



Monthly Economic and Financial Developments December 2016

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

Future Release Dates:

2017: February 27, March 27, May 1, May 29, July 3, July 31, September 4, October 2, October 30, December 4, December 27.

Monthly Economic and Financial Developments

December 2016

1. Domestic Economic Developments

The mild pace of domestic economic activity was maintained during the final month of the year, as construction output continued to be supported by foreign investment and post hurricane rebuilding projects, while the tourism sector benefited from an uptick in tourist arrivals during the winter season. Further, domestic energy costs firmed, reflecting mainly the gradual rise in global oil prices from record lows. Fiscal sector developments for the first four months of FY2016/17 were highlighted by a reduction in revenue, which in combination with a rise in spending, resulted in an increase in the year-over-year deficit. In the monetary sector, both liquidity and external reserves contracted in December, as the traditional increase in holiday-related spending led to a net foreign currency outflows.

Indications are that tourism activity improved modestly during December, benefitting from several sporting events and the winter holiday season. Specifically, data from the Nassau Airport Development company (NAD) revealed that passenger traffic through the country's main airport—net of domestic departures—grew by 4.1% in December, year-on-year, a reversal from a 0.9% reduction in the previous month. A breakdown by category, showed that the dominant U.S. component firmed by 5.7%, outpacing the 0.6% growth in November. In contrast, departures to non-U.S. countries softened by 4.2%, following an 8.8% contraction in the prior period. Similar trends were noted over the entire year, as total departures firmed by 1.0% when compared to 2015, due mainly to the high volume U.S. segment firming by 1.9%; however, non-US departures declined by 4.1%.

The partial NAD data was reinforced by the information provided by the Ministry of Tourism, which showed that overall arrivals firmed by 2.6% during the 10 months to October to 5.0 million, vis-à-vis a 3.1% contraction recorded during the same period last year. This outturn was underpinned by a rebound in the high volume sea component, which grew by 3.1%, a reversal from a 5.2% falloff in the prior year. In contrast, growth in the high value-added air component narrowed to 0.8% from 4.5% in 2015, due largely to the sharp, hurricane-related reduction in arrivals during the month of October.

A breakdown by market revealed that the improvement in sector was due solely to gains in New Providence, as the total number of visitors expanded by 9.3% to 2.9 million, a turnaround from an 8.1% decline in the prior year, buoyed by improvements in both air and sea visitors by 1.4% and 13.1%, respectively. In contrast, visitors to the Family Islands decreased by 3.2%, extending the prior year's 5.5% reduction, with the increase in the air component by 10.5%, outweighing the 5.2% decrease in the sea segment. In addition, the weakness in several key source markets led to visitors to Grand Bahama contracting by 8.7%, vis-à-vis a 25.0% upturn in 2015, reflecting decreases in arrivals by both air and sea by 16.4% and 7.1%, respectively.

Reflecting the recent upward trend in global oil prices, domestic fuel costs firmed during November. Specifically, the average prices of both gasoline and diesel rose by 2.0% and 0.8% to \$4.03 and \$3.62 per gallon relative to the prior month, but on a year-on-year basis, average costs remained lower, falling by 1.7% and 3.5%, respectively.

Data on the Government's budgetary operations for the first four months of FY2016/17, showed an increase in the deficit by \$67.7 million (75.3%) to \$157.5 million, relative to the same period last year. This outcome reflected a \$38.4 million (6.4%) contraction in revenue, and a \$29.3 million (4.3%) increase in spending.

The falloff in revenue was led by a \$30.1 million (5.7%) decline in tax receipts to \$501.2 million, reflecting broad-based reductions in several revenue categories. Specifically, value added tax (VAT) collections fell by \$15.4 million (6.7%) to \$214.1 million, as revenues stabilised after a period of significant early payments in the prior fiscal year. In addition, taxes on international trade narrowed by \$9.5 million (5.6%) to \$162.5 million, led by declines in excise and import taxes by \$6.7 million and \$4.3 million, respectively; however, export taxes firmed by \$1.4 million. Further, a timing-related falloff in gaming taxes, resulted in selective taxes on services contracting by \$7.0 million to \$3.2 million. Similarly, 'other' miscellaneous taxes narrowed by \$4.2 million (3.6%) to \$110.9 million, as a reduction in other 'unclassified' taxes by \$8.5 million (41.6%), eclipsed the increases in departure and "other" financial stamp taxes by \$1.8 million and \$8.7 million, respectively. In a slight offset, business and professional fees advanced by \$2.8 million (35.8%) to \$10.6 million. Non-tax revenue decreased by \$8.3 million (12.3%), owing mainly to a fall in income from "other sources" by \$9.0 million (36.3%), overshadowing gains in fines, forfeits and administrative fees by \$1.1 million (2.6%) to \$41.7 million.

In terms of expenditure, capital outlays rose by \$24.0 million (43.2%) to \$79.5 million, as increased spending on road development, along with outlays for coastal protection, resulted in capital formation firming by \$19.9 million (45.9%) to \$63.3 million. In addition, the continued investments in ships for the Defence Force contributed to growth in asset acquisitions by \$4.1 million (33.6%), to \$16.2 million. Similarly, current spending firmed by \$6.2 million (1.0%) to \$638.3 million, due mainly to a \$19.6 million (6.2%) gain in transfer payments to \$333.8 million, amid growth in transfers to both public corporations by \$18.9 million (79.3%)—largely for the maintenance of parks and beaches—and non-profit institutions by \$5.5 million (22.7%). However, subsidies fell by \$10.0 million (8.2%) to \$111.7 million, as a \$10.9 million (15.9%) increase in health-related outlays in preparation for the introduction of National Health Insurance (NHI), was overshadowed by a sharp reduction in tourism subsidies. In addition, consumption expenditure contracted by \$13.4 million (4.2%) to \$304.5 million, with the reduction in purchases of goods and services by \$20.6 million (21.7%), outstripping the \$7.3 million (3.3%) rise in personal emoluments.

