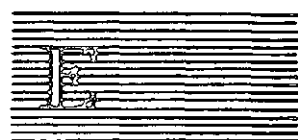


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OF LATIN AMERICA

1980

BAHAMAS

OFFPRINT

BAHAMAS

1. Recent economic trends: Introduction and summary

Official preliminary estimates of the gross domestic product for the years 1973-1979 have only recently become available for the Bahamas.¹

The estimate for the year 1979 shows that the gross domestic product at current factor cost was 1 080 million Bahamas dollars,² an increase of 11% with respect to 1978 (see table 1). In real terms, the economy grew by about 4% in 1978 and less than 2% in 1979. Performance trends of the available partial indicators for 1980 suggest that the GDP increased at a somewhat higher rate than in 1979.

Table 1
BAHAMAS: EXPENDITURES ON THE GROSS DOMESTIC PRODUCT (a)

	Millions of current Bahamas dollars			Growth rates	
	1977	1978	1979	1978	1979
	Gross domestic product at factor cost	876	971	1 079	10.8	11.1
Consumption expenditures	623	685	765	10.0	11.7
Resident households	509	553	618	8.6	11.8
Government (b)	114	132	147	15.8	11.4
Gross fixed capital formation	87	93	120	6.9	29.0
Building and construction	30	35	54	16.7	54.3
Machinery and equipment	49	50(c)	55(c)	2.0	10.0
Other (d)	8	9	11	12.5	22.2
Exports of goods and services	703	820	947	16.6	15.5
Tourism	407	489	565	20.1	15.5
Imports of goods and services	537	627	753	16.8	20.1

Source: CEPAL, on the basis of official data.

(a) Estimates.

(b) Includes administrative expenditures of the national insurance board from October 1974.

(c) Rough estimate.

(d) Estimated at 10 per cent of the other items of gross fixed capital formation. Includes land clearance, breeding stock, dairy cattle and the like and may also be assumed to reflect increase in stock.

Tourism was the sector mainly responsible for growth in 1979 and 1980, as the number of visitors increased by approximately 5% and 10% respectively, and tourist expenditures grew even faster. At the same time, the indicators suggest that construction activity increased in real terms during 1979 and 1980, with major construction projects initiated at the end of 1979 continuing during 1980. With regard to the agricultural sector, it is estimated to have increased in 1979 and 1980, but mainly as a result of price increases, although there was a rise in the fish catch. Fruit and

¹These estimates are considered to be very tentative, especially at the sectoral level, and should therefore be considered as merely indicative and used with appropriate caution.

²The Bahamas dollar is at par with the US dollar.

vegetable crops suffered from the effects of the 1979 hurricanes. Indirect indicators also point to an increased contribution by the utilities and "other services" sectors.

The outcome of the external sector transactions, as indicated by preliminary balance-of-payments data, can be characterized as satisfactory. The net increase in reserves was approximately US\$ 17 million, raising the level of foreign reserves to approximately US\$ 98 million. The main unfavourable influence in the balance of payments was the rise in the value of imports affected by the large oil price increases during 1980. On the positive side, there was an increase in tourism receipts, local expenditure of offshore companies and capital inflows, while net outflows on investment, dividends and profits were reduced.

The rate of inflation continued to accelerate during 1980, as indicated by the 12% increase in the average level of retail prices. One major development in the field of money and finance was the increase of the Central Bank's rediscount rate to levels closer to United States rates (inducing sympathetic movements in other interest rates) in order to restrict demand for domestic credit and curb the outflow of funds, which was partly due to higher returns existing elsewhere and was putting pressure on the foreign exchange reserves.

It should be noted that measures to implement previously announced policies such as diversification of the economic structure, improvement of housing and social services, particularly for the poor, elderly and handicapped, and improvement of the infrastructure of the outlying islands were intensified during 1980.

2. Trends in economic activity

(i) *Agriculture and fisheries.* In 1978, the agricultural product amounted to B\$ 42 million in current prices, an increase of approximately 20% (see table 2). It is estimated that for 1979 and 1980, the growth rates were about 5% and 7% respectively. These figures are lower than the estimated rate for 1978 and reflect the effects of hurricanes during 1980, which affected mainly the output of fruit and vegetables. One major dairy farm ceased operations during 1978/1979, further depressing growth of the sector. These reductions were compensated by substantial increases in fishing and smaller increases in poultry products.

