TESAH CAPITAL

POLICY RATE STAYED AT 27.0%

@tesahcapital

www.tesahcapital.com

POLICY RATE STAYED AT 27.0%

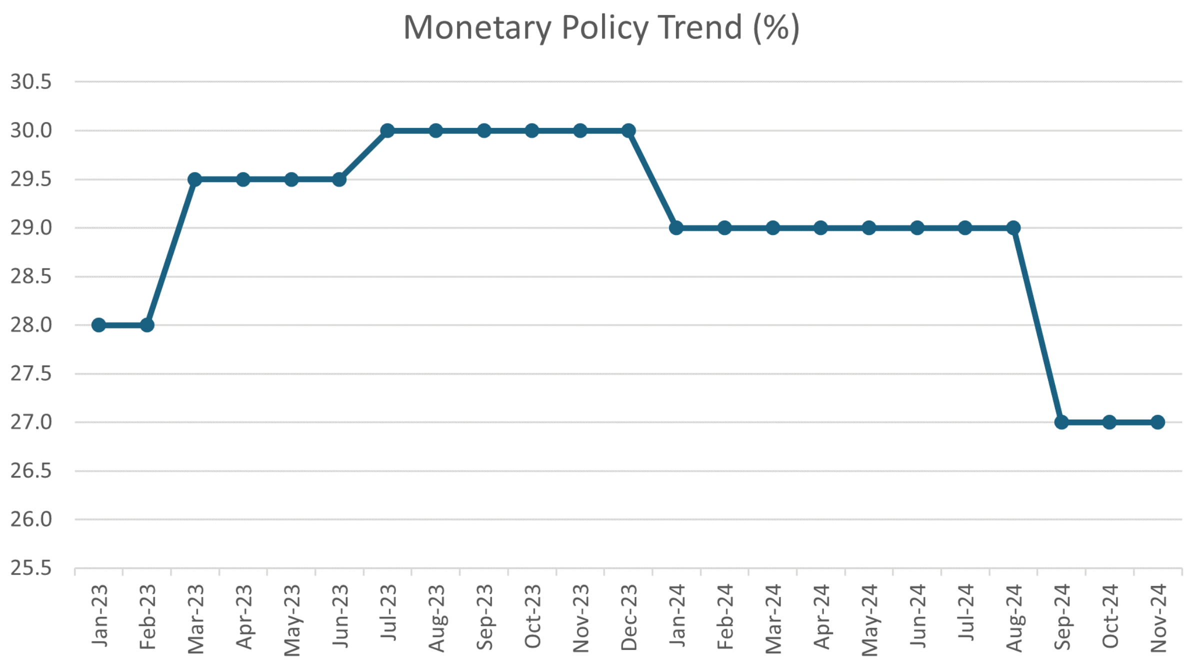
The Monetary Policy Committee (MPC), at its 121st meeting, decided to maintain the Monetary Policy Rate (MPR) at 27.0%. This decision was driven by the following key considerations:

- Globally, inflation is on a downward trajectory, driven by factors such as declining energy prices, easing labor cost pressures, and the lagged effects of prior monetary tightening measures. The decline in oil prices is attributed to increased output from non-OPEC+ countries and concerns about a potential economic slowdown in China. Long-term inflation in advanced economies is expected to remain anchored at 2.0%, reflecting stable economic policies and market conditions.

On the domestic front

- Improvement in Economic Activity: The domestic economy showed signs of recovery, with the real Composite Index of Economic Activity (CIEA) recording an annual growth of 2.2% in September 2024, a significant improvement compared to the 0.4% contraction in the same period the previous year. This growth was supported by increased port activity, higher household and firm consumption of goods and services, a rise in construction activities, expanded credit to the private sector, and a boost in tourist arrivals.

- Sluggish Pace of Disinflation: Despite earlier signs of disinflation, inflation has picked up since the last MPC meeting. Inflation rates rose to 21.5% in September 2024 and 22.1% in October 2024, compared to 20.4% in August 2024. This uptick was driven by increasing food prices and the depreciation of the Ghana Cedi, signalling persistent inflationary pressures.



