



## Fourth Quarter Economic Review

December 31<sup>st</sup>, 2025

### **The Economy**

During the fourth quarter of 2025, the Bahamian economy sustained its growth trajectory, although momentum continued to moderate as key indicators converged closer to their medium-term potential. Tourism remained the primary driver of activity, with overall output supported by continued strength in the cruise sector. However, performance in the higher value-added stopover market remained constrained by accommodation capacity limitations and softer demand from the United States. Foreign investment activity, particularly projects linked to cruise infrastructure and tourism-related construction, continued to provide support to domestic economic conditions.

### **Arrivals remain driven by cruise traffic, air passengers declined:**

For 2025, total visitor arrivals increased by 11.4% to 12.5 million, reflecting a 13.8% rise in sea arrivals to 10.8 million, while air arrivals declined by 1.6% to 1.7 million. Growth in cruise traffic remained broad based across the major islands, with particularly strong gains recorded in Grand Bahama and selected Family Islands. Departures through Nassau International Airport declined by 2.1% year to date, led by a 3.5% reduction in U.S. departures, although non-U.S. international departures increased by 6.8%, partially offsetting the overall decline.

In the short-term vacation rental market, increased room inventory weighed on occupancy levels. Average occupancy rates for entire place listings and hotel comparable units trended lower on a year-over-year basis, despite continued growth in room nights sold. Pricing dynamics were mixed, with average daily room rates firming for entire place listings, while hotel comparable rates softened slightly.

### **Bank liquidity declined, while credit growth moderated and credit quality improved:**

Monetary conditions tightened modestly during the fourth quarter, as banking sector liquidity declined amid an expansion in domestic credit and a contraction in deposits. On a year-to-date basis, excess reserves decreased, reversing the accumulation recorded in 2024, while broader liquidity continued to expand.

Private sector credit growth moderated in the fourth quarter, reflecting slower expansions in consumer and mortgage lending, alongside a contraction in commercial credit during December. For 2025 overall, private sector credit growth was largely steady relative to the prior year. Credit quality indicators continued to improve on an annual basis. The average arrears rate for private sector loans declined to 7.6%, while the non-performing loan rate fell to 5.0%. Mortgage and consumer arrears improved year-over-year, although commercial loan delinquencies increased, reflecting sector-specific pressures.

### **The government's fiscal position improved, supported by stronger revenue growth:**

Preliminary fiscal data for the first quarter of FY2025/26 indicated a continued improvement in the government's fiscal position. The overall deficit narrowed to \$141.1 million, compared to \$177.6 million in the corresponding period of the previous fiscal year, as revenue growth outpaced the rise in expenditure. Total revenue expanded by 15.7%, driven largely by VAT receipts, which rose by 20.6%. Taxes on goods and services and international trade also recorded solid gains, reflecting sustained tourism activity and improved compliance. Expenditure growth remained contained, with recurrent spending rising modestly and capital outlays increasing at a measured pace.



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### **Domestic Outlook**

The Bahamian economy is expected to maintain a steady growth path into 2026, supported by resilient cruise-led tourism activity and ongoing foreign investment projects that continue to stimulate construction and related sectors. Fiscal conditions should continue to improve as revenue performance strengthens, while external reserves remain at healthy levels. Overall conditions point to stable expansion with risks tilted toward external shocks.

### **The Markets**

Equity market performance was modestly positive in Q4 and for full-year 2025, with the BISX All-Share Index advancing 1.5% for the quarter and 3.4% year-to-date. Gains were concentrated among select financial and infrastructure-linked names, led by Bank of The Bahamas at 40.9%, Consolidated Water at 36.3%, Emera Incorporated at 31.6% and Bahamas First at 22.7%. In contrast, losses were recorded in a handful of stocks, with Commonwealth Bank, Fidelity Bank, and Bahamas Waste experiencing declines of 16.0%, 4.5%, and 4.5%, respectively.