

Thursday 23<sup>rd</sup> July 2015 – 11:20am

Regional

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## Highlights of the IMF's discussion on the Eastern Caribbean Currency Union

- The International Monetary Fund (IMF) has concluded its 2015 discussions on the common policies of member countries of the Eastern Caribbean Currency Union (ECCU).
- The IMF noted that economic growth in the region was projected at 2.0% in 2015, following growth of 1.7% in 2014. The recovery is attributed to stronger tourist arrivals and low oil prices.
- Inflation in the region is expected to remain subdued at 1.00% in 2015 as a result of a moderation in oil and food prices.
- The region's external current account deficit has improved and is expected to narrow to an average of 15% of GDP in 2015, down from 17% in 2012.
- The IMF directors agreed that fiscal adjustment should reflect the need to scale back tax concessions, continue to restrain the wage bill, reform the social security system, and improve the performance of state owned enterprises.
- Total public debt (as a % of GDP) is expected to climb slightly from 84.3% in 2014 to 85.4% in 2015, but will then moderate to 80% by 2019. The IMF directors noted that fiscal discipline has improved in the region but that it is important to intensify consolidation efforts. Member countries were encouraged to reach the ECCU debt target ahead of the 2030 deadline, in order to build adequate policy space as soon as possible.
- Foreign reserves in the ECCU were projected at US\$1,618 million for 2015, which will provide 5.9 months of import cover. This compares to US\$1,125 million in 2012, which provided 4.4 months of coverage.
- In the financial system, private sector credit is estimated to have contracted by 4.3% (y/y) in 2014 following a 2.3% contraction in 2013. Further contractions of 2.8% and 0.5% are projected for 2015 and 2016 respectively.
- The IMF commended the authorities for the progress thus far in implementing their regional bank resolution strategy, noting that key legislation has been passed in nearly all countries and that bank diagnostic exercises to develop restructuring options for troubled banks are being finalized. They encouraged the authorities to move expeditiously to restore weak banks to soundness in a coordinated manner and in a way that minimizes fiscal costs and supports regional financial stability.

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