Quarterly Economic Review

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DOMESTIC ECONOMIC DEVELOPMENTS

OVERVIEW

Preliminary data suggests that the domestic economy expanded modestly during the first quarter of 2019, reflecting the growth in tourism sector output, as the improvement in several key source markets, along with increased room capacity, supported gains in the high value-added air segment. In addition, a number of small to medium-scale foreign investment-related projects, undergirded activity in the construction sector. In price developments, domestic inflation remained relatively subdued, although the hike in the value added tax (VAT) rate in earlier periods and the recent increase in global oil prices, contributed to an uptick in the rate.

Government recorded a small surplus on its overall operations during the third quarter of FY2018/2019, in comparison to a deficit in the comparative quarter of FY2017/2018. Underlying this outturn was a VAT-led increase in total revenue, which outpaced the growth in aggregate expenditure. Budgetary funding was sourced mainly from the domestic market and was dominated by long-term debt.

In monetary developments, bank liquidity increased during the first quarter, as the foreign currency-led expansion in the deposit base, contrasted with the reduction in domestic credit. Similarly, the growth in external reserves accelerated, bolstered by net inflows from real sector activities. In addition, reflecting in part the improving economic conditions, along with entities' aggressive collection efforts, sustained debt restructuring measures and loan write-offs, domestic banks' credit quality indicators improved during the review quarter. However, the latest available data for the fourth quarter of 2018, showed a decline in overall profitability, occasioned by higher provisioning for bad debt.

On the external side, the estimated current account balance registered a small surplus during the first quarter, a turnaround from a deficit recorded in the same period last year, amid a notable decrease in the merchandise trade deficit, combined with a tourism-led gain in the services account surplus. In contrast, the surplus on the capital and financial account narrowed significantly, as the public sector recorded a net repayment, compared to a net receipt in the prior year, while foreign investment inflows contracted significantly.

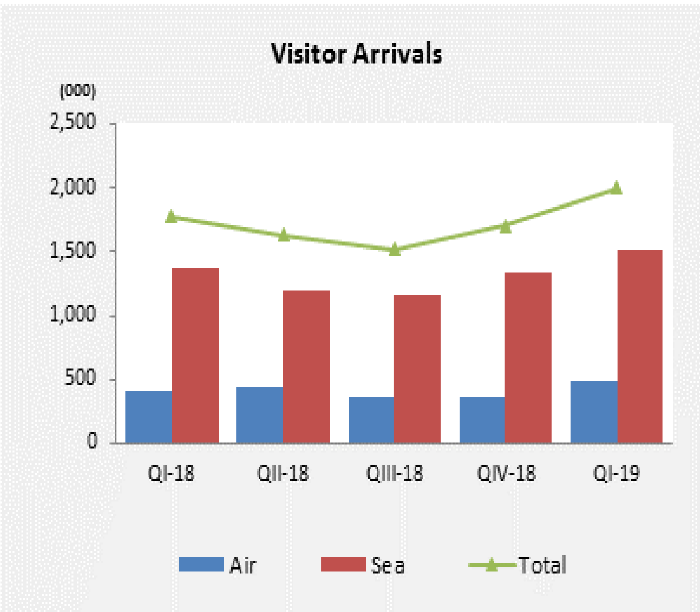
REAL SECTOR

TOURISM

Initial indications are that the tourism sector grew further during the first quarter of 2019. This outturn reflected sustained improvements in several key source markets, an expansion in high-end hotel room capacity following the completion of the phased opening of the multi-billion dollar Baha Mar Resort, as well as ongoing public and private sector marketing campaigns. There was also sustained strong momentum from vacation rental properties.

Information from the Ministry of Tourism for the review period, showed that total visitor arrivals firmed by 12.3%, surpassing the prior year's growth of 2.8% and the average 1.8% gain recorded over the last five years. Underlying this outturn, the high value-added air segment firmed by 17.3% to 0.5 million, following gains of 18.0% in the prior year and 4.0% over the 2014 to 2018 period. In addition, the dominant sea component rose by 10.8% to 1.5 million, compared to a 1.0% decline in 2018 and an average reduction of 0.5% over the five-year period.

An analysis by major ports of entry, showed that the completion of the phased opening of Baha Mar in 2018, contributed to the 27.0% rise in visitor arrivals during the first quarter to 1.2 million, a reversal from a 1.8% reduction in the prior year. In terms of the breakdown, the air component firmed by 21.8%, while sea traffic rose by 29.3%. In contrast, the Grand Bahama market remained weak, declining by 19.5% over the review quarter, following a gain of 5.1% a year earlier, as the 21.7% contraction in the dominant sea segment, outstripped the 0.6% increase in air passengers. Despite a 5.8% gain in air arrivals, a decrease in the larger sea component by 1.9%, led to a decline in total visitors to the Family Islands by 0.8%, vis-à-vis a 10.4% expansion in the prior year.



Buoyed by the growth in stopover arrivals, data from a sample of large properties in New Providence and Paradise Island—obtained from the Bahamas Hotel Association and the Ministry of Tourism—showed an improvement in performance indicators over the review period. Specifically, total room revenue firmed by 37.0%, following a 39.0% increase in 2018. Underpinning this outturn, the average hotel occupancy rate moved higher by 14.0 percentage points to 77.8%, a turnaround from a 4.8 percentage point decrease in the preceding year, as the growth in the number of room nights sold held steady at 26.0%. In addition, reflecting the Baha Mar-related increase in high-end room capacity, the average daily room rate (ADR) firmed by 8.8% to $298.62; although below the 11.2% gain in 2018.

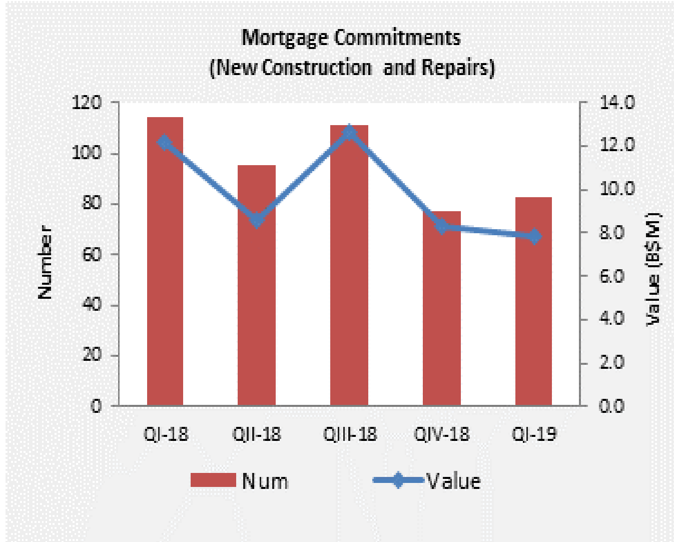
The vacation rental market also benefitted from stopover visitor gains, with data from AirDNA[1] indicating a 19.2% increase in occupied residential properties throughout The Bahamas. Hotel comparable rentals experienced an average occupancy of 54.8%, compared to 54.4% in the prior period, while the average nightly rental rate stood at $158.46, compared to $169.95 in the first quarter of 2018. Demand for vacation rentals remained healthy across all of the destination groupings, but with New Providence and the Family Islands attracting stronger interest than Grand Bahama.

CONSTRUCTION

During the review quarter, the construction sector continued to benefit from ongoing small and medium scale foreign investment projects in both the capital and the Family Islands. In addition, domestic activity showed signs of improvement over the three-month period.

[1] Represents listing on Airbnb and HomeAway online vocation rental sites.

In terms of the domestic component, total mortgage disbursements for new construction and repairs—as reported by banks, insurance companies and the Bahamas Mortgage Corporation—firmed by 28.1% ($7.0 million) to $31.7 million, in comparison to a 2.6% contraction in the prior year. Underlying this development, the dominant residential segment grew by $6.4 million (26.0%) to $31.2 million, a reversal from a slight 0.1% decline in 2018. Although firmed, commercial disbursements were still comparatively low at $0.5 million.



Loan commitments—the forward-looking indicator of mortgage activity—pointed to a less entrenched improvement, as undisbursed approvals for the dominant residential component, fell in number by 32 to 82, and in value by 36.1% to $7.8 million. Just one new commercial approval was disclosed for the quarter, valued at $0.04 million, following no activity in the previous year.

In terms of interest rates, the average financing cost for commercial mortgages narrowed by 1.0 percentage point to 7.00%. Similarly, the average interest rate on residential loans declined by 51 basis points to 6.89%.

PRICES

Domestic inflation—as measured by changes in the average Retail Price Index (RPI) for The Bahamas—continued to reflect the pass-through effects of the rise in the VAT rate and higher global oil costs in prior periods. During the first quarter, average consumer prices rose by 1.1%, outpacing the 0.3% increase recorded in the comparative period of 2018 and an average gain of 0.6% over the last five years. Underlying this development, average costs firmed for transport by 5.2% and furnishing, household equipment & routine maintenance by 3.5%, after posting declines of 1.0% and 0.9%, respectively, in the prior period. Further, in contrast to the prior year's decreases of 1.9% and 0.3%, average prices rose for alcohol beverages, tobacco & narcotics, by 1.1% and food & non-alcoholic beverages, by 0.7%. In addition, the inflation rate quickened for miscellaneous goods & services, by 30 basis points to 0.6%, while the reduction in average costs softened for communication, by 2.3 percentage points and clothing & footwear, by 0.8 percentage points, to 0.3% each. In a modest offset, accretions to average costs slowed for restaurant & hotels, by 56 basis points to 2.0% and for housing, water, gas, electricity & other fuels—the most heavily weighted component—by 63 basis points to 0.7%. Similarly, the average costs for recreation & culture and health decreased by 0.8% and 0.2%, vis-à-vis gains of 1.4% and 0.9% a year earlier. In addition, the average cost for education declined by 1.7%, after remaining unchanged in the previous period.

On an annual basis, inflation accelerated to 2.9% over the twelve months to March, from 1.2% in the previous year and an average rate of 2.3% recorded over the five-year period. Reflecting this outturn, average prices rose for furnishing, household equipment & routine maintenance, and clothing & footwear, by 4.5% and 1.3%, vis-à-vis respective declines of 3.1% and 2.9% recorded a year earlier. Similarly, average costs for miscellaneous goods & services firmed by 4.0%, compared to a reduction of 0.9% in 2018. In addition, the rate of inflation accelerated for transport (by 4.6 percentage points to 5.9%), alcohol beverages, tobacco & narcotics (by 1.5 percentage points to 2.2%) and food & non-alcoholic beverages (by

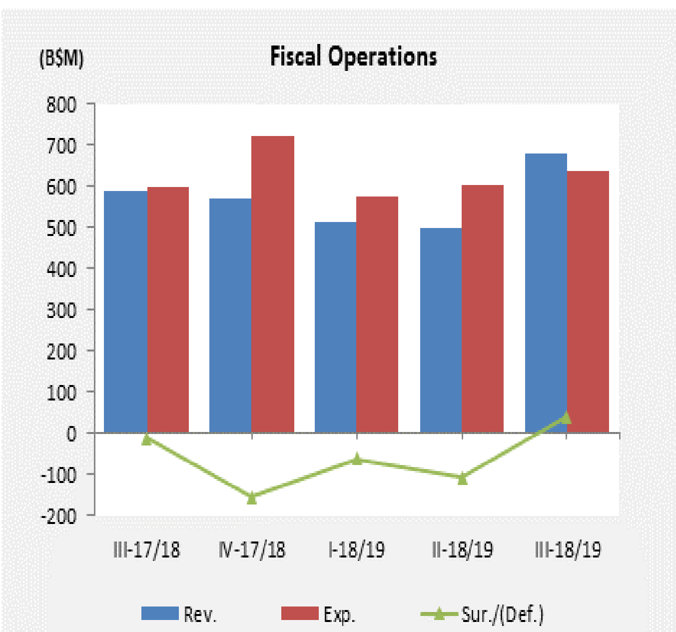
1.3 percentage points to 2.4%); with smaller gains of less than 1.0 percentage point registered for health and restaurant & hotels. In addition, average price declines for education moderated by 80 basis points to 0.7%. Providing some offset, the rate of inflation slowed for recreation & culture, by 76 basis points to 1.6% and housing, water, gas electricity & other fuels—the most heavily weighted component—by 75 basis points to 2.4%. Further, average costs fell for communication by 1.6%, vis-à-vis a gain of 2.6% in the prior year.

Despite the uptrend in international oil prices, domestic energy costs declined during the first quarter. Specifically, the average price of gasoline contracted by 13.1% to $4.24 per gallon over the three-month period, and fell by 5.1% in comparison to the same period of 2018. Similarly, diesel costs declined by 8.3% to $4.25 per gallon; however, on an annual basis, the average price edged-up by 1.0%.

FISCAL OPERATIONS

OVERVIEW

Buoyed by the increase in VAT receipts following the 4.5 percentage point hike in the rate to 12.0% in prior periods, the Government's revenue firmed by $88.3 million (15.0%) to $677.4 million in the third quarter of FY2018/19, outstripping the $36.5 million (6.1%) increase in aggregate expenditure to $637.5 million. As a result, the fiscal position recorded a modest surplus of $40.0 million, vis-à-vis an $11.9 million deficit in the comparable period a year earlier.



REVENUE

Tax revenue—which comprised 91.8% of total receipts—rose by $83.0 million (15.4%) to $621.9 million. Notably, VAT collections, at 32.7% of total tax revenue, increased by $31.7 million (18.4%) to $203.6 million. Similarly, proceeds from stamp taxes on financial and realty transactions firmed by $25.4 million (89.3%) to $53.9 million, explained mainly by the reclassification of VAT on realty taxes to stamp taxes. In contrast, excise taxes decreased by $7.7 million (12.8%) to $52.1 million.

With regard to the other components, taxes on the use of goods expanded by $38.6 million (40.8%) to $133.5 million. This was in large measure due to gains in receipts from business license fees, by $30.0 million to $83.0 million; banks & trust companies, by $7.3 million to $25.3 million and motor vehicle taxes, by $3.3 million to $12.4 million. In a partial offset, company taxes declined by $0.7 million (5.5%) to $12.1 million and marine license fees, by $0.3 million (30.6%) to $0.6 million.

In terms of the remaining categories, taxes on property rose by $1.5 million (2.6%) to $58.7 million, while general stamp tax revenue increased by $0.4 million to $1.3 million. Conversely, taxes on international trade contracted by $6.7 million (5.9%) to $106.2 million, mainly attributed to an $18.7 million (26.7%) decrease in customs & other import duties to $51.6 million. In contrast, supported by the robust gains in tourist arrivals, departure taxes firmed by $10.9 million (28.1%) to $49.5 million, while export taxes grew by

Government Revenue By Source (Jan. - Mar.)				
	FY17/18		FY18/19	
	B$M	%	B$M	%
Property Tax	57	9.7	59	8.7
Value Added Tax	172	29.2	204	30.1
Stamp Taxes (Financial & Realty)	28	4.8	54	8.0
Excise Tax	60	10.2	52	7.7
Specific Taxes (Gaming Tax)	13	2.2	13	1.9
Motor Vehicle Taxes	9	1.5	12	1.8
Company Taxes	13	2.2	12	1.8
License to Conduct Specific Bus. Act.	54	9.2	83	12.3
Marine License Activities	1	0.1	1	0.1
Bank & Trust Companies	18	3.1	25	3.7
Customs & Other Import Duties	70	11.9	52	7.6
Taxes on Exports	4	0.7	5	0.7
Departure Taxes	39	6.6	50	7.3
Other Taxes on Transctions	--	--	--	--
General Stamp Taxes	1	0.2	1	0.2
Property Income	4	0.7	1	0.1
Sales of Goods & Services	39	6.6	53	7.8
Fines, Penalties & Forfeits	0	0.1	1	0.1
Reimbursements & Repayments	--	--	--	--
Misc. & Unidentified Revenue	6	1.1	0	0.1
Sales of Other Non-Financial Assets	--	--	0	0.1
Grants	--	--	--	--
Total	**589**	**100.0**	**677**	**100.0**

$1.2 million (31.4%) to $5.0 million. Further, collections from specific taxes—mainly gaming—fell marginally by $0.3 million (2.2%) to $12.7 million.

Non-tax receipts—at 8.2% of the total—grew by $5.3 million (10.6%) to $55.5 million. Underpinning this outturn was a $13.7 million (35.0%) expansion in revenue from sales of goods & services, to $52.8 million. Further, proceeds from fines, penalties and forfeits, rose slightly to $1.0 million from $0.5 million a year earlier, attributed to an increase in judicial fines and forfeitures, while revenue from the sale of “other” non-financial assets firmed to $0.4 million from $0.1 million in the prior year. In contrast, property income declined by $3.1 million to $0.9 million and “miscellaneous” & unidentified revenue fell by $6.0 million to a mere $0.4 million.

Expenditure

The expansion in total spending reflected a $42.2 million (7.7%) gain in current outlays to $590.7 million, which outpaced the $5.7 million (10.9%) reduction in capital expenditure to $46.8 million.

An analysis by economic category, showed that the increase in current spending was led by a $46.2 million (48.6%) rise in the use of goods and services to $141.4 million. In addition, subsidies rose by $13.3 million (14.8%) to $103.0 million, related in part to higher disbursements for cruise line operators and the National Health Insurance Authority. Further, interest payments firmed by $3.1 million (4.1%) to $77.7 million, due mainly to a gain in internal payments, while timing-related factors led to grants advancing to $5.3 million from $1.9 million a year earlier. In a modest offset, other “miscellaneous” payments contracted by $20.5 million (31.1%) to $45.6 million, reflecting a timing-related $37.1 million (98.2%) reduction in insurance premium payments to a mere $0.7 million. Further, current transfers expanded by $16.5 million (58.3%) to $44.9 million, as payments to non-financial enterprises moved higher by $5.7 million (29.7%) to $24.7 million. Allocations for households and financial public enterprises also increased sharply to $8.2 million and $3.3 million, from $1.6 million and $0.3 million, respectively, in the previous year, while other “miscellaneous” current transfers grew by $1.6 million (39.8%) to $5.6 million. However, disbursements to non-profit institutions fell by $0.3 million (10.3%) to $3.0 million. In addition, employee compensation payments declined by $2.3 million (1.3%) to $170.9 million and allocations for social assistance benefits decreased by $0.8 million (8.2%) to $9.3 million. Spending for the acquisition of non-financial assets also edged-down by $0.1 million (3.5%) to $3.8 million, while disbursements for pensions & gratuities held steady at $33.7 million.

The reduction in capital expenditure was led by a $4.6 million (53.7%) falloff in capital transfers to $4.0 million. In addition, payments for the acquisition of non-financial assets decreased by $2.5 million to $38.9 million, due in large measure to a $10.9 million (62.2%) contraction in other "miscellaneous" assets to $6.6 million. Providing some offset, fixed assets expanded by $8.4 million (35.5%) to $32.2 million, mainly attributed to gains in other structures, other machinery & equipment and transport equipment, which outstripped the decline in buildings other than dwellings.

FINANCING AND THE NATIONAL DEBT

Budgetary financing for the third quarter of FY2018/19, was obtained mainly from domestic sources and consisted of $140.0 million in longer-term securities, $29.0 million in loans & advances and a slight $1.7 million gain in net Treasury bills & notes. External financing amounted to a mere $0.2 million in policy-based loan drawdowns. Debt repayments for the period totaled $190.2 million, with the largest portion (82.1%) being utilized to retire Bahamian dollar debt.

As a consequence of these developments, the Direct Charge on the Government decreased by $22.0 million (0.3%) over the three-month period; however, on an annual basis, it grew by $271.5 million (3.8%) to $7,476.9 million at end-March 2019. A disaggregation by component, showed that Bahamian dollar debt represented the bulk (65.8%) of the total, while foreign currency liabilities accounted for the remaining 34.2%.

An analysis by creditor, revealed that commercial banks held the largest portion of local debt (42.3%), followed by "other" private and institutional investors (37.5%), public corporations (12.1%), the Central Bank (7.6%) and "other" financial institutions (0.5%). A breakdown by instrument type, showed that Government bonds comprised the majority of the domestic currency debt—at 73.2%—and featured an average maturity of 8.8 years, a slight increase from the 8.4 years recorded in 2018. In addition, Treasury bills & notes and loans & advances accounted for smaller shares of 17.8% and 9.0%, respectively.

Estimates of the Debt-to-GDP Ratios
March (%)

	2017_P	2018_P	2019_P^*
Direct Charge	52.0	58.0	60.2
National Debt	58.0	63.7	65.9
Total Public Sector Debt	59.9	66.3	69.0

Source: The Central Bank of The Bahamas and the Department of Statistics
**Ratios for 2019 are based on 2018 GDP estimates.*

The Government's contingent liabilities contracted by $8.3 million (1.2%) during the first quarter of 2019, to $709.0 million; however, on a yearly basis, the balance rose by $5.7 million (0.8%). At end-March, the National Debt—inclusive of contingent liabilities—declined by $30.1 million (0.4%) over the prior quarter, to $8,185.8 million, but strengthened by $277.3 million (3.5%), vis-à-vis March 2018.

