CENTRAL BANK OF THE GAMBIA

Monetary Policy Report

March 2021

The Central Bank of The Gambia Monetary Policy Report provides summary of presentations at the Monetary Policy Committee (MPC) meetings. It entails recent macroeconomic developments that informed the decision of the Committee in setting the policy rate. The objective is to keep the public informed about the monetary policy process.

Preface

The Central Bank of The Gambia Monetary Policy Report summarizes developments in key macroeconomic sectors to inform policy decision. The objective is to keep the public informed about the decision-making process in the conduct of monetary policy in the Bank.

Monetary Policy in The Gambia

The mandate of the Central Bank of The Gambia (CBG) is to achieve and maintain price and financial sector stability as well as create an enabling environment for sustainable economic growth. The Bank continues to operate a monetary targeting framework. Targets for key monetary aggregates are set in line with the Bank's medium-term inflation objective of 5 percent.

Monetary Policy Committee

The Monetary Policy Committee (MPC) was established by the CBG Act (2018) as the apex monetary policy decision-making body of the Bank. Membership comprises the Governor (Chairman), the two Deputy Governors, heads of Banking, Financial Supervision, and Economic Research Departments of the Bank, and three persons appointed by the Minister of Finance and Economic Affairs. The MPC meets every quarter to review developments in the international and domestic economy and sets the monetary policy rate (MPR) to signal the direction of rates for the market. The MPR determines the policy stance of the Bank and it is arrived at through consensus. The Chairman communicates the decision of the Committee in a press conference and releases on the Bank's website.

Contents

List of Figures

List of Tables

Executive Summary

The Monetary Policy Committee of the Central Bank of The Gambia met on March 03 and 04, 2021 and decided to maintain the monetary policy rate at 10 percent. The meeting was attended by all the members of the Committee.

Amid exceptional uncertainty, the global economy is projected to recover in 2021 and 2022 following a deep contraction in 2020 due to the pandemic. Global growth is estimated at -3.5 percent in 2020, up by 0.9 percentage points in the previous World Economic Outlook (WEO) forecast of the IMF reflecting the impact of relaxation of travel restrictions and developments with the COVID-19 vaccine in the latter part of 2020. Various central banks across the world eased monetary conditions to support the economic recovery process.

Real GDP growth for the domestic economy in 2019 is estimated at 6.2 percent from 7.0 percent registered in 2018. Both the IMF and the authorities forecast the economy to have grown at zero percent in 2020, from an initial projection of -1.8 percent at the beginning of the pandemic.

The external position of the country deteriorated amid deteriorations in both the good and services accounts attributed to the impact of the COVID-19 pandemic that brought about travel restrictions, lockdowns, and general slowdown in economic activities around the globe.

Exchange rate of the dalasi was generally stable in the first three quarters of the review period amidst increased remittance inflows and inflows from development partners. However, in the last quarter of 2020, there was an upward pressure on the exchange rate as demand for foreign currency exceeded supply due to a pick-up in economic activity and a slowdown in remittances inflows.

Preliminary data on the government fiscal operations in 2020 showed a deterioration in the fiscal position of the government. The overall budget deficit (including and excluding grants) expanded during the twelve months of 2020 reflecting intervention efforts by government in response to the covid-19 pandemic. Total revenue and grants increased in the twelve months of 2020, compared to the preceding period in 2019 mirroring increases in tax and non-tax revenue during the period. Government expenditure and net lending in 2020 also increased induced by a significant increase in capital expenditure in health-related spending in response to the covid-19 pandemic.

The banking sector remains fundamentally sound with high levels of capital and liquidity. All the financial indicators were well above the Bank's requirements signifying a stable and vibrant financial system. The assets size of the banks had also grown resulting to comfortable margins of profits for the industry despite the non-performing loans ratio expanding during the review period.

The non-bank financial sector as an engine of financial inclusion, continued to play a pivotal role in extending financial services to most of the unbanked and under-banked population of The Gambia. In addition to the four (4) existing Microfinance Institutions (MFIs), two Finance Companies (FCs) were granted licenses to operate as MFIs during the period under review. The MFIs registered growth in both assets size and deposits of customers. However, loans disbursed during the period decreased. Similarly, Mobile money financial services continue to grow in terms of customers' registration and transaction volumes.

The stock of the domestic debt remains high, and its servicing continues to consume a significant amount of the national budget. Total outstanding domestic debt stock as at end-December 2020 grew by 4.3 percent to D34.6 billion (32.4 percent of the GDP) from D33.1 billion (36.2 percent of the GDP) in the corresponding period in 2019. Growth in the stock of Treasury bills and Sukuk Al Salaam slowed to 5.8 percent in 2020 compared to 11.5 percent in 2019. Yields in the domestic debt market declined in all the profiles for the review period and interest rates in the debt market declined reflecting supply and demand conditions.

Money supply growth moderated but remain strong. The deceleration in the growth of the net foreign assets (NFA) of the banking system more than off-set the increase in the net domestic assets (NDA) of the banking system explained the slow pace of growth in broad money during the review period. Year-on-year, reserve money growth accelerated attributed to the strong growth in the net foreign assets of the Central Bank.

Consumer price inflation accelerated in January 2021 on account of the significant increase in food inflation. Headline inflation rose to 7.6 percent in January 2021, from 5.7 percent in December 2020 and by 0.2 percentage points from a year ago. Food inflation increased to 9.1 percent in January 2021 from 8.1 percent in the corresponding period in 2020. Non-food inflation in contrast declined to 6.1 percent in January 2021, from 6.8 percent in the same period last year. The outlook also points to a buildup in inflationary pressures due to the anticipated rebound in domestic demand and the rising global oil and food prices.

The near-term outlook for The Gambian economy remains positive predicated on the developments surrounding the effectiveness of the roll-out of vaccines and prudent macroeconomic policies undertaken by the authorities in response to the covid-19 pandemic. However, there are uncertainties surrounding the outlook, given the persistence nature of the covid-19 virus.

From the above developments, the Committee judged the current monetary policy stance to be appropriate and decided to maintain the Monetary Policy Rate at 10.0 percent. The Committee also decided to maintain the required reserve ratio at 13 percent, the interest rate on the standing deposit facility at 3.0 percent, and the standing lending facility at 11.0 percent (MPR plus 1 percentage point).

The next Monetary Policy Committee meeting is scheduled for Wednesday, May 26, 2021. The meeting will be followed by the announcement of the policy decision on Thursday, May 27, 2021.

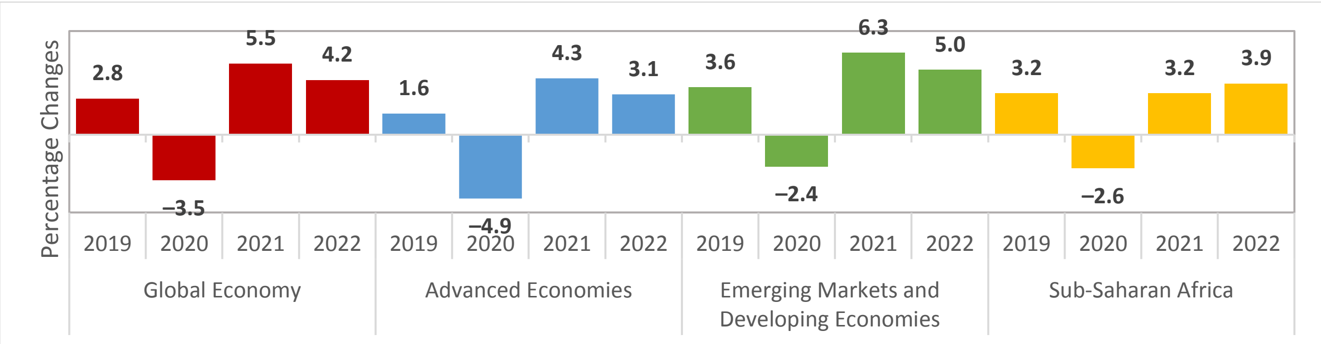
Developments in the Global Economy

Global Economy

The Global economy is expected to recover in 2021 following a severe contraction in 2020 due to the impact of the COVID-19 pandemic. Policy measures coupled with the reopening of economies and roll out of vaccines are expected to support the recovery process. Furthermore, with eased Financial conditions and subdued global Inflation, growth is expected to rebound in 2021 for most economies.

The International Monetary Fund (IMF) in its January 2021 WEO update revised global growth projection for 2020 from negative 4.4 percent to negative 3.5 percent. This reflected the stronger than expected momentum during the second half of the year as countries adjust to the pandemic through medical interventions, and various policy support across regions. The outlook for the near term also looks stronger than previously envisaged. Growth is projected at 5.5 percent in 2021 higher than the projections in the October 2020 WEO by 0.3 percentage points. This mainly reflects the various monetary and fiscal support particularly in advance economies and the heightened hopes in overcoming the pandemic given the approval and launch of vaccines in some countries.

FIGURE 1: *GLOBAL AND REGIONAL ECONOMIC GROWTH*



Source: *IMF, World Economic Outlook, January 2021*

In advanced economies, strong policy supports among other factors mitigated the impact of the COVID-19 pandemic. Reflecting these policy supports and the anticipated availability and roll out of vaccines, the projections for 2020 in this region has been revised upward by 0.9 percentage points relative to the forecast in the October 2020 WEO. Similarly, projections for 2021 and 2022 were revised upward by 0.4 and 0.2 percentage points respectively.

