

**THE COMMONWEALTH OF THE BAHAMAS**

# **NATIONAL ACCOUNTS REPORT 2012**



**DEPARTMENT OF STATISTICS  
MINISTRY OF FINANCE**

# **PREFACE**

This publication introduces Gross Domestic Product of the Bahamas via the production and the expenditure approaches, in current and constant prices. These series increase the analytical usefulness and statistical reliability of the national accounts. The information contained in this report is some of the most sensitive leading indicators of economic conditions in The Bahamas. Users of this information will find it a meaningful addition to the usual body of information for planning and decision-making.

The data has been structured on the basis of the 1993 Revised United Nations System of National Accounts. Abbreviated definitions of the basic aggregates and an outline of the methodology employed to derive the data are also included. Persons interested in the details of the sources and methods of the estimates are advised to contact the National Accounts Section.

Kelsie Dorsett  
Director  
Department of Statistics

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# THE DEPARTMENT OF STATISTICS IN THE BAHAMAS

## **ADDRESSES:**

Location 1: Clarence Bain Building  
Location 2: SummerWinds Plaza  
P. O. Box N-3904  
Nassau, Bahamas  
Telephone: (242) 397-3704  
Fax: (242) 326-0379  
E-mail: [clariceturnquest@bahamas.gov.bs](mailto:clariceturnquest@bahamas.gov.bs)

The Bahamas Government Office Complex  
East Mall  
P. O. Box F-42561  
Freeport, Bahamas  
Telephone: (242) 352-7196  
Fax: (242) 352-6120  
E-mail: [claralowe@bahamas.gov.bs](mailto:claralowe@bahamas.gov.bs)

## **WEBSITE:**

Detailed tables and methodology of the National Accounts results can be found on the Department of Statistics website at [www.statistics.bahamas.gov.bs](http://www.statistics.bahamas.gov.bs)

## **FEEDBACK:**

The Department of Statistics welcomes your questions and comments regarding this publication.

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# **CONCEPTS & DEFINITIONS**<sup>1</sup>

**The System of National Accounts (SNA):** SNA 1993 consists of a coherent, consistent integrated set of macroeconomic accounts; balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. It provides a comprehensive accounting framework within which economic data can be compiled and presented in a format that is designed for purposes of economic analysis, decision-taking and policy-making.

**The Supply and Use Tables (SUT):** The central framework of the SNA 1993 contains detailed Supply and Use tables in the form of matrices that record how supplies of different kinds of goods and services originate from domestic industries and imports and how those supplies are allocated between various intermediate or final uses, including exports. These tables involve the compilation of a set of integrated production and generation of income accounts for industries – that is, groups of establishments as distinct from institutional units – that are able to draw upon detailed data from industrial censuses or surveys. The Supply and Use tables provide an accounting framework within which the commodity flow method of compiling national accounts – in which the total supplies and uses of individual types of goods and services have to be balanced with each other – can be systematically exploited. The Supply and Use tables also provide the basic information for the derivation of detailed input-output tables that are extensively used for purposes of economic analysis and projections.

**Gross Domestic Product (GDP):** This is the sum of the remuneration of all Bahamian factors of production - labor, capital and land - employed in the creation of the unduplicated total output of the Bahamian economy in the Bahamas. It also includes net indirect taxes i.e. indirect taxes less subsidies. When such net indirect taxes are excluded from the total, it is known as GDP at factor cost.

**Gross National Product (GNP):** either at market prices or factor cost differs from the domestic product by including the income of Bahamian capital earned abroad and excluding the contribution of foreign capital to the Bahamian economy. These contributions are represented by interest and dividend receipts and payments to and from abroad.



**Gross Value Added (GVA):** is defined as output (at producer's prices) less intermediate consumption (at purchaser's price) for the industries making up the GDP. The difference between gross and net value added and gross and net operating surplus is depreciation. The industrial composition of GDP follows the International Standard Industrial Classification Revision 4 (ISIC Rev.4).

**Expenditure on Gross Domestic Product:** Also referred to as Gross Domestic Expenditure (GDE) - constitutes all Final Expenditures by Households and Government; Investments; Exports minus Imports. Final expenditure is defined as expenditure that is not used up in the production process within the year. The differences between Gross Domestic Expenditure and Gross National Expenditure, is identical to the difference between GDP and GNP.

