



Quarterly Economic Review

June, 2003

Vol. 12, No.2

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

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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Compared to the first half of 2002, when output was returning to some level of normalcy following the September 11 setback to tourism, the domestic economy strengthened further during 2003. Nevertheless, weak fundamentals in the United States and still dissipating geopolitical tensions prevented a full recovery, relative to output levels attained in the first half of 2001. The nearly flat cumulative position in net foreign investments, also constrained output, particularly vis-à-vis the construction sector; albeit, indications are that both tourism and construction could pick up on a comparative basis in the months ahead.

Amid mild firming in domestic inflation, indications are that the momentum derived from the comparative second quarter output gain was marginal, with the nearly flat position in tourism expenditure, supported only by higher cruise spending vis-à-vis slightly weakened stop-over outlays. Tempered mortgage financing suggested softer support for local construction expenditure, although quarterly private foreign investment flows were comparatively strengthened. Meanwhile, the cumulative fiscal position for the 11 months through May indicated modest improvement in revenue collections, which only slightly outpaced constrained expenditure growth, for a small reduction in the budget deficit. Financial sector highlights included a reduction in domestic credit, led by steady weakening in consumer lending, which outpaced the marginal fall-off in the monetary aggregates. In this context, both liquidity and external reserves registered growth. On the external side, the current account deficit was reduced, owing primarily to lessened import pressures. Moreover, a sizeable reversal in short-term flows through the banking sector resulted in a reduced surplus on capital and financial transactions, despite increased net private capital inflows.

Banks' net free cash balances decreased marginally (1.5%) to \$127.1 million, remaining below the comparative \$143.4 million at the end of the same period in 2002 when net foreign currency inflows to the public sector underpinned a 25.6% increase. With institutions channeling more resources into Government securities, a more

sizeable buildup occurred in surplus liquid assets, of 20.2% to \$148.3 million, exceeding the statutory minimum by 24.7%, albeit remaining below the year-earlier ratio of 28.9%. Reflecting the composition of lending and policy influenced credit conditions, commercial banks' weighted average loan rate rose by 44 basis points to 12.17% during the quarter and, when combined with a 17 basis point easing in the weighted average deposit rate to 3.86%, caused the loans to deposit rate to widen by 61 basis points to 8.31%. Achieving more convergence towards the average savings rate, the 90-day Treasury bill rate rose by 13 basis points to 2.02%, although base rates—commercial banks' prime and the Central Bank Discount Rate—were unchanged at 6.00% and 5.75%, respectively.

During the quarter, the total money supply (M3) fell by 0.1% to \$3,940.9 million, contrasting with the year-earlier advance of 2.3% to \$3,889.8 million. In particular, fixed deposit balances contracted by 0.3%, vis-à-vis the previous year's growth of 0.4%; demand deposits fell by 1.1%, reversing last year's 5.6% advance, and residents' foreign currency deposits decreased by 17.4%, partly reflecting foreign currency loan repayments. Conversely, growth in savings deposits firmed incrementally to 3.6%, while expansion in the currency component moderated slightly to 4.6%.

Featuring reductions in claims on both the public and private sectors, domestic credit declined by 1.4% to \$4,883.2 million, to contrast with growth of 1.8% to \$4,809.2 million in 2002. In particular, after advancing by 11.1% during the second quarter last year, in the context of foreign currency borrowing, net claims on Government decreased by 3.6%. Claims on the public corporations also contracted by 1.1%, following a 0.6% increase in 2002. Meanwhile, accelerated repayment of foreign currency liabilities, caused private sector credit to contract by 1.0%, following a slowed increase of 0.4% last year. Residential mortgage lending was the main growth component, although only marginally higher at 3.9%, while consumer credit contracted further by 0.7%.

Reflecting some stabilization in economic trends, preliminary indications are that the fiscal deficit in the first eleven months of FY2002/03 narrowed to \$86.6 million

from \$94.2 million in the comparative period in FY2001/02. With a 4.9% improvement in tax receipts, total revenue rose by 4.1% to \$823.5 million, but in absolute terms remained below expenditures, which rose by 2.8% to \$910.1 million. In respect of the latter, current outlays increased by 4.1% to \$810.0 million and net lending to the public corporations intensified by 41.0% to \$34.6 million, partially offset by a reduction in capital expenditures of 20.9% to \$65.4 million. Budgetary financing during the eleven months included a net borrowing of \$157.4 million in Bahamian dollars and \$22.0 million in foreign currency. Taking June into account, the Direct Charge on Government increased by \$61.3 million (3.4%) during the quarter and by \$178.2 million (10.6%) for the fiscal year, to \$1,854.6 million. The comparative FY2001/02 advance was moderately lower at \$156.5 million (10.3%) to \$1,676.5 million. Meanwhile, a \$9.0 million (2.3%) decline in Government guaranteed borrowings to \$388.7 million, produced a quarterly increase in the National Debt of \$52.3 million (2.4%) and capped a 12-month growth of \$159.0 million (7.6%) to \$2,243.4 million. This contrasted with a more accelerated uptrend of \$196.1 million (10.4%) to \$2,084.4 million in FY2001/02, which was associated with contingent liabilities.

In the tourism sector, visitor volumes for the June quarter of 2003 strengthened by 5.5% to 1,185,188, reversing the 1.8% decrease posted in 2002. Sea arrivals growth was extended to 7.2% from 4.1% in 2002 and air visitors, which comprised the higher value-added stopover segment, rebounded by 2.3% from an 11.3% fall-off in 2002. Visitor expenditure growth was almost flat, with modest cruise spending contrasting with weakened stopover outlays. In particular, indications are that estimated hotel room revenues dipped by 0.3% vis-à-vis 2002. The only positive contribution was appreciated average room rate pricing, at \$167.12 per night, as compared to \$163.14 in 2002. Instead, average hotel occupancy was lower at 62.6% from 66.9% last year, as occupied room nights decreased by 2.7%, while available capacity increased by 4.1%. As to the distribution of the revenue performance, marginal growth in New Providence (1.4%) and a stable outturn for the Family Islands were offset by a more sizeable falloff in receipts on Grand Bahama (12.4%).

Inflation, measured by quarterly changes in the average Retail Price Index, rose to 0.4% from 0.1% in the comparable 2002 period, led by rebounded costs for transport & communication and resumed increases under housing. For the 12-month period through June 2003, average inflation advanced to 2.8% from 2.2%, comprising firmer uptrends in average costs for recreation & entertainment services (8.5%); miscellaneous goods & services, (8.8%); furniture & household operation expenses (6.9%) and medical care & health costs (4.4%). However, more tempered increases were registered in average costs for food & beverages (1.0%), transport & communication (0.6%) and housing (0.3%).

In line with the reduction in valuation on both residential and commercial building permits granted last year, indications are that construction output softened during the opening months of 2003, relative to stabilized expenditures in 2002. Data on mortgage lending from banks, the Bahamas Mortgage Corporation and insurance companies indicated a general slowing in second quarter financing for domestic building activity, with commitments for residential mortgages for new construction, rehabilitation and additions contracted to \$18.5 million from last year's \$21.4 million. Similar commercial mortgage commitments also slackened, to \$5.7 million from \$14.5 million. Meanwhile, the average interest rate on new residential mortgages was marginally lower at 8.9% but slightly higher for commercial mortgages at 9.6%, vis-à-vis the same period in 2002.

In the external sector, the current account deficit narrowed to an estimated \$28.0 million from \$108.0 million in the same quarter last year. In particular, the estimated merchandise trade deficit decreased to \$279.2 million from \$345.7 million in 2002, with non-oil and oil imports reduced by 12.6% and 13.3% respectively, to exceed the 9.2% reduction in exports. Net invisible inflows increased by 6.9% to \$278.1 million, mainly due to reduced net outflows for external services, alongside the 0.9% increase in net travel receipts. In addition, net foreign income remittances narrowed to \$38.4 million from \$71.8 million in 2002, led by the reduction in profit remittances by banks and private businesses. Net current transfer receipts were almost halved to \$8.3 million, mirroring a net decrease in general government inflows.

On the capital and financial account, the estimated surplus narrowed to \$16.1 million from \$91.0 million, with the \$58.8 million short-term outflow through the banking system contrasting with the \$51.5 million net inflow in 2002, which was associated with foreign currency lending to Government. However, net private foreign investment inflows were moderately increased, with growth in net loan inflows rising to \$56.9 million from \$31.1 million, and more than offsetting the reduction in direct equity (36.6%) and real estate inflows (19.1%) to a combined \$28.2 million from \$38.2 million in 2002. In addition, outflows stemming from the public sector's net external debt repayment narrowed to \$2.9 million from last year's \$23.4 million.

FISCAL OPERATIONS

Provisional estimates for the first eleven months of FY2002/03 indicate that the overall deficit on Government's budgetary operations narrowed to \$86.6 million from \$94.2 million in the year-earlier period, although expectations are for a larger overall shortfall for the entire year. With reduced capital outlays, total expenditure growth was contained at 2.8% to \$910.1 million, trailing revenue improvement of 4.1% to \$823.5 million.

REVENUE

Under revenue collections, tax receipts rose by \$35.4 million (4.9%) to \$757.5 million (to constitute 92.0% of total), outweighing a \$3.3 million (4.8%) falloff in non-tax proceeds to \$66.0 million. Compared to the previous fiscal period, the largest tax revenue gain was recorded for business and professional license fees, of \$13.8 million (31.3%) to \$57.7 million, which included increases in company registration fees and an upturn in collections from licensing of International Business Companies (\$4.0 million). Similarly, stamp duties on financial and other transactions rose by \$11.4 million (18.7%) to \$72.6 million. Levies on international trade and transactions, which accounted for 57.0% of total tax revenue, improved marginally by \$5.6 million (1.3%) to \$432.0 million, with gains in import duties (1.5%) and stamp tax on imports (3.1%) outpacing a reduction in export levies (15.4%). Increases were also recorded for property taxes, of \$4.9 million (15.7%), and taxes related to motor vehicle in-

spection and licensing, of \$1.7 million (15.3%). Although visitor volumes improved, selected taxes on tourism-related services decreased marginally by \$0.6 million (1.9%) to \$29.4 million, as reduced casino taxes (12.7%) exceeded the recorded increase in hotel occupancy tax receipts (6.7%). Departure taxes also fell by \$3.0 million (6.1%) to \$47.1 million.

Government Revenue By Source

YTD – May

	FY 01/02p		FY 02/03p	
	B\$M	%	B\$M	%
Property tax	30.9	3.9	35.8	4.3
Selective Services tax	30.0	3.8	29.4	3.6
Bus. & Prof. Lic. Fees	44.0	5.6	57.7	7.0
Motor Vehicle tax	11.0	1.4	12.7	1.5
Departure tax	50.1	6.3	47.1	5.7
Import duties	331.6	41.9	336.7	40.9
Stamp tax from imports	81.6	10.3	84.1	10.2
Export tax	13.2	1.7	11.2	1.4
Stamp tax from exports	--	--	--	--
Other stamp duty	61.1	7.7	72.5	8.8
Other Tax revenue	73.1	9.2	74.9	9.1
Fines, forfeits. etc.	47.9	6.1	44.8	5.4
Sale of Govt. Property	0.6	0.1	1.0	0.1
Income	20.8	2.6	20.2	2.5
Other non-tax rev.	--	--	--	--
Capital Revenue	--	--	--	--
Grants	--	--	--	--
Less: Refunds	4.5	0.6	4.6	0.6
Total	791.4	100.0	823.5	100.0

The falloff in non-tax receipts corresponded to reduced collections of fines, forfeitures and administration fees, of \$3.1 million (6.5%) to \$44.8 million, and a \$2.6 million (14.2%) decline in income from other sources. These countered the \$2.0 million (96.4%) gain in income from public enterprises and marginally increased receipts from sales of Government property, at \$1.0 million.

EXPENDITURE

Total expenditure growth, which slowed in comparison to year-to-date trends in the previous fiscal year, comprised a \$31.7 million (4.1%) advance in recurrent outlays to \$810.0 million, and a \$10.1 million (41.0%)

expansion in net lending to public enterprises to \$34.6 million. These were moderately offset by the \$17.3 million (20.9%) decline in capital expenditure to \$65.4 million. On a proportional basis, recurrent spending comprised 89.0% of total outlays; capital expenditure, 7.2% and net lending to public enterprises, 3.8%.

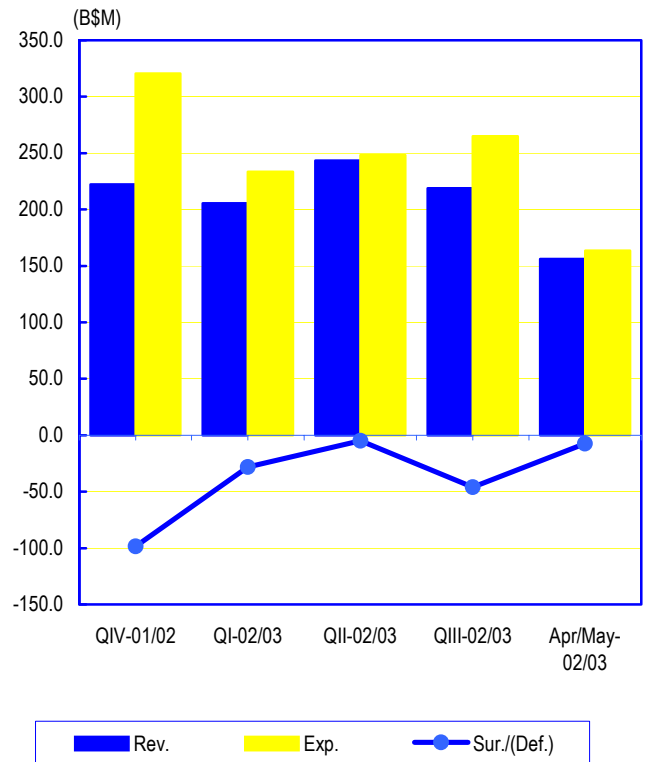
Analysis of current spending by economic classification indicated an estimated \$17.2 million (3.4%) rise in Government consumption. This combined with a 5.4% hike in the wage bill to \$360.7 million (44.5% of the total), to offset the 0.7% reduction in purchases of goods and services to \$159.7 million. Although transfer payments rose by 5.3%, more favourable costs on recently incurred domestic debt reduced the interest expense portion by \$3.7 million (3.9%) to \$92.6 million, in contrast to a 10.2% upswing in other payments to \$197.0 million. The latter included elevated provisions for the quasi-autonomous agencies, like the College of The Bahamas and the Public Hospitals Authority, which boosted general subsidies by 10.0%. Also noteworthy, payments to non-profit organizations were nearly doubled vis-à-vis increased support for cultural and civic events, while transfers to households, including old age pension and disability assistance, were augmented by 7.3%. These more than offset the 27.7% reduction in transfers to non-financial public enterprises.

On a functional basis, expenditures on general public services, which accounted for more than one-fourth of the recurrent total, rose by 8.7% to \$225.7 million. Notable advances were also recorded for education (8.3%), health (3.3%) and defense (3.3%). The upgraded security infrastructure at the Nassau International Airport resulted in increased outlays for transportation (17.0%); and spending on labour and employment services were more than four-fold higher since the previous fiscal year. In contrast, reduced spending was posted for various social benefits and services (6.1%) and tourism-related outlays, which fell by 10.3% to \$52.1 million—returning to normal expenditure levels following intensified promotional spending in the wake of September 11.

The reduction in capital spending was evidenced in reduced investments in public works and water supply by \$9.7 million (21.2%); in general public services, which were nearly halved by \$5.0 million and in education, at \$5.0 million (29.8%) less than the year-earlier total.

Increases of less than \$1 million each were recorded for health, transportation and housing.

Fiscal Operations



FINANCING AND NATIONAL DEBT

Budgetary financing during the first eleven months of FY2002/03, produced net borrowings in both Bahamian dollars (\$157.4 million) and foreign currency (\$22.0 million). The former included new bond issues totaling \$186.1 million, ranging in maturity from 13 to 20 years and attracting interest rate margins above the Prime Rate, from 0.1875% to 0.4063%.

During the June quarter, the Direct Charge on Government rose by \$61.3 million (3.4%) to \$1,854.6 million, an abatement from the increase of \$109.5 million (7.0%) over the same period in 2002 when the bulk of the US\$125 million in supplementary borrowing occurred. This year, foreign currency obligations increased only marginally (\$1.2 million), with Bahamian dollar denominated debt—which represented 87.9% of the total—boosted by \$60.1 million (3.8%). The bulk of the Bahamian dollar total comprised bonds of \$1,360.2 million (83.4%), with the largest share held by the public corpo-

rations (40.4%)—mainly the National Insurance Board—followed by commercial banks (25.3%), private and institutional investors, including pension funds and insurance companies (24.9%) and the Central Bank (7.2%).

When combined with a \$9.0 million (2.3%) net repayment on guaranteed debt of the public corporations to \$388.7 million, the National Debt increased by \$52.3 million (2.4%) to \$2,243.4 million at end-June 2003. This compared with a stock of \$2,084.4 million for the same period last year.

