

UNITED NATIONS  
ECONOMIC  
AND  
SOCIAL COUNCIL



Distr.  
LIMITED  
E/CEPAL/L.268/Add.13  
October 1982  
ORIGINAL: ENGLISH

---

CEPAL

Economic Commission for Latin America

ECONOMIC SURVEY  
OF LATIN AMERICA

1981

BAHAMAS

This preliminary version of the *Economic Survey of Latin America, 1981* is being distributed in the form of a general introduction, under the symbol E/CEPAL/L.268, and a number of addenda, each containing a study of the economic evolution of a country of the region. These studies will not be published in alphabetical order, but in order of completion.

The final version of the complete *Survey* will be published once the observations regarding this preliminary version have been received.

### Notes and explanation of symbols

The following symbols have been used in the tables in this Survey:

Three dots (...) indicate that data are not available or are not separately reported.

A dash (—) indicates that the amounts is nil or negligible.

A blank space in a table means that the item in question is not applicable.

A minus sign (-) indicates a deficit or decrease, unless otherwise indicated.

A full stop (.) is used to indicate decimals.

A slash (/) indicates a crop year or fiscal year, e.g., 1969/1970.

Use of a hyphen (-) between years, e.g., 1960-1970, signifies an annual average for the calendar years involved, including the beginning and the end years.

References to "tons" mean metric tons, and to "dollars" United States dollars, unless otherwise stated.

Unless otherwise stated, references to annual growth rates or rates of variation mean cumulative annual rates.

Figures and percentages in tables may not necessarily add up to the corresponding totals, because of rounding.

## BAHAMAS

### 1. Recent economic trends: Introduction and summary

Official GDP estimates have not been published since the preliminary estimates for the years 1973-1979<sup>1</sup> were calculated (see table 1). Indicators of economic activity for 1980 and 1981 are very incomplete both in scope and coverage, and as a result quantification of changes in the level of overall activity has not been possible. However, the indications are that there was real growth during 1980, while some growth also appears to have taken place during 1981 but at a significantly reduced rate. Increased activity in agriculture and capital inflows into construction made the main positive contributions during the latter year.

The agricultural GDP is estimated to have risen as a result of increases in the livestock subsector, particularly poultry production. Fisheries output appeared to have declined but fruit, vegetables and rootcrops at least maintained their combined level of output. Significant infrastructural changes were in progress during 1981 and the various programmes appear already to have made a positive impact on the sector. Available data suggest relatively small growth in the construction sector during the year, the main contribution being from the erection of new manufacturing and commercial structures (including hotels) and government construction activities.

Tourism, which is still the dominant sector in the Bahamian economy, declined after several years of increase. The growth rate of this sector had already been declining since 1979 with the general economic weakness in the economies of many industrialized countries. Tourism seems to be facing several problems but there is an obvious air of confidence that the situation will improve, as exemplified by the intensified promotion and hotel construction activities underway.

Data for recent years are scarce in respect of the productive sectors other than agriculture, but it appears that some subsectors such as building materials and quarrying have experienced difficulties. The petroleum refinery, an offshore company, continued to make positive contributions to the economy, but throughput appears to have declined in 1981 because of the reduced world market demand for petroleum products. Increases in manufacturing production are expected to be achieved during 1982 when establishments under construction during 1981 come on stream. Major institutional changes are in progress as part of a programme to further stimulate these sectors.

Double-digit price increases continued during 1981, and at 11% they were only one percentage point below the 1980 level. In the context of current world inflation, however, these levels must be considered as moderate. Contributing to lower prices was the relatively modest 5% increase in the money supply. Interest rates paid by banks for savings and time deposits have increased, apparently providing the stimulus for the growth observed in these deposits. Rates charged on loans rose at a slower pace, but loans and advances to private borrowers nevertheless did not increase much during 1981. Government transactions must also be considered somewhat anti-inflationary in 1981, as a surplus was generated. Government borrowing increased during the year, most of the loans coming from external sources, but even so the external debt as of September 1981 stood at only Bhs\$ 48 million<sup>2</sup> and was thus still quite small compared with the total national debt at the same date of Bhs\$ 285 million.

<sup>1</sup>The estimates appearing in the *National Accounts Manual* published by the Department of Statistics of the Bahamas are considered to be very tentative, especially at the sectoral level, and as such should be considered as merely indicative and used with appropriate caution. A revision exercise is currently underway.

<sup>2</sup>The Bahamas dollar is at par with the U.S. dollar.

