



Quarterly Economic Review

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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Indications are that the Bahamian economy continued to strengthen during the second quarter of 2004, led by more firmly established tourism expenditure growth. In particular, the improving US economy continued to provide healthy stimulus for stopover visitor gains, while cruise line business rose substantially. Construction output, while poised for a significant pickup in activity during the remainder of 2004, remained sluggish during the second quarter; albeit, with initial signs of increased expenditures on major resort developments planned for New Providence. On the fiscal side, provisional estimates foreshadowed some consolidation in the budget deficit during both the second quarter and the entire Fiscal Year, based on modest revenue growth and curtailment in public sector investments. In the financial sector, stronger net foreign currency inflows supported a rebound in the monetary aggregates which coincided, however, with an upturn in domestic credit. As a result, bank liquidity was marginally reduced but financial institutions' net foreign liabilities decreased and average interest rates softened on both loans and deposits. Despite increased energy costs, average inflation eased during the second quarter as internal cost pressures abated. On the external account, gains in net travel receipts contributed to a reduction in the current account deficit, while a decrease in net private loan and real estate inflows narrowed the estimated surplus on the capital and financial account.

The economic expansion is expected to continue at a healthy pace in the medium term, owing to the upbeat outlook for the United States' economy, the primary market for tourism, and a steady pick up of construction activity connected with major hotel and industrial sector developments. However, damage caused by Hurricane Frances during September 2nd – 4th could disrupt tourism inflows over portions of the third and fourth quarters, particularly in Grand Bahama and the Family Islands. As the impact will be felt during the slowest months of the tourist season, the industry is still expected to experience cumulative growth in 2004 and to resume its robust

uptrend in 2005. The economy should experience some offsetting upsurge in construction expenditures on rebuilding activities, with the corresponding balance of payments impact tempered by re-insurance inflows.

During the second quarter, intensified local currency lending curtailed further build-up in bank liquidity, as net free cash balances decreased marginally by 0.5% to \$189.6 million and surplus liquid assets by 4.6% to \$226.8 million. However, excess balances constituted a larger 4.7% share of Bahamian dollar deposit liabilities compared to 3.4% last year, and liquid assets exceeded the statutory minimum by a greater 34.5% as compared to 24.7% in 2003. Buoyancy in liquidity supported some narrowing in the average interest rate spread on banks' loans and deposits, by 16 basis points to 7.39%; the softening in the weighted average loan rate, by 34 basis points to 11.23%, outpaced the counterpart 18 basis points decrease in the average deposit rate to 3.84%. The average 90-day Treasury bill rate also fell by 23 basis points to 0.71%, while base rates—commercial banks' Prime and the Central Bank Discount Rate—were unchanged at 6.00% and 5.75%, respectively.

During the quarter, the money supply (M3) expanded by 4.1% to \$4,355.7 million, reversing the year-earlier contraction of 0.1%. More sizeable gains in business and private individuals' holdings resulted in respective rebounds in demand and fixed deposits of 11.3% and 1.3%, from reductions of 1.1% and 0.3% last year. Also, savings deposit growth firmed to 4.3% from 3.6%, and resident's foreign currency deposits recovered by 5.7%, while growth in currency in active circulation firmed to 4.8%.

Domestic credit also rebounded, on a comparative basis, by 2.0% to \$5,144.6 million, following the 2003 decline of 1.4%. After a net repayment of 1.0% in 2003, claims on the private sector rose by 2.0%, with a 1.7% upturn in consumer lending, while improved credit conditions for businesses and productive ventures bolstered the slowed increase in residential mortgages of 3.3%. In the public sector, a revival in net Bahamian dollar borrowing raised the banking sector's net claims on Government

by 6.3%, reversing a 3.6% decline in 2003. However, public corporations claims were further reduced by 5.1%.

Signs of some stabilization emerged on the fiscal front, with the comparative deficit for the first eleven months of FY2003/04 slightly narrowed, by 0.8% to \$85.6 million. Partly underpinned by improved economic conditions, revenue collections rose by 5.4% to \$867.6 million, maintaining pace with growth in total expenditures of 4.8% to \$953.2 million. Revenue gains were largely impacted by \$15.0 million in capital receipts, following the sale of Government equity investments in the capital markets, while the increase in tax receipts narrowed to 2.5% from 4.9% last year. On the spending side, current outlays rose by 7.1% to \$867.6 million, exceeding both the 14.6% reduction in investments and the 14.2% decrease in net lending to the public corporations. Budgetary financing for the eleven months through May 2004 included net borrowings of \$20.3 million in Bahamian dollars and \$68.7 million in foreign currency. Taking account of June's transactions, the Direct Charge on Government rose by \$2.0 million (0.1%) during the quarter, culminating in a narrowed \$88.9 million (4.7%) advance to \$1,943.4 million during FY2003/04. Government guaranteed debt decreased by \$21.0 million (4.9%) during the quarter, while increasing by \$22.9 million (6.0%) to \$408.1 million for the Fiscal Year. As a result, the National Debt was reduced by \$19.0 million (0.8%) to \$2,350.3 million during the quarter, and registered a tapered rise of \$111.8 million (5.0%) for the Fiscal Year vis-à-vis \$154.2 million (7.4%) in the comparative period a year ago.

Rising hotel occupancy levels and a strong upsurge in cruise activity sustained robust tourism expenditure growth during the second quarter. Visitor growth quickened to 18.7% from 5.5% last year, for 1.4 million arrivals. Gains in both air and sea traffic exceeded year-earlier advances, at 9.8% and 23.2% from 2.3% and 7.2%, respectively. Broad-base improvement included the cruise-led 21.5% surge in visitors to New Providence, a 26.0% recovery in arrivals to Grand Bahama and a steady 10.0% uptrend in the Family Islands. On the expenditure side, double digit growth in the cruise sector was accompanied by healthy stopover inflows, mainly boosted by increased hotel occupancy. Quarterly data for New Providence revealed a 4.9% rise in estimated room expenditures, attributed to a similar hike in occupied

room nights, while in the first two months of the quarter, Grand Bahama recorded a strong revenue improvement of 37.1% for similar reasons. In the Family Islands, room revenue gains of 6.6% during April and May were mainly supported by the 11.9% appreciation in the average nightly room rate, which countered some softening in total room night sales.

Although construction expenditures remained subdued during the second quarter of 2004, the reduced mortgage financing of local housing developments was offset by a pickup in commercial outlays, including the start of work on the Atlantis Phase III expansion on Paradise Island. Mortgage data from banks, insurance companies, and the Bahamas Mortgage Corporation indicate that, compared to last year, the estimated value of commitments for new construction and building repairs decreased by 12.8% to \$19.5 million. A more than two-thirds falloff in commercial commitments outweighed a 2.4% rise in residential loan approvals, which still represented the bulk of the total (92.1%). Although only partially indicative of actual construction activity, also containing equity-based drawdown for other purposes, mortgage disbursements rose by 5.6% to \$75.7 million, with higher outlays against commercial loans exceeding the reduction in residential advances. Meanwhile, average interest rates were incrementally more favourable on both residential and commercial borrowing, at 8.8% and 9.4% compared to 8.9% and 9.6% respectively, during the second quarter of 2003.

Inflation, as measured by the quarterly change in the average Retail Price Index, eased to 0.2% during the second quarter from 0.4% in 2003, mainly influenced by stable housing costs, a smaller rise in transportation & communications costs and a marginal decrease in average education costs. On a 12-month basis, inflation moderated to 1.8% through June from 2.8% in 2003. Significantly slowed average price gains for recreation & entertainment services, furniture & household operations, education and "other" unclassified goods & services, countered the sharp run-up in average costs for medical care & health services (10.6%) and the fuel-related rise in transportation & communications costs.

In the external sector, the quarter's current account deficit narrowed to an estimated \$68.7 million from \$83.3 million in 2003. Stronger import demand exceeded the improvement in export receipts, broadening the trade

deficit by 8.6% to an estimated \$334.5 million. This was more than offset by the 14.4% widening in the services surplus, led by a 15.3% upswing in tourism-related net travel inflows. Also, reduced profit repatriations lowered net income remittances by 15.8% to \$33.7 million, outweighing the increase in net transfer payments of 7.4% to \$19.5 million.

The capital and financial surplus narrowed to \$4.1 million from \$41.8 million in 2003, with net private foreign investment inflows approximately halved to \$57.5 million. Although net direct equity inflows strengthened to \$56.1 million from \$11.5 million, net real estate sales softened to \$2.1 million from \$30.8 million and a net private loan financing repayment of \$0.8 million was recorded, contrasting with net financing of \$69.6 million last year. The financial outcome also included a reduction in the public sector's net external debt repayment to \$3.7 million from \$3.9 million and a decrease in net short-term outflows through the banking system to \$40.8 million from \$58.8 million.

FISCAL OPERATIONS

Provisional estimates for the first eleven months of FY2003/04 indicated a cumulative budget deficit of \$85.6 million—a nearly similar outturn registered in the comparative period a year ago. Strengthened revenue growth of 5.4% to \$867.6 million, slightly exceeded the 4.8% increase in total expenditures to \$953.2 million. Compared to the budget for FY2003/04, the 11 months revenue and expenditure estimates represented a respective 87.5% and 85.5% of the estimates. Indications are that the final results for FY2003/04 will reveal some consolidation from the previous year's fiscal deficit of \$187.7 million, based on the slower advance in the Direct Charge.

REVENUE

Revenue collections during the first 11 months strengthened by \$44.1 million (5.4%), following a 4.1% advance the previous year. Despite an abated \$19.2 million (2.5%) increase in tax collections to \$776.7 million, non-tax receipts recovered by \$9.9 million (15.0%) to \$75.9 million and the Government realized capital revenue of \$15.0 million from the sale of equity investments in

the Bank of The Bahamas and Cable Bahamas. On a proportional basis, tax receipts comprised 89.5% of revenue, followed by non-tax flows at 8.8% and capital revenue, the remaining 1.7%.

Noteworthy developments under tax revenue included a \$9.0 million (19.1%) upturn in departure taxes to \$56.0 million and improved property tax collections of 0.7% to \$36.0 million. Taxes on international trade and transactions (mainly import duties) decreased by \$12.1 million (2.8%) to \$419.9 million, constituting 48.4% of the total and although visitor volumes improved, recorded taxes on selected tourism services decreased by \$1.9 million (6.5%) to \$27.5 million, with declines in both gaming (11.6%) and hotel occupancy taxes (3.1%). However, these were mitigated by the \$21.6 million (26.3%) rise in "other" unclassified proceeds to \$104.0 million, which include revenues yet to be distributed to their respective categories. Among other tax categories, collections from motor vehicle inspection and licensing decreased by \$2.0 million (16.0%) to \$10.7 million; whereas stamp taxes on financial and other transactions rose by 7.4% to \$77.9 million and the 19.1% hike in departure taxes to \$56.0 million, was more in line with increased visitor volumes.

The rebound in non-tax flows, which accounted for 8.8% of total revenue, was due to a \$6.7 million (15.0%) upturn in collections of fines, forfeitures and administration fees to \$51.6 million and a \$5.9 million (36.6%) boost in income from other sources to \$21.9 million. These exceeded the \$2.2 million (52.1%) falloff in income from public enterprises to \$2.0 million and a halving in revenue from the sale of Government property to \$0.5 million.

EXPENDITURE

Higher recurrent spending of \$57.9 million (7.1%) to \$867.6 million, contributed to nearly doubled expenditure growth of 4.8%, compared to 2.7% over the same period the year before. This contrasted with a \$9.6 million (14.6%) reduction in capital outlays to \$55.9 million and a \$4.9 million (14.2%) decrease in net lending to public corporations to \$29.7 million. On a proportional basis, recurrent expenditures accounted for 91.0% of overall spending; capital outlays, 5.9% and net-lending, 3.1%.

