



EASTERN CARIBBEAN CENTRAL BANK
STATEMENT ON THE INTERNATIONAL MONETARY FUND'S PUBLICATION OF
THE 2017 REPORT ON THE EASTERN CARIBBEAN CURRENCY UNION
COMMON POLICIES DISCUSSION

The Eastern Caribbean Central Bank (ECCB) acknowledges the publication of the “*Eastern Caribbean Currency Union—Staff Report for the 2017 Discussion on Common Policies of Member Countries*” by the International Monetary Fund (IMF).

The IMF consulted with the ECCB and other stakeholders in the region in the preparation of the Report, which was discussed by the IMF Executive Board on 2 June 2017, as part of the regional surveillance of the Eastern Caribbean Currency Union (ECCU).

The ECCB is encouraged by the IMF’s findings that the economic performance of the ECCU continues to improve. The performance of the ECCU is bolstered by the strengthening of the global economy. Furthermore, the IMF notes the ECCB’s advancements on the implementation of past recommendations, which support the resilience of the financial sector, as well as the Bank’s advocacy role in support of member governments’ efforts to attain the Debt-to-GDP target of 60 per cent by 2030.

The ECCB makes the following observations in respect of the discussion on developments and policy issues in the ECCU, having regard for the Bank’s strategic priorities:

1. Monetary Policy

The exchange rate remains strong and is adequately backed by foreign reserves. An important monetary policy tool of the Bank is the Minimum Savings Rate (MSR), which was reduced from 3 per cent to 2 per cent in 2015. The MSR is closely monitored and any further changes will be influenced by considerations for the likely impact on depositors, credit markets and the development of money and capital markets.

2. Financial Sector Stability

There have been improvements in financial stability indicators in the ECCU and the Bank has strengthened the supervisory and regulatory frameworks. Most recently, the Monetary Council took the decision that the Bank would assume responsibility for AML/CFT regulation of institutions licensed under the Banking Act. Pursuant to this decision, a Memorandum of Understanding is being finalised with national regulators of AML/CFT; amendments have been drafted to give legal effect to the decision; and the ECCB has commenced its capacity building in AML/CFT with support from the United States (US) Treasury Department. The Bank and member governments continue their advocacy efforts and are pursuing initiatives to address the ongoing challenges posed by “de-risking”. Cognisant of the declining growth in credit to the private sector by the commercial banking sector, the Bank has supported programmes for improving the private sector’s access to finance, as this is necessary to raise and sustain economic growth.

3. Fiscal and Debt Sustainability

The ECCB continues to urge member governments to adopt fiscal responsibility legislation to ensure the fiscal target (Debt-to-GDP ratio of 60 per cent by 2030) is met and also to reduce the volatility of growth in the ECCU. The Bank has been an advocate for transparency in the flow of funds under the Citizenship By Investment (CBI) programmes (via a template provided to member countries) and the use of CBI proceeds for maximum development impact. All countries with CBI programmes have strengthened their due diligence systems and are now engaged in more regional cooperation.

4. Growth, Competitiveness and Employment

Given the need to accelerate and sustain growth in the ECCU, the Bank will collaborate with the OECS Commission and the member countries in implementing the recommendations of the Growth Dialogue that was held with social partners in March 2017.

5. Macroeconomic Data

The ECCB recognises that the IMF regularly makes its own projections and data estimates in cases where data may not be readily available. These projections and estimates would be influenced by the information and other data available to the IMF at a specific point in time. As such, data in the Report may differ from those reported by the ECCB.

Acknowledgements

The ECCB expresses its appreciation of the IMF's mission team for preparing the Report on the ECCU and the IMF Executive Board for its perspective on the issues highlighted in the Report. The Bank looks forward to its continued engagement with the IMF on key policy issues in the ECCU.

The IMF's "*Eastern Caribbean Currency Union—Staff Report for the 2017 Discussion on Common Policies of Member Countries*" is available on the IMF website at <http://www.imf.org/en/Publications/CR/Issues/2017/06/14/Eastern-Caribbean-Currency-Union-2017-Discussion-on-Common-Policies-of-Member-Countries-44979>.

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14 June 2017

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