



## **Monthly Economic and Financial Developments September 2008**

In an effort to provide the public with more frequent information on its economic surveillance activities, the Central Bank has decided to release monthly reports on economic and financial sector developments in The Bahamas. The Bank monitors these conditions as part of its monetary policy mandate, to assess whether money and credit trends are sustainable relative to levels of external reserves required to protect the value of the Bahamian dollar and, if not, the degree to which credit policies ought to be adjusted. The main data source for this surveillance is financial institutions' daily reports on foreign exchange transactions and weekly balance sheet statements. Therefore, monthly approximations may not coincide with calendar estimates reported in the Central Bank's quarterly reports. The Central Bank will release its "Monthly Economic and Financial Developments" report on the Monday following its monthly Monetary Policy Committee Meeting.

### **Future Release Dates:**

**2008:** December 1<sup>st</sup>, December 30<sup>th</sup>

## ***1. Domestic Economic Developments***

Global economic and financial conditions deteriorated rapidly during September, as the US financial crisis enveloped both developed and emerging markets. These developments have adversely affected the domestic economic outlook, with further softening in output expected beyond the continued weakness noted in the review month. Despite some easing in global oil prices, inflationary pressures persisted, owing to the pass-through effects of previous oil price increases on imported goods. Monetary developments featured a more moderate seasonal drawdown in external reserves and almost stable liquidity, as the gap between Bahamian dollar credit expansion and deposit gains narrowed in comparison to September 2007. Year-to-date economic trends continued to reflect the more favourable conditions from the first half of the year, albeit the negative impact of the global slowdown is more evident in both the tourism and the construction sectors.

During the first seven months of the year, preliminary data showed that total visitor arrivals fell modestly by 3.2% to 2.7 million, owing to a 5.9% decrease in sea visitors which outstripped the 2.2% advance in air traffic. Among the major markets, visitors to Grand Bahama and New Providence contracted by 14.5% and 6.5%, respectively, mainly due to sustained weakness in sea passengers. In contrast, tourists to the Family Islands rose by 9.7%, as continued improvement in the sea segment outstripped the decline in air travel.

Although preliminary estimates revealed a reduction in the FY2007/08 budget deficit, the economic slowdown resulted in an estimated 20.9% widening in the deficit for first two months of the 2008/09 to \$28.0 million. Total outlays firmed by 6.9% to \$244.6 million, due primarily to an 8.0% hike in current spending as capital expenditure declined by 11.8%. However, the pace of total revenue gains trailed at 5.3% to \$216.7 million, with the 6.3% rise in tax receipts outweighing a 5.2% contraction in non-tax income. The outcome nevertheless benefitted from the revamping of the Government's trade taxes regime, which included the amalgamation of customs duties and stamp taxes into unified duty rates and the reclassification of some duties as excise taxes.

Inflation accelerated during the twelve months to September, by 1.47 percentage points to 3.90%, vis-à-vis a 0.85 percentage point rise to 2.43% in the previous year. The most significant price increases occurred for furniture & household operations (6.99%), other goods & services (5.33%), food & beverages (5.20%) and medical & healthcare (4.94%). For the review month, the pass-through effects of a decline in global oil prices occasioned reductions in local gasoline and diesel costs, by 5.8% to \$5.35 per gallon and 13.6% to \$5.29 per gallon, respectively; however, these remained higher than the 2007 estimates by 22.7% and 49.4%, respectively.

## ***2. International Developments***

The global financial system experienced a significant negative shock during September, as severe tightening in credit markets and concerns over counterparty risks, contributed to the collapse of several major financial firms and prompted significant monetary and fiscal interventions aimed at stimulating a resumption of credit flows. In particular, central banks provided aggressive liquidity support to financial markets, while fiscal measures included expanded deposit guarantees, direct recapitalization of some large banking institutions and the authorized purchase of bad loans off banks' balance sheets.

The United States suffered the most serious dislocation, as the Government was forced to nationalise the major mortgage lenders, Fannie Mae and Freddy Mac, and to provide upwards of \$85 billion to American International General (AIG,) the world's largest insurance company, to prevent its collapse. The more comprehensive measure taken in the US was the enactment of a \$700 billion "bailout" plan approved in October, which authorised the Treasury Department to purchase "poor quality" mortgage-backed assets from numerous financial institutions. In addition, the US Federal Reserve announced a range of liquidity enhancing measures aimed at injecting liquidity into the world's financial markets and restoring confidence. These included increasing the size of its term auction facility, by \$50 billion to \$75 billion, as well as the doubling of the size of its US dollar lending to several other central banks to \$620 billion.

Developments in the remaining sectors of the US economy were more sanguine, as the housing market showed signs of modest improvement. Specifically, residential completions rose by a seasonally adjusted annual rate of 11.7% in September, in contrast to a 9.8% contraction in the previous month. In addition, the rate of falloff in building permits issued slowed incrementally to 8.3%. Although average consumer prices decreased slightly from the previous month, the annual inflation rate remained elevated at 4.9%. Despite the unemployment rate steady at 6.1%, weak labour market conditions persisted as outlays for weekly jobless claims rose to levels not seen since the aftermath of the terror attacks of September 2001. However, there was a slight gain in the consumer confidence index, from recent historic lows of 58.5 in August to 59.8 in September.

