY
TABLE 8	CONSUMER INSTALLMENT CREDIT
TABLE 9	SELECTED INTEREST RATES
TABLE 10	SUMMARY OF BANK LIQUIDITY
TABLE 11	GOVERNMENT OPERATIONS AND FINANCING
TABLE 12	NATIONAL DEBT
TABLE 13	PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS
TABLE 14	BALANCE OF PAYMENTS SUMMARY
TABLE 15	EXTERNAL TRADE
TABLE 16	SELECTED TOURISM STATISTICS

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	2000			2001			2002			2003			2004			2005	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.
	(B\$ Millions)																
Net foreign assets	(86.6)	3,645.6	3,951.6	4,193.5	4,156.5	4,064.0	3,941.5	4,147.1	4,219.6	4,290.2	4,357.1	4,317.2	4,435.4	4,435.4	104.3	180.4	
Central Bank	342.6	4,278.6	4,677.3	4,940.4	4,952.4	4,883.2	4,758.4	4,974.0	5,044.8	5,144.6	5,256.9	5,227.2	5,359.8	5,359.8	667.8	718.6	
Commercial banks	(449.5)	649.8	775.2	870.8	921.5	893.9	712.8	879.4	908.9	924.6	969.7	887.8	981.0	981.0	(596.9)	(557.2)	
Other local fin. institutions	20.3	508.5	626.0	651.3	696.8	671.6	487.2	506.5	543.9	578.2	626.0	547.1	639.1	639.1	33.4	19.0	
Net domestic assets	3,628.8	141.3	149.2	219.5	224.7	222.3	225.6	372.9	365.0	346.4	343.7	340.7	341.9	341.9	340.7	341.9	
Domestic credit	(633.0)	3,628.8	3,902.1	4,069.6	4,030.9	3,989.3	4,045.6	4,094.6	4,135.9	4,220.0	4,287.2	4,339.4	4,378.8	4,378.8	4,339.4	4,378.8	
Public sector																	
Government (net)																	
Rest of public sector																	
Private sector																	
Other items (net)																	
Monetary liabilities	3,559.0	807.8	776.7	817.7	866.4	865.0	881.9	907.4	1,006.1	1,109.4	1,125.9	1,134.4	1,244.3	1,244.3	1,134.4	1,244.3	
Money	151.4	656.4	623.2	662.9	717.8	709.6	731.2	747.3	852.7	948.6	960.7	957.8	1068.7	1068.7	957.8	1068.7	
Currency	2,751.2	2,068.8	2,244.0	2,296.2	2,307.2	2,301.4	2,298.9	2,315.9	3,179.5	3,246.2	3,272.4	3,287.1	3,371.5	3,371.5	3,287.1	3,371.5	
Demand deposits	596.1	86.3	91.8	91.6	647.5	670.8	674.0	678.8	710.6	741.2	754.3	779.9	814.6	814.6	779.9	814.6	
Quasi-money																	
Fixed deposits																	
Savings deposits																	
Foreign currency																	
	(percentage changes)																
Total domestic credit	11.9	2.6	9.3	5.6	0.2	(1.4)	(2.6)	4.5	1.4	2.0	2.2	(0.6)	2.5	2.5	(0.6)	2.5	
Public sector	(2.9)	11.9	19.3	12.3	5.8	(3.0)	(20.3)	23.4	3.4	1.7	4.9	(8.4)	10.5	10.5	(8.4)	10.5	
Government (net)	2.6	6.5	23.1	4.0	7.0	(3.6)	(27.5)	4.0	7.4	6.3	8.3	(12.6)	16.8	16.8	(12.6)	16.8	
Rest of public sector	(18.8)	2.6	5.6	47.1	2.4	(1.1)	1.5	65.3	(2.1)	(5.1)	(0.8)	(0.9)	0.4	0.4	(0.9)	0.4	
Private sector	15.0	15.0	7.5	4.3	(1.0)	(1.0)	1.4	1.2	1.0	2.0	1.6	1.2	0.9	0.9	1.2	0.9	
Monetary liabilities	9.6	6.5	4.4	3.2	2.9	(0.1)	0.4	1.2	4.6	3.5	5.3	1.1	1.6	1.6	1.1	1.6	
Money	6.5	6.5	(3.8)	5.3	6.0	(0.2)	2.0	2.9	10.9	4.1	1.0	0.5	4.4	4.4	0.5	4.4	
Currency	2.0	2.0	1.4	0.8	(4.0)	4.6	(3.0)	6.2	(4.2)	10.3	1.5	0.8	9.7	9.7	0.8	9.7	
Demand deposits	7.6	7.6	(5.1)	6.4	8.3	(1.1)	3.0	2.2	14.1	4.8	2.7	6.9	(0.6)	(0.6)	6.9	(0.6)	
Quasi-money	10.5	10.5	6.9	2.7	2.0	(0.1)	(0.1)	0.7	2.7	11.2	1.3	(0.3)	11.6	11.6	(0.3)	11.6	

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

End of Period	2000		2001		2002		2003			2004			2005	
	Mar.	Jun.	Mar.	Jun.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
	(B\$ Millions)													
Net foreign assets	(106.9)	(236.0)	(349.7)	(105.2)	(200.6)	(105.2)	32.3	(130.7)	(17.4)	80.5	10.9	70.9	161.4	161.4
Central Bank	342.6	312.4	373.2	444.5	472.5	522.9	484.3	593.2	593.2	652.5	609.1	667.8	718.6	718.6
Commercial banks	(449.5)	(548.4)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(610.6)	(610.6)	(572.0)	(598.2)	(596.9)	(557.2)	(557.2)
Net domestic assets	3,572.2	3,874.7	4,092.4	4,045.0	3,939.8	3,814.1	4,025.1	4,092.9	4,092.9	4,173.8	4,285.1	4,247.2	4,348.0	4,348.0
Domestic credit	4,158.4	4,553.8	4,793.2	4,800.3	4,731.4	4,607.0	4,822.8	4,896.8	4,896.8	5,001.6	5,114.5	5,083.1	5,218.9	5,218.9
Public sector	645.3	771.9	867.6	918.4	890.7	708.7	874.9	904.5	904.5	920.2	965.4	883.4	976.7	976.7
Government (net)	504.1	622.8	648.2	693.7	668.4	483.1	502.1	539.5	539.5	573.8	621.7	542.7	634.8	634.8
Rest of public sector	141.2	149.1	219.4	224.7	222.3	225.6	372.8	365.0	365.0	346.4	343.7	340.7	341.9	341.9
Private sector	3,513.1	3,781.9	3,925.6	3,881.9	3,840.7	3,898.3	3,947.9	3,992.3	3,992.3	4,081.4	4,149.1	4,199.7	4,242.2	4,242.2
Other items (net)	(586.2)	(679.1)	(700.8)	(755.3)	(791.6)	(792.9)	(797.7)	(803.9)	(803.9)	(827.8)	(829.4)	(835.9)	(870.9)	(870.9)
Monetary liabilities	3,465.3	3,638.7	3,742.7	3,844.4	3,834.6	3,846.4	3,894.4	4,075.5	4,075.5	4,254.3	4,296.0	4,318.1	4,509.4	4,509.4
Money	796.6	769.2	808.5	856.4	855.7	870.2	895.8	994.1	994.1	1,096.6	1,114.7	1,124.7	1,231.2	1,231.2
Currency	151.9	153.5	154.8	148.6	155.4	150.7	160.1	153.4	153.4	160.8	165.2	176.6	175.6	175.6
Demand deposits	644.7	615.7	653.7	707.8	700.3	719.5	735.7	840.7	840.7	935.8	949.5	948.1	1,055.6	1,055.6
Quasi-money	2,668.7	2,869.5	2,934.2	2,988.0	2,978.9	2,976.2	2,998.6	3,081.4	3,081.4	3,157.7	3,181.3	3,193.4	3,278.2	3,278.2
Savings deposits	593.4	604.3	630.4	647.2	670.5	673.7	678.5	710.3	710.3	741.0	754.1	779.7	814.3	814.3
Fixed deposits	1,989.0	2,173.4	2,212.2	2,215.3	2,204.7	2,201.4	2,218.8	2,269.1	2,269.1	2,308.9	2,290.7	2,316.8	2,333.4	2,333.4
Foreign currency deposits	86.3	91.8	91.6	125.5	103.7	101.1	101.3	102.0	102.0	107.8	136.5	96.9	130.5	130.5
	(percentage change)													
Total domestic credit	11.3	9.5	5.3	0.1	(1.4)	(2.6)	4.7	1.5	1.5	2.1	2.3	(0.6)	2.7	2.7
Public sector	(3.0)	19.6	12.4	5.9	(3.0)	(20.4)	23.5	3.4	3.4	1.7	4.9	(8.5)	10.6	10.6
Government (net)	2.6	23.5	4.1	7.0	(3.6)	(27.7)	3.9	7.4	7.4	6.4	8.3	(12.7)	17.0	17.0
Rest of public sector	(18.8)	5.6	47.1	2.4	(1.1)	1.5	65.2	(2.1)	(2.1)	(5.1)	(0.8)	(0.9)	0.4	0.4
Private sector	14.4	7.7	3.8	(1.1)	(1.1)	1.5	1.3	1.1	1.1	2.2	1.7	1.2	1.0	1.0
Monetary liabilities	9.1	5.0	2.9	2.7	(0.3)	0.3	1.2	4.7	4.7	3.0	0.2	0.8	4.4	4.4
Money	5.6	(3.4)	5.1	5.9	(0.1)	1.7	2.9	11.0	11.0	4.4	1.0	0.5	9.5	9.5
Currency	2.0	1.1	0.8	(4.0)	4.6	(3.0)	6.2	(4.2)	(4.2)	10.3	1.6	0.9	(0.6)	(0.6)
Demand deposits	6.5	(4.5)	6.2	8.3	(1.1)	2.7	2.3	14.3	14.3	4.8	2.7	6.9	11.3	11.3
Quasi-money	10.1	7.5	2.3	1.8	(0.3)	(0.1)	0.8	2.8	2.8	11.3	1.5	(0.2)	2.7	2.7

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B\$ Millions)

