Monetary Policy Committee Press Statement
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The Monetary Policy Committee met this week to consider developments in the global economy, domestic economic conditions, and deliberate on the appropriate monetary policy stance. The Committee decided to maintain the Monetary Policy Rate (MPR) at 27.0 percent. Key considerations on the decision are as follows:

A. Global Developments

1. Global growth has remained robust, supported by the recovery of real incomes amid an ongoing process of disinflation. The policy easing cycle initiated by major central banks in Advanced Economies (AEs), in response to declining inflation rates, has generally supported growth. High frequency data indicates strong performance in the services sector, while the manufacturing sector has experienced weaker growth due to frontloading of import orders in the first half of the year, driven by rising geopolitical concerns. While global growth is expected to remain steady at 3.2 percent for 2024 and 2025, potential challenges such as the lagged effects of past policy tightening, persistent geopolitical tensions and a resurgence of trade protectionist policies present downside risks to the outlook.

2. Global inflation continues to moderate, primarily driven by lower energy inflation, easing labour cost pressures and the lagged effects of past monetary policy tightening. The moderation in global inflation has been aided by a decline in oil prices, stemming from concerns about a potential economic slowdown in China and increased crude oil supply from non-OPEC+ countries. Long term inflation expectations for AE's remain anchored at 2.0 percent, while wage growth has cooled in recent months. In the outlook, inflation is expected to return to target levels, supported by easing services inflation as labour cost pressures diminish.

3. Global financial conditions remain restrictive despite recent policy rate cuts. In November, the Federal Reserve, the European Central Bank, and Bank of England each reduced their respective key policy rates by 25 basis points, based on their assessment of the inflation outlook. These central banks have signaled that their monetary policy stance will remain restrictive for as long as necessary to ensure that the disinflation process is not disrupted. Following the rate cuts, long-term nominal bond yields in advanced economies declined but spiked after the U.S elections due to concerns that some policy proposals from the incoming administration may be inflationary.

B. Domestic Macroeconomic Conditions

4. On the domestic economy, high frequency indicators point to continued improvement in economic activity. In the third quarter, the Bank's high frequency real sector indicators pointed to a sustained pick-up in economic activity. The updated real Composite

Index of Economic Activity (CIEA) recorded an annual growth of 2.2 percent in September 2024, compared to a contraction of 0.4 percent in the corresponding period of 2023. Major drivers of the improvement in economic activity include increased port activity, households and firms consumption of goods and services , construction activities, credit to the private sector, and higher tourist arrivals.

5. **The Bank's latest confidence surveys conducted in October 2024 reflected sustained recovery in sentiments**. While consumer confidence was broadly unchanged, business confidence improved as firms met their short-term targets and expressed optimism about company and industry prospects. The survey findings were broadly consistent with trends observed in Ghana's Purchasing Managers' Index (PMI), which also signaled an improvement in business conditions. The PMI increased to 50.6 in October 2024, up from 49.1 in September.

6. **Recent price developments show some sluggishness in the pace of disinflation.** Since the last MPC meeting, headline inflation readings for September and October point to upticks driven by food price increases. Overall, headline inflation which stood at 20.4 percent in August, rose to 21.5 percent in September and then further to 22.1 percent in October 2024. The rise in inflation has largely been driven by food price pressures and some exchange rate pass-through effects from previous depreciation of the currency. On a year-on-year basis, however, the inflation rate of 22.1 percent for October 2024 reflects an ease in inflationary conditions from the rate of 35.1 percent recorded in October 2023**.**

7. **Core inflation has eased considerably over the year.** This measure of inflation, which isolates the price changes of energy and utility items from the consumer basket also shows a decline in the rate of inflation by 14.0 percentage points, from 36.2 percent in October 2023 to 21.4 percent in October 2024. Inflation expectations, gauged from the one-year ahead expectations of the financial sector continue to ease over the next year based on the strength of current policies.

8. **Interest rates continue to decline at the short-end of the market.** The 91-day and 182-day Treasury bill rates decreased to 25.80 percent and 27.01 percent respectively, in October 2024, from 29.40 percent and 31.37 percent respectively for the corresponding period of 2023. Similarly, the rate on the 364-day instrument declined to 28.70 percent in October 2024 from 33.16 percent in October 2023. The Interbank Weighted Average Rate decreased to 27.69 percent in October 2024 from 28.49 percent in October 2023, reflecting the transmission of the reduction in monetary policy rate to the interbank market. Similarly, the average lending rates of banks declined marginally to 30.45 percent in October 2024 from 32.69 percent, recorded in the corresponding period of 2023.

9. **Performance of stocks on the Ghana Stock Exchange has been strong.** With limitations in alternative investment options in the money market resulting from the Domestic Debt Exchange, investor appetite for stocks traded on the GSE has increased considerably. Activities on the exchange has also benefited from improved macroeconomic conditions. From the beginning of the year to end-October 2024, market capitalization has increased significantly to GH¢100.1 billion, compared with GH¢73.9 billion recorded in October 2023. The increase in market capitalization was driven by appreciation in share prices, underpinned by renewed investor confidence particularly in the mining, IT, and finance sectors, and issuance of new shares by banks as part of the capital restoration efforts.