Europe's financial sector also faced serious challenges during September, culminating in the approximately \$11.2 billion bailout by governments of the Netherlands, Belgium and Luxembourg of the Fortis banking and insurance conglomerate. In addition, the German authorities were forced to lend the country's second largest real estate lender, HYPO Real Estate Holdings, an estimated \$35 billion to prevent the company from declaring bankruptcy. In the UK, the Government effectively nationalised the housing lender Bradford and Bingley. On the monetary front, the European Central Bank established a special one-month term refinancing operation in order to inject funds into the region's banking system; while the Bank of England announced that it was increasing the frequency and size of its long-term repo operations with the banking sector. However, both central banks left interest rates unchanged, citing the downside risk to demand resulting from the financial crisis.

In contrast to global developments, the Chinese economy continued to expand at a robust pace, with a 22% rise in the trade surplus on a yearly basis, to \$29.3 billion in September—although tapering over the nine-month period by 2.6% to \$180 billion. In addition, the country's foreign exchange reserves swelled to \$1.9 trillion. In Japan, consumer prices rose by 0.3% on a monthly

basis in August and by 2.1% over the previous year, occasioned by higher fuel and food costs. Similarly, the monthly unemployment rate firmed by 0.2 percentage points to 4.2% in September.

Notwithstanding relatively stable production by OPEC, projections of decreased global demand for crude oil, owing to the downgraded economic outlook, pushed prices lower by 15.8% to \$97.83 per barrel. Amid increased uncertainty in the financial markets, investors shifted their portfolios more towards safer assets, causing the price of gold to trend higher by 4.8% to \$870.95 per ounce. However, the cost of silver moved lower by 11.6% to \$12.03 per ounce.

Over the review month, the initial rejection of the US economic bailout plan in the House of Representatives, as well as the collapse of influential financial entities around the globe, resulted in a further deterioration in investor confidence and increased daily volatility in the financial markets. US stock indices plunged by record single day losses, eroding an estimated \$1.2 trillion in valuation. Over the month, the Dow Jones Industrial Average fell by 6.0% to 10,850.7 points and the S&P 500 declined by 8.9% to 1,169.0 points. In Europe, Germany's DAX Index contracted by 9.2% to 5,831.0, the UK's FTSE 100 plunged by 13.0% to 4,902.5 and France's CAC 40 moved lower by 10.1% to 4,032.1 points. In Asia, China's SE composite and Japan's Nikkei 225 fell by 4.3% to 2,293.8 and 13.9% to 11,259.9 points, respectively.

### ***3. Domestic Monetary and Credit Trends***

Money and credit trends revealed comparatively stable liquidity conditions in September and a smaller reduction in the external reserves, as the seasonal gap between credit expansion and deposit growth was narrowed. Over the nine-month period, both liquidity and external reserves grew more sizeably than in 2007, reflecting a more significant slowdown in Bahamian domestic credit expansion, relative to the tapering deposit gains, which was supported by expanded public and private sector net foreign currency inflows.

#### ***September 2008 vs. 2007***

During the month of September, excess reserves contracted by a larger \$55.5 million, vis-à-vis \$28.1 million in the previous year. However, broader surplus liquid assets increased by \$1.7 million, reversing last year's \$60.4 million decrease.

The seasonal decline in external reserves was more than halved to \$34.8 million, as the Central Bank's net foreign currency sale moderated by \$50.4 million to \$37.6 million. The net outflow through commercial banks was virtually flat vis-à-vis \$56.0 million in 2007, as banks' transactions with their clients reversed from a net sale of \$49.2 million in 2007 to a net purchase of \$1.8 million in the review period. However, the Central Bank's net sale to the public sector rose by \$4.8 million to \$36.8 million.

Monthly growth in Bahamian dollar credit slackened to \$52.5 million from \$107.2 million last year. The advance in net claims on Government narrowed considerably to \$7.9 million from \$58.1 million in 2007. In addition, growth in private sector credit was nearly halved to \$29.9 million, with the respective increases in consumer credit and mortgages tempered to \$9.4 million and \$21.1 million. Conversely, credit to the rest of the public sector rebounded by \$14.7 million, from a \$0.7 million decrease last year.

Foreign currency credit rose by \$6.7 million, in contrast to a \$4.0 million contraction in 2007. Claims on the private sector were reversed to an increase of \$8.1 million from a \$3.7 million falloff a year earlier. However, net credit to Government decreased marginally by \$0.3 million, while claims on the rest of the public sector fell by \$1.1 million, after edging up by \$0.1 million in 2007.

Accretions to total Bahamian dollar deposits moderated by \$10.7 million to \$3.7 million, mainly reflecting a \$12.5 million drop in savings balances. Further, although the reduction in demand deposits moderated to \$7.1 million from \$34.9 million in 2007, gains in fixed deposits were almost halved to \$23.3 million.

In interest rate developments, the weighted average deposit rate fell by 9 basis points to 3.83%, with the highest rate of 6.50% offered on a 6-12 month fixed deposit valued at \$1.0 million. Similarly, the weighted average loan rate narrowed by 17 basis points to 10.73%.

### *January – September 2008*

During the nine-month period, the improvement in excess reserves was more moderate at \$28.0 million, compared to \$42.9 million in 2007. However, excess liquid assets recorded a nearly 50% stronger gain of \$182.2 million.

