



CENTRAL BANK OF LIBERIA COMMUNIQUE NO. 20
October 18, 2024



For the Monetary Policy Committee Meeting held on Wednesday, 16 October 2024

The Monetary Policy Committee (MPC) of the Central Bank of Liberia (CBL) held its final MPC meeting of the year on October 16, 2024, to assess the macroeconomic conditions in both the domestic and global economies. The results from the MPC assessment meeting were used to guide decision on appropriate policy stance and policy rate to influence macroeconomic conditions for the upcoming quarter.

Global Macroeconomic Developments

Despite challenges from supply chain disruptions, lingering pandemic impacts, the Russia-Ukraine and Israel-Hamas conflicts, high inflation rates triggering tight monetary policies across many regions, the MPC was encouraged by the resilience of the global economy. The Committee noted that the global economy avoided a recession in 2023 and achieved a real gross domestic product (RGDP) growth of 3.3 percent, expressing optimism that the growth projection of 3.2 percent for 2024 is attainable. However, the MPC acknowledge that the growth projection is slightly lower than the growth rebound in 2023.

The MPC observed that the projected growth of 1.7 percent in advanced economies suggests a moderate recovery, reflecting the effects of sustained tight monetary conditions aimed at combating inflation and the gradual adjustment of fiscal support in key economies. Meanwhile, Sub-Saharan Africa growth, as noted by the Committee, is expected to accelerate to 3.7 percent up from the 3.4 percent in 2023, on account of improvements in macroeconomic conditions, especially easing inflationary pressure and stabilizing commodity price.

The MPC acknowledged the downward trajectory of global headline inflation to 5.9 percent from 6.7 percent in 2023, reflecting the continued tight monetary policy stance by central banks worldwide. However, it has been observed by the Committee that inflation remains high in several low-income countries, particularly Sub-Saharan region where inflation is expected to moderate to 15.3 percent down from 16.2 percent in 2023.

The Committee observed an increase in commodities prices during the quarter, driven mainly by agriculture, with rising prices of cocoa, palm oil and round logs, while the prices of rice and coffee declined. In the metal & energy category, as observed by the Committee, only gold recorded a rise in price, while the prices of iron ore and petroleum declined. The Committee noted that the decline in the price of petroleum partly helped to improve the trade deficit for the quarter.

Domestic Macroeconomic Developments

The Quarterly Real GDP (QRGDP) improved by a growth of 1.3 percent relative to the contraction recorded in quarter two 2024. The Committee attributed this slight increase to the quarter-on-quarter moderation in consumer prices and improvement in consumption. The Committee remains optimistic that economic activity will strengthen in the last quarter of the year on account of consumption and Government of Liberia fiscal impulse.

The Monetary Policy Committee expressed optimism about the moderation of inflation to 6.8 percent from 7.4 percent in the second quarter, noting that this development was due to improved food prices and CBL's policy stance. The Committee was also satisfied with 2024 last quarter inflation forecast., expecting it to further moderate to 6.4 percent, within a symmetric band of +/- 2.0 percentage points.

The Banking Sector

The Committee expressed concern about the performance of the banking system, observing that, apart from slight growth in loans and advances, other key balance sheet items declined during the quarter. Total loans and advances rose by 1.2 percent, while total assets, deposits and total capital declined by 0.6 percent, 2.6 percent, and 1.6 percent, respectively. Additionally, the Committee noted a 1.79 percentage points increase in non-performing loans (NPLs).

In terms of sectoral concentration, the Committee observed that loans and advances are mainly concentrated in five (5) sectors: trade (28.6 percent); personal (16.6 percent); service (15.1 percent); oil & gas (8.3 percent); and construction (6.8 percent) of total loans and advances. The Committee expressed concerns over the low intermediation by the banking system to agriculture and manufacturing subsectors. The Committee also noted that these five sectors

recorded the highest share of NPLs. However, the sector remained relatively stable during the quarter with the ratio of interest-bearing liabilities to assets recorded 54.5 percent.

Credits to the private sector as noted by the Committee showed mixed results in both currencies. The Liberian dollar component of credit to private sector was down by 0.9 percent to L\$5.79 billion from L\$5.85 billion during quarter two 2024. This decline was mainly due to contractions by 20.5 percent, 0.6 percent and 1.3 percent in credit advanced to agriculture, services, and manufacturing subsectors, respectively. In contrast, the Committee noted that the USD credits to private sector rose by 1.3 percent to US\$481.6 million, from US\$475.6 million recorded in quarter two 2024 largely on account of 2.3 percent and 6.1 percent growths in credits to services and agriculture, respectively.

