



The Bank of Ghana Delivers Biggest Rate Hike of 100bps in 2023; MPR rises to 28%

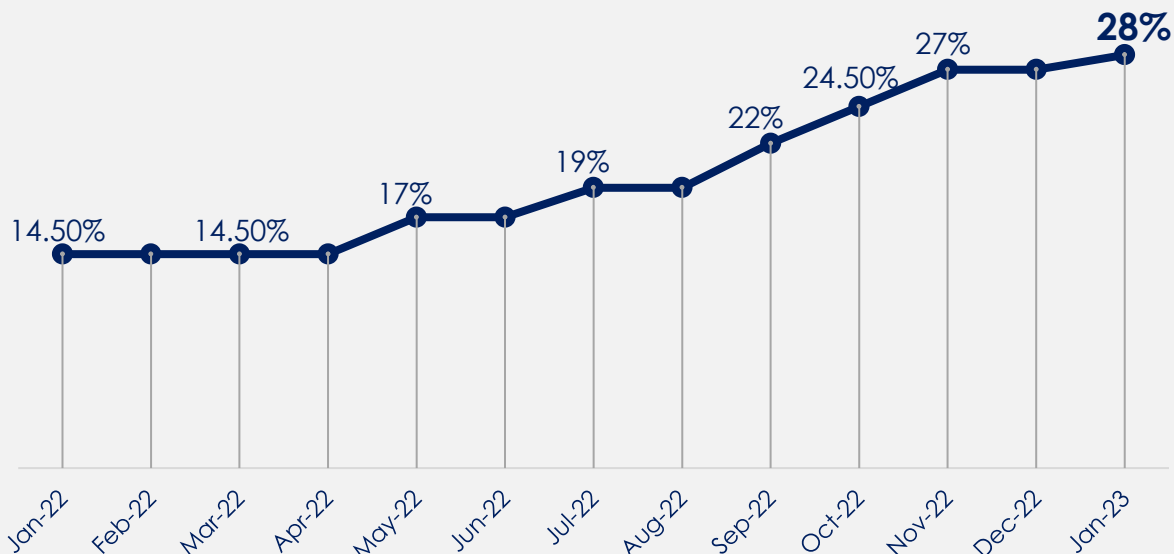
The Monetary Policy Committee ("MPC" or "the Committee") of the Bank of Ghana (BoG) increased the benchmark policy rate by 100 basis points, below estimates of 200bps to 28% from the previous rate of 27% in effort to return Inflation to a downward path amidst emerging risks to inflation.

The MPC's decision to increase the policy rate is due to renewed upside risk to general prices that could keep headline inflation elevated in the near term. Fuel prices have increased from the declines recorded in the last month of 2022 whereas the Ghana Cedi has depreciated by 20% on the average against the major trading currencies. This is the 6th hike over a year's period cumulating into a hike of 1,350bps since January, 2022.

The hike in policy rate is going to mop up liquidity in the country especially in the face of high food and non-food inflation. The increase in the policy rate means cost of borrowing is expected to inch up further and consequently increase cost of living and doing business.

A higher policy rate alone may not stabilise the currency and bring down inflation in the near term, but the MPC believes that the potential success of Ghana's negotiations with the IMF will form part of the measures which will help restore fiscal and debt sustainability and improve the economic environment.

POLICY RATE TREND



The next MPC meeting is scheduled for March 22nd – 24th, 2023. The meeting will conclude on Monday, March 27, 2023 with the announcement of the policy decision.

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