



Press Release

May 7, 2013

1. Since the last meeting of the Monetary Policy Committee, the global economy continues to evolve broadly as anticipated. According to the International Monetary Fund, world output is forecast to expand by 3.3 percent in 2013 and to reach 4.0 percent in 2014, higher than the 3.2 percent in 2012. In the major advanced economies, led by the United States, activity is expected to gradually accelerate following a subdued start in 2013. Advanced economy policymakers have successfully defused two of the biggest threats to the global recovery, a breakup of the Euro area and a sharp fiscal contraction in the United States, *a la* the fiscal cliff. Growth in China is expected to be sustained at a relatively robust level of 8.0 percent in 2013 from 7.8 percent in 2012 reflecting continued strong demand in consumption and investment as well as renewed external demand.
2. Growth in Sub-Saharan Africa has been revised upwards to 5.5 percent in 2013 and 6.0 percent in 2014 premised on rising commodity prices and strong growth in private consumption and investment.

3. According to the Gambia Bureau of Statistics (GBoS), the Gambian economy is estimated to have grown by 6.3 percent in 2012 following a contraction of 4.6 percent in 2011. Agriculture value-added increased by 7.5 percent, industry (6.6 percent) and services (5.8 percent).
4. Money supply grew by 8.8 percent in the year to end-March 2013, lower than the 14.9 percent in 2012. Both narrow money and quasi money grew by 16.3 percent and 2.7 percent compared to 7.8 percent and 9.3 percent respectively a year earlier.
5. Reserve money grew by 3.4 percent, lower than the 8.7 percent in March 2012 and the target of 4.8 percent.
6. Provisional data on government fiscal operations in the first quarter of 2013 indicate that revenue and grants amounted to D1.5 billion (4.6 percent of GDP) compared to D1.9 billion (5.9 percent of GDP) in the same period in 2012. Domestic revenue totaled D1.4 billion (4.2 percent of GDP), higher than the D1.2 billion (3.7 percent of GDP) recorded in the corresponding period of 2012.
7. Expenditure and net lending amounted to D1.9 billion (5.5 percent of GDP), a contraction of 14.5 percent relative to 2012. Current expenditure totaled D1.5 billion (4.5 percent of GDP), or an increase of 20.1 percent. In contrast, capital expenditure declined to D337.0 million (1.0 percent of GDP), or 62.7 percent. The overall fiscal deficit (on commitment basis), including grants, widened to D330.4 million (1.0 percent of GDP) in the first three months of 2013, compared to D200.0 million (0.7 percent of GDP) during the same period in 2012.

8. As at end-March 2013, the domestic debt increased to D11.3 billion (33.1 percent of GDP), or 15.5 percent from March 2012. Treasury bills, accounting for 77.2 percent of the debt stock, rose by 23.5 percent to D8.7 billion. Distribution of Treasury bills by maturity indicate that the 364-day bills accounted for 56.1 percent of the outstanding stock, 182-day bill (28.6 percent) and 91-day bill (15.3 percent).
9. The yield on the 91-day and 182-day bills declined from 10.23 percent and 11.52 percent in March 2012 to 9.44 percent and 9.86 percent in March 2013. Similarly, the yield on the 364-day bills declined to 10.73 percent from 12.80 percent in March 2012.
10. Preliminary balance of payments estimates for 2012 indicate an overall surplus of US\$62.3 million compared to the larger surplus of US\$98.7 million in 2011. The merchandise trade deficit widened to US\$176.4 million compared to the deficit of US\$133.5 million a year ago. Exports are estimated to have increased to US\$176.5 million, or 14.7 percent. Imports also rose but at a stronger pace of 21.7 percent to US\$359.0 million,
11. Volume of transactions in the domestic foreign exchange market, measured by aggregate sales and purchases of foreign exchange, rose to US\$440.2 million in the first quarter of 2013, higher than the US\$392.4 million in the corresponding quarter of 2012.
12. Against individual currencies, the Dalasi depreciated against the British Pound by 12.62 percent, the US dollar by 11.87 percent and the Euro by 12.0 percent. In Nominal Effective Exchange Rate terms, the domestic currency depreciated by 2.6 percent in March 2013 compared with an

appreciation of 0.4 percent a year earlier. The depreciated exchange rate provides an opportunity for the export sector to become more competitive in a challenging global environment.

13. Gross official reserves as at end-March 2013 stood at US\$175.0 million, equivalent to 4.5 months of import cover.

14. The banking industry remains sound. The average risk-weighted capital adequacy ratio (CAR) was 27.7 percent in March 2013, higher than the minimum requirement of 10.0 percent.

15. Total industry assets increased to D21.2 billion, or 13.0 percent from a year ago. Loans and advances, accounting for 27.4 percent of total assets, increased to D5.8 billion, or 10.3 percent. Credit to agriculture, distributive trade and tourism increased by 48.5 percent, 5.3 percent and 13.8 percent respectively. Similarly, lending to building and construction, and transportation rose by 32.1 percent and 7.8 percent respectively. Non-performing loans as a ratio of gross loans decreased to 11.0 percent in March 2013 from 12.7 percent a year earlier.

16. Deposit liabilities increased to D13.4 billion, or 5 percent. The liquid asset ratio was 75.6 percent in March 2013, higher than the minimum requirement of 30 percent.

17. Global consumer price inflation decelerated in line with expectations partly reflecting food and fuel supply developments and partly subdued demand pressures. World inflation decreased to about 3.3 percent in early 2013 from 3.8 percent in 2012 and is projected to be contained in low single digit through 2014.

18. Latest inflation data from the Gambia Bureau of Statistics, as measured by the National Consumer Price Index (NCPI), indicate acceleration in inflationary pressures. Headline inflation increased from 4.3 percent in June 2012 to 4.9 percent in December 2012. After declining slightly in September 2012, inflation rose to a twelve-month high of 5.3 percent in March 2013. Average inflation (12-month moving average) also accelerated, albeit slightly, from 4.5 percent in March 2012 to 4.6 percent in March 2013.

19. Consumer food inflation rose from 4.8 percent in March 2012 to 6.4 percent in March 2013 driven mainly by price developments in bread cereals. Consumer non-food inflation also rose to 4.1 percent in March 2013 from 2.7 percent in March 2012 partly reflecting the increase in the cost of energy.

20. Core inflation, which excludes the prices of utilities, energy and volatile food items, increased to 5.3 percent from 4.0 percent a year earlier.

21. Outlook for Inflation

Inflation outcomes evolved largely in line with expectations. Inflation is projected to accelerate but to remain in single digit in the short-term. However, there are upside risks to the forecast including further depreciation of the Dalasi and the challenges posed by the recovery of the global economy.

22. Decision

Taking the risks to the inflation outlook into consideration, the MPC has, therefore, decided to increase the policy rate, the rediscount rate, by 2 percentage points to 14 percent.