



# Eastern Caribbean Central Bank

## Communiqué of the 103<sup>rd</sup> Meeting of the Monetary Council of the Eastern Caribbean Central Bank

*Issued: 25 November 2022*

The One Hundred and Third (103<sup>rd</sup>) Meeting of the Monetary Council of the Eastern Caribbean Central Bank (ECCB) was held on 25 November 2022, via videoconference.

### **1.0 Monetary Stability**

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 2022. The Report focused on the ongoing economic recovery both globally and within the ECCU, as well as on the impact that the increased uncertainty in the global environment is having on this recovery. It indicated that:

- a. The global growth forecast by the International Monetary Fund has been revised downwards and is expected to be approximately 3.2 per cent in 2022.
- b. Inflation is weighing heavily on the economic outlook, as lower disposable incomes reduce aggregate demand, thereby negatively impacting economic activity. At the ECCU level, economic activity continues to recover tepidly. Inflation continues to rise and broaden in the ECCU, reflecting widespread cost pressures.
- c. While global inflationary pressures are expected to ease by the end of 2022 (the pace of price increases is expected to slow), the overall price level is expected to be substantially higher than it was pre-pandemic.
- d. Overall monetary conditions in the ECCU remain accommodative. Monetary and credit conditions improved – despite the weakness in the global macro-economy – during the first half of 2022, with growth in private sector credit and broad money.



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- e. The ECCU's stock of international reserves continues to provide stable support to the exchange rate regime. The region's stock of international reserves expanded to a level 11.8 per cent higher than pre-pandemic levels (February 2020), helping to maintain the stability of the financial and external sectors. The current backing is 90 per cent. To put this in context, the statutory requirement is sixty (60.0) per cent.

Having considered the state of monetary, financial and credit conditions in the ECCU, the Monetary Council decided to:

- a. Maintain the minimum savings deposit rate at 2.0 per cent; and
- b. Maintain the Central Bank's discount rate at 2.0 per cent for short-term credit and 3.5 per cent for long-term credit.

The Minimum Savings Rate (MSR) 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 governments and commercial banks.

## **2.0 Financial Stability**

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

- a. The banking sector has remained stable and resilient in the face of economic headwinds. Moreover, financial stability is expected to be maintained for the remainder of 2022.
- b. The banking system maintained its high degree of liquidity, and capital buffers remained at robust levels.
- c. Council was apprised that activity on the Regional Government Securities Market (RGSM) continues to improve. This is a welcome sign as the market continues to recover from the effects of the COVID-19 pandemic. The RGSM currently utilises the platform of the Eastern Caribbean Securities



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Exchange (ECSE) to issue Treasury bills and bonds. The Regional Government Securities Market began operating in November 2002.

- d. Council was also apprised that the number and amount of moratoria loans have continued to trend downward. At present, these loans are less than **1 per cent of the total loan portfolio**. This is an important signal from the banking sector, likely reflecting improving confidence and diminishing uncertainty surrounding the economic recovery.
- e. Moreover, the Monetary Council received – and approved for publication – the Financial Stability Report for the ECCU for the period January to December 2021.

In furtherance of the Council's expressed support for uniform financial legislation in the ECCU, the Monetary Council encouraged the relevant member Governments to:

- a. Enact the proposed amendments to the Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) legislation, to confer authority on the Eastern Caribbean Central Bank (ECCB) for AML/CFT supervision for its licensees at the earliest opportunity, particularly in light of the FATF 4<sup>th</sup> Round of AML/CFT Mutual Evaluations;
- b. Enact the proposed amendments to the Banking Act, 2015 in Saint Christopher (St Kitts) and Nevis and Saint Lucia; and
- c. Enact the harmonised Credit Reporting Bill in Anguilla and Saint Lucia, to allow for the operation of the credit bureau regionally.

To date, the ECCB has AML/CFT supervisory authority in Antigua and Barbuda, Grenada, Saint Lucia, Saint Vincent and the Grenadines and the Commonwealth of Dominica.



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

Council received the *Report on the Challenges and Opportunities for the ECCU in Adjusting to Volatile Oil Prices*. The Report was prepared by the ECCB to facilitate dialogue among member governments that would be instrumental in designing fiscal reform policies.

An escalation in global oil prices and the resultant subsidisation of fuel prices by ECCU member governments have occurred against the following backdrop. The expansionary fiscal measures implemented in the wake of the COVID-19 pandemic have contributed to a build-up in the ECCU debt levels and reduced the fiscal space for responding to other potential shocks. Public sector debt to GDP increased significantly from 65.9 per cent in 2019 to 88.9 per cent in 2020 before falling to 87 per cent in 2021. The ECCU governments continue to commit to reducing debt levels to 60.0 per cent of GDP by 2035.

The ECCB is supportive of subsidies and targeted social assistance, contingent upon them being reversed when the global situation improves, given member countries' lack of fiscal space and debt overhang.

### **4.0 Growth and Competitiveness**

Council was informed that economic growth for the region is forecasted to be strong in 2022 at 6.4 per cent, moderating to 5.9 per cent in 2023. However, the forecast is subject to downside risks in light of the challenging global economic situation.