For the fiscal year ended June, the Direct Charge grew by \$178.1 million (10.6%) as compared to a lesser \$156.5 million (10.3%) rise during FY2001/02; albeit, the rise in the National Debt abated to \$159.0 million (7.6%) from \$169.1 million (10.%), incorporating a contraction in the contingent liabilities.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

Based on preliminary data for the second quarter of 2003, public sector foreign currency debt decreased by \$9.8 million (1.9%) to \$497.5 million, following a net repayment by the public corporations. Government's new drawings of \$1.5 million were only partially offset by amortization payments of \$0.3 million, raising Government's total to \$224.0 million (45.0% of the total). However, public corporations' borrowing of \$0.2 million compared to principal repayments of \$11.1 million, reducing outstanding liabilities to \$273.5 million.

By creditor profile, the largest share of the foreign currency debt was held by commercial banks (48.9%), followed by multilateral institutions (46.1%) and private institutional investors (5.0%). The average term to maturity remained close to 7 years, with the stock almost entirely denominated in United States dollars.

Foreign currency debt servicing, at \$18.2 million, represented less than half the comparative 2002 estimate, which had included a development bond maturity, as amortization payments decreased to \$11.4 million from \$35.8 million and interest payments, to \$6.8 million from \$7.3 million. As a result, debt service as a proportion of estimated exports of goods and non-factor services declined to 2.8% from 6.5% in the second quarter of 2002. Indications are that the ratio of Government's foreign currency debt service to total revenue was also lower, at 1.4% from an above average 13.5% in 2002.

2003/2004 BUDGET HIGHLIGHTS

Presented to Parliament on May 18, 2003 and approved in June, the Budget for FY2003/04 reiterated the Government's commitment to pursue prudent fiscal policies. Emphasis was placed on containing new expenditure growth primarily to essential services. To supplement incremental revenue growth, associated with an expected improvement in the economy, the Government also foreshadowed aggressive reforms in tax administration and increases in some fees.

The budget projects an overall deficit of \$123.0 million (an estimated 2.2% of GDP) for FY2003/04, some \$23.6 million (16.1%) below the 2002/03 forecast. Revenue and grant collections are expected to increase by 3.0% to \$991.5 million, while approved expenditure outlays, including net lending to public corporations, were augmented by 0.5% to \$1,114.5 million. However, excluded from the approved estimates was the proposed \$24 million salary increase, which the Government has indicated will be paid to civil servants before the end of 2003, and would therefore extend the projected deficit by the same amount.

As regard enhancements in tax administration, the main focus declared was on countering fraud and combating evasion. The Government also foreshadowed the installation of a Flight Information Region (FIR) and Air Traffic Control System for The Bahamas, which is expected to yield partial year revenue of \$5 million in 2003/04. Parliament, meanwhile, approved amendments to the Fourth Schedule of the Customs Management Act, to provide duty relief for the elderly, the handicapped, chronically ill and other socially disadvantaged groups.

In the context of an anticipated firming in economic activity, taxes on international trade and transactions are conservatively expected to increase by 0.4% to \$576.6 million, constituting the largest tax component (64.8%), with forecasted import duties higher by 1.0% and export taxes by 4.9%. Conversely, stamp taxes from imports are expected to decline by 2.5%. In line with anticipated growth in visitor volumes, departure taxes are expected to increase by 3.5% to \$65.9 million; albeit, selected taxes on tourism services are projected to contract by 5.7% to \$45.7 million, due to an anticipated falloff in gaming taxes.

Among other tax categories, the Government projects an increase in property tax collections by 12.0% to \$45.0 million, based largely on enhanced collection efforts. Gains are also expected for motor vehicle taxes, of 14.0% to \$20.7 million; stamp taxes on financial and other transactions, of 2.1% to \$68.9 million and “other” non-disaggregated revenue, of 50.8% to \$11.7 million, due entirely to the increase in the gross premium tax for insurance companies. In contrast, business and professional license fees are expected to drop by 8.5% to \$54.8 million, including a softening in collections from company registration (2.8%) and International Business Companies fees (1.1%).

The Budget projects a 7.7% improvement in non-tax receipts to \$83.8 million. Based on a hike in other fees paid by insurance companies and user fees for some Government services, fines, forfeitures & administrative fees are expected to increase by 11.2% to \$61.8 million. In addition, proceeds from the sale of Government property are targeted to rise moderately to \$0.8 million, while the sale of Government’s equity holdings in the Bank of The Bahamas and Cable Bahamas are anticipated to generate capital revenues of \$18.0 million, compared to the previous budget estimate of \$3.0 million.

On the expenditure side, Parliament approved a \$5.2 million increase in total spending. Although recurrent allocations, which accounted for 86.9% of the total, were increased by 1.6% to \$968.9 million, the capital budget was cut by 6.1% to \$119.7 million and provisions for net lending to public enterprises, by 7.6% to \$25.9 million.

By economic classification, Government consumption registered a modest increase of 0.9%, with the salary provision boosted by 3.1% to \$425.8 million—partly to cover previously contracted public service pay increases—as opposed to a 3.4% reduction in the budget for purchases of goods to \$204.7 million.

Budgeted transfer payments grew by 2.9% to \$338.4 million, comprising a projected 7.6% hike in interest expenses to \$112.2 million, consistent with an increasing debt stock. In addition, provisions for subsidies and other transfers were marginally elevated to \$226.2 million. This includes growth in general provisions (2.0%)—including those for quasi-autonomous agencies—and increased payments to non-profit organizations

(12.7%) and households (1.6%). An important offset is the halving in proposed subsidies for non-financial public enterprises.

On a functional basis, higher current outlays were approved for defense, by 3.9% to \$29.4 million; education, by 2.7% to \$188.6 million; health, by 3.5% to \$160.7 million and social benefits & services, by 0.8% to \$65.8 million. Allocations were reduced for general public services by 1.8% to \$277.3 million, but stabilized for tourism related services, at \$69.4 million.

With the \$7.7 million (6.1%) reduction in the capital budget to \$119.7 million, smaller allocations were earmarked for public works & water supply (12.5%), at \$53.3 million; transportation (0.3%), at \$5.5 million; education (8.7%), at \$20.2 million; health (3.5%), at \$12.2 million and general public works (8.9%), at \$15.2 million.

Budgetary financing for FY2003/04 includes an authorized borrowing provision of \$199.4 million vis-à-vis forecasted debt amortization of \$74.0 million, with 18.5% allotted to repay foreign currency obligations. Given these provisions, the Direct Charge on Government is likely to increase by \$125.4 million to approximately \$1,980.4 million by June 2004, boosting the National Debt to within the region of \$2.37 billion.

REAL SECTOR

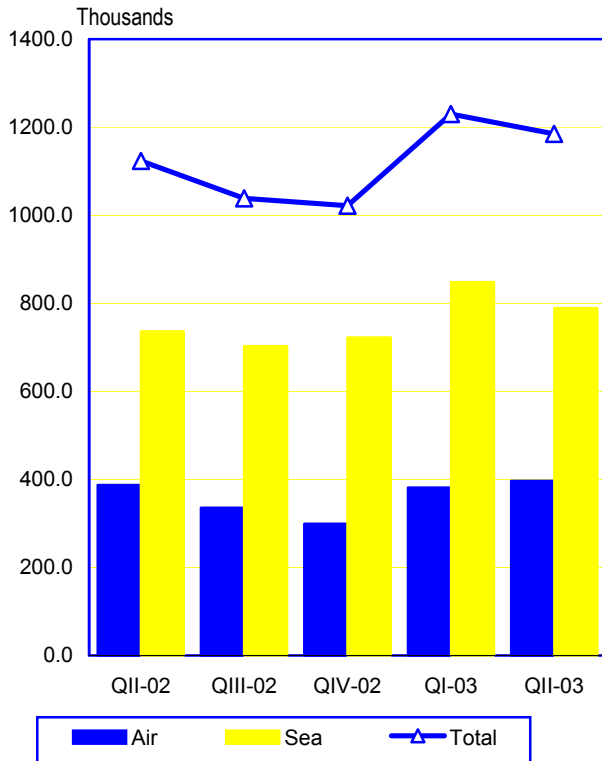
TOURISM

On a comparative basis, tourism output was only marginally incremented during the second quarter as a result of the persistent weakness in the global economy. The expenditure outcome was largely linked to increased cruise visitors, as appreciated pricing in the stopover sector was hampered by reduced hotel room sales. Total visitor arrivals rebounded by 5.5% to 1,185,158 from a 1.8% falloff to 1,123,377 in 2002. Sea arrival gains strengthened to 7.2% from 4.1%, for 788,712 passengers, while air arrivals recovered by 2.3% from last year’s downturn of 11.3%.

Indications are that growth in tourism expenditure was almost flat during the second quarter, supported more by modest improvement in cruise activity. Stopover spending was more reliant on pricing gains, with weakness underscored by a 0.3% dip in estimated hotel room

revenues, following the 2.7% decrease in occupied room nights, which offset a 2.4% boost in the average nightly room rate to \$167.12. Average hotel occupancy was consequently lower, at 62.6% from 66.9% last year.

Visitor Arrivals



Among the various local destinations, New Providence had the healthiest outturn, with a 1.6% appreciation in the average nightly room rate to \$190.66, which sustained incremental revenue growth of 1.4%. However, total room nights sold decreased slightly (0.2%) in contrast to a 1.3% increase in available room capacity, marginally reducing the average occupancy rate to 70.5%. Grand Bahama experienced a more intensified revenue loss of 12.4%, with nightly room sales lower by 11.8% and the average room rate, by 0.7% to \$84.03 per night. As available room capacity rose by 14.6%, the average occupancy rate retreated to 47.9% from 62.2% last year. Although average nightly room rates in the Family Islands fell by 2.1% to \$162.64, room night sales improved by 2.2%, for an approximately stable revenue outturn. Moreover, since available capacity decreased by

4.1%, the average hotel occupancy rate improved to 46.1% from 43.3% in 2002.

PRICES

Inflation, as measured by quarterly changes in the average Retail Price Index, firmed to 0.4% from 0.1% in the second quarter of 2002. The most significant influences included the resumed increases in the most heavily weighted component, housing costs (0.6%), and rebounded average price hikes for transportation & communication costs (1.5%). In contrast to a steady increase in average prices for furniture & household operations (0.2%) and a marginal decline for recreation & entertainment services, incremental firming or upturns in average costs were also recorded for education, clothing & footwear, and medical care & health.

Average Retail Price Index

(Annual % Change)
June

Items	Weight	2002		2003	
		Index	%	Index	%
Food & Beverages	138.3	111.8	2.1	112.9	1.0
Clothing & Footwear	58.9	107.5	0.7	107.4	0.1
Housing	328.2	102.9	0.2	103.2	0.3
Furn. & Household	88.7	110.4	2.9	118.0	6.9
Med. Care & Health	44.1	111.4	1.3	116.3	4.4
Trans. & Comm.	148.4	104.8	1.8	104.9	0.6
Rec., Enter. & Svcs.	48.7	113.1	2.5	122.7	8.5
Education	53.1	154.5	14.6	161.2	4.3
Other Goods & Svcs.	91.6	108.1	3.4	117.5	8.8
ALL ITEMS	1000.0	109.2	2.2	112.3	2.8

For the 12-months through June, average consumer price inflation advanced to 2.8% from 2.2% in 2002. This outcome was most strongly influenced by accelerated average price increases for recreation & entertainment services (8.5%), medical care & health (4.4%), and furniture & household operations (6.9%). However, abated price gains were evidenced for transport & communication (0.6%), housing (0.3%), education (4.3%) and food & beverages (0.2%); while average costs softened for clothing & footwear (0.1%).

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

The money supply contracted marginally during the second quarter, influenced by private sector foreign currency debt repayment and increased non-bank holding of Government debt. Also noteworthy was the absence of the previous year's growth contribution provided by proceeds from the Government's foreign currency borrowing. Amid these shifts and the continuation of the Central Bank's credit restraint policy, a more sizeable reduction followed in domestic credit. As a consequence, broad-base bank liquidity was improved on a seasonal basis, and the system reduced its net foreign liabilities. Commercial banks' average loan rates firmed during the quarter, as against easing in deposit rates, for a widening in the average spread.

Meanwhile, the latest available data for the first quarter of 2003 indicated further deterioration in domestic banks' profitability ratios, associated with increased operating costs, amid marginally decreased net interest income.

LIQUIDITY

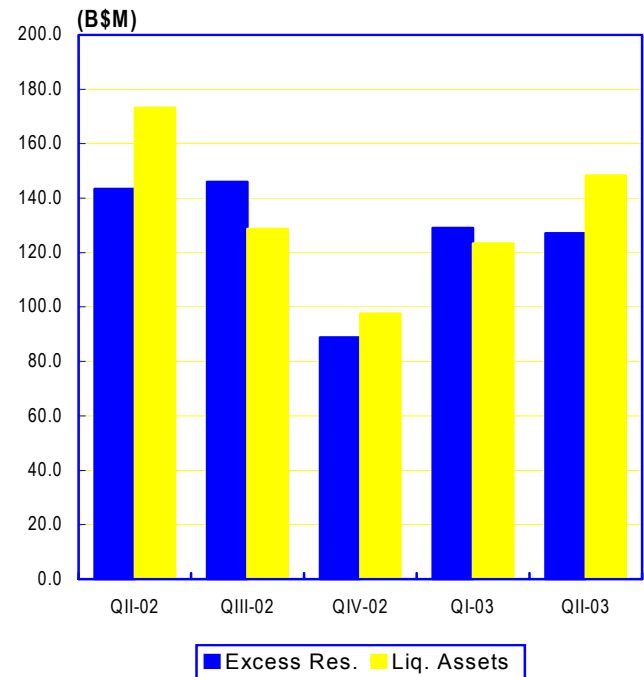
As financial institutions shifted more resources into Treasury bills, net free cash reserves of the banking system decreased by \$1.9 million (1.5%) to \$127.1 million, in contrast to a \$29.3 million (25.6%) increase to \$143.4 million over the same period in 2002. This represented a reduced end-June ratio of 3.4% of Bahamian dollar deposits, as compared to 3.9% in 2002. Improvement however, was registered in broader surplus liquid assets which, relative to the statutory minimum, increased by \$24.9 million (20.2%) to \$148.3 million—approximating 24.7% of the statutory minimum, albeit reduced from 28.9% in the previous year.

DEPOSITS AND MONEY

During the second quarter, the overall money supply (M3) contracted by 0.1% versus growth of 2.3% in the comparative year earlier period, corresponding to reductions in local and foreign currency deposits by public corporations and private businesses. While the former funded an increase in the corporations' holdings of Government debt, the latter was associated with foreign currency debt repayment.

In contrast to the 2002 expansion of 5.5%, narrow money (M1) declined by 0.2%. Demand deposits fell by 1.1%, after increasing by 5.6% in 2002, with the drop concentrated in public corporations' balances. Meanwhile, growth in currency in the hands of the public slackened to 4.6% from 5.0%.

Liquidity



Broad money (M2) growth narrowed to 0.4% from 2.0% last year. Although accretions to savings, held mainly by private individuals, firmed marginally to 3.6%, fixed deposits decreased by 0.3% relative to the 0.4% advance in 2002, affected by a contraction in public corporations' balances (6.1%). After accounting for a 17.4% decline in residents' foreign currency deposits, the overall money supply (M3) decreased by \$5.7 million (0.1%) to \$3,940.9 million, contrasting with the \$88.1 million (2.3%) upturn to \$3,889.8 million in 2002.

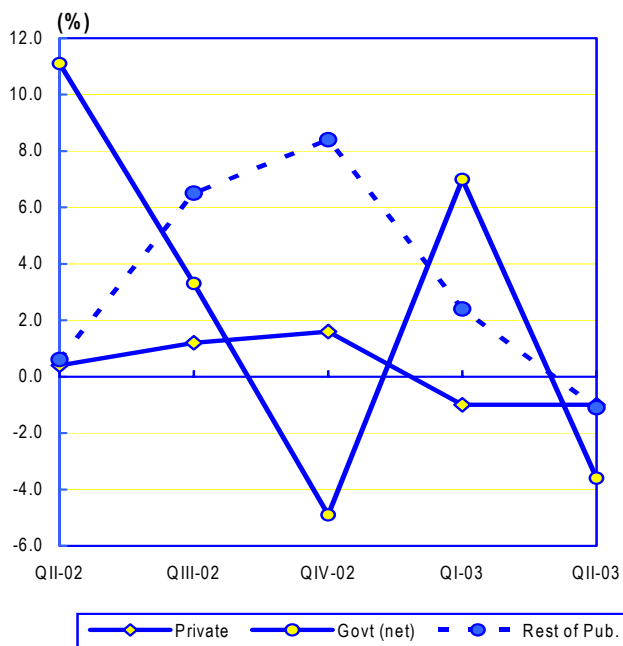
With money comprised predominantly of Bahamian dollar deposits, fixed balances accounted for the largest share (58.4%), followed by demand (18.0%) and savings deposits (17.0%) and lesser shares in currency in active circulation (4.0%) and residents' foreign currency deposits (2.6%).

A breakdown of Bahamian dollar deposits by range of value and number of accounts indicated that the majority of accounts (90.3%) were under \$10,000, while corresponding only to 9.5% of the aggregate value. In contrast, individual deposits over \$50,000 comprised fewer accounts (2.9%), albeit 75.8% of the total value. In addition, some 6.8% of accounts, between \$10,000 to \$50,000, amassed 14.7% of the total value. An analysis by depositor profile revealed that private individuals made up the largest concentration of depositors (56.8%), followed by business firms (23.8%), public sector (10.3%), institutional & other investors (5.1%) and private financial companies (4.0%).