In 1980, the seafood catch amounted to 2 067 metric tons, almost a 25% increase over the previous year, with the catch of "other fishes" increasing by some 49% and constituting almost 60% of the total amount caught (see table 3). Fishing is the sector's major component, followed by poultry production, which in 1980 registered an increase of almost 5%. Output of dairy products, however, continued its sharp decline, decreasing by just over 81% in 1979 and almost 32% in 1980 (see table 4).

Despite the large number of problems and challenges facing the agricultural sector, Bahamas is increasing its self-sufficiency in many crops. Such is the case of vegetables and fruit, including citrus and pineapples, as well as poultry products and eggs, where the Bahamas is almost self-sufficient. As for the production of pork, it has been rapidly increasing towards self-sufficiency.

The problems faced by this sector mainly concern production and marketing. On the production side, mention may be made of the lack of adequate credit, which has not always been available on terms many farmers can afford. Another problem is that of fertilizers and animal feedstuffs, which are scarce and expensive in the international market, while a third problem is the scarcity of agricultural labour. According to the 1978 census, employment in this sector was estimated at some 4 500 persons, and preliminary estimates for 1979 indicate that this figure increased to some 5 000 persons, but even so this represents only just over 5% of the total labour force.

On the marketing side, one of the major problems is that of transportation. The multi-island nature of the Bahamas requires sea transport, which is inadequate at the moment, with much reliance being placed on the mail boats, which are not very suitable for agricultural cargo. Another

Table 2

BAHAMAS: GROSS DOMESTIC PRODUCT, BY ECONOMIC ACTIVITY,
AT CURRENT FACTOR COST (a)

	Millions of Bahamas dollars				Percentage breakdown		Growth rates		
	1976	1977	1978	1979	1973	1978	1977	1978	1979
Total gross domestic product	565	876	971	1 080	100.0	100.0	8.3	10.8	11.2
Goods	113	145	181	...	20.0	18.6	-1.3	24.8	...
Agriculture	21	35	42	...	3.7	4.3	-6.2	20.7	...
Mining (b)	79	91	117	...	14.0	12.0	1.2	28.6	...
Manufacturing (b)									
Construction	13	19	22	...	2.3	2.3	-4.5	15.2	...
Basic services	71	86	113	...	12.6	11.7	1.2	32.2	...
Electricity, gas and water (b)	...	...	...	...	...	...	...	...	...
Transport, storage and communications	71	86	113	...	12.6	11.7	1.2	32.2	...
Other services	319	482	536	...	56.5	55.3	12.9	11.2	...
Commerce	44	79	86	...	7.8	8.9	14.0	8.0	...
Finance and ownership of dwellings (c)	173	240	287	...	30.6	29.6	12.6	19.6	...
Public administration and defence (c)	102	163	163	...	18.1	16.8	13.2	-	...
Miscellaneous services (d)									
Import duties and statistical discrepancies	62	163	141	...	11.0	14.5	8.0	-13.5	...

Source: Data supplied to CEPAL by the Department of Statistics, Bahamas.

(a) Preliminary estimates.

(b) Electricity and water included with mining and manufacturing.

(c) Financing, real estate, business services, restaurants and hotels.

(d) Commodity, social and personal services.

problem is raised by the limitations of the distribution itself and the need to develop export markets. Efforts are being made to improve the marketing system through the creation of new terminals and product exchanges.

There is also a need to expand production, not only to replace some imports but also for the export market. This will require the upgrading of agricultural practices, including irrigation and appropriate mechanization, and measures to ensure adequate farm labour. This latter problem is particularly serious in many Caribbean countries, where there is a scarcity of agricultural labour existing side by side with significant unemployment.

Table 3

BAHAMAS: VOLUME OF SEAFOOD CAUGHT

	Metric tons				Growth rates			
	1977	1978	1979	1980(a)	1977	1978	1979	1980(a)
Total	1 596	1 679	1 656	2 067	9.9	5.2	-1.4	24.8
Crawfish	450	504	547	493	39.3	12.0	8.5	-9.9
Conch	239	170	224	262	-16.7	-28.9	31.8	17.0
Turtle	33	42	20	23	10.0	27.3	52.4	15.0
Other	874	963	865	1 289	6.3	10.2	-10.2	49.0

Source: Department of Statistics, Bahamas, Agricultural and Fishing Statistics Report, Fourth Quarter, 1977, and data supplied to CEPAL.

