MINUTES OF THE MONETARY POLICY COMMITTEE - MEETING NO.81

FEBRUARY 22-23, 2022

The Monetary Policy Committee (MPC) of The Central Bank of The Gambia (CBG) convened its maiden meeting of 2022 on Wednesday, February 22, 2022, to review recent economic developments of the preceding three months. The following day, Thursday February 23, 2022, the Committee met to decide on the Monetary Policy stance and thereafter convened a press conference.

Present were:

Name	**Role**
Mr. Buah Saidy	Chairman
Dr. Seeku A.K. Jaabi	Member
Mr. Essa A.K. Drammeh	Member
Mr. Momodou Sissoho (via video link)	Member
Mr. Baboucarr Jobe (via video link)	Member
Mr. Paul John Gaye (via video link)	Member
Mr. Ebrima Wadda	Member
Mr. Amadou S. Koora	Member
Mr. Karamo Jawara	Member
Ms. Isatou Mendy	Secretary

Report Presenters

Name	Designation
Ms. Mariama Sillah	Senior Bank Examiner, Banking Supervision Department
Mr. Alieu Ceesay	Senior Economist, Economic Research Department
Mr. Khalilu Bah	Senior Economist, Economic Research Department
Mr. Alagie B. Sowe	Economist, Economic Research Department
Mr. Saikou B. Jammeh	Economist, Economic Research Department
Mr. Alfusainey Touray	Economist, Economic Research Department
Mr. Alkali Barrow	Officer, Other Financial Institutions Supervision Department
Mr. Yaya S.K. Jatta	Banking Officer, Banking and Payment systems Department
Mr. Sarjo Jatta	Officer, Financial Markets and Reserve Management Dept
Mr. Macodou N. Njie	Statistician, Economic Research Department
Mr. Habib Ceesay	Statistician, Economic Research Department
Mr. Mawiyatou Susso	Statistician, Economic Research Department
Mr. Ansou Manneh	Assistant Statistician, Economic Research Department

In attendance were:

Name	Designation
Mr. Serign Bai Senghor	Senior Adviser, Corporate Services Unit
Mr. Michael Barrai	Deputy Director/OIC, Internal Audit Department
Ms. Halima Singhateh-Jagne	Deputy Director, Banking Supervision Department
Ms. Isha Fye	Deputy Director, Information & Communication Technology Department
Mr. Karafa Jobarteh	Deputy Director/OIC, Financial Markets & Reserve Management Department
Mr. Abdou H. Ceesay	Deputy Director/OIC, Currency Management Department
Mr. Momodou Lamin Jarju	Principal Banking Officer, Banking and Payment Systems Department
Alhagie Manneh	Principal Microfinance Officer, Other Financial Institutions Supervision Department
Mr. Lamin Bah	Senior Risk Analyst, Risk Management Department
Ms. Ya Maram Sosseh	Senior Bank Examiner, Banking Supervision Department
Mr. Momodou Alieu Jallow	Officer, Financial Markets & Reserve Management Department
Ms. Mariama Ceesay	Assistant Statistician, Economic Research Department

Agenda for the Technical Meeting-Day 1

1. The agenda of the meeting was adopted as presented.
    1. Adoption of the agenda
    2. Opening remarks by the Chairman
    3. Review of the minutes of the previous meeting and matters arising
    4. Presentation and discussions of reports
    5. Lunch and Prayer Break
    6. Presentation and discussion of reports continue.

Opening remarks by the Chairman

2. The Governor and Chairman of the MPC in his opening remarks requested all present to silently pray for successful deliberations. The meeting then proceeded to the adoption of the agenda and review of minutes of the previous meeting. Prior to the review of the minutes, the Chairman gave a general overview of the global economy characterized by rising prices amid fragile recovery. He commented that the country is on an economic transformation agenda that the Bank should support with development-oriented policies. He enjoined all to support the development agenda to lift people out of poverty.

