

The Central Bank of The Bahamas



Quarterly Economic Review

June, 2009

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QUARTERLY ECONOMIC REVIEW

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REVIEW OF ECONOMIC AND FINANCIAL DEVELOPMENTS

DOMESTIC ECONOMIC DEVELOPMENTS

Provisional estimates indicated that domestic economic activity contracted during the second quarter of 2009, amid persistent weakness in consumer spending, tourism activity and construction investments. Domestic prices rose at a more tempered pace, as global commodity prices remained at levels significantly lower than the previous year. In the fiscal sector, depressed domestic demand negatively impacted Government's revenue performance over the eleven months of FY2008/09 which, combined with a modest increase in expenditure, resulted in the overall deficit more than doubling to \$219.2 million. Monetary developments were dominated by Government's foreign currency financing activities, which boosted both liquidity and external reserves; while private sector credit growth remained anemic over the quarter. On the external side, the estimated current account deficit narrowed, as the ratcheting down of domestic demand and lower fuel prices reinforced an improvement in the merchandise trade balance. The surplus on the capital and financial account stabilized over the quarter, buoyed mainly by the public sector's foreign currency borrowings, as well as moderate gains in "other" net private sector investments.

Net free cash reserves of the banking system advanced by 78.4% to \$360.4 million during the second quarter, as the Government utilized foreign currency loan proceeds from a consortium of domestic banks to reduce its Bahamian dollar advances. As a result, the ratio of net free cash reserves to Bahamian dollar deposits rose to 6.3% from 4.5% in the same period last year. Similarly, the broader surplus liquid assets expanded by 28.6% to \$520.8 million, and exceeded the statutory minimum by an enlarged 56.2% versus 35.7% a year earlier. Movements in banks' weighted average interest rates revealed a widening in the loan-to-deposit spread, by 39 basis points to 6.88%, reflecting an 18 basis point advance in the weighted average loan rate to 10.67% and a 21 basis point reduction in the corresponding deposit rate to 3.79%. The average Treasury bill rate for 90-day issues was 0.13 of a percentage point higher at 2.77%; whereas

the benchmark interest rates—Central Bank Discount Rate and Commercial Banks' Prime Rate—remained unchanged at 5.25% and 5.50%, respectively.

Growth in the monetary aggregates (M3) subsided to 0.6% from 1.3% in the corresponding quarter of 2008, for an end-June stock of \$6,065.9 million. In terms of the components, narrow money (M1) contracted further by 3.8%, following a 0.2% decline in 2008; while the increase in currency in active circulation slowed to 1.4% from 4.7%. Broad money (M2) declined by 0.2% in contrast to growth of 1.5% a year earlier, with the gain in fixed deposits tapering by one-third to 0.8%, and stabilized growth in savings deposits of 0.9%. Meanwhile, foreign currency deposits firmed by 24.2%, in contrast to last year's 2.2% reduction.

In the context of anemic demand fundamentals, domestic credit expansion narrowed to 0.4% from 1.0% a year ago, inclusive of a broad-based slowing in accretions to private sector credit, to 0.5% from 1.4%. Public corporations recorded a net repayment of 0.4%, following an 18.4% increase in liabilities to the banking sector in 2008, while the fall-off in net claims on the Government was lower at 0.1% from 9.1% a year ago.

Provisional data on Government's budgetary operations for the eleven months of FY2008/09 indicated a marked deterioration in the overall deficit, to \$219.2 million from \$79.9 million in the corresponding period of FY2007/08. Reflective of the downturn in the domestic economy, aggregate revenue contracted by 6.1% to \$1,201.7 million, owing primarily to an 11.0% falloff in tax receipts to \$1,046.5 million, which was spread across reduced collections for international trade, departure, motor vehicle and "other" stamp taxes. However, non-tax revenue advanced by 49.0% to \$155.1 million, associated with dividend income payments received from a public utility company. Total expenditure grew by 4.5% to \$1,420.8 million, based on a 5.3% advance in current outlays to \$1,256.2 million—amid increased spending for personal emoluments, purchases of goods & services and transfer payments—and a 12.7% boost in net lending to public enterprises to \$53.7 million. Conversely, capital

spending fell by 6.7% to \$110.9 million, linked to lower outlays for the acquisition of assets and transfers to non-financial public enterprises. Budgetary financing included \$207.2 million in domestic bond issues, \$25.0 million in local currency loans, internal foreign currency advances from a consortium of local banks of \$191.1 million and \$50.9 million in external debt. Debt amortization payments totalled \$108.2 million, the majority of which went towards retiring Bahamian dollar obligations. Consequently, the Direct Charge on Government rose by 4.7% to \$3,084.2 million over the previous quarter and, inclusive of a 1.0% contraction in Government's contingent liabilities, the National Debt advanced by 3.9% to \$3,524.2 million.

Amid continued weakness in the higher value-added stopover visitor segment, indications are that tourism output contracted during the second quarter. However, the number of visitor arrivals rose by an estimated 8.6% during the first two months of the quarter to 0.8 million, contrasting with last year's 6.1% decline to 0.7 million. The performance continued to benefit from strengthened cruise arrivals, which firmed by 18.1%, supported in part by the rerouting of several cruise ships following health concerns in other countries; whereas the air segment remained weak, declining by an estimated 8.2%.

By port of entry, total arrivals to the New Providence market rebounded by 19.7% during the first two months of the quarter, after an 8.5% downturn in the same period last year, as the gain in sea passengers outpaced the falloff in air traffic. Similarly, visitors to Grand Bahama increased by 4.0%, a reversal from the 21.9% reduction in 2008, supported by a boost in sea arrivals, which overshadowed the contraction in the air segment. In contrast, weakness in both the air and sea segments occasioned a 10.3% drop in visitors to the Family Islands, vis-à-vis a 7.5% gain last year.

Preliminary indicators of tourism sector revenues suggest that hotel receipts, across all major markets, declined significantly during the review quarter. This reflected the combined adverse effects on average earnings of lower occupancy levels, various discounts and other incentive programs.

Construction sector activity for the quarter remained moribund, reflecting sustained weakness in the contribution from foreign investment, and continued abatement in

domestic, private and public sector operations. According to combined mortgage data from banks, insurance companies and The Bahamas Mortgage Corporation, the value of mortgage disbursements for new construction and building repairs for the second quarter contracted by 25.4% to \$64.3 million, as the residential and commercial components receded by 26.2% to \$57.2 million and 18.5% to \$7.1 million, respectively. Similarly, total mortgage commitments for new construction and repairs—a forward looking indicator—fell by 26.1% to \$56.1 million, with the decline in commercial commitments outstripping the modest rise in residential approvals. Regarding financing terms, the average interest rate for residential mortgages softened by 0.1 of a percentage point to 8.4%, while the average commercial rate steadied at 8.8%.

The general weakening in commodity prices since the latter half of the previous year reinforced continued easing in inflation during the second quarter of 2009. Although levels remained elevated on an annual basis, the quarterly increase in average consumer prices moderated to 0.4%, following a 2.7% advance in the same period of 2008, as lower accretions to average costs were recorded for “other” goods & services, furniture & households; and recreation & entertainment services prices contracted marginally. However, inflation for the twelve-month period through June, accelerated to 4.3% from 3.0% in 2008, with higher cost increases registered for food & beverages, “other” goods & services, recreation & entertainment services, education, housing and clothing & footwear.

In the external sector, the estimated current account deficit narrowed by \$76.6 million (32.5%) to \$159.2 million in the review quarter. In particular, the merchandise trade deficit, inclusive of goods procured in ports by carriers, improved by 18.7% to an estimated \$454.9 million, associated with reductions in both fuel and non-oil imports. However, the surplus on the services account tapered by 8.8% to \$306.0 million, partly owing to an estimated 8.7% decline in net travel receipts to \$482.3 million and an 8.8% falloff in net inflows from the offshore sector to \$40.3 million. In addition, payments for insurance and Government services increased by 33.1% to \$34.5 million and by 50.1% to \$27.9 million, respectively. In a partial offset, the net income outflow receded by 21.2% to \$22.9 million, occasioned by lower labour income payments and private sector net interest and

dividend remittances. Meanwhile, net current transfer receipts declined by 28.2% to \$12.5 million, based on reduced inflows for the Government sector.

The estimated surplus on the capital and financial account widened marginally to \$365.9 million from \$362.0 million a year earlier. "Other" investment net inflows advanced to \$205.0 million from \$156.9 million, as Government's foreign currency borrowings elevated domestic banks' net foreign liabilities, by \$98.8 million to \$116.7 million, and "other" net private sector inflows grew by \$19.6 million to \$61.5 million. However, direct investment receipts decreased by 19.9% to \$175.8 million, occasioned mainly by the 54.7% abatement in inflows from net real estate purchases to \$50.0 million, which overshadowed the 15.4% gain in net equity receipts to \$125.8 million.

FISCAL OPERATIONS

OVERVIEW

Reflecting the sustained adverse effects of a slow-down in domestic demand on Government's revenues, preliminary estimates for the eleven months of FY2008/09 place the deficit markedly higher at \$219.2 million, relative to \$79.9 million a year-earlier. The contraction in receipts was broad-based, while expenditures firmed moderately.

REVENUE

Revenue collections decreased by \$78.0 million (6.1%) to \$1,201.7 million, reversing gains of \$79.8 million (6.7%) achieved in the corresponding period of FY2007/08. Tax receipts—which accounted for 87.1% of total revenue—declined by \$129.0 million (11.0%) to \$1,046.5 million, outpacing growth of \$51.0 million (49.0%) in non-tax revenue to \$155.1 million.

The contraction in tax inflows was occasioned primarily by a reduction in international trade and transaction tax collections, of \$80.5 million (13.0%) to \$537.2 million. Similarly, stamp taxes—mainly on property and financial transactions—fell by \$51.0 million (22.8%) to \$173.1 million; and other "unclassified" revenue was lower by \$17.4 million (21.8%) at \$62.4 million. Reflecting a sustained slump in air arrivals, departure tax collections declined by \$10.3 million (15.6%) to \$56.0 million; while

property tax receipts rose by \$10.3 million (14.9%) to \$79.9 million, buoyed in part by enhanced revenue collection efforts. Receipts from business & professional licence fees firmed by \$4.2 million (5.1%) to \$85.9 million, supported by gains in bank and trust license fees, amid the recent fee hikes which came into effect on July 1, 2008.

Government Revenue By Source

(Apr - May)

| | FY07/08 | | FY08/09 | |
|---------------------------|--------------|--------------|--------------|--------------|
| | B\$M | % | B\$M | % |
| Property Tax | 8.1 | 2.7 | 10.8 | 4.0 |
| Selective Services Tax | 7.5 | 2.6 | 6.4 | 2.4 |
| Busines. & Prof Lic. Fees | 33.0 | 11.2 | 31.5 | 11.6 |
| Motor Vehicle Tax | 5.3 | 1.8 | 3.9 | 1.5 |
| Departure Tax | 15.0 | 5.1 | 11.0 | 4.1 |
| Import Duties | 88.3 | 30.0 | 59.2 | 21.9 |
| Stamp Tax from Imports | 25.4 | 8.6 | 2.7 | 1.0 |
| Excise Tax | -- | -- | 27.9 | 10.3 |
| Export Tax | 2.2 | 0.7 | 3.0 | 1.1 |
| Stamp Tax from Exports | -- | -- | -- | -- |
| Other Stamp Tax | 47.7 | 16.2 | 35.3 | 13.1 |
| Other Tax Revenue | 39.4 | 13.4 | 10.6 | 3.9 |
| Fines, Forfeits, etc. | 13.2 | 4.5 | 14.7 | 5.4 |
| Sales of Govt. Property | 0.2 | 0.1 | 0.1 | 0.1 |
| Income | 13.4 | 4.5 | 53.7 | 19.8 |
| Other Non-Tax Rev. | -- | -- | -- | -- |
| Capital Revenue | -- | -- | -- | -- |
| Grants | -- | -- | -- | -- |
| Less:Refunds | 3.9 | 1.3 | 0.3 | 0.1 |
| Total | 294.8 | 100.0 | 270.6 | 100.0 |

Non-tax revenue—which comprised 12.9% of revenue collections—improved by almost 50%, as dividend income amplified receipts from public enterprises and other sources by \$50.5 million to \$69.0 million. In addition, fines, forfeits and administration fees increased modestly by \$3.4 million (4.2%) to \$85.2 million, contrasting with a decline in receipts from the sale of Government property by \$3.0 million to \$0.9 million.

EXPENDITURE

Following a more modest increase of 3.2% in FY2007/08, total expenditure grew by 4.5% to \$1,420.8 million in the review period, supported by a \$63.2 million (5.3%) expansion in recurrent outlays—which consti-

tuted 88.4% of total expenditures—to \$1,256.2 million. Net lending to public enterprises for budgetary support, at 3.8% of the total, rose by \$6.0 million (12.7%) to \$53.7 million. In contrast, capital expenditure—which comprised (7.8% of overall outlays), declined by \$8.1 million (6.7%) to \$110.9 million.

A breakdown of recurrent expenditure by economic classification showed Government consumption increasing by \$37.8 million (5.1%) to \$775.9 million, fuelled by a 4.2% rise in wage & salary payments to \$521.5 million and a 7.0% firming in outlays for purchases of goods & services to \$254.4 million. Transfer payments were higher by 5.6% at \$480.3 million, as interest payments advanced by 8.1% to \$147.5 million amid higher debt stocks. In addition, subsidies and other transfers grew by 4.5% to \$332.7 million, reflecting increased transfers to vulnerable groups—mainly to households and non-profit entities, and higher subsidies to the health sector.

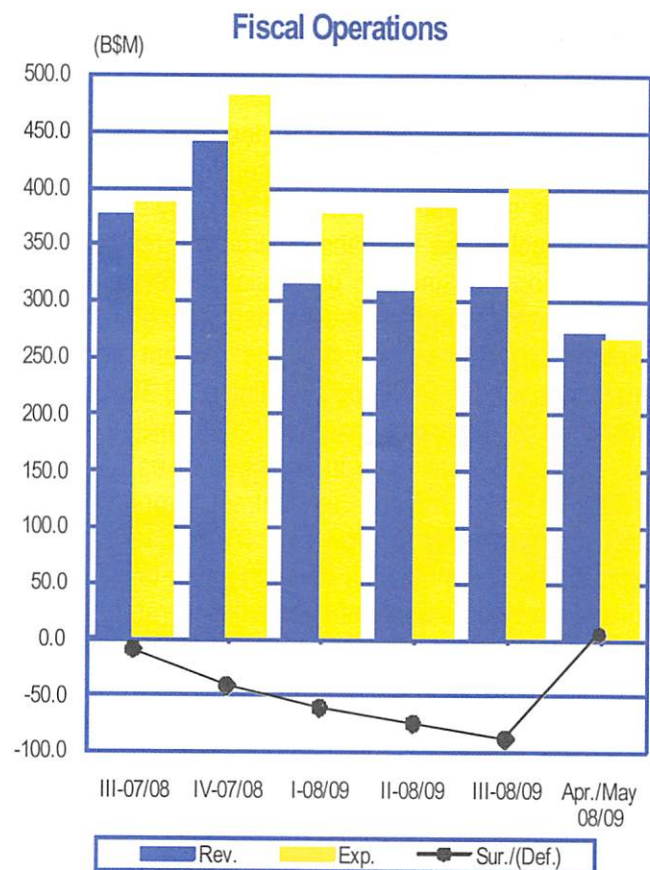
On a functional basis, recurrent spending on general public services, which accounted for 28.8% of outlays, grew by 7.3% to \$361.3 million, absorbed mainly in the areas of general administration and public order & safety. Spending on health care (18.1% of the total) advanced by 3.9% to \$227.9 million; for education, by 2.0% to \$239.2 million; and for social benefits & services, by 10.2% to \$91.5 million. Similarly, payments for economic services increased by 8.5% to \$136.8 million, due mainly to an almost doubling in spending for agriculture & fisheries services to \$21.4 million, associated with elevated payments for advertising services. Higher expenditures were also recorded for public works and water supply, as well as labour employment services, with contractions for transportation & post office expenses (6.5%), defence (7.9%) and other community & social services (13.4%).

The decline in capital expenditure, by 6.7% to \$110.9 million, was explained by an \$14.1 million abatement in outlays for the acquisition of assets to \$21.2 million, amid reductions in spending on fixed assets, such as transportation equipment and computers. Transfers to non-financial public enterprises were also lower by \$1.0 million at \$1.9 million, while spending on capital formation rose 8.8% to \$87.8 million, as the Government sustained its building and road works programmes.

FINANCING AND THE NATIONAL DEBT

Budgetary financing for the eleven months of FY2008/09 comprised \$437.2 million in internal borrowing, including the issuance of \$207.2 million in bonds, along with \$25.0 million in local currency loans and \$13.8 million in Treasury bills. Government also secured an estimated \$242.0 million in foreign currency financing, of which nearly three-quarters was provided by a consortium of domestic banks and the balance from external sources. Debt repayment, which totalled \$108.2 million, went largely towards internal obligations (\$101.8 million).

The Direct Charge on Government increased by \$137.4 million (4.7%) to \$3,084.2 million, over the previous quarter, and was \$405.6 million (15.1%) higher than the year earlier level. In terms of the breakdown, Bahamian dollar denominated liabilities represented 81.1% of the total, with commercial banks and private & institutional investors holding 30.7%, followed by public corporations (29.8%), the Central Bank (8.5%) and other local financial institutions (0.2%). Government bonds, which



bear an average term to maturity of 12.2 years, were the largest segment (86.1%) of Bahamian dollar debt; followed by Treasury bills, at 9.8%; with domestic loans & advances accounting for the remaining 4.1%.

Government's contingent liabilities narrowed marginally by 1.0% to \$440.0 million over the review quarter, mainly associated with a reduction in loans by the Bahamas Electricity Corporation. Inclusive of these changes, the National Debt firmed by \$132.8 million (3.9%) to \$3,524.2 million, for a gain of approximately \$422.8 million (13.6%) vis-à-vis June 2008.

PUBLIC SECTOR FOREIGN CURRENCY DEBT

During the second quarter, the public sector's foreign currency debt expanded by \$129.4 million (15.1%) to \$986.9 million, as new drawings of \$190.9 million, due solely to Government borrowings, surpassed amortization payments of \$61.4 million. As a consequence, Government's outstanding liabilities increased by 30.8% to \$583.7 million, representing 59.1% of the total; while the public corporations' debt stock decreased marginally by 1.9% to \$403.2 million—for the remaining 40.9%.