(a) Preliminary figures.

Table 4

BAHAMAS: ESTIMATED VALUE OF FARM PRODUCTION

	Millions of Bahamas dollars				Growth rates		
	1977	1978	1979	1980(a)	1978	1979	1980
	Total	18.82	18.71	...	18.63	-0.6	...
Fruit and vegetables	4.73	5.66	...	3.87	19.7	...	...
Dairy products	2.46	2.54	0.47	0.32	3.3	-81.5	-31.9
Meat beef and mutton	0.45	0.37	0.56	0.52	-17.8	51.4	-7.1
Poultry products	11.18	10.14	13.27	13.92	-9.3	30.9	4.9

Source: Data supplied to CEPAL.

(a) Preliminary figures.

Since it is realized that there are inherent problems in dependence on a single economic activity, tourism, a major policy decision of recent years has been to diversify the economy and expand agriculture, part of the rationale being to obtain benefits of inter-sectoral linkages and to reduce expenditure on food imports. This policy has been implemented through a number of strategies, including improvement of the institutional framework, training of manpower, expansion of credit through the Bahamas Development Bank, and increased government expenditure on agricultural activities.

Expenditure by the Government during 1980 in support of agriculture has been estimated at B\$ 6 million, about 28% higher than in 1979.

(ii) *Construction.* The value added in the construction sector represented only about 2.3% of total GDP between 1973 and 1978 (see table 2). The trends of available indicators of construction activity suggest that the sector grew in real terms during 1979 and 1980, with building permits increasing by almost 19% and 23% during 1979 and 1980 respectively, while building starts rose by 16% and almost 1.3% in the same years (see table 5). This growth is mainly attributable to government expenditure, where there has been a rise in outlays on construction activity in recent years, and which was expected to supply further dynamism to this activity in 1980. Projects currently planned or being implemented include a major market plaza, a hospital, educational buildings and other government structures like an airport building and runway, a fishing complex, and roads and other physical infrastructure.

Under the Government's housing construction policy, a large urban redevelopment project is in the early stages of implementation, with financing, both local and international, being assembled. Meanwhile, several building lots and areas for development have been identified and the programme will eventually be extended to islands other than New Providence. This project involves considerable potential for inter-sectoral linkages and domestic employment, and the cement factory, which has experienced difficulties in recent years, would receive a boost from the higher level of activity.

There are several problems which must be overcome if the sector is to perform adequately, among them the shortage of craftsmen, shortage of building materials, inadequate transportation, the prevailing high mortgage rates and scarcity of financing.

(iii) *Tourism.* The total number of visitors to the Bahamas increased by more than 9% in 1980, compared with increases of 5% in 1979 and 23% in 1978. Increases in the most important category (stop-over visitors) were approximately 5% in both 1979 and 1980, and were supplemented by large increases in cruise-ship visitors, especially in 1980 (see table 6). Total expenditure by all visitors was estimated at B\$ 562 million for 1979. Only partial figures are available for expenditure during 1980, but the projections indicate an increase of approximately 15% with respect to 1979. It should be noted that the average hotel room occupancy rate reached a record 83% during 1979. Hotel accommodation also increased during 1980 following initiation during 1979 of a programme to build 2 000 rooms.

Table 5

BAHAMAS: CONSTRUCTION INDICATORS

	1977	1978	1979	1980(a)	Growth rates			
					1977	1978	1979	1980(a)
Building permits								
Number	1 704	1 835	2 182	2 679	9.9	7.7	18.9	22.8
Value (b)	63	65	118	230	14.5	3.2	81.5	94.9
Building starts								
Number	756	953	1 107	1 121	18.7	26.0	16.2	1.3
Value (b)	27	42	71	136	-20.6	55.6	69.0	91.5
Residential building								
Number	600	765	900	...	20.2	27.5	17.6	...
Value (b)	20	29	56	...	11.1	45.0	93.1	...
Commercial and industrial buildings (c)								
Number	150	182	197	...	21.0	21.3	8.2	...
Value (b)	7	13	15	...	-33.2	85.7	15.4	...
Building completions								
Number	489	540	692	733	1.9	10.4	28.1	5.9
Value (b)	19	21	34	34	14.9	10.5	61.9	-

Source: Central Bank of the Bahamas, Quarterly Review, September 1980, and data supplied to CEPAL.

