

September 1999

IMF Staff Country Report No. 99/106

The Bahamas: Selected Issues and Statistical Appendix

This Selected Issues and Statistical Appendix report on The Bahamas was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of The Bahamas or the Executive Board of the IMF.

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International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

THE BAHAMAS

Selected Issues and Statistical Appendix

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Approved by the Western Hemisphere Department

July 20, 1999

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The Bahamas: Basic Data

I. Social and Demographic Indicators

Area (sq. km)	13,939	Nutrition (1992)	
		Calorie intake (per capita a day)	2,624
Population (1998)		Health (1993)	
Total (thousand)	293.0	Population per physician	692
Rate of growth 1998 (percent)	1.5	Population per hospital bed	258
Density (per sq. km.) (1998)	21.0	Access to safe water	
GDP per capita (US\$) (1998)	14,450	Percent of population (1992)	98.0
Population characteristics (1996)		Education (1994)	
Life expectancy at birth (years) (1996)	73.1	Enrollment rates, in percent	
Crude birth rate (per thousand) (1996)	18.9	Secondary education	86
Crude death rate (per thousand) (1996)	5.0		
Infant mortality (per thousand live births)	19.0		
Income distribution (1995)			
Gini coefficient	0.4		

II. Economic Indicators, 1994-98

	1994	1995	1996	1997	Prel. 1998
	(In annual percentage changes)				
National accounts and prices					
GDP at constant market prices	0.9	0.3	4.2	3.3	3.0
Consumer price index (average)	1.3	2.1	1.4	0.6	1.4
	(In millions of Bahamian dollars)				
Central government finances					
Current Revenue	639	657	687	729	762
Noninterest expenditure	598	621	662	770	744
Primary balance (deficit -)	42	36	25	-41	18
Overall balance (deficit -)	-35	-33	-64	-135	-81
Memorandum items:					
Primary balance (percent of GDP)	1.3	1.3	0.7	-1.0	0.4
Overall balance (percent of GDP)	-1.0	-0.9	-1.8	-3.4	-1.9
Money	386	402	416	485	566
Quasi-money	1,511	1,610	1,720	1,891	2,162
Net domestic assets	1,954	2,090	2,245	2,489	2,752
Credit to the public sector	425	410	409	392	430
Credit to the private sector	1,859	2,060	2,264	2,551	2,819

The Bahamas: Basic Data

II. Economic Indicators, 1994-98

	1994	1995	1996	1997	Prel. 1998
(In millions of U.S. dollars)					
Balance of payments					
Trade balance	-815	-930	-1,023	-1,300	-1,373
Exports, f.o.b.	198	226	250	246	363
Imports, f.o.b.	-1,014	-1,157	-1,273	-1,546	-1,736
Services, income and transfers (net)	773	787	752	642	430
<i>Of which</i>					
Interest on public debt	-7	-8	-17	-13	-6
Current account	42	-143	-271	-658	-943
Capital account	57	89	157	403	724
Public	-20	-29	-25	23	-11
Private	77	118	182	380	735
Overall balance	9	-3	-8	57	119
 Stock of net foreign assets of the central bank	 174	 171	 163	 220	 339
 Memorandum items:					
Debt service ratio 1/	3.9	3.8	3.4	5.0	3.5
Current account (as percent of GDP)	-1.2	-4.2	-7.2	-16.7	-22.5
External debt outstanding (as percent of GDP)	9.8	8.8	7.8	9.9	8.3
 IMF data					
Article VIII status					As of 06/30/99
Intervention currency and rate					B 1.00 per U.S. dollar
Quota					SDR 94.9 million
Fund holdings of local currency					SDR 88.7 million
Fund holdings as percent of quota					93.4
Arrears with the Fund					None
Special Drawing Rights Department					
Cumulative SDR allocation					SDR 10.23 million
Net acquisition or utilization (-) of SDRs					10.22 million
Holdings of SDRs					0.01 million

1/ External debt service as percent of exports of goods and nonfactor services.

I. THE EVOLUTION OF MONETARY INSTITUTIONS AND POLICY

A. Introduction and Summary

1. The purpose of this chapter is to summarize the evolution of monetary institutions and discuss the framework in which monetary policy is conducted in The Bahamas. Following a brief description of the evolution of institutions in Section B, the chapter summarizes the monetary policy objectives and constraints of the central bank, and assesses the instruments to achieve these objectives.

2. The main conclusion is that despite the limitations on monetary policy that derive from the fixed exchange rate peg with the U.S. dollar, the central bank has been able to use interest rate changes, selective credit controls, and moral suasion to achieve its monetary objectives. The effectiveness of these instruments has been enhanced by prudent fiscal policies, effective supervision of the financial system, and close monitoring of capital outflows.

B. Evolution of Monetary Institutions

3. **Monetary management in the Bahamas was conducted under a currency board arrangement (The Commissioners of Currency) during the period 1919 to 1968.** The currency board issued the local currency, the Bahamas dollar (B\$), in exchange for pounds sterling at a fixed rate of B\$1 to £1. As in the case of other currency boards, part of the rationale for the arrangement was to consolidate economic ties with the colonial power, the United Kingdom, and to ensure that the financing needs of the budget were not met through the unrestricted capacity of the government to issue currency.

4. During most of the currency board period economic activity was based on fishing and tourism, and economic cycles varied with the performance of these sectors. Moreover, periods of economic decline were aggravated by the currency board rule that required currency in circulation to be reduced in line with international reserves. Toward the latter part of the currency board period (the 1950s and the 1960s) several banks, trust companies, and investment firms began to establish operations in The Bahamas reflecting a number of factors, including:

- The postwar regime of exchange and investment controls, high tax rates, and the presence of a large amount of U.S. dollars in circulation in Europe;

- measures by the U.S. government to restrict capital outflows in the face of a persistent balance of payments deficit;¹ and
- the appeal of The Bahamas on account of its status as a tax haven, the ease with which companies could be established, bank secrecy legislation, the absence of exchange controls for nonresidents, proximity to the United States, and political stability.

5. **By the mid-1960s more than 600 mostly small banks and financial firms had been established, and it became clear that the regulatory framework was inadequate to ensure certain minimum operational and prudential standards.** This led to the introduction of the banks and Trust Companies Regulation Act of 1965 that laid down criteria for the licensing and supervision of banks, and for the withdrawal of licenses. By 1967, enforcement of the provisions of the legislation led to a sharp contraction in the number of institutions to ninety, but it was becoming apparent that the institutional and legal framework of the currency board was not adequate to meet the needs of financial system supervision as well as of maintaining stability in monetary and credit conditions. The strains proved unsustainable in 1967, following the devaluation of sterling in that year. In light of the shift in the country's trading pattern in favor of the United States, and the increasing reliance of the Bahamian economy on the United States for tourism revenue and investment, in 1967 the government decided to switch the currency peg to the U.S. dollar at the rate of B\$1 to US\$1. The devaluation of the Bahamian dollar led to large losses by domestic banks, and pointed to the weakness of an institutional framework that, inter alia, did not permit the currency board to act as a lender of last resort.

6. **The replacement of the currency board system with The Bahamas monetary authority (BMA) in 1968, was aimed at addressing the weaknesses noted above. The BMA's main functions were to:**

- Defend the local currency's peg to the U.S. dollar by centralizing and managing the country's foreign exchange holdings (except for transactions balances held by banks);
- provide domestic investment options to banks through auctions of government treasury bills;

¹ These measures included the interest equalization tax of 1963 which placed restrictions on the ability of U.S. banks to acquire non-U.S. paper; and Regulation Q, which imposed restrictions on the purchase of U.S. paper by non-U.S. residents.

- develop the domestic payments mechanism through the introduction of a check clearing system; and
- supervise banks more closely.

7. **While the BMA's responsibilities widened relative to those of the currency board, its overriding objectives remained that of defending the exchange rate by maintaining an adequate ratio of international reserves to currency issue.** This central task led to a broadly restrictive policy stance, which—as in the case of the currency board—resulted in a tendency to limit the growth in currency issue even in periods of slow economic activity.² Moreover, the BMA lacked the instruments needed to control domestic liquidity and credit, as evidenced by its inability to contain the growth of liquidity and bank credit caused by the banks' liquidation of their sterling-denominated assets following the devaluation of sterling and the Bahamian dollar in 1967.

8. **To address the need for strengthened monetary instruments, the Central Bank of the Bahamas (CBB) was established in 1974 with a broad mandate of not only preserving the exchange rate peg to the U.S. dollar, but also performing an enhanced role as banker and lender to the government and banks, administrator of the exchange control regime, controller of domestic liquidity and credit, and supervisor of the financial system.** The broader powers conferred by the central bank legislation permitted greater (and more frequent) use of available instruments, particularly the interest rate, selective/prudential credit controls, and moral suasion. Also, the enhanced role and powers permitted greater flexibility in adhering to the operational rule relating to the international reserve cover for base money (Figure 1).

C. Monetary Policy—Objectives and Instruments

9. **The main objective of the monetary policy in The Bahamas is to promote credit and balance of payments conditions that preserve the longstanding parity between the Bahamian dollar and the U.S. dollar.** Meeting this goal requires the central bank to keep the supply of reserve money in line with international reserves.³ For these purposes, the CBB monitors the key aggregates underlying liquidity growth, including credit extended by the

² In mid-1971, for example, in the midst of an economic downturn, the volume of currency issue had contracted by about 25 percent, compared with the level at end-1969. This action helped raise the international reserve cover of the currency from 70 percent to 100 percent.

³ The Central Bank Act (1974) stipulates that the external assets of the central bank shall at no time be less than 50 percent of the sum of currency in circulation and demand liabilities of the central bank.

financial system and reserve money, and stands ready to take corrective measures if it determines that developments in these aggregates could create pressure on the exchange rate or result in unsustainable losses of international reserves.

10. **The main instruments of monetary policy available to the CBB include the bank (discount) rate, selective/prudential credit controls, and moral suasion, supplemented by capital controls.** Changes in reserve requirements have not been used since the establishment of the central bank, and the CBB markets treasury bills and government bonds on behalf of the government, but the use of these instruments for open market operations has been limited (Box 1).

The discount rate

11. Banks do not normally borrow resources from the CBB, except in emergencies, therefore, the direct use of this instrument to influence banks' behavior is limited.⁴ Rather, the scope for affecting domestic interest rates and economic activity through changes in the discount rate stems from the close link between that rate and the commercial banks' prime rate.⁵ The discount rate was changed frequently in the 1980s and early 1990s reflecting the central bank's efforts to influence the banks' lending behavior. However, between 1994 and 1998, for example, the banks' excess liquidity⁶ increased steadily, reaching the equivalent of one quarter of required liquid assets by the end of the year. The lack of flexibility in the discount rate appears to have reflected, in part, the authorities' desire to avoid frequent changes in mortgage rates, which are invariably tied to the prime rate. Following continued growth in liquidity during the first half of 1999, the discount rate was lowered from 6.5 percent to 5.75 percent at end-June. This action was followed by a decline in the prime rate from 6.75 percent to 6 percent.

⁴ The most recent occasion when the banks borrowed a significant amount (B\$21 million) from the CBB was in 1988 when the country faced an acute liquidity and payments crisis. The loan was repaid in 1996. The CBB lent B\$0.8 million in September 1997 to a bank which became insolvent and was closed.

⁵ The prime rate is the reference rate to which loans to government, prime corporate customers, and for mortgages are linked. In principle, the CBB and commercial banks jointly determine the prime rate, but a decision to change the rate is not normally taken without the agreement of the CBB. The CBB consults the ministry of finance before making a recommendation regarding a change in the prime rate.

⁶ Defined as liquid assets less minimum required liquid assets. The latter is equivalent to 20 percent of banks' demand deposits, and 15 percent of time and saving deposits.

Box 1. The Bahamas: Monetary Policy Instruments		
Description	Objectives	Recent use
<p>1. Central bank discount rate Rate applies to borrowing by banks and nonbank financial institutions from the central bank.</p>	<p>Changes in the discount rate affect market interest rates, since the commercial banks' prime rate is tied to it. Also, changes in this rate are used to signal the central bank's view of the liquidity situation in the banking system, thereby influencing banks' behavior.</p>	<p>Gradually reduced from 9 percent in 1991 to 6.5 percent in 1994, with corresponding adjustments in the prime rate (which was reduced from 9 percent to 6.75 percent over the same period). The rate was reduced further to 5.75 percent in June 1999.</p>
<p>2. Reserve requirements The reserve requirements, calculated against commercial banks' deposit liabilities, apply in two tranches—statutory reserves and liquid asset ratio (LAR). Statutory reserves comprise vault cash and banks' deposits with the central bank. In addition to statutory reserves, the eligible assets for LAR are the treasury bills and government bonds, bonds issued by the Bahamas Mortgage Corporation, and commercial bank loans for low-income housing development; the latter two are government-guaranteed obligations. Penalties are assessed if actual reserve holdings fall below requirement.1/</p>	<p>Changes in reserve requirements, affect the liquidity position of commercial banks and their ability to extend credit. The CBB may increase the statutory reserve requirement up to 20 percent, and the LAR to 25 percent, of banks' deposit liabilities. The reserve requirements also serve as a prudential objective, as a back-up for the banks' deposit liabilities.</p>	<p>Reserve requirements have not been changed since they were instituted in 1974 and remain fixed at 5 percent for statutory reserves and, for LAR, at 15 percent for demand deposit, and 20 percent for savings and fixed deposits.</p>
<p>3. Open-market operations Central bank buys and sells government securities to banks and nonbank institutions.</p>	<p>Objective is to add or reduce liquidity in the financial system (and the economy as a whole) thereby influencing the ability of financial institutions to provide credit to the private sector.</p>	<p>Most purchases of and sales of treasury bills are carried out in line with government financing objectives. The CBB does not make use of open-market operations for liquidity management purposes, except to smooth out seasonal variations. Government foreign bond issue of US\$50 million in early 1977 and domestic bond issue of B\$28 million in April 1999 reflected domestic liquidity considerations.</p>
<p>4. Capital controls All outward capital transfers by residents, including purchases of securities and direct investment, require authorization by central bank.2/</p>	<p>Used to avoid large and uncontrolled large capital movements that could affect the balance of payments and deplete international reserves.</p>	<p>Capital controls have been maintained at their current level for several years.</p>
<p>5. Selective/prudential controls and moral suasion Used to restrict growth in consumer credit, the largest component of commercial bank loans to private sector.</p>	<p>Controls have been applied through use of margin and collateral requirements on installment loans. In addition, moral suasion is used to indicate to banks that they should restrict credit.</p>	<p>CBB has made frequent use of this instrument. In 1990, it required banks to raise minimum collateral amounts against consumer loans from 25 percent to 35 percent. In 1995, it asked banks to voluntarily curtail lending, specifically for consumption purposes. In May 1998, CBB requested banks to require collateral and higher down payments against consumer loans and, generally, to exercise restraint in extending such loans.</p>
<p>6. Other instruments Shifts in public sector bank deposits among commercial banks.</p>	<p>Amounts and timing of the shifts can be managed to affect the banks' liquidity position.</p>	<p>CBB used the placement of the social security system's deposits as a monetary policy instrument in the late 1980s.</p>

1/ Current laws authorize the CBB to assess penalty for the nonobservance of reserve requirements at one tenth of one of the shortage amount calculated on a daily basis. However, the maximum penalty rate cannot exceed twice the bank rate.

