



# Quarterly Economic Review

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**March, 2011**

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# QUARTERLY ECONOMIC REVIEW

Volume 20, No. 1  
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# REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

## DOMESTIC ECONOMIC DEVELOPMENTS

Despite signs of a weather related interruption in the upturn in tourism output and sluggish domestic demand, preliminary indications are that the Bahamian economy stabilized during the first quarter of 2011, supported mainly by foreign direct investment-led construction sector activity and the continuation of the public sector's infrastructure programmes. Inflationary pressures remained relatively benign over the three-month period, although the rise in international oil prices led to higher energy costs.

Buoyed by a number of one-off tax receipts, the overall fiscal position was reversed, from a deficit in the previous period to a surplus in the third quarter of FY2010/11—the first since Q1 FY2006/07. Government utilized the bulk of the surplus to reduce outstanding short-term advances to the domestic banking system, while external borrowings related to drawdowns on previously secured infrastructure financing.

Monetary developments were dominated by the inflow of foreign currency arising from extraordinary public sector transactions and real sector activities, which boosted both bank liquidity and external reserves. In line with a more stable economic outturn, banks' credit quality indicators improved, while profitability increased as provisioning levels were reduced and interest margins widened.

On the external side, the current account was impacted by the firming in foreign financed construction activity as well as public sector projects, which are typically accompanied by increases in current payments for imports and services. As a consequence, the estimated current account deficit deteriorated, as the merchandise trade deficit widened and the services account surplus declined. However, the corresponding boost in foreign investment-related inflows expanded the surplus on the capital and financial account.

## FISCAL OPERATIONS

### OVERVIEW

During the third quarter of FY2010/11, the central government's overall fiscal position recorded a surplus of \$24.6 million, in contrast to a \$76.8 million deficit in the comparable FY2009/10 period. This outturn benefitted from extraordinary inflows associated with the sale of a private company, which boosted revenue by 39.6% to \$449.6 million, to outpace the 6.5% increase in expenditure to \$425.0 million.

### REVENUE

Tax income, which comprised 94.4% of total receipts, surged by 47.3% (\$136.2 million) to \$424.4 million, mainly on account of one-time receipts related to the sale of an oil facility which augmented non-trade stamp taxes by \$114.0 million to \$141.0 million. Growth was also recorded for selective taxes on services, of \$13.1 million to \$22.0 million, as the receipt of arrears elevated gaming taxes (\$10.6 million) and hotel occupancy tax collections firmed by \$2.5 million to \$10.0 million. More modest gains were noted for motor vehicle taxes (\$2.0 million), business and profession license fees (\$0.7 million), property taxes (\$0.4 million), and other taxes (\$0.3 million). Amid relatively anemic consumer demand, taxes on international trade transactions, the largest component (32.0%) of tax receipts, declined by 1.7% (\$2.3 million) to \$135.8 million. A 7.0% (\$5.9 million) falloff in import tax receipts outweighed gains in the remaining categories.

Non-tax collections, at 5.6% of total revenue, contracted by \$8.8 million (25.8%) to \$25.1 million, due to a timing-related reduction in income from other "miscellaneous" sources, by \$10.6 million to \$2.0 million. In contrast, receipts from public enterprises grew by \$0.3 million to \$0.4 million. Proceeds from fines, forfeits & administration fees and the sale of government property registered gains of \$1.3 million and \$0.3 million, respectively.

## EXPENDITURE

Total spending firmed by 6.5% (\$26.1 million) to \$425.0 million, when compared to the third quarter of FY2009/10. Current expenditure, which comprised 85.6% of outlays, rose by 3.7% (\$12.8 million) to \$363.6 million. Capital outlays (11.0% of the total) expanded by 40.5% (\$13.5 million) to \$46.7 million, while net lending in support of public sector entities fell by 1.1% to \$14.7 million.

Leading the gain in current disbursements, consumption expenditure grew by \$10.9 million (5.3%) to \$219.0 million, as a \$19.8 million (31.2%) advance in purchases of goods and services exceeded the \$8.8 million (6.1%) reduction in wages and salaries. More than half of the latter was attributed to the termination of the special employment programme organized by the Government to assist workers adversely impacted by the economic downturn. Similarly, transfer payments edged up by \$1.9 million to \$144.6 million, reflecting a 4.3% hike in outlays for interest payments to \$46.5 million, in line with the rising level of domestic debt. Subsidies and other transfers stabilized at \$98.0 million, with increases in transfers to nonprofit institutions (\$3.0 million) and nonfinancial enterprises (\$0.9 million) negating reductions in those to households (\$2.7 million) and for subsidies (\$1.1 million).

By functional classification, recurrent outlays for economic services surged by 19.5% (\$6.5 million) to \$39.9 million. A key factor was the 36.3% (\$3.0 million) upturn in spending for ongoing public works and water supply projects. More modest cost accretions were reported for transportation (\$0.5 million), postal (\$0.3 million) and labour employment (\$0.1 million) services. In contrast, outlays for agriculture and fisheries fell by \$0.1 million. Expenditure for the general public service category grew by 11.0% (\$10.4 million) to \$104.6 million, mainly due to increased payments for administrative services; and outlays for defense advanced by 6.9% to \$11.7 million. Conversely, spending on housing, social benefits, education and health fell by 14.6%, 5.6%, 4.7% and 3.2%, respectively.

Under capital spending, outlays for infrastructure development expanded by \$11.8 million (39.3%) to \$42.0 million, as public roads & water supply rehabilitation costs almost doubled to \$38.9 million. Asset investments also grew, by \$1.6 million to \$3.9 million, with declines in land and other "miscellaneous" purchases surpassed by the nearly \$2.3 million in equity investments for small and medium sized businesses, compared to a nil balance a year earlier. Transfers to public corporations and non-financial public enterprises were relatively stable, at \$0.6 million and \$0.2 million, respectively.

## Government Revenue By Source

(Jan. - Mar.)

	FY09/10		FY10/11	
	B\$M	%	B\$M	%
Property Tax	31.0	9.6	31.4	7.0
Selective Services Tax	8.8	2.7	21.9	4.9
Busines. & Prof Lic. Fees	50.8	15.8	51.4	11.4
Motor Vehicle Tax	6.1	1.9	8.2	1.8
Departure Tax	15.1	4.7	29.9	6.7
Import Duties	84.2	26.1	78.3	17.4
Stamp Tax from Imports	3.7	1.2	3.8	0.8
Excise Tax	47.3	14.7	50.3	11.2
Export Tax	3.0	0.9	3.4	0.8
Stamp Tax from Exports	--	--	--	--
Other Stamp Tax	26.9	8.4	141.0	31.4
Other Tax Revenue	11.8	3.7	12.1	2.7
Fines, Forfeits, etc.	21.0	6.5	22.3	5.0
Sales of Govt. Property	0.1	0.0	0.4	0.1
Income	12.8	4.0	2.4	0.5
Other Non-Tax Rev.	--	--	--	--
Capital Revenue	--	--	--	--
Grants	--	--	0.1	0.0
Less:Refunds	0.6	0.2	7.3	1.6
Total	322.0	100.0	449.6	100.0

## FINANCING AND THE NATIONAL DEBT

Financing requirements for the review period were reduced, given the Government's surplus position. Surplus funds were utilized to pay down outstanding

advances to the banking sector and repay \$1.2 million to external loans. The bulk of the \$21.2 million in external loan drawdowns related to previously committed borrowings for infrastructure projects.

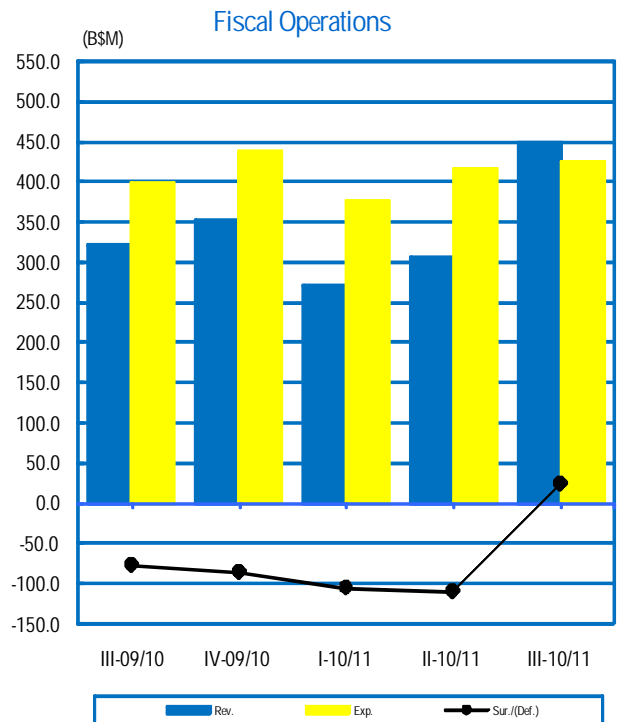
As a result of these developments, the Direct Charge on the Government, which excludes short-term commercial bank advances of \$71.0 million, grew by \$20.0 million (0.5%) to \$3,740.4 million over the quarter. Bahamian dollar denominated debt, at a commanding 78.1% of the total, was held primarily by commercial banks (36.5%), private and institutional investors (30.1%), public corporations (24.2%), the Central Bank (9.0%) and other financial institutions (0.2%). At end-March, Government securities constituted the largest share of local currency debt, at 85.7%, with an average maturity of 12.0 years, followed by Treasury bills (10.3%) and loans & advances (4.0%).

Government's contingent liabilities contracted by 1.4% (\$7.6 million) to \$540.5 million at end-March, mainly because of a reduction in the outstanding debt of the Bahamas Mortgage Corporation. Given this outturn, the National Debt expanded by 0.3% (\$12.4 million) over the quarter and by 10.4% (\$404.1 million) year-on-year to \$4,280.9 million at end-March, 2011.

#### PUBLIC SECTOR FOREIGN CURRENCY DEBT

Public sector foreign currency debt rose by \$10.2 million over the three-month period to \$1,367.8 million at end-March, as new drawings of \$21.2 million—related solely to the Government—eclipsed amortization payments of \$11.1 million. Accounting for 59.8% of the total, Government's foreign currency debt grew by \$20.1 million to \$817.9 million, while the public corporations' portion fell by \$9.9 million to \$549.9 million.

In comparison to 2010, total debt service payments firmed by \$7.0 million to \$17.7 million. Specifically, principal payments grew by \$4.3 million to \$11.1 million, while interest costs rose by \$2.7 million to \$6.6 million. As a portion of total Government revenue, the debt service contracted by 10 basis points to 0.4%, and represented 2.1% of goods and non-factor services, for a gain of 80 basis points.



Disaggregated by creditor profile, the private capital market comprised the largest share of foreign currency debt, at 43.9%, followed by commercial banks, at 29.6%. Other "miscellaneous" institutions, multilateral organisations and bilateral agencies held the remaining 14.2%, 10.9% and 1.5%, respectively.

## REAL SECTOR

### TOURISM

Preliminary indications on the tourism sector for the first quarter suggest some softening in output, reflecting in part the adverse weather conditions in the United States during the start of the year and more modest incentive programmes. However, anecdotal information points to a sustained recovery in the key group segment of the market, which is focused on business travelers.

Data on tourist arrivals for the first quarter showed a 10.4% gain in total visitors to 1,383,561, solely on account of the 16.2% hike in sea passengers, as the air component declined by 7.0%.

By major markets, total arrivals to New Providence edged up by 0.2%, as the 7.1% contraction in the smaller air segment, almost negated the 3.6% gain in sea tourists. Visitors to Grand Bahama surged by 30.7%, reflecting robust growth in the sea segment of 44.8%, which outstripped the 23.0% decrease in air visitors. Buoyed by expansions in both air (5.0%) and sea passengers (25.0%), visitors to the Family Islands firmed by 22.7%.

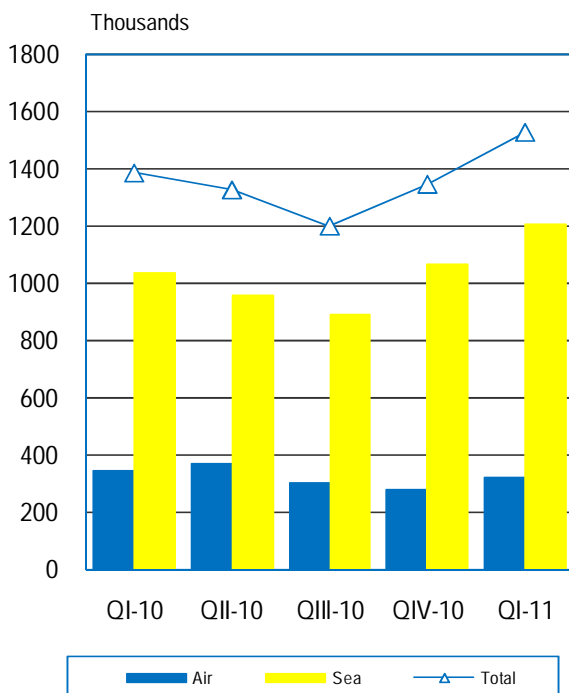
Results from a survey of the largest resort properties in Nassau and Paradise Island showed varying performances in hotel indicators but, in aggregate, both average rates for hotel occupancy and room revenue declined marginally over the period. Although occupancy levels have trended higher near the end of the quarter, a significant contraction in occupied room nights in January resulted in a 1.0% falloff in this segment to 66.3%. This outturn, coupled with a reduction in the average daily rates, by 3.0% to \$252.71, due to price pressures, led to a 4.1% fall-off in total room revenue.

## CONSTRUCTION

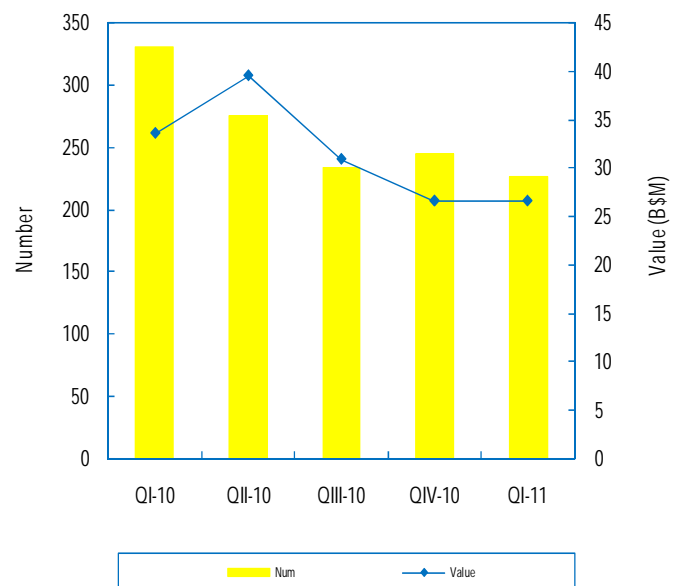
Construction output continued to benefit from the increased level of foreign investment-led projects, although weakness in domestic private sector activity persisted. Indicative of the latter trends, total mortgage disbursements for domestic banks, insurance companies and the Bahamas Mortgage Corporation, declined by 15.4% year-on-year to \$40.6 million for the quarter, although improving on the 41.4% contraction registered in 2010. The more forward looking indicator, domestic mortgage commitments for new construction and repairs, also contracted by 31.7% in number to 226 and by 20.8% in value to \$26.6 million. By mortgage type, the residential segment was lower by 33.5% at 220 and by 23.8% in value at \$25.6 million, while there were 6 commercial commitments valued at \$1.0 million, compared with a flat position a year earlier.

Regarding interest rates, the average residential loan rate steadied year-on-year, at 8.1%; whereas the corresponding commercial loan rate declined by 20 basis points to 8.8%.

### Visitor Arrivals



### Mortgage Commitments: New Construction and Repairs



## PRICES

Occasioned by the spill-over effects of elevated international oil prices, inflation for the first quarter rose by 1.0 percentage point over the corresponding period of 2010 to 2.50%. This outturn, mainly reflected an acceleration in the increase in transportation costs by 5.46 percentage points to 6.87%. In addition, accretions to average costs for education, furnishing, household equipment & routine maintenance, restaurant & hotels and alcohol, tobacco & narcotics firmed by 2.4, 1.6, 1.2 and 0.7 percentage points to 3.29%, 3.36%, 2.30% and 1.66%, respectively. Further, inflation for recreation & culture, communication and food & non-alcoholic beverages reversed from declines of 1.04%, 1.71% and 0.89% to respective increases of 2.62%, 0.21% and 1.20%. In contrast, average price gains softened for miscellaneous goods and services by 2.13 percentage points to 0.10% as well as housing and other related costs by 0.10 of a percentage point to 2.96%, while clothing & footwear costs decreased by 0.88% compared by an average advance of 1.35% a year earlier.

Reflecting similar trends, inflation for the twelve months to March quickened to 1.60% from 1.27% a year earlier, as accretions to housing and related costs, transportation, recreation & culture and medical care & health, firmed by 2.73, 2.26, 0.89 and 0.07 percentage points to 2.81%, 3.72%, 1.00% and 2.79%, respectively. In addition, average communication prices reversed from a contraction of 1.77% to a marginal increase of 0.06%. In contrast, inflation for furnishing, household equipment & routine maintenance slowed by 1.57 percentage points to 0.67%, with the remaining categories recording similar reductions of under 1.0 percentage point, with the exception of food & non-alcoholic beverages, which reversed from a gain of 2.41% to a contraction of 0.63%.

Energy costs continued to move upward, as evidenced by increases in both gasoline and diesel prices over the quarter, by 9.9% and 15.2%, to \$4.78 and \$4.39 per gallon, respectively, with the corresponding annual gains through March, of 12.3% and 21.6%. Similarly, the Bahamas Electricity Corporation's average "cost recovery" charge advanced by 17.9% and 29.1% over the quarter and year respectively, to 19.99¢ per kilowatt hour (kWh).

