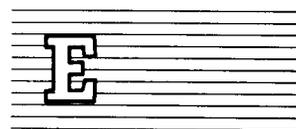


UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL



Distr.
LIMITED
E/CEPAL/L.286/Add.2 0
January 1984
ORIGINAL: ENGLISH

ECLA

Economic Commission for Latin America

ECONOMIC SURVEY
OF LATIN AMERICA

1982

BAHAMAS

This preliminary version of the *Economic Survey of Latin America*, 1982 is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.286, and a number of addenda, each containing a study of the economic evolution of a country of the region. The complete Survey will be published later.

BAHAMAS

1. Recent economic trends: Introduction and summary

Following an estimated overall decline of 1% to 2% in the Bahamian economy in 1981, a recovery of equal magnitude is believed to have restored output in 1982 to about its 1980 level (see table 1).

While this cannot be accurately quantified in the absence of systematic GDP estimates, monitoring of the principal productive sectors and the flows of trade and finance suggest a reversal of the 1981 experience. Principally responsible for the changed economic performance were a recovery in the tourist trade, and better performance from offshore manufacturing. While agriculture weakened somewhat, fishing performed better and its export performance improved considerably. Construction was clearly better in 1982 than in 1981.

Earnings from tourism were higher in 1982 and merchandise exports increased 26% after their 12% fall in 1981. The volume of oil imported for domestic consumption rose slightly due to the net effect of increased tourist trade and energy conservation measures, but the value of imported fuel declined for the second consecutive year. The trade imbalance narrowed considerably and the current account deficit (US\$ 85 million in 1981) was almost eliminated. Although inflows of long-term foreign capital were down compared to 1981, there was nevertheless a positive balance on capital account and a positive overall balance on foreign payments.

The moderate growth in monetary resources, reflecting orderliness in the financial sector, coupled with moderated international inflation, combined to yield a modest 6% inflation rate. While bank credit was tight, both the private and public sectors could be accommodated. The public sector current surplus was reduced from US\$ 36 million to US\$ 12 million, and together with excess expenditure of US\$ 40 million this gave rise to an increased overall deficit. This was financed largely from foreign borrowing, with the result that the foreign debt rose from US\$ 87 million in 1981 to US\$ 147 million in 1982: approximately 13% of the exports of goods and services in 1981.

2. Trends in economic activity

a) *Growth of the main sectors*

i) *Agriculture.* Agriculture contributed just about 4% of GDP in 1978 and while clearly not the focal point of the economy attracts considerable attention from policy makers because of its importance to food supply and its pervasive impact on the social economy. The agricultural census¹ conducted in that year showed that there were about 3 000 households engaged in farming, while the Department of Fisheries estimates that in 1980 some 2 500 persons were engaged in fishing. As in 1981, the overall performance of the sector in 1982 was mixed.

Fishing performance in 1982 was much better than in 1981. While the overall volume, as measured by landings at New Providence (see table 2), was up by barely 1%, the volume of the highly valued crawfish increased 45%. All other types of fish declined, but only slightly. The average price of fish landed at Nassau remained more or less steady in most cases but increased appreciably in the case of crawfish, thus resulting in a 26.7% increase in total value between 1981 and 1982. Fish exports in 1982 came to US\$ 11.5 million, with the principal variety, viz., crawfish, valued at US\$ 11.2 million, representing a value increase of 22% over 1981. The volume of crawfish exported in 1982 was 1.67 million pounds, approximately 18% more than in 1981.

¹Ministry of Agriculture, Fisheries and Local Government, Bahamas: *Report of the 1978 Census of Agriculture.*