2. International Developments

Indications are that the global economy maintained its modest growth trajectory over the final month of the year, led by sustained gains in the United States and European markets, while Asian economies continued to experience the effects of the slowdown in China's real GDP expansion. Against this backdrop, the International Monetary Fund (IMF) maintained its projection for global growth in 2016 at 3.1%, slightly lower than the prior year's estimates; however, economic activity is expected to expand at a faster rate of 3.4% in 2017.

Economic indicators for the United States improved during the review period, as real GDP firmed by an estimated 1.9% during the fourth quarter, although slowing from the 3.5% increase recorded in the prior period. Further, industrial output expanded by 0.8% in December, the fastest pace in two years, amid increases in utilities and manufacturing production, a reversal from a 0.7% decline in the prior month. Further, the growth in retail sales quickened to 0.6% in December, from 0.2% a month earlier, largely due to increased motor vehicles and parts sales. In contrast, developments in the housing market were mixed,

with housing starts strengthening by 11.3%, while the number of completions and permits issued contracted by 7.9% and 0.2%, respectively. In this environment, an estimated 156,000 jobs were added to non-farm payrolls, mainly in the healthcare and social services sectors, although gains in the labour force resulted in the unemployment rate remaining unchanged at 4.7% in December. Reflecting higher costs for housing and fuel, consumer prices firmed by 0.3% in December, following a similar increase in the prior month. Given the improvements in the economy and labour market conditions, the Federal Reserve raised the target for the Fed Funds rate by 25 basis points to a range of 0.50%-0.75%.

European economies recorded mixed performances over the review period. In the United Kingdom, increased oil, gas and pharmaceuticals output resulted in a 2.1% expansion in industrial production during November, a reversal from a 1.3% decline a month earlier; however, retail sales fell by 1.9% in December, due to broad-based reductions in non-food purchases, in contrast to a 0.2% improvement a month earlier. In external developments, the trade deficit widened by £2.6 billion to £4.2 billion, reflecting a £3.3 billion increase in imports and a £0.7 billion uptick in exports. Meanwhile in the labour market, the unemployment rate steadied at 4.8% during the three months to November, relative to the preceding period. Buoyed by higher airfare rates, food prices and fuel costs, consumer price inflation rose to 1.6% during December, up from a 1.2% increase a month earlier. Euro area outcomes varied, as industrial output rose by 1.5%, due to gains in the production of non-durable consumer goods, intermediate goods, energy and capital goods, after edging up by 0.1% in October. In contrast, retail trade softened by 0.4%, a reversal from a 1.4% increase a month earlier, while the unemployment rate stabilised at 9.8% during November. Largely reflecting the upward trend in global oil prices, the growth in average costs quickened to 1.1% in December, vis-à-vis a 0.6% gain in the prior month. In this environment, both the Bank of England and the European Central Bank left their key policy rates unchanged, in a bid to support continued growth.

Indications are that economic conditions in Asia remained relatively weak, as China's Purchasing Manager's Index (PMI) softened by 30 basis points to 51.4% in December, due mainly to a decline in the production index, while the growth in retail sales narrowed by 10 basis points to 0.9%. In external sector developments, the trade surplus fell by US\$3.8 billion to US\$40.8 billion in December, with the \$19.3 billion increase in imports, outpacing the \$15.9 billion rise in exports. In addition, domestic prices firmed by 0.2%, up slightly from the 0.1% gain a month earlier, as a result of price increases for food products. Similar developments occurred in Japan, as industrial production rose by 1.5%, following a marginal, 0.1% uptick in the prior month. In addition, the trade surplus contracted sharply by 69.3% to ¥150.8 billion, on account of a 9.4% expansion in imports, which eclipsed the 1.5% gain in exports. Further, the unemployment rate edged-up by 10 basis points to 3.1% in November, while consumer prices were unchanged during the month, vis-à-vis a 0.6% gain in the previous period. Faced with sustained softness in their economies, both the Peoples Bank of China and the Bank of Japan (BOJ) maintained their highly accommodative monetary policy stance, while the BOJ also indicated that it would continue with its Japanese Government bond purchase programme, in order to maintain 10-year yields at 0.0% over the long-term.

Buoyed by the signing of a historic agreement between OPEC and Russia at the end of November to cut crude oil production by a minimum of 1.5 million barrels per day by January 2017, crude oil prices surged by 16.14% to \$56.13 per gallon in December. In contrast, precious metal prices trended downward, with the costs of both gold and silver weakening by 1.79% and 3.67%, to \$1,152.27 and \$15.92 per troy ounce, respectively.

The major stock exchanges recorded gains over the review period, as the results of the United States elections suggested a lowering of taxes, increased stimulus spending and reduced regulation. In the

United States, the Dow Jones Industrial Average (DJIA) and the S&P 500 indices advanced by 3.3% and 1.8%, respectively. Strong gains were also registered in the European markets, with significant increases occurring for Germany's DAX (11.3%), France's CAC40 (6.2%), and the United Kingdom's FTSE 100 (5.3%). In contrast, Asian markets registered mixed results, as Japan's Nikkei 225 firmed by 4.40%, while China's SE Composite declined by 4.5%.

Buoyed by the rise in US interest rates and more positive growth prospects resulting from infrastructure investments, the US dollar appreciated against all the major currencies in December. In particular, the dollar rose versus the Japanese Yen and the British Pound by 2.2% to ¥117.00 and by 1.2% to £0.8093. Comparatively, more modest gains were realized relative to the Chinese Yuan (0.8% to CNY6.9502), the Euro (0.7% to €0.9506) and the Swiss Franc (0.3% to CHF1.0200), while the Canadian dollar was virtually unchanged at CAD\$1.3442.