# **SOURCES AND METHODS**

## **A: GROSS VALUE ADDED OF INDUSTRIAL ORIGIN:**

### Production Approach:

The economy is divided into industries such as Manufacturing, Electricity, and Construction etc., based on the International Standard Industrial Classification Revision 4. The measure is Gross Value Added which is calculated as Revenue/Sales at Producers Prices minus Cost of Goods Sold and Intermediate Consumption, plus Other Net Indirect Taxes less Dummy Financial Corporations (FISIM).

The data is sourced from most industries through surveys conducted by the Department of Statistics (DOS) Business Establishment Section. The largest entities in the various industries are censused, while for the smaller entities a scientifically constructed sample survey is used. The data derived from questionnaires are items such as gross revenue, wages and salaries, detailed expenses incurred in carrying out the business, depreciation etc.

Information gathered from those industries not surveyed, is normally available either from administrative records or are collected by pertinent government or quasi-government agencies. These include the Ministry of Agriculture and the Department of Fisheries, which provide agriculture and fisheries data respectively. The Financial Industry data is obtained mainly from the Registrar of Insurance and the Central Bank of the Bahamas. Information for Public Administration, Public Education and Public Health comes from the Ministry of Finance and the Central Bank of the Bahamas.

## **B: EXPENDITURE ON GROSS DOMESTIC PRODUCT:**

### Expenditure Approach:

This approach divides the economy into the consumption of Government and Households, Investment and Exports of goods & services minus Imports of goods & services. The resulting figure is the same value of GDP as obtained by the Production Approach.

Government Final Consumption Expenditure is derived from an analysis of data obtained from the Ministry of Finance and the Central Bank of the Bahamas.

Private Final Consumption Expenditure of Residents has many elements. This is derived primarily from the Household Expenditure Survey 2006 results which were used in the calculation of the 2007 SUT. The years prior to and beyond 2007 are moved with data collected and estimated from other surveys. A major part of the PFCE total in these years is derived from the establishment survey results. This consists of revenue in retail trade - adjusted for sales made for purposes of Gross Fixed Capital Formation and sales made to other businesses. The revenues of hotels, restaurants, service establishments, medical, educational and professional services, as well as the expenditure of charitable organizations and associations of individuals such as labor unions are all included. Gross paid and imputed residential rents for household accommodation is derived mainly from the census of population and labor force surveys. Paid and imputed service charges for personal banking and insurance services are also included. An estimate for expenditure in the informal economy is also made.

The Change in Stocks is obtained from records of public corporations and the establishment surveys of retail and wholesale trade. At present, no complete knowledge of inventory accounting practices exists nor are there any price indices measuring the change in the value of inventories, these estimates must be considered rough approximations to the true change in the value of inventories. Presently no data exist in areas other than outlined above.

The values of Residential Building Construction and of Other Construction are based on the establishment surveys in the construction industry and information from the Balance of Payments. Purchases of Machinery and Equipment are derived from detailed Import data adjusted for custom duties and mark-ups.

The values of Exports and Imports of Goods and Services are anchored to the Balance of Trade and the Balance of Payment data estimated by the Department of Statistics and the Central Bank of the Bahamas respectively. The Tourism data is based on the Ministry of Tourism estimates.

