



Recent Economic Trends
Selected Data

Released: July 23, 2004



Recent Economic Developments and Prospects (2003/2004)¹

Following mild growth in 2003, the Bahamian economy expanded at faster pace during the first half of 2004, with the momentum expected to continue through 2005. Leading this outcome was stronger tourism expenditure gains, owing to widespread increases in both stopover and cruise visitors, in the context of stabilized industry pricing.

Commercial developments, which were sluggish during 2003 and constrained construction output, began to strengthen during the first half of 2004, augmented by continued robust financing of local housing investments. Support in respect of the former, was most notable in new foreign investments in the hotel sector, on which activity is expected to pick up significantly during the second half of 2004 and peak in 2005, as more projects move beyond the approval and start-up phases.

The combination of strong net foreign currency inflows and continued restraint on domestic credit expansion resulted in a robust seasonal buildup in bank liquidity and external reserves during the first half of 2004.

As foreign exchange inflows continue to strengthen, growth opportunities for local businesses should increase in the short-term, concentrated particularly in the distribution (wholesale and rental trade) and construction sectors. More relaxed credit conditions, could accelerate this momentum, boosting consumer spending and imports. Credit trends however, would still have to be sustainable, in the context of both the private and public sectors' borrowing needs, which together affect the evolution of external reserves.

Although the Government's finances have stabilized since 2001, a sizeable deficit remained, with revenue growth still weak and some expenditure requirements expanded. Even with stronger growth in the economy, revenue difficulties could remain in the short-term, owing to duty concessions on the anticipated sizeable boost in imported construction materials associated with pending foreign investment projects. Meanwhile, demands on the expenditure side have increased, partly owing to elevated salary obligations and pressing infrastructure development needs.

Domestic economic trends continue to be driven by developments in the United States, where rising consumer and investor confidence are stimulating more spending on travel and tourism. The US expansion is expected to be more tempered over the medium term, however, as the Federal Reserve gradually tightens interest rates to ward off inflation. Nevertheless, the impact on The Bahamas should be marginal. Weakness in the US dollar, built up since 2002, is expected to persist in the short term and uphold some cheapness in dollar priced vacations such as The Bahamas', relative to the cost of travel to Europe and Asia. Moreover, travel cost pressures built up from the recent run-up in energy prices are not expected to intensify in the short-term.

