



Quarterly Economic Review

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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Extending the gains achieved in the preceding period, the expansion in domestic economic activity strengthened further during the first quarter of 2004; albeit, with a slight firming in average inflation. Benefiting largely from the continued uptrend in the US economy, tourism sector output was broadly improved, underpinned by both increased stopover and cruise visitor volumes. However, construction expenditures remained subdued, notwithstanding steady gains in residential investments. Although the fiscal situation remained constrained by sluggish tax collections, the concentration of some non-tax receipts and a sizeable capital revenue intake reduced the comparative third quarter deficit for FY2003/04. In the financial sector, the seasonal boost in foreign currency inflows resulted in a stronger accumulation of the monetary aggregates, which exceeded the uptrend in credit expansion. These developments supported more buoyant liquidity conditions and a sizeable reduction in the system's net foreign liabilities. On the external account, increased net imports surpassed the gains in net services receipts, including tourism, for an expanded current account deficit. However, net capital and financial transactions reverted to a small surplus, although encompassing decreased net private foreign investments.

Despite the comparative rebound in private sector lending, strengthened seasonal foreign currency inflows boosted the banking system's net free cash reserves by \$61.6 million (47.7%) during the first quarter, representing an increased 4.8% of Bahamian dollar deposit liabilities compared to 3.5% in 2003. Broader surplus liquid assets also improved, concentrated in balances held with the Central Bank, by 51.6% to \$237.7 million and surpassed the statutory minimum by 37.3% relative to 20.6% the year before. Amid buoyancy in liquidity and more aggressive private sector lending, the stable weighted average interest rate on deposits of 4.02% contrasted with a 46 basis point reduction in the corresponding loan

rate to 11.57%, and consequently, a similar drop in the average spread to 7.55%. The average 90-day Treasury bill rate also softened by 51 basis points to 0.94%, while benchmarks rates, commercial banks' Prime rate and the Central Bank's Discount Rate, remained at the respective July 1999 levels of 6.00% and 5.75%.

Highlighted by accelerated growth in deposits held by businesses and private individuals, monetary expansion (M3) rose strongly during the quarter, to 4.6% from 2.9% in 2003, placing the overall stock at \$4.19 billion. Growth was recorded in all categories, with demand deposits gains extended to 14.1% from 8.3%, savings, to 4.7% from 2.7% and fixed deposits, to 2.2% from 0.5%. In contrast, currency in active circulation fell by 4.2%.

Although restrictions remained on banks' total Bahamian dollar advances, the rebound in private sector lending led to accelerated domestic credit expansion of \$70.8 million (1.4%), for a \$5.04 billion stock at end-March, relative to a comparative advance of \$12.0 million (0.2%) in 2003. Concentrated in Bahamian dollar claims, credit to the private sector recovered by 1.0% from a 1.0% reduction last year, and included nearly doubled mortgages growth (4.2%) and an upturn (0.3%) in consumer credit. Conversely, public sector credit expansion eased to 3.4% from 5.8%, with a 2.1% downturn in credit to public corporations outweighing a slightly elevated 7.4% increase in net credit to Government.

Estimates for the March quarter of FY2003/04 indicate some containment of the overall deficit, to \$26.7 million from \$46.0 million in the corresponding FY2002/03 period. Owing to extraordinary receipts from the sale of equity investments, land lease payments and dividend income, revenue collections rose by 14.6% to \$250.7 million, and paced ahead of a 4.8% increase in aggregate expenditure to \$277.4 million. The latter included a 5.4% expansion in recurrent outlays to \$249.3 million and an 18.0% hike in capital outlays to \$19.1 million. Net lending to public corporations, however, was reduced by a fourth to \$9.0 million. Budgetary financing during the quarter included a \$23.3 million domestic bond

issue, alongside principal repayments of \$22.2 million, mainly on domestic debt, which raised the Direct Charge on Government by 0.1% to \$1,941.9 million. After a 0.6% reduction in debt guaranteed for the public corporations, the National Debt decreased marginally by 0.1% to \$2,368.4 million, following a 1.0% contraction to \$2,187.3 million at end-March 2003.

Tourism performance was more positive during the first quarter, as the improving employment and income situation among US households generated increased travel demand. Total visitor arrivals, at 1.4 million, represented a significantly accelerated gain of 13.2% relative to 1.1% last year. Leading this outcome was a 15.6% surge in the number of sea passengers versus gains of 1.4% in 2003, as a significant number of new cruise lines called on Grand Bahama. Also noteworthy was the 7.9% surge in air arrivals, consolidating the 0.3% increase in 2003 and the 5.8% decline in 2002. By port of entry, arrivals to New Providence were higher by 10.0%; Grand Bahama, by 46.6% and Family Islands, by 5.8%. This broad-base traffic growth also underpinned a more robust expansion in estimated visitor expenditures. In the stopover sector, although the average hotel room rate was slightly discounted (1.6%) at \$179.17 per night, estimated room revenues rose by 10.9%, owing to a 12.7% increase in room night sales. With room sales growth outstripping an 11.4% increase in available inventory, the average hotel occupancy rate improved to 66.0% from 65.0% in 2003.

Based on quarterly changes in the average Retail Price Index, consumer price inflation eased to 0.1% over the first three months of 2004, from an escalated 1.4% last year. Downtrends in average costs for recreation & entertainment services and in the education index, were accompanied by an abated increase for medical care & health, and unchanged average prices for housing and furniture & household operations. In the twelve months through March, average inflation firmed marginally to 2.5% from 2.4% in 2003, led by accelerated average increases for medical & health care (10.1%) and transportation & communication (2.3%) costs. Housing cost increases were also incrementally firmer (0.8%); whereas most other items in the Index recorded slowed advances.

In the construction sector, indications are that expanded domestic residential investments continued to provide most of the support to output. Data from banks, insurance companies and The Bahamas Mortgage Corporation reveal that first quarter mortgage commitments for new construction and repairs on residential properties were higher by 23.7% at \$19.3 million over the same quarter last year. Similar commercial commitments were significantly reduced in value, to \$1.4 million from \$5.9 million last year. Total mortgage disbursements were also higher for residential financing versus a reduction in the commercial category. As a result, sustained growth in outstanding residential mortgages of \$43.7 million (2.9%) contrasted with a quarterly drop in commercial claims of \$4.3 million (2.6%). Based on the latest available data for the final quarter of 2003, the strength of residential investments was concentrated in more robust low-cost housing developments.

In the external sector, the estimated current account deficit widened to \$21.0 million from \$6.9 million in the first quarter of 2003. The trade deficit rose by 23.5% to \$344.2 million, with higher exports (1.4%) offset by more elevated imports (17.3%). Partly offsetting was the expansion in the services account surplus, by 18.9% to \$346.9 million, mainly vis-à-vis improvements in the tourism sector. Net outflows on the income account were approximately stable at \$32.7 million, whereas net current transfer receipts fell by almost a third to \$9.0 million.

The capital and financial account balance switched to a small surplus of \$2.4 million from a deficit of \$45.5 million in 2003, chiefly due to a reduction in short-term outflows through the banking sector to \$0.9 million from \$76.1 million in 2003. However, private net foreign investments decreased to \$15.6 million from \$47.7 million. Although net real estate sales improved to \$13.6 million from \$9.3 million, the direct equity stock decreased by \$1.1 million relative to a modest increase of \$10.4 million last year, and net loan financing narrowed to \$3.1 million from \$28.0 million. In the public sector, the estimated net external debt repayment decreased to \$3.6 million from \$8.1 million.

FISCAL OPERATIONS

Based on preliminary data for the third quarter of FY2003/04, the overall deficit on Government's budgetary operations narrowed to \$26.7 million from \$46.0 million in the year-earlier period. Capital revenue, associated with the sale of Government's equity holdings and property income-related non-tax receipts, boosted overall collections by 14.6% to \$250.7 million, compared to a 4.8% increase in total expenditures to \$277.4 million. For the 9-months through March, the cumulative budget deficit was approximately stable at \$79.8 million, with revenue collections of \$699.4 million, relative to outlays of \$779.2 million. These represented a respective 70.5% and 69.9% of budgeted expectations for FY2003/04.

REVENUE

Revenue growth was concentrated in the more than two-fold increase in non-tax collections to \$38.9 million and in capital proceeds of \$15.0 million. Conversely, tax collections, which comprised 78.5% of the total (compared to 91.7% in FY2002/03) abated by \$3.8 million (1.9%) to \$196.9 million. Underlying this was a \$19.6 million (17.2%) drop in taxes on international trade and transactions to \$94.0 million, including contractions in import duties and stamp taxes from imports. Reduced receipts were also noted for stamp taxes on domestic financial transactions, of \$3.1 million (16.3%) to \$15.7 million; motor vehicle taxes, of 42.3% to \$2.7 million; property taxes, of 17.2% to \$10.5 million and business and professional license fees, of 6.6% to \$17.5 million. Also, aggregate tourism taxes were approximately stable, as the marginal rise in gaming and occupancy taxes, to \$10.9 million, was offset by a slight decrease in departure taxes to \$14.6 million. Indications are however, that trade taxes and other collections tied to the movements in the economy were understated, to the extent that "other" revenue, still to be disaggregated, expanded to an estimated \$32.5 million from \$8.3 million in the same period last year.

Constituting 15.5% of revenue, non-tax receipts were dominated by dividend payments from the Bahamas Telecommunications Company (\$5.0 million) and property lease payments (\$10.5 million). These sup-

ported growth in income from public enterprises and other sources of \$19.4 million, compared to \$2.7 million a year ago. Also, collections of fines, forfeitures and administrative fees rose to \$19.4 million from \$15.3 million.

Capital revenues, which accounted for the remaining 6.0% of receipts, comprised proceeds from the Government's sale of equity holdings in Bank of The Bahamas and Cable Bahamas during the quarter to the National Insurance Board.

Government Revenue By Source

(January-March)

	FY02/03p		FY03/04p	
	B\$M	%	B\$M	%
Property tax	10.9	5.0	10.5	4.2
Selective Services tax	10.5	4.8	10.9	4.3
Bus. & Prof. Lic. fees	15.8	7.3	17.5	7.0
Motor Vehicle tax	4.1	1.9	2.7	1.1
Departure tax	13.5	6.2	14.6	5.8
Import duties	90.1	41.3	71.4	28.5
Stamp tax from imports	21.0	9.6	18.4	7.3
Export tax	4.2	1.9	4.2	1.7
Stamp tax from exports	0.0	0.0	0.0	0.0
Other stamp duty	19.2	8.8	15.7	6.3
Other tax revenue	3.0	1.4	32.5	13.0
Fines, forfeits. etc.	15.9	7.3	19.4	7.7
Sale of Gov't property	0.3	0.1	0.1	0.0
Income	10.1	4.6	19.4	7.7
Other non-tax rev.	0.0	0.0	0.0	0.0
Capital revenue	0.0	0.0	15.0	6.0
Grants	0.0	0.0	0.0	0.0
Less: Refunds	0.5	0.2	1.5	0.6
Total	218.1	100.0	250.7	100.0

EXPENDITURE

The \$12.6 million rise in total expenditures included a \$12.7 million (5.4%) increase in current spending to \$249.3 million, and a \$2.9 million (18.0%) advance in capital expenditures to \$19.1 million. These were partly offset by a \$3.0 million (25.1%) reduction in net lending to public corporations, to \$9.0 million. On a proportional

basis, the respective outlays corresponded to 89.8%, 6.9% and 3.3% of the total expenditures.

The economic classification of recurrent expenditure revealed a 5.6% increase in Government consumption, underpinned by a 6.3% growth in personal emoluments to \$109.4 million, and a 4.3% rise in purchases of goods and services to \$53.4 million. Transfer payments, which rose by 4.9% to \$86.4 million, included interest expenses, which were unchanged at \$26.1 million, and subsidies and other transfers, which firmed by 7.1% to \$60.3 million. In the latter, payments to households rose by nearly one-half to \$16.5 million, while transfers abroad were more than doubled to \$2.5 million. Conversely, direct subsidies to quasi-autonomous agencies were reduced by \$2.4 million (6.8%) to \$32.0 million.

housing and other community services, by a combined 20.0% to \$18.7 million and economic services, by 3.4% to \$39.4 million—of which promotional expenditures on tourism accounted for the bulk of the increase.

Growth in capital outlays was linked to increased acquisition of assets and transfers to non-financial public enterprises. These included the \$4.2 million expansion in health related investments to \$5.2 million and a \$0.8 million increase in general public services investments to \$2.3 million. Partial offsets were provided by a two-fifth reduction in public works and water supply developments to \$5.8 million.

FINANCING AND NATIONAL DEBT

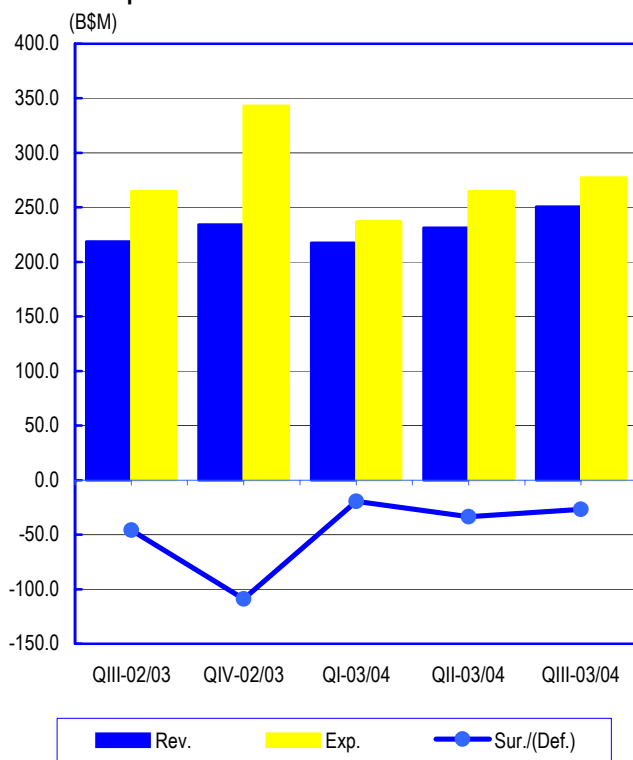
In budgetary financing activity during the quarter, Government issued \$23.3 million in Registered Stock and also obtained short-term financing from the banking system. Scheduled debt amortization of \$22.2 million repaid \$20.0 million of Bahamian dollar bonds outstanding and the remainder, foreign currency debt. As a result, the Direct Charge on Government rose by \$1.3 million (0.1%) to \$1,941.9 million, which compared to an outstanding stock of \$1,793.3 million at end-March 2003. Bahamian dollar debt, which represented 85.0% of the total, was held, in the majority, by public corporations (38.6%), followed by local banks (27.4%), private and institutional investors (26.5%) and the Central Bank (7.4%). Bonds were the largest component of the Bahamian dollar debt (84.2%), with an average term to maturity of 10 years. The next sizeable portions of the Bahamian dollar Direct Charge included Treasury bills (10.9%) and advances from the Central Bank (4.3%).

After a net repayment of \$2.7 million (0.6%), the Government's Contingent Liabilities were reduced to \$426.5 million. As a result, the National Debt declined by \$1.4 million (0.1%) to \$2,368.4 million, contrasting with a larger \$21.0 million (1.0%) reduction to \$2,187.3 million in the same period last year.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt declined by an estimated \$8.6 million (1.5%) to \$558.8 million, during the first quarter of 2004, with drawings of \$1.1 million exceeded by principal repayments of \$9.7 million. The

Fiscal Operations



On a functional basis, expenditure on general public services, which accounted for the largest share of recurrent spending (27.4%), increased by 5.4% to \$68.3 million. Spending on education, the second largest item (19.8%), rose by 6.7% to \$49.2 million; on health (16.0% of the total), by 2.7% to \$39.9 million; social benefits,

Government's transactions resulted in a net repayment of \$2.0 million and the public corporations', \$6.5 million. Of the outstanding balance, the Government owed \$291.0 million (52.1%) and public corporations, the remaining \$267.8 million.

Continuing to reflect the previous quarter's refinancing shifts, the creditor profile of the foreign currency debt varied considerably from the same period last year. Domestic banks' share, while still the largest, was lower at 40.8% from 48.1%; private institutional investors held an enlarged 40.3% as opposed to 5.1% in March 2003, and multilateral institution' share decreased to 18.9% from 46.8% in 2003. In terms of currency composition, more than 95% of the foreign currency debt was denominated in US dollars, with an average maturity approximating 17 years.

Compared to the first quarter of 2003, foreign currency debt servicing contracted by \$7.3 million (37.5%) to \$12.1 million, including a \$4.9 million reduction in debt amortization to \$9.7 million and a near halving in interest payments to \$2.4 million—given the shifted payment schedule for debt refinanced in 2003. Based on these developments and strengthened net tourism inflows, debt service as a proportion of estimated exports of goods and non-factor services decreased to 1.7% from 2.9% last year. The corresponding debt service as a proportion of Government's revenue also eased to 1.3% from 2.3%.

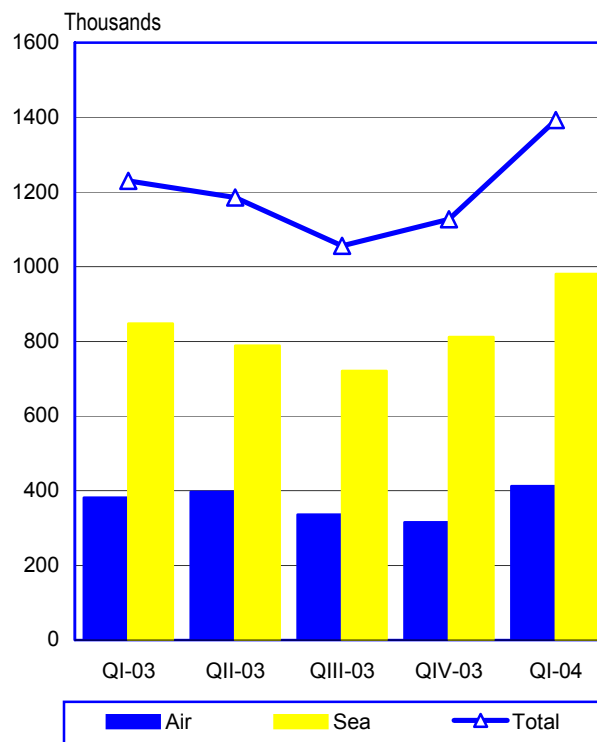
REAL SECTOR

TOURISM

Benefiting from the sustained upswing in the US economy, provisional estimates suggest further strengthening in tourism output growth during the first quarter of 2004, with recovered visitor volumes outweighing the marginal decrease in average hotel prices. Compared to the same quarter in 2003, total visitor arrivals rose by 13.2% to 1,392,563, strongly outpacing last year's weakened growth of 1.1% and the respective 7.2% and 8.6% advances of 2001 and 2000. The increase, led by cruise activity, was broadly based, with Grand Bahama accounting for 43.6% of the gains; New Providence, 43.1% and the Family Islands, 13.3%

Sea visitors, which comprised 70.4% of all tourists, recorded more robust growth of 15.6% to 980,567, as compared to a modest 1.4% last year. This was similar to the gain achieved in 2000, and exceeded subsequent growth of 8.7% and 7.5%, respectively in 2001 and 2002. Indicative of rebounding stopover trends, air traffic, which constituted 29.6% of arrivals, increased strongly by 7.9% to 411,996, after a marginal rise (0.3%) in 2003, and a 5.8% decline the year before.

