



# Quarterly Economic Review

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**March, 2014**

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The Manager  
Research Department  
The Central Bank of The Bahamas  
P. O. Box N-4868  
Nassau, Bahamas

[www.centralbankbahamas.com](http://www.centralbankbahamas.com)

**email address: [research@centralbankbahamas.com](mailto:research@centralbankbahamas.com)**

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# QUARTERLY ECONOMIC REVIEW

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# REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

## DOMESTIC ECONOMIC DEVELOPMENTS

Preliminary data suggests that the Bahamian economy registered modest growth during the first quarter of 2014, behind gains in both the tourism and foreign investment-led construction sectors. In this environment, domestic inflation remained relatively subdued—although higher international oil prices in prior periods, contributed to an increase in the rate relative to the same period of 2013.

In the fiscal sector, the deficit was more than halved during the third quarter of FY2013/14, in comparison to the year-earlier period, benefitting from growth in both tax and non-tax receipts, alongside lower levels of capital spending. Budgetary financing was largely sourced from a US\$300.0 million external bond issue, with minimal recourse to domestic resources.

Monetary sector developments were dominated by the receipt of proceeds from the Government's external borrowing, which augmented both bank liquidity and external reserves. Banks' credit quality indicators improved over the review period, reflecting, in part, seasonal employment gains and banks' loan write-off activities. However, a reduction in interest income, coupled with an increase in bad debt provisions, led to a reduction in overall bank profitability during the fourth quarter of 2013, year-on-year.

On the external account, the current account deficit deteriorated during the first quarter, as a widening in the income and merchandise trade gaps overshadowed a slight improvement in the services account surplus. In contrast, the Government's external borrowings boosted the surplus on the capital and financial account.

## FISCAL OPERATIONS

### OVERVIEW

Based on preliminary data for the third quarter of FY2013/14, the estimated deficit narrowed relative to the corresponding period of FY2012/13 by more than one-half to \$51.7 million. This outturn reflected a broad-based 14.4% (\$49.1 million) improvement in revenue collections to \$391.2 million, alongside a much smaller 3.0% (\$13.8 million) capital spending-led reduction in aggregate expenditure to \$442.9 million.

### REVENUE

Tax revenue—which accounted for approximately 90.0% of the total—grew by 11.8% (\$37.2 million) to \$352.0 million. Reflecting a general increase in rates, business & professional licence fees firmed by 70.5% (\$37.3 million) to \$90.3 million. Property taxes—which benefitted in part from a tax amnesty—advanced by 32.9% (\$7.8 million) to \$31.5 million, while motor vehicle taxes were higher by 15.4% (\$1.2 million) at \$9.1 million. Buoyed by gains in the tourism sector, departure taxes firmed by 8.9% (\$2.8 million) to \$34.4 million and selective taxes on services strengthened by 14.4% (\$1.9 million) to \$15.0 million. Non-trade stamp taxes also rose, by 8.1% (\$3.1 million) to \$41.5 million. However, the persistent softness in private sector demand was evidenced in a contraction in taxes on international trade & transactions, by 5.2% (\$7.7 million) to \$140.3 million—comprising reductions in stamp taxes from imports (\$4.9 million), export taxes (\$3.0 million) and import taxes (\$2.0 million), which outweighed a \$2.2 million gain in excise taxes.

Non-tax revenue—at 10.0% of total receipts—was up sharply by 44.4% (\$12.1 million) to \$39.3 million, almost entirely attributed to the impact of new revenue measures on fines, forfeits & administration fees. Income from miscellaneous sources—inclusive of dividend receipts—rose by \$1.2 million to \$4.3 million.

## Government Revenue By Source

(Jan. - Mar.)

	FY12/13		FY13/14	
	B\$M	%	B\$M	%
Property Tax	23.7	6.9	31.5	8.1
Selective Services Tax	13.1	3.8	15.0	3.8
Busines. & Prof Lic. Fees	53.0	15.5	90.3	23.1
Motor Vehicle Tax	7.9	2.3	9.1	2.3
Departure Tax	31.6	9.2	34.4	8.8
Import Duties	78.4	22.9	76.4	19.5
Stamp Tax from Imports	4.9	1.4	--	--
Excise Tax	61.2	17.9	63.4	16.2
Export Tax	3.5	1.0	0.5	0.1
Stamp Tax from Exports	0.1	--	--	--
Other Stamp Tax	38.4	11.2	41.5	10.6
Other Tax Revenue	0.5	0.1	-7.2	-1.8
Fines, Forfeits, etc.	23.4	6.8	34.9	8.9
Sales of Govt. Property	0.7	0.2	0.1	--
Income	3.1	0.9	4.3	1.1
Other Non-Tax Rev.	--	--	--	--
Capital Revenue	--	--	--	--
Grants	0.1	0.0	--	--
Less: Refunds	1.4	0.4	3.0	0.8
Total	342.1	100.0	391.2	100.0

## EXPENDITURE

The reduction in total expenditure was solely attributed to a 34.5% (\$20.4 million) decline in capital outlays to \$38.7 million, amid the completion of key phases of the Government's infrastructural development programme. Meanwhile, current spending grew marginally by 1.3% (\$5.1 million) to \$390.3 million, and budgetary support to public corporations was higher by 12.3% (\$1.5 million) at \$13.9 million.

Under current spending, consumption-related outlays contracted by 3.2% (\$7.6 million), as the reclassification of certain tourism-related expenditures to transfers, led to a 10.9% (\$9.7 million) falloff in purchases of goods & services, to outpace a slight 1.4% (\$2.1 million) rise in personal emoluments. Correspondingly, transfer payments were higher by 8.5% (\$12.7 million) at \$162.7 million, primarily explained by gains in tourism-related overseas transfers (\$9.1 million) and subsidies (\$5.5

million). In addition, interest payments firmed by 1.4% (\$0.8 million), due to gains in both internal and external obligations by 1.3% (\$0.6 million) and 2.2% (\$0.2 million), respectively. These outpaced reduced transfers to non-profit institutions, households and nonfinancial public enterprises, of a combined \$3.2 million.

On a functional basis, the expansion in current outlays was largely associated with growth in general administration expenses, of 26.1% (\$14.5 million) to \$70.0 million. Increased spending was also registered for social benefits & services—primarily for old age, disability & services—of 6.4% (\$2.1 million) to \$34.6 million, and for housing, of 15.9% (\$0.1 million) to \$0.8 million. In contrast, declines were noted for education, of 7.9% (\$5.3 million) to \$61.2 million and health services, of 2.8% (\$1.8 million) to \$64.0 million. Similarly, disbursements related to economic services decreased by 8.0% (\$3.7 million) to \$42.7 million—mainly reflecting lower outlays to the tourism and transportation sectors, while smaller reductions were recorded for other community & social services, of 16.2% (\$0.8 million) to \$4.0 million and defense, of 1.4% (\$0.2 million) to \$12.8 million.

With the completion of several large infrastructural projects, capital formation outlays contracted by 36.1% (\$17.6 million) to \$31.2 million. Asset acquisitions—primarily equities and other assets—also declined, by 26.5% (\$2.5 million) to \$6.9 million, a turnaround from the prior period's 81.6% (\$4.2 million) increase, associated with defense-related acquisitions. Reflecting the maturity of an outstanding loan in the prior period, transfers to public corporations fell by \$0.6 million, while those to non-financial public enterprises expanded marginally by \$0.3 million.

## FINANCING AND THE NATIONAL DEBT

Deficit financing for the first quarter of 2014 was dominated by the receipt of proceeds from a US\$300.0 million international bond, with a much smaller \$2.0 million related to drawdowns from project-based external loans, and domestic borrowing—in the form of loans & advances—totalling \$20.0 million. Debt repayment surged almost five-fold over the prior year, to \$286.5 million, boosted by the retirement of a short-term, internal foreign currency debt bridging facility of \$125.0 million. In addition, Bahamian dollar payments totalled \$160.0 million.

Reflecting the net effects of the borrowing and debt servicing activities, the Direct Charge on the Government was only marginally higher, by 0.7% (\$35.6 million), from the preceding quarter, but a more significant 10.5% (\$476.2 million) above the corresponding period a year ago. Of the total outstanding debt stock, of \$5,007.2 million at end-March, the Bahamian dollar component accounted for \$3,530.7 million or 70.5%, down from 76.7% in 2013. The bulk was held by commercial banks (38.3%) and private and institutional investors (30.8%), with smaller shares owing to public corporations (19.2%), the Central Bank (11.4%) and other local financial institutions (0.3%). The debt profile included long-term bonds, which carried an average maturity of 11.2 years and comprised 83.5% of the Bahamian dollar portion, with the shares of Treasury bills and Central Bank advances lower at 14.7% and 1.8%, respectively.

Government's contingent liabilities moved higher, on both a quarterly and annual basis, by 6.7% and 7.2%, respectively, to \$641.4 million. As a result, the National Debt—which includes contingent liabilities—increased by \$75.9 million (1.4%) over the three-month period, and by \$519.2 million (10.1%) year-on-year, to \$5,648.6 million.

## PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt grew by 8.3% (\$175.8 million) over the preceding quarter, to \$2,303.1 million, some 21.0% (\$400.1 million) above the first quarter of 2013. Bolstered by the Government's external bond issuance, new drawings of \$308.0 million were more than two-times larger than amortization payments of \$132.2 million. Correspondingly, the Government's portion of outstanding debt expanded by 13.5% (\$175.6 million) to \$1,476.6 million, to represent 64.1% of the total, while the public corporations' liabilities stabilized at approximately \$826.6 million.

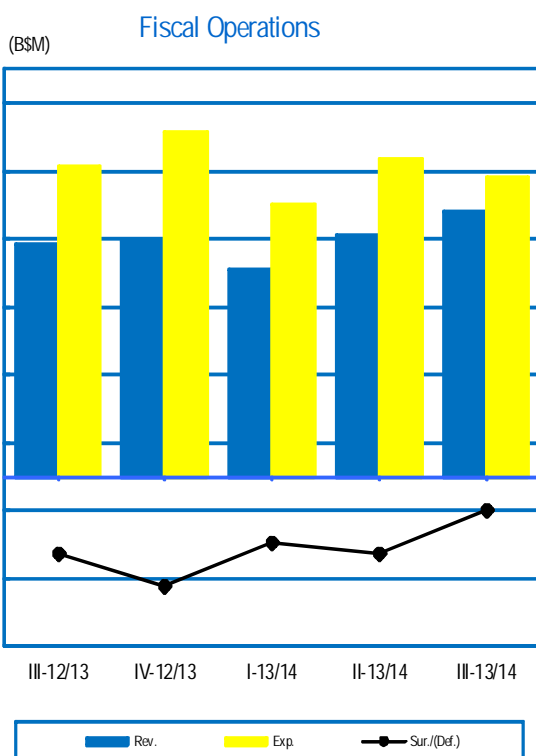
Relative to first quarter of 2013, total debt service payments surged more than five-fold, from \$26.9 million to \$148.3 million, as the repayment of internal short-term foreign currency debt boosted Government's payments, by \$124.3 million to \$133.5 million. Conversely, the public corporations' portion contracted by 16.5% (\$2.9 million) to \$14.8 million, reflecting lower interest and amortization payments. As a consequence of the sharp rise in debt servicing costs, the debt service ratio and Government's debt service as a percentage of revenue broadened, from 2.8% and 2.7% to 15.8% and 34.1%; however, net of the refinancing activities, the two ratios fell by 30 and 50 basis points to 2.2% and 2.5%, respectively.

By creditor profile, private capital markets held the largest share of outstanding foreign currency debt (39.1%), followed by non-resident investors (32.4%), commercial banks (14.0%), multilateral institutions (12.1%) and bilateral institutions (2.4%). The average maturity of the debt stabilized at 13.5 years, and the currency profile featured a dominance of US dollars (93.1%), with smaller shares in euros and Chinese Yuan, of 4.5% and 2.5%, respectively.

## REAL SECTOR

### TOURISM

Preliminary indicators suggest modest gains in tourism output during the first quarter, as improving economic conditions in several key source markets and joint public/private sector incentive programmes supported a



rebound in the high-value added air segment of the market.

The total number of arrivals firmed marginally by 0.8% to 1.8 million over the first quarter of 2014, a reversal from a 3.3% decline a year earlier. In terms of the components, the high-value added air segment rose slightly by 0.2% to 345,338, vis-à-vis a 3.4% contraction in 2013; however, growth in sea visitors slowed to 0.9% from 5.0% in the prior period, for a total of 1,413,332 passengers.

Disaggregated by first port of entry, visitors to New Providence rose by 2.4% to 1.0 million, although below the 9.8% growth in 2013. This was primarily on account of a 2.4% decrease in sea traffic, which outstripped the 4.1% rise in air passengers. Family Island tourists advanced by 6.5% to 0.6 million, a turnaround from a 3.8% reduction a year earlier, as gains in sea visitors, of 7.6%, overshadowed a 2.5% falloff in air passengers. In contrast, the on-going weakness in the Grand Bahama market, was evidenced in a more marked reduction in arrivals, of 22.0% relative to 5.8% in 2013, as the 29.7% contraction in the dominant sea component offset the 32.5% rise in air traffic.

Provisional data for the hotel sector showed that total room revenue fell slightly by 0.4% to \$137.5 million during the first quarter, reversing the 1.0% gain of 2013. Underlying this outturn was an estimated 5.9% contraction in the average daily room rate (ADR) to \$220.3, which outstripped the 2.5% rise in average occupancy levels to 58.6%. In terms of the main markets, room revenue for New Providence properties contracted by 2.9%, occasioned by a 3.8% falloff in the ADR, although the average occupancy rate rose marginally by 0.5%. For Grand Bahama, room revenues advanced by 20.2%, as the 10.9% gain in occupancy levels offset the 11.6% decrease in ADRs. Similarly, a 4.3% increase in ADRs, alongside higher occupancy levels (3.1%), underpinned an 11.9% boost in room revenues for the Family Islands.

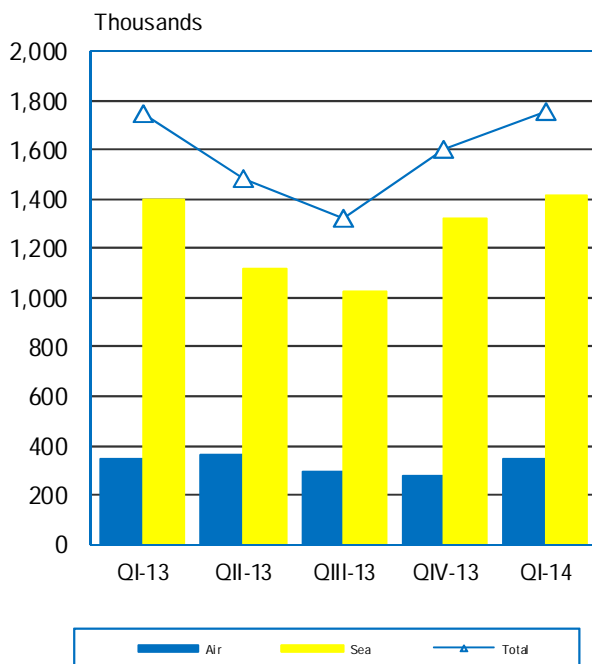
## CONSTRUCTION

Construction sector activity continued to be dominated by large-scale foreign investment projects in the hotel sector, as the Government's public sector infrastructure programme tapered. Data from domestic banks, insurance companies and the Bahamas Mortgage Corporation, suggest a potentially improving outlook for the private housing sector, where total mortgage disbursements for new construction and repairs recovered by 24.1% to \$26.4 million, from the prior year's 22.5% contraction. This turnaround reflected \$6.5 million in disbursements for commercial activity, versus a flat position in the prior year and a more than halving in the decline in the residential component, to 6.6% (\$1.4 million) from 20.2%.

Data on mortgage commitments for new buildings and repairs—a forward looking indicator—suggest a continuation of positive trends over the near-term, as total commitments rebounded by 36.8% in number to 160 and firmed by 36.0% in value to \$31.0 million. The residential component—at approximately 92.4% of the total—rose by 38.3% in number to 159 and by 26.9% in value to \$28.6 million. Although the number of commercial commitments decreased, from 2 to 1, the value was higher by \$2.1 million at \$2.3 million.

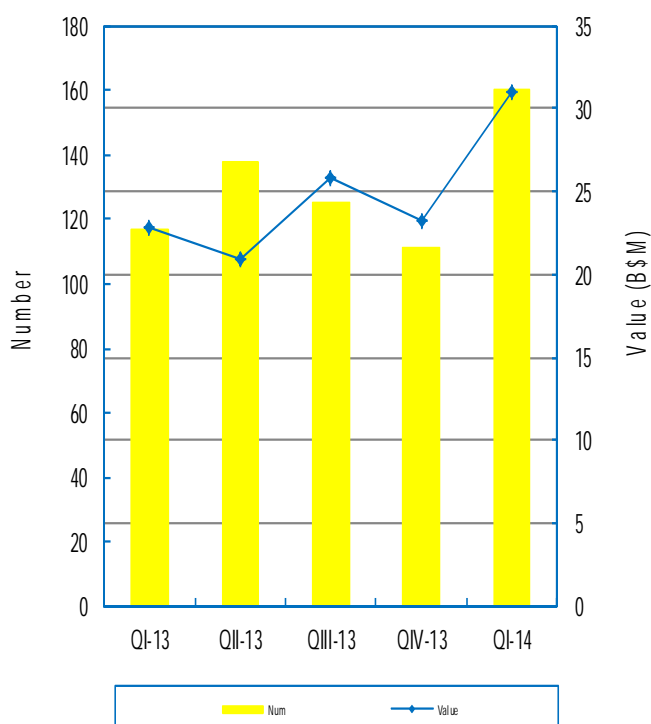
In interest rate developments, the average residential loan rate softened relative to the prior year, by 30 basis points to 7.9%. However, there was an equivalent rise in the comparative rate for commercial loans, to 8.5%.

## Visitor Arrivals





### Mortgage Commitments: New Construction and Repairs



### PRICES

Occasioned by the impact of earlier firming in international oil prices, the domestic inflation rate for the quarter, advanced by 74 basis points to 1.54%, vis-à-vis the corresponding period of 2013. The most significant average cost increase was noted for alcoholic beverages, tobacco & narcotics, of 9.4 percentage points to 10.92%. Next were average cost accretions for transportation, of 4.07 percentage points to 4.97%; miscellaneous goods & services, of 3.32 percentage points to 3.74%; education, of 1.14 percentage points to 2.30%; health care, of 80 basis points to 2.35%, and food & non-alcoholic beverages, of 70 basis points to 1.86%. After registering declines of 1.06% and 4.85% in the prior period, the average costs for both recreation & culture and communication also moved higher by 4.52% and 1.30%, respectively. In a modest offset, average price inflation slowed for restaurants & hotels, by 90 basis points to 3.32%, while clothing & footwear and housing, water, gas, electricity and other fuels—the largest component in the Index—declined by 2.39% and 0.83%, a turnaround from corresponding gains of 0.72% and 1.02% in 2013.

