



Central Bank hikes MPR in July 2023 to 30.0% to anchor inflation expectations.

At its 19th – 21st July meeting, the Monetary Policy Committee of the Central Bank of Ghana decided to increase the key rate to 30.00% from 29.50%. The move marked the third hike in 2023 and brought total tightening since the beginning of the year to 300 basis points.

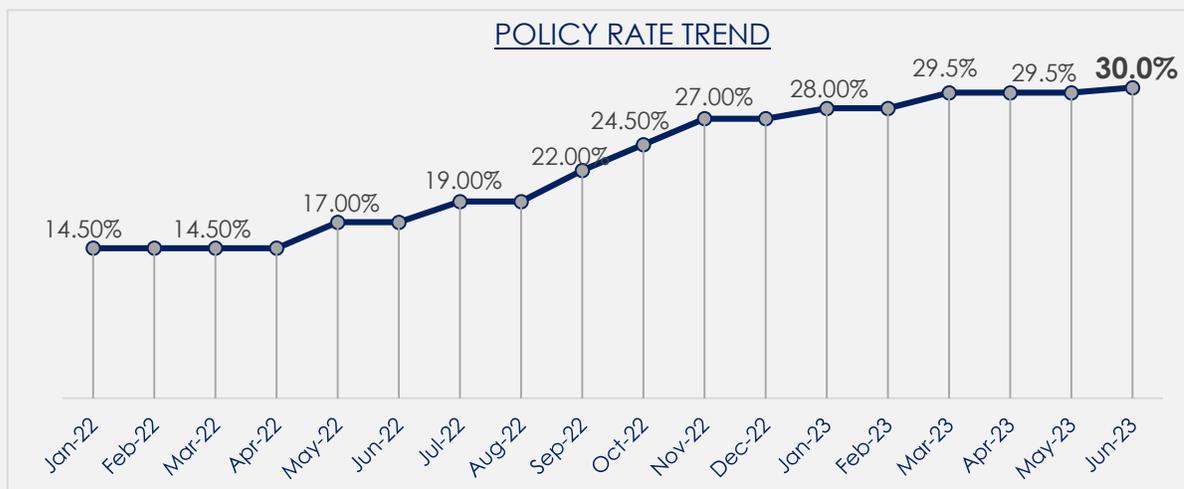
The decision to hike was driven by the observed increase of price pressures in the last couple of months; inflation ticked up to 42.5% in June from 42.2% in May. The Bank noted that the ongoing uptrend in inflation was driven by higher food prices, implementation of new tax measures, utility tariff adjustments and highlighted that, a hike is necessary in containing inflationary pressures.

In the real sector, provisional GDP grew by 4.2% for the first quarter of 2023, surpassing expectations driven largely by the Services and Agricultural sub-sectors. Growth in private sector credit slowed to 16.1% in June 2023, compared with 33.7% growth in June 2022. Annual growth in broad money supply accelerated to 44.4% in June 2023 relative to 19.1% in June 2022 the growth was reflected in both domestic and foreign currency deposits.

In the banking sector, Total deposits grew significantly by 42.8% to GH¢187.6 billion in June 2023, relative to GH¢131.3 billion, representing 19.1% growth in June 2022. Average lending rates of banks also increased to 31.15% in June 2023 from 24.27% recorded in June 2022.

The primary cash balance recorded a deficit of GH¢1.2 billion (0.1% of GDP), against a deficit target of GH¢6.7 billion (0.8% of GDP). Overall cash deficit continues to be financed from domestic sources. The trade balance improved significantly to a surplus of US\$1.8 billion mainly on account of a 13.4% decline in imports. Export earnings declined due to lower earnings from crude oil. Gold and cocoa exports earned higher and moderated the losses.

Positive market sentiments derived from the IMF disbursement of the ECF first tranche of US\$600 million, forex purchases from the mining and oil sectors, and weakened FX demand has led to a relatively stable foreign exchange market for the first six months of 2023.



The next MPC meeting is scheduled for September 18th – 22nd, 2023. The meeting will conclude on Monday, September 25, 2023 with the announcement of the policy decision.

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