



# **FISCAL STRATEGY REPORT**

**COMMONWEALTH OF THE BAHAMAS**

**Ministry of Finance**

**May 2026**

# Contents

- List of Acronyms .....4
- List of Tables .....5
- Table of Figures .....5
- Letter of Transmittal .....6
- 1. Introduction .....7
  - 1.1 About the Report.....7
  - 1.2 Accounting Principles and Methods.....7
  - 1.3 Macroeconomic & National Accounts Estimates.....8
  - 1.4 Government Net Worth .....8
- 2. Economic and Fiscal Performance in FY2024/25.....9
  - 2.1 Economic Performance .....9
    - a. International Economic Backdrop .....9
    - b. Domestic Economic Developments .....10
  - 2.2 Budget and Fiscal Performance.....15
    - a. Fiscal Objectives .....15
    - b. Revenue Outturn .....16
    - c. Expenditure Outturn .....16
    - d. Financing Activities .....20
    - e. Fiscal Performance Nine-Months to March 2026 .....21
- 3. Economic Outlook.....24
  - 3.1 Medium- and Long-Term Macroeconomic Outlook.....24
    - a. International Economic Outlook .....24
    - b. Domestic Economic Outlook Update .....26
    - c. Domestic Macroeconomic Projections.....28
  - 3.2 Sensitivity Analysis .....33
- 4. Key Budget Priorities and Considerations .....37
  - 4.1 Overview .....37
  - 4.2 Revenue Strategies .....37
    - a. Tax Administrative Measures .....37
    - b. Revenue Tax and Fee Policy Reforms.....38
    - c. Legal and Regulatory Reforms.....38
  - 4.3 Recurrent Expenditure Policy & Priorities .....39
  - 4.4 Capital Expenditure Policy .....40
  - 4.5 Fiscal Balance Policy .....41
  - 4.6 Structural Reforms and Economic Policy .....41
- 5. Medium- and Long-term Fiscal and Debt outlook.....43
  - 5.1 Fiscal Outlook .....43
    - a. Revenue.....43
    - b. Recurrent Expenditure .....43
    - c. Capital Expenditure .....50
    - d. Overall Balance.....52
    - e. Debt.....52

5.2 Forecast Uncertainty and Historical Performance .....	53
a. Revenue.....	53
b. Expenditure.....	54
c. Overall Balance.....	55
d. Central Government Debt.....	56
6. Fiscal Responsibility .....	57
6.1 Legislative Framework .....	57
6.2 General Principles of Responsibility .....	57
6.3 Reporting.....	59
6.4 Fiscal Responsibility Principles .....	60
7. Fiscal Risk Statement .....	61
7.1 Coverage.....	61
a. Macroeconomic Risks—High Impact, Possible Likelihood .....	63
b. Environmental—High Impact, Probable Likelihood .....	64
c. Government Guarantees—Medium Impact, Possible Likelihood .....	65
d. Public-Private Partnerships—Medium Impact, Possible Likelihood .....	66
e. Public Corporations—High potential impact, Possible Likelihood .....	67
7.2 Other Fiscal Risks .....	71
f. Credit Ratings—Moderate to High Impact, Possible .....	71
g. Payment Arrears.....	71
h. Pension Liabilities .....	72
8. Debt Sustainability Analysis .....	73
9. Closing Remarks.....	78
Annex A – Public Finance Management Act, 2023.....	79

## LIST OF ACRONYMS

BNSI	Bahamas National Statistical Institute
CY	Calendar Year
DMTT	Domestic Minimum Top-up Tax
FSR	Fiscal Strategy Report
FY	Fiscal Year
GBE	Government Business Enterprise
ILO	International Labour Organization
IMF	International Monetary Fund
MDA	Ministries, Departments, and Agencies
MOF	Ministry of Finance, also “the Ministry”
PEFA	Public Expenditure and Financial Accountability
PFMA	Public Finance Management Act, 2023
SOE	State-Owned Enterprise
SR-DSA	Sovereign Risk and Debt Sustainability Analysis
US	United States of America
WEO	World Economic Outlook

## LIST OF TABLES

Table 1: Historical Estimates for Exchange Rates with Major Trading Partners .....	10
Table 2: Forecast and Actual Economic Performance .....	11
Table 3: Key Macroeconomic & Monetary Indicators.....	12
Table 4: Fiscal Objectives .....	15
Table 5: Forecast vs Actual Fiscal Performance .....	15
Table 6: Revenue by Source .....	18
Table 7: Recurrent Expenditure (Economic Classification) .....	19
Table 8: Capital Expenditure (Economic Classification) .....	20
Table 9: Financing Activities (B\$M).....	21
Table 10: Fiscal Performance - Nine Months to March FY2025/26 (B\$M).....	23
Table 11: Forecasts for Exchange Rates with Major Trading Partners (end of period) .....	25
Table 12: Year-over-Year Projection Comparison .....	27
Table 13: Macroeconomic Forecasts .....	31
Table 14: GDP Forecasts (B\$M) .....	32
Table 15: Sensitivity Analysis Summary .....	36
Table 16: Fiscal Outlook .....	44
Table 17: Revenue Estimates (B\$M) .....	45
Table 18: Recurrent Expenditure (Economic Classification) .....	46
Table 19: Recurrent Expenditure Forecasts (Functional Classification; B\$M).....	47
Table 20: Recurrent Expenditure Forecasts (Administrative Classification; B\$M).....	48
Table 21: Capital Expenditure Forecasts (Economic Classification) .....	50
Table 22: Capital Expenditure Forecasts (Functional Classification; B\$M) .....	51
Table 23: Capital Expenditure Forecasts (Administrative Classification; B\$M) .....	51
Table 24: Debt by Source (B\$M) .....	52
Table 25: Actions on General Principles of Responsibility.....	58
Table 26: Reporting Compliance among Government Entities .....	59
Table 27: Actions on Fiscal Responsibility Principles.....	60
Table 28: Government Guarantees (B\$M) .....	66
Table 29: Debt as a Share of Assets and Equity .....	68
Table 30: Overall Risk Ratings of State-Owned Enterprises in 2022.....	69
Table 31: Medium-Term Debt Baseline Scenario (% of GDP).....	75

## TABLE OF FIGURES

Figure 1: Key Macroeconomic Indicators .....	14
Figure 2: Real GDP Growth Projection Comparison (%) .....	27
Figure 3: GDP Growth .....	30
Figure 4: Labour Market Dynamics.....	31
Figure 5: Growth & Prices .....	31
Figure 6: Tourist Arrivals .....	31
Figure 7: Stagnant Labour Productivity Growth (FY) .....	33
Figure 8: Global Interest Rates 1.5 Percent Spike (FY) .....	34
Figure 9: Major Climate Event (FY) .....	35
Figure 10: Revenue Forecasts Error .....	54
Figure 11: Expenditure Forecasts Error .....	54
Figure 12: Fiscal Balance Forecast Error .....	55
Figure 13: Central Government Debt Forecast Error .....	56
Figure 14: Calculation of Risk Rating.....	62
Figure 15: Risks Assessment Using the FRAT Framework (2026 FSR) .....	62
Figure 16: Risks Assessment Using the FRAT Framework (2025 FSR) .....	62
Figure 17: SOE Entities by Liquid Assets and Liabilities (B\$M) .....	68
Figure 18: Liability Size vs Overall Risk (Bubble = Debt Ratio) (2022, B\$M).....	70
Figure 19: Realism of Baseline Assumptions .....	74
Figure 20: Medium-Term Debt Risk Assessment .....	76

## LETTER OF TRANSMITTAL

The 2026 Fiscal Strategy Report (2026 FSR) is prepared in accordance with the Public Finance Management Act, 2023 (the Act) and constitutes an annual refresh of the government's medium-term fiscal framework. As mandated by the Act, the Report serves as the principal policy document informing the preparation of the FY2026/2027 budget and annual borrowing plan, based on the macroeconomic projections, fiscal policies and objectives detailed within.

Notwithstanding the persistence of material risks in the global economy, domestic macroeconomic developments during FY2024/2025 and into FY2025/2026 have remained broadly supportive of the government's fiscal consolidation efforts and are expected to contribute to the achievement of fiscal sustainability over the medium-term. Following an improvement in the overall balance to a deficit of 0.5 percent of GDP in FY2024/2025, the medium-term fiscal framework projected a turnaround to a surplus of 0.5 percent in FY2025/2026 and strengthening to 1.7 percent of GDP in the upcoming budget year, FY2026/2027.

A sound and equitable revenue strategy remains central to the government's overarching goal of fiscal sustainability. Revenue policy will continue to be guided by the core principles of fairness, simplicity and adequacy, ensuring that the tax system operates efficiently, minimizes compliance burdens and generates sufficient resources to fund public services and investment priorities. Through enhanced revenue administration, targeted tax policy initiatives, and structural reforms, the government aims to achieve and sustain a revenue-to-GDP ratio of 23.5 percent in FY2026/2027, rising to 24.0 percent in FY2027/2028 and 24.5 percent in FY2028/2029, before returning to the medium-term target of 25.0 percent by FY2029/2030 and thereafter.

On the spending side, the government is committed to maintaining fiscal discipline while ensuring that public spending is directed towards high-impact priorities that support sustainable growth. Through the implementation of cost-effective service delivery initiatives and rigorous expenditure controls, recurrent expenditure will be capped at 23.3 percent of GDP beginning in FY2026/2027. Capital outlays will be maintained at 2.3 percent of GDP and earmarked towards priority reforms to state-owned enterprises and pension administration, capital investments in health infrastructure, and the digitization of government services. Inclusive of indirect capital-related financing provided to Government Business Enterprises (GBEs), the aggregate capital investment ratio is projected to reach 3.5 percent over the medium term.

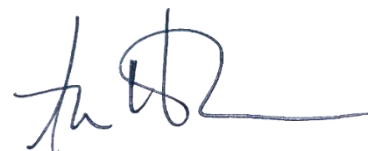
The government recognizes that the achievement of its medium-term fiscal objectives is subject to a range of risks, both domestic and external. Accordingly, the government will continually review the fiscal and macroeconomic outcomes against the projections and adjust as warranted.

The undersigned attest that, to the extent feasible and practicable at the date of publication, the 2026 FSR contains information that is accurate, reliable, and complete in respect of the requirements of the Act.



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Hon. Micheal Halkitis  
Minister of Finance



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Simon Wilson  
Financial Secretary

# 1. INTRODUCTION

## 1.1 About the Report

The 2026 Fiscal Strategy Report (FSR) is the third report submitted to Cabinet and Parliament pursuant to the Public Finance Management Act, 2023 (the Act or the PFMA). Section 23 of the Act requires the Minister of Finance to prepare and submit the FSR to Parliament immediately after the annual budget presentation and no later than the last Wednesday in May. Once approved, the FSR is presented to the Fiscal Responsibility Council by 31<sup>st</sup> July of the respective fiscal year for independent review and formal recommendations.

The 2026 FSR sets forth the Government's medium- and long-term fiscal framework for achieving the fiscal targets prescribed under the Act, and is organized as follows:

- Section 2 reports on the economic and fiscal performance for the two most recently concluded financial years, (FY2023/2024 and FY2024/2025) and 9-months of the current financial year (FY2025/2026);
- Section 3 presents medium- and long-term macroeconomic forecasts, inclusive of sensitivity analysis;
- Section 4 articulates the proposed medium-term fiscal policy measures;
- Section 5 sets out fiscal forecasts for the current, medium term (four fiscal years), and long term (six fiscal years), incorporating a forecast error analysis to illustrate the intended convergence path towards the prescribed fiscal targets;
- Section 6 documents actions taken in accordance with the general principles of responsibility and the fiscal responsibility principles, as defined in the Act;
- Section 7 provides an assessment of fiscal risks and corresponding mitigation strategies; and
- Section 8 covers government's debt management policy and a debt sustainability analysis.

The statutory requirements for the 2026 FSR, as specified in the Act, are reproduced as **Annex A**.

## 1.2 Accounting Principles and Methods

The budgetary information presented in the 2026 FSR is prepared on a modified cash basis of accounting, consistent with the International Public Sector Accounting Standards (IPSAS) framework for cash basis financial reporting. Revenue is recognized upon receipt rather than when earned; expenditures are recorded when incurred and paid; and all fixed asset acquisitions, including land, buildings, and equipment, are fully expensed in the fiscal year of purchase.

Fiscal data is compiled in accordance with the International Monetary Fund's (IMF) Government Finance Statistics (GFS) 2014 framework, which provides the analytical basis for assessing government financial performance. The FY2026/2027 budget estimates, submitted to Parliament as part of the annual budget process in May 2026, are incorporated throughout this report.

The Auditor General's mandate encompasses an assessment of compliance by the government and its Ministries, Departments and Agencies (MDAs), with applicable legislation, regulations, and

internal policies; as well as the identification of weaknesses or discrepancies that may impede operational effectiveness.

As the latest Auditor General’s report was FY2020/2021, and reconciliations are ongoing, all fiscal data presented herein is provisional pending audit by the Auditor General.

### **1.3 Macroeconomic & National Accounts Estimates**

The Bahamas National Statistical Institute (BNSI) holds statutory responsibility for producing official annual and quarterly national accounts statistics, drawing on both survey and administrative data sources. These statistics form the quantitative basis for macroeconomic projections and, as with comparable statistical systems internationally, are subject to periodic revisions to reflect data improvements, methodological updates or base year recalibrations.

The Ministry of Finance’s (the “Ministry”) medium-term outlook has traditionally been anchored in the IMF macroeconomic forecasts, particularly those published in the IMF’s *World Economic Outlook* (WEO) reports and the Article IV Staff Reports for The Bahamas. This reliance reflected both the historical absence of in-house macroeconomic forecasting capacity and the institutional preference for forecasts grounded in independent, internationally recognized assessments of domestic economic conditions. In 2026, the Ministry developed a medium- long-term macro-fiscal model, to close this data analysis gap.

### **1.4 Government Net Worth**

As the government continues to operate under a modified cash basis of accounting in accordance with IPSAS, the reliable production of net worth estimates is not presently feasible. Pursuant to the requirements of the PFMA, Second Schedule 9(k), these estimates—expressed both in nominal terms and as a share of GDP—will be incorporated in future reports, once they can be determined with sufficient reliability.

The government is actively advancing the transition to an accrual-based accounting system, a reform that necessitates capacity development across the public sector, the implementation of new information systems and technology platforms, and the enactment of supportive legislative reforms. Integral to this transformation is the development of a comprehensive public sector balance sheet, which will provide authoritative visibility into the government’s financial position—encompassing its asset base, inventory, and acquisition values—and facilitate more accurate accounting of long-term obligations, including pension liabilities, which are not currently reflected under the modified cash approach. This transformation is expected to near completion within the next two years, and is anticipated to materially enhance fiscal transparency, decision-making and long-term sustainability.

The rationalization of payment arrears management constitutes a pressing reform objective of the government. The implementation of accrual accounting will directly address the gap in current financial reporting, by enabling systematic identification, classification, and monitoring of outstanding obligations, thereby supporting a transparent and structured approach to arrears resolution.

## 2. ECONOMIC AND FISCAL PERFORMANCE IN FY2024/25

### 2.1 Economic Performance

#### a. International Economic Backdrop

As a small, open and tourism-dependent economy, the performance of the Bahamian economy is intrinsically linked to macroeconomic developments in its major source markets. Economic outcomes in the United States, Canada, the United Kingdom and the broader global economy directly influence visitor arrivals, investment flows and, by extension, domestic fiscal outcomes.

According to the IMF's April 2026 WEO, there was a slight uptick in global growth to 3.4 percent in 2025, from 3.3 percent in 2024, despite heightened geopolitical tensions and trade policy uncertainty. Over the same period, global inflation subsided to 4.1 percent from 5.8 percent, as easing energy costs and moderating demand enabled several major central banks to relax their monetary policy stances. According to the International Labour Organization (ILO), the global unemployment rate held steady at 5.0 percent throughout both 2024 and 2025.<sup>1</sup>

In the United States (US), real GDP growth slowed to 2.1 percent in 2025 from 2.8 percent in 2024, partly due to a 6-week-government shutdown and the drag from major tariff policy shifts. Declining food and energy prices helped moderate inflation to 2.7 percent from 3.0 percent in 2024, while the unemployment rate rose to 4.3 percent in 2025 from 4.0 percent in 2024, amid weak job creation.

In the euro area, the expansion in real GDP improved to 1.4 percent in 2025 from 0.9 percent in 2024, supported mainly by resilient domestic demand. Consumer price inflation declined to 2.1 percent in 2025 from 2.4 percent in 2024, under restrictive monetary conditions, and the unemployment rate eased to 6.3 percent from 6.4 percent in 2024.

Canada posted incremental advancement in real GDP growth to 1.7 percent in 2025 from 1.6 percent in 2024, as the economy navigated ongoing US tariff exposures. Supported by effective monetary policy interventions, inflation subsided from 2.4 percent in 2024 to 2.1 percent, which was within the Bank of Canada's target range. Notwithstanding, the unemployment rate edged up to 6.9 percent from 6.4 percent in 2024.

In the United Kingdom, real GDP growth improved to 1.3 percent in 2025 from 1.1 percent in 2024, as easing energy costs and disinflation underpinned real income gains. Inflation rose to 3.4 percent from 2.5 percent in 2024 under tighter monetary conditions, while the jobless rate increased to 4.9 percent from 4.3 percent over the same period, against a backdrop of weak hiring and public sector contraction.

China maintained real GDP growth of 5.0 percent for the past two consecutive years, supported by policy stimulus, infrastructure investment and strong high-tech manufacturing exports. Inflation

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<sup>1</sup> International Labour Organization, *Employment and Social Trends 2026*.

flattened to zero percent in 2025 from 0.2 percent in 2024, reflecting weak consumer demand and declining energy input costs, while the unemployment rate steadied at 5.1 percent over both years.

Real GDP growth in Latin America and the Caribbean was unchanged in 2025, at 2.4 percent, reflecting a mix of country-specific trends, including the post-pandemic normalization of growth rates. As monetary tightening across the region and commodity price pressures eased, annual average inflation slackened to 7.6 percent in 2025 from 16.6 percent in 2024.<sup>2</sup> Meanwhile, the unemployment rate improved to 5.5 percent, compared to 5.9 percent in 2024.<sup>3</sup>

**Table 1: Historical Estimates for Exchange Rates with Major Trading Partners**

EXCHANGE RATE	2022	2023	2024	2025
<b>USD/BSD</b>	1.00	1.00	1.00	1.00
<b>USD/CNY</b>	6.99	7.14	7.30	6.99
<b>USD/JPY</b>	132.65	141.91	156.65	156.30
<b>EUR/USD</b>	1.07	1.11	1.04	1.18
<b>GBP/USD</b>	1.23	1.24	1.28	1.32
<b>USD/CHF</b>	0.92	0.84	0.90	0.79
<b>USD/CAD</b>	1.36	1.33	1.44	1.37

Source: IMF Data Exchange Rates

The exchange rates presented in **Table 1** represent the currencies of The Bahamas’ major trading partners, in respect of goods imports, financial services flows, tourism source markets and investment linkages. Currencies are paired against the USD to which the BSD remained pegged at 1:1.

Between 2024 and 2025, the USD weakened against the EUR and GBP, by 13.5 percent and 3.1 percent, respectively, supporting, in part, an improved affordability of The Bahamas for visitors from these countries. The USD strengthened among the other currency pairs—the CHF (12.2 percent), the CAD (4.6 percent) and CNY (4.2 percent), with the JPY remaining near historic lows, broadly flat at 156.30.

### **b. Domestic Economic Developments**

Recent estimates released by the Bahamas National Statistical Institute show the Bahamian economy expanding by 3.8 percent in 2025, measured at constant 2018 prices, a moderation from the 4.2 percent in 2024. On a fiscal year basis, this translated into real GDP growth for FY2024/2025 of 2.7 percent—up from 1.3 percent in FY2023/2024.

Nominal GDP growth in 2025 improved to 7.3 percent from 4.3 percent in 2024, with the fiscal year comparatives lower at 5.7 percent in FY2024/2025 from 5.3 percent in FY2023/2024.

<sup>2</sup> International Monetary Fund, *World Economic Outlook April 2026 and October 2025*.

<sup>3</sup> International Labour Organization, *Employment and Social Trends 2026*.

**Table 2** shows a comparison of GDP estimates for both a calendar and fiscal year basis, at current and constant prices.

**Table 2: Forecast and Actual Economic Performance**

INDICATORS	Fiscal Year 2024/25 <sup>1</sup>		
	BUDGET FORECAST	ACTUAL	VARIANCE
Gross Domestic Product, current prices (% change)	3.2	5.7	2.5
Gross Domestic Product, constant prices (% change)	2.6	2.7	0.1
Inflation (%)	0.5	0.6	0.1

INDICATORS	Calendar Year 2025 <sup>2</sup>		
	FORECAST	ACTUAL	VARIANCE
Gross Domestic Product, current prices (% change)	4.3	7.3	3.0
Gross Domestic Product, constant prices (% change)	2.2	3.8	1.6
Inflation (%)	0.5	0.6	0.1

*1: Budget forecasts are from the FY2024/25 Annual Budget estimates, and actuals are from the Ministry of Finance and BNSI GDP estimates. Inflation estimates are from the IMF WEOs for October 2025 and April 2026.*

*2: Forecasts are from the IMF October 2025 WEO. Inflation estimates are from the IMF October 2025 WEO and April 2026 WEO. Actuals are from the Ministry of Finance and BNSI's GDP estimates.*

Decomposed by expenditure components, the \$557.6 million (3.8 percent) increase in aggregate demand to \$15,228.6 million was fueled by a combination of rising final consumption, strong investment, and export growth—underscoring the durability of the post-pandemic recovery.

General government consumption at \$2.3 billion was the primary contributor to final consumption growth, expanding by a robust \$188.2 million (8.9 percent) in 2025, relative to the near-flat percentage posted in 2024. Gains were primarily associated with increased recurrent spending on public services, health care, and social programs. Household consumption, which accounted for approximately 55.2 percent of real GDP in 2025, grew modestly by \$25.6 million (0.3 percent)—a deceleration from the \$313.6 million (3.9 percent) upturn recorded in 2024.

Gross fixed capital formation remained the most dynamic expenditure component in 2025, although the \$287.2 million (7.7 percent) to \$4.0 billion (26.2 percent of real GDP) was below the exceptional 20.8 percent surge recorded in 2024, when investment was the single largest driver of growth. Buildings and infrastructure led the 2025 outturn, rising \$227.9 million (9.2 percent), which was consistent with the strong construction outturn, amid continued public sector investment programs and foreign financed private resort developments. Transport equipment investment rose sharply by \$83.1 million (49.6 percent), partially reflecting notable purchases of commercial and marine vessels consistent with the expanding tourism and logistics sectors. Machinery and equipment investment, by contrast, moderated by \$26.7 million (2.5 percent), after the \$291.3 million (37.8 percent) surge in 2024.

In the external sector, exports of goods and services grew in real terms by \$107.3 million (2.0 percent) to \$5.4 billion in 2025, with tourism and financial services continuing to dominate. However, this follows on the strong \$366.9 million (7.5 percent) gain of 2024 and likely reflects the maturation of the post-pandemic tourism recovery. Visitor arrivals grew by 11.4 percent to 12.5 million in 2025, with 1.7 million visitors (13.5 percent) arriving by air. The dominant 10.8 million sea arrivals (86.5

percent of the total) accounted for an increasing level of value added, reinforced by growth in private cruise destinations which helped to broaden the traffic footprint of the Family Islands. Imports of goods and services declined by \$72.3 million (1.4 percent) in 2025, a notable reversal from the \$612.1 million surge in 2024 which was driven by capital goods imports for construction projects. Consequently, the net trade surplus position improved to \$231.0 million in 2025 from \$51.5 million in 2024.

The structural composition of GDP showed significant broad-based gains in gross value added for most sectors. Real Estate, the single largest sector at \$2,155.8 million, equated to a marginally lower 14.2 percent of GDP and a more modest annual growth of 2.0 percent. Financial and insurance activities recorded the largest absolute gain of \$202.8 million (19.8 percent), amid increased insurance premiums.

Although receding from the prior years' strong gains, construction expanded by \$79.6 million (9.0 percent), continuing to benefit from the active pipeline of resort developments, infrastructure spending, and residential investment. The trajectory for Accommodation and Food Services, tourism's main direct output category, remained positive, growing by \$78.9 million (5.2 percent). Meanwhile, Wholesale & Retail trade, the second largest sector, switched from an increase in value added of \$83.1 million (5.3 percent) in 2024 to a decline of \$68.0 million (4.1 percent) in 2025—partly reflecting higher operating costs in the petroleum sector. Moderated upswings were registered for Transport and Storage services of \$47.0 million (6.6 percent), concentrated in marine transport, and for information and communication activities of \$27.0 million (4.9 percent).

**Table 3: Key Macroeconomic & Monetary Indicators**

	Unit	2022	2023	2024	2025
Nominal GDP	%	15.3	10.6	4.3	7.3
Real GDP	%	13.2	5.1	4.2	3.8
Credit to Private Sector	B\$M	5,755.4	5,859.0	6,250.5	6,562.6
Broad Money (M2)	B\$M	8,459.6	8,602.8	8,989.3	9,604.6
External Reserves	B\$M	2,611.0	2,517.3	2,633.0	2,812.2
Inflation	%	5.6	3.1	0.4	0.6
Unemployment Rate	%	10.7	10.2	8.4	9.5

Consumer price inflation was relatively subdued in 2025. Based on the latest data produced by BNSI, the twelve-month change in the Retail Price Index decreased by 0.2 percent in May 2025, compared to an increase of 2.0 percent a year earlier, primarily on account of easing price pressures for imported fuel and other goods and services. Labour market conditions also improved, as the jobless rate tapered to 9.3 percent at end-June 2025 from 10.8 percent at end-January 2025.

Monetary developments in 2025 reflected a balanced yet increasingly private sector driven expansion in liquidity and credit conditions. Broad money (M2) grew moderately by 3.8 percent to \$9.6 billion, indicating stable liquidity growth without signs of excessive monetary expansion, while private sector credit expanded at a stronger pace of 6.6 percent to \$6,417.3 million, underscoring improving domestic demand and rising confidence among households and firms.

In contrast, public sector credit increased more modestly, by 2.6 percent to \$3,953.0 million, suggesting limited fiscal crowding-out and a gradual shift toward private sector-led economic activity. These developments are supportive of foreign direct investment, as they point to strengthening domestic demand and a more market-oriented economic environment. However, sustained investor confidence will depend on maintaining external stability and directing credit toward productive sectors that support long-term growth.