### Retail Price Index

(Annual % Changes)  
March

Items	Weight	2013		2014	
		Index	%	Index	%
Food & Non-Alcoholic Beverages	120.4	104.8	0.5	107.3	2.4
Alcohol, Tobacco & Narcotics	6.4	105.2	1.5	116.4	10.6
Clothing & Footwear	37.76	101.4	0.7	101.8	0.4
Housing, Water, Gas, Electricity	334.83	107.6	0.1	106.8	-0.7
Furn. & Household, Maintenance	64.26	107.5	1.6	108.4	0.8
Health	44.5	105.3	1.6	107.5	2.2
Transportation	119.13	114.1	0.9	118.5	3.9
Communication	41.19	96.6	1.6	97.2	-7.7
Rec., & Culture	22.73	101.1	0.9	105.6	-7.4
Education	30.05	107.9	-4.2	110.1	14.0
Restaurant & Hotels	38.24	109.0	-0.8	112.6	11.3
Misc. Goods & Svcs.	140.52	102.1	1.7	105.6	-2.1
ALL ITEMS	1000	106.3	4.2	107.9	-1.0

Domestic energy prices moved generally lower during the first quarter, with the average price of gasoline and diesel narrowing by 0.9% to \$5.22 per gallon and by 1.4% to \$5.11 per gallon over the three-month period. This translated into respective year-on-year decreases of 2.6% and 2.8%. The Bahamas Electricity Corporation's fuel charge was 23.61 cents per kilowatt hour (kWh)—a quarterly gain of 0.18% and 8.9% relative to 2013.

## MONEY, CREDIT AND INTEREST RATES

### OVERVIEW

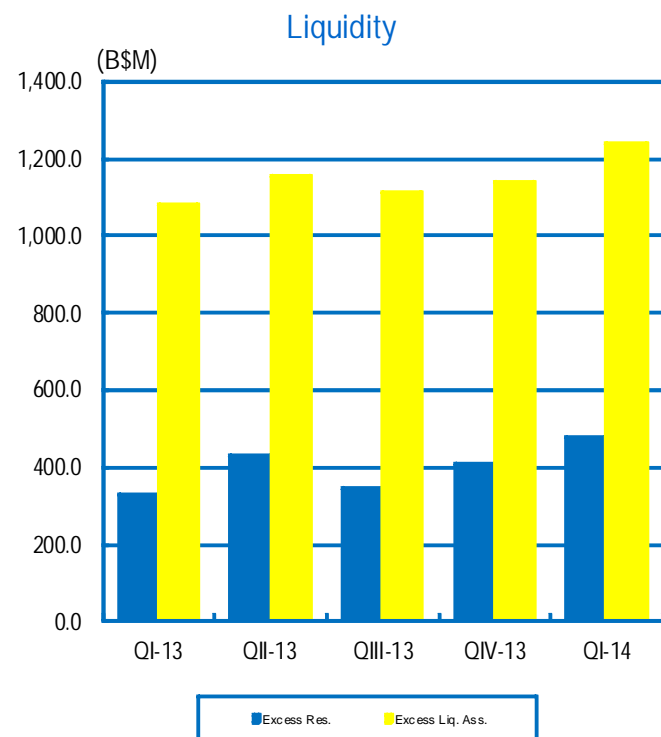
Monetary developments during the first quarter featured a notable expansion in both liquidity and external reserves, due largely to net receipts from Government's external borrowing. Seasonal factors, combined with ongoing debt restructuring and loan write-offs, secured some improvement in banks' credit quality indicators over the three-month period, while the weighted average interest rate spread narrowed, reflecting a decrease in the lending rate, coupled with a rise in the deposit rate.



However, banks' overall profitability contracted during the final three months of 2013, based mainly on increased staff expenditures and higher provisioning against loan losses.

## LIQUIDITY

Banks' net free cash reserves grew by \$70.7 million (17.4%) to \$478.1 million during the first quarter, significantly above the \$8.3 million uptick recorded a year earlier, to represent 8.0% of deposit liabilities relative to 5.5% in 2013. Buoyed by increased holdings of short-term Government debt, the broader surplus liquid assets expanded by \$104.5 million (9.2%) to \$1,242.3 million, in line with the prior year's gain of \$113.1 million, and exceeded the statutory requirement by an elevated 124.9%.



## DEPOSITS & MONEY

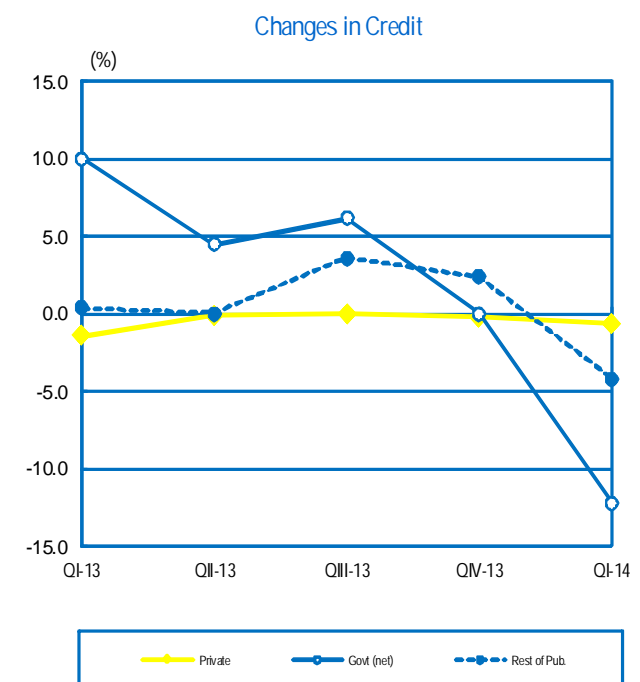
The expansion in the overall money supply (M3) slackened appreciably to \$5.7 million (0.1%) from \$125.0 million (2.0%) in 2013, for a balance of \$6,322.9 million at end-March. The narrow money (M1) component firmed by \$13.5 million (0.8%), moderating from the year-earlier gain of \$16.0 million (1.0%), amid slowed growth in

demand deposits, to \$13.5 million (0.9%), and relatively flat currency in circulation. Accretions to broad money (M2) were also sharply lowered, to \$7.3 million (0.1%) from \$91.4 million (1.5%), with the \$14.6 million (1.3%) increase in savings deposits offsetting the \$20.8 million (0.6%) falloff in fixed balances. Foreign currency deposits fell marginally, by \$1.6 million (0.6%), to reverse the prior year's \$33.7 million (15.6%) accumulation.

Fixed balances accounted for the largest share of the overall money supply, at 51.7%, followed by demand (22.8%) and savings (17.8%) deposits. Foreign currency balances and currency in active circulation constituted the smallest proportions, at 4.3% and 3.4%, respectively.

## DOMESTIC CREDIT

Total domestic credit decreased appreciably, by \$298.3 million (3.3%), a turnaround from the \$68.8 million build-up in the same period last year, as net proceeds from the Government's US\$300 million bond were utilized to repay short-term borrowings from the banking system. By currency composition, Bahamian dollar credit—at 91.9% of the total—narrowed by \$159.7 million (2.0%), relative to a \$100.1 million (1.3%) upturn in 2013. Reflecting lower claims on the Government, the contraction in foreign currency credit was higher at \$138.6 million (16.5%), from \$31.4 million (4.3%) in the prior period.



Banks' net credit to the Government declined by \$236.6 million (12.2%), following a \$159.1 million (10.0%) expansion in the comparative 2013 period, while credit to the rest of the public sector fell by \$20.9 million (4.2%), vis-à-vis a marginal \$1.9 million (0.4%) uptick a year earlier. Amid the challenging economic environment and high unemployment levels, private sector credit declined by \$40.8 million (0.6%), although below the \$92.3 million (1.4%) falloff in 2013. Underlying this outcome were broad-based declines in both the Bahamian and foreign currency categories, of \$24.1 million (0.4%) and \$16.7 million (4.7%), respectively. Personal loans, which constituted the majority (80.3%) of outstanding private sector credit, contracted by a significantly smaller \$6.5 million (0.1%), in comparison to the previous year's \$16.5 million (0.3%) falloff. This outturn reflected declines in consumer loans and residential mortgages, of \$7.1 million (0.3%) and \$0.8 million (0.03%), respectively, which overshadowed the \$1.7 million (2.5%) gain in overdrafts.

increased net lending was registered for home improvement (\$2.0 million), debt consolidation (\$1.3 million), with smaller gains of under \$1.0 million for the remaining categories.

Among the other private sector credit components, the most significant net repayments were posted for miscellaneous (\$14.4 million), construction (\$13.5 million), agriculture (\$2.8 million), tourism (\$2.2 million) and professional & other services (\$2.0 million) loans. Credit to both distribution and private financial institutions also registered declines of \$1.7 million, whereas lending firmed for fisheries (\$2.0 million) and transport (\$1.9 million).

#### MORTGAGES

According to information reported by banks, insurance companies and the Bahamas Mortgage Corporation, the total value of mortgages outstanding fell by \$7.3 million (0.2%) to \$3,304.8 million, exceeding the prior year's reduction of \$1.5 million (0.05%). By category, commercial mortgages—which accounted for 6.0% of the total stock—fell by \$7.9 million (3.8%), slightly less than the previous year's \$9.9 million (4.9%) contraction, while the dominant residential component (at 94.0% of the total) stabilized at \$3,107.1 million, vis-à-vis an \$8.4 million (0.3%) expansion a year earlier. At end-March, domestic banks accounted for the bulk of outstanding mortgages (89.0%), followed by insurance companies (5.9%) and the Bahamas Mortgage Corporation (5.1%).

#### THE CENTRAL BANK

During the review quarter, the Central Bank's net claims on the Government contracted by \$119.7 million (24.4%) to \$370.2 million, reversing the previous year's \$43.8 million (11.1%) expansion, amid decreases in Treasury bill holdings and short-term advances. Buoyed by a two-fold rise in deposits of public enterprises, the Bank's net liabilities to the public corporations more than doubled to \$13.2 million, a reversal from a \$4.5 million (49.4%) softening in 2013. Similarly, the Bank's liabilities to commercial banks surged by \$146.7 million (22.7%) to \$793.6 million, as deposit placements were boosted following the reduction in Government's net indebtedness to the sector.

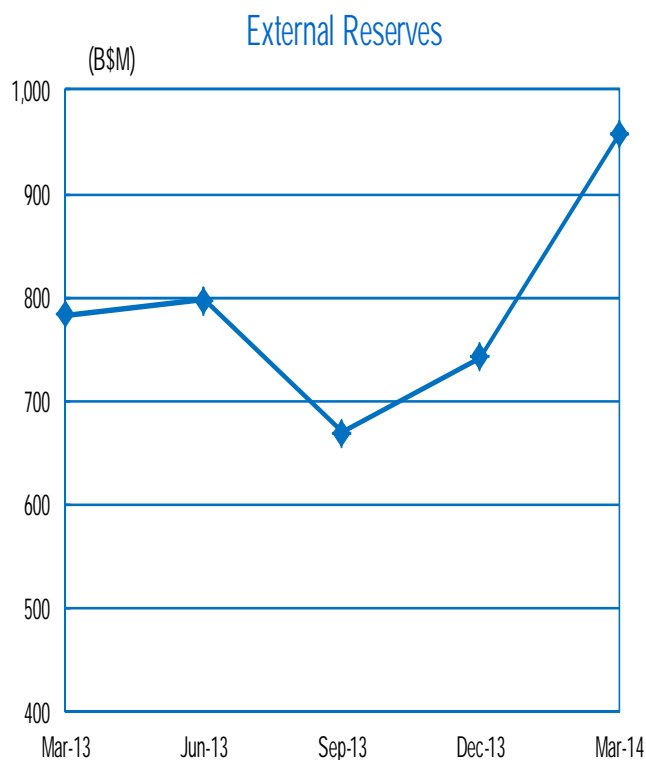
Supported by the Government's foreign currency borrowing activities, external reserves expanded by

Distribution of Bank Credit By Sector				
End-March				
	2013		2014	
	B\$M	%	B\$M	%
Agriculture	14.5	0.2	10.9	0.2
Fisheries	7.2	0.1	9.0	0.1
Mining & Quarry	2.3	0.0	2.5	0.0
Manufacturing	42.0	0.6	54.7	0.8
Distribution	209.8	3.0	213.1	3.1
Tourism	59.6	0.9	45.0	0.6
Enter. & Catering	62.1	0.9	79.5	1.1
Transport	42.2	0.6	37.0	0.5
Construction	405.9	5.8	388.1	5.6
Government	147.6	2.1	153.8	2.2
Public Corps.	340.4	4.9	349.1	5.0
Private Financial	15.9	0.2	28.8	0.4
Prof. & Other Ser.	112.7	1.6	90.9	1.3
Personal	5,189.2	74.0	5,184.8	74.5
Miscellaneous	359.3	5.1	312.6	4.5
TOTAL	7,010.8	100.0	6,959.9	100.0

A detailed analysis of consumer loans revealed net repayment positions for credit cards (\$5.8 million), miscellaneous (\$2.6 million) and travel (\$2.4 million) loans. More muted declines of less than \$1.0 million were recorded for medical, furnishings & domestic appliances, taxis & rented cars, and land purchases. However,

\$215.8 million (29.1%) to \$957.4 million, in contrast to the prior year's decline of \$27.0 million (3.3%). In particular, the Bank's transactions with commercial banks reversed to a net purchase of \$125.8 million, from a net sale of \$70.3 million.

The Bank's net sale to public corporations—mainly for fuel purchases—also slowed to \$107.0 million from \$142.2 million, while the net purchase from the Government was lower by \$55.0 million at \$193.1 million.



Buoyed by the increase in external reserve balances, the non-oil merchandise import cover, rose by 2.7 weeks to 19.5 weeks at end-March 2014, year-on-year. After adjusting for the 50% statutory requirement on the Central Bank's Bahamian dollar liabilities, "useable" reserves advanced by \$120.7 million (39.4%) to \$427.2 million.

#### DOMESTIC BANKS

Reflecting a reduction in net credit to the Government, commercial bank lending contracted during the first quarter, by \$178.0 million (2.1%), a reversal from the prior year's growth of \$43.9 million (11.0%). Net credit to the Government fell by \$117.0 million (8.0%) compared to

the prior year's 2.4% expansion, while claims on the public corporations also declined, by \$20.2 million (4.1%), vis-à-vis last year's gain of \$1.9 million (0.4%). Amid the sluggish business and employment conditions, private sector credit fell by \$40.8 million (0.6%), although below the year-earlier \$92.3 million (1.4%) contraction. Commercial banks reduced their net foreign liabilities by \$87.7 million (12.6%), which was in line with the previous year's \$84.8 million (14.1%) contraction.

Banks' total deposit liabilities grew by \$23.5 million (0.4%) to \$6,269.3 million, moderating from the prior year's \$128.2 million (2.1%) build-up. Underlying this development, deposits of the Government expanded by \$24.1 million (15.6%), after a \$1.1 million (0.8%) falloff a year ago, public corporations' balances fell slightly by \$0.6 million (0.2%), to reverse the \$6.0 million (1.5%) gain in 2013, and private sector deposits steadied at \$5.8 million.

At end-March, the dominant share of banks' deposit liabilities (95.6%) was held in local currency, with US dollars and other "miscellaneous" currencies accounting for smaller shares of 4.2% and 0.1%, respectively. By depositor type, private individuals accounted for more than half (53.5%) of total Bahamian dollar deposits, followed by business firms (29.8%), private financial institutions (4.9%), public corporations (4.4%), other entities (3.5%), the Government (3.0%) and public financial institutions (0.9%).

By category, fixed deposits captured 55.8% of banks' deposit liabilities, followed by demand (25.4%) and savings (18.8%) balances. The majority of Bahamian dollar deposit accounts were concentrated in the under \$10,000 category (88.6%), although representing only 6.0% of the total value. Accounts between \$10,000 and \$50,000 were 7.5% of the total number and 10.9% of the aggregate value, while deposits over \$50,000 comprised 3.9% of the total number, but the majority (83.1%) of the value.

#### CREDIT QUALITY

Supported by seasonal improvements in employment conditions during the peak tourist season, as well as banks' loan write-off activities, total private sector loan arrears declined by \$35.6 million (2.6%) over the quarter, to \$1,316.6 million—although firming by \$99.6 million

(8.2%) year-on-year. The ratio of private sector arrears to total loans narrowed during the three-month period, by 0.4 of a percentage point to 21.5%, but increased, year-on-year, by 1.8 percentage points.

The contraction in total arrears was led by a \$22.9 million (3.1%) reduction in mortgage delinquencies, to \$708.0 million. This translated into a decline of 70 basis points in the corresponding loan ratio to 22.8%; however, on a yearly basis, the ratio rose by 1.1 percentage points. Similarly, consumer loan arrears decreased by \$8.2 million (3.1%) to \$259.2 million—falling by 28 basis points from end-December, to represent 12.7% of total private sector loans. For the commercial component, which contracted by \$4.5 million (1.3%) to \$349.4 million, the attendant loan ratio grew over both the quarter and year, by 0.4 and by 7.9 percentage points, respectively, to 36.1%.

stopped accruing interest—expanded by \$10.8 million (1.1%) to \$976.8 million, for a 0.3 and 1.8 percentage point increase in the quarterly and annual loan ratio, to 16.0% of the aggregate.

In continuation of their conservative stance, commercial banks increased their provisions against loan losses, by an estimated \$12.8 million (2.8%) to \$455.5 million during the first quarter. As a result, the ratio of provisions to arrears and non-performing loans moved higher, by 1.9 and 0.8 percentage points, to 34.6% and 46.6%, respectively.

### BANK PROFITABILITY

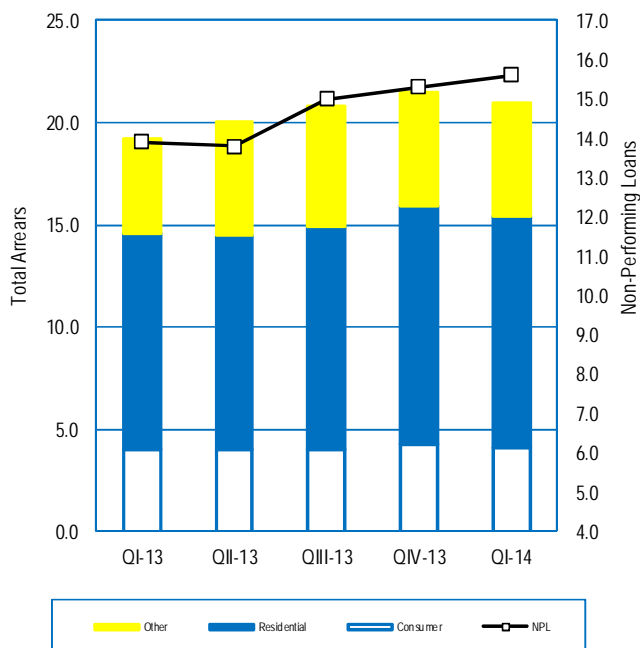
Bank profitability fell by more than half to \$17.6 million during the fourth quarter—the latest available data—to extend the prior year’s 34.0% (\$20.5 million) contraction. This outturn was primarily attributed to higher salary outlays and increased provisions for bad debts.

