Third Quarter Economic Review

September 30th, 2026

The Economy

During the third quarter of 2026, the Bahamian economy sustained its healthy growth momentum, with activity continuing to trend above its estimated medium-term potential. Tourism remained the principal driver of output, supported by continued improvements in both the higher-value stopover segment and cruise activity, while foreign investment projects supported construction and related employment.

Tourism remained strong, with continued gains across both cruise and stopover segments:
During the first eight months of 2026, total visitor arrivals increased by 14.5% to 9.6 million compared with the same period of 2025. Growth remained led by sea traffic, while the higher-value air segment also strengthened:

- Sea arrivals increased by 16.1% to 8.3 million.
- Air arrivals increased by 5.6% to 1.3 million.
- Total international departures through Nassau increased by 6.0% to 1.3 million during the first nine months of the year.

Short-term vacation rentals also strengthened. During the nine months to September, total room nights sold increased by 11.0%, while average daily rates rose by 7.3% for entire-place listings and 4.3% for hotel-comparable listings. September occupancy rates improved to 30.4% and 42.9%, respectively.

Labor market conditions improved, while inflation continued to increase:
The latest available labor market data show that employment increased to 228,785 persons in the first quarter of 2026 and the unemployment rate declined to 8.1%, from 8.7% in the previous quarter and 10.8% a year earlier. Youth unemployment also fell to 14.2%, while jobless rates improved across New Providence, Grand Bahama, and Abaco.

Inflation increased to 2.7% during the 12 months to June 2026, following a 0.2% decline in the comparable 2025 period. The rise was led by restaurants and hotels, housing and utilities, and transportation. Although domestic price growth remained moderate, higher oil prices and imported costs increased the risk of further inflationary pressure.

Bank liquidity remained elevated, while private credit growth continued:
Banking sector liquidity remained high during the first nine months of 2026, although the narrow measure contracted as domestic credit expanded. Deposit growth continued to support the broader liquidity position:

- Excess reserves decreased by $254.0 million.
- Excess liquid assets increased by $201.5 million.
- Bahamian dollar deposits increased by $599.0 million.

Bahamian dollar private sector credit increased by $185.8 million, compared with $229.7 million in the same period of 2025. Growth remained concentrated in consumer lending, while commercial and mortgage credit also expanded:

- Consumer credit increased by $115.0 million.

- Commercial credit increased by $41.3 million.
- Mortgage credit increased by $29.4 million.

Credit quality improved overall. The private sector arrears ratio declined to 7.0% from 7.6% a year earlier, while the non-performing loan ratio fell to 4.5% from 5.3%. However, consumer arrears increased, indicating that improvement was not uniform across loan categories.

The fiscal balance shifted to a modest surplus, although debt levels remained elevated:

For FY2025/26, the fiscal balance shifted to an estimated surplus of $39.3 million from a deficit of $84.8 million in the prior fiscal year, as revenue growth outpaced the increase in expenditure:

- Total revenue increased by $563.5 million, or 16.6%, to $3.964 billion.
- VAT receipts increased by $214.3 million, or 14.9%, to $1.652 billion.
- Total expenditure rose by $439.4 million, or 12.6%, to $3.925 billion.
- Capital expenditure increased by 45.2% to $414.9 million.

The improved top-line numbers are encouraging, but the position should be viewed alongside still-elevated debt and financing requirements, as well as outstanding obligations that may not be fully reflected in reported expenditures. Central Government debt stood at $12.466 billion, or an estimated 70.7% of GDP, at end-June 2026, while the public sector debt stock increased to $14.697 billion, partly reflecting new borrowing by agencies and government business enterprises.

Domestic Outlook

The Bahamian economy is expected to maintain its growth trajectory through the remainder of 2026, supported by tourism, foreign investment, and construction. The continued improvement in stopover arrivals is encouraging, although overall visitor growth remains heavily influenced by cruise traffic. Fiscal performance has improved from the top-line, although elevated debt, ongoing financing requirements, and outstanding obligations warrant some caution when assessing the underlying fiscal position. Nevertheless, higher oil prices, imported inflation, geopolitical tensions, trade policy uncertainty, and softer U.S. travel demand remain key downside risks.

The Markets

During the third quarter of 2026, the BISX All-Share Index advanced by 5.8%, bringing its YTD return to 6.4%. Market performance was broadly positive, with gains led by Benchmark Bahamas (BBL) at +37.6%, FamGuard (FAM) at +29.5%, and FOCOL Holdings (FCL) at +16.7%. On the downside, Emera Incorporated (EMAB) declined 9.9%, followed by Fidelity Bank (FBB) at-9.4% and RBC FINCO (FIN) at-5.6%.