2/ Open position in domestic currency assets and liabilities is limited to B\$500,000 either way, which requires commercial banks to sell or buy foreign exchange to or from the central bank if actual holdings exceed or fall short of this limit. The open position is calculated on a daily basis and exceptions are generally not granted.

12. Changes in commercial bank interest triggered by movements in the discount rate affect a significant proportion of borrowers, including large businesses and mortgage holders, and combined with credit controls and moral suasion, have been broadly successful in achieving the central bank's monetary objectives. Despite the Bahamas' proximity to the United States and the exchange rate peg, the small interest rate differentials between the two countries (see Figures 2 and 3) have not resulted in capital flows partly on account of exchange control regulations. These controls, the clear separation of offshore from domestic banking, the ample supply of Bahamian dollar funds, and the confidence in the government's policies in recent years to maintain the exchange rate peg appear to have acted to limit the capacity and demand of commercial banks and residents to borrow U.S. dollars for domestic projects, or to seek ways of shifting from local currency deposits/assets into U.S. dollar deposits.⁷

Selective/prudential controls over private sector credit and moral suasion

13. **Selective credit controls and prudential measures to influence the growth in credit comprise mainly central bank variations in the minimum collateral or down payment required from borrowers seeking to qualify for a consumer loan (Box 2)⁸.** This instrument has been aimed mainly as slowing down the rate of growth of consumer credit—thereby easing pressure on international reserves. On some occasions, an easing of collateral requirements has been used to help stimulate credit growth to the private sector.

14. **Moral suasion in The Bahamas takes the form of circulars from the central bank to commercial banks indicating the former's concern about the growth in private sector credit (or consumer credit in particular), and recommending that banks reduce the rate of credit expansion over the coming months.** The most recent use of this instrument occurred in May 1998 when the CBB indicated to the banks that from March 1997 to March 1998 private sector credit had increased by 14 percent, while consumer credit increased by 26.7 percent. The bank noted that such rates of growth were unsustainable, and asked banks to exercise restraint. The measure proved effective in slowing down credit growth. By end-1998, the rate of growth in consumer lending had declined to 14.7 percent, and in total private sector credit to 11.1 percent, from the levels at end-1997.

⁷ Residents' U.S. dollar-denominated deposits account for about 2 percent of total bank deposits.

⁸ In recent years, consumer credit has been the fastest growing component of total private sector credit, increasing from 31 percent of total loans in 1995 to 40 percent in 1998.

Box 2. The Bahamas: Selected Monetary Policy and Operational Actions 1970-99

I. 1970-80

- Clearing arrangements established to facilitate payments system (1971)
- Prime rate increased from 8.5 percent to 9 percent (1972) and 9.5 percent (1974)
- Bahamian dollar devalued in line with the U.S. dollar (February 1973)
- Central bank established (1974)
- Prime rate lowered to 9 percent (1979)
- Central bank discount rate raised from 0.5 percent above prime, to 1 percent (1979)
- Prime rate raised to 11 percent (1980)
- Interest rate ceilings on commercial bank loans eliminated (1980)
- Discount rate raised to 13 percent, margin over prime raised to 2 percent (1980)

II. 1981-85

- Discount rate margin eliminated (1981)
- Central bank placement of deposits at selected commercial banks to ease liquidity pressures (1981)
- Reinstatement of 2 percent margin over prime rate as the central bank discount rate (1982)
- Placement by central bank of National Insurance Board deposits with selected commercial banks to ease liquidity pressures (1982)
- Discount rate lowered from 10 percent to 9 percent (1983)
- Discount rate raised to 9.5 percent (1984)
- Discount rate lowered to 8.5 percent (1985)

III. 1986-90

- Discount rate lowered to 7.5 percent (1986)
- Discount rate raised to 9 percent (1988)
- Interest rate ceiling of 8 percent set on new bank deposits to halt destabilizing shifts of deposits among banks (1988)
- Central bank tightened prudential guidelines on consumer loans by requiring borrowers to contribute a minimum equity (downpayment) of 35 percent of the value of the asset being acquired (1988)
- Special issue of government bonds made to help slow the growth of consumer credit (1990)

IV. 1991-95

- Discount rate lowered from 9 percent to 7.5 percent (1992)
- Ceiling on deposit rate lowered to 7 percent (1992)
- Equity requirement of 35 percent for consumer loans removed (1993)
- Prime rate reduced to 7.75 percent, and ceiling on deposit rate lowered to 6.75 percent (1993)
- Discount rate lowered to 7 percent and ceiling on deposit rate lowered to 6.25 percent (1993)
- Prime rate reduced to 7.25 percent (1993)
- Discount rate reduced to 6.5 percent (1994)
- Ceiling on deposit rates eliminated (1994)
- Letter to banks issued requesting restraint on credit to the private sector (1995)

V. 1996-99

- Prudential guidelines on consumer credit tightened starting in May 1998.
- Discount rate reduced to 5.75 percent in June 1999

Open market operations

15. **Open market operations—the purchase and sale of government or central bank paper at market interest rates aimed at affecting bank's liquidity—are not used frequently.** According to current practice, the CBB, acting as agent for the government, periodically conducts treasury bill auctions on occasions and in amounts which reflect, for the most part, the government's funding requirements. For each issue, a "cut-off" interest rate is set (i.e., the maximum interest rate that will be paid on the treasury bills issued). At times this rate (3 percent in the most recent auctions) has been considered too low by participants, and a number of issues have not been fully subscribed initially. When this occurs, the unsold bills are absorbed by the central bank and form a pool of interest-bearing assets that are available to banks to meet their liquid assets requirement. Reflecting the banks' excess liquidity for most of 1998 the CBB's holdings of treasury bills declined rapidly in early 1998 and were close to zero for most of the year.⁹

16. **The CBB also sells on behalf of the government bonds ranging in maturity from 5 to 20 years,** the yield on which is fixed at a premium (currently 0.5 percentage point) over the prime rate.¹⁰ Unlike treasury bills, bonds are not auctioned but "placed" with selected groups of buyers. Of the B\$1,185 million in total bonds outstanding at end-1998, only B\$226 million (22 percent) was held by commercial banks. The central bank, in consultation with the ministry of finance, is exploring options for future sales/placements of government bonds, including through auctions.

17. **While, as noted, most of the purchases and sales of government paper have been carried out in line with government financing requirements, collaboration between the central bank and the treasury also allows some scope for monetary policy considerations,** for example, in the timing of new issues. Moreover, the use of government paper specifically for monetary purposes is not unprecedented. In 1990, a special issue of government bonds was aimed at slowing the growth of consumer credit. Nevertheless, open market operations are unlikely to develop fully into an effective policy instrument in the

⁹ The amount of the outstanding treasury bills is limited by law to 25 percent of the government's average ordinary revenues in the three preceding years. At end-June 1999 the amount of outstanding treasury bills was B\$132.5 million, of which about B\$30 million is rolled over each quarter, compared with \$103.4 million in banks' excess reserves.

¹⁰ The premium had been as high as 1.25 percent in recent periods beginning in 1996, but, in line with a declining trend in domestic interest rates since then, the premium was reduced to 0.5 percent or lower in most recent periods.

absence of a secondary market in government paper.¹¹ It is expected that the forthcoming stock market would help facilitate the development of such a market.

Conclusion

18. The evolution of monetary institutions has been accompanied by an increased menu of monetary policy instruments in The Bahamas. While the main objective of policy remains that of preserving the fixed exchange rate peg to the U.S. dollar, the central bank has been able to affect banks' behavior through a combination of interest rate changes, selective and prudential credit controls, moral suasion, and to a limited extent—open market operations. Maintaining an adequate level of international reserves—the key operational goal of the authorities—has been facilitated by sound fiscal policies and effective bank supervision, while existing capital controls appear to have helped smooth out capital flows without restricting investment and economic activity. The current framework appears to have worked well, but the challenge for monetary policy in future will be how to ensure continued effectiveness of policy instruments in the context of the growing sophistication of financial markets and institutions. As institutions develop and proliferate, reliance on instruments such as moral suasion is likely to decline, and increased scope will have to be sought for other tools such as market-based purchases and sales of government paper for liquidity management.

II. THE RECENT WIDENING OF THE EXTERNAL CURRENT ACCOUNT DEFICIT

A. Introduction

19. This chapter reviews the main factors behind the widening of the external current account of The Bahamas and its financing during the period 1994 to 1998. In light of this review, an assessment of the country's competitiveness, and estimates of the balance of payments for 1999, the chapter concludes that the current account widening does not reflect a serious problem of external imbalance. Instead, it stemmed largely from a temporary, sharp rise in imports of goods and services associated with investment projects in the tourism, shipping, and construction sectors that resulted from the government's policies to raise incomes and reduce unemployment by attracting foreign investors.

¹¹ At present, treasury bills and bonds remain with the buyer until maturity or may be sold back to the central bank before maturity at little or no penalty.

B. Balance of Payments Developments Since 1994

20. **The external current account deficit of The Bahamas widened from 3 percent of GDP in 1994 to 22 percent of GDP in 1998 (Figure 4).** The deterioration was due largely to (i) a sharp increase in imports of goods and services associated with investment projects in the tourism sector (comprising mainly the refurbishing and expansion of existing hotels); (ii) imports related to the pickup in investment in other sectors, particularly shipping and residential construction; and (iii) a slowdown in the growth of tourist arrivals associated with the construction work. Reflecting these factors, the value of capital and manufactured goods imports rose by a total of about 12 percentage points of GDP between 1994 and 1998, tourist receipts declined by 5 percentage points, and other net service payments rose by about 6 percentage points of GDP.

21. The increase in imports related to investment projects in tourism and other sectors stemmed from the authorities' policies to attract private investment through tax incentives, the privatization of state-owned hotels, and the upgrading of supporting infrastructure such as roads, airports, water supply, telecommunications, and electricity. These policies, supported by a pickup in consumer demand in the United States (the main tourism market) and the government's public commitment to sound fiscal management helped increase confidence and stimulate considerable interest on the part of foreign investors.

22. **The main projects in tourism, shipping, and construction over the period 1994–98 included** (i) the Phase I refurbishing of the country's largest resort during 1995–96 (at a cost of about US\$250 million), that was accompanied by the extensive refurbishing and expansion of other properties; (ii) the construction of a new ship repair and transshipment facility on Grand Bahama in 1996 (at a cost of US\$90 million); (iii) investment by cruise lines of about US\$45 million in the development of dedicated ports of call; (iv) the Phase II expansion of the Atlantis Resort during 1997–98 at a cost of about US\$400–500 million;¹² (v) the ongoing development of a large tourist resort on Grand Bahama; and (vi) the construction of several residential and commercial properties. The increase in the demand for imports linked to these projects was the main factor behind the expansion in total merchandise imports from 30 percent of GDP in 1994 to 41 percent in 1998. Imports of capital and manufactured goods rose by a combined 12 percentage points of GDP, with the latter comprising mainly supplies for the tourist resorts.¹³

¹² Following its completion in late 1998, this project resulted in an increase in the number of available rooms in New Providence (the main tourism center) by 1,200, or 17.6 percent.

¹³ Information on the increase in imports of consumer goods associated with the marked growth in consumer credit is not available, but estimates point to an increase of no more than about 2 percentage points of GDP.

23. **Developments in the services account also contributed to the widening of the current account deficit.** The surplus of the service balance declined from 26 percent of GDP in 1994–96 to 14 percent of GDP in 1998, owing mainly to the increase in imports of construction services (originating in the tourism and shipping projects) as well as a decline in travel receipts due to the temporary reduction in hotel capacity also associated with the construction work.

24. **The current account deficits in 1997–98 were financed largely by equity investments, reinvested earnings, and loans from the private sector.** Almost 40 percent of total inflows of identified direct investment (equivalent to 4 percent of GDP) in 1998 were directed to the Atlantis resort project; with the remainder channeled to other tourism projects and purchases of real estate. Bank loans and other private capital also helped finance the tourism and other projects.¹⁴ By contrast, public sector net capital inflows were negative for most of the 1994–98 period reflecting an improvement in fiscal performance, and the public external debt outstanding fell from 10 percent of GDP in 1994 to about 8.3 percent of GDP in 1998.

25. **An important aspect of recent balance of payments developments also is that despite the widening of the current account deficit, the international reserve position of the central bank strengthened** from the equivalent of nine weeks of imports (78 percent of base money) at end-1994 to almost eleven weeks of imports (114 percent of base money) at end-1998. This improvement reflected mainly a restrained fiscal policy stance and efforts to contain private sector credit growth.

C. Indicators of Competitiveness

26. **While there was a small appreciation (5 percent) in the real effective exchange rate (REER) index of The Bahamas since 1995 (Figure 5 and Statistical Appendix Table 26),¹⁵ other indicators point to the country's ability to maintain its competitiveness based on:**

¹⁴ Information on the financing of the current account is incomplete (as evidenced by the large value for errors and omissions). The authorities have initiated efforts to help identify the nature of these inflows.

¹⁵ It has been pointed out that the real exchange rate calculated using consumer prices may not be an appropriate measure of international competitiveness when changes in relative prices are explained by productivity differentials between the home country and the trading

(continued...)

- A moderate growth in costs throughout the economy in recent years, evidenced by wage increases in most sectors of the economy averaging about 3-4 percent a year;¹⁶
- the ability of the hotel sector to raise room rates since 1995 at a faster pace than that of wages, while at the same time achieving occupancy rates much higher than those in the rest of the Caribbean region. These factors helped contribute to an improvement in hotel profitability (as evidenced partly by the marked increase over the past two years in the share price of the company that controls the country's largest tourist resort);
- some indications of an increase in productivity in tourism based on the recent efforts to enhance training; and
- continued strong demand for The Bahamas as a location for banking and trust operations, and for investments in residential property.

