



Eastern Caribbean Central Bank
P. O. Box 89, Basseterre, St Kitts, West Indies

REMARKS BY
TIMOTHY N. J. ANTOINE
GOVERNOR OF THE EASTERN CARIBBEAN CENTRAL BANK
DELIVERED AT
ECCB@40 GLOBAL CONFERENCE
“FIT FOR THE TIMES: BUILDING RESILIENCE AND EMBRACING
INNOVATION FOR TRANSFORMATION”

8 NOVEMBER 2023

Salutations:

Governors

Deputy Governors

Mr. Michael Kaplan, Deputy Assistant Secretary, US Treasury and other US officials

Mr. Philip Jennings, Executive Director for Canada, Ireland and the Caribbean, International Monetary Fund

Mr. Tobias Adrian, Financial Counsellor and Director of the Money and Capital Markets Department, International Monetary Fund

Mr. Gregory Hill, Vice President, Caribbean Development Bank

Members of ECCB Board of Directors

Dr Valda Henry, ECCB Deputy Governor and Chair of the 40th Anniversary Planning Committee

Ms. D. Tracy Polius, Chief Director (Policy)

Former Governors

Mr. Christopher Jeffery, Editor-in-chief of Central Banking and other Central Banking team members



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P. O. Box 89, Basseterre, St Kitts, West Indies

ECCB Heads of Departments, Management and Staff

Chairs, CEOs and representatives of Licensed Financial Institutions

Speakers, Moderators and Panellists

Other distinguished delegates and specially invited guests

Members of Media

Citizens, residents and friends of the ECCU



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Good morning

1. Introduction

I am truly delighted to welcome each of you to the Eastern Caribbean Central Bank's (ECCB's) 40th Anniversary Global Conference and to St. Kitts and Nevis – the birthplace of Alexander Hamilton, the first US Treasury Secretary.

Some of you have travelled far, at considerable cost and effort, to share this milestone moment with us, I especially refer to my African, Asian and Pacific brothers and sisters.

To my colleague Caribbean governors, I truly appreciate your effort to be with us this week, having regard to the fact that you travelled to Jamaica last week for our CARICOM Governors' Meetings.

For those from the ECCU visiting ECCB for the first time, I extend a special welcome and to those returning, especially our licensed financial institutions, I say welcome back. This is your central bank; we work for you!

This Conference is the latest instalment in what has been an extraordinary year of celebrations under the theme: ECCB@40: A Year of **Reflection, Celebration and Implementation** for the ECCB.

Our Global Conference theme is **Fit for the Times: Building Resilience and Embracing Innovation for Transformation (Slide 1)**.

In partnership with *Central Banking*, we have put together an interesting array of topics and an impressive lineup of speakers. We anticipate an enjoyable and memorable conference.



Recent Macroeconomic Developments

In our personal lives, the age of 40 is considered middle age and often brings with it the dreaded “midlife crisis.” As an institution, we are still relatively young but are confronting, like all of you, what the Managing Director of the IMF calls a “polycrisis.”

Over the past four decades, the ECCB has safeguarded financial stability and supported the economic progress and resilience of our region. We have maintained a stable EC dollar, pegged at US\$1 to EC\$2.70 (since 1976), backed by strong reserve buffers as the recent pandemic and preceding shocks attest. Today, I confirm that the EC dollar remains very strong with a current backing of 94.7 per cent (**Slide 2**). This stability has provided certainty, confidence and continuity. Equally important, it has delivered low to moderate inflation. Inflation in the ECCU is mostly imported and tracks US inflation (**Slide 3**).

Our region’s strong post-pandemic recovery continues and the ECCB projects growth of 6.5 per cent this year and 5 per cent next year (**Slide 4**).

Our current debt-to-GDP ratio now stands at 73 per cent, having reached 88 per cent as a consequence of the largest growth shock on record (16.5 per cent) occasioned by the pandemic (**Slide 5**).

At the commencement of our 40th Anniversary Celebrations, I posed the question and issued a challenge, “***What would it take to double the size of our economies over the next decade?***” This is the question that we have been contemplating all year and on which we continue to cogitate. We have articulated some perspectives on this question through what we call ***our theatres of transformation*** and remain open to new ideas and thinking on this challenging aspiration.

Ladies and Gentlemen, the shocks keep coming.