DOMESTIC CREDIT

In the context of continued restriction on Bahamian dollar credit expansion, and the banking sector's reduced holdings of Government debt total domestic credit contracted by \$69.2 million (1.4%), following accelerated growth of \$83.8 million (1.8%) during the same period last year. Net repayments were recorded for both the public and private sectors.

Changes in Credit



The banking system's net claims on the public sector were lower by \$27.6 million (3.0%), from growth of \$67.4 million (8.6%) last year. Given the decline in Treasury bill

holdings, net credit to Government decreased by \$25.2 million (3.6%) compared to the year-earlier advance of \$66.3 million (11.1%), underpinned by the \$125 million foreign currency loan provided from local banks. In particular, net foreign currency claims, which were almost unchanged in the review quarter, rose last year by \$95.9 million, while net local currency claims decreased, but at a decelerated pace of \$24.7 million (4.4%). Less significant was the \$2.4 million (1.1%) downturn in claims on public corporations, after a second quarter increase of approximately half this amount last year.

Distribution of Bank Credit By Sector

End-June

	2002		2003	
	B\$M	%	B\$M	%
Agriculture	6.9	0.2	7.1	0.2
Fisheries	6.5	0.2	5.5	0.1
Mining & Quarry	22.4	0.5	19.2	0.4
Manufacturing	66.4	1.5	62.2	1.4
Distribution	215.3	5.0	218.4	5.0
Tourism	226.3	5.3	222.5	5.0
Enter. & Catering	30.8	0.7	33.3	0.8
Transport	72.3	1.7	48.0	1.1
Public Corps.	172.6	4.0	206.2	4.7
Construction	335.0	7.8	261.5	5.9
Government	179.8	4.2	214.1	4.9
Private Financial	33.2	0.8	34.1	0.8
Prof. & Other Ser.	125.4	2.9	128.5	2.9
Personal	2,607.4	60.6	27,52.4	62.5
Miscellaneous	199.4	4.6	187.8	4.3
TOTAL	4,299.7	100.0	4,400.8	100.0

In a continued softening trend, private sector credit, which registered reduced growth of \$16.4 million (0.4%) in 2002, contracted by \$41.6 million (1.0%) during the June quarter. The outcome was marked by an accelerated net repayment of foreign currency credit of \$79.4 million (17.2%) relative to \$16.7 million (3.5%). This overshadowed slightly firmed Bahamian dollar credit expansion of \$37.8 million (1.1%) vis-à-vis \$33.1 million (1.0%) last year.

On a sectoral basis, personal lending, which comprised the largest share (68.5%) of private sector credit, recorded growth of \$29.1 million (1.1%). Residential mortgages remained the only strengthened component, advancing by \$46.1 million (3.9%) vis-à-vis \$39.3 million (3.8%) last year. Conversely, personal overdrafts decreased by \$8.6 million (17.9%) and consumer credit was reduced further by \$9.7 million (0.7%). Decreases under consumer credit were mainly distributed among education (\$10.9 million), consolidation of debt (\$6.5 million), and private cars (\$6.0 million), which were partly offset by net advances for land purchases (\$6.2 million), miscellaneous purposes (\$5.4 million) and home improvement (\$2.8 million). Among the remaining private sector credit categories, notable net repayments were registered for construction of \$44.1 million (13.3%); transport, \$21.2 million (30.7%); tourism, \$9.7 million (4.2%); manufacturing, \$3.3 million (5.0%) and mining and quarrying, \$1.4 million (6.5%). Meanwhile, miscellaneous credit rose by \$3.6 million (1.9%) and distribution, by \$5.3 million (2.5%).

COMMERCIAL BANKS

During the quarter, commercial bank credit and corresponding deposit liabilities contracted by \$19.6 million (0.4%) and \$0.8 million, respectively. With a continuation of the credit restraint measures, claims on the private sector decreased by 1.1%, in contrast to a tempered increase in liabilities to the sector of 0.7%. While the 1.1% reduction in credit to the public corporations occurred amidst a more sizeable 7.3% falloff in deposits, net credit to Government expanded moderately by 4.4%, behind the 19.9% foreign currency-based expansion in 2002. As a result of these developments, commercial banks reduced their net foreign liabilities by \$67.4 million (10.5%).

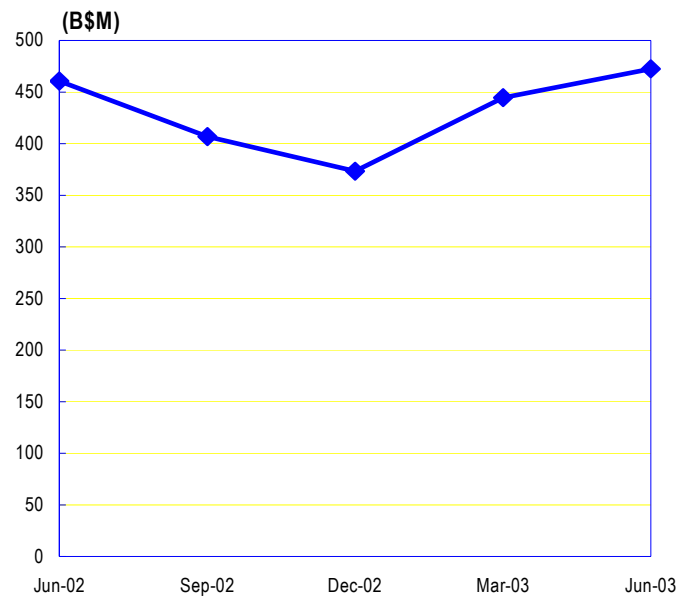
Proportional analysis revealed that commercial banks held 97.2% of the banking system's total deposits, owed mainly to the private sector and representing businesses (24.5%), private individuals (55.5%), private financial institutions (4.1%) and others—inclusive of institutional investors—(5.3%); the remainder was owed to the public sector (0.6%). By contractual obligations, the bulk of deposits were held in fixed balances (60.8%), followed by demand (21.1%) and savings (18.1%) deposits.

OTHER LOCAL FINANCIAL INSTITUTIONS

For the second quarter, growth in OLFIs' deposits slowed to 4.0%, compared to a falloff in private sector credit of 0.3%. Total mortgages, which accounted for 94.2% of the loan portfolio, remained at \$139.9 million. Nevertheless, after dividend payouts, the OLFIs' net foreign liabilities rose to \$17.9 million from \$9.3 million.

On a proportional basis, deposit accounts with balances in excess of \$50,000 comprised 74.9% of the aggregate value and 34.1% of the total contracts and individual balances of less than \$10,000 constituted 18.8% of funds and 34.3% of accounts. By account classification, an estimated 90.9% of these liabilities were in fixed deposits, another 8.8% were demand deposits and the remainder, savings.

External Reserves



CENTRAL BANK

The second quarter reduction in the Central Bank's net claims on Government more than doubled to \$49.1 million (30.9%), lead by a \$55.9 million decrease in Treasury bill holdings. Meanwhile, quarterly growth in external reserves slackened to \$28.0 million (6.3%) from \$80.6 million (21.2%) in 2002, as foreign currency transactions with the public sector were reversed to a net outflow during the review period. However, the end-June reserves of \$472.5 million, moderately exceeded the

2002 position of \$460.7 million, owing to strengthened net private sector inflows.

Underlying these transactions, the Central Bank's net foreign currency purchase narrowed to \$23.7 million from \$74.0 million in 2002. Although the net intake from commercial banks improved to \$58.9 million from \$46.7 million last year, the position with the public sector switched to a net outflow of \$35.2 million from a net purchase of \$27.3 million last year, which had included proceeds from the Government's \$125 million foreign currency loan facility.

INTEREST RATES

During the quarter, commercial banks' average loan to deposit rate widened by 61 basis points to 8.31%. Amid pressures from less lending capacity under the credit ceiling and some shift to more heavily weighted categories of lending, the weighted average loan rate rose by 44 basis points to 12.17%, while the corresponding deposit rate softened by 17 basis points to 3.86%.

On the deposit side, the average interest rate on fixed maturities fluctuated within a lower band of 3.76% - 4.36% from 3.95% - 4.62% in the previous quarter, while the average savings rate eased by 2 basis points to 2.72%. Increases in average lending rates were led by a 1.58 percentage point rise in the average commercial mortgage rate to 10.82%, with average overdraft rates higher by 5 basis points to 11.09%. Meanwhile, average rates for residential mortgages and consumer loans were approximately stable at 9.00% and 13.95%, respectively.

While the average 90-day Treasury bill rate rose by 13 basis points to 2.02%, benchmark rates, the Central Bank's Discount Rate and commercial banks' Prime, were unchanged at 5.75% and 6.00%. Primary activity in long-term Government debt during the quarter featured a \$61.1 million bond issue, with variable interest yields above Prime of between 0.25% and 0.375% on maturities ranging from 16 to 20 years.

BANK PROFITABILITY

For the quarter ended March 2003, the latest period for which data is available, domestic banks' net income declined by \$1.7 million (4.8%) to \$34.4 million, relative to the same period in 2002. The net interest margin narrowed by 2.5%, due to a more sizeable but marginal

decrease in interest income relative to interest expense. A more significant influence was the hike in staff costs, which contributed to an 8.8% rise in total operating costs. As a result, the net earnings margin decreased by 17.3% to \$26.2 million. Some offset was provided nevertheless, from a near doubling in other earnings, net of depreciation and bad debt, to \$8.2 million.

Reflecting these trends, profitability ratios relative to average domestic assets also weakened. The ratio for the net interest margin slackened to 4.74% from 5.20% and for commission and foreign exchange income, to 0.41% from 0.44%. Also underpinning the weakening on the efficiency side was firming in the operating costs ratio, by 5 basis points to 3.30%. However, after a 24 basis point rise in the contribution of other income sources to 0.58% of average assets, the deterioration in overall bank profitability ratio (return on assets) was capped at 30 basis points to 2.43%.

CAPITAL MARKETS DEVELOPMENTS

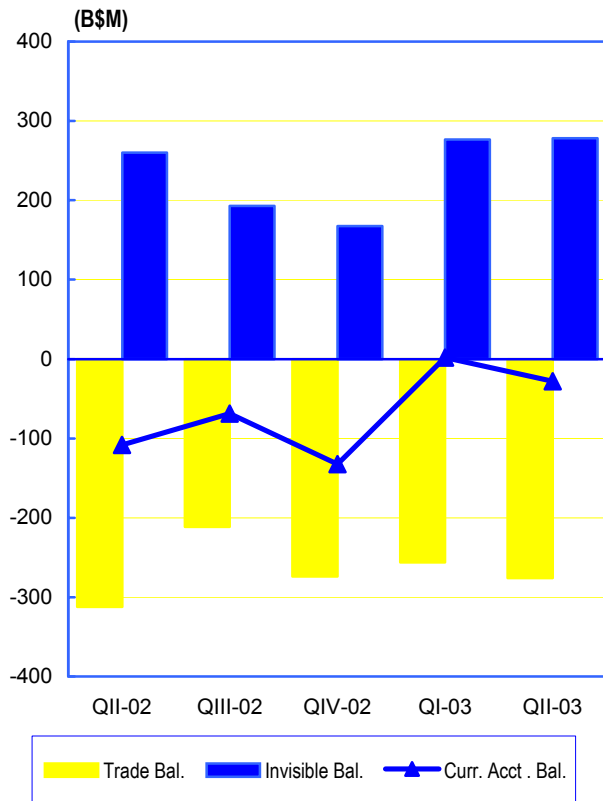
Sagging profitability and the sluggish state of the economy underpinned continued weakness in equity valuations on the domestic capital markets. During the second quarter of 2003, the Bahamas International Securities Exchange (BISX) All Share Price Index declined by 3.3% to 831.19 points, continuing last quarter's 3.0% weakening. A total of 319,310 shares were traded for an aggregate transaction value of \$1.6 million. This contrasted with trading of \$1.2 million shares in 2002, when the Index decreased slightly. The broader Fidelity Capital Market Limited's Findex weighted share price index, which also captures over the counter trading, dropped in value by 2.8% to 356.3 points and was off by 3.0% for the first six months of the year.

INTERNATIONAL TRADE AND PAYMENTS

Based on provisional estimates for the second quarter of 2003, the current account deficit narrowed to \$28.0 million from \$108.0 million last year, due largely to a slackening in import demand. With lower imports more than offsetting decreased exports, the merchandise trade deficit contracted by 14.0%. While the surplus on the

services account improved by 6.9%, due mainly to a lower net payment for some foreign services, net income outflows were halved relative to the previous year.

Balance of Payments



The merchandise trade deficit decreased to an estimated \$297.2 million from \$345.7 million in 2002. With continued softening in domestic demand, non-oil merchandise imports fell by 12.6% to \$345.8 million; albeit, estimated exports fell by a larger 9.2% to \$121.3 million. In an offset, the oil bill softened by 11.1% to \$72.7 million, as reduced volumes countered the higher average prices which persisted relative to 2002. On the pricing side, the average per barrel cost of gas oil rose by 9.5% to \$31.61; jet fuel, by 10.1% to \$33.98; motor gas, by 11.9% to \$40.66 million; aviation-gas, by 4.6% to \$82.11 and propane, by 21.1% to \$30.97. In contrast, the price of bunker 'c' fuel declined by 19.8% to \$34.23 per barrel.

The estimated surplus on services trade widened by \$17.8 million (6.9%) to \$278.1 million, due largely to reduced net payments for some external services and to a lesser extent, the \$3.5 million (0.9%) increase in net

travel receipts to \$406.1 million. Meanwhile, net payments for foreign construction services decreased to \$1.7 million from \$22.8 million, with respective reductions also recorded in net outflows for government services (32.0%) and transportation (17.9%), to \$17.3 million and \$33.0 million. Conversely, offshore companies local expenses were lower at \$18.5 million from \$23.5 million, while higher premium rates for external insurance elevated associated outflows by 23.7% to \$25.2 million; and payments for "other" unclassified services increased by 20.1% to \$63.6 million.

Under the income account, net external remittances decreased to \$38.4 million from \$71.8 million in 2002. In particular, net private sector profit remittances were broadly reduced to \$27.6 million from \$59.8 million in 2002. Net official interest receipts rose to \$2.3 million from \$1.3 in 2002, while net labour income remittances were almost unchanged at \$13.1 million.

Net current transfer receipts were almost halved to \$8.3 million, as general government net inflows decreased to \$9.8 million from \$17.5 million. Although less important in the trends, net private sector outflows moderated to \$1.5 million.

Compared to the June quarter of 2002, the surplus on the capital and financial account narrowed to \$16.1 million from \$91.0 million, influenced by the \$58.8 million short-term capital outflow through the banking system, relative to the \$51.5 million inflow in 2002, which was associated with foreign currency lending to Government. In particular, while there was a marginal increase in migrant workers' net remittances to \$7.4 million, net financial receipts decreased to \$23.5 million from \$97.3 million.

As regard the financial account, net private sector direct investment inflows decreased to \$28.3 million from \$38.2 million, with net equity inflows falling to \$9.5 million from \$15.0 million, and net real estate sales to \$18.7 million from \$23.2 million. However, the overall net private sector position was improved, as net loan inflows rose to \$56.9 million from \$31.1 million. In the public sector, net repayments on external debt narrowed to \$2.9 million from last year's \$22.9 million, which included a development bond maturity.

After adjusting for possible errors and omissions, the overall payments surplus narrowed to \$28.0 million from \$80.6 million in the year-earlier period.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Output trends in most major industrial countries remained sluggish during the second quarter, constrained by weakness in domestic demand and exports and employment sector trends, while correspondingly weak, were mixed. With fuel prices pressures abated since the end of the war in Iraq, major economies experienced some easing in consumer price inflation which, coupled with less uncertainty in the global economic outlook, contributed to a significant uptrend in equity prices on the major bourses. Monetary policy also assisted this outcome, as major central banks continued to maintain accommodating postures in short-term interest rates. The United States dollar was further depreciated against most major currencies, plagued by the country's mounting fiscal and current account imbalances. Meanwhile, with trade flows still weak, major countries current account positions continued to deteriorate during the quarter.

Persistent softness in domestic demand and exports dampened output growth trends in some major economies during the review quarter. In the United States, however, real GDP growth firmed to an annualized 2.4% from 1.4% in the first quarter. The main contributors were increased private consumption and investments, alongside strengthened business investment and continued federal spending on the military. Real output gains in Japan also firmed incrementally to 2.3% from 2.0% in the first quarter, aided by improving business investments and household spending. Meanwhile, indications are that euro area output growth, at a sluggish 0.4% annualized rate in the first quarter, was virtually flat during the second quarter, owing to weakness in manufacturing output and exports, and underscored by contracted industrial production in both Germany and France. In the United Kingdom, estimated GDP growth slackened to 1.2% on an annualized basis from 2.4% in the previous quarter, mainly on account of reduced domestic investments and contracted exports.

Major countries experienced mixed trends in employment during the review quarter, which continued to be weak overall. In the United States, the average unemployment rate rose to 6.4% from 5.8% in the previous quarter, with extensive corporate restructuring still underway. Euro zone unemployment also inched marginally higher to 8.9% from 8.8% of the workforce, with Germany's jobless rate firming to 9.4% from 8.9% and France's, to 9.5% from 9.4%. Despite softer output growth, unemployment in the United Kingdom fell to 5.0% from 5.1%, and Japan also experienced a slight improvement in the jobless rate, to 5.3% from 5.4% last quarter.