Table 1  
**BAHAMAS: MAIN ECONOMIC INDICATORS**

	1976	1977	1978	1979	1980	1981 <sup>a</sup>
<b>A. Basic economic indicators</b>						
Gross domestic product at current factor cost (millions of Bahamas dollars <sup>b</sup> )	799	851	960	1 074	...	...
Population (thousands of inhabitants)	210	217	225	224	235	...
Per capita GDP (current Bahamas dollars)	3 805	3 922	4 267	4 795	...	...
<b>Growth rates</b>						
<b>B. Short-run economic indicators</b>						
Gross domestic product at current prices	8.9	6.5	12.8	11.8	...	...
Per capita GDP at current prices	3.7	3.1	8.8	12.3	...	...
Current value of exports of goods and services	16.0	2.6	17.1	12.9	23.5	-0.1
Current value of imports of goods and services	10.1	5.1	19.2	20.2	31.7	2.2
Consumer price index <sup>c</sup>						
December-December	3.2	4.6	6.6	11.6	12.1	8.3
Variation between annual averages	3.6	3.1	6.2	9.1	12.1	11.1
Money	5.2	10.3	15.3	27.3	5.6	4.8 <sup>e</sup>
Current income of government	12.7	3.8	18.6	23.2	20.8	18.2 <sup>e</sup>
Fiscal deficit/total expenditure of government <sup>d</sup>	14.2	18.1	17.7	3.9	3.2	11.5 <sup>f</sup>
<b>Millions of US dollars</b>						
<b>C. External sector</b>						
Trade balance (goods and services)	157	148	162	135	102	78
Balance on current account	63	54	26	-7	-32	-75
Variation in net international reserves (- sign indicates an increase)	6	-20	9	-19	-14	-8
Total international reserves (minus gold)	47.4	67.1	58.1	77.5	92.1	99.8

Source: IMF, International Financial Statistics, February 1982, and official data supplied to CEPAL.

<sup>a</sup> Preliminary figures

<sup>b</sup> Bhs 1.00 = US\$ 1.00

<sup>c</sup> New Providence island only

<sup>d</sup> Percentage.

<sup>e</sup> January-September 1981 with respect to the same period in 1980.

<sup>f</sup> January-September 1981.

The external sector is predominant in the Bahamas. Over the last five years a balance-of-payments surplus, though small, has been achieved in all except 1976 and 1978, since the large merchandise trade deficits have been offset by large net inflows from tourism and, in some years, from foreign capital transactions. The year 1981 was no exception, the only special features being a large surge in foreign private capital inflows and a small, though much larger than usual, increase in net official inflows. At the end of the year international reserves totalled approximately Bhs 100 million.

No new lines of policy were initiated during 1981 and efforts were concentrated on execution of programmes previously outlined. Government programmes were directed towards the strengthening and diversification of the economy, the acceleration of economic growth and provision for the material needs of all the people. Emphasis continues to be placed on tourism, agriculture, construction, manufacturing and petroleum exploration.

## 2. Trends in economic activity

(a) *Growth of the main sectors*

(i) *Agriculture.* Sectoral GDP data are not available after 1978, in which year the contribution of agriculture was estimated on a preliminary basis at Bhs\$ 42 million in current prices, or just over 4% of total GDP.

Preliminary information up to 1980 suggests that the share of agriculture may have increased since 1978. The performance in 1981, to judge from the available indicators, seems to have been mixed. There appears to have been an increase in the sectoral GDP in terms of current values, but this resulted mainly from price increases and there was little growth in real terms.

The fisheries subsector continued to be the most prominent during 1981 but its contribution in real terms may have been slightly lower than in 1980, since one of the major indicators—the value of total landings of marine products at Nassau (the capital)—declined by about 3% in terms of volume (see table 2). The volume of the high-priced crawfish was affected most, but this was partly compensated by price increases of all fish and increases in volume of landings of some varieties. No data are available for exports of fish, not all of which are landed at Nassau.

Table 2

## BAHAMAS: VOLUME OF MARINE PRODUCT LANDED

	Metric tons				Growth rates			
	1978	1979	1980	1981 <sup>a</sup>	1978	1979	1980	1981 <sup>a</sup>
Crawfish	504	547	493	273	12.0	8.5	-9.9	-44.6
Conch	170	224	262	353	-28.9	31.8	17.0	34.7
Turtle	42	20	23	19	27.3	-52.4	15.0	17.4
Other	963	865	1 289	1 367	10.2	-10.2	49.0	6.1
Total	1 679	1 656	2 067	2 012	5.2	-1.4	24.8	2.7

Source: Data supplied to CEPAL.

<sup>a</sup>Preliminary figures.

The livestock subsector, the second largest in agriculture, appears to have improved slightly in real terms compared with 1980 and to have offset somewhat the lower output of fishing. This resulted mainly from increases in cattle slaughtering and poultry production (see table 3) although it is reported that the poultry industry, despite its better performance than the year before, was affected by dumping of United States poultry products on the local market.

The fruit and vegetables and forestry subsectors are relatively small, together accounting for less than 10% of the sector. Indicators are not available for forestry for recent years, but there are some indications that production of fruit and vegetables may have been higher in 1981 than in 1980.

The agricultural sector continued to be beset by problems of production and marketing during the period under review. In a drive to solve these problems the Government has embarked on a programme to establish a Bhs\$ 125 million industry in 10 years. The objective is to increase foreign exchange earnings from agriculture, provide significant employment and develop links between agriculture and industry. One of the major initiatives is the establishment of the Agricultural and Industrial Corporation. Through this corporation increased credit is to be made available, and the Government is prepared to participate in joint-venture arrangements with private companies to establish large-scale farming enterprises.

A number of agricultural projects have been prepared and implementation of some has already begun. Among these projects are construction of a modern fishing complex, upgrading of

Table 3

## BAHAMAS: ESTIMATED VALUE OF FARM PRODUCTION

	Millions of Bahamas dollars				Growth rates		
	1978	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>a</sup>
Fruit and vegetables	5.66	3.30	3.87	...	-41.7	17.3	...
Dairy products	2.54	0.43	0.47	0.55	-83.1	9.3	17.0
Meat (beef and mutton)	0.37	0.55	0.52	0.72	48.7	-5.5	38.5
Poultry products	10.14	13.24	15.38	19.62	30.6	16.2	27.6
<b>Total</b>	<b>18.71</b>	<b>17.52</b>	<b>20.24</b>	...	<b>-6.4</b>	<b>15.5</b>	...