## Retail Price Index

(Annual % Changes)

March

Items	Weight	2010		2011	
		Index	%	Index	%
Food & Non-Alcoholic Beverages	119.9	100.80	2.4	100.17	-0.6
Alcohol, Tobacco & Narcotics	6.37	99.56	2.4	101.67	2.1
Clothing & Footwear	37.64	99.48	1.1	99.60	0.1
Housing, Water, Gas, Electricity	334.68	99.11	0.1	101.90	2.8
Furn. & Household, Maintenance	64.93	99.92	2.2	100.59	0.7
Health	44.35	98.47	2.7	101.22	2.8
Transportation	118.86	99.90	1.5	103.61	3.7
Communication	40.96	100.15	-1.8	100.21	0.1
Rec., & Culture	22.6	101.05	0.1	102.06	1.0
Education	29.88	99.59	2.6	101.60	2.0
Restaurant & Hotels	37.59	99.86	1.9	101.26	1.4
Misc. Goods & Svcs.	142.3	99.24	2.0	100.47	1.2
ALL ITEMS	1000	99.69	1.3	101.29	1.6

## MONEY, CREDIT AND INTEREST RATES

### OVERVIEW

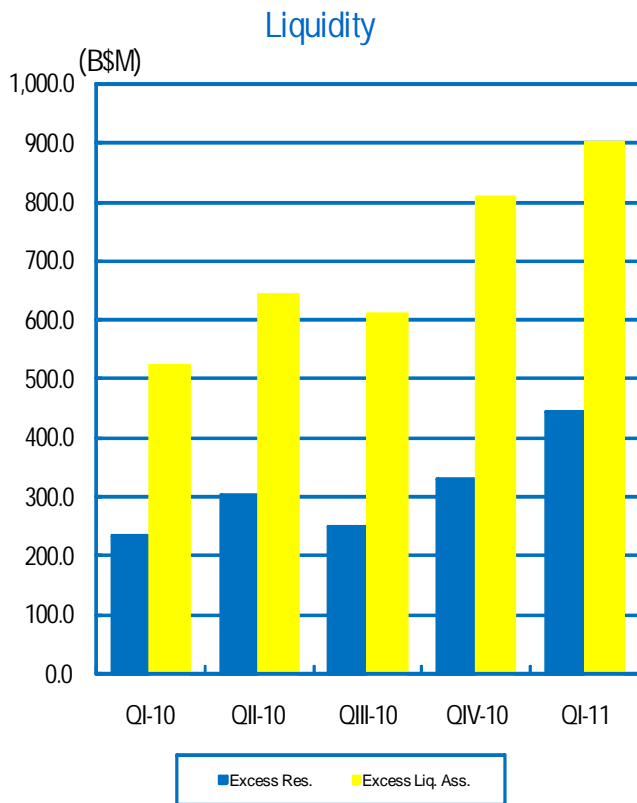
Buoyed by a number of public sector related one-time foreign currency inflows, monetary developments during the first quarter of 2011 featured an expansion in both liquidity and external reserves. Amid increasing signs of stabilization in the economy, commercial banks' asset quality indicators improved marginally, while higher margins on interest income and lower levels of provisioning contributed to growth in overall profitability during the fourth quarter of 2010.

### LIQUIDITY

During the review period, net free cash reserves of the banking system rose strongly by \$114.0 million (34.5%) to \$444.6 million, outpacing 2010's \$3.6 million gain, with a corresponding increase in the deposit liabilities' ratio to 7.4% from 3.9% a year earlier. Similarly, the broader surplus liquid assets advanced by \$91.5 million (11.3%) to \$899.9 million, to exceed the prior year's



\$28.3 million expansion. At end-March, the surplus stood at 93.8% above the statutory minimum, up strongly from 55.7% in the corresponding period of 2010.



## DEPOSITS & MONEY

Growth in overall money (M3) slackened to \$37.1 million (0.6%) for the review quarter, from 1.6% in the comparable period of 2010, as gains in broad money (M2) slowed and foreign currency deposits contracted. Specifically, narrow money (M1) firmed by \$4.9 million (0.4%), in contrast to 2010's \$8.8 million decline, due to a significant abatement in the falloff in currency in circulation to \$0.2 million, and modest accretions to demand deposits of \$5.1 million. In contrast, broad money (M2) rose by \$60.9 million (1.0%), a slowdown from last year's \$89.6 million increase, as lower accretions to both private and public sector balances dampened the expansion in fixed balances by \$57.4 million to \$31.9 million. However, private balances sustained the improvement in sav-

ings deposits, by \$15.0 million to \$24.1 million. Foreign currency placements tapered by \$23.8 million (10.6%), relative to the prior year's \$5.6 million gain. At end-March, overall money (M3) stood \$100.6 million higher at \$6,228.1 million.

In terms of the components, the largest share of the money stock was held in fixed deposits (58.6%), followed by demand balances (18.4%) and savings deposits (16.7%); while residents' foreign currency balances and currency in active circulation accounted for 3.2% and 3.1%, respectively.

## DOMESTIC CREDIT

Total domestic credit fell by \$146.2 million (1.7%), reversing the \$78.7 million (1.0%) advance in 2010, and reflecting declines in bank claims on both the public and private sectors. Specifically, Government's use of one-off revenue receipts to reduce short-term advances resulted in net liabilities to the banking sector falling by \$47.0 million (3.3%), in contrast to the prior year's expansion of \$107.4 million (10.5%). Also, claims on the rest of the public sector, which rose by \$18.5 million a year earlier, decreased by \$11.6 million (2.5%) during the review period.

The contraction in private sector credit broadened to \$87.6 million (1.3%) from \$47.2 million in 2010. Approximately 93% (\$81.3 million) was foreign currency based, and reflected a loan repayment by a major foreign investment entity. Bahamian dollar loans, which account for 95.1% of the total, fell by \$6.3 million (0.1%), amid the persistence of weak demand conditions. Developments show personal loans—which accounted for 73.8% of the total—up by \$7.6 million (0.2%), compared with last year's \$41.0 million (0.8%) reduction. This outturn was mainly attributed to gains in residential mortgages and overdrafts of \$21.3 million (0.8%) and \$14.9 million (20.0%), respectively; however, the consumer component fell by \$17.5 million (0.8%).

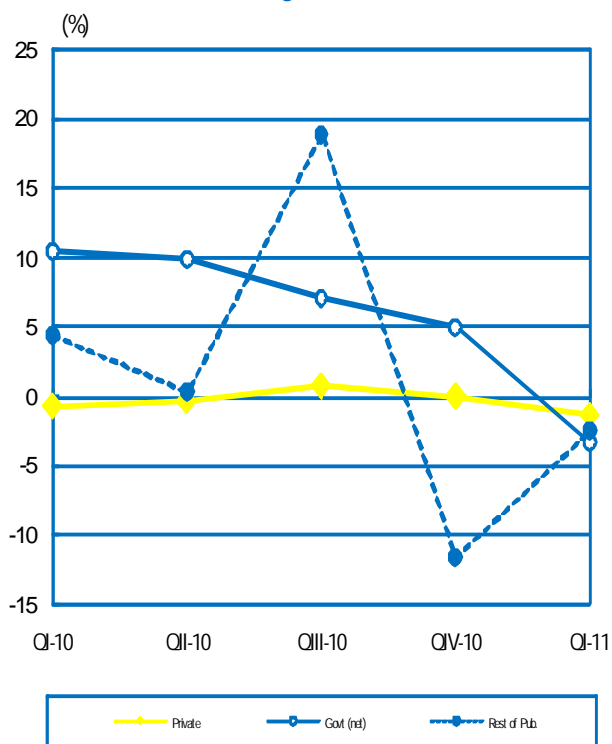
Regarding consumer credit, declines were registered in almost all categories. The largest contractions were noted for miscellaneous (\$15.2 million), credit card (\$9.8 million), home improvement (\$4.4 million), private car (\$3.2 million) and travel (\$2.2 million) loans, with modest accretions of under \$2.0 million posted for most of the

remaining categories. Reflecting the constrained consumer finance conditions, debt consolidation loans firmed by \$20.4 million, while land purchases were up marginally by \$0.6 million.

For the remaining private sector categories, the most significant net repayments occurred for miscellaneous (\$24.1 million) and private financial institutions (\$1.5 million), loans, with declines of under \$1.0 million accruing for several of the other categories. However, gains in credit were registered for entertainment & catering (\$16.2 million), construction (\$2.3 million), manufacturing (\$2.0 million) and distribution (\$1.0 million).

\$35.2 million fall-off. The residential component, which accounts for 93.3% of the total, expanded by \$20.7 million (0.7%) to \$3,009.9 million, to reverse 2010's \$32.8 million (1.1%) contraction. Similarly, the commercial segment grew by \$6.3 million (3.0%), outpacing the \$2.4 million (1.1%) rise for 2010. At end-March, the bulk of the outstanding mortgages was held by domestic banks (89.1%), followed by insurance companies (6.1%) and the Bahamas Mortgage Corporation (4.8%).

Changes in Credit



## MORTGAGES

Information provided by banks, insurance companies and the Bahamas Mortgage Corporation, showed that total mortgages outstanding advanced by \$27.0 million (0.8%) to \$3,226.8 million, a reversal from last year's

Distribution of Bank Credit By Sector  
End-March

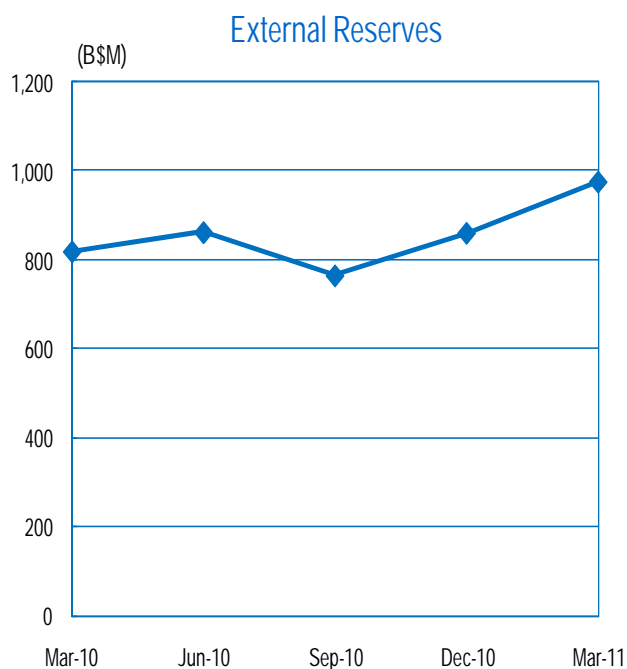
	2010		2011	
	B\$M	%	B\$M	%
Agriculture	17.3	0.3	13.3	0.2
Fisheries	6.9	0.1	5.4	0.1
Mining & Quarry	0.8	0.0	2.5	0.0
Manufacturing	24.2	0.4	32.4	0.5
Distribution	147.7	2.4	151.7	2.4
Tourism	29.1	0.5	21.6	0.3
Enter. & Catering	27.1	0.4	42.9	0.7
Transport	25.8	0.4	30.6	0.5
Construction	276.7	4.4	311.1	5.0
Government	162.1	2.6	78.0	1.2
Public Corps.	31.3	0.5	43.5	0.7
Private Financial	12.8	0.2	17.1	0.3
Prof. & Other Ser.	120.9	1.9	135.0	2.2
Personal	4,968.5	79.1	5,091.6	81.2
Miscellaneous	426.7	6.8	297.2	4.7
TOTAL	6,278.0	100.0	6,274.0	100.0

## THE CENTRAL BANK

During the review quarter, the Central Bank's net claim on the Government was lower by \$15.2 million (5.8%) at \$244.6 million, due to a decrease in holdings of Registered Stock, while the net liability to the rest of the public sector fell by \$7.9 million, due to a decrease in deposit holdings. Reflecting the build-up in banks balances, liabilities to the commercial banks firmed by \$100.9 million, to outpace the reduction in currency in circulation.

Buoyed by several one-off foreign currency transactions, alongside receipts from real sector activities, growth in external reserves strengthened to \$114.7 million from \$3.0 million in the prior period. Reflecting these developments, the net purchase from the Government rose almost three-fold to \$96.8 million, and receipts from commercial banks—inclusive of a bank's \$14.1 million capital repatriation—increased by almost two-fold to \$98.1 million. In contrast, the Bank's net sale to the rest of the public sector increased by \$4.4 million to \$89.0 million.

At end-March, external reserves stood higher by \$156.1 million at \$975.1 million (19.1%), and represented 20.6 weeks of non-oil merchandise import cover, in comparison to the 18.1 weeks a year ago. After adjusting for the 50% statutory requirement on the Central Bank's Bahamian dollar liabilities, 'useable' reserves fell by \$45.8 million to \$499.5 million.



#### DOMESTIC BANKS

Reflecting the muted consumer demand conditions, and the continuation of banks' conservative lending practices in the face of elevated loan arrears, Bahamian dollar credit to the private sector fell by \$87.6 million

(1.3%) during the period, following a 0.7% contraction a year earlier. Growth in banks' private sector deposit liabilities slowed to \$41.6 million (0.8%), from the \$76.8 million (1.4%) advance last year.

At end-March, banks' deposit liabilities—inclusive of Government balances—increased by 0.7% to \$6,146.3 million, the majority of which (96.8%) were in local currency. Private individuals held the bulk of the balances (56.3%), followed by business firms (25.8%), public corporations (7.1%), private financial institutions (4.3%), other (3.6%), Government (2.0%) and public financial institutions (0.8%). By type, the greatest proportion of deposits was held in fixed balances (60.3%), followed by demand (19.5%) and savings (16.9%) deposits.

Disaggregated by range of value and number of accounts, the majority of Bahamian dollar balances (90.5%) were below \$10,000 and accounted for 6.3% of the total value. Accounts ranging between \$10,000 and \$50,000 constituted 6.3% of the number and 11.2% of the total value of balances, while those in excess of \$50,000 comprised 3.2% of total deposits, but 82.6% of the aggregate value.

#### CREDIT QUALITY

With economic conditions continuing to stabilize, private sector arrears fluctuated within the region of \$1.1 billion to \$1.2 billion over the review quarter, and fell by \$7.2 million (0.6%) to \$1,139.9 million at end-March—although gaining \$6.5 million (0.6%) year-on-year. Similarly, the corresponding ratio of arrears to total loans was lower by 2 basis points from the end-December level at 18.25%, but firmed by 68 basis points from end-March, 2010.

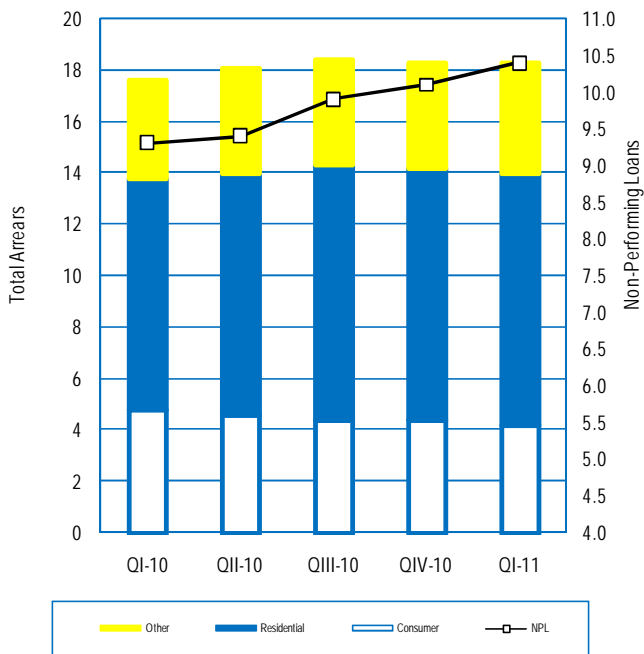
A review of the major categories showed the consumer segment falling by \$14.0 million (5.1%) to \$260.0 million, with the attendant ratio to total consumer loans narrowing, on both a quarterly and yearly basis, by 0.6 and 1.5 percentage points to 12.4%. Additionally, residential mortgage arrears contracted by \$3.5 million (0.6%) to \$614.4 million, thereby lowering the relevant loan ratios to 20.5% from 20.7% at end-December; however, the ratio rose by 85 basis points in comparison to the previous year. In contrast, the commercial segment expanded by \$10.3 million (4.0%) to \$265.5 million,

elevating the corresponding ratio by 1.1 and 3.0 percentage points over the previous quarter and year, respectively, to 25.8%.

Non-performing loans, those with past due payments of more than 90 days and on which interest is no longer accrued, deteriorated by \$16.1 million (2.5%) to \$667.0 million over the quarter. This incremented the ratio to total loans, by 0.3 and 1.3 percentage points on a quarterly and yearly basis, to 10.7%. Underlying this was a worsening in mortgage arrears, by \$12.0 million (4.0%), and more modest accretions to commercial and consumer loan delinquencies of \$3.5 million (1.8%) and \$0.6 million (0.4%), respectively.

### Loan Arrears & Non-Performing Balances

(% of Total Loans)



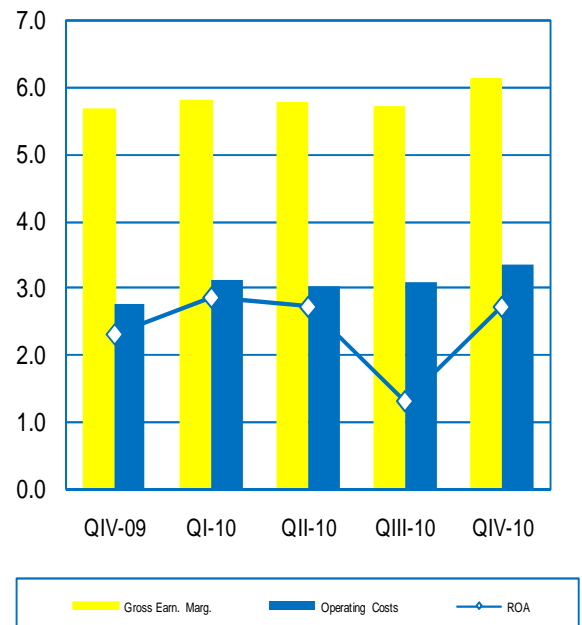
In line with banks' adoption of more conservative lending practices, provisions for bad debts were increased by \$2.3 million (0.8%) over the three-month period to \$273.2 million, with a comparable broadening in the ratio of provisions to total loans, by 6 basis points to 4.38%. As a proportion of arrears, provisions firmed by 35 basis points to 24.0%, but as a ratio of non-performing loans, they contracted by 67 basis points to 40.97%.

### BANK PROFITABILITY

According to the latest available data, higher margins on interest income and lower levels of provisioning buoyed banks' overall profitability during the fourth quarter of 2010, by 24.1% (\$12.5 million) to \$64.3 million, in comparison to the same period a year earlier. Net interest income expanded by 12.4% (\$15.2 million) to \$138.1 million, as gains in interest revenue outpaced the growth in interest expense. In addition, commission and foreign exchange income grew marginally by \$0.9 million to \$5.8 million; however, the net earnings margin narrowed slightly by 0.9% (\$0.6 million) to \$65.2 million, as higher outlays for staffing and other "miscellaneous" costs, resulted in operating expenses firming by 26.9% (\$16.7 million) to \$78.6 million. Banks' net losses from non-core operations fell significantly by 93.5% to \$0.9 million, owing to declines in provisions for bad debts and depreciation costs, by \$8.8 million and \$0.8 million, respectively, while other 'miscellaneous' income firmed by \$3.4 million to \$27.9 million.

