

# BANK OF GHANA



**TRANSCRIPT OF MPC PRESS BRIEFING HELD ON 21<sup>ST</sup> MARCH 2022 IN THE  
AUDITORIUM, BANK OF GHANA, AFTER THE 105<sup>TH</sup> MPC MEETINGS**

---

PUBLIC



**TRANSCRIPT OF THE MPC PRESS BRIEFING HELD ON  
MONDAY, 21<sup>ST</sup> MARCH 2022**

Following the Monetary Policy Committee (MPC) press briefing on Monday, 21<sup>st</sup> March 2022 by the Governor, who is also the Chairman of the MPC, the Press sought clarifications on a number of issues. Below is an edited transcript of questions by the Press and responses by the Governor.

**Questioner:** *What specific interventions is the Bank introducing to stop the cedi's rapid depreciation?*

**Governor:** Most of the questions have to do with depreciation of the cedi and what the Bank of Ghana is doing to address it, specifically what we are doing to assist Oil Marketing Companies (OMCs) get foreign exchange. There is also a question on where we are in terms of the domestic gold purchase programme. These questions are all more or less about the foreign exchange market. As you are aware, the Ghana cedi came under pressure sometime in February 2022 and the reasons for that are varied. Part of it reflects the fact that we had lost access to the capital market and therefore no Eurobond issuance this year, which has implications for the availability of foreign exchange. However, the government has announced its intention to raise two billion US dollars from some syndicated arrangements with banks. If that goes through, it should help improve the supply of foreign exchange and impact positively on the strength of the local currency.

In terms of what the Bank of Ghana has been doing, you are aware that we have the fortnightly foreign exchange auction where we make foreign exchange available to the system. In the past four weeks, we have made special allocations to the OMCs, energy companies, as well as cement producing companies, and I can tell you that as of last week we had completely cleared the pipeline demand for foreign exchange from the OMCs. So, what you are saying in terms of tweaking the framework for the OMC's is already being done, and I think that if you talk to the OMCs they will tell you that the Bank of Ghana has been making foreign exchange available to them. In addition to that, we have been making foreign exchange available to the market broadly and we think all of that should help in terms of mitigating the rate of the depreciation of the Ghana cedi. These are all short-term and immediate measures that we are taking to address the matter. We have also this morning announced an increase in the policy rate, and that action in itself should make domestic assets more attractive and improve incentives for investing in cedi denominated assets. The significant policy rate adjustment is also to strengthen the Ghana cedi. Some of the medium to longer-term actions, including the domestic gold purchasing programme you asked about, would positively affect the level of gross reserves in the medium-term.

So far, we have bought over 600 kilograms of Doré gold but this gold has to be refined to a very high standard before it can qualify as reserve assets and the Bank is in the process of fulfilling all the due diligence requirements that the certified refineries in the world look out for. We are quite sure that in the next month or two, we would be able to export the Doré gold that we have acquired and once that is refined, it could become part of our gross reserves. Other medium-term issues discussed at the weekend retreat was also to look at some retention agreements that we have with the oil drilling companies, etc. These are really, medium- to longer-term which should help improve the foreign exchange earning capacity of the economy as a whole. So yes, we are quite confident that these



## 105th BOG MPC Press Conference Q & A Session

measures would help stabilise the cedi. We think that the exchange rate has overshoot its long-run level and when that happens, it can only appreciate. Those speculating on the Ghana cedi should be aware that the local currency has overshoot the medium-term path and therefore we can only see some appreciation in the next few quarters. I am not sure that you are going to win by speculating against the Ghana cedi.

*Questioner: Is the economy debt distressed?*

**Governor:** The issue of whether Ghana's debt is distressed is neither here nor there. We said that the rating companies had downgraded Ghana because of fiscal and debt sustainability issues. These are matters already in the public domain and the government has announced ways to deal with it. I know about the 20% expenditure cut, which is one of the measures that the government is undertaking and later in the week, we would hear about other measures from the Finance Ministry.

*Questioner: What is the central bank's position on e-levy?*

**Governor:** I think that anything that can help raise government revenue needs some consideration – because this is the priority at this time. We all recognise the importance of raising revenue for the budget. Yes, we have other objectives such as financial inclusion, but the priority right now is for us to put in measures that would allow the government obtain the needed revenues to address the fiscal concerns. That is a critical matter for the Ghanaian economy so that is what I will say on the issue of the e-levy.