As a ratio to GDP, the Direct Charge fell by an estimated 20 basis points on a quarterly basis, but rose by 2.2 percentage points, year-on-year, to 60.2% at end-March. In addition, the National Debt-to-GDP ratio narrowed to an estimated 65.9%, from 66.1% in the previous three-month period, while in comparison to the prior year, the ratio firmed by 2.2 percentage points.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

The public sector's foreign currency debt declined by $43.0 million (1.2%) to $3,432.0 million during the first quarter, as amortization payments of $40.6 million, outstripped new drawings of a mere $0.2 million.

In terms of the components, the Government's liabilities—which accounted for 74.5% of the total–decreased by $36.7 million (1.4%) to $2,557.1 million on a quarterly basis, while the smaller public corporations' debt stock contracted by $6.5 million (0.7%) to $874.8 million.

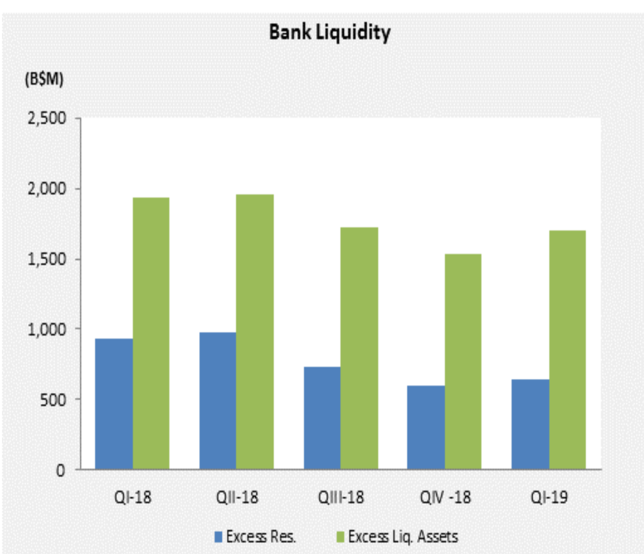
In comparison to the same period a year earlier, total foreign currency debt service payments rose by $8.6 million (12.5%) to $77.2 million. This outturn was due in large measure to an $8.2 million (17.1%) increase in the Government's component to $56.1 million, as amortization payments firmed by $10.0 million (41.7%) to $34.1 million; however, interest charges fell by $1.9 million (7.8%) to $22.0 million. Further, the public corporations' segment edged-up by $0.4 million (2.0%) to $21.1 million, with amortization payments increasing by $0.7 million (11.6%) to $6.5 million, while interest charges decreased by $0.3 million (1.8%) to $14.6 million. As a result of these developments, the debt service ratio fell by 20 basis points to 5.9%, while the Government's debt service to revenue ratio stood at 8.3% at end-March, in line with 2018's level.

A disaggregation by creditor profile, showed that the majority of the foreign currency debt was held by private capital market investors (48.1%), followed by other non-resident entities (31.8%), banks (9.6%), multilateral institutions (8.2%) and bilateral companies (2.3%). A breakdown by currency type, revealed that the bulk of the stock was denominated in United States dollars (86.1%), with the Swiss franc, euro and the Chinese Yuan accounting for smaller portions of 6.1%, 5.5% and 2.3%, respectively. At end-March, the average age of the outstanding foreign currency debt stood at 9.3 years, a decrease from the 10.7 years recorded in 2018.

MONEY, CREDIT AND INTEREST RATES

OVERVIEW

Monetary developments for the first quarter of 2019 featured an expansion in banking sector liquidity, as foreign currency inflows supported the build-up in deposits, which contrasted with a reduction in private sector credit. Similarly, the growth in external reserves accelerated, buoyed mainly by net receipts from tourism activities. Banks' credit quality indicators continued to improve over the review period, reflecting in part the growth in the economy, combined with entities' aggressive collection efforts, ongoing restructuring activities and loan write-offs. In addition, the interest rate spread narrowed, as the decline in the average lending rate, overshadowed the softening in the corresponding deposit rate. However, banks' profitability fell during the fourth quarter of 2018—the latest data available—largely reflecting a rise in provisioning for bad debts.



LIQUIDITY

The net free cash reserves of the banking system grew by $37.5 million (6.2%) to $639.9 million; albeit lower than the prior year's $114.3 million (13.9%) expansion. This represented a decreased 9.3% of Bahamian dollar deposit liabilities, compared to 13.7% in the previous year. Largely reflecting a gain in banks' balances with the Central Bank and a rise in Treasury bill holdings, the broader surplus liquid assets expanded by $170.2 million (11.1%) to $1,703.6 million, extending 2018's $103.9 million (5.7%) build-up. At end-March, the surplus liquid assets stood at 148.3% above the statutory minimum, vis-à-vis 168.9% in 2018.

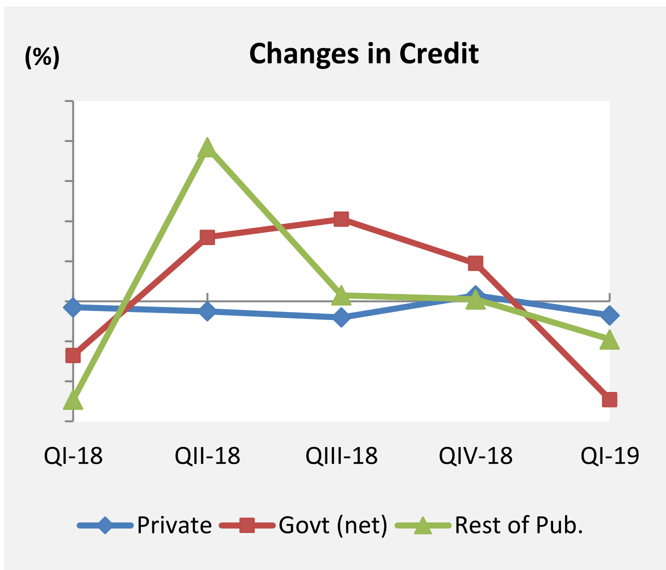
DEPOSITS AND MONEY

The overall money supply (M3) increased by $107.1 million (1.5%) to $7,215.9 million, in line with the prior year's growth of $108.1 million (1.5%). With regard to the main components, accretions to narrow money (M1) slowed to $28.9 million (1.1%), from $99.6 million (3.8%) a year earlier, as tapered gains in both public and private placements, contributed to a slowed increase in demand deposits of $23.4 million (1.0%). Further, currency in active circulation grew by $5.5 million (1.8%); although below the 3.2% improvement in 2018. Broad money (M2) expanded by a reduced $53.3 million (0.8%), after increasing by $96.1 million (1.4%) in the prior year, as the public sector-led $25.1 million (1.0%) reduction in fixed deposits, offset the $49.5 million (3.5%) gain in savings balances. In contrast, underpinned by an expansion in private sector balances, residents' foreign currency deposits rose by $53.8 million (13.4%), extending the $12.0 million (4.4%) growth in the preceding year.

A disaggregation by component, showed that Bahamian dollar fixed deposits comprised the largest share of the money stock, at 35.0%, followed by demand balances (33.8%) and savings deposits (20.5%). In addition, residents' foreign currency deposits and currency in active circulation accounted for smaller portions of 6.3% and 4.4%, respectively.

DOMESTIC CREDIT

Reflecting mainly a reduction in net claims on the Government, total domestic credit declined by $177.2 million (2.0%), extending the prior year's $107.4 million (1.2%) contraction and an average decrease of 1.1% over the past five years. In terms of the components, Bahamian dollar credit—which accounted for 95.6% of the total—contracted by $159.0 million (1.9%), following a $103.7 million (1.2%) reduction in the prior period. In addition, total foreign currency credit declined by $18.2 million (4.6%), after a $3.7 million (1.0%) falloff in the prior year.



A sectoral analysis revealed that net claims on the Government fell sharply by $124.2 million (4.9%), surpassing the previous year's $64.5 million (2.7%) contraction, reflecting a reduction in loans & advances and security holdings, along with an increase in balances at the Central Bank. Similarly, the decrease in private sector credit quickened to $43.5 million (0.7%), from $19.6 million (0.3%) in the prior period. In addition, claims on the rest of the public sector fell by $9.5 million (1.9%), after the previous year's $23.4 million (4.9%) contraction.

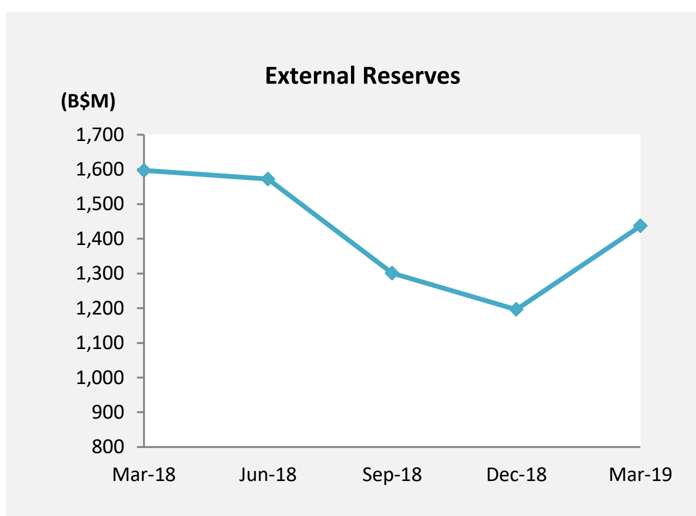
Distribution of Bank Credit By Sector (End-March)				
	2019		2018	
	B$M	%	B$M	%
Agriculture	3.4	0.1	4.2	0.1
Fisheries	1.2	0.0	2.8	0.0
Mining & Quarrying	1.5	0.0	1.9	0.0
Manufacturing	38.3	0.6	29.2	0.4
Distribution	252.9	3.8	215.7	3.3
Tourism	10.4	0.2	13.5	0.2
Enter. & Catering	48.0	0.7	48.2	0.7
Transport	37.7	0.6	38.5	0.6
Construction	288.9	4.4	278.3	4.2
Government	573.0	8.6	417.0	6.4
Public Corps.	241.4	3.6	197.6	3.0
Private Financial	23.7	0.4	17.8	0.3
Prof. & Other Ser.	43.6	0.7	39.5	0.6
Personal	4,952.5	74.7	5,079.9	77.5
Miscellaneous	110.1	1.7	170.8	2.6
TOTAL	**6,626.6**	**100.0**	**6,554.9**	**100.0**

An analysis of the various private sector categories, revealed that personal loans—which constituted the largest share (79.0%) of total Bahamian dollar claims—decreased by $31.2 million (0.6%), after the previous year's $36.7 million (0.7%) decline, and an average reduction of 0.3% over the last five years. Underlying this development, consumer loans fell by $33.4 million (1.5%) and residential mortgages edged-down by $0.1 million, overshadowing the $2.3 million (4.3%) increase in overdrafts. A further breakdown of consumer credit, showed significant net repayments for "miscellaneous" purposes ($8.6 million), credit cards ($8.4 million) and debt consolidation ($7.5 million), while most of the remaining categories registered more modest reductions. In contrast, muted gains of under $1.0 million occurred for furnishings & domestic appliances, medical and taxis and rented cars and commercial vehicles.

The remaining private sector categories featured net credit gains for distribution ($9.9 million), manufacturing ($1.7 million) and private financial institutions ($0.2 million). In contrast, net repayments were noted for "miscellaneous" purposes ($5.0 million), professional and other services ($2.1 million), fisheries ($1.9 million), construction ($1.7 million) and transport ($1.4 million). Further, decreases of less than $1.0 million were recorded for entertainment & catering, mining & quarrying, agriculture and tourism.

Mortgages

Data obtained from banks, insurance companies and the Bahamas Mortgage Corporation, showed that the total value of mortgages outstanding declined by $11.0 million (0.4%) to $3,044.3 million, extending the previous year's $6.7 million (0.2%) reduction. Underlying this outturn, the dominant residential component—which comprised 94.2% of the total—decreased marginally by $1.7 million to $2,869.1 million, albeit a slowdown from the $4.7 million (0.2%) falloff in 2018. Similarly, the commercial segment decreased by $9.3 million (5.1%) to $175.3 million, exceeding the $2.0 million (1.1%) decline in the prior year. At end-March, 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

During the review quarter, the Central Bank's net claims on the Government contracted by 37.4% to $315.4 million, a reversal from the prior year's 1.3% increase, as the Bank reduced its Treasury bill holdings. Further, owing largely to a falloff in deposits, the Bank's net liabilities to the rest of the public sector decreased by 63.2% to $24.6 million, vis-à-vis a more than two-fold deposit-led advance in the previous year. In contrast, net liabilities to commercial banks grew by 10.9% to $1,038.4 million, reflecting a reduction in notes and coins in circulation, which offset the gain in deposits.

Buoyed by foreign currency inflows from tourism sector activities, external reserves strengthened by $240.6 million (20.1%) to $1,436.9 million, outpacing the previous year's $179.5 million (12.7%) build-up and an average increase of $127.3 million (14.3%) over the last five years. In the underlying transactions, the Central Bank's net foreign currency purchase widened by $83.1 million (55.8%) to $232.0 million, supported by an almost two-fold ($155.4 million) rise in the net intake from commercial banks to $320.1 million. In contrast, the net purchase from the Government narrowed to $27.2 million, from $73.4 million in the prior period, attributed to the receipt of external loan proceeds, while the net sale to public corporations quickened by $26.1 million to $115.3 million.

Despite the significant gain in external reserves over the review quarter, a marked increase in foreign currency demand in the latter half of 2018 resulted in the stock of reserves representing a reduced 21.6 weeks of the current year's total merchandise imports at end-March 2019, compared to 24.8 weeks a year earlier. After adjusting for the 50% statutory requirement on the Central Bank's Bahamian dollar liabilities, "usable" reserves stood $59.8 million less at $709.9 million, compared to the prior year.

DOMESTIC BANKS

Total net foreign liabilities of domestic banks contracted by $76.4 million (61.5%), extending the prior year's $44.8 million (16.9%) reduction, amid a significant build-up in non-residents' deposits.

Credit outstanding from banks grew by $11.4 million (0.1%), a turnaround from a $112.7 million (1.3%) decline a year earlier. In particular, net claims on the Government rose by $64.0 million (3.1%), vis-à-vis a $69.8 million (3.5%) contraction in 2018, explained by increased holdings of Treasury bills; however, private sector credit's contraction more than doubled to $43.5 million (0.7%). Meanwhile, the falloff in net credit to public corporations tapered to $9.1 million (1.9%), from $23.4 million (5.0%) in the preceding year.

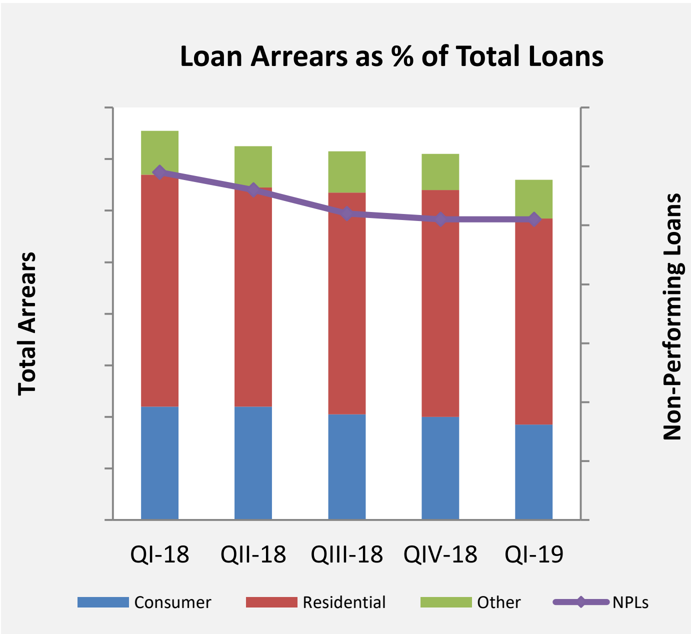
Banks' total deposit liabilities—inclusive of Government balances—rose by $189.5 million (2.7%) to $7,102.7 million, in comparison to the previous year's $109.1 million (1.6%) expansion. In the underlying components, the growth in private sector deposits accelerated to $119.6 million (1.9%), from $75.1 million (1.2%) a year earlier. Further, accretions to Government balances quickened to $45.2 million (23.9%), from $20.7 million (10.4%) in the year prior, while the deposits of public corporations firmed by $24.7 million (5.8%), extending the $13.4 million (3.8%) gain in the previous period.

At end-March, the majority of resident deposit liabilities remained denominated in Bahamian dollars (93.4%), with the remaining 6.6% being held mainly in US dollars. A breakdown by holder, showed that private individuals accounted for the largest share (50.5%) of total local currency accounts, followed by business firms (28.6%), private financial institutions (6.5%), public sector corporations (6.3%) and "other" miscellaneous entities (4.7%).

Disaggregated by account type, demand balances comprised the largest share of deposits (38.9%), followed by fixed (38.8%) and savings balances (22.2%). By range of value and number, the majority of accounts (88.0%), held Bahamian dollar balances of less than $10,000, but constituted a mere 6.3% of the total value. Accounts with balances between $10,000 and $50,000 represented 8.1% of the total number and 11.0% of the overall value, while deposits of more than $50,000 accounted for just 4.0% of the total number, but a dominant 82.7% of the value.

Credit Quality

In the context of improving economic conditions, combined with entities' sustained aggressive collection efforts and ongoing debt restructuring activities, banks' credit quality indicators continued to improve during the review quarter, extending the positive trend observed over the last 5 years. Specifically, total private sector loan arrears contracted by $67.4 million (8.3%) over the three-month period and by $120.7 million (14.0%) on an annual basis, to $742.4 million. As a result, the ratio of arrears to total private sector loans narrowed by 1.1 and 1.9 percentage points, on a quarterly and yearly basis, respectively, to 13.2%.



An analysis by the average age of delinquencies, showed that the short-term (31-90 day) segment declined by $60.6 million (20.7%) to $232.3 million, leading to a 1.0 percentage point reduction in the associated ratio to 4.1% of total private sector loans. In addition, non-performing loans (NPLs)—arrears in excess of 90 days and on which banks have stopped accruing interest—decreased by $6.8 million (1.3%) to $510.1 million, for a 5 basis point softening in the attendant ratio to 9.1% of total private sector loans.

The quarterly reduction in total private sector loan arrears was led by the dominant mortgage component—at 60.6% of the total—which contracted by $49.5 million (9.9%) to $450.0 million, for a 1.9 percentage point fall in the relevant ratio to 16.9%. Similarly, consumer loan arrears declined by $21.0 million (9.1%) to $208.3 million; representing a 78 basis point narrowing in the corresponding ratio to 9.5%. In contrast, the commercial component grew by $3.0 million (3.7%) to $84.1 million, elevating the relevant ratio by 43 basis points to 10.8%.

Capital Adequacy and Provisions

Banks' ratio of capital to risk-weighted assets declined by 40 basis points to 32.8% at end-March; although remaining well in excess of the Central Bank's set target and trigger ratios of 17% and 14%, respectively. In addition, banks increased their total provisions for loan losses marginally by $2.1 million (0.5%) to $440.6 million, while the declines in both arrears and NPLs led to the corresponding ratios to provisions firming by 5.2 and 1.5 percentage points, to 59.3% and 86.4%, respectively. In addition, total write-offs for the quarter were $25.1 million, while recoveries amounted to $4.6 million.

Bank Profitability

Reflecting mainly an increase in the level of provisioning for bad debts, banks' overall profitability fell by $4.9 million (10.2%) to $43.4 million during the fourth quarter of 2018—the latest available data. Specifically, the net interest margin rose by $6.3 million (5.1%) to $132.1 million, underpinned by a $3.3 million (2.3%) increase in interest income to $144.2 million and a $3.1 million (20.5%) reduction in interest expense, to $12.1 million. Further, commissions and foreign exchange fees grew slightly by $0.3 million (4.0%) to $7.6 million, for a $6.7 million (5.0%) gain in the gross earnings margin to $139.7 million.

With regard to expenditure, banks' consolidated operating outlays decreased by $5.7 million (5.7%) to $94.6 million, as "miscellaneous" operating costs—including professional and rental expenses—fell by $3.5 million (6.8%) to $48.1 million, while staff costs decreased by $2.9 million (6.7%) to $39.9 million. In addition, banks recorded a net loss of $1.6 million on their "non-core" activities, in contrast to a net profit of $15.7 million in the prior year, as provisions for bad debts rose by $11.4 million (66.5%), and "other" income declined by $7.0 million (18.9%). In a partial offset, depreciation costs moved lower by $1.1 million (25.3%).