Source: Bank of Ghana

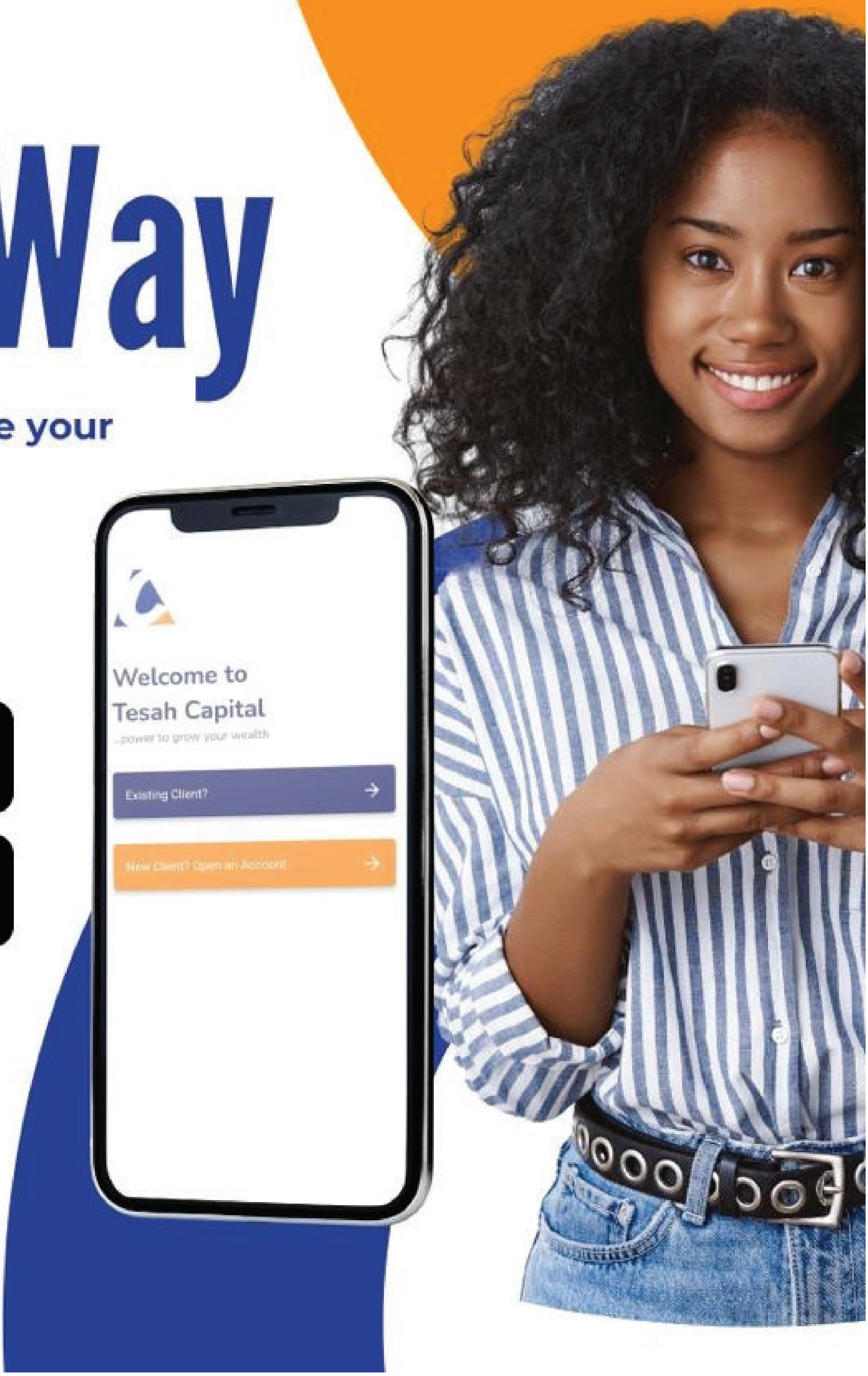
OUTLOOK

- The Central Bank's policy actions will remain adaptive, guided by continuous monitoring of global economic conditions. Key factors under observation include the strength of the US economy, a strong US dollar, and potential risks of a resurgence in global energy and food prices. These risks could stem from trade protectionism, geopolitical conflicts, and extreme weather conditions, all of which have the potential to influence domestic inflation and economic stability.
- As at October 2024, macroeconomic data indicates broad stability across key indicators. Leading economic activity metrics project stronger growth in the second half of the year, supported by improving fundamentals. Business and consumer confidence are gradually recovering, signalling a positive shift in sentiment. Core inflation remains stable, with inflation expectations within the financial sector well-anchored. Additionally, foreign reserve build-up has been sufficient to reinforce confidence in the economy, while the local currency has shown signs of appreciation, further contributing to overall economic stability.
- Inflation projections indicate a slightly elevated trajectory, driven by factors such as high and volatile food prices, the pass-through effects of prior exchange rate pressures, rising fuel prices, and recent utility tariff adjustments. As a result, the expected timeline for inflation to return to the target band of 6%-10% has been revised from Q3 2025 to Q4 2025, reflecting the persistence of these inflationary pressures.

TESAH CAPITAL

Invest the TESAH Way

Download Tesah Mobile and achieve your investment goals



Available on

GET IT ON Google Play

Download on the App Store

...grow your wealth