3. Domestic Monetary Trends

December 2016 vs. 2015

Reflecting the traditional increase in demand for foreign currency during the year-end holiday period, banking sector liquidity contracted during the month of December. Specifically, excess liquid assets—a broad measure of liquidity—fell by \$25.2 million to \$1,447.1 million, in line with the reduction noted in the previous year. In addition, the acquisition of short-term Government debt by commercial banks led to the narrow excess reserves indicator contracting sharply by \$85.1 million to \$723.7 million, compared to a slight \$3.3 million uptick in 2015.

External reserves contracted by \$35.7 million to \$902.1 million, a reversal from a \$6.7 million uptick in the same period of 2015. Reflecting these developments, the Central Bank recorded a \$42.9 million net sale to the public sector—predominately for fuel imports—in contrast to the prior year's \$9.2 million net purchase. In a slight offset, the Bank's net receipt from commercial banks advanced by \$9.3 million to \$9.9 million, as the latter's net sales to customers receded by \$1.3 million to \$8.5 million.

Total Bahamian dollar credit firmed marginally by \$0.2 million, in contrast to a \$35.0 million reduction recorded in the previous year. Net claims on the Government firmed by \$62.5 million, as the banking sector provided hurricane-rebuilding financing. In contrast, a further sale of non-performing mortgages resulted in a \$61.3 million contraction in credit to the private sector. Specifically, the value of total mortgages fell by \$59.7 million, after a slight \$0.2 million softening in the prior period, while the commercial component weakened by \$5.9 million, a turnaround from a \$10.9 million gain in 2015. However, consumer credit grew for the fifth consecutive month, by \$4.3 million, following a \$10.1 million decline a year ago. Meanwhile, credit to the rest of the public sector softened by \$1.0 million, following a \$19.6 million reduction in 2015, when the health-care entity repaid outstanding obligations.

Buoyed by the sale of non-performing mortgages, private sector loan arrears contracted by \$79.2 million (7.3%) to \$1,010.6 million; resulting in the corresponding ratio of arrears to total loans declining by 1.1 percentage points to 17.1%. The reduction in arrears was due mainly to a fall in the non-performing category by \$75.8 million (9.4%) to \$729.1 million, with the attendant loan ratio declining by 1.1 percentage points to 12.3%, while short-term delinquencies (31 to 90 days) decreased modestly by \$3.4 million (1.2%) to \$281.5 million, and by 1 basis point to 4.8% of total loans.

A breakdown by loan type showed that the reduction in total delinquencies was predominantly due to a decrease in the mortgage component by \$75.4 million (12.6%) to \$521.1 million, as non-accrual loans fell

by \$60.2 million (14.0%), while short-term delinquencies waned by \$15.2 million (9.1%). If the one-off asset sale were excluded, mortgage delinquencies would still show a decrease of \$14.0 million. In addition, both consumer and commercial arrears contracted by \$1.9 million to \$257.7 million and \$231.8 million, reflecting reductions in non-accruals by \$9.4 million (5.3%) and \$6.2 million (3.2%), which overshadowed gains in the 31-90 day segment by \$7.5 million (9.2%) and \$4.3 million (11.5%), respectively.

In light of these developments, banks decreased their total provisions for loan losses by \$2.6 million (0.5%) to \$512.1 million in December. However, given the sharp reduction in arrears, the ratios of provisions to both arrears and non-performing loans firmed by 3.4 and 6.3 percentage points to 50.7% and 70.2%, respectively. During the review period, banks wrote-off a total of \$63.7 million in overdue loans—inclusive of non-accrual sales—and recovered \$1.5 million in bad debts.

In December, the contraction in domestic foreign currency credit slowed by more than half to \$9.0 million from \$19.5 million in the prior period. In the underlying developments, private sector foreign currency credit fell by a more muted \$1.9 million, compared to an \$8.3 million reduction last year, as the declines in both commercial loans and mortgages narrowed from \$5.4 million and \$3.0 million to \$0.3 million and \$1.7 million, respectively. Further, the reduction in net credit to the Government slowed by \$2.4 million to \$2.3 million, while credit to the rest of the public sector fell by \$4.8 million, after a \$6.5 million decline a year earlier.

Total Bahamian dollar deposits grew marginally by \$1.2 million during December, a turnaround from the \$58.9 million falloff in the prior year, as the reduction in demand balances tapered by \$23.9 million to \$26.9 million, while fixed deposits firmed by \$4.6 million, a reversal from a \$17.2 million decrease in 2015. Further, accretions to savings deposits more than doubled to \$23.5 million from \$9.0 million.

In interest rate developments, the weighted average deposit rate at banks rose by 4 basis points to 1.20%, with the highest rate of 5.00% offered on fixed balances of over 12 months. In contrast, the weighted average loan rate fell by 54 basis points to 12.38%.

January – December 2016 vs. 2015

Reflecting a combination of net foreign currency inflows and Central Bank financing to the Government, banking sector liquidity grew significantly during 2016. In particular, excess reserves firmed by \$234.4 million, outpacing the year earlier \$3.9 million reduction, while excess liquid assets expanded by \$132.7 million, following a \$172.5 million increase in the previous year.

External reserves strengthened by \$93.2 million, outstripping the \$22.2 million uptick in the prior year. This outturn was due mainly to the receipt of net proceeds from the Government's US\$100 million loan in the first half of the year, reduced oil imports for public utilities and steady—although modest—net foreign currency inflows from real sector activities. Reflecting this development, the Bank's net receipts rose to \$76.6 million from \$15.1 million in the previous year, as the net purchase from commercial banks firmed marginally by \$2.5 million to \$276.9 million, owing to a rise in their net receipts from customers by \$13.9 million to \$268.1 million. In addition, a reduction in payments for fuel and external debt proceeds narrowed the net sale to the public sector by \$59.0 million to \$200.2 million.

