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BANK OF GHANA

**TRANSCRIPT OF THE MPC PRESS BRIEFING HELD ON MAY 27, 2024, AT
THE MPC CONFERENCE ROOM, 5TH FLOOR, BANK OF GHANA.**

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**TRANSCRIPT OF THE MPC PRESS BRIEFING HELD ON
MONDAY, MAY 27, 2024**

After the Monetary Policy Committee (MPC) press briefing on Monday, May 27, 2024, the Governor, also the Chairman of the MPC, addressed various questions from the Press. Below is a transcript of the questions posed by the Press and the Governor's responses.

Questioner: *For the first quarter of the year, we had 4.9 per cent growth in exports, 22.3 per cent growth in imports, simply wiping away our trade surplus, even though you said you have enough reserves to take care of this strong increasing demand for forex [to finance imports]. Do you not think that you [the Bank] could take a proactive stance by bringing up policies that would discourage demand for forex for importation of goods that already have local substitutes? Is there a way of, at least, cutting back on this surge in demand for forex at this current time that there is serious demand pressure on our foreign exchange?*

Governor: I understand your concerns regarding the current economic situation. To address these, we need to consider both short, medium and long-term measures. In the medium to long term, our focus should be on improving productivity, increasing local content, and boosting domestic production. These steps will help dampen the increasing demand for imports and I believe everyone would support such policies. However, it is important to note that these measures are not solely the responsibility of the Bank of Ghana. Other state institutions have roles to play in reducing our dependency on imports, but we must acknowledge the current realities and its implications on our trade balance. Despite these challenges, we have successfully built up reserves significantly over the past five months of the year.

Questioner: *You talked about very strong reserve position now, and that should deal with the problem. How, is the current programme with the IMF, again, restricting any level of [FX market] intervention? We know that you have strong reserves, but there are some who are betting on your inability to step in because you are in a Fund Programme, and the focus rather is on building up reserves for the unknown in the future. So, in one breath there is assurance that we have the required reserves to step in, but there are some who are of the view that, well it is like a mother having a cane threatening to beat the child but is constrained in beating the child so the child is misbehaving. That is the scenario. Speculators out there are also still betting on the currency.*



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Governor: I question the accuracy of that assessment. While we have IMF targets for central bank's interventions, these are not rigid performance targets, as it allows for some flexibility. The most crucial aspect is to focus on our broader programme objectives, which include building substantial reserves to cushion the economy. Since the programme's inception, we have worked diligently to address this, and as highlighted in my statement, we have accumulated over US\$2 billion in foreign exchange reserves, surpassing even the three-year target ahead of schedule. This significant reserve build-up should be noted, alongside the fact that we have the capacity to manage the foreign exchange market effectively. Given our progress, I urge those engaging in unnecessary currency speculation to reconsider, as there will be [market] correction and the implications of such corrections on speculators are well understood.

Questioner: *You said [in your statement] that the figures confirmed that the banks have recovered from the Domestic Debt Exchange Programme (DDEP). If you look at the 2023 figures, and the first quarter 2024 figures, is the Bank of Ghana considering allowing banks to resume the payment of dividends at the end of the 2024 financial year, if they have recapitalised? And, would that include the payment of interim dividends before the end of the 2024 financial year?*

Governor: Yes, we have already taken steps in this regard for 2023. Banks that made significant progress in their capital plans have been permitted to distribute interim dividends. It was essential to ensure that investors, particularly foreign investors, who have incurred losses due to currency depreciation, were adequately compensated for their investments in the banking sector. Given these circumstances, banks with stronger capital positions have been allowed to pay interim dividends. This decision is taken on a bank-by-bank basis to ensure that only those with robust capital positions are permitted to do so. Going forward, we will continue to evaluate each bank's situation individually, and those that meet the necessary criteria will be allowed to resume dividend payments accordingly.

