



# Quarterly Economic Review

---

**December, 2004**

---

*Vol. 13, No. 4*

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:

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

[www.centralbankbahamas.com](http://www.centralbankbahamas.com)

email address: [research@centralbankbahamas.com](mailto:research@centralbankbahamas.com)

---

# QUARTERLY ECONOMIC REVIEW

Volume 13, No. 4  
December, 2004

## CONTENTS

	PAGE
<b>1. REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS</b>	
DOMESTIC ECONOMIC DEVELOPMENTS	1
FISCAL OPERATIONS	3
REAL SECTOR	5
TOURISM	5
CONSTRUCTION	6
PRICES	6
MONEY, CREDIT & INTEREST RATES	7
CAPITAL MARKETS DEVELOPMENTS	11
INTERNATIONAL TRADE & PAYMENTS	12
INTERNATIONAL ECONOMIC DEVELOPMENTS	13
<b>2. STATISTICAL APPENDIX (TABLES 1-16)</b>	15
<b>3. ARTICLE</b>	
SURVEY OF PRIVATE PENSION PLANS IN THE BAHAMAS (2002 & 2003)	33

---

## REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

### DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary indicators suggest that the Bahamian economy continued to expand during the fourth quarter of 2004, as intensification in construction output, partly fuelled by re-insurance inflows, compensated for the capacity constrained decrease in tourism expenditures. Although price trends firmed incrementally, significant moderation was evident in the annual inflation rate. In the fiscal sector, the provisional budget deficit was relatively stable in comparison to the same quarter of the previous fiscal year, signaling broad seasonal recovery in revenue collections that were adversely impacted by Hurricanes Frances and Jeanne in the previous quarter. Financial sector trends featured a robust buildup of the system's net foreign assets and liquidity, amid expansion in the monetary aggregates, in contrast to a decrease in domestic credit. Conditions influenced broad softening in lending rates and some narrowing in average interest spreads on new loans and deposits. On the external side, sizeable reinsurance inflows reduced the deficit on the estimated current account balance, while net private capital and financial flows continued at a significantly strengthened pace.

Robust foreign currency inflows combined with a reduction in Government liabilities to banks boosted net free cash balances by 73.5% to \$271.6 million during the quarter—equivalent to an increased 6.5% of the system's Bahamian dollar deposits, compared to 3.4% in 2003. Surplus liquid assets also expanded by 19.6% to \$232.8 million, and represented an enlarged 34.4% of the statutory minimum, compared to 25.5% in 2003. As regard interest rates, competitive credit conditions influenced a 47 basis point decrease in banks' weighted average loan rate to 10.84%. The weighted average deposit rate firmed by 7 basis points to 3.75%, resulting in a 54 basis point narrowing in the estimated interest rate spread to 7.09%. The 90-day Treasury bill rate also declined by 71 basis points to 0.25%, while base rates—commercial

banks' Prime and the Central Bank's Discount Rate—were unchanged at 6.00% and 5.75%, respectively.

Despite strong support from foreign currency inflows, non-bank participation in the Government's bond issue and financing of public corporations' investment in treasury bills contributed to a slow-down in money supply (M3) growth to 0.5% from 1.2% in the fourth quarter of 2003, placing the stock at \$4.4 billion vis-à-vis \$4.0 billion in 2003. Demand deposits contracted by 0.3%, following last year's 2.2% increase, while placements by businesses and private individuals elevated savings and fixed deposits growth to 3.4% and 1.2%, from 0.7% each in 2003. The increase in currency in active circulation firmed slightly to 6.9%, however, residents' foreign currency deposits fell by \$39.6 million (29.0%), reversing the third quarter 2004 gain. Fixed deposits remained the largest component (54.5%) of the money stock, followed by demand deposits (21.7%) and savings (17.6%).

After the year-earlier increase of 4.5%, domestic credit contracted by 0.6% in the fourth quarter, placing the stock at \$5.23 billion. Mainly reflecting the public sector's net repayment, the Bahamian dollar component contracted by 0.4% compared to last year's 1.6% expansion, and foreign currency credit by 1.9%, from a 28.7% increase in 2003. Net claims on Government decreased by 12.6%, reversing an advance of 4.0% in 2003, which reflected non-bank proceeds from the \$100 million bond issue and a shift in Treasury bill holdings towards public corporations. Claims on the public corporations also fell by 0.9%, following a 65.3% rise last year when the corporations refinanced \$125 million in external multilateral debt. Private sector credit growth steadied at \$52.2 million (1.2%), with accelerated increases in residential mortgages (3.5%) and consumer credit (1.7%), but slightly reduced claims for the other components.

Preliminary estimates reveal that the deficit on the Government's operation was marginally higher at \$34.6 million during the second quarter of FY2004/05 from to \$33.5 million in the same period in FY2003/04. Benefiting from broadly favorable economic conditions, total

---

revenues grew by 9.9%, inclusive of a 9.9% increase in tax receipts to \$241.6 million and a 9.7% rise in non-tax revenue to \$12.4 million. Total expenditure also rose by 9.1% to \$288.8 million, with a 1.9% hike in current spending and more than doubled capital investments, as opposed to a 4.2% decrease in net lending to public enterprises. On the financing side, the Government borrowed \$101.8 million, mainly in domestic currency, and repaid \$26.1 million, mostly towards Bahamian dollar debt. As a result, the Direct Charge on Government increased by \$75.6 million (3.7%) to \$2.1 billion. After a 1.2% drop in Government's contingent liabilities, the National Debt rose by \$70.6 million (2.9%) to \$2.5 billion, culminating in a 5.1% increase for 2004.

Indications are that tourism output decreased in the fourth quarter, as visitor capacity was constrained by property and infrastructure damages, on which repairs commenced in Grand Bahama and the Family Islands. After gaining 9.9% in 2003, total visitor arrivals fell by 1.5% to 1.1 million in the final quarter. The year's results were still upbeat, however, with a further 8.9% growth in arrivals vis-à-vis 4.3% in 2003. For the quarter, air arrivals fell by 9.7%, while sea arrivals recorded a small increase of 1.7%—both following respective advances of 5.4% and 11.7% in the corresponding quarter of 2003. Not significantly affected by the hurricanes, New Providence, with two-thirds of all visitors, experienced robust visitor growth of 14.5%, supported by gains in both the air (4.0%) and sea (19.5%) components. The Grand Bahama market, responsible for 10.0% of the quarter's arrivals, recorded a contraction of 26.7%, encompassing a sharp decrease in air arrivals (54.8%) and a moderate falloff in sea traffic (4.6%). In the Family Islands, arrivals contracted by 21.9%, reflecting modest softening in air arrivals (6.4%) and a sharp decrease in sea traffic (24.1%).

When compared to the same period the previous year, construction sector output gained further momentum during the fourth quarter, as hurricane rebuilding efforts intensified and residential mortgage lending strengthened. A continuation of these trends is expected to sustain stimulus to the sector in the short- and medium terms, augmented by foreign investment activities. Although only partially financing building activities,

residential mortgage disbursements by local banks, insurance companies and the Bahamas Mortgage Corporation increased by 7.7% to \$85.6 million during the fourth quarter. Commercial disbursements also rose by 21.4% to \$5.1 million. Regarding forward looking indicators, the value of mortgage commitments for new housing construction and repairs more than doubled to \$44.6 million, overshadowing a softening in commercial loan approvals to \$1.5 million from \$5.5 million in 2003. Financing conditions for borrowers remained favourable, as evident from the approximately stable average interest rate of 9.6% for commercial mortgages, and the 20 basis points softening in residential mortgage rates to 8.8%.

Consumer price inflation, based on quarterly variations in the average Retail Price Index, rose to 0.6% in the final quarter of 2004 from 0.2% in the corresponding period last year. Despite a decline in the most heavily weighted housing component, a larger advance was recorded in average costs for medical care & health, along with an upturn in the quarterly indexes for transport & communications and clothing & footwear items. The annual inflation rate through December eased broadly to 0.9% from 3.0% in 2003, owing to tempered increases in medical care & health, and furniture & household costs, alongside a reduction in average costs for housing, recreation & entertainment services and 'other' goods & services, which all trended upwards at a faster pace in 2003.

In the external sector, the current account deficit narrowed sharply to an estimated \$20.7 million from \$157.5 million in the same period in 2003. An escalation in the oil bill increased the merchandise trade deficit by 6.0% to \$341.3 million. Despite an 18.7% drop in net travel receipts, the services account surplus expanded to an estimated \$393.3 million from \$200.9 million, largely owing to the \$179.4 million in net insurance inflows from a more normal seasonal outflow of \$28.4 million last year. Net income outflows also decreased by 23.2% to \$35.7 million while current transfer receipts firmed to \$14.1 million from \$10.1 million.

Estimated transactions on the capital and financial account registered an enlarged surplus of \$107.5 million compared to \$46.2 million in the fourth quarter of 2003. Leading this result was a more than doubling in net

private capital inflows, mainly in tourism and infrastructure developments. Net private equity inflows were boosted to \$68.5 million from \$24.6 million and net loan financing extended to \$69.2 million from \$22.1 million. These more than offset net outflows under real estate transactions of \$6.4 million, following an inflow of \$15.3 million in the previous year. In the absence of any significant net external debt refinancing, the public sector debt repayments stood at \$1.0 million compared with \$123.0 million last year. The banking sector recorded a short-term capital outflow of \$4.0 million as opposed to the \$119.6 million net receipt in 2003, which supported the public sector's refinancing activity.

## FISCAL OPERATIONS

Preliminary estimates on the Government's budgetary operations for the second quarter of FY2004/05 indicated some stabilization, following the previous quarter setback from the September hurricanes, with a resulting deficit of \$34.6 million compared to \$33.5 million in the year-earlier period. Alongside strengthened revenue growth of 9.9% to \$254.2 million, total expenditure increased by 9.1% to \$288.8 million. The hurricanes' impact was still evident in the position for the first six months of the Fiscal Year, through December, with a larger deficit of \$83.8 million relative to \$53.1 million in FY2003/04. Cumulative revenues of \$465.0 million represented 44.2% of projected collections for the year, while outlays of \$548.9 million approximated 45.2% of approved allocations.

### REVENUE

Compared to the year-earlier quarter, tax receipts grew by 9.9% to \$241.6 million, representing 95.1% of total revenue. Underlying this outcome was a 54.6% improvement in selected taxes on tourism, including a 46.6% increase in hotel occupancy taxes to \$3.1 million and nearly doubled gaming taxes of \$1.3 million. In addition, property tax receipts strengthened by 52.9% to \$25.5 million and stamp taxes on local financial and other transactions, by 43.8% to \$37.3 million, amid a pickup in economic activity. Gains were also recorded for business and professional license fees of 16.2% to \$7.9 million;

motor vehicle taxes, 6.9% to \$3.4 million and departure taxes, 2.6% to \$13.6 million. Conversely, the largest revenue component, taxes on international trade and transactions, decreased by 17.0%, reflecting declines in import duties (16.5% to \$78.2 million), stamp taxes on imports (13.3% to \$20.4 million) and export taxes (65.3% to \$1.3 million). However, these were offset by "other" non-disaggregated taxes which, reflecting broad revenue trends, rose by \$19.1 million (60.6%) to \$50.7 million.

Revenue from non-tax sources, which constituted the remaining 4.9% of receipts, increased by 9.7% to \$12.4 million. Collections from fines, forfeiture and administrative fees rose by 8.7% to \$10.9 million, while income from public enterprises and other sources grew marginally to \$1.5 million.

### Government Revenue By Source

October - December

	FY 03/04p		FY 04/05p	
	B\$M	%	B\$M	%
Property tax	16.7	7.2	25.5	10.0
Selective Services tax	2.8	1.2	4.4	1.7
Bus. & Prof. Lic. Fees	6.8	2.9	8.0	3.1
Motor Vehicle tax	3.2	1.4	3.4	1.3
Departure tax	13.3	5.8	13.7	5.4
Import duties	93.7	40.5	78.2	30.8
Stamp tax from imports	23.5	10.2	20.4	8.0
Export tax	3.7	1.6	1.3	0.5
Stamp tax from exports	-	-	0.1	-
Other stamp duty	26.0	11.2	37.4	14.7
Other Tax revenue	31.6	13.7	50.8	20.0
Fines, forfeits. etc.	10.0	4.3	10.9	4.3
Sale of Govt. Property	0.1	0.0	0.1	-
Income	1.2	0.5	1.5	0.6
Other non-tax rev.	-	-	-	-
Capital Revenue	-	-	0.2	0.1
Grants	-	-	-	-
Less: Refunds	1.4	0.6	1.7	0.7
Total	231.2	100.0	254.2	100.0

**EXPENDITURE**

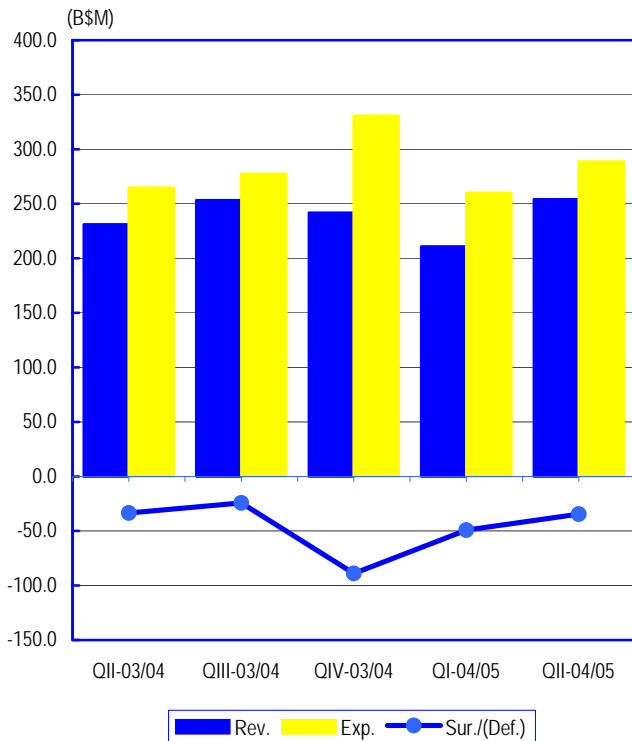
In expenditure trends, indications are that recurrent spending, which accounted for 84.7% of the total, rose by 1.9% to an estimated \$244.5 million; capital outlays, at 12.4% of the total, more than doubled to \$35.8 million, while net lending to public corporations decreased by 2.9% to \$8.4 million.

By economic classification, current expenditure growth was influenced by a 5.8% rise in transfer payments to \$89.8 million. In particular, interest payments on Government debt rose by 10.1% to \$31.4 million, concentrated in rate related hikes in costs on foreign currency obligations to \$8.6 million from \$6.3 million. Others transfers rose by 3.7% to \$58.7 million, including higher subsidies to quasi-autonomous agencies, which absorbed more than half of this total. However, Government consumption outlays fell by 0.2%, as the 5.7% contraction in purchases of goods and services to \$41.5 million, offset the 1.9% growth in personal emoluments to \$113.2 million.

On a functional basis, quarterly spending on general public services, which accounted for 27.3% of recurrent outlays, increased by 2.9% to \$66.7 million. Outlays on defense also rose by 3.7% to \$7.8 million and on health, by 6.9% to \$43.2 million. Disbursements for social benefits, housing and other community services grew by a combined 3.3% to \$19.0 million. However, expenditure on education and economic services declined by 0.4% and 11.2% to \$47.7 million and \$28.7 million, respectively.

Growth in capital expenditures was highlighted by the boost in investments under general public services, to \$22.5 million from \$3.1 million, mainly due to the acquisition of land for eventual transfer to the Clifton Cay Heritage Foundation. Also noteworthy were higher investments in health, of \$2.7 million compared to \$0.9 million last year, and an incremental boost in defense spending to \$0.5 million from \$0.3 million. Conversely, outlays under economic services contracted by 13.5% to \$6.5 million, as a result of a slowdown in infrastructure developments, and capital spending on education fell by 1.9% to \$3.5 million.

**Fiscal Operations**



**FINANCING AND NATIONAL DEBT**

Budgetary financing during the second quarter of FY2004/05 included a \$100.0 million domestic bond issue and a \$1.8 million drawdown in external loans. Scheduled amortization covered \$25.0 million of Bahamian dollar debt and \$1.1 million in foreign currency. As a result, the Direct Charge on Government rose by 3.7% (\$75.7 million) to \$2,101.0 million, compared to an increase of \$9.8 million (0.5%) in the second quarter of the previous fiscal year. For Bahamian dollar denominated debt, which represented 86.3% of the total, the majority was held by public corporations (39.5%), followed by other private and institutional investors (28.4%), domestic banks (23.8%) and the Central Bank (8.2%). Registered Stocks were the largest component of the Bahamian dollar debt (85.6%), with an average term to maturity of 11 years. The remainder consisted of Treasury bills (9.9%), Central Bank advances (3.9%) and loans from domestic bank loans (0.6%). The Direct Charge, however excludes short-term advances from domestic banks, which decreased by \$44.6 million to \$39.1 million during the period.



Government's contingent liabilities decreased during the quarter, by 1.2% to \$421.6 million, capping the increase in the National Debt at 2.9% to \$2,552.6 million, as opposed to smaller quarterly advance of \$44.4 million (1.9%) in 2003. On a calendar year basis, growth in the National debt moderated to \$122.3 million (5.1%) from a larger increase of \$194.3 million (8.8%) in 2003.

**PUBLIC SECTOR FOREIGN CURRENCY DEBT**

Provisional estimates indicated that the public sector's foreign currency debt declined by 1.6% to \$558.7 million during the fourth quarter of 2004, in comparison to an increase of 1.5% during the same quarter of 2003. Principal repayments of \$11.0 million outweighed new drawing of \$1.8 million. The Government's transactions resulted in a net drawing of \$0.7 million and the public corporations, a net repayment of \$9.9 million. Government was directly responsible for \$287.7 million (51.5%) of the outstanding debt and public corporations, the remaining \$271.1 million (48.5%).

Private capital markets held the largest share of the foreign currency debt (40.3%), followed by commercial banks (40.2%), multilateral institutions and other creditors (19.5%). In terms of currency composition, more than 95% of the debt was denominated in United States dollars, with an average maturity in excess of 14 years.

On the basis of comparisons adjusted for the \$125 million in debt refinancing which occurred in 2003, foreign currency debt servicing decreased to \$22.0 million from \$26.4 million in 2003. Of this amount, \$11.0 million represented interest expenses, as opposed to \$9.5 million in 2003. These trends and rising foreign currency inflows resulted in a decrease in the ratio of debt service to estimated exports of goods and non-factor services, to 2.8% from 3.6% last year. The ratio of Government's foreign currency debt service to total revenue also softened, to 3.8% from 5.5%.