Review and Adoption of the Minutes of the Previous Meeting

3. The minutes were reviewed and adopted with few amendments.

Presentation of Reports:

4. The meeting ensued with the presentation and discussion of reports on the World Economic Outlook (WEO), the Banking Sector, Domestic Debt Market developments, Balance of Payments, Financial Markets, Monetary Sector, Government Fiscal Operations, Business Sentiment Survey, Other Financial Institutions, Real Sector, and Inflation. These were followed by the

macroeconomic forecasts - assessment the current economic conditions, baseline forecasts, and alternative scenarios.

Global Macroeconomic Developments

1. The global economy has been adversely impacted by the emergence of the Omicron variant and a continuous surge in commodity prices. Growth in the global economy is expected to slow, reflecting the outbreak of the Omicron variant of the coronavirus, disruptions in supply-chains and rising energy prices. In its January 2022 update of the World Economic Outlook (WEO), the International Monetary Fund (IMF) forecast global GDP growth in 2022 to moderate to 4.4 percent from its forecast of 5.9 percent in the October 2021. The downgrade mirrored slower-than-expected momentum in advanced economies induced by supply disruptions in the United States, disruptions in the housing sector and anticipated lower private consumption in emerging market and developing economies.

2. Global growth in 2023 was revised upward by 0.2 percentage points to 3.8 percent purely based on mechanical calculations. The outlook holds brighter prospects for 2023 as the shock dragging the 2022 growth is expected to dissipate.

3. Growth in advanced economies is downgraded to 3.9 percent due to a host of adverse developments such as supply disruptions, softening consumption, withdrawal of fiscal and monetary stimulus in the US, weaker data outturn and anticipated softer external demand in Canada, and supply constraints and COVID disruptions in Germany and the UK. However, robust growth prospects are projected for the region in 2023, premised on anticipated stronger rebound associated with a progressive vaccination programme.

4. In emerging and developing economies, growth forecast for 2022 has also been marked down by 0.3 percentage points to 3.8 percent. Housing sector disruptions, falling employment rate due to strict COVID 19 restrictions, falling consumption and investments in real estate in China coupled with weak activities in Malaysia and Indonesia formed the basis for the downgrade in the region. Improvements in credit growth and increase in investment and consumption in India would support the anticipated upward growth in 2023.

5. Growth in Sub-Saharan Africa moderated to 3.7 percent, 0.1 percentage points down from the October forecast. This downward revision was due largely to a markdown in South Africa's growth by 0.3 percentage points.

6. Global financial conditions are projected to tighten with the rise in interest rates as central banks tighten policy in response to higher inflation. The new Omicron variant and its attendant increase in new infections increased global financial market volatility, delayed business re-openings, and clouded the inflation outlook. Tight monetary policy stance of the US Federal Reserve Bank (FED) would impact global financial conditions bringing to bear on emerging market and developing economies exchange rate pressures. Borrowing costs would increase constraining public finance.

7. In 2022, global inflation is expected to remain elevated, averaging 3.9 percent for advanced economies and 5.9 percent for emerging market and developing economies. However, if medium-term inflation expectations remain well-anchored, and the pandemic eases its grip, inflation is expected to slide to 2.1 percent and 4.7 percent in 2022 and 2023 on the backdrop of eased supply chain disruptions, monetary policy

tightening, and demand rebalancing away from goods-intensive consumption towards services.

8. The Committee noted the increase in global inflation emanating from supply constraints and associated effects of the pandemic amid fragile global recovery and cautioned that a delicate balance needs to be stricken to sustain the recovery while anchoring inflation expectations.

9. The Committee requested for a thorough analysis of developments in The Gambia's main trading partners and the impact supply constraints would have on the domestic economy. The Committee was concerned about the prospects for a further rise in inflation due to the looming conflict in Ukraine that could impact on global energy and food prices.

Domestic Macroeconomic Developments

Banking Sector Developments

10. With robust capital base, high liquidity position, lower single digit non-performing loan (NPL) ratio and stable earnings capacity, the banking industry is judged to be profitable and safe.