Given abated energy cost pressures, consumer price inflation among major industrial countries softened during the second quarter. In the United States, the annualized inflation rate decreased to 2.1% from a 5.2% run-up last quarter. Annualized inflation in the euro area also softened to 2.0% from the previous quarter's 2.3%, with Germany's advance moderately eased to 1.1% and France's, to 1.9%. For the United Kingdom, the average increase in retail prices narrowed to 2.8% from 3.0%, with a significant downward influence from leisure services costs. Amid soft internal demand, deflation persisted in Japan, where average consumer prices declined by 3.1% on an annualized basis vis-à-vis 2.8% in the first quarter.

In currency markets, the United States' dollar continued to lose value against most major currencies, hampered by mounting deficits on both the fiscal and current accounts. The dollar depreciated against the Canadian dollar by 8.2% to C\$1.35 and vis-à-vis the euro and British pound, by 5.0% and 4.4% to €0.86 and £0.60, respectively. While the dollar ended the period unchanged against the Swiss franc at SF1.35, it appreciated in value against the Japanese yen by 1.4% to ¥119.80.

In commodity markets, with less uncertainly following the end of the war in Iraq, oil prices fell during the quarter. Despite OPEC's agreement to cut back oil production by two million barrels a day in early June, from the increased levels that prevailed during war, the per barrel price of Brent Sea crude fell by 2.7% to \$30.19, representing an 11.2% decline from its high in early March. Meanwhile, the price of gold rose by 2.7% to \$346.40 per ounce and silver by 2.2% to \$4.56 per ounce.

Equity markets surged higher during the quarter, responding to the winding down of the military offensive in Iraq and evidence that the global economic outlook was becoming less uncertain. In the United States, the Dow Jones Industrial Average (DJIA) rallied by 12.4% to 8,980.54 points and the broader S&P 500 Index, by 14.9% to 971.6 points. Among European bourses, Germany's DAX Index rose by 32.9% to 3220.6 points; France's CAC 40 Index, by 17.8% to 3,084.1 points and the United Kingdom's FTSE 100 Index, by 11.6% to 4031.2 points. Japan's Nikkei 225 Index also registered a 13.9% advance to 9083.1 points.

Leading central banks either maintained or extended their accommodating monetary policy stances during the second quarter. In June, the United States Federal Reserve reduced both its primary credit and the target Federal Funds rates by 25 basis points, to 2.00% and 1.00%, respectively. The European Central Bank also cut its refinancing rate in June, for the second time this year, by 50 basis points to 2.00%. Meanwhile, the Bank of England kept its refinancing rate established since February 2003, at 3.75%, and the Bank of Japan retained its

official discount rate at the historic low of 0.1% for the seventh consecutive quarter, while continuing to provide liquidity support to the financial markets.

Weakness in net exports underpinned a deterioration in the major countries' current account balances during the second quarter. In the United States, marginal growth in imports outpaced an incremental gain in exports, causing an increase in the trade deficit vis-à-vis the previous quarter; albeit, the record high current deficit was virtually stable, owing to an offsetting improvement in net investment income and services receipts. For the United Kingdom, data for the first two months of the quarter indicated a worsened trade balance position, with exports declining slightly faster than imports. While the euro area also faced net export weakness, Germany experienced a stronger fall-off in imports and an expanded trade surplus; however, the current account deficit widened following a boost in net invisible outflows. Rising import volumes in Japan underpinned a retrenchment in the current account surplus, in the context of a marginal decrease in exports.

STATISTICAL APPENDIX

(Tables 1-16)

STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

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

TABLE 1
FINANCIAL SURVEY

End of Period	2001			2002			2003			
	1999	2000	2001	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	
				(B\$ Millions)						
Net foreign assets										
Central Bank	(50.5)	(86.6)	(234.5)	(207.7)	(178.6)	(291.1)	(357.3)	(209.1)	(123.1)	
Commercial banks	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5	
Other local fin. institutions	(456.6)	(449.5)	(548.4)	(583.2)	(634.6)	(689.6)	(722.9)	(645.1)	(577.7)	
	2.1	20.3	1.5	(4.6)	(4.7)	(8.3)	(7.6)	(8.5)	(17.9)	
Net domestic assets										
Domestic credit	3,298.1	3,645.6	3,951.6	4,009.4	4,068.4	4,156.2	4,193.5	4,155.7	4,064.0	
Public sector	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	
Government (net)	669.4	649.8	775.2	785.5	852.8	887.1	870.8	921.5	893.9	
Rest of public sector	495.4	508.5	626.0	596.4	662.6	684.6	651.3	696.8	671.6	
Private sector	174.0	141.3	149.2	189.1	190.2	202.5	219.5	224.7	222.3	
Other items (net)	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	
	(526.5)	(633.0)	(725.7)	(716.1)	(740.8)	(735.7)	(746.9)	(796.7)	(819.2)	
Monetary liabilities										
Money	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	
Currency	758.2	807.8	776.7	792.1	835.3	833.6	817.7	866.4	865.0	
Demand deposits	148.4	151.4	153.5	147.3	154.6	149.5	154.8	148.6	155.4	
Quasi-money	609.8	656.4	623.2	644.8	680.7	684.1	662.9	717.8	709.6	
Fixed deposits	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	
Savings 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	
Foreign currency	548.0	596.1	604.6	629.2	651.3	640.2	630.7	647.5	670.8	
	53.0	86.3	91.8	87.5	102.0	92.5	91.6	125.5	103.7	
				(percentage changes)						
Total domestic credit										
Public sector	11.6	11.9	9.3	1.0	1.8	1.7	1.0	0.2	(1.4)	
Government (net)	13.7	(2.9)	19.3	1.3	8.6	4.0	(1.8)	5.8	(3.0)	
Rest of public sector	9.5	2.6	23.1	(4.7)	11.1	3.3	(4.9)	7.0	(3.6)	
Private sector	27.7	(18.8)	5.6	26.7	0.6	6.5	8.4	2.4	(1.1)	
	11.2	15.0	7.5	1.0	0.4	1.2	1.6	(1.0)	(1.0)	
Monetary liabilities										
Money	11.8	9.6	4.4	2.3	2.3	(0.6)	(0.7)	2.9	(0.1)	
Currency	27.1	6.5	(3.8)	2.0	5.5	(0.2)	(1.9)	6.0	(0.2)	
Demand deposits	18.2	2.0	1.4	(4.0)	5.0	(3.3)	3.5	(4.0)	4.6	
Quasi-money	29.5	7.6	(5.1)	3.5	5.6	0.5	(3.1)	8.3	(1.1)	
	7.9	10.5	6.9	2.4	1.5	(0.8)	(0.4)	2.0	(0.1)	

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

End of Period	2001			2002			2003				
	1999	2000	2001	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.		
			(BS Millions)								
Net foreign assets											
Central Bank	(52.6)	(106.9)	(236.0)	(203.1)	(173.9)	(282.8)	(349.7)	(200.6)	(105.2)		
Commercial banks	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5		
	(456.6)	(449.5)	(548.4)	(583.2)	(634.6)	(689.6)	(722.9)	(645.1)	(577.7)		
Net domestic assets											
Domestic credit	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		
Public sector	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		
Government (net)	665.4	645.3	771.9	782.3	849.6	883.8	867.6	918.4	890.7		
Rest of public sector	491.5	504.1	622.8	593.3	659.5	681.4	648.2	693.7	668.4		
Private sector	173.9	141.2	149.1	189.0	190.1	202.4	219.4	224.7	222.3		
	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		
Other items (net)	(506.6)	(586.2)	(679.1)	(670.1)	(702.0)	(690.7)	(700.8)	(755.3)	(791.6)		
Monetary liabilities											
Money	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		
Currency	754.1	796.6	769.2	784.7	825.3	825.8	808.5	856.4	855.7		
Demand deposits	148.9	151.9	153.5	147.3	154.6	149.6	154.8	148.6	155.4		
Quasi-money	605.2	644.7	615.7	637.4	670.7	676.2	653.7	707.8	700.3		
Savings deposits	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		
Fixed deposits	545.5	593.4	604.3	628.9	651.0	639.9	630.4	647.2	670.5		
Foreign currency 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		
	52.9	86.3	91.8	87.5	102.0	92.4	91.6	125.5	103.7		
				(percentage change)							
Total domestic credit											
Public sector	11.4	11.3	9.5	0.9	1.7	1.7	0.9	0.1	(1.4)		
Government (net)	13.6	(3.0)	19.6	1.3	8.6	4.0	(1.8)	5.9	(3.0)		
Rest of public sector	9.4	2.6	23.5	(4.7)	11.2	3.3	(4.9)	7.0	(3.6)		
Private sector	27.6	(18.8)	5.6	26.8	0.6	6.5	8.4	2.4	(1.1)		
	11.0	14.4	7.7	0.9	0.3	1.1	1.5	(1.1)	(1.1)		
Monetary liabilities											
Money	11.1	9.1	5.0	2.3	2.0	(0.5)	(1.0)	2.7	(0.3)		
Currency	27.3	5.6	(3.4)	2.0	5.2	0.1	(2.1)	5.9	(0.1)		
Demand deposits	18.2	2.0	1.1	(4.0)	5.0	(3.2)	3.5	(4.0)	4.6		
Quasi-money	29.8	6.5	(4.5)	3.5	5.2	0.8	(3.3)	8.3	(1.1)		
	6.9	10.1	7.5	2.4	1.2	(0.7)	(0.6)	1.8	(0.3)		

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B\$ Millions)

End of Period	1999	2000	2001	2002			2003				
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.		
Net foreign assets											
Balances with banks abroad	404.0	342.6	312.4	380.1	460.7	406.8	373.2	444.5	472.5		
Foreign securities	180.6	119.3	44.5	100.5	180.8	147.7	126.3	177.3	195.3		
Reserve position in the Fund	214.8	215.1	260.0	271.8	271.5	250.8	238.3	258.6	268.3		
SDR holdings	8.6	8.1	7.8	7.8	8.3	8.3	8.5	8.6	8.8		
	--	0.1	0.1	--	0.1	--	0.1	--	0.1		
Net domestic assets											
Net claims on government	(16.6)	31.4	107.5	66.5	52.1	71.8	92.0	43.3	11.2		
Claims	69.8	120.7	187.4	160.7	141.0	157.5	172.9	158.7	109.6		
Treasury bills	73.0	128.5	189.7	162.7	148.2	167.5	182.4	167.6	117.4		
Bahamas registered stock	13.9	66.2	98.8	57.7	38.7	60.6	72.0	62.9	7.0		
Loans and advances	5.6	8.8	34.0	38.8	42.1	39.5	38.6	37.9	44.6		
Deposits	53.5	53.5	56.9	66.2	67.4	67.4	71.8	66.8	65.8		
In local currency	(3.2)	(7.8)	(2.3)	(2.0)	(7.2)	(10.0)	(9.5)	(8.9)	(7.8)		
In foreign currency	(3.2)	(7.8)	(2.3)	(2.0)	(7.2)	(10.0)	(9.5)	(8.9)	(7.8)		
	--	--	--	--	--	--	--	--	--		
Deposits of rest of public sector	(17.4)	(14.8)	(10.3)	(25.9)	(21.6)	(16.2)	(10.1)	(45.7)	(30.0)		
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)		
Net unclassified assets	13.6	15.1	16.8	20.4	20.1	20.4	19.9	22.4	21.4		
Loans to rest of public sector	6.5	7.6	7.1	7.1	6.9	6.9	6.7	6.7	6.6		
Public Corp Bonds/Securities	1.4	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9		
Liabs. to Commercial Banks & OLFIs											
Notes and coins	(225.0)	(209.3)	(253.6)	(286.5)	(344.6)	(315.5)	(296.5)	(325.1)	(314.0)		
Deposits	(74.7)	(64.4)	(64.9)	(45.3)	(40.2)	(43.2)	(66.3)	(43.8)	(42.9)		
	(150.3)	(144.9)	(188.7)	(241.2)	(304.4)	(272.3)	(230.2)	(281.3)	(271.1)		
SDR allocation	(14.0)	(13.3)	(12.8)	(12.8)	(13.6)	(13.6)	(13.9)	(14.1)	(14.3)		
Currency held by the private sector	(148.4)	(151.4)	(153.5)	(147.3)	(154.6)	(149.5)	(154.8)	(148.6)	(155.4)		

Source: The Central Bank of The Bahamas

TABLE 4
COMMERCIAL BANKS BALANCE SHEET

End of Period	2001				2002			2003		
	1999	2000	2001	2002	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Net foreign assets	(456.6)	(449.5)	(548.4)	(583.2)	(634.6)	(689.6)	(722.9)	(645.1)	(577.7)	
Net claims on Central Bank	225.4	207.1	248.7	279.4	339.2	310.1	291.2	317.9	308.0	
Notes and Coins	74.2	63.9	64.9	45.3	40.2	43.2	66.3	43.9	42.9	
Balances	152.0	144.0	184.6	234.9	299.8	267.7	225.7	274.8	265.9	
Less Central Bank credit	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	
Net claims on government	421.7	383.4	435.4	432.6	518.5	523.9	475.3	535.0	558.8	
Treasury bills	93.4	49.9	63.5	93.8	106.8	72.9	38.8	45.0	69.5	
Other securities	327.4	315.3	314.2	302.5	312.7	326.5	338.1	338.3	350.0	
Loans and advances	68.4	89.0	115.4	98.2	179.8	201.6	170.0	219.6	214.1	
Less: deposits	67.5	70.8	57.7	61.9	80.8	77.1	71.6	67.9	74.8	
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)	
Securities	8.5	6.9	8.0	9.8	9.8	9.8	9.3	8.2	8.6	
Loans and advances	157.5	125.9	133.2	171.3	172.6	184.9	202.5	208.9	206.2	
Less: deposits	216.0	296.6	353.3	344.7	349.3	357.0	355.7	344.3	319.3	
Net claims on OLFIs.	(19.4)	(10.1)	(0.8)	(2.7)	(7.4)	15.7	16.4	11.8	6.2	
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	
Securities	5.3	6.9	6.3	6.7	6.7	7.9	7.4	7.4	7.3	
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	
Private capital and surplus	(415.3)	(509.9)	(592.8)	(591.6)	(612.1)	(626.4)	(660.4)	(692.0)	(695.0)	
Net unclassified assets	18.1	31.6	9.7	20.2	11.5	16.2	40.8	23.4	(6.6)	
Liabilities to private sector	2,795.3	3,001.9	3,121.6	3,205.7	3,272.9	3,255.9	3,222.1	3,305.7	3,329.9	
Demand deposits	601.8	669.6	661.9	658.0	703.3	695.0	681.3	717.9	717.1	
Savings deposits	544.5	596.9	606.2	630.9	653.4	643.6	634.3	651.0	674.4	
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	

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		
				Mar.	Jun.	Dec.		
				Mar.	Jun.	Mar.		
Net foreign assets	2.1	20.3	1.5	(4.6)	(4.7)	(8.3)	(9.3)	(17.9)
Net claims on Central Bank	4.1	(4.8)	4.0	4.2	4.3	(0.5)	4.6	5.3
Notes and Coins	0.5	0.5	--	--	--	--	--	--
Balances	3.6	4.7	4.0	4.2	4.3	4.5	4.6	5.3
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	105.8
Net claims on government	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.2
Treasury bills	--	--	--	--	--	--	--	--
Other securities	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.2
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)
Credit to the private sector	83.8	115.7	120.2	125.4	131.7	136.5	144.0	148.6
Securities	0.4	4.2	2.7	3.0	3.1	2.9	2.7	2.0
Mortgages	67.0	90.5	110.4	115.5	121.2	126.0	134.4	139.9
Loans and advances	16.4	21.0	7.1	6.9	7.4	7.6	6.9	6.7
Private capital and surplus	(56.1)	(66.9)	(68.4)	(67.8)	(64.0)	(60.2)	(62.5)	(62.3)
Net unclassified assets	15.2	13.0	16.1	18.0	15.4	24.7	24.7	23.2
Liabilities to private sector	69.5	93.2	78.3	78.0	91.4	86.5	93.5	106.3
Demand deposits	4.6	11.7	7.5	7.5	10.1	7.8	9.2	9.3
Savings deposits	2.5	2.7	0.2	0.2	0.2	0.4	0.3	0.3
Fixed deposits	62.4	78.8	70.6	70.3	81.1	78.3	84.0	96.7

Source: The Central Bank of The Bahamas

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

(BS'000s)

