



COMMONWEALTH OF THE BAHAMAS

2000/2001

BUDGET COMMUNICATION

Presented to the Honourable House of Assembly

By

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Minister of finance

on

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I beg leave to present to this Honourable House the 2000/2001 Budget Communication.

□ GOVERNMENT POLICIES AND THE BUDGET

This Budget Communication, the first of the New Millennium, gives financial substance, where appropriate, to the policies and undertakings articulated in the recent Speech From The Throne, and is, in that regard, the platform for the advancement of the society and economy of The Bahamas for the early years of the New Millennium.

The Speech From The Throne expressed the Government's continuing commitment to shaping a Bahamas in which every Bahamian citizen is assured access to good education and training, quality health care, decent housing, business and employment opportunities, and a safe and healthy environment. The 2000/2001 Budget focuses closely on the financial provisions giving effect to these commitments.

It is generally agreed that the annual Budget Communication derives its importance, and the attention which it receives from the

public, from the fact that it is the primary occasion on which the Government sets out its major social and economic policies in financial terms. It is the function of the Budget Communication, and the accompanying financial documents, to give quantitative and financial perspective to these policies, and to do so in the context of the management and performance of the economy.

This Budget will consolidate the framework for the new Bahamian economy, which will be an economy firmly established on traditional qualities of macroeconomic stability, especially fiscal soundness, but reaching forward to the immense new opportunities offered by the potential development of The Bahamas as a centre of excellence for e-business.

□ THE BAHAMIAN ECONOMY IN THE TWENTY FIRST CENTURY

The international economic environment is of paramount importance to our economy which derives its growth, its employment and its welfare from its ability to provide international services of value and quality to the global economy. The Bahamian economy in the last

50 years has rested solidly on the pillars of tourism, financial services and the development of Freeport, primarily as an industrial sector. It is evident that The Bahamas has been immensely successful, because living standards for ordinary Bahamians compare favourably with those of the most developed countries. Indeed The Bahamas' development strategy has been so successful that it has many imitators. In this regard, at the recent Annual Meeting of the Caribbean Development Bank in Nassau, the President of the Bank, Sir Neville Nichols commented as follows in support of the movement of Caribbean economies towards the frontier of new services:-

“...there could be no better location to embark on this change in emphasis both for our Region and for its Bank, than here in The Bahamas that, long ago, pioneered the development of a comprehensive services economy that is a model for the whole world.”

Some may peer anxiously into the future to ascertain the major changes which are in store for the Bahamian economy, especially in light of the dynamics of globalization for small open economies such

as ours, and also in light of recent international developments which present new challenges to financial services centres, such as ours, which have been so successful.

We in Government consider that there is every reason for confidence that the Bahamian economy will continue to prosper and expand in the new century. Our record speaks for itself. We have successfully met the challenges of the past, by skillfully managing change as well as responding positively to changes as they occur.

We know that working together, the Bahamian people can meet future challenges and turn them into advantages and opportunities for The Bahamas. Our tourism sector is reinvigorated with massive investment in hotel construction, expansion of facilities and refurbishment; Grand Bahama has taken-off as a result of the ongoing massive investments – Abaco, The Berrys, Exuma, Long Island, San Salvador, are all showing significant growth and providing additional employment and business opportunities; the financial services sector is positioning itself to ensure its success in relation to challenges now arising; and a new pillar of the economy, e-commerce, is soon to blossom.

□ E-COMMERCE

In the concluding years of this Century, the world is seeing what has been described as the “death of distance” as the incredible technological revolution in transportation, communications and information processing have started to revolutionize our world. Information can now be transmitted around the globe in milliseconds, and air and sea communications have advanced to the point that distances are no longer a major barrier to travel and transportation. This revolution merits being viewed as the entry of a new era -- an era rightly called the Information Age.

This new era presents economic and other challenges which cannot be understated but also presents immense opportunities for increasing sustainable development of the Bahamian economy.

It is the task of Government to enlist the support of every Bahamian resident, whether employee, employer or entrepreneur, and of every Bahamian family and business so as to prepare the Bahamian economy and the Bahamian people to boldly face the challenges now

arising. It is the intention of Government, in consultation with, and with the support of, the social partners – business and labour - to enable every Bahamian to take the fullest advantage of the vast and growing opportunities which this New Age offers to an educated and highly motivated people.

While continuing the ongoing programme of providing substantial and growing Government resources to improve the range and quality of essential Government services, in accord with the inexorable progression of The Bahamas towards the living standards of the most developed economies, this Budget places direct attention on the task of ensuring that The Bahamas becomes a knowledge-based economy and society. This is an economy and society in which every Bahamian household, every Bahamian business, and every Bahamian person, will have the means, the desire and the opportunity to participate fully.

In reflecting on the potential significance of e-commerce to the Bahamian economy, I should like to quote a comment from Jeffrey Sachs, Director of the Centre for International Development at Harvard University:

“The technological gains of the last several decades lie at the core of staggering new surges of wealth and well-being within the richest countries of the world. Electronic commerce and related applications of information and communications technologies have become tremendous engines for economic growth and productivity and are changing the shape of the world in which we live. Yet the developed world is reaping the vast majority of these gains. It is our view that the appropriate use of information and communications technologies can also improve the lives of the 80% of the world’s population in the developing world.”

While The Bahamas is, in many respects closer to the developed world than the developing world, the challenge is to ensure that The Bahamas obtains its just share from the burgeoning development of global e-commerce.

With this end in view, the Ministry of Finance, assisted by IBM Canada, has prepared a report on an e-business strategy for The Bahamas. This report has informed a Policy Document on e-business

which the Government will publish within the coming weeks. This Policy Document sets out in considerable detail the potential of e-business for employment and incomes in the Bahamian economy. It also sets out the full range of policies, legislation and measures which the Government, in close consultation with the financial sector and the private sector generally, will implement to make The Bahamas a centre of excellence for e-business. For that reason, an amount is included in this Budget to commence the promotion of The Bahamas as a centre for e-commerce.

It is evident that to become a centre for excellence in e-business, The Bahamas must become a “networked” or “wired” society in which there is ready access to information technology via an internationally competitive telecommunications infrastructure. Our information highways must be capable of sustaining high levels of speed and capacity for electronic transmissions. This is the reason we are now proceeding urgently with the privatization of Batelco and the liberalization of the communications sector within The Bahamas. This strategy of high-quality private sector involvement offers the best scope

for ensuring that the latest technological advances and the most efficient technologies are deployed so that access to the Internet is easy and inexpensive.

In addition, in order to become a centre of excellence in e-business, The Bahamas must implement a programme of networked learning, that is, it must create an environment where everyone regardless of age, location or social status, is capable of using the new technologies and continues to participate in learning new skills as technologies advance. These steps, network access and network learning, lead to a networked society, a society in which everyone makes the fullest possible use of Information Technology in their personal and business lives. A networked society transforms itself into a networked economy which is an economy where business, including the business of government, is readily, speedily and normally performed by use of information and communications technologies.

I am pleased therefore to announce that Government's telecommunications policy will require that internet access be provided

to all schools situate in The Bahamas free of charge, and that such access be funded by means of contributions from all licensed telecommunications operators on a proportionate basis.

I am also pleased to announce that, in order to ensure that no Bahamian is left behind in preparing our nation to embrace the information age and its technologies, a programme of training in computers for adults is being put in place by this Budget which will encompass New Providence, Grand Bahama and the Family Islands. The programme will make use of classrooms after school hours and will be so arranged as to accommodate working adults, especially those persons who may have only limited understanding of new technologies.

In order to extend the reach of this programme as widely as possible, it will begin with the training of teachers who will in turn become trainers in the programme. Access to the new technology must be all-embracing if we are to become a truly “connected” society. This programme aims to address the group in our society that could easily be overlooked, and one million dollars has been provided in this Budget for this purpose.

As a means of further encouraging access to information technology, I am with immediate effect eliminating Customs Duties on all computers and related parts. This will encourage everyone in The Bahamas, persons and businesses, to purchase the latest computer equipment. In addition, the Bahamas Development Bank will provide loans to small and medium-sized businesses for the purchase of new computer equipment for use in business.