Table 1

BAHAMAS: MAIN ECONOMIC INDICATORS

	1977	1979	1980	1981	1982 ^a
A. Basic economic indicators					
Gross domestic product at current factor cost (millions of Bahamas dollars) ^b	851	1 074	...	...	...
Population (thousands)	217	224	210 ^c	214	218
Per capita GDP (current Bahamas dollars)	3 927	4 795	...	...	...
Growth rates					
B. Short-run economic indicators					
Gross domestic product at current prices	6.5	11.8	...	...	...
Per capita GDP at current prices	3.1	12.3	...	...	...
Current value of exports of goods and services	2.7	13.5	21.8	-0.3	1.7
Current value of imports of goods and services	4.8	22.2	30.2	3.0	-0.2
Consumer price index ^d					
December/December	4.6	11.6	12.1	8.3	4.6
Variation between annual averages	3.1	9.1	12.1	11.1	5.6
Money	10.3	27.3	5.6	4.3	6.1
Current income of government	3.8	23.2	20.8	14.0	-1.7
Fiscal deficit/total expenditure of government	18.1	3.9	3.2	21.5	25.9
Millions of dollars					
C. External sector					
Trade balance (goods and services)	164.4	155.9	124.4	90.0	111.6
Balance on current account	61.1	3.9	-33.1	-85.4	-40.7
Variation in net international reserves (- indicates increase)	-19.6	-19.4	-14.5	-8.3	-13.4
Total international reserves (minus gold)	67.1	77.5	92.1	100.2	129.4

Source: ECLA, on the basis of official data.

^aPreliminary figures.

^bThe Bahamian dollar is equivalent to the United States dollar.

^cCensus at 12 May. Estimates after 1980 do not include net migration.

^dNew Providence Island only.

^ePercentage.

Table 2

BAHAMAS: VOLUME OF MARINE PRODUCTS LANDED^a

	Metric tons					Growth rates			
	1978	1979	1980	1981	1982 ^b	1979	1980	1981	1982 ^b
Crawfish	504	538	486	273	396	6.7	9.7	-43.8	45.1
Conch	170	221	257	353	311	30.0	16.3	37.4	-11.9
Turtle	42	20	23	19	18	-50.0	15.0	-17.4	-5.3
Other	963	847	1 267	1 367	1 303	-12.0	49.6	7.9	-4.7
Total	1 679	1 626	2 033	2 013	2 028	-3.2	25.0	-1.0	0.8

Source: Data supplied to ECLA.

^aNew Providence.

^bPreliminary figures.

With the completion in early 1983 of the US\$ 3.4 million IDB-financed modern fish landing, handling and marketing facility at Potters Cay in Nassau —the culmination of a comprehensive fisheries development plan— the industry is expected to be even further stimulated. It should also be noted that from its inception in 1978 the Bahamas Development Bank has given emphasis to fisheries and marine transportation and that of its approved loans of US\$ 2.6 million in 1982 between 40% and 45% went to fishing, principally for boat and engine purchase.

The estimated value of farm production in 1982 was US\$ 23 million, a fall of 15% compared to 1981 (see table 3). This was largely due to a sharp decline in poultry production, reportedly facing severe competition from United States supplies, and to the closure of the dairy in Eleuthera. Production of meat and eggs remained approximately at the 1981 levels.

Fruit and vegetables had a good year in 1982 and showed the only sizeable gains in all agricultural activities. With the exception of declines in the output of tomatoes (-36%), sweet potatoes (-27%) and pigeon peas (-23%), all other items showed sizeable increases, giving an overall 17% value increase. The large tourist trade and proximity to the United States, where between November and April duties on imports are low, would seem to constitute especially favourable conditions for vegetable and fresh fruit farming. The government's produce exchange has considerably improved marketing facilities: a necessary pre-condition for sustained agricultural production.

Table 3

BAHAMAS: ESTIMATED VALUE OF FARM PRODUCTION

	Millions of dollars				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Fruit and vegetables	3.3	3.9	6.0	7.0	17.3	55.0	16.7
Dairy produce	0.4	0.5	0.6	- ^b	9.3	17.0	-
Meat (beef and mutton)	0.6	0.5	0.7	0.7	-5.5	38.5	2.8
Poultry products	13.2	15.4	19.6	15.1	16.2	27.6	-22.9
Total	17.5	20.3	26.9	22.8	15.5	32.9	-15.2

Source: Data supplied to ECLA.

^a Preliminary figures.

^b Local dairy ceased production.

Table 4

BAHAMAS: SELECTED TOURISM INDICATORS

	1980	1981	1982 ^a	Growth rates	
				1981	1982 ^a
Total number of visitors ^b	1 872	1 752	1 947 ^c	-6.8	10.5
Stopover visitors ^b	1 181	1 031	...	-12.8	0.3 ^d
Cruise ship visitors ^b	578	597	720	3.3	20.6
Average length of stay of stopover visitors (nights)	7.1	7.3	...	2.8	-3.9 ^d
Total expenditure ^e	596	640	688	7.3	7.5
Stopover visitors	564	608	650	7.8	6.9
Expenditure per day ^f	63	77	...	22.2	...
Expenditure per visit	435	530	...	21.8	...
Cruise ship visitors ^e	32	31	38	-3.1	22.6
Expenditure per visit ^f	55	52	55	-5.5	5.8
Hotel rooms available	11 427	11 903	12 406	4.2	4.2
Average hotel room occupancy rate	75.4	59.8	...	-20.7	...

