



BANK OF GHANA

**TRANSCRIPT OF MPC PRESS BRIEFING HELD ON 25TH JULY 2022 AT THE
AUDITORIUM, BANK OF GHANA, AFTER THE 107TH MPC MEETINGS**

PUBLIC



**TRANSCRIPT OF THE MPC PRESS BRIEFING HELD ON
MONDAY, 25TH JULY 2022**

Following the Monetary Policy Committee (MPC) Press Briefing on Monday, 25th July 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: *In recent times, there have been widespread discussions that the nature of consumer price inflation in Ghana cannot be properly curbed with monetary policy instruments, because it is basically price increases which are on a tangent from production cost and liquidity in the economy. The fact that the Bank of Ghana's Monetary Policy Committee has decided not to increase the policy rate, despite rising inflation, is that an admission that there is limited effect the monetary policy can have on inflation, due to the nature and cause of inflation right now in Ghana?*

Governor: On the contrary, I think that the Committee went to a great deal of extent to demonstrate how the monthly inflation rates have trended and as I said, we have observed consistent decline in the monthly inflation rates. So, we are convinced that the monetary policy actions already taken have had an effect and the pace at which inflation is going up is moderating. That is very important and therefore we think that if we have not peaked, we probably should be peaking soon. This is what we make out of the data. The issues that you were saying that the consumer price inflation in Ghana cannot be resolved by monetary policy, we completely disagree with that. As I explained earlier on, even though inflation was initially driven by supply shocks, we have seen this broaden to almost all items in the consumer basket and once you see this sort of generalized increase in prices, that immediately tells you that monetary policy has a role to contain inflation. Far from it, we are not admitting the limited effects of monetary policy. We think that our policies have been very effective and we are seeing exactly what we expected, that the pace at which the inflation was rising would ease over time.

Questioner: *Considering the fact that we are not getting the needed revenue from the Electronic Levy (e-levy) and also been told of less than 10 percent of e-levy target. Looking at the major disruptions the e-levy has caused in the market especially with regards to mobile money, people are calling for a scrap of the e-levy. Considering all the factors available now, do you think that is prudent now?*

Governor: I do not think that it is time to scrap the e-levy. Discussions that I have been privy to, has been on the level of exemptions granted under the e-levy law. So, I know that there is some work which is currently ongoing to re-look at those exemptions and when that is completed, the e-levy will bring in more resources than it currently has.

Questioner: *Looking at the Treasury bills and how it is rising and interest rates also rising. Don't you think halting the policy rate will also create disruptions in the market and discourage investments in short-term bills, especially at a time when government needs money to undertake its project?*

Governor: We have seen very sharp movements on the short-term interest rates, probably more than a 100 percent following the policy rate increases. The rates on 91-day and 182-day instruments have risen very sharply over the past few months, and I do not think that pausing the policy rate should affect the ability of the government to raise funds from the short-end of the market.



107th BoG MPC Press Briefing Q & A Session

Questioner: *Mr. Governor, you said our reserves are \$7.7 billion, which is 3.4 months of import cover. I just want to know, in case the foreign investors decide to take away their dollars, what will be our Net International Reserves?*

Governor: The numbers do not suggest that action will necessarily affect our current level of reserves negatively. As you are all aware, there has been an attempt to get some more foreign exchange from the US\$750 million loan, which was just passed by Parliament. We are also expecting the annual cocoa syndication loan, hopefully about US\$1.5 billion, in the last quarter of the year. If these transactions are concluded, that should help to shore up the reserves of the central bank.

Questioner: *What is the plan on the monetary side, to improve our reserve position, if government is not doing any borrowings? Because if you look at the net, some will say that it is a little bit challenging. So I want to find out from you, what is the plan on the Bank of Ghana's side to improve our reserve position? The Vice President has also indicated that the Bank of Ghana will be purchasing locally made gold, even though you have started. We want to find out how it will impact our reserves?*

Governor: The central bank is trying to shore up reserves. I am sure you heard the Vice President announce that the Bank of Ghana will have the first right of refusal to buy all gold produced in the country. So, that option is available and we have already purchased some under the Bank's Domestic Gold Purchasing Programme, which will have to be refined. The initial purchases were shipped overseas for LBMA certified refineries to get the gold to a standard that will be accepted and counted by the international banks as part of our reserves. So, this is what we have done.

Questioner: *The Court of Appeal has ordered the Bank of Ghana to rescind its decision to revoke the license of UniCredit. What is your plan regarding this decision?*

Governor: I do not think I should be speaking on the court case because the matter is still pending. The Bank has appealed the decision of the Court of Appeal.

Questioner: *I have gathered that a mining company is attempting to sell dollars, worth \$110 million to banks and they requested that some banks go through the bidding process. Indeed one bank, a Pan African bank gave a rate of GH¢8.467 per dollar and won the bid. I want to know what the regulation is concerning such transactions and the consequence effect that it will have on the cedi?*

Governor: First and foremost, mining companies do not have licenses to trade in foreign exchange. So I do not think that mining company should have asked for bids from banks. That competitive bidding by the mining company, requesting banks to quote to sell the foreign exchange was wrong. We already have our supervision team looking into that particular transaction. Most of these mining companies have retention agreements, some 100 percent, which means that they can keep the proceeds of all their gold exports outside the shores of Ghana, but they also need Ghana cedis for domestic operations. So, from time to time, they convert some of their foreign exchange earnings into Ghana cedis and we think that, there is a better way of doing that, rather carry out such unauthorized auction processes. So that matter is being looked at and many issues have been flagged. I think the size of the transaction would mean that, there would be some single obligor breaches which we are investigating. We probably have to use this opportunity to let the mining companies know that the Bank is scrutinizing what is going on in that sector. We have met with the mining companies and tried to use moral suasion to get them to repatriate as much foreign exchange as possible to the country and give Bank of Ghana the first right of refusal to buy the foreign exchange. The Bank was not informed about the availability of this



107th BoG MPC Press Briefing Q & A Session

US\$100million, maybe because, they thought we might not give them a competitive rate. So, it is an important matter that you have raised and hopefully we will rein them in, because they do not have licenses to trade in foreign exchange and carry out competitive auctions on foreign exchange.