	1999	2000	2001				2002				2003	
			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	111,642	112,627	112,653	110,650	109,442	109,521	103,826	108,875	106,050	
2. Interest Expense	144,698	133,850	33,954	35,571	36,842	40,321	40,630	41,602	37,542	40,118	38,935	
3. Interest Margin (1-2)	217,704	279,681	77,688	77,056	75,811	70,329	68,812	67,919	66,284	68,757	67,115	
4. Commission & Forex Income	22,779	23,561	7,713	5,746	5,481	5,461	5,844	5,946	5,580	5,998	5,844	
5. Gross Earnings Margin (3+4)	240,483	303,242	85,401	82,802	81,292	75,790	74,656	73,865	71,864	74,755	72,959	
6. Staff Costs	93,338	101,771	27,663	25,551	27,753	24,551	24,376	26,643	25,422	34,627	30,853	
7. Occupancy Costs	14,892	17,180	4,274	4,687	5,288	4,163	3,693	3,866	4,732	3,758	3,931	
8. Other Operating Costs	45,282	45,734	11,561	12,249	14,741	13,241	14,936	10,893	11,288	11,253	12,011	
9. Operating Costs (6+7+8)	153,512	164,685	43,498	42,487	47,782	41,955	43,005	41,402	41,442	49,638	46,795	
10. Net Earnings Margin (5-9)	86,971	138,557	41,903	40,315	33,510	33,835	31,651	32,463	30,422	25,117	26,164	
11. Depreciation Costs	11,676	10,896	2,502	2,517	2,614	3,215	3,195	2,170	2,413	2,682	2,533	
12. Provisions for Bad Debt	18,416	27,431	7,993	6,953	10,018	8,132	7,723	5,315	8,115	8,404	8,312	
13. Other Income	47,985	58,384	14,654	14,801	15,553	13,413	15,373	14,106	14,105	20,271	19,064	
14. Other Income (Net) (13-11-12)	17,893	20,057	4,159	5,331	2,921	2,066	4,455	6,621	3,577	9,185	8,219	
15. Net Income (10+14)	104,864	158,614	46,062	45,646	36,431	35,901	36,106	39,084	33,999	34,302	34,383	
16. Effective Interest Rate Spread (%)	6.45	5.74	5.96	6.56	6.48	6.24	6.12	6.00	5.96	6.40	5.96	

(Ratios To Average Assets)

Interest Margin	5.18	6.07	6.44	6.25	6.07	5.51	5.20	5.03	4.80	4.94	4.74
Commission & Forex Income	0.54	0.52	0.64	0.47	0.44	0.43	0.44	0.44	0.40	0.43	0.41
Gross Earnings Margin	5.72	6.59	7.08	6.72	6.51	5.94	5.64	5.47	5.21	5.37	5.15
Operating Costs	3.65	3.58	3.61	3.45	3.83	3.29	3.25	3.07	3.00	3.56	3.30
Net Earnings Margin	2.07	3.01	3.47	3.27	2.68	2.65	2.39	2.41	2.21	1.80	1.85
Net Income	2.50	3.44	3.82	3.70	2.92	2.81	2.73	2.90	2.46	2.46	2.43

*Commercial Banks and OLFs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 7
MONEY SUPPLY

(B\$ Millions)

End of Period	1999		2000		2001		2002			2003		
	Mar.	Jun.	Mar.	Jun.	Mar.	Jun.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Money supply (M1)												
1) Currency in active circulation	758.2	807.8	776.7	835.3	792.1	833.6	817.7	866.4	865.0			
2) Demand deposits	148.4	151.4	153.5	147.3	147.3	149.5	154.8	148.6	155.4			
Central Bank	609.8	656.4	623.2	680.7	644.8	684.1	662.9	717.8	709.6			
Commercial banks	17.4	14.8	10.3	21.6	25.9	16.2	10.1	45.7	30.0			
OLFI's	587.8	629.9	605.3	649.0	611.4	660.1	643.6	662.1	670.3			
	4.6	11.7	7.6	10.1	7.5	7.8	9.2	10.0	9.3			
Factors affecting changes in money (M1)												
1) Net credit to government	495.4	508.5	626.0	662.6	596.4	684.6	651.3	696.8	671.6			
Central Bank	69.8	120.7	187.4	141.0	160.7	157.5	172.9	158.7	109.6			
Commercial banks	421.7	383.4	435.4	518.5	432.6	523.9	475.3	535.0	558.8			
OLFI's	3.9	4.4	3.2	3.1	3.1	3.2	3.1	3.1	3.2			
2) Other credit	3,329.2	3,770.1	4,051.3	4,146.6	4,129.1	4,207.3	4,289.1	4,255.6	4,211.6			
Rest of public sector	174.0	141.3	149.2	190.2	189.1	202.5	219.5	224.7	222.3			
Private sector	3,155.2	3,628.8	3,902.1	3,956.4	3,940.0	4,004.8	4,069.6	4,030.9	3,989.3			
3) External reserves	404.0	342.6	312.4	460.7	380.1	406.8	373.2	444.5	472.5			
4) Other external liabilities (net)	(454.5)	(429.2)	(546.9)	(639.3)	(587.8)	(697.9)	(730.5)	(653.6)	(595.6)			
5) Quasi money	2,489.4	2,751.2	2,940.4	3,054.5	3,009.6	3,031.5	3,018.5	3,080.2	3,075.9			
6) Other items (net)	(526.5)	(633.0)	(725.7)	(740.8)	(716.1)	(735.7)	(746.9)	(796.7)	(819.2)			

Source: The Central Bank of The Bahamas

TABLE 8
CONSUMER INSTALMENT CREDIT

(B\$' 000)

End of Period	2000		2001		2002			2003						
	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*	Add-on	Demand*				
											Jun.	Sept.	Dec.	Mar.
CREDIT OUTSTANDING														
Private cars	603	284,366	405	270,662	265	260,444	218	248,348	201	243,946	48	235,062	44	229,025
Taxis & rented cars	--	2,122	--	2,251	--	2,012	--	2,001	--	1,976	--	2,028	--	1,991
Commercial vehicles	9	4,912	8	4,385	8	4,228	3	4,160	--	4,022	--	3,764	--	4,032
Furnishings & domestic appliances	40	17,554	7	17,514	2	16,393	2	15,740	2	15,702	--	14,972	--	12,974
Travel	52	44,677	25	43,391	15	42,476	14	45,304	13	43,034	--	38,075	--	37,504
Education	30	32,968	16	49,569	9	55,717	8	60,619	8	59,620	--	58,266	--	47,326
Medical	30	12,775	22	13,304	20	13,423	10	13,736	10	14,164	--	13,731	--	13,803
Home Improvements	297	121,566	180	126,542	145	107,942	116	108,417	99	108,001	67	106,155	67	108,981
Land Purchases	107	91,561	61	95,251	55	95,462	36	105,317	34	107,231	6	109,204	5	115,445
Consolidation of debt	713	353,470	501	356,914	385	351,027	292	356,188	256	359,112	137	357,294	131	350,753
Miscellaneous	420	313,465	237	340,739	150	361,857	127	347,723	99	339,021	47	326,028	40	331,397
Credit Cards	...	131,301	...	137,768	...	140,494	...	150,095	...	158,784	...	153,302	...	155,004
TOTAL	2,301	1,410,737	1,462	1,458,290	1,054	1,451,475	826	1,457,648	722	1,454,613	305	1,417,881	287	1,408,235
NET CREDIT EXTENDED														
Private cars	(319)	19,397	(198)	(13,704)	(60)	(6,501)	(47)	(12,096)	(17)	(4,402)	(153)	(8,884)	(4)	(6,037)
Taxis & rented cars	--	448	--	129	--	(410)	0	(11)	--	(25)	--	52	0	(37)
Commercial vehicles	(1)	(404)	(1)	(527)	--	(138)	(5)	(68)	(3)	(138)	--	(258)	0	268
Furnishings & domestic appliances	(61)	808	(33)	(40)	(1)	(561)	0	(653)	--	(38)	(2)	(730)	0	(1,998)
Travel	(36)	6,577	(27)	(1,286)	(7)	1,857	(1)	2,828	(1)	(2,270)	(13)	(4,959)	0	(571)
Education	(20)	4,322	(14)	16,601	(6)	(695)	(1)	4,902	--	(999)	(8)	(1,354)	0	(10,940)
Medical	(17)	1,126	(8)	529	(1)	272	(10)	313	--	428	(10)	(433)	0	72
Home Improvements	(225)	2,496	(117)	4,976	(28)	(10,161)	(29)	475	(17)	(416)	(32)	(1,846)	0	2,826
Land Purchases	(343)	19,375	(46)	3,690	(1)	(133)	(19)	9,855	(2)	1,914	(28)	1,973	(1)	6,241
Consolidation of debt	(461)	7,198	(212)	3,444	(59)	(1,039)	(93)	5,161	(36)	2,924	(119)	(1,818)	(6)	(6,541)
Miscellaneous	(276)	61,915	(183)	27,274	(18)	10,866	(23)	(14,134)	(28)	(8,702)	(52)	(12,993)	(7)	5,369
Credit Cards	0	2,801	...	6,467	...	2,115	--	9,601	--	8,689	--	(5,482)	0	1,702
TOTAL	(1,759)	126,059	(839)	47,553	(181)	(4,528)	(228)	6,173	(104)	(3,035)	(417)	(36,732)	(18)	(9,646)

Source: The Central Bank of The Bahamas

* Includes Consumer Credit previously reported under Personal Loans

TABLE 9
SELECTED AVERAGE INTEREST RATES

Period	2000		2001		2002		2003	
	Qtr. I	Qtr. II	Qtr. I	Qtr. II	Qtr. I	Qtr. II	Qtr. I	Qtr. II
COMMERCIAL BANKS								
Deposit rates								
Savings deposits	2.71	2.69	2.77	2.78	2.73	2.82	2.73	2.72
Fixed deposits								
Up to 3 months	3.93	4.19	4.04	4.15	4.27	3.89	3.83	3.76
Up to 6 months	4.31	4.62	4.32	4.51	4.70	4.05	4.02	4.01
Up to 12 months	4.50	4.72	4.49	4.48	4.83	4.21	4.43	4.30
Over 12 months	4.31	4.99	4.62	4.56	5.28	4.22	4.40	4.36
Weighted average rate	3.97	4.24	4.11	4.22	4.37	3.95	3.91	3.86
Lending rates								
Residential mortgages	8.96	8.95	8.90	8.97	8.88	8.88	8.85	9.00
Commercial mortgages	9.46	8.87	9.04	9.30	9.07	8.85	8.92	10.82
Consumer loans	13.58	13.41	13.07	13.78	12.31	13.07	13.12	13.95
Overdrafts	10.56	10.43	10.63	10.60	10.18	10.61	11.11	11.09
Weighted average rate	11.74	11.47	11.33	11.71	11.20	11.21	11.18	12.17
OLFIs								
Deposit rates								
Savings deposits	3.43	3.55	--	--	--	--	--	--
Fixed deposits								
Up to 3 months	3.57	4.13	4.10	4.39	4.25	4.27	3.48	4.06
Up to 6 months	4.08	4.16	3.91	4.27	3.92	3.50	3.95	4.35
Up to 12 months	4.30	4.06	4.22	4.12	4.46	4.22	4.09	4.71
Over 12 months	4.06	4.17	--	--	--	--	--	--
Weighted average rate	4.21	4.25	4.39	4.63	4.55	4.37	4.01	4.62
Lending rates								
Residential mortgages	8.97	8.89	8.64	9.14	8.91	8.23	8.28	8.35
Commercial mortgages	--	--	9.77	9.77	--	--	--	--
Consumer loans	15.01	14.97	--	--	--	--	--	--
Other loans	9.03	9.36	8.70	8.97	8.01	8.34	9.48	--
Weighted average rate	12.11	11.25	8.64	9.07	8.86	8.12	8.52	8.35
Other rates								
Prime rate	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Treasury bill (90 days)	0.99	1.94	2.50	2.96	2.63	2.37	2.02	2.02
Treasury bill re-discount rate	1.49	2.45	3.00	3.46	3.13	2.87	2.52	2.52
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					
				Mar.	Jun.	Sept.	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			
Average Till Cash	61.0	59.6	51.2	47.3	41.4	44.4	55.3	42.9	42.8			
Average balance with central bank	174.7	149.4	182.2	246.2	284.7	286.7	217.8	271.2	270.5			
Free cash reserves (period ended)	81.0	41.6	56.5	114.1	143.4	146.0	88.9	129.0	127.1			
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			
B. Net Eligible Liquid Assets	656.6	579.2	636.7	691.1	772.4	722.1	687.6	722.6	748.6			
i) Balance with Central Bank	155.5	148.2	188.6	239.1	304.1	272.3	230.3	279.7	271.1			
ii) Notes and Coins	75.1	64.9	65.4	45.8	40.7	43.7	66.8	44.4	43.4			
iii) Treasury Bills	93.4	49.9	63.5	93.8	106.8	72.9	38.8	45.0	69.5			
iv) Government registered stocks	311.4	303.7	306.4	294.6	305.8	320.7	335.3	336.9	350.2			
v) Specified assets	20.8	20.2	16.9	18.9	18.7	18.3	17.9	16.9	15.7			
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)			
vii) Less: borrowings from central bank	(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			

Source: The Central Bank of The Bahamas

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

Period	(B\$ Millions)											
	1999/00p				2000/01p		2001/02p		2002/03p			
	1999/00p	2000/01p	2001/02p	Budget		2001/02p	2002/03p		2001/02p		2002/03p	
			2002/03	2003/04	QTR. IV	QTR. I	QTR. II	QTR. III	Ytd May	2002/03p	Ytd May	2002/03p
Total Revenue & Grants	918.5	957.5	856.8	991.5	222.2	205.4	243.3	218.8	791.4	823.5	823.5	823.5
Current expenditure	818.2	847.7	896.7	968.9	264.4	207.0	223.4	236.6	778.3	810.0	810.0	810.0
Capital expenditure	106.7	85.0	103.6	119.7	42.3	17.9	17.2	16.2	82.7	65.5	65.5	65.5
Net lending	32.1	42.5	27.5	25.9	13.8	8.6	7.7	12.1	24.5	34.6	34.6	34.6
Overall balance	(38.5)	(17.7)	(171.0)	(123.0)	(98.3)	(28.1)	(5.0)	(46.1)	(94.1)	(86.6)	(86.6)	(86.6)
FINANCING (I+II-III+IV+V)	38.5	17.7	171.0	123.0	98.3	28.1	5.0	46.1	94.1	86.6	86.6	86.6
I. Foreign currency loans	23.6	4.3	143.6	26.1	103.8	25.1	7.5	0.3	41.5	34.4	34.4	34.4
External	23.6	4.3	18.6	26.1	3.8	0.1	7.5	0.3	16.5	9.4	9.4	9.4
Domestic	--	--	125.0	...	100.0	25.0	--	--	25.0	25.0	25.0	25.0
II. Bahamian dollar borrowing	78.0	75.8	157.7	173.3	32.5	70.4	74.4	--	157.7	205.9	205.9	205.9
i) Treasury bills	--	20.0	26.9	...	10.8	--	--	--	26.9	--	--	--
Central Bank	--	20.0	16.1	...	--	--	--	--	16.1	--	--	--
Commercial banks & OLF's	--	--	10.8	...	10.8	--	--	--	10.8	--	--	--
Public corporations	--	--	--	...	--	--	--	--	--	--	--	--
Other	--	--	--	...	--	--	--	--	--	--	--	--
ii) Long-term securities	78.0	55.8	95.7	...	20.5	60.0	65.0	--	95.7	186.1	186.1	186.1
Central Bank	8.0	6.5	66.4	...	20.5	5.0	5.0	--	66.4	20.0	20.0	20.0
Commercial banks & OLF's	33.1	8.9	10.1	...	--	18.8	21.5	--	10.1	56.4	56.4	56.4
Public corporations	18.2	14.4	4.8	...	--	10.7	7.6	--	4.8	33.2	33.2	33.2
Other	18.7	26.0	14.4	...	--	25.5	30.9	--	14.4	76.5	76.5	76.5
iii) Loans and Advances	--	--	35.1	...	1.2	10.4	9.4	--	35.1	19.8	19.8	19.8
Central Bank	--	--	33.9	...	--	--	4.3	--	35.1	4.3	4.3	4.3
Commercial banks	--	--	1.2	...	1.2	10.4	5.1	--	--	15.5	15.5	15.5
III Debt repayment	21.6	75.6	144.8	66.8	26.8	29.1	18.3	13.5	144.6	60.9	60.9	60.9
Domestic	12.4	67.1	111.1	59.1	1.0	25.4	18.0	10.0	111.2	53.5	53.5	53.5
Bahamian dollars	1.0	60.4	76.6	54.1	--	25.4	13.0	10.0	76.7	48.5	48.5	48.5
Internal foreign currency	11.4	6.7	34.5	5.0	1.0	--	5.0	--	34.5	5.0	5.0	5.0
External	9.2	8.5	33.7	7.7	25.8	3.7	0.3	3.5	33.4	7.4	7.4	7.4
IV Cash balance change	(19.3)	10.3	(3.3)	...	(24.0)	0.9	15.8	4.3	21.7	23.0	23.0	23.0
V. Other Financing	(22.2)	2.9	17.8	(8.6)	12.8	(39.2)	(74.4)	55.0	17.8	(115.8)	(115.8)	(115.8)

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

TABLE 12
NATIONAL DEBT

(BS' 000s)