The net interest margin decreased by 1.5% (\$2.0 million) to \$136.1 million, as the 4.0% (\$6.8 million) reduction in interest income overshadowed the 14.8% (\$4.8 million) contraction in interest expense. Similarly, the gross earnings margin fell by the same magnitude, as income from commission & foreign exchange transactions steadied at \$5.9 million.

Total operating expenses firmed by \$14.8 million (18.8%) to \$93.3 million, mainly reflecting gains in staff costs, of 26.0% (\$10.8 million), while other “miscellaneous” operating expenses and occupancy outlays, rose more modestly by 12.1% (\$3.6 million) and by 5.0% (\$0.4 million), respectively. Losses on non-core activities increased by 20.5% (\$5.3 million) to \$31.2 million, as banks augmented their provisions for bad debts by 17.3% (\$7.9 million), while non-core income and depreciation costs moved higher, by 20.6% (\$4.7 million) and 64.8% (\$2.2 million), respectively.

As a result of these developments, banks’ profitability ratios—as measured relative to average assets—deteriorated marginally during the fourth quarter of 2013. The interest margin ratio narrowed by 17 basis points to 5.57%, while the commission & foreign exchange income ratio was relatively stable, reducing the gross earning margin ratio by 17 basis points to 5.82%. An expansion in the operational cost ratio, by 56 basis points to 3.82%,

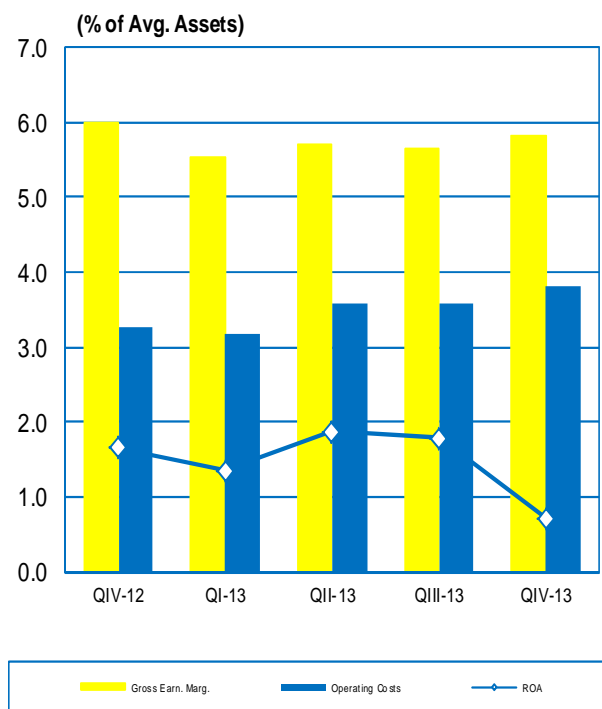
Loan Arrears & Non-Performing Balances  
(% of Total Loans)



A disaggregation of the average age of loan arrears attributed the improvement solely to a \$46.4 million (12.0%) reduction in the short-term (31-90 day) segment, to \$339.7 million—for a quarterly drop of 71 basis points to 5.6% of total loans. In contrast, non-performing loans—those in excess of 90 days and on which banks

contributed to the falloff in the net earnings margin ratio, by 72 basis points to 2.00%. Reflecting a worsening in losses from non-core activities, the net income ratio decreased by 93 basis points to 0.72%.

### Domestic Banks' Profitability



overdrafts and consumer loans, by 43 and 13 basis points, to 9.45% and 13.76%, respectively.

Other key interest rates were stable for the quarter. The average Treasury bill rate held at 0.45%, and the Central Bank's Discount Rate and commercial banks' Prime Rate, at 4.50% and 4.75%, respectively.

### Banking Sector Interest Rates

Period Average (%)

	Qtr. I 2013	Qtr. IV 2013	Qtr. I 2014
<b>Deposit Rates</b>			
Demand Deposits	0.29	0.30	0.31
Savings Deposits	1.11	0.94	1.06
<b>Fixed Deposits</b>			
Up to 3 months	1.48	1.12	1.19
Up to 6 months	1.63	0.97	1.46
Up to 12 months	2.59	1.87	1.98
Over 12 months	2.49	1.92	1.84
Weighted Avg Deposit Rate	1.92	1.43	1.55
<b>Lending Rates</b>			
Residential mortgages	7.51	7.26	7.24
Commercial mortgages	8.06	8.81	7.93
Consumer loans	13.55	13.63	13.76
Other Local Loans	7.58	7.86	7.83
Overdrafts	9.07	9.02	9.45
Weighted Avg Loan Rate	10.91	11.36	11.11

### INTEREST RATES

During the first quarter, commercial banks' weighted average interest rate spread narrowed by 37 basis points to 9.56 percentage points, primarily owing to a reduction in the average lending rate, by 25 basis points to 11.11%. However, some offset was provided by an increase in the average deposit rate, by 12 basis points, to 1.55%.

Under deposits, the average rate firmed by 12 basis points to 1.06% on savings balances and for fixed deposits, moved higher from a range of 0.97% – 1.92% to 1.19% - 1.98%. In addition, the average rate on demand balances rose marginally by 2 basis points to 0.31%.

On the lending side, the average commercial mortgage rate decreased by 88 basis points to 7.93%, and the corresponding residential rate eased by 2 basis points to 7.24%. In contrast, average lending rates advanced for

### CAPITAL MARKETS DEVELOPMENTS

Activity on the Bahamas International Securities Exchange (BISX) picked-up during the review quarter, as the volume of shares traded moved higher by 24.1% (0.2 million) to 0.8 million, although the corresponding value was unchanged at \$3.2 million. Reflecting broad-based gains in share prices, the BISX All Share Index grew by 8.9% to 1,514.1 points, exceeding the prior year's 6.2% advance. Market capitalization firmed by 6.4% to \$3,152.7 million, compared with 2013's 8.8% expansion. At end-March, the number of securities listed on the Exchange was up by 1 to 27.

### INTERNATIONAL TRADE AND PAYMENTS

Provisional data for the March quarter showed a deterioration in the current account deficit, of \$62.1 million



(26.2%) to \$298.8 million, relative to the first quarter of 2013. The outturn reflects an increase in net income outflows, a worsening in the merchandise trade deficit and a reversal in current transfers to a net outflow. In contrast, the surplus on the capital and financial account expanded more than four-fold, to \$386.4 million, buoyed by the Government's external bond issue.

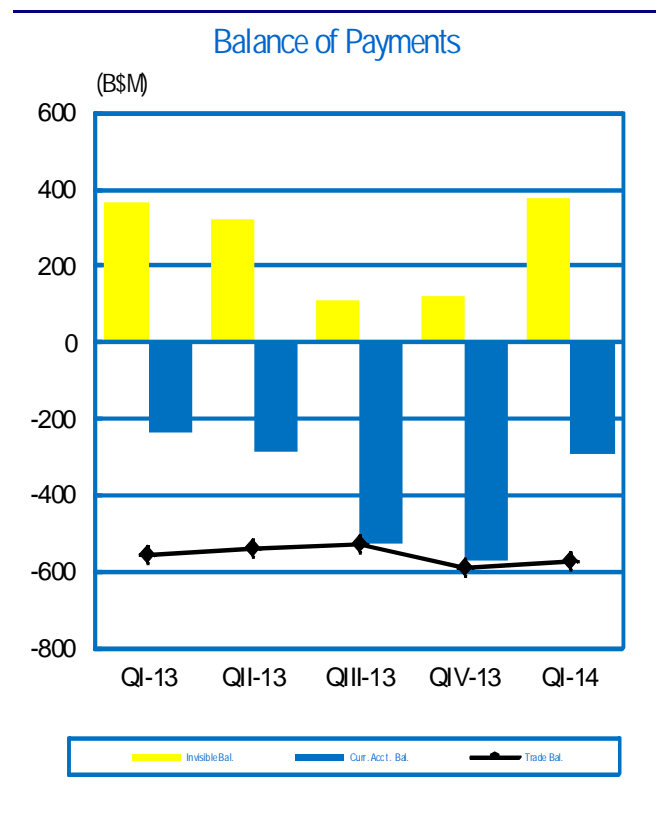
The merchandise trade deficit widened by \$14.3 million (2.6%) to an estimated \$570.6 million, reflecting a \$24.2 million (10.3%) decline in exports to \$211.4 million, which outpaced a \$9.9 million (1.3%) fuel-led reduction in imports to \$782.0 million. A further breakdown of oil imports showed the average price for most products decreasing over the quarter, with the sharpest contraction, of \$69.71 (36.9%), recorded for jet fuel. Smaller declines were registered for gas oil and motor gas, of \$11.78 to \$121.70 and \$6.49 to \$121.35, respectively. In a partial offset, the cost of propane firmed by \$17.27 to \$75.21 and aviation gas, by \$8.45 to \$164.50. Influenced by a rise in foreign investment-related imports, non-oil imports were higher by \$35.1 million (8.3%) at \$458.9 million.

The services account surplus firmed slightly by \$3.0 million (0.8%) to \$370.6 million, as the net intake from offshore companies' local expenses increased by \$1.8 million (5.3%) to \$36.9 million and the net outflow of Government service transactions rose slightly by \$0.1 million to \$6.8 million. In addition, net payments for construction services contracted by \$5.8 million (6.5%) to \$83.3 million, and also fell for other 'miscellaneous' and insurance services, by \$4.5 million (6.1%) to \$70.5 million and by \$3.1 million (9.5%) to \$30.0 million, respectively. Despite slight gains in tourism activity during the quarter, net travel receipts softened by \$1.5 million (0.3%) to \$592.7 million. Buoyed by higher outflows for passenger and freight services, net payments for transportation services advanced by \$9.3 million (14.2%) to \$75.0 million, and net royalty and license payments rose slightly by \$1.5 million (27.8%) to \$7.1 million.

The deficit on the income account broadened by \$30.9 million (58.3%) to \$83.9 million, largely owing to a \$29.1 million (71.2%) increase in net investment outflows to \$70.0 million. Underlying this development, other private interest and dividend net payments expanded by two-thirds to \$65.5 million, reflecting a reversal in commercial bank transactions, from an \$8.6 million net receipt

in 2013 to an \$11.1 million net payment, owing to dividend payments. Similarly, net outflows from "non-bank entities" firmed by \$8.3 million to \$54.4 million, while the net remittance for employee compensation edged up by \$1.8 million to \$14.0 million.

Net payments for current transfers at \$14.8 million, represented a turnaround from a \$5.1 million net receipt in 2013. Net inflows to the Government fell by \$9.6 million to \$25.2 million, while the net outflow for other sectors advanced by \$10.3 million (34.6%) to \$40.0 million, occasioned by gains in workers remittances (\$2.9 million) and other transfers (\$7.4 million).



The surplus on the capital and financial account surged to \$386.4 million from \$72.4 million a year earlier, largely explained by receipts from the Government's bond issue. Specifically, the surplus on the financial account firmed by \$311.8 million to \$388.4 million, as "other miscellaneous" investments reversed to a \$384.5 million net intake from a \$23.0 million net payment in the prior year, as Government's external bond issue contributed significantly to the net inflow of \$300.6 million. In addition, external borrowings by the private sector were

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higher by \$89.1 million at \$133.7 million, supported by loan proceeds associated with a major foreign investment entity. In contrast, net direct investment receipts contracted by \$94.4 million to \$14.4 million, primarily owing to a reversal in net equity transactions, to a \$6.1 million net outflow from a \$64.7 million net receipt, and a \$23.6 million reduction in inflows from land purchases. In addition, net outward portfolio investments rose by \$1.3 million to \$10.5 million, while net capital transfers abroad were more than halved to \$1.9 million.

After adjusting for net errors and omissions, the overall balance, as measured by the change in the Central Bank's external reserves, reversed to a \$215.8 million surplus from a \$27.0 million deficit in the comparable quarter of 2013.

## INTERNATIONAL ECONOMIC DEVELOPMENTS

Global economic indicators suggest that the modest growth momentum was sustained in the first quarter of 2014, mainly supported by positive expansions in the Asian economies and the nascent recovery in the euro zone, as adverse weather conditions led to a downturn in the United States economy. Against this backdrop, the unemployment rates in several developed markets declined during the quarter, while inflation remained relatively benign. Given the fragile recoveries in most major economies, developed market central banks maintained their highly accommodative monetary policy stance.

Economic activity in the developed countries was uneven during the review quarter. In the United States, real GDP contracted by an annualized 2.1% in the first quarter, a turnaround from a 2.6% expansion in the prior three-month period. Underlying this outturn was a weather-related decline in exports, private inventory and non-residential fixed investments, along with a reduction in state and local Government spending. Real GDP growth in the United Kingdom stabilized at 0.8% in the three-month period, reflecting increases in output for services, industrial production and construction, which offset the falloff in agricultural output. In the euro area, the expansion in real output eased to 0.2% in the first three months of 2014, from 0.3% in the fourth quarter, with the rise in household consumption offset by declines in exports and fixed capital investment. The annualized pace of growth in China tapered by 30 basis points to 7.4% in the first quarter—its slowest rate in almost two

years—underpinned by a softening in exports and a reduction in domestic investment spending. In contrast, gains in domestic demand, alongside higher levels of private consumption and non-residential investment, elevated Japan's quarterly real GDP growth to 1.6%, up from 0.2% in the December quarter.

Labour market conditions in major economies continued to improve over the review period. In the United States, the unemployment rate decreased by 30 basis points to 6.7%, as an estimated 1.2 million persons were added to employers' payrolls. The quarterly jobless rate in the United Kingdom also narrowed, by 40 basis points to 6.8%, with the number of unemployed persons falling by 133,000. The euro zone's unemployment rate softened by 10 basis points to 11.8% at end-March, while the jobless rates in both Japan and China stabilized at 3.7% and 4.1%, respectively.

Given the sustained softness in consumer demand, global inflation remained subdued during the first quarter. The annualized inflation rate stabilized at 1.5% for the United States, as food costs increased modestly, but fell for the United Kingdom, by 40 basis points to 1.6%, due to decreases in the prices for transport, clothing and furniture & household items. In the euro zone, the rise in average consumer prices slowed by 30 basis points to 0.5% at end-March, based on reduced costs for food, alcohol & tobacco and energy. In Asian markets, China's annualized consumer price inflation softened to 2.3% in March, from 2.5% in December, while average prices in Japan rose by a further 1.5% over the first quarter, led by a significant rise in the cost for culture & recreation items.

Reflecting an increase in investors' demand for "riskier assets", the United States dollar depreciated against most major currencies during the quarter. The dollar recorded its largest fall against the Japanese yen, by 2.0% to ¥103.2, and also declined versus the Swiss Franc, the British pound and the euro, by 0.8% to CHF0.89, by 0.6% to £0.60 and by 0.2% to €0.73, respectively. In contrast, the dollar appreciated vis-à-vis the Chinese Yuan, by 2.7% to CNY6.22 and relative to the Canadian dollar, by 4.0% to CAD\$1.11.

During the first quarter, major equity market developments were mixed, driven mainly by domestic factors. In the United States, the S&P 500 index rose by 1.3%; however, the Dow Jones Industrial Average (DJIA) de-



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clined marginally by 0.7%, as the Federal Reserve's decision to further reduce its "quantitative easing programme" weighed on stock prices. In Europe, buoyed by overall positive trends in economic data, France's CAC 40 moved higher by 2.2%, while the United Kingdom's FTSE fell by 2.2% and German's DAX was unchanged. Reflecting investors' concerns over the effect of the pending implementation of a new sales tax on the economy, Japan's NIKKEI 225 plunged by 9.0%, while a smaller decline of 3.9% was noted for China's SE Composite.

Despite growing geo-political tensions in Europe between western states and Russia—a major oil producer—above average winter weather conditions, along with adequate global fuel supplies, led to crude oil prices decreasing by 3.2% to \$108.02 per barrel at end-March. In other commodity markets, gold prices advanced by 6.5% to \$1,284.01 per ounce, and the cost of silver rose by 1.6% to \$19.77 per ounce.

Given the modest and uneven global recovery, most major central banks sustained their highly accommodative monetary policy stance. The Bank of England held its key Bank rate at an historic low of 0.5%, and maintained its £375 billion asset purchase programme, and the European Central Bank left its main financing operations and marginal lending facility rates unchanged. In Asia, the People's Bank of China enhanced its expansionary monetary policy stance, by injecting US\$42.0 billion in additional liquidity into the financial system, and taking steps to liberalize its exchange rate, by doubling the daily trading range to 2.0%. The Bank of Japan expanded its asset purchase programmes, by increasing its annual purchases of domestic bonds and stocks by a total of ¥81 trillion. While monetary policy in the United States also remained highly accommodative, the Federal Reserve continued to reduce the size of its asset purchase programme, by \$10 billion per month to \$75.0 billion, in an effort to normalize credit conditions, as the economy continued to strengthen.

External sector developments were mixed during the opening quarter of 2014. The United States' trade deficit deteriorated by \$14.4 billion (12.8%) to \$126.8 billion over the previous quarter, reflecting an expansion in the goods deficit, which outstripped the improvement in the services account surplus. Similarly, the euro zone's trade surplus decreased, by almost half to €31.8 billion, as the falloff in

exports of mainly machinery and vehicles outpaced the marginal reduction in imports. The United Kingdom's trade deficit; however, narrowed by 8.8% to £5.2 billion, reflecting an improvement in the services account surplus, which offset an expansion in the goods deficit. In Asia, Japan's fuel import-driven trade deficit rose by 36.2% to ¥5.1 billion over the first quarter; whereas, China's trade surplus advanced by US\$76.8 billion (40.2%) to US\$167.4 billion, partly buoyed by increased service-related exports.

