



## Highlights of ECCB 2008/2009 Annual Report by Sir Dwight K. Venner

### Part 2

July 23, 2009

Last week we discussed the Eastern Caribbean Central Bank's (ECCB) performance for the year 2008/2009 including its handling of two major issues i.e. the CLICO and Bank of Antigua crises. This week, we will focus on the second part of Sir Dwight's presentation which dealt with the current economic environment and the major challenges facing the Eastern Caribbean Currency Union (ECCU).

#### Current Economic Climate

The Governor pointed out that the global economic recession was still on and had resulted in international stock exchanges losing approximately \$30 trillion in investment assets. He stated that "major banks in the US, UK and Europe had to be rescued by their governments". These banks faced liquidity issues resulting in a virtual drying up of credit. Governments, therefore, had to respond by creating various stimulus packages. Regarding unemployment, Sir Dwight noted that this had increased significantly in the US during the first months of 2009 with a four-week average of approximately 600,000.

#### Challenges Facing the ECCU

This crisis has affected not just the US but all nations and the ECCU was no exception. Travel receipts decreased by 2.5% in 2008 which is in contrast to a 3% increase in 2007. Foreign direct investment decreased by 29.1% which was consistent with the slowdown in investment related to construction activity in member states. Member states saw a reduction in their surplus for 2008 but an increase in the total outstanding debt thus resulting in increased pressure on available financing. Consequently, it is expected that the ECCU's real gross domestic product (GDP) will decline in 2009 and 2010. It is also expected that government revenue will decline by double digits next year.

#### Revitalizing OECS/ECCU Economies

Sir Dwight noted that although the ECCU has moved swiftly to address these problems, the solution is not a one size fits all scenario. There are a number of variables and solving the current financial problems should and will be addressed on a number of levels. A meeting was held on January 15<sup>th</sup> and 16<sup>th</sup> 2009 of OECS/ECCU countries where an action plan was devised. This was further strengthened by the addition of an *Eight Point Stabilization and Growth Programme*. The action plan identified three main areas that needed attention if the regional economies were to successfully ride out the effects of the recession. The areas identified were **tourism, construction and fishing**.

In the third and final part of the series, we will highlight the *Eight Point Stabilization and Growth Programme* and how its implementation is expected to address the issues facing ECCU member states.