By creditor profile, the majority of foreign currency debt was held by commercial banks (53.3%), followed by private capital markets (30.4%) and multilateral institutions (12.4%), with bilateral institutions & other creditors accounting for the balance (3.9%). The debt was primarily denominated in United States dollars (98.6%), and the remainder comprised euros and Yuans. A modest build-up in short-term advances reduced the average age to maturity of foreign currency debt, by 1.7 years to 10.9 years.

Relative to the corresponding period last year, total debt service payments firmed by 63.0% to \$74.6 million, as the Government's repayment of outstanding loans contributed to growth in amortization payments, of \$28.8 million to \$61.4 million. In contrast, interest expenses remained relatively constant at \$13.2 million. As a result of these developments, debt service as a proportion of estimated exports of goods and non-factor services rose by an estimated 4.4 percentage points to 9.4%.

2009/10 BUDGET HIGHLIGHTS

The Government's budget for FY2009/10, which was presented to Parliament on 27th May, 2009 and approved in June 2009, continued to focus on countercyclical

policies to temper the impact of the global recession on the Bahamian economy. Consequently, fiscal "stimulus" measures were aimed at improving the country's infrastructure and providing opportunities for displaced workers; while simultaneously preparing the country to take advantage of future growth opportunities, once the economic conditions improve. Acknowledging that tax revenue collections would remain subdued over the fiscal year and the announced "stimulus" spending would heighten capital expenditures, the budget proposed to enhance the efficiency of revenue collections, by reforming the public service and in particular, the Customs Department. To further positively impact revenue collections, the Government undertook to proceed with the simplification of the tariff and excise tax regime and the modernization of the business license and real property tax processes. Notwithstanding, the deficit was still expected to rise by 74.2% to \$288.6 million, owing to the projected 10.8% decrease in total revenue to \$1,400.0 million, which would offset the 2.7% reduction in expenditure to \$1,688.6 million. In terms of economic activity, the deficit-to-GDP ratio is forecasted to rise, from 2.1% in FY2008/09 to 3.9% in FY2009/10, with the corresponding debt ratio firming by 4.3 percentage points to 43.2%.

Leading the projected 12.7% decline in tax revenue to \$1,237.0 million, taxes on international trade and transactions are estimated to be 13.2% lower at \$661.5 million, reflecting the "demand destruction" resulting from the recession. Business & professional license fees are also anticipated to register a decrease of 10.5% to \$100.2 million. Expectations are that the tourism sector will remain moribund in 2009, occasioning a 19.3% budgeted contraction in departure taxes to \$69.5 million and the 4.5% projected weakening in selective taxes on tourism services to \$43.2 million. In contrast, property tax receipts are forecasted to grow by 9.3% to \$106.3 million, supported by a combination of surcharges, tax simplification and previous adjustments to existing rates. Non-tax revenue is projected to decline by 1.0% to \$140.8 million, driven by anticipated contractions in collections from the sale of Government property, by 70.7% to \$0.7 million, and a 6.8% decline in public enterprises & other sources receipts to \$44.8 million. However, a modest offset is expected to be provided from the projected rise in fines, forfeits and administration fees, by 3.8% to \$95.3 million.

Reflecting attempts by Government to exercise fiscal restraint in current spending, total expenditure is budgeted to decrease by 2.7% to \$1,688.6 million. Recurrent outlays are set to decline by 3.6% to \$1,430.5 million, occasioned by broad-based reduced allocations to the various Government ministries and departments. Similarly, net lending to public corporations is projected lower at \$49.3 million from \$62.2 million in FY2008/09. As part of Government's "countercyclical" expenditure programme, capital expenditure is set to rise by 10.7% to \$208.9 million, as a 23.0% boost in infrastructural spending to \$180.9 million, outweighs the expected 43.0% falloff in asset acquisitions.

By economic classification, the budgeted allocation for Government consumption is placed lower by 7.2% at \$880.9 million, amid an anticipated 6.2% decrease in spending on personal emoluments to \$579.8 million, due in part to the effects of attrition. Buoyed by expected reductions in discretionary spending, purchases of goods and services are set to decline by 9.0% to \$301.1 million. Transfer payments are anticipated to rise by 2.7% to \$549.5 million, with the firming in debt levels underpinning an increase in interest payments by 7.1% to \$176.6 million. Subsidies and other transfers—inclusive of a \$10 million hike in transfers to households and a contraction in payments to public corporations—are projected to advance slightly by 0.7% to \$372.9 million.

On a functional basis, approved recurrent outlays for general public services—the largest component—are forecast to narrow by 9.2% to \$391.4 million. Reduced allocations are also budgeted for education, by 7.0% to \$264.7 million; defence, by 3.5% to \$44.2 million; economic services, by 7.1% to \$156.7 million; and housing, by 56.6% to \$3.5 million. Conversely, marginal increases are programmed for health services, social benefits & services and other community and social services of 2.3%, 5.9% and 1.7% to \$265.3 million, \$105.3 million and \$22.7 million, respectively.

The forecasted 10.7% growth in capital expenditure mainly reflects an increase in spending on buildings as well as road projects, from \$147.0 million to \$180.9 million, alongside slightly higher accretions to transfers to public corporations, of \$2.2 million to \$3.3 million. These contrast with the projected decline in outlays for the

acquisition of land, equity and other assets, by \$15.1 million to \$20.0 million.

With regard to financing, the forecasted deficit in FY2009/10 of \$288.6 million, along with an estimated \$80.8 million in debt repayments, are expected to be funded by a combination of additional domestic borrowing (\$309.7 million), external loans (\$63.8 million) and receipts from the proposed privatization of The Bahamas Telecommunications Company Ltd. The Direct Charge on Government is projected to expand by \$292.7 million to \$3.4 billion; and the National Debt, to firm to \$3.8 billion by the end of the fiscal year.

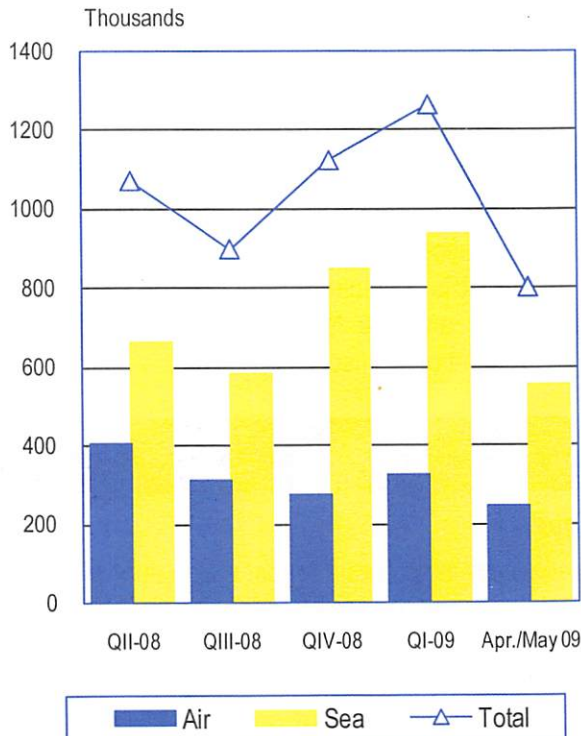
REAL SECTOR

TOURISM

Preliminary indicators suggest that output in the tourism sector remained depressed over the quarter, as sustained weakness in air arrivals overshadowed the short-term boost provided to the cruise sector from the rerouting to The Bahamas of several vessels, following health concerns in other destinations. Overall visitors for the first two months of the June quarter advanced by 8.6% to 0.8 million, owing to an 18.1% expansion in the sea component, which outweighed the 8.2% slide in air arrivals. This outcome was evidenced across the major ports of entry. Specifically, sea passengers to the New Providence and Grand Bahama markets firmed by 38.3% and 15.9%, respectively, eclipsing declines of 3.5% and 16.9% for air visitors. However, the contraction in arrivals to the Family Islands was explained by declines in both air (20.8%) and sea (7.6%) visitors.

Initial data for the hotel sector signaled a sharp falloff in revenues for the quarter, due to a combination of lower average daily rates and reduced occupancy levels. The main New Providence market experienced a significant decline in revenues, as hotels maintained their discounts and other incentive programmes in an attempt to boost occupancy levels. A similar outcome was observed in Grand Bahama and the Family Islands, amid the persistent weakness in long-stay arrivals.

Visitor Arrivals



CONSTRUCTION

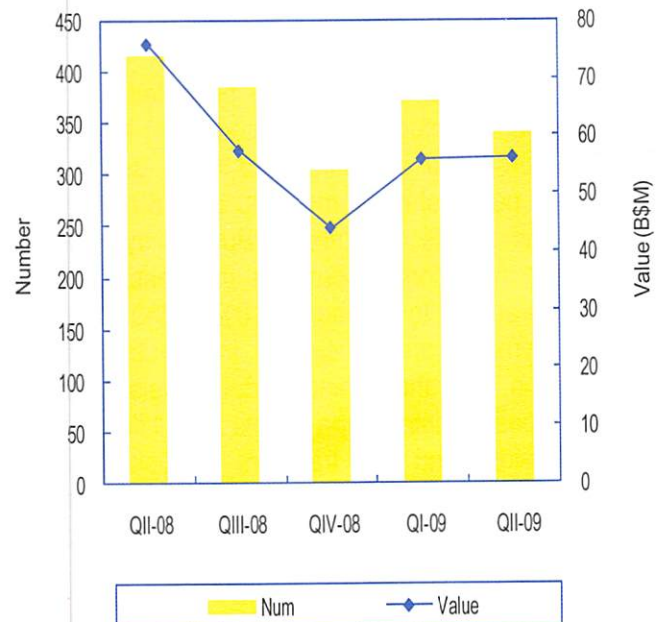
Construction sector activity continued to contract during the review quarter, due to the adverse effects of the global financial crisis on foreign investment activity, and a significant slackening in domestic activity. Mortgage disbursements for new construction and building repairs, as reported by commercial banks, insurance companies and the Bahamas Mortgage Corporation, fell markedly by 25.4% to \$64.3 million, compared to the corresponding quarter of 2008. By category, residential and commercial loan disbursements were slashed by 26.2% and 18.5%, to \$57.2 million and \$7.1 million, respectively.

As an indicator of future activity, the number of mortgage commitments for new construction and repairs decreased by 75 to 340; with a contraction in the corresponding value, by \$19.8 million to \$56.1 million. In terms of the various components, residential loan approvals rose slightly in number and value, by 2.8% and 2.2% to 330 and \$53.8 million, respectively. By contrast, the commercial component plunged to 10 approvals valued

at \$2.3 million, from a high of 94 commitments valued at \$23.2 million a year earlier.

In interest rate developments, the average rate on the residential segment narrowed by 10 basis points to 8.4%; while commercial loan rates stabilized on average, at 8.8%.

Mortgage Commitments: New Construction and Repairs



PRICES

Despite annual inflation remaining elevated in comparison to recent years, reflecting the pass-through effects of price increases in the latter half of 2008, data for the quarter showed an easing in consumer price pressures, amid the recent softening in raw material costs. Retail prices rose by a modest 0.4% during the review period, compared to a rate of 2.7% last year. This outturn reflected a tapering in price gains for "other goods and services", by 8.9 percentage points to 0.27%; for furniture and households by 3.7 percentage points to 1.23%; and for housing by 1.6 percentage points to 0.37%. Moreover, average costs for recreation & entertainment services fell by 0.14%, compared to a 3.05% advance a year earlier.

Average Retail Price Index

(Annual % Changes)

June

| Items | Weight | 2008 | | 2009 | |
|----------------------|--------|-------|-----|-------|-----|
| | | Index | % | Index | % |
| Food & Beverages | 138.3 | 133.6 | 4.0 | 144.7 | 8.3 |
| Clothing & Footwear | 58.9 | 108.4 | 1.3 | 110.3 | 1.7 |
| Housing | 328.2 | 109.9 | 1.4 | 113.0 | 2.8 |
| Furn. & Household | 88.7 | 134.2 | 7.1 | 141.3 | 5.3 |
| Med. Care & Health | 44.1 | 146.8 | 4.7 | 151.3 | 3.1 |
| Trans. & Comm. | 148.4 | 114.5 | 3.2 | 117.1 | 2.3 |
| Rec., Enter. & Svcs. | 48.7 | 127.4 | 1.7 | 132.3 | 3.8 |
| Education | 53.1 | 175.9 | 2.5 | 181.6 | 3.3 |
| Other Goods & Svcs. | 91.6 | 140.4 | 3.1 | 150.9 | 7.5 |
| ALL ITEMS | 1000 | 124.7 | 3.0 | 130.1 | 4.3 |

For the twelve months to June, average consumer prices rose by 4.3% from 3.0% in 2008, reflecting accelerated price gains for most of the major categories. Inflation in the housing sector—the largest component—advanced by 1.4 percentage points to 2.8%. Further, cost accretions for food & beverages firmed by 4.2 percentage points to 8.3%; 'other' goods & services, by 4.4 percentage points to 7.5%; recreation, entertainment & services, by 2.2 percentage points to 3.9%; education, by 0.7 percentage points to 3.3%, and clothing & footwear, by 0.4 percentage points to 1.7%. In contrast, price gains for furniture and household operations, medical care & health and transport & communication, slowed to 5.3%, 3.1% and 2.3%, from 7.2%, 4.7% and 3.2%, respectively.

During the review quarter, fuel price trends remained mixed, in line with the ongoing volatility observed in the global oil market. The average cost per gallon of gasoline in New Providence rose by 10.3% to \$3.70, although pacing below the 14.3% hike to \$5.29 per gallon in the corresponding period of 2008. In contrast, diesel prices fell by 2.7% to \$2.66 vis-à-vis a 23.7% gain to \$5.37 per gallon last year. Similarly, the Bahamas Electricity Corporation's fuel surcharge for energy consumption was reduced by 27.8% to 7.73¢ per kilowatt hour (kWh), in contrast to an 8.0% increase to 17.21¢ a year earlier.

MONEY, CREDIT AND INTEREST RATES

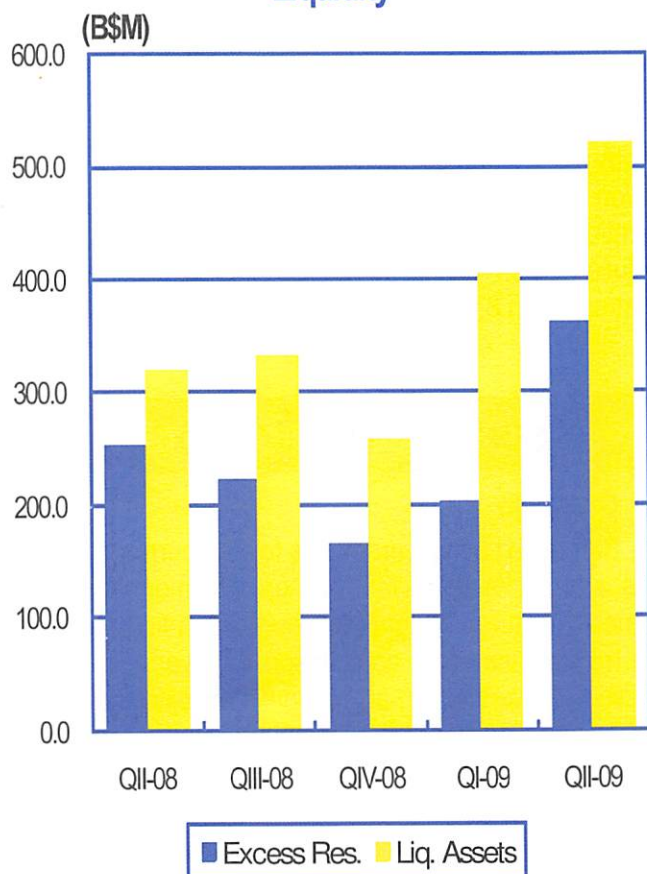
OVERVIEW

Buttressed by Government's foreign currency borrowings and a slowdown in credit growth, monetary developments featured a significant build-up in liquidity during the review quarter, in comparison to a year-earlier contraction. Nevertheless, as economic conditions remained constrained, credit quality indicators—particularly in the long-dated segment—continued to deteriorate, resulting in increased provisioning by banks and a general decline in profitability. Interest rate trends over the quarter featured a widening in the weighted average interest rate spread, as lending rates increased and deposit rates contracted.

LIQUIDITY

For the three months to June, increased foreign currency inflows supported a 78.4% (\$158.4 million) growth in net free cash reserves to \$360.4 million, to surpass the 12.2% upturn achieved in 2008, and thereby elevating the ratio of free cash reserves to Bahamian dollar deposit liabilities, to 6.3% at end-June from 4.5% a year earlier. Similarly, the broader surplus liquid assets advanced by \$115.8 million (28.6%) to \$520.8 million, although below the \$127.9 million (66.8%) gain registered in 2008. However, liquid assets exceeded the statutory minimum by an improved 56.2%, compared to 35.7% a year ago.

Liquidity



DEPOSITS & MONEY

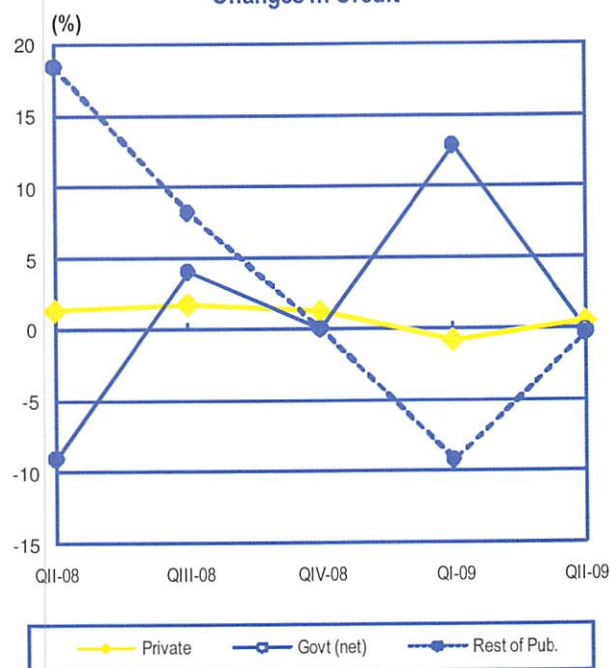
Reflecting a fall in deposits of the public sector, which outdistanced gains in private balances, accretions to overall money (M3) decelerated to 0.6% from 1.3% in 2008. Narrow money (M1) contracted by \$51.2 million (3.8%), extending the \$2.6 million (0.2%) falloff a year earlier. This was inclusive of a decline in demand deposits, by \$48.5 million (4.3%), which contrasted with the previous year's gain of \$7.4 million (0.7%), as public corporations reduced balances to purchase Government paper. Moreover, the reduction in currency in active circulation was lower at 1.4% from 4.7%.

