



## **MONETARY POLICY COMMITTEE**

### **Press Release**

**August 25, 2017**

- 1) The Monetary Policy Committee (MPC) of the Central Bank of The Gambia met on Thursday August 24, 2017 to assess developments in the domestic and the international economy and set the policy rate. These are some of the highlights of developments in the domestic economy.

### **REAL SECTOR**

- 2) According to the data from The Gambia Bureau of Statistics (Gbos), economic growth declined to 2.2 percent in 2016 from 4.3 percent in 2015 due mainly to the disappointing performance of the agricultural sector, the impact of the political impasse on tourism and related activities during the peak period, and limited availability of foreign currency in the domestic foreign exchange market that affected trade. However, economic conditions continue to improve in 2017 and there are increasing signs that growth may exceed our projection of 3 percent.

## **EXTERNAL SECTOR**

- 3) Balance of payments estimates for the first half of 2017 registered a surplus of US\$3.2 million compared to US\$1.0 million recorded in the same period last year. This is attributable to the improvements in both the current account, and capital and financial accounts. The trade balance improved from a deficit of US\$104.3 million in the first half of 2016 to a deficit of US\$97.0 million during the review period. Both exports and imports fell by 6.9 percent and 6.8 percent to US\$45.7 million and US\$142.7 million in June 2017 respectively. The current account balance improved from a deficit of US\$38.4 million in the first half of 2016 to a deficit of US\$36.8 million during the review period due mainly to improvement in services and net current transfers. Gross official reserves have improved significantly, reaching 4.2 months of imports of goods and services in August 2017 for the first time in many years. This is as a result of the unwavering support of our development partners, in particular, the International Monetary Fund (IMF), World Bank (WB), European Union (EU) and the African Development Bank (ADB).

## **EXCHANGE RATE DEVELOPMENTS**

- 4) Activity in the domestic foreign exchange market has stabilized supported by improved market conditions and confidence. Volume of transactions remained unchanged at US\$1.2 billion in the year to end-July, 2017 relative to same period last year. Purchases, indicating supply, was US\$583.6 million while sales, which indicates demand, stood at US\$511.2 million.
- 5) The Dalasi remains stable in the domestic foreign exchange market. From May to end July, 2017, the Dalasi appreciated against the US Dollar and Pound Sterling by 0.9 percent and 0.4 percent respectively. The Dalasi however, depreciated against the Euro by 4.3 percent.

## **DOMESTIC DEBT**

- 6) As a result of huge public debt inherited from the past regime, debt sustainability remains a priority. As at end July, 2017, domestic debt stock declined to D28.8 billion (61.1 percent of GDP) compared to D29.02 billion (67.1 percent of GDP) in the same period last year. Treasury bills and Sukuk Al Salam combined totaled D17.5 billion compared to D16.6 billion in 2016.
- 7) Yields on the 91 day, 182 day and 364 day bills stood at 8.0 percent, 8.92 percent and 10.59 percent in August 2017 from 16.12 percent, 16.93 percent and 20.08 percent in August 2016.

## **FINANCIAL SECTOR**

- 8) The financial sector remains safe, sound and profitable. The risk weighted capital adequacy ratio stood at 32.5 percent, significantly higher than the statutory requirement of 10 percent. Total assets of the industry amounted to D35.7 billion in June 2017 compared to D29.6 billion in June 2016. Non-performing loans ratio improved to 9.4 percent from 9.7 percent in March 2017.

## **MONETARY DEVELOPMENTS**

- 9) Money supply grew by 21.7 percent in June 2017, reflecting increase in the net foreign assets and net domestic assets of the banking system. Net Foreign Assets (NFA) of the Central Bank improved significantly from negative D530.5 million in December 2016 to D3.7 billion in August 2017. Net international reserves improved from US\$19.84 million in December 2016 to US\$112.2 million in August 2017. Quasi money (savings and time deposits) increased by 24.2 percent to D13.0 billion during the review period. Growth of reserve money, the Bank's operating target, remained the same at 16.1 percent in June 2017

compared to the same period last year. However, money supply growth has been contained within the Bank's target in August 2017.

## **INFLATION**

10) Consumer price inflation as measured by the national consumer price index (NCPI) is trending downwards. Headline inflation declined to 8.0 percent in July 2017 from a high of 8.8 percent in January 2017 due largely to the decline in food inflation from 10.1 percent to 8.7 percent during the review period. On the other hand, consumer price inflation of non-food products and services increased slightly to 6.9 percent from 6.8 percent in July 2017.

## **OUTLOOK**

11) The Committee noted that economic conditions continue to improve in 2017 and the outlook remains broadly favorable against the backdrop of projected increase in agricultural production, increased inflows, rebound in tourism and trade and restoration of confidence in the domestic economy. Moreover, monetary and fiscal policies would remain prudent and well coordinated. International reserves of the Bank have reached a comfortable level. Foreign exchange market conditions are expected to continue to improve and the Dalasi would remain stable. In the light of these developments, inflation is projected to continue to decline in the near-term.

12) The major risk to macroeconomic outlook is the level of debt (120 percent of GDP) inherited from the past regime.

## **DECISION**

13) Taking all the above into consideration including inflation expectations which remained subdued, the MPC considered the current stance of Monetary Policy

appropriate and decided to maintain the policy rate at 15%. The MPC will continue to monitor developments in the economy and stands ready to act in the interim if the economic conditions change.

**DATE FOR THE NEXT MPC MEETING**

November 23, 2017