
CENTRAL BANK OF THE GAMBIA



Monetary Policy Report

May 2023

Preface

The Central Bank of The Gambia (CBG) Monetary Policy Report summarizes developments and outlook for key economic sectors that informed the decision of the Monetary Policy Committee (MPC). The objective is to keep the public informed of the MPC decision as part of the accountability and transparency obligation in the conduct of monetary policy.

Monetary Policy in The Gambia

The mandate of the CBG is to achieve and maintain price and exchange rate stability as well as create an enabling financial sector environment for sustainable economic growth. The Bank continues to operate a monetary targeting framework. Targets for key monetary aggregates are set in line with the Bank's medium-term implicit inflation objective of 5 percent. Nonetheless, the MPC meets every quarter to set the monetary policy rate (MPR) to signal the Bank's policy stance.

Monetary Policy Committee

The MPC was established by the CBG Act 2005 (amended 2018) as the apex monetary policy decision-making body of the Bank. The membership comprises the Governor (Chairman), the two Deputy Governors, heads of the Banking Services, Banking Supervision, and Economic Research Departments of the Bank, and three external members appointed by the Minister of Finance and Economic Affairs. The MPC meets every three months to review developments and outlook for the domestic and international economy to set the monetary policy rate. The decision-making process is by consensus. The Chairman communicates the decision of the Committee at a press conference. The press release and the minutes of each meeting are posted on the Bank's website for wider access by the public.

Contents

Preface	I
Monetary Policy in The Gambia.....	I
Monetary Policy Committee	I
List of Figures	Error! Bookmark not defined.
List of Tables	Error! Bookmark not defined.
Executive Summary.....	III
The Domestic Economy	3
Real Sector	3
Balance of Payments	4
Exchange Rate.....	5
Government Fiscal Operations.....	6
Domestic Debt.....	8
Monetary Aggregates.....	9
Banking Sector.....	11
Non-Bank Financial Sector	12
Business Sentiment Survey	13
Price Developments.....	13
Risk Assessment.....	14
Decision	15
Next MPC Meeting.....	16

Executive Summary

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on May 30 and 31, 2023. During the meetings, Bank staff provided a comprehensive overview of global and domestic economic and financial market developments, as well as the latest macroeconomic projections. After extensive deliberations on the policy direction, the Committee decided to increase the monetary policy rate (MPR) by 200 basis points to 16 percent. The decision has been taken to address the rising inflation.

The meetings were held at a time when the global economy was still characterized by growing uncertainties. The ongoing war in Ukraine, the emergence of a banking crisis in the US and Europe, and the effects of central banks' actions to fight inflation continued to drag global economic growth. Notwithstanding these developments, the firmer-than-expected demand in the first quarter of 2023 improved the prospects somewhat. Demand was supported by strong labor markets, robust household consumption and business investment, the reopening of the Chinese economy, and Europe's adaptation to the energy crisis. Global inflation continued to decelerate in response to tight monetary policy and subdued prices in the international commodities market.

The Gambian economy has exhibited resilience in the first quarter of 2023. Staff forecast real GDP growth of 4.4 percent for 2023. This represents a 1.5 percent downward revision from the 4.9 percent in the February forecast round on account of the delay in the execution of some major government infrastructure projects. The growth momentum will be supported by public and private consumption and investment spending, as well as recovery in tourism and related activities. The outlook, however, is still surrounded by heightened uncertainties in the global economic and geopolitical environment, as well as the domestic inflation trajectory.

Domestic price pressures remain high, with headline inflation accelerating to 17.4 percent in April 2023, from 14.8 percent in March 2023. Staff forecast inflation to remain elevated and more persistent than previously anticipated, influenced by pressures coming from the positive output gap, high import cost, depreciation, and rising inflation expectations. The upward adjustment in utility tariffs is another significant shock to inflation. The easing of global supply chain bottlenecks, on the other hand, is expected

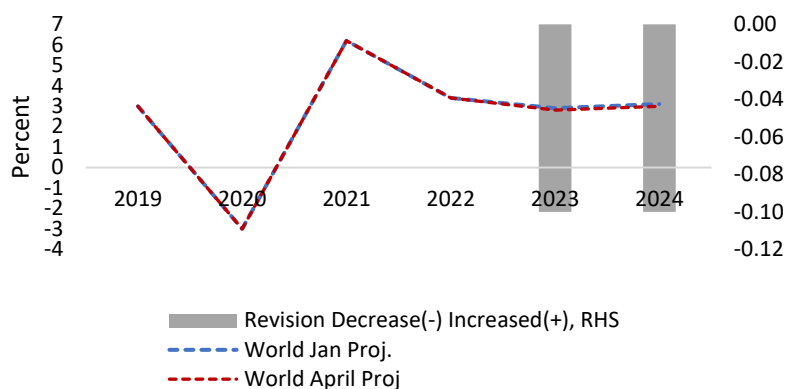
to sustain the moderation in international commodity prices that will put a damper on domestic food inflation.

Based on the assessment of the inflation trajectory, the Committee determined that it was necessary to take further action and decided to increase the monetary policy rate by 200 basis points to 16 percent. The Committee maintained the required reserves of commercial banks at 13.0 percent, and the interest rate on the standing deposit facility was also unchanged at 3.0 percent. The interest rate on the standing lending facility will increase to 17.0 percent, aligning with the monetary policy rate.

Global Economic Developments

Notwithstanding the ongoing war in Ukraine and the tight monetary conditions due to monetary policy tightening, the global economy continued to recover, thanks to stronger-than-expected demand in many economies in the last quarter of 2022. According to the IMF, strong labor markets, robust household consumption, and company investments contributed to the increase in demand. The re-opening of China's economy and the easing of inflationary pressures were additional factors supporting demand. However, the

Chart 1: Global Output Growth January 2023 Vs October 2022 WEO projections



Source: IMF, World Economic Outlook, October 2022, CBG staff calculations

emergence of banking system turmoil in the United States and Europe presented new risks to the already fragile growth outlook. Given these developments, the IMF revised its forecasts for global output growth to 2.8 percent for 2023, which is lower than the 3.4 percent recorded in 2022. The forecast was a 0.1 percentage point downward revision relative to the projections in January 2023. For 2024, the IMF forecast growth to rebound modestly to 3.0, also a downgrade of 0.2 percentage points (Chart 1).

Economic growth in advanced economies was projected to decline by half in 2023 to 1.3 percent, before expanding to 1.4 percent in 2024. The Fund projected that almost 90 percent of countries in the group will see a decline in output in 2023, which will drag global growth. Growth prospects in emerging markets and developing economies were on average stronger than in advanced economies, despite a slight downgrade in its projection. For 2023, the IMF projected real GDP growth of 3.9 percent which will rise to 4.2 percent in 2024, driven mainly by China.

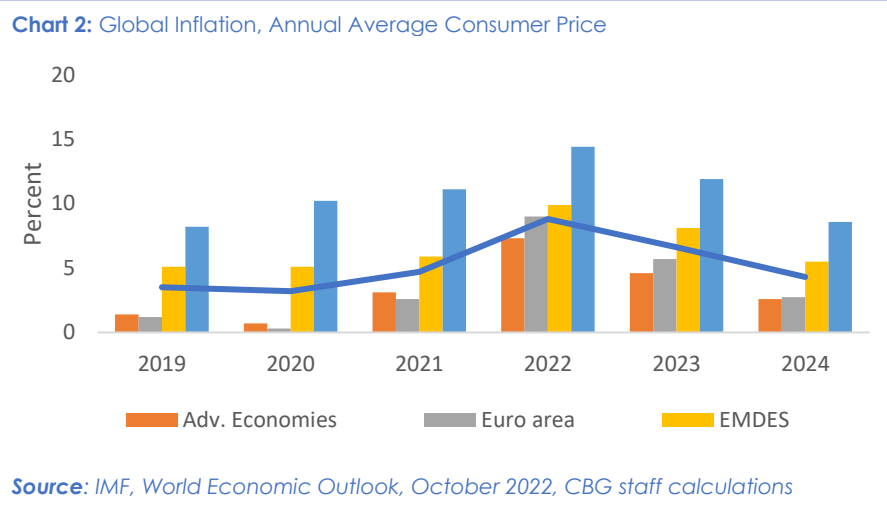
The economic growth outlook for sub-Saharan Africa moderated to 3.6 percent this year, a downward revision of 0.2 percentage points since January, as the rising interest rates,

and the conflict in Ukraine continued to dampen economic activity. In 2024, growth will pick up to 4.2 percent on the assumption that global economic activity will continue to recover, inflation to recede further and commodity prices will continue to decline. The growth forecast for Nigeria was 3.2 percent, while that of South Africa was revised downwards to 0.1 percent.

