



Eastern Caribbean Central Bank

Communiqué of the 99th Meeting of the Monetary Council of the Eastern Caribbean Central Bank

Issued: 23 July 2021

The Ninety-Ninth Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 23 July 2021, via videoconference, under the Chairmanship of the Honourable Joseph Easton Farrell, Premier and Minister for Finance of Montserrat.

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 June 2021.

1.0 Growth and Development

The Monetary Council was apprised of the following:

- a. The prospects for the global economy remain highly uncertain due to the ongoing COVID-19 pandemic. The ECCU's main trading partners, the USA, UK, and Canada, are expected to grow by 6.4 per cent, 5.3 per cent and 5.0 per cent, respectively for 2021.
- b. The January 2021 projection for ECCU growth was 4.0 per cent. Overall, economic activity in the Eastern Caribbean Currency Union (ECCU) is estimated to have declined in the first quarter of 2021, relative to the comparable period of 2020 due to further constraints related to COVID-19. **Figure 1** shows the growth rate for the ECCU from 2009-2021.



Figure 1

**ECCU Real GDP IN MARKET PRICES -
GROWTH RATE
2009-2021**



- c. Heightened uncertainties and risks regarding the ongoing pandemic, coupled with the ongoing impact of volcanic eruptions in Saint Vincent and the Grenadines, suggest that the region's growth results for 2021 may be about 1.0 per cent.
- d. The realities recently created by COVID-19, the pace of immunisation in the ECCU, and new variants of the virus accompanied by new lockdowns, curfews and travel protocols have weakened the recovery momentum in our region.
- e. The key issues likely to confront the ECCU in the second half of 2021 are (i) Securing growth amid rising downside risks; and (ii) Maintaining stability and resilience in the financial sector to support growth.

2.0 Monetary Conditions, Credit and Payment System

The Monetary Council was apprised of the following:

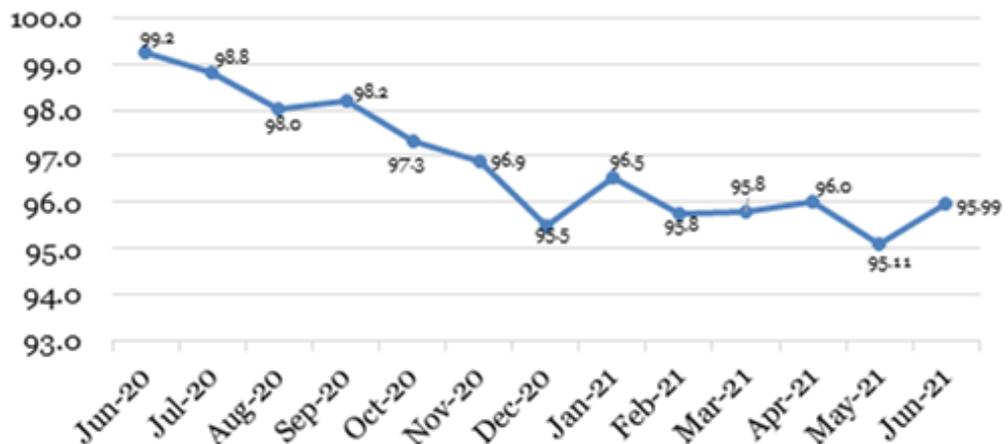
- a. Domestic monetary and credit conditions improved during the first quarter of 2021 relative to 2020 and expectations are for continued improvement for the first half of 2021.



- b. Monetary liabilities are projected to increase for January to June 2021 period, albeit at a slower rate relative to the comparable period in 2020. It is expected that as business activity begins to pick up, businesses will once again begin to feel comfortable in hiring, leading to a rise in income levels.
- c. Credit risk remains a concern and could result in tightening of the terms and conditions of lending.
- d. Regional currency arrangements and the payment system remained strong during the review period.
- e. The Backing Ratio has averaged 96.0 per cent per month in 2021. Though, two percentage points below the average for 2020, the Backing Ratio is still well in excess of the legal threshold of 60.0 per cent. **Figure 2** shows the Backing Ratio from June 2020 to June 2021.

Figure 2

**Backing Ratio
June 2020 to June 2021**



3.0 Financial Stability

The Council was advised that the ECCU's financial system is projected to remain broadly stable in 2021. However, credit risks are likely to persist for both banks and credit unions.