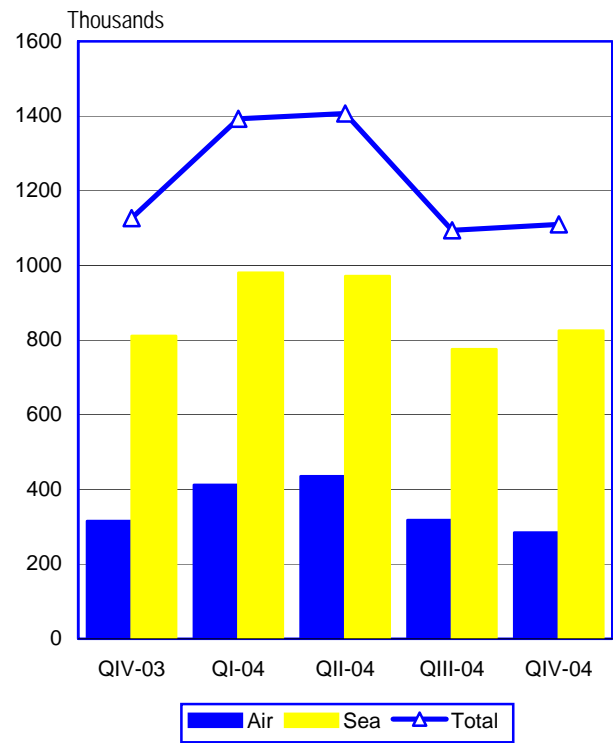
**REAL SECTOR**

**TOURISM**

Despite evidence of some recovery in the monthly seasonal trends for October-December, the infrastructure

and facilities damaged by hurricanes Frances and Jeanne, constrained fourth quarter visitor arrivals to Grand Bahama and the Family Islands and resulted in a decline in the sector's earnings during the period. With steady progress in facilities repair, most of the sector's capacity is expected to be restored by the end of the first quarter of 2005. Nevertheless, the visitor contraction in Grand Bahama and the Family Islands had a lesser proportional impact on the sectors' total earnings, since the growth recorded in New Providence captured higher average spending per visitor.

**Visitor Arrivals**



Fourth quarter visitor arrivals decreased by 1.5% to an estimated 1.11 million, in contrast to an increase of 9.9% in 2003. This reflected a 9.7% downturn in air arrivals to 0.28 million, and a weakened 1.7% uptrend in sea visitors to 0.83 million.

According to port of entry information, New Providence accounted for 67.3% of total visitors, with growth of 14.5% inclusive of air arrivals gains of 4.0% and a 19.5% advance in sea traffic. Grand Bahama, which was



most directly impacted by the two hurricanes, welcomed 26.7% fewer arrivals, with declines recorded in both air and sea arrivals of 54.8% and 4.6%, respectively. The Family Islands experienced a 21.9% falloff in arrivals, as sea visitors (85.5% of the total) decreased by 24.1% and air traffic weakened by 6.4%.

As to the outlook, industry trends are expected to be fully recovered from the hurricanes by the end of the first quarter of 2005, with more balanced participation resuming for the three major destinations. Healthy prospects for the US economy and the depreciated value of the dollar both favor more demand strengthening in the short and medium terms. The stopover sector, meanwhile, also continues to attract new investments in capacity expansion throughout the Islands, supported by improved prospects for increased airline lifts.

**CONSTRUCTION**

The onset of hurricane repairs and increased residential mortgage lending reinforced construction activity during the fourth quarter. The stimulus from repair activities is expected to last through most of 2005, with mortgage financing steadied and augmented by robust foreign investment inflows.

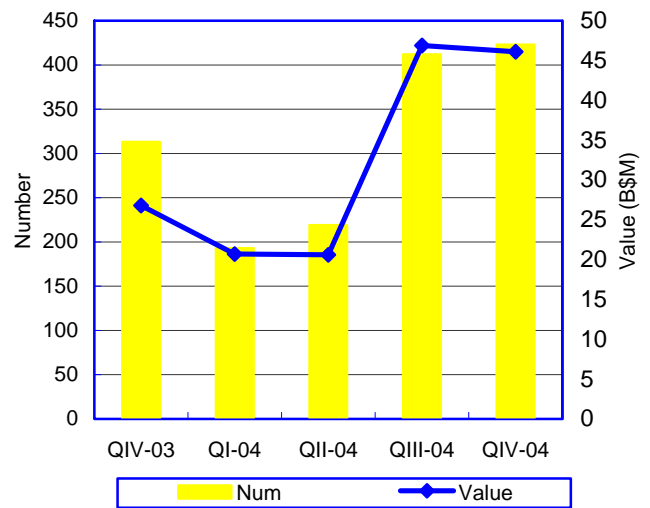
Although inclusive of equity loans, which do not involve building activities, total mortgage disbursements by banks, insurance companies, and the Bahamas Mortgage Corporation for residential financing increased by 14.4% to \$85.6 million, relative to the same quarter last year. A less important stimulus, commercial loan disbursements, also rose by 37.8% to \$5.1 million.

Signaling a robust short-term outlook, fourth quarter mortgage commitments for new construction and repairs on residential and commercial structures increased by 35.1% to 423 units, valued at \$46.1 million, as compared to 313 units at \$26.9 million in 2003. Residential loan approvals accounted for 98.8% of commitments, with an increased value of \$44.6 million, compared to \$21.4 million for the same quarter last year—the majority (72.4%) of which was earmarked for new construction projects. Loan approvals for local commercial projects remained weak, however, with 10 commitments recorded during the quarter valued at \$3.9 million, as compared to 39 at \$5.8 million in 2003.

The importance of mortgage stimulus during 2004 was also evident in firmer annual growth in outstanding residential claims, of \$183.3 million (12.1%) to \$1,695.8 million at end-December, compared to an increase of \$157.5 million (11.6%) in 2003. Outstanding commercial mortgages were approximately unchanged at \$162.6 million.

Financing conditions remained favourable, as the quarterly average interest rate for commercial borrowing was unchanged at 9.6%, but 20 basis points lower at 8.8% for residential mortgages.

**Mortgage Comittments:  
New Construction and Repairs**



**PRICES**

Inflation, as measured by the quarterly change in the average Retail Price Index, firmed to 0.6% during the fourth quarter, from 0.2% in the same period last year. Larger average cost increases in medical care & health (2.9%) and food & beverages (1.2%) items were accompanied by costs upturn for clothing & footwear (0.3%) and transport and communication (1.3%). Also noteworthy was the steady rise in recreation & entertainment services costs (2.0%), as opposed to a smaller increase for education (0.7%) and a decrease in average housing costs (0.2%).

Average Retail Price Index (Annual % Change) December					
		2003		2004	
Items	Weight	Index	%	Index	%
Food & Beverages	138.3	113.46	0.53	116.81	2.95
Clothing & Footwear	58.9	107.54	-0.06	107.89	0.32
Housing	328.2	103.64	0.74	103.50	-0.13
Furn. & Household	88.7	118.69	3.85	119.15	0.39
Med. Care & Health	44.1	123.26	9.80	131.58	6.75
Trans. & Comm.	148.4	106.03	1.82	108.13	1.99
Rec., Enter. & Svcs.	48.7	126.64	9.81	122.28	-3.44
Education	53.1	162.47	1.08	165.13	1.64
Other Goods & Svcs.	91.6	122.96	12.04	122.33	-0.51
ALL ITEMS	1000	113.80	3.00	114.83	0.90

For the twelve months ending December 2004, average inflation softened to 0.9% from 3.0% in 2003. Declines in average costs for the most heavily weighed housing component (0.1%), recreation & entertainment services (3.4%) and "other" goods and services (0.5%), followed more accelerated gains in 2003. The average price increase moderated for furniture & household items (0.4%) and medical care & health (6.8%), in contrast with more firming for education (1.6%) and food & beverages (3.0%), and an upturn in clothing and footwear (0.3%) costs.

## MONEY, CREDIT AND INTEREST RATES

### OVERVIEW

During the fourth quarter of 2004, monetary and credit aggregates featured a contraction in domestic credit, in contrast to an expansion in the money supply, that was partly supported by significant re-insurance inflows. As a consequence, both the system's net foreign assets and liquidity were appreciably improved. Underlying the contraction in domestic credit was a decline in net Bahamian dollar claims on Government and the rest of the public sector, relative to nearly stable growth in private sector credit. Meanwhile, competitive private sector credit activity influenced some softening in the average interest rates on loans, in contrast to firming in

average deposit rates, with a consequent narrowing in the loan-to-deposit rate spread.

As regards earnings indicators, data for the third quarter of 2004, the latest available period, revealed continued recovery in bank profitability, linked to an increase in the net interest margin and moderated levels of non-cash expenses. Asset quality indicators, which improved steadily, also strengthened on a 12-month basis, as evidenced by a reduced proportion of loans in arrears in banks' portfolios.

### LIQUIDITY

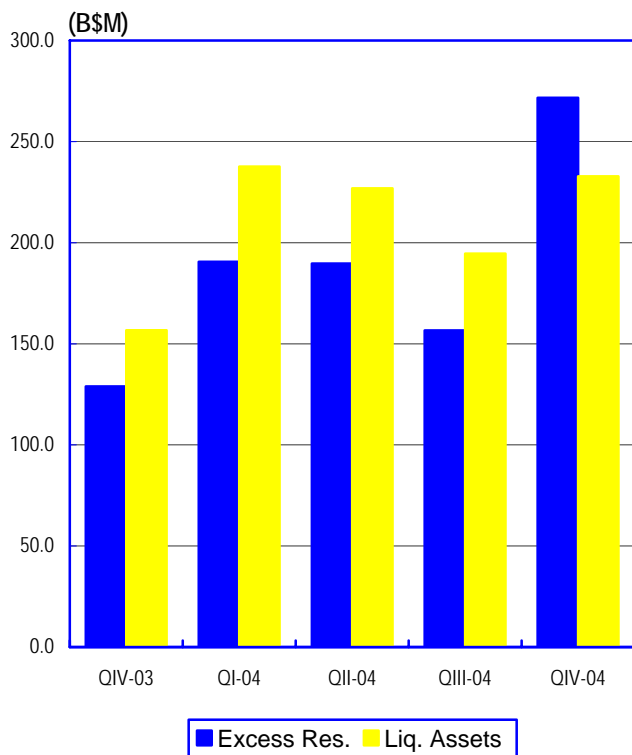
Private sector foreign currency inflows and a shift in Treasury bill holdings outside of banks, figured importantly in the \$115.0 million (73.5%) boost in free cash balances of the banking system to \$271.6 million. This contrasted with the 7.2% decline to \$128.9 million over the same period in 2003, and was equivalent to a larger 6.5% of Bahamian dollar deposit liabilities, up from 3.4%. These resources, which accumulated in balances with the Central Bank, also represented a sizeable share of surplus liquid assets, which rose by 19.6% to \$232.8 million and exceeded the required statutory minimum by a more robust 34.4%, compared to 25.5% the previous year.

### DEPOSITS AND MONEY

During the fourth quarter, money supply growth (M3) slowed to 0.5% from 1.2% in the comparative 2003 period, largely reflecting increased investments by public corporations in Government securities.

Narrow money (M1) growth decreased to 0.8% from 2.9% in the corresponding period last year. Despite a healthy buildup in business balances, demand deposit contracted by 0.3% relative to a 2.2% increase in the previous year, mainly on account of reduced public corporation balances. Conversely, the rise in currency in active circulation strengthened incrementally to 6.9% from 6.2%. Growth in broad money (M2) firmed to 1.5% from 1.2% as accretions to savings balances, held mainly by private individuals, were higher at 3.4% from 0.7%. The buildup in fixed deposits advanced to 1.2% from 0.7%, amid increased private and business placements.

## Liquidity



Residents' foreign currency deposits contracted by \$39.6 million (29.0%), reversing inflows posted during the previous quarter. Consequently, the increase in overall money was pegged lower at \$23.2 million to \$4,421.5 million, compared with the year-earlier expansion of \$47.4 million to \$4,003.3 million.

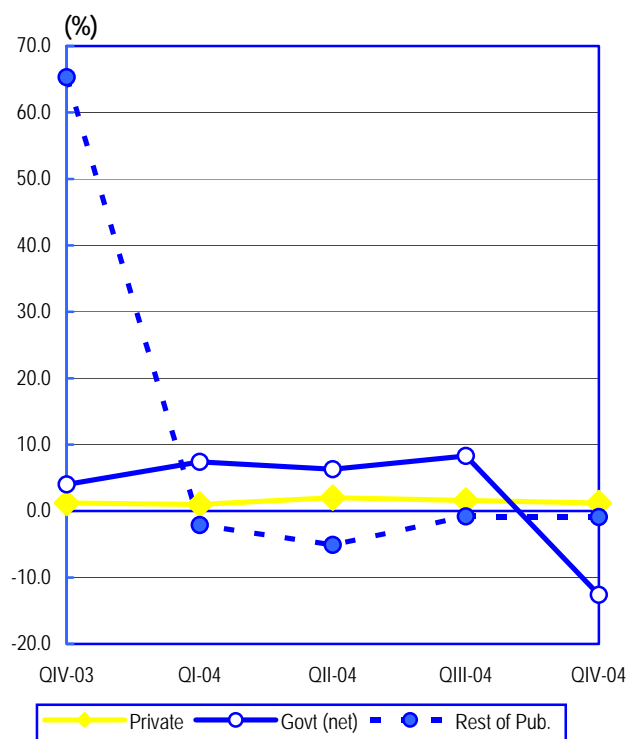
On a proportional basis, Bahamian dollar fixed deposits represented the largest share of the money stock (54.5%), followed by demand deposits (21.7%) and savings (17.6%), with smaller shares for currency in active circulation (4.0%) and residents' foreign currency deposits (2.2%).

### DOMESTIC CREDIT

In the context of the banking sector's reduced holdings of Government debt, domestic credit contracted by \$29.7 million (0.6%) during the quarter, following growth of \$215.7 million (4.5%) during the same period last year.

The banking system's net claims on the public sector decreased by 8.4%, from a 23.4% expansion last year. A reduction in Treasury bill holdings alongside higher expansion in Government's deposits contributed to a \$78.9 million (12.6%) decrease in net credit to Government compared to the year-earlier advance of \$19.3 million (4.0%). Less significant was the \$3.0 million (0.9%) decline in claims on the public corporations, which had broadened by \$147.3 million (65.3%) in 2003 as a result of the refinancing of \$120.0 million in external multilateral debt during the fourth quarter of 2003.

## Changes in Credit



Private sector credit growth steadied at \$52.2 million (1.2%), relative to \$49.1 million (1.2%) in 2003. However, this featured a nearly doubled expansion in the Bahamian dollar portion, at \$58.1 million (1.5%), which outweighed a downturn in foreign currency claims of \$5.9 million (1.5%), following an advance of \$12.3 million (3.1%) in 2003. On a sectoral basis, personal loans, which comprised the largest share (71.9%) of private sector credit, rose more than threefold by \$ 65.9 million

(2.2%). Of this amount, net residential mortgage lending firmed to \$50.8 million (3.5%) from \$34.2 million (2.7%), and consumer credit rebounded by \$25.0 million (1.7%), from a decline of \$22.6 million (1.6%) in 2003. Conversely, personal overdraft balances decreased by \$14.7 million (20.7%), to reverse last years' increase of \$11.5 million (29.0%).

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

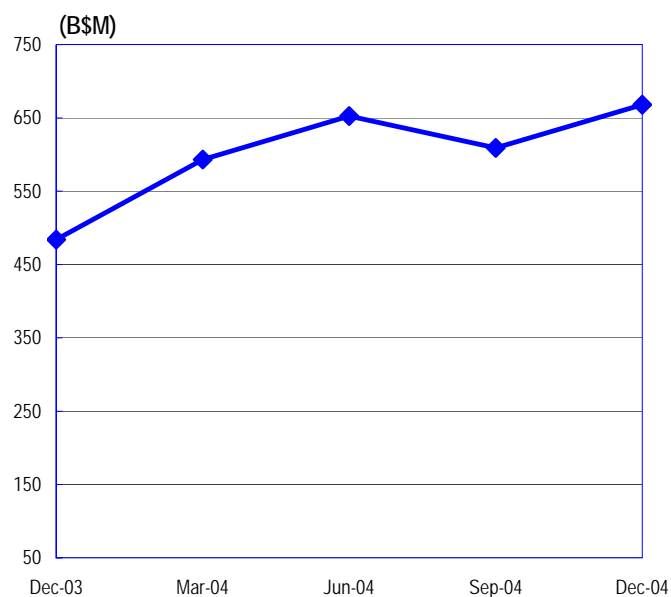
	2003		2004	
	B\$M	%	B\$M	%
Agriculture	10.6	0.2	9.1	0.2
Fisheries	14.9	0.3	12.3	0.2
Mining & Quarry	16.7	0.3	17.7	0.4
Manufacturing	59.6	1.3	55.1	1.2
Distribution	223.7	5.0	205.9	4.4
Tourism	218.8	4.9	189.0	4.0
Enter. & Catering	34.5	0.8	44.3	0.9
Transport	32.0	0.7	33.7	0.7
Public Corps.	347.0	7.7	313.5	6.7
Construction	277.6	6.2	248.8	5.3
Government	74.5	1.7	78.2	1.7
Private Financial	28.9	0.6	20.2	0.4
Prof. & Other Ser.	129.4	2.9	115.8	2.5
Personal	2809.4	62.4	3094.6	65.9
Miscellaneous	218.7	4.9	259.9	5.5
<b>TOTAL</b>	<b>4,496.3</b>	<b>100.0</b>	<b>4698.1</b>	<b>100.0</b>

Accelerated personal lending, in the context of stable aggregate trends, corresponded to reduced outstanding claims on other private sector borrowing activities. Larger net repayments were recorded for fisheries (\$6.6 million), transport (\$7.0 million) and manufacturing (\$3.7 million), with a downturn in net lending for miscellaneous purposes (\$24.2 million) and construction (\$2.1 million). Private financial institutions recorded a smaller net repayment (\$8.6 million) while net lending for distribution was lessened (\$5.1 million), in contrast to an upturn in net flows for tourism (\$13.7 million) and expanded net lending for entertainment & catering (\$8.3 million).

