



## Communiqué of the 92<sup>nd</sup> Meeting of the Monetary Council of the Eastern Caribbean Central Bank

*Issued: 16 November 2018*

The Ninety-Second Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held via videoconference at the ECCB Headquarters, Basseterre, St Kitts and Nevis, on 16 November 2018, under the chairmanship of Dr The Right Honourable Keith Mitchell.

### 1.0 Monetary Stability

Council received the Governor's Report on Monetary and Credit Conditions in the Eastern Caribbean Currency Union (ECCU). The report outlined the recent trends in monetary and credit conditions as at 30 June 2018, against the backdrop of global economic and financial developments and within the context of the Bank's broader objectives of ensuring the stability of the exchange rate and the financial system.

Council was apprised of the following:

- Monetary and Credit conditions in the ECCU banking system showed a slight deterioration as at the end of June 2018 when compared with the same period in the previous year, but remained favourable.
- The Currency Union's exchange rate arrangement continued to be well supported by an adequate level of foreign currency reserves.
- The backing ratio stood at 97.5 per cent, which was notably above the operational (80 per cent) and statutory (60.0 per cent) limits.
- Private sector credit from banks rose by 0.4 per cent (\$40.4m) mainly on account of 0.9 per cent (\$32.4m) increase in credit to private businesses.
- Global growth projections have been revised slightly downward to 3.7 per cent for both 2018 and 2019 compared with 3.9 per cent in the IMF's World Economic Outlook April 2018 projections.



- US growth is expected to remain robust at 2.9 per cent in 2018, supported by the recent fiscal stimulus. However, the forecast is for slower growth in 2019 as the stimulus of the tax cuts fades.
  
- Downside risks had strengthened in recent months including:
  - i. Escalating global trade tensions;
  - ii. Tightening of financial conditions particularly in emerging markets;
  - iii. Rising oil prices; and
  - iv. Climate Change.

Following deliberations on 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 and governments.

## 2.0 Financial Stability

Council was informed that as at 30 June 2018, the ECCU commercial banking sector was assessed as stable when compared to the previous quarter's performance. Council noted that:

- Total assets decreased by 0.26 per cent (\$80.4m) to \$30,701.4m;
- Deposits decreased by 0.22 per cent (\$46.6m) to \$21,530.8m; and
- Loans and advances recorded a nominal increase of 0.12 per cent (\$14.3m) to \$12,223.0m.

With respect to the Credit Bureau, Council was informed that the Credit Reporting Legislation had been already passed in four member countries: Antigua and Barbuda, Grenada, St Kitts and Nevis and St Vincent and the Grenadines.



Furthermore, an operator for the credit bureau has been selected and should be licensed by year end. The Credit Bureau for the ECCU is expected to become operational in the second half of 2019.

Council received a paper on the establishment of Deposit Insurance Fund in the ECCU to further protect depositors.

### **3.0 Fiscal and Debt Sustainability**

Council also noted that the ECCU Debt to GDP ratio continued its downward path to the target of 60 per cent and currently stands at 69.5 per cent.

### **4.0 Growth and Competitiveness**

As it relates to growth, Council noted that ECCU growth was projected to accelerate to 2.9 per cent in 2018 and 3.8 per cent in 2019 after the growth setback caused by the devastating hurricanes in 2017.

With respect to the challenges experienced by St Vincent and the Grenadines pertaining to the payment to traders selling agricultural produce in Trinidad and Tobago, Council welcomed the solution reached between the ECCB and the Central Bank of Trinidad and Tobago (CBTT). The solution will facilitate trade of agricultural produce from St Vincent and the Grenadines to Trinidad by making it easier for certified traders in St Vincent and the Grenadines to exchange TT dollars for EC dollars. Council noted that the ECCB and the CBTT had agreed to pilot the solution using the Bank of St Vincent and the Grenadines Limited as the intermediary.

Council discussed ways to strengthen statistics in the ECCU including the modernisation of Statistical Acts; increased use of ICT in statistics; and development of Tourism Satellite Accounts.



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

Council was apprised that distribution to creditors under the Plan of Arrangement and the Annuity Relief Program continued. A second distribution of approximately EC\$35M is being planned to be paid by end of 2018.

## **6.0 Date and Venue of 93<sup>rd</sup> Meeting of the Monetary Council**

Council agreed to the convening of the 93<sup>rd</sup> Meeting of the Monetary Council on Friday, 15 February 2019 in St Kitts and Nevis.

## **7.0 Attendance**

Council Members who attended the meeting were:

1. Dr The Right Hon Keith Mitchell, Prime Minister and Minister for Finance, Grenada (Chairman)
2. The Hon Victor F Banks, Chief Minister and Minister for Finance, Anguilla;
3. The Hon Roosevelt Skerrit, Prime Minister and Minister for Finance, Commonwealth of Dominica;
4. The Hon Donaldson Romeo, Premier and Minister for Finance, Montserrat;
5. Dr the Hon Timothy Harris, Prime Minister and Minister for Finance, St Kitts and Nevis;
6. Hon Allen Chastanet, Prime Minister and Minister for Finance, Saint Lucia;
7. The Hon Camillo Gonsalves, Minister for Finance, St Vincent and the Grenadines; and
8. The Hon Lennox Weston, Temporary Alternate, Antigua and Barbuda.

**16 November 2018**