



The Bank of Ghana maintains Rate in March 2024; MPR constant at 29.00%

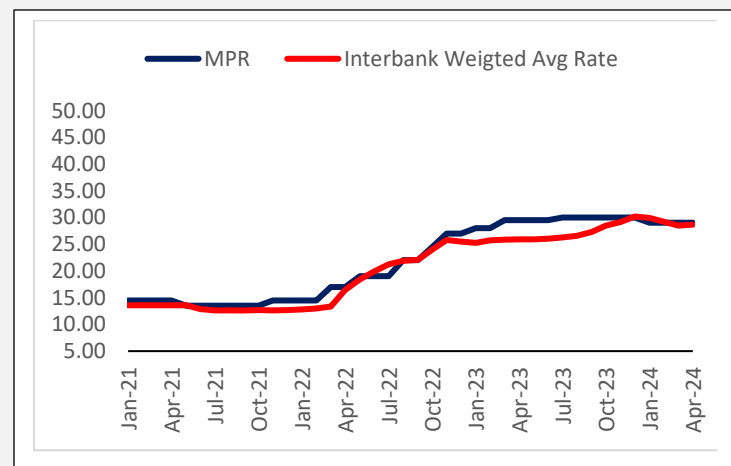
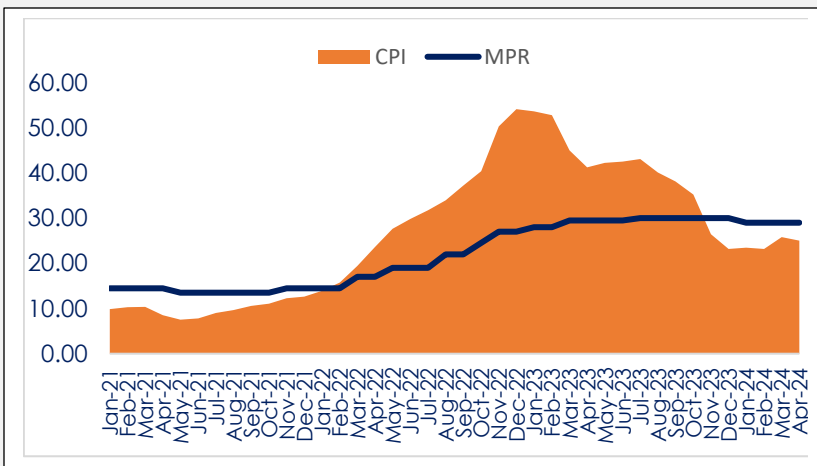
The Monetary Policy Committee (“MPC” or “the Committee”) of the Bank of Ghana (BoG) stayed the benchmark policy rate to 29.0% at the March 2024 MPC meeting. The MPC’s decision to maintain the policy rate is due to the reversal risks to the current downward trend of inflation, stemming from possible upward revision in transport fares, adjustment in utility tariffs, higher ex-pump prices and some pass through of exchange rate depreciation. Again, although global inflation continues to ease and is expected to decline further, external risk factors such as increasing geopolitical tensions and potential supply constraints associated with developments in the Red Sea, could present downside risks to this outlook.

The Strong early year demand pressures on exchange rates are expected to ease further as inflows from the World Bank, the tight monetary stance, and a weaker U.S. Dollar from potential U.S. policy rate cuts are expected to support the relative stability of the Ghana Cedi. This will support the Central Bank’s efforts to hold inflation down.

Money Supply Dynamics: Annual growth in monetary aggregates showed considerable decline on the back of tight liquidity management efforts. Broad money supply (M2+) grew at a moderated pace of 25.5 percent in February 2024, relative to 44.9 percent in February 2023. Except for a significant increase in demand deposits, the decline in M2+ reflected in all the components – currency outside banks, savings and time deposits, and foreign currency deposits

Banking Sector Performance: As at February 2024, private sector credit growth was 5.1 percent compared with a 29.5 percent growth recorded in February 2023. In contrast, as at February 2024, banks’ investments in GOG and BOG instruments stood at GHS53.6 billion, an increase of 67.6 percent year-on-year, compared with an increase of 36.9 percent for the corresponding period of 2023. The Bank’s latest confidence surveys conducted in March 2024, reflected sustained improvements in business sentiments. In the first two months of 2024, total assets of the Banks increased by 21.0 percent, while total deposits and advances rose by 25.5 percent and 1.8 percent, respectively

Currency Developments: The foreign exchange market came under some seasonal pressures in February and early March 2024, but the Ghana cedi continues to recover its value. The pressures emanated mainly from the strengthening of the US dollar in international markets, and payments made for the energy and corporate sectors. These were compounded by delays and uncertainties associated with the second tranche of the cocoa loan inflow and World Bank’s disbursement of Budget Support.



The next MPC meeting is scheduled for May 22nd – 24th, 2024. The meeting will conclude on Monday, May 27th, 2024 with the announcement of the policy decision.

ANALYSTS

Wisdom Kwame Asigbetse: Analyst wkasigbetse@sicbrokerage.com

Amenuve Kofi Aweso : Analyst akaweso@sicbrokerage.com