#### THE CENTRAL BANK

In a more moderate trend, the Central Bank's net claims on Government advanced by \$18.7 million (15.2%) to \$141.9 million during the review quarter, reflecting a larger holding of bonds (30.9%) and a reduction in Government deposits (1.5%). The Bank's net deposit liabilities to the rest of the public sector declined by 46.3% to \$79.1 million. In the context of increased liabilities to banks and the private sector, there was a \$58.7 million (9.6%) expansion in external reserves to \$667.8 million, contrasting with a decrease of \$38.8 million (7.4%) to \$484.1 million in 2003.

#### External Reserves



At end-December 2004, the stock of reserves was equivalent to an estimated 26.2 weeks of non-oil merchandise imports, significantly improving on the 16.6 weeks averaged in 2003. Adjusted for the statutory requirement to hold foreign balances equivalent to at least 50% of the Bank's Bahamian dollar liabilities, useable reserves, or the Central Bank's liquidity, stood higher at \$300.3 million compared to \$227.5 million in 2003.

In foreign currency transactions, which underlie the growth in external balances, the Central Bank recorded a net purchase of \$48.0 million, reversing net sales of

\$42.0 million in 2003. The net intake from commercial banks was markedly higher at \$94.7 million from \$4.0 million in 2003, while outflows through the public sector were nearly stable at \$46.8 million. Despite weakness in tourism receipts, private sector re-insurance inflows augmented total foreign currency purchases, which increased by \$78.4 million (48.6%) to \$239.7 million. This compared to an \$11.6 million (5.7%) falloff in total sales to \$191.7 million in 2003.

#### *DOMESTIC BANKS*

Profit and balance sheet developments of domestic banks resulted in a buildup of domestic banks' liquid resources during the fourth quarter and a 0.7% reduction in net foreign liabilities. Growth in the deposit liabilities to the private sector accelerated to \$114.3 million (3.0%) from \$47.4 million (1.4%) in 2003, more than sustaining the 1.2% rise in credit to the sector. In the public sector, net claims on Government declined by \$97.6 million (19.6%), in line with a reduction in overdrafts and Treasury bill holdings. Total claims on public corporations decreased by \$3.0 million (0.9%), which was lower than the \$35.9 million (13.0%) drop in deposit liabilities.

For the fourth quarter, banks' total deposit liabilities, including amounts owed to Government, amounted to \$4,250.2 million, with the majority (97.6%) in Bahamian dollars. The largest share of these placements was held by private individuals (56.5%), followed by business firms (28.0%), the public sector (7.9%), private financial institutions (3.8%) and other depositors (3.8%). By contractual obligations, the largest share of the deposits was held in fixed deposits (57.9%), followed by demand (23.6%) and savings (18.5%).

An analysis of Bahamian dollar deposits by range of value and number of accounts, indicate that accounts of less than \$10,000 made up 90.1% of the contracts and held 8.3% of the deposits value. Conversely, individual balances exceeding \$50,000 comprised 3.0% of total accounts and 77.4% of value. Accounts with balances between \$10,000 and \$50,000 represented 14.3% of the aggregate value and 6.9% of total contracts.

With net deposit liabilities pacing ahead of lending, banks' liquid resources in the form of currency and deposit claims on the Central Bank rose by \$134.9 million

(41.3%). Of lesser importance, non-deposit flows also included an increase in capital and surplus resources, of \$40.7 million (4.5%), attributed mainly to gains in profits and retained earnings.

Asset quality indicators continued to improve, in response to the favorable economic environment. At end-December, the arrears rate for loans with payments past due of at least 30 days was pegged at 9.4% of outstanding private balances, a softening from 10.1% at end-September, directly following the hurricanes, and notably improved from an estimated 10.4% at end-December 2003. The residential mortgage portfolio experienced a lower arrears rate of 9.8% compared to 10.9% at end-September 2004, and 11.5% 12-months earlier. A similar pattern was evident in consumer loans, with the arrears rate softened to 8.0% in December from 9.0% at end-third quarter. However, commercial loans recorded a slightly higher delinquency rate over the end points of the two recent quarters, to 10.9% from 10.5%. Non-performing loans, and balances with past-due payments of at least 3 months on which banks stopped accruing interest, declined to 4.9% of outstanding claims from 5.0% in the previous quarter, and 5.3%, largely impacted by trends in consumer and mortgage loans.

Compared to the previous quarter, banks' average provisioning level for Bahamian dollar loans was stable at 2.2% of the total private sector portfolio at end December, but slightly higher than the 2.1% averaged at the end-2003. Provisions corresponded to 44.9% of total non-performing loans, compared to 42.8% last quarter and 40.2% at December 2003.

#### *INTEREST RATES*

During the quarter, domestic banks' average interest rate spread on loans and deposits narrowed by 54 basis points to 7.09%, as the weighted average loan rate softened by 47 basis points to 10.84%, while the corresponding deposit rate rose by 7 basis points to 3.75%.

On the deposit side, the average interest rate on fixed maturities firmed on the upper end, to fluctuate within a band of 3.61% - 4.35% compared to 3.61% - 4.12% in the previous quarter. The average savings rate narrowed by 3 basis points to 2.46%. For loans, the average residential mortgage rate declined by 12 basis



points to 8.69%; the average commercial mortgage rate, by 13 basis points to 9.22%; consumer loan rate, by 55 basis points to 12.40% and the overdraft rate, by 6 basis points to 11.71%.

**Banking Sector Interest Rates**  
Period Average (%)

	Qtr. IV <u>2003</u>	Qtr. III <u>2004</u>	Qtr. IV <u>2004</u>
<b>Deposit rates</b>			
Demand Deposits	2.38	2.39	1.72
Savings Deposits	2.58	2.49	2.46
<b>Fixed Deposits</b>			
Up to 3 months	3.82	3.61	3.61
Up to 6 months	4.33	4.12	3.99
Up to 12 months	4.55	4.12	4.25
Over 12 months	4.79	3.87	4.35
<b>Weighted Avg Deposit Rate</b>	<b>4.02</b>	<b>3.69</b>	<b>3.75</b>
<b>Lending rates</b>			
Residential mortgages	8.91	8.81	8.69
Commercial mortgages	9.23	9.35	9.22
Consumer loans	13.39	12.95	12.40
Overdrafts	11.78	11.77	11.71
<b>Weighted Avg Loan Rate</b>	<b>12.04</b>	<b>11.31</b>	<b>10.84</b>

The average 90-day Treasury bill rate softened by 125 basis points to 0.32%, while benchmark rates, the Central Bank's Discount Rate and commercial banks' Prime, were unchanged at 5.75% and 6.00%.

**BANK PROFITABILITY**

For the quarter ended September 2004, the latest period for which data is available, domestic banks' earnings indicators strengthened in comparison to the same period of 2003, with estimated net income higher at to \$43.9 million from \$22.3 million. Increased interest income (9.0%) and a marginal decline in interest expense (0.9%) boosted the net interest margin by 15.0% to 78.4 million. The contribution from commission and foreign exchange income slowed by 4.9% to \$6.2 million, while operating costs were comparatively higher by 11.3% at

\$51.0 million. Income from other sources, net of depreciation and bad debt expenses, provided a positive contribution of \$10.3 million, as compared to the resulting net expense of \$6.5 million in 2003, principally on account of a net reversal of depreciation and non-cash expenses.

Reflecting these trends, profitability ratios, relative to average domestic assets, also strengthened. The net interest margin ratio widened by 30 basis points to 4.99%, outweighing a 5 basis points reduction in the ratio for commission and foreign exchange income to 0.39%. Consequently, the gross earnings margin ratio rose by 25 basis points to 5.38%. Although the operating costs ratio increased by 10 basis points to 3.25%, the positive 0.65% contribution from other income sources net of depreciation reversed a negative influence of 0.45% in 2003. This lifted the overall bank profitability ratio (return on assets) by 1.26 percentage points to 2.79%.

**CAPITAL MARKETS DEVELOPMENTS**

Equity valuations on the domestic capital market recorded further gains during the fourth quarter. The Bahamas International Securities Exchange (BISX) All Share Price Index increased by 2.7% to 1,039.4 points, compared to the December 2003 quarter advance of 3.6% and further extended the cumulative appreciation of 3.8% to 868.30 points during the first nine months. Fourth quarter trading volume was some 25.2% shares higher, at 1.37 million shares, with an equivalent value of \$9.0 million. For the year, the Index increased by 19.7%, reflecting a more than doubling in trading volume to 8.0 million shares, associated with a more than three fold hike in value to \$24.2 million.

Fidelity Capital Markets Limited Findex share price index, which include equities traded over-the-counter, rose by 0.4% to 420.1 points during the fourth quarter, culminating in a 12-month appreciation of 12.3%. In the fourth quarter of 2003, the Findex rose by 31% and capped the annual loss in the index at 0.5%. Market capitalization of the index stood at \$1.95 billion compared to \$1.66 billion at December 2003.

During the quarter, BISX attracted the listing of the Bank of The Bahamas International (BOB), previously traded over-the-counter, bringing the total number of public securities listed on the Exchange to 19. With the July addition of the Kerzner International BDRS, these represented two additional listing since end-2003.

The only domestic funding raised during the fourth quarter was the Government's \$100 million Registered Stock in October, 2004. The issue was oversubscribed by 107%, and offered variable yields above the Bahamian dollar Prime of 0.0313% to 0.3125% for 7 tranches, which carried maturities spaced between 10 and 20 years.

## INTERNATIONAL TRADE AND PAYMENTS

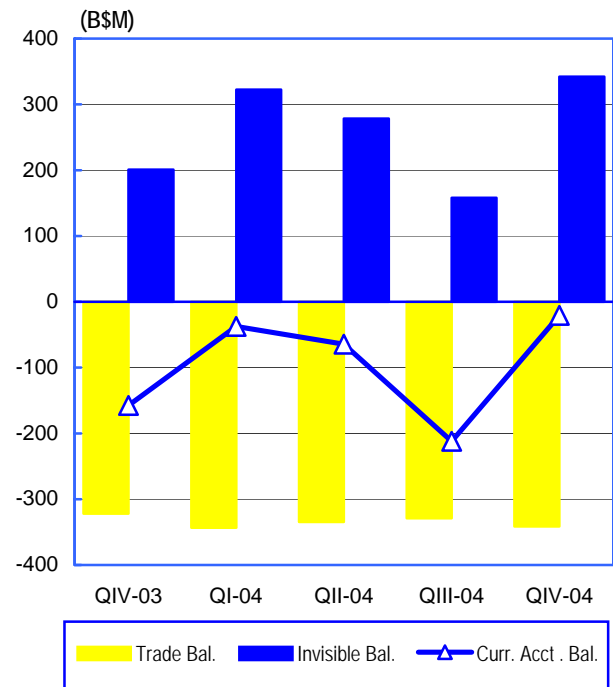
Preliminary estimates for the fourth quarter indicated that the current account deficit narrowed significantly to \$20.7 million from \$157.5 million in the same period in 2003. Although the trade deficit increased by 6.0%, reinsurance inflows elevated net invisible receipts by more than two-thirds, and net income outflows decreased by 22.7%.

The fourth quarter trade deficit widened by \$19.4 million (6.0%) to \$321.9 million. While the 1.6% rise in non-oil merchandise imports, to \$376.4 million, was nearly matched by the 18.4% increase in estimated exports to \$103.3 million (inclusive of goods procured in port by foreign carriers), higher prices boosted the oil bill by 52.7% to \$100.3 million. In particular, the per barrel cost for propane gas rose by 50.5% to \$43.28; motor gas, by 35.8% to \$54.25 and jet fuel, by 88.3% to \$63.49. These outweighed the decline in the average cost of aviation gasoline, by 8.4% to \$100.57; bunker 'C' fuel, by 28.22% to \$25.08 and gas oil, by 27.7% to \$131.21.

The estimated services account surplus rose by \$141.3 million (70.3%) to \$342.2 million. Although net tourism-related receipts were reduced by 17.7% to \$276.2 million, insurance services recorded a net inflow of \$179.4 million, compared to the outflow of \$24.8 million in 2003, owing to re-insurance settlements arising from the September hurricanes. Net outflows for government services were reduced by 69.5% to \$4.0 million

and inflows under offshore companies' local expenses rose by 5.9% to \$46.7 million, but these were offset by a 32.0% rise in net external payments for "other" services, to \$123.0 million.

Balance of Payments



Net income outflows narrowed to \$35.7 million from \$46.5 million in 2003, led by a reduction in net profit repatriation and interest payments by private companies and banks to \$11.4 million from \$26.9 million. In contrast, net labour income remittances rose by 19.7% to \$20.9 million, and the public sector's net external interest expenses increased to \$3.3 million from \$2.1 million.

Net current transfer receipts advanced to \$14.1 million from \$10.1 million, as net government receipts expanded by 8.5% to \$12.3 million and the net private receipt of \$1.8 million contrasted with a net payment of \$1.3 million in 2003.

On the capital and financial account, the estimated surplus rose to \$107.5 million from \$36.4 million. Of less significance, outward migrant net transfers were higher at \$18.6 million from \$12.2 million in 2003. However, net financial receipts increased appreciatively to \$126.1



million from \$58.4 million. Concentrated in tourism and private infrastructure developments, net private direct investments rose significantly, with net equity inflows strengthened to \$68.5 million from \$24.6 million in 2003, eclipsing a net real estate outflow of \$4.7 million as opposed to a net sale of \$15.3 million last year. In addition, net private loan financing increased to \$69.0 million from \$22.1 million in 2003. Meanwhile, the public sector net loan repayment was reduced to \$5.7 million from \$123.0 million in 2003, when \$125.0 million in public corporation's debt was refinanced by domestic banks. For domestic banks, their net foreign liabilities contracted by \$4.0 million, after the \$119.6 million increase in 2003, which was linked to the public sectors' refinancing activity.

After adjustments for possible errors and omissions, the overall balance recorded a surplus for the quarter of \$58.7 million, relative to last year's deficit of \$38.8 million.

## INTERNATIONAL ECONOMIC DEVELOPMENTS

Preliminary indications are that output growth weakened in most major industrialized countries during the fourth quarter of 2004, constrained by sluggish export performance and other varied factors. Labour market conditions remained positive, with average unemployment rates stable during the period; albeit, a firmer up-trend was noted in quarterly consumer prices owing to higher energy costs. Although monetary policy decisions continued to be framed by inflation expectations, the outlook assessments only motivated further interest rate tightening in the United States. Major equity markets responded positively to the favourable projections for the global economy; however, the US dollar depreciated against the major currencies, reflecting investors' concerns over the widening fiscal and trade imbalances. In the external sector, softer global demand for exports and higher fuel costs produced deteriorated trends in major countries' current account balances.

Growth in most major economies slowed during the fourth quarter. The United States' real GDP grew at a more moderate 3.1% annualized pace from 4.00% in the third quarter, owing to slower export growth and weak consumer spending, which outweighed firmer business

investments in inventory and capital goods. The euro zone also registered incrementally slower growth of 1.0% from an annualized 1.3% in the third quarter, as the appreciated euro constrained exports. In this regard, France's performance remained weak, relative to the previous quarter's decline of 0.1% and real output for Germany fell by 0.9%, from an almost flat third quarter outcome. In Japan, real GDP contracted further, following a 0.8% decline last quarter, amid softening in industrial output and housing investments, alongside continued decrease in public sector investments. A more favourable outturn was registered for the United Kingdom when real output growth firmed to 2.8% in the final quarter of 2004 from 2.0% in the third quarter, steadied by services sector expansion and a pickup in manufacturing output.

With medium term prospects improved, unemployment conditions stabilized in most major countries during the fourth quarter. In the United States, the unemployment rate steadied at 5.4% of the workforce and for the United Kingdom, at 4.7%. Euro zone average unemployment was stable at 8.9%, with Germany's jobless rate softened marginally to 10.7% but France's was unchanged at 9.9%. Conversely, with the demand for labour rising in the services sector, Japan's average unemployment rate softened to 4.4% from 4.6%.

Consumer price inflation edged higher in the major countries during the fourth quarter, mainly underlined by higher energy prices. In the United States, the quarterly consumer price increase intensified to an annualized 3.0% from 0.6% in the third quarter, attributed to an upsurge in energy costs and increased pressures from non-durable consumer commodities. Despite appreciation of the currency, energy euro zone inflation rose to 2.4% from 2.1% in the third quarter, with Germany's average firmed to 2.1% from 1.8% and France's, to 2.1% from 2.0%. However, deflationary pressures persisted in Japan, where consumer prices declined by 0.8% on an annualized basis, partly owing to lower import prices linked to the appreciation of the yen.

In currency markets, the United States' dollar lost further value against the major currencies, amid evidence of continued deterioration in the country's fiscal and trade deficits. The dollar fell by 8.2% against the euro to €0.74; by 4.7% against the Canadian dollar to C\$1.20; by 5.5%

---

against the pound sterling to £0.52; by 6.7% against the Japanese yen to ¥102.63 and by 8.5% against the Swiss franc to SF1.14.

Commodity market developments featured mixed quarterly price trends in precious metal and oil. The price of gold rose by 4.8% to \$438.45 per troy ounce, in contrast to a marginal 1.0% softening in the price of silver, to \$6.82 per troy ounce. However, both prices were higher by 9.0% and 9.5% respectively, for the 12 months through December. As regard petroleum, in November OPEC implemented its earlier agreed daily production ceiling increase of 3.8%, to 27.0 million barrels. In December, however, cartel members responded to stabilizing oil prices by agreeing to rollback their daily quota production by 1.0 million barrels, effective 1 January 2005. With the easing of supply concerns, the per barrel price of Brent crude oil fell during the quarter, by 13.7% to \$39.90, after surpassing a nominal record high in the \$50 range in October.

Factoring in economies' growth outlook, major equity bourses recorded relatively robust gains during the fourth quarter. In the United States, the Dow Jones Industrial Average (DJIA) ended the year at 10,783.0 points, up 7.0% from its September close and by 3.1% for year. Adding 8.9% of its value since September, the broader S&P 500 index closed higher by 9.2% for the year to 1,213.7 points. In Europe, the United Kingdom's FTSE 220 Index rose by 5.3% to 4,814.3 points in the last quarter of 2004; France's CAC-40 index, by 5.0% to 3,821.2 point; and Germany's DAX index, by 9.3% to 4256.1 points. In Japan, the Nikkei-225 index appreciated by 6.1% during the fourth quarter and finished the year up by 7.6% at 11,488.8 points.

