

PRESS RELEASE



MONETARY POLICY COMMITTEE

1. The Monetary Policy Committee(MPC) of the Central Bank of The Gambia met on Thursday November 23, 2017 to assess developments in the domestic and the international economy and set the policy rate.

Global Economic Outlook

2. Since the last MPC meeting, the outlook for the global economy continues to improve, underpinned by notable increase in investment, trade and industrial production in advanced economies supported by high business and consumer confidence. Moreover, benign global financial environment and recovery in advance economies are expected to support growth in emerging economies. The slowdown in Sub-Saharan Africa appears to be easing, due mainly to recovery in oil production and easing of drought conditions in Eastern and southern Africa.
3. In the light of these developments, the International Monetary Fund (IMF) revised upwards its forecast for the global economic growth for 2017 and 2018 to 3.6 percent and 3.7 percent respectively. Despite strong global demand, inflation is expected to remain subdued, projected at 3.2 percent for 2017.

Real Sector

4. At the domestic front, economic growth is projected to increase from 2.2 percent in 2016 to 3.0 percent in 2017 predicated on improved agricultural production, trade and tourism as well as implementation of sound macroeconomic policies and improved business confidence. In the medium

term, growth is projected to reach 5 percent against the backdrop of implementation of strong reform measures.

External Sector

5. Preliminary Balance of payments estimates for the nine months in 2017 indicates an improved position compared to the same period last year. The current account deficit narrowed to US\$46.2 million compared to US\$59.9 million a year ago. Imports and exports (including re-exports) increased by 26.6 percent and 38.6 percent to US\$105.5 million and US\$281.8 million in 2017. The gross international reserves of the Bank remained at 4 months of imports of goods and services.

Exchange rate developments

6. In the year to end September, 2017 volume of transactions in the domestic foreign exchange market totaled US\$1.2 billion compared to US\$1.4 billion the same period last year, reflecting the impact of the political impasse during the first quarter of 2017. On quarterly basis, volume of transactions increased from US\$299.1 million in the second quarter to US\$403.8 million during the third quarter of 2017.
7. The dalasi remains stable in the domestic foreign exchange market. From September 2016 to September 2017, the Dalasi appreciated against the US dollar by 2.7 percent, Pound Sterling by 0.9 percent, and Euro by 4.7 percent.

Domestic Debt

8. As at end-October 2017, domestic debt stock remained stable at D29.2 billion compared to the same period last year. Treasury bills and Sukuk Al salam combined, accounting for 58.3 percent of the domestic debt, declined to D17.9 billion in October 2017 from D18.1 billion in the same period last year. Government's position at the Central Bank was a net repayment of D3.6 billion in October 2017 from a new borrowing (net) of D2.3 billion at end-December 2016. Yields on all short-term Government securities declined markedly in 2017, reflecting reduced borrowing by government in the domestic market.

Financial Sector

9. The banking sector remains well capitalized, highly liquid and also profitable. The risk weighted capital adequacy ratio stood at 38.7 percent, significantly higher than the statutory requirement of 10 percent. Liquidity ratio of the banking industry stood at 99 percent in September 2017 from 98.2 percent a year ago and also significantly higher than the requirement of 30 percent. Return on assets and return on equity stood at 2.03 percent and 13.24 percent respectively.

Monetary developments

10. Money supply grew by 22 percent in September 2017, driven largely by the increase in net foreign assets of the banking system from D0.96 billion in September 2016 to D7.1 billion in September 2017. Net domestic assets of the banking system, on the other hand, contracted by 6.7 percent to D19.2 billion. Reserve money, the bank's operating target grew by 20.2 percent in November 2017 from 21.8 percent the same period last year.
11. Readings of the forward looking business sentiment survey indicate that inflation expectations remained subdued and prospects for the remainder of the year continues to be broadly favorable. In particular, tourism and construction sectors are very optimistic about business activities for the remainder of the year.

Inflation

12. Consumer price inflation as measured by the National Consumer Price Index (NCPI) is trending downwards. Headline inflation decelerated to 7.4 percent in October 2017 from a high of 8.8 percent in January 2017 due largely to the decline in food inflation from 10.1 percent to 7.9 percent. Non-food inflation also decreased from 6.8 percent to 6.7 percent during the review period.

Inflation Outlook

13. The Committee observed that the near-term outlook for inflation remains favorable against the backdrop of lower global commodity prices, stable exchange rate in the domestic foreign exchange market, increased inflows from tourism and remittances, and implementation of sound macroeconomic policies. The committee observed, however that the risks to the macroeconomic outlook relates to the high public debt (120 percent of GDP) inherited from the past regime.

Decision

14. Taken the above factors into consideration, the Committee decided to keep the policy rate unchanged at 15 percent. The committee will continue to monitor developments in the domestic economy and stands ready to act if the economic conditions change.

Date for the next MPC

February 28, 2018