Growth in Bahamian dollar credit accelerated nearly three-fold to \$294.5 million from \$103.1 million in the comparable period of 2015. Borrowings in both the foreign and domestic currency led to net claims on the

Government firming by \$357.6 million, outpacing the \$146.4 million growth recorded in the prior period. Further, credit to the rest of the public sector rose by \$29.3 million, a reversal from the previous year's \$19.2 million contraction, due mainly to financing to purchase aircrafts for the national carrier. In contrast, the sale of non-performing mortgages, resulted in a \$92.4 million reduction in credit to the private sector. In terms of the components, the value of outstanding mortgages fell by \$111.9 million, vis-à-vis the prior year's \$26.3 million decrease, while the commercial loans category contracted by \$59.1 million, extending the \$15.9 million reduction recorded in the previous year. However, supported by the implementation of measures to channel additional credit to hurricane rebuilding activities, consumer credit expanded by \$78.6 million, following an \$18.2 million uptick in the prior year.

As a result of both asset sales and underlying improvements in lending portfolios, banks' credit quality indicators improved significantly over the year, as total private sector arrears contracted by \$209.0 million (17.1%) relative to December 2015, following a \$73.8 million (5.7%) decrease in the prior year. Similarly, the ratio of arrears to total private sector loans narrowed by 3.3 percentage points to 17.1% of total loans, after declining by 1.1 percentage points a year ago. A breakdown by average age of delinquencies, showed that non-performing loans contracted by \$177.5 million (19.6%), with the attendant ratio decreasing by 2.8 percentage points to 12.3%. Similarly, short-term arrears declined by \$31.5 million (10.1%); resulting in the ratio falling by 46 basis points to 4.8%.

An analysis of the main credit categories showed that the mortgage component led the reduction in total delinquencies, decreasing by \$176.2 million (25.3%), as the non-performing and short-term segments declined by \$150.6 million (28.9%) and \$25.5 million (14.4%), respectively. Similarly, consumer arrears fell by \$39.8 million (13.4%), reflecting a \$32.2 million (16.0%) reduction in the non-accrual segment, and a \$7.7 million (8.0%) decrease in the 31 to 90 day category. In contrast, the commercial component firmed by \$6.9 million (3.1%), owing to a \$5.3 million (2.9%) rise in non-performing loans, and a \$1.6 million (4.0%) uptick in short-term delinquencies.

Amid the improvement in credit quality indicators, banks decreased their total provisions for loan losses by \$18.3 million (3.5%) to \$512.1 million; however, as a result of the sharp reduction in long-term delinquencies, the relevant ratios to arrears and non-performing loans advanced by 7.2 and 11.7 percentage points to 50.7% and 70.2%, respectively. In addition, banks wrote-off a total of \$170.9 million in bad loans and recovered an estimated \$27.8 million.

Domestic foreign currency credit contracted sharply by \$100.7 million, vis-à-vis a \$4.9 million falloff in the prior year. Supporting this outcome, net claims on the Government declined by \$33.9 million, a reversal from the \$36.9 million increase registered in 2015. Similarly, credit to the rest of the public sector decreased by \$30.5 million, compared to a \$5.6 million rise a year earlier. In a slight offset, the decline in private sector credit slowed to \$36.4 million from \$47.4 million, as the reduction in mortgages and commercial loans eased to \$13.8 million and \$22.6 million from \$20.4 million and \$27.0 million, respectively.

Accretions to total Bahamian dollar deposits accelerated to \$354.5 million from \$13.4 million, as the receipt of proceeds from a one-off transaction by a telecommunications company, led to a surge in the build-up of demand deposits to \$357.8 million from \$52.9 million in 2015. Similarly, the expansion in savings balances nearly doubled to \$142.3 million from \$83.6 million; however, fixed deposits declined sharply by \$145.6 million, extending the prior year's \$123.1 million reduction.

4. Outlook and Policy Implications

Expectations are that the domestic economy will perform at a healthier pace in 2017, reflecting the impact of the phased opening of the Baha Mar resort, other hotel sector capacity growth and varied-scale ongoing foreign investment projects, while rebuilding efforts after Hurricane Matthew will continue to provide a strong stimulus to the construction sector. As a consequence, employment conditions should improve further. Inflation is anticipated to remain relatively low during the year; however, the recent uptrend in global oil prices may sustain the on-going rise in domestic energy costs.

The potential for improvement in Government's budget operations remains dependant on the success of measures to enhance revenue administration and restrain the growth in spending, although the impact of post-hurricane outlays will slow the rate of fiscal consolidation.

Bank liquidity is likely to remain at robust levels, as conservative lending practices are expected to broadly persist, even as credit prospects increase for some less risky segments of borrowers amid the more relaxed interest rate environment. Given these conditions, banks are expected to remain well capitalized, thereby minimizing any financial stability concerns.

External reserve developments over the near-term, will continue to be influenced by real sector inflows during the peak winter season and the demand for foreign currency for current payments, such as fuel purchases. Nevertheless, expectations are that reserves will remain above international benchmarks, thereby ensuring the stability of the exchange rate peg.

