



Communiqué of the 107th Meeting of the Monetary Council of the Eastern Caribbean Central Bank

Issued: 16 February 2024

The One Hundred and Seventh (107th) Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 16 February 2024, at the ECCB Campus in Saint Christopher (St Kitts) and Nevis, under the Chairmanship of the Honourable Camillo Gonsalves, Minister for Finance of Saint Vincent and The Grenadines.

1.0 Monetary Stability

The Monetary Council received the *Governor's Report on Monetary, Credit and Financial Conditions in the Eastern Caribbean Currency Union (ECCU) for the period January to December 2023*. The Report, titled ***The Big Push: Implementation for Impact in an Era of Elevated Uncertainty***, provided an overview of the key risks to financial stability within the ECCU and assessed their potential impact in the near to medium term, while also focusing on the question, “*What will it take to double the GDP of the ECCU?*” The *Governor's Report* indicated that:

- a. **The post-COVID global economy** – which saw a better-than-expected 2023 – **has shown resilience that is forecast to continue into 2024.**
- b. **Downside Risk: A slowing global economy and uncertainty portend headwinds ahead for the ECCU** – particularly in Tourism, which had a strong rebound in 2022 that continued into 2023. The International Monetary Fund (IMF) forecast in its January 2024 *World Economic Outlook Update* that global GDP is likely to grow 3.1 per cent in 2024, unchanged from 2023.



- c. Other Downside Risks include geopolitical and inflationary pressures. Consumer and food prices eased in 2023 and continue to do so in 2024. Fertiliser prices have also moderated from the 2022 highs. However, **the last mile in the fight against inflation remains a challenge**. For instance, shipping disruptions and delays in the Red Sea have caused a spike in shipping costs.
- d. Here in the ECCU, the growth outlook is positive, the economy continues to expand and inflation is abating. **Implementing strategic reforms is key for building resilience and elevating the growth trajectory**. Upside Risk: Increased investments in areas such as food and nutrition security can build resilience against shocks.
- e. Monetary, credit and financial conditions in the ECCU remain stable and accommodative, as well as conducive to the stability of the currency. The current backing in respect of foreign reserves is **95.13 per cent** (as at 09 February 2024), up from 94.8 per cent which was reported at the 106th Meeting held on 24 November 2023.
- f. Having considered the state of monetary, financial and credit conditions in the ECCU, and on the recommendation of the Governor, the Monetary Council agreed to:
 - i. **Maintain** the Minimum Savings Rate at 2.0 per cent; and
 - ii. **Maintain** the discount rate at 3.0 per cent for short-term credit and 4.5 per cent for long-term credit.

The Monetary Council increased the Central Bank's discount rate by 100.0 basis points (1.0 per cent) from 2.0 per cent to 3.0 per cent (short-term credit), and from 3.5 per cent to 4.5 per cent (long-term credit) at its 106th Meeting held in November 2023. Those were the first rate hikes since the discount rate and long-term lending rate were lowered in April 2020 and February 2021, respectively.



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, with a high degree of liquidity. Excess liquidity levels have been trending down as local banks manage their balances by investing overseas to take advantage of higher interest rates. Still, there remains significant excess liquidity in the banking system.
- b. Capital buffers remain at robust levels.
- c. Although financial sector stability has been maintained, vulnerabilities persist. The Non-Performing Loans (NPL) ratios of commercial banks and credit unions remain elevated at 12.2 per cent and 7.8 per cent, well above the 5.0 per cent benchmark.
- d. The Credit Bureau, which was recently rebranded from *Creditinfo ECCU Ltd* to *EveryData ECCU Ltd*, is in the process of completing data-sharing agreements. Soft launches are being planned for Antigua and Barbuda and St Kitts and Nevis, in the first quarter of 2024. The ECCB initiated the ECCU Credit Bureau Project in 2017 with the objectives of strengthening credit risk management and enhancing access to credit.



