



Snapshot - Bank of Ghana's Monetary Policy Committee Report

March 2022





Snapshot - MPC Report

The Monetary Policy Committee (MPC) of the Central Bank has increased the policy rate by 250bps to 17.00%. The decision was influenced by rising inflationary pressure, tight global financing conditions, worsening cedi depreciation, fiscal concerns and the effect of the Russia-Ukraine war on commodity prices. To further re-anchor inflation expectations, the Central Bank will enforce the following in respect to universal banks effective April 1, 2022:



- Cash Reserve Ratio increased to 12%
- Capital conservation buffer reset to pre-pandemic rate of 3%, making capital adequacy ratio a total of 13%
- Provisioning rate for loans in the other loans exceptionally mentioned (OLEM) reset to pre-pandemic rate of 10%

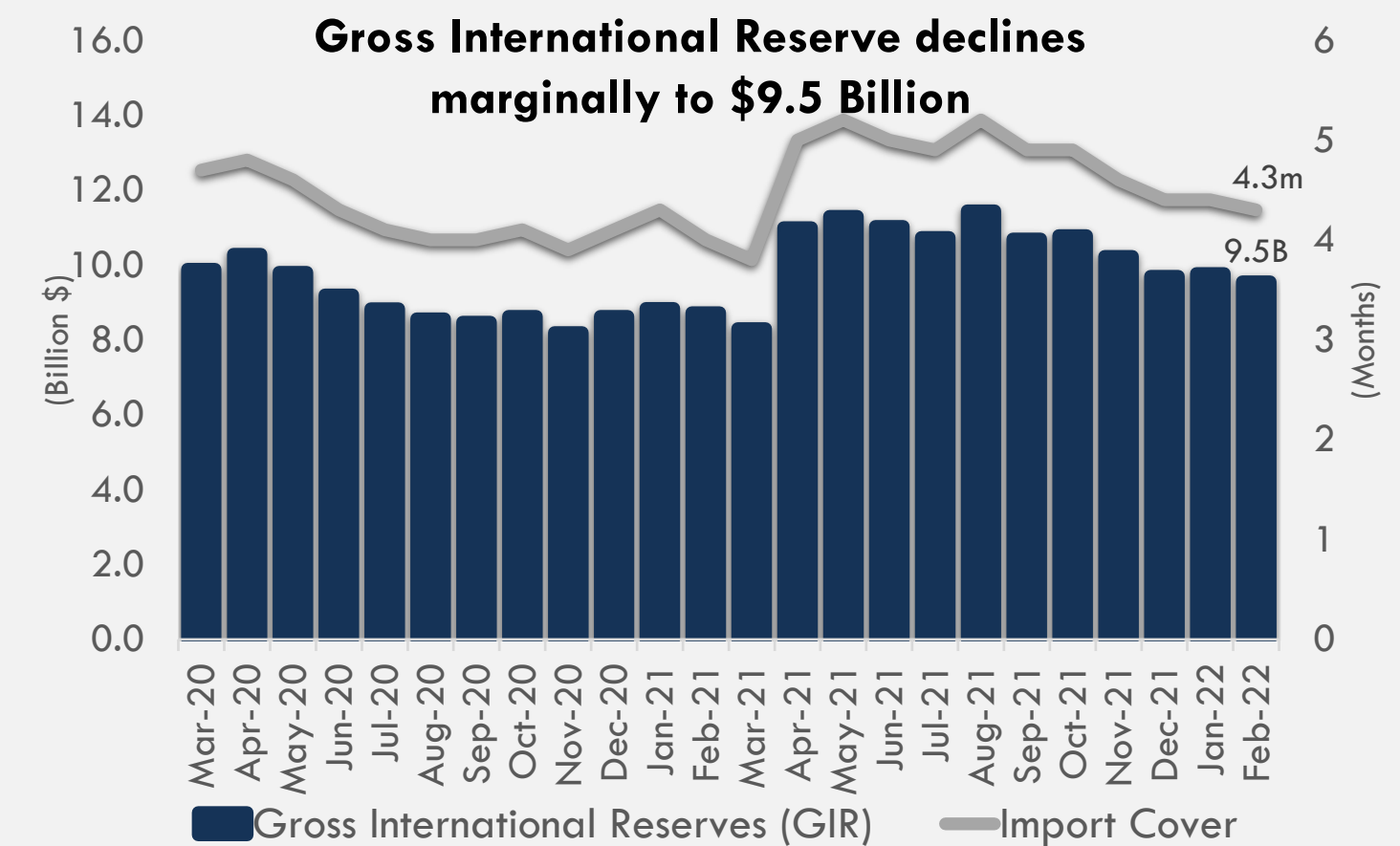
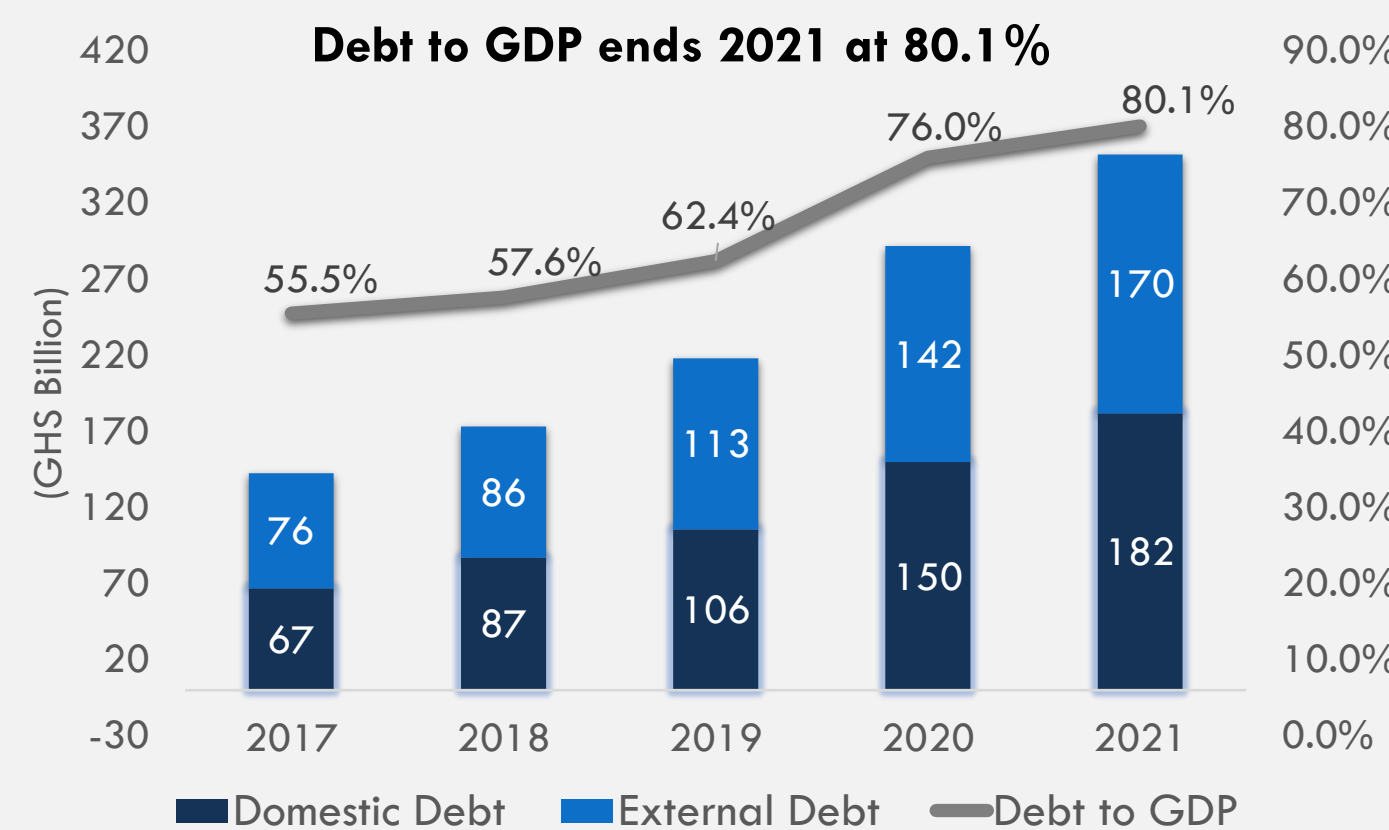
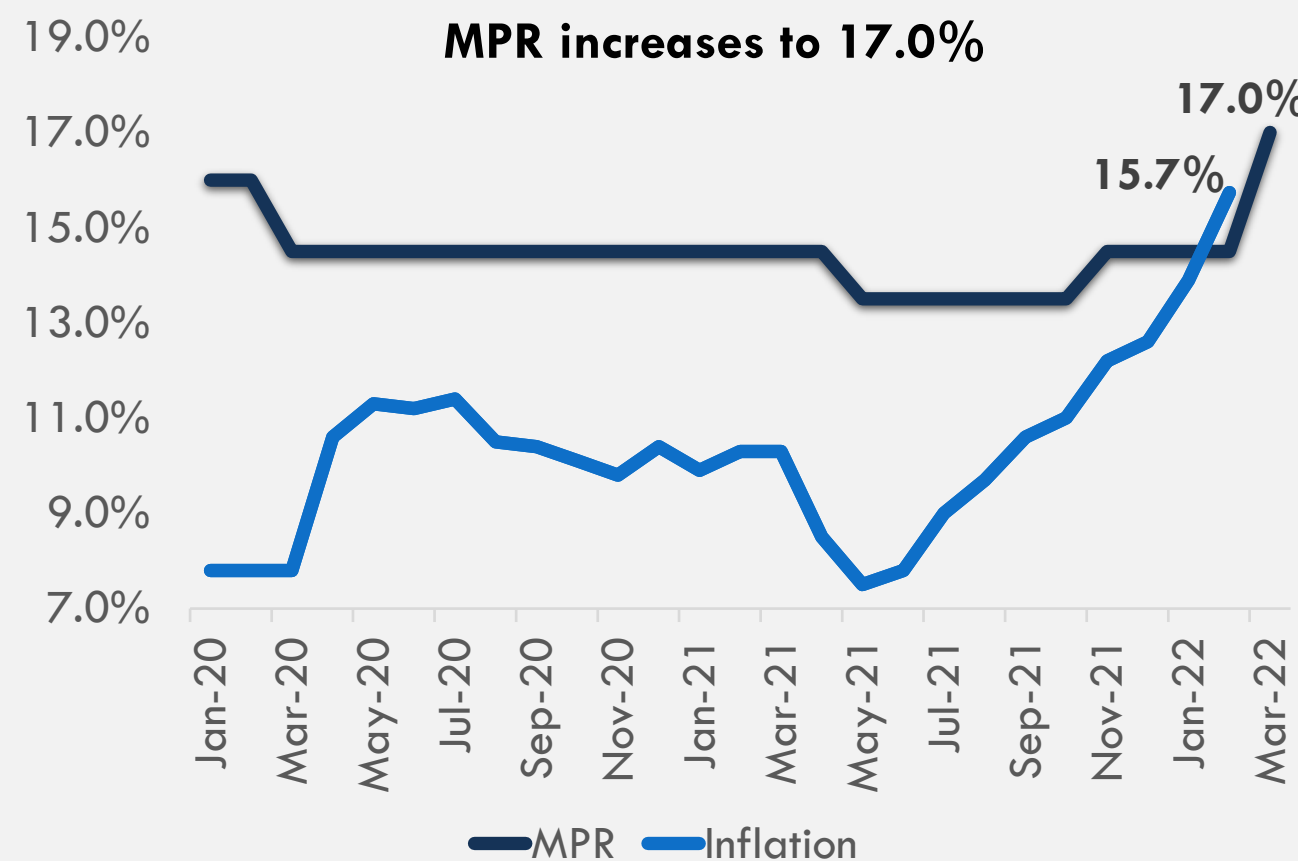