Visitor Arrivals



Disaggregated by port of entry, arrivals to New Providence, including Paradise Island, recovered by 10.0%, comprising an estimated 13.3% upturn in sea traffic and a 4.1% gain in air arrivals. With a significant number of new cruise routes added to the destination, Grand Bahama benefited from an 83.6% boost in sea arrivals, and consequently total arrivals growth of 46.6% which also featured an 11.8% increase in the air passenger component. Reflecting the successful marketing of upscale properties, particularly in Exuma and San Salvador, Family Island arrivals, comprising 28.3% of the total,

registered gains of 5.8%. This was led by a 22.3% surge in air traffic, with a more modest 3.4% rise in sea visitors.

Given the marked rise in cruise traffic and the recovery in air arrivals, which track the stopover market, visitor expenditure growth was more robust during the first quarter. A key indicator, average hotel occupancy rate, firmed marginally to 66.0%, with increased room night sales of 12.7% outpacing expanded room capacity of 11.4%. As occupancy gains more than offset the 1.6% decline in the average nightly room rate to \$179.17, estimated room revenues rose further by 10.9%.

Expenditure growth was recorded in each of the major destinations. In New Providence, higher room sales of 8.9%, on increased room inventory (13.8%) and a slightly firmed average nightly room rate of \$209.10, supported a 9.0% advance in estimated hotel room revenues. The improvement in the Grand Bahama stopover market was characterized by an increased average room occupancy rate of 66.3% vis-à-vis 56.9% last year, as room sales growth of 24.8% outweighed the 7.1% rise in available rooms. This produced a 22.0% rebound in room revenues, despite the decline (2.2%) in average nightly room rate to \$94.28. Supported by an improved average occupancy ratio, at 38.6% vis-à-vis 34.5% last year, and the appreciated average nightly room rate (1.9%) of \$174.65, Family Island room revenues rose further by 18.5%. Of particular note was the 3.9% rise in available rooms alongside a 16.3% rebound in occupied room nights which combined to fully recapture occupancy losses experienced since 2001.

CONSTRUCTION

Available indicators for construction activity suggest that investments remained sluggish during the six months through March, with low-cost housing providing the bulk of the momentum as opposed to the continued softness in commercial outlays. Forward looking indicators, which did not capture the anticipated elevation in foreign investment supported projects, underscore continued sluggishness in locally financed commercial activities.

During the fourth quarter of 2003, the latest period for which comprehensive data are available, the number of building projects started in New Providence and Grand Bahama increased by 124 (37.2%) to 457, and valuation

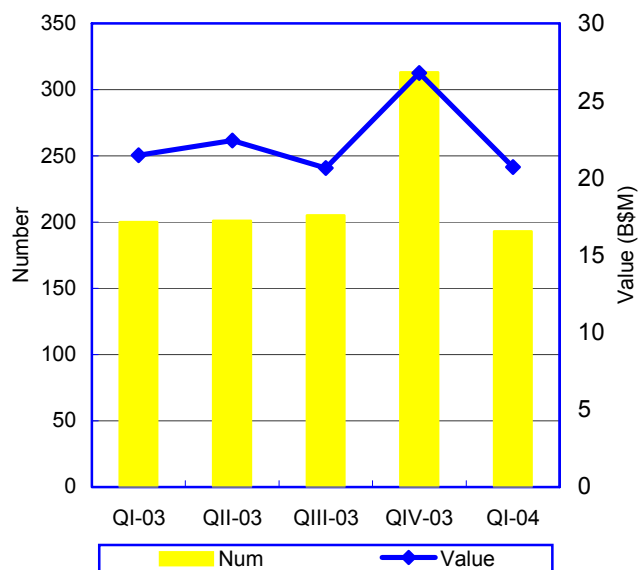
by \$1.9 million (2.3%) to \$81.8 million. Amid intensified low-cost housing developments, residential starts were boosted by 51.2% to 434 units and increased in value by 58.7% to \$67.8 million. Nearly offsetting, the value of commercial starts was more than halved to \$13.8 million, also corresponding to a halving in the number of units involved. Meanwhile, public sector investments decreased to \$0.2 million from \$3.0 million in 2002.

Partly reflecting contributions from projects carried over from earlier quarters, an increase in building completions of 2.9% to 461 units, corresponded to one-fifth less value, of \$70.0 million, with the advance in the number of residential and commercial units valued 4.8% and 43.3% lower at \$51.5 million and \$16.7 million, respectively. Also, the value of public sector completions was more than halved to \$1.8 million.

Signalling a potential levelling off in locally financed activity during 2004, building permits granted during the fourth quarter of 2003, which rose by 5.3% to 738, were associated with a decreased value of 24.4% to \$101.0 million. Indicative of continued low-cost housing developments, residential permits rose by 3.0% to 625, but decreased in value by 20.4% to \$81.7 million. The estimated value of commercial and industrial permits also fell by a third to \$18.5 million; albeit, associated with 16.5% more approvals at 106.

In a continuation of the previous quarter's trends, more recent data for the first quarter of 2004 on mortgage lending by banks, insurance companies and the Bahamas Mortgage Corporation, indicate a 3.5% decline in the number of mortgage commitments for new construction and repairs of residential and commercial structures to 193 from 200 in 2003, corresponding to a 3.5% decrease in associated value to \$20.7 million. The majority of these—189 versus 179 in the same period in 2003—represented residential commitments, which increased to \$19.3 million from \$15.6 million—mostly targeted at new housing projects. However, only 4 comparable commercial loans were committed compared to 21 in 2003, representing a decrease in potential financing of \$1.4 million compared to \$5.9 million last year.

Mortgage Comittments: New Construction and Repairs



Reflecting the increase in both the number and value of residential mortgages, total disbursements for residential financing during the first quarter grew by 12.7% to \$72.7 million, outpacing the decline in commercial disbursements of 7.7% to \$2.4 million. In line with these trends, outstanding residential mortgages rose further during the quarter by \$43.7 million (2.9%), while commercial claims contracted by \$4.3 million (2.6%). Credit conditions remained favourable as the respective average interest rates offered on mortgages softened to 8.8% and 9.7% respectively, from 9.0% and 9.5% in the first quarter 2003.

PRICES

Consumer price inflation, measured by quarterly variations in the average Retail Price Index, softened to 0.1% during the first quarter from 1.4% in the corresponding 2003 period. A significant downtrend was noted in the average costs of recreation & entertainment services (3.3%) and, to a lesser degree, the education index (0.1%). Also noteworthy were the abated average increases for medical care & health (1.9%)—which included insurance premium hikes last year—and for “other” goods & services (0.1%). In addition, average

prices for housing and furniture & household operations were unchanged during period. These outweighed firmer average cost hikes for food & beverages (1.0%), transport & communication (0.6%) and clothing & footwear (0.1%).

Average Retail Price Index (Annual % Change)

Items	Weight	2003		2004	
		Index	%	Index	%
Food & Beverages	138.3	113.0	1.6	114.3	1.1
Clothing & Footwear	58.9	107.5	0.1	107.7	0.1
Housing	328.2	103.0	0.1	103.8	0.8
Furn. & Household	88.7	116.2	5.6	118.8	2.3
Med. Care & Health	44.1	114.3	2.8	125.8	10.1
Trans. & Comm.	148.4	104.3	0.1	106.7	2.3
Rec., Enter. & Svcs.	48.7	119.0	5.3	125.1	5.1
Education	53.1	161.0	8.4	163.3	1.5
Other Goods & Svcs.	91.6	113.6	5.2	122.6	7.9
ALL ITEMS	1000	111.3	2.4	114.1	1.5

In the twelve months through March, average inflation firmed marginally to 2.5% from 2.4% in 2003. A further elevated increase in medical & health care costs of 10.1% compared to 2.7% in 2003, occurred alongside a more heightened fuel-led advance in transportation & communication costs of 2.3%; and firmer increases for the housing (0.8%) and “other” unclassified goods and services (7.9%) indices. Conversely, more moderate average cost gains were noted for food & beverages (1.1%), clothing & footwear (0.1%), furniture & household operations (2.3%) and education (1.5%).

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

During the review quarter, the seasonal build-up in the monetary aggregates, in the context of stronger tourism growth, surpassed the firming in domestic credit expansion—occasioning an improvement in bank liquidity and a reduction in the banking system’s net foreign

liabilities. Expansion in domestic credit was led by an upswing in private sector lending and net claims on the Government, relative to moderated net lending to the rest of the public sector. Buoyancy in liquidity contributed to stable deposit rates relative to a softening in average interest rates on loans, with a consequent narrowing in the loan-to-deposit rate spread.

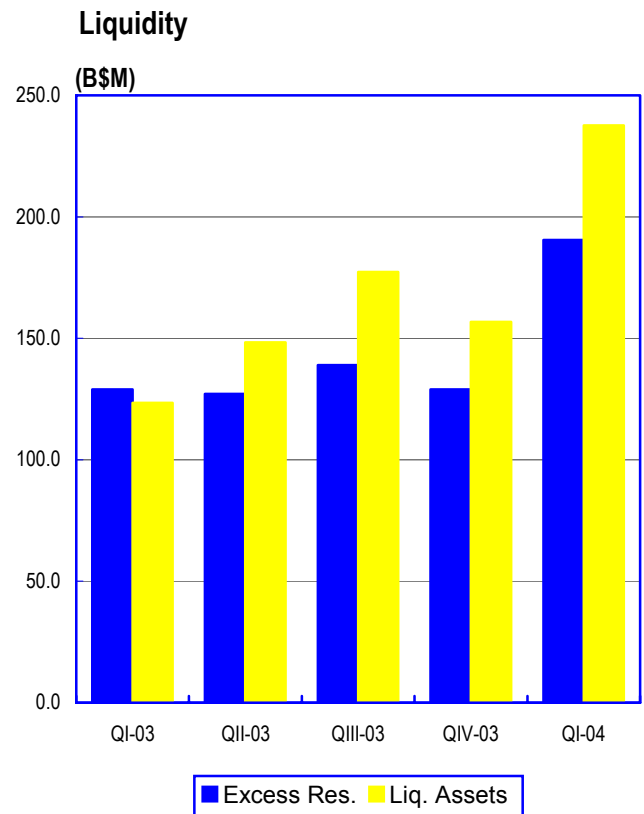
As regard banks' earnings, data for the fourth quarter of 2003, the latest available period, show persistent weakness in profitability indicators, as increased operating and other non-interest costs outweighed more moderate income growth. Asset quality indicators were marginally improved since the final quarter of 2003, with borrowers better positioned to service loans in view of the more favourable business and employment conditions. Banks meanwhile, adopted a more conservative stance, increasing the average provisioning levels for bad loans.

LIQUIDITY

Corresponding to 4.8% of total Bahamian dollar deposit liabilities, net free cash balances of the banking system rose by \$61.6 million (47.7%) to \$190.5 million during the first quarter. This compared to a 45.1% build-up to \$129.0 million over the same period in 2003, which was equivalent to a lesser 3.5% of Bahamian dollar deposits. Reflecting a greater accumulation of resources in balances with the Central Bank, surplus liquid assets expanded by 51.6% to \$237.7 million, exceeding the required minimum by a more robust 37.3% compared to 20.6% last year.

DEPOSITS AND MONEY

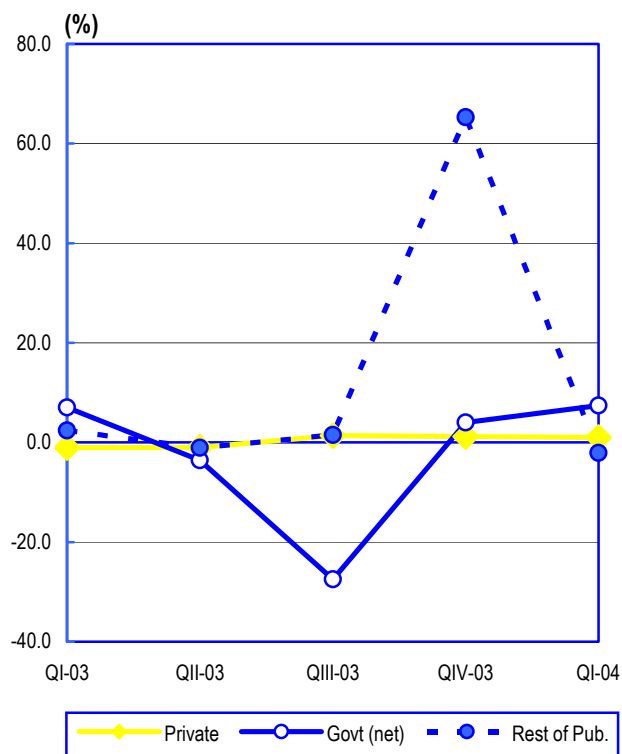
More accelerated accumulation of private individual and business firms' deposits supported strengthened money supply (M3) expansion during the first quarter of 4.6% vis-à-vis 2.9% in 2003. With a stronger increase in business balances, growth in demand deposits quickened to 14.1% from 8.3%. Although the seasonal reduction in currency in active circulation was slightly greater at 4.2%, narrow money (M1) growth accelerated to 10.9% from 6.0% in the corresponding period last year.



Broad money (M2) expansion more than doubled to 4.7% from 2.0% in 2003, with accretions to savings balances, comprising mainly personal accounts, widened to 4.7% from 2.7%. Also, fixed deposit gains firmed to 2.2% from 0.5%, led by a more robust increase in private individual placements, deposit rebuilding among private financial institutions and a steady rise in business holdings. Although the expansion in resident's foreign currency deposits slackened considerably to 0.7% from 37.0% in 2003—which occurred ahead of a significant net foreign currency debt repayment—overall money (M3) advanced by \$182.3 million to \$4,185.6 million, exceeding the 2003 uptrend of \$110.4 million to \$3,946.6 million.

Bahamian dollar fixed deposits remained the largest component of the money stock (56.5%), followed by demand (20.4%), savings deposits (17.0%), currency (3.7%) and foreign currency deposits (2.4%).

Changes in Credit



DOMESTIC CREDIT

Although capacity under the credit ceiling imposed by the Central Bank in September 2001 was nearly exhausted, the pace of first quarter domestic credit expansion firmed to \$70.8 million (1.4%) from a slackened increase of \$12.0 million (0.2%) a year ago, and the \$48.1 million (1.0%) rise in 2002. More than half of the advance (\$41.3) was attributed to the upturn in private sector lending, and concentrated in resumed Bahamian dollar credit growth of \$38.1 million (1.0%), which represented 92.3% of the private sector's gains. In contrast, a further but moderated contraction of \$4.5 million (0.7%) occurred in total domestic foreign currency credit.

Public sector credit growth during the first quarter eased to 3.4% from 5.8% in 2003, with ongoing net foreign currency repayments (3.0%) and a nearly one-third less rise in net Bahamian dollar claims. The increase in net credit to Government narrowed to \$37.4 million (7.4%) from \$45.4 million (7.0%) in 2003, and claims on public corporations decreased by \$7.9 million (2.1%), following a \$5.3 million (2.4%) expansion.

Distribution of Bank Credit By Sector

End-March

	2003		2004	
	B\$M	%	B\$M	%
Agriculture	7.0	0.2	9.3	0.2
Fisheries	4.6	0.1	11.7	0.3
Mining & Quarry	20.5	0.5	20.1	0.4
Manufacturing	65.5	1.5	76.4	1.7
Distribution	213.0	4.8	208.4	4.6
Tourism	232.2	5.2	206.6	4.6
Enter. & Catering	33.5	0.7	27.7	0.6
Transport	69.3	1.6	44.0	1.0
Public Corps.	209.0	4.7	336.4	7.4
Construction	331.0	7.4	236.1	5.2
Government	219.6	4.9	81.4	1.8
Private Financial	34.3	0.8	27.3	0.6
Prof. & Other Ser.	128.8	2.9	120.2	2.7
Personal	2698.0	60.6	2875.0	63.4
Miscellaneous	184.3	4.1	256.3	5.7
TOTAL	4450.7	100.0	4536.9	100.0

The comparative 1.0% upturn in private sector credit was led by a \$65.6 million (2.3%) rebound in personal loans (which accounted for 69.8% of the outstanding private total) from a \$14.5 million (0.5%) reduction in 2003. In particular, residential mortgages, which represented 47.4% of personal credit, grew more than two-thirds faster, by \$54.4 million (4.2%), while consumer credit (representing 48.8%) registered a marginal upturn of \$3.8 million (0.3%) vis-à-vis a \$37.1 million (2.6%) net repayment last year. Personal overdrafts also rebounded by \$7.6 million (14.9%).

Among the remaining private sector credit categories, quarterly lending resumed for miscellaneous purposes, by \$37.6 million (17.2%), and with more sizeable increases for manufacturing, by \$16.9 million (28.3%); transport, by \$12.0 million (37.4%) and mining and quarrying, by \$3.4 million (20.1%). However, larger reductions in claims occurred for the construction sector, by \$41.5 million (14.9%); distribution, by \$15.3 million (6.9%); tourism, by \$12.2 million (5.6%); professional and other services, by \$9.3 million (7.2%); fisheries, by \$3.2 million (21.5%); entertainment & catering, by \$6.7 million

(19.5%); private financial institutions, by \$1.6 million (5.6%) and agriculture, by \$1.2 million (11.7%).