11. All banks were within the regulatory capital requirement and well above the 30 percent liquidity statutory benchmark. The liquid asset ratio slightly declined to 92.0 percent in December 2021 relative to 93.5 percent in the corresponding period in 2020 but up by 2.4 percentage points from a quarter ago. Similarly, the industry's risk-weighted capital adequacy ratio (CAR) declined to 26.6 percent in December 2021 compared to 32.6 percent a year ago and 27.3 percent in the previous quarter. Conversely, asset quality improved during the review period with NPLs dropping to 5.2 percent of total gross loans at end-December 2021 from 5.6 percent and 6.4 percent at end-September 2021 and end-December 2020, respectively.

12. Assets of the banking industry totaled D73.06 billion in December 2021, D14.24 billion more than the amount accumulated in the preceding year. The expansion in banks' assets was due to increase in balances held with other banks, investments, loans and advances, and fixed assets. The industry's assets also increased quarter-on-quarter by 8.2 percent.

13. The industry's total loans and advances expanded by 26.5 percent (year-on-year) to D9.36 billion in December 2021. Loans extended to building and construction formed the largest share of gross loans and advances, surpassing distributive trade. These two sectors have the highest level of NPLs.

14. At end-December 2021, the industry's total deposit liabilities stood at D51.01 billion and accounted for 69.8 percent of total liabilities, making it largest source of funding for the industry. From the September quarter, deposit grew by 6.3 percent while loan to deposit ratio rose to18.4 from 17.5 percent a year ago.

15. The Committee noted the increasing trend of loans to the building and construction sector, surpassing distributive trade that used to capture the largest proportion of loans. The sector is also the biggest contributor to the NPLs.

16. Despite low overall NPLs for the banking industry, the Committee expressed with concern the high level of NPL for the distributive trade sector. Although loans to this sector are not highly concentrated given the large number of players, the magnitude of loans that are not performing is concerning. The Committee tasked FSD to scrutinize the data and proffer solutions.

17. Despite rising levels of problem loans in the building and construction, and distributive trade sectors, the overall industry NPLs declined.

18. The Committee noted the miniscule returns banks are getting on their investments due to falling interest rates on government securities and urged banks to redirect their investment portfolios to private lending.

19. The Committee commented that the proposed credit facility for commodity importers would give banks the confidence to increase lending to the private sector. Some members, however, are of the view that the creation of the Development Finance Department at the CBG would help engender growth of credit to small and medium size enterprises (SMEs) and improve financial intermediation.

Developments in Other Financial Institutions

20. The non-bank financial sector is an important conduit for financial inclusion. It aids in the extension of financial services to those that are excluded in the conventional banking system. Mobile money financial services, in particular, are rapidly expanding the digital financial sphere in The Gambia.

21. The sector is composed of six Finance Companies (FCs), fifty-three Credit Unions (CUs), ten operating Village Saving and Credit Associations (VISACAs) and two mobile money operators. The FCs has the largest asset base of the sector growing at an annual rate of 19.2 percent (year-on-year) in December 2021 and by 1.5 percent from a quarter ago. The increase in assets size was driven by gross loans, and cash and bank balances. Deposits similarly rose to D1.72 billion or by 18.0 percent (year-on-year) and by 0.2 percent (quarter-on-quarter).

22. FCs are well-capitalized and liquid. All the FCs met the minimum capital requirement of D50.0 million. The capital base grew by 31.0 percent (year-on-year) to D378.12 million in December 2021, reflecting expansion in retained earnings.

23. Loans extended by the FCs increased to D615.0 million at end-December 2021 from D350.2 million in the comparative period a year ago and by 16.5 percent a quarter earlier.

24. Mobile money transactions declined slightly by D24.3 million to 92.9 million in December 2021, mirroring the contraction in cash-in and cash-out transactions by 20.8 percent and 20.7 percent respectively. Meanwhile electronic value held in customers' wallets rose significantly by 34.6 percent to D41.3 million.