On the monetary policy front, except for the United States, major central banks left official interest rates unchanged during the fourth quarter. In its continuing gradual attempt to fight off inflationary pressures, the US Federal Reserve Bank raised its key target funds rate and the primary credit rate twice, by 25 basis points in both November and December, to 2.25% and 3.25%, respectively. Concurrently, the Bank of England kept its repurchase rate at the 4.75% level set in August, still viewing the outlook for inflation as consistent with its 2.0% medium range target. The European Central Bank also maintained its refinancing rate at the 2.00% established in August 2003, opining that, outside of fuel costs, underlying price pressures from domestic demand were not expected to increase. The Bank of Japan's discount rate was unchanged at 0.1%, although significant liquidity support continued for the financial markets.

In external sector developments, weaker demand for exports and the high cost of oil resulted in deteriorated positions in major countries' current account balances. In the United States, a further widening of the trade deficit by 10.4%, to a seasonally adjusted \$171.8 billion, increased the projected current account deficit beyond the estimated \$164.7 billion recorded in the third quarter. Owing to higher prices on imported fuel, the euro zone's estimated current account surplus contracted to below €13.4 billion, and was significantly lower on a 12-month basis through November, at €39.9 billion, compared to the annual €21.8 billion in 2003. Incremental firming in net exports reduced the United Kingdom's trade deficit to £14.3 billion from £14.6 billion in the third quarter, with the opposite trend causing a contraction in Japan's current account surplus.

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		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
	<b>(B\$ Millions)</b>														
<b>Net foreign assets</b>	(86.6)	(234.5)	(357.3)	(209.9)	(123.1)	14.4	(144.0)	(34.0)	65.4	41.2	104.0	(34.0)	65.4	41.2	104.0
Central Bank	342.6	312.4	373.2	444.5	472.5	522.9	484.1	593.2	652.5	609.1	667.8	593.2	652.5	609.1	667.8
Commercial banks	(449.5)	(548.4)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(610.6)	(572.0)	(598.2)	(596.9)	(610.6)	(572.0)	(598.2)	(596.9)
Other local fin. institutions	20.3	1.5	(7.6)	(9.3)	(17.9)	(17.9)	(13.1)	(16.6)	(15.1)	30.3	33.1	(16.6)	(15.1)	30.3	33.1
<b>Net domestic assets</b>	3,645.6	3,951.6	4,193.5	4,156.5	4,064.0	3,941.5	4,147.3	4,219.6	4,290.2	4,357.1	4,317.5	4,219.6	4,290.2	4,357.1	4,317.5
Domestic credit	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	5,044.8	5,144.6	5,256.9	5,227.2
Public sector	649.8	775.2	870.8	921.5	893.9	712.8	879.4	908.9	924.6	969.7	887.8	908.9	924.6	969.7	887.8
Government (net)	508.5	626.0	651.3	696.8	671.6	487.2	506.5	543.9	578.2	626.0	547.1	543.9	578.2	626.0	547.1
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	365.0	346.4	343.7	340.7
Private sector	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	4,135.9	4,220.0	4,287.2	4,339.4
Other items (net)	(633.0)	(725.7)	(746.9)	(795.9)	(819.2)	(816.9)	(826.7)	(825.2)	(854.4)	(899.8)	(909.7)	(825.2)	(854.4)	(899.8)	(909.7)
<b>Monetary liabilities</b>	3,559.0	3,717.1	3,836.2	3,946.6	3,940.9	3,955.9	4,003.3	4,185.6	4,355.6	4,398.3	4,421.5	4,185.6	4,355.6	4,398.3	4,421.5
Money	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	1,006.1	1,109.4	1,125.9	1,134.4
Currency	151.4	153.5	154.8	148.6	155.4	150.7	160.1	153.4	160.8	165.2	176.6	153.4	160.8	165.2	176.6
Demand deposits	656.4	623.2	662.9	717.8	709.6	731.2	747.3	852.7	948.6	960.7	957.8	852.7	948.6	960.7	957.8
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	3,179.5	3,246.2	3,272.4	3,287.1
Fixed deposits	2,068.8	2,244.0	2,296.2	2,307.2	2,301.4	2,298.9	2,315.9	2,366.9	2,397.2	2,381.6	2,410.3	2,366.9	2,397.2	2,381.6	2,410.3
Savings deposits	596.1	604.6	630.7	647.5	670.8	674.0	678.8	710.6	741.2	754.3	779.9	710.6	741.2	754.3	779.9
Foreign currency	86.3	91.8	91.6	125.5	103.7	101.1	101.2	102.0	107.8	136.5	96.9	102.0	107.8	136.5	96.9
	<b>(percentage changes)</b>														
<b>Total domestic credit</b>	11.9	9.3	5.6	0.2	(1.4)	(2.6)	4.5	1.4	2.0	2.2	(0.6)	1.4	2.0	2.2	(0.6)
Public sector	(2.9)	19.3	12.3	5.8	(3.0)	(20.3)	23.4	3.4	1.7	4.9	(8.4)	3.4	1.7	4.9	(8.4)
Government (net)	2.6	23.1	4.0	7.0	(3.6)	(27.5)	4.0	7.4	6.3	8.3	(12.6)	7.4	6.3	8.3	(12.6)
Rest of public sector	(18.8)	5.6	47.1	2.4	(1.1)	1.5	65.3	(2.1)	(5.1)	(0.8)	(0.9)	(2.1)	(5.1)	(0.8)	(0.9)
Private sector	15.0	7.5	4.3	(1.0)	(1.0)	1.4	1.2	1.0	2.0	1.6	1.2	1.0	2.0	1.6	1.2
<b>Monetary liabilities</b>	9.6	4.4	3.2	2.9	(0.1)	0.4	1.2	4.6	3.5	5.3	1.1	4.6	3.5	5.3	1.1
Money	6.5	(3.8)	5.3	6.0	(0.2)	2.0	2.9	10.9	4.1	1.0	0.5	10.9	4.1	1.0	0.5
Currency	2.0	1.4	0.8	(4.0)	4.6	(3.0)	6.2	(4.2)	10.3	1.5	0.8	(4.2)	10.3	1.5	0.8
Demand deposits	7.6	(5.1)	6.4	8.3	(1.1)	3.0	2.2	14.1	4.8	2.7	6.9	14.1	4.8	2.7	6.9
Quasi-money	10.5	6.9	2.7	2.0	(0.1)	(0.1)	0.7	2.7	11.2	1.3	(0.3)	2.7	11.2	1.3	(0.3)

Source: The Central Bank of The Bahamas

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

End of Period	2000			2001			2002			2003			2004		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
	<b>(B\$ Millions)</b>														
<b>Net foreign assets</b>	(106.9)	(236.0)	(349.7)	(200.6)	(105.2)	32.3	(130.9)	(17.4)	80.5	10.9	70.9	(17.4)	80.5	10.9	70.9
Central Bank	342.6	312.4	373.2	444.5	472.5	522.9	484.1	593.2	652.5	609.1	667.8	593.2	652.5	609.1	667.8
Commercial banks	(449.5)	(548.4)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(610.6)	(572.0)	(598.2)	(596.9)	(610.6)	(572.0)	(598.2)	(596.9)
<b>Net domestic assets</b>	3,572.2	3,874.7	4,092.4	4,045.0	3,939.8	3,814.1	4,025.3	4,092.9	4,173.8	4,285.1	4,247.2	4,092.9	4,173.8	4,285.1	4,247.2
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	5,001.6	5,114.5	5,083.1	4,896.8	5,001.6	5,114.5	5,083.1
Public sector	645.3	771.9	867.6	918.4	890.7	708.7	874.9	904.5	920.2	965.4	883.4	904.5	920.2	965.4	883.4
Government (net)	504.1	622.8	648.2	693.7	668.4	483.1	502.1	539.5	573.8	621.7	542.7	539.5	573.8	621.7	542.7
Rest of public sector	141.2	149.1	219.4	224.7	222.3	225.6	372.8	365.0	346.4	343.7	340.7	365.0	346.4	343.7	340.7
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	4,199.7	3,992.3	4,081.4	4,149.1	4,199.7
Other items (net)	(586.2)	(679.1)	(700.8)	(755.3)	(791.6)	(792.9)	(797.5)	(803.9)	(827.8)	(829.4)	(835.9)	(803.9)	(827.8)	(829.4)	(835.9)
<b>Monetary liabilities</b>	3,465.3	3,638.7	3,742.7	3,844.4	3,834.6	3,846.4	3,894.4	4,075.5	4,254.3	4,296.0	4,318.1	4,075.5	4,254.3	4,296.0	4,318.1
Money	796.6	769.2	808.5	856.4	855.7	870.2	895.8	994.1	1,096.6	1,114.7	1,124.7	994.1	1,096.6	1,114.7	1,124.7
Currency	151.9	153.5	154.8	148.6	155.4	150.7	160.1	153.4	160.8	165.2	176.6	153.4	160.8	165.2	176.6
Demand deposits	644.7	615.7	653.7	707.8	700.3	719.5	735.7	840.7	935.8	949.5	948.1	840.7	935.8	949.5	948.1
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	3,157.7	3,181.3	3,193.4	3,081.4	3,157.7	3,181.3	3,193.4
Savings deposits	593.4	604.3	630.4	647.2	670.5	673.7	678.5	710.3	741.0	754.1	779.7	710.3	741.0	754.1	779.7
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	2,308.9	2,290.7	2,316.8	2,269.1	2,308.9	2,290.7	2,316.8
Foreign currency deposits	86.3	91.8	91.6	125.5	103.7	101.1	101.3	102.0	107.8	136.5	96.9	102.0	107.8	136.5	96.9
	<b>(percentage change)</b>														
<b>Total domestic credit</b>	11.3	9.5	5.3	0.1	(1.4)	(2.6)	4.7	1.5	2.1	2.3	(0.6)	1.5	2.1	2.3	(0.6)
Public sector	(3.0)	19.6	12.4	5.9	(3.0)	(20.4)	23.5	3.4	1.7	4.9	(8.5)	3.4	1.7	4.9	(8.5)
Government (net)	2.6	23.5	4.1	7.0	(3.6)	(27.7)	3.9	7.4	6.4	8.3	(12.7)	7.4	6.4	8.3	(12.7)
Rest of public sector	(18.8)	5.6	47.1	2.4	(1.1)	1.5	65.2	(2.1)	(5.1)	(0.8)	(0.9)	(2.1)	(5.1)	(0.8)	(0.9)
Private sector	14.4	7.7	3.8	(1.1)	(1.1)	1.5	1.3	1.1	2.2	1.7	1.2	1.1	2.2	1.7	1.2
<b>Monetary liabilities</b>	9.1	5.0	2.9	2.7	(0.3)	0.3	1.2	4.7	3.0	0.2	0.8	4.7	3.0	0.2	0.8
Money	5.6	(3.4)	5.1	5.9	(0.1)	1.7	2.9	11.0	4.4	1.0	0.5	11.0	4.4	1.0	0.5
Currency	2.0	1.1	0.8	(4.0)	4.6	(3.0)	6.2	(4.2)	10.3	1.6	0.9	(4.2)	10.3	1.6	0.9
Demand deposits	6.5	(4.5)	6.2	8.3	(1.1)	2.7	2.3	14.3	4.8	2.7	6.9	14.3	4.8	2.7	6.9
Quasi-money	10.1	7.5	2.3	1.8	(0.3)	(0.1)	0.8	2.8	11.3	1.5	(0.2)	2.8	11.3	1.5	(0.2)

Source: The Central Bank of The Bahamas

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

(B\$ Millions)

End of Period	2000			2001			2002			2003			2004		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Net foreign assets</b>	342.6	312.4	373.2	444.5	472.5	522.9	484.1	593.2	652.5	609.1	667.8				
Balances with banks abroad	119.3	44.5	126.3	177.3	195.3	221.1	183.5	279.6	318.7	253.3	311.1				
Foreign securities	215.1	260.0	238.3	258.6	268.3	292.8	291.3	304.3	324.6	346.6	347.0				
Reserve position in the Fund	8.1	7.8	8.5	8.6	8.8	8.9	9.3	9.3	9.2	9.2	9.7				
SDR holdings	0.1	0.1	0.1	--	0.1	0.1	--	--	--	--	--				
<b>Net domestic assets</b>	31.4	107.5	92.0	43.3	11.2	(51.1)	15.3	(24.1)	(90.4)	(101.6)	(13.1)				
Net claims on government	120.7	187.4	172.9	158.7	109.6	77.9	108.4	118.0	106.0	123.3	141.9				
Claims	128.5	189.7	182.4	167.6	117.4	85.6	114.8	122.1	116.6	131.0	149.5				
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	51.1	45.6	60.0	78.5				
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				
Deposits	(7.8)	(2.3)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(4.1)	(10.6)	(7.7)	(7.6)				
In local currency	(7.8)	(2.3)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(4.1)	(10.6)	(7.7)	(7.6)				
In foreign currency	--	--	--	--	--	--	--	--	--	--	--				
Deposits of rest of public sector	(14.8)	(10.3)	(10.1)	(45.7)	(30.0)	(59.4)	(21.6)	(73.9)	(128.9)	(154.4)	(87.7)				
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--				
Official capital and surplus	(98.0)	(94.3)	(98.3)	(99.7)	(97.3)	(97.5)	(97.3)	(98.8)	(97.2)	(97.5)	(98.2)				
Net unclassified assets	15.1	16.8	19.9	22.4	21.4	20.5	18.5	23.4	22.5	19.8	22.3				
Loans to rest of public sector	7.6	7.1	6.7	6.7	6.6	6.5	6.4	6.3	6.2	6.2	7.6				
Public Corp Bonds/Securities	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0				
<b>Liabs. to Commercial Banks &amp; OLFIs</b>	(209.3)	(253.6)	(296.5)	(325.1)	(314.0)	(306.5)	(324.2)	(400.6)	(386.2)	(327.3)	(462.2)				
Notes and coins	(64.4)	(64.9)	(66.3)	(43.8)	(42.9)	(51.0)	(79.6)	(62.5)	(63.2)	(60.3)	(78.5)				
Deposits	(144.9)	(188.7)	(230.2)	(281.3)	(271.1)	(255.5)	(244.6)	(338.1)	(323.0)	(267.0)	(383.7)				
SDR allocation	(13.3)	(12.8)	(13.9)	(14.1)	(14.3)	(14.6)	(15.2)	(15.1)	(15.1)	(15.0)	(15.9)				
Currency held by the private sector	(151.4)	(153.5)	(154.8)	(148.6)	(155.4)	(150.7)	(160.1)	(153.4)	(160.8)	(165.2)	(176.6)				

Source: The Central Bank of The Bahamas



**TABLE 4**  
**COMMERCIAL BANKS BALANCE SHEET**

(B\$ Millions)

End of Period	2000			2001			2002			2003			2004		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Net foreign assets</b>	(449.5)	(548.4)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(572.0)	(598.2)	(596.9)					
<b>Net claims on Central Bank</b>	207.1	248.7	291.2	317.9	308.0	300.1	316.8	379.3	321.2	455.7					
Notes and Coins	63.9	64.9	66.3	43.9	42.9	51.0	79.6	63.2	60.3	78.5					
Balances	144.0	184.6	225.7	274.8	265.9	249.9	238.0	332.3	316.9	378.0					
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8					
<b>Net domestic assets</b>	3,244.3	3,421.3	3,653.8	3,632.9	3,599.6	3,542.6	3,698.2	3,758.7	3,880.3	3,977.0	3,955.5				
Net claims on government	383.4	435.4	475.3	535.0	558.8	405.2	393.7	421.5	467.8	498.5	400.9				
Treasury bills	49.9	63.5	38.8	45.0	69.5	71.9	47.6	73.0	88.8	96.2	26.7				
Other securities	315.3	314.2	338.1	338.3	350.0	369.2	365.2	364.2	364.9	392.4	389.0				
Loans and advances	89.0	115.4	170.0	219.6	214.1	45.6	74.5	81.3	111.2	115.6	78.2				
Less: deposits	70.8	57.7	71.6	67.9	74.8	81.5	93.6	97.0	97.1	105.7	93.0				
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	92.6				
Securities	6.9	8.0	9.3	8.2	8.6	19.7	18.6	21.3	21.3	21.3	18.6				
Loans and advances	125.9	133.2	202.5	208.9	206.2	198.5	347.0	336.4	317.9	315.2	313.5				
Less: deposits	296.6	353.3	355.7	344.3	319.3	284.1	312.6	306.1	277.0	276.5	239.5				
Net claims on OLFIs.	(10.1)	(0.8)	16.4	11.8	6.2	--	1.2	(8.3)	(5.8)	40.0	32.7				
<b>Credit to the private sector</b>	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	4,199.7				
Securities	6.9	6.3	7.4	7.4	7.3	9.7	16.3	12.9	12.9	14.3	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	4,188.4				
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)	(1,060.7)				
Net unclassified assets	31.6	9.7	40.8	23.4	(6.6)	212.9	276.9	283.6	289.2	254.4	290.3				
<b>Liabilities to private sector</b>	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	3,814.3				
Demand deposits	669.6	661.9	681.3	717.9	717.1	711.9	754.6	809.2	858.9	867.1	911.3				
Savings deposits	596.9	606.2	634.3	651.0	674.4	676.4	681.9	713.8	745.4	761.6	783.5				
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				