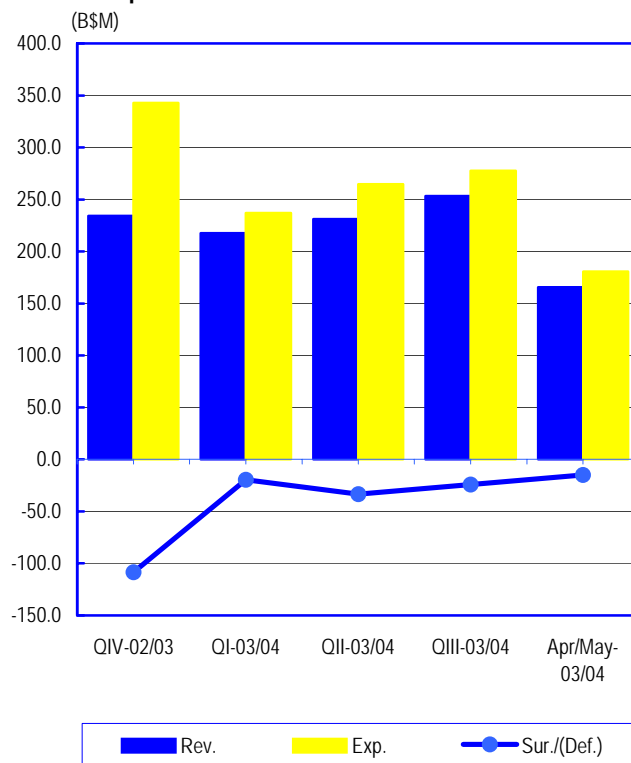
Government Revenue By Source

YTD – May

	FY 02/03p		FY 03/04p	
	B\$M	B\$M	B\$M	%
Property tax	35.8	4.3	36.0	4.1
Selective Services tax	29.4	3.6	27.5	3.2
Bus. & Prof. Lic. Fees	57.7	7.0	50.6	5.8
Motor Vehicle tax	12.7	1.5	10.7	1.2
Departure tax	47.1	5.7	56.0	6.5
Import duties	336.7	40.9	327.1	37.7
Stamp tax from imports	84.1	10.2	80.8	9.3
Export tax	11.2	1.4	11.9	1.4
Stamp tax from exports	--	--	0.1	--
Other stamp duty	72.5	8.8	77.9	9.0
Other Tax revenue	74.9	9.1	104.0	12.0
Fines, forfeits. etc.	44.8	5.4	51.6	5.9
Sale of Govt. Property	1.0	0.1	0.5	0.1
Income	20.2	2.5	23.9	2.8
Other non-tax rev.	--	--	--	--
Capital Revenue	--	--	15.0	1.7
Grants	--	--	--	--
Less: Refunds	4.6	0.6	6.0	0.7
Total	823.5	100.0	867.6	100.0

mated spending also increased for housing, by 39.5% to \$3.6 million; other community and social services, by 19.4% to \$6.9 million; education, by 7.9% to \$171.4 million; economic services, by 7.4% to \$116.0 million; defense, by 5.9% to \$25.1 million; health, by 3.6% to \$145.3 million and social benefits and services, by 3.5% to \$54.4 million.

Fiscal Operations



Analysis of current spending by economic classification indicated a 6.3% increase in Government consumption to \$553.2 million, with a further \$25.8 million (7.2%) hike in the wage bill and a \$7.0 million (4.4%) rise in purchases of goods and services. Transfer payments rose by 8.7%, led by a \$13.1 million (14.2%) increase in interest payments to \$105.5 million, triggered by the start of servicing on the US\$200 million bond issued in July 2003. Additionally, subsidies and other transfers grew by \$11.9 million (6.1%) to \$209.0 million. In this regard, subsidies paid to quasi-autonomous agencies rose by 4.6%; transfers to non-financial public enterprises, by 25.3% and payments to non-profit institutions, by 16.4%. However, transfers to households decreased slightly (1.8%), corresponding to reduced gratuity payments for new civil service retirees.

The reduction in capital expenditure, to a level which represented only 46.7% of the approved allocation for the year, was led by a \$14.1 million (39.1%) decrease in investments in public works and water supply projects to \$22.0 million. Outlays were also significantly scaled back for education, by 17.2% to \$9.7 million and defense, by 23.3% to \$1.1 million. However, important increases were recorded for health, 34.3% to \$8.3 million; general public service, 24.9% to \$7.4 million and transportation, 83.1% to \$3.4 million.

FINANCING AND NATIONAL DEBT

On the functional side, expenditures on general public services rose by 6.1% to \$239.5 million, constituting the largest share of the recurrent total (27.6%). Esti-

Budgetary financing during the first 11 months of the fiscal year consisted of net borrowing in Bahamian dollars and foreign currency of \$20.3 million and \$68.7 million,

respectively. Bahamian dollar financing included new bond issues of \$98.3 million, with maturities ranging from 11 to 20 years and interest rate margins above Bahamas Prime, ranging from 0.0938% to 0.375%. Among the foreign currency transactions was the refinancing of the US\$125.0 million loan obtained from domestic banks in July 2002, utilizing most of the proceeds from the US\$200.0 million 30-year international bond issue.

The Direct Charge on Government grew by \$2.0 million (0.1%) to \$1,943.4 million during April to June, markedly below the \$61.3 million (3.4%) increase registered over the same period in 2003. This reduction mainly reflected repayments of foreign currency obligations, as the Bahamian dollar component, which represented 84.9% of the total, was unchanged at \$1,650.9 million. The latter was comprised mostly of bonds (\$1,390.2 million), with holdings distributed among public corporations (37.7%)—mainly the National Insurance Board—domestic banks (28.1%), private and institutional investors, including pension funds and insurance companies (26.9%) and the Central Bank (7.1%).

Given these developments, and a \$21.0 million (4.9%) reduction in Government guaranteed debt of public corporations to \$408.1 million, the National Debt fell by \$19.0 million (0.8%) to \$2,350.3 million at end-June 2004, relative to \$2,238.5 million at the same point last year. Indicating some reduction in the overall deficit in the 12 months through June, growth in the Direct Charge decreased to \$88.9 million (4.8%) as compared to \$178.1 million (10.6%) in FY2002/03. This outweighed the \$22.9 million (6.0%) upturn in contingent liabilities and consequently, the increase in National Debt also narrowed to \$111.8 million (5.0%) from \$151.6 million (7.3%) during FY2002/03.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

During the second quarter, public sector foreign currency debt fell by \$12.8 million (2.2%) to \$558.5 million. The Government's debt operations comprised new drawings of \$2.5 million versus amortization payments of \$0.5 million, while the net repayment by public corporations featured borrowing of \$2.5 million less principal repayments of \$17.3 million. The Government's obligations at end-June 2004 of \$292.6 million accounted for 52.4% of the overall stock, and the public corporations' balance, at \$266.0 million, the remaining 47.6%.

By creditor profile, the largest share of foreign currency debt was held by commercial banks (41.2%), followed by private and institutional investors (40.3%) and multilateral institutions (18.5%). Nearly all of the outstanding debt was denominated in United States dollars, and the average term to maturity was approximately 16 years.

Compared to the previous year, debt servicing for the quarter rose by \$10.6 million (60.3%) to \$28.2 million. Amortization payments were two-thirds higher at \$17.7 million, while interest expenses increased by \$3.3 million (47.1%) to \$10.4 million. As a result, estimated debt service as a proportion of exports of goods and non-factor services rose to 4.3% from 2.9% in 2003. However, the ratio of Government's foreign currency debt service to total revenue is expected to have decreased marginally from the 1.3% estimated in 2003.

2004/2005 BUDGET HIGHLIGHTS

The Government's Budget for FY2004/05 was presented to Parliament on May 26, 2004 and approved in June. In line with priorities to reduce the fiscal deficit over the medium term, the authorities established a target for the debt-to-GDP ratio of 30%, despite having increased net financing requirements in the short-term—partly to support infrastructure developments and unplanned recurrent commitments taken on midway through FY2003/04. The Government expects to achieve improvements in revenue collections based on strengthened administration and enforcement of existing tax measures, and modest gains from robust expansion in the tax base, linked to growth in the economy.

The Budget projects an overall deficit of \$163.4 million for FY2004/05, equivalent to an estimated 2.9% of GDP, and up by \$40.4 million (32.9%) from the FY2003/04 projection, which corresponded to 2.2% of GDP. While modest relative to the previous year's forecast, the projected \$60.1 million (6.1%) increase in revenue collections to \$1,051.6 million, suggest expectations of a more significant improvement over the likely final outcome for FY2003/04, which noted some underperformance in collections. For outlays, the Budget contained an additional \$100.6 million (9.0%) in approved expenditures to \$1,215.0 million.

In support of its commitment to modernize and strengthen revenue administration, the Government foreshadowed measures to revamp the existing stamp duty collection system and the introduction of a Trade Information Management System, to improve the custom duty collection process. Combined, these adjustments are expected to generate some \$27.3 million in additional receipts, roughly half of the projected \$53.4 million (6.0%) increase in tax collections. Although these changes, alongside increased economic activity, are only expected to boost taxes on international trade and transactions above last year's projections by 0.5% to \$579.5 million, the yields reflect stronger optimism relative to the actual outcome for FY2003/04, in which collections were below expectations. Relative to last year's forecast, import taxes are only expected to rise by \$13.4 million (3.0%), but to reflect more substantial gains against the revised results for FY2003/04. Scaled-back expectations from previous year forecast also explain the anticipated \$11.2 million (10.1%) decrease in stamp taxes on imports.

More in line with the realized outcome for FY2003/04, departure taxes are projected to rise by \$3.9 million (5.9%) to \$69.8 million, while taxes on selected tourism services are expected to fall by \$1.3 million (2.8%) to \$44.5 million, correcting for some underperformance relative to the 2003/04 projections. Conversely, stepped up enforcement is expected to boost property tax yields by \$17.8 million (39.5%) to \$62.8 million. Also, motor vehicle taxes are projected to increase by \$1.3 million (6.2%) to \$22.0 million, and stamp taxes on financial and other transactions, by \$14.4 million (20.9%) in anticipation of a firming in the domestic activity. With higher international business companies registration and an increased fee structure for banks and trust companies, business and professional license fees are pegged to rise by \$14.6 million (26.7%) to \$69.5 million.

Revenue from non-tax collections is projected to strengthen by \$13.8 million (16.5%) to \$97.6 million, with an \$11.2 million (54.5%) gain in income from other sources, which includes dividend payments from public corporations. Receipts from fines, forfeitures & administrative fees are expected to improve by \$3.2 million (5.2%) to \$65.0 million. The Budget also forecasts new capital revenue of \$11.0 million, mainly from the anticipated sale of a Government owned hotels.

On the expenditure side, budgetary allocations reflect a combination of adjustments undertaken during the course of FY2003/04, amid less robust revenue results, attempts to restore curtailed capital outlays, and the impact of the unbudgeted salary increase provided during FY2003/04. Current outlays, which represent 87.8% of the allocations, rose by \$98.3 million (10.1%) to \$1,067.3 million and provisions for net lending to public corporations were raised by \$4.6 million (18.0%) to \$30.5 million. Despite a \$2.4 million (2.0%) reduction in the capital budget, the \$117.3 million provisioned contained significant commitments carried over from FY2003/04 and therefore a higher targeted level of investments than actually occurred during the last fiscal year.

By economic classification, budgeted Government consumption rose by 10.4%, with a provisioned increase for personal emoluments of \$43.6 million (10.2%) to \$469.4 million, partly driven by the continuing impact of the \$24 million salary increase provided in December 2003. Higher allotments were also made for purchases of goods and services, of \$21.9 million (10.7%) to \$226.6 million.

Parliament approved a 9.7% hike in allocations for transfer payments, which comprised an \$11.1 million (9.9%) projected increase in interest payments on Government debt to \$123.3 million and a \$21.7 million (9.6%) boost in subsidies and other transfers to \$247.9 million. The subsidies budget featured increased provisions for quasi-autonomous agencies (7.9%), non-profit organizations (16.8%) and a nearly three-fold rise in transfers for non-financial public enterprises. However, transfer provisions for households decreased by 2.1%, in anticipation of reduced gratuity payments for new civil service retirees.

Under the functional breakdown of the recurrent expenditure, the budget for general public services increased by 10.7% to \$307.0 million (28.8% of the total); education, by 10.3% to \$208.1 million (19.5%); health, by 8.9% to \$174.9 million (16.4%); economic services, by 12.8% to \$139.4 million (13.1%); other community & social services by 52.6% to \$10.3 million (1.0%); defense, by 12.6% to \$33.1 million (3.1%); and housing by 20.4% to \$5.5 million. Conversely, provisions for social benefits & services were slightly reduced (0.3%) to \$65.7 million (6.2%).

With total capital spending approximating only 46.7% of budgeted outlays during the first 11 months of FY2003/04, the reduced 2004/05 provisions still represented a significant hike in planned investments. Relative to last year's budget, allocations for public works & water supply decreased by 3.2% to \$51.7 million; transportation, by 21.4% to \$4.3 million and education, by 13.2% to \$17.5 million. Conversely, investments earmarked for general public services increased by 17.7% to \$17.9 million.

On the financing side, Parliament authorized new borrowing of \$260.3 million vis-à-vis debt amortization of \$94.4 million, of which 10.4% is earmarked to repay foreign currency obligations. A netting of these provisions, suggest that the Direct Charge on Government is likely to rise by \$165.9 million to approximately \$2,109.3 million at end-June 2005. Accordingly, the National Debt could increase by at least this amount to more than \$2.52 billion.