Questioner: *Has Société Générale (SG) informed you, as a regulator, about the next line of action [regarding reports about their disinvestments in some African countries] so that you are not overtaken by events? Have you been briefed about how the review would go for you to take the necessary actions as a regulator?*

Governor: We have not yet received any formal communication from SG, either from their Group headquarters or their office in Accra. However, I have had discussions with their office in Côte d'Ivoire and I emphasised that we do not want to be caught off guard. We want to be fully informed about the potential buyers interested in acquiring their shares, including the full list of interested parties, not just a shortlist.



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I have conveyed these concerns to their representative in the Côte d'Ivoire office, and we are hopeful that we will receive concrete information from the Group very soon.

Questioner: *Last week, the finance minister said that by the end of the year we will be expecting almost US\$2.3 billion. I just want to know whether that is enough to resolve our dollar [requirement] deficit?*

Governor: If you review the Finance Minister's statement, he detailed the sources of these expected resources to include the expected US\$360 million tranches from the IMF, with disbursements in June and September totaling US\$720 million, as well as about US\$300 million in World Bank inflows. These, along with other credits in the pipeline, are estimated to amount to the approximated US\$2.3 billion. If all these inflows materialise, they will significantly strengthen the country's reserve position and help contain the forex market pressures.

Questioner: *What is your assessment of the implementation of the three-tier Cash Reserve Ratio (CRR) you started implementing in the last three months, considering the fact that we have seen inflation inch up and the forex market or exchange rate is highly unstable?*

Governor: Implementation of the three-tier CRR has been very successful. Banks are complying with the new CRR. Initially, many banks disinvested from Bank of Ghana instruments to meet their reserve requirements, but we have also enhanced our liquidity management operations to support the impact of the CRR. While the tightening measures have had some effect, they may not have been sufficient to fully curb inflation or stabilise the exchange rate as much as we had expected. So, despite these measures, we have observed some instability in general price levels, and reduction in commercial banks' lending partly due to increasing non-performing loans. Several large exposures in the banking system have deteriorated, as revealed by the recent asset quality review conducted by the Banking Supervision Department, leading to rising loan-loss provisions. The current environment is not conducive for the real sector, but we expect improvements as inflation eases and the currency becomes more stable. These conditions are necessary for banks to regain confidence to lend to the private sector. Indeed, we have not yet fully emerged from the crisis and a sustained period of economic stability is needed before we see significant improvement in private sector credit growth.

Questioner: *You mentioned in your presentation that the BoG has set up a taskforce to monitor [the market conduct of] the various forex bureaux. What exactly is the mandate of this taskforce when they visit the bureaux?*

Governor: The mandate of the taskforce is quite straightforward. The Bank's Other Financial Institutions Supervision Department (OFISD) has oversight



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responsibilities of the foreign exchange bureaux. They conduct onsite visits to ensure compliance with regulations, such as issuing proper receipts and obtaining valid identification for foreign exchange transactions. They also ensure that the bureaux operate according to agreed-upon standards, including exchange rate advertisements. A few years ago, a decision was made that required forex bureaux to only display the exchange rates indoors. But some bureaux are now advertising rates on social media, which is against the guidelines. The taskforce will focus on enforcing these regulations, ensuring that exchange rates are advertised [in the manner] as agreed and that all [their] operations comply with the central bank's rules and guidelines.

Questioner: *What are the sanctions for bureaux that flout the laws?*

Governor: The consequences for non-compliance are well understood by bureaux operators. Violations can result in the revocation of the foreign exchange bureau licence. It is important to note that these licences are short-term, typically renewed annually or biannually at most. Therefore, failure to adhere to regulations may lead to non-renewal of the licence, a measure that can be swiftly implemented. All operators are fully aware of these potential consequences.