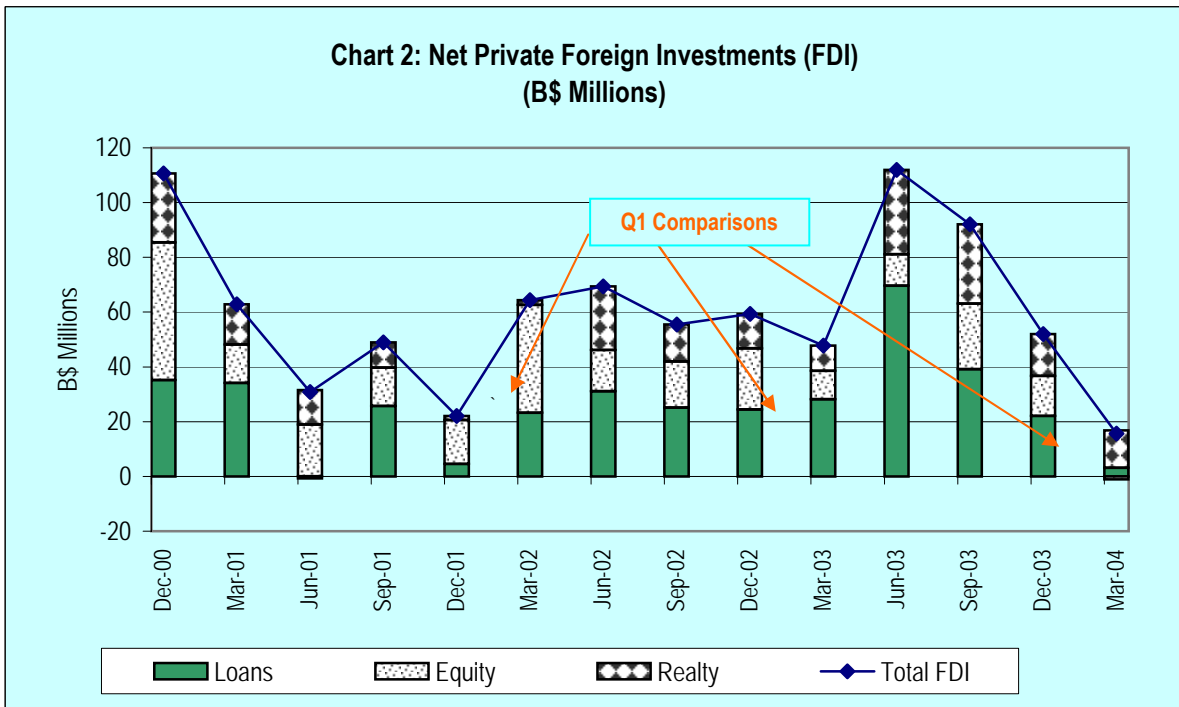
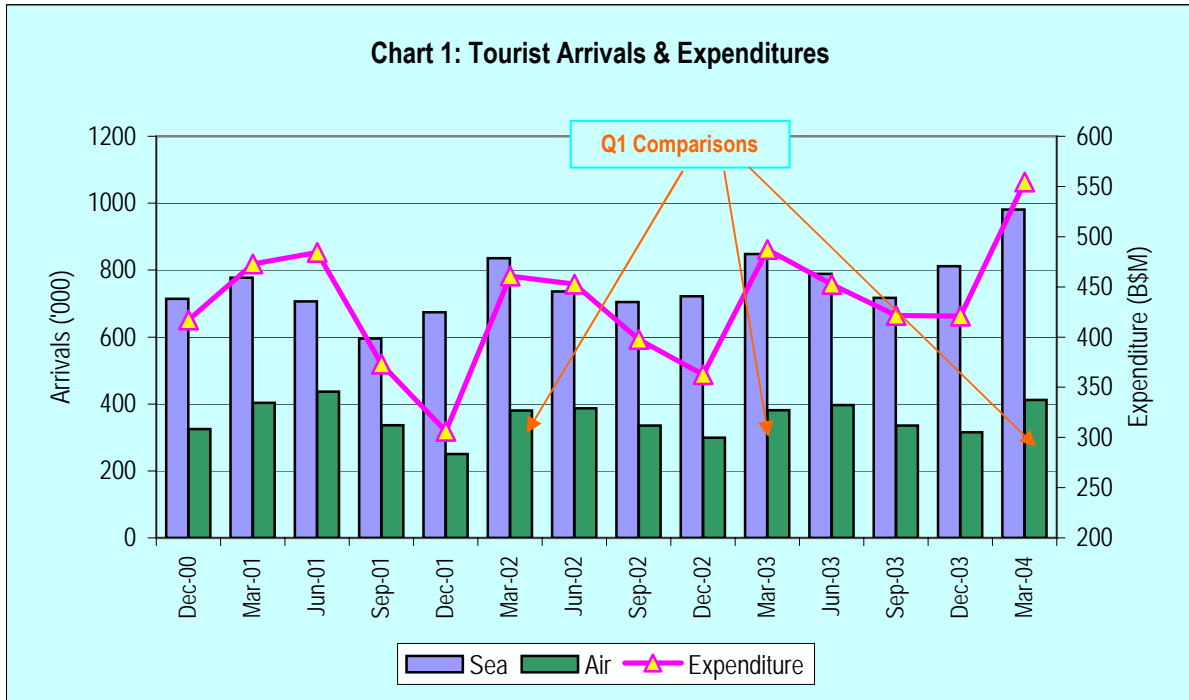
¹ July 2004