End of Period	2000		2001		2002		2003			2004			2005		
							Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	342.6	312.4	373.2	444.5	472.5	522.9	484.3	652.5	609.1	667.8	593.2	652.5	609.1	667.8	718.6
Balances with banks abroad	119.3	44.5	126.3	177.3	195.3	221.1	183.7	318.7	253.3	311.1	279.6	318.7	253.3	311.1	344.9
Foreign securities	215.1	260.0	238.3	258.6	268.3	292.8	291.3	324.6	346.6	347.0	304.3	324.6	346.6	347.0	364.2
Reserve position in the Fund	8.1	7.8	8.5	8.6	8.8	8.9	9.3	9.2	9.2	9.7	9.3	9.2	9.2	9.7	9.5
SDR holdings	0.1	0.1	0.1	--	0.1	0.1	--	--	--	--	--	--	--	--	--
Net domestic assets	31.4	107.5	92.0	43.3	11.2	(51.1)	15.2	(90.4)	(101.6)	(13.1)	(24.1)	(90.4)	(101.6)	(13.1)	(90.8)
Net claims on government	120.7	187.4	172.9	158.7	109.6	77.9	108.4	106.0	123.3	141.9	118.0	106.0	123.3	141.9	141.4
Claims	128.5	189.7	182.4	167.6	117.4	85.6	114.8	116.6	131.0	149.5	122.1	116.6	131.0	149.5	153.4
Treasury bills	66.2	98.8	72.0	62.9	7.0	--	--	--	--	--	--	--	--	--	--
Bahamas registered stock	8.8	34.0	38.6	37.9	44.6	48.6	43.8	45.6	60.0	78.5	51.1	45.6	60.0	78.5	76.4
Loans and advances	53.5	56.9	71.8	66.8	65.8	37.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	77.0
Deposits	(7.8)	(2.3)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(10.6)	(7.7)	(7.6)	(4.1)	(10.6)	(7.7)	(7.6)	(12.0)
In local currency	(7.8)	(2.3)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(10.6)	(7.7)	(7.6)	(4.1)	(10.6)	(7.7)	(7.6)	(12.0)
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(14.8)	(10.3)	(10.1)	(45.7)	(30.0)	(59.4)	(21.6)	(128.9)	(154.4)	(87.7)	(73.9)	(128.9)	(154.4)	(87.7)	(164.1)
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(98.0)	(94.3)	(98.3)	(99.7)	(97.3)	(97.5)	(97.3)	(97.2)	(97.5)	(98.2)	(98.8)	(97.2)	(97.5)	(98.2)	(100.0)
Net unclassified assets	15.1	16.8	19.9	22.4	21.4	20.5	18.4	22.5	19.8	22.3	23.4	22.5	19.8	22.3	23.4
Loans to rest of public sector	7.6	7.1	6.7	6.7	6.6	6.5	6.4	6.2	6.2	7.6	6.3	6.2	6.2	7.6	7.5
Public Corp Bonds/Securities	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0
Liabs. to Commercial Banks & OLFIs	(209.3)	(253.6)	(296.5)	(325.1)	(314.0)	(306.5)	(324.2)	(386.2)	(327.3)	(462.2)	(400.6)	(386.2)	(327.3)	(462.2)	(436.7)
Notes and coins	(64.4)	(64.9)	(66.3)	(43.8)	(42.9)	(51.0)	(79.6)	(63.2)	(60.3)	(78.5)	(62.5)	(63.2)	(60.3)	(78.5)	(62.1)
Deposits	(144.9)	(188.7)	(230.2)	(281.3)	(271.1)	(255.5)	(244.6)	(323.0)	(267.0)	(383.7)	(338.1)	(323.0)	(267.0)	(383.7)	(374.6)
SDR allocation	(13.3)	(12.8)	(13.9)	(14.1)	(14.3)	(14.6)	(15.2)	(15.1)	(15.0)	(15.9)	(15.1)	(15.1)	(15.0)	(15.9)	(15.5)
Currency held by the private sector	(151.4)	(153.5)	(154.8)	(148.6)	(155.4)	(150.7)	(160.1)	(160.8)	(165.2)	(176.6)	(153.4)	(160.8)	(165.2)	(176.6)	(175.6)

Source: The Central Bank of The Bahamas

TABLE 4
COMMERCIAL BANKS BALANCE SHEET

End of Period	2000			2001			2002			2003			2004			2005	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
Net foreign assets	(449.5)	(548.4)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(572.0)	(598.2)	(598.2)	(598.2)	(596.9)	(610.6)	(572.0)	(598.2)	(596.9)	(557.2)
Net claims on Central Bank	207.1	248.7	291.2	317.9	308.0	300.1	316.8	379.3	321.2	321.2	321.2	455.7	394.0	379.3	321.2	455.7	429.7
Notes and Coins	63.9	64.9	66.3	43.9	42.9	51.0	79.6	63.2	60.3	60.3	60.3	78.5	62.5	63.2	60.3	78.5	62.1
Balances	144.0	184.6	225.7	274.8	265.9	249.9	238.0	316.9	261.7	261.7	261.7	378.0	332.3	316.9	261.7	378.0	368.4
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	0.8	0.8	0.8	0.8
Net domestic assets	3,244.3	3,421.3	3,653.8	3,632.9	3,599.6	3,542.6	3,698.2	3,880.3	3,977.0	3,977.0	3,977.0	3,955.5	3,758.7	3,880.3	3,977.0	3,955.5	4,049.1
Net claims on government	383.4	435.4	475.3	535.0	558.8	405.2	393.7	421.5	498.5	498.5	498.5	400.9	421.5	467.8	498.5	400.9	493.4
Treasury bills	49.9	63.5	38.8	45.0	69.5	71.9	47.6	73.0	96.2	96.2	96.2	26.7	73.0	88.8	96.2	26.7	85.4
Other securities	315.3	314.2	338.1	338.3	350.0	369.2	365.2	364.2	392.4	392.4	392.4	389.0	364.2	364.9	392.4	389.0	398.0
Loans and advances	89.0	115.4	170.0	219.6	214.1	45.6	74.5	111.2	115.6	115.6	115.6	78.2	81.3	111.2	115.6	78.2	111.2
Less: deposits	70.8	57.7	71.6	67.9	74.8	81.5	93.6	97.0	105.7	105.7	105.7	93.0	97.0	97.1	105.7	93.0	101.2
Net claims on rest of public sector	(163.8)	(212.1)	(143.9)	(127.2)	(104.5)	(65.9)	53.0	51.6	62.2	60.0	60.0	92.6	51.6	62.2	60.0	92.6	85.3
Securities	6.9	8.0	9.3	8.2	8.6	19.7	18.6	21.3	21.3	21.3	21.3	18.6	21.3	21.3	21.3	18.6	21.6
Loans and advances	125.9	133.2	202.5	208.9	206.2	198.5	347.0	336.4	317.9	315.2	315.2	313.5	336.4	317.9	315.2	313.5	311.8
Less: deposits	296.6	353.3	355.7	344.3	319.3	284.1	312.6	306.1	277.0	276.5	276.5	239.5	306.1	277.0	276.5	239.5	248.1
Net claims on OLFIs.	(10.1)	(0.8)	16.4	11.8	6.2	--	1.2	(8.3)	(5.8)	40.0	40.0	33.6	(8.3)	(5.8)	40.0	33.6	18.9
Credit to the private sector	3,513.1	3,781.9	3,925.6	3,881.9	3,840.7	3,898.3	3,947.9	3,992.3	4,081.4	4,149.1	4,149.1	4,199.7	3,992.3	4,081.4	4,149.1	4,199.7	4,242.2
Securities	6.9	6.3	7.4	7.4	7.3	9.7	16.3	12.9	12.9	14.3	14.3	11.3	12.9	12.9	14.3	11.3	11.3
Loans and advances	3,506.2	3,775.6	3,918.2	3,874.5	3,833.4	3,888.6	3,931.6	3,979.4	4,068.5	4,134.8	4,134.8	4,188.4	3,979.4	4,068.5	4,134.8	4,188.4	4,230.9
Private capital and surplus	(509.9)	(592.8)	(660.4)	(692.0)	(695.0)	(907.9)	(974.5)	(982.0)	(1,014.5)	(1,025.0)	(1,025.0)	(1,060.7)	(982.0)	(1,014.5)	(1,025.0)	(1,060.7)	(1,069.8)
Net unclassified assets	31.6	9.7	40.8	23.4	(6.6)	212.9	276.9	283.6	289.2	254.4	289.2	289.4	283.6	289.2	254.4	289.4	279.1
Liabilities to private sector	3,001.9	3,121.6	3,222.1	3,305.7	3,329.9	3,352.1	3,400.0	3,542.1	3,687.6	3,700.0	3,700.0	3,814.3	3,542.1	3,687.6	3,700.0	3,814.3	3,921.6
Demand deposits	669.6	661.9	681.3	717.9	717.1	711.9	754.6	809.2	858.9	867.1	911.3	961.7	809.2	858.9	867.1	911.3	961.7
Savings deposits	596.9	606.2	634.3	651.0	674.4	676.4	681.9	713.8	745.4	761.6	783.5	818.2	713.8	745.4	761.6	783.5	818.2
Fixed deposits	1,735.4	1,853.5	1,906.5	1,936.8	1,938.4	1,963.8	1,963.5	2,019.1	2,083.3	2,071.3	2,119.5	2,141.7	2,019.1	2,083.3	2,071.3	2,119.5	2,141.7

Source: The Central Bank of The Bahamas

TABLE 5
OTHER LOCAL FINANCIAL INSTITUTIONS BALANCE SHEET

End of Period	(B\$ Millions)																
	2000			2001			2002			2003			2004			2005	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
Net foreign assets	20.3		1.5	(7.6)	(9.3)	(17.9)	(17.9)	(17.9)	(13.1)	(16.6)	(15.1)	30.3	33.4	19.0			
Net claims on Central Bank	(4.8)		4.0	4.6	4.9	5.3	5.5	5.6	5.7	5.7	5.8	5.2	5.7	6.1			
Notes and Coins	0.5		--	--	--	--	--	--	--	--	--	--	--	--			
Balances	4.7		4.0	4.6	4.9	5.3	5.5	5.6	5.7	5.7	5.8	5.2	5.7	6.1			
Less Central Bank credit	10.0		--	--	--	--	--	--	--	--	--	--	--	--			
Net domestic assets	77.7		72.8	96.5	106.6	118.9	121.8	116.4	120.9	110.7	66.7	66.7	63.3	80.2			
Net claims on government	4.4		3.2	3.1	3.1	3.2	4.1	4.4	4.4	4.4	4.4	4.3	4.3	4.3			
Treasury bills	--		--	--	--	--	--	--	--	--	--	--	--	--			
Other securities	4.4		3.2	3.1	3.1	3.2	4.1	4.4	4.4	4.4	4.4	4.3	4.3	4.3			
Loans and advances	--		--	--	--	--	--	--	--	--	--	--	--	--			
Less: deposits	--		--	--	--	--	--	--	--	--	--	--	--	--			
Net claims on rest of public sector	(0.9)		0.1	0.1	--	--	--	--	--	--	--	--	(1.0)	(1.0)			
Securities	0.1		0.1	0.1	--	--	--	--	--	--	--	--	--	--			
Loans and advances	--		--	--	--	--	--	--	--	--	--	--	--	--			
Less: deposits	1.0		--	--	--	--	--	--	--	--	--	--	1.0	1.0			
Net claims on commercial banks	12.4		1.6	(12.9)	(13.8)	(4.1)	(3.0)	(3.1)	4.4	(9.4)	(49.9)	(47.7)	(27.6)	(27.6)			
Credit to the private sector	115.7		120.2	144.0	149.0	148.6	147.2	146.7	143.6	138.6	138.1	139.7	136.5	136.5			
Securities	4.2		2.7	2.7	2.1	2.0	3.0	4.1	4.4	4.2	4.5	3.4	4.2	4.2			
Mortgages	90.5		110.4	134.4	139.9	139.9	137.6	136.3	130.7	125.1	124.5	126.8	125.6	125.6			
Loans and advances	21.0		7.1	6.9	7.0	6.7	6.6	6.3	8.5	9.3	9.1	9.5	6.7	6.7			
Private capital and surplus	(66.9)		(68.4)	(62.5)	(62.3)	(52.0)	(50.1)	(58.1)	(56.4)	(55.5)	(58.2)	(60.7)	(61.0)	(61.0)			
Net unclassified assets	13.0		16.1	24.7	30.6	23.2	23.6	26.5	24.9	32.6	32.4	28.7	29.0	29.0			
Liabilities to private sector	93.2		78.3	93.5	102.2	106.3	109.5	108.9	110.0	101.3	102.3	102.4	105.3	105.3			
Demand deposits	11.7		7.5	9.2	10.0	9.3	11.8	11.6	12.0	12.8	11.2	9.8	13.1	13.1			
Savings deposits	2.7		0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3			
Fixed deposits	78.8		70.6	84.0	91.9	96.7	97.4	97.1	97.8	88.3	90.9	92.4	91.9	91.9			