Further analysis of the consumer credit component revealed mixed trends, but with a larger increase for land purchases (\$9.9 million), and notably rebounded levels for debt consolidation (\$3.3 million) and miscellaneous purposes (\$0.7 million). In addition, net repayments were significantly tapered for private cars (\$2.8 million), credit cards (\$2.4 million), and travel (\$2.0 million), whereas a moderately larger reduction occurred for home improvement (\$2.0 million) loans.

THE CENTRAL BANK

During the first quarter, the Central Bank's net claims on Government increased by \$9.6 million (8.9%) compared to a \$14.3 million reduction (8.3%) in the same period last year, with the Bank's holdings of Government bonds higher by \$7.4 million (16.8%).

Shaping this outcome, the Bank's net foreign currency purchases firmed by \$39.4 million (57.8%) to \$107.6 million, with total purchases up by \$37.5 million (18.3%) to \$242.3 million, versus a falloff in total sales, of \$1.9 million (1.4%) to \$134.7 million.

As regard the breakdown of foreign currency dealings, the net intake from commercial banks rose by \$24.1 million (21.8%) to \$134.7 million, and transactions with Government switched to a net inflow of \$5.9 million from the year-earlier net outflow of \$5.4 million. Meanwhile, net sales to public corporations and other customers abated by \$4.1 million (11.0%) to \$33.0 million.

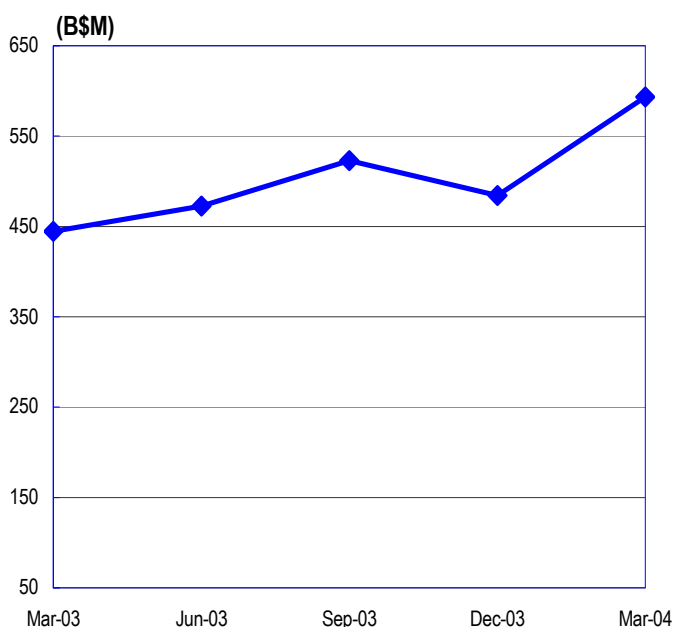
DOMESTIC BANKS

The banking sector's rebounded private sector lending was facilitated by accelerated growth in deposit liabilities to the sector of \$143.3 million (4.1%) vis-à-vis \$92.2 million (2.8%) in 2003. The \$7.8 million (2.1%) downturn in claims on the public corporations nearly corresponded to the abated decline in the corporations' deposits of \$6.4 million (2.1%). Meanwhile, growth in net credit to Government was more than halved to \$27.8 million (7.1%) from \$59.7 million (12.6%) in 2003. With these trends also occurring in the context of increased resources under financial institutions' capital and surplus, banks' net foreign liabilities were reduced by 4.2%.

Net claims on the public sector, comprised mainly of registered stock holdings, represented an almost stable 15.9% of total bank credit, relative to the same period last year. The public sector however, accounted for a marginally increased 37.7% of banks' domestic foreign currency credit.

Including \$97.0 million in liabilities to Government, total banking sector deposit liabilities to residents amounted to \$4,055 million at end-March. Ordered by the size of holdings, the Bahamian dollar component of \$3,951 million was distributed among private individuals (55.0%), business firms (25.3%), the public sector (9.9%) and private financial institutions and others (9.8%), mainly representing insurance companies and institutional investors including private pension funds.

External Reserves



Reflecting stronger net tourism inflows and some demand constraints exerted by the credit ceiling, the seasonal expansion in external reserves widened to \$109.1 million (22.5%) from \$71.3 million (19.1%) in 2003, achieving an end-March balance of \$593.2 million.

Banking Sector Interest Rates
Period Average (%)

	Qtr. I <u>2003</u>	Qtr. IV <u>2003</u>	Qtr. I <u>2004</u>
Deposit rates			
Demand Deposits	2.61	2.38	2.32
Savings Deposits	2.73	2.58	2.77
Fixed Deposits			
Up to 3 months	3.92	3.82	3.80
Up to 6 months	4.53	4.33	4.74
Up to 12 months	4.63	4.55	4.44
Over 12 months	4.51	4.79	4.84
Weighted Avg Deposit Rate	4.03	4.02	4.02
Lending rates			
Residential mortgages	8.96	9.01	8.91
Commercial mortgages	9.33	9.21	--
Consumer loans	13.81	13.51	13.39
Overdrafts	11.10	12.39	11.78
Weighted Avg Loan Rate	11.59	12.04	11.57

general and specific reserves against loan losses were increased to 12.4% of the total from 11.6% the previous year—indicative of a more conservative risk treatment for loans exposures. Correspondingly, total reserves and provisions, as a percentage of the private sector loan portfolio, stood at 2.9% at end-March compared to 2.5% in 2003.

As regard asset quality, which has had some influence on recent provisioning trends, indications are that outstanding private sector Bahamian dollar loans reported in arrears at end-March 2004 decreased to 8.7% of the corresponding loan portfolio from 10.1% in the previous quarter. This suggests that the improving economic climate was enabling more borrowers to satisfy their servicing obligations. For arrears of 90 days or more, which account for the majority of the distressed facilities (55.3%), these decreased as a share of total loans, to 4.8% from 5.1% in December 2003. In terms of value, the most sizeable exposure reduction occurred in more upfront arrears balances, less than 90 days in distress. Overall, the residential mortgages portfolio maintained the highest percentage of exposure to arrears (9.8%) versus lesser shares for commercial (8.6%) and consumer loans (8.4%), where financial institutions follow a more aggressive write-off policy for non-performing loans, in view of the comparatively weaker quality of collaterals. Some balance sheet clean up was evident during the period as banks wrote off a larger amount of loans than in any of the previous six (6) quarters surveyed. The profit and loss impact, however, was nearly two-thirds less, since some of these losses were already provisioned.

INTEREST RATES

Approximately stable weighted average interest rates on deposits at 4.02%, vis-à-vis a 47 basis point softening in the average loan rate to 11.57%, resulted in a narrowing in domestic banks loan-to-deposit rate spread by the same amount to 7.55%.

Movements in average deposit rates featured a 19 basis point increase in the average savings rate to 2.77%, while the average range on fixed maturities shifted to 3.80% - 4.84% from 3.82% - 4.79% in the previous quarter. The decline in average lending rates

A breakdown of total deposits by contractual categories revealed that fixed balances maintained the largest share (60.0%), followed by demand (22.4%) and savings deposits (17.6%). Analyzed by number of accounts and range of values, the majority of Bahamian dollar funds (77.0%) were concentrated in the fewest number of accounts (3.0%) valued at \$50,000 and higher. The largest number of accounts (90.3%) held balances under \$10,000, which corresponded to only 8.7% of the aggregate value, while some 6.7% of accounts, valued between \$10,000 to \$50,000, constituted 14.3% of total deposits.

Adjusted for goodwill, banks' Bahamian dollar capital and surplus position rose at a reduced quarterly pace of 1.0% to \$854.8 million during the quarter, relative to a 4.3% rise to \$754.4 million in 2003 when profitability conditions were more robust and financial institutions retained a larger share of profits. In this regard, profit and retained earnings represented a lesser 43.9% of capital and surplus relative to 51.8% last year, while

was led by the 61 basis points softening in rates on overdraft facilities to 11.78%, followed by consumer loans, by 12 basis points to 13.39%; residential mortgages, by 10 basis points to 8.91% and other local loans, by 40 basis points to 8.52%. The average commercial mortgages rate was sizeable at 9.21%.

Benchmark rates, commercial banks' Prime and the Central Bank Discount Rate, were unchanged from their July 1999 levels of 6.00% and 5.75%, respectively, while the 90-day average Treasury bill rate was lower by 51 basis points at 0.94%.

BANK PROFITABILITY

According to the most recent data, for the quarter ended December 2003, banks recorded a more sizeable reduction in profits, by \$7.2 million (21.1%) to \$27.1 million, relative to the \$1.6 million (4.5%) decrease in the corresponding 2002 period. Financial institutions experienced higher net returns on foreign currency operations. Although the Bahamian dollar operations accounted for a slightly increased 93.9% of gross income, after expenses, these generated a reduced 73.4% of net income compared to 79.6% in 2002.

With interest income only marginally improved versus a 2.2% increase in interest expenses, the net interest margin narrowed by an additional 1.1%. This, and the 18.6% decrease in commission and foreign exchange income, resulted in a 2.5% reduction in the net earnings margin to \$72.9 million. A significantly moderated increase in operating costs of 1.7% to \$50.5 million resulted from more normalized staffing expenditure, after the final quarter of 2002 job separation payments. Nevertheless, other income was halved to \$4.7 million, as a result of elevated levels of depreciation, amortization of goodwill and provisions for bad debts.

In the context of balance sheet growth, profitability ratios relative to banks' average domestic assets also softened. Compared to the same period in 2002, the net interest margin decreased to 4.62% from 4.94% and, with the ratio contribution from commission and foreign exchange income also reduced, the gross earnings margin narrowed to 4.95% from 5.37%. Although some efficiency improvement was implied from the lower operating costs ratio at 3.43% from 3.56% in 2002, the ratio contri-

bution from other income (net depreciation and amortization cost) fell by 34 basis points to 0.32%. Consequently, overall profitability (return on assets) weakened to 1.84% from 2.46%.

CAPITAL MARKETS DEVELOPMENTS

Equity valuations in the domestic capital markets continued to rebound during the first quarter, reflecting more upbeat investor sentiments in the economic outlook. The Bahamas International Securities Exchange (BISX) All Share Price Index rallied by 5.8% to 919.0 points, consolidating the 3.6% gain in the December quarter. This contrasted significantly with the 3.0% decline noted in the first quarter of 2003, when economic prospects were less certain. However, comparative trading volumes were reduced to 0.62 million versus 1.13 million during the same period last year. The broader Fidelity Capital Market Limited's Findex weighted share price index, which also captures over the counter trading, increased in value by 4.0% to 389.2 points, compared to a 2.6% decrease in the first quarter of 2003.

Only the Government raised funds in the domestic markets during the period, with the \$23.2 million bond issue in February paying above prime rates of 0.34375% and 0.375% respectively, for the 19 and 20-year maturities.

INTERNATIONAL TRADE AND PAYMENTS

Provisional data for the first quarter of 2004 suggest a widening in the estimated current account deficit, to \$21.0 million from \$6.9 million over the same period in 2003. With the tourism and domestic demand-led 17.3% rebound in total imports, occurring alongside a marginal increase in estimated exports, the trade deficit rose by nearly one-fourth, and outweighed the 18.9% improvement in net invisible receipts, mainly associated with accelerated net tourism inflows.

During the first quarter, the estimated services account surplus widened by \$55.2 million (18.6%) to \$346.9 million, largely due to the 12.7% strengthening in net

travel receipts to \$477.6 million and lower net payments for various other external services. Reduced net outflows for government services, at \$5.0 million, compared to \$22.5 million during the same period last year, with estimated net payments for foreign transportation services decreased, by 13.8% to \$37.2 million; for insurance, by 9.7% to \$18.2 million and for construction services, by 10.2% to \$6.2 million. Conversely, inflows from offshore companies' local expenditures fell by 2.7% to \$22.1 million, and net outflows for "other" unclassified services—inclusive of credit card payments and quasi-public enterprises expenses—increased by 36.8% to \$83.1 million.

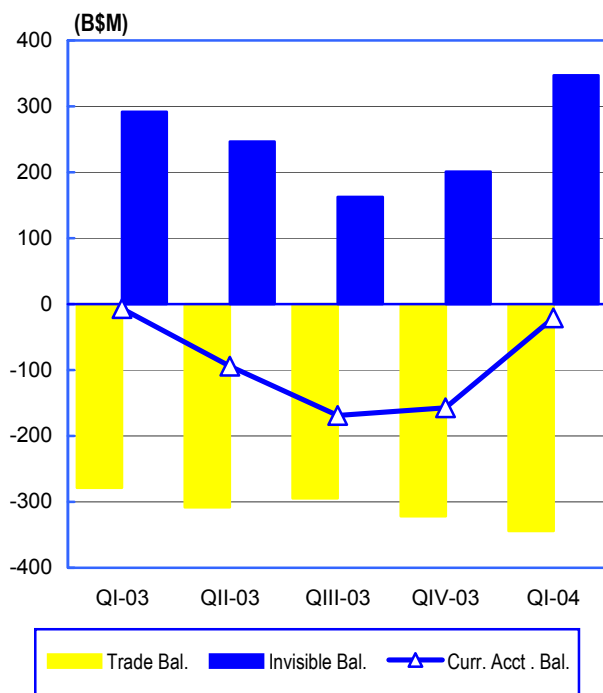
Net current transfer receipts decreased to \$9.0 million from \$13.0 million in 2003. General government net inflows fell by 13.1% to \$11.7 million, outweighing narrowed net private sector outflows of \$2.8 million compared to \$0.5 million last year.

During the first quarter, the capital and financial account switched to a small surplus of \$2.4 million, following a deficit of \$45.5 million in the corresponding period in 2003. Migrant workers' net remittances declined slightly to \$8.7 million from \$9.1 million, while net financial receipts of \$11.1 million partly reversed the 2003 outflows of \$36.4 million. The financial outcome was mainly influenced by a reduction in short-term outflows through the banking system, to \$0.9 million from \$76.1 million last year.

Private sector net foreign direct investments narrowed by an estimated one-third to \$12.5 million, as the net equity outflow of \$1.1 million contrasted with a \$10.4 million inflow in the previous year, and outweighed increased net real estate sales of \$13.6 million compared to \$9.3 million the previous year. Additionally, net private loan inflows abated to \$3.1 million from \$28.0 million in 2003. In the public sector, the net external debt repayment was significantly lower at \$3.6 million from last year's \$28.1 million.

Adjusting for possible errors and omissions, the overall surplus, relative to the increase in external reserves, widened to \$109.1 million from \$71.3 million in the year earlier period.

Balance of Payments



Under the income account, estimated net external remittances remained at \$32.7 million. In particular, net labour income outflows rose by \$1.8 million (15.6%) to \$13.2 million, compared to a similar decline in net repatriation of investment income to \$19.6 million. The latter included a 7.5% narrowing in net profit and interest remittances by banks and other private sector companies to \$22.9 million, partly offset by a 12.3% increase in net official receipts of \$3.3 million.

INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economic recovery established in the second half of 2003 strengthened and broadened during the first quarter of 2004, amid continued growth in global trade and rebounded industrial production. The extent of this recovery, however, varied across the major economies, with the expansion strongest in the United States but with steady growth in Europe. With employment conditions stabilized and prospects for inflation increased in the short-term, the monetary stance was more broadly tilted from relaxed to a more neutral position, with more

widespread tightening expected later this year. Meanwhile, fiscal sector trends foreshadowed increased imbalances relative to GDP for most countries over the next year. In most major financial markets, average equity prices declined moderately, owing to investor disappointment over the pace at which employment conditions were improving. Nevertheless, the relative strength of the United States economic performance contributed to a modest recovery in the value of the dollar. Trends in the major countries' external account balances were divergent, as only some economies benefited positively from rising global trade.

In the United States, estimated real output growth firmed to an annualized 4.4% from 4.1% during the preceding quarter and was significantly accelerated relative to 2.0% for the same period in 2003. Underlying these developments were sustained upswings in household spending and business investments—stimulated by the low interest rate and reduced tax environment—and increased government spending on the military and homeland defense. In the United Kingdom, real output growth eased to 2.4% from 3.6% in the previous quarter, as healthy exports contrasted with more moderate activity in manufacturing and in most services sectors. Japan posted strong quarterly growth of 1.4% compared to 1.7% in the previous quarter, also underpinned by robust export gains, and recovering industrial production and private sector demand. In the euro area, rising exports supported a firming growth momentum of 2.4% from 1.7% in the previous quarter, with Germany's advance strengthened to 1.8% from 1.1%.

Labour market conditions in most major industrialized countries improved during the review period. In the United States, the average jobless rate decreased to 5.6% from 5.9% of the workforce, although the monthly rate was slightly higher at 5.7% at end-March. Similarly, while the United Kingdom's monthly unemployment rate deteriorated to 4.7% in March, the three-month average was lower at 4.8% from 5.0% in the previous quarter. In Japan, the first quarter unemployment rate decreased to 4.7% of the workforce from an estimated 4.9% in the preceding quarter, partly accounted for by increased hiring in services industries. Less progress was evident in the euro area, where the average unemployment

remained at 8.9%, and Germany's jobless rate rose on a seasonally adjusted basis to an average of 10.9% from 10.1% in the last quarter of 2003, although the monthly rate eased throughout the period.

Average consumer price inflation remained subdued among major industrial countries, but expectations are that reduced slack in labour markets would exert some increased price pressures in the short-term. In the United States, monetary authorities were confident that deflation threats had subsided; albeit, unused productive capacity, increased competition and efficiency gains, reduced the average consumer price inflation to 1.9% on an annualized basis from 2.3% in the previous quarter. Annualized inflation in the euro area also decreased marginally to 1.7% from the previous quarter's 2.0%, as energy cost pressures were partly offset by lesser increases in average food prices. While Germany's rate steadied at 1.1%, France's rate firmed slightly to 2.2%. In the United Kingdom, the uptrend in average retail prices eased to 2.6% from 2.8%, with downward influences from transportation costs, despite increasing fuel prices. Conversely, Japan registered another quarter of consumer price deflation, at 0.4% relative to 0.2% last quarter, as excess production capacity remained significant.

In foreign exchange market developments, major currencies recorded mixed movements against the United States' dollar. Halting a nearly two-year long slide, the dollar appreciated by 2.5% against the euro to €0.81, and was also stronger against the Canadian dollar and Swiss franc, by 1.0% and 2.2% to C\$1.31 and CHF1.27, respectively. On the other hand, the dollar depreciated further against the Japanese yen, by 2.8% to ¥104.22 and by 3.6% against the British pound to £0.54.