In the international commodities market, prices rebounded in April 2023. The annual average IMF All Commodities Price Index increased by 1.9 percent (month-on-month) in April 2023. Crude oil prices edged up by 4.6 percent in April, following a pickup in demand with the re-opening of the Chinese economy and the OPEC decision to cut supply. Similarly, the international prices of rice and sugar, major components of The Gambia's food basket, continued an upward trend.

Global inflationary pressures assumed a declining trajectory in 2023, thanks to lower food and energy prices, and the effects of monetary policy tightening. The IMF forecast global headline inflation to decelerate from 8.7 percent in 2022 to 7.0 percent in 2023 and further down to 4.9 in 2024. However, core (underlying) inflation was yet to peak in most economies and remained above pre-pandemic levels.

The monetary policy tightening cycles continued among central banks with the goal of bringing inflation back to desired levels. Contrary to earlier predictions of a slowdown in rate



hikes, the Federal Reserve of the US in May 2023 raised the Federal Funds Rate by 25 basis points, taking rates to a range of 5.00 - 5.25 percent. However, it was a moderate increase compared to the 75 basis points increase at each of the prior meetings. The European Central Bank also raised the policy rate by 25 basis points in May, bringing the cumulative

rate increase to 275 basis points in a space of 8 months. The Bank of England also raised its bank rate to 4.00 percent as it continued to grapple with price pressures. A notable exception to rate hikes was the Bank of China, which maintained an accommodative monetary policy stance with inflation still below the Bank's target.

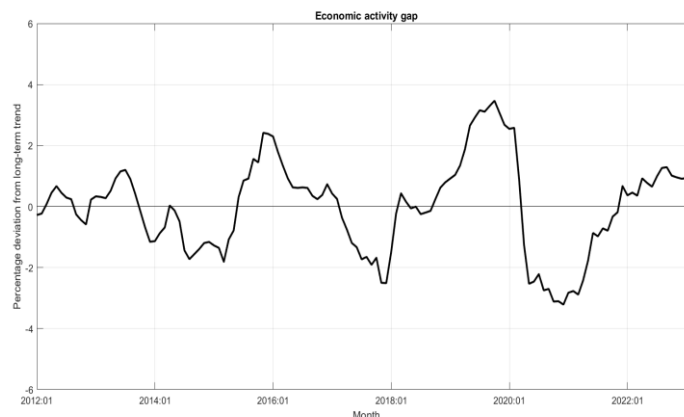
The Domestic Economy

Real Sector

The Gambian economy continues to show remarkable resilience, despite significant headwinds. The recently released provisional GDP estimates for 2022 by the Gambia Bureau of Statistics showed real GDP growth of 4.9 percent for 2022, slightly lower than the revised growth rate of 5.3 percent for 2021. Driving growth were services (mainly wholesale and retail trade, accommodation and food services, information and communication, and financial activities), construction, and agriculture. On the demand side, domestic absorption (private and public consumption and investment) continued to be the main driver of growth. Private consumption alone accounted for more than 50 percent of the total GDP, making it the largest demand component.

The Bank's Composite Index of Economic Activity nowcast pointed to a higher level of activity in the first quarter of 2023, thanks to stable remittance inflows which go to finance household consumption and investment, recovery in tourist arrivals, and public sector consumption and investment. As a result, staff forecast real GDP growth of 4.4 percent for 2023. This represents a 1.5 percentage point downward revision from the February forecast. Risk factors that could drag economic growth in 2023 include uncertain global economic and geopolitical environments, commodity price volatility, and high inflation.

Chart 3: Economic activity gap

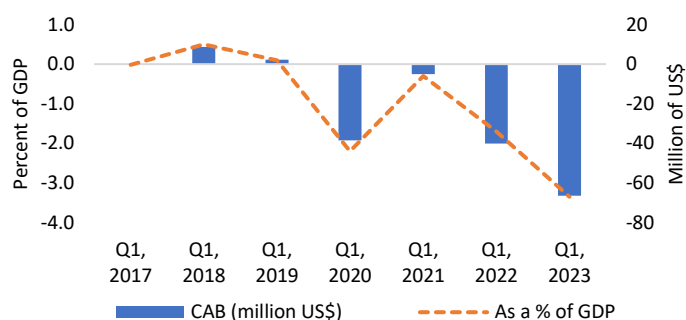


Source: CBG staff calculations

Balance of Payments

The balance of payment pressures increased in the first quarter of 2023, resulting in a further drawdown on external reserves of the Central Bank. Strong domestic demand amid elevated international commodity prices drove up the import bill. Given the low export base, the marked increase in the value of exports of goods was not enough to offset the rise in imports. Consequently, the current account deficit increased to US\$66.4 million (3.4

Chart 4: Current Account Balance

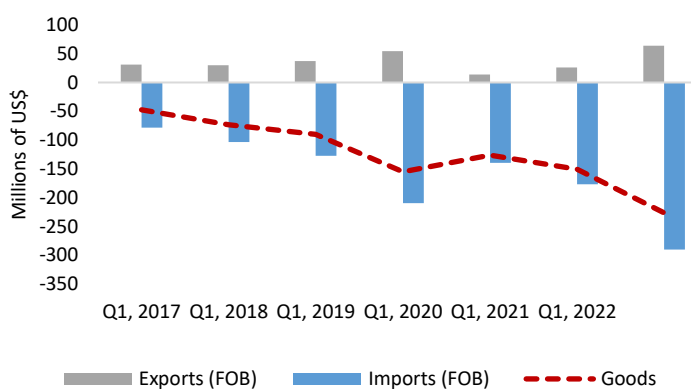


Source: GBoS, CBG staff calculations

percent of GDP) in quarter one, 2023, up from US\$40.1 million (1.7 percent of GDP) in the corresponding period in 2022 (Chart 6).

The deficit in the goods account widened to US\$226.5 million (11.4 percent of GDP), from US\$150.6 million (7.8 percent of GDP) in the first quarter of 2022. The value of imports (FOB) was estimated to have increased by 64.1 percent in quarter one, 2023, owing to stronger domestic demand and higher global commodity prices, particularly electricity, food, and fuel. The improvement in data coverage also contributed to the sharp rise in imports. Exports of goods

Chart 5: Merchandise Trade

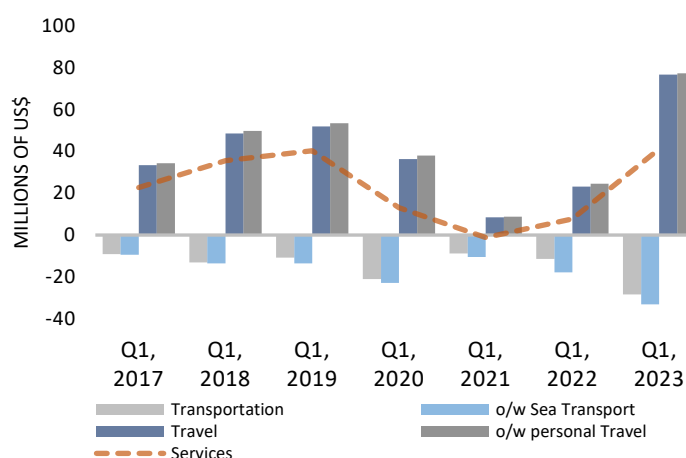


Source: CBG staff calculations

grew significantly but remained below the pre-pandemic level. Total exports (FOB) of goods increased to US\$63.7 million in the first quarter of 2023, from US\$32.9 million in the same period in 2022. The services account balance, aided by the improvement in tourist arrivals, registered a surplus of US\$41.2 million in quarter one, 2023, compared to US\$7.7 million in the comparable period a year ago.

Tourist activity improved, registering 64,855 arrivals from January to March 2023, up from 50,294 arrivals recorded in the same period a year ago. While this is a notable positive development that has contributed to an improvement in the services account balance, it is still significantly lower than the pre-pandemic level (Chart 7). Following an unprecedented surge in the previous two years, the growth

Chart 6: Services sector account balance (year on year)



Source: CBG staff calculations

in official private remittance inflows has slowed. As a result, secondary income (current transfers) registered a net inflow of US\$125.4 million in the first quarter of 2023.

Capital transfers helped mitigate the impact of deterioration in the current account. There was a net inflow of US\$9.6 million in the capital account compared to a net inflow of US\$1.1 million in the first quarter of 2022. Consequently, the net lending / net borrowing (capital account + current account) resulted in a deficit of US\$56.9 million in the review period of 2023, indicating that The Gambia is a net borrower with the rest of the world.