### Domestic Banks' Profitability

(% of Avg. Assets)



As a ratio to total assets, net income firmed by 0.4 percentage points to 2.73%, mirroring the growth in the net interest margin to 5.86%, while the ratio of commission and foreign income grew by 3 basis points to 0.25%. In contrast, an increase in the operating cost ratio, by 59 basis points to 3.34%, led to a 15 basis point decline in the net earnings margin to 2.77%.

## INTEREST RATES

During the first quarter, the weighted average interest rate spread narrowed to 8.00% from 8.18% in 2010, reflecting a 25 basis point decrease in the relevant loan rate, which exceeded the 7 basis points falloff in the corresponding deposit rate.

For deposits, demand balances firmed by 33 basis points to 1.76% over the previous quarter and the rate range for fixed maturities narrowed to 2.82% – 3.92% from 3.01% – 4.00%. More modest accretions were recorded for the average savings rate, of 2 basis points to 1.85%.

On the lending side, average consumer loan and overdraft rates fell, by 18 and 17 basis points, to 13.51% and 10.21%, respectively. In contrast, the average rate on residential mortgages rose by 6 basis points to 8.07%, and the corresponding commercial component, by 12 basis points to 8.75%.

Trends in other key interest rates showed the average 90-day Treasury bill rate lower by 29 basis points at 1.80%, while the Central Bank's Discount Rate and Commercial Banks' Prime Rate were unchanged at 5.25% and 5.50%, respectively.

## CAPITAL MARKETS DEVELOPMENTS

Equity markets were relatively subdued over the quarter, as evidenced by the decline in the Bahamas International Securities Exchange (BISX) All Share Index, by 1.7% to 1,473.41. In comparison to the previous year, the volume of shares traded contracted to 0.4 million from 6.7 million, inclusive of a 6.0 million share repurchase, with a corresponding decrease in the value of shares traded to \$1.6 million from \$5.4 million in 2010. Partly

owing to the delisting of one company in July 2010, market capitalization fell by 7.3% to \$2.9 billion from end-March 2010, while the number of securities listed declined by 1 to 23.

## Banking Sector Interest Rates

Period Average (%)

	Qtr. I 2010	Qtr. IV 2010	Qtr. I 2011
<b>Deposit Rates</b>			
Demand Deposits	1.63	1.43	1.76
Savings Deposits	2.06	1.83	1.85
<b>Fixed Deposits</b>			
Up to 3 months	3.45	3.01	2.82
Up to 6 months	3.73	3.38	3.31
Up to 12 months	4.22	3.88	3.92
Over 12 months	4.31	4.00	3.89
Weighted Avg Deposit Rate	3.73	3.25	3.18
<b>Lending Rates</b>			
Residential mortgages	8.22	8.01	8.07
Commercial mortgages	8.60	8.63	8.75
Consumer loans	12.90	13.69	13.51
Other Local Loans	8.91	8.30	7.98
Overdrafts	11.91	10.38	10.21
Weighted Avg Loan Rate	10.63	11.43	11.18

## INTERNATIONAL TRADE AND PAYMENTS

Provisional data for the first quarter of 2011 indicated that the current account deficit rose more than four-fold to \$177.9 million vis-à-vis the same period last year. The expansion in the goods deficit and decline in the services account surplus were both impacted by the firming in foreign investment activity in the hotel sector and to a lesser extent the public sector's ongoing capital projects, which typically lead to higher imports and payments for contractual services. As foreign investment projects are predominantly financed by corresponding capital inflows, the surplus on the capital and financial account more than doubled to an estimated \$319.7 million.

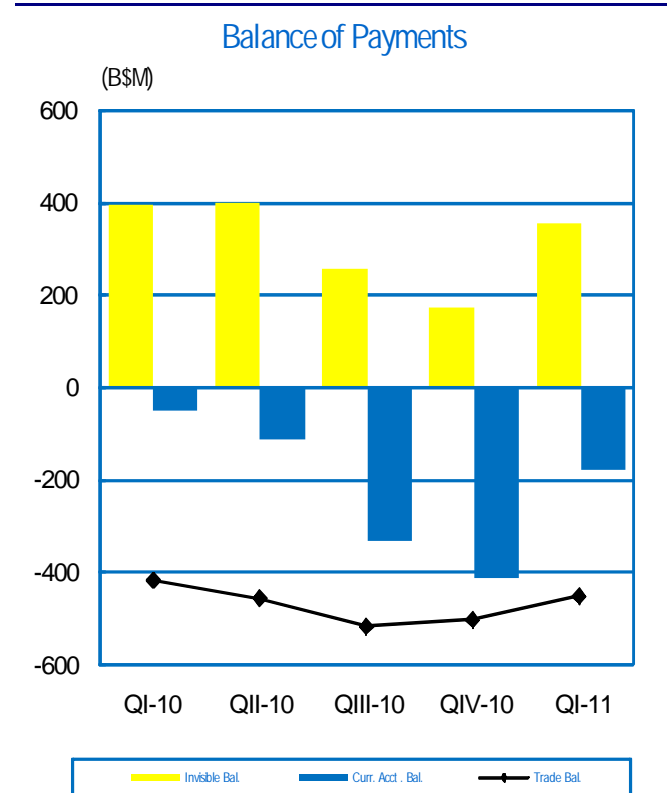
The estimated merchandise trade deficit firmed by \$35.2 million to \$450.5 million, owing to a \$73.3 million (12.7%) gain in imports to \$649.7 million, which overshadowed a \$38.1 million (23.6%) advance in goods exports to \$199.2 million. Payments for fuel imports rose by 16.2% to \$192.3 million, mainly on account of higher international oil prices, which negated a reduction in volumes. Specifically, the average cost per barrel for motor gas almost doubled to \$116.97; while more moderate average price gains were posted for gas oil (52.1% to \$130.80); jet-fuel (20.0% to \$93.37) and for propane (9.2% to \$72.33). In contrast, the average cost of aviation gas declined by 16.0% to \$126.00.

The surplus on the services account receded by \$38.4 million (9.7%) to \$355.7 million, as the restart of a major foreign investment project led to an almost seven-fold (\$55.8 million) increase in net payments for foreign investment related construction services, to \$65.5 million. Continued softness in tourism activity, combined with an uptick in residents' travel expenditures, explained the \$32.2 million (5.9%) decline in net travel receipts to \$515.8 million. Partially offsetting these trends, the net outflow for government services was significantly reduced, by \$28.4 million to \$4.7 million, while net payments for transportation services contracted by \$10.5 million to \$31.5 million. More moderate declines were posted for net payments of other "miscellaneous" and insurance services, of \$3.5 million and \$3.6 million to \$76.3 million and \$21.5 million, respectively. However, offshore companies' local expenses firmed by \$9.8 million to \$42.5 million.

The deficit on the income account firmed by \$18.7 million to \$54.9 million, partly explained by a \$7.1 million increase in compensation paid to non-residents. Similarly, interest and dividend outflows by non-bank companies grew by \$21.1 million to \$54.7 million, dominated by transactions associated with the oil and brewery sectors. In contrast, commercial banks recorded a net inflow of interest payments of \$6.3 million, which was a reversal from the \$2.7 million net outflow in the previous year.

Current transfers, which posted a net inflow of \$8.1 million a year ago, were reversed to a net outflow of \$28.0 million. The outturn resulted from the ratcheting-up

in other net transfer outflows, from \$1.9 million to \$48.1 million, and workers' remittances rose by \$5.5 million to \$13.2 million. These developments were only partly countered by the timing-related increase in tax receipts from the cruise industry, which contributed to a near doubling in the net inflow to the Government, of \$15.6 million to \$33.3 million.



The widening in the surplus on the capital and financial account was underpinned by a rebound in net direct investment inflows and other net investment inflows, by \$86.0 million and \$87.6 million, to \$236.2 million and \$89.7 million, respectively. Buoyed by increased investments for a major resort development project, net direct equity investment inflows intensified by \$108.1 million to \$223.1 million, to compensate for a reduction in net real estate purchases of \$22.1 million to \$13.0 million. Private sector net borrowings, as categorized under "miscellaneous" investments, expanded by \$79.6 million to \$113.5 million, owing mainly to increased loan financing for a foreign investment project.

In addition, net public sector borrowings—primarily for infrastructure projects—amounted to \$19.3 million, following a \$9.9 million net inflow a year earlier. Net repayments of foreign currency debt by a domestic private entity contributed to the \$43.1 million reduction in domestic banks' external liabilities, following the previous year's \$41.7 million net repayment. Outward portfolio investments, associated largely with activities under the Central Bank's 2006 capital account liberalisation programmes, fell by \$1.8 million to \$5.8 million, owing to a corresponding decline in equity investments to \$2.6 million. Meanwhile, net capital outflows fell by \$0.1 million to \$0.4 million.

After adjusting for net errors and omissions, the surplus on the overall balance, as represented by the change in the Central Bank's external reserves, expanded to \$114.7 million. This contrasted with a \$3.0 million contraction in the first quarter of 2010.

## INTERNATIONAL ECONOMIC DEVELOPMENTS

Preliminary estimates suggest that the improvement in the global economy continued at a moderate pace during the first quarter of 2011, amid heightened risks to growth, including geopolitical tensions in the Middle East and in March, Japan's devastating earthquake. In this environment, unemployment rates eased marginally from their elevated levels, while rising crude oil and other commodity prices caused a modest firming in global inflation. With investors' confidence supported by the ongoing global recovery, most of the major stock indices posted gains; however, concerns over US fiscal policies caused the US Dollar to depreciate against most of its major counterparts.

The major economies maintained a positive momentum over the review quarter, although ongoing challenges continued to constrain the growth performance of the developed markets. In the United States, real GDP growth slackened to an annualized 1.8% in the first quarter, after a 3.1% pace in the previous three-month period, due to weaker consumer and government spending and higher imports in tandem with rising oil prices. Beset by a sluggish services sector and slowing manu-

facturing growth, real output in the United Kingdom expanded by 0.5%, although an improvement from a similar decline in the prior quarter. Despite the rapid deterioration in fiscal deficits and expanding debt levels of several countries, real GDP for the euro area firmed by 2.5% on an annual basis in the first quarter, extending the 2.0% gain for the previous three-month period. Growth was powered by both export and domestic demand gains in Germany and France—the region's two largest economies. China's fast paced economic expansion slowed only slightly, to an annualized 9.7% from 9.8% in the final quarter of 2010, and was driven by continued gains in industrial production and fixed asset investments. Reflecting the impact of the natural disasters and the subsequent nuclear crisis, Japan's economy declined further by an annualized 3.7%, extending the 3.0% contraction in the fourth quarter of last year.

Employment conditions remained relatively weak during the quarter, although showing some tightening as the economic recovery continued to take hold. In the United States, the jobless rate eased by 6 basis points to 8.8%, owing to accretions to professional and business services, health care, leisure & hospitality and mining. The United Kingdom's unemployment rate declined by 20 basis points to 7.7% in the three-months ending March, while the corresponding euro area rate narrowed by 10 basis points to 9.9%. In Asia, China's jobless rate steadied at 4.1% over the quarter, while unemployment in Japan contracted by 30 basis points to 4.6%.

Buoyed by higher international oil prices, inflation firmed broadly across most of the key global markets. In the United States, annual consumer price inflation accelerated to 2.7% in March from 1.5% at end-December, reflecting increases in fuel and food prices. Higher commodity prices and the increase in the value added tax in January led to a firming in annual inflation for the United Kingdom, to 4.4% from 3.7% in the December quarter. Gains in energy cost and food prices also pushed annual inflation in the euro-zone up, by 0.5 of a percentage point to 2.7%, over the previous three-month period. Elevated food and housing continued to exert upward pressure on average prices in China, which rose by an annualized 5.4% in March, up from 4.6% in De-

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ember; while inflation in Japan firmed by 0.3% year-on-year, following a 0.7% contraction in December.

In foreign currency markets, the US Dollar weakened against most major currencies during the quarter, in the context of comparatively better economic prospects in other major markets, as well as market expectations of earlier than expected interest rate increases by the Bank of England and the European Central Bank (ECB). The US Dollar weakened against the euro, by 5.4% to €0.71, vis-à-vis the Canadian dollar, by 2.8% to CND\$0.97, and relative to the Swiss Franc, by 1.7% to CHF0.92. Additionally, the Dollar depreciated versus the British pound, by 2.6% to £0.62, and against the Chinese Yuan, by 0.6% to CNY6.55. In contrast, supported by coordinated central bank intervention in the foreign exchange markets in March, the Dollar appreciated against the Japanese Yen, by 2.4% to ¥83.13.

Equity markets overcame a number of obstacles to generate robust returns for the first quarter, as investors gained confidence in the recovery. In the United States, both the Dow Jones Industrial Average (DJIA) and the S&P 500 rallied by 6.4% and by 5.4%, respectively. In Europe, the United Kingdom's FTSE 100 registered a more modest return of 0.1%, while France's CAC 40 firmed by 4.8% and Germany's DAX, by 1.8%. Developments in Asia were mixed, as China's SE Composite rallied by 4.3%, whereas increased uncertainty over the effects of the earthquake and nuclear fallout, combined with supply disruptions at several of the country's largest companies, resulted in Japan's Nikkei 225 index declining by 4.6% over the quarter.

Heightened concerns over supply disruptions following political unrest in the mid-East, alongside a rise in world demand owing to sever cold weather conditions in the Northern Hemisphere, fostered an increase in the quarterly cost of crude oil, by 23.2% to \$115.16 per barrel. In this context, elevated investor demand for relatively "safe" assets resulted in the average price of gold rising marginally by 0.8% to \$1,432.30 per ounce, while silver costs surged by 21.8% to \$37.67 per ounce.

To support the economic recovery, most major central banks maintained their accommodative monetary policy stance. In the United States, the Federal Reserve

held the federal funds rate at 0.00-0.25% and sustained its Treasury bond purchase programme, which is targeted to expire at end-June 2011. Similarly, the Bank of England kept its benchmark rate at 0.5% and the size of its asset purchase plan at £200 billion. The European Central Bank also retained its key policy rates unchanged over the quarter, although signaling that it would raise interest rates in response to rising inflationary pressures. In Asia, accelerating inflation, mainly driven by higher food and energy prices, prompted policy responses from several central banks in the region. In particular, the People's Bank of China increased its reserve requirement ratio for depository financial institutions, by 0.5 of a percentage point, in an effort to contain inflationary pressures. In contrast, faced with the need to support the post-earthquake recovery, the Bank of Japan held its main bank rate at 0.0% – 0.1%, and in March expanded the size of its asset purchase programme, by ¥5 trillion to ¥40 trillion. The Bank also intervened in the foreign exchange markets to reduce the appreciation of the Japanese Yen.

External sector developments registered expanded trade among the major economies over the quarter. Propelled by a rise in imports, which reflected higher fuel prices and growing demand for automobiles, the United States' goods and services deficit widened by 19.6% (\$7.9 billion) to \$48.2 billion. In the United Kingdom, the trade gap narrowed by £5.4 billion to £9.3 billion in the first quarter, owing to a £0.8 billion expansion in the services surplus coupled with a £4.6 billion decrease in the goods deficit. The external trade deficit in the euro area broadened to €16.2 billion from €6.3 billion a year earlier, led by a 24.0% expansion in imports, which outstripped export gains of 21.0%. Over the review quarter, China recorded a trade deficit of US\$1.0 billion, following a \$64.1 billion surplus in the previous quarter, as robust domestic demand and higher international commodity prices helped fuel a 32.6% expansion in imports. On an annual basis, the trade surplus in Japan declined by 72.1% to ¥569.1 billion, occasioned by a 15.2% expansion in imports, which overshadowed a 3.5% decline in 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	2006			2007			2008			2009			2010			2011	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar. <sup>R</sup>	Jun.	Dec.	Mar.	
	<b>(B\$ Millions)</b>																
<b>Net foreign assets</b>	(254.4)	(213.4)	(140.9)	(42.0)	(58.1)	(41.9)	134.1	178.8	250.0	(28.0)	152.1	312.0					
Central Bank	499.7	454.2	562.9	623.8	770.4	754.9	816.0	819.0	862.1	765.4	860.4	975.1					
Domestic Banks	(754.1)	(667.6)	(703.8)	(665.8)	(828.5)	(796.8)	(681.9)	(640.2)	(612.1)	(793.4)	(708.3)	(663.1)					
<b>Net domestic assets</b>	5,399.5	5,850.7	6,064.9	6,070.7	6,078.0	6,078.2	5,898.2	5,948.6	6,007.3	6,261.9	6,038.9	5,916.0					
Domestic credit	6,742.9	7,434.3	7,909.1	7,933.8	7,964.2	8,174.4	8,039.7	8,118.4	8,223.1	8,444.5	8,448.2	8,302.3					
Public sector	1074.2	1,215.9	1,372.3	1,450.0	1,447.4	1,616.7	1,443.8	1,569.7	1,696.7	1,869.1	1,875.5	1,817.0					
Government (net)	677.0	866.8	924.0	1042.9	1041.8	1205.2	1023.9	1,131.3	1,257.1	1,346.3	1,413.7	1,366.8					
Rest of public sector	397.2	349.1	448.3	407.1	405.6	411.5	419.9	438.4	439.6	522.8	461.8	450.2					
Private sector	5,668.7	6,218.4	6,536.8	6,483.8	6,516.8	6,557.7	6,595.9	6,548.7	6,526.4	6,575.4	6,572.7	6,485.3					
Other items (net)	(1,343.4)	(1,583.6)	(1,844.2)	(1,863.1)	(1,886.2)	(2,096.2)	(2,141.5)	(2,169.8)	(2,215.8)	(2,182.6)	(2,409.3)	(2,386.3)					
<b>Monetary liabilities</b>	5,145.1	5,637.3	5,924.0	6,028.7	6,019.9	6,036.3	6,032.3	6,127.4	6,257.3	6,233.9	6,191.1	6,228.0					
Money	1,251.1	1,300.3	1,274.5	1,336.4	1,285.2	1,277.8	1,283.6	1,274.8	1,374.7	1,365.8	1,335.2	1,340.0					
Currency	202.1	223.7	205.8	197.0	194.3	184.2	207.8	186.9	186.7	188.7	194.5	194.3					
Demand deposits	1,049.0	1,076.6	1,068.7	1,139.4	1,090.9	1,093.6	1,075.8	1,087.9	1,188.0	1,177.1	1,140.6	1,145.7					
Quasi-money	3,894.0	4,337.0	4,649.5	4,692.3	4,734.7	4,758.5	4,748.7	4,852.6	4,882.6	4,868.1	4,855.9	4,888.0					
Fixed deposits	2,781.5	3,144.8	3,427.7	3,451.8	3,480.5	3,506.7	3,521.4	3,610.6	3,641.5	3,653.5	3,615.4	3,647.3					
Savings deposits	953.3	992.1	1,020.4	1,031.4	1,040.5	1,007.1	995.4	1,004.6	1,012.4	1,006.0	1,015.8	1,039.9					
Foreign currency	159.2	200.1	201.4	209.1	213.7	244.7	231.9	237.4	228.7	208.6	224.7	200.8					
<b>Total domestic credit</b>	14.3	10.3	6.4	0.3	0.4	2.6	(1.6)	1.0	1.3	2.7	0.0	(1.7)					
Public sector	13.6	13.2	12.9	5.7	(0.2)	11.7	(10.7)	8.7	8.1	10.2	0.3	(3.1)					
Government (net)	5.4	28.0	6.6	12.9	(0.1)	15.7	(15.0)	10.5	11.1	7.1	5.0	(3.3)					
Rest of public sector	31.0	(12.1)	28.4	(9.2)	(0.4)	1.5	2.0	4.4	0.3	18.9	(11.7)	(2.5)					
Private sector	14.4	9.7	5.1	(0.8)	0.5	0.6	0.6	(0.7)	(0.3)	0.8	(0.0)	(1.3)					
<b>Monetary liabilities</b>	6.5	9.6	5.1	1.8	(0.1)	0.3	(0.1)	1.6	2.1	(0.4)	(0.7)	0.6					
Money	0.3	3.9	(2.0)	4.9	(3.8)	(0.6)	0.5	(0.7)	7.8	(0.6)	(2.2)	0.4					
Currency	3.5	10.7	(8.0)	(4.3)	(1.4)	(5.2)	12.8	(10.1)	(0.1)	1.1	3.1	(0.1)					
Demand deposits	(0.3)	2.6	(0.7)	6.6	(4.3)	0.2	(1.6)	1.1	9.2	(0.9)	(3.1)	0.4					
Quasi-money	8.7	11.4	7.2	0.9	0.9	0.5	(0.2)	2.2	0.6	(0.3)	(0.3)	0.7					