An analysis of banks' profitability ratios as a percentage of average assets, revealed that the gross earnings margin ratio rose by 35 basis points to 5.53%, as the interest margin moved higher by 34 basis points to 5.23% and the commission and foreign exchange ratio edged-up by 2 basis points to 0.30%. In addition, the operating cost ratio declined by 16 basis points to 3.75%, contributing to a 51 basis point increase in the net earnings margin to 1.78%. In contrast, after accounting for the gain in provisioning for bad debts, the net income ratio contracted by 16 basis points to 1.72%.

Interest Rates

During the review quarter, the commercial banks' weighted average interest rate spread narrowed by 74 basis points to 9.55 percentage points. Underlying this outturn, the weighted average loan rate declined by 83 basis points to 10.28%, outstripping the 9 basis point decrease in the corresponding deposit rate to 0.73%.

In terms of deposits, the mean rate on demand and savings balances edged-up by 2 and 4 basis points to 0.31% and 0.54%, respectively. Further, the average range of interest earned on fixed balances narrowed to 0.47% - 0.88% from 0.58% - 1.10% in the previous quarter.

On the lending side, the average rates for both consumer loans and commercial mortgages decreased by 71 and 63 basis points to 12.64% and 6.75%, respectively, while a smaller decline of 15 basis points was noted for residential mortgages to 5.18%. In contrast, the rate for overdrafts rose by 23 basis points to 9.88%.

Banking Sector Interest Rates

Period Average (%)

	Qtr. I 2018	Qtr. IV 2018	Qtr. I 2019
Deposit Rates			
Demand Deposits	0.25	0.29	0.31
Savings Deposits	0.71	0.50	0.54
Fixed Deposits			
Up to 3 months	0.67	0.58	0.47
Up to 6 months	0.62	0.75	0.77
Up to 12 months	0.94	0.79	0.85
Over 12 months	1.41	1.10	0.88
Weighted Avg. Dep. Rate	**0.91**	**0.82**	**0.73**
Lending Rates			
Residential mortgages	5.50	5.33	5.18
Commercial mortgages	7.52	7.38	6.75
Consumer loans	13.58	13.35	12.64
Other Local Loans	7.28	7.96	10.89
Overdrafts	10.47	9.65	9.88
Weighted Avg. Loan Rate	**11.40**	**11.11**	**10.28**

With regard to other key interest rates, the average 90-day Treasury bill rate fell by 7 basis points to 1.52%. Meanwhile, the Central Bank's Discount rate and commercial banks' Prime rate were unchanged at 4.00% and 4.25%, respectively.

Capital Market Developments

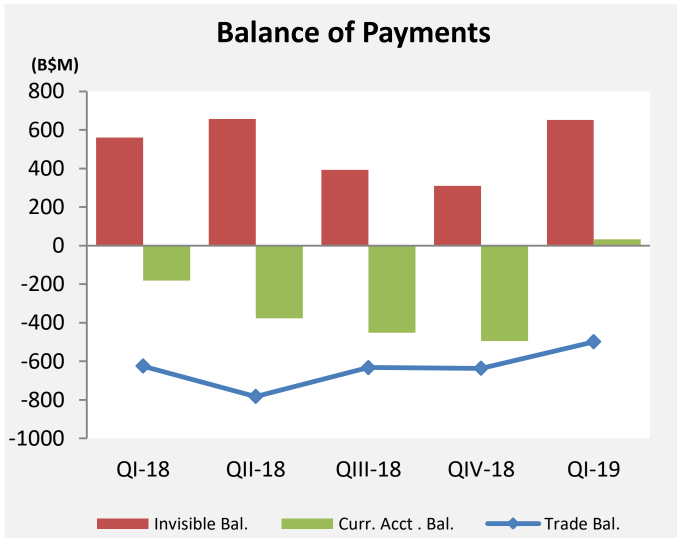
During the first quarter of 2019, domestic equity market activity was relatively subdued. The volume of shares traded on the Bahamas International Securities Exchange (BISX), declined by 14.3%, year-on-year, to 2,272,970, following a sharp increase of 54.6% a year earlier, when two block trades were executed for companies in the retail and banking sectors. Similarly, the corresponding trading value declined by 26.5% to $9.8 million, after a significant increase of 63.4% in 2018.

In terms of key market indicators, the BISX All Share Price Index rose marginally by 0.5% during the quarter to 2,119.29 points, reversing the prior year's 4.9% reduction. In contrast, the total market capitalization narrowed by 0.5% over the three-month period to $5.4 billion at end-March, but firmed on an annual basis by 6.2%.

The number of publicly traded securities listed on the exchange decreased by 6 to 45 over the quarter, mainly reflecting the maturity of Government bonds listed on the Exchange. At end-March, the number of listings comprised 19 ordinary shares, 13 preference shares and 13 debt tranches.

INTERNATIONAL TRADE AND PAYMENTS

Based on provisional data for the first quarter of 2019, the estimated current account balance reversed to a modest surplus of $32.6 million, from a deficit of $181.5 million in the corresponding period of 2018. Underpinning this outturn was a marked decline in the merchandise trade deficit, combined with a rise in the services account surplus and a reduction in net current transfer outflows. In contrast, the surplus on the capital and financial account contracted sharply by $116.9 million to a mere $25.3 million, reflecting mainly a reversal in the "other investments" balance to a deficit from a surplus in the prior year, overshadowing the rise in net direct investment inflows.



The estimated merchandise trade deficit decreased by $125.7 million (20.1%) to $498.9 million, owing to a $23.6 million (19.3%) gain in exports to $146.1 million and a $102.1 million (13.7%) reduction in imports. A disaggregation of trade flows showed that net imports of non-oil merchandise, fell by $118.2 million (22.4%) to $409.6 million. In contrast, estimated net payments for fuel purchases edged-up by $1.8 million (1.3%) to $134.9 million. In terms of the fuel type, average per barrel price gains were registered for jet fuel, by 2.5% to $87.53; gas oil, by 3.0% to $73.14 and propane gas, by 3.2% to $53.03. In a slight offset, the average prices of both motor and aviation gas declined, by 24.8% and 15.0% to $64.02 and $124.70 per barrel, respectively.

The estimated services account surplus grew by $92.3 million (16.5%) to $652.5 million. Buoyed by the expansion in tourism sector output, net travel receipts—the largest category—firmed by $172.6 million (20.8%) to $1,000.5 million. In addition, small declines were recorded for net outflows for construction services and royalty & license fees by $2.3 million (17.5%) to $11.1 million and by $1.0 million (29.3%) to $2.4 million, respectively. Providing some offset, net payments for Government services more than doubled, to $66.0 million, from $30.6 million in the previous year, attributed to a significant increase in disbursements for resident Government activities. Further, net outflows for other "miscellaneous" services rose by $28.0 million (20.6%) to $163.8 million, while net payments for transportation services firmed by $8.4 million (7.9%) to $114.7 million, as the growth in outflows for port & airport charges and passenger services, outpaced the decrease in disbursements for air & sea freight services. In addition, net payments for insurance services edged-up by $0.9 million (2.5%) to $36.8 million, while net inflows for offshore companies' local expenses were reduced by $11.0 million (19.0%) to $46.9 million.

During the review period, the estimated deficit on the income account firmed by $18.4 million (18.6%) to $117.8 million, largely as a result of a $13.3 million (14.3%) expansion in net investment income outflows to $106.1 million. In the underlying transactions, private companies' net interest and dividend payments firmed by $14.7 million (20.0%) to $87.8 million, as the rise in repatriations by commercial banks by $17.5 million to $22.8 million, overshadowed the slight $2.8 million (4.2%) reduction in remittances by non-bank entities to $65.0 million. In contrast, net payments for official transactions fell by $1.4 million (6.9%) to $18.3 million, mainly due to a slight reduction in the Government's external debt servicing costs. In addition, labour income remittances grew by $5.1 million to $11.7 million.

Current transfer payments declined by $14.5 million (82.3%) to a mere $3.1 million, amid an $11.3 million (20.3%) falloff in private sector net payments to $44.4 million, as the reduction in net workers' remittances, outweighed the uptick in other transfers net outflows. In addition, Government's net transfer receipts increased by $3.2 million (8.4%) to $41.3 million.

The significant contraction in the capital and financial account surplus, reflected mainly a reversal in other debt related transactions to a net outflow of $56.3 million, from a net receipt of $84.6 million a year earlier. In particular, the public sector repaid a net of $38.4 million in external obligations, vis-à-vis a $34.1 million net inflow in the prior year. In addition, private loan-based financing decreased by $36.6 million to $58.6 million. Also a factor, domestic banks net short-term liabilities repayments widened to $76.4 million from $44.8 million in the prior year.

Net direct investment inflows expanded by $21.2 million to $85.7 million. In particular, net receipts from land sales rose by $38.2 million to $82.3 million, offsetting the sharp reduction in net equity investment inflows to $3.4 million from $20.3 million last year. Further, migrants' net transfers decreased by $1.0 million to $2.4 million, while net portfolio investment outflows fell by one-half to $1.8 million.

As a result of these developments, and after making adjustments for net errors and omissions, the surplus on the overall balance, which corresponds to the change in the Central Bank's external reserves, expanded by $57.5 million (31.5%) to $240.3 million.

INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economy continued to expand during the first quarter, despite concerns regarding the ongoing trade tensions between the United States and other major markets. In this environment, gains in employment were sustained; although a slight uptick in the jobless rate was recorded for a few major economies. Further, inflationary pressures remained well contained, despite the sharp increase in global oil prices over the review period. In this environment, all of the major central banks sustained their accommodative monetary policy stances.

During the first quarter of 2019, the major economies sustained their growth trajectory. Specifically, in the United States, the expansion in real GDP accelerated to 3.1%, from 2.2% in the previous three-month period, owing mainly to an increase in private inventory investment, exports and state and local Government spending. Trends were similar for the United Kingdom, as real output growth quickened by 20 basis points to 0.4% over the prior quarter, attributed to positive contributions from the services, production and construction sectors. Further, the euro area's output expanded by 0.5%, following a 0.2% gain in the fourth quarter. In Asia, Japan's economy firmed by 2.1% in the first quarter, compared to a 1.6%

increase recorded in the prior period, underpinned by a rise in net exports and Government spending. Further, despite the ongoing trade disputes between China and its major trading partner, real output growth in the country steadied at 6.4% for the second consecutive quarter.

Labour market developments were mixed over the review period. In Europe, the United Kingdom's jobless rate fell by 20 basis points to 3.8%—the lowest level recorded since the fourth quarter of 1974—as the number of employed persons grew by 129,000. Similarly, the unemployment rate in the euro area decreased by 20 basis points to 7.7%, with the Netherlands and Germany recording the lowest rates among member states. In contrast, the unemployment rate in the United States edged-up by 10 basis points to 3.9% during the first quarter, as accretions to total non-farm payrolls slowed to 520,000 from 637,000 in the prior three-month period; with the majority of the job gains occurring in the health care and technical service sectors. In addition, the jobless rate in China increased by 40 basis points to 5.2% over the fourth quarter, amid a trade dispute-related softening in the demand for exports. In addition, Japan's unemployment rate rose by 10 basis points to 2.5%, as the number of unemployed persons grew by 160,000.

Despite the significant rise in global oil prices over the review period, inflation in the major markets remained relatively subdued. Specifically, the increase in average consumer prices in the United States stabilised at an annualized 1.9% during the first quarter, compared to the prior three-month period, with the rise in food prices offset by the reduction in energy costs. Reflecting mainly a decline in the cost of food and motor vehicles, inflation in the United Kingdom narrowed to 1.9% from 2.1% in the prior quarter. Similarly, the euro area's annualized inflation rate edged-down by 10 basis points to 1.4%, amid lower food and energy prices. In contrast, accretions to average consumer prices quickened by 40 basis points to 2.3% in China, amid a rise in the cost of food, tobacco, liquor and health care. In addition, Japan recorded an inflation rate of 0.8% over the review quarter, in contrast to a 0.3% decline in average prices in the prior three-month period.

The United States dollar recorded mixed movements against other major currencies during the first quarter. In particular, the dollar depreciated vis-à-vis the Chinese Yuan, by 2.4% to CNY6.71, the British pound, by 2.1% to £0.77 and the Canadian currency, by 2.1% to CAD$1.33. In contrast, the dollar firmed by 2.3% relative to the euro, to €0.89. Similarly, the dollar rose against the Japanese yen and the Swiss Franc, by 1.1% to ¥110.85, and by 1.4% to CHF1.00, respectively.

Reflecting in part the uncertainty caused by ongoing trade conflicts and geo-political tensions, most of the major equity markets recorded losses during the first quarter. Specifically, in the United States, the Dow Jones Industrial Average (DIJA) fell marginally by 0.8%; however, the S&P 500 index increased slightly by 0.4%. Similarly, the European bourses contracted, with the German DAX depreciating by 12.6%, while smaller declines were recorded for the United Kingdom's FTSE 100, and France's CAC 40, by 3.4% and 2.4%, respectively. Asian market also weakened, as China's SE Composite moved sharply lower by 11.2% and Japan's Nikkei 225 decreased by 8.2%.

Attributed to the ongoing geo-political unrest in major oil producing countries and a reduction in OPEC's oil output, average crude oil prices rose by 26.3% to $66.01 per barrel during the first quarter 2019. In the precious metals market, the average cost of gold increased marginally by 0.8% to $1,292.30 per troy ounce; however, the average price of silver fell by 2.4% to $15.12 per troy ounce.

Developments in the external sector were mixed during the first quarter. In the United States, the deficit on the goods and services account decreased by $3.3 billion (6.2%) to $50.1 billion, attributed to gains in exports—of mainly industrial and energy-related supplies—and a marginal reduction in imports. Further, the euro area’s trade surplus expanded by €9.8 billion (29.1%) to €43.5 billion, driven by stronger exports of manufactured goods and some contraction in imports. In addition, buoyed by robust external demand, China’s current account surplus expanded by US$4.0 billion (7.3%) to US$58.6 billion during the review quarter. In contrast, underpinned by higher imports—of largely chemicals and machinery & transport equipment—the United Kingdom’s trade deficit widened by £8.9 billion to £18.3 billion in the first quarter. Further, Japan’s trade deficit rose by almost three-fold to ¥563.5 million from ¥193.5 million in the corresponding period last year, as weaker global demand contributed to a stronger reduction in exports, which outweighed the decline in imports.

Given the positive economic developments and relatively mild inflation rates, most of the major central banks sustained their accommodative monetary policy stance in the first quarter. After several quarters of interest rate increases, the United States Federal Reserve paused its policy tightening measures and kept its target range for the federal funds rate at 2.25%-2.50%. Similarly, the Bank of England retained its benchmark interest rate at 0.75% and left its asset purchase programme at £435.0 billion. Further, the European Central Bank kept its key interest rates at historic lows and announced its intent to reinvest the full principal payments from maturing securities that were acquired under the asset purchase programme, in an effort to encourage economic growth and target inflation convergence. Similar trends were noted in Asia, as the Bank of Japan left its policy rate at -0.1%, while the People’s Bank of China lowered its reserve requirement ratio for both large and small supervised financial institutions by one percentage point each, to 13.5% and 11.5%, respectively; the Bank also maintained its 7-day reverse repo rate at 2.55%.

STATISTICAL APPENDIX (TABLES 1-16)

TABLE 1
FINANCIAL SURVEY

Period	2014	2015	2016	2017		2018				2019
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
				(B$ Millions)						
Net foreign assets	286.4	280.2	678.5	778.5	1,152.5	1,376.7	1,412.9	1,274.4	1,071.4	1,387.8
Central Bank	787.7	811.9	904.0	1,033.9	1,417.4	1,596.9	1,572.1	1,300.7	1,195.6	1,435.6
Domestic Banks	(501.2)	(531.7)	(225.4)	(255.3)	(265.0)	(220.2)	(159.2)	(26.3)	(124.2)	(47.8)
Net domestic assets	6,103.7	6,093.7	6,251.4	6,233.6	5,884.6	5,766.5	5,846.0	5,945.5	6,037.1	5,827.8
Domestic credit	8,870.5	8,966.2	9,128.4	9,211.0	8,838.3	8,730.9	8,797.5	8,847.5	8,911.2	8,734.4
Public sector	2,503.6	2,666.4	2,957.6	3,185.2	2,855.5	2,767.6	2,875.7	2,976.1	3,025.0	2,891.8
Government (net)	2,024.0	2,198.0	2,551.4	2,693.0	2,383.0	2,318.6	2,391.9	2,490.9	2,539.3	2,415.1
Rest of public sector	479.7	468.4	406.3	492.1	472.5	449.1	483.9	485.2	485.8	476.6
Private sector	6,366.9	6,299.7	6,170.8	6,025.8	5,982.9	5,963.3	5,921.7	5,871.4	5,886.2	5,842.7
Other items (net)	(2,766.8)	(2,872.4)	(2,877.0)	(2,977.4)	(2,953.7)	(2,964.4)	(2,951.5)	(2,902.0)	(2,874.1)	(2,906.6)
Monetary liabilities	6,390.0	6,373.8	6,930.1	7,012.4	7,037.3	7,145.4	7,260.5	7,220.3	7,108.8	7,215.9
Money	1,995.7	2,071.2	2,460.6	2,606.6	2,654.0	2,753.6	2,773.3	2,711.2	2,728.2	2,757.1
Currency	232.8	246.6	280.5	284.3	292.6	302.0	312.1	306.9	310.4	316.0
Demand deposits	1,762.9	1,824.7	2,180.1	2,322.3	2,361.5	2,451.7	2,461.2	2,404.3	2,417.7	2,441.1
Quasi-money	4,394.3	4,302.6	4,469.5	4,405.8	4,383.3	4,391.8	4,487.2	4,509.1	4,380.7	4,458.9
Fixed deposits	3,101.9	2,966.5	2,866.3	2,756.4	2,737.9	2,710.3	2,647.8	2,585.7	2,552.0	2,526.9
Savings deposits	1,067.5	1,148.3	1,295.6	1,368.1	1,371.2	1,395.3	1,431.6	1,423.3	1,427.1	1,476.6
Foreign currency	224.8	187.8	307.6	281.3	274.1	286.1	407.8	500.1	401.5	455.3
				(percentage changes)						
Total domestic credit	(1.0)	1.1	1.8	(0.8)	(4.0)	(1.2)	0.8	0.6	0.7	(2.0)
Public sector	4.1	6.5	10.9	1.8	(10.4)	(3.1)	3.9	3.5	1.6	(4.4)
Government (net)	4.0	8.6	16.1	(1.8)	(11.5)	(2.7)	3.2	4.1	1.9	(4.9)
Rest of public sector	4.4	(2.4)	(13.3)	27.2	(4.0)	(4.9)	7.7	0.3	0.1	(1.9)
Private sector	(2.8)	(1.1)	(2.0)	(2.1)	(0.7)	(0.3)	(0.7)	(0.8)	0.3	(0.7)
Monetary liabilities	1.2	(0.3)	8.7	(1.8)	0.4	1.5	1.6	(0.6)	(1.5)	1.5
Money	21.6	3.8	18.8	(2.0)	1.8	3.8	0.7	(2.2)	0.6	1.1
Currency	8.6	5.9	13.7	(3.3)	2.9	3.2	3.3	(1.6)	1.1	1.8
Demand deposits	23.6	3.5	19.5	(1.8)	1.7	3.8	0.4	(2.3)	0.6	1.0
Quasi-money	(6.0)	(2.1)	3.9	(1.7)	(0.5)	0.2	2.2	0.5	(2.8)	1.8