- (a) Preliminary figures.
 (b) Millions of current Bahamas dollars.
 (c) New Providence and Grand Bahama Islands only.

It is clear that tourism makes a major contribution to the restaurant and hotel sector and a somewhat smaller contribution to wholesale and retail trade, transport and communications, finance and miscellaneous services. The level of tourism activities also continued to be the major

Table 6

BAHAMAS: SELECTED DATA ON TOURISM

	1977	1978	1979	1980(a)	Growth rate		
					1978	1979	1980(a)
Total number of visitors (b)(c)	1 318	1 626	1 711	1 873	23.4	5.2	9.5
Stop-over visitors	965	1 176	1 235	1 295	21.9	5.0	4.9
Cruise-ship visitors	353	450	476	578	27.5	5.8	21.4
Average length of stay (d)	7	7	7	7	-	-	-
Total expenditures (e)	412	495	562	...	20.1	13.5	...
Stop-over visitors (e)	395	472	537	...	19.5	13.8	...
Daily expenditure (f)	59	58	63	...	-1.7	8.6	...
Expenditure per visit (f)	409	402	435	...	-1.7	8.2	...
Cruise-ship visitors (e)	17	23	25	...	27.8	10.2	...
Expenditure per visit (f)	50	50	52	...	-	10.4	...
Hotel rooms available (g)	11.4	11.2	11.4	12.0(h)	-2.3	2.1	5.3(h)
Average percentage rate of occupancy (i)	66.6	76.9	83.0	...	15.5	7.9	...

Source: Ministry of Tourism, Bahamas, Annual Report on Tourism, 1979; Tourism Statistics, December 1980, and data supplied to CEPAL.

- (a) Preliminary figures.
 (b) Thousands.
 (c) Excludes transit passengers.
 (d) Days.
 (e) Millions of current Bahamas dollars.
 (f) Current Bahamas dollars.
 (g) Maximum number of licensed rooms in the year, in thousands.
 (h) As of September 1980.
 (i) Occupancy rate for Grand Bahama in 1978 and 1979 = 65.4 and 62.5; Family Islands = 41.6 and 48.1.

influence on other sectors of the Bahamian economy during 1980. Tourism taxes, comprising departure taxes, hotel occupancy taxes and Nassau water tower tax amounted to approximately B\$ 12 million, compared with B\$ 6.3 million in 1978. This figure represents almost 6% of total government tax revenue in 1980. Visitors also make a contribution to import duty revenues through their purchases of imported goods. Government spending on tourism has also grown to an estimated B\$ 18 million in 1980: a 45% rise with respect to 1978. This increased expenditure reflects greater emphasis on marketing because of increased competition for visitors in the context of the economic recession affecting several major developed countries.

It may be noted that efforts are being made to increase tourism in the "family islands", where the greatest potential lies at present. Realization of this objective depends to a large extent on increased transportation facilities. At present, hotel occupancy rates in the family islands are significantly lower than in the two major centres of New Providence and Grand Bahama islands.

3. The external sector

The structural characteristics of the external sector of the Bahamas are quite interesting. With respect to merchandise trade, there is a notable division between petroleum and non-petroleum trade. Balance-of-payments statistics exclude the movement of petroleum into and out of the Bahamas when not destined for local final consumption.³ In 1980, non-oil exports of goods increased by just over 22% to US\$ 200 million. These exports consisted mainly of fish, selected pharmaceutical products, alcohol, crude materials and miscellaneous manufactured goods. On the other hand, imports of goods amounted to US\$ 735 million, an increase of 32%, and consisted mainly of a wide range of foodstuffs and manufactured goods, including nearly all the investment and consumer goods required.

The services account of the balance of payments comprises mainly foreign travel, which includes the expenditure of residents abroad as well as of the 1.8 million visitors now arriving annually. The other major categories of services are: interest, dividends and profits, transportation, and local expenses of offshore companies. It should be noted that the Bahamas is a tax shelter accommodating large numbers of foreign financial enterprises, so that large inflows and outflows of funds occur annually.

Capital account transactions are mainly private sector, long-term capital movements, involving real estate and loan receipts and repayments. The Government and public corporations borrow infrequently in the external market, and since 1975 the debit side of the account has shown the larger annual movements.