External reserves rose by \$194.8 million, significantly outpacing the 2007 advance of \$19.4 million. Supporting this upturn, the Central Bank's net foreign currency purchase stood at \$183.4 million, in contrast to almost balanced transactions last year. Upheld by a 29.0% rise in net receipts from customers, commercial banks net sale to the Central Bank rose by \$34.3 million to \$205.6 million. In addition, proceeds from Government's external borrowings contained the public sector's net outflow by \$146.5 million to \$22.1 million.

Reflecting both a deceleration in private sector credit growth and a reduction in claims on Government, the expansion in Bahamian dollar credit waned by more than one-third to \$287.5 million. Owing to the repayment of advances, net claims on Government fell by \$16.0 million, in contrast to a \$161.3 million expansion last year. Further, growth in credit to the private sector moderated to \$292.5 million from \$371.3 million, reflecting slowed growth in consumer credit to \$101.7 million from \$143.2 million, and in mortgages, to \$164.3 million from \$219.8 million. In contrast, credit to the rest of the public sector rebounded by \$11.0 million vis-à-vis a \$60.7 million retrenchment last year.

Data on consumer lending, for the eight months ending August, reinforced a softening in economic conditions with a heightened emphasis on debt consolidation, which almost doubled to \$57.0 million. Credit increases for travel and home improvement also firmed marginally to \$4.5 million and \$8.2 million, respectively. However, the expansion in claims for land purchases was more than halved to \$8.7 million, and the gains in credit card balances tempered to \$13.5 million. Outstanding credit for private car purchases contracted by \$1.4 million vis-à-vis a \$12.0 million expansion in 2007.

Meanwhile, foreign currency credit contracted further by \$16.4 million over the nine-month period. In particular, private sector credit fell by \$91.3 million, reversing last year's \$1.2 million gain, while the reduction in net claims on the Government was extended to \$22.2 million from \$1.7 million last

year. These movements overshadowed the \$97.1 million upturn in credit to the rest of the public sector, associated mainly with the financing of increased fuel costs.

Analysis of asset quality indicators revealed a slight improvement in loan quality during the month of September, but conditions remained significantly deteriorated in both the year to date and year over year comparisons. For the year to date, loan balances with payment arrears of 31 days and over increased by 17.4% to \$622.0 million, while the ratio of arrears to total loans firmed to 10.4% from 9.3% in December 2007 and 8.6% last September. Of this total, non-performing balances, or those with payments over 90 days past due, rose by 30.9% to \$330.0 million. The most significant weakening was in commercial loans, where the arrears rate escalated to 13.6% of the portfolio from 9.3% last December and 10.5% a year ago. Compared to December 2007, the rate of arrears on residential mortgages rose more incrementally to 10.5% from 10.4%, but remained elevated above last year's 8.9%. For consumer loans, the arrears rate advanced to 9.1% in September from 8.3% and 7.8%, respectively in December and September 2007. Loan loss provisioning policies have paced slightly ahead of the arrears trends, as commercial banks increased provisions by 27.4% since December 2007. The resulting ratio of provisions to arrears firmed by 1.94 percentage points to 24.7%, also slightly above the September 2007 ratio of 24.0%.

During the review period, growth in total Bahamian dollar deposits moderated by \$67.7 million to \$297.3 million. This outturn reflected moderately tempered reduced fixed deposit growth, of \$247.0 million and an almost four-fifth narrowing in saving deposits gains, to \$14.5 million from \$66.2 million. Conversely, accretions to demand deposits strengthened significantly to \$35.8 million.

#### **4. Outlook**

The September/October turbulence in global financial markets and downgraded prospects for the United States and other economies have further weakened the outlook for the Bahamian economy, with the challenges expected to linger throughout 2009.

For tourism, the major constraint is the expected retrenchment in expenditures among US households, owing to weak consumer confidence, employment uncertainty and eroded capital market wealth. Anecdotal evidence since September already signalled attenuated weakness in the domestic economy during the fourth quarter, with the average work week in the hotel sector reduced below the seasonal ebb normally expected during this time of the year, and with some properties having to reduce their employment levels. In other real sector activity, sluggishness in construction output is evident in the scaled back works on several foreign investment projects, impacted by constricted credit and capital flows in the external sector. For 2008 therefore, output is likely to be, at best, very modest to flat, following on a possible contraction in the second half of the year, with economic conditions remaining depressed during 2009. These conditions and their consequences will also adversely impact Government's revenue collections, and constrain short-run efforts to reduce the fiscal deficit. While the rebound in the US dollar and subsided oil prices are expected to temper the domestic inflation rate during 2009, The Bahamas will still be faced with the accumulated impact of higher prices already in the economy.

While the Central Bank expects further drawdown in foreign reserves, they are likely to close out the year above the 2007 level, and opportunities for rebuilding in 2009 will be impacted by the

anticipated slowdown in real sector foreign currency inflows. Nevertheless, domestic pressures on the external reserves from credit expansion are expected to be abated, as lending institutions adopt a conservative posture, to temper further increases in their exposures to bad loans, and in line with a projected slowdown in the pace of growth in deposit resources.