Broad money (M2) receded by \$13.4 million (0.2%), following last year's expansion of \$81.6 million (1.5%), as a decline in public institutions' balances tempered the growth in fixed deposits by \$46.0 million to \$28.7 million. In addition, saving deposits advanced by \$9.1 million

(0.9%), slightly lower than the previous year's increase, owing to reduced gains in private balances.

Strengthened accretions to private sector deposits elevated residents' foreign currency balances, by \$50.6 million (24.2%), against a \$4.9 million (2.2%) falloff a year earlier. As a result of these developments, overall money (M3) firmed by \$37.2 million to \$6,065.9 million, compared to a balance of \$5,859.2 million at end-June 2008. Bahamian dollar fixed accounts comprised the largest share of the money stock, at 57.4%, followed by demand (18.0%) and savings (17.1%) deposits; whereas residents' foreign currency deposits and currency in active circulation accounted for smaller shares of 4.3% and 3.2%, respectively.

Changes in Credit



DOMESTIC CREDIT

Accretions to domestic credit slowed to \$30.4 million (0.4%) from 1.0% a year earlier, explained by a tapering in private sector credit growth, combined with a contraction in claims on public corporations. Supported by an increase in short-term advances to Government, foreign currency claims firmed by \$114.9 million (15.1%), compared to a modest \$18.9 million (2.8%) increase in 2008.

However, as the majority of the borrowings was utilized to reduce local currency obligations, the Bahamian dollar segment fell by \$84.6 million (1.2%) against a \$57.5 million (0.9%) expansion last year.

Credit to the public sector contracted by \$2.6 million (0.2%), following a \$13.7 million (1.2%) decline in 2008. This outturn primarily reflected a \$1.5 million (0.4%) reduction in loans to public corporations, compared to the previous year's \$62.6 million (18.4%) expansion. Similarly, net claims on the Government, decreased by \$1.1 million, which followed a \$76.3 million contraction a year earlier.

| Distribution of Bank Credit By Sector | | | | |
|--|----------------|--------------|----------------|--------------|
| End-June | | | | |
| | 2008 | | 2009 | |
| | <u>B\$M</u> | <u>%</u> | <u>B\$M</u> | <u>%</u> |
| Agriculture | 12.4 | 0.2 | 14.4 | 0.2 |
| Fisheries | 9.3 | 0.1 | 7.6 | 0.1 |
| Mining & Quarry | 4.3 | 0.1 | 1.2 | 0.0 |
| Manufacturing | 49.7 | 0.7 | 31.7 | 0.5 |
| Distribution | 192.1 | 2.9 | 149.0 | 2.1 |
| Tourism | 211.1 | 3.2 | 207.6 | 3.0 |
| Enter. & Catering | 32.4 | 0.5 | 35.4 | 0.5 |
| Transport | 28.6 | 0.4 | 25.9 | 0.4 |
| Public Corps. | 300.3 | 4.5 | 299.1 | 4.3 |
| Construction | 462.3 | 6.9 | 442.1 | 6.3 |
| Government | 57.2 | 0.9 | 219.0 | 3.1 |
| Private Financial | 24.8 | 0.4 | 21.8 | 0.3 |
| Prof. & Other Ser. | 144.8 | 2.2 | 169.4 | 2.4 |
| Personal | 4,755.2 | 71.4 | 4,999.0 | 71.3 |
| Miscellaneous | 376.2 | 5.6 | 383.5 | 5.5 |
| TOTAL | 6,660.7 | 100.0 | 7,006.7 | 100.0 |

As the economic downturn continued to curtail consumer demand, growth in private sector credit abated to \$33.0 million (0.5%), from a \$90.2 million (1.4%) advance a year earlier; and was mainly concentrated in the Bahamian dollar component. Personal loans, accounting for the bulk (77.0%) of outstanding private sector claims, increased by 0.5%, which was below last

year's 1.8% expansion. In particular, overdraft facilities contracted by \$7.6 million (6.0%) vis-à-vis a year earlier increase of \$2.5 million (2.4%), while accretions to residential mortgages and consumer lending moderated by \$20.5 million and \$32.2 million, to \$26.1 million and \$5.7 million, respectively.

A more in-depth analysis of consumer credit trends revealed contractions across most of the major categories. Significant declines were noted for credit cards (\$5.0 million), private cars (\$4.4 million), home improvement (\$3.8 million), travel (\$3.5 million) and education (\$1.9 million), with reductions of less than \$1.0 million registered for the other components. However, increased demand for loan refinancing and restructuring reinforced stable growth in debt consolidation loans of \$26.6 million.

Among the other significant components of private sector credit, decreases were registered for construction (\$38.1 million), distribution (\$12.7 million) and manufacturing (\$2.3 million). An offset was provided by miscellaneous loans, which firmed by \$23.4 million, while credit for professional & other services and tourism rose by \$2.0 million and \$3.8 million, respectively.

MORTGAGES

An analysis of mortgage activity of banks, insurance companies and the Bahamas Mortgage Corporation, showed total mortgages outstanding firming by \$25.7 million (0.8%) to \$3,106.1 million. Residential loans, which comprised 93.1% of the total, increased by \$28.5 million (1.0%) to \$2,892.0 million, although below the 2.6% advance recorded a year earlier. Conversely, the commercial segment fell by 1.3% to \$214.1 million, extending last year's 0.5% contraction. At end-June 2009, commercial banks held the majority (89.0%) of the aggregate mortgage portfolio, followed by insurance companies (6.2%) and the Bahamas Mortgage Corporation (4.8%).

THE CENTRAL BANK

For the review quarter, the Central Bank's net claims on the Government decreased by \$10.6 million (5.4%), which was significantly below the \$116.4 million (39.5%) contraction noted a year earlier, when the Bank reduced its holdings of Treasury bills. This quarter's outturn mainly reflected a reduction in Government security holdings by \$32.8 million, as well as a \$2.8 million firming

in deposits, which outdistanced the \$25.0 million increase in short-term advances. Given higher deposit balances for public corporations, the Bank's net liabilities to the rest of the public sector widened by 11.4% to \$10.1 million, while liabilities to commercial banks surged by \$134.4 million (26.9%), as their balances were buoyed by proceeds from the Government's foreign currency borrowings.

External reserves grew by 23.5% (\$146.6 million) to \$770.4 million, comparable to the 25.1% advance registered in 2008. Underlying these developments were gains in the Central Bank's net foreign currency purchase of \$142.8 million, relative to last year's \$129.9 million. In particular, foreign currency borrowings boosted the net purchase from Government to \$137.4 million, which was moderately higher than the previous year's \$134.6 million net inflow; whereas the Bank's net purchase from commercial banks slackened to \$60.4 million from \$84.8 million. Conversely, the net sale to the public corporations was reduced to \$55.0 million from \$89.5 million.

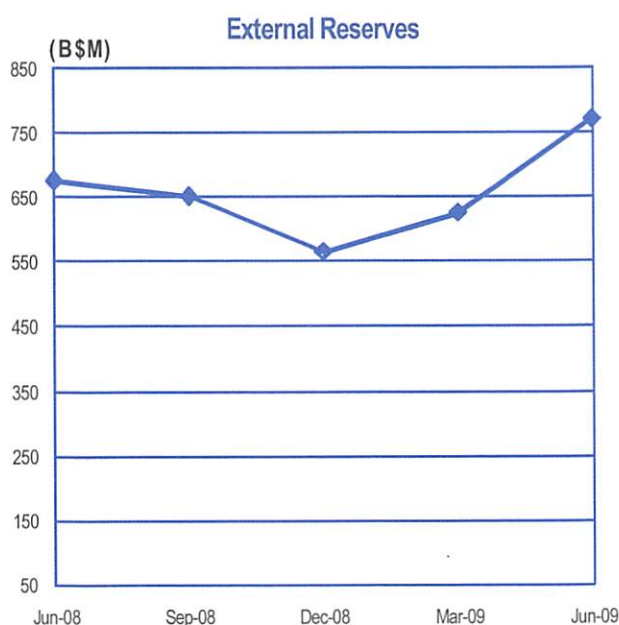
chandise imports, relative to the previous year's 16.4 weeks. Accounting for the statutory commitment of 50% of the Bank's demand liabilities, which have to be supported by external balances, "useable" reserves expanded by \$43.2 million to \$332.9 million.

DOMESTIC BANKS

Developments in the domestic banking sector were dominated by Government's internal foreign currency borrowings, which precipitated growth in banks' net foreign liabilities and supported the build-up in liquidity. Gains in residential mortgage lending buoyed the \$33.0 million (0.5%) advance in claims on the private sector, although significantly below 2008's 1.4% expansion; while deposit liabilities firmed by \$82.9 million (1.6%). Growth in net claims on the Government weakened to \$9.5 million (1.1%) from \$40.2 million (7.4%) a year earlier, mainly because of reductions in Treasury bill holdings; and net liabilities to the rest of public sector narrowed by \$42.6 million to \$47.3 million at end-June, as the 9.0% fall in deposits outdistanced the 0.3% downturn in credit growth. As banks' profit margins tightened, capital and surplus reserves increased by a reduced 2.9% (\$55.6 million) compared to 4.0% (\$68.4 million) a year earlier. Occasioned by heightened foreign currency lending to Government, accretions to Banks' net external liabilities accelerated by \$162.7 million to \$828.5 million.

At end-June, domestic banks' deposit liabilities—inclusive of Government and private sector balances—stood at \$5,962.7 million, a modest gain of 0.1% over the quarter, compared to an advance of 1.6% a year earlier. The majority of deposits were denominated in Bahamian dollars (96.4%); and private individuals held the largest share (58.1%), followed by business firms (23.9%), the public sector (10.2%), other customers (4.2%) and private financial institutions (3.6%). Disaggregated by deposit type, fixed deposits comprised the largest segment at 60.5% of total accounts, followed by demand (22.0%) and savings (17.5%) deposits.

An analysis of Bahamian dollar accounts by range of value and number revealed that deposits of up to \$10,000 were held by 90.2% of account holders, but comprised a mere 7.3% of the total value. Deposits in the range of \$10,000 to \$50,000 represented 12.0% of the value and 6.6% of the total number of accounts; while those over

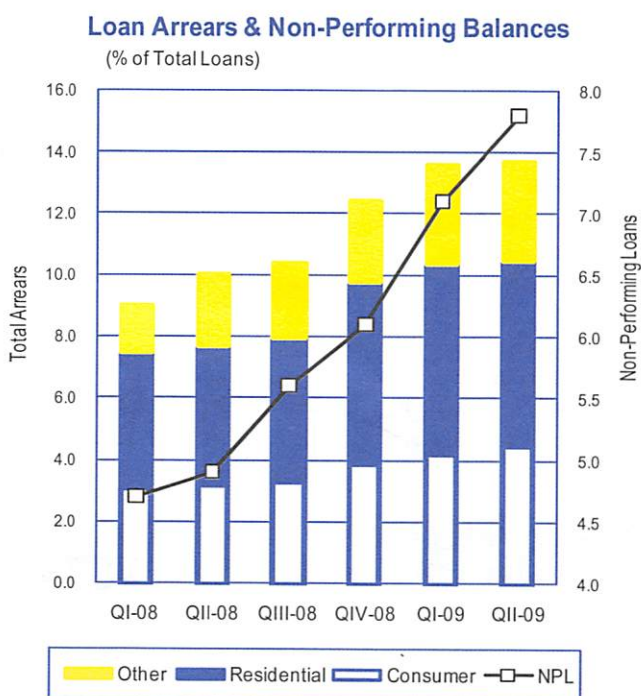


By end-June, external reserves stood higher at \$770.4 million vis-à-vis \$674.8 million in 2008, and corresponded to an improved 19.1 weeks of non-oil mer-

\$50,000 were held by only 3.1% of customers, although accounting for 80.7% of the total.

CREDIT QUALITY

Data for the June quarter revealed that domestic banks' credit quality continued to deteriorate, extending the trend observed since the latter half of 2008. Bahamian dollar private sector arrears of 30 days or more firmed by \$5.2 million (0.6%) to \$843.9 million, to constitute 13.84% of total loans relative to 13.66% in the March quarter and 10.15% at end-June 2008.



The most significant increase was noted for consumer loan delinquencies, which advanced by \$18.6 million (7.2%) to \$275.8 million, with the corresponding ratio to total loans deteriorating to 12.6% from 11.7% in the previous quarter and 8.7% a year earlier. Commercial loan arrears firmed marginally by \$1.0 million (0.5%) to \$195.9 million, and the delinquency ratio advanced to 19.2%. Conversely, the residential component was lower by \$14.3 million (3.8%) at \$366.1 million, improving the arrears to loan rate, to 13.0% from 13.7% end-March, although remaining above 2008's 10.2% ratio.

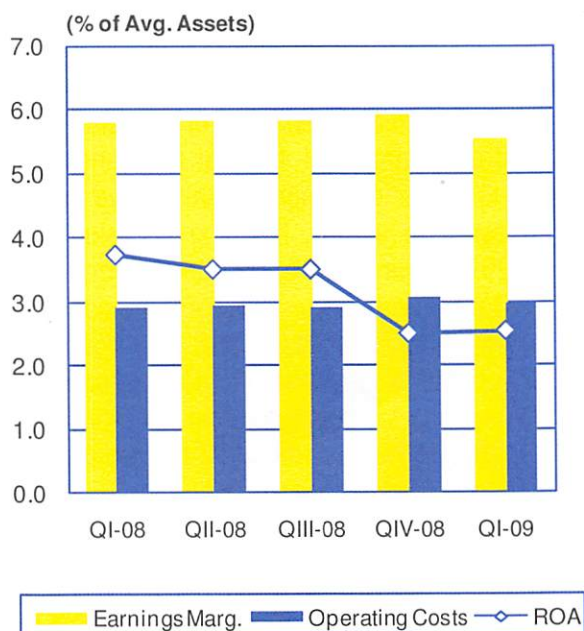
As customers continued to experience difficulty with servicing existing overdue balances, non-performing loans—representing unpaid balances of more than 90 days and on which banks no longer accrue interest—expanded by \$42.7 million (10.0%) to \$469.8 million—and represented an elevated 7.8% of total claims relative to 7.1% at end-March and 4.9% at end-June 2008. In response to these challenges, banks have adopted a more conservative stance, boosting provisions for bad debt by \$20.8 million (11.5%) over the quarter to \$201.4 million. Consequently, the ratio of provisions to total loans rose by 36 basis points to 3.30%, to position above the 2.34% noted a year earlier. Correspondingly, the ratio of provisions to non-performing loans increased to 42.87% from 42.30% at end-March, but remained below the 47.86% recorded in June 2008.

BANK PROFITABILITY

Increased provisions for bad debts, combined with an expansion in operating costs, led to a \$22.1 million (27.4%) falloff in banks' quarterly profits, to \$58.5 million in the first quarter of 2009—the latest period for which data is available. Aided by the overall growth in credit, which boosted loan interest income, and a reduction in interest expense, the net interest margin rose by 4.5% to \$120.2 million. Lower transaction volumes curtailed commission and foreign exchange income, by 14.2% to \$8.2 million, thereby tempering the gain in the gross earnings margin to 3.1% or \$128.4 million. Increased outlays for salaries, leases and rent and other "miscellaneous" operating costs were mainly responsible for a 10.7% expansion in operating expenses to \$69.2 million. Banks also incurred losses on their non-core activities, of \$0.7 million, a turnaround from last year's \$18.5 million profit. This was linked mainly to a 41.2% increase in bad debt provisions to \$22.9 million, and a 32.4% reduction in earnings from "miscellaneous" activities.

Consistent with these trends, banks' profitability as a percentage of average domestic assets generally declined over the period. As a share of average assets, the net interest margin decreased by 13 basis points to 5.20%, and the corresponding ratio for commission and foreign exchange income fell by 9 basis points to 0.35%. However, the operating cost ratio expanded by 9 basis points to 2.99%. As a result of these developments, the net income ratio fell by 1.21 percentage points to 2.53%.

Domestic Banks' Profitability



INTEREST RATES

In interest rate developments, the weighted average spread advanced by 39 basis points over the quarter to 6.88%, reflecting an increase of 18 basis points in the average loan rate to 10.67%, and a softening in the average deposit rate by 21 basis points to 3.79%. For deposits, the average savings rate flattened by 8 basis points to 2.11%; the average rate on fixed maturities tightened by 26 basis points to within a narrower range of 3.57% - 4.33% from the prior quarter's 3.64% - 4.66%; and the average demand deposit rate fell by 17 basis points to 1.43%.

In terms of lending, the increase in average rates was due to a 23 basis point firming in the dominant consumer loan rate to 12.72%. By comparison, the average charge on overdraft facilities contracted by 1.24 percentage points to 11.60%, and commercial and residential mortgage rates eased by 12 basis points and 6 basis points, to 8.46% and 8.23%, respectively.

Regarding key rates, the average 90-day Treasury bill rate increased by 13 basis points to 2.77% during the quarter; however the benchmark Central Bank Discount

Rate and Commercial Bank Prime Rate were maintained at 5.25% and 5.50%, respectively.

Banking Sector Interest Rates

| | Period Average (%) | | |
|----------------------------------|--------------------|----------------|-----------------|
| | Qtr. II 2008 | Qtr. I 2009 | Qtr. II 2009 |
| Deposit Rates | | | |
| Demand Deposits | 1.34 | 1.66 | 1.43 |
| Savings Deposits | 2.25 | 2.19 | 2.11 |
| Fixed Deposits | | | |
| Up to 3 months | 3.71 | 3.64 | 3.57 |
| Up to 6 months | 4.09 | 4.23 | 3.88 |
| Up to 12 months | 4.57 | 4.67 | 4.38 |
| Over 12 months | 4.28 | 4.66 | 4.33 |
| Weighted Avg Deposit Rate | 3.91 | 4.00 | 3.79 |
| Lending Rates | | | |
| Residential mortgages | 8.58 | 8.29 | 8.23 |
| Commercial mortgages | 9.24 | 8.58 | 8.46 |
| Consumer loans | 13.49 | 12.49 | 12.72 |
| Other Local Loans | 9.28 | 8.12 | 7.76 |
| Overdrafts | 11.79 | 12.84 | 11.60 |
| Weighted Avg Loan Rate | 11.42 | 10.49 | 10.67 |

CAPITAL MARKETS DEVELOPMENTS

Despite modest signs of recovery in global markets, concerns over domestic economic conditions weighed down investor sentiment and led to lower equity valuations. Consequently, The Bahamas International Securities Exchange (BISX) Share Price Index fell by 1.2% to 1,579.23 points, following an 11.8% contraction in the same quarter of 2008. Market activity remained muted, as the volume of shares traded fell by 0.2 million to 1.0 million and the corresponding value decreased by \$2.7 million to \$5.2 million. Amid declines in average share prices, market capitalization also contracted by 2.3% to \$2.5 billion, compared to a 9.1% falloff noted last year.

