

**Monetary Policy  
Committee**

**CENTRAL BANK OF  
THE  
GAMBIA**



**PRESS RELEASE**

**AUGUST 31, 2006**

- (1.0) Recent economic data show that the strong economic growth achieved in 2005 is likely to continue in 2006. Gross domestic product is estimated at 4.5 percent in 2006 and would be broad based.
- (2.0) Monetary policy continues to follow a prudent course to sustain the marked deceleration in inflationary pressures. Money supply grew by 16.2 per cent in the year to end-July 2006. However, from end-December 2005, money supply rose by 10.2 percent.

Reserve money, the Banks operating target, grew at an annual rate of 16.2 percent and by only 4.4 percent from end-December 2005.

- (3.0) Inflation remains low and non-volatile. End period inflation, measured by the consumer price index (CPI), was 1.4 percent in July 2006. The 3.6 percent increase in non-food consumer price inflation was offset by 0.1 percent decrease in food prices.

Core inflation, which excludes prices of energy and volatile food items, rose slightly to 1.4 percent compared to 1.3 percent in July 2005.

- (4.0) Domestic revenue totalled D760.1 million in the second quarter of 2006, higher than the target by D3.0 million. This was mainly as a result of buoyant tax revenue, which exceeded the budget estimate by D61.5 million, or 9.7 percent. Expenditure and net lending totalled D1.1 billion and was below the ceiling by D78.2 million, or 7.1 percent. The overall budget deficit (excluding grants) of D336.9 million, was lower than the budget estimate of D418.1 million.

(5.0) Revised projections indicate a balance of payments (BOP) surplus of D240.0 million (US\$8 million) in 2006, but lower than the surplus of D320.9 million (US\$11.2 million) in 2005, reflecting in the main projected decline in the capital account surplus and widening of the current account deficit.

Gross international reserves is estimated to increase by D168 million (US\$6.0 million) to D3.0 billion (US \$99.2 million) against D2.7 billion (US\$93.7 million) in 2005. The Gambia is current on all its debt service obligations.

(6.0) The Dalasi remains stable, supported by strong economic fundamentals and robust inflows from remittances, foreign direct investments (FDI), re-exports, and tourism.

(7.0) The banking sector is sound and profitable. The average capital adequacy ratio of the industry was 44.2 percent in the second quarter of 2006. All the banks observed the minimum capital requirement of 8.0 percent. The lowest capital adequacy ratio was 14.6 percent and the highest (167.4 percent).

(8.0) The near-term outlook for the Gambian economy is good. Reflecting solid economic fundamentals, the Dalasi is forecast to be stable and inflationary pressures subdued. However, there are downside risks to the outlook particularly relating to volatility in oil prices and its possible “knock on” effect on general prices.

(9.0) Taking the above-mentioned factors into consideration, including the risks to the inflation outlook, the MPC has decided to maintain the rediscount rate, the policy rate, at 15.0 percent. The MPC would continue to monitor the situation and if the outlook changes, the Committee would review its stance.