Commonwealth of The Bahamas

2026

Pre-Election Economic and Fiscal Update

April 13, 2026

A Requirement of the Public Finance Management Act, 2023

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Statements of Responsibility

Pursuant to section 24 of the PFMA, with completeness, the 2026 Pre-Election Economic and Fiscal Update includes:

a. all policy decisions with material economic or fiscal implications that the Government of The Bahamas has made before the day on which the contents of the Pre-Election Economic and Fiscal Update were finalized; and

b. all other circumstances with material economic or fiscal implications of which I am aware before that day.

Phillip Davis
Prime Minister & Minister of Finance

The 2026 Pre-Election Economic and Fiscal Update has been prepared by the Ministry of Finance:-

a. using its best professional judgments; and

b. on the basis of economic and fiscal information available to it before the week on which the contents of the Pre-Election Economic and Fiscal Update were finalized.

Simon Wilson
Financial Secretary

Accounting and Reporting Standards

In keeping with the disclosure requirements of the Third Schedule [section 24(b)(f))] of the Public Finance Management Act, 2023 (PFMA), the budgetary information included in the 2026 Pre-election Economic and Fiscal Update (PEFU) is prepared on a modified cash basis of accounting, aligned with the International Public Sector Accounting Standards (IPSAS) for financial reporting under the cash basis. Accordingly, revenue is recorded when it is received rather than when it is earned; expenditures are recognized when incurred and paid; and all purchases of fixed assets, including land, buildings, and equipment, are expensed, in full, during the year of acquisition.

Fiscal data are compiled and presented in accordance with the International Monetary Fund's (IMF) Government Finance Statistics Manual 2014 framework, which provides the standard methodology for assessing and analyzing government financial performance.

Data presented for Fiscal Years 2023/24, 2024/25 and 2025/26 are provisional and unaudited.

1. Introduction

1.1 Purpose

Section 24 of the Public Finance Management Act, 2023 (PFMA) requires the Minister of Finance to arrange for the publication on an official website of the government, a Pre-election Economic and Fiscal Update (PEFU), not earlier than thirty (30) working days, nor later than twenty (20) working days prior to the day appointed as polling day for a general election. The day appointed as the polling day for The Bahamas' 2026 General Elections is Tuesday, May 12, 2026.

The purpose of the PEFU is to provide updated information on the economic and fiscal outlook for The Bahamas, taking into consideration, to the fullest extent possible, all government decisions and other circumstances that may have a material impact on the economic and fiscal outcome that were in existence before the appointed polling day. Where information is unchanged from that provided in the 2025 Fiscal Strategy Report (FSR) and the FY2025/26 Mid-year Budget Performance Report, the PEFU summarizes and states this information as unchanged.

1.2 Contents of the PEFU

The requirements for the PEFU are detailed in the Third Schedule (section 24) of the PFMA, which is attached as **Annex A**.

2. Executive Summary

At the time of preparation of the 2026 PEFU, domestic economic conditions in The Bahamas remained broadly stable, although amid a global backdrop of heightened uncertainty caused by the Middle East conflict which elevated crude oil prices to US$120/bbl. and generated broad based risks to inflation and growth. Real GDP is estimated to have expanded by 3.6 percent in calendar year 2025, with nominal growth of 4.3 percent, reflecting continued post-COVID normalization. Inflation was contained at 1.4 percent for the twelve months to May 2025, supported by declining energy prices. Labour market conditions improved, with the unemployment rate lowered to 9.3 percent at end-June 2025. Tourism, the primary economic driver, delivered strong results, with total visitor arrivals posting an 11.4 percent annual gain to 12.5 million in 2025. Looking ahead to 2026–2028, the IMF projects a moderation in real GDP growth to 2.2 percent in 2026, stabilizing near 1.9 percent in 2027, although downside risks from the Middle East conflict could weigh on these projections through tourism demand erosion, higher domestic fuel and electricity costs, and inflationary pressure on imported goods.

The government continued to make progress on fiscal consolidation. In FY2024/25, total revenue reached $3,396.0 million, with a 10.7 percent increase over the prior year driven by robust VAT collections, improved compliance, and targeted enforcement. The overall deficit narrowed significantly to $78.9 million from $194.0 million in the prior year, to approximate 0.5 percent of GDP. Over the eight months to February of FY2025/26, total revenue grew by 3.5 percent year-over-year to $2,109.2 million, with the overall deficit improving to $292.9 million from $312.3 million. Expenditure has been broadly contained, with total spending over the same period up 2.3 percent to $2,402.1 million—inclusive of salary adjustments following the 2025 public service pay review. Effective April 1, 2026, the government extended VAT relief to unprepared food items, reducing the rate from 5 percent to exempt status, with the estimated $15.0 million in foregone revenue assessed as manageable within the overall fiscal envelope. Revenue concentration in the second half of FY2025/26, primarily from business licences, banking fees, property taxes, and Domestic Minimum Top-up Tax (DMTT) receipts of approximately 0.7 percent of GDP, are expected to support the fiscal year's consolidation objectives.

The medium-term fiscal framework projects a sustained improvement in the public finances. The government is targeting an overall surplus of 0.5 percent of GDP in FY2025/26, rising to approximately 1.7 percent of GDP annually through FY2028/29, while the revenue-to-GDP ratio is expected to increase to 25.0 percent from FY2026/27 as administrative reforms and new policy measures take effect. Total revenue is forecast to grow from $3,896.3 million in FY2025/26 to $4,556.3 million by FY2028/29, with primary surpluses strengthening throughout the period and debt interest costs declining as the debt stock is reduced. Medium-term projections show a gradual reduction in the debt stock to approximately 57.5 percent of GDP by FY2028/29, underpinned by forecasted primary surpluses, with the overarching objective of reducing debt to 50 percent of GDP by FY2030/31.

The Government's fiscal risk profile identifies macroeconomic and environmental risks as the most material. Macroeconomic risks, now elevated by the Middle East conflict, continue to be classified as high impact with a possible likelihood of realization. Environmental risks, principally hurricanes, are assessed as high impact and probable, with the government having in place a layered resilience framework. Government guarantees, totaling $317.4 million at end-December 2025, primarily against SOE obligations, are evaluated as medium impact, with adverse risk events. Among the other risk factors, the non-contributory public pension scheme represents a significant structural risk, which the government is seeking to address through a comprehensive reform exercise. Meanwhile, the trajectory for the sovereign credit risk remains positive, and supported by the government's commitment to the medium-term fiscal consolidation path.

3. Economic Performance and Outlook

The information provided in this section satisfies the requirements of sections 24(a) and (b)(i) through (iv) of the PFMA.

3.1 Global Economic Backdrop

The global economic context for the preparation of the 2026 PEFU continues to evolve from those presented during the FY2025/26 Mid-Year Budget Performance Report. The potential impact of the ongoing Middle East conflict presents material downside risks to the outlook, which have elevated the probability for revisions of global macroeconomic forecasts.

Prior to the Middle East crisis, the International Monetary Fund (IMF) provided a picture of cautious optimism, at a time when the global economy was already navigating vulnerabilities associated with trade tariffs, supply chain disruptions and elevated interest rates. Global economic growth was projected at 3.3 percent for 2026 and 3.2 percent for 2027—a slight upward revision from the October 2025 projections, reflecting the combined positive effects of increased technology investments, and fiscal and monetary support to combat headwinds from recent trade policy shifts. Real output for the United States economy, The Bahamas' major trading partner, was forecast to expand by a slightly higher rate of 2.4 percent in 2026, underpinned by fiscal policy and a lower monetary policy rate. Global inflation was anticipated to recede from 4.1 percent in 2025 to 3.8 percent in 2026, and further to 3.4 percent in 2027. The global unemployment rate, as estimated by the International Labour Organization (ILO), stood at 4.9 percent in 2025 and is projected to remain broadly stable at approximately 4.9 percent over the ensuing two years, indicating a resilient but structurally constrained global labour market.[1]

Since end-February 2026, the escalation of the conflict in the Middle East has had an immediate and severe impact on energy markets, with Brent crude prices initially surging to $120/bbl. Higher energy prices are projected to place upward pressure on inflation and production costs, which could slow economic activity across both advanced and emerging economies.[2] The IMF definitive April 2026 World Economic Outlook (WEO) report is expected to provide a comprehensive analysis of these emerging risks, with the depth of the consequential revisions to the global outlook hinging on the duration and scale of the conflict.

3.2 Domestic Economic Context

Economic conditions in the Bahamian economy have not changed materially since the presentation of the FY2025/26 Mid-Year Budget Performance Report, although the elevated geopolitical uncertainty caused by the Middle East conflict is already translating into higher fuel and commodity prices.