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		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Net foreign assets</b>	20.3	1.5	(7.6)	(9.3)	(17.9)	(17.9)	(13.1)	(17.9)	(17.9)	(17.9)	(13.1)	(16.6)	(15.1)	30.3	33.1
<b>Net claims on Central Bank</b>	(4.8)	4.0	4.6	4.9	5.3	5.5	5.6	5.3	5.5	5.6	5.6	5.7	5.8	5.2	5.7
Notes and Coins	0.5	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balances	4.7	4.0	4.6	4.9	5.3	5.5	5.6	4.9	5.3	5.6	5.6	5.7	5.8	5.2	5.7
Less Central Bank credit	10.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Net domestic assets</b>	77.7	72.8	96.5	106.6	118.9	121.8	116.4	106.6	118.9	121.8	116.4	120.9	110.7	66.7	63.6
Net claims on government	4.4	3.2	3.1	3.1	3.2	4.1	4.4	3.1	3.2	4.1	4.4	4.4	4.4	4.3	4.3
Treasury bills	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Other securities	4.4	3.2	3.1	3.1	3.2	4.1	4.4	3.1	3.2	4.1	4.4	4.4	4.4	4.3	4.3
Loans and advances	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Less: deposits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Net claims on rest of public sector	(0.9)	0.1	0.1	--	--	--	--	--	--	--	--	--	--	--	(1.0)
Securities	0.1	0.1	0.1	--	--	--	--	--	--	--	--	--	--	--	--
Loans and advances	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Less: deposits	1.0	--	--	--	--	--	--	--	--	--	--	--	--	--	1.0
Net claims on commercial banks	12.4	1.6	(12.9)	(13.8)	(4.1)	(3.0)	(3.1)	(13.8)	(4.1)	(3.0)	(3.1)	4.4	(9.4)	(49.9)	(47.7)
Credit to the private sector	115.7	120.2	144.0	149.0	148.6	147.2	146.7	149.0	148.6	147.2	146.7	143.6	138.6	138.1	139.7
Securities	4.2	2.7	2.7	2.1	2.0	3.0	4.1	2.1	2.0	3.0	4.1	4.4	4.2	4.5	3.4
Mortgages	90.5	110.4	134.4	139.9	139.9	137.6	136.3	139.9	139.9	137.6	136.3	130.7	125.1	124.5	126.8
Loans and advances	21.0	7.1	6.9	7.0	6.7	6.6	6.3	7.0	6.7	6.6	6.3	8.5	9.3	9.1	9.5
Private capital and surplus	(66.9)	(68.4)	(62.5)	(62.3)	(52.0)	(50.1)	(58.1)	(62.3)	(52.0)	(50.1)	(58.1)	(56.4)	(55.5)	(58.2)	(60.8)
Net unclassified assets	13.0	16.1	24.7	30.6	23.2	23.6	26.5	30.6	23.2	23.6	26.5	24.9	32.6	32.4	29.1
<b>Liabilities to private sector</b>	93.2	78.3	93.5	102.2	106.3	109.5	108.9	102.2	106.3	109.5	108.9	110.0	101.3	102.3	102.4
Demand deposits	11.7	7.5	9.2	10.0	9.3	11.8	11.6	10.0	9.3	11.8	11.6	12.0	12.8	11.2	9.8
Savings deposits	2.7	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Fixed deposits	78.8	70.6	84.0	91.9	96.7	97.4	97.1	91.9	96.7	97.4	97.1	97.8	88.3	90.9	92.4

Source: The Central Bank of The Bahamas

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

Period	(B\$'000s)																					
	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	
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	133,850	146,688	159,892	164,071	38,825	42,002	42,257	40,987	41,140	43,376	41,885
2. Interest Expense	279,681	300,884	271,772	271,028	66,518	68,337	68,163	68,010	71,096	73,235	78,418	23,561	24,401	23,368	23,451	5,995	6,109	6,466	4,881	7,417	6,463	6,151
3. <b>Interest Margin (1-2)</b>	303,242	325,285	295,140	294,479	72,513	74,446	74,629	72,891	78,513	79,698	84,569	101,771	105,518	111,068	114,818	31,003	27,084	29,128	27,603	27,251	27,796	30,494
4. Commission & Forex Income	17,180	18,412	16,049	18,585	4,543	4,734	4,545	4,763	5,025	3,918	3,969	45,734	51,792	48,370	52,182	10,759	11,138	12,145	18,140	12,888	13,107	16,520
5. <b>Gross Earnings Margin (3+4)</b>	164,685	175,722	175,487	185,585	46,305	42,956	45,818	50,506	45,164	44,821	50,983	138,557	149,563	119,653	108,894	26,208	31,490	28,811	22,385	33,349	34,877	33,586
6. Staff Costs	10,896	10,848	10,460	22,803	2,516	2,684	12,433	5,170	5,286	5,180	(3,704)	27,431	33,096	29,557	38,562	8,774	6,405	12,641	10,742	7,323	10,270	10,740
7. Occupancy Costs	58,384	58,421	63,855	75,669	18,716	17,828	18,533	20,592	17,960	19,047	17,343	20,057	14,477	23,838	14,304	7,426	8,739	(6,541)	4,680	5,351	3,597	10,307
8. Other Operating Costs	158,614	164,040	143,491	123,198	33,634	40,229	22,270	27,065	38,700	38,474	43,893	5.74	6.31	6.12	5.99	5.92	5.96	6.04	6.04	6.20	6.64	6.40
9. <b>Operating Costs (6+7+8)</b>	138,557	149,563	119,653	108,894	26,208	31,490	28,811	22,385	33,349	34,877	33,586	10,896	10,848	10,460	22,803	2,516	2,684	12,433	5,170	5,286	5,180	(3,704)
10. <b>Net Earnings Margin (5-9)</b>	27,431	33,096	29,557	38,562	8,774	6,405	12,641	10,742	7,323	10,270	10,740	58,384	58,421	63,855	75,669	18,716	17,828	18,533	20,592	17,960	19,047	17,343
11. Depreciation Costs	20,057	14,477	23,838	14,304	7,426	8,739	(6,541)	4,680	5,351	3,597	10,307	158,614	164,040	143,491	123,198	33,634	40,229	22,270	27,065	38,700	38,474	43,893
12. Provisions for Bad Debt	5.74	6.31	6.12	5.99	5.92	5.96	6.04	6.04	6.20	6.64	6.40	6.07	6.07	4.99	4.71	4.70	4.81	4.69	4.62	4.71	4.73	4.99
13. Other Income	6.07	6.07	4.99	4.71	4.70	4.81	4.69	4.62	4.71	4.73	4.99	0.52	0.50	0.43	0.41	0.42	0.43	0.44	0.33	0.49	0.42	0.39
14. <b>Other Income (Net) (13-11-12)</b>	6.59	6.56	5.42	5.11	5.12	5.24	5.13	4.95	5.20	5.15	5.38	3.58	3.55	3.22	3.22	3.27	3.03	3.15	3.43	2.99	2.90	3.25
15. <b>Net Income (10+14)</b>	3.01	3.02	2.20	1.89	1.85	2.22	1.98	1.52	2.21	2.25	2.14	3.44	3.44	2.64	2.14	2.37	2.83	1.53	1.84	2.56	2.49	2.79
16. <b>Effective Interest Rate Spread (%)</b>																						
Interest Margin	6.07	6.07	4.99	4.71	4.70	4.81	4.69	4.62	4.71	4.73	4.99	0.52	0.50	0.43	0.41	0.42	0.43	0.44	0.33	0.49	0.42	0.39
Commission & Forex Income	6.59	6.56	5.42	5.11	5.12	5.24	5.13	4.95	5.20	5.15	5.38	3.58	3.55	3.22	3.22	3.27	3.03	3.15	3.43	2.99	2.90	3.25
Gross Earnings Margin	3.01	3.02	2.20	1.89	1.85	2.22	1.98	1.52	2.21	2.25	2.14	3.44	3.44	2.64	2.14	2.37	2.83	1.53	1.84	2.56	2.49	2.79
Operating Costs																						
Net Earnings Margin																						
Net Income																						

(Ratios To Average Assets)

\*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		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.
<b>Money supply (M1)</b>	807.8	776.7	817.7	817.7	817.7	817.7	866.4	865.0	881.9	907.4	1,006.1	1,109.4	1,125.9	1,134.4	
1) Currency in active circulation	151.4	153.5	154.8	154.8	154.8	154.8	148.6	155.4	150.7	160.1	153.4	160.8	165.2	176.6	
2) Demand deposits	656.4	623.2	662.9	662.9	662.9	662.9	717.8	709.6	731.2	747.3	852.7	948.6	960.7	957.8	
Central Bank	14.8	10.3	10.1	10.1	10.1	10.1	45.7	30.0	59.5	21.7	73.9	128.9	154.4	87.7	
Commercial banks	629.9	605.3	643.6	643.6	643.6	643.6	662.1	670.3	660.0	714.0	766.8	806.9	795.1	860.3	
OLFIs	11.7	7.6	9.2	9.2	9.2	9.2	10.0	9.3	11.7	11.6	12.0	12.8	11.2	9.8	
<b>Factors affecting changes in money (M1)</b>															
1) Net credit to government	508.5	626.0	651.3	651.3	651.3	651.3	696.8	671.6	487.2	506.5	543.9	578.2	626.0	547.1	
Central Bank	120.7	187.4	172.9	172.9	172.9	172.9	158.7	109.6	77.9	108.4	118.0	106.0	123.2	141.9	
Commercial banks	383.4	435.4	475.3	475.3	475.3	475.3	535.0	558.8	405.2	393.7	421.5	467.8	498.5	400.9	
OLFIs	4.4	3.2	3.1	3.1	3.1	3.1	3.1	3.2	4.1	4.4	4.4	4.4	4.3	4.3	
2) Other credit	3,770.1	4,051.3	4,289.1	4,289.1	4,289.1	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	
Rest of public sector	141.3	149.2	219.5	219.5	219.5	219.5	224.7	222.3	225.6	372.9	365.0	346.4	343.7	340.7	
Private sector	3,628.8	3,902.1	4,069.6	4,069.6	4,069.6	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	
3) External reserves	342.6	312.4	373.2	373.2	373.2	373.2	444.5	472.5	522.9	484.1	593.2	652.5	609.1	667.8	
4) Other external liabilities (net)	(429.2)	(546.9)	(730.5)	(730.5)	(730.5)	(730.5)	(654.4)	(595.6)	(508.5)	(628.1)	(627.2)	(587.1)	(567.8)	(563.8)	
5) Quasi money	2,751.2	2,940.4	3,018.5	3,018.5	3,018.5	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	
6) Other items (net)	(633.0)	(725.7)	(746.9)	(746.9)	(746.9)	(746.9)	(795.9)	(819.2)	(816.9)	(826.7)	(825.2)	(854.4)	(899.8)	(909.7)	

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

**TABLE 8**  
**CONSUMER INSTALMENT CREDIT**

(B\$, '000)

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

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

\* Includes Consumer Credit previously reported under Personal Loans

**TABLE 9**  
SELECTED AVERAGE INTEREST RATES

Period	2001	2002	2003	2004	2003				2004			
					Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
<b>COMMERCIAL BANKS</b>												
<b>Deposit rates</b>												
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
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
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
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
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
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
<b>Lending rates</b>												
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
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
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
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
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
<b>OLFIs</b>												
<b>Deposit rates</b>												
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
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
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
Over 12 months	4.17	--	--	4.21	--	--	--	--	4.24	4.09	3.75	4.75
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
<b>Lending rates</b>												
Residential mortgages	8.89	8.64	6.59	8.46	9.07	8.35	8.92	--	8.25	8.67	8.53	8.39
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	--	--	--	--
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
<b>Other rates</b>												
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
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
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
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

Source: The Central Bank of The Bahamas

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

(B\$ Millions)

End of Period	2000	2001	2002	2003			2004				
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
<b>I. Statutory Reserves</b>											
Required reserves	166.6	176.1	183.4	184.3	185.4	185.4	187.2	192.7	200.9	204.8	205.3
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
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
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
<b>II. Liquid Assets (period)</b>											
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
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	910.0
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
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
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
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
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
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	3.2
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
C. Surplus/(Deficit)	40.1	67.4	97.7	123.4	148.3	177.3	156.7	237.7	226.9	194.5	232.8

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



**TABLE 11**  
GOVERNMENT OPERATIONS AND FINANCING

(B\$ Millions)

Period	2003/04p				Budget		2003/04p				2004/05p	
	2001/02p	2002/03p	2003/04p	2003/04	2004/05	QTR. II	QTR. III	QTR. IV	QTR. I	QTR. II		
Total Revenue & Grants	856.8	901.8	943.8	991.5	1051.6	231.2	253.3	241.8	210.9	254.2		
Current expenditure	896.7	962.7	993.9	968.9	1067.3	239.9	249.3	282.1	240.7	244.5		
Capital expenditure	103.5	83.8	80.9	119.7	117.3	16.0	19.2	37.7	10.4	35.8		
Net lending	27.5	43.1	35.3	25.9	30.5	8.8	9.0	11.0	9.0	8.5		
<b>Overall balance</b>	<b>(170.9)</b>	<b>(187.8)</b>	<b>(166.3)</b>	<b>(123.0)</b>	<b>(163.5)</b>	<b>(33.5)</b>	<b>(24.2)</b>	<b>(89.0)</b>	<b>(49.2)</b>	<b>(34.6)</b>		
<b>FINANCING (I+II-III+IV+V)</b>	<b>170.9</b>	<b>187.8</b>	<b>166.3</b>	<b>123.0</b>	<b>163.5</b>	<b>33.5</b>	<b>24.2</b>	<b>89.0</b>	<b>49.2</b>	<b>34.6</b>		
<b>I. Foreign currency borrowing</b>	<b>143.6</b>	<b>34.4</b>	<b>206.7</b>	<b>26.1</b>	<b>29.0</b>	<b>1.3</b>	<b>0.1</b>	<b>2.5</b>	--	<b>1.8</b>		
External	18.6	9.4	206.7	26.1	29.0	1.3	0.1	2.5	--	1.8		
Domestic	125.0	25.0	--	...	...	--	--	--	--	--		
<b>II. Bahamian dollar borrowing</b>	<b>157.7</b>	<b>205.9</b>	<b>132.3</b>	<b>173.3</b>	<b>231.3</b>	<b>34.0</b>	<b>23.3</b>	--	<b>100.0</b>	<b>100.0</b>		
i) Treasury bills	<b>26.9</b>	--	--	...	...	--	--	--	--	--		
Central Bank	16.1	--	--	...	...	--	--	--	--	--		
Commercial banks & OLFIs	10.8	--	--	...	...	--	--	--	--	--		
Public corporations	--	--	--	...	...	--	--	--	--	--		
Other	--	--	--	...	...	--	--	--	--	--		
ii) Long-term securities	<b>95.7</b>	<b>186.1</b>	<b>98.3</b>	...	...	--	<b>23.3</b>	--	<b>100.0</b>	<b>100.0</b>		
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	<b>35.1</b>	<b>19.8</b>	<b>34.0</b>	...	...	34.0	--	--	--	--		
Central Bank	33.9	4.3	34.0	...	...	34.0	--	--	--	--		
Commercial banks	1.2	15.5	--	...	...	--	--	--	--	--		
<b>III Debt repayment</b>	<b>144.9</b>	<b>62.4</b>	<b>251.4</b>	<b>74.0</b>	<b>94.4</b>	<b>24.5</b>	<b>24.0</b>	<b>0.5</b>	<b>15.8</b>	<b>26.1</b>		
Domestic	<b>111.2</b>	<b>54.4</b>	<b>242.0</b>	<b>65.3</b>	<b>84.6</b>	<b>23.3</b>	<b>20.0</b>	<b>0.0</b>	<b>12.6</b>	<b>25.0</b>		
Bahamian dollars	76.7	49.4	112.0	60.3	84.6	18.3	20.0	--	12.6	25.0		
Internal foreign currency	34.5	5.0	130.0	5.0	...	5.0	--	--	--	--		
External	<b>33.7</b>	<b>8.0</b>	<b>9.4</b>	<b>8.7</b>	<b>9.8</b>	<b>1.2</b>	<b>4.0</b>	<b>0.5</b>	<b>3.2</b>	<b>1.1</b>		
<b>IV. Cash balance change</b>	<b>(3.3)</b>	<b>15.3</b>	<b>(25.1)</b>	...	...	<b>(10.7)</b>	<b>(1.2)</b>	<b>(6.6)</b>	<b>(5.8)</b>	<b>12.8</b>		
<b>V. Other Financing</b>	<b>17.8</b>	<b>(5.4)</b>	<b>103.8</b>	<b>(2.4)</b>	<b>(2.4)</b>	<b>33.4</b>	<b>26.0</b>	<b>93.6</b>	<b>(29.2)</b>	<b>(53.9)</b>		

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

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

(B\$' 000s)

End of Period	2002p	2003p	2004p		2003p		2004p						
			2003p	2004p	Dec.	Mar.	June	Sept.	Dec.				
<b>TOTAL EXTERNAL DEBT</b>													
By Instrument													
Government Securities	96,070	292,077	287,661	292,077	288,754	290,153	286,976	287,661					
Loans	25,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000					
	71,070	67,077	62,661	67,077	63,754	65,153	61,976	62,661					
By Holder													
Commercial banks	10,305	5,153	--	5,153	2,576	2,576	--	--					
Offshore financial institutions	--	--	--	--	--	--	--	--					
Multilateral institutions	60,765	61,924	62,661	61,924	61,178	62,577	61,976	62,661					
Bilateral Institutions	--	--	--	--	--	--	--	--					
Private Capital Markets	25,000	225,000	225,000	225,000	225,000	225,000	225,000	225,000					
<b>TOTAL INTERNAL DEBT</b>													
By Instrument													
Foreign Currency	1,710,531	1,647,607	1,813,297	1,647,607	1,650,897	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	1,647,607	1,650,897	1,650,897	1,738,297	1,813,297					
Advances	71,787	71,019	71,019	71,019	71,019	71,019	71,019	71,019					
Treasury bills	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400					
Government securities	1,304,098	1,386,943	1,552,633	1,386,943	1,390,233	1,390,233	1,477,633	1,552,633					
Loans	25,246	10,245	10,245	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	1,647,607	1,650,897	1,650,897	1,738,297	1,813,297					
The Central Bank	182,823	114,800	149,535	114,800	122,170	116,626	131,022	149,535					
Commercial banks	399,697	423,997	427,858	423,997	447,876	464,435	500,248	427,858					
Other local financial institutions	3,128	4,344	4,321	3,128	5,367	4,695	4,321	4,321					
Public corporations	619,284	673,345	717,098	673,345	637,479	621,708	627,253	717,098					
Other	375,599	431,121	514,485	432,337	438,005	443,433	475,453	514,485					
<b>TOTAL FOREIGN CURRENCY DEBT</b>													
<b>TOTAL DIRECT CHARGE</b>	226,070	292,077	287,661	292,077	288,754	290,153	286,976	287,661					
<b>TOTAL CONTINGENT LIABILITIES</b>	1,806,601	1,939,684	2,100,958	1,939,684	1,939,651	1,941,050	2,025,273	2,100,958					
<b>TOTAL NATIONAL DEBT</b>	399,913	437,538	398,860	460,638	455,517	437,990	426,694	421,629					
	2,206,514	2,377,222	2,499,818	2,400,322	2,395,168	2,379,040	2,451,967	2,522,587					