We aim to ensure that The Bahamas speedily becomes a knowledge-based society and economy because, without doubt, this offers immense employment opportunities as well as opportunities for the archipelago of The Bahamas to have the fullest access to all essential services.

☐ IMF ARTICLE IV CONSULTATION MISSION 1999

The Government's confidence in the future of the Bahamian economy is supported by the incisive analyses of highly respected international organizations and rating institutions. In this regard, I would like in particular to refer to the 1999 IMF Article IV Consultation

Mission and to the confirmation by Moody's of the Bahamas' A3 Country Rating.

The complete Report of the 1999 IMF Article IV Consultation Mission was presented to this Honourable House immediately on its availability in August, 1999. I emphasize that it was the complete Report which was presented to this Honourable House. In publishing the full Article IV Report, The Bahamas is joining with a small but growing group of countries which have waived entitlement to keeping these reports confidential.

I would like to quote briefly from the opening paragraph of the Executive Summary of the IMF 1999 Report:

“Since 1995, the Bahamian economy has experienced a sustained recovery based on significant foreign investment in the expansion of tourist resorts and a large transshipment facility, as well as steady growth in residential construction and financial services. With the completion of the second phase of expansion of the country's largest resort, the economy is poised for an

acceleration in real GDP growth from 3 percent a year in 1997/98 to about 6 percent in 1999. The recovery has been accompanied by a decline in unemployment and inflation, a strengthening of the international reserve position, and further progress in social indicators which are among the most favourable in the Caribbean and Latin American region.”

Following its consideration of the Report, the IMF Executive Board stated:-

“Executive Directors commended the authorities’ adherence to policies that had attracted substantial flows of private investment, maintained low inflation, and delivered marked increases in per capita income and employment, as well as improved social indicators. Directors encouraged the authorities to build on these achievements to ensure a basis for sustained, noninflationary growth in the medium term, and for further progress in raising social welfare.”

These two brief quotations demonstrate that prudent

macroeconomic and fiscal policies provide the essential basis for sound and sustainable economic and social development.

In view of the strength of the Bahamian economy, the Government of The Bahamas and the IMF agree that the next IMF Article IV Consultation will not arise until mid-2001.

□ MOODY'S A3 RATING

For the third consecutive year, Moody's, the international rating agency, has confirmed the A3 Sovereign Borrowing Rating for The Bahamas. This means that The Bahamas continues to enjoy the highest rating of any independent country in this Hemisphere other than the two North American giant economies – the United States of America and Canada.

Moody's evaluation, which has considerable weight in influencing the cost of foreign currency borrowing by the Public Sector, resulted in the continuation, for a fourth year, of the A3 rating assigned to the Government's foreign currency debt.

Moody's has also satisfied itself that the Government's Bahamian

dollar debt is very manageable and poses no strain on the economy. Consequently, Moody's reaffirmed the A1 rating on the Bahamian dollar debt.

The IMF Report and the Moody's Rating are clear evidence of the international view that the economy of The Bahamas is fundamentally sound, well-managed, and capable of responding appropriately to the challenges presented by globalization and other developments.

The Government and the Bahamian people can once again be proud of the objective, balanced, and independent assessments of the successful management of the Bahamian economy.

□ THE GLOBAL ECONOMY

The most recent edition of the IMF World Economic Outlook, which is that of April 2000, states that global economic and financial conditions have improved dramatically during the past year. The expansion in the US economy is now, of course, the longest on record, and strong growth appears to be developing in the European economies.

Looking ahead, the IMF World Economic Outlook indicates that the most desirable scenario is to contain excess demand pressures in the US economy, and to promote strong and durable economic expansions in Japan and Europe. Such a scenario would enable the US to moderate its rapid rate of growth. The objective is to ensure that as this growth rate is moderated, the other major economic forces, Japan and Europe, will expand to take up any slack. The Outlook suggests that a more significant tightening of monetary conditions might well be needed to slow US demand growth to a sustainable pace, avoid a rise in inflationary pressures, and minimize the risk of an abrupt market correction at a later stage and an associated rapid deceleration in growth.

Moreover, the somewhat erratic and unpredictable movements of share prices, especially those of high-tech industries, on world stock exchanges, generate some further uncertainties. Nevertheless, recent developments in the US economy, such as the increase in interest rates by the Federal Reserve, suggest that United States policy is developing along lines favoured by the IMF Outlook. From the

viewpoint of The Bahamas this is a most desirable course.

INTERNATIONAL DEVELOPMENTS IN TRADE AND SERVICES

The accelerating pace of globalization means that The Bahamas must be aware of, and protect its interests in relation to, international developments in trade in goods and services and in communications. A major conference on international trade in services occurred in Seattle, Washington State, in the United States in November, 1999, organized by the World Trade Organization. The Government of The Bahamas received permission from the WTO to attend the Ministerial Council of this conference in an Observer capacity since The Bahamas is not yet a member of the WTO. I led a Bahamian delegation to the conference comprising Government officials and two labour representatives. It was stated that The Bahamas was the only Caribbean country to include representatives from labour in its delegation.

Although for reasons now well-known the Conference was less than a spectacular success, this was a valuable opportunity to see the WTO Ministerial Conference in operation and to meet with WTO

officials to gain a better appreciation of the relevance of WTO to countries such as The Bahamas.

It is evident that full membership in the WTO would eventually be in the interest of The Bahamas. Membership would enable this country to monitor developments in international trade matters, particularly in trade in services, which affect the vital interests of The Bahamas, to participate in discussions on these matters, and to have access to the dispute settlement arrangement of WTO in the event of inevitable dispute in trade matters in an increasingly globalized world.

Accordingly, the Government has applied to the WTO for Observer Status in the General Council, with a view to proceeding to full membership. Our application for observer status is now being processed by the WTO.

❖ ***Free Trade Area of the Americas***

During the past 12 months, there was continuing discussions in Miami, Florida among the 34 participating democracies of this Hemisphere regarding the building of the architecture for a Free Trade

Area of The Americas. Official delegations from The Bahamas participated actively in these discussions which continue to deal with the architecture for the proposed Free Trade Area but have not yet evolved into negotiations for its creation. The underlying principle is that once the negotiations are concluded, the architecture will be apparent. It will then be for each country to evaluate the extent of the advantages and disadvantages which it can derive from the creation of the Free Trade Area. Each country can then decide if accession to the Free Trade Area is in its interests and proceed accordingly. In the case of many small economies in the Region, the advantages are by no means fully apparent while, at this time, the disadvantages are becoming more evident. For example, the creation of a free trade area would impose additional administrative burdens on small economies such as The Bahamas, and could result in the loss of employment in small industries. It is by no means evident that these costs would be offset by any major advantages such as a significant expansion in their export industries.

❖ **Caricom**

In the case of CARICOM, The Bahamas is already a member. However, The Bahamas has not adopted the Common External Tariff nor has The Bahamas agreed to be a member of the Single Market. The Government is supportive of the broadest possible economic cooperation among the Commonwealth Caribbean countries but considers that further integration represented by these two initiatives is best pursued when there is greater convergence between the economies of the Region. Nevertheless, in order to provide the most complete evaluation possible of the issues involved, the Government has agreed to permit a study to be made which would assess and quantify the pros and cons of The Bahamas becoming a member of the Single Market. It is the Government's intention to publish the study when it is completed.

In light of public interest in these trade matters, and the need for the Bahamian public to be fully aware of the Government's approach to these trade issues, the Government is preparing a booklet for circulation to the Bahamian public explaining in detail the issues

involved in the application to the WTO and the significance of the ongoing discussions in Miami on the architecture of the proposed Free Trade Area of The Americas. This booklet will be issued shortly.

❖ ***Business Facilitation Measures***

Arising in part from the discussions in Miami on the concept of a Free Trade Area of The Americas, there has been an initiative entitled “Business Facilitation”. The thrust of this initiative is, as far as possible, to ease Customs clearance and related requirements for business so as to facilitate efficient and compliant businesses.

The Customs Department of The Bahamas is producing a booklet which will outline the issues involved, and the programme being implemented in The Bahamas to deal with the issues in the programme.

There is no doubt that facilitating the conduct of efficient and compliant business is an essential prerequisite to developing The Bahamas as a centre of excellence for e-business.

