



NEWS RELEASE

For Immediate Release

Statement on the International Monetary Fund’s Publication of the Staff Report for the 2024 Eastern Caribbean Currency Union Common Policies Consultation

26 April 2024, Basseterre, St Kitts and Nevis – The Eastern Caribbean Central Bank (ECCB) welcomes the publication of the “*Eastern Caribbean Currency Union – Staff Report for the 2024 Article IV Consultation on Common Policies of Member Countries of the Eastern Caribbean Currency Union*” by the International Monetary Fund (IMF).

Over the period January – February 2024, the IMF engaged stakeholders in the Eastern Caribbean Currency Union (ECCU) member countries and the ECCB. The 2024 Staff Report documents the IMF’s findings from these engagements. The key policy areas discussed in the consultations were:

- i. Sustainable growth and structural policies;
- ii. Financial sector stability; and
- iii. Fiscal resilience.

The ECCB concurs with the IMF’s analysis that the region experienced a robust recovery after recent devastating shocks – the COVID-19 pandemic and inflation resulting from the Russia-Ukraine war. The ECCB’s assessment shows that the recovery is firmly entrenched, with real GDP growth estimated to have averaged 7.3 per cent over the period 2021 to 2023. The strong performance of the Tourism industry bolstered the recovery over that period. The ECCB further projects growth of 5.2 per cent in 2024.

The financial sector also weathered the recent macroeconomic shocks well. The loan repayment deferral programme supported the economy during the pandemic. The programme, which was developed in a partnership between the Central Bank and the financial institutions, brought much-needed relief to borrowers without undermining financial stability. The banking system remains stable, with high levels of liquidity and strong capital buffers.

Protecting the gains made in recent years, ensuring resilience and elevating the region’s growth trajectory require an acceleration of critical reforms. The ECCB acknowledges the IMF’s recommendations for reforms in such areas as fiscal policy, the financial sector, labour market and pensions.

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The ECCB offers the following perspective on the region's performance, prospects and the reforms currently underway.

1. Monetary Policy

The Central Bank remains committed to safeguarding the exchange rate regime. The exchange rate remains fixed at EC\$2.70 to US\$1.00, supported by a high level of foreign reserves. Despite the recent turmoil in international financial markets occasioned by the unprecedented interest rate hikes by major central banks, including the US Federal Reserve, the Central Bank's reserve position has grown to \$5.1b as at 19 April 2024. The backing ratio stood at 95.7 per cent – well above the statutory requirement of 60 per cent.

2. Financial Sector Stability

The Bank continues its efforts to enhance regulation and supervision of the financial sector. To that end, several initiatives are ongoing under the Bank's financial sector stability strategic thrust. Work continues on the establishment of a Regional Standards Setting Body (RSSB), which will assist with the development of uniform regulatory standards to guide supervision of the Non-bank Financial Institutions (NBFI) sector. Another key initiative is the Office for Financial Conduct and Financial Inclusion. The purpose of this Office is to address such consumer concerns as data protection and privacy, excessive fees and charges, and unfair business practices. The Office's mandate extends to financial inclusion, which would help address the financial inclusion challenges illuminated by the inaugural [ECCU Financial Literacy and Financial Inclusion Survey](#) conducted in 2022-2023.

Another work stream dedicated to strengthening the financial sector focuses on the safety nets. In this regard, the deposit insurance project continues apace with the drafting of the requisite legislation to support the establishment of the deposit insurance system.

The credit bureau project has made significant progress over the past year. The licensed credit bureau operator, EveryData ECCU, will go live in Antigua and Barbuda on 1 June 2024. Thereafter, operations will be launched in the remaining ECCU countries. The credit bureau will assist with the assessment and pricing of risk and would assist with the management of credit risk. Going forward, the credit bureau will serve as an integral part of the region's strategy for preventing further accumulation of high levels of non-performing loans.

3. Fiscal and Debt Sustainability

The region's progress towards fiscal and debt sustainability was reversed by the substantial fiscal support that the member governments were required to provide during the pandemic. The region's debt-to-GDP ratio deteriorated from 66.1 per cent at the end of December 2019 to 87.9 per cent at the end of 2020. The strong economic recovery in the ensuing years helped the region to return to a more sustainable debt path. The ECCB estimates that the region's



debt-to-GDP ratio stood at 74.7 per cent at the end of 2023. Continued efforts at fiscal consolidation would be required to achieve the debt target of 60 per cent by 2035.

One key policy area for reform in support of fiscal sustainability is the fuel pricing mechanism of the member countries. On that point, technical staff from all ECCU countries participated in a workshop co-hosted by the ECCB and the IMF and partly funded by the Caribbean Regional Technical Assistance Centre (CARTAC) on 4 – 5 April 2024 at the ECCB headquarters. It is envisaged that this would be a first step towards some regional harmonization of the mechanisms to meet climate objectives and revenue preservation.

The Bank continues to advocate for enhanced governance for Citizenship by Investment (CBI) programmes. The CBI programmes remain a critical source of revenue and contributor to the economic development of the countries. Since the historic Caribbean-US Roundtable on CBI in February 2023, the CBI countries have been resolute in their commitment to raising standards for the programmes to address the concerns of US and European policymakers. Of note is the recent signing of a Memorandum of Agreement by four of the CBI countries. The Agreement provides a framework for cooperation on key aspects of the programmes, including pricing and regulation.

4. Growth, Competitiveness and Employment

The region's growth is expected to moderate in 2025 but remain robust. The Bank's assessment of the downside risks to the region's growth prospects are broadly in line with those discussed by the IMF in the Staff Report. These include: geopolitical risks, volatility in CBI revenue, global headwinds affecting tourism and inflationary pressures. Addressing constraints such as regional air connectivity and raising implementation capacity in the countries would bode well for the region's growth prospects. Additionally, more equitable access to climate finance would support the region's efforts to build resilience and safeguard its growth gains.

Acknowledgements

The Bank thanks the IMF team who joined the 2024 mission and those who contributed to the preparation of the Staff Report and supplementary material. The ECCB thanks the Office of the Executive Director for Canada, Ireland and the Caribbean, for its ongoing support to and advocacy on behalf of the region. We wish to express our appreciation to the IMF and CARTAC for their support to the Bank and the member countries on various technical assistance and capacity building initiatives. The Bank values its strong partnership with the Fund and looks forward to further collaboration in support of the region's transformation agenda.

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The IMF’s “Eastern Caribbean Currency Union – Staff Report for the 2024 Article IV Consultation on Common Policies of Member Countries of the Eastern Caribbean Currency Union” is available on the [IMF website](#).

About the Eastern Caribbean Central Bank

The Eastern Caribbean Central Bank (ECCB) was established in October 1983. The ECCB is the Monetary Authority for: Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher (St Kitts) and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

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