Quarterly Economic Review

Vol. 28, No. 2

June, 2019

The Quarterly Economic Review (QER) is a publication of the Central Bank of The Bahamas, prepared by the Research Department, for issue in March, June, September and December. All correspondence pertaining to the QER should be addressed to:

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OVERVIEW

Preliminary indications are that the Bahamian economy sustained its modest growth trajectory during the second quarter of 2019, buoyed by gains in the high value-added stopover segment of the tourist market. In addition, several varied-scale foreign investment projects provided support to the construction sector. In this environment, labour market conditions continued to gradually improve, as the number of employed persons increased, amid sustained hirings in the private sector. Further, inflation remained relatively benign over the review quarter, despite an uptick in international oil prices.

Government's budgetary operations for final quarter of FY2018/2019, featured a wider fiscal deficit, as the growth in aggregate expenditure outpaced the VAT-led rise in total revenue. Budgetary financing was mainly sourced from the domestic market, and comprised a combination of long and short-term debt.

On the monetary front, as the growth in the deposit base outpaced the rise in domestic credit, bank liquidity expanded during the second quarter, while net foreign currency inflows from tourism sector activity buttressed the moderate growth in external reserves. In addition, banks' credit quality indicators continued to improve during the review quarter, underpinned by the expansion in the economy, combined with banks' enhanced collection efforts and ongoing debt restructuring activities. Moreover, the latest available data for the first quarter of 2019, showed that banks overall profitability levels strengthened, owing in large measure to a significant reduction in provisions for bad debts.

On the external side, the estimated current account deficit narrowed considerably during the review quarter, due mainly to a reduction in the merchandise trade deficit, along with a tourism-led expansion in the services account surplus. In addition, the estimated capital and financial account surplus decreased significantly, as the contraction in net direct investment inflows, overshadowed the rise in net receipts from other "miscellaneous" investments.

REAL SECTOR

TOURISM

Preliminary indications are that the tourism sector maintained its strong growth momentum during the second quarter of 2019, supported by gains in the stopover segment. This coincided with a marked increase in room capacity in the middle to high-end range, along with improvements in the major source markets. The rise in Family Island ports of calls by major cruise lines also contributed to the strengthening in output.

According to data from the Ministry of Tourism, total visitor arrivals strengthened by 16.0% during the review quarter, in comparison to the same period of 2018, outpacing the 5.4% gain recorded in the previous year and the average five-year 2.0% expansion. In terms of the components, the high value-added air segment firmed by 14.5%, following a 12.6% advance a year earlier. Similarly, the dominant sea passenger component grew by 16.6%, notably higher than the 3.0% increase in 2018.

A disaggregation by major ports of call, showed that total visitors to New Providence strengthened by 18.5% during the review quarter to 1.1 million, vis-a-vis a 5.8% reduction last year. The key air component grew by 18.4%, while sea passengers expanded by 18.6%. Further, visitors to the Family Islands increased by 18.9% to 0.7 million, albeit a slowdown from the 28.4% increase recorded in the previous year, as the growth in sea traffic tapered to 21.3% from 34.4% a year earlier. In contrast, despite an increase in cancellations to one major market due to power outage-related challenges, air arrivals rose by 8.1%, surpassing the preceding year's 6.6% uptick. In contrast, the Grand Bahama market continued to face headwinds, as total arrivals declined by 5.0%, a reversal from a 9.5% expansion in the prior period, as both air and sea traffic fell by 13.4% and 3.9%, respectively, attributed in part to poor weather conditions, which resulted in cruise ship itinerary changes and cancellations.

Amid the improvement in the key stopover visitor segment of the market, information from the Bahamas Hotel and Tourism Association and the Ministry of Tourism from a sample of large properties in New Providence and Paradise Island, showed an improvement in hotel earnings during the second quarter. Specifically, total room revenue grew by 24.0%, following a similar gain of 26.0% a year earlier. Underlying this outturn was a firming in the average hotel occupancy rate by 7.3 percentage points to 75.4%, as the number of room nights sold rose by 14.0%, albeit a slowdown from the prior year's 27.0% expansion. In addition, the average daily room rate (ADR), grew by 8.9% to $261.98, vis-à-vis a 1.5% decline in 2018.

The increasing demand for short-term vacation rentals, particularly in New Providence and the smaller Family Islands, highlighted continued gains in off-resort business. Indeed the latest data from AirDNA[1] showed that during the second quarter, the total number of room nights sold strengthened by 39.3% over the same period last year. In terms of the components, bookings for "hotel comparable" and "entire place" listings, rose by 48.6% and 38.5%, respectively. In particular, hotel comparable rentals recorded an average occupancy rate of 50.6%, a gain of 5.2 percentage points over the same period a year earlier; however, the average rental rate decreased by 10.5% to $152.72. Similarly, entire place listings posted an average occupancy rate of 51.5%, compared to 46.4% in the second quarter of 2018, while the average rental rate declined by 2.6% to $408.53.

Meanwhile visitor departure trends revealed varied performances across major source stopover markets. According to the Nassau Airport Development Company Limited, second quarter foreign departures by air through the country's main gateway increased by 17.0%, exceeding the 11.2% growth recorded in the prior year. The dominant United States visitor component—which comprised 87.5% of the total—firmed by

[1] Reflects listings on Airbnb and HomeAway online vacation rental sites.

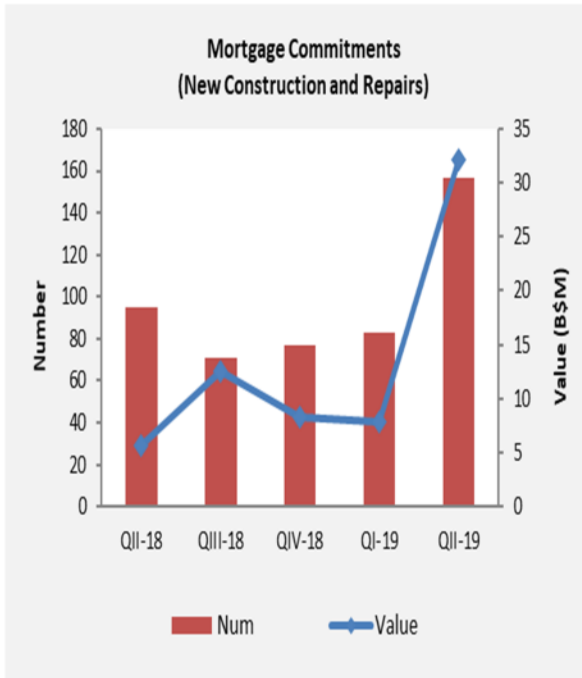
18.7%, outstripping the 10.2% gain in 2018, as Easter Holiday and spring break travel increased. Further, the non-US segment advanced by 6.4%, a moderation from a 17.6% expansion in the corresponding period of the prior year.

CONSTRUCTION

During the second quarter, output in the construction sector continued to be supported by ongoing varied-scale foreign investment projects. However, domestic private sector activity remained subdued.

As an indicator of private domestic activity, total mortgage disbursements for new construction and repairs—as reported by domestic banks, insurance companies and the Bahamas Mortgage Corporation—fell by a further 13.1% ($4.1 million) to $27.2 million, after a 15.9% decline in the previous year. In terms of the components, the dominant residential segment contracted by 9.2% to $26.2 million, after 2018's 11.9% reduction. In addition, commercial disbursements decreased by $1.5 million to $1.0 million, extending the $1.1 million falloff in the prior period.

Indications are that the sector could record some improvement in the near-term, as mortgage commitments for new buildings and repairs—a forward looking indicator—rose by 62 to 157, while the corresponding value firmed by 73.2% to $32.1 million, over the prior year. A breakdown of the categories, showed that undisbursed approvals for the dominant residential component, rose in number by 58 to 153, while the corresponding value more than doubled to $24.6 million from $8.6 million. In addition, four new commercial approvals were disclosed for the quarter, valued at $7.6 million, compared to unchanged levels in the prior year.



With regard to interest rates, the average financing cost for commercial mortgages narrowed by 52 basis points to 7.23%. Similarly, the average rate on residential loans softened by 36 basis points to 6.84%.

EMPLOYMENT

Supported by the modest uptrend in the domestic economy, labour market conditions continued to improve. According to the Department of Statistics' latest Labour Force Survey, the number of employed persons rose by 2.1% to 215,000 over the six months to May 2019 and by 3.2% relative to the prior year. The job gains occurred largely in private payrolls, principally in the hotel and restaurant sectors. As a result, the unemployment rate decreased by 1.2 percentage points over the six-month period and by 50 basis points on a yearly basis, to 9.5%—the lowest rate recorded since the 2008 global recession. Mirroring these developments, the total number of discouraged workers decreased by 2.0% in the six-months to May, 2019.

A disaggregation by major markets, showed that the jobless rate in New Providence—the most heavily populated centre—fell by 1.6 percentage points over the six-month period and by 60 basis points on an annual basis, to 9.4%. Similarly, in Grand Bahama, the unemployment rate narrowed by 1.0 percentage point over November and by 1.5 percentage points on a yearly basis, to 10.9%. Further, in Abaco, the jobless rate declined by 1.4 percentage points to 9.3%, relative to May 2018, but firmed by 1.6 percentage points vis-à-vis November, 2018.

In terms of the age profile, the unemployment rate among young persons, those 15 – 24 years of age, decreased by 3.1 percentage points to 20.0% over the six-month period.

PRICES

Domestic consumer price inflation—as measured by changes in the Retail Price Index (RPI) for The Bahamas—slowed slightly to 0.5% during the second quarter, from 0.6% a year earlier. In terms of the components, declines in average costs were noted for education, and for furnishing, household equipment & routine maintenance, by 3.6% and 1.9%, vis-á-vis gains of 0.1% and 0.8%, respectively, in the previous year. Similarly, average prices for clothing & footwear and for food & non-alcoholic beverages decreased by 1.4% and 0.2%, relative to the prior year's respective increases of 0.8% and 0.9%. In addition, the reduction in miscellaneous goods & services' costs widened to 2.8% from 0.1%, and communications to 0.6%, following a flat outturn in the prior period. In contrast, supported by gains in fuel prices, accretions to average transportation costs firmed by 6.2 percentage points to 8.4%. Further, average inflation for alcoholic beverages, tobacco & narcotics, quickened to 0.7% from 0.1%; and for housing, water, gas electricity & other fuels—the most heavily weighted component—to 0.5% from 0.2%; while average prices for restaurant & hotels reversed to an increase of 1.1%, from a slight decline of 0.1% in 2018.

Reflecting in part the pass-through effects of the increase in the VAT rate and the uptick in international oil prices in earlier periods, inflation accelerated on an annual basis to 3.3% over the twelve months to June, from 1.3% in the previous year and an average rate of 1.5% over the five-year period. Underlying this development, average prices rose for furnishing, household equipment & routine maintenance by 6.4%, in contrast to the prior year's decline of 2.8%; and for miscellaneous goods & services, by 4.9%, from an easing of 0.9% a year earlier. Further, average costs for clothing & footwear firmed by 2.3%, vis-à-vis a 3.7% reduction in 2018. In addition, the rate of inflation accelerated for transport (by 6.0 percentage points to 8.4%) and alcohol beverages tobacco & narcotics (by 3.4 percentage points to 3.7%). The inflation rate also quickened for food & non-alcoholic beverages, by 27 basis points to 2.0% and for housing, water, gas electricity & other fuels—the most heavily weighted component—by 5 basis points to 2.6%. Providing some offset, average inflation slowed for recreation & culture, by 3.0 percentage points to 0.2% and restaurant & hotels, by 0.8 percentage points to 4.0%. Further, accretions to average costs moderated for health, by 12 basis points to 1.5%. In addition, average prices fell for communication by

Retail Price Index
(Annual % Changes; June)

Items	Weight	2018 Index	2018 %	2019 Index	2019 %
Food & Non-Alcoholic	102.4	107.6	2.3	107.8	0.2
Alcohol, Tobacco & Narcotics	6.0	110.7	-0.5	116.9	5.6
Clothing & Footwear	45.0	101.2	-2.1	102.3	1.1
Housing, Water, Gas,	321.7	103.0	1.9	104.4	1.4
Furn. & Household,	45.7	105.7	-0.1	111.6	5.6
Health	44.0	123.2	2.5	126.5	2.7
Transportation	125.0	100.3	6.1	116.0	15.7
Communication	40.9	109.2	-0.3	107.2	-1.8
Rec., & Culture	24.6	115.9	3.5	113.1	-2.4
Education	42.4	108.7	0.0	102.5	-5.8
Restaurant & Hotels	56.8	109.6	4.2	116.4	6.1
Misc. Goods & Svcs.	145.6	102.4	-0.2	103.6	1.2
ALL ITEMS	**1000.0**	105.1	**1.9**	108.1	**2.9**

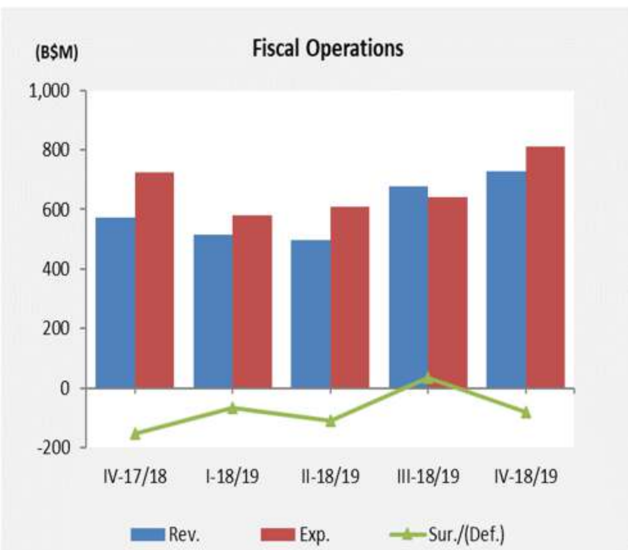
1.9%, following a gain of 1.8% a year earlier, while the average cost for education decreased further by 2.2%, from 1.1% in the prior year.

The rise in global oil prices in earlier periods was also evident in domestic fuel costs. On a quarterly basis, both average diesel and gasoline prices rose, by 11.7% and 4.2%, to $4.75 and $4.42 per gallon, respectively. However, year-on-year, the average cost for gasoline declined by 5.6%, while the increase in average diesel costs slowed to 9.2%.

FISCAL OPERATIONS

OVERVIEW

Provisional data on the Government's budgetary operations for the fourth quarter of FY2018/2019, revealed that the deficit increased by $69.2 million (45.7%) to $82.3 million, relative to the comparative period of FY2017/18. Underlying this outcome was an $85.7 million (11.8%) expansion in total expenditure to $809.2 million, which overshadowed the VAT-led $154.9 million (27.1%) growth in aggregate revenue to $726.9 million.