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	2003p		2004p		
				Dec.	Mar.	June	Sept.	Dec.
<b>Outstanding debt at beginning of period</b>	<b>396,357</b>	<b>511,987</b>	<b>603,116</b>	<b>594,337</b>	<b>603,116</b>	<b>593,893</b>	<b>582,365</b>	<b>568,020</b>
Government	154,003	226,070	292,077	298,015	292,077	288,754	290,153	286,976
Public Corporations	242,354	285,917	311,039	296,322	311,039	305,139	292,212	281,044
<b>Plus new drawings</b>	<b>230,973</b>	<b>395,553</b>	<b>14,696</b>	<b>145,711</b>	<b>7,829</b>	<b>4,932</b>	<b>167</b>	<b>1,767</b>
Government	136,638	205,014	4,363	350	124	2,472	--	1,767
Public corporations	94,335	190,539	10,333	145,361	7,705	2,460	167	--
<b>Less Amortization</b>	<b>115,343</b>	<b>304,424</b>	<b>59,030</b>	<b>136,932</b>	<b>17,052</b>	<b>16,460</b>	<b>14,512</b>	<b>11,005</b>
Government	64,571	139,007	8,779	6,288	3,447	1,073	3,177	1,082
Public corporations	50,772	165,417	50,251	130,644	13,605	15,387	11,335	9,923
<b>Outstanding debt at end of period</b>	<b>511,987</b>	<b>603,116</b>	<b>558,782</b>	<b>603,116</b>	<b>593,893</b>	<b>582,365</b>	<b>568,020</b>	<b>558,782</b>
Government	226,070	292,077	287,661	292,077	288,754	290,153	286,976	287,661
Public corporations	285,917	311,039	271,121	311,039	305,139	292,212	281,044	271,121
<b>Interest Charges</b>	<b>24,254</b>	<b>25,707</b>	<b>27,388</b>	<b>9,463</b>	<b>3,036</b>	<b>10,657</b>	<b>2,662</b>	<b>11,034</b>
Government	9,558	13,017	18,416	6,538	565	8,598	621	8,632
Public corporations	14,696	12,690	8,972	2,925	2,471	2,059	2,041	2,402
<b>Debt Service</b>	<b>139,597</b>	<b>330,131</b>	<b>86,418</b>	<b>146,395</b>	<b>20,088</b>	<b>27,117</b>	<b>17,174</b>	<b>22,039</b>
Government	74,129	152,024	27,195	12,826	4,012	9,671	3,798	9,714
Public corporations	65,468	178,107	59,223	133,569	16,076	17,446	13,376	12,325
<b>Debt Service ratio</b>	5.8	13.7 *	3.1	24.2 *	2.8	4.2	3.0	2.8
<b>Government debt Service/ Government revenue (%)</b>	8.3	16.9	2.8	5.5	1.6	4.0	1.8	3.8
<b>MEMORANDUM</b>								
Holder distribution (B\$ Mil):								
Commercial banks	251.3	261.9	224.6	261.9	258.0	246.0	232.9	224.6
Offshore Financial Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	235.5	103.9	100.7	103.9	102.5	103.0	101.6	100.7
Bilateral Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	12.3	8.5	12.3	8.4	8.4	8.5	8.5
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 the 3rd and 4th quarters of 2003 include the respective re-financing of \$125M and \$120M in Government (internal) and public corporations (external) debt. Net of these payments, the adjusted service/exports ratios were 3.6% and 3.5% over the respective quarters; and the Government's 3rd quarter debt service/revenue ratio was 2.8%.

**TABLE 14**  
BALANCE OF PAYMENTS SUMMARY

	(B\$ Millions)											
	2002p			2003p			2004p			2004		
	2002p	2003p	2004p	Qtr.Ip	Qtr.IIip	Qtr.IIIip	Qtr.IVip	Qtr.Ip	Qtr.IIip	Qtr.IIIip	Qtr.IVip	
<b>A. Current Account Balance (I+II+III+IV)</b>	<b>(339.2)</b>	<b>(416.6)</b>	<b>(345.7)</b>	<b>(7.0)</b>	<b>(83.3)</b>	<b>(168.8)</b>	<b>(157.5)</b>	<b>(30.4)</b>	<b>(82.7)</b>	<b>(211.9)</b>	<b>(20.7)</b>	
<b>I. Merchandise (Net)</b>	<b>(1,151.1)</b>	<b>(1,203.5)</b>	<b>(1,348.3)</b>	<b>(278.8)</b>	<b>(308.1)</b>	<b>(294.7)</b>	<b>(321.9)</b>	<b>(343.4)</b>	<b>(334.5)</b>	<b>(329.1)</b>	<b>(341.3)</b>	
Exports	446.3	424.7	469.3	107.3	90.0	112.1	115.3	110.0	98.1	124.7	136.5	
Imports	1,597.4	1,628.2	1,817.6	386.1	398.1	406.8	437.2	453.4	432.6	453.8	477.8	
<b>II. Services (Net)</b>	<b>980.3</b>	<b>901.6</b>	<b>1,101.3</b>	<b>291.7</b>	<b>246.6</b>	<b>162.4</b>	<b>200.9</b>	<b>329.4</b>	<b>271.8</b>	<b>158.0</b>	<b>342.1</b>	
Transportation	(165.3)	(175.1)	(183.2)	(42.1)	(46.2)	(42.6)	(44.2)	(50.2)	(52.7)	(41.7)	(38.6)	
Travel	1,518.2	1,477.3	1,520.5	423.9	395.5	322.2	335.7	477.6	456.0	310.7	276.2	
Insurance Services	(91.2)	(104.3)	114.1	(20.2)	(25.0)	(30.7)	(28.4)	(18.3)	(26.1)	(20.9)	179.4	
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	
Other Government	(60.9)	(57.3)	(29.4)	(22.5)	(17.3)	(4.5)	(13.0)	(5.0)	(7.7)	(12.7)	(4.0)	
Other Services	(346.9)	(344.9)	(454.6)	(70.1)	(80.4)	(101.2)	(93.2)	(111.2)	(121.0)	(99.4)	(123.0)	
<b>III. Income (Net)</b>	<b>(210.7)</b>	<b>(163.3)</b>	<b>(144.0)</b>	<b>(32.9)</b>	<b>(40.0)</b>	<b>(43.9)</b>	<b>(46.5)</b>	<b>(25.3)</b>	<b>(34.6)</b>	<b>(48.5)</b>	<b>(35.6)</b>	
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)	
2. Investment Income	(160.8)	(107.0)	(80.8)	(21.5)	(26.9)	(29.6)	(29.0)	(12.1)	(17.6)	(36.4)	(14.7)	
<b>IV. Current Transfers (Net)</b>	<b>42.3</b>	<b>48.6</b>	<b>45.3</b>	<b>13.0</b>	<b>18.2</b>	<b>7.4</b>	<b>10.0</b>	<b>8.9</b>	<b>14.6</b>	<b>7.7</b>	<b>14.1</b>	
1. General Government	49.0	53.9	48.2	13.5	19.7	9.4	11.3	11.7	15.5	8.7	12.3	
2. Private Sector	(6.7)	(5.3)	(2.9)	(0.5)	(1.5)	(2.0)	(1.3)	(2.8)	(0.9)	(1.0)	1.8	
<b>B. Capital and Financial Account (I+II)</b> (excl. Reserves)	<b>380.6</b>	<b>239.8</b>	<b>187.2</b>	<b>(42.4)</b>	<b>43.2</b>	<b>202.6</b>	<b>36.4</b>	<b>49.9</b>	<b>18.6</b>	<b>11.2</b>	<b>107.5</b>	
<b>I. Capital Account (Net Transfers)</b>	<b>(24.5)</b>	<b>(37.4)</b>	<b>(47.9)</b>	<b>(9.1)</b>	<b>(7.4)</b>	<b>(8.7)</b>	<b>(12.2)</b>	<b>(8.7)</b>	<b>(9.7)</b>	<b>(10.9)</b>	<b>(18.6)</b>	
<b>II. Financial Account (Net)</b>	<b>405.1</b>	<b>277.2</b>	<b>235.1</b>	<b>(33.3)</b>	<b>50.6</b>	<b>211.3</b>	<b>48.6</b>	<b>58.6</b>	<b>28.3</b>	<b>22.1</b>	<b>126.1</b>	
1. Direct Investment	152.8	146.7	191.6	19.3	41.9	55.5	30.0	39.0	64.0	26.5	62.1	
2. Other Investments	252.3	130.5	43.5	(52.6)	8.7	155.8	18.6	19.6	(35.7)	(4.4)	64.0	
Central Gov't Long Term Capital	(21.4)	196.0	(3.1)	(3.4)	1.2	199.1	(0.9)	(2.6)	2.0	(3.2)	0.7	
Other Public Sector Capital	(13.5)	(137.7)	(10.3)	(4.7)	(5.1)	(5.8)	(122.1)	(4.5)	(3.3)	(0.8)	(1.7)	
Banks	183.6	(102.4)	(64.2)	(76.1)	(58.8)	(87.1)	119.6	(0.9)	(40.0)	(19.3)	(4.0)	
Other	103.8	174.6	121.1	31.5	71.4	49.6	22.1	27.6	5.6	18.9	69.0	
<b>C. Net Errors and Omissions</b>	<b>19.3</b>	<b>287.9</b>	<b>342.2</b>	<b>120.7</b>	<b>68.2</b>	<b>16.6</b>	<b>82.4</b>	<b>89.6</b>	<b>123.3</b>	<b>157.4</b>	<b>(28.1)</b>	
<b>D. Overall Balance (A+B+C)</b>	<b>60.7</b>	<b>111.1</b>	<b>183.7</b>	<b>71.3</b>	<b>28.1</b>	<b>50.4</b>	<b>(38.7)</b>	<b>109.1</b>	<b>59.2</b>	<b>(43.3)</b>	<b>58.7</b>	
<b>E. Financing (Net)</b>	<b>(60.8)</b>	<b>(111.1)</b>	<b>(183.7)</b>	<b>(71.3)</b>	<b>(28.1)</b>	<b>(50.4)</b>	<b>38.7</b>	<b>(109.1)</b>	<b>(59.2)</b>	<b>43.3</b>	<b>(58.7)</b>	
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)	
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)	

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
<b>I. OIL TRADE</b>															
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
<b>II. OTHER MERCHANDISE</b>															
<b>Domestic Exports</b>															
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
<b>i) Total Domestic Exports</b>	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
<b>ii) Re-Exports</b>	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
<b>iii) Total Exports (i+ii)</b>	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
<b>iv) Imports</b>	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
<b>v) Retained Imports (iv-ii)</b>	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
<b>vi) Trade Balance (i-v)</b>	(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			
	2002p	2003p	2004p	2004p	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
<b>Visitor Arrivals</b>	<b>4,405,971</b>	<b>4,594,042</b>	<b>5,003,691</b>	<b>1,229,641</b>	<b>1,185,158</b>	<b>1,052,676</b>	<b>1,126,567</b>	<b>1,392,826</b>	<b>1,406,943</b>	<b>1,094,044</b>	<b>1,109,878</b>	
Air	1,402,894	1,428,973	1,450,037	381,709	396,446	335,622	315,196	411,990	435,422	318,012	284,613	
Sea	3,003,077	3,165,069	3,553,654	847,932	788,712	717,054	811,371	980,836	971,521	776,032	825,265	
<b>Visitor Type</b>												
Stopover	<b>1,513,151</b>	<b>1,510,169</b>	n.a	393,081	435,298	362,514	319,276	n.a	n.a	n.a	n.a	
Cruise	2,802,112	2,970,174	3,360,012	804,677	720,834	662,612	782,051	931,362	901,573	723,054	804,023	
Day/Transit	90,708	113,699	n.a	31,883	29,026	27,550	25,240	n.a	n.a	n.a	n.a	
<b>Tourist Expenditure(B\$ 000's)</b>	<b>1,762,661</b>	<b>1,758,911</b>	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	
Stopover	1,605,406	1,596,870	n.a	419,162	475,242	362,734	339,732	n.a	n.a	n.a	n.a	
Cruise	151,232	157,006	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	
Day	6,023	5,035	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	
<b>Number of Hotel Nights</b>	<b>3,443,373</b>	<b>3,554,856</b>	<b>3,275,781</b>	<b>864,518</b>	<b>900,045</b>	<b>889,775</b>	<b>900,518</b>	<b>956,645</b>	<b>876,711</b>	<b>770,916</b>	<b>671,509</b>	
<b>Average Length of Stay</b>	<b>5.8</b>	<b>5.9</b>	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	
<b>Average Hotel Occupancy Rates (%)</b>												
New Providence	67.9	66.4	68.9	71.2	69.8	64.5	60.1	68.8	76.1	69.1	61.7	
Grand Bahama	55.2	48.4	59.3	56.9	47.9	46.7	42.1	66.3	62.9	57.8	50.0	
Other Family Islands	34.8	34.8	37.1	34.5	46.1	32.5	25.9	38.6	44.5	34.8	30.4	
<b>Average Nightly Room Rates (\$)</b>												
New Providence	177.6	165.8	165.4	188.8	174.6	145.9	153.7	186.7	174.6	148.7	151.4	
Grand Bahama	80.6	83.5	92.6	96.4	84.3	77.5	75.9	94.3	87.3	82.4	106.3	
Other Family Islands	157.9	160.5	169.8	171.4	159.6	162.1	148.9	174.7	177.2	154.6	172.8	

Source: The Ministry of Tourism

## Survey Of Private Pension Plans In The Bahamas (2002 & 2003)

### Introduction

This article provides an update on private pension plans in The Bahamas, based on the latest survey by the Central Bank, which covered the years 2002 and 2003. Preliminary data indicate that the value of domestic savings in private plans increased steadily since 1992, from just over \$300 million to in excess of \$800 million in 2003. The strongest growth episodes were correlated with similar periods in the economy, supporting steady improvements in labour force participation and coverage. What is evident from these results is that labour force participation in private schemes is most concentrated in sectors related to tourism, financial services, and communication and utilities (mainly public corporations). Savings have traditionally been invested in public sector securities and bank deposits, with a growing component earmarked for private capital markets instruments. On its present trend, the value of private pension assets could

surpass \$1 billion by 2006, with further medium term growth fuelled by the positive outlook for employment and incomes.

At end-2003, the estimated value of pension assets was equivalent to approximately 16.0% of GDP, which was slightly higher than the 15.6% estimated from the 2001 survey. Comparatively, this pool of domestic retirement savings ranked second in importance to the invested assets of the National Insurance Board (NIB), which approached \$1,152.8 million (22.2% of GDP) in 2003, and exceeded the invested assets of domestic life and health insurance companies, estimated close to \$570.0 million (11.0% of GDP) in 2003. Although less evenly distributed, the largest share of private individuals' savings is still held in bank deposits, equivalent to \$2,100.3 million (40.5% of GDP) in 2003. Credit unions also facilitate personal savings, estimated at \$150.1 million (2.9% of GDP) at end-2003.

**Table 1: Selected Indicators of Domestic Savings**

	1998	2001	2002	2003	1998	2001	2002	2003	Avg. Growth
	(B\$ Million)				(% of GDP)				01-03 (%)
Private Pension Funds	628.6	766.8	782.6	832.5	15.0%	15.6%	15.5%	16.0%	4.2%
National Ins. Board (Cash and Investments) <sup>1</sup>	746.2	991.5	1,069.3	1,152.8	17.8%	20.2%	21.1%	22.2%	7.8%
Life & Health Ins. Cos.(Current Assets and Inv) <sup>2</sup>	365.5	530.414	549.0	568.3	8.7%	10.8%	10.9%	11.0%	3.5%
Private Individuals (Bank deposits) <sup>3</sup>	1,510.8	2,009.0	2,059.7	2,100.3	36.1%	40.9%	40.7%	40.5%	2.2%
Credit Unions (Deposit and Shares) <sup>4</sup>	87.2	120.4	132.5	150.1	2.1%	2.4%	2.6%	2.9%	11.7%

### Sources:

<sup>1</sup>The National Insurance Board, Annual Statement of Accounts, <sup>2</sup>The Registrar of Insurance Companies (except 1998 and 2003, which are Central Bank estimates), <sup>3</sup>The Central Bank of The Bahamas and <sup>4</sup>The Department of Cooperative Development

---

Outside of the civil service, private pension plans are expected to provide the main supplementary retirement income alongside National Insurance for most persons in the labour force. As such, the related benefits are also correlated with rising incomes since, comparatively, the NIB's coverage is capped to an annual wage of \$21,000. Although civil servants are eligible for an NIB benefit that is 10% less than private sector beneficiaries for the equivalent wage base, they also receive supplementary retirement benefits through the Central Government's pension arrangement. Hence, it is only the workforce which falls outside of these two groups that is most likely to be entirely dependent on NIB for retirement support.

Participants' entitlement to average financial savings in pension plans is less skewed than for savings represented in most, if not all, other private sources. For the insurance companies, not much detail is available on the average coverage or participation in life policies and annuities that fund the bulk of the sectors invested assets. However, in the case of private individuals' deposits in banks, about three-quarters of such savings are held in less than 5.0% of the accounts, while more than four-fifth of accounts represent less than 10.0% of the total value.

In analyzing the results of the latest pension survey, this article focuses on the developments in the industry since 2001, with an emphasis on sector groupings. A brief overview of the survey and methodology is provided, followed by a discussion of the profile of private schemes, and various plan features. The article then highlights the latest trends in investment patterns among pension plans and concludes with a discussion on the outlook and regulatory issues facing the industry.

### *Profile of Private Schemes and Survey Methods*

The 2002-2003 survey was sent to 300 existing and potential plan sponsors, including all banks and trust companies. From these, 236 responses were received, including 137 from mostly offshore banks and trust companies, which either did not sponsor a local plan or enrolled their employees in globally sponsored schemes

for which a separate apportionment of local employee's entitlement was not possible. As such, these plans are not analyzed in the results that follow.

The remaining 99 respondents were a subset of the 157 sponsors either providing data in previous surveys or for the first time. New data reported by these plans accounted for 81.1% of the estimated assets for 2003. From these returns, average sector growth rates were calculated and used to estimate the remaining 17.1% of plan assets for 2002 and 18.9% of the assets for 2003.

Surveyed funds fell into the categories of defined benefit, defined contribution and provident funds. Defined benefit plans provide a specified or guaranteed level of retirement benefit over the life of retirees, linked to the pre-retirement income history of the participants. To meet this obligation, these plans are required to maintain an actuarial balance between the present value of expected future benefits payable (liabilities) and the present value of assets, determined from accumulated savings and expected future contributions and returns. While fully-funded plans are those that maintain this actuarial balance, under-funded schemes are ones in which actuarial liabilities exceed the present value of assets, and over-funded schemes, one where such assets exceed liabilities. Higher, commonly unpredictable maintenance costs are associated with defined benefits plans since, to ensure retirement benefits, employers have to adjust periodic contributions, as less or more favourable demographic trends and return expectations dictate.