*Questioner: With the new requirement for opening bank accounts with the Ghana Card, what would a resident foreigner need to be able to do that?*

**Governor:** That is quite straightforward because resident foreigners also have Ghana card issued to them and therefore they should not have any problem opening bank accounts.

*Questioner: With respect to the measures that you have outlined, have you given yourself any time line or any extrapolation that by the next two quarters or by the next quarter we should see them impacting the cedi and also inflation? Are you convinced that the measures from the fiscal side can help with the monetary measures you've outlined to stabilise things?*

**Governor:** In terms of the announced measures, the increase in reserve requirement to 12% is one measure that we would evaluate its impact on the liquidity of banks at the next MPC meetings. Based on the findings, we will then decide on the next step, so that obviously is in a sense time-bound. The policy rate adjustment that we have announced as well as implementation of the fiscal measures would withdraw stimulus from the economy. This type of stimulus withdrawal should affect aggregate demand and therefore deal with the inflation pressures that we are seeing. If the question is whether we think that these measures would be effective, I believe we have assessed that a policy rate adjustment of 250 basis points should be effective. We are complementing that together with the liquidity withdrawal from the banks because this would require the banks to hold more Ghana cedis with the central bank and those Ghana cedis would therefore not be available out there chasing goods and services or foreign exchange. That would really help deal with the aggregate demand pressures that we are dealing with.



## 105th BOG MPC Press Conference Q & A Session

**Questioner:** *The inflation rate that has necessitated your hike is more of a supply side thing, how does it affect access to finance for the private sector, our engine of growth, and growth for that matter?*

**Governor:** I don't agree with that assessment because there are supply side issues but we are also looking at the second round effects of oil price adjustment and transportation price adjustment and how all of that is influencing inflation expectations. So yes, there may be a supply side aspect to it but that initial commodity shock would propagate itself in the system and this is what monetary policy normally deals with.

**Questioner:** *You mentioned about 600 kilograms of gold that you are exporting to get it refined to become Doré gold before added to the reserves. I want some clarity because I also know that we have a refinery just next door that should be inaugurated sometime this year.*

**Governor:** We have to export the Doré gold to be refined because the refinery in Ghana is not LBMA certified and so would not qualify the gold as a central bank reserve asset. This is the only reason why we, for now, have to export the gold in that form and refine it outside. I know that the Ministry of Lands and the Ministry of Finance are working at getting this LBMA certification for the refineries in Ghana.

**Questioner:** *We have witnessed a situation where the policy rate had been reduced several times but the banks failed to reduce their cost of credit. Now that you have increased it 250 basis points, will they at least try not to increase it too high? I am talking for those of us who would want to go to the banks for some loans. Somebody was telling me a while ago that he was trying to get a loan from a bank and they were reluctant. Were they waiting for the announcement, so they could increase their cost?*

**Governor:** It is true that the banks were quite slow in reducing their lending rates but eventually the lending rates came down from well over 30% to as low as 20% and so even though the pace of adjustment was slow it eventually moved, and we expect that the policy rate upward adjustment should be transmitted. It is part of the mechanism to ease aggregate demand pressures, so that transmission is quite important. Unfortunately, these are some of the short-term trade-offs between inflation and growth and we have to sacrifice a little bit of the growth part and focus on inflation because we cannot afford to have inflation drift further away from our medium-term target band.

**Questioner:** *Bank of Ghana cautioned us not to do business with those promoting the Freedom Coin because you have not approved it. Beyond the caution what more are you doing because it's all over social media and some people may fall prey.*

**Governor:** We are all concerned about consumers losing their money. This is all that the central bank is trying to do, that is, to make sure that people do not end up losing money. Take the recent experience from Menzgold, because it was unlicensed and unregulated by any of the financial sector authorities, those who invested in their products got burnt. On the other hand, those who kept monies with licensed deposit money banks got their resources back from the government. Therefore, our statement was really to caution consumers on the risk that they are dealing with when they get themselves involved in some of the unregulated products advertised on social media with a lot of information that is not true. In Europe, the EU recently issued a warning that consumers risk losing



## 105th BOG MPC Press Conference Q & A Session

their resources especially those investing in crypto assets. The Banking and Insurance Commission issued a statement on that because there is really no compensation for anybody who loses money under these schemes.