The merchandise trade deficit increased sharply in 1980 to US\$ 527 million as the increase in imports continue to exceed the increase in exports (see table 7).⁴ The services account surplus increased substantially in 1980 because of the larger receipts in respect of foreign travel and transportation. During the period, outflows on transportation and the net outflow of interest, dividends and profits were both reduced, while local expenditure of offshore companies (inflows) increased sharply.⁵

Net capital transactions during 1980 improved compared with 1979, with net official capital outflows declining while net private capital inflows increased. At the end of 1980, there was a net increase in foreign exchange reserves of US\$ 17 million to a total of US\$ 98 million, which, however, is the equivalent of less than three months' imports. Following the seasonal pattern of previous years, the level of reserves had declined to some extent by the end of 1980.

³These statistics differ from those published in *External Trade Statistics Report*, Department of Statistics, Bahamas. The petroleum refinery is a foreign subsidiary receiving crude and producing for designated foreign markets, although it is required to supply local consumption requirements.

⁴The figures for 1976-1979 shown in last year's *Economic Survey* have undergone considerable revision.

Table 7

BAHAMAS: BALANCE OF PAYMENTS
(Millions of US dollars)

	1975	1976	1977	1978	1979	1980(a)
Exports of goods and services	586	682	700	820	925	1 108
Goods FOB	116	149	136	146	170	208
Services (b)	470	533	564	674	755	900
Transport and insurance	92	93	80	96	107	130
Travel	313	363	407	490	552	660
Imports of goods and services	475	521	460	627	753	970
Goods FOB	339	384	302	436	556	735
Services (b)	136	137	158	191	197	235
Transport and insurance	40	38	40	57	71	94
Travel	46	44	55	61	54	60
Trade balance	111	161	240	193	172	138
Profits and interest	-58	-65	-46	-84	-87	-90
Profits	-	-	-	-	-	...
Interest	-58	-65	-46	-84	-87	...
Unrequited private transfer payments	-14	-16	-19	-22	-16	-20
Balance on current account	39	80	175	87	69	28
Unrequited official transfer payments	4	5	6	7	12	13
Long-term capital	38	7	39	-25	2	...
Direct investment	49	12	31	-1	8	...
Portfolio investment	-	-	-	-	-	...
Other long-term capital	-11	-5	8	24	-5	...
Official sector (c)	-6	-5	8	-6	-8	...
Loans received	-	-	13	-	1	...
Amortization payments	-5	-5	-5	-6	-8	...
Commercial banks (c)	-	-	-	-	-	...
Loans received	-	-	-	-	-	...
Amortization payments	-	-	-	-	-	...
Other sectors (c)	-5	-	-	-18	2	...
Loans received	12	14	21	11	24	...
Amortization payments	-17	-14	-21	-29	-21	...
Basic balance	81	92	220	69	83	...
Short-term capital	-24	-30	21	2	-24	...
Official sector	-	-	-	-	-	...
Commercial banks	24	-30	21	2	-24	...
Other sectors	-	-	-	-	-	...
Errors and omissions	-53	-68	-221	-78	-44	-24
Counterpart items (d)	2	1	-3	-6	3	...
Global balance	6	-5	17	-13	18	17
Total variation in reserves (- sign indicates an increase)	-6	5	-17	13	-18	-17
Monetary gold	-	-	-	-	-	...
Special Drawing Rights	-	-	-	-	-4	1
IMF reserve position	-	-	-	-	-	-5
Foreign exchange assets	-6	5	-17	13	-14	-13
Other assets	-	-	-	-	-	...
Use made of IMF credit	-	-	-	-	-	-

Source: 1975-1979: International Monetary Fund, *Balance of Payments Yearbook*, (magnetic tape, April 1981); 1980: CEPAL, on the basis of official data.

- (a) Preliminary figures.
 (b) Services also include other official and private transactions.
 (c) In addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.
 (d) Includes counterpart items in respect of monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

4. Prices

The average level of retail prices in the Bahamas⁶ during 1980 was approximately 12% higher than during 1979. Except for 1974 this increase is the largest since computation of the index started, and continues the trend of higher rates of price increases every year.

