



## **MONETARY POLICY COMMITTEE**

**Press Release**

**June 21, 2013**

The Monetary Policy Committee of the Central Bank of The Gambia held an emergency meeting on Friday, June 21, 2013, under the Chairmanship of the Governor, Mr. Amadou Colley to discuss current macroeconomic developments and re-assess short-term policy options in the face of increased volatility in the exchange rate and rising inflationary pressures.

The Committee discussed developments in the real sector and noted that growth prospects remain positive premised on continued implementation of prudent policies. Real GDP growth is projected at about 8-9 percent in 2013 driven mainly by continued rebound in agriculture and strong performance in tourism. The Committee also noted that following the moderate recovery in 2012 from the 2011 drought, the first six months of 2013 witnessed increased pressures on the exchange rate mainly because of temporary and seasonal factors. Volume of transactions in the domestic foreign exchange market increased to US\$1.6 billion, or 8.4 percent. The main risks to the outlook for growth are global food and fuel price shocks as well as spillover effects of expansionary fiscal policy.

The Committee also noted that interest rates have generally trended upwards since December 2012 albeit at varying speed. The yield on the 91-day Treasury bills rose from 9.53 percent in December 2012 to 10.36 percent in June, 2013 whilst the 182-day bill also rose to 11.33 percent from 10.21 percent. The yield on the one year bill increased from 10.95 percent to 13.0 percent.



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the increased domestic debt had presented the  
which are being addressed. The Committee noted  
to continued prudent fiscal management and the  
implementation of new revenue enhancing measures.

The Committee also discussed recent developments in consumer prices and the increase in the National Consumer Price inflation to 5.7 percent in May 2013 from 4.1 percent a year ago. This was consistent with the increasing trend in yields across all tenures of Government securities. In assessing the outlook for inflation, the Committee noted that the upside risk to inflation in the coming months will come from the pass-through effect of the depreciation of the Dalasi and heightened inflationary expectations.

In reviewing the Rediscount Rate (the Policy Rate), the Committee noted the upward trend in the yields in government securities and re-aligned its monetary operations framework consistent with rates in the money market by increasing the Rediscount Rate from 14.0 percent to 18.0 percent. This is expected to encourage investment in domestic currency-denominated assets. **Further actions going forward would depend on developments in the domestic foreign exchange market.**