REAL SECTOR

TOURISM

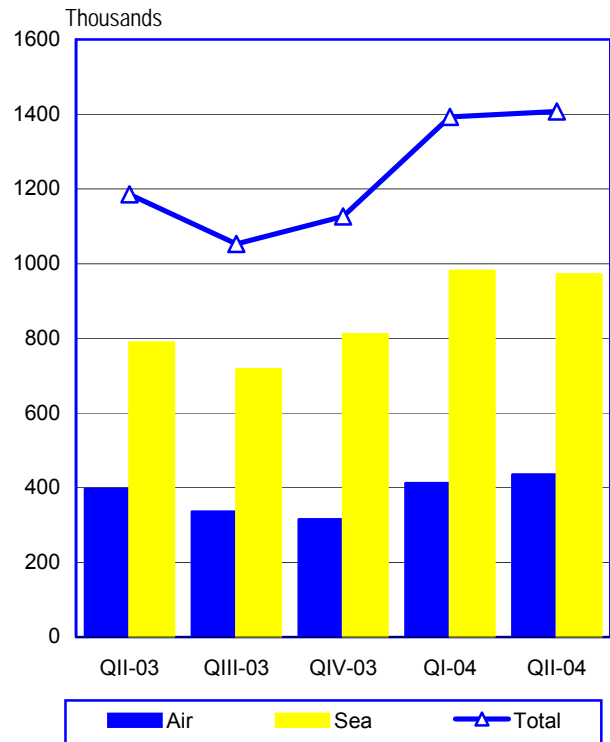
Preliminary estimates indicate continued growth in tourism output during the second quarter of 2004, driven by increased occupancy levels in the hotel sector and robust cruise passenger traffic. Activity remained favoured by the deepening of the US economic expansion, with its consequent boost to consumer confidence and household spending.

Second quarter visitor arrivals advanced by 18.7% to 1.4 million solidifying the 2003 recovery of 5.5% which followed a contraction of 1.8% in 2002. Visitor growth was particularly strong in New Providence, while encompassing a healthy upturn in Grand Bahama and steady expansion in the Family Islands.

Sea arrivals, which constituted 69.1% of visitors, registered accelerated gains of 23.2% to 0.97 million, benefiting from significantly increased cruise line calls on the Islands. This exceeded the cumulative increase of the three previous years (2001 – 2003) and was the most significant gain since 2000 (31.3%). In the context of a continued upswing in stopover visitors, air arrivals strengthened by 9.8% to 0.44 million, extending 2003's

marginal turnaround (2.3%) and contrasting with 2002's sizeable falloff of 11.3%.

Visitor Arrivals



Based on port of entry data, visitor arrivals for New Providence, including Paradise Island, rose by 21.5%, cementing last year's 3.3% turnaround. Approximately two-thirds arrived by sea, which featured strongly accelerated growth of 30.6% alongside a more than doubling in air arrivals gains to 6.8%. Following three consecutive years of second quarter declines, the 26.0% recovery in arrivals to Grand Bahama was bolstered by 37.3% improvement in the sea component and a 12.3% upturn in air arrivals. Family Island arrivals rose further by 10.0%, following growth of 16.1% in 2003, with sea visitors augmented by 8.0% and air traffic growth stable at 19.0%.

Indications are that expenditure growth also strengthened relative to 2003, with a projected double digit increase in receipts from cruise passengers reinforcing healthy occupancy-based expansion in stopover spending. Second quarter data for New Providence evidenced a 4.9% rise in occupied hotel room nights

which, in the context of a stable average nightly room rate of \$174.59, boosted estimated expenditures by 4.9%. Nevertheless, the average room occupancy rate, which consequently improved to 76 % from 70%, also contained a 3.9% reduction in available rooms following the closure of a major property on Paradise Island for renovations. In Grand Bahama, data for the first two months of the quarter revealed a 37.1% boost in estimated room revenues, as occupied room nights rose by 38.1%, offsetting a marginal decrease in the average nightly room rate to \$91.30. For the Family Islands, occupied room nights declined by 4.8%; however, the average nightly rate rose by 11.9% to \$180.87, supporting estimated room revenue growth of 6.6% in April and May.

As to the outlook, tourism growth is expected to continue at a strong pace in the medium term, with the expanding US economy supporting rising travel demand. The stopover sector meanwhile, continues to benefit from an expansion in airline routes from the US and the UK, which are both expected to result in more competitive ticket pricing. Nevertheless, the September 2nd – 4th damage caused by Hurricane Frances, particularly on Grand Bahama and the Family Islands, should disrupt output during September through November as repairs are made. The net impact on overall industry growth in 2004, however, will not be significant given the timing of the disruption during the slowest point in the tourist season.

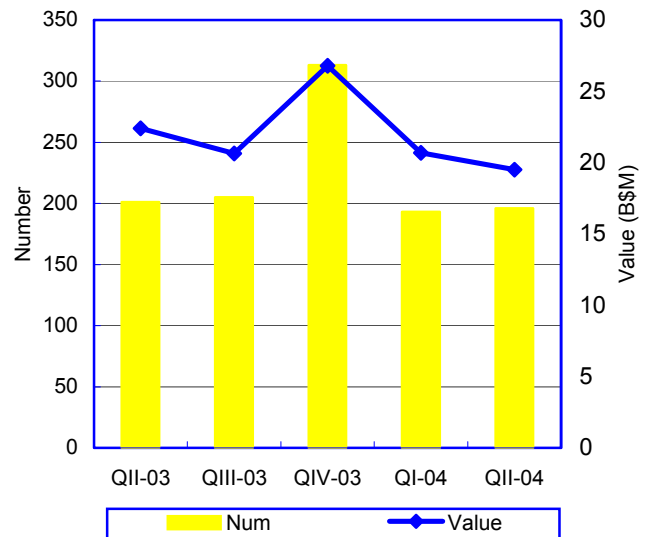
CONSTRUCTION

Despite more imminent signs of a pickup in commercial investments, including the startup of a major resort expansion in New Providence, construction expenditures were still subdued during the second quarter of 2004, and mortgage lending in support of local building activities slightly reduced. However, expenditures on rebuilding activities following Hurricane Frances, are expected to provide a strong boost to construction during the remainder of 2004, with a sizeable financing provided by re-insurance inflows.

According to second quarter data on mortgage lending by banks, insurance companies and the Bahamas Mortgage Corporation, ongoing weakness in commercial building financing outweighed the marginal firming in domestic residential investments. Indicative of this, the number of mortgage commitments for new construction

and repairs decreased by 2.5% to 196, with the corresponding value also lower by 12.8% at \$19.5 million. Residential commitments, comprising mainly new housing projects, accounted for 190 of the total, up from 185 in 2004, and valued 2.4% higher at \$18.0 million. On the commercial side, only 6 commitments, estimated at \$1.5 million were recorded, compared to 16 at \$4.9 million in the year-earlier period. With loan disbursements only partly indicative of actual construction activity, as they contain equity-based advances for other purposes, commercial drawdowns were more robust, at \$13.7 million compared to \$2.8 million in 2003, while residential mortgage payouts decreased by 10.0% to \$62.0 million.

**Mortgage Comittments:
New Construction and Repairs**



More in line with the cumulative picture, residential mortgages outstanding at end-June 2004 rose vis-à-vis the previous year by \$136.4 million (9.3%) to \$1,596.3, while commercial claims remained lower by \$6.2 million (3.7%) at \$161.4 million. Relative to the total size of the mortgage market, banks accounted for the largest share of these loans (84.8%), followed by insurance companies (10.3%) and The Bahamas Mortgage Corporation (4.9%). As regard average interest rates, softening was evident for both residential and commercial loans, to 8.8% and 9.4% from the respective 8.9% and 9.6% in the same period in 2003.

PRICES

Based on quarterly variations in the average Retail Price Index, inflation moderated to 0.2% during the second quarter from 0.4% in the corresponding 2003 period. Major influences included the unchanged level of the housing index, the most heavily weighted component, the softened advance in transportation & communications costs (0.5%) and a marginal decrease in average education costs (0.1%). These outweighed firmer average cost advances for food & beverages (0.3%) and medical care & health (1.2%); and the incremental upturn in the average price for recreation & entertainment services. The rate of increase in the other items of the Index was approximately unchanged, on average, at less than 0.1%.

marginal upturn in the average index for clothing & footwear.

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

Growth in the monetary aggregates was buoyed by comparatively stronger foreign currency inflows from tourism during the second quarter, and was closely matched by a revival in domestic credit, which otherwise remained constrained by the Central Bank's lending restrictions. Conditions supported a reduction in the banking system reduced its net foreign liabilities, and a softening in the average interest rates on both deposit and loans with a consequent narrowing in the loan-to-deposit rate spread. Meanwhile, the expansion in domestic credit was led by the accelerated advance in private sector Bahamian borrowing and increased net claims on the Government.

As regards profit and balance sheet developments of domestic banks, data for the first quarter of 2004 suggested some upturn in earnings indicators, owing both to efficiency gains and increased net interest flows. The previous quarter's improvement in asset quality indicators was preserved during the second quarter as the proportion of loan arrears in banks' portfolio decreased slightly.

LIQUIDITY

In the context of intensified credit expansion, banks directed less additional resources to liquid assets during the second quarter. Net free cash reserves fell marginally by \$0.9 million (0.5%) to \$189.6 million, relative to a \$1.9 million decline (1.5%) to \$127.1 million in the comparative quarter in 2003. However, this represented a larger 4.8% share of Bahamian dollar deposit liabilities, compared to the respective 3.4% in 2003. Surplus liquid assets, which exceeded the required minimum by 34.5%, vis-à-vis 24.7% at the end of June 2003, also declined by 4.6% to \$226.8 million.

DEPOSITS AND MONEY

Amid stronger accumulation of deposits held by private individuals and businesses, overall money supply (M3) recovered by 4.1% during the second quarter,

Average Retail Price Index

(Annual % Change)

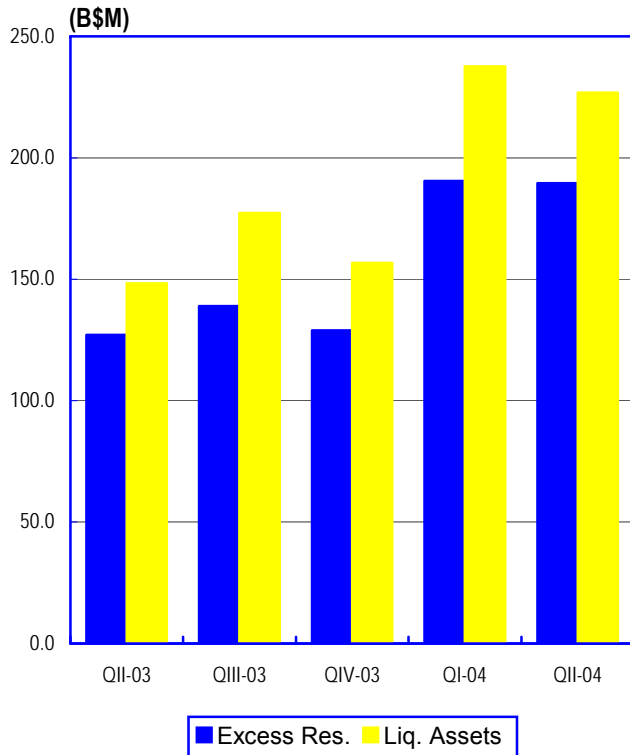
June

Items	Weight	2003		2004	
		Index	%	Index	%
Food & Beverages	138.3	112.9	1.0	115.1	1.9
Clothing & Footwear	58.9	107.5	-0.1	107.8	0.3
Housing	328.2	103.2	0.3	103.8	0.6
Furn. & Household	88.7	118.0	6.9	118.9	0.7
Med. Care & Health	44.1	116.3	4.4	128.1	10.6
Trans. & Comm.	148.4	104.8	0.6	107.0	2.1
Rec., Enter. & Svcs.	48.7	122.7	8.5	123.6	0.1
Education	53.1	161.2	4.4	164.1	1.8
Other Goods & Svcs.	91.6	117.6	8.8	122.3	4.0
ALL ITEMS	1000	112.3	2.8	114.2	1.8

In the twelve months through June, average consumer price inflation abated to 1.8% from 2.8% in the comparative 2003 period. Of particular note was the slowed rise in the average cost of recreation & entertainment services, to 0.7% from 8.5%; furniture & household operations, to 0.7% from 6.9% and education, to 1.8% from 4.4%. Average price gains for "other" unclassified goods & services also slackened to 4.0% from 8.8% last year. These trends were partly countered by the sharp run-up in average costs for medical care & health services (10.6%), fuel-related firming in transportation & communications costs (2.1%), larger increases for food & beverage items (1.9%) and housing (0.6%), and the

following a marginal contraction of 0.1% in 2003. Narrow money (M1) rebounded by 10.3% from the year-earlier decline of 0.2%, with placements of businesses and private individuals supporting a 11.3% upturn in demand deposits, after a decrease of 1.1% last year. Growth in currency held by the public was also slightly higher at 4.8% from 4.6%.