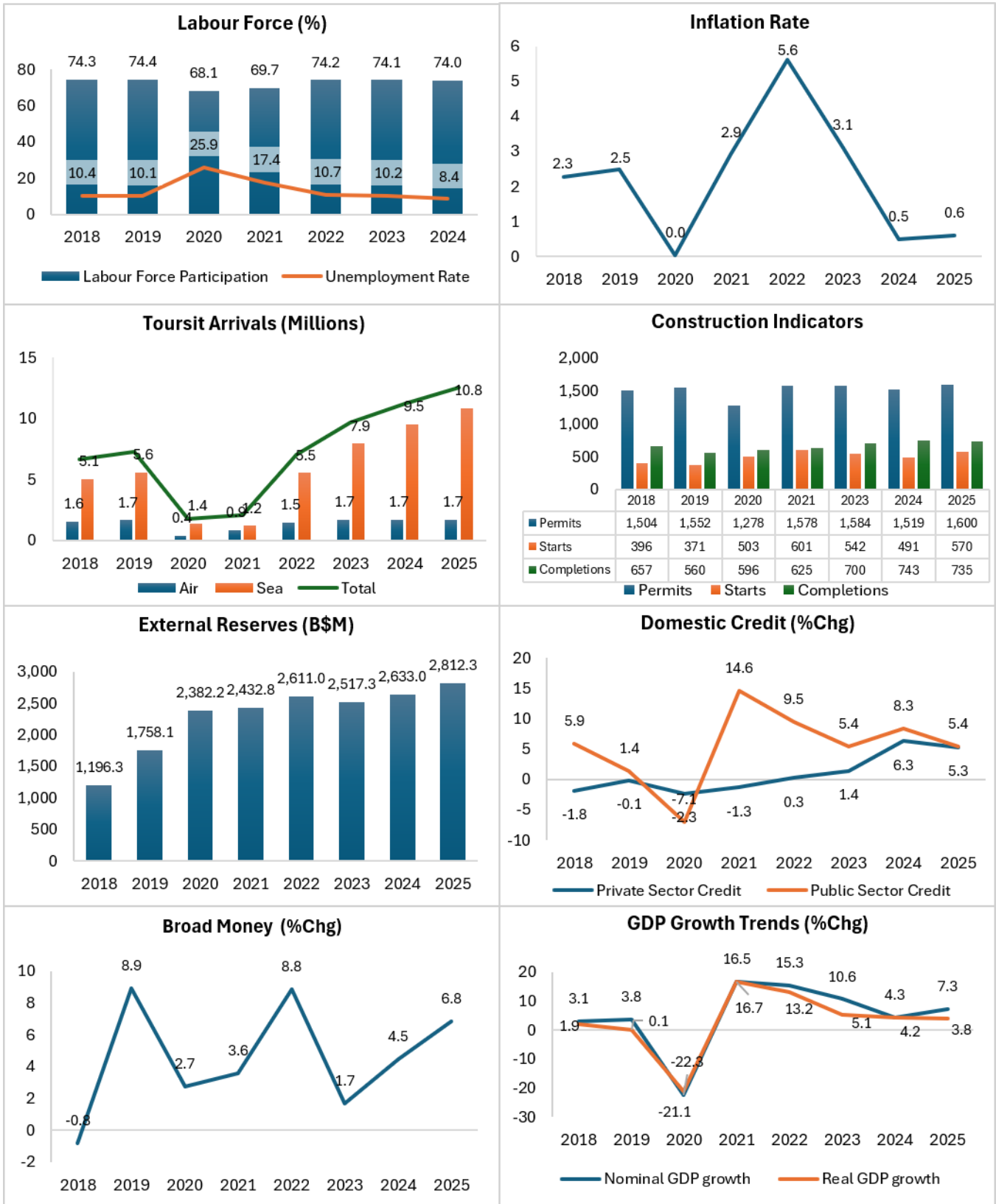
Interest rate conditions featured moderate gains in both the weighted average rates for bank loans and deposits to 11.24 percent and 0.59 percent, respectively in 2025. Both commercial banks' Prime Rate and the Central Bank's Discount Rate were unchanged at 4.25 percent and 4.0 percent, respectively.

The Bahamian Dollar remained pegged vis-à-vis the US dollar, at B\$1 = US\$1, supported by official external reserves of \$2.8 billion at end-December 2025, compared with \$2.6 billion at end-2024. The stock remained comfortably above international benchmarks, approximating a relatively stable 6.5 months of total merchandise imports (including oil purchases) to 2024.<sup>4</sup>

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<sup>4</sup> Central Bank of The Bahamas, *February 2026 Quarterly Statistical Digest*.

**Figure 1: Key Macroeconomic Indicators**



## 2.2 Budget and Fiscal Performance

### a. Fiscal Objectives

The government continues to operate within the fiscal discipline framework established by the PFMA and the Public Finance Management Act Order, 2025. The First Schedule of these instruments prescribes binding fiscal targets covering overall balance, revenue mobilization, debt reduction and expenditure compositions and targets (see **Table 4**).

**Table 4: Fiscal Objectives**

Fiscal Indicator	2025 FSR Objectives	2026 FSR Objectives
Debt	≤ 50% of GDP by 2030/31	No Change
Fiscal Balance	≤ 0.5% of GDP by 2025/2026 and 1.7% of GDP by FY2026/2027 and thereafter	No Change
Revenue	≥ 23.6% by FY2025/26; and ≥ 25.0% by FY2026/27 and thereafter	≥ 23.6% by FY2025/26; ≥ 23.5% in FY2026/27; ≥ 24.0% in FY2027/28; ≥ 24.5% in FY2028/29; and ≥ 25.0% in FY2029/30
Recurrent Expenditure	≤ 21.0% of GDP by FY2025/26	No Change
Capital Expenditure	≥ 3.5% by FY2025/26	No Change

**Table 5: Forecast vs Actual Fiscal Performance**

	FY2023/24			FY2024/25		
	Budget	Actual	Variance	Budget	Actual	Variance
	<b>B\$M</b>					
<b>Revenue</b>	3,319.0	3,069.1	(249.9)	3,543.3	3,400.5	(142.9)
<b>Expenditure</b>	3,450.1	3,263.1	(187.0)	3,613.1	3,485.3	(127.8)
Recurrent	3,085.5	2,961.4	(124.1)	3,268.6	3,199.6	(69.0)
Capital	364.6	301.7	(62.9)	344.5	285.7	(58.8)
<b>Surplus/(Deficit)</b>	(131.1)	(194.0)	(62.9)	(69.8)	(84.8)	(15.0)
<b>Gov't Direct Charge</b>	11,391.2	11,313.8	(77.4)	11,461.0	11,769.2	308.2
<b>GDP Estimate (current)</b>	14,138.8	15,716.1	1,577.3	16,056.4	16,610.3	553.9
	<b>% of GDP</b>					
<b>Revenue</b>	23.5	19.5	3.9	22.1	20.5	1.6
<b>Expenditure</b>	24.4	20.8	3.6	22.5	21.0	1.5
Recurrent	21.8	18.8	3.0	20.4	19.3	1.1
Capital	2.6	1.9	0.7	2.1	1.7	0.4
<b>Surplus/(Deficit)</b>	(0.9)	(1.2)	0.3	(0.4)	(0.5)	0.1
<b>Gov't Direct Charge</b>	80.6	72.0	8.6	71.4	70.9	0.5

### **b. Revenue Outturn**

Preliminary data placed total revenue collections for FY2024/2025 at \$3,400.5 million, representing a strong annual gain of \$331.4 million (10.8 percent) relative to the \$3,069.1 million recorded in FY2023/2024 (see **Table 6**). However, actual collections were \$142.9 million (0.4 percent) short of the \$3,543.3 million budget projection and represented 20.5 percent of GDP. This shortfall was primarily concentrated in property taxes, general stamp taxes, gaming taxes, customs and other import duties—which collectively account for a disproportionate share of the gap relative to their budget weight.

Tax revenue grew by \$290.8 million (10.6 percent) to \$3,026.9 million in FY2024/2025, with the two dominant drivers being taxes on goods and services and taxes on international trade and transactions amid continued economic activity and growth in tourism-related flows.

Taxes on goods and services increased by \$143.4 million (8.0 percent) to \$1,944.0 million. Consistent with the sustained domestic demand, value added taxes (VAT) contributed \$91.8 million of the gain, reaching \$1,438.1 million. Stamp taxes on financial and realty transactions added \$17.0 million; however, excise tax receipts declined by \$7.9 million.

Specific taxes (gaming taxes) recorded a modest increase of \$1.8 million, while revenues from taxes on the use of goods and permission to use goods rose by \$40.7 million, buoyed by higher collections of business license fees, company taxes, and motor vehicle taxes.

Taxes on international trade and transactions posted the largest absolute gain, of \$146.4 million (20.2 percent), to \$871.7 million. Growth was fueled by a \$122.8 million boost in departure taxes, reflecting elevated visitor volumes, alongside stronger export tax receipts. In contrast, customs and other import duties were broadly flat year-on-year at \$259.0 million.

Taxes on property edged up by \$6.8 million, while general stamp taxes were sharply lower by \$6.0 million, indicating continued volatility in this narrow revenue stream.

Non-tax revenue increased by \$40.6 million to \$373.6 million in FY2024/2025. The improvement was led by higher property income, particularly interest and dividend income, which grew by \$10.1 million. Receipts from the sale of goods and services rose by \$27.6 million, consistent with higher utilization of government-provided services. Fines, penalties, and forfeits also increased marginally. These gains were partially offset by a \$5.0 million decline in reimbursements and repayments, and a small reduction in receipts from the sale of other non-financial assets.

### **c. Expenditure Outturn**

Total expenditure rose by \$222.2 million (6.8 percent) to \$3,485.3 million, with a shift toward increased recurrent expenditure and restrained capital execution. This outcome was \$127.8 million below the projected \$3,613.1 million and primarily attributed to the under execution of capital spending and lower than anticipated expenditures on social assistance and pensions.

Recurrent expenditure increased by \$238.1 million (8.0 percent) to \$3,199.6 million in FY2024/2025 (see **Table 7**). As a share of nominal GDP, this equates to approximately 19.3 percent compared with

the statutory 21.0 percent ceiling. Compensation of employees expanded by \$35.5 million, incorporating higher wages, salaries, and allowances, and a \$7.5 million rise in NIB contributions.

Spending on the use of goods and services grew significantly, by \$132.0 million (23.5 percent), largely due to higher payments in utilities and telecommunications, services, and special financial transactions. These were partially offset by reductions in supplies and materials and certain miscellaneous operational costs.

Interest payments on public debt rose by \$66.6 million, reflecting higher borrowing costs. Outlays for pensions and gratuities expanded by \$13.4 million, reflecting demographic trends and benefit obligations.

Subsidies declined by \$11.0 million, and social assistance benefits contracted sharply by \$23.5 million, reflecting continued normalization of the social protection envelope post-COVID. Other payments, including current transfers not elsewhere classified, advanced by \$25.1 million, primarily explained by an uplift in financial support to public and quasi-public entities.

**Table 6: Revenue by Source**

	Actual		Variance
	2023/24	2024/25	
	<b>B\$M</b>		
<b>TAX REVENUE</b>	<b>2,736.1</b>	<b>3,026.9</b>	<b>290.8</b>
Taxes on Income, Profits & Capital Gains	0.0	0.0	0.0
Taxes on Property	203.2	210.0	6.8
<b>Taxes on Goods &amp; Services</b>	<b>1,800.6</b>	<b>1,944.0</b>	<b>143.4</b>
<b>General</b>	<b>1,473.8</b>	<b>1,574.7</b>	<b>100.9</b>
VAT	1,346.3	1,438.1	91.8
Stamp Taxes (Financial & Realty)	108.8	125.8	17.0
Excise Tax	18.7	10.8	(7.9)
<b>Specific (Gaming taxes)</b>	<b>45.4</b>	<b>47.2</b>	<b>1.8</b>
<b>Taxes on Use of Goods/Permission to Use</b>	<b>281.4</b>	<b>322.1</b>	<b>40.7</b>
Motor Vehicle Taxes	34.7	39.6	4.9
Company Taxes	19.6	32.1	12.4
Licence to Conduct Special Bus. Activity	219.7	242.0	22.3
Marine License Activities	7.4	8.4	1.0
<b>Taxes on Int'l Trade &amp; Transactions</b>	<b>725.2</b>	<b>871.7</b>	<b>146.4</b>
Customs & other import duties	258.5	259.0	0.5
Taxes on Exports	246.5	269.5	22.9
Departure Taxes	219.3	342.2	122.8
Other	0.9	1.0	0.1
<b>General Stamp Taxes</b>	<b>7.1</b>	<b>1.1</b>	<b>(6.0)</b>
<b>NON-TAX REVENUE</b>	<b>333.0</b>	<b>373.6</b>	<b>40.6</b>
<b>Property Income</b>	<b>47.2</b>	<b>58.3</b>	<b>11.1</b>
Interest & Dividends	32.1	42.2	10.1
Revenue_Gov't Property	15.0	16.0	1.0
<b>Sales of Goods &amp; Services</b>	<b>238.7</b>	<b>266.3</b>	<b>27.6</b>
<b>Fines, Penalties &amp; Forfeits</b>	<b>6.1</b>	<b>7.6</b>	<b>1.5</b>
<b>Reimbursements &amp; Repayments</b>	<b>35.1</b>	<b>30.1</b>	<b>(5.0)</b>
<b>Misc. &amp; Unidentified Revenue</b>	<b>4.4</b>	<b>10.1</b>	<b>5.7</b>
<b>Sales of Other Non-Financial Assets</b>	<b>1.7</b>	<b>1.3</b>	<b>(0.4)</b>
<b>TOTAL TAX &amp; NON-TAX REVENUE</b>	<b>3,069.1</b>	<b>3,400.4</b>	<b>331.3</b>
Grants	0.0	0.0	0.0
Capital Revenue	0.0	0.1	0.0
<b>GRAND TOTAL</b>	<b>3,069.1</b>	<b>3,400.5</b>	<b>331.4</b>
	<b>% of GDP</b>		
VAT Revenue	9.4	9.5	(0.1)
Tax Revenue	17.4	18.2	(0.8)
Non-Tax Revenue	2.1	2.2	(0.1)
Total Revenue	19.5	20.5	(0.9)

**Table 7: Recurrent Expenditure (Economic Classification)**

	ACTUAL		Variance
	2023/24	2024/25	
	<b>B\$M</b>		
<b>Compensation of Employees</b>	<b>843.3</b>	<b>878.8</b>	<b>35.5</b>
Wages & Salaries	736.0	754.9	18.9
Allowances	71.5	80.6	9.1
NIB Contribution	35.9	43.4	7.5
<b>Use of Goods &amp; Services of which:</b>	<b>561.4</b>	<b>693.5</b>	<b>132.0</b>
Travel & Subsistence	17.5	17.2	(0.3)
Rent	102.6	111.0	8.5
Utilities & Telecommunications	51.2	111.5	60.3
Supplies & Materials	44.0	38.0	(6.1)
Services	254.4	302.1	47.6
Minor capital repairs	4.7	4.7	0.0
Finance charges	21.4	26.6	5.3
Special Financial Transactions	28.1	54.9	26.8
Tourism Related	3.0	3.0	0.0
Local Gov't Districts	14.8	14.8	0.0
School Boards	0.1	0.1	0.0
Other	19.6	9.6	(10.0)
<b>Public Debt Interest</b>	<b>613.2</b>	<b>679.8</b>	<b>66.6</b>
<b>Subsidies</b>	<b>412.6</b>	<b>401.6</b>	<b>(11.0)</b>
<b>Grants</b>	<b>9.1</b>	<b>9.1</b>	<b>0.0</b>
<b>Social Assistance Benefits</b>	<b>61.1</b>	<b>37.7</b>	<b>(23.5)</b>
<b>Pensions &amp; Gratuities</b>	<b>182.7</b>	<b>196.1</b>	<b>13.4</b>
<b>Other Payments</b>	<b>278.0</b>	<b>303.1</b>	<b>25.1</b>
Current Transfers n.e.c.	197.7	232.0	34.3
Insurance Premiums	80.4	71.1	(9.2)
<b>TOTAL</b>	<b>2,961.4</b>	<b>3,199.6</b>	<b>238.1</b>
	<b>% of GDP</b>		
Total Recurrent Expenditure	18.8	19.3	(0.4)
Compensation of Employees	28.5	27.5	1.0
Use of Goods and Services	3.6	4.2	(0.6)
Public Debt Interest	3.9	4.1	(0.2)
Subsidies	2.6	2.4	0.2
Social Assistance Benefits	0.4	0.2	0.2
Pensions & Gratuities	1.2	1.2	(0.0)
Other Payments	1.8	1.8	(0.1)

Capital expenditure declined by \$15.9 million (5.3 percent) to \$285.7 million in FY2024/2025 and approximated 1.7 percent of GDP (see **Table 8**) compared to the statutory 2.1 percent of GDP. The outcome was attributable to reductions in capital transfers (\$9.2 million) and in the acquisition of non-financial assets (\$6.7 million). Within fixed assets, spending decreased across buildings, other structures, land improvements, and other fixed assets, while modest increases were recorded in transport equipment and machinery and equipment. Outlays for land acquisition remained unchanged.

**Table 8: Capital Expenditure (Economic Classification)**

	Actual		Variance
	2023/24	2024/25	
		B\$M	
<b>Capital Transfers</b>	<b>51.4</b>	<b>42.1</b>	<b>(9.2)</b>
<b>Acquisition of Non-financial assets</b>	<b>250.3</b>	<b>243.6</b>	<b>(6.7)</b>
<b>Fixed Assets</b>	<b>248.3</b>	<b>241.5</b>	<b>(6.8)</b>
Buildings other than dwellings	93.6	88.9	(4.7)
Other structures	85.8	84.3	(1.5)
Transport equipment	8.7	10.0	1.3
Other Machinery & equipment	13.6	19.0	5.4
Land Improvements	8.6	5.7	(2.9)
Other fixed assets	38.0	33.6	(4.4)
<b>Land</b>	<b>2.0</b>	<b>2.1</b>	<b>0.1</b>
<b>TOTAL</b>	<b>301.7</b>	<b>285.7</b>	<b>(15.9)</b>
		<b>% of GDP</b>	
Capital Transfers	0.3	0.3	0.1
Acquisition of Non-financial Assets	1.6	1.5	0.1
CAPEX	1.9	1.7	0.2
CAPEX (as percent of total expenditure)	9.2	8.2	1.0

#### **d. Financing Activities**

The Government's net incurrence of liabilities, at \$389.8 million for FY2024/2025, was \$254.5 million above the budget target and \$328.0 million higher than the previous year's position (see **Table 9**). Higher gross borrowing and debt repayment were mainly attributable to sustained intra-year financing operations and the rollover of short-term maturing obligations. Total gross borrowings amounted to \$4,646.4 million, representing an increase of \$1,018.7 million from FY2023/2024 and exceeding the budget by \$2,677.6 million. Debt repayments similarly rose to \$4,256.6 million, which was \$2,423.1 million higher than projected and \$690.7 million above the prior year.

The net acquisition of financial assets reached \$777.1 million, surpassing the budget by \$730.6 million. This outcome was driven by contributions to sinking funds and short-term loans, which totaled \$180.3 million and \$596.8 million, respectively.

Consistent with these developments, the overall deficit was recorded at \$84.8 million, exceeding the budget target by \$15 million. This corresponded to 0.5 percent of GDP, compared with the budgeted and statutory target of 0.4 percent of GDP.

**Table 9: Financing Activities (B\$M)**

	FY2023/24			FY2024/25		
	Budget	Actual	Variance	Budget	Actual	Variance
<b>Overall Balance [Surplus/(Deficit)]</b>	<b>(131.1)</b>	<b>(194.0)</b>	<b>(62.9)</b>	<b>(69.8)</b>	<b>(84.8)</b>	<b>(15.0)</b>
<b>Net Incurrence of Liabilities (a-b) [+]</b>	<b>131.1</b>	<b>61.8</b>	<b>(69.3)</b>	<b>135.3</b>	<b>389.8</b>	<b>254.5</b>
a. Borrowings	2,198.7	3,627.7	1,429.0	1,968.8	4,646.4	2,677.6
b. Debt Repayment	2,067.6	3,565.9	1,498.3	1,833.5	4,256.6	2,423.1
<b>Net Acquisition of Financial Assets [-]</b>	<b>59.8</b>	<b>301.8</b>	<b>242.0</b>	<b>46.5</b>	<b>777.1</b>	<b>730.6</b>
Sinking Funds	59.8	260.1	200.3	46.5	180.3	133.8
Equity	0.0	0.0	0.0	0.0	0.0	0.0
Short Term Loans	0.0	441.7	441.7	0.0	596.8	596.8
<b>Other Financing &amp; Change in Cash Balance (incl. Overdraft) [(=) increase]</b>	<b>59.8</b>	<b>434.0</b>	<b>374.2</b>	<b>(19.0)</b>	<b>472.1</b>	<b>491.1</b>

### e. Fiscal Performance Nine-Months to March 2026

For the nine months ended March 2026, the fiscal position recorded an overall deficit of \$157.3 million, a deterioration of \$27.2 million relative to the deficit of \$130.1 million posted in the corresponding period of FY2024/2025 (see **Table 10**). This outturn should be interpreted in the context of both policy and timing effects impacting revenue performance. In particular, the year-to-date balance excludes the anticipated inaugural collection of the Domestic Minimum Top-up Tax (DMTT), scheduled for June 2026, while recent reductions in the VAT rate on selected goods have moderated indirect tax collections. Together, these factors contributed to a wider deficit relative to the prior year.

Total revenue of \$2,552.0 million represented an improvement of \$80.9 million relative to the same period in the prior year. The overall revenue execution rate of 65.6 percent is broadly in line with the expected three-quarter pro-rata trajectory and excludes the anticipated DMTT inflow.

Tax revenue expanded by \$93.1 million (4.2 percent) to \$2,292.4 million, for 66.7 percent of the budgeted envelope, supported by gains in Value Added Tax of \$69.4 million to \$1,114.1 million (73.1 percent of budget), with taxes on the use of goods rising by \$49.8 million (22.3 percent) to \$273.6 million (81.3 percent of budget). Partially offsetting these gains were declines in taxes on property (\$12.8 million), financial and capital transactions (\$12.5 million) and international trade (\$7.3 million).

Non-tax revenue contracted by \$12.2 million (4.5 percent) to \$258.5 million (57.7 percent of the budget). The shortfall was concentrated in property income which declined by \$11.6 million, principally attributed to lower dividend and interest receipts, with reimbursements and repayments

recording a sharp decline of \$18.1 million. Partially offsetting these shortfalls, sales of goods and services expanded by \$15.9 million (8.1 percent) and fines, with penalties and forfeits exceeding their budgetary allocation by a small margin.

Total expenditure reached \$2,709.3 million, representing 70.9 percent of the budget and an increase of \$70.9 million compared to the same period in the previous year. Disaggregated by economic classification, recurrent expenditure rose by \$75.2 million (3.2 percent) to \$2,437.6 million (70.7 of budget appropriations). Compensation of Employees, the largest single recurrent line item, increased by \$35.5 million (5.5 percent) to \$684.4 million, reflecting both wage bill growth and headcount additions and positioned at 72.8 percent of the budget.

Other payments recorded the second largest gain of \$24.5 million (> 100 percent), and social assistance benefits rose by \$14.2 million (53.3 percent), although with an execution rate of 61.5 percent. Partial expenditure containment was achieved in the use of goods and services category, which declined by \$16.7 million (3.2 percent), with reduced spending in utilities and telecommunication and travel and subsistence.

Capital expenditure increased by \$33.6 million to \$271.7 million, reflecting expanded investment in non-financial assets, which continued to exhibit a strong execution rate.

**Table 10: Fiscal Performance - Nine Months to March FY2025/26 (B\$M)**

	ACTUALS		Variance	BUDGET	
	2024/25	2025/26		2025/26	%
<b>TAX REVENUE</b>	<b>2,199.3</b>	<b>2,292.4</b>	<b>93.1</b>	<b>3,439.2</b>	66.7
Taxes on Income, Profits & Capital Gains	-	0.0	0.0	130.1	0.0
Taxes on Property	172.9	160.1	(12.8)	254.6	62.9
Taxes on Goods & Services	1,398.8	1,508.3	109.5	2,081.5	72.5
General	1,146.6	1,203.8	57.2	1,688.1	71.3
VAT	1,044.7	1,114.1	69.4	1,524.9	73.1
Stamp Taxes (Financial & Realty)	94.7	82.2	(12.5)	152.2	54.0
Excise Tax	7.1	7.4	0.3	11.0	67.4
Specific (Gaming taxes)	28.4	30.9	2.5	57.0	54.2
Taxes on Use of Goods/Permission to Use	223.8	273.6	49.8	336.4	81.3
Motor Vehicle Taxes	28.2	29.2	1.1	51.2	57.2
Company Taxes	27.3	22.1	(5.2)	23.6	93.6
Licence to Conduct Special Bus. Activity	162.7	211.8	49.1	240.1	88.2
Marine License Activities	5.6	10.5	4.9	21.5	48.7
Taxes on Int'l Trade & Transactions	627.3	620.0	(7.3)	972.0	63.8
General Stamp Taxes	0.3	4.0	3.7	1.0	388.4
<b>NON-TAX REVENUE</b>	<b>270.7</b>	<b>258.5</b>	<b>(12.2)</b>	<b>447.9</b>	57.7
Property Income	34.4	22.7	(11.6)	65.1	34.9
Sales of Goods & Services	196.6	212.4	15.9	304.5	69.8
Fines, Penalties & Forfeits	6.0	8.4	2.4	7.4	113.4
Reimbursements & Repayments	30.1	12.0	(18.1)	49.2	24.4
Misc. & Unidentified Revenue	2.6	2.5	(0.1)	20.4	12.1
Sales of Other Non-Financial Assets	1.2	0.5	(0.7)	1.3	39.5
<b>TOTAL TAX &amp; NON-TAX REVENUE</b>	<b>2,470.1</b>	<b>2,550.9</b>	<b>80.9</b>	<b>3,887.1</b>	65.6
Grants/Capital Revenue	0.3	1.0	0.7	9.2	50.5
<b>TOTAL REVENUE</b>	<b>2,470.3</b>	<b>2,552.0</b>	<b>81.6</b>	<b>3,896.3</b>	65.5
<b>RECURRENT EXPENDITURE</b>	<b>2,362.3</b>	<b>2,437.6</b>	<b>75.2</b>	<b>3,447.7</b>	70.7
Compensation of Employees	649.0	684.4	35.5	940.3	72.8
Use of Goods & Services	514.2	497.5	(16.7)	742.4	67.0
Of which: Travel & Subsistence	13.5	13.7	0.2	16.7	81.8
Rent	92.2	79.2	(13.0)	115.3	68.6
Utilities & Telecommunications	58.0	26.9	(31.0)	96.8	27.8
Services	238.6	256.6	18.1	315.8	81.3
Finance charges	15.7	7.0	(8.8)	21.6	32.2
Special Financial Transactions	39.9	34.7	(5.1)	70.9	49.0
Public Debt Interest	447.3	452.0	4.6	668.0	67.7
Subsidies	331.6	333.9	2.3	450.1	74.2
Grants	7.5	4.9	(2.6)	11.4	43.3
Social Assistance Benefits	26.7	40.9	14.2	66.4	61.5
Pensions & Gratuities	148.6	151.7	3.1	201.7	75.2
Other Payments	237.5	272.3	34.8	367.2	74.1
<b>CAPITAL EXPENDITURE</b>	<b>238.1</b>	<b>271.7</b>	<b>33.6</b>	<b>373.2</b>	72.8
Capital Transfers	32.5	39.7	7.2	116.4	34.1
Acquisition of non-financial assets	205.6	232.0	26.4	256.8	90.3
<b>TOTAL EXPENDITURE</b>	<b>2,600.4</b>	<b>2,709.3</b>	<b>108.8</b>	<b>3,820.9</b>	70.9
<b>Of WHICH: PRIMARY EXPENDITURE</b>	<b>2,153.1</b>	<b>2,257.3</b>	<b>104.2</b>	<b>3,152.9</b>	71.6
<b>FISCAL BALANCE</b>	<b>(130.1)</b>	<b>(157.3)</b>	<b>(27.2)</b>	<b>75.5</b>	(208.4)

## 3. ECONOMIC OUTLOOK

### 3.1 Medium- and Long-Term Macroeconomic Outlook

#### *a. International Economic Outlook*

The Bahamas' medium-term fiscal outlook is influenced by both domestic and global forces, given the country's openness and reliance on external markets. Global conditions are expected to remain subdued over the forecast horizon, constrained by geopolitical tensions, trade policy uncertainty, and weakening demand. In its April 2026 WEO, the IMF projects global growth at 3.1 percent in 2026, with a modest improvement to 3.2 percent in 2027—although remaining below long-term historical norms.