Source: Ministry of Tourism, Bahamas, *Annual Report on Tourism, 1981, Tourism Statistical Review, 1981*, and data supplied to ECLA.

^a Preliminary figures.

^b Thousands.

^c Includes passengers in transit. The comparable figure in 1981 was 1 763 and in 1980, 1 904.

^d January-June 1982 compared to the same period in 1981.

^e Millions of dollars.

^f Dollars.

There continues to be policy emphasis on the further development of agriculture and fisheries, although this sector received no additional government allocations in either the recurrent or capital budget for 1983, and allocations in 1982 were lower than those in 1981. Encouragement is to be given to the development of agro-industrial ventures, possibly with foreign capital, and the Bahamas Agricultural and Industrial Corporation (established in 1982 by combining the Bahamas Development Corporation and the Bahamas Agricultural Corporation) is charged with this responsibility. A plant propagation station and research facilities are to be established in 1983. At the end of 1982 commercial bank loans and advances to agriculture and fisheries stood at US\$ 5.4 million, some 16% below their 1981 level.

ii) *Tourism*. The tourist sector, which provided 50% of the GDP in 1978, continues to be the dynamic force in the economy. Overall, in 1982 the industry performed somewhat better than it did in 1981 and far better than was anticipated, so that after the decline of 1981 the 1982 recovery formed the basis for the modest overall growth recorded by the economy (see table 4).

The depressed state of the world economy continued to have a negative impact on tourist travel, and the further appreciation of the United States dollar raised the cost of a Bahamian holiday to non-Americans. Despite this, however, cruise ship visitors increased 20%, and stopover visitors increased marginally compared to the sharp decline in 1981. Overall, the total number of visitors surpassed its 1980 peak. That the industry is not experiencing full boom conditions is however indicated by an estimated decline in the average length of stay of stopover visitors. Nevertheless, the general economic performance of the industry was positive. Stopover and cruise ship visitors both increased their expenditure, resulting in an estimated 7.5% overall increase compared to 1981. While this partly reflects price effects, the slowing of inflation to between 4% and 6% suggests that some real growth was experienced.

During 1982 a net addition of over 500 rooms became available and this might in part account for the slightly lowered hotel room occupancy rate, estimated up to June at 59.6%. Confidence in the future of the industry is clearly indicated, however, by the construction by the government of a 735-room hotel estimated to cost US\$ 150 million, a 39% increase in the 1983 budgetary allocations to the Ministry of Tourism (mostly for promotional work), and a ten-year plan for continuous improvement in tourism facilities and the further development of the physical and social infrastructure.

iii) *Construction*. Informed opinion is that, compared to 1981, construction activity was generally higher in 1982. The hotel construction work at Paradise Island begun in 1981 was completed in 1982 and the government-financed Cable Beach project was fully under way in the latter year. Public sector construction work on road improvement, airport construction at Acklins Island, water and electricity supply improvement and public buildings continued apace.

However, other indicators of construction activity reveal a blurred picture. Commercial bank loans and advances to the building and construction sector were down 21% at end of 1982 compared to 1981 (the second consecutive year of decline) and real estate loans dropped dramatically from US\$ 46.8 million to US\$ 14.3 million, suggesting possibly that the recently introduced changes in land ownership policy reflected in the Immovable Property Act might have reduced activity in the latter market (see table 12).

By contrast, data on building permits issued and on building starts and completions all suggest that the 1982 level of construction activity was substantially higher than in 1981 (see table 5). Data reported are for New Providence, and in this respect are therefore only a partial indicator, but data for the whole country for the first quarter of 1982 compared to the similar period in 1981 confirm the enhanced level of activity. The total number of permits issued increased by 63% and their value by 114% with the only ambiguity arising from the lower overall value of commercial and industrial building starts. It must however be recalled that these latter tend to be few in number but high in value, and it is known that there was a bunching of large hotel starts in 1981, work on which continued into 1982 or beyond.