The Fidelity Capital Market Index—which covers securities traded over-the-counter—also moved lower by 2.4% to 786.16 points over the three month period.

INTERNATIONAL TRADE AND PAYMENTS

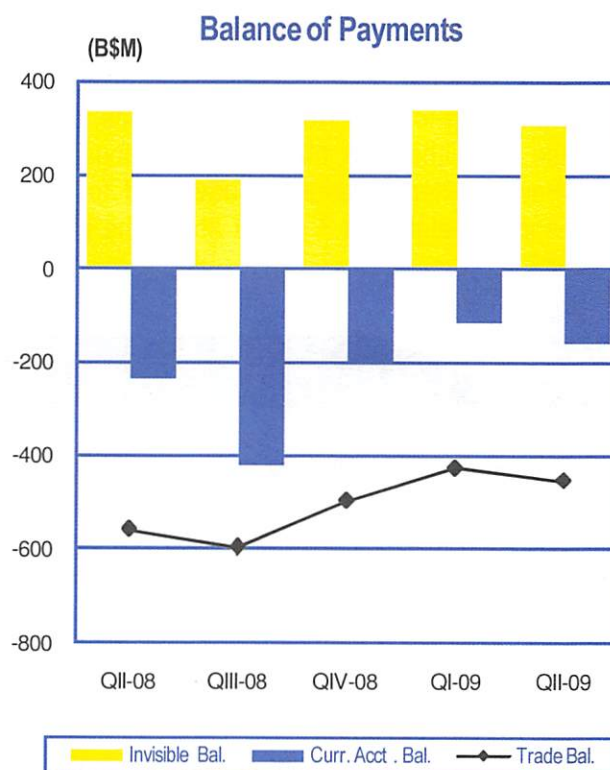
Reflecting the general easing in private sector demand pressures, amid the global economic downturn, provisional data for the second quarter of 2009 showed a narrowing in the current account deficit by \$76.6 million (32.5%) to \$159.2 million, vis-à-vis the comparable period of 2008. Supported by Government's foreign currency borrowing activities through the local banking sector, the capital and financial account surplus rose marginally by an estimated \$4.0 million to \$365.9 million.

The estimated merchandise trade deficit improved by \$104.7 million (18.7%) to \$454.9 million year-on-year, buoyed by reductions in both the oil and non-oil trade outflows. Non-oil merchandise imports contracted by \$53.4 million, offsetting the \$22.4 million decline in exports. Similarly, fuel imports weakened by 31.6% (\$95.3 million) to \$205.9 million, reflecting decreases in both the average price and volume of imported goods. In particular, the per barrel cost of propane declined from a year ago by 42.8% to \$46.7 per barrel; motor gas, by 43.9% to \$76.9; jet fuel by, 55.8% to \$70.7; bunker 'C' fuel, by 24.0% to \$72.5; and gas oil, by 11.5% to \$126.7.

The services account surplus narrowed by \$29.4 million (8.8%) to \$306.0 million. A key factor was the estimated 8.7% reduction in net travel receipts, as tourism inflows declined by \$59.9 million, to offset the \$13.8 million easing in resident's overseas travel expenses. Similarly, offshore companies' net local expenditures declined by \$3.9 million to \$40.3 million; while net external payments for insurance and Government services increased by \$8.6 million and \$9.3 million, to \$34.5 million and \$27.9 million, respectively. Partially offsetting these trends, net transportation outflows and royalty and license fee payments were lower by \$10.4 million and \$0.4 million at \$69.2 million and \$3.4 million, respectively. Given the general slowdown in foreign direct investment, outflows for construction services were reduced by \$4.1 million to \$0.9 million, and other-related services, by \$23.5 million to \$80.8 million.

The deficit on the income account narrowed by \$6.1 million to \$22.9 million, arising from moderations in the repatriation of investment income and employees' remittances. Net investment income outflows tapered by \$3.2

million to \$8.8 million, as non-bank businesses reduced their dividend and interest payments, by \$20.5 million to \$4.4 million, outpacing the reversal in bank transactions, to a net outflow of \$0.4 million from a net inflow of \$14.7 million last year. In contrast, the net payment for official transactions rose by \$2.3 million to \$4.1 million, reflecting a \$2.0 million reduction in the Central Bank's foreign income, along with a slight \$0.2 million increase in Government's interest payments to \$8.1 million.



Net current transfer receipts moderated by \$4.9 million to \$12.5 million, occasioned by a \$14.3 million fall in net inflows to Government, and a \$1.2 million increase in workers' remittances.

Provisional data suggests that the surplus on the capital and financial accounts grew modestly by \$4.0 million to \$365.9 million, owing to a gain in the financial account of \$3.6 million to \$376.3 million. More specifically, other "miscellaneous" investments advanced by \$48.1 million to \$205.0 million, as the provision of short-term

funding to Government from the local banking sector, buoyed the \$98.8 million advance in commercial banks' net foreign assets. Further, "other" unspecified net private investment inflows, increased to \$61.5 million from \$41.9 million. In contrast, public sector net inflows fell by \$70.1 million to \$26.9 million, reflecting a comparable reduction in Government's net external loan receipts. Portfolio investment outflows edged up by \$0.9 million to \$4.5 million, based on net outflows for bond investments; however, no equity outflows were registered over the period. Net direct investment inflows slackened by \$43.6 million to \$175.8 million, as land purchases contracted by over 50% to \$50.0 million, while equity investments rose by \$16.7 million to \$125.8 million.

After adjusting for net errors and omissions, the surplus on the overall balance, measured by changes in the Central Bank's external reserves, advanced to \$146.6 million—approximately \$11.3 million above the previous year's level.

INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economy showed signs of a modest improvement during the second quarter, as Governments' fiscal "stimulus" measures and central banks' expansionary monetary policies secured slight gains in industrial production and exports. Consequently, several export-driven economies registered modest growth rates in the second quarter, while the pace of economic downturn in other countries slowed. However, unemployment indicators worldwide continued to deteriorate, reflecting the pass-through effects of the prolonged global recession on businesses; while inflation rates remained relatively benign, owing to sustained weakness in consumer demand. Stock indices continued their upward momentum, underpinned by higher than expected company earnings and improving prospects for a return to global growth in the near-term. As investors increased their risk tolerance, demand for non-US denominated investments increased, resulting in the US dollar depreciating against most of the major currencies over the review period.

The downturn in the United States economy slowed during the review quarter, as real GDP decreased by a lower annualized rate of 1.0% vis-a-vis 6.4% in the March

quarter. This outturn was associated with an increase in fiscal "stimulus" related government spending, as well as reduced contractions in non-residential fixed investments, exports and private inventory investment. Buoyed by lower declines in construction, manufacturing and services output, the rate of decline in real GDP for the United Kingdom slackened to 0.8% from 2.4% in the previous quarter. The emergence of France and Germany—the two largest economies in the euro zone—from recession in the second quarter, resulted in the rate of economic decline in the area narrowing by 2.4 percentage points to 0.1%. In Asia, the Japanese economy rebounded from a severe year long recession, as a surge in exports and public investment supported a 3.7% expansion in real GDP; in comparison to a first quarter decline of 11.7%. For China, real output growth accelerated to 7.9% from 6.1% in the March quarter, and was concentrated in the domestic bank supported investment sector; however, weakness in global demand led to a reduction in net exports.

Labour market conditions continued to deteriorate, reflecting the prolonged effects of the global recession. In the United States, the unemployment rate rose to 9.2% during the second quarter, from 8.1% in the preceding quarter, on account of significant job reductions in manufacturing, construction and the professional and business services sectors. Similarly, the jobless rate continued to escalate in the United Kingdom, rising by 0.7 percentage points over the previous three-month period, to an average of 7.8%. The unemployment rate in the euro zone firmed to 9.4% at end-June, from 9.0% at end-March, led by a significant deterioration in labour markets in Spain and several eastern European countries. Meanwhile, as companies in key industries continued to retrench workers, the unemployment rate in Japan rose by 0.6 percentage points over the quarter to reach 5.4% by end-June. Indications are that China's unemployment rate remained relatively steady, after settling at 4.7% in the first three months of 2009.

Global price developments remained influenced by weakness in aggregate demand, which contributed to lower levels of inflation. In the United States market, average consumer prices fell by 1.4% in the twelve-months to June, in contrast to an increase of 0.6% at end-March, owing mainly to a significant contraction in energy prices. For the first time since September 2007,

the United Kingdom's annual inflation fell below the central bank's 2% target rate, to 1.8% in June. Buoyed by price declines for transportation, communication and housing, average consumer prices in the euro zone fell by 0.1% in June on an annual basis, compared to an increase of 0.6% at end-March. Similarly, Japan experienced deflation of 0.2% in the twelve months to June, occasioned mainly by declines in utility prices as well as lower transportation and communication costs. In China, consumer prices fell by 1.7% on an annual basis in June—the sixth consecutive month of lower average prices.

In foreign exchange markets, the dollar depreciated against most major currencies during the review quarter, as investors increased their risk appetite, amid signs of a possible near-term global economic recovery. The dollar fell against the Japanese yen, by 2.8% to ¥96.3; and depreciated marginally against the Chinese Yuan, by 0.09% to 6.83. In addition, the dollar weakened vis-à-vis the major European currencies, falling by 4.8%, 5.4% and 12.8% versus the Swiss Franc, euro and British pound, respectively.

The positive momentum generated in the global stock markets during the first three months of the year persisted into the second quarter, as companies' earnings and profit forecasts generally exceeded analysts' expectations. In the US market, the Dow Jones Industrial Average (DJIA) grew by 11.0% to 8,447.0 points; while the Standard & Poor's 500 index rose by 15.2% to 919.32 points by end-June. For Europe, the UK's FTSE 100 share price increased by 8.2% to 4,249.2 points; Germany's DAX index advanced 17.7% to 4,808.64; and France's CAC 40 index, by 11.9% to 3,140.4 points. In addition, the Asian bourses registered robust gains, as Japan's NIKKEI 225 and China's Shanghai SE Composite index firmed by 22.8% and 24.7% to 9,958.44 points and 2,959.36 points, respectively.

As the global economy registered tentative signs of emergence from recession, commodity prices—although down significantly from peaks registered in previous years—firmed during the review quarter. In the crude oil market, the per barrel price of oil rose by 40.4% to \$69.99 compared to \$49.84 at end-March 2009. Meanwhile, gold prices grew by a modest 0.8% to \$926.60 per ounce, and silver advanced by 4.9% to \$13.61 per ounce.

Central banks globally upheld their accommodative monetary policy stances over the review period, in an attempt to support the initial signs of economic recovery. The US Federal Reserve maintained its target range for the federal funds rate at 0.0% - 0.25%, and its commitment to purchase \$1.25 trillion of agency mortgage backed securities, \$200 billion of agency debt and \$300 billion of Treasury securities. In the United Kingdom, the Bank of England kept its key bank rate unchanged at 0.5% and expanded its Asset Purchase Facility (APF), by £50 billion to £125 billion, through the use of central bank reserves. The European Central Bank reduced each of its key interest rates by 0.5 percentage points, and also announced its intention to implement a programme aimed at purchasing up to a maximum of 60 billion in high quality euro bonds issued in the area. The Bank of Japan retained its zero interest policy, and reiterated its pledge to continue its emergency credit programmes until the end of 2009. In China, the monetary authorities decided to undertake measures aimed at strengthening financial support for smaller sectors of the economy, while tightening lending to unproductive industries.

External sector indicators remained mixed over the quarter, with most economies showing some improvement in their terms of trade. Published data on the trade balance in the United States indicated a slight narrowing in the goods and services deficit from the first quarter, by \$0.4 billion to \$177.6 billion, owing to modest gains in goods and services exports, which outstripped growth in imports. In the United Kingdom, the deficit on the goods and services account fell, on a quarterly basis, to £7.0 billion from £8.2 billion, reflecting a reduction in the goods deficit combined with a marginal increase in the services surplus. Buttressed by a reduction in imports and a slight uptick in exports, the trade balance in the euro zone reversed to a €9.3 billion surplus in the second quarter, from a €10.9 billion deficit over the first three-months of the year. Reflecting the rebound in the Japanese economy, the balance on the trade account improved to a surplus of ¥13.1 trillion from a deficit of ¥0.5 trillion in the previous three months, due mainly to a surge in exports, which countered the increase in imports. In contrast, China's trade surplus fell by 32% year-on-year to US\$130 billion over the first six months of 2009, amid a sharp reduction in exports.

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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. Due to rounding, the sum of separate items may differ from the total

TABLE 1
FINANCIAL SURVEY

| End of Period | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
|-----------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|----------|
| | | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. |
| (B\$ Millions) | | | | | | | | | | | | | |
| Net foreign assets | 104.3 | (32.2) | (254.4) | (133.4) | (124.4) | (249.0) | (213.4) | (55.4) | 61.9 | (29.4) | (140.9) | (42.0) | (58.1) |
| Central Bank | 667.8 | 578.8 | 499.7 | 623.5 | 642.9 | 464.7 | 454.2 | 539.6 | 674.8 | 650.2 | 562.9 | 623.8 | 770.4 |
| Domestic Banks | (563.5) | (611.0) | (754.1) | (756.9) | (767.3) | (713.7) | (667.6) | (595.0) | (612.9) | (679.6) | (703.8) | (665.8) | (828.5) |
| Net domestic assets | 4,317.2 | 4,862.4 | 5,399.5 | 5,455.3 | 5,657.4 | 5,791.7 | 5,850.7 | 5,837.9 | 5,797.3 | 5,950.8 | 6,064.9 | 6,070.7 | 6,078.0 |
| Domestic credit | 5,227.2 | 5,899.5 | 6,742.9 | 6,802.1 | 7,049.3 | 7,259.1 | 7,434.3 | 7,433.3 | 7,506.2 | 7,685.5 | 7,909.1 | 7,933.8 | 7,964.2 |
| Public sector | 887.8 | 945.8 | 1074.2 | 1044.3 | 1,176.2 | 1,191.8 | 1,215.9 | 1,180.4 | 1,166.7 | 1,230.9 | 1,372.3 | 1,450.0 | 1,447.4 |
| Government (net) | 547.1 | 642.5 | 677.0 | 664.2 | 773.7 | 823.6 | 866.8 | 840.1 | 763.8 | 795.0 | 924.0 | 1042.9 | 1041.8 |
| Rest of public sector | 340.7 | 303.3 | 397.2 | 380.1 | 402.5 | 368.2 | 349.1 | 340.3 | 402.9 | 435.9 | 448.3 | 407.1 | 405.6 |
| Private sector | 4,339.4 | 4,953.7 | 5,668.7 | 5,757.8 | 5,873.1 | 6,067.3 | 6,218.4 | 6,252.9 | 6,339.5 | 6454.6 | 6536.8 | 6483.8 | 6516.8 |
| Other items (net) | (910.0) | (1,037.1) | (1,343.4) | (1,346.8) | (1,391.9) | (1,467.4) | (1,583.6) | (1,595.4) | (1,708.9) | (1,734.7) | (1,844.2) | (1863.1) | (1886.2) |
| Monetary liabilities | 4,421.5 | 4,830.2 | 5,145.1 | 5,321.9 | 5,533.0 | 5,542.7 | 5,637.3 | 5,782.5 | 5,859.2 | 5,921.4 | 5,924.0 | 6,028.7 | 6,019.9 |
| Money | 1,134.4 | 1,247.6 | 1,251.1 | 1,267.9 | 1,330.7 | 1,273.3 | 1,300.3 | 1,308.4 | 1,305.7 | 1,320.2 | 1,274.5 | 1,336.4 | 1,285.2 |
| Currency | 176.6 | 195.3 | 202.1 | 216.1 | 216.9 | 213.3 | 223.7 | 214.2 | 204.2 | 199.6 | 205.8 | 197.0 | 194.3 |
| Demand deposits | 957.8 | 1,052.3 | 1,049.0 | 1,051.8 | 1,113.8 | 1,060.0 | 1,076.6 | 1,094.2 | 1,101.5 | 1,120.6 | 1,068.7 | 1139.4 | 1090.9 |
| Quasi-money | 3,287.1 | 3,582.6 | 3,894.0 | 4,054.0 | 4,202.3 | 4,269.4 | 4,337.0 | 4,474.1 | 4,553.5 | 4,601.2 | 4,649.5 | 4,692.3 | 4734.7 |
| Fixed deposits | 2,410.3 | 2,556.6 | 2,781.5 | 2,907.3 | 3,002.0 | 3,074.2 | 3,144.8 | 3,245.7 | 3,320.5 | 3,381.7 | 3,427.7 | 3451.8 | 3480.5 |
| Savings deposits | 779.9 | 881.8 | 953.3 | 986.2 | 1,029.9 | 1,012.9 | 992.1 | 1,009.3 | 1,018.9 | 1,006.3 | 1,020.4 | 1031.4 | 1040.5 |
| Foreign currency | 96.9 | 144.2 | 159.2 | 160.5 | 170.4 | 182.3 | 200.1 | 219.1 | 214.1 | 213.2 | 201.4 | 209.1 | 213.7 |
| (percentage changes) | | | | | | | | | | | | | |
| Total domestic credit | 5.1 | 12.9 | 14.3 | 0.9 | 3.6 | 3.0 | 2.4 | (0.0) | 1.0 | 2.4 | 2.9 | 0.3 | 0.4 |
| Public sector | 1.0 | 6.5 | 13.6 | (2.8) | 12.6 | 1.3 | 2.0 | (2.9) | (1.2) | 5.5 | 11.5 | 5.7 | (0.2) |
| Government (net) | 8.0 | 17.4 | 5.4 | (1.9) | 16.5 | 6.4 | 5.2 | (3.1) | (9.1) | 4.1 | 16.2 | 12.9 | (0.1) |
| Rest of public sector | (8.6) | (11.0) | 31.0 | (4.3) | 5.9 | (8.5) | (5.2) | (2.5) | 18.4 | 8.2 | 2.8 | (9.2) | (0.4) |
| Private sector | 6.0 | 14.2 | 14.4 | 1.6 | 2.0 | 3.3 | 2.5 | 0.6 | 1.4 | 1.8 | 1.3 | (0.8) | 0.5 |
| Monetary liabilities | 10.4 | 9.2 | 6.5 | 3.4 | 4.0 | 0.2 | 1.7 | 2.6 | 1.3 | 1.1 | 0.0 | 1.8 | (0.1) |
| Money | 25.0 | 10.0 | 0.3 | 1.3 | 5.0 | (4.3) | 2.1 | 0.6 | (0.2) | 1.1 | (3.5) | 4.9 | (3.8) |
| Currency | 10.3 | 10.6 | 3.5 | 6.9 | 0.4 | (1.7) | 4.9 | (4.2) | (4.7) | (2.3) | 3.1 | (4.3) | (1.4) |
| Demand deposits | 28.2 | 9.9 | (0.3) | 0.3 | 5.9 | (4.8) | 1.6 | 1.6 | 0.7 | 1.7 | (4.6) | 6.6 | (4.3) |
| Quasi-money | 6.2 | 9.0 | 8.7 | 4.1 | 3.7 | 1.6 | 1.6 | 3.2 | 1.8 | 1.0 | 1.0 | 0.9 | 0.9 |