# Recent Monetary and Credit Statistics

(B\$ Millions)

SEPTEMBER					
Value		Change		Change YTD	
2007	2008	2007	2008	2007	2008

## 1.0 LIQUIDITY & FOREIGN ASSETS

1.1 Excess Reserves	179.09	269.64	-28.09	-55.51	42.93	27.95
1.2 Excess Liquid Assets	134.77	337.01	-60.36	1.67	125.33	182.17
1.3 External Reserves	471.31	649.57	-86.55	-34.81	19.40	194.77
1.4 Bank's Net Foreign Assets	-677.00	-710.83	13.34	-26.61	-44.60	-21.98
1.5 Usable Reserves	165.30	279.38	-69.24	-17.92	6.60	174.90

## 2.0 DOMESTIC CREDIT

<b>2.1 Private Sector</b>	<b>6,020.54</b>	<b>6,411.21</b>	<b>46.18</b>	<b>38.01</b>	<b>372.51</b>	<b>201.26</b>
a. B\$ Credit	5,524.85	5,970.68	49.83	29.89	371.27	292.53
of which: Consumer Credit	2,029.53	2,203.45	14.74	9.38	143.18	101.74
Mortgages	2,460.08	2,704.48	24.42	21.07	219.80	164.25
b. F/C Credit	495.70	440.54	-3.65	8.12	1.24	-91.27
of which: Mortgages	40.09	79.86	3.01	31.47	8.77	25.83
<b>2.2 Central Government (net)</b>	<b>827.65</b>	<b>818.82</b>	<b>57.64</b>	<b>7.59</b>	<b>159.61</b>	<b>-38.21</b>
a. B\$ Loans & Securities	947.02	964.67	57.73	7.05	157.81	1.07
Less Deposits	120.34	145.27	-0.36	-0.80	-3.51	17.11
b. F/C Loans & Securities	4.06	3.39	0.00	0.00	-0.90	-19.77
Less Deposits	3.10	3.96	0.45	0.26	0.80	2.39
<b>2.3 Rest of Public Sector</b>	<b>310.26</b>	<b>387.25</b>	<b>-0.58</b>	<b>13.60</b>	<b>-63.42</b>	<b>108.07</b>
a. B\$ Credit	71.10	74.08	-0.68	14.73	-60.67	10.99
b. F/C Credit	239.16	313.17	0.10	-1.13	-2.76	97.07
<b>2.4 Total Domestic Credit</b>	<b>7,158.45</b>	<b>7,617.29</b>	<b>103.23</b>	<b>59.20</b>	<b>468.70</b>	<b>271.12</b>
a. B\$ Domestic Credit	6,422.63	6,864.15	107.24	52.46	471.92	287.48
b. F/C Domestic Credit	735.82	753.14	-4.01	6.74	-3.22	-16.36

## 3.0 DEPOSIT BASE

3.1 Demand Deposits	1,080.75	1,124.38	-34.87	-7.05	3.99	35.79
a. Central Bank	12.72	29.71	-1.68	18.81	-4.50	19.89
b. Banks	1,068.04	1,094.67	-33.19	-25.86	8.49	15.91
3.2 Savings Deposits	1,016.95	1,005.84	1.04	-12.51	66.24	14.49
3.3 Fixed Deposits	3,075.67	3,402.55	48.22	23.28	294.73	247.02
3.4 Total B\$ Deposits	5,173.38	5,532.77	14.39	3.72	364.96	297.30
3.5 F/C Deposits of Residents	184.68	170.09	-2.21	-23.98	3.77	-29.58
<b>3.6 M2</b>	<b>5,371.35</b>	<b>5,725.82</b>	<b>8.65</b>	<b>1.42</b>	<b>337.77</b>	<b>277.27</b>
<b>3.7 External Reserves/M2 (%)</b>	<b>8.77</b>	<b>11.34</b>	<b>-1.63</b>	<b>-0.61</b>	<b>-0.20</b>	<b>3.00</b>
<b>3.8 Reserves/Base Money (%)</b>	<b>8.77</b>	<b>11.34</b>	<b>-1.63</b>	<b>-0.61</b>	<b>-0.20</b>	<b>3.00</b>
<b>3.9 External Reserves/Demand Liabilities (%)</b>	<b>ND</b>	<b>87.67</b>	<b>ND</b>	<b>-0.69</b>	<b>ND</b>	<b>ND</b>

Value		Year to Date		Change	
2007	2008	2007	2008	Month	YTD

## 4.0 FOREIGN EXCHANGE TRANSACTIONS

<b>4.1 Central Bank Net Purchase/(Sale)</b>	<b>-87.99</b>	<b>-37.58</b>	<b>2.66</b>	<b>183.44</b>	<b>50.41</b>	<b>180.77</b>
a. Net Purchase/(Sale) from/to Banks	-56.03	-0.79	171.26	205.57	55.23	34.32
i. Sales to Banks	64.86	34.48	225.55	180.28	-30.39	-45.27
ii. Purchases from Banks	8.84	33.68	396.81	385.86	24.85	-10.95
b. Net Purchase/(Sale) from/to Others	-31.96	-36.79	-168.59	-22.14	-4.82	146.46
i. Sales to Others	41.57	54.64	374.31	535.84	13.07	161.53
ii. Purchases from Others	9.61	17.86	205.71	513.70	8.25	307.99
<b>4.2 Banks Net Purchase/(Sale)</b>	<b>-49.18</b>	<b>1.80</b>	<b>158.24</b>	<b>204.08</b>	<b>50.98</b>	<b>45.84</b>
a. Sales to Customers	285.42	440.48	2,558.85	3,434.57	155.07	875.72
b. Purchases from Customers	236.23	442.29	2,717.09	3,638.65	206.05	921.56
<b>4.3 B\$ Position (change)</b>	<b>12.47</b>	<b>-1.85</b>				

