



Communiqué of the 100th Meeting of the Monetary Council of the Eastern Caribbean Central Bank

Issued: 22 October 2021

The Hundredth Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 22 October 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 September 2021.

1.0 Monetary Stability

The Council was apprised of the following:

- a. Monetary, credit and financial conditions remained stable through the first nine months of 2021 despite a lower level of economic activity.
- b. The foreign reserve backing for the EC dollar remained robust. As at 15 October 2021, the backing ratio stood at 96.5 per cent, above the statutory minimum requirement of 60.0 per cent.

2.0 Financial Stability

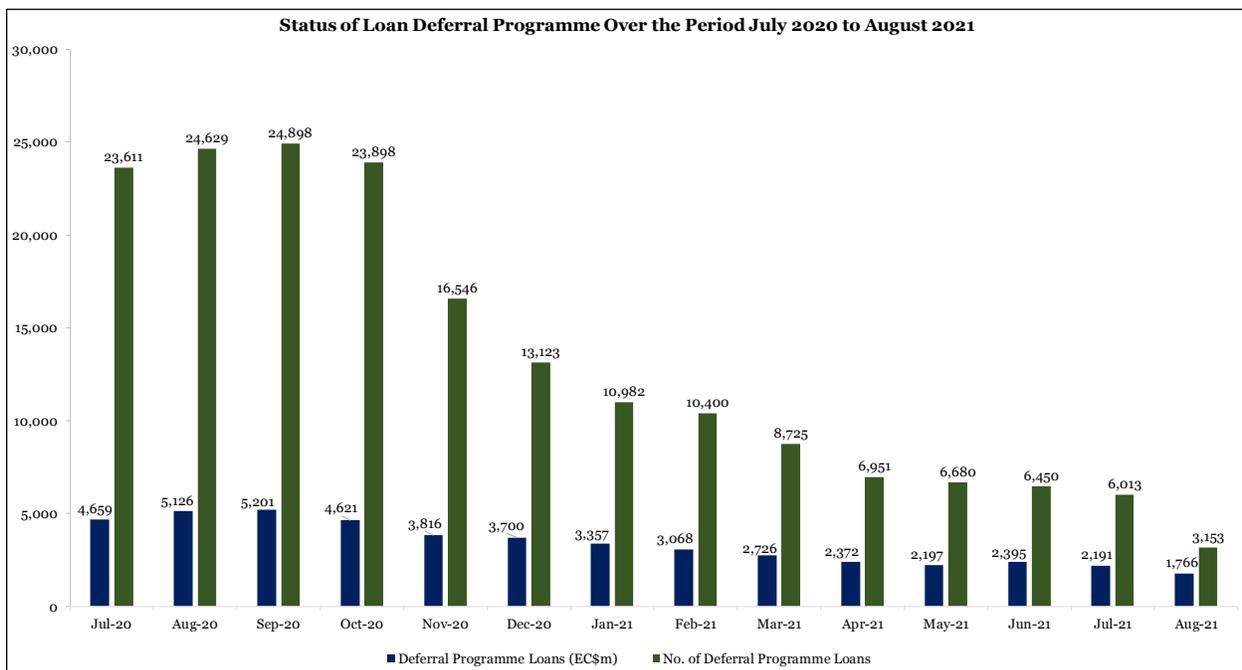
The Monetary Council was advised of the following developments in the financial sector:

- a. The banking system remained stable. While the total value of Non-Performing Loans (NPLs) rose, the NPL ratio held steady at 11.5 per cent. Moreover, the banking system maintained ample levels of liquidity, and capital buffers remained strong. Nevertheless, profitability is expected to be reduced in the near term for most financial institutions.



b. The loan repayment deferral programme has created the space necessary for financial institutions and borrowers to restructure loan facilities without defaults. **Figure 1** shows that, as at the end of August 2021, **3,153** loan facilities with a total outstanding balance of almost **\$1.8 billion** (equivalent to 13.1 per cent of the banking sector’s loan portfolio) remained under the programme. The ECCB’s approval, in September 2021, of a further six-month extension of the programme allows for continued relief for affected borrowers.

