# Monetary Policy Committee

## CENTRAL BANK OF THE GAMBIA

**Press Release** **February 24, 2010**

**1.0** Recent data point to a return to global economic growth supported by improvements in financial conditions and stronger domestic demand in many emerging market economies. The IMF projects world output to rise by 3.9 percent in 2010 and 4.3 percent in 2011. Growth in Sub-Saharan Africa has been revised upwards and is expected to increase by 4.3 percent and 5.5 percent in 2010 and 2011 respectively. Economic activity in the West African region increased by 4.9 percent in 2009 but lower than the 5.8 percent in 2008.

**2.0** On the back of increased economic activity, commodity prices continue to increase. Crude oil prices rose from US$68.0 per barrel in September 2009 to US$79.0 per barrel in February 2010.

**3.0** Economic activity in The Gambia is expected to evolve largely as anticipated in the last MPC meeting. Supported by the expected partial recovery in tourism and remittances, and robust growth in agriculture real GDP growth is projected to remain strong in 2010.

**4.0** Money supply grew by 19.4 percent in 2009 compared to 18.4 percent in 2008. Both components of money supply increased, with quasi money growing at a faster pace (30.3 percent) than narrow money (9.4 percent). Reserve money expanded by 9.3 percent, higher-than the growth of 5.7 percent in 2008.

**5.0** Data on Government budgetary operations in 2009 showed revenue and grants totaled D4.89 billion (22.2 percent of GDP) relative to D3.74 billion (20.9 percent of GDP) in 2008. Total expenditure and net lending amounted to D5.63 billion (25.6 percent of GDP) from D4.33 billion (24.2 percent of GDP) in 2008. The fiscal deficit (including grants) on commitment basis widened slightly to D738.99 million (3.36 percent of GDP) in 2009 from D587.90 million (3.28 percent of GDP) in 2008.

**6.0** Balance of payments estimates indicate an overall surplus of D137.9 million in 2009 compared to a deficit of D811.3 million in 2008. The current account balance including transfers recorded a surplus of D1.54 billion relative to a deficit of D1.2 billion in 2008 while the capital and financial account balance worsened to a deficit of D1.4 billion.

**7.0** As at end-January 2010, gross international reserves totaled US$183.3 million, equivalent to 7.2 months of import cover.

**8.0.** Volume of transactions in the domestic foreign exchange market remained virtually unchanged at US$1.54 billion in January 2010 from a year earlier. In 2009, the Dalasi depreciated against the British Pound by 7.2 percent, the US Dollar by 9.8 percent, the CFA by 11.2 percent and the Euro by 11.8 percent. However, in January 2010, the Dalasi appreciated against the British Pound by 0.08 percent, the US Dollar by 0.02 percent and the Euro by 2.12 percent from end-December 2009.

**9.0** The banking industry's overall condition in terms of capital adequacy, liquidity and asset quality was satisfactory.

**10.0** The industry's average risk-weighted capital adequacy ratio was 18.1 percent at end-December 2009, compared to 33.22 percent in September 2009. All the banks observed the minimum requirement.

**11.0** The industry's total assets increased to D14.8 billion in 2009, up 8.0 percent from September 2009. Loans and advances to all major economic sectors increased by 25.7 per cent to D4.4 billion in December 2009 from D3.5 billion in December 2008. Credit to distributive trade, agriculture, building and construction and manufacturing increased by 22.7 percent, 86.9 percent, 1.7 percent and 104.9 percent respectively. Similarly, loans and advances to fishing, tourism and transportation increased by 6.7 percent, 7.3 percent and 8.2 percent respectively during the same period.

**12.0** However, the ratio of non-performing loans to gross loans was 8.0 percent in December 2009 compared to 7.0 per cent in September 2009, and profitability declined.

**13.0** As at end-January 2010, the total outstanding domestic debt increased to D7.0 billion from D6.3 billion a year ago. Outstanding Treasury bills, which accounted for 74.2 percent of the stock, increased by 10.1 percent to D5.2 billion. The yield of the 91-day, 182-day and 364-day bill fell to 10.0 percent, 11.0 percent and 12.90 percent in February 2010 from 10.44 percent, 12.13 percent and 13.65 percent respectively in December 2009.

**14.0** Data on the distribution of Treasury bills by maturity indicate that 364-day bill, 182-day bill and 91-day bill accounted for 66.11 percent, 17.66 percent and 16.23 percent of the outstanding stock in January 2010 compared to 69.41 percent, 15.74 percent and 14.85 percent in January 2009 respectively.

**15.0** According to the forward-looking business sentiment survey, respondents indicate that economic and business activity was higher in the fourth quarter of 2009 relative to the preceding quarter and that prospects for the first quarter of 2010 are favourable. However, the majority of the respondents expect the rate of inflation to be higher in the first quarter of 2010.

**16.0** End-period inflation, measured by the National Consumer Price Index (NCPI), declined to 2.4 per cent in September 2009 from 5.4 per cent in June before rising to 2.7 percent and 3.6 per cent in December 2009 and January 2010 respectively. Food and non-food consumer price inflation increased to 4.4 per cent and 2.5 per cent in January 2010 from 2.7 per cent and 1.9 per cent in September 2009 respectively. However, annual average inflation (12-month moving average), fell to 4.3 percent in January 2010 compared to 5.6 percent in September 2009.

**17.0 Outlook for Inflation**

Owing to the stability of the Dalasi and increased agricultural production, headline inflation is forecast to be in the range of 3.5 percent to 4.0 percent by the end of the first quarter of 2010. The risks to the outlook are the steady rise in global energy and food prices.

**18.0 Decision**

Taking the above developments into consideration, the MPC has decided to maintain the Rediscount Rate at 14.0 percent.

**I thank you for your kind attention.**

**..**