Quarterly Press Briefing on Economic Developments
2nd Quarter 2026

Remarks by the Governor
30 July 2026

Based on available indicators, the Bahamian economy maintained a healthy growth rate during the first half of 2026, closely keeping pace with the estimated gains recorded in the first half of 2025. Tourism expansion strengthened in comparison to last year, with accelerated inflows from stopover activity, occurring alongside continued robust expansion in cruise visitors. Foreign investment indicators also steadied, stimulating healthy construction output and, alongside tourism, contributed to further estimated growth in employment. Meanwhile, moderately-paced private credit expansion helped stimulate domestic spending, with lending risks further reduced in the banking sector. Likewise, the economy continued to support improvement in public finances. However, given external (geopolitical) pressures, average consumer price inflation increased in the most recent estimates, driven by escalated fuel costs and rising prices for other imported goods and services. As to the outlook, global economic uncertainties from the wars in Eastern Europe and the Middle East, alongside persistent tariff policy tensions, continue to underline the increased headwinds facing the economy.

For 2026, forecasted growth is on pace to come in just moderately below the estimated 3.8% recorded in 2025. For tourism, this includes an expansionary year-to-date contribution from stopover earnings, benefitting from slightly recovered visitor volumes and further appreciated average pricing, but with constrained hotel room inventory still limiting overall performance. Although rebounded against 2025, monthly seasonal volumes still have not shifted significantly, on average, to the peak baseline headcount recorded before the COVID-19 pandemic. Otherwise, tourism performance also reflects a fairly robust uptake of vacation rentals, in place of constrained resort accommodations. In addition, vigorous demand growth from the Canadian market for the second consecutive year has been supplemented in 2026 by a more stabilised and incrementally improved outcome for the US market. In the meantime, cruise visitor inflows have remained strong.

With regard to foreign investments, inflows remain concentrated in residential activity, resort developments, and further development of private cruise destinations. These are generating both construction jobs and anticipated permanent positions once the developments transition into operation.

The foreign exchange markets underscore significantly accelerated private sector inflows during the first half of 2026, compared to last year. In particular, commercial banks' total purchases of foreign currency from the private sector (from investment inflows, tourism, and other exports) rose at a robust rate of 17.8% to $4.6 billion in the first half of the year, far exceeding the 1.3% expansion in 2025. In line with increased demand for payments—mainly for imports of goods and services—total sales of foreign exchange to the private sector increased by 13.7% to $4.1 billion. The resulting seasonal net inflow of foreign exchange through the banking sector was correspondingly two-thirds stronger than in 2025, contributing to significantly expanded net sales of foreign currency to the Central Bank. With the Central Bank's net sales of foreign exchange to the public sector only marginally offsetting these net receipts from commercial banks, the external reserves growth through the first half of 2026 was boosted to $480.0 million from the healthy, but more moderate, $355.0 million in the same period of 2025. Near the end of July 2026, external balances were estimated near $3.20 billion, compared to $2.97 billion at the end of July 2025. Given current balances, external reserves are expected to end the year at stable to possibly improved levels, in comparison to December 2025. This maintains a favorable support for the Bahamian dollar fixed exchange rate and it leaves continued room for the Central Bank to accommodate strengthened private sector credit growth over the near and medium-term.

The pace of bank lending firmed over the first half of 2026, reflecting stronger net flows to the private sector and a recovery in net lending to the public sector. After adjusting for transactions which reclassified some commercial credit to public enterprise liabilities, the private sector continued to experience modestly firmer lending growth, including accelerated consumer credit increases and a nearly doubled net advance for commercial credit. Mortgages were mildly increased, but mainly denominated in foreign currency transactions. Compared to the same point a year earlier, lending risks also continued to subside, a benefit of both the healthy economic environment and effective ongoing management of delinquencies by banks. In particular, reflecting the reduction in private loans more than three months behind in payments, the NPL ratio moderated by approximately a full percentage point since June of 2025, to an estimated 4.4%.

Turning to inflation, recent firming was evident, owing to higher prices for imported fuel, impacting transportation costs, and a range of elevated pricing on other imports. For the time being, some domestic energy costs remain sheltered by BPL's fuel hedge. However, adjustment in the fuel hedge is expected to occur before oil prices fall back to pre-war levels. This could pass higher costs through to electricity generation after 2026.

In the outlook, the pace of growth, as mentioned earlier, is expected to stay elevated, above the estimated medium-term potential, but moderately tempered below 2025. For tourism, stopover momentum could strengthen moderately, particularly on the basis of appreciated pricing and some seasonably-improved forecast of average occupancy during the traditionally slower months in the second half of 2026. The foreign investment climate is expected to also remain relatively vibrant. The outlook also remains improved for employment. In addition, the pace of domestic credit growth is expected to be maintained at stable to strengthened levels, in line with the Central Bank's policy posture to encourage firmer lending trends, with a continued, very healthy outlook for the external reserves. Ample capacity exists in this credit and liquidity environment to accommodate increased government reliance on local currency financing, relative to foreign currency sources in its overall debt management operations.

Nevertheless, downside risks and headwinds facing the economy remain elevated, given the spillover from wars in Ukraine and the Middle East, and from persistent tariff policy uncertainty. Tourism, in particular, faces some demand restraint from fuel cost pass-through into transportation and electricity costs, as well as the weighing down; particularly, of US consumer confidence because of the varied channels through which inflation has become heightened. In addition, higher inflation in the near-term continues to slow the pace at which international interest rates are expected to return to lower levels. This is forecasted to maintain public sector foreign currency borrowing costs more elevated, for longer than expected, and, on a protracted basis, make it more challenging for foreign investment activity to secure funding.

In this environment, the Central Bank will remain balanced in its approach to policies, which seek to support a strengthened credit environment, while being vigilant to ensure that the outlook for external reserves remains favourable, to support the Bahamian dollar fixed exchange rate and keep domestic financial stability risks in check.

30 July 2026 ■