



Snapshot - Bank of Ghana's Monetary Policy Committee Report

November 2021



Snapshot - MPC Report



The Monetary Policy Committee of the Central Bank has increased the policy rate by 100bps to 14.50%. This is the first time the Committee has increased the policy rate since May 2021. The decision was influenced by the elevated risk to the Central Bank's inflation outlook and the need for prompt policy action to safeguard its price stability objective.



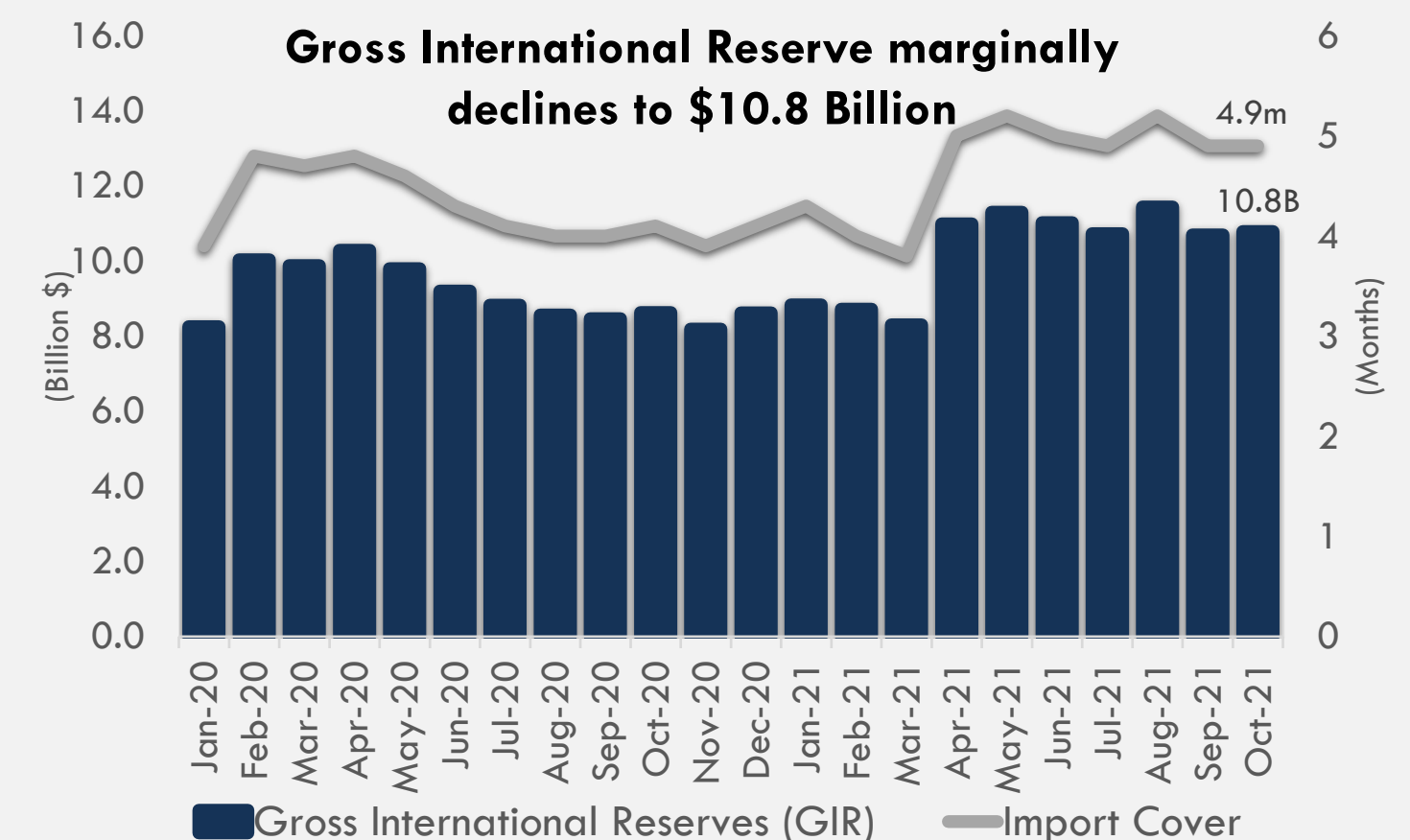
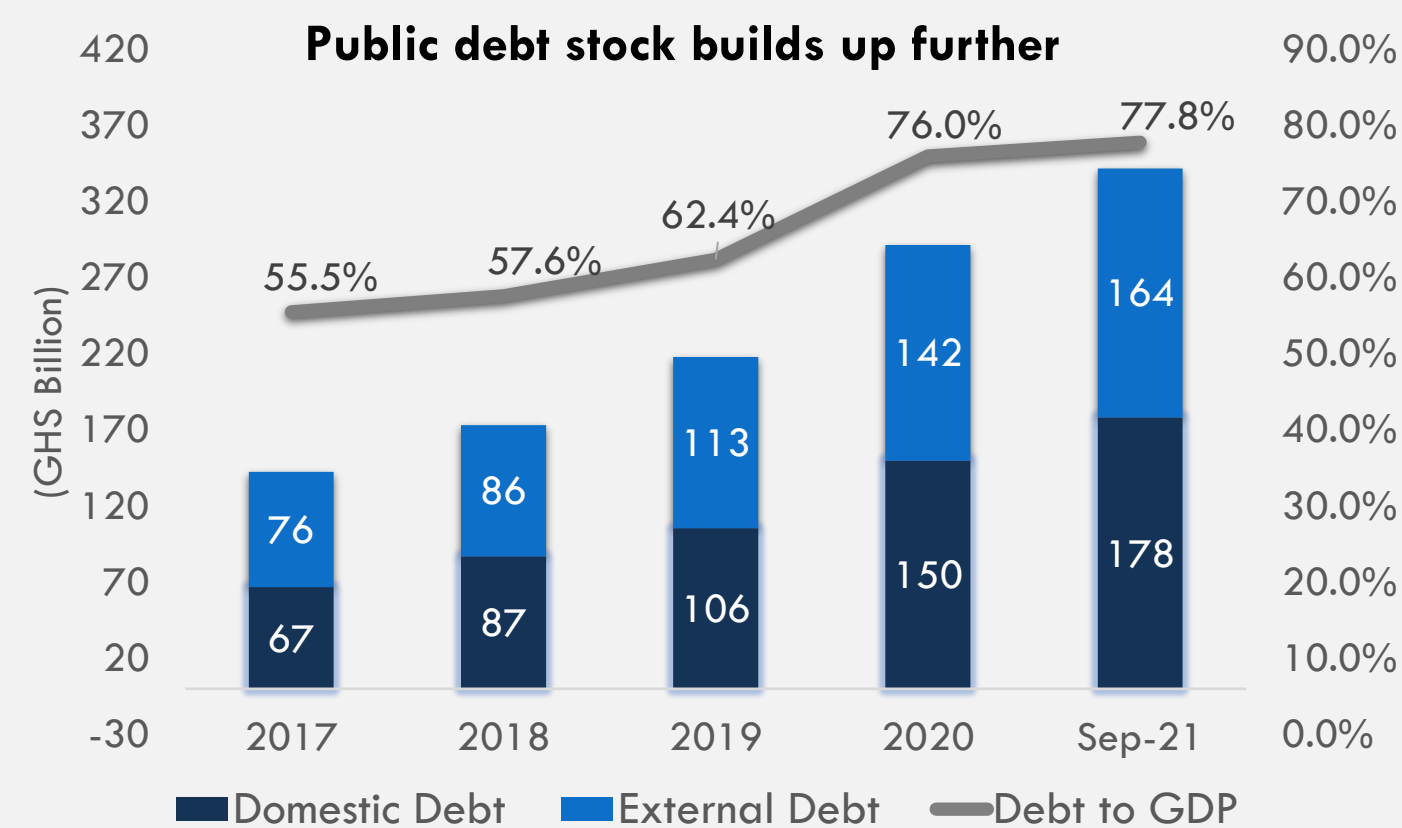
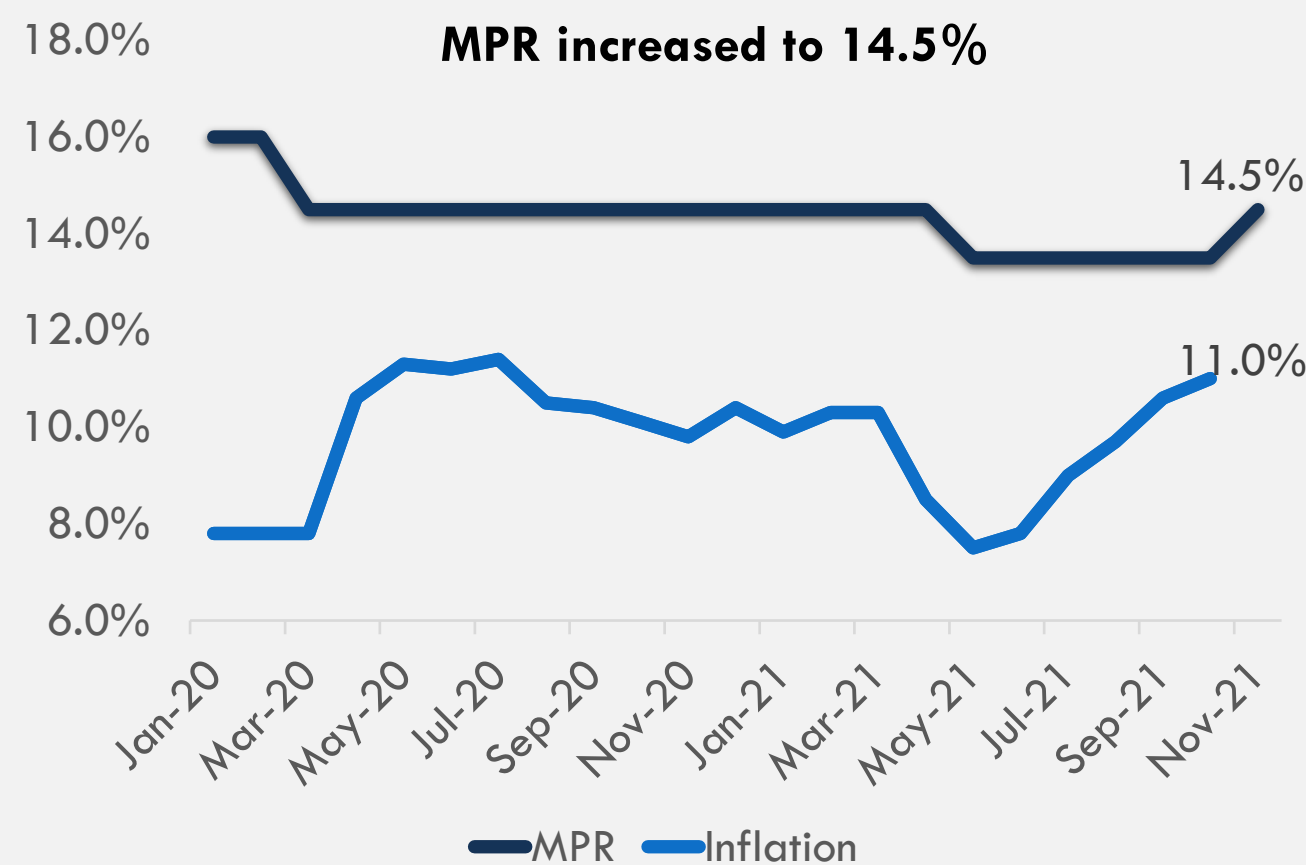
Rising headline inflation recorded in some advanced and emerging economies has been influenced broadly by rising energy prices and recovery in global demand, unmatched by supply. In Ghana, Gross International Reserves stood at US\$10.8 billion, equivalent to 4.9 months of import cover, at the end of October 2021. This is an improvement from 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.



The Country's public debt stock increased to GH¢341.8 billion (77.8% of GDP) at the end of September 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¢178.1 billion (40.5% of GDP) while external debt stood at GH¢163.7 billion (37.3% of GDP). Revenue shortfalls for the period (January to September 2021) led to the higher-than-projected fiscal deficit of 7.7% of GDP.



Heightened inflationary pressures may persist in the coming months, affected by rising oil prices and sustained pressure on the local currency. This policy decision is expected to increase the cost of lending by banks to customers. With expectations of further uptick in interest rates, commercial banks' credit to the private sector may decline as banks continue to increase investments in government securities to improve their earnings and reduce credit risk.





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