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**STATISTICAL APPENDIX**  
**(Tables 1-16)**

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## STATISTICAL APPENDIX

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The following symbols and conventions are used throughout this report:

1. n.a. not available
2. -- nil
3. p provisional
4. r revised
5. Due to rounding, the sum of separate items may differ from the total

**TABLE 1**  
FINANCIAL SURVEY

End of Period	2009	2010	2011	2012				2013				2014
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.
<b>(B\$ Millions)</b>												
<b>Net foreign assets</b>	134.1	152.1	280.8	308.9	356.2	117.6	208.4	266.2	273.0	148.7	44.7	348.3
Central Bank	816.0	860.4	884.8	890.0	928.0	745.8	810.2	783.2	797.1	669.2	741.6	957.4
Domestic Banks	(681.9)	(708.3)	(604.0)	(581.1)	(571.8)	(628.2)	(601.8)	(517.0)	(524.1)	(520.5)	(696.9)	(609.2)
<b>Net domestic assets</b>	5,898.2	6,038.9	6,029.6	6,120.9	6,149.1	6,222.5	6,095.3	6,162.5	6,182.7	6,281.2	6,272.2	5,974.5
Domestic credit	8,039.7	8,448.2	8,536.9	8,666.5	8,698.8	8,797.2	8,685.0	8,753.8	8,824.6	8,953.1	8,951.5	8,653.2
Public sector	1,443.8	1,875.5	1,889.4	1,998.8	2,042.7	2,135.4	2,055.7	2,216.8	2,295.2	2,425.8	2,437.3	2,179.8
Government (net)	1023.9	1,413.7	1,439.2	1,524.8	1,624.9	1,678.0	1,592.2	1,751.4	1,829.6	1,943.3	1,943.3	1,706.7
Rest of public sector	419.9	461.8	450.2	474.0	417.8	457.4	463.5	465.4	465.7	482.5	494.0	473.1
Private sector	6,595.9	6,572.7	6,647.5	6,667.7	6,656.1	6,661.8	6,629.3	6,537.0	6,529.4	6,527.3	6,514.2	6,473.4
Other items (net)	(2,141.5)	(2,409.3)	(2,507.3)	(2,545.6)	(2,549.7)	(2,574.7)	(2,589.7)	(2,591.3)	(2,641.9)	(2,671.9)	(2,679.3)	(2,678.7)
<b>Monetary liabilities</b>	6,032.3	6,191.1	6,310.4	6,429.8	6,505.3	6,340.1	6,303.7	6,428.7	6,455.7	6,429.9	6,317.2	6,322.9
Money	1,283.6	1,335.2	1,434.8	1,486.7	1,532.8	1,509.8	1,574.9	1,590.9	1,653.5	1,639.2	1,641.2	1,654.7
Currency	207.8	194.5	196.9	203.5	207.3	208.2	216.5	216.7	215.6	208.0	214.4	214.4
Demand deposits	1,075.8	1,140.6	1,237.9	1,283.2	1,325.5	1,301.6	1,358.4	1,374.2	1,437.9	1,431.2	1,426.8	1,440.3
Quasi-money	4,748.7	4,855.9	4,875.6	4,943.1	4,972.5	4,830.3	4,728.8	4,837.8	4,802.2	4,790.7	4,676.0	4,668.2
Fixed deposits	3,521.4	3,615.4	3,605.9	3,596.7	3,581.0	3,488.4	3,444.1	3,496.8	3,434.9	3,385.9	3,288.0	3,267.2
Savings deposits	995.4	1,015.8	1,063.7	1,084.8	1,144.8	1,110.2	1,069.0	1,091.7	1,109.7	1,089.5	1,114.0	1,128.6
Foreign currency	231.9	224.7	206.0	261.6	246.7	231.7	215.7	249.4	257.6	315.3	274.0	272.3
<b>(percentage changes)</b>												
<b>Total domestic credit</b>	1.7	5.1	1.4	1.5	0.4	1.1	(1.3)	0.8	0.8	1.5	(0.0)	(3.3)
Public sector	5.2	29.9	4.1	5.8	2.2	4.5	(3.7)	7.8	3.5	5.7	0.5	(10.6)
Government (net)	10.8	38.1	2.7	5.9	6.6	3.3	(5.1)	10.0	4.5	6.2	(0.0)	(12.2)
Rest of public sector	(6.3)	10.0	8.7	5.3	(11.9)	9.5	1.3	0.4	0.0	3.6	2.4	(4.2)
Private sector	0.9	(0.4)	0.7	0.3	(0.2)	0.1	(0.5)	(1.4)	(0.1)	(0.0)	(0.2)	(0.6)
<b>Monetary liabilities</b>	1.8	2.6	(0.7)	1.9	1.2	(2.5)	(0.6)	2.0	0.4	(0.4)	(1.8)	0.1
Money	0.7	4.0	0.8	3.6	3.1	(1.5)	4.3	1.0	3.9	(0.9)	0.1	0.8
Currency	1.0	(6.4)	(2.6)	3.3	1.9	0.4	4.0	0.1	(0.5)	(3.5)	3.1	(0.0)
Demand deposits	0.7	6.0	1.3	3.7	3.3	(1.8)	4.4	1.2	4.6	(0.5)	(0.3)	0.9
Quasi-money	2.1	2.3	(1.1)	1.4	0.6	(2.9)	(2.1)	2.3	(0.7)	(0.2)	(2.4)	(0.2)

Source: The Central Bank of The Bahamas

**TABLE 2**  
**MONETARY SURVEY**

End of Period	2009	2010	2011	2012				2013				2014
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.
<b>(BS Millions)</b>												
<b>Net foreign assets</b>	167.3	113.9	287.5	304.3	362.6	119.4	214.2	272.6	262.9	167.5	73.9	392.1
Central Bank	816.0	860.4	884.8	890.0	928.0	745.8	810.2	783.2	797.1	669.2	741.6	957.4
Commercial banks	(648.7)	(746.6)	(597.3)	(585.7)	(565.4)	(626.4)	(596.0)	(510.6)	(534.2)	(501.7)	(667.7)	(565.4)
<b>Net domestic assets</b>	5,832.9	6,040.6	5,978.9	6,054.3	6,086.5	6,168.5	6,034.8	6,105.6	6,107.7	6,204.7	6,191.7	5,895.0
Domestic credit	8,000.0	8,417.1	8,509.0	8,637.2	8,669.0	8,767.5	8,655.5	8,726.4	8,797.1	8,928.7	8,924.3	8,627.6
Public sector	1,428.3	1,861.0	1,879.5	1,986.7	2,030.1	2,122.5	2,042.8	2,203.9	2,282.5	2,416.4	2,428.0	2,170.6
Government (net)	1,008.4	1,404.6	1,429.8	1,513.2	1,612.7	1,665.7	1,579.9	1,739.0	1,817.3	1,934.4	1,934.5	1,698.0
Rest of public sector	419.9	456.4	449.7	473.5	417.3	456.8	462.9	464.9	465.2	482.0	493.5	472.6
Private sector	6,571.7	6,556.1	6,629.5	6,650.4	6,638.9	6,645.0	6,612.7	6,522.5	6,514.6	6,512.3	6,496.4	6,457.0
Other items (net)	(2,167.1)	(2,376.5)	(2,530.1)	(2,582.9)	(2,582.5)	(2,599.0)	(2,620.7)	(2,620.8)	(2,689.4)	(2,724.0)	(2,732.6)	(2,732.6)
<b>Monetary liabilities</b>	6,000.2	6,154.6	6,266.4	6,358.6	6,449.1	6,287.9	6,249.0	6,378.2	6,370.6	6,372.2	6,265.6	6,262.8
Money	1,261.9	1,314.7	1,408.2	1,448.9	1,496.8	1,485.3	1,541.9	1,562.0	1,598.3	1,601.5	1,610.9	1,616.2
Currency	207.8	194.5	196.9	203.5	207.3	208.2	216.5	216.7	215.6	208.0	214.4	214.4
Demand deposits	1,054.1	1,120.2	1,211.3	1,245.5	1,289.5	1,277.1	1,325.4	1,345.3	1,382.7	1,393.5	1,396.5	1,401.8
Quasi-money	4,738.3	4,839.8	4,858.2	4,909.7	4,952.3	4,802.6	4,707.1	4,816.3	4,772.3	4,770.7	4,654.7	4,646.6
Savings deposits	995.3	1,015.8	1,063.7	1,084.8	1,144.7	1,110.1	1,069.0	1,091.6	1,109.7	1,089.5	1,114.0	1,128.6
Fixed deposits	3,511.1	3,601.8	3,592.3	3,580.7	3,567.3	3,476.5	3,428.4	3,481.0	3,418.7	3,365.9	3,266.7	3,245.7
Foreign currency deposits	231.9	222.2	202.2	244.2	240.3	216.0	209.7	243.7	243.9	315.3	274.0	272.3
<b>(percentage change)</b>												
<b>Total domestic credit</b>	1.5	5.2	1.4	1.5	0.4	1.1	(1.3)	0.8	0.8	1.5	(0.0)	(3.3)
Public sector	4.3	30.3	4.0	5.7	2.2	4.6	(3.8)	7.9	3.6	5.9	0.5	(10.6)
Government (net)	9.5	39.3	2.6	5.8	6.6	3.3	(5.2)	10.1	4.5	6.4	0.0	(12.2)
Rest of public sector	(6.3)	8.7	8.7	5.3	(11.9)	9.5	1.3	0.4	0.1	3.6	2.4	(4.2)
Private sector	0.9	(0.2)	0.7	0.3	(0.2)	0.1	(0.5)	(1.4)	(0.1)	(0.0)	(0.2)	(0.6)
<b>Monetary liabilities</b>	1.8	2.6	(0.7)	1.5	1.4	(2.5)	(0.6)	2.1	(0.1)	0.0	(1.7)	(0.0)
Money	0.3	4.2	0.7	2.9	3.3	(0.8)	3.8	1.3	2.3	0.2	0.6	0.3
Currency	1.0	(6.4)	(2.6)	3.3	1.9	0.4	4.0	0.1	(0.5)	(3.5)	3.1	(0.0)
Demand deposits	0.2	6.3	1.3	2.8	3.5	(1.0)	3.8	1.5	2.8	0.8	0.2	0.4
Quasi-money	2.2	2.1	(1.1)	1.1	0.9	(3.0)	(2.0)	2.3	(0.9)	(0.0)	(2.4)	(0.2)

Source: The Central Bank of The Bahamas

**TABLE 3**  
**CENTRAL BANK BALANCE SHEET**

(B\$ Millions)

End of Period	2009	2010	2011	2012				2013				2014
				Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.
<b>Net foreign assets</b>	816.0	860.4	884.8	890.0	928.0	745.8	810.2	783.2	797.1	669.2	741.6	957.4
Balances with banks abroad	270.9	175.2	115.0	124.1	164.9	5.4	216.5	200.7	209.1	80.7	122.4	328.1
Foreign securities	356.2	499.7	585.0	579.4	580.4	554.8	555.7	545.4	550.8	550.6	551.0	560.9
Reserve position in the Fund	9.8	9.6	9.6	9.7	9.5	9.6	9.6	9.4	9.4	9.6	9.6	9.7
SDR holdings	179.1	175.9	175.2	176.8	173.2	176.0	28.4	27.7	27.8	28.3	58.6	58.7
<b>Net domestic assets</b>	73.3	156.7	187.4	194.9	218.0	249.4	280.1	323.7	357.4	396.4	314.7	246.4
Net claims on Government	182.1	259.8	289.2	304.9	328.3	357.1	394.7	438.6	460.6	524.4	489.9	370.2
Claims	202.8	274.3	300.8	315.8	333.5	368.5	404.8	460.7	484.9	548.7	542.0	400.3
Treasury bills	--	--	26.2	20.0	21.5	63.5	129.6	187.0	209.5	200.0	186.4	88.1
Bahamas registered stock	105.8	162.3	164.0	165.2	174.3	169.4	169.5	168.0	169.7	223.0	220.9	247.5
Loans and advances	97.0	112.0	110.6	130.6	137.7	135.6	105.7	105.7	105.7	125.7	134.7	64.7
Deposits	(20.7)	(14.5)	(11.6)	(10.9)	(5.2)	(11.4)	(10.1)	(22.1)	(24.3)	(24.3)	(52.1)	(30.1)
In local currency	(20.7)	(14.5)	(11.6)	(10.9)	(5.2)	(11.4)	(10.1)	(22.1)	(24.3)	(24.3)	(52.1)	(30.1)
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(15.8)	(15.4)	(7.1)	(14.8)	(12.9)	(10.6)	(14.7)	(10.3)	(16.4)	(23.5)	(11.6)	(17.9)
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(140.5)	(132.0)	(139.2)	(140.5)	(141.1)	(142.0)	(139.3)	(143.0)	(143.0)	(141.3)	(140.7)	(146.0)
Net unclassified assets	40.5	38.0	38.4	39.2	37.8	39.0	33.7	32.8	50.7	31.3	(28.5)	35.2
Loans to rest of public sector	6.2	5.6	5.2	5.2	5.0	5.0	4.8	4.8	4.6	4.6	4.6	4.4
Public Corp Bonds/Securities	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.0	0.5
<b>Liabilities To Domestic Banks</b>	(486.5)	(631.0)	(684.3)	(688.8)	(749.9)	(595.1)	(682.6)	(703.7)	(751.8)	(666.7)	(650.3)	(797.0)
Notes and coins	(111.8)	(113.2)	(126.9)	(80.6)	(83.5)	(86.7)	(127.4)	(95.6)	(93.7)	(91.9)	(138.1)	(101.0)
Deposits	(374.7)	(517.8)	(557.4)	(608.2)	(666.4)	(508.4)	(555.2)	(608.1)	(658.1)	(574.8)	(512.2)	(696.0)
SDR allocation	(195.0)	(191.6)	(191.0)	(192.7)	(188.8)	(191.9)	(191.2)	(186.5)	(187.1)	(190.9)	(191.6)	(192.3)
Currency held by the private sector	(207.8)	(194.5)	(196.9)	(203.5)	(207.3)	(208.2)	(216.5)	(216.7)	(215.6)	(208.0)	(214.4)	(214.4)

Source: The Central Bank of The Bahamas

**TABLE 4**  
**DOMESTIC BANKS BALANCE SHEET**

(B\$ Millions)

End of Period	2009	2010	2011	2012				2013				2014
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.
<b>Net foreign assets</b>	(681.9)	(705.8)	(604.0)	(581.1)	(571.8)	(628.2)	(601.8)	(517.0)	(524.1)	(520.5)	(696.9)	(609.2)
<b>Net claims on Central Bank</b>	487.4	631.9	687.0	689.8	753.8	596.5	690.7	705.3	752.7	667.6	651.7	797.9
Notes and Coins	111.8	113.2	126.9	80.6	83.5	86.7	127.4	95.6	93.7	91.9	138.1	101.0
Balances	375.6	518.7	560.1	609.2	670.3	509.8	563.3	609.8	659.0	575.7	513.6	696.9
Less Central Bank credit	--	--	--	--	--	--	--	--	--	--	--	--
<b>Net domestic assets</b>	5,564.4	5,567.7	5,579.5	5,675.9	5,679.5	5,748.1	5,586.9	5,610.8	5,590.0	5,648.4	5,805.7	5,571.7
Net claims on Government	843.0	1,152.3	1,150.0	1,219.9	1,296.6	1,320.9	1,197.5	1,312.8	1,368.9	1,418.9	1,453.5	1,336.5
Treasury bills	214.0	293.7	275.4	301.6	321.6	274.6	219.3	342.1	378.6	388.1	392.4	430.9
Other securities	704.6	799.6	847.6	848.7	840.7	965.5	961.1	957.2	954.3	959.1	962.2	930.7
Loans and advances	76.5	180.3	145.7	189.3	253.8	207.3	152.4	147.6	164.0	201.8	253.6	153.8
Less: deposits	152.1	121.3	118.7	119.7	119.5	126.5	135.3	134.1	128.0	130.1	154.7	178.9
Net claims on rest of public sector	(25.7)	(31.9)	0.4	41.2	(11.5)	46.6	61.2	57.1	55.1	74.1	157.9	138.3
Securities	107.0	115.6	117.4	119.4	119.4	119.4	119.4	119.4	119.4	119.4	119.4	119.2
Loans and advances	305.9	339.8	326.8	348.7	292.6	332.1	338.4	340.4	340.8	357.6	369.1	349.1
Less: deposits	438.6	487.3	443.8	426.9	423.5	404.9	396.6	402.7	405.2	402.9	330.6	330.0
Other net claims	(8.1)	(3.4)	5.5	(19.3)	(14.6)	(4.6)	(15.7)	(13.5)	(6.9)	(28.8)	(48.8)	(29.7)
Credit to the private sector	6,595.9	6,572.7	6,647.6	6,667.6	6,656.1	6,661.9	6,629.3	6,537.0	6,529.4	6,527.3	6,514.2	6,473.4
Securities	27.2	17.4	16.4	14.4	14.3	14.0	14.1	14.2	12.9	13.0	16.5	16.4
Mortgages	2,949.6	3,192.4	3,227.6	3,232.9	3,255.1	3,275.8	3,275.4	3,273.7	3,300.1	3,302.6	3,285.2	3,272.8
Loans and advances	3,619.1	3,363.0	3,403.6	3,420.3	3,386.7	3,372.1	3,339.8	3,249.1	3,216.3	3,211.7	3,212.5	3,184.2
Private capital and surplus	(2,033.0)	(2,281.9)	(2,357.8)	(2,419.6)	(2,436.1)	(2,473.5)	(2,535.2)	(2,515.7)	(2,577.5)	(2,566.0)	(2,586.4)	(2,528.5)
Net unclassified assets	192.3	159.9	133.8	186.1	189.0	196.8	249.8	233.1	221.0	222.9	315.3	181.7
<b>Liabilities to private sector</b>	5,370.0	5,493.7	5,662.5	5,784.6	5,861.5	5,716.4	5,675.8	5,799.1	5,818.6	5,795.5	5,760.5	5,760.4
Demand deposits	1,204.2	1,249.6	1,325.6	1,410.6	1,442.3	1,406.7	1,442.7	1,493.9	1,552.3	1,593.4	1,593.5	1,593.0
Savings deposits	1,003.5	1,017.8	1,067.1	1,088.0	1,148.1	1,114.1	1,074.1	1,096.8	1,116.4	1,097.6	1,119.9	1,135.3
Fixed deposits	3162.3	3,226.3	3,269.8	3,285.9	3,271.1	3,195.6	3,159.0	3,208.4	3,149.9	3,104.5	3,047.1	3,032.1

Source: The Central Bank of The Bahamas



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

(B\$'000s)