Developments in the financial account showed a higher net incurrence of liabilities as non-resident investments increased. In the first quarter of 2023, a total net inflow of US\$95.8 million was recorded, up from US\$88.4 million the previous year. This was on account of inflows from foreign direct investments and other investments. From January to April 2023, the CBG intervened in the FX market by selling a total of US\$5.2 million of external reserves to facilitate imports of essential goods and services.

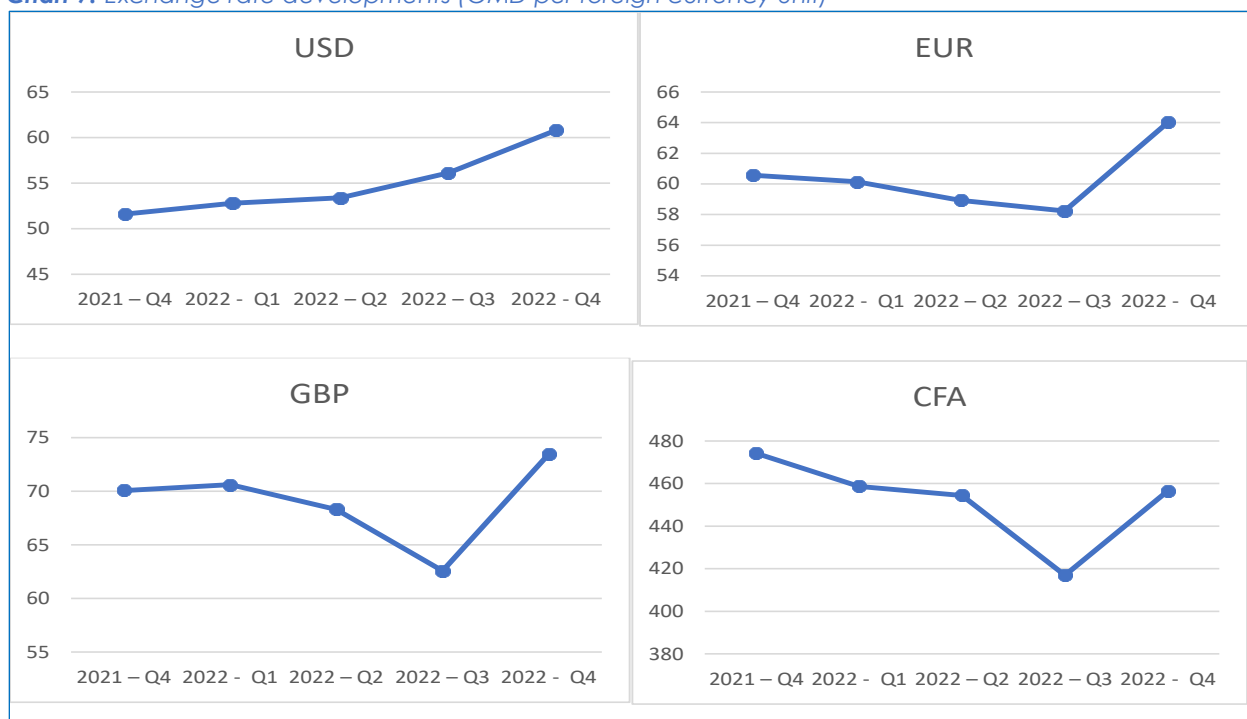
Foreign Exchange Rate Market

Activity in the domestic foreign exchange market picked up slightly with an improvement in the liquidity conditions. In the 12 months to March 2023, activity volume, comprising aggregate sales and purchases of foreign currency, stood at US\$2.6 billion, an increase

of 5.7 percent (year-on-year). The increase was mainly driven by private remittances, cross-border trade receipts, and project disbursements for selected Government projects.

Supply-demand imbalances and the strong US dollar put significant pressure on the exchange rate of the Dalasi. It depreciated against all major traded currencies in the domestic foreign exchange market. For the period under review (quarter one, 2023), the dalasi depreciated against the US dollar by 0.5 percent, the euro by 2.6 percent, the British pound by 1.0 percent, and the CFA franc (5000) by 5.4 percent.

Chart 7: Exchange rate developments (GMD per foreign currency unit)

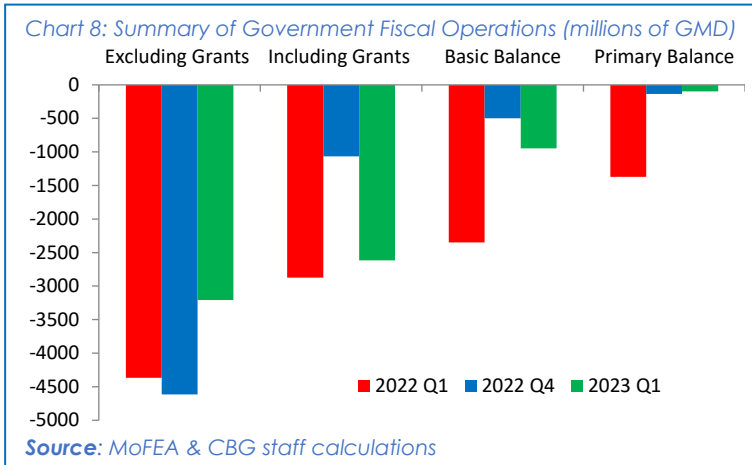


Source: CBG staff calculations

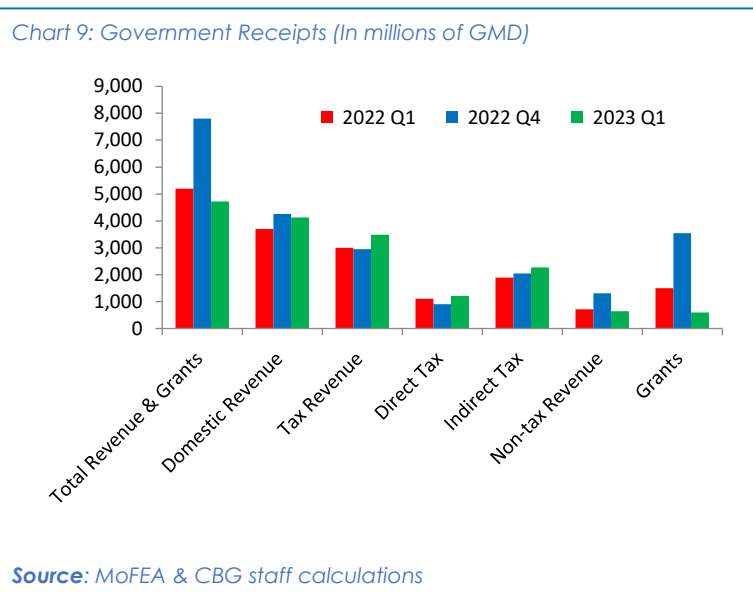
Government Fiscal Operations

Provisional data on budget execution for the first quarter of 2023 indicated that fiscal performance improved compared to the same quarter in 2022. Total revenue and grants mobilized were above the target for the quarter, despite being below the outturn recorded in the same period a year ago.

The deficit in the overall balance (including grants) contracted to D2.6 billion (2.5 percent of GDP) in the first quarter of 2023, from D2.9 billion (2.7 percent of GDP) in the same period a year ago. Similarly, the deficit in the overall balance (excluding grants) contracted to D3.2 billion (3.1 percent of GDP), from D4.4 billion (4.2 percent of GDP). The corresponding primary balance also improved to a deficit of D1.0 billion (0.1 percent of GDP), from a deficit of D1.4 billion (1.3 percent of GDP) during the period under review.

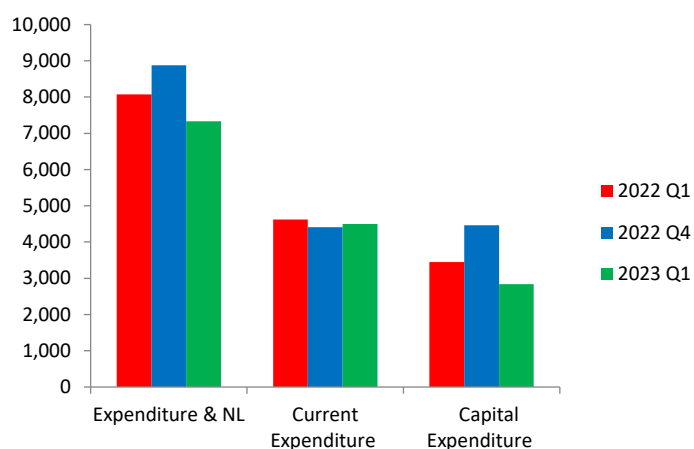


Total revenue and grants mobilized in the first three months of 2023 totaled D4.7 billion (4.5 percent of GDP), a decline of 9.2 percent (year-on-year), but higher than the amount projected for the period by D273 million. Domestic revenue stood at D4.1 billion (3.9 percent of GDP) in the first quarter of 2023, an increase of 11.4 percent from the corresponding period last year. It fell short of the outturn projected for the quarter under review by D0.2 billion.