## 5.0 EXCHANGE CONTROL SALES

<b>5.1 Current Items</b>	<b>294.82</b>	<b>289.08</b>	<b>2,547.82</b>	<b>2,898.96</b>	<b>-5.73</b>	<b>351.14</b>
of which Public Sector	<b>42.55</b>	<b>45.34</b>	<b>383.57</b>	<b>520.03</b>	<b>2.79</b>	<b>136.47</b>
a. Nonoil Imports	115.12	124.76	1,076.36	1,094.89	9.64	18.53
b. Oil Imports	57.90	65.79	344.92	596.63	7.89	251.71
c. Travel	16.41	14.25	195.41	190.52	-2.17	-4.90
d. Factor Income	15.15	4.18	81.47	58.84	-10.97	-22.63
e. Transfers	8.52	8.52	69.34	64.65	0.00	-4.69
f. Other Current Items	81.72	71.59	780.32	893.44	-10.13	113.12
<b>5.2 Capital Items</b>	<b>8.41</b>	<b>7.31</b>	<b>82.71</b>	<b>74.18</b>	<b>-1.10</b>	<b>-8.53</b>
of which Public Sector	<b>1.72</b>	<b>1.11</b>	<b>30.21</b>	<b>24.26</b>	<b>-0.61</b>	<b>-5.95</b>
<b>5.3 Bank Remittances</b>	<b>5,892.00</b>	<b>0.00</b>	<b>24,868.00</b>	<b>3,050.00</b>	<b>-5,892.00</b>	<b>-21,818.00</b>

Sources: Research Department Weekly Brief Database and Banking Brief for the weeks ending: SEPTEMBER 26, 2007 and OCTOBER 01, 2008

Exchange Control Sales figures are as at month end.

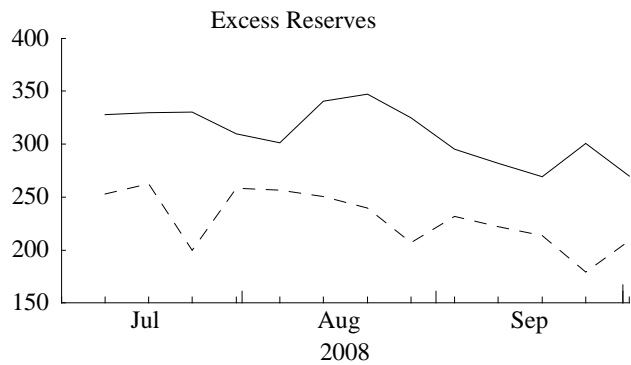
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Notes: 1.0, 2.0 and 3.0 YTD change reflects change of current month over previous year end; for 4.0 and 5.0 change is over corresponding period of previous year.

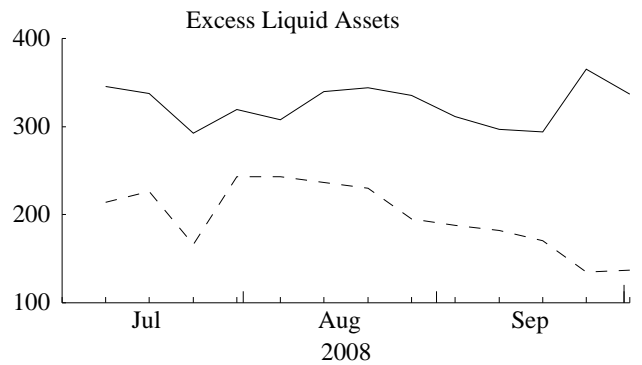
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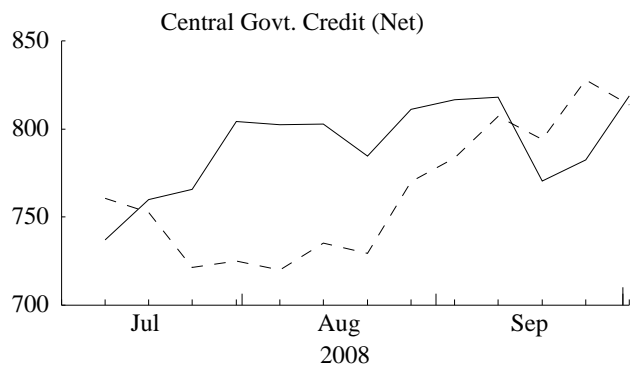
## SELECTED MONEY AND CREDIT INDICATORS (B\$ Millions)



