



# Bank of Ghana Monetary Policy Committee Press Release

27<sup>th</sup> January, 2025

Good morning, ladies and gentlemen of the media and welcome to the press briefing for the 122<sup>nd</sup> Monetary Policy Committee (MPC) meetings, which is also the MPC's first meeting of the year 2025. During the meetings, the Committee deliberated on macroeconomic developments in 2024, assessed the current state of the economy, and the risks to the inflation and growth outlook. A summary of the assessment and key considerations that informed the Committee's decision on the monetary policy rate is provided below:

## A. Global Developments

**1. The momentum in global economic growth observed at the beginning of 2024 was sustained throughout the year.** The January 2025 World Economic Outlook (WEO) report indicates an upward revision in growth from 3.2 percent in the October 2024 WEO to 3.3 percent. The better-than-expected global growth outturn in 2024 was primarily due to strong growth in the U.S, a pickup of economic activity in China, and stability in Emerging Market Economies, which together offset weaker growth in the Euro Area. Global growth is expected to remain stable in 2025, underpinned by low inflation, steady employment growth and a supportive monetary policy stance. However, rising uncertainty associated with trade protectionist policies and geopolitics may weigh in on business and consumer confidence, and in the process dampen the growth outlook for 2025.

**2. Inflation continued its downward trend throughout 2024, as most central banks moved closer to their targets.** The ease in inflationary pressures was largely supported by subdued crude oil prices and the gains from tighter monetary policy stances adopted earlier. However, there are signs of underlying inflationary pressures in the services sector and the tight labour market conditions. In the outlook, global headline inflation is forecast to decline further in 2025 and 2026 as core inflation trends down mainly from slower wage growth.

**3. Global financial conditions eased somewhat in late 2024, but remained restrictive.** Policy rates globally have remained restrictive due to slower-than-expected disinflation in some regions, surging long-term bond yields in advanced economies, and increasing uncertainty surrounding changes to U.S. trade and immigration policies. For Emerging Market and Developing Economies, the tight monetary policy stance in Advanced Economies and rising uncertainty related to policy shifts by the new US administration have weighed on equity prices and led to volatile investor sentiments. Looking ahead, financial conditions are expected to ease gradually as policy stance becomes more

accommodative as inflation cools off in the United States and in the Euro Area. These conditions are expected to result in improvements in investor sentiments towards Emerging Market and Developing Economies.

## **B. Domestic Macroeconomic Conditions**

**4. On the domestic front, economic activity was stronger with higher-than-projected growth in the first three quarters of 2024.** The latest data from the Ghana Statistical Service showed that real GDP expanded at an annual rate of 6.3 percent during the first three quarters of 2024, relative to 2.6 percent during the corresponding period in 2023. Non-oil GDP grew by 6.2 percent from 3.3 percent over the same comparative period. The strong growth outturn was mainly driven by gold production in the industry sector. In the fourth quarter of 2024, the Bank's Composite Index of Economic Activity (CIEA) suggests that growth will remain strong, driven in large parts by international trade activities, increased credit to the private sector by banks, construction activities, and tourist-related spending.

**5. The latest confidence surveys conducted in December 2024 showed an improvement in both consumer and business confidence.** Consumer confidence improved largely on account of optimism about future economic conditions. Business confidence also picked up as firms met their short-term targets and expressed positive sentiments about company and industry prospects in line with improving macroeconomic conditions. Ghana's Purchasing Managers' Index (PMI), however, declined to 49.4 in December 2024 from 52.5 in the previous month largely due to a slowdown in firms' operations during the election period.

**6. Price developments in 2024 indicated a slowdown in the disinflation process resulting mainly from food price pressures.** At the beginning of the year, inflation rose from 23.2 percent in December 2023 to 25.8 percent in March 2024. Thereafter, it declined steadily to 20.4 percent in August but has since risen to 23.8 percent in December 2024, primarily due to food price increases. The increased prices in the food sector were largely attributable to dry weather conditions experienced in the earlier parts of the year, which adversely affected harvest yields. In contrast to food inflation, non-food inflation declined steadily during the last quarter of the year, settling at 20.3 percent.