Figure 1



Source: ECCB

c. The Council noted the recent agreement reached by CIBC FirstCaribbean and a consortium of indigenous banks on the sale/acquisition of operations in four member countries. The ECCB is now in receipt of an application from CIBC regarding the sale of these operations and now awaits applications from the consortium of indigenous banks for their purchase.



3.0 Fiscal and Debt Sustainability

- a. The pandemic continues to place pressure on public finances. The Council was apprised that between December 2019 and June 2021, ECCU member governments contracted approximately \$1.6 billion in debt, raising the total public sector debt to almost \$15.6 billion at the end of June 2021.
- b. The rapid accumulation of debt required to meet the needs occasioned by the COVID-19 crisis, coupled with the decline in economic activity, led to a debt to GDP ratio of **87.9** per cent being recorded for 2020. The 2020 ratio represents a 22 percentage point increase over the ratio for 2019.
- c. However, the revised fiscal anchor (the debt to GDP ratio target of 60 per cent by 2035) should help make a return to a sustainable debt path more manageable after the major setback occasioned by the COVID-19 pandemic.

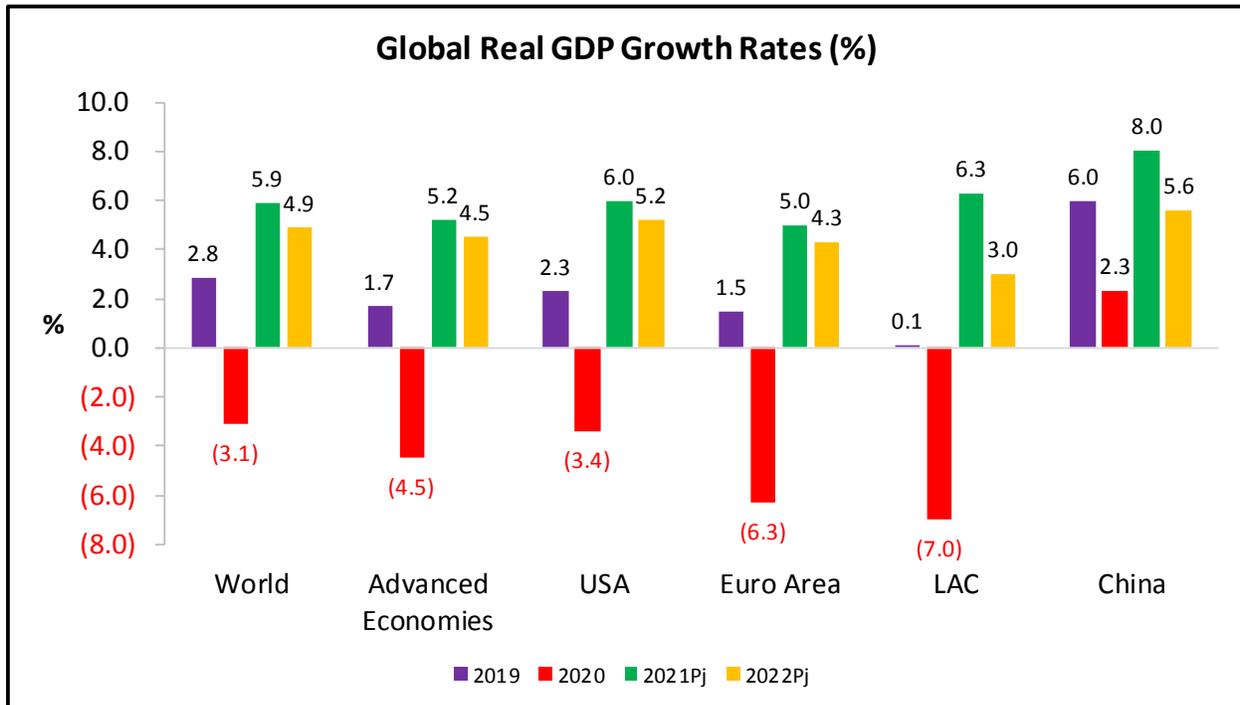
4.0 Growth and Competitiveness

The Council was advised that:

- a. According to the World Economic Outlook released by the International Monetary Fund (IMF) on 12 October 2021, the pace of the global economic recovery is threatened by low vaccination rates in many parts of the world and the spread of new variants of the coronavirus.
- b. Globally, inflationary pressures are a growing concern as supply chain bottlenecks are expected to persist in the near term.
- c. The IMF adjusted its global growth forecast for 2021 downward by one-tenth of a percentage point (relative to its July 2021 forecast) to 5.9 per cent. **Figure 2** shows that the forecasts also include buoyant prospects for 2021 for the ECCU's major trading partners. The USA and Euro Area are projected to grow in 2021 by 6.0 per cent and 5.0 per cent, respectively. The IMF forecasts robust global growth of 4.9 per cent for 2022.



Figure 2



Source: International Monetary Fund World Economic Outlook, October 2021

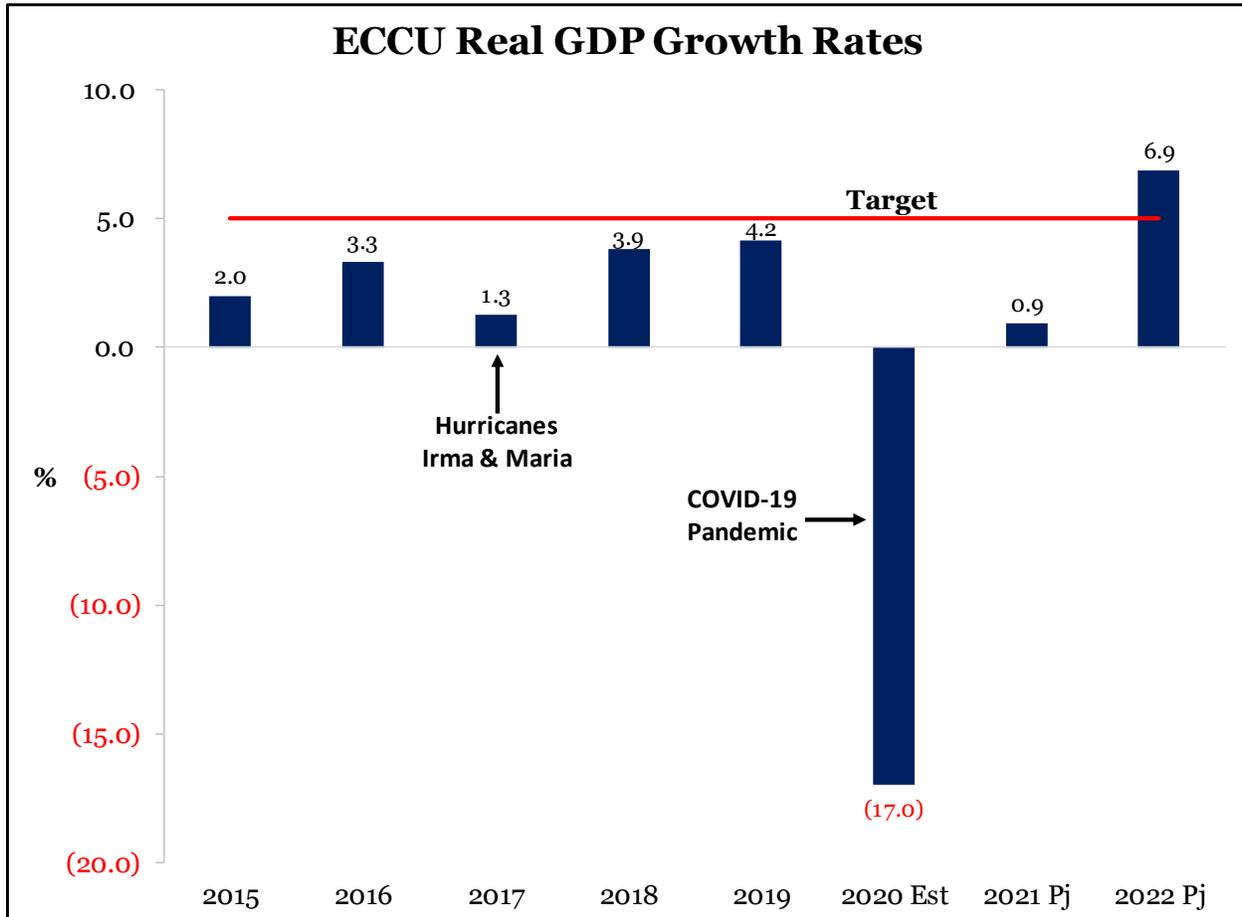
- d. The recovery of the ECCU economy continues to be hobbled by new waves of COVID-19 infections and low vaccination rates in some member countries. Activity in the Tourism industry, the mainstay of the ECCU economy, remains sluggish. The constrained economic performance of the ECCU in the first nine months of 2021 was exacerbated by losses and destruction due to eruptions of La Soufrière volcano in Saint Vincent and the Grenadines from April 2021, and to the passage of Hurricane Elsa near Saint Lucia in July 2021.
- e. The protracted pandemic continues to cause significant hardship, particularly among the most vulnerable groups (such as households and small businesses) in the society. Member countries reiterated an appeal to the international