Total government expenditure and net lending for the first three months of 2023 stood at D7.3 billion (4.7 percent of GDP), 9.1 percent lower than the amount recorded in the first quarter of 2022. The amount projected for the review period was D9.8 billion, which is D2.4 billion higher than the outturn for the quarter. The drop in expenditure and net

Chart 10: Expenditure and Net Lending (% of GDP)



Source: MoFEA & CBG staff calculations

lending was driven by the decrease in both the current and capital expenditure outlays.

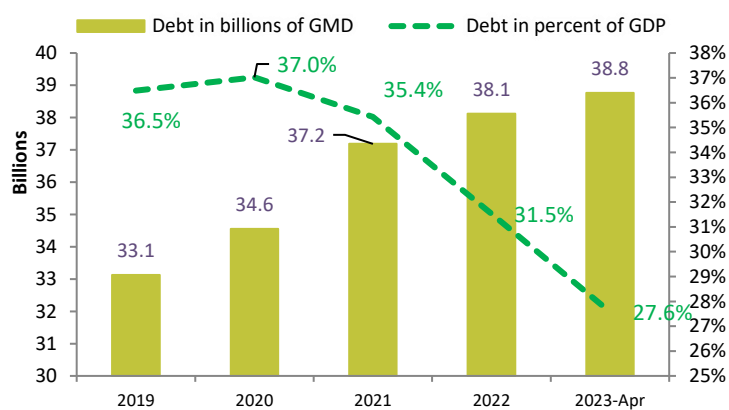
Domestic Debt

The government's domestic debt stock grew slightly in the review period, driven by the rise in the issuance of short-term bills. However, the ratio of domestic debt to GDP declined from 31.5 percent in 2022 to 27.6 percent in April 2023. The share of short-term debt rose from 48.0 percent in 2022 to 49.5 percent in April 2023. The stock of treasury bonds, with maturities of 3 to 30 years, increased by 15.7 percent (year-on-year) to D19.8 billion and accounted for 52 percent of the outstanding domestic debt.

Gross domestic borrowing from January to April 2023 amounted to D8.2 billion, which was entirely raised through short-term bills, of which, 89.3 percent was used to settle maturities.

Government raised D8.2 billion through domestic borrowing, which was lower than the target amount of D10.1 billion. The wide financing gap, owing to auction undersubscriptions resulted in a rise in central bank financing to D1.1 billion from January to April 2023.

Chart 11: Evolution of Domestic Debt Stock (in billions of GMD)



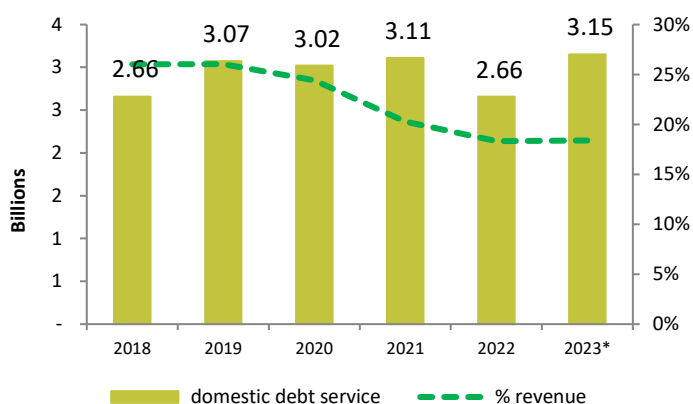
Source: CBG staff calculations

Multiple rounds of policy rate hikes compounded by tight banking system liquidity and rising public sector borrowing requirements pushed up short-term interest rates higher toward the monetary policy rate. The weighted average yield on government securities rose from 4.8 percent in 2022 to 11.9 percent in April 2023.

The significant rise in interest rates increased the cost of domestic debt servicing. The government's debt servicing was projected to increase by D493.6 million in 2022 to D3.2 billion (18.4 percent of domestic

revenue) in 2023. Contributing to the rise in domestic debt service cost was a combination of higher domestic interest rates and higher amortization costs due to the resumption of repayment of IMF facilities on-lent to the government, marking the end of the grace period for

Chart 12: Domestic Debt Service payments



Source: CBG staff calculations

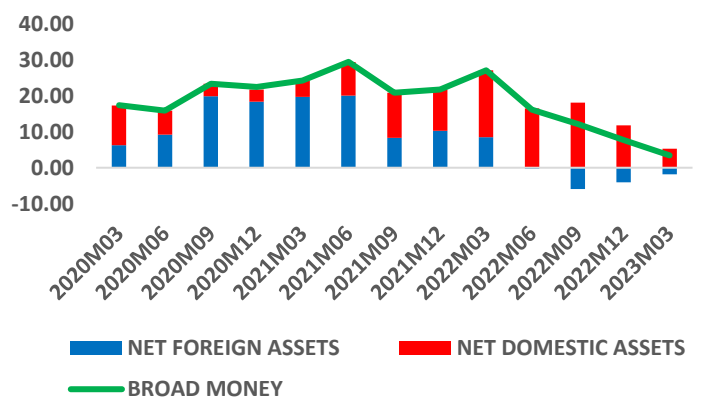
the COVID Catastrophic Relief Fund. The D3.1 billion bond maturities may add another pressure if the facilities cannot be rolled over. Actual debt service for the first half of the year was D1.4 billion, relative to D1.4 billion paid in the same period in 2022.

Monetary Development

The annual growth in broad money supply moderated in March 2023, which reflects a decrease in the banking system's net foreign assets (NFA). Annual growth in broad money supply moderated to 3.4 percent in the review period, compared to 27.2 percent in the corresponding year.

The NFA of the banking system accounted for 36.0 percent of broad money and contributed

Chart 13: Broad Money Growth and Component

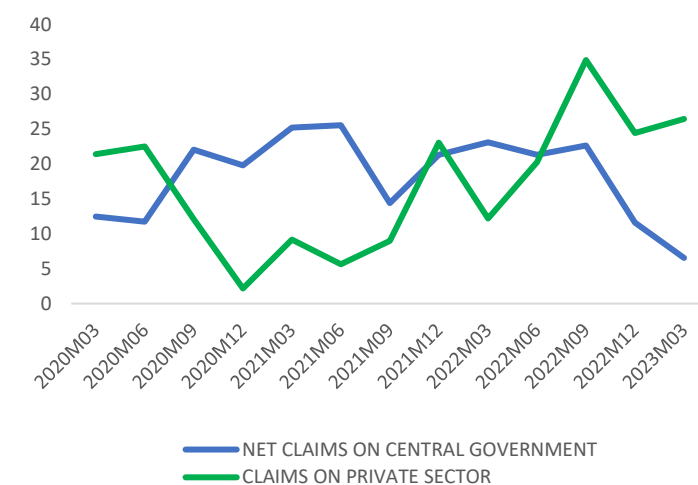


Source: CBG staff calculations

a negative 4.1 percentage points to its growth. The net domestic asset (NDA), the main source of liquidity, accounted for 64.0 percent of broad money and contributed 5.3 percentage points to the growth in broad money.

Credit to the private sector expanded and contributed 6.1 percent of NDA growth. It grew by 26.5 percent on a year-to-year basis to stand at D11.1 billion as of March 2023, exceeding the 12.2 percent annual growth recorded a year ago. It decreased by 5.0 percent (quarter on quarter) from D11.6 billion in December 2022.

