ECONOMIC UPDATE: REVIEW OF MONETARY POLICY REPORT

Monetary Policy Rate (MPR) Maintained at 14.5%.

01/02/2021

Introduction

On Monday 1st of February, 2021, the Monetary Policy Committee (MPC) of the Bank of Ghana concluded its 98th regular meeting. The Committee maintained the policy rate at 14.5% citing the following reasons:

- ✓ In the domestic economy, growth has picked up since the sharp contraction in the second quarter. However, the renewed threat from the second-wave of the pandemic has again heightened uncertainty and could hamper the recovery process in the near-term.
- ✓ The current account balance turned out better than earlier anticipated. However, lower-than-projected FDI flows and portfolio reversals resulted in a lower build-up of reserves than earlier projected.
- ✓ The prospects of a sharp fiscal correction in 2021 now looks unlikely amidst the second wave of the pandemic which will be requiring additional spending to provide testing, vaccines, etc.
- ✓ Headline inflation, while on steady decline in the early months of the last quarter of 2020, jumped in December to 10.4 percent, outside the target band of 8±2 percent, driven by food prices. Risks to inflation in the near-term are broadly contained, but short to medium-term risks emanating from the fiscal expansion and rising crude oil prices are emerging.

1. Global Developments

- ✓ The global economy was projected to contract by a larger margin in 2020 due to the adverse effects of the COVID-19 pandemic, but the contraction has turned in better than earlier forecasted.
- ✓ The resurgence of infections and emergence of new variants of the virus since the last quarter of 2020 has, however, resulted in the re-imposition of restrictions and partial lockdowns in some economies and will likely soften the growth recovery momentum in early 2021.
- ✓ Notwithstanding the anticipated softening, global growth is expected to strengthen in the second half of 2021, conditional on continued policy support and successful rollout of COVID-19 vaccines.
- ✓ Global financing conditions remained accommodative throughout 2020, reflecting the massive policy support which induced lower borrowing costs, boosted equity valuations, enhanced investor risk appetite, and narrowed sovereign bond spreads across Emerging Market and Developing Economies.
- ✓ These developments helped ease pressures on emerging and frontier market currencies, while sovereign risk spreads for most Sub-Saharan African countries declined steadily in the year.
- ✓ In the near-term, financial market indicators point to optimism about medium-term prospects. Nonetheless, rising debt levels and increasing interest burdens across several emerging markets and developing economies pose significant financing risks.
- ✓ Global inflationary pressures remained subdued, weighed down by weak global demand and significant slack in labour and product markets during 2020.
- ✓ In Advanced Economies, inflation is projected to rise to 1.3 percent in 2021 from 0.7 percent in 2020, while in Emerging Market and Developing Economies, inflation is expected to ease slightly to 4.2 percent from 5.0 percent over the same comparative period.
- ✓ In emerging market and frontier economies, currency movements and COVID-related supply-side constraints are expected to dictate price movements, going forward.