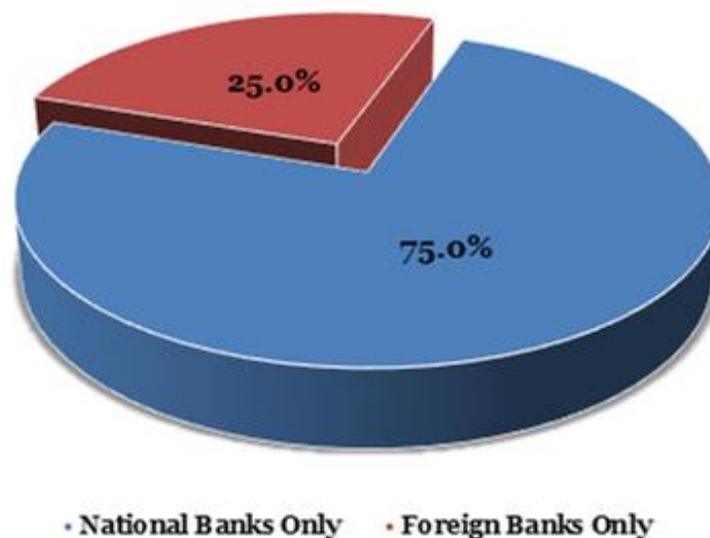


COVID-19 Loan Moratoria

As at 31 May 2021, commercial banks granted moratoria on 6,680 loans with a total outstanding balance of \$2.2 billion, which represents 16.4 per cent of total loans. **Figure 3** shows the loans by bank type as at 31 May 2021. The loan payment deferral programme is scheduled to expire on 30 September, 2021. Given the current economic situation, a decision on an extension on a strictly case by case basis will be made soon.

Figure 3

**MORATORIUM LOANS BY BANK TYPE
AS AT MAY 2021**



Eruption of La Soufrière Volcano in Saint Vincent and the Grenadines

The La Soufrière volcano in Saint Vincent and the Grenadines first erupted on 9 April 2021, and significantly impacted the population and the economy.

Licensed Financial Institutions are engaged in risk assessments, particularly of their exposures, not only in the most severely affected areas of the country (the Red Zone), but also in previously-considered safe areas (designated as the Green Zone).



The ECCB continues to liaise with these institutions regarding risk assessments and developments due to the continued eruption of the volcano.

Having considered the Governor's Report on Monetary, Credit and Financial Conditions in the ECCU, the Council decided to:

- a. Maintain the Minimum Saving Rate at 2.0 per cent; and
- b. Maintain the Discount Rate at 2.0 per cent (short-term credit), and at 3.5 per cent (long-term credit).

4.0 Key Action Points and Proposed Initiatives for a Coordinated Tourism Response

The Monetary Council considered the key action points and proposed initiatives for a coordinated Tourism response in the Eastern Caribbean region emanating from its policy session on Tourism.

5.0 The Implementation of the Programme of Action for Recovery, Resilience and Transformation of the ECCU Economies

The Council received a progress report on the implementation of the Programme of Action. The Council commended the Bank for the launch of its digital currency, DCash, which has recently received a global award.

The Council expressed its support for an initiative being developed by the Bank in collaboration with The World Bank and other development partners for a Regional Renewable Energy Infrastructure Investment Facility.

The Council reaffirmed its commitment to move forward on the Food and Nutrition Security agenda, including the stated target of reducing the 2019 Food Import Bill by 25.0 per cent by 2023.



6.0 Report from the Technical Core Committee on Insurance

The Monetary Council received the report from the Technical Core Committee on Insurance and was advise that:

- a. A final distribution is expected to be made to BAICO policyholders in 2021 as efforts continue apace to realise assets and conclude ongoing litigations.
- b. A letter was submitted to Prime Minister of the Republic of Trinidad and Tobago, Honourable Dr Keith Rowley to request payment of outstanding US\$64.0 million of a committed sum of US\$100 million for BAICO policyholders. A response is being awaited.
- c. The 2021 valuations of the CIL properties in Barbados earmarked for the ECCU policyholders have been undertaken and submitted. The current valuation is BBD\$41.9 million.

7.0 Date and Venue of 100th Meeting of the Monetary Council

The Council agreed that the 100th Meeting of the Monetary Council will convene on Friday, 22 October 2021 via videoconference.

8.0 Participation

The following Council Members participated in the meeting:

1. The Honourable Joseph Easton Farrell, Premier and Minister for Finance, Montserrat (Chairman)
2. The Honourable Dr Ellis Lorenzo Webster, Premier and Minister for Finance, Anguilla
3. The Honourable Gaston Browne, Prime Minister and Minister for Finance, Antigua and Barbuda
4. The Honourable Roosevelt Skerrit, Prime Minister and Minister for Finance, the Commonwealth of Dominica
5. The Honourable Gregory Bowen, Minister for Finance, Grenada



Eastern Caribbean Central Bank

6. Dr the Honourable Timothy Harris, Prime Minister and Minister for Finance, Saint Christopher (St Kitts) and Nevis
7. The Honourable Camillo Gonsalves, Minister for Finance, Saint Vincent and the Grenadines

23 July 2021