D. Near-Term Prospects for the Balance of Payments

27. Indications are that the external current account will begin to narrow in 1999 based on the following factors:

- A projected sharp improvement in tourism revenue owing to the marked increase in hotel capacity, hotel occupancy, room prices, and advance bookings following the completion of the large hotel projects. Receipts from visitors increased more than 40 percent in the first quarter of 1999 with respect to the same period a year earlier, and on this basis some estimates point to an improvement in the services balance of the current account by about 4 percentage points of GDP for the year as a whole;
- A tapering off in imports of goods and services associated with the hotel construction boom (although this is being partially offset by strong residential and commercial construction activity);

partners. To correct for that bias, a more appropriate measure of a country's competitiveness is to compute the real effective exchange rate using unit labor costs instead of consumer prices. Unfortunately, statistics on labor costs are not available in The Bahamas or in other Caribbean countries that are The Bahamas' competitors.

¹⁶ The most recent agreement for hotel workers provides for an average wage increase of 3-4 percent over the period 1998 to 2002.

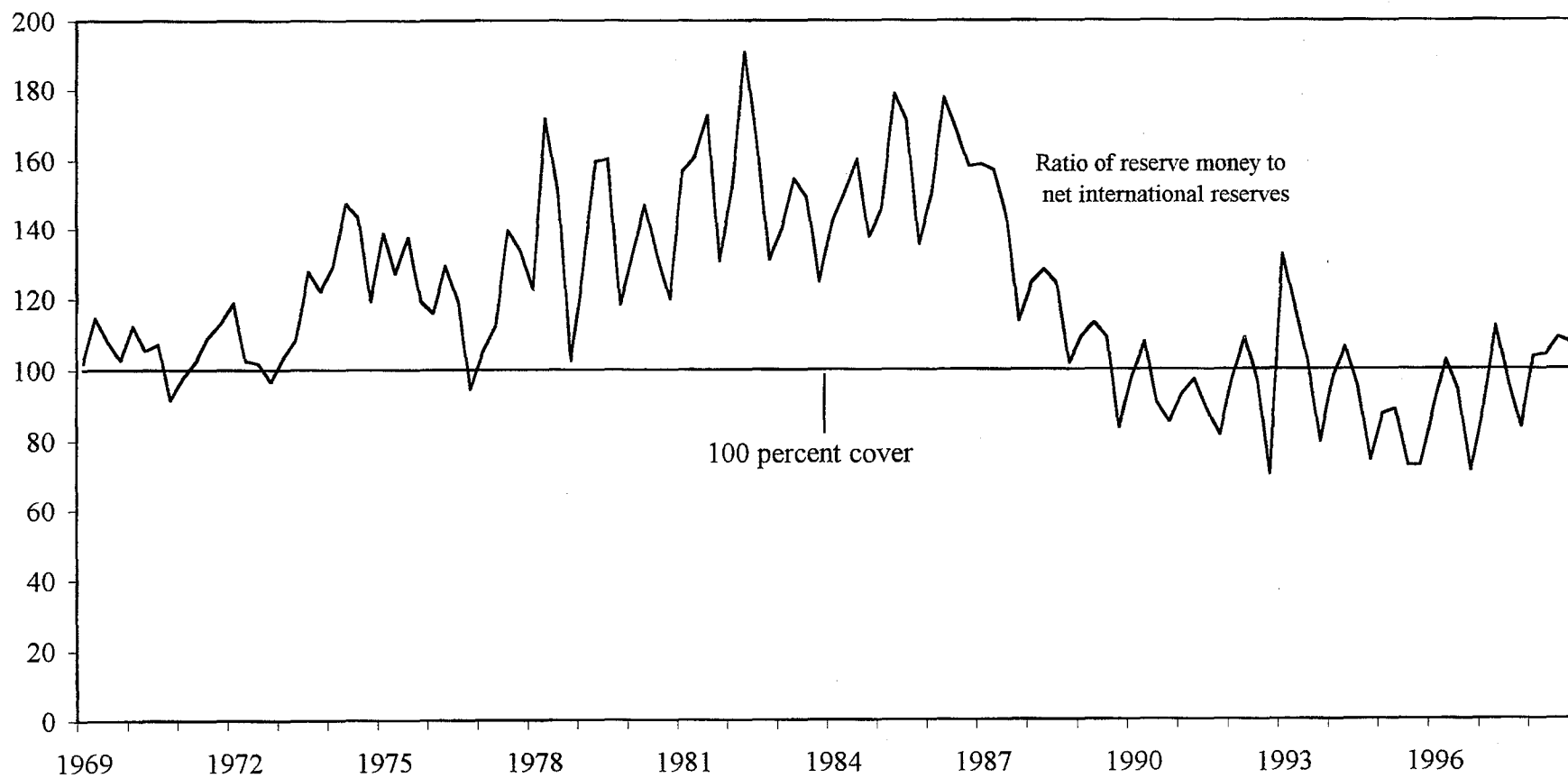
- a slowdown in credit to the private sector from the high rates of growth observed in 1997–98;¹⁷ and
- the government’s continued commitment to prudent fiscal policies.

E. Conclusion

28. **Maintaining a sound external position in The Bahamas depends on the authorities’ adherence to sound fiscal and credit policies.** Over the past five years there has been a broad consensus that the authorities have been pursuing such policies, and that as a result economic performance and prospects have improved markedly. The recent widening of the external current account deficit stemmed largely from the imports of goods and services associated with the large investment projects that—to an important extent—reflected the government’s sound policies; and indicators are that with the completion of most of these projects, the deficit has already begun to narrow in 1999, and will continue to do so over the medium term. It will be important, however, to ensure that a full accounting is made of the capital inflows to the private sector over the past two years, and the implications of these flows for private sector debt and debt service. The central bank’s efforts in this area are expected to help clarify these issues, and ensure a close monitoring of private sector capital flows in future.

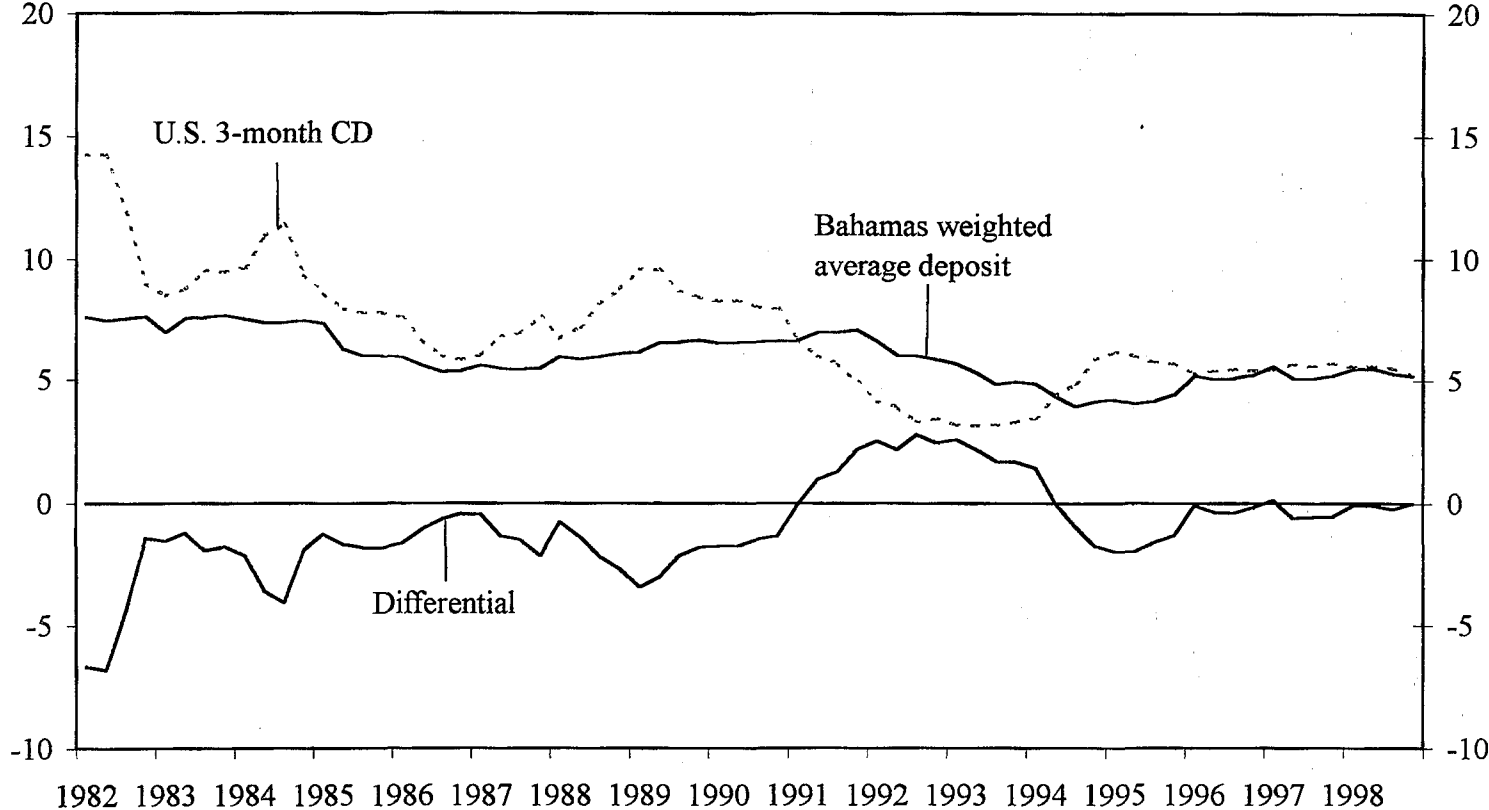
¹⁷ Following the central bank’s action in 1998 to tighten prudential controls over consumer credit, the annualized rate of growth of total credit to the private sector fell from 14 percent in June 1998 to 7 percent in June 1999.

**Figure 1. Bahamas: Ratio of Reserve Money to Foreign Assets
(In percent)**



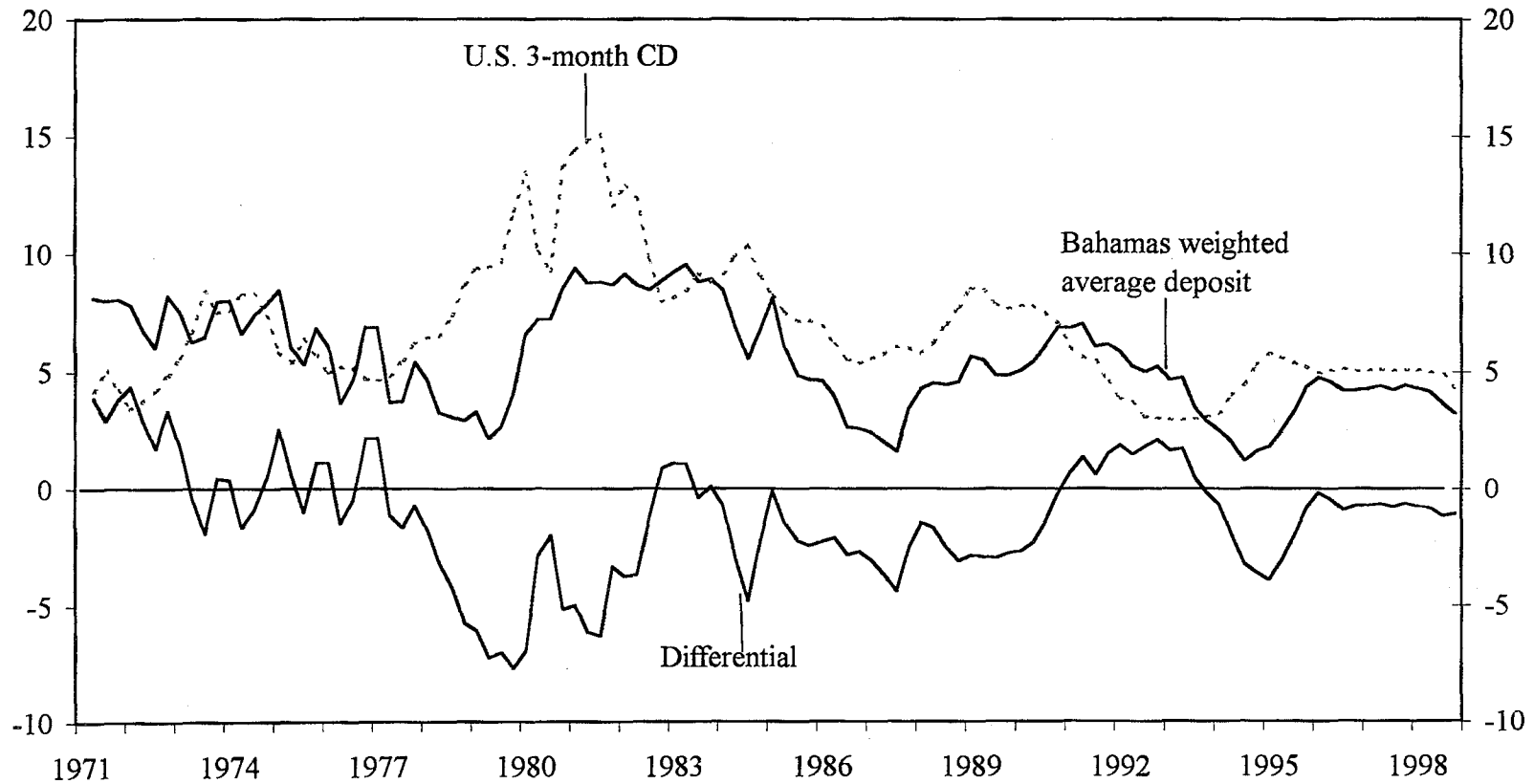
Sources: IMF International Financial Statistics; and Fund staff estimates.

