



## Quarterly Press Briefing on Economic Developments

### 3<sup>rd</sup> Quarter 2025

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***Remarks by the Governor***  
***3 November 2025***

Based on available indicators, the Bahamian economy continued to expand over the first nine months of 2025, although the pace was slower than in 2024. Tourism inflows continued to be the main driver of growth, alongside sustained foreign investments, targeting cruise attractions and residential and resort developments. Nevertheless, constrained hotel sector capacity and weakness in the US visitor market generated a subdued stopover performance, in contrast to continued healthy expansion in cruise earnings. The economy also experienced stronger demand stimulus from private sector credit, amid more favourable lending conditions, which consequently slowed the pace of accumulation in foreign reserves and bank liquidity. Overall, the environment stayed supportive of employment gains and further reductions in the government's net borrowing requirements. However, while inflation was mild, the potential persisted for near-to medium-term acceleration, if external developments make imports costlier.

Regarding tourism, the latest available data from the Ministry of Tourism, combined with other indicators, suggest that through the first nine months of the year, overall earnings increased at a slower rate than in 2024. This softening was largely concentrated in reduced consumer confidence and stopover demand from the US, which eclipsed a significant boost in non-US demand, particularly from Canada. Despite continued robust gains in cruise inflows, projected stopover earnings were almost unchanged from the previous year. In particular, estimated hotel room revenues decreased over the comparative period, in contrast to a healthy earnings growth for vacation rentals. While hotels registered slightly lower average occupancy and some reduced average pricing, vacation rentals experienced strengthening in both indicators, based on the Central Bank's analysis of airDNA data. On a positive note, for the remainder of 2025, the Central Bank's assessment, which tracks online booking and pricing for the resort sector, projects some uptick in the final quarter's performance compared to 2024.

The combination of tourism and foreign investment inflows continued to support healthy foreign exchange market conditions. In the first nine months of 2025, commercial banks' total purchases of foreign currency from the private sector grew by 2.0 percent to \$5.8 billion. Keeping close pace with local demand, the foreign exchange which banks sold to the private sector, mostly for imports of goods and services, also strengthened by about 2.0 percent to \$5.5 billion. As a result, commercial banks were largely able to maintain an equivalent net sale of foreign currency to the Central Bank as in 2024. However, the Central Bank's transactions with the public sector switched

to a net overall sale of foreign currency, following a net purchase of inflows in 2024. Consequently, there was a smaller net boost to external reserves over the first three quarters of the year.

At the beginning of November, external reserve balances stood at \$2.9 billion, almost \$290 million higher than at the start of the year and about \$230 million more than at the same point last year. On a seasonal basis, the Central Bank anticipates some reduction in these balances over the remainder of the year, which is consistent with stronger credit growth, elevated imports during the holiday season, and operations outside of the peak occupancy season for stopover tourists.

As to credit, commercial banks' net lending to the private sector strengthened year-over-year, by almost 7 percent through September 2025. This compared to growth of 4.0 percent over the same period a year ago, which was still a substantial pickup from the subdued pace of lending, both up to and during the pandemic. Across the major categories, the most accelerated category of lending was for commercial activity, correlated with financing of local energy sector investments, slightly faster growth in consumer loans, but a slower rate of growth in residential mortgages. Compared to 2024, the lending risk implied from the delinquency rate remained slightly slower, with an average of less than 6.0 percent of all local currency loans being 3 or more months behind in payments. Indications are that banks are making use of the credit bureau to guide their lending decisions, they are processing a higher volume of loan applications, and are rejecting a smaller share of these applications—especially for consumers. In contrast to the consumer credit experience, approval rates for mortgages were almost unchanged in the latest lending conditions survey, but with significantly fewer applications being processed.

Turning to inflation, the annual rate was negative in the latest data through the first half of 2025—meaning that there was a slight decrease in average prices compared to the same period last year. This resulted from both lower local energy costs and a lull in price increases on imported goods and services. However, ongoing tariff policy adjustments in the US could increase the imported inflation in The Bahamas in the near- to medium-term. There is still uncertainty though, over where the final tariff structure would settle, and therefore the eventual costs that would be experienced by consumers, based on passthrough from the US.

As to the rest of the outlook, the Bahamian economy is still expected to grow slightly above its medium-term potential in 2025 and 2026, dominated by tourism and investment activities. As it relates to tourism, the cruise market should remain bolstered by increased capacity at private destinations. However, there is less clarity for stopover results, which are expected to be influenced by the extent to which the potential gains in non-US markets, combined with expanded airlift capacity, offset softer demand from the dominant US visitor segment. Aside from trade policies, the downside risks to the global economy, which would also impact The Bahamas, persist from the geopolitical tensions in Eastern Europe and from the durability of peace efforts in the Middle East. However, the continued easing in monetary policy in the US and other major economies provide an upside potential for travel demand. It also supports more favourable

financing conditions for foreign investments, and potentially greater savings on the cost of the public sector's foreign currency debt.

Given the healthy foreign exchange market and the banking system's ability to sustain reductions in liquidity and external reserves, the Central Bank will maintain an accommodating stance for credit growth. The environment also has continued capacity to absorb a greater share of the government's debt financing operations without posing any concerns to the external reserves or the adequacy of the support for the Bahamian dollar fixed exchange rate. In this environment, the Central Bank will adjust its policies, as necessary, to ensure that the outlook remains sustainable, both for the domestic currency and the stability of the domestic financial system.

**3 November 2025**