Source: Data supplied to CEPAL.

<sup>a</sup>Preliminary figures.

the government abattoir, construction of a new wholesale produce exchange and the establishment of a sheep project, designed to provide improved technology and expertise to enable the traditional sheep-farming areas to increase production. The Government also plans to re-acquire lands that had been leased for farming but which are not being effectively used.

During 1981 an improved produce marketing system was introduced and it appears that more fruit, vegetables and rootcrops entered the produce exchange. Better transportation facilities—larger and faster ships and increased refrigerated cargo space—have also made a contribution. Work on the fishery complex has begun and should be completed by the end of 1982. This modern facility is expected to contribute significantly to exploiting the rich fishing areas in the archipelago.

Preliminary figures indicate that government expenditure on agriculture increased by 8% in the period January to September 1981, compared with the corresponding period of the previous year. Outstanding loans and advances to the agricultural sector by commercial banks at the end of September 1981 still came to a relatively small total, but this was more than double the amount outstanding at the end of the same period in 1980.

(ii) *Tourism*. The tourist industry continued to be the main contributor to the Bahamian economy during 1981 despite the decline in total visitor arrivals and expenditure. Visitor arrivals have increased every year since 1978 and peaked in 1980 when nearly 1.9 million visitors arrived (including 1.3 million "stopover" visitors). Comparison of definitive data for January to September 1981 with those for the corresponding period in 1980 shows that total tourist arrivals declined by 5%, while a decrease of 11% was recorded for "stopover" visitors (see table 4). Cruise-ship arrivals increased by nearly 10% up to September 1981, but the full-year increase is estimated to have been lower than in 1980. For the year as a whole the total number of visitors is estimated to have declined by more than 4%. However, tourist expenditure for the full year 1981 increased from the Bhs\$ 596 million of 1980 to Bhs\$ 639 million because of the increase in average length of stay and higher prices.

Major problems which have confronted the tourist industry and resulted in the decline on the number of visitors include: (i) the significant increase in vacation costs to non-United States visitors due to the recent steady appreciation of the US dollar; (ii) the air traffic controllers' strike in the United States, which resulted in a reported reduction of 25% in flights to the Bahamas; (iii) adverse criticisms in the local and overseas press regarding the Government's land and development policies, the hallucinogenic drug problem and the inconvenience caused by the frequent electricity blackouts during 1981; (iv) inflation and the slower pace of economic activity in the United States and other major markets; and (v) intense competition by other countries for the scarcer tourist dollar.

The Government has proposed the implementation of several measures in a strategy to revive the tourism industry, and a ten-year development plan for tourism has been prepared. A major objective of the strategy is to increase the domestic content of the sector. During 1980,

according to available data on expenditure, the government spent some Bh\$ 20 million on monitoring, researching, servicing and promoting tourism. The figure for 1981 is estimated to be only slightly higher, but for 1982 planned expenditure of Bh\$ 23 million was requested in the Government's budget plan. These figures indicate the continued confidence being placed in this sector in developmental activities.

Table 4

## BAHAMAS: SELECTED TOURISM INDICATORS

	1978	1979	1980	1981 <sup>ab</sup>	Growth rates		
					1979	1980	1981 <sup>c</sup>
Total number of visitors <sup>de</sup>	1 627	1 711	1 872	1 371	5.2	9.4	-4.9
Stopover visitors	1 177	1 235	1 295	900	4.9	4.9	-11.1
Cruise-ship visitors	450	476	577	471	5.8	21.2	9.8
Average length of stay of stopover visitors	7	7	7	7	-	1.4	1.4
Total expenditure <sup>e</sup>	495	562	596	...	13.5	6.0	...
Stopover visitors <sup>e</sup>	472	537	564	...	13.6	5.0	...
Expenditure per day <sup>h</sup>	58	63	63	...	8.5	0.5	...
Expenditure per visit <sup>h</sup>	402	435	435	...	8.2	0.1	...
Cruise-ship visitors <sup>e</sup>	23	25	32	...	10.2	28.2	...
Expenditure per visit <sup>h</sup>	50	52	55	...	4.0	5.8	...
Hotel rooms available	11 175	11 411	11 427	...	2.1	0.1	...
Average hotel room occupancy rate <sup>i</sup>	76.9	83.0	75.4	...	7.9	-9.2	...

Source: Ministry of Tourism, Bahamas, *Annual Report on Tourism, 1979* and *Bahamas Tourism Statistics, september 1981*, and data supplied to CEPAL.

<sup>a</sup> Preliminary figures.

<sup>b</sup> January-September.

<sup>c</sup> January-September 1981 with respect to same period in 1980.

<sup>d</sup> Thousands.

<sup>e</sup> Excludes tourists in transit.

<sup>f</sup> Days.

<sup>g</sup> Millions of dollars.

<sup>h</sup> Current dollars.

<sup>i</sup> Occupancy rates for Grand Bahama in 1978 and 1979 were 65.4 and 62.5% and for the Family Islands 41.6 and 48.1%.