□ INTERNATIONAL FINANCIAL SERVICES

The International Financial Services Sector of The Bahamas makes a substantial contribution to our economy and our society by providing high-level employment and by integrating our community into the global community in very significant ways.

The Sector has vigorously supported governmental initiatives in relation to matters of great international and domestic concern such as the actions taken to eliminate money-laundering and to raise the standard of regulatory supervision to the highest international levels. The Bahamas has been in the vanguard of the community of nations in implementing measures to deal with money-laundering and related criminal activities. The Government and the vast majority of the institutions and professionals engaged in the International Financial Services Sector have striven mightily to ensure the integrity of the Sector.

It will be recalled that last year the OECD invited The Bahamas and other offshore financial centres for discussions on “harmful tax practices”. The OECD’s approach was heavily criticized by many

countries which were invited to enter into such discussions. One major criticism, for example, is that the harmful tax practices being called into question do not include the tax regimes of the OECD countries which give substantial tax incentives to attract international investment to the OECD countries.

In the last few days, the Financial Stability Forum, the FSF, has published its press release regarding its grouping of Offshore Financial Centres. The main focus of this Forum is intended to be to strengthen the international financial system in light of the Asian and other recent international financial crises. The FSF press release states "...offshore financial activities are not inimical to global financial stability...", which is, in effect, a denial of any necessary connection between these centres and responsibility for these crises.

The press release lacks precision regarding the methodology followed by the Financial Stability Forum in evaluating each offshore financial centre because it states that the Groupings are based on "impressions of a wide range of onshore supervisors at a particular point in time". It would appear that the classification is based largely

on the issue of the perceived, and not necessarily the actual role, of centres in facilitating tax evasion. In the case of The Bahamas, the international financial services sector provides a range of useful and perfectly legitimate services which have nothing to do with tax evasion.

It is disappointing that The Bahamas is placed in Category 3. If the criteria used were the standard of regulation and integrity, and the cooperation of The Bahamas with international and other national authorities in dealing with money-laundering crimes, there is no doubt that The Bahamas would rightly be in Category 1. Since The Bahamas is placed in Category 3 we can only infer that money-laundering and regulatory supervision were not the issues.

Nevertheless, despite this evident lack of fairness and objectivity the Government of The Bahamas, with the support of the International Financial Services Sector of The Bahamas, is disposed to respond positively and urgently to the categorization of our centre in Category 3. We are jointly determined that there should be no ground nor any pretext whatsoever for any perception or suspicion regarding the quality and integrity of the regulatory environment of our International

Financial Services Sector.

Consequently, the Government will be proceeding with urgent and far-reaching measures on a number of levels.

Firstly, The Government will immediately commence steps to consolidate all our regulatory organizations into one super regulatory agency which will be charged with regulatory oversight of all financial services, domestic and offshore. As a consequence of this decision the regulatory powers of the Central Bank, the Securities Commission and the Registrar of Insurance will be combined into and administered by one super regulatory agency. This single authority will be given the powers and resources required – human and financial - to ensure unimpeachable effective regulatory supervision. The volume and quality of resources provided will be commensurate with the considerable importance of the financial services sector to the Bahamian economy, and to the role which our sector plays in providing financial services to the global community. The authority is expected to commission expertise of international repute to work alongside and to train Bahamian professionals of the highest quality

in all aspects of regulatory work.

A second measure which will be implemented in June, 2000, is the establishment of the Financial Intelligence Unit as announced in the recent Speech From The Throne. This Unit will be given the responsibility and the resources for the effective and timely investigation of financial crimes.

A third measure shortly to be implemented is the amendment to the International Business Companies Act to ensure that the provisions of this Act cannot be misused to facilitate questionable activities, and that the lack of transparency which the IBC now gives rise to will be corrected.

These measures have the fullest support of the financial services community. The Ministry of Finance and the Central Bank are continuing to engage in dialogue with the international financial services sector in The Bahamas. This dialogue may result in identifying other measures for consideration by Government, measures designed to demonstrate convincingly to the world that The Bahamas is hostile to money laundering and criminally related tax evasion activities, and

that generally the sector is at least as well-regulated and behaved as the centres in Category 1 of the FSF.

As we have indicated on previous occasions, we are uncomfortable with the OECD and now FSF taking unto themselves the role of judging behaviour of offshore financial centres in relation to international and professional obligations. We discern an unevenness in their approach. We take note of the intention to engage the International Monetary Fund in this oversight responsibility and we wholeheartedly support such an undertaking by the IMF. We think it very advisable for the IMF, given its legal basis, its expertise in the area of international financial development and its record of professionalism and objectivity, to be given the role of pursuing the process initiated by OECD and FSF so that all could have confidence in the process.

□ **THE BAHAMIAN ECONOMY IN 1999**

❖ **Overview**

The Bahamian economy is currently in the midst of a six-year

expansion, fueled by record foreign investment inflows and steady growth in construction and financial services. In 1999, real GDP is estimated to have grown by just over 5%, after increasing by 3% in 1998 and by 3.3% in 1997.

A number of important features were evident in the 1999 expansion. In particular, tourism staged a successful rebound and construction output, although moderated, remained above trend, and was supported by significant foreign investment in the tourism sector.

Progress was achieved in broadening the economic expansion. However amid ongoing restoration of the tourism plant, Hurricane Floyd inflicted serious damage on the Family Islands, and adversely impacted what perhaps would have been an even more impressive rate of growth. The absence of direct hits to New Providence and most of Grand Bahama proved fortuitous.

Robust economic conditions have supported further job gains, with the unemployment rate declining to 7% in 1999. We believe that with the sustained growth expected over the medium term, The Bahamas will soon attain full employment – that is employment levels

at or below 5%.

The fiscal situation in The Bahamas is equally encouraging. The growth momentum has permitted the Government to realize foreshadowed revenue growth and maintain the course for the elimination of the overall fiscal deficit in the forthcoming fiscal year. The Balance-of-Payments is fundamentally sound, and the External Reserves are now at levels which will finally permit relaxation of exchange controls on the capital account.

❖ ***The Domestic Financial Sector***

Earlier in this Communication I dealt with certain key issues regarding the International Financial Services Sector. Turning to the domestic financial sector, I am pleased to advise that this sector is seeing very positive developments.

There was a healthy expansion in external reserves, supported by steady inflows of direct foreign investment and an improved tourism performance. In 1999 external reserves attained a new record annual close of \$404 million, some \$66 million higher than the 1998 level.

So far this year, the level of foreign reserves has risen on a seasonal basis by nearly 14% to \$460 million as at 10 May, 2000.

Bahamian borrowers were the ultimate beneficiaries of these healthy trends. In the first instance, the trends enabled the Central Bank to reduce short-term interest rates by a full 3/4% in June 1999 encouraged by a softening that was already underway among banks, and setting the stage for more substantial decreases in interest rates over the remainder of 1999.

Compared to 1998 the average interest rate on a residential mortgage obtained from a commercial bank decreased from 9.86% to 9.57%; the rate on commercial mortgages fell from 10.12% to 9.69%; the rate on consumer loans, fell from 14.55% to 13.87% and those on other local loans, from 9.08% to 8.54%.

The Bahamas' domestic financial sector is clearly assuming a more dynamic and competitive role in financing national economic activity. The Government is especially pleased with the progress that has been made in the development of the capital market, an achievement that has been marked by an exceptional level of

involvement and commitment by the private sector. Significant progress is being made in educating the public on the importance of savings and investments, and this knowledge continues to fuel the exciting climate surrounding the recent launch of the Bahamas International Securities Exchange (BISX). For their part, local companies continue to demonstrate confidence in the economy with impressive new public share offerings, which are invariably met by an enthusiastic wave of over-subscriptions from average Bahamian investors.

The banking sub-sector employed more than 4,000 Bahamians in 1999, spread among some 415 institutions. This corresponded to direct expenditure of just over \$300 million. Banks' operations were complemented by a robust array of ancillary activities including mutual fund administration and investment management. As of the end of 1999, almost 600 mutual funds, with a total asset base of nearly \$85 billion, had chosen The Bahamas as their base of operations. In September, 1999, the Government successfully established a deposit insurance scheme which is expected to further

strengthen confidence in the domestic banking system, and is especially beneficial to smaller banking institutions.