Global price pressures are poised to strengthen in the near term, reflecting the joint impact of elevated energy prices and persistent cost pressures across key sectors. Global headline inflation is projected to increase to 4.4 percent in 2026, then ease to 3.7 percent in 2027. The pace and durability of disinflation, however, remain subject to uncertainty in global supply conditions, the evolution of commodity markets and the trajectory of monetary policy responses.

In the United States, real GDP growth is projected at 2.3 percent in 2026, easing slightly to 2.1 percent in 2027, amid softer household consumption and business investment activity following several years of above trend performance. Disinflation is expected to continue over the forecast horizon, with inflation declining from 3.2 percent in 2026 to 2.1 percent in 2027, consistent with easing domestic demand pressures. Labour market conditions are forecast to remain relatively stable, with the unemployment rate at 4.4 percent in 2026 and 4.2 percent in 2027.

The Bahamian dollar operates under a long-standing fixed exchange rate regime, maintained at parity with the United States dollar since 1973, which anchors exchange rate stability over the medium term. Given The Bahamas' strong trade and financial linkages with the United States—its primary trading partner—external conditions affecting the United States dollar remain the principal driver of The Bahamas' external position.

Economic recovery in the Euro Area is projected to firm gradually, with real GDP growth of 1.1 percent in 2026 advancing to 1.2 percent in 2027. The outlook is supported by gains in household consumption and a gradual recovery in investment activity following a prolonged period of subdued growth. Inflation is anticipated to recede from 2.6 percent in 2026 to 2.2 percent in 2027, with broadly stable labour market conditions reflected in unemployment rates of 6.2 percent in 2026 and 6.1 percent in 2027.

The United Kingdom's growth outlook envisages a gradual strengthening in real GDP from 0.8 percent in 2026 to 1.3 percent in 2027, supported by recovering household purchasing power in the wake of easing inflationary pressures. Inflation is projected to abate from 3.2 percent in 2026 to 2.4 percent in 2027, as prior monetary tightening weighs on price growth, with the unemployment rate forecast at 5.6 percent in 2026 and easing to 5.3 percent in 2027.

Canada's medium-term prospects are expected to strengthen, with real GDP growth of 1.5 percent in 2026 and 1.9 percent in 2027, as household spending rebuilds amid easing borrowing costs and

improving real incomes. Inflation is forecast to decline from 2.5 percent in 2026 to 2.1 percent in 2027, while the jobless rate is expected to abate from 6.5 percent in 2026 to 6.3 percent in 2027.

China’s real GDP growth is expected to ease to 4.4 percent in 2026 and 4.0 percent in 2027, amid continued structural rebalancing and weaker external demand conditions. Labour market dynamics are expected to remain broadly stable, with the unemployment rate holding steady at 5.1 percent in both years. Inflation is projected to rise from 1.2 percent in 2026 to 1.5 percent in 2027, reflecting a gradual pickup in domestic demand.

Growth in Latin America and the Caribbean is poised to improve from 2.3 percent in 2026 to 2.7 percent in 2027, with the momentum derived from firmer domestic demand and outturns in several large economies, including Argentina and Brazil.<sup>5</sup> In contrast, growth in Mexico is forecast to remain comparatively weaker, amid softer external demand and slower industrial activity. Inflationary pressures across the region are expected to continue moderating under the lagged influence of prior monetary tightening, with employment conditions broadly stable across countries.

Across the Caribbean, economic growth is projected to slacken to 5.7 percent in 2026 as the strong post-pandemic surge in tourism normalizes, before rebounding to 8.6 percent in 2027. Tourism is expected to remain the principal driver of regional output, supported by sustained visitor demand and related services sector activity. Inflation forecasts are maintained at 6.1 percent for both years, and labour market conditions across the tourism-dependent economies are expected to remain favourable, reflecting the sustained strength of demand within the travel and hospitality sectors.

**Table 11: Forecasts for Exchange Rates with Major Trading Partners (end of period)**

EXCHANGE RATE	2027	2028	2029	2030-2036
USD/BSD	1.00	1.00	1.00	Held constant at 2029 forecast
USD/CNY	6.68	6.58	6.70	
USD/JPY	148.00	142.00	142.00	
EUR/USD	1.21	1.20	1.22	
GBP/USD	1.37	1.38	1.37	
USD/CHF	0.78	0.80	0.79	
USD/CAD	1.34	1.33	1.32	

Source: Bloomberg Terminal, consensus market forecasts as at May 2026.

Exchange rate developments among major international currencies are expected to remain broadly stable over the near- to medium-term horizon, albeit with modest adjustments reflecting evolving global monetary conditions. Beyond 2029, exchange rate projections are assumed to remain constant through to 2036, in line with standard long-term modelling practices. Detailed projections are presented in **Table 11**.

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<sup>5</sup> Latin American and Caribbean Macroeconomic Report, *Resilience and Growth Prospects in a Shifting Global Economy* March 2026.

The set of countries included in the analysis reflects The Bahamas' principal trading partners, as determined by import and export patterns over the past five years. Consistent with longstanding policy, the Bahamian dollar (BSD) is assumed to remain pegged at parity with the United States dollar (USD) throughout the projection period. Consequently, the USD is used as a vehicular currency in instances where direct BSD exchange rate projections are unavailable.

The analysis therefore includes exchange rate projections for the following major currencies: the Chinese yuan (CNY), Japanese yen (JPY), euro (EUR), British pound sterling (GBP), Swiss franc (CHF), and Canadian dollar (CAD), expressed relative to the USD/BSD framework.

According to forecasts from Bloomberg (March 2026), the United States dollar is expected to exhibit a gradual softening against select major currencies, while remaining relatively resilient overall. Meanwhile, the Canadian Dollar is expected to strengthen with the USD/CAD index lowering from 1.37 at end-June 2026 to 1.32 in 2036. The euro is projected to strengthen slightly against the United States dollar, with the EUR/USD exchange rate rising from 1.15 in the first quarter of 2026 to 1.19 by end-2026. The Great Britain pound is expected to strengthen against the United States Dollar rising from 1.34 to 1.37 during the same period.

Movements against Asian currencies suggest a gradual strengthening of the Chinese yuan, with USD/CNY declining from 6.82 to 6.70 over the forecast period. Similarly, the Japanese yen is projected to appreciate against the United States dollar, with USD/JPY decreasing from 158.00 to 142.00, indicating a normalization from previously elevated levels. In contrast, exchange rates involving the Swiss franc are expected to remain relatively stable, with USD/CHF broadly stable around 0.78 to 0.80.

Collectively, these projections support a stable external environment assumption, with only gradual currency adjustments shaping The Bahamas' trade and macroeconomic outlook.

### ***b. Domestic Economic Outlook Update***

Updated macroeconomic projections point to a stronger near-term outlook for The Bahamas relative to the forecasts presented in the previous 2025 FSR. The latest forecasts, based primarily on the IMF's April 2026 WEO, reflect improved expectations for real economic activity, supported by sustained tourism demand, continued foreign investment activity, and robust construction sector performance. The revised projections also capture changes in inflation dynamics and nominal economic activity, providing an updated assessment of how the domestic outlook has evolved since publication of the April 2025 WEO.

The April 2026 WEO forecasts real GDP growth for The Bahamas at 2.1 percent in 2026 and 1.9 percent in 2027, representing upward revisions from the April 2025 WEO projections of 1.7 percent and 1.6 percent, respectively (see **Table 12** and **Figure 2**). Medium-term growth projections were also revised upward through 2029.

The revised outlook also incorporates BNSI's upward revisions to historical GDP estimates, alongside expectations that ongoing infrastructure investments and electricity sector reforms will underpin economic activity over the medium term.

Despite the stronger real growth outlook, inflation and GDP deflator projections remain comparatively contained over the medium term. The GDP deflator for 2026 was revised downward to 1.1 percent from the 1.3 percent forecast published in April 2025, while projections for 2027 and 2028 were also revised modestly downward. Inflation is projected at 1.6 percent in 2026 and 1.9 percent in 2027, compared to prior forecasts of 1.3 percent and 1.8 percent, respectively. Over the medium term, inflation is expected to stabilize at approximately 2.0 percent.

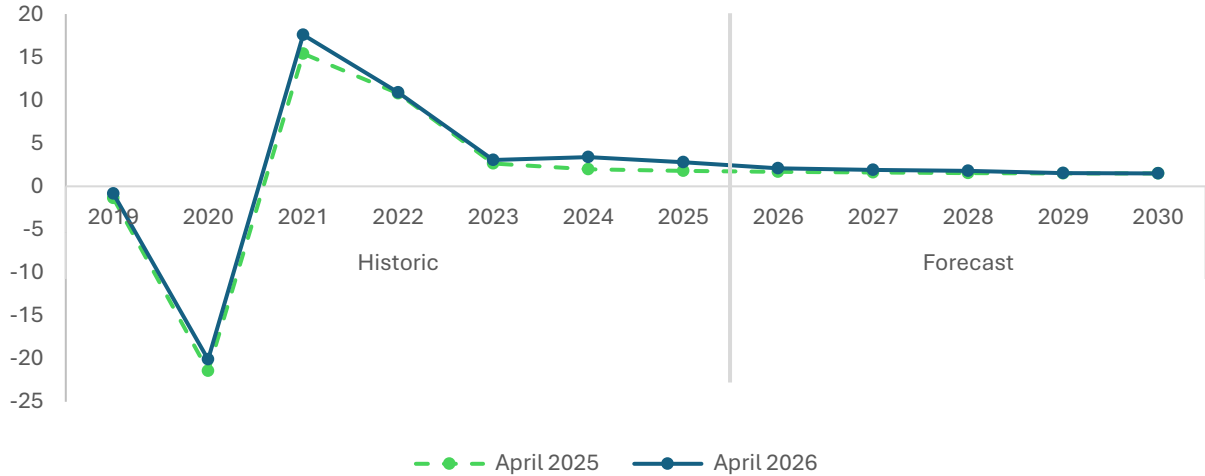
Consequently, nominal GDP growth projections have also been revised upward relative to the previous year’s estimates. Nominal GDP growth is forecast at 3.2 percent in 2026, compared to the April 2025 projection of 3.0 percent, while projections for 2027 onward remain broadly stable at approximately 3.3 percent to 3.5 percent over the medium term.

**Table 12: Year-over-Year Projection Comparison**

INDICATORS	2026	2027	2028	2029	2030
<b>GDP Growth at Constant Prices (%)</b>					
April 2025	1.7	1.6	1.6	1.5	1.5
April 2026	2.1	1.9	1.8	1.6	1.5
<b>GDP Growth at Current Prices (%)</b>					
April 2025	3.0	3.3	3.4	3.5	3.5
April 2026	3.2	3.3	3.4	3.5	3.5
<b>GDP Deflator (%)</b>					
April 2025	1.3	1.7	1.8	1.9	2.0
April 2026	1.1	1.4	1.6	1.9	2.0
<b>Inflation Rate - Period Average (%)</b>					
April 2025	1.3	1.8	1.9	2.0	2.0
April 2026	1.6	1.9	2.0	2.0	2.0

Source: GDP and inflation projections are derived from official IMF World Economic Outlook (WEO) publications, April 2025 and April 2026 editions.

**Figure 2: Real GDP Growth Projection Comparison (%)**



### c. Domestic Macroeconomic Projections

To achieve compliance with the PFMA's requirement for the incorporation of long-term fiscal and economic forecasts, a structured modelling framework was developed using a consistent set of assumptions applied across output, prices, the external sector, and monetary aggregates.

#### METHODOLOGICAL APPROACH

The forecasting framework is based on a macroeconomic model calibrated using historical data for The Bahamas, supplemented by international benchmarks and standard forecasting practices employed by multilateral institutions and fiscal authorities. The model captures interactions between real economic activity, prices, labour market dynamics, fiscal aggregates, and debt outcomes (see **Table 13**).

Forecasts are generated under a baseline scenario, which reflects the most likely economic trajectory using current information, and are complemented by sensitivity analyses to assess the potential impact of key risks, including lower productivity growth, higher global interest rates, and adverse weather events. These scenarios allow for an evaluation of fiscal resilience under varying economic conditions.

#### KEY ASSUMPTIONS

The projections are underpinned by a set of assumptions relating to both external conditions and domestic economic drivers:

- **Global Economic Environment:** External forecasts, including global growth, inflation, and commodity prices, are informed by international sources such as the IMF's WEO and other multilateral datasets. These external conditions influence key domestic variables, particularly inflation, tourism demand, and financing conditions.
- **Tourism and Economic Activity:** Given the central role of tourism in the Bahamian economy, projections assume continued growth in visitor arrivals and expenditure over the medium term, albeit at a moderating pace due to capacity constraints.
- **Labour Market and Productivity:** Labour force participation and employment trends are informed by data from the ILO and national sources. Medium-term growth is primarily driven by assumed increases in labour productivity, consistent with international estimates.
- **Price Dynamics:** Inflation and the GDP deflator are influenced by global price developments, particularly US inflation, reflecting the fixed exchange rate regime. Oil price assumptions and supply conditions also play a role in shaping price projections.
- **Interest Rates and Financing:** Domestic interest rates are assumed to broadly track movements in US rates, reflecting the exchange rate peg and financial linkages. Short-term rates are expected to ease over the near term, while longer-term rates gradually increase in line with global trends.
- **Fiscal Policy Path:** Revenue and expenditure projections incorporate the government's stated fiscal policies and targets, including revenue-enhancing measures and expenditure restraint. The initial years of the forecast horizon are aligned with existing budget projections, with medium-term trajectories determined by macroeconomic conditions and policy assumptions.

## LIMITATIONS AND UNCERTAINTY

The projections are subject to inherent uncertainty, reflecting limitations in data availability, and the need to rely on assumptions where data gaps exist. Forecast outcomes may differ from projections due to unforeseen domestic or external shocks, including changes in global economic conditions, policy shifts, or natural disasters. Additionally, the modelling framework represents a simplified abstraction of the economy and may not fully capture all behavioural responses or structural changes.

## OUTPUTS FROM THE MODEL

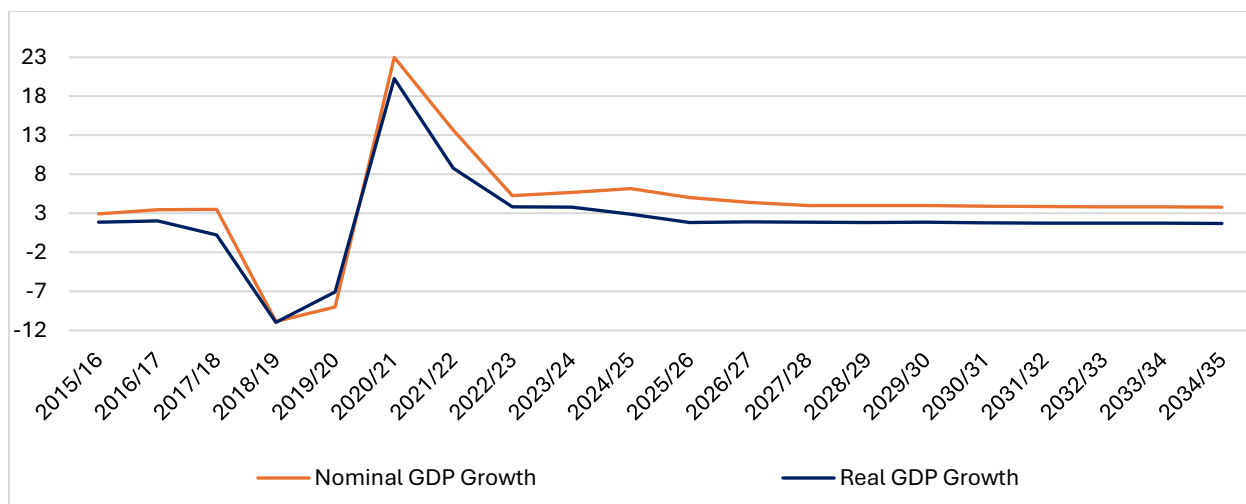
- **Nominal GDP:** is projected to expand from \$17.6 billion in FY2025/2026 to \$26.3 billion by FY2035/2036, implying a steady deceleration in growth from 6.2 percent to approximately 3.8 percent over the forecast horizon. This convergence reflects the dissipation of post-COVID recovery effects and the stabilization of both real growth and inflation.
- **Real GDP growth:** is projected to moderate from 2.9 percent in FY2025/2026 to a stable range of 1.7 to 1.9 percent over the long term. The persistence of this relatively narrow growth band reflects structural constraints within the economy, including capacity limitations in tourism and modest productivity growth. Consequently, long-run output expansion is primarily driven by incremental gains in labour productivity rather than capital and land accumulation or cyclical demand effects.
- **Inflation:** is forecast to converge to 2.3 percent by FY2029/2030 and remain anchored at that level over the long term. This path reflects the pass-through of external price dynamics under the fixed exchange rate regime, as well as the assumption of stable global inflation conditions. The convergence to a steady inflation rate supports the stabilization of nominal GDP growth over the forecast horizon.
- **Labour market conditions:** exhibit limited adjustment over the projection period. The unemployment rate declines from 9.5 percent to 9.0 percent by FY2028/2029 and remains broadly unchanged, thereafter. This plateau suggests that the economy is operating near its structural employment capacity, with limited scope for further reductions absent significant productivity-enhancing reforms or labour market expansion.
- **The current account balance:** remains in deficit throughout the forecast horizon, widening gradually from \$1.2 billion to \$1.3 billion. This reflects the structural characteristics of a small, import-dependent economy, where growth in domestic demand and investment translates into sustained external outflows. The persistence of the deficit underscores the continued reliance on external financing and the importance of maintaining adequate external buffers.
- **Monetary aggregates:** expand in line with nominal economic activity. Credit to the private sector increases steadily, reaching \$9.9 billion by FY2035/2036, indicative of continued financial intermediation supporting economic growth. Broad money supply follows a similar trajectory, consistent with nominal GDP expansion and gradual financial deepening.
- **Interest rates:** are assumed to remain constant at 4.0 percent over the forecast horizon. This simplifying assumption reflects the anchoring role of the exchange rate peg and the expectation of relatively stable global financial conditions over the long term. While this provides a stable baseline for projections, it also implies that deviations in global interest rates represent a key source of risk to the outlook.

In addition to the sectoral outlook presented above, the expenditure composition of GDP provides further insight into the underlying drivers of economic activity over the forecast horizon (see **Table 14**). The projections suggest that medium-term growth remains closely linked to domestic demand, tourism activity, and the pace of major investment projects.

- **Private Consumption:** remains the largest expenditure component throughout the forecast horizon, maintaining a relatively stable share of approximately 62.7 percent of GDP. This reflects continued support from household demand, tourism-related income, and stable employment conditions.
- **Government Consumption:** is projected to average approximately 16.8 percent of GDP over the forecast period. The expenditure path reflects ongoing fiscal consolidation efforts and expenditure discipline under the fiscal responsibility framework, resulting in government consumption growth remaining moderate relative to nominal GDP expansion.
- **Investment:** remains relatively stable throughout the projection period, averaging approximately 23.5 percent of GDP in both nominal and real terms. This suggests that medium-term growth is supported by sustained levels of capital formation, including tourism-related developments, infrastructure activity, and energy sector investments, rather than large cyclical swings in investment demand.
- **Net Imports:** continue to represent a significant component of economic activity over the forecast horizon, reflecting the importance of tourism and related service industries to the Bahamian economy. Exports of goods and services average approximately 34.1 percent of real GDP throughout the projection period while imports are projected to remain around 34.7 percent of GDP. The contribution of the external sector remains moderated by the economy’s high reliance on imports, particularly consumer goods, fuel, food products, construction materials, and capital equipment associated with domestic demand and investment activity.

Taken together, the long-term horizon highlights the structural nature of The Bahamas’ growth profile, where productivity improvements and external conditions remain the primary determinants of economic performance.

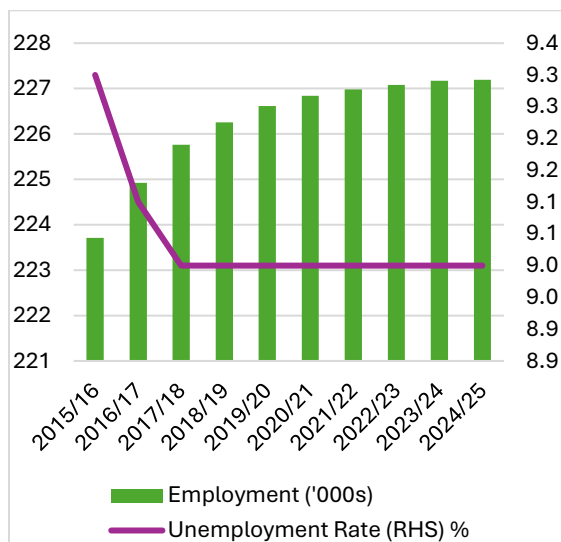
**Figure 3: GDP Growth**



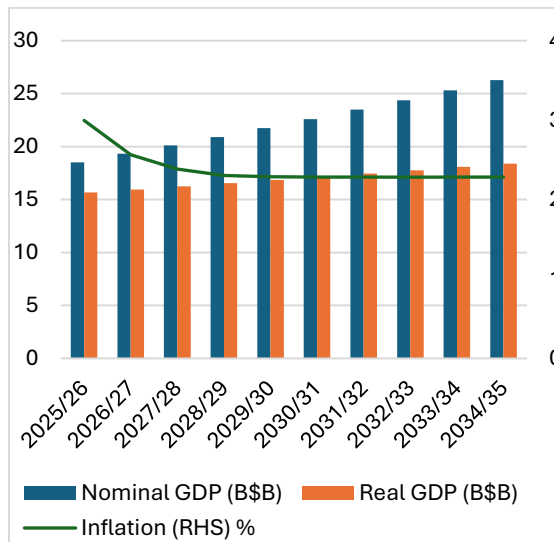
**Table 13: Macroeconomic Forecasts**

	Unit	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
<b>Nominal GDP</b>	B\$M	17,633.0	18,515.7	19,332.2	20,108.8	20,914.4	21,751.8	22,607.1	23,485.4	24,382.4	25,312.3	26,272.0
<i>Nominal GDP Growth</i>	%	6.2	5.0	4.4	4.0	4.0	4.0	3.9	3.9	3.8	3.8	3.8
<b>Real GDP</b>	B\$M	15,382.1	15,661.0	15,957.6	16,257.2	16,552.9	16,860.9	17,165.0	17,467.3	17,772.4	18,081.4	18,390.7
<i>Real GDP Growth</i>	%	2.9	1.8	1.9	1.9	1.8	1.9	1.8	1.8	1.7	1.7	1.7
<b>Inflation</b>	%	3.2	3.0	2.6	2.4	2.3	2.3	2.3	2.3	2.3	2.3	2.3
<b>Employment</b>	#	222,471	223,714	224,922	225,765	226,255	226,613	226,843	226,979	227,084	227,171	227,194
<b>Total Labour Force</b>	#	245,688	246,653	247,439	248,093	248,632	249,025	249,278	249,428	249,542	249,638	249,664
<b>Unemployment Rate</b>	%	9.5	9.3	9.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
<b>Current Account Balance</b>	B\$M	(1,197.6)	(1,211.0)	(1,224.5)	(1,237.2)	(1,250.1)	(1,263.1)	(1,276.2)	(1,289.4)	(1,302.8)	(1,316.3)	(1,329.9)
<b>Credit to Private Sector</b>	B\$M	6,641.4	6,973.9	7,281.5	7,574.0	7,877.4	8,192.8	8,514.9	8,845.8	9,183.6	9,533.8	9,895.3
<b>Interest Rate</b>	%	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<b>Broad Money Supply</b>	B\$M	9,859.1	10,352.6	10,809.1	11,243.4	11,693.8	12,162.0	12,640.2	13,131.3	13,632.9	14,152.8	14,689.4

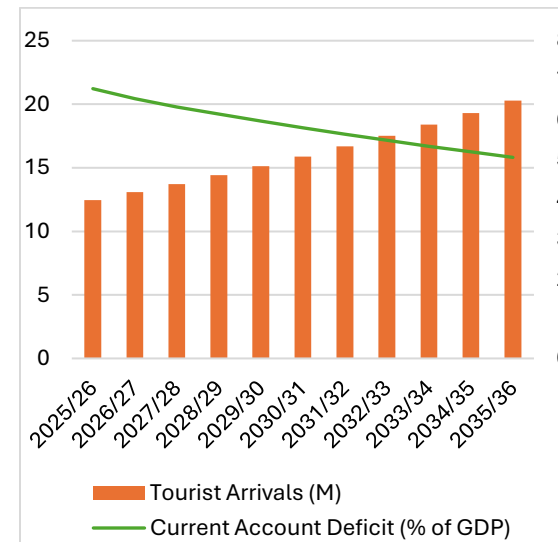
**Figure 4: Labour Market Dynamics**



**Figure 5: Growth & Prices**



**Figure 6: Tourist Arrivals**



**Table 14: GDP Forecasts (B\$M)**

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
<b>Real GDP</b>											
Consumption	9,563.5	9,786.6	10,022.6	10,210.8	10,396.5	10,590.0	10,781.0	10,970.8	11,162.5	11,356.6	11,550.8
Government	2,442.1	2,569.1	2,629.0	2,663.1	2,733.9	2,809.1	2,888.4	2,971.5	3,058.5	3,149.5	3,244.6
Investment	3,616.9	3,693.0	3,773.6	3,855.4	3,936.6	4,021.2	4,105.2	4,189.2	4,262.4	4,336.5	4,410.7
Change in inventories	170.6	175.8	181.4	184.8	188.2	191.7	195.1	198.6	202.0	205.5	209.1
Exports	5,385.3	5,399.3	5,416.4	5,518.1	5,618.4	5,723.0	5,826.2	5,928.8	6,032.4	6,137.3	6,242.2
Imports	(5,425.2)	(5,476.4)	(5,532.0)	(5,635.9)	(5,738.4)	(5,845.2)	(5,950.6)	(6,055.4)	(6,161.1)	(6,268.3)	(6,375.5)
Statistical discrepancy	(371.1)	(486.5)	(533.4)	(539.1)	(582.4)	(628.9)	(680.3)	(736.2)	(784.2)	(835.6)	(891.2)
Real GDP	15,382.1	15,661.0	15,957.6	16,257.2	16,552.9	16,860.9	17,165.0	17,467.3	17,772.4	18,081.4	18,390.7
<b>Nominal GDP</b>											
Consumption	11,526.2	12,106.8	12,681.1	13,191.7	13,701.8	14,230.6	14,767.5	15,316.1	15,881.6	16,466.0	17,066.7
Government	2,443.3	2,638.2	2,761.3	2,856.0	2,991.0	3,133.6	3,284.3	3,443.6	3,612.2	3,790.6	3,979.6
Investment	4,136.5	4,335.1	4,530.6	4,726.4	4,923.1	5,127.5	5,335.9	5,549.7	5,754.6	5,966.3	6,184.0
Change in inventories	180.7	191.3	201.8	209.9	218.0	226.5	235.0	243.7	252.7	262.0	271.6
Exports	6,641.6	6,884.6	7,052.7	7,331.0	7,614.1	7,911.3	8,206.0	8,520.9	8,854.9	9,188.9	9,531.6
Imports	(7,190.1)	(7,498.8)	(7,736.5)	(8,042.4)	(8,353.0)	(8,678.8)	(9,002.4)	(9,346.8)	(9,711.1)	(10,076.5)	(10,451.6)
Statistical discrepancy	(105.2)	(141.6)	(158.8)	(163.9)	(180.6)	(198.8)	(219.2)	(241.8)	(262.5)	(285.1)	(309.8)
Nominal GDP	17,633.0	18,515.7	19,332.2	20,108.8	20,914.4	21,751.8	22,607.1	23,485.4	24,382.4	25,312.3	26,272.0

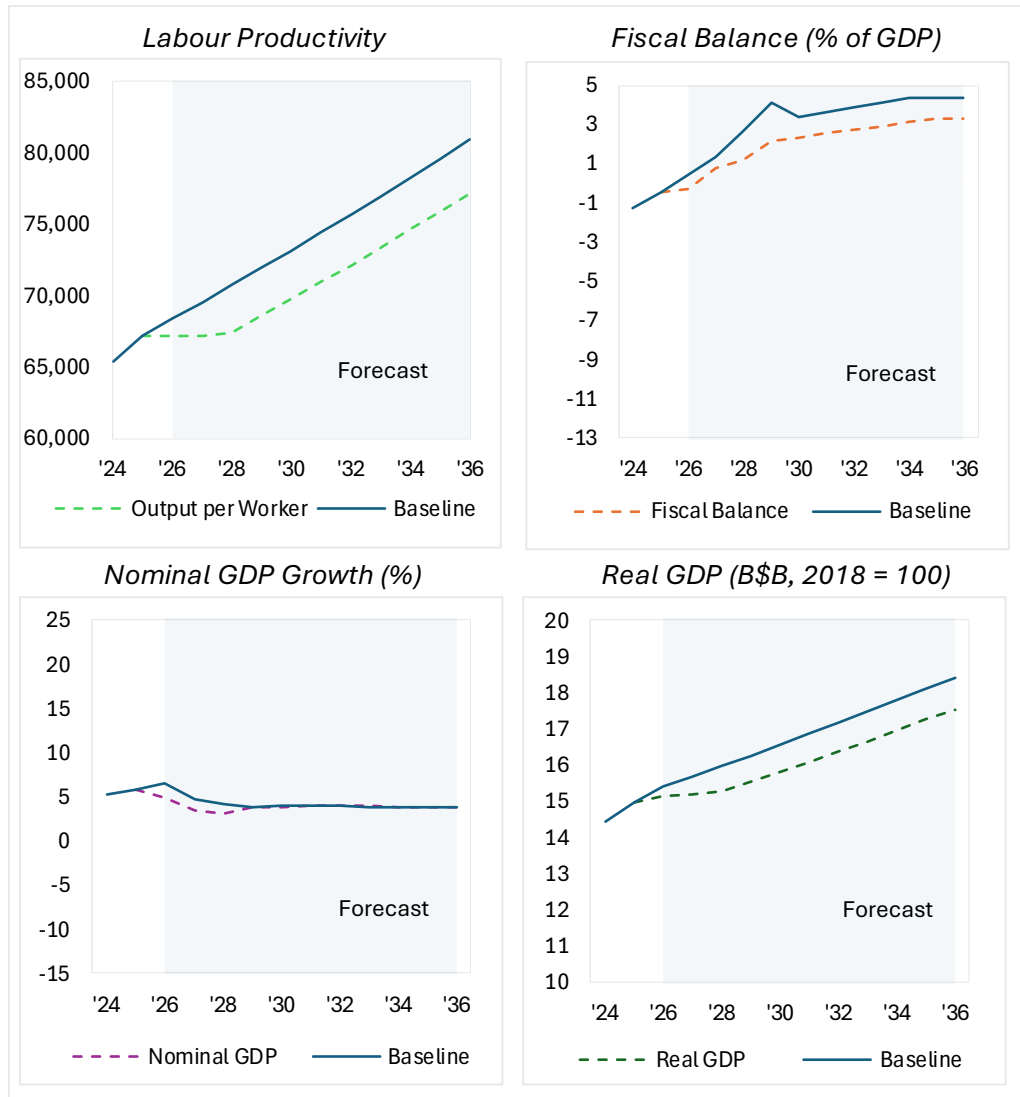
### 3.2 Sensitivity Analysis

In line with the model’s design, sensitivities are applied to individual variables to isolate their effects, with results interpreted as indicative of directional and relative impacts on macroeconomic and fiscal outcomes. The analysis distinguishes between long-run structural sensitivities, which affect the economy’s growth path, and short-run shocks, which primarily influence cyclical outcomes.

