

POLICY RATE HIKED TO 30%

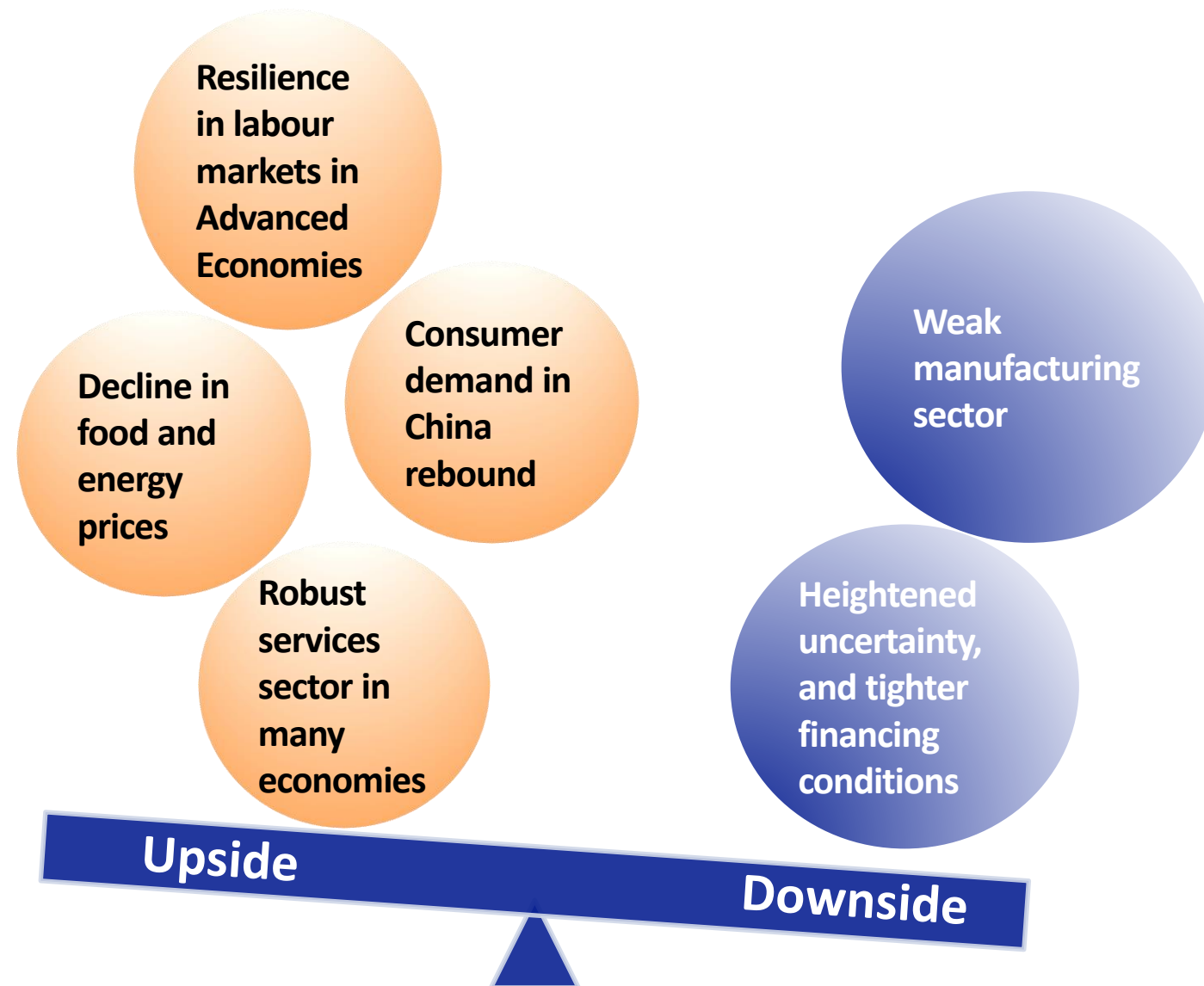
July, 2023



GLOBAL

Global economy show signs of growth.

IMF projects growth at 2.8% in 2023



Inflation

Global headline inflation continues to ease although it remains elevated at historically high levels.

- Effects of tighter monetary policy
- Lower energy and food prices
- Impact of reduced supply bottlenecks.



Financing

Global financing conditions remain tight the back of

- The pass-through effects of tighter monetary policy on bank funding costs and credit conditions.
- Sharp rise of funding costs by banks
- Sharp increase in lending rates for households and firms

DOMESTIC

Economic Growth



Domestic Economic growth for the first quarter of 2023 was strong, surpassing projected outcomes. The latest data from the Ghana Statistical Service showed improvements.

Real GDP grew by 4.2% in the first quarter of 2023, compared with 3.0% recorded in the same period of 2022. This was driven by the services (10.1%) and agricultural (4.8%) sub-sectors.

Inflation

Relative exchange rate stability

Stable ex-pump petroleum prices

Effective liquidity management by the Bank of Ghana

Strong food price pressures.

Upside

Downside

Headline inflation inched up for the second consecutive month (42.5% in June 2023, from 42.2% in May 2023)

Banking Sector

Pull back in private sector credit continued. It contracted from 33.7% in 2022 compared to 16.10% in June 2023.

Total assets of banks moderated to 21.2% from 22.8% in June 2022. There was a significant growth in deposits by 42.8% to GHS 187.6billion in June 2023

Bank investments increased to GHS 89.9 billion in June 2023 from GHS 81.0 billion in June 2022. Short term investments grew by 149.6% to GHS 39.9 billion in a bid to rebalance the portfolio following the DDEP.

Increase in interbank weighted average rate from 19.92% in June 2022 to 26.01% in April 2023.

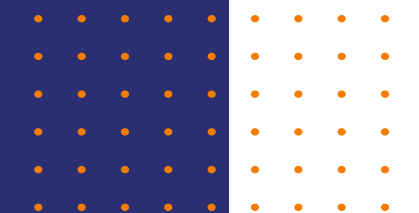
Key financial soundness indicators remained strong due to regulatory relief from the DDEP. The regulatory adjusted Capital Adequacy Ratio was 14.3% in June 2023 lower than the 19.4% recorded in June of 2022 but higher than the minimum levels of 10%.

Banks' profitability improved in first half of 2023. There was a 51.2% increase in profit-before-tax in June 2023, compared with 20.8 % in June 2022. The profit-after-tax stood at GH¢4.3 billion, up from GH¢2.8 billion, representing a 51.4% increase



REASONS FOR POLICY RATE HIKE

- The Bank's core measure of inflation increased for the second consecutive month. Core inflation increased from 42.8% to 43.5% in May 2023.
- Real GDP growth went up to 4.2% in first quarter of 2023, compared with 3.0% growth recorded same quarter of 2022. This was driven by positive growths in the agriculture and services sectors.
- Contraction of real Composite Index of Economic Activity (CIEA) in May 2023 by 3.7% compared to a contraction of 5.4% in April 2023. Due to contractions from port activity, cement sales, credit to the private sector and imports.
- Business confidence survey in June 2023 showed mixed sentiments on the back of uptick in prices of goods and services leading to concerns about future economic Conditions.





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