Liquidity



Broad money (M2) expansion firmed significantly, to 4.0% from 0.4% last year. Of note, fixed deposits recovered by 1.3% from a 0.3% reduction in 2003, as larger business and individual holdings outweighed reduced public corporation balances. In addition, accretions to savings balances, mainly personal account holders, strengthened to 4.3% from 3.6% last year.

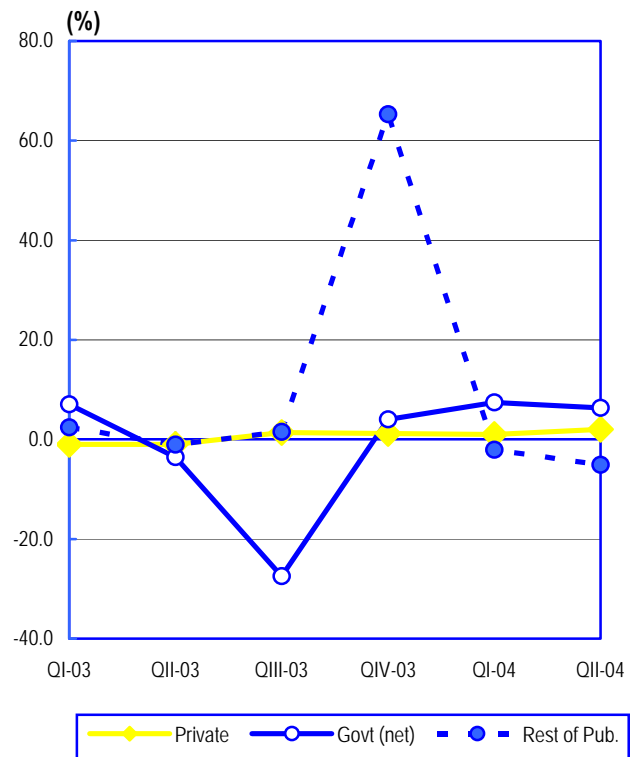
With the 5.7% upturn in residents' foreign currency deposits vis-à-vis last year's 17.4% contraction, overall money (M3) expanded by \$170.1 million (4.1%) to \$4,355.7 million. Bahamian dollar fixed deposits comprised the largest share of the overall stock (55.0%), followed by demand (21.8%) and savings (17.0%) deposits, currency (3.7%) and foreign currency deposits (2.5%).

Meanwhile, the Central Bank's liabilities to the public and private sectors represented 6.7% of the money stock as compared to a 93.3% share for banks.

DOMESTIC CREDIT

A Domestic credit also rebounded by \$99.8 million (2.0%) during the quarter, relative to the previous year's contraction of \$69.2 million (1.4%), and more closely resembled the 2002 uptrend of \$83.8 million (1.8%). The increase was concentrated primarily in recovered private sector credit claims of 2.0% from a 1.0% net repayment in 2004. A key component was the accelerated rise in Bahamian dollar claims of \$93.0 million (2.5%) as compared to \$37.8 million (1.1%) in 2003, alongside a smaller reduction in private foreign currency credit of \$8.9 million (2.1%) relative to the \$79.4 million (17.2%) in 2003 which was linked to industrial sector repayments.

Changes in Credit



Private sector credit expansion was led by accelerated growth in personal lending to 2.6% from 2.0% last year, representing approximately 70.2% of outstanding private claims. Although the advance in residential

mortgages slackened to \$45.2 million (3.3%) from \$71.4 million (6.0%), consumer credit rebounded by \$24.4 million (1.7%) from a \$8.0 million (0.6%) net repayment in 2003 and overdraft balances were extended by \$7.0 million (11.9%) following the \$8.6 million (17.9%) pay down last year.

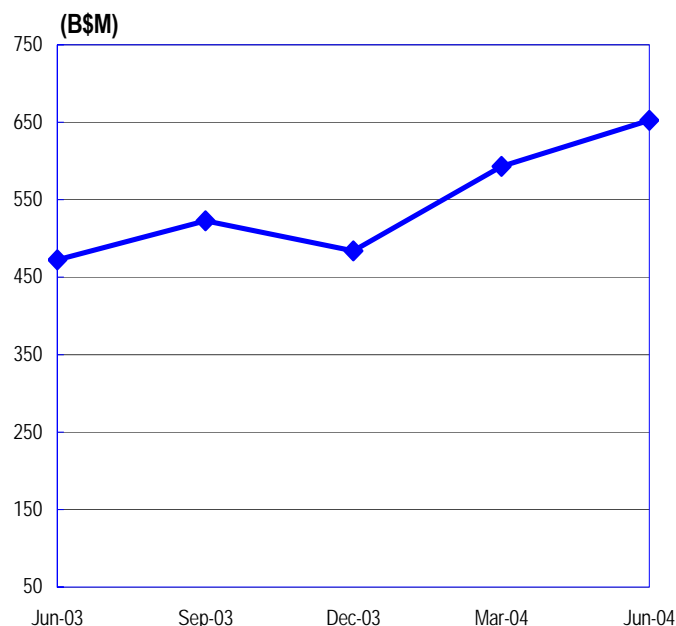
Noteworthy trends in consumer credit included larger net lending for miscellaneous purposes (\$13.1 million), land purchases (\$6.1 million) and credit cards (\$1.9 million); and rebounded net flows for travel (\$1.4 million), private cars (\$1.8 million) and furnishing and domestic appliances (\$0.4 million). The only sizeable net repayment was for home improvement loans (\$1.6 million).

tors recorded net repayments, inclusive of fisheries, (\$1.4 million), distribution (\$0.1 million) and tourism (\$34.2 million).

Distribution of Bank Credit By Sector				
End-June				
	2003		2004	
	B\$M	%	B\$M	%
Agriculture	7.1	0.2	9.5	0.2
Fisheries	5.5	0.1	10.2	0.2
Mining & Quarry	19.2	0.4	19.4	0.4
Manufacturing	62.2	1.4	75.9	1.6
Distribution	218.4	5.0	208.2	4.5
Tourism	222.5	5.0	172.4	3.7
Enter. & Catering	33.3	0.8	33.4	0.7
Transport	48.0	1.1	45.8	1.0
Public Corps.	206.2	4.7	317.9	6.9
Construction	261.5	5.9	245.6	5.3
Government	214.1	4.9	111.2	2.4
Private Financial	34.1	0.8	29.3	0.6
Prof. & Other Ser.	128.5	2.9	123.2	2.7
Personal	2752.4	62.5	2949.9	63.7
Miscellaneous	187.8	4.3	280.6	6.1
TOTAL	4400.8	100.0	4632.5	100.0

Outside of the personal sector, private sector credit trends also featured a larger increase in bank claims for miscellaneous purposes (\$24.3 million) and marginal net financing flows for most business and productive activities. These included reversals from net repayments to increases for entertainment & catering (\$5.7 million), construction (\$9.5 million), professional & other services (3.0 million), transportation (\$1.8 million) and private financial institutions (\$2.0 million). Most remaining sec-

External Reserves



The banking sector's net claim on the public sector rose by 1.7%, after declining by 3.0% over the comparative 2003 period. Net lending to Government resumed by \$34.3 million (6.3%), following a \$25.2 million decrease (3.6%) last year, and outweighed the reduction in claims on the rest of the public sector, which was extended to \$18.6 million (5.1%) from \$2.4 million (1.1%) in 2003.

THE CENTRAL BANK

For the June quarter, Central Bank's net claims on Government fell by \$12.0 million (10.2%), which was considerably below the year-earlier contraction of \$49.1 million (30.9%). This included a \$5.5 million decrease in the Bank's holdings of Government bonds and a more than doubling in Government deposits by \$6.5 million. Net deposit liabilities to the public sector almost doubled to \$121.7 million. This build-up, alongside expanded currency and other deposit liabilities—mainly to domestic banks—was correlated with more robust external reserves growth of \$59.3 million (10.0%) to \$652.5 million

as compared to a \$28.0 million (6.3%) gain to \$472.5 million last year.

External balances approximated 23.5 weeks of non-oil merchandise imports for the 12 months ending June 2004 as compared to 19.1 weeks for the previous year. When adjusted for the 50% statutory backing for the Bank's Bahamian dollar liabilities, the resulting useable reserves, or Central Bank liquidity, stood at \$308.8 million compared to \$218.2 million in 2003.

Underpinning the reserves growth was an expanded net foreign currency purchase of \$54.6 million, up from \$23.7 million last year. The net intake from commercial banks rose by \$20.6 million (35.0%) to \$79.5 million, while net outflows via the public sector narrowed to \$24.9 million from \$35.2 million last year. Reflecting the continued rebound in tourism, total purchases advanced by \$24.7 million (14.4%) to \$195.6 million as compared to a \$6.2 million (4.2%) falloff in total sales, to \$141.1 million.

DOMESTIC BANKS

During the review quarter, growth in domestic banks' deposit liabilities to the private sector accelerated to \$136.8 million (3.7%) from \$28.4 million (0.8%) in 2003, more than sustaining the upswing in credit to the sector. This also accommodated the \$46.3 million (11.0%) rebound in net claims on Government, and the gap between the further \$18.6 million (5.2%) reduction in claims on public corporations relative to a larger \$29.0 million (7.2%) falloff in corresponding deposits. Alongside a \$34.0 million (4.0%) rise in capital and surplus, these developments allowed banks to reduce their net foreign liabilities by \$40.1 million (6.4%).

Relative to the total portfolio, lending to the public sector was proportionately higher in foreign currency at 36.4%, as total net credit to the public sector—held mainly in government bonds—comprised 16.1% of banks' total claims on the domestic economy.

The June quarter recorded a stronger accumulation of banking sector deposits, inclusive of gross liabilities to the public sector, of \$107.7 million (2.7%) to \$4,163.1 million, as compared to a \$10.1 million (0.3%) accretion in 2003. Holders of Bahamian dollar deposits, at \$4,053.5 million, included private individuals (55.7%), business firms (26.4%), the public sector (9.0%) and

private financial institutions and others (8.9%), mainly insurance companies and private pension funds.

An analysis of contractual obligations indicated that fixed deposits remained the largest share (59.3%) of the total, followed by demand (22.8%) and savings (17.9%) deposits. The breakdown by range and value revealed that approximately 90.2% of Bahamian dollar accounts held balances of less than \$10,000 but represented a disproportionately lower 8.7% of the total value. Conversely, 2.9% of accounts comprised balances over \$50,000, which accounted for 77.3% of the value. The remaining accounts with balances between \$10,000 and \$50,000 constituted 6.8% of the total accounts and a less disparate 14.0% of the aggregate value.

Asset quality improvements noted during the first quarter of 2004 were preserved during the review period. The Central Bank's latest survey indicate that, the ratio of loan balances in arrears relative to total Bahamian dollar claims on the private sector stabilized at 8.7%, after rising to as high as 10.1% at the end of both second and final quarters of 2003. The consumer credit portfolio maintained the most significant improvement, with an arrears rate of 7.9% compared to 8.4% at the end-march 2004 and 10.0% at end-April 2003. For the residential mortgages portfolio, where arrears were most recently as high as 11.5% in December, the rate at end-June remained close to the 9.8% recorded in March. Nevertheless, commercial facilities experienced some temporary set back, with an arrears rate of 9.3% compared to 8.6% in March, but still improved from 10.5% at end-2003. Private loans on which banks have stopped accruing interest also decreased slightly to 4.8% of the estimated Bahamian dollar portfolio in June, partly reversing the increase incidences of non-accruals noted during the second half of 2003.

Banking sector provisioning and loan write offs against bad debt, indicate a slowdown in balance sheet discounting of risk. Realized bad debt expenses decreased incrementally during the second quarter, remaining significantly below average quarterly provisions taken during the first nine months of 2003. Banks also wrote off significantly less doubtful loans, after undertaking a very aggressive cleanup during the first quarter of 2004. Average provisioning levels for Bahamian dollar loans remained slightly lower at 2.0% of the estimated loan portfolio at end-June as compared to 2.1% at end-

December 2003. This decrease was mainly as a result of further consumer loan write-offs from specific bad debt provisions and an abatement in the rate of provisioning against new consumer credit.