(percentage changes)

Source: The Central Bank of The Bahamas

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

End of Period	2006			2007			2008			2009			2010			2011	
	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.	Mar.	
	<b>(B\$ Millions)</b>																
<b>Net foreign assets</b>	(235.0)	(197.2)	(123.6)	(28.0)	(27.1)	(0.5)	167.3	203.8	269.0	(19.2)	113.9	266.4					
Central Bank	499.7	454.2	562.9	623.8	770.4	754.9	816.0	819.0	862.1	765.4	860.4	975.1					
Commercial banks	(734.7)	(651.4)	(686.5)	(651.8)	(797.5)	(755.4)	(648.7)	(615.2)	(593.1)	(784.6)	(746.6)	(708.7)					
<b>Net domestic assets</b>	5,299.4	5,800.3	6,018.5	6,028.5	6,015.5	6,010.2	5,832.9	5,889.6	5,947.4	6,216.5	6,040.6	5,919.5					
Domestic credit	6,588.8	7,401.4	7,882.7	7,908.8	7,918.9	8,126.8	8,000.0	8,080.6	8,191.8	8,414.9	8,417.1	8,273.2					
Public sector	1,068.9	1,212.8	1,369.3	1,445.8	1,422.7	1,588.6	1,428.3	1,552.5	1,683.0	1,854.9	1,861.0	1,802.2					
Government (net)	671.7	863.8	921.0	1,038.7	1,017.1	1,177.2	1,008.4	1,114.2	1,243.3	1,332.2	1,404.6	1,357.4					
Rest of public sector	397.2	349.0	448.3	407.1	405.6	411.4	419.9	438.3	439.6	522.7	456.4	444.8					
Private sector	5,519.9	6,188.6	6,513.4	6,463.0	6,496.2	6,538.2	6,571.7	6,528.1	6,508.9	6,559.9	6,556.1	6,470.9					
Other items (net)	(1,289.4)	(1,601.1)	(1,864.2)	(1,880.3)	(1,903.4)	(2,116.6)	(2,167.1)	(2,191.0)	(2,244.4)	(2,198.4)	(2,376.5)	(2,353.7)					
<b>Monetary liabilities</b>	5,064.4	5,603.1	5,894.9	6,000.5	5,988.4	6,009.7	6,000.2	6,093.3	6,216.4	6,197.3	6,154.6	6,185.7					
Money	1,238.1	1,278.9	1,257.6	1,319.7	1,265.0	1,261.1	1,261.9	1,253.2	1,345.1	1,342.6	1,314.7	1,316.4					
Currency	202.1	223.7	205.8	197.0	194.3	184.2	207.8	186.9	186.6	188.7	194.5	194.3					
Demand deposits	1,036.0	1,055.2	1,051.8	1,122.7	1,070.7	1,076.9	1,054.1	1,066.3	1,158.4	1,153.9	1,120.2	1,122.1					
Quasi-money	3,826.3	4,324.2	4,637.3	4,680.8	4,723.4	4,748.6	4,738.3	4,840.1	4,871.4	4,854.8	4,839.8	4,869.4					
Savings deposits	953.1	991.9	1,020.2	1,031.1	1,040.2	1,007.0	995.3	1,004.4	1,012.4	1,005.9	1,015.8	1,039.9					
Fixed deposits	2,714.1	3,132.2	3,415.8	3,440.6	3,469.5	3,497.0	3,511.1	3,598.3	3,630.4	3,640.2	3,601.8	3,632.1					
Foreign currency deposits	159.1	200.1	201.3	209.1	213.7	244.6	231.9	237.4	228.6	208.6	222.2	197.4					
	<b>(percentage change)</b>																
<b>Total domestic credit</b>	14.5	12.3	6.5	0.3	0.1	2.6	(1.6)	1.0	1.4	2.7	0.0	(1.7)					
Public sector	13.0	13.5	12.9	5.6	(1.6)	11.7	(10.1)	8.7	8.4	10.2	0.3	(3.2)					
Government (net)	4.5	28.6	6.6	12.8	(2.1)	15.7	(14.3)	10.5	11.6	7.1	5.4	(3.4)					
Rest of public sector	31.0	(12.1)	28.4	(9.2)	(0.4)	1.4	2.1	4.4	0.3	18.9	(12.7)	(2.5)					
Private sector	14.8	12.1	5.2	(0.8)	0.5	0.6	0.5	(0.7)	(0.3)	0.8	(0.1)	(1.3)					
<b>Monetary liabilities</b>	7.4	10.6	5.2	1.8	(0.2)	0.4	(0.2)	1.6	2.0	(0.3)	(0.7)	0.5					
Money	1.2	3.3	(1.7)	4.9	(4.1)	(0.3)	0.1	(0.7)	7.3	(0.2)	(2.1)	0.1					
Currency	3.5	10.7	(8.0)	(4.3)	(1.4)	(5.2)	12.8	(10.1)	(0.1)	1.1	3.1	(0.1)					
Demand deposits	0.8	1.9	(0.3)	6.7	(4.6)	0.6	(2.1)	1.2	8.6	(0.4)	(2.9)	0.2					
Quasi-money	9.5	13.0	7.2	0.9	0.9	0.5	(0.2)	2.1	0.6	(0.3)	(0.3)	0.6					

Source: The Central Bank of The Bahamas

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

End of Period	(B\$ Millions)																	
	2006			2007			2008			2009			2010			2011		
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec. <sup>R</sup>	Mar.	Jun.	Dec.	Mar.		
<b>Net foreign assets</b>	499.7	454.2	562.9	623.8	770.4	754.9	816.0	862.1	860.4	819.0	862.1	765.4	860.4	819.0	862.1	765.4	860.4	975.1
Balances with banks abroad	90.5	59.5	205.8	268.5	354.2	177.5	270.9	270.5	317.7	270.5	317.7	157.3	175.2	270.5	317.7	157.3	175.2	265.7
Foreign securities	399.8	384.7	347.4	345.9	406.5	386.6	356.2	365.6	420.7	365.6	366.2	420.7	499.7	365.6	366.2	420.7	499.7	518.5
Reserve position in the Fund	9.4	9.9	9.6	9.4	9.7	9.9	9.8	9.5	9.7	9.5	9.3	9.7	9.6	9.5	9.3	9.7	9.6	9.9
SDR holdings	--	0.1	0.1	--	--	180.9	179.1	173.4	177.7	173.4	168.9	177.7	175.9	173.4	168.9	177.7	175.9	181.0
<b>Net domestic assets</b>	85.1	235.7	76.9	55.8	74.0	141.4	73.3	77.0	144.2	77.0	80.6	144.2	156.7	77.0	80.6	144.2	156.7	148.4
Net claims on Government	182.5	332.3	198.8	195.3	184.7	245.9	182.1	179.3	244.1	179.3	186.3	244.1	259.8	179.3	186.3	244.1	259.8	244.6
Claims	190.6	347.8	202.9	221.4	213.6	269.3	202.8	189.7	274.3	189.7	200.4	259.3	274.3	189.7	200.4	259.3	274.3	261.7
Treasury bills	52.2	143.5	6.3	28.7	--	52.2	--	--	7.2	--	7.2	22.2	--	--	7.2	22.2	--	--
Bahamas registered stock	76.4	132.4	124.6	120.7	116.6	120.1	105.8	92.7	96.2	92.7	96.2	125.1	162.3	92.7	96.2	125.1	162.3	149.7
Loans and advances	62.0	72.0	72.0	72.0	97.0	97.0	97.0	97.0	97.0	97.0	97.0	112.0	112.0	97.0	97.0	112.0	112.0	112.0
Deposits	(8.1)	(15.6)	(4.1)	(26.1)	(28.9)	(23.4)	(20.7)	(10.4)	(14.1)	(10.4)	(14.1)	(15.2)	(14.5)	(10.4)	(14.1)	(15.2)	(14.5)	(17.0)
In local currency	(8.1)	(15.6)	(4.1)	(26.1)	(28.9)	(23.4)	(20.7)	(10.4)	(14.1)	(10.4)	(14.1)	(15.2)	(14.5)	(10.4)	(14.1)	(15.2)	(14.5)	(17.0)
In foreign currency	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Deposits of rest of public sector	(18.3)	(10.4)	(10.4)	(16.3)	(17.2)	(10.2)	(15.8)	(12.6)	(13.9)	(12.6)	(13.9)	(13.4)	(15.4)	(12.6)	(13.9)	(13.4)	(15.4)	(7.5)
Credit to commercial banks	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Official capital and surplus	(107.3)	(111.6)	(125.9)	(127.6)	(129.2)	(130.7)	(140.5)	(137.4)	(137.6)	(137.4)	(137.6)	(132.1)	(132.0)	(137.4)	(137.6)	(132.1)	(132.0)	(133.6)
Net unclassified assets	20.1	17.9	7.1	(2.8)	28.7	29.4	40.5	40.9	39.0	40.9	39.0	39.0	38.0	40.9	39.0	39.0	38.0	38.5
Loans to rest of public sector	7.0	6.8	6.5	6.4	6.2	6.2	6.2	6.0	6.0	6.0	6.0	5.8	5.6	6.0	6.0	5.8	5.6	5.6
Public Corp Bonds/Securities	1.0	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
<b>Liabilities To Domestic Banks</b>	(367.3)	(450.1)	(439.0)	(499.9)	(634.2)	(515.0)	(486.5)	(520.2)	(572.0)	(520.2)	(572.0)	(527.3)	(631.0)	(520.2)	(572.0)	(527.3)	(631.0)	(731.9)
Notes and coins	(116.2)	(110.1)	(117.6)	(78.2)	(85.6)	(87.3)	(111.8)	(86.2)	(89.1)	(86.2)	(89.1)	(83.8)	(113.2)	(86.2)	(89.1)	(83.8)	(113.2)	(84.5)
Deposits	(251.1)	(340.0)	(321.4)	(421.7)	(548.6)	(427.7)	(374.7)	(434.0)	(482.9)	(434.0)	(482.9)	(443.5)	(517.8)	(434.0)	(482.9)	(443.5)	(517.8)	(647.4)
SDR allocation	(15.4)	(16.2)	(15.8)	(15.3)	(15.9)	(197.1)	(195.0)	(188.9)	(184.0)	(188.9)	(184.0)	(193.6)	(191.6)	(188.9)	(184.0)	(193.6)	(191.6)	(197.3)
Currency held by the private sector	(202.1)	(223.7)	(205.8)	(197.0)	(194.3)	(184.2)	(207.8)	(186.9)	(186.7)	(186.9)	(186.7)	(188.7)	(194.5)	(186.9)	(186.7)	(188.7)	(194.5)	(194.3)

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

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

(B\$ Millions)

End of Period	2006			2007			2008			2009			2010			2011	
	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec.	Mar.	Jun.	Dec. <sup>R</sup>	Mar.	Jun.	Dec. <sup>R</sup>	Mar.	Jun.
<b>Net foreign assets</b>	(754.1)	(667.6)	(703.8)	(665.8)	(828.5)	(796.8)	(681.9)	(640.2)	(612.1)	(793.4)	(705.8)	(663.1)					
<b>Net claims on Central Bank</b>	366.5	448.4	439.9	500.8	635.2	515.9	487.4	521.3	572.5	528.4	631.9	733.1					
Notes and Coins	116.2	110.1	117.6	78.2	85.6	87.3	111.8	86.2	89.1	83.8	113.2	84.5					
Balances	251.1	339.1	322.3	422.6	549.6	428.6	375.6	435.1	483.4	444.6	518.7	648.6					
Less Central Bank credit	0.8	0.8	--	--	--	--	--	--	--	--	--	--					
<b>Net domestic assets</b>	4,935.4	5,199.7	5,534.1	5,490.6	5,555.8	5,664.7	5,564.4	5,565.7	5,614.4	5,811.9	5,567.7	5,465.3					
Net claims on Government	494.5	534.5	725.2	847.6	857.1	959.3	843.0	952.0	1,070.8	1,102.2	1,152.3	1,122.2					
Treasury bills	10.0	50.8	180.2	208.8	172.6	161.7	214.0	218.3	267.6	264.1	293.7	294.8					
Other securities	437.1	468.5	533.5	602.6	619.7	707.3	704.6	705.4	740.4	752.8	799.6	799.4					
Loans and advances	156.3	120.3	145.8	176.2	219.0	238.6	76.5	166.3	205.3	212.6	180.3	148.0					
Less: deposits	108.9	105.0	134.3	140.0	154.2	148.3	152.1	138.0	142.5	127.3	121.3	120.1					
Net claims on rest of public sect	12.3	(78.9)	3.4	(89.9)	(47.3)	(53.6)	(25.7)	(49.5)	(49.0)	31.4	(31.9)	(47.2)					
Securities	121.1	97.7	97.5	99.5	99.5	99.5	107.0	107.0	107.0	107.0	115.6	115.6					
Loans and advances	268.1	243.9	343.6	300.4	299.1	305.0	305.9	324.6	325.9	409.1	339.8	328.2					
Less: deposits	376.8	420.5	437.7	489.8	445.9	458.1	438.6	481.1	481.9	484.7	487.3	491.0					
Other net claims	(17.9)	(6.9)	(0.1)	(5.1)	(11.1)	(18.9)	(8.1)	(7.2)	(1.9)	(2.7)	(3.4)	(10.1)					
Credit to the private sector	5,668.7	6,218.4	6,536.8	6,483.8	6,516.8	6,557.7	6,595.9	6,548.7	6,526.4	6,575.5	6,572.7	6,485.3					
Securities	21.7	29.6	28.8	29.2	28.3	30.2	27.2	25.9	22.3	21.4	17.4	16.0					
Mortgages	2,258.1	2,580.4	2,819.7	2,848.4	2,881.4	2,918.3	2,949.6	2,950.0	2,968.8	3,078.4	3,192.4	3,218.6					
Loans and advances	3,388.9	3,608.4	3,688.3	3,606.2	3,607.1	3,609.2	3,619.1	3,572.8	3,535.3	3,475.7	3,363.0	3,250.7					
Private capital and surplus	(1,477.5)	(1,654.1)	(1,864.6)	(1,911.6)	(1,967.2)	(1,978.2)	(2,033.0)	(2,062.1)	(2,061.8)	(2,034.4)	(2,281.9)	(2,254.5)					
Net unclassified assets	255.3	186.7	133.4	165.8	207.5	198.4	192.3	183.8	129.9	139.9	159.9	169.7					
<b>Liabilities to private sector</b>	4,547.8	4,982.7	5,270.2	5,325.6	5,362.5	5,383.8	5,370.0	5,446.8	5,574.8	5,547.0	5,493.7	5,535.3					
Demand deposits	1,112.9	1,174.8	1,150.2	1,177.8	1,174.6	1,196.6	1,204.2	1,184.4	1,296.3	1,271.3	1,249.6	1,237.1					
Savings deposits	956.8	994.7	1,024.1	1,036.5	1,044.6	1,014.2	1,003.5	1,007.3	1,014.1	1,008.0	1,017.8	1,042.7					
Fixed deposits	2,478.1	2,813.2	3,095.9	3,111.3	3,143.3	3,173.0	3,162.3	3,255.1	3,264.4	3,267.7	3,226.3	3,255.5					

Source: The Central Bank of The Bahamas

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

(B\$'000s)

