



The Ninetieth Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held at the ECCB Headquarters, Basseterre, St Kitts and Nevis, on 16 February 2018, under the chairmanship of the Honourable Roosevelt Skerrit.

## **1.0 Monetary Stability**

Council received the Governor's Report on Monetary and Credit Conditions in the Eastern Caribbean Currency Union (ECCU). The Report addressed recent trends in monetary and credit conditions within the context of the Bank's broader objectives of ensuring the stability of the exchange rate and the financial system.

The Report indicated that monetary and credit conditions eased during the period January to September 2017, as growth in the money supply accelerated. Overall, credit conditions were assessed to have tightened, albeit at a slower rate, with easing in certain market segments.

Council was apprised that the exchange rate anchor remained firm and strong during the review period, supported by a sufficiency of foreign reserves. In addition, the ECCU banking sector remained stable.

Council noted that the global economy showed a strong indication of a recovery by posting growth of 3.7 per cent in 2017. Global growth forecasts for 2018 and 2019 are 3.9 per cent.

Having considered the state of monetary and credit conditions, Council agreed to maintain the minimum savings deposit rate at 2.0 per cent and the Central Bank's discount rate at 6.5 per cent. The Minimum Savings Rate 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 commercial banks.



## 2.0 Financial Stability

The Monetary Council noted that the capital adequacy of banks in the ECCU has improved. The Council also observed that the average non-performing loans ratio for the ECCU which fell in 2015 and 2016 is trending upward as a consequence of recent hurricanes.

Following consultations with the ECCU Bankers Association and key stakeholders, the Council approved several amendments to the Banking Act.

In respect of bank consolidation, Council approved a Statement of Intent and Principles of Consolidation for the ECCU Indigenous Banking Sector.

The Council considered and approved a legislative process for uniform financial legislation in the ECCU.

The Council noted the status of the ECCU Credit Bureau Project and expressed commitment to support its timely implementation. Council also noted that the Credit Reporting Bill has already been passed in the Parliaments of some member territories and encouraged remaining member territories to pass the Bill by **June of 2018** since enactment of the Bill is an essential prerequisite to the implementation of other phases of the Project.

## 3.0 Growth and Competitiveness

Council was informed that the Currency Union would have grown at a slower rate of 2.3 per cent in 2017, as a result of Hurricanes Irma and Maria in September of that year. In addition, the fiscal surplus for the ECCU was estimated to have narrowed in 2017, partly attributed to a surge in expenditure following the impact of the hurricanes. For 2018, growth is projected at 2.2 per cent, still well below the 5.0 per cent target, however, projections pointed to an acceleration in 2019.



Council endorsed the ECCB's continued collaboration with The World Bank on the operationalisation of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). Council regards the establishment of the Corporation as a key instrument to support a strong, diversified and resilient financial sector and by extension, promote economic development within ECCB member territories. In this regard, Council agreed to the establishment of the ECPCGC **by July, 2018.**

Council noted, with increased concern, the difficulties with payment settlement of traders selling agricultural produce in Trinidad and Tobago. Council further noted that the ECCB had submitted a feasible proposal to the Central Bank of Trinidad and Tobago since March 2017 and was disappointed that the proposal had not yet been accepted or an alternative proffered. In the meantime, the Council was apprised of the recent steps taken by the Government of St Vincent and the Grenadines to bring some relief to traders in an effort to manage the situation.

In this regard, Council agreed to urge ECCB member governments to take collective action towards a resolution on this very important issue.

#### **4.0 Report from the Technical Core Committee on Insurance (BAICO and CLICO)**

Council was apprised of the successful implementation of the first distribution of approximately \$64 million to the creditors under the Plan of Arrangement (BAICO and CLICO) Act, which was effected on 18 December 2017.

#### **5.0 Change of Substrate for ECCB Banknotes**

Council received the report which outlined the case for changing the substrate of the ECCB banknotes from cotton to polymer. Council noted the advantages of the polymer substrate over that of cotton which included, higher durability and more advanced security features. Furthermore, polymer is the new standard that is widely implemented around the world. After careful consideration, Council approved the change in the substrate of the ECCB Banknotes from cotton to polymer.



Council further endorsed a public education campaign to be rolled out by the ECCB on this new initiative.

#### **6.0 Farewell to Immediate Past Council Member for St. Vincent and the Grenadines**

Council bade farewell to Dr the Honourable Ralph Gonsalves, Prime Minister of St. Vincent and the Grenadines, who served as ECCB Monetary Council Member from March 2001 to November 2017.

Council thanked Dr Gonsalves for his stellar contribution to the highest decision making body of the Bank and also made a special presentation to him for his outstanding work towards the resolution of the BAICO/CLICO issue. Council wished Dr Gonsalves the very best in his continuing work to advance the region in his capacity as Prime Minister of St Vincent and the Grenadines.

#### **7.0 Date and Venue of 91<sup>st</sup> Meeting of the Monetary Council**

Council agreed to the convening of the 91<sup>st</sup> Meeting of the Monetary Council on Friday, 27 July 2018 in Grenada, immediately following the Handing Over Ceremony to mark the change of the Chairmanship of the Monetary Council.

#### **8.0 Attendance**

Council Members who attended the meeting were:

1. Hon Roosevelt Skerrit, Prime Minister and Minister for Finance, Commonwealth of Dominica (Chairman);
2. Hon Victor F Banks, Chief Minister and Minister for Finance, Anguilla;
3. 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. Hon Allen Chastanet, Prime Minister and Minister for Finance, Saint Lucia; and



6. The Hon Camillo Gonsalves, Minister for Finance, St Vincent and the Grenadines.
7. Senator the Hon Simon Steill, Minister of Education, Grenada (Temporary Alternate).

**16 February 2018**