

THE BAHAMAS

Tourism continues to underpin the Bahamian economy, yet its small scale, import dependence, climate threats, skills gaps, and marked inequality curb longer-term prospects. Recent gains in construction and cruise traffic are offset by hotel capacity bottlenecks, limiting growth and labor market gains. While prices stay subdued and revenues rise, growth is set to cool gradually, slowing the public debt decline.

Key conditions and challenges

Bahamas is a small island economy highly dependent on tourism from the United States, Canada, and the United Kingdom. The economy's medium-term growth prospects are constrained by its small size, narrow production base, and skills shortages which limit economic opportunities, especially for the poorest. Additional headwinds include hotel capacity constraints, vulnerability to extreme weather events and external shocks, and limited fiscal space. Elevated public debt and sizable gross financing needs create fiscal pressures, but fiscal trajectory is on a sustainable path. Since independence in 1973, the Central Bank has maintained a strict 1:1 peg of the Bahamian dollar to the U.S. dollar, supporting monetary stability but limiting policy flexibility.

Despite progress, economic and social gaps persist, underscoring the need for policies to promote inclusive, sustainable growth. In 2013, the latest available data, 12.5 percent of people lived below the national poverty line, which is relatively low in regional standards. The poverty rate was higher in large households, households with children, households with a head with little education, and Haitian nationals—a significant minority group. Inequality is a

Population ¹ million	Poverty
0.4	..
Life expectancy at birth ² years	School enrollment ³ primary (% gross)
74.6	92.9
GDP ⁴ current US\$, billion	GDP per capita ⁵ current US\$
16.8	41781.9

Sources: WDI, MFMMod, and official data. 1/ 2025. 2/ 2023. 3/ 2024. 4/ 2025. 5/ 2025.

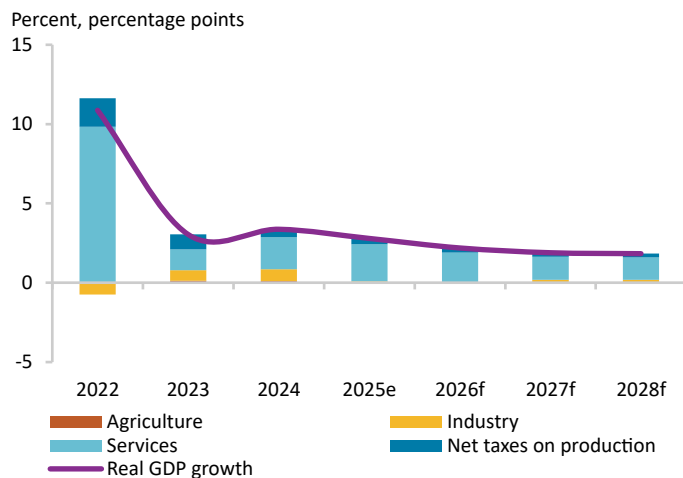
persistent challenge: in 2013 the Gini coefficient stood at 41.4, surpassing the World Bank's threshold for high inequality. In 2023, The Bahamas ranked 66th on the Human Development Index with a score of 0.82, mainly reflecting disparities in income and life expectancy.

Recent developments

Real GDP is estimated to have grown by 2.8 percent in 2025. In the first half of 2025, real GDP rose 4.7 percent year-on-year, led by construction—which employs about 8 percent of workers and contributed nearly 2 percentage points to GDP growth—on major tourism and energy projects. Growth moderated in the second half of the year, as projects moved from construction to operation.

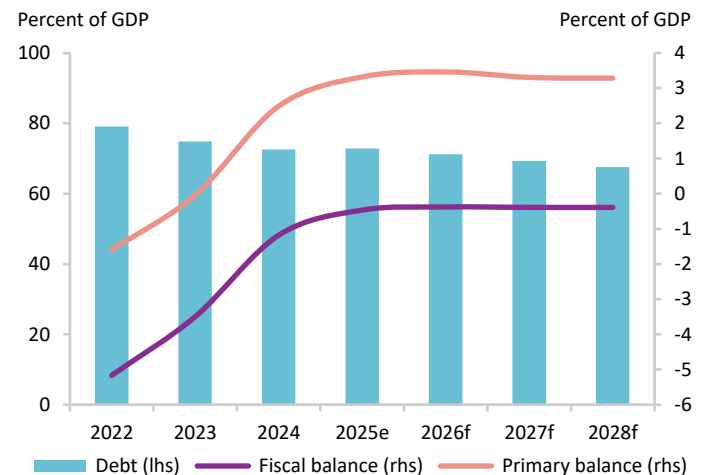
Tourism trends are mixed. Cruise arrivals increased 11.6 percent year-on-year through October 2025, while stayover tourists fell 1.9 percent. Hotel capacity constraints persisted during peak periods, tempering opportunities in critical segments of the economy (such as restaurants and retail, which employs 19 percent of workers). Growth in short-term rentals helped ease pressures.