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.

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 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.

Banking Sector Interest Rates			
Period Average (%)			
	Qtr. II	Qtr. I	Qtr. II
	2003	2004	2004
Deposit Rates			
Demand Deposits	2.67	2.32	2.54
Savings Deposits	2.72	2.77	2.55
Fixed Deposits			
Up to 3 months	3.76	3.80	3.73
Up to 6 months	4.19	4.74	4.97
Up to 12 months	4.39	4.44	4.13
Over 12 months	4.38	4.84	4.14
Weighted Avg Deposit Rate	3.91	4.02	3.84
Lending Rates			
Residential Mortgages	9.01	8.91	8.84
Commercial Mortgages	10.04	--	8.86
Consumer Loans	13.93	13.39	13.08
Overdrafts	11.13	11.78	11.40
Weighted Avg Loan Rate	12.13	11.57	11.23

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

INTEREST RATES

During the second quarter, an 18 basis point reduction in the average deposit rate to 3.84%, as opposed to the 34 basis point drop in the counterpart loan rate, narrowed domestic banks' average loan-to-deposit spread by 16 basis points to 7.39%.

Compared to the previous quarter, the average range on fixed deposits widened to 3.73% – 4.97% from 3.80% – 4.84%, while the average savings rate softened by 22 basis points to 2.55%. Average lending rates eased for overdraft facilities, by 38 basis points to

11.40%; consumer loans, by 31 basis points to 13.08% and residential mortgages, by 7 basis points to 8.84%. Conversely, average interest rates on other local loans firmed by 5 basis points to 8.57%, while rates on resumed commercial mortgage lending averaged 8.86%.

Similar to deposit rate trends, the average three-month Treasury bill rate softened by 23 basis points to 0.71%. However, benchmark interest rates--commercial banks' Prime and the Central Bank Discount Rate remained at their respective July 1999 levels of 6.00% and 5.75%.

BANK PROFITABILITY

More expansionary credit conditions, improved asset quality and abated operating cost pressures supported marginal improvements in domestic banks' earnings indicators.

For the quarter ended March 2004, the latest period for which data are available, profits recovered by \$5.1 million (15.1%) to \$38.7 million, following a \$2.5 million (6.8%) decline over the same period in 2003. As interest income paced moderately ahead of interest expenses, the net interest margin improved by 6.9% to \$71.1 million. When combined with a one-fourth gain in commission and foreign exchange income, this extended the resulting gross earnings margin by 8.3% to \$78.5 million. The net earnings margin also strengthened by 27.2% after operating costs fell by 2.5% to \$45.2 million, as a result of reduced staff expenditures--owing to a more rationalized labour force. Partly offsetting, the net contribution from other income sources was reduced, by 27.9% to \$5.4 million, as increased depreciation costs exceeded the reduced offset from bad debt expenses.

Profitability ratios relative to average domestic assets were also improved compared to the first quarter of 2003. The ratio for the net interest margin firmed incrementally by 1 basis point to 4.71%, while the comparative ratio for commission and foreign exchange income ratio rose by 7 basis points to 0.49%. Efficiency gains, represented by the 28 basis points reduction in operating costs as a percentage of average assets to 2.99%, placed the earnings margin 36 basis points higher at 2.21%. Nevertheless, a 17 basis points reduction in the net contribution from other income sources resulted in a more modest 19

basis points increase in the net income (return on assets) ratio to 2.56%.

CAPTIAL MARKETS DEVELOPMENTS

Activity in the domestic capital markets increased steadily during the second quarter, amid signs of some upturn in earnings indicators within the private sector and a sizable sale of Government equity holdings. While no new capital was raised during the second quarter, both the Government and private sectors tapped the market during July and August.

In the second quarter, the Bahamas International Securities Exchange (BISX) All Share Price Index rallied by 5.6% to 973.2 points, extending the first quarter's 5.8% gain. For the first six months of the year the Index was up by 12.1%, in contrast to a cumulative decline of 6.2% during 2003. Compared to the first half of 2003, trading volume rebounded to 2.25 million from 0.69 million shares, valued considerably higher at \$12.8 million from \$2.3 million. Although the sale of 1 million Cable Bahamas shares held by the Government to the National Insurance Board (NIB) accounted for more than half of the value exchanged, other private sector transactions were also significantly elevated.

Fidelity Capital Market Limited's broader Findex weighted share price index, which also includes equities traded over-the-counter, rose by 3.7% to 403.6 points during the second quarter, compared to a decline of 2.8% in the same period last year. On a year-to-date basis, Findex gained 7.8% in contrast to a loss of 5.4% in 2003. Government transactions also dominated over-the-counter trading, with 1 million shares of Bank of The Bahamas sold to NIB.

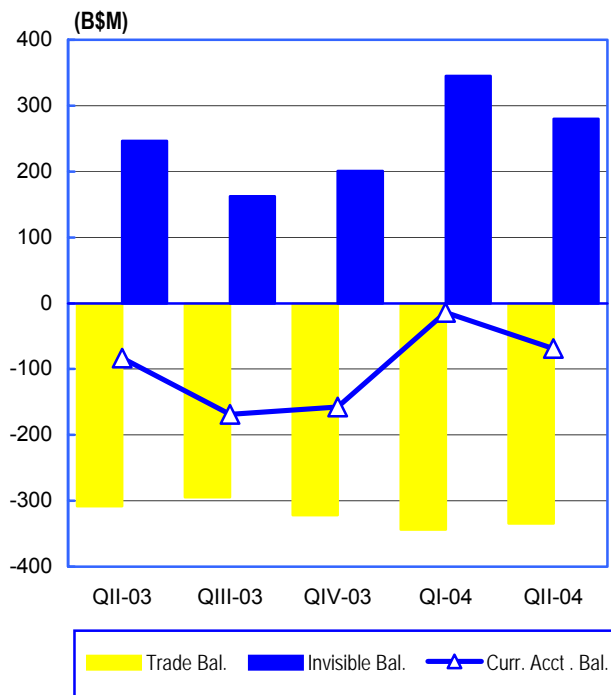
INTERNATIONAL TRADE AND PAYMENTS

Based on preliminary estimates for the second quarter of 2004, the current account deficit narrowed to \$68.7 million from \$83.3 million over the same period last year. In particular, the expansion in net merchandise imports was countered by a widening in net tourism inflows

combined with modestly improved goods exports, and reduced net factor income remittances.

The merchandise trade deficit rose by 8.6% to an estimated \$334.5 million. While export receipts increased by \$8.1 million (9.0%) to \$98.1 million, non-oil imports were higher by \$17.2 million (6.7%) at \$273.7 million, amid continued firming in domestic demand. Outflows for oil imports also advanced by 18.7% to \$86.3 million, as pressures from higher global prices outweighed the reduction in the domestic quantity consumed. Compared to the second quarter of 2003, the average per barrel cost of gas oil rose by 27.3% to \$40.23; jet fuel, by 33.5% to \$45.35; motor gas, by 41.3% to \$57.45 million and aviation-gas, by 20.2% to \$98.67. Conversely, the average per barrel price of propane and bunker 'c' fuel decreased by 40.7% and 32.0% to \$18.38 and \$23.28, respectively.

Balance of Payments



The estimated surplus on the services account widened by \$33.3 million (13.5%) to \$280.0 million, associated largely with the 15.3% rise in net travel receipts as the sector's recovery strengthened. Also noteworthy was the more than halving in net outflows for various government services to \$8.2 million, while inflows from offshore companies' local expenses increased by 2.3% to \$20.5

million. Conversely, net external payments for "other" services rose strongly by \$31.5 million (39.2%) to \$111.9 million, attributed largely to higher external expenses of the public corporations, and net insurance remittances rose by 4.2% to \$26.1 million.

Net income outflows narrowed by \$6.3 million (15.8%) to \$33.7 million, as banks and other private sector net repatriation of investment income were more than halved to \$13.3 million. In a partial offset, net labour income remittances rose by 29.9% to \$17.0 million, and official transactions were reversed to a net interest payment of \$3.3 million from a net receipt of \$2.2 million in 2003.

Net current transfer receipts fell by 7.4% to \$19.5 million, with general government net inflows lower by \$0.7 million (3.7%) at \$20.5 million. This exceeded the reduction in net private transfer payments of \$0.6 million (40.3%) to \$0.9 million, which was explained by a decrease in workers' net remittances.

The capital and financial account recorded a smaller surplus of \$4.1 million, compared to \$41.9 million in 2003. Outward migrants' net transfers rose to \$9.7 million from \$7.4 million, while net financial inflows narrowed to \$13.8 million from the year-earlier \$49.2 million. Underlying this outcome was the reduced net private foreign investments of \$57.5 million compared to \$111.9 million last year, mainly corresponding to a net loan repayment of \$0.8 million as opposed to a net financing of \$69.6 million in 2003. Likewise, the net real estate inflow decreased to \$2.1 million from \$30.8 million in 2003. However, signs of the anticipated recovery in foreign investment flows were suggested from the widening net direct equity inflows to \$56.1 million from \$11.5 million last year. Short-term capital outflows through the domestic banking system declined to \$40.0 million from \$58.8 million and the public sector's net external debt repayment decreased to \$3.7 million from \$3.9 million.

Consequent on these developments and after adjusting for possible errors and omissions, the overall balance recorded a larger surplus of \$59.3 million as compared to \$27.8 million in the year-earlier period.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Export-led strengthening in output was more broad-based among major industrial countries during the second quarter of 2004, benefiting particularly from expenditures in the United States and China. Although marginally mixed during the quarter, labour market conditions stayed on an improving trend; however, increased consumer price pressures from higher fuel costs and demand pressures further tilted the monetary policy stance towards tightening in some major economies. Average equity prices continued to rally across major financial markets, in the context of upbeat economic expectations. External sector developments were characterized by improvements in most major countries' current account balances, due to increased exports. While the global recovery was expected to broaden over the remainder of 2004 and into 2005, the outlook was still hampered by unpredictable fuel prices.

Export growth and increasing internal demand supported stronger expansion in most major economies during the second quarter. However, while the United States' medium-term prospects remained strong, rising fuel costs slowed the second quarter uptrend to an annualized 3.0% from 4.5% in the first quarter. In particular, abated consumer spending and moderated inventory investments partly countered accelerated investments outlays on housing and business technology, and rising exports. China's annualized growth rate, which along with the United States provided a steady underpinning for global export demand, continued at a robust 9.6% during the second quarter, compared to 9.8% in the first quarter. Benefiting from this upturn, Japan, experienced a strengthened expansion of 4.4% relative to 1.6% in the first quarter, also supported by rising business and household demand. In the United Kingdom, real GDP gains firmed to 3.6% on an annualized basis from 2.8% during the first quarter, with manufacturing registering the strongest quarterly increase since the third quarter of 1999, and services sector output rising at a steady pace. In the euro area, rising consumer confidence and export-led expansion in industrial production supported real output gains of 2.0% on an annualized basis, compared to 2.4% in the previous quarter, with Germany's growth firmed to 2.0% from 1.5%, and the rate of economic

expansion for France exceeded the previous quarter's 2.0%.

Despite incremental setbacks in some major economies, labour market conditions remained on an improving trend. In the United States, the average unemployment rate softened to 5.6% from 5.7% as the pace of business hiring increased. Similarly, with the improving situation in Japan, the second quarter jobless rate decreased marginally to 4.6% from 4.7% of the workforce. However, in the United Kingdom, average unemployment rose marginally to 4.8% from 4.7%. The euro zone's annual growth rate firmed to 9.0% from 8.9%, with the French and German estimates both marginally higher at 9.9% and 10.5%, respectively.

Rising oil prices produced intensified inflationary pressures in the major industrial countries during the second quarter, which could linger in the short-term as concerns persist about potential disruptions to supplies. In the United States, annualized inflation nearly doubled to 3.3% from 1.7% in the first quarter, with the respective advances in energy and food prices accelerated at 17.0% and 3.7% from 0.4% and 3.2% in the previous quarter. In the euro area, annualized inflation rose to 2.4% from the previous quarter's 1.7%, with estimates for Germany and France firming to 1.6% and 2.4%, from 1.1% and 1.7%, respectively. For the United Kingdom, the average retail price increase moved higher to 3.0% from 2.6% in the previous quarter, whereas Japan experienced additional deflation, with consumer prices further reduced by 0.4%, in the second quarter, despite upward pressure from oil and non-food items.