Source: The Central Bank of The Bahamas

TABLE 6
PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B\$'000s)

Period	2000				2001				2002				2003				2004			
	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	Qtr. III	Qtr. IV
1. Interest Income	413,531	447,572	431,664	435,099	105,343	110,339	110,420	108,997	112,236	116,611	120,303	124,899	41,140	43,376	41,885	42,011	71,096	73,235	78,418	82,888
2. Interest Expense	133,850	146,688	159,892	164,071	38,825	42,002	42,257	40,987	41,140	43,376	41,885	42,011	66,518	68,337	68,163	68,010	7,417	6,463	6,151	6,394
3. Interest Margin (1-2)	279,681	300,884	271,772	271,028	66,518	68,337	68,163	68,010	71,096	73,235	78,418	82,888	5,995	6,109	6,466	4,881	7,417	6,463	6,151	6,394
4. Commission & Forex Income	23,561	24,401	23,368	23,451	72,513	74,446	74,629	72,891	78,513	79,698	84,569	89,282	31,003	27,084	29,128	27,603	27,251	27,796	30,494	30,492
5. Gross Earnings Margin (3+4)	303,242	325,285	295,140	294,479	108,894	114,818	114,818	114,818	108,894	114,818	114,818	114,818	108,894	114,818	114,818	114,818	108,894	114,818	114,818	114,818
6. Staff Costs	101,771	105,518	111,068	114,818	26,208	31,490	28,811	22,385	33,349	34,877	33,586	37,882	2,516	2,684	12,433	5,170	5,286	5,180	(3,704)	2,977
7. Occupancy Costs	17,180	18,412	16,049	18,585	8,774	6,405	12,641	10,742	7,323	10,270	10,740	7,473	4,543	4,734	4,545	4,763	5,025	3,918	3,969	3,372
8. Other Operating Costs	45,734	51,792	48,370	52,182	10,759	11,138	12,145	18,140	12,888	13,107	16,520	17,536	10,759	11,138	12,145	18,140	12,888	13,107	16,520	17,536
9. Operating Costs (6+7+8)	164,685	175,722	175,487	185,585	46,305	42,956	45,818	50,506	45,164	44,821	50,983	51,400	46,305	42,956	45,818	50,506	45,164	44,821	50,983	51,400
10. Net Earnings Margin (5-9)	138,557	149,563	119,653	108,894	26,208	31,490	28,811	22,385	33,349	34,877	33,586	37,882	26,208	31,490	28,811	22,385	33,349	34,877	33,586	37,882
11. Depreciation Costs	10,896	10,848	10,460	22,803	2,516	2,684	12,433	5,170	5,286	5,180	(3,704)	2,977	2,516	2,684	12,433	5,170	5,286	5,180	(3,704)	2,977
12. Provisions for Bad Debt	27,431	33,096	29,557	38,562	8,774	6,405	12,641	10,742	7,323	10,270	10,740	7,473	8,774	6,405	12,641	10,742	7,323	10,270	10,740	7,473
13. Other Income	58,384	58,421	63,855	75,669	18,716	17,828	18,533	20,592	17,960	19,047	17,343	19,847	18,716	17,828	18,533	20,592	17,960	19,047	17,343	19,847
14. Other Income (Net) (13-11-12)	20,057	14,477	23,838	14,304	7,426	8,739	(6,541)	4,680	5,351	3,597	10,307	9,397	7,426	8,739	(6,541)	4,680	5,351	3,597	10,307	9,397
15. Net Income (10+14)	158,614	164,040	143,491	123,198	33,634	40,229	22,270	27,065	38,700	38,474	43,893	47,279	33,634	40,229	22,270	27,065	38,700	38,474	43,893	47,279
16. Effective Interest Rate Spread (%)	5.74	6.31	6.12	5.99	5.92	5.96	6.04	6.04	6.20	6.64	6.40	6.88	5.92	5.96	6.04	6.04	6.20	6.64	6.40	6.88
(Ratios To Average Assets)																				
Interest Margin	6.07	6.07	4.99	4.71	4.70	4.81	4.69	4.62	4.71	4.73	4.99	5.21	4.70	4.81	4.69	4.62	4.71	4.73	4.99	5.21
Commission & Forex Income	0.52	0.50	0.43	0.41	0.42	0.43	0.44	0.33	0.49	0.42	0.39	0.40	0.42	0.43	0.44	0.33	0.49	0.42	0.39	0.40
Gross Earnings Margin	6.59	6.56	5.42	5.11	5.12	5.24	5.13	4.95	5.20	5.15	5.38	5.61	5.12	5.24	5.13	4.95	5.20	5.15	5.38	5.61
Operating Costs	3.58	3.55	3.22	3.22	3.27	3.03	3.15	3.43	2.99	2.90	3.25	3.23	3.27	3.03	3.15	3.43	2.99	2.90	3.25	3.23
Net Earnings Margin	3.01	3.02	2.20	1.89	1.85	2.22	1.98	1.52	2.21	2.25	2.14	2.38	1.85	2.22	1.98	1.52	2.21	2.25	2.14	2.38
Net Income	3.44	3.31	2.64	2.14	2.37	2.83	1.53	1.84	2.56	2.49	2.79	2.97	2.37	2.83	1.53	1.84	2.56	2.49	2.79	2.97

*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 7
MONEY SUPPLY

End of Period	(B\$ Millions)																
	2000			2001			2002			2003			2004			2005	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
Money supply (M1)	807.8	776.7	817.7	866.4	865.0	881.9	907.4	1,006.1	1,109.4	1,125.9	1,134.4	1,244.3					
1) Currency in active circulation	151.4	153.5	154.8	148.6	155.4	150.7	160.1	153.4	160.8	165.2	176.6	175.6					
2) Demand deposits	656.4	623.2	662.9	717.8	709.6	731.2	747.3	852.7	948.6	960.7	957.8	1068.7					
Central Bank	14.8	10.3	10.1	45.7	30.0	59.5	21.7	73.9	128.9	154.4	87.7	164.1					
Commercial banks	629.9	605.3	643.6	662.1	670.3	660.0	714.0	766.8	806.9	795.1	860.3	891.5					
OLFIs	11.7	7.6	9.2	10.0	9.3	11.7	11.6	12.0	12.8	11.2	9.8	13.1					
Factors affecting changes in money (M1)																	
1) Net credit to government	508.5	626.0	651.3	696.8	671.6	487.2	506.5	543.9	578.2	626.0	547.1	639.1					
Central Bank	120.7	187.4	172.9	158.7	109.6	77.9	108.4	118.0	106.0	123.2	141.9	141.4					
Commercial banks	383.4	435.4	475.3	535.0	558.8	405.2	393.7	421.5	467.8	498.5	400.9	493.4					
OLFIs	4.4	3.2	3.1	3.1	3.2	4.1	4.4	4.4	4.4	4.3	4.3	4.3					
2) Other credit	3,770.1	4,051.3	4,289.1	4,255.6	4,211.6	4,271.1	4,467.5	4,500.9	4,566.4	4,630.9	4,680.1	4,720.7					
Rest of public sector	141.3	149.2	219.5	224.7	222.3	225.6	372.9	365.0	346.4	343.7	340.7	341.9					
Private sector	3,628.8	3,902.1	4,069.6	4,030.9	3,989.3	4,045.5	4,094.6	4,135.9	4,220.0	4,287.2	4,339.4	4,378.8					
3) External reserves	342.6	312.4	373.2	444.5	472.5	522.9	484.3	593.2	652.5	609.1	667.8	718.6					
4) Other external liabilities (net)	(429.2)	(546.9)	(730.5)	(654.4)	(595.6)	(508.5)	(628.1)	(627.2)	(587.1)	(567.8)	(563.5)	(538.2)					
5) Quasi money	2,751.2	2,940.4	3,018.5	3,080.2	3,075.9	3,074.0	3,095.9	3,179.5	3,246.2	3,272.4	3,287.1	3,371.5					
6) Other items (net)	(633.0)	(725.7)	(746.9)	(795.9)	(819.2)	(816.9)	(826.9)	(825.2)	(854.4)	(899.8)	(910.0)	(924.4)					

Source: The Central Bank of The Bahamas

TABLE 8
CONSUMER INSTALMENT CREDIT

(B\$' 000)