Source: Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

Period	2014	2015	2016	2017		2018				2019
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
				(B$ Millions)						
Net foreign assets	334.2	360.1	730.5	828.9	1,218.0	1,450.2	1,511.4	1,335.3	1,127.5	1,463.7
Central Bank	787.7	811.9	904.0	1,033.9	1,417.4	1,596.9	1,572.1	1,300.7	1,195.6	1,435.6
Commercial banks	(453.5)	(451.8)	(173.5)	(204.9)	(199.5)	(146.7)	(60.7)	34.6	(68.1)	28.0
Net domestic assets	6,002.0	5,956.8	6,131.5	6,132.6	5,742.1	5,631.7	5,654.3	5,792.6	5,910.7	5,690.6
Domestic credit	8,837.0	8,926.2	9,097.0	9,184.4	8,808.7	8,697.6	8,767.2	8,816.7	8,866.4	8,684.1
Public sector	2,492.5	2,653.2	2,941.4	3,175.1	2,841.7	2,753.0	2,863.5	2,961.4	3,009.1	2,875.5
Government (net)	2,013.2	2,187.2	2,535.5	2,683.3	2,369.6	2,304.3	2,380.0	2,476.5	2,523.7	2,399.3
Rest of public sector	479.3	466.0	405.9	491.8	472.1	448.7	483.5	484.8	485.4	476.3
Private sector	6,344.5	6,273.0	6,155.6	6,009.3	5,967.0	5,944.6	5,903.7	5,855.3	5,857.2	5,808.5
Other items (net)	(2,834.9)	(2,969.4)	(2,965.5)	(3,051.8)	(3,066.6)	(3,065.9)	(3,112.9)	(3,024.1)	(2,955.7)	(2,993.5)
Monetary liabilities	6,336.1	6,316.8	6,862.1	6,961.8	6,960.3	7,084.1	7,167.3	7,128.3	7,038.4	7,154.5
Money	1,955.0	2,024.9	2,406.8	2,568.5	2,591.4	2,705.9	2,693.8	2,632.4	2,671.3	2,706.8
Currency	232.8	246.6	280.5	284.3	292.6	302.0	312.1	307.0	310.5	316.0
Demand deposits	1,722.2	1,778.3	2,126.4	2,284.2	2,298.8	2,403.9	2,381.7	2,325.4	2,360.8	2,390.8
Quasi-money	4,381.1	4,291.9	4,455.3	4,393.4	4,368.8	4,378.3	4,473.6	4,495.9	4,367.2	4,447.7
Savings deposits	1,067.5	1,148.3	1,295.0	1,368.1	1,371.2	1,395.3	1,431.6	1,423.3	1,427.1	1,476.6
Fixed deposits	3,088.8	2,955.9	2,854.8	2,744.9	2,725.8	2,699.1	2,636.5	2,574.6	2,540.6	2,516.3
Foreign currency deposits	224.8	187.8	305.5	280.3	271.9	283.8	405.5	498.0	399.4	454.8
				(percentage change)						
Total domestic credit	(1.0)	1.0	1.9	(0.6)	(4.1)	(1.3)	0.8	0.6	0.6	(2.1)
Public sector	4.0	6.4	10.9	2.4	(10.5)	(3.1)	4.0	3.4	1.6	(4.4)
Government (net)	3.9	8.6	15.9	(1.2)	(11.7)	(2.8)	3.3	4.1	1.9	(4.9)
Rest of public sector	4.4	(2.8)	(12.9)	27.2	(4.0)	(4.9)	7.7	0.3	0.1	(1.9)
Private sector	(2.9)	(1.1)	(1.9)	(2.1)	(0.7)	(0.4)	(0.7)	(0.8)	0.0	(0.8)
Monetary liabilities	1.1	(0.3)	8.6	(1.5)	(0.0)	1.8	1.2	(0.5)	(1.3)	1.6
Money	21.4	3.6	18.9	(1.4)	0.9	4.4	(0.4)	(2.3)	1.5	1.3
Currency	8.6	5.9	13.7	(3.3)	2.9	3.2	3.3	(1.6)	1.1	1.8
Demand deposits	23.3	3.3	19.6	(1.1)	0.6	4.6	(0.9)	(2.4)	1.5	1.3
Quasi-money	(5.9)	(2.0)	3.8	(1.6)	(0.6)	0.2	2.2	0.5	(2.9)	1.8

Source: Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

(B$ Millions)

Period	2014	2015	2016	2017		2018				2019
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Net foreign assets	787.7	811.9	904.0	1,033.9	1,417.4	1,596.9	1,572.1	1,300.7	1,196.3	1,436.9
Balances with banks abroad	155.2	206.6	254.8	340.4	698.5	783.9	740.0	422.7	375.8	612.2
Foreign securities	544.9	521.7	550.5	590.0	614.7	681.8	705.3	727.5	670.5	675.1
Reserve position in the Fund	9.1	8.7	25.9	27.3	27.5	28.0	27.1	26.9	26.8	26.8
SDR holdings	78.5	75.0	72.7	76.3	76.8	103.2	99.7	123.6	123.2	122.9
Net domestic assets	375.6	340.6	555.3	582.2	209.6	190.8	161.6	181.4	228.4	95.5
Net claims on Government	523.4	493.7	716.6	763.2	390.1	395.4	355.0	403.0	503.6	315.4
Claims	571.4	523.1	731.9	781.9	417.0	415.4	380.0	424.6	525.1	377.8
Treasury bills	119.7	126.6	223.9	317.8	7.2	-	(0.0)	54.9	155.7	68.3
Bahamas registered stock	316.5	261.1	372.6	328.3	274.5	279.8	244.3	248.7	249.0	239.7
Loans and advances	135.2	135.4	135.4	135.9	135.4	135.5	135.7	120.9	120.4	69.8
Deposits	(48.0)	(29.4)	(15.3)	(18.8)	(26.9)	(19.9)	(24.9)	(21.6)	(21.6)	(62.4)
In local currency	(48.0)	(29.4)	(15.3)	(18.8)	(26.9)	(19.9)	(24.9)	(21.6)	(21.6)	(62.4)
In foreign currency	-	-	-	-	-	-	-	-	-	-
Deposits of rest of public sector	(26.0)	(17.3)	(12.6)	(21.8)	(17.2)	(27.5)	(25.2)	(37.4)	(74.6)	(31.9)
Credit to commercial banks	-	-	-	-	-	-	-	-	-	-
Official capital and surplus	(152.3)	(163.7)	(173.1)	(169.6)	(185.1)	(183.7)	(185.3)	(185.7)	(208.0)	(208.1)
Net unclassified assets	21.1	19.0	15.4	2.4	13.8	(1.5)	9.3	(6.3)	(0.2)	12.8
Loans to rest of public sector	4.2	3.7	3.6	3.0	2.8	2.8	2.6	2.6	2.5	2.5
Public Corp Bonds/Securities	5.2	5.2	5.3	5.2	5.2	5.2	5.2	5.2	5.2	4.7
Liabilities To Domestic Banks	(750.2)	(733.5)	(1,011.4)	(1,155.8)	(1,157.0)	(1,304.6)	(1,246.4)	(1,001.3)	(940.9)	(1,043.3)
Notes and coins	(142.5)	(142.4)	(145.1)	(94.4)	(145.8)	(101.2)	(95.7)	(99.9)	(149.3)	(101.0)
Deposits	(607.7)	(591.1)	(866.3)	(1,061.4)	(1,011.2)	(1,203.4)	(1,150.7)	(901.4)	(791.7)	(942.4)
SDR allocation	(180.3)	(172.4)	(167.3)	(176.0)	(177.4)	(181.1)	(175.3)	(173.9)	(173.3)	(173.0)
Currency held by the private sector	(232.8)	(246.6)	(280.5)	(284.3)	(292.6)	(302.0)	(312.1)	(306.9)	(310.4)	(316.0)

Source: Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

(B$ Millions)

Period	2014	2015	2016	2017 Sept.	2017 Dec.	2018 Mar.	2018 Jun.	2018 Sept.	2018 Dec.	2019 Mar.
Net foreign assets	(501.2)	(531.7)	(225.4)	(255.3)	(265.0)	(220.2)	(159.2)	(26.3)	(124.2)	(47.8)
Net claims on Central Bank	749.2	730.0	1,012.4	1,156.7	1,158.0	1,305.5	1,247.3	1,002.2	941.9	1,044.3
Notes and Coins	142.5	142.4	145.1	94.4	145.8	101.2	95.7	99.9	149.3	101.0
Balances	606.7	587.5	867.3	1,062.4	1,012.2	1,204.3	1,151.6	902.3	792.6	943.3
Less Central Bank credit	-	-	-	-	-	-	-	-	-	-
Net domestic assets	5,537.6	5,569.8	5,483.7	5,442.6	5,483.6	5,366.3	5,438.9	5,421.4	5,482.2	5,423.0
Net claims on Government	1,500.5	1,704.4	1,834.8	1,929.9	1,992.9	1,923.1	2,036.8	2,088.0	2,035.7	2,099.7
Treasury bills	454.5	662.6	531.9	506.5	611.4	620.0	720.5	736.9	669.8	773.1
Other securities	907.0	895.4	987.1	1,094.3	1,137.7	1,105.2	1,095.9	1,058.7	990.9	988.3
Loans and advances	352.1	416.8	502.7	528.0	442.2	417.1	428.6	489.2	564.4	573.0
Less: deposits	213.1	270.5	186.9	198.9	198.5	219.1	208.2	196.8	189.4	234.6
Net claims on rest of public sector	124.6	117.6	31.0	121.7	113.6	76.9	79.8	(1.4)	54.2	20.8
Securities	219.0	221.0	163.9	275.7	262.6	243.6	231.6	229.5	229.5	228.0
Loans and advances	251.3	238.4	233.5	208.3	201.9	197.6	244.5	247.8	248.6	241.4
Less: deposits	345.7	341.8	366.4	362.3	350.8	364.3	396.2	478.7	423.9	448.6
Other net claims	24.8	43.9	(2.9)	(4.9)	(2.6)	(5.0)	(1.8)	5.5	(1.0)	1.3
Credit to the private sector	6,366.9	6,299.7	6,170.8	6,025.8	5,982.9	5,963.3	5,921.7	5,871.4	5,886.2	5,842.7
Securities	16.8	24.4	19.6	19.4	19.1	23.0	21.5	21.5	32.3	30.5
Mortgages	3,211.4	3,164.7	3,035.5	2,972.8	2,949.5	2,946.6	2,942.8	2,927.5	2,935.3	2,936.2
Loans and advances	3,138.7	3,110.7	3,115.7	3,033.7	3,014.3	2,993.6	2,957.4	2,922.4	2,918.5	2,875.9
Private capital and surplus	(2,499.2)	(2,651.2)	(2,594.4)	(2,693.6)	(2,699.3)	(2,684.1)	(2,647.5)	(2,647.4)	(2,642.6)	(2,607.6)
Net unclassified assets	20.0	55.5	44.5	63.8	96.2	92.3	49.8	105.2	149.9	66.1
Liabilities to private sector	5,785.5	5,768.1	6,270.7	6,344.0	6,376.6	6,451.7	6,527.0	6,397.3	6,299.9	6,419.5
Demand deposits	1,830.6	1,868.3	2,287.4	2,383.5	2,420.1	2,495.1	2,580.4	2,521.8	2,503.6	2,570.8
Savings deposits	1,074.1	1,162.0	1,315.0	1,386.1	1,390.4	1,416.6	1,467.1	1,453.9	1,454.3	1,506.8
Fixed deposits	2,880.8	2,737.8	2,668.3	2,574.3	2,566.1	2,540.0	2,479.5	2,421.6	2,342.0	2,341.8

Source: Central Bank of The Bahamas

TABLE 5
PROFIT AND LOSS ACCOUNTS OF BANKS IN THE BAHAMAS*

(B$'000s)

Period	2016	2017	2018	2017 Qtr. I	2017 Qtr. II	2017 Qtr. III	2017 Qtr. IV	2018 Qtr. I	2018 Qtr. II	2018 Qtr. III	2018 Qtr. IV
1. Interest Income	615,104	590,158	580,569	148,243	146,844	154,093	140,978	146,250	142,891	147,200	144,228
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
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
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
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
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
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
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
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
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
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
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
13. Other Income	133,175	136,036	138,645	30,470	37,649	30,781	37,136	35,567	37,566	35,379	30,133
14. **Other Income (Net) (13-11-12)**	1,948	7,013	29,170	4,060	(17,363)	4,602	15,714	6,519	6,025	18,253	(1,627)
15. **Net Income (10+14)**	204,157	182,228	215,312	44,516	31,340	58,048	48,324	53,563	47,301	71,062	43,386
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
(Ratios To Average Assets)											
Interest Margin	5.3	5.1	5.1	5.1	5.1	5.3	4.9	5.1	5.0	5.2	5.2
Commission & Forex Income	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Gross Earnings Margin	5.6	5.4	5.4	5.4	5.4	5.6	5.2	5.4	5.3	5.5	5.5
Operating Costs	3.6	3.8	3.6	3.8	3.8	3.5	3.9	3.6	3.6	3.4	3.7
Net Earnings Margin	2.0	1.6	1.8	1.6	1.6	2.1	1.3	1.8	1.6	2.1	1.8
Net Income/Loss	2.0	1.9	2.1	1.8	1.8	2.3	1.9	2.1	1.8	2.8	1.7

*** Commercial Banks and OLFIs with domestic operations**
Source: Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

(B$ Millions)

End of Period	2014	2015	2016	2017		2018				2019
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
Money Supply (M1)	1,995.7	2,071.2	2,460.6	2,606.6	2,654.0	2,753.6	2,773.3	2,711.2	2,728.2	2,757.1
1) Currency in active circulation	232.8	246.6	280.5	284.3	292.6	302.0	312.1	306.9	310.4	316.0
2) Demand deposits	1,762.9	1,824.7	2,180.1	2,322.3	2,361.5	2,451.7	2,461.2	2,404.3	2,417.7	2,441.1
Central Bank	26.0	17.3	12.6	21.8	17.2	27.5	25.2	37.4	74.6	31.9
Domestic Banks	1,736.9	1,807.3	2,167.6	2,300.4	2,344.2	2,424.2	2,436.0	2,366.9	2,343.1	2,409.2
Factors affecting money (M1)										
1) Net credit to Government	2,024.0	2,198.0	2,551.4	2,693.0	2,383.0	2,318.6	2,391.9	2,490.9	2,539.3	2,415.1
Central Bank	523.4	493.7	716.6	763.2	390.1	395.4	355.0	403.0	503.6	315.4
Domestic banks	1,500.5	1,704.4	1,834.8	1,929.9	1,992.9	1,923.1	2,036.8	2,088.0	2,035.7	2,099.7
2) Other credit	6,846.5	6,768.1	6,577.1	6,518.0	6,455.3	6,412.3	6,405.6	6,356.6	6,371.9	6,319.3
Rest of public sector	479.7	468.4	406.3	492.1	472.5	449.1	483.9	485.2	485.8	476.6
Private sector	6,366.9	6,299.7	6,170.8	6,025.8	5,982.9	5,963.3	5,921.7	5,871.4	5,886.2	5,842.7
3) External reserves	787.7	811.9	904.0	1,033.9	1,417.4	1,596.9	1,572.1	1,300.7	1,195.6	1,435.6
4) Other external liabilities (net)	(501.2)	(531.7)	(225.4)	(255.3)	(265.0)	(220.2)	(159.2)	(26.3)	(124.2)	(47.8)
5) Quasi money	4,394.3	4,302.6	4,469.5	4,405.8	4,383.3	4,391.8	4,487.2	4,509.1	4,380.7	4,458.9
6) Other items (net)	(2,766.8)	(2,872.4)	(2,877.0)	(2,977.4)	(2,953.7)	(2,964.4)	(2,951.5)	(2,902.0)	(2,874.1)	(2,906.6)

Source: Central Bank of The Bahamas

TABLE 7

CONSUMER INSTALMENT CREDIT

(B$' 000)

End of Period	2016	2017	2018	2017		2018				2019
				Sept.	Dec.	Mar.	June	Sept	Dec.	Mar.
CREDIT OUTSTANDING										
Private cars	176,178	163,974	146,286	169,892	163,974	159,105	153,708	148,441	146,286	142,918
Taxis & rented cars	777	796	948	795	796	855	803	897	948	1,015
Commercial vehicles	1,050	1,208	1,036	1,247	1,208	1,158	1,124	1,062	1,036	1,042
Furnishings & domestic appliances	8,302	8,493	8,205	9,056	8,493	8,238	7,863	8,346	8,205	8,321
Travel	41,197	45,457	50,872	47,008	45,457	43,318	45,909	50,530	50,872	50,660
Education	52,245	53,065	43,067	54,208	53,065	50,684	47,491	48,261	43,067	40,660
Medical	12,824	12,025	12,773	12,816	12,025	12,752	12,857	12,626	12,773	12,857
Home Improvements	121,959	113,898	102,022	119,768	113,898	110,992	107,081	103,136	102,022	99,853
Land Purchases	169,847	152,771	139,093	156,141	152,771	149,817	145,587	141,858	139,093	137,993
Consolidation of debt	984,569	951,071	922,138	954,528	951,071	950,187	955,742	939,570	922,138	914,635
Miscellaneous	546,313	564,703	541,719	568,221	564,703	558,803	537,638	538,144	541,719	533,124
Credit Cards	256,166	254,852	249,069	250,934	254,852	247,113	243,617	246,201	249,069	240,706
TOTAL	2,371,427	2,322,313	2,217,228	2,344,614	2,322,313	2,293,022	2,259,420	2,239,072	2,217,228	2,183,784
NET CREDIT EXTENDED										
Private cars	(5,269)	(12,204)	(17,688)	(4,373)	(5,918)	(4,869)	(5,397)	(5,267)	(2,155)	(3,368)
Taxis & rented cars	(249)	19	152	25	1	59	(52)	94	51	67
Commercial vehicles	(448)	158	(172)	9	(39)	(50)	(34)	(62)	(26)	6
Furnishings & domestic appliances	221	191	(288)	(33)	(563)	(255)	(375)	483	(141)	116
Travel	4,361	4,260	5,415	4,581	(1,551)	(2,139)	2,591	4,621	342	(212)
Education	11,128	820	(9,998)	5,594	(1,143)	(2,381)	(3,193)	770	(5,194)	(2,407)
Medical	353	(799)	748	(354)	(791)	727	105	(231)	147	84
Home Improvements	7,694	(8,061)	(11,876)	(3,469)	(5,870)	(2,906)	(3,911)	(3,945)	(1,114)	(2,169)
Land Purchases	(23,316)	(17,076)	(13,678)	(4,764)	(3,370)	(2,954)	(4,230)	(3,729)	(2,765)	(1,100)
Consolidation of debt	182,535	(33,498)	(28,933)	(14,618)	(3,457)	(884)	5,555	(16,172)	(17,432)	(7,503)
Miscellaneous	(93,841)	18,390	(22,984)	8,788	(3,518)	(5,900)	(21,165)	506	3,575	(8,595)
Credit Cards	7,002	(1,314)	(5,783)	4,570	3,918	(7,739)	(3,496)	2,584	2,868	(8,363)
TOTAL	90,171	(49,114)	(105,085)	(4,044)	(22,301)	(29,291)	(33,602)	(20,348)	(21,844)	(33,444)

Source: Central Bank of The Bahamas

TABLE 8
SELECTED AVERAGE INTEREST RATES

(%)

Period	2014	2015	2016	2017		2018				2019
				Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
DOMESTIC BANKS										
Deposit rates										
Savings deposits	0.89	0.83	0.82	0.68	0.72	0.71	0.67	0.66	0.50	0.54
Fixed deposits										
Up to 3 months	1.16	1.13	0.97	0.74	0.88	0.67	0.56	0.59	0.58	0.47
Up to 6 months	1.22	1.08	0.99	0.63	0.62	0.62	0.58	0.53	0.75	0.77
Up to 12 months	1.76	1.71	1.58	1.11	1.14	0.94	1.07	1.06	0.79	0.85
Over 12 months	1.64	1.57	1.87	1.61	1.57	1.41	1.52	1.00	1.10	0.88
Weighted average rate	1.42	1.41	1.24	0.98	1.03	0.91	0.82	0.82	0.82	0.73
Lending rates										
Residential mortgages	7.16	6.47	6.22	5.41	5.50	5.50	5.46	5.35	5.33	5.18
Commercial mortgages	8.02	7.89	7.87	6.75	7.75	7.52	6.74	8.71	7.38	6.75
Consumer loans	13.91	14.26	14.03	13.36	13.64	13.58	13.49	13.53	13.35	12.64
Overdrafts	9.76	10.36	11.13	10.12	10.94	10.47	10.04	10.42	9.65	9.88
Weighted average rate	11.81	12.29	12.49	11.64	11.48	11.40	11.25	11.61	11.11	10.28
Other rates										
Prime rate	4.75	4.75	4.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Treasury bill (90 days)	0.53	0.68	1.64	1.77	1.82	1.78	1.78	1.62	1.59	1.52
Treasury bill re-discount rate	1.03	1.18	2.14	2.27	2.32	2.28	2.28	2.12	2.09	2.08
Bank rate (discount rate)	4.50	4.50	4.46	4.00	4.00	4.00	4.00	4.00	4.00	4.00

Source: Central Bank of The Bahamas

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
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**
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
Mortgage	11.6	11.6	9.0	9.1	8.8	9.0	8.5	8.6	8.8	8.0
Commercial	4.4	3.7	4.0	2.1	1.6	1.7	1.6	1.6	1.4	1.5
Total Arrears	**21.4**	**20.3**	**17.8**	**15.8**	**14.9**	**15.1**	**14.4**	**14.3**	**14.3**	**13.2**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
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**
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
61 - 90 days	2.1	2.0	1.9	1.9	1.9	1.5	1.8	2.0	1.9	1.4
90 - 179 days	2.1	1.7	1.7	1.8	1.7	1.6	1.4	1.4	1.4	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
Total Arrears	**21.4**	**20.3**	**17.8**	**15.8**	**14.9**	**15.1**	**14.4**	**14.3**	**14.3**	**13.2**
Total B$ Loan Portfolio	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
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
Mortgage	53.8	57.4	50.3	59.5	60.8	60.2	60.5	61.7	65	63.2
Other Private	22.6	20.4	26.1	14.2	11.4	11.8	11.3	10.9	9.2	10.2
Total Non Accrual Loans	**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
Mortgage	9.4	9.9	9.0	8.0	8.3	7.8	7.5	7.9	7.6	8.8
Other Private	12.1	10.2	11.7	7.4	8.0	8.0	7.8	8.5	14.4	7.2
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
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
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

