# OPENING REMARKS BY
# GOVERNOR TIMOTHY N. J. ANTOINE

AT THE

# HANDING OVER CEREMONY TO MARK THE CHANGE IN CHAIRMANSHIP OF THE ECCB MONETARY COUNCIL

**Friday, 21 July 2023**

**SAINT VINCENT AND THE GRENADINES**

**OPENING REMARKS BY GOVERNOR TIMOTHY N.J. ANTOINE**
**AT THE**
**HANDING OVER CEREMONY TO MARK THE CHANGE IN CHAIRMANSHIP OF THE ECCB MONETARY COUNCIL**

**Salutations:**

Mrs. Dawn Smith, Governor General's Deputy

Hon. Philip J. Pierre, Prime Minister and Minister of Finance of Saint Lucia and Outgoing Chairman of the Monetary Council

Hon. Camillo Gonsalves, Minister of Finance of Saint Vincent and the Grenadines and Incoming Chairman of the Monetary Council

Other members of the Monetary Council

Ministers of Government

Members of Parliament

Members of the Diplomatic and Consular Corps

Dr. Valda Henry, Deputy Governor, ECCB

Ms. Tracy Polius, Chief Director (Policy)

Board members and Advisers

ECCB Management and Staff

Pastor Shane Franklyn

Specially invited guests

Principal, Teachers and Students of the CW Prescod Primary (ECCB's mentorship school)

Members of the Media

Citizens, Residents and Friends of our Currency Union

Greetings.

## Introduction

It is my distinct pleasure to welcome each of you to the Handing Over Ceremony that marks the change in chairmanship of the Monetary Council.

Today, the chairmanship of the Council passes from the Council Member for Saint Lucia to the Council Member for Saint Vincent and the Grenadines.

I seize this opportunity to welcome our newest Council member, the Honourable Dennis Cornwall, Minister of Finance of Grenada who is attending his first meeting.

I place on record our thanks to Prime Minister Dickon Mitchell for his service on the Monetary Council over the past year.

I wish to thank the outgoing Chairman for his strong commitment and stewardship in a challenging year. During his tenure, the Council made several decisions that supported monetary and financial stability and advanced both our legislative and transformation agenda.

Article 7(2) of the ECCB Agreement states: ***"The Council shall meet not less than twice each year to receive from the Governor the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement."***

**Today, I confirm that our EC dollar remains strong, with a current foreign reserves backing of 92 percent.** Notwithstanding the pandemic – a one-in-100-year event – our currency passed that test with flying colours.

***A Time of Uncertainty Fraught with Risks***

The Monetary Council convenes at a time of great uncertainty for the global economy. According to the IMF, real growth in the global economy is now projected at 2.8 per cent for 2023 and 3.0 per cent for 2024. These forecasts are accompanied by significant risks to financial stability and a possible recession due to restrictive monetary policy. And lest we forget, there is the ever-present existential threat of climate change. And, if perchance, there are still doubters and deniers, our world experienced the hottest week early this month and our planet is now perilously close to 1.5 degrees Celsius above pre-industrial levels. Indeed, the heat is truly on.

Who would have thought that the US Federal Reserve would have raised interest rates from close to 0 per cent to 5 per cent over a 12-month period? And that, even in the face of largely resolved supply chains and unprecedented monetary policy action, inflation would prove to be so stubborn to subdue? The good news is that inflation appears to have peaked and is falling. However, current projections indicate that inflation may not return to its 2 per cent target until late 2024 or early 2025. Why is inflation – especially core inflation (except for food and energy prices) – proving so stubborn, even with the easing of supply chain bottlenecks?

The latest thinking among major central banks is that the monetary policy transmission mechanism is slower and more muted due to several factors such as the delayed start of monetary tightening; disrupted supply chains, and the changing world of work – where many people left the labour market during the pandemic and never returned, thereby reducing the supply of skills and forcing up labour costs as firms fight for talent. Also, many households now have fixed-rate mortgages, so fewer households were immediately impacted by higher mortgage rates. Of course, there is also the war in Ukraine, with no end in sight. Whatever the reasons, inflation is now coming down, though not fast enough. As a consequence, the global economy has now shifted from a period where interest rates were **low for long** to a period where interest rates will be **high for longer**.

***Implications for the ECCU***

What does this all mean for the Eastern Caribbean Currency Union?

Our latest projections are for growth of about 6.5 per cent this year and 5 per cent next year on the back of a strong rebound in tourism and some improvement in air connectivity. A possible US recession in 2024 would impact our prospects for 2025 but, at this juncture, it is simply too early to tell. Based on the current track of US inflation, inflation in the ECCU should continue to fall. That said, geopolitical events could impact this projection. For example, earlier this week, we learned of the withdrawal of Russia from the agreement to facilitate safe passage of grain from

Ukraine through the Black Sea. Moreover, climatic events such as floods and droughts could also feature.

### *The Big Push (A Call for Collective Action)*

At the launch of our Bank's 40th anniversary celebrations in January, I posed the question: "What will it take to double our economy over the next decade?" and I issued a challenge for a "big push". The question is pellucidly provocative and a propeller for conversation and commitments around the future of our region. At the heart of this challenge is really what future do we want and what are we prepared to do about it, individually and collectively?

In simple numeric terms, this stretch target would require the ECCU to grow by 10 per cent in at least 7 of the next 10 years. Implicitly, this also means avoiding and absorbing major shocks and development setbacks. It would also necessitate:

- A shift in mind-set of leaders and citizens, energised by a strong consensus about our development path.
- Concerted and accelerated action in the identified theatres of transformation: wealth creation, credit expansion, food and nutrition security, tourism, energy security, digital transformation and human capital formation.
- A modern and energised public sector that is fit for the 21$^{st}$ Century, with the capacity to facilitate the private sector and drive faster implementation of major public projects.
- A more entrepreneurial and risk-taking private sector that is less reliant on state initiative.
- Access to climate capital to build resilience.

**Evidently, the foregoing list is not exhaustive.**

**Conclusion**

**This doubling enterprise requires an all of society approach. In short, we must be all in.**

I conclude, then, with my oft-repeated declaration:

"**As a region, we cannot change our history and we cannot change our geography, but we can elevate our development trajectory through innovation and collective action.**"

May God crown our collective efforts with resounding success!

I thank you.

**References:**


1. **World Economic Outlook, April 2023**
2. **BIS Annual Economic Report, June 2023**
3. **ECCB Governor's Speech at the launch of the 40th anniversary celebrations, January 2023**
4. **ECCB Strategic Plan 2022-2026**