Rising global demand continued to push primary commodity prices higher during the first quarter. Amid increased violence in the Middle East and the decision by OPEC to reduce daily production quotas by 1 million barrels (4.1%), with effect from the beginning of April, the per barrel price of North Sea Brent Crude rose by 8.3% to \$32.25, well above the Cartel's target price band of \$22-\$28 per barrel. Precious metal prices also increased during the quarter, with the value of gold rising 2.6% above last quarter's closing level at \$426.5 per troy

ounce, and silver prices more sharply elevated by 33.2% to \$7.9 per ounce.

Most major equity markets indices retreated during the first quarter, as investors were disappointed at the lagged pace of jobs creation amidst the major countries' recovery. In the United States, the Dow Jones Industrial Index (DJIA) lost 0.9% of its value to 10,357.7 points; albeit, the broader Standard and Poor's 500 Index gained 1.4% to 1,124.9 points. The United Kingdom's FTSE 100 Index and Germany's DAX share price indices also decreased by 2.0% and 2.7%, respectively, to 4,385.7 and 3,856.7 points. Albeit, France's CAC-40 Index continued its year long upward trend, rising by 1.9% to 3,625.2 points, and more encouraging economic news lifted Japan's Nikkei 225 Index by 9.7% to 11,715 points.

On the monetary policy front, the positive global economic developments over the past six months ended the bias towards further interest rate easing by major central banks. Although the United States Federal Reserve kept its primary credit and target Federal funds rates at 2.00% and 1.00%, respectively, as set in June 2003, it signaled that the threat of deflation was no longer a concern and that gradual rate firming could be initiated later in 2004 once employment growth become more robust. Noting the economic recovery that involved strong household spending and housing market, the Bank of England took pre-emptive steps against inflation, raising its repurchase rate by 25 basis points to 4.00% in February. Meanwhile, the European Central Bank kept its refinancing rate steady at 2.00%, citing a favourable outlook for price stability in the medium-term; and Japan's official discount rate was maintained at the historic low of 0.1% for the ninth consecutive quarter.

Although the global economy is expected to register positive growth in 2004, fiscal consolidation priorities are

expected to remain secondary to maintaining a stable growth environment in some major economies. For the United States, increased militarily and domestic security spending as well as the extension of the tax cut enacted in 2001 combined to produce a record deficit of \$375 billion in the 2002/03 federal budget, which is expected to increase further during fiscal year 2004/05, before easing in the 2005/06 fiscal year. Significant imbalances also remained in major European Union countries as, despite a promise to return to the EU Stability Pact fiscal deficit not exceeding 3.0% of GDP, Germany's budget deficit for the fiscal year beginning 2004/05 is expected to remain above the threshold, at 3.9% of GDP with an expected deficit of 3.4% next year. Meanwhile, the March 18 United Kingdom Budget left most taxes unchanged, and proposed a cut of more than 40,000 civil servant jobs to reduce the public sector's net borrowing requirements to an estimated 2.8% of GDP from 3.4% in FY2003/04. Japan's fiscal position is expected to register some consolidation in FY2004, reducing the Government's deficit to 6.8% of GDP compared to 7.4% in 2003, as the economy improves.

Asymmetric currency developments along with differing growth trends across the major industrial countries, fueled further divergence in trade balances. For the first quarter, the United States' seasonally adjusted trade balance deteriorated by 8.2% to \$139.4 billion, while the United Kingdom's trade balance for the first two months of 2004 worsened by 37.9% to £9.7 billion. Conversely, reflecting broader euro area developments, the German first quarter trade surplus improved by 43.4% to €41.6 billion, and the Japanese surplus rose by 42.4% as a result of increased exports.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

TABLE 1
FINANCIAL SURVEY

End of Period	1999			2000			2001			2002			2003			2004	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
	(BS Millions)																
Net foreign assets	(50.5)	(86.6)	(234.5)	(207.7)	(178.6)	(291.1)	(357.3)	(209.9)	(123.1)	14.4	(144.0)	(34.0)					
Central Bank	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5	522.9	484.1	593.2					
Commercial banks	(456.6)	(449.5)	(548.4)	(583.2)	(634.6)	(689.6)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(610.6)					
Other local fin. institutions	2.1	20.3	1.5	(4.6)	(4.7)	(8.3)	(7.6)	(9.3)	(17.9)	(17.9)	(13.1)	(16.6)					
Net domestic assets	3,298.1	3,645.6	3,951.6	4,009.4	4,068.4	4,156.2	4,193.5	4,156.5	4,064.0	3,941.5	4,147.3	4,219.6					
Domestic credit	3,824.6	4,278.6	4,677.3	4,725.5	4,809.2	4,891.9	4,940.4	4,952.4	4,883.2	4,758.4	4,974.0	5,044.8					
Public sector	669.4	649.8	775.2	785.5	852.8	887.1	870.8	921.5	893.9	712.8	879.4	908.9					
Government (net)	495.4	508.5	626.0	596.4	662.6	684.6	651.3	696.8	671.6	487.2	506.5	543.9					
Rest of public sector	174.0	141.3	149.2	189.1	190.2	202.5	219.5	224.7	222.3	225.6	372.9	365.0					
Private sector	3,155.2	3,628.8	3,902.1	3,940.0	3,956.4	4,004.8	4,069.6	4,030.9	3,989.3	4,045.6	4,094.6	4,135.9					
Other items (net)	(526.5)	(633.0)	(725.7)	(716.1)	(740.8)	(735.7)	(746.9)	(795.9)	(819.2)	(816.9)	(826.7)	(825.2)					
Monetary liabilities	3,247.6	3,559.0	3,717.1	3,801.7	3,889.8	3,865.1	3,836.2	3,946.6	3,940.9	3,955.9	4,003.3	4,185.6					
Money	758.2	807.8	776.7	792.1	835.3	833.6	817.7	866.4	865.0	881.9	907.4	1006.1					
Currency	148.4	151.4	153.5	147.3	154.6	149.5	154.8	148.6	155.4	150.7	160.1	153.4					
Demand deposits	609.8	656.4	623.2	644.8	680.7	684.1	662.9	717.8	709.6	731.2	747.3	852.7					
Quasi-money	2,489.4	2,751.2	2,940.4	3,009.6	3,054.5	3,031.5	3,018.5	3,080.2	3,075.9	3,074.0	3,095.9	3,179.5					
Fixed deposits	1,888.4	2,068.8	2,244.0	2,292.9	2,301.2	2,298.8	2,296.2	2,307.2	2,301.4	2,298.9	2,315.9	2,366.9					
Savings deposits	548.0	596.1	604.6	629.2	651.3	640.2	630.7	647.5	670.8	674.0	678.8	710.6					
Foreign currency	53.0	86.3	91.8	87.5	102.0	92.5	91.6	125.5	103.7	101.1	101.2	102.0					
	(percentage changes)																
Total domestic credit	11.6	11.9	9.3	1.0	1.8	1.7	1.0	0.2	(1.4)	(2.6)	4.5	1.4					
Public sector	13.7	(2.9)	19.3	1.3	8.6	4.0	(1.8)	5.8	(3.0)	(20.3)	23.4	3.4					
Government (net)	9.5	2.6	23.1	(4.7)	11.1	3.3	(4.9)	7.0	(3.6)	(27.5)	4.0	7.4					
Rest of public sector	27.7	(18.8)	5.6	26.7	0.6	6.5	8.4	2.4	(1.1)	1.5	65.3	(2.1)					
Private sector	11.2	15.0	7.5	1.0	0.4	1.2	1.6	(1.0)	(1.0)	1.4	1.2	1.0					
Monetary liabilities	11.8	9.6	4.4	2.3	2.3	(0.6)	(0.7)	2.9	(0.1)	0.4	1.2	4.6					
Money	27.1	6.5	(3.8)	2.0	5.5	(0.2)	(1.9)	6.0	(0.2)	2.0	2.9	10.9					
Currency	18.2	2.0	1.4	(4.0)	5.0	(3.3)	3.5	(4.0)	4.6	(3.0)	6.2	(4.2)					
Demand deposits	29.5	7.6	(5.1)	3.5	5.6	0.5	(3.1)	8.3	(1.1)	3.0	2.2	14.1					
Quasi-money	7.9	10.5	6.9	2.4	1.5	(0.8)	(0.4)	2.0	(0.1)	(0.1)	0.7	2.7					

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

End of Period	1999			2000			2001			2002			2003			2004	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Dec.
	(B\$ Millions)																
Net foreign assets	(52.6)	(106.9)	(236.0)	(203.1)	(173.9)	(282.8)	(349.7)	(200.6)	(105.2)	32.3	(130.9)	(17.4)					
Central Bank	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5	522.9	484.1	593.2					
Commercial banks	(456.6)	(449.5)	(548.4)	(583.2)	(634.6)	(689.6)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(610.6)					
Net domestic assets	3,230.2	3,572.2	3,874.7	3,926.8	3,972.3	4,061.4	4,092.4	4,045.0	3,939.8	3,814.1	4,025.3	4,092.9					
Domestic credit	3,736.8	4,158.4	4,553.8	4,596.9	4,674.3	4,752.1	4,793.2	4,800.3	4,731.4	4,607.0	4,822.8	4,896.9					
Public sector	665.4	645.3	771.9	782.3	849.6	883.8	867.6	918.4	890.7	708.7	874.9	904.6					
Government (net)	491.5	504.1	622.8	593.3	659.5	681.4	648.2	693.7	668.4	483.1	502.1	539.6					
Rest of public sector	173.9	141.2	149.1	189.0	190.1	202.4	219.4	224.7	222.3	225.6	372.8	365.0					
Private sector	3,071.4	3,513.1	3,781.9	3,814.6	3,824.7	3,868.3	3,925.6	3,881.9	3,840.7	3,898.3	3,947.9	3,992.3					
Other items (net)	(506.6)	(586.2)	(679.1)	(670.1)	(702.0)	(690.7)	(700.8)	(755.3)	(791.6)	(792.9)	(797.5)	(804.0)					
Monetary liabilities	3,177.6	3,465.3	3,638.7	3,723.7	3,798.4	3,778.6	3,742.7	3,844.4	3,834.6	3,846.4	3,894.4	4,075.5					
Money	754.1	796.6	769.2	784.7	825.3	825.8	808.5	856.4	855.7	870.2	895.8	994.1					
Currency	148.9	151.9	153.5	147.3	154.6	149.6	154.8	148.6	155.4	150.7	160.1	153.4					
Demand deposits	605.2	644.7	615.7	637.4	670.7	676.2	653.7	707.8	700.3	719.5	735.7	840.7					
Quasi-money	2,423.5	2,668.7	2,869.5	2,939.0	2,973.1	2,952.8	2,934.2	2,988.0	2,978.9	2,976.2	2,998.6	3,081.4					
Savings deposits	545.5	593.4	604.3	628.9	651.0	639.9	630.4	647.2	670.5	673.7	678.5	710.3					
Fixed deposits	1,825.1	1,989.0	2,173.4	2,222.6	2,220.1	2,220.5	2,212.2	2,215.3	2,204.7	2,201.4	2,218.8	2,269.1					
Foreign currency deposits	52.9	86.3	91.8	87.5	102.0	92.4	91.6	125.5	103.7	101.1	101.3	102.0					
	(percentage change)																
Total domestic credit	11.4	11.3	9.5	0.9	1.7	1.7	0.9	0.1	(1.4)	(2.6)	4.7	1.5					
Public sector	13.6	(3.0)	19.6	1.3	8.6	4.0	(1.8)	5.9	(3.0)	(20.4)	23.5	3.4					
Government (net)	9.4	2.6	23.5	(4.7)	11.2	3.3	(4.9)	7.0	(3.6)	(27.7)	3.9	7.5					
Rest of public sector	27.6	(18.8)	5.6	26.8	0.6	6.5	8.4	2.4	(1.1)	1.5	65.2	(2.1)					
Private sector	11.0	14.4	7.7	0.9	0.3	1.1	1.5	(1.1)	(1.1)	1.5	1.3	1.1					
Monetary liabilities	11.1	9.1	5.0	2.3	2.0	(0.5)	(1.0)	2.7	(0.3)	0.3	1.2	4.7					
Money	27.3	5.6	(3.4)	2.0	5.2	0.1	(2.1)	5.9	(0.1)	1.7	2.9	11.0					
Currency	18.2	2.0	1.1	(4.0)	5.0	(3.2)	3.5	(4.0)	4.6	(3.0)	6.2	(4.2)					
Demand deposits	29.8	6.5	(4.5)	3.5	5.2	0.8	(3.3)	8.3	(1.1)	2.7	2.3	14.3					
Quasi-money	6.9	10.1	7.5	2.4	1.2	(0.7)	(0.6)	1.8	(0.3)	(0.1)	0.8	2.8					

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B\$ Millions)

End of Period	2001			2002			2003			2004		
	1999	2000	2001	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets												
Balances with banks abroad	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5	522.9	484.1	593.2
Foreign securities	180.6	119.3	44.5	100.5	180.8	147.7	126.3	177.3	195.3	221.1	183.5	279.6
Reserve position in the Fund	214.8	215.1	260.0	271.8	271.5	250.8	238.3	258.6	268.3	292.8	291.3	304.3
SDR holdings	8.6	8.1	7.8	7.8	8.3	8.3	8.5	8.6	8.8	8.9	9.3	9.3
	--	0.1	0.1	--	0.1	--	0.1	--	0.1	0.1	--	--
Net domestic assets												
Net claims on government	(16.6)	31.4	107.5	66.5	52.1	71.8	92.0	43.3	11.2	(51.1)	15.3	15.1
Claims	69.8	120.7	187.4	160.7	141.0	157.5	172.9	158.7	109.6	77.9	108.4	118.0
Treasury bills	73.0	128.5	189.7	162.7	148.2	167.5	182.4	167.6	117.4	85.6	114.8	122.2
Bahamas registered stock	13.9	66.2	98.8	57.7	38.7	60.6	72.0	62.9	7.0	--	--	--
Loans and advances	5.6	8.8	34.0	38.8	42.1	39.5	38.6	37.9	44.6	48.6	43.8	51.1
Deposits	53.5	53.5	56.9	66.2	67.4	67.4	71.8	66.8	65.8	37.0	71.0	71.0
In local currency	(3.2)	(7.8)	(2.3)	(2.0)	(7.2)	(10.0)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(4.1)
In foreign currency	(3.2)	(7.8)	(2.3)	(2.0)	(7.2)	(10.0)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(4.1)
	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(17.4)	(14.8)	(10.3)	(25.9)	(21.6)	(16.2)	(10.1)	(45.7)	(30.0)	(59.4)	(21.6)	(73.9)
Credit to commercial banks	0.2	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(90.7)	(98.0)	(94.3)	(96.6)	(95.1)	(97.6)	(98.3)	(99.7)	(97.3)	(97.5)	(97.3)	(98.8)
Net unclassified assets	13.6	15.1	16.8	20.4	20.1	20.4	19.9	22.4	21.4	20.5	18.5	62.6
Loans to rest of public sector	6.5	7.6	7.1	7.1	6.9	6.9	6.7	6.7	6.6	6.5	6.4	6.3
Public Corp Bonds/Securities	1.4	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9
Liabs. to Commercial Banks & OLFIs	(225.0)	(209.3)	(253.6)	(286.5)	(344.6)	(315.5)	(296.5)	(325.1)	(314.0)	(306.5)	(324.2)	(394.8)
Notes and coins	(74.7)	(64.4)	(64.9)	(45.3)	(40.2)	(43.2)	(66.3)	(43.8)	(42.9)	(51.0)	(79.6)	(62.5)
Deposits	(150.3)	(144.9)	(188.7)	(241.2)	(304.4)	(272.3)	(230.2)	(281.3)	(271.1)	(255.5)	(244.6)	(332.3)
SDR allocation	(14.0)	(13.3)	(12.8)	(12.8)	(13.6)	(13.6)	(13.9)	(14.1)	(14.3)	(14.6)	(15.2)	(15.1)
Currency held by the private sector	(148.4)	(151.4)	(153.5)	(147.3)	(154.6)	(149.5)	(154.8)	(148.6)	(155.4)	(150.7)	(160.1)	(153.4)

Source: The Central Bank of The Bahamas

TABLE 4
COMMERCIAL BANKS BALANCE SHEET

End of Period	2000			2001			2002			2003			2004			
	1999	2000	2001	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	(456.6)	(449.5)	(548.4)	(583.2)	(634.6)	(689.6)	(722.9)	(645.1)	(577.7)	(490.6)	(615.0)	(610.6)				
Net claims on Central Bank	225.4	207.1	248.7	279.4	339.2	310.1	291.2	317.9	308.0	300.1	316.8	394.0				
Notes and Coins	74.2	63.9	64.9	45.3	40.2	43.2	66.3	43.9	42.9	51.0	79.6	62.5				
Balances	152.0	144.0	184.6	234.9	299.8	267.7	225.7	274.8	265.9	249.9	238.0	332.3				
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8				
Net domestic assets	3,026.5	3,244.3	3,421.3	3,509.5	3,568.3	3,635.4	3,653.8	3,632.9	3,599.6	3,542.6	3,698.2	3,758.7				
Net claims on government	421.7	383.4	435.4	432.6	518.5	523.9	475.3	535.0	558.8	405.2	393.7	421.5				
Treasury bills	93.4	49.9	63.5	93.8	106.8	72.9	38.8	45.0	69.5	71.9	47.6	73.0				
Other securities	327.4	315.3	314.2	302.5	312.7	326.5	338.1	338.3	350.0	369.2	365.2	364.2				
Loans and advances	68.4	89.0	115.4	98.2	179.8	201.6	170.0	219.6	214.1	45.6	74.5	81.3				
Less: deposits	67.5	70.8	57.7	61.9	80.8	77.1	71.6	67.9	74.8	81.5	93.6	97.0				
Net claims on rest of public sector	(50.0)	(163.8)	(212.1)	(163.6)	(166.9)	(162.3)	(143.9)	(127.2)	(104.5)	(65.9)	53.0	51.6				
Securities	8.5	6.9	8.0	9.8	9.8	9.8	9.3	8.2	8.6	19.7	18.6	21.3				
Loans and advances	157.5	125.9	133.2	171.3	172.6	184.9	202.5	208.9	206.2	198.5	347.0	336.4				
Less: deposits	216.0	296.6	353.3	344.7	349.3	357.0	355.7	344.3	319.3	284.1	312.6	306.1				
Net claims on OLFs.	(19.4)	(10.1)	(0.8)	(2.7)	(7.4)	15.7	16.3	11.8	6.2	--	1.2	(8.3)				
Credit to the private sector	3,071.4	3,513.1	3,781.9	3,814.6	3,824.7	3,868.3	3,925.6	3,881.9	3,840.7	3,898.3	3,947.9	3,992.3				
Securities	5.3	6.9	6.3	6.7	6.7	7.9	7.4	7.4	7.3	9.7	16.3	12.9				
Loans and advances	3,066.1	3,506.2	3,775.6	3,807.9	3,818.0	3,860.4	3,918.2	3,874.5	3,833.4	3,888.6	3,931.6	3,979.4				
Private capital and surplus	(415.3)	(509.9)	(592.8)	(591.6)	(612.1)	(626.4)	(660.4)	(692.0)	(695.0)	(907.9)	(974.5)	(982.0)				
Net unclassified assets	18.1	31.6	9.7	20.2	11.5	16.2	40.9	23.4	(6.6)	212.9	276.9	283.6				
Liabilities to private sector	2,795.3	3,001.9	3,121.6	3,205.7	3,272.9	3,255.9	3,222.1	3,305.7	3,329.9	3,352.1	3,400.0	3,542.1				
Demand deposits	601.8	669.6	661.9	658.0	703.3	695.0	681.3	717.9	717.1	711.9	754.6	809.2				
Savings deposits	544.5	596.9	606.2	630.9	653.4	643.6	634.3	651.0	674.4	676.4	681.9	713.8				
Fixed deposits	1,649.0	1,735.4	1,853.5	1,916.8	1,916.2	1,917.3	1,906.5	1,936.8	1,938.4	1,963.8	1,963.5	2,019.1				