#### Lower Productivity Growth

Output per worker is projected to slow from 2.7 percent in FY2024/2025 to 1.8 percent in FY2025/2026, stabilizing at 1.7 percent thereafter. A sensitivity analysis assuming zero productivity growth for two years shows nominal GDP growth falling by 1.7 percentage points to 4.8 percent, with some long-run shock effects (see **Figure 7**). The fiscal balance-to-GDP ratio also weakens, as productivity shocks typically raise government spending pressures while dampening economic activity.

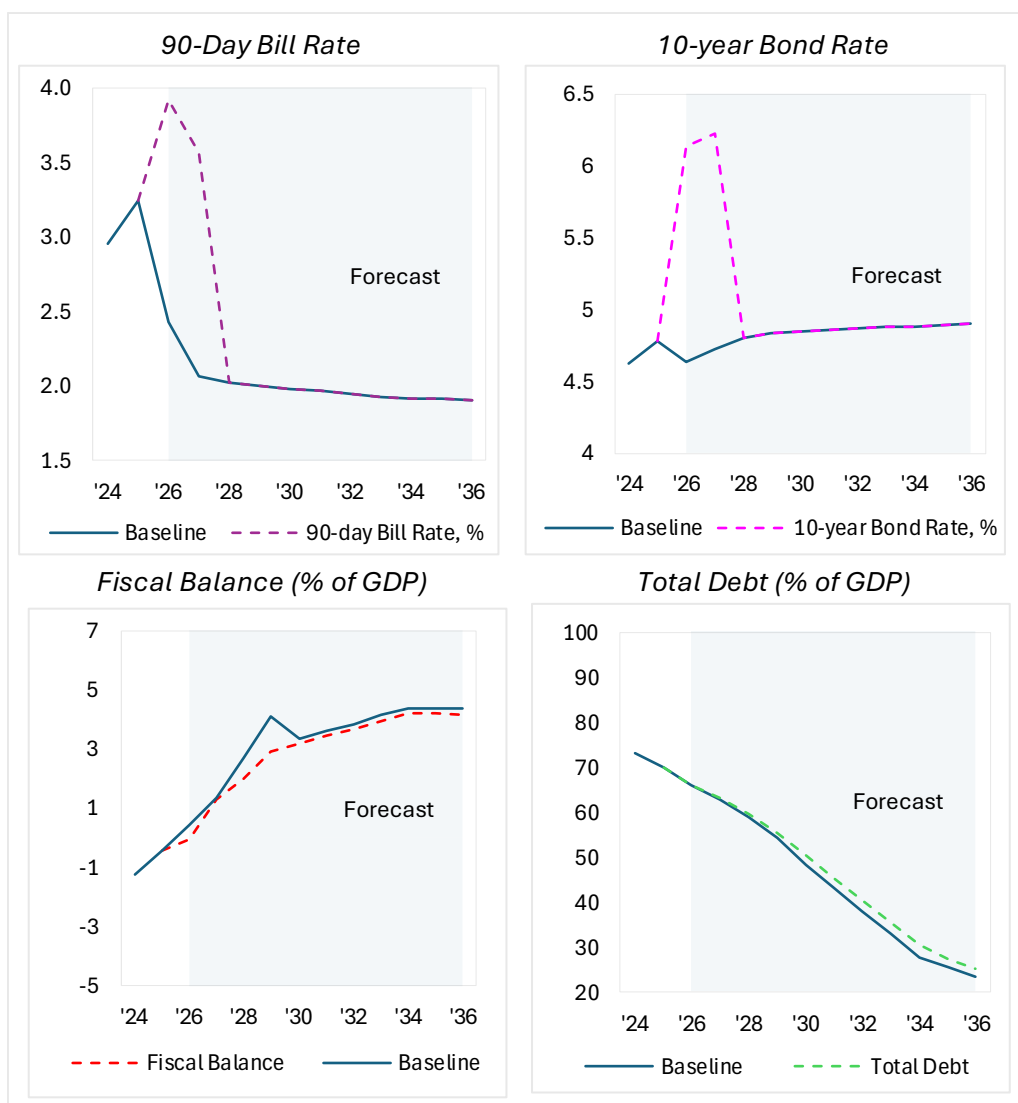
**Figure 7: Stagnant Labour Productivity Growth (FY)**



## Global Interest Rates

As illustrated in **Figure 8**, a 1.5 percentage point increase in global interest rates in a given fiscal year, such as FY2026/2027 or FY2028/2029, would weaken fiscal outcomes by raising borrowing costs and immediately reducing fiscal balances through higher interest payments on new and refinanced debt. Over time, as more debt is rolled over at higher rates, interest costs increase further and slow the decline in the debt-to-GDP ratio, especially if the shock occurs earlier, while later shocks have a smaller impact due to a lower debt stock, highlighting the importance of the timing and persistence of the shock.

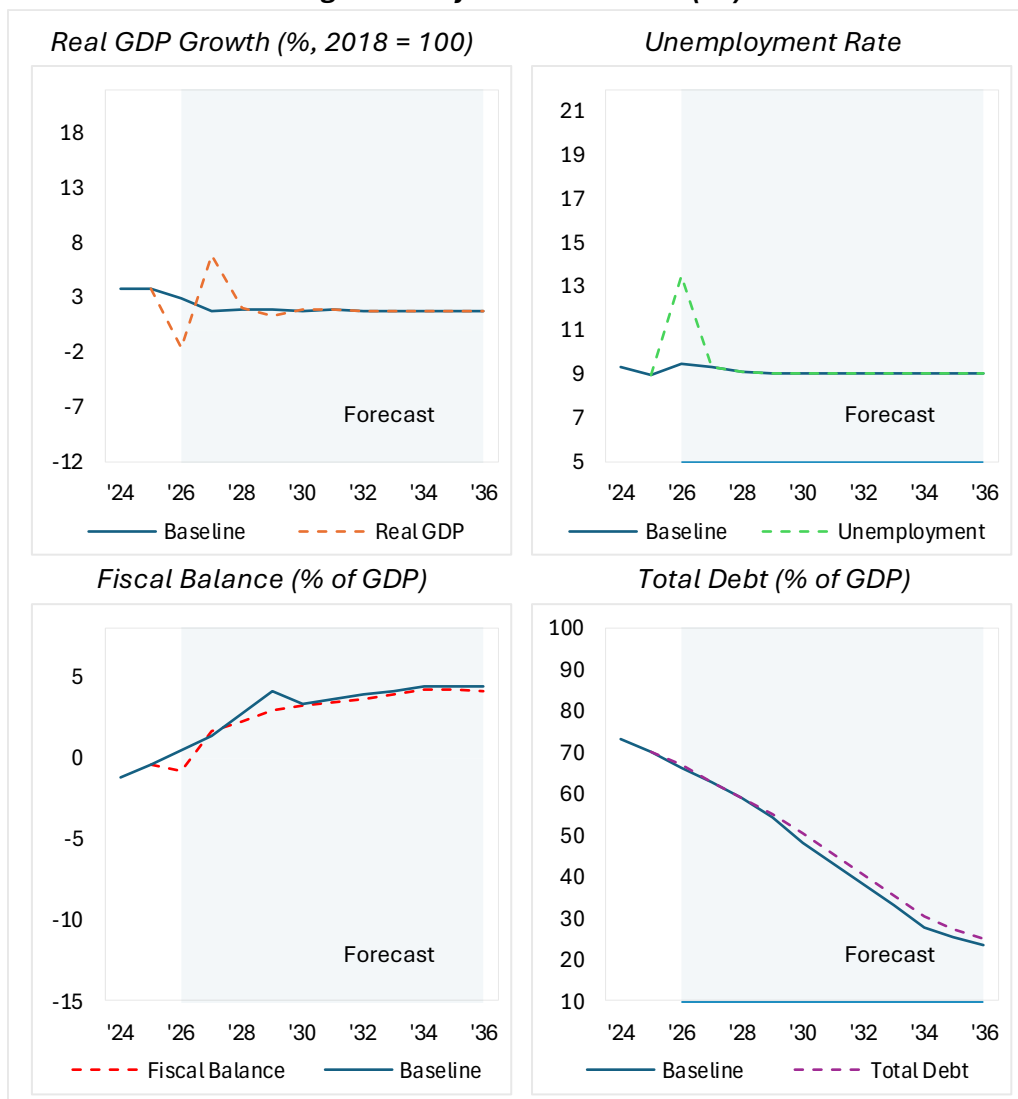
**Figure 8: Global Interest Rates 1.5 Percent Spike (FY)**



## Major Climate Event

Real GDP growth shows significant volatility in the near term, with a projected contraction of 1.7 percent in FY2025/2026 before rebounding sharply to 6.8 percent in FY2026/2027, then gradually stabilizing around 1.9 percent annually through FY2035/2036 compared to a smoother baseline scenario that maintains steady growth of approximately 1.7 percent throughout the period. Unemployment is expected to spike to 13.5 percent in FY2025/2026 under the forecast scenario, but is projected to decline steadily thereafter, reaching and maintaining 9 percent from FY2028/2029 onward. The fiscal balance shows consolidation after a deficit of 0.5 percent of GDP in 2025. Total debt as a percentage of GDP shows downward trend falling from approximately 70 percent in FY2024/2025 to just 25 percent by FY2035/2036, indicating strong debt sustainability and fiscal discipline over the forecast horizon (see **Figure 9**).

**Figure 9: Major Climate Event (FY)**



**Table 15: Sensitivity Analysis Summary**

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
<i>Baseline</i>												
Labour Productivity	67,180.7	8,389.9	69,552.6	70,735.0	71,937.5	73,160.4	74,404.1	75,669.0	76,955.4	78,263.6	79,594.1	80,947.2
Fiscal Balance (% of GDP)	(0.5)	0.4	1.3	2.7	4.1	3.4	3.6	3.9	4.1	4.4	4.4	4.4
Real GDP (B\$M, 2018 = 100)	14,952.9	15,382.1	15,661.0	15,957.6	16,257.2	16,552.9	16,860.9	17,165.0	17,467.3	17,772.4	18,081.4	18,390.7
Nominal GDP Growth (% Chg)	5.7	6.5	4.7	4.1	3.8	4.0	4.0	3.9	3.9	3.8	3.8	3.8
90-Day Bill Rate (%)	3.3	2.4	2.1	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9
10-year Bond Rate (%)	4.8	4.6	4.7	4.8	4.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Total Debt (% of GDP)	70.0	66.2	2.8	59.0	54.3	48.3	43.2	38.1	32.9	27.7	25.5	23.2
Real GDP Growth (% , 2018 = 100)	3.8	2.9	1.8	1.9	1.9	1.8	1.9	1.8	1.8	1.7	1.7	1.7
Unemployment Rate (%)	9.0	9.5	9.3	9.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
<i>Labour Productivity Growth Stagnant</i>												
Labour Productivity	67,180.7	67,180.7	67,180.7	67,449.4	68,596.0	69,762.2	70,948.1	72,154.3	73,380.9	74,628.4	75,897.0	77,187.3
Nominal GDP Growth (% Chg)	5.7	4.8	3.4	3.0	3.9	3.8	4.0	3.9	3.9	3.8	3.8	3.8
Fiscal Balance (% of GDP)	(0.5)	(0.3)	0.8	1.2	2.1	2.3	2.5	2.7	2.9	3.1	3.3	3.3
Real GDP (B\$M, 2018 = 100)	14,952.9	15,110.1	15,153.2	15,254.3	15,540.8	15,784.0	16,077.7	16,367.7	16,655.9	16,946.9	17,241.6	17,536.5
<i>Global Interest Rates 1.5 Percent Spike</i>												
90-Day Bill Rate (%)	3.3	3.9	3.6	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9
Fiscal Balance (% of GDP)	(0.5)	(0.1)	1.3	2.0	2.9	3.2	3.4	3.7	3.9	4.2	4.2	4.2
10-year Bond Rate (%)	4.8	6.1	6.2	4.8	4.8	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Total Debt (% of GDP)	70.0	66.2	63.2	59.5	55.4	50.5	45.5	40.5	35.4	30.3	27.4	25.0
<i>Major Climate Event</i>												
Real GDP Growth (% , 2018 = 100)	3.8	(1.7)	6.8	2.1	1.3	1.9	1.9	1.8	1.8	1.7	1.7	1.7
Unemployment Rate (%)	9.0	13.5	9.3	9.1	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Fiscal Balance (% of GDP)	(0.5)	(0.8)	1.6	2.2	2.9	3.2	3.4	3.6	3.9	4.2	4.2	4.1
Total Debt (% of GDP)	70.0	67.1	62.6	59.0	55.2	50.3	45.4	40.4	35.5	30.4	27.5	25.1

## 4. KEY BUDGET PRIORITIES AND CONSIDERATIONS

### 4.1 Overview

The government’s medium-term fiscal strategy for the period FY2026/2027 to FY2029/2030 reaffirms its commitment to fiscal sustainability, macroeconomic stability, and inclusive economic development.

The medium-term strategy is anchored on five pillars: revenue optimization, expenditure discipline, high-impact capital investments, modernization of public sector operations, and structural reforms—as a platform for long-term growth and resilience. These objectives will be pursued through a balanced policy framework aimed at:

- strengthening revenue mobilization through improved tax administration, compliance, and targeted policy reforms to improve the efficiency and fairness of the tax system;
- maintaining recurrent expenditure within sustainable limits, while preserving the delivery of essential public services;
- prioritizing capital investment in high-impact areas, including healthcare, housing, infrastructure, energy, and digital systems;
- improving the efficiency and effectiveness of public sector operations through modernization and administrative reform; and
- supporting economic resilience and competitiveness through structural reforms and targeted development initiatives.

### 4.2 Revenue Strategies

The government’s revenue-to-GDP ratio is projected to increase to 23.5 percent in FY2026/2027, 24.0 percent in FY2027/2028, and 24.5 percent in FY2028/2029, before returning to 25.0 percent in FY2029/2030 and thereafter, supported by three mutually reinforcing approaches: administrative reforms, tax and fee policy reforms and legislative enhancements. The approach prioritizes revenue adequacy, equity, and administrative effectiveness, ensuring that public revenues are mobilized in a sustainable and predictable manner. These measures are designed to strengthen fiscal resilience, support macroeconomic stability, and enhance the Government’s capacity to respond to both domestic priorities and external economic shocks.

#### *a. Tax Administrative Measures*

A series of administrative reforms will be implemented to improve the efficiency of revenue collection, strengthen compliance, and reduce leakages. These include the following:

- **VAT compliance—digital platforms:** In line with the evolving digital economy, the VAT compliance framework will be extended to digital platforms and intermediary entities to ensure proper collection and remittance.

- **Real estate VAT:** To eliminate a persistent gap in the collection chain, responsibility for collecting and remitting VAT on property transactions will be assigned to developers with defined timelines.
- **Mandatory valuations:** Property and business valuation requirements will be made mandatory, improving the accuracy of assessments and reducing systemic underreporting that has eroded the real property tax and business tax base over time.
- **Strengthened reporting requirements:** Reporting requirements under the DMTT to be strengthened, and a regulated tax representative framework is to be introduced.
- **Digital administration:** Tax administration systems are to be further enhanced through expanded digital platforms and data-driven compliance tools.

### ***b. Revenue Tax and Fee Policy Reforms***

Tax policy reforms for FY2026/2027 are designed to balance revenue adequacy, fairness, and affordability, while broadening the tax base and aligning tax treatment with economic activity.

Key reforms include:

- **Real Property Tax two-tier system:** A new classification for foreign-owned property will be established, with a defined rate and tax cap—providing certainty for investors, while ensuring a fair fiscal contribution.
- **Owner-occupied property:** The definition is to be refined to remove ambiguities that have allowed the concession to be claimed on properties not genuinely used as primary residences.
- **First-time homeowners:** VAT zero-rating is to be extended to first-time homeowners purchasing owner-occupied multi-unit properties, including triplexes.
- **Essential goods:** Targeted duty reductions and exemptions will apply on mobility aids, hygiene products, household items, and selected food products, to support affordability.
- **Tariff consistency:** Duties on household products and construction materials will be adjusted to ensure consistency in tariff treatment across specific goods.
- **Fees and charges:** These will be introduced or revised across immigration services, road traffic licensing and registration frameworks, maritime and port operations, and environmental and public services fees to improve cost recovery.

### ***c. Legal and Regulatory Reforms***

A series of legislative reforms will be pursued to strengthen enforcement, improve clarity, and support the modernization of the revenue system. Key reforms include the following:

- **Real Property Tax Act:** Amendments will introduce the new foreign-owned property classification, revise concession provisions, and add enforcement measures, including forfeiture for persistent non-compliance.
- **VAT Act:** Revisions will clarify liability, tighten enforcement, and address compliance requirements in digital and real estate transactions;

- **DMTT provisions:** Updated legal provisions will establish the reporting and penalty framework for the DMTT.
- **Property conveyance:** Amendments will strengthen reporting obligations and require accurate valuation of property transactions.
- **Dispute resolution:** Objection procedures will be standardized and late evidence submissions restricted—improving the efficiency and integrity of the process.
- **Regulatory modernization:** Licensing systems and administrative processes across multiple sectors will be updated to improve clarity, reduce compliance burdens and align with international best practices.

### 4.3 Recurrent Expenditure Policy & Priorities

Recurrent expenditure will be maintained at 21.0 percent of GDP over the medium term—the level deemed consistent with preserving a fiscal surplus, while continuing to reduce the debt-to-GDP ratio. Through disciplined expenditure management and strategic investments, the government will continue to support economic growth, strengthen resilience, and promote inclusive socio-economic development.

Spending decisions will be guided by five (5) main principles:

- Improving the quality and accessibility of public services;
- Strengthening social protection systems;
- Enhancing workforce capacity and institutional effectiveness;
- Maintaining and improving essential public infrastructure; and
- Advancing national development priorities.

**Healthcare.** Priority will be given to strengthening the sustainability and delivery of the national healthcare system. Recurrent funding will support the expansion of services, the management of operational pressures, and improvements in financial sustainability within the sector. This includes addressing arrears within the National Health Insurance Authority and Public Health Authority, expanding the Prescription Drug Programme, and implementing the Standard Health Benefit—a reform expected to improve access to care, while generating long-term savings. Additional measures include the rollout of public sector health insurance and increased investment in staffing, diagnostics, and climate-related health preparedness.

**Public service capacity.** Targeted recruitment, promotions, and training programmes are expected to address critical capacity gaps across government, improve service delivery and strengthen institutional effectiveness. Particular focus will be on healthcare, national security, and technical services—including aviation, meteorology, maritime operations, and information technology.

**Youth and employment.** Funding will support the implementation of the National Youth Policy and operationalization of the National Youth Commission. Programmes including Fresh Start, Job Readiness, and To Be Inspired will be expanded to provide training, stipends, and entrepreneurship

support. Youth leadership, cultural, and community-based initiatives are to be sustained across the Family Islands.

**Public Safety.** To enhance public safety and national security, expenditure will support personnel recruitment across law enforcement and defence agencies, complemented by investments in intelligence, enforcement, and surveillance capabilities-

**Digital public administration.** Investment in the digitization of government services, administrative systems upgrades, and enhanced inter-agency data sharing are expected to improve efficiency, reduce administrative burdens, and widen access to public services.

**Expenditure control and SOE reform.** Procurement practices will be strengthened, monitoring and reporting systems improved, and cost-saving opportunities identified across ministries and departments. Governance reforms within State-Owned Enterprises will also be advanced to reduce fiscal risks and improve operational efficiency.

#### 4.4 Capital Expenditure Policy

Capital spending will be held at 2.3 percent of GDP for central Government and 3.5 percent of GDP over the medium term. Investments will be concentrated in the sectors with the highest economic and social returns, namely: healthcare, housing, water infrastructure, energy, and digital transformation. Projects will be supported by a combination of budgetary resources, semi-concessional financing, and strategic partnerships.

**Healthcare infrastructure.** Funding is being directed toward the construction of new healthcare facilities and the upgrade of existing assets to improve access to services across the country. This includes approximately \$11.6 million for the construction of clinics across the Family Islands, including Mangrove Cay, Palmetto Point, Rock Sound, Cherokee Sound, Moore’s Island, and other locations. In addition, a new hospital in New Providence is being advanced through a structured financing arrangement, representing a major addition to tertiary healthcare capacity. Capital upgrades within the Public Health Authority dedicated to mental health facilities will further improve service delivery and patient outcomes.

**Housing and land management.** Capital allocations of approximately \$20.2 million will support the development of housing subdivisions at Renaissance, Flamingo Gardens, and Carmichael Village. Modernization of land management systems, including drone-based surveying and the remastering of national property map, will improve the efficiency of land allocation, support more coordinated urban development.

**Water infrastructure.** Approximately \$21.5 million will be allocated to water mains and system upgrades in Abaco, Exuma, Andros, and Acklins, improving supply reliability and supporting population growth and climate resilience. Additional funding will support, inter alia, the construction and upgrade of transfer stations and waste management facilities across the Family Islands.

**Energy transformation.** Investment will support the transformation of the energy sector to improve resilience, affordability, and sustainability. Key projects include the implementation of 60 megawatts of solar energy generation and 10-megawatt hours of battery storage to reduce reliance on imported fuels and stabilize energy costs. An 18-mile dual-fuel pipeline linking Clifton Pier to the

Blue Hills Power Station will provide the flexibility to use both diesel and liquefied natural gas, improving energy security. Further, a 70-megawatt shore power system at Arawak Cay will allow cruise ships to connect to onshore power, reducing emissions in the port area.

**Digital and data infrastructure.** Modernization will be supported through investments in digital and data infrastructure, including a \$6.5 million land registry digitization project which will address inconsistencies in land records and improve the efficiency of property transactions. Investments in national data systems, cloud infrastructure, and the digital transformation of public financial management will support inter-agency coordination and improve overall service.

**Public facilities.** Renovations and upgrades to post offices, environmental health facilities, and administrative buildings across New Providence and the Family Islands will improve service accessibility. Investments in road traffic systems, port facilities, and public safety infrastructure will further support operational efficiency.

## 4.5 Fiscal Balance Policy

The government remains steadfast in its commitment to achieve and maintain a fiscal surplus of 1.7 percent of GDP in FY2026/2027, in accordance with the requirements of the PFMA. This position supports continued reduction of the debt-to-GDP ratio, and underpins macroeconomic stability, investor confidence and capacity to respond to external shocks.

The fiscal balance objective will be reinforced by the following coordinated measures:

- **Revenue Mobilization:** Tax policy and administrative reforms will elevate the revenue-to-GDP ratio to 23.5 percent through improved compliance, strengthened tax administration, and targeted revenue measures.
- **Expenditure Discipline:** Recurrent expenditure will be maintained at 21.0 percent of GDP, ensuring spending growth tracks revenue performance while preserving essential public services.
- **Targeted Capital Investment:** The capital spend will be held at 2.3 percent of GDP and total capital expenditure at 3.5 percent of GDP, directed at high-impact and growth-enhancing projects.
- **Fiscal Surplus.** An overall surplus of 1.7 percent of GDP is targeted to be achieved and sustained, consistent with the PFMA requirements and the medium-term fiscal objectives.
- **Public Financial Management:** Budgeting, procurement, financial reporting, and expenditure monitoring systems are to be continuously strengthened to ensure efficient use of public resources and enhanced accountability.
- **Contingency Planning:** Fiscal buffers will be maintained and risk management measures will be applied to safeguard fiscal outcomes against economic, environmental, and financial shocks.

## 4.6 Structural Reforms and Economic Policy

The government recognizes that sustained economic growth and long-term fiscal stability depend ultimately on having in place a diversified and productive economy. The government's structural and

medium-term reforms aim to boost competitiveness, strengthen institutions, improve public sector efficiency, and position The Bahamas for inclusive growth amid changing global conditions.