The Bahamas
Selected Economic Indicators (2000-2004)

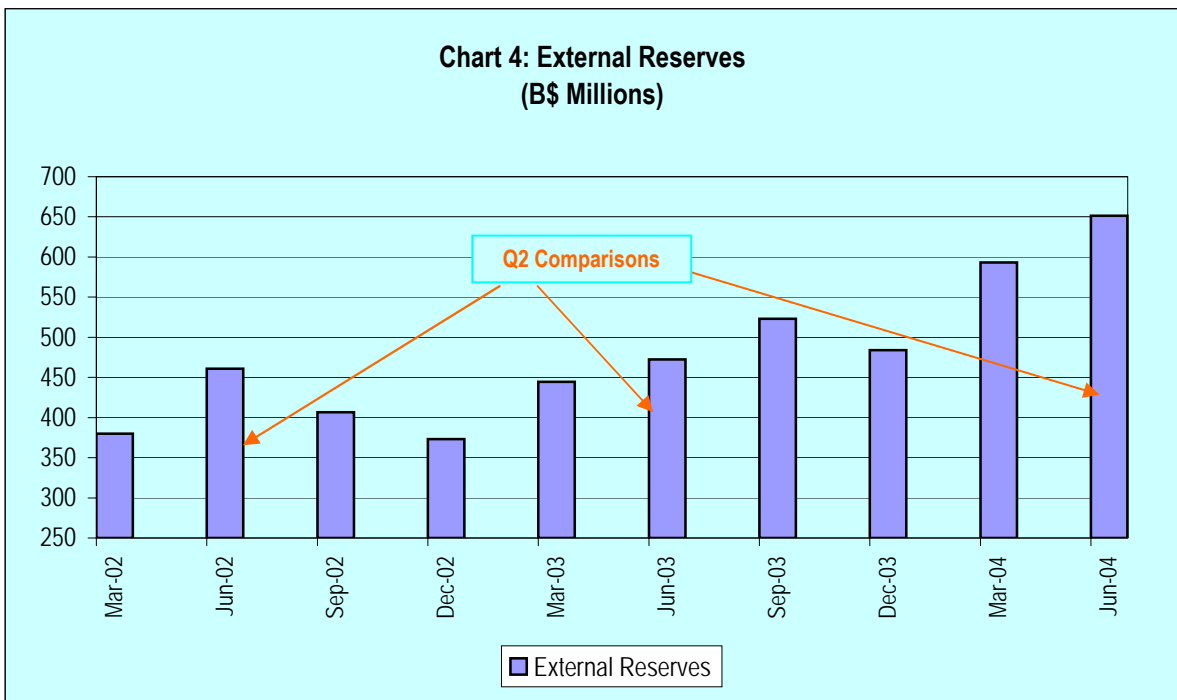
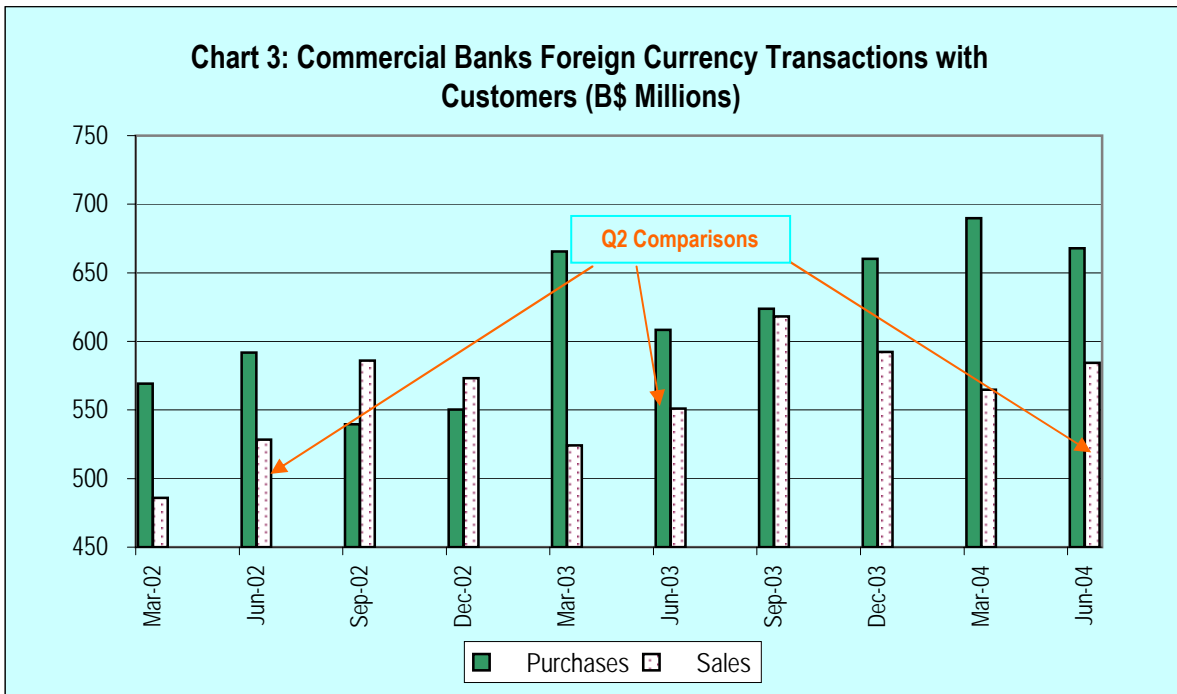
	2000	2001	2002	2003	Year-to-date Estimates	
					2003	2004
1. Tourism						
					Jan-May	
Total Visitors (Thousands)	4,203.8	4,182.7	4,406.0	4,594.0	2,024.7	2,368.5
Air	1,481.5	1,428.1	1,402.9	1,429.0	644.9	706.2
Sea	2,722.3	2,754.5	3,003.1	3,165.0	1,379.8	1,662.3
Tourist Expenditures (B\$ Millions)	1,736.8	1,649.7	1,762.6	1,782.0	n/a	n/a
				Jan-Mar	487.1	544.3
2. Private Foreign Investment (B\$Million)						
					Jan-Mar	
Total Net Inflows	469.1	164.7	248.6	303.9	47.7	15.6
3. Commercial Banks Foreign Exchange Transactions (B\$ Millions)						
					Jan-June	
Purchases	2,326.2	2,226.1	2,251.1	2,508.8	1,274.0	1,357.7
Sales	2,265.3	2,150.4	2,173.7	2,285.8	1,075.1	1,149.1
Net Purchase (Sale)	60.9	75.7	77.3	223.0	198.9	208.6
4. External Reserves						
					Jan-June	
Total Reserves (B\$ Millions)	342.6	312.4	373.2	484.1	472.5	651.3
Change in External Reserves (B\$ Millions)	-61.4	-30.2	60.8	110.9	99.3	167.2
Equivalent Weeks of Non-oil Imports	10.9	10.9	14.8	18.7	19.1	23.8
5. Public Finance B\$Millions (Calendar Year)						
					Jan-April	
Total Revenue	937.2	920.3	888.9	901.8	296.7	328.4
(Of which) Customs Duties and Stamp	512.4	514.8	493.4	517.1	148.2	130.2
Total Expenditures	958.6	1,015.6	1,023.2	1,109.7	344.0	370.5
Current Expenditure	819.2	863.1	918.7	995.0	309.0	333.0
Capital Expenditure	105.6	92.9	99.5	72.7	20.7	26.2
Net lending to Public Enterprises	33.8	59.6	5.0	42.0	14.3	11.3
Deficit	-21.4	-95.3	-134.3	-207.9	-47.3	-42.1

Source: Central Bank of The Bahamas Quarterly Statistical Digest and Quarterly Economic Review

The Bahamas: Selected Economic Trends (Quarterly)



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