End of Period	2000p	2001p	2002p	2002p			2003			
				June	Sept.	Dec.	Mar.	June		
TOTAL EXTERNAL DEBT										
By Instrument										
Government Securities	50,500	50,500	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Loans	59,747	66,995	70,953	67,321	63,771	70,953	67,796	67,796	69,008	69,008
By Holder										
Commercial banks	20,611	15,458	10,305	12,882	10,305	10,305	7,729	7,729	7,729	7,729
Offshore financial institutions	500	500	--	--	--	--	--	--	--	--
Multilateral institutions	39,136	51,537	60,648	54,439	53,466	60,648	60,067	60,067	61,279	61,279
Bilateral Institutions	--	--	--	--	--	--	--	--	--	--
Private Capital Markets	50,000	50,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
TOTAL INTERNAL DEBT										
By Instrument										
Foreign Currency	20,770	36,390	130,000	110,000	135,000	130,000	130,000	130,000	130,000	130,000
Government securities	16,000	11,000	5,000	10,000	10,000	5,000	5,000	5,000	5,000	5,000
Loans	4,770	25,390	125,000	100,000	125,000	125,000	125,000	125,000	125,000	125,000
Bahamian Dollars	1,383,340	1,449,654	1,580,531	1,474,189	1,519,124	1,580,531	1,570,531	1,570,531	1,630,631	1,630,631
Advances	53,519	56,945	71,787	67,445	67,445	71,787	66,787	66,787	65,787	65,787
Treasury bills	132,500	168,600	179,400	179,400	179,400	179,400	179,400	179,400	179,400	179,400
Government securities	1,186,386	1,213,633	1,304,098	1,217,098	1,252,098	1,304,098	1,299,098	1,299,098	1,360,198	1,360,198
Loans	10,935	10,476	25,246	10,246	20,181	25,246	25,246	25,246	25,246	25,246
By Holder										
Foreign Currency	20,770	36,390	130,000	110,000	135,000	130,000	130,000	130,000	130,000	130,000
Commercial banks	20,770	36,390	130,000	110,000	135,000	130,000	130,000	130,000	130,000	130,000
Other local financial institutions	--	--	--	--	--	--	--	--	--	--
Bahamian Dollars	1,383,340	1,449,654	1,580,531	1,474,189	1,519,124	1,580,531	1,570,531	1,570,531	1,630,631	1,630,631
The Central Bank	128,895	190,554	182,823	148,606	168,005	182,823	167,987	167,987	117,430	117,430
Commercial banks	357,465	375,771	399,697	421,100	409,769	399,697	399,954	399,954	441,661	441,661
Other local financial institutions	4,287	3,128	3,128	3,127	3,127	3,128	3,127	3,127	3,128	3,128
Public corporations	590,485	562,309	619,284	582,924	596,728	619,284	618,835	618,835	665,756	665,756
Other	302,208	317,892	375,599	318,432	341,495	375,599	380,628	380,628	402,656	402,656
TOTAL FOREIGN CURRENCY DEBT										
TOTAL DIRECT CHARGE	1,514,357	1,603,539	1,806,484	1,676,510	1,742,895	1,806,484	1,793,327	1,793,327	1,854,639	1,854,639
TOTAL CONTINGENT LIABILITIES	364,613	358,757	406,345	407,868	404,806	406,345	397,705	397,705	388,741	388,741
TOTAL NATIONAL DEBT	1,878,970	1,962,296	2,212,829	2,084,378	2,147,701	2,212,829	2,191,032	2,191,032	2,243,380	2,243,380

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

	2000p	2001p	2002p	2002p		2003p	
				June	Dec.	Mar.	June
Outstanding debt at beginning of period							
Government	466,314	425,111	402,871	410,802	525,081	522,146	507,291
Public Corporations	134,087	131,017	153,885	125,261	223,771	225,953	222,796
	332,227	294,094	248,986	285,541	301,310	296,193	284,495
Plus new drawings							
Government	22,987	58,204	230,974	119,193	10,673	528	1,648
Public corporations	14,746	40,687	136,638	103,840	7,467	308	1,498
	8,241	17,517	94,336	15,353	3,206	220	150
Less Amortization							
Government	64,190	80,444	111,699	35,784	13,608	15,383	11,398
Public corporations	17,816	17,819	64,570	26,780	5,285	3,465	286
	46,374	62,625	47,129	9,004	8,323	11,918	11,112
Outstanding debt at end of period							
Government	425,111	402,871	522,146	494,211	522,146	507,291	497,541
Public corporations	131,017	153,885	225,953	202,321	223,771	222,796	224,008
	294,094	248,986	296,193	291,890	296,193	284,495	273,533
Interest Charges							
Government	31,522	29,110	24,698	7,334	11,571	5,096	6,773
Public corporations	9,078	9,142	9,558	3,301	3,248	1,290	2,869
	22,444	19,968	15,140	4,033	8,323	3,806	3,904
Debt Service							
Government	95,712	109,554	136,397	43,118	25,179	20,479	18,171
Public corporations	26,894	26,961	74,128	30,081	8,533	4,755	3,155
	68,818	82,593	62,269	13,037	16,646	15,724	15,016
Debt Service ratio	3.8	4.9	6.3	7.9	4.9	3.4	n.a.
Government debt Service/ Government revenue (%)	2.9	2.9	8.3	13.5	3.5	2.2	1.4
MEMORANDUM							
Holder distribution (B\$ Mil):							
Commercial banks	122.6	113.6	259.7	232.1	269.0	251.1	243.2
Offshore Financial Institutions	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Multilateral Institutions	229.1	238.0	237.5	236.5	230.7	232.3	229.5
Bilateral Institutions	21.8	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.1	0.7	0.2	0.6	0.3	0.1	0.2
Private Capital Markets	50.0	50.0	25.0	25.0	25.0	25.0	25.0

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

BALANCE OF PAYMENTS SUMMARY

	(B\$ Millions)							
	2000p		2001p		2002p		2003	
	2000p	2001p	2002p	Qtr.II	Qtr.III	Qtr.IV	Qtr.I	Qtr.II
A. Current Account Balance (I+II+III+IV)	(500.9)	(388.0)	(299.6)	(108.0)	(68.9)	(132.3)	1.7	(28.2)
I. Merchandise (Net)	(1,328.6)	(1,093.7)	(1,019.1)	(312.1)	(211.2)	(274.0)	(256.0)	(276.1)
Exports	787.1	765.1	740.5	167.7	199.9	204.8	169.2	143.0
Imports	2,115.7	1,858.8	1,759.6	479.8	411.1	478.8	425.2	419.1
II. Services (Net)	946.0	839.6	887.9	260.3	192.7	167.6	276.6	278.0
Transportation	(135.9)	(161.3)	(129.0)	(40.1)	(25.1)	(34.4)	(31.9)	(33.0)
Travel	1,426.2	1,339.5	1,388.5	402.6	317.8	274.9	397.5	406.1
Insurance Services	(60.7)	(84.2)	(92.8)	(20.4)	(30.2)	(25.5)	(20.6)	(25.2)
Offshore Companies	121.4	87.4	126.4	23.5	29.6	49.8	22.7	18.5
Local Expenses	(29.4)	(48.6)	(60.9)	(25.4)	(9.5)	(15.1)	(22.5)	(17.3)
Other Government	(375.5)	(293.2)	(344.3)	(79.9)	(89.9)	(82.1)	(68.6)	(71.1)
Other Services	(161.7)	(175.6)	(210.7)	(71.9)	(60.7)	(30.8)	(31.9)	(38.4)
III. Income (Net)	(51.1)	(48.5)	(49.9)	(13.4)	(12.8)	(12.8)	(11.4)	(13.1)
1. Compensation of Employees	(110.6)	(127.1)	(160.8)	(58.5)	(47.9)	(18.0)	(20.5)	(25.3)
2. Investment Income	43.4	41.7	42.3	15.7	10.3	4.9	13.0	8.3
IV. Current Transfers (Net)	47.4	45.8	49.0	17.5	11.7	7.9	13.5	9.8
1. General Government	(4.0)	(4.0)	(6.7)	(1.8)	(1.4)	(3.0)	(0.5)	(1.5)
2. Private Sector	420.4	262.8	372.6	91.0	99.1	93.5	(46.2)	16.1
B. Capital and Financial Account (I+II) (excl. Reserves)	(16.5)	(21.3)	(24.5)	(6.3)	(5.5)	(3.7)	(9.1)	(7.4)
I. Capital Account (Net Transfers)	436.8	284.1	397.1	97.3	104.6	97.2	(37.1)	23.5
II. Financial Account (Net)	250.3	101.2	144.8	38.2	30.4	35.0	19.7	28.3
1. Direct Investment	186.5	183.0	252.3	59.1	74.2	62.2	(56.8)	(4.8)
2. Other Investments	9.0	26.3	(21.4)	(21.9)	(3.5)	7.2	(3.2)	1.2
Central Govt Long Term Capital	(11.6)	(27.4)	(13.5)	(1.5)	(5.9)	(2.0)	(5.7)	(4.1)
Other Public Sector Capital	(29.6)	120.5	183.6	51.5	58.6	32.6	(76.1)	(58.8)
Banks	218.7	63.6	103.8	31.1	25.1	24.4	28.0	56.9
Other	19.3	95.0	(12.3)	97.6	(84.1)	5.2	115.8	40.2
C. Net Errors and Omissions	(61.4)	(30.2)	60.7	80.6	(53.9)	(33.6)	71.3	28.1
D. Overall Balance (A+B+C)	61.5	30.0	(60.8)	(80.6)	53.9	33.5	(71.3)	(28.1)
E. Financing (Net)	(0.1)	0.0	0.0	(0.1)	0.1	(0.1)	0.1	(0.1)
Change in SDR holdings	0.5	0.3	(0.6)	(0.5)	0.0	(0.2)	(0.1)	(0.2)
Change in Reserve Position with the IMF	61.1	29.8	(60.2)	(80.0)	53.8	33.8	(71.3)	(27.8)
Change in Ext. Foreign Assets () = Increase								

Source: The Central Bank of the Bahamas

Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

	1999				2000				(B\$ '000)	
	1999		2000		2000		2000			
	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	8,017	9,936	13,721	5,267	18,124	17,512	23,907	23,493
ii) Imports	172,477	231,293	40,456	19,645	62,315	50,061	51,068	36,329	77,005	66,891
II. OTHER MERCHANDISE										
i) Domestic Exports										
Crawfish	71,857	84,847	17,301	5,457	13,305	35,794	20,584	12,299	15,729	36,235
Fish & other Crustacea	4,783	2,087	1,154	1,638	606	1,385	499	644	314	630
Fruits & Veggies.	10,394	14,676	495	147	8,828	924	10,038	1,624	148	2,866
Aragonite	388	26,086	109	186	33	60	17,359	161	1,927	6,639
Rum	30,957	18,856	5,424	12,015	6,522	6,996	6,472	12,344	28	12
Other Cordials & Liqueurs	70	146	6	12	--	52	3	21	99	23
Crude Salt	13,580	12,447	5,736	2,709	2,200	2,935	5,490	1,757	2,302	2,898
Hormones	1,325	8,777	1,325	--	--	--	--	3,476	2,393	2,908
Chemicals	10,778	42,787	3,165	3,307	2,461	1,845	3,365	11,397	11,854	16,171
Other Pharmaceuticals	330	--	311	18	--	1	--	--	--	--
Fragrances	247	--	76	--	171	--	--	--	--	--
Other	54,395	109,885	14,730	12,735	10,980	15,950	50,850	17,971	19,919	21,145
TOTAL	199,104	320,594	49,832	38,224	45,106	65,942	114,660	61,694	54,713	89,527
ii) Re-Exports	192,094	203,124	21,480	40,501	60,080	70,033	46,888	31,915	93,263	31,058
iii) Total Exports (i+ii)	391,198	523,718	71,312	78,725	105,186	135,975	161,548	93,609	147,976	120,585
iv) Imports	1,734,660	2,044,679	478,530	382,606	370,942	502,582	446,050	452,458	576,302	569,869
v) Retained Imports (iv-ii)	1,542,566	1,841,555	457,050	342,105	310,862	432,549	399,162	420,543	483,039	538,811
vi) Trade Balance (i-v)	(1,343,462)	(1,520,961)	(407,218)	(303,881)	(265,756)	(366,607)	(284,502)	(358,849)	(428,326)	(449,284)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

Period	2000	2001p		2002p			2003p		
		2001p	2002p	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
Visitor Arrivals	4,203,831	4,182,671	4,401,920	1,216,839	1,123,377	1,040,293	1,021,411	1,229,641	1,185,158
Air	1,481,545	1,428,124	1,402,894	380,480	387,468	335,829	299,117	381,709	396,446
Sea	2,722,286	2,754,547	2,999,026	836,359	735,909	704,464	722,294	847,932	788,712
Visitor Type									
Stopover	1,543,956	1,537,777	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	2,512,626	2,551,673	2,802,112	793,533	668,842	642,068	697,669	804,677	n.a
Day/Transit	66,587	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Tourist Expenditure(B\$ 000's)									
Stopover	1,719,163	1,636,450	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cruise	1,564,432	1,483,576	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Day	147,980	147,580	n.a	n.a	n.a	n.a	n.a	n.a	n.a
	6,752	5,294	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Number of Hotel Nights	3,277,657	3,471,141	3,443,432	839,021	861,877	855,133	887,401	858,584	897,438
Average Hotel Occupancy Rates (%)									
New Providence	73.3	66.8	68.9	73.4	71.5	60.4	70.1	72.0	70.7
Grand Bahama	58.2	49.8	55.0	59.3	53.1	68.3	39.2	57.0	47.9
Other Family Islands	41.0	36.5	34.4	36.9	43.9	30.9	25.8	34.6	46.1
Average Nightly Room Rates (\$)									
New Providence	171.7	161.6	176.1	186.7	187.8	164.1	165.6	206.8	212.3
Grand Bahama	63.9	82.4	80.2	93.8	85.4	71.3	70.1	94.0	90.1
Other Family Islands	155.5	158.6	155.8	186.4	161.3	144.5	131.0	179.3	172.5

Source: The Ministry of Tourism

SURVEY OF PRIVATE PENSION PLANS IN THE BAHAMAS (2000 & 2001)

The Central Bank of The Bahamas' latest survey on private pension arrangements cover results obtained for 2000 and 2001, and extends the available data series collected since 1992. From just over \$300 million in 1992, indications are that assets are on course to surpass the \$1 billion mark by 2005. Growth in domestic savings in pension schemes since 1995 corresponded chiefly to strengthening in the economy and employment gains that added to the base of active participants, particularly within the tourism sector. For most of this period, invested pension assets also benefited from gradually firming rates of returns.

At end-2001, accumulated pension fund assets were equivalent to approximately 16.1% of GDP, a ratio which rose steadily during most of the last decade. This rivaled invested domestic savings of the National Insurance Board of \$991.5 million (20.2% of GDP) in 2001, exceeded the amalgamated assets of domestic insurance companies which approached \$650.0 million (see Table 1) but fell significantly short of private individuals' savings in bank deposits of \$2,009.1 million (40.9% of GDP) in 2001. Credit unions, which represented the other sizeable pool of savings, had estimated assets of \$120.4 million (2.4% of GDP) in 2001.

Private pension benefits are generally expected to supplement retirement income received from the National Insurance Board (NIB), and could add significantly to such disposable income, as the ceiling for insurable

earnings at the National Insurance Board is \$20,800. While the NIB ceiling is currently lower for civil servants, the Government provides a supplementary pension for such retirees. Hence, for public servants and the fraction of the private sector workforce covered by pension plans, expected retirement income will generally exceed amounts received from NIB.

A similar generalization cannot be made about the likely coverage from retirement benefits in the other savings structures identified above. In particular, the invested domestic assets of insurance companies mainly cover future benefits from annuities and life insurance policies, on which no data exist concerning the average coverage contracted by private individuals. In the case of banking sector deposits, savings are unevenly distributed with the majority of balances (73.9%) concentrated in a minority of accounts (2.7%), as opposed to an average balance significantly below \$10,000 held in the 90.9% of accounts, which approximate a majority of individual depositors.

Against this backdrop, this article reviews the results of the latest pension survey, highlighting recent overall trends in the industry and among sector groupings which sponsor private schemes. The article also examines selected trends among the various types of private schemes and concludes with a discussion on the economic outlook and regulatory issues facing domestic private schemes.

Table 1: Selected Indicators of Domestic Savings

	1998	2000	2001	1998	2000	2001	Avg. Increase
	(B\$ Million)			(% of GDP)			98-01 (%)
Private Pension Funds	628.6	763.3	793.5	15.0%	15.5%	16.1%	8.1%
National Insurance Fund (Cash and Investments) ¹	746.2	959.4	991.5	17.8%	19.5%	20.2%	9.9%
Insurance Companies (Current Assets and Inv) ²	483.0	593.6	648.7	11.5%	12.1%	13.2%	10.3%
Private Individuals (Bank deposits) ³	1,510.8	1,918.1	2,009.0	36.1%	39.0%	40.9%	10.0%
Credit Unions (Deposit and Shares) ⁴	87.2	110.9	120.4	2.1%	2.3%	2.4%	11.4%

Sources:

¹The National Insurance Board, Annual Statement of Accounts, ²The Registrar of Insurance Companies (except 1998, which is a Central Bank estimate), ³The Central Bank of The Bahamas and ⁴The Department of Cooperative Development

PROFILE OF PRIVATE SCHEMES AND SURVEY METHODS

The 2001 survey covered 131 pension plans, with responses obtained from 72. Respondents represented a broad cross-section of the industry, and provided updated information that accounted for 85% of the identified assets of the industry. Broad sectoral trends observed in these reports provided a base for projecting the assets for remaining plans. The overall results obtained indicate that, since 1995, less than 5% of the total dollar increase in assets in any year was due to the inclusion of new schemes in the survey.

The surveyed pension funds fall into three categories, according to the nature of the retirement benefit offered: defined benefit, defined contribution and provident funds. Defined benefit schemes offer participants a guaranteed periodic pension over their retirement lives, or the same in combination with a lump-sum payment on the retirement date. Given this guarantee, such plans are required to maintain an actuarial balance between the present value of expected future benefits payable (liabilities) and the present value of assets, as accumulated from historical savings and expected future contributions and earnings. A plan is said to be fully-funded when it maintains such actuarial balance; under-funded, when the actuarial value of liabilities is greater, and over-funded, when there is an actuarial excess of assets. Such actuarial valuations are particularly sensitive to assumptions made about the expected future rates of return on invested assets, life expectancy of pensioners, and the maturity of schemes relative to the division between active plan contributors and pensioners. Hence, maintaining a fully funded status for guaranteed benefits, in the context of shifts in these variables, often impose unpredictably high costs for plan sponsors.