Since the large hotel projects were financed from external private capital and a consortium loan to the government, enhanced construction activity may not be inconsistent with lower domestic financing to the industry. Moreover, residential construction which showed growth in 1982 in both the number and value of starts, is partly financed through especially designed public sector loan especially facilities.

Table 5

BAHAMAS: CONSTRUCTION INDICATORS

	1980	1981	1981 ^a	1982 ^{ab}	Growth rates		
					1980	1981	1982 ^{ab}
Building permits issued							
Number	2 332	2 581	1 047	2 061	8.4	10.7	96.8
Value	232	144	99	188	94.9	-37.9	89.9
Building starts							
Number	1 120	1 228	1 046	1 206	1.2	9.6	15.3
Residential building starts							
Number	913	1 035	921	1 089	1.4	13.4	18.2
Value	55	49	40	58	-1.8	-10.9	45.0
Commercial/industrial starts							
Number	196	180	113	109	-0.5	-8.2	-3.5
Value	80	71	63	81	43.3	-11.3	28.6
Building completions							
Number	729	724	621	653	5.3	-0.7	5.2
Value	39	44	35	54	14.7	12.8	54.3

Source: Central Bank of the Bahamas, *Quarterly Review*, September 1982, vol. 9, No. 3, and data supplied to ECLA.

^aNew Providence only.

^bPreliminary figures.

iv) *Mining and manufacturing.* These activities contribute only modestly to economic activity, their estimated share in GDP being 5% in 1978 (the last year for which any systematic estimate was made). Salt, aragonite and building materials continue to be the principal minerals. Apart from offshore oil refining and chemicals, only light manufactures are produced, largely for the home market.

Following on the sharp fall in industrial production in 1981 brought about by the closure of the steel materials and pipe company in late 1980 and reduced cement production (see Central Bank of the Bahamas: *Annual Report and Statement of Accounts for the year ended 31 December 1981*, p. 4), it can be reliably estimated that output increased some 25% in 1982. This change was mainly due to the growth in pharmaceutical output from two new chemical plants completed at Freeport in 1981.

Industrial development for import substitution and export promotion is being actively pursued through the establishment of a free trade zone. In 1982 the Bahamas Agricultural and Industrial Corporation was established and entrusted with executive responsibility in this field. A brewery with foreign participation is about to be constructed at Andros.

The government has stated its intention to pursue "an integrated development programme". To this end its oil exploration programme was reactivated in 1980 and during 1982 two new licences were issued. It is reported that prospects are good and there is interest from some of the industry's leading companies.

Offshore oil refining at Freeport, which attained a throughput rate of 10.2 million metric tons in 1971 and peaked at 14.2 million metric tons in 1977, flattened out at just over 9 million metric tons thereafter to stand at 9.3 million metric tons in 1980. At the time of writing data for 1981 and 1982 are not available, but no dramatic deviation from the recent average is believed to have taken place.

v) *Energy.* Imported oil is used to satisfy virtually all the energy needs of the Bahamas, and as oil prices rose after 1973 there was an increasingly adverse impact on the external payments position. The softening of oil prices and the economic slowdown, combined with energy conservation awareness, led to a reduction in these imports in 1981 and 1982, and the latter year, for the first time since the "oil crisis", domestic commodity exports about matched oil imports for local consumption (see tables 6 and 7).

In general, electricity use fluctuates with the fortunes of the tourist industry, and as expected this peaked in 1980 (see table 8). After a noticeable decline in electricity consumption in 1981 a moderate increase was expected in 1982, but at time of writing data are not available. Only thermal

electricity is generated in the Bahamas, using cheap Bunker "C" fuel in New Providence and Grand Bahama and diesel oil in the Family Islands. It should be noted that some island communities have no electricity supplies and alternative energy sources such as solar cells and wood are being investigated.

Domestic petroleum prices, after being relatively stable in 1981, actually declined in 1982, with high octane gasoline, diesel oil and LPG all showing significant reductions.

3. The external sector

The Bahamas is an open economy *par excellence*, dependent on the export of services. Whereas in 1978 export receipts comprised 85% of the GDP, commodity exports accounted for a mere 18% of total exports, the remainder—a high 70% of the GDP—being due to invisible earnings. In that year, tourism receipts accounted for 50% of GDP.