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	2014	2015	2016	2017		2018				2019
				Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
I. Statutory Reserves										
Required reserves	311.2	316.9	325.1	335.4	336.9	338.6	342.9	340.8	331.1	331.9
Average Till Cash	122.7	123.0	130.4	104.1	125.8	106.7	97.1	102.6	124.9	108.5
Average balance with central bank	676.6	598.7	945.1	1,006.7	1,030.3	1,165.4	1,224.3	966.7	808.6	863.4
Free cash reserves (period ended)	488.0	404.9	750.5	775.4	819.2	933.5	978.5	728.6	602.5	697.3
II. Liquid Assets (period)										
A. Minimum Required Liquid Assets	1,025.5	1,044.6	1,098.6	1,140.7	1,128.9	1,143.7	1,152.2	1,122.6	1,115.6	1,148.4
B. Net Eligible Liquid Assets	2,182.2	2,361.6	2,579.9	2,804.0	2,956.2	3,074.9	3,112.3	2,851.6	2,649.0	2,852.0
i) Balance with Central Bank	606.7	587.5	867.3	1,062.4	1,012.2	1,204.3	1,150.7	902.3	792.6	943.3
ii) Notes and Coins	143.0	142.9	145.6	94.9	146.3	101.7	96.2	100.4	149.8	101.5
iii) Treasury Bills	454.5	662.6	531.9	506.5	611.4	620.0	720.5	736.9	669.8	773.1
iv) Government registered stocks	907.0	895.4	987.1	1,094.3	1,137.7	1,105.2	1,095.7	1,058.7	990.9	988.3
v) Specified assets	56.0	55.6	51.0	50.8	50.8	50.6	50.3	48.5	48.4	46.9
vi) Net Inter-bank dem/call deposits	15.1	17.4	(3.0)	(4.9)	(2.2)	(7.0)	(1.0)	4.7	(2.5)	(1.0)
vii) Less: borrowings from central bank	-	-	-	-	-	-	-	-	-	-
C. Surplus/(Deficit)	1,156.8	1,316.9	1,481.3	1,663.4	1,827.3	1,931.2	1,960.1	1,729.0	1,533.4	1,703.6

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

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

(B$ Millions)

Period	2016/17p	2017/18p	Budget		2017/18p				2018/19p		
			2017/18	2018/19	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III
Total Revenue & Grants	2,060.5	2,039.9	2,139.0	2,637.6	453.8	427.1	589.1	570.0	513.8	497.8	677.4
Current expenditure	2,339.7	2,188.6	2,231.9	2,578.4	484.5	517.2	548.5	638.4	537.2	564.0	590.7
Capital expenditure	390.2	268.7	230.9	299.3	74.4	56.7	52.5	85.2	38.8	41.1	46.8
Net lending	-	-	(2.4)	(2.5)	-	-	-	-	-	-	-
Overall balance	**(669.3)**	**(417.4)**	**(321.3)**	**(237.6)**	**(105.1)**	**(146.8)**	**(11.9)**	**(153.6)**	**(62.1)**	**(107.3)**	**40.0**
FINANCING (I+II-III+IV+V)	669.3	417.4	321.3	237.6	105.1	146.8	11.9	153.6	62.1	107.3	(40.0)
I. Foreign currency borrowing	**43.3**	**1,369.3**	**9.5**	**50.4**	**355.4**	**954.6**	**59.2**	**0.1**	**1.2**	**4.9**	**0.2**
External	43.3	1,369.3	9.5	50.4	355.4	954.6	59.2	0.1	1.2	4.9	0.2
Domestic	-	-	-	-	-	-	-	-	-	-	-
II. Bahamian dollar borrowing	**1,132.1**	**617.7**	**743.5**	**896.6**	**97.6**	**232.7**	**111.6**	**175.7**	**301.7**	**371.2**	**170.7**
i)Treasury bills	337.7	111.7	-	-	8.6	0.7	1.6	100.7	91.7	62.2	1.7
ii)Long-term securities	545.0	492.0	-	-	75.0	232.0	110.0	75.0	110.0	204.0	140.0
iii)Loans and Advances	249.5	14.0	-	-	14.0	-	-	-	100.0	105.0	29.0
III. Debt repayment	**595.1**	**1,302.6**	**426.2**	**709.4**	**140.8**	**884.9**	**155.4**	**121.5**	**162.9**	**253.1**	**190.2**
Domestic	557.1	798.2	388.6	620.9	125.9	427.2	131.4	113.8	128.5	245.3	156.0
Bahamian dollars	557.1	798.2	388.6	620.9	125.9	427.2	131.4	113.8	128.5	245.3	156.0
Internal foreign currency	-	-	-	-	-	-	-	-	-	-	-
External	38.1	504.4	37.6	88.5	14.9	457.7	24.1	7.7	34.4	7.7	34.1
IV.Net sale of shares & other equity	**(120.2)**	**(20.0)**	**-**	**-**	**(10.0)**	**(3.8)**	**(3.8)**	**(2.4)**	**(45.8)**	**(18.7)**	**(12.5)**
V.Cash balance change & other financing	**209.2**	**(247.0)**	**(5.5)**	**-**	**(197.1)**	**(151.8)**	**0.3**	**101.7**	**(32.0)**	**3.0**	**(8.2)**

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	2017		2018				2019
				QTR III.	QTR IV.	QTR I.	QTR II.	QTR III.	QTR IV.	QTR I.
TOTAL EXTERNAL DEBT	1,745,483	2,616,225	2,593,818	2,113,910	2,616,225	2,661,198	2,637,108	2,599,118	2,593,818	2,557,135
By Instrument										
Government Securities	900,000	1,650,000	1,650,000	900,000	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	1,213,910	966,225	1,011,198	987,108	949,118	943,818	907,135
By Holder										
Commercial Banks	-	-	-	-	-	-	-	-	-	-
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-	-
Multilateral Institutions	216,959	213,730	207,483	216,866	213,730	219,610	211,941	210,273	207,483	205,780
Bilateral Institutions	80,846	90,688	79,609	88,949	90,688	90,419	85,894	79,719	79,609	78,418
Private Capital Markets	900,000	1,650,000	1,650,000	900,000	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	908,095	661,807	701,169	689,273	659,126	656,726	622,937
TOTAL INTERNAL DEBT	4,570,098	4,563,864	4,905,099	4,758,311	4,563,864	4,544,155	4,606,087	4,779,238	4,905,099	4,919,740
By Instrument										
Foreign Currency	-	-	-	-	-	-	-	-	-	-
Government Securities	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,570,098	4,563,864	4,905,099	4,758,311	4,563,864	4,544,155	4,606,087	4,779,238	4,905,099	4,919,740
Advances	134,657	134,657	119,657	134,657	134,657	134,657	134,657	119,657	119,657	69,657
Treasury Bills	793,896	655,749	875,746	862,044	655,749	657,395	758,108	829,542	875,746	877,429
Government Securities	3,314,783	3,492,283	3,536,654	3,457,783	3,492,283	3,506,709	3,488,709	3,518,709	3,536,654	3,601,654
Loans	326,762	281,175	373,042	303,827	281,175	245,394	224,613	311,330	373,042	371,000
By Holder										
Foreign Currency	-	-	-	-	-	-	-	-	-	-
Commercial Banks	-	-	-	-	-	-	-	-	-	-
Other Local Financial Institutions	-	-	-	-	-	-	-	-	-	-
Bahamian Dollars	4,570,098	4,563,864	4,905,099	4,758,310	4,563,864	4,544,155	4,606,087	4,779,238	4,905,099	4,919,740
The Central Bank	727,531	413,570	518,721	774,449	413,570	408,966	374,086	417,080	518,721	372,250
Commercial Banks	1,789,051	1,975,909	1,983,549	1,854,101	1,975,909	1,915,333	1,990,281	2,055,874	1,983,549	2,083,906
Other Local Financial Iinstitutions	17,208	27,162	11,085	16,364	27,162	28,037	25,461	27,984	11,085	22,638
Public Corporations	600,691	602,287	586,572	603,518	602,287	600,352	602,992	582,118	586,572	597,893
Other	1,435,617	1,544,936	1,805,172	1,509,878	1,544,936	1,591,467	1,613,267	1,696,182	1,805,172	1,843,053
TOTAL FOREIGN CURRENCY DEBT	1,745,483	2,616,225	2,593,818	2,113,910	2,616,225	2,661,198	2,637,108	2,599,118	2,593,818	2,557,135
TOTAL DIRECT CHARGE	6,315,581	7,180,089	7,498,917	6,872,221	7,180,089	7,205,353	7,243,195	7,378,356	7,498,917	7,476,875
TOTAL CONTINGENT LIABILITIES	734,602	704,191	717,251	712,646	704,191	703,229	700,619	737,680	717,251	708,970
TOTAL NATIONAL DEBT	7,050,183	7,884,280	8,216,168	7,584,867	7,884,280	7,908,582	7,943,814	8,116,036	8,216,168	8,185,845

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	2017 QTR III.	2017 QTR IV.	2018 QTR I.	2018 QTR II.	2018 QTR III.	2018 QTR IV.	2019 QTR I.
Outstanding Debt at Beginning of Period	2,574,001	2,646,751	3,484,245	2,650,437	2,992,065	3,484,245	3,526,682	3,497,538	3,555,981	3,475,146
Government	1,677,825	1,745,483	2,616,225	1,763,586	2,113,910	2,616,225	2,661,198	2,637,108	2,599,118	2,593,818
Public Corporations	896,176	901,268	868,020	886,851	878,155	868,020	865,484	860,430	956,863	881,328
Plus: New Drawings	282,333	1,347,128	221,635	358,531	957,752	62,479	3,457	104,304	51,395	175
Government	166,786	1,327,674	65,330	355,443	954,565	59,191	64	1,152	4,923	175
Public corporations	115,547	19,454	156,305	3,088	3,187	3,288	3,393	103,152	46,472	-
Less: Amortization	193,524	545,717	216,894	26,718	471,033	29,906	16,153	41,125	129,710	40,624
Government	83,071	493,003	73,906	14,931	457,710	24,080	7,709	34,409	7,708	34,121
Public corporations	110,453	52,714	142,988	11,787	13,323	5,826	8,444	6,716	122,002	6,503
Other Changes in Debt Stock	(16,059)	36,083	(13,840)	9,815	5,461	9,864	(16,448)	(4,736)	(2,520)	(2,733)
Government	(16,057)	36,071	(13,831)	9,812	5,460	9,862	(16,445)	(4,733)	(2,515)	(2,737)
Public corporations	(2)	12	(9)	3	1	2	(3)	(3)	(5)	4
Outstanding Debt at End of Period	2,646,751	3,484,245	3,475,146	2,992,065	3,484,245	3,526,682	3,497,538	3,555,981	3,475,146	3,431,964
Government	1,745,483	2,616,225	2,593,818	2,113,910	2,616,225	2,661,198	2,637,108	2,599,118	2,593,818	2,557,135
Public corporations	901,268	868,020	881,328	878,155	868,020	865,484	860,430	956,863	881,328	874,829
Interest Charges	143,735	152,815	220,950	35,559	43,011	38,680	74,256	38,812	69,202	36,562
Government	87,477	92,969	154,701	20,987	27,749	23,850	57,842	22,030	50,979	22,000
Public corporations	56,258	59,846	66,249	14,572	15,262	14,830	16,414	16,782	18,223	14,562
Debt Service	337,259	698,532	437,844	62,277	514,044	68,586	90,409	79,937	198,912	77,186
Government	170,548	585,972	228,607	35,918	485,459	47,930	65,551	56,439	58,687	56,121
Public corporations	166,711	112,560	209,237	26,359	28,585	20,656	24,858	23,498	140,225	21,065
Debt Service ratio	8.7	6.5	9.2	7.1	7.4	6.2	7.7	8.1	15.5	6.1
Government debt Service/ Government revenue (%)	9.0	6.5	10.6	7.9	8.3	8.2	11.5	11.0	11.8	8.3
MEMORANDUM										
Holder distribution (B$ Mil):										
Banks	297.8	267.7	332.1	274.8	267.7	264.5	260.6	335.6	332.1	329.2
Offshore Financial Institutions	-	-	-	-	-	-	-	-	-	-
Multilateral Institutions	285.8	285.6	284.0	290.6	285.6	291.2	281.8	286.4	284.0	282.1
Bilateral Institutions	80.8	90.7	79.6	88.9	90.7	90.4	85.9	79.7	79.6	78.4
Other	1,082.3	1,190.2	1,129.4	1,437.8	1,190.2	1,230.5	1,219.3	1,204.2	1,129.4	1,092.3
Private Capital Markets	900.0	1,650.0	1,650.0	900.0	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
A. Current Account Balance (I+II+III+IV)	**(716.8)**	**(1,507.8)**	**(1,503.7)**	**(421.4)**	**(399.3)**	**(181.4)**	**(377.7)**	**(451.6)**	**(493.0)**	**32.6**
I. Merchandise (Net)	**(2,150.2)**	**(2,537.9)**	**(2,675.0)**	**(640.4)**	**(628.5)**	**(624.6)**	**(782.0)**	**(632.0)**	**(636.3)**	**(498.9)**
Exports	481.4	570.5	641.7	117.4	131.7	122.5	214.6	153.3	151.3	146.1
Imports	2,631.6	3,108.4	3,316.7	757.8	760.3	747.1	996.6	785.3	787.7	645.1
II. Services (Net)	**1,558.3**	**1,445.5**	**1,922.1**	**317.4**	**328.8**	**560.2**	**656.9**	**393.8**	**311.1**	**652.5**
Transportation	(288.7)	(383.4)	(411.1)	(90.0)	(98.1)	(106.4)	(112.6)	(92.9)	(99.2)	(114.7)
Travel	2,739.3	2,625.2	3,005.9	556.6	583.9	828.0	848.5	653.2	676.3	1,000.5
Insurance Services	(156.6)	(113.7)	(153.9)	(32.6)	(35.2)	(35.9)	(37.9)	(35.2)	(44.9)	(36.8)
Offshore Companies Local Expenses	168.8	130.1	249.5	49.5	32.2	57.8	51.2	89.4	51.1	46.9
Other Government	(208.7)	(105.8)	(97.0)	(33.8)	(1.5)	(30.6)	(1.8)	(34.9)	(29.6)	(66.0)
Other Services	(695.8)	(706.8)	(671.3)	(132.3)	(152.6)	(152.7)	(90.3)	(185.7)	(242.6)	(177.3)
III. Income (Net)	**(439.9)**	**(360.2)**	**(682.3)**	**(79.7)**	**(80.4)**	**(99.4)**	**(243.9)**	**(192.7)**	**(146.2)**	**(117.8)**
1. Compensation of Employees	(38.9)	(38.7)	(28.9)	(9.8)	(8.6)	(6.6)	(2.8)	(7.9)	(11.7)	(11.7)
2. Investment Income	(401.0)	(321.4)	(653.3)	(69.9)	(71.7)	(92.8)	(241.2)	(184.8)	(134.6)	(106.1)
IV. Current Transfers (Net)	**315.1**	**(55.2)**	**(68.6)**	**(18.7)**	**(19.2)**	**(17.6)**	**(8.7)**	**(20.7)**	**(21.6)**	**(3.1)**
1. General Government	117.4	114.0	132.8	31.1	24.8	38.1	39.7	26.6	28.4	41.3
2. Private Sector	197.6	(169.2)	(201.4)	(49.8)	(44.0)	(55.7)	(48.5)	(47.2)	(50.0)	(44.4)
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**	**25.3**
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)**
II. Financial Account (Net)	**791.8**	**1,598.1**	**629.7**	**440.3**	**614.7**	**145.6**	**311.2**	**14.1**	**158.8**	**27.7**
1. Direct Investment	390.4	304.6	491.4	68.2	48.4	64.5	295.2	86.0	45.7	85.7
2. Portfolio Investment	(21.7)	(16.7)	(11.7)	(2.2)	(5.5)	(3.5)	(1.8)	(2.3)	(4.1)	(1.8)
3. Other Investments	423.1	1,310.2	150.0	374.3	571.8	84.6	17.8	(69.6)	117.2	(56.3)
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)
Other Public Sector Capital	100.4	(9.8)	(39.7)	(3.1)	(4.6)	(1.0)	(2.7)	18.5	(54.6)	(4.5)
Banks	(306.3)	39.5	(140.8)	34.7	9.8	(44.8)	(61.0)	(132.9)	97.9	(76.4)
Other	510.5	445.8	338.7	2.2	69.7	95.2	89.2	77.7	76.6	58.6
C. Net Errors and Omissions	**30.8**	**445.3**	**677.0**	**63.5**	**169.1**	**222.0**	**43.9**	**178.5**	**232.6**	**182.4**
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**
E. Financing (Net)	**(92.0)**	**(509.4)**	**217.7**	**(73.9)**	**(380.1)**	**(182.8)**	**24.9**	**271.4**	**104.2**	**(240.3)**
Change in SDR holdings	2.3	(3.3)	(46.5)	(1.1)	(0.4)	(26.3)	3.5	(23.9)	0.2	0.6
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)

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
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
Air	1,391,813	1,335,613	1,558,086	297,378	303,334	411,308	435,037	356,427	355,314	482,626
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
Visitor Type										
Stopover	1,481,832	1,438,631	1,585,345	334,965	297,261	428,936	447,923	348,871	359,615	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
Day/Transit	n.a.	n.a.	n.a.	n.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.	n.a.	n.a.	n.a.	n.a.	n.a.
Stopover	2,312,191	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Cruise	294,005	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Day	3,901	n.a.	n.a.	n.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.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Length of Stay	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average Hotel Occupancy Rates (%)										
New Providence	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Grand Bahama	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.
Average Nightly Room Rates ($)										
New Providence	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Grand Bahama	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.

Source: The Ministry of Tourism

SURVEY OF PRIVATE PENSION PLANS IN THE BAHAMAS (2016-2017)

INTRODUCTION

Given the significant size of pension assets in the country and the recent increase in private pension providers, it is evident that the sector forms an integral part of the financial landscape, and it is therefore important to monitor and analyse developments in the industry. This report provides an analysis of the results of the Central Bank's latest survey on the private (sponsored) pension plans in The Bahamas[2]. It reviews the years 2016 and 2017, and extends the pension fund database, which now spans over 25 years—dating back to 1992. The largest concentration of labor force participants and hence accumulated pension fund assets, continued to be seen in employer-sponsored schemes in the tourism, financial services and communications & utilities sectors. In addition, the largest proportion of savings accumulated remained in public sector securities, followed by mutual funds, equities and bank deposits.

The benefits for retirees typically consist of funds received from private schemes, supplemented by benefits from the National Insurance Board (NIB), and individual personal savings from insurance annuity products. The supplementary importance of private savings is accentuated by the fact that the NIB's contributions are calculated on insurable earnings, capped at $670 per week as at July 2018. For employees outside the civil service, who do not participate in private pension schemes, the most significant expected sources of retirement resources are bank deposits, assets of domestic credit unions and insurance annuity products.

Preliminary data indicates that the total value of private (sponsored) pension assets grew by 3.1% in 2016 to approximately $1,128.3 million, and by a further 3.9% to $1,172.7 million in the following year, outpacing the modest growth noted in the domestic economy. At end-2017, plan assets stood at an estimated 9.7% of GDP, increasing from 2015's 9.3% of GDP (see Table 1). Nevertheless, private individuals' savings in bank deposits and the assets of NIB remained the two largest concentrations of national savings. Private individuals' deposits—inclusive of savings, fixed and demand balances—stood at $3.4 billion, or the equivalent of 27.7% of GDP in 2016 and at 26.7% in the following year. However, these funds are not a significant portion of an individual's retirement buffer, since average balances in more than 75% of these accounts measured less than $10,000, while more than three-quarters of total savings are concentrated in less than 10% of individual accounts. The NIB held collective retirement savings of $1.6 billion in 2017, representing approximately 13.3% of GDP, and remaining relatively stable over the past two years. Further, the domestic savings in life insurance companies and credit unions amounted to an estimated $1.4 billion and $409.6 million in 2017; approximately 11.3% and 3.4% of GDP, respectively.

