



The Central Bank of Barbados announces a modification to its Monetary Policy

The Central Bank of Barbados wishes to advise the public of a modification to its monetary policy.

Effective November 19, 2007, the minimum rate of interest payable on deposits will be reduced from 5.25% per annum to 4.75% per annum.

Deposit rates in Barbados were raised at a time when there was a risk of the economy becoming overheated in the run up to the World Cup activities. With the World Cup over and normalcy returning, the present deposit interest rates in Barbados are somewhat higher than are warranted. This is occurring at a time when liquidity in the banking system is also quite high.

The Bank is of the view that a reduction in deposit rates at this time can be accommodated since the recent decline in the US Fed Funds rate permits the differential between local and US interest rates to be maintained.

The modification in the minimum deposit rate is being published in the Official Gazette of Monday, November 5, 2007.

The Bank also wishes to advise that effective November 19, 2007 the security reserve requirement will be reduced from 12% to 10% of deposits. This is in keeping with an earlier commitment to continue the process of financial liberalization by way of a reduction in reserve requirements of commercial banks.

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