**Digital transformation.** Implementation of a comprehensive programme will modernize government systems, expand citizen-facing digital on-line portal, the Digital Police Character Certificate and the Freedom of Information platform. Investments in cloud infrastructure, data systems, and cybersecurity, including the National Computer Incident Response Team, will strengthen the resilience and security of public systems.

**Energy reform.** The diversification of the energy mix will continue through the expansion of solar generation and battery storage systems, liquefied natural gas infrastructure, alongside shore power solutions for maritime operations. These reforms will improve energy security, stabilize costs, and support The Bahamas' climate resilience and economic competitiveness.

**Economic diversification.** The government will actively promote investment in the blue, green and orange economies; alongside the traditional tourism and financial services sectors. Support for small and medium-sized enterprises, and export will build a more resilient and diversified economic base.

**Human capital.** Education, skills development, and workforce readiness programmes will be scaled, with particular emphasis on the youth. The National Youth Policy, training and employability initiatives, and entrepreneurship support will improve labour market participation. Investments in technical training, and digital skills will further prepare the workforce for a knowledge-based and technology-driven economy.

**Business environment.** Regulatory frameworks will be modernized, licensing systems simplified, customs classification improved and digital approval systems employed to improve efficiency and reduce the cost and time associated with doing business in The Bahamas.

**Institutional strengthening.** Governance frameworks across ministries, departments, and SOEs, will be enhanced with a focus on oversight, performance management, and financial accountability. Legislative and regulatory updates will support stronger enforcement mechanisms and align institutional structures with modern policy requirements.

**Climate Resilience.** Establishment of a Blue Carbon Governance Framework to guide the management, protection, and sustainable use of blue carbon assets; and the introduction of legislation to strengthen waste management and marine pollution control, including clearer enforcement provisions, stronger penalties, and more effective compliance mechanisms.

**National Policy Reform.** Reform of the National Insurance system to strengthen anti-fraud measures, expand worker coverage, and accelerate digitization; and the establishment of a National AI Commission to develop clear ethical safeguards and governance standards for the use of artificial intelligence.

## 5. MEDIUM- AND LONG-TERM FISCAL AND DEBT OUTLOOK

### 5.1 Fiscal Outlook

The medium- to long-term fiscal outlook, spanning FY2025/2026 to FY2035/2036 and presented in **Table 16**, is based on updated macroeconomic projections and reflects the continuation of current fiscal policies under a policy-neutral baseline. The outlook demonstrates a sustained strengthening of the government's fiscal position over time, supported by steady economic growth, improvements in revenue performance, disciplined expenditure management, and a continued focus on debt reduction and fiscal sustainability.

#### a. Revenue

Total revenue is projected to increase steadily over the medium and long term, rising from \$3.9 billion in FY2025/2026 to \$6.5 billion by FY2035/2036 (see **Table 17**). This growth reflects strengthening economic activity, continued gains from tax administration reforms, enhanced compliance, and the maturation of recently implemented revenue measures.

As a share of GDP, revenue is projected to increase from 22.1 percent in FY2025/2026 to 24.1 percent by FY2027/2028, increasing further to 25.0 percent in the latter part of the medium term. Over the long term, the revenue-to-GDP ratio will continue to stabilize, reaching 22.7 percent by FY2035/2036. This trajectory reflects structural improvements in revenue mobilization rather than the introduction of new discretionary tax measures and underscores the durability of revenue gains over time.

#### b. Recurrent Expenditure

Recurrent expenditure is projected to grow at a measured and predictable pace, consistent with the government's objective of maintaining fiscal discipline while protecting priority public services. Details of recurrent expenditure by economic, functional and administrative classifications are presented in **Tables 18, 19 and 20**, respectively.

In nominal terms, recurrent expenditure increases from \$3.4 billion in FY2025/2026 to \$5.0 billion by FY2035/2036. Relative to economic output, recurrent expenditure is forecast to remain broadly stable in the medium term, averaging approximately 19.3 percent of GDP through FY2028/2029. Over the long term, recurrent expenditure gradually declines to 19.0 percent of GDP by FY2035/2036, reflecting pressures associated with service delivery, demographics, and public sector operational needs.

Primary expenditure is projected to increase over the projection horizon, reflecting targeted investments in health, education, security, and social protection, while declining interest costs contribute significantly to improvements in the overall fiscal balance. The sustained generation of primary surpluses throughout both the medium- and long-term horizons is a central pillar of the government's fiscal consolidation strategy.

**Table 16: Fiscal Outlook**

	<b>BUDGET</b>	<b>Medium-Term</b>				<b>Long-Term</b>					
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>	<b>2032/33</b>	<b>2033/34</b>	<b>2034/35</b>	<b>2035/36</b>
<b>Revenue</b>	<b>3,896.3</b>	<b>4,362.9</b>	<b>4,651.8</b>	<b>4,936.5</b>	<b>5,135.4</b>	<b>5,342.9</b>	<b>5,553.4</b>	<b>5,772.5</b>	<b>6,000.3</b>	<b>6,234.3</b>	<b>6,475.7</b>
Recurrent	3,887.1	4,357.0	4,649.8	4,936.5	5,135.4	5,342.9	5,553.4	5,772.5	6,000.3	6,234.3	6,475.7
Capital & Grants	9.2	5.9	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Expenditure</b>	<b>3,820.8</b>	<b>4,139.8</b>	<b>4,119.6</b>	<b>4,066.3</b>	<b>4,174.8</b>	<b>4,287.5</b>	<b>4,398.8</b>	<b>4,506.2</b>	<b>4,619.0</b>	<b>4,802.6</b>	<b>4,995.3</b>
Recurrent Expenditure	3,447.7	3,724.0	3,728.9	3,697.1	3,790.9	3,888.2	3,983.8	4,075.2	4,171.5	4,338.0	4,513.2
of which Primary Expenditure	2,758.1	2,991.8	3,035.5	3,079.6	3,615.7	3,766.7	3,925.2	4,091.7	4,266.5	4,450.1	4,642.9
Capital Expenditure	373.2	415.8	390.7	369.2	384.0	399.3	415.0	431.1	447.5	464.5	482.1
<b>Overall Balance: Surplus</b>	<b>75.5</b>	<b>223.1</b>	<b>532.2</b>	<b>870.2</b>	<b>1,062.9</b>	<b>645.0</b>	<b>725.9</b>	<b>818.6</b>	<b>914.3</b>	<b>944.6</b>	<b>972.5</b>
Interest Payments	689.5	732.2	693.4	617.5	584.2	520.9	473.6	414.5	352.5	352.5	352.5
<b>Primary Balance</b>	<b>765.0</b>	<b>955.3</b>	<b>1,225.6</b>	<b>1,466.2</b>	<b>1,544.9</b>	<b>1,576.2</b>	<b>1,628.2</b>	<b>1,680.7</b>	<b>1,733.9</b>	<b>1,784.2</b>	<b>1,832.8</b>
GDP (Current Prices)	17,633.0	18,515.7	19,332.2	20,108.8	20,914.4	21,751.8	22,607.1	23,485.4	24,382.4	25,312.3	26,272.0
Government Debt	11,386.5	11,096.7	10,797.2	10,487.4	10,761.0	10,410.9	10,015.0	9,575.2	9,082.8	8,540.8	7,950.4
	<b>% of GDP</b>										
<b>Overall balance</b>	0.4	1.2	2.8	4.3	4.6	4.9	5.1	5.4	5.7	5.7	5.6
<b>Revenue</b>	22.1	23.6	24.1	24.5	24.6	24.6	24.6	24.6	24.6	24.6	24.6
<b>Total Expenditure; of which</b>	21.7	22.4	21.3	20.2	20.0	19.7	19.5	19.2	18.9	19.0	19.0
<b>Recurrent Expenditure</b>	19.6	20.1	19.3	18.4	18.1	17.9	17.6	17.4	17.1	17.1	17.2
<b>Primary Expenditure</b>	4.3	5.2	6.3	7.4	7.8	5.4	5.3	5.3	5.2	5.1	5.0
<b>CAPEX</b>	2.1	2.2	2.0	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
<b>Gov't Debt</b>	64.6	59.9	55.9	52.2	51.5	47.9	44.3	40.8	37.3	33.7	30.3

**Table 17: Revenue Estimates (B\$M)**

	BUDGET	Medium-Term				Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
<b>TAX REVENUE</b>	<b>3,439.2</b>	<b>3,822.2</b>	<b>4,106.2</b>	<b>4,365.9</b>	<b>4,541.9</b>	<b>4,725.7</b>	<b>4,912.0</b>	<b>5,106.2</b>	<b>5,308.7</b>	<b>5,516.3</b>	<b>5,730.5</b>
Taxes on Income, Profits & Capital Gains	130.1	350.2	350.2	350.3	364.3	378.8	393.7	409.0	424.5	440.7	457.4
Taxes on Property	254.6	280.3	299.4	313.7	326.3	339.3	352.6	366.3	380.2	394.7	409.6
Taxes on Goods & Services	2,081.5	2,261.9	2,366.7	2,469.1	2,564.5	2,663.9	2,764.0	2,867.9	2,976.1	3,086.6	3,200.1
General	1,688.1	1,787.8	1,864.6	1,931.7	2,038.1	2,117.1	2,196.6	2,279.1	2,365.1	2,452.9	2,543.1
VAT	1,524.9	1,634.7	1,698.2	1,752.0	1,819.7	1,890.2	1,961.2	2,035.0	2,111.7	2,190.1	2,270.7
Stamp Taxes	152.2	142.6	155.1	168.0	203.7	211.6	219.5	227.8	236.3	245.1	254.1
Excise Tax	11.0	10.4	11.3	11.7	14.7	15.2	15.8	16.4	17.0	17.7	18.3
Specific (Gaming taxes)	57.0	57.0	58.1	60.0	76.3	79.2	82.2	85.3	88.5	91.8	95.2
Taxes on Use of Goods	336.4	417.1	444.0	477.4	450.2	467.6	485.2	503.4	522.4	541.8	561.8
Motor Vehicle Taxes	51.2	49.2	53.3	56.4	68.5	71.1	73.8	76.6	79.5	82.4	85.4
Company Taxes	23.6	30.6	31.7	33.0	31.6	32.9	34.1	35.4	36.7	38.1	39.5
Lic.to Conduct Special	240.1	321.6	342.8	371.2	321.3	333.8	346.3	359.3	372.9	386.7	400.9
Marine License Activities	21.5	15.7	16.2	16.8	28.8	29.9	31.0	32.2	33.4	34.6	35.9
Taxes on Int'l Trade & Transactions	972.0	928.2	1,087.6	1,230.0	1,284.0	1,340.7	1,398.6	1,459.9	1,524.5	1,590.8	1,659.8
Customs & other	307.3	276.5	301.5	357.0	370.8	385.3	399.6	414.9	431.1	447.3	464.0
Taxes on Exports	266.1	256.5	288.0	303.1	314.8	327.1	339.2	352.3	366.1	379.9	394.0
Departure Taxes	397.7	394.1	496.0	568.3	596.7	626.5	657.9	690.7	725.3	761.6	799.6
Other	0.8	1.0	2.1	1.7	1.7	1.8	1.9	1.9	2.0	2.1	2.2
General Stamp Taxes	1.0	1.7	2.2	2.7	2.9	3.0	3.1	3.2	3.3	3.5	3.6
<b>NON-TAX REVENUE</b>	<b>447.9</b>	<b>534.8</b>	<b>543.6</b>	<b>570.6</b>	<b>593.5</b>	<b>617.2</b>	<b>641.4</b>	<b>666.3</b>	<b>691.7</b>	<b>718.0</b>	<b>745.2</b>
Property Income	65.1	53.8	54.1	54.4	86.3	89.7	93.3	96.9	100.6	104.4	108.4
Interest & Dividends	46.3	34.8	34.8	34.8	61.4	63.9	66.4	68.9	71.6	74.3	77.1
Revenue_Gov't Property	18.8	19.0	19.3	19.6	24.9	25.9	26.9	27.9	29.0	30.1	31.2
Sales of Goods & Services	304.5	320.7	342.3	373.3	388.2	403.7	419.6	435.8	452.5	469.7	487.4
Fines, Penalties & Forfeits	7.4	11.6	12.7	13.4	14.0	14.5	15.1	15.7	16.3	16.9	17.5
Reimbursements & Repay.	49.2	132.0	117.8	112.8	117.3	122.0	126.8	131.7	136.7	141.9	147.3
Other	20.4	15.5	15.5	15.5	16.1	16.8	17.4	18.1	18.8	19.5	20.2
Sales of Other Non-Financial Assets	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.5	1.6	1.6	1.7
<b>TOTAL TAX &amp; NON-TAX REVENUE</b>	<b>3,887.1</b>	<b>4,357.0</b>	<b>4,649.8</b>	<b>4,936.5</b>	<b>5,135.4</b>	<b>5,342.9</b>	<b>5,553.4</b>	<b>5,772.5</b>	<b>6,000.3</b>	<b>6,234.3</b>	<b>6,475.7</b>
Grants	9.2	5.9	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>GRAND TOTAL</b>	<b>3,896.3</b>	<b>4,362.9</b>	<b>4,651.8</b>	<b>4,936.5</b>	<b>5,135.4</b>	<b>5,342.9</b>	<b>5,553.4</b>	<b>5,772.5</b>	<b>6,000.3</b>	<b>6,234.3</b>	<b>6,475.7</b>
						<b>% of GDP</b>					
VAT Revenue	8.6	8.8	8.8	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.6
Tax Revenue	19.5	20.6	21.2	21.7	21.7	21.7	21.7	21.7	21.8	21.8	21.8
Non-Tax Revenue	2.5	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Total Revenue	22.1	23.6	24.1	24.5	24.6	24.6	24.6	24.6	24.6	24.6	24.6

**Table 18: Recurrent Expenditure (Economic Classification)**

	BUDGET	Medium-Term				Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
<b>Compensation of Employees</b>	<b>940.3</b>	<b>1,013.0</b>	<b>1,040.9</b>	<b>1,071.7</b>	<b>1,101.6</b>	<b>1,132.5</b>	<b>1,164.1</b>	<b>1,196.7</b>	<b>1,230.2</b>	<b>1,264.6</b>	<b>1,300.0</b>
Wages & Salaries	806.6	868.2	894.6	923.2	949.0	975.6	1,002.8	1,030.9	1,059.7	1,089.4	1,119.9
Allowances	91.7	96.9	98.4	100.6	103.4	106.3	109.2	112.3	115.4	118.7	122.0
NIB Contribution	41.9	47.9	47.9	47.9	49.3	50.6	52.1	53.5	55.0	56.6	58.1
<b>Use of Goods &amp; Services of which:</b>	<b>742.4</b>	<b>797.7</b>	<b>802.7</b>	<b>809.6</b>	<b>857.1</b>	<b>903.0</b>	<b>951.4</b>	<b>1,002.4</b>	<b>1,056.1</b>	<b>1,112.7</b>	<b>1,172.3</b>
Travel & Subsistence	16.7	18.4	18.8	19.1	20.2	21.3	22.4	23.6	24.9	26.2	27.6
Rent	115.3	125.0	127.1	128.9	136.5	143.8	151.5	159.6	168.2	177.2	186.7
Utilities & Telecom.	96.8	107.6	108.5	108.8	115.2	121.4	127.9	134.8	142.0	149.6	157.6
Supplies & Materials	45.2	51.3	50.8	51.1	54.1	57.0	60.0	63.2	66.6	70.2	73.9
Services	315.8	337.3	335.6	337.2	357.0	376.1	396.3	417.5	439.9	463.5	488.3
Minor capital repairs	5.6	5.9	6.0	6.2	6.5	6.9	7.2	7.6	8.0	8.5	8.9
Finance charges	21.6	21.0	21.5	21.5	22.8	24.0	25.3	26.6	28.0	29.5	31.1
Special Financial Trans.	70.9	70.5	70.5	71.1	75.2	79.2	83.5	88.0	92.7	97.6	102.9
Tourism Related	3.0	3.0	3.0	3.0	3.2	3.4	3.6	3.7	3.9	4.2	4.4
Local Gov't Districts	14.8	16.0	16.0	16.0	17.0	17.9	18.8	19.9	20.9	22.0	23.2
School Boards	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other	36.4	41.4	44.7	46.6	49.3	52.0	54.7	57.7	60.8	64.0	67.4
<b>Public Debt Interest</b>	<b>668.0</b>	<b>711.2</b>	<b>671.9</b>	<b>596.0</b>	<b>559.2</b>	<b>520.9</b>	<b>473.6</b>	<b>414.5</b>	<b>352.5</b>	<b>352.5</b>	<b>352.5</b>
<b>Subsidies</b>	<b>450.1</b>	<b>516.6</b>	<b>517.6</b>	<b>516.5</b>	<b>520.7</b>	<b>525.0</b>	<b>529.2</b>	<b>533.5</b>	<b>537.9</b>	<b>542.2</b>	<b>546.6</b>
<b>Grants</b>	<b>11.4</b>	<b>12.4</b>	<b>12.3</b>	<b>13.2</b>	<b>13.3</b>	<b>13.4</b>	<b>13.4</b>	<b>13.5</b>	<b>13.6</b>	<b>13.6</b>	<b>13.7</b>
<b>Social Assistance Benefits</b>	<b>66.4</b>	<b>51.6</b>	<b>51.8</b>	<b>51.8</b>	<b>55.6</b>	<b>58.9</b>	<b>62.2</b>	<b>65.7</b>	<b>69.3</b>	<b>72.9</b>	<b>76.6</b>
<b>Pensions &amp; Gratuities</b>	<b>201.7</b>	<b>211.1</b>	<b>219.6</b>	<b>224.6</b>	<b>237.7</b>	<b>251.6</b>	<b>265.9</b>	<b>280.8</b>	<b>296.1</b>	<b>311.7</b>	<b>327.4</b>
<b>Other Payments</b>	<b>367.2</b>	<b>410.3</b>	<b>412.1</b>	<b>413.7</b>	<b>445.6</b>	<b>483.1</b>	<b>523.9</b>	<b>568.0</b>	<b>615.9</b>	<b>667.8</b>	<b>724.1</b>
Current Transfers n.e.c.	281.7	323.2	323.4	323.5	348.5	377.8	409.7	444.2	481.7	522.3	566.3
Insurance Premiums	85.6	87.1	88.7	90.2	97.1	105.3	114.2	123.8	134.2	145.5	157.8
<b>TOTAL</b>	<b>3,447.7</b>	<b>3,724.0</b>	<b>3,728.9</b>	<b>3,697.1</b>	<b>3,790.9</b>	<b>3,888.2</b>	<b>3,983.8</b>	<b>4,075.2</b>	<b>4,171.5</b>	<b>4,338.0</b>	<b>4,513.2</b>

	% of GDP										
Total Recurrent Expenditure	19.6	20.1	19.3	18.4	18.1	17.9	17.6	17.4	17.1	17.1	17.2
Compensation of Employees	5.3	5.5	5.4	5.3	5.3	5.2	5.1	5.1	5.0	5.0	4.9
Use of Goods and Services	4.2	4.3	4.2	4.0	4.1	4.2	4.2	4.3	4.3	4.4	4.5
Public Debt Interest	3.8	3.8	3.5	3.0	2.7	2.6	2.3	2.0	1.7	1.4	1.3
Subsidies	2.6	2.8	2.7	2.6	2.5	2.4	2.3	2.3	2.2	2.1	2.1
Social Assistance Benefits	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Pensions & Gratuities	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Other Payments	2.1	2.2	2.1	2.1	2.1	2.2	2.3	2.4	2.5	2.6	2.8

**Table 19: Recurrent Expenditure Forecasts (Functional Classification; B\$M)**

	<b>BUDGET</b>	<b>Medium-Term</b>					<b>Long-Term</b>					
	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>	<b>2031/32</b>	<b>2032/33</b>	<b>2033/34</b>	<b>2034/35</b>	<b>2035/36</b>	
General Public Service	1,532.7	1,634.7	1,617.1	1,556.9	1,596.4	1,637.4	1,677.6	1,716.1	1,756.6	1,826.8	1,900.6	
Defense	77.5	83.9	88.0	92.2	94.5	96.9	99.3	101.6	104.0	108.2	112.5	
Public Order and Safety	297.5	326.0	334.4	347.5	356.3	365.4	374.4	383.0	392.1	407.7	424.2	
Economic Affairs	293.3	319.7	321.5	325.3	333.5	342.1	350.5	358.5	367.0	381.7	397.1	
Environmental Protection	148.9	159.7	161.1	160.3	164.3	168.5	172.7	176.6	180.8	188.0	195.6	
Housing and Community	21.7	24.1	24.6	24.7	25.3	25.9	26.6	27.2	27.8	28.9	30.1	
Health	417.5	468.0	468.0	471.9	483.8	496.2	508.5	520.1	532.4	553.7	576.0	
Rec. Culture and Religion	35.7	62.3	62.3	62.8	64.4	66.0	67.7	69.2	70.8	73.7	76.6	
Education	352.2	382.5	385.4	386.4	396.2	406.3	416.3	425.9	435.9	453.3	471.7	
Social Protection	270.5	263.0	266.5	269.4	276.2	283.3	290.3	296.9	303.9	316.1	328.8	
<b>GRAND TOTAL</b>	<b>3,447.7</b>	<b>3,724.0</b>	<b>3,728.9</b>	<b>3,697.1</b>	<b>3,790.9</b>	<b>3,888.2</b>	<b>3,983.8</b>	<b>4,075.2</b>	<b>4,171.5</b>	<b>4,338.0</b>	<b>4,513.2</b>	

**Table 20: Recurrent Expenditure Forecasts (Administrative Classification; B\$M)**

	BUDGET	Medium-Term				Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
Governor General and Staff	2.1	2.8	2.8	2.8	2.9	3.0	3.1	3.1	3.2	3.3	3.5
Department of the Auditor General	2.8	2.8	2.8	2.8	2.9	3.0	3.1	3.1	3.2	3.3	3.5
Ministry of Public Service	377.3	387.8	400.6	409.7	420.1	430.9	441.5	451.6	462.3	480.7	500.1
Cabinet Office	12.2	14.2	14.3	14.4	14.8	15.2	15.5	15.9	16.3	16.9	17.6
Attorney General's Office and Ministry of Legal Affairs	47.1	54.3	54.4	54.4	55.8	57.2	58.7	60.0	61.4	63.9	66.4
Office of the Judiciary	5.9	6.5	6.5	6.5	6.6	6.8	7.0	7.1	7.3	7.6	7.9
Registrar General's Department	7.1	6.0	6.0	6.0	6.2	6.4	6.5	6.7	6.8	7.1	7.4
Bahamas Department of Correctional Services	39.4	40.7	44.7	48.9	50.1	51.4	52.7	53.9	55.1	57.3	59.6
Parliamentary Registration Department	4.0	4.1	3.3	3.4	3.4	3.5	3.6	3.7	3.8	3.9	4.1
Ministry of Foreign Affairs and Immigration	55.0	60.1	63.3	66.3	67.9	69.7	71.4	73.0	74.8	77.7	80.9
Office of the Prime Minister	22.2	37.9	38.5	38.6	39.5	40.6	41.6	42.5	43.5	45.2	47.1
Bahamas Information Services	2.7	2.7	3.0	3.2	3.3	3.4	3.4	3.5	3.6	3.8	3.9
Government Printing Department	1.5	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.1
Department of Local Government	30.4	29.3	29.7	30.0	30.7	31.5	32.3	33.0	33.8	35.2	36.6
Department of Physical Planning	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	1.4	1.4
Department of Lands and Surveys	2.6	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.0	3.2	3.3
Ministry of Finance	355.0	369.0	369.9	370.2	379.6	389.4	399.0	408.1	417.7	434.4	452.0
Treasury Department	81.3	93.8	94.9	95.7	98.1	100.6	103.1	105.5	107.9	112.3	116.8
Customs Department	44.0	47.0	51.6	54.3	55.7	57.1	58.5	59.9	61.3	63.7	66.3
Public Debt Servicing -Interest and Other Charges	689.5	732.2	693.4	617.5	633.1	649.4	665.3	680.6	696.7	724.5	753.8
Department of Inland Revenue	15.2	16.6	17.3	18.4	18.8	19.3	19.8	20.2	20.7	21.6	22.4
Ministry of National Security	20.4	22.3	23.1	24.2	24.8	25.4	26.1	26.7	27.3	28.4	29.5
Department of Immigration	38.3	46.2	48.1	50.8	52.0	53.4	54.7	55.9	57.3	59.5	62.0
Royal Bahamas Police Force	134.0	141.4	143.0	148.1	151.8	155.7	159.5	163.2	167.1	173.7	180.7
Royal Bahamas Defence Force	78.4	83.9	88.0	92.2	94.5	96.9	99.3	101.6	104.0	108.2	112.5
Ministry of Works and Family Island Affairs	48.2	19.5	19.6	19.7	20.2	20.7	21.2	21.7	22.2	23.1	24.0
Department of Public Works	21.0	22.7	23.1	23.7	24.3	24.9	25.5	26.1	26.7	27.8	28.9
Department of Education	216.4	241.7	242.8	243.6	249.8	256.2	262.5	268.5	274.9	285.9	297.4
Department of Archives	0.8	0.8	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1
Ministry of Education, Science and Technology	137.1	141.9	143.6	143.7	147.4	151.2	154.9	158.4	162.2	168.7	175.5
Ministry of Transport	14.8	15.1	15.1	15.2	15.6	16.0	16.4	16.8	17.2	17.9	18.6

**Table 20: Recurrent Expenditure Forecasts (Administrative Classification; B\$M)**

	BUDGET	Medium-Term				Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
Ministry of Social Services	19.2	9.0	8.9	8.9	9.1	9.4	9.6	9.8	10.1	10.5	10.9
Department of Social Service	53.1	55.2	55.4	55.4	56.8	58.3	59.7	61.1	62.5	65.0	67.6
Ministry of Housing and Land Reform	11.1	5.2	5.7	5.8	5.9	6.1	6.2	6.4	6.5	6.8	7.1
Ministry of Youth and Sports	27.1	29.8	29.8	30.2	31.0	31.8	32.6	33.3	34.1	35.5	36.9
Department of Labor	4.5	4.7	5.4	5.9	6.1	6.2	6.4	6.5	6.7	6.9	7.2
Ministry of Economic Affairs	7.0	7.2	7.3	7.4	7.6	7.8	8.0	8.2	8.4	8.7	9.0
Post Office Department	11.0	12.4	12.5	12.9	13.2	13.6	13.9	14.2	14.6	15.1	15.7
Port Department	9.4	9.2	9.3	9.4	9.6	9.8	10.1	10.3	10.6	11.0	11.4
Department of Road Traffic	8.0	10.0	10.0	10.0	10.3	10.6	10.8	11.1	11.3	11.8	12.3
Department of Meteorology	2.7	3.4	3.4	3.5	3.6	3.7	3.8	3.8	3.9	4.1	4.3
Ministry of Agriculture and Marine Resources	35.4	39.9	40.0	40.5	41.6	42.6	43.7	44.7	45.7	47.6	49.5
Department of Agriculture	6.1	7.6	7.6	7.6	7.8	8.0	8.2	8.4	8.6	9.0	9.3
Department of Marine Resources	3.0	3.4	3.5	3.6	3.7	3.8	3.9	4.0	4.1	4.3	4.4
Ministry of Health and Wellness	357.4	400.2	397.4	398.0	408.1	418.6	428.9	438.7	449.1	467.0	485.9
Department of Environmental Health Services	61.8	70.0	70.2	70.3	72.1	73.9	75.7	77.5	79.3	82.5	85.8
Department of Public Health	60.6	68.3	71.1	74.4	76.2	78.2	80.1	82.0	83.9	87.3	90.8
Ministry of Tourism, Investment and Aviation	125.3	25.9	25.9	25.9	26.6	27.3	27.9	28.6	29.3	30.4	31.7
Ministry of Labour and the Public Service	4.5	3.7	3.8	3.8	3.9	4.0	4.1	4.2	4.3	4.5	4.7
Ministry of Environment and Natural Resources	11.7	40.2	40.3	40.4	41.5	42.5	43.6	44.6	45.6	47.4	49.4
Department of Information, Communications and Technology	37.3	48.6	49.1	49.8	51.1	52.4	53.7	54.9	56.2	58.4	60.8
Ministry for Grand Bahama	19.8	22.0	22.1	22.2	22.8	23.3	23.9	24.5	25.0	26.0	27.1
Ministry of Disaster Risk Management	60.5	-	-	-	-	-	-	-	-	-	-
Office of the Director of Public Prosecutions	3.6	4.7	4.7	4.7	4.8	5.0	5.1	5.2	5.3	5.5	5.8
Department of Tourism	0.0	72.2	72.1	73.2	75.1	77.0	78.9	80.7	82.6	85.9	89.4
Ministry of Energy, Utilities and Aviation	0.0	91.9	93.1	92.0	94.3	96.7	99.1	101.4	103.8	107.9	112.3
Ministry of Urban Renewal and Community Relations	0.0	8.2	8.2	8.2	8.4	8.6	8.9	9.1	9.3	9.6	10.0
Ministry of Culture, Arts, Heritage	0.0	22.3	22.3	22.3	22.9	23.5	24.0	24.6	25.2	26.2	27.2
<b>GRAND TOTAL</b>	<b>3,447.7</b>	<b>3,724.0</b>	<b>3,728.9</b>	<b>3,697.1</b>	<b>3,790.9</b>	<b>3,888.2</b>	<b>3,983.8</b>	<b>4,075.2</b>	<b>4,171.5</b>	<b>4,338.0</b>	<b>4,513.2</b>

### c. Capital Expenditure

Capital expenditure is forecast to remain a consistent and sustainable component of public spending over the medium and long terms. Central government capital outlays are projected to increase from \$373.2 million in FY2025/2026 to \$482.1 million by FY2035/2036, supporting priority investments in infrastructure, resilience, and economic development.

