



Quarterly Press Briefing on Economic Developments 3rd Quarter 2026

***Remarks by the Governor
29 October 2026***

The Bahamian economy continued to expand at a healthy pace over the first three quarters of 2026, forecasted close to the pace of the expansion experienced in 2025, and remaining above the potential rate of growth that is expected over the medium-term. In particular, tourism gains accelerated in comparison to 2025, while foreign investment activity remained steady, providing strong support for construction. Correspondingly, employment growth continued to be evident, and the outlook was maintained for ongoing fiscal consolidation. Private sector credit expansion also strengthened on a year-to-date basis, fueling increased local demand, and correspondingly more moderated pace of external reserves growth and a lessened bank liquidity boost. In the meantime, given escalated global energy costs, and other channels of higher import prices, the inflation rate increased in recent months. Accordingly, the downside risks to the economy remain elevated over the near-term, given trade policy uncertainties and the protracted conflicts in the Middle East and Eastern Europe.

The economy benefitted from broadly improved tourism indicators over the first three quarters of the year. In particular, stopover earnings grew at a faster pace, supported by rebounded visitor volumes, increased hotel occupancy levels, and appreciated hotel room rates. The vacation rental market also contributed, with both expanded sales and appreciated pricing, alongside an increased inventory of rental listings. Noteworthy within the overall trend was a recovery in visitor demand from the most important, US visitor market. This supplemented further robust growth in visitor traffic from non-US markets, led by Canada. At the same time, cruise expansion continued at a healthy pace, alongside sustained investments in the development of private cruise destinations within the sector.

In line with the healthy growth in tourism and foreign investment receipts, measured foreign exchange inflows further strengthened in 2026. Through the first nine months of the year, commercial banks' total purchases of foreign currency from the private sector grew at an accelerated pace of 13.9% to \$6.6 billion. However, amid stronger credit expansion and other import demand stimulus, sales of foreign currency to the private sector rose at a faster rate, by 15.4% to \$6.4 billion. As a result, commercial banks' net purchase of foreign exchange from customers was moderately tapered in comparison to 2025, and commercial banks therefore made a smaller net sale of foreign exchange to the Central Bank. This contributed to a modest

reduction in the external reserves growth compared to 2025. Meanwhile, through the end of October 2026, the reserves stood at \$2.8 billion, slightly below the estimate of \$2.9 billion at the same point in 2025—when proceeds from a government external borrowing transaction boosted balances. Foreign reserves are expected to close out the year at a stable to mildly lower position compared to 2025, remaining more than adequate to support the Bahamian dollar fixed exchange rate, and continuing to sustain a stronger pace of credit growth over the medium-term.

On the lending side, domestic credit expansion strengthened in comparison to 2025, led by an increased rate of lending to the private sector, near 6.1% on an adjusted basis,¹ compared to 4.3% over the same nine months in 2025. This included accelerated growth in consumer credit, and slightly faster residential mortgage gains, contrasting with a smaller advance in commercial credit. Lending risks further subsided, compared to 2025. In particular, the non-performing loans rate, or share of facilities falling three or more months behind in payments, decreased to 4.5% in September 2026 from 5.0% at the same point in 2025. In the meantime, the latest lending conditions survey revealed that over the first half of the year, although the number of credit applications decreased slightly, banks approved almost the same volume of requests as in 2025, resulting in a boost in the share of borrowers who were approved.

Turning to prices, the inflation rate in The Bahamas firmed over the course of 2026, owing to rising costs on imported goods and services, including fuel and energy. This reflected protracted pressure from the wars and conflicts in the Middle East and Ukraine, and the ongoing effects of higher tariff on imported items from the United States domestic market. The imported inflation has also been evident in increased foreign exchange outflows on oil imports. Because of these developments, headwinds also persist for tourism, from upward pressure on the cost of travel, and relatively subdued United States consumer confidence, the key market relied upon for visitors. The external monetary policy response to inflation has been either to raise short-term interest rates or pause the trend of declining rates that was being experienced just a year ago. For the Bahamas, this consequently maintains higher than otherwise anticipated cost of debt financing for foreign investment projects, and smaller than otherwise expected interest cost savings on the public sector foreign currency debt.

From a monetary policy perspective, The Bahamas still has to absorb the imported inflation, and it has the capacity to do so out of higher foreign exchange flows and the external reserves cushion. However, it does mean allowing the price impacts to be passed on to consumers without imposing significant added distortions—by allowing families to adjust spending budgets, where they can, to maintain affordability. Over the medium-term the best strategy to promote resilience and save on foreign exchange usage is to continue to adopt more energy efficient appliances and technologies, and increasing reliance on renewables.

¹ Adjusting for reclassification of some \$132.3 million in commercial credit as public liabilities instead, commercial credit expanded by \$125.2 million in the first nine months of 2026 as compared to by \$142.7 million in 2025.

Turning to the outlook, the Central Bank still expects the economy's growth to exceed 3.0% in 2026, which remains significantly above the expected medium-term average potential. It reflects continued forecasted gains for stopover tourism, and sustained investment inflows, particularly into residential real estate and expanded capacity in both the hotel and cruise sectors. Correspondingly, employment gains are expected to continue, while the government's fiscal consolidation efforts are forecasted to benefit from further expansion in the tax base. As projected, however, inflation could rise further. Credit growth is expected to be maintained at a moderately strengthened pace, which is an outcome that the Central Bank will continue to accommodate. This is expected to result in a more subdued growth in bank liquidity, and comparatively stable, or mildly contracted year-end outcome for external reserves.

That said, the Central Bank will remain guarded against the downside risks facing the economy from the protracted nature of the wars in the Middle East and Europe, elevated oil prices, and trade policy uncertainties. The Central Bank will take proactive measures to protect the currency, if necessary.

29 October 2026