End of Period	2001			2002			2003			2004			2005			
	Add-on		Demand*	Add-on		Demand*	Add-on		Demand*	Add-on		Demand*	Add-on		Demand*	
CREDIT OUTSTANDING																
Private cars	405	270,662	201	244,977	19	221,315	8	218,505	8	220,306	8	215,144	8	212,671	4	209,543
Taxis & rented cars	--	2,251	--	1,976	--	2,054	--	1,835	--	1,714	--	2,274	--	2,349	--	2,325
Commercial vehicles	8	4,385	--	4,513	--	4,254	--	4,312	--	4,672	--	4,948	--	5,212	--	5,762
Furnishings & domestic appliances	7	17,514	2	14,529	--	12,727	--	12,472	--	12,886	--	12,693	--	13,972	--	14,529
Travel	25	43,391	13	43,122	--	40,815	--	38,790	--	40,191	--	42,648	--	40,814	--	38,606
Education	16	49,569	8	59,479	--	49,903	--	49,646	--	49,751	--	51,570	--	46,926	--	46,430
Medical	22	13,304	10	14,308	--	13,662	--	13,525	--	13,844	--	13,568	--	13,811	--	13,921
Home Improvements	180	126,542	99	111,702	64	109,232	8	107,272	8	105,688	5	108,050	4	114,195	2	115,459
Land Purchases	61	95,251	34	110,441	3	120,262	1	130,164	1	136,291	--	145,312	--	150,096	--	154,998
Consolidation of debt	501	356,914	256	350,686	113	343,547	83	346,844	48	347,368	45	349,057	43	346,752	38	350,353
Miscellaneous	237	340,739	99	342,527	18	334,249	17	334,922	16	348,062	16	362,163	8	374,000	8	374,819
Credit Cards	--	137,768	--	158,784	--	148,265	--	145,868	--	147,786	--	154,444	--	166,073	--	160,526
TOTAL	1,462	1,458,290	722	1,457,044	217	1,400,285	119	1,404,155	81	1,428,559	74	1,461,871	63	1,486,871	52	1,487,271
NET CREDIT EXTENDED																
Private cars	(198)	(13,704)	(204)	(25,685)	(182)	(23,662)	(11)	(2,810)	--	1,801	--	(5,162)	--	(2,473)	(4)	(3,128)
Taxis & rented cars	--	129	--	(275)	--	78	--	(219)	--	(121)	--	560	--	75	--	(24)
Commercial vehicles	(1)	(527)	(8)	128	--	(259)	--	58	--	360	--	276	--	264	--	550
Furnishings & domestic appliances	(33)	(40)	(5)	(2,985)	(2)	(1,802)	--	(255)	--	414	--	(193)	--	1,279	--	557
Travel	(27)	(1,286)	(12)	(269)	(13)	(2,307)	--	(2,025)	--	1,401	--	2,457	--	(1,834)	--	(2,208)
Education	(14)	16,601	(8)	9,910	(8)	(9,576)	--	(257)	--	105	--	1,819	--	(4,644)	--	(496)
Medical	(8)	529	(12)	1,004	(10)	(646)	--	(137)	--	319	--	(276)	--	243	--	110
Home Improvements	(117)	4,976	(81)	(14,840)	(35)	(2,470)	(55)	(1,960)	(1)	(1,584)	(3)	2,362	(1)	6,145	(2)	1,264
Land Purchases	(46)	3,690	(27)	15,190	(31)	9,821	(1)	9,902	(1)	6,127	(1)	9,021	--	4,784	--	4,902
Consolidation of debt	(212)	3,444	(245)	(6,228)	(143)	(7,139)	(30)	3,297	(35)	524	(3)	1,689	(2)	(2,305)	(5)	3,601
Miscellaneous	(183)	27,274	(138)	1,788	(81)	(8,278)	(1)	673	(1)	13,140	--	14,101	--	11,837	--	819
Credit Cards	--	6,467	--	21,016	--	(10,519)	--	(2,397)	--	1,918	--	6,658	--	11,629	--	(5,547)
TOTAL	(839)	47,553	(740)	(1,246)	(505)	(56,759)	(98)	3,870	(38)	24,404	(7)	33,312	(11)	25,000	(11)	400

Source: The Central Bank of The Bahamas

* Includes Consumer Credit previously reported under Personal Loan.

TABLE 9
SELECTED AVERAGE INTEREST RATES

Period	2001		2002		2003		2004		2005				
	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
COMMERCIAL BANKS													
Deposit rates													
Savings deposits	2.69	2.77	2.66	2.57	2.74	2.72	2.56	2.60	2.80	2.55	2.48	2.46	2.59
Fixed deposits													
Up to 3 months	4.19	4.04	3.81	3.68	3.95	3.76	3.71	3.82	3.79	3.73	3.60	3.61	3.39
Up to 6 months	4.62	4.32	4.11	3.96	4.42	4.01	3.99	4.01	4.09	3.86	3.89	3.98	3.51
Up to 12 months	4.72	4.49	4.38	4.18	4.62	4.30	4.14	4.47	4.41	4.12	4.00	4.20	3.70
Over 12 months	4.99	4.62	4.59	4.32	4.48	4.36	4.66	4.86	4.88	4.16	3.87	4.35	3.71
Weighted average rate	4.24	4.11	3.93	3.78	4.03	3.86	3.81	4.00	3.96	3.76	3.67	3.74	3.43
Lending rates													
Residential mortgages	8.95	8.90	8.99	8.83	9.01	9.00	8.91	9.02	8.89	8.85	8.82	8.77	8.55
Commercial mortgages	8.87	9.04	9.58	9.04	9.24	10.82	9.20	9.04	8.78	8.86	9.27	9.23	8.18
Consumer loans	13.41	13.07	13.83	12.98	13.94	13.95	13.89	13.53	13.35	13.12	12.95	12.49	12.54
Overdrafts	10.43	10.63	11.56	11.69	11.04	11.09	11.66	12.45	11.77	11.47	11.77	11.73	11.00
Weighted average rate	11.47	11.33	12.04	11.25	11.73	12.17	12.15	12.10	11.50	11.29	11.33	10.86	10.63
OLFIs													
Deposit rates													
Savings deposits	3.55	--	1.75	--	--	--	1.75	--	--	--	--	--	--
Fixed deposits													
Up to 3 months	4.13	4.10	4.14	4.20	3.92	4.06	4.32	4.27	4.38	3.66	4.28	4.49	4.18
Up to 6 months	4.16	3.91	4.07	4.01	3.70	4.35	3.89	4.32	4.03	3.85	3.74	4.41	4.68
Up to 12 months	4.06	4.22	4.43	4.06	4.18	4.71	4.33	4.50	4.31	3.92	4.05	3.95	3.70
Over 12 months	4.17	--	--	4.21	--	--	--	--	4.24	4.09	3.75	4.75	4.25
Weighted average rate	4.25	4.39	4.45	4.20	4.25	4.62	4.37	4.54	4.35	3.98	4.10	4.38	4.12
Lending rates													
Residential mortgages	8.89	8.64	6.59	8.46	9.07	8.35	8.92	--	8.25	8.67	8.53	8.39	8.37
Commercial mortgages	--	9.77	--	8.75	--	--	--	--	--	--	--	8.75	--
Consumer loans	14.97	--	9.99	7.86	--	--	9.99	--	--	8.34	7.39	--	--
Other loans	9.36	8.70	8.41	--	8.00	--	9.75	7.48	--	--	--	--	9.86
Weighted average rate	11.25	8.64	8.51	8.40	8.98	8.35	9.21	7.48	8.25	8.51	8.41	8.43	8.49
Other rates													
Prime rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.50
Treasury bill (90 days)	1.94	2.50	1.78	0.55	1.89	2.02	1.74	1.45	0.94	0.71	0.29	0.25	0.18
Treasury bill re-discount rate	2.45	3.00	2.28	1.05	2.39	2.52	2.24	1.95	1.44	1.21	0.79	0.75	0.68
Bank rate (discount rate)	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.25

Source: The Central Bank of The Bahamas

TABLE 10
SUMMARY OF BANK LIQUIDITY

End of Period	(B\$ Millions)														
	2000		2001		2002		2003			2004			2005		
							Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
I. Statutory Reserves															
Required reserves	166.6	176.1	183.4	184.3	185.4	185.4	187.2	192.7	200.9	204.8	205.3	211.5			
Average Till Cash	59.6	51.2	55.3	42.9	42.8	50.7	66.7	57.1	56.0	57.9	70.2	57.8			
Average balance with central bank	149.4	182.2	217.8	271.2	270.5	274.3	250.2	326.9	335.3	304.3	407.5	385.9			
Free cash reserves (period ended)	41.6	56.5	88.9	129.0	127.1	138.9	128.9	190.5	189.6	156.6	271.6	231.4			
II. Liquid Assets (period)															
A. Minimum required Liquid assets	539.1	569.3	589.9	599.2	600.3	598.8	615.6	637.1	656.7	660.7	677.2	691.9			
B. Net Eligible Liquid Assets	579.2	636.7	687.6	722.6	748.6	776.1	772.3	874.8	883.6	855.2	909.7	955.3			
i) Balance with Central Bank	148.2	188.6	230.3	279.7	271.1	255.5	243.5	338.0	322.6	267.0	383.7	374.5			
ii) Notes and Coins	64.9	65.4	66.8	44.4	43.4	51.5	80.1	63.0	63.7	60.8	79.0	62.6			
iii) Treasury Bills	49.9	63.5	38.8	45.0	69.5	71.9	47.6	73.0	88.9	96.1	26.7	85.4			
iv) Government registered stocks	303.7	306.4	335.3	336.9	350.2	370.2	369.5	368.6	369.3	396.7	393.3	402.3			
v) Specified assets	20.2	16.9	17.9	16.9	15.7	26.7	26.8	29.1	28.2	27.9	24.9	27.8			
vi) Net Inter-bank dem/call deposits	(6.9)	(3.3)	(0.7)	0.5	(0.5)	1.1	5.6	3.9	11.7	7.5	2.9	3.5			
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)			
C. Surplus/(Deficit)	40.1	67.4	97.7	123.4	148.3	177.3	156.7	237.7	226.9	194.5	232.5	263.4			

Source: The Central Bank of The Bahamas

TABLE II
GOVERNMENT OPERATIONS AND FINANCING

Period	(B\$ Millions)											
	Budget				2003/04p				2004/05p			
	2001/02p	2002/03p	2003/04p	2003/04	2004/05	QTR. III	QTR. IV	QTR. I	QTR. II	QTR. III	QTR. I	QTR. II
Total Revenue & Grants	856.8	901.8	943.8	991.5	1051.6	253.3	241.8	210.9	254.2	254.3		
Current expenditure	896.7	962.7	993.9	968.9	1067.3	249.3	282.1	240.7	244.5	260.6		
Capital expenditure	103.5	83.8	80.9	119.7	117.3	19.2	37.7	10.4	35.8	15.3		
Net lending	27.5	43.1	35.3	25.9	30.5	9.0	11.0	9.0	8.5	11.6		
Overall balance	(170.9)	(187.8)	(166.3)	(123.0)	(163.5)	(24.2)	(89.0)	(49.2)	(34.6)	(33.2)		
FINANCING (I+II-III+IV+V)	170.9	187.8	166.3	123.0	163.5	24.2	89.0	49.2	34.6	33.2		
I. Foreign currency borrowing	143.6	34.4	206.7	26.1	29.0	0.1	2.5	--	1.8	--		
External	18.6	9.4	206.7	26.1	29.0	0.1	2.5	--	1.8	--		
Domestic	125.0	25.0	--	...	...	--	--	--	--	--
II. Bahamian dollar borrowing	157.7	205.9	132.3	173.3	231.3	23.3	--	100.0	100.0	18.8		
i) Treasury bills	26.9	--	--	...	...	--	--	--	--	13.1		
Central Bank	16.1	--	--	...	...	--	--	--	--	13.1		
Commercial banks & OLFIs	10.8	--	--	...	...	--	--	--	--	--
Public corporations	--	--	--	...	...	--	--	--	--	--
Other	--	--	--	...	...	--	--	--	--	--
ii) Long-term securities	95.7	186.1	98.3	...	...	23.3	--	100.0	100.0	--		
Central Bank	66.4	20.0	33.3	...	...	23.3	--	15.0	15.0	--		
Commercial banks & OLFIs	10.1	56.4	20.1	...	...	--	--	28.7	3.7	--		
Public corporations	4.8	33.2	21.7	...	...	--	--	22.5	43.1	--		
Other	14.4	76.5	23.2	...	...	--	--	33.8	38.2	--		
iii) Loans and Advances	35.1	19.8	34.0	...	...	--	--	--	--	5.7		
Central Bank	33.9	4.3	34.0	...	...	--	--	--	--	5.7		
Commercial banks	1.2	15.5	--	...	...	--	--	--	--	--
III Debt repayment	144.9	62.4	251.4	74.0	94.4	24.0	0.5	15.8	26.1	20.4		
Domestic	111.2	54.4	242.0	65.3	84.6	20.0	--	12.6	25.0	20.0		
Bahamian dollars	76.7	49.4	112.0	60.3	84.6	20.0	--	12.6	25.0	20.0		
Internal foreign currency	34.5	5.0	130.0	5.0	...	--	--	--	--	--		
External	33.7	8.0	9.4	8.7	9.8	4.0	0.5	3.2	1.1	0.4		
IV. Cash balance change	(3.3)	15.3	(25.1)	...	...	(1.2)	(6.6)	(5.8)	12.8	5.9		
V. Other Financing	17.8	(5.4)	103.8	(2.4)	(2.4)	26.0	93.6	(29.2)	(53.9)	28.9		