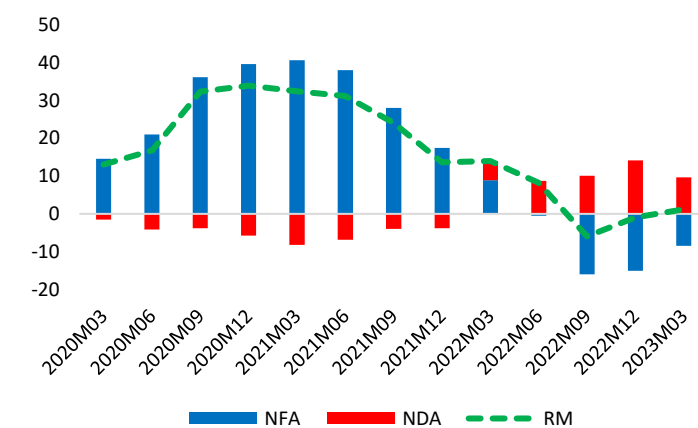
Chart 14: Growth in Net Credit to the Private Sector and government



Source: CBG staff calculations

Reserve money (RM), the Bank's operating target, grew by 1.2 percent (year on year), lower than the 14.0 percent recorded the previous year. On a quarter-on-quarter basis, RM grew by 6.1 percent. Tight foreign currency liquidity conditions prompted Central Bank interventions, resulting in the decline in external reserves and contraction in the NFA. In contrast, NDA represented 36.3 percent of RM and contributed 9.7 percent to RM growth, reflecting an increase in CBG net claims against the government by 17.6 percent. The major factors behind the rise in the Central Bank's net claims on government were largely the overdrafts in the treasury main expenditure account).

Chart 15: RM Growth and Annual Percent Contribution from NFA and NDA (percent)



Source: CBG staff calculations

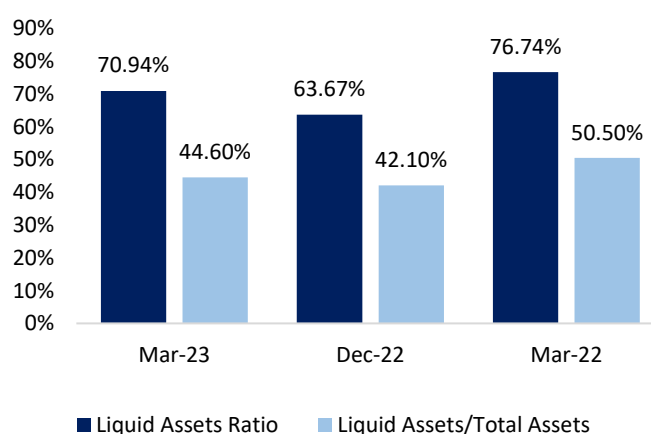
Banking Sector

The banking system remains safe and sound, underpinned by robust liquidity and capital adequacy buffers. Key performance indicators also revealed that profitability increased in the first quarter of 2023. The risk-weighted capital adequacy ratio stood at 24.4 percent as of March 2023, well above the minimum regulatory requirement of 10 percent. The ratio of liquid assets to total assets improved to 42.2 percent in December 2022, from 41.1 percent in September 2022.

Asset quality deteriorated slightly in the review quarter, but the industry portfolio remains sound. Total non-performing loans of the industry stood at 4.6 percent of gross loans; a 1.2 percentage points increase compared to the corresponding period last year. Return on asset and return on equity increased to 2.8 percent and 25.3 percent in March 2023, respectively. The asset base of commercial banks rose by 4.9 percent to D81.5 billion in March 2023. The surge in total assets was due to an increase in balances with other banks, holdings of government securities, and other assets. In contrast, customer deposits marginally decreased by 1.7 percent during the comparable period.

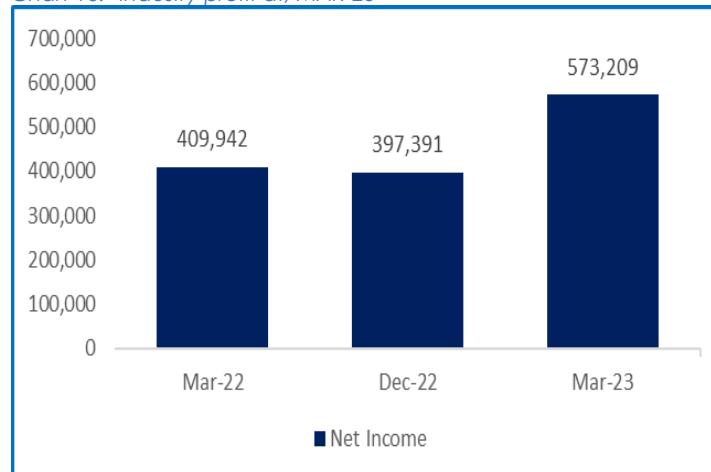
Industry profit stood at D573.21 million in March 2023, up from D409.94 million in the corresponding quarter last year, thanks to higher interest rates

Chart 17: Liquid Assets to Total Assets



Source: CBG staff calculations

Chart 16: Industry profit at, MAR-23



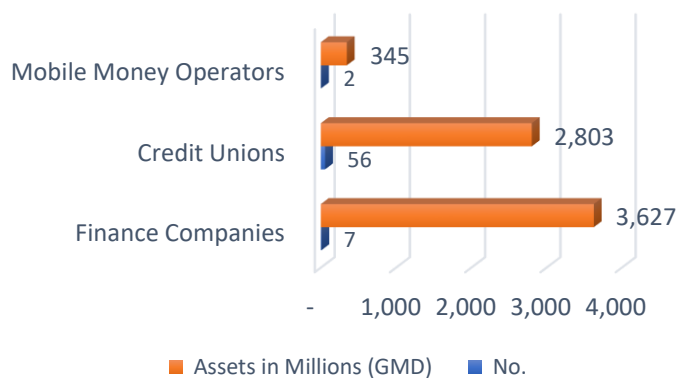
Source: CBG staff calculations

and the rise in income from fees and charges.

Non-Bank Financial Sector

The deposit-taking non-bank financial institutions (NBFI) sector remains sound and resilient. The Finance Companies (FCs) that hold the largest share of assets and deposits maintained strong capital and liquidity positions, relative to the regulatory requirements. Total assets of FCs stood at D3.62 billion as at March 2023, representing a marked increase of 37 percent compared to the same period a year ago.

Chart 18: Assets distribution of the MFIS



Source: CBG staff calculations

Total deposits expanded significantly by 24 percent at end-March 2023 to D2.5 billion, reflecting the increase in the number of account holders.

The risk-weighted capital adequacy ratio stood at 28 percent at end-March 2023, higher than the regulatory benchmark of 20 percent. The liquidity ratio declined to 70 percent in the review period but was significantly above the 30 percent regulatory benchmark. In terms of asset quality, the non-performing loans of the FCs remained high at 13 percent of gross loans as at end-December 2022.

Table 1: Key Indicators

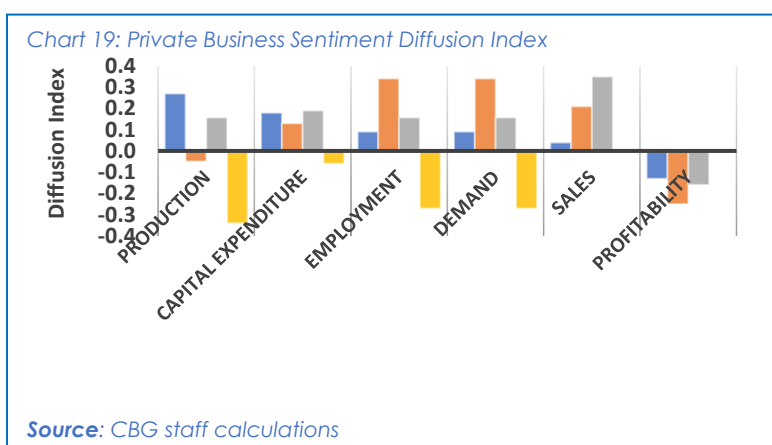
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Benchmark
Capital Adequacy Ratio	29%	35%	33%	31%	28%	20%
Return on Assets (ROA)	0%	1%	0.40%	0.60%	1%	1%
Returns on Equity (ROE)	2%	4%	2%	7%	8%	1%
Non-Performing Loans (NPL)	14%	7%	11%	11%	13%	5%

The Credit Unions (CUs), the second largest NBFI category, had total assets of D2.8 billion, representing an increase of 13 percent from a year ago. With a total membership of 110,654, CUs mobilized total deposits of D2.3 billion as at end-March 2023, reflecting an expansion of 31 percent from the corresponding period a year ago. Total loans extended

to members surged by 38 percent to D1.9 billion, resulting in a rise in the loan-to-deposit ratio of 79 percent in the review period.