❖ **Tourism**

The tourism sector in 1999, has benefited from seven years of massive construction, expansion and renovation and expansion which is still continuing. This programme of investment was financed from record direct foreign capital inflows.

As a consequence of the additional, expanded, and refurbished tourism infrastructure, in 1999 the total number of visitors increased by 9% to 3.6 million, following a 3.1% contraction in 1998. In particular, air arrivals, which are predominantly stopover visitors, rose by 10.3% as against a 4.6% decline in 1998. Cruise tourism traffic, also rebounded by some 14.5%, partially reflecting an increase in the number of ships calling on The Bahamas.

The improving competitiveness of our tourism product was underscored by further increases in the average hotel room rate by 20.8% to \$132.37 per night. As marketing efforts kept pace with the

boost in room capacity, the tourism industry experienced growth in the number of room nights, commensurate with the 14.8% increase in the number of available nights, and therefore enjoyed relatively stable occupancy rates. The net effect was an estimated 37% boost in overall room revenues and, more importantly, approximately 10% growth in total visitor expenditures to \$1.5 billion.

Grand Bahama is poised to become a major employment growth centre. This Honourable House is aware that the Rt. Hon. Prime Minister led a delegation of Ministers and senior officials to Grand Bahama recently to review first hand the major changes occurring in Grand Bahama. The delegation visited the site of the new resort facility under construction at Lucaya, the transshipment terminal, the ship care facility, and other major works. There is no doubt that when fully operational these projects will enhance Grand Bahama's position as an employment centre in The Bahamas. Indeed, the ship care facility when fully operational will employ more persons than the number currently employed in the financial services sector at present in The Bahamas.

A major advantage of the new scale and form of economic development occurring in Grand Bahama is that it will make the economy of that Island more robust. By this I mean that some of the developments will not be as closely linked to business conditions in a specific sector, such as tourism, nor to business conditions in a particular area such as North America, as is valid for the tourism sector generally. Therefore, in the event of cyclical changes in a particular sector or area adversely affecting a particular development in Grand Bahama, the other developments on the Island are likely to continue to operate normally. Thus, the economy of Grand Bahama is both robust and balanced.

As for the general tourism outlook in 2000, we expect a continuation and broadening of the positive trends underway, benefiting from product improvements linked to reconstruction of hurricane damaged facilities and previously begun repair and expansion efforts.

❖ ***Agriculture & Fisheries***

The agriculture and fisheries sectors are important, both for the jobs provided and for the net foreign exchange that they permit the economy to save each year. Indications are that fisheries output recovered by 7.8% to \$46.8 million during the first nine months of 1999, resulting in a 20.9% upturn in export earnings to \$74.1 million for the calendar year. In particular, crawfish earnings which accounted for more than 80% of domestic landings and over 95% of the sector's export income benefited from price appreciation in the domestic market and an increase in volumes shipped abroad. Agricultural production did not however fare as well, contracting by 16.4% to an estimated \$45 million, as both crop and poultry output suffered pronounced losses from hurricane damage. The nature of the damage was such, that the sector is recovering well this year.

❖ **Construction**

Although the construction industry's performance in 1999 was not as strong as in 1998 which was an exceptional year, the performance reflected activity on a number of large-scale commercial

projects. In addition, construction continued to benefit from developments in the high-end residential market, and from repair and reconstruction work following the recent hurricane season and the continued physical expansion in the financial services sector.

Trends established during the first nine months of 1999, indicate that the value of building projects started during 1999 was only slightly less than the exceptional 1998 value of \$163 million, with estimates on housing starts just within the \$130 million range.

Based on the Central Bank's ongoing survey of mortgage lenders, including banks, insurance companies and The Bahamas Mortgage Corporation, the softening trend in mortgage interest rates was broad based, with lending undertaken during the final quarter of 1999 at 9.8% for residential mortgages and 9.3% for commercial loans. These rates were lower approximately by 0.7 of a percent and 0.5 of a percent, respectively, compared to the fourth quarter of 1998. Moreover, mortgage lending was also significantly stepped up. This is evident from the fact that the aggregate value of loans approved or committed towards new construction and repairs, rose significantly by

39.7% to \$243.4 million. Of this amount, the residential component was a predominant \$152.9 million, compared with \$119.0 million in 1998 and less than \$70 million in both 1995 and 1997.

Optimism regarding future activity is reinforced by the available estimates on building permits. Trends observed during the first nine months, suggest that these valuations will be above the half-billion dollar level in 1999, and will be carried over significantly into 2000.

❖ **Employment**

As I have mentioned, The Bahamas is not very far from attaining effective full employment. The rate of unemployment would now probably be moving below the level of 7.0% which is the level most recently recorded. The emphasis now is on ensuring that everyone who wants employment is able to find suitable opportunities, and on ensuring that the Bahamian workforce is equipped for the expanding employment opportunities becoming available.

❖ **Prices**

Inflationary pressures in The Bahamas have been subdued for almost a decade. In 1999, the annual increase in the Retail Price Index was unchanged at 1.3%, reflecting the continued slow advance in prices of our major trading partner, the United States. The recent rapid increases in oil prices have resulted in significant increases in gasoline prices at the pump but these should moderate as OPEC has already moved to greater production, from which consumers have started to benefit.

❖ ***Balance of Payments***

As regards the balance of payments, it is important to bear in mind that the direct capital inflows to finance hotel development and reconstruction and other capital projects, are largely expended on goods and services which impact on the current account of the balance of payments. When these investments are fully operational, they result in increased foreign exchange earnings in the tourism and related sectors. Thus, a strong investment performance financed by capital inflows, leads initially to a widening in the deficit on current account

of the balance of payments, but when the projects are operational, this current account narrows because less imports are required for the capital projects, and the projects commence to earn foreign exchange. Thus, in order for the economy to benefit from the capital inflows, a current account deficit is unavoidable. The current account deficit, which had peaked at almost 24% of GDP in 1998, fell to 14.6% of GDP in 1999, reflecting in part a strong recovery in net tourism receipts.

A significant share of the cost of private rebuilding from Hurricane Floyd has been recouped from foreign reinsurance contracts, also netting a sizeable net inflow of foreign currency to the balance of payments, simultaneously backed by a reduction in net foreign currency payments for skilled foreign labour on large construction projects. In monetary terms, the current account deficit stood at \$667.2 million in 1999, almost a third lower than the amount of \$994.4 million in 1998.

The current account deficit continues to reflect financing by strong direct capital investment inflows, which have provided increased scope for growth in foreign exchange earnings. For all of

1999, net foreign direct capital inflows amounted to \$616.8 million, second only to 1998's unprecedented \$817.7 million.

The long-term inflows into The Bahamian economy during 1999 included \$121.2 million in net equity investments, \$23.2 million in net real estate purchases and \$365.0 million in net private foreign currency loan financing.

❖ ***Capital Account Liberalization***

International reserves are now achieving the desired levels where consideration is being given to a scheme of measured and systematic easing of controls on the Capital Account. The Central Bank is at present considering proposals to introduce such a scheme in the near future.

❖ ***Fiscal Position***

The Government promised to eliminate the fiscal deficit in 2001, a goal first signaled to this House in 1996. And our policies, have reflected this objective. Our projections for the current fiscal period

1999/2000, therefore, indicate a significant reduction in the deficit over the 1999/2000 estimate, as revenue growth has paced comfortably ahead of total outlays. The net impact will result in a reduction in the rate of expansion in the both the Direct Charge and the National Debt this year. Indeed, provisional estimates for the 1999 calendar year suggest that by international GFS standards, the overall fiscal deficit will amount to only 0.9% of GDP, well below the previous estimate of 1.4% brought before this Honourable House.

Over the course of 1999 the Direct Charge on Government rose by 5.6% to \$1.51 billion, which was larger than the increase in 1998, as the Government had to absorb some of the adjustment cost imposed by the Central Bank's tightening of consumer credit measures. Nevertheless, the rate of growth of the Direct Charge was still considerably below the 1997 increase of 11.3%.