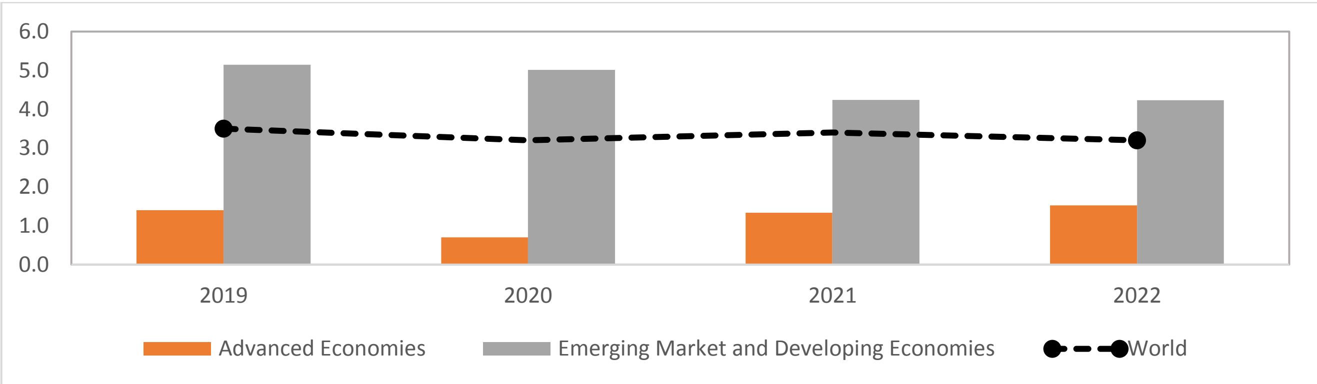
Emerging market and developing economies are also projected to traverse diverging recovery paths. Forecast from January 2021 indicated a less severe contraction of 0.9 percentage points for this region in 2020. The region is projected to recover in 2021 and 2022 by 0.3 and 0.1

percentage points higher than previously forecast. These revisions were premised on the effective containment measures including a forceful public investment response in china, the stronger-than-expected recovery in 2020 in India after lockdowns were eased among others. In sub-Saharan Africa, growth is expected to strengthen to 3.2 percent in 2021 from -2.6 percent in 2020.

Generally financial conditions have continued to ease for advanced economies and for most emerging markets and developing economies. The aggressive policy counter measures played a vital role in supporting sentiment and preventing further amplification of the COVID-19 shock through the financial system.

Consistent with subdued global demand, global inflation on average is estimated to softened to 3.2 percent in 2020 compared to 3.5 percent in 2019. Notwithstanding increases in the prices of medical supplies and other commodity prices, the effects of weak aggregate demand appear to have reduced the impact of supply interruptions. In 2021, global inflation is projected to increase slightly but to remain below the pre-pandemic level.

FIGURE 2: *AVERAGE ANNUAL INFLATION RATE*



Source: IMF

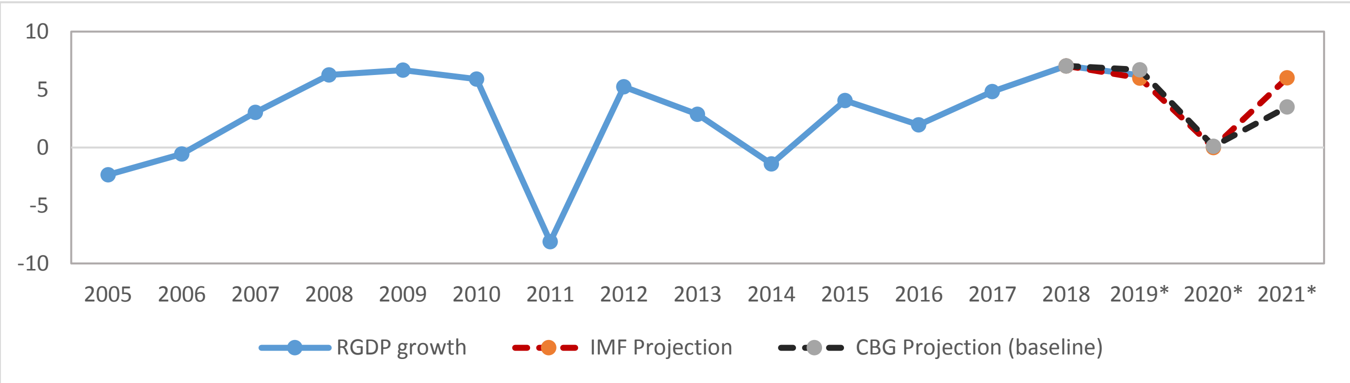
Developments in the Domestic Economy

Real Sector

The Gambian economy is estimated to have registered zero real GDP growth rate in 2020 compared to 6.2 percent growth in 2019, reflecting the effect of the COVID-19 pandemic. The expansionary fiscal and monetary policies, eased restrictions, and resumption of business activity in quarter 4 of 2020 helped in softening the impact of the pandemic on the real growth rate, that was projected to contract by 1.8 percent in earlier estimates.

The Central Bank of the Gambia (CBG) early indicators (Composite Index of Economic Activity, CIEA) also pointed to a weaker level of economic activities in 2020 relative to 2019 as disruptions in economic activity heightened during the reviewed period. A rebound is expected in 2021 predicated on a return to normalcy and a recovery of the global economy as the vaccine rollout continues. The Fund forecast real GDP growth to rebound to 4.9 percent in 2021, which is consistent with the authority's growth estimate in 2021. However, the nature of the crisis indicates that there is massive uncertainty around these forecasts.

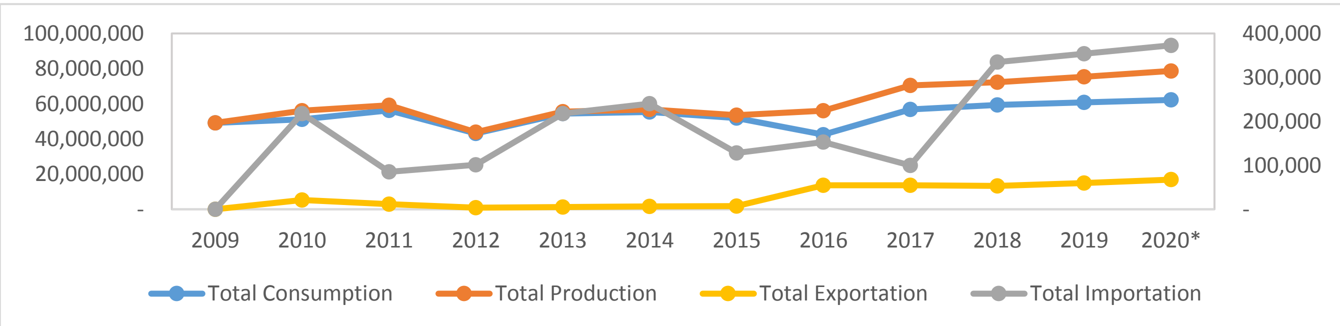
***FIGURE 3**: REAL GROSS DOMESTIC PRODUCT (RGDP) GROWTH*



***Source**: GBOS, CBG, IMF*

The Agricultural Sector, the second-largest contributor to GDP, is estimated to have contracted by 1.3 percent in 2019. However, in 2020 the sector is forecast to grow modestly driven mainly by crop production, fishing, and aquaculture. The projections for 2020 from the Ministry of Fisheries and Water Resources showed that the fishing industry has been remarkably resilient to the effects of the pandemic. Total production and consumption of fish are expected to increase by 4.1 percent and 2.3 percent, respectively. Both fish import and export are expected to increase by 5.2 percent and 11.1 percent in 2020.

***FIGURE 4:** FISHING ACTIVITIES (TOTAL IMPORTATION ON RHS)*



***Source:** Ministry of Fisheries and Water Resources*

Despite being the biggest sector of the economy and contributed 61.5 percent to the total value of real GDP in 2019, the services sector is estimated to have contracted by 6.8 percent in 2020, driven primarily by a decline in accommodations (-48.26 percent) because of the COVID-19 pandemic. In 2021, the sector is expected to grow by 3.2 percent premised on a rebound in accommodations, education, health, retail trade, among others.

During the 2020 lockdown, virtually no tourist arrived in the country. The lifting of restrictions saw a pick-up in tourist arrivals towards the end of 2020. The outlook, however, remains fragile with concerns over rapid availability of enough vaccines and logistics to curb the spread of the virus.

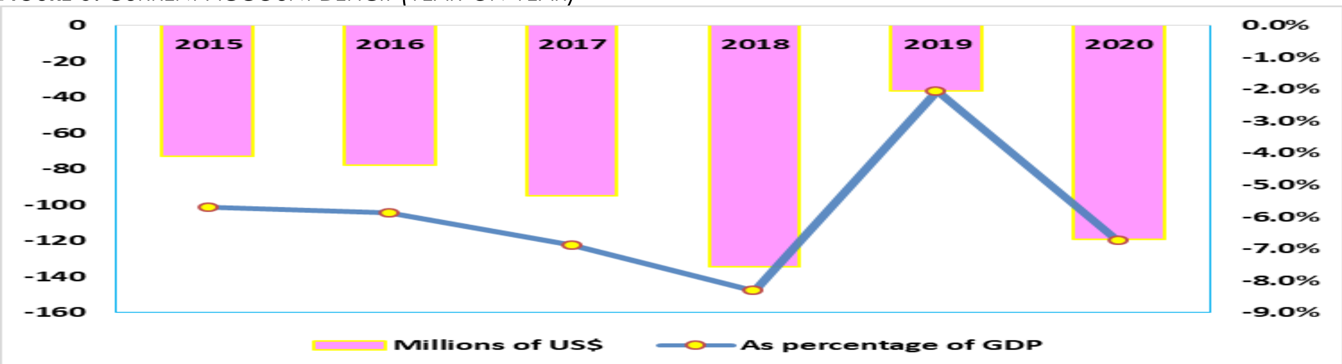
The industrial sector was projected to have grown robustly in 2019 by 14.3 percent. However, growth in 2020 is expected to decelerate to 5.8 percent before picking up to 17.6 percent in 2021. The forecast for 2021 growth is premised primarily on growth in construction activities.

Balance of Payment Developments

The preliminary balance of payments estimates for end-December 2020 revealed a worsened external sector position for the country. The collapse of tourism, the marked decline in re-export trade and the increased in imports worsened the current account position.

