Snapshot - Bank of Ghana's Monetary Policy Committee Report

September 2021

Snapshot - MPC Report

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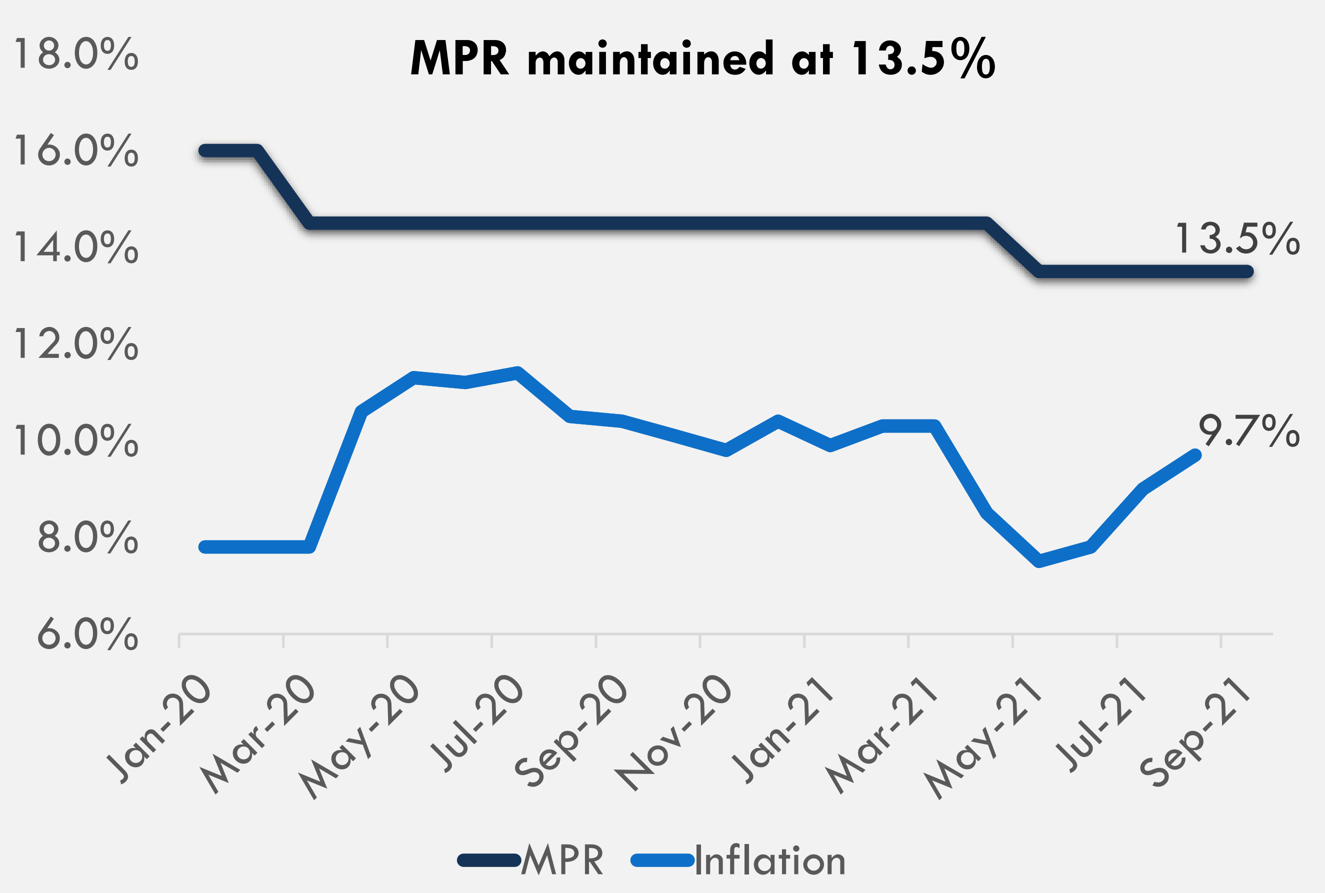
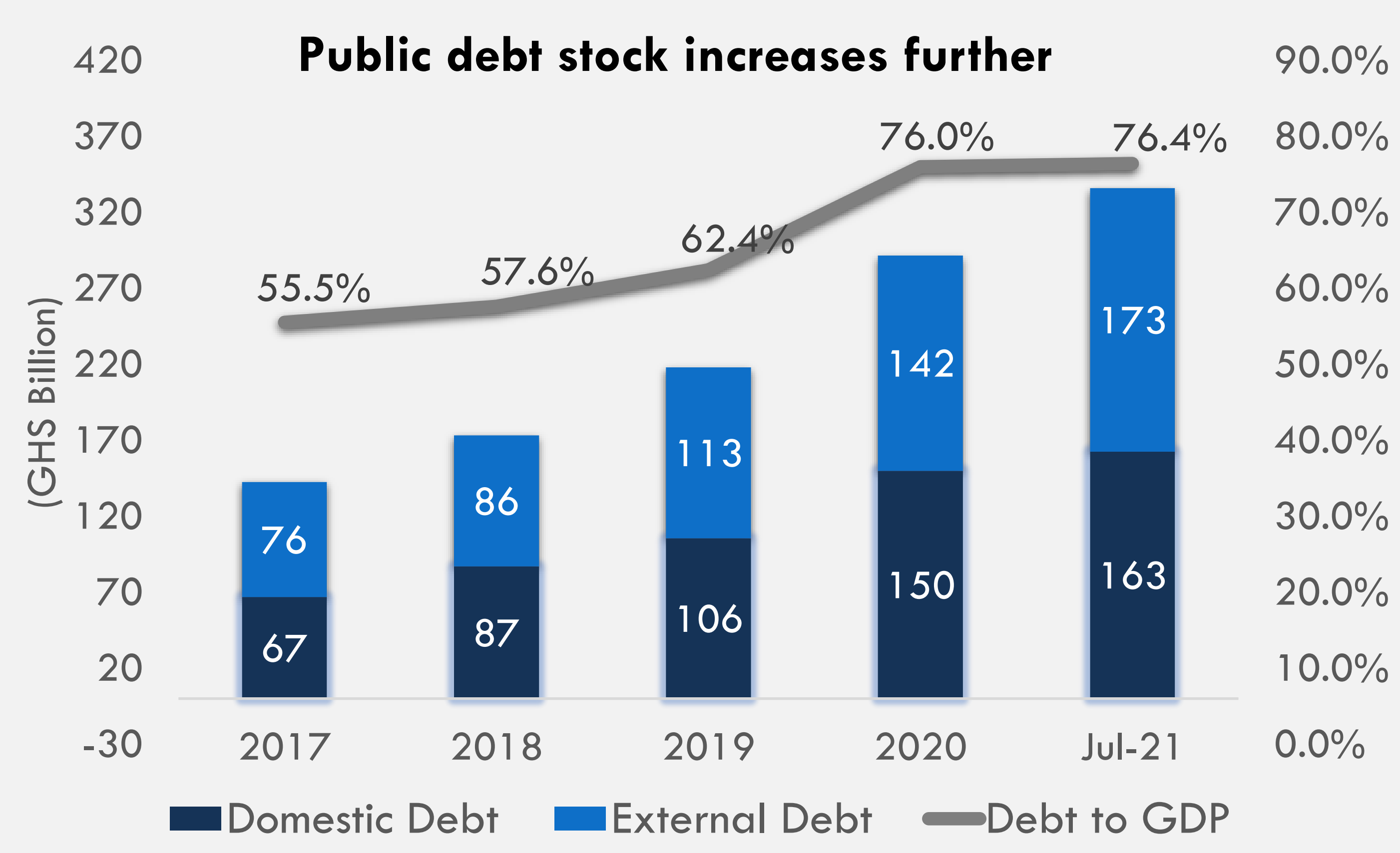
The Central Bank of Ghana has maintained the Monetary Policy Rate at 13.5% for the 3rd consecutive time this year, after it was reduced by 100 basis points in May 2021. Although food inflation significantly pushed overall inflation to 9.0% in July and further up to 9.70% in August 2021, the Committee believes that headline inflation will remain within the medium-term target band barring any unexpected shocks, hence the decision to maintain the policy rate.