REVENUE

Tax revenue—which constituted 92.3% of total receipts—grew by $158.9 million (31.0%) to $670.8 million. Specifically, VAT collections—at a dominant 45.6% of the total—expanded by $115.5 million (60.6%) to $306.0 million, reflecting in part the hike in the rate to 12.0% from 7.5% on July 1st. Similarly, following a reclassification exercise in prior periods, proceeds from stamp taxes on financial and realty transactions more than doubled to $63.8 million, from $28.9 million in the previous year. In addition, revenue from specific taxes—mainly gaming—advanced by $7.8 million (81.0%) to $17.3 million, while excise taxes edged-up by $0.6 million (0.9%) to $71.7 million.

Government Operations

B$'000

	FY17/18 3rd Qtr.	FY17/18 4th Qtr.	FY18/19 3rd Qtr.	FY18/19 4th Qtr.
A. REVENUE (a+b+c)	**589,643**	**572,003**	**677,432**	**726,873**
a. Tax Revenue	538,933	511,884	621,938	670,778
b. Non-Tax Revenue	50,648	57,472	55,491	56,088
c. Grants	0	2,598	0	0
d. Capital Revenue	61	50	3	6
B. EXPENDITURE (c+d)	**600,964**	**723,559**	**642,961**	**809,215**
c. Recurrent	548,467	638,384	594,907	720,124
d. Capital	52,498	85,175	48,053	89,091
Surplus/(Deficit) (A-B)	**(11,322)**	**(151,556)**	**34,471**	**(82,342)**
FINANCING ACTIVITIES	**11,322**	**151,556**	**(34,471)**	**82,342**
Net Acquisition of financial assets (-)	**3,800**	**2,400**	**12,490**	**16,522**
Borrowing(+)	**170,836**	**175,777**	**170,858**	**244,381**
Internal	111,645	175,713	170,683	241,427
External	59,191	64	175	2,954
Debt Repayment(-)	**155,435**	**121,490**	**190,162**	**195,006**
Internal	131,355	113,781	156,041	187,297
External	24,081	7,709	34,121	7,708
Change in Short-term Advances (+)	**10,227**	**31,943**	**10,163**	**58,895**
Other Financing & Change in Cash Balances [()= increase]	**(10,506)**	**67,726**	**(12,840)**	**(9,406)**

Note: Tables produced by the Ministry of Finance in the modified GFS 2014 Format.

In terms of the other components, taxes on the use of goods increased by $5.2 million (8.7%) to $64.7 million. This outturn was attributed mainly to a rise in receipts from business license fees, by $7.2 million (16.7%) to $50.1 million and marine license fees, by $0.2 million (34.5%) to $0.9 million. Further, proceeds from banks & trust companies' fees amounted to $2.3 million, compared to negligible levels in the preceding year, due to timing-related factors. Conversely, revenue from motor vehicle and company taxes, declined by $3.6 million (29.1%) to $8.8 million and by $0.9 million (25.4%) to $2.6 million, respectively.

With regard to the remaining categories, taxes on international trade grew by $13.8 million (11.9%) to $129.7 million, owing in large measure to a $20.3 million (32.1%) growth in customs & other import duties to $83.7 million. These outstripped the falloff in receipts from export taxes, by $4.2 million (56.5%) to $3.3 million and departure taxes, by $2.3 million (5.2%) to $42.8 million. General stamp taxes also registered a slight gain of $0.3 million to $2.0 million. In contrast, taxes on property fell by $19.0 million (54.9%) to $15.6 million, due to a decrease in collections from commercial and foreign-owned undeveloped land.

Non-tax receipts—which comprised the remaining 7.7% of total revenue—decreased by $1.4 million (2.4%) to $56.1 million. Underpinning this outturn was a significant reduction in "miscellaneous & unidentified revenue" sources, which decreased by more than half to a mere $0.2 million from $5.8 million in the prior year. In addition, property income declined by $1.2 million (46.9%) to $1.3 million, owing mainly to a falloff in revenue from Government property. In contrast, sales of goods & services grew by $3.6 million (7.3%) to $53.0 million, largely reflecting an increase in immigration fee receipts, due to a hike in selected categories of work permit fees. Similarly, proceeds from fines, penalties and forfeits, rose markedly to $1.5 million from negligible levels in the prior year, explained by higher judicial fines and forfeitures. Further, the sale of "other" non-financial assets yielded revenue of $0.1 million, compared to negligible levels a year earlier.

Government Revenue By Source

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	FY17/18 3rd Qtr.	FY17/18 4th Qtr.	FY18/19 3rd Qtr.	FY18/19 4th Qtr.
TAX REVENUE (a+b+c+d)	538,933	511,884	621,938	670,778
a. Taxes on Property	57,188	34,592	58,692	15,584
b. Taxes on Goods & Services (i+ii+iii)	367,972	359,620	455,769	523,491
i. General	200,313	219,468	257,487	369,768
of which: Value Added Tax	171,827	190,534	203,575	306,018
ii. Excise Tax	59,869	71,061	52,123	71,673
iii. Specific (Gaming taxes)	12,973	9,578	12,692	17,340
iv. Taxes on Use of/ Permission to Use Goods	94,817	59,513	133,466	64,710
c. Taxes on Int'l Trade & Transactions	112,836	115,971	106,177	129,724
d. General Stamp Taxes	937	1,701	1,299	1,980
NON-TAX REVENUE (e+f+g+h+i+j)	50,648	57,472	55,491	56,088
e. Property Income	4,034	2,456	897	1,304
f. Sales of goods & services	39,098	49,383	52,780	52,993
g. Fines, Penalties & Forfeits	1,027	(245)	973	1,461
h. Reimbursements & Repayments	69	42	82	18
i. Misc. & Unidentified Revenue	6,419	5,819	381	235
j. Sales of other Non-Financial Assets	1	17	378	77
TOTAL TAX & NON-TAX REVENUE	589,581	569,356	677,429	726,866
l. Grants	0	2,598	0	0
m. Capital Revenue	61	50	3	6
TOTAL REVENUE & GRANTS	589,643	572,003	677,432	726,873

Note: Tables produced by the Ministry of Finance in the modified GFS 2014 Format.

Expenditure

The growth in total expenditure was led by an $81.7 million (12.8%) rise in current spending to $720.1 million, along with a $3.9 million (4.6%) increase in capital outlays to $89.1 million.

Expenditure by Economic Classification

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	FY17/18 3rd Qtr.	FY17/18 4th Qtr.	FY18/19 3rd Qtr.	FY18/19 4th Qtr.
CURRENT EXPENDITURE	548,467	638,384	594,907	720,124
Compensation of Employees	173,131	182,238	173,438	184,900
Use of Goods & Services	96,509	173,809	147,200	203,189
Public Debt Interest	74,676	99,421	75,440	94,752
Subsidies	89,722	97,415	103,041	120,904
Grants	1,905	2,023	5,335	1,201
Social Assistance Benefits	44,049	43,763	43,159	54,410
of which: Pensions & Gratuities	33,720	34,343	33,678	41,343
Other Payments	68,475	39,714	47,295	60,768
Currrent Transfers n.e.c.	30,731	29,771	46,629	32,773
Insurance Premiums	37,744	9,944	666	27,995
CAPITAL EXPENDITURE	52,498	85,175	48,053	89,091
Capital Transfers	9,380	15,816	5,541	9,226
Acquisition of Non-financial Assets	43,118	69,359	42,512	79,865
Fixed Assets	43,118	69,359	42,500	79,865
Valuables	0	0	0	0
Land Improvements	0	0	12	0
TOTAL EXPENDITURE	600,964	723,559	642,961	809,215

Note: Tables produced by the Ministry of Finance in the modified GFS 2014 Format.

By economic categorization, the expansion in current outlays was largely attributed to a $29.4 million (16.9%) gain in the use of goods and services to $203.2 million, related to an increase in payments for utilities & communication, special financial transactions, services and rent. Further, subsidies rose by $23.5 million (24.1%) to $120.9 million, led by a rise in allocations to a public utility company, cruise line operators and a tertiary institution. In addition, "other" miscellaneous payments advanced by $21.1 million (53.0%) to $60.8 million, due to an $18.1 million expansion in insurance premium payments to $28.0 million. In addition, current transfers increased by $3.0 million (10.1%) to $32.8 million, as disbursements to households moved higher by $2.6 million to $5.8 million. However, allocations to financial public enterprises and non-financial public enterprises, were reduced by $1.8 million (53.4%) and by $0.4 million (2.0%) to $1.6 million and $18.6 million, respectively. Spending for social assistance benefits also rose by $10.6 million (24.3%) to $54.5 million, reflecting in part a rise in pension & gratuity payments. Further, employee compensation outlays firmed by $2.7 million (1.5%) to $184.9 million. Providing some offset, interest payments contracted by $4.7 million (4.7%) to $94.8 million, owing primarily to lower external payments.

Capital expenditure growth was due mainly to a $10.5 million (15.1%) increase in the acquisition of non-financial assets to $79.9 million, occasioned by a rise in spending on other structures, buildings other than dwellings and other machinery & equipment. In a slight offset, capital transfers declined by $6.6 million (41.7%) to $9.2 million.

FINANCING AND THE NATIONAL DEBT

Budgetary financing for the fourth quarter of FY2018/19, was dominated by internal borrowings of $241.4 million, which comprised $165.7 million in longer-term securities and $75.7 million in net Treasury bill issues; external funding amounted to a mere $3.0 million. Debt repayments for the period totaled $195.0 million, of which a dominant 96.0% went towards retiring Bahamian dollar debt.

As a consequence of these developments, the Direct Charge on the Government grew by $50.2 million (0.7%) over the previous three-month period, and by $283.9 million (3.9%), year-on-year, to $7,527.0 million. An analysis by components, showed that Bahamian dollar debt represented 66.1% of the total, while foreign currency liabilities accounted for the remaining 33.9%.

Estimates of the Debt-to-GDP Ratios
June (%)[1]

	2017_P	**2018_P**	**2019_P***
Direct Charge	53.9	58.3	59.2
National Debt	59.9	63.9	64.9
Total Public Sector Debt	61.9	66.4	67.8

Source: The Central Bank of The Bahamas and the Department of Statistics
**GDP estimate for 2019 is derived from IMF projections.*
[1] In the absence of actual quaterly GDP data, the ratios presented should be taken as broad estimates of the relevant debt ratios and are therefore subject to revision.

A further disaggregation by creditor, revealed that domestic banks held the largest share of the local debt (43.7%), followed by "other" private and institutional investors (37.1%), public corporations (12.1%) and the Central Bank (7.1%). By instrument, Government bonds comprised the dominant share of domestic currency debt—at 73.9%—and featured an average maturity of 9.0 years—up slightly from 8.2 years in 2018. In addition, Treasury bills and loans & advances accounted for smaller shares of 18.8% and 7.3%, respectively.

Government's contingent liabilities decreased by $2.9 million (0.4%) over the previous quarter to $736.1 million, but were $35.5 million (5.1%) above the comparable period of 2018. As a result, the National Debt—inclusive of contingent liabilities—expanded by $47.3 million (0.6%), relative to the prior quarter, and by $319.3 million (4.0%) vis-à-vis the preceding year, to $8,263.1 million.

As a ratio to GDP, the Direct Charge rose by an estimated 90 basis points on a yearly basis, to 59.2% at end-June. In addition, the National Debt-to-GDP ratio increased to an estimated 64.9%, from 63.9% a year earlier.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

During the second quarter, public sector foreign currency debt declined by $21.3 million (0.6%) to $3,440.6 million, as amortization payments of $25.2 million, outstripped new drawings of $3.0 million. Similarly, on an annual basis, foreign currency obligations contracted by $56.9 million (1.6%). A breakdown by component, showed that the Government's liabilities—which accounted for 74.2% of the total—fell by $4.0 million (0.2%) to $2,553.2 million on a quarterly basis, while the smaller public corporations' segment declined by $17.4 million (1.9%) to $887.4 million.

Total foreign currency debt service payments grew by $10.5 million (11.6%) to $100.9 million, in comparison to the same period of 2018, attributed to a $17.1 million (69.0%) growth in the public corporations' component, amid the rising stock of outstanding debt. Specifically, amortization payments more than doubled to $17.5 million, while interest outlays grew by $8.1 million (49.4%) to $24.5 million. In contrast, Government's debt service payments contracted by $6.6 million (10.1%) to $58.9 million, as interest charges fell by $6.6 million (11.5%) to $51.2 million, while amortization payments were relatively stable at $7.7 million. As a result of these developments, the debt service ratio decreased by 20 basis points over the year to 7.3% at end-June, while Government's debt service to revenue ratio stood at 8.1%, approximately 3.4 percentage points lower than in 2018.

The breakdown by creditor profile revealed that international capital market investors held the largest share of foreign currency debt (48.0%), followed by other non-resident entities (32.6%), international banks (9.2%), multilateral institutions (8.0%) and bilateral entities (2.2%). Moreover, the majority of the stock was denominated in United States dollars (86.1%), with the Swiss Franc, euro and the Chinese Yuan comprising the remaining 6.1%, 5.6% and 2.2%, respectively. At end-June, the average age of the outstanding foreign currency debt stood at 9.0 years, a decline from 10.5 years recorded in the prior year.

2019/2020 BUDGET HIGHLIGHTS

The FY2019/20 Budget was presented to Parliament in May and approved in June, 2019. The focus of the Budget was on fiscal responsibility and in this context, it was noted that this would be the first budget implemented under the framework of the Fiscal Responsibility Act, 2018. The presentation included specific annual targets for the deficit, and introduced new budgeting measures for known commitments, in order to prevent a future build-up of unpaid arrears. In terms of revenue, the Budget targeted increased efficiency and productivity in the administration and collection of taxes, and outlined the Government's intention to promote greater transparency and equity in the process. On the expenditure side, the Government signaled that its approach to planning would be more purposeful and strategic.

The Government continued to follow principles which it had previously outlined in its three-year fiscal reform plan during the 2018/2019 period. No additional tax categories were added, and the VAT rate was kept at 12.0%. Although the overall revenue yield was still expected to contract, growth in certain categories was anticipated, due to increased compliance following the establishment of a Revenue Enhancement Unit (REU)[2], and the fact that FY2019/2020 would be the first to encompass a full twelve-month period under the revised 12.0% VAT rate, and a fully executed tax agreement with the gaming houses.

Other tax reforms proposed in the FY2019/20 budget, included the phased implementation of the Customs Department's Electronic Single Window or 'Click2Clear' system, whereby persons and companies would be able to clear imported goods via the Internet. This overhaul from a paper-based process would enable robust and accurate record-keeping of customs statistics, while at the same time, it is expected to reduce instances of fraud and tax evasion. Plans were also unveiled to revamp the real property tax system, which would lead to the eventual development of a public, online database of property values. The initial phase would involve the updating of the real property register, through a data collection initiative, expected to increase the current tax roll by approximately 9,000 properties. Further, in an effort to reduce distortions in the market, due to discrepancies in the prices of accommodations in the tourism industry, the budget outlined the Government's plan to ensure that VAT charges were implemented across all e-commerce service providers within the increasingly popular vacation home rental market. A new single Tax Commission was also planned for creation under the Tax Appeal Commission Bill, 2019, to ensure that there was fairness in the administration of taxes. This initiative was also expected to assist the Government with its objective of improving the "ease of doing business".

