



## Communiqué of the 93<sup>rd</sup> Meeting of the Monetary Council of the Eastern Caribbean Central Bank

*Issued: 15 February 2019*

The Ninety-Third Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held at the ECCB Headquarters, Basseterre, St Kitts and Nevis, on 15 February 2019, under the chairmanship of Dr The Right Honourable Keith Mitchell.

### 1.0 Monetary Stability

Council received the Governor's Report on Monetary and Credit Conditions in the Eastern Caribbean Currency Union (ECCU), based on developments during 2018. The Report focused on recent trends in monetary and credit conditions as at 31 December 2018 against the backdrop of global economic and financial developments and within the context of the Bank's broader objectives of ensuring the stability of the exchange rate and the financial system.

Council was apprised of the following:

- Global growth is forecast to be at 3.5 per cent in 2019 and 3.6 per cent in 2020.
- US growth is forecast to be 2.5 per cent and 1.8 per cent in 2019 and 2020, respectively.
- Growth in the ECCU is projected at 3.1 per cent in 2019 and 3.6 per cent in 2020.
- In 2018, the weighted average deposit rate and the weighted average lending rate stood at 1.5 per cent and 8.3 per cent respectively. Lending rates continued to trend downwards.
- Domestic credit in the banking sector declined by about 5.3 per cent to \$8.6 billion continuing the pattern observed since 2012 and was largely influenced by lower credit to the private sector but mitigated by a decrease in net credit to government. That said, credit extended by the credit union sector increased.



- Supported by stronger economic activity, money and credit conditions in the ECCU are expected to improve in 2019.
- Net Foreign Assets stood at \$4.6 billion (at the end of November 2018), an increase of 2.6 percent over November 2017.
- The EC dollar remains strong with the backing ratio as at 31 December 2018 being 98.6 per cent.

## 2.0 Financial Stability

The Monetary Council received the preliminary Financial Stability Report for the ECCU for the period January to December 2018. The report reveals that the ECCU's financial sector remained broadly stable throughout 2018. The report also indicates the following:

- Developments in the ECCU's banking sector through 2018 were largely positive.
- The insurance sector was assessed as broadly stable and solvent with increase in premiums. Profitability was reported to have improved following the tumultuous events of 2017.
- Several ongoing initiatives would enhance financial stability. These initiatives include implementation of a risk based supervisory approach for the commercial banking sector; regulation of the Caribbean Credit Card Corporation (4Cs); and the establishment of a credit bureau in the ECCU.

Council considered the proposed framework for identifying systemically important commercial banks and credit unions in the ECCU. Twelve institutions were identified of which: three were banks and nine were credit unions. While commercial banks continued to dominate the financial sector, credit unions were expanding, becoming an increasingly important source of credit to the private sector through increases in membership, assets, loans and deposits. The boom in credit union activity has implications for financial inclusion and the financial stability framework.



With respect to the ECCU Credit Bureau, Council was informed that enactment of the Harmonised Credit Reporting Bill remained outstanding in four (4) member countries. Council urged these countries to enact by the end of March 2019. Two key responsibilities of the credit bureau are to provide credit-granting institutions with better means to access information and to facilitate the extension of credit to underserved segments of the population.

### **3.0 Fiscal and Debt Sustainability**

Council was apprised that within ECCB member countries, fiscal balances improved in 2018, compared with the previous year. In respect of the Debt to GDP ratio target of 60 per cent, the most recent data indicate preliminary ratios of 70.3 per cent and 71.7 per cent for 2017 and 2018 respectively.

### **4.0 Growth and Competitiveness**

Council noted that ECCU growth was estimated at 2.7 per cent in 2018 and is projected to accelerate to 3.1 per cent in 2019 as the recovery from the 2017 hurricanes continue. Several factors contributed to that outturn, including improvements in the tourism and construction sectors.

Council was informed that several key reforms and investments were needed to expedite and raise the current growth trajectory to the 5.0 per cent growth target required to support socio-economic transformation. In this regard, Council recommended that countries implement the actionable items of the Annual Growth and Resilience Dialogue. These include: enactment of fiscal resilience frameworks; improving the business environment; improving regional transport infrastructure; increasing access to credit; enhancing skills training and apprenticeship programmes and harmonising building codes.



## 5.0 Report From the Technical Core Committee on Insurance (BAICO and CLICO)

Council noted that the Joinder Application of the CIL JM Montserrat was heard in the Barbados High Court on 26 October, 2018 and was dismissed. An application for Leave to Appeal by the CIL JM Montserrat, regarding the Judge's decision, was scheduled for hearing on 27 February, 2019.

With reference to BAICO, Council noted that a second distribution of approximately EC\$30 million is planned for 2019.

Council noted that all efforts are being made to seek redress for the benefit of the ECCU on matters related to BAICO and CLICO.

## 6.0 Date and Venue of 94<sup>th</sup> Meeting of the Monetary Council

Council agreed to the convening of the 94<sup>th</sup> Meeting of the Monetary Council on Friday, 26 July 2019 in Montserrat.

## 7.0 Attendance

Council Members who attended the meeting were:

1. Dr The Right Hon Keith Mitchell, Prime Minister and Minister for Finance, Grenada (Chairman);
2. The Hon Victor F Banks, Chief Minister and Minister for Finance, Anguilla;
3. The Hon Donaldson Romeo, Premier and Minister for Finance, Montserrat;
4. Dr the Hon Timothy Harris, Prime Minister and Minister for Finance, St Kitts and Nevis;
5. The Hon Camillo Gonsalves, Minister for Finance, St Vincent and the Grenadines;
6. Senator, the Hon, Ubaldu Raymond, Minister of Public Service, Council Alternate for Saint Lucia; and



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7. Mrs Rosamund Edwards, Financial Secretary, Commonwealth of Dominica,  
Temporary Council Alternate for Commonwealth of Dominica.

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