**Figure 2. Bahamas: Comparative Deposit Rates
(In percent)**



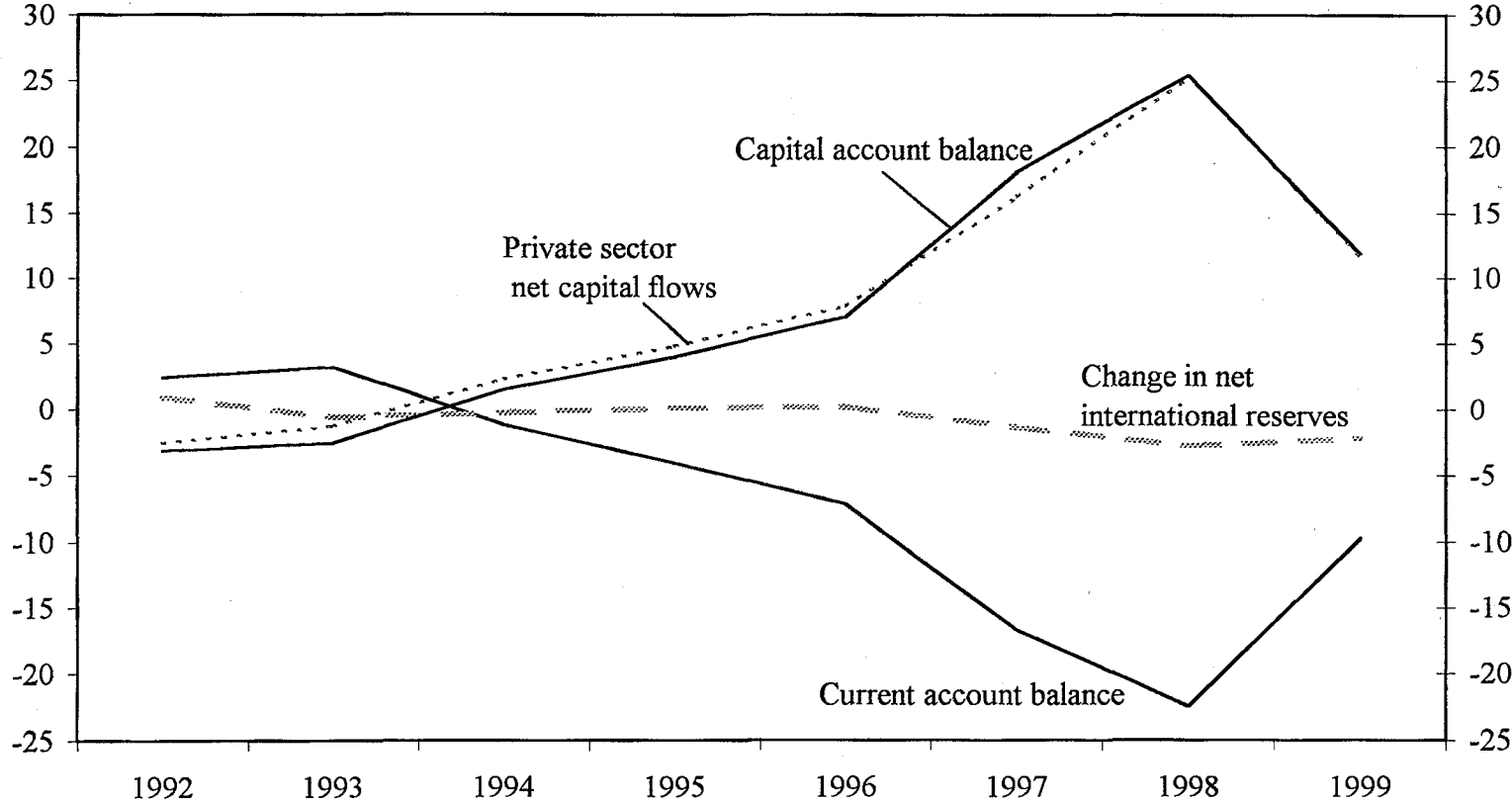
Sources: IMF International Financial Statistics; and Fund staff estimates.

**Figure 3. Bahamas: Comparative Treasury Bill Rates
(In percent)**



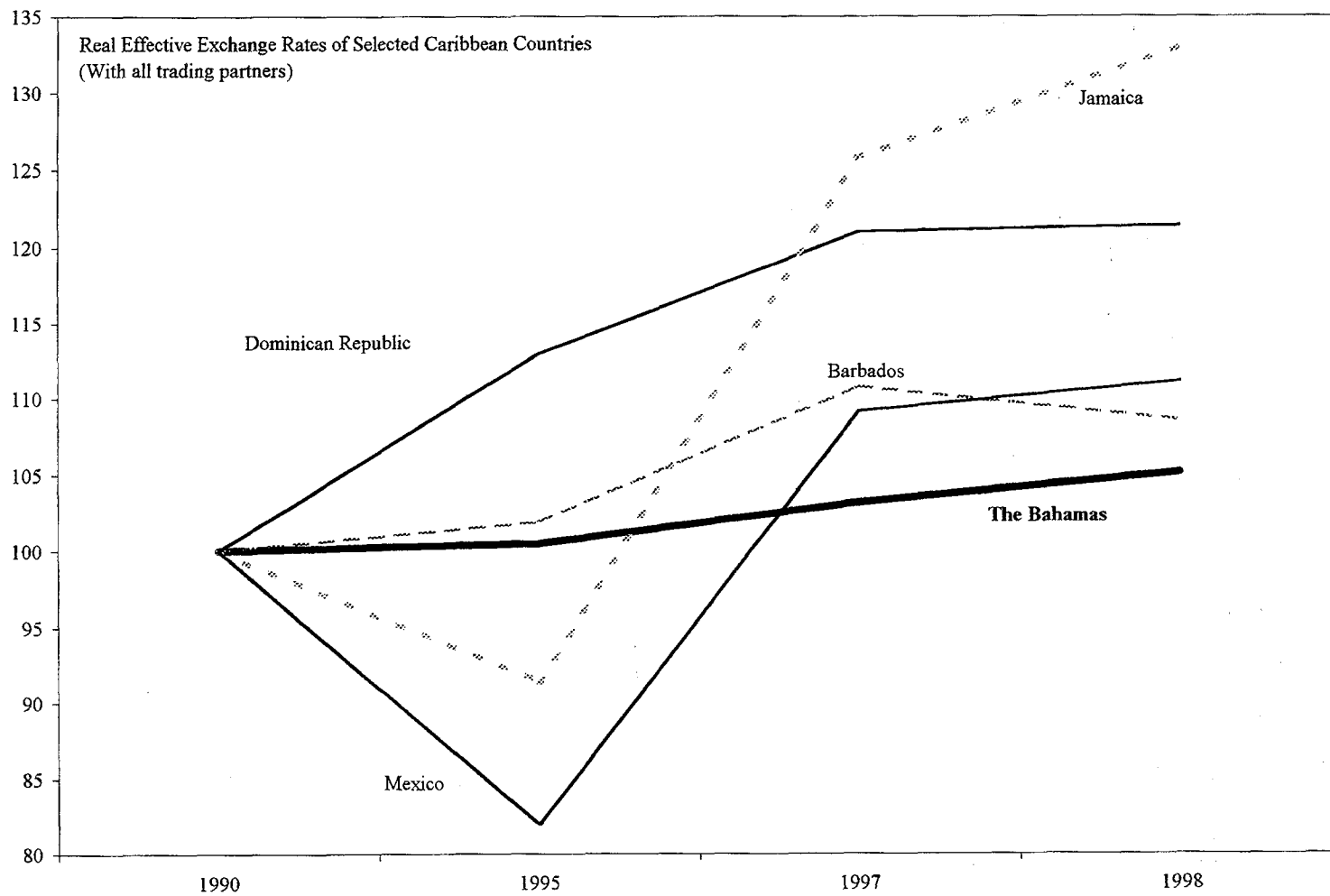
Sources: IMF International Financial Statistics; and Fund staff estimates.

**Figure 4. Bahamas: Summary Balance of Payments
(In percent of GDP)**



Source: The Bahamian authorities; and Fund staff estimates.

Figure 5. Bahamas: Real Exchange Rate Developments
(Index 1990=100)



Source: Bahamian authorities; and Fund staff estimates.

Table 1. The Bahamas: Geographic Distribution of Stopover Visitors 1/

	1993	1994	1995	1996	1997
(In percent)					
Stopover visitors by country of residence	100.0	100.0	100.0	100.0	100.0
Canada	6.5	6.5	5.4	5.3	5.6
Europe	8.9	7.2	7.2	7.8	8.1
United States	81.3	82.7	83.2	82.1	81.0
Other 1/	3.3	3.5	4.3	4.8	5.3
(Percentage change)					
Stopover arrivals					
Canada	6.4	3.9	5.4	2.2	-0.9
Europe	9.0	17.6	4.8	11.0	2.2
United States	7.2	3.7	6.0	0.9	-2.3
Other	-3.1	7.3	29.4	14.2	8.9
(In nights)					
Average length of stay	6.3	6.3	6.2	6.3	6.4
Canada	7.7	7.9	8.1	6.3	6.4
Europe	9.3	10.0	9.6	9.6	9.9
United States	5.2	5.3	5.1	5.0	4.9
Other	6.2	6.1	6.4	6.6	7.3

Source: Ministry of tourism.

1/ The other main countries are Argentina, Australia, Brazil, Colombia, Jamaica, Japan, Mexico, and Venezuela.

Table 2. The Bahamas: Value of Construction Starts and Completions 1/

(In millions of Bahamian dollars)

	1993	1994	1995	1996	1997
Construction starts	121.0	175.3	119.3	182.2	458.6
Residential	100.8	84.9	100.2	117.7	111.8
New Providence	78.4	69.9	73.3	80.7	82.2
Grand Bahama	22.4	14.9	26.9	37.0	29.6
Commercial and industrial	20.2	89.7	18.2	64.3	346.3
New Providence	12.6	74.8	12.9	30.9	333.8
Grand Bahama	7.6	14.9	5.2	33.4	12.5
Government	0.0	0.7	0.9	0.3	0.5
Construction completions	129.6	185.9	109.9	156.6	171.0
Residential	78.9	85.3	77.7	91.6	127.3
New Providence	64.1	70.6	58.4	66.4	89.3
Grand Bahama	14.8	14.7	19.3	25.2	38.0
Commercial and industrial	45.0	89.5	20.8	63.3	43.5
New Providence	27.1	75.3	15.1	32.3	19.9
Grand Bahama	17.9	14.2	5.8	31.0	23.6
Government	5.6	11.1	11.4	1.7	0.2

Source: Central Bank of The Bahamas.

1/ The data refer to activity only in New Providence and Grand Bahama.

Table 3. The Bahamas: Generation and Sale of Electricity

	Generated	Units Sold			Total Sales
		Residential	Commercial & Industrial	Street Lighting	
(In millions of megawatt hours)					
1993	1,167	346	632	5	984
1994	1,228	381	665	7	1,053
1995	1,254	398	679	7	1,085
1996	1,290	419	711	8	1,137
1997	1,364	446	719	8	1,173
1996					
I	286	94	159	2	255
II	328	101	178	2	280
III	361	120	199	2	321
IV	315	103	175	2	281
1997					
I	305	93	155	2	250
II	336	111	180	2	293
III	384	131	200	2	332
IV	339	111	184	2	297
1998					
I	305	83	159	2	264
II	372	93	173	2	292
III	430	151	233	2	386
(Annual percentage change)					
1993	4.7	6.6	5.1	-63.4	4.5
1994	5.1	10.1	5.1	30.3	7.0
1995	2.2	4.4	2.2	5.4	3.0
1996	2.9	5.3	4.7	14.3	4.8
1997	5.7	6.4	1.1	0.4	3.2
1996					
I	7.1	6.8	8.2	0.0	8.1
II	0.0	0.0	3.5	0.0	1.8
III	2.8	8.1	6.4	0.0	7.4
IV	2.6	3.0	0.0	0.0	2.2
1997					
I	6.7	-1.0	-2.5	4.3	-2.0
II	2.4	9.9	1.1	4.8	4.6
III	6.4	9.2	0.5	4.2	3.4
IV	7.6	7.8	5.1	3.1	5.9
1998					
I	0.0	-10.8	2.6	1.0	5.6
II	10.7	-16.2	-3.9	4.0	-0.4
III	26.8	36.0	26.6	10.1	16.3

Source: Central Bank of The Bahamas.

Table 4. The Bahamas: Retail Price Index for New Providence

(October/November 1995=100)

	Food	Housing	Clothing and Footwear	Transpor- tation	Medical Care and Health	Recreation and Services	Furniture and Household	Edu- cation	Other	All Items
Weight	13.8	32.8	5.9	14.8	4.4	4.9	8.9	5.3	9.2	100.0
Annual average percentage change										
1990	5.4	17.3	-1.3	-9.7	-9.5	-0.6	-1.2	2.2	-4.6	1.7
1991	8.6	0.3	7.3	8.3	4.8	14.1	7.2	13.0	15.9	7.4
1992	2.1	3.7	4.5	10.8	1.9	1.2	6.8	10.7	6.9	5.6
1993	0.7	4.2	2.4	2.7	18.5	0.2	1.3	0.3	3.1	2.7
1994	-0.4	0.9	2.7	2.2	6.5	-0.1	1.9	0.6	1.2	1.3
1995	2.0	1.1	0.2	4.4	3.5	0.0	3.1	0.6	1.3	2.2
1996	2.5	1.9	2.8	0.4	2.1	0.7	1.1	-0.1	-0.2	1.4
1997	1.7	0.2	1.9	0.7	1.2	2.2	1.2	-3.5	0.7	0.6
1998	2.2	-0.1	1.7	0.7	2.4	2.0	1.2	9.7	0.6	1.4
(Annual percentage change, end of period)										
1996										
I	2.3	3.0	2.2	0.7	3.6	0.8	1.5	0.5	-0.3	1.8
II	2.3	1.8	2.5	0.2	1.5	0.9	1.7	0.5	-0.5	1.3
III	3.0	1.9	3.2	0.4	1.3	-0.6	0.5	0.1	0.6	1.4
IV	2.6	1.6	3.1	0.2	1.4	1.5	0.3	-2.5	-0.6	1.1
1997										
I	1.9	0.2	0.6	0.2	1.3	2.4	0.1	-2.4	-0.6	0.3
II	1.7	0.4	0.3	0.9	0.8	3.3	1.5	-5.3	1.4	0.7
III	1.0	0.2	-0.2	0.8	0.9	2.5	1.5	-5.3	1.8	0.5
IV	1.9	-0.2	0.5	1.6	2.1	0.6	1.8	-1.1	1.7	0.8
1998										
I	2.4	-0.2	1.5	1.4	2.7	0.9	2.0	-0.9	1.7	1.1
II	2.7	-0.7	1.7	0.8	2.4	0.0	0.5	11.4	-0.1	1.1
III	2.2	-0.3	1.8	-0.5	2.1	4.0	0.9	14.5	-0.4	1.3
IV	1.7	0.7	2.3	-0.5	2.0	5.1	1.0	17.4	-0.2	1.9

Source: Central Bank of The Bahamas.