Business Sentiment Survey

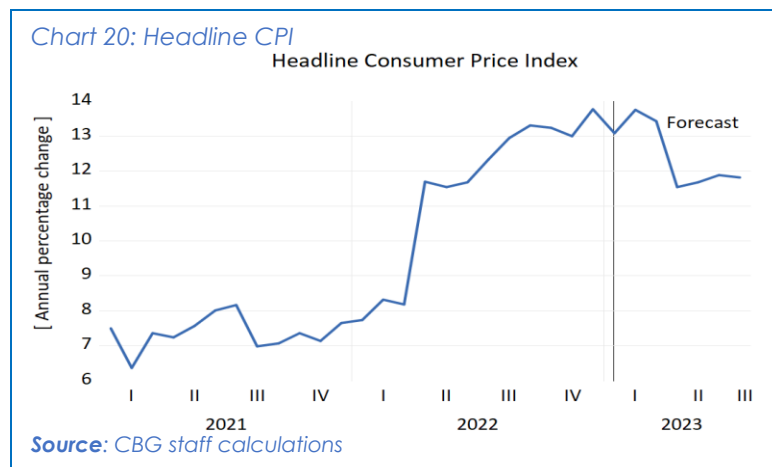
The presentation of the findings of the Bank's quarterly Business Sentiment Survey reported the business community's perception of the near-term growth of the Gambian economy. Most businesses that participated in the survey were optimistic about the near-term growth prospects of the Gambian economy. The survey reported high expectations among businesses of improved domestic economic activity, premised on the continued rise in activities in the construction sector, Central Bank commencement of foreign currency shipment on behalf of the commercial banks, and increase in government and donor-funded projects (agriculture, education, and tourism).



However, inflation expectations remain elevated, influenced by high inflation, the impact of ongoing shocks, foreign currency availability concerns, exchange rate depreciation, high import costs, and domestic structural challenges.

Price Developments

Headline inflation surged to 17.4 percent in April 2023, marking a substantial increase compared to the 13.7 percent registered in December 2022, driven mainly by food and energy prices. The electricity and water tariff adjustments also contributed significantly to the rise in inflation.



Food inflation, measured as the annual percentage change in the food consumer price index, recorded a notable increase of 1.7 percentage points in April 2023, compared to the previous month, reaching 22.1 percent. This figure represents a 4.6 percentage point increase from January 2023 and a 5.9 percentage point increase from the same period last year. Driving the increase in food inflation were Fruits & Nuts, Fish, and Other Food Products.

Non-food inflation also experienced a surge in April 2023, reaching 12.3 percent, compared to 8.9 percent in March 2022. This level is significantly higher than the 7.3 percent registered in the corresponding period a year ago. The notable increase in non-food inflation from April 2023 to March 2023 can primarily be attributed to the rise in electricity price adjustments implemented by the National Water and Electricity Company (NAWEC). The impact of this price hike has already begun to manifest in the hospitality sector, where prices have increased by 7.8 percent (month-on-month). The tariff increase is expected to pass through to other goods and services prices in the upcoming reporting periods.

The Central Bank's Core 1 measure of inflation that excludes energy prices registered an increase to 22.2 percent, surpassing the 21.1 percent recorded in March 2023 and the 16.4 percent observed in the corresponding period of the previous year. In contrast, Core 2 inflation, which excludes the prices of energy and volatile food items stood at 18.0 percent in April 2023, slightly lower than the 18.3 percent registered in March 2023, but higher than the 12.6 percent from a year ago.

Staff Assessment

Staff assessment of current economic conditions revealed an expansion in the output gap, reflecting the positive impact of government expenditure on aggregate demand and loose monetary conditions. Reserve money continues to overshoot its medium-term target, driven by stronger aggregate demand, higher inflation, and depreciation of the domestic currency. Although the money market interest rates are above their pre-pandemic levels, real interest rates remain negative due to high inflation. Furthermore, the dalasi is weaker than expected as indicated by expectations, interest rate differentials, and exchange rate shocks.

Staff forecast real economic activity to grow by 4.4 percent in 2023, a downgrade from the forecast in February. The revision reflected a delay or suspension of some major government infrastructure projects. Major risk factors to the growth outlook include high inflation, which continues to dent purchasing power, volatile commodity prices, and the spillover effects of rising global geopolitical and economic fragmentations.

However, inflation was projected to remain elevated and more persistent than previously anticipated, mainly due to increased domestic and imported cost factors. It is worth noting that the risk to the growth outlook was assessed as fairly balanced, while the risk to the inflation outlook leaned towards the upside.

Inflation is forecast to remain in double digits for the rest of the year. The factors contributing to this projection include increased domestic cost factors, exchange rate depreciation, elevated inflation expectations, and rising international prices of rice. Risks to the inflation outlook are skewed to the upside, with chances of a further rise in headline inflation. The immediate impact of the electricity tariff adjustment and the second-round effects will be major factors in the inflation dynamics this year and next.

Decision

The Committee judged that although past policy actions were yielding results, more action was needed to anchor inflation expectations. Moreover, the upside risks to inflation remain significant and largely uncertain.

Therefore, the Committee raised the policy rate by 200 basis points to 16 percent, bringing a cumulative increase of 600 basis points since May 2022. The Committee maintained the required reserves of commercial banks at 13.0 percent, and the interest rate on the standing deposit facility was also unchanged at 3.0 percent. The interest rate on the standing lending facility will increase to 17.0 percent, aligning with the monetary policy rate.

Next MPC Meeting

The next Monetary Policy Committee (MPC) meeting is scheduled for Wednesday, August 23, 2023. The meeting will be followed by the announcement of the policy decision on Thursday, August 24, 2023.

APPENDIX.

Table 2: Global Growth Rates and Forecasts for 2022-2024

Group Name	Estimates					Projections			
	2016	2017	2018	2019	2020	2021	2022	2023	2024
World	3.3	3.8	3.6	2.8	-3.1	6.1	3.4	2.8	3.0
Advanced economies	1.8	2.5	2.3	1.6	-4.5	5.2	2.7	1.3	1.4
Euro area	1.9	2.6	1.9	1.3	-6.3	5.4	3.5	0.8	1.4
Emerging markets and developing economies	4.5	4.8	4.5	3.7	-2.0	6.8	4.0	3.9	4.2
Emerging and developing Asia	6.8	6.6	6.4	5.4	-0.8	7.3	4.4	5.3	5.1
Emerging and developing Europe	1.9	4.1	3.4	2.5	-1.8	6.7	0.8	1.2	2.5
United States	1.7	2.3	3.0	1.4	-3.4	5.7	2.1	1.6	1.1
United Kingdom	1.7	1.7	1.3	1.4	-9.3	7.4	4.0	-0.3	1.0
Sub-Saharan Africa	1.5	3.1	3.2	3.2	-1.6	4.6	3.9	3.6	4.2

Source: CBG staff calculations

Table 3: Summary of Current Account Balance (Millions of USD)

	Q1, 2017	Q1, 2018	Q1, 2019	Q1, 2020	Q1, 2021	Q1, 2022	Q1, 2023
C/ Account	-0.3	8.7	2.2	-38.6	-5.1	-40.1	-66.5
Goods	-47.5	-73.4	-90.3	-155.1	-126.2	-150.6	-226.5
Services	22.8	35.5	40.2	13	-1.2	7.7	41.2
Income	-7.1	-4.7	-4.6	-8.1	-7.6	-9	-6.5
Secondary income	31.6	53.3	56.9	111.7	129.9	111.8	125.4
Financial Acc	-36.5	-11.6	24.8	-52.2	-181.5	-279.5	-279.5

Source: CBG staff calculations

Table 4: Summary of Goods Account Balance (Millions of USD)

	Q1, 2017	Q1, 2018	Q1, 2019	Q1, 2020	Q1, 2021	Q1, 2022	Q1, 2023
Goods	-47.5	-73.4	-90.3	-155.1	-126.2	-150.6	-226.5
Exports (FOB)	31.1	29.8	37.1	54.3	13.6	26.3	63.7
Imports (FOB)	-78.5	-103.2	-127.4	-209.4	-139.8	-176.9	-290.2

Source: CBG staff calculations

Table 5: Summary of Services Account Balance (Millions of USD)

	Q1, 2017	Q1, 2018	Q1, 2019	Q1, 2020	Q1, 2021	Q1, 2022	Q1, 2023
Services	22.8	35.5	40.2	13	-1.2	7.7	41.2
Transportation	-9.2	-13.1	-10.8	-21.1	-8.9	-11.4	-28.3
o/w Sea Transport	-9.4	-13.6	-13.5	-22.9	-10.5	-17.8	-33.1
Travel	33.4	48.5	51.9	36.3	8.4	23.2	76.8
o/w Personal Travel	34.4	49.8	53.5	37.9	8.8	24.5	77.3