In 1980, as in 1979, clothing and footwear prices again exerted a major impact on price levels, increasing by nearly 16%. The rise in food prices was more moderate at 11% (see table 8), but the monthly increases in food prices were higher in the latter half of 1980. The transport index, reflecting increases in oil prices also gave a strong upward boost to the overall index.

There are close links between the economies of the Bahamas and the United States of America, so that prices in New Providence are strongly influenced by price trends in the United States, although it is noteworthy that for the second consecutive year the Bahamas has experienced a lower rate of price increases than the United States.

Table 8

BAHAMAS: RETAIL PRICE INDEX (NEW PROVIDENCE ISLAND) (a)

	1977	1978	1979 (b)	1980 (b)
	<u>Variation between annual averages</u>			
Consumer price index	3.1	6.2	9.1	12.1
Food	1.9	8.2	10.9	10.6
	<u>Variation december to december</u>			
Consumer price index	4.6	6.6	11.6	12.1
Food	5.3	8.3	15.0	15.4

Source: Department of Statistics, Bahamas, Retail Price Index, (monthly) and data supplied to CEPAL.

(a) New Providence Island contains some 60 per cent of the total population and attracts more than half the total number of tourists.

(b) Preliminary figures.

5. Monetary and fiscal policies

The money supply in the Bahamas, measured by the narrow concept M_1 , grew at the relatively slow rate of 4% during 1980, compared with a 27% increase in the previous year. This relatively low rate of increase was due to the slow growth (2%) in demand deposits, supplemented by a 12% increase in currency outside banks. It contrasts with the 14% increase in savings deposits and the 31% growth of time deposits (see table 9). Rates of interest on time deposits are several points higher than savings deposits rates, and both increased during 1980. As of September 1980 interest rates on 12-month deposits averaged 8.3% and on savings deposits 6.4%.

Domestic credit expanded during 1980 by 12% to over B\$ 520 million. This increase was entirely accounted for by private sector credit, which grew by 19%, since borrowing from the banking sector by the Government and official financial institutions declined. It should be noted that the bulk of loans to the private sector has been classified as "personal and other local loans" in table 10. Since 1978 the level of borrowing of public utilities has increased substantially, but its share of the total of loans and advances by the commercial banking system is still small. Real estate loans and loans to establishment serving tourists were relatively stable during 1980.

The expansion in credit occurred partly because of the existence of a market for transactions in both foreign and domestic currencies in the Bahamas and the differential interest rates. During

⁵Preliminary data seem to indicate that this trend continued during the fourth quarter of 1980.

⁶Represented by the index for New Providence.

Table 9

BAHAMAS: MONETARY BALANCE

	Millions of Bahamas dollars				Growth rates			
	1977	1978	1979	1980	1977	1978	1979	1980
	<u>Money supply</u>	<u>92</u>	<u>106</u>	<u>136</u>	<u>141</u>	<u>10.3</u>	<u>15.3</u>	<u>27.3</u>	4.4
Currency outside banks	23	26	30	33	13.8	14.3	12.5	12.1
Demand deposits	69	80	106	108	9.1	15.6	32.1	2.3
<u>Factors of expansion</u>	<u>327</u>	<u>361</u>	<u>437</u>	<u>556</u>	<u>4.7</u>	<u>10.3</u>	<u>21.1</u>	<u>27.4</u>
Foreign assets (net)	-68	-72	-27	31	-36.5	-6.1	62.1	...
Domestic credit	395	432	464	525	9.1	9.6	7.2	13.3
Government (net)	82	99	87	79	-8.3	21.3	-12.0	-9.9
Official financial institutions	2	2	8	5	-28.0	22.2	236.4	-39.2
Private sector	311	331	369	441	15.1	6.4	11.5	19.3
<u>Factors of absorption</u>	<u>235</u>	<u>254</u>	<u>301</u>	<u>415</u>	<u>2.7</u>	<u>8.3</u>	<u>18.5</u>	<u>37.7</u>
Quasi money	196	216	246	311	-1.1	10.5	13.7	26.5
Savings deposits	55	67	83	95	11.9	21.8	24.8	14.1
Time deposits	117	123	134	176	5.9	5.7	8.8	31.4
Deposits in foreign currency	18	22	22	34	-43.8	23.2	-3.6	59.1
Due to other local financial institutions	6	4	7	6	-6.2	-34.4	75.0	-18.6
Other items (net)	39	38	55	104	26.9	-2.8	45.8	87.0

Source: Central Bank of the Bahamas, Quarterly Review, September 1980, and data supplied to CEPAL.