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Sources: Central Bank of the Bahamas and World Bank.

FIGURE 2 / Public debt



Sources: Central Bank of the Bahamas and World Bank.

Notwithstanding robust growth in the construction sector, unemployment climbed to 9.3 percent in Q2 2025, due to increased labor force participation. Ongoing projects and services continue to support jobs, however capacity constraints have kept unemployment above pre-pandemic lows.

Inflation remained subdued at 0.6 percent in 2025 (0.4 percent in 2024), supported by lower global energy and goods prices and electricity tariff reductions. A recently announced zero-rate value-added tax (VAT) on unprepared food will benefit lower-income households, for whom food represents a larger share of spending. With the currency peg anchoring expectations, imported price dynamics will continue to dominate domestic inflation.

Investment-related imports widened the current account deficit to an estimated 7.6 percent of GDP in 2025, financed primarily through government external borrowing and foreign direct investment inflows.

The fiscal position improved on stronger revenues. Higher departure taxes, VAT gains, and tourism receipts supported a primary surplus of 3.7 percent of GDP in FY2024/25 (2.7 percent in FY2023/24). The overall deficit narrowed to 0.5 percent of GDP from 1.2 percent. Public debt stood at 72.9 percent of GDP at the end of 2025.

Outlook

Growth is projected to moderate as large construction impulses continue to fade, with real GDP growth rate falling from 2.2 percent in 2026 to 1.8 percent in 2028. A rising national savings rate will

support long-term growth but constrain private consumption in the medium term, despite steady labor-force participation. As major tourism and energy projects transition to early operations, economic activity will increasingly rely on incremental capacity additions, and services. Expanding short-term rentals and incremental upgrades will be essential for achieving gains in higher-spending segments in the medium term. Poverty and inequality are expected to remain relatively stable.

Continued fiscal consolidation and prudent financing are expected to place public debt on a declining path, with central government debt projected to fall to 67.6 percent of GDP by 2028. Sustaining primary surpluses through stronger revenue administration and spending efficiency, while advancing resilience investments, will be important to build buffers and underpin medium-term debt sustainability.

Unless the March 2026 spike in energy prices proves long-lived, headline inflation will stay near historical norms and the external position is expected to slowly improve if easing investment-related imports are accompanied by increase in tourism receipts. Cost-of-living is expected to remain contained, with inflation moving toward 2 percent over the medium term, anchored by the long-standing currency peg and moderating imported price pressures. The current account deficit is projected to narrow from 7.5 percent of GDP in 2026 to 7.0 percent in 2028.

Risks stem from heightened volatility of energy prices due to the conflict in Middle East, weaker external demand, tighter global financial conditions, and climate shocks; upside risks include faster-than-expected project execution and further gains in tax administration.

Recent history and projections

	2023	2024	2025e	2026f	2027f	2028f
Real GDP growth, at constant market prices	3.0	3.4	2.8	2.2	1.9	1.8
Private consumption	9.1	3.2	2.1	2.1	2.0	1.8
Government consumption	7.2	0.9	2.0	2.0	1.9	1.9
Gross fixed capital investment	6.6	20.7	0.7	1.7	2.0	2.1
Exports, goods and services	5.0	6.2	-1.0	2.5	2.0	2.0
Imports, goods and services	15.2	12.7	3.6	2.1	2.1	2.1
Real GDP growth, at constant factor prices	2.4	3.3	2.8	2.2	1.9	1.8
Agriculture	33.3	21.0	-1.0	0.0	0.5	0.5
Industry	9.7	10.4	1.1	0.5	2.5	2.5
Services	1.7	2.6	3.0	2.4	1.9	1.8
Employment rate (% of working-age population, 15 years+)	65.9	65.9	65.9	65.9	65.9	65.9
Inflation (consumer price index)	3.1	0.4	0.6	1.4	1.8	1.8
Current account balance (% of GDP)	-6.0	-6.7	-7.6	-7.5	-7.3	-7.0
Net foreign direct investment inflow (% of GDP)	2.4	3.0	3.0	3.0	2.9	2.8
Fiscal balance (% of GDP)¹	-3.5	-1.2	-0.5	-0.4	-0.4	-0.4
Revenues (% of GDP)	18.7	19.4	21.1	22.1	22.2	22.2
Debt (% of GDP)¹	74.8	72.5	72.9	71.2	69.3	67.6
Primary balance (% of GDP)¹	0.0	2.5	3.3	3.5	3.3	3.3
GHG emissions growth (mtCO₂e)	3.5	1.4	1.2	1.5	1.7	1.7

Source: World Bank, Fiscal Policy & Growth Department. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.
1/ Fiscal balances are reported in fiscal years (July 1st -June 30th).