Source: CBG staff calculations

Table 6: Summary of Capital and Financial Account Balance (Millions of USD)

	Q1, 2017	Q1, 2018	Q1, 2019	Q1, 2020	Q1, 2021	Q1, 2022	Q1, 2023
Secondary income	31.6	53.3	56.9	111.7	129.9	111.8	125.4
General Government	0	2.9	0	44.5	0	0	0
Other Sectors	31.6	50.4	56.9	67.2	129.9	111.8	125.4
o/w Workers' Remittances	31.6	50.4	56.9	67.2	129.9	111.8	125.4

Source: CBG staff calculations

Table 7: Inter-bank Transaction Volumes (Millions of USD)

PERIOD	PURCHASES	SALES	MARKET TURNOVER
	US\$(Mill)	US\$(Mill)	US\$(Mill)
Q1-2022	70.58	268.77	531.7
Q2-2022	390.63	418.05	808.68
Q3-2022	284.34	286.24	570.58
Q4-2022	284.44	286.43	570.86
Q1-2023	318.04	326.04	644.08

Source: CBG staff calculations

Table 8: Market Share by Currency (in percent)

PERIOD	USD	EURO	GBP	CFA
Q1-2022	52.79	60.14	70.61	458.65
Q2-2022	53.4	58.93	68.31	454.41
Q3-2022	54.45	57.07	65.94	441.89
Q4-2022	60.81	64.05	73.45	456.51
Q1-2023	61.14	65.72	74.17	481.38
Q4-on-Q1	-0.33	-1.67	-0.72	-24.87
Y-on-Y	-8.35	-5.59	-3.57	-22.73

Source: CBG staff calculations

Table 9: The Overall Budget Balance

	GMD' million			% of GDP			Q-o-Q %	Y-o-Y %
	2022 Q1	2022 Q4	2023 Q1	2022 Q1	2022 Q4	2023 Q1		
Overall balance	-4369.10	-4616.44	-3209.01	-4.16	-4.40	-3.06	-30.487	-26.552
Excluding grants	-2875.86	-1066.87	-2616.18	-2.74	-1.02	-2.49	145.221	-9.0297
Including grants	-2347.91	-495.94	-944.72	-2.24	-0.47	-0.90	90.4905	-59.763
Basic balance	-1370.07	-133.62	-96.04	-1.31	-0.13	-0.09	-28.125	-92.99
CBG Financing	1780.50	1871.23	915.29	1.70	1.78	0.87	-51.086	-48.594

Source: CBG staff calculations

Table 10: Revenue and Grants (Millions of GMD except otherwise stated)

RECEIPTS (In Millions of GMD)	2022	2022	2023	Y-o-Y %	Q-o-Q %	2023	Performance below(-) above(+)
	Q1 Outturn	Q4 Outturn	Q1 Outturn	Δ	Δ	Q1 2023 Projections	
Total Revenue & Grants	5,195.72	7,807.42	4,717.95	-9.20	-39.57	4,444.47	273.47
Percent of GDP	4.95	7.44	4.50				
Domestic Revenue	3,702.48	4,257.85	4,125.12	11.42	-3.12	4,332.47	-207.35
% GDP	3.53	4.06	3.93				
Tax Revenue	2,995.18	2,953.12	3,483.53	16.30	17.96	3,557.65	-74.12
% GDP	2.85	2.81	3.32				
Direct Tax	1,100.03	902.22	1,213.66	10.33	34.52	1,269.49	-55.83
Personal	362.95	317.82	454.59	25.25	43.04	459.19	-4.60
Corporate	652.42	566.85	687.59	5.39	21.30	719.16	-31.57
Indirect Tax	1,895.15	2,050.90	2,269.87	19.77	10.68	2,288.16	-18.29

Domestic Tax on gds & svs	630.19	585.15	676.43	7.34	15.60	882.68	-206.26
Tax on Int'l. Trade	1,264.96	1,465.75	1,593.45	25.97	8.71	1,405.48	187.97
Duty	705.52	762.27	822.51	16.58	7.90	820.56	1.95
Sales tax on imports	562.52	468.18	559.44	-0.55	19.49	620.88	-61.45
Non-tax Revenue	707.30	1,304.73	641.59	-9.29	-50.83	774.82	-133.24
% GDP	0.67	1.24	0.61				
Grants	1,493.24	3,549.57	592.83	-60.30	-83.30	112.00	480.83
% GDP	1.42	3.38	0.56				
Program	0.00	1,272.46	0.00	#DIV/0!	-100.00		
Projects	1,493.24	2,277.11	592.83	-60.30	-73.97		

Source: MoFEA, CBG staff calculations

Table 11: Total Expenditure and Net Lending (Millions of GMD except otherwise stated)

PAYMENTS	2022 Q1 Outturn	2022 Q4 Outturn	2023 Q1 Outturn	Y-o-Y % Δ	Q-o-Q % Δ	Q1 2023 Projections	Performance below(-) above(+)
Expenditure & NL	8,071.58	8,874.29	7,334.13	-9.14	-17.36	9782.06	-2447.93
% GDP	4.86	5.95	4.74				4.74
Current Expenditure	4,622.02	4,413.36	4,499.71	-2.65	1.96	5234.7	-735
% GDP	3.28	4.28	3.34				
Personnel Emoluments	1,315.88	1,535.15	1,670.88	26.98	8.84	1427.66	243.22
o/w: wages & salaries	1,315.88	1,535.15	1,670.88	26.98	8.84	1427.66	243.22
Other Charges	2,328.31	2,515.89	1,980.14	-14.95	-21.29	2744.84	-764.7
Interest Payments	977.84	362.32	848.68	-13.21	134.23	1062.2	-213.51
External	151.35	111.92	153.33	1.31	37	211.71	-58.38
Domestic	826.49	250.41	695.35	-15.87	177.69	850.49	-155.14
Capital Expenditure	3,449.56	4,460.92	2,834.42	-17.83	-36.46	4547.36	-1712.93
% GDP	1.58	1.67	1.4				
Externally Financed	2,021.19	4,120.50	2,264.29	12.03	-45.05	2742.24	-477.95
Loans	527.95	1,843.38	1,671.46	216.59	-9.33		
Grants	1,493.24	2,277.11	592.83	-60.3	-73.97		
GLF Capital	1,428.37	340.42	570.14	-60.08	67.48	1805.12	
Net Lending	0	0	0				