10. **Notwithstanding an elevated non-performing loans (NPL) profile, the banking sector remains sound, well capitalized and liquid.** The banking sector continued to record improvements in performance with total assets growing by 42.4 percent to GH¢367.2 billion at

end-October 2024, compared to 3.2 percent at end-October 2023. Solvency indicators also improved, with the capital adequacy ratio (with reliefs) increasing to 11.1 percent (14.2 %) from 7.3 percent (13.4%) in October 2023. Credit risk, however, remained elevated, with the NPL ratio rising to 22.7 percent from 18.3 percent over the review period. In the outlook, performance will be contingent on a rebound in profits, continuous adherence to recapitalisation plans and enforcement of strict credit underwriting standards. Growth in private sector credit increased to 28.8 percent in October 2024 from negative 7.5 percent recorded in the corresponding period of 2023. In real terms, credit to the private sector increased by 5.5 percent relative to a 31.6 percent contraction, recorded over the same comparative period.

11. The external sector position has improved remarkably in the year, supported by a higher current account surplus and reduction in net financial outflows, leading to a strong external reserves build-up. The current account surplus increased to US$2.2 billion in the first nine months of the year, compared with a surplus of US$912 million over the corresponding period in 2023. The strong current account surplus was supported by increased gold and crude oil exports as well as robust remittance inflows. This development, together with a lower net outflow of US$414 million in the capital and financial account (relative to a net outflow of US$1.4 billion in 2023) contributed to an improved balance of payments position in the first three quarters of the year. As a result, from the beginning of the year to end-September 2024, a reserve build-up of over US$1.91 billion was accumulated, pushing Reserves up to US$7.83 billion (equivalent to 3.5 months of import cover). Gross reserves have increased further to US$7.92 billion as at November 22, 2024.

12. The strong external sector performance is boosting confidence in the foreign exchange market, with the Ghana cedi recording appreciable gains. Since end-October to November 2024, the Ghana cedi has recorded respective appreciations of 6.0 percent, 7.6 percent and 9.1 percent against the US dollar, the British pound and the euro, bringing the year-to-date depreciation of the Ghana cedi against the US dollar, the British pound and the euro to 22.7 percent, 22.4 percent, and 19.1 percent, respectively.

C. Summary and Outlook for the Economy

13. Monitoring global conditions will be needed in the coming months. In the view of the Committee, while global economic conditions remain favourable, the strength of the US economy coupled with a strong United States dollar and the possibility of a resurgence in global energy and food prices arising from trade protectionism, geopolitical conflicts, and extreme weather conditions will have to be monitored closely for policy responses to ensure stability in the economy.

14. Domestic macroeconomic conditions remain stable and the IMF-ECF Programme implementation remains on track. Data observed through October 2024 indicated broad stability in the macroeconomic indicators. Growth outturn so far has been strong, and leading indicators of economic activity is projecting stronger growth in the second half of the year, business and consumer confidence is slowly turning around, core inflation remains broadly stable, the financial sector inflation expectations remain broadly anchored, reserve build-up has been sufficient to provide confidence, and the currency is recording some appreciation. The third review assessment of the IMF on the economy and on programme implementation also reflected a positive assessment and led to a Staff level Agreement. Indications are that the IMF Board will meet in December to assess programme implementation thus far and assess forward-looking prospects of the economy. Successful completion of the assessment will likely trigger the release of additional US$360 million in December 2024. This should provide more impetus to stability.

15. The cedi's rebound observed recently should continue with the dissipation of election-related uncertainties and the improved foreign exchange buffers accumulated by the central bank. A combination of economic uncertainty brought about by the upcoming elections and the high demand for foreign exchange has led to an exchange rate path that is slightly deviated from the fundamentals. With strong macroeconomic policy implementation and improved foreign exchange availability, the economy should observe a realignment of the trajectory of the exchange rate with the fundamentals.

16. Commercial banks have accumulated enough capital buffers to withstand the effects of the external debt restructuring. The latest macro-prudential risk assessment showed that the impact from the Eurobond restructuring would be minimal, given the pre-emptive provisioning made by banks to account for potential impairments. Banks are therefore expected to continue to remain stable and support economic growth going forward.

17. Inflation projections show a slightly elevated profile driven by high and unstable food prices, pass-through of previous exchange rate pressures, fuel prices and utility tariff adjustments. The price increases in food items have been steep in the course of the year and together with a fast-paced depreciating currency earlier on in the year have altered the inflation trajectory and stalled the disinflation process. At the time of the last MPC meeting, average inflation forecast a year ahead which stood at 19.0 percent has increased slightly to 20.1 percent at this forecast round. The horizon for inflation to get back within the target band of 6-10 percent has slightly shifted forward to Q42025 from the original forecast period of Q32025. In the near-term, strengthening of the currency will augur well for future price developments. Under the circumstances, the Monetary Policy Committee decided to keep the policy rate unchanged at 27 percent.

D. Informational Note

The next Monetary Policy Committee (MPC) meeting is scheduled for January 21-24, 2025. The meeting will conclude on Monday, January 27th, 2025, with the announcement of the policy decision.