Period	2007	2008	2009	2009				2010					
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV		
1. Interest Income	744,537	760,159	728,878	182,363	182,990	180,720	182,805	183,559	183,176	182,764	192,675		
2. Interest Expense	291,206	278,219	244,468	62,116	59,386	63,023	59,943	57,990	56,879	56,503	54,618		
3. <b>Interest Margin (1-2)</b>	453,331	481,940	484,410	120,247	123,604	117,697	122,862	125,569	126,297	126,261	138,057		
4. Commission & Forex Income	31,714	32,328	22,005	8,185	3,617	5,300	4,903	5,495	5,889	5,651	5,785		
5. <b>Gross Earnings Margin (3+4)</b>	485,045	514,268	506,415	128,432	127,221	122,997	127,765	131,064	132,186	131,912	143,842		
6. Staff Costs	133,309	148,364	149,222	36,444	37,450	38,016	37,312	38,400	40,032	38,808	40,993		
7. Occupancy Costs	20,612	23,409	23,417	5,251	6,319	5,727	6,120	5,978	5,621	6,422	5,943		
8. Other Operating Costs	79,480	91,867	87,245	27,460	20,671	20,559	18,555	25,864	23,609	25,875	31,703		
9. <b>Operating Costs (6+7+8)</b>	233,401	263,640	259,884	69,155	64,440	64,302	61,987	70,242	69,262	71,105	78,639		
10. <b>Net Earnings Margin (5-9)</b>	251,644	250,628	246,531	59,277	62,781	58,695	65,778	60,822	62,924	60,807	65,203		
11. Depreciation Costs	11,673	13,412	14,134	3,377	3,233	3,320	4,204	3,601	4,185	4,080	3,372		
12. Provisions for Bad Debt	39,817	82,204	121,092	22,916	36,273	27,680	34,223	20,616	26,549	52,123	25,398		
13. Other Income	107,271	120,334	96,990	25,559	23,213	23,763	24,455	27,806	30,093	25,517	27,868		
14. <b>Other Income (Net) (13-11-12)</b>	55,781	24,718	(38,236)	(734)	(16,293)	(7,237)	(13,972)	3,589	(641)	(30,686)	(902)		
15. <b>Net Income (10+14)</b>	307,425	275,346	208,295	58,543	46,488	51,458	51,806	64,411	62,283	30,121	64,301		
16. <b>Effective Interest Rate Spread (%)</b>	6.25	6.51	6.34	6.24	6.52	6.20	6.40	6.20	6.24	6.04	6.20		
				<b>(Ratios To Average Assets)</b>									
Interest Margin	5.50	5.39	5.31	5.20	5.41	5.17	5.46	5.55	5.50	5.47	5.86		
Commission & Forex Income	0.38	0.36	0.24	0.35	0.16	0.23	0.22	0.24	0.26	0.24	0.25		
Gross Earnings Margin	5.89	5.75	5.55	5.55	5.57	5.40	5.68	5.80	5.76	5.71	6.11		
Operating Costs	2.83	2.95	2.85	2.99	2.82	2.82	2.75	3.11	3.02	3.08	3.34		
Net Earnings Margin	3.05	2.80	2.70	2.56	2.75	2.58	2.92	2.69	2.74	2.63	2.77		
Net Income	3.73	3.09	2.28	2.53	2.04	2.26	2.30	2.85	2.71	1.30	2.73		

\*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

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

(B\$ Millions)

End of Period	2006			2007			2008			2009			2010			2011	
	Mar.	Jun.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.	Jun.	Sept.	Dec. <sup>R</sup>	Mar.	
<b>Money supply (M1)</b>	1,251.1	1,300.3	1,274.5	1,336.4	1,285.2	1,277.8	1,283.6	1,274.8	1,374.7	1,365.8	1,335.2	1,274.8	1,374.7	1,365.8	1,335.2	1,340.0	
1) Currency in active circulation	202.1	223.7	205.8	197.0	194.3	184.2	207.8	186.9	186.7	188.7	194.5	186.9	186.7	188.7	194.5	194.3	
2) Demand deposits	1,049.0	1,076.6	1,068.7	1,139.4	1,090.9	1,093.6	1,075.8	1,087.9	1,188.0	1,177.1	1,140.6	1,087.9	1,188.0	1,177.1	1,140.6	1,145.7	
Central Bank	18.3	10.4	10.4	16.3	17.2	10.2	15.9	12.6	13.9	13.4	15.4	12.6	13.9	13.4	15.4	7.5	
Domestic Banks	1,030.7	1,066.2	1,058.3	1,123.1	1,073.7	1,083.4	1,059.9	1,075.3	1,174.1	1,163.7	1,125.2	1,075.3	1,174.1	1,163.7	1,125.2	1,138.2	
<b>Factors affecting money (M1)</b>																	
1) Net credit to Government	677.0	866.8	924.0	1,042.9	1,041.8	1,205.2	1,023.9	1,131.3	1,257.1	1,346.3	1,413.7	1,131.3	1,257.1	1,346.3	1,413.7	1,366.8	
Central Bank	182.5	332.3	198.8	195.3	184.7	245.9	180.9	179.3	186.3	244.1	261.4	179.3	186.3	244.1	261.4	244.6	
Domestic Banks	494.5	534.5	725.2	847.6	857.1	959.3	843.0	952.0	1,070.8	1,102.2	1,152.3	952.0	1,070.8	1,102.2	1,152.3	1,122.2	
2) Other credit	6,065.9	6,567.5	6,985.1	6,890.9	6,922.4	6,969.2	7,015.8	6,987.1	6,966.0	7,098.2	7,034.5	6,987.1	6,966.0	7,098.2	7,034.5	6,935.5	
Rest of public sector	397.2	349.1	448.3	407.1	405.6	411.5	419.9	438.4	439.6	522.7	461.8	438.4	439.6	522.7	461.8	450.2	
Private sector	5,668.7	6,218.4	6,536.8	6,483.8	6,516.8	6,557.7	6,595.9	6,548.7	6,526.4	6,575.5	6,572.7	6,548.7	6,526.4	6,575.5	6,572.7	6,485.3	
3) External reserves	499.7	454.2	562.9	623.8	770.4	754.9	816.0	819.0	862.1	765.4	860.4	819.0	862.1	765.4	860.4	975.1	
4) Other external liabilities (net)	(754.1)	(667.6)	(703.8)	(665.8)	(828.5)	796.8	(681.9)	(640.2)	(612.1)	(793.4)	(708.3)	(640.2)	(612.1)	(793.4)	(708.3)	(663.1)	
5) Quasi money	3,894.0	4,337.0	4,649.5	4,692.3	4,734.7	4,758.5	4,748.7	4,852.6	4,882.6	4,868.1	4,855.9	4,852.6	4,882.6	4,868.1	4,855.9	4,888.0	
6) Other items (net)	(1,343.4)	(1,583.6)	(1,844.2)	(1,863.1)	(1,886.2)	(2,096.2)	(2,141.5)	(2,169.8)	(2,215.8)	(2,182.6)	(2,409.3)	(2,169.8)	(2,215.8)	(2,182.6)	(2,409.3)	(2,386.3)	

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



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

End of Period	(B\$' 000)																						
	2004			2006			2007			2008			2009			2010			2011				
	Mar	Jun	Sept.	Mar	Jun	Sept.	Mar	Jun	Sept.	Mar	Jun	Sept.	Mar	Jun	Sept.	Mar	Jun	Sept.	Mar	Jun	Sept.		
<b>CREDIT OUTSTANDING</b>																							
Private cars	212,679	228,421	248,152	238,775	227,757	223,349	215,164	206,689	199,228	197,138	188,509	185,044	181,837										
Taxis & rented cars	2,349	2,568	1,908	1,909	1,817	1,780	1,785	1,832	1,552	1,296	1,046	985	889										
Commercial vehicles	5,212	6,829	6,956	6,111	5,656	5,305	5,165	4,955	4,761	3,966	3,682	3,353	3,214										
Furnishings & domestic appliances	13,972	19,658	22,394	21,173	20,284	19,632	19,759	19,134	18,164	17,244	15,257	15,126	14,072										
Travel	40,814	45,944	50,970	49,602	43,966	40,488	39,702	36,369	32,345	29,425	28,587	26,464	24,291										
Education	46,926	52,858	54,725	57,255	55,199	53,283	57,520	55,227	53,037	50,529	52,604	50,875	49,148										
Medical	13,811	17,320	20,520	21,435	21,159	20,427	19,894	19,697	19,075	18,422	17,303	16,399	15,773										
Home Improvements	114,199	152,851	163,070	171,454	170,162	166,364	163,942	163,991	166,094	163,512	131,455	129,860	125,429										
Land Purchases	150,096	201,318	227,236	246,168	246,754	245,876	245,209	243,696	240,898	244,594	242,369	240,391	240,987										
Consolidation of debt	346,795	459,791	496,296	594,565	605,784	632,422	638,244	648,024	661,379	665,886	683,852	714,616	734,975										
Miscellaneous	374,008	489,122	559,119	541,585	529,609	529,975	523,307	515,002	498,410	494,605	504,394	494,961	479,768										
Credit Cards	166,073	226,401	256,995	294,377	283,615	278,614	277,479	278,749	265,044	261,017	261,531	262,871	253,023										
<b>TOTAL</b>	<b>1,486,934</b>	<b>1,903,081</b>	<b>2,108,341</b>	<b>2,244,409</b>	<b>2,211,762</b>	<b>2,217,515</b>	<b>2,207,170</b>	<b>2,193,365</b>	<b>2,159,987</b>	<b>2,147,634</b>	<b>2,130,589</b>	<b>2,140,945</b>	<b>2,123,406</b>										
<b>NET CREDIT EXTENDED</b>																							
Private cars	(8,655)	18,542	19,731	(9,377)	(11,018)	(4,408)	(8,185)	(8,475)	(7,461)	(2,090)	(8,629)	(3,465)	(3,207)										
Taxis & rented cars	295	251	(660)	1	(92)	(37)	5	47	(280)	(256)	(250)	(61)	(96)										
Commercial vehicles	958	791	127	(845)	(455)	(351)	(140)	(210)	(194)	(795)	(284)	(329)	(139)										
Furnishings & domestic appliances	1,245	2,349	2,736	(1,221)	(889)	(652)	127	(625)	(970)	(920)	(1,987)	(131)	(1,054)										
Travel	(1)	4,509	5,026	(1,368)	(5,636)	(3,478)	(786)	(3,333)	(4,024)	(2,920)	(838)	(2,123)	(2,173)										
Education	(2,977)	5,121	1,867	2,530	(2,056)	(1,916)	4,237	(2,293)	(2,190)	(2,508)	2,075	(1,729)	(1,727)										
Medical	149	2,874	3,200	915	(276)	(732)	(533)	(197)	(622)	(653)	(1,119)	(904)	(626)										
Home Improvements	4,903	18,517	10,219	8,384	(1,292)	(3,798)	(2,422)	49	2,103	(2,582)	(32,057)	(1,595)	(4,431)										
Land Purchases	29,831	26,673	25,918	18,932	586	(878)	(667)	(1,513)	(2,798)	3,696	(2,225)	(1,978)	596										
Consolidation of debt	3,135	46,598	36,505	98,269	11,219	26,638	5,822	9,780	13,355	4,507	17,966	30,764	20,359										
Miscellaneous	39,741	76,960	69,997	(17,534)	(11,976)	366	(6,668)	(8,305)	(16,592)	(3,805)	9,789	(9,433)	(15,193)										
Credit Cards	17,808	38,343	30,594	37,382	(10,762)	(5,001)	(1,135)	1,270	(13,705)	(4,027)	514	1,340	(9,848)										
<b>TOTAL</b>	<b>86,432</b>	<b>241,528</b>	<b>205,260</b>	<b>136,068</b>	<b>(32,647)</b>	<b>5,753</b>	<b>(10,345)</b>	<b>(13,805)</b>	<b>(33,378)</b>	<b>(12,353)</b>	<b>(17,045)</b>	<b>10,356</b>	<b>(17,539)</b>										

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

\* Includes both demand and add-on loans

**TABLE 8**  
SELECTED AVERAGE INTEREST RATES

Period	2008				2009				2010				2011
	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	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	2.20	2.15	1.94	1.94	2.19	2.11	2.09	2.19	2.06	2.03	1.84	1.83	1.85
Fixed deposits													
Up to 3 months	3.70	3.55	3.19	3.19	3.64	3.57	3.54	3.46	3.45	3.23	3.09	3.01	2.82
Up to 6 months	4.08	3.94	3.56	3.56	4.23	3.88	3.93	3.72	3.73	3.51	3.62	3.38	3.31
Up to 12 months	4.56	4.26	3.99	3.99	4.67	4.38	3.96	4.02	4.22	4.01	3.86	3.88	3.92
Over 12 months	4.44	4.37	4.04	4.04	4.66	4.33	4.21	4.27	4.31	3.83	4.00	4.00	3.89
Weighted average rate	3.92	3.79	3.44	3.44	4.00	3.79	3.70	3.67	3.73	3.46	3.33	3.25	3.18
<b>Lending rates</b>													
Residential mortgages	8.36	8.25	8.15	8.15	8.29	8.23	8.26	8.21	8.22	8.25	8.10	8.01	8.07
Commercial mortgages	8.72	8.60	8.79	8.79	8.58	8.46	8.72	8.65	8.60	8.71	9.20	8.63	8.75
Consumer loans	13.03	12.69	13.21	13.21	12.49	12.72	13.09	12.46	12.90	12.74	13.51	13.69	13.51
Overdrafts	11.45	11.67	10.87	10.87	12.84	11.60	11.43	10.80	11.91	10.79	10.40	10.38	10.21
Weighted average rate	10.95	10.58	11.05	11.05	10.49	10.67	10.69	10.45	10.63	10.73	11.41	11.43	11.18
<b>Other rates</b>													
Prime rate	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Treasury bill (90 days)	2.73	2.62	2.28	2.28	2.64	2.77	2.49	2.56	2.39	2.48	2.14	2.09	1.80
Treasury bill re-discount rate	3.23	3.12	2.78	2.78	3.14	3.27	2.99	3.06	2.89	2.98	2.64	2.59	2.30
Bank rate (discount rate)	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25

Source: The Central Bank of The Bahamas

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

Period	2006	2007	2008	2009				2010				2011	
				Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	
<b>Loan Portfolio</b>													
Current Loans (as a % of total loans)	92.5	90.6	87.5	86.3	86.2	83.9	82.3	82.3	81.8	81.5	81.6	81.7	
Arrears (% by loan type)													
Consumer	2.8	3.0	3.9	4.2	4.5	4.8	5.2	4.8	4.6	4.4	4.4	4.2	
Mortgage	3.1	4.6	5.9	6.2	6.0	7.5	8.6	9.0	9.4	9.9	9.8	9.8	
Commercial	1.6	1.7	2.6	3.2	3.2	3.7	3.8	3.8	4.1	4.1	4.1	4.3	
Public	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Total Arrears	7.5	9.4	12.5	13.7	13.8	16.1	17.7	17.7	18.2	18.5	18.4	18.3	
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	
<b>Loan Portfolio</b>													
Current Loans (as a % of total loans)	92.5	90.6	87.5	86.3	86.2	83.9	82.3	82.3	81.8	81.5	81.6	81.7	
Arrears (% by days outstanding)													
30 - 60 days	2.5	3.6	4.5	4.3	4.1	4.9	5.6	6.1	5.9	6.0	5.6	5.5	
61 - 90 days	0.9	1.3	1.9	2.3	1.9	2.5	2.7	2.1	2.4	2.3	2.3	2.1	
90 - 179 days	0.9	1.2	1.6	2.1	1.9	2.8	3.0	2.4	2.4	2.3	2.2	2.1	
over 180 days	3.2	3.3	4.5	5.0	5.9	5.9	6.3	7.1	7.5	7.9	8.3	8.6	
Total Arrears	7.5	9.4	12.5	13.7	13.8	16.1	17.7	17.7	18.2	18.5	18.4	18.3	
<b>Total B\$ Loan Portfolio</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	
Non Accrual Loans (% by loan type)													
Consumer	35.0	29.4	30.2	30.0	31.0	27.1	29.8	27.8	26.6	24.3	23.4	22.9	
Mortgage	40.9	45.6	44.4	43.4	43.0	45.4	41.4	43.7	42.7	45.1	46.4	47.1	
Other Private	24.0	23.2	23.9	25.2	24.7	26.4	27.8	27.4	29.7	29.6	29.3	29.1	
Public	0.1	1.8	1.5	1.4	1.3	1.1	1.0	1.1	1.0	1.0	0.9	0.9	
Total Non Accrual Loans	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	
<b>Provisions to Loan Portfolio</b>													
Consumer	3.4	2.8	3.3	3.6	3.8	4.2	4.2	4.4	4.4	4.5	5.1	4.9	
Mortgage	1.3	1.2	1.4	1.6	1.6	1.7	1.8	1.9	1.9	2.1	2.4	2.4	
Other Private	2.5	3.2	5.4	5.6	7.3	6.7	6.9	7.5	8.2	8.7	9.1	9.6	
Public	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total Provisions to Total Loans	2.3	2.1	2.7	3.0	3.3	3.4	3.4	3.6	3.7	3.9	4.3	4.4	
Total Provisions to Non-performing Loans	54.7	47.9	46.0	42.4	42.9	39.5	37.1	38.3	37.5	39.0	41.9	41.0	
Total Non-performing Loans to Total Loans	4.2	4.5	6.1	7.1	7.8	8.6	9.3	9.4	9.9	10.1	10.4	10.7	

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

Figures may not sum to total due to rounding.