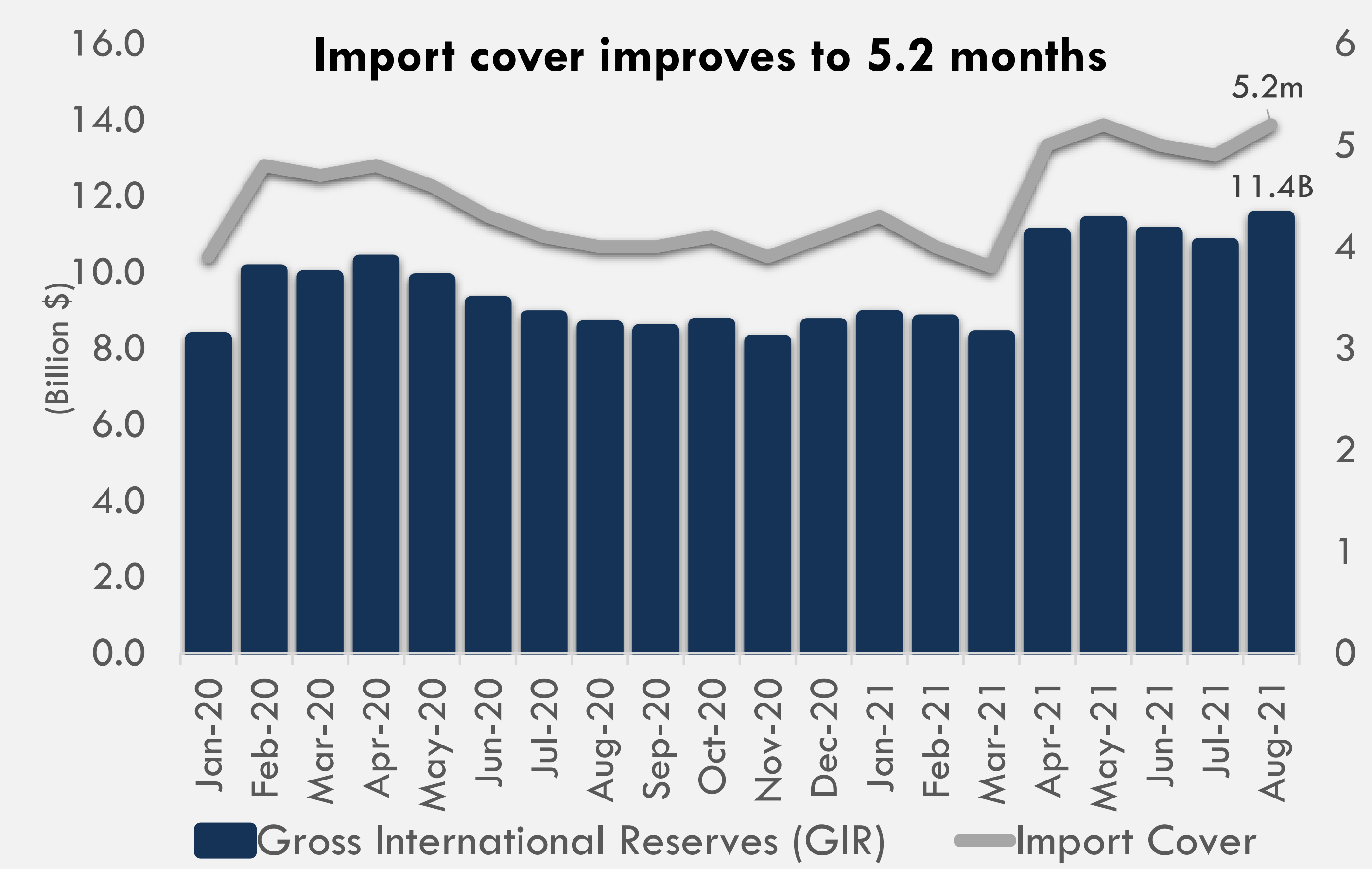
The strengthening of the US dollar, coupled with anticipated earlier than-expected tapering of bond purchase programmes by central banks in advanced economies have heightened uncertainties and triggered currency pressures in some emerging economies. At the end of August 2021, Ghana's Gross International Reserves stood at US$11.4 billion - equivalent to 5.2 months of import cover. The current strong reserve position, FX inflow from the SDR allocation from the IMF and the expected proceeds from the syndicated cocoa loan are expected to provide some shield to the Ghana cedi in the coming months as economic activities continue to pick up.

The country's public debt stock increased to GH¢335.9 billion (76.4% of GDP) as at the end of July 2021, from GH¢291.6 billion (76.0% of GDP) at the end of 2020. Out of the total debt stock, domestic debt was GH¢173.4 billion (39.5% of GDP) while external debt stood at GH¢162.5 billion (37.0% of GDP). High revenue shortfalls for the period January to July 2021 led to an overall fiscal deficit of 6.1% of GDP, against the target of 5.7%. Debt sustainability concerns remain high influenced by the inherent risk associated with wage settlements, energy sector payments and low revenue mobilization.

We do not anticipate a cut in the Policy Rate in the coming months following the Bank's inflationary outlook. The effect of the recent policy decisions on lending have been minimal as banks continue to increase their allocation in GoG securities to improve earnings while reducing their credit risk, thus crowding out credit to the private sector.







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