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)					
	2002p	2003p	2004p	2004p		2005
			Mar.	June	Sept.	Mar.
					Dec.	
TOTAL EXTERNAL DEBT						
By Instrument						
Government Securities	96,070	292,077	287,661	288,754	286,976	287,661
Loans	25,000	225,000	225,000	225,000	225,000	225,000
	71,070	67,077	62,661	63,754	61,976	62,661
By Holder						
Commercial banks	10,305	5,153	--	2,576	--	--
Offshore financial institutions	--	--	--	--	--	--
Multilateral institutions	60,765	61,924	62,661	61,178	61,976	62,661
Bilateral Institutions	--	--	--	--	--	--
Private Capital Markets	25,000	225,000	225,000	225,000	225,000	225,000
TOTAL INTERNAL DEBT						
By Instrument						
Foreign Currency	1,710,531	1,647,607	1,813,297	1,650,897	1,738,297	1,813,297
Government securities	130,000	--	--	--	--	--
Loans	5,000	--	--	--	--	--
	125,000	--	--	--	--	--
Bahamian Dollars	1,580,531	1,647,607	1,813,297	1,650,897	1,738,297	1,813,297
Advances	71,787	71,019	71,019	71,019	71,019	71,019
Treasury bills	179,400	179,400	179,400	179,400	179,400	179,400
Government securities	1,304,098	1,386,943	1,552,633	1,390,233	1,477,633	1,532,633
Loans	25,246	10,245	10,245	10,245	10,245	10,245
By Holder						
Foreign Currency	130,000	--	--	--	--	--
Commercial banks	130,000	--	--	--	--	--
Other local financial institutions	--	--	--	--	--	--
Bahamian Dollars	1,580,531	1,647,607	1,813,297	1,650,897	1,738,297	1,813,297
The Central Bank	182,823	114,800	149,535	122,170	131,022	149,535
Commercial banks	399,697	423,997	427,858	447,876	500,248	427,858
Other local financial institutions	3,128	4,344	4,321	5,367	4,321	4,321
Public corporations	619,284	673,345	717,098	637,479	621,708	717,098
Other	375,599	431,121	514,485	438,005	475,453	514,485
TOTAL FOREIGN CURRENCY DEBT						
TOTAL DIRECT CHARGE	226,070	292,077	287,661	288,754	286,976	287,661
TOTAL CONTINGENT LIABILITIES	1,806,601	1,939,684	2,100,958	1,939,651	2,025,273	2,100,958
TOTAL NATIONAL DEBT	417,662	462,929	432,321	461,849	435,519	435,244
	2,224,263	2,402,613	2,533,279	2,401,500	2,460,988	2,534,873

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)									
	2002p	2003p*	2004p	2004p			2005p			
				Mar.	June	Sept.	Dec.	Mar.		
Outstanding debt at beginning of period	412,239	547,538	597,905	597,905	588,682	575,212	563,666	557,537		
Government	154,003	226,070	292,077	292,077	288,754	290,153	286,976	287,661		
Public Corporations	258,236	321,468	305,828	305,828	299,928	285,059	276,690	269,876		
Plus new drawings	248,984	361,959	24,763	7,829	4,932	6,459	5,542	12,303		
Government	136,638	205,014	4,363	124	2,472	--	1,767	--		
Public corporations	112,346	156,945	20,400	7,705	2,460	6,459	3,775	12,303		
Less Amortization	113,685	311,592	65,131	17,052	18,402	18,005	11,671	16,304		
Government	64,571	139,007	8,779	3,447	1,073	3,177	1,082	367		
Public corporations	49,114	172,585	56,352	13,605	17,329	14,828	10,589	15,937		
Outstanding debt at end of period	547,538	597,905	557,537	588,682	575,212	563,666	557,537	553,536		
Government	226,070	292,077	287,661	288,754	290,153	286,976	287,661	287,294		
Public corporations	321,468	305,828	269,876	299,928	285,059	276,690	269,876	266,242		
Interest Charges	24,706	26,291	27,490	2,983	10,798	2,741	10,968	3,097		
Government	9,558	13,017	18,416	565	8,598	621	8,632	528		
Public corporations	15,148	13,274	9,074	2,418	2,200	2,120	2,336	2,569		
Debt Service	138,391	337,883	92,621	20,035	29,200	20,746	22,639	19,401		
Government	74,129	152,024	27,195	4,012	9,671	3,798	9,714	895		
Public corporations	64,262	185,859	65,426	16,023	19,529	16,948	12,925	18,506		
Debt Service ratio	5.8	14.0	3.6	2.9	4.2	3.7	3.7	n.a		
Government debt Service/ Government revenue (%)	8.3	16.9	2.8	1.6	4.0	1.8	3.8	0.4		
MEMORANDUM										
Holder distribution (B\$ Mil):										
Commercial banks	253.2	243.2	215.5	239.2	226.1	219.9	215.5	214.1		
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Multilateral Institutions	253.0	117.5	112.6	116.0	115.7	114.3	112.6	112.0		
Bilateral Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other	16.3	12.3	4.4	8.4	8.4	4.5	4.4	2.4		
Private Capital Markets	25.0	225.0	225.0	225.0	225.0	225.0	225.0	225.0		

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

Note: *Debt serving during 2003 include the respective re-financing of \$125M and \$123M in Government (internal) and public corporations (external) debt. Net of these payments, the adjusted service/exports ratio was 3.7% and the Government's debt service/revenue ratio was 3.0%.

TABLE 14
BALANCE OF PAYMENTS SUMMARY

	(B\$ Millions)											
	2002p			2003p			2004p			2005		
	2002p	2003p	2004p	2003p	2004p	2005	2003p	2004p	2005	2003p	2004p	2005
A. Current Account Balance (I+II+III+IV)	(423.4)	(472.4)	(199.3)	(43.7)	(40.6)	(202.9)	(185.2)	(13.0)	(15.5)	(206.2)	35.4	(76.2)
I. Merchandise (Net)	(1,326.7)	(1,330.7)	(1,338.5)	(308.7)	(348.2)	(329.0)	(344.8)	(352.1)	(338.7)	(326.8)	(320.9)	(363.7)
Exports	421.9	426.5	471.2	132.8	69.5	111.6	112.6	101.3	93.9	123.2	152.8	119.1
Imports	1,748.6	1,757.2	1,809.7	441.5	417.7	440.6	457.4	453.4	432.6	450.0	473.7	482.8
II. Services (Net)	1,045.4	962.1	1,022.8	281.3	327.2	161.1	192.5	354.5	329.2	159.8	179.3	290.1
Transportation	(178.8)	(187.5)	(237.8)	(47.1)	(48.0)	(46.0)	(46.4)	(50.2)	(71.8)	(59.4)	(56.4)	(72.7)
Travel	1,515.8	1,452.7	1,568.9	398.8	457.4	298.2	298.3	477.9	508.2	300.5	282.3	442.6
Insurance Services	(92.8)	(105.8)	(80.8)	(20.8)	(25.2)	(31.1)	(28.7)	(18.3)	(26.1)	(21.3)	(15.1)	(21.9)
Offshore Companies Local Expenses	126.4	105.9	133.9	22.7	20.0	19.2	44.0	36.5	23.3	22.0	52.1	21.0
Other Government	(60.9)	(57.3)	(29.2)	(22.5)	(17.3)	(4.5)	(13.0)	(5.0)	(7.5)	(12.7)	(4.0)	(8.5)
Other Services	(264.3)	(245.9)	(332.2)	(49.8)	(59.7)	(74.7)	(61.7)	(86.4)	(96.9)	(69.3)	(79.6)	(70.4)
III. Income (Net)	(184.4)	(152.4)	(134.4)	(29.3)	(37.8)	(42.4)	(42.9)	(24.3)	(32.1)	(46.9)	(31.1)	(50.9)
1. Compensation of Employees	(49.9)	(56.3)	(63.2)	(11.4)	(13.1)	(14.3)	(17.5)	(13.2)	(17.0)	(12.1)	(20.9)	(20.0)
2. Investment Income	(134.5)	(96.1)	(71.2)	(17.9)	(24.7)	(28.1)	(25.4)	(11.1)	(15.1)	(34.8)	(10.2)	(30.9)
IV. Current Transfers (Net)	42.3	48.6	250.8	13.0	18.2	7.4	10.0	8.9	26.1	7.7	208.1	48.3
1. General Government	49.0	53.9	59.7	13.5	19.7	9.4	11.3	11.7	27.0	8.7	12.3	14.6
2. Private Sector	(6.7)	(5.3)	191.1	(0.5)	(1.5)	(2.0)	(1.3)	(2.8)	(0.9)	(1.0)	195.8	33.7
B. Capital and Financial Account (I+II)	380.6	498.0	311.6	181.7	(36.0)	193.9	158.4	49.1	24.2	125.4	112.9	128.5
(excl. Reserves)												
I. Capital Account (Net Transfers)	(24.5)	(37.4)	(47.9)	(9.1)	(7.4)	(8.7)	(12.2)	(8.7)	(9.7)	(10.9)	(18.6)	(11.4)
II. Financial Account (Net)	405.1	535.4	359.5	190.8	(28.6)	202.6	170.6	57.8	33.9	136.3	131.5	139.9
1. Direct Investment	152.8	190.3	273.9	89.6	9.4	27.8	63.5	39.0	62.4	105.4	67.1	96.2
2. Other Investments	252.3	345.1	85.6	101.2	(38.0)	174.8	107.1	18.8	(28.5)	30.9	64.4	43.7
Central Gov't Long Term Capital	(21.4)	196.0	(4.4)	(3.4)	1.2	199.1	(0.9)	(3.3)	1.4	(3.2)	0.7	(0.4)
Other Public Sector Capital	(13.5)	(143.5)	(15.4)	(8.4)	(6.2)	(4.4)	(124.5)	(4.5)	(2.9)	(4.7)	(3.3)	(2.2)
Banks	183.6	(102.4)	(64.5)	(76.1)	(58.8)	(87.1)	119.6	(0.9)	(40.0)	(19.3)	(4.3)	(25.3)
Other	103.8	395.1	170.1	189.1	25.8	67.2	113.0	27.6	13.0	58.2	71.3	71.6
C. Net Errors and Omissions	103.5	85.5	71.4	(66.7)	104.7	59.4	(11.9)	73.0	50.5	37.5	(89.6)	(1.6)
D. Overall Balance (A+B+C)	60.7	111.1	183.7	71.3	28.1	50.4	(38.7)	109.1	59.2	(43.3)	58.7	50.7
E. Financing (Net)	(60.8)	(111.1)	(183.7)	(71.3)	(28.1)	(50.4)	38.7	(109.1)	(59.2)	43.3	(58.7)	(50.7)
Change in SDR holdings	--	--	--	0.1	(0.1)	--	--	--	--	--	--	--
Change in Reserve Position with the IMF	(0.6)	(0.9)	(0.4)	(0.1)	(0.2)	(0.2)	(0.4)	--	0.1	--	(0.5)	0.3
Change in Ext. Foreign Assets () = Increase	(60.2)	(110.2)	(183.3)	(71.3)	(27.8)	(50.2)	39.1	(109.1)	(59.3)	43.3	(58.2)	(51.0)