As a share of GDP, capital expenditure is projected to average approximately 2.2 to 2.3 percent over the medium term, easing over the long term to around 1.8 percent of GDP by FY2035/2036. This profile reflects the government’s strategy of maintaining a strong pipeline of public investments while leveraging public-private partnerships and alternative financing mechanisms to deliver large-scale infrastructure projects without placing undue pressure on the public finances (**see Tables 21, 22 and 23**).

**Table 21: Capital Expenditure Forecasts (Economic Classification)**

	BUDGET	Medium-Term				Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
	<b>B\$M</b>										
Capital Transfers	116.4	103.6	95.4	92.0	95.7	99.5	103.4	107.4	111.5	115.8	120.1
Acquisition of Non-financial assets	256.8	312.2	295.3	277.2	288.3	299.8	311.6	323.7	336.0	348.8	362.0
<i>Fixed Assets</i>	254.8	310.2	293.3	275.2	286.2	297.6	309.3	321.3	333.6	346.3	359.4
Buildings other than dwellings	92.4	108.6	116.3	104.3	108.4	112.8	117.2	121.7	126.4	131.2	136.1
Other structures	92.6	110.8	97.2	93.9	97.7	101.6	105.6	109.6	113.8	118.2	122.6
Transport equipment	17.4	15.7	15.9	14.8	15.4	16.0	16.7	17.3	18.0	18.6	19.3
Other Machinery & equipment	26.4	35.5	30.2	29.5	30.7	31.9	33.2	34.5	35.8	37.1	38.6
Land Improvements	4.7	5.7	5.7	5.7	5.9	6.1	6.4	6.6	6.8	7.1	7.4
Other fixed assets	21.3	33.9	28.1	27.1	28.1	29.3	30.4	31.6	32.8	34.0	35.3
<i>Land</i>	2.0	2.0	2.0	2.0	2.1	2.2	2.2	2.3	2.4	2.5	2.6
<b>TOTAL</b>	<b>373.2</b>	<b>415.8</b>	<b>390.7</b>	<b>369.2</b>	<b>384.0</b>	<b>399.3</b>	<b>415.0</b>	<b>431.1</b>	<b>447.5</b>	<b>464.5</b>	<b>482.1</b>
	<b>% of GDP</b>										
Capital Transfers	0.7	0.6	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Acquisition of Non-financial Assets	1.5	1.7	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
CAPEX	2.1	2.2	2.0	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
CAPEX (as % of total)	9.8	10.5	9.5	8.7	8.8	8.8	8.9	8.9	9.0	9.0	9.0

**Table 22: Capital Expenditure Forecasts (Functional Classification; B\$M)**

	BUDGET	Medium-Term					Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	
General Public Service	84.5	97.4	86.9	85.4	88.8	92.4	96.0	99.7	103.5	107.5	111.5	
Defense	16.8	15.7	16.3	14.5	15.0	15.6	16.3	16.9	17.5	18.2	18.9	
Public Order and Safety	19.0	21.4	19.4	19.5	20.3	21.1	21.9	22.8	23.6	24.5	25.5	
Economic Affairs	158.0	176.9	157.0	153.7	159.8	166.2	172.8	179.5	186.3	193.4	200.7	
Environmental Protection	8.9	12.8	14.2	11.2	11.6	12.1	12.6	13.1	13.6	14.1	14.6	
Health	36.2	28.7	29.0	22.0	22.9	23.8	24.7	25.7	26.7	27.7	28.7	
Education	49.3	63.0	68.0	62.9	65.4	68.0	70.7	73.4	76.2	79.1	82.1	
Social Protection	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>GRAND TOTAL</b>	<b>373.2</b>	<b>415.8</b>	<b>390.7</b>	<b>369.2</b>	<b>384.0</b>	<b>399.3</b>	<b>415.0</b>	<b>431.1</b>	<b>447.5</b>	<b>464.5</b>	<b>482.1</b>	

**Table 23: Capital Expenditure Forecasts (Administrative Classification; B\$M)**

	BUDGET	Medium-Term					Long-Term					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	
Ministry of Foreign Affairs	8.6	4.4	4.3	4.3	4.5	4.6	4.8	5.0	5.2	5.4	5.6	
Ministry for Grand Bahama	4.3	152.8	138.5	136.5	142.0	147.6	153.4	159.4	165.5	171.7	178.2	
Ministry of Finance	116.7	21.4	19.4	19.5	20.3	21.1	21.9	22.8	23.6	24.5	25.5	
Ministry of National Security	19.0	15.7	16.3	14.5	15.0	15.6	16.3	16.9	17.5	18.2	18.9	
Royal Bahamas Defence Force	16.8	94.9	96.3	95.3	99.1	103.1	107.1	111.3	115.5	119.9	124.4	
Ministry of Works and Family Island Affairs	92.2	63.0	68.0	62.9	65.4	68.0	70.7	73.4	76.2	79.1	82.1	
Ministry of Edu. and Tech. and Vocat. Train.	49.3	8.1	6.8	5.6	5.8	6.0	6.2	6.5	6.7	7.0	7.2	
Ministry of Agriculture and Marine Resources	3.6	7.4	2.4	1.9	1.9	2.0	2.1	2.2	2.2	2.3	2.4	
Ministry of Health and Wellness	36.2	28.7	29.0	22.0	22.9	23.8	24.7	25.7	26.7	27.7	28.7	
Ministry of the Environment and Natural Resource	3.3	7.0	4.9	1.9	2.0	2.1	2.1	2.2	2.3	2.4	2.5	
Department of Information, Comms and Tech.	5.9	6.5	1.9	1.9	2.0	2.1	2.2	2.3	2.3	2.4	2.5	
Ministry of Energy and Transport	17.4	6.0	3.0	3.0	3.1	3.2	3.4	3.5	3.6	3.8	3.9	
<b>TOTAL</b>	<b>373.2</b>	<b>415.8</b>	<b>390.7</b>	<b>369.2</b>	<b>384.0</b>	<b>399.3</b>	<b>415.0</b>	<b>431.1</b>	<b>447.5</b>	<b>464.5</b>	<b>482.1</b>	

#### d. Overall Balance

The fiscal outlook over the medium- to long-term horizon reflects a sustained improvement in the government’s overall fiscal position, supported by continued growth in revenues and disciplined expenditure management. The overall balance is projected to remain in surplus throughout the forecast period, increasing from 0.4 percent of GDP in FY2025/2026 to 1.2 percent of GDP in FY2026/2027 (see **Table 16**), and strengthening further to 2.8 percent of GDP by FY2027/2028. Over the medium term, the surplus is expected to stabilize at approximately 1.6–1.9 percent of GDP, before rising gradually to 3.7 percent of GDP by FY2035/2036.

#### e. Debt

Government debt is projected to follow a firmly downward trajectory across both the medium and long term, declining from \$11.4 billion in FY2025/2026 to \$8.0 billion by FY2035/2036 (see **Table 24**). In GDP terms, the debt ratio is expected to fall from 64.6 percent in FY2025/2026 to 52.2 percent by FY2028/2029 and further to 47.9 percent by FY2030/2031, placing the government on a clear path toward achieving its fiscal objective of reducing public debt to no more than 50 percent of GDP in the early 2030s. Thereafter, the debt-to-GDP ratio continues to decline steadily, reaching 30.3 percent by FY2035/2036. The sustained reduction in debt is underpinned by strong and persistent primary surpluses, continued economic growth, and prudent debt management.

The composition of public debt also evolves over the projection horizon, with external debt declining from \$5.1 billion in FY2025/2026 to \$2.8 billion by FY2035/2036, while domestic debt decreases more gradually from \$6.3 billion to \$5.1 billion. This rebalancing supports a reduction in external vulnerabilities while maintaining a stable domestic financing base.

Importantly, the projected trajectory of debt remains consistent with the pace of economic expansion, with the growth of the debt stock not outstripping GDP growth. This alignment underscores that debt dynamics remain well contained and supports confidence in the sustainability of the fiscal outlook.

**Table 24: Debt by Source (B\$M)**

	BUDGET	Medium-Term					Long-Term				
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36
External	5,107.7	4,977.7	4,843.3	4,704.3	4,827.1	4,597.4	4,309.5	3,976.2	3,599.7	3,188.8	2,800.6
Domestic	6,278.9	6,119.1	5,953.9	5,783.1	5,933.9	5,813.4	5,705.5	5,599.0	5,483.1	5,351.9	5,149.8
<b>Total</b>	<b>11,386.5</b>	<b>11,096.7</b>	<b>10,797.2</b>	<b>10,487.4</b>	<b>10,761.0</b>	<b>10,410.9</b>	<b>10,015.0</b>	<b>9,575.2</b>	<b>9,082.8</b>	<b>8,540.8</b>	<b>7,950.4</b>
<b>% of Central Government Debt</b>											
External	44.9	44.9	44.9	44.9	44.9	44.2	43.0	41.5	39.6	37.3	35.2
Domestic	55.1	55.1	55.1	55.1	55.1	55.8	57.0	58.5	60.4	62.7	64.8
<b>% of GDP</b>											
Total	64.6	59.9	55.9	52.2	51.5	47.9	44.3	40.8	37.3	33.7	30.3

## 5.2 Forecast Uncertainty and Historical Performance

Fiscal projections are subject to significant uncertainty, reflecting both the inherent limits of forecasting and the exposure of the Bahamian economy to external and domestic shocks. To assess the robustness of the medium-term fiscal outlook, this section synthesizes evidence from historical forecast error analysis and illustrates the resulting uncertainty surrounding the baseline fiscal projections.

The analysis compares historical forecasts with realized outturns for key macro fiscal aggregates, including revenue, expenditure, and the overall fiscal balance. The interpretation of results considers the presence of exceptional shocks over the sample period, notably Hurricane Dorian in 2019 and the COVID-19 pandemic during 2020–2021, which constituted structural breaks that could not reasonably have been anticipated at the time forecasts were prepared. While these events contributed materially to observed forecast errors, their inclusion provides a realistic assessment of fiscal vulnerability to large, low probability shocks.

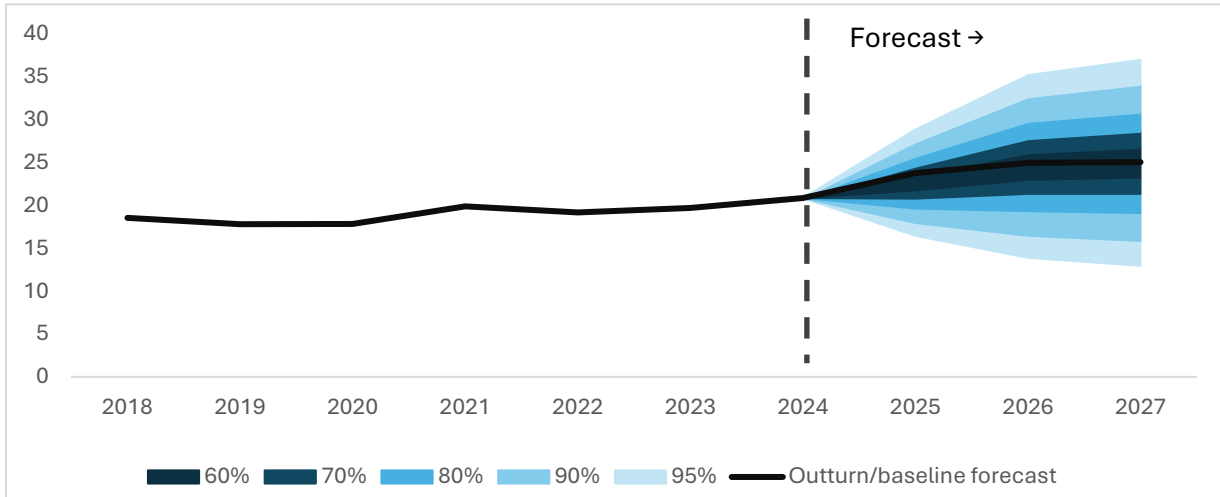
### a. Revenue

The government’s revenue strategy for FY2026/2027 is anchored in the principles of fairness, simplicity, and adequacy, and is supported by improvements in revenue administration, tax policy initiatives, and institutional reforms. Under the medium-term fiscal framework, revenues are projected to rise to 23.5 percent of GDP in FY2026/2027, 24.0 percent in FY2027/2028, and 24.5 percent in FY2028/2029, before returning to 25.0 percent in FY2029/2030 and remaining at that level over the medium term.

Historical forecast performance indicates, however, that revenue projections have been characterized by systematic optimism and elevated volatility, with average overestimation in the budget year and increasing dispersion at longer horizons. Revenue outcomes have proven particularly sensitive to macroeconomic conditions and external demand.

The revenue fan chart (see **Figure 10**) illustrates uncertainty around the baseline projection for 2026–2028. While the central projection is consistent with the government’s revenue targets, the widening confidence bands indicate a material probability of weaker outcomes beyond the budget year. This underscores the importance of conservative revenue assumptions and prudence margins in medium-term fiscal planning.

**Figure 10: Revenue Forecasts Error**

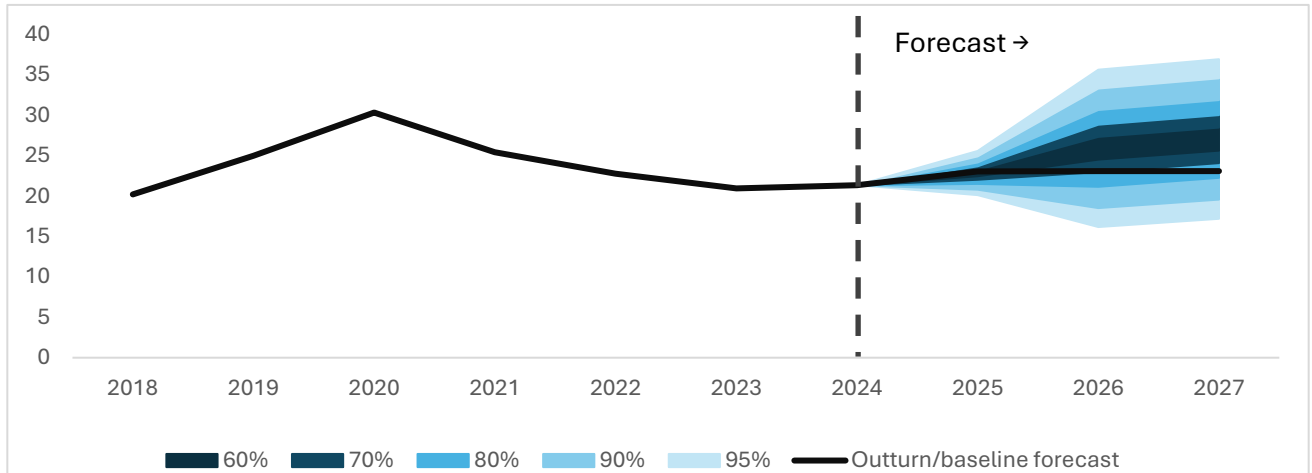


**b. Expenditure**

On the expenditure side, the government aims to maintain recurrent expenditure at or below 21.0 percent of GDP in FY2026/2027, reflecting continued emphasis on expenditure discipline and cost-effective service delivery. Central government capital expenditure is projected at 2.3 percent of GDP, with indirect financing through government business entities raising total public investment to approximately 3.5 percent of GDP over the medium term. Priority areas include state owned enterprise reform, pension administration, health infrastructure investment, and the digitization of government services.

Historical evidence shows that expenditure forecasts have been relatively accurate in the budget year but systematically underestimated in outer years, reflecting implementation of pressures and evolving policy commitments. The expenditure fan chart (see **Figure 11**) shows limited near-term dispersion but a widening and upward skewed distribution over the medium term, indicating a higher likelihood of expenditure overruns than underspending.

**Figure 11: Expenditure Forecasts Error**



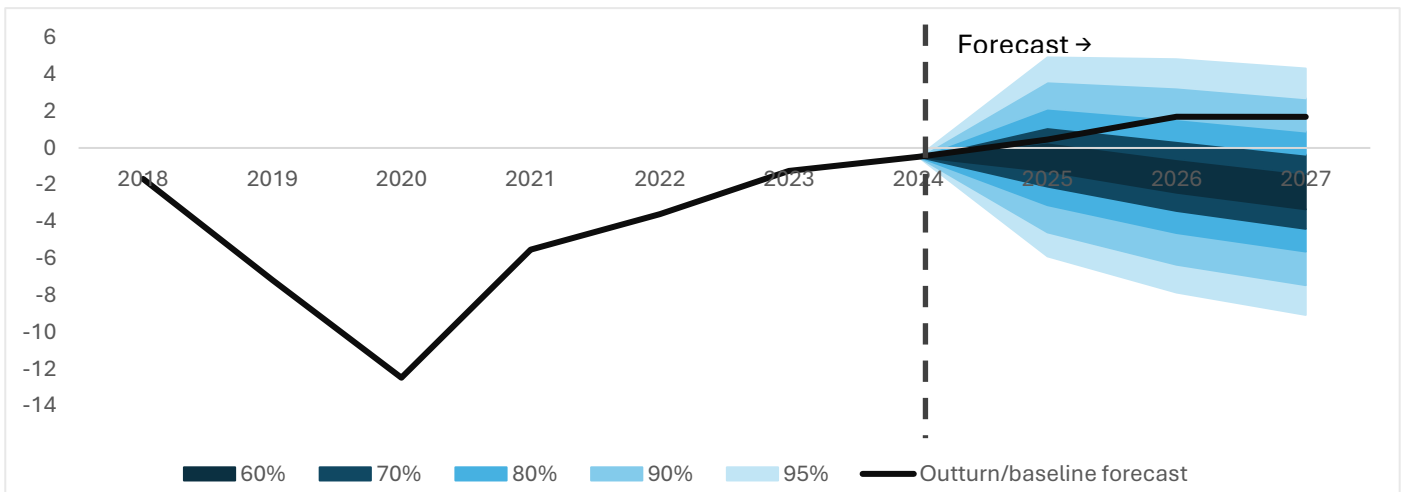
### c. Overall Balance

Recent fiscal performance has strengthened the outlook for the overall fiscal balance. Following an improvement to a deficit of 1.2 percent of GDP in FY2023/2024, the medium-term fiscal framework targets a further reduction in the deficit to 0.4 percent of GDP in FY2024/2025, and a transition to a fiscal surplus of 1.7 percent of GDP in the upcoming budget year, FY2026/2027. Over the subsequent three fiscal years, the overall fiscal balance is projected to maintain a surplus of approximately 1.7 percent of GDP, consistent with the government’s medium-term fiscal objectives.

Notwithstanding this improving baseline, historical forecast error analysis indicates that uncertainty around the fiscal balance remains material. Past projections have exhibited a systematic optimistic bias, with fiscal deficits consistently underestimated across forecast horizons. This reflects the combined effects of revenue shortfalls and expenditure pressures materializing more strongly than anticipated, particularly beyond the budget year.

The fiscal balance fan chart (see **Figure 12**) illustrates the uncertainty surrounding the projected transition to sustained surpluses from FY2026/2027 onward. While the baseline projection envisages a strengthening fiscal position, the lower percentiles of the distribution indicate a non-negligible risk that fiscal outcomes could remain weaker than projected under adverse macroeconomic or fiscal scenarios. This asymmetric risk profile underscores the importance of maintaining contingency buffers and preserving flexibility in fiscal management to safeguard medium-term fiscal objectives.

**Figure 12: Fiscal Balance Forecast Error**



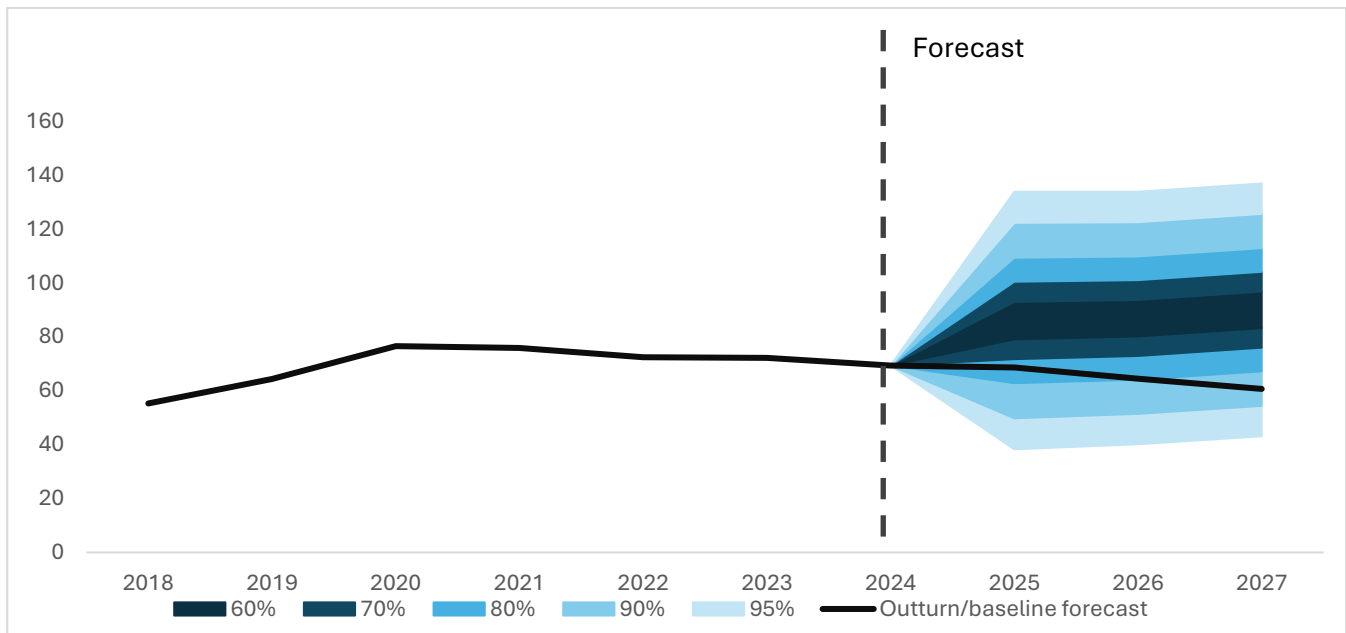
#### d. Central Government Debt

Consistent with the projected improvement in fiscal balances, the medium-term fiscal framework envisages a gradual decline in central Government debt as a share of GDP beginning in FY2026/2027. Key to the government’s fiscal strategy is the reduction in the debt to GDP ratio to no more than 50 percent by FY2030/2031, thereby strengthening fiscal resilience and creating fiscal space for sustainable development.

Historical forecast performance indicates that, while near term debt projections tend to be relatively anchored, debt outcomes have frequently exceeded projected levels at longer horizons, particularly following periods of fiscal or macroeconomic stress. These deviations reflect the cumulative effects of forecast errors in fiscal balances, variations in economic growth, and changes in financing conditions.

The debt fan chart (see **Figure 13**) illustrates the range of plausible debt trajectories around the baseline projection. Although the central path is consistent with a declining debt ratio and the achievement of the FY2030/2031 debt target, uncertainty increases over the forecast horizon. In particular, the upper tail of the distribution suggests that debt could remain elevated relative to the baseline, if fiscal consolidation weakens or if adverse shocks materialize.

**Figure 13: Central Government Debt Forecast Error**



## 6. FISCAL RESPONSIBILITY

### 6.1 Legislative Framework

The government continues to strengthen fiscal responsibility through a comprehensive framework of legislative and institutional reforms that support prudent fiscal management, transparency, accountability, and long-term sustainability.

Four foundational pieces of legislation anchor this framework, each targeting distinct dimensions of fiscal governance.

- **Public Debt Management Act, 2021:** provides the legal basis for transparent debt management; established the Debt Management Office, Debt Management Committee; mandates preparation of a Medium-Term Debt Management Strategy, supported by annual borrowing plans regular reporting of debt data.
- **Public Finance Management Act, 2023 (PFMA):** consolidated fiscal governance into a single framework, codifying the principles of responsible fiscal management, the fiscal responsibility principles, and the fiscal objectives, with strengthened requirements for fiscal planning, reporting and disclosure (publication of the FSR and monthly/quarterly fiscal performance reports), and disclosure. The Fiscal Responsibility Council was established as an independent oversight body responsible for assessing compliance with the fiscal framework and advising on fiscal policy and budgetary matters. The Council was reappointed effective 15<sup>th</sup> October 2024 and issued its first report on March 2025. In parallel, the government has announced the reconstitution of the Public Sector Audit Committee, further strengthening oversight and assurance arrangements across the public sector.
- **Public Procurement Act, 2023:** introduced reforms to enhance transparency, efficiency, and competition in public procurement. The Act expanded access to procurement opportunities for micro, small, and medium-sized enterprises, promoting broader participation in government procurement processes. Implementation supported by upgrade of the legacy electronic public procurement portal.

The government also advanced reforms aimed at addressing long-term fiscal pressures arising from public sector pensions. A public consultation process was initiated on the **Draft Pensions Bill, 2023**, which proposes reforms to the public service retirement system to improve sustainability, reduce long-term pension liabilities, and promote equitable employee benefits. The draft includes the establishment of a Contributory Public Service Pensions Fund, transitioning from a non-funded, non-contributory scheme to a funded, defined-contribution arrangement.

### 6.2 General Principles of Responsibility

In accordance with the Public Finance Management Act, 2023, government's fiscal policy and management of public resources are guided by the six General Principles of Responsibility, namely accountability, intergenerational equity, responsibility, stability, transparency, and inclusive growth.

**Table 25** outlines the key actions undertaken by the government to operationalize these principles across fiscal planning, reporting, risk management, and public financial management reforms.