The Government also committed to several tax relief measures. These included the removal of duties on trailers for commercial fishing boats; making microbreweries eligible for import duty concessions and maintaining the zero-rated VAT on electricity bills under $300 and water bills under $50 per billing cycle.

Given the series of announced measures, the deficit for FY2019/2020 is projected to decline by $100.0 million (42.4%) to $136.9 million—the lowest in a decade—representing a deficit to GDP ratio of 1.0%, compared to the prior period's estimates of 1.8%. This outturn reflects a projected decline in total expenditures by $123.5 million (4.3%) to $2,765.0 million, which offset the $22.8 million (0.9%) decline in overall revenue collections to $2,628.1 million, compared to the previous budget.

A breakdown of the revenue categories, showed that tax receipts are expected to decline by $89.7 million (3.7%) to $2,340.3 million, in comparison to FY2018/19 projections. In contrast, non-tax revenue is forecasted to rise by $67.0 million (30.6%) to $285.7 million, as higher estimated receipts from sales of goods & services, property income, and reimbursements & repayments, outweighed anticipated contractions in income from other "miscellaneous" sources.

[2] The REU is responsible for conducting tax audits.

An analysis of the various tax revenue components, revealed a projected $63.4 million (3.6%) reduction in taxes on goods & services, vis-à-vis the previous fiscal year's budget, despite a targeted $40.6 million (3.8%) growth in VAT collections to $1,100.2 million. Contributing to the estimated falloff in receipts, proceeds from stamp taxes on financial and realty transactions are anticipated to decline by $42.2 million (29.4%) to $101.5 million. In addition, receipts from specific taxes—largely on gaming services—are forecasted to decrease by $33.9 million (48.3%) to $36.2 million. Similarly, excise taxes are expected to contract by $13.5 million (4.6%) to $283.3 million.

In terms of the remaining categories, taxes on the use of goods and services are targeted to decline by $14.4 million (7.1%) to $188.6 million, occasioned by lower estimates for receipts from bank & trust companies and marine license fees. Further, taxes on international trade and transactions are projected to fall by $7.3 million (1.5%) to $489.2 million, following a reduction in excise taxes, import duties and export levies. Property taxes are also budgeted to contract marginally by $1.3 million (1.0%) to $131.0 million, from the previous year's forecast. In a modest offset, collections from departure taxes are slated to rise by $12.5 million (8.5%) to $159.8 million; business and professional license taxes, by $5.4 million (4.6%) to $121.9 million; company taxes, by $4.7 million (22.5%) to $25.4 million and vehicle taxes, by $2.6 million (7.1%) to $38.8 million.

Approved expenditure allocations are forecasted to contract by $123.5 million (4.3%) to $2,765.0 million, reflecting reductions in both capital and current spending, by $64.3 million (21.5%) to $235.0 million and by $59.2 million (2.3%) to $2,530.0 million, respectively.

By economic classification, the targeted decline in current expenditure included a $52.5 million (8.2%) reduction in allocations for the use of goods and services to $585.1 million, while subsides fell by $28.5 million (7.4%) to $357.9 million. Further, employee compensation and social assistance allocations decreased by 2.9% and 9.8%, to $770.3 million and $46.3 million, respectively. In contrast, gains in spending are anticipated for public debt interest, by $24.8 million to $371.6 million, other "miscellaneous" payments, by $20.9 million to $249.1 million, pensions & gratuities, by $4.0 million to $140.7 million and grants, by $0.5 million to $9.2 million.

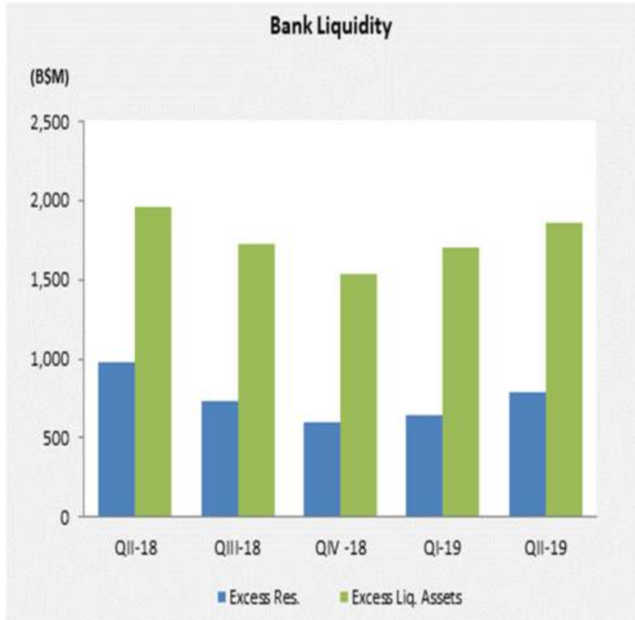
The budgeted contraction in the capital spending, reflected a 57.7% decrease in fixed asset purchases to $179.0 million, underpinned by lower allocations for "other" structures, machinery & equipment, non-residential buildings, excluding dwellings and transport equipment. In addition, planned disbursements for the acquisition of non-financial assets were reduced by $53.4 million (22.5%) to $183.7 million and capital transfers, by $10.9 million to $51.3 million. In contrast, provisions for land purchases rose to $4.8 million, compared to FY2018/19's projections of $0.5 million.

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

Buoyed by net foreign currency inflows from real sector activity, which led to a robust expansion in the deposit base, monetary developments were dominated by the build-up in liquidity during the second quarter of 2019. Similarly, external reserves expanded, a reversal from a contraction recorded in the prior year. Further, reflecting the sustained recovery in the domestic economy, combined with entities' enhanced collection and loan restructuring efforts, banks' credit quality indicators continued to gradually improve over the review quarter. In addition, the weighted average interest rate spread widened during the period, amid a rise in the average lending rate and a decline in the corresponding deposit rate. The latest profitability indicators for the first quarter of 2019, showed an improvement in overall net income, reflecting sharp reductions in provisioning for bad debts and lower depreciation costs, along with revenue gains.

LIQUIDITY



During the review quarter, banks' net free cash reserves expanded by $151.2 million (23.6%) to $791.1 million, extending the year-earlier 4.8% gain. At end-June, the ratio of free cash reserves to Bahamian dollar deposit liabilities stood at a reduced 11.5%, compared to 14.6% in the previous year. Reflecting mainly gains in banks' Treasury bill holdings, the broader surplus liquid assets firmed by $161.0 million (9.5%) to $1,864.6 million, outpacing 2018's $33.0 million (1.7%) accumulation. At end-June, the surplus liquid assets exceeded the statutory minimum by approximately 155.9%, vis-à-vis 170.5% in the comparative period last year.

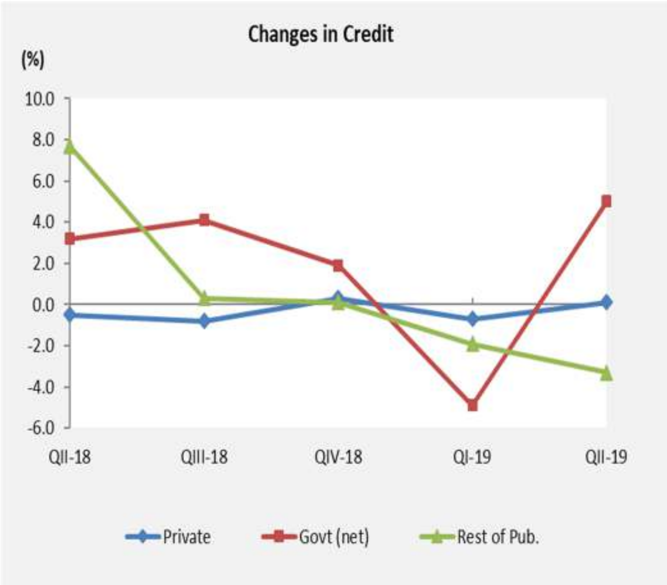
DEPOSITS AND MONEY

The overall money supply (M3), rose by $213.5 million (2.9%) to $7,429.4 million, notably higher than the prior year's $115.4 million (1.6%) expansion. In terms of the main components, accretions to narrow money (M1) accelerated to $246.5 million (8.2%), from a $19.7 million (0.7%) gain in the previous year. This outturn was mainly attributed to a private sector-led increase in demand deposits, by $240.8 million (9.0%), compared to a slight $9.6 million (0.4%) gain in the prior year. In a mild offset, accretions to currency in active circulation narrowed to $5.7 million (1.8%), from $10.1 million (3.3%) a year earlier. Further, broad money (M2) advanced by $266.2 million (3.8%), a reversal from a slight $6.4 million (0.1%) reduction in 2018. This captured a private sector-led gain in savings balances of $59.8 million (3.9%), compared to an increase of $36.3 million (2.6%) in the preceding year, while the contraction in fixed deposits slowed to $40.1 million (1.6%), from $62.4 million (2.3%) in the previous period. In contrast, residents' foreign currency deposits were reduced by $52.7 million (13.1%), a turnaround from last year's $121.7 million (42.6%) expansion, which was largely due to data reclassification exercise.

A breakdown by component, showed that Bahamian dollar demand deposits accounted for the largest share of the aggregate money supply, at 36.1%, followed by fixed balances and savings deposits at 33.5% and 20.7%, respectively. The remaining balances were divided between residents' foreign currency deposits (5.4%) and currency in active circulation (4.3%).

DOMESTIC CREDIT

Buoyed by increased net claims on the Government, total domestic credit grew by $109.0 million (1.2%) during the review quarter. This exceeded the $66.5 million (0.8%) increase recorded in the comparative 2018 period and an average growth rate of 0.6% over the past five years. The dominant Bahamian dollar component—at 95.9% of the total—expanded by $125.1 million (1.5%), vis-à-vis a $1.9 million (0.02%) reduction a year earlier. In contrast, foreign currency credit contracted by $15.9 million (4.2%), after gaining by $68.5 million (17.8%) in 2018.



A sectoral disaggregation revealed that net credit to the Government rose by $121.2 million (5.0%), outpacing the prior year's $73.3 million (3.2%) advance, and an average increase of 2.4% registered from 2013 – 2018. Further, private sector credit grew by $3.8 million (0.1%), a turnaround from a $41.6 million (0.7%) reduction in the previous year. In contrast, credit to the rest of the public sector declined by $15.9 million (3.3%), a reversal from a $34.8 million (7.7%) increase recorded in the prior year.

An analysis of the various private sector categories, indicated that personal loans—which accounted for the largest share (78.4%) of total Bahamian dollar credit—fell by $7.8 million (0.2%), a slowdown from the prior year's $34.2 million (0.7%) contraction and an average decline of 1.3% over the past five years. Underlying this outturn were declines in residential mortgages and overdrafts of $8.4 million (0.3%) and $2.4 million (4.3%), respectively, which outstripped the $3.0 million (0.1%) growth in consumer loans.

A further breakdown of the consumer credit categories, showed increases for travel ($6.0 million) and debt consolidation ($4.4 million), while more muted gains of less than $1.0 million were recorded for furnishings & domestic appliances, credit cards, commercial vehicles and taxis & rented cars. In contrast, net repayments were noted for private cars ($2.8 million), education ($1.7 million), land purchases ($1.6 million) and home improvements ($1.2 million). In addition, smaller reductions of less than $1.0 million were reported for loans for "miscellaneous" purposes and medical.

Distribution of Bank Credit By Sector
(End-June)

	2019		2018	
	B$M	**%**	**B$M**	**%**
Agriculture	4.3	0.1	3.3	0.1
Fisheries	2.3	0.0	2.3	0.0
Mining & Quarrying	1.4	0.0	1.8	0.0
Manufacturing	40.1	0.6	28.0	0.5
Distribution	208.3	3.3	177.5	2.9
Tourism	4.9	0.1	5.6	0.1
Enter. & Catering	18.5	0.3	16.0	0.3
Transport	37.2	0.6	43.9	0.7
Construction	239.4	3.8	242.7	3.9
Government	602.7	9.6	428.6	6.9
Public Corps.	48.9	0.8	53.5	0.9
Private Financial	21.3	0.3	18.3	0.3
Prof. & Other Ser.	26.6	0.4	31.9	0.5
Personal	4,918.7	78.4	5,012.7	81.3
Miscellaneous	100.3	1.6	102.9	1.7
TOTAL	**6,274.9**	**100.0**	**6,169.0**	**100.0**

For the remaining private sector categories, net repayments were recorded for "miscellaneous" purposes, construction and professional & other services of $9.8 million, $2.2 million and $1.3 million, respectively, while smaller declines of less than $1.0 million were reported for transport, tourism and mining and quarrying. In contrast, gains were registered for distribution ($21.8 million), entertainment & catering ($3.1 million), manufacturing ($1.8 million), and fisheries ($1.0 million). Smaller increases of less than $1.0 million were noted for private financial institutions and agriculture.

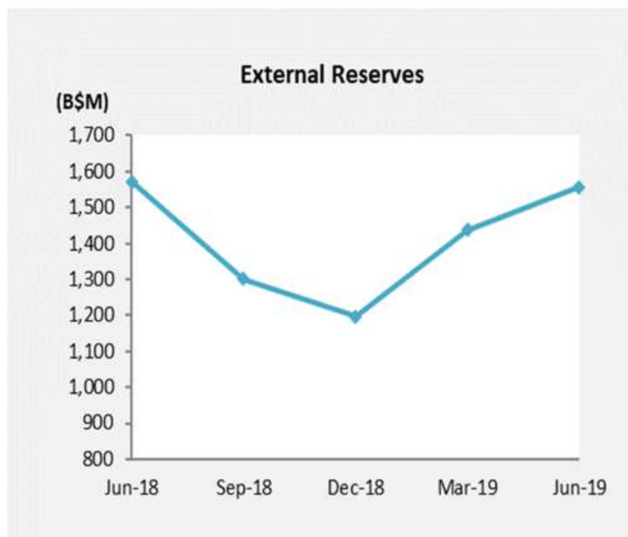
MORTGAGES

Data obtained from banks, insurance companies and the Bahamas Mortgage Corporation, showed that the total value of mortgages outstanding rose during the review quarter, by $7.7 million (0.3%) to $3,052.0 million; albeit lower than the prior year's $13.2 million (0.4%) gain. Underpinning this outturn, the commercial component grew by $7.6 million (4.3%) to $182.9 million, following a $7.9 million (4.5%) increase a year earlier. Further, the dominant residential component—which accounted for 94.0% of the total—stabilized at $2,869.1 million, after a slight $5.3 million (0.2%) gain registered in 2018. At end-June, domestic banks held the majority of outstanding mortgages (87.8%), followed by insurance companies (6.7%) and the Bahamas Mortgage Corporation (5.5%).

THE CENTRAL BANK

The Central Bank's net claims on the Government declined by $11.2 million (3.5%) to $304.2 million during the review quarter, following a $40.4 million (10.2%) reduction in the prior year. In particular, the marked reduction in loans and advances, overshadowed gains in holdings of debt securities. In contrast, the Bank's net liabilities to the rest of the public sector grew by $9.9 million (40.3%) to $34.5 million, vis-à-vis a $2.1 million (10.9%) decrease in 2018. Further, reflecting a net foreign inflows-led rise in deposits, the Bank's net liabilities to commercial banks increased by $68.4 million (6.6%) to $1,106.8 million, a turnaround from a $58.2 million (4.5%) falloff a year earlier.

