



Third Quarter Economic Review

September 30th, 2025

The Economy

During the third quarter of 2025, the Bahamian economy continued to expand, albeit at a moderated pace compared to 2024. Key performance indicators are converging toward their medium-term trend, with growth dependent on the tourism sector. While cruise arrivals remained robust, gains in stopover tourism were constrained by limited accommodation capacity. Foreign direct investment inflows continued to support construction activity, with several new projects approved across major islands.

Arrivals remain driven by cruise traffic, air passengers declined:

For the first nine months of 2025, total visitor arrivals rose by 8.7% to 9.1 million, led by a 10.8% increase in sea passengers. Air arrivals declined by 1.9% to 1.3 million. Grand Bahama saw a significant increase in arrivals, while New Providence and the Family Islands experienced declines. Nassau Airport departures fell by 2.6% year-to-date, with US departures down 3.7% and non-US international departures up 4.6%. Vacation rental occupancy rates declined due to higher room inventories. The average occupancy rate for entire place listings fell to 47.6% (from 53.1% in 2024), and hotel comparable listings to 46.2% (from 47.0%).

Bank reserves grew at a slower pace than last year, while credit quality continues to improve:

Through September, excess reserve gains narrowed to \$109.2 million from \$198.2 million, with external reserves growth also slowing to \$188.6 million from \$364.9 million in the prior year. Private sector credit growth firmed to \$229.7 million from \$145.0 million in 2024, with commercial credit up \$118.7 million, consumer credit up \$81.6 million, and residential mortgages up \$29.4 million. In terms of quality, average arrears rate for private sector loans lowered to 7.6% from 8.6%, while the Non-Performing Loan Rate fell to 5.3% from 5.8%. Both mortgage and consumer arrears declined, while commercial arrears ticked up slightly.

The government's fiscal position improved, led by a narrowing deficit:

During FY2024/25, the deficit declined to \$78 million from \$194 million the prior year. Total revenue grew by 10.7% or \$326.9 million, outpacing aggregate expenditure growth of 6.5% or \$211.8 million. The central government's debt-to-GDP ratio declined to 73.4% from 77.7% a year earlier, reflecting stable gains in domestic economic activity and prudent debt management. Moreover, the government's debt portfolio improved as the average time to maturity increased slightly while the weighted average interest rate narrowed.

Inflation continued to ease through May 2025:

Inflationary pressures continued to decline, with the Retail Price Index declining by 0.2% for the 12 months to May 2025, compared to +2.0% in 2024. Declines were seen in housing, water, gas, electricity, recreation, culture, and restaurant/hotel costs.

Domestic Outlook

The Bahamian economy is expected to maintain a steady but moderated growth trajectory through the remainder of 2025, with momentum anchored in tourism and construction activity linked to foreign investment projects. Cruise arrivals should continue to outperform air arrivals due to the sector's lower price point, strong appeal for short-stay travelers, and the ongoing expansion of private cruise destinations and port infrastructure.



The Markets

The Bahamian stock market posted a modest gain in the third quarter of 2025, with the BISX All-Share Index rising by 23.48 points to close at 3,062.52, representing a 0.77% increase for the quarter and 1.81% year-to-date. The strongest performer was Bank of The Bahamas (BOB), which surged 20.3% to end the quarter at \$5.45 per share, followed by Consolidated Water (CWCO) and FOCOL (FCL) with gains of 17.7% and 12.5%, respectively. On the downside, Commonwealth Bank (CBL) and Bahamas Waste (BWL) recorded the largest quarterly declines, falling 12.0% and 9.0%, respectively.