- community for additional financing to help them provide income support to citizens and small businesses most affected.
- f. The ECCB's latest estimates show a more severe contraction in economic activity for 2020 than was initially announced: 17.0 per cent. **Figure 3** shows that the 2021 economic recovery is also projected to progress at a slow pace, with a growth forecast of 0.9 per cent. The projected growth rate of 6.9 for the ECCU for 2022 is subject to significant uncertainty and, if realized, would still not be sufficient to return ECCU economies to their pre-pandemic levels. Against this backdrop, the Monetary Council reiterated the urgency for citizens and residents to step forward and be vaccinated. Indeed, this issue is critical to speed up economic recovery and reduce the economic hardship being experienced by many. It is also critical for a safe return to school for many of the region's children and to reduce the burden on parents and teachers.



Figure 3



Source: ECCB

- g. Recent spikes in global food and energy prices will place added pressure on the ECCU economies and adversely impact already vulnerable households, threatening their food and nutrition security.
- h. A prolonged pandemic, the occurrence of natural disasters in the region and persistent increases in global commodity prices are some of the headwinds faced by the ECCU as it seeks to expedite the economic recovery.



Having received the Governor's Report and recommendations, the Council decided to:

- a. maintain the Central Bank's Discount Rate at 2.0 per cent (short-term credit), and 3.5 per cent (long-term credit); and
- b. maintain the Minimum Savings Rate at 2.0 per cent.

Further:

- a. The Council deliberated on the progress made in the first year of implementation of the Programme of Action for Recovery, Resilience and Transformation of the ECCU Economies (PARRT).
- b. The Council agreed to encourage member governments to deepen their involvement in the implementation of the PARRT by engaging and building consensus among stakeholders and/or integrating the key policy actions of the PARRT into national plans and programmes.

5.0 Policy Discussions at the World Bank/IMF Annual Meetings

The Council deliberated on the policy discussions and outcomes of the recently-concluded World Bank/IMF Annual Meetings:

- a. The Council applauded the ongoing efforts of the two International Financial Institutions (IFIs) to provide exceptional support amidst the ongoing global battle against COVID-19, including the recent IMF Special Drawing Rights (SDR) allocation equivalent to US\$650 billion. The six ECCU countries, which are members of the Fund, have been allocated a combined sum of **US\$127 million**.
- b. The Council welcomed the progress made with the IMF to recognise vulnerability as an essential criterion for determining access to



concessional financing after years of advocacy by regional governments and other vulnerable states.