Bolstered by net foreign currency inflows from the tourism sector, external reserves strengthened by $120.7 million (8.4%) to $1,557.6 million, vis-à-vis the previous year's $24.8 million (1.6%) contraction and an average gain of $51.0 million (5.9%) over the last five years. Underlying this development, the Bank's net foreign currency transactions reversed to a net purchase of $109.7 million, from a net sale of $29.5 million in 2018. Specifically, the net purchase from commercial banks rose by almost four-fold to $235.3 million. In contrast, the Bank's net sale to the Government advanced by $24.1 million to $44.2 million, while the net sale to public corporations—primarily for fuel purchases—increased by $9.7 million to $81.4 million.



At end-June, the stock of external reserves was equivalent to an estimated 24.8 weeks of the current year's merchandise imports (inclusive of oil purchases), relative to 23.2 weeks in the corresponding period of 2018 and an average of 17.5 weeks over the last five years. After adjusting for the 50% statutory requirement on the Central Bank's Bahamian dollar liabilities, "usable" reserves stood at $794.1 million, $26.5 million higher than in the previous year.

DOMESTIC BANKS

Total net foreign liabilities of domestic banks expanded by $43.5 million (91.0%), in contrast to a $61.0 million (27.7%) reduction in the prior year, when a reclassification in non-residents' deposits occurred.

The expansion in domestic banks' credit quickened to $120.4 million (1.4%), from $107.1 million (1.3%) in the previous period. In particular, reflecting gains in holdings of Treasury bills and long-term securities, accretions to net claims on the Government accelerated to $132.3 million (6.3%), from $113.7 million (5.9%) in the prior period. Further, private sector credit firmed by $3.8 million (0.1%), in contrast to a $41.6 million (0.7%) contraction in 2018. Conversely, credit to public corporations decreased by $15.8 million (3.4%), a turnaround from a $35.0 million (7.9%) expansion in the prior period.

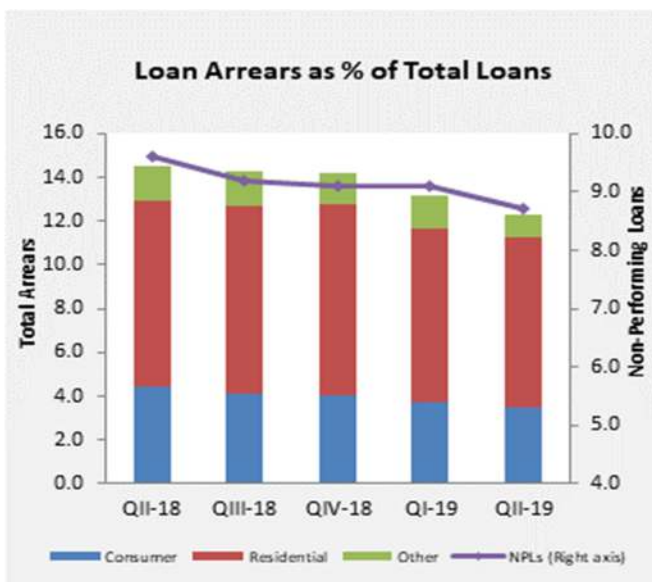
Banks' total deposit liabilities—inclusive of Government balances—expanded by $196.4 million (2.8%) to $7,299.1 million, outpacing the $96.4 million (1.4%) growth in the preceding year. In the underlying components, the expansion in private sector deposits accelerated to $199.5 million (3.1%), from $75.3 million (1.2%) a year earlier. In contrast, public corporations' balances fell by $1.6 million (0.3%), a reversal from a $32.0 million (8.8%) gain in the previous period. Similarly, Government's deposits declined modestly by $1.6 million (0.7%), after the prior year's $10.9 million (5.0%) reduction.

The majority of banks' deposit liabilities remained denominated in Bahamian dollars (94.4%), with US dollars and other "miscellaneous" currencies representing significantly smaller proportions of 5.5% and 0.1%, respectively. An analysis by holder, showed that private individuals held the largest share (48.9%) of the overall local currency accounts, followed by business firms (30.4%), the public sector (9.3%), private financial institutions (7.0%) and "other" miscellaneous entities (4.3%).

A breakdown of the deposit categories, showed that demand balances accounted for the largest share (40.8%) of accounts, followed by fixed (36.9%) and savings (22.3%) balances. Analyzed by range of value and number, the majority of accounts (88.0%), held Bahamian dollar balances of less than $10,000, but only constituted 6.2% of the total value. Accounts with balances between $10,000 and $50,000 comprised 8.0% of the total number and 10.9% of the overall value, while deposits in excess of $50,000 represented a mere 4.0% of the total, but a dominant 82.9% of the aggregate value.

Credit Quality

Banks' credit quality indicators improved during the review quarter, extending the positive trends noted in 2018 and over the past five years. This outturn reflected the modest improvement in the domestic economy, banks' enhanced collection efforts and ongoing debt restructuring activities. Specifically, total private sector loan arrears contracted by $51.2 million (6.9%) over the three-month period, and by $133.1 million (16.2%), year-on-year, to $691.2 million. The corresponding ratio of arrears to total private sector loans narrowed by 0.9 and 2.2 percentage points, on a quarterly and yearly basis, respectively, to 12.2%.



A breakdown by the average age of delinquencies, revealed that short-term (31-90 days) arrears, contracted by $32.9 million (14.2%) to $199.4 million during the second quarter, resulting in a 0.6 percentage point decrease in the attendant ratio to 3.5% of total private sector loans. Similarly, the non-performing segment—arrears in excess of 90 days and on which banks have ceased accruing interest—fell by $18.4 million (3.6%) to $491.8 million, with the relevant ratio narrowing by 34 basis points to 8.7% of total private sector loans.

The most significant decline in delinquencies was recorded for commercial arrears, which contracted by $27.3 million (32.4%) to $56.8 million, leading to a 3.6 percentage point falloff in the attendant ratio to 7.2%. Further, the consumer segment decreased by $12.8 million (6.2%) to $195.5 million, representing a 61 basis point softening in the relevant ratio to 8.9%. Similarly, the dominant mortgage segment—at 63.5% of the total—decreased by $11.2 million (2.5%) to $438.8 million, with the corresponding ratio narrowing by 37 basis points to 16.6% of total private sector loans.

CAPITAL ADEQUACY AND PROVISIONS

Banks' capital levels remained elevated during the second quarter. The ratio of capital to risk-weighted assets firmed by 6 basis points to 31.3%—well in excess of the Bank's regulatory prescribed target and trigger ratios of 17.0% and 14.0%, respectively. Banks also reduced their total provisions for loan losses by $15.0 million (3.4%) to $425.5 million during the review quarter. However, due to the sharp reduction in arrears, the ratio of provisions to total arrears rose by 2.2 percentage points to 61.6%, while the corresponding non-performing loan ratio firmed by 20 basis points to 86.5%. Banks also wrote-off an estimated $32.1 million in delinquencies and recovered by approximately $11.4 million during the review quarter.

BANK PROFITABILITY

During the first quarter of 2019—the latest available data—banks' overall profitability grew by $30.3 million (56.6%) to $83.9 million, due to reduced charges for depreciation and bad debt provisions.

In particular, the net interest margin decreased by $3.2 million (2.5%) to $128.8 million, as the 3.2% falloff in interest income to $141.5 million, exceeded the 10.3% decline in interest expense to $12.7 million. In addition, income from commissions and foreign exchange fees edged-down by 0.6% to $7.2 million, contributing to a 2.4% reduction in the gross earnings margin to $136.0 million.

In addition, core operating outlays increased marginally by 0.7% to $92.9 million, on account of a 2.0% gain in most non-staff related expenses—inclusive of professional and rental expenses—to $46.5 million, and a 1.4% rise in staff-related expenses to $40.0 million. In contrast, occupancy expenditures fell by 11.3% to $6.4 million.

However, income from "non-core" activities increased markedly to $40.8 million from $6.5 million. This corresponded to a sharp reduction in bad debt expense (reduced loan loss provisions), by 94.9% ($24.3 million), alongside a 21.6% decrease in depreciation costs and a 25.9% rise in 'other", non-fee based income.

An analysis of banks' profitability ratios as a percentage of average assets, showed that the gross earnings margin narrowed by 2 basis points to 5.37%, owing primarily to a 2 basis point reduction in the interest margin to 5.09%, while the commission and foreign exchange ratio steadied at 0.28%. In addition, the operating cost ratio firmed by 10 basis points to 3.67%, while the net earnings margin fell by 12 basis points to 1.70%. After accounting for reductions in provisioning for bad debts and depreciation costs, the net income ratio firmed by 1.2 percentage points to 3.32%.

INTEREST RATES

During the second quarter, commercial banks' weighted average interest rate spread widened by 78 basis points to 10.33%. This outturn was explained by a 61 basis point increase in the weighted mean lending rate to 10.89%, and a 17 basis point reduction in the weighted average deposit rate to 0.56%.

In light of the robust liquidity levels in the banking sector, the average savings rate declined by 19 basis points to 0.35%. In contrast, the rate offered on demand deposits rose by 9 basis points to 0.40%, while the average range of interest earned on fixed deposits widened to 0.34% - 0.91% from 0.47% - 0.88% in the previous quarter.

With regard to lending, the average rate for consumer loans and overdrafts firmed by 54 and 44 basis points, to 13.18% and 10.32%, respectively, while the rate for residential mortgages increased by 11 basis points to 5.29%. In contrast, the average rate for commercial mortgages narrowed by 43 basis points to 6.32%.

In other interest rate developments, the average 90-day Treasury bill rate moved higher by 12 basis points to 1.64%. In addition, the Central Bank's Discount rate and commercial banks' Prime rate remained at 4.00% and 4.25%, respectively.

Banking Sector Interest Rates

Period Average (%)

	Qtr. II 2018	Qtr. I 2019	Qtr. II 2019
Deposit Rates			
Demand Deposits	0.28	0.31	0.40
Savings Deposits	0.67	0.54	0.35
Fixed Deposits			
Up to 3 months	0.56	0.47	0.34
Up to 6 months	0.58	0.77	0.57
Up to 12 months	1.07	0.85	0.68
Over 12 months	1.52	0.88	0.91
Weighted Avg. Dep. Rate	**0.82**	**0.73**	**0.56**
Lending Rates			
Residential mortgages	5.46	5.18	5.29
Commercial mortgages	6.74	6.75	6.32
Consumer loans	13.49	12.64	13.18
Other Local Loans	6.41	10.89	9.95
Overdrafts	10.04	9.88	10.32
Weighted Avg. Loan Rate	**11.25**	**10.28**	**10.89**

CAPITAL MARKET DEVELOPMENTS

Domestic capital market developments were modestly positive during the review quarter, reflecting in part the improvement in economic conditions. Specifically, the volume of shares traded on the Bahamas International Securities Exchange (BISX) rose by 79.4%, year-on-year, to 2,183,140, vis-à-vis the prior year's 54.1% reduction, reflecting one-off block trades by two companies. Similarly, the aggregate value of the shares traded increased by 37.1% to $12.1 million, a reversal from a 33.9% contraction a year-earlier.

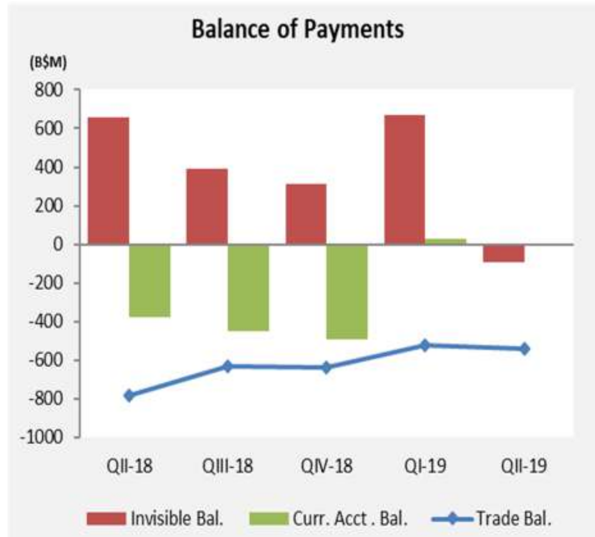
With regard to other key market indicators, the BISX All Share Index moved higher by 1.9% to 2,160.46 points, extending the 0.5% gain recorded in the previous year. Similarly, total market capitalization firmed by 1.9% to $5.4 billion at end-June, versus a 0.6% increase in the prior year.

As at end-June, the number of publicly traded securities listed on the exchange held steady at 45, and consisted of 19 ordinary shares, 13 preference shares and 13 debt tranches.

INTERNATIONAL TRADE AND PAYMENTS

Provisional estimates for the second quarter of 2019, showed a significant decrease in the current account deficit to a mere $5.1 million, from $377.7 million a year earlier. This outturn reflected a reduction in the merchandise trade deficit, combined with an expansion in the services account surplus and lower net income outflows. In contrast, the capital and financial account surplus narrowed to $162.6 million, from $308.9 million in the previous year, as the contraction in net direct investment inflows, outstripped the growth in net receipts from debt financed investments.

The estimated merchandise trade deficit declined significantly by $243.4 million (31.1%) to $538.5 million, attributed to a $36.7 million (17.1%) rise in exports, to $251.4 million, alongside a $206.7 million (20.7%) falloff in imports to $789.9 million. In terms of the components, net non-oil merchandise imports decreased markedly by $211.0 million (34.6%) to $398.6 million, while timing-related factors led to fuel purchases contracting by $38.8 million (16.3%) to $199.6 million. A further breakdown of the components, showed that the average cost per barrel for jet fuel contracted by 19.3% to $70.63; gas oil, by 12.3% to $71.30 and propane gas, by 5.3% to $50.21. In contrast, the average prices for both motor and aviation gases, rose by 43.5% to $91.86 per barrel, and by 35.2% to $168.56 per barrel, respectively.



The estimated surplus on the services account grew by $76.6 million (11.7%) to $733.5 million. Contributing to this development, net travel (tourism) receipts—the dominant component—expanded by $128.0 million (15.1%) to $976.5 million. Further, net payments for transportation services decreased by $18.3 million (16.2%) to $94.3 million, as disbursements for air & sea freight services declined, while port & airport charges recorded a modest net inflow. In addition, net payments for insurance services and royalty & license fees softened by $4.1 million (10.9%) and $0.2 million (8.8%), to $33.8 million and $2.5 million, respectively. Further, offshore companies' net local expenses, edged-up by $1.1 million (2.2%) to $52.3 million. In a partial offset, net outflows for other, unclassified services, rose by $47.2 million (56.3%) to $131.2 million. In addition, net payments for Government services increased to $22.6 million, from a mere $1.8 million in the prior year, owing primarily to a timing-related gain in disbursements for resident Government operations. Further, construction service outflows advanced by $7.2 million to $10.9 million.