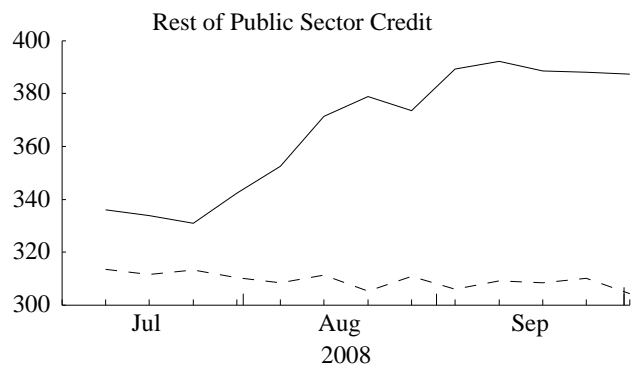
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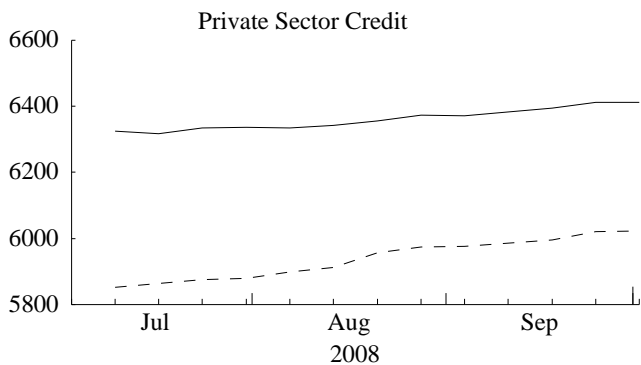
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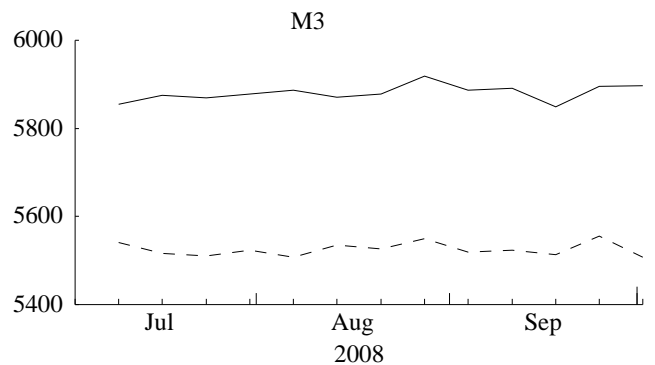
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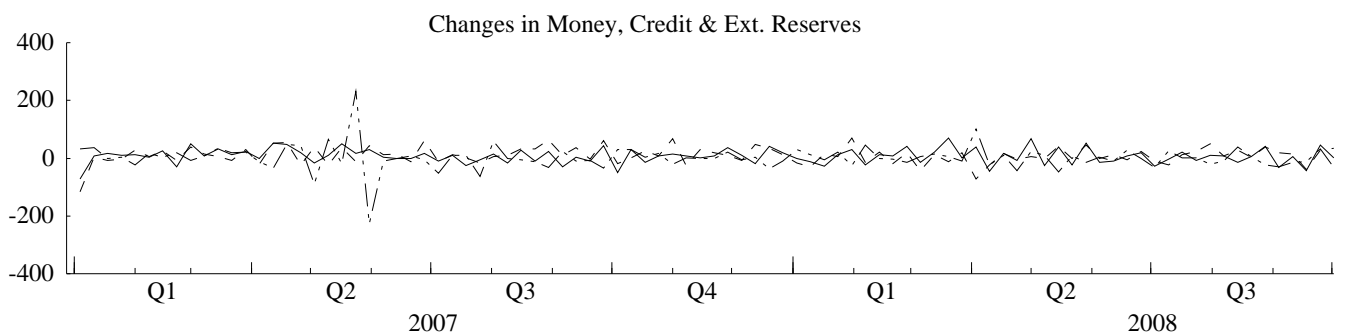
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— M3  
- - - Domestic Credit  
... External Reserves

## Selected International Statistics

<b>A: Selected Macroeconomic Projections</b> (Annual % Change and % of labor force)						
	Real GDP		Inflation Rate		Unemployment	
	2008	2009	2008	2009	2008	2009
Bahamas	4.2	3.2	5.7	2.0	n/a	n/a
United States	1.6	0.1	4.2	1.8	5.6	6.9
Euro-Area	1.3	0.2	3.5	1.9	7.6	8.3
<i>Germany</i>	<i>1.8</i>	<i>-</i>	<i>2.9</i>	<i>1.4</i>	<i>7.4</i>	<i>8.0</i>
Japan	0.7	0.5	0.6	1.6	4.1	4.5
United Kingdom	1.0	-0.1	3.8	2.9	5.4	6.0
Canada	0.7	1.2	2.5	2.1	6.2	6.3
<i>Sources: IMF World Economic Outlook, September 2008 &amp; The Bahamas Department of Statistics.</i>						