As we deliberate on the theme “**Fit for the Times: Building Resilience and Embracing Innovation for Transformation**”, I wish to briefly highlight three key points (**Slide 6**):

- 1. Climate Risk is Financial Risk**
- 2. Digital Innovation for Financial Inclusion and Resilience**
- 3. Financial Stability, Financial Inclusion and Economic Resilience require *strong regional and international cooperation***

1. Climate Risk is Financial Risk

We are now at a stage that the United Nations Secretary-General, António Guterres, termed “[an era of global boiling](#).” According to NASA scientists, July 2023 was the hottest month on record (0.24°C above any other July in NASA’s record) and 2023 is on pace to become the hottest year ever. On this current track, our planet now at 1.2 degrees Celsius (above pre-industrial) could exceed, in some years, 1.5 degrees Celsius before 2030 (**Slide 7**).

A 2018 IMF study found that in the Caribbean, the frequency of disasters is 7 times higher than anywhere in the world and losses from these disasters are 6.5 times more than the global average.

Indeed, our region faces wipeout events, as was the case in 2004 with Hurricane Ivan in Grenada (200% of GDP) and in 2017 with Hurricane Maria in Dominica (226% of GDP). Moreover, Caribbean countries experience annual losses to weather events of 2.5 per cent of GDP.

Ladies and gentlemen, we need a liveable planet, and climate change poses an existential threat. Consequently, without attempting to stoke culture wars —and in all seriousness—we have a stark choice between what some refer to as “woke” central banking and what I refer to as “smoked” central banking. For the preservation of financial stability, we simply cannot ignore climate risks. In this regard, we support the Bridgetown Initiative 2.0, which Prime



Minister Mottley has championed to advance the interests of the Global South. To that end, we welcome the adoption of Climate Resilient Debt Clauses by the Inter-American Development Bank (IDB), International Monetary Fund (IMF), World Bank and Caribbean Development Bank (CDB), an innovation that was first pioneered in Grenada in 2014 and for which our region has strongly advocated for the past decade.

While we agree with the necessity for disclosures and effective stress testing by licensees and regulators, these efforts are necessary but not sufficient. To meet this moment, significant climate capital is required for adaptation and loss and damage. In this regard, we call on our international partners to support the efforts of Emerging Market and Developing Economies (EMDEs) and Small Island Developing States (SIDS) to create green finance markets. To that end, we call for broad adoption of the Multidimensional Vulnerability Index (MVI) for determining access to grants and concessional financing, as opposed to the archaic reliance on GNI per capita, which is an analytical absurdity and is simply not fit for purpose.

2. Digital Innovation is essential for Financial Inclusion

The payment system must work for all except illicit actors.

The ECCB is modernising its payment system, recognising the significance of strong oversight policies to support greater financial inclusion and resilience. Results from our inaugural Financial Inclusion Survey indicate: only about 3 in 5 adults (64.9 per cent) in the ECCU hold a commercial bank account. Equally noteworthy is that our internet penetration rate nears 70 per cent, with very high mobile cellular subscription. Therefore, as smart phone transactions increase, Central Bank Digital Currencies (CBDCs) could help bridge the inclusion gap **(Slide 8)**.

Consequently, the ECCB intends to move ahead with its digital currency (DCash) and will in the next few months conclude the pilot and launch DCash 2.0 which is commercial deployment. Ultimately, customers will choose their channel based on cost, convenience and



cybersecurity. We simply say ***give customers their remote control and let them pick their channels.*** (Slide 9)

As we pursue these innovations, we will continue to focus on both the enablers and safeguards (especially cyber resilience) for the digital economy.

We welcome efforts of the International Monetary Fund (IMF), Bank for International Settlements (BIS) and *Committee on Payments and Market Infrastructures* (CPMI) to include the voices of the Caribbean in the work on advancing the G20 roadmap for cross-border payments.

In respect of Generative artificial intelligence (AI), we regard it as a tool that we shall put to work to advance our mandates. That said, we are ready to collaborate on appropriate governance arrangements for this powerful emerging technology.

3. Financial Stability, Financial Inclusion and Economic Resilience require strong regional and international cooperation.

The ECCB was formed from the crucible of colonisation and a special type of mathematics which found that “one from 10 leaves nought” (refer to Sir Eric Williams, Premier of Trinidad and Tobago, 1962). The glue that held our small states together then and now is solidarity and collective action.

In our increasingly interconnected and shock-prone world, the criticality of regional and international cooperation and collective action cannot be overemphasised. Now more than ever, our world needs collective action as we navigate the current polycrisis.