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

End of Period	2006		2007		2008		2009			2010			2011			
							Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.	Mar.	
																(B\$ Millions)
<b>I. Statutory Reserves</b>																
Required reserves	244.7	265.0	283.3	285.2	288.1	293.7	290.3	285.4	296.6	299.1	298.1	298.1	298.1	298.1	298.1	298.1
Average Till Cash	96.9	92.8	95.4	74.0	81.4	83.7	94.8	79.7	83.7	83.3	98.2	83.3	98.2	79.0	79.0	79.0
Average balance with central bank	265.7	363.1	352.7	413.2	567.1	468.6	425.1	438.7	516.6	464.6	530.5	464.6	530.5	663.7	663.7	663.7
Free cash reserves (period ended)	117.2	190.1	164.0	201.2	360.4	258.6	229.5	233.1	303.7	248.8	330.6	248.8	330.6	444.6	444.6	444.6
<b>II. Liquid Assets (period)</b>																
A. Minimum Required Liquid Assets	802.5	860.0	911.2	930.3	925.9	927.0	929.6	938.5	958.0	958.1	946.7	958.0	958.1	946.7	959.1	959.1
B. Net Eligible Liquid Assets	865.6	1,011.9	1,168.5	1,334.5	1,446.8	1,390.6	1,423.7	1,460.9	1,601.9	1,567.5	1,755.1	1,601.9	1,567.5	1,755.1	1,859.0	1,859.0
i) Balance with Central Bank	251.1	341.2	322.2	422.6	549.6	428.6	375.6	435.1	483.4	444.6	518.7	483.4	444.6	518.7	648.6	648.6
ii) Notes and Coins	116.7	110.6	118.1	78.7	86.1	87.8	112.3	86.7	89.6	84.3	113.7	89.6	84.3	113.7	85.0	85.0
iii) Treasury Bills	10.0	50.8	180.2	208.8	172.7	161.7	214.0	218.3	267.6	264.1	293.7	267.6	264.1	293.7	294.8	294.8
iv) Government registered stocks	437.1	468.5	513.3	590.6	599.1	680.1	671.4	672.4	711.0	721.8	774.8	711.0	721.8	774.8	775.1	775.1
v) Specified assets	39.9	36.6	36.8	38.7	38.5	38.3	45.7	45.8	45.6	45.6	53.0	45.6	45.6	53.0	52.9	52.9
vi) Net Inter-bank dem/call deposits	11.7	5.0	(1.3)	(4.1)	0.8	(5.9)	4.7	2.6	4.7	7.1	1.2	4.7	7.1	1.2	2.6	2.6
vii) Less: borrowings from central bank	(0.8)	(0.8)	(0.8)	(0.8)	--	--	--	--	--	--	--	--	--	--	--	--
C. Surplus/(Deficit)	63.1	151.9	257.3	404.2	520.8	463.6	494.1	522.4	643.9	609.4	808.4	643.9	609.4	808.4	899.9	899.9

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

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

Period	(B\$ Millions)											
	2008/09p		2009/10p		Budget		2009/10p				2010/11p	
	2008/09p	2009/10p	2009/10	2010/11	QTR. I	QTR. II	QTR. III	QTR. IV	QTR. I	QTR. II	QTR. III	QTR. III
Total Revenue & Grants	1,324.2	1,302.5	1400.0	1517.2	267.8	361.1	322.0	351.7	271.2	307.3	449.6	449.6
Current expenditure	1,422.7	1,395.9	1430.5	1467.2	319.8	346.1	350.8	379.2	330.8	356.2	363.6	363.6
Capital expenditure	139.8	156.8	208.9	227.6	37.5	42.9	33.2	43.1	36.9	46.3	46.7	46.7
Net lending	123.1	89.4	49.3	38.7	11.3	48.3	14.9	15.0	8.1	14.4	14.7	14.7
<b>Overall balance</b>	<b>(361.4)</b>	<b>(339.5)</b>	<b>(288.6)</b>	<b>(216.3)</b>	<b>(100.8)</b>	<b>(76.2)</b>	<b>(76.8)</b>	<b>(85.7)</b>	<b>(104.6)</b>	<b>(109.6)</b>	<b>24.6</b>	<b>24.6</b>
<b>FINANCING (I+II-III+IV+V)</b>	<b>361.4</b>	<b>339.5</b>	<b>288.6</b>	<b>216.3</b>	<b>100.8</b>	<b>76.2</b>	<b>76.8</b>	<b>85.7</b>	<b>104.6</b>	<b>109.6</b>	<b>(24.6)</b>	<b>(24.6)</b>
<b>I. Foreign currency borrowing</b>	<b>267.8</b>	<b>318.3</b>	<b>63.8</b>	<b>55.0</b>	<b>5.8</b>	<b>304.4</b>	<b>0.1</b>	<b>8.0</b>	<b>77.9</b>	<b>16.7</b>	<b>21.2</b>	<b>21.2</b>
External	56.7	318.3	63.8	55.0	5.8	304.4	0.1	8.0	7.9	16.7	21.2	21.2
Domestic	211.1	0.0	--	--	--	--	--	--	70.0	--	--	--
<b>II. Bahamian dollar borrowing</b>	<b>246.1</b>	<b>282.0</b>	<b>309.7</b>	<b>235.0</b>	<b>165.0</b>	--	--	<b>117.0</b>	<b>140.0</b>	<b>143.6</b>	--	--
<b>i) Treasury bills</b>	13.8	57.3	--	--	--	--	--	57.3	--	--	--	--
Central Bank	13.8	57.3	--	--	--	--	--	57.3	--	--	--	--
Commercial banks & OLFIs	--	0.0	--	--	--	--	--	--	--	--	--	--
Public corporations	--	0.0	--	--	--	--	--	--	--	--	--	--
Other	--	0.0	--	--	--	--	--	--	--	--	--	--
<b>ii) Long-term securities</b>	<b>207.3</b>	<b>209.7</b>	--	--	<b>150.0</b>	--	--	<b>59.7</b>	<b>100.0</b>	<b>135.0</b>	--	--
Central Bank	0.0	15.1	--	--	15.1	--	--	--	30.0	35.0	--	--
Commercial banks & OLFIs	114.7	99.0	--	--	84.0	--	--	15.0	15.0	1.8	--	--
Public corporations	21.7	45.7	--	--	30.0	--	--	15.7	15.0	11.3	--	--
Other	70.9	49.9	--	--	20.9	--	--	29.0	40.0	86.9	--	--
<b>iii) Loans and Advances</b>	<b>25.0</b>	<b>15.0</b>	--	--	<b>15.0</b>	--	--	--	<b>40.0</b>	<b>8.6</b>	--	--
Central Bank	25.0	0.0	--	--	--	--	--	--	--	--	--	--
Commercial banks	0.0	15.0	--	--	15.0	--	--	--	40.0	8.6	--	--
<b>III Debt repayment</b>	<b>108.3</b>	<b>284.2</b>	<b>80.8</b>	<b>70.0</b>	<b>16.0</b>	<b>223.6</b>	<b>17.0</b>	<b>27.6</b>	<b>36.1</b>	<b>22.7</b>	<b>1.2</b>	<b>1.2</b>
<b>Domestic</b>	<b>101.8</b>	<b>251.8</b>	<b>75.0</b>	<b>58.9</b>	<b>15.0</b>	<b>195.9</b>	<b>16.0</b>	<b>24.9</b>	<b>35.0</b>	<b>19.5</b>	--	--
Bahamian dollars	50.0	90.0	75.0	58.9	15.0	35.0	16.0	24.0	35.0	18.6	--	--
Internal foreign currency	51.8	161.8	--	--	--	160.9	--	0.9	--	0.9	--	--
<b>External</b>	<b>6.5</b>	<b>32.4</b>	<b>5.8</b>	<b>11.0</b>	<b>1.0</b>	<b>27.7</b>	<b>1.0</b>	<b>2.7</b>	<b>1.1</b>	<b>3.2</b>	<b>1.2</b>	<b>1.2</b>
<b>IV Cash balance change</b>	<b>(30.2)</b>	<b>26.5</b>	--	--	<b>11.5</b>	<b>(1.1)</b>	<b>24.4</b>	<b>(8.3)</b>	<b>14.2</b>	<b>8.2</b>	<b>6.1</b>	<b>6.1</b>
<b>V. Other Financing</b>	<b>(14.1)</b>	<b>(3.0)</b>	<b>(4.1)</b>	<b>(3.7)</b>	<b>(65.6)</b>	<b>(3.4)</b>	<b>69.3</b>	<b>(3.4)</b>	<b>(91.3)</b>	<b>(36.2)</b>	<b>(50.8)</b>	<b>(50.8)</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	2008p		2009p		2010p		2010p			2011p	
							Mar.	Jun.	Sept.	Dec.	Mar.
<b>TOTAL EXTERNAL DEBT</b>	383,593	703,138	727,803	702,218	707,525	714,262	727,803				747,889
By Instrument											
Government Securities	300,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Loans	83,593	103,138	127,803	102,218	107,525	114,262	127,803				147,889
By Holder											
Commercial Banks	--	--	--	--	--	--	--	--	--	--	--
Offshore Financial Institutions	--	--	--	--	--	--	--	--	--	--	--
Multilateral Institutions	79,409	98,954	123,619	98,034	103,341	110,078	123,619				128,017
Bilateral Institutions	4,184	4,184	4,184	4,184	4,184	4,184	4,184				19,872
Private Capital Markets	300,000	600,000	600,000	600,000	600,000	600,000	600,000				600,000
<b>TOTAL INTERNAL DEBT</b>	2,383,008	2,617,268	2,992,480	2,601,268	2,693,389	2,868,390	2,992,480				2,992,480
By Instrument											
Foreign Currency	3,612	1,806	70,000	1,806	903	70,903	70,000				70,000
Government Securities	--	--	--	--	--	--	--				--
Loans	3,612	1,806	70,000	1,806	903	70,903	70,000				70,000
Bahamian Dollars	2,379,396	2,615,462	2,922,480	2,599,462	2,692,486	2,797,487	2,922,480				2,922,480
Advances	71,988	96,988	111,988	96,988	96,988	111,988	111,988				111,988
Treasury Bills	230,469	244,309	301,609	244,309	301,609	301,609	301,609				301,609
Government Securities	2,071,693	2,268,919	2,503,637	2,252,919	2,288,644	2,378,644	2,503,637				2,503,637
Loans	5,246	5,246	5,246	5,246	5,246	5,246	5,246				5,246
By Holder											
Foreign Currency	3,612	1,806	70,000	1,806	903	70,903	70,000				70,000
Commercial Banks	3,612	1,806	70,000	1,806	903	70,903	70,000				70,000
Other Local Financial Institutions	--	--	--	--	--	--	--				--
Bahamian Dollars	2,379,396	2,615,462	2,922,480	2,599,462	2,692,486	2,797,487	2,922,480				2,922,480
The Central Bank	202,993	201,509	274,275	189,706	200,459	259,442	274,275				261,669
Commercial Banks	691,739	886,358	1,066,784	891,843	978,313	984,931	1,066,784				1,067,815
Other Local Financial Institutions	2,932	4,167	6,997	5,867	5,782	6,097	6,997				6,996
Public Corporations	720,783	722,999	702,541	713,481	703,968	704,043	702,541				707,590
Other	760,949	800,429	871,883	798,565	803,964	842,974	871,883				878,410
<b>TOTAL FOREIGN CURRENCY DEBT</b>	387,205	704,944	797,803	704,024	708,428	785,165	797,803				817,889
<b>TOTAL DIRECT CHARGE</b>	2,766,601	3,320,406	3,720,283	3,303,486	3,400,914	3,582,652	3,720,283				3,740,369
<b>TOTAL CONTINGENT LIABILITIES</b>	446,492	580,997	548,129	573,245	564,465	556,394	548,129				540,489
<b>TOTAL NATIONAL DEBT</b>	3,213,093	3,901,403	4,268,412	3,876,731	3,965,379	4,139,046	4,268,412				4,280,858

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

**TABLE 13**  
**PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS<sup>1</sup>**

	2008p	2009p*	2010p				2011p Mar.
			Mar.	Jun.	Sep.	Dec.**	
<b>Outstanding Debt at Beginning of Period</b>	<b>654,368</b>	<b>859,878</b>	<b>1,139,567</b>	<b>1,158,410</b>	<b>1,154,732</b>	<b>1,321,864</b>	<b>1,357,581</b>
Government	296,133	387,205	704,944	704,024	708,428	785,165	797,803
Public Corporations	358,235	472,673	434,623	454,386	446,304	536,699	559,778
<b>Plus: New Drawings</b>	<b>273,746</b>	<b>856,717</b>	<b>388,728</b>	<b>8,010</b>	<b>173,382</b>	<b>181,738</b>	<b>21,247</b>
Government	118,467	561,772	102,728	8,010	77,882	16,738	21,247
Public Corporations	155,279	294,945	286,000	--	95,500	165,000	--
<b>Less: Amortization</b>	<b>68,236</b>	<b>577,028</b>	<b>170,714</b>	<b>11,688</b>	<b>6,250</b>	<b>146,021</b>	<b>11,073</b>
Government	27,395	244,033	9,869	3,606	1,145	4,100	1,161
Public Corporations	40,841	332,995	160,845	8,082	5,105	141,921	9,912
<b>Outstanding Debt at End of Period</b>	<b>859,878</b>	<b>1,139,567</b>	<b>1,357,581</b>	<b>1,154,732</b>	<b>1,321,864</b>	<b>1,357,581</b>	<b>1,367,755</b>
Government	387,205	704,944	797,803	708,428	785,165	797,803	817,889
Public Corporations	472,673	434,623	559,778	446,304	536,699	559,778	549,866
<b>Interest Charges</b>	<b>39,867</b>	<b>41,356</b>	<b>65,205</b>	<b>28,213</b>	<b>4,245</b>	<b>28,787</b>	<b>6,641</b>
Government	20,959	27,581	47,055	22,584	573	23,315	752
Public Corporations	18,908	13,775	18,150	5,629	3,672	5,472	5,889
<b>Debt Service</b>	<b>108,103</b>	<b>618,384</b>	<b>235,919</b>	<b>39,901</b>	<b>10,495</b>	<b>174,808</b>	<b>17,714</b>
Government	48,354	271,614	56,924	26,190	1,718	27,415	1,913
Public Corporations	59,749	346,770	178,995	13,711	8,777	147,393	15,801
<b>Debt Service Ratio (%)</b>	<b>3.1</b>	<b>20.8</b>	<b>7.6</b>	<b>4.7</b>	<b>1.4</b>	<b>25.3</b>	<b>2.1</b>
<b>Government Debt Service/ Government Revenue (%)</b>	<b>3.4</b>	<b>20.4</b>	<b>4.5</b>	<b>7.4</b>	<b>0.6</b>	<b>8.9</b>	<b>0.4</b>
<b>MEMORANDUM</b>							
Holder Distribution (\$ Mil):							
Commercial Banks	411.3	358.2	414.1	367.3	518.4	414.1	404.9
Multilateral Institutions	112.3	126.4	145.0	127.8	134.1	145.0	148.7
Bilateral Institutions	19.0	21.4	4.2	28.6	39.2	4.2	19.9
Other	17.4	33.6	194.3	31.0	30.2	194.3	194.3
Private Capital Markets	300.0	600.0	600.0	600.0	600.0	600.0	600.0

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

<sup>1</sup> See notes to table

Note: \*Debt servicing for 2009 includes the refinancing of \$297 million and \$235 million in Public Corporations' and Government's debt, respectively. Net of these transactions, the Government's debt service/revenue ratio was 2.7%.

\*\*Debt servicing for the 4th quarter of 2010 includes the refinancing of \$131 million in Public Corporations' debt. Net of this transaction, the debt service ratio was 5.8%.