By contrast, the value of commodity imports is typically between three and four times that of commodity exports, thus leaving a sizeable visible trade balance (estimated at US\$ 520 million in 1982) which is affordable only because of the large current surplus on travel, transport and insurance (see table 9). The possibility of maintaining such an economic structure derives partly from proximity to the continental markets for goods and services in North America and partly from ingenuity in harnessing physical and climatic resources. Such specialization for international economic participation might well be the only basis on which small economies like this can attain high levels of income.

Table 6

BAHAMAS: OIL IMPORTS FOR LOCAL CONSUMPTION

	Thousands of barrels and millions of dollars			Growth rates		
	1980	1981	1982 ^a	1980	1981	1982 ^a
Total local consumption						
Volume	8 349	7 767	6 525	-14.8	-7.0	-16.0
Value	303.4	277.1	221.3	64.5	-8.7	-20.1
Total domestic consumption						
Volume	3 714	3 146	3 157	-8.0	-15.3	0.3
Value	128.6	123.4	119.0	35.1	-4.0	-3.6
Foreign bunkers						
Volume	4 635	4 621	3 368	-19.5	-0.3	-27.1
Value	174.8	153.7	102.3	96.0	-12.1	-33.4

Source: Central Bank of Bahamas, *Quarterly Review*, December 1982, vol. 9, No. 4.

^aPreliminary figures.

Table 7

BAHAMAS: RATIO OF SELECTED AGGREGATES

	1978	1979	1980	1981	1982 ^a
Petroleum imports ^b /total imports	0.35	0.32	0.36	0.33	0.28
Petroleum imports ^b /domestic exports	1.11	1.03	1.49	0.57	1.00
Petroleum imports ^b /GDP	0.17	0.16	...	...	...
Total foreign currency debt/GDP	0.08	0.05	...	...	...
Total foreign currency debt/ domestic exports	0.55	0.32	0.20	0.50	0.66
Petroleum imports and foreign currency debt/domestic exports and net total receipts	0.50	0.34	0.48	0.48	0.49

Source: Calculated from official data.

^aPreliminary figures.

^bPetroleum imports for local consumption.

Table 8

BAHAMAS: INSTALLED CAPACITY AND PRODUCTION OF ELECTRICITY^a

Year	Public	Industrial ^b	Total
Intalled capacity (thousand kW)			
1976	250.2	...	...
1977	248.2	49.6	297.8
1978	245.5	49.5	295.4
1979	260.2	49.9	310.1
1980	261.7	48.3	309.9
1981	256.5	47.9	304.5
1982	...	...	...
Production (million kWh)			
1976	608.6	...	608.6
1977	641.2	57.8 ^c	699.0
1978	692.6	94.9	787.5
1979	735.7	92.9	828.6
1980	786.2	55.3	841.6
1981	697.9	59.1	757.0
1982	...	...	...

Source: Data supplied to ECLA by the Bahamas Ministry of Works and Utilities.

^aOnly thermal electricity generated.

^bIncludes foreign government bases.

^cCement plant out of operation for most of year.

Banking and financial services are the main other export services, but the captive insurance business which flourished in the 1960s is being sought after anew, and amendments are being made to the shipping regulations to help develop the flag of convenience business. Some 96 ships with a gross tonnage of 466 000 tons are reported to have been registered by March 1982 in the Bahamas, compared to 60 ships with a gross tonnage of 58 000 tons in 1977.

The balance of payments has been in surplus in recent years (except 1978), and this has permitted some addition to the international reserves. In particular 1982 witnessed a 26% increase in commodity exports, while commodity imports were down by approximately 6% (measured to include cost, insurance and freight), consequently giving a substantially narrower trade gap. The balance on current account, favourable up to 1979, was unfavourable in 1982 although substantially better than in 1981. In both 1981 and 1982 there were sizeable inflows of long-term capital, both private and official, associated with offshore hotel and industrial development and with the government's development activities. Payments for non-factor services have been consistently high and, as might be expected, have shown an upward trend consistent with sustained past inflows of long-term capital.