Period	2009	2010	2011	2012				2013			
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
1. Interest Income	728,878	742,174	168,979	168,204	165,179	163,140	170,532	158,479	163,483	160,402	163,719
2. Interest Expense	244,468	225,990	39,658	39,034	37,892	35,607	32,364	30,765	30,449	29,015	27,582
<b>3. Interest Margin (1-2)</b>	484,410	516,184	129,321	129,170	127,287	127,533	138,168	127,714	133,034	131,387	136,137
4. Commission & Forex Income	22,005	22,820	6,052	6,224	5,145	5,701	5,935	5,593	5,916	5,850	5,919
<b>5. Gross Earnings Margin (3+4)</b>	506,415	539,004	135,373	135,394	132,432	133,234	144,103	133,307	138,950	137,237	142,056
6. Staff Costs	149,222	158,233	41,676	39,136	41,456	40,230	41,526	39,139	45,831	44,602	52,338
7. Occupancy Costs	23,417	23,964	6,712	7,019	7,036	8,081	7,608	7,175	7,797	7,157	7,991
8. Other Operating Costs	87,245	107,051	26,753	28,138	27,582	26,815	29,379	30,695	33,230	35,607	32,943
<b>9. Operating Costs (6+7+8)</b>	259,884	289,248	75,141	74,293	76,074	75,126	78,513	77,009	86,858	87,366	93,272
<b>10. Net Earnings Margin (5-9)</b>	246,531	249,756	60,232	61,101	56,358	58,108	65,590	56,298	52,092	49,871	48,784
11. Depreciation Costs	14,134	15,238	1,810	3,521	3,469	3,041	3,333	3,378	3,659	4,438	5,494
12. Provisions for Bad Debt	121,092	124,686	24,711	37,789	36,123	48,570	45,616	42,894	27,716	24,998	53,506
13. Other Income	96,990	111,284	26,429	21,124	20,981	23,142	23,037	22,633	24,737	22,878	27,775
<b>14. Other Income (Net) (13-11-12)</b>	(38,236)	(28,640)	(92)	(20,186)	(18,611)	(28,469)	(25,912)	(23,639)	(6,638)	(6,558)	(31,225)
<b>15. Net Income (10+14)</b>	208,295	221,116	60,140	40,915	37,747	29,639	39,678	32,659	45,454	43,313	17,559
<b>16. Effective Interest Rate Spread (%)</b>	6.34	6.17	6.28	6.44	6.40	6.44	6.36	6.64	7.12	6.76	6.88
<b>(Ratios To Average Assets)</b>											
Interest Margin	5.31	5.60	5.47	5.39	5.23	5.27	5.74	5.29	5.47	5.41	5.57
Commission & Forex Income	0.24	0.25	0.26	0.26	0.21	0.24	0.25	0.23	0.24	0.24	0.24
Gross Earnings Margin	5.55	5.84	5.72	5.65	5.45	5.51	5.99	5.52	5.71	5.65	5.82
Operating Costs	2.85	3.14	3.18	3.10	3.13	3.11	3.26	3.19	3.57	3.59	3.82
Net Earnings Margin	2.70	2.71	2.55	2.55	2.32	2.40	2.72	2.33	2.14	2.05	2.00
Net Income	2.28	2.40	2.54	1.71	1.55	1.23	1.65	1.35	1.87	1.78	0.72

\*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

**TABLE 6**  
**MONEY SUPPLY**

(B\$ Millions)

End of Period	2009	2010	2011	2012				2013				2014
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.
<b>Money supply (M1)</b>	1,283.6	1,335.2	1,434.8	1,486.7	1,532.8	1,509.8	1,574.9	1,590.9	1,653.5	1,639.2	1,641.2	1,654.7
1) Currency in active circulation	207.8	194.5	196.9	203.5	207.3	208.2	216.5	216.7	215.6	208.0	214.4	214.4
2) Demand deposits	1,075.8	1,140.6	1,237.9	1,283.2	1,325.5	1,301.6	1,358.4	1,374.2	1,437.9	1,431.2	1,426.8	1,440.3
Central Bank	15.9	15.4	7.1	14.8	12.9	10.6	14.8	10.3	16.4	23.5	11.6	18.0
Domestic Banks	1,059.9	1,125.2	1,230.8	1,268.4	1,312.6	1,291.0	1,343.6	1,363.9	1,421.5	1,407.7	1,415.2	1,422.3
<b>Factors affecting money (M1)</b>												
1) Net credit to Government	1,023.9	1,413.7	1,439.2	1,524.8	1,624.9	1,678.0	1,592.2	1,751.4	1,829.6	1,943.3	1,943.3	1,706.7
Central Bank	180.9	261.4	289.2	304.9	328.3	357.1	394.7	438.6	460.7	524.4	489.9	370.2
Domestic Banks	843.0	1,152.3	1,150.0	1,219.9	1,296.6	1,320.9	1,197.5	1,312.8	1,368.9	1,418.9	1,453.4	1,336.5
2) Other credit	7,015.8	7,034.5	7,097.7	7,141.7	7,073.9	7,119.2	7,092.8	7,002.4	6,995.0	7,009.8	7,008.2	6,946.5
Rest of public sector	419.9	461.8	450.2	474.0	417.8	457.4	463.5	465.4	465.6	482.5	494.0	473.1
Private sector	6,595.9	6,572.7	6,647.5	6,667.7	6,656.1	6,661.8	6,629.3	6,537.0	6,529.4	6,527.3	6,514.2	6,473.4
3) External reserves	816.0	860.4	884.8	890.0	928.0	745.8	810.2	783.2	797.1	669.2	741.6	957.4
4) Other external liabilities (net)	(681.9)	(708.3)	(604.0)	(581.1)	(571.8)	(628.2)	(601.8)	(517.0)	(524.1)	(520.5)	(696.9)	(609.2)
5) Quasi money	4,748.7	4,855.9	4,875.6	4,943.1	4,972.5	4,830.3	4,728.8	4,837.8	4,802.2	4,790.7	4,676.0	4,668.2
6) Other items (net)	(2,141.5)	(2,409.3)	(2,507.3)	(2,545.6)	(2,549.7)	(2,574.7)	(2,589.7)	(2,591.3)	(2,641.9)	(2,671.9)	(2,679.3)	(2,678.7)

Source: The Central Bank of The Bahamas

**TABLE 7**  
**CONSUMER INSTALMENT CREDIT\***

(B\$' 000)

End of Period	2009	2010	2011	2012				2013				2014
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.
<b>CREDIT OUTSTANDING</b>												
Private cars	206,689	185,044	171,751	169,956	174,077	176,222	177,527	176,465	184,523	182,440	181,297	182,116
Taxis & rented cars	1,832	985	910	987	974	1,055	1,081	970	1,026	1,019	1,119	997
Commercial vehicles	4,955	3,353	2,510	2,368	2,299	2,213	2,241	2,176	1,997	1,942	1,991	2,231
Furnishings & domestic appliances	19,134	15,126	11,126	10,462	10,297	11,993	12,010	11,621	10,840	13,440	14,208	13,845
Travel	36,369	26,464	25,221	23,832	24,413	27,239	29,492	27,784	29,616	36,264	35,912	33,519
Education	55,227	50,875	35,750	34,230	32,733	35,731	34,544	33,448	32,566	38,838	39,336	39,629
Medical	19,697	16,399	14,409	13,786	13,304	13,247	11,363	11,123	11,274	11,763	11,958	11,478
Home Improvements	163,991	129,860	126,543	122,885	126,732	124,114	127,537	128,389	124,738	129,073	128,160	130,198
Land Purchases	243,696	240,391	239,790	234,789	237,847	233,149	232,752	228,644	227,867	229,575	231,600	231,589
Consolidation of debt	648,024	714,616	820,135	815,617	813,370	804,306	781,518	779,541	772,843	765,465	762,988	764,278
Miscellaneous	515,002	494,961	464,052	483,468	499,683	508,667	501,225	500,285	501,268	490,275	511,585	509,021
Credit Cards	278,749	262,871	251,924	242,294	239,549	242,130	243,745	236,066	234,110	239,262	243,853	238,023
<b>TOTAL</b>	<b>2,193,365</b>	<b>2,140,945</b>	<b>2,164,121</b>	<b>2,154,674</b>	<b>2,175,278</b>	<b>2,180,066</b>	<b>2,155,035</b>	<b>2,136,512</b>	<b>2,132,668</b>	<b>2,139,356</b>	<b>2,164,007</b>	<b>2,156,924</b>
<b>NET CREDIT EXTENDED</b>												
Private cars	(32,086)	(21,645)	(13,293)	(1,795)	4,121	2,145	1,305	(1,062)	8,058	(2,083)	(1,143)	819
Taxis & rented cars	(77)	(847)	(75)	77	(13)	81	26	(111)	56	(7)	100	(122)
Commercial vehicles	(1,156)	(1,602)	(843)	(142)	(69)	(86)	28	(65)	(179)	(55)	49	240
Furnishings & domestic appliances	(2,039)	(4,008)	(4,000)	(664)	(165)	1,696	17	(389)	(781)	2,600	768	(363)
Travel	(13,233)	(9,905)	(1,243)	(1,389)	581	2,826	2,253	(1,708)	1,832	6,648	(352)	(2,393)
Education	(2,028)	(4,352)	(15,125)	(1,520)	(1,497)	2,998	(1,187)	(1,096)	(882)	6,272	498	293
Medical	(1,738)	(3,298)	(1,990)	(623)	(482)	(57)	(1,884)	(240)	151	489	195	(480)
Home Improvements	(7,463)	(34,131)	(3,317)	(3,658)	3,847	(2,618)	3,423	852	(3,651)	4,335	(913)	2,038
Land Purchases	(2,472)	(3,305)	(601)	(5,001)	3,058	(4,698)	(397)	(4,108)	(777)	1,708	2,025	(11)
Consolidation of debt	53,459	66,592	105,519	(4,518)	(2,247)	(9,064)	(22,788)	(1,977)	(6,698)	(7,378)	(2,477)	1,290
Miscellaneous	(26,583)	(20,041)	(30,909)	19,416	16,215	8,984	(7,442)	(940)	983	(10,993)	21,310	(2,564)
Credit Cards	(15,628)	(15,878)	(10,947)	(9,630)	(2,745)	2,581	1,615	(7,679)	(1,956)	5,152	4,591	(5,830)
<b>TOTAL</b>	<b>(51,044)</b>	<b>(52,420)</b>	<b>23,176</b>	<b>(9,447)</b>	<b>20,604</b>	<b>4,788</b>	<b>(25,031)</b>	<b>(18,523)</b>	<b>(3,844)</b>	<b>6,688</b>	<b>24,651</b>	<b>(7,083)</b>

**Source: The Central Bank of The Bahamas**

\* Includes both demand and add-on loans

**TABLE 8**  
SELECTED AVERAGE INTEREST RATES

Period	(%)											
	2011	2012	2013	2012				2013				2014
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I
<b>DOMESTIC BANKS</b>												
<b>Deposit rates</b>												
Savings deposits	1.75	1.53	0.97	1.88	1.67	1.31	1.25	1.11	0.96	0.87	0.94	1.05
Fixed deposits												
Up to 3 months	2.33	1.60	1.37	1.71	1.71	1.56	1.43	1.48	1.41	1.44	1.12	1.19
Up to 6 months	2.67	1.95	1.35	2.08	2.09	1.89	1.72	1.63	1.59	1.21	0.97	1.32
Up to 12 months	3.25	2.54	2.15	2.69	2.68	2.49	2.30	2.59	2.06	2.07	1.87	1.90
Over 12 months	3.20	2.65	2.20	2.96	2.53	2.52	2.58	2.49	2.29	2.12	1.92	1.96
Weighted average rate	2.64	2.02	1.68	2.23	2.08	1.93	1.83	1.92	1.69	1.68	1.43	1.55
<b>Lending rates</b>												
Residential mortgages	7.77	7.51	7.27	7.58	7.61	7.43	7.40	7.51	7.13	7.16	7.26	7.24
Commercial mortgages	8.37	8.29	8.21	8.09	8.35	8.33	8.40	8.06	7.57	8.40	8.81	7.93
Consumer loans	13.35	13.43	13.65	12.82	13.41	13.84	13.66	13.55	13.51	13.90	13.63	13.76
Overdrafts	10.04	9.81	9.32	9.36	10.61	9.91	9.36	9.07	9.48	9.71	9.02	9.45
Weighted average rate	10.98	10.88	11.10	10.25	10.99	11.18	11.10	10.91	10.85	11.28	11.36	11.11
<b>Other rates</b>												
Prime rate	4.94	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
Treasury bill (90 days)	1.25	0.20	0.30	0.10	0.32	0.10	0.28	0.17	0.29	0.27	0.46	0.45
Treasury bill re-discount rate	1.75	0.70	0.80	0.60	0.82	0.60	0.78	0.67	0.79	0.77	0.96	0.95
Bank rate (discount rate)	4.69	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50

Source: The Central Bank of The Bahamas

**TABLE 9**  
**SELECTED CREDIT QUALITY INDICATORS OF DOMESTIC BANKS**

Period	2009	2010	2011	2012				2013				2014
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV <sup>R</sup>	Qtr. I
<b>Loan Portfolio</b>												
Current Loans (as a % of total loans)	<b>82.3</b>	<b>81.8</b>	<b>81.1</b>	<b>81.5</b>	<b>81.7</b>	<b>81.9</b>	<b>80.3</b>	<b>80.7</b>	<b>79.9</b>	<b>79.1</b>	<b>78.4</b>	<b>78.9</b>
Arrears (% by loan type)												
Consumer	5.2	4.3	4.2	3.9	4.0	4.0	4.4	4.0	4.0	4.0	4.3	4.1
Mortgage	8.6	9.8	10.1	9.8	10.2	10.2	11.0	10.6	10.5	10.9	11.6	11.3
Commercial	3.8	4.0	4.5	4.7	4.0	3.8	4.2	4.6	5.5	5.9	5.6	5.6
Public	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total Arrears	<b><u>17.7</u></b>	<b><u>18.2</u></b>	<b><u>18.9</u></b>	<b><u>18.5</u></b>	<b><u>18.3</u></b>	<b><u>18.1</u></b>	<b><u>19.7</u></b>	<b><u>19.3</u></b>	<b><u>20.1</u></b>	<b><u>20.9</u></b>	<b><u>21.6</u></b>	<b><u>21.1</u></b>
<b>Total B\$ Loan Portfolio</b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>Loan Portfolio</b>												
Current Loans (as a % of total loans)	<b>82.3</b>	<b>81.8</b>	<b>81.1</b>	<b>81.5</b>	<b>81.7</b>	<b>81.9</b>	<b>80.3</b>	<b>80.7</b>	<b>79.9</b>	<b>79.1</b>	<b>78.4</b>	<b>78.9</b>
Arrears (% by days outstanding)												
30 - 60 days	5.6	4.0	4.1	3.6	3.3	3.1	3.7	3.7	3.2	3.6	3.7	3.2
61 - 90 days	2.7	2.3	2.05	2.2	2.1	2.0	2.3	1.7	3.0	2.3	2.5	2.2
90 - 179 days	3.0	2.6	2.3	2.1	2.3	2.3	2.5	2.2	2.0	2.7	2.1	2.0
over 180 days	6.3	9.3	10.5	10.7	10.6	10.8	11.3	11.7	11.9	12.3	13.3	13.7
Total Arrears	<b><u>17.7</u></b>	<b><u>18.2</u></b>	<b><u>18.9</u></b>	<b><u>18.5</u></b>	<b><u>18.3</u></b>	<b><u>18.1</u></b>	<b><u>19.7</u></b>	<b><u>19.3</u></b>	<b><u>20.1</u></b>	<b><u>20.9</u></b>	<b><u>21.6</u></b>	<b><u>21.1</u></b>
<b>Total B\$ Loan Portfolio</b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
Non Accrual Loans (% by loan type)												
Consumer	29.8	21.4	20.3	19.8	20.0	19.6	20.5	19.4	19.5	17.6	17.5	18.0
Mortgage	41.4	52.1	54.8	55.4	55.0	57.1	57.0	56.8	57.7	52.6	53.4	52.8
Other Private	27.8	25.7	24.2	24.1	24.3	22.6	21.9	23.2	22.2	29.2	28.5	28.6
Public	<u>1.0</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>
Total Non Accrual Loans	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>Provisions to Loan Portfolio</b>												
Consumer	4.2	5.1	4.9	5.4	5.5	5.4	5.4	5.5	7.2	7.5	7.9	9.2
Mortgage	1.8	2.4	2.7	3.2	3.6	3.7	4.3	5.6	4.8	5.1	5.2	5.0
Other Private	6.9	9.1	10.6	10.6	10.9	11.2	8.7	11.2	11.0	11.1	11.9	11.7
Public	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Provisions to Total Loans	3.4	4.3	4.7	5.1	5.3	5.3	5.9	6.3	6.5	6.6	7.0	7.3
Total Provisions to Non-performing Loans	37.1	36.6	36.8	40.0	41.3	41.2	43.0	45.6	46.7	44.4	45.8	46.6
Total Non-performing Loans to Total Loans	9.3	11.9	12.7	12.7	12.8	13.0	13.6	13.9	13.8	15.0	15.3	15.6

Source: The Central Bank of The Bahamas

Figures may not sum to total due to rounding.