# **USES OF NATIONAL ACCOUNTS<sup>2</sup>**

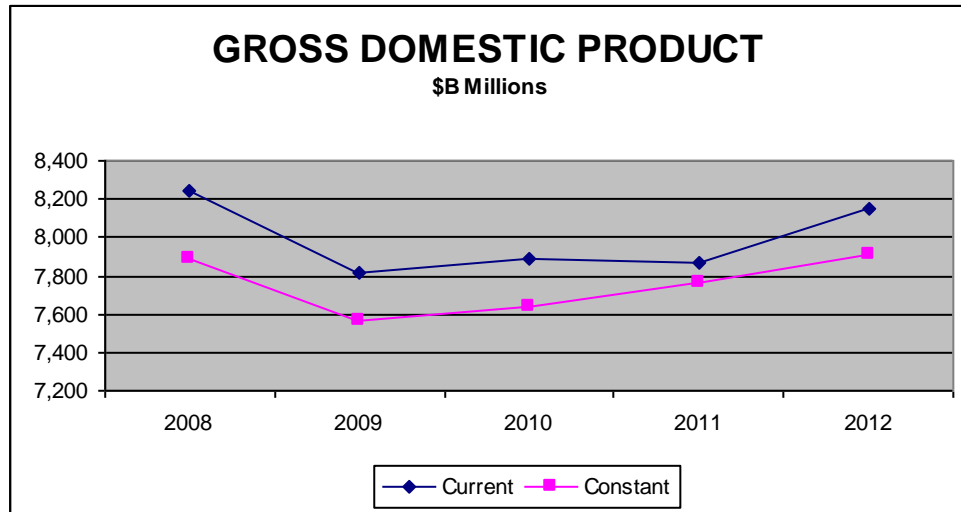
1. Monitoring the behavior of the economy by comparing and following the movement of economic flows such as production, household consumption, government consumption, capital formation, exports, imports etc.
2. Macro-economic analysis using econometric models to investigate the casual, functional relationships between different economic variables.
3. Economic policy making and decision-taking short term policy can be made based on recent behavior and the current state of the economy and a view or precise forecast about likely future developments.
4. Harmonization between different statistical systems by promoting consistency in terms of concepts, definitions and classifications. Revisions of these various systems are conducted in parallel with the SNA.
5. International Comparison which normally compare GDP or GDP per head, ratio's of investment, taxes or government expenditure on GDP. These are used to evaluate the performance of similar economies, eligibility for loans, aid or other funds or conditions on which such loans, aid or funds are made available. It also determines the size of the contributions which member countries of international organizations make to finance operations of these organizations.

# **DATA HIGHLIGHTS**

The 2012 annual preliminary results are based on early estimates from major data sources such as the Central Bank, Ministry of Tourism, and the Foreign Trade Section of the Department of Statistics, etc. They are also based on indicators which normally mimic movements of particular industries such as Hotel Room Rates, Megawatt Sales, Building Permits, Chargeable Telephone Minutes, Consumer Price Index, etc. The 2012 GDP figures are Preliminary and will be revised as more data become available.

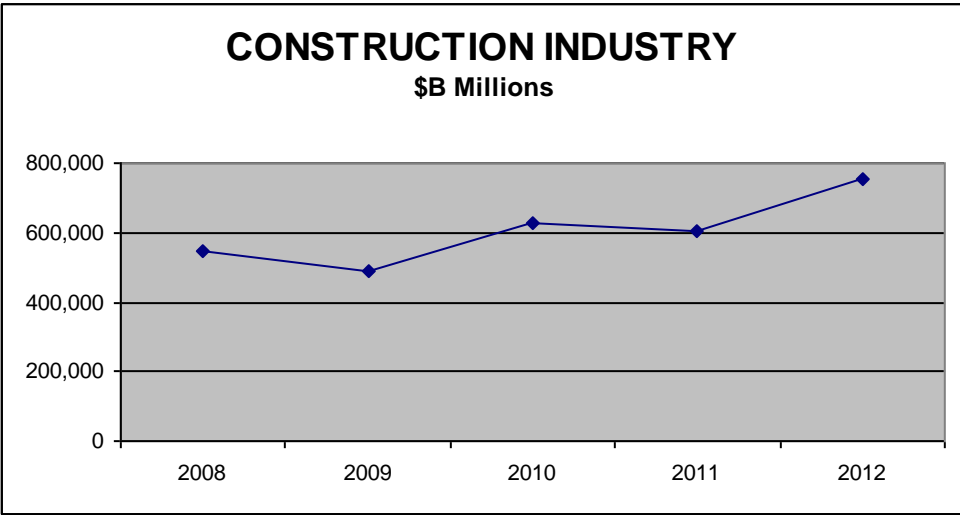
The GDP is measured in both Current Market Prices and Constant 2006 Prices. The current measure utilizes current price levels and currency values, without factoring in inflation and determines the total value of the products and services produced in a particular year. The Constant Prices measures the effects of inflation and is more useful for studying trends in economic growth.<sup>3</sup>

According to the preliminary results, the GDP in Current Prices for 2012 had a positive growth of 3.5%, while GDP in Constant Prices grew at 1.83%.