Source: The Central Bank of The Bahamas

TABLE 2
MONETARY SURVEY

| End of Period | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
|------------------------------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. |
| (B\$ Millions) | | | | | | | | | | | | | |
| Net foreign assets | 70.9 | (65.9) | (235.0) | (84.1) | (68.5) | (226.7) | (197.2) | (35.5) | 82.5 | (11.8) | (123.6) | (28.0) | (27.1) |
| Central Bank | 667.8 | 578.8 | 499.7 | 623.5 | 642.9 | 464.7 | 454.2 | 539.6 | 674.8 | 650.2 | 562.9 | 623.8 | 770.4 |
| Commercial banks | (596.9) | (644.7) | (734.7) | (707.6) | (711.4) | (691.4) | (651.4) | (575.1) | (592.3) | (662.0) | (686.5) | (651.8) | (797.5) |
| Net domestic assets | 4,247.2 | 4,786.9 | 5,299.4 | 5,327.1 | 5,518.8 | 5,709.2 | 5,800.3 | 5,785.8 | 5,743.2 | 5,906.0 | 6,018.5 | 6,028.5 | 6,015.5 |
| Domestic credit | 5,083.1 | 5,752.7 | 6,588.8 | 6,650.8 | 6,899.5 | 7,120.3 | 7,401.4 | 7,413.6 | 7,480.2 | 7,659.5 | 7,882.7 | 7,908.8 | 7,918.9 |
| Public sector | 883.4 | 945.8 | 1,068.9 | 1,039.0 | 1,171.0 | 1,186.5 | 1,212.8 | 1,177.3 | 1,163.7 | 1,227.9 | 1,369.3 | 1,445.8 | 1,422.7 |
| Government (net) | 542.7 | 642.5 | 671.7 | 658.9 | 768.5 | 818.3 | 863.8 | 837.0 | 760.9 | 792.0 | 921.0 | 1,038.7 | 1,017.1 |
| Rest of public sector | 340.7 | 303.3 | 397.2 | 380.0 | 402.5 | 368.2 | 349.0 | 340.3 | 402.8 | 435.9 | 448.3 | 407.1 | 405.6 |
| Private sector | 4,199.7 | 4,806.9 | 5,519.9 | 5,611.8 | 5,728.5 | 5,933.8 | 6,188.6 | 6,236.3 | 6,316.5 | 6,431.6 | 6,513.4 | 6,463.0 | 6,496.2 |
| Other items (net) | (835.9) | (965.8) | (1,289.4) | (1,323.7) | (1,380.7) | (1,411.1) | (1,601.1) | (1,627.8) | (1,737.0) | (1,753.5) | (1,864.2) | (1,880.3) | (1,903.4) |
| Monetary liabilities | 4,318.1 | 4,716.1 | 5,064.4 | 5,243.0 | 5,450.3 | 5,482.4 | 5,603.1 | 5,750.3 | 5,825.7 | 5,894.2 | 5,894.9 | 6,000.5 | 5,988.4 |
| Money | 1,124.7 | 1,223.0 | 1,238.1 | 1,254.3 | 1,313.0 | 1,256.1 | 1,278.9 | 1,290.7 | 1,284.8 | 1,305.0 | 1,257.6 | 1,319.7 | 1,265.0 |
| Currency | 176.6 | 195.3 | 202.1 | 216.1 | 217.0 | 213.3 | 223.7 | 214.2 | 204.2 | 199.6 | 205.8 | 197.0 | 194.3 |
| Demand deposits | 948.1 | 1,027.7 | 1,036.0 | 1,038.2 | 1,096.0 | 1,042.8 | 1,055.2 | 1,076.5 | 1,080.6 | 1,105.4 | 1,051.8 | 1,122.7 | 1,070.7 |
| Quasi-money | 3,193.4 | 3,493.1 | 3,826.3 | 3,988.7 | 4,137.3 | 4,226.3 | 4,324.2 | 4,459.6 | 4,540.9 | 4,589.2 | 4,637.3 | 4,680.8 | 4,723.4 |
| Savings deposits | 779.7 | 881.6 | 953.1 | 986.0 | 1,029.6 | 1,012.6 | 991.9 | 1,009.1 | 1,018.7 | 1,006.0 | 1,020.2 | 1,031.1 | 1,040.2 |
| Fixed deposits | 2,316.8 | 2,467.4 | 2,714.1 | 2,842.2 | 2,937.3 | 3,031.4 | 3,132.2 | 3,231.4 | 3,308.1 | 3,370.0 | 3,415.8 | 3,440.6 | 3,469.5 |
| Foreign currency deposits | 96.9 | 144.1 | 159.1 | 160.5 | 170.4 | 182.3 | 200.1 | 219.1 | 214.1 | 213.2 | 201.3 | 209.1 | 213.7 |
| (percentage change) | | | | | | | | | | | | | |
| Total domestic credit | 5.4 | 13.2 | 14.5 | 0.9 | 3.7 | 3.2 | 3.9 | 0.2 | 0.9 | 2.4 | 2.9 | 0.3 | 0.1 |
| Public sector | 1.0 | 7.1 | 13.0 | (2.8) | 12.7 | 1.3 | 2.2 | (2.9) | (1.2) | 5.5 | 11.5 | 5.6 | (1.6) |
| Government (net) | 8.1 | 18.4 | 4.5 | (1.9) | 16.6 | 6.5 | 5.6 | (3.1) | (9.1) | 4.1 | 16.3 | 12.8 | (2.1) |
| Rest of public sector | (8.6) | (11.0) | 31.0 | (4.3) | 5.9 | (8.5) | (5.2) | (2.5) | 18.4 | 8.2 | 2.8 | (9.2) | (0.4) |
| Private sector | 6.4 | 14.5 | 14.8 | 1.7 | 2.1 | 3.6 | 4.3 | 0.8 | 1.3 | 1.8 | 1.3 | (0.8) | 0.5 |
| Monetary liabilities | 10.9 | 9.2 | 7.4 | 3.5 | 4.0 | 0.6 | 2.2 | 2.6 | 1.3 | 1.2 | 0.0 | 1.8 | 1.2 |
| Money | 25.6 | 8.7 | 1.2 | 1.3 | 4.7 | (4.3) | 1.8 | 0.9 | (0.5) | 1.6 | (3.6) | 4.9 | (0.2) |
| Currency | 10.3 | 10.6 | 3.5 | 6.9 | 0.4 | (1.7) | 4.9 | (4.2) | (4.7) | (2.3) | 3.1 | (4.3) | (4.1) |
| Demand deposits | 28.9 | 8.4 | 0.8 | 0.2 | 5.6 | (4.9) | 1.2 | 2.0 | 0.4 | 2.3 | (4.8) | 6.7 | (1.4) |
| Quasi-money | 6.5 | 9.4 | 9.5 | 4.2 | 3.7 | 2.2 | 2.3 | 3.1 | 1.8 | 1.1 | 1.0 | 0.9 | (4.6) |

Source: The Central Bank of The Bahamas

TABLE 3
CENTRAL BANK BALANCE SHEET

| (B\$ Millions) | | | | | | | | | | | | | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| End of Period | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
| | | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. |
| Net foreign assets | 667.8 | 578.8 | 499.7 | 623.5 | 642.9 | 464.7 | 454.2 | 539.6 | 674.8 | 650.2 | 562.9 | 623.8 | 770.4 |
| Balances with banks abroad | 311.1 | 145.4 | 90.5 | 226.7 | 246.3 | 69.8 | 59.5 | 149.8 | 285.1 | 261.7 | 205.8 | 268.5 | 354.2 |
| Foreign securities | 347 | 424.4 | 399.8 | 387.3 | 387.0 | 385.1 | 384.7 | 379.4 | 379.4 | 378.7 | 347.4 | 345.9 | 406.5 |
| Reserve position in the Fund | 9.7 | 9.0 | 9.4 | 9.5 | 9.5 | 9.7 | 9.9 | 10.3 | 10.2 | 9.7 | 9.6 | 9.4 | 9.7 |
| SDR holdings | -- | -- | -- | -- | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | -- | -- |
| Net domestic assets | (13.1) | 23.1 | 85.1 | 89.9 | 50.7 | 175.3 | 235.7 | 191.9 | 71.9 | 64.5 | 76.9 | 55.8 | 74.0 |
| Net claims on Government | 141.9 | 122.0 | 182.5 | 194.2 | 163.1 | 278.7 | 332.3 | 295.0 | 178.5 | 185.3 | 198.8 | 195.3 | 184.7 |
| Claims | 149.5 | 149.7 | 190.6 | 201.8 | 176.9 | 288.1 | 347.8 | 320.0 | 201.5 | 199.1 | 202.9 | 221.4 | 213.6 |
| Treasury bills | -- | -- | 52.2 | 49.1 | -- | 116.0 | 143.5 | 117.6 | -- | -- | 6.3 | 28.7 | -- |
| Bahamas registered stock | 78.5 | 72.7 | 76.4 | 90.6 | 104.9 | 100.1 | 132.4 | 130.4 | 129.5 | 127.1 | 124.6 | 120.7 | 116.6 |
| Loans and advances | 71.0 | 77.0 | 62.0 | 62.0 | 72.0 | 72.0 | 72.0 | 72.0 | 72.0 | 72.0 | 72.0 | 72.0 | 97.0 |
| Deposits | (7.6) | (27.7) | (8.1) | (7.5) | (13.8) | (9.4) | (15.6) | (25.0) | (23.0) | (13.8) | (4.1) | (26.1) | (28.9) |
| In local currency | (7.6) | (27.7) | (8.1) | (7.5) | (13.8) | (9.4) | (15.6) | (25.0) | (23.0) | (13.8) | (4.1) | (26.1) | (28.9) |
| In foreign currency | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Deposits of rest of public sector | (87.7) | (26.1) | (18.3) | (22.8) | (29.8) | (17.4) | (10.4) | (17.6) | (17.1) | (28.2) | (10.4) | (16.3) | (17.2) |
| Credit to commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Official capital and surplus | (98.2) | (105.5) | (107.3) | (115.4) | (112.6) | (111.4) | (111.6) | (121.3) | (123.3) | (128.4) | (125.9) | (127.6) | (129.2) |
| Net unclassified assets | 22.3 | 24.4 | 20.1 | 25.8 | 22.1 | 17.5 | 17.9 | 28.3 | 26.4 | 28.4 | 7.1 | (2.8) | 28.7 |
| Loans to rest of public sector | 7.6 | 7.3 | 7.0 | 7.0 | 6.9 | 6.8 | 6.8 | 6.7 | 6.6 | 6.6 | 6.5 | 6.4 | 6.2 |
| Public Corp Bonds/Securities | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.1 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Liabilities To Domestic Banks | (462.2) | (392.0) | (367.3) | (481.7) | (461.2) | (410.8) | (450.1) | (500.5) | (525.8) | (499.2) | (439.0) | (499.9) | (634.2) |
| Notes and coins | (78.5) | (105.8) | (116.2) | (60.3) | (72.0) | (73.5) | (110.1) | (79.7) | (81.8) | (79.1) | (117.6) | (78.2) | (85.6) |
| Deposits | (383.7) | (286.2) | (251.1) | (421.4) | (389.2) | (337.2) | (340.0) | (420.8) | (444.0) | (420.1) | (321.4) | (421.7) | (548.6) |
| SDR allocation | (15.9) | (14.6) | (15.4) | (15.4) | (15.5) | (15.9) | (16.2) | (16.8) | (16.7) | (15.9) | (15.8) | (15.3) | (15.9) |
| Currency held by the private sector | (176.6) | (195.3) | (202.1) | (216.1) | (216.9) | (213.3) | (223.7) | (214.2) | (204.2) | (199.6) | (205.8) | (197.0) | (194.3) |

Source: The Central Bank of The Bahamas

TABLE 4
DOMESTIC BANKS BALANCE SHEET

| | | | | | | | | | | | | | (B\$ Millions) | |
|--------------------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------|--|
| End of Period | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | | |
| | | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | |
| Net foreign assets | (563.5) | (611.0) | (754.1) | (756.9) | (767.3) | (713.7) | (667.6) | (595.0) | (612.9) | (679.6) | (703.8) | (665.8) | (828.5) | |
| Net claims on Central Bank | 461.4 | 389.7 | 366.5 | 479.8 | 460.4 | 412.3 | 448.4 | 499.7 | 525.0 | 498.4 | 439.9 | 500.8 | 635.2 | |
| Notes and Coins | 78.5 | 105.8 | 116.2 | 60.3 | 72.0 | 73.5 | 110.1 | 79.7 | 81.8 | 79.1 | 117.6 | 78.2 | 85.6 | |
| Balances | 383.7 | 284.7 | 251.1 | 420.4 | 389.2 | 339.6 | 339.1 | 420.8 | 444.0 | 420.1 | 322.3 | 422.6 | 549.6 | |
| Less Central Bank credit | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | -- | -- | -- | |
| Net domestic assets | 4,018.7 | 4518.2 | 4,935.4 | 5,003.4 | 5,190.8 | 5,197.3 | 5,199.7 | 5,215.9 | 5,271.0 | 5,405.5 | 5,534.1 | 5,490.6 | 5,555.8 | |
| Net claims on Government | 405.2 | 528.9 | 494.5 | 469.9 | 610.6 | 544.9 | 534.5 | 545.1 | 585.3 | 609.7 | 725.2 | 847.6 | 857.1 | |
| Treasury bills | 26.7 | 66.1 | 10.0 | 18.9 | 139.6 | 60.7 | 50.8 | 71.7 | 197.4 | 189.8 | 180.2 | 208.8 | 172.6 | |
| Other securities | 393.3 | 400.5 | 437.1 | 446.7 | 437.9 | 463.1 | 468.5 | 466.3 | 460.7 | 520.5 | 533.5 | 602.6 | 619.7 | |
| Loans and advances | 78.2 | 150.7 | 156.3 | 107.7 | 139.7 | 136.1 | 120.3 | 133.4 | 57.2 | 65.1 | 145.8 | 176.2 | 219.0 | |
| Less: deposits | 93 | 88.4 | 108.9 | 103.3 | 106.6 | 115.1 | 105.0 | 126.3 | 130.0 | 165.7 | 134.3 | 140.0 | 154.2 | |
| Net claims on rest of public sector | 91.5 | (25.3) | 12.3 | 15.4 | (7.7) | (55.7) | (78.9) | (96.6) | (57.4) | (40.7) | 3.4 | (89.9) | (47.3) | |
| Securities | 18.6 | 20.6 | 121.1 | 118.4 | 115.9 | 98.0 | 97.7 | 97.2 | 95.2 | 89.3 | 97.5 | 99.5 | 99.5 | |
| Loans and advances | 313.5 | 265.8 | 268.1 | 253.7 | 278.6 | 262.3 | 243.9 | 235.7 | 300.3 | 339.3 | 343.6 | 300.4 | 299.1 | |
| Less: deposits | 240.6 | 311.7 | 376.8 | 356.6 | 402.3 | 416.0 | 420.5 | 429.5 | 452.9 | 469.3 | 437.7 | 489.8 | 445.9 | |
| Other net claims | (14.1) | (5.9) | (17.9) | (31.3) | (37.6) | (5.3) | (6.9) | (1.2) | (3.1) | (1.7) | (0.1) | (5.1) | (11.1) | |
| Credit to the private sector | 4339.4 | 4953.7 | 5,668.7 | 5,757.8 | 5,873.1 | 6,067.3 | 6,218.4 | 6,252.9 | 6,343.1 | 6,454.6 | 6,536.8 | 6,483.8 | 6,516.8 | |
| Securities | 14.7 | 28.2 | 21.7 | 20.3 | 24.3 | 24.9 | 29.6 | 29.6 | 36.3 | 35.9 | 28.8 | 29.2 | 28.3 | |
| Mortgages | 1631.1 | 1919.1 | 2,258.1 | 2,320.7 | 2,390.4 | 2,480.1 | 2,580.4 | 2,617.4 | 2,702.6 | 2,766.3 | 2,819.7 | 2,848.4 | 2,881.4 | |
| Loans and advances | 2,693.6 | 3,006.4 | 3,388.9 | 3,416.9 | 3,458.4 | 3,562.3 | 3,608.4 | 3,605.9 | 3,604.2 | 3,652.4 | 3,688.3 | 3,606.2 | 3,607.1 | |
| Private capital and surplus | (1121.4) | (1197.5) | (1,477.5) | (1,501.3) | (1,552.1) | (1,600.9) | (1,654.1) | (1,706.6) | (1,775.0) | (1,815.7) | (1,864.6) | (1,911.6) | (1,967.2) | |
| Net unclassified assets | 318.1 | 264.3 | 255.3 | 292.8 | 304.5 | 247.0 | 186.7 | 222.3 | 178.1 | 199.3 | 133.4 | 165.8 | 207.5 | |
| Liabilities to private sector | 3,916.6 | 4297.1 | 4,547.8 | 4,726.4 | 4,883.9 | 4,896.0 | 4,982.7 | 5,120.6 | 5,183.1 | 5,224.2 | 5,270.2 | 5,325.6 | 5,362.5 | |
| Demand deposits | 921 | 1092.2 | 1,112.9 | 1,124.8 | 1,164.7 | 1,137.7 | 1,174.8 | 1,182.5 | 1,164.9 | 1164.4 | 1,150.2 | 1,177.8 | 1174.6 | |
| Savings deposits | 783.7 | 885.3 | 956.8 | 988.3 | 1,032.7 | 1,016.2 | 994.7 | 1,013.8 | 1,024.2 | 1012.1 | 1,024.1 | 1,036.5 | 1044.6 | |
| Fixed deposits | 2211.9 | 2319.6 | 2,478.1 | 2,613.3 | 2,686.5 | 2,742.0 | 2,813.2 | 2,924.3 | 2,994.0 | 3047.7 | 3,095.9 | 3,111.3 | 3143.3 | |