**TABLE 10**  
**SUMMARY OF BANK LIQUIDITY**

(B\$ Millions)

End of Period	2009	2010	2011	2012				2013			2014	
				Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept. <sup>R</sup>	Dec.	Mar.
<b>I. Statutory Reserves</b>												
Required reserves	290.3	298.1	305.0	306.0	310.9	307.9	301.9	302.2	305.7	307.4	303.3	304.2
Average Till Cash	94.7	98.2	118.3	90.1	87.4	88.0	108.9	93.9	96.5	99.9	117.4	98.8
Average balance with central bank	425.1	530.5	557.3	592.6	669.0	540.4	515.8	539.4	640.9	552.8	593.3	683.5
Free cash reserves (period ended)	229.5	330.6	370.6	376.7	445.5	320.4	322.8	331.1	431.8	345.3	407.4	478.1
<b>II. Liquid Assets (period)</b>												
A. Minimum Required Liquid Assets	929.6	946.7	968.7	977.8	990.9	973.3	971.1	988.1	994.2	978.3	988.3	994.8
B. Net Eligible Liquid Assets	1,423.7	1,755.1	1,865.1	1,909.1	1,973.2	1,893.5	1,938.2	2,068.3	2,147.5	2,091.6	2,126.1	2,237.1
i) Balance with Central Bank	375.6	518.7	560.1	609.1	670.3	509.8	563.3	609.8	659.0	575.7	513.6	696.9
ii) Notes and Coins	112.3	113.7	127.4	81.1	84.0	87.2	127.9	96.1	94.2	92.4	138.6	101.5
iii) Treasury Bills	214.0	293.7	275.4	301.6	321.6	274.6	219.3	342.1	378.6	388.1	392.4	430.9
iv) Government registered stocks	671.4	774.8	843.7	843.7	835.1	962.0	957.6	953.7	950.9	959.1	962.2	930.7
v) Specified assets	45.7	53.0	55.2	57.1	57.0	57.1	56.9	56.7	56.7	56.6	56.6	56.5
vi) Net Inter-bank dem/call deposits	4.7	1.2	3.3	16.5	5.2	2.8	13.2	9.9	8.1	19.7	62.7	20.6
vii) Less: borrowings from central bank	--	--	--	--	--	--	--	--	--	--	--	--
C. Surplus/(Deficit)	494.1	808.4	896.4	931.3	982.3	920.2	967.1	1,080.2	1,153.3	1,113.3	1,137.8	1,242.3

Source: The Central Bank of The Bahamas

**TABLE 11**  
**GOVERNMENT OPERATIONS AND FINANCING**

(B\$ Millions)

Period	2011/12p	2012/13p	Budget		2012/13p				2013/14p		
			2012/13	2013/14	QTR. I	QTR. II	QTR. III	QTR. IV	QTR. I	QTR. II	QTR. III
Total Revenue & Grants	1,446.7	1,354.6	1,535.5	1,493.2	296.8	368.0	342.1	347.7	305.3	356.2	391.2
Current expenditure	1,549.7	1,545.0	1,679.0	1,635.2	370.0	379.7	384.6	410.8	360.8	403.2	390.3
Capital expenditure	245.4	258.3	358.2	235.3	62.3	52.8	59.1	84.1	30.2	46.2	38.7
Net lending	102.4	96.4	45.8	57.6	9.2	60.8	12.4	14.0	11.1	19.2	13.9
<b>Overall balance</b>	<b>(450.6)</b>	<b>(545.2)</b>	<b>(547.5)</b>	<b>(437.2)</b>	<b>(144.7)</b>	<b>(125.3)</b>	<b>(114.0)</b>	<b>(161.2)</b>	<b>(96.8)</b>	<b>(112.3)</b>	<b>(51.7)</b>
<b>FINANCING (I+II-III+IV+V)</b>	<b>450.6</b>	<b>545.2</b>	<b>547.5</b>	<b>437.2</b>	<b>144.7</b>	<b>125.3</b>	<b>114.0</b>	<b>161.2</b>	<b>96.8</b>	<b>112.3</b>	<b>51.7</b>
<b>I. Foreign currency borrowing</b>	<b>80.3</b>	<b>231.8</b>	<b>157.0</b>	<b>55.5</b>	<b>4.6</b>	<b>210.1</b>	<b>12.9</b>	<b>4.1</b>	<b>103.7</b>	<b>145.0</b>	<b>302.0</b>
External	80.3	231.8	157.0	55.5	4.6	210.1	12.9	4.1	103.7	20.0	302.0
Domestic	--	--	--	--	--	--	--	--	--	125.0	--
<b>II. Bahamian dollar borrowing</b>	<b>354.9</b>	<b>792.0</b>	<b>512.2</b>	<b>465.8</b>	<b>327.9</b>	<b>105.0</b>	<b>180.0</b>	<b>179.1</b>	<b>155.0</b>	<b>70.0</b>	<b>20.0</b>
<b>i) Treasury bills</b>	<b>90.6</b>	<b>294.1</b>	<b>--</b>	<b>--</b>	<b>4.9</b>	<b>50.0</b>	<b>180.0</b>	<b>59.1</b>	<b>20.0</b>	<b>31.0</b>	<b>--</b>
Central Bank	90.6	294.1	--	--	4.9	50.0	180.0	59.1	20.0	31.0	--
Commercial banks & OLFIs	--	--	--	--	--	--	--	--	--	--	--
Public corporations	--	--	--	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--	--
<b>ii) Long-term securities</b>	<b>170.6</b>	<b>375.0</b>	<b>--</b>	<b>--</b>	<b>300.0</b>	<b>25.0</b>	<b>--</b>	<b>50.0</b>	<b>115.0</b>	<b>--</b>	<b>--</b>
Central Bank	18.0	31.5	--	--	26.5	--	--	5.0	53.0	--	--
Commercial banks & OLFIs	107.8	14.3	--	--	12.1	--	--	2.2	13.1	--	--
Public corporations	3.3	52.6	--	--	27.6	25.0	--	--	--	--	--
Other	41.5	276.6	--	--	233.8	--	--	42.8	48.9	--	--
<b>iii) Loans and Advances</b>	<b>93.7</b>	<b>123.0</b>	<b>--</b>	<b>--</b>	<b>23.0</b>	<b>30.0</b>	<b>--</b>	<b>70.0</b>	<b>20.0</b>	<b>39.0</b>	<b>20.0</b>
Central Bank	93.7	53.0	--	--	23.0	30.0	--	--	20.0	39.0	20.0
Commercial banks	--	--	--	--	--	--	--	70.0	--	--	--
<b>III Debt repayment</b>	<b>84.1</b>	<b>260.6</b>	<b>114.8</b>	<b>85.2</b>	<b>63.1</b>	<b>95.6</b>	<b>62.0</b>	<b>39.8</b>	<b>61.2</b>	<b>131.5</b>	<b>286.5</b>
<b>Domestic</b>	<b>75.0</b>	<b>247.0</b>	<b>103.1</b>	<b>66.8</b>	<b>62.0</b>	<b>90.0</b>	<b>60.0</b>	<b>35.0</b>	<b>60.0</b>	<b>125.8</b>	<b>285.0</b>
Bahamian dollars	75.0	247.0	103.1	66.8	62.0	90.0	60.0	35.0	60.0	125.8	160.0
Internal foreign currency	--	--	--	--	--	--	--	--	--	--	125.0
<b>External</b>	<b>9.1</b>	<b>13.6</b>	<b>11.7</b>	<b>18.4</b>	<b>1.1</b>	<b>5.6</b>	<b>2.0</b>	<b>4.8</b>	<b>1.2</b>	<b>5.7</b>	<b>1.5</b>
<b>IV Net Sale of Shares &amp; Other Equity</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>V. Cash balance change</b>	<b>5.5</b>	<b>(27.5)</b>	<b>--</b>	<b>--</b>	<b>(13.2)</b>	<b>(7.4)</b>	<b>(10.8)</b>	<b>3.9</b>	<b>(2.0)</b>	<b>(52.5)</b>	<b>5.8</b>
<b>VI Other Financing</b>	<b>94.0</b>	<b>(190.5)</b>	<b>(6.9)</b>	<b>1.1</b>	<b>(111.6)</b>	<b>(86.7)</b>	<b>(6.1)</b>	<b>13.9</b>	<b>(98.7)</b>	<b>81.2</b>	<b>10.3</b>

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



**TABLE 12**  
**NATIONAL DEBT**

End of Period	(BS' 000s)							
	2011p	2012p	2013p	2013p				2014
				Mar.	Jun.	Sept.	Dec.	Mar.
<b>TOTAL EXTERNAL DEBT</b>	799,515	1,038,300	1,176,009	1,053,677	1,058,911	1,161,461	1,176,009	1,476,572
By Instrument								
Government Securities	600,000	600,000	600,000	600,000	600,000	600,000	600,000	900,000
Loans	199,515	438,300	576,009	453,677	458,911	561,461	576,009	576,572
By Holder								
Commercial Banks	--	--	--	--	--	--	--	--
Offshore Financial Institutions	--	--	--	--	--	--	--	--
Multilateral Institutions	171,793	216,541	239,202	223,403	222,538	224,697	239,202	239,937
Bilateral Institutions	27,722	41,759	56,807	50,274	56,373	56,764	56,807	56,635
Private Capital Markets	600,000	600,000	600,000	600,000	600,000	600,000	600,000	900,000
Other Financial Institutions	--	180,000	280,000	180,000	180,000	280,000	280,000	280,000
<b>TOTAL INTERNAL DEBT</b>	3,006,080	3,357,317	3,795,658	3,477,317	3,631,458	3,726,457	3,795,658	3,530,658
By Instrument								
Foreign Currency	--	--	125,000	--	--	--	125,000	--
Government Securities	--	--	--	--	--	--	--	--
Loans	--	--	125,000	--	--	--	125,000	--
Bahamian Dollars	3,006,080	3,357,317	3,670,658	3,477,317	3,631,458	3,726,457	3,670,658	3,530,658
Advances	110,588	105,657	134,657	105,657	105,657	125,657	134,657	64,657
Treasury Bills	301,609	349,142	579,282	529,142	588,282	588,282	579,282	519,282
Government Securities	2,593,637	2,872,273	2,956,473	2,842,273	2,867,273	2,962,273	2,956,473	2,946,473
Loans	246	30,246	246	246	70,246	50,246	246	246
By Holder								
Foreign Currency	--	--	125,000	--	--	--	125,000	--
Commercial Banks	--	--	125,000	--	--	--	125,000	--
Other Local Financial Institutions	--	--	--	--	--	--	--	--
Bahamian Dollars	3,006,080	3,357,317	3,670,658	3,477,317	3,631,458	3,726,457	3,670,658	3,530,658
The Central Bank	292,802	404,992	542,419	460,731	485,076	548,860	542,419	400,533
Commercial Banks	1,118,286	1,187,797	1,345,740	1,276,391	1,389,354	1,388,364	1,345,740	1,352,906
Other Local Financial Institutions	9,357	9,357	9,357	9,357	9,357	9,357	9,357	9,228
Public Corporations	684,963	730,169	684,911	709,637	700,106	687,546	684,911	679,317
Other	900,672	1,025,002	1,088,231	1,021,201	1,047,565	1,092,330	1,088,231	1,088,674
<b>TOTAL FOREIGN CURRENCY DEBT</b>	799,515	1,038,300	1,301,009	1,053,677	1,058,911	1,161,461	1,301,009	1,476,572
<b>TOTAL DIRECT CHARGE</b>	3,805,595	4,395,618	4,971,667	4,530,994	4,690,369	4,887,918	4,971,667	5,007,230
<b>TOTAL CONTINGENT LIABILITIES</b>	558,227	603,316	601,064	598,477	604,564	606,515	601,064	641,395
<b>TOTAL NATIONAL DEBT</b>	4,363,822	4,998,934	5,572,731	5,129,471	5,294,933	5,494,433	5,572,731	5,648,625

Source: Treasury Accounts & Treasury Statistical Summary Printouts

**TABLE 13**  
PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS

(B\$' 000s)

	2011p	2012p	2013p	2013p				2014
				Mar.	Jun.	Sep.	Dec.	Mar.*
<b>Outstanding Debt at Beginning of Period</b>	<b>1,374,072</b>	<b>1,460,034</b>	<b>1,888,616</b>	<b>1,889,593</b>	<b>1,903,027</b>	<b>1,912,558</b>	<b>2,019,074</b>	<b>2,127,328</b>
Government	797,879	798,537	1,037,322	1,038,300	1,053,677	1,058,911	1,161,461	1,301,009
Public Corporations	576,193	661,497	851,294	851,293	849,350	853,647	857,613	826,319
<b>Plus: New Drawings</b>	<b>244,312</b>	<b>533,962</b>	<b>302,574</b>	<b>21,695</b>	<b>18,883</b>	<b>113,481</b>	<b>148,515</b>	<b>308,021</b>
Government	79,519	250,077	276,218	17,355	10,075	103,745	145,043	302,021
Public Corporations	164,793	283,885	26,356	4,340	8,808	9,736	3,472	6,000
<b>Less: Amortization</b>	<b>174,537</b>	<b>105,439</b>	<b>65,054</b>	<b>8,261</b>	<b>9,352</b>	<b>6,965</b>	<b>40,476</b>	<b>132,210</b>
Government	78,861	11,351	13,724	1,978	4,841	1,195	5,710	126,458
Public Corporations	95,676	94,088	51,330	6,283	4,511	5,770	34,766	5,752
<b>Other Changes in Debt Stock</b>	<b>16,412</b>	<b>59</b>	<b>215</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>215</b>	<b>--</b>
Government	225	59	215	--	--	--	215	--
Public Corporations	16,187	--	--	--	--	--	--	--
<b>Outstanding Debt at End of Period</b>	<b>1,460,034</b>	<b>1,888,616</b>	<b>2,126,351</b>	<b>1,903,027</b>	<b>1,912,558</b>	<b>2,019,074</b>	<b>2,127,328</b>	<b>2,303,139</b>
Government	798,537	1,037,322	1,300,031	1,053,677	1,058,911	1,161,461	1,301,009	1,476,572
Public Corporations	661,497	851,294	826,320	849,350	853,647	857,613	826,319	826,567
<b>Interest Charges</b>	<b>73,657</b>	<b>98,492</b>	<b>109,939</b>	<b>18,632</b>	<b>36,245</b>	<b>14,659</b>	<b>40,403</b>	<b>16,075</b>
Government	48,002	51,051	57,760	7,216	21,651	2,592	26,301	7,054
Public Corporations	25,655	47,441	52,179	11,416	14,594	12,067	14,102	9,021
<b>Debt Service</b>	<b>248,194</b>	<b>203,931</b>	<b>174,993</b>	<b>26,893</b>	<b>45,597</b>	<b>21,624</b>	<b>80,879</b>	<b>148,285</b>
Government	126,863	62,402	71,484	9,194	26,492	3,787	32,011	133,512
Public Corporations	121,331	141,529	103,509	17,699	19,105	17,837	48,868	14,773
<b>Debt Service Ratio (%)</b>	<b>7.5</b>	<b>5.5</b>	<b>5.1</b>	<b>2.8</b>	<b>4.9</b>	<b>2.6</b>	<b>11.0</b>	<b>15.8</b>
<b>Government Debt Service/ Government Revenue (%)</b>	<b>8.1</b>	<b>4.5</b>	<b>5.3</b>	<b>2.7</b>	<b>7.6</b>	<b>1.2</b>	<b>9.0</b>	<b>34.1</b>
Commercial Banks	362.2	346.7	451.9	341.3	337.8	332.5	451.9	322.2
Multilateral Institutions	187.2	239.1	272.3	246.4	250.2	258.5	272.3	278.5
Bilateral Institutions	43.7	41.8	56.8	50.3	56.4	56.8	56.8	56.6
Other	267.9	662.1	746.3	665.0	668.1	771.3	746.3	745.8
Private Capital Markets	600.0	600.0	600.0	600.0	600.0	600.0	600.0	900.0

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

\* Debt servicing for the 1st quarter of 2014 includes the refinancing of \$125 million in Government debt. Net of this transaction, the Government debt service/revenue ratio was 2.2% and debt service ratio was 2.5%.

**TABLE 14**  
BALANCE OF PAYMENTS SUMMARY\*

	(B\$ Millions)										
	2011p	2012p	2013p	2012			2013				2014
				Qtr.II <sub>p</sub>	Qtr.III <sub>p</sub>	Qtr.IV <sub>p</sub>	Qtr.I <sub>p</sub>	Qtr.II <sub>p</sub>	Qtr.III <sub>p</sub>	Qtr.IV <sub>p</sub>	Qtr.I <sub>p</sub>
<b>A. Current Account Balance (I+II+III+IV)</b>	<b>(1,192.7)</b>	<b>(1,462.1)</b>	<b>(1,613.1)</b>	<b>(186.9)</b>	<b>(518.5)</b>	<b>(395.3)</b>	<b>(236.7)</b>	<b>(283.9)</b>	<b>(523.6)</b>	<b>(568.9)</b>	<b>(298.8)</b>
<b>I. Merchandise (Net)</b>	<b>(2,132.1)</b>	<b>(2,359.3)</b>	<b>(2,211.0)</b>	<b>(578.7)</b>	<b>(580.9)</b>	<b>(528.3)</b>	<b>(556.3)</b>	<b>(537.2)</b>	<b>(529.0)</b>	<b>(588.6)</b>	<b>(570.6)</b>
Exports	833.5	984.0	954.9	230.1	254.2	263.6	235.6	242.0	257.2	220.1	211.4
Imports	2,965.7	3,343.3	3,165.9	808.8	835.1	791.9	791.9	779.2	786.2	808.6	782.0
<b>II. Services (Net)</b>	<b>1,201.2</b>	<b>1,158.8</b>	<b>919.9</b>	<b>453.0</b>	<b>149.9</b>	<b>193.1</b>	<b>367.5</b>	<b>319.7</b>	<b>109.5</b>	<b>123.3</b>	<b>370.6</b>
Transportation	(195.8)	(272.4)	(244.8)	(67.8)	(66.0)	(62.8)	(65.6)	(58.6)	(65.2)	(55.3)	(75.0)
Travel	1,895.3	2,025.7	1,899.1	609.1	420.8	389.2	594.2	543.3	392.1	369.6	592.7
Insurance Services	(185.9)	(181.4)	(158.0)	(31.5)	(71.9)	(33.1)	(33.1)	(34.6)	(44.2)	(46.1)	(30.0)
Offshore Companies Local Expenses	138.9	176.4	180.3	47.7	44.4	44.1	35.1	49.4	37.4	58.4	36.9
Other Government	13.4	28.4	27.6	5.1	7.8	6.2	6.7	8.7	6.2	6.0	6.8
Other Services	(464.7)	(617.8)	(784.3)	(109.5)	(185.1)	(150.6)	(169.7)	(188.5)	(216.7)	(209.3)	(161.0)
<b>III. Income (Net)</b>	<b>(225.6)</b>	<b>(264.7)</b>	<b>(329.1)</b>	<b>(66.6)</b>	<b>(86.9)</b>	<b>(53.7)</b>	<b>(53.0)</b>	<b>(79.2)</b>	<b>(102.3)</b>	<b>(94.6)</b>	<b>(83.9)</b>
1. Compensation of Employees	(47.9)	(48.9)	(35.8)	(13.6)	(10.5)	(12.1)	(12.1)	(9.7)	(10.5)	(3.5)	(14.0)
2. Investment Income	(177.7)	(215.8)	(293.3)	(53.0)	(76.3)	(41.5)	(40.9)	(69.5)	(91.8)	(91.1)	(70.0)
<b>IV. Current Transfers (Net)</b>	<b>(36.2)</b>	<b>3.1</b>	<b>7.1</b>	<b>5.4</b>	<b>(0.7)</b>	<b>(6.5)</b>	<b>5.1</b>	<b>12.7</b>	<b>(1.8)</b>	<b>(9.0)</b>	<b>(14.8)</b>
1. General Government	113.4	120.7	126.4	33.1	32.2	23.2	34.8	35.4	28.9	27.3	25.2
2. Private Sector	(149.6)	(117.6)	(119.3)	(27.7)	(32.9)	(29.7)	(29.7)	(22.7)	(30.6)	(36.2)	(40.0)
<b>B. Capital and Financial Account (I+II)</b> (excl. Reserves)	<b>987.6</b>	<b>1,231.1</b>	<b>990.0</b>	<b>399.6</b>	<b>330.6</b>	<b>329.9</b>	<b>72.4</b>	<b>241.6</b>	<b>271.7</b>	<b>404.2</b>	<b>386.4</b>
<b>I. Capital Account (Net Transfers)</b>	<b>(5.5)</b>	<b>(9.6)</b>	<b>(9.6)</b>	<b>(1.3)</b>	<b>(2.5)</b>	<b>(4.2)</b>	<b>(4.2)</b>	<b>(1.3)</b>	<b>(2.0)</b>	<b>(2.2)</b>	<b>(1.9)</b>
<b>II. Financial Account (Net)</b>	<b>993.1</b>	<b>1,240.7</b>	<b>999.6</b>	<b>400.9</b>	<b>333.1</b>	<b>334.1</b>	<b>76.6</b>	<b>242.9</b>	<b>273.7</b>	<b>406.4</b>	<b>388.4</b>
1. Direct Investment	666.6	447.9	382.3	255.9	58.5	84.2	108.8	89.1	37.0	147.3	14.4
2. Portfolio Investment	(44.2)	(31.6)	(34.0)	(6.3)	(9.9)	(9.2)	(9.2)	(8.3)	(2.1)	(14.4)	(10.5)
3. Other Investments	370.7	824.4	651.4	151.2	284.5	259.1	(23.0)	162.2	238.8	273.5	384.5
Central Gov't Long Term Capital	70.7	238.7	133.8	21.4	3.5	204.5	15.4	5.2	98.9	14.3	300.6
Other Public Sector Capital	58.9	172.4	4.0	73.0	85.7	3.5	1.8	6.1	7.6	(11.5)	5.1
Banks	(101.4)	(2.3)	62.2	(9.3)	56.2	(26.2)	(84.8)	7.1	(24.3)	164.2	(54.9)
Other	342.6	415.6	451.4	66.1	139.1	77.4	44.6	143.7	156.6	106.5	133.7
<b>C. Net Errors and Omissions</b>	<b>229.5</b>	<b>156.3</b>	<b>554.6</b>	<b>(174.8)</b>	<b>5.8</b>	<b>129.7</b>	<b>137.3</b>	<b>56.2</b>	<b>124.0</b>	<b>237.0</b>	<b>128.2</b>
<b>D. Overall Balance (A+B+C)</b>	<b>24.4</b>	<b>(74.7)</b>	<b>(68.6)</b>	<b>37.9</b>	<b>(182.1)</b>	<b>64.3</b>	<b>(27.0)</b>	<b>13.9</b>	<b>(127.9)</b>	<b>72.4</b>	<b>215.8</b>
<b>E. Financing (Net)</b>	<b>(24.4)</b>	<b>74.7</b>	<b>68.6</b>	<b>(37.9)</b>	<b>182.1</b>	<b>(64.3)</b>	<b>27.0</b>	<b>(13.9)</b>	<b>127.9</b>	<b>(72.4)</b>	<b>(215.8)</b>
Change in SDR holdings	0.7	146.8	(30.1)	3.6	(2.8)	147.5	0.7	(0.1)	(0.5)	(30.3)	(0.2)
Change in Reserve Position with the IMF	0.0	(0.0)	(0.0)	0.2	(0.2)	0.0	0.2	(0.0)	(0.2)	(0.0)	(0.0)
Change in Ext. Foreign Assets ( ) = Increase	(25.1)	(72.1)	98.7	(41.8)	185.1	(211.9)	26.0	(13.8)	128.6	(42.1)	(215.6)