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

	(B\$ Millions)																
	2008p			2009p			2010p			2009			2010			2011	
	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	
<b>A. Current Account Balance (I+II+III+IV)</b>	<b>(1,229.0)</b>	<b>(893.3)</b>	<b>(899.9)</b>	<b>(128.3)</b>	<b>(195.9)</b>	<b>(316.0)</b>	<b>(253.1)</b>	<b>(49.2)</b>	<b>(109.5)</b>	<b>(331.3)</b>	<b>(409.9)</b>	<b>(177.9)</b>	<b>(415.3)</b>	<b>(454.7)</b>	<b>(516.4)</b>	<b>(501.8)</b>	<b>(450.5)</b>
<b>I. Merchandise (Net)</b>	<b>(2,243.2)</b>	<b>(1,824.7)</b>	<b>(1,888.2)</b>	<b>(429.3)</b>	<b>(508.0)</b>	<b>(447.2)</b>	<b>(440.2)</b>	<b>(161.1)</b>	<b>(199.9)</b>	<b>(173.4)</b>	<b>(168.0)</b>	<b>199.2</b>	<b>161.1</b>	<b>199.9</b>	<b>173.4</b>	<b>168.0</b>	<b>199.2</b>
Exports	955.8	710.7	702.4	164.7	178.1	169.9	198.0	161.1	199.9	173.4	168.0	199.2	161.1	199.9	173.4	168.0	199.2
Imports	3,199.0	2,535.3	2,590.6	594.0	686.1	617.1	638.1	576.4	654.6	689.9	669.8	649.7	576.4	654.6	689.9	669.8	649.7
<b>II. Services (Net)</b>	<b>1,131.0</b>	<b>1,070.0</b>	<b>1,224.6</b>	<b>328.8</b>	<b>318.2</b>	<b>191.5</b>	<b>231.5</b>	<b>394.1</b>	<b>400.9</b>	<b>257.9</b>	<b>171.8</b>	<b>355.7</b>	<b>394.1</b>	<b>400.9</b>	<b>257.9</b>	<b>171.8</b>	<b>355.7</b>
Transportation	(308.0)	(267.6)	(223.8)	(79.0)	(59.8)	(57.5)	(71.3)	(42.0)	(60.4)	(61.1)	(60.3)	(31.5)	(42.0)	(60.4)	(61.1)	(60.3)	(31.5)
Travel	1,839.2	1,688.9	1,831.3	485.4	482.3	364.2	357.0	548.0	521.8	414.3	347.3	515.8	548.0	521.8	414.3	347.3	515.8
Insurance Services	(106.6)	(92.5)	(165.2)	(11.0)	(34.8)	(29.0)	(17.8)	(25.1)	(45.8)	(39.4)	(55.0)	(21.5)	(25.1)	(45.8)	(39.4)	(55.0)	(21.5)
Offshore Companies	233.8	182.0	157.8	46.4	46.1	48.0	41.5	32.7	42.7	38.1	44.4	42.5	32.7	42.7	38.1	44.4	42.5
Local Expenses	(56.3)	(87.0)	(43.1)	(5.7)	(27.5)	(38.6)	(15.2)	(33.0)	9.3	(11.8)	(7.7)	(4.7)	(33.0)	9.3	(11.8)	(7.7)	(4.7)
Other Government	(471.1)	(353.8)	(332.4)	(107.3)	(88.0)	(95.6)	(62.9)	(86.5)	(66.8)	(82.2)	(97.0)	(144.9)	(86.5)	(66.8)	(82.2)	(97.0)	(144.9)
Other Services	(77.8)	(152.2)	(233.8)	(32.7)	(17.0)	(67.4)	(35.1)	(36.1)	(65.7)	(66.1)	(65.8)	(54.9)	(36.1)	(65.7)	(66.1)	(65.8)	(54.9)
<b>III. Income (Net)</b>																	
1. Compensation of Employees	(18.5)	(11.8)	(27.4)	(4.4)	(3.1)	(2.0)	(2.3)	(2.4)	(8.2)	(7.1)	(9.7)	(9.5)	(2.4)	(8.2)	(7.1)	(9.7)	(9.5)
2. Investment Income	(59.3)	(140.3)	(206.4)	(28.3)	(13.9)	(65.3)	(32.8)	(33.7)	(57.5)	(59.1)	(56.1)	(45.3)	(33.7)	(57.5)	(59.1)	(56.1)	(45.3)
<b>IV. Current Transfers (Net)</b>	<b>(38.9)</b>	<b>13.5</b>	<b>(2.6)</b>	<b>4.8</b>	<b>11.0</b>	<b>7.0</b>	<b>(9.3)</b>	<b>8.1</b>	<b>10.1</b>	<b>(6.6)</b>	<b>(14.2)</b>	<b>(28.2)</b>	<b>8.1</b>	<b>10.1</b>	<b>(6.6)</b>	<b>(14.2)</b>	<b>(28.2)</b>
1. General Government	62.9	86.8	87.4	21.5	29.0	20.8	15.5	17.7	29.3	22.1	18.2	33.1	17.7	29.3	22.1	18.2	33.1
2. Private Sector	(101.8)	(73.3)	(89.9)	(16.7)	(18.0)	(13.8)	(24.8)	(9.6)	(19.2)	(28.8)	(32.4)	(61.4)	(9.6)	(19.2)	(28.8)	(32.4)	(61.4)
<b>B. Capital and Financial Account (I+II)</b>	<b>1,212.2</b>	<b>1,114.6</b>	<b>1,119.9</b>	<b>191.8</b>	<b>384.2</b>	<b>311.7</b>	<b>226.9</b>	<b>144.3</b>	<b>211.9</b>	<b>403.0</b>	<b>360.6</b>	<b>319.7</b>	<b>144.3</b>	<b>211.9</b>	<b>403.0</b>	<b>360.6</b>	<b>319.7</b>
(excl. Reserves)																	
<b>I. Capital Account (Net Transfers)</b>	<b>(8.1)</b>	<b>(7.2)</b>	<b>(3.6)</b>	<b>(2.0)</b>	<b>(2.1)</b>	<b>(1.7)</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(1.1)</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(1.1)</b>	<b>(0.4)</b>
<b>II. Financial Account (Net)</b>	<b>1,220.3</b>	<b>1,121.8</b>	<b>1,123.4</b>	<b>193.8</b>	<b>386.3</b>	<b>313.4</b>	<b>228.4</b>	<b>144.8</b>	<b>213.0</b>	<b>403.9</b>	<b>361.7</b>	<b>320.1</b>	<b>144.8</b>	<b>213.0</b>	<b>403.9</b>	<b>361.7</b>	<b>320.1</b>
1. Direct Investment	860.2	664.0	861.5	188.6	182.6	219.6	73.1	150.2	233.9	159.3	318.1	236.2	150.2	233.9	159.3	318.1	236.2
2. Portfolio Investment	(25.0)	(16.7)	(25.4)	(3.1)	(3.9)	(3.1)	(6.6)	(7.5)	(4.4)	(4.1)	(9.4)	(5.8)	(7.5)	(4.4)	(4.1)	(9.4)	(5.8)
3. Other Investments	385.1	474.5	287.3	8.3	207.5	96.9	161.8	2.1	(16.5)	248.7	53.0	89.7	2.1	(16.5)	248.7	53.0	89.7
Central Gov't Long Term Capital	110.6	319.5	24.7	9.7	28.3	4.9	276.6	(0.9)	5.3	6.7	13.5	20.1	(0.9)	5.3	6.7	13.5	20.1
Other Public Sector Capital	(4.3)	184.0	123.7	(4.9)	(3.4)	185.8	6.5	10.8	(3.7)	17.1	99.5	(0.8)	10.8	(3.7)	17.1	99.5	(0.8)
Banks	36.2	(21.9)	23.6	(38.0)	162.7	(31.7)	(114.9)	(41.7)	(28.1)	181.3	(87.9)	(43.1)	(41.7)	(28.1)	181.3	(87.9)	(43.1)
Other	242.6	(7.2)	115.4	41.4	19.9	(62.1)	(6.5)	34.0	10.0	43.6	27.9	113.5	34.0	10.0	43.6	27.9	113.5
<b>C. Net Errors and Omissions</b>	<b>125.5</b>	<b>31.7</b>	<b>(175.5)</b>	<b>(2.6)</b>	<b>(41.7)</b>	<b>(11.1)</b>	<b>87.2</b>	<b>(92.1)</b>	<b>(59.4)</b>	<b>(168.3)</b>	<b>144.3</b>	<b>(27.1)</b>	<b>(92.1)</b>	<b>(59.4)</b>	<b>(168.3)</b>	<b>144.3</b>	<b>(27.1)</b>
<b>D. Overall Balance (A+B+C)</b>	<b>108.7</b>	<b>253.0</b>	<b>44.5</b>	<b>60.9</b>	<b>146.6</b>	<b>(15.5)</b>	<b>61.0</b>	<b>3.0</b>	<b>43.1</b>	<b>(96.7)</b>	<b>95.0</b>	<b>114.7</b>	<b>3.0</b>	<b>43.1</b>	<b>(96.7)</b>	<b>95.0</b>	<b>114.7</b>
<b>E. Financing (Net)</b>	<b>(108.7)</b>	<b>(253.0)</b>	<b>(44.5)</b>	<b>(60.9)</b>	<b>(146.6)</b>	<b>15.5</b>	<b>(61.0)</b>	<b>(3.0)</b>	<b>(43.1)</b>	<b>96.7</b>	<b>(95.0)</b>	<b>(114.7)</b>	<b>(3.0)</b>	<b>(43.1)</b>	<b>96.7</b>	<b>(95.0)</b>	<b>(114.7)</b>
Change in SDR holdings	--	(179.0)	3.1	--	--	(180.9)	1.9	5.6	4.5	(8.8)	1.8	(5.1)	--	(180.9)	1.9	5.6	4.5
Change in Reserve Position with the IMF	0.3	(0.2)	0.2	0.3	(0.4)	(0.2)	0.1	0.3	0.2	(0.5)	0.1	(0.3)	0.3	0.2	(0.5)	0.1	(0.3)
Change in Ext. Foreign Assets ( ) = Increase	(109.0)	(73.9)	(47.8)	(61.2)	(146.3)	196.6	(63.0)	(9.0)	(47.9)	106.0	(96.9)	(109.3)	(9.0)	(47.9)	106.0	(96.9)	(109.3)

Source: The Central Bank of the Bahamas

\* Figures may not sum to total due to rounding



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

	(B\$ '000)											
	2008		2009		2009				2010			
	2008	2009	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	
<b>I. OIL TRADE</b>												
i) Exports	141,524	112,077	33,619	25,729	20,200	33,722	32,426	45,718	39,746	30,702		
ii) Imports	847,041	557,132	193,491	97,501	124,873	169,336	165,422	144,343	195,178	191,175		
<b>II. OTHER MERCHANDISE</b>												
<b>Domestic Exports</b>												
Crawfish	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fish & other Crustacea	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fruits & Vegs.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aragonite	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rum	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Cordials & Liqueurs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Crude Salt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hormones	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Chemicals	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other Pharmaceuticals	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Fragrances	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>i) Total Domestic Exports</b>	409,635	333,707	104,356	72,025	76,962	72,435	112,285	52,909	77,277	75,926		
<b>ii) Re-Exports</b>	150,373	164,824	30,877	59,876	31,534	39,027	34,387	37,419	45,317	30,450		
<b>iii) Total Exports (i+ii)</b>	560,008	498,531	135,233	131,901	108,496	111,462	146,672	90,328	122,594	106,376		
<b>iv) Imports</b>	2,354,064	2,239,333	605,841	613,080	532,342	520,925	572,986	470,455	517,967	567,005		
<b>v) Retained Imports (iv-ii)</b>	2,203,691	2,074,509	574,964	553,204	500,808	481,898	538,599	433,036	472,650	536,555		
<b>vi) Trade Balance (i-v)</b>	-1,794,056	-1,740,801	(470,608)	(481,179)	(423,845)	(409,463)	(426,314)	(380,127)	(395,372)	(460,629)		

Source: Department of Statistics Quarterly Statistical Summaries

**TABLE 16**  
SELECTED TOURISM STATISTICS

Period	2008p				2009p				2010p				2011			
	2008p	2009p	2010p	2011	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV	Qtr. I	Qtr. II	Qtr. III	Qtr. IV
<b>Visitor Arrivals</b>	<b>4,390,583</b>	<b>6,028,676</b>	<b>5,248,121</b>	<b>1,178,396</b>	<b>1,008,081</b>	<b>1,192,528</b>	<b>1,383,561</b>	<b>1,324,445</b>	<b>1,196,170</b>	<b>1,343,945</b>	<b>1,527,601</b>					
Air	1,392,284	1,597,316	1,294,804	364,613	283,998	277,213	344,923	368,304	304,067	277,510	320,680					
Sea	2,998,299	4,431,360	3,953,317	813,783	724,083	915,315	1,038,638	956,141	892,103	1,066,435	1,206,921					
<b>Visitor Type</b>																
Stopover	1,462,403	660,633	988,924	99,879	67,463	64,458	354,036	403,088	333,937	276,992	n.a					
Cruise	2,937,854	4,272,074	3,803,122	773,041	685,430	893,031	1,016,294	902,780	842,128	1,041,920	1,172,006					
Day/Transit	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
<b>Tourist Expenditure(B\$ 000's)</b>																
Stopover	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Cruise	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Day	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
<b>Number of Hotel Nights</b>	4,398,370	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
<b>Average Length of Stay</b>	6.6	6.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
<b>Average Hotel Occupancy Rates (%)</b>																
New Providence	60.7	57.4	58.0	61.5	55.6	49.3	62.0	63.2	57.7	48.9	n.a					
Grand Bahama	41.0	36.5	36.2	40.6	28.7	37.9	35.0	37.0	36.7	35.9	n.a					
Other Family Islands	35.1	28.8	36.9	30.7	24.6	24.2	36.0	42.9	36.7	31.8	n.a					
<b>Average Nightly Room Rates (\$)</b>																
New Providence	230.7	209.3	203.6	220.6	185.2	204.6	189.2	224.7	200.2	200.5	n.a					
Grand Bahama	103.4	101.2	97.8	92.8	78.2	82.1	143.7	94.0	73.8	79.5	n.a					
Other Family Islands	245.4	200.1	171.8	201.3	145.7	153.1	223.8	168.0	153.1	142.4	n.a					

Source: The Ministry of Tourism

## INTRODUCTION

Financial services represent an estimated 15%-20% of the gross domestic product for The Bahamas, second in terms of economic impact to the tourism sector. The Central Bank of The Bahamas' annual survey of the financial sector, which focuses more comprehensively on the activities of the banking and trust sector, attempts to provide more detailed industry trends on the direct economic impact of these activities, in terms of expenditures and employment opportunities. In more recent years, the scope of the survey has been broadened to capture other financial sector entities, such as credit unions, insurance companies, mutual fund administrators and financial and corporate service providers. However, the Bank continues to work towards collecting and compiling comprehensive statistics for these sectors.

## THE BANKING SECTOR

Banking and trust operations constitute the largest share of the financial services industry in terms of assets, expenditure and employment. The sector's performance in recent years has been impacted by ongoing events in the global financial market, which have dampened growth in operations, although trends have stabilized since the height of the financial crisis.

On the domestic side, the general weakness in economic activity and the adverse knock on effects to employment conditions continue to be evidenced in very mild private sector credit expansion and elevated loan arrears, although the rate of deterioration has moderated. Notwithstanding, banks' profitability was buoyed by higher interest income and improved earnings from non-core activities, and an environment of contained costs.

The international banking sector, with its core focus on wealth management trust business and global financing of operations, continued to face significant headwinds following on from the financial crisis. As high net worth clients adopted a more conservative posture, returns on assets under management have diminished, and pressures intensified for residents to repatriate

funds to their home jurisdictions as part of measures to boost tax revenues. Other global trends impacting the sector in 2010 included the shift in international business operations to those locations in close proximity to high growth emerging markets, such as the BRICS<sup>1</sup>, and heightened scrutiny by a number of international agencies, as a result of several global initiatives. Faced with these conditions, firms' responses have included measures to consolidate operations and streamline business lines through centralization in regional "hubs", in an effort to improve efficiencies and profitability, a separation of trust and wealth management services, and expansion plans were slowed.

Despite these challenges, indications are that the banking sector remained, on balance, resilient, due in part to The Bahamas' favourable reputation, the high level of skills and experience of staff employed in the sector, and its ongoing attraction as a competitive and well-regulated jurisdiction. At end-2010, the total number of banks and trust companies licensed to conduct business within or from within The Bahamas increased by 4 to 276. Growth was solely in the restricted licensees category, which rose by 11 to 150, whereas the more functional public bank and trust licensees declined by 6 to 118, while one non-active license operator surrendered its license leaving this category at 8. Among the public firms, 77 are Bahamian incorporated entities; 22, euro-currency branches of foreign banks and trust companies, 11, authorised agents (10 of which were trust companies) and 8 are authorized to operate within the domestic market. The latter operations were delivered through a network of branches throughout The Bahamas, which numbered a stable eighty-six (86).

## EMPLOYMENT

Preliminary figures on employment in banks and trust companies showed a slight gain of 0.4% (22) to 4,927, an improvement from 2009's 2.1% decline, although remaining below the annual average gain of 4.7% for the pre-recession years 2005-2007. The number of Bahamians employed was higher by 0.5% (21

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<sup>1</sup> Brazil, Russia, India, China and South Africa.

**Table A: Government Revenues from Financial Sector Activities (B\$ Million)**

Period	2005p	2006p	2007p	2008p	2009r	2010p
<b>A. Stamp Taxes on Transactions</b>	<b>66.4</b>	<b>78.9</b>	<b>108.3</b>	<b>84.3</b>	<b>70.5</b>	<b>76.1</b>
Gross Insurance Premium Tax	18.1	22.0	18.2	21.3	13.7	22.7
Mortgages	12.2	16.3	42.4	21.3	13.5	10.2
Other Banking Transactions	36.0	40.3	47.5	41.6	43.1	43.0
Instruments & Bonds	0.1	0.1	0.2	0.2	0.2	0.1
<b>B. Licence &amp; Registration Fees</b>	<b>23.8</b>	<b>23.6</b>	<b>28.1</b>	<b>34.8</b>	<b>36.0</b>	<b>35.0</b>
International Business Companies (IBCs)	14.7	13.5	15.2	21.3	20.1	18.3
Banks and Trust Companies	7.2	8.4	11.1	11.6	13.7	16.0
Insurance Companies, Brokers & Agents	0.4	0.3	0.2	0.3	0.7	0.7
Financial & Corp. Svcs. Providers <u>1/</u>	0.05	0.04	0.10	0.10	n/a	n/a
Investment Funds <u>2/</u>	1.4	1.4	1.5	1.5	1.6	n/a
<b>C. Total Revenues</b>	<b>90.2</b>	<b>102.5</b>	<b>136.4</b>	<b>119.1</b>	<b>106.5</b>	<b>111.1</b>

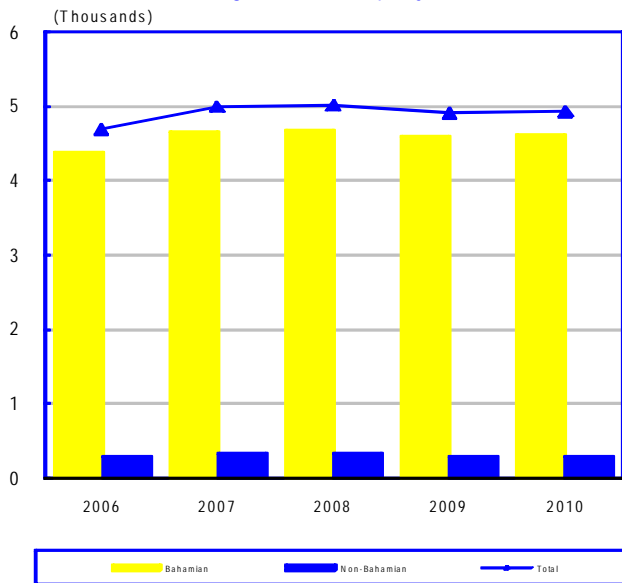
Sources: Bahamas Government's Treasury Department, Securities Commission of The Bahamas.

Notes: 1/ Central Bank Estimates for 2008.

2/ Amounts collected by the Securities Commission.

persons) at 4,623, while non-Bahamians were incremented to 304. As a consequence, the proportions for Bahamians and non-Bahamians employed in the banking and trust sector steadied at 93.8% and 6.2%, respectively. Of the total Bahamians employed, some 69% were engaged in local banking activities, and the balance in offshore banking and trust administration services.

**Banking Sector Employment**

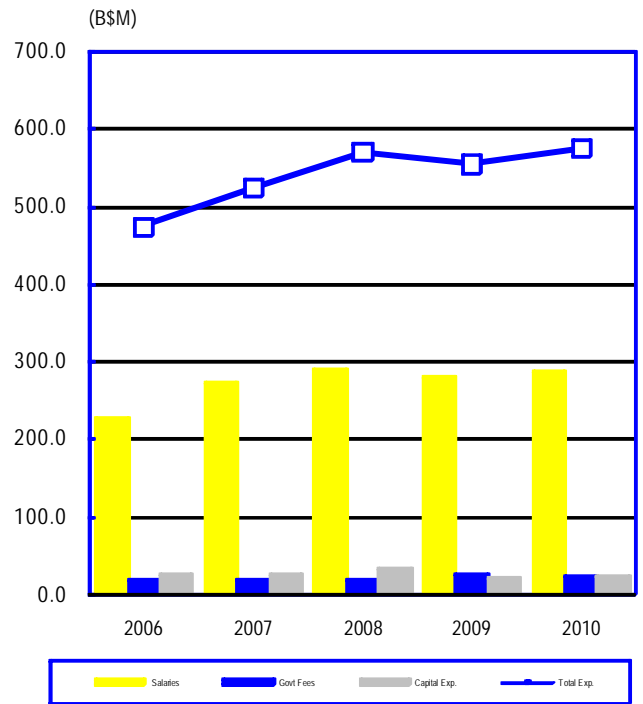


**EXPENDITURES**

Total banking sector expenditure rose by \$20.5 million (3.7%) to \$574.6 million, to reverse 2009's 2.9% reduction, and was buoyed by gains in both operational and capital spending.

Operational costs, which made up the bulk (95.7%) of total outlays, grew by 3.1% to \$549.8 million, a turnaround from the previous year's 0.8% decline and a 13.5% increase over the average value of the previous five years. Salary payments—inclusive of bonuses—at 52.3% of total operational spending, rose by 2.5% to \$287.7 million, to recover from the 3.3% decline of 2009. Partly impacted by increased employment levels, average base salaries grew by 3.6%; exceeding the average rise in consumer price inflation of 1.34%; whereas average bonuses declined by 4.7%, following on broadly reduced profitability trends. Outlays on staff training were incremented by \$0.3 million to \$2.2 million, after a \$1.3 million contraction in 2009.

