



Eastern Caribbean Central Bank

Communiqué of the 105th Meeting of the Monetary Council of the Eastern Caribbean Central Bank

Issued: 21 July 2023

The One Hundred and Fifth (105th) Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 21 July 2023 at the Sunset Shores Beach Resort Conference Room in Saint Vincent and the Grenadines following the Ceremony to Mark the Change in Chairmanship of the Monetary Council.

1.0 Monetary Stability

Council received the *Governor's Report on Monetary and Credit Conditions in the Eastern Caribbean Currency Union (ECCU) for the period January to June 2023*. The Report is titled *Maintaining Momentum on a Rocky Road*. It focused on sustainable strategies and policies aimed at maintaining the positive macroeconomic performance achieved in the first few months of 2023 and on the back of a strong rebound in 2022 – particularly in Tourism. The *Governor's Report* indicated that:

- a. Global inflation rates continue to ease in response to the cycle of monetary tightening (such as increasing interest rates), but remain above target.
- b. The global environment is marked by uncertainty and complexity, with policymakers facing a trilemma: attempting to control inflation, while at the same time averting a recession and maintaining financial stability. In advanced economies, interest rate hikes are expected to continue quelling inflation during the near to medium term, but with the potential risk of recession. Notably, the Federal Reserve (the U.S. Central Bank) paused its 15-month interest rate hike campaign in June 2023. However, the Fed's latest dot plot showing its predicted interest rate outlook suggests that the Federal Reserve interest rate may climb to the 5.5 to 5.75 per cent range by the end of 2023. Currently, it is at the 5.0 to 5.25 per cent range.



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- c. Monetary and credit conditions in the ECCU remain stable and accommodative, helping to anchor macroeconomic stability. The EC Dollar – the only legal tender in the ECCU – remains stable and has held steady for decades.
- d. The foreign reserve backing for the EC Dollar remains strong. The current is 92.4 per cent, well above the statutory minimum requirement of 60.0 per cent.
- e. ECCB's foreign assets are now around **\$5.2 billion** compared with \$5.04 billion at the end of 2022; the pre-pandemic (2019) level was \$4.58 billion.

Having considered the state of monetary, financial and credit conditions in the ECCU, the Monetary Council decided to:

- a. Maintain the minimum savings deposit rate at 2.0 per cent; and
- b. Maintain the Central Bank's discount rate at 2.0 per cent for short-term credit and 3.5 per cent for long-term credit to governments.

The Minimum Savings Rate (MSR) is the lowest rate that commercial banks can offer on savings deposits. The Central Bank's Discount Rate is the rate at which the ECCB lends to governments and commercial banks.

2.0 Financial Stability

The Monetary Council was advised of the following developments in the financial sector:

- a. The ECCU banking system remains resilient and stable.
- b. Moreover, the banking system maintains a high degree of liquidity, and capital buffers remain at robust levels.
- c. The Credit Bureau is in the process of rebranding from *Creditinfo ECCU Ltd* to *EveryData ECCU Ltd* and has started the onboarding of staff. It will improve credit risk management, access to credit, financial inclusion and, ultimately, financial stability. Soft launches in St Kitts and Nevis and Antigua and Barbuda will occur prior to 30 September 2023.



In furtherance of the Council's expressed support for financial inclusion, the Monetary Council urged for the Credit Reporting legislation to be put into force in all of the ECCB Member Countries. As at 05 July 2023, the Credit Reporting legislation was not yet in force in Anguilla and Saint Lucia.

3.0 Fiscal and Debt Sustainability

The fiscal performance of ECCB Member Countries has been improving since 2021 due to higher economic activity. Indeed, growth is contributing to public debt reduction in the ECCU.

In order to secure a path of transformational growth, the policy mix at the national level for each ECCB Member Country should include sustainable fiscal solutions that can prioritise implementation of reforms, while maintaining long-term debt sustainability.

The Regional Government Securities Market (RGSM) remains a key source of public sector financing.

The ECCU governments continue to commit to reducing debt levels to 60.0 per cent of GDP by 2035. At the end of 2022, **the ECCU average was 78 per cent – a 10 percentage-point reduction from when it was 88 per cent at the end of 2020.**

4.0 Growth and Competitiveness

Council was informed that economic recovery is proceeding apace in the ECCU, but growth is projected to decelerate in 2023 to an estimated 6.4 per cent, down 4.8 percentage points from 2022 when it was 11.2 per cent. In 2021, economic growth in the ECCU was recorded at 5.5 per cent.

Tourism has returned to pre-pandemic levels and is driving the economic recovery in the ECCU.