In currency markets, the United States dollar continued to appreciate against major world currencies, responding to rising short-term interest rates and the relative strength of the US economic expansion. Consolidating its recovery from the two-year long slide, the dollar rose by 0.9% against the euro to €0.82; by 4.4% against the Japanese yen, to ¥108.77; by 1.4% against the pound sterling to £0.55 and by 1.8% vis-à-vis the Canadian dollar to C\$1.33. Conversely, the dollar depreciated against the Swiss franc by 1.4% to CHF1.25.

Equity market valuations on the major bourses firmed moderately during the second quarter as investors responded to the improving global economic outlook. In the United States, the Dow Jones Industrial Index Aver-

age (DJIA) gained 0.8% to 10,435.5 points and the broader Standard and Poor's 500 Index, 1.3% to 1,140.8 points. Positive results among the European bourses included advances in the United Kingdom's FTSE 100 Index's by 1.8% to 4,464.1 points; France's CAC 40 Index, by 3.0% to 3,733.0 points and Germany's DAX Index, by 5.1% to 4,052.7 points. In Japan, the Nikkei 225 Index increased by 1.2% to 11,858.9.

In commodity markets, ongoing concerns about output supply disruptions exerted upward pressure on oil prices during the second quarter and remained a key uncertainty in the global economic outlook. This deterioration occurred despite OPEC's June decision to raise its daily production ceiling by 8.5%, with effect from the beginning of July 2004, and by another 3.9% to 26 million barrels, with effect from August 1st 2004. The per barrel price of Brent Sea crude oil rose by 3.7% to \$33.45 during the second quarter, well above OPEC's price band of \$22-\$28 per barrel. As some confidence returned to financial markets, precious metals functioned less as hedging alternatives, with the price for gold decreasing by 7.6% to \$394.55 per troy ounces and silver, by 27.1% to \$5.77 per troy ounce.

Amid strengthened growth prospects,, monetary policy in the United States and the United Kingdom was less accommodating and the respective central banks adopted a more defensive stance against inflation. In June, the United States' Federal Reserve approved 25 basis points increases for both the discount rate and target Federal funds rate, to 2.25% and 1.25%, respectively. The Bank of England raised its repurchase rate

twice during the quarter, by 25 basis points to 4.25% in May and further to 4.50% in June, in a bid to keep inflation within the government's 2.0% target range. The policy stance elsewhere was unchanged, with the European Central Bank's refinancing rate remaining at 2.00%, although with a more guarded view of rising liquidity in the financial markets. The Bank of Japan also kept its official discount rate at the historic low of 0.1% for the tenth consecutive quarter, while taking added steps to enhance liquidity by providing the markets with access to government securities held by the Bank.

In external sector developments, most major economies current account benefited from stronger net export demand, although this had the opposite effect in the United States and China, the two largest importing economies. Indications are that the United States recorded an 8.5% increase in the estimated trade deficit to a seasonally adjusted \$163.6 billion during the second quarter. In the United Kingdom, the seasonally adjusted estimated trade deficit was almost stable at \$27.9 billion, as demand for manufacturing continued to increase. Export demand sustained a sizeable euro area trade surplus of \$30.6 billion, well above the quarterly average of \$20.4 billion in 2003, led by a widening in Germany's second quarter trade surplus by an estimated 6.9%, to a seasonally adjusted \$52.4 billion. In Japan, the seasonally trade surplus was only marginally reduced to \$29.1 million; although, still expanding relative to the quarterly average of \$21.9 billion in 2003.

STATISTICAL APPENDIX

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STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

TABLE 1
FINANCIAL SURVEY

End of Period	2001			2002			2003			2004			
	1999	2000	2001	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
				(BS Millions)									
Net foreign assets				(207.7)	(178.6)	(291.1)	(357.3)	(209.9)	(123.1)	14.4	(144.0)	(34.0)	65.4
Central Bank	(50.5)	(86.6)	(234.5)	380.1	460.7	406.8	373.2	444.5	472.5	522.9	484.1	593.2	652.5
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)	(572.0)
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)	(15.1)
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	4,290.2
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	5,144.6
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	924.6
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	578.2
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	346.4
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	4,220.0
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)	(854.4)
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	4,355.6
Money	758.2	807.8	776.7	792.1	835.3	833.6	817.7	866.4	865.0	881.9	907.4	1,006.1	1,109.4
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	160.8
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	948.6
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	3,246.2
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	2,397.2
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	741.2
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	107.8
				(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	2.0
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	1.7
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	6.3
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)	(5.1)
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	2.0
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	3.5
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	4.1
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)	10.3
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	4.8
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	11.2

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.	Jun.	
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)	80.5					
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	652.5					
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)	(572.0)					
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	4,173.8					
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	4,896.8	5,001.6					
Public sector	665.4	645.3	771.9	782.3	849.6	883.8	867.6	918.4	890.7	708.7	874.9	904.5	920.2					
Government (net)	491.5	504.1	622.8	593.3	659.5	681.4	648.2	693.7	668.4	483.1	502.1	539.5	573.8					
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	346.4					
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	4,081.4					
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)	(803.9)	(827.8)					
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	4,254.3					
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	1,096.6					
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	160.8					
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	935.8					
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	3,157.7					
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	741.0					
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	2,308.9					
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	107.8					
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	2.1					
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	1.7					
Government (net)	9.4	2.6	23.5	(4.7)	11.2	3.3	(4.9)	7.0	(3.6)	(27.7)	3.9	7.4	6.4					
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)	(5.1)					
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	2.2					
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	3.0					
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	4.4					
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)	10.3					
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	4.8					
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	11.3					

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

End of Period	(B\$ Millions)																												
	1999			2000			2001			2002			2003			2004													
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.												
Net foreign assets	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5	522.9	484.1	593.2	652.5	Balances with banks abroad	180.6	119.3	44.5	100.5	180.8	147.7	126.3	177.3	195.3	221.1	183.5	279.6	318.7		
Foreign securities	214.8	215.1	260.0	271.8	271.5	250.8	238.3	258.6	268.3	292.8	291.3	304.3	324.6	Reserve position in the Fund	8.6	8.1	7.8	7.8	8.3	8.3	8.5	8.6	8.8	8.9	9.3	9.3	9.2		
SDR holdings	--	0.1	0.1	--	0.1	--	0.1	--	0.1	0.1	--	--	--	SDR holdings	--	0.1	0.1	--	0.1	--	0.1	--	0.1	0.1	--	--	--		
Net domestic assets	(16.6)	31.4	107.5	66.5	52.1	71.8	92.0	43.3	11.2	(51.1)	15.3	(24.1)	(90.4)	Net claims on government	69.8	120.7	187.4	160.7	141.0	157.5	172.9	158.7	109.6	77.9	108.4	118.0	106.0		
Claims	73.0	128.5	189.7	162.7	148.2	167.5	182.4	167.6	117.4	85.6	114.8	122.1	116.6	Treasury bills	13.9	66.2	98.8	57.7	38.7	60.6	72.0	62.9	7.0	--	--	--	--		
Bahamas registered stock	5.6	8.8	34.0	38.8	42.1	39.5	38.6	37.9	44.6	48.6	43.8	51.1	45.6	Loans and advances	53.5	53.5	56.9	66.2	67.4	67.4	71.8	66.8	65.8	37.0	71.0	71.0	71.0		
Deposits	(3.2)	(7.8)	(2.3)	(2.0)	(7.2)	(10.0)	(9.5)	(8.9)	(7.8)	(7.7)	(6.4)	(4.1)	(10.6)	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)	(10.6)		
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--	In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--		
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)	(128.9)	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)	(97.2)	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	23.4	22.5		
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	6.2	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	1.0		
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)	(400.6)	(386.2)	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)	(63.2)		
Deposits	(150.3)	(144.9)	(188.7)	(241.2)	(304.4)	(272.3)	(230.2)	(281.3)	(271.1)	(255.5)	(244.6)	(338.1)	(323.0)	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)	(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)	(160.8)																

Source: The Central Bank of The Bahamas

TABLE 4
COMMERCIAL BANKS BALANCE SHEET

End of Period	(BS Millions)																	
	1999			2000			2001			2002			2003			2004		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	
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)	(572.0)					
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	379.3					
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	63.2					
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	316.9					
Less Central Bank credit	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8					
Net domestic assets	3,026.5	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	3,880.3					
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	467.8					
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	88.8					
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	364.9					
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	111.2					
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	97.1					
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	62.2					
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	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	317.9					
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	277.0					
Net claims on OLFIs.	(19.4)	(10.1)	(0.8)	(2.7)	(7.4)	15.7	16.3	11.8	6.2	--	1.2	(8.3)	(5.8)					
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	4,081.4					
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	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	4,068.5					
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)	(1,014.5)					
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	289.2					
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	3,687.6					
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	858.9					
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	745.4					
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	2,083.3					

Source: The Central Bank of The Bahamas

TABLE 5
OTHER LOCAL FINANCIAL INSTITUTIONS BALANCE SHEET

End of Period	(B\$ Millions)																	
	1999			2000			2001			2002			2003			2004		
	1999	2000	2001	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	
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)	(15.1)					
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	5.8					
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	5.8					
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	110.7					
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	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	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	(9.4)					
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	138.6					
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	4.2					
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	125.1					
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	9.3					
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)	(55.5)					
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	32.6					
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	101.3					
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	12.8					
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	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	88.3					

Source: The Central Bank of The Bahamas

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

Period	(B\$'000s)												
	2001			2002			2003			2004			
	1999	2000	2001	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. I
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	112,236	
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	41,140	
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	71,096	
4. Commission & Forex Income	22,779	23,561	24,401	5,844	5,946	5,580	5,998	5,995	6,109	6,466	4,881	7,417	
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	78,513	
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	27,251	
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	5,025	
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	12,888	
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	45,164	
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	33,349	
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	5,286	
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	7,323	
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	17,960	
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	5,351	
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	38,700	
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	6.20	
				(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	4.71	
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	0.49	
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	5.20	
Operating Costs	3.65	3.58	3.55	3.25	3.07	3.00	3.56	3.27	3.03	3.15	3.43	2.99	
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	2.21	
Net Income	2.50	3.44	3.31	2.73	2.90	2.46	2.46	2.37	2.83	1.53	1.84	2.56	

*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 7
MONEY SUPPLY

End of Period	(B\$ Millions)												
	2001			2002			2003			2004			
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
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	1,006.1	1,109.4
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	160.8
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	948.6
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	128.9
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	806.9
OLFI's	4.6	11.7	7.6	7.5	10.1	7.8	9.2	10.0	9.3	11.7	11.6	12.0	12.8
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	578.2
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	106.0
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	467.8
OLFI's	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.1	3.2	4.1	4.4	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	4,566.4
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	346.4
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	4,220.0
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	652.5
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)	(587.1)
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	3,246.2
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)	(854.4)

Source: The Central Bank of The Bahamas

TABLE 8
CONSUMER INSTALMENT CREDIT

End of Period	2001		2002		2003				2004							
					Mar.		Jun.		Mar.		Jun.					
	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*				
CREDIT OUTSTANDING																
Private cars	405	270,662	201	244,977	48	235,260	44	229,025	27	223,320	19	221,315	8	218,505	8	220,306
Taxis & rented cars	--	2,251	--	1,976	--	2,028	--	1,991	--	2,010	--	2,054	--	1,835	--	1,714
Commercial vehicles	8	4,385	--	4,513	--	4,240	--	4,032	--	4,082	--	4,254	--	4,312	--	4,672
Furnishings & domestic appliances	7	17,514	2	14,529	--	13,762	--	12,974	--	12,584	--	12,727	--	12,472	--	12,886
Travel	25	43,391	13	43,122	--	38,129	--	37,504	--	40,814	--	40,815	--	38,790	--	40,191
Education	16	49,569	8	59,479	--	57,969	--	47,326	--	51,936	--	49,903	--	49,646	--	49,751
Medical	22	13,304	10	14,308	--	13,843	--	13,803	--	13,892	--	13,662	--	13,525	--	13,844
Home Improvements	180	126,542	99	111,702	67	109,922	67	108,981	65	108,348	64	109,232	9	107,272	8	105,688
Land Purchases	61	95,251	34	110,441	6	111,161	5	115,445	4	117,191	3	120,262	2	130,164	1	136,291
Consolidation of debt	501	356,914	256	350,686	137	347,965	131	350,753	123	348,581	113	343,547	83	346,844	48	347,368
Miscellaneous	237	340,739	99	342,527	47	328,588	40	331,397	20	337,723	18	334,249	17	334,922	16	348,062
Credit Cards	--	137,768	--	158,784	--	153,302	--	155,004	--	162,388	--	148,265	--	145,868	--	147,786
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	81	1,428,559
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)	8	220,298
Taxis & rented cars	--	129	--	(275)	--	52	--	(37)	--	19	--	44	0	(219)	0	1,714
Commercial vehicles	(1)	(527)	(8)	128	--	218	--	(208)	--	50	--	172	0	58	0	4,672
Furnishings & domestic appliances	(33)	(40)	(5)	(2,985)	(2)	(1,940)	--	(788)	--	(390)	--	143	0	(255)	0	12,886
Travel	(27)	(1,286)	(12)	(269)	(13)	(4,905)	--	(625)	--	3,310	--	1	0	(2,025)	0	40,191
Education	(14)	16,601	(8)	9,910	(8)	(1,651)	--	(10,643)	--	4,610	--	(2,033)	0	(257)	0	49,751
Medical	(8)	529	(12)	1,004	(10)	(321)	--	(40)	--	89	--	(230)	0	(137)	0	13,844
Home Improvements	(117)	4,976	(81)	(14,840)	(32)	1,921	--	(941)	(2)	(633)	(1)	884	(55)	(1,960)	8	105,679
Land Purchases	(46)	3,690	(27)	15,190	(28)	3,930	(1)	4,284	(1)	1,746	(1)	3,071	(1)	9,902	1	136,289
Consolidation of debt	(212)	3,444	(245)	(6,228)	(119)	(11,147)	(6)	2,788	(8)	(2,172)	(10)	(5,034)	(30)	3,297	48	347,285
Miscellaneous	(183)	27,274	(138)	1,788	(52)	(10,433)	(7)	2,809	(20)	6,326	(2)	(3,474)	(1)	673	16	348,045
Credit Cards	--	6,467	--	21,016	--	(5,482)	--	1,702	--	7,384	--	(14,123)	0	(2,397)	0	147,786
TOTAL	(839)	47,553	(740)	(1,246)	(417)	(38,444)	(18)	(7,934)	(48)	14,634	(22)	(22,584)	(98)	3,870	81	1,428,440