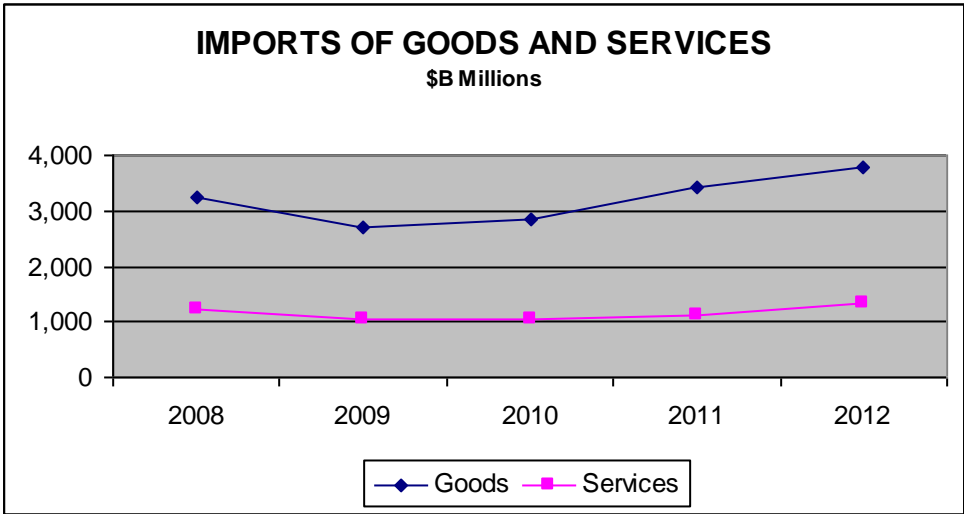
The growth at constant prices was due to increases in the Construction, Manufacturing, Hotel and Marine Transport Industries. In contrast, Fisheries, Electricity, Mining, Banking, Insurance and Real Estate/Gross Rents Industries declined.

<sup>3</sup> website [www.Diffen.com/diffence/NominalGDPvsRealGDP](http://www.Diffen.com/diffence/NominalGDPvsRealGDP)



The Expenditure Approach to GDP is through measurement of Government and Household Consumption combined with Investment and Exports minus Imports. The Exports of Goods and Services at Constant Prices in 2012 grew by 5.7% and in Current Prices, 6.4%, a direct result of an 11% increase in the Export of Goods. Tourism expenditure which increased by 5% together with an infusion of 18% in Local Expenses of the Off Shore Companies were the main contributors to the increase in The Export of Services

Imports of Goods and Services at Constant Prices in 2012 grew by 13%. The Imports of Goods which represent 74% of all Imports grew by 16.7%, led mainly by significant increases in Machinery and Transport Equipment and Manufactured Goods Classified Chiefly by Materials. The Imports of Construction Services which increased by 92% was the major catalyst for the 10% overall increase in the Imports of Services.



Gross Capital Formation measures the value of Investment in Buildings, Machinery and Infra-structure in the economy and is a combination of the materials and labour that are utilized to produce the various projects. The Gross Capital Formation in Constant Prices grew by 20.6%. The impetus in this sector was Non-Residential Construction and Machinery and Transport Equipment which increased by 97% and 22.6%, respectively. This build-up of these fixed assets was the direct result of major capital projects such as the BahaMar and the Airport Expansion Projects, etc.

The Private Final Consumption Expenditure (PFCE) or Household Expenditure which represents 70% of the GDP, increased in Current Prices by 2.9%. This increase was mostly in the Wholesale and Retail Trade Industry which grew by 5%, and Household Expenditure Abroad which grew by 20%. Contrary to the overall PFCE current growth, a slight decrease was measured at Constant Prices, where PFCE declined by 0.7% as part of the constant growth was mainly due to the increased prices. This decline is due to the All Items NP Consumer Price Index used to deflate the PFCE, which moved from 135.5 in 2011 to 138.4 in 2012.

The Government Final Consumption Expenditure (GFCE) is measured as Compensation of Employees, Depreciation Expense and Intermediate Consumption. This GFCE is split between Individual Consumption and Collective Consumption. In 2012, The Individual Consumption which includes Health and Education grew by 1.6% at Constant Prices and the Collective Consumption, which represents the remaining services, experienced a 2.5% growth.

The future plans for the National Accounts Section include the implementation of the Revised 2008 System of National Accounts and a quarterly Gross Domestic Product series. These projects will require research, additional data gathering and tabulation and are expected to allow the DOS to remain abreast with the world in the production of its National Accounts System.