25. The Committee noted the role of the NBFIs in the financial inclusion drive as evident in their performance and opined that the launching of the Financial Inclusion Strategy (FIS) would further boost the growth of the sector.

26. The Committee, however, expressed the need for OFISD to work with FCs on how to make credit more accessible and affordable for the grassroots. There is the need to accelerate plans to improve interoperability of the mobile money operators as stated in the Financial Inclusion Strategy.

Domestic Debt Market Developments

27. Stock of domestic debt expanded by 7.6 percent to D37.19 billion in December 2021 occasioned by increase in bond issuance. The increase issuance of bonds was in accordance with the debt management strategy of reprofiling short-term debt to reduce refinancing risks. Bonds issued during the review period totaled D4.3 billion compared to D3.1 billion a year

ago and consequently, the proportion of short-term debt to total debt decreased to 54.0 percent relative to 59.3 percent.

28. Security yields in the domestic debt market decreased significantly due to high liquidity in the banking system. In the year to end-December 2021, the yield on the 91-day, 182-day and 364-day treasury bills declined to 0.72 percent, 0.71 percent and 1.55 percent compared to 2.75 percent, 5.03 percent, and 7.30 percent, respectively, in 2020.

29. Domestic debt service in 2021 slightly increased by 3.0 percent to D3.1 billion (23.5 percent of domestic revenue) in 2021. Similarly, interest payments also rose by 3.7 percent to D2.5 billion, attributed largely to interest payments on government bonds.

30. The Committee observed that government fiscal consolidation is taking shape as manifested in the non-increasing short-term debt securities. The strategy to reprofile domestic debt is reducing the refinancing risk and giving government some breathing space.

31. The Committee commended the Treasury Bills Committee for collaborating with MoFEA to limit the issuance of treasury bills on behalf of government during the period. What was issued instead was bonds for development finance. For instance, the D700 million bond to Arezki for the construction of roads was sourced from the bond proceeds translating to zero financing from the Bank.

32. The Committee cautioned on the use of the bond proceeds. It emphasised the need to judiciously use the proceeds planned to reprofile the debt and on infrastructure development.

Balance of Payments Developments

33. Preliminary estimates of the balance of payments revealed that the current account balance worsened to a deficit of US$94.1 million (4.6 percent of GDP) in 2021 from a deficit of US$86.6 million (4.6 percent of GDP) in 2020, driven by decreased in income, services and current transfers.

34. The goods account balance is estimated to have improved by US$62.3 million to a deficit of US$449.5 million in 2021, reflecting decline in imports. Conversely, the deficit in service account balance deteriorated to US$13.9 million in 2021 from US$3.5 million in 2020, due to decline in tourism.

35. The capital and financial account recorded a wider deficit of US$88.2 million in 2021 compared to US$0.2 million a year ago, mirroring a wider deficit in direct and other investments accounts.

36. Gross external reserves as at end-December 2021 stood at US$552.9 million (8.8 months of imports) compared to US$370.3 million (6.4 months of imports) in the comparative period of 2020.

37. The Committee commented that the delays in accessing needed financing for the seaport extension project is hindering the implementation and causing the economy to lose business opportunities to its neighbors.

38. Furthermore, the meeting was told that Social Security and Housing Finance Corporation is championing an initiative to provide land for an economic free zone area in which Gambians would acquire land for businesses and industries. These would be powered by solar energy and would add value to domestic production for home and export markets.

Financial Markets Developments

39. Volume of transactions in the domestic foreign exchange market, measured by aggregate sales and purchases of foreign currency, increased to US$2.5 billion at end-December 2021 from US$2.17 billion a year ago. Sales and purchases of foreign currency, representing demand and supply, increased by US$0.27 million and US$0.19 million, respectively. On a quarterly basis, transaction volumes contracted by 14.2 percent in quarter four, 2021 relative to a marginal expansion of 4.6 percent in quarter three, 2021.