The National Debt, which comprises Government Direct Debt and Contingent Liabilities which are the Government Guaranteed borrowings of the Public Corporations, amounted to \$1.87 billion at the end of 1999. This represented 40.9% of GDP, as compared with

the levels of 43.0 % and 42.1 % at the end of 1997 and 1998, respectively.

As we continue to adjust to the restoration of capacity in the hotel sector, The Bahamian economy continues in a period of positive transition. Supported by a commitment to prudent and responsible monetary policy, we anticipate that these gains will continue to translate into a stable and growing external reserves position and robust financial sector liquidity.

❖ ***Y2K Issues***

In concluding these comments on the Bahamian economy for 1999, I would like to refer to the Y2K Issue. It will be recalled that there was very great international concern about the safety and security issues which threatened to arise from the fact that for many years computers and other electrical and electronic equipment, and computer software of all kinds, recorded the year by the last two digits. The Y2K Issue arose because of global concern that by so recording the year some date sensitive equipment would malfunction

dangerously, when the change in year from 1999 to 2000 occurred on 31 December, 1999.

Globally, an immense amount of work was required to identify equipment and software which was not Y2K Compliant and to replace such equipment and software as a matter of urgency with equipment and software which were Y2K Compliant.

In The Bahamas, very considerable work was performed to ensure that there would be no disruptions as a result of the Y2K Issue. The Government established the National Y2K Advisory Council to bring together representation from all sectors of the economy, public and private, to advise on and monitor the implementation of the measures needed to ensure that The Bahamas was Y2K compliant.

As a consequence, there was no serious disruption of any kind in essential services or to the economy. I would like to take this occasion to express the Government's appreciation to the members of the Advisory Council and to those who worked so diligently to ensure that the Y2K Issue was a non-event in The Bahamas.

□ **FISCAL PERFORMANCE 1999/2000**

This Honourable House will recall that the 1999/2000 Budget aimed for a Recurrent Budget Surplus, that is a position whereby Recurrent Revenue would exceed Recurrent Expenditure. Achievement of this Surplus was a most significant landmark because the last time such a Surplus was achieved was in 1986 - some 14 years ago. And this was achieved following upon substantial increases in taxation.

The trends in Recurrent Expenditure and Recurrent Revenue to date in 1999/2000 suggest that achievement of the Surplus is on target. Recurrent Revenue is growing. Revenue yield reflects a number of factors such as the effect of the strong tourism performance on the revenues related to tourism, plus additional Customs revenues arising from increased consumer spending. In addition, improvements continue to be made in revenue administration, and these improvements are reflected in the revenue performance.

An important feature of the revenue performance is that it would appear to be sustainable over the coming years - rather than arising from a sudden and temporary upsurge in underlying factors.

As regards Recurrent Expenditure, careful control over non-essential new appointments and other spending by Ministries is having the desired effects of curbing the growth of expenditure. The uniformed services, and the health and education services, however, are not constrained in any way by this policy of careful assessment of non-essential new appointments.

The attainment of a Recurrent Budget Surplus reduces the impact of the Recurrent Account on the GFS Deficit. Looking at the Capital Account, Capital Expenditure is likely to exceed the 1999/2000 Estimates by some \$10 million, mainly attributable to the impact of Hurricane Floyd reconstruction on the Capital Budget. It will be appreciated that the provision in the Speech From The Throne to establish a Disaster Reconstruction Corporation will mean the building up of a contingency fund over a period of years. This will result in limiting the budgetary impact in any one fiscal year of heavy expenditure on hurricane reconstruction.

Even allowing for additional Capital Expenditure, as a result of the Recurrent Budget Surplus it is now possible that the GFS Deficit

will be lower than the limit of 1.4 % of GDP set in the 1999/2000 Budget. Indeed, a GFS Deficit of about 1 % of GDP is within reach for the 1999/2000 fiscal period.

□ FISCAL POLICY 2000/2001

I am pleased to announce that following upon the prudent and fiscally responsible management of the Bahamian economy, the Government Budget for 2000/2001 is balanced. The Government is eliminating the fiscal deficit. There will be no increase in Government debt or to the National debt on account of this Annual Budget.

Stabilization of Government debt was a sensible and prudent policy for The Bahamas. Indeed, it is the only sustainable policy and given the commitment of our society to a low taxation environment, we all have a great stake in its restoration in our fiscal affairs.

Members of this Honourable House will recall that in the recent Speech From The Throne, the Government reaffirmed its deepest commitment to prudent macroeconomic and fiscal policies, because these policies are essential for a stable, secure and equitable society.

As evidence of this deep commitment to prudent macroeconomic and fiscal policies, the Speech From The Throne foreshadowed that the Government is preparing legislation to ensure responsible fiscal management.

The commitment to a balanced overall budget does not in any way constrain the Government from implementation of sensible policies for essential public services, such as education, health and security, and from the implementation of visionary policies to enhance the growth and employment environment of The Bahamas through, for example, the development of The Bahamas as a centre of excellence for e-business. Neither does the commitment to a balanced overall budget constrain the Government in ensuring that all of the Islands of The Bahamas benefit from our economic progress nor does it constrain the Government's compassionate policies of ensuring that every person and household participates in the fruits of economic progress.

The only requirement that fiscal prudence imposes is that Government expenditure must be carefully targeted to the objectives for which it is intended, and that Government services are delivered as

efficiently and effectively as modern technology and modern methods of management and delivery make possible.

□ MAIN FEATURES OF 2000/2001 BUDGET

❖ *Recurrent Expenditure*

Recurrent Expenditure for 2000/01 is estimated at \$949.1million.

I am satisfied that ample resources are provided for the business of Government. Every Government operation is adequately funded to carry out its function.

In accord with the Government's priorities, and the priorities of the Bahamian people, major provisions are made for education, health, the criminal justice system, and social services. I am pleased to announce that provisions have been made to increase base salaries for all public servants by \$1200 per year effective 1 July, 2000. Provision has also been made to increase Police and Judiciary salaries.

Deducting the cost of Debt Interest and Redemption from the total for Recurrent Expenditure in 2000/01 means that \$ 772.2million

will be available for expenditure on essential Government services. This is the highest total in the history of The Bahamas.

The major provisions are as follows:-

- ◆ \$178.64million, or 23% of the available \$772.2million, for recurrent expenditure on Education comprising \$132.75million by the Department of Education, \$4.65 million by the Bahamas Technical & Vocational Institute, \$24.39million by the Ministry of Education, including the Hotel Training College, \$16.84million by the College of The Bahamas plus projected fees of \$6.01million which will be retained by the College;
- ◆ \$142.36million, or 19.0% of the total of \$772.2million, on health services, comprising \$99.16million plus \$4.47million in retained fees by the Public Hospitals Authority; in addition, on current expenditure trends the Authority is

projected to have credit balances amounting to \$5million which can be applied to its recurrent expenditures; \$19.31million by the Department of Environmental Health Services, \$16.48million by the Department of Public Health; and \$7.41million by the Ministry of Health;

- ◆ \$103.86million, or 13.4% of the total of \$772.2million, for national security comprising \$65.84million for the Royal Bahamas Police Force, \$25.90million for the Royal Bahamas Defence Force, \$ 11.41million for Prisons, and \$0.71million for the Ministry of National Security;
- ◆ In addition, there is a provision of \$ 18.51million for the Customs Department, and \$9.72million for the Immigration Department. Thus, the uniformed services on which the security and safety of The Bahamas depends, will have budgets totaling \$132.09million;

- ◆ \$19.31million on the courts and the judicial system comprising \$6.52million for the Office of the Attorney General, \$6.92million for the Judicial Department, \$4.41million for Magistrates Courts, and \$1.16million for the Court of Appeal;
- ◆ \$61.02million will be provided for tourism, which is one of the pillars of the economy;
- ◆ \$24.5million is being allocated for housing and social services;
- ◆ \$12.13million is being allocated to the Ministry of Commerce, Agriculture & Fisheries, and the Departments of Agriculture and Fisheries;

Other major provisions are as follows:-

- ◆ \$1.87million for the Registrar General's Department which plays an important role in facilitating businesses;
- ◆ \$18.97million for the Department of Local Government; many local authorities have

substantial credit balances which would be appropriate to use for necessary expenditure;