While there is less uncertainty over the cost of maintaining defined contribution and provident plans, with the periodic contribution rates specified in advance, the value of retirement benefits cannot be similarly assured. Such payouts are based entirely on the accumulated value of savings in each participant's account at such date, and are disbursed as annuities over the life of pensioners in the case of defined contribution schemes, or in a lump sum payment in the case of provident funds. Given this similarity on the determination of benefits, the analysis that follows treats both types of plans as defined contribution.

Defined contribution (provident) schemes appear to be the most prevalent in The Bahamas, accounting for 64.8% of the 131 plans surveyed, as compared to 35.1% for defined benefit schemes. Nevertheless, an overwhelming percentage of the industry participants (87.8%) were covered under defined benefit schemes. Indicative of the extent to which these schemes have decreased in importance over the years, these accounted for only 17.0% of the plans established after 1980 versus some 47.0% of those formed before this date.

As to funding status, of the 23 defined benefits plans for which new data was obtained, 7 indicated that they were over funded by an aggregate amount of \$24.8 million. Another 5 were under-funded by a total of \$26.8 million and the others were fully funded.

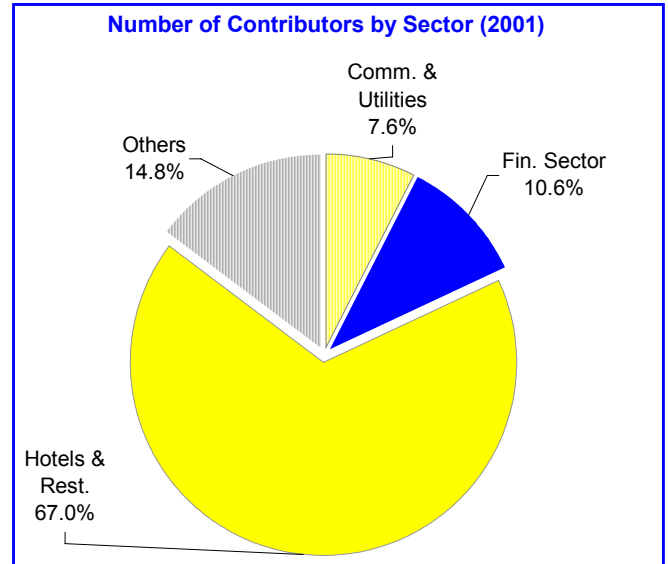
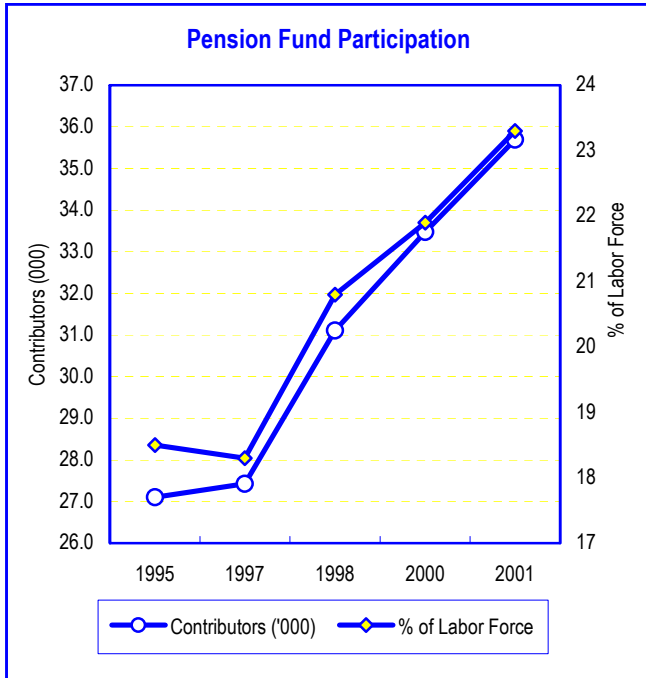
Among existing plans in the Central Bank's survey, 38.9% were administered professionally by insurance companies and 24.4% by banks and other entities. Another 36.6% of the private schemes were managed in-house, corresponding in the majority of cases to plans sponsored by financial institutions or by accounting firms that possessed internal expertise. Proper financial audits and actuarial assessments are also commonly observed. Some 80.2% of plans indicated that audits were done at least annually and another 4.6%, at least once every two years. Remaining plans either did not provide this information or did not report new information for 2000 and 2001. Actuarial audit assessments are applied in all instances where plans offer pre-defined or guaranteed future benefits.

Employee participation was mandated in approximately half of all plans, although the incidence was higher for defined benefit schemes (85.0%), as compared to a lower occurrence among defined contribution and provident plans (44.7%). Compulsion also varied according to size of sponsoring firms. In particular, this incidence for the 43 sponsors with at least 100 employees was 60.5%, as compared to 45.5% for the remaining 88 sponsors with fewer employees.

The largest number of funds in the survey (54) was established during the 1980s, accounting for 35.9% of reported pension industry assets. Only 10 funds, inclusive of the three largest sponsored by public corporations, were in existence since at least 1970, and represented the largest block of total assets (38.7%). Another

14, controlling 13.7% of industry assets, were established during the 1970's and the remaining 53, holding 11.7% of assets, on or after 1990.

tion packages in preparation for the privatization of the state owned telephone company, reduced active contributors by almost 30.0% since 1998.



LABOUR FORCE PARTICIPATION

After ebbing to 18.3%% in 1997, the percentage of the employed work force covered by surveyed private pension schemes rose to 18.5% in 2001, compared to 23.3% in 1995. This corresponded to cyclical employment trends in the hotel sector in particular, which strengthened significantly during the second half of the 1990's. Since the 1998 survey, the number of participants covered rose by 7.6% to 33,475 in 2000 and further by 6.6% to 35,693 in 2001. Approximately 67.0% of all participants were employed in the hotel and restaurant sector, where 4,516 contributors were added since 1998.

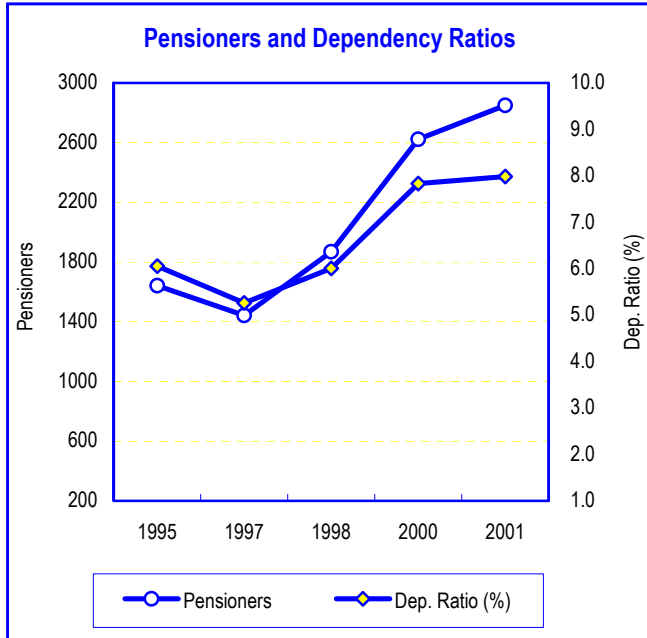
Although moderately improved, the second largest share of coverage, accounted for by the financial sector (10.6%), understated actual participation, since a sizeable number of bank employees, not represented in the survey, participate in the international plans of parent companies, for which a local apportionment of assets was not available. The third largest number of contributors was in the communications and utilities sector (7.6%), mainly representing public corporations, where separa-

CONTRIBUTION RATIO

Although marginally fluctuating, the average paid in contribution to plans, as a percentage of participants' salaries, remained close to 10.0% during the 1990's and the most recent survey years. Weighted by asset size, the combined employer and employee contribution approximated 9.9% in 2001 as compared to 10.1% in 1998, and 9.5% in 1995. In a pattern that was also consistent throughout all survey periods, payments into defined benefit schemes approximated a lower 9.3% of salaries in 2001 as compared to the 13.4% average being paid into defined contribution schemes. In the context of the prevalence of some non-contributory schemes and the onus placed on employers to make additional contributions to maintain the funded status of defined benefit schemes, employer payments averaged a larger 8.1% of the 2001 salary component.

Among defined benefit plans, the weighted average employer contribution firmed to 8.4% in 2001 from an average 8.2% in both 1998 and 1995. For defined contribution schemes, employers paid an average amount equivalent to 6.8% of salary in 2001, relative to a lower ratio in 1995 (6.5%) but a larger fraction in 1998 (7.6%). Ignoring weighted average calculations, in all types of

schemes where employees made contributions, it was most commonly at 5.0% of salary. Instances of employer payments also frequently occurred at 5.0%, but fluctuated within a range of 2.5% - 10.0%.



PENSIONS AND BENEFITS PAYOUT

Since the 1998 survey, the number of pensioners increased by 44.3% to 2,695, as retirees in the communications and utilities sector nearly doubled. Annual pension payments rose over the two periods, from \$10.8 million to \$12.5 million. With the increase in the number of early retirees, the ratio of pensioners to active plan participants rose significantly, to approximately 1:13 in 2001, from a decade low of less than 1:20 in 1992, and 1:17 in 1998. As a result, the average dependency rate for pensioners as a percentage of contributors rose over the decade, to 8.0% in 2001 from 3.3% in 1992 and 6.0% in 1998. Concentration of the high dependency ratio in the communications and utilities sector suggest that the attendant issues of liquidity management and sustainability of funding status, particularly for defined benefit scheme, is not a general concern for the industry at this time.

ASSET SIZE AND DISTRIBUTION

During 1998-2000, total pension assets rose by 21.4% to \$763.3 million and further by 4.0% to \$793.5 million in 2001 (Table 3). On an average annual basis,

the increase was 8.1% since 1998, moderated in comparison to the 1995-1998 sub-period average annual advance of 10.5% when average returns on investments were higher. In particular, while the average annual increase in participants was stable at 4.7% vis-à-vis 1995-1998, the weighted average rates of return softened to 4.0% in 2001, from decade highs of 8.1% and 9.2% in 1998 and 2000, respectively. As returns outpaced the increase in contributors for most of the period, the average savings per active participant improved to \$22,230 in 2001 from \$20,208 in 1998—but was reduced from \$22,801 in 2000.

The sectoral analysis showed that, even though the corresponding share of active participants in the industry was much less, communications and utilities sector schemes amassed the largest amount of assets, at \$277.4 million (35.0% of the total), an outcome favoured by the longer period of time that these schemes were in existence. Conversely, hotel and restaurant sector schemes accounted for two-thirds of all active participants, although the respective asset concentration was only \$164.6 million (20.7%). Financial sector plans reported assets of \$195.6 million (24.6% of the total), more than doubled the participation share. Significant asset concentration, although less than \$20 million in most instances, was also observed for the remaining sectors, which represented a combined 19.6% of the total assets and a less divergent 14.8% of active participants.

The distribution of plan assets by type of investment for 1995-2001 is also shown in Table 3. In recent years, schemes have become more heavily invested in equities and loans, which currently account for portfolio shares of 14.4% and 10.0%, as compared to 8.0% and 1.8%, respectively in 1995. Mutual funds also firmed to 4.6% of total investments from approximately 1.0% in 1995. Although still the dominant holdings, investments in public sector securities (mainly registered stocks) and deposits at 25.7% and 23.1%, respectively, decreased steadily since the mid-1990's. Another noteworthy shift was the almost halving in the asset share for mortgages, to 10.7% since 1995. Remaining pension fund assets, including real estate, investments in employer businesses, and private companies' bonds, accounted for 11.4% of assets, slightly below the mid-decade estimate of 12.0%, but recovered vis-à-vis the intervening period.

Table 2
Private Pension Investments By Industry

	1995	1997	1998	2000P	2001P
INDUSTRY	(B\$'000)				
Construction	480	428	505	742	2,859
Communications & Utilities	190,877	222,898	241,662	272,395	277,438
Education	5,498	6,015	7,613	9,084	9,883
Financial Sector	113,790	138,826	152,206	186,331	195,577
Health	511	590	656	1,126	1,225
Hotel & Restaurants	86,154	86,154	129,568	154,325	164,621
Manufacturing	13,738	15,895	20,537	40,840	39,280
Non - Profit Organizations	304	304	304	805	832
Oil Companies	13,676	14,507	15,049	15,250	15,250
Other Services	9,822	16,230	18,492	25,988	27,863
Private Distributions	11,323	12,223	14,484	17,040	18,569
Professional Services	4,174	5,282	5,706	8,920	9,116
Real Estate	2,584	3,548	4,582	6,584	5,831
Transportation	12,478	15,583	17,206	23,832	25,112
TOTAL	465,407	538,483	628,571	763,262	793,457

	1995	1997	1998	2000	2001
INDUSTRY	(% Distribution)				
Construction	0.10	0.08	0.08	0.10	0.36
Communications & Utilities	41.01	41.39	38.45	35.69	34.97
Education	1.18	1.12	1.21	1.19	1.25
Financial Sector	24.45	25.78	24.21	24.41	24.65
Health	0.11	0.11	0.10	0.15	0.15
Hotel & Restaurants	18.51	16.00	20.61	20.22	20.75
Manufacturing	2.95	2.95	3.27	5.35	4.95
Non - Profit Organizations	0.07	0.06	0.05	0.11	0.10
Oil Companies	2.94	2.69	2.39	2.00	1.92
Other Services	2.11	3.01	2.94	3.40	3.51
Private Distributions	2.43	2.27	2.30	2.23	2.34
Professional Services	0.90	0.98	0.91	1.17	1.15
Real Estate	0.56	0.66	0.73	0.86	0.73
Transportation	2.68	2.89	2.74	3.12	3.16
TOTAL	100.00	100.00	100.00	100.00	100.00

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

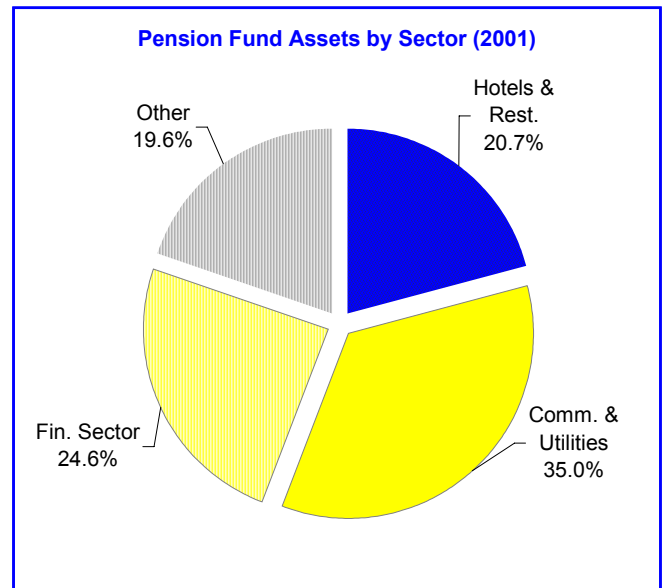
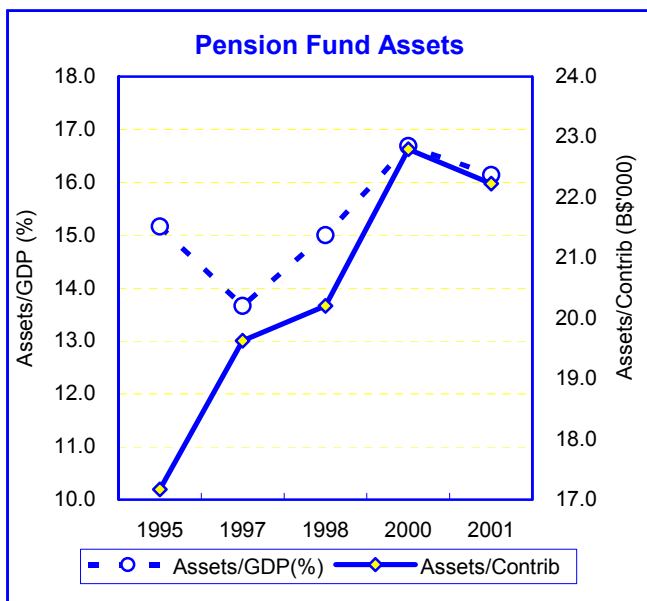
Table 3
Private Pension Investments