Source: The Central Bank of The Bahamas

TABLE 5
OTHER LOCAL FINANCIAL INSTITUTIONS BALANCE SHEET

(B\$ Millions)

End of Period	1999	2000	2001	2002			2003			2004		
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	2.1	20.3	1.5	(4.6)	(4.7)	(8.3)	(7.6)	(9.3)	(17.9)	(17.9)	(13.1)	(16.6)
Net claims on Central Bank	4.1	(4.8)	4.0	4.2	4.3	(0.5)	4.6	4.9	5.3	5.5	5.6	5.7
Notes and Coins	0.5	0.5	--	--	--	--	--	--	--	--	--	--
Balances	3.6	4.7	4.0	4.2	4.3	4.5	4.6	4.9	5.3	5.5	5.6	5.7
Less Central Bank credit	--	10.0	--	--	--	5.0	--	--	--	--	--	--
Net domestic assets	63.3	77.7	72.8	78.4	91.8	95.3	96.5	106.6	118.9	121.8	116.4	120.9
Net claims on government	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.1	3.2	4.1	4.4	4.4
Treasury bills	--	--	--	--	--	--	--	--	--	--	--	--
Other securities	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.1	3.2	4.1	4.4	4.4
Loans and advances	--	--	--	--	--	--	--	--	--	--	--	--
Less: deposits	--	--	--	--	--	--	--	--	--	--	--	--
Net claims on rest of public sector	(0.9)	(0.9)	0.1	0.1	0.1	0.1	0.1	--	--	--	--	--
Securities	0.1	0.1	0.1	0.1	0.1	0.1	0.1	--	--	--	--	--
Loans and advances	--	--	--	--	--	--	--	--	--	--	--	--
Less: deposits	1.0	1.0	--	--	--	--	--	--	--	--	--	--
Net claims on commercial banks	17.4	12.4	1.6	(0.4)	5.5	(9.0)	(12.9)	(13.8)	(4.1)	(3.0)	(3.1)	4.4
Credit to the private sector	83.8	115.7	120.2	125.4	131.7	136.5	144.0	149.0	148.6	147.2	146.7	143.6
Securities	0.4	4.2	2.7	3.0	3.1	2.9	2.7	2.1	2.0	3.0	4.1	4.4
Mortgages	67.0	90.5	110.4	115.5	121.2	126.0	134.4	139.9	139.9	137.6	136.3	130.7
Loans and advances	16.4	21.0	7.1	6.9	7.4	7.6	6.9	7.0	6.7	6.6	6.3	8.5
Private capital and surplus	(56.1)	(66.9)	(68.4)	(67.8)	(64.0)	(60.2)	(62.5)	(62.3)	(52.0)	(50.1)	(58.1)	(56.4)
Net unclassified assets	15.2	13.0	16.1	18.0	15.4	24.7	24.7	30.6	23.2	23.6	26.5	24.9
Liabilities to private sector	69.5	93.2	78.3	78.0	91.4	86.5	93.5	102.2	106.3	109.5	108.9	110.0
Demand deposits	4.6	11.7	7.5	7.5	10.1	7.8	9.2	10.0	9.3	11.8	11.6	12.0
Savings deposits	2.5	2.7	0.2	0.2	0.2	0.4	0.3	0.3	0.3	0.3	0.2	0.2
Fixed deposits	62.4	78.8	70.6	70.3	81.1	78.3	84.0	91.9	96.7	97.4	97.1	97.8

Source: The Central Bank of The Bahamas

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

Period	2001				2002				2003			
	1999	2000	2001		Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
1. Interest Income	362,402	413,531	447,572	109,442	109,521	103,826	108,875	105,343	110,339	110,420	108,997	
2. Interest Expense	144,698	133,850	146,688	40,630	41,602	37,542	40,118	38,825	42,002	42,257	40,987	
3. Interest Margin (1-2)	217,704	279,681	300,884	68,812	67,919	66,284	68,757	66,518	68,337	68,163	68,010	
4. Commission & Forex Income	22,779	23,561	24,401	5,844	5,946	5,580	5,998	5,995	6,109	6,466	6,467	
5. Gross Earnings Margin (3+4)	240,483	303,242	325,285	74,656	73,865	71,864	74,755	72,513	74,446	74,629	72,891	
6. Staff Costs	93,338	101,771	105,518	24,376	26,643	25,422	34,627	31,003	27,084	29,128	27,603	
7. Occupancy Costs	14,892	17,180	18,412	3,693	3,866	4,732	3,758	4,543	4,734	4,545	4,763	
8. Other Operating Costs	45,282	45,734	51,792	14,936	10,893	11,288	11,253	10,759	11,138	12,145	18,140	
9. Operating Costs (6+7+8)	153,512	164,685	175,722	43,005	41,402	41,442	49,638	46,305	42,956	45,818	50,506	
10. Net Earnings Margin (5-9)	86,971	138,557	149,563	31,651	32,463	30,422	25,117	26,208	31,490	28,811	22,385	
11. Depreciation Costs	11,676	10,896	10,848	3,195	2,170	2,413	2,682	2,516	2,684	12,433	5,170	
12. Provisions for Bad Debt	18,416	27,431	33,096	7,723	5,315	8,115	8,404	8,774	6,405	12,641	10,742	
13. Other Income	47,985	58,384	58,421	15,373	14,106	14,105	20,271	18,716	17,828	18,533	20,592	
14. Other Income (Net) (13-11-12)	17,893	20,057	14,477	4,455	6,621	3,577	9,185	7,426	8,739	(6,541)	4,680	
15. Net Income (10+14)	104,864	158,614	164,040	36,106	39,084	33,999	34,302	33,634	40,229	22,270	27,065	
16. Effective Interest Rate Spread (%)	6.45	5.74	6.31	6.12	6.00	5.96	6.40	5.92	5.96	6.04	6.04	
(Ratios To Average Assets)												
Interest Margin	5.18	6.07	6.07	5.20	5.03	4.80	4.94	4.70	4.81	4.69	4.62	
Commission & Forex Income	0.54	0.52	0.50	0.44	0.44	0.40	0.43	0.42	0.43	0.44	0.33	
Gross Earnings Margin	5.72	6.59	6.56	5.64	5.47	5.21	5.37	5.12	5.24	5.13	4.95	
Operating Costs	3.65	3.58	3.55	3.25	3.07	3.00	3.56	3.27	3.03	3.15	3.43	
Net Earnings Margin	2.07	3.01	3.02	2.39	2.41	2.21	1.80	1.85	2.22	1.98	1.52	
Net Income	2.50	3.44	3.31	2.73	2.90	2.46	2.46	2.37	2.83	1.53	1.84	

*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 7
MONEY SUPPLY

(B\$ Millions)

End of Period	1999			2000			2001			2002			2003			2004		
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.
Money supply (M1)	758.2	807.8	776.7	792.1	835.3	833.6	817.7	866.4	865.0	881.9	907.4	1006.1						
1) Currency in active circulation	148.4	151.4	153.5	147.3	154.6	149.5	154.8	148.6	155.4	150.7	160.1	153.4						
2) Demand deposits	609.8	656.4	623.2	644.8	680.7	684.1	662.9	717.8	709.6	731.2	747.3	852.7						
Central Bank	17.4	14.8	10.3	25.9	21.6	16.2	10.1	45.7	30.0	59.5	21.7	73.9						
Commercial banks	587.8	629.9	605.3	611.4	649.0	660.1	643.6	662.1	670.3	660.0	714.0	766.8						
OLFIs	4.6	11.7	7.6	7.5	10.1	7.8	9.2	10.0	9.3	11.7	11.6	12.0						
Factors affecting changes in money (M1)																		
1) Net credit to government	495.4	508.5	626.0	596.4	662.6	684.6	651.3	696.8	671.6	487.2	506.5	543.9						
Central Bank	69.8	120.7	187.4	160.7	141.0	157.5	172.9	158.7	109.6	77.9	108.4	118.0						
Commercial banks	421.7	383.4	435.4	432.6	518.5	523.9	475.3	535.0	558.8	405.2	393.7	421.5						
OLFIs	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.1	3.2	4.1	4.4	4.4						
2) Other credit	3,329.2	3,770.1	4,051.3	4,129.1	4,146.6	4,207.3	4,289.1	4,255.6	4,211.6	4,271.1	4,467.5	4,500.9						
Rest of public sector	174.0	141.3	149.2	189.1	190.2	202.5	219.5	224.7	222.3	225.6	372.9	365.0						
Private sector	3,155.2	3,628.8	3,902.1	3,940.0	3,956.4	4,004.8	4,069.6	4,030.9	3,989.3	4,045.5	4,094.6	4,135.9						
3) External reserves	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5	522.9	484.1	593.2						
4) Other external liabilities (net)	(454.5)	(429.2)	(546.9)	(587.8)	(639.3)	(697.9)	(730.5)	(654.4)	(595.6)	(508.5)	(628.1)	(627.2)						
5) Quasi money	2,489.4	2,751.2	2,940.4	3,009.6	3,054.5	3,031.5	3,018.5	3,080.2	3,075.9	3,074.0	3,095.9	3,179.5						
6) Other items (net)	(526.5)	(633.0)	(725.7)	(716.1)	(740.8)	(735.7)	(746.9)	(795.9)	(819.2)	(816.9)	(826.7)	(825.2)						

Source: The Central Bank of The Bahamas

TABLE 8
CONSUMER INSTALMENT CREDIT

(B\$' 000)

End of Period	2001				2002				2003				2004	
	2001		2002		2003		2004		2003		2004		2004	
	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Mar.	Jun.	Sept.	Dec.	Add-on	Demand*
CREDIT OUTSTANDING														
Private cars	405	270,662	201	244,977	48	235,260	44	229,025	27	223,320	19	221,315	8	218,505
Taxis & rented cars	--	2,251	--	1,976	--	2,028	--	1,991	--	2,010	--	2,054	--	1,835
Commercial vehicles	8	4,385	--	4,513	--	4,240	--	4,032	--	4,082	--	4,254	--	4,312
Furnishings & domestic appliances	7	17,514	2	14,529	--	13,762	--	12,974	--	12,584	--	12,727	--	12,472
Travel	25	43,391	13	43,122	--	38,129	--	37,504	--	40,814	--	40,815	--	38,790
Education	16	49,569	8	59,479	--	57,969	--	47,326	--	51,936	--	49,903	--	49,646
Medical	22	13,304	10	14,308	--	13,843	--	13,803	--	13,892	--	13,662	--	13,525
Home Improvements	180	126,542	99	111,702	67	109,922	67	108,981	65	108,348	64	109,232	9	107,272
Land Purchases	61	95,251	34	110,441	6	111,161	5	115,445	4	117,191	3	120,262	2	130,164
Consolidation of debt	501	356,914	256	350,686	137	347,965	131	350,753	123	348,581	113	343,547	83	346,844
Miscellaneous	237	340,739	99	342,527	47	328,588	40	331,397	20	337,723	18	334,249	17	334,922
Credit Cards	--	137,768	--	158,784	--	153,302	--	155,004	--	162,388	--	148,265	--	145,868
TOTAL	1,462	1,458,290	722	1,457,044	305	1,416,169	287	1,408,235	239	1,422,869	217	1,400,285	119	1,404,155
NET CREDIT EXTENDED														
Private cars	(198)	(13,704)	(204)	(25,685)	(153)	(8,686)	(4)	(6,235)	(17)	(5,705)	(8)	(2,005)	(11)	(2,810)
Taxis & rented cars	--	129	--	(275)	--	52	--	(37)	--	19	--	44	0	(219)
Commercial vehicles	(1)	(527)	(8)	128	--	218	--	(208)	--	50	--	172	0	58
Furnishings & domestic appliances	(33)	(40)	(5)	(2,985)	(2)	(1,940)	--	(788)	--	(390)	--	143	0	(255)
Travel	(27)	(1,286)	(12)	(269)	(13)	(4,905)	--	(625)	--	3,310	--	1	0	(2,025)
Education	(14)	16,601	(8)	9,910	(8)	(1,651)	--	(10,643)	--	4,610	--	(2,033)	0	(257)
Medical	(8)	529	(12)	1,004	(10)	(321)	--	(40)	--	89	--	(230)	0	(137)
Home Improvements	(117)	4,976	(81)	(14,840)	(32)	1,921	--	(941)	(2)	(633)	(1)	884	(55)	(1,960)
Land Purchases	(46)	3,690	(27)	15,190	(28)	3,930	(1)	4,284	(1)	1,746	(1)	3,071	(1)	9,902
Consolidation of debt	(212)	3,444	(245)	(6,228)	(119)	(11,147)	(6)	2,788	(8)	(2,172)	(10)	(5,034)	(30)	3,297
Miscellaneous	(183)	27,274	(138)	1,788	(52)	(10,433)	(7)	2,809	(20)	6,326	(2)	(3,474)	(1)	673
Credit Cards	--	6,467	--	21,016	--	(5,482)	--	1,702	--	7,384	--	(14,123)	0	(2,397)
TOTAL	(839)	47,553	(740)	(1,246)	(417)	(38,444)	(18)	(7,934)	(48)	14,634	(22)	(22,584)	(98)	3,870

Source: The Central Bank of The Bahamas
* Includes Consumer Credit previously reported under Personal Loan.

TABLE 9
SELECTED AVERAGE INTEREST RATES

Period	2001		2002		2003		2002		2003		2004	
	2001	2002	2002	2003	2003	2004	2002	2003	2003	2004	2004	2004
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
COMMERCIAL BANKS												
Deposit rates												
Savings deposits	2.69	2.77	2.66	2.73	2.78	2.82	2.73	2.74	2.72	2.56	2.60	2.80
Fixed deposits												
Up to 3 months	4.19	4.04	3.81	4.27	4.15	3.89	3.83	3.95	3.76	3.71	3.82	3.79
Up to 6 months	4.62	4.32	4.11	4.70	4.51	4.05	4.02	4.42	4.01	3.99	4.01	4.09
Up to 12 months	4.72	4.49	4.38	4.83	4.48	4.21	4.43	4.62	4.30	4.14	4.47	4.41
Over 12 months	4.99	4.62	4.59	5.28	4.56	4.22	4.40	4.48	4.36	4.66	4.86	4.88
Weighted average rate	4.24	4.11	3.93	4.37	4.22	3.95	3.91	4.03	3.86	3.81	4.00	3.96
Lending rates												
Residential mortgages	8.95	8.90	8.99	8.88	8.97	8.88	8.85	9.01	9.00	8.91	9.02	8.89
Commercial mortgages	8.87	9.04	9.58	9.07	9.30	8.85	8.92	9.24	10.82	9.20	9.04	8.78
Consumer loans	13.41	13.07	13.83	12.31	13.78	13.07	13.12	13.94	13.95	13.89	13.53	13.35
Overdrafts	10.43	10.63	11.56	10.18	10.60	10.61	11.11	11.04	11.09	11.66	12.45	11.77
Weighted average rate	11.47	11.33	12.04	11.20	11.71	11.21	11.18	11.73	12.17	12.15	12.10	11.50
OLFI												
Deposit rates												
Savings deposits	3.55	--	1.75	--	--	--	--	--	--	1.75	--	--
Fixed deposits												
Up to 3 months	4.13	4.10	4.14	4.25	4.39	4.27	3.48	3.92	4.06	4.32	4.27	4.38
Up to 6 months	4.16	3.91	4.07	3.92	4.27	3.50	3.95	3.70	4.35	3.89	4.32	4.03
Up to 12 months	4.06	4.22	4.43	4.46	4.12	4.22	4.09	4.18	4.71	4.33	4.50	4.31
Over 12 months	4.17	--	--	--	--	--	--	--	--	--	--	4.24
Weighted average rate	4.25	4.39	4.45	4.55	4.63	4.37	4.01	4.25	4.62	4.37	4.54	4.35
Lending rates												
Residential mortgages	8.89	8.64	6.59	8.91	9.14	8.23	8.28	9.07	8.35	8.92	--	8.25
Commercial mortgages	--	9.77	--	--	9.77	--	--	--	--	--	--	--
Consumer loans	14.97	--	9.99	--	--	--	--	--	--	9.99	--	--
Other loans	9.36	8.70	8.41	8.01	8.97	8.34	9.48	8.00	--	9.75	7.48	--
Weighted average rate	11.25	8.64	8.51	8.86	9.07	8.12	8.52	8.98	8.35	9.21	7.48	8.25
Other rates												
Prime rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Treasury bill (90 days)	1.94	2.50	1.78	2.63	2.96	2.37	2.02	1.89	2.02	1.74	1.45	0.94
Treasury bill re-discount rate	2.45	3.00	2.28	3.13	3.46	2.87	2.52	2.39	2.52	2.24	1.95	1.44
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

