



PRESS RELEASE

Reduce Policy Rate to Spur Business Growth

As the Monetary Policy Committee (MPC) meets to review the policy rate, the Ghana National Chamber of Commerce and Industry (GNCCI) calls for a reduction in the policy rate to support business growth.

While acknowledging the intent for the harsh policy rate hikes from 14.5 percent in January 2022 to the current rate of 30 percent, as a measure to mitigate the inflationary pressures on the economy from increased government spending, oil price hikes, and increased supply chain bottlenecks due to geopolitical tensions. The GNCCI re-emphasizes its concerns about the adverse impact of high interest rate on business growth.

Ghanaian businesses are facing a considerable increase in borrowing costs largely stemming from the high Monetary Policy rate. The high interest on commercial loans averaging 32 percent in 2023 adds up to the already high utility tariffs and excessive taxes, making the cost of doing business in Ghana extremely high.

The costly business environment has contributed to a significant decline in production, the collapse of many businesses; the rise in non-performing loans; the relocation of businesses to other African countries, and as a whole led to the significant decline in the growth of the private sector and the economy. From a GDP growth rate of 6.1 percent in the 4th quarter of 2021 to 2.0 percent in the 3rd quarter of 2023.

As the representative body of the business community in the Country, the GNCCI is very mindful of issues that specifically impact the operational costs of businesses. With the 116th Monetary Policy Committee (MPC) meeting ongoing to discuss the policy rate adjustments, the GNCCI emphasizes the need for the review to favor the growth of businesses. The GNCCI urges the MPC to take into account the cost-push impact of a high policy rate.

Given the relative stability in the forex market and the significant decline of 30.4 percent in domestic inflation from 53.6 percent in January 2023 to 23.2 percent, which also implies that the Real Interest Rate in Ghana is now positive, we propose that the Bank of Ghana lowers the existing policy rate. We believe the reduction will induce commercial banks to also lower their lending rate to enable businesses to access funds for expansion in the short to medium term.

As Ghanaian businesses endeavor to actively engage in the AfCFTA, the cost of borrowing will play a crucial role in defining their competitiveness. With Ghana's interest rate being the highest in Africa, we urge the Monetary Policy Committee to lower the policy rate. In the chamber's estimation, anchored on the stability in the forex market, decline in inflation and the projected GDP growth rate of 2.7 percent, we propose a reduction of not less than 2 percent or 200 basis points in the policy rate for the start.

The GNCCI will continue to engage stakeholders in the public and private sectors to ensure a thriving business environment that delivers shared growth and prosperity for all.

Long live the GNCCI, long live Ghana.

Thank you.

Signed

Mr. Clement Osei-Amoako
President, Ghana National Chamber of Commerce and Industry

Thursday, 25th January, 2024

info@ghanachamber.org