The Current account balance worsened to a deficit of US$119.34 million (6.75 percent of GDP) in the twelve months of 2020 from a deficit of US$36.60 million (2.07 percent of GDP) in the corresponding period of 2019, due to the deterioration in both the goods and service account balances.

FIGURE 5: *CURRENT ACCOUNT DEFICIT (YEAR-ON-YEAR)*



***Source**: CBG*

The goods account balance widened to a deficit of US$512.71 million (29.0 percent of GDP) at end-December 2020 from a deficit of US$379.01 million (21.3 percent of GDP) in the corresponding period in 2019. This reflected mainly the importation of COVID-19 medical and related materials during the period and the fall in total export, especially re-export in the second quarter and third quarters of 2020 due to the border closure.

Total imports (FOB) rose by 9.2 percent to US$582.78 million in December 2020. The major imported items during the twelve months were mainly oils (35.6 percent of the total imports), foods stuffs (18.0 percent of the total imports) and electrical machinery and other equipment (7.1 percent of the total imports). Exports (FOB) on the other hand, decreased to US$61.03 million in the twelve months of 2020 from US$133.69 million in the corresponding period of 2019. Major products exported were Fish and animal feeds, mollusks, and other aquatic invertebrates (51.9 percent of total export); Fruits, seeds, and vegetable (23.6 percent).

The services account balance also deteriorated to a deficit of US$4.78 million, or by 104.8 percent in the twelve months of 2020, from a surplus of US$100.33 million in the same period a year ago. This is explained by a decrease in personal travels by 70.6 percent to US$40.74 million, reflecting the collapse in tourism due to decline in air-chartered tourist arrivals by 62.2 percent during the period.

The capital and financial account registered a higher surplus of US$270.03 million in the twelve months of 2020 compared to a surplus of US$60.08 million a year ago, reflecting the improvement in official inflows. The financial account balance improved to a surplus of US$174.63 million in the twelve months of 2020 from a surplus of US$72.30 million in the corresponding period a year ago on account of improvements in direct investment.

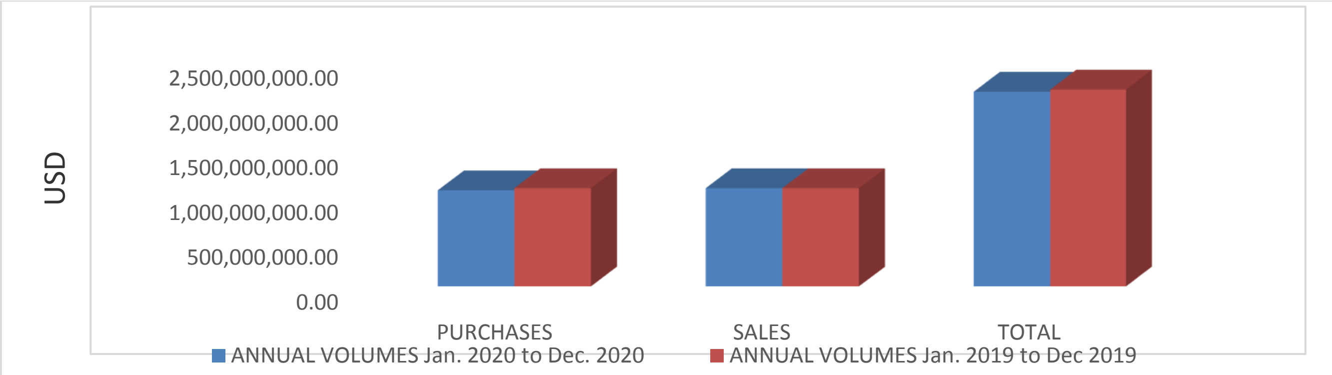
At end-December 2020, gross official reserves stood at US$352.03 million (5.9 months of import cover) compared to US$332.47 million (5.5 months of import cover) at end-September 2020. The most recent period (as of March 02, 2021), indicated gross official reserves at US$382.64 million, representing 6.4 months of import cover.

Exchange Rate Development

The foreign exchange market remains resilient, characterized by adequate foreign currency liquidity and a stable exchange rate. Supply conditions of foreign exchange are stable due to large foreign capital inflows from official development partners and private remittances. However, as the COVID-19 restrictions continues to ease, demand pressures (imports) are likely to mount which may exert upward pressure on the dalasi.

Annual volumes of transaction declined slightly by 1.1 percent to $2.17 billion in 2020 compared to $2.19 billion in 2019. The decline in the volumes of transaction was a clear reflection of the slowdown in economic activities due to the pandemic particularly the low number of tourist arrival in the country during the reviewed period.

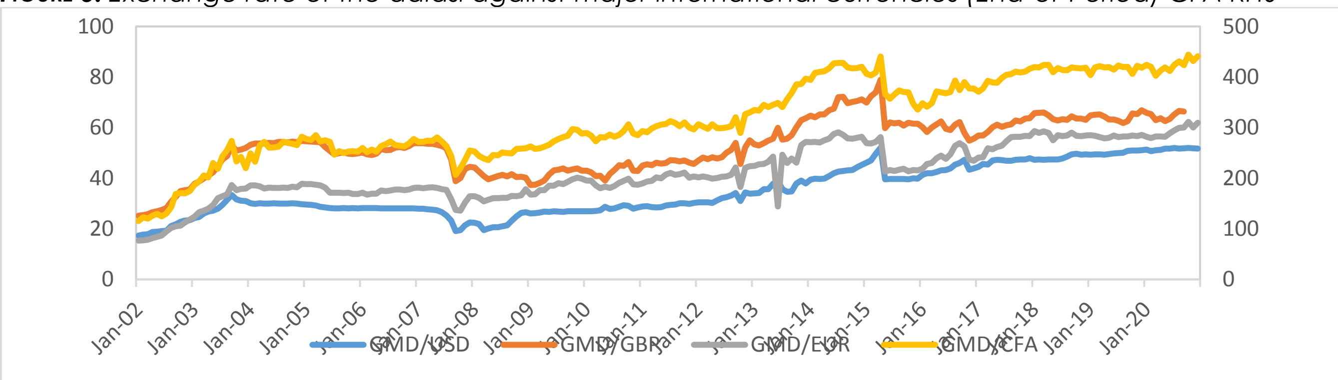
FIGURE 2: *ANNUAL VOLUMES OF TRANSACTION*



Source: *CBG*

Despite the favorable supply conditions in the foreign exchange market (higher-than-expected inflows of private remittances and budget support receipts), the dalasi weakened against the Euro by 7.32 percent, the pound sterling by 1.45 percent, the US Dollar by 1.14 percent and the CFA by 4.24 percent in December 2020. This is on account of a decline in remittances inflows and pick-up in economic activity in the last quarter of 2020 creating demand pressures in the foreign exchange market.

FIGURE 3: *Exchange rate of the dalasi against major international currencies (End-of-Period) CFA RHS*



Source: *CBG*

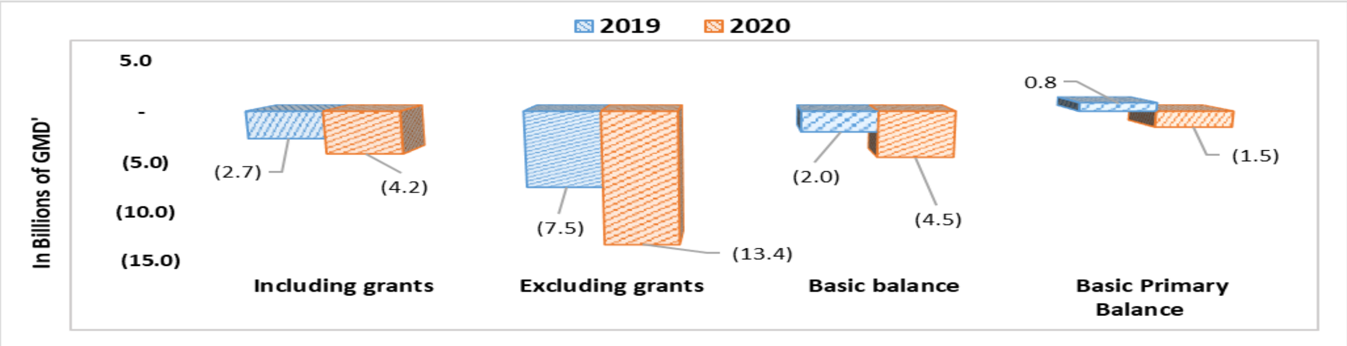
The dalasi is expected to be relatively stable in the remainder of 2021, supported mainly by an expected rebound in the tourism sector, a continued inflow of private remittances, and budget support from development partners.

Government Fiscal Operations

For the twelve months ending December 2020, government fiscal position worsened *compared to the same period in 2019, attributed to the increase in both current and capital expenditures. Total revenue and grants during the period also increased mainly on account of an increase in project related grants as domestic revenue mobilized fell short of projection.*

Government fiscal operations as at end December 2020 showed an overall budget deficit (including grants) of D4.3 billion (4.3 percent of GDP) compared to a deficit of D2.7 billion (3.1 percent of GDP) in the corresponding period in 2019. This was attributed to an increase in both current and capital expenditures which grew by 26.1 percent and 63.6 percent, respectively. The overall budget deficit (excluding grants) also widened to D13.4 billion (13.6 percent of GDP) compared to a deficit of D7.5 billion (8.6 percent of GDP) in 2019.