Recent Monetary and Credit Statistics

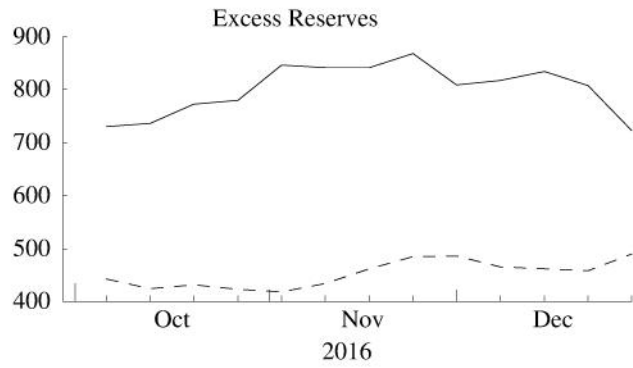
(B\$ Millions)

| | DECEMBER | | | | | |
|---|-----------------|-----------------|---------------|---------------|---------------|----------------|
| | Value | | Change | | Change YTD | |
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| 1.0 LIQUIDITY & FOREIGN ASSETS | | | | | | |
| 1.1 Excess Reserves | 489.37 | 723.72 | 3.33 | -85.09 | -3.91 | 234.35 |
| 1.2 Excess Liquid Assets | 1,314.41 | 1,447.08 | -25.11 | -25.22 | 172.52 | 132.67 |
| 1.3 External Reserves | 808.91 | 902.07 | 6.74 | -35.67 | 22.15 | 93.16 |
| 1.4 Bank's Net Foreign Assets | -453.32 | -131.16 | -5.21 | 59.02 | -19.33 | 322.16 |
| 1.5 Usable Reserves | 295.13 | 243.85 | -10.93 | -5.70 | 35.01 | -51.28 |
| 2.0 DOMESTIC CREDIT | | | | | | |
| 2.1 Private Sector | 6,281.53 | 6,152.76 | -7.80 | -63.26 | -71.43 | -128.77 |
| a. B\$ Credit | 6,005.78 | 5,913.37 | 0.53 | -61.34 | -24.06 | -92.42 |
| of which: Consumer Credit | 2,168.84 | 2,247.43 | -10.12 | 4.26 | 18.18 | 78.58 |
| Mortgages | 3,072.74 | 2,960.82 | -0.24 | -59.74 | -26.32 | -111.92 |
| Commercial and Other Loans B\$ | 764.20 | 705.12 | 10.89 | -5.87 | -15.93 | -59.08 |
| b. F/C Credit | 275.74 | 239.39 | -8.34 | -1.92 | -47.37 | -36.35 |
| of which: Mortgages | 81.81 | 68.04 | -2.98 | -1.65 | -20.40 | -13.77 |
| Commercial and Other Loans F/C | 193.93 | 171.35 | -5.36 | -0.27 | -26.97 | -22.58 |
| 2.2 Central Government (net) | 2,214.54 | 2,538.18 | -20.56 | 60.21 | 183.28 | 323.64 |
| a. B\$ Loans & Securities | 2,466.74 | 2,751.16 | 13.79 | 36.61 | 193.76 | 284.42 |
| Less Deposits | 281.94 | 208.79 | 29.70 | -25.92 | 47.39 | -73.15 |
| b. F/C Loans & Securities | 36.62 | 0.00 | 0.00 | 0.00 | 36.62 | -36.62 |
| Less Deposits | 6.88 | 4.19 | 4.65 | 2.32 | -0.29 | -2.68 |
| 2.3 Rest of Public Sector | 307.12 | 305.88 | -26.11 | -5.71 | -13.65 | -1.24 |
| a. B\$ Credit | 78.01 | 107.31 | -19.60 | -0.97 | -19.22 | 29.30 |
| b. F/C Credit | 229.11 | 198.57 | -6.50 | -4.75 | 5.57 | -30.54 |
| 2.4 Total Domestic Credit | 8,803.21 | 8,997.00 | -54.49 | -8.80 | 98.17 | 193.79 |
| a. B\$ Domestic Credit | 8,268.60 | 8,563.05 | -34.98 | 0.23 | 103.10 | 294.45 |
| b. F/C Domestic Credit | 534.61 | 433.95 | -19.51 | -9.03 | -4.93 | -100.66 |
| 3.0 DEPOSIT BASE | | | | | | |
| 3.1 Demand Deposits | 1,831.75 | 2,189.51 | -50.79 | -26.93 | 52.88 | 357.76 |
| a. Central Bank | 13.02 | 15.77 | -1.44 | 6.42 | -10.54 | 2.74 |
| b. Banks | 1,818.73 | 2,173.74 | -49.34 | -33.35 | 63.42 | 355.02 |
| 3.2 Savings Deposits | 1,151.36 | 1,293.65 | 9.04 | 23.50 | 83.55 | 142.29 |
| 3.3 Fixed Deposits | 3,016.03 | 2,870.46 | -17.17 | 4.63 | -123.06 | -145.57 |
| 3.4 Total B\$ Deposits | 5,999.14 | 6,353.62 | -58.92 | 1.20 | 13.37 | 354.48 |
| 3.5 F/C Deposits of Residents | 235.59 | 378.46 | -21.38 | 67.77 | -6.46 | 142.86 |
| 3.6 M2 | 6,235.67 | 6,647.37 | -49.94 | 19.86 | 18.49 | 411.70 |
| 3.7 External Reserves/M2 (%) | 12.97 | 13.57 | 0.21 | -0.58 | 0.32 | 0.60 |
| 3.8 Reserves/Base Money (%) | 82.05 | 70.14 | -0.34 | 0.71 | 1.85 | -11.91 |
| 3.9 External Reserves/Demand Liabilities (%) | 78.72 | 68.52 | -2.12 | 0.39 | 4.02 | -10.20 |
| | Value | | Year to Date | | Change | |
| | 2015 | 2016 | 2015 | 2016 | Month | YTD |
| 4.0 FOREIGN EXCHANGE TRANSACTIONS | | | | | | |
| 4.1 Central Bank Net Purchase/(Sale) | 9.74 | -33.02 | 15.11 | 76.64 | -42.76 | 61.53 |
| a. Net Purchase/(Sale) from/to Banks | 0.53 | 9.87 | 274.34 | 276.86 | 9.34 | 2.52 |
| i. Sales to Banks | 12.00 | 17.40 | 182.50 | 256.39 | 5.40 | 73.89 |
| ii. Purchases from Banks | 12.53 | 27.27 | 456.84 | 533.25 | 14.74 | 76.41 |
| b. Net Purchase/(Sale) from/to Others | 9.20 | -42.89 | -259.23 | -200.22 | -52.10 | 59.00 |
| i. Sales to Others | 60.88 | 70.09 | 697.68 | 669.29 | 9.21 | -28.39 |
| ii. Purchases from Others | 70.08 | 27.20 | 438.46 | 469.07 | -42.88 | 30.61 |
| 4.2 Banks Net Purchase/(Sale) | -9.81 | -8.50 | 254.16 | 268.11 | 1.31 | 13.94 |
| a. Sales to Customers | 331.66 | 383.09 | 4,078.75 | 4,229.09 | 51.43 | 150.33 |
| b. Purchases from Customers | 321.85 | 374.60 | 4,332.92 | 4,497.19 | 52.74 | 164.28 |
| 4.3 B\$ Position (change) | -5.15 | 2.53 | | | | |
| 5.0 EXCHANGE CONTROL SALES | | | | | | |
| 5.1 Current Items | ND | ND | ND | ND | ND | ND |
| of which Public Sector | ND | ND | ND | ND | ND | ND |
| a. Nonoil Imports | ND | ND | ND | ND | ND | ND |
| b. Oil Imports | ND | ND | ND | ND | ND | ND |
| c. Travel | ND | ND | ND | ND | ND | ND |
| d. Factor Income | ND | ND | ND | ND | ND | ND |
| e. Transfers | ND | ND | ND | ND | ND | ND |
| f. Other Current Items | ND | ND | ND | ND | ND | ND |
| 5.2 Capital Items | ND | ND | ND | ND | ND | ND |
| of which Public Sector | ND | ND | ND | ND | ND | ND |
| 5.3 Bank Remittances | ND | ND | ND | ND | ND | ND |

