



Second Quarter Economic Review

June 30th, 2025

The Economy

Preliminary economic indicators suggest that the domestic economy continued to expand modestly during the second quarter. Increased holiday-related travel contributed to gains in tourism output, while foreign investment projects buoyed construction sector activity. In addition, owing to net foreign currency inflows from real sector activities, banking liquidity declined while external reserves expanded. Inflationary data revealed cost pressures abated as imported fuel and other foods and services prices abated.

Tourism remained strong in Q2, especially cruise arrivals, though airport departures dipped:

Initial data suggests that in the second quarter, tourism activity remained strong, as the sector benefited in part from the Easter holiday period. For the first six months of the year, total arrivals expanded by 10.7% to 5.3 million, led primarily by an increase in cruise ship visitors. Total arrivals by sea improved by 12.9% to 4.5 million over the same period the year earlier. According to data from the Nassau Airport Development Company Ltd. (NAD), visitor departures at the Lynden Pindling International Airport (LPIA)—net of domestic passengers—fell by 2.9% during the first six months to 0.7 million compared to the comparable period of 2024. Conversely, non-US passengers increased slightly by 1.5% to 0.1 million over the previous year.

Bank reserves grew modestly in the first half of the year, but at a slower pace than last year:

Monetary trends over the first six months revealed a modest expansion in excess reserves to \$34.6 million from \$342.2 million over the previous year. External reserves for the first half of the year indicated levels increased by \$350 million, representing a noticeable slowed down from the \$580.8 million build up for the same period last year.

Foreign currency transactions by banks declined compared to last year:

Central Bank's net foreign currency transactions with the public sector reversed from a net intake of \$163.2 million last year to a net sale of \$35.3 million during the first half of the year. Commercial bank's net intake from customers slowed from \$399.0 million to \$296.3 million. The Bank's net purchases followed similarly, reducing from \$405.1 million to \$346.7 million.

Credit growth decelerated – government borrowing down but private sector lending rising:

Total Bahamian dollar credit growth narrowed by \$25.7 million on a year-to-date basis, compared to a \$111.5 million reduction in 2024. Underpinning this development, net claims on the Government decreased to \$129.6 million, a shift from the prior year's \$201.6 million accumulation. Private sector credit grew to \$117.2 million, an improvement on the \$64.2 million in the previous year. A breakdown of this expansion revealed commercial loans ballooned to \$51.0 million from \$10.1 million, consumer credit rose moderately to \$50.8 million from \$45.6 million and residential mortgages moved upwards \$15.3 million from \$8.5 million.

Inflation continued to ease through April 2025, with lower prices across most categories:

Inflationary pressures continued to wane through April 2025 according to the All-Bahamas Retail Price Index as the 12-month period showed a slight reduction of 0.2% in average consumer prices. Contributing to this outcome, average costs for housing, water, gas, electricity & other fuels lowered by 1.9%; modest decreases were recorded in recreation & culture, by 0.8%; and restaurant & hotels, by 0.3%. Further, the decline in average prices extended for clothing & footwear, to 1.7% from 0.2% in the year prior. In addition, average inflation slowed for furnishing, household equipment and routine household maintenance (4.4%), miscellaneous goods & services (2.3%), food & non-alcoholic beverages



(1.9%), alcohol beverages, tobacco, and narcotics (1.7%), education (1.4%) and health (1.0%). Providing some offset, the reduction in average costs moderated for communication (2.7%) and transport (1.5%).

Domestic Outlook

The moderation in the growth rate of the economy should continue through 2025, sustained by the tourism sector and foreign-led investment projects, with data from the Bahamas Investment Authority revealing a pipeline of over a half billion dollars in approved foreign direct investment projects across the country. Domestic fiscal and monetary trends should also continue at a similar pace through the year. Internationally, geopolitical tensions and a looming trade war may reignite inflationary levels and supply chain disruptions.

The Markets

During the second quarter, the Bahamas All Share Index rose modestly 0.42 percent over the previous quarter. The Index closed the year at 3,039.04 at year-end, representing a change of 12.78 points as of June 30, 2025. During the period, gains of 22.4 percent, 11.6 percent, 8.4 percent, and 7.8 percent respectively for Consolidated Water Company Ltd. (CWCO), Bahamas Waste Ltd. (BWL), Emera Incorporated (EMAB) and Cable Bahamas Ltd. (CAB).