The estimated deficit on the income account narrowed by $43.6 million (17.9%), to $200.4 million, on account of a $55.1 million (22.8%) reduction in net investment income outflows to $186.1 million. Specifically, private companies' net interest and dividend payments decreased by $49.1 million (26.2%) to $138.7 million. The corresponding remittances by both commercial banks and non-bank entities, fell by $29.1 million (37.0%) and by $20.0 million (18.3%), to $49.6 million and $89.2 million, respectively. In addition, net payments for official transactions declined by $5.9 million (11.1%) to $47.4 million, owing to a falloff in Government's expenses on external debt. In contrast, net labour income remittances increased by $11.5 million to $14.3 million.

Current transfers reversed to a slight net receipt of $0.3 million, from a net outflow of $8.7 million in the prior year. Underpinning this outturn was a $16.2 million (33.5%) reduction in net private sector payments, to $32.3 million, as workers' net remittances decreased by $18.6 million (40.9%), to $26.9 million, overshadowing the $2.4 million rise in other net private outflows, to $5.4 million. In contrast, Government's net transfer receipts fell by $7.2 million (18.1%), to $32.6 million.

The contraction in the capital and financial account surplus reflected largely a marked falloff in net direct investment inflows, by $211.1 million to $84.1 million. In particular, timing-related factors led to net equity financing inflows decreasing sharply to $21.6 million, from $223.8 million a year ago, when a major hotel engaged in refinancing activities. Also constraining the outcome, net receipts from land sales decreased by

$8.9 million to $62.5 million; and net outflows for portfolio investments by residents, edged-up by $0.2 million to $2.0 million, while migrants' net transfers abroad rose by $4.3 million to $6.6 million.

In contrast, debt-financed inflows expanded to $87.0 million, from $17.8 million a year earlier. Domestic banks' short-term transactions shifted to a $43.5 million net receipt, from a net outflow of $61.0 million in the prior year. This cushioned the $34.6 million reduction in net private loan financing inflows to $54.6 million, and slight firming in the public sector's net debt repayment, by $0.7 million to $11.0 million.

As a result of these developments, and after making adjustments for net errors and omissions, the overall balance, which corresponds to the change in the Central Bank's external reserves, registered a surplus of $120.7 million, a turnaround from a deficit of $24.9 million recorded in the second quarter of 2018.

INTERNATIONAL ECONOMIC DEVELOPMENTS

Despite the challenges posed by the unfolding trade disputes between the United States and its major trading partners, along with concerns regarding the potential impact of a disorderly "BREXIT" by the United Kingdom, the global economy maintained its modestly positive growth trajectory during the second quarter. In this environment, labour market conditions continued to improve modestly, while inflationary pressures remained mild. Given the subdued global growth, the developed countries' Central Banks retained their accommodative monetary policy stance, in an effort to encourage further economic expansion.

Most of the major global economies recorded positive growth rates, albeit a slowdown in comparison to the first quarter of 2019. Specifically, in the United States, the expansion in real GDP slowed to 2.1% from 3.1% in the prior three-month period, amid reductions in inventory investment, exports and residential fixed investments. Similar trends were reported for the United Kingdom, as real output growth softened by 20 basis points to 0.2% in the second quarter, largely attributed to declines in the production and construction industries, which offset gains in the services sector. Further the euro area's real GDP growth tapered to 0.2% from 0.4% in the preceding period, owing mainly to a decline in German output—the region's largest economy. In Asia, Japan's annualized growth rate narrowed by 40 basis points to 1.8%, reflecting reductions in net exports, capital expenditure and Government spending. In addition, the expansion in China's real output softened to 6.2% from 6.4% in the first quarter—the lowest rate recorded in over 27 years—due in part to the implementation on new trade tariffs by the United States.

In line with the positive growth rates in the major economies, labour market conditions generally improved over the review period. Specifically, the jobless rate in the United States narrowed by 30 basis points to 3.6% in the second quarter, as an estimated 562,000 jobs were added, primarily in the professional and business service sectors. Asian economies also recorded employment gains, with rates in both China and Japan decreasing by 20 and 10 basis points, to 5.0% and 2.4%, respectively, vis-à-vis the previous quarter. Further, the unemployment rate in the euro area fell by 10 basis points to 7.6%, with Germany registering one of the lowest rates among member states, at 3.1%. Conversely, the United Kingdom's jobless rate rose by 10 basis points to 3.9%, as the uncertainty surrounding Brexit negotiations and the country's leadership persisted.

Inflation in the major markets remained relatively subdued during the second quarter. In particular, the growth in average consumer prices in United States slowed by 30 basis points to an annualized 1.6%, relative to the first three months of the year, owing mainly to lower energy costs. Further, the euro area's annualized inflation rate narrowed by 10 basis points to 1.3%, led by declines in energy prices. In contrast, reflecting increases in the costs of clothing and food, the United Kingdom's inflation rate rose by 20 basis points to 2.0%. Developments in Asia were mixed, as inflation in China quickened by 30 basis points to 2.6%, amid higher food prices, while Japan's inflation rate stabilized at 0.8%.

Despite the improvement in the economy, concerns about the potential adverse effects of ongoing trade disputes, led to the US dollar depreciating against most of the major currencies during the second quarter. Specifically, the dollar weakened relative to both the Japanese Yen and the Canadian dollar, by 2.8% and 1.9% to ¥107.89 and CAD$1.31, respectively. Similarly, the dollar fell vis-à-vis the Swiss Franc, by 1.9% to CHF0.98 and the euro, by 1.3% to €0.89. Conversely, the dollar appreciated versus the British Pound (by 2.7% to £0.79) and the Chinese Yuan (by 2.3% to CNY6.87).

Most of the major equity markets reported broad-based gains during the review quarter, reflecting mainly domestic factors. Specifically, in the United States, the S&P 500 index rose by 3.8% and the Dow Jones Industrial Average (DJIA) increased by 2.6%. Similarly, the European bourses advanced, with the German DAX rising by 7.8%, while France's CAC 40 and the United Kingdom's FTSE100 firmed by 3.5% and 2.0%, respectively. In contrast, the performance of the Asian bourses varied, as Japan's Nikkei 225 edged-up by 0.3%, while China's SE Composite declined by 3.6% during the quarter, due in part to the trade tensions and potential economic slowdowns.

Reflecting a rise in US shale oil production and the uncertainty surrounding global oil demand, average crude oil prices declined modestly by 2.4% over the three-month period to $64.45 per barrel at end-June. In contrast, international trade tensions contributed to an increase in the demand for relatively "safe" assets. As a consequence, both gold and silver costs grew by 9.1% and 1.3% to $1,409.45 and $14.95 per troy ounce, respectively.

External developments were mixed during the review quarter. In the United States, the deficit on goods and services widened by $3.8 billion (7.6%) to $53.9 billion over the prior quarter, as weaker foreign demand for US goods and services contributed to a 0.9% decrease in exports, while imports rose by 0.7%. In contrast, the euro area's trade surplus expanded by 41.4% to €59.3 billion during the second quarter, attributed to a 2.4% increase in exports, which offset the 60.8% falloff in imports. Further, the United Kingdom's trade deficit narrowed sharply by £16.0 billion to £4.3 billion, owing primarily to a decline in goods imports. In Asia, China's trade surplus grew at a slower pace of $30.6 billion (40.3%) to $106.5 billion in the review quarter, owing mainly to the imposition of higher US trade tariffs on US$200 billion of Chinese goods. Further, Japan's trade deficit narrowed to ¥327.0 billion in second quarter, from ¥563.5 billion in prior three-month period, as the decline in imports outpaced the falloff in in exports.

Amid concerns over the US-China trade relations and signs of slowing global growth, most of the major central banks maintained their accommodative monetary policy stances during the second quarter. Specifically, the United States' Federal Reserve retained its target federal funds rate in the 2.25%-2.50% range. Similarly, the European Central Bank's refinancing rate remained unchanged at 0.0%, while the Bank of England kept its benchmark interest rate at 0.75%, and sustained its £435.0 billion asset purchase programme. In Asia, the Bank of Japan maintained its policy rate at -0.1%, while the People's Bank of China left its key policy rate, the 7-day reverse repo rate, at 2.55% and kept its reserve requirements unchanged at 13.5% and 11.5%, for large and small institutions, respectively.

STATISTICAL APPENDIX (TABLES 1-16)

TABLE 1
FINANCIAL SURVEY

Period	2015	2016	2017	2018 Mar.	2018 Jun.	2018 Sept.	2018 Dec.	2019 Mar.	2019 Jun.
(B$ Millions)									
Net foreign assets	280.2	678.5	1,152.5	1,376.7	1,412.9	1,274.4	1,071.4	1,387.8	1,464.5
Central Bank	811.9	904.0	1,417.4	1,596.9	1,572.1	1,300.7	1,195.6	1,435.6	1,555.7
Domestic Banks	(531.7)	(225.4)	(265.0)	(220.2)	(159.2)	(26.3)	(124.2)	(47.8)	(91.3)
Net domestic assets	6,093.7	6,251.4	5,884.6	5,766.5	5,846.0	5,945.5	6,037.1	5,827.8	5,964.7
Domestic credit	8,966.2	9,128.4	8,838.3	8,730.9	8,797.5	8,847.5	8,911.2	8,734.4	8,843.5
Public sector	2,666.4	2,957.6	2,855.5	2,767.6	2,875.7	2,976.1	3,025.0	2,891.8	2,997.1
Government (net)	2,198.0	2,551.4	2,383.0	2,318.6	2,391.9	2,490.9	2,539.3	2,415.1	2,536.3
Rest of public sector	468.4	406.3	472.5	449.1	483.9	485.2	485.8	476.6	460.8
Private sector	6,299.7	6,170.8	5,982.9	5,963.3	5,921.7	5,871.4	5,886.2	5,842.7	5,846.4
Other items (net)	(2,872.4)	(2,877.0)	(2,953.7)	(2,964.4)	(2,951.5)	(2,902.0)	(2,874.1)	(2,906.6)	(2,878.8)
Monetary liabilities	6,373.8	6,930.1	7,037.3	7,145.4	7,260.5	7,220.3	7,108.8	7,215.9	7,429.4
Money	2,071.2	2,460.6	2,654.0	2,753.6	2,773.3	2,711.2	2,728.2	2,757.1	3,003.6
Currency	246.6	280.5	292.6	302.0	312.1	306.9	310.4	316.0	321.7
Demand deposits	1,824.7	2,180.1	2,361.5	2,451.7	2,461.2	2,404.3	2,417.7	2,441.1	2,681.9
Quasi-money	4,302.6	4,469.5	4,383.3	4,391.8	4,487.2	4,509.1	4,380.7	4,458.9	4,425.8
Fixed deposits	2,966.5	2,866.3	2,737.9	2,710.3	2,647.8	2,585.7	2,552.0	2,526.9	2,486.8
Savings deposits	1,148.3	1,295.6	1,371.2	1,395.3	1,431.6	1,423.3	1,427.1	1,476.6	1,536.3
Foreign currency	187.8	307.6	274.1	286.1	407.8	500.1	401.5	455.3	402.7
(percentage changes)									
Total domestic credit	1.1	1.8	(3.2)	(1.2)	0.8	0.6	0.7	(2.0)	1.2
Public sector	6.5	10.9	(3.5)	(3.1)	3.9	3.5	1.6	(4.4)	3.6
Government (net)	8.6	16.1	(6.6)	(2.7)	3.2	4.1	1.9	(4.9)	5.0
Rest of public sector	(2.4)	(13.3)	16.3	(4.9)	7.7	0.3	0.1	(1.9)	(3.3)
Private sector	(1.1)	(2.0)	(3.0)	(0.3)	(0.7)	(0.8)	0.3	(0.7)	0.1
Monetary liabilities	(0.3)	8.7	1.5	1.5	1.6	(0.6)	(1.5)	1.5	3.0
Money	3.8	18.8	7.9	3.8	0.7	(2.2)	0.6	1.1	8.9
Currency	5.8	13.7	4.3	3.2	3.3	(1.6)	1.1	1.8	1.8
Demand deposits	3.5	19.5	8.3	3.8	0.4	(2.3)	0.6	1.0	9.9
Quasi-money	(2.1)	3.9	(1.9)	0.2	2.2	0.5	(2.8)	1.8	(0.7)

Source: Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

Period	2015	2016	2017	2018				2019	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
				(B$ Millions)					
Net foreign assets	360.1	730.5	1,218.0	1,450.2	1,511.4	1,335.3	1,127.5	1,463.7	1,541.9
Central Bank	811.9	904.0	1,417.4	1,596.9	1,572.1	1,300.7	1,195.6	1,435.6	1,555.7
Commercial banks	(451.8)	(173.5)	(199.5)	(146.7)	(60.7)	34.6	(68.1)	28.0	(13.8)
Net domestic assets	5,956.8	6,131.5	5,742.1	5,631.7	5,654.3	5,792.6	5,910.7	5,690.6	5,815.5
Domestic credit	8,926.2	9,097.0	8,808.7	8,697.6	8,767.2	8,816.7	8,866.4	8,684.1	8,785.9
Public sector	2,653.2	2,941.4	2,841.7	2,753.0	2,863.5	2,961.4	3,009.1	2,875.5	2,972.1
Government (net)	2,187.2	2,535.5	2,369.6	2,304.3	2,380.0	2,476.5	2,523.7	2,399.3	2,511.3
Rest of public sector	466.0	405.9	472.1	448.7	483.5	484.8	485.4	476.3	460.8
Private sector	6,273.0	6,155.6	5,967.0	5,944.6	5,903.7	5,855.3	5,857.2	5,808.5	5,813.9
Other items (net)	(2,969.4)	(2,965.5)	(3,066.6)	(3,065.9)	(3,112.9)	(3,024.1)	(2,955.7)	(2,993.5)	(2,970.4)
Monetary liabilities	6,316.8	6,862.1	6,960.3	7,084.1	7,167.3	7,128.3	7,038.4	7,154.5	7,357.7
Money	2,024.9	2,406.8	2,591.4	2,705.9	2,693.8	2,632.4	2,671.3	2,706.8	2,942.8
Currency	246.6	280.5	292.6	302.0	312.1	307.0	310.5	316.0	321.7
Demand deposits	1,778.3	2,126.4	2,298.8	2,403.9	2,381.7	2,325.4	2,360.8	2,390.8	2,621.1
Quasi-money	4,291.9	4,455.3	4,368.8	4,378.3	4,473.6	4,495.9	4,367.2	4,447.7	4,414.9
Savings deposits	1,148.3	1,295.0	1,371.2	1,395.3	1,431.6	1,423.3	1,427.1	1,476.6	1,536.3
Fixed deposits	2,955.9	2,854.8	2,725.8	2,699.1	2,636.5	2,574.6	2,540.6	2,516.3	2,476.4
Foreign currency deposits	187.8	305.5	271.9	283.8	405.5	498.0	399.4	454.8	402.2
				(percentage change)					
Total domestic credit	1.0	1.9	(3.2)	(1.3)	0.8	0.6	0.6	(2.1)	1.2
Public sector	6.4	10.9	(3.4)	(3.1)	4.0	3.4	1.6	(4.4)	3.4
Government (net)	8.6	15.9	(6.5)	(2.8)	3.3	4.1	1.9	(4.9)	4.7
Rest of public sector	(2.8)	(12.9)	16.3	(4.9)	7.7	0.3	0.1	(1.9)	(3.3)
Private sector	(1.1)	(1.9)	(3.1)	(0.4)	(0.7)	(0.8)	0.0	(0.8)	0.1
Monetary liabilities	(0.3)	8.6	1.4	1.8	1.2	(0.5)	(1.3)	1.6	2.8
Money	3.6	18.9	7.7	4.4	(0.4)	(2.3)	1.5	1.3	8.7
Currency	5.9	13.7	4.3	3.2	3.3	(1.6)	1.1	1.8	1.8
Demand deposits	3.3	19.6	8.1	4.6	(0.9)	(2.4)	1.5	1.3	9.6
Quasi-money	(2.0)	3.8	(1.9)	0.2	2.2	0.5	(2.9)	1.8	(0.7)

