

Timothy N J Antoine: Handing over ceremony to mark the change in chairmanship of the Eastern Caribbean Central Bank Monetary Council

Remarks by Mr Timothy N J Antoine, Governor of the Eastern Caribbean Central Bank, at the handing over ceremony to mark the change in chairmanship of the ECCB Monetary Council, Anguilla, 19 July 2024.

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Your Excellency, Ms. Julia Crouch, Governor of Anguilla

Hon. Dr Ellis L Webster, Premier and Minister of Finance of Anguilla and Incoming Chairman of the Monetary Council and his wife, Dr Marjorie Webster, his daughter, Dr Rachel Webster and his son, Mr. Colin Webster.

Other members of the Monetary Council:

Hon. Gaston Browne, Prime Minister of Antigua and Barbuda

Hon. Dr. Terrance Drew, Prime Minister of St. Kitts and Nevis

Hon. Joseph Farrell, Premier of Montserrat

Hon. Wayne Girard, Minister, Ministry of Finance, Saint Lucia (Alternate Member)

Members of Anguilla's Legislative Council

Mr. Victor Banks, former Premier of Anguilla and former Chairman of the Monetary Council

Mr. Osbourne Fleming, former Chief Minister of Anguilla and former Chairman of the Monetary Council

Dr Valda Henry, Deputy Governor, ECCB

Ms. Tracy Polius, Chief Director (Policy)

Board members and Advisers

ECCB Management and Staff

Specially invited guests (including Ms. Rita Ible and her daughter)

Students (especially of Valley Primary, ECCB'S mentorship school)

Members of the Media

Citizens, Residents and Friends of our Currency Union

Greetings.

Introduction

It is my distinct pleasure to welcome each of you to the Handing Over Ceremony that marks the change in Chairmanship of the Monetary Council of the Eastern Caribbean Central Bank.

The Monetary Council comprises the Minister of Finance of each member country and is the highest decision making body of the Eastern Caribbean Central Bank. It is our time-honoured tradition to rotate the chairmanship in July of each year. Today, the Chairmanship of the Council passes from the Council Member for Saint Vincent and the Grenadines to the Council Member for Anguilla.

I wish to thank Hon. Camillio Gonsalves, the outgoing Chairman (in absentia) for his commitment and stewardship in what has been another challenging year. During his tenure, the Council made several important decisions that supported monetary and financial stability and advanced both our legislative and transformation agendas.

Article 7(2) of the ECCB Agreement states (and I quote): "The Council shall meet not less than twice each year to receive from the Governor the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement." (end of quote)

Today, I confirm that our EC dollar remains strong with a current foreign reserves backing approaching 97 percent, up from 92 percent one year ago. The statutory requirement is a backing of 60 per cent. Current reserves amount to \$5.2 billion.

A Call for Building Resilience

Ladies and Gentlemen, the shocks keep coming.

Our planet is again on pace to experience the hottest year on record. According to Copernicus Climate Change Service (the European Union's Earth Observation Programme), the global average temperature for the past 12 months was 1.64C above the 1850-1900 pre-industrial average. Moreover, each of these months has been at least 1.5C warmer than the pre-industrial average. Indeed, the heat is truly on.

On 01 July, several of our fair isles were pummeled by a major storm – Hurricane Beryl - leaving in its wake a trail of death, devastation and disruption of livelihoods in Grenada and Saint Vincent and the Grenadines. We again express our sympathy and strong solidarity for our affected members. We are committed to supporting them in their relief and recovery efforts. In this regard, I am pleased that our Board and the Monetary Council swiftly approved a grant of \$1million for each country.

Of necessity, each of us must commit ourselves to a relentless and lifelong pursuit of building resilience in our countries and currency union. As I have previously averred, resilience is the capacity to withstand and absorb shocks and to bounce forward – not back but forward.

Our resilience toolkit will evolve and expand but at this critical juncture should include:

- A growth mindset (to build back better and bounce forward)
- Fiscal buffers (on which to draw from in times of emergency)
- Financial protection (including catastrophe risk insurance offered by CCRIF SPC, the Caribbean Catastrophe Risk Insurance Facility)
- Climate adaptation (to harden our physical and digital infrastructures)
- Psycho-social counselling and support (to strengthen our coping capacities)

A Time of Uncertainty for Our Global Economy

The Monetary Council convenes at a time of heightened uncertainty for the global economy. Real growth is now projected at 3.2 per cent for 2024 and 2025. The global economy is growing at a slower pace than pre-pandemic times but has shown resilience, and the risk of recession has receded.