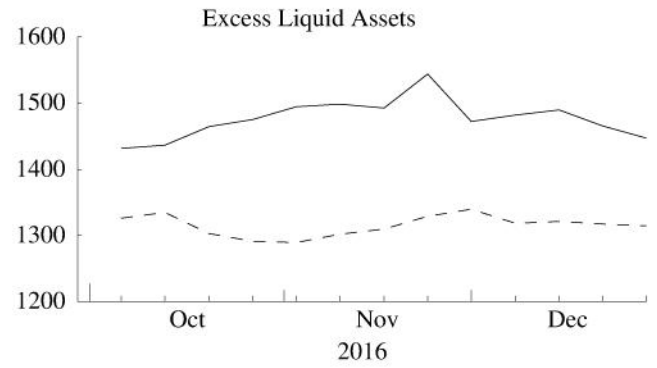
Sources: Research Department Weekly Brief Database and Banking Brief for the weeks ending: DECEMBER 30, 2015 and DECEMBER 28, 2016
Exchange Control Sales figures are as at month end.

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

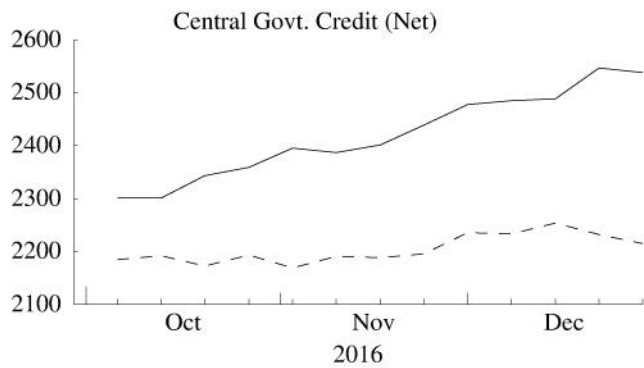
SELECTED MONEY AND CREDIT INDICATORS (B\$ Millions)