Based on the latest Ministry of Finance estimates, incorporating the Bahamas National Statistical Institute's November 2025 quarterly GDP data and the IMF's October 2025 World Economic Outlook, real GDP is projected to grow by 3.6 percent (calendar year 2025), corresponding to a 4.3 percent expansion in FY2024/25. The corresponding nominal GDP measures are 4.3 percent (calendar year 2025) and 5.0 percent (FY2024/25)—reflecting a gradual normalization of economic activity following stronger post-COVID recovery gains.[3]

[1] International Labour Organization, ILO modelled estimates, March 2026

[2] IMF World Economic Outlook Update January 2026

[3] BSNI 2025 Quarterly December Estimates

Inflation remained relatively moderate during 2025, averaging low monthly increases and rising to 2.3 percent in the twelve months to December 2025, with price pressures partially tempered by broadly stable energy costs; over the same period, petroleum and diesel prices recorded modest year-over-year increases of 0.2 percent and 1.4 percent, respectively.[4] Labour market conditions improved as the unemployment rate tapered to 9.3 percent at end-June 2025 from 10.8 percent at end-January 2025.

Monetary conditions remained stable during 2025. Broad money grew by 3.8 percent to $9,846 million, while credit to the private sector increased by 6.6 percent to $6,661 million[5]. The Bahamian dollar remained pegged to the United States dollar at par, supported by external reserves of $2.8 million at end-February, 2026 which approximated nearly 6.3 months of non-oil imports. In interest rate trends, the weighted average loan rate advanced by 1.3 percentage points to 11.65 percent, with more tempered firming in the weighted average deposit rate of 11 basis points to 0.77 percent.[6]

Tourism, the primary economic driver, recorded strong annual growth in total visitor arrivals of 11.4 percent to 12.5 million in 2025, and continued to exhibit strong momentum into early 2026. Of this total, 1.7 million (13.5 percent) arrived by air. The dominant 10.8 million sea visitors (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.[7]

Preliminary data from the Ministry of Tourism indicate that total foreign visitor arrivals reached 2.4 million year-to-date through February 2026, representing an 18.4 percent increase over the same period in 2025. Growth was led by sea arrivals, which expanded by 20.6 percent to 2.1 million and accounted for approximately 88.0 percent of total visitors, and air arrivals also firmed by 4.7 percent to 299,601.Consistent with the strength in visitor flows, hotel performance indicators for January 2026 showed improving fundamentals for large Nassau and Paradise Island properties, with occupancy advancing by 2.6 percentage points to 74.4 percent, room revenues increasing by 15.5 percent, and the average daily room rate gaining 11.3 percent to $458.5.

3.3 Medium-Term Macroeconomic Outlook

In its 2025 Recent Economic Developments Report on The Bahamas (published in January 2026), the IMF projects a moderation in nominal economic activity in The Bahamas over the forward period estimates for 2026 through 2028. The momentum is expected to be supported by steady tourism gains and a healthy pipeline of private sector investment projects.

As shown in **Table 1**, the pre-crisis scenario forecast nominal GDP growth to slow to 2.7 percent in 2026 and strengthen to 3.2 percent in 2027, before easing slightly to 3.0 percent in 2028. After moderating to 2.2 percent in 2026, however, real GDP growth is expected to stabilize around 1.9 percent in 2027 and 1.8 percent in 2028.

Inflation is projected to trend upward gradually, rising to 1.5 percent in 2026,1.8 percent in 2027 and 1.9 percent in 2028. Labor market conditions are expected to improve modestly, with the unemployment rate projected at 9.4 percent in 2026, and declining slightly to 9.2 percent in 2027 and 9.0 percent in 2028.

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[4] BNSI Consumer Price Index Report December 2025

[5] 2025 IMF Article IV Report

[6] Central Bank of The Bahamas Quarterly Statistical Digest February 2026

[7] Tourism Today Foreign Arrivals (Air & Sea) Data 2025

In monetary developments, credit to the private sector is forecast at $6,939 million in 2026, firming to $7,160 million in 2027 and $7,373 million in 2028. Broad money is expected to settle at $10,209 million in 2026, rising to $10,574 million in 2027 and $10,889 million in 2028.

On the external front, the current account deficit is forecast to narrow and stabilize at $1,268 million in 2026 and 2027 and improve slightly to $1,219 million in 2028. External reserves, which stood at $2.8 million at end-2025, is projected higher at $2.9 million in 2026, and $3.0 million in 2027, and peak at approximately $3.2 million in 2028.

Table 1: Macroeconomic Projections

	Unit	2026	2027	2028
Nominal GDP Growth	%	2.7	3.2	3.0
Real GDP Growth	%	2.2	1.9	1.8
Credit to Private Sector	B$M	6,939.0	7,160.0	7,373.0
Broad Money	B$M	10,209.0	10,574.0	10,889.0
External Reserves	B$M	2,941.0	3 ,078.0	3,202.0
Inflation	%	1.5	1.8	1.9
Unemployment Rate	%	9.4	9.2	9.0

The assumptions underlying the above baseline forecasts envisaged a continuation of relatively stable to strengthening gains in domestic economic activity. However, the escalating of the conflict in the Middle East, which has triggered significant and persistent disruptions to global energy markets, presents downside risks to the macro-fiscal outlook. These are likely to be transmitted through a layered set of channels, and with increasing impact depending on the duration of the conflict.

- **Tourism demand**. In a sustained scenario, elevated energy costs could compress US household disposable income and, together with weakened consumer confidence, adversely impact travel and dampen the level of domestic activity. However, this critical vulnerability is expected to be partially mitigated by The Bahamas' proximity to key source markets which provides a relative comparative advantage, as past experience shows that travelers tend to opt for shorter, close-to-home destinations.

- **Domestic Fuel Import Price Increases**. Price hikes will feed into electricity tariffs, although some near-term pressure will be relieved by the existing oil price hedge in place by the Bahamas Power and Light Company. Higher fuel and electricity costs will also place upward pressure on water production costs, given the Water and Sewerage Corporation's reliance on energy-intensive desalination. This could weaken WSC's operating position, complicate cost recovery, and increase risks around debt servicing and existing loan obligations unless offset by tariff adjustments or government support.

- **Inflation**. Apart from the impact on electricity tariffs, higher energy costs will have direct adverse consequences for transportation costs, feeding through to prices across supply chains for goods and services.

- **Fiscal Performance**. Compression in tourism demand could dampen domestic demand and overall economic activity, with knock-on implications for the pace of fiscal improvement relative to the baseline path.

As the severity of the impact of the oil price shock will be determined by duration and the trajectory of the conflict, the government has adopted a multi-pronged approach. This includes active monitoring of external developments; proactively emphasizing the value proposition of the Bahamian tourism product—including proximity to its largest markets; progressing with commitments to the energy transition agenda and prudently considering policy measures that may be necessary to address any emerging risks to fiscal sustainability.

4. Fiscal Performance and Outlook

The PEFU is basically consistent with the FY2025/26 Mid-Year Budget Performance Report, with changes to address an intensification of risks from the escalating Middle East to be fully considered in the upcoming budget proposals for FY2026/27.

4.1 Budget Execution

a) FY2024/2025 Outturn

As a backdrop, the revenue outturn for FY2024/25 benefited from the resilience of economic activity. Compared to the prior fiscal year, total revenue increased by $326.9 million (10.7 percent) to $3,396.0 million, achieving 95.8 percent of the approved budget. This outturn was largely fueled by robust growth in tax revenues, amid improved compliance, increased enforcement initiatives, and targeted policy measures. Tax revenue collections improved by $290.3 million (10.6 percent) to $3,026.4 million, representing 96.3 percent of the budget target. Non-tax revenue also grew by $36.2 million (10.9 percent) to $369.2 million.

Aggregate expenditure for FY2024/25 was higher by $211.8 million (6.5 percent) at $3,474.9 million, equating to 96.2 percent of the approved budget. Recurrent spending, which rose by $227.8 million (7.7 percent), over the prior year, included gains in compensation of employees of $35.1 million to $878.4 million. Capital outlays declined by $16.1 million (5.3 percent) to $285.6 million, 82.9 percent of the budgeted allocation. Primary expenditure, which represents expenditure before interest and other debt charges, increased 5.8 percent to $2,802.5 million, with public debt interest payments up by 9.7 percent to $672.4 million.

As a consequence of these developments, the deficit on the Government's overall fiscal position narrowed significantly to $78.9 million in FY2024/25 from $194.0 million in the previous fiscal year. The deficit was aligned with the budgeted target of 0.5 percent of estimated GDP.

b) Eight Months of FY2025/26 Outturn

Revenue Performance

Revenue receipts for the eight months to February of FY2025/26 aggregated $2,109.2 million, an increase of $72.3 million (3.5 percent) over the prior year and represented 54.1 percent of the budget target. Tax revenue improved by $81.6 million (4.5 percent) to $1,893.9 million, benefitting from notable gains in Value Added Tax collections ($97.8 million). Non-tax revenue declined by $10.1 million (4.5 percent) to $214.3 million and was primarily attributed to timing related differences in collections of interest and dividend income and bank surplus fees.