Source: The Central Bank of the Bahamas

Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

	(B\$ '000)														
	1999			2000			2001			2000			2001		
	1999	2000	2001	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	36,941	83,036	68,844	18,124	17,512	23,907	23,493	18,816	19,247	18,676	12,105	18,816	19,247	18,676	12,105
ii) Imports	172,478	207,469	292,807	51,068	36,330	62,351	57,720	52,564	80,517	86,539	73,187	52,564	80,517	86,539	73,187
II. OTHER MERCHANDISE															
Domestic Exports															
Crawfish	71,586	84,847	67,696	20,584	12,299	15,729	36,235	17,042	7,087	16,519	27,048	17,042	7,087	16,519	27,048
Fish & other Crustacea	3,677	3,674	4,211	728	1,152	652	1,142	850	1,627	841	893	850	1,627	841	893
Fruits & Vegs.	10,273	2,230	7,514	274	1,511	61	384	882	5,297	544	791	882	5,297	544	791
Aragonite	389	776	278	235	226	106	209	130	148	--	--	130	148	--	--
Rum	30,957	29,151	38,190	5,400	12,344	2,935	8,472	9,559	8,061	8,968	11,602	9,559	8,061	8,968	11,602
Other Cordials & Liqueurs	70	475	195	3	21	428	23	19	48	52	76	19	48	52	76
Crude Salt	13,579	10,538	13,507	3,581	1,757	2,302	2,898	5,438	1,946	2,835	3,288	5,438	1,946	2,835	3,288
Hormones	1,325	6,919	573	--	3,476	598	2,845	454	24	36	59	454	24	36	59
Chemicals	11,219	38,688	13,124	3,365	11,725	10,642	12,956	9,367	1,197	2,560	--	9,367	1,197	2,560	--
Other Pharmaceuticals	342	--	81	--	--	--	--	19	11	20	31	19	11	20	31
Fragrances	149	26	64	26	--	--	--	3	--	61	--	3	--	61	--
Other	50,594	66,914	83,115	14,544	16,374	18,380	17,616	17,382	21,610	20,756	23,367	17,382	21,610	20,756	23,367
i) Total Domestic Exports	194,160	244,238	228,548	48,740	60,885	51,833	82,780	61,145	47,056	53,192	67,155	61,145	47,056	53,192	67,155
ii) Re-Exports	194,935	227,615	78,490	65,983	32,875	95,142	33,615	18,358	17,626	21,271	21,235	18,358	17,626	21,271	21,235
iii) Total Exports (i+ii)	389,095	471,853	307,038	114,723	93,760	146,975	116,395	79,503	64,682	74,463	88,390	79,503	64,682	74,463	88,390
iv) Imports	1,578,770	1,794,937	1,635,942	444,451	440,356	431,926	478,204	429,229	403,713	405,878	397,122	429,229	403,713	405,878	397,122
v) Retained Imports (iv-ii)	1,383,835	1,567,322	1,557,452	378,468	407,481	336,784	444,589	410,871	386,087	384,607	375,887	410,871	386,087	384,607	375,887
vi) Trade Balance (i-v)	(1,189,675)	(1,323,084)	(1,328,904)	(329,728)	(346,596)	(284,951)	(361,809)	(349,726)	(339,031)	(331,415)	(308,732)	(349,726)	(339,031)	(331,415)	(308,732)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

Period	2002p		2003p		2004p		2003p				2004p				2005p			
							Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	
Visitor Arrivals	4,405,971	4,594,042	5,003,691	1,052,676	1,126,567	1,392,826	1,406,943	1,094,044	1,109,878	1,351,474								
Air	1,402,894	1,428,973	1,450,037	335,622	315,196	411,990	435,422	318,012	284,613	394,744								
Sea	3,003,077	3,165,069	3,553,654	717,054	811,371	980,836	971,521	776,032	825,265	956,730								
Visitor Type																		
Stopover	1,513,151	1,510,169	1,561,312	362,514	319,276	449,911	492,207	336,519	282,675	n.a								
Cruise	2,802,112	2,970,174	3,360,012	662,612	782,051	931,362	901,573	723,054	804,023	908,976								
Day/Transit	90,708	113,699	82,367	27,550	25,240	11,553	13,163	34,471	23,180	n.a								
Tourist Expenditure(B\$ 000's)	1,762,661	1,758,911	1,884,481	n.a	n.a	n.a	n.a	n.a	n.a	n.a								
Stopover	1,605,406	1,596,870	1,693,487	362,734	339,732	n.a	n.a	n.a	n.a	n.a								
Cruise	151,232	157,006	185,817	n.a	n.a	n.a	n.a	n.a	n.a	n.a								
Day	6,023	5,035	5,177	n.a	n.a	n.a	n.a	n.a	n.a	n.a								
Number of Hotel Nights	3,443,373	3,554,856	3,290,365	889,775	900,518	971,229	876,711	770,916	671,509	797,592								
Average Length of Stay	5.8	5.9	6.3	n.a	n.a	n.a	n.a	n.a	n.a	n.a								
Average Hotel Occupancy Rates (%)																		
New Providence	67.9	66.4	68.9	64.5	60.1	68.8	76.1	69.1	61.7	80.7								
Grand Bahama	55.2	48.4	59.1	46.7	42.1	65.8	62.9	57.8	50.0	68.0								
Other Family Islands	34.8	34.8	37.1	32.5	25.9	38.6	44.5	34.8	30.4	43.7								
Average Nightly Room Rates (\$)																		
New Providence	177.6	165.8	165.4	145.9	153.7	186.7	174.6	148.7	151.4	190.1								
Grand Bahama	80.6	83.5	92.8	77.5	75.9	95.0	87.3	82.4	106.3	123.2								
Other Family Islands	157.9	160.5	169.8	162.1	148.9	174.7	177.2	154.6	172.8	197.6								

Source: The Ministry of Tourism

GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2004)

INTRODUCTION

This report summarizes the results of the Central Bank's 2004 survey on the gross economic contribution of the financial sector to The Bahamas. The data series on the banking sector's activities within the economy extends more than two decades into the past. In 2001, the Central Bank began surveying other segments of the financial sector to draw more comprehensive conclusions about sector trends. The quality of this information continues to improve, and the Bank expects to be able to consolidate this picture soon, particularly as regards the insurance sector, investment funds activities and credit unions. More extensive work is still needed, however, to assess the contribution from the activities of corporate and financial services providers.

The financial sector is the second most important pillar of the Bahamian economy, contributing to approximately 15 to 20 percent of the gross domestic product (GDP). The international sector, which represent a sizeable share of this total, is still undergoing a transformation, as it adjusts to regulatory reforms initiated in 2000. External economic trends have returned to a more favorable position for growth, but the policy environment is still adjusting.

The financial sector's contribution to the economy was moderately increased in 2004. In the banking sector, the number of licensed operations continued to decline in adjustment to the new physical requirement policy for licensees; however, employment and expenditures increased. Expenditure contribution from credit unions and insurance companies also rose during the year, with a more stable outcome for employment. While the business outlook was improved for investment fund management activities, operations outside of banks recorded some reduction in total employment and expenditures, owing to the relocation of a major licensee outside of the jurisdiction.

BANKING SECTOR

Although licensing activity continued to adjust to the Central Bank's physical presence policy, the banking

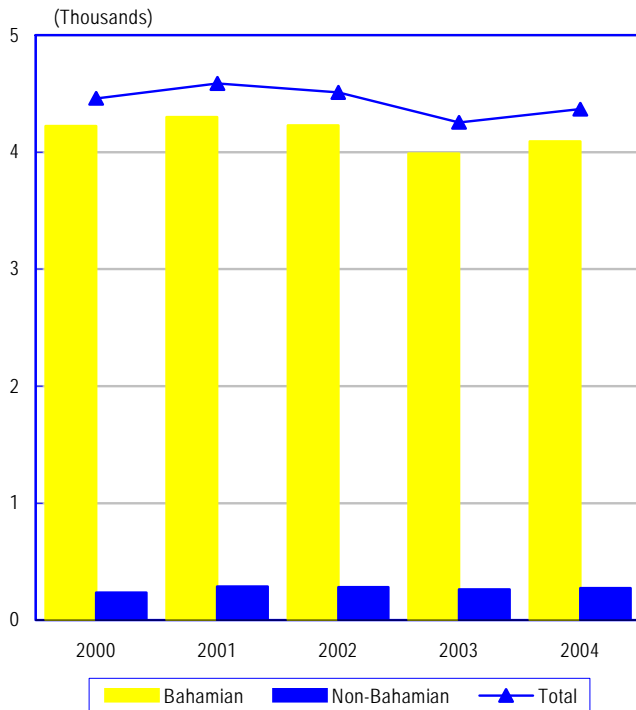
sector's economic contribution increased during 2005. Under the Central Bank's physical presence policy introduced in 2001, all licensed operations were required to establish a physical presence in The Bahamas by end-June 2004. Other than exceptions outlined in the policy, most institutions had completed this process by the end of the year, including a further number of licensees which choose to close down their operations. As a result, the number of banks and trust companies licensed to operate from or within The Bahamas stood lower at 266 compared to 284 in 2003. Licensed public banking and trust operations fell by 12 to 157 and restricted and non-active operations by 6 to 109. The public licensees in the international sector comprised 38 euro-currency branches of foreign banks and trust companies and 95 Bahamian incorporated institutions. Of the remaining 24 institutions, which represented domestic operations, there were 8 Authorized Dealers (mainly commercial banks), 15 Authorized Agents (trust companies) and 1 active Authorized Agent and Dealer. Impacted both by closures and merged operations, the number of entities with established physical presence in The Bahamas stood at 213 at end-2004, down from 216 at end-2003.. Some 47 institutions continued under restricted management arrangements approved by Central Bank, and 6 were still in transition to comply with the policy.