In comparison, defined contribution and provident plans have more predictable cost structures, but impose significant uncertainty on the expected future benefits, which are determined on the basis of the accumulated savings and returns during working years of the participant, based on contribution rates set in advance. The only difference between provident funds and defined contribution schemes is that the former disburse participants' benefits as single lump sum payments upon retirement, while the latter converts at least some of this entitlement into annuities, payable in installments. Since lump-sum benefits from provident schemes can also be invested and paid out as annuities, this distinction be-



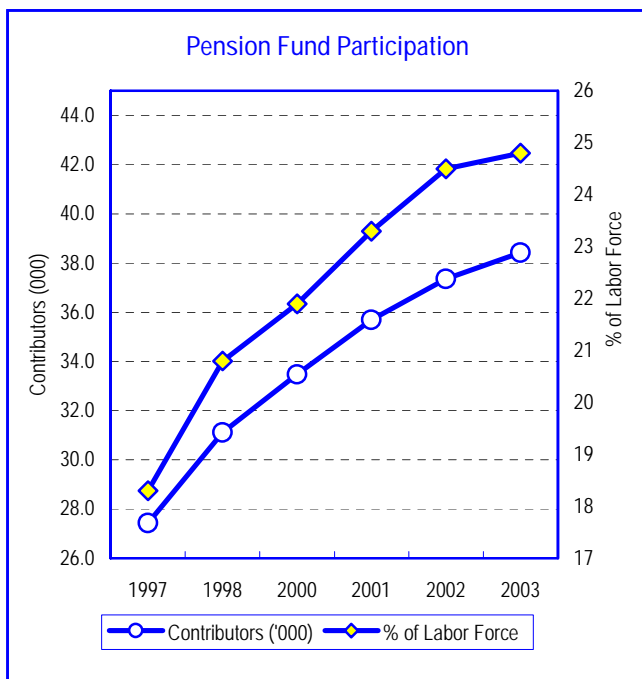
**Table 2  
Private Pension Investments By Industry**

	1998	2000	2001	2002P	2003P
<b>INDUSTRY</b>	<b>(B\$ '000)</b>				
Construction	505	742	939	926	1,101
Communications & Utilities	241,663	239,874	250,780	256,741	270,986
Education	7,613	9,084	9,883	10,630	11,728
Financial Sector	152,206	186,332	195,578	191,192	198,679
Health	656	1,126	1,225	1,093	1,042
Hotel & Restaurants	129,568	154,325	164,621	170,980	185,126
Manufacturing	20,537	40,839	39,280	32,690	35,846
Non - Profit Organizations	304	805	832	833	1,044
Oil Companies	15,048	15,250	15,250	15,808	16,689
Other Services	18,492	25,988	27,864	31,177	35,652
Private Distributions	14,483	17,040	18,569	23,891	26,715
Professional Services	5,706	8,920	9,116	10,900	11,694
Real Estate	4,581	6,584	5,831	4,885	5,173
Transportation	17,207	23,832	27,033	30,885	31,006
<b>TOTAL</b>	<b>628,569</b>	<b>730,741</b>	<b>766,801</b>	<b>782,631</b>	<b>832,481</b>
<b>INDUSTRY</b>	<b>(% Distribution)</b>				
Construction	0.08	0.10	0.12	0.12	0.13
Communications & Utilities	38.45	32.83	32.70	32.80	32.55
Education	1.21	1.24	1.29	1.36	1.41
Financial Sector	24.21	25.50	25.51	24.43	23.87
Health	0.10	0.15	0.16	0.14	0.13
Hotel & Restaurants	20.61	21.12	21.47	21.85	22.24
Manufacturing	3.27	5.59	5.12	4.18	4.31
Non - Profit Organizations	0.05	0.11	0.11	0.11	0.13
Oil Companies	2.39	2.09	1.99	2.02	2.00
Other Services	2.94	3.56	3.63	3.98	4.28
Private Distributions	2.30	2.33	2.42	3.05	3.21
Professional Services	0.91	1.22	1.19	1.39	1.40
Real Estate	0.73	0.90	0.76	0.62	0.62
Transportation	2.74	3.26	3.53	3.95	3.72
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

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

tween the two types of plans is ignored, and both are grouped together in the analysis that follows.

According to the survey results, defined contribution (provident) plans remain the more commonly sponsored scheme in The Bahamas, accounting for 112 of the surveyed plans with analyzed returns, compared to 45 defined benefit plans. Most of these, however, are more recently established schemes among smaller businesses and correspondingly, only enlist 12.4% of all covered participants. As evidence of this increasing preference, approximately 24.1% of the plans established before 1981 were contribution-based schemes, rising to 82.0% of plans established since 1981.



New data obtained on defined benefit plans showed that, of the 24 plans that provided information on funding for 2003, 6 were over-funded by an aggregate \$13.2 million. Of the remainder, 5 were under-funded by a total of \$12.3 million and 13 were fully funded.

Private arrangements surveyed were mostly administered through insurance companies (40.6%) and by banks and specialized private pension managers (26.5%). A significant fraction of plans also fell under self-management (32.9%), and were generally sponsored

by financial institutions or accounting firms which possessed in-house investment management capabilities.

Of the schemes surveyed, approximately half required mandatory employee participation. Based on the type of plan, defined benefit schemes had a higher rate of compulsion (63.6%), as compared to defined contribution and provident funds (43.2%). Approximately 25% of the smaller companies, having a profile of less than 100 employees and with predominantly defined contribution schemes, made it mandatory for their employees to participate, as compared to nearly 60.0% of the other 43 sponsors, having more than 100 employees.

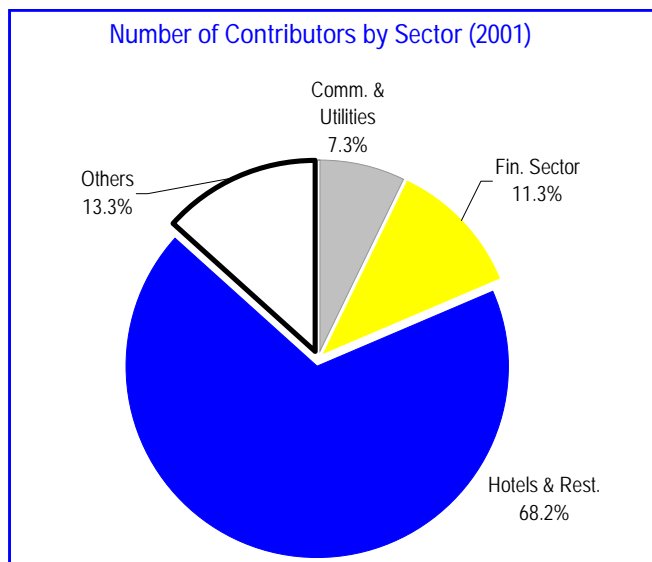
Assets accumulated in the various plans were closely linked to length of period for which schemes existed, with large plan sponsors more likely to have schemes of longer existence. Some 50 of the schemes surveyed were established during the 1980s, amassing 36.4% of the reported industry assets. Only 7 funds were established before the 1970s, including the two largest plans sponsored by public corporations, and accounted for 30.0% of total assets. Of the remaining companies, 17 schemes were established during the 1970s, amassing 14.5% of the industry's assets; 62 during the 1990s, with 12.4% of assets and 21 within the recent 13 years, with less than 1.0% of total assets.

### Labour Force Participation

Labour force participation in private pension schemes, which reached 23.3% of the employed workforce in 2001 increased to 24.5% in 2002 and 24.8% in 2003. Since the 2001 survey, the number of participants covered increased by 4.6% to 37,352 in 2002 and further by 2.9% to 38,422 in 2003. Just over two-thirds of the participants were employed in the hotel and restaurant sector, where, 2,274 participants were added since 2001. Financial sector schemes accounted for 11.3% of local participants, followed by the communications and utilities schemes (7.3%) and private distribution companies (2.8%). On average, each of the other sectors accounted for less than 2.0% of the industry's total participants.

## Contributions Ratios

Weighted by total assets, the average contribution paid into pension plans decreased as a fraction of employee salaries, to 11.9% in 2003 from 12.0% in 2002, while remaining above the 9.8% contribution rate for 2000 and 2001. The trend was mainly affected by higher employer payments into defined benefit plans, which averaged 11.7% of salaries in 2003, almost unchanged from 2002, but notably higher than the 9.2% for 2001. For defined contribution schemes, the 12.9% average contribution rate for 2003 was less markedly changed from within the 12.0% range for 2000 and 2001, but slightly eased from 13.3% in 2002, when more sponsors would have had to offset negative returns from domestic equity investments.



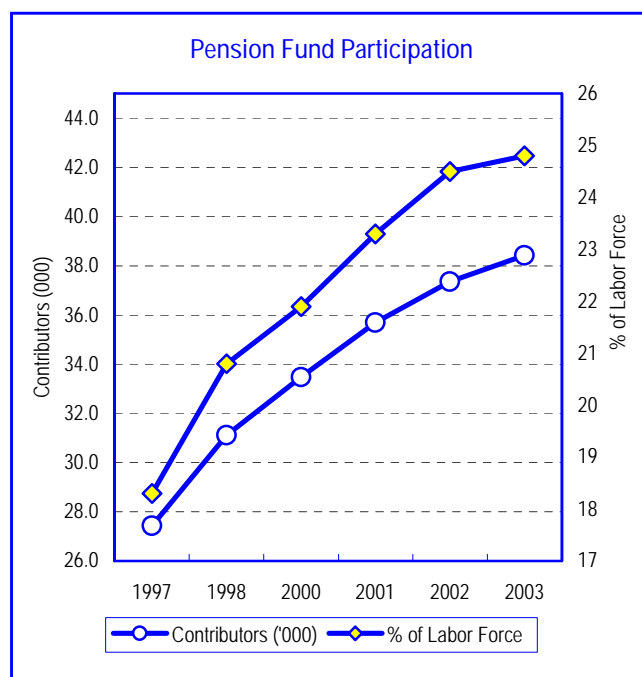
Employers generally funded the largest fraction of plan contributions, equivalent to 10.3% of salary in 2003, compared to 7.9% in 2001. The difference was more sizeable for sponsors of defined benefit schemes where, because of additional payments needed to offset lower returns, the average employer contribution rate rose to 11.0% during 2002 and 2003, compared to 8.2% in 2001. For defined contribution schemes, the employer payments averaged 7.1% of salaries in 2003, only slightly increased from 2000 and 2001.

As for the portion of contributions made by employees, these averaged some 5.8% of salary, for defined

contribution and provident schemes, but remained close to 1.0% for defined benefit schemes, where non-contributory schemes were more commonly featured. Despite this variance on a consolidated basis, in instances where plans were contributory, the most common rate for employees was 5.0% of salary. Some schemes also had a voluntary component that allowed participants to contribute more than the minimum.

## Pension and Benefits Payout

Since the 2001 survey, the number of pensioners increased by 2.7% to 2,928, with most of the retirees added in the hotel sector. Over this period, annual pension payments rose from \$12.5 million to \$13.5 million. However, the dependency ratio, as measured by the average number of pensioners to active plan participants softened to 1:13 in 2003, as compared to almost 1:12 in 2001. As to the net financial burden of supporting pensioners, the ratio of pension payments to the estimated \$69.8 million in contributions for 2003 was 19.3%, close to the 21.0% for 1998, but much less than the elevated ratio between 27.0% and 30.0% in 2000 and 2001, when downsizing and early retirements increased the required outlays for the public sector telecommunications company.



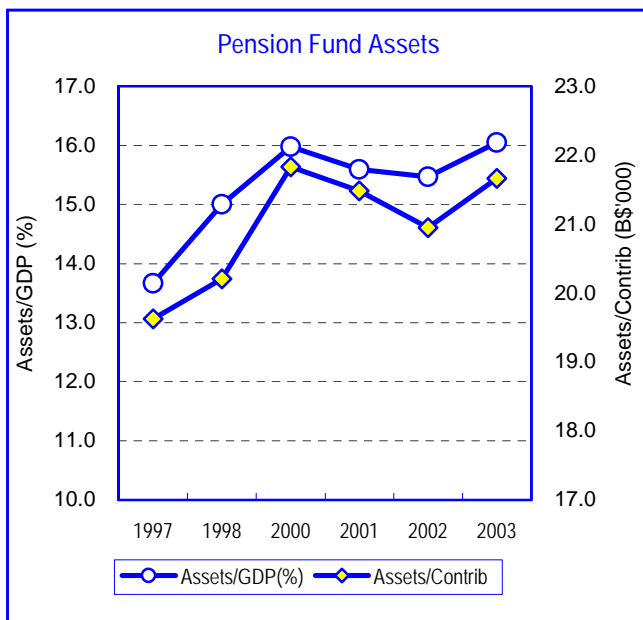
**Table 3**  
**Private Pension Investments**

	<b>Total</b>				
	1998	2000	2001	2002	2003
	<b>(B\$'000)</b>				
Total Fund	628,571	719,480	766,798	782,631	832,480
of which:					
BGRS	188,232	239,537	253,791	281,382	305,551
Bank Deposits	203,123	197,608	220,486	203,577	205,572
Real Estate	4,716	7,332	7,060	12,675	12,788
Employer's Business	3,698	7,216	7,146	6,674	7,077
Mortgages	77,375	43,795	38,207	35,370	32,021
Bonds	1,749	644	663	3,253	3,105
Equities	76,132	120,502	129,545	132,457	142,082
Mutual Funds	9,885	25,899	36,701	29,702	32,095
Loans	9,562	9,359	9,236	10,124	11,510
Contributor Arrears	9,005	3,480	5,103	5,290	10,368
Dividends	7,723	9,345	10,332	10,714	10,225
Other Investment	37,371	54,763	48,528	51,412	60,086
	1998	2000	2001	2002	2003
	<b>(% Distribution)</b>				
Total Fund	100	100	100	100	100
of which:					
BGRS	29.95	33.29	33.10	35.95	36.70
Bank Deposits	32.32	27.47	28.75	26.01	24.69
Real Estate	0.75	1.02	0.92	1.62	1.54
Employer's Business	0.59	1.00	0.93	0.85	0.85
Mortgages	12.31	6.09	4.98	4.52	3.85
Bonds	0.28	0.09	0.09	0.42	0.37
Equities	12.11	16.75	16.89	16.92	17.07
Mutual Funds	1.57	3.60	4.79	3.80	3.86
Loans	1.52	1.30	1.20	1.29	1.38
Contributor Arrears	1.43	0.48	0.67	0.68	1.25
Dividends	1.23	1.30	1.35	1.37	1.23
Other Investment	5.95	7.61	6.33	6.57	7.22
Memorandum Items:					
* Weighted Avg. Rate of Return	8.1	9.19	4.01	4.00	5.86
* Weighted Avg. Contrib. Rate	10.09	9.77	9.78	12.02	11.93

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

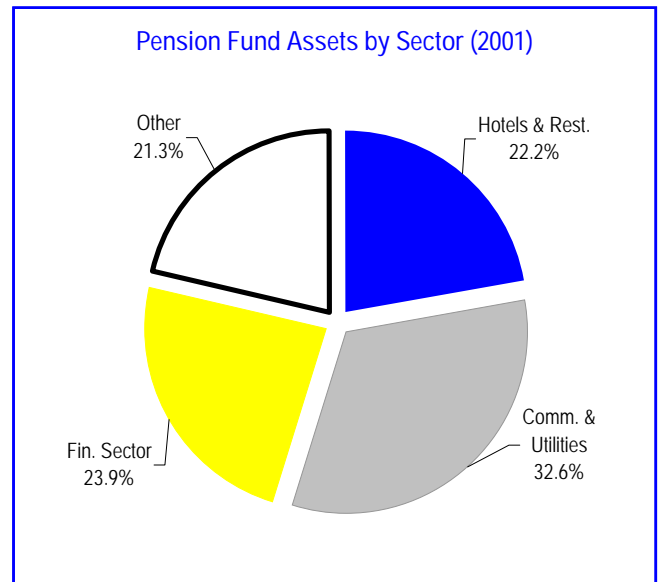
### Asset Size and Distribution

During 2001-2003, average annual growth in private total pension assets slowed to 4.2%, from an average annual 10.5% during 1998-2001. This placed estimated assets at \$832.5 million, from a revised \$766.8 million in 2001. Yearly trends however, indicate that by 2003, some pickup in growth was evident at 6.4%, compared to the low point of 2.1% in 2002. The average annual rate of return on investments which, along with increased numbers of contributors, influenced asset accumulation, registered a rebound to 5.86% in 2003, following more depressed levels near 4.00% in both 2001 and 2002. With returns continuing to outpace the increase in contributors and the average contribution rates also elevated, average savings per active participant rose further to \$21,667 during 2003, from \$21,483 in 2001.



An analysis of the concentration of pension assets by sector of employment, indicate that plans of communications and utilities companies amassed the largest share of assets, at \$271.0 million (32.6% of the total), a result of both the size of these companies and the longer period for which plans were in existence (Table 2). Financial sector sponsored plans held 23.9% of the total assets; hotel and restaurant sector plans, 22.2% and other private sponsors, a combined 21.3%.

The investment distribution of plan assets for 1998-2003 is shown in Table 3. Since the mid-1990s, the schemes have become more heavily invested in equities and mutual funds, which together accounted for an almost stable 21.3% of investments. However, the dominant share of investments continues to reside in public sector securities—mainly Government bonds—which gradually increased in importance since 1998, to 36.7% of the 2003 assets. Conversely, bank deposits, the second most important asset group, steadily decreased in share to 24.7% of investments in 2003. The remaining assets were spread among other investments, including real estate, loans and mortgages to participants, accrued dividends and contribution arrears and were equivalent to a marginally increased 17.3% of the total.



On a geographic basis, reported plan assets invested outside of The Bahamas totaled \$125.7 million (or 15.1% of the industry total), increasing at an average annual pace of 2.2% since 2001 (Table 3B). These belonged for the most part to financial sector sponsored plans, with approximately half of such portfolios composed of private capital instruments and one quarter, of foreign government securities. The next significant category was "other" uncategorized assets (17.1%) which increased in relative share since 2001.