- ◆ \$5.18million for the Department of Statistics which has the important task of completing the 2000 Population Census;
- ◆ \$3.69million for the Ministry of Economic Development which has responsibility for collecting business licence fees and real property taxes;
- ◆ \$20.20million for the Ministry and Department of Works which provide crucial services to Government in maintaining public buildings and roads;
- ◆ \$1.50million for the Department of Archives which does a most valuable task in protecting, cataloguing and recording for posterity the historical archives of the Bahamian people;
- ◆ \$9.17million for the Ministry of Local Government, Sports and Culture; this includes \$0.65million for

the 2000 Bahamas Games and \$1.02million for the endowment of sports organization;

- ◆ \$6.48million is being allocated for Labour and Maritime Affairs;
- ◆ \$ 7million is being allocated to the Post Office, and \$ 3.48million to the Port;
- ◆ \$ 7.63million is being allocated to the Civil Aviation Department, and \$2.06million plus an estimated \$8.22million in retained fees are being allocated to the new Airport Authority. The establishment of the Airport Authority is another major step in bringing the best commercial practices to bear on the operation of vitally important national operations;
- ◆ \$3.41million is being allocated to the Road Traffic Department, and \$1.77million to the Department of Meteorology;
- ◆ \$3.05million is being allocated to the Gaming Board;

These are the major recurrent expenditure provisions in 2000/01, and together with the fees retained by the major authorities, should result in further progression in the implementation of governmental priorities and in the expansion and development of essential public services.

❖ ***Capital Expenditure***

The 2000/2001 programme of capital expenditure amounts to \$128million.

The major capital provisions are in respect of education, hospitals, police, defence, and certain Public Corporations.

The provisions are as follows:

- ◆ \$38.29million is being provided for the Ministry of Works and Transport for a wide range of projects. These include the CID Headquarters at Oakes Field, the Law School, the National Aquatic Centre, roads on New Providence and the Family Islands, and other improvements in New Providence;

- ◆ \$ 23.6million for Education, including \$4million for the new secondary school on New Providence, \$2.5million for the College of The Bahamas, \$2.97million for the National Art Gallery, \$2million to continue the computerization of Primary Schools, \$2million for C.C. Sweeting Gymnasium, Auditorium and extension, and substantial sums for upgrading schools in New Providence, and the Family Islands;
- ◆ \$6.54million for the Public Hospitals Authority which will enable the Authority to expend \$4.37million on facilities and equipment at Princess Margaret Hospital, and \$1.1million on new facilities and equipment at Rand Memorial Hospital. In addition, \$3.3million is being allocated to the Department of Environmental Health for the Solid Waste Management Project which is being largely financed by a loan from the Inter-American

Development Bank. Also, \$1.73million is being allocated to the Ministry of Health for transportation equipment, instruments and related equipment;

- ◆ \$3.24million is allocated to the Royal Bahamas Police Force for communications, computers and related equipment, vehicles including fire engines, and \$0.5million for the Forensic Laboratory;
- ◆ \$4.63million is being allocated to the Royal Bahamas Defence Force, the largest component of which is required for the new patrol craft;
- ◆ \$1.4million is being allocated to the Civil Aviation Department primarily for improvement of facilities in the Family Islands;
- ◆ \$1.05million is being allocated to the Ministry of Commerce, Agriculture and Fisheries primarily for encouragement of economic diversification and development;

- ◆ \$3million for the Ministry of Local Government, Sports & Culture and \$1million is being allocated for the Ministry of Housing and Social Development;
- ◆ \$11million is being allocated to the Water & Sewerage Corporation which is engaged in major water improvement schemes in New Providence and the Family Islands financed by loans from the European Union Investment Bank and the Inter-American Development Bank;
- ◆ \$10million is being provided for Bahamasair which is embarking on a fundamental reorganization to improve the commercial viability of the airline;
- ◆ \$5million is being provided to the Broadcasting Corporation of The Bahamas;
- ◆ \$2million is being earmarked to continue the computerization of the Public Service and to advance the concept of e-government;

As foreshadowed in the Speech From The Throne and as

mentioned earlier in this Communication, the Government is establishing the Disaster Reconstruction Corporation which will be responsible for all recurrent and capital expenditure on disaster reconstruction. That Corporation will have powers to borrow and receive loans and grants. Accordingly, it is not necessary to make provision in the Government's Budget for the Corporation's full capital expenditure since as soon as the Corporation is established, it will borrow its own requirements from banking and other institutions. The only provision in the Government Budget will be the amounts necessary to amortize the Corporation's debt which will not arise in this fiscal period.

❖ ***Recurrent Revenue***

The projected revenue for the fiscal period 2000/2001 is \$998 million. This represents an increase of 7.7% over the projected revenue for 1999/2000. Although significantly lower than the projected rate of growth in 1999/2000 which has been exceptionally robust, this rate of increase is clearly within the range of revenue

performance in recent years.

This level of revenue at \$998 million is quite adequate to facilitate the realization of our most cherished fiscal objectives, especially the elimination of the fiscal deficit.

Madam Speaker, it gives me a keen sense of pride and accomplishment that this Government was able to arrive at a balanced budget as it has promised and to do so without resorting to any increase in taxes of any kind. I wish to emphasize again that there are no new taxes in this Budget.

On the contrary, we have taken this opportunity to make certain revenue concessions which signal the policy of the Government for transformation of our society to be fully prepared for the information age; to continue our encouragement for development of our Family Islands and to rationalize duty treatment on various items either by reduction or the elimination of customs duty.

In this regard, I am pleased to announce the following:

- The extension for a further two years of The Family Island Development Act, 1997 which grants exemption

from Customs duty to the Family Islands of Mayaguana, Acklins, Crooked Island, Long Cay, Ragged Island and Cays, Rum Cay, Cat Island, Andros, Inagua, San Salvador, Long Island, Exuma and Exuma Cays for building material and machinery used to clear land;

- The elimination of Customs duty on computer hardware and computer hardware parts;
- The reduction of the rate of duty on golf carts from 50% to 20%;
- The elimination of Customs duty on computer perforated paper;
- Exemption from duty for members of the Agricultural Cooperative Society similar to that enjoyed by farmers;
- The elimination of customs duty on printers paper for registered printers;
- The elimination of Customs duty on cameras, still image cameras, including digital cameras;

- The reduction of the rate of Customs duty on video games used with television and hand held video games from 65% to 35%;
- The extension for another year of the duty exemption for importation of new taxi cabs and omnibuses.

□ CONCLUDING REMARKS

I am pleased to have presented to this Honourable House and to the Bahamian people, a Balanced Budget without any new or increased taxes, and delighted it was possible to do so while still providing adequately for the provision of public services in The Bahamas.

I regard it a singular honour to have been afforded the opportunity of assisting in putting The Bahamas on the path of sustainable growth. We are at an exciting time in our Nation's history, facing new challenges and enormous opportunities in something of a brave new world. We have the advantage of being properly positioned to successfully meet these challenges and embrace

the opportunities.