Source: Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B$ Millions)

Period	2015	2016	2017	2018				2019	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Net foreign assets	811.9	904.0	1,417.4	1,596.9	1,572.1	1,300.7	1,196.3	1,436.9	1,557.6
Balances with banks abroad	206.6	254.8	698.5	783.9	740.0	422.7	375.8	612.2	722.8
Foreign securities	521.7	550.5	614.7	681.8	705.3	727.5	670.5	675.1	685.1
Reserve position in the Fund	8.7	25.9	27.5	28.0	27.1	26.9	26.8	26.8	26.8
SDR holdings	75.0	72.7	76.8	103.2	99.7	123.6	123.2	122.9	123.0
Net domestic assets	340.6	555.3	209.6	190.8	161.6	181.4	228.4	95.5	49.1
Net claims on Government	493.7	716.6	390.1	395.4	355.0	403.0	503.6	315.4	304.2
Claims	523.1	731.9	417.0	415.4	380.0	424.6	525.1	377.8	355.7
Treasury bills	126.6	223.9	7.2	-	(0.0)	54.9	155.7	68.3	77.5
Bahamas registered stock	261.1	372.6	274.5	279.8	244.3	248.7	249.0	239.7	263.1
Loans and advances	135.4	135.4	135.4	135.5	135.7	120.9	120.4	69.8	15.2
Deposits	(29.4)	(15.3)	(26.9)	(19.9)	(24.9)	(21.6)	(21.6)	(62.4)	(51.5)
In local currency	(29.4)	(15.3)	(26.9)	(19.9)	(24.9)	(21.6)	(21.6)	(62.4)	(51.5)
In foreign currency	-	-	-	-	-	-	-	-	-
Deposits of rest of public sector	(17.3)	(12.6)	(17.2)	(27.5)	(25.2)	(37.4)	(74.6)	(31.9)	(41.7)
Credit to commercial banks	-	-	-	-	-	-	-	-	-
Official capital and surplus	(163.7)	(173.1)	(185.1)	(183.7)	(185.3)	(185.7)	(208.0)	(208.1)	(208.0)
Net unclassified assets	19.0	15.4	13.8	(1.5)	9.3	(6.3)	(0.2)	12.8	(12.5)
Loans to rest of public sector	3.7	3.6	2.8	2.8	2.6	2.6	2.5	2.5	2.4
Public Corp Bonds/Securities	5.2	5.3	5.2	5.2	5.2	5.2	5.2	4.7	4.8
Liabilities To Domestic Banks	(733.5)	(1,011.4)	(1,157.0)	(1,304.6)	(1,246.4)	(1,001.3)	(940.9)	(1,043.3)	(1,111.8)
Notes and coins	(142.4)	(145.1)	(145.8)	(101.2)	(95.7)	(99.9)	(149.3)	(101.0)	(111.1)
Deposits	(591.1)	(866.3)	(1,011.2)	(1,203.4)	(1,150.7)	(901.4)	(791.7)	(942.4)	(1,000.7)
SDR allocation	(172.4)	(167.3)	(177.4)	(181.1)	(175.3)	(173.9)	(173.3)	(173.0)	(173.3)
Currency held by the private sector	(246.6)	(280.5)	(292.6)	(302.0)	(312.1)	(306.9)	(310.4)	(316.0)	(321.7)

Source: Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

(B$ Millions)

Period	2015	2016	2017	2018				2019	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Net foreign assets	(531.7)	(225.4)	(265.0)	(220.2)	(159.2)	(26.3)	(124.2)	(47.8)	(91.3)
Net claims on Central Bank	730.0	1,012.4	1,158.0	1,305.5	1,247.3	1,002.2	941.9	1,044.3	1,112.7
Notes and Coins	142.4	145.1	145.8	101.2	95.7	99.9	149.3	101.0	111.1
Balances	587.5	867.3	1,012.2	1,204.3	1,151.6	902.3	792.6	943.3	1,001.6
Less Central Bank credit	-	-	-	-	-	-	-	-	-
Net domestic assets	5,569.8	5,483.7	5,483.6	5,366.3	5,438.9	5,421.4	5,482.2	5,423.0	5,597.6
Net claims on Government	1,704.4	1,834.8	1,992.9	1,923.1	2,036.8	2,088.0	2,035.7	2,099.7	2,232.1
Treasury bills	662.6	531.9	611.4	620.0	720.5	736.9	669.8	773.1	822.3
Other securities	895.4	987.1	1,137.7	1,105.2	1,095.9	1,058.7	990.9	988.3	1,033.1
Loans and advances	416.8	502.7	442.2	417.1	428.6	489.2	564.4	573.0	609.7
Less: deposits	270.5	186.9	198.5	219.1	208.2	196.8	189.4	234.6	233.0
Net claims on rest of public sector	117.6	31.0	113.6	76.9	79.8	(1.4)	54.2	20.8	6.6
Securities	221.0	163.9	262.6	243.6	231.6	229.5	229.5	228.0	227.6
Loans and advances	238.4	233.5	201.9	197.6	244.5	247.8	248.6	241.4	226.0
Less: deposits	341.8	366.4	350.8	364.3	396.2	478.7	423.9	448.6	447.1
Other net claims	43.9	(2.9)	(2.6)	(5.0)	(1.8)	5.5	(1.0)	1.3	(0.2)
Credit to the private sector	6,299.7	6,170.8	5,982.9	5,963.3	5,921.7	5,871.4	5,886.2	5,842.7	5,846.4
Securities	24.4	19.6	19.1	23.0	21.5	21.5	32.3	30.5	30.5
Mortgages	3,164.7	3,035.5	2,949.5	2,946.6	2,942.8	2,927.5	2,935.3	2,936.2	2,928.1
Loans and advances	3,110.7	3,115.7	3,014.3	2,993.6	2,957.4	2,922.4	2,918.5	2,875.9	2,887.9
Private capital and surplus	(2,651.2)	(2,594.4)	(2,699.3)	(2,684.1)	(2,647.5)	(2,647.4)	(2,642.6)	(2,607.6)	(2,543.3)
Net unclassified assets	55.5	44.5	96.2	92.3	49.8	105.2	149.9	66.1	56.0
Liabilities to private sector	5,768.1	6,270.7	6,376.6	6,451.7	6,527.0	6,397.3	6,299.9	6,419.5	6,619.0
Demand deposits	1,868.3	2,287.4	2,420.1	2,495.1	2,580.4	2,521.8	2,503.6	2,570.8	2,731.6
Savings deposits	1,162.0	1,315.0	1,390.4	1,416.6	1,467.1	1,453.9	1,454.3	1,506.8	1,568.3
Fixed deposits	2,737.8	2,668.3	2,566.1	2,540.0	2,479.5	2,421.6	2,342.0	2,341.8	2,319.2

Source: Central Bank of The Bahamas

TABLE 5

PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

Period	2016	2017	2018	2017				2018				2019
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
1. Interest Income	615,104	590,158	587,462	148,243	146,844	154,093	140,978	146,250	142,891	154,093	144,228	141,520
2. Interest Expense	78,359	66,322	55,517	18,688	16,236	16,146	15,252	14,159	15,693	13,537	12,128	12,698
3. **Interest Margin (1-2)**	536,745	523,836	525,052	129,555	130,608	137,947	125,726	132,091	127,198	133,663	132,100	128,822
4. Commission & Forex Income	24,842	28,537	29,445	7,417	6,993	6,854	7,273	7,192	7,499	7,193	7,561	7,150
5. **Gross Earnings Margin (3+4)**	561,587	552,373	554,497	136,972	137,601	144,801	132,999	139,283	134,697	140,856	139,661	135,972
6. Staff Costs	164,891	160,472	157,021	40,170	39,764	37,717	42,821	39,427	39,830	37,825	39,939	39,990
7. Occupancy Costs	28,502	26,068	27,725	6,549	6,756	6,824	5,939	7,174	6,810	7,146	6,595	6,365
8. Other Operating Costs	165,985	190,618	183,609	49,797	42,378	46,814	51,629	45,638	46,781	43,076	48,114	46,534
9. **Operating Costs (6+7+8)**	359,378	377,158	368,355	96,516	88,898	91,355	100,389	92,239	93,421	88,047	94,648	92,889
10. **Net Earnings Margin (5-9)**	202,209	175,215	186,142	40,456	48,703	53,446	32,610	47,044	41,276	52,809	45,013	43,083
11. Depreciation Costs	15,099	15,892	12,774	3,985	3,710	3,943	4,254	3,407	3,061	3,129	3,177	2,671
12. Provisions for Bad Debt	116,128	113,131	96,701	22,425	51,302	22,236	17,168	25,641	28,480	13,997	28,583	1,318
13. Other Income	133,175	136,036	152,789	30,470	37,649	30,781	37,136	35,567	37,566	35,379	44,277	44,785
14. **Other Income (Net) (13-11-12)**	1,948	7,013	47,490	4,060	(17,363)	4,602	15,714	6,519	6,025	22,429	12,517	40,796
15. **Net Income (10+14)**	204,157	182,228	233,632	44,516	31,340	58,048	48,324	53,563	47,301	75,238	57,530	83,879
16. **Effective Interest Rate Spread (%)**	7.23	7.11	7.10	6.96	7.04	7.20	7.24	7.12	7.28	7.20	6.80	6.68
				(Ratios To Average Assets)								
Interest Margin	5.33	5.13	5.13	5.14	5.14	5.34	4.89	5.11	4.96	5.22	5.23	5.09
Commission & Forex Income	0.25	0.28	0.29	0.29	0.28	0.27	0.28	0.28	0.29	0.28	0.30	0.28
Gross Earnings Margin	5.57	5.41	5.42	5.43	5.42	5.60	5.18	5.39	5.26	5.50	5.53	5.37
Operating Costs	3.57	3.69	3.60	3.83	3.50	3.54	3.91	3.57	3.65	3.44	3.75	3.67
Net Earnings Margin	2.01	1.72	1.82	1.61	1.92	2.07	1.27	1.82	1.61	2.06	1.78	1.70
Net Income/Loss	2.03	1.78	2.28	1.77	1.23	2.25	1.88	2.07	1.85	2.94	2.28	3.32

***Commercial Banks and OLFIs with domestic operations**

Source: Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

(B$ Millions)

End of Period	2015	2016	2017	2018				2019	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
Money Supply (M1)	2,071.2	2,460.6	2,654.0	2,753.6	2,773.3	2,711.2	2,728.2	2,757.1	3,003.6
1) Currency in active circulation	246.6	280.5	292.6	302.0	312.1	306.9	310.4	316.0	321.7
2) Demand deposits	1,824.7	2,180.1	2,361.5	2,451.7	2,461.2	2,404.3	2,417.7	2,441.1	2,681.9
Central Bank	17.3	12.6	17.2	27.5	25.2	37.4	74.6	31.9	41.7
Domestic Banks	1,807.3	2,167.6	2,344.2	2,424.2	2,436.0	2,366.9	2,343.1	2,409.2	2,640.2
Factors affecting money (M1)									
1) Net credit to Government	2,198.0	2,551.4	2,383.0	2,318.6	2,391.9	2,490.9	2,539.3	2,415.1	2,536.3
Central Bank	493.7	716.6	390.1	395.4	355.0	403.0	503.6	315.4	304.2
Domestic banks	1,704.4	1,834.8	1,992.9	1,923.1	2,036.8	2,088.0	2,035.7	2,099.7	2,232.1
2) Other credit	6,768.1	6,577.1	6,455.3	6,412.3	6,405.6	6,356.6	6,371.9	6,319.3	6,307.2
Rest of public sector	468.4	406.3	472.5	449.1	483.9	485.2	485.8	476.6	460.8
Private sector	6,299.7	6,170.8	5,982.9	5,963.3	5,921.7	5,871.4	5,886.2	5,842.7	5,846.4
3) External reserves	811.9	904.0	1,417.4	1,596.9	1,572.1	1,300.7	1,195.6	1,435.6	1,555.7
4) Other external liabilities (net)	(531.7)	(225.4)	(265.0)	(220.2)	(159.2)	(26.3)	(124.2)	(47.8)	(91.3)
5) Quasi money	4,302.6	4,469.5	4,383.3	4,391.8	4,487.2	4,509.1	4,380.7	4,458.9	4,425.8
6) Other items (net)	(2,872.4)	(2,877.0)	(2,953.7)	(2,964.4)	(2,951.5)	(2,902.0)	(2,874.1)	(2,906.6)	(2,878.8)

Source: Central Bank of The Bahamas

TABLE 7

CONSUMER INSTALMENT CREDIT

(B$'000)

End of Period	2015	2016	2017	2018				2019	
				Mar.	June	Sept	Dec.	Mar.	June
CREDIT OUTSTANDING									
Private cars	181,447	176,178	163,974	159,105	153,708	148,441	146,286	142,918	140,123
Taxis & rented cars	1,026	777	796	855	803	897	948	1,015	1,037
Commercial vehicles	1,498	1,050	1,208	1,158	1,124	1,062	1,036	1,042	1,209
Furnishings & domestic appliances	8,081	8,302	8,493	8,238	7,863	8,346	8,205	8,321	8,619
Travel	36,836	41,197	45,457	43,318	45,909	50,530	50,872	50,660	56,648
Education	41,117	52,245	53,065	50,684	47,491	48,261	43,067	40,660	39,001
Medical	12,471	12,824	12,025	12,752	12,857	12,626	12,773	12,857	12,487
Home Improvements	114,265	121,959	113,898	110,992	107,081	103,136	102,022	99,853	98,696
Land Purchases	193,163	169,847	152,771	149,817	145,587	141,858	139,093	137,993	136,346
Consolidation of debt	802,034	984,569	951,071	950,187	955,742	939,570	922,138	914,635	918,987
Miscellaneous	640,154	546,313	564,703	558,803	537,638	538,144	541,719	533,124	532,740
Credit Cards	249,164	256,166	254,852	247,113	243,617	246,201	249,069	240,706	240,892
TOTAL	2,281,256	2,371,427	2,322,313	2,293,022	2,259,420	2,239,072	2,217,228	2,183,784	2,186,785
NET CREDIT EXTENDED									
Private cars	(5,284)	(5,269)	(12,204)	(4,869)	(5,397)	(5,267)	(2,155)	(3,368)	(2,795)
Taxis & rented cars	173	(249)	19	59	(52)	94	51	67	22
Commercial vehicles	(460)	(448)	158	(50)	(34)	(62)	(26)	6	167
Furnishings & domestic appliances	170	221	191	(255)	(375)	483	(141)	116	298
Travel	6,803	4,361	4,260	(2,139)	2,591	4,621	342	(212)	5,988
Education	4,546	11,128	820	(2,381)	(3,193)	770	(5,194)	(2,407)	(1,659)
Medical	727	353	(799)	727	105	(231)	147	84	(370)
Home Improvements	(17,458)	7,694	(8,061)	(2,906)	(3,911)	(3,945)	(1,114)	(2,169)	(1,157)
Land Purchases	(23,597)	(23,316)	(17,076)	(2,954)	(4,230)	(3,729)	(2,765)	(1,100)	(1,647)
Consolidation of debt	24,230	182,535	(33,498)	(884)	5,555	(16,172)	(17,432)	(7,503)	4,352
Miscellaneous	15,080	(93,841)	18,390	(5,900)	(21,165)	506	3,575	(8,595)	(384)
Credit Cards	3,910	7,002	(1,314)	(7,739)	(3,496)	2,584	2,868	(8,363)	186
TOTAL	8,840	90,171	(49,114)	(29,291)	(33,602)	(20,348)	(21,844)	(33,444)	3,001

