Second Quarter Economic Review

June 30th, 2026

The Economy

During the second quarter of 2026, the Bahamian economy maintained a healthy growth pace, with activity continuing to normalize toward its medium-term potential. Tourism remained the principal driver of output, supported by stronger stopover activity, continued cruise growth, and ongoing foreign investment projects that sustained construction and related employment.

Tourism remained strong, with improvements across both cruise and stopover segments:

During the first five months of 2026, total visitor arrivals increased by 14.2% to 6.1 million compared with the same period of 2025. Growth remained led by sea traffic, but the higher-value air segment also recovered:

- Sea arrivals increased by 15.9% to 5.2 million.
- Air arrivals increased by 4.8% to 0.9 million.
- Total international departures through Nassau increased by 5.0% to 0.9 million during the first half of the year.

Short-term vacation rentals also strengthened. Year-to-date room nights sold increased by 9.4%, while average occupancy rose to 54.6% for entire-place listings and 54.3% for hotel-comparable listings. Average daily rates increased by 5.5% and 3.5%, respectively.

Labor market conditions improved, while inflationary pressures re-emerged:

The latest available labor market data show that the number of employed persons increased in the fourth quarter of 2025 and the unemployment rate eased to 8.7%, from 8.8% in the previous quarter and 9.0% a year earlier. Conditions were uneven across islands, but employment had broadly returned toward pre-pandemic levels.

Inflationary pressures continued through April 2026 as the 12-month period showed consumer price inflation increasing to 2.1% following a 0.2% decline in the comparable 2025 period. The largest increases were recorded in restaurants and hotels, furnishings and household maintenance, health, and housing-related costs. Although inflation remains moderate, households continue to face elevated price levels accumulated over prior years.

Bank liquidity remained elevated, while private credit growth tapered:

Banking sector liquidity expanded during the first half of 2026 as deposit growth outpaced domestic credit expansion:

- Excess reserves increased by $182.0 million.
- Excess liquid assets increased by $465.7 million.
- Bahamian dollar deposits increased by $731.1 million.

Bahamian dollar private sector credit increased by $84.8 million, compared with $117.2 million in the same period of 2025. Growth was concentrated in consumer credit, while mortgage and commercial lending increased more modestly:

- Consumer credit increased by $73.8 million from $50.8 million.
- Commercial credit increased by $9.9 million $51.0 million.

- Mortgage credit increased by $1.1 million from $15.3 million.

Credit quality improved on a year-on-year basis. The private sector arrears ratio declined to 6.8% from 7.9%, while the non-performing loan ratio fell to 4.4% from 5.3%. However, commercial delinquencies increased, indicating that improvement was not uniform across loan categories.

The fiscal deficit widened modestly despite revenue growth

During the first nine months of FY2025/26, the fiscal deficit widened to $157.3 million from $130.1 million in the prior fiscal year, as expenditure growth outpaced revenue growth:

- Total revenue increased by $81.6 million, or 3.3%, to $2.552 billion.
- VAT receipts increased by $69.4 million, or 6.6% on a year-to-date basis, to $1.114 billion.
- Total expenditure rose by $108.8 million, or 4.2%, to $2.709 billion.
- Capital expenditure increased by 14.1% to $271.7 million.

The fiscal direction remains broadly improved relative to the post-pandemic period, but the latest outturn highlights the need to sustain revenue gains while managing recurrent spending, arrears, debt-servicing demands, and infrastructure investment.

Domestic Outlook

The Bahamian economy is expected to maintain its growth trajectory through 2026, although at a pace incrementally below 2025 as activity converges toward its medium-term potential. While the rebound in stopover arrivals is encouraging, the rise in total tourist arrivals remains heavily influenced by cruise traffic and sustained growth in higher-spending visitors will be important for broadening tourism's domestic economic impact. Domestically, fiscal and monetary trends should continue at a similar pace through the year, while geopolitical developments and trade tensions may continue to present uncertainty internationally.

The Markets

During the second quarter of 2026, the BISX All-Share Index advanced by 3.1%, bringing its YTD return to 3.7%. Market performance was broadly positive, with gains led by several financial and consumer-oriented companies. Leading the gains were Abaco Markets (AML) at +48.9%, Bank of The Bahamas (BOB) at +29.0%, and JS Johnson (JSJ) at +19.7%. On the downside, Bahamas First (BFH) declined 23.3%, followed by Consolidated Water (CWCO) at -10.9% and Fidelity Bank (FBB) at -10.0%.