



REMARKS BY
GOVERNOR, EASTERN CARIBBEAN CENTRAL BANK
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Introduction

The Annual National Consultation on the Economy is an important aspect of the economic governance framework of the Federation of St Kitts and Nevis and by extension, the Eastern Caribbean Currency Union (ECCU).

At this juncture in the history of the ECCU, economic governance is about building strong institutions and enhancing our capacity, as young liberal democracies, to achieve strong sustainable socio-economic growth and deliver shared prosperity.

Undoubtedly, a country or region's status cannot be judged solely, by its Gross Domestic Product (GDP) or per capita income. Indeed, Michael Green¹ in his 2015 article: "**Why we shouldn't judge a country by its GDP**", proffered The Social Progress Index (SPI), which encompasses three dimensions:

1. **Basic Human Needs:** inclusive of food, water, shelter and safety
2. **Foundations of Wellbeing:** inclusive of basic education, health, information and a sustainable environment; and
3. **Opportunity:** inclusive of civil rights, freedom of choice, freedom from discrimination and access to higher education.

Global and Regional Outlook

We meet at a time when the global economy has slowed and there is mounting concern about a possible global recession due in part to the US-China trade war, tensions in the Middle East and Brexit. Normally, an inverted US yield curve is a signal that a recession in the United States is likely within the next two years. Alas, these are not normal times.

¹ <https://ideas.ted.com/why-we-shouldnt-judge-a-country-by-its-gdp/>



As a consequence, major central banks have lowered interest rates and in the case of the European Central Bank, resumed Quantitative Easing in a bid to stimulate economic activity and bolster confidence. For this year and the next, global growth is projected at 3.2 per cent and 3.5 per cent respectively.

For the ECCU, growth this year is projected at 3.3 per cent, slightly down from the 3.8 per cent estimate for 2018. For 2020, growth is currently projected at 3.2 per cent.

Even as we prioritise investment in the ECCU to spur growth and employment, we ought to be cognisant of opportunities in our wider region. One such opportunity is Guyana. As we are all aware, Guyana has discovered vast deposits of petroleum. Some of the benefits of these petroleum revenues should begin to flow from as early 2020. Businesses in St Kitts and Nevis and the rest of the ECCU ought to consider their possibilities within the CARICOM Single Market and Economy (CSME) framework.

Acceleration of Key Reforms Needed

Even as we seek to delay the next global recession, we would do well to reflect on the lessons of the last Global Financial Crisis. One of the weaknesses witnessed in many ECCU countries was the inability of governments to implement countercyclical fiscal policies to cushion the impact on the populace. This situation was due to a multiplicity of factors including natural disasters; loss of preferential access for sugar and bananas; weak fiscal management; high public sector debt; and the absence of adequate fiscal buffers.

In response, the ECCB Monetary Council set a target date of 2030 for member countries to achieve a public sector Debt to GDP Ratio of 60.0 per cent. The ECCU Debt to GDP Ratio dropped to 68.1 per cent in 2018 from 78.2 per cent in 2014. I congratulate St Kitts and Nevis on being the first independent member country to reach this target.

Having attained this important milestone, the question now is, what's next?

In my humble estimation, the next step is for the government to adopt a fiscal responsibility framework or what I prefer to call a fiscal resilience framework. Why? Because it is not merely about fiscal discipline and rules - important as those are - it is more about resilience, the capacity to bounce back or quickly recover after a shock or setback.



I am aware that the government has begun exploratory work on this issue. I therefore, urge that this work be completed and the requisite framework enacted. Of necessity, such a framework would include a fiscal watchdog (reporting to Parliament) as is the case in Grenada and will likely soon be the case in Jamaica, The Bahamas and Barbados.

I now turn briefly to the matter of the ease of doing business. In 2018, the six independent countries of the ECCU ranked from 93rd in Saint Lucia to 147th in Grenada. St Kitts and Nevis was ranked 140th. Our aspiration is to see the ECCU countries ranked in the top 50. Such an improvement will not happen by accident. To that end, I am advised that the Government of St Kitts and Nevis has tasked the Chamber of Industry and Commerce with playing a leading role in this turnaround. I welcome this move and encourage the full cooperation of the relevant state actors.

The Criticality of the Digital Economy

Our region is in search of a new development model. In this quest, our economies must become digital. After all, data is the currency of the 21st century. In this regard, I applaud the recent strides by the Government of St Kitts and Nevis in developing a digital economy strategy.

One of the pillars of a digital economy is digital finance. In this regard, the ECCB is a global leader with its digital currency pilot. You will hear more about this pilot in the post-lunch session today. Furthermore, I will have some exciting announcements on Thursday of this week.

In this era of big data and data analytics, evidence-based policymaking is imperative for strong economic governance. Indeed, it often makes the difference between leaders and laggards, champions and the also-ran.

Against that backdrop, I seize this opportunity, in the presence of captains of industry and commerce, to make a plea for your timely response to the surveys conducted by the Central Statistical Office (CSO) and the Central Bank. We rely on these surveys in our estimation of GDP, Balance of Payments, business and credit market conditions and the investment climate. Your low response rate or your provision of inaccurate information is a dereliction of duty and a disservice to your nation and region and could lead to poor decision making by policy makers in the public and private sectors. Furthermore and equally bad, such responses or non-responses could contribute to the forming of erroneous conclusions by regional and international development partners.



Ladies and Gentlemen, we need to ensure our story is fully and accurately told. If not, we run the real risk of others coming to their own conclusions, often to our detriment.

Consistent with the focus on the digital economy, the ECCB is pursuing the use of data analytics as part of its tool kit for providing influential policy advice to its member governments and the public. To this end, the Bank has made a significant investment in the development of its SAS database to serve its member countries and stakeholders. For example, our commercial banks are now uploading their prudential data directly into the database. They can then retrieve their own data series and aggregated data, on demand. We propose to offer a similar service to the Financial Services Regulatory Commission and other regulatory bodies, among other stakeholders.

Conclusion

In conclusion, I hope the presentations and discussions today will not only benefit the preparation of the 2020 Budget but will reinforce the progress of the Federation in the sphere of economic governance.

Please accept my very best wishes and full assurance that your Central Bank stands ready to support you in this important endeavour.

I thank you.