Source: Central Bank of The Bahamas

TABLE 8

SELECTED AVERAGE INTEREST RATES

%

Period	2015	2016	2017	2017 Qtr. I	2017 Qtr. II	2017 Qtr. III	2017 Qtr. IV	2018 Qtr. I	2018 Qtr. II	2018 Qtr. III	2018 Qtr. IV	2019 Qtr. I	2019 Qtr. II
DOMESTIC BANKS													
Deposit rates													
Demand deposits	0.30	0.28	0.27	0.26	0.25	0.29	0.26	0.25	0.28	0.25	0.29	0.31	0.40
Savings deposits	0.83	0.82	0.72	0.77	0.72	0.68	0.72	0.71	0.67	0.66	0.50	0.54	0.35
Fixed deposits													
Up to 3 months	1.14	0.97	0.78	0.80	0.68	0.74	0.88	0.67	0.56	0.59	0.58	0.47	0.34
Up to 6 months	1.09	0.99	0.64	0.65	0.66	0.63	0.62	0.62	0.58	0.53	0.74	0.77	0.57
Up to 12 months	1.71	1.58	1.21	1.27	1.32	1.11	1.14	0.94	1.07	1.06	0.79	0.85	0.68
Over 12 months	1.57	1.87	1.61	1.45	1.80	1.61	1.57	1.41	1.52	1.01	1.10	0.88	0.91
Weighted average rate	1.41	1.24	1.00	1.00	0.98	0.98	1.03	0.91	0.82	0.82	0.82	0.73	1.69
Lending rates													
Residential mortgages	6.48	6.22	5.76	6.14	6.00	5.41	5.50	5.50	5.46	5.35	5.33	5.18	5.29
Commercial mortgages	7.95	7.76	6.87	6.38	6.58	6.75	7.75	7.52	6.74	8.71	7.38	6.75	6.32
Consumer loans	14.26	14.03	13.61	13.60	13.82	13.36	13.64	13.58	13.49	13.53	13.35	12.64	13.18
Overdrafts	10.36	11.13	10.62	10.78	10.65	10.12	10.94	10.47	10.04	10.42	9.65	9.88	10.32
Weighted average rate	12.29	12.49	11.75	11.88	12.02	11.64	11.48	11.40	11.25	11.61	11.11	10.28	10.89
Other rates													
Prime rate*	4.75	4.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Treasury bill (90 days)	0.68	1.64	1.83	1.96	1.77	1.77	1.82	1.78	1.78	1.62	1.59	1.52	1.64
Treasury bill re-discount rate	1.18	2.14	2.33	2.46	2.27	2.27	2.32	2.28	2.28	2.12	2.09	2.08	2.14
Bank rate (discount rate)*	4.50	4.40	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00

Source: Central Bank of The Bahamas
***Reflects end of period rates.**

TABLE 9

SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS

(%)

Period	2014R	2015R	2016R	2017R		2018 R				2019	
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. I
Loan Portfolio											
Current Loans (as a % of total loans)	**78.6**	**79.7**	**82.2**	**84.2**	**85.1**	**84.9**	**85.6**	**85.7**	**85.7**	**86.8**	**87.8**
Arrears (% by loan type)											
Consumer	5.5	5.0	4.7	4.6	4.4	4.4	4.4	4.1	4.0	3.7	3.5
Mortgage	11.6	11.6	9.0	9.1	8.8	9.0	8.5	8.6	8.8	8.0	7.8
Commercial	4.4	3.7	4.0	2.1	1.6	1.7	1.6	1.6	1.4	1.5	1.0
Total Arrears	**21.4**	**20.3**	**17.8**	**15.8**	**14.9**	**15.1**	**14.4**	**14.3**	**14.3**	**13.2**	**12.2**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Loan Portfolio											
Current Loans (as a % of total loans)	**78.6**	**79.7**	**82.2**	**84.2**	**85.1**	**84.9**	**85.6**	**85.7**	**85.7**	**86.8**	**87.8**
Arrears (% by days outstanding)											
30 - 60 days	3.1	3.3	3.2	3.6	3.1	3.7	3.0	3.0	3.3	2.7	2.3
61 - 90 days	2.1	2.0	1.9	1.9	1.9	1.5	1.8	2.0	1.9	1.4	1.2
90 - 179 days	2.1	1.7	1.7	1.8	1.7	1.6	1.4	1.4	1.4	1.2	1.2
over 180 days	14.0	13.4	10.9	8.6	8.3	8.3	8.1	7.8	7.7	7.8	7.5
Total Arrears	**21.4**	**20.3**	**17.8**	**15.8**	**14.9**	**15.1**	**14.4**	**14.3**	**14.3**	**13.2**	**12.2**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Non Accrual Loans (% by loan type)											
Consumer	23.6	22.2	23.6	26.4	27.8	28.0	28.3	27.4	25.8	26.7	25.5
Mortgage	53.8	57.4	50.3	59.5	60.8	60.2	60.5	61.7	65	63.2	64.6
Other Private	22.6	20.4	26.1	14.2	11.4	11.8	11.3	10.9	9.2	10.2	10.0
Total Non Accrual Loans	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Provisions to Loan Portfolio											
Consumer	6.9	7.1	7.8	6.6	6.1	6.8	7.3	6.7	5.5	6.8	6.5
Mortgage	9.4	9.9	9.0	8.0	8.3	7.8	7.5	7.9	7.6	8.8	8.7
Other Private	12.1	10.2	11.7	7.4	8.0	8.0	7.8	8.5	14.4	7.2	6.5
Total Provisions to Total Private Sector Loans	7.9	8.8	8.9	7.3	7.4	7.4	7.4	7.5	7.7	7.8	7.5
Total Provisions to Total Non-performing Loans	51.2	58.5	70.6	71.1	74.7	74.9	77.6	81.0	84.8	86.4	86.5
Total Non-performing Loans to Total Private Sector Loans	16.2	15.1	12.3	10.3	9.9	9.9	9.6	9.2	9.1	9.1	8.7

Source: Central Bank of The Bahamas

Figures may not sum to total due to rounding.

R = Revised table to capture lending activity to the private sector effective 31st March, 2019.

TABLE 10
SUMMARY OF BANK LIQUIDITY

(B$ Millions)

Period	2015	2016	2017	2018				2019	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.
I. Statutory Reserves									
Required reserves	316.9	325.1	336.9	338.6	342.9	340.8	331.1	331.9	345.3
Average Till Cash	123.0	130.4	125.8	106.7	97.1	102.6	124.9	108.5	157.3
Average balance with central bank	598.7	945.1	1,030.3	1,165.4	1,224.3	966.7	808.6	863.4	978.0
Free cash reserves (period ended)	404.9	750.5	819.2	933.5	978.5	728.6	602.5	639.9	791.1
II. Liquid Assets (period)									
A. Minimum Required Liquid Assets	1,044.6	1,098.6	1,128.9	1,143.7	1,152.2	1,122.6	1,115.6	1,148.4	1,196.1
B. Net Eligible Liquid Assets	2,361.6	2,579.9	2,956.2	3,074.9	3,112.3	2,851.6	2,649.0	2,852.0	3,060.0
i) Balance with Central Bank	587.5	867.3	1,012.2	1,204.3	1,150.7	902.3	792.6	943.3	1,001.6
ii) Notes and Coins	142.9	145.6	146.3	101.7	96.2	100.4	149.8	101.5	158.6
iii) Treasury Bills	662.6	531.9	611.4	620.0	720.5	736.9	669.8	773.1	822.3
iv) Government registered stocks	895.4	987.1	1,137.7	1,105.2	1,095.7	1,058.7	990.9	988.3	1,032.1
v) Specified assets	55.6	51.0	50.8	50.6	50.3	48.5	48.4	46.9	46.6
vi) Net Inter-bank dem/call deposits	17.4	(3.0)	(2.2)	(7.0)	(1.0)	4.7	(2.5)	(1.0)	(1.3)
vii) Less: borrowings from central bank	-	-	-	-	-	-	-	-	-
C. Surplus/(Deficit)	1,316.9	1,481.3	1,827.3	1,931.2	1,960.1	1,729.0	1,533.4	1,703.6	1,863.9

Source: Central Bank of The Bahamas
Figures may not sum to total due to rounding.

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

Period	2017/18p	2018/19p	Budget 2018/19	Budget 2019/20	2017/18p Qtr. I	2017/18p Qtr. II	2017/18p Qtr. III	2017/18p Qtr. IV	2018/19p Qtr. I	2018/19p Qtr. II	2018/19p Qtr. III	2018/19p Qtr. IV
Total Revenue & Grants	2,042.4	2,416.0	2,650.9	2,628.1	453.7	427.1	589.6	572.0	513.8	497.8	677.4	726.9
Current expenditure	2,188.6	2,421.2	2,589.2	2,530.0	484.6	517.2	548.5	638.4	539.9	566.3	594.9	720.1
Capital expenditure	268.7	217.2	299.3	235.0	74.4	56.7	52.5	85.2	38.8	41.2	48.1	89.1
Net lending	-	-	-	-	-	-	-	-	-	-	-	
Overall balance	**(414.9)**	**(222.4)**	**(237.6)**	**(136.9)**	**(105.2)**	**(146.8)**	**(11.3)**	**(151.6)**	**(64.9)**	**(109.6)**	**34.5**	**(82.3)**
FINANCING (I+II-III+IV+V)	414.9	222.4	237.6	136.9	105.2	146.8	11.3	151.6	64.9	109.6	(34.5)	82.3
I. Foreign currency borrowing	**1,369.3**	**9.2**	**50.4**	**64.5**	**355.4**	**954.6**	**59.2**	**0.1**	**1.2**	**4.9**	**0.2**	**3.0**
External	1,369.3	9.2	50.4	64.5	355.4	954.6	59.2	0.1	1.2	4.9	0.2	3.0
Domestic	-	-	-	-	-	-	-	-	-	-	-	-
II. Bahamian dollar borrowing	**617.7**	**1,085.0**	**896.6**	**700.3**	**97.6**	**232.7**	**111.6**	**175.7**	**301.7**	**371.2**	**170.7**	**241.4**
i)Treasury bills	111.7	231.3	-	-	8.6	0.7	1.6	100.7	91.7	62.2	1.7	75.7
ii)Long-term securities	492.0	619.7	-	-	75.0	232.0	110.0	75.0	110.0	204.0	140.0	165.7
iii)Loans and Advances	14.0	234.0	-	-	14.0	-	-	-	100.0	105.0	29.0	-
III. Debt repayment	**1,302.6**	**801.1**	**709.4**	**628.0**	**140.8**	**884.9**	**155.4**	**121.5**	**162.9**	**253.1**	**190.2**	**195.0**
Domestic	798.1	717.2	620.9	539.0	125.9	427.2	131.4	113.8	128.5	245.3	156.0	187.3
Bahamian dollars	798.1	717.2	620.9	539.0	125.9	427.2	131.4	113.8	128.5	245.3	156.0	187.3
Internal foreign currency	-	-	-	-	-	-	-	-	-	-	-	-
External	504.4	83.9	88.5	88.9	14.9	457.7	24.1	7.7	34.4	7.7	34.1	7.7
IV.Net sale of shares & other equity	**(20.0)**	**(91.1)**	**-**	**-**	**(10.0)**	**(3.8)**	**(3.8)**	**(2.4)**	**(44.6)**	**(17.5)**	**(12.5)**	**(16.5)**
V.Cash balance change & other financing	**(249.5)**	**20.4**	**-**	**-**	**(197.0)**	**(151.8)**	**(0.3)**	**99.7**	**(30.5)**	**4.1**	**(2.7)**	**49.5**

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

TABLE 12
NATIONAL DEBT

(B$ '000s)

Period	2016	2017	2018	2018 Mar.	2018 Jun.	2018 Sept.	2018 Dec.	2019 Mar.	2019 Jun.
TOTAL EXTERNAL DEBT	1,745,483	2,616,225	2,593,818	2,661,198	2,637,108	2,599,118	2,593,818	2,557,139	2,553,176
By Instrument									
Government Securities	900,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Loans	845,483	966,225	943,818	1,011,198	987,108	949,118	943,818	907,139	903,176
By Holder									
Commercial Banks	-	-	-	-	-	-	-	-	-
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-
Multilateral Institutions	216,959	213,730	207,483	219,610	211,941	210,273	207,483	205,780	201,030
Bilateral Institutions	80,846	90,688	79,609	90,419	85,894	79,719	79,609	78,418	76,651
Private Capital Markets	900,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Other Financial Institutions	547,678	661,807	656,726	701,169	689,273	659,126	656,726	622,941	625,495
TOTAL INTERNAL DEBT	4,570,098	4,563,864	4,905,099	4,544,155	4,606,087	4,779,238	4,905,099	4,919,740	4,973,870
By Instrument									
Foreign Currency	-	-	-	-	-	-	-	-	-
Government Securities	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,570,098	4,563,864	4,905,099	4,544,155	4,606,087	4,779,238	4,905,099	4,919,740	4,973,870
Advances	134,657	134,657	119,657	134,657	134,657	119,657	119,657	69,657	14,957
Treasury Bills	793,896	655,749	875,746	657,395	758,108	829,542	875,746	877,429	938,156
Government Securities	3,314,783	3,492,283	3,536,654	3,506,709	3,488,709	3,518,709	3,536,654	3,601,654	3,675,354
Loans	326,762	281,175	373,042	245,394	224,613	311,330	373,042	371,000	345,403
By Holder									
Foreign Currency	-	-	-	-	-	-	-	-	-
Commercial Banks	-	-	-	-	-	-	-	-	-
Other Local Financial Institutions	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,570,098	4,563,864	4,905,099	4,544,155	4,606,087	4,779,238	4,905,099	4,919,740	4,973,870
The Central Bank	727,531	413,570	518,721	408,966	374,086	417,080	518,721	372,250	350,203
Commercial Banks	1,789,051	1,975,909	1,983,549	1,915,333	1,990,281	2,055,874	1,983,549	2,083,906	2,145,017
Other Local Financial Iinstitutions	17,208	27,162	11,085	28,037	25,461	27,984	11,085	22,638	31,850
Public Corporations	600,691	602,287	586,572	600,352	602,992	582,118	586,572	597,893	600,404
Other	1,435,617	1,544,936	1,805,172	1,591,467	1,613,267	1,696,182	1,805,172	1,843,053	1,846,396
TOTAL FOREIGN CURRENCY DEBT	1,745,483	2,616,225	2,593,818	2,661,198	2,637,108	2,599,118	2,593,818	2,557,139	2,553,176
TOTAL DIRECT CHARGE	6,315,581	7,180,089	7,498,917	7,205,353	7,243,195	7,378,356	7,498,917	7,476,879	7,527,046
TOTAL CONTINGENT LIABILITIES	734,602	704,191	752,251	703,229	700,619	772,680	752,251	738,970	736,078
TOTAL NATIONAL DEBT	7,050,183	7,884,280	8,251,168	7,908,582	7,943,814	8,151,036	8,251,168	8,215,849	8,263,124