4. Prices

The rate of inflation, as indicated by the Retail Price Index for New Providence, abated considerably. Compared to 1981 when there was an 11% increase in prices, the all-items index rose by less than 6% in 1982. The extent of the deceleration may be further gleaned from the fact that the December-to-December variation was only 4.6%. Slowing world inflation and weakening petroleum prices —key determinants of imported inflation— were the principal causes of this slackening of rises, which was quite general for the second consecutive year (see table 10).

Table 9

BAHAMAS: BALANCE OF PAYMENTS

(Millions of dollars)

	1977	1978	1979	1980	1981	1982
Exports of goods and services	705.7	829.3	941.6	1 147.1	1 143.6	1 163.6
Goods FOB	135.9	146.4	170.5	200.5	176.2	221.5
Services ^a	569.8	683.0	770.9	946.6	967.3	942.0
Transport and insurance	81.3	99.8	113.2	207.7	186.5	132.0
Travel	412.4	494.7	561.7	595.5	639.2	670.1
Imports of goods and services	541.3	643.0	785.8	1 022.8	1 053.5	1 051.9
Goods FOB	387.5	468.0	597.6	801.0	787.5	740.2
Services ^a	153.9	175.3	198.2	221.9	266.1	311.6
Transport and insurance	46.0	58.8	74.0	76.2	82.9	88.0
Travel	54.3	60.7	53.6	70.6	91.1	104.2
Merchandise balance	-251.6	-321.7	-427.1	-600.5	-611.2	-518.8
Trade balance	164.4	186.3	155.9	124.4	90.0	111.6
Factor services	-84.8	-130.1	-136.1	-137.6	-161.6	-134.5
Profits	0.0	0.0	0.0	0.0	0.0	0.0
Interest received	4.0	7.0	11.1	13.0	17.0	23.7
Interest paid	-78.1	-119.1	-134.3	-126.7	-155.9	-138.7
Others	-10.7	-18.0	-12.9	-24.0	-22.7	-19.6
Unrequited private transfer payments	-18.6	-22.2	-15.8	-19.8	-13.9	-17.8
Balance on current account	61.1	34.0	3.9	-33.1	-85.4	-40.7
Unrequited official transfer payments	5.4	7.4	11.9	17.8	11.1	21.5
Long-term capital	39.4	-25.1	4.1	10.1	141.4	72.5
Direct investment	31.1	-1.2	9.6	4.0	34.4	2.8
Portfolio investment	6.9	-2.3	-3.2	-3.0	-3.1	0.0
Other long-term capital	1.4	-21.6	2.3	9.1	110.1	69.7
Official sector ^b	1.5	-3.2	-4.7	-4.7	34.3	46.4
Loans received	6.4	1.3	0.5	0.0	38.2	51.8
Amortization payments	-4.9	-4.5	-5.2	-4.7	-3.8	-5.2
Commercial banks ^b	0.0	0.0	0.0	0.0	0.0	0.0
Loans received	0.0	0.0	0.0	0.0	0.0	0.0
Amortization payments	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors ^b	-0.1	-18.4	2.4	13.7	75.8	23.3
Loans received	21.4	10.6	23.7	51.8	99.9	43.6
Amortization payments	-21.5	-29.1	-21.3	-38.0	-24.2	-20.3
Commercial balance	105.8	16.4	19.9	-5.2	67.1	53.3
Short-term capital	10.5	0.3	-19.4	-5.0	17.6	-3.7
Official sector	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	10.5	0.3	-19.4	-5.0	17.6	-3.7
Other sectors	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions (net)	-96.4	-26.0	14.3	20.7	-79.1	-38.7
Balance on capital account	-41.5	-43.0	11.0	43.9	92.0	51.6
Global balance^c	19.6	-9.0	14.9	10.8	5.5	10.9
Total variation in reserves (minus sign indicates an increase)	-19.6	8.8	-19.4	-14.5	-8.3	-13.4
Monetary gold	0.0	-0.1	0.0	0.0	0.0	0.0
Special Drawing Rights	0.0	0.0	-4.5	1.0	-3.7	0.7
IMF reserve position	-0.3	-0.2	0.1	-5.0	3.5	0.3
Foreign exchange assets	-19.4	9.1	-14.9	-10.5	-8.1	-14.4
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Use made of IMF credit	0.0	0.0	0.0	0.0	0.0	0.0

^aIncludes other non-factor services.^bIncludes net loans granted and other assets and liabilities.^cEquals total variation in reserves (of opposite sign) plus counterpart items: monetization or demonetizations of gold, allocation or settlement of Special Drawing Rights, and variation due to revaluation of other reserves.