Table 5. The Bahamas: Summary Operations of the Nonfinancial Public Sector

	1993	1994	1995	1996	1997
(In millions of Bahamian dollars)					
Current revenue	722.8	793.3	818.6	886.2	941.9
Tax revenue	486.9	565.9	585.3	616.1	658.4
Nontax revenue	113.7	117.4	125.3	135.8	129.4
Contributions to NIB	66.8	66.5	69.4	73.2	81.5
Operational surplus of corporations	55.4	43.4	38.5	61.0	72.6
Current expenditure	680.6	692.5	718.6	767.7	790.7
Wages and salaries	311.0	347.7	355.3	346.1	379.0
Goods and services	160.4	117.1	122.6	152.8	160.8
Interest payments	110.5	112.2	116.7	120.2	112.1
Subsidies and transfers	34.1	48.5	51.4	73.2	73.6
Other	64.5	67.1	72.6	75.4	65.2
Current account balance	42.1	100.8	100.0	118.5	151.2
Central government	-19.9	57.1	56.2	36.7	29.6
Public corporations	16.5	-0.6	0.5	32.9	59.0
NIB	45.6	44.2	43.3	47.9	58.9
Capital revenue	5.3	12.3	18.3	0.7	22.8
Foreign grants	0.3	3.6	4.1	0.5	0.5
Capital expenditure	96.6	88.8	130.2	132.7	233.8
Statistical discrepancy	-10.5	-5.4	0.0	-1.1	-0.5
Overall balance	-59.4	22.5	-7.7	-14.2	-59.8
Financing	59.4	-22.5	7.7	14.2	59.8
External	-20.5	-15.8	-28.9	-0.7	22.0
Domestic	79.9	-6.7	36.6	14.9	37.8
Financial system, net	46.8	-39.7	-15.4	-3.1	-15.2
Other	33.1	33.0	52.0	18.0	53.0
(In percent of GDP)					
Current revenue	21.8	23.2	23.4	23.7	23.9
Current expenditure	20.5	20.2	20.5	20.5	20.1
Current account balance	1.3	2.9	2.9	3.2	3.8
Central government	-0.6	1.7	1.6	1.0	0.8
Public corporations	0.5	0.0	0.0	0.9	1.5
NIB	1.4	1.3	1.2	1.3	1.5
Capital revenue	0.2	0.4	0.5	0.0	0.6
Foreign grants	0.0	0.1	0.1	0.0	0.0
Overall balance	-1.8	0.5	-0.2	-0.4	-1.5

Sources: Ministry of Finance; and Fund staff estimates.

Table 6. The Bahamas: Summary Central Government Operations

	1994	1995	1996	1997	1998
(In millions of Bahamian dollars)					
Current revenue	639.3	657.0	686.7	728.4	761.1
Tax revenue	565.9	585.3	616.1	658.4	681.7
Nontax revenue	73.4	71.7	70.6	70.0	79.4
Current expenditure	582.2	600.8	650.0	698.8	725.1
Wages and salaries	336.8	344.4	333.7	366.9	383.9
Goods and services	112.8	116.8	146.7	154.4	163.2
Interest payments	77.3	81.8	87.3	94.0	99.0
Subsidies and transfers	55.3	57.8	82.3	83.5	79.0
Current account balance	57.1	56.2	36.7	29.6	36.0
Capital revenue	2.8	9.0	0.0	0.8	0.5
Foreign grants	3.6	4.1	0.5	0.5	0.5
Capital expenditure and net lending	93.4	102.1	99.6	165.7	117.5
Fixed capital formation	46.4	63.3	60.8	117.6	75.4
Capital transfers	51.0	39.8	39.8	48.3	42.4
Net lending	-4.0	-1.0	-1.0	-0.2	-0.3
Statistical discrepancy	-5.4	0.1	-1.1	-0.5	-0.2
Overall balance	-35.3	-32.7	-63.5	-135.3	-80.7
Total financing	35.3	32.7	63.5	135.3	80.7
Foreign financing	-8.5	-10.2	-13.8	13.7	-6.0
Domestic financing	43.8	42.9	77.3	121.6	86.7
Financial system, net	-24.5	11.6	-2.0	-1.9	32.4
Nonfinancial system	68.3	31.3	79.3	123.5	54.3
(In percent of GDP)					
Current revenue	18.7	18.8	18.4	18.5	18.4
Tax revenue	16.5	16.7	16.5	16.7	16.5
Nontax revenue	2.1	2.0	1.9	1.8	1.9
Current expenditure	17.0	17.1	17.4	17.7	17.6
Wages and salaries	9.8	9.8	8.9	9.3	9.3
Goods and services	3.3	3.3	3.9	3.9	4.0
Interest payments	2.3	2.3	2.3	2.4	2.4
Subsidies and transfers	1.6	1.6	2.2	2.1	1.9
Current account balance	1.7	1.6	1.0	0.8	0.9
Capital revenue	0.1	0.3	0.0	0.0	0.0
Foreign grants	0.1	0.1	0.0	0.0	0.0
Capital expenditure	2.7	2.9	2.7	4.2	2.8
Capital formation	1.4	1.8	1.6	3.0	1.8
Capital transfers	1.5	1.1	1.0	1.2	1.0
Statistical discrepancy	-0.2	0.0	0.0	0.0	0.0
Overall balance	-1.0	-0.9	-1.7	-3.4	-2.0
Financing	1.0	0.9	1.7	3.4	2.0
Foreign financing	-0.2	-0.3	-0.4	0.3	-0.1
Domestic financing	1.3	1.2	2.1	3.1	2.1
Financial system, net	-0.7	0.3	-0.2	0.0	0.8
Other	2.0	0.9	2.2	3.1	1.3

Sources: Ministry of Finance; and Fund staff estimates.

Table 7. The Bahamas: Central Government Revenue

	1994	1995	1996	1997	1998
(In millions of Bahamian dollars)					
Total revenue	645.7	670.1	687.2	729.7	762.1
Total current revenue	639.3	657.0	686.7	728.4	761.1
Tax revenue	565.9	585.3	616.1	658.4	681.7
Taxes on international trade	383.9	393.3	404.7	437.0	448.0
Import duties	307.1	312.5	319.6	345.6	347.4
Stamp duty	67.6	72.3	73.9	80.9	87.9
Export duty	9.2	8.5	11.2	10.5	12.7
Tourism taxes	62.8	58.2	60.0	65.6	60.3
Departure tax	55.2	50.1	49.6	52.2	48.4
Hotel occupancy tax	5.3	6.5	8.9	9.3	9.4
Ticket tax	2.3	1.6	1.5	4.1	2.5
Miscellaneous taxes	119.3	130.5	150.7	152.3	170.7
Company fees	29.3	33.3	34.1	34.7	39.1
Motor vehicle tax	15.4	13.1	12.3	13.6	12.5
Property tax	19.2	19.1	32.0	24.8	30.5
Stamp tax	38.7	48.7	52.3	59.7	70.6
Gaming tax	16.6	16.3	20.0	19.5	18.0
Other	0.0	3.4	0.7	3.5	2.7
Nontax revenue	73.4	71.7	70.6	70.0	79.4
Administrative fees and charges	44.7	46.3	44.5	46.1	49.8
Property and service income	28.7	24.2	25.4	23.3	28.8
Other	0.0	1.2	0.7	0.6	0.8
Capital revenue	2.8	9.0	0.0	0.8	0.5
Foreign grants	3.6	4.1	0.5	0.5	0.5
(Annual percentage change)					
Total revenue	17.1	3.8	2.6	6.2	4.4
Tax revenue	16.2	3.4	5.3	6.9	3.5
Taxes on international trade	21.2	2.4	2.9	8.0	2.5
Tourism taxes	6.2	-7.4	3.1	9.3	-8.1
Miscellaneous taxes	7.5	9.4	15.5	1.1	12.1
Nontax revenue	13.6	-2.2	-1.5	-0.9	13.4
(In percent of total current revenue)					
Total current revenue	100.0	100.0	100.0	100.0	100.0
Tax revenue	88.5	89.1	89.7	90.4	89.6
Taxes on international trade	60.0	59.9	58.9	60.0	58.9
Import duties	48.0	47.6	46.5	47.4	45.6
Stamp duty	10.6	11.0	10.8	11.1	11.5
Export duty	1.4	1.3	1.6	1.4	1.7
Tourism taxes	9.8	8.9	8.7	9.0	7.9
Departure tax	8.6	7.6	7.2	7.2	6.4
Hotel occupancy tax	0.8	1.0	1.3	1.3	1.2
Ticket tax	0.4	0.2	0.2	0.6	0.3
Miscellaneous taxes	18.7	19.9	21.9	20.9	22.4
Company fees	4.6	5.1	5.0	4.8	5.1
Motor vehicle tax	2.4	2.0	1.8	1.9	1.6
Property tax	3.0	2.9	4.7	3.4	4.0
Stamp tax	6.1	7.4	7.6	8.2	9.3
Gaming tax	2.6	2.5	2.9	2.7	2.4
Nontax revenue	11.5	10.9	10.3	9.6	10.4

Table 7. The Bahamas: Central Government Revenue

	1994	1995	1996	1997	1998
	(In percent of GDP)				
Total revenue	18.8	19.1	18.4	18.5	18.4
Tax revenue	16.5	16.7	16.5	16.7	16.5
Taxes on international trade	11.2	11.2	10.8	11.1	10.9
Import duties	9.0	8.9	8.5	8.8	8.4
Stamp duty	2.0	2.1	2.0	2.1	2.1
Export duty	0.3	0.2	0.3	0.3	0.3
Tourism taxes	1.8	1.7	1.6	1.7	1.5
Departure tax	1.6	1.4	1.3	1.3	1.2
Hotel occupancy tax	0.2	0.2	0.2	0.2	0.2
Ticket tax	0.1	0.0	0.0	0.1	0.1
Miscellaneous taxes	3.5	3.7	4.0	3.9	4.1
Company fees	0.9	1.0	0.9	0.9	0.9
Motor vehicle tax	0.5	0.4	0.3	0.3	0.3
Property tax	0.6	0.5	0.9	0.6	0.7
Stamp tax	1.1	1.4	1.4	1.5	1.7
Gaming tax	0.5	0.5	0.5	0.5	0.4
Nontax revenue	2.1	2.0	1.9	1.8	1.9
Fees and charges	1.3	1.3	1.2	1.2	1.2
Property income	0.8	0.7	0.7	0.6	0.7
Capital revenue	0.1	0.3	0.0	0.0	0.0
Foreign grants	0.1	0.1	0.0	0.0	0.0

Sources: Ministry of Finance; and Fund staff estimates.

Table 8. The Bahamas: Central Government Expenditure

	1994	1995	1996	1997	1998
(In millions of Bahamian dollars)					
Total expenditure	675.6	702.9	749.6	864.5	842.6
Current expenditure	582.2	600.8	650.0	698.8	725.1
Wages and salaries	336.8	344.4	333.7	366.9	383.9
Goods and services	112.8	116.8	146.7	154.4	163.2
Interest payments	77.3	81.8	87.3	94.0	99.0
External	5.7	7.9	8.4	7.1	8.9
Domestic	71.6	73.9	78.9	86.9	90.1
Transfers and subsidies	55.3	57.8	82.3	83.5	79.0
Public corporations	1.5	1.5	2.5	1.3	0.9
NIB	5.3	4.9	6.6	8.6	6.8
Pensions, excluding NIB	30.3	31.7	34.0	38.3	41.9
Education	2.7	10.6	11.2	13.3	14.5
Other	18.2	9.1	28.0	22.0	14.9
Capital expenditure	93.4	102.1	99.6	165.7	117.5
Fixed capital formation	46.4	63.3	60.8	117.6	75.4
Public works	23.3	48.4	40.8	73.3	31.6
Education	7.0	4.9	4.7	15.9	19.1
Health	2.8	1.1	1.6	6.6	5.5
Defense	2.2	1.3	2.5	12.2	6.9
Other	11.1	7.6	11.2	9.6	12.3
Capital transfers	51.0	39.8	39.8	48.3	42.4
Bahamasair	13.5	14.0	12.6	10.2	8.4
Hotel corporation	22.2	13.3	7.7	16.1	4.8
BEC	0.0	0.0	3.5	3.0	4.0
Broadcasting corporation	3.1	3.6	8.3	4.6	7.0
Water and sewerage corporation	6.4	8.9	6.5	11.8	15.3
Bahamas Development Bank	2.5	0.0	1.2	2.0	2.7
Mortgage corporation	2.6	0.0	0.0	0.1	0.1
Caribbean Development Bank	0.6	0.0	0.0	0.0	0.0
Net lending	-4.0	-1.0	-1.0	-0.2	-0.3
(Annual percentage change)					
Total expenditure	2.6	4.0	6.6	15.3	-2.5
Current expenditure	1.9	3.2	8.2	7.5	3.8
Wages and salaries	12.0	2.2	-3.1	9.9	4.6
Goods and services	-27.3	3.6	25.6	5.2	5.7
Interest payments	0.3	5.8	6.7	7.7	5.3
External	-24.3	38.1	6.3	-15.5	25.4
Domestic	3.0	3.2	6.8	10.1	3.7
Transfers and subsidies	44.3	4.6	42.4	1.5	-5.4
Capital expenditure	7.2	9.3	-2.4	66.4	-29.1

Table 8. The Bahamas: Central Government Expenditure

	1994	1995	1996	1997	1998
(In percent of GDP)					
Total expenditure	19.7	20.1	20.0	21.9	20.4
Current expenditure	17.0	17.1	17.4	17.7	17.6
Wages and salaries	9.8	9.8	8.9	9.3	9.3
Goods and services	3.3	3.3	3.9	3.9	4.0
Interest payments	2.3	2.3	2.3	2.4	2.4
External	0.2	0.2	0.2	0.2	0.2
Domestic	2.1	2.1	2.1	2.2	2.2
Transfers and subsidies	1.6	1.6	2.2	2.1	1.9
Capital expenditure	2.7	2.9	2.7	4.2	2.8
Fixed capital formation	1.4	1.8	1.6	3.0	1.8
Capital transfers	1.5	1.1	1.1	1.2	1.0
Net lending	-0.1	0.0	0.0	0.0	0.0

Sources: Ministry of Finance; and Fund staff estimates.

