



PRESS RELEASE

6TH JUNE, 2011

The Central Bank wishes to advise the public of its decision to reduce the Discount Rate, by 75 basis points to 4.50 percent, effective immediately. The Bank would expect financial institutions to follow suit with a corresponding reduction in the Prime Rate, from 5.50 percent to 4.75 percent, and similar adjustments in their lending rate schedules.

The Bank considered carefully a number of factors in its decision to adjust monetary policy, including the signs of a more positive outlook for global growth and the implications for domestic economic activity. Based on an improving performance of tourism and foreign direct investment activity, the Bahamian economy is poised to grow by nearly 1.5% in 2011 and in excess of 2.0% in 2012—with broadening medium term benefits for employment and opportunities for the productive sectors.

From a monetary perspective, the Bank also acknowledges the improvement in the external reserves position over the past two years, to historic levels, and the opportunities for this position to be sustained in the short to medium term by net inflows from the foreign exchange earning sectors. Also, the existence of significant slack in the economy removes the near-term threat to the external position from an expansion in credit growth—which has been muted at some 0.7% for the six month period to end-April, 2011. In the financial sector, the performance of the domestic banks remains stable, supported by a strong capital ratio of nearly 26%. Even so, the Bank maintains a close watch on the persistence of credit risk, as evidenced in the high loan arrears rate, although conditions have stabilized over the past two years.

The Bank remains committed to responding appropriately to ongoing economic and monetary developments, in its goals to achieve monetary stability and contribute to sustainable economic growth.