In a new revenue policy measure, effective April 1, 2026, the Government reduced the VAT rate on unprepared food items, lowering it from 5.0 percent to exempt status. This follows earlier reductions implemented in April 2025 and September 2025, which decreased the VAT rate on unprepared food items and on medicines, respectively, from 10.0 percent to 5.0 percent. Amid the strong economic outturn, this measure is not expected to have an adverse impact on the fiscal finances, with foregone VAT collections estimated at $15.0 million.

Revenue performance, which exhibited the typical pattern of lower collections in the first half of the fiscal year, is also anticipated to depict a concentration of receipts in the second due to the scheduled timing of major fee and tax payments, including business license fees, bank and financial service fees, road traffic fees, and property taxes. Added to this will be the revenue proceeds from the introduction of the DMTT on large corporations, which is projected at approximately 0.7 percent of GDP. Despite the VAT relief, the revenue evolution in the second half provides some degree of predictability to support achievement of the government's fiscal consolidation objectives for FY2025/26.

Notwithstanding these budgeted expectations, the government is mindful of the growing risks to fiscal outcomes from the ongoing Middle East conflict. These threats are being monitored and any adjustments required will be made in the FY2026/27 budget proposals.

Expenditure Performance

Total expenditure for the review period reached $2,402.1 million—a year-over-year gain of $52.9 million (2.3 percent) and equivalent to 62.9 percent of the budget. Primary expenditure was higher by 2.8 percent at $1,979.6 million, reflecting modest increase in social assistance, pension, personal emoluments and subsidy payments.

Recurrent expenditure grew by $35.5 million (1.7 percent) year-over-year to $2,164.1 million, with the recent public salary review elevating spending on employee compensation by $28.0 million (4.8 percent) to $606.6 million. Other increases in recurrent spending were mainly linked to growth in social assistance and pension payments ($11.4 million) and timing-related insurance premium payments ($20.5 million).

Capital expenditure advanced by $17.4 million (7.9 percent) to $238.0 million. In the underlying transactions, outlays for the acquisition of non-financial assets and capital transfers expanded by $8.5 million and $8.9 million, respectively.

For the eight months to February 2026, withdrawals from the budget reserve appropriations account totaled $44.6 million. The $30.9 million for recurrent outlays was allocated for lease and vendor payments, State-Owned Entities' (SOE) debt servicing, operational support for the Bahamas Air Navigation Services Authority (BANSA), and overtime payments associated with ongoing government operations. Capital drawdowns of $13.7 million were directed primarily towards essential infrastructure works for school repairs and the maintenance and rehabilitation of key road networks.

Overall Fiscal Balance

The Government's overall deficit for the eight months to February of FY2025/26 narrowed to $292.9 million from $312.3 million in the same period of the previous fiscal year. The fiscal outturn aligns with the broader trend of improving public finances observed over the past two fiscal years, during which higher tourism-related revenues, increased VAT compliance, and controlled spending helped reduce both the primary and overall deficits.

Table 2: Fiscal Outturn

	ACTUALS			BUDGET	
			8-Mths		
	FY2023/24	FY2024/25	FY2025/26	FY2024/25	FY2025/26
TAX REVENUE					
Taxes on Income, Profits and Capital Gains	**-**	**-**	**-**	**-**	**130.1**
Taxes on Property	**203.2**	**210.0**	**100.9**	**230.0**	**254.6**
Taxes on Goods & Services	**1,800.6**	**1,944.0**	**1,249.0**	**2,066.1**	**2,081.5**
VAT	1,346.3	1,438.0	1,016.5	1,515.6	1,524.9
Stamp Taxes (Financial & Realty)	108.8	125.8	73.9	141.9	152.2
Excise Tax	18.7	10.8	6.4	3.8	11.0
Taxes on Specific Services (Gaming)	45.4	47.2	25.2	62.3	57.0
Motor Vehicle Taxes	34.7	39.6	22.6	51.2	51.2
Company Taxes	19.6	32.1	13.8	30.2	23.6
License to Conduct Special Business Activity	219.7	242.0	82.0	242.1	240.1
Marine License Activities	7.4	8.4	8.6	18.8	21.5
Taxes on Int'l Trade & Transactions	**725.2**	**871.7**	**541.2**	**830.5**	**972.0**
General Stamp Taxes	**7.1**	**0.7**	**2.8**	**16.1**	**1.0**
TOTAL TAX REVENUE	**2,736.1**	**3,026.4**	**1,893.9**	**3,142.6**	**3,439.2**
NON-TAX REVENUE					
Property Income	47.2	58.3	22.4	61.8	65.1
Sales of Goods & Services	238.7	266.1	181.5	240.1	304.5
Other	47.2	44.9	10.4	92.4	78.2
TOTAL NON-TAX REVENUE	**333.0**	**369.2**	**214.3**	**394.4**	**447.9**
TOTAL TAX & NON-TAX REVENUE	**3,069.1**	**3,395.6**	**2,108.2**	**3,537.0**	**3,887.1**
CAPITAL REVENUE					
Grants	-	0.4	1.0	3.0	9.2
Capital Revenue	-	0.1	0.0	3.4	0.0
TOTAL CAPITAL REVENUE	**-**	**0.4**	**1.0**	**6.3**	**9.2**
GRAND TOTAL ALL REVENUE	**3,069.1**	**3,396.0**	**2,109.2**	**3,543.3**	**3,896.3**
RECURRENT EXPENDITURE					
Compensation of Employees	**843.3**	**878.4**	**606.6**	**888.8**	**938.0**
Use of Goods & Services	**561.4**	**691.6**	**433.4**	**687.3**	**735.3**
Travel & Subsistence	17.5	17.2	12.2	12.5	15.4
Rent	102.6	110.5	70.6	120.8	115.3
Utilities & Telecommunications	51.2	111.5	22.9	100.9	99.6
Supplies & Materials	44.0	38.0	29.2	44.4	44.6
Services	254.4	302.0	222.5	306.4	307.6
Minor capital repairs	4.7	4.7	3.0	5.2	5.4
Finance charges	21.4	25.2	6.2	20.0	21.6
Special Financial Transactions	28.1	54.9	31.1	47.1	70.9
Tourism Related	3.0	3.0	-	3.0	3.0
Local Gov't Districts	14.8	14.8	9.6	14.8	14.8
School Boards	0.1	0.1	0.1	0.1	0.1
Other	19.6	9.6	25.9	12.0	36.9
Public Debt Interest	**613.2**	**672.4**	**422.5**	**656.7**	**668.0**
Subsidies	**412.6**	**401.6**	**298.1**	**411.8**	**450.6**
Grants	**9.1**	**9.1**	**3.6**	**10.7**	**11.3**
Social Assistance Benefits	**61.1**	**37.7**	**30.1**	**62.5**	**66.4**
Pensions & Gratuities	**182.7**	**196.1**	**134.5**	**189.7**	**201.6**
Other Payments	**278.0**	**302.5**	**235.3**	**361.1**	**373.2**
TOTAL RECURENT EXPENDITURE	**2,961.4**	**3,189.3**	**2,164.1**	**3,268.6**	**3,444.5**
CAPITAL EXPENDITURE					
Capital Transfers	51.4	42.1	38.9	101.2	120.7
Acquisition of non-financial assets	250.3	243.5	199.1	243.3	255.6
TOTAL CAPITAL EXPENDITURE	**301.7**	**285.6**	**238.0**	**344.5**	**376.3**
TOTAL EXPENDITURE	**3,263.1**	**3,474.9**	**2,402.1**	**3,613.1**	**3,820.8**
of which: PRIMARY EXPENDITURE	**2,650.0**	**2,802.5**	**1,979.6**	**2,956.4**	**3,152.8**
FISCAL BALANCE	**194.0**	**78.9**	**292.9**	**69.8**	**75.5**

4.2 Medium-Term Fiscal Projections

The key forecasts in the 2026 PEFU remain broadly unchanged since the 2025 Budget and the FY2025/26 Mid-Year Budget Performance Report. The main assumptions are that economic momentum will continue to promote increased demand for goods and services and support revenue expansion, and prudent measures will contain expenditure growth, while delivering adequate levels of public investment. However, there is increasing potential for divergence from these projections, should the negative shocks from the ongoing conflict in the Middle East intensify and broaden.

As presented, the medium-term fiscal outlook for The Bahamas, remains anchored in the Government's latest budgetary assessments and reflects a stable macro-fiscal environment. Economic conditions are projected to remain positive, with sustained gains in the principal tourism sector supporting durable domestic demand and reinforcing revenue performance. Improvements in tax administration and compliance, particularly relating to VAT collections and fees associated with tourism activity, are anticipated to bolster fiscal receipts over the forecast horizon. These revenue enhancements, combined with ongoing efforts to rationalize expenditure, are forecast to underpin a gradually improving fiscal position, which is a central priority of the medium-term fiscal strategy.

