CENTRAL BANK OF THE GAMBIA

Monetary Policy Committee

PRESS RELEASE **APRIL 30, 2008**

(1.0) Developments in the global economy continue to be dominated by the problems in the US subprime mortgage market, rising global inflationary pressures stemming from the surge in energy and food prices and the fear of recession in the US economy. These developments have caused a downward revision in global output growth. The International Monetary Fund now estimates world output growth to decline to 3.7 percent in 2008 from the previous forecast of 4.1 percent.

(2.0) Reflecting the sharp increase in oil and food prices, global consumer price inflation accelerated to 5.0 percent in February 2008 from 2.0 percent a year ago.

(3.0) The Gambian economy is forecast to grow by 6.5 percent in 2008 premised on continued growth in the services sector and a rebound in construction and agriculture.

(4.0) Money supply grew by 5.6 percent in the year to end-March 2008, significantly lower than the 19.3 percent a year ago. Quasi money rose by 12.7 percent, while narrow money contracted by 0.8 percent. Reserve money, increased by 0.7 percent, significantly lower than the 4.7 percent a year ago.

(5.0) Preliminary data indicate that total revenue and grants at the end of March 2008 declined to D974.5 million, or 2.2 percent from end-March 2007 and were D133.8 million below the first quarter projection. The robust outturn of tax revenue was offset by the lower-than-expected non-tax revenue and grants.

(6.0) Total expenditure and net lending increased to D868.3 million, or 10.7 percent from a year ago but was below the target of D1.3 billion. The overall budget balance (including grants) on commitment basis was a surplus of D106.2 million. Excluding grants, the surplus totalled D62.1 million.

(7.0) The balance of payments (BOP) estimate for 2007 indicated an overall surplus of D108.6 million (USD3.99 million) in 2007 from D195.1 million (USD6.95 million) in 2006. The current account balance, including official transfers, is estimated to narrow from 12.9 percent of GDP in 2006 to 10.1 percent of GDP in 2007. In contrast, the capital and financial account balance is estimated to decrease to D1.69 billion in 2007 from D2.04 billion in 2006 reflecting primarily reduced recourse to external borrowing by Government. As at March 31, 2008, gross official reserves amounted to D2.8 billion (US$142.6 million) equivalent to 4.2 months of import cover.

(8.0) The foreign exchange market continues to deepen. Volume of transactions, measured by aggregate sales and purchases of foreign currency in the inter-bank market, increased to US$426.2 million in the first quarter of 2008, or 38.7 percent from a year earlier. The major sources of foreign exchange include re-exports, tourism, remittances and foreign direct investment.

(9.0) Reflecting increased foreign currency inflows, tight monetary conditions and reduced debt service payments owing to debt relief, the Dalasi appreciated against the three major currencies in the first quarter of 2008 from end-December 2007. The Dalasi strengthened by 13.7 percent against the US dollar and 10.0 percent and 6.1 percent against the Pound Sterling and Euro respectively.

(10.0) The fundamentals of the banking sector remain strong. Capital and reserves increased to D1.28 billion in March 2008 compared to D1.22 billion in December 2007. The average risk-weighted capital adequacy ratio was 23.8 percent, higher than the minimum requirement of 8.0 percent. Total assets increased to D10.6 billion, or 1.2 percent while deposit liabilities totalled D6.7 billion, or an increase of 1.8 percent. The industry's average liquidity ratio decreased to 87.8 percent compared to 104.44 percent in the previous quarter but exceeded the statutory requirement of 30.0 percent.

(11.0) As at end-March 2008, private sector credit increased to D2.7 billion, or 2.7 percent from end-December 2007. The ratio of non-performing loans to total loans declined to 10.0 percent from 13.0 percent in December 2007 attributed largely to vigorous loan recovery efforts.

(12.0) The domestic debt increased to D5.47 billion at end-March 2008, or 1.2 percent from end-December 2007. Outstanding Treasury bills, which accounted for 88.0 percent of the domestic debt, rose by 1.4 percent. The yield on the 91-day and 182-day bills were marginally higher increasing to 10.96 percent and 12.05 percent in march 2008 from 10.64 percent and 11.3 percent respectively in December 2007. In contrast, the yield on the 364-day bill declined from 13.67 percent in December 2007 to 13.56 percent at end-March 2008.

(13.0) According to the readings of the business sentiment survey, the majority of respondents reported higher economic and business activity in the first quarter of 2008 compared to the preceding quarter and are quite optimistic about prospects in the second quarter of 2008. However, a substantial number of respondents reported that current prices are higher. Inflationary expectations are also quite high with the majority of respondents expecting higher prices in the second quarter of 2008.

(14.0) End-period inflation, measured by the National Consumer Price Index (NCPI), decelerated to 3.1 percent at end-March 2008 compared to 4.2 percent in March 2007. However, average inflation rate (12-months moving average) was 5.73 percent compared to 1.91 percent a year earlier.

(15.0) Food and non-food price inflation fell to 4.62 percent and 1.22 percent compared to 6.29 percent and 1.91 percent respectively at end-March 2007. Core inflation, which excludes prices of energy and volatile food items, decelerated from 7.05 percent in March 2007 to 0.6 percent at end-March 2008.

(16.0) **Outlook for Inflation**

Inflation has been well contained over the past few years reflecting in large part implementation of prudent monetary and fiscal policies. However, given that the Gambian economy is open and import dependent, the continuing increase in oil and food prices could cause a build-up of inflationary pressures in the short to the medium term.

(17.0) Taking the above-mentioned factors into consideration, including the risk to the inflation outlook, the MPC has decided to maintain the rediscount rate, the policy rate, at 15.0 percent.

I thank you for your kind attention.