



HIGHLIGHTS
PRESS RELEASE

102ND MPC MEETING

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CONTINUED RECOVERY IN THE GLOBAL ECONOMY



- A** The global economic recovery has continued despite production constraints and COVID-19 variants.
- B** Inflation has risen sharply in several countries due to supply constraints alongside increased demand as economies reopen.
- C** The US Fed has provided clarity on the timing of its asset purchasing programme, which may have implications on global financing conditions in the near-term.



- A** Strong pick up in GDP growth to 3.9 percent in the second quarter of 2021, from the 3.1 percent in the first quarter, and the decline of 5.7 percent a year ago.
- B** The Bank's real CIEA recorded a 20.0 percent year-on-year growth in July 2021, compared with 20.2 percent in June 2021.
- C** Consumer sentiments improved, reflecting optimism about current and future economic conditions.
- D** Business sentiments, however softened due to high input costs and weak consumer demand, among others.

SIGNIFICANT PICKUP IN HEADLINE INFLATION DUE MAINLY TO FOOD INFLATION



- A** Headline inflation rose sharply from 7.8 percent in June 2021 to 9.7 percent in August, driven by food price pressures.
- B** Food inflation increased from 7.3 percent in June to 10.6 percent in August 2021.
- C** Non-food inflation also rose marginally from 8.2 to 8.7 percent over the same period.

BUDGET DEFICIT ABOVE TARGET DUE TO REVENUE SHORTFALLS



- A** The overall broad cash fiscal deficit for the period January to August 2021 was 6.1 percent of GDP, against the target of 5.7 percent of GDP due to revenue shortfalls.
- B** Total revenue and grants amounted to GH¢34.3 billion, below the projected target of GH¢38.8 billion.
- C** Total expenditures and arrears clearance amounted to GH¢61.1 billion, below the programmed target of GH¢63.8 billion.
- D** These developments resulted in a stock of public debt of GH¢335.9 billion (76.4% of GDP), compared with GH¢292.6 billion (76.0% of GDP) at end December 2020.



- A** At the short-end of the market, the 91-, 182-, and 364-day Treasury bill rates declined to 12.5, 13.3, and 16.2 percent, respectively in August 2021, from 14.0, 14.1, and 16.9 percent in August 2020.
- B** Except for 15- and 20-year bond rates which remained unchanged, rates on all other medium- to long-term instruments generally declined.
- C** Consistent with developments in the interbank market, the average lending rates of banks declined marginally to 20.5 percent in August 2021 from 21.4 percent recorded in 2020.

BANKING SECTOR RECORDS STRONG GROWTH IN ASSETS AND DEPOSITS



- A** Total assets increased by 16.7 percent to GH¢166.4 billion as at end-August 2021, driven mainly by strong growth in investments.
- B** Financial Soundness Indicators (FSIs) have remained strong over the period.
- C** However, private sector growth has not yet fully recovered from the pandemic effects. Consequently, annual private sector credit growth slowed to 9.5 percent in August 2021 compared with 14.3 percent last year.

KEY COMMODITIES TRADED MIXED IN THE YEAR TO AUGUST 2021



A The average price of crude oil went up by 40.4 percent to US\$70.5 per barrel driven by supply shortfalls and increased demand as economies reopen.



B Gold prices declined by 3.9 percent to average US\$1,789.6 per fine ounce, due to pressures from the strong US dollar.



C The average price of cocoa decreased marginally by 1.0 percent to trade at US\$2,555.9 per tonne on the back of increased supply from major cocoa producers.



TRADE SURPLUS DECLINES DUE TO HIGHER IMPORTS



A In the first eight months, total export receipts increased by 2.4 percent to US\$9.9 billion, due to both price and volume effects.

- o Realised prices from gold was up by 6.2 percent, cocoa was up by 4.2 percent, and crude oil prices went up by 58.1 percent.

- o The volume of gold and crude oil exports declined by 20.9 and 20.1 percent, respectively, despite the 23.9 percent growth in volume of cocoa bean exports.

B Total imports, on the other hand, increased by 8.6 percent to US\$8.98 billion.

- o This was driven mainly by a 58.5 percent increase in the value of refined petroleum products imports arising from increased demand as the economy returned to normalcy from last year's restrictions.

C These developments resulted in a lower trade surplus of US\$874.8 million, compared with a surplus of US\$1.4 billion recorded in August 2020.

STRONG RESERVE BUILD-UP PROVIDE BUFFERS TO SUPPORT CURRENCY



- A** Gross International Reserves stood at US\$11.4 billion (equivalent to 5.2 months of import cover), at the end of August 2021.
- B** The currency came under some pressure from commerce, manufacturing, and energy sectors as economic activity picked up in the third quarter.
- C** Cumulatively, the Ghana Cedi depreciated by 1.8 percent against the US Dollar in the year to September 22, 2021 compared with a depreciation of 3.0 percent over the same period of 2020.
- D** The Ghana Cedi also depreciated by 1.6 percent against the Pound Sterling, but appreciated by 2.7 percent against the Euro over the same period.

MONETARY POLICY RATE UNCHANGED AT 13.5 PERCENT

- A** In taking the decision, the Committee noted that
- o High frequency economic indicators point to continued recovery, even though below pre-pandemic levels.
 - o Financial soundness indicators remain broadly sound, although credit risk appears elevated.
 - o Fiscal consolidation efforts appear to be on track, but with some inherent risks.
 - o Debt sustainability concerns remain, which warrants additional fiscal consolidation efforts.
 - o Inflation has risen sharply, but driven mainly by food pressures, which should abate with the onset of the harvest season.
 - o The latest forecast indicates that inflation will be closer to the upper limit in the near-term.
- B** Given these considerations, and the fairly balanced risks to inflation and growth in the outlook, the Committee decided to keep the policy rate at 13.5 percent.