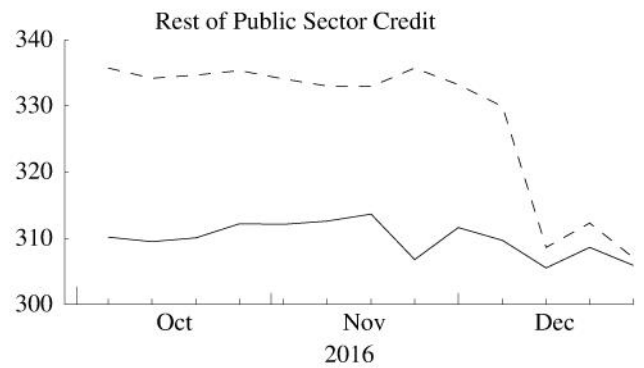
— 2016
- - - 2015



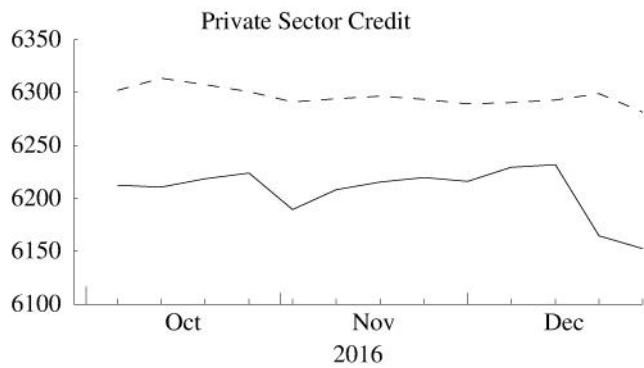
— 2016
- - - 2015



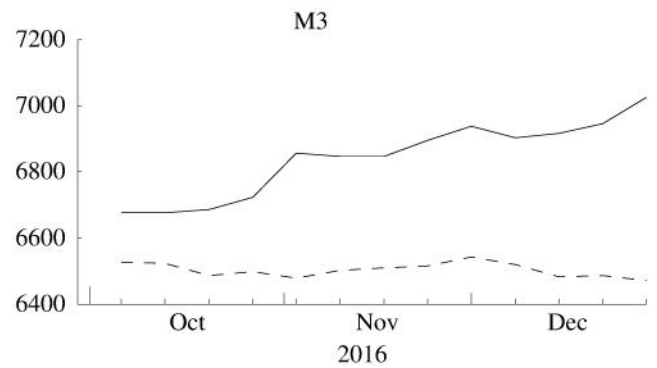
— 2016
- - - 2015



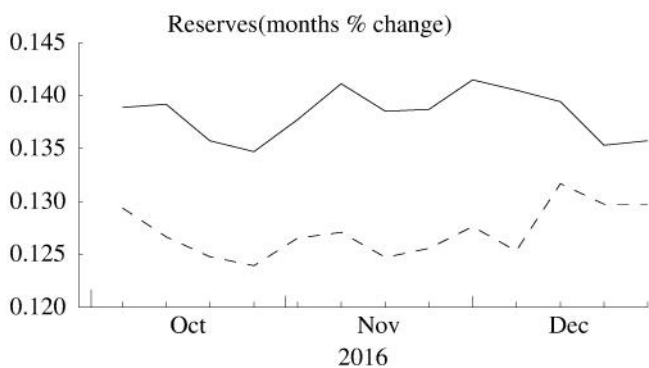
— 2016
- - - 2015



— 2016
- - - 2015



— 2016
- - - 2015



— 2016
- - - 2016

| A: Selected Macroeconomic Projections (Annual % Change and % of labor force) | | | | | | |
|--|-----------------|-------------|-----------------------|-------------|---------------------|-------------|
| | Real GDP | | Inflation Rate | | Unemployment | |
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Bahamas | -1.7 | 0.3 | 1.9 | 0.8 | 12.0 | N/A |
| United States | 2.6 | 1.6 | 0.1 | 0.8 | 5.3 | 4.9 |
| Euro-Area | 2.0 | 1.7 | 0.0 | 0.4 | 10.9 | 10.3 |
| <i>Germany</i> | <i>1.5</i> | <i>1.7</i> | <i>0.1</i> | <i>0.5</i> | <i>4.6</i> | <i>4.6</i> |
| Japan | 0.5 | 0.5 | 0.8 | -0.2 | 3.4 | 3.3 |
| China | 6.9 | 6.6 | 1.4 | 1.8 | 4.1 | 4.1 |
| United Kingdom | 2.2 | 1.8 | 0.1 | 0.8 | 5.4 | 5.0 |
| Canada | 1.1 | 1.2 | 1.1 | 1.3 | 6.9 | 7.3 |

Source: IMF World Economic Outlook October 2016, Department of Statistics

| B: Official Interest Rates – Selected Countries (%) | | | | | |
|--|------------------|-------------------------|-----------------------------|--------------------------|------------------------|
| <i>With effect</i> | CBOB | ECB (EU) | Federal Reserve (US) | | Bank of England |
| <i>from</i> | Bank Rate | Refinancing Rate | Primary Credit Rate | Target Funds Rate | Repo Rate |
| December 2014 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| January 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| February 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| March 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| April 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| May 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| June 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| July 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| August 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| September 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| October 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| November 2015 | 4.50 | 0.05 | 0.75 | 0-0.25 | 0.50 |
| December 2015 | 4.50 | 0.05 | 1.00 | 0.25-0.50 | 0.50 |
| January 2016 | 4.50 | 0.05 | 1.00 | 0.25-0.50 | 0.50 |
| February 2016 | 4.50 | 0.05 | 1.00 | 0.25-0.50 | 0.50 |
| March 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.50 |
| April 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.50 |
| May 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.50 |
| June 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.50 |
| July 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.50 |
| August 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.25 |
| September 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.25 |
| October 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.25 |
| November 2016 | 4.50 | 0.00 | 1.00 | 0.25-0.50 | 0.25 |
| December 2016 | 4.50 | 0.00 | 1.25 | 0.50-0.75 | 0.25 |

| C. Selected Currencies (Per United States Dollars) | | | | | | |
|---|---------------|---------------|---------------|---------------------------|-------------------------|---------------------------|
| Currency | Dec-15 | Nov-16 | Dec-16 | Mthly % Change | YTD % Change | 12-Mth% Change |
| Euro | 0.9211 | 0.9445 | 0.9506 | 0.65 | 3.19 | 3.19 |
| Yen | 120.06 | 114.46 | 117.00 | 2.22 | -2.55 | -2.55 |
| Pound | 0.6786 | 0.7996 | 0.8093 | 1.21 | 19.25 | 19.25 |
| Canadian \$ | 1.3832 | 1.3437 | 1.3442 | 0.04 | -2.82 | -2.82 |
| Swiss Franc | 1.0020 | 1.0174 | 1.0200 | 0.26 | 1.80 | 1.80 |
| Renminbi | 6.4935 | 6.8973 | 6.9502 | 0.77 | 7.03 | 7.03 |

Source: Bloomberg as of December 31, 2016

| D. Selected Commodity Prices (\$) | | | | | |
|--|---------------------|---------------------|---------------------|---------------------------|-------------------------|
| Commodity | Dec 2015 | Nov 2016 | Dec 2016 | Mthly % Change | YTD % Change |
| Gold / Ounce | 1061.42 | 1173.25 | 1152.27 | -1.79 | 8.56 |
| Silver / Ounce | 13.86 | 16.53 | 15.92 | -3.67 | 14.88 |
| Oil / Barrel | 36.53 | 48.33 | 56.13 | 16.14 | 53.65 |