The ECCB, as it has done for the past 40 years, stands ready to cooperate on the foregoing issues.



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Conclusion

Ladies and gentlemen, let me thank our keynote speakers and expert panellists for their insight. Special kudos to the planning teams of both *Central Banking* and the ECCB for their exceptionally hard work. I convey my gratitude to all who have and are contributing to make this Conference a reality and a resounding success.

Now, let us have some fun.

I thank you **(Slide 10)**.



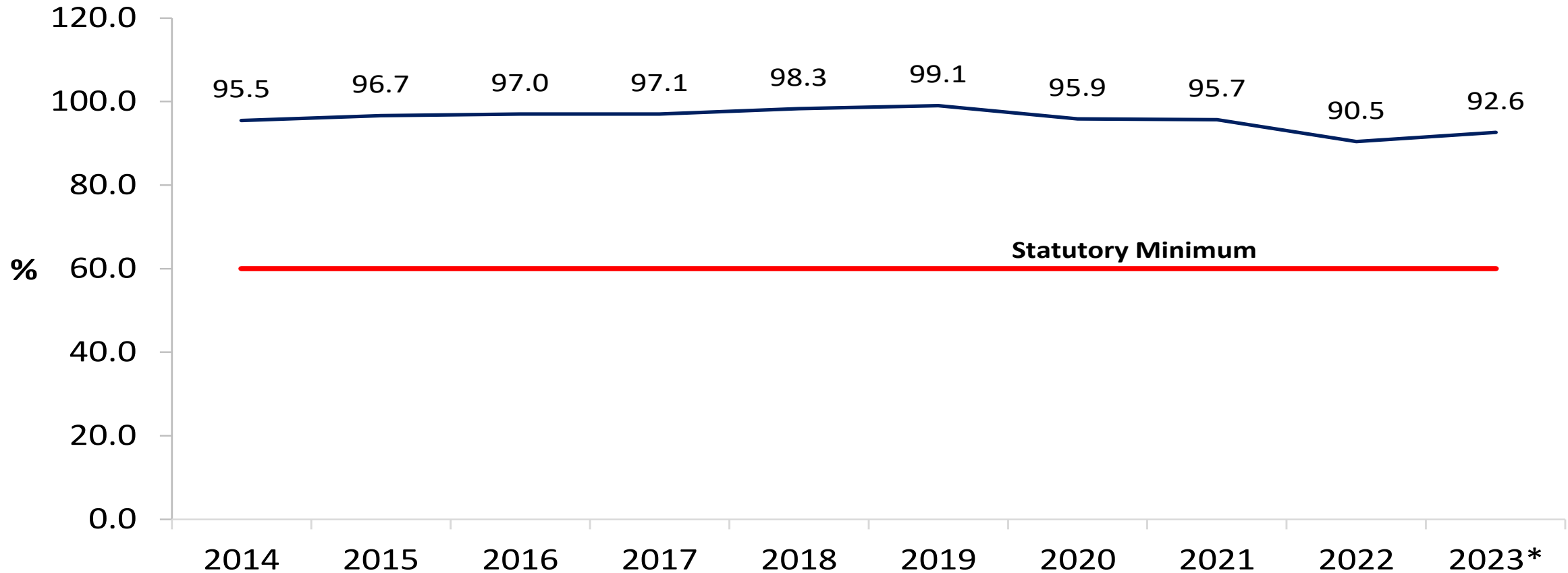
ECCB@40 Global Conference

Fit for the Times: Building Resilience and Embracing Innovation for Transformation





