

HIGHLIGHTS OF THE BANK OF GHANA MONETARY POLICY COMMITTEE PRESS RELEASE, MAY 2020

A Ghana Export-Import Bank BoG, MPC Press Release Infograph

STATE OF THE WORLD ECONOMY

- The COVID-19 pandemic has disrupted economic activities all over the world, creating an uncertain world economic outlook.
- The global economy is projected to contract by -3% in 2020 from an initial projected growth of 3.3%(IMF).
- Ghana's economy which was projected to grow by 6.3% is now projected to growth by a mere 1.5% (MoF).

GOVERNMENT OF GHANA'S INTERVENTION

- The GoG has introduced a number of initiatives to support health insitutions, front line health workers, households and business.

TRADE BALANCE

- **Surplus:** US\$936.4 million (1.4%GDP) in 1st quarter of 2020 as against US\$642.4 million (1.0%GDP) for the same period in 2019.
- **Comment:** This was on account of lower imports and a marginal fall in export receipts.

GROSS INTERNAL RESERVE

- **Increase:** US\$10.3 billion at the end of April 2020, sufficient to provide 4.8 months of import cover, compared to US\$8.4 billion at the end of December 2019.

- To provide foreign exchange buffer and liquidity, the BOG has concluded a US\$1 billion Repurchase Agreement (REPO) Facility with the US Federal Reserves under its REPO Facility for foreign and international monetary authorities.
- **Comment:** A strong reserve position to help ensure stability in the foreign exchange market.
- Estimated monthly import bill =US\$ 2.15 billion

REAL SECTOR DEVELOPMENT

- BoG Composite Index of Economics Activity (CIEA) contracted by 2.2% in March 2020 against a growth of 5.6% during the same time in 2019.
- BoG estimates GDP growth of 2-2.5% for 2020.
- Retail sales surged in March due to panic buying .
- Consumption proxied by domestic VAT receipts dropped.

POLICY RATE: 14.5%



FISCAL DEVELOPMENT

- Budget deficit stood at 3.4% GDP as against 1.9% in 2019
- Expanding deficit led to an increase in debt stock to 59.3% GDP at end of March 2020

MONETARY AND BANKING SECTOR DEVELOPMENT

- M2+ slow to 13.5% in march compared with 21.6% growth a year ago.
- Capital Adequacy Ration is well above revised regulatory floor of 11.5%
- Industry NPL ratio inched up during the first quarter, reflecting impact of COVID-19 on low credit growth

POLICY INITIATIVES

- Banks are reducing lending rates
- Supporting credit growth , and
- Offering moratorium on loan repayments to cushion customers.

INFLATION

- Jan-March =7.8%
- April =10.6%

Comment: The rise in inflation was mainly due to a spike in food and non-alcoholic beverage prices which rose to 14.4% in April compared to a rise of 8.4% in March . The rise was as a result of panic buying due to markets fumigation and knockdown in the advent of COVID -19.



RELIEVE MEASURES FOR DEPOSIT TAKING INSTITUTION (SDI)

- BoG to provide liquidity support to Savings & Loans and Finance House Companies facing temporary liquidity challenges.
- Strengthen the capacity of ARB APEX Bank to provide liquidity support for Rural Community Banks facing liquidity challenges.
- Microfinance companies who meet the criteria will also benefit from the facility.
- Extends the deadline of SDIs (MFIs and RCBs to meet new capital requirement to December 2021.
- Reduce the 8% primary reserve ratio for savings and loans companies, finance house companies and rural and community banks to 6%, and the 10% primary reserve ratio for micro finance companies to 8%.

BANK OF GHANA COVID-19 POLICY INTERVENTIONS

- **BoG Asset Purchase Program:** BoG purchased GoG COVID-19 Relieve Bond with face value of GHS5.5 billion at 14.5% with a 10-year tenor with 2 years moratorium on principal and interest.
- BoG has also suspended GoG payment by 2 years.

