Quarterly Press Briefing on Economic Developments

1st Quarter 2026

Remarks by the Governor
4 May 2026

Based on the latest available indicators, the Bahamian economy maintained its growth momentum during the first quarter of 2026, when compared to the same quarter in 2025. This was led by strengthened tourism output in both the stopover and cruise segments, alongside continued foreign investment activities, which benefitted the construction sector. In the meantime, stimulus from private sector credit growth increased relative to the same period last year. Developments continued to support a healthier fiscal performance and projected employment growth. However, inflation firmed in the latest available indicators, due to higher imported costs in fuel and other goods and services, attributed to geopolitical tensions experienced in 2025. Moreover, heading into 2026 downside economic risks further increased, as the war in the Middle East caused a new spike in oil prices.

As to tourism, estimated inflows grew at a healthy pace during the first quarter, with a stronger stopover earnings boost, than in the first quarter of 2025. Alongside a rebound in visitor volumes, indications are that room rate pricing appreciated for both hotels and vacation rentals. A dominant factor was significantly accelerated in non-US stopover visitor growth compared to 2025, benefitting from a boost in airlift from Canada. Nevertheless, limited room capacity remained a constraint on hotels, and continued weakness in the US source market underscored emerging risks, given the importance of such demand to sustaining airlift capacity. In the cruise market, overall growth also remained robust, amid ongoing investments in the expansion of private destination facilities throughout The Bahamas.

Progressing beyond the first quarter, the Central Bank's assessment of online booking trends estimates a further boost in stopover earnings over the next few months, due to higher prices for accommodations. Meanwhile, the volume of stopover traffic could be slightly lower, in line with softened prospects in the US segment, and greater negative strain on US consumer confidence from ongoing wars and trade policy developments.

Turning to banking sector indicators, the economy's first quarter performance supported stronger foreign currency inflows, closely matched by expanded domestic demand for foreign exchange. The volume of foreign currency purchased by commercial banks from the private

sector increased by 12.6%, to an estimated $2.3 billion during the first quarter; while, sales of foreign exchange, mainly for imported goods and services, expanded by 14.2% to $2.0 billion. Given the strength of demand, commercial banks incrementally reduced their net sale of foreign exchange to the Central Bank, in comparison to 2025. However, as the Central Bank also accommodated a significantly reduced net outflow of foreign exchange via the public sector, the seasonal build-up of external reserves was almost 60.0% stronger, by approximately $270.0 million during the first quarter. As at the beginning of May 2026, seasonal gains continued, with external reserves balances reaching an estimated $3.2 billion, compared to about $2.8 billion at the same point in 2025. Foreign reserves balances are therefore comparatively healthy, to absorb sustained private sector credit growth over the remainder of 2026, as well as to accommodate increased usage from higher oil prices.

As to private sector credit, the rate of expansion during the first quarter was more accelerated than in 2025. This reflected stronger consumer lending growth, and an almost steadied pace of growth in commercial credit. However, outstanding mortgages were approximately unchanged over the quarter. These sectoral trends reflect a continuation of patterns observed in the latest lending conditions survey through the second half of 2025, in which the pickup in private sector credit corresponded to increased applications for consumer and business loans, and an elevated rate at which banks approved such credit applicants. Conversely, both the volume of mortgage applications, and the ease at which households qualified for mortgages, were reduced. Overall, lending risks continued to subside. The fraction of private sector loan balances on which borrowers were three or more months behind in payments (that is, the non-performing loans rate) decreased further, to less than 5.0% at end-March 2026, from nearly 6.0% one year ago.

As to the economic outlook, the Central Bank still projects growth in the economy over the remainder of 2026, but at a somewhat slower rate than forecasted for the first half of the year, as more of the impacts of geopolitical risks materalise. This includes continued credit expansion, even if more tempered by caution, as lenders monitor the external environment. Bank liquidity is expected to remain elevated, to slightly contracted, depending on the vigour of lending over the remainder of the year; and external reserves are expected to close out the year at a stable, to marginally improved level. Hence, the Central Bank will maintain an accommodating stance for private credit.

Nevertheless, geopolitical risks impact the economy through varied channels. In particular, higher energy costs from the war in Iran are expected to cause increased inflation, directly in imported fuel; in goods and services impacted by higher fuel, such as airline ticket pricing for tourists; higher freight and other transportation costs being absorbed by local businesses; and costlier imported goods and services impacted by energy inputs. In all cases, these pass-throughs are expected to become more noticeable and imposing as the crisis drags on. Moreover, potential disruption to European jet-fuel supply chains, if prolonged, could disrupt travel patterns.

In general, downside risks are contained in the inflationary impact of the war, on the financing hurdles for foreign investments, and delayed savings on public sector foreign currency debt

servicing—as foreign central banks are persuaded to maintain interest rates higher, for longer than was anticipated.

There are some upside possibilities, however. In travel, proximate destinations like The Bahamas could offer a more affordable substitute for North American visitors, confronted with disproportionately costlier travel to more distant destinations. Further, the high-end residential investments and the local construction sector could receive a boost, over the medium-term, as the Bahamian market capitalises on a safety premium relative to the Middle East.

While on balance, risks to the global economy still preclude a potential global recession, the Central Bank remains vigilant in its monetary policy posture against even more adverse outcomes that a deepening or protracted crisis could impose. However, even under worsened scenarios than are currently anticipated, the external reserves cover is robustly adequate to protect the currency, and domestic banks' balance sheets remain strong and highly capitalised to absorb any setbacks. Otherwise, monetary policy remains accommodating for The Bahamas; again, supportive of sustained to strengthened credit growth, but poised, if necessary, to protect the credibility of the fixed exchange rate.

4 May 2026