Table I. Bahamas Economic Performance 1991 - 2000*

	1991	1992	1993	1994	1995	1996	1997	1998**	1999**	2000***
GDP(Current Prices) (\$Millions)	3000	3150	3325	3425	3500	3750	3940	4190	4560	4810
Growth-Current Prices(%)	4.2	5.0	5.5	3.0	2.2	7.1	5.3	6.3	8.8	5.5
Growth-Constant Prices(%)	-2.7	-2.0	1.7	0.9	0.3	4.2	3.3	3.0	6.0	4.9
Prices (%)	7.1	5.7	2.7	1.5	1.7	1.1(a)	0.8(a)	1.4(a)	2.7(a)	0.6

*Source: 1991 - 1996 IMF World Economic Outlook October 1998

** IMF PIN March 1999

*** Projection

(a) In those years the IMF estimates a higher deflator for GDP to capture growth of wages

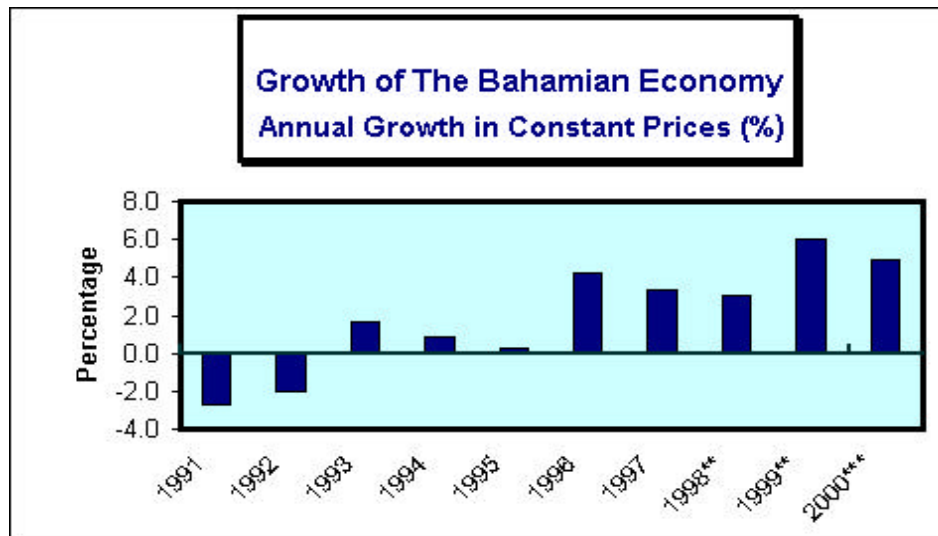


Table II. Budget Performance

	\$million															
	1987	1988	1989	1990	1991	1992	1993 (6 mos)	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/2000 Budget	1999/2000 Outturn	2000/01 BUDGET
(1) Recurrent Expenditure	478	515	573	565	606	603	314	630	656	704	772	820	837	897	880	949
(2) Recurrent Revenue	470	472	500	529	524	552	280	617	650	672	700	780	822	914	925	998
(3) Recurrent Deficit [(2) minus (1)]	-8	-43	-72	-36	-82	-50	-35	-13	-5	-32	-72	-40	-15	17	45	49
(4) Capital Expenditure	67	94	111	91	101	88	52	68	100	92	136	117	124	125	130	128
(5) Capital Revenue	0	0	0	0	1	1	0	1	12	5	3	1	1	5	1	5
(6) Capital Deficit [(5) - (4)]	-67	-94	-111	-91	-100	-87	-52	-67	-88	-87	-133	-116	-123	-120	-129	-123
(7) Total Deficit [(3) plus (6)]	-75	-137	-183	-126	-183	-138	-87	-80	-93	-118	-205	-156	-138	-104	-84	-74
(8) Debt Redemption	60	59	60	48	60	58	48	69	65	80	83	89	74	41	41	75
(9) GFS Deficit [(7) - (8)] GFS Surplus	-15	-78	-123	-79	-123	-79	-39	-11	-28	-39	-122	-66	-64	-63	-43	1
(10) GDP (\$ '000)	2625	2750	2950	3000	3000	3150	3250	3375	3450	3625	3850	4125	4300	4515	4515	4945
(11) GFS Deficit/Surplus as % of GDP [(9) as % of (10)]	-0.6	-2.8	-4.2	-2.6	-4.1	-2.5	-1.2	-0.3	-0.8	-1.1	-3.2	-1.6	-1.5	-1.4	-1.0	0.02

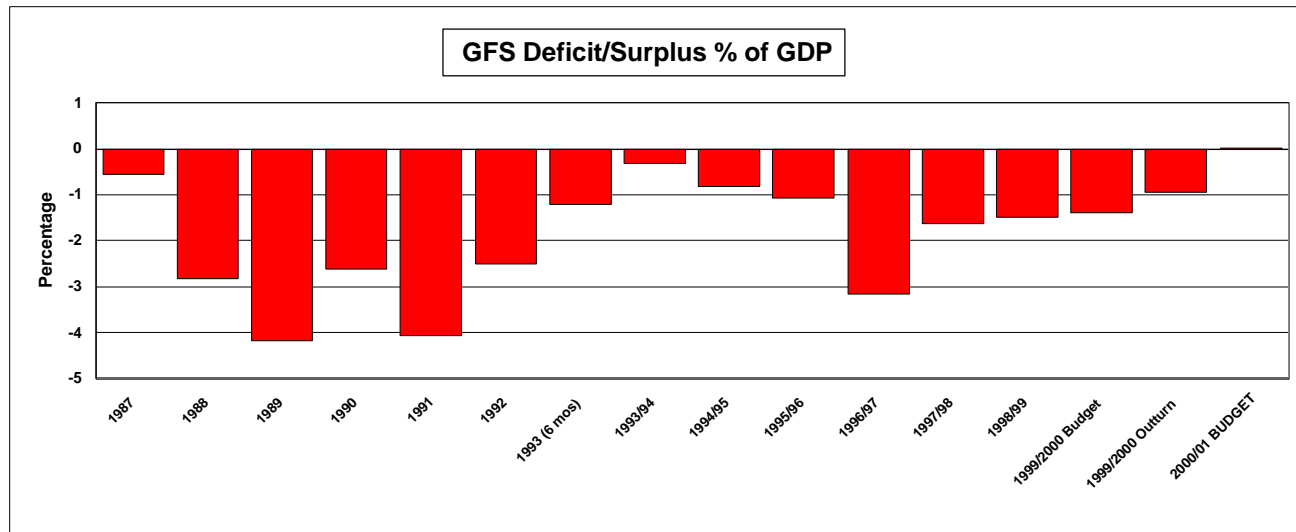
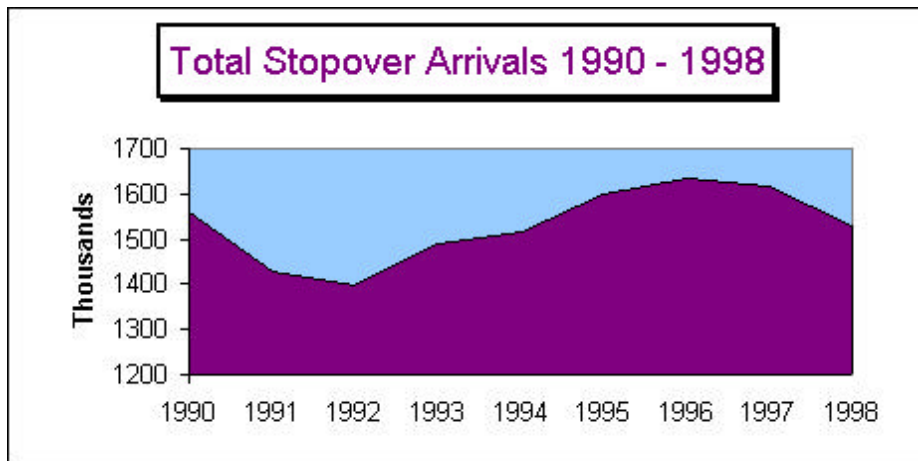
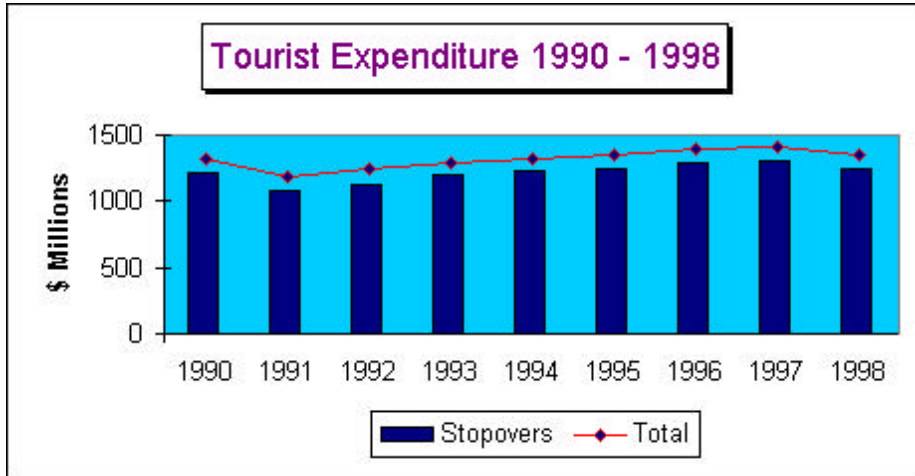
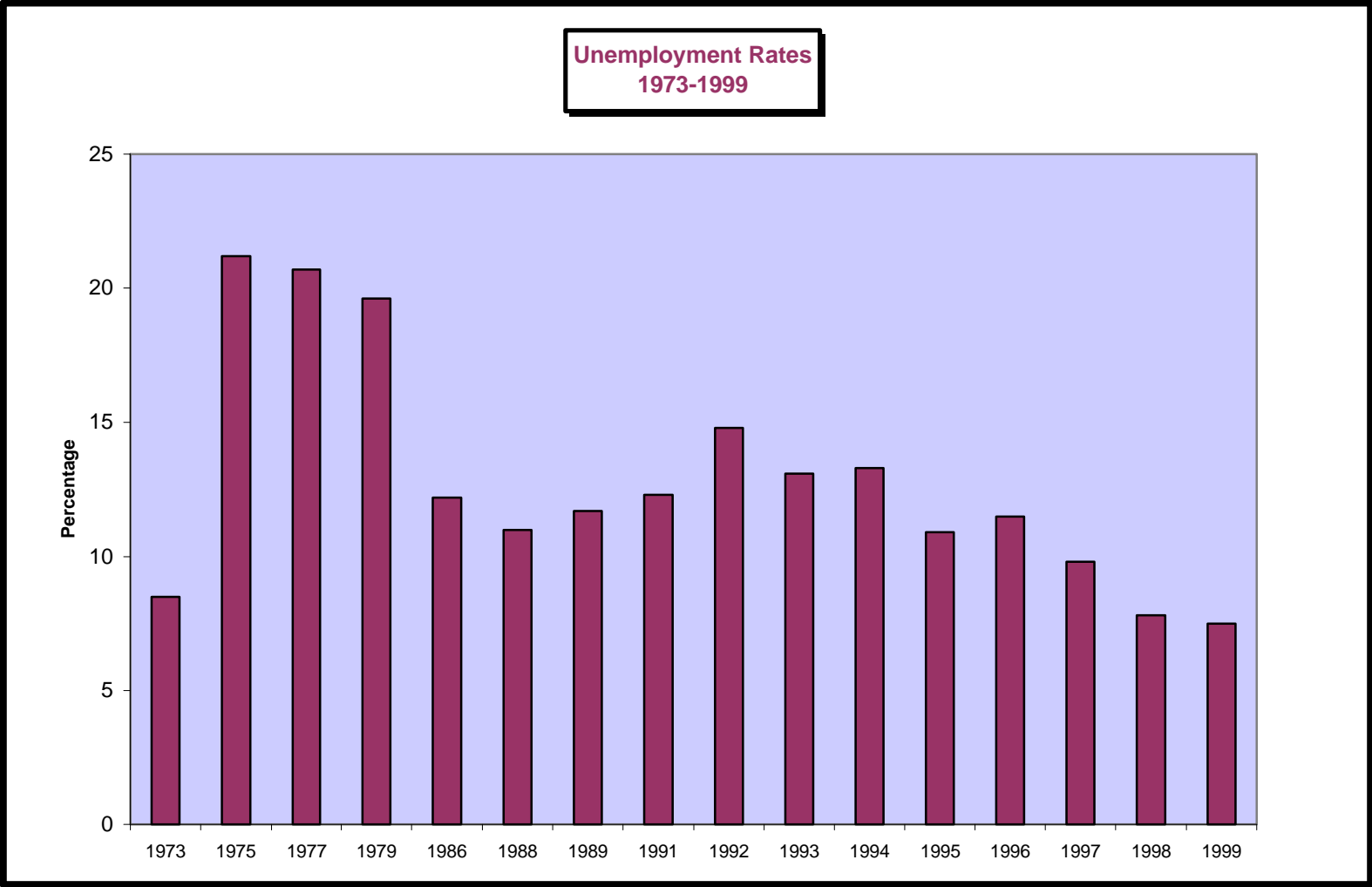


