



**OPENING REMARKS BY
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**Handing Over Ceremony to Mark the Change in
Chairmanship of the ECCB Monetary Council**

July 2017

State House, Commonwealth of Dominica

Salutations

Your Excellency Charles Savarin, President of the Commonwealth of Dominica, and Mrs. Savarin, Outgoing Chairman of the Monetary Council; Incoming Chairman, members of the Monetary Council; Your Excellency Eliud Williams, former President, the Speaker, Hon Alex Boyd Knight, members of Cabinet; members of Parliament; Members of the Diplomatic and Consular Corps, Distinguished Guests, Deputy Governor, Directors and staff of ECCB; Ladies and Gentlemen, Members of the Media;

Good Morning.

Introduction

It is my distinct pleasure to welcome you to the handing over ceremony to mark the change in chairmanship of the Monetary Council of the Eastern Caribbean Central Bank (ECCB). Today, the chairmanship of the Council passes from the Honourable Gaston A. Browne, Prime Minister and Minister of Finance for Antigua and Barbuda to the Hon. Roosevelt Skerritt, Prime Minister and Minister of Finance for the Commonwealth of Dominica.

Article 7(2) of the ECCB Agreement states that *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 the Agreement.*

Today, the Monetary Council will convene for its 88th meeting and its second meeting for 2017.

Two weeks ago (6 July), the ECCU celebrated 41 years of stability of the EC dollar at EC\$2.70=US\$1.00. This is a remarkable feat and a durable testimony to the resilience of our monetary union. Today, I confirm that our EC dollar is strong. As of last Friday (14 July), the backing ratio of our foreign reserves was 97.6 per cent.



In respect of **Financial Stability**, our financial system has strengthened with improvements in capital adequacy and profitability. However, several risks remain including loss of correspondent banking relations and the declining but still too high level of non-performing loans now averaging 11 percent in the ECCU.

A proactive approach to consolidation and amalgamation of national banks is necessary if we are to realise our goal of a strong diversified and resilient financial system.

In respect of **Fiscal and Debt Sustainability**, significant challenges persist. However, our Currency Union recorded a decline in the Debt-to-GDP ratio from 75 percent at the end of 2015 to 72.5 percent at the end of 2016. Later today, the Council will discuss interim fiscal targets as we plot our course to attain the target of 60 percent by 2030.

We continue to encourage our Governments to enact fiscal responsibility legislation that will help embed resilience and flexibility in the fiscal framework. Ultimately, such a framework will lower growth volatility.

Distinguished guests, the Monetary Council convenes at a time when the global economy is exhibiting some signs of recovery, with a modest pickup in growth. However, this recovery is accompanied by considerable uncertainty including US policy on issues such as healthcare reform, tax cuts, and infrastructure spending and; the outcome of BREXIT negotiations which are now underway.

We in the ECCU are a very interested party in these policy outcomes not simply from a global economic perspective but precisely because the US and UK are our major trading partners and host our region's largest diasporic communities.

Almost a decade later, the global economy is yet to deliver the levels of growth recorded prior to the global financial crisis. Indeed, over the past five years, growth in the global economy has averaged a mere 3 percent per annum prompting strong global concern about the notion of lower growth ceilings caused in part by a global productivity slow-down.

For example, the growth ceiling in the United States in the 1990s was around 4.0 per cent to 4.5 per cent. Today, that ceiling appears to have fallen to about 2.5 per cent to 3.0 per cent. Indeed, the US has not achieved an annual rate of economic growth of more than 3.0 per cent in each of the past 11 years, the longest such stretch of sluggish growth in US history.



Here in the ECCU, after a difficult decade (2009-2016) during which the average growth rate was about 0.8 percent, things are looking up. Somewhat. Last year, the ECCU recorded growth of 2.6 percent. This year and next year, we project the ECCU will grow by about 3.0 percent. When juxtaposed with its major trading partners, the ECCU can be said to be holding its own on "*a pitch offering variable turn and bounce and with the ball keeping relatively low*".

I invite us to cogitate on two questions:

1. What will it take to attain and sustain a growth rate of 5 per cent per annum in the ECCU?
2. What will it take to generate 60,000 jobs in the ECCU over the next 8 years?

In case you are wondering, 60,000 jobs are our initial estimate of the number of jobs required to secure single-digit unemployment in the ECCU.

Against the backdrop, of what many economists believe, is a global productivity slowdown, we in the ECCU must fully apply ourselves to a *productivity speed-up* to help raise our current growth ceiling.

In my humble estimation, this shift requires our full commitment to socio-economic transformation and will entail critical reforms and investments. For this reason, the focus of the Strategic Plan of the ECCB will be socio-economic transformation. This Plan will be launched on 7 September.

Critical structural reforms include overhaul of our education curriculum and improving the ease of doing business for all investors including our local entrepreneurs. Critical investments include scaling up of technical and vocational skills training including certification in coding to prepare for ICT job opportunities, job training, research and development and infrastructure such as high-speed internet and renewable energy.

In the financial sphere, it involves building out our financial markets infrastructure including the Partial Credit Guarantee Scheme and the Credit Bureau.



It also requires reducing our dependence on the use of cash by utilising more electronic and digital payments. In addition to the prospect this shift offers for helping deliver a productivity speed-up, I believe this shift is part of the solution to addressing rising bank fees and charges, a concern expressed by many bank customers in the ECCU. Furthermore, the use of electronic and digital payments could be a useful tool in responding to the issue of rising criminality, a grave concern in our fair isles.

The fact that most of our citizens already possess at least one smartphone means this shift is feasible but internet connectivity and speed must improve.

In conclusion, I reaffirm the commitment of the entire management and staff of the ECCB to deliver exceptional service for the good of the people of the ECCU.

Strengthened by the grace of Almighty God; guided by the collective wisdom and collective action of the Monetary Council; undergirded by our core values of Service Excellence; Teamwork and Truth Telling; Accountability and Results (our **STAR** Mantra); supported by our development partners; and motivated and held accountable by a fully engaged citizenry, we are confident of success.

I thank you.