Inflation continues to fall and is converging to the targets, albeit not fast enough. In the case of the USA whose target is 2 per cent, inflation is now 2.6 per cent down from 7 per cent a year ago. The last mile is proving slow and difficult but the downtrend is expected to continue. Risks to the global economy include geopolitical events, climatic events and natural disasters, cyber threats and attacks, as well as the high indebtedness of both the public and private sectors – all of which could undermine growth and financial stability.

Implications for the ECCU

What does this all mean for the Eastern Caribbean Currency Union?

Our projection for growth this year (pre-Hurricane Beryl) was 5 per cent, and another 5 per cent next year, powered by Tourism and improved air connectivity. These projections will be revised after the macro-socioeconomic assessments for Grenada and Saint Vincent and the Grenadines are completed. We anticipate growth this year will be lower, while next year will be higher as the reconstruction gains momentum.

Inflation in the ECCU (12-month percentage change) declined sharply from 9.5 per cent in 2022 to 2.2 per cent in 2023 and continues to moderate in 2024. For March 2024, the rate of inflation slowed to 1.9 per cent and is projected to largely follow the trend in US inflation.

Credit to businesses grew by 5.8 per cent last year, while credit to households grew by 2.4 per cent over the same period. Credit is projected to grow by 3.8 per cent this year.

Asset quality – specifically non-performing loans (NPLs) – has slightly improved from 11.2 per cent in 2023 to 10.2 per cent as at March 2024. However, NPLs remain uncomfortably high and will be adversely impacted by Hurricane Beryl.

The Promise of Artificial Intelligence

Ladies and Gentlemen, we are meeting in Anguilla which is shortly titled AI.

I therefore cannot resist making a passing comment on the phenomenon that is Artificial Intelligence (AI). The current revenue windfall accruing to the coffers of Anguilla's Treasury as a result of .ai web domain registration fees (from companies that have set up web addresses ending with .ai) is welcomed. Long may it continue!

AI holds much promise to accelerate the transformation of our region and could help propel our Big Push in fundamental and far-reaching ways. In the financial sector, these include enhancing: customer verification and fraud detection, forecasting accuracy, payments, financial regulation and cyber resilience. Notably, it could help halt the trend of de-risking, from which our region has suffered, as correspondent banks have withdrawn services, claiming that the risks of money laundering, terrorist financing and possible fines and penalties outweigh the returns.

But AI – which could help manage certain risks – also creates risks such as worker displacement and cybersecurity threats. As a region, it is imperative that we answer the question: what do we want from AI? For example, do we want a pro-worker or an anti-worker AI? We must make a conscious choice.

In answering this question, we ought to think about some of our most pressing problems such as climate change, crime, chronic diseases, as well as the pressing need to promote cyber and financial literacy (along with financial resilience) across the ECCU.

Before I move on, I issue a word of caution. AI is only possible because of large reservoirs of data (structured and unstructured) and phenomenal computing power. In short, AI needs data. This is an issue of perennial struggle for our region, and we will need to address issues of data collection, storage and data governance, with some urgency, if we are to truly benefit from this technology. In this regard, I commend the UWI Five Islands Campus in Antigua and Barbuda for its Inaugural AI Research Conference held last week and Prime Minister Browne for his vision for the Campus and for digital transformation.

I say to our youth, there are tremendous employment and income opportunities from this emerging area but you have to be skilled to seize them. Indeed, our central bank is actively seeking to recruit data analysts and data scientists as we transform the way we work and deliver our mandates.

I am pleased to note that the ECCB has committed to train 500 students in Generative AI and Python each summer for the next 5 years starting this year. Our summer camp commenced on 08 July and will run for one month. This is yet another practical demonstration of the Central Bank's commitment to support our youth and our region's transformation.

Immediate Priorities

Before I conclude, I wish to mention some of the Central Bank's immediate priorities. These include:

- Ease of Opening Bank Accounts;
- Regional Standards Setting Body;

- Office of Financial Conduct and Inclusion;
- Financial Literacy and Inclusion Strategy;
- Launch of ECCU Credit Bureau; and
- Expansion of Eastern Caribbean Partial Credit Guarantee Programme.

Conclusion - A Call for Collective Action)

Our challenges are formidable but so are opportunities.

I conclude with my oft-repeated declaration:

"As a region, we cannot change our history and we cannot change our geography but we can elevate our development trajectory through innovation and collective action."

May God crown our collective efforts with tremendous success.

I thank you.

References

1. IMF World Economic Outlook, April 2024
2. BIS Annual Economic Report, June 2024
3. ECCB Strategic Plan 2022-2026