The remaining sections of this report highlight key developments in the industry from 2015-2017. In addition, it focuses on overall trends in the sector and the various sub-groupings, according to the nature of the funds and the sectors of sponsors. This is inclusive of information on how sponsored plans are categorized, a short description of the survey and estimation methodology and a detailed analysis of private plans, as well as the sectors of sponsorship. The report then presents an analysis of the investment portfolio of these plans and concludes with a discussion on the outlook for the industry.

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[2] The report is based on electronic survey results from a large sample of companies and the analysis is supplemented by the Bank's estimates, based mainly on historical trends.

Table 1: Selected Indicators of Domestic Savings

	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	Avg Growth Rate
			(B$ Million)					(% of GDP)			%
Private Pension Funds	1,043.3	1,050.4	1,094.4	1,128.3	1,172.7	9.9%	9.6%	9.3%	9.5%	9.7%	3.5%
National Ins. Board (Cash and Inv.)	1,580.2	1,624.6	1,602.6	1,611.7	1,611.7	15.0%	14.9%	13.6%	13.5%	13.5%	0.6%
Life Insurance (Total Assets)	1,136.3	1,205.8	1,311.1	1,365.4	1,372.4	10.8%	11.0%	11.2%	11.4%	11.3%	2.3%
Private Individuals (Bank deposits)	3,204.5	3,195.2	3,164.6	3,349.5	3,366.1	30.3%	29.3%	26.9%	28.1%	27.7%	3.2%
Credit Unions (Deposits and Shares)	313.1	332.4	358.3	385.0	409.6	3.0%	3.0%	3.0%	3.2%	3.4%	6.9%

Source: The National Insurance Board: Annual Statement of Accounts, The Insurance Commission of The Bahamas, Central Bank of The Bahamas

CATEGORIZATION OF SPONSORED PLANS

Pension schemes are categorized as either defined benefit, defined contribution or provident funds[3]. There is also the hybrid fund, which combines elements of the defined benefit and defined contribution plans. Defined benefit plans guarantee the payment of specified benefits upon retirement, proportionate to participants' length of employment and income history. To ensure that funds are adequate to satisfy pre-determined benefit payments, actuarial estimates of the present value of future payable benefits are subtracted from the present value of assets expected to accumulate over the duration of the scheme. The actuarial assessment of these schemes determines the present value of future payable benefits, based on credible assumptions about the employers' workforce demographics—such as the average age of active employees—the ratio of pensioners compared to active workers and the present value of assets, which are affected by the projected accumulation of savings and expected future returns. Contribution rates at variance with such levels can result in either overfunded or underfunded plans, with the present value of assets correspondingly higher or less than the present value of liabilities. Where contributions are adequate to maintain the equality between the present value of assets and liabilities, defined benefit plans are said to be fully funded.

Defined contribution and provident schemes employ established contribution rates that are not typically adjusted, which ensures relatively stable funding costs for employers. However, the final benefits cannot be projected in advance, as they are linked to the accumulated savings at retirement. Given the shifting demographics around the world, which have resulted in a lower ratio of contributors to retirees, defined contribution and provident plans are steadily replacing defined benefit plans.

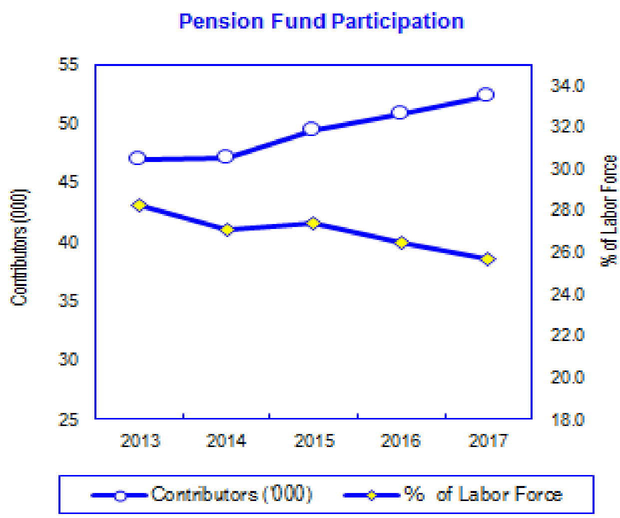
The most significant difference between defined contribution and provident funds, relates to the fact that the former convert at least a portion of the retirees' benefit into annuities, which are payable in installments, while provident schemes disburse participants' benefits as lump sum payments upon retirement. Since lump sums can also be converted into annuities, the distinction between the two

[3] A Provident fund is defined as an arrangement whereby private contributions are made by employees and employers and benefits consist of a lump-sum payment, made up of all contributions on a member's account; plus interest accrued from the date of first contribution.

classifications of plans is ignored for this survey, and the results are combined for the purpose of this analysis.

SURVEY AND ESTIMATION METHODOLOGY

The 2016-2017 pension fund survey was sent to approximately 140 existing and potential plan sponsors in The Bahamas. Responses were received from 49 companies, equivalent to a 35.0% response rate, compared to an average rate of 40.6% achieved in the prior two years. To ensure consistency in the survey results, forecasts were made for the largest institutions across major economic sectors. Standard estimation techniques were then utilised to supplement the survey results[4].



LABOR FORCE PARTICIPATION

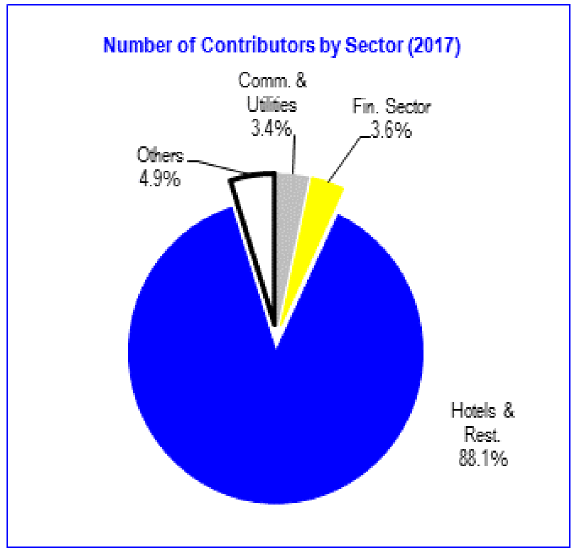
During 2016, the number of private pension scheme participants rose by an estimated 1,403 (2.8%) to 50,876. In the following year, participation strengthened by a projected 1,487 (2.9%) to 52,363. As a proportion of the employed labor force, the fraction of workers covered in these schemes contracted by 1.0 percentage point to approximately 26.4% in 2016, and by a further 0.7 percentage points to 25.7% in the following year, underscoring more disproportionate employment creation in positions not offering this benefit.

The distribution of plan participants by economic sector remained relatively stable over the two-year period. Specifically, hotels and restaurants—which represent the bulk of the domestic tourism industry—employed the majority of participants (88.1%), at an estimated 46,146 in 2017. This outturn represented an increase of 2,740 (6.3%) over the two-year period, and reflected in part the hiring of new staff by a major resort over the review period. The second largest category was the financial sector, which represented a reduced share of total participants of 3.6%, compared to 4.0% in the prior year. In contrast, the communications & utilities sector accounted for an enlarged 3.4% of overall participants, compared to 3.1% in the prior period; while the remaining sectors represented a slightly elevated 4.9%, vis-à-vis 4.7% in 2015.

[4] In terms of missing data, an imputation method—along with a five-year average growth rate calculation—was utilised to derive the totals for 2016-2017. Importantly, data for 2017 was an iterated forecast, given the fact that it was based on estimated values for 2016. Following this, the specific categories were estimated using a basic weighted average allocation over the past 5 years; adjusting for periods in which there were outliners.

PENSION AND BENEFIT PAYOUTS

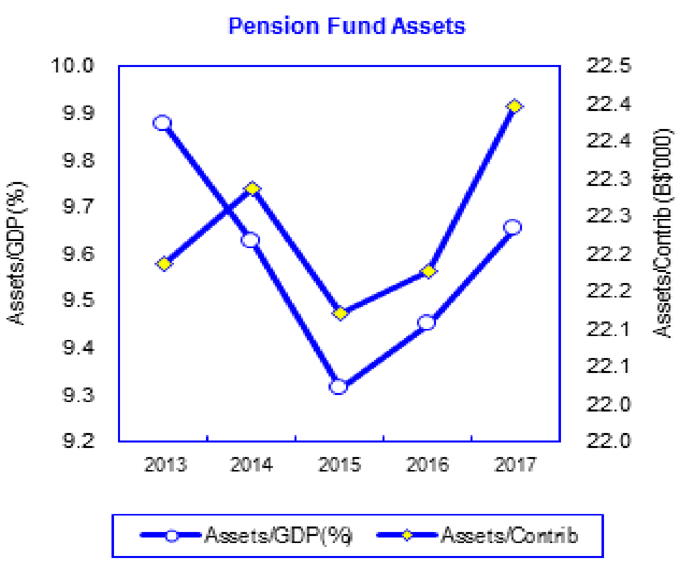
With respect to the net financial obligations to pensioners, the estimated dependency rate, which measures pensions paid as a percentage of funding contributions, rose from an estimated 56.1% in 2015 to 59.8% and 63.7% in 2016 and 2017, respectively. In this regard, the rate of increase in the benefits paid out to pensioners appeared to exceed the rate of growth of contributions made by current participants.



ASSET SIZE AND DISTRIBUTION

Overview

The total value of assets held by private pension fund schemes rose by a projected 3.1% to $1,128.3 million in 2016. A further expansion of 3.9% occurred in the next year, raising total fund holdings to approximately $1,172.7 million at end-December 2017. A disaggregation of assets by sector, revealed that plans in the communications & utilities sector comprised the largest share (33.0%), while holdings of the hotel & restaurant, financial and transportation sectors, accounted for 26.8%, 22.4% and 10.7%, respectively. Sponsored pension schemes for all other sectors collectively constituted the remaining 7.1% of total pension assets.

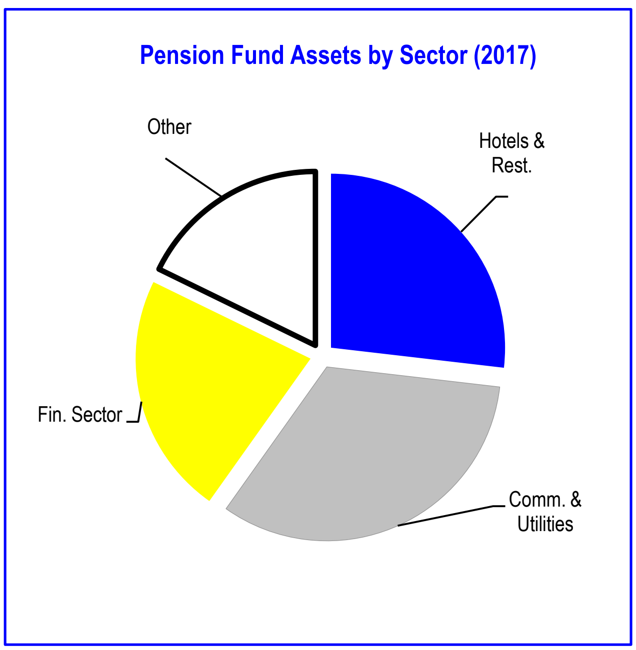


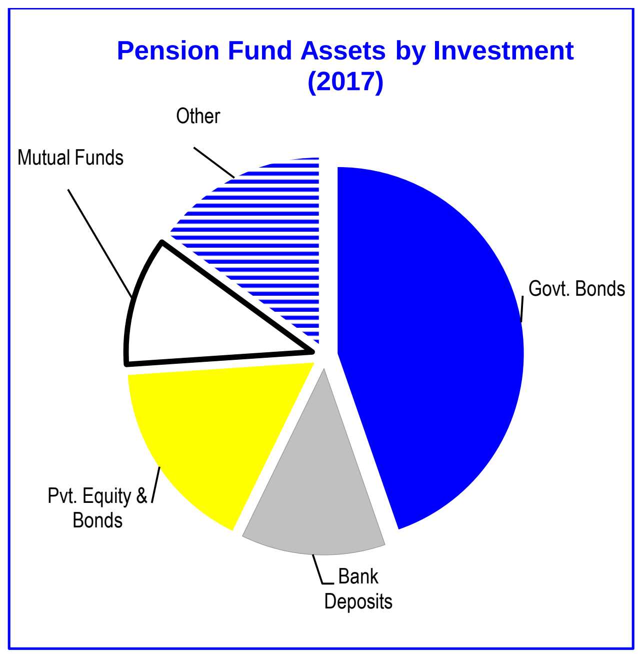
An analysis of asset holdings by instrument type, showed that pension fund managers remained relatively risk averse; investing heavily in Government securities. Specifically, the share of long-term Government debt securities' holdings continued to dominate the portfolio, at 44.7% ($524.0 million) of the total in 2017, following a decline of 4.0 percentage points to 40.7% in the previous year. However, bank deposits as a share of total fund assets steadied at 12.5% ($147.0 million) of the total in 2017, after declining to 9.9% in 2015. In addition, the share of exposures of employers' businesses increased slightly to 6.3% ($71.5 million) in 2016, and remained unchanged over the following year. In contrast, the proportion of investments in equities fell to 16.7% ($196.0 million) in 2017, from 18.7% and 20.0% in the prior two years. Similarly, the share of mutual fund assets decreased to 11.1% ($130.2 million) in 2017, from 11.9% and 12.3%, respectively in the prior two-year period.

In terms of other instruments, some private pension schemes also provide loans to their participants as a means of generating higher returns. These accounted for just 3.4% ($40.5 million) of the total assets in 2017, in line with the previous year's rate and slightly lower than 2015's 3.5% proportion. Pension plans also held small, volatile shares of assets in other exposures including real estate holdings and "other" miscellaneous investments, some contribution arrears, and accrued dividend entitlements.

On average, holdings of foreign currency denominated assets grew by 11.8% over the two-year period to $165.3 million in 2017, representing 14.1% of the aggregate portfolio of fund investments. In terms of the major sectors, foreign investments within the hotel & restaurant centered schemes, accounted for a moderately increased share of 78.3% ($129.5 million) of these holdings, while the financial sector's plans claimed just 13.4% ($22.1 million), with exposures declining in proportion by 8.1 percentage points over the two-year period through 2017.

As in previous years, the investment strategies varied both across and within sectors (see Tables 4A and 4B). A breakdown by industry, showed that the communications & public utilities sector held the largest proportion of pension scheme assets, at 33.0%, up from 30.9% in 2015. In terms of the components, the sector's portfolio continued to be dominated by Government securities, which constituted 58.2% of the total, and higher than the 56.9% recorded two years prior. In addition, bank deposits represented 18.7% of the aggregate in 2017, vis-à-vis 15.0% in 2015. However, equities accounted for a lower share of 17.9%, compared to 23.3% in the prior two-year period. Smaller allocations were reported for "other" miscellaneous investments (2.3%), mutual funds (1.4%), mortgages (0.6%), dividends (0.5%), contribution arrears (0.4%) and investments in the employer's business (0.1%) (see Tables 2&3).





The tourism sector's pension plans—which comprises mainly hotels and restaurants—accounted for the second largest fraction of total investments (26.8%). As at 2017, these plans collectively held a slightly enlarged fraction of Government securities (42.0%) compared to 2015, and a doubling in exposure to bank deposits (13.0%). Also notable was the contracted holdings share in more volatile equity component (29.5% versus 33.4% in 2015) and in mutual funds (10.9% in 2017, versus 14.2% in 2015).

With regard to the financial sector's sponsored schemes, the proportion of assets held in Government securities declined by 8.8 percentage points to 56.1% over the two years to 2017. The bank deposits share also contracted modestly to 9.5%, in contrast to enlarged allocations in mutual funds (17.5%). Notable proportions were also maintained in equities (8.0%) and employers' businesses (4.6%).

DEFINED BENEFIT VS. DEFINED CONTRIBUTION

Despite the growth in defined contribution plans over the last decade, defined benefit schemes continued to account for the majority (75.4%) of aggregate private pension fund assets. At end-2017, the total asset portfolio for this type of plan stood at $884.7 million, a gain of 4.0% ($33.7 million) over the prior year and following an increase of 2.7% during 2016 (see Table 5). Similarly, the asset portfolio of defined contribution schemes firmed by 3.9% ($10.8 million) to $288.0 million in 2017, after a 4.3% increase in the prior period.

In terms of portfolio allocations, defined benefit plans continued along a conservative investment trend. Public sector securities, which accounted for the largest portion of assets, were relatively stable at an estimated 54.2% of holdings, while the bank deposits' share declined incrementally to 12.2% of assets, and capital market investments—which comprise equities and mutual funds—accounted for a modestly reduced proportion of 29.7% by 2017.

With regard to the funding status of this scheme type, contribution rates by employees commonly ranged between 0.0% to 6.0%, while inputs from employers were comparatively higher, from between 5.0% to 19.0%. Although defined benefit schemes continued to dominate the industry, and remain well-represented across sectors—as higher employer contribution rates account for the bulk of total asset accumulation—due to steep funding costs it is expected that a movement towards the implementation of more sustainable defined contribution schemes, will become commonplace in the future.

Defined contribution schemes tend to spread investments across a wider range of assets, due to a higher risk/return tolerance than defined benefit plans. For such plans, the portfolio share of capital market investments accounted for 28.3% in 2016, and 29.3% in the following year, compared to 31.6% in 2015. Holdings of employer business assets fluctuated less notably and were nearly unchanged at 24.1% by 2017. In contrast, investments in Government securities expanded slightly to 16.5% in 2017 from 14.3% in 2015. The next important holdings with minor proportional fluctuations were loans (11.1% in 2017) and bank deposits (7.5% in 2017).

CONCLUSION

The 2016-2017 pension fund survey results revealed that the assets of private pension funds continued to expand in The Bahamas, reflecting in part the modest improvement in domestic economic and employment conditions. In addition, the investment strategies remained skewed towards domestic assets; although recent exchange control liberalization measures, which focus on increasing access to international markets by local investors, could lead to an expansion in foreign investments over time.

In addition, the portfolios for defined benefit schemes continued to favour more conservative investments, such as Government securities. However, in an effort to maximize relative returns in a low interest rate environment, both defined benefit and defined contribution plans have shifted their investment portfolios into higher yielding assets.

The low survey response rate nevertheless underscores the importance of concluding and activating the regulatory framework for private schemes. Currently, the draft Bill for pension fund regulation—the "Employees' Pension Fund Protection Act (2012)"—is still pending approval prior to implementation. The Bill would permit more comprehensive monitoring of activities, especially as it relates to smaller plans. As contemplated, the regulatory framework for private pension plans would also reinforce mandates for prudent management practices within private schemes.