FIGURE 4: *GOVERNMENT FISCAL OPERATIONS*

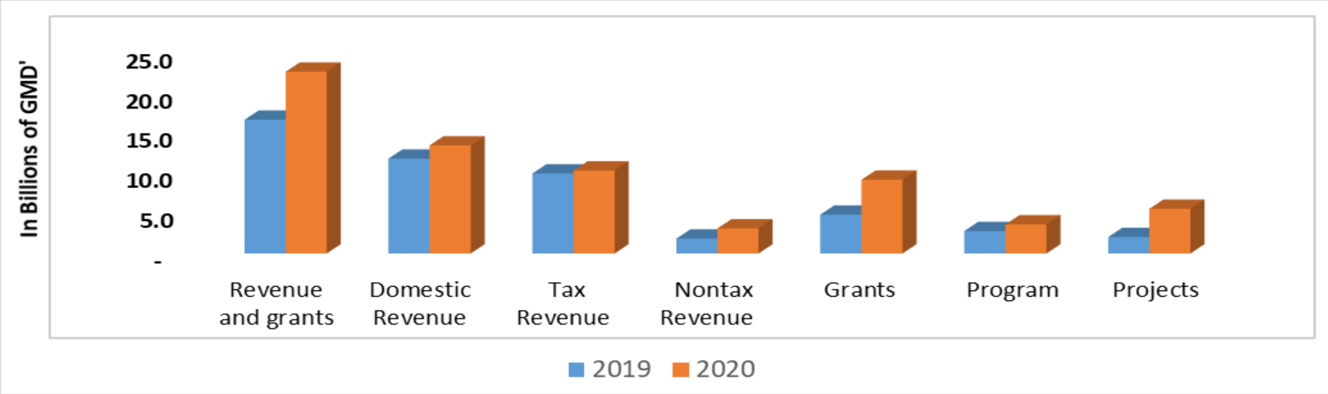


Source: *MoFEA, CBG staff calculations*

The basic balance deficit, which excludes grants and externally financed capital spending deteriorated to a deficit of D4.5 billion (4.6 percent of GDP) at end-December 2020 compared to a deficit of D2.0 billion (2.3 percent of GDP) in the corresponding period a year ago. The primary balance surplus (basic balance excluding interest payments) of D0.8 billion (0.9 percent of GDP) in 2019 expanded to a deficit of D1.6 billion (1.6 percent of GDP) in 2020.

Total revenue and grants grew by 35.9 percent to D22.6 billion (23.0 percent of GDP) in the twelve months of 2020 relative to D16.6 billion (19.0 percent of GDP) in the same period last year. Grants accounted for 26.1 percent of total revenue and grants. Domestic revenue, comprising tax and non-tax revenues, rose by 13.9 percent to D13.4 billion (13.7 percent of GDP) from D11.8 billion (13.5 percent of GDP) a year ago, mirroring a marked increase of 69.0 percent in non-tax revenue while tax revenue grew by only 3.7 percent.

FIGURE 5: *REVENUE PERFORMANCE IN THE TWELVE MONTHS OF 2020*



***Source**: MoFEA, CBG staff calculations*

Year-on-year, government expenditure and net lending increase by D7.5 billion to D26.8 billion in December 2020. The expansion in expenditure and net lending was mainly driven by capital expenditure which accounted for 21.3 percent of the increase while recurrent expenditure contributed 17.4 percent during the period.

Recurrent expenditure increased by 26.1 percent to D16.2 billion (16.5 percent of GDP) compared to D12.8 billion (14.6 percent of GDP) in 2019, reflecting increases in all the components of recurrent expenditure (wages and salaries, other charges, and interest payments). Although domestic interest payments declined during the review period, the increase in external interest payments of 47.9 percent far more than off-set the 2.2 percent decline in domestic interest component.

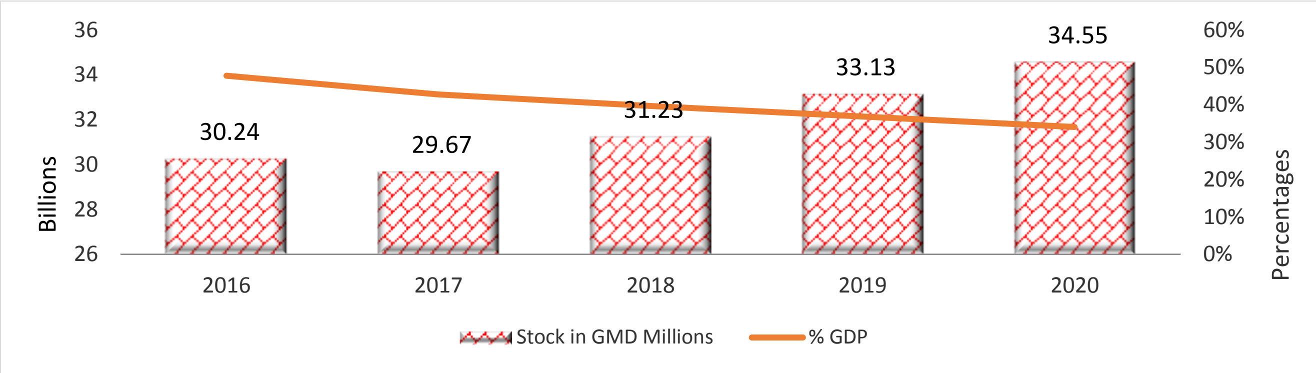
Capital expenditure mainly financed through external funding (83.4 percent) significantly increased by 63.6 percent to D10.6 billion (10.8 percent of GDP) as at end December 2020 from D6.5 billion (7.4 percent of GDP) in 2019.

Domestic Debt (Financial Market) Developments

The stock of domestic debt remains high, and its servicing consumes a significant amount of the national budget. Given that more than 60 percent of the outstanding domestic debt stock are in short-term, this presents a significant refinancing risk in addition to the debt service cost burden.

The stock of outstanding domestic debt at end-December 2020 stood at D34.6 billion compared to D33.1 at end-December 2019. Approximately 60.1 percent of the outstanding domestic debt stock are short-term (mainly Treasury bills), 13.4 percent are in the medium term and 26.6 percent are in long-term. This indicates an increasing reliance on short-term domestic borrowing to finance government activities.

***FIGURE 6**: STOCK OF DOMESTIC DEBT*



***Source**: CBG*

Domestic interest expense at end-December 2020 slightly declined to D2.42 billion or 17.6 percent of domestic revenue relative to D2.47 billion (20.9 percent of domestic revenue) during the corresponding period in 2019. An expected high government spending (due to COVID-19 pandemic and the political cycle), amidst weak revenue mobilization may exert pressure on government fiscal position in the short term.

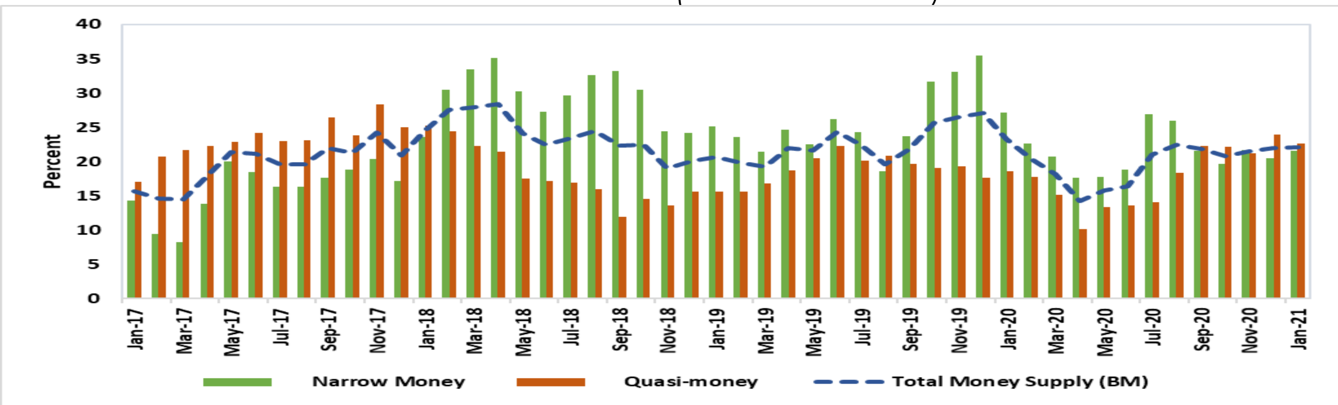
As at end-December 2020, the average yield on 3-months, 6-months and one-year government Treasury bills stood at 2.75 percent, 5.03 percent, and 7.30 percent compared to 2.24 percent, 4.98 percent, and 7.39 percent respectively in the comparative period in 2019. It is expected that the impending bond issuances could swell the already high domestic debt level with potential to reverse the low treasury bill interest rate.

Monetary Developments

Money supply growth moderated but remained robust, supported mainly by the increase in the net foreign assets (NFA) and net domestic assets (NDA) of the banking system. Private sector credit growth weakened on account of a slowdown in economic activities associated with the impact of the COVID-19 pandemic. Reserve money growth, on the other hand accelerated during the review period.

Annual Growth in broad money at end-December 2020 stood at 22.0 percent, 5.1 percentage points lower than the growth rate observed in the corresponding period in 2019. Growth in broad money was supported by the growth in both NFA and NDA of the banking system.