Monetary Aggregates and Financial Markets Developments

Monetary aggregates as noted by the Committee recorded slight declines in quarter three 2024. Broad money (M2) declined by 1.6 percent compared to the previous quarter while currency in circulation (CIC) contracted slightly by 0.1 percent to L\$27.69 billion from L\$27.71 billion due to 6.3 percent decline in currency in banks (CIB) to L\$2.3 billion from L\$2.5 billion in quarter two. The Committee was satisfied with the moderation of monetary aggregates and expressed concern that the last quarter in the year would record growths in these aggregates, especially currency outside banks that could engender exchange rate and inflationary pressures.

Activity in the financial markets was relatively positive for the CBL bills and the interbank market the Committee noted, though there was no government market activity during the period. The total subscriptions to the CBL bills rose by 24.8 percent with commercial banks and retail investors' subscriptions rising by 25.0 percent and 19.0 percent, respectively. The Committee observed that nine USD SWAPs transactions valued at US\$8.86 million were made at a weighted average interest rate of 1.375 percent as well as one USD placement and five LRD placements, values at US\$1.0 million at 3.0 percent and L\$656.9 million at 8.7 percent in the Interbank Market. The Committee noted the absence of Government treasury bills activity in the market, describing this as potential risk to financial markets development.

Fiscal Developments

The government fiscal operations, as observed by the Committee, resulted in a deficit during quarter three of 2024 largely on account of the 0.5 percent reduction in expenditure coupled with the 9.7 percent reduction in revenue (tax and non-tax). However, the MPC noted that the Primary Balances recorded a surplus of US\$4.8 million. It was also noted that the 1.2 percent of GDP contraction in the Fiscal Stance (FS), from a relatively larger contraction of 1.6 percent of GDP in the previous quarter, led to 2.0 percent of GDP improvement in the Fiscal Impulse (FI) from a contraction of 2.8 percent in quarter two. The Committee was concerned that the quarter ahead could see a significant rise in government spending, potentially increasing the risk of exchange rate and inflation uncertainties.

External Sector and Exchange Rate Developments

During the deliberation, the MPC recognized the significant improvement in the trade deficit to a projection of US\$48.9 million, from US\$168.3 million reported in quarter two 2024. This projected improvement was attributed to 22.3 percent reduction in import payments and 2.5 percent rise in merchandise export receipts. It was observed by the Committee that the gross international reserves (GIR) rose by an estimated 6.5 percent, inducing the rise in the months of essential imports cover to 2.9, from the 2.2 months recorded in the previous quarter.

The MPC was satisfied with the exchange rates movements for quarter three, noting that the Liberian dollar on end-period basis remained relative stable, marginally appreciating by 0.59 percent to L\$193.26/US\$1.00 at end-September 2024 compared to the L\$194.39/US\$1.00 recorded at end of June 2024. However, on an average basis, the Liberian dollar marginally depreciated by 0.68 percent to L\$194.89/US\$1.00, from L\$193.58/US\$1.00 in second quarter of 2024. The Committee remains confident that the relative stability in the exchange rate will continue in the next quarter, anchoring on effective liquidity management.

MPC Decisions

Following the deliberations on the economic assessment of quarter three 2024, the Committee noted that the moderation in global headline inflation, resilient global growth and increases in price of gold, palm oil, and rubber coupled with the decline in rice and petroleum prices, were favorable development for the Liberian economy. The Committee welcomed the quarterly

growth estimates for the Liberian economy and acknowledged the projected moderation in domestic headline inflation in quarter four.

At the end of the meeting, the Committee decided, in line with its mandate and in support of safeguarding the financial sector, as well as maintaining macroeconomic stability, on the following:

1. To lower the Monetary Policy Rate (MPR) to 17.0 percent, consistent with expectation of moderation in consumer prices and stable exchange rate.
2. To maintain the reserve requirement ratios of 25 percent and 10 percent for Liberian and US dollars, respectively, until the next quarter's assessment.

In conclusion, I would like to reassure the public that we will continue to monitor developments in both the domestic and global economies in accordance with our mandate and implement policies that enhance macroeconomic stability of the Liberian economy.

Signed: _____
Henry F. Saamoi
Acting Executive Governor & Chairman of the MPC