HIGHLIGHTS
PRESS RELEASE
107TH MPC MEETING

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1 | UNCERTAINTIES IN THE GLOBAL ECONOMY HAVE HEIGHTENED

1. Challenging global context instigates moderation in global growth, amid rising commodity prices, supply chain disruptions, and elevated inflation levels.
2. Headline inflation has drifted above set targets in several advanced and emerging market economies, stemming mainly from escalating energy and food prices.
3. Global financing conditions have tightened further, leading to higher government bond yields, re-pricing of risky assets, and strengthening of the United States dollar.

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2 | DOMESTIC ECONOMIC ACTIVITY MODERATES

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1. GDP growth moderated to 3.3 percent in the first quarter of 2022, compared with 3.6 percent in the same period of 2021, and 7.0 percent in the fourth quarter of 2021.

2. Beyond the first quarter, the updated Composite Index of Economic Activity recorded an annual growth of 1.7 percent in May 2022, lower than the 2.5 percent in April 2022, and 5.0 percent in December 2021.

3. Results from the Bank's latest confidence surveys conducted in June 2022 showed significant softening of business and consumer sentiments.

3 | SUSTAINED BROAD-BASED UPWARD PRICE PRESSURES

1. Headline inflation increased markedly to 29.8 percent in June from 27.6 percent in May, driven by increases in ex-pump petroleum prices, transport costs, currency depreciation, and food prices.

2. The Bank's core inflation measure, defined to exclude energy and utility, also rose to 28.4 percent in June, from 26.4 percent in May.

3. Weighted inflation expectations from businesses, banks, and consumers remained elevated, indicating heightened inflation expectations.

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4 | BUDGET DEFICIT GROWS ABOVE TARGET

1. Provisional data on the execution of the budget showed a higher deficit relative to the projected deficit, driven mainly by significant shortfalls in revenues relative to projections.

2. Budget execution for January to May 2022 indicated an overall broad fiscal deficit (on a cash basis) of 5.0 percent of GDP, against a programmed target of 3.5 percent of GDP.

3. Total revenue and grants amounted to GH¢29.5 billion (5.9 percent of GDP), below the projected GH¢34.8 billion (6.9 percent of GDP), reflecting delayed implementation of several new revenue measures announced in the budget.

4. Total expenditures amounted to GH¢48.9 billion (9.7 percent of GDP), below the programmed target of GH¢51.8 billion (10.3 percent of GDP), reflecting restraint on primary expenditures, especially capital expenditures which has declined markedly.

5. The stock of public debt increased to 78.3 percent of GDP (GH¢393.4 billion) at the end of June 2022, compared with 76.6 percent of GDP (GH¢351.8 billion) at the end of December 2021.

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5 | INTEREST RATES TRENDED UPWARDS IN LINE WITH THE MONETARY POLICY STANCE

1. The 91-day and 182-day Treasury bill rates have increased to 24.15 percent and 25.50 percent respectively, from 12.49 percent and 13.19 percent, respectively between December 2021 and June 2022.

2. The rate on the 364-day instrument increased to 27.14 percent, from 16.46 percent.

3. The interbank weighted average rate increased to 19.92 percent in June 2022 from 12.68 percent in December 2021.

4. The upturn in the weighted average rate transmitted to an increase in average lending rates of banks to 24.27 percent in June 2022, from 20.04 percent in December 2021.

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6 | ROBUST BANKING SECTOR PERFORMANCE IN THE FIRST HALF OF 2022

1. The banking sector's performance remained strong, with growth in total assets, total deposits, investments, profitability, liquidity, and solvency.

2. Total assets grew by 22.8 percent on a year-on-year basis to GH¢200.0 billion at end-June 2022, compared to the growth of 17.2 percent in the previous year.

3. The non-performing loans ratio improved to 14.1 percent at end-June 2022, against 17.0 percent in June 2021, reflecting some moderation in the growth of the stock of non-performing loans and rebound in credit growth.

4. The Capital Adequacy Ratio was 19.4 percent in June 2022, well above the regulatory minimum of 13.0 percent.

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7 | PRIVATE SECTOR CREDIT IMPROVES, NEARING PRE-PANDEMIC LEVELS

1. Recovery in private sector credit with annual growth at 33.7 percent in June 2022, compared with 6.8 percent in the same period of 2021.

2. In real terms, private sector credit recorded a 3.0 percent growth, in spite of the sustained price pressures.

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8| COMMODITY PRICES EXHIBITED INCREASED VOLATILITY IN THE FIRST HALF OF 2022

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1 Brent crude rallied by 56.7 percent on a year-to-date basis to settle at US$117.2 per barrel in June 2022.

2 Gold prices rose by 2.6 percent to settle at US$1,837.1 per fine ounce amid global inflation concerns.

3 The price of cocoa beans, on the other hand, lost 2.2 percent to settle at US$2,428.38 per tonne due to concerns about weakening demand.

9| TRADE SURPLUS IMPROVES, BUT SIGNIFICANT CAPITAL AND FINANCIAL ACCOUNT OUTFLOWS PERSIST

1. At the end of June 2022, the trade account recorded a surplus of US$1.44 billion, compared with US$0.89 billion recorded in the same period last year.
2. The current account deficit widened to US$1.1 billion, compared with US$762.0 million recorded in the same period of 2021, due to higher net outflows from the income and services account, which offset the gains in the trade account.
3. The capital and financial account recorded significant portfolio reversals and net outflows in the other investment accounts, as well as lower foreign direct investments.
4. These developments resulted in an overall balance of payments deficit of US$2.5 billion at end-June 2022, compared with a surplus of US$2.4 billion in the same period last year.

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10 | RESERVES DECLINE AMID FOREIGN EXCHANGE MARKET VOLATILITY

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1. Gross International Reserves declined to US$7.7 billion at the end of June 2022, equivalent to 3.4 months of import cover, compared with US$9.7 billion (4.3 months of imports) at the end of December 2021.

2. The decline in the reserve buffer, alongside unfavourable global financing conditions, exerted significant pressures on the foreign exchange market.

3. The Ghana Cedi cumulatively depreciated against all the three major currencies; 19.2 percent against the US dollar, 8.8 percent against the Pound Sterling, and 10.0 percent against the Euro, as at July 20, 2022.

11 | THE MPC MAINTAINS THE POLICY RATE AT 19% TO OBSERVE EFFECTS OF RECENT POLICY MEASURES

- **In taking the decision, the Committee noted:**

1. The execution of the budget has been challenging against the backdrop of macroeconomic developments. Faced with severe budget financing constraints amid currency pressures, the Government announced its intention to seek support from the IMF.

2. The envisaged Fund-supported programme is expected to help re-anchor expectations through implementation of reforms to restore creditworthiness, and eventually lead to a regain of access to the international capital markets.

3. The Committee expects that the macroeconomic framework that will underpin an agreed IMF-supported programme will present a stronger coordinated monetary and fiscal policy framework to anchor stability and prevent a wage-price spiral, which will lead to inflation becoming more entrenched.

4. **Given these considerations, the Committee decided to maintain the monetary policy rate at 19.0 percent, and observe the impact of the recent monetary policy measures already taken on the economy.**

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