FIGURE 11: ANNUAL MONEY SUPPLY GROWTH AND COMPONENT (PERCENTAGE CHANGES)



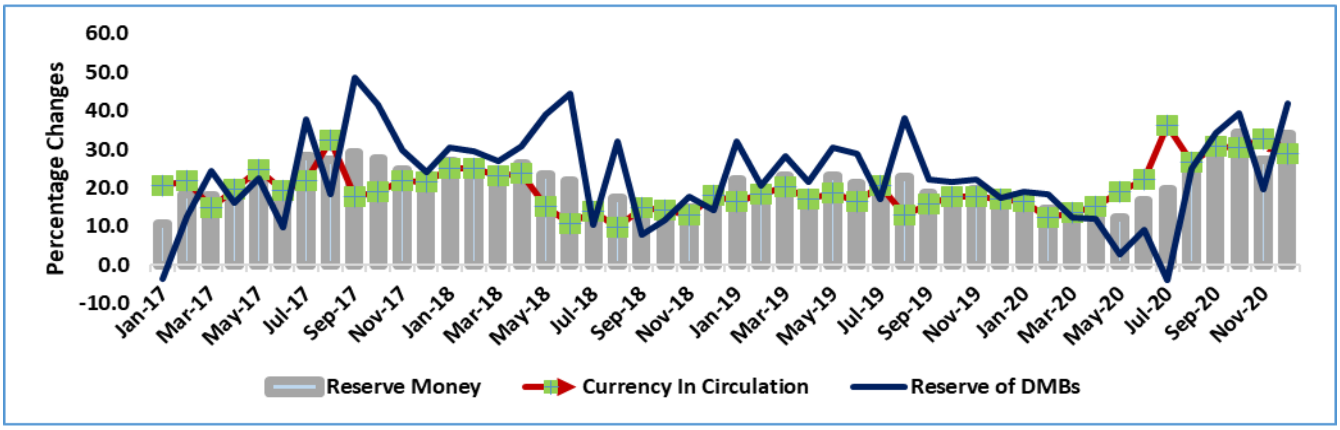
***Source**: CBG*

Net Foreign Assets (NFA) of the banking system, the main source of system wide liquidity rose to D24.3 billion or by 45.0 percent, as at end December 2020 from D16.8 billion a year ago, attributed to an increase in the NFA of both the Central Bank and deposit money banks by 62.6 percent and 26.9 percent, respectively. In December 2020, the NDA of the banking system increased to D28.0 billion relative to D26.1 billion in 2019, reflecting an increase of 5.0 percent in domestic credit due to the rise in claims on government net by 6.5 percent.

Similarly, growth in private sector credit decelerated to 0.8 percent in the review period compared to 35.8 percent growth a year ago. The sharp decline in private sector credit is explained by low economic activity on trade and construction due to the COVID-19 pandemic.

Annual reserve money expanded to D18.6 billion in December 2020 from D13.9 billion in the same period in 2019, reflecting the strong growth in the NFA of the Central Bank by 62.6 percent. The growth in currency in circulation and reserves of deposit money banks by 28.9 percent and 41.9 percent contributed to the growth in reserve money.

FIGURE 12: RESERVE MONEY AND COMPONENTS



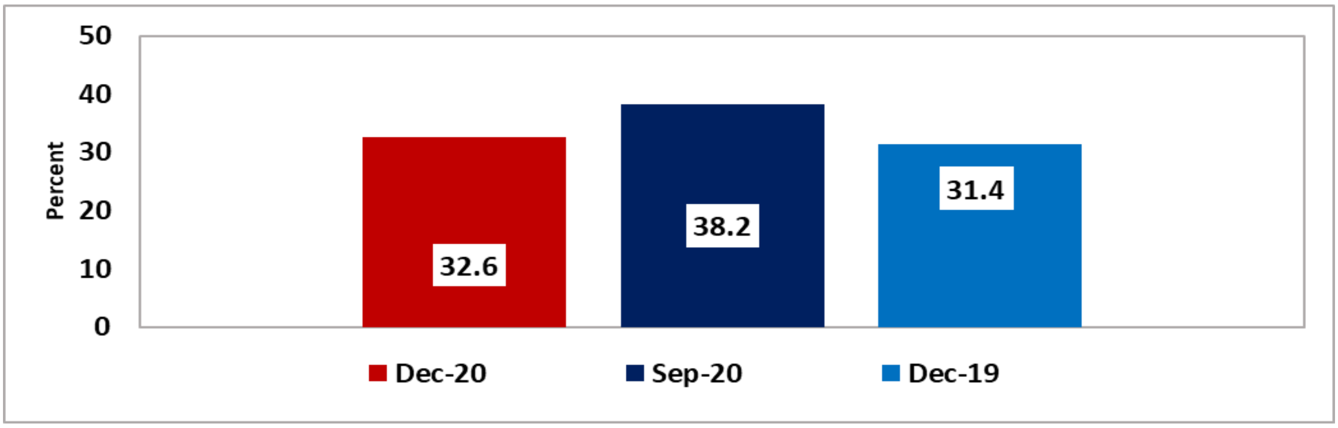
***Source**: CBG*

Banking Sector Developments (Financial Soundness Indicators)

Despite the adverse effects of the COVID-19 pandemic, the banking industry remains liquid, stable, and profitable with a high level of capital.

The Capital Adequacy Ratio (CAR) of the industry stood at 32.6 percent dropping by 5.6 percentage points compared to the previous quarter. Year-on-year, CAR increased by 1.2 percentage points. All banks were above the prudential requirement of 10 percent.

Figure 13: *CAPITAL AND RESERVE OF THE BANKING INDUSTRY*



Source*: CBG*

Total assets of the banking industry as at end-December 2020 stood at D58.8 billion, expanding by 3.5 percent from D50.9 billion at end-December 2019. This was driven by an increase in the deposit sizes, balance due from other banks and increase in loans and advances. Year-on-year, gross loan and advances increased by 0.7 percent during the review period. The ratio of non-performing loans to total loans, a measure of asset quality, increased from 4.5 percent at end-December 2019 to 6.8 percent at end-December 2020 reflecting the impact of COVID-19 on the banking industry.

The liquid asset to deposit ratio at 94.4 percent in December 2020 increased by 2.8 percentage points compared to December 2019 and well above 30 percent statutory requirement. The Industry Net Open Position (NOP) in December 2020 stood at 4.6 percent long compared to an exposure of 2.5 percent long in December 2019. This is within the required limit of 15 percent for a single currency and 25 percent for overall.

Return on assets (ROA) increased to 1.90 percent in December 2020 from 1.88 percent in December 2019 while return on equity (ROE) stayed steady at 15.3 percent. ROA and ROE however, deteriorated by 0.03 and 0.04 percentage points compared to the preceding quarter in 2020.

Non-Banking Sector Developments

The Non-Bank financial sector continues to play a pivotal role in accelerating the pace of financial inclusion by extending financial services to majority of the unbanked and under banked population of The Gambia.

The Finance Companies (FCs) registered significant growth in terms of profits, assets, and deposits mobilization. The industry profit expanded by 3.0 percent or D0.3 million at end-December 2020 compared to the same period last year. The non-performing loans of these FCs dropped from 18 percent during the prior quarter to 11 percent in the quarter under review but still above the 5 percent prudential requirement.

The Savings and Credit Associations (SACAs) consists of the Village Savings and Credit Associations (VISACAs) and the Credit Unions, whose main purpose is to provide access to finance to members at the village level. The number of SACAs have declined significantly over the last decade from 80 access points to just about 10 viable ones in 2020 attributed largely to the cessation of the government funded project support that subsidized their operations. The number of Credit Unions (CU) on the other hand, remained steady at 52 in December 2020.

There are two registered Mobile money financial Services operators. Mobile money service has great potential of accelerating financial inclusion as evident in East and Southern African countries.

Business Sentiment Survey

The Central Bank of the Gambia business sentiment survey for the fourth quarter of 2020 points to a gloomy economic outlook reflecting largely the impact of the outbreak of the new variant of COVID-19 pandemic. Majority of respondents reported negative sentiments about the current and expected level of business activity.

At the macro level, 12 percent of the respondents reported a lower level of economic activity in the fourth quarter of 2020 compared to 38 percent that indicated a higher activity, leading to a diffusion index of 26 percent. This may reflect the easing of restriction within the economy and cross border transaction. With regards to the outlook, 14 percent of respondents projected activity level to decline in Q1, 2021 compared to 56 percent that predicted higher activity level, leading to a diffusion index of 42 percent. This may reflect the optimism of the recovery process and the launch and roll out of vaccines around the globe.

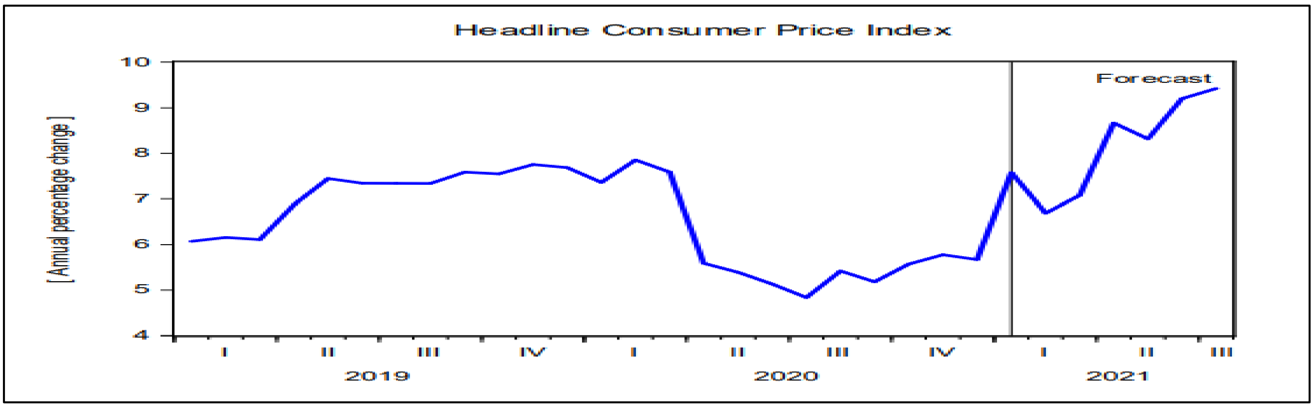
The survey also revealed heightened inflation expectations with about 46 percent of respondents expecting inflation to accelerate in Q1, 2021. All sectors surveyed expect a higher level of inflation for the coming quarter.

Price Development (Inflation)

Consumer price inflation accelerated in January 2021 on account of significant increase in food inflation. The outlook also points to a buildup in Inflationary pressures due to anticipated rebound in domestic demand and rising global oil and food prices. Both Food and non-food inflation have accelerated relative to its last month record.

Headline inflation has been accelerating since the second half of 2020. As of December 2020, it stood at 5.7 percent from a record of 5.8 percent in November 2020. This reflects mainly the one-off increase in the price of education. When compared to the corresponding period in 2019, inflation subdued by 2.0 percentage points. Latest information indicated that inflation significantly increase to 7.6 percent in January 2021. This acceleration mainly reflects the observed pick up in the prices of the food component.