Table 9. The Bahamas: Number of Employees in the Central Government

	1994	1995	1996	1997	1998
Total	18,488	19,068	19,297	17,831	17,710
Education	4,634	4,907	4,907	4,353	4,340
Police, prisons, and defense 1/	3,787	3,926	3,998	3,667	3,654
Health	4,140	4,150	4,138	4,028	4,066
Public works	1,583	1,562	1,355	848	783
Customs	454	512	533	529	519
Ministry of finance and treasury	322	354	343	259	260
Post, aviation, and marine	632	637	637	657	671
Current expenditure	462	433	448	378	364
Immigration	254	256	289	297	277
Agriculture and fisheries	359	333	329	294	320
Statistics	75	91	80	80	74
Youth and social services 2/	509	508	523	514	507
Other	1,277	1,399	1,717	1,927	1,875
(Annual percentage change)					
Total	0.1	3.1	1.2	-7.6	-0.7
Education	0.4	5.9	0.0	-11.3	-0.3
Police, prisons, and defense 1/	2.4	3.7	1.8	-8.3	-0.4
Health	-0.2	0.2	-0.3	-2.7	0.9
Public works	3.3	-1.3	-13.3	-37.4	-7.7
Post, aviation, and marine	-14.6	0.8	0.0	3.1	2.1
Tourism 2/	-14.3	-6.3	3.5	-15.6	-3.7
Other	12.5	9.6	22.7	12.2	-2.7
(In percent of total)					
Total	100.0	100.0	100.0	100.0	100.0
Education	25.1	25.7	25.7	25.4	24.4
Police, prisons, and defense 1/	20.5	20.5	20.6	20.7	20.6
Health	22.4	21.8	21.8	21.4	22.6
Public works	8.6	8.2	8.2	7.0	4.8
Customs	2.5	2.7	2.7	2.8	3.0
Ministry of finance and treasury	1.7	1.9	1.9	1.8	1.5
Post, aviation, and marine	3.4	3.3	3.3	3.3	3.7
Tourism 2/	2.5	2.3	2.3	2.3	2.1
Immigration	1.4	1.3	1.3	1.5	1.7
Agriculture and fisheries	1.9	1.7	1.7	1.7	1.6
Statistics	0.4	0.5	0.5	0.4	0.4
Youth and social services	2.8	2.7	2.7	2.7	2.9
Other	6.9	7.3	7.3	8.9	10.8

Sources: Ministry of Finance; and Fund staff estimates.

1/ Including the judicial system.

2/ Includes industrial schools.

Table 10. The Bahamas: Operations of the National Insurance Board (NIB)

	1994	1995	1996	1997	1998
(In millions of Bahamian dollars)					
Revenue	115.8	120.7	129.1	142.5	147.2
Contributions	66.5	69.4	73.2	81.5	82.7
Investment income	44.0	46.4	50.9	56.1	59.6
Transfers from central government	5.3	4.9	4.9	4.9	4.9
Expenditure	74.9	78.8	84.0	89.0	87.0
Current expenditure	72.3	77.4	81.2	83.6	81.0
Wages and salaries	10.9	10.9	12.4	12.1	12.6
Benefit payments	56.4	60.7	62.7	65.1	61.3
Short term	10.0	10.7	10.6	10.7	10.6
Long term	43.9	50.0	52.1	54.4	50.7
Retirement	19.9	21.7	23.6	25.1	25.6
Old age (noncontributory)	10.8	10.0	9.5	8.6	8.7
Other	13.1	15.2	16.1	16.8	13.2
Industrial	2.5	3.1	3.0	3.9	3.2
Goods and services	5.0	5.1	5.4	6.4	7.1
Capital	2.7	1.3	2.8	5.4	6.0
Operating balance	-5.7	-8.0	-7.9	-2.1	1.7
Current account balance	43.6	43.3	47.9	58.9	66.2
Overall balance	40.9	42.0	45.1	53.5	60.2
(In percent of GDP)					
Revenue	3.4	3.4	3.4	3.6	3.6
Contributions	1.9	2.0	2.0	2.1	2.0
Investment income	1.3	1.3	1.4	1.4	1.4
Transfers from central government	0.1	0.1	0.1	0.1	0.1
Expenditure	2.2	2.2	2.2	2.3	2.1
Current	2.1	2.2	2.2	2.1	2.0
Wages and salaries	0.3	0.3	0.3	0.3	0.3
Benefit payments	1.6	1.7	1.7	1.7	1.5
Goods and services	0.1	0.1	0.1	0.1	0.1
Capital	0.1	0.0	0.1	0.1	0.1
Operating balance	-0.2	-0.2	-0.2	-0.1	0.0
Current account balance	1.3	1.2	1.3	1.5	1.6
Overall balance	1.2	1.2	1.2	1.4	1.5
(In percent, unless otherwise specified)					
Memorandum items:					
Benefits/contributions	84.8	81.5	85.6	79.9	74.1
Wages, goods, and services/contributions	23.8	23.1	24.3	20.2	21.4
Retirement and old-age payments/contributions	46.2	45.8	45.1	41.3	41.5
Employment (actual numbers employed)	507	510	513	523	517

Source: National Insurance Board.

Table 11. The Bahamas: National Insurance Board—Cash and Investments

(In millions of Bahamian dollars)

	1993	1994	1995	1996	1997
(End-of-period stocks)					
Total cash and investments	607.7	647.6	689.9	730.2	778.9
Central bank	1.5	1.6	1.5	0.7	1.2
Bank balances	3.8	1.5	6.0	5.9	3.0
Fixed deposits at commercial banks					
Current expenditure	30.7	38.4	70.4	76.9	78.0
Government	407.5	447.9	458.1	496.4	550.3
Treasury bills	41.5	44.9	35.2	25.2	24.6
Bonds	366.0	403.0	422.9	471.2	525.7
Long-term loans	164.2	158.2	152.0	148.1	144.2
Barclays Financial Corporation	1.1	0.9	0.6	0.4	0.1
First Home Savings	0.4	0.0	0.0	0.0	0.0
Bahamas Mortgage Corporation	108.2	108.2	108.2	107.2	107.2
Bahamas Development Bank	7.5	7.2	7.1	7.0	6.7
First Home Banking	1.9	0.0	0.0	0.0	0.0
British American Bank	0.0	0.0	0.2	0.1	0.1
Nonfinancial public corporations	45.1	41.6	35.9	33.4	30.1
BEC	12.4	11.9	8.9	8.6	8.3
W&S	5.2	5.2	5.2	5.2	5.2
BATELCO	21.4	18.4	15.8	13.6	10.6
BAIR	6.0	6.0	6.0	6.0	6.0
ZNS	0.1	0.1	0.0	0.0	0.0
Cable Bahamas Shares	0.0	0.0	1.5	1.8	0.0
Bank of the Bahamas Shares	0.0	0.0	0.4	0.4	0.0
Memorandum item:					
Health clinics	13.3	14.1	14.2	15.1	18.7
(Annual flows)					
Total cash and investments	43.9	39.9	42.3	40.0	40.0
Central bank	-0.2	0.1	-0.1	-0.8	-0.8
Bank balances	2.5	-2.3	4.5	-0.1	-0.1
Fixed deposits at commercial banks and savings corporations	1.5	7.7	32.0	6.5	6.5
Government	35.0	40.4	10.2	38.3	38.3
Treasury bills	5.0	3.4	-9.7	-10.0	-10.0
Bonds	30.0	37.0	19.9	48.3	48.3
Long-term loans	5.1	-6.0	-6.2	-3.9	-3.9
Barclays Financial Corporation	-0.2	-0.2	-0.3	-0.2	-0.2
First Home Savings	0.0	-0.1	-0.3	0.0	0.0
Bahamas Mortgage Corporation	8.2	0.0	0.0	-1.0	-1.0
Bahamas Development Bank	-0.2	-0.3	-0.1	-0.1	-0.1
First Home Banking	0.0	-1.9	0.0	0.0	0.0
Nonfinancial public corporations	-2.7	-3.5	-5.7	-2.5	-2.5
BEC	-0.5	-0.5	-3.0	-0.3	-0.3
W&S	0.1	0.0	0.0	0.0	0.0
BATELCO	-2.2	-3.0	-2.6	-2.2	-2.2
ZNS	-0.1	0.0	-0.1	0.0	0.0

Source: National Insurance Board.

Table 12. The Bahamas: Consolidated Operations of Nonfinancial Public Corporations

	1993	1994	1995	1996	1997 1/
(In millions of Bahamian dollars)					
Total revenue	442.0	461.5	465.5	478.7	478.0
Current revenue	399.9	406.8	417.9	443.3	426.5
Operating revenue	396.4	402.6	405.0	421.8	417.4
Other	3.5	2.7	11.4	16.4	4.8
Transfers from central government	0.0	1.5	1.5	5.1	4.3
Capital revenue	41.8	54.7	47.7	35.4	51.5
Foreign grants	0.3	0.0	0.0	0.0	0.0
Total expenditure	432.0	445.4	484.0	479.3	475.9
Current expenditure	383.5	407.4	417.4	410.4	367.5
Operating expenditure	341.0	359.2	377.7	373.0	344.8
Interest payments	33.5	34.8	34.9	32.9	18.1
Other	8.0	10.7	0.7	0.5	0.1
Transfers to central government	1.0	2.7	4.2	4.0	4.5
Capital expenditure	48.6	38.0	66.6	68.9	108.4
Operating balance	55.4	43.4	27.3	48.8	72.6
Current account balance	16.5	-0.6	0.4	32.9	59.0
Overall balance, accrual basis	11.0	16.1	-18.5	-0.7	2.1
Receivables and payments adjustment	-5.3	-8.3	12.3	-2.8	-19.1
Overall balance, cash basis	4.7	7.9	-6.1	-3.5	-17.0
Total financing	4.7	7.9	6.1	3.5	17.0
External	-5.2	-7.3	-14.6	0.0	-8.5
Domestic	9.9	15.2	20.7	3.5	25.5
(In percent of GDP)					
Total revenue	13.3	13.5	13.3	12.8	12.1
Current revenue	12.0	11.9	11.9	11.8	10.8
Operating revenue	11.9	11.8	11.6	11.3	10.6
Other	0.1	0.1	0.3	0.4	0.1
Transfers from central government	0.0	0.0	0.0	0.1	0.1
Capital revenue	1.3	1.6	1.4	0.9	1.3
Sale of assets	0.2	0.3	0.3	0.0	0.6
Transfers from central government	1.1	1.3	1.1	0.9	0.7
Total expenditure	13.0	13.0	13.8	12.8	12.1
Current expenditure	11.5	11.9	11.9	11.0	9.3
Operating expenditure	10.3	10.5	10.8	10.0	8.8
Interest payments	1.0	1.0	1.0	0.9	0.5
Other	0.2	0.3	0.0	0.0	0.0
Transfers to central government	0.0	0.1	0.1	0.1	0.1
Capital expenditure	1.5	1.1	1.9	1.8	2.8
Operating balance	1.7	1.3	0.8	1.3	1.8
Current account balance	0.5	0.0	0.0	0.9	1.5
Overall balance, accrual basis	0.3	0.5	-0.5	0.0	0.1
Total financing	-0.2	-0.2	0.2	0.1	0.4
External	-0.2	-0.2	-0.4	0.0	-0.2
Domestic	0.0	0.0	0.6	0.1	0.6

Sources: Ministry of Finance; public corporations; and Fund staff estimates.

1/ 1997 excludes BAHAMASAIR.

Table 13. The Bahamas: Operating Balances of Nonfinancial Public Corporations

	1994	1995	1996	1997	1998
(In millions of Bahamian dollars)					
Total operational balance	43.4	27.3	48.8	...	...
Bahamas Air Corporation	-1.8	-1.9	-2.6	...	...
Bahamas Telecommunications Corporation	18.8	16.9	23.0	43.1	59.2
Bahamas Electricity Corporation	34.5	27.9	33.5	31.3	41.7
Bahamas Broadcasting Corporation	-4.2	-4.2	-6.3	-6.5	-6.6
Bahamas Hotel Corporation	-2.8	-8.2	0.9	3.8	...
Current expenditure	-1.0	-3.1	0.3	0.9	...
Total overall balance, accrual basis	16.1	-18.5	-0.7	...	...
Bahamas Air Corporation	6.8	7.2	5.2	...	...
Bahamas Telecommunications Corporation	-3.7	-16.6	-8.6	-1.9	-5.6
Bahamas Electricity Corporation	13.3	2.7	19.5	-34.4	-52.2
Bahamas Broadcasting Corporation	-1.9	-1.9	-1.2	-1.1	-0.9
Bahamas Hotel Corporation	4.8	-3.9	-15.6	37.3	...
Bahamas Water and Sewerage Corporation	-3.2	-6.0	0.0	2.2	...
(In percent of GDP)					
Total operational balance	1.3	0.8	1.3	...	...
Bahamas Air Corporation	-0.1	-0.1	-0.1	...	...
Bahamas Telecommunications Corporation	0.5	0.5	0.6	1.1	1.4
Bahamas Electricity Corporation	1.0	0.8	0.9	0.8	1.0
Bahamas Broadcasting Corporation	-0.1	-0.1	-0.2	-0.2	-0.2
Bahamas Hotel Corporation	-0.1	-0.2	0.0	0.1	...
Bahamas Water and Sewerage Corporation	0.0	-0.1	0.0	0.0	...
Total overall balance, accrual basis	0.5	-0.5	0.0	...	...
Bahamas Air Corporation	0.2	0.2	0.1	...	...
Bahamas Telecommunications Corporation	-0.1	-0.5	-0.2	0.0	-0.1
Bahamas Electricity Corporation	0.4	0.1	0.5	-0.9	-1.3
Bahamas Broadcasting Corporation	-0.1	-0.1	0.0	0.0	0.0
Bahamas Hotel Corporation	0.1	-0.1	-0.4	0.9	...
Bahamas Water and Sewerage Corporation	-0.1	-0.2	0.0	0.1	...

Sources: Ministry of Finance; public corporations; and Fund staff estimates.