Source: The Central Bank of the Bahamas

\* Figures may not sum to total due to rounding

**TABLE 15**  
**EXTERNAL TRADE**

(B\$ '000)

	2011	2012	2013	2012				2013			
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II <sup>R</sup>	Qtr. III <sup>R</sup>	Qtr. IV
<b>I. OIL TRADE</b>											
i) Exports	216,129	319,713	237,809	59,996	71,162	97,536	91,019	80,629	60,271	48,176	48,733
ii) Imports <sup>R</sup>	930,047	874,839	726,902	233,012	215,571	211,509	214,747	211,386	139,758	209,467	166,291
<b>II. OTHER MERCHANDISE</b>											
<b>Domestic Exports</b>											
Crawfish	64,337	70,936	78,948	19,132	8,633	13,613	29,558	10,943	8,959	13,446	45,600
Fish Conch & other Crustacea	4,371	3,141	4,385	633	1,349	636	524	835	2,243	392	915
Other cordials & Similar Materials/Sponges	842	488	1,034	186	143	159	--	--	157	435	442
Fruits & Veggies.	24	--	--	--	--	--	--	--	--	--	--
Aragonite	11,497	7,298	2,037	3,604	1,132	2,298	264	188	617	984	248
Other Natural Sands	2,893	3,175	204	1,352	325	773	726	35	34	45	90
Rum/Beverages/Spirits & Vinegar	--	--	--	--	--	--	--	--	--	--	--
Crude Salt	12,022	11,687	20,325	1,117	1,658	2,684	6,228	4,212	4,872	7,869	3,372
Polystrene Products	135,846	7,676	182,339	1,307	1,691	2,727	1,951	41,286	44,002	55,823	41,228
Other	94,611	86,633	74,615	20,726	26,465	20,738	18,704	7,605	25,831	24,215	16,964
<b>i) Total Domestic Exports</b>	<b>326,443</b>	<b>336,522</b>	<b>363,872</b>	<b>84,933</b>	<b>78,371</b>	<b>79,218</b>	<b>94,000</b>	<b>65,088</b>	<b>86,716</b>	<b>103,209</b>	<b>108,859</b>
<b>ii) Re-Exports</b>	<b>184,371</b>	<b>171,449</b>	<b>209,478</b>	<b>58,476</b>	<b>40,841</b>	<b>37,424</b>	<b>34,708</b>	<b>46,555</b>	<b>68,906</b>	<b>59,515</b>	<b>34,502</b>
<b>iii) Total Exports (i+ii)</b>	<b>510,814</b>	<b>507,972</b>	<b>573,351</b>	<b>143,408</b>	<b>119,213</b>	<b>116,643</b>	<b>128,708</b>	<b>111,644</b>	<b>155,622</b>	<b>162,724</b>	<b>143,361</b>
<b>iv) Imports</b>	<b>2,480,809</b>	<b>2,772,177</b>	<b>2,639,002</b>	<b>788,696</b>	<b>652,039</b>	<b>652,799</b>	<b>678,643</b>	<b>621,868</b>	<b>670,844</b>	<b>620,024</b>	<b>726,266</b>
<b>v) Retained Imports (iv-ii)</b>	<b>2,296,438</b>	<b>2,600,728</b>	<b>2,429,524</b>	<b>730,220</b>	<b>611,198</b>	<b>615,375</b>	<b>643,935</b>	<b>575,313</b>	<b>601,938</b>	<b>560,509</b>	<b>691,764</b>
<b>vi) Trade Balance (i-v)</b>	<b>(1,969,995)</b>	<b>(2,264,206)</b>	<b>(2,065,652)</b>	<b>(645,287)</b>	<b>(532,827)</b>	<b>(536,157)</b>	<b>(549,935)</b>	<b>(510,225)</b>	<b>(515,222)</b>	<b>(457,300)</b>	<b>(582,905)</b>

Source: Department of Statistics Quarterly Statistical Summaries

**TABLE 16**  
SELECTED TOURISM STATISTICS

Period	2011	2012	2013	2012		2013				2014
				Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	
<b>Visitor Arrivals</b>	<b>5,587,585</b>	<b>4,447,565</b>	<b>4,549,803</b>	<b>1,492,605</b>	<b>1,745,420</b>	<b>1,479,221</b>	<b>1,325,162</b>	<b>1,600,981</b>	<b>1,758,670</b>	
Air	1,267,540	1,072,963	1,003,462	284,468	344,494	362,465	296,503	277,274	345,338	
Sea	4,320,045	3,374,602	3,546,341	1,208,137	1,400,926	1,116,756	1,028,659	1,323,707	1,413,332	
<b>Visitor Type</b>										
Stopover	1,345,920	1,136,787	1,077,379	284,789	359,371	388,218	329,790	286,117	n.a	
Cruise	4,161,556	3,248,694	3,414,829	1,185,467	1,368,283	1,066,465	980,081	1,294,407	1,377,043	
Day/Transit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
<b>Tourist Expenditure(BS 000's)</b>										
Stopover	2,142	2,311	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cruise	1,792	1,897	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Day	347	413	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Day	3	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
<b>Number of Hotel Nights</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
<b>Average Length of Stay</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
<b>Average Hotel Occupancy Rates (%)<sup>R</sup></b>										
New Providence	58.8	66.0	57.8	48.0	62.6	61.1	58.3	49.0	63.0	
Grand Bahama	42.3	47.1	42.7	33.0	46.4	45.4	40.9	38.0	56.3	
Other Family Islands	39.0	38.3	37.0	26.0	40.4	42.2	41.4	24.0	43.4	
<b>Average Nightly Room Rates (\$) <sup>R</sup></b>										
New Providence	224.8	227.2	225.2	210.1	263.6	232.4	200.5	204.4	253.5	
Grand Bahama	86.8	79.7	83.8	96.0	87.3	82.0	83.9	82.1	77.2	
Other Family Islands	152.2	184.9	167.3	209.1	196.4	172.7	147.6	152.4	204.6	

Source: The Ministry of Tourism

## GROSS ECONOMIC CONTRIBUTION OF THE FINANCIAL SECTOR IN THE BAHAMAS (2013)

### INTRODUCTION

The Central Bank of The Bahamas' 2013 survey on the contribution of the financial sector to the economy—estimated at approximately 10% - 15% of The Bahamas' Gross Domestic Product—shows the on-going importance of the sector to the country. Key measures are the direct value-added employment opportunities for high skilled workers, and direct and indirect income and expenditure effects on other sectors, such as tourism, professional services, construction and real estate.

Preliminary information suggests that the dominant bank and trust companies' operations were relatively stable over the year, despite challenges posed by the economic environment and initiatives in the regulatory and supervisory space. Faced with high levels of loan arrears and associated costs, domestic banks continued to rationalize their operations. Further, against the backdrop of heightened public policy and regulatory initiatives in the traditional markets for private banking clients, and increased operational costs, international firms pursued further consolidation of their operations. Indications are that the non-banking sector—inclusive of insurance companies, credit unions, mutual fund administrators and financial and corporate service providers—showed modest growth over the review period.

### THE BANKING SECTOR

The banking sector, one of the most important pillars in the Bahamian economy, accounted for the largest segment of the financial sector's economic contribution. During 2013, the total number of banks and trust companies licensed to operate in The Bahamas fell by 1 to 267, as public licensees decreased by 4 to 109, the non-active segment contracted by 2 to 9, while the number of restricted entities grew by 5 to 152. At end-December 2013, public banks and trust companies comprised 69 Bahamian incorporated entities, 21 euro-currency branches of foreign banks and trust companies, 11 authorised agents—10 of which were trust companies, and 8 authorised dealers, of which 7 were clearing banks.

In 2013, the assets of international banks and trust companies slumped by an estimated 32.7% to \$249.7 billion, reflecting in part, the transfer of one institution's portfolio to another jurisdiction. In contrast, the value of fiduciary assets under management grew by an estimated 2.3% (\$4.2 billion) to \$188.3 billion. On the domestic side, banks' total assets firmed by 1.8% (\$172.8 million) to \$9.8 billion, reflecting largely, increased short-term lending to the Government, which offset a falloff in credit to the private sector.

### EMPLOYMENT

Based on preliminary data, employment in the banking sector moved lower by 2.2% (105 persons) to 4,673, outpacing the prior year's 0.4% (17 persons) contraction. This outturn was associated with a 19.4% (61 persons) reduction in the number of non-Bahamian workers, to 254, upon the cessation of contractual arrangements, while the Bahamian component decreased by 1.2% (44 persons) to 4,419.

Banking Sector Employment

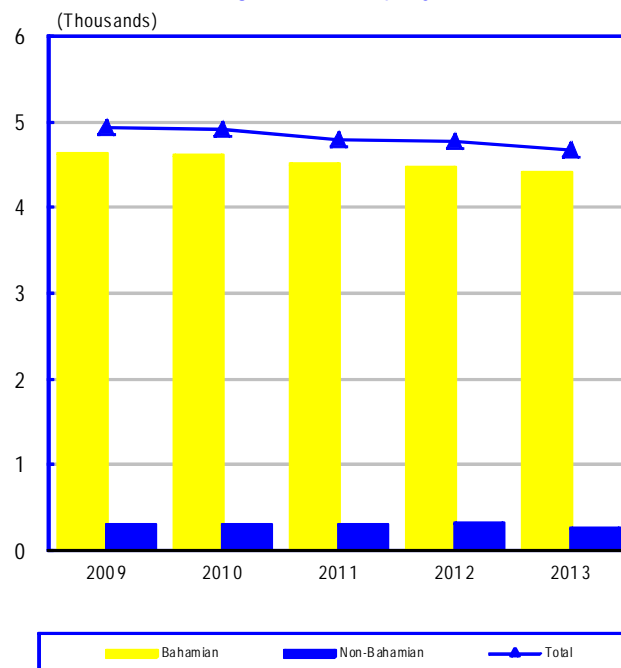


Table A: Government Revenue from Financial Sector Activities (B\$ Millions)

Period	2009p	2010p	2011p	2012p	2013p
A. Stamp Taxes on Transactions	74.2	68.8	106.7	60.4	69.6
Gross Insurance Premium Tax <sup>1/</sup>	31.1	38.2	23.4	21.0	23.1
Mortgages	13.5	10.2	35.8	14.3	8.4
Other Banking Transactions	43.1	43.0	52.6	41.9	60.5
Instruments & Bonds	0.2	0.1	0.1	0.1	0.1
B. Licence & Registration Fees	36.5	34.6	38.8	23.1	23.1
International Business Companies (IBCs)	20.1	18.3	17.6	17.1	17.2
Banks and Trust Companies	13.7	16.0	20.9	5.7	5.6
Insurance Companies, Brokers & Agents	0.7	0.3	0.2	0.3	0.3
Financial & Corp. Svcs. Providers	0.41	n/a	n/a	n/a	n/a
Investment Fund <sup>2/</sup>	1.6	n/a	n/a	n/a	n/a
C. Total Revenues	110.7	103.4	145.5	83.5	92.7

Sources: Bahamas Government's Treasury Department, Securities Commission of The Bahamas.

Notes: <sup>1/</sup> Premium Tax collected from Insurance Companies

<sup>2/</sup> Amounts collected by the Securities Commission.

As a consequence, the proportion of Bahamians and non-Bahamians employed shifted to 94.6% and 5.4% of the banking sector's workforce, from 93.4% and 6.6%, respectively in 2012. Approximately 70.6% of Bahamian workers were engaged in domestic banking operations, with the remainder employed in offshore banking, trust administration and wealth management-related services.

#### EXPENDITURES

Higher outlays for salaries and other administrative costs boosted total spending by \$17.9 million (3.0%) to \$621.5 million, extending the \$8.9 million (1.5%) increase in both 2012 and over the last five years. Operational costs—which made up some 97.0% of the total—grew steadily by 3.0% to \$602.5 million, behind gains of 2.1% in 2012 and also, during the 2008 – 2012 period. Despite the reduction in employment, salary payments—inclusive of bonuses—rose by 1.0% to \$299.8 million, compared with the previous year's gain of 2.6%. In particular, base salaries, at 87.9% of the total wage bill, advanced by 0.6% to \$263.5 million; bonuses firmed by 3.9% to \$36.3 million, while staff training outlays steadied at \$2.3 million.

Fees paid to the Government were higher by 6.2% at \$31.9 million, up from 2012's gain of 4.3%, but lower than the average increase of 11.1% over the previous five-year period. Growth was primarily explained by higher outlays for licenses and work permits. Other administrative costs, such as severance payments and Head Office fees, grew by 5.0% to \$268.3 million, more than double the year-earlier 1.4% expansion. In addition, total capital expenditures—at 3.1% of overall outlays—and inclusive of construction and land purchases—rose marginally by 0.6% to \$19.2 million, a reversal from a 14.8% contraction in 2012, and an overall 12.9% decline in the last five years.

#### DOMESTIC VERSUS INTERNATIONAL BANKING

A disaggregated analysis of domestic and international banking operations highlights the more retail oriented and staff intensive nature of the domestic banks, relative to the specialized focus of the international banks, in wealth management operations and other high value-added services. By comparison, the latter tends to be more relationship oriented and require a highly trained workforce.

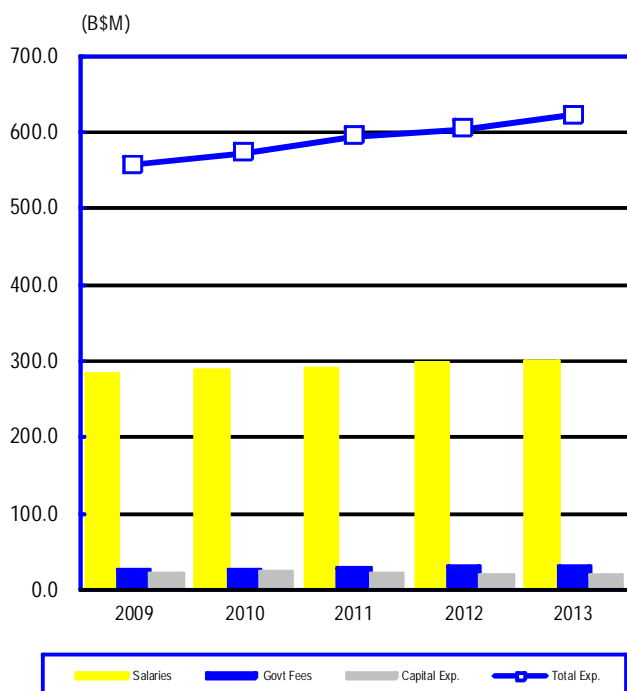
#### EMPLOYMENT

Despite on-going changes in the financial sector, as firms seek to achieve operational efficiency through, inter alia, strategic realignments, increased outsourcing arrangements and job rationalization, employment in domestic banks grew slightly by 0.5% (17 persons)—a reversal from a 1.5% reduction in 2012. The majority of the gains were in entry level positions, such as tellers. However, the number of persons employed in the offshore sector fell significantly by 10.8% (122 persons), in contrast to a year-earlier 3.7% expansion.

In terms of the composition of employment, the ratio of Bahamian to non-Bahamian workers in domestic banks increased to 93.0:1 from 60.8:1. This was attributed to growth in the number of employed Bahamians, of 1.0% (37 persons) to 3,662, in contrast with a contraction in non-Bahamians, of 33.9% (20 persons) to 39.