**7. Total liquidity, measured through the key monetary aggregates, declined in 2024.** Annual growth in broad money supply (M2+) decreased to 31.9 percent in December 2024, relative to 38.7 percent in December 2023. The decline in M2+ growth was attributable to a slower pace of growth in all the components – demand deposits, savings and time deposits, and foreign currency deposits – except for currency held by the public, which increased over the same comparative period.

**8. Private sector credit growth continued to increase towards pre-2022 macroeconomic crisis levels, albeit slowly.** Nominal growth in the private sector credit increased to 26.3 percent in December 2024 from 10.7 percent recorded in the corresponding period of 2023. In real terms, credit to the private sector increased by 2.0 percent relative to a 10.2 percent contraction recorded over the same comparative period in the previous year.

**9. The banking sector continues to be profitable, well-capitalized and liquid.** Assets of the banking sector grew by 33.8 percent in 2024. Capital Adequacy Ratio (CAR) with reliefs grew

marginally to 14.0 percent in December 2024 from 13.9 percent in December 2023. However, CAR without reliefs rose to 11.3 percent in December 2024, higher than the 8.3 percent recorded in December 2023. Profits went up in 2024 relative to 2023, but the pace of growth slowed, resulting in the moderation of profitability indicators during the period. In the outlook elevated credit risk remained the main upside risk to the banking sector. The industry's Non-Performing Loans (NPL) ratio increased to 21.8 percent in December 2024, up from 20.6 percent in December 2023. The resilience of the banking sector in 2024 was supported by improved domestic macroeconomic conditions.

**10. Money market rates broadly trended downwards.** The 91-day and 182-day Treasury bill rates declined to 27.73 percent and 28.43 percent respectively, in December 2024, from 29.39 percent and 31.70 percent respectively, in December 2023. Similarly, the rate on the 364-day instrument declined to 29.95 percent in December 2024 from 32.97 percent in December 2023. Additionally, the Interbank Weighted Average Rate (IWAR) dropped to 27.03 percent in December 2024 from 30.19 percent a year earlier. This decline contributed to a reduction in average lending rates for banks from 33.75 percent to 30.25 percent over the same period.

**11. The Ghana Stock Exchange recorded a strong performance in 2024.** The Ghana Stock Exchange Composite Index (GSE-CI) gained 56.2 percent on a year-on-year basis in December 2024, compared to a gain of 28.1 percent for the same period last year. The robust performance of the GSE-CI was underpinned by improved investor sentiments, significant recovery in the profitability of listed financial institutions and improved liquidity on the market. Market capitalisation increased to GH¢111.36 billion at end December 2024, compared to GH¢73.89 billion in the corresponding period of 2023.

**12. Prices of the major export commodities on the international commodities market traded mixed in 2024.** Cocoa prices rose sharply to US\$10,869.1 per tonne in December 2024 from US\$4,235.6 per tonne in December 2023, on the back of reduced supplies due to adverse weather conditions which affected top producers such as Cote d'Ivoire. Gold prices increased by 29.4 percent to US\$2,641.5 per fine ounce in December 2024 from US\$2,035.4 per fine ounce a year earlier. In contrast, crude oil prices fell by 5.3 percent year-on-year to settle at an average price of US\$73.2 per barrel in December 2024, following concerns over supply risks and the prospects of increased supply in 2025.

**13. The external sector position improved significantly in 2024 on account of increased trade surplus and lower capital outflows.** The current account recorded a provisional surplus of US\$3.8 billion, compared with a surplus of US\$1.4 billion in 2023, driven mainly by higher gold and crude oil exports, as well as strong remittance inflows. This, together with a lower net outflow of US\$588 million in the capital and financial account, relative to a net outflow of US\$733 million in 2023, contributed to an improved balance of payments position for the year. The lower outflow in the capital and financial account reflects Ghana's successful debt restructuring and the IMF ECF programme. These favourable developments resulted in an improved balance of payments surplus of US\$3.1 billion, compared to a surplus of US\$518 million recorded in 2023.