Source: The Central Bank of The Bahamas

* Includes Consumer Credit previously reported under Personal Loans

TABLE 9
SELECTED AVERAGE INTEREST RATES

Period	2001		2002		2003		2004	
	2001	2002	2002	2003	2003	2004	2004	2004
	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. II
COMMERCIAL BANKS								
Deposit rates								
Savings deposits	2.69	2.77	2.66	2.74	2.72	2.56	2.60	2.55
Fixed deposits								
Up to 3 months	4.19	4.04	3.81	3.95	3.76	3.71	3.82	3.73
Up to 6 months	4.62	4.32	4.11	4.42	4.01	3.99	4.01	3.86
Up to 12 months	4.72	4.49	4.38	4.62	4.30	4.14	4.47	4.12
Over 12 months	4.99	4.62	4.59	4.48	4.36	4.66	4.86	4.16
Weighted average rate	4.24	4.11	3.93	4.03	3.86	3.81	4.00	3.76
Lending rates								
Residential mortgages	8.95	8.90	8.99	9.01	9.00	8.91	9.02	8.85
Commercial mortgages	8.87	9.04	9.58	9.24	10.82	9.20	9.04	8.78
Consumer loans	13.41	13.07	13.83	13.94	13.95	13.89	13.53	13.12
Overdrafts	10.43	10.63	11.56	11.04	11.09	11.66	12.45	11.47
Weighted average rate	11.47	11.33	12.04	11.73	12.17	12.15	12.10	11.29
OLFIs								
Deposit rates								
Savings deposits	3.55	--	1.75	--	--	1.75	--	--
Fixed deposits								
Up to 3 months	4.13	4.10	4.14	3.92	4.06	4.32	4.27	3.66
Up to 6 months	4.16	3.91	4.07	3.70	4.35	3.89	4.32	3.85
Up to 12 months	4.06	4.22	4.43	4.18	4.71	4.33	4.50	3.92
Over 12 months	4.17	--	--	--	--	--	--	4.09
Weighted average rate	4.25	4.39	4.45	4.25	4.62	4.37	4.54	3.98
Lending rates								
Residential mortgages	8.89	8.64	6.59	9.07	8.35	8.92	--	8.67
Commercial mortgages	--	9.77	--	--	--	--	--	--
Consumer loans	14.97	--	9.99	--	--	9.99	--	8.34
Other loans	9.36	8.70	8.41	8.00	--	9.75	7.48	--
Weighted average rate	11.25	8.64	8.51	8.98	8.35	9.21	7.48	8.51
Other rates								
Prime rate	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	1.89	2.02	1.74	1.45	0.71
Treasury bill re-discount rate	2.45	3.00	2.28	2.39	2.52	2.24	1.95	1.21
Bank rate (discount rate)	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.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	
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	187.2	184.3	185.4	185.4	187.2	192.7	200.9	
Average Till Cash	61.0	59.6	51.2	47.3	41.4	44.4	55.3	42.9	42.8	50.7	66.7	42.9	42.8	50.7	66.7	57.1	56.0	
Average balance with central bank	174.7	149.4	182.2	246.2	284.7	286.7	217.8	271.2	270.5	274.3	250.2	271.2	270.5	274.3	250.2	326.9	335.3	
Free cash reserves (period ended)	81.0	41.6	56.5	114.1	143.4	146.0	88.9	129.0	127.1	138.9	128.9	129.0	127.1	138.9	128.9	190.5	189.6	
II. Liquid Assets (period)																		
A. Minimum required Liquid assets	507.9	539.1	569.3	585.2	599.2	593.4	589.9	599.2	600.3	598.8	615.6	599.2	600.3	598.8	615.6	637.1	656.7	
B. Net Eligible Liquid Assets	656.6	579.2	636.7	691.1	772.4	722.1	687.6	722.6	748.6	776.1	772.3	722.6	748.6	776.1	772.3	874.8	883.6	
i) Balance with Central Bank	155.5	148.2	188.6	239.1	304.1	272.3	230.3	279.7	271.1	255.5	243.5	279.7	271.1	255.5	243.5	338.0	322.6	
ii) Notes and Coins	75.1	64.9	65.4	45.8	40.7	43.7	66.8	44.4	43.4	51.5	80.1	44.4	43.4	51.5	80.1	63.0	63.7	
iii) Treasury Bills	93.4	49.9	63.5	93.8	106.8	72.9	38.8	45.0	69.5	71.9	47.6	45.0	69.5	71.9	47.6	73.0	88.9	
iv) Government registered stocks	311.4	303.7	306.4	294.6	305.8	320.7	335.3	336.9	350.2	370.2	369.5	336.9	350.2	370.2	369.5	368.6	369.3	
v) Specified assets	20.8	20.2	16.9	18.9	18.7	18.3	17.9	16.9	15.7	26.7	26.8	16.9	15.7	26.7	26.8	29.1	28.2	
vi) Net Inter-bank dem/call deposits	1.2	(6.9)	(3.3)	(0.3)	(2.9)	(5.0)	(0.7)	0.5	(0.5)	1.1	5.6	0.5	(0.5)	1.1	5.6	3.9	11.7	
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	123.4	148.3	177.3	156.7	123.4	148.3	177.3	156.7	237.7	226.9	

Source: The Central Bank of The Bahamas

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

Period	Budget								2002/03p				2003/04p				(B\$ Millions)							
	2000/01p		2001/02p		2002/03p		2003/04		2004/05		QTR. III		QTR. IV		QTR. I		QTR. II		QTR. III		2002/03p		2003/04p	
	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May	Ytd	May
Total Revenue & Grants	957.5	856.8	901.8	1051.6	218.8	234.3	217.5	231.2	253.3	823.5	867.6													
Current expenditure	847.7	896.7	962.6	1067.3	236.5	295.8	222.6	239.9	249.3	809.7	867.6													
Capital expenditure	85.0	103.5	83.8	117.3	16.2	32.4	8.1	16.0	19.2	65.5	55.9													
Net lending	42.5	27.5	43.1	30.5	12.1	14.7	6.4	8.8	9.0	34.6	29.7													
Overall balance	(17.7)	(170.9)	(187.7)	(163.5)	(46.0)	(108.6)	(19.6)	(33.5)	(24.2)	(86.3)	(85.6)													
FINANCING (I+II-III+IV+V)	17.7	170.9	187.7	163.5	46.0	108.6	19.6	33.3	24.2	86.3	85.6													
I. Foreign currency borrowing	4.3	143.6	34.4	29.0	0.3	1.5	202.8	1.3	0.1	34.4	206.7													
External	4.3	18.6	9.4	29.0	0.3	1.5	202.8	1.3	0.1	9.4	206.7													
Domestic	--	125.0	25.0	...	--	--	--	--	--	25.0	--													
II. Bahamian dollar borrowing	75.8	157.7	205.9	231.3	--	61.1	75.0	34.0	23.3	205.9	132.3													
i) Treasury bills	20.0	26.9	--	...	--	--	--	--	--	--	--													
Central Bank	20.0	16.1	--	...	--	--	--	--	--	--	--													
Commercial banks & OLFIs	--	10.8	--	...	--	--	--	--	--	--	--													
Public corporations	--	--	--	...	--	--	--	--	--	--	--													
Other	--	--	--	...	--	--	--	--	--	--	--													
ii) Long-term securities	55.8	95.7	186.1	...	--	61.1	75.0	--	--	186.1	98.3													
Central Bank	6.5	66.4	20.0	...	--	10.0	10.0	--	23.3	20.0	33.3													
Commercial banks & OLFIs	8.9	10.1	56.4	...	--	16.1	20.1	--	--	56.4	20.1													
Public corporations	14.4	4.8	33.2	...	--	14.9	21.7	--	--	33.2	21.7													
Other	26.0	14.4	76.5	...	--	20.1	23.2	--	--	76.5	23.2													
iii) Loans and Advances	--	35.1	19.8	...	--	--	--	--	--	19.8	34.0													
Central Bank	--	33.9	4.3	...	--	--	--	--	--	4.3	34.0													
Commercial banks	--	1.2	15.5	...	--	--	--	--	--	15.5	--													
III Debt repayment	75.6	144.9	62.4	94.4	13.7	1.3	202.5	24.5	22.7	62.1	250.0													
Domestic	67.1	111.2	54.4	84.6	10.0	1.0	198.8	23.3	20.0	54.4	242.0													
Bahamian dollars	60.4	76.7	49.4	84.6	10.0	1.0	73.8	18.3	20.0	49.4	112.0													
Internal foreign currency	6.7	34.5	5.0	...	--	--	125.0	5.0	--	5.0	130.0													
External	8.5	33.7	8.0	9.8	3.7	0.3	3.7	1.2	2.7	7.7	8.0													
IV. Cash balance change	10.3	(3.3)	15.3	...	4.3	(5.7)	(6.6)	(10.8)	(1.2)	23.0	(16.7)													
V. Other Financing	2.9	17.8	(5.5)	(2.4)	55.1	53.0	(49.1)	33.3	24.7	(114.9)	13.3													

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	2003p			2004p				
	2001p	2002p	June	Sept.	Dec.	Mar.	June	
TOTAL EXTERNAL DEBT	117,619	96,077	293,157	93,943	293,029	293,157	290,558	292,550
By Instrument								
Government Securities	50,500	25,000	225,000	25,000	225,000	225,000	225,000	225,000
Loans	67,119	71,077	68,157	68,943	68,029	68,157	65,558	67,550
By Holder								
Commercial banks	15,458	10,305	5,153	7,729	5,153	5,153	3,865	3,865
Offshore financial institutions	500	--	--	--	--	--	--	--
Multilateral institutions	51,661	60,772	63,004	61,214	62,876	63,004	61,693	63,685
Bilateral Institutions	--	--	--	--	--	--	--	--
Private Capital Markets	50,000	25,000	225,000	25,000	225,000	225,000	225,000	225,000
TOTAL INTERNAL DEBT	1,486,044	1,710,531	1,647,607	1,760,631	1,636,863	1,647,607	1,650,897	1,650,897
By Instrument								
Foreign Currency	36,390	130,000	--	130,000	5,000	--	--	--
Government securities	11,000	5,000	--	5,000	5,000	--	--	--
Loans	25,390	125,000	--	125,000	--	--	--	--
Bahamian Dollars	1,449,654	1,580,531	1,647,607	1,630,631	1,631,863	1,647,607	1,650,897	1,650,897
Advances	56,945	71,787	71,019	65,787	37,019	71,019	71,019	71,019
Treasury bills	168,600	179,400	179,400	179,400	179,400	179,400	179,400	179,400
Government securities	1,213,633	1,304,098	1,386,943	1,360,198	1,405,198	1,386,943	1,390,233	1,390,233
Loans	10,476	25,246	10,245	25,246	10,246	10,245	10,245	10,245
By Holder								
Foreign Currency	36,390	130,000	--	130,000	5,000	--	--	--
Commercial banks	36,390	130,000	--	130,000	5,000	--	--	--
Other local financial institutions	--	--	--	--	--	--	--	--
Bahamian Dollars	1,449,654	1,580,531	1,647,607	1,630,631	1,631,863	1,647,607	1,650,897	1,650,897
The Central Bank	190,554	182,823	114,800	117,430	85,613	114,800	122,170	116,626
Commercial banks	375,771	399,697	423,997	441,661	453,294	423,997	447,876	464,435
Other local financial institutions	3,128	3,128	3,128	3,128	3,127	3,128	5,367	4,695
Public corporations	562,309	619,284	673,345	665,756	661,422	673,345	637,479	621,708
Other	317,892	375,599	432,337	402,656	428,407	432,337	438,005	443,433
TOTAL FOREIGN CURRENCY DEBT	154,009	226,077	293,157	223,943	298,029	293,157	290,558	292,550
TOTAL DIRECT CHARGE	1,603,663	1,806,608	1,940,764	1,854,574	1,929,892	1,940,764	1,941,455	1,943,447
TOTAL CONTINGENT LIABILITIES	358,772	401,449	428,944	383,964	398,454	428,944	427,870	406,862
TOTAL NATIONAL DEBT	1,962,435	2,208,057	2,369,708	2,238,538	2,328,346	2,369,708	2,369,325	2,350,309