Table 14. The Bahamas: Summary Accounts of the Financial System

	1994	1995	1996	1997	Prel. 1998
(In millions of Bahamian dollars, end of period)					
Net foreign assets	-56.5	-78.1	-108.6	-113.4	-24.0
Central bank	173.6	170.6	163.0	219.5	338.7
Commercial banks	-250.0	-259.8	-277.0	-342.3	-376.8
Other financial institutions	19.9	11.1	5.4	9.5	14.1
Net domestic assets	1,953.9	2,090.1	2,245.1	2,488.8	2,752.0
Net credit to nonfinancial public sector	424.8	409.5	408.7	392.3	429.8
Net claims on government	412.5	424.1	422.1	420.2	452.6
In local currency	374.0	392.7	397.6	395.5	433.4
Claims	422.6	442.5	462.8	475.1	503.6
Deposits	-48.7	-49.8	-65.2	-79.5	-70.2
Net credit in foreign currency	38.6	31.5	24.5	24.7	19.3
Deposits of the National Insurance Board	-39.0	-70.9	-77.6	-82.0	-109.3
Net claims on public corporations	51.3	56.3	64.2	54.1	86.5
Net credit to financial public sector 1/	-20.1	-24.0	-20.7	-16.5	-11.3
Credit to private sector	1,859.0	2,059.9	2,264.0	2,551.0	2,918.6
In local currency	1,680.4	1,881.0	2,054.9	2,287.5	2,622.6
In foreign currency	178.6	178.9	209.1	263.5	296.0
Capital and surplus	-293.4	-337.7	-372.4	-422.2	-475.6
Net unclassified assets	-16.4	-17.7	-34.5	-15.8	-109.6
Liabilities to private sector	1,897.3	2,012.0	2,136.6	2,375.4	2,728.1
Money	386.2	401.9	415.9	484.7	565.9
Currency	88.5	91.6	96.1	109.7	125.6
Demand deposits	297.7	310.3	319.7	375.0	440.3
Savings and fixed deposits (local currency)	1,487.2	1,579.1	1,696.8	1,848.7	2,106.5
Foreign currency deposits	23.9	31.0	23.9	42.1	55.7
(Annual percentage change in terms of liabilities to the private sector at beginning of the period)					
Net foreign assets	0.3	-1.1	-1.5	-0.2	3.8
Net domestic assets	7.0	7.2	7.7	11.4	11.1
Credit to nonfinancial public sector	-2.7	-0.8	0.0	-0.8	1.6
Credit to central government	-1.4	0.6	-0.1	-0.1	1.4
Credit to National Insurance Board	-0.4	-1.7	-0.3	-0.2	-1.1
Credit to public corporations	-0.9	0.3	0.4	-0.5	1.4
Credit to financial public sector	-0.3	-0.2	0.2	0.2	0.2
Credit to private sector	10.8	10.6	10.1	13.4	15.5
Liabilities to private sector	7.3	6.0	6.2	11.2	14.8
Money	2.3	0.8	0.7	3.2	3.4
Quasi-money	4.9	5.2	5.5	8.0	11.4

Table 14. The Bahamas: Summary Accounts of the Financial System

	1994	1995	1996	1997	Prel. 1998
(Annual percentage changes)					
Net domestic assets	6.7	7.0	7.4	10.9	10.6
Credit to private sector	11.5	10.8	9.9	12.7	14.4
Liabilities to private sector	7.3	6.0	6.2	11.2	14.8
Money	11.9	4.1	3.5	16.6	16.8
Quasi-money	6.1	6.5	6.9	9.9	14.4
Memorandum item:					
Velocity (GDP/M2)	1.8	1.7	1.8	1.7	1.5

Sources: Central Bank of The Bahamas; and Fund staff estimates.

1/ Includes Bahamas Development Bank, Bahamas Mortgage Corporation and Bahamas Agricultural and Industrial Corporation.

Table 15. The Bahamas: Accounts of the Central Bank

	1994	1995	1996	1997	Prel. 1998
(In millions of Bahamian dollars)					
Net official foreign assets	173.6	170.6	163.0	219.5	338.7
Balances with banks abroad	113.6	115.3	103.6	135.8	243.5
Foreign securities	51.4	46.7	50.8	75.1	86.7
Reserve position in the Fund	8.6	8.6	8.6	8.6	8.6
Net domestic assets	65.8	77.4	79.3	42.5	-26.3
Net credit to the nonfinancial public sector	123.4	137.1	142.5	117.7	56.4
Net claims on government	130.5	142.0	146.3	126.0	59.3
Claims	143.7	149.1	153.2	141.2	61.9
Treasury bills	64.8	73.7	80.3	80.4	0.0
Government bonds	34.8	28.3	20.9	10.8	8.4
Loans and advances	44.0	47.0	52.0	50.0	53.5
Deposits	-13.2	-7.1	-6.9	-15.3	-2.6
Deposits of the National Insurance Board	-0.6	-0.5	-0.7	-1.2	-1.6
Net claims on public corporations	-6.4	-4.4	-3.1	-7.0	-1.3
Net claims on financial public sector	3.1	3.5	3.4	4.3	5.1
Credit to commercial banks	0.0	0.0	0.0	0.3	0.3
Official capital and surplus	-76.1	-78.2	-79.8	-83.9	-86.9
Net unclassified assets	15.4	15.0	13.2	4.1	-1.2
Liabilities to commercial banks	123.0	128.3	118.0	145.6	184.2
Notes and coins	34.6	37.4	46.4	47.2	47.4
Deposits	88.4	90.9	71.7	98.3	136.9
Liabilities to other financial institutions	12.9	12.9	13.4	-7.1	-12.5
SDR allocation	14.9	15.2	14.7	13.8	15.1
Currency held by the private sector	88.5	91.6	96.1	109.7	125.6
(Annual percentage changes in terms of reserve money at the beginning of the period)					
Net international reserves	4.6	-1.3	-3.3	24.8	48.1
Net domestic assets	7.8	5.2	0.8	-16.2	-27.7
Net credit to nonfinancial public sector	16.8	11.1	2.3	-10.9	-24.7
Central government	8.7	5.1	1.8	-8.9	-52.9
Net credit to banks	0.0	0.0	0.0	0.1	0.0
Liabilities to commercial banks	9.1	2.4	-4.4	12.1	15.6
Liabilities to other financial institutions	0.0	0.0	0.2	-9.0	-2.2
Currency held by the private sector	2.9	1.4	2.0	6.0	6.4

Table 15. The Bahamas: Accounts of the Central Bank

	1994	1995	1996	1997	Prel. 1998
(Annual percentage changes)					
Net domestic assets	31.0	17.7	2.5	-46.5	-161.9
Net credit to the nonfinancial public sector	16.8	11.1	3.9	-17.4	-52.0
<i>Of which:</i>					
Central government	15.5	8.8	3.0	-13.9	-52.9
Reserve money	12.0	3.7	-2.2	9.0	19.8
Currency in circulation	10.0	4.8	10.5	10.1	10.2
(In millions of Bahamian dollars; unless otherwise indicated)					
Memorandum items:					
Reserve money	224.4	232.8	227.6	248.2	297.4
Currency in circulation	123.1	129.0	142.5	156.9	173.0
Change in net international reserves	9.3	-3.0	-7.6	56.5	119.2
NIR/reserve money (in percent)	77.4	73.3	71.6	88.4	113.9
Currency held by the private sector/GDP	2.6	2.6	2.6	2.8	3.0

Sources: Central Bank of the Bahamas; and Fund staff estimates.

Table 16. The Bahamas: Accounts of the Commercial Banks

(In millions of Bahamian dollars)

	1994	1995	1996	1997	Prel. 1998
Net foreign assets	-250.0	-259.8	-277.0	-342.3	-376.8
Net claims on central bank	123.0	128.3	118.0	145.3	183.9
Notes and coins	34.6	37.4	46.4	47.2	47.4
Balances	88.4	90.9	71.7	98.3	136.9
Central bank advances	0.0	0.0	0.0	-0.3	-0.3
Net domestic assets	1,677.6	1,793.4	1,928.0	2,420.7	2,749.7
Net claims on government	260.0	259.8	254.1	291.2	390.1
Treasury bills	13.6	13.4	25.9	23.8	95.5
Other securities	197.5	208.4	202.0	247.6	290.2
Loans and advances	84.6	81.4	85.3	84.8	72.7
In local currency	45.8	49.3	59.9	59.4	52.8
In foreign currency	38.8	32.1	25.3	25.5	19.9
Deposits	-35.7	-43.3	-59.1	-65.0	-68.3
In local currency	-35.5	-42.7	-58.3	-64.2	-67.7
In foreign currency	-0.3	-0.6	-0.8	-0.8	-0.6
Deposits of the National Insurance Board	-38.2	-70.2	-72.7	-80.6	-107.4
Net claims on public corporations	58.6	61.2	67.5	60.9	87.3
Net claims on financial public sector 1/	-23.2	-27.5	-24.1	-20.8	-16.4
Net claims on other financial institutions	-13.8	-19.6	-30.1	-18.8	-17.8
Credit to private sector	1,591.6	1,777.3	1,966.6	2,488.2	2,767.3
Private capital and surplus	-135.2	-160.9	-189.6	-281.3	-328.4
Net unclassified assets	-22.1	-26.7	-43.7	-18.1	-25.0
Liabilities to private sector	1,550.6	1,662.0	1,769.1	2,223.6	2,556.8
Demand deposits	300.4	314.7	325.5	395.7	476.6
In local currency	289.4	299.3	308.0	371.5	435.8
In foreign currency	11.1	15.4	17.5	24.3	40.8
Savings deposits	274.5	279.2	291.3	391.9	435.7
In local currency	273.6	277.6	290.8	390.1	435.5
In foreign currency	0.9	1.6	0.5	1.9	0.2
Fixed deposits	975.7	1,068.1	1,152.3	1,435.9	1,644.5
In local currency	963.7	1,054.1	1,146.4	1,420.0	1,629.8
In foreign currency	12.0	14.0	5.9	15.9	14.7

Source: Central Bank of The Bahamas.

1/ Includes Bahamas Development Bank, Bahamas Mortgage Corporation and Bahamas Agricultural and Industrial Corporation.

Table 17. The Bahamas: Accounts of Other Local Financial Institutions 1/

(In millions of Bahamian dollars)

	1994	1995	1996	1997	Prel. 1998
Net foreign assets	19.9	11.1	5.4	9.5	14.1
Net claims on central bank	12.9	12.9	13.4	-7.1	-12.5
Notes and coins	0.7	0.8	0.8	0.3	0.3
Balances	12.1	12.1	12.6	-7.4	-12.8
Net domestic assets	224.4	234.4	252.5	39.7	44.1
Net claims on government	22.1	22.3	21.8	3.1	3.2
Deposits of the National Insurance Board	-0.2	-0.2	-4.2	-0.3	-0.3
Net claims on public corporations	-0.8	-0.6	-0.3	0.2	0.5
Net claims on financial public sector 2/	0.0	0.0	0.0	0.0	0.0
Net claims on commercial banks	13.8	19.6	30.1	18.8	16.8
Credit to private sector	267.4	282.6	297.4	62.8	69.4
Mortgages	231.7	239.3	247.1	51.8	56.6
Other	35.8	43.3	50.3	11.1	12.8
Private capital and surplus	-82.1	-98.6	-102.9	-57.0	-60.2
Net unclassified assets	4.2	9.2	10.7	12.1	14.7
Liabilities to the private sector	257.2	258.4	271.3	42.1	45.6
Demand deposits	8.3	11.0	11.7	3.5	4.5
Saving deposits	64.7	64.3	64.2	2.7	1.8
Fixed deposits	185.2	183.0	195.4	35.9	39.4

Source: Central Bank of The Bahamas.

1/ Includes savings and loan institutions and finance and trust companies domiciled in The Bahamas.

2/ Includes Bahamas Development Bank, Bahamas Mortgage Corporation, and Bahamas Agricultural and Industrial Corporation.

Table 18. The Bahamas: Loans and Advances of Commercial Banks 1/

	1994	1995	1996	1997	Prel. 1998
(In millions of Bahamian dollars)					
Total	1,705.6	1,857.0	2,035.0	2,565.7	2,894.7
Foreign currency	227.0	218.8	239.8	316.6	383.5
Domestic currency	1,478.6	1,638.2	1,795.1	2,249.1	2,511.2
Hotels, restaurants, and night clubs	136.6	153.3	157.4	166.8	217.3
Foreign currency	82.8	90.9	100.2	120.5	161.9
Domestic currency	53.8	62.4	57.2	46.3	55.4
Trade and commerce	175.3	195.3	200.4	202.4	197.7
Foreign currency	17.1	22.8	23.1	35.6	25.0
Domestic currency	158.2	172.5	177.4	166.8	172.7
Building, construction, and real estate	117.1	108.4	124.7	159.6	155.8
Foreign currency	16.9	18.1	25.0	32.0	38.8
Domestic currency	100.3	90.4	99.7	127.6	117.0
Manufacturing and quarrying	55.5	52.3	60.2	66.1	78.0
Foreign currency	22.4	16.2	22.8	32.8	36.8
Domestic currency	33.1	36.1	37.4	33.3	41.2
Agriculture and fisheries	18.4	24.5	24.2	25.9	27.8
Foreign currency	2.0	4.3	1.8	4.1	2.5
Domestic currency	16.4	20.2	22.4	21.7	25.3
Personal and other loans	1,129.8	1,246.1	1,386.0	1,865.8	2,090.4
<i>Of which</i>					
Consumer credit	288.0	579.7	761.5	981.2	1,136.4
Foreign currency	37.6	26.8	22.4	38.1	32.8
Domestic currency	1,092.2	1,219.3	1,363.6	1,827.7	2,057.6
Public corporations	72.8	77.1	82.1	79.1	127.6
Foreign currency	48.2	39.7	44.7	53.5	85.7
Domestic currency	24.7	37.4	37.4	25.6	41.9
(In percent of total loans and advances)					
Loans in foreign currency	13.3	11.8	11.8	12.3	13.2
Loans in local currency	86.7	88.2	88.2	87.7	86.8
Personal loans	66.2	67.1	68.1	72.7	72.2
<i>Of which</i>					
Consumer credit	16.9	31.2	37.4	38.2	39.3

Source: Central Bank of The Bahamas.

1/ Excluding unearned interest and loans and advances to the government.