**Banks' Local Expenditure**

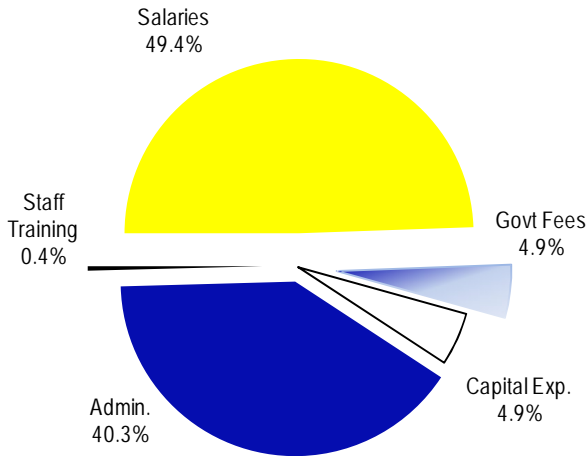


Other administrative costs, inclusive of rental expenses, public utilities and other associated costs, were higher by 4.5% at \$234.6 million, relative to the 0.1% rise in 2009. In contrast, Government-related payments declined by 2.9% (\$0.7 million) to \$25.3 million, following a 32.5% increase in the preceding year when bank license fees were raised. Reflecting higher outlays for acquisition of office equipment and furnishings and renovation expenses, capital expenditures were boosted by 18.4% to \$24.9 million, a turnaround from a 36.7% reduction in 2009.

**ASSETS**

In terms of asset base, the total banking sector was sized at \$442.8 billion at end-2010, while the value of fiduciary assets under management amounted to \$125.1 billion. The domestic sector recorded assets of \$9.4 billion, an increase of 4.6% from 2009.

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



### DOMESTIC VERSUS INTERNATIONAL BANKING

A disaggregated analysis of domestic and international banking operations provides useful insights into the differences in their impact on the economy. Domestic banks, being more retail oriented, have very labour intensive operations as evidenced by their 75.4% share of the sector's employment, while international banks generally require higher skills and are more focused on wealth management and other high value-added fiduciary services.

Employment in domestic banks grew by 0.7% (27 persons) to 3,716, in comparison to 2009 when attrition and a reduction in temporary workers led to a 2.7% contraction. However, the number of persons employed in the international banking sector fell by 0.4% (5 persons) to 1,211, following a 0.3% reduction in the prior year, as the sector continued to rationalize their operations. Average employment levels at the three largest commercial banks reached 682, for a gain of 1.6% over 2009, and comparable statistics for the three largest offshore banks and trust companies was 101 persons—a reduction of 1.3%.

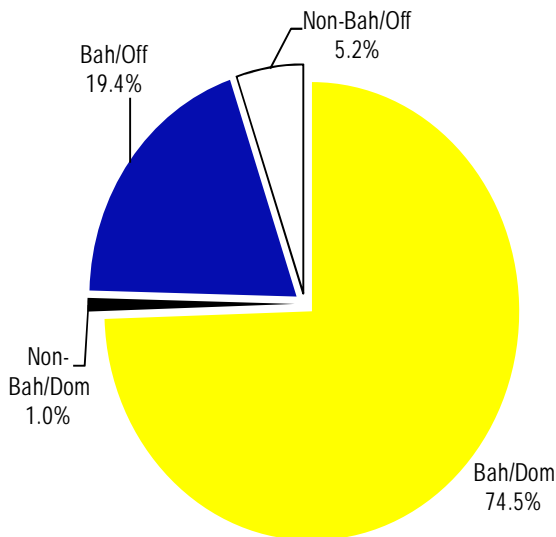
Overall, the ratio of Bahamians to non-Bahamians employed by domestic banks fell from 101:1, to 78:1 as the number of Bahamians increased by 0.4% (16 persons) to 3,669 following a 2.2% contraction a year earlier. Similarly, the non-Bahamian workforce rose by 30.6% (11 persons), a turnaround from a 35.7%

(20 persons) reduction in 2009. The number of Bahamians employed by offshore banks increased by 0.5% (5 persons) to 954, after a 0.7% advance in 2009; however, since 2008, the non-Bahamian staff contracted at an average annual rate of 3.8% (10 persons) to 257.

In terms of expenditure, total outlays of domestic firms increased by 6.0% (\$19.8 million) to \$349.0 million, in contrast to a 5.4% decline in 2009. Operational costs advanced by 5.0% (\$15.6 million) to \$328.4 million, led by improvements in the dominant salary category. In particular, wages, at 52.3% of total outlays, grew by 4.9% (\$8.0 million) to \$171.8 million, compared to a 10.1% (\$18.5 million) reduction a year earlier. Spending on staff training edged up by \$0.1 million to \$1.1 million, to reverse the year earlier decline of \$0.9 million. The 2.6% (\$0.4 million) contraction in Government-related fees to \$14.4 million was broadly based across the various categories, and payments approximated 4.4% of total outlays. Other administrative costs, at 43.0% of the total, advanced by 5.9% (\$7.9 million) to \$141.1 million, while a doubling in renovation expenses, as well as gains in office equipment purchases and "other" spending, boosted capital expenditures by 25.4% (\$4.2 million) to \$20.6 million—a reversal from a 32.1% reduction in 2009.

For the international banking sector, total expenditure increased marginally by 0.3% (\$0.7 million) to \$225.7 million, with gains in operational outlays outstripping a falloff in capital spending. Higher outlays were registered for administrative costs (\$2.2 million), staff training (\$0.14 million) and public utilities (\$0.1 million), while total worker compensation fell by 0.8% (\$0.9 million) to \$116.0 million, as a reduction in bonus payments negated increases in base salaries. Fees paid directly to the Government fell by 3.4% (\$0.4 million) to \$10.8 million, as company registrations declined by \$0.6 million. Reflecting in large measure a contraction in outlays for office equipment and furniture, capital spending declined by 7.2% (\$0.3 million) to \$4.3 million.

### Employment: Domestic & Int'l Banks (2010)



With regard to average compensation, the mean base salary in the offshore banking sector rose by 3.6% (\$2,845) to \$82,142, exceeding the 3.1% (\$1,239) growth in the domestic sector's average base salary to \$41,764. Inclusive of bonuses, the average salary in the domestic sector was \$46,222.55, for an increase of 4.1% over the prior year; however, average worker compensation in the international banking sector fell by 0.4% to \$95,753.92. As a result of these developments, the gap between compensation in the offshore and domestic sectors narrowed from 2.2:1 to 2.1:1 in 2010.

## OTHER FINANCIAL SECTOR ACTIVITIES

### INSURANCE SECTOR

The most recent data from the Insurance Commission of The Bahamas suggests that the sector continued to grow during 2010, with the number of licensed operations rising by 4 to 177 from a revised 173 in 2009. Companies operating domestically increased by 3 to 156, of which local agents and brokers rose by 2 to 87. In addition, the number of external insurers advanced by 1 to 21.

Statistics from the Central Bank's annual survey showed that employment in the sector stabilized at 1,539, following a 1.7% gain in 2009. Bahamians continued to account for the largest share of the sector's employment, at 98.2%, although declining by 2 persons

to 1,512; while the number of non-Bahamian employees rose by 1 to 27. Given the modest falloff in employment, salaries—excluding bonuses—were relatively stable at \$55.7 million, and the average compensation of full-time employees was only slightly lower at an estimated \$44,673 from \$45,084 in 2009. Modest reductions in gross premium tax receipts, work permit fees and stamp duty collections resulted in Government related fees falling by 2.5% to \$13.8 million, while capital spending expanded by \$2.4 million (26.6%) to \$11.3 million, supported by increased outlays for premises; and miscellaneous administrative costs rose more modestly by 2.8% to \$29.7 million.

### CREDIT UNIONS

Activity in the credit union sector for 2010 moderated relative to 2009. Following the de-registration of one entity, the total number of registered credit unions stood at 14 at end-2010. However, amid robust support from its members, total assets strengthened by an estimated \$14.4 million (5.6%) to \$271.9 million, which was in line with the 5.3% improvement posted for 2009. Based on the estimates of a survey, the sector's total expenditure grew by 3.6% to \$6.7 million, reflecting a 1.9% gain in base salaries and a near doubling in capital expenditures as growth in asset acquisitions offset a falloff in administrative outlays.

Employment in the sector increased by 3 to 112, compared with a 1 person gain in 2009, and was exclusively Bahamian.

### INVESTMENT FUNDS INDUSTRY

Preliminary data obtained from the Securities Commission indicated that the number of active mutual funds under management fell by 33 (4.2%) to 755 at end-2010, a slowdown from the 9.1% decline noted in 2009. In addition, investment fund administrators—the main source of employment within the sector—rose by 1 to 65, suggestive of stable employment conditions during 2010, although covering a reduction in the number of investment funds under management by administrators, of 38 to 669.

### INTERNATIONAL BUSINESS COMPANIES (IBCS)

Indications are that International Business Companies' (IBCs) activities rebounded during 2010. The number of new net registrations rose by 2,388, elevating the total number of IBCs to an estimated 162,872 regi-

strants. However, the contraction in the number of active registrants, by 1,860 to 42,745, partly contributed to the 8.8% fall-off in related fee payments to the Government, to \$18.3 million.

#### CAPITAL MARKET DEVELOPMENTS

During 2010, developments in the domestic equity market were mixed, with the volume and value of securities expanding; however, declines were noted in the BISX All-Share Index and market capitalisation. In particular, buoyed by two significant share transactions, the volume of securities traded advanced to an estimated 10.9 million, more than double the quantity observed in the previous years, and corresponding to a more than four-fold expansion in value to \$110.2 million. In contrast, the BISX All Share Price Index moderated by 4.2% to 1,499.5 points, relative to an 8.6% contraction in 2009. With the delisting of one entity, total market capitalization of listed companies decreased by \$0.11 billion (3.6%) to \$2.9 billion.

As a consequence of these outcomes, the total number of publicly traded securities on the Exchange fell to twenty-three (23), inclusive of eighteen (18) companies, one (1) preference share issue and four (4) tranches of medium term debt.

#### OTHER FINANCIAL SECTOR DEVELOPMENTS

Financial sector developments during the year were dominated by measures taken by The Bahamas to meet international standards for information exchange, combined with steps to enhance the regulatory regime. Following the conclusion of nine (9) Tax Information Exchange Agreements (TIEAs) in 2009, The Bahamas signed a total of twelve (12) TIEAs in 2010, which were concluded with a number of European countries, along with Australia, Canada and Mexico. Inclusive of the first TIEA signed with the United States, this brought the total number of TIEAs to twenty-two (22) at year-end.

In ongoing efforts to enhance the supervisory regime, the Central Bank implemented a Risk Based Framework (RBF) to assist with the identification and monitoring of key areas of risk for each licensee. During the initial roll-out exercise in 2010, desktop assessments were completed for all commercial banks and full risk assessments were undertaken for five high and seven medium-high impact firms, with plans to complete the exercise in 2011.

Regulatory enhancements included initiatives aimed at providing greater operational flexibility, such as the elimination of the requirement for firms to obtain prior Central Bank approval for the appointment of external auditors, the removal of the obligation for firms to publish their financial statements in the Gazette, and the option for institutions to surrender their licensees instead of having to proceed with revocation.

#### CONCLUSION AND OUTLOOK

The survey of developments in the financial sector indicated that the industry was broadly stable over the course of 2010, despite the ongoing effects of the global and domestic challenges faced by the sector. International firms' ongoing view of The Bahamas as a centre of choice for financial services, which are complementary to the range of wealth management services offered to their global client base, reflects the jurisdiction's high level of skills and experience in delivering these services, combined with a robust and adaptive legislative and regulatory framework.

Undoubtedly, these features will continue to figure importantly in the ability of The Bahamas to remain resilient, amid an increasingly more competitive and challenging global environment, as exemplified by the various global initiatives aimed at, inter alia, reducing incentives for entities to utilize international business jurisdictions, as well as the emergence of other international wealth centers in Asia and Latin America.



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

Period	2005r	2006r	2007r	2008r	2009r	2010p	
<b>A. TOTAL EMPLOYMENT</b>	4,451	4,691	4,989	5,011	4,905	4,927	
1. Non-Bahamians	241	305	335	334	303	304	
2. Bahamians (of which)	4,210	4,386	4,654	4,677	4,602	4,623	
i) Local Banking	2,826	2,965	3,146	3,157	3,162	3,190	
ii) Offshore Banking	616	645	692	682	713	655	
iii) Trust Administration	455	494	503	503	490	535	
iv) Other	313	282	313	335	237	243	
			<b>(B\$ Millions)</b>				
<b>B. TOTAL OPERATIONAL COSTS (1+2+3+4)</b>	408.1	446.8	495.7	537.3	533.1	549.8	
1. Salaries <sup>1</sup>	211.1	226.9	274.7	290.2	280.6	287.7	
2. Government Fees	17.8	18.2	19.3	19.6	26.0	25.3	
i) Licence	9.6	8.6	10.0	10.3	16.6	16.6	
ii) Company Registration	1.7	2.2	1.9	1.7	1.8	1.2	
iii) Work Permits	2.4	2.8	2.8	2.9	3.2	3.2	
iv) Other Government Fees	4.2	4.7	4.5	4.8	4.3	4.3	
3. Staff Training	2.7	2.8	3.3	3.2	1.9	2.2	
4. Other Administrative Costs	176.4	198.9	198.5	224.3	224.5	234.6	
<b>C. CAPITAL EXPENDITURE<sup>2</sup></b>							
<b>D. TOTAL EXPENDITURE (B+C)</b>	17.6	27.0	27.7	33.2	21.0	24.9	
<b>E. AVERAGE SALARY (B\$'000)<sup>3</sup></b>	425.6	473.8	523.4	570.5	554.1	574.6	
	47,437	47,858	48,496	50,656	50,137	51,688	

**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	2005r	2006r	2007r	2008r	2009r	2010p	2005p	2006p	2007p	2008p	2009p	2010p
	<b>DOMESTIC</b>						<b>OFFSHORE</b>					
<b>A. TOTAL EMPLOYMENT</b>	3,424	3,557	3,766	3,791	3,689	3,716	1,027	1,134	1,223	1,220	1,216	1,211
1. Non-Bahamians	49	58	60	56	36	47	192	247	275	278	267	257
2. Bahamians (of which)	3,375	3,499	3,706	3,735	3,653	3,669	835	887	948	942	949	954
i) Local Banking	2,824	2,964	3,146	3,157	3,162	3,190	2	1	--	--	--	--
ii) Offshore Banking	85	79	83	115	61	13	531	566	609	567	652	642
iii) Trust Administration	267	287	293	293	291	341	188	207	210	210	199	194
iv) Other	199	169	184	170	139	125	114	113	129	165	98	118
	<b>(B\$ Millions)</b>											
<b>B. TOTAL OPERATIONAL COSTS (1+2+3+4)</b>	253.4	275.6	289.3	323.7	312.8	328.4	154.6	171.2	206.3	213.6	220.4	221.4
1. Salaries <sup>1</sup>	142.5	151.3	167.4	182.3	163.8	171.8	68.6	75.7	107.3	107.9	116.9	116.0
i) Base Salaries	142.5	150.0	156.5	163.6	149.5	155.2	68.6	74.5	85.4	90.3	96.4	99.5
ii) Bonuses	n.a	n.a	10.9	18.7	14.3	16.6	n.a	n.a	21.3	17.4	20.5	16.5
2. Government Fees	8.6	8.6	8.9	8.9	14.8	14.4	9.2	9.6	10.4	10.7	11.2	10.8
i) Licence	4.9	4.4	5.1	5.2	11.6	11.5	4.7	4.2	5.0	5.1	5.0	5.1
ii) Company Registration	0.4	0.4	0.5	0.4	0.4	0.3	1.2	1.7	1.5	1.2	1.5	0.9
iii) Work Permits	0.6	0.6	0.6	0.4	0.4	0.3	1.8	2.1	2.3	2.5	2.8	2.8
iv) Other Government Fees	2.6	3.1	2.8	2.9	2.5	2.3	1.5	1.5	1.7	1.9	1.8	2.0
3. Staff Training	1.5	1.5	2.1	1.9	1.0	1.1	1.2	1.4	1.2	1.3	0.9	1.1
4. Other Administrative Costs	100.9	114.3	111.0	130.6	133.2	141.1	75.5	84.6	87.5	93.7	91.4	93.5
<b>C. CAPITAL EXPENDITURE<sup>2</sup></b>	12.5	16.3	18.3	24.2	16.4	20.6	5.1	10.7	9.4	9.0	4.6	4.3
<b>D. TOTAL EXPENDITURE (B+C)</b>	265.9	291.9	307.7	347.9	329.2	349.0	159.7	182.0	215.7	222.6	225.0	225.7
<b>E. AVERAGE SALARY (B\$'000)<sup>3</sup></b>	41,618	42,172	41,559	43,146	40,525	41,764	66,838	65,709	69,860	73,991	79,297	82,142

**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	2006p	2007p	2008p	2009r	2010p
<b>Investment Funds Administrations</b>						
Licensed Mutual Funds	Number	723	782	867	788	755
<b>Licensed Administrators</b>						
Asset Under Management	Number	<b>61</b>	<b>65</b>	<b>66</b>	<b>64</b>	<b>65</b>
	<i>B\$ Billions</i>	204.7	297.6	269.6	189.6	n/a
<b>Insurance Companies and Agents</b>						
<b>Domestic Companies and Agents</b>						
Total Domestic Assets	Number	<b>205</b>	<b>163</b>	<b>170</b>	<b>174</b>	<b>177</b>
Average Annual Salaries	Number	<b>169</b>	<b>144</b>	<b>148</b>	<b>154</b>	<b>156</b>
Operating Costs / Total Expenditures	<i>B\$ Millions</i>	1,375.0	1,227.4	1,279.6	1,258.8	n/a
	<i>B\$</i>	44,425	45,225	45,007	45,084	44,673
	%	94.8	94.1	94.9	92.8	91.2
<b>External Insurers</b>						
	Number	<b>36</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>21</b>
<b>Credit Unions</b>						
<b>Number of Unions</b>						
Total Assets	Number	<b>17</b>	<b>17</b>	<b>17</b>	<b>15</b>	<b>14</b>
Employment	<i>B\$ Million</i>	216.1	237.4	244.6	257.5	271.9
Average Annual Salaries	Number	106	110	108	109	112
Total Expenditures	<i>B\$</i>	28,594	26,555	26,880	27,099	26,585
Operating Costs / Total Expenditures	<i>B\$ Million</i>	6.18	6.61	6.93	6.46	6.69
	%	89.5	92.8	95.0	95.5	92.2
<b>Bahamas International Securities Exchange (BISX)</b>						
<b>Securities Listed</b>						
Shares Traded	Number	<b>19</b>	<b>19</b>	<b>24</b>	<b>24</b>	<b>23</b>
Market Capitalization	<i>Thousands</i>	5,251	4,770	4,623	4,917	10,860
	<i>B\$ Billion</i>	3.20	3.98	3.30	3.02	2.91

**Sources:**

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