Source: The Central Bank of The Bahamas

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

| Period | (B\$'000s) | | | | | | | | | | | |
|---|------------|---------|---------|---------|---------|----------|---------|---------|---------|----------|---------|---------|
| | 2005 | 2006 | 2007 | 2007 | | | | 2008 | | | | 2009 |
| | | | | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I |
| 1. Interest Income | 533,519 | 646,269 | 744,537 | 182,718 | 181,288 | 187,091 | 193,440 | 184,145 | 189,882 | 187,818 | 198,314 | 182,363 |
| 2. Interest Expense | 178,153 | 225,205 | 291,206 | 68,909 | 74,410 | 73,078 | 74,809 | 69,067 | 68,655 | 70,259 | 70,238 | 62,116 |
| 3. Interest Margin (1-2) | 355,366 | 421,064 | 453,331 | 113,809 | 106,878 | 114,013 | 118,631 | 115,078 | 121,227 | 117,559 | 128,076 | 120,247 |
| 4. Commission & Forex Income | 28,665 | 29,543 | 31,714 | 7,680 | 7,979 | 10,936 | 5,119 | 9,544 | 9,322 | 6,154 | 7,308 | 8,185 |
| 5. Gross Earnings Margin (3+4) | 384,031 | 450,607 | 485,045 | 121,489 | 114,857 | 124,949 | 123,750 | 124,622 | 130,549 | 123,713 | 135,384 | 128,432 |
| 6. Staff Costs | 125,378 | 138,087 | 133,309 | 26,848 | 34,586 | 36,696 | 35,179 | 35,281 | 36,908 | 37,410 | 38,765 | 36,444 |
| 7. Occupancy Costs | 18,558 | 20,669 | 20,612 | 4,595 | 5,390 | 5,167 | 5,460 | 5,111 | 5,971 | 5,879 | 6,448 | 5,251 |
| 8. Other Operating Costs | 54,888 | 63,002 | 79,480 | 19,773 | 18,603 | 21,972 | 19,132 | 22,073 | 22,710 | 22,033 | 25,051 | 27,460 |
| 9. Operating Costs (6+7+8) | 198,824 | 221,758 | 233,401 | 51,216 | 58,579 | 63,835 | 59,771 | 62,465 | 65,589 | 65,322 | 70,264 | 69,155 |
| 10. Net Earnings Margin (5-9) | 185,207 | 228,849 | 251,644 | 70,273 | 56,278 | 61,114 | 63,979 | 62,157 | 64,960 | 58,391 | 65,120 | 59,277 |
| 11. Depreciation Costs | 12,625 | 11,088 | 11,673 | 2,935 | 2,986 | 2,967 | 2,785 | 3,101 | 3,347 | 3,363 | 3,601 | 3,377 |
| 12. Provisions for Bad Debt | 21,897 | 43,129 | 39,817 | 5,696 | 12,567 | 8,614 | 12,940 | 16,227 | 11,304 | 23,418 | 31,255 | 22,916 |
| 13. Other Income | 76,750 | 101,633 | 107,271 | 24,794 | 32,565 | 27,202 | 22,710 | 37,831 | 28,299 | 27,385 | 26,819 | 25,559 |
| 14. Other Income (Net) (13-11-12) | 42,228 | 47,416 | 55,781 | 16,163 | 17,012 | 15,621 | 6,985 | 18,503 | 13,648 | 604 | (8,037) | (734) |
| 15. Net Income (10+14) | 227,435 | 276,265 | 307,425 | 86,436 | 73,290 | 76,735 | 70,964 | 80,660 | 78,608 | 58,995 | 57,083 | 58,543 |
| 16. Effective Interest Rate Spread (%) | 6.45 | 6.15 | 6.25 | 5.88 | 5.80 | 6.44 | 6.88 | 6.36 | 6.60 | 6.40 | 6.68 | 6.24 |
| (Ratios To Average Assets) | | | | | | | | | | | | |
| Interest Margin | 5.40 | 5.63 | 5.50 | 5.74 | 5.17 | 5.47 | 5.64 | 5.33 | 5.41 | 5.20 | 5.60 | 5.20 |
| Commission & Forex Income | 0.44 | 0.39 | 0.38 | 0.39 | 0.39 | 0.52 | 0.24 | 0.44 | 0.42 | 0.27 | 0.32 | 0.35 |
| Gross Earnings Margin | 5.84 | 6.02 | 5.89 | 6.12 | 5.56 | 5.99 | 5.88 | 5.78 | 5.83 | 5.47 | 5.92 | 5.55 |
| Operating Costs | 2.91 | 2.64 | 2.83 | 2.58 | 2.84 | 3.06 | 2.84 | 2.90 | 2.93 | 2.89 | 3.07 | 2.99 |
| Net Earnings Margin | 2.93 | 3.38 | 3.05 | 3.54 | 2.72 | 2.93 | 3.04 | 2.88 | 2.90 | 2.58 | 2.85 | 2.56 |
| Net Income | 3.57 | 4.02 | 3.73 | 4.36 | 3.55 | 3.68 | 3.37 | 3.74 | 3.51 | 2.61 | 2.49 | 2.53 |

*Commercial Banks and OLFIs with domestic operations

Source: The Central Bank of The Bahamas

TABLE 6
MONEY SUPPLY

| (B\$ Millions) | | | | | | | | | | | | | |
|-------------------------------------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| End of Period | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
| | | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. |
| Money supply (M1) | 1,134.4 | 1,247.6 | 1,251.1 | 1,267.9 | 1,330.7 | 1,273.3 | 1,300.3 | 1,308.4 | 1,305.7 | 1,320.2 | 1,274.5 | 1,336.4 | 1,285.2 |
| 1) Currency in active circulation | 176.6 | 195.3 | 202.1 | 216.1 | 216.9 | 213.3 | 223.7 | 214.2 | 204.2 | 199.6 | 205.8 | 197.0 | 194.3 |
| 2) Demand deposits | 957.8 | 1,052.3 | 1,049.0 | 1,051.8 | 1,113.8 | 1,060.0 | 1,076.6 | 1,094.2 | 1,101.5 | 1,120.6 | 1,068.7 | 1,139.4 | 1,090.9 |
| Central Bank | 87.7 | 26.1 | 18.3 | 22.8 | 29.8 | 17.4 | 10.4 | 18.2 | 17.1 | 28.3 | 10.4 | 16.3 | 17.2 |
| Domestic Banks | 870.1 | 1,026.2 | 1,030.7 | 1,029.0 | 1,084.0 | 1,042.6 | 1,066.2 | 1,076.0 | 1,084.4 | 1,092.3 | 1,058.3 | 1,123.1 | 1,073.7 |
| Factors affecting money (M1) | | | | | | | | | | | | | |
| 1) Net credit to Government | 547.1 | 642.5 | 677.0 | 664.2 | 773.7 | 823.6 | 866.8 | 840.1 | 763.8 | 795.0 | 924.0 | 1,042.9 | 1,041.8 |
| Central Bank | 141.9 | 122.0 | 182.5 | 194.2 | 163.1 | 278.7 | 332.3 | 295.0 | 178.5 | 185.3 | 198.8 | 195.3 | 184.7 |
| Domestic Banks | 405.2 | 520.5 | 494.5 | 470.0 | 610.6 | 544.9 | 534.5 | 545.1 | 585.3 | 609.7 | 725.2 | 847.6 | 857.1 |
| 2) Other credit | 4,680.1 | 5,257.0 | 6,065.9 | 6,137.9 | 6,275.6 | 6,435.5 | 6,567.5 | 6,593.2 | 6,742.4 | 6,890.5 | 6,985.1 | 6,890.9 | 6,922.4 |
| Rest of public sector | 340.7 | 303.3 | 397.2 | 380.1 | 402.5 | 368.2 | 349.1 | 340.3 | 402.9 | 435.9 | 448.3 | 407.1 | 405.6 |
| Private sector | 4,339.4 | 4,953.7 | 5,668.7 | 5,757.8 | 5,873.1 | 6,067.3 | 6,218.4 | 6,252.9 | 6,339.5 | 6,454.6 | 6,536.8 | 6,483.8 | 6,516.8 |
| 3) External reserves | 667.8 | 578.8 | 499.7 | 623.5 | 642.9 | 464.7 | 454.2 | 539.6 | 674.8 | 650.2 | 562.9 | 623.8 | 770.4 |
| 4) Other external liabilities (net) | (563.5) | (611.0) | (754.1) | (756.9) | (767.3) | (713.7) | (667.6) | (595.0) | (612.9) | (679.6) | (703.8) | (665.8) | (828.5) |
| 5) Quasi money | 3,287.1 | 3,582.6 | 3,894.0 | 4,054.0 | 4,202.3 | 4,269.4 | 4,337.0 | 4,474.1 | 4,553.5 | 4,601.2 | 4,649.5 | 4,692.3 | 4,734.7 |
| 6) Other items (net) | (910.0) | (1,037.1) | (1,343.4) | (1,346.8) | (1,391.9) | (1,467.4) | (1,583.6) | (1,595.4) | (1,708.9) | (1,734.7) | (1,844.2) | (1,863.1) | (1,886.2) |

Source: The Central Bank of The Bahamas

TABLE 7
CONSUMER INSTALMENT CREDIT*

(B\$' 000)

| End of Period | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar | Jun. |
| CREDIT OUTSTANDING | | | | | | | | | | | | |
| Private cars | 209,879 | 228,421 | 231,191 | 237,786 | 241,465 | 248,152 | 247,418 | 251,167 | 245,023 | 238,775 | 227,757 | 223,349 |
| Taxis & rented cars | 2,317 | 2,568 | 2,305 | 2,004 | 2,095 | 1,908 | 1,925 | 2,033 | 2,020 | 1,909 | 1,817 | 1,780 |
| Commercial vehicles | 6,038 | 6,829 | 7,024 | 6,985 | 6,926 | 6,956 | 6,966 | 6,876 | 6,350 | 6,111 | 5,656 | 5,305 |
| Furnishings & domestic appliances | 17,309 | 19,658 | 20,018 | 20,265 | 21,111 | 22,394 | 22,435 | 22,818 | 22,043 | 21,173 | 20,284 | 19,632 |
| Travel | 41,435 | 45,944 | 42,898 | 43,506 | 50,326 | 50,970 | 48,520 | 51,036 | 54,412 | 49,602 | 43,996 | 40,488 |
| Education | 47,737 | 52,858 | 52,219 | 52,249 | 58,196 | 54,725 | 53,938 | 54,012 | 59,306 | 57,255 | 55,199 | 53,283 |
| Medical | 14,446 | 17,320 | 18,149 | 18,846 | 20,231 | 20,520 | 21,014 | 22,034 | 22,001 | 21,435 | 21,159 | 20,427 |
| Home Improvements | 134,334 | 152,851 | 154,103 | 157,601 | 162,026 | 163,070 | 164,973 | 167,272 | 171,886 | 171,454 | 170,162 | 166,364 |
| Land Purchases | 174,645 | 201,318 | 212,473 | 217,701 | 221,946 | 227,236 | 232,912 | 234,282 | 237,334 | 246,168 | 246,754 | 245,876 |
| Consolidation of debt | 413,193 | 459,791 | 469,828 | 482,978 | 496,945 | 496,296 | 505,038 | 531,296 | 563,738 | 594,565 | 605,784 | 632,422 |
| Miscellaneous | 412,162 | 489,122 | 505,010 | 516,608 | 536,264 | 559,119 | 562,536 | 556,726 | 552,197 | 541,585 | 529,609 | 529,975 |
| Credit Cards | 188,058 | 226,401 | 223,774 | 228,627 | 243,125 | 256,995 | 258,291 | 264,375 | 281,198 | 294,377 | 283,615 | 278,614 |
| TOTAL | 1,661,553 | 1,903,081 | 1,938,992 | 1,985,156 | 2,060,656 | 2,108,341 | 2,125,966 | 2,163,927 | 2,217,508 | 2,244,409 | 2,211,792 | 2,217,515 |
| NET CREDIT EXTENDED | | | | | | | | | | | | |
| Private cars | -2,800 | 18,542 | 2,770 | 6,595 | 3,679 | 6,687 | -734 | 3,749 | -6,144 | -6,248 | -11,018 | -4,408 |
| Taxis & rented cars | -32 | 251 | -263 | -301 | 91 | -187 | 17 | 108 | -13 | -111 | -92 | -37 |
| Commercial vehicles | 826 | 791 | 195 | -39 | -59 | 30 | 10 | -90 | -526 | -239 | -455 | -351 |
| Furnishings & domestic appliances | 3,337 | 2,349 | 360 | 247 | 846 | 1,283 | 41 | 383 | -775 | -870 | -889 | -652 |
| Travel | 621 | 4,509 | -3,046 | 608 | 6,820 | 644 | -2,450 | 2,516 | 3,376 | -4,810 | -5,606 | -3,508 |
| Education | 811 | 5,121 | -639 | 30 | 5,947 | -3,471 | -787 | 74 | 5,294 | -2,051 | -2,056 | -1,916 |
| Medical | 635 | 2,874 | 829 | 697 | 1,385 | 289 | 494 | 1,020 | -33 | -566 | -276 | -732 |
| Home Improvements | 20,135 | 18,517 | 1,252 | 3,498 | 4,425 | 1,044 | 1,903 | 2,299 | 4,614 | -432 | -1,292 | -3,798 |
| Land Purchases | 24,549 | 26,673 | 11,155 | 5,228 | 4,245 | 5,290 | 5,676 | 1,370 | 3,052 | 8,834 | 586 | -878 |
| Consolidation of debt | 66,398 | 46,598 | 10,037 | 13,150 | 13,967 | -649 | 8,742 | 26,258 | 32,442 | 30,827 | 11,219 | 26,638 |
| Miscellaneous | 38,154 | 76,960 | 15,888 | 11,598 | 19,656 | 22,855 | 3,417 | -5,810 | -4,529 | -10,612 | -11,976 | 366 |
| Credit Cards | 21,985 | 38,343 | -2,627 | 4,853 | 14,498 | 13,870 | 1,296 | 6,084 | 16,823 | 13,179 | -10,762 | -5,001 |
| TOTAL | 174,619 | 241,528 | 35,911 | 46,164 | 75,500 | 47,685 | 17,625 | 37,961 | 53,581 | 26,901 | -32,617 | 5,723 |