	Total				
	1995	1997	1998	2000P	2001P
Total Fund	465,407	538,483	628,571	763,262	793,457
of which:	(B\$'000)				
BGRS	141,277	166,616	188,232	192,075	204,197
Bank Deposits	127,447	152,523	203,123	186,051	183,624
Real Estate	3,251	3,751	4,716	7,925	7,647
Employer's Business	3,245	3,455	3,698	7,216	7,146
Mortgages	90,587	78,594	77,375	78,067	84,813
Bonds	3,582	16,195	1,749	644	663
Equities	37,371	53,871	76,132	107,034	114,404
Mutual Funds	4,654	6,361	9,885	26,160	36,701
Loans	8,245	9,771	9,562	90,408	79,170
Contributor Arrears	2,232	5,610	9,005	3,480	5,103
Dividends	4,800	6,109	7,723	4,777	4,865
Other Investment	38,716	35,627	37,371	59,426	65,124
	100	100	100	100	100
	(% Distribution)				
Total Fund	100	100	100	100	100
of which:					
BGRS	30.36	30.94	29.95	25.16	25.74
Bank Deposits	27.38	28.32	32.32	24.38	23.14
Real Estate	0.70	0.70	0.75	1.04	0.96
Employer's Business	0.70	0.64	0.59	0.95	0.90
Mortgages	19.46	14.60	12.31	10.23	10.69
Bonds	0.77	3.01	0.28	0.08	0.08
Equities	8.03	10.00	12.11	14.02	14.42
Mutual Funds	1.00	1.18	1.57	3.43	4.63
Loans	1.77	1.81	1.52	11.84	9.98
Contributor Arrears	0.48	1.04	1.43	0.46	0.64
Dividends	1.03	1.13	1.23	0.63	0.61
Other Investment	8.32	6.62	5.95	7.79	8.21
Memorandum Items:					
* Weighted Avg. Rate of Return	6.92	6.95	8.1	9.19	4.01
* Weighted Avg. Contrib. Rate	9.45	10.36	10.09	9.87	9.87

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

On a sectoral basis, the three largest industry groupings dominated the portfolio structure observed (see Tables 4A and 4B). Communications and public utilities schemes held their largest concentration of investments in loans (25.2%) and mortgages (26.0%), with reduced investment shares for public sector securities (11.7%) and bank deposits (18.6%). Conversely, financial sector plans invested more aggressively in public sector bonds (31.8%), with a similar distribution for deposits (31.3%), and the third largest combined concentration in mutual funds and private equities (21.7%)—a moderate increase in importance since the mid-1990s. As a practice, most

On a locational basis, \$123.1 million (15.5%) of the reported private pension assets were invested outside The Bahamas, more than doubled since 1995 and 54.2% higher than the 1998 estimate. As to the portfolio breakdown, holdings were dominated by expanded shares for foreign government securities (23.9%) and the combination of mutual funds and equities (48.8%); followed by “other uncategorized” assets (15.2%) and deposits (10.9%), which were both reduced in relative importance.



financial sector plans do not provide mortgages and loans to participants, because such facilities are generally available from the employer at concessional interest rates. Meanwhile, hotel sector funds also showed an increased emphasis on equities and mutual funds, which more than doubled in portfolio share to 35.8% since 1995. Holdings were also slightly boosted for public sector securities (39.8%), whereas the fraction of investments in deposits (20.8%) was reduced by approximately one-third since 1995. On a combined basis, the remaining private sector schemes, reported enlarged holdings of public sector securities (28.1%) and equities (21.4%) relative to the mid-1990s, while the dominance of deposits holdings (23.5%) was reduced overall.

DEFINED BENEFIT VS. DEFINED CONTRIBUTION

Between 1998 – 2001, total assets invested by defined benefit scheme grew at an average annual pace of 7.6% to \$682.0 million, compared to more accelerated growth for defined contribution schemes of 11.0% to \$111.5 million. In this regard, defined contribution schemes enjoyed faster growth of 7.4%, in the number of active contributors as compared to 4.3% for defined benefit schemes. Both the high average rates of return and pay-in contribution rates during 1998-2001 allowed defined contribution schemes to maintain a higher average savings per participants of \$25,508, this compared with \$21,773 for participants in defined benefit schemes, also having grown at an accelerated average annual pace of 3.4% vis-à-vis 3.2% for the latter.

In terms of the invested portfolio shares, defined benefit schemes exhibited a stronger preference for public sector securities, relative to the other schemes

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

	(BS'000)												
	Securities	Deposits	Real Estate	Employer's Business	Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributor Arrears	Dividends	Investments	Other Total Assets
1998P													
(Private) Distribution	3,122	5,155	118	1,197	3,356	0	756	0	39	38	309	393	14,484
Communications & Utilities	81,434	73,861	648	0	64,788	400	12,178	0	418	3,700	3,678	556	241,662
Construction Companies	217	101	8	0	147	0	23	0	0	0	8	0	505
Education	499	1,266	133	0	2,584	0	893	450	1,474	0	105	210	7,613
Financial Sector	46,189	48,470	1,411	2,501	3,501	1,000	16,396	2,787	810	529	520	28,091	152,206
Health	30	282	192	0	11	0	132	0	0	0	11	0	656
Hotels & Restaurants	34,445	49,431	0	0	0	0	30,309	3,384	0	4,023	2,770	5,206	129,568
Manufacturing Companies	7,355	2,316	19	0	451	308	7,518	2,450	0	0	118	0	20,537
Non-Profit	10	62	11	0	107	0	11	0	0	0	0	103	304
Oil Companies	1,988	8,166	13	0	267	0	1,327	0	1,909	0	3	1,376	15,049
Other Services	9,538	4,049	83	0	1,523	0	2,914	0	97	54	80	154	18,492
Professional Services	1,233	2,864	597	0	55	40	74	350	224	138	6	126	5,706
Real Estate	207	2,721	10	0	185	0	705	464	34	0	9	247	4,582
Transportation	1,964	4,379	1,474	0	400	0	2,895	0	4,556	523	106	909	17,206
Total	188,232	203,123	4,716	3,698	77,375	1,749	76,132	9,885	9,562	9,005	7,723	37,371	628,571
2000P													
(Private) Distribution	3,715	6,342	141	1,046	4,003	0	901	0	55	0	368	469	17,040
Communications & Utilities	32,566	59,325	736	0	65,247	0	8,481	0	81,049	3,000	2,174	19,819	272,395
Construction Companies	243	121	8	0	147	0	215	0	0	0	9	-2	742
Education	350	287	3	0	913	0	588	515	0	0	45	6,384	9,084
Financial Sector	60,587	56,808	1,220	6,169	4,030	604	15,188	14,472	777	-20	1,521	24,975	186,331
Health	333	105	0	0	0	0	688	0	0	0	0	0	1,126
Hotels & Restaurants	58,905	35,536	0	0	0	0	49,174	5,455	0	0	0	5,256	154,325
Manufacturing Companies	13,506	5,749	93	0	918	0	15,346	4,987	0	0	241	0	40,840
Non-Profit	621	69	0	0	0	0	115	0	0	0	0	0	805
Oil Companies	2,364	7,065	16	0	317	0	1,578	0	2,270	0	4	1,636	15,250
Other Services	12,501	6,129	99	0	1,811	0	4,832	0	116	14	143	343	25,988
Professional Services	2,018	3,624	710	0	65	40	1,246	456	173	153	57	377	8,920
Real Estate	256	1,363	2,320	0	140	0	2,031	275	0	0	40	160	6,584
Transportation	4,110	3,529	2,580	0	475	0	6,651	0	5,968	332	176	11	23,832
Total	192,075	186,051	7,925	7,216	78,067	644	107,034	26,160	90,408	3,480	4,777	59,426	763,262
2001P													
(Private) Distribution	4,059	6,950	146	1,087	4,164	0	975	247	61	0	382	498	18,569
Communications & Utilities	32,566	51,563	658	0	72,133	0	10,604	0	69,934	4,348	2,151	33,481	277,438
Construction Companies	1,108	1,141	10	0	186	0	383	20	0	0	12	-2	2,859
Education	372	318	3	0	1,027	0	542	560	0	0	48	7,012	9,883
Financial Sector	62,251	61,138	1,230	6,060	3,447	623	16,902	25,622	618	292	1,561	15,834	195,577
Health	425	63	0	0	0	0	647	90	0	0	0	0	1,225
Hotels & Restaurants	65,531	34,295	0	0	0	0	53,512	5,364	0	0	0	5,919	164,621
Manufacturing Companies	13,439	4,506	321	0	883	0	15,102	4,797	0	0	231	0	39,280
Non-Profit	720	9	0	0	0	0	103	0	0	0	0	0	832
Oil Companies	2,364	7,065	16	0	317	0	1,578	0	2,270	0	4	1,636	15,250
Other Services	15,077	5,476	106	0	1,942	0	4,919	0	124	34	113	73	27,863
Professional Services	2,378	3,609	718	0	66	40	1,600	0	175	0	54	477	9,116
Real Estate	264	1,501	1,858	0	146	0	1,845	0	5,988	0	31	186	5,831
Transportation	3,643	5,990	2,581	0	501	0	5,691	0	79,170	430	277	12	25,112
Total	204,197	183,624	7,647	7,146	84,813	663	114,404	36,701	79,170	5,103	4,865	65,124	793,457

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

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

	(BS'000)														
	Securities	Deposits	Real Estate	Employer's		Mortgages	Bonds	Equities	Mutual Funds	Loans	Contributor	Dividends	Investments	Other	Total Assets
				Business							Arrears				
1998															
(Private) Distribution	21.55	35.59	0.81	8.27	-	23.17	-	5.22	-	0.27	0.26	2.14	2.72	100.00	
Communications & Utilities	33.70	30.56	0.27	-	26.81	0.17	-	5.04	-	0.17	1.53	1.52	0.23	100.00	
Construction Companies	42.93	20.07	1.60	-	29.19	-	-	4.55	-	-	-	1.65	-	100.00	
Education	6.56	16.63	1.74	-	33.94	-	-	11.73	5.91	19.35	-	1.38	2.76	100.00	
Financial Sector	30.35	31.84	0.93	1.64	2.30	0.66	-	10.77	1.83	0.53	0.35	0.34	18.46	100.00	
Health	4.55	42.93	29.19	-	1.60	-	-	20.08	-	-	-	1.65	-	100.00	
Hotels & Restaurants	26.58	38.15	-	-	-	-	-	23.39	2.61	-	3.10	2.14	4.02	100.00	
Manufacturing Companies	35.82	11.28	0.09	-	2.20	1.50	-	36.61	11.93	-	-	0.58	-	100.00	
Non-Profit	3.39	20.28	3.55	-	35.34	-	-	3.72	-	-	-	-	33.72	100.00	
Oil Companies	13.21	54.26	0.09	-	1.77	-	-	8.82	-	12.68	-	0.02	9.14	100.00	
Other Services	51.58	21.90	0.45	-	8.24	-	-	15.76	-	0.53	0.29	0.43	0.83	100.00	
Professional Services	21.60	50.18	10.46	-	0.96	0.70	-	1.29	6.13	3.93	2.42	0.10	2.22	100.00	
Real Estate	4.53	59.40	0.22	-	4.04	-	-	15.40	10.12	0.74	-	0.19	5.38	100.00	
Transportation	11.42	25.45	8.57	-	2.32	-	-	16.83	-	26.48	3.04	0.61	5.28	100.00	
Total	29.95	32.32	0.75	0.59	12.31	0.28	12.11	1.57	1.52	1.43	1.23	5.95	100.00		
2000															
(Private) Distribution	21.80	37.22	0.82	6.14	23.49	-	5.29	-	0.32	-	-	2.16	2.75	100.00	
Communications & Utilities	11.96	21.78	0.27	-	23.95	-	3.11	-	29.75	-	1.10	0.80	7.28	100.00	
Construction Companies	32.72	16.36	1.09	-	19.86	-	28.98	-	-	-	-	1.26	(0.27)	100.00	
Education	3.85	3.16	0.03	-	10.05	-	6.47	5.66	-	-	-	0.50	70.28	100.00	
Financial Sector	32.52	30.49	0.65	3.31	2.16	0.32	8.15	7.77	0.42	-	(0.01)	0.82	13.40	100.00	
Health	29.57	9.33	-	-	-	-	61.10	-	-	-	-	-	-	100.00	
Hotels & Restaurants	38.17	23.03	-	-	-	-	31.86	3.53	-	-	-	-	3.41	100.00	
Manufacturing Companies	33.07	14.08	0.23	-	2.25	-	37.58	12.21	-	-	-	0.59	-	100.00	
Non-Profit	77.09	8.58	-	-	-	-	14.33	-	-	-	-	-	-	100.00	
Oil Companies	15.50	46.33	0.10	-	2.08	-	10.35	-	14.88	-	-	0.02	10.73	100.00	
Other Services	48.11	23.58	0.38	-	6.97	-	18.59	-	0.45	-	0.06	0.55	1.32	100.00	
Professional Services	22.62	40.63	7.96	-	0.73	0.45	13.97	5.11	1.94	-	1.72	0.64	4.23	100.00	
Real Estate	3.89	20.70	35.23	-	2.13	-	30.84	4.18	-	-	-	0.61	2.42	100.00	
Transportation	17.25	14.81	10.83	-	1.99	-	27.91	-	25.04	1.39	-	0.74	0.05	100.00	
Total	25.16	24.38	1.04	0.95	10.23	0.08	14.02	3.43	11.84	0.46	0.63	7.79	100.00		
2001															
(Private) Distribution	21.86	37.43	0.79	5.85	22.42	-	5.25	1.33	0.33	-	-	2.06	2.68	100.00	
Communications & Utilities	11.74	18.59	0.24	-	26.00	-	3.82	-	25.21	-	1.57	0.78	12.07	100.00	
Construction Companies	38.77	39.92	0.36	-	6.52	-	13.40	0.70	-	-	-	0.40	(0.07)	100.00	
Education	3.76	3.22	0.03	-	10.39	-	5.49	5.66	-	-	-	0.49	70.96	100.00	
Financial Sector	31.83	31.26	0.63	3.10	1.76	0.32	8.64	13.10	0.32	-	0.15	0.80	8.10	100.00	
Health	34.69	5.14	-	-	-	-	52.82	7.35	-	-	-	-	-	100.00	
Hotels & Restaurants	39.81	20.83	-	-	-	-	32.51	3.26	-	-	-	-	3.60	100.00	
Manufacturing Companies	34.21	11.47	0.82	-	2.25	-	38.45	12.21	-	-	-	0.59	-	100.00	
Non-Profit	86.54	1.06	-	-	-	-	12.40	-	-	-	-	-	-	100.00	
Oil Companies	15.50	46.33	0.10	-	2.08	-	10.35	-	14.88	-	-	0.02	10.73	100.00	
Other Services	54.11	19.65	0.38	-	6.97	-	17.65	-	0.45	-	0.12	0.41	0.26	100.00	
Professional Services	26.08	39.59	7.87	-	0.72	0.44	17.55	-	1.92	-	-	0.59	5.23	100.00	
Real Estate	4.53	25.75	31.86	-	2.50	-	31.64	-	-	-	-	0.54	3.19	100.00	
Transportation	14.51	23.85	10.28	-	1.99	-	22.66	-	23.85	1.71	-	1.10	0.05	100.00	
Total	25.74	23.14	0.96	0.90	10.69	0.08	14.42	4.63	9.98	0.64	0.61	8.21	100.00		

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

(27.6% versus 14.3%); mortgages (11.9% versus 3.2%) and loans (10.6% versus 6.3%). Conversely, defined contribution schemes emphasized deposits more (31.1% versus 21.8%) equities and mutual funds (21.5% vs. 18.6%) and real estate & "other" combined investments (20.4% vs. 7.3%).

CONCLUSION

As the more recent slowing in pension fund assets growth underscores, these schemes are extremely sensitive to changes in the general economic climate. Asset growth and rates of earnings are expected to have remained sluggish during 2002 and 2003. With the outlook for the economy gradually improving, schemes are likely to experience stronger asset accumulation beginning in 2004. Hotel sector employment in particular, is expected to increase over the short to medium term, providing the bulk of growth to the active participants base.

While private pension schemes remain the most unregulated of domestic savings structures in The Bahamas, the need for oversight is becoming more important, particularly given the expanding range of investment opportunities, touching more frequently on riskier capital market instruments. If the experience of other regulated jurisdictions is any indication, legislation is likely to address issues related to asset management and fund administration and affirm international norms, already widely observed in the local industry.

The portfolio distribution of assets is one of the issues typically addressed in regulations. As the survey results indicate, funds have, on average, taken on more risks in capital market investments. While there is no evidence that average holdings of these investments is excessive, the issue could become more important for the industry, as larger allocations and market volatility have a greater impact on total returns and funding status, particularly for defined benefit schemes.

Another interesting aspect of the assets distribution, particularly among non-financial sector plans, is the high

concentration of mortgages and other loans which create significant exposure to the performance of the same sectors in which participants are employed and to sponsors' business in particular. Weakness on either front could impede debtors' ability to maintain loans in good standing. While from a cashflow perspective liquidity is still not a serious concern, given the low dependency ratio and minimal payout requirements against total assets, faced with mounting non-performance, such loan exposures could impede earnings flows. Moreover, forced liquidations on any significant scale could raise questions about the recoverability rate for exposed assets.

The portability of savings when participants change employment might also be considered in legislation. One of the ways in which the US and Canada achieve such portability is by allowing employees and employers to make annual tax-exempt contributions to individually registered retirement savings plans. However, if done locally, portability could enhance the dynamics of the labour force, allowing more flexible flow of skills among sectors, and enabling uninterrupted accumulation of retirement savings. While this feature is likely to be more suited for defined contribution schemes, it could also lead to the conversion of some defined benefit schemes to this structure in the future

With regulatory issues addressed, and continued assets growth, private pension schemes are expected to play an increasing role in the development of the domestic capital markets, providing additional savings on which to draw for economic development. Other than facilitating more private equity issues, these resources could also provide more avenues for the development of the private debt market, and marketing of pooled investment instruments. Beyond this, the sector will continue to reinforce the importance of personal savings, and foster stronger linkages between domestic savings and broadening of the ownership base in the economy.