To this end, promotion of tourism is being intensified and an additional allocation of Bh\$ 3 million has been provided for this purpose in the 1982 budget. Scheduled and charter airline services from the United States and Europe are to be increased and additional cruise lines induced to stop in the Bahamas. New resort developments and major infrastructural improvements are being carried out by private investors and the Government, and at the end of 1981 some 1 700 new hotel rooms were either under construction or at a very advanced stage of planning.

(iii) *Construction.* Available indicators point to very slight growth in this sector during 1981. As noted elsewhere, hotel construction increased and Government construction appeared to have given the major boost during the year. However, part-year data on building construction appear inconclusive and loans and advances to the construction sector show declines.

With respect to building construction, the value of building starts and completions increased during the first half of the year compared with the same period of 1980. The value of commercial building starts (mainly hotels) increased significantly and offset the 21% decline in residential building starts (see table 5). The decline in the number of building permits issued, in commercial building starts and in the number of completions, contrasting with the large value of commercial buildings in progress, reflects the large-scale projects underway. These projects include a 750 room

Table 5

## BAHAMAS: CONSTRUCTION INDICATORS

	1978	1979	1980 <sup>a</sup>	1981 <sup>ab</sup>	Growth rates			
					1978	1979	1980	1981 <sup>ac</sup>
Building permits issued								
Number	1 835	2 182	2 279	933	7.7	18.9	4.5	-17.4
Value <sup>d</sup>	65	118	230	54	3.2	81.5	94.9	-63.0
Building starts								
Number	953	1 107	1 121	569	26.1	16.2	1.3	-3.7
Value <sup>d</sup>	42	72	136	82	55.6	71.4	88.9	30.2
Residential building starts								
Number	765	900	913	484	27.5	17.6	1.4	0.2
Value <sup>d</sup>	29	56	55	23	45.0	93.1	-1.8	-20.7
Commercial and industrial building starts <sup>e</sup>								
Number	182	197	196	85	21.3	8.2	0.5	-21.3
Value <sup>d</sup>	13	15	80	60	85.7	15.4	433.3	76.5
Building completions								
Number	540	692	733	333	10.4	28.1	5.9	-2.1
Value <sup>d</sup>	21	34	39	18	10.5	61.9	14.7	5.9

Source: Central Bank of the Bahamas, *Quarterly Review*, September 1981, Vol. 8, No 3, December 1981.

<sup>a</sup> Preliminary figures.

<sup>b</sup> January-June.

<sup>c</sup> January-June 1981 with respect to same period in 1980.

<sup>d</sup> Millions of current dollars.

<sup>e</sup> New Providence and Grand Bahama Islands only.

hotel in New Providence, a 200 room hotel in Freeport and a total of 100 hotel rooms in the "family islands", as well as two large chemical plants and several government educational facilities.

Despite the overall reduction in residential building starts, construction on government housing projects was very active during the year and work was begun on lower-income housing schemes, both to build new houses and to repair and upgrade housing and related facilities in certain poorer communities. Persons who could not meet the normal commercial loan eligibility criteria and terms of repayment are being assisted with loans, loan guarantees at more favourable rates of interest and other concessions. The Government also increased its expenditure on infrastructural construction activities, as reflected in the expenditure data for public works and water supply. The sum of current and capital expenditures in this category increased 33% in 1980 and 10% in 1981. The approved budget for public works and water supply in 1981 was Bhs\$ 24 million, out of which 58% represented capital expenditure. Up to September, 77% of the total had already been spent.

Data on loans and advances by commercial banks show declines for building construction and real estate in 1981, following increases in 1980, and reflect the situation as regards private building activity mentioned above. Mortgage interest rates increased on average by only about 0.25% points during the first three quarters of 1981. It is not clear whether this increase had much impact on the decisions of many private individuals to build.

(iv) *Mining and manufacturing.* Reliable GDP data are not available, but on the basis of the preliminary estimates for 1978 this sector appears to have accounted for less than 5% of total GDP. Indications are that the share of the sector has remained at about the same level in recent years.

Mining activity consists mainly of salt and aragonite production and the quarrying of construction materials. Manufacturing covers a wider range of goods, of which petroleum products are the most significant. The remaining activities are really light industries except for a small

volume of metal products and building materials (including cement). Important product groups are food and beverages and printing and publishing.

Volume of output in manufacturing, other than petroleum, appears to have increased slightly in 1981. The increased fixed capital formation recorded during the year which includes two chemical plants, should result in higher manufacturing output during 1982. Prospects for the near future include a brewery and factories manufacturing PVC pipes, clothing, leather, jewellery and plastics. These new enterprises were registered under the New Industries Encouragement Act of 1981. Further encouragement to industry is expected from the merging of the Bahamas Development Corporation and the Bahamas Agricultural Corporation. The "new" corporation will promote the establishment of industrial and agricultural enterprises. In addition, a private sector initiative has been launched in the form of a development foundation to assist in setting up small-scale manufacturing establishments.

(v) *Energy.* Data are not available on petroleum refining. This is essentially an off-shore operation which, however, is required by law to meet domestic consumption requirements. Indications are that refinery throughput declined in 1981. Oil imports (petroleum products for local consumption and for foreign bunkers) declined in 1980 in terms of volume while prices increased substantially.