***Questioner:** Hundreds of traders have their funds locked-up with the Seed Funds Savings and Loans Company. They have reported to your office at the Cedi House. What is going on with this company and how are you going to ensure that depositors get their money?*

Governor: The issue of Seed Funds Savings and Loans Company, NDK Financial Services Limited, and a few others that have run into difficulties really disturbs us, because we think that we have had a very successful financial sector reform. We cleaned the sector of weak and insolvent institutions and then we find out that there are a few more institutions that are also insolvent and weak. Unfortunately, this has come at a time when the government finances are under a lot of stress, this is essentially what the problem is. So how to get that additional GH¢7 billion or GH¢8 billion from a budget, which is already under a lot of strain to clean up these residual insolvent institutions has been the problem. Now that we have an opportunity to put everything on the table in terms of the negotiations with the IMF, I am sure this issue will be one of them and hopefully, we will find the resources which will allow the central bank to deal with that problem. So, it is unfortunate for the depositors that are caught up in this situation.

***Questioner:** What is the latest development on the eCedi pilot and when is it expected to be rolled out fully?*

Governor: We have made a lot of progress in this area. At the last MPC press briefing, we reported that the pilot was being undertaken in Sefwi Asafo. The feedback that we received indicated that the participants in the pilot area were very keen. Some of the participants used their own resources to acquire more, after they spent the initial sums that were given to them in the eCedi Pilot area and therefore exhibited a very strong interest in the product. I understand the results are being studied now and hopefully, we will provide more information by the next MPC.

***Questioner:** My question is on the Cost of Living Allowance (COLA) and the expected increase in utility tariffs. What is the expectation with regards to the inflation rate? Is this likely to increase the inflation figures? What will be the impact?*

Governor: Oftentimes, we take stability for granted, and the recent developments in Ghana have really brought back the importance of stability. Every time the central bank speaks about the need for macroeconomic stability, we ask whether “we are going to eat macroeconomic stability”. Now, we are all witnessing first-hand what it means when you do not have a stable macro environment. With very high inflation at close to 30 percent, the purchasing power of the Ghana cedi has been eroded, that is why we having the cost of living adjustments, because people go to the market with the same amount of money and are not able to buy the same things that they were previously able to buy. This is the cost of instability. So the COLA was needed to cushion workers a little bit from the erosion of the purchasing power of their salaries, but, it would have to be managed going forward, because you cannot also have a situation where you have a widening fiscal deficit, alongside wage adjustments which exert additional fiscal pressures and create further instability. Then you get a vicious cycle of wage price adjustments which lead to more instability. That cycle has to be broken by fitting this sort of wage adjustment within an envelope which would make the fiscal still sustainable. I think this is the challenge from that side.



107th BoG MPC Press Briefing Q & A Session

Questioner: *On the Bank's Domestic Gold Purchase Programme, is the central bank buying directly from the mining companies or outsourced with a broker? If there is a broker involved, what are the arrangements? Considering the fact that gold prices can plummet, what safety net has the bank put in place to reduce exposure to price volatility?*

Governor: The plan was to buy some of the gold directly from the mining firms. I am sure you heard the Newmont Ghana announcement that was made and so we are buying directly from Newmont Ghana. We are also working with PMMC to buy some of the gold. On the issue you raised about instability in gold prices in the short-term, yes, but in the long-term, gold prices have always been a source of stability. If you look at the Bank of Ghana's holdings of gold reserves, we have had them for a very long time, indicating the longer-term stability properties of having gold. We are not holding them with the view to make gains through short-term trading. I believe that as the gold reserves increase, maybe we would review that policy of actively managing the levels of gold that we have. But for now, we have not really focused on whether we are making capital gains or loss out of the gold reserves.

Questioner: *An Appeal Court recently upheld the Bank of Ghana's application for the matter involving the revocation of the license of GN Bank to go through arbitration. What is the status on this?*

Governor: From what I hear, the Arbitration Centre has not even been established. In any case, for us, the receiver is continuing with his work since the license was revoked. The receiver has been at work trying to realize assets from GN Bank's assets, because we have paid most of the depositors of GN Bank. The receiver has had to go in and try to retrieve those that are indebted to the bank, in terms of some of the loans that have been given up, as well as realize value from assets of the bank. The important thing is that the receiver has continued with the resolution process.

Questioner: *The BoG SDI 2020 report revealed that, over 50 percent of the fraud cases involved the employees of financial institutions. The 2021 report also indicated the same situation. What is the BoG doing to curtail this situation?*

Governor: This is the finding from the work that our Financial Stability Department carried out and that is why it is important for the banks to check whether the people they hire are fit and proper. We always have to do background checks, including criminal report checks with the police, on the people that are hired. We at the Bank of Ghana go through this due diligence processes before we hire staff, and it is important that the banks also follow the same rules of ensuring that the people they hire are fit and proper to work in a financial institution.

END