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

	(B\$'000)												
	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributor Arrears	Dividends	Investments	Other Total Assets
<b>2001P</b>													
Communications & Utilities	82,160	88,425	71	0	25,527	0	25,745	0	0	4,348	7,618	16,885	250,779
Construction Companies	308	150	10	0	186	0	274	0	0	0	12	-2	939
Education	372	318	3	0	1,027	0	542	560	0	0	48	7,012	9,883
Financial Sector	62,251	61,138	1,230	6,060	3,447	623	16,902	25,622	618	292	1,561	15,834	195,577
Health	425	63	0	0	0	0	647	90	0	0	0	0	1,225
Hotels & Restaurants	65,531	34,295	0	0	0	0	53,512	5,364	0	0	0	5,919	164,621
Manufacturing Companies	13,439	4,506	321	0	883	0	15,102	4,797	0	0	231	0	39,280
Non-Profit	720	9	0	0	0	0	103	0	0	0	0	0	832
Oil Companies	2,364	7,065	16	0	317	0	1,578	0	2,270	0	4	1,636	15,250
Other Services	15,077	5,476	106	0	1,942	0	4,919	0	124	34	113	73	27,863
Private Distribution	4,059	6,950	146	1,087	4,164	0	975	247	61	0	382	498	18,569
Professional Services	2,378	3,609	718	0	66	40	1,600	0	175	0	54	477	9,116
Real Estate	264	1,501	1,858	0	146	0	1,845	0	0	0	31	186	5,831
Transportation	4,443	6,981	2,581	0	501	0	5,800	20	5,988	430	277	12	27,032
<b>Total</b>	<b>253,791</b>	<b>220,486</b>	<b>7,060</b>	<b>7,146</b>	<b>38,207</b>	<b>663</b>	<b>129,545</b>	<b>36,701</b>	<b>9,236</b>	<b>5,103</b>	<b>10,332</b>	<b>48,528</b>	<b>766,798</b>
<b>2002P</b>													
Communications & Utilities	87,292	94,244	0	0	21,164	0	25,912	1,272	0	4,073	6,906	15,878	256,740
Construction Companies	320	109	15	0	165	0	308	0	0	0	11	-2	927
Education	439	324	11	0	1,103	20	551	598	0	32	53	7,498	10,631
Financial Sector	63,601	50,694	1,213	5,380	4,201	3,193	17,844	23,740	586	378	1,552	18,809	191,191
Health	413	7	0	0	0	0	418	13	0	0	6	236	1,093
Hotels & Restaurants	81,059	22,991	5,960	0	0	0	56,932	0	0	0	936	3,102	170,980
Manufacturing Companies	9,404	2,972	100	0	589	0	12,787	3,937	0	0	254	2,648	32,690
Non-Profit	710	0	0	0	0	0	103	0	0	0	11	9	833
Oil Companies	4,098	5,513	17	0	335	0	1,666	40	2,396	0	15	1,727	15,807
Other Services	18,274	5,144	118	0	2,173	0	4,956	0	139	34	125	215	31,178
Private Distribution	5,595	8,850	228	1,272	5,120	0	1,575	101	0	0	498	650	23,890
Professional Services	3,540	4,760	11	0	62	40	1,387	0	131	410	59	502	10,901
Real Estate	192	1,736	1,351	0	106	0	1,342	0	0	0	23	135	4,885
Transportation	6,445	6,233	3,650	21	353	0	6,676	0	6,872	363	266	5	30,884
<b>Total</b>	<b>281,382</b>	<b>203,577</b>	<b>12,675</b>	<b>6,674</b>	<b>35,370</b>	<b>3,253</b>	<b>132,457</b>	<b>29,702</b>	<b>10,124</b>	<b>5,290</b>	<b>10,714</b>	<b>51,412</b>	<b>782,631</b>
<b>2003P</b>													
Communications & Utilities	103,264	92,762	0	0	16,291	0	25,606	1,152	0	9,146	6,225	16,540	270,986
Construction Companies	370	136	17	0	195	0	372	0	0	0	12	-2	1,100
Education	502	354	11	0	1,213	20	547	693	0	35	57	8,296	11,728
Financial Sector	67,958	48,627	1,279	5,373	4,517	3,045	19,488	25,698	619	346	1,664	20,065	198,679
Health	413	4	0	0	0	0	363	81	0	0	6	175	1,042
Hotels & Restaurants	80,633	27,307	5,900	0	0	0	62,086	0	0	0	1,046	8,154	185,126
Manufacturing Companies	10,304	3,154	105	0	653	0	14,009	4,317	0	0	260	3,043	35,846
Non-Profit	710	201	0	0	0	0	98	0	0	0	11	25	1,044
Oil Companies	4,357	5,724	17	0	354	0	1,809	40	2,530	0	34	1,823	16,689
Other Services	19,694	7,416	135	0	2,485	0	5,043	0	159	19	152	548	35,651
Private Distribution	6,540	7,616	256	1,634	5,914	0	3,386	114	0	0	513	743	26,717
Professional Services	3,922	5,231	12	0	73	40	1,361	0	211	288	31	524	11,693
Real Estate	203	1,834	1,431	0	112	0	1,421	0	0	0	24	147	5,172
Transportation	6,680	5,205	3,624	70	213	0	6,492	0	7,991	535	190	5	31,006
<b>Total</b>	<b>305,551</b>	<b>205,572</b>	<b>12,788</b>	<b>7,077</b>	<b>32,021</b>	<b>3,105</b>	<b>142,082</b>	<b>32,095</b>	<b>11,510</b>	<b>10,368</b>	<b>10,225</b>	<b>60,086</b>	<b>832,480</b>

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

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

	(B\$'000)													
	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributor Arrears	Dividends	Investments	Other	Total Assets
	<b>2001</b>													
Communications & Utilities	32.76	35.26	0.03	-	10.18	-	10.27	-	-	1.73	3.04	6.73	6.73	100.00
Construction Companies	32.84	16.00	1.09	-	19.86	-	29.19	-	-	-	1.23	(0.21)	(0.21)	100.00
Education	3.76	3.22	0.03	-	10.39	-	5.49	5.66	-	-	0.49	70.96	70.96	100.00
Financial Sector	31.83	31.26	0.63	3.10	1.76	0.32	8.64	13.10	0.32	0.15	0.80	8.10	8.10	100.00
Health	34.69	5.14	-	-	-	-	52.82	7.35	-	-	-	-	-	100.00
Hotels & Restaurants	39.81	20.83	-	-	-	-	32.51	3.26	-	-	-	3.60	3.60	100.00
Manufacturing Companies	34.21	11.47	0.82	-	2.25	-	38.45	12.21	-	-	0.59	-	-	100.00
Non-Profit	86.54	1.06	-	-	-	-	12.40	-	-	-	-	-	-	100.00
Oil Companies	15.50	46.33	0.10	-	2.08	-	10.35	-	14.88	-	0.02	10.73	10.73	100.00
Other Services	54.11	19.65	0.38	-	6.97	-	17.65	-	0.45	0.12	0.41	0.26	0.26	100.00
Private Distribution	21.86	37.43	0.79	5.85	22.42	-	5.25	1.33	0.33	-	2.06	2.68	2.68	100.00
Professional Services	26.08	39.59	7.87	-	0.72	0.44	17.55	-	1.92	-	0.59	5.23	5.23	100.00
Real Estate	4.53	25.75	31.86	-	2.50	-	31.64	-	-	-	0.54	3.19	3.19	100.00
Transportation	16.43	25.82	9.55	-	1.85	-	21.46	0.07	22.15	1.59	1.03	0.04	0.04	100.00
<b>Total</b>	33.10	28.75	0.92	0.93	4.98	0.09	16.89	4.79	1.20	0.67	1.35	6.33	6.33	100.00
	<b>2002</b>													
Communications & Utilities	34.00	36.71	-	-	8.24	-	10.09	0.50	-	1.59	2.69	6.18	6.18	100.00
Construction Companies	34.52	11.77	1.63	-	17.83	-	33.26	-	-	-	1.22	(0.22)	(0.22)	100.00
Education	4.13	3.05	0.11	-	10.37	0.19	5.18	5.63	-	0.31	0.50	70.53	70.53	100.00
Financial Sector	33.27	26.51	0.63	2.81	2.20	1.67	9.33	12.42	0.31	0.20	0.81	9.84	9.84	100.00
Health	37.79	0.64	-	-	-	-	38.24	1.19	-	-	0.55	21.59	21.59	100.00
Hotels & Restaurants	47.41	13.45	3.49	-	-	-	33.30	-	-	-	0.55	1.81	1.81	100.00
Manufacturing Companies	28.77	9.09	0.31	-	1.80	-	39.12	12.04	-	-	0.78	8.10	8.10	100.00
Non-Profit	85.22	-	-	-	-	-	12.38	-	-	-	1.33	1.06	1.06	100.00
Oil Companies	25.92	34.88	0.10	-	2.12	-	10.54	0.25	15.16	-	0.09	10.93	10.93	100.00
Other Services	58.61	16.50	0.38	-	6.97	-	15.90	-	0.45	0.11	0.40	0.69	0.69	100.00
Private Distribution	23.42	37.05	0.96	5.33	21.43	-	6.59	0.42	-	-	2.09	2.72	2.72	100.00
Professional Services	32.47	43.66	0.10	-	0.57	0.37	12.73	-	1.20	3.76	0.54	4.61	4.61	100.00
Real Estate	3.93	35.54	27.66	-	2.17	-	27.47	-	-	-	0.47	2.77	2.77	100.00
Transportation	20.87	20.18	11.82	0.07	1.14	-	21.62	-	22.25	1.18	0.86	0.01	0.01	100.00
<b>Total</b>	35.95	26.01	1.62	0.85	4.52	0.42	16.92	3.80	1.29	0.68	1.37	6.57	6.57	100.00
	<b>2003</b>													
Communications & Utilities	38.11	34.23	-	-	6.01	-	9.45	0.43	-	3.38	2.30	6.10	6.10	100.00
Construction Companies	33.64	12.36	1.56	-	17.76	-	33.83	-	-	-	1.07	(0.22)	(0.22)	100.00
Education	4.28	3.02	0.10	-	10.34	0.17	4.66	5.91	-	0.29	0.48	70.74	70.74	100.00
Financial Sector	34.21	24.48	0.64	2.70	2.27	1.53	9.81	12.93	0.31	0.17	0.84	10.10	10.10	100.00
Health	39.64	0.38	-	-	-	-	34.84	7.77	-	-	0.58	16.79	16.79	100.00
Hotels & Restaurants	43.56	14.75	3.19	-	-	-	33.54	-	-	-	0.57	4.40	4.40	100.00
Manufacturing Companies	28.75	8.80	0.29	-	1.82	-	39.08	12.04	-	-	0.73	8.49	8.49	100.00
Non-Profit	67.99	19.23	-	-	-	-	9.35	-	-	-	1.06	2.37	2.37	100.00
Oil Companies	26.11	34.30	0.10	-	2.12	-	10.84	0.24	15.16	-	0.21	10.93	10.93	100.00
Other Services	55.24	20.80	0.38	-	6.97	-	14.15	-	0.45	0.05	0.43	1.54	1.54	100.00
Private Distribution	24.48	28.51	0.96	6.12	22.13	-	12.68	0.43	-	-	1.92	2.78	2.78	100.00
Professional Services	33.54	44.73	0.10	-	0.62	0.34	11.64	-	1.80	2.46	0.27	4.48	4.48	100.00
Real Estate	3.93	35.46	27.66	-	2.17	-	27.47	-	-	-	0.47	2.85	2.85	100.00
Transportation	21.55	16.79	11.69	0.22	0.69	-	20.94	-	25.77	1.73	0.61	0.01	0.01	100.00
<b>Total</b>	36.70	24.69	1.54	0.85	3.85	0.37	17.07	3.86	1.38	1.25	1.23	7.22	7.22	100.00

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

Significant differences continued to exist in the investment strategies employed among various sectoral sponsors (Tables 4A & 4B). Relative to 2001, the communications and public utilities plans remained heavily invested, and to a greater extent, in public sector securities (38.1%), with a slightly reduced, but second most important share in deposits (34.2%) and a smaller but still significant fraction in private capital instruments (9.9%). The most important concentrations for financial sector plans was the increased investment share in public sector securities (34.2%), with a lessened fraction in deposits (24.5%), and a slightly greater portion in private capital instruments (24.3%). For hotels and restaurants, the largest proportion of assets was held in public sector securities, decreased in share to 43.6%, followed by a stable share for private capital instruments (33.5%), and a slightly higher allocation for deposits (14.8%). On a combined basis, remaining private sector schemes held a slightly expanded asset share in public sector securities (30.2%), and slightly lesser proportions in private capital instruments (22.6%) and bank deposits (20.8%).

#### *Defined Benefits vs. Defined Contributions*

Based on the type of plan, the majority of domestic pension savings were accumulated in defined benefit schemes (82.4%) which covered 87.6% of participants (Table 5). During 2001-2003, defined benefit schemes registered average annual growth in contributors of 4.0% and experienced average annual returns on investment just above 6.0%, exceeding comparative results for defined contribution plans, with a 1.8% average yearly increase in contributors and slightly less than 5.0% average annual return on investments. Nevertheless, the latter's relatively higher contribution rates against salaries supported faster average growth in total assets of 9.0% during 2001-2003 compared to 3.3% for defined benefit schemes.

At end-2003, defined benefit schemes accounted for estimated assets of \$685.7 million, compared to \$146.8 million for defined contribution schemes. However, the average savings per participants in defined benefit schemes was slightly less than in 2001, at \$20,381, weighed lower by new participants added in the hotels and restaurant sector. Since 2001, corresponding

average savings for defined contribution plans rose by 14.6% to \$30,724.

Although the portfolio shares invested in various asset groups differed between the two plan types, the proportion in public sector securities was generally increased since 2001, with correspondingly softened emphasis on bank deposits and private capital instruments. Defined benefit plans showed the strongest preference for public sector securities, accounting for 40.5% of the asset allocations, followed by bank deposits (23.5%), private capital instruments (21.7%) and with the combination of other assets (4.3%), inclusive of loans to participants, real estate holdings and investments in employers' business. For defined contribution and provident plans, bank deposits were the largest asset class (30.3%), followed by private capital instruments (19.7%), public sector securities (18.9%) and other combined investments (31.1%).

#### *Conclusions*

As the latest survey results reveal, labour force participation and accumulated savings in private pension plans continue to increase in The Bahamas. On their present path, assets could surpass \$1 billion by the end of 2006, with growth strengthening in the medium term, because of the healthy outlook for the economy. While the strongest growth in labour force coverage is expected to remain in the tourism sector, plan sponsorship among small and medium sized businesses is also expected to increase, retaining a stronger preference for defined contribution schemes.

The intensified focus on the long term sustainability of the National Insurance Scheme that led to the Government's establishment of the Social Security Reform Commission, has heightened awareness of the importance of supplementary retirement savings and in a positive manner, focused more attention on the importance of establishing a regulatory framework for private pensions. One area that regulation would be expected to address is the prudential guidelines that govern the investment of assets. To the extent that domestic plans are formed and managed along fiduciary lines, investment policy guidelines already exists for most, if not all schemes, modeled along established international stan-



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

	Defined Benefit					Defined Contribution				
	1998	2000	2001P	2002P	2003P	1998	2000P	2001P	2002P	2003P
	(B\$'000)					(B\$'000)				
Total Fund	547,003	616,338	643,189	641,027	685,713	81,568	103,142	123,609	141,603	146,767
of which:										
BGRS	178,610	226,849	237,893	255,944	277,860	9,622	12,688	15,898	25,439	27,691
Bank Deposits	173,842	167,348	174,020	156,415	161,053	29,281	30,260	46,466	47,163	44,519
Real Estate	1,357	436	602	6,322	6,301	3,359	6,896	6,458	6,353	6,487
Employer's Business	2,500	6,168	6,058	5,379	5,371	1,198	1,048	1,088	1,295	1,706
Mortgages	70,387	40,123	34,647	29,850	26,006	6,988	3,673	3,559	5,520	6,015
Bonds	1,729	40	40	876	844	19	604	623	2,377	2,261
Equities	66,074	105,535	115,199	113,676	121,693	10,058	14,966	14,346	18,781	20,389
Mutual Funds	6,558	16,199	26,863	23,269	25,902	3,327	9,700	9,838	6,433	6,194
Loans	2,401	2,270	2,270	2,396	2,530	7,161	7,089	6,967	7,727	8,980
Contributor Arrears	8,126	3,183	4,418	4,241	9,253	879	297	685	1,049	1,115
Dividends	7,257	8,327	9,106	9,352	8,917	466	1,018	1,226	1,361	1,308
Other Investment	28,163	39,861	32,073	33,308	39,982	9,208	14,903	16,455	18,105	20,104
	(% Distribution)					(% Distribution)				
Total Fund	100	100	100	100	100	100	100	100	100	100
of which:										
BGRS	32.65	36.81	36.99	39.93	40.52	11.80	12.30	12.86	17.96	18.87
Bank Deposits	31.78	27.15	27.06	24.40	23.49	35.90	29.34	37.59	33.31	30.33
Real Estate	0.25	0.07	0.09	0.99	0.92	4.12	6.69	5.22	4.49	4.42
Employer's Business	0.46	1.00	0.94	0.84	0.78	1.47	1.02	0.88	0.91	1.16
Mortgages	12.87	6.51	5.39	4.66	3.79	8.57	3.56	2.88	3.90	4.10
Bonds	0.32	0.01	0.01	0.14	0.12	0.02	0.59	0.50	1.68	1.54
Equities	12.08	17.12	17.91	17.73	17.75	12.33	14.51	11.61	13.26	13.89
Mutual Funds	1.20	2.63	4.18	3.63	3.78	4.08	9.40	7.96	4.54	4.22
Loans	0.44	0.37	0.35	0.37	0.37	8.78	6.87	5.64	5.46	6.12
Contributor Arrears	1.49	0.52	0.69	0.66	1.35	1.08	0.29	0.55	0.74	0.76
Dividends	1.33	1.35	1.42	1.46	1.30	0.57	0.99	0.99	0.96	0.89
Other Investment	5.15	6.47	4.99	5.20	5.83	11.29	14.45	13.31	12.79	13.70

Memorandum Items:

\* Weighted Avg. Rate of Return

\* Weighted Avg. Contrib. Rate

	8.43	9.34	4.16	4.00	6.12	6.58	8.5	3.13	4.00	4.79
	9.36	9.3	9.19	11.76	11.73	13.51	11.95	12.42	13.31	12.91

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

---

dards. Nevertheless for defined contribution and provident plans, which are not subject to actuarially determined funding liabilities, the risk for more aggressive and varied investment strategies is greater than for defined benefit schemes, and it is in this regard that regulations could establish broad parameters in the interest of participants. A more defined regulatory structure is also expected to spur development of portable pension products and increased availability of products marketed to smaller businesses, thereby broadening the labour force's participation.