End of Period	(B\$ Millions)																
	1999			2000			2001			2002			2003			2004	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.
I. Statutory Reserves																	
Required reserves	153.9	166.6	176.1	178.6	181.9	184.3	183.4	184.3	185.4	185.4	185.4	187.2	184.3	185.4	185.4	187.2	192.7
Average Till Cash	61.0	59.6	51.2	47.3	41.4	44.4	55.3	44.4	42.8	42.8	50.7	66.7	42.9	42.8	50.7	66.7	57.1
Average balance with central bank	174.7	149.4	182.2	246.2	284.7	286.7	217.8	286.7	270.5	270.5	274.3	250.2	271.2	270.5	274.3	250.2	326.9
Free cash reserves (period ended)	81.0	41.6	56.5	114.1	143.4	146.0	88.9	146.0	127.1	127.1	138.9	128.9	129.0	127.1	138.9	128.9	190.5
II. Liquid Assets (period)																	
A. Minimum required Liquid assets	507.9	539.1	569.3	585.2	599.2	593.4	589.9	593.4	600.3	600.3	598.8	615.6	599.2	600.3	598.8	615.6	637.1
B. Net Eligible Liquid Assets	656.6	579.2	636.7	691.1	772.4	722.1	687.6	722.1	748.6	748.6	776.1	772.3	722.6	748.6	776.1	772.3	874.8
i) Balance with Central Bank	155.5	148.2	188.6	239.1	304.1	272.3	230.3	272.3	271.1	271.1	255.5	243.5	279.7	271.1	255.5	243.5	338.0
ii) Notes and Coins	75.1	64.9	65.4	45.8	40.7	43.7	66.8	43.7	43.4	43.4	51.5	80.1	44.4	43.4	51.5	80.1	63.0
iii) Treasury Bills	93.4	49.9	63.5	93.8	106.8	72.9	38.8	72.9	69.5	69.5	71.9	47.6	45.0	69.5	71.9	47.6	73.0
iv) Government registered stocks	311.4	303.7	306.4	294.6	305.8	320.7	335.3	320.7	350.2	350.2	370.2	369.5	336.9	350.2	370.2	369.5	368.6
v) Specified assets	20.8	20.2	16.9	18.9	18.7	18.3	17.9	18.3	15.7	15.7	26.7	26.8	16.9	15.7	26.7	26.8	29.1
vi) Net Inter-bank dem/call deposits	1.2	(6.9)	(3.3)	(0.3)	(2.9)	(5.0)	(0.7)	(5.0)	(0.5)	(0.5)	1.1	5.6	0.5	(0.5)	1.1	5.6	3.9
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
C. Surplus/(Deficit)	148.7	40.1	67.4	105.9	173.2	128.7	97.7	128.7	148.3	148.3	177.3	156.7	123.4	148.3	177.3	156.7	237.7

Source: The Central Bank of The Bahamas

TABLE II
GOVERNMENT OPERATIONS AND FINANCING

Period	(B\$ Millions)															
	2000/01p				2001/02p				2002/03p				Budget			
	2000/01p	2001/02p	2002/03p	2002/03	2003/04	2002/03p		2003/04p		QTR. I	QTR. II	QTR. III	QTR. IV			
Total Revenue & Grants	957.5	856.8	901.8	962.8	991.5	218.8	234.3	217.5	231.2	250.7						
Current expenditure	847.7	896.7	962.8	953.9	968.9	236.5	296.0	222.6	239.9	249.3						
Capital expenditure	85.0	103.6	83.8	127.4	119.7	16.2	32.4	8.1	16.0	19.1						
Net lending	42.5	27.5	43.1	28.0	25.9	12.1	14.7	6.4	8.8	9.0						
Overall balance	(17.7)	(171.0)	(187.9)	(146.5)	(123.0)	(46.0)	(108.8)	(19.6)	(33.5)	(26.7)						
FINANCING (I+II-III+IV+V)	17.7	171.0	187.9	146.5	123.0	46.0	108.8	19.6	33.5	26.7						
I. Foreign currency borrowing	4.3	143.6	34.4	29.7	26.1	0.3	1.5	202.8	0.4	0.1						
External	4.3	18.6	9.4	29.7	26.1	0.3	1.5	202.8	0.4	0.1						
Domestic	--	125.0	25.0	...	...	--	--	--	--	--				
II. Bahamian dollar borrowing	75.8	157.7	205.9	186.2	173.3	--	61.1	75.0	34.0	23.3						
i) Treasury bills	20.0	26.9	--	...	...	--	--	--	--	--				
Central Bank	20.0	16.1	--	...	...	--	--	--	--	--				
Commercial banks & OLF's	--	10.8	--	...	...	--	--	--	--	--				
Public corporations	--	--	--	...	...	--	--	--	--	--				
Other	--	--	--	...	...	--	--	--	--	--				
ii) Long-term securities	55.8	95.7	186.1	...	...	--	61.1	75.0	--	23.3				
Central Bank	6.5	66.4	20.0	...	...	--	10.0	10.0	--	--				
Commercial banks & OLF's	8.9	10.1	56.4	...	...	--	16.1	20.1	--	--				
Public corporations	14.4	4.8	33.2	...	...	--	14.9	21.7	--	--				
Other	26.0	14.4	76.5	...	...	--	20.1	23.2	--	--				
iii) Loans and Advances	--	35.1	19.8	...	...	--	--	--	34.0	--				
Central Bank	--	33.9	4.3	...	...	--	--	--	34.0	--				
Commercial banks	--	1.2	15.5	...	...	--	--	--	--	--				
III Debt repayment	75.6	144.8	62.3	66.8	74.0	13.7	1.3	202.5	24.6	22.2						
Domestic	67.1	111.1	54.4	59.1	65.3	10.0	1.0	198.8	23.3	20.0						
Bahamian dollars	60.4	76.6	49.4	54.1	60.3	10.0	1.0	73.8	18.3	20.0						
Internal foreign currency	6.7	34.5	5.0	5.0	5.0	--	--	125.0	5.0	--						
External	8.5	33.7	7.9	7.7	8.7	3.7	0.3	3.7	1.3	2.2						
IV. Cash balance change	10.3	(3.3)	15.3	...	...	4.3	(5.7)	(6.6)	(10.7)	(1.1)				
V. Other Financing	2.9	17.8	(5.4)	(2.6)	(2.4)	55.1	53.2	(49.1)	34.4	26.6						

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	2001p		2002p		2003p		2003			2004p		
							Mar.	June	Sept.	Dec.	Mar.	
TOTAL EXTERNAL DEBT												
By Instrument												
Government Securities	117,619	96,077	293,070	293,070	92,708	93,943	293,029	293,070	293,070	293,070	291,035	
Loans	50,500	25,000	225,000	225,000	25,000	25,000	225,000	225,000	225,000	225,000	225,000	
By Holder												
Commercial banks	67,119	71,077	68,070	68,070	67,708	68,943	68,029	68,070	68,070	68,070	66,035	
Offshore financial institutions	15,458	10,305	5,153	5,153	7,729	7,729	5,153	5,153	5,153	5,153	3,864	
Multilateral institutions	500	--	--	--	--	--	--	--	--	--	--	
Bilateral Institutions	51,661	60,772	62,917	62,917	59,979	61,214	62,876	62,917	62,917	62,917	62,171	
Private Capital Markets	--	--	--	--	--	--	--	--	--	--	--	
	50,000	25,000	225,000	225,000	25,000	25,000	225,000	225,000	225,000	225,000	225,000	
TOTAL INTERNAL DEBT												
By Instrument												
Foreign Currency	1,486,044	1,710,531	1,647,607	1,647,607	1,700,531	1,760,631	1,636,863	1,647,607	1,647,607	1,647,607	1,650,897	
Government securities	36,390	130,000	--	--	130,000	130,000	5,000	5,000	5,000	5,000	--	
Loans	11,000	5,000	--	--	5,000	5,000	5,000	5,000	5,000	5,000	--	
	25,390	125,000	--	--	125,000	125,000	--	--	--	--	--	
Bahamian Dollars	1,449,654	1,580,531	1,647,607	1,647,607	1,570,531	1,630,631	1,631,863	1,647,607	1,647,607	1,647,607	1,650,897	
Advances	56,945	71,787	71,019	71,019	66,787	65,787	37,019	71,019	71,019	71,019	71,019	
Treasury bills	168,600	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400	
Government securities	1,213,633	1,304,098	1,386,943	1,386,943	1,299,098	1,360,198	1,405,198	1,386,943	1,386,943	1,386,943	1,390,233	
Loans	10,476	25,246	10,245	10,245	25,246	25,246	10,246	10,245	10,245	10,245	10,245	
By Holder												
Foreign Currency	36,390	130,000	--	--	130,000	130,000	5,000	5,000	5,000	5,000	--	
Commercial banks	36,390	130,000	--	--	130,000	130,000	5,000	5,000	5,000	5,000	--	
Other local financial institutions	--	--	--	--	--	--	--	--	--	--	--	
Bahamian Dollars	1,449,654	1,580,531	1,647,607	1,647,607	1,570,531	1,630,631	1,631,863	1,647,607	1,647,607	1,647,607	1,650,897	
The Central Bank	190,554	182,823	114,800	114,800	167,987	117,430	85,613	114,800	114,800	114,800	122,170	
Commercial banks	375,771	399,697	423,997	423,997	399,954	441,661	453,294	423,997	423,997	423,997	447,876	
Other local financial institutions	3,128	3,128	3,128	3,128	3,127	3,128	3,127	3,128	3,128	3,128	5,367	
Public corporations	562,309	619,284	673,345	673,345	618,835	665,756	661,422	673,345	673,345	673,345	637,479	
Other	317,892	375,599	432,337	432,337	380,628	402,656	428,407	432,337	432,337	432,337	438,005	
	154,009	226,077	293,070	293,070	222,708	223,943	298,029	293,070	293,070	293,070	291,035	
TOTAL FOREIGN CURRENCY DEBT												
TOTAL DIRECT CHARGE												
	1,603,663	1,806,608	1,940,677	1,940,677	1,793,239	1,854,574	1,929,892	1,940,677	1,940,677	1,940,677	1,941,932	
TOTAL CONTINGENT LIABILITIES												
	358,772	401,682	429,178	429,178	394,048	384,198	398,687	429,178	429,178	429,178	426,482	
TOTAL NATIONAL DEBT												
	1,962,435	2,208,290	2,369,855	2,369,855	2,187,287	2,238,772	2,328,579	2,369,855	2,369,855	2,369,855	2,368,414	

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)											
	2001p	2002p	2003p	2003p			2004p			2004p		
				Mar.	June	Sept.	Dec.	Mar.				
Outstanding debt at beginning of period	425,248	403,010	522,178	522,178	508,118	497,504	559,741	567,376				
Government	131,141	154,009	226,077	226,077	222,708	223,943	298,029	293,070				
Public Corporations	294,107	249,001	296,101	296,101	285,410	273,561	261,712	274,306				
Plus new drawings	58,204	230,974	343,135	559	1,672	203,249	137,655	1,130				
Government	40,687	136,638	206,000	339	1,521	202,811	1,329	124				
Public corporations	17,517	94,336	137,135	220	151	438	136,326	1,006				
Less Amortization	80,442	111,806	297,937	14,619	12,286	141,012	130,020	9,690				
Government	17,819	64,570	139,007	3,708	286	128,725	6,288	2,159				
Public corporations	62,623	47,236	158,930	10,911	12,000	12,287	123,732	7,531				
Outstanding debt at end of period	403,010	522,178	567,376	508,118	497,504	559,741	567,376	558,816				
Government	154,009	226,077	293,070	222,708	223,943	298,029	293,070	291,035				
Public corporations	249,001	296,101	274,306	285,410	273,561	261,712	274,306	267,781				
Interest Charges	29,112	24,703	27,838	4,722	7,145	4,812	11,159	2,393				
Government	9,142	9,558	13,073	1,291	2,869	2,376	6,538	984				
Public corporations	19,970	15,145	14,765	3,431	4,276	2,436	4,621	1,409				
Debt Service	109,554	136,509	325,775 *	19,341	19,431	145,824	141,179 *	12,083				
Government	26,961	74,128	152,080	4,999	3,155	131,101	12,826	3,143				
Public corporations	82,593	62,381	173,695	14,342	16,276	14,723	128,353	8,940				
Debt Service ratio	4.8	5.6	13.6 *	2.9	3.1	25.0	23.0 *	n.a				
Government debt Service/ Government revenue (%)	2.9	8.3	16.9	2.3	1.3	60.3	5.5	1.3				
MEMORANDUM												
Holder distribution (B\$ Mil):												
Commercial banks	113.6	259.7	234.4	251.2	243.2	108.8	234.4	229.3				
Offshore Financial Institutions	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Multilateral Institutions	238.2	237.3	107.9	231.9	229.1	225.8	107.9	106.4				
Bilateral Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Other	0.7	0.2	0.1	0.1	0.2	0.2	0.1	0.1				
Private Capital Markets	50.0	25.0	225.0	25.0	25.0	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 2002 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)																		
	2001p			2002p			2003p			2002			2003			2004			
	Qtr.Ip	Qtr.IIp	Qtr.IIIP	Qtr.Ip	Qtr.IIp	Qtr.IIIP	Qtr.Ip	Qtr.IIp	Qtr.IIIP	Qtr.Ip	Qtr.IIp	Qtr.IIIP	Qtr.Ip	Qtr.IIp	Qtr.IIIP	Qtr.Ip	Qtr.IIp	Qtr.IIIP	
A. Current Account Balance (I+II+III+IV)	(583.9)	(339.2)	(427.7)	(20.0)	(130.9)	(68.2)	(7.0)	(94.2)	(168.8)	(157.7)	(21.1)	(278.8)	(308.1)	(294.7)	(321.9)	(344.2)	108.8	453.0	347.0
I. Merchandise (Net)	(1,340.4)	(1,151.1)	(1,203.5)	(253.3)	(336.7)	(251.4)	(278.8)	(308.1)	(294.7)	(321.9)	(344.2)	107.3	90.0	112.1	115.3	108.8	453.0	347.0	347.0
Exports	423.1	446.3	424.7	100.6	98.9	121.9	107.3	90.0	112.1	115.3	108.8	386.1	398.1	406.8	437.2	453.0	453.0	453.0	453.0
Imports	1,763.5	1,597.4	1,628.2	353.9	435.6	373.3	386.1	398.1	406.8	437.2	453.0	291.7	246.6	162.4	200.7	347.0	347.0	347.0	347.0
II. Services (Net)	891.0	980.3	901.4	269.2	262.0	233.6	291.7	246.6	162.4	200.7	347.0	42.1	(46.2)	(42.6)	(44.4)	(36.3)	477.6	477.6	477.6
Transportation	(200.8)	(165.3)	(175.3)	(38.9)	(48.8)	(34.4)	(42.1)	(46.2)	(42.6)	(44.4)	(36.3)	423.9	395.5	322.2	335.7	477.6	477.6	477.6	477.6
Travel	1,392.1	1,518.2	1,477.3	404.3	412.8	368.0	423.9	395.5	322.2	335.7	477.6	(20.2)	(25.0)	(30.7)	(28.4)	(18.2)	(18.2)	(18.2)	(18.2)
Insurance Services	(14.9)	(91.2)	(104.3)	(16.4)	(20.0)	(29.8)	(20.2)	(25.0)	(30.7)	(28.4)	(18.2)	22.7	20.0	19.2	44.0	22.1	22.1	22.1	22.1
Offshore Companies Local Expenses	56.4	126.4	105.9	23.5	23.5	29.6	22.7	20.0	19.2	44.0	22.1	(22.5)	(17.3)	(4.5)	(13.0)	(5.0)	(5.0)	(5.0)	(5.0)
Other Government	(48.6)	(60.9)	(57.3)	(10.9)	(25.4)	(9.5)	(22.5)	(17.3)	(4.5)	(13.0)	(5.0)	(70.1)	(80.4)	(101.2)	(93.2)	(93.2)	(93.2)	(93.2)	(93.2)
Other Services	(293.2)	(346.9)	(344.9)	(92.4)	(80.1)	(90.3)	(70.1)	(80.4)	(101.2)	(93.2)	(93.2)	(32.9)	(40.0)	(43.9)	(46.5)	(32.8)	(32.8)	(32.8)	(32.8)
III. Income (Net)	(176.2)	(210.7)	(163.3)	(47.3)	(71.9)	(60.7)	(32.9)	(40.0)	(43.9)	(46.5)	(32.8)	(11.4)	(13.1)	(14.3)	(17.5)	(13.2)	(13.2)	(13.2)	(13.2)
1. Compensation of Employees	(48.5)	(49.9)	(56.3)	(10.9)	(13.4)	(12.8)	(11.4)	(13.1)	(14.3)	(17.5)	(13.2)	(21.5)	(26.9)	(29.6)	(29.0)	(19.6)	(19.6)	(19.6)	(19.6)
2. Investment Income	(127.7)	(160.8)	(107.0)	(36.4)	(58.5)	(47.9)	(32.9)	(40.0)	(43.9)	(46.5)	(32.8)	13.0	7.3	7.4	10.0	8.9	8.9	8.9	8.9
IV. Current Transfers (Net)	41.7	42.3	37.7	11.4	15.7	10.3	13.0	7.3	7.4	10.0	8.9	13.5	8.8	9.4	11.3	11.7	11.7	11.7	11.7
1. General Government	45.8	49.0	43.0	11.9	17.5	11.7	13.5	8.8	9.4	11.3	11.7	(0.5)	(1.5)	(2.0)	(1.3)	(2.8)	(2.8)	(2.8)	(2.8)
2. Private Sector	(4.0)	(6.7)	(5.3)	(0.5)	(1.8)	(1.4)	(0.5)	(1.8)	(2.0)	(1.3)	(2.8)	(45.5)	41.8	176.8	36.4	2.4	2.4	2.4	2.4
B. Capital and Financial Account (I+II) (excl. Reserves)	243.3	380.6	209.5	89.5	93.5	102.0	(45.5)	41.8	176.8	36.4	2.4	(9.1)	(7.4)	(8.7)	(12.2)	(8.7)	127.8	127.8	127.8
I. Capital Account (Net Transfers)	(21.3)	(24.5)	(37.4)	(9.4)	(6.3)	(5.5)	(9.1)	(7.4)	(8.7)	(12.2)	(8.7)	(36.4)	49.2	185.5	48.6	11.1	11.1	11.1	11.1
II. Financial Account (Net)	264.6	405.1	246.9	98.5	99.8	107.5	(36.4)	49.2	185.5	48.6	11.1	19.7	42.3	53.0	30.0	12.5	12.5	12.5	12.5
1. Direct Investment	102.1	152.8	145.0	41.7	40.7	33.4	19.7	42.3	53.0	30.0	12.5	(56.1)	6.9	132.5	18.6	(1.4)	(1.4)	(1.4)	(1.4)
2. Other Investments	162.7	252.3	101.9	56.8	59.1	74.1	(56.1)	6.9	132.5	18.6	(1.4)	(3.4)	1.2	199.1	(0.9)	(2.0)	(2.0)	(2.0)	(2.0)
Central Gov't Long Term Capital	6.7	(21.4)	196.0	(3.2)	(21.9)	(3.5)	(3.4)	1.2	199.1	(0.9)	(2.0)	(4.7)	(5.1)	(5.8)	(122.1)	(1.6)	(1.6)	(1.6)	(1.6)
Other Public Sector Capital	(28.7)	(13.5)	(137.7)	(4.1)	(1.5)	(5.9)	(4.7)	(5.1)	(5.8)	(122.1)	(1.6)	(76.1)	(58.8)	(99.9)	118.1	(0.9)	(0.9)	(0.9)	(0.9)
Banks	120.5	183.6	(116.7)	40.9	51.5	58.6	(76.1)	(58.8)	(99.9)	118.1	(0.9)	28.0	69.6	6.8	22.1	3.1	3.1	3.1	3.1
Other	64.2	103.8	126.5	23.2	31.1	25.1	28.0	69.6	6.8	22.1	3.1	123.8	80.5	42.4	82.6	127.8	127.8	127.8	127.8
C. Net Errors and Omissions	310.4	19.3	329.3	(1.9)	118.0	(87.7)	123.8	80.5	42.4	82.6	127.8	71.3	28.1	50.4	(38.7)	109.1	109.1	109.1	109.1
D. Overall Balance (A+B+C)	(30.2)	60.7	111.1	67.6	80.6	(53.9)	71.3	28.1	50.4	(38.7)	109.1	(71.3)	(28.1)	(50.4)	38.7	(109.1)	109.1	109.1	109.1
E. Financing (Net)	30.0	(60.8)	(111.1)	(67.6)	(80.6)	53.9	(71.3)	(28.1)	(50.4)	38.7	(109.1)	0.1	(0.1)	--	--	--	--	--	--
Change in SDR holdings	--	--	0.0	0.1	(0.1)	0.1	0.1	(0.1)	--	--	--	0.1	(0.1)	--	--	--	--	--	--
Change in Reserve Position with the IMF	0.3	(0.6)	(0.9)	0.1	(0.5)	0.0	(0.1)	(0.2)	(0.2)	(0.4)	--	(0.1)	(0.2)	(0.2)	(0.4)	--	--	--	--
Change in Ext. Foreign Assets () = Increase	29.8	(60.2)	(110.2)	(67.8)	(80.0)	53.8	(71.3)	(27.8)	(50.2)	39.1	(109.1)	(71.3)	(27.8)	(50.2)	39.1	(109.1)	(109.1)	(109.1)	(109.1)