<b>B: Official Interest Rates – Selected Countries (%)</b>					
<i>With effect</i>  <i>from</i>	CBOB	ECB (EU)	Federal Reserve (US)		Bank of England
	Bank Rate	Refinancing Rate	Primary Credit Rate	Target Funds Rate	Repo Rate
November 2006	5.25	3.25	6.25	5.25	5.00
December 2006	5.25	3.50	6.25	5.25	5.00
January 2007	5.25	3.50	6.25	5.25	5.25
February 2007	5.25	3.50	6.25	5.25	5.25
March 2007	5.25	3.75	6.25	5.25	5.25
April 2007	5.25	3.75	6.25	5.25	5.25
May 2007	5.25	3.75	6.25	5.25	5.50
June 2007	5.25	4.00	6.25	5.25	5.50
July 2007	5.25	4.00	6.25	5.25	5.75
August 2007	5.25	4.00	5.75	5.25	5.75
September 2007	5.25	4.00	5.25	4.75	5.75
October 2007	5.25	4.00	5.00	4.50	5.75
November 2007	5.25	4.00	5.00	4.50	5.75
December 2007	5.25	4.00	4.75	4.25	5.50
January 2008	5.25	4.00	3.50	3.00	5.50
February 2008	5.25	4.00	3.50	3.00	5.25
March 2008	5.25	4.00	2.50	2.25	5.25
April 2008	5.25	4.00	2.25	2.00	5.00
May 2008	5.25	4.00	2.25	2.00	5.00
June 2008	5.25	4.00	2.25	2.00	5.00
July 2008	5.25	4.25	2.25	2.00	5.00
August 2008	5.25	4.25	2.25	2.00	5.00
September 2008	5.25	4.25	2.25	2.00	5.00

## Selected International Statistics

<b>C. Selected Currencies (Per United States Dollars)</b>						
Currency	Sep-07	Aug-08	Sep-08	Mthly % Change	YTD % Change	12-Mth% Change
Euro	0.7009	0.6815	0.7096	4.1	3.5	2.8
Yen	114.8	108.80	106.11	-2.5	-5.0	-8.1
Pound	0.4884	0.5491	0.5616	2.3	11.5	16.8
Canadian \$	0.9923	1.0638	1.0644	0.1	6.6	12.9
Swiss Franc	1.164	1.1013	1.1221	1.9	-1.0	-3.1

*Source: Bloomberg as at September 30, 2008*

<b>D. Selected Commodity Prices (\$)</b>					
Commodity	September 2007	August 2008	September 2008	Mthly % Change	YTD % Change
Gold / Ounce	743.60	831.15	870.95	4.8	4.4
Silver / Ounce	13.77	13.6	12.03	-11.6	-18.7
Oil / Barrel	78.84	116.2	97.83	-15.8	3.1

*Source: Bloomberg as at September 30, 2008*

<b>E. Equity Market Valuations – September 30, 2008 (%chg)</b>								
	BISX	DJIA	S&P 500	FTSE 100	CAC 40	DAX	Nikkei 225	SE
1 month	2.08	-6.00	-8.86	-13.02	-10.05	-9.21	-13.87	-4.32
3 month	2.41	-4.63	-7.74	-9.41	-8.20	-10.01	-15.83	-17.36
YTD	-11.14	-18.20	-20.86	-24.07	-28.18	-27.72	-26.44	-56.40
12-month	-4.18	-22.11	-25.32	-27.06	-31.05	-27.29	-32.73	-61.48

*Sources: Bloomberg and BISX*

<b>F: Short Term Deposit Rates in Selected Currencies (%)</b>			
	USD	GBP	EUR
o/n	3.35	3.00	3.40
<b>1 Month</b>	3.80	5.85	4.90
<b>3 Month</b>	4.75	6.10	5.15
<b>6 Month</b>	4.50	6.20	5.25
<b>9 Month</b>	4.60	6.25	5.30
<b>1 year</b>	4.12	6.30	5.46

*Source: Bloomberg, as at September 30, 2008*

**SUMMARY ACCOUNTS OF THE CENTRAL BANK**  
(B\$ Millions)

	VALUE										CHANGE									
	Aug. 06	Aug. 13	Aug. 20	Aug. 27	Sep. 03	Sep. 10	Sep. 17	Sep. 24	Aug. 06	Aug. 13	Aug. 20	Aug. 27	Sep. 03	Sep. 10	Sep. 17	Sep. 24				
<b>I. External Reserves</b>	674.88	701.34	692.93	684.38	681.27	687.05	672.48	669.39	-7.50	26.46	-8.41	-8.56	-3.11	5.78	-14.57	-3.09				
<b>II. Net Domestic Assets (A + B + C + D)</b>	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND				
<b>A. Net Credit to Gov't (i + ii + iii - iv)</b>	183.51	186.00	186.18	186.03	183.49	166.94	153.62	185.13	2.91	2.49	0.18	-0.16	-2.54	-16.55	-13.32	31.51				
i) Advances	71.99	71.99	71.99	71.99	71.99	71.99	71.99	71.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
ii) Registered Stock	127.44	127.43	127.17	126.87	126.95	126.96	127.02	127.06	-0.20	-0.01	-0.25	-0.31	0.08	0.01	0.06	0.04				
iii) Treasury Bills	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
iv) Deposits	15.92	13.41	12.98	12.83	15.45	32.01	45.39	13.92	-3.11	-2.50	-0.44	-0.15	2.62	16.56	13.38	-31.47				
<b>B. Rest of Public Sector (Net) (i + ii - iii)</b>	-16.60	-14.50	-0.59	-4.35	-24.06	-28.67	-14.49	-25.00	-3.18	2.10	13.91	-3.76	-19.72	-4.60	14.18	-10.51				
i) BDB Loans	6.55	6.55	6.55	6.55	6.55	6.55	6.55	6.55	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
ii) BMC Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
iii) Deposits	23.15	21.05	7.14	10.90	30.61	35.22	21.04	31.55	3.18	-2.10	-13.91	3.76	19.72	4.60	-14.18	10.51				
<b>C. Loans to/Deposits with Banks</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
<b>D. Other Items (Net)*</b>	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND				
<b>III. Monetary Base</b>	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND				
A. Currency in Circulation	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND	ND				
B. Bank Balances with CBOB	433.69	475.25	483.91	469.83	435.85	417.53	413.09	444.83	-16.47	41.56	8.65	-14.08	-33.98	-18.32	-4.44	31.74				