**Table 25: Actions on General Principles of Responsibility**

Action	Accountability	Intergenerational Equity	Responsibility	Stability	Transparency	Inclusive Growth
Publication of Fiscal Strategy Report	✓	✓	✓	✓	✓	
Publication of monthly and quarterly fiscal performance reports	✓		✓	✓	✓	
Publication of Medium-Term Debt Management Strategy	✓	✓	✓	✓	✓	
Publication of expanded fiscal risk analysis	✓	✓	✓	✓		
Ongoing reforms to public procurement legislation and practices	✓	✓	✓	✓	✓	✓
Continued digitization of access to government services			✓		✓	✓
Engagement with external financial advisors to strengthen debt management	✓	✓	✓	✓	✓	
Development of medium-long-term fiscal forecasts	✓		✓	✓		
Strengthened public investment and PPP governance framework	✓	✓	✓	✓	✓	~
Implementation of Domestic Minimum Top-up Tax	✓	✓	✓	✓	✓	
Enhanced monitoring of GBEs and Agencies	✓	✓	✓	✓	~	
Ministries' Annual Plans tabled with Annual Budget	✓		✓		✓	~
Strengthen medium-term fiscal framework with fiscal anchors	✓	✓	✓	✓		
Enhanced compliance with the Public Finance Management Act	✓		✓		✓	
IDB funded Public Financial Management (PFM) reform programme	✓	✓	✓	✓	✓	
Development of the Sovereign Sustainable Finance Framework	~		~	~	~	
<i>Legend</i>	~	in progress		✓	completed	

## 6.3 Reporting

Strengthening the timeliness and completeness of reporting by Ministries, Departments, Agencies (MDAs) and GBEs remains a central priority in advancing fiscal transparency, and aligns with the requirements of the PFMA, as well as international assessment frameworks like the Public Expenditure and Financial Accountability (PEFA) framework.

For FY2026/2027 budget preparation, the Ministry of Finance implemented a structured reporting process, issuing requirements to MDAs and GBEs via official circulars and letters. Emphasis was placed on compliance with MDA Annual Plans and GBE Business Plans and Statements of Corporate Intent to support proper planning and organizational structure.

At the central government level, PFMA-compliant MDA annual plans outline a ministry's key priorities, objectives, programmes, performance measures, and service delivery standards for the period. It also addresses statutory requirements and operational priorities across core areas such as revenue management, expenditure control, debt sustainability, procurement oversight, and capacity building. Standardized templates and guidance notes were provided to ensure consistency, and a workshop was held to offer technical guidance and reinforce timely, complete submissions.

Across agencies and GBEs, reporting requests were successfully issued to 42 entities, representing full coverage at the initial stage. Of these, fifteen entities (approximately 19 percent) provided formal written acknowledgement, indicating partial engagement with the reporting process. However, eight (42.1 percent) submitted a completed Annual Plan, Business Plan, or Statement of Corporate intent by time of this report, highlighting a significant drop-off between acknowledgement and delivery (see **Table 26**).

A similar pattern is observed among Ministries and Departments. While all 51 entities received the reporting request, only 19 entities (37.3 percent) provided formal written acknowledgement and 7 (13.7 percent) submitted reports. In response, MOF is strengthening its approach to reporting compliance through enhanced follow-up protocols and clearer escalation mechanisms.

Greater emphasis is being placed on reinforcing accountability for non-submission, while continuing to support entities through technical guidance and capacity-building initiatives. The Ministry will continue compliance measures for other PFMA mandated reports.

**Table 26: Reporting Compliance among Government Entities**

REPORT	Total Entities	Compliant	Non-Compliant
Ministry & Department Annual Plan	51	6	45
Agency Annual Plan	22	4	18
Government Business Enterprises			
<i>Statement of Corporate Intent</i>	20	5	15
<i>Business Plan</i>	20	8	12

## 6.4 Fiscal Responsibility Principles

**Table 27** outlines Government’s fiscal objectives as they relate to actions towards operationalizing the Fiscal Responsibility principles set forth in PFMA, 2023. The actions are designed to achieve and maintain a sustainable fiscal balance, prudent debt levels, and the mitigation of fiscal risks. The Government remains steadfast in achieving the objects as outlined.

**Table 27: Actions on Fiscal Responsibility Principles**

	Unit	2026/27	2027/28	2028/29	2029/30
<b>Sustainable Fiscal Balance</b>					
Total Revenue	% of GDP	23.5	24.0	24.5	25.0
Total Expenditure	% of GDP	23.3	23.3	23.3	23.3
Recurrent Expenditure	% of GDP	21.0	21.0	21.0	21.0
Primary Expenditure	% of GDP	17.5	17.8	18.2	18.2
Capital Expenditure	% of GDP	2.3	2.3	2.3	2.3
Wages and Benefits	% of GDP	6.4	6.4	6.4	6.4
Fiscal Balance	% of GDP	1.7	1.7	1.7	1.7
Capital Expenditure	% of Total Exp	9.9	9.9	9.9	9.9
<b>Prudent Levels of Debt</b>					
Central Government Debt	%	65.1	61.3	57.5	53.6
<b>Managing Fiscal Risks</b>					
Government Net Worth	%	n.a.	n.a.	n.a.	n.a.
Government Guarantees	B\$M	718.1	743.4	730.7	720.6
Expenditure Arrears	% of Budget Exp	2.5	2.5	2.5	2.5
SOEs Subvention	% of Total Exp	13.1	12.6	12.1	11.8

## 7. FISCAL RISK STATEMENT

### 7.1 Coverage

Fiscal risks represent potential deviations from the government's baseline fiscal projections that could arise from macroeconomic shocks, environmental events, contingent liabilities, or structural pressures within the public sector. Given The Bahamas' open, tourism-dependent economy and exposure to natural disasters, proactive fiscal risk management remains central to the government's strategy for maintaining fiscal sustainability and investor confidence.

To facilitate a systematic evaluation of these risks, the government applied the Fiscal Risk Assessment Tool (FRAT) developed by the IMF, using the latest available information at the time of this Report. The framework evaluates fiscal risks along two axes: likelihood of materialization and potential fiscal impact on fiscal over the medium term. Using the FRAT, risks considered in this Statement include:

- **Macroeconomic risks:** External shocks to growth, inflation, and interest rates, with direct implications for revenue performance and expenditure pressures in a highly open, tourism-dependent economy.
- **Environmental risks:** Exposure to hurricanes and other climate-related events, generating large, sudden, and recurrent fiscal costs through infrastructure damage and revenue disruption.
- **Government guarantees:** Contingent liabilities associated with state-owned enterprises, which may crystallize into direct fiscal obligations under conditions of financial stress.
- **Public corporations:** Risks stemming from operational or financial underperformance, which may necessitate fiscal transfers, subsidies, or the assumption of liabilities.
- **Public-private partnerships:** Medium-term fiscal exposures arising from capital commitments, contractual payment obligations, and contingent liabilities, particularly in infrastructure projects across the Family Islands
- **Other:** Cross-cutting risks include sovereign credit rating pressures and the accumulation of payment arrears which have potential implications for financing conditions and fiscal sustainability.
- **Specific revenue risks:** Volatility in grants and selected non-tax revenue streams, which may lead to deviations from projected fiscal outturns.

Since the publication of the 2025 FSR and the FY2025/2026 Annual Budget, the government has continued to strengthen its analytical capacity in the area of fiscal risk management. The present reassessment incorporates updated data, as well as improvements in the identification and coverage of fiscal exposures. In particular, increased visibility of public-private partnership activity, together with ongoing monitoring of public corporations, has enhanced the evaluation of contingent liabilities. Furthermore, the 2026 reassessment incorporated improved differentiation between macroeconomically sensitive revenues and specific revenues, which are limited in scale and primarily consist of grants and externally financed project inflows. As a result of this refined classification and updated data inputs, specific revenue risks are now assessed as irrelevant.

Risk ratings are referenced to the likelihood-impact matrix in **Figure 14**; and comparative assessments against prior year ratings are illustrated in **Figures 15 and 16**.

**Figure 14: Calculation of Risk Rating**

Risk Rating = Likelihood x Fiscal Impact				
Fiscal impact	<b>HIGH</b>	Medium	High	Critical
	<b>MEDIUM</b>	Low	Medium	High
	<b>LOW</b>	Irrelevant	Low	Medium
		Remote	Possible	Probable
Likelihood of realization				

**Figure 15: Risks Assessment Using the FRAT Framework (2026 FSR)**

Potential fiscal impact	High	Government guarantees	Macroeconomic risks and Public corporations	Environmental risks
	Medium		Public private partnerships	
	Low	Specific Revenues		
		Remote	Possible	Probable
Likelihood of realization				

**Figure 16: Risks Assessment Using the FRAT Framework (2025 FSR)**

Potential fiscal impact	High	Government guarantees	Macroeconomic risks	Specific revenue and Environmental risks
	Medium			
	Low			
		Remote	Possible	Probable
Likelihood of realization				

### **a. Macroeconomic Risks—High Impact, Possible Likelihood**

Macroeconomic conditions continue to represent a primary source of fiscal risk for The Bahamas, given the economy’s high openness, narrow production base, and dependence on tourism and external demand. Since the publication of the 2025 FSR, domestic economic activity has remained broadly aligned with medium-term trends, supported by robust tourism inflows and steady investment activity. However, structural constraints persist in the higher value-added tourism segment and projections that of medium-term growth returning to a long-run potential of approximately 1.5 percent reinforces revenue sensitivity to external conditions.

Global macro-financial conditions remain uncertain, with elevated geopolitical tensions and volatility in energy markets contributing to downside risks for growth, inflation, and financial conditions. These developments underscore The Bahamas’ exposure to external demand shocks, financing risks, and commodity price volatility, although they do not materially alter the overall macroeconomic risk classification under the updated FRAT assessment.

Key transmission channels through which macroeconomic risks affect fiscal outcomes remain unchanged:

- **External demand shocks:** Fiscal performance remains highly sensitive to fluctuations in tourism activity and external demand conditions. Despite continued growth in visitor arrivals, including strong cruise sector performance, constraints in the stopover segment and evolving travel patterns highlight ongoing vulnerability. Lower visitor arrivals or reduced tourism expenditure would directly weaken VAT, departure taxes, customs duties, and business licence revenues, while potentially increasing expenditure pressures through countercyclical fiscal support.
- **Commodity price volatility:** The Bahamas remains exposed to fluctuations in global energy and goods prices. Elevated import prices may contribute to higher inflation and increased Government operating costs, while also reducing household purchasing power. These pressures may weaken revenue performance and place upward pressure on
- **Global financial conditions:** Changes in global interest rates and financial conditions continue to influence borrowing costs and refinancing risks. Although domestic financial conditions remain stable, external tightening or renewed volatility may increase debt service costs and constrain fiscal space over the medium term.
- **Global trade and geopolitical risks:** Elevated geopolitical tensions and shifts in global growth conditions may affect tourism demand, transportation costs, and investment flows, with indirect implications for fiscal performance.

Based on the updated FRAT assessment incorporating finalized FY2024/2025 data and available FY2025/2026 indicators, macroeconomic risks continue to be classified as having a high potential fiscal impact and a possible likelihood of realization over the medium-term. This unchanged classification reflects the persistence of structural external vulnerabilities, notwithstanding continued improvements in economic activity, revenue performance, and fiscal consolidation.

The Government continues to mitigate macroeconomic risks through strengthened macro-fiscal monitoring, prudent debt management, and ongoing fiscal consolidation efforts.

- **Scenario analysis and fiscal buffers:** The Ministry continues to enhance scenario analysis and macro-fiscal stress testing to evaluate fiscal resilience under adverse economic conditions.
- **Economic and export diversification:** Policy efforts remain directed toward reducing reliance on tourism by supporting the development of alternative sectors via the National Trade Diversification Strategy and the Creative Sector Export Strategy.
- **Trade and investment policy engagement:** Continued engagement with international partners supports monitoring of global developments and facilitates access to trade and investment opportunities.
- **Debt portfolio resilience:** Implementation of the Medium-Term Debt Strategy supports the management of financing risks through prioritizing domestic financing, fixed-rate instruments, longer maturities, and liability management operations.
- **Institutional strengthening:** Ongoing enhancements in macroeconomic surveillance, fiscal risk assessment, and public financial management support more effective policy responses under conditions of uncertainty.

#### ***b. Environmental—High Impact, Probable Likelihood***

Climate-related environmental risks, including hurricanes, storm surge, flooding, and longer-term climate effects, continue to represent a severe and recurring source of fiscal vulnerability for The Bahamas. This exposure can generate large, concentrated, and immediate fiscal shocks, as they typically necessitate substantial emergency spending, infrastructure rehabilitation, and social support, while simultaneously disrupting economic activity and weakening revenue performance.

The principal transmission channels are unchanged.

- **Infrastructure damage:** Severe weather events can result in unplanned capital expenditure for reconstruction and rehabilitation to public infrastructure, including transportation networks, utilities, and social infrastructure.
- **Emergency and social expenditures:** Disaster events increase recurrent expenditure pressures from emergency response, disaster relief, and social assistance programmes.
- **Debt and financing pressures:** Disaster-related fiscal deficits often require increased borrowing. Over the past decade, estimated cumulative disaster costs of approximately \$3.1 billion, contributed to upward pressure on public debt and debt servicing obligations.

Although no event of Dorian-scale magnitude has occurred in the most recent period, recurring severe weather events and localized flooding have continued to generate fiscal pressures through emergency works, drainage improvements, and infrastructure repairs. These developments reinforce the structural and recurrent nature of environmental risk within the fiscal framework.

Consistent with the updated FRAT assessment, environmental risks remain classified in the high impact and probable likelihood category. This positioning reflects their persistent capacity to materially weaken fiscal balances, increase financing requirements, and elevate public debt, as well

as their tendency to coincide with other risk channels, including macroeconomic and public sector pressures.

The government continues to strengthen its financial, institutional, and policy framework to enhance fiscal resilience to environmental risks. Key measures include:

- **Contingent credit facility:** A \$100 million contingent credit line with the Inter-American Development Bank provides rapid access to financing following a qualifying disaster, supporting liquidity management and reducing reliance on market borrowing.
- **Disaster risk insurance:** Participation in the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRF SPC) provides parametric insurance coverage against hurricanes and excess rainfall, enabling timely post-disaster liquidity support.
- **Disaster risk financing framework:** The Disaster Risk Management Act, 2022 provides for the establishment of dedicated funds to support both preparedness and recovery financing.
- **Debt management and liquidity protection:** Principal Payment Options negotiated with multilateral creditors allow for temporary deferral of principal repayments following major disasters, easing short-term fiscal pressures.
- **Climate budget tagging and fiscal monitoring:** The initial implementation of climate budget tagging supports improved identification and monitoring of climate-related expenditure within the fiscal framework.
- **Climate resilience and infrastructure strengthening:** Ongoing revisions to building codes and continued investment in resilient infrastructure aim to reduce long-term fiscal exposure to disaster-related losses.
- **Access to climate finance:** Continued engagement with multilateral partners supports access to concessional financing and climate resilience funding, strengthening the Government's capacity to mitigate long-term fiscal risks.

### ***c. Government Guarantees—Medium Impact, Possible Likelihood***

Government guarantees constitute contingent liabilities that may crystallize into direct fiscal obligations if the underlying borrower is unable to meet its debt servicing commitments. These guarantees are primarily extended to SOEs to support financing for infrastructure and public service delivery. As such, they represent a potential source of fiscal pressure through unplanned expenditure, increased borrowing requirements, and upward movement in public debt.

As at end-March 2026, the value of outstanding government-guaranteed liabilities was estimated at \$315.1 million. In the upcoming FY2026/2027 budget, total guarantees are projected to rise to \$718.1 million. This increase reflects the approval of government guarantees for the Grand Bahama Energy Company, the Public Hospitals Authority, and Bahamas LNG Partners Ltd. The trajectory of guaranteed levels over the forward three-year period will be largely determined by the extent of actual drawdowns on the underlying credit facilities. Over the medium term, the stock of guarantees is projected to increase modestly to \$730.7 million by FY2028/2029, barring the issuance of new guarantees. This trajectory reflects continued drawdowns on existing facilities, alongside the gradual repayment of obligations and more restrictive issuance practices (see **Table 28**).

**Table 28: Government Guarantees (B\$M)**

	ACTUALS		End-March	FORECASTS		
	FY2023/24	FY2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Bahamas Development Bank	37.5	35.0	32.6	28.7	27.1	25.4
Bahamas Technical and Vocational Institute	0.0	0.0	0.0	10.0	10.0	10.0
Bahamas Water and Sewerage Corporation	51.2	47.2	59.1	88.9	84.8	80.7
Bridge Authority	8.0	8.0	8.0	8.0	8.0	0.0
Bahamas Mortgage Corporation	153.0	150.0	136.5	142.3	142.3	132.3
Bahamas LNG Partners	0.0	0.0	0.0	30.0	30.0	30.0
Grand Bahama Energy Company	0.0	0.0	0.0	280.0	280.0	280.0
Education Loan Authority	29.8	29.8	29.8	20.0	20.0	0.0
The Clifton Heritage Authority	24.0	16.0	16.0	16.0	16.0	16.0
Public Hospitals Authority	39.2	35.3	31.4	86.5	107.5	128.6
University of The Bahamas	0.0	0.0	1.7	7.7	17.7	27.7
<b>Total Government Guarantees</b>	<b>342.7</b>	<b>321.3</b>	<b>315.1</b>	<b>718.1</b>	<b>743.4</b>	<b>730.7</b>
<i>Total Government Guarantees (% of GDP)</i>	<i>2.2%</i>	<i>1.9%</i>	<i>1.8%</i>	<i>3.9%</i>	<i>3.8%</i>	<i>3.6%</i>

Government guarantees are assessed as having medium potential fiscal impact and a possible likelihood of realization. The potential impact reflects the scale of outstanding exposures relative to fiscal aggregates, while the likelihood remains moderated by the absence of recent guarantee calls and ongoing financial oversight of guaranteed entities.

Mitigation efforts are anchored in strengthened institutional and policy frameworks. The Guarantee and On-Lending Policy Framework establishes eligibility criteria, credit risk assessments, issuance limits, and pricing mechanisms to manage exposure. In addition, enhanced financial monitoring of public entities supports early identification of financial vulnerabilities and reinforces overall fiscal oversight.

#### ***d. Public-Private Partnerships—Medium Impact, Possible Likelihood***

Public-private partnerships (PPPs) introduce fiscal exposures through contractual obligations and contingent liabilities associated with the delivery of infrastructure and public services. While PPPs can support investment and efficiency gains, they may also generate fiscal risks where project performance deviates from expectations or where contractual obligations require government intervention.

Fiscal risks associated with PPPs arise through several channels:

- **Contractual payment obligations:** Long-term payment commitments, including availability payments or service fees, may create sustained expenditure pressures over the life of a project.
- **Contingent liabilities:** Guarantees, minimum revenue arrangements, or termination provisions may give rise to fiscal costs if project risks materialize.
- **Project performance risk:** Delays, cost overruns, or operational challenges may necessitate renegotiation or additional Government support.

- **Environmental and external exposure:** Infrastructure projects, particularly those located in vulnerable areas, may be affected by climate-related events or changes in economic conditions, with potential fiscal implications.

PPPs are assessed as having a moderate potential fiscal impact and a possible likelihood of realization, reflecting their current scale within the public sector and their concentration in infrastructure-related projects. While the overall exposure remains contained, the long-term nature of PPP commitments and their sensitivity to external conditions warrant continued monitoring.

The government faces a potential contingent liability of \$140 million arising from financing arrangements with the African Export-Import Bank; in respect of public-private partnership transactions with Bahamas Stripping and Cat Island Infrastructure Company Limited. At the time of preparation of this Report, approximately \$43.1 million of this liability has crystallized in respect of these arrangements.

The Government continues to strengthen the PPP framework through formalized project appraisal, risk assessment, and approval processes. Existing policies emphasize value for money, appropriate risk allocation, and fiscal affordability. In addition, ongoing efforts to improve data consolidation, contract monitoring, and institutional coordination are expected to enhance the management of PPP-related fiscal risks over time.

#### ***e. Public Corporations—High potential impact, Possible Likelihood***

Public corporations represent a significant source of fiscal risk, given their role in delivering essential services and their financial linkages to the central government. These entities may generate fiscal pressures where operational inefficiencies, revenue shortfalls, or high debt burdens necessitate transfers, subsidies, or other forms of Government support. In some cases, liabilities associated with public corporations may also give rise to contingent obligations for the government.

Public corporations are assessed as having a high potential fiscal impact and a possible likelihood of realization, reflecting the scale of their operations and their close integration with the central government. This assessment also reflects the sensitivity of these entities to broader macroeconomic conditions, including fluctuations in demand, input costs, and financing conditions. Currently, there are a total of thirty-two (32) public corporations in The Bahamas.<sup>6</sup>

The government continues to strengthen oversight and risk management through enhanced financial monitoring and reporting. Ongoing efforts include the regular review of financial performance indicators, improved data collection and transparency, and the application of policy frameworks aimed at strengthening governance and financial discipline across public corporations. These measures support early identification of fiscal risks and promote more sustainable operational outcomes.

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<sup>6</sup> For the purposes of the FRAT, the term “public corporations”, consistent with GFSM 2014 terminology, includes Agencies and GBEs as classified under the PFMA, 2023.

## FINANCIAL PERFORMANCE OF PUBLIC ENTERPRISES

To strengthen monitoring and fiscal-risk analysis, the Ministry utilized the IMF’s SOE Health Check Tool to assess SOE financial health and performance using information from their audited, and unaudited where the former is unavailable, annual financial statements. Based on data availability, nine (9) SOE’s were analysed, examining health and performance (see **Table 29, Figure 17, Table 30 and Figure 18**). Profitability was assessed using net profit margin, return on assets (ROA), and cost-recovery indicators.

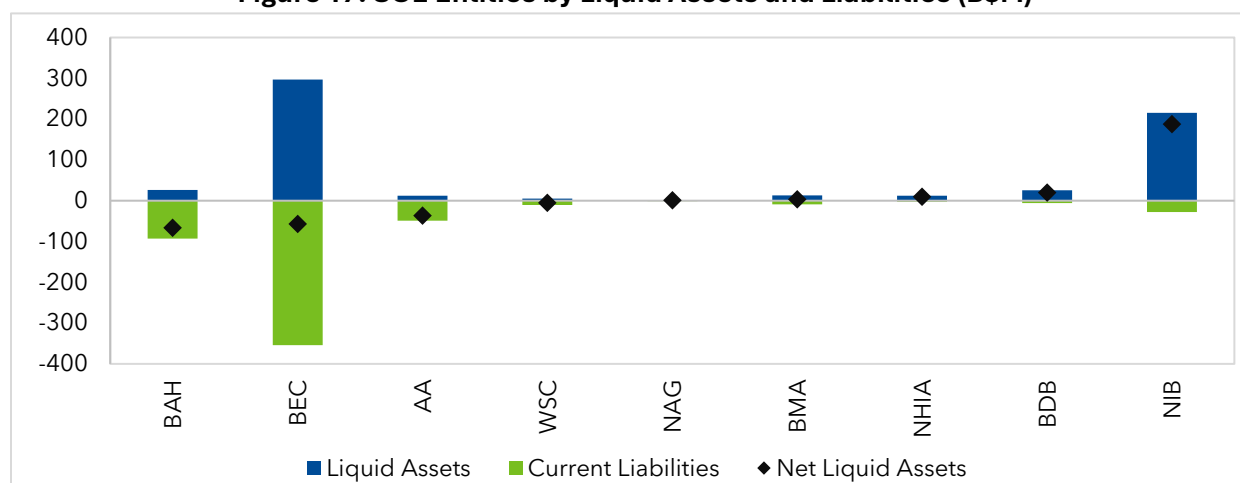
**Table 29: Debt as a Share of Assets and Equity**

	2020	2021	2022	2023	2024
<b>Debt to Assets</b>	0.46	0.46	0.49	1.02	1.03
<b>Debt to Equity</b>	0.85	0.84	0.96	-54.8	-32.8

In years 2020–2022, the ratios were relatively stable (debt-to-assets at 46–49 percent and debt-to-equity at 0.85–0.96). In 2023–2024, debt-to-assets rose above 100 percent and debt-to-equity turned negative, implying liabilities exceeded assets (negative equity) and signalling a sharp deterioration in the portfolio’s solvency position.

**Figure 17** presents a comparison of liquid assets and liabilities for the selected SOE’s commencing with the year 2022, for which complete data was available for each entity. The results suggest that both Bahamasair and the Airport Authority have relatively high liabilities compared with liquid assets, indicating heightened short-term liquidity pressure.

**Figure 17: SOE Entities by Liquid Assets and Liabilities (B\$M)**



Overall risk is calculated as a weighted average of selected financial indicators, including profitability, solvency, and liquidity and government Relationship and with weights assigned based on the relative importance of each indicator. The risk rating is a measure *propensity* for government

intervention for each public corporation rather than a measure of fiscal *impact*. Each entity is then mapped to a risk category (1 = lowest risk; 5 = highest risk) using predefined threshold values for the indicators. **Table 30** summarizes the overall risk ratings (Categories 1–5) for the selected SOEs over 2019–2023.

**Table 30: Overall Risk Ratings of State-Owned Enterprises in 2022**

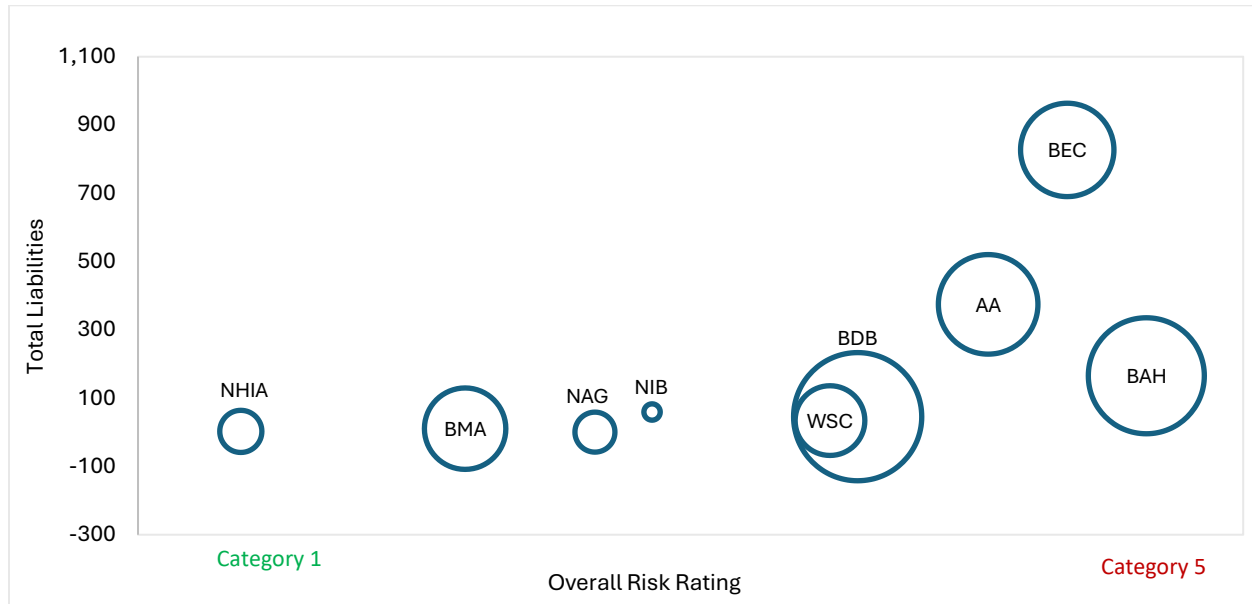
STATE-OWNED ENTERPRISE		Sector	Mandate	Risk Rating
<b>Bahamas Electricity Company</b>	BEC	Energy	Generation and supply of electricity to all islands except Grand Bahama	<b>Category 5</b>
<b>Bahamasair Holdings Limited</b>	BAH	Air transport	National flag carrier providing domestic and international flights	<b>Category 5</b>
<b>Airport Authority</b>	AA	Aviation infrastructure	Manages, operates, and ensures the safety of airports	<b>Category 4</b>
<b>Bahamas Development Bank</b>	BDB	Development finance	Lending to MSMEs and priority productive sectors	<b>Category 4</b>
<b>Water and Sewerage Corporation</b>	WSC	Utilities	Water supply and sewerage services nationally	<b>Category 2</b>
<b>National Insurance Board</b>	NIB	Social security	Administers the National Insurance Programme	<b>Category 2</b>
<b>Bahamas Maritime Authority</b>	BMA	Maritime	Ship registry, safety enforcement, international representation	<b>Category 2</b>
<b>National Art Gallery of The Bahamas</b>	NAGB	Culture	Collects, preserves, and exhibits Bahamian art	<b>Category 2</b>
<b>National Health Insurance Authority</b>	NHIA	Health	Oversees the national health insurance scheme.	<b>Category 1</b>

The risk rating scale ranges from 1 to 5, with 1 indicating lower financial risk and 5 indicating higher risk. Scores are based on a weighted average of 13 profitability, liquidity, and solvency ratios.