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			2004p			June
		2001p	2002p	2003p	June	Sept.	Dec.	Mar.	June	
Outstanding debt at beginning of period	425,248	403,010	521,945	506,207	497,270	557,838	574,593	571,340	574,593	571,340
Government	131,141	154,009	226,077	222,708	223,943	298,029	293,157	290,558	293,157	290,558
Public Corporations	294,107	249,001	295,868	283,499	273,327	259,809	281,436	280,782	281,436	280,782
Plus new drawings	58,204	230,973	352,169	1,672	203,249	146,690	7,829	4,932	7,829	4,932
Government	40,687	136,638	206,000	1,521	202,811	1,329	124	2,472	124	2,472
Public corporations	17,517	94,335	146,169	151	438	145,361	7,705	2,460	7,705	2,460
Less Amortization	80,442	112,038	299,521	10,609	142,681	129,935	11,082	17,749	11,082	17,749
Government	17,819	64,570	138,920	286	128,725	6,201	2,723	480	2,723	480
Public corporations	62,623	47,468	160,601	10,323	13,956	123,734	8,359	17,269	8,359	17,269
Outstanding debt at end of period	403,010	521,945	574,593	497,270	557,838	574,593	571,340	558,523	571,340	558,523
Government	154,009	226,077	293,157	223,943	298,029	293,157	290,558	292,550	290,558	292,550
Public corporations	249,001	295,868	281,436	273,327	259,809	281,436	280,782	265,973	280,782	265,973
Interest Charges	29,112	24,703	27,934	6,962	4,967	11,225	2,801	10,418	2,801	10,418
Government	9,142	9,558	13,017	2,869	2,376	6,482	1,037	8,116	1,037	8,116
Public corporations	19,970	15,145	14,917	4,093	2,591	4,743	1,764	2,302	1,764	2,302
Debt Service	109,554	136,741	327,455 *	17,571	147,648	141,160 *	13,880	28,167	13,880	28,167
Government	26,961	74,128	151,937	3,155	131,101	12,683	3,760	8,596	3,760	8,596
Public corporations	82,593	62,613	175,518	14,416	16,547	128,477	10,120	19,571	10,120	19,571
Debt Service ratio	4.8	5.6	13.6 *	2.9	24.7	22.4 *	1.9	4.3	1.9	4.3
Government debt Service/ Government revenue (%)	2.9	8.3	16.8	1.3	60.3	5.5	1.5	n.a	1.5	n.a
MEMORANDUM										
Holder distribution (B\$ Mil):										
Commercial banks	113.6	259.7	241.8	243.2	107.1	241.8	240.3	230.0	240.3	230.0
Offshore Financial Institutions	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	238.2	237.0	107.7	228.9	225.6	107.7	105.6	103.2	105.6	103.2
Bilateral Institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.7	0.2	0.1	0.2	0.2	0.1	0.4	0.3	0.4	0.3
Private Capital Markets	50.0	25.0	225.0	25.0	225.0	225.0	225.0	225.0	225.0	225.0

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

Note: *Debt serving during the 3rd and 4th quarters of 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

	(BS Millions)											
	2003p			2002			2003			2004		
	2001p	2002p	2003p	Qtr.IIip	Qtr.IIip	Qtr.IVip	Qtr.Ip	Qtr.Ip	Qtr.IIip	Qtr.IVip	Qtr.Ip	Qtr.IIip
A. Current Account Balance (I+II+III+IV)	(583.9)	(339.2)	(416.8)	(130.9)	(68.2)	(120.1)	(7.0)	(83.3)	(168.8)	(157.7)	(13.6)	(68.7)
I. Merchandise (Net)	(1,340.4)	(1,151.1)	(1,203.5)	(336.7)	(251.4)	(309.7)	(278.8)	(308.1)	(294.7)	(321.9)	(343.4)	(334.5)
Exports	423.1	446.3	424.7	98.9	121.9	124.9	107.3	90.0	112.1	115.3	110.0	98.1
Imports	1,763.5	1,597.4	1,628.2	435.6	373.3	434.6	386.1	398.1	406.8	437.2	453.4	432.6
II. Services (Net)	891.0	980.3	901.4	262.0	233.6	215.5	291.7	246.6	162.4	200.7	345.3	279.9
Transportation	(200.8)	(165.3)	(175.3)	(48.8)	(34.4)	(43.2)	(42.1)	(46.2)	(42.6)	(44.4)	(35.9)	(50.3)
Travel	1,392.1	1,518.2	1,477.3	412.8	368.0	333.1	423.9	395.5	322.2	335.7	477.6	456.0
Insurance Services	(14.9)	(91.2)	(104.3)	(20.0)	(29.8)	(25.0)	(20.2)	(25.0)	(30.7)	(28.4)	(18.3)	(26.1)
Offshore Companies Local Expenses	56.4	126.4	105.9	23.5	29.6	49.8	22.7	20.0	19.2	44.0	35.8	20.5
Other Government	(48.6)	(60.9)	(57.3)	(25.4)	(9.5)	(15.1)	(22.5)	(17.3)	(4.5)	(13.0)	(5.0)	(8.3)
Other Services	(293.2)	(346.9)	(344.9)	(80.1)	(90.3)	(84.1)	(70.1)	(80.4)	(101.2)	(93.2)	(108.9)	(111.9)
III. Income (Net)	(176.2)	(210.7)	(163.3)	(71.9)	(60.7)	(30.8)	(32.9)	(40.0)	(43.9)	(46.5)	(24.4)	(33.7)
1. Compensation of Employees	(48.5)	(49.9)	(56.3)	(13.4)	(12.8)	(12.8)	(11.4)	(13.1)	(14.3)	(17.5)	(13.2)	(17.0)
2. Investment Income	(127.7)	(160.8)	(107.0)	(58.5)	(47.9)	(18.0)	(21.5)	(26.9)	(29.6)	(29.0)	(11.2)	(16.7)
IV. Current Transfers (Net)	41.7	42.3	48.6	15.7	10.3	4.9	13.0	18.2	7.4	10.0	8.9	19.6
1. General Government	45.8	49.0	53.9	17.5	11.7	7.9	13.5	19.7	9.4	11.3	11.7	20.5
2. Private Sector	(4.0)	(6.7)	(5.3)	(1.8)	(1.4)	(3.0)	(0.5)	(1.5)	(2.0)	(1.3)	(2.8)	(0.9)
B. Capital and Financial Account (I+II)	243.3	380.6	209.5	93.5	102.0	95.6	(45.5)	41.8	176.8	36.4	30.5	4.1
(excl. Reserves)												
I. Capital Account (Net Transfers)	(21.3)	(24.5)	(37.4)	(6.3)	(5.5)	(3.7)	(9.1)	(7.4)	(8.7)	(12.2)	(8.7)	(9.7)
II. Financial Account (Net)	264.6	405.1	246.9	99.8	107.5	99.3	(36.4)	49.2	185.5	48.6	39.2	13.8
1. Direct Investment	102.1	152.8	145.0	40.7	33.4	37.0	19.7	42.3	53.0	30.0	27.6	58.3
2. Other Investments	162.7	252.3	101.9	59.1	74.1	62.3	(56.1)	6.9	132.5	18.6	11.6	(44.5)
Central Gov't Long Term Capital	6.7	(21.4)	196.0	(21.9)	(3.5)	7.2	(3.4)	1.2	199.1	(0.9)	(2.0)	2.0
Other Public Sector Capital	(28.7)	(13.5)	(137.7)	(1.5)	(5.9)	(2.0)	(4.7)	(5.1)	(5.8)	(122.1)	(1.6)	(5.7)
Banks	120.5	183.6	(116.7)	51.5	58.6	32.6	(76.1)	(58.8)	(99.9)	118.1	(0.9)	(40.0)
Other	64.2	103.8	126.5	31.1	25.1	24.4	28.0	69.6	6.8	22.1	16.1	(0.8)
C. Net Errors and Omissions	310.4	19.3	318.4	118.0	(87.7)	(9.1)	123.8	69.6	42.4	82.6	92.2	123.8
D. Overall Balance (A+B+C)	(30.2)	60.7	111.1	80.6	(53.9)	(33.6)	71.3	28.1	50.4	(38.7)	109.1	59.2
E. Financing (Net)	30.0	(60.8)	(111.1)	(80.6)	53.9	33.5	(71.3)	(28.1)	(50.4)	38.7	(109.1)	(59.2)
Change in SDR holdings	--	--	0.0	(0.1)	0.1	(0.1)	0.1	(0.1)	--	--	--	--
Change in Reserve Position with the IMF	0.3	(0.6)	(0.9)	(0.5)	0.0	(0.2)	(0.1)	(0.2)	(0.2)	(0.4)	--	0.1
Change in Ext. Foreign Assets () = Increase	29.8	(60.2)	(110.2)	(80.0)	53.8	33.8	(71.3)	(27.8)	(50.2)	39.1	(109.1)	(59.3)

Source: The Central Bank of the Bahamas

Figures may not sum to total due to rounding

**TABLE 15
EXTERNAL TRADE**

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

Source: Department of Statistics Quarterly Statistical Summaries
*Revised

TABLE 16
SELECTED TOURISM STATISTICS

Period	2001p			2002p			2003p			2004p			
	2001p	2002p	2003p	2003p	2003p	2003p	2003p	2003p	2003p	2004p	2004p	2004p	
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
Visitor Arrivals	4,182,671	4,405,971	4,594,042	1,229,641	1,185,158	1,052,676	1,126,567	1,392,563	1,406,943				
Air	1,428,124	1,402,894	1,428,973	381,709	396,446	335,622	315,196	411,996	435,422				
Sea	2,754,547	3,003,077	3,165,069	847,932	788,712	717,054	811,371	980,567	971,521				
Visitor Type													
Stopover	1,537,777	1,513,151	1,509,877	393,081	435,298	362,514	318,984	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	2,551,673	2,802,112	2,970,174	804,677	720,834	662,612	782,051	931,362	901,573				
Day/Transit	93,221	90,708	113,991	31,883	29,026	27,550	25,532	n.a	n.a	n.a	n.a	n.a	n.a
Tourist Expenditure(BS 000's)													
Stopover	1,636,450	1,762,661	1,758,911	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	1,483,576	1,605,406	1,596,870	419,162	475,242	362,734	339,732	n.a	n.a	n.a	n.a	n.a	n.a
Day	147,580	151,232	157,006	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
	5,294	6,023	5,035	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	3,554,856	864,518	900,045	889,775	900,518	956,645	769,527				
Average Length of Stay	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Average Hotel Occupancy Rates (%)													
New Providence	67.2	67.9	66.3	71.2	70.5	64.5	58.8	68.8	76.1				
Grand Bahama	49.8	55.2	48.4	56.9	47.9	46.7	42.1	66.3	66.7				
Other Family Islands	36.8	34.8	34.8	34.5	46.1	32.5	25.9	38.6	43.2				
Average Nightly Room Rates (\$)													
New Providence	160.9	177.6	178.5	188.8	174.6	166.7	183.8	186.7	174.6				
Grand Bahama	83.8	80.6	83.5	96.4	84.3	77.4	75.9	94.3	91.3				
Other Family Islands	159.7	157.9	159.5	171.4	159.6	162.1	144.9	174.7	159.2				

Source: The Ministry of Tourism
Data are April & May Totals only