Table 3: Medium-Term Fiscal Summary

	FORECASTS			
	FY2025/26	**FY2026/27**	**FY2027/28**	**FY2028/29**
Revenue	**3,896.3**	**4,263.1**	**4,405.2**	**4,556.3**
Recurrent	3,887.1	4,253.9	4,399.8	4,550.9
Capital & Grants	9.2	9.2	5.4	5.4
Expenditure	**3,820.8**	**3,971.7**	**4,105.6**	**4,246.5**
Recurrent Expenditure, of which:	3,444.5	3,579.6	3,700.3	3,827.3
Primary Expenditure	2,776.5	2,976.9	3,135.2	3,315.8
Capital Expenditure	376.3	392.1	405.3	419.2
Overall Balance: Surplus/(Deficit)	**75.5**	**291.4**	**299.6**	**309.8**
Interest Payments	668.0	602.7	565.1	511.5
Primary Balance	**743.5**	**894.1**	**864.7**	**821.3**
GDP (Current Prices)	**16,525.7**	**17,048.6**	**17,620.8**	**18,225.3**
Government Debt	**11,386.5**	**11,096.7**	**10,797.2**	**10,487.4**
Overall balance (% of GDP)	**0.5%**	**1.7%**	**1.7%**	**1.7%**
Revenue (% of GDP)	**23.6%**	**25.0%**	**25.0%**	**25.0%**
Total Expenditure (% of GDP)-- of which	**23.1%**	**23.3%**	**23.3%**	**23.3%**
Recurrent Expenditure	20.8%	21.0%	21.0%	21.0%
Primary Expenditure	16.8%	17.5%	17.8%	18.2%
Capital Expenditure	2.3%	2.3%	2.3%	2.3%
Gov't Debt as % of GDP	**68.9%**	**65.1%**	**61.3%**	**57.5%**

Consequent on these assumptions, the Government is targeting an overall budget surplus of 0.5 percent of GDP in FY2025/26. The fiscal targets across the medium-term horizon reflect this balanced approach. As shown in **Table 3**, the government aims to increase the revenue-to-GDP ratio to 23.6 percent in FY2025/26, building up to 25.0 percent in FY2026/27 as administrative reforms deepen and new policy measures take effect. These improvements are reinforced by strong tourism related taxes, and continued digitalization of the tax system. The additional revenue stream for the DMTT is expected to further strengthen the revenue base without placing disproportionate burdens on households or small businesses.

On the expenditure side, the medium-term framework established a recurrent expenditure-to-GDP target of 21.0 percent in FY2025/26, consistent with the government's commitment to containing upward pressures on wages and subsidies, while improving operational efficiency. The 2025 conclusion of the public service salary review is not expected to exert undue pressure on the wage bill, given the phased implementation strategy and broader reforms to preserve fiscal sustainability. Efforts to reduce transfers SOEs, particularly in the electricity, water, and health sectors, remain an integral to the government's expenditure rationalization goals.

Public investment continues to play a significant role within the fiscal strategy. Total capital investment, encompassing both central government projects and allocations to SOEs, is projected to reach 3.5 percent of GDP in FY2025/26 (central government projects account for 2.3 percent). Priority areas include renewable energy expansion, upgrades to airports and tourism infrastructure, climate-resilient public assets, and disaster preparedness initiatives. These investments will reinforce the government's commitment to long-term sustainability, competitiveness, and climate resilience, while helping to address capacity constraints in key sectors such as tourism and energy.

Looking ahead, the government's overarching fiscal objective maintains the reduction of central government debt to 50 percent of GDP by FY2030/31. Meeting this target will be anchored in continued revenue reform, strengthened expenditure controls, and enhanced public financial management systems—including the adoption of accrual-based accounting, improved fiscal reporting, and a more robust institutional framework for public-private partnerships.

Table 4: Medium-Term Revenue Estimates (B$M)

	FORECASTS			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29
TAX REVENUE (a+b+c+d+e)	**3,439.2**	**3,763.8**	**3,888.8**	**4,022.3**
a. Taxes on Income, Profits & Capital Gains	130.1	145.2	150.2	**155.4**
b. Taxes on Property	254.6	265.0	276.1	**285.6**
c. Taxes on Goods & Services (i+ii+iii)	**2,081.5**	**2,232.3**	**2,300.2**	**2,379.3**
i. General	**1,688.1**	**1,817.6**	**1,876.6**	**1,941.1**
VAT	1,524.9	1,643.7	1,689.7	1,747.9
Stamp Taxes (Financial & Realty)	152.2	161.3	173.1	179.0
Excise Tax	11.0	12.7	13.8	14.3
ii. Specific (Gaming taxes)	**57.0**	**58.5**	**59.9**	**62.0**
iii. Taxes on Use of Goods/Permission to Use	**336.4**	**356.2**	**363.8**	**376.3**
Motor Vehicle Taxes	51.2	61.5	63.9	66.1
Company Taxes	23.6	23.9	24.1	24.9
Licence to Conduct Special Bus. Activity	240.1	248.3	252.6	261.2
Marine License Activities	21.5	22.6	23.2	24.0
d. Taxes on International Trade & Transactions	**972.0**	**1,120.1**	**1,161.0**	**1,200.8**
Customs & other import duties	307.3	340.1	355.7	367.9
Taxes on Exports	266.1	319.7	333.0	344.4
Departure Taxes	397.7	459.3	471.3	487.4
Other	0.8	1.0	1.0	1.1
e. General Stamp Taxes	**1.0**	**1.2**	**1.3**	1.3
NON-TAX REVENUE (f+g+h+i+j+k)	**447.9**	**490.1**	**511.0**	**528.6**
f. Property Income	**65.1**	**67.0**	**69.3**	**71.7**
Interest & Dividends	46.3	47.7	49.3	51.0
Revenue_Gov't Property	18.8	19.3	20.0	20.7
g. Sales of Goods & Services	**304.5**	**319.5**	**332.9**	**344.3**
h. Fines, Penalties & Forfeits	**7.4**	**7.7**	**7.9**	8.2
i. Reimbursements & Repayments	**49.2**	**54.2**	**59.2**	61.3
j. Misc. & Unidentified Revenue	**20.4**	**40.5**	**40.5**	41.9
k. Sales of Other Non-Financial Assets	**1.3**	**1.3**	**1.3**	1.3
TOTAL TAX & NON-TAX REVENUE	**3,887.1**	**4,253.9**	**4,399.8**	**4,550.9**
Grants	5.8	5.8	2.0	2.0
Capital Revenue	3.4	3.4	3.4	3.4
GRAND TOTAL	**3,896.3**	**4,263.1**	**4,405.2**	**4,556.3**

Table 5: Medium-term Recurrent Expenditure Estimates by Economic Classification (B$M)

	FORECASTS			
	FY2025/26	**FY2026/27**	**FY2027/28**	**FY2028/29**
Compensation of Employees	**938.0**	**1,017.6**	**1,059.7**	**1,096.0**
Wages & Salaries	807.5	881.7	919.7	951.3
Allowances	88.6	91.1	93.1	96.3
NIB Contribution	41.9	44.7	46.8	48.4
Use of Goods & Services , of which:	**735.3**	**791.0**	**833.1**	**861.7**
Travel & Subsistence	15.4	16.6	17.3	17.9
Rent	115.3	120.7	123.0	127.2
Utilities & Telecommunications	99.6	110.0	118.4	122.5
Supplies & Materials	44.6	50.1	53.8	55.6
Services	307.6	328.1	346.4	358.3
Minor capital repairs	5.4	6.3	6.4	6.6
Finance charges	21.6	21.6	21.6	22.3
Special Financial Transactions	70.9	77.5	80.2	83.0
Tourism Related	3.0	3.0	3.0	3.1
Local Gov't Districts	14.8	14.9	14.9	15.4
School Boards	0.1	0.1	0.1	0.1
Other	36.9	42.1	48.0	49.7
Public Debt Interest	**668.0**	**602.7**	**565.1**	**584.4**
Subsidies	**450.6**	**469.4**	**508.1**	**525.6**
Grants	**11.3**	**11.3**	**11.3**	**11.7**
Social Assistance Benefits	**66.4**	**69.6**	**71.2**	**73.7**
Pensions & Gratuities	**201.6**	**215.9**	**230.2**	**238.1**
Other Payments	**373.2**	**402.1**	**421.6**	**436.1**
Current Transfers n.e.c.	287.6	309.7	326.4	**337.6**
Insurance Premiums	85.6	92.4	95.2	**98.5**
TOTAL	**3,444.5**	**3,579.6**	**3,700.3**	**3,827.3**

