

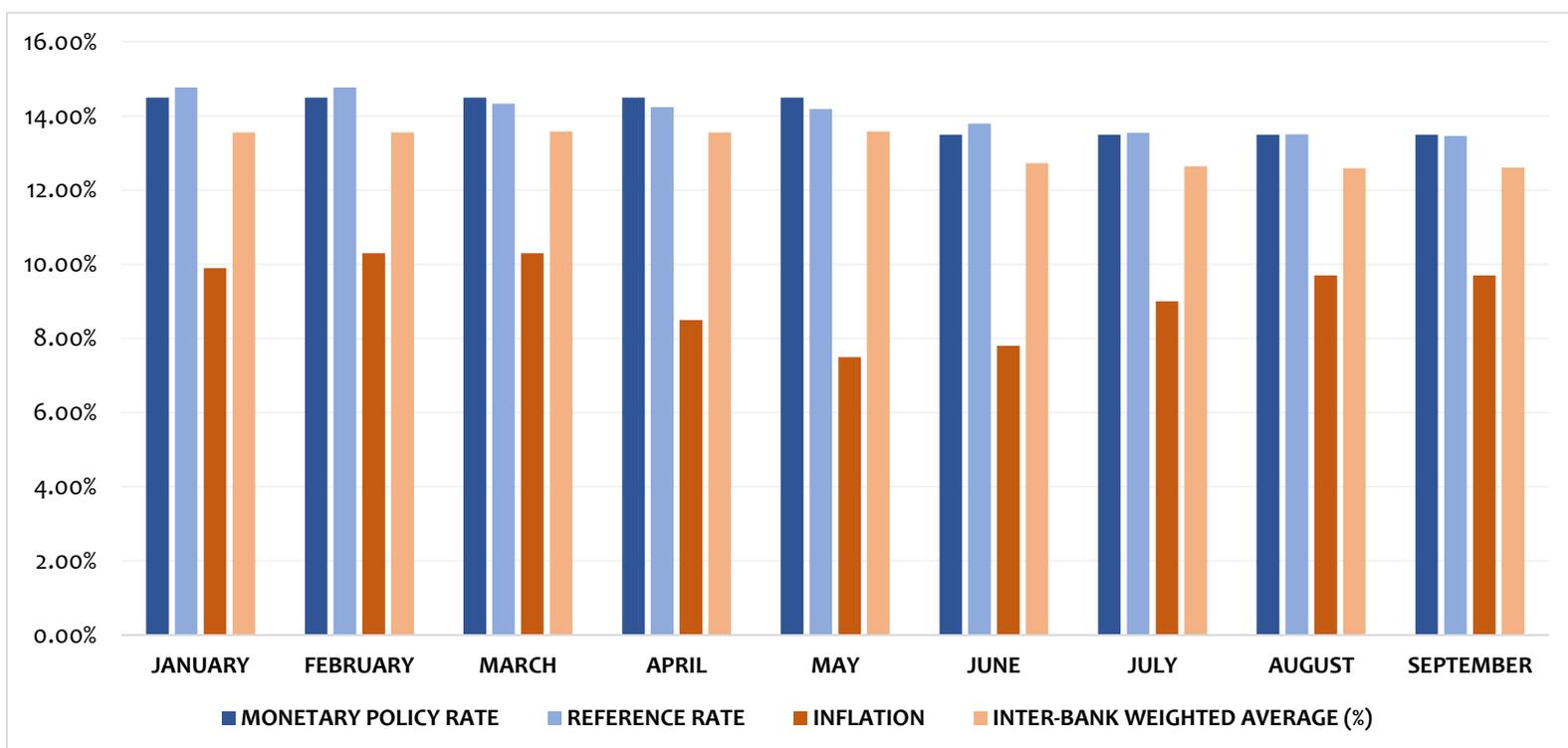
THE CENTRAL BANK OF GHANA HOLDS MPR AT 13.5% CITING INFLATIONARY PRESSURES, FISCAL CONSOLIDATION AND DEBT CONCERNS, AND SLOW RECOVERY OF THE ECONOMY AS REASONS

- ❖ **MPR was maintained at 13.50% for a second time.**
- ❖ **Y-o-Y Inflation increased from 9.0% in July, 2021 to 9.7% in August, 2021 due to rising food inflation as all the Bank's core measures of inflation increased over the period.**
- ❖ **GDP growth recorded slower than the pre-pandemic levels, hitting 3.9% in the second quarter of 2021.**
- ❖ **Public debt has further risen to 76.4% of GDP as of July 2021.**
- ❖ **Core inflation measure which excludes energy and utility increased from 7.5% in June 2021 to 8.9% in July, and then to 9.5% in August.**

At the 102nd Monetary Policy Committee (MPC) meeting (the fifth MPC meeting of the year), the MPC of the Bank of Ghana maintained its key lending rate to commercial bank at 13.50% for a second consecutive time. This is in line with expectations as the current trend of weak fundamentals of the economy, such as inflation inching up, oil prices going up internationally and the cedi's depreciation against major trading currencies. Current MPR of 13.5% remains the lowest in more than nine years in efforts by the central bank to support the recovery of the economy.

The following factors support the case for the MPC maintaining the rate:

- ❖ Global price developments data show a sharp rise in headline inflation above target in several Advanced and Emerging Market Economies, on account of higher energy prices, disruptions to supply chains and increased aggregate demand pressures as economies re-open, alongside supply side constraints. There is however, the general assessment that headline inflation will revert to target over the medium-term, supported by continued slack in labour market conditions and restraint in wage growth.
- ❖ Although the global economic outlook point to a rebound in 2021, these forecasts are subject to the evolution of the COVID-19 pandemic including the spread of emerging variants of the virus and the pace of vaccination campaigns around the world, and continued policy support., high budget deficit because of revenue underperformance as well as the balance of risks to inflation and growth among others.
- ❖ The Bank's update of the Composite Index of Economic Activity (CIEA) for July 2021 reflected continued recovery in domestic economic activity. The real CIEA recorded a 20% year-on-year growth in July 2021, compared with 20.2% in June 2021, and 3.9% growth in July 2020. The growth in the indicators were somewhat broad-based with port activity, imports, domestic VAT, and air-passenger arrivals accounting for the increase.



	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEPT.
MONETARY POLICY RATE	14.50%	14.50%	14.50%	14.50%	14.50%	13.50%	13.50%	13.50%	13.50%
REFERENCE RATE	14.77%	14.77%	14.34%	14.24%	14.19%	13.80%	13.55%	13.51%	13.46%
INFLATION	10.40%	9.90%	10.30%	11.00%	8.50%	7.50%	7.80%	9.00%	9.70%
INTER-BANK WEIGHTED AVERAGE	13.56%	13.56%	13.58%	13.56%	13.58%	12.73%	12.64%	12.59%	12.61%

MONETARY POLICY RATE

Current	Previous	Highest	Lowest
13.50%	13.50%	27.50	12.50

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OUTLOOK

We do not expect any further cuts in the near term especially with global oil prices going up, inflation expectation will also go up and the Bank of Ghana will want to hold inflation within the target band of between 6%-10%.

NEXT MEETING

- ❖ **The next Monetary Policy Committee (MPC) meeting is scheduled for November 17th - 19th 2021. The meeting will conclude on Monday, November 22nd 2021 with the announcement of the policy decision.**