Quarterly Economic Press Statement

June 2025

Remarks by the Governor
28 July 2025

Based on available indicators, the Bahamian economy continued to expand during the first six months of 2025, but slightly moderated compared to 2024. This mainly corresponded to more subdued growth in tourism. Otherwise, the economy benefitted from sustained foreign investment activity and increased stimulus from private sector credit. The environment is projected to have provided ongoing gains to employment and increased taxable activities, which benefited the government's revenue intake. Stronger credit expansion resulted in reduced seasonal growth in banking sector liquidity and in external reserves, compared to the first half of 2024. Credit risk indicators were also comparatively lowered from 2024, but at a more gradual speed, given the tempered pace at which the economy improved. Meanwhile, the economy's inflation rate slowed significantly, compared to a year ago, due to subsided energy prices and tempered increases in average costs on other imported goods and services.

Foreign exchange market indicators attest to the slower growth in productive activities over the first half of the year. In particular, commercial banks' purchases of foreign currency from the private sector, which are correlated with tourism, investments and other activities, rose by 1.3 percent during January to June 2025, as compared to by 2.2 percent in the first half of 2024. In contrast, sales of foreign currency, stimulated by bank lending, expanded by just over 4 percent, as opposed to a reduction of just over 2 percent in the same six months last year. This highlighted increased private sector demand on both imported goods and services, with lesser amounts paid for fuel imports and travel.

As to tourism, the continued gains reflected a combination of a subdued expansion (but still not a reduction) in stopover receipts, compared to a steady and healthy increase in cruise visitor earnings. In the stopover segment, where the bulk of the industry's receipts are recorded, inflows were boosted from higher average pricing, despite a slightly reduced number of visitors. The vacation rental segment helped contribute to this result, with an expanded listing of properties, supporting a nearly 10 percent rise in room sales and further appreciation in average nightly room rates. Challenges overall, though, reflected constrained hotel room inventory, and increased uncertainty in the US market, which accounts for the majority of visitors.

As regard to the investment climate, indications are that activities continued to be paced by foreign inflows to cruise destination developments and residential real estate. In addition, strengthened commercial bank mortgage lending provided firmer support to local construction activities.

Returning to foreign exchange market trends and the outcomes for the external reserves, there was a moderate reduction in the net amount of foreign exchange that commercial banks retained and sold to the Central Bank over the first half of 2025. In addition, the Central Bank made a net sale of foreign currency to the government and public enterprises in the first half of the year, as opposed to a net purchase of funds in the same period last year. Correspondingly, the seasonal growth in external reserves, over the first half of this year was more than one-third lower than in the first half of 2024. Nearing the end of July 2025, external reserves were estimated at $2.95 billion, almost 2 percent lower than at the same point in 2024, which had included comparatively healthier tourism growth and proceeds from the government's external borrowings.

Summarising credit trends, domestic banks' lending to the private sector strengthened in comparison to 2024, with increased financing broadly across consumer loans, mortgages and commercial activities. Likewise, credit risk was further reduced compared to 2024. In particular, the share of private sector loans that were three or more months behind in payments was about 5.0 percent in June, compared to almost 6.0 percent in 2024. Again, as the pace of economic improvement reached a more steadied level, delinquency indicators showed only marginal abatement from the beginning of the year. Most of the year-over-year reduction in the non-performing loans ratio occurred between July to December 2024 as opposed to during January to June, this year.

Turning to the outlook, the Central Bank continues to expect the economy to grow at a slower pace in 2025 than in 2024. Tourism, as the main engine of growth, is likely to show mixed trends: the slowest results being in the U.S. stopover component, relative to more sustained expansion in vacation rental receipts, non-U.S. stopovers, and returns from the cruise segment. Despite the contrast between performance in hotels, versus vacation rental segments, the Central Bank's analysis of online travel sites and forward bookings and pricing data, forecasts better hotel sector revenues over the remainder of 2025 compared to the second half of 2024. This is on the basis of higher average room rates, but without any forecasted uptick in occupancy, compared to the same period in 2024.

The foreign investment climate is also expected to be stable and, along with tourism, continue to generate growth in employment headcount. Added to a maintained stronger rate of credit expansion, these trends forecast some possible decrease in bank liquidity and external reserves, but offer favourable conditions for improvement in the fiscal position.

As observed from earlier in the year, there are still increased headwinds facing the economy, but these do not extinguish the growth forecast. Uncertainties from increased tariffs on global trade can potentially slow global growth below what would have otherwise been its potential, and be a drag on tourism. Any escalation of trade tensions would add to the economic strain of the ongoing wars in Europe and the Middle East. Tariffs, supply chain disruptions and the potential diversion of trade are, collectively, channels for increased inflation, which could postpone any anticipated further reduction of international interest rates. This would keep the public sector debt costlier than otherwise and constrain the ease of funding for foreign direct investments.

Given the outlook, the Central Bank will maintain accommodation towards stronger domestic credit expansion, closely monitoring credit risk indicators and the sustainability of foreign exchange market trends, to promote the stability of both the currency and the domestic financial sector.

28 July 2025 ■