

# Monetary Policy Committee

## CENTRAL BANK OF THE GAMBIA



### Press Release

August 28, 2009

- (1.0) There are indications that the world economy is beginning to pull out of recession, helped by the unprecedented macroeconomic policy responses of Governments. The recovery is, however, expected to be uneven across countries. According to the IMF's most recent World Economic Outlook, growth in the global economy is expected to contract by 1.4 percent in 2009, before expanding by 2.5 percent in 2010.
- (2.0) On the domestic front, The Gambia's macroeconomic program is on track. In August 2009, the IMF successfully completed the Fifth Review of the country's PRGF arrangement. The growth prospects of The Gambian economy are unchanged. Output is projected at 3.6 percent in 2009 compared to 6.1 per cent in 2008 attributed primarily to the slowdown in global economic activity.
- (3.0) Growth in the key monetary aggregates accelerated in the past year. Money supply grew by 18.0 percent in the year to end-July, 2009 compared to 10.1 percent a year earlier. Reserve money rose

marginally by 1.8 percent compared to 6.8 percent during the same period last year.

- (4.0) The banking industry remained fundamentally sound evidenced by the strong growth in assets, capital and reserves and the decrease in the non-performing loans ratio. Total industry assets increase to D13.3 billion in June 2009, or 18.2 per cent from a year earlier. Advances to the private sector accounting for 29.3 per cent of total assets rose to D3.9 billion, or 30.2 percent. Loans to all sectors of the economy increased with the exception of tourism. Credit to distributive trade, building and construction, transportation, agriculture, manufacturing and fishing increased by 18.2 percent, 17.9 percent, 18.2 percent, 32.2 percent, 154.3 percent and 37.2 percent respectively from a year ago. Credit to the tourism sector, on the other hand, contracted by 17.9 percent.
- (5.0) The industry's total deposits increase to D8.5 billion in June 2009, or 22.2 percent from a year ago.
- (6.0) Non-performing loans as a ratio of gross loans improved from 8.3 percent in June 2008 to 7.0 percent in June 2009. The capital adequacy ratio was 33.2 percent in June 2009, well above the minimum threshold of 8.0 percent. All the banks met the minimum capital requirements.
- (7.0) End-period inflation, measured by the National Consumer Price Index (NCPI), rose from 3.7 percent in July 2008 and peaked at 7.0 per cent in February 2009 before declining to 4.1 percent in July

2009. Annual average inflation rate (12 months moving average), was 6.1 percent compared to 3.3 percent at end-July 2008.
- (8.0) Food consumer price inflation declined to 4.3 percent in July 2009 from 5.1 percent in July 2008. In contrast, non-food consumer price inflation rose to 3.8 percent from 2.5 percent in July 2008. Core inflation, which excludes the prices of energy and volatile food items, decreased to 3.1 percent in July 2009 from 4.9 percent during the same period last year.
- (9.0) Preliminary data on Government fiscal operations indicated that revenue and grants totaled D2.2 billion in the first half of 2009, higher than the D1.9 billion in the corresponding period in 2008. Total expenditure and net lending amounted to D2.4 billion, an increase of 20.4 percent compared to the first half of 2008. The overall budget balance (including grants) on commitment basis was a deficit of D197.7 million (5.9 percent of GDP) from a deficit of D86.0 million (2.9 percent of GDP) during the same period the previous year.
- (10.0) The domestic debt decreased to D6.0 billion (30.0 percent of GDP) in July 2009, or 3.9 percent from July 2008. Treasury bills, accounting for 83.5 percent of the total domestic debt, rose slightly by 1.7 percent to D5.0 billion. Distribution of Treasury bills by maturity indicated that the 364-day bills accounted for 40.9 percent of the outstanding stock, 182-day bills 21.6 percent and 91-day bills 34.0 percent.

(11.0) The yield on the 91-day bill, 182-day bill and 364-day bill decreased from 12.44 percent, 13.61 percent and 15.47 percent in June 2009 to 10.51 percent, 11.29 percent and 13.51 percent respectively in July 2009.

(12.0) Reflecting reduced foreign inflows, associated with the global economic and financial crisis, the volume of transactions in the inter-bank foreign exchange market contracted to D33.4 billion (US\$1.2 billion) in the year to end July from D36.0 billion (US\$1.7 billion) a year ago. The quantity sold and purchased, a proxy for demand and supply, stood at D16.6 billion (US\$619.1 million) and D16.8 billion (US\$626.5 million) respectively.

(13.0) The Dalasi appreciated against the British Pound, US dollar and Euro by 5.0 percent, 0.6 percent and 1.3 percent respectively in the first quarter of 2009. In contrast the Dalasi depreciated against the Pound, US dollar and the Euro by 13.0 per cent, 1.9 per cent and 5.2 per cent respectively in the second quarter of 2009 compared to the first quarter.

(14.0) Gross official reserves at end-July 2009 stood at US\$127.6 million, equivalent to 5.3 months of import of goods and services.

(15.0) **Outlook**

For the remainder of 2009, the outlook for inflation is favorable. However, the steady rise in the price of crude oil and uncertainties in the global economy are risks to the outlook.

(16.0) **Decision**

Taking the above developments into consideration, including the risks to the inflation outlook, the Committee decided to maintain the rediscount rate, the policy rate, at 16.0 percent.

**I Thank You For Listening**