



Snapshot - Bank of Ghana's Monetary Policy Committee Report

January 2022



Snapshot - MPC Report



The Monetary Policy Committee (MPC) of the Central Bank has maintained the policy rate at 14.50%. The decision was influenced by the Committee's view that the dynamics associated with the 100 bps policy rate hike in November 2021 are yet to be fully transmitted. It expects the implementation of the fiscal correction measures, particularly the 20% cut in government expenditure to lessen the upside risks to the inflation outlook.



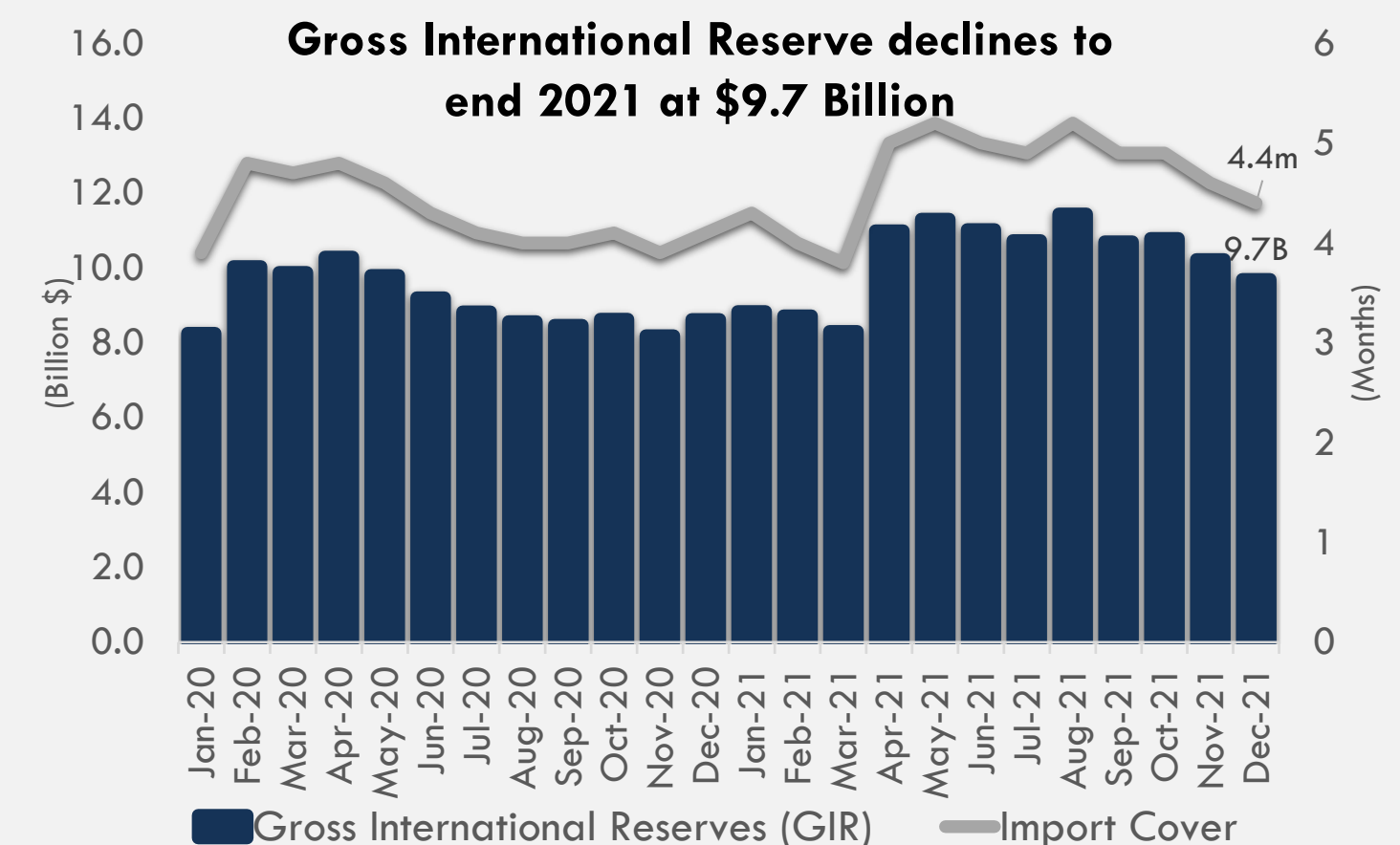
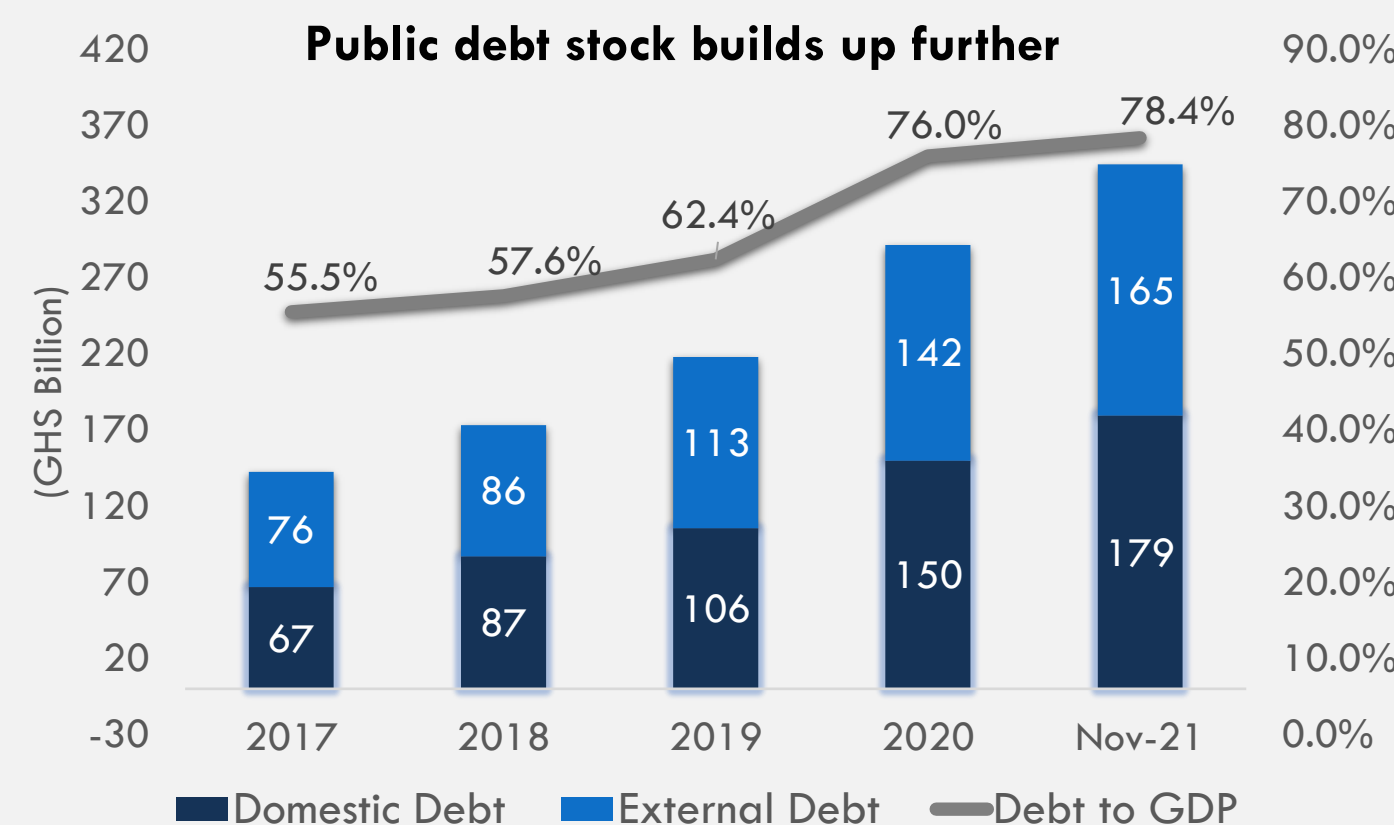
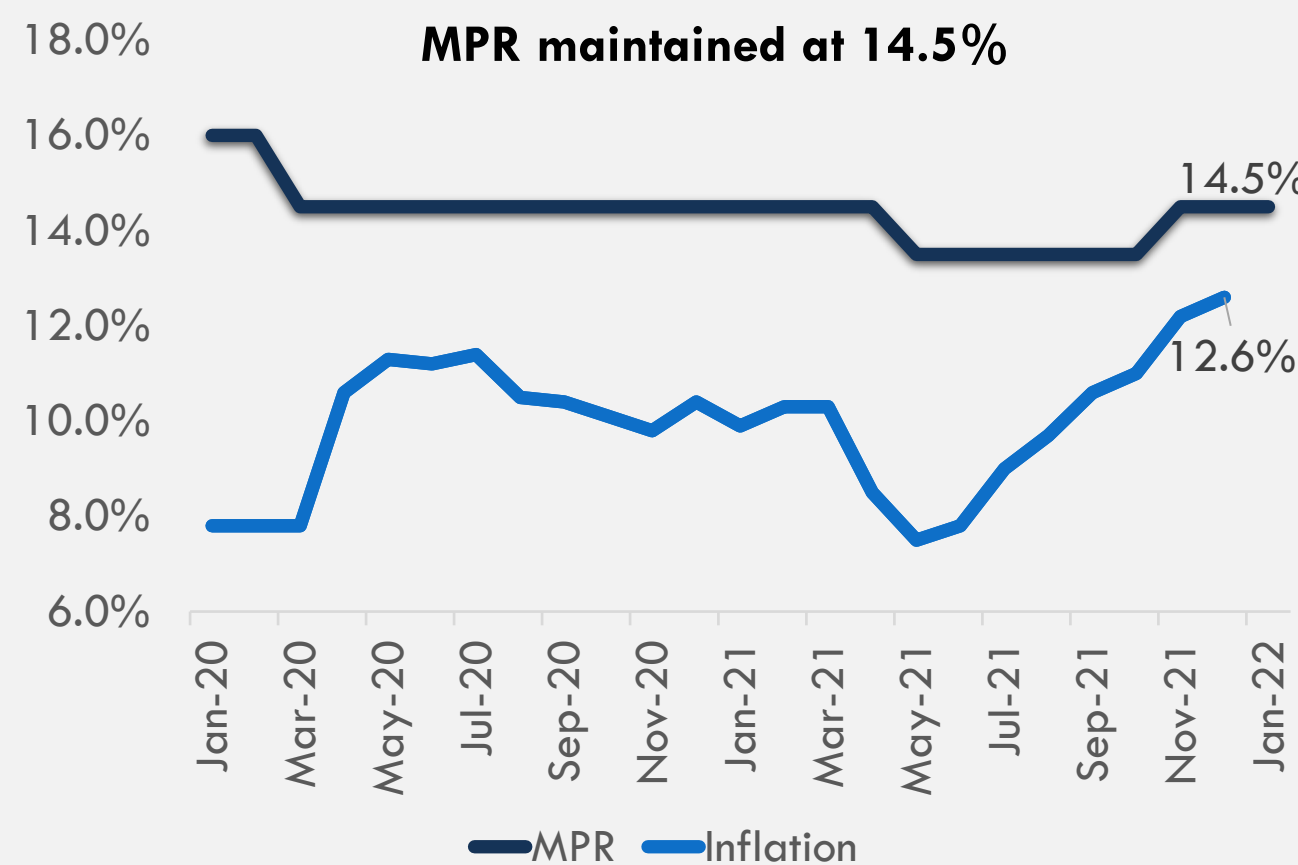
Demand pressures, sustained supply chain disruptions and sharp rise in oil prices intensified global price pressures across advanced