Table 19. The Bahamas: Commercial Banks' Reserve Position

	Total Reserves 1/	Required Reserves	Excess Reserves	Net Free Reserves 2/	Total Reserves	Excess Reserves	Net Free Reserves
	(In millions of Bahamian dollars, at end of period)				(In percent) 3/		
1994							
I	121.9	75.5	46.4	46.4	7.8	3.0	3.0
II	133.3	77.8	55.5	55.5	8.4	3.5	3.5
III	114.1	79.1	35.0	35.0	7.2	2.2	2.2
IV	106.7	80.8	25.9	25.9	6.5	1.6	1.6
1995							
I	111.3	82.1	29.2	29.2	6.6	1.7	1.7
II	111.0	84.8	26.2	26.2	6.5	1.5	1.5
III	109.0	86.4	22.6	22.6	6.2	1.3	1.3
IV	114.0	87.6	26.4	26.4	6.4	1.5	1.5
1996							
I	123.2	88.8	34.4	34.4	6.9	1.9	1.9
II	115.4	90.3	25.1	25.1	6.3	1.4	1.4
III	113.6	93.1	20.5	20.5	6.1	1.1	1.1
IV	119.9	93.6	26.3	26.3	6.4	1.4	1.4
1997							
I	122.0	97.6	24.5	24.5	5.6	1.1	1.1
II	148.5	113.1	35.4	35.4	6.6	1.6	1.6
III	144.5	115.1	29.4	28.6	6.2	1.3	1.2
IV	147.8	116.5	31.3	31.0	6.3	1.3	1.3
1998							
I	149.0	118.7	30.4	30.1	6.0	1.2	1.2
II	180.8	130.8	50.0	49.7	7.0	1.9	1.9
III	183.0	130.0	53.0	52.7	6.9	2.0	2.0
IV	175.1	133.2	42.0	41.7	6.4	1.5	1.5

Source: Central Bank of The Bahamas.

1/ Currency holdings plus balances with the central bank.

2/ Excess reserves minus borrowing from the central bank.

3/ Percent of total resident dollar deposit liabilities of private sector and public corporations.

Table 20. The Bahamas: Liquidity Position of Commercial Banks

	1994		1995		1996		1997		1998	
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.
(In millions of Bahamian dollars, at end of month)										
Currency holdings	24.3	34.8	22.3	37.7	26.0	46.6	30.9	47.5	38.0	47.6
Net balance with the Central Bank	100.1	88.4	93.1	90.9	89.7	71.7	123.1	98.3	157.0	135.5
Treasury bills	48.7	13.6	17.0	13.4	55.6	25.9	107.7	23.8	90.9	95.5
Other government securities	197.6	193.3	202.5	179.2	185.9	172.8	211.4	218.2	220.0	261.0
Net balance with other financial institutions	-12.7	-11.2	-25.6	-8.5	-4.9	-8.2	-12.8	-8.1	-7.5	-11.1
Total eligible liquid assets	372.7	333.6	323.5	325.5	362.2	318.3	482.3	400.7	517.2	545.4
Required liquid assets 1/	257.2	266.3	278.2	290.1	303.1	311.9	371.2	383.5	418.6	441.9
Excess liquid assets	115.5	67.3	45.3	35.4	59.1	6.5	111.1	17.1	98.6	103.4
(In percent of Bahamian dollar deposit liabilities)										
Excess liquid assets	7.4	4.2	2.7	2.0	3.2	0.3	4.8	0.7	3.7	3.7

Source: Central Bank of The Bahamas.

1/ Sum of 20 percent of demand deposits, and 15 percent of time and savings deposits (including time deposits placed by the central bank).

Table 21. The Bahamas: Selected Interest Rates 1/

(Average of ranges, in percent per annum)

	1994	1995	1996	1997				1998			
				I	II	III	IV	I	II	III	IV
Commercial bank interest rates											
Deposit rates											
Savings deposits	4.0	3.7	3.6	3.2	3.2	3.5	3.7	3.3	3.6	2.9	2.8
Fixed deposits											
Up to 3 months	4.4	4.3	3.3	5.3	5.3	5.2	5.3	5.7	5.8	5.4	5.4
Up to 6 months	4.4	4.8	5.1	5.9	6.0	5.7	6.0	6.3	6.3	6.0	5.6
Up to 12 months	4.5	5.0	6.0	5.7	5.6	5.4	5.8	6.0	6.1	5.8	5.7
Over 12 months	4.6	5.1	5.5	5.1	5.2	5.1	5.7	5.8	6.4	5.9	5.7
Weighted average rate on deposits	4.4	4.2	5.1	5.4	5.3	5.2	5.4	5.7	5.8	5.4	5.3
Lending rates 2/											
Prime lending rate	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8	6.8
Mortgage loan rates 3/											
Residential	11.0	11.2	10.1	10.1	10.1	10.1	10.0	9.9	10.0	9.8	9.9
Commercial	11.0	11.3	11.0	10.6	10.6	10.3	11.0	9.8	10.7	10.1	9.9
Consumer loans	16.2	14.1	14.7	14.7	14.9	14.7	14.6	14.4	14.9	14.6	14.3
Weighted average rate on loans	14.2	13.4	12.6	12.3	12.7	13.1	12.9	12.4	12.7	12.0	12.2
Other interest rates											
Treasury bill rate	2.0	4.6	4.4	4.3	4.4	4.2	4.5	4.3	4.2	3.7	3.2
Central bank rediscount rate 4/	2.5	5.1	4.9	4.8	4.9	4.7	5.0	4.6	4.7	4.2	3.7
Bank rate 5/	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Foreign interest rates											
LIBOR on 3-month U.S. dollar deposits	4.7	6.0	5.4	5.5	5.7	5.7	5.8	5.6	5.6	5.6	5.2
U.S. Treasury bill rate	4.3	5.5	5.0	5.1	5.1	5.1	5.0	5.1	5.0	4.9	4.3

Sources: Central Bank of The Bahamas; and International Financial Statistics.

1/ On instruments denominated in Bahamian dollars; rates are averages of the quarters..

2/ Rates represent midpoint of the ranges reported by the central bank.

3/ Offered by other local financial institutions, except for commercial mortgage rates after 1994, which are rates offered by commercial banks.

4/ The rate at which the central bank discounts treasury bills.

5/ The rate at which the central bank makes advances to commercial banks, end of period.

Table 22. The Bahamas: Balance of Payments

(In millions of U.S. dollars)

	1994	1995	1996	1997	Prel. 1998
Current account	-41.7	-143.2	-271.1	-658.1	-943.1
Trade balance	-815.1	-930.2	-1,022.8	-1,300.1	-1,373.1
Exports	198.5	226.3	249.7	246.2	362.9
Imports	1,013.6	1,156.6	1,272.5	1,546.3	1,736.0
Services, net	883.8	905.0	863.5	751.3	586.2
Transportation, net	-64.9	-81.7	-114.3	-134.8	-146.8
Travel, net	1,134.1	1,133.1	1,163.3	1,166.1	1,152.2
Insurance	-72.0	-74.3	-72.1	-65.5	-59.7
Construction services	-64.8	-12.3	-20.4	-75.1	-145.8
Royalty and license fees	-5.1	-4.6	-6.5	-9.5	-9.1
Offshore Co. Loc. Exp	107.8	117.5	110.0	94.9	85.2
Other services, net	-137.4	-158.8	-169.6	-198.9	-253.7
Government services	-13.9	-13.9	-26.9	-25.9	-36.1
Income	-137.6	-135.9	-149.0	-148.5	-190.6
Labor income	-25.0	-27.8	-29.1	-31.1	-34.5
Interest and dividends, net	-112.6	-108.1	-119.9	-117.4	-156.1
Official transactions	-4.0	1.2	-5.9	-4.2	0.0
Central bank investment income	3.2	9.1	10.6	8.6	5.7
Interest on government transactions	-7.2	-7.9	-16.5	-12.8	-5.7
Private transactions	-108.6	-109.3	-114.0	-113.2	-156.1
Commercial banks and trusts	-16.3	-15.8	-19.1	-22.3	-26.9
Other private	-92.3	-93.5	-94.9	-94.9	-129.2
Current transfers, net	27.2	17.9	37.2	39.3	34.4
Government	29.0	20.7	40.1	43.7	38.1
Private	-1.8	-2.8	-2.9	-4.4	-3.7
Capital account	57.3	88.5	156.9	402.8	724.4
Capital transfers	-11.6	-12.5	-24.4	-13.0	-11.7
Direct investment	23.5	106.6	88.2	209.5	339.0
Property purchases, net	-18.3	20.8	9.6	14.7	8.6
Equity, net	41.8	85.8	78.6	194.8	330.4
Long-term public sector	-19.5	-29.2	-25.2	23.1	-11.0
Government, net	-5.7	-9.7	-18.2	13.8	-13.3
Nonfinancial public corporations	-15.7	-17.4	-7.0	9.3	2.3
Domestic banks	3.7	12.2	23.0	61.2	29.9
Other private capital, net	61.2	11.4	95.3	122.0	378.2
Net errors and omissions	-6.3	51.8	106.6	311.8	338.0
Overall balance	9.3	-2.9	-7.6	56.5	119.3
Change in net international reserves (increase -)	-9.3	2.9	7.6	-56.5	-119.3

Sources: Central Bank of the Bahamas, and Fund staff estimates.

Table 23. The Bahamas: Composition of Merchandise Exports

(In millions of dollars)

	1994	1995	1996	1997	Prel. 1998
Total exports	198.5	226.3	249.7	246.2	362.9
Total merchandise exports	163.7	176.9	174.2	181.4	300.3
Primary goods	108.1	100.5	107.9	106.0	112.4
Food and live animals	62.8	65.8	70.8	66.2	76.6
Beverage and tobacco	9.0	3.5	4.9	5.5	13.0
Other animal and vegetable products	0.0	0.0	0.0	0.0	0.2
Nonedible raw materials excluding fuel	33.0	31.2	32.2	34.3	22.6
Fuel and lubricants	3.3	0.0	0.0	0.0	0.0
Manufactured goods	32.9	30.4	32.9	44.9	109.6
Chemical products	22.0	16.8	17.3	34.2	42.5
Other manufactured goods, excluding capital goods	10.9	13.6	15.6	10.7	67.1
Capital goods	22.7	46.0	33.4	30.5	78.3
Goods procured in port by carriers	34.8	49.4	75.5	64.8	62.6

Sources: Department of Statistics; and Central Bank of the Bahamas.

Table 24. The Bahamas: Composition of Merchandise Imports

(In millions of dollars)

	1994	1995	1996	1997	Prel. 1998
Total imports	1,013.6	1,156.6	1,272.5	1,546.3	1,736.0
Primary goods	356.1	395.2	448.1	467.1	454.9
Food and live animals	180.9	192.1	206.1	213.9	202.2
Beverage and tobacco	18.0	18.7	18.9	25.0	45.0
Other animal and vegetable products	3.2	3.5	3.6	3.3	3.1
Nonedible raw materials excluding fuel	21.1	24.1	25.1	32.7	34.9
Fuel and lubricants	132.9	156.8	194.4	192.2	169.6
Manufactured goods	431.5	477.8	512.4	651.0	772.0
Chemical products	83.0	93.6	116.3	153.9	237.4
Other manufactured goods (excluding capital goods)	348.5	384.1	396.1	497.1	534.6
Capital goods	226.0	283.6	311.9	428.3	509.1

Source: Department of Statistics and Central Bank.

Table 25. The Bahamas: Public External Debt and Debt Service

	1994	1995	1996	1997	Prel. 1998
(In millions of U.S. dollars)					
External debt outstanding	336.7	308.5	290.2	388.3	348.7
Multilateral creditors	167.9	170.5	177.9	177.3	166.7
Official bilateral	43.6	40	36.4	30.8	27.2
Commercial creditors	97.4	72.8	54.8	122.9	97.9
Other	27.8	25.2	21.1	7.3	6.9
Debt service	69.3	67.3	61.8	81.8	67.3
Multilateral creditors	20.9	28.1	26.3	26.3	24.2
Official bilateral	7.6	7.3	5.2	18.4	8
Commercial creditors	37.3	29.5	28.4	34.4	30.8
Other	3.5	2.5	1.9	2.7	4.3
Amortization	43.7	42.3	40.2	54.7	44.7
Multilateral creditors	6	13.7	13.5	13.8	15.6
Official bilateral	3.7	3.6	3.6	13.2	3.6
Commercial creditors	32	24.6	23.1	27.5	25
Other	1.9	0.4	0	0.2	0.4
Interest	25.7	25	21.6	27.2	22.7
Multilateral creditors	14.9	14.3	12.8	12.5	8.6
Official bilateral	3.9	3.6	1.6	5.2	4.4
Commercial creditors	5.3	4.9	5.3	6.9	5.8
Other	1.5	2.1	1.9	2.5	3.9
(In percent of GDP)					
External debt outstanding	9.8	8.8	7.8	9.9	8.3
Multilateral debt	4.9	4.9	4.7	4.5	4.0
(In percent of exports and travel receipts)					
Memorandum items:					
Total debt service	5.2	4.3	3.7	4.9	3.8
Debt service to multilaterals	1.4	2.1	1.6	1.6	1.4

Source: Central Bank of The Bahamas.

Table 26. The Bahamas: Comparative Real Exchange Rates

(In percent)

	Real Effective Exchange Rates 1/				Change in the period 2/		
	1990	1995	1997	1998	1998/90	1998/95	1998/97
With all trading partners							
The Bahamas	100.00	100.45	103.15	105.11	5.11	4.64	1.90
Barbados	100.00	101.91	110.75	108.54	8.54	6.51	-1.99
Dominican Republic	100.00	112.93	121.01	121.39	21.39	7.49	0.32
Jamaica	100.00	91.42	125.69	132.97	32.97	45.45	5.79
Mexico	100.00	81.94	109.12	111.11	11.11	35.60	1.82
With the United States							
The Bahamas	100.00	103.27	99.87	99.68	-0.32	-3.48	-0.19
Barbados	100.00	100.29	104.29	101.40	1.40	1.10	-2.77
Dominican Republic	100.00	110.98	112.37	109.94	9.94	-0.94	-2.17
Jamaica	100.00	92.76	120.33	124.81	24.81	34.56	3.73
Mexico	100.00	85.10	105.12	104.59	4.59	22.91	-0.50
With Caribbean competitors							
Bahamas with Barbados	100.00	102.97	95.76	98.31	-1.69	-4.53	2.66
Bahamas with Dominican Republic	100.00	93.05	88.87	90.67	-9.33	-2.56	2.02
Bahamas with Jamaica	100.00	111.33	82.99	79.86	-20.14	-28.27	-3.78
Bahamas with Mexico	100.00	121.36	95.00	95.30	-4.70	-21.47	0.31

Source: International Monetary Fund.

1/ An increase indicates appreciation.

2/ A positive number indicates real appreciation; a negative number indicates real depreciation.