ECCU Backing Ratio

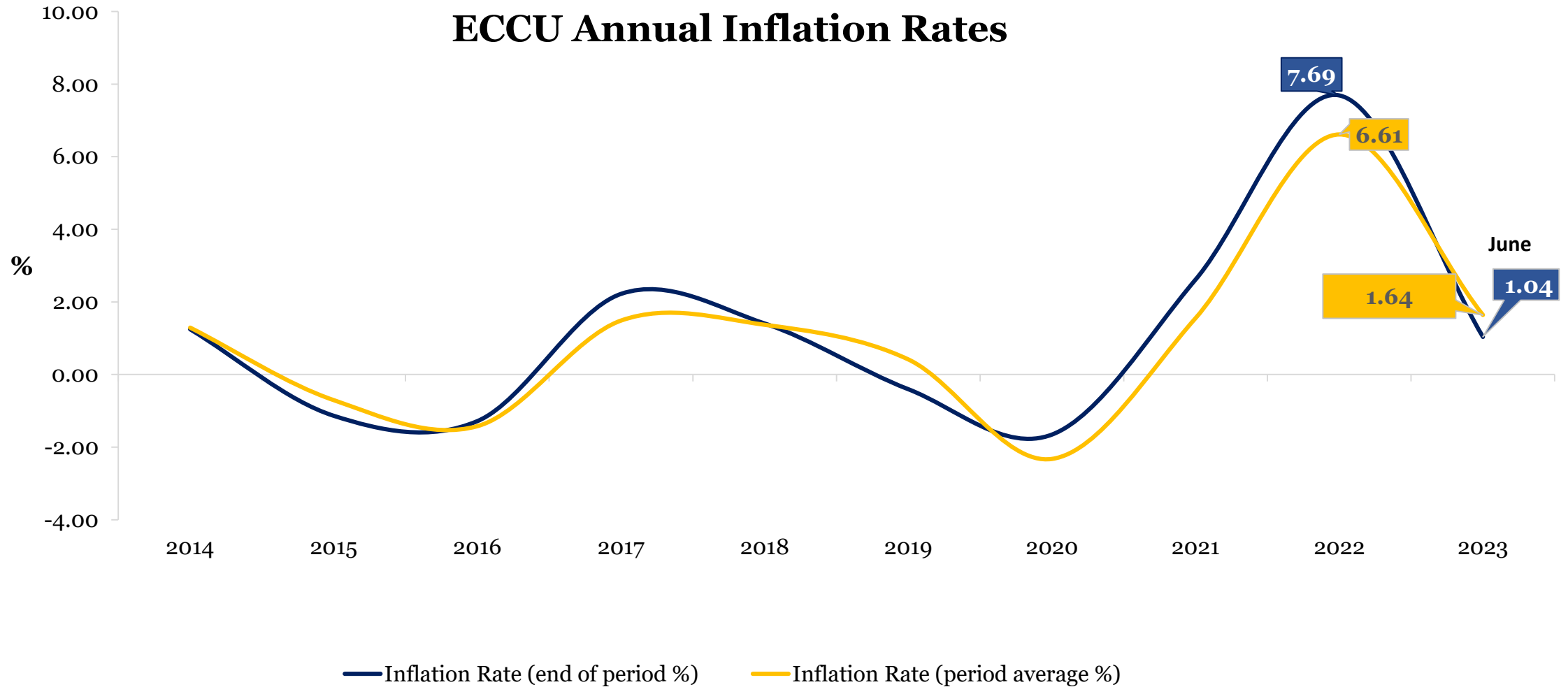


Notes: *2023 data at 30 June



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ECCU Annual Inflation Rates

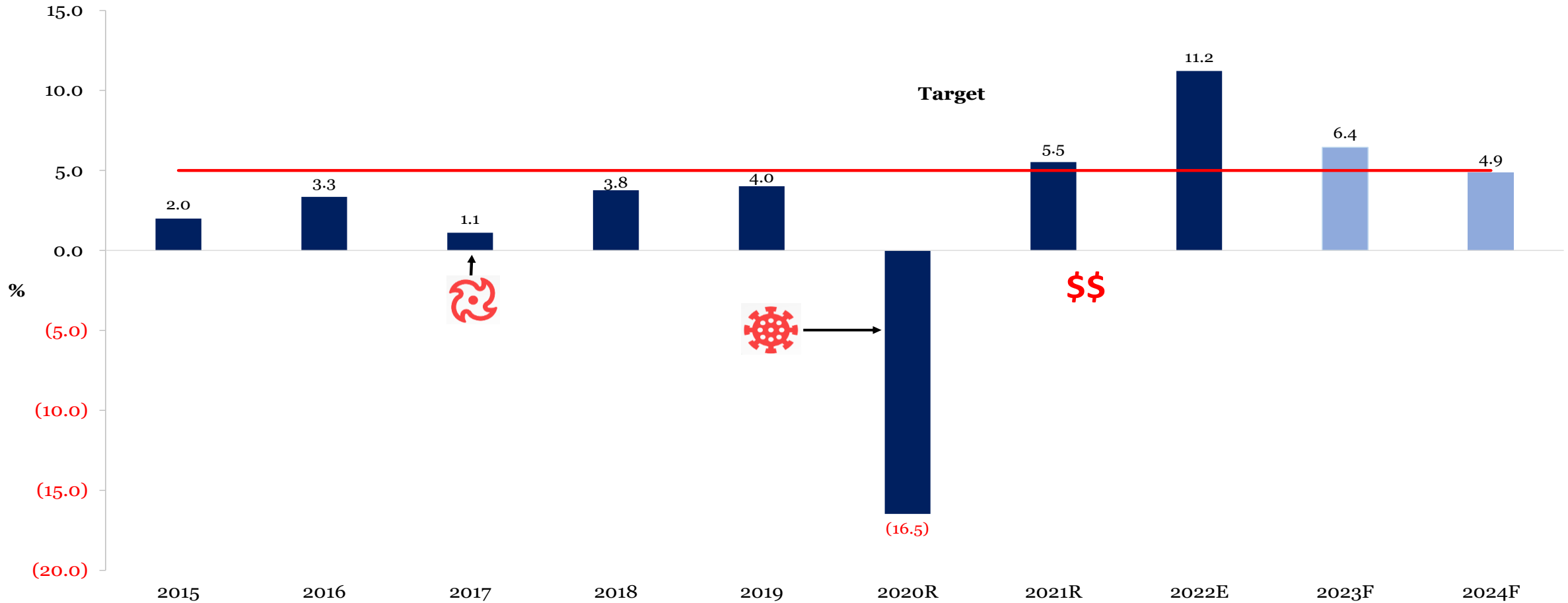


Notes: 2023 data at 30 June



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ECCU Real GDP Growth Rates

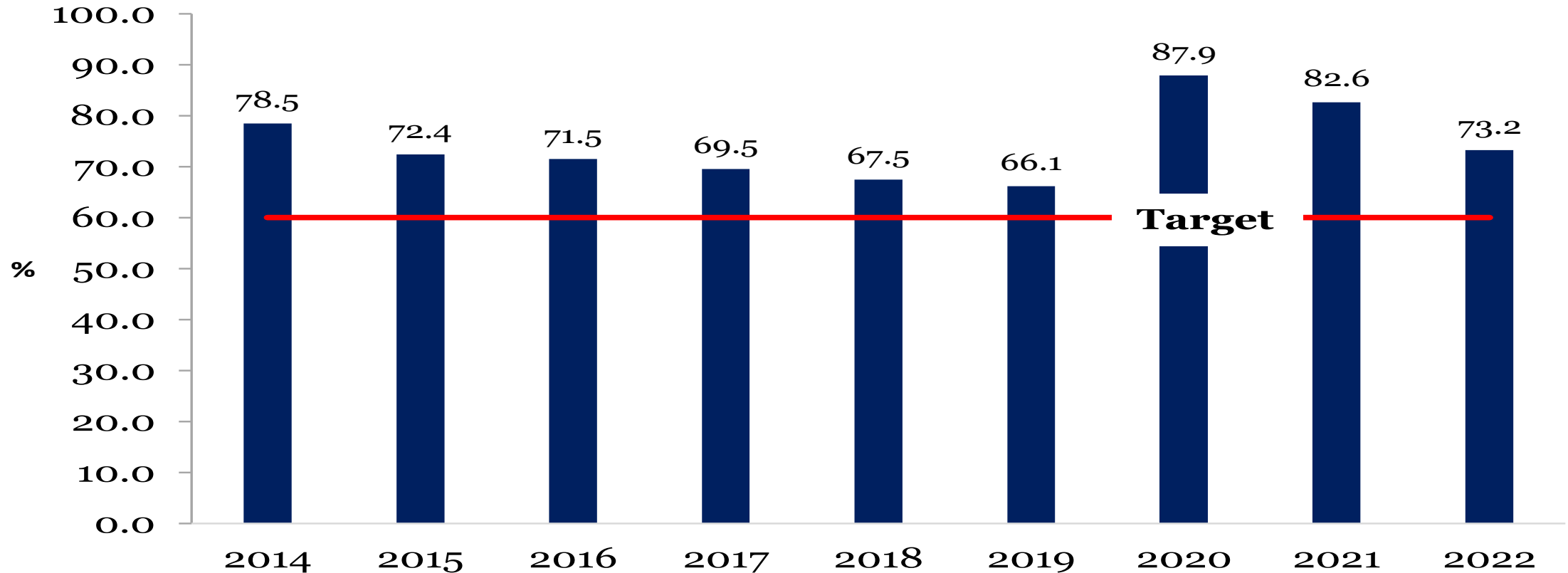


Source: ECCB

Notes: R - Revised, E - Estimate, F - Forecast



ECCU Debt-to-GDP Ratio





Source: ECCU Countries and ECCB Estimates


Notes: P - Projection



Key Messages

- A photograph of a tree on a hill. The left side of the hill is green and lush, while the right side is cracked and dry, symbolizing the impact of climate change.