Data for the period January-September 1981 as compared with the same period of the year before show that the value of petroleum products imported for local consumption declined by 13% to Bhs\$ 201 million owing to a decrease in volume. This decline is consistent with the slowing-down of economic growth during 1981 and the higher energy conservation consciousness (see table 6).

Table 6

## BAHAMAS: OIL IMPORTS FOR LOCAL CONSUMPTION

(Thousands of barrels and million of dollars)

	1978	1979	1980	1981 <sup>a</sup>	Growth rates		
					1979	1980	1981 <sup>b</sup>
Total local consumption							
Volume	8 932	9 592	8 257	5 661	7.4	-13.9	-12.7
Value	129	178	299	201	38.0	67.7	-12.8
Total domestic consumption							
Volume	3 495	4 012	3 684	2 312	14.8	-8.2	17.4
Value	55	94	127	91	71.3	34.9	-3.1
Foreign bunkers							
Volume	5 437	5 580	4 573	3 349	2.6	-18.0	-9.2
Value	74	84	172	110	13.2	104.8	-19.4

Source: Central Bank of the Bahamas, *Quarterly Review*, September 1981, Vol. 8, No 3.

<sup>a</sup>January-September.

<sup>b</sup>January-September 1981 with respect to same period in 1980.

Domestic prices of petroleum products remained relatively stable, reflecting more moderate international price increases during 1981. Local production of LPG reportedly decreased during the year and some imports were necessary to meet local demand. Despite the moderate price increases and the decrease in volume, oil imports for local consumption accounted for an estimated 35% of total imports (see table 7).

As a result of the heavy burden that petroleum imports represent, the Government has embarked on a programme of oil exploration which is gaining momentum. Some traces of oil and gas had been found in the past, and activities were accelerated in 1981. At least two major oil companies are involved in preliminary exploration, and permits to conduct seismic surveys have been issued. Some 8 500 line kilometres were under seismic survey during 1981. Several proposals

Table 7

## BAHAMAS: RATIOS OF SELECTED AGGREGATES

	1975	1979	1980	1981 <sup>a</sup>
Petroleum imports <sup>b</sup> /total imports <sup>b</sup>	0.354	0.318	0.358	0.346
Petroleum imports <sup>b</sup> /domestic exports	1.114	1.034	1.491	1.466
Petroleum imports <sup>b</sup> /GDP	0.172	0.163	...	...
Total foreign currency debt/GDP	0.085	0.050	...	...
Total foreign currency debt/domestic exports	0.551	0.316	0.203	0.662
Petroleum imports and foreign currency debt/ domestic exports and net total receipts	0.505	0.345	0.476	0.594

Source: Calculated from official data.

<sup>a</sup>January-September.

<sup>b</sup>Excludes petroleum imports not for local consumption.

were placed before the Government during the year, and it is anticipated that exploration will increase during 1982 as the second phase of activity — the granting of exploration licences to companies which satisfy government requirements — gets underway.

On the institutional side a small unit in the Ministry of Economic Affairs, with the aid of consultants, is responsible for monitoring, and regulating the petroleum exploration activities. It is expected that soon the Bahamas will accede to the San José Accord and thus be eligible to benefit from the Mexico/Venezuela Oil Facility.

Data on electricity generation for the entire Bahamas are available only up to 1979. Part-year preliminary data, covering New Providence only, show that up to the end of the third quarter of 1981 electricity generation was at a lower rate than in the year before, reflecting the slowing-down of the rate of growth of the economy (see table 8).

During 1981 a small energy unit was established in the Ministry of Works with responsibility for all areas of energy except petroleum (electricity generation and distribution were already in the

Table 8

BAHAMAS: INSTALLED CAPACITY AND PRODUCTION OF ELECTRICITY<sup>ab</sup>

	Public	Industrial	Total
	<b>Installed capacity</b> (thousands of kW)		
1977	248.2	49.6 <sup>c</sup>	297.8
1978	245.5	49.5	295.4
1979	260.2	49.9	310.1
1980	...	...	371.6
	<b>Production</b> (millions of kWh)		
1977	641.2	57.8 <sup>c</sup>	699.0
1978	692.6	94.9	787.5
1979	735.7	92.9	828.6
1980	...	...	...

Source: Ministry of Works and Utilities, *Annual Report* (several issues) and data supplied to CEPAL.

<sup>a</sup>Total and public production exclude some generation at government installations on Family Islands - 0.5 MW of capacity in 1978.

<sup>b</sup>Only thermal electricity is produced.

<sup>c</sup>Cement plant out of operation most of the year.

portfolio of this Ministry). Current and near-future initiatives include the utilization of photovoltaic cells for shallow-well pumping and in telecommunications; gasification of wood to generate electricity for water pumping; development of plastic solar water heaters; and the execution of energy audits and energy assessments.

### 3. The external sector

The Bahamas is an extremely open economy with great dependence on tourism and on "off-shore" companies operating mostly in the field of banking and finance but also in the goods-producing sector. The foreign dependency is also reflected in the relatively large imports and exports of merchandise. Gross receipts from tourism were 50% of estimated GDP in 1978. On the basis of crude estimates, this share apparently increased in 1980, but decreased in 1981. Imports (excluding the off-shore petroleum trade) accounted for roughly 50% of GDP in 1978 but appeared to have increased after that, while total exports (excluding the off-shore petroleum trade) accounted for only 15% of GDP in 1978 but seem to have increased their share since then. Obviously the coefficients are significantly higher when off-shore petroleum imports and exports are included. The earnings accruing to the domestic economy from these off-shore companies include wages, fees, licenses, local purchases, etc.

