



STATEMENT BY
DR THE HONOURABLE TIMOTHY HARRIS
PRIME MINISTER OF SAINT KITTS AND NEVIS AND
INCOMING CHAIRMAN OF THE MONETARY COUNCIL

AT THE

HANDING OVER CEREMONY TO MARK THE CHANGE IN
CHAIRMANSHIP OF THE ECCB MONETARY COUNCIL

FRIDAY, 24 JULY 2020

VIRTUAL

Salutations:

Dr the Right Honourable Keith Mitchell, Prime Minister and Minister of Finance
for Grenada and Outgoing Chairman of the Monetary Council

Other Members of the Monetary Council

Governor of the Eastern Caribbean Central Bank

Board Members and Advisers

ECCB Management and Staff

Members of the Media

Fellow Citizens and residents of the ECCU

Introduction

I greet you from the beautiful twin-island Federation of St. Kitts and Nevis, the place Marcus Garvey referred to as the Garden of Eden when he visited here in 1937.

Council members, I would prefer to be hosting you in person right here in my beloved Country, however the exigencies of the times in particular the existence of the dreaded COVID-19 pandemic make it impossible to do so. Hence we are in a virtual space. I thank all of my colleagues for their virtual attendance.

Before I continue, let me extend a warm hand of welcome to Premier Webster, the new Council member for Anguilla. I offer congratulations to my friend and wish you well as you manage the affairs of Anguilla, formerly part of the trinity of St Kitts-Nevis and Anguilla.

Today, our small economies of the Eastern Caribbean Currency Union (ECCU) are grappling with the unprecedented social and economic disruption triggered by the COVID-19 pandemic. This exceptionally difficult time calls for renewed thinking and renewed commitment to the fundamental principles of regional cooperation and solidarity – the very principles on which the Eastern Caribbean Central Bank (ECCB) was built.

Notwithstanding these turbulent and unprecedented times, it is my privilege to accept the Chairmanship of the Monetary Council.

Recognition of Good Work

Due to the swift and decisive action of member countries and the support of you, our citizens and residents, we have successfully contained the first wave of the coronavirus, a remarkable achievement, given our small size and limited resources. Now comes the even harder task of carefully reopening our borders and repositioning our economies while still keeping our people safe.

I wish to commend Prime Minister Mitchell for his sterling service as Chairman over the past two years. Under his stewardship, the Monetary Council made some critical determinations at the onset of the pandemic; oversaw significant developments in our banking system; and supported key enhancements in our regulatory framework.

I join the outgoing Chairman in congratulating Governor Antoine and his team at the ECCB on the landmark performance for the Bank's just-concluded financial year in which the Bank reported its largest profit since its establishment in 1983 - \$63.1 million. Continued profitability helps the ECCB to effectively discharge its critical mandates for the good of the people of our currency union.

The Governor and the management and staff at the Bank continue to demonstrate a drive and tenacity to propel the Bank and our region. I recognise his astute leadership of the Bank and the hard work and dedication of management and staff.

Macro-economic Overview

The International Monetary Fund (IMF), in its June 2020 World Economic Outlook update, projected a global downturn of 4.9 per cent in 2020.

Furthermore, our main trading partners, the United States of America, and the United Kingdom are projected to contract by 8.0 and 10.2 per cent, respectively. As countries continue to manage the health implications of the pandemic and the ensuing economic fallout, a gradual recovery is expected. In 2021, global growth is projected to rebound by 5.4 per cent.

According to the ECCB projections, the ECCU economies are projected to decline between 10 and 20 per cent in 2020 owing to the necessary lockdowns and the closure of the vital tourism sector. A gradual recovery for the ECCU is anticipated in 2021.

Looking Forward

During my tenure as Chairman, the Monetary Council will exercise responsible, prudent, and unified leadership as we chart the path towards our region's economic recovery and resilience.

With this objective in mind, I now wish to speak briefly on three main areas of focus for the upcoming year—monetary stability, financial stability, and growth and competitiveness.

Monetary Stability

Ladies and gentlemen, the strength of our Eastern Caribbean dollar is the most cherished feature of the ECCU. Our exchange rate continues to serve as our anchor for macroeconomic stability and confidence in our region.

With the reduced inflows of foreign currency to support our reserves, the Monetary Council and the ECCB will continue to be meticulous in the management of our foreign reserves to ensure the EC dollar remains strong and continues to serve our people and our economies by delivering low inflation, convertibility and consumer and investor confidence. The EC dollar remains strong and far superior to the regulatory backing ratio of 60 percent.

Financial Stability

Financial stability for the rapid recovery of our region.

The loss of jobs, as a consequence of the pandemic, has adversely impacted the financial sector. Many of our citizens are now unemployed or receiving reduced income thereby making it challenging to meet their financial obligations. The ECCB will prudently support the banking sector's loan deferral programmes to provide the requisite support for affected customers without compromising financial stability. I wish to record my appreciation to our commercial banks for extending the 6 month moratorium facility creating a financial ease for their customers at this difficult time.

Furthermore, the Monetary Council will consider recommendations designed to ensure an optimal regulatory framework for the financial system in the ECCU. This will include a careful review and more efficacious division of responsibilities among the ECCB, the Eastern Caribbean Securities Regulatory Commission and national financial regulators. The aim is to protect customers and consumers while enhancing financial stability, an essential for sustained growth and prosperity.

The Monetary Council will continue to address threats such as the loss of correspondent banking relationships, money laundering and terrorist financing.

Additionally, the Bank will forge ahead with the establishment of a credit bureau and a deposit insurance system for the ECCU. These initiatives will create more opportunities for business start-ups and expansion while strengthening the resilience of the financial sector.

St Kitts and Nevis is one of the five member governments which have already passed the Credit Reporting Bill and has also issued the Credit Reporting Regulations for the establishment of the credit bureau. I urge Colleague Heads to prioritize these Bills on their legislative agenda.

Work is well underway on a deposit insurance system. Such a system will not only provide more protection for depositors, but it will support fiscal and debt sustainability as it would, in time, reduce the fiscal burden of a potential bank resolution.

Growth and Competitiveness

The present pandemic has uncovered many inefficiencies and presented many opportunities. Over the next twelve months, the Monetary Council will redouble its efforts to support the digital transformation of our region. In this vein, I look forward to the launch of the ECCB's Digital EC Cash pilot.

The Monetary Council will also consider a modern Payment System and Services legislation as we press forward with the modernisation of our payment system.

We look forward to fast track implementation of the Caribbean Digital Transformation Programme funded by the World Bank. The Programme aims to construct an inclusive digital economy through increased:

- broadband connectivity;
- access to public services;
- access to digital financial services; and
- digital skills by businesses and individuals.

In January of this year, St. Kitts and Nevis passed the Virtual Assets Bill, as part of our national digital transformation strategy.

Conclusion

Distinguished colleagues, fellow citizens and residents, as we chart our way forward amidst these unprecedented challenges and remodel our economies for resilience and shared prosperity, let us proceed with a strong and renewed sense of regional solidarity.

I commit to working closely with my fellow Council members, the Governor, the Board of Directors, management and staff of the ECCB and you, the citizens and residents of the ECCU.

Together in unity, we will lead our region to a safer, stronger and more secure future.

I thank you.