Quarterly Press Briefing on Economic Developments

4th Quarter 2025

Remarks by the Governor
2 February 2026

Based on the latest available indicators, the Bahamian economy is estimated to have grown at a slightly moderated pace in 2025, when compared to 2024. Growth in tourism earnings supported the outcome, with pricing improvements bolstering otherwise capacity-constrained performance in the stopover market, alongside a sustained, and robust expansion in cruise output. Foreign investments, also provided continued stimulus, and with tourism, helped to boost employment. Expanded domestic lending supported both consumer spending and local investments, as loan default risks further reduced. The economy also supported improved fiscal indicators, and further narrowing in the overall deficit.

For 2025, the economy is projected to have grown at a rate close to 3.0 percent, after an estimated 3.4 percent rise in 2024. This remains above the medium-term potential, which is still projected at just under 2.0 percent per annum. For tourism, although stopover performance was constrained by limited hotel sector capacity and softer US travel demand, earnings were bolstered by appreciated product pricing, sustained expansion in vacation rental sales, and tourist arrival gains from non-US visitors, notably from Canada. The cruise market also continued to experience robust growth, buttressed by steady investments in private destination facilities.

Foreign exchange market activities strengthened in 2025, aligned with inflows from tourism, investments, and other private sector activities. In particular, commercial banks' total purchases of foreign exchange from the private sector increased by 4.1 percent to $7.6 billion in 2025. This was accelerated from an estimated boost of 2.2 percent in 2024. In line with increased demand for foreign exchange for imports and other payments, commercial banks' total sales of foreign exchange to the private sector also expanded by 5.1 percent to $7.5 billion. While the residual net sale of proceeds to the Central Bank, which impacted the outcome for external reserves, was less than in 2024, external reserves grew by a larger amount, closer to $170.0 million, as compared to $115.0 million in 2024. This was because the Central Bank also made a modest net purchase of foreign exchange from the public sector, as opposed to a small overall net sale the previous year. As at the beginning of February 2026, external reserves were estimated at $2.9 billion, about $200.0 million higher than a year ago.

The Central Bank had forecasted potentially lower end-of-year levels for the external reserves in 2025, which did not materialise. This was based on projections for faster credit growth than was realized during 2025. In addition, there was an unanticipated, though modest, net retention of proceeds from public sector's net borrowing, and relief from a reduction in the average imported cost of fuel. The earnings on the invested external balances provided some further uplift. The external reserves, therefore, continue to be healthy overall, and able to tolerate an increased pace of private sector credit lending, which the Central Bank is also accommodating.

As to private sector credit, growth was moderated in dollar magnitude to almost $330.0 million in 2025, from about $350.0 million in 2024. This represented a slowed rate of increase of 5.5 percent compared to 6.1 percent in 2024. While mortgages grew by a lesser amount than the year before, consumer credit expanded by almost the same amount, and commercial lending was accelerated. In the meantime, the lending risks continued to diminish, though at a more tempered pace. The delinquency rate for private sector credit, the share of loans that were three or more months behind in payments, decreased to 5.0 percent in 2025 from 5.5 percent the year before. Overall, lending conditions improved, with a high volume of credit applications processed and approved; but lenders still assessed that they are constrained from satisfying many applicants who did not qualify for credit, for a range of reasons including underemployment, high existing levels of indebtedness, and sometimes insufficient clarity around the permanence of the jobs they held.[1]

As to inflation, the most recent data for The Bahamas was only available up to the middle of 2025. On a 12-month basis, average prices fell marginally, signalling a negative inflation rate, as opposed to an increase in average prices—or positive inflation—over the same period in 2024. This reflected savings in energy costs and reduced pressures in import prices, up through the middle of the year. But the domestic inflation rate is expected to have experienced some uptick over the remainder of 2025, as more of the US tariff policy effects passed through in the cost of goods and services imported from the United States. That said, with global inflation threats more diminished, the negative consequences for The Bahamas' economic outlook also subsided: easing the strain on foreign exchange needed to pay for imports; increasing the upside potential for foreign investment as international interest rates have more room to decrease in the near term; and improving the prospects for the public sector to contract lower interest rates on foreign currency borrowing.

Turning more directly to the outlook, in 2026 the growth rate of the Bahamian economy is expected to remain above its medium-term potential. On the upside, with the US contribution to stopover projected to strengthen, stopover earnings growth could stabilize or improve incrementally, and—along with vibrancy in cruise activity—helped to at least maintain the same rate of gains as was experienced in 2025. Steadied to accelerated credit growth is expected to

[1] As the economy continues to expand, lending prospects should remain strong. Access to credit could further improve, provided employment contracts for new hires emphasise more credibly whether the positions are permanent or temporary.

maintain elevated domestic demand, spending on imports, and limit any potential for a boost to either external reserves or bank liquidity. Again, the Central Bank is fully accommodative of this outcome, given the existing healthy levels of external reserves. The domestic financial environment is also expected to sustain an expanded share of the public sector's total borrowing needs, in the context of continued overall fiscal consolidation.

While near and medium-term risk to financial stability and the currency are contained, downside risks persist in the external environment. They include the evolving and uncertain trade policy environment, and geopolitical tensions from conflicts in the Middle East and Eastern Europe, which could collectively disrupt the domestic economy. The Central Bank therefore remains vigilant to adjust its policies as necessary to promote desirable outcomes for the financial sector and the economy.

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