- c. The IMF's proposed Resilience and Sustainability Trust (RST) could be a useful mechanism for channeling a portion of the SDR allocation to support vulnerable states in their efforts to finance a green, resilient and inclusive recovery. The Council supported member governments' calls for the IMF to consider a design for the RST that would maximize access for small states such as those in the ECCU.
- d. The Council endorsed member governments' advocacy for debt relief and bespoke financing instruments that would create fiscal space for vulnerable states and allow them to enhance their climate resilience.
- e. The Council supported member governments' advocacy for vaccine equity through efforts to boost vaccine supply and distribution. In addition, the Council supported member governments' request for technical assistance to overcome vaccine hesitancy and resistance in the region.

6.0 The ECCU Update on Climate Vulnerabilities and Climate Action Initiatives

The Council deliberated on the collective climate vulnerabilities in the ECCU and noted the ongoing regional climate action initiatives. The Council endorsed the proposal for ECCU member governments to champion climate justice and equity in their interventions at the 26th Conference of the Parties (COP26) to be held in the United Kingdom in November 2021, including support for:

- a. "Delivering the Paris Agreement: A Five-Point Plan for Solidarity, Fairness and Prosperity" presented by the Least Developing Countries Negotiating Bloc.
- b. The 13-point "Resolution on Climate Justice for Citizens of the Caribbean," from the Inaugural Caribbean Youth Parliament on Climate Justice.



7.0 Report from the Technical Core Committee on Insurance (BAICO and CLICO)

BAICO

The Council received an update on ongoing efforts to make an additional payout to ECCU policyholders.

CLICO

The Council approved a proposal of BBD\$37 million from the Government of Barbados to support a payout to ECCU policyholders.

8.0 Date and Venue of 101st Meeting of the Monetary Council

The Council agreed that the 101st Meeting of the Monetary Council will convene on Friday, 25 February 2022 via videoconference.

9.0 Participation

Council Members attending the meeting were:

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
6. The Honourable Philip J Pierre, Prime Minister and Minister for Finance, Saint Lucia



7. The Honourable Camillo Gonsalves, Minister for Finance, Saint Vincent and the Grenadines

22 October 2021

Historical Note:

The inaugural meeting of the ECCB Monetary Council was held on 20 January 1984 and was chaired by the first Governor, the late Sir Cecil A. Jacobs. The meeting was held at the Fort Thomas Hotel in Saint Christopher (St Kitts) and Nevis.

The complete list of Monetary Council Members and Alternates who were present at the first meeting reads as follows:

Government of Antigua and Barbuda

Mr A. Guishard, Financial Secretary

Government of the Commonwealth of Dominica

Honourable M. Eugenia Charles, Prime Minister

Government of Grenada

Mr L. F. Wilson Jr, Director General, Finance

Government of Montserrat

Honourable John Osborne, Chief Minister

Government of Saint Christopher (St Kitts) and Nevis

Honourable Simeon Daniel, Minister of Finance

Government of Saint Lucia

Honourable John Compton, Prime Minister



The decisions of the inaugural meeting of the Monetary Council included the following:

- (1) The Reserve Requirement be imposed on commercial banks only, non-bank financial institutions being excluded for the time being;*
- (2) The Reserve Requirements on commercial banks be levied at the rate of six per cent;
and*
- (3) The Reserve Requirements to be non-interest bearing.*

Fast forward to 2004, the 50th Meeting of the Monetary Council was held over a 2-day period: 26 and 27 February in Saint Christopher (St Kitts) and Nevis. The 50th Meeting was presided over by the then Chairperson, the late Honourable Margaret Annie Dyer-Howe, OE, MBA, who served as the Minister for Agriculture, Lands, Housing and the Environment and Council Member for Montserrat.