Source: The Central Bank of The Bahamas

* Includes both demand and add-on loans

TABLE 8
SELECTED AVERAGE INTEREST RATES

| | (%) | | | | | | | | | | | | |
|--------------------------------|-------|-------|-------|--------|---------|----------|---------|--------|---------|----------|---------|--------|---------|
| Period | 2006 | 2007 | 2008 | 2007 | | | | 2008 | | | | 2009 | |
| | | | | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II |
| DOMESTIC BANKS | | | | | | | | | | | | | |
| Deposit rates | | | | | | | | | | | | | |
| Savings deposits | 2.16 | 2.05 | 2.20 | 2.01 | 1.96 | 2.00 | 2.24 | 2.30 | 2.25 | 2.17 | 2.06 | 2.19 | 2.11 |
| Fixed deposits | | | | | | | | | | | | | |
| Up to 3 months | 3.17 | 3.51 | 3.70 | 3.44 | 3.50 | 3.52 | 3.58 | 3.74 | 3.71 | 3.71 | 3.63 | 3.64 | 3.57 |
| Up to 6 months | 3.63 | 3.89 | 4.08 | 3.88 | 3.86 | 3.85 | 3.98 | 4.18 | 4.09 | 4.00 | 4.04 | 4.23 | 3.88 |
| Up to 12 months | 3.93 | 4.28 | 4.56 | 4.32 | 4.19 | 4.12 | 4.47 | 4.83 | 4.57 | 4.48 | 4.35 | 4.67 | 4.38 |
| Over 12 months | 4.18 | 4.52 | 4.44 | 4.84 | 4.05 | 4.48 | 4.71 | 5.05 | 4.28 | 4.31 | 4.11 | 4.66 | 4.33 |
| Weighted average rate | 3.36 | 3.69 | 3.92 | 3.66 | 3.63 | 3.68 | 3.80 | 4.02 | 3.91 | 3.90 | 3.86 | 4.00 | 3.79 |
| Lending rates | | | | | | | | | | | | | |
| Residential mortgages | 7.85 | 8.16 | 8.36 | 7.93 | 8.13 | 8.28 | 8.29 | 8.36 | 8.58 | 8.25 | 8.25 | 8.29 | 8.23 |
| Commercial mortgages | 8.37 | 8.75 | 8.72 | 8.56 | 8.26 | 8.93 | 9.23 | 8.62 | 9.24 | 8.37 | 8.64 | 8.58 | 8.46 |
| Consumer loans | 11.96 | 12.70 | 13.03 | 12.15 | 12.82 | 12.76 | 13.05 | 13.00 | 13.49 | 13.07 | 12.55 | 12.49 | 12.72 |
| Overdrafts | 10.56 | 11.44 | 11.45 | 11.47 | 12.39 | 11.04 | 10.87 | 11.34 | 11.79 | 11.57 | 11.10 | 12.84 | 11.60 |
| Weighted average rate | 9.97 | 10.63 | 10.95 | 10.35 | 10.82 | 10.63 | 10.72 | 11.00 | 11.42 | 11.00 | 10.39 | 10.49 | 10.67 |
| Other rates | | | | | | | | | | | | | |
| 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) | 0.87 | 2.66 | 2.73 | 2.55 | 2.64 | 2.63 | 2.83 | 2.69 | 2.83 | 2.69 | 2.73 | 2.64 | 2.77 |
| Treasury bill re-discount rate | 1.37 | 3.16 | 3.23 | 3.05 | 3.14 | 3.13 | 3.33 | 3.19 | 3.33 | 3.19 | 3.23 | 3.14 | 3.27 |
| 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 | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | | | | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II |
| Loan Portfolio | | | | | | | | | | | | | |
| Current Loans (as a % of total loans) | 90.8 | 92.0 | 92.5 | 92.4 | 92.4 | 91.3 | 90.6 | 90.9 | 89.9 | 89.5 | 87.5 | 86.3 | 86.2 |
| Arrears (% by loan type) | | | | | | | | | | | | | |
| Consumer | 2.9 | 2.8 | 2.8 | 2.6 | 2.7 | 2.8 | 3.0 | 3.1 | 3.2 | 3.3 | 3.9 | 4.2 | 4.5 |
| Mortgage | 3.8 | 3.6 | 3.1 | 3.1 | 3.3 | 3.9 | 4.6 | 4.4 | 4.5 | 4.7 | 5.9 | 6.2 | 6.0 |
| Commercial | 2.5 | 1.6 | 1.6 | 1.9 | 1.5 | 1.9 | 1.7 | 1.5 | 2.3 | 2.4 | 2.6 | 3.2 | 3.2 |
| Public | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> |
| Total Arrears | 9.2 | 8.0 | 7.5 | 7.6 | 7.6 | 8.7 | 9.4 | 9.1 | 10.1 | 10.5 | 12.5 | 13.7 | 13.8 |
| Total B\$ Loan Portfolio | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| Loan Portfolio | | | | | | | | | | | | | |
| Current Loans (as a % of total loans) | 90.8 | 92.0 | 92.5 | 92.4 | 92.4 | 91.3 | 90.6 | 90.9 | 89.9 | 89.5 | 87.5 | 86.3 | 86.2 |
| Arrears (% by days outstanding) | | | | | | | | | | | | | |
| 30 - 60 days | 2.9 | 2.7 | 2.5 | 2.7 | 2.6 | 3.1 | 3.6 | 3.2 | 3.4 | 3.3 | 4.5 | 4.3 | 4.1 |
| 61 - 90 days | 1.5 | 1.0 | 0.9 | 0.8 | 1.0 | 1.3 | 1.3 | 1.2 | 1.7 | 1.6 | 1.9 | 2.3 | 1.9 |
| 90 - 179 days | 0.8 | 0.9 | 0.9 | 0.8 | 0.7 | 0.9 | 1.2 | 1.4 | 1.2 | 1.5 | 1.6 | 2.1 | 1.9 |
| over 180 days | 4.0 | 3.4 | 3.2 | 3.3 | 3.4 | 3.4 | 3.3 | 3.3 | 3.8 | 4.1 | 4.5 | 5.0 | 5.9 |
| Total Arrears | 9.2 | 8.0 | 7.5 | 7.6 | 7.6 | 8.7 | 9.4 | 9.1 | 10.1 | 10.5 | 12.5 | 13.7 | 13.8 |
| Total B\$ Loan Portfolio | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| Non Accrual Loans (% by loan type) | | | | | | | | | | | | | |
| Consumer | 39.7 | 33.9 | 35.0 | 31.9 | 33.1 | 30.8 | 29.4 | 32.8 | 31.4 | 31.6 | 30.2 | 30.0 | 31.0 |
| Mortgage | 38.8 | 42.9 | 40.9 | 42.7 | 42.1 | 42.7 | 45.6 | 46.4 | 45.3 | 45.2 | 44.4 | 43.4 | 43.0 |
| Other Private | 21.4 | 23.1 | 24.0 | 25.3 | 22.8 | 24.6 | 23.2 | 19.0 | 21.5 | 22.2 | 23.9 | 25.2 | 24.7 |
| Public | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>2.0</u> | <u>1.9</u> | <u>1.8</u> | <u>1.8</u> | <u>1.8</u> | <u>1.0</u> | <u>1.5</u> | <u>1.4</u> | <u>1.3</u> |
| Total Non Accrual Loans | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> | <u>100.0</u> |
| Provisions to Loan Portfolio | | | | | | | | | | | | | |
| Consumer | 4.0 | 3.0 | 3.4 | 2.8 | 3.0 | 2.7 | 2.8 | 3.0 | 3.1 | 2.2 | 3.3 | 3.6 | 3.8 |
| Mortgage | 1.2 | 1.3 | 1.3 | 1.2 | 1.3 | 1.2 | 1.2 | 1.2 | 1.3 | 1.2 | 1.4 | 1.6 | 1.6 |
| Other Private | 1.0 | 1.6 | 2.5 | 2.8 | 2.4 | 3.2 | 3.2 | 3.3 | 3.7 | 4.9 | 5.4 | 5.6 | 7.3 |
| Public | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |
| Total Provisions to Total Loans | 2.2 | 2.0 | 2.3 | 2.1 | 2.1 | 2.1 | 2.1 | 2.3 | 2.4 | 2.6 | 2.7 | 3.0 | 3.3 |
| Total Provisions to Non-performing Loans | 45.0 | 44.9 | 54.7 | 51.1 | 51.3 | 48.7 | 47.9 | 47.9 | 47.9 | 46.7 | 46.0 | 42.4 | 42.9 |
| Total Non-performing Loans to Total Loans | 4.8 | 4.5 | 4.2 | 4.1 | 4.1 | 4.3 | 4.5 | 4.7 | 4.9 | 5.6 | 6.1 | 7.1 | 7.8 |

Source: The Central Bank of The Bahamas

Figures may not sum to total due to rounding.

TABLE 10
SUMMARY OF BANK LIQUIDITY

(B\$ Millions)

| End of Period | 2004 | 2005 | 2006 | 2007 | | | | 2008 | | | | 2009 | |
|---|-------|-------|-------|-------|--------|-------|--------|--------|--------|--------|--------|--------|--------|
| | | | | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. | Sept. | Dec. | Mar. | Jun. |
| I. Statutory Reserves | | | | | | | | | | | | | |
| Required reserves | 205.3 | 226.3 | 244.7 | 248.5 | 258.5 | 263.1 | 265.0 | 269.3 | 277.4 | 281.9 | 283.3 | 285.2 | 288.1 |
| Average Till Cash | 70.2 | 86.5 | 96.9 | 67.9 | 71.4 | 72.5 | 92.8 | 74.9 | 77.2 | 76.1 | 95.4 | 74.0 | 81.4 |
| Average balance with central bank | 407.5 | 332.2 | 265.7 | 379.6 | 421.0 | 340.2 | 363.1 | 419.7 | 453.0 | 428.7 | 352.7 | 413.2 | 567.1 |
| Free cash reserves (period ended) | 271.6 | 191.5 | 117.2 | 198.3 | 233.1 | 148.9 | 190.1 | 224.5 | 252.0 | 222.1 | 164.0 | 201.2 | 360.4 |
| II. Liquid Assets (period) | | | | | | | | | | | | | |
| A. Minimum required Liquid assets | 677.2 | 752.2 | 802.5 | 813.6 | 851.8 | 858.0 | 860.0 | 883.7 | 894.0 | 909.3 | 911.2 | 930.3 | 925.9 |
| B. Net Eligible Liquid Assets | 909.7 | 895.6 | 865.6 | 988.9 | 1079.5 | 980.5 | 1011.9 | 1075.3 | 1213.6 | 1240.7 | 1168.5 | 1334.5 | 1446.8 |
| i) Balance with Central Bank | 383.7 | 284.7 | 251.1 | 420.4 | 389.2 | 339.6 | 341.2 | 420.8 | 444.0 | 420.1 | 322.2 | 422.6 | 549.6 |
| ii) Notes and Coins | 79.0 | 106.3 | 116.7 | 60.8 | 72.5 | 74.0 | 110.6 | 80.2 | 82.0 | 79.6 | 118.1 | 78.7 | 86.1 |
| iii) Treasury Bills | 26.7 | 66.1 | 10.0 | 18.9 | 139.6 | 60.7 | 50.8 | 71.7 | 197.4 | 189.8 | 180.2 | 208.8 | 172.7 |
| iv) Government registered stocks | 393.3 | 400.4 | 437.1 | 446.7 | 437.9 | 463.1 | 468.5 | 466.3 | 460.7 | 520.5 | 513.3 | 590.6 | 599.1 |
| v) Specified assets | 24.9 | 26.0 | 39.9 | 39.7 | 39.5 | 37.3 | 36.6 | 36.5 | 34.3 | 26.5 | 36.8 | 38.7 | 38.5 |
| vi) Net Inter-bank dem/call deposits | 2.9 | 12.9 | 11.7 | 3.3 | 1.5 | 6.6 | 5.0 | 0.6 | (4.0) | 5.0 | (1.3) | (4.1) | 0.8 |
| vii) Less: borrowings from central bank | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | (0.8) | 0.0 |
| C. Surplus/(Deficit) | 232.5 | 143.4 | 63.1 | 175.4 | 227.6 | 122.5 | 151.9 | 191.6 | 319.6 | 331.4 | 257.3 | 404.2 | 520.8 |

Source: The Central Bank of The Bahamas

TABLE 11
GOVERNMENT OPERATIONS AND FINANCING

| Period | 2005/06p | 2006/07p | 2007/08p | Budget | | 2007/08p | | 2008/09p | | | |
|--------------------------------------|----------|----------|----------|---------|---------|----------|---------|----------|---------|----------|----------|
| | | | | 2008/09 | 2009/10 | QTR. III | QTR. IV | QTR. I | QTR. II | QTR. III | *QTR. IV |
| Total Revenue & Grants | 1,221.5 | 1,338.5 | 1,424.1 | 1569.3 | 1400.0 | 375.2 | 439.2 | 314.3 | 306.9 | 310.9 | 270.6 |
| Current expenditure | 1,149.6 | 1,285.7 | 1,344.0 | 1484.2 | 1430.5 | 339.0 | 382.3 | 331.5 | 334.5 | 358.4 | 231.8 |
| Capital expenditure | 123.5 | 166.3 | 176.7 | 188.7 | 208.9 | 32.8 | 79.9 | 28.5 | 30.5 | 28.9 | 23.0 |
| Net lending | 54.5 | 69.1 | 54.1 | 62.2 | 49.3 | 13.1 | 18.6 | 14.8 | 16.7 | 11.7 | 10.5 |
| Overall balance | (106.1) | (182.5) | (150.8) | (165.7) | (288.6) | (9.8) | (41.6) | (60.4) | (74.8) | (88.1) | 5.3 |
| FINANCING (I+II-III+IV+V) | 106.1 | 182.5 | 150.8 | 165.7 | 288.6 | 9.8 | 41.6 | 60.4 | 74.8 | 88.1 | (5.3) |
| I. Foreign currency borrowing | 8.7 | 14.5 | 127.8 | 27.9 | 63.8 | 0.3 | 101.9 | 3.6 | 12.6 | 60.7 | 165.1 |
| External | 5.3 | 14.5 | 106.7 | 27.9 | 63.8 | 0.3 | 100.8 | 3.6 | 11.5 | 10.7 | 25.1 |
| Domestic | 3.4 | -- | 22.3 | -- | -- | -- | 1.1 | -- | 1.1 | 50.0 | 140.0 |
| II. Bahamian dollar borrowing | 201.7 | 230.3 | 194.5 | 207.2 | 309.7 | -- | -- | 100.0 | -- | 121.0 | 25.0 |
| i) Treasury bills | -- | 10.0 | 28.0 | -- | -- | -- | -- | -- | -- | 13.8 | -- |
| Central Bank | -- | 10.0 | 28.0 | -- | -- | -- | -- | -- | -- | 13.8 | -- |
| Commercial banks & OLFI's | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Public corporations | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Other | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| ii) Long-term securities | 201.7 | 195.3 | 166.5 | -- | -- | -- | -- | 100.0 | -- | 107.2 | 0.0 |
| Central Bank | 11.5 | 70.3 | 41.5 | -- | -- | -- | -- | -- | -- | -- | -- |
| Commercial banks & OLFI's | 35.2 | 34.9 | 25.2 | -- | -- | -- | -- | 47.0 | -- | 67.7 | -- |
| Public corporations | 25.3 | 49.1 | 55.8 | -- | -- | -- | -- | 13.7 | -- | 8.0 | -- |
| Other | 129.6 | 41.0 | 44.0 | -- | -- | -- | -- | 39.3 | -- | 31.5 | -- |
| iii) Loans and Advances | -- | 25.0 | -- | -- | -- | -- | -- | -- | -- | -- | 25.0 |
| Central Bank | -- | 25.0 | -- | -- | -- | -- | -- | -- | -- | -- | 25.0 |
| Commercial banks | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| III Debt repayment | 62.1 | 122.5 | 83.7 | 60.1 | 80.8 | 11.3 | 47.9 | 15.9 | 12.9 | 1.0 | 77.5 |
| Domestic | 58.1 | 92.8 | 78.4 | 55.0 | 75.0 | 10.5 | 46.0 | 15.0 | 10.9 | 0.0 | 75.0 |
| Bahamian dollars | 57.2 | 91.0 | 56.6 | 55.0 | 75.0 | 10.5 | 25.1 | 15.0 | 10.0 | -- | 25.0 |
| Internal foreign currency | 0.9 | 1.8 | 21.8 | -- | -- | -- | 20.9 | -- | 0.9 | -- | 50.0 |
| External | 4.0 | 29.7 | 5.3 | 5.1 | 5.8 | 0.8 | 1.9 | 0.9 | 2.0 | 1.0 | 2.5 |
| IV. Cash balance change | 39.5 | (7.6) | (32.5) | -- | -- | (30.8) | (1.6) | (26.5) | 41.1 | (27.7) | (11.8) |
| V. Other Financing | (81.6) | 67.8 | (55.4) | (9.3) | (4.1) | 51.6 | (10.9) | (0.7) | 34.0 | (65.0) | (106.1) |

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

*Qtr IV includes April & May only.

TABLE 12
NATIONAL DEBT

(B\$' 000s)

| End of Period | 2006p | 2007p | 2008p | 2008p | | | 2009p | |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | | Jun. | Sept. | Dec. | Mar. | Jun. |
| TOTAL EXTERNAL DEBT | 289,186 | 272,403 | 383,024 | 370,824 | 373,505 | 383,024 | 392,765 | 421,030 |
| By Instrument | | | | | | | | |
| Government Securities | 225,000 | 200,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| Loans | 64,186 | 72,403 | 83,024 | 70,824 | 73,505 | 83,024 | 92,765 | 121,030 |
| By Holder | | | | | | | | |
| Commercial Banks | -- | -- | -- | -- | -- | -- | -- | 25,000 |
| Offshore Financial Institutions | -- | -- | -- | -- | -- | -- | -- | -- |
| Multilateral Institutions | 64,186 | 68,788 | 79,409 | 67,209 | 69,890 | 79,409 | 89,150 | 92,415 |
| Bilateral Institutions | -- | 3,615 | 3,615 | 3,615 | 3,615 | 3,615 | 3,615 | 3,615 |
| Private Capital Markets | 225,000 | 200,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 |
| TOTAL INTERNAL DEBT | 2,097,077 | 2,363,056 | 2,383,008 | 2,307,782 | 2,392,782 | 2,383,008 | 2,554,074 | 2,663,171 |
| By Instrument | | | | | | | | |
| Foreign Currency | 4,966 | 23,160 | 3,612 | 3,386 | 3,386 | 3,612 | 53,612 | 162,709 |
| Government Securities | -- | -- | -- | -- | -- | -- | -- | -- |
| Loans | 4,966 | 23,160 | 3,612 | 3,386 | 3,386 | 3,612 | 53,612 | 162,709 |
| By Holder | | | | | | | | |
| Bahamian Dollars | 2,092,111 | 2,339,896 | 2,379,396 | 2,304,396 | 2,389,396 | 2,379,396 | 2,500,462 | 2,500,462 |
| Advances | 61,988 | 71,988 | 71,988 | 71,988 | 71,988 | 71,988 | 71,988 | 96,988 |
| Treasury Bills | 192,469 | 230,469 | 230,469 | 230,469 | 230,469 | 230,469 | 244,309 | 244,309 |
| Government Securities | 1,829,908 | 2,031,693 | 2,071,693 | 1,996,693 | 2,081,693 | 2,071,693 | 2,178,919 | 2,153,919 |
| Loans | 7,746 | 5,746 | 5,246 | 5,246 | 5,246 | 5,246 | 5,246 | 5,246 |
| By Holder | | | | | | | | |
| Foreign Currency | 4,966 | 23,160 | 3,612 | 3,386 | 3,386 | 3,612 | 53,612 | 162,709 |
| Commercial Banks | 4,966 | 23,160 | 3,612 | 3,386 | 3,386 | 3,612 | 53,612 | 162,709 |
| Other Local Financial Institutions | -- | -- | -- | -- | -- | -- | -- | -- |
| Bahamian Dollars | 2,092,111 | 2,339,896 | 2,379,396 | 2,304,396 | 2,389,396 | 2,379,396 | 2,500,462 | 2,500,462 |
| The Central Bank | 190,824 | 348,842 | 202,993 | 201,548 | 199,072 | 202,993 | 221,554 | 213,541 |
| Commercial Banks | 450,474 | 520,904 | 691,739 | 662,162 | 701,305 | 691,739 | 782,787 | 768,723 |
| Other Local Financial Institutions | 5,271 | 3,032 | 2,932 | 2,932 | 2,932 | 2,932 | 4,133 | 4,633 |
| Public Corporations | 764,486 | 729,259 | 720,783 | 713,163 | 721,172 | 720,783 | 706,320 | 745,928 |
| Other | 681,056 | 737,859 | 760,949 | 724,591 | 764,915 | 760,949 | 785,668 | 767,637 |
| TOTAL FOREIGN CURRENCY DEBT | 294,152 | 295,563 | 386,636 | 374,210 | 376,891 | 386,636 | 446,377 | 583,739 |
| TOTAL DIRECT CHARGE | 2,386,263 | 2,635,459 | 2,766,032 | 2,678,606 | 2,766,287 | 2,766,032 | 2,946,839 | 3,084,201 |
| TOTAL CONTINGENT LIABILITIES | 500,885 | 434,507 | 446,492 | 422,807 | 442,389 | 446,492 | 444,573 | 440,013 |
| TOTAL NATIONAL DEBT | 2,887,148 | 3,069,966 | 3,212,524 | 3,101,413 | 3,208,676 | 3,212,524 | 3,391,412 | 3,524,214 |