40. Stable private remittances, official donor inflows and the slight pickup in tourism receipts were the main supply sources of FX in 2021. Remittance inflows increased markedly to US$776.7 million in December 2021 from US$589.9 million in December 2020.

41. Year-on-year, the dalasi remained stable and resilient against major traded currencies in the domestic FX market. The dalasi weakened slightly against the US dollar and pound sterling by 3.3 percent and 0.2 percent, respectively and strengthened against the euro by 2.3 percent in 2021. Quarter-on-quarter, it appreciated against the euro and British pound by 0.09 percent each but depreciated against the US dollar and CFA franc by 2.03 percent and 0.16 percent, respectively.

42. The Committee noted depreciation pressures emanating mainly from rising strength of the US dollar globally and the strong demand for FX for imports of energy and food, telecommunication, and construction. Bottlenecks associated with the shipment of foreign currency disrupted the smooth functioning of the FX market in the fourth quarter of 2021 by constraining banks' ability to fund their nostro accounts.

43. In this regard, the Committee recommended to the Bank to explore, as a medium to long-term measure possibility of introducing electronic shipment methods as an alternative to physical shipment of cash.

44. The Committee associated the decline in remittance inflows to the resumption of air travel that enables informal means of sending money. The Committee recommended a survey to be conducted to gauge the level of remittance channeled through the informal system. The meeting was informed that African Institute for Remittances (AIR) had plans to fund such a survey but was disrupted by the COVID-19 pandemic. The Committee commended AIR for the initiative and tasked ERD to explore the possibility of re-engaging the Institute.

Real Sector

45. The Gambia Bureau of Statistics (GBoS) estimated the Gambian economy to have contracted by 0.2 percent in 2020 compared to a growth of 6.2 percent in 2019, attributed to the impact of the COVID-19 pandemic.

46. The economy was projected to recover in 2021, supported by policy measures adopted to mitigate the impact of the pandemic and the gradual lifting of restrictions, including opening of borders to allow trade. The Gambian authorities and the IMF forecast growth to rebound to 4.9 percent in 2021 and 6.5 percent in 2022 with a successful vaccine roll out and return to normalcy.

47. The Bank's quarterly Composite Index of Economic activity (CIEA) in February 2022, forecast real GDP growth at 6.9 percent for 2022 relative to an earlier forecast of 4.7 percent in November 2021. The upward revision is predicated on expected recovery in tourism and public infrastructure projects.

48. The Committee noted the annual GDP data which is still provisional for 2020 and expressed the need to have higher frequency data on economic activity for better policy decision. The meeting was informed that work is ongoing at GBoS to start producing quarterly GDP estimates.

Monetary Developments

49. In the year to end-December 2021, broad money growth slowed to 19.5 percent from 22.0 percent at end-December 2020, attributed to marked decline in the growth of net foreign assets (NFA) of the banking system. Moderate growth in quasi money by 5.4 during the review period also contributed to the slow growth in broad money. Broad money growth expanded to 7.3 percent in the final quarter of 2021 relative 2.9 percent in the preceding quarter.

50. NFA of the banking system at end- December 2021, increased by 19.0 percent to D29.0 billion. NFA of the Bank rose by 24.1 percent (year-on-year), down from a significant growth of 62.6 percent a year ago, driven by the increase in its foreign assets. Growth in deposit money banks' (DMBs) NFA also slowed during the review period to 12.3 percent from 26.9 percent in 2020, attributed to significant contraction in the foreign assets despite decline in their foreign liabilities.

51. In contrast, the net domestic assets (NDA) of the banking system grew by 20.0 percent at end-December 2021 relative to 7.2 percent at end-December 2020, mirroring a 24.1 percent increase in credit to government and the private sectors.