Table 10

BAHAMAS: EVOLUTION OF DOMESTIC PRICES^a

(November/December 1971 = 100)

	1978	1979	1980	1981	1982 ^b
December to December variations					
Consumer price index	6.6	11.6	12.1	8.3	4.6
Food	8.3	15.0	15.4	12.1	3.3
Housing	4.8	6.9	10.4	6.1	5.3
Clothing and footwear	8.5	16.8	12.1	5.1	10.0
Transport	4.2	9.4	12.1	4.2	7.4
Health and personal care	8.3	7.0	12.4	7.8	5.0
Variation between annual averages					
Consumer price index	6.2	9.1	12.1	11.1	5.6
Food	8.2	10.9	15.1	14.8	6.8
Housing	3.1	6.5	9.5	8.1	5.6
Clothing and footwear	6.2	12.5	15.5	8.2	7.6
Transport	7.6	6.5	11.6	6.2	5.4
Health and personal care	6.1	7.6	9.2	10.6	6.0

Source: Bahamas, Department of Statistics, *Retail Price Index*, and data supplied to ECLA.^aNew Providence Island only, where 60% of the Bahamian population live.^bPreliminary figures.

5. Monetary and fiscal policy

i) *Monetary policy.* The task of monetary management in the Bahamas is twofold. As a large offshore banking centre (at December 1982 there were 346 such banks and trust companies registered in the country), compliance with the law must be ensured. Secondly, the 18 domestic commercial savings and loan institutions must direct their efforts in ways consistent with the main objectives of Bahamian monetary policy, which have been credit restraint and the use of loans and advances for productive purposes rather than for consumption. Moral suasion is the main instrument used, together with various rules and statutory liquid asset ratios.

Only moderate monetary expansion was experienced in 1982, whether judged by growth in the money supply in its narrow sense (6.1%), domestic credit (12%), or quasi-money (17%). Worthy of note is the relatively faster growth of time deposits compared to savings deposits or demand deposits, reflecting in part sensitivity to increased interest rate differentials. Credit to government slowed considerably in 1982 as resort was had to foreign financing, while credit to the private sector grew at a faster rate than it did in 1981 (see table 11).

Loans and advances of commercial banks stood at US\$ 525 million at the end of 1982, 15% above their December 1981 level (see table 12). Of this, personal and other loans accounted for 53%, compared to 47% in 1981, while the share going to trade and commerce declined from 18% to 15%. Credit to the productive sectors rose marginally from US\$ 161 million to US\$ 170 million with construction, real estate, and agriculture and fisheries showing absolute declines, while increases were recorded by utilities, hotels and manufacturing. Commercial bank liquidity in 1982 remained tight and there were no new bond issues.

ii) *Fiscal policy.* In 1982 current income of the government actually fell while current expenditure rose moderately, thereby narrowing the current surplus from the US\$ 36 million recorded in 1981 to US\$ 12 million. Comparison of expenditure on wages and salaries which is a virtually fixed commitment on the public purse and which rose by 9% in 1982, with tax receipts from import duties (the principal revenue source) reveals a rapidly narrowing gap. Reductions in expenditure on goods and services must therefore be the basis for generating any current surplus. Capital expenditure was maintained at about its 1980 and 1981 level of US\$ 40 million. When account is taken of the government's net lending to public sector corporations, however, an overall fiscal deficit of US\$ 78 million was recorded in 1982, some 28% higher than in 1981 (see table 13).

Table 11

BAHAMAS: MONETARY BALANCE

	Millions of dollars				Growth rates		
	1978	1980	1981	1982 ^a	1980	1981	1982 ^a
Money (M ₁)	106	143	149	158	5.6	4.3	6.1
Currency outside banks	26	33	37	41	12.1	12.0	9.7
Demand deposits	80	110	112	117	3.8	2.0	4.9
Factors of expansion	369	512	583	658	18.7	13.7	12.9
Foreign assets (net)	-42	2	-2	3	-	-	-
Domestic credit	411	511	585	655	14.8	14.5	12.0
Government (net)	99	81	112	120	-7.9	38.5	6.9
Other financial institutions	2	6	8	3	48.7	32.8	-55.8
Private sector	310	424	466	532	20.0	9.7	14.3
Factors of absorption	262	369	434	500	24.7	17.6	15.2
Quasi-money	216	291	332	389	22.2	13.9	17.2
Savings deposits	66	95	101	108	14.0	6.3	7.2
Time deposits	123	174	213	255	29.5	22.7	19.7
Deposits in foreign currency	22	18	10	17	7.8	-43.4	67.6
Amounts due to other local financial institutions	4	4	8	9	6.7	58.3	14.5
Other items (net)	46	78	102	111	25.5	29.9	9.1