Source: The Central Bank of the Bahamas

Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

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

Source: Department of Statistics Quarterly Statistical Summaries
*Revised

TABLE 16
SELECTED TOURISM STATISTICS

Period	2001p	2002p	2003p	2002p			2003p			2004p		
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
Visitor Arrivals	4,182,671	4,405,971	4,594,042	1,216,839	1,123,377	1,040,293	1,025,462	1,229,641	1,185,158	1,052,676	1,126,567	1,392,563
Air	1,428,124	1,402,894	1,428,973	380,480	387,468	335,829	299,117	381,709	396,446	335,622	315,196	411,996
Sea	2,754,547	3,003,077	3,165,069	836,359	735,909	704,464	726,345	847,932	788,712	717,054	811,371	980,567
Visitor Type												
Stopover	1,537,777	1,513,146	1,509,877	398,687	437,839	375,110	301,510	393,081	435,298	362,514	318,984	n.a
Cruise	2,551,673	2,802,112	2,970,174	793,533	668,842	642,068	697,669	804,677	720,834	662,612	782,051	n.a
Day/Transit	93,221	90,713	113,991	24,619	16,696	23,115	26,283	31,883	29,026	27,550	25,532	n.a
Tourist Expenditure(BS 000's)	1,636,450	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Stopover	1,483,576	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	147,580	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Day	5,294	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Number of Hotel Nights	3,498,208	3,443,373	3,546,793	839,021	861,818	855,133	887,401	859,062	897,438	889,775	900,518	956,645
Average Hotel Occupancy Rates (%)												
New Providence	67.2	67.9	66.4	73.4	71.5	68.4	58.2	71.9	70.5	64.5	58.8	69.8
Grand Bahama	49.8	55.2	48.4	59.3	62.2	60.1	39.2	56.9	47.9	46.7	42.1	66.3
Other Family Islands	36.8	34.8	34.8	36.9	44.1	32.1	26.0	34.5	46.1	32.5	25.9	38.6
Average Nightly Room Rates (\$)												
New Providence	160.9	177.6	187.5	188.8	187.7	166.9	167.1	208.8	190.7	166.7	183.8	209.1
Grand Bahama	83.8	80.6	83.5	96.8	84.9	70.6	70.0	96.4	84.3	77.4	75.9	94.3
Other Family Islands	159.7	157.9	159.5	181.4	163.2	152.2	134.7	171.4	159.6	162.1	144.9	174.7

Source: The Ministry of Tourism

GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2003)

INTRODUCTION

This report summarizes the results of the Central Bank's 2003 survey on the gross economic contribution of the financial sector to The Bahamas. Data on the banking sector's involvement in the economy have been collected from as early as 1977. Since 2001, attempts have been made to expand the coverage to capture the contribution among other financial sector entities, including insurance, credit unions, mutual fund administrators and financial and corporate services providers. Although improving, non-bank responses, which are more complete in respect of insurance, mutual funds and credit unions, still only permit partial inferences about this segment's salary and employment contributions.

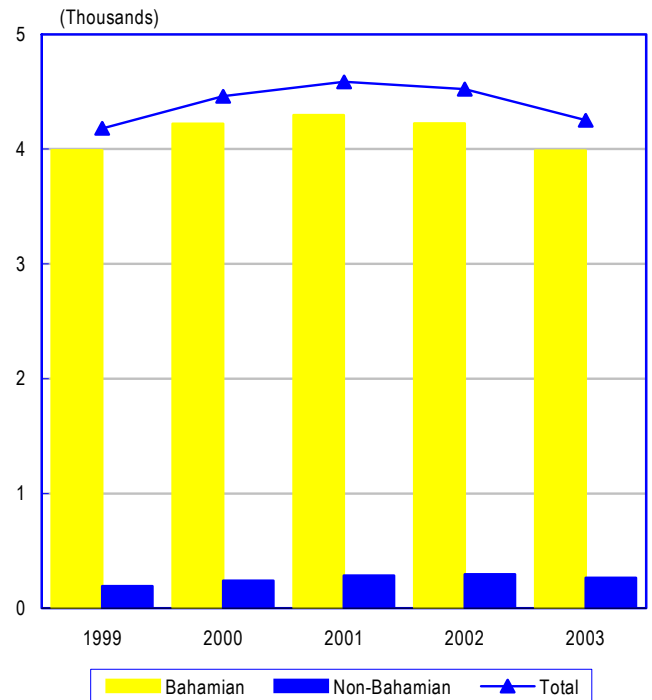
The financial sector's contribution to economic activity, estimated at 15 to 20 percent of Gross Domestic Product (GDP), was upheld in 2003, even as the industry experienced a significant reduction in the number of licensed banks and trust companies, the volume of international business generated for financial and corporate services providers and consolidation in the insurance sector. Industry wide expenditures appeared to be slightly recovered over 2002, when employment reduction and accompanying redundancy payments were more widespread. Ongoing adjustments, which further reduced employment within banking, were partly offset by a more stabilized situation in insurance and the investment funds industry and signs of growth among credit unions. Developments in the regulatory sphere, meanwhile, continue to position The Bahamas more strongly for future growth opportunities relative to less functional offshore centres.

BANKING SECTOR

The banking sector has, for the most part, made all of the necessary adjustments required under the new regulatory regime introduced in 2000. Most noteworthy has been the response to the requirement imposed by the Central Bank in 2001, for all managed or "shell" licensees to establish a physical presence in The Bahamas, with a minimum level of staffing and onshore record

keeping by June 2004. Since the transitioning began, a significant number of institutions decided not to satisfy the requirement and to instead have their licenses revoked. Accordingly, the number of licensed banks and trust companies declined for the third consecutive year, to 284 in 2003 from 301 in 2002 and 356 in 2001. During 2003, licensed public banking and trust operations decreased by 20 to 169, while restricted and non-active operations rose by 3 to 115. The public licensees in the international sector consisted of 42 euro currency branches of foreign banks and trust companies and 103 Bahamian incorporated institutions. The remaining 24 institutions represented domestic operations, comprising 9 Authorized Dealers (commercial banks) and 14 Authorized Agents (trust companies) and one savings and loans bank providing mortgage financing.

Banking Sector Employment



Despite the overall decline in the number of licenses, entities having established physical presence in The Bahamas increased to 216 at end-2003 from 203 in

the previous year, with another 29 operations in transition to full physical presence. This would be the largest number of entities that have ever maintained a stand-alone presence, placing the sector in a stronger position to generate future employment as balance sheet opportunities expand.

The reduction in the number of licensees has not had a significant impact on the asset base of the banking sector, which stood close to \$300 billion in 2003. Preliminary results also indicate a sizeable business in fiduciary assets under management which, in the 2003 Survey, approximated \$121.7 billion. However, the important corporate services business in company registration and management decreased further during 2003, with an estimated 15,130 companies (mainly IBCs) under management compared to 16,114 in 2002 and 27,896 in 2001.

EMPLOYMENT

In contrast to average annual jobs growth of 2.5% during 1998-2002, banking sector employment decreased further by 257 (5.7%) to 4,253 persons in 2003. Most of the reduction occurred in Bahamian staffing, by 239 (5.7%) to 3,988, after a loss 73 (1.7%) positions in 2002 and a more favourable average annual increase of 108 positions (2.1%) in the five years through 2002. Expatriate employment also decreased during 2003, by 18 (6.4%) to 265 persons, relative to a more negligible reduction (1.0%) in 2002. Given the more marked decline in expatriate jobs, the respective share of total banking sector employment fell slightly to 6.2% from 6.3%.

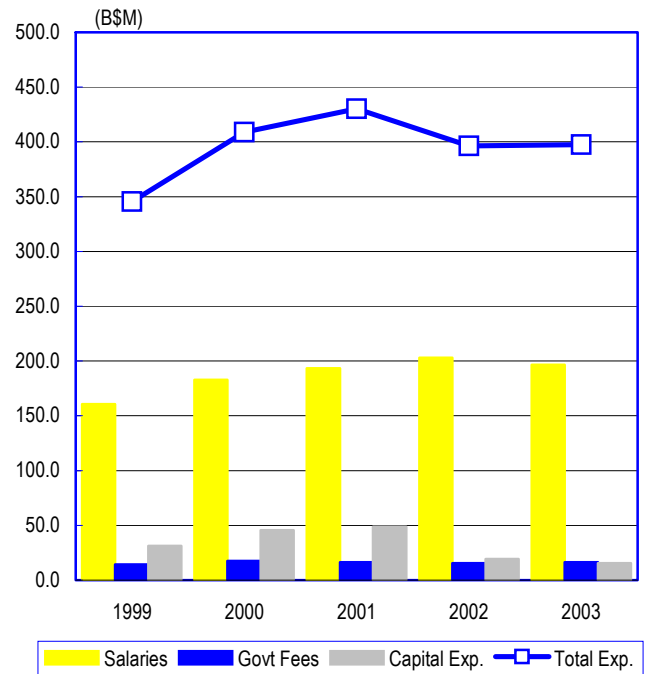
EXPENDITURE

While the employment reduction resulted in lower staff expenses, and investment outlays also declined, banks' total expenditures in the local economy increased marginally by 0.3% to \$397.5 million in 2003. This contrasted with a 7.9% decrease in 2002, and continued the five years average annual growth of 7.8% through 2002.

Operation costs represented a slightly increased 96.1% of expenditures, which was also above the 91.5% average in the five years through 2002, when institutions undertook significant investments in new premises.

These costs rose by \$5.1 million (1.4%) to \$382.0 million during 2003, reversing the 2002 contraction of \$4.5 million (1.2%). The increase, however, was still well below the average yearly growth of 8.1% for 1998-2002.

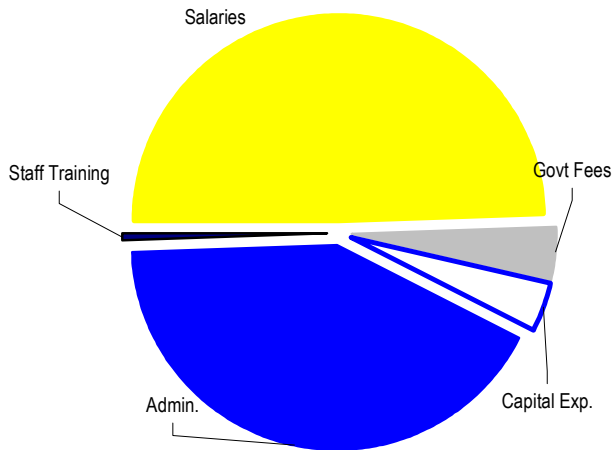
Banks' Local Expenditure



Owing to reduced staffing, salary outlays fell by 3.1% to \$196.5 million, reversing a 3.8% advance in 2002, when significant job separation packages were paid out, and extending the 8.3% average annual increase for the five years through 2002. The average compensation per employee, although increasing during the review period by 2.8% to \$46,203, moderated from the 5.6% rise to \$44,966 in 2002, which was linked to the separation payments. Given average salary growth during 1998-2002 of 5.6% per annum and the 2003 gain, wages were some 17.3% higher in real terms vis-à-vis 1998, after adjusting for average inflation of 2.0% per annum over this period 1998. Meanwhile, the average salary gain for Bahamians was marginal at 1.2% to \$42,137 during 2003, compared to a 2002 increase of 6.4%. Average compensation for expatriates increased

by 13.6% to \$117,120, owing to bonus payments, placing payments closer to the 2001-2002 average annual compensation of \$106,000.

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



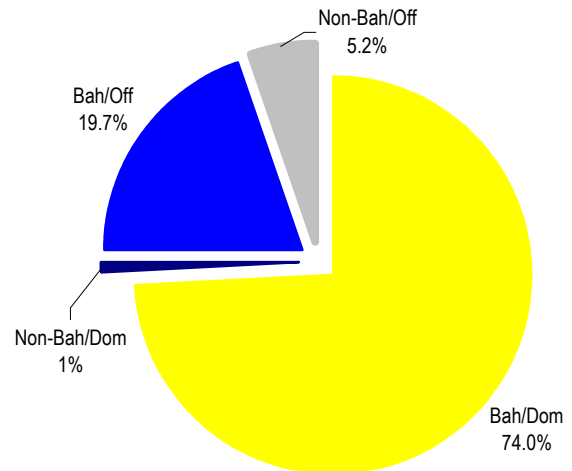
Non-staff administrative expenses rose by \$11.1 million (7.1%) to \$166.81 million, partially reversing the previous year's \$11.7 million (7.0%) decrease. Despite shrinkage of license and company registration fees, direct revenue to the Government from the banking sector rose by 5.8% to \$16.4 million, following a 6.1% fall off in 2002, and was mainly attributed to growth in "other" government fees of \$6.1 million relative to \$3.2 million in 2002. Increased payments were also noted for real property taxes (17.8%) and custom duties (22.1%). Conversely, license and company registration fees decreased by 9.9% and 49.5% respectively, in line with the reduced number of licensees. Since 1998, the direct revenue benefits to Government from the banking sector amounted to an estimated \$94.4 million.

With the stagnation in employment, banks also recorded a reduction in training expenses, to \$2.3 million from \$2.9 million in 2002. Since 1998, annual training outlays averaged \$2.6 million, fluctuating between \$2.2 million and \$3.1 million. A growing share of the economy's expenditure on financial sector training, however, is not captured in bank's direct expenses, but rather in the industry's support (including the Central Bank's) for

training provided by the Bahamas Institute of Financial Services, and in self-initiated and financed courses at local tertiary-level institutions.

After significantly elevated spending on renovations and new premises during 1999-2001, capital expenditures among banks and trust companies fell for the second straight year, to \$15.4 million from \$19.4 million in 2002 and the surge to \$45.7 million in 2000. Expenditures on new premises, which have an important impact on construction, decreased to \$1.7 million from \$2.2 million in 2002 and \$18.6 million in 2001. Investments in office equipment and furniture, the largest component in the 2003 total, also declined, by almost one-third to \$9.3 million. Conversely, renovation outlays and land purchases recovered by 16.3% to a combined \$4.4 million.

