



Bank of Ghana Monetary Policy Committee Press Release

March 18 , 2020

1. At the last MPC meeting in January 2020, the synchronised slowdown in the global economy had started showing modest signs of recovery. The signing of the Phase I trade deal between the US and China and a successful UK election in December 2019 contributed significantly to dampen the uncertain policy environment. At that meeting, the Committee concluded that it was too early to assess the impact of the Coronavirus (COVID-19). Since then, the epidemic has spread beyond China to almost every country in the world, and the World Health Organisation has declared it a pandemic.
2. These conditions have significantly heightened uncertainty in global financial markets, causing a sharp downturn of global stock prices and a steep rise in emerging markets' sovereign bond spreads. These unfolding developments have further worsened the pre-existing weaknesses in global growth and caused major disruptions to global supply chains with adverse implications for the global economy. An initial assessment by the Organisation of Economic Co-operation and Development suggests that global growth could slow by about 0.5 percent this year, given the scale of disruptions to current economic activity. The slowdown could be deeper in a worst-case scenario, especially if the pandemic is not effectively contained in the near-term. The potential adverse effects of COVID-19 on growth, along with the sharp fall in commodity prices, will weigh heavily on economic activity in emerging market and frontier economies.
3. In response, major central banks have already cut policy rates, in addition to other measures, to stabilise global financial markets, given that inflation remains subdued. The US Federal Reserve has slashed its policy rate by 150 basis points to a range of 0 – 0.25 percent in the past two weeks and introduced liquidity measures to ease tightening financing conditions. Other central banks in advanced and emerging market economies have followed suit with policy rate cuts.

4. In addition to the monetary policy actions, major advanced economies have also initiated fiscal stimulus packages to minimise the impact of the coronavirus pandemic on the global economy. Several other emerging market and frontier economies have replicated such fiscal measures to protect against the economic ramifications of the pandemic.
5. On the domestic economy, the Bank's internal assessment shows that the pandemic could impact Ghana through a number of channels. First, the dampened global demand could significantly impact Ghana's crude oil export earnings with major implications for foreign inflows and tax revenues. There is also a likelihood of export restrictions from advanced economies and other emerging market economies which could create supply chain shortages for Ghanaian businesses, with significant impact on imports of intermediate and capital goods, as well as consumption goods. This is expected to negatively affect inputs in the domestic production channels with severe consequences for growth and tax revenues which could become more pronounced by the second or third quarter. In addition, crude oil prices have declined sharply to historically low levels, and already creating negative shocks on exports, albeit with some offsetting effects from rising gold and cocoa prices.
6. In the assessment of the Bank, the negative impact of COVID-19 on exports, imports, taxes, and foreign exchange receipts will culminate in a slowdown in economic activity. GDP growth is forecasted to decline to 5.0 percent in a baseline scenario. In the worst case scenario, GDP growth estimates could be halved to about 2.5 percent in 2020. These assessments are preliminary as the situation is very fluid and the degree of uncertainty concerning the outbreak is very high. This means that there is a likelihood that these assessments could change rapidly.
7. The latest inflation reading for February 2020 is estimated at 7.8 percent, unchanged from January 2020. The forecast for inflation is expected to remain within the target band for the next quarter.
8. Under these circumstances, the Bank of Ghana's MPC has decided to lower the Monetary Policy Rate by 150 basis points to 14.5 percent.

ADDITIONAL MEASURES

9. In addition, the following raft of measures to contain the impact of the COVID-19 on the Ghanaian economy will be implemented.

- (i) The Primary Reserve Requirement has been reduced from 10 percent to 8 percent to provide more liquidity to banks to support critical sectors of the economy. This effectively extends the previous targeted reserves for SMEs under the enterprise credit scheme to all critical sectors.
- (ii) The Capital Conservation Buffer (CCB) for banks of 3.0 percent is reduced to 1.5 percent. This is to enable banks provide the needed financial support to the economy. This effectively reduces the Capital Adequacy Requirement from 13 percent to 11.5 percent.
- (iii) Provisioning for Loans in the "Other Loans Especially Mentioned" (OLEM) category is reduced from 10 percent to 5 percent for all banks and Specialised Deposit-Taking Institutions (SDIs) as a policy response to loans that may experience difficulty in repayments due to slowdown in economic activity. Provisioning norms for loans in all other categories are maintained. This should provide capital relief to banks and SDIs in these uncertain times.
- (iv) Loan repayments that are past due for Microfinance Institutions for up to 30 days shall be considered as "Current" as in the case for all other SDIs.

10. The Bank of Ghana has agreed with banks and mobile network operators on measures to facilitate more efficient payments and promote digital forms of payments for the next three months, subject to review, effective March 20, 2020. These are:

- (i) All mobile money users can send up to GH¢100 for free (excluding cash out). This includes sending to a recipient on the same network, or another network via the interoperability platform.
- (ii) All mobile phone subscribers are now permitted to use their already existing mobile phone registration details to be on-boarded for Minimum KYC Account.
- (iii) The daily transaction limits for mobile money are increased as follows:

Daily Transaction Limits		
KYC Account Type	Current Limit	New Limit
Minimum KYC Account	GH¢300.00	GH¢1,000.00
Medium KYC Account	GH¢2,000.00	GH¢5,000.00
Enhanced KYC Account	GH¢5,000.00	GH¢10,000.00

(iv) The mobile money wallet limits are also increased as follows:

Maximum Account Balance Limits		
KYC Account Type	Current Limit	New Limit
Minimum KYC Account	GH¢1,000.00	GH¢2,000.00
Medium KYC Account	GH¢10,000.00	GH¢15,000.00
Enhanced KYC Account	GH¢20,000.00	GH¢30,000.00

(v) The revised aggregate monthly transaction limits are as follow as:

Maximum Account Balance Limits		
KYC Account Type	Current Limit	New Limit
Minimum KYC Account	GH¢3,000.00	GH¢6,000.00
Medium KYC Account	GH¢20,000.00	No Limit
Enhanced KYC Account	GH¢50,000.00	No Limit

- 11.** The Bank of Ghana is closely monitoring developments as regards the impact of COVID-19 on the domestic economy, and will not hesitate to convene an emergency meeting to deliberate on other measures, if required.

Informational Note

The next Monetary Policy Committee (MPC) meeting is scheduled for May 19-21, 2020. The meeting will conclude on Friday, May 22, 2020 with the announcement of the policy decision.