Source: Bloomberg as of December 31, 2016

| E. Equity Market Valuations – December 31, 2016 (% change) | | | | | | | | |
|---|-------------|-------------|------------------------|-----------------|---------------|------------|-----------------------|-----------|
| | BISX | DJIA | S&P 500 | FTSE 100 | CAC 40 | DAX | Nikkei 225 | SE |
| 1 month | -0.25 | 3.34 | 1.82 | 5.29 | 6.20 | 11.29 | 4.40 | -4.50 |
| 3 month | -0.50 | 7.94 | 3.25 | 3.53 | 9.31 | 12.65 | 16.20 | 3.29 |
| YTD | 6.26 | 13.42 | 9.54 | 14.43 | 4.86 | 10.22 | 0.42 | -12.31 |
| 12-month | 6.26 | 13.42 | 9.54 | 14.43 | 4.86 | 10.22 | 0.42 | -12.31 |

Sources: Bloomberg and BISX

| F: Short Term Deposit Rates in Selected Currencies (%) | | | |
|---|------------|------------|------------|
| | USD | GBP | EUR |
| o/n | 0.70 | 0.08 | -0.50 |
| 1 Month | 1.39 | 0.63 | -0.37 |
| 3 Month | 1.54 | 0.61 | -0.35 |
| 6 Month | 1.50 | 0.69 | -0.26 |
| 9 Month | 1.70 | 0.80 | -0.18 |
| 1 year | 1.80 | 0.86 | -0.12 |

Source: Bloomberg as of December 31, 2016

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

| | VALUE | | | | | | | | | | | CHANGE | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Nov. 02 | Nov. 09 | Nov. 16 | Nov. 23 | Nov. 30 | Dec. 07 | Dec. 14 | Dec. 21 | Dec. 28 | Nov. 02 | Nov. 09 | Nov. 16 | Nov. 23 | Nov. 30 | Dec. 07 | Dec. 14 | Dec. 21 | Dec. 28 |
| I. External Reserves | 901.12 | 921.93 | 905.98 | 912.61 | 937.74 | 928.96 | 922.94 | 898.04 | 902.07 | 34.87 | 20.81 | -15.95 | 6.63 | 25.13 | -8.77 | -6.02 | -24.90 | 4.03 |
| II. Net Domestic Assets (A + B + C + D) | 471.18 | 439.05 | 454.28 | 477.48 | 412.99 | 421.17 | 447.30 | 469.78 | 384.06 | 41.22 | -32.12 | 15.23 | 23.19 | -64.48 | 8.18 | 26.13 | 22.48 | -85.72 |
| A. Net Credit to Gov¹(i + ii + iii - iv) | 792.55 | 781.10 | 777.82 | 800.08 | 741.37 | 740.90 | 772.20 | 792.83 | 721.94 | 13.95 | -11.44 | -3.28 | 22.26 | -58.71 | -0.47 | 31.30 | 20.63 | -70.89 |
| i) Advances | 134.66 | 134.66 | 134.66 | 134.66 | 134.66 | 134.66 | 134.66 | 134.66 | 134.66 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| ii) Registered Stock | 359.02 | 349.77 | 349.84 | 349.73 | 349.76 | 348.08 | 348.08 | 368.13 | 368.25 | 10.09 | -9.25 | 0.07 | -0.10 | 0.03 | -1.69 | 0.01 | 20.05 | 0.12 |
| iii) Treasury Bills | 304.00 | 304.00 | 304.00 | 322.72 | 273.00 | 273.00 | 302.93 | 302.93 | 233.32 | 5.07 | 0.00 | 0.00 | 18.73 | -49.72 | 0.00 | 29.92 | 0.00 | -69.60 |
| iv) Deposits | 5.13 | 7.32 | 10.67 | 7.04 | 16.05 | 14.84 | 13.46 | 12.88 | 14.29 | 1.21 | 2.19 | 3.35 | -3.63 | 9.01 | -1.21 | -1.38 | -0.58 | 1.40 |
| B. Rest of Public Sector (Net) (i + ii - iii) | -5.98 | -22.97 | -6.41 | -12.69 | -5.80 | -6.10 | -6.04 | -14.77 | -12.22 | 21.90 | -16.99 | 16.56 | -6.28 | 6.90 | -0.31 | 0.06 | -8.73 | 2.55 |
| i) BDB Loans | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 3.55 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| ii) BMC Bonds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| iii) Deposits | 9.53 | 26.52 | 9.96 | 16.24 | 9.35 | 9.65 | 9.59 | 18.32 | 15.77 | -21.90 | 16.99 | -16.56 | 6.28 | -6.90 | 0.31 | -0.06 | 8.73 | -2.55 |
| C. Loans to/Deposits with Banks | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| D. Other Items (Net)* | -315.39 | -319.08 | -317.13 | -309.91 | -322.59 | -313.63 | -318.86 | -308.28 | -325.66 | 5.37 | -3.69 | 1.95 | 7.22 | -12.67 | 8.95 | -5.23 | 10.58 | -17.38 |
| III. Monetary Base | 1,372.30 | 1,360.99 | 1,360.27 | 1,390.09 | 1,350.73 | 1,350.13 | 1,370.24 | 1,367.82 | 1,286.13 | 76.09 | -11.31 | -0.72 | 29.82 | -39.36 | -0.59 | 20.11 | -2.42 | -81.69 |
| A. Currency in Circulation | 376.14 | 374.49 | 370.80 | 377.60 | 391.85 | 395.69 | 389.99 | 416.56 | 425.56 | 13.49 | -1.65 | -3.69 | 6.80 | 14.25 | 3.85 | -5.71 | 26.57 | 9.00 |
| B. Bank Balances with CBOB | 996.16 | 986.50 | 989.47 | 1,012.49 | 958.88 | 954.44 | 980.26 | 951.27 | 860.57 | 62.59 | -9.67 | 2.97 | 23.02 | -53.61 | -4.44 | 25.82 | -28.99 | -90.69 |

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