Table 6: Recurrent Expenditure Estimates by Administrative Classification (B$M)

	FORECASTS			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Governor General and Staff	2.1	2.2	2.3	2.4
Department of the Auditor General	2.8	3.0	3.0	3.1
Ministry of Public Service	377.3	401.1	417.7	432.1
Cabinet Office (includes Senate & House of Assembly)	12.2	13.1	13.8	14.3
AGO & Ministry of Legal Affairs (incudes Court of Appeals)	47.1	52.7	58.7	60.7
Office of the Judiciary	5.9	6.5	7.1	7.3
Registrar General's Department	7.1	7.6	7.8	8.1
Bahamas Department of Correctional Services	39.4	44.7	47.2	48.8
Parliamentary Registration Department	4.0	3.1	2.1	2.2
Ministry of Foreign Affairs	55.0	56.7	58.5	60.5
Office of the Prime Minister	22.2	22.0	22.1	22.8
Bahamas Information Services	2.7	2.9	3.0	3.1
Government Printing Department	1.5	1.5	1.5	1.6
Department of Local Government	30.4	31.6	32.2	33.3
Department of Physical Planning	1.1	1.2	1.2	1.3
Department of Lands and Surveys	2.6	2.7	2.8	2.9
Ministry of Finance	362.7	397.0	423.2	437.7
Treasury Department	81.3	88.5	92.9	96.1
Customs Department	42.0	46.9	49.3	51.0
Public Debt Servicing -Interest and Other Charges	689.5	624.2	586.6	606.7
Department of Inland Revenue	11.4	12.0	12.3	12.7
Ministry of National Security	20.4	21.6	22.7	23.5
Ministry of Immigration and National Insurance	38.3	42.6	44.7	46.2
Royal Bahamas Police Force	134.0	139.2	141.9	146.8
Royal Bahamas Defence Force	77.5	88.0	92.9	96.1
Ministry of Works and Family Island Affairs	48.2	50.1	50.9	52.7
Department of Public Works	21.0	23.1	24.0	24.8
Department of Education	216.4	240.0	251.1	259.7
Department of Archives	0.8	0.9	0.9	0.9
Ministry of Education and Technical and Vocational Training	137.1	138.0	139.4	144.2
Ministry of Energy and Transport	14.8	15.4	16.7	17.3
Ministry of Social Services, Information and Broadcasting	19.2	19.7	20.0	20.7
Department of Social Service	53.1	56.8	58.1	60.1
Ministry of Housing and Urban Renewal	11.1	11.5	11.7	12.1
Ministry of Youth, Sports, and Culture	27.1	32.8	37.7	39.0
Department of Labor	4.5	4.8	4.9	5.1
Ministry of Economic Affairs	7.0	7.2	7.2	7.5
Post Office Department	11.0	11.3	11.6	12.0
Port Department	9.4	9.9	10.5	10.9
Department of Road Traffic	8.0	8.7	8.9	9.2
Department of Meteorology	2.7	3.4	3.6	3.7
Ministry of Agriculture and Marine Resources	35.4	36.3	36.6	37.9
Department of Agriculture	6.1	6.7	7.0	7.3
Department of Marine Resources	3.0	3.5	3.6	3.8
Ministry of Health and Wellness	355.1	375.7	417.1	431.4
Department of Environmental Health Services	61.8	66.6	71.0	73.5
Department of Public Health	60.6	66.6	69.7	72.1
Ministry of Tourism, Investment and Aviation	123.4	124.9	125.4	129.7
Ministry of Labour and the Public Service	4.5	4.6	4.7	4.9
Ministry of Environment and Natural Resources	11.7	12.7	13.4	13.8
Department of Information, Communications and Tech.	37.3	44.5	49.6	51.3
Ministry for Grand Bahama	19.8	22.1	23.3	24.1
Ministry of Disaster Risk Management	60.5	65.0	69.5	71.9
Office of the Director of Public Prosecutions	3.6	4.3	4.5	4.6
GRAND TOTAL	**3,444.5**	**3,579.6**	**3,700.3**	**3,827.3**

Table 7: Recurrent Expenditure Estimates by Functional Classification (B$M)

	FORECASTS			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29
General Public Service	1,530.8	1,529.7	1,533.8	1,586.4
Defense	77.5	88.0	92.9	96.1
Public Order and Safety	296.7	320.4	335.6	347.1
Economic Affairs	295.3	310.5	320.2	331.1
Environmental Protection	148.9	158.7	167.8	173.5
Housing and Community Amenities	21.7	23.3	24.7	25.5
Health	415.2	441.8	486.3	502.9
Recreation, Culture and Religion	35.7	41.1	46.1	47.7
Education	352.2	376.3	388.2	401.6
Social Protection	270.5	289.8	304.8	315.3
GRAND TOTAL	**3,444.5**	**3,579.6**	**3,700.3**	**3,827.3**

Table 8: Capital Expenditure by Economic Classification (B$M)

	FORECASTS			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Capital Transfers	**120.7**	**91.7**	**88.4**	**91.5**
Acquisition of Non-financial assets	**255.6**	**300.4**	**316.9**	**327.7**
Fixed Assets	**253.6**	**298.4**	**314.9**	**325.7**
Buildings other than dwells.	97.0	129.1	140.5	145.3
Other structures	92.6	96.3	100.8	104.2
Transport equipment	17.4	22.6	25.1	25.9
Other Machinery & Equip.	26.4	30.5	29.2	30.2
Land Improvements	4.7	3.7	3.2	3.3
Other fixed assets	15.6	16.2	16.2	16.8
Land	**2.0**	**2.0**	**2.0**	**2.1**
TOTAL	**376.3**	**392.1**	**405.3**	**419.2**

Table 9: Capital Expenditure by Administrative Classification (B$M)

	FORECASTS			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29
Ministry of Foreign Affairs	8.6	9.1	8.1	8.4
Ministry for Grand Bahama	4.3	3.5	3.5	3.6
Ministry of Finance	130.4	115.3	112.3	116.1
Ministry of National Security	19.0	19.3	14.2	14.7
Royal Bahamas Defence Force	17.7	23.9	26.7	27.6
Ministry of Works and Family Island Affairs	87.5	114.2	129.3	133.8
Ministry of Education and Techn. and Voc. Training	40.2	43.0	44.0	45.5
Ministry of Agriculture and Marine Resources	3.6	2.2	1.1	1.2
Ministry of Health and Wellness	38.5	37.5	42.4	43.8
Ministry of the Environment and Natural Resource	3.3	1.1	1.1	1.2
Department of Information, Comms. and Tech.	5.9	3.7	2.4	2.5
Ministry of Energy and Transport	17.4	19.4	20.2	20.8
TOTAL	**376.3**	**392.1**	**405.3**	**419.2**

Table 10: Capital Expenditure by Functional Classification (B$M)

	FORECASTS			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29
General Public Service	84.5	93.7	89.7	92.8
Defense	17.7	23.9	26.7	27.6
Public Order and Safety	19.0	19.3	14.2	14.7
Economic Affairs	167.0	158.2	171.7	177.6
Environmental Protection	8.9	16.1	16.1	16.7
Health	38.5	37.5	42.4	43.8
Education	40.2	43.0	44.0	45.5
Social Protection	0.5	0.5	0.5	0.5
GRAND TOTAL	**376.3**	**392.1**	**405.3**	**419.2**

4.3 Tax Relief, Remissions and Other Waivers

The information provided in this section meets the requirements under section 24((b)(vii) of the PFM, for an update on tax relief, remissions, and other waivers. These items represent revenue foregone by the government through legislated exemptions, concessions, and policy-based incentives administered primarily through the customs and excise regime.

The principal measures include the following:

- Targeted Value Added Tax (VAT) relief on selected categories of essential goods to mitigate inflationary pressures on households;
- Expansion and continuation of concessions applicable to owner-occupied real property to support housing affordability objectives;
- Duty and tax concessions granted to qualifying economic sectors, including tourism, agriculture, fisheries, manufacturing, and small and medium-sized enterprises, under established statutory programmes;
- Concessions and waivers supporting reconstruction, rehabilitation, and economic activity in designated disaster recovery zones;
- Fiscal incentives to promote environmental sustainability and energy transition objectives, including concessions on renewable energy systems and energy-efficient technologies; and
- Sector-specific concessions and administrative waivers to facilitate significant national investment and development projects.