Rising food prices, upward adjustments in fuel prices at the pumps and its effect on transport fares and the pass-through effect of the cedi depreciation pushed up inflation to 15.7% at the end of February 2022. Gross International Reserves at the end of February 2022 stood at US\$9.5 billion, equivalent to 4.3 months of import cover – a marginal decline compared to the reserve level of US\$9.6 billion (equivalent to 4.4 months of import cover) at the end of December 2021. Tight FX liquidity driven by demand pressures from corporates, offshore investors, oil importers have contributed to the sharp depreciation (15.56%) of the GHS to the USD so far this year.



The country's public debt stock increased to GH¢351.8 billion (80.1% of GDP) at the end of December 2021, from the GH¢291.6 billion (76.0% of GDP) at the end of 2020. The domestic debt component of total debt amounted to GH¢181.8 billion (41.4% of GDP) while external debt made up GH¢170.0 billion (38.7% of GDP).



This contractionary policy action by the MPC is largely in line with its price stabilization objective and is expected to restore some calm in the market. However, the upside risk to headline inflation still lingers as the full transmission of recent pump price hike is yet to be seen.





Disclaimer

This document is provided for informational purposes only and does not create any legally binding obligations on InvestCorp Asset Management Limited. The firm and its affiliates and their officers and employees may or may not have a position in or with respect to the company or organization mentioned herein. The firm and its affiliates may from time-to-time have a consulting relationship with a company or organization being reported upon. The data and information contained in this document have been compiled from sources we believe to be reliable however, we do not hold ourselves responsible for its complete accuracy.



Innovation | Integrity | Leadership

#15 Wawa Drive, North Dzorwulu, Accra

P. O. Box GP 22493, Accra, Ghana

Tel: +233 302 50-90-45

Email: research@investcorpgh.com | Website: www.investcorpgh.com