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

TABLE 13
PUBLIC SECTOR FOREIGN CURRENCY DEBT OPERATIONS¹

(B\$' 000s)

| | 2006p | 2007p | 2008p | 2008p | | | 2009p | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | Jun. | Sep | Dec. | Mar.* | Jun.* |
| Outstanding debt at beginning of period | 553,442 | 636,225 | 643,887 | 684,131 | 773,495 | 834,915 | 848,120 | 857,522 |
| Government | 286,528 | 294,152 | 295,563 | 295,037 | 374,210 | 376,891 | 386,636 | 446,377 |
| Public Corporations | 266,914 | 342,073 | 348,324 | 389,094 | 399,285 | 458,024 | 461,484 | 411,145 |
| Plus new drawings | 132,336 | 187,002 | 268,467 | 121,959 | 73,604 | 22,595 | 107,140 | 190,853 |
| Government | 13,872 | 33,161 | 118,467 | 101,959 | 3,604 | 12,595 | 60,695 | 190,853 |
| Public corporations | 118,464 | 153,841 | 150,000 | 20,000 | 70,000 | 10,000 | 46,445 | -- |
| Less Amortization | 49,553 | 179,340 | 64,234 | 32,595 | 12,184 | 9,390 | 97,738 | 61,427 |
| Government | 6,248 | 31,750 | 27,394 | 22,786 | 923 | 2,850 | 954 | 53,491 |
| Public corporations | 43,305 | 147,590 | 36,840 | 9,809 | 11,261 | 6,540 | 96,784 | 7,936 |
| Outstanding debt at end of period | 636,225 | 643,887 | 848,120 | 773,495 | 834,915 | 848,120 | 857,522 | 986,948 |
| Government | 294,152 | 295,563 | 386,636 | 374,210 | 376,891 | 386,636 | 446,377 | 583,739 |
| Public corporations | 342,073 | 348,324 | 461,484 | 399,285 | 458,024 | 461,484 | 411,145 | 403,209 |
| Interest Charges | 35,234 | 40,418 | 39,759 | 13,200 | 4,318 | 16,949 | 3,497 | 13,203 |
| Government | 18,254 | 18,000 | 20,959 | 8,008 | 617 | 11,444 | 504 | 8,506 |
| Public corporations | 16,980 | 22,418 | 18,800 | 5,192 | 3,701 | 5,505 | 2,993 | 4,697 |
| Debt Service | 84,787 | 219,758 | 103,993 | 45,795 | 16,502 | 26,339 | 101,235 | 74,630 |
| Government | 24,502 | 49,750 | 48,353 | 30,794 | 1,540 | 14,294 | 1,458 | 61,997 |
| Public corporations | 60,285 | 170,008 | 55,640 | 15,001 | 14,962 | 12,045 | 99,777 | 12,633 |
| Debt Service ratio (%) | 2.7 | 6.5 | 2.9 | 5.0 | 2.0 | 3.2 | 13.0 | 9.4 |
| Government debt Service/ Government revenue (%) | 1.9 | 3.7 | 3.4 | 7.0 | 0.5 | 4.7 | 0.5 | n.a |
| MEMORANDUM | | | | | | | | |
| Holder distribution (B\$ Mil): | | | | | | | | |
| Commercial banks | 296.7 | 312.2 | 412.0 | 346.3 | 406.3 | 412.0 | 398.6 | 526.2 |
| Offshore Financial Institutions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Multilateral Institutions | 108.7 | 107.5 | 112.3 | 103.0 | 104.7 | 112.3 | 121.0 | 122.8 |
| Bilateral Institutions | 0.0 | 18.6 | 18.4 | 18.6 | 18.5 | 18.4 | 10.4 | 10.4 |
| Other | 5.7 | 5.6 | 5.5 | 5.5 | 5.5 | 5.5 | 27.6 | 27.5 |
| Private Capital Markets | 225.0 | 200.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 | 300.0 |

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

¹ See notes to table

Note: *Debt servicing during the 1st & 2nd quarters of 2009 includes the refinancing of \$86 million & \$50 million in Public Corporations' and Government's debt. Net of these payments, the respective adjusted debt service ratios were 1.9% & 3.1%.

TABLE 14
BALANCE OF PAYMENTS SUMMARY*

| | (B\$ Millions) | | | | | | | | | | | | |
|---|----------------|-----------|-----------|---------|---------|----------|---------|---------|---------|----------|---------|---------|---------|
| | 2006p | 2007p | 2008p | 2007 | | | | 2008 | | | | 2009 | |
| | | | | Qtr.Ip | Qtr.IIp | Qtr.IIIp | Qtr.IVp | Qtr.Ip | Qtr.IIp | Qtr.IIIp | Qtr.IVp | Qtr.Ip | Qtr.IIp |
| A. Current Account Balance (I+II+III+IV) | (1,373.9) | (1,314.5) | (1,118.4) | (362.1) | (255.9) | (431.9) | (264.6) | (264.6) | (235.8) | (419.3) | (198.7) | (112.7) | (159.2) |
| I. Merchandise (Net) | (2,033.2) | (2,154.4) | (2,243.2) | (540.1) | (531.1) | (571.4) | (511.8) | (589.1) | (559.5) | (596.6) | (497.8) | (427.7) | (454.9) |
| Exports | 694.2 | 801.8 | 955.8 | 183.7 | 189.9 | 201.1 | 227.1 | 238.8 | 231.6 | 247.5 | 238.0 | 164.7 | 186.7 |
| Imports | 2,727.4 | 2,956.2 | 3,199.0 | 723.8 | 721.0 | 772.5 | 739.0 | 827.9 | 791.1 | 844.1 | 735.8 | 592.4 | 641.6 |
| II. Services (Net) | 825.2 | 1,019.7 | 1,183.6 | 212.8 | 356.1 | 176.1 | 274.7 | 343.9 | 335.3 | 187.5 | 316.9 | 338.8 | 306.0 |
| Transportation | (301.2) | (315.7) | (308.0) | (87.3) | (83.6) | (75.9) | (69.0) | (82.3) | (79.6) | (69.6) | (76.4) | (74.0) | (69.2) |
| Travel | 1,671.2 | 1,809.7 | 1,848.6 | 495.6 | 545.1 | 379.7 | 389.3 | 520.2 | 528.4 | 394.8 | 405.3 | 485.4 | 482.3 |
| Insurance Services | (120.7) | (107.0) | (106.6) | (14.7) | (34.6) | (36.0) | (21.7) | (28.7) | (26.0) | (33.0) | (18.9) | (11.0) | (34.5) |
| Offshore Companies Local Expenses | 188.1 | 210.2 | 233.8 | 44.2 | 46.4 | 56.7 | 63.0 | 63.5 | 44.2 | 54.8 | 71.2 | 46.4 | 40.3 |
| Other Government | (68.4) | (44.8) | (56.3) | (17.3) | (1.5) | (21.6) | (4.5) | (6.4) | (18.6) | (18.0) | (13.3) | (5.7) | (27.9) |
| Other Services | (543.8) | (532.7) | (427.9) | (207.7) | (115.8) | (126.7) | (82.4) | (122.4) | (113.1) | (141.5) | (50.9) | (102.3) | (85.0) |
| III. Income (Net) | (217.9) | (231.6) | (114.8) | (45.6) | (98.0) | (48.6) | (39.4) | (34.1) | (29.0) | (23.4) | (28.3) | (44.2) | (22.9) |
| 1. Compensation of Employees | (92.9) | (84.7) | (58.7) | (16.9) | (19.7) | (23.8) | (24.4) | (15.4) | (16.9) | (13.6) | (12.7) | (14.3) | (14.0) |
| 2. Investment Income | (125.1) | (146.9) | (56.1) | (28.7) | (78.4) | (24.9) | (15.0) | (18.7) | (12.1) | (9.8) | (15.5) | (29.8) | (8.8) |
| IV. Current Transfers (Net) | 52.0 | 51.8 | 56.0 | 10.8 | 17.2 | 12.0 | 11.9 | 14.7 | 17.5 | 13.3 | 10.6 | 20.3 | 12.5 |
| 1. General Government | 58.3 | 60.9 | 62.9 | 12.7 | 19.8 | 13.8 | 14.7 | 17.3 | 18.0 | 15.3 | 12.3 | 22.0 | 14.3 |
| 2. Private Sector | (6.2) | (9.1) | (6.9) | (1.9) | (2.6) | (1.8) | (2.9) | (2.6) | (0.5) | (2.1) | (1.7) | (1.6) | (1.8) |
| B. Capital and Financial Account (I+II) (excl. Reserves) | 1,216.6 | 986.6 | 940.7 | 430.4 | 180.9 | 157.0 | 218.3 | 229.8 | 362.0 | 236.1 | 112.9 | 150.5 | 365.9 |
| I. Capital Account (Net Transfers) | (63.5) | (75.7) | (76.3) | (21.4) | (16.8) | (21.5) | (16.0) | (11.6) | (10.7) | (18.4) | (35.5) | (10.4) | (10.4) |
| II. Financial Account (Net) | 1,280.1 | 1,062.3 | 1,017.0 | 451.7 | 197.7 | 178.6 | 234.3 | 241.4 | 372.7 | 254.4 | 148.4 | 160.9 | 376.3 |
| 1. Direct Investment | 706.3 | 746.2 | 699.6 | 310.0 | 119.5 | 163.0 | 153.7 | 159.0 | 219.4 | 160.7 | 160.4 | 163.3 | 175.8 |
| 2. Portfolio Investment | (18.8) | (8.4) | (9.2) | -- | (4.3) | -- | (4.1) | (2.0) | (3.6) | (3.6) | 0.0 | 0.0 | (4.5) |
| 3. Other Investments | 592.5 | 324.5 | 326.6 | 141.7 | 82.4 | 15.6 | 84.7 | 84.4 | 156.9 | 97.3 | (12.0) | (2.4) | 205.0 |
| Central Gov't Long Term Capital | 2.6 | (15.4) | 110.6 | 4.3 | (22.7) | 1.8 | 1.3 | (0.5) | 98.9 | 2.7 | 9.5 | 9.7 | 28.3 |
| Other Public Sector Capital | (6.2) | 9.0 | (6.2) | (1.1) | 1.1 | (1.1) | 10.1 | (1.1) | (1.9) | (1.2) | (2.1) | (4.6) | (1.4) |
| Banks | 143.0 | (86.5) | 36.2 | (26.4) | 4.3 | (18.3) | (46.2) | (72.5) | 17.9 | 66.6 | 24.2 | (38.0) | 116.7 |
| Other | 453.0 | 417.4 | 186.0 | 165.0 | 99.7 | 33.1 | 119.5 | 158.5 | 41.9 | 29.2 | (43.6) | 30.5 | 61.5 |
| C. Net Errors and Omissions | 78.1 | 282.0 | 286.7 | 55.5 | 94.2 | 96.8 | 35.5 | 120.4 | 9.0 | 158.6 | (1.3) | 22.9 | (60.1) |
| D. Overall Balance (A+B+C) | (79.1) | (45.9) | 109.1 | 123.8 | 19.2 | (178.1) | (10.8) | 85.6 | 135.2 | (24.6) | (87.1) | 60.7 | 146.6 |
| E. Financing (Net) | 79.1 | 45.9 | (109.1) | (123.8) | (19.2) | 178.1 | 10.8 | (85.6) | (135.2) | 24.6 | 87.1 | (60.7) | (146.6) |
| Change in SDR holdings | 0.1 | 0.1 | 0.1 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Change in Reserve Position with the IMF | (0.4) | (0.5) | 0.3 | -- | -- | (0.3) | (0.1) | (0.4) | 0.1 | 0.5 | 0.1 | 0.3 | (0.4) |
| Change in Ext. Foreign Assets () = Increase | 79.5 | 46.3 | (109.4) | (123.8) | (19.2) | 178.4 | 10.9 | (85.2) | (135.3) | 24.1 | 87.0 | (61.0) | (146.3) |

Source: The Central Bank of the Bahamas

* Figures may not sum to total due to rounding

TABLE 15
EXTERNAL TRADE

(B\$ '000)

| | 2007 | 2008 | 2007 | | | | 2008 | | | |
|------------------------------|-------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II | Qtr. III | Qtr. IV |
| I. OIL TRADE | | | | | | | | | | |
| i) Exports | 167,600 | 141,524 | 28,438 | 40,098 | 38,598 | 60,466 | 51,401 | 23,465 | 33,039 | 33,619 |
| ii) Imports | 615,782 | 847,041 | 106,550 | 169,542 | 173,969 | 165,721 | 211,264 | 252,625 | 189,661 | 193,491 |
| II. OTHER MERCHANDISE | | | | | | | | | | |
| Domestic Exports | | | | | | | | | | |
| Crawfish | 81,370 | n.a. | 16,594 | 9,174 | 20,408 | 35,194 | n.a. | n.a. | n.a. | n.a. |
| Fish & other Crustacea | 1,864 | n.a. | 511 | 525 | 591 | 237 | n.a. | n.a. | n.a. | n.a. |
| Fruits & Veggies. | 1,198 | n.a. | 647 | 78 | 8 | 465 | n.a. | n.a. | n.a. | n.a. |
| Aragonite | 35,577 | n.a. | 10,073 | 8,820 | 8,530 | 8,154 | n.a. | n.a. | n.a. | n.a. |
| Rum | 20,282 | n.a. | 5,438 | 4,497 | 6,709 | 3,638 | n.a. | n.a. | n.a. | n.a. |
| Other Cordials & Liqueurs | -- | n.a. | -- | -- | -- | -- | n.a. | n.a. | n.a. | n.a. |
| Crude Salt | 6,599 | n.a. | 2,179 | 1,364 | 1,655 | 1,401 | n.a. | n.a. | n.a. | n.a. |
| Hormones | -- | n.a. | -- | -- | -- | -- | n.a. | n.a. | n.a. | n.a. |
| Chemicals | 84,562 | n.a. | 15,188 | 19,930 | 30,040 | 19,404 | n.a. | n.a. | n.a. | n.a. |
| Other Pharmaceuticals | 347 | n.a. | 74 | 94 | 105 | 74 | n.a. | n.a. | n.a. | n.a. |
| Fragrances | -- | n.a. | -- | -- | -- | -- | n.a. | n.a. | n.a. | n.a. |
| Other | 147,290 | n.a. | 35,205 | 41,487 | 37,029 | 33,569 | n.a. | n.a. | n.a. | n.a. |
| i) Total Domestic Exports | 379,089 | 409,635 | 85,909 | 85,969 | 105,075 | 102,136 | 98,510 | 95,056 | 111,713 | 104,356 |
| ii) Re-Exports | 123,398 | 150,373 | 27,865 | 29,322 | 29,888 | 36,323 | 28,310 | 55,578 | 35,608 | 30,877 |
| iii) Total Exports (i+ii) | 502,487 | 560,008 | 113,774 | 115,291 | 134,963 | 138,459 | 126,820 | 150,634 | 147,321 | 135,233 |
| iv) Imports | 2,488,023 | 2,354,064 | 659,118 | 620,817 | 650,398 | 557,690 | 596,808 | 570,663 | 580,752 | 605,841 |
| v) Retained Imports (iv-ii) | 2,364,625 | 2,203,691 | 631,253 | 591,495 | 620,510 | 521,367 | 568,498 | 515,085 | 545,144 | 574,964 |
| vi) Trade Balance (i-v) | (1,985,536) | (1,794,056) | (545,344) | (505,526) | (515,435) | (419,231) | (469,988) | (420,029) | (433,431) | (470,608) |

Source: Department of Statistics Quarterly Statistical Summaries

TABLE 16
SELECTED TOURISM STATISTICS

| Period | 2006p | 2007p | 2008p | 2007p | | 2008p | | | | 2009p | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|----------------|
| | | | | Qtr. III | Qtr. IV | Qtr. I | Qtr. II | Qtr. III | Qtr. IV | Qtr. I | Qtr. II |
| Visitor Arrivals | 4,730,607 | 4,595,582 | 3,321,537 | 1,054,442 | 1,115,058 | 1,303,601 | 1,069,611 | 895,757 | 1,121,314 | 326,569 | 405,135 |
| Air | 1,491,633 | 1,486,301 | 1,096,704 | 350,033 | 336,299 | 403,333 | 405,135 | 309,782 | 273,943 | 937,012 | 664,476 |
| Sea | 3,238,974 | 3,109,281 | 2,224,833 | 704,409 | 778,759 | 900,268 | 664,476 | 585,975 | 847,371 | 900,268 | 664,476 |
| Visitor Type | | | | | | | | | | | |
| Stopover | 1,600,112 | 1,521,691 | 1,123,830 | 363,779 | 310,080 | 414,185 | 440,465 | 331,269 | 276,484 | n.a | n.a |
| Cruise | 3,076,397 | 2,970,659 | 2,116,202 | 660,787 | 758,700 | 868,745 | 696,715 | 549,047 | 823,347 | 774,837 | 265,661 |
| Day/Transit | 68,085 | n.a. | n.a. | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Tourist Expenditure(B\$ 000's) | 2,056,428 | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Stopover | 1,880,300 | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Cruise | 172,043 | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Day | 4,085 | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Number of Hotel Nights | 3,266,878 | 3,249,959 | 2,460,929 | 817,761 | 811,961 | 1,125,481 | 1,118,239 | 1,104,533 | 1,050,117 | n.a | n.a |
| Average Length of Stay | 6.4 | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a | n.a |
| Average Hotel Occupancy Rates (%) | | | | | | | | | | | |
| New Providence | 76.9 | 73.7 | 71.7 | 71.6 | 64.9 | 69.2 | 66.5 | 63.0 | 48.4 | n.a | n.a |
| Grand Bahama | 52.0 | 46.6 | 45.7 | 44.6 | 37.7 | 46.8 | 46.7 | 37.0 | 34.0 | n.a | n.a |
| Other Family Islands | 36.3 | 38.5 | 37.3 | 35.0 | 27.7 | 39.6 | 41.8 | 31.0 | 26.3 | n.a | n.a |
| Average Nightly Room Rates (\$) | | | | | | | | | | | |
| New Providence | 172.0 | 202.1 | 211.4 | 196.5 | 197.0 | 266.1 | 236.4 | 135.0 | 208.0 | n.a | n.a |
| Grand Bahama | 122.3 | 120.0 | 106.6 | 104.2 | 99.3 | 127.4 | 105.9 | 97.1 | 96.0 | n.a | n.a |
| Other Family Islands | 205.1 | 221.4 | 246.2 | 206.7 | 216.5 | 329.3 | 243.7 | 203.0 | 209.1 | n.a | n.a |

Source: The Ministry of Tourism

