



THE CENTRAL BANK OF GHANA MPR DECISION IN LINE WITH EXPECTATIONS DUE TO BROADLY BALANCED OUTLOOK

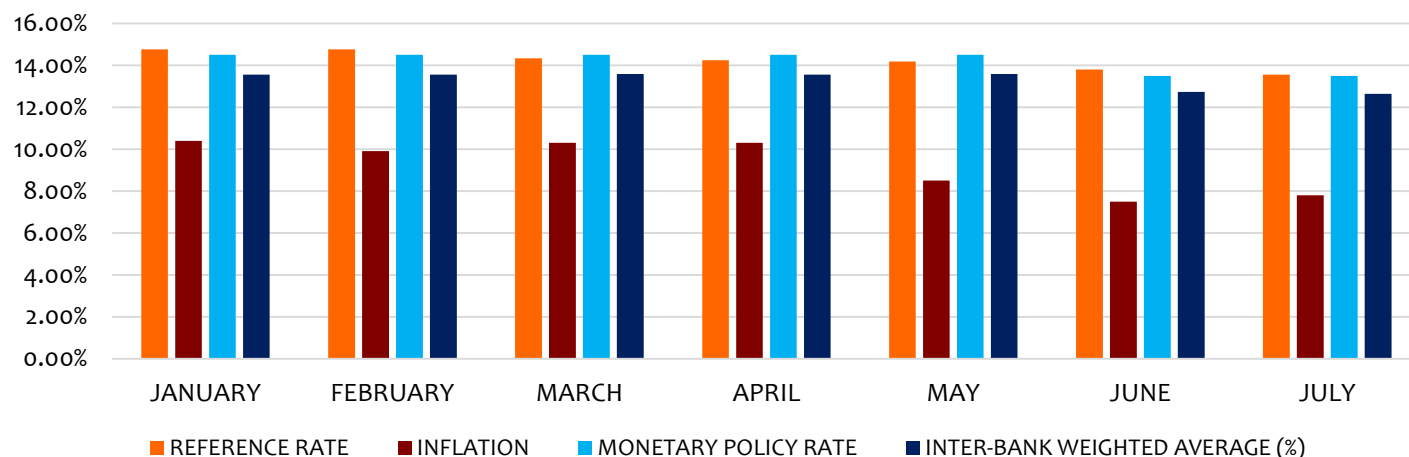
- ❖ MPR was maintained at 13.5% after it was dropped by 100bpts in May, 2021.
- ❖ YoY Inflation increased from 7.5% in May, 2021 to 7.8% in June, 2021 despite underlying inflationary pressures easing across all the Bank's core measure of inflation.
- ❖ Core inflation measure which excludes energy and utility declined from 10.9% in March 2021 to 18.6% in April, 7.3% in May, before ticking up slightly to 7.5% in June.

At the 101st Monetary Policy Committee (MPC) meeting (the fourth MPC meeting of the year), the MPC of the Bank of Ghana kept its key lending rate to commercial bank at 13.50%. This is in line with expectations as the risks to inflation and growth were broadly balanced. This is the first meeting after the central bank unexpectedly cut its benchmark interest rate to 13.5% from 14.5%; the lowest in more than nine years to support the recovery of the economy.

The following factors support the case for the MPC maintaining the rate:

- ❖ Inflation expectations remain within the target band of 8 ± 2 . Due to higher fares and fuel cost, y/y CPI increased from 7.5% in May, 2021 to 7.8% in June, 2021. Bank of Ghana forecasts report that inflation will remain within the target band, barring any unforeseen shocks. Core inflation increased marginally in June, 2021 mainly due to the transport sub-sector induced by rising fuel prices. Inflation expectations, derived from Bank of Ghana surveys, remain fairly anchored in single digits and core inflation excluding energy and utilities is expected to remain low.
- ❖ Although the process of global growth recovery is ongoing, driven by continued policy support and rising consumer confidence, the outlook remains uncertain. This is due to a potential third wave of Covid-19 infections fuelled by new variants like the Delta variant and uneven vaccination across regions, high budget deficit because of revenue underperformance as well as the balance of risks to inflation and growth among others.
- ❖ Beyond the first quarter GDP outturn, high frequency economic indicators for the second quarter of the year point to a sharp pickup in economic activity relative to last year. The Bank's updated Composite Index of Economic Activity (CIEA) recorded a strong annual growth of 33.1% in May 2021, relative to the contraction of 10.2% recorded in the corresponding period of 2020.

RATES



	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY
REFERENCE RATE	14.77%	14.77%	14.34%	14.24%	14.19%	13.80%	13.55%
INFLATION	10.40%	9.90%	10.30%	11.00%	8.50%	7.50%	7.80%
MONETARY POLICY RATE	14.50%	14.50%	14.50%	14.50%	14.50%	13.50%	13.50%
INTER-BANK WEIGHTED AVERAGE	13.56%	13.56%	13.58%	13.56%	13.58%	12.73%	12.64%

MONETARY POLICY RATE

Current	Previous	Highest	Lowest
13.50%	13.50%	27.50	12.50

OUTLOOK

We do not expect any further cuts in the near term because if growth begins to pick up, inflation will rise and the exchange rate may come under pressure.

NEXT MEETING

- ❖ **The next Monetary Policy Committee (MPC) meeting is scheduled for September 22-24, 2021. The meeting will conclude on Monday, September 27, 2021 with the announcement of the policy decision.**

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