Based on the latest available data, as reported in the FY2025/26 Mid-Year Budget Performance Report, tax relief, remissions, and other waivers on duty and excise amounted to $125.8 million for the first six month of FY2025/26. This represented decline from $188.3 million and $230.9 million in the same period of FY2024/25 and FY2023/24, respectively (***see Table 11***). The reduction over the period largely reflects lower concessions granted under major investment-related programmes, particularly the Hotel Encouragement Act which remained the largest component at $59.0 million (46.9 percent of total relief in FY2025/26). Other significant categories included Industries Encouragement ($8.5 million), Small and Medium Business concessions ($5.7 million), Cottage and Light Industries ($6.1 million), and Clothing and Footwear exemptions ($5.8 million). Notably, exigency-related exemptions increased to $9.2 million in FY2025/26, while concessions associated with petroleum products and special economic recovery programmes declined compared to prior years.

Table 11: Tax Relief, Remissions, and Other Waivers for First Half of Fiscal Years (B$M)

	ACTUALS		
	FY2023/24	FY2024/25	FY2025/26
Affordable Homes Act	13.1	61.0	-
Agricultural Manufacturers Act	661.4	1,315.9	680.1
Aircraft Parts Bahamas Air/ Charters	4,280.7	5,145.8	1,672.7
Albany Bahamas	1,335.6	420.9	191.4
Art Supplies	89.9	169.6	252.1
AUTEC Agreement	5,167.9	1,530.1	746.7
Bahamas National Trust	186.5	147.1	51.2
Broadcasting Act	31.9	82.9	0.2
Capital Goods for Business in Grand Bahamas	319.7	154.0	153.0
Central Bank	10.3	8.3	20.6
Charitable Goods	565.3	433.4	488.7
Clifton Heritage Authority	0.8	-	-
Clothing/Footwear Accessories Exemption	11,853.1	7,812.3	5,804.1
Commercial Fishing/Bonefish Industries	1,242.6	960.9	466.2
Consulate And Consular Offices	2,857.0	878.7	1,299.3
Cottage And Light Industries	13,128.4	7,650.0	6,051.7
Dilapidated Building Exemption	54.2	2.2	4.0
Duty for Establishments of Foreign States	-	-	2.8
Educational Scientific/Cultural Goods	2,077.9	844.7	421.5
Electricity Act	8,853.5	11,774.6	4,297.1
Energy Efficient Appliances	-	-	0.2
Exemption For Collectors Works of Art	104.1	119.7	237.7
Exemption Medical Equip/Building Material	316.2	150.2	428.5
Exemption On Samples	38.8	4.7	14.4
Exemption On Systems Building	274.3	129.7	76.9
Exemption On Trophies	21.6	5.0	15.5
Exemption Port Area Manufactured	88.1	75.0	56.5
Exemption Religious Organization	470.1	584.4	548.6
Exemption- Historic Buildings	15.1	53.9	-
Exigency Exemption	5,688.6	1,951.1	9,196.3
Family Island Development Encouragement Act	6,720.6	5,847.1	3,385.1
Floriculturist/Agricultural Cooperative Societies	1,143.8	1,563.9	458.7
Gifts To the Government	1,195.7	1,004.4	599.9
Heads Of Agreement/ Royal Caribbean Cruises	271.4	105.7	1,145.8
Hotel Encouragement	96,577.6	83,157.4	59,026.5
Human Remains	1.6	0.9	2.6
Immunities & Privileges Act	5.9	53.3	-
Industries Encouragement	21,727.1	17,928.3	8,540.9
Livestock/Fish/Farm Industries	169.0	213.7	56.7
Machinery Parts/Accessories for Manuf. Industry	-	-	1,259.6
Nassau Revitalization	259.5	219.9	717.8
Over The Hill/ Economic	23.8	-	-
Petroleum Products	8,483.0	7,382.3	2,362.3
Portable Water	-	0.5	0.1
Precious Metals for the Securities Exchange	1.0	-	-
Printing/Raw Materials	360.9	315.2	223.4
Promotional Articles for Touristic Purposes	0.4	-	0.8
Reimported Bahamian Products	29.1	256.1	15.8
Returning Resident	1,041.5	1,082.3	765.9
Riding Point Holdings	1,984.9	4,338.2	618.6
Small Medium Business	5,480.4	5,530.5	5,707.5
Solar Panels	1,145.1	473.3	876.3

Table 11: Tax Relief, Remissions, and Other Waivers for First Half of Fiscal Years (B$M)

	ACTUALS		
	FY2023/24	FY2024/25	FY2025/26
Special Economic Recovery Zone	10,081.9	6,891.3	143.9
Spirit And Beer Manufacturers Act	5,450.9	3,578.5	2,368.5
Sporting Exemption	268.2	153.5	84.8
Sports Center Project	1,769.3	342.1	47.9
Supplies For Arawak Cay	16.1	-	-
Taxi Cabs and Omni Buses	2,850.9	1,898.4	1,473.3
Temporary Import/Export	4.1	0.9	6.8
Vehicles For Govt	562.4	563.8	1,166.6
Vessel And Vessel Parts	418.2	232.0	66.8
Waste Processing Machinery	298.6	242.8	230.7
Water and Sewerage	2,810.6	2,449.6	1,305.6
Total	**230,900.6**	**188,292.2**	**125,837.2**

4.4 Arrears and Unpaid Invoices

The distinction between arrears and unpaid invoices is important in assessing fiscal performance and cash management. While arrears represent obligations carried over from prior fiscal years, unpaid invoices reflect current-year commitments that remain within the normal payment cycle and are expected to be settled in due course. The government continues to prioritize the clearance of legacy arrears, while strengthening commitment controls and cash flow forecasting to prevent the recurrence of arrears in future periods.

As at end-December 2025 (the latest available data), the outstanding stock of arrears across all government ministries, departments, and public entities totaled $60.5 million. The arrears balance is concentrated in a small number of entities, with the largest shares attributable to the Ministry of Works & Family Island Affairs (35.6 percent), the Ministry of the Public Service (30.1 percent), the Department of Information and Communications Technology (12.7 percent), and health sector entities (13.9 percent).

Unpaid invoices relating to recurrent expenditure, capital expenditure, and transfers to state-owned enterprises accumulated to $181.4 million as at end-December 2025.

5. Government Debt and Liabilities

Section 24(b)(v) of the PFM requires updated information on net and gross debt for the current fiscal year and the next three fiscal years. The data provided in the 2026 PEFU has not changed significantly since the release of the data provided in the government's second quarter Public Debt Statistical Bulletin for FY2025/26.

5.1 Debt Stock and Financing

As shown in **Table 12,** central government debt grew by an estimated $637.6 million over the first half of FY2025/26 to $12,406.8 million at end-December 2025, the equivalent of approximately 75.1 percent of nominal GDP[8]. The government's net debt position, after accounting for total cash balances and sinking fund assets, stood lower at $11,858.1 million (71.5 percent of nominal GDP).

Gross debt projections over the medium-term, as derived within the context of the Medium -Term Debt Management Strategy (FY2026/27 – FY2028/29), show a gradual reduction to $10,487.4 million by FY2028/29. Although detailed cash balance projections for the outer years are not available, net debt levels are expected to be reduced in line with the projected improvement in the overall fiscal position.

Based on the latest medium-term debt strategy, which projects the government's debt through FY2028/29, nominal debt is forecasted at 61.5 percent of nominal GDP[9].

Table 12: Central Government Net and Gross Debt (B$M)

	ACTUALS			
	FY2022/23	FY2023/24	FY2024/25	FY2025/26 End-Dec 2025
Gross Debt	11,259.5	11,313.8	11,769.2	12,406.8
Total Cash Balance	120.6	116.4	96.9	548.7
Net Debt	11,138.9	11,197.4	11,672.3	11,858.1
Nominal GDP	14,867.6	15,552.4	16,327.5	16,591.3
Net Debt (as % of GDP)	74.9%	72.0%	71.5%	71.5%

Over the first half of FY2025/26, growth in the debt stock was mainly comprised of net domestic financing operations at 69.8 percent of the total, with net external borrowings contributing the remaining 30.2 percent. The movements in the debt stock over the first half of the fiscal year were explained by the following financing transactions:

- Net Treasury bill issuance of $277.2 million.
- Net increase in Central Bank advances of $290.3 million.
- Net domestic bond repayments of $55.5 million.
- Net repayment of domestic loans totaling $65.8 million.
- External disbursements aggregating $240.0 million in policy-based loans— $160 million from the Inter-American Development Bank and $80 million from the Development Bank of Latin America and the Caribbean (remaining $20 million was drawn in April 2026).
- External repayments of $52.1 million on commercial and multilateral/bilateral debt.

[8] Public Debt Statistical Bulletin Q2 FY2025/26

[9] Medium Term Debt Management Strategy FY2026/27 to FY2028/29

The timing of government's borrowing activities continue to mirror the seasonality in fiscal operations. Typically, the bulk of revenue collections tend to occur in the second half of the year necessitating a front loading of borrowings to meet operational needs in the opening half.

Since the beginning of the fiscal year, the government executed a $280.7 million loan facility with the Chinese Export Import Bank for financing of the construction of the new hospital. Drawings are not anticipated until the next budget year.