\* Includes capital, provisions and surplus account, fixed and other assets, and other demand liabilities of Bank

## FISCAL/REAL SECTOR INDICATORS

(\$ MILLIONS)  
(% change represents current month from previous month)

Fiscal Operations <sup>1</sup>	JUL		AUG		SEP		OCT		NOV		DEC		JAN		FEB		MAR		APR		MAY		JUN		YEAR TO DATE			
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008		
1. Government Revenue & Grants % change	106.1	111.5	106.7	107.0	115.7	107.0	112.1	104.0	96.9	123.3	134.2	115.4	129.5	113.3	111.5	105.6	163.3	116.1	9.95%	163.3	116.1	9.95%	138.4	134.0	138.2	143.7	9.35%	3.64%
2. Import Duties % change	37.8	42.9	46.3	46.6	43.4	14.1%	46.6	38.4	37.6	40.9	50.8	36.6	40.4	44.2	40.8	44.3	47.5	45.4	16.49%	44.3	47.5	16.49%	59.7	48.5	507.5	521.6	4.02%	2.77%
3. Recurrent Expenditure % change	99.6	101.6	93.1	103.3	111.1	107.3	106.0	85.3	105.8	124.7	130.4	100.6	95.9	110.0	112.7	108.8	113.0	107.1	118.1	118.1	107.1	118.1	154.0	134.4	1286.3	1327.2	11.89%	3.18%
4. Capital Expenditure % change	5.6	7.6	11.7	14.0	10.3	8.4	14.6	13.6	10.5	11.1	12.1	15.5	10.5	9.6	10.2	18.3	12.2	12.3	9.9	9.9	12.3	9.9	34.1	48.2	166.3	167.1	34.69%	0.52%
5. Deficit/Surplus <sup>2</sup> % change	-0.8	0.7	1.1	-23.8	-8.6	-12.6	-14.0	-3.4	-22.1	-20.2	-13.8	-4.8	20.5	-11.2	-16.4	-23.3	31.7	-7.9	-66.03%	-23.3	31.7	-66.03%	-65.9	-54.2	-183.5	-118.7	-72.95%	-33.31%

Debt <sup>3,4</sup>	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC		YEAR TO DATE			
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008		
6. Total Debt % change	2,389.4	2,635.0	2,379.3	2,652.2	2,430.0	2,624.4	2,418.2	2,687.6	2,440.0	2,677.5	2,441.2	2,677.6	2,441.2	2,677.5	2,440.0	2,677.5	2,440.0	2,677.5	2,440.0	2,677.5	2,440.0	2,677.5	2,440.0	2,677.5	2,440.0	2,677.5	2,440.0	2,677.5
7. External Debt % change	292.8	272.4	262.7	272.6	293.4	271.9	288.0	370.9	286.6	370.9	270.7	370.8	270.7	370.8	270.7	370.8	270.7	370.8	270.7	370.8	270.7	370.8	270.7	370.8	270.7	370.8	270.7	370.8
8. Internal F/C Debt % change	5.0	23.2	5.0	23.2	5.0	23.2	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3	4.1	23.3
9. Bahamian Dollar Debt % change	2,091.6	2,339.4	2,081.6	2,339.4	2,131.6	2,329.4	2,146.1	2,314.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4	2,166.4	2,304.4
10. Total Amortization % change	0.5	0.5	10.1	0.1	0.7	10.7	32.9	37.7	25.0	10.1	0.1	0.1	0.1	0.5	0.0	0.1	0.1	0.0	20.7	15.9	20.7	15.9	20.7	15.9	20.7	15.9	20.7	15.9

Real Sector Indicators	JAN		FEB		MAR		APR		MAY		JUN		JUL		AUG		SEP		OCT		NOV		DEC		YEAR TO DATE			
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008		
12. Retail Price Index % change, over previous month	121.2	124.2	121.4	124.6	121.5	124.7	121.7	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6	122.1	126.6
13. Tourist Arrivals (000's) % change, over previous year	397.3	372.6	376.7	430.6	500.0	500.4	423.2	396.5	389.5	388.5	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3	389.3
14. Air Arrivals (000's) % change, over previous year	103.4	110.7	118.1	125.8	168.0	166.8	144.0	138.0	126.5	128.4	138.9	138.7	130.4	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8	142.8
15. Occupied Room Nights % change, over previous year																												
16. Res. Mortgage Commitments-New Const. % change, over previous yr.																												

<sup>1</sup> Includes Net Lending to Public Corporations  
<sup>2</sup> Data from Periodic to Central Government only unless otherwise indicated  
<sup>3</sup> Provisional  
<sup>4</sup> Annualized F/D Retail Price data are average.