Table III. Tourist Expenditure and Arrivals 1990 - 1998



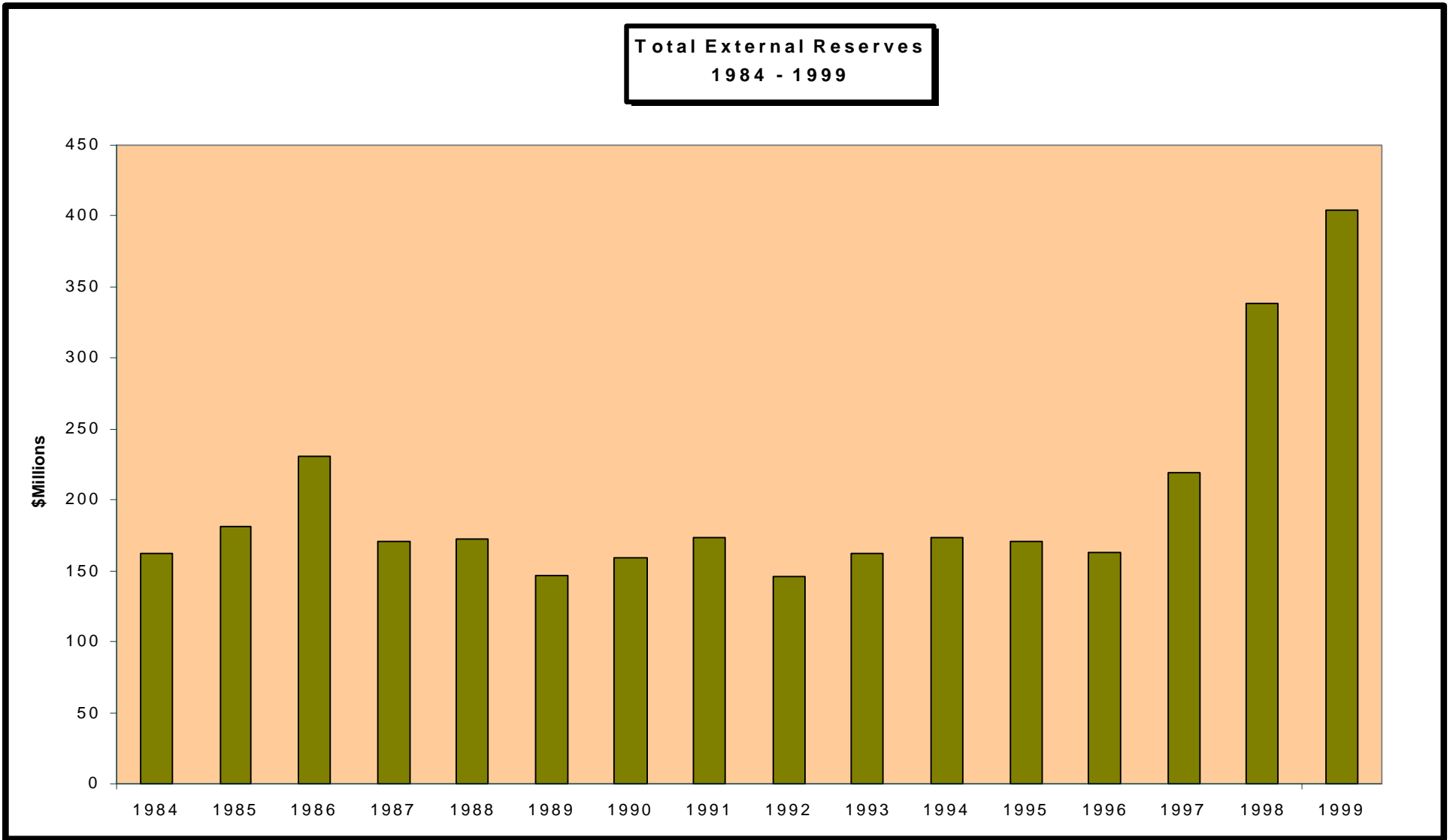
Source: Central Bank and Ministry of Tourism

Table IV. Unemployment Rates 1973-1999



Source: Department of Statistics

Table V. Total External Reserves



Source: Central Bank Quarterly Statistical Digest, February 2000