5.2 Government Guarantees

Section 24(b)((vi) requires the reporting of updated information on government guarantees.

The government has a portfolio of explicit contingent liabilities, that, if crystallized, could represent a call on the fiscal resources. These guarantees are continuously monitored to assess potential impacts on the government's fiscal position and are reported on a quarterly basis.

Details of the government's guaranteed obligations are summarized in **Table 13**. Of the $317.4 million outstanding at end-December 2025, $309.0 million (97.4 percent) was in respect of the SOEs, with the remaining $8.4 million representing guarantees on private sector obligations from financial institutions which were facilitated via the Small Businesses Development Centre.

In recent related activities, the government received the approval of Parliament to guarantee:

- the issuance of the USD30.0 million Performance Letter of Credit by Banco Santander, S.A. on behalf of Bahamas LNG Partners Ltd., a special purpose vehicle (SPV) of the government, under the liquified natural gas project (March 2026).
- borrowings of USD200 million and BSD80.0 million by the Grand Bahama Energy Company, a government SPV, for the purpose of acquiring the Grand Bahama Power Company Limited (March 2026).
- an additional credit facility of BSD34.0 million (March 2026), to be used by the Public Hospitals Authority (PHA) for acquiring Doctor's Hospital Harbourside. This is to extend the previously guaranteed BSD75.0 million loan facility (March 2025) for undertaking repairs to Princess Margaret Hospital, the Rand Hospital and the Sandilands Rehabilitation Centre.

As a consequence, the evolution of level of guarantees over the forward three years will be significantly determined by the actual drawings on the prospective underlying credit facilities.

Table 13: Government Guarantees (B$M)

	ACTUALS			FORECASTS		
	FY2023/24	FY2024/25	FY2025/26 End-Dec	FY2026/27	FY2027/28	FY2028/29
Bahamas Development Bank	37.5	35.0	35.0	28.7	27.1	25.4
Bahamas Technical and Vocational Instit.	0.0	0.0	0.0	10.0	10.0	10.0
Bahamas Water and Sewerage Corp.	51.2	47.2	53.0	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	142.5	142.3	142.3	132.3
Bahamas LNG Partner Ltd.	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
Total	**342.7**	**321.3**	**317.4**	**718.1**	**743.4**	**730.7**

6. Other Financing and Expenditure Matters

6.1 New Spending Approvals

Between July and December 2025, the government authorized $260.3 million in new spending commitments, which constitute direct obligations and exclude expenditures related to SOEs or special arrangements such as public-private partnerships (PPPs).

The approved allocations supported a wide range of projects across multiple ministries, focusing on service delivery, equipment procurement, policy implementation, and institutional strengthening. The Ministry of Works and Family Island Affairs accounted for $129.2 million (49.6 percent) of the total, reflecting the scale of coastal infrastructure works and major reconstruction projects across the Family Islands. Additional approvals were utilized for education infrastructure and system upgrades, national security assets and surveillance expansion, defense force vessel refits, public sector digital systems, alongside health, housing, environmental management, and administrative modernization initiatives.

6.2 Loans to Public Entities

In keeping with the objectives of the government's lending policy framework, the government provides short-term liquidity support to Agencies and Government Business Enterprises to enable them to meet time-bound financing needs and to support the implementation of development projects. Usage categories have included minor capital works, operational expenses, vendor payments, arrears, and debt service obligations, airport infrastructure and aviation-related activities.

Table 14: Loans to Public Entities (B$M)

	ACTUALS		
	End-June 2024	End-June 2025	End-March 2026
Afro-Caribbean Marketplace & Logistic Center	-	-	1.9
Airport Authority	13.9	30.7	7.6
Bahamasair	3.5	3.5	3.5
Bahamas Development Bank	-	0.7	2.5
Bahamas Mortgage Corporation	14.0	14.0	14.0
Bahamas Public Parks & Public Beaches Authority	-	10.9	10.9
Bahamas Power and Light & BEC	241.5	241.5	241.5
Bahamas Power and Light	140.0	199.0	204.0
Bahamas Resolve Ltd	1.5	1.5	1.5
Bahamas Agricultural Industrial Corporation	-	1.5	1.5
Broadcasting Corporation of The Bahamas	-	0.9	4.7
Bahamas Technical Vocational Institute	-	0.5	0.5
Carmichael Village Project Development Co.	-	10.0	20.2
Lucayan Renewal Holdings Company	-	17.7	17.7
Education Loan Authority	-	-	1.9
HOLDINGCO2015 LTD.	10.8	10.8	10.8
National Health Insurance Authority	-	-	2.9
National Sports Authority	-	10.5	10.5
Public Hospitals Authority	16.6	25.4	35.4
Water and Sewerage Corporation	-	18.0	38.0
Total	**441.7**	**596.8**	**631.4**

As shown in **Table 14**, short-term loans to public entities rose from $441.7 million at end-June 2024 to $631.4 million by end-March 2026—with 70.6 percent related to the electricity utility companies.

7. Fiscal Risks and Mitigation Strategies

This section meets the requirements under section 24(b)(c) of the PFM by providing an update of the fiscal risk position compared to the 2025 Fiscal Strategy Report and the FY2025/26 Annual Budget.

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. To support the identification and prioritization of fiscal risks across the key fiscal risk categories, as summarized in **Table 15**, the government applies the IMF Fiscal Risk Assessment Tool (FRAT). Based on both likelihood of realization and potential fiscal impact over the medium term, the FRAT was applied to evaluate:

- **Macroeconomic risks**, including global inflation, growth slowdowns, and interest rate shocks, which have direct implications for revenue performance and expenditure pressure;
- **Government guarantee risks**, particularly in relation to SOEs, where contingent liabilities could materialize into direct budgetary obligations;
- **Environmental and climate-related risks**, such as hurricanes pose large, sudden, and recurrent fiscal shocks; and
- **Specific revenue risks**, including volatility in grants and any other idiosyncratic sources of receipts.

Table 15: Government Fiscal Risk Profile

Risk Category	Fiscal Impact	Likelihood	Change from FSR 2025
Macroeconomic	High	Possible	No change
Environmental	High	Probable	No change
Government guarantees	Medium	Possible	Assessment change
Specific revenues	Low	Possible	Assessment change

Since the publication of the 2025 FSR and the FY2025/26 Annual Budget, the government has continued to strengthen its fiscal risk management capacity. The reassessment incorporated enhanced technical analysis following recent capacity-building initiatives and reflects updated data.

7.1 Macroeconomic Risk

Fiscal outcomes remain closely tied to tourism demand, global energy prices and external interest rates. These risks continue to be assessed 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, despite the recent improvements in economic growth, revenue performance and fiscal consolidation.

Since the publication of the 2025 FSR and the FY2025/26 Mid-Year Budget Performance Report, these external risks have crystalized in the wake of the recent escalation of the Middle East conflict, with potential increasing downsides for the economy.

As identified in Section 3.3 of the PEFU, the government continues to mitigate macroeconomic risks through strengthened macro-fiscal monitoring, prudent debt management, and ongoing fiscal consolidation efforts.

7.2 Environmental Risks

Climate-related environmental risks, particularly hurricanes, storm surge, flooding, and long-term climate change effects, continue to pose a severe and recurring threat to The Bahamas' fiscal and economic stability. These events often require substantial emergency borrowing and spending, infrastructure rehabilitation, and social support, while simultaneously reducing economic activity and materially weakening revenue performance. Consequence, environmental risks remain classified in the high impact and probable likelihood zone of the Fiscal Risk Heat Map,

Over the past decade, natural disasters have generated an estimated $3.1 billion in economic losses for The Bahamas, largely reflecting the severe fiscal impact of Hurricane Dorian and highlighting the country's exposure to climate-related shocks.

Since the publication of the FY2025/26 Annual Budget, no major environmental event has occurred. Hurricanes Erin and Melissa, which passed near The Bahamas, did not cause significant damage. Tropical Cyclone Imelda moved through the archipelago in September 2025, producing tropical-storm-force winds and localized disruptions. Some damages were reported in parts of the southern islands, and periods of intense rainfall in 2025 resulted in localized flooding in New Providence that required drainage works and infrastructure maintenance. However, these events had no material impact on the government's fiscal trajectory.

The Government continues to strengthen fiscal resilience to environmental risks through a combination of disaster risk financing, risk transfer, and resilience-building measures. These include:

- access to a $100 million contingent credit facility with the Inter-American Development Bank;
- participation in parametric disaster insurance through the Caribbean Catastrophe Risk Insurance Facility (CCRIF);
- the negotiation of Principal Payment Options (PPOs) with multilateral creditors to provide temporary debt service relief following major disasters;
- revisions to the National Building Code to incorporate climate-resilient construction standards, disaster relief resources supported in part by dormant bank account balances; and
- expanded access to concessional climate finance through mechanisms such as the Green Climate Fund (GCF).