52. Growth in reserve money moderated to 13.6 percent in December 2021 relative to 33.9 percent in December 2020, reflecting slow growth in currency in circulation (CIC) and reserves of DMBs. Growth in CIC and

reserves of DMBs slowed to 13.6 percent and 14.1 percent during the review period, from 28.9 percent and 41.9 percent a year ago. Quarter-on-quarter, reserve money contracted by 1.3 percent in Q4, 2021compared to 6.1 percent growth registered in Q3, 2021.

53. The Committee noted the growth in private sector credit as a welcome development. This is indicative of the return to normalcy and confidence in the domestic economy despite the emergence of new variants of the Coronavirus.

54. The Committee also noted that the rising inflation rate is supply driven and therefore using any monetary tool would not yield the desired result of keeping inflation under control. The Committee observed that monetary variables at the disposal of the Committee to influence prices are already on a declining trend. It was commented that the monetary policy transmission is weak, associated with a shallow financial system.

Government Fiscal Operations

55. Provisional estimates of government fiscal operation for 2021 revealed deteriorated fiscal position. Budget deficit (including grants) expanded to 4.0 billion (3.8 percent of GDP) in 2021 from a deficit of 3.4 billion (3.6 percent of GDP) in 2020. The increase in the overall fiscal deficit could be explained by significant contraction in grants disbursed during the period. However, the fiscal deficit (excluding grants) declined to D6.4 billion (6.0 percent of GDP) in 2021 from a deficit of 11.3 billion (12.0 percent of GDP) in 2020 due to the decrease in expenditure.

56. The deficit in the basic and primary balance declined by 38.5 percent and 77.6 percent to D4.0 billion (6.8 percent of GDP) and D0.8 billion (3.7 percent of GDP) in the review period. The reduced deficits are explained

by decline in externally financed capital expenditure and increase in domestic revenue.

57. Revenue and grants mobilized in the year to end-December 2021 totaled D17.7 billion (16.6 percent of GDP) compared to D20.3 billion (21.5 percent of GDP) in the comparative period a year ago. The fall in revenue and grants receipts during the period was due to significant contraction on grant disbursements.

58. Similarly, in 2021, expenditure and net lending of government declined to D21.6 billion (20.4 percent of GDP) from D23.6 billion (25.1 percent of GDP) in 2020. Current and capital expenditures declined by 5.5 percent and 15.6 percent, respectively.

59. The Committee urged the Finance Department of the Central Bank to be timely in providing the Fiscal Report which is an input for the compilation of the Statement on Government fiscal Operations (SGO) data.

60. The Committee observed that groundnut financing by AGIB bank led to the rediscounting of some of its treasury bills. This was a temporary measure to avail cash to the bank to finance the groundnut trade.

Business Sentiment Survey

61. Quarterly Business Sentiment Survey of the Bank indicated confidence in overall business activity in the first quarter of 2022 relative the fourth quarter of 2021 attributed to higher sales and profitability. Most respondents opined that economic growth remained unchanged in the fourth quarter of 2021 relative to third quarter of 2021 on account of unchanged business perception in the manufacturing, financial and insurance sectors. Majority of businesses surveyed expect growth prospects to improve in the next

quarter with expectation of improvement in manufacturing, financial, and trade sectors.

62. On prices, most respondents perceived inflation to edge up on account of increase in input prices due to supply constraints. Exchange rate pressures are also anticipated to persist in the near-term. However, they are satisfied with the manner the Bank sets its short-term rates to curb inflation.

63. The Committee noted the low response rate of the survey and tasked ERD to devise ways to improve coverage and timeliness to make the results more representative.

64. The Committee re-emphasized the need for the survey to cover the entire country. This could be done through sensitization of the public on the need to provide data for policy analysis and decision making.

65. The Committee noted the sense of optimism and confidence on growth prospects, reflecting external developments and improved condition of COVID19.

Inflation Outlook

66. Inflationary pressures remained heightened since the beginning of the fourth quarter of 2021, reflecting increase in global commodity prices due to supply-chain disruptions, and domestic structural bottlenecks. Consumer price inflation rose to 7.6 percent in December 2021, 0.5 percentage points higher than the preceding month and 1.9 percentage points from a year earlier, reflecting rising food prices.