1 Climate Risk is Financial Risk.
- An advertisement for the 'Cash' app, showing a smartphone displaying the app interface. The text reads 'Cash Connecting Our Region. Transforming Lives.'

2 Digital Innovation is essential for financial inclusion and resilience.
- A photograph of three glass jars containing coins. A small green plant is growing out of the top of the largest jar, which is filled with coins, symbolizing financial growth and stability.

3 Financial Stability, Financial Inclusion and Building Resilience require strong regional and international cooperation and collective action.



Climate Action is Urgent...



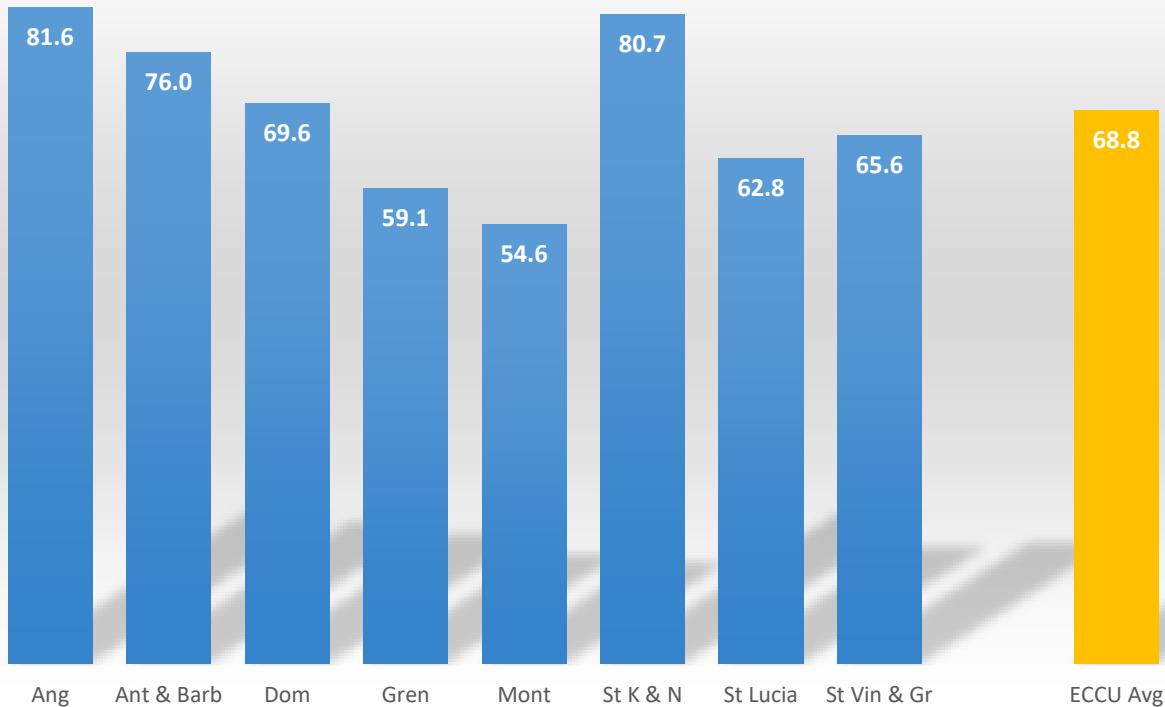
United Nations SDGs





Digitization: CBDCs bridging the gap...

Internet Penetration Rate (2022,%)



Source: ITU, World Development Indicators





Enhancing the Payment System

Payment System Strategy for the ECCU

Anguilla

Saint Christopher (St Kitts) and Nevis

Montserrat

Antigua and Barbuda

Commonwealth of Dominica

Saint Lucia

Saint Vincent and the Grenadines

Grenada

The Payment System

Banks

Eastern Caribbean Automated Clearing House

Caribbean Credit Card Corporation (CCo)

D\$Cash

Safer...Faster...Cheaper



Thank you!



ECCB @ 40 – A Year of Reflection, Celebration and Implementation



Environment of Uncertainty...

Conflict in Middle East



Fuel Prices spike ...



Source: St Louis Federal Reserve Fred Database