Questioner: *You have cautioned against negative comments that have the potential of disturbing the economy, but there have been claims that the Gold-for-Oil (G4O) policy has been shrouded in secrecy. In fact, the former President, John Mahama, who is seeking to come back says that he is going to investigate this particular policy and punish people behind it. I want your response to this, please.*

Governor: From our perspective, the G4O policy is a transparent arrangement. The central bank publicly announced its intention to buy gold to bolster reserves and we regularly report on the amount of gold purchased for this purpose. As crude oil prices surged during the economic crisis, the government needed to stabilise ex-pump prices, which led to discussions with oil-producing nations, some of which involved exchanging gold for oil. This process is straightforward, that is, instead of allocating all purchased gold to reserves, a portion was earmarked for bartering with oil-producing countries. There is nothing inherently secretive about it. For detailed insights, one would need to engage directly with those managing the operation. Overall, the framework is transparent, though specifics may require deeper discussion with relevant stakeholders.

Questioner: *Recently you mentioned at the Public Accounts Committee that the central bank was seeking to hand over the G4O policy to the commercial banks to run, and that the capacity of the commercial banks would have to be built to be able to run this policy. Please I want an update on this, please.*



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Governor: The central bank's involvement in the G4O policy was a response to the economic crisis at the time. However, as the crisis abates, we recognise that managing this policy falls outside our primary mandate of controlling inflation and exchange rate management. The IMF has also advised us to re-evaluate our involvement in this area. We believe it is more appropriate for commercial banks to handle this policy moving forward. They may have the expertise and capacity needed to manage it effectively. Therefore, our intention is to transition the responsibility for the G4O policy to the commercial banks.

Questioner: *I want an update on the discussions with the Government about the recapitalisation of the the Bank of Ghana. What is the [progress on] discussion so far, and beyond the Government recapitalisation, is the Bank of Ghana also going to pursue its own moves for capital?*

Governor: Discussions on recapitalising the Bank of Ghana are underway, involving the IMF, the Ministry of Finance, and the Bank itself. We are currently working on a memorandum of understanding to formalise this process. Additionally, the Bank is exploring ways to manage its costs effectively. It is important to note that reducing inflation is a costly endeavor for central banks globally. Liquidity management operations entail expenses, and many central banks are operating at a loss to fulfill their mandate of price stability. Recapitalisation remains a crucial issue, and we are implementing agreed-upon frameworks to address it. The process is ongoing and evolving.

Questioner: *So going back to the foreign exchange rate issue, there are some indications, speculative though, that some of the pressure on our market is coming from West Africa's biggest economy [Nigeria] due to the [foreign currency] pressure that they have been under for some time now. Discussions have been that before their pressure started we were quite stable here, but then as the pressure persisted we [Ghana] are beginning to see ripples here. Have you had any indication of that, if indeed it was so, and what would you be doing to ensure that we do not import unnecessary pressure upon ourselves?*

Governor: It is difficult to dismiss that possibility, given the interconnectedness of our informal markets within the sub-region, particularly with countries such as Togo, Benin, and Nigeria. We must remain vigilant in monitoring these flows to prevent unnecessary pressure on our foreign exchange market. We are committed to promoting trade and avoiding border restrictions, especially with the ongoing discussions around continental free trade. However, authorities at exit points need to ensure compliance with the regulations regarding currency limits for cross-border transactions. Being vigilant in this regard is essential to maintain stability in our foreign exchange market.



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Questioner: *I want to find out from you how costly the Bank of Ghana's open market operations have been considering the high interest rate environment that we find ourselves, and then also can the BoG provide a figure on the monies it has paid so far as interest on securities [in open market operations]?*

Governor: Open market operations can indeed be quite costly, especially in a high-interest-rate environment, which is a common experience worldwide. If you refer to the Bank of Ghana's annual accounts, you will find that open market operations was the single most expensive item on our balance sheet in 2023. As for providing a specific figure on the interest paid on securities, you can find this information in our annual accounts. While I don't have the exact figure off the top of my head, it was around GH¢8.3 billion for 2023, if I recall correctly.