Despite higher fuel prices and weakening global economic growth, Tourism in the ECCU is relatively resilient. Although tourism arrivals (stayovers) are still below pre-pandemic levels, the tourism industry is expected to continue strengthening.



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Prospects for further growth in tourism will be contingent upon the impact of any new COVID-19 variants, as well as on any further slowdowns in source markets.

Construction activity is being bolstered by capital investment from member governments and domestic home construction.

With the further easing of COVID-19 protocols by major cruise lines and ECCU member countries, cruise arrivals are expected to continue increasing in 2022 and 2023.

Recovery has firmed in the ECCU, but the region will continue to grapple with the effects of high inflation and the challenges related to air and sea connectivity.

## **5.0 Financial Inclusion**

The Monetary Council received an update on the deployment of DCash which has now been introduced in all eight member countries and reiterated its full support for the DCash Central Bank Digital Currency (CBDC) Pilot Project.

Council supported increased efforts by the ECCB to encourage the use of DCash as a safer, faster and cheaper payment instrument. Further, Council endorsed the ECCB's plans to introduce two additional functionalities, namely government payments (G2P) and third-party wallet integration, in response to feedback from ongoing engagement with stakeholders.

The DCash pilot launch of 31 March 2021 established the ECCU as the first currency union to deploy a CBDC. DCash is a legal tender digital currency on par in value with EC Dollar paper money and coins.



The Council approved, in principle, the establishment of a Financial Conduct Authority to have oversight for matters of consumer protection and to support financial inclusion in the Currency Union.

## **6.0 Report from Technical Core Committee on Insurance**

Council received Report No 3 of 2022 from the Core Committee on Insurance, which is charged with advancing efforts to bring resolution for ECCU Policyholders of the failed insurance companies – British American Insurance Company Ltd. and CLICO Life Insurance Ltd.

### ***a. British American Insurance Company (BAICO) Resolution***

The Monetary Council agreed to deliberate on the way forward to resolve outstanding matters, and also identified options for counsel to handle the matter of the outstanding contribution from the Government of Trinidad and Tobago.

### ***b. CLICO International Insurance (CIL)***

Council agreed to deliberate on the way forward to resolve outstanding matters, including the trust arrangement to receive the Government of Barbados's Bond Offer of BBD \$37 million, on behalf of the ECCU Policyholders.

## **7.0 Report from the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC)**

Council received an update on the status of the operations of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC), as well as its Financial Report as of 30 September 2022. The Council adopted the contents of the Report.

Established by the Monetary Council, with strong financial and technical support from the World Bank, the ECPCGC officially launched in October 2020, and is integral to building out a modern credit ecosystem in the ECCU.



## **8.0 Appointment of ECCB Board Member**

Council approved the appointment to the Board of Directors of the Eastern Caribbean Central Bank:

**(1) Appointment of Francis Fontenelle, Permanent Secretary, Ministry of Finance**, as the newly Appointed Director for Saint Lucia to serve on the Board for the period 3 December 2022 to 2 December 2025.

## **9.0 Change in Chairmanship of the Eastern Caribbean Securities Regulatory Commission (ECSRC)**

- a. The Monetary Council placed on record its appreciation for the sterling contribution and commitment of outgoing Chairman of the ECSRC, His Excellency Arthur G. B. Thomas, in service to the public in the ECCU as a member of the ECSRC for the past 15 years. Ambassador Thomas resigned as Chairman of the ECSRC on 21 November 2022.
- b. The Council has commenced the process to appoint a new Chairman of the ECSRC. The Council's decision on the new appointment will be communicated in due course.

## **10.0 Cryptocurrencies**

The Monetary Council agreed to examine the rise of cryptocurrencies in the Currency Union, in order to assess potential implications for consumer protection and financial stability. A Council policy discussion on the matter is scheduled to take place in early 2023.

## **11.0 Date and Venue of the 104<sup>th</sup> Meeting of the Monetary Council**

Council agreed to the convening of the 104<sup>th</sup> Meeting of the Monetary Council on Friday, 24 February 2023, beginning at 9:00 a.m. The proceedings of the Meeting will be held in person at the ECCB Headquarters in Saint Christopher (St Kitts) and Nevis.



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The 104<sup>th</sup> Meeting will be presided over by the current Monetary Council Chairman, the Honourable Philip J Pierre, Prime Minister and Minister for Finance of Saint Lucia.

## **12.0 Participation**

Council Members attending the meeting were:

1. The Honourable Philip J Pierre, Prime Minister and Minister for Finance, Saint Lucia (Chairman)
2. The Honourable Dr Ellis L Webster, Premier and Minister for Finance, Anguilla
3. The Honourable Gaston Browne, Prime Minister and Minister for Finance, Antigua and Barbuda
4. The Honourable Joseph Easton Farrell, Premier and Minister for Finance, Montserrat
5. The Honourable Dr Terrance Drew, Prime Minister and Minister for Finance, Saint Christopher (St Kitts) and Nevis
6. The Honourable Camillo Gonsalves, Minister for Finance, Saint Vincent and the Grenadines