The asset base of the international banking sector was stable, near \$300 billion at end 2004. Business generated from company registration and management increased, as evident from a disclosed 18,601 companies (mainly IBCs) under management, compared to 15,147 in 2003 and 16,115 in 2002. In the domestic sector, the more favourable business climate also supported increased profitability, as the estimated net income of local banks rebounded by 36.6% during 2004, and the average return on assets ratio firmed to 2.71% from 2.14% in 2003. The institutions operated with a net domestic asset base of \$6.4 billion.

EMPLOYMENT

Employment conditions among banks and trust companies were more ameliorated during 2004. The average annual employment growth of 0.4% during 1999-2003 strengthened further by 113 (2.6%) to 4,366 persons in 2004. Total Bahamian staff recovered by 104 (2.7%) to 4,092 in 2004, following a 239 (5.7%) reduction in 2003. The gain in non-Bahamian staff of 9 (3.4%) to 274 contrasted with a decrease of 18 (6.4%) expatriate jobs in 2003. The slightly firmer increase in the latter marginally boosted expatriates' respective share of employment to 6.3% from 6.2% in 2003.

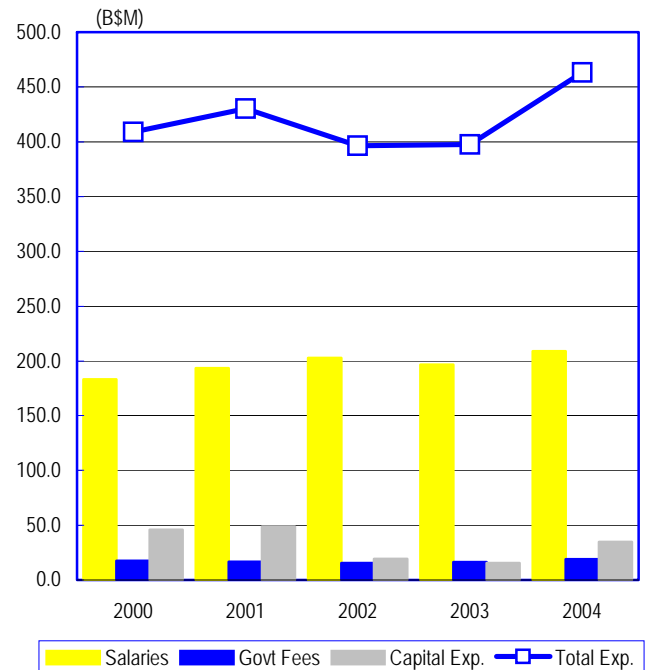
Banking Sector Employment



mated 1.4% increase in 2003, and pacing ahead of the average yearly gain of 5.0% during 1999-2003.

Given employment trends, banks' total salary outlays rose by \$12.6 million (6.4%) to \$209.1 million in 2004, recovering from a 3.1% decline in 2003. Average annual compensation per employee also firmed, by 3.7% to \$47,893, pacing marginally below the 4.7% average annual increase during 1999-2003. Adjusted for inflation, the average real increase in salaries, since 1999, was pegged at 2.7% per annum. For Bahamians, average annual pay was augmented by 3.9% to \$43,760 during 2004, relative to a 1.2% rise in 2003. Average compensation for expatriates rose by 1.9% to \$109,620.

Banks' Local Expenditure



EXPENDITURE

Employment growth, average salary gains and increases in other operating and investment outlays boosted banks' total expenditures in the economy by 16.5% to \$463.1 million in 2004, outpacing the five years average annual uptrend through 2003 of 3.6%.

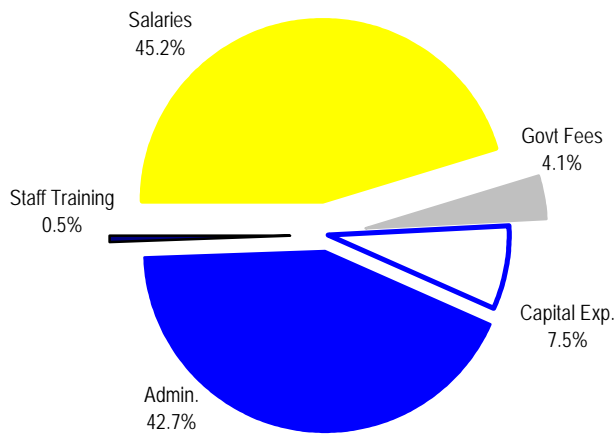
Operations costs, which comprised a moderately decreased 92.5% of total expenditures, rose by \$46.3 million (12.1%) to \$428.3 million, augmenting an esti-

Non-staff administrative expenses in the banking sector increased by 18.6% to \$197.8 million during 2004, continuing the previous year's 7.1% advance and the five year average annual growth of 5.2% through 2003. The sector's contribution to Government revenue increased by \$2.5 million (15.0%) to \$18.9 million, partly extending a 6.0% increase in 2003, and was due to higher outlays for work permits, real property taxes, stamp duties and

license fees. During 1999-2004, total direct revenue benefits to Government from the banking sector was estimated at approximately \$100 million.

Banks and trust companies also increased outlays on staff training by 5.6% to \$2.5 million in 2004, restoring some of the estimated 19.0% reduction which occurred the previous year. In addition to these direct outlays, emphasis on training in the financial sector is also reflected in institutions' support of tertiary level programmes at local institutions, and training provided by the Bahamas Institute of Financial Services. These programmes also feature significant self-funded study, by persons already employed within or aspiring to careers in the financial sector.

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



In contrast to the previous two year's slowing, banks intensified their capital expenditure programmes in 2004, with investments elevated to \$34.8 million from \$15.4 million in 2003, and \$19.4 million in 2002. Contributing to added support for the local construction sector, investments in new premises were boosted by 57% to \$2.6 million and renovation expenses rose by 59% to \$6.6 million.

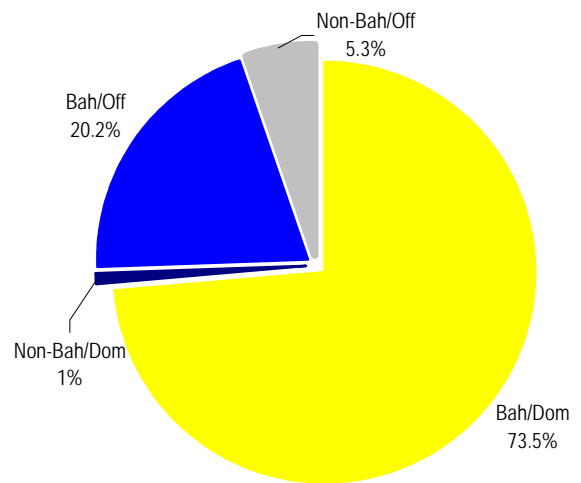
DOMESTIC VERSUS INTERNATIONAL BANKING

It is also useful to analyze banks' contributions separately, relative to activities in the domestic and

international sectors. While there is some overlap, because some institutions have local and international operations, the latter are distinguished by the more skill intensive private banking and investment functions undertaken, relative to the labor intensive, retail focus of domestic operations.

Employment among domestic banks increased by 60 (1.9%) to 3,252 during 2004. With stronger job growth among international operations, this marginally reduced the local operations' share in total employment to 74.5% from 75.1% in 2003; albeit, maintaining it slightly above the estimated 74.2% employment share for the five years through 2003. Bahamian employment in local operations rose by 59 (1.9%) to 3,208 and the number of expatriates, by 1 to 44. Consequently, the ratio of Bahamians to non-Bahamians in domestic banks remained near 73:1 in 2004.

Employment: Domestic & Int'l Banks (2004)



Partly in response to staffing requirements of the physical presence guidelines, employment among international banks and trust companies recovered partially by 53 (5.0%) to 1,114 vis-à-vis a 165 (13.5%) decline in 2003 which was mainly due to closure and consolidation of some operations with physical presence. The sector recorded growth in Bahamian positions of 5.4% to 884 and non-Bahamian jobs of 3.6% to 230.

TABLE A. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES IN THE BAHAMAS

Period	1998	1999	2000	2001p	2002p	2003p	2004p
A. TOTAL EMPLOYMENT							
Bahamians	4,080	4,181	4,460	4,586	4,510	4,253	4,366
Non-Bahamians	3,895	3,991	4,223	4,300	4,227	3,988	4,092
	185	190	237	286	283	265	274
B. TOTAL OPERATIONAL COSTS (1+2+3+4)							
1. Salaries	275.8	314.2	363.1	381.4	376.9	382.0	428.3
2. Government Fees	147.5	160.8	182.9	195.3	202.8	196.5	209.1
i) Licence	14.2	14.4	17.4	16.5	15.5	16.4	18.9
ii) Company Registration	7.8	8.2	8.7	8.0	7.3	6.6	6.9
iii) Work Permits	0.6	1.0	1.0	2.6	2.8	1.4	1.4
iv) Other Government Fees	1.1	1.3	2.2	2.2	2.3	2.3	2.5
3. Staff Training	4.7	3.9	5.5	3.7	3.2	6.1	8.1
4. Other Administrative Costs	2.5	2.7	3.1	2.2	2.9	2.3	2.5
	111.6	136.3	159.7	167.4	155.7	166.8	197.8
C. CAPITAL EXPENDITURE¹⁾	17.4	31.2	45.7	48.7	19.4	15.4	34.8
D. TOTAL EXPENDITURE (B+C)	293.2	345.4	408.8	430.1	396.3	397.5	463.1
E. AVERAGE SALARY (B\$'000)	36,161	38,452	41,010	42,578	44,966	46,203	47,893

Source: The Central Bank of The Bahamas

¹⁾ Includes construction, renovation expenses and other fixed assets.