Questioner: *The finance minister did mention that some amount of money has been paid, quite huge in terms of the quantum, to contractors and Independent Power Producers (IPPs). Do you envisage this [payment] impacting on your inflation outlook, and also, how do you see this affecting the [stability of the] Cedi in the short term?*

Governor: The Finance Minister's announcement regarding payments to contractors and IPPs has been carefully assessed for its impact on our current economic situation. These payments are significant components of government expenditure, influencing factors such as the fiscal deficit, borrowing needs, liquidity levels, and ultimately, inflation and the exchange rate. The increased liquidity in circulation not only affects inflation by intensifying the demand for goods and services but also exerts pressure on the foreign exchange market, impacting the value of the currency. It is crucial to recognise the interconnectedness of these factors and understand their role in shaping our economic landscape, particularly in terms of inflation and the exchange rate.

Questioner: *I need an update on the advisor that was given to UMB for the Bank's recapitalisation [process]. Is the bank adhering to the rules [of engagement]?*

Governor: The advisor appointed to oversee UMB's recapitalisation process has performed admirably. He has submitted his initial report and we find it reassuring to have someone monitoring the situation closely. The reports thus far have been satisfactory, and we have observed improvements being made. It is vital to strengthen oversight of financial institutions, ensuring adherence to regulations, effective internal governance, and overall institutional governance. The Banking Supervision Department conducts frequent and rigorous supervision, providing intense scrutiny and reporting to ensure the enhancement of weaker financial institutions.

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Questioner: *What is the update on your purchase of dollars from the mines and the oil companies. How much have you purchased so far?*

Governor: The data on our purchase of US dollars from the mines and oil companies is readily accessible. Since its inception, we have purchased approximately US\$1.6 billion from the mines, with US\$505 million purchased year-to-date. The mines have been cooperative, significantly aiding in our reserve-building efforts. Overall, the gold purchasing programme has been highly successful, contributing substantially to our reserves. With the additional US\$360 million anticipated [from the IMF] in June, our reserve position will further strengthen, showcasing effective management of our gold reserve programme.

Questioner: *In your scheme of planning, how critical is the next IMF review and disbursement, as far as the exchange rate and general stability [of the economy] is concerned? How important is the next IMF tranche to you? The finance minister [has] said that an MOU has been received and being reviewed. For the central bank how critical is this, and what are the timelines that you have in mind [for the conclusion of the review and disbursement]?*

Governor: The draft MOU received by the Government outlines the terms for restructuring bilateral debt, in line with the IMF programme targets. This step is crucial in clearing uncertainties surrounding the debt restructuring programme and providing clarity for the Ghanaian economy. We anticipate the IMF Board meeting to proceed next month and given our confidence in meeting most of the performance criteria, we expect to receive additional financial resources next month, which will contribute to enhancing stability in both the currency and the broader economy. This development is significant for us and reinforces our commitment to meeting the IMF targets and ensuring economic stability.

Questioner: *On remittances, you mentioned some billions [inflows], where do those monies end up? Do they end up with the bank or end up at the private transfer companies? Whichever response, is there any scope, any room where you can use the legislation to channel more of these [remittance inflows] to support our reserves? Can I have some education in that regard?*

Governor: Based on information gathered, most remittance transfer operators work in collaboration with both FinTechs and banks. The foreign exchange associated with remittances typically ends up in the nostro balances of commercial banks, allowing them to finance imports and support economic activities. Currently, the central bank has no plans to directly utilise these resources to build reserves. We believe that commercial banks should retain access to remittance flows to support economic activities. This stance is consistent with our current approach, and we have no intention of altering it currently.

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Questioner: *On exportation, there is this school of thought that a lot of companies who end up exporting do not return the foreign exchange here. As the transactions terminate somewhere abroad it is just difficult for us to see that this export volume has not returned the required foreign currency. Is that a correct school of thought?*

Governor: There is a system in place to ensure that exporters repatriate export receipts back into the country. All exporters are required to fill out a letter of commitment associated with their exports. If export receipts are not repatriated, exporters are unable to undertake further exports, except for those with retention allowances. However, if exporters exceed their retention limits, the system locks them out from conducting additional exports. Therefore, it is not feasible for exporters to export without repatriating the associated foreign exchange back into the country.

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