The results suggest that larger SOEs, particularly BEC and AA, tend to have higher risk ratings. BEC is a clear outlier, with the largest liabilities among the entities reviewed, increasing its fiscal risk profile. NHIA records one of the lowest risk ratings, but this should be interpreted with caution, as sustained growth in health service demand could increase its liabilities and risk exposure.

The Bahamas Development Bank also records a high-risk rating, likely reflecting its funding structure and operations similar to that of a public corporation. The rating should be interpreted considering the SOE Health Check Tool’s limitations for public financial corporations, although BDB also functions as a government policy instrument.

**Figure 18: Liability Size vs Overall Risk (Bubble = Debt Ratio) (2022, B\$M)**



In the broader context, obligations to SOEs represent 2.6 percent of the total expenditure budget in FY2025/2026 and are a key driver of unpaid invoices totalling \$181.4 million according to the Mid-Year Budget Report. In addition, most of these selected entities also rely on short-term loans from the Government, with outstanding balances at end-March 2026 amounting to \$499.9 million, an increase of \$6.65 million (1.3 percent) from end-June 2025, further underscoring their dependence on public financial support. Given this high level of obligations and exposure, timely, complete, and audited annual financial statements from SOEs are essential for credible fiscal-risk analysis and effective oversight: they enable the government to assess profitability, liquidity, and solvency trends, detect emerging pressures (such as arrears and debt-service constraints), and better anticipate potential calls on subsidies, capital injections, and guarantees.

When annual financial statements are delayed or incomplete, risks can accumulate unnoticed by the Ministry. Consequently, budget decisions may be made without a clear view of SOE financing needs. Regular submission of audited accounts strengthens transparency, improves accountability, and supports earlier, better-targeted corrective action.

Given the importance of financial statements to risk identification and assessment, the government is currently working toward enforcing submissions of financial statements from the various SOEs in compliance with the PFMA to improve oversight of the various public entities.

## 7.2 Other Fiscal Risks

### *f. Credit Ratings—Moderate to High Impact, Possible*

Sovereign credit rating risk is an important fiscal concern because of the direct influence on borrowing costs, market access, and investor confidence. A credit downgrade can significantly raise the cost of borrowing, elevate the risk premium applied to SOEs and private issuers, and erode fiscal space, thereby limiting the government’s ability to respond to shocks.

Over the past thirteen months, The Bahamas has experienced measurable, credible progress in its sovereign credit worthiness, as demonstrated by the unanimity of positive rating actions across all three credit rating agencies. On September 26, 2025, Standard & Poor’s Global Ratings upgraded The Bahamas’ long-term sovereign rating to ‘BB-’ from ‘B+’, with a stable outlook. On April 7, 2026, Moody’s upgraded its rating to “Ba3” from “B1” and revised the outlook to stable from positive. On April 9, 2026, Fitch Ratings affirmed its rating of “BB –”, with a stable outlook.

All three agencies were aligned on The Bahamas’ strengthened economic performance supported by tourism and coupled with continued progress in fiscal consolidation and the positive debt trajectory. Notwithstanding, The Bahamas remains in speculative grade—two full notched below investment threshold.

Against these considerations and given external vulnerabilities and global market conditions, credit rating risk remains moderate to high impact with possible likelihood. As identified by the rating agencies, a common set of conditions required to support additional positive rating actions include: sustained near-balanced or surplus fiscal outcomes ; successful implementation and enforcement of the domestic minimum top-up tax framework; continued reduction of the debt-to-GDP ratio, transparent and credible reporting on major infrastructure projects; completion of energy sector reform, and improved stopover tourism performance.

### *g. Payment Arrears*

Unpaid invoices or arrears to MDA’s and SOE’s can accumulate due to timing mismatches between expenditure commitments and cash availability, represent both a fiscal risk and a governance concern. Rising or persistent arrears can signal underlying fiscal stress, weakening the government’s creditworthiness, erode supplier confidence, and increase the cost of goods and services.

At end-December 2023, total government arrears stood at \$165.9 million, declining to \$122.4 million by end-December 2024. This trend reversed in 2025, with arrears rising to \$241.8 million by end-December. To reduce this fiscal risk posed by accumulated arrears and promote stronger financial discipline, the government has focused increased attention on the following complementary measures:

- **Commitment controls:** Strengthen commitment controls by improved cash forecasting to align obligations more closely with available resources, while prioritizing structured arrears reduction within the fiscal consolidation framework.
- **Payment Scheduling:** Improved payment scheduling to ensure timely settlement of obligations and reduce incidence of new arrears.

- **Monitoring and Reporting:** Securing improvement of reporting and monitoring of arrears through the proposed transition to an accrual-based system.
- **Intra-Governmental Payables:** Eliminating intra-governmental payment backlogs through streamlined internal financial processes and optimized resource allocations.

#### ***h. Pension Liabilities***

The unfunded public service non-contributory defined benefit pension scheme constitutes a considerable fiscal risk which, unlike the other risks that are subject to meaningful uncertainty regarding crystallization, is only to the rate and scale at which it will materialize. This scheme, which operates separately from the National Insurance Board's contributory system, is funded exclusively by the central government budget.

According to the midyear budget review, the government expects its obligations to public service retirees to rise to \$4.1 billion by 2032. Pension and gratuity payments accounted for 6.2 percent of recurrent expenditure for the nine months ending March 2026.

The government has advanced the pension reform legislation agenda. The Draft Pension Bill, 2023 proposes transitioning from the current scheme to a funded, defined contribution arrangement for both employees and the government. The White Paper on the proposed pension reform legislation was tabled during the Budget review, setting out the framework for forthcoming reforms.

## 8. DEBT SUSTAINABILITY ANALYSIS

The Ministry of Finance completed a Sovereign Risk and Debt Sustainability Analysis (SR-DSA) to assess the trajectory and sustainability of central government debt over the medium term. Using the IMF's framework, the analysis evaluated whether current policy framework, encompassing revenue mobilization, expenditure discipline and macroeconomic management, places The Bahamas on a sustainable fiscal path.

### BASELINE ASSESSMENT

The most recent Debt Sustainability Analysis (DSA) undertaken by the Ministry of Finance confirms that central government debt is projected to decline steadily over the medium term, converging with the fiscal target of maintaining debt at or below 50.0 percent of GDP by FY2030/2031.

Under the baseline scenario, central government debt is projected to decline from 74.8 percent of GDP in FY2023/2024 to 49.1 percent by FY2028/2029, and further to 38.2 percent by FY2033/2034 (see **Table 31**). This trajectory is fully consistent with the Government's medium-term fiscal framework and debt anchors.

This downward trajectory reflects the cumulative impact of three drivers.

- A transition from primary deficits to sustained primary surpluses, averaging approximately 1.4 percent of GDP over the long term;
- Revenue mobilization efforts increasing revenues to exceed 23.5 percent of GDP; and
- Favorable automatic debt dynamics, particularly the positive differential between real GDP growth and the effective interest rate, combined with steady nominal GDP growth.

Gross financing needs are projected to decline over the medium term, reflecting improved fiscal balances and reduced refinancing pressures. Overall, the baseline indicates a strong and sustained improvement in public debt dynamics, consistent with the government's medium-term fiscal objectives.

### REALISM OF BASELINE ASSUMPTIONS

The credibility of the baseline projections is assessed using IMF realism tools, which compare the projected fiscal adjustment, debt reduction, and macroeconomic assumptions with historical experience and international benchmarks (see **Figure 19**).

The realism analysis indicates that the baseline projections are supported by credible and achievable assumptions. The projected three-year reduction in public debt, estimated at approximately 5.9 percentage points of GDP, is relatively strong and lies in the upper quartile of historical international experience (87th percentile). This suggests that while the pace of debt reduction is ambitious, it remains within the range of observed outcomes.

At the same time, the associated fiscal adjustment is moderate, with the improvement in the cyclically adjusted primary balance amounting to approximately 2 percentage points of GDP over

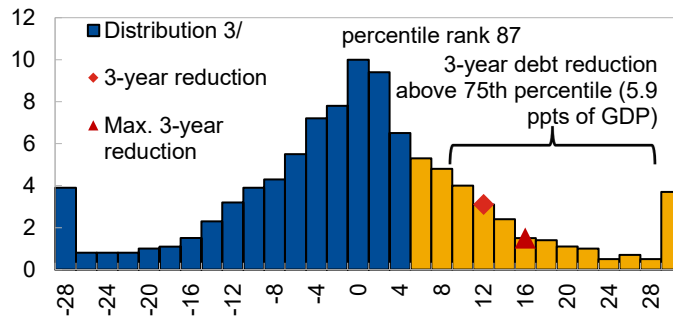
three years, corresponding to the 37th percentile of past adjustment episodes. This indicates that the projected debt reduction does not rely on unusually large or unrealistic fiscal tightening.

Real GDP growth is projected to stabilize at approximately 1.5 percent over the medium term, which is conservative relative to historical performance and does not depend on overly optimistic macroeconomic assumptions.

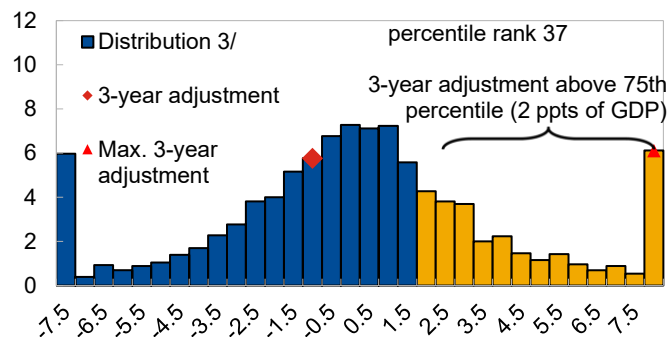
Taken together, these results indicate that the projected improvement in debt dynamics is driven by a combination of sustained primary surpluses and favorable macroeconomic conditions, rather than extreme policy measures. On this basis, the baseline scenario is assessed to be credible and achievable, although maintaining the projected debt reduction path will require sustained fiscal discipline and continued adherence to the government’s medium-term fiscal strategy.

**Figure 19: Realism of Baseline Assumptions**

**3-Year Debt Reduction**



**3-Year Adjustment in Cyclically Adjusted Primary Balance**



**Table 31: Medium-Term Debt Baseline Scenario (% of GDP)**

	Actual		Medium-term projection						Extended projection		
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Central Government debt</b>	74.8	69.0	64.1	58.5	53.6	49.1	44.5	39.9	35.0	23.0	38.2
<b>Change in central Government debt</b>	(1.8)	(5.8)	(4.9)	(5.6)	(4.9)	(4.5)	(4.6)	(4.6)	(4.9)	(11.9)	15.2
Contribution of identified flows	25.8	23.3	20.7	16.9	14.7	13.5	7.1	10.2	8.9	7.2	n.a.
Primary deficit	-1.3	0.5	0.4	1.2	2.8	4.3	4.6	4.9	5.1	5.4	5.7
Noninterest revenues	19.5	20.4	22.1	23.6	24.1	24.5	24.6	24.6	24.6	24.6	24.6
Noninterest expenditures	20.8	20.9	21.7	22.4	21.3	20.2	20.0	19.7	19.5	19.2	18.9
Automatic debt dynamics	(2.7)	(3.1)	(2.3)	(2.0)	(1.8)	(1.4)	(8.7)	(0.5)	(0.4)	(0.3)	n.a.
Real interest rate and relative inflation	(0.7)	(0.9)	(0.9)	(0.8)	(0.7)	(0.5)	(7.9)	0.2	0.3	0.4	n.a.
Real interest rate	(0.2)	(0.5)	(0.7)	(0.7)	(0.5)	(0.5)	(0.3)	0.9	1.0	1.1	1.1
Relative inflation	(0.5)	(0.4)	(0.2)	(0.1)	(0.1)	(0.0)	(7.6)	(0.7)	(0.7)	(0.7)	n.a.
Real growth rate	(2.4)	(2.6)	(1.4)	(1.2)	(1.1)	(0.9)	(0.8)	(0.8)	(0.7)	(0.7)	(0.7)
Contribution of residual	0.8	(3.1)	0.2	0.1	0.1	0.0	7.6	0.7	0.7	0.7	n.a.
<b>Gross financing needs</b>	34.2	34.2	23.1	20.6	16.1	14.4	12.0	16.7	36.3	41.8	22.3
<b>of which: debt service</b>	44.3	42.0	29.8	26.3	26.5	28.3	29.2	35.3	64.5	73.6	57.7
Local currency	32.0	30.3	19.0	17.2	19.0	20.1	22.6	28.8	52.8	58.6	46.1
Foreign currency	12.4	11.7	10.8	9.1	7.5	8.2	6.6	6.5	11.7	15.0	11.6
<b>Memo:</b>											
Real GDP growth (%)	3.8	3.8	2.9	1.8	1.9	1.9	1.8	1.9	1.8	1.8	1.7
Inflation (GDP deflator; %)	1.4	1.8	3.2	3.1	2.5	2.1	2.1	2.1	2.1	2.1	2.0
Nominal GDP growth (%)	5.3	5.7	6.2	5.0	4.4	4.0	4.0	4.0	3.9	3.9	3.8
Effective interest rate (%)	39.1	38.0	38.0	34.6	33.2	33.1	33.4	32.0	32.0	31.4	42.6

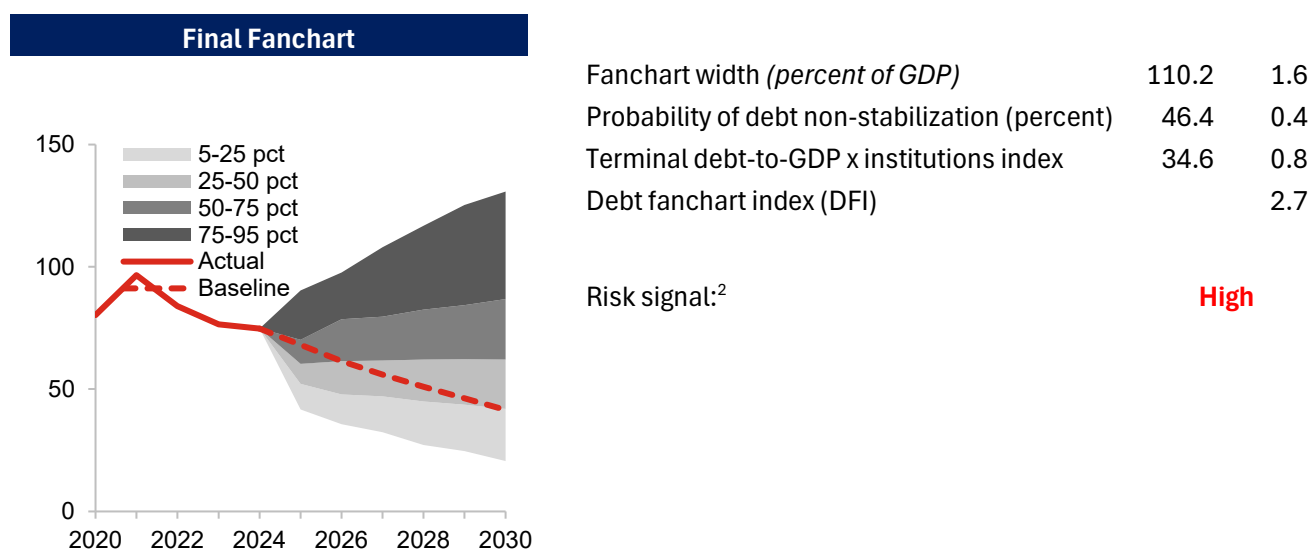
## RISK AND STRESS TEST RESULTS

Despite the favorable baseline outlook, The Bahamas' overall risk of sovereign stress remains elevated, broadly in line with other small open economies. Structural vulnerabilities, particularly exposure to climate-related shocks such as hurricanes, along with financing shocks and evolving global market conditions, could adversely affect fiscal consolidation efforts and debt sustainability.

The assessment of risks is informed by IMF stress testing and medium-term risk analysis (see **Figure 20**). The debt fan chart illustrates the range of possible outcomes under adverse scenarios. While the baseline shows a steady decline in debt, the distribution of outcomes widens significantly under stress conditions, indicating heightened uncertainty.

The analysis suggests a moderate probability (approximately 46 percent) that debt may not stabilize under adverse shocks. Composite risk indicators also point to a high-risk signal, reflecting sensitivity to weaker growth and higher borrowing costs. Gross financing needs may increase under such scenarios, highlighting potential liquidity and refinancing pressures.

**Figure 20: Medium-Term Debt Risk Assessment**



<sup>1</sup>See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.

<sup>2</sup>The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.

## MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS) IMPLICATIONS

To mitigate these risks, the optimal MTDS Strategy S3, focuses on strengthening the composition and resilience of the debt portfolio. The strategy emphasizes:

- Increasing borrowing from domestic sources in local currency;
- Expanding access to semi-concessional financing from multilateral and bilateral partners;
- Extending debt maturities to smooth redemption profiles; and

- Gradually reducing foreign currency-denominated liabilities.

In addition, the strategy reinforces adherence to fiscal targets and ongoing public sector reform initiatives. By leveraging domestic financing and concessional funding, the Government aims to reduce exposure to exchange rate risk and global financial volatility.

Together, these measures are expected to support debt sustainability, enhance fiscal resilience, and strengthen the country's ability to withstand external and macro-fiscal shocks over the medium term.

#### **SUSTAINABILITY ASSESSMENT**

Based on the baseline projections, realism analysis, and stress test results, central government debt is assessed to be sustainable over the medium term. The projected decline in debt is underpinned by sustained primary surpluses, steady economic growth, and favorable debt dynamics.

While risks remain, particularly from external and climate-related shocks, the current fiscal strategy, combined with the MTDS framework, provides a coherent and credible path toward maintaining debt sustainability and ensuring manageable financing needs.

## 9. CLOSING REMARKS

The 2026 FSR prepared in accordance with the PFMA 2023, outlines The Bahamas' medium-term fiscal framework, which also informs the FY2026/2027 national budget and borrowing plan.

Key budget priorities include the strengthening of revenue mobilization through improved tax administration, including the introduction of a two-tier Real Property Tax System, and prioritization of capital investment within the healthcare, housing, and infrastructure sector. Other key priorities include: recurrent expenditure policies with planned administrative and legislative reforms, improving the efficiency and effectiveness of public sector operations, and building economic resilience through structural reforms and targeted development initiatives.

The Ministry remains committed to strengthening fiscal analysis to support sound, data driven policy making. The continued use of the IMF's/WBG Sovereign Risk and Debt Sustainability Analysis, Fiscal Risk Assessment Tool, and the Ministry's Macroeconomic Fiscal Forecasting Tool has provided critical insights into debt sustainability and potential fiscal risk exposures.

The Ministry remains committed to proactively identifying and managing fiscal vulnerabilities. Capacity building through technical training and model enhancements will be persuaded to strengthen the quality and compliance of analytical insights, thereby supporting sound policy decision making and sustainable debt management.

Moreover, the Ministry calls upon public entities, particularly SOEs to align with the outlined policy measures in submitting quarterly and annual financial statements. Full compliance is imperative to achieving macroeconomic stability and fiscal sustainability. Additional training regarding the SOE health check tool along with review of monthly and quarterly statements submitted by each public entity is a priority within FY2026/2027.

As the Government of The Bahamas begins a new fiscal cycle, structured steps to ensure effective financial management. Throughout the fiscal year, financial performance will be monitored and reported through both fiscal performance reports and Mid-Year Budget documents.

# **ANNEX A – PUBLIC FINANCE MANAGEMENT ACT, 2023**

## **Second Schedule (section 23)**

### **Contents of a Fiscal Strategy Report**

1 . The fiscal strategy report shall contain a report for the recently concluded financial year which shall include—

- (a) analysis of any difference in results from the macroeconomic forecasts and fiscal forecasts in the previous fiscal strategy report;
- (b) a summary of budget execution compared to the appropriations and statutory expenditure;
- (c) summary of the performance compared to the general principles in section 19, the fiscal responsibility principles in section 20, and the fiscal objectives in the previous fiscal strategy report;
- (d) reasons for any deviations from the general principles, fiscal responsibility principles and fiscal objectives in the previous fiscal strategy report;
- (e) report on the extent to which the risks identified in the previous fiscal strategy report were realised and the effect on fiscal performance; and
- (f) other matters on performance the Minister considers relevant.

2. The fiscal strategy report shall contain medium-term macroeconomic forecasts setting out actual, estimated and projected values of the following economic variables for no less than the previous two years, the current year, and the next three years including—

- (a) gross domestic product and its components;
- (b) inflation;
- (c) employment and unemployment;
- (d) exchange rates with major trading partners;
- (e) interest rates; and
- (f) money supply and monetary conditions including credit to the private sector, and for (a) to (f) the source of the data shall be identified, and for historical information, a statement provided of whether it is official or estimated in cases where official data are not available.

3. The fiscal strategy report shall contain information on the longer term macroeconomic forecasts.

4. The fiscal strategy report shall contain a statement of assumptions and methodologies underpinning the economic forecasts.

5. The fiscal strategy report shall contain medium-term fiscal forecasts setting out actual, estimated, and projected values of the following fiscal variables for no less than the previous two years, the current year, and the next three years including—

- (a) revenues by type;
- (b) aggregate expenditures by economic, administrative, and functional classifications;
- (c) fiscal balance for the overall budget;
- (d) a summary of the sources of budget financing;
- (e) the level of debt by external source, domestic source and total;
- (f) level of financial and performance guarantees;
- (g) the accounting principles and methods used in the fiscal strategy report and key assumptions on which the above numbers are based;
- (h) sensitivity analysis taking account of possible changes in macroeconomic conditions;  
and
- (i) any other information the Minister determines is material to the fiscal forecasts.

6. The fiscal strategy report shall contain fiscal forecasts for the longer term that have been used in formulating the fiscal policies in the fiscal strategy report and such forecasts shall take account of the impacts of changes in demographics and other factors.

7. The fiscal strategy report shall contain a statement of intention with regard to the general principles in section 19 of this Act.

8. The fiscal strategy report shall contain a statement of intention with regard to the fiscal responsibility principles in section 20 of this Act.

9. The fiscal strategy report shall contain a description of the fiscal policy including— (1) a table containing the fiscal information for the previous two years, the current year and the forthcoming three years and longer term where relevant including —

- (a) aggregate Government expenditure as a percentage of GDP and in nominal terms;
- (b) recurrent Government expenditure as a percentage of GDP and in nominal terms;
- (c) primary Government expenditure as a percentage of GDP and in nominal terms;
- (d) capital Government expenditure as a percentage of aggregate Government expenditure, as a percentage of GDP and in nominal terms;
- (e) Government expenditure on wages and benefits as a percentage of GDP and in nominal terms for all positions funded from the annual budget including all positions funded by direct charge on the Consolidated Fund and all positions funded by appropriation;
- (f) Government revenues as a percentage of GDP and in nominal terms;

- (g) overall fiscal balance as a percentage of GDP and in nominal terms;
- (h) Government debt as a percentage of GDP and in nominal terms;
- (i) Government arrears as percentage of budget expenditure and in nominal terms;
- (j) Government guarantees as a percentage of GDP and in nominal terms; and
- (k) Government net worth as a percentage of GDP and in nominal terms when net worth can be measured.

(2) Table of fiscal objectives to measure the fiscal position of the government against the fiscal responsibility principles for the forthcoming year and each of the next three years which shall at a minimum include measurable fiscal objectives for the fiscal balance, debt, guarantees, expenditure growth rate, wage expenditure limit, proposition of proposed capital Government expenditure as a percentage of aggregate Government expenditure and any measures for an adjustment plan if in force;

(3) information on the fiscal policies for medium-term including—

- (a) the revenue policy with planned changes to taxes and policies affecting other revenues and intentions regarding revenue collection activities;
- (b) policy on the fiscal balance;
- (c) debt policy with a summary of the debt management strategy, a summary of the debt sustainability analysis, debt ceilings, and guarantee ceilings; and
- (d) expenditure policy including expenditure priorities linked to ceilings.

(4) an assessment of the consistency of the planned fiscal policy aggregates and measurable fiscal objectives in paragraph 9(2) of this Schedule with the fiscal responsibility principles and the requirements of section 20(2);

(5) a medium-term expenditure framework stating the Government's annual and medium-term expenditure intentions and an explanation of any changes in the proposed ceilings from the previous fiscal strategy report including—

- (a) the aggregate expenditure ceiling to be used in the preparation of the annual budget which shall include indicative ceilings for two familiar outer years;
- (b) ceilings for central Government expenditure by Ministry and other budget entity for the budget year and next two years to be used as the basis for the preparation of the annual budget;
- (c) forecast non-financial performance information at a suitable level of aggregation linked to the budget to show what is planned to be provided and achieved for the proposed expenditure, for strategic changes only; and

(d) information on major public investments including priorities and rationale for these and forecast costs for the forthcoming budget year and two outer years related to expenditure ceilings.

10. The fiscal strategy report shall contain a fiscal risk statement with quantified risks where practicable including—

(a) contingent liabilities;

(b) any commitments not included in the fiscal forecasts;

(c) all other circumstances which may have a material effect on the fiscal and economic forecasts and which have not already been incorporated into the fiscal forecasts; and

(d) risk management intentions.

11. The fiscal strategy report shall contain a statement of responsibility signed by the Minister and the Financial Secretary attesting to the reliability and completeness of the information in the fiscal strategy report and its compliance with the law.

12. If the Government is unable to provide any of the information required by this Schedule the Ministry shall state in the fiscal strategy report the reasons for any missing information and shall ensure that such information is available as soon as practicable for future fiscal strategy reports.

13. For the purposes of this Schedule—

“current expenditure” means spending for acquisition of all goods and services, personnel cost including salaries, emoluments and other employee benefits, and transfer payments, inclusive of interest payments, subsidies, transfers to non-financial public enterprises, public corporations, to households, abroad and to non-profit institutions which excludes all outlays that result in debt reduction and the acquisition of financial assets;

“debt” means all direct charge on the central government that require payments of interest and principal to both resident and non-resident creditor;

“fiscal balance” means total revenues and grants minus total expenditure where revenues and grants are computed as total revenues less borrowings, refunds, and sales of financial assets;

“Gross Domestic Product” means the nominal value of all goods and services produced in the economy within a year, as compiled by the Department of Statistics and in the absence of official statistics, estimates produced by the Ministry of Finance shall be utilized and subsequently updated once the official statistics are available and until quarterly official GDP statistics become available, estimates for the fiscal year shall be derived by taking the average of the current and the preceding calendar year.

“total expenditure” means the sum of recurrent and capital expenditure less debt principal repayment and acquisition of financial assets.

# **FISCAL STRATEGY REPORT 2026**



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