FIGURE 14*: HEADLINE INFLATION*



Source*: GBOS and CBG Staff Calculations*

Food inflation, which is the main driver of headline inflation, stood at 7.04 percent in December 2020, representing an increase of 0.3 Percentage points from the previous month record of 6.7 but lower than the 7.7 percent recorded in December 2019. Major drivers of food inflation during the period were, Meat, Fish, oil and fat, fruits and nuts, milk, cheese, and eggs. The good harvest in the last cropping season somewhat mitigated the impact of the persistent rise in global food prices.

Non-food inflation comparably decelerated relative to its record during the corresponding period a year ago. In December 2020, non-food stood at 4.4 percent and rose to 6.1 percent in January 2021. Key drivers of non-food inflation in December 2020 and January 2021 were education, miscellaneous goods and services, transportation, housing, water, electricity and other fuels and health.

Generally, the near-term forecast suggests a build-up in inflationary pressures associated with expected pick-up in domestic demand, uptick in global food and oil prices, and the anticipated expansionary fiscal policy due to the run up to elections. On the other hand, the continuous stability of the exchange rate and prudent monetary policy may help dampen these pressures.

Headline inflation (Seasonally adjusted) is projected to temporarily decelerate in February to 6.7 percent but to pick up thereafter in the first quarter premised on the expected recovery in economic activities and the surge in global commodity prices.

Decision

Taken the above factors into consideration, the Committee decided to maintain the policy rate at 10.0 percent. The Committee also decided to maintain the interest rate on the standing deposit facility at 3.0 percent and the standing lending facility at 11.0 percent (MPR plus 1 percentage point).

Next MPC Meeting

The next Monetary Policy Committee (MPC) meeting is scheduled for Wednesday, May 26, 2021. The meeting will be followed by the announcement of the policy decision on Thursday, May 27, 2021.

APPENDIX

TABLE 1: *OVERVIEW OF THE WORLD ECONOMIC OUTLOOK PROJECTIONS (PERCENT CHANGE, UNLESS NOTED OTHERWISE)*

	Year over Year				Difference from October 2020 WEO Projections 1/		Q4 over Q4 2/		
		Estimate	Projections				Estimate	Projections	
	2019	2020	2021	2022	2021	2022	2020	2021	2022
World Output	**2.8**	**–3.5**	**5.5**	**4.2**	**0.3**	**0.0**	**–1.4**	**4.2**	**3.7**
Advanced Economies	**1.6**	**–4.9**	**4.3**	**3.1**	**0.4**	**0.2**	**–3.9**	**4.6**	**1.9**
United States	2.2	–3.4	5.1	2.5	2.0	–0.4	–2.1	4.0	2.0
Euro Area	1.3	–7.2	4.2	3.6	–1.0	0.5	–6.8	5.8	2.0
Germany	0.6	–5.4	3.5	3.1	–0.7	0.0	–5.3	5.2	1.7
France	1.5	–9.0	5.5	4.1	–0.5	1.2	–8.2	7.4	2.0
Italy	0.3	–9.2	3.0	3.6	–2.2	1.0	–8.3	4.2	2.3
Spain	2.0	–11.1	5.9	4.7	–1.3	0.2	–9.8	7.1	2.0
Japan	0.3	–5.1	3.1	2.4	0.8	0.7	–2.3	2.7	1.6
United Kingdom	1.4	–10.0	4.5	5.0	–1.4	1.8	–8.3	6.0	1.9
Canada	1.9	–5.5	3.6	4.1	–1.6	0.7	–4.0	3.7	2.7
Other Advanced Economies 3/	1.8	–2.5	3.6	3.1	0.0	0.0	–2.2	4.5	1.9
Emerging Market and Developing Economies	**3.6**	**–2.4**	**6.3**	**5.0**	**0.3**	**–0.1**	**0.9**	**3.7**	**5.4**
Emerging and Developing Asia	5.4	–1.1	8.3	5.9	0.3	–0.4	3.2	3.8	6.4
China	6.0	2.3	8.1	5.6	–0.1	–0.2	6.2	4.2	6.0
India 4/	4.2	–8.0	11.5	6.8	2.7	–1.2	0.6	1.7	7.8
ASEAN-5 5/	4.9	–3.7	5.2	6.0	–1.0	0.3	–3.2	5.2	6.1
Emerging and Developing Europe	2.2	–2.8	4.0	3.9	0.1	0.5	–2.7	4.8	3.0
Russia	1.3	–3.6	3.0	3.9	0.2	1.6	–4.6	5.3	2.6
Latin America and the Caribbean	0.2	–7.4	4.1	2.9	0.5	0.2	–4.8	2.3	2.8
Brazil	1.4	–4.5	3.6	2.6	0.8	0.3	–1.9	1.6	2.6
Mexico	–0.1	–8.5	4.3	2.5	0.8	0.2	–5.4	2.2	2.4
Middle East and Central Asia	1.4	–3.2	3.0	4.2	0.0	0.2	...	...	...
Saudi Arabia	0.3	–3.9	2.6	4.0	–0.5	0.6	–3.1	3.5	4.0
Sub-Saharan Africa	3.2	–2.6	3.2	3.9	0.1	–0.1	...	...	...
Nigeria	2.2	–3.2	1.5	2.5	–0.2	0.0	...	...	...
South Africa	0.2	–7.5	2.8	1.4	–0.2	–0.1	–6.2	2.8	0.6
Memorandum									
Low-Income Developing Countries	5.3	–0.8	5.1	5.5	0.2	0.0	...	...	...
World Growth Based on Market Exchange Rates	2.4	–3.8	5.1	3.8	0.3	0.0	–2.0	4.3	3.1
World Trade Volume (goods and services) 6/	**1.0**	**–9.6**	**8.1**	**6.3**	**–0.2**	**0.9**	**...**	**...**	**...**
Advanced Economies	1.4	–10.1	7.5	6.1	0.4	1.0	...	...	...
Emerging Market and Developing Economies	0.3	–8.9	9.2	6.7	–1.0	0.8	...	...	...
Commodity Prices (US dollars)									
Oil 7/	–10.2	–32.7	21.2	–2.4	9.2	–5.4	–27.6	13.5	–2.2
Nonfuel (average based on world commodity import weights)	0.8	6.7	12.8	–1.5	7.7	–2.0	15.4	2.0	–0.1
Consumer Prices									
Advanced Economies 8/	1.4	0.7	1.3	1.5	–0.3	–0.1	0.5	1.5	1.6
Emerging Market and Developing Economies 9/	5.1	5.0	4.2	4.2	–0.5	–0.1	3.2	3.8	3.7
London Interbank Offered Rate (percent)									
On US Dollar Deposits (six month)	2.3	0.7	0.3	0.4	–0.1	–0.1	...	...	...
On Euro Deposits (three month)	–0.4	–0.4	–0.5	–0.6	0.0	–0.1	...	...	...
On Japanese Yen Deposits (six month)	0.0	0.0	–0.1	–0.1	–0.1	–0.1	...	...	...

***Source**: IMF, World Economic Outlook, January 2021*

***Table 1**: Composition of Outstanding Domestic Debt (in D' millions)*

Instruments	2017	2018	2019	2020	Feb-21	Abs
	Actual					
Treasury Bills	14,604.92	16,538.63	18,586.87	19,755.18	20,355.94	600.76
Sukuk Al Salam	852.04	846.09	799.50	749.31	740.86	(8.44)
Treasury Bonds	2,226.70	2,456.70	2,956.82	3,861.25	3,861.25	-
Nawec Bond	1,565.98	1,325.06	1,084.14	843.22	843.22	-
7% - 30 Year Gov't Bond	10,419.86	10,060.56	9,701.25	9,341.94	9,341.94	-
Total	**29,669.50**	**31,227.04**	**33,128.58**	**34,550.90**	**35,143.21**	592.32
Debt growth		5.25%	6.09%	4.29%	1.71%	
	percent of total					
Treasury Bills	49.2	53.0	56.1	57.2	57.9	
Sukuk Al Salam	2.9	2.7	2.4	2.2	2.1	
Treasury Bonds	7.5	7.9	8.9	11.2	11.0	
Nawec Bond	5.3	4.2	3.3	2.4	2.4	
7% - 30 Year Gov't Bond	35.1	32.2	29.3	27.0	26.6	
Short-term	52.1	55.7	58.5	59.3	60.0	
Medium-term	12.78	12.1	12.2	13.6	13.4	
Long-term	35.1	32.2	29.3	27.0	26.6	

***Source**: CBG*

***Table 2**: Summary of Financial Highlight as at December 2020*

		Ratings	Ratio %	Dec 2020	Sep 2020	Dec 2019	+/-	Prudential Limit
Risk	Credit	Satisfactory	NPL	6.82	6.55	4.6	0.2	Single Digit
	Market	Satisfactory	NOP	4.6	3.0	2.5	1.6	25
	Liquidity	Strong	Liquid Asset/Volatile Funds	94.4	92.5	91.6	1.9	30
		Strong	Liquid Asset/Total Asset	63.8	63.6	61.1	0.2	30
Mitigants	Earnings	Needs Improvement	ROA	1.9	1.9	1.9	NA	NA
		Needs Improvement	ROE	15.3	15.4	15.3	-0.1	NA
	Capital	Strong	CAR	32.6	38.2	31.4	-5.6	10

***Source**: CBG*

***Table 3:** Key Financial Indicators for Finance Companies (FCs)*

	NPLs	ROA	ROE	L/R	CAR
Dec-19	4%	1%	7%	75%	33%
Mar-20	8%	1%	8%	70%	39%
Jun-20	14%	0.30%	2%	73%	36%
Sep-20	18%	0.82%	5%	63%	32%
Dec-20	11%	0.80%	5%	58%	32%