During the year, offshore firms continued to consolidate and rationalize operations to achieve greater cost efficiencies in terms of the services provided to high net worth clients. As part of this process, the number of

Banks' Local Expenditure

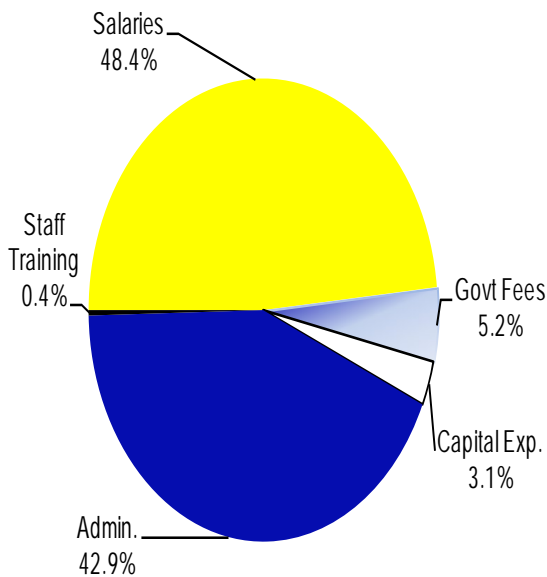




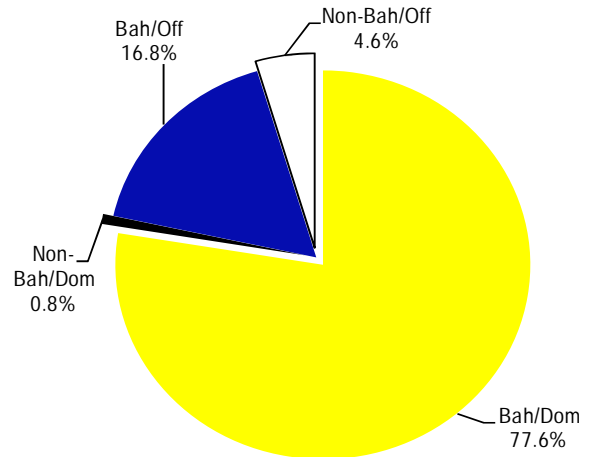
Bahamians employed declined by 9.3% (81 persons) to 793, a turnaround from a 3.6% increase in 2012; and the non-Bahamian component contracted by 16.0% (41 persons), vis-à-vis the prior year's 4.1% increment. As a consequence, the ratio of Bahamians to non-Bahamians advanced to 3.7:1 from nearly 3.4:1 in 2012.

million), to \$15.2 million, supported mainly by one entity's outlays for a new branch office.

**Banks' Expenditure Components**  
(% of Total)



**Employment: Domestic & Int'l Banks (2013)**



**EXPENDITURES**

Spending by domestic banks and trust companies increased by 11.0% (\$40.7 million) to \$410.3 million, significantly exceeding the previous year's 1.9% growth and an average gain of 1.5% over the last five years. Operational costs firmed by 11.4% (\$40.5 million) to \$395.1 million, compared to steady increments of 2.2% over both 2012 and the last five years. Salary outlays, at \$192.0 million, grew by 10.3% (\$18.0 million)—boosted, in part by higher staff levels and increased severance pay-outs. Other administrative costs and fees paid to the Government also advanced, by 13.1% (\$20.8 million) and 8.6% (\$1.8 million), to \$179.6 million and \$22.3 million, respectively, while spending on staff training was again marginally lower at \$1.2 million. Capital expenditure was slightly up, by 1.9% (\$0.3

In the international sector, total expenditure was broadly lower, by 9.8% (\$22.8 million)—a reversal of 2012's marginal 0.9% expansion, although producing an average gain of 1.3% over the 2008-2012 period. The largest contraction was noted for operational outlays, of 9.9% (\$22.7 million) to \$207.2 million, vis-à-vis a 2.1% rise a year earlier. In particular, salary payments decreased by 12.1% (\$14.9 million) to \$107.8 million, in contrast to 2012's 4.9% expansion, and other administrative costs fell further, by 8.3% (\$8.0 million) to \$88.6 million, after last year's 1.7% contraction. However, fees paid to the Government steadied at \$9.6 million. Spending on staff training rose by 14.2% (\$0.2 million) to \$1.2 million. Capital spending, which typically accounts for only a small part of international firms' costs (less than 2.0%), fell marginally by \$0.1 million to \$4.0 million.

A more detailed sectoral analysis of employee compensation, showed average base salaries in domestic firms expanding by 7.7% to an estimated \$47,694.41, and the more elevated levels for offshore firms down by 0.9% to \$87,996.03. Similar trends were observed for bonus payments, with domestic banks' outlays higher by 36.9% at \$4,693.0, vis-à-vis a decline of 3.9% in the offshore segment, to \$19,047.62. As a result of these developments, the average salary—inclusive of bonuses—in the domestic sector firmed by 9.8% to \$52,387.45, and the average compensation in the offshore sector decreased by 1.4% to \$107,043.65,

leading to a narrowing in the offshore to domestic salary gap, from 2.3:1 to 2.0:1.

## OTHER FINANCIAL SECTOR ACTIVITIES

### INSURANCE SECTOR

Amid the mild economic growth momentum, indications are that activity in the insurance sector was positive in 2013. Based on data from the Insurance Commission of The Bahamas, the number of licensed operations rose by 8 to 147, as total external insurers and insurance underwriting managers firmed by 4 each, to 19 and 9, respectively. In addition, the number of foreign entities and locally owned firms increased, by 1 each to 17 and 9, respectively. In a minor offset, locally owned agents & brokers and external intermediaries both fell, by 1 to 89 and 2, respectively, while associations of underwriters and foreign owned agents & brokers remained at 1.

Domestic insurers' performance statistics showed total assets up by 3.5% (\$52.5 million) to \$1,558.9 million in 2013—of which 4.0% (\$43.8 million) of the growth was attributed to the life insurance companies' component, while the non-life component firmed by 2.1% (\$8.7 million).

According to the Central Bank's annual survey of insurance companies, the total number of persons employed in the sector increased by an estimated 1.8% (24 persons) to 1,365 in 2013. The Bahamian component—at a dominant 97.9% of the total—rose by 2.1% (27 persons) to 1,336, while the number of non-Bahamians declined by 9.4% (3 persons) to 29. Total expenditures fell by 1.5% (\$2.4 million) to \$157.2 million, with administrative fees—inclusive of office rent, professional charges and advertising costs—lower by 13.7% at \$35.4 million. Further decreases were noted for training and public utility fees, of \$2.1 million and \$0.2 million, to \$0.6 million and \$4.7 million, respectively. In contrast, total salaries in the sector—excluding bonuses—firmed by an estimated 4.3% (\$1.9 million) to \$46.7 million. Fees paid to the Government rose slightly by 2.2% (\$0.8 million) to \$37.2 million, reflecting gains in gross premium tax receipts, which outweighed declines in stamp duties and license fees. In addition, capital spending expanded by 46.2% (\$5.3 million) to \$16.9 million. This

outturn reflected a two-thirds increase in outlays for office equipment, to \$4.8 million, while land purchases were an estimated \$7.5 million, compared with negligible levels in the previous period. However, spending on new premises fell by almost one-half to \$4.8 million.

### CREDIT UNIONS

Preliminary indications are that the credit union sector continued to expand in 2013. Building on the 10.9% gain achieved in 2012, total assets of entities in the sector increased by an estimated \$25.0 million (8.1%) to \$327.6 million at end-December, 2013, while overall employment rose slightly by 2 to approximately 141 during the period.

Total expenditures firmed by an estimated \$8.4% (\$0.86 million) to \$11.0 million, due mainly to a doubling in capital expenditures to \$1.6 million, owing to increased asset acquisitions. Further, total salary outlays remained stable, at an estimated \$4.32 million, while other administrative expenses decreased slightly by \$0.01 million to \$3.93 million.

### INVESTMENT FUNDS INDUSTRY

Developments within the investment funds sector remained positive over 2013, while the industry continued to adjust to the revised regulatory regime. Information from the Securities Commission of The Bahamas, showed that the number of approvals for firms licensed under the Securities Industry Act (2011) (SIA) more than doubled, to 14 in 2013 from 6 in the prior year. As a consequence, at end-December 2013, registered securities firms numbered 136, for a year-on-year gain of 8, with entities registered to manage and advise on securities accounting for the largest segment, at 55. Further, the number of individuals licensed by the Commission under the SIA surged more than three-fold, to 182 from 48 in 2012, as firms took steps to ensure that their staff were fully compliant with current regulations. Of the 182 approvals granted, 49 were for advising representatives and 47 for compliance officers.

For entities licensed under the Investment Funds Act, the total number of fund administrators—which account for the majority of employment within the sector—decreased by 1 to 62. Unrestricted administrators fell by 2 to 30, while the restricted component was up by 1 to 29. Funds under management by administrators

recovered strongly, by 100 to 727, having contracted by 61 to 627 in 2012.

After three (3) consecutive yearly declines, averaging 6.1%, the number of Bahamas-based investment funds increased by 15.5% (101) to 753 in 2013. This outturn mainly reflected gains in the number of registered SMART funds, of 32.8% (107) to 433, and professional and standard funds, of 11 and 2 to 226 and 41, respectively. However, recognised foreign funds fell by 26.4% (19) to 53.

The Commission, in its role as Inspector of Financial and Corporate Service Providers, approved a total of 23 applications in 2013, a slight uptick from the 17 firms licensed in 2012. At end-December, a total of 309 firms were listed as active, a gain of 20 over 2012 when the number of entities stabilised. The majority (246) of the licensees performed the dual role, of financial and corporate services providers.

#### INTERNATIONAL BUSINESS COMPANIES (IBCs)

Indications are that activity in the International Business Companies (IBCs) sector continued to strengthen during 2013, as the number of new registrations rose by an estimated 3,233 (1.9%) to 169,575 at end-December 2013, compared to an increase of 2,843 (1.7%) a year-earlier.

#### OTHER FINANCIAL SECTOR DEVELOPMENTS

Domestic initiatives in the financial services sector continued to focus on strengthening the supervisory and regulatory framework, amid important international requirements in the area of capital adequacy and risk mitigation.

Banks' capital resiliency measures are poised to be enhanced and aligned with new international capital requirements, with the Central Bank's roll-out of the Basel II and III programme. This initiative, designed to focus on the different profiles of locally incorporated banks, unrestricted (public) banks and bank & trust companies, is to be executed in three (3) phases over a three-year period, with live implementation projected for the first quarter of 2016.

From a risk monitoring perspective, the Central Bank—in association with the Securities and Insurance Commissions—completed the country's first Financial Stability Report for the period 2008 to 2012. The as-

essment covered the main trends in the banking, insurance, credit union and international sectors over the five-year period, and outlined potential prospective risks to the system. Based on the information analysed, it was determined that the risks to financial stability were low, due to the high levels of capital and liquidity in the domestic financial sector. In the few cases, where issues have arisen, enhanced monitoring was implemented and some firms were required to institute measures to ensure that they continued to comply with domestic and international standards.

Following on the recommendations from the 2012 Financial Sector Assessment Programme (FSAP), progress was made in reviewing the legislative framework within the context of the broader national crisis management exercise.

In terms of international financial agreements, the Government announced in April 2014, that it had approved, in principle, an agreement with the United States (US) Government to implement the Foreign Account Tax Compliance Act (FATCA). Under the terms of this agreement, which is called the Model 1 Inter-Governmental Agreement (IGA), the Government undertakes to, inter alia, report specific information about US accounts maintained by all relevant domestic financial institutions to the US Internal Revenue Service (IRS), thereby eliminating the need for these entities to enter into separate arrangements with the US Government.

Work on a number of key legislative and operational initiatives neared completion during the year, including those that will lead to the eventual transition of credit unions from the supervisory and regulatory remit of the Department of Cooperatives to the Central Bank. In this regard, the draft Cooperative Credit Unions Bill and associated regulations, and related amendments to the Central Bank of The Bahamas Act and the Cooperative Societies Act were being finalized for consideration at the final legislative stage. The drafting of various pieces of credit bureau legislation also neared completion during the review period, and they are currently being readied for the broader consultation phase.

#### CONCLUSION AND OUTLOOK

The 2013 survey of developments in The Bahamas' financial services sector conveys the stability of the

industry, despite the challenging economic conditions and regulatory environment.

The banking sector has been able to maintain relatively stable operations, although profit pressures and consolidation within the region to a few centres of expertise, have led to adjustments in staffing levels. Based on the information released in the latter part of 2013 and early 2014, further reductions in staff levels are expected; however, new and expanding operations are also anticipated. In contrast, the non-bank financial sector has experienced modest growth, as consumers continue to seek alternative forms of financing and different types of financial services.

As the institution responsible for financial stability, the Central Bank will remain focused on monitoring and assessing risks in the sector, and ensuring and promoting the sector's adherence to appropriate supervisory and regulatory standards.

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

Period	2008p	2009p	2010r	2011r	2012p	2013 p
A. TOTAL EMPLOYMENT	5,011	4,905	4,908	4,795	4,778	4,673
1. Non-Bahamians	334	303	300	295	315	254
2. Bahamians (of which)	4,677	4,602	4,608	4,500	4,463	4,419
i) Local Banking	3,157	3,162	3,190	3,184	3,122	3,121
ii) Offshore Banking	682	713	651	625	646	600
iii) Trust Administration	503	490	533	492	512	499
iv) Other	335	237	234	199	183	199
			(B\$ Millions)			
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	537.3	518.5	547.4	572.3	584.5	602.3
1. Salaries <sup>1</sup>	290.2	270.5	286.6	289.3	296.8	299.8
i) Base Salaries	253.8	234.9	253.7	254.3	261.8	263.5
ii) Bonuses	36.3	35.6	32.8	34.9	35.0	36.3
2. Government Fees	19.6	25.3	25.1	28.9	30.1	31.9
i) Licence	10.3	16.5	16.4	20.7	20.8	21.6
ii) Company Registration	1.7	1.8	1.2	1.2	1.4	1.3
iii) Work Permits	2.9	2.7	3.1	3.5	3.7	4.4
iv) Other Government Fees	4.8	4.2	4.3	3.6	4.1	4.6
3. Staff Training	3.2	2.1	2.2	2.4	2.3	2.3
4. Other Administrative Costs	224.3	220.7	233.6	251.8	255.4	268.3
C. CAPITAL EXPENDITURE <sup>2</sup>	33.2	25.8	24.8	22.4	19.1	19.2
D. TOTAL EXPENDITURE (B+C)	570.5	544.9	572.2	594.7	603.6	621.5
E. AVERAGE SALARY (B\$'000) <sup>3</sup>	50,656	47,897	51,700	53,042	54,793	56,388

Source: The Central Bank of The Bahamas

<sup>1</sup> Includes bonuses

<sup>2</sup> Includes construction, renovation expenses and other fixed assets.

<sup>3</sup> Excludes bonuses

TABLE C. GROSS ECONOMIC CONTRIBUTION OF BANKS AND TRUST COMPANIES

Period	2008p	2009p	2010r	2011r	2012p	2013p	2007	2008p	2009p	2010r	2011r	2012p	2013 p
	DOMESTIC						OFFSHORE						
A. TOTAL EMPLOYMENT	3,791	3,689	3,716	3,705	3,648	3,665	1,223	1,220	1,216	1,192	1,090	1,130	1,008
1. Non-Bahamians	56	36	47	48	59	39	275	278	267	253	246	256	215
2. Bahamians (of which)	3,735	3,653	3,669	3,657	3,589	3,626	948	942	949	939	844	874	793
i) Local Banking	3,157	3,162	3,190	3,184	3,122	3,121	--	--	--	--	--	--	--
ii) Offshore Banking	115	61	13	14	9	42	609	567	652	638	611	632	558
iii) Trust Administration	293	291	341	336	347	344	210	210	199	192	156	165	155
iv) Other	170	139	125	123	111	119	129	165	98	109	76	72	80
	(B\$ Millions)												
B. TOTAL OPERATIONAL COSTS (1+2+3+4)	323.7	312.8	328.4	347.1	354.6	395.1	206.3	213.6	220.4	219.0	225.2	229.9	207.2
1. Salaries <sup>1</sup>	182.3	163.8	171.8	172.3	174.0	192.0	107.3	107.9	116.9	114.8	117.0	122.7	107.8
i) Base Salaries	163.6	149.5	155.2	156.4	161.5	174.8	85.4	90.3	96.4	98.5	97.9	100.3	88.7
ii) Bonuses	18.7	14.3	16.6	15.9	12.5	17.2	21.3	17.4	20.5	16.3	19.1	22.4	19.2
2. Government Fees	8.9	14.8	14.5	19.9	20.5	22.3	10.4	10.7	11.2	10.7	9.0	9.6	9.6
i) Licence	5.2	11.6	11.5	16.3	16.3	17.1	5.0	5.1	5.0	4.9	4.4	4.5	4.5
ii) Company Registration	0.4	0.4	0.3	0.5	0.3	0.3	1.5	1.2	1.5	0.9	0.7	1.1	0.9
iii) Work Permits	0.4	0.4	0.3	0.7	1.3	2.2	2.3	2.5	2.8	2.8	2.7	2.4	2.1
iv) Other Government Fees	2.9	2.5	2.3	2.4	2.6	2.6	1.7	1.9	1.8	2.0	1.2	1.5	2.1
3. Staff Training	1.9	1.0	1.1	1.5	1.3	1.2	1.2	1.3	0.9	1.1	0.9	1.0	1.2
4. Other Administrative Costs	130.6	133.2	141.1	153.5	158.8	179.6	87.5	93.7	91.4	92.5	98.3	96.6	88.6
C. CAPITAL EXPENDITURE <sup>2</sup>	24.2	16.4	20.6	15.6	14.9	15.2	9.4	9.0	4.6	4.2	6.8	4.1	4.0
D. TOTAL EXPENDITURE (B+C)	347.9	329.2	349.0	362.8	369.6	410.3	215.7	222.6	225.0	223.2	232.0	234.0	211.2
E. AVERAGE SALARY (B\$'000) <sup>3</sup>	43,146	40,525	41,764	42,219	44,271	47,707	69,860	73,991	79,297	82,675	89,828	88,761	87,946

Source: The Central Bank of The Bahamas

<sup>1</sup> Includes bonuses

<sup>2</sup> Includes construction, renovation expenses and other fixed assets.

<sup>3</sup> Excludes bonuses

Table D: Other Selected Financial Sector Statistics

	Unit	2008p	2009p	2010p	2011r	2012r	2013p
<b>Investment Funds Administrations</b>							
Licensed Mutual Funds	Number	867	788	753	713	652	753
Licensed Administrators	Number	66	64	65	65	63	62
Asset Under Management	B\$ Billions	269.6	189.6	138.2	86.8	112.2	127.9
<b>Insurance Companies and Agents</b>							
Domestic Companies and Agents	Number	170	174	178	127	139	147
Total Domestic Assets	B\$ Millions	1,279.6	1,258.8	1,326.6	1,393.0	1,506.4	1,558.9
Average Annual Salaries	B\$	45,007	45,084	44,673	43,829	42,619	44,187
Operating Costs / Total Expenditures	%	93.9	94	92.9	92.3	92.4	88.5
External Insurers	Number	20	20	21	14	18	21
<b>Credit Unions (Active)</b>							
Number of Unions	Number	17	15	13	13	10	7
Total Assets	B\$ Million	226.7	233.6	247.9	273.2	303.1	327.6
Employment	Number	129	129	130	134	139	141
Average Annual Salaries	B\$	26,880	27,099	26,585	27,487	29,605	30,090
Total Expenditures	B\$ Million	6.93	6.46	6.69	6.58	10.20	11.06
Operating Costs / Total Expenditures	%	95.0	95.5	92.2	95.5	89.5	82.8
<b>Bahamas International Securities Exchange (BISX)</b>							
Securities Listed	Number	24	24	23	25	27	27
Shares Traded	Thousands	4,623	4,917	10,860	2,899	4,080	4,084
Market Capitalization	B\$ Billion	3.30	3.02	2.91	2.91	2.87	3.00

Sources:

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