The balance of payments has shown a small surplus in every year except 1976 and 1978, but the surplus for 1981 is expected to be much lower than the Bh\$ 42 million provisional figure estimated at the end of the third quarter, reflecting the slowing down of economic activity.

As indicated above, merchandise trade dominates the external accounts. In the period under review, imports came to some Bh\$ 783 million and exports only to Bh\$ 176 million, resulting in a large deficit of some Bh\$ 600 million which represents an increase of almost 2% with respect to 1980 (see table 9).

This occurred because the goods-producing sectors did not increase activities to any great extent during the year, while exports have been declining. One major export company was phasing out activities as early as the first quarter of the year. On the other hand, while imports also declined slightly during the first nine months of 1981 compared with the same period in 1980, it is expected that fourth quarter imports, boosted by demand for construction materials for hotel and other building activity, will add significantly to the total import bill.

For 1981 a decline of 2% was recorded in the surplus on the services account (excluding payments of profits and interest). This was partly due to lower receipts from transportation and insurance. Net travel earnings, on the other hand, increased by 6% although total tourist arrivals declined. The current account deficit thus came to Bh\$ 75 million, which was the largest amount for the last three years.

Net capital transactions have been relatively small in recent years except in 1977, when there was a deficit of some Bh\$ 70 million under this heading. Since 1979, however, surpluses have been recorded, the positive balance for 1981 being Bh\$ 81 million. This was mainly because of a large inflow of long-term loans. Real estate transactions and loans comprise the bulk of private long-term capital transactions. There were some fears that the adoption of the Acquisition of Immovable Property Act would affect property sales to foreigners, but during most of 1981 the value of property sales compared favourably with sales in 1980. The capital account was strongly supported by short-term capital inflows to the Bahamas, which were fairly substantial during the first nine months of 1981. Government foreign borrowing had been low during the last five years, but as a result of the expansion of hotel facilities official loan receipts were higher during 1981. At the end of 1980 total reserves stood at Bh\$ 92 million and preliminary figures indicate a Bh\$ 8 million increase as of the end of 1981 to approximately Bh\$ 100 million.

Table 9

## BAHAMAS: BALANCE OF PAYMENTS

(Millions of US dollars)

	1975	1976	1977	1978	1979	1980	1981 <sup>a</sup>
Exports of goods and services	588	682	700	820	926	1 144	1 143
Goods FOB	117	149	136	146	170	201	176
Services <sup>b</sup>	471	533	564	674	755	943	966
Transport and insurance	92	93	80	96	107	204	184
Travel	314	363	407	489	552	595	639
Imports of goods and services	477	525	552	658	791	1 042	1 065
Goods FOB	341	388	387	465	590	797	783
Services <sup>b</sup>	136	137	165	194	201	246	282
Transport and insurance	40	38	46	59	74	76	83
Travel	46	44	54	61	53	71	84
Trade balance (goods)	-223	-239	-251	-318	-419	-596	-607
Trade balance (goods and services)	111	157	148	162	135	102	78
Net payments of profits and interest on foreign capital	-58	-77	-75	-114	-125	-114	-139
Profits	-	-	-	-	-	-	-
Interest	125	5	4	7	11	13	17
Net private transfer payments	-15	-17	-19	-22	-16	-20	-14
Balance on current account	38	63	54	26	-7	-32	-75
Net external financing:							
Long-term capital	38	7	39	-25	4	10	141
Direct investment	49	12	31	-1	10	4	34
Portfolio investment	-	-	-	-	-	-	-
Other long-term capital	-11	-5	8	-24	-5	6	107
Official sector <sup>c</sup>	-6	-5	8	-6	-8	-8	31
Loans received	-	-	13	1	1	-	38
Amortization payments	-6	-5	-5	-7	-8	-8	-7
Commercial banks <sup>c</sup>	-	-	-	-	-	-	-
Loans received	-	-	-	-	-	-	-
Amortization payments	-	-	-	-	-	-	-
Other sectors	-6	-	-	-18	2	14	76
Loans received	12	14	21	11	24	52	100
Amortization payments	-17	-14	-22	-29	-21	-38	-24
Official transfer payments	5	5	5	7	12	18	11
Basic balance	81	75	99	8	9	-4	77
Short-term capital	-24	-13	10	1	-25	-3	-
Official sector	-	-	-	-	-	-	-
Commercial banks	-24	-13	-10	1	-25	-3	-
Other sectors	-	-	-	-	-	-	-
Errors and omissions (net)	-54	-68	-90	-18	31	17	-71
Balance on capital account	-35	-69	-35	-35	22	43	81
Global balance <sup>d</sup>	4	-6	20	-9	15	11	6
Variation in international reserves <sup>d</sup>	-3	6	-20	9	-19	-14	-8
(- sign indicates an increase)							
Monetary gold	-	-	-	-	-	-	-
Special Drawing Rights	-	-	-	-	-4	1	-4
IMF reserve position	-	-	-	-	-	-5	4
Foreign exchange assets	-4	6	-19	9	-15	-11	-8
Other assets	-	-	-	-	-	-	-
Use made of IMF credit	-	-	-	-	-	-	-

Source: CEPAL, on the basis of official information.