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	1999	2000	2001p	2002p	2003p	2004p	1999	2000	2001p	2002p	2003p	2004p
	DOMESTIC						OFFSHORE					
A. TOTAL EMPLOYMENT	3,203	3,274	3,341	3,284	3,192	3,252	978	1,186	1,245	1,226	1,061	1,114
Bahamians	3,155	3,232	3,299	3,240	3,149	3,208	836	991	1,001	987	839	884
Non-Bahamians	48	42	42	44	43	44	142	195	244	239	222	230
	(B\$ Millions)											
B. TOTAL OPERATIONAL COSTS	203.2	216.4	227.7	227.3	224.6	257.2	111.0	146.8	151.7	149.7	157.5	171.1
(1+2+3+4)												
1. Salaries	113.0	119.9	121.5	128.8	128.9	132.4	47.8	63.0	71.7	74.0	67.7	76.7
2. Government Fees	6.5	6.2	6.6	6.3	6.7	7.5	7.9	11.2	9.9	9.2	9.7	11.4
i) Licence	3.0	3.0	3.0	3.1	2.7	2.8	5.2	5.7	5.0	4.2	3.9	4.2
ii) Company Registration	0.6	0.3	1.1	0.7	0.7	0.7	0.4	0.7	1.4	2.1	0.7	0.7
iii) Work Permits	0.5	0.4	0.5	0.4	0.5	0.6	0.8	1.8	1.8	1.9	1.8	1.8
iv) Other Government Fees	2.4	2.5	2.0	2.2	2.7	3.4	1.5	3.0	1.7	1.0	3.4	4.7
3. Staff Training	1.5	1.7	1.2	1.3	1.2	1.3	1.2	1.5	1.0	1.6	1.1	1.1
4. Other Administrative Costs	82.2	88.6	98.4	90.9	87.8	115.9	54.1	71.1	69.1	64.9	78.9	81.9
C. CAPITAL EXPENDITURE 1/	15.9	14.2	25.3	13.2	11.8	27.9	15.2	31.4	23.3	6.2	3.6	7.0
D. TOTAL EXPENDITURE (B+C)	219.1	230.6	253.0	240.5	236.4	285.0	126.2	178.2	175.0	155.8	161.1	178.1
E. AVERAGE SALARY (B\$'000)	35,270	36,619	36,381	39,217	40,379	40,723	48,874	53,134	57,603	60,367	63,808	68,840

Source: The Central Bank of The Bahamas

1/ (includes construction, renovation expenses and other fixed assets)

Influenced by investments, domestic banks' gross expenditures recovered by 20.6% to \$285.0 million during 2004, and represented a moderately elevated share of the sector's aggregate (61.5%). Operating costs increased by 14.5% to \$257.2 million, with salaries, the largest component (51.5%), advancing by 2.7%. The Government benefited from a 12.9% hike in direct receipts, while non-staff administrative expenses firmed by 7.7%. Capital outlays rose significantly to \$27.9 million from \$11.8 million the previous year. This was partly attributed to land purchases, following a two year absence of spending on this area; a sizeable hike in investments in office equipment and boosted construction outlays on renovation of premises.

Total expenditures attributed to international operations continued to rebound, increasing by 10.6% to \$178.1 million, and outpacing the 6.3% average annual increase for 1999-2003. Operational costs rose by 8.6% to \$171.1 million (96.1% of the total), inclusive of a 13.3% rise in salaries and a 3.7% hike in non-staff administrative costs. Also, international banks' capital expenditure nearly doubled to \$7.0 million, representing marked increases in spending on renovations, new premises and fixed assets.

In comparison to the domestic banks, the higher skills content of international operations continued to be rewarded with above average salaries. Average pay in international operations rose by 7.9% to \$68,840, outpacing the domestic sector's average gain of 0.9% to \$40,723 per annum. The premium on average earnings per employee in international operations consequently firmed to 69.0% from 58.0% in 2003.

OTHER FINANCIAL SECTOR ACTIVITIES

Table C summarizes selected information on other financial sector activities, including some results from the Central Bank's expenditure and employment survey for 2004.

CREDIT UNIONS

The Department of Cooperative Development reported that the number of registered credit unions remained at 19 during 2004. Total assets of these coop-

eratives increased by 13.4% to \$170.2 million, 86.1% of which was shared among the five largest unions, which had memberships drawn from the hotel and public sectors.

Based on the Central Bank's survey, credit unions employed an approximately stable 105 persons in 2004. Following increased investments in land, which resulted in a more than three-fold boost in capital spending, estimated expenditures among credit unions rose by 31.3% to \$8.0 million in 2004. Operational expenses were extended by 6.9% to \$5.8 million, with salaries, which accounted for 49.8% of these outlays, higher by 24.4%. In this regard, the cooperatives utilized more full-time resources, which elevated the average annual salary expense per employee to \$27,602 from \$22,394 in 2003. Although this remained lower than the average estimate among other financial institutions, indications are that credit unions continue to operate, nevertheless, with competitive pay scales, and use a significant number of part-time resources.

INSURANCE COMPANIES

Information from the Office of Registrar of Insurance Companies reveals that the number of licensed insurance companies, brokers, agents and managers rose by 8 to 161 in 2004. The number of external insurers rose by 3 to 29, while locally licensed operations increased by 5 to 132. It is projected that total assets of the domestic sector trended above the \$870.0 million estimated at end-2003, indicating further expansion within the sector, when compared to \$740.7 million in 2002. Life and health insurance companies' balance sheets accounted for two thirds of this total.

Indications are that there was a moderate increase in total expenditures and employment, with average salaries estimated 3.1% higher at \$42,120. As regard employment and cost structure, the average share of insurance sector jobs held by Bahamians remained near 98.0%, while operating outlays approximated 94.6% of total expenditures as compared to 96.9% in 2003.

The domestic insurance sector continued its ongoing consolidation activities, with the Government approving Colina Insurance Company Limited's application to purchase the operations of Imperial Life Financial, a

Table C: Other Selected Financial Sector Statistics

	Unit	2000	2001	2002	2003	2004p
Investment Funds Administrations						
Licensed Mutual Funds	Number	757	673	706	721	838
Licensed Administrators	Number	57	58	61	66	59
Asset Under Management	B\$ Billions	95.0	94.5	97.3	107.4	163.4
Average Annual Salaries ¹	B\$	50632	61,497	59,836	59,862	57,099
Operating Costs / Total Expenditures	%	96.5	88.8	98.2	98.2	96.8
Insurance Companies and Agents						
Domestic Companies and Agents	Number	144	147	153	153	161
Total Domestic Assets	Number	117	120	126	127	132
Average Annual Salaries ¹	B\$ Millions	620.40	682.55	740.70	870.00	n/a
Operating Costs / Total Expenditures	B\$	39,806	41,721	40,529	40,845	42,120
	%	97.2	96.9	97.7	96.9	94.6
External Insurers	Number	27	27	27	26	29
Credit Unions						
Number of Unions	Number	18	19	20	19	19
Total Assets	B\$ Million	110.9	120.4	132.5	150.1	170.2
Employment	Number	99	99	96	104	105
Average Annual Salaries	B\$	18,857	20,339	21,146	22,394	27,602
Total Expenditures	B\$ Million	4.87	5.12	6.17	6.08	7.99
Operating Costs / Total Expenditures	%	85.57	89.9	65.4	89.5	72.9
Bahamas International Securities Exchange (BISX)						
Listed Public Companies	Number	15	17	16	17	19
Shares Traded	Thousands	3,720	3,958	2,748	3,569	7,996
Market Capitalization	B\$ Billion	1.74	1.68	1.76	1.66	1.90

Sources:

The Central Bank of The Bahamas, Bahamas International Securities Exchange (BISX),
The Securities Commission of The Bahamas and The Registrar of Insurance Companies.
¹ Revised

branch of the Desjardins Financial Security Life Assurance Company of Canada. This decision was made following an extensive review by a committee of financial services regulators, including the Office of the Registrar of Insurance Companies, the Central Bank, the Securities Commission and the Ministry of Finance.

SECURITIES INDUSTRY

The Securities Commission reported an increase in the number of active investment (mutual) funds operating from or within The Bahamas, to 838 in 2004 from 721 in 2003. The corresponding value of assets under management rose to an estimated \$163.4 billion from \$107.4 billion in 2003. The Central Bank's survey obtained results from 17 of the 24 of the investment fund administrators which operate on a physical basis in The Bahamas, outside of licensed banks and trust companies.

Total employment and expenditures were negatively impacted by the relocation of one of these administrators outside of The Bahamas. For the sub-sector, average compensations remained the highest in The Bahamas; however, a reduction in the share of non-bahamians employed softened average salaries by an estimated 4.6% to approximately \$57,099 in 2004. Salaries and other operating expenses accounted for 96.8% of the total costs incurred by the surveyed firms, with the remainder expensed on investments.

CAPITAL MARKETS

During 2004, the domestic capital market registered increased activities, as the pickup in the economy stimulated higher trading volumes and values on local equities. Partly influenced by the Government's divestment of holdings in Cable Bahamas, The Bahamas International Securities Exchange (BISX) witnessed a doubling of its trading volume, to 8.0 million shares, with share values higher at \$24.3 million compared to \$7.5 million in 2003. The BISX All Price Share Index rebounded strongly by 19.7% to 1034.9 points, following a 2.0% decline in 2003. Continuing this recovery trend, the Fidelity Capital Market Limited's Index (Findex), that captures over-the-counter trading, recovered by 14.9%, following a tapered decline of 0.6% in 2003.

New private capital activity was highlighted by the July 2004 offering of Bahamian dollar depository receipts by Kerzner International Limited (KZL), which raised \$4.3 million, against shares of KZL listed on the New York Stock Exchange (NYSE). A total of ten BDRS was issued for each KZL share, with pricing fixed against the closing value of the shares for the previous day on the NYSE. The number of publicly traded companies on BISX increased to 19, with the addition of the Bank of The Bahamas, which previously traded over-the-counter, and the KZL BDRS. Consequently, total market capitalization was boosted by 17.2% to \$1.9 billion.

RECENT REGULATORY DEVELOPMENTS IN THE FINANCIAL SECTOR

There were no major regulatory developments during 2004, as compared to the 2003 when amendments to the legal framework for combating money laundering were introduced, and more legislation was adopted for the investment funds industry. In the banking sector, progress continued on the introduction of regulatory guidelines to extend the effectiveness of the new legislation introduced since 2000, and with the Central Bank's oversight of the transition of managed banking and trust operations to physical presence.

While domestic regulators continued to coordinate their responses to requests for assistance from foreign supervisory authorities, the Central Bank provided direct assistance in 28 cases originating from 19 foreign authorities. The Bank advanced negotiations and formalized additional Memorandums of Understandings (MOUs) with several foreign authorities to facilitate future cooperation in supervisory issues, continued to monitor international policy developments of importance to the financial sector, and represent The Bahamas in several important forums addressing such issues.

CONCLUSION

The outlook for financial services remains positive, providing ongoing opportunities for income and employment growth. The potential to extract increased benefits remains concentrated in the international sector. Towards this end, The Bahamas will continue to be chal-

lenged to respond effectively to policy developments originating in the major industrial economies that could affect the sector's viability. From an economic perspective, the improved global outlook and more stable financial markets already provide a stronger basis for business growth. However, continued innovations in product development, an effective regulatory framework and further strengthening of human resources and other domestic supports are also vital to ensuring that The Bahamas maintains a competitive global edge.

Meanwhile, ongoing developments in the domestic sector are also expected to have more positive long term impact on the economy. In particular, the sector is being positioned for efficient intermediation of local savings via deepening of the capital markets and modernization of the payments system. When viewed in the context of steady tourism and foreign investment activity, these trends suggest a stable outlook for employment and other opportunities in the domestic financial sector.