Table 10

BAHAMAS: ANALYSIS OF LOANS AND ADVANCES
(As of December each year)

	Millions of Bahamas dollars				Growth rates		
	1977	1978	1979	1980(a)	1978	1979	1980(b)
	<u>Total</u>	<u>306.7</u>	<u>327.8</u>	<u>363.5</u>	<u>401.2</u>	<u>6.9</u>	<u>10.9</u>	15.8
Agriculture	1.2	1.5	2.6	2.7	25.0	73.3	42.1
Manufacturing	12.5	6.7	1.2	0.3	-46.3	-82.1	-99.6
Hotels, clubs, restaurants, etc.	51.1	39.0	38.0	30.6	-23.7	-2.6	-3.6
Trade and commerce	32.3	44.3	50.0	53.7	37.2	12.9	5.9
Utilities (water, electricity and transportation)	7.2	22.4	21.5	34.0	200.1	-4.0	48.5
Building and construction	36.0	35.4	36.6	49.6	-1.7	3.4	14.8
Real estate	35.0	54.5	42.8	54.8	55.7	-21.5	-
Personal and other local loans	131.2	124.0	170.8	175.5	-5.5	37.7	31.7

Source: Central Bank of the Bahamas, Quarterly Review, and data supplied to CEPAL.

(a) Preliminary figures.

(b) September 1979 - September 1980.

the period 1978-1979 loans in Bahamas dollars increased while loans in foreign currency declined. The increase in interest rates in the United States and the Eurodollar market had an upward influence on interest rates in the Bahamas for foreign currency loans, and it therefore became profitable to borrow local currency loans at the lower rates and then lend or invest at the higher rates after converting.

Early in 1980 the Central Bank increased the rediscount rate and got the clearing banks to increase the prime interest rates to 11%. At the same time interest rates on savings deposits and fixed deposits were also increased, but even at 11% the rediscount rate and the prime rates were still below comparable rates in the United States at the time. With the supply of foreign exchange lagging after mid-year, the Government introduced a spread between the buying and selling rates of US dollars, and in November 1980 the Central Bank added a 3% surcharge to the rediscount rate in order to reduce liquidity. While figures have not yet become available, it would appear that towards the end of 1980 the outflow of funds and the rate of increases in domestic credit were being gradually slowed down.

With respect to operations of the Central Government, both income and expenditure are estimated to have increased by more than 20% over the 1979 figure, representing a real increase of around 8% (see table 11). On the other hand, the national debt declined during 1980 as the Government's financial position improved.

Since the Bahamas is a tax haven, there is no income tax and a special régime exists to induce foreign companies to base their headquarters in that country. In the absence of an income tax, main reliance for government revenue is on import duties and to a lesser extent on various indirect taxes, fees for services, etc. Late in 1980 a Business License Act came into effect. All businesses, unless specifically exempted, are now required to secure a license in order to conduct their operations. Preferential treatment is specified in the Act for selected types of business. The amount of the fee payable is calculated on the basis of total gross receipts less costs, which are

Table 11

BAHAMAS: GOVERNMENT REVENUE AND EXPENDITURE

	Millions of Bahamas dollars				Growth rates		
	1977	1978	1979	1980	1978	1979	1980
			(a)	(a)(b)			(c)
1. <u>Recurrent income</u>	140	166	204	219	18.6	22.9	21.7
<u>Tax revenue</u>	119	140	176	176	17.6	25.7	15.0
Import	81	97	119	122	19.8	22.7	18.4
Services	9	11	16	15	22.2	45.5	7.1
Stamps	8	11	14	14	37.5	27.3	7.7
Other	20	21	26	25	5.0	23.8	8.7
Non-tax revenue	21	26	28	43	23.8	7.7	65.4
2. <u>Recurrent expenditures</u>	136	158	179	182	16.2	13.3	20.5
Personal emoluments	80	91	99	104	13.8	8.8	15.6
Goods and services	32	38	48	47	18.8	26.3	30.6
Transfer payments and subsidies	24	28	32	30	16.7	14.3	15.4
3. Saving on current account	4	9	25	37	125.0	177.7	32.1
4. <u>Capital expenditures</u>	24	28	26	28	16.7	-7.1	40.0
Capital formation	9	11	15	13	-42.1	36.4	18.2
Acquisition of assets	-	12	-	-	-	-	-
Other	5	6	11	15	20.0	83.3	50.0
5. <u>Total expenditure</u>	160	186	205	209	16.3	10.2	22.2
Net lending	9	16	7	6	77.7	-56.3	-14.3
Fiscal deficit	-29	-36	-8	4	-24.1	-77.7	191.7
Total national debt	219	233	261	252(d)	6.4	12.0	-3.4

Source: Central Bank of the Bahamas, Quarterly Review, September 1980 and data supplied to CEPAL.