Key downside risks to growth for the ECCB Member Countries include the possibilities of persistently elevated commodity prices, severe global financial conditions, health



pandemics and natural disasters, as well as global headwinds that could adversely affect the region's Tourism.

Key upside risks (opportunities) for the ECCU include investments in food and nutrition security and other policies and projects that can build resilience against shocks. Potential areas of opportunity for the ECCU during this decade comprise the elements of the ECCB's *"Big Push": Digital Transformation, Energy Security, Food & Nutrition Security, Human Capital Development and Wealth Creation.*

5.0 Payments Modernisation and Financial Inclusion

The Monetary Council received an update on the DCash pilot and affirmed its support for this Project.

The Monetary Council noted the key findings of the inaugural Financial Literacy and Inclusion Survey, which will be published in September 2023. The Council welcomed the Bank's plan to develop a strategy for financial literacy and inclusion informed by the findings of the Survey.

6.0 Change of Queen's Image on the Eastern Caribbean Currency

The Monetary Council approved the following:

1. The replacement of the late Queen Elizabeth II's image on the Eastern Caribbean Currency
2. The use of the ECCU logo on the EC currency subject to a process of public consultation.
3. A consultation process until December 31, 2023. During this time, the public will be invited to comment on the proposal to replace the Queen's image with the ECCU logo and to offer any other suggestions.
4. Agreed to make a final decision on the new image for the EC currency by February 2024.



7.0 \$50 Banknote to commemorate Grenada's 50th independence anniversary

The Monetary Council approved the issuance of a commemorative \$50 note to mark Grenada's 50th anniversary of independence. Grenada will celebrate its 50th anniversary on February 07, 2024. The note is expected to be circulated in the second half of 2024.

8.0 Reports Received on BAICO, CLICO, ECAMC, ECPCGC and ECSRC

The Monetary Council received Report No 02 of 2023 from the Core Committee on Insurance, which is charged with advancing efforts to bring resolution for ECCU Policyholders of the failed insurance companies – British American Insurance Company Ltd. and CLICO Life Insurance Ltd. The Council also received the Report on BAICO prepared by KPMG Restructuring Limited, a Bahamian company, as an Update for EC Insurance Regulators as of 01 June 2023. Council agreed to pursue efforts for additional payout to the ECCU Policyholders.

Council considered and adopted the contents of Reports from the Eastern Caribbean Asset Management Corporation (ECAMC), the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) and the Eastern Caribbean Securities Regulatory Commission (ECSRC), including ECPCGC's Financial Report as of 31 May 2023 and ECAMC's 2022 Audit Report. Council approved the commencement of new Securities Laws, effective **01 January 2024**, after considering the ECSRC Report, which outlined the case for the enactment of the new Securities Laws for the ECCU.

9.0 Appointment and Reappointment of ECSRC Commissioners

a. The Monetary Council approved the appointment of Mrs. Linda Dolland as Commissioner of the Eastern Caribbean Securities Regulatory Commission (ECSRC).

b. Council also approved the reappointment of Mr. John Venner to serve as Commissioner of the ECSRC.



10.0 Re-appointments of ECCB Board Members

(1) ***Re-appointment of Edmond Jackson, Director General, Ministry of Finance***, as Appointed Director for Saint Vincent and the Grenadines for the period 01 July 2023 to 30 June 2026. Mr Jackson's term of appointment naturally ended on 30 June 2023.

(2) ***Re-appointment of Denise Edwards, Financial Secretary, Ministry of Finance***, as Appointed Director for the Commonwealth of Dominica for the period 04 July 2023 to 03 July 2026. The term of appointment of Ms Edwards naturally ended on 03 July 2023.

(3) ***Re-appointment of Whitfield Harris Jr, Adviser, Office of the Prime Minister***, as Appointed Director for Antigua and Barbuda for the period 01 September 2023 to 31 August 2026. Mr Harris's current tenure naturally ends on 31 August 2023.

11.0 Date and Venue of the 106th Meeting of the Monetary Council

Council agreed to the convening, virtually, of the 106th Meeting of the Monetary Council on Friday, 20 October 2023.

12.0 Participation

Council Members attending the meeting were:

1. The Honourable Camillo Gonsalves, Minister for Finance, Saint Vincent and the Grenadines (Chairman)
2. The Honourable Dr Ellis L Webster, Premier and Minister for Finance, Anguilla
3. The Honourable Dennis Cornwall, Minister for Finance, Grenada
4. The Honourable Joseph Easton Farrell, Premier and Minister for Finance, Montserrat
5. The Honourable Philip J Pierre, Prime Minister and Minister for Finance, Saint Lucia