**Questioner:** *In the absence of Eurobond issuance for 2022, what is the outlook of the country's external account balances, particularly with respect to our reserves?*

**Governor:** We have already said that the government is looking at loans, some syndicated loans. I see that the information is in the newspapers today. If we are able to get the two billion syndicated loan money that should help address the supply side of what we are dealing with.

**Questioner:** *With the 250 basis point hike, is the Bank of Ghana also concerned that this poses stress to fiscal debt sustainability particularly through high interest payment?*

**Governor:** Yes, that is another trade-off. In economics, when you raise interest rates, in the short-term it would affect the interest rates of government instruments. Every medicine has a side effect, but we are hoping that the medicine would cure the problem and if we contain inflation pressures, we would definitely respond with a reduction in the interest rate, which would help deal with the debt sustainability problem. It is similar to the supply side aspect on growth. These are short-term trade-offs. If we successfully bring inflation down, the supply side would pick up.

**Questioner:** *Some people have said that the value of the money that goes through the mobile money system that is reported each year is sometimes the same money that has been going round, and that is the projection that this government has based its seven billion Ghana cedis on. That suggests that when they are going to tax the e-levy it will be taxing the same amount that is going round in different hands. We want to get a clarity on that, that is, the Bank of Ghana's position.*

**Governor:** We do not need to have a position on that. You have described the way mobile money moves around from person to person and at each stage the person will pay the levy as has been prescribed by the authorities, so I don't think we need to have a position on that.

**Questioner:** *According to the IMF, the e-naira may reduce demand for deposits in commercial banks and this is because the e-naira, they say, will effectively be seen as deposit with the Central Bank of Nigeria resulting in funds transfer from accounts into this wallet that was being created. We are also going to be launching our e-cedi and I wanted to know from the Bank if you expect to face the same challenges and what would be the measures that you would put in place to prevent that?*

**Governor:** The Nigerians chose to have e-naira, which is central bank-based rather than retail-based and therefore their commercial banks are not part of the distribution network. This is where the basic problem is. Ghana is not using that approach. We are having a retail-based CBDC which would take advantage of the existing distribution frameworks, similar to the way we work with the paper money and therefore we do not expect to have that problem in Ghana.

**Questioner:** *Looking at the policy rate that you just increased by 2.5%, I just want to know whether we can still achieve our growth targets for this year?*

**Governor:** I just spoke about the trade-offs, the fact that every medicine has side effect, so obviously the short-term impact would affect growth but once inflation is brought under control, we expect that interest rates would come down and then we will see growth rebound.



## 105th BOG MPC Press Conference Q & A Session

**Questioner:** *You just stated that our cash reserves and buffer have been increased. I just want to know whether that decision is not going to discourage banks from lending to the private sector.*

**Governor:** Yes, the reserve requirement would mean that the banks would have to keep more Ghana cedis with the central bank. They are not lending anyway. A lot of that is going into treasury bills. It is just a way of making sure that those resources are not available to speculate on the currency. This is really the objective, so we are not too concerned about its impact on growth because the banks are not lending as much as we would have liked them to.

**Questioner:** *We've increased our MPR by 250 basis points at a time that the Federal Reserve Bank is increasing its own Federal reserve rate. You know Moody's and Fitch and the unfair assessment of Ghana, and the sentiment from foreign investors it gave holding on to cedi instruments. What do you see as the prospect for our medium to long-term cedi denominated bonds do to reduce our dependence on such foreign investors for investing in such medium to long-term instruments so that we would not be subjected to those sentiments going forward?*

**Governor:** The issue of ensuring that there is investor interest in our domestic assets is one of the reasons for the policy rate adjustment. In terms of what the government is doing about reducing our dependence on these medium-term bonds to finance economic activity, I believe this is really the issue of domestic resource mobilisation. All that the government is trying to do is to raise revenues domestically because we cannot continue to depend on foreign savings to finance our economic transformation, and the e-levy is one of such measures aimed at raising the level of domestic revenues.

**END**