***Source**: CBG*

TABLE 5: *THE UPTAKE AND USAGE OF MOBILE FINANCIAL SERVICES (IN GMD)*

	June 2020	September 2020	December 2020	Change (%)
Total Electronic Value held in Agents Wallet (in GMD)	15,831,499	16,155,413	30,674,470	90%
Total Number of Registered Customers	36,083	35,144	29,728	-15%
Total Value of Cash-in Transactions (in GMD)	38,492,969	45,928,461	70,117,716	53%
Total Value of Cash-out Transactions (in GMD)	15,779,408	21,244,710	47,103,792	122%
Total Electronic Value held in Customers' Wallets (in GMD)	16,172,032	19,138,929	30,674,470	60%

Source: *CBG*

TABLE 6: *SUMMARY OF THE CONSOLIDATED DIFFUSION INDEX (%)*

	Q4, 2020 Vs Q3, 2020				Prospect for Q1, 2021			
1.0 Business Activities	**High**	**Same**	**Lower**	**Diffusion Index**	**High**	**Same**	**Lower**	**Diffusion Index**
Country Level	38	50	12	26	56	30	14	42
Company Level	33	38	29	4	67	25	8	59
Business indicators at company level								
2.0 Capital expenditure	29	46	25	4	54	21	25	29
2.1 Employment	25	63	12	13	29	67	4	25
2.2 Sales	39	28	33	6	75	17	8	67
2.3 Profits	38	21	41	-3	63	25	12	51
At Country Level								
2.4 Current Prices	71	25	4	67				
2.5 Expected Inflation					46	26	25	21
2.6 Current Exchange	58	38	4	54				
2.7 Expected Exchange rate					54	25	21	33
2.8 Current interest rates	29	54	17	12				
2.9 Expected interest rates					21	46	33	-12

Source: *CBG*

TABLE 7: *SUMMARY OF CURRENT ACCOUNT BALANCE*

	Annual -17	Q1-18	Q2-18	Q3-18	Q4-18	Annual -18	Q1-19	Q2-19	Q3-19	Q4-19	Annual -19	Q1-20	Q2-20	Q3-20	Q-4-20	Annual -20
C/ Account	**-94.98**	8.90	-29.12	-86.37	-27.67	**-134.26**	3.02	-24.11	-14.78	-0.73	**-36.60**	-39.99	-58.15	-20.24	-0.96	**-119.34**
Goods	**-330.57**	-73.44	-89.24	-140.75	-117.92	**-421.36**	-90.32	-104.13	-92.05	-92.51	**-379.01**	-155.13	-123.33	-126.44	-107.81	**-512.71**
Services	**48.92**	33.94	7.55	11.65	41.12	**94.26**	40.94	15.26	12.26	31.87	**100.33**	13.35	-10.25	-7.41	-0.47	**-4.78**
Income	**-30.85**	-4.87	-5.26	-4.84	-5.15	**-20.13**	-4.52	-3.57	-6.20	-3.41	**-17.70**	-7.59	-5.67	-6.79	-7.49	**-27.54**
C/Transfers	**218.12**	53.28	57.83	47.57	54.29	**212.97**	56.91	68.33	70.77	63.33	**259.34**	109.28	81.05	120.40	114.81	**425.54**

Source: *CBG*

TABLE 8: *SUMMARY OF GOODS ACCOUNT BALANCE*

	Annual -17	Q1-18	Q2-18	Q3-18	Q4-18	Annual -18	Q1-20	Q2-19	Q3-19	Q4-19	Annual -19	Q1-20	Q2-20	Q3-20	Q-4-20	Annual -20
Goods	-330.57	-73.44	-89.24	-140.75	-117.92	-421.36	-90.32	-104.13	-92.05	-92.51	-379.01	-155.13	-123.33	-126.44	-107.81	-512.71
Exports (FOB)	123.62	25.21	30.71	45.41	38.50	139.82	32.76	37.65	32.93	30.35	133.69	50.03	2.09	5.99	2.91	61.03
Imports (FOB)	-469.97	-103.20	-124.49	-190.61	-160.77	-579.06	-127.42	-148.09	-131.30	-127.08	-533.89	-209.38	-127.05	-134.03	-112.32	-582.78

Source: CBG

TABLE 9: *SUMMARY OF SERVICES ACCOUNT BALANCE*

	Annual -17	Q1-18	Q2-18	Q3-18	Q4-18	Annual -18	Q1-20	Q2-19	Q3-19	Q4-19	Annual -19	Q1-20	Q2-20	Q3-20	Q-4-20	Annual -20
Services	48.92	33.94	7.55	11.65	41.12	94.26	40.94	15.26	12.26	31.87	100.33	13.35	-10.25	-7.41	-0.47	-4.78
Transportation	-57.83	-13.00	-14.67	-19.49	-7.10	-54.26	-11.09	-11.11	-9.62	-7.21	-39.03	-20.46	-12.06	-8.10	-6.46	-47.08
o/w Sea Transport	-60.73	-13.59	-15.86	-21.40	-9.31	-60.15	-13.53	-13.54	-12.05	-9.58	-48.70	-22.92	-12.07	-9.83	-8.16	-52.98
Travel	115.24	48.54	23.63	31.43	47.35	150.94	51.89	27.99	22.97	40.03	142.89	36.30	0.00	-0.80	5.24	40.74
o/w personal Travel	122.33	50.34	25.54	33.31	50.40	159.59	54.35	30.50	25.31	42.09	152.26	38.33	0.00	0.00	6.40	44.73

Source: CBG

TABLE 40: *SUMMARY OF CURRENT TRANSFERS*

	Annual -17	Q1-18	Q2-18	Q3-18	Q4-18	Annual -18	Q1-20	Q2-19	Q3-19	Q4-19	Annual -19	Q1-20	Q2-20	Q3-20	Q-4-20	Annual -20
C/Transfers	218.12	53.28	57.83	47.57	54.29	212.97	56.91	68.33	70.77	63.33	259.34	109.28	81.05	120.40	114.81	425.54
General Government	64.59	2.86	7.60	0.00	8.45	18.91	0.00	0.00	0.00	0.00	0.00	44.53	0.00	10.36	0.00	54.89
Other Sectors	153.53	50.41	50.23	47.57	45.84	194.06	56.91	68.33	70.77	63.33	259.34	64.75	81.05	110.04	114.81	370.65
o/w Workers' Remittances	153.53	50.41	50.23	47.57	45.84	194.06	56.91	68.33	70.77	63.33	259.34	64.75	81.05	110.04	114.81	370.65

Source: CBG

TABLE 51: *SUMMARY OF CAPITAL AND FINANCIAL ACCOUNT BALANCE*

	Annual -17	Q1-18	Q2-18	Q3-18	Q4-18	Annual -18	Q1-19	Q2-19	Q3-19	Q4-19	Annual -19	Q1-20	Q2-20	Q3-20	Q4-19	Annual -20
Capital & Financial Account	55.68	22.83	34.87	79.00	24.16	160.86	10.72	35.44	9.12	4.80	60.08	18.17	123.36	65.79	62.71	270.03
Financial Acc	82.86	15.74	26.56	62.63	10.30	115.23	3.94	34.68	2.00	31.68	72.30	9.57	90.64	34.88	39.53	174.63
o/w Direct Investment	64.34	9.43	25.05	24.18	15.09	73.75	18.02	21.51	14.70	17.02	71.24	23.97	73.53	55.41	53.31	206.22
o/w Other Investment	109.32	23.42	-1.35	40.84	-10.97	51.94	25.30	15.54	-2.79	38.69	76.74	-10.17	54.83	29.55	22.62	96.83
o/w Change in Reserve Assets	129.00	17.10	-2.86	2.39	1.87	18.51	39.38	2.37	9.90	24.03	75.68	4.22	37.72	50.09	36.40	128.43

Source: CBG

TABLE 62: *SUMMARY OF GOVERNMENT REVENUES*

REVENUE AND GRANTS	GMD'million		PERCENTAGE OF GDP		Y-o-Y % Δ
	2019	2020	2019	2020	2019 - 2020
Revenue and grants	16,635	22,615	19.0	23.0	35.9
Domestic Revenue	11,802	13,444	13.5	13.7	13.9
Tax Revenue	9,954	10,323	11.4	10.5	3.7
Taxes on income and wealth	2,625	2,803	3.0	2.9	6.8
Personal	962	943	1.1	1.0	(2.0)
Corporate	1,507	1,713	1.7	1.7	13.7
Capital Gains	103	104	0.1	0.1	1.1
Payroll	51	43	0.1	0.0	(16.9)
Other taxes on income and wealth	0	-	0.0	-	(100.0)
	-	-	-	-	
Indirect Tax	7,330	7,520	8.4	7.6	2.6
Domestic Tax on goods and services	2,585	2,454	2.9	2.5	(5.1)
Stamp Duties	53	53	0.1	0.1	0.1
Excise Duties	1,095	923	1.2	0.9	(15.6)
Excise duties on domestic goods	372	390	0.4	0.4	5.0
Excise duties on imported goods	723	533	0.8	0.5	(26.3)
Value Added Tax	1,369	1,425	1.6	1.4	4.1
Other taxes on production	69	52	0.1	0.1	(24.0)
	-	-	-	-	
Tax on International Trade	4,744	5,066	5.4	5.2	6.8
Duty	2,497	2,585	2.8	2.6	3.5
Oil	660	642	0.8	0.7	(2.8)
Non-oil	1,837	1,944	2.1	2.0	5.8
VAT on imports	2,247	2,481	2.6	2.5	10.4
Oil	944	1,030	1.1	1.0	9.1
Non-oil	1,303	1,450	1.5	1.5	11.3
	-	-	-	-	
Nontax Revenue	1,847	3,121	2.1	3.2	69.0
Government Services and Charges, IFMIS	704	1,890	0.8	1.9	168.3
Nontax Revenue, DTD	421	100	0.5	0.1	(76.2)
Nontax Revenue, CED	426	405	0.5	0.4	(5.0)
Other Nontax Revenue	296	726	0.3	0.7	145.4
	-	-	-	-	
Grants	4,833.6	9,171.0	5.5	9.3	89.7
Program	2,790	3,617	3.2	3.7	29.6
Projects	2,043	5,554	2.3	5.6	171.8

