



# **CENTRAL BANK OF LIBERIA**

**COMMUNIQUE NO. 13**

## **Monetary Policy Committee Meeting**

held by the

## **Board of Governors**

on

February 16, 2023

The Monetary Policy Committee (MPC) REPRESENTED by the Board of GOVERNORS of the Central Bank of LIBERIA (CBL) held its FIRST MPC meeting for the year on February 16, 2023. The meeting of the MPC assessed the domestic economic conditions in the 4<sup>th</sup> Quarter of 2022 and the implications of global economic developments on the Liberian economy to inform monetary policy decisions for the quarters ahead.

### **Global Macroeconomic Developments**

Global growth is projected to moderate at 2.9 percent for 2023, from 3.4 percent in 2022, on account of challenges and uncertainties, including elevated inflation rates, tightened financial conditions in most regions, the war between Russia and Ukraine, and the lingering COVID-19 pandemic. The Committee was concerned about the economic implications of declines in the global prices of Liberia's major export commodities during the quarter, including palm oil, iron ore, rubber, gold, and round logs. The Committee noted the quarter-on-quarter decline in global crude oil prices with the implication of a lowering pass-through effect on pump prices of fuel in the domestic economy, which would help to contain inflation during the next quarter.

The global headline inflation for 2022 rose to 8.8 percent, from 4.7 percent in 2021. In the advanced economies, inflation rose to 7.3 percent, from 3.1 percent in 2021, while it accelerated to 9.9 percent, from 5.9 percent in 2021 for emerging

market and developing economies. In the Sub-Saharan Africa region, inflation elevated to 14.4 percent in 2022, from the 11.1 percent recorded in 2021.

The interest rates in several advanced economies, including the United States, United Kingdom, Australia and the European Union were raised in the 4<sup>th</sup> Quarter of 2022 to curb rising inflation. Similarly, most West African Monetary Zone (WAMZ) countries - Ghana, Nigeria, The Gambia, and Sierra Leone also raised their policy rates to contain inflation.

### **Domestic Macroeconomic Developments**

Real Gross Domestic Product (RGDP) of the Liberian economy slightly moderated in the 4<sup>th</sup> Quarter of 2022, while the annual GDP growth is expected to exceed the initial projection of 4.8 percent from the 5.0 percent recorded in 2021.

The quarterly Real GDP growth for the 4<sup>th</sup> Quarter of 2022 was estimated at 5.9 percent compared to the same period in 2021, mainly on account of the stronger than anticipated performance in the mining sector, especially gold production. Sectoral annual growth for 2022 showed that the mining & panning subsector grew by an estimated 14.0 percent, below the 17.6 percent in 2021, while the agriculture & fisheries subsector expanded by over 1.2 percent from 1.0 percent in 2021, mainly through increased oil palm production. The manufacturing (mainly through rising cement production) and services (through increased electricity supply) subsectors grew by over 2.2 percent and 4.8 percent in 2022, respectively.

Despite these positive developments, the Committee was concerned about the economic risk to the domestic economy on account of possible global recession, continuation of the Ukraine-Russia conflict, capital reversal induced by rising interest rates in advanced economies and declining commodity prices, especially Liberia's major export commodities.



The average inflation for the 4<sup>th</sup> Quarter of 2022 rose to 9.3 percent compared to the 6.9 percent recorded in the previous quarter, mainly due to increases in the market prices and the moderate rise in food and administered prices of the consumer basket, as a result of increased spending during the December festive season in the last quarter of 2022.

The Committee expressed concern about the rise in inflation forecast to 9.8 percent +/-2.0 percentage points owing to the tightening financial conditions in the global economy and other structural constraints.

### **The Banking Sector**

Indicators of the banking sector showed that total loans and advances, total assets (gross), and deposits decreased by 3.9 percent, 2.4 percent, and 3.4 percent, while total capital increased by 2.9 percent compared to the previous quarter of 2022, respectively. The Committee noted the 5.4 percent decrease in the consolidated Capital Adequacy Ratio (CAR) to 25.3 percent and the reduction in the non-performing loans (NPLs) ratio to 16.6 percent from 23.2 percent in the 3<sup>rd</sup> Quarter of 2022, which is still above the 10 percent tolerable level.

### **Monetary and Financial Markets Developments**

The Committee observed the movement in monetary aggregates, noting that broad money supply (M2) marginally grew by 0.9 percent due to the 0.1 percent moderate growth in narrow money (M1). Currency outside banks increased by 19.3 percent partly occasioned by the demand for liquidity by households during the December festive season.

In the interbank market, the Committee noted the limited activity during the quarter and the non-issuance of Liberian dollar treasury bills by the Government as well as over-subscription of the CBL bills during the 4<sup>th</sup> Quarter of 2022.

### **External Sector Developments**

The Committee expressed concern about the widening trade deficit to 6.7 percent of GDP during the 4<sup>th</sup> Quarter of 2022 compared to 5.0 percent of GDP in the 3<sup>rd</sup> Quarter of 2022 on account of 13.6 percent rise in import payments and 2.4 percent decline in export receipts.

Remittances through banks was relatively strong in the 4<sup>th</sup> Quarter as net remittances inflow rose to US\$68.5 million from US\$62.5 million in the 3<sup>rd</sup> Quarter of 2022. At the same time, inbound remittances terminating to mobile wallets rose by 8.9 percent to US\$91.6 million from US\$84.1 million in the 3<sup>rd</sup> Quarter of 2022.

During the quarter under review, both end-period and period average exchange rate of the Liberian dollar depreciated slightly. The end-period exchange rate of the Liberian dollar is projected to further depreciate to 7.3 percent for the 1<sup>st</sup> Quarter of 2023, due largely to several factors, including high demand for US dollars by businesses for import payments to replenish their stocks after the December festive season.

### **Monetary Policy Committee Decisions**

Based on the assessment of both domestic and global economic developments during the 4<sup>th</sup> Quarter of 2022, the Committee affirmed to maintain the current monetary policy stance to sustain the relative stability in the economy, contain inflation and inflationary expectations and promote financial sector stability. In this regard, the Committee took the following decisions:

1. To maintain the Monetary Policy Rate at 15.0 percent until its next assessment meeting in the 2<sup>nd</sup> Quarter of 2023;
2. To maintain the reserves requirement ratios on Liberian Dollar and US Dollar at 25 percent and 10 percent, respectively; and,



3. To sell the 2-week issuance of CBL Bills exclusively to commercial banks, and the 1-month and 3-month CBL Bills to both commercial banks and retail investors.

Signed: \_\_\_\_\_



J. Aloysius Tarlue, Jr.

**Executive Governor & Chairman of the MPC**

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