(a) Preliminary figures.

(b) January-November 1980.

(c) January-November 1980 compared with January-November 1979.

(d) Data relate to the period January to September and include contingency liabilities for statutory corporations.

defined in the Act, and varies directly with the size of the business. Licenses expire at the end of the year in which they were granted and must therefore be renewed annually. It is expected that fees accruing under this Act will provide additional revenue of B\$ 4 million annually.

6. Energy

Currently there is no known indication of hydrocarbon resources in the Bahamas. With respect to new and renewable sources of energy, there is abundant sunshine during the greater part of the daylight hour throughout most of the year, and some use is already made of solar energy for the production of salt. There is also considerable wind power potential. As the ocean slopes rapidly off the coast of New Providence Island to depths of 6 000 feet very near to the shore, it has been suggested that it may be possible to locate local thermal energy conversion facilities to utilize this potential source of energy. At present, however, energy resources in the Bahamas consist mainly of imported petroleum products.

There are both a petroleum refinery and a petroleum transshipment terminal in the Bahamas. The refinery imports crude specifically for refining for its overseas-based parent company, but the company is obliged to provide for local needs from its production. Petroleum products are used for generating electricity, for bunkering, for air, sea and land transport, and for commercial, industrial and household purposes.

A distinction has to be made between crude petroleum entering the country for refining or transshipment and that used to refine products for local consumption, the latter being considered here as imports into the local economy. The value of such imports of petroleum products has moved from about US\$ 129 million in 1975 to approximately US\$ 228 million in the first nine months of 1980: a 91% increase over the figure for the comparable period in 1979. This increase was entirely due to price rises, as the volume of imported petroleum products was 3% lower in 1980. The increased use of petroleum products in recent years is reflected partly in the rise of approximately 39% in the production of electricity between 1976 and 1979 (see table 12). The installed capacity of electricity generation establishments increased in 1980 by just over 60 MW, a rise of about 20%, and electricity generation is estimated to have grown in a similar proportion.

Table 12

BAHAMAS: INSTALLED CAPACITY AND PRODUCTION OF ELECTRICITY (a)

	Public	Industrial	Total(b)
	<u>Installed capacity</u> (Thousands of KW)		
1976	250.2	...	...
1977	248.2	49.6(c)	297.8
1978	245.5	49.5	295.4
1979	260.2	49.9	310.1
1980	...	...	371.6(d)
	<u>Production</u> (Millions of 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	...	...	...

Source: Bahamas Ministry of Works and Utilities, Annual Report (several issues).

(a) Total and public production exclude some generation at government installations on Family Islands - 0.5 MW of capacity in 1978.

(b) Only thermal electricity is produced.

(c) Cement plant out of operation most of year.

(d) Preliminary figures.

Between 1972-1980, retail prices of selected petroleum products have increased at a slower rate than the international price of crude petroleum. For example, diesel oil prices increased by almost three times, the price of domestic kerosene increased by 150%, and the price of gasoline and liquefied gas increased by only about 112%. The Government has therefore not passed on the full increase in oil prices to consumers.

Rapidly increasing prices have not dampened energy demand in the Bahamas in recent years. Except in the immediate post-1974 period, consumption and imports of petroleum products have continued on an upward trend following the growth in economic activity. The country has absorbed reasonably well the increases in price of oil and other commodities, and it would appear that some degree of accommodation (not to say equilibrium) has been found to the higher prevailing levels of oil and other prices.

In 1979 the Bahamas seemed in a relatively better position than in previous years, since in that year, for example, petroleum imports were only 3% higher than domestic exports, but the position worsened in 1980, and petroleum imports have advanced to approximately 40% of total (local) imports and to 1.46 times domestic exports during 1980.