Table 2
Private Pension Investments By Industry

INDUSTRY	2013P	2014P	2015P	2016P	2017P
			(B$'000)		
Communications & Utilities	336,564	338,074	338,412	369,278	386,855
Construction Companies	2,882	3,055	3,216	3,034	3,112
Education	12,944	11,799	12,486	12,364	12,776
Financial Sector	205,377	205,010	213,449	248,617	262,653
Health	-	722	793	1,922	2,161
Hotels & Restaurants	287,686	314,510	342,044	309,084	314,796
Manufacturing Companies	5,586	-	-	1,447	1,719
Non-Profit	16	16	27	16	15
Oil Companies	6,488	-	-	4,401	5,228
Other Services	31,040	17,317	18,335	23,020	24,538
(Private) Distribution	26,323	29,207	31,453	24,251	23,993
Professional Services	2,873	3,605	3,873	7,672	8,521
Real Estate	982	-	-	722	857
Transportation	124,518	127,088	130,303	122,456	125,517
TOTAL	1,043,279	1,050,402	1,094,391	1,128,284	1,172,738

INDUSTRY	2013P	2014P	2015P	2016P	2017P
			(% Distribution)		
Communications & Utilities	32.26	32.19	30.92	32.73	32.99
Construction Companies	0.28	0.29	0.29	0.27	0.27
Education	1.24	1.12	1.14	1.10	1.09
Financial Sector	19.69	19.52	19.50	22.03	22.40
Health	0.00	0.07	0.07	0.17	0.18
Hotels & Restaurants	27.58	29.94	31.25	27.39	26.84
Manufacturing Companies	0.54	0.00	0.00	0.13	0.15
Non-Profit	0.00	0.00	0.00	0.00	0.00
Oil Companies	0.62	0.00	0.00	0.39	0.45
Other Services	2.98	1.65	1.68	2.04	2.09
(Private) Distribution	2.52	2.78	2.87	2.15	2.05
Professional Services	0.28	0.34	0.35	0.68	0.73
Real Estate	0.09	0.00	0.00	0.06	0.07
Transportation	11.94	12.10	11.91	10.85	10.70
TOTAL	100.00	100.00	100.00	100.00	100.00

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

Table 3
Private Pension Investments

	2013P	2014P	2015P	2016P	2017P
	(B$'000)				
Total Fund	1,043,279	1,050,402	1,094,391	1,128,284	1,172,738
Of which:					
Government Bonds	471,823	472,062	489,404	458,743	524,036
Bank Deposits	123,040	113,459	108,340	145,711	147,004
Real Estate	14,843	14,633	12,818	14,118	14,390
Employer's Business	76,170	63,014	64,568	71,458	74,340
Mortgages	3,081	2,843	2,475	6,714	3,789
Private Sector Bonds	-	-	-	494	117
Equities	174,124	188,092	218,494	210,429	196,026
Mutual Funds	120,091	116,693	134,562	134,532	130,166
Loans	32,788	54,689	38,272	38,733	40,457
Contribution Arrears	2,932	3,280	3,488	3,096	4,400
Dividends	4,841	6,693	6,354	9,286	7,640
Other Investment	19,546	14,945	15,616	34,970	30,373

	2013P	2014P	2015P	2016P	2017P
	(% Distribution)				
Total Fund	100	100	100	100	100
Of which:					
Government Bonds	45.2	44.9	44.7	40.7	44.7
Bank Deposits	11.8	10.8	9.9	12.9	12.5
Real Estate	1.4	1.4	1.2	1.3	1.2
Employer's Business	7.3	6.0	5.9	6.3	6.3
Mortgages	0.3	0.3	0.2	0.6	0.3
Private Sector Bonds	0.0	0.0	0.0	0.0	0.0
Equities	16.7	17.9	20.0	18.7	16.7
Mutual Funds	11.5	11.1	12.3	11.9	11.1
Loans	3.1	5.2	3.5	3.4	3.4
Contribution Arrears	0.3	0.3	0.3	0.3	0.4
Dividends	0.5	0.6	0.6	0.8	0.7
Other Investment	1.9	1.4	1.4	3.1	2.6

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

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

(B$'000)

	Government Bonds	Bank Deposits	Real Estate	Employer's Business	Mortgages	Private Sector Bonds	Equities	Mutual Funds	Loans	Contribution Arrears	Dividends	Other Investments	Total Assets
2016P													
Communications & Utilities	202,849	75,126	87	762	3,187	0	67,993	4,573	0	1,091	3,071	10,540	369,278
Construction Companies	0	257	0	0	0	0	0	2,777	0	0	0	0	3,034
Education	1,832	175	0	0	0	29	731	44	0	0	7	9,546	12,364
Financial Sector	119,115	20,738	77	10,763	3,528	143	20,597	62,624	1,034	66	1,288	8,644	248,617
Health	915	115	0	0	0	0	496	108	0	0	0	287	1,922
Hotels & Restaurants	117,741	42,230	0	0	0	0	107,858	26,477	7,484	1,918	2,615	2,761	309,084
Manufacturing Companies	777	243	0	0	0	0	135	35	0	0	0	256	1,447
Non-Profit	7	3	0	0	0	0	6	0	0	0	0	0	16
Oil Companies	1,521	438	0	0	0	60	660	0	0	0	0	1,722	4,401
Other Services	453	209	111	0	0	0	1,898	18,645	1,704	0	0	0	23,020
(Private) Distribution	3,435	1,338	0	0	0	124	1,608	16,170	386	0	20	1,170	24,251
Professional Services	1,419	1,702	0	0	0	139	1,242	2,326	208	15	576	45	7,672
Real Estate	217	0	0	0	0	0	0	505	0	0	0	0	722
Transportation	8,461	3,136	13,842	59,934	0	0	7,204	247	27,916	6	1,709	0	122,456
TOTAL	**458,743**	**145,711**	**14,118**	**71,458**	**6,714**	**494**	**210,429**	**134,532**	**38,733**	**3,096**	**9,286**	**34,970**	**1,128,284**
2017P													
Communications & Utilities	225,054	72,201	0	195	2,465	0	69,289	5,445	0	1,389	2,089	8,726	386,855
Construction Companies	0	0	0	0	0	0	0	3,112	0	0	0	0	3,112
Education	2,354	191	0	0	0	0	672	50	0	0	9	9,500	12,776
Financial Sector	147,349	24,929	0	12,123	1,324	46	20,940	46,035	1,749	76	1,477	6,607	262,653
Health	1,029	130	0	0	0	0	558	121	0	0	0	323	2,161
Hotels & Restaurants	132,144	40,860	0	0	0	0	92,971	34,241	7,080	2,901	3,288	1,310	314,796
Manufacturing Companies	923	289	0	0	0	0	160	42	0	0	0	304	1,719
Non-Profit	7	3	0	0	0	0	5	0	0	0	0	0	15
Oil Companies	1,807	520	0	0	0	71	784	0	0	0	0	2,046	5,228
Other Services	0	309	0	0	0	0	0	21,324	2,906	0	0	0	24,538
(Private) Distribution	2,857	1,771	0	0	0	0	2,007	15,814	0	0	37	1,507	23,993
Professional Services	1,587	2,043	0	0	0	0	992	3,114	181	24	531	50	8,521
Real Estate	258	0	0	0	0	0	0	599	0	0	0	0	857
Transportation	8,667	3,760	14,390	62,022	0	0	7,647	269	28,541	10	209	0	125,517
TOTAL	**524,036**	**147,004**	**14,390**	**74,340**	**3,789**	**117**	**196,026**	**130,166**	**40,457**	**4,400**	**7,640**	**30,373**	**1,172,738**

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

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

%

	Government Bonds	Bank Deposits	Real Estate	Employer's Business	Mortgages	Private Sector Bonds	Equities	Mutual Funds	Loans	Contribution Arrears	Dividends	Other Investments	Total Assets
2016P													
Communications & Utilities	54.9	20.3	0.0	0.2	0.9	0.0	18.4	1.2	0.0	0.3	0.8	2.9	100.0
Construction Companies	0.0	8.5	0.0	0.0	0.0	0.0	0.0	91.5	0.0	0.0	0.0	0.0	100.0
Education	14.8	1.4	0.0	0.0	0.0	0.2	5.9	0.4	0.0	0.0	0.1	77.2	100.0
Financial Sector	47.9	8.3	0.0	4.3	1.4	0.1	8.3	25.2	0.4	0.0	0.5	3.5	100.0
Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Hotels & Restaurants	38.1	13.7	0.0	0.0	0.0	0.0	34.9	8.6	2.4	0.6	0.8	0.9	100.0
Manufacturing Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Non-Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Oil Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Services	2.0	0.9	0.5	0.0	0.0	0.0	8.2	81.0	7.4	0.0	0.0	0.0	100.0
(Private) Distribution	14.2	5.5	0.0	0.0	0.0	0.5	6.6	66.7	1.6	0.0	0.1	4.8	100.0
Professional Services	18.5	22.2	0.0	0.0	0.0	1.8	16.2	30.3	2.7	0.2	7.5	0.6	100.0
Real Estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transportation	6.9	2.6	11.3	48.9	0.0	0.0	5.9	0.2	22.8	0.0	1.4	0.0	100.0
Total	**40.7**	**12.9**	**1.3**	**6.3**	**0.6**	**0.0**	**18.7**	**11.9**	**3.4**	**0.3**	**0.8**	**3.1**	**100.0**
2017P													
Communications & Utilities	58.2	18.7	0.0	0.1	0.6	0.0	17.9	1.4	0.0	0.4	0.5	2.3	100.0
Construction Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	100.0
Education	18.4	1.5	0.0	0.0	0.0	0.0	5.3	0.4	0.0	0.0	0.1	74.4	100.0
Financial Sector	56.1	9.5	0.0	4.6	0.5	0.0	8.0	17.5	0.7	0.0	0.6	2.5	100.0
Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Hotels & Restaurants	42.0	13.0	0.0	0.0	0.0	0.0	29.5	10.9	2.2	0.9	1.0	0.4	100.0
Manufacturing Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Non-Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Oil Companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Other Services	0.0	1.3	0.0	0.0	0.0	0.0	0.0	86.9	11.8	0.0	0.0	0.0	100.0
(Private) Distribution	11.9	7.4	0.0	0.0	0.0	0.0	8.4	65.9	0.0	0.0	0.2	6.3	100.0
Professional Services	18.6	24.0	0.0	0.0	0.0	0.0	11.6	36.5	2.1	0.3	6.2	0.6	100.0
Real Estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Transportation	6.9	3.0	11.5	49.4	0.0	0.0	6.1	0.2	22.7	0.0	0.2	0.0	100.0
Total	**44.7**	**12.5**	**1.2**	**6.3**	**0.3**	**0.0**	**16.7**	**11.1**	**3.4**	**0.4**	**0.7**	**2.6**	**100.0**

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

Table 5
Private Pension Investments By Fund Type

	Defined Benefit					Defined Contribution				
	2013P	2014P	2015P	2016P	2017P	2013P	2014P	2015P	2016P	2017P
	(B$'000)					(B$'000)				
Total Fund	**779,263**	**797,480**	**828,678**	**851,048**	**884,726**	**264,016**	**252,922**	**265,713**	**277,235**	**288,013**
of which:										
Government Bonds	418,133	436,162	451,451	459,238	479,499	53,690	35,900	37,953	47,888	47,585
Bank Deposits	103,514	96,608	86,112	109,076	107,507	19,526	16,851	22,228	21,011	21,603
Real Estate	0	0	0	0	0	14,843	14,633	12,818	15,131	15,617
Employer's Business	15,141	-367	-374	8,111	6,204	61,029	63,382	64,942	66,461	69,547
Mortgages	2,278	1,952	1,548	2,244	2,184	803	891	927	924	964
Private Sector Bonds	0	0	0	0	0	0	0	0	0	0
Equities	153,714	165,176	193,654	176,748	187,064	20,410	22,916	24,839	23,145	24,833
Mutual Funds	71,058	60,957	75,468	71,864	75,895	49,033	55,736	59,093	55,348	59,627
Loans	5,398	25,023	8,295	12,010	13,808	27,390	29,666	29,977	30,319	31,913
Contibution Arrears	2,889	3,126	3,342	3,208	3,413	43	154	146	103	122
Dividends	4,528	6,333	5,974	5,610	6,094	313	360	380	395	393
Other Investment	2,610	2,511	3,207	2,939	3,057	16,936	12,434	12,409	16,510	15,809
	(% Distribution)					(% Distribution)				
Total Fund	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
of which:										
Government Bonds	53.7	54.7	54.5	54.0	54.2	20.3	14.2	14.3	17.3	16.5
Bank Deposits	13.3	12.1	10.4	12.8	12.2	7.4	6.7	8.4	7.6	7.5
Real Estate	0.0	0.0	0.0	0.0	0.0	5.6	5.8	4.8	5.5	5.4
Employer's Business	1.9	0.0	0.0	1.0	0.7	23.1	25.1	24.4	24.0	24.1
Mortgages	0.3	0.2	0.2	0.3	0.2	0.3	0.4	0.3	0.3	0.3
Private Sector Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equities	19.7	20.7	23.4	20.8	21.1	7.7	9.1	9.3	8.3	8.6
Mutual Funds	9.1	7.6	9.1	8.4	8.6	18.6	22.0	22.2	20.0	20.7
Loans	0.7	3.1	1.0	1.4	1.6	10.4	11.7	11.3	10.9	11.1
Contibution Arrears	0.4	0.4	0.4	0.4	0.4	0.0	0.1	0.1	0.0	0.0
Dividends	0.6	0.8	0.7	0.7	0.7	0.1	0.1	0.1	0.1	0.1
Other Investment	0.3	0.3	0.4	0.3	0.3	6.4	4.9	4.7	6.0	5.5

Source: Central Bank of The Bahamas Survey on Pension Funds

GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2018)

INTRODUCTION

The financial services sector is the second largest contributor to the economy, accounting for approximately 15%-20% of the country's Gross Domestic Product (GDP). The industry employs a large number of highly skilled workers and has both direct impacts in terms of employment and expenditure, as well as indirect effects on other sectors, such as construction, real estate and wholesale & retail trade. There is a contrast in product offerings, as domestic-facing services tend to be more retail and labour intensive, while the international sector's products cater to high net worth clients and relies on more specialist higher priced labour. The domestic sector—which provides relevant intermediation services—is still dominated by commercial banks; with some trust company presence; and activities provided by insurance companies, credit unions and investment services providers. The operating expenses against the provision of these services is significantly larger than the outlays of the international sector, despite a collective balance sheet that is multiples lower in the low tens of billions of dollars. The product mix in the international sector, against collective activities in the hundreds of billions, is wider in some respects, but with the insurance component more dominated by captives; with pooled investment products more dominant and substantial custodial services. Financial and corporate service providers (FCSPs) are also more active in the international sector, in line with the structured wealth management needs of their clients.

In 2018, the key themes highlighted in the Central Bank's annual survey included a decline in asset holdings within the banking sector, in line with the persistent, subdued credit performance in the domestic sector, and regulatory adjustment challenges for the international operations. The securities industry and corporate and financial services activities faced similar external sector changes as banking and trust operations. However, insurance and credit union operations, with a dominant domestic bend, exhibited more stable to expansionary balance sheet trends. That said, indications are that the financial sector's expenditure in the economy expanded in 2018; although more attributed to non-staffing expenses, as further declines in employment were noted.

In the meantime, regulatory developments remained centered on improving The Bahamas' anti-money laundering, counter-financing of terrorism (AML/CFT) and anti-proliferation regime, in line with a revamped suite of legislation to counter illicit activities. The Bahamas also made further strides to increase international tax transparency and cooperation mechanisms, and to enhance overall risk-based frameworks in support of the soundness of financial sector operations.

The financial sector's outlook retained some uncertainty regarding the extent of further adjustments. However, some entities did report success in penetrating opportunities in new markets outside of the advanced economies.

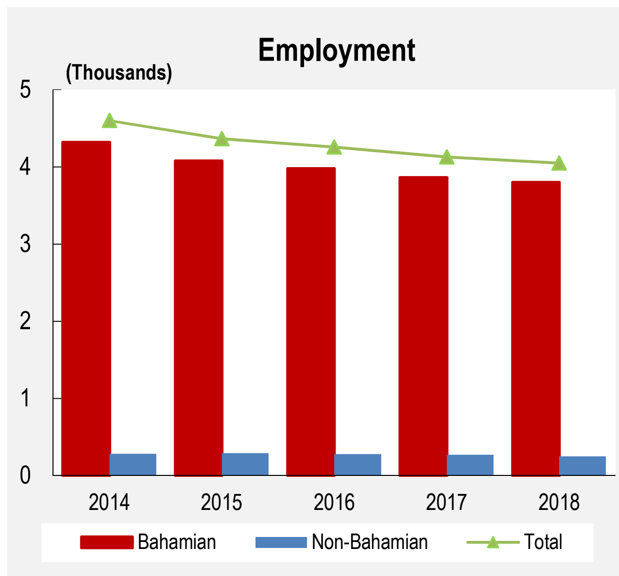
THE BANKING SECTOR

The banking sector continued to dominate the financial landscape in terms of employment and balance sheet size. On the domestic side, banks operated in an environment of weak private credit flows; although aggressive efforts towards debt collection, loan restructuring, along with ongoing sales of non-performing loans, contributed to an improvement in credit quality indicators. Further, both domestic and international banking institutions continued to face challenges to their business operations, especially with regard to their correspondent banking relationships (CBRs) with international counterparties. In this regard, efforts remain underway by the Central Bank to improve the underlying risk assessments of the industry, through improved, continuous supervision of AML/CFT and anti-proliferation practices.

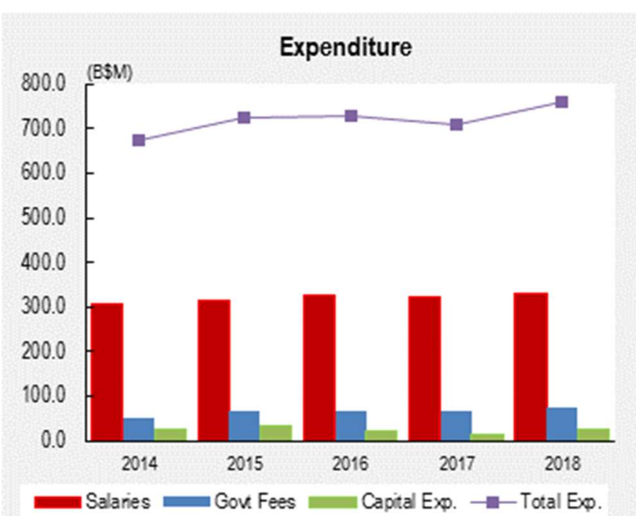
The total number of banks and trust companies licensed in The Bahamas declined by 11 to 231 in 2018, following a decrease of 6 in the prior year. The largest reduction occurred in the restricted, non-active and nominee licensees' category, by 10 to 142, while the number of public banks and trust companies decreased by just 1 to 89. At end-December, public licensees consisted of 54 Bahamian incorporated entities, 15 euro-currency branches of foreign banks, 12 authorized agents (trust companies) and 8 authorized dealers (commercial banks).

The total domestic assets of the banking sector declined by 2.4% to $10.0 billion in 2018, a reversal from a 2.3% expansion in the previous year—and an average 1.2% increase over the previous five years—as banks' deposits with the Central Bank and holdings of Government securities contracted by 21.7% and 5.1%, respectively. Similarly, the total assets of the international banking sector fell by 1.4% to $166.1 billion, a turnaround from a 2.1% increase in 2017; however, over the last five years total assets contracted by 9.8%, as firms continued to consolidation their operations amid declining business prospects.

EMPLOYMENT



Given entities' ongoing efforts to outsource operations and consolidate business lines, employment within the banking sector has been on a declining trend. Specifically, survey data showed that total employment declined by 80 (1.9%) to approximately 4,049 persons in 2018, after a 3.0% falloff a year earlier, and an average 3.6% contraction over the 2013-2017 period. In particular, the number of Bahamian employees decreased by 62 (1.6%) to 3,800, while the non-Bahamian segment fell by 18 (6.7%) to 249. As a consequence, the share of Bahamian employees in the sector edged-up by 32 basis points to 93.9% at end-December, vis-à-vis the same period in 2017, while the share of the non-Bahamian component declined to 6.1%. A breakdown by activity, showed that an estimated 63.9% of Bahamian staff were employed in the local banking sector, 16.5% in offshore banking, 12.7% in trust administration and 6.8% in other wealth management-related activities.



EXPENDITURES

During 2018, total expenditure in the banking sector rose by an estimated $49.7 million (7.0%) to $760.1 million, a reversal from a 2.6% reduction in the previous year; although on average, spending firmed by 2.3% over the last five years. This outturn reflected mainly increases in both operational and capital expenses. Specifically, total operational costs grew by $39.9 million (5.7%) to $734.8 million, vis-à-vis a 1.9% decline in the prior period. In terms of the components, administrative costs (other than staffing and Government fees) firmed by $28.5 million (9.5%) to $329.1 million, vis-à-vis a reduction of 2.7% in the prior year. In addition, salary-based expenses increased by $5.3 million (1.6%) to $329.7 million, after edging-down by 0.8% in the prior period, reflecting gains of 2.7% and 1.4% in both bonuses and base salaries, respectively. Similarly, Government fee payments firmed by $5.7 million (8.5%) to $73.0 million, compared to a 2.5% contraction in the previous year, due mainly to increases in "other" Government fees—inclusive of stamp and real property taxes, and customs duties—attributed to the rise in the value added tax (VAT) rate to 12.0% from 7.5%. Further, staff training firmed by $0.4 million (14.6%) to $3.0 million, compared to an 11.5% reduction a year earlier.

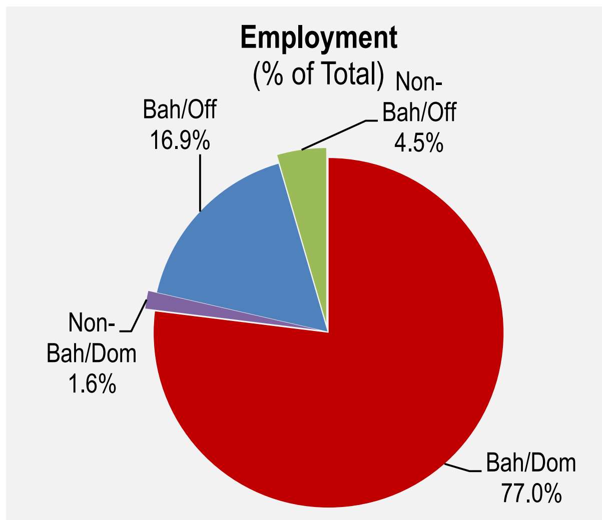
After several years of declines, as domestic entities closed branches in mainly Family Island locations, total capital expenditure—which includes outlays for renovations, construction and other fixed assets—strengthened by $9.8 million (63.1%) to $25.4 million in 2018, a turnaround from a 28.3% contraction a year earlier, and an average 6.1% falloff over the last five years, explained by the acquisition of land by one entity.