3.0 Fiscal and Debt Sustainability

Fiscal performance improved in 2023 in tandem with the economic recovery, placing the ECCU back on the path towards debt sustainability.

Given the relative volatility in CBI revenue, strategic reforms are needed to facilitate a broadening of the revenue base.

4.0 Growth and Competitiveness

The growth outlook remains positive across the board in the ECCU, with Tourism expected to continue leading the economic recovery throughout 2024, as it did in 2023. Indeed, Tourism has rebounded to pre-pandemic levels with revenues in the first three quarters of 2023 surpassing revenues in 2019 over the same period.

5.0 Financial Inclusion

Council was updated on the closure, effective 12 January 2024, of the DCash Pilot Project. The DCash Pilot, which commenced on 31 March 2021, provided crucial information for further innovation and the transition to DCash 2.0, a more advanced and user-friendly version that will enhance utility for users, including businesses and financial institutions.

6.0 Updates on the Greening the Financial System Initiative

The Monetary Council was updated on implementation of the ECCB's *Greening the Financial System (GFS)* initiative. The programme is advancing apace across the three project workstreams, namely: *green finance framework*; *climate risk stress-testing and assessment framework*; and *renewable energy financing solutions* via the planned regional *Renewable Energy Infrastructure Investment Facility (REIIF)* project.



7.0 Reports received on BAICO, CLICO, ECAMC, ECPCGC and ECSRC

The Monetary Council received Report No 01 of 2024 from the Core Committee on Insurance. The Core Committee 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. Council agreed to continue its efforts to resolve the outstanding matters and facilitate an additional payout to the ECCU Policyholders.

The Monetary 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). The Council approved the ECSRC's Budget and Work Programme for the 2024/2025 financial year ending 31 March 2025. Council also approved the ECAMC's 2023 Audit Report, which comprises the audited financial statements for the year ended 31 March 2023.

8.0 Monetary Council's Engagement with International Monetary Fund Deputy Managing Director Bo Li

Prior to the 107th Meeting, the Monetary Council engaged in productive discussions with the IMF's Deputy Managing Director, Bo Li, and his delegation during their visit to St Kitts and Nevis from 14-16 February. On 16 February, the Council held a meeting with Deputy Managing Director Li and his team - focused on climate finance - which was held against the backdrop of an increased global focus on climate change issues.



Both the ECCB and IMF officials agreed that partnerships with international financial institutions and other stakeholders are needed to advance climate action, adaptation and finance at the regional ECCU level. The ECCB has already made steps towards greening the ECCU financial system, and collaborations with institutions such as the World Bank Group and NDC Partnership are bearing fruit to ensure that the right framework policies are in place.

The Monetary Council acknowledges the strong representation and advocacy on behalf of the region by IMF Executive Director, Mr Philip Jennings, and his Constituency Office. The Council thanks Mr Jennings for his tireless service and looks forward to continuing the fruitful partnership between his Office and the region.

9.0 Date and Venue of the 108th Meeting of the Monetary Council

Council agreed to the convening of the 108th Meeting of the Monetary Council on Friday, 26 July 2024 in Anguilla, immediately following the Handing Over Ceremony to mark the change in Chairmanship of the Monetary Council.

The Honourable Dr Ellis L Webster, Anguilla's Premier and Minister for Finance, is due to assume Chairmanship of the Council.

10.0 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 Gaston Browne, Prime Minister and Minister for Finance, Antigua and Barbuda



4. The Honourable Dr Irving McIntyre, Minister for Finance, Commonwealth of Dominica
5. The Honourable Dennis Cornwall, Minister for Finance, Grenada
6. The Honourable Joseph Easton Farrell, Premier and Minister for Finance, Montserrat
7. The Honourable Dr Terrance Drew, Prime Minister and Minister for Finance, Saint Christopher (St Kitts) and Nevis
8. The Honourable Philip J Pierre, Prime Minister and Minister for Finance, Saint Lucia

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