Source: Treasury Accounts & Treasury Statistical Summary Printouts
Public Corporation Reports
Creditor Statements, Central Bank of The Bahamas

TABLE 13
PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS

(B$ '000s)

Period	2016	2017	2018	2018 Mar.	2018 Jun.	2018 Sept.	2018 Dec.	2019 Mar.	2019 Jun.
Outstanding Debt at Beginning of Period	2,574,001	2,646,751	3,484,245	3,484,245	3,526,682	3,497,538	3,590,981	3,510,146	3,461,968
Government	1,677,825	1,745,483	2,616,225	2,616,225	2,661,198	2,637,108	2,599,118	2,593,818	2,557,139
Public Corporations	896,176	901,268	868,020	868,020	865,484	860,430	991,863	916,328	904,829
Plus: New Drawings	282,333	1,347,128	256,635	62,479	3,457	139,304	51,395	175	3,028
Government	166,786	1,327,674	65,330	59,191	64	1,152	4,923	175	2,953
Public corporations	115,547	19,454	191,305	3,288	3,393	138,152	46,472	-	75
Less: Amortization	193,524	545,717	216,894	29,906	16,153	41,125	129,710	45,624	25,184
Government	83,071	493,003	73,906	24,080	7,709	34,409	7,708	34,121	7,708
Public corporations	110,453	52,714	142,988	5,826	8,444	6,716	122,002	11,503	17,476
Other Changes in Debt Stock	(16,059)	36,083	(13,840)	9,864	(16,448)	(4,736)	(2,520)	(2,729)	792
Government	(16,057)	36,071	(13,831)	9,862	(16,445)	(4,733)	(2,515)	(2,733)	792
Public corporations	(2)	12	(9)	2	(3)	(3)	(5)	4	-
Outstanding Debt at End of Period	2,646,751	3,484,245	3,510,146	3,526,682	3,497,538	3,590,981	3,510,146	3,461,968	3,440,604
Government	1,745,483	2,616,225	2,593,818	2,661,198	2,637,108	2,599,118	2,593,818	2,557,139	2,553,176
Public corporations	901,268	868,020	916,328	865,484	860,430	991,863	916,328	904,829	887,428
Interest Charges	143,735	152,815	220,950	38,680	74,256	38,812	69,202	37,266	75,733
Government	87,477	92,969	154,701	23,850	57,842	22,030	50,979	22,000	51,208
Public corporations	56,258	59,846	66,249	14,830	16,414	16,782	18,223	15,266	24,525
Debt Service	337,259	698,532	437,844	68,586	90,409	79,937	198,912	82,890	100,917
Government	170,548	585,972	228,607	47,930	65,551	56,439	58,687	56,121	58,916
Public corporations	166,711	112,560	209,237	20,656	24,858	23,498	140,225	26,769	42,001
Debt Service ratio	8.7	6.5	10.0	6.1	7.5	7.8	15.3	6.3	7.3
Government debt Service/ Government revenue (%)	9.0	6.5	10.5	8.1	11.5	11.0	11.8	8.3	8.1
MEMORANDUM									
Holder distribution (B$ Mil):									
Commercial banks	297.8	267.7	332.1	264.5	260.6	335.6	332.1	329.2	317.1
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-
Multilateral Institutions	285.8	285.6	284.0	291.2	281.8	286.4	284.0	282.1	275.3
Bilateral Institutions	80.8	90.7	79.6	90.4	85.9	79.7	79.6	78.4	76.7
Other	1,082.3	1,190.2	1,164.4	1,230.5	1,219.3	1,239.2	1,164.4	1,122.3	1,121.6
Private Capital Markets	900.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0	1,650.0

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

TABLE 14
BALANCE OF PAYMENTS SUMMARY*

(B$ Millions)

Period	2016	2017	2018	2017		2018				2019	
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
A. Current Account Balance (I+II+III+IV)	**(710.8)**	**(1,508.6)**	**(1,505.1)**	**(421.4)**	**(399.8)**	**(181.4)**	**(377.7)**	**(451.6)**	**(494.4)**	**24.9**	**(5.1)**
I. Merchandise (Net)	**(2,150.2)**	**(2,537.9)**	**(2,675.0)**	**(640.4)**	**(628.5)**	**(624.6)**	**(782.0)**	**(632.0)**	**(636.3)**	**(523.7)**	**(538.5)**
Exports	481.4	570.5	641.7	117.4	131.7	122.5	214.6	153.3	151.3	154.3	251.4
Imports	2,631.6	3,108.4	3,316.7	757.8	760.3	747.1	996.6	785.3	787.7	678.0	789.9
II. Services (Net)	**1,564.3**	**1,445.2**	**1,920.7**	**317.4**	**328.8**	**560.2**	**656.9**	**393.8**	**309.7**	**669.2**	**733.5**
Transportation	(288.7)	(383.4)	(411.6)	(90.0)	(98.1)	(106.4)	(112.6)	(92.9)	(99.7)	(109.8)	(94.3)
Travel	2,745.3	2,625.2	3,005.9	556.6	583.9	828.0	848.5	653.2	676.3	1,000.5	976.5
Insurance Services	(156.6)	(114.0)	(154.0)	(32.6)	(35.2)	(35.9)	(37.9)	(35.2)	(44.9)	(36.8)	(33.8)
Offshore Companies Local Expenses	168.8	130.1	249.5	49.5	32.2	57.8	51.2	89.4	51.1	58.5	52.3
Other Government	(208.7)	(105.8)	(97.0)	(33.8)	(1.5)	(30.6)	(1.8)	(34.9)	(29.6)	(66.0)	(22.6)
Other Services	(695.8)	(706.8)	(672.1)	(132.3)	(152.6)	(152.7)	(90.3)	(185.7)	(243.4)	(177.1)	(144.5)
III. Income (Net)	**(439.9)**	**(360.7)**	**(682.3)**	**(79.7)**	**(80.9)**	**(99.4)**	**(243.9)**	**(192.7)**	**(146.2)**	**(117.5)**	**(200.4)**
1. Compensation of Employees	(38.9)	(38.7)	(28.9)	(9.8)	(8.6)	(6.6)	(2.8)	(7.9)	(11.7)	(11.7)	(14.3)
2. Investment Income	(401.0)	(321.9)	(653.3)	(69.9)	(72.3)	(92.8)	(241.2)	(184.8)	(134.6)	(105.8)	(186.1)
IV. Current Transfers (Net)	**315.1**	**(55.2)**	**(68.6)**	**(18.7)**	**(19.2)**	**(17.6)**	**(8.7)**	**(20.7)**	**(21.6)**	**(3.1)**	**0.3**
1. General Government	117.4	114.0	132.8	31.1	24.8	38.1	39.7	26.6	28.4	41.3	32.6
2. Private Sector	197.6	(169.2)	(201.4)	(49.8)	(44.0)	(55.7)	(48.5)	(47.2)	(50.0)	(44.4)	(32.3)
B. Capital and Financial Account (I+II) (excl. Reserves)	**778.0**	**1,572.0**	**609.1**	**431.8**	**610.3**	**142.3**	**308.9**	**1.7**	**156.2**	**11.5**	**162.6**
I. Capital Account (Net Transfers)	**(13.8)**	**(26.1)**	**(20.7)**	**(8.5)**	**(4.4)**	**(3.3)**	**(2.3)**	**(12.4)**	**(2.6)**	**(2.4)**	**(6.6)**
II. Financial Account (Net)	**791.8**	**1,598.1**	**629.7**	**440.3**	**614.7**	**145.6**	**311.2**	**14.1**	**158.8**	**13.9**	**169.2**
1. Direct Investment	390.4	304.6	491.4	68.2	48.4	64.5	295.2	86.0	45.7	71.9	84.1
2. Portfolio Investment	(21.7)	(16.7)	(11.7)	(2.2)	(5.5)	(3.5)	(1.8)	(2.3)	(4.1)	(1.8)	(2.0)
3. Other Investments	423.1	1,310.2	150.0	374.3	571.8	84.6	17.8	(69.6)	117.2	(56.3)	87.0
Central Gov't Long Term Capital	118.5	834.7	(8.2)	340.5	496.9	35.1	(7.7)	(32.9)	(2.8)	(33.9)	(4.8)
Other Public Sector Capital	100.4	(9.8)	(39.7)	(3.1)	(4.6)	(1.0)	(2.7)	18.5	(54.6)	(4.5)	(6.3)
Banks	(306.3)	39.5	(140.8)	34.7	9.8	(44.8)	(61.0)	(132.9)	97.9	(76.4)	43.5
Other	510.5	445.8	338.7	2.2	69.7	95.2	89.2	77.7	76.6	58.6	54.6
C. Net Errors and Omissions	**24.8**	**446.1**	**678.4**	**63.5**	**169.6**	**222.0**	**43.9**	**178.5**	**234.0**	**204.0**	**(36.8)**
D. Overall Balance (A+B+C)	**92.0**	**509.4**	**(217.7)**	**73.9**	**380.1**	**182.8**	**(24.9)**	**(271.4)**	**(104.2)**	**240.3**	**120.7**
E. Financing (Net)	**(92.0)**	**(509.4)**	**217.7**	**(73.9)**	**(380.1)**	**(182.8)**	**24.9**	**271.4**	**104.2**	**(240.3)**	**(120.7)**
Change in SDR holdings	2.3	(3.3)	(46.5)	(1.1)	(0.4)	(26.3)	3.5	(23.9)	0.2	0.6	(0.1)
Change in Reserve Position with the IMF	(17.3)	(1.5)	0.6	(0.4)	(0.2)	(0.6)	0.9	0.2	0.1	0.0	-
Change in Ext. Foreign Assets ( ) = Increase	(77.0)	(504.6)	263.6	(72.4)	(379.5)	(155.9)	20.5	295.1	103.9	(241.0)	(120.6)

Source: Central Bank of the Bahamas
* Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

(B$ '000s)

Period	2016	2017	2018	2017			2018			
				Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
I. OIL TRADE										
i) Exports	45,510	72,692	101,558	14,258	16,143	26,006	26,569	19,774	26,898	28,317
ii) Imports	402,526	552,863	583,402	131,572	150,007	152,092	145,498	102,957	233,644	101,302
II. OTHER MERCHANDISE										
Domestic Exports										
Crawfish	34,435	46,025	n.a.	14,262	8,178	32,237	17,502	6,922	6,254	n.a.
Fish Conch & other Crustacea	33,783	2,653	n.a.	1,000	1,131	586	367	1,435	618	n.a.
Coral &Similar Materials & Sponges	884	496	n.a.	199	183	76	123	9	141	n.a.
Fruits & Vegetables	-	-	n.a.	-	-	-	-	-	-	n.a.
Aragonite	2,040	1,828	n.a.	666	469	562	535	735	849	n.a.
Other Natural Sands	349	460	n.a.	28	409	138	47	153	260	n.a.
Rum, Other Beverages & Vinegar	-	-	n.a.	-	-	-	-	-	-	n.a.
Crude Salt	4,099	4,560	n.a.	3,027	291	1,595	5,147	2,152	1,784	n.a.
Polystrene Products	80,010	75,471	n.a.	26,911	19,429	19,597	16,548	19,691	23,130	n.a.
Other	46,589	36,337	n.a.	10,114	8,727	4,449	7,628	24,880	24,250	n.a.
i) Total Domestic Exports	202,190	224,783	237,441	56,207	38,817	59,240	47,897	55,977	57,286	76,281
ii) Re-Exports	155,016	171,827	172,859	84,865	27,133	32,413	34,664	87,606	30,263	20,326
iii) Total Exports (i+ii)	357,206	396,610	410,301	141,072	65,950	91,653	82,561	143,583	87,549	96,608
iv) Imports	2,529,125	2,874,959	2,938,015	801,113	657,913	724,378	705,378	875,255	657,741	699,641
v) Retained Imports (iv-ii)	2,374,109	2,703,132	2,765,156	716,248	630,780	691,965	670,714	787,649	627,478	679,315
vi) Trade Balance (i-v)	(2,171,919)	(2,478,349)	(2,527,715)	(660,041)	(591,963)	(632,725)	(622,817)	(731,672)	(570,192)	(603,034)

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

Period	2016	2017	2018	2017		2018				2019	
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II
Visitor Arrivals	6,265,019	6,135,839	6,622,015	1,267,754	1,597,716	1,775,380	1,627,490	1,519,086	1,700,059	1,994,296	1,888,129
Air	1,391,813	1,335,613	1,558,086	297,378	303,334	411,308	435,037	356,427	355,314	482,626	498,300
Sea	4,873,206	4,800,226	5,063,929	970,376	1,294,382	1,364,072	1,192,453	1,162,659	1,344,745	1,511,670	1,389,829
Visitor Type											
Stopover	1,481,832	1,438,631	1,631,717	334,965	297,261	429,049	454,390	386,253	362,025	519,522	n.a.
Cruise	4,690,260	4,626,259	4,877,596	918,044	1,268,845	1,326,394	1,130,596	1,104,573	1,316,033	1,474,573	1,330,506
Day/Transit	n.a.	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tourist Expenditure(B$ 000's)	2,610,097	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Stopover	2,312,191	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cruise	294,005	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Day	3,901	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Number of Hotel Nights	n.a.	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Length of Stay	n.a.	n.a.	n.a.	n.a.	n.a. .a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Hotel Occupancy Rates (%)											
New Providence	67.45	61.00	61.73	56.83	52.20	63.73	68.07	58.60	56.50	77.77	75.37
Grand Bahama	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Family Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Nightly Room Rates ($)											
New Providence	234.69	232.17	244.72	210.41	230.84	268.98	240.61	211.71	257.59	295.07	261.98
Grand Bahama	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Family Islands	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Source: The Ministry of Tourism, The Bahamas Hotel & Tourism Association