Source: *MOFEA & CBG staff Calculation*

TABLE 73: *SOURCES OF FINANCING BUDGET DEFICIT*

FINANCING BUDGET DEFICIT	2019	2020	Y-o-Y % Δ	Percent Contribution to Total Financing	
	GMD' billion	GMD' billion	YEARLY GROWTH	2019	2020
Total Financing	**2.40**	**3.72**	**54.6**	**100**	**100**
External (net)	**2.31**	**2.10**	**(9)**	**95.9**	**56.4**
Borrowing	**3.46**	**3.29**	**(5)**	**143.8**	**88.4**
Project	3.46	3.29	(5)	143.8	88.4
Program	-	-	-	-	-
Amortization	**(1.15)**	**(1.19)**	**3**	**(47.9)**	**(32.0)**
Domestic Financing, Net	**0.10**	**1.62**	**1,531**	**4.1**	**43.6**
Borrowing	**1.18**	**2.22**	**88**	**49.1**	**59.7**
Bank	1.31	2.78	112	54.4	74.8
Nonbank	(0.13)	(0.56)	(336)	(5.4)	(15.1)
Change in Arrears (- decrease)	**(1.08)**	**(0.60)**	**45**	**(44.9)**	**(16.1)**

Source: *MOFEA & CBG staff Calculation*

TABLE 84: *BANKING SECTOR FINANCING OF THE BUDGET DEFICIT*

BANKING SECTOR FINANCING BUDGET DEFICIT	2019	2020	Y-o-Y % Δ	Percent Contribution to Banking sector financing	
	GMD' billion	GMD' billion	YEARLY GROWTH	2019	2020
BANKING SYSTEM	1.31	2.78	**113**	**100**	**100**
Central Bank	(1.06)	(0.88)	17	(81)	(32)
Deposit Money Bank	2.37	3.66	55	181	132

Source: *MOFEA & ERD Calculation*

TABLE 95: *SUMMARY OF DEVELOPMENTS IN MONETARY AGGREGATES*

Key Monetary Aggregates									
Variable	Level (Millions)		Annual % changes					Quarterly % Changes	
	Q4, 2019	**Q4, 2020**	**19-Dec**	**20-Mar**	**20-Jun**	**20-Sep**	**20-Dec**	**20-Sep**	**20-Dec**
NFA (Banking Sector)	16783.54	24329.54	61.3	23.1	27.4	51.0	45.0	23.4	14.1
NDA (Banking Sector)	26091.36	27958.35	11.8	15.5	10.4	5.4	7.2	-2.7	5.9
BROAD MONEY	42874.89	52287.89	27.1	18.1	16.4	21.8	22.0	7.5	9.6
Narrow Money	24195.90	29140.61	35.4	20.7	18.8	21.5	20.4	4.9	12.2
Quasi-money	18678.99	23147.28	17.6	15.2	13.6	22.2	23.9	10.7	6.4
Claims on Gov`t, net	23873.17	25416.90	6.0	8.1	5.7	2.0	6.5	-2.0	4.4
Claims on Public Entities	90.85	67.81	-44.7	-22.7	1.0	-40.0	-25.4	-41.4	13.9
Claims on Private Sector	7729.40	7792.11	35.8	25.3	24.5	13.2	0.8	-0.5	1.5
Reserve Money	13887.67	18594.82	17.2	13.0	16.8	32.3	33.9	12.2	7.8

Source: *CBG*

TABLE 106: *CONTRIBUTIONS TO FOOD INFLATION*

	Sep-19	Dec-19	Jan-20	Mar-20	Jun-20	Sep-20	Dec-20	Jan-21
FOOD INFLATION	**7.22**	**7.70**	**8.12**	**7.78**	**5.77**	**6.55**	**7.04**	**9.13**
Bread Cereals	8.12	8.30	12.95	12.05	9.43	8.16	7.02	4.60
Meat	6.80	6.95	9.24	9.41	3.06	1.50	5.17	8.24
Fish	9.91	10.53	10.37	14.59	15.12	18.66	25.72	29.74
Milk, Cheese and Eggs	6.16	6.83	5.58	3.89	-0.11	0.97	0.95	2.17
Oils and fats	6.78	6.90	10.70	17.85	18.08	10.76	10.83	29.85
Fruits & nuts	8.24	9.53	-2.07	5.90	10.45	8.14	6.63	18.99
Sugar, jam, honey & sweets	3.26	3.94	-0.62	-0.78	0.71	-0.86	-1.42	4.15
Non-alcoholic beverages	3.14	4.15	2.53	4.20	2.23	3.19	2.44	4.61
Other food products	5.78	6.68	1.25	3.49	-0.19	0.97	-0.79	2.51
Vegetables, roots and Tubers	7.62	9.09	7.51	-1.49	-4.70	4.00	2.17	-2.35

Source: GBOS

***TABLE 117**: CONTRIBUTION TO NON-FOOD*

	Sep-19	Dec-19	Jan-20	Mar-20	Jun-20	Sep-20	Dec-20	Jan-21
NON-FOOD INFLATION ITEMS	8.33	7.73	6.77	7.56	4.20	3.69	4.40	6.08
Clothing & footwear	6.71	5.73	5.08	7.58	5.78	4.27	2.28	4.70
Housing, w ater, electricity,gas and other fuels	5.84	5.98	5.84	5.57	3.75	2.78	1.91	3.69
Electricity, gas and other fuels	6.15	6.18	5.94	5.60	3.09	2.89	1.96	3.67
Health	1.39	1.46	-2.03	0.30	0.12	0.05	0.07	3.64
Transport	2.13	1.15	1.55	2.97	0.31	2.56	5.11	6.94
Communication	60.60	60.99	60.98	55.74	-2.39	-3.00	-4.64	-3.24
Recreation and Culture	3.80	3.09	3.00	-2.08	-3.97	-2.94	-1.87	-2.77
Newspapers, books and stationary	3.56	2.56	-2.45	-5.24	-3.68	-3.22	-2.35	1.12
Hotels, cafes and restaurants	7.93	8.18	8.36	5.88	4.59	10.22	10.29	6.41
Miscellaneous goods and services	8.72	7.86	8.45	24.20	22.32	19.76	27.94	27.70
Education	0.89	1.03	1.03	1.03	0.72	0.13	85.35	85.35

Source: GBOS

***TABLE 18**: CONTRIBUTIONS TO FOOD INFLATION*

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Headline Inflation	1.49	1.43	2.70	1.76	1.58	1.34	0.36	1.79	2.06
Food And Non-Alcoholic Beverages	1.39	1.50	2.04	2.05	1.85	1.50	0.13	2.74	2.25
Food	1.4	1.50	2.05	2.08	1.86	1.58	0.15	2.82	2.34
Bread & Cereals	1.68	1.68	2.82	2.69	2.13	5.20	0.05	0.91	0.77
Meat	1.33	1.41	1.84	2.05	1.47	3.74	-4.07	0.51	5.14
Fish	1.56	2.50	2.87	2.72	2.68	6.27	3.29	5.85	8.21
Milk, Cheese And Eggs	1.21	1.29	2.06	1.47	1.84	-1.49	-1.87	2.57	1.82
Oils And Fats	1.52	2.07	1.41	1.62	1.63	12.52	1.60	-4.68	1.70
Fruits & Nuts	1.48	0.95	2.87	2.72	2.68	-2.40	7.29	0.57	1.25
Vegetables, Root Crops & Tubers	1.25	1.19	2.14	2.84	2.62	-8.62	-1.19	12.23	0.81
Sugar, Jam, Honey & Sweets	0.80	0.51	1.38	0.53	1.47	-4.06	2.91	-1.05	0.90
Other Food Products	1.15	1.04	1.59	1.88	2.01	-1.98	-2.02	3.07	0.23
Non-Alcoholic Beverages	0.52	0.28	1.78	0.52	1.51	0.32	-0.13	1.47	0.77

Source: GBoS

***TABLE 19**: CONTRIBUTIONS TO NON-FOOD INFLATION*

	Dec-18	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Headline Inflation	1.49	2.70	1.76	1.58	1.34	0.36	1.79	2.06
Non-Food Inflation	1.68	3.86	1.24	1.11	1.17	0.61	0.74	1.81
Clothing, Textiles & Footwear	1.94	1.68	1.58	1.19	-0.24	2.68	0.71	0.57
Housing, Electricity And Gas	1.46	1.50	1.50	1.59	0.88	-0.25	0.55	0.72
Furnishings, Household Equipment, ...	1.41	1.45	0.59	0.82	2.02	2.27	-0.46	3.35
Health	0.35	0.43	0.41	0.42	-0.96	0.25	0.33	0.45
Transport	1.18	0.39	0.31	0.22	2.03	-2.21	2.56	2.72
Communications	0.00	60.48	0.07	0.24	-3.25	0.58	-0.55	-1.46
Newspapers, Books And Stationery	1.38	1.27	0.05	0.40	-6.85	2.94	0.53	1.30
Hotels, Cafes And Restaurants	1.76	1.95	2.16	2.00	-0.34	0.72	7.66	2.06
Education	1.76	0.30	0.59	0.13	0.00	0.00	0.00	85.35

Source: GBoS

***TABLE 120:** CORE INFLATION*

Core Measures of Inflation	Dec-18	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Headline Inflation	1.49	2.70	1.76	1.58	1.34	0.36	1.79	2.06
Core 1 Inflation	1.34	3.92	1.89	1.66	0.95	-1.81	1.96	2.68
Core 2 Inflation	0.98	3.98	1.68	1.45	1.41	-1.66	1.76	2.69

Source: CBG Staff Calculations