DOMESTIC VERSUS INTERNATIONAL BANKING

A disaggregation of the banking sector into domestic and international operations allows for a more detailed comparison between the domestic sector's retail-oriented services, and international banking, which focuses on wealth management-related activities.

EMPLOYMENT

During the year, total employment in the domestic banking sector increased by 49 (1.6%) to 3,182 persons, a turnaround from a decline of 30 (0.9%) a year earlier and an average contraction of 101 (2.9%) between 2013 and 2017. In contrast, as firms continued to reduce costs by way of outsourcing and closure, the number of employees in the international sector fell by 129 (13.0%) to 867 persons, extending the contraction of 8.9% (97 persons) in the previous year, and an average yearly reduction of 29 (2.6%) over the prior five years.



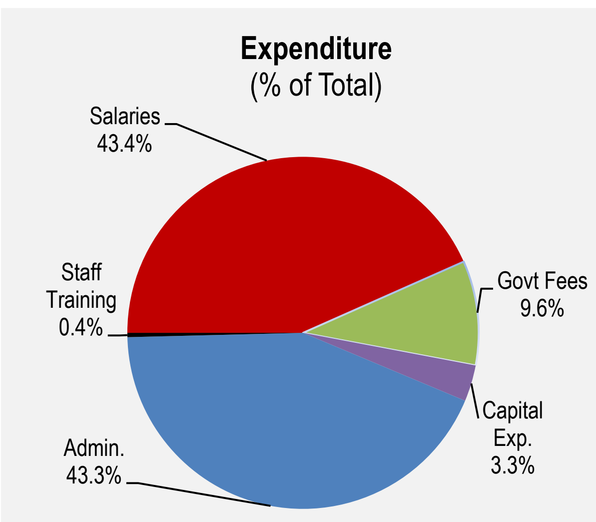
In terms of the nationality mix of staffing for the domestic sector, the total number of Bahamian employees rose by 37 (1.2%) to 3,116 persons, vis-à-vis a 1.6% decline in the previous year. Similarly, the non-Bahamian workforce grew by 12 (22.2%) to 66 persons, a slowdown from the one-off 58.8% growth recorded a year earlier, when one entity's designation was changed for exchange control purposes. As a result, the ratio of Bahamian to non-Bahamian employees narrowed to approximately 47:2 from 57:1 in 2017. In the international sector, Bahamian employees declined by 99 (12.6%) to 684 persons, following a 7.9% reduction in the prior year, while the non-Bahamian component decreased by 30 (14.1%) to 183 persons, extending the 12.3% reduction in the previous period. Given these developments, the ratio of Bahamian to non-Bahamian workers steadied at 3.7:1.

With regard to compensation, average base salaries in the international sector remained higher than those offered in the domestic sector, given the emphasis of the former on employing high-skilled workers to offer a variety of wealth management services. Specifically, the average compensation of the international banks rose by an estimated $5,218 (4.9%) to $111,129 per annum in 2018, due mainly to a decline in lower paid administrative-related staff. In addition, the average salary of the domestic banks firmed by $3,261 (6.2%) to $56,289 per annum.

EXPENDITURES

Domestic banks and trusts companies' total expenditure rose by 10.0% to $511.1 million in 2018, exceeding the 1.3% uptick recorded a year earlier, and the average gain of 3.1% over the last five years. Underpinning this development, total operational costs—which accounted for 97.0% of the total—expanded by 9.7% to $495.9 million, outstripping the 1.7% increase in the prior year. This outcome reflected an 11.5% rise in other non-staff administrative costs to $234.1 million, following a 2.0% gain recorded in the preceding year. In addition, salary outlays advanced by 7.2% to $196.0 million, extending the previous year's 2.3% advance, as both base salaries and bonuses registered growth of 7.8% and 0.8%, respectively. Further, Government fee payments—inclusive of license fees, work permits and "other" taxable inputs—grew by 10.9% to $63.7 million, a reversal from a slight 0.4% falloff in 2017. Staff training expenses also expanded, by 22.1% to $2.1 million, compared to a 14.2% decrease in the preceding year. Similarly, capital outlays rose by 20.9% to $15.2 million, vis-à-vis a 12.4% reduction in the previous period.

Despite the closure of a few firms and the ongoing outsourcing activities, total expenditure in the international sector firmed by 1.3% to $249.0 million, in contrast to a 9.3% decline in 2017. Underlying this outturn was a nearly three-fold increase in capital spending to $10.2 million from $3.0 million, following a significant 59.3% decline a year earlier. In contrast, operational outlays—which comprised 95.9% of total expenditure—contracted by 1.6% to $238.8 million; although lower than the 7.9% decrease in 2017. In particular, salary payments fell by 5.5% to $133.7 million, as the 8.7% reduction in base salaries, outweighed the 3.6% uptick in bonuses. Government fee payments also decreased by 5.6% to $9.2 million, following a 13.5% contraction recorded a year earlier. Providing some offset, other administrative costs moved higher by 4.9% to $95.0 million, a reversal from a 12.2% reduction in 2017. In addition, outlays for staff training grew marginally by 0.4%, after a 6.0% falloff in the prior year.



OTHER FINANCIAL SECTOR ACTIVITIES

SECURITIES INDUSTRY

Despite holding significant levels of assets, the overall contribution of the securities industry to the domestic economy remains below that of both banking and insurance, given the lower employment levels and a product focused predominantly on high net worth international clients. While recent data on expenditure is not available, information obtained from the Securities Commission of The Bahamas (SCB) for 2018, revealed that the number of registered securities firms rose by 6 to 157, while the number of licensed investment fund administrators held steady at 62. However, the number of licensed investment funds within supervised operations declined by 35 to 748.

The SCB also supervises financial and corporate services providers (FCSPs), which are domestic professional firms that provide services to the financial sector. During the year, the number of FCSPs firmed by 12 to 353, reflecting an increase in demand for these services.

Insurance Sector

Activity within the local insurance sector remained relatively stable over the review year, as the most recent data from the Insurance Commission of The Bahamas (ICB), showed that the number of licensed operators increased by 3 to 149. This outturn reflected solely a gain in the number of external insurers to 23, as the number of local insurance agents & brokers remained at 85. In contrast, the number of foreign-owned entities decreased by 2 to 17.

Preliminary data on the performance of the sector revealed that the total assets of domestic companies contracted by 5.9% to $2,055.7 million in 2018, as the general insurance component declined by 21.0% to $610.5 million, as receivables and re-insurance recoveries reverted to trend, following the one-off uptick in residual inflows related to the 2016 hurricane. In contrast, the dominant long-term insurance segment—at 70.3% of the total—rose by 2.3% to $1,445.1 million.

In terms of spending, the domestic insurers total outlays firmed by 5.9% to $524.2 million, reflecting mainly a 2.3% gain in net claims to $323.9 million and an 13.6% advance in total "operational" expenditures to $147.2 million.

Credit Unions

Indications are that the credit union sector continued to expand at a modest rate over the review year, as the sector's portfolio of assets grew by 7.2%, to $451.1 million, supported largely by gains in liquid assets—mainly cash and deposits—and an increase in outstanding loans. Further, the number of registered entities—inclusive of the Credit Union League—remained at 10 in 2018.

Total expenditure within the sector firmed sharply by 53.3% to $19.1 million, as operational outlays rose by 13.2% to $15.6 million, with general business spending, such as utility expenses and Government fees, advancing by $1.1 million to $3.1 million. Similarly, personnel expenses—inclusive of salaries and bonuses—grew by 9.7% to $7.0 million, in-line with the expansion in employment by 18 to 182 in 2018.

Meanwhile the level of profitability in the sector increased over the year, as a 5.3% expansion in interest income—mainly from loans and investments—outpaced the 2.0% growth in interest expenses. In addition, provisions for loan losses were reduced by 10.0% to $3.5 million, in the context of the other expenditures noted above, the sector's net income firmed by 4.8% to $1.8 million.

OTHER FINANCIAL SECTOR DEVELOPMENTS

During the year, initiatives in the financial sector remained focused on improving The Bahamas' supervisory regime, to satisfy the evolving international standards geared towards strengthening the jurisdiction's profile as a transparent, cooperative participant in the global financial system. In this context, the Central Bank updated its overall approach to supervision, which includes an increased focus on proactive intervention by utilizing its Ladder of Supervisory Intervention to address financial and other risks in supervised institutions' operations. Regulatory engagement also remained heightened at the industry level through the consultative process of issuing guidance notes and other communications. Other initiatives undertaken by the Bank included the introduction of a streamlined, yet internationally compliant Basel III framework for banks, and revised AML/CFT and Anti-Proliferation guidance, in keeping with the strengthened legislative framework, vis-à-vis the revamped suite of financial crimes legislation adopted in 2018.

With regard to AML/CFT, subsequent to the enactment of substantial legislation to enhance the regulatory, supervisory and enforcement regimes within the jurisdiction and to address gaps identified within the country's 2017 Mutual Evaluation Report (MER), issued by the Caribbean Financial Action Task Force (CFATF), the Bank updated its AML/CFT Supervisory Guidelines, and extended its risk-based supervisory approach to credit unions and money transmission businesses (MTBs). As a result, risk rating assessments were completed for all these supervised financial institutions (SFIs), and continuous AML/CFT supervision was implemented for the banks and trust companies. Going forward, the Bank, along with its associated regulators, the SCB and ICB, will require all SFIs to document and submit their own risk assessments on an annual basis, in order to encourage strong risk management practices and ensure that institutions demonstrate a sound understanding of their money laundering/terrorist financing (ML/TF) risks.

Further to enhancing the AML/CFT oversight, the Central Bank introduced an Administrative Monetary Penalties (AMP) regime for the AML/CFT risk management in December 2018. Moreover, in line with the revamped legal framework and to support financial inclusion initiatives, in June 2018, the Bank issued binding guidance on a simplified risk-based approach to customer due diligence (CDD) for bank account holders. While this is particularly intended to ease access to low-risk Bahamian dollar denominated services, it also provides a clarified guidance customer identification process for services provided by all central bank SFIs.

Domestic financial inclusion efforts also coalesced under acceleration of the payment systems modernisation initiative. The Central Bank outlined plans to pilot the introduction of a digital version of the Bahamian dollar by 2020, which was branded as "Project Sand Dollar". This Central Bank issued digital currency (CBDC), should also promote the interoperability of seamless connectivity between private providers of electronic payment solutions. In order to affect this change, the Bank established an E-solutions Unit in the Banking Department, to focus on executing this project. Emphasis has been placed on providing a technology solution which meets the country's needs, with more enabled access to banking services and inclusivity across more "vulnerable" population segments, while also complying with stringent international AML/CFT standards. In this regard, the Bank is continuing to engage with the Government, public corporations and key private sector stakeholders, in order to ensure that the necessary infrastructure is established and that there is widespread acceptance of the CBDC.

In terms of other initiatives, substantial progress was also made towards establishing the credit bureau. Notably, the Credit Reporting Act was passed in Parliament in 2018, allowing the Central Bank to resume the Request for Proposal (RFP) to identify an operator for the bureau. The process concluded with the identification of CRIF S.p.A[5] as the preferred operator. Once established, the bureau will serve as a central database, accessible to lenders, to provide more comprehensive information pertaining to the risk profile of perspective borrowers. This endeavour will also benefit potential borrowers with positive metrics, who will be able to access credit on more favourable terms. The Central Bank will supervise the operations of the credit bureau, through its Bank Supervision department; however, the bureau will be an independent privately run entity.

[5] CRIF S.p.A. is based in Italy and also has a presence in more than 30 countries in the Caribbean, Europe, North America, Africa and Asia. The firm provides credit bureau services, business Information systems and credit solution services. See: www.centralbankbahamas.com.

CONCLUSION AND OUTLOOK

The 2018 survey of the financial sector continued to underscore the fact that the sector is in the midst of adjustment to economic and regulatory forces. Cost considerations and weak credit market conditions continue to contain the operating prospects for the domestic sector. For international businesses, the response to tax transparency requirements has exacerbated operating cost pressures, culminating in both the repositioning of business outside the jurisdiction and significant outsourcing of support for the remaining operations. In this regard, The Bahamas continued to experience employment retrenchment in international banking, notwithstanding an increasing expenditure footing for domestic banking. However, adjustment pressures appear less acute in the securities industry, with a more stable to expansionary trend for domestic insurance and credit union sector. The corporate and financial services is also facing adjustments, as The Bahamas transitions to enhanced international transparency around the use of international business companies (IBCs).

Near to medium-term prospects for the financial services sector's contribution to the economy remain contingent on strengthening the competitive profile of the sector. For some business models, this has meant increasing the attention on markets outside of the major industrial countries, with strengthened focus on attracting tax compliant clientele. The quality of the regulatory regime is also impacting upon the sector's prospects, with ongoing priority particularly to enhancing mechanisms for international tax transparency, and improving The Bahamas' risk rating profile for countering money laundering, terrorist financing and other illicit activities. This is an undertaking that has been embraced by the Central Bank, other financial regulators, and Bahamian law enforcement agencies. Going forward, the Bank will also increase its emphasis on initiatives to strengthen financial inclusion and improve financial literacy.

Table A: Government Revenue from Financial Sector Activities (B$ Millions)

Period	2014p	2015p	2016p	2017p	2018p
A. Stamp Taxes on Transactions	**67.6**	**97.9**	**88.4**	**98.5**	**109.2**
Gross Insurance Premium Tax 1/	21.9	21.9	21.7	22.1	23.2
Mortgages	8.5	9.0	15.5	15.2	18.5
Other Banking Transactions	37.1	66.7	51.0	61.0	67.3
Instruments & Bonds	0.1	0.3	0.2	0.2	0.3
B. Licence & Registration Fees	**44.8**	**38.0**	**36.3**	**38.5**	**40.1**
International Business Companies (IBCs)	16.3	16.7	14.4	15.1	14.7
Banks and Trust Companies	23.4	15.7	16.4	18.0	18.0
Insurance Companies, Brokers & Agents	0.3	0.4	0.4	0.3	0.3
Financial & Corp. Svcs. Providers	0.5	0.5	0.5	0.6	0.6
Investment Funds 2/	4.3	4.7	4.6	4.5	6.5
C. Total Revenues	**112.5**	**135.9**	**124.7**	**137.0**	**149.3**

Sources: Bahamas Government's Treasury Department, Securities Commission of The Bahamas.
Notes: 1/ Premium Tax collected from Insurance Companies.
2/ Amounts collected by the Securities Commission.

TABLE B. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES IN THE BAHAMAS

Period	2014p	2015p	2016p	2017p	2018p
A. TOTAL EMPLOYMENT	4,599	4,366	4,256	4,129	4,049
1. Non-Bahamians	281	290	277	267	249
2. Bahamians (of which)	4,318	4,076	3,979	3,862	3,800
i) Local Banking	2,948	2,700	2,614	2,500	2,430
ii) Offshore Banking	642	557	552	588	627
iii) Trust Administration	526	474	450	525	483
iv) Other	202	345	363	249	260
			(B$ Millions)		
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	650.1	692.8	708.0	694.9	734.8
1. Salaries[1]	307.0	316.5	327.0	324.4	329.7
i) Base Salaries	264.2	270.7	278.5	271.6	275.5
ii) Bonuses	42.7	45.8	48.5	52.8	54.2
2. Government Fees	51.7	65.4	69.0	67.2	73.0
i) Licence	37.9	49.0	47.7	50.5	51.0
ii) Company Registration	1.2	1.0	0.4	0.7	0.6
iii) Work Permits	8.0	2.3	2.7	2.6	2.7
iv) Other Government Fees	4.7	13.0	18.2	13.5	18.6
3. Staff Training	2.6	2.1	2.9	2.6	3.0
4. Other Administrative Costs	288.9	308.8	309.1	300.6	329.1
C. CAPITAL EXPENDITURE[2]	24.2	32.1	21.7	15.6	25.4
D. TOTAL EXPENDITURE (B+C)	674.3	725.0	729.7	710.4	760.1
E. AVERAGE SALARY (B$'000)[3]	57,457	61,995	65,445	65,784	68,032

Source: Central Bank of The Bahamas

[1] Includes bonuses.

[2] Includes construction, renovation expenses and other fixed assets.

[3] Excludes bonuses.

TABLE C. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	2014p	2015p	2016p	2017p	2018p	2014p	2015p	2016p	2017p	2018p
	DOMESTIC					INTERNATIONAL				
A. TOTAL EMPLOYMENT	3,507	3,253	3,163	3,133	3,182	1,092	1,113	1,093	996	867
1. Non-Bahamians	39	29	34	54	66	242	261	243	213	183
2. Bahamians (of which)	3,468	3,224	3,129	3,079	3,116	850	852	850	783	684
i) Local Banking	2,948	2,700	2,610	2,500	2,430	--	--	--	--	--
ii) Offshore Banking	57	13	15	97	182	585	544	541	491	445
iii) Trust Administration	336	277	263	310	317	190	197	187	215	166
iv) Other	127	234	241	172	187	75	111	122	77	73
					(B$ Millions)					
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	404.3	434.1	444.3	452.0	495.9	245.9	257.8	263.7	242.8	238.8
1. Salaries[1]	178.3	176.0	178.8	182.9	196.0	128.6	140.5	148.2	141.5	133.7
i) Base Salaries	163.3	159.9	162.2	166.1	179.1	101.0	110.8	116.3	105.5	96.3
ii) Bonuses	15.1	16.2	16.6	16.8	16.9	27.6	29.7	31.9	36.0	37.3
2. Government Fees	40.8	52.7	57.7	57.5	63.7	11.0	12.7	11.3	9.8	9.2
i) Licence	31.9	41.7	40.7	44.3	45.0	6.1	7.3	6.9	6.2	6.0
ii) Company Registration	0.0	0.1	0.0	0.0	0.4	1.2	1.0	0.3	0.7	0.2
iii) Work Permits	5.8	0.5	0.5	0.6	0.9	2.2	1.9	2.2	2.0	1.8
iv) Other Government Fees	3.1	10.5	16.4	12.5	17.5	1.6	2.6	1.8	0.9	1.1
3. Staff Training	1.1	1.2	2.0	1.7	2.1	1.5	0.9	1.0	0.9	0.9
4. Other Administrative Costs	184.1	204.2	205.9	210.0	234.1	104.8	103.7	103.2	90.6	95.0
C. CAPITAL EXPENDITURE[2]	19.6	19.2	14.4	12.6	15.2	4.6	13.1	7.3	3.0	10.2
D. TOTAL EXPENDITURE (B+C)	423.9	453.2	458.7	464.6	511.1	250.4	271.0	271.0	245.8	249.0
E. AVERAGE SALARY (B$'000)[3]	46,558	49,144	51,291	53,028	56,289	92,461	99,562	106,405	105,911	111,129

Source: The Central Bank of The Bahamas

[1] Includes bonuses.

[2] Includes construction, renovation expenses and other fixed assets.

[3] Excludes bonuses.

Table D: Other Selected Financial Sector Statistics

	Unit	2014r	2015r	2016r	2017r	2018p
Investment Funds Adminstrations						
Licensed Investment Funds	Number	830	885	859	783	748
Licensed Administrators	**Number**	**62**	**66**	**64**	**62**	**62**
Net Asset Value	*B$ Billions*	*134.6*	*200.2*	*136.8*	*86.3*	*n/a*
Insurance Companies and Agents	**Number**	**143**	**148**	**142**	**146**	**149**
Domestic Companies and Agents	**Number**	**112**	**116**	**112**	**117**	**118**
Total Domestic Assets	*B$ Millions*	1,669.5	1,768.1	2,305.0	2,185.3	2,055.7
Average Annual Salaries	*B$*	49,327	44,250	44,390	44,746	n/a
Operating Costs / Total Expenditures	*%*	94.3	94.2	97.1	97.0	n/a
External Insurers & Intermediaries	**Number**	**31**	**32**	**30**	**29**	**31**
Credit Unions (Active)						
Number of Unions	**Number**	**7**	**9**	**10**	**10**	**10**
Total Assets	*B$ Millions*	347.7	370.6	395.5	420.8	451.1
Employment	*Number*	144	154	155	165	183
Average Annual Salaries	*B$*	30,085	29,091	30,404	31,230	30,350
Total Expenditures	*B$ Millions*	10.38	10.51	11.20	12.19	19.10
Operating Costs / Total Expenditures	*%*	88.6	92.8	92.8	97.6	92.4
Bahamas International Securities Exchange (BISX)						
Securities Listed	**Number**	**28**	**45**	**53**	**53**	**49**
Shares Traded	*Thousands*	3,979	3,223	5,553	5,129	8,520
Market Capitalization	*B$ Billions*	3.54	3.68	4.44	3.27	4.48

Sources:

The Central Bank of The Bahamas, Bahamas International Securities Exchange (BISX),
The Securities Commission of The Bahamas and The Insurance Commission of The Bahamas.