and emerging economies in 2021. The rising inflationary pressure led to a reversal of some of the accommodative measures in some economies including Ghana. The rate of inflation at year-end 2021 was 12.6%, above Government's 2021 target of 8%. Gross International Reserves at the end of 2021 stood at US\$9.7 billion, equivalent to 4.4 months of import cover - an improvement over the reserve level of US\$8.6 billion (equivalent to 4.0 months of import cover) at the end of December 2020. The strong reserve position provided some buffer for the local currency despite forex demand pressure from corporates, importers and offshore investors in the domestic bond market in 2021.



The Country's public debt stock increased to GH¢344.5 billion (78.4% of GDP) at the end of November 2021, from the GH¢291.6 billion (76.0% of GDP) at the end of 2020. Of the total debt stock, domestic debt amounted to GH¢179.4 billion (40.8% of GDP) while external debt made up GH¢165.1 billion (37.6% of GDP).



Although the decisive implementation of the 20% cut in government expenditure for 2022 is expected to tame demand-side pressure to inflation in the coming months, supply-side risks still linger with rising oil prices globally. We therefore expect inflation to stay in double digits in the first half of the year. The MPC is expected to closely monitor the impact of recent fiscal measures and the other factors that influenced the policy rate hike in its last sitting and take prompt action towards its price stabilization objective.





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