Source: MoFEA, CBG staff calculation

Table 12: Monetary Developments

DEPOSITORY CORPORATIONS	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
	Levels (in million of Dalasi)				
NET FOREIGN ASSETS	24,532.9	22,510.6	19,375.3	24,032.3	23,374.3
GROSS RESERVES	26,890.0	25,759.8	23,883.1	27,571.8	28,410.0
OTHER CLAIMS ON NONRESIDENTS	15,024.9	13,837.8	13,052.3	15,235.1	15,068.4
LIABILITIES TO NONRESIDENTS	17,382.0	17,087.0	17,560.1	18,774.6	20,104.2
NET DOMESTIC ASSETS	38,299.6	39,798.3	42,073.7	40,767.9	41,614.6
NET DOMESTIC CLAIMS	51,081.0	53,065.8	55,266.7	54,875.6	55,843.4
NET CLAIMS ON CENTRAL GOVERNMENT	39,216.1	39,790.8	40,855.1	39,937.5	41,784.2
CLAIMS ON CENTRAL GOVERNMENT	45,442.6	45,860.8	47,332.1	46,885.2	47,263.6
LIABILITIES TO CENTRAL GOVERNMENT	6,226.5	6,070.0	6,477.0	6,947.7	5,479.4
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	3,092.5	3,663.4	3,355.3	3,266.4	2,969.5
CLAIMS ON PRIVATE SECTOR	8,751.8	9,591.1	11,035.7	11,649.4	11,067.4
of which: Credit to Private Sector	8,378.0	9,217.3	10,661.9	11,275.6	10,693.6
CLAIMS ON OTHER FINANCIAL CORPORATIONS	20.6	20.6	20.7	22.3	22.3
EQUITY	14,796.5	14,373.3	15,272.9	17,581.0	19,474.6
OTHER ITEMS (NET)	2,015.1	1,105.8	2,079.9	3,473.2	5,245.8
BROAD MONEY	62,832.5	62,309.0	61,449.0	64,800.2	64,988.8
NARROW MONEY	36,979.3	36,849.6	35,673.8	37,811.8	38,558.7
CURRENCY OUTSIDE BANKS	11,955.8	12,295.2	10,642.0	12,890.2	13,874.6
TRANSFERABLE DEPOSITS	25,023.5	24,554.4	25,031.9	24,921.7	24,684.1
OTHER DEPOSITS	25,853.2	25,459.3	25,775.1	26,988.3	26,430.1
	Percent change from previous year				
NET FOREIGN ASSETS	20.7	-0.8	-14.3	-9.3	-4.7
GROSS RESERVES	33.9	20.5	-12.0	-1.2	5.7
OTHER CLAIMS ON NONRESIDENTS	19.4	6.5	5.7	-0.2	0.3
LIABILITIES TO NONRESIDENTS	40.9	46.3	4.0	12.6	15.7
NET DOMESTIC ASSETS	31.6	28.6	30.8	21.1	8.7
NET DOMESTIC CLAIMS	26.1	28.3	30.6	19.2	9.3
NET CLAIMS ON CENTRAL GOVERNMENT	23.1	21.3	22.6	11.6	6.5
CLAIMS ON CENTRAL GOVERNMENT	16.0	13.2	15.0	9.1	4.0
LIABILITIES TO CENTRAL GOVERNMENT	-15.0	-21.2	-17.5	-3.4	-12.0
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	268.0	528.4	314.2	276.3	-4.0
CLAIMS ON PRIVATE SECTOR	12.2	20.3	34.9	24.4	26.5
of which: Credit to Private Sector	12.8	21.3	36.6	25.4	27.6
CLAIMS ON OTHER FINANCIAL CORPORATIONS	42.8	42.7	46.7	8.5	8.5
EQUITY	10.2	11.8	13.5	23.4	31.6
OTHER ITEMS (NET)	0.2	-54.4	-37.2	85.5	160.3
BROAD MONEY	27.2	16.2	12.2	7.7	3.4
NARROW MONEY	30.9	23.4	18.8	9.5	4.3
CURRENCY OUTSIDE BANKS	10.3	10.9	3.5	12.2	16.0
TRANSFERABLE DEPOSITS	43.7	30.8	26.8	8.1	-1.4
OTHER DEPOSITS	22.2	7.1	4.1	5.4	2.2
	Quarterly percent change				
NET FOREIGN ASSETS	-7.4	-8.2	-13.9	24.0	-2.7
GROSS RESERVES	-3.6	-4.2	-7.3	15.4	3.0
OTHER CLAIMS ON NONRESIDENTS	-1.6	-7.9	-5.7	16.7	-1.1
LIABILITIES TO NONRESIDENTS	4.2	-1.7	2.8	6.9	7.1
NET DOMESTIC ASSETS	13.8	3.9	5.7	-3.1	2.1
NET DOMESTIC CLAIMS	11.0	3.9	4.1	-0.7	1.8
NET CLAIMS ON CENTRAL GOVERNMENT	9.6	1.5	2.7	-2.2	4.6
CLAIMS ON CENTRAL GOVERNMENT	5.7	0.9	3.2	-0.9	0.8
LIABILITIES TO CENTRAL GOVERNMENT	-13.5	-2.5	6.7	7.3	-21.1
CLAIMS ON PUBLIC NONFINANCIAL CORPORATIONS	256.3	18.5	-8.4	-2.6	-9.1
CLAIMS ON PRIVATE SECTOR	-6.5	9.6	15.1	5.6	-5.0
of which: Credit to Private Sector	-6.8	10.0	15.7	5.8	-5.2
CLAIMS ON OTHER FINANCIAL CORPORATIONS	0.0	0.0	0.4	8.1	0.0
EQUITY	3.8	-2.9	6.3	15.1	10.8
OTHER ITEMS (NET)	7.6	-45.1	88.1	67.0	51.0
BROAD MONEY	4.5	-0.8	-1.4	5.5	0.3
NARROW MONEY	7.0	-0.4	-3.2	6.0	2.0
CURRENCY OUTSIDE BANKS	4.1	2.8	-13.4	21.1	7.6
TRANSFERABLE DEPOSITS	8.5	-1.9	1.9	-0.4	-1.0
OTHER DEPOSITS	1.0	-1.5	1.2	4.7	-2.1

Source: CBG staff calculations

Table 13: Key Financial Indicators for FCs (in percent)

	22-Mar	22-Jun	22-Sep	22-Dec	23-Mar	Benchmark
Capital Adequacy Ratio (CAR)	29%	35%	33%	31%	28%	20%
Return on Asset (ROA)	0%	1%	0.40%	0.60%	1%	1%
Return on Equity (ROE)	2%	4%	2%	7%	8%	1%
Non-Performing Loans (NPL)	14%	7%	11%	11%	13%	5%

Source: CBG staff calculations

Table 14: Key Financial Indicators for FCs (in percent)

Summary of Key Performance Indicators								
Risk	Credit	Satisfactory	NPL (%)	4.63%	4.56%	3.36%	0.62%	N/A
	Liquidity	Strong	Liquidity ratio (%)	70.94%	63.67%	76.74%	7.27%	30%
			LAsset /Total Asset (%)	44.56%	42.15%	50.51%	2.41%	30%
Mitigants	Earnings	Satisfactory	ROA (%)	2.76%	2.14%	2.09%	0.62%	N/A
			ROE (%)	25.27%	20.62%	20.55%	4.65%	N/A
	Capital	Satisfactory	CAR (%)	24.38%	24.80%	25.54%	-0.42%	10

Source: CBG staff calculations

Table 15: Food Price Development (Annual Percentage Change)

Y-O-Y INFLATION	Dec-21	Mar-22	Apr-22	Jun-22	Sep-22	Dec-22	Mar-23	Apr-23
Food	10.18	9.17	14.43	14.43	16.50	18.27	20.47	22.11
Bread & Cereals	8.22	9.09	18.47	18.47	18.90	27.40	22.94	21.48
Meat	16.09	11.57	12.22	12.22	10.84	9.95	16.64	16.16
Fish	4.73	1.61	5.24	5.24	5.22	5.32	15.84	29.59
Milk, Cheese, and Eggs	5.73	6.58	9.31	9.31	13.20	22.26	27.71	28.67
Oils and fats	36.21	2.51	16.89	16.89	23.49	24.36	23.36	10.11
Fruits & nuts	4.14	8.88	16.49	16.49	18.05	17.40	12.18	20.64
Vegetables, root crops & tubers	2.49	14.72	14.78	14.78	21.52	16.13	26.16	28.73
Sugar, jam, honey & sweets	10.75	18.93	22.44	22.44	23.24	25.82	15.80	18.45
Other food products n.e.c	11.89	14.12	8.78	8.78	9.90	2.68	9.42	28.57

Source: CBG staff calculations

Table 16: Non-Food Price Development (Annual Percentage Change)

Y-O-Y NON-FOOD INFLATION	Dec-21	Mar-22	Jun-22	Sept-22	Dec-22	Mar-23	Apr-23
NON-FOOD PRODUCTS AND SERVICES	4.91	7.45	9.33	10.42	9.39	8.9	12.3
CLOTHING & FOOTWEAR	7.72	4.39	4.69	4.50	5.37	13.69	14.46
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	7.23	4.73	5.77	6.16	4.10	12.19	28.50
HEALTH	33.29	46.32	47.85	48.25	12.12	2.91	2.85
TRANSPORT	6.20	8.51	13.32	16.12	18.04	14.88	13.31
COMMUNICATION	1.26	1.01	0.82	0.62	0.62	0.20	0.20
RECREATION AND CULTURE	3.41	5.55	6.94	32.72	33.39	35.72	35.49
NEWSPAPERS, BOOKS, AND STATIONERY	3.09	6.33	8.65	5.83	51.57	48.63	48.65
HOTELS, CAFES AND RESTAURANTS	9.69	35.00	40.73	44.47	7.45	12.49	20.30
MISCELLANEOUS GOODS AND SERVICES	7.45	12.27	20.24	11.47	6.12	8.59	9.02

Source: CBG staff calculations

Table 17: Core inflation (Annual Percentage Change)

Y-o-Y Inflation	Sep-21	Dec-21	Mar-22	Jun-22	Sept-22	Dec-22	Mar-23	Apr-23
Headline Inflation	7.01	7.60	8.20	11.70	13.27	13.74	14.83	17.37
Core 1 Inflation	9.18	9.52	8.87	15.23	18.99	19.85	21.07	22.19
Core 2 Inflation	8.99	8.51	9.78	15.28	18.08	18.83	18.33	18.03

Source: CBG staff calculations