67. Food inflation in the year to end-December 2021 increased to 10.2 percent in December 2021 from 7.0 percent in the same period in 2020 and 9.2 percent from a quarter earlier. Oil and fats, sugar, jam, honey and sweets,

and bread and cereals were the main contributors to food inflation in the review period.

68. Non-food inflation accelerated year-on-year as well as quarter-on-quarter by 2.9 and 0.1 percentage points to 4.9 percent in December 2021. The upsurge in non-food inflation was driven by increased contributions of transport, health, education, alcoholic beverages, tobacco and narcotics, and housing, water, electricity, gas and other fuels.

69. The Committee noted the rise in prices for three consecutive months and the expected further increase during the coming months due to Ramadan. The Committee opined that since bread and cereals have higher weights in the consumer basket, any changes in these components would drive the inflation trend.

70. The Committee noted that large share of domestic inflation is imported given the rise in global inflation.

71. The Committee, therefore, is of the view that since inflation is not driven by domestic demand, addressing supply constraints in the medium-term is to boost domestic production.

Assessment of the Economic Outlook

72. The macroeconomic forecasting model of the Bank forecast growth to rebound in 2022 due to the expected on-going recovery in the tourism sector, fiscal spending on road construction and global demand. Growth is projected at 6.9 percent in 2022, up from 4.7 percent earlier projected in November 2021. Prices are expected to be under pressure with Inflation rising above the medium-term target of 5 percent, reflecting increase in energy costs and exchange rate depreciation.

73. Analysis of the initial conditions of the economy showed that output gap has closed at the end of 2021, thanks to improved domestic and foreign aggregate demand. Expansionary fiscal and monetary policies contributed significantly to the rebound of the economy through the stimulation of consumption and investment which strengthened aggregate domestic demand.

74. Sensitivity analysis indicated that maintaining the current policy stance would improve output while a decline in tourism would negatively impact output, thus balancing out the risk to the short-term economic outlook.

75. The Committee noted the assumptions in the baseline forecast and opined that the assumption on the seaport expansion project should have been spread across the implementation period of the project. It is also important to know if the project funding is going to be front or back loaded.

Agenda for Day-2 of the MPC Meeting

1. Welcome Remarks by Chairman
2. Summary Report by the First Deputy Governor
3. Deliberations
4. Decision
5. Press Conference by the Chairman

1. The Monetary Policy Committee (MPC) reconvened on February 23, 2022, to deliberate and decide on the direction of monetary policy. Subsequently, a press conference was held by the Governor and Chairman of the MPC.

2. The day's proceedings began with silent prayers, opening statement by the Chairman and review and adoption of the agenda. This was followed by a

summary of the previous day's presentations and deliberations of technical reports by the First Deputy Governor.

Policy Justifications

3. The increase in general price level is assessed to be influenced by external factors in the forms of supply constraints, rise in global commodity prices and domestic structural issues. It is anticipated that the resumption of shipment to replenish banks' nostros accounts would avail FX to businesses to facilitate trade. In addition, boosting production through the agricultural value chain would go long way in minimizing adverse external shocks on domestic prices. Going forward, it is essential to address domestic structural bottlenecks that exacerbate the rise in prices.

4. Policy tightening in the midst of pandemic could hurt recovery. The Committee believed that growth prospects are fragile and need to be supported by maintaining the current policy stance.

Decision

Based on the above developments and policy justifications, the Committee decided the following:

- Maintain the Policy rate (MPR) at 10 percent.
- Maintain the required reserve (RR) at 13 percent.
- 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).
- Continue to closely monitor the situation and to take further necessary action as and when the situation requires.

Date for the next MPC meeting

The next Monetary Policy Committee (MPC) meeting is slated for Wednesday, May 25, 2022. The technical meeting will be followed by the announcement of the policy decision on Thursday, May 26, 2022.