CENTRAL BANK OF LIBERIA

COMMUNIQUE NO. 12

Monetary Policy Committee Meeting
held by the
Board of Governors
November 21, 2022

The Monetary Policy Committee (MPC) represented by the Board of Governors of the Central Bank of Liberia (CBL) held its last MPC meeting for the year on the 16th of November 2022. The meeting of the MPC focused on assessment of the domestic economic conditions in the third quarter of 2022 and the implications of the global economic developments on the Liberian economy.

During the meeting, the MPC observed moderation in global growth and the rising inflationary pressures in the advanced, emerging market and developing economies, including Sub-Saharan Africa, due largely to supply-side constraints.

The Committee also observed the rise in the policy rates in major advanced economies to contain the rising and expected inflationary pressures. The global economy is projected to grow at 3.2 percent for 2022 from the 6.0 percent recorded in 2021 coupled with high volatility in global commodity prices, especially food and fuel prices, exacerbated by the impact of the Russia-Ukraine war. The Committee was concerned about the inflation forecast of 7.5 percent +/-2.0 percentage points on account of expectation of higher spending in Liberian dollar during the festive season of December 2022, in addition to global inflation developments.

The Real Gross Domestic Product (RGDP) in third quarter of 2022 expanded by over 6.0 percent, while annual GDP for the year is expected to rise above the initially projected 3.7 percent from the 5.0 percent recorded in 2021.

The Committee noted that the banking sector was safe and sound, as evidenced by the strong capital and liquidity positions, despite the high level of non-performing loans (NPLs), which is partly attributed to legacy loans from the past years. While recognizing the limited activity in the interbank market, the Committee was encouraged by the active participation of the Government of Liberia (GoL) in the money market as well as the growing demand for CBL bills, as important developments in deepening the financial markets.

The Committee recognized the widening of trade balance deficit during the third quarter of 2022 with contraction in merchandise trade to 4.9 percent of GDP compared to the 1.9 percent of GDP in the second quarter of 2022 on account of rise in import payments and decline in export receipts. Remittances inflows were favorable during the quarter with net inflows rising by 13.9 percent to US$62.5 million from US$54.9 million in the second quarter of 2022. Foreign currency inflows through mobile money wallets rose by 3.6 percent to US$84.1 million from US$81.2 million in the second quarter of 2022.

In terms of exchange rate developments, the Committee noted the low volatility in the Liberian dollar, both on period average and end-of-period basis (EoP). The Liberian dollar period average exchange rate depreciated by 1.13 percent to L$153.56/US$1.00 in the third quarter of 2022 from L$151.84/US1.00 in the previous quarter, while on end-of-period basis, the Liberian dollar marginally depreciated by 0.59 percent to L$153.77/US$1.00 from L$152.87/US$1.00 in the previous quarter.

The broad stability of the exchange rate is attributed to the positive remittances inflows and effective management of Liberian dollar liquidity consistent with the medium-term inflation objective of the CBL.

MPC Decisions

At the end of the deliberations, the MPC recognized the low inflation forecast at 7.5 percent +/-2.0 percentage points, the relative stability of the Liberian dollar, and the favorable performance of the economy as shown by the quarterly growth in Real GDP, despite the risk of high NPLs and global uncertainty about commodity prices.

Based on the current assessment of macroeconomic developments at both the domestic and global levels, the MPC resolved to maintain the current monetary policy rate at 15.0 percent. Accordingly, the Committee hereby announces the following decisions:

1. To maintain the Monetary Policy Rate at 15.0 percent until its next assessment meeting in the first quarter of 2023;

2. To Maintain the Standing Credit Facility (SCF) at 250 basis points above the monetary policy rate and suspend the Standing Deposit Facility (SDF) until further notice;

3. To amend the regulation on reserve requirement ratios to take effect from January 1, 2023 to make reserve requirement ratios a more active tool of monetary policy with the objective to harmonize reserve requirement ratios applicable to LD and US$ deposits in the medium-term;

4. To suspend the issuance of CBL bills on a fixed-rate full allotment basis until further notice; and

5. To adjust the amount of CBL bills offered to the market to maintain adequate liquidity in the economy and ensure that monetary aggregates evolve in a manner consistent with the macroeconomic objectives of the Country. Exchange rate developments and interest rates at CBL-bills auctions will provide important information in this regard.

The Committee expects that these policy measures will help to promote macroeconomic stability and sustained economic growth.

Signed: ______________________

J. Aloysius Tarlue, Jr.
Chairman, Monetary Policy Committee
Executive Governor, Central Bank of Liberia