Employment: Domestic & Int'l Banks (2003)



DOMESTIC VERSUS INTERNATIONAL BANKING

While it is useful to compare the contribution of banks and trust companies in the local sector against those in the international sector, such comparisons are influenced by important differences in the nature of operations in the two sectors. The domestic sector is very labor intensive and retail in nature, as compared to the international sector's more skilled, and specialized private banking and wealth management activities. It should be noted, nevertheless, that some domestic banks also have substantial international operations with

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

Period	1997	1998	1999	2000	2001p	2002p	2003p
A. TOTAL EMPLOYMENT							
Bahamians	3,942	4,080	4,181	4,460	4,586	4,510	4,253
Non-Bahamians	3,763	3,895	3,991	4,223	4,300	4,227	3,988
	179	185	190	237	286	283	265
B. TOTAL OPERATIONAL COSTS (1+2+3+4)							
1. Salaries	275.5	275.8	314.2	363.1	381.4	376.9	382.0
2. Government Fees	139.5	147.5	160.8	182.9	195.3	202.8	196.5
	15.3	14.2	14.4	17.4	16.5	15.5	16.4
i) Licence	7.7	7.8	8.2	8.7	8.0	7.3	6.6
ii) Company Registration	0.6	0.6	1.0	1.0	2.6	2.8	1.4
iii) Work Permits	1.1	1.1	1.3	2.2	2.2	2.3	2.3
iv) Other Government Fees	5.9	4.7	3.9	5.5	3.7	3.2	6.1
3. Staff Training	2.0	2.5	2.7	3.1	2.2	2.9	2.3
4. Other Administrative Costs	118.7	111.6	136.3	159.7	167.4	155.7	166.8
C. CAPITAL EXPENDITURE¹⁾	21.1	17.4	31.2	45.7	48.7	19.4	15.4
D. TOTAL EXPENDITURE (B+C)	296.6	293.2	345.4	408.8	430.1	396.3	397.5
E. AVERAGE SALARY (B/\$'000)	35,381	36,161	38,452	41,010	42,578	44,966	46,203

Source: The Central Bank of The Bahamas

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

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	DOMESTIC										INTERNATIONAL									
	1998	1999	2000	2001p	2002p	2003p	1998	1999	2000	2001p	2002p	2003p	1998	1999	2000	2001p	2002p	2003p		
A. TOTAL EMPLOYMENT	3,178	3,203	3,274	3,341	3,284	3,192	902	978	1,186	1,245	1,226	1,061								
Bahamians	3,123	3,155	3,232	3,299	3,240	3,149	772	836	991	1,001	987	839								
Non-Bahamians	55	48	42	42	44	43	130	142	195	244	239	222								
	(B\$ Millions)																			
B. TOTAL OPERATIONAL COSTS	180.5	203.2	216.4	227.7	227.3	224.6	95.3	111.0	146.8	151.7	149.7	157.5								
(1+2+3+4)																				
1. Salaries	105.8	113.0	119.9	121.5	128.8	128.9	41.7	47.8	63.0	71.7	74.0	67.7								
2. Government Fees	4.6	6.5	6.2	6.6	6.3	6.7	9.6	7.9	11.2	9.9	9.2	9.7								
i) Licence	2.1	3.0	3.0	3.0	3.1	2.7	5.8	5.2	5.7	5.0	4.2	3.9								
ii) Company Registration	0.3	0.6	0.3	1.1	0.7	0.7	0.3	0.4	0.7	1.4	2.1	0.7								
iii) Work Permits	0.4	0.5	0.4	0.5	0.4	0.5	0.7	0.8	1.8	1.8	1.9	1.8								
iv) Other Government Fees	1.8	2.4	2.5	2.0	2.2	2.7	2.8	1.5	3.0	1.7	1.0	3.4								
3. Staff Training	1.6	1.5	1.7	1.2	1.3	1.2	0.9	1.2	1.5	1.0	1.6	1.1								
4. Other Administrative Costs	68.5	82.2	88.6	98.4	90.9	87.8	43.1	54.1	71.1	69.1	64.9	78.9								
C. CAPITAL EXPENDITURE 1/	9.3	15.9	14.2	25.3	13.2	11.8	8.2	15.2	31.4	23.3	6.2	3.6								
D. TOTAL EXPENDITURE (B+C)	189.8	219.1	230.6	253.0	240.5	236.4	103.5	126.2	178.2	175.0	155.8	161.1								
E. AVERAGE SALARY (B\$'000)	33,296	35,270	36,619	36,381	39,217	40,379	46,255	48,874	53,134	57,603	60,367	63,808								

Source: The Central Bank of The Bahamas

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

larger balance sheet exposures than their local operations.

With some effects from sector consolidation still being felt, total hiring among domestic banks decreased by 92 (2.8%) to 3,192 during 2003, reducing the sector's share in total employment to 75.1% from 72.8% in 2002, and also placing the ratio below the estimated 74.7% for the five years through 2002. Bahamian employment fell by 91 (2.8%) to 3,149 and the number of expatriates employed, by 1 to 43. These trends resulted in a reduced ratio of Bahamians to non-Bahamians in domestic banks, of 73:2 compared to 73.6 in 2002.

Impacted mainly by closures and mergers affecting five institutions with physical presence, employment among international banking and trust operations decreased further by 165 (13.5%) to 1,061 positions and contrasted with a recent peak of 1,245 persons in 2001. While jobs held by Bahamians were most significantly impacted, reduced by 148 (15.0%) to 829, positions held by expatriates also decreased by 18 (7.5%) to 221.

Domestic banks' gross expenditures during 2003 lessened by 1.7% to \$236.4 million, representing 59.5% of the sector's aggregate, and slightly below the 60.8% average for 1998-2002. Operating costs contracted by 1.2% to \$224.6 million, marked by a further, but more tempered, 3.4% reduction in non-staff administrative costs to \$87.8 million. Salaries, the largest component, stabilized at \$128.9 million, while fees and other payments to Government increased by 6.3% to \$6.7 million, with reduced license payments offset by marginally higher charges on other expenses, including work permits. Conversely, capital outlays decreased by 10.6% to \$11.8 million, reflecting lowered expenditures on new premises, office equipment and furniture.

Total expenditures within international operations recovered moderately by 3.4% to \$161.1 million, extending the 10.8% average annual increase for 1998-2002. Operational costs, which accounted for 97.8% of the total, rose by 5.2% to \$157.5 million, with non-staff administrative costs increased to \$78.9 million from \$64.9 million, and fees and other payments to Government higher by 5.4% at \$9.7 million. However, in line with reduced staffing, salary expenses decreased by 8.5% to \$67.7 million and training outlays fell by a third. Interna-

tional banks' capital outlays declined by 41.9% to \$3.6 million, inclusive of reductions for renovations (76.6%), new premises (27.3%) and other fixed assets (31.4%).

The higher-end skills used in international operations continued to attract premium salaries relative to the domestic sector, increasing to 58.0% of average local salaries compared to 53.9% in 2002. In this regard, average pay gains in the domestic sector of 3.0% to \$40,379 per annum, trailed the 5.6% average increase to \$63,773 for employees in the international sector, where more sizeable bonus payments were noted in 2003.

OTHER FINANCIAL SECTOR ACTIVITIES

Table C summarizes selected information on other financial sector activities, including some results from the Central Bank's survey for 2003.

CREDIT UNIONS

The Department of Cooperative Development reported a decline in the number of credit unions by one (1) to 19 at end-2003. During 2003, total assets of these entities rose by a healthy 13.3% to an estimated \$150.1 million, 85.0% of which was concentrated among the five largest unions having hotel and public sector membership. Gains during 2003 were mainly underpinned by the ability of unions having public sector affiliations to attract more deposits, through aggressive promotional membership drives and marketing efforts to expand the range of services offered.

Based on the Central Bank's survey, credit unions collectively employed more than 100 employees in 2003, showing a slight increase over 2002. After some reduction in investment outlays, estimated expenditure decreased marginally (1.4%) to \$86.1 million during 2002. However, operational expenses grew as a result of recovered non-staff outlays, which represented almost 90.0% of the total. In this regard, salaries accounted for 38.3% of operational outlays and were boosted by almost 15% in response to new hirings and greater utilization of existing part-time resources. Although the industry indicates that credit union pay scales are competitive with the rest of the local financial sector, average salaries approximated \$22,394 per annum in 2003, up by 5.9% from a revised \$21,146 per annum in 2002—owing to the presence of part-time workers.

INSURANCE COMPANIES

Data from the Office of Registrar of Insurance Companies indicate that the number of licensed insurance companies, brokers, agents and managers increased by 1 to 163 at end-2003. Licensees operating in the domestic sector rose to 137, while the number of external insurers remained at 26. Combined assets of the domestic companies (life, health, property and casualty) for 2002, the latest date for which information was available, were \$740.7 million—an increase of 2.5% over 2001. Approximately 75% of the total was concentrated among life and health insurance companies.

Data from the Ministry of Finance indicate that the Government's direct benefit from insurance activity was nearly doubled at \$11.7 million in 2003. Most of this was in the form of the gross premium tax, as the yield was boosted following an increase in the assessment rate, as was provided for in the Government's 2003/04 Budget.

The survey results for 2003 were based on data from 19 companies employing an estimated 1,188 employees and representing more than 80 percent of the life and health operations and a modest number of brokers and agents. In response to improved business conditions, total employment among the reporting operations increased by 3.8%. Similar to domestic banks, non-Bahamians represented an extremely small, but important fraction of the work force (less than 3.0%), providing specialized higher-end services. Meanwhile, average salaries in the sector approached \$40,000 per annum, remaining competitive relative to local banks.

Although employment appeared to be slightly higher, total expenditures in the sector decreased by 2.9%, after some rebound in 2001. Operating expenses comprised more than 95% of the total, with salaries, which represented a nearly stable 53.2% of the operational total, increased by 3.6%, as non-staff administrative expenses were reduced. Capital outlays for insurance companies increased slightly.

Employment and growth prospects for the domestic insurance sector are expected to improve in line with the rest of the economy during 2004 and 2005. Nevertheless, the effects of consolidation could still be important in the local sector. During 2003, the Colina Insurance Company Limited applied to acquire Canada Life Insur-

ance Company, receiving final regulatory approval in January 2004. In December 2003, Colina also applied for regulatory approval to acquire the operations of Imperial Life Financial Bahamas, a branch of the Canadian Desjardin Financial Security Life Assurance Company. The application is being reviewed by a committee of financial services regulators, including the Office of the Registrar of Insurance Companies, the Central Bank, the Securities Commission and the Ministry of Finance, who will make a final recommendation to the Minister of Finance on the transaction during 2004.

SECURITIES INDUSTRY

The Securities Commission reported an increase in the number of active investment (mutual) funds operating from or within the Bahamas to 721 in 2003 from 669 in 2002, with a corresponding 18.9% growth in the value of assets under management to \$107.4 billion. Other than banks, a more limited number of firms provide employment opportunities in the securities industry—inclusive of 3 firms that participate in the domestic sector. Survey and estimated results for 16 investment fund administrators, employing 145 persons, suggest that administrators concentrated less on IBC management, as a decreased number of companies were in existence, although comparatively more competitive the number of mutual funds under administration increased. Higher revenues from the latter, which sustained most of the industry's operations, alongside stabilized employment, provided for an average salary of nearly \$60,000. As regard expenditure patterns, salaries of the surveyed firms accounted for approximately 45.6% of operational expenses which, in turn, represented more than 95% of total costs.

CAPITAL MARKETS

Although less significant for employment and expenditures, domestic capital markets solidify the intermediary channels through which financial institutions operate, and through which benefits could be derived from international securities listing on the stock exchange. Added to increased investor confidence and domestic trading activities, a number of new securities listings were added to the local and international sides of the Bahamas International Stock Exchange (BISX). The number of publicly traded companies in The Bahamas remained at

Table C: Other Selected Financial Sector Statistics

	Unit	2000	2001	2002	2003
Investment Funds Administrations					
Licensed Mutual Funds	Number	757	673	706	721
Licensed Administrators	Number	57	58	61	66
<i>Asset Under Management</i>	<i>B\$ Billions</i>	<i>95.02</i>	<i>94.47</i>	<i>97.34</i>	<i>107.39</i>
<i>Average Annual Salaries</i>	<i>B\$</i>	<i>n/a</i>	<i>57,344</i>	<i>58,807</i>	<i>58,022</i>
<i>Operating Costs / Total Expenditures</i>	<i>%</i>	<i>n/a</i>	<i>88.9</i>	<i>98.0</i>	<i>98.0</i>
Insurance Companies and Agents					
Domestic Companies and Agents	Number	144	147	153	154
<i>Total Domestic Assets</i>	<i>Number</i>	<i>117</i>	<i>120</i>	<i>126</i>	<i>127</i>
<i>Average Annual Salaries</i>	<i>B\$ Millions</i>	<i>620.40</i>	<i>682.55</i>	<i>740.70</i>	<i>n/a</i>
<i>Operating Costs / Total Expenditures</i>	<i>B\$</i>	<i>n/a</i>	<i>38,165</i>	<i>37,971</i>	<i>38,023</i>
	<i>%</i>	<i>n/a</i>	<i>97.3</i>	<i>98.1</i>	<i>97.4</i>
External Insurers	Number	27	27	27	27
Credit Unions					
Number of Unions	Number	18	19	20	19
<i>Total Assets</i>	<i>B\$ Million</i>	<i>110.9</i>	<i>120.4</i>	<i>132.5</i>	<i>150.1</i>
<i>Employment</i>	<i>Number</i>	<i>n/a</i>	<i>99</i>	<i>96</i>	<i>104</i>
<i>Average Annual Salaries</i>	<i>B\$</i>	<i>n/a</i>	<i>20,339</i>	<i>21,146</i>	<i>22,394</i>
<i>Total Expenditures</i>	<i>B\$ Million</i>	<i>n/a</i>	<i>5.12</i>	<i>6.17</i>	<i>6.08</i>
<i>Operating Costs / Total Expenditures</i>	<i>%</i>	<i>n/a</i>	<i>89.9</i>	<i>65.4</i>	<i>89.5</i>
Bahamas International Securities Exchange (BISX)					
Listed Public Companies	Number	15	17	16	17
<i>Shares Traded</i>	<i>Thousands</i>	<i>3,720</i>	<i>3,958</i>	<i>2,748</i>	<i>3,569</i>
<i>Market Capitalization</i>	<i>B\$ Billion</i>	<i>1.74</i>	<i>1.68</i>	<i>1.76</i>	<i>1.66</i>

Sources:

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

23; and BISX listed entities were unchanged at 16. Including two investment companies, four mutual funds and two preference share issues, available public securities trading locally increased by 1 to 29 during the year. The addition reflected a real estate investment company which listed on BISX in September 2003. BISX also attracted its first international funds listing (5), with combined net assets of approximately \$90 million. During 2004, the Exchange also expects to attract listings for at least three other previously established domestic mutual funds.

Investor confidence market was more upbeat in domestic capital markets during 2003, gaining momentum in the second half of the year. Although the volume of shares traded on BISX increased by 17.8% to 3.569 million, the estimated value fell sharply by 50.6% to \$7.4 million, partly reflecting the mix of securities that were traded. The second half upturn softened the decline in the BISX All Share Price Index to 2.0% from the year-earlier drop of 13.0%. After losses of more than 10% in 2002, the fall-off in the broader Fidelity Capital Market Index, which also captures over-the-counter trading, narrowed to 0.6%. Total market capitalization on BISX decreased by 5.5% to \$1.7 billion.

As regard market infrastructure issues, the appointed Select Committee on BISX, chaired by the Governor of the Central Bank, with responsibility for formulating a Government financial support strategy for the Exchange, presented its proposal to the Government in the fourth quarter of 2003. A decision on the Government's involvement is expected during 2004.

RECENT REGULATORY DEVELOPMENTS IN THE FINANCIAL SECTOR

Regulatory developments during 2003 were headlined by amendments to the legal framework for combating money laundering and the introduction of a more comprehensive legal framework for the investment funds industry.

Having implications for all financial sector licensees, on 31 December 2003, the Government enacted amendments to the Financial Transactions Act (FTRA), 2000 and the Financial Transactions Reporting Regulations (FTRR), 2000, to align The Bahamas' anti-money

laundering regime and "know-your-customer" (KYC) standards with the new risk-based approach of the FATF's Revised 40 Recommendations on money laundering. Of most immediate significance, the deadline for verification of existing customer identities was extended to April 4, 2004, with the discretionary authority on how to deal with unverified accounts decentralized from the Central Bank and delegated to the respective sector regulators. Financial institutions are required to have established their respective risk-based KYC frameworks by June 30, 2004, through which they would be required to undertake additional due diligence, whenever the nature of existing business relationships with clients change significantly. In the case of local banking, the threshold value for account facilities which have to undergo KYC verification was increased to \$15,000 from \$10,000, thereby easing the compliance burden.

Strengthening of the regulatory infrastructure and oversight for banks and trust companies was highlighted by continued phasing out of managed or shell banking operation, expected to be completed by June 30, 2004. Since 2002, the Bank has, in consultation with the industry, developed and issued a number of important prudential and operational guidelines for licencees addressing, among other things, management of liquidity, large exposure and operational risks; corporate governance and minimum financial disclosure requirements. Issues being addressed in other draft guidelines circulating for industry comment include credit risks, and the relationship between licensees and their external auditors. The Bank itself also forged closer consultative relationship with the external auditors of licencees, establishing an Auditors Advisory Committee in 2003.

As evidence of ongoing international cooperation, the Central Bank provided responses to 24 of 29 regulatory requests for assistance from foreign agencies in 2003—the remainder still being under active consideration at the end of 2003. The Bank also negotiated additional Memorandums of Understandings (MOU), to facilitate examinations by foreign supervisory authorities of banking entities with operations originating in these country.

Developments in the securities industry were marked by the enactment of the Investment Funds Act (2003) and associated Regulations, which repealed and replaced the Mutual Funds Act, 1995. While encompass-

ing the narrow definition of international funds, which The Bahamas sought to attract under the 1995 law, the Act introduces a distinction between funds marketed and administered for sophisticated wealthy investors, standard funds—which may be sold to less sophisticated, investors but subject to tighter supervision—and Specific Mandate Alternative Regulatory Test (SMART) funds. The regulatory structure for SMART funds will be industry driven, and tailored to the development and marketing of new products. Provisions have also been made for investment funds which have been constituted in other recognized jurisdictions to be registered to carry on business from within The Bahamas. The legislation retains provisions which permit only unrestricted fund administrators to license and administer multiple funds and with this, having to satisfy, among other things, more stringent capital and net worth requirements.

CONCLUSION

The financial sector's outlook has significantly stabilized and improved in some cases, relative to the 2001-2002 period, when both global political and market conditions were less favourable. With the impact of regulatory adjustments continuing to unwind during 2004 and economic conditions more ameliorated, the industry is likely to have increased growth opportunities in both the domestic and international sectors. Ongoing efforts to

strengthen the supervisory framework should enhance The Bahamas' reputation as a safe, well regulated jurisdiction. Efficiencies and increased transparency are also being realized as a result of greater cooperation and exchange of information among Bahamian regulators. The more comprehensive regulatory framework for the investments funds industry is expected to solidify The Bahamas' ability to attract modern investment vehicles, which complement banking sector growth. Along these lines, the Government is also considering legislation that would allow for the establishment of foundations under Bahamian law, providing an alternative to the trust vehicle for wealth management.

Recent regulatory changes, nevertheless, underscore the evolving nature of competitive forces which could emerge in the future, particularly for the international sector. The trend towards increasing international cooperation is eroding the importance of secrecy and tax shelters in attracting offshore business. As such, The Bahamas is expected to experience more competition to provide increased value-added through capitalizing on the enhanced productivity and skills of the financial sector workforce. The jurisdiction is already well positioned to build productive capacity, having a highly functional center with a diverse core of trained professionals, and with tertiary level training facilities to address specific operational needs of the financial sector.