**14. International reserves build-up was faster than programmed in 2024.** Gross International Reserves (GIR) increased to a stock position of US\$8.98 billion at the end of 2024 and was enough to cover 4.0 months of imports, exceeding targets under the IMF programme. This compares favourably with the end-December 2023 GIR of US\$5.92 billion (2.7 months of imports).

**15. The cedi came under intermittent pressures during the first three quarters of the year, but regained some value in the last quarter of the year.** Increased demand for foreign exchange to support energy related payments, uncertainty around timelines on conclusion of the external bond restructuring, uncertainties around COCOBOD financing arrangements, and election-related jitters exerted pressure on the currency and by the end of the third quarter, the currency had depreciated by 24.8 percent on a year-on-year basis. In the last quarter, commercial banks' participation in the gold purchase programme for foreign currency, positive sentiments from the progress made in the debt restructuring, and continued tight liquidity management caused the currency to appreciate. By the end of the year, the currency had depreciated by 19.0 percent against the US dollar.

### **C. Summary and Outlook**

**16. The Committee noted that global economic conditions broadly improved in 2024.** Global inflationary pressures have gradually eased over the period, which has led to easing monetary policy stance across several countries. Consequently, global financial conditions are expected to ease gradually as policy stances become more accommodative and inflation targets in Advanced Economies are met and expectations anchored. These conditions are expected to result in improvements in investor sentiments towards emerging market and developing economies. On top of the projected steady growth for 2025, the international markets have priced in a much stronger US economy stemming from the policies to be implemented by the new US administration. This has already instigated a stronger US dollar with implications for emerging markets and developing economies, including Ghana. Complementary fiscal and monetary policies will therefore have to be carefully set to prevent spillovers to the Ghanaian economy.

**17. External sector conditions remain positive, with sustained and stronger-than-programmed rebuilding of reserve buffers contributing to the stability of the domestic currency.** The performance of the external sector was mainly driven by strong growth in gold exports, which also largely impacted positively on growth. In the outlook, the external sector is expected to remain strong as commodity prices remain favourable amid improvements in production. Overall, while the external sector conditions are expected to provide an anchor to exchange rate stability, key risks in the outlook including challenges in the energy sector will have to be closely monitored.

**18. The stronger-than-projected growth and generally improved macroeconomic conditions are spilling over positively to the banking sector.** To sustain this effort, the Bank of Ghana will continue to ensure that banks with capital gaps adhere to their committed recapitalisation plans to shore up solvency. Supervisory activities will be intensified to ensure that banks continue to address the high NPLs, which poses potential risks to the stability of the industry. The improvement in domestic macroeconomic conditions is also expected to bolster debt servicing capabilities of corporate and household sectors, which would help mitigate further build-up of NPLs within the industry.

**19. The inflation profile remains elevated, largely driven by food price movements, especially in the last quarter of the year.** The climate-related factors including the dry spell in some parts of the food-growing regions of the country and the late onset of rains, negatively affected production, while supply chain weaknesses generally affected food prices. While the inflation outturn for the year 2024

deviated from target, it is expected that the disinflation process will resume, contingent on renewed efforts at fiscal consolidation, which is anticipated in the new administration's economic policy agenda and the yet-to-be-presented 2025 budget statement. The Bank's latest inflation forecast shows a steady decline and return to the path of disinflation, with an extended time horizon of achieving the medium-term target of  $8\pm 2$  percent.

**20.** Under the circumstances, the Committee decided to keep the monetary policy rate unchanged at 27.0 percent.

#### **D. Informational Note**

The next Monetary Policy Committee (MPC) meeting is scheduled for March 25-28, 2025. The Meeting will conclude on Monday, March 31, 2025, with the announcement of the policy decision.

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