Source: Central Bank of the Bahamas, *Quarterly Review*, December 1982, and data supplied to ECLA.

^aPreliminary figures.

Table 12

BAHAMAS: LOANS AND ADVANCES OF COMMERCIAL BANKS

	Millions of dollars at year end				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
Agriculture and fisheries	2.6	3.4	6.4	5.4	30.8	88.2	-15.6
manufacturing and quarrying	1.2	0.6	0.9	13.8	-50.0	50.0	1 433.3
Hotels, restaurants and nightclubs	38.1	30.5	43.9	56.8	-20.0	43.9	29.4
Trade and commerce	50.0	55.7	82.0	78.6	11.4	47.2	-4.1
Utilities (water, electricity transport)	20.0	36.8	22.3	47.3	84.0	-39.4	112.1
Building and construction	36.6	44.5	41.1	32.5	21.6	-7.6	-20.9
Real estate	42.8	46.1	46.8	14.3	7.7	1.5	-69.4
Personal and other local loans	157.0	199.2	214.2	276.1	26.9	7.5	28.9
Total	348.3	416.8	457.6	524.8	19.7	9.8	14.7

Source: Central Bank of the Bahamas, *Quarterly Review*, December 1982.

^aPreliminary figures.

The financial position of the government was extremely tight in 1982, so much so that the Treasury Bill limit was raised from US\$ 24 million to US\$ 40 million. Because no bond issue was made in 1982, capital expenditure was financed directly from current income flows. During 1982, further drawings were made on the foreign bank consortium loan of US\$ 50 million contracted for the Cable Beach Hotel project, and in consequence the national debt rose by 23.8% in 1982. It is to be noted that most of the growth in the national debt after 1980 has been in its foreign component. Foreign debt more than doubled in 1981 and grew a further 68% in 1982, when it comprised 33% of the national debt. The sluggish revenue position of the government in relation to its financial commitments and development objectives led to the imposition of additional taxes and the raising of licences and fees in the 1983 Budget. There are no direct taxes on income.

Table 13

BAHAMAS: CENTRAL GOVERNMENT REVENUE AND EXPENDITURE

	Millions of dollars				Growth rates		
	1979	1980	1981	1982 ^a	1980	1981	1982 ^a
1. Current income	202	244	278	274	20.8	14.0	-1.7
Tax revenue	176	201	205	208	14.5	1.7	1.6
Imports	119	140	144	150	17.6	-2.6	4.1
Services	16	16	16	15	1.2	-2.5	-3.8
Stamps	14	16	16	16	10.5	1.3	-0.6
Others	26	29	29	27	10.6	0.7	-6.8
Non-tax revenue	26	43	73	66	62.3	71.2	-10.7
2. Current expenditure	179	208	242	262	16.4	16.5	8.2
Wages and salaries	99	115	134	146	16.0	16.8	8.9
Goods and services	48	57	68	62	19.4	19.7	-10.2
Transfer payments and subsidies	32	36	40	54	13.2	10.2	36.9
3. Saving on current account	23	36	36	12	54.5	-0.6	-67.9
4. Capital expenditure	26	39	42	40	47.5	7.7	-3.6
Capital formation	15	23	32	28	47.4	42.7	-12.7
Acquisition of assets	-	-	-	-	-	-	-
Others	11	16	10	12	46.8	-41.6	27.7
5. Total expenditure	205	247	284	302	20.3	15.1	6.4
Net lending	5	5	55	49	-3.8	100.4	-10.5
Fiscal deficit	8	8	61	78	-4.9	68.3	28.0
Total national debt	275	292	361	447	6.4	23.6	23.8

Source: Central Bank of the Bahamas, *Quarterly Review*, December 1982, vol. 9 No. 4.

^aPreliminary figures.