7.3 Specific Revenue Risks

Specific revenue risks refer to fiscal risks arising from revenue streams that are not directly linked to underlying macroeconomic performance but instead depend on discretionary, non-recurring, or externally determined factors. In the context of The Bahamas, specific revenues primarily comprise external grants and other one-off transfers, which may be subject to timing uncertainty, disbursement conditions, and donor implementation schedules. These revenues are inherently less predictable than tax revenues and may result in deviations between projected and realized fiscal outcomes.

The FRAT re-run reassessment incorporated improved differentiation between sensitive revenues at the macroeconomic level 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 having low potential fiscal impact and remote likelihood of realization, representing a downward revision from the 2025 FSR classification.

This reclassification reflects both the relatively small contribution of grants and other specific revenues to total government revenue and the limited fiscal exposure associated with deviations in these inflows. While grant disbursements may fluctuate due to administrative, procedural, or project implementation factors, these deviations are not expected to materially affect fiscal balances, debt dynamics, or overall fiscal sustainability. Furthermore, improvements in fiscal monitoring, reporting, and coordination with development partners have enhanced the government's capacity to more effectively track and manage these inflows.

The government continues to strengthen fiscal planning and revenue monitoring frameworks to mitigate risks associated with specific revenues. Enhanced tracking of externally financed projects, improved integration of grant forecasts into fiscal projections, and strengthened public financial management systems support more accurate revenue forecasting and reduce fiscal uncertainty associated with grant-dependent inflows.

7.4 Government Guarantees

As reported under Section 6.2 of the PEFU, government guarantees represent contingent liabilities that may materialize as direct fiscal obligations if the underlying borrower fails to meet its debt servicing commitments. Crystallization of these risks could result in unplanned expenditures, increased borrowing requirements, and upward pressure on the public debt.

The FRAT was re-applied using updated contingent liability data and revised projections of guaranteed debt exposures. This reassessment incorporated improved classification of guaranteed exposures, distinguishing between umbrella guarantees, which support structured lending programs extended to multiple beneficiaries under defined policy frameworks, and one-off guarantees, which apply to individual borrowing arrangements for specific entities.

Government guarantees were assessed as having medium potential fiscal impact and possible likelihood of realization. This reflects the potential magnitude of fiscal exposure should multiple guarantees be triggered, given the size of outstanding guaranteed debt relative to fiscal aggregates. However, the likelihood of realization is assessed as possible, reflecting the absence of guarantee calls in the past ten years and the continued financial performance and oversight of guaranteed entities. As of the date of this report, no transaction or event has occurred that would crystalize risks for these contingent liabilities.

The government continues to mitigate guarantee-related fiscal risks through strengthened institutional and policy measures. The Guarantee and On-Lending Policy Framework establishes formal eligibility criteria, mandatory credit risk assessments, issuance limits, and guarantee fee structures to manage fiscal exposure. In addition, enhanced financial monitoring of public corporations allows for early identification of financial stress and supports proactive fiscal risk management. These measures have improved transparency, strengthened fiscal oversight, and reduced the likelihood of contingent liabilities materializing as direct fiscal obligations.

7.5 Other Risks

Other fiscal risks stem from structural and institutional exposures not fully captured under macroeconomic, environmental, revenue, or guarantee-related risk categories. While no material changes have occurred since the 2025 FSR, these risks continue to warrant monitoring due to their potential medium-term fiscal implications.

7.5.1 Pensions

The government continues to face a significant structural fiscal risk arising from its non-contributory defined benefit pension scheme for permanent and pensionable public service officials. Demographic trends, increased longevity, and maturing cohorts of public officers have accelerated expenditure growth.

Based on actuarial assessments, including the feasibility study conducted by KPMG Advisory Services Ltd., total pension liabilities are projected to reach approximately $4.1 billion by 2032. Annual cash outflows—covering pensions and gratuities—are projected to increase from approximately $165 million to $219 million over the same period. For the eight months to February 2026, pension and gratuity payments accounted for approximately 6.2 percent of recurrent expenditure, underscoring their growing fiscal weight.

Absent reform, these unfunded obligations will continue to exert upward pressure on the fiscal balance, constrain fiscal space, and increase medium-term expenditure rigidities. The government's White Paper, which outlines comprehensive pension reforms, represents a major step toward modernizing the public pension system and strengthening long-term fiscal sustainability.

7.5.2 Arrears

Payment arrears and accounts payable (see latest available data in Section 4.4) represent fiscal risks arising from timing mismatches between expenditure commitments and available cash resources. While fluctuations in accounts payable are a normal feature of government financial operations, persistent accumulation of overdue obligations may create fiscal pressures, weaken supplier confidence, and increase the cost of goods and services due to perceived payment risk.

The government continues to strengthen arrears monitoring and management following the comprehensive arrears verification and clearance strategy initiated in 2021. As of end-December 2025, arrears were estimated at approximately 0.4 percent of nominal GDP, reflecting a slight increase from 0.2 percent in the prior year.

To mitigate arrears-related fiscal risks and strengthen expenditure discipline, the government continues to implement targeted reforms, including enhanced monitoring and reporting, structured clearance and payment prioritization strategies, improved cashflow and liquidity management and ongoing improvements to public financial management frameworks.

While the increase in accounts payable reflects ongoing operational and capital expenditure activity, the stock of aged arrears remains contained relative to overall fiscal aggregates. Continued fiscal consolidation, improved financial management systems, and strengthened expenditure controls are expected to support gradual reduction of arrears-related fiscal risks over the medium term.

7.6 Credit Rating Risk

Sovereign credit rating risk remains an important fiscal concern because it directly influences borrowing costs, market access, and investor confidence. A downgrade would raise debt-servicing costs, heighten the sovereign risk premium applied to SOEs and private issuers, and erode fiscal space—limiting the Government's ability to respond to shocks.

In recent years, fiscal consolidation, stronger primary balances, and a more robust economic performance have helped to stabilize and gradually improve the sovereign credit outlook. Ratings agencies have acknowledged this progress: in April 2025 Moody's revised the outlook to "positive", while affirming the Ba2 rating; in September 2025, S&P upgraded its long-term and local currency credit rating to BB- from B+ rating ,with a stable outlook; and in April 2026 Fitch affirmed its inaugural BB- rating with a stable outlook.

The government continues to mitigate downgrade risk through a comprehensive policy framework, which includes multi-year fiscal consolidation goals, macroeconomic diversification efforts, strengthened fiscal institutions, and proactive engagement with rating agencies and international partners.

7.7 Public-Private Partnerships

The Government faces a potential contingent liability of $140 million arising from financing arrangements with the African Export–Import Bank (Afreximbank) in respect of public-private partnerships transactions with Bahamas Stripping and Cat Island Infrastructure Company Limited. The liability would crystallise if invoices issued by respective contractors are not settled within the specified time period.

8. Annex A: PFMA 2023 Third Schedule

Third Schedule

(section 24)

Contents of a Pre-election Update Report

The pre-election update report shall contain—

(a) updated macroeconomic forecasts and assumptions from the fiscal strategy report or mid-year review, whichever is the most recent;

(b) updated fiscal information including—

(i) Government revenue outturn and forecasts for the current year and next three years;

(ii) Government expenditure outturn and forecasts for the current year and next three years including for expenditure, primary expenditure and expenditure on wages and related personnel costs;

(iii) approval of new spending since the annual budget including contracts and service projects and policies;

(iv) fiscal balance forecast for the current year, fiscal balance for past two years, and forecast next three years;

(v) net and gross debt for the current year and next three years

(vi) level of guarantees;

(vii) tax relief, remissions, and other waivers;

(viii) the outstanding stock of arrears for all government entities including showing separately all new unpaid invoices since the stock of arrears was last reported; and

(ix) other significant financing matters that have occurred or are planned; and

(c) an update of the fiscal risk position compared to the fiscal strategy report and the annual budget;

(d) a statement of responsibility signed by the Minister that the Pre-Election Economic and Fiscal Update includes—

(i) all policy decisions with material economic or fiscal implications that the Government has made before the day on which the contents of the Pre-Election Economic and Fiscal Update was finalised and

(ii) all other circumstances with material economic or fiscal implications of which the Minister was aware before that day; and

(e) a statement of responsibility signed by the Financial Secretary that the Pre-Election Economic and Fiscal Update has been prepared by the Ministry—

(i) using its best professional judgments; and

(ii) on the basis of economic and fiscal information available to it before the week on which the contents of the Pre-Election Economic and Fiscal Update was finalised; and

(f) a statement of the accounting and other standards applied which shall be the accounting standards adopted for the Government consistent with internationally accepted standards and where such standards are not used, then an explanation of the deviation shall be provided.