<sup>a</sup> Preliminary figures.<sup>b</sup> Services also include other official and private transactions but not profits and interest.<sup>c</sup> In addition to loans received and amortization payments made, this entry includes net loans granted and other assets and liabilities.<sup>d</sup> Difference between global balance and variation in international reserves includes monetization or demonetization of gold, allocation or settlement of Special Drawing Rights, and variations due to revaluation.

## 4. Prices

The general price level, as measured by the annual averages of the Retail Price Index for new Providence Island, rose by 11% in 1981 (see table 10). Mainly responsible for this increase were higher prices of food, health and personal care, recreation and reading and miscellaneous goods and services.

The rate of inflation was somewhat lower in 1981, partly as the result of an abatement in the rate of increase in the price of petroleum and petroleum products. Evidence of this can be seen in the transport section of the index, where the rate of increase was only 6% in 1981 compared with nearly 12% the year before.

Table 10

BAHAMAS: EVOLUTION OF DOMESTIC PRICES<sup>a</sup>

	1978	1979	1980	1981
<b>Annual average variations</b>				
Consumer price index	6.2	9.1	12.1	11.1
Food	8.2	10.9	15.1	14.8
Housing	3.1	6.5	9.5	8.1
Clothing and footwear	6.2	12.5	15.5	8.2
Health and personal care	6.1	7.6	9.2	10.6
<b>December to december variations</b>				
Consumer price index	6.6	11.6	12.1	8.3
Food	8.3	15.0	15.4	12.1
Housing	4.8	6.9	10.4	6.1
Clothing and footwear	8.5	16.8	12.1	5.1
Health and personal care	8.3	7.0	12.4	7.8

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

<sup>a</sup>New Providence Island contains some 60% of the total population and attracts more than half the total number of tourists.

## 5. Monetary and fiscal policy

(a) *Monetary policy*

Full-year data are not available for 1981. In 1980, however, the money supply had grown relatively slowly, following periods of substantial growth between 1975 and 1979, when economic activity was more buoyant.

In 1980 money supply increased by 5.6% and for the year ending September 1981 the increase in the money supply was nearly 5% compared with 5.6% for the whole of 1980 (see table 11). Of the total narrow money supply ( $M_1$ ) of approximately Bhs\$ 150 million as of 30 September 1981, currency outside banks amounted to about 24%. In 1977 and 1978 this share was approximately 23% but in 1979 it had fallen. Since that time the rate of increase in currency outside banks has exceeded the rate of increase in demand deposits (excluding government deposits). Government deposits in the Central Bank and in commercial banks averaged Bhs\$ 21 million monthly during the period January-September 1981.

In contrast, saving and time deposits together have grown more rapidly than the money supply ( $M_1$ ) during the last two years, with time deposits increasing more than twice as fast as savings. However, even for time deposits the growth rate slowed during 1981. It would appear that holders of funds have been moving from more to less liquid types of bank deposits, no doubt stimulated by the higher rates of interest available on savings and fixed deposits after the end of

Table 11

## BAHAMAS: MONETARY BALANCE

	Millions of dollars				Growth rates		
	1978	1979	1980	1981 <sup>a</sup>	1979	1980	1981 <sup>ab</sup>
<b>Money</b>	106	136	143	150	27.3	5.6	4.8
Currency outside banks	26	30	33	36	12.5	12.1	18.2
Demand deposits	80	106	110	114	32.3	3.8	1.2
<b>Factors of expansion</b>	363	432	512	545	18.9	18.7	7.2
Foreign assets (net)	-48	-14	3	49	-71.8	-81.5	154.7
Domestic credit	411	445	510	496	8.4	14.6	1.4
Government (net)	99	88	81	64	-11.5	-7.9	-28.0
Other financial institutions	2	4	6	6	77.3	48.7	14.6
Private sector	310	354	423	427	14.2	19.7	7.9
<b>Factors of absorption</b>	256	296	369	396	15.4	24.7	8.1
Quasi-money	216	238	291	325	10.3	22.1	13.4
Savings deposits	67	83	95	103	24.8	14.0	9.8
Time deposits	123	134	174	203	8.8	29.5	22.3
Deposits in foreign currency	22	17	18	12	-24.7	7.1	-23.7
Amounts due to other local financial institutions	4	5	5	7	12.5	6.7	16.1
Other items (net)	40	58	78	71	42.8	35.5	-10.9

Source: Central Bank of the Bahamas, *Quarterly Review*, September 1981, and data supplied to CEPAL.

<sup>a</sup> As of September.

<sup>b</sup> As of September 1981 with respect to September 1980.

1979. Between that date and September 1981 the interest rate paid on saving deposits increased by 2.5 percentage points while the interest rates on fixed deposits (varying by length of maturities) increased by at least 2.6 percentage points. Funds have also been moving rapidly into deposits in non-bank financial institutions, where interest rates traditionally are higher than in commercial banks. Between the end of 1980 and September 1981 these deposits increased from Bh\$ 4.8 million to Bh\$ 7.2 million — a rise of nearly 50%. Foreign currency demand deposits and other deposits (permitted under the Bahamas' liberal banking laws) were much lower in September 1981 than a year earlier, although since the balances have fluctuated almost monthly no definite trend is discernible. There was, however, a pronounced dip of 41% between August and September 1981.

It should be noted also that the spread between the rates paid on deposits and the rates charged to borrowers has narrowed. This would appear to be in line with the Central Bank's policy of keeping lending rates low enough to stimulate borrowing for domestic investment yet high enough to prevent funds moving outside to seek higher returns in the North American financial markets.

Loans and advances of commercial banks to the public as of end September 1981, at Bh\$ 420 million, were 8% higher than at the end of September 1980, but only 1% higher than at the end of 1980. More than Bh\$ 350 million were loans in Bahamas dollars, while foreign currency loans decreased from approximately Bh\$ 85 million to Bh\$ 67 million. This decline may be due to the Central Bank's policy of discouraging loans in foreign currencies while encouraging loans to finance domestic investment.

Of the total loans outstanding to the private sector, 47%, were in the personal and other local loans category. Trade and commerce accounted for the second highest share (approximately 18%). Increases were recorded in all categories of borrowers except tourism establishments, public utilities and in real estate and construction activities. Loans outstanding to the agricultural sector,

though still relatively small, increased considerably during the last year and indicate the growing confidence in agricultural investment.

Net government borrowing excluding contingent liabilities for the year ending September 1981 amounted to Bh\$ 60 million. Government loans from local sources increased during the year by Bh\$ 22 million and consisted mainly of foreign currency loans concentrated in the third quarter of 1981. As a result, the total internal national debt stood at Bh\$ 237 million as of end September 1981. Loans from external sources increased by Bh\$ 38 million, mostly during the third quarter of 1981, when the external debt outstanding increased sharply to Bh\$ 48 million. These increases are the result of loans for financing hotel construction. The total direct national debt increased by 26% to Bh\$ 285 million, but contingent liabilities of the Government increased only slightly during 1981. Government borrowing from the domestic monetary authorities can be considered as restrained, and to the extent that proceeds from foreign loans have been deposited in local commercial banks until they are needed it has tended to minimize pressure on liquidity in the financial system.

The level of required reserves in the banking system has been moving steadily upward as the money supply increased, but excess reserves have been declining since 1979 (almost coinciding with the contrasting trend in savings and time deposits), as the resources of the banking system have not grown rapidly. As of September 1981 the level of excess reserves adjusted for loans from the Central Bank, amounted to only just over Bh\$ 6 million.

Table 12

## BAHAMAS: CENTRAL GOVERNMENT INCOME AND REVENUE

	Millions of dollars				Growth rates		
	1978	1979	1980	1981 <sup>ab</sup>	1979	1980	1981 <sup>c</sup>
1. Current income	164	202	244	213	23.2	20.8	18.2
Tax revenue	140	176	201	151	25.5	14.5	4.4
Imports	97	119	140	102	22.9	17.6	3.3
Services	11	16	16	14	45.9	1.3	-6.2
Stamps	11	14	16	12	26.5	10.5	5.2
Others	21	26	29	23	26.3	10.6	17.0
Non-tax revenue	24	27	43	62	10.0	65.4	74.3
2. Current expenditure	158	179	208	169	13.5	16.4	13.9
Wages and salaries	91	99	115	90	8.3	16.0	8.3
Goods and services	38	48	57	52	25.3	19.4	29.7
Transfer payments and subsidies	28	32	36	27	13.9	13.2	7.1
3. Savings on current account (1 - 2)	6	23	33	45	264.1	54.5	38.2
4. Capital expenditure	28	26	39	23	-7.1	47.5	16.8
Capital formation	11	15	23	16	40.0	47.4	102.5
Acquisition of assets	12	-	-	-	-	-	-
Others	5	11	16	7	98.2	47.7	-43.1
5. Total expenditure (2 + 4)	186	205	247	192	10.3	20.4	14.2
Net lending	11	5	5	44	-53.2	-3.8	680.4
Fiscal deficit	-33	-8	-8	-22	-75.2	-4.9	221.7
Total national debt	233	275	292	323	17.9	6.4	22.7

Source: Central Bank of the Bahamas, *Quarterly Review*, September 1981, Vol. 8 N<sup>o</sup> 3, December 1981, and data supplied to CEPAL.

<sup>a</sup> Preliminary figures.

<sup>b</sup> January-September.

<sup>c</sup> January-September 1981 with respect to the same period in 1980.

(b) *Fiscal policy.*

In 1980 total central government revenue amounted to Bh\$ 244 million and total expenditure to Bh\$ 247 million (see table 12). By the end of September 1981 recurrent revenue, at Bh \$213 million, exceeded the figure for the corresponding period of the previous year by some 18%. Tax revenue collected by that date increased by more than 4%, while non-tax revenue increased by 74% compared with the same period the year before. Total expenditures increased by 14% to Bh\$ 192 million, comparing the figures for the first three quarters of 1980 and 1981, and the surplus was higher at the end of September 1981.

The significant increase in non-tax revenue was due largely to payments made by the petroleum refinery and petroleum transshipment companies and to the transfer of profits of the Central Bank as required by law. The greater part of tax revenue (about 70% during 1980, or roughly the same share as in recent years) was derived from import duties. Wages continue to account for the largest share of the Government's recurrent expenditure (about 55% in 1980) but the share is declining. On the other hand, expenditure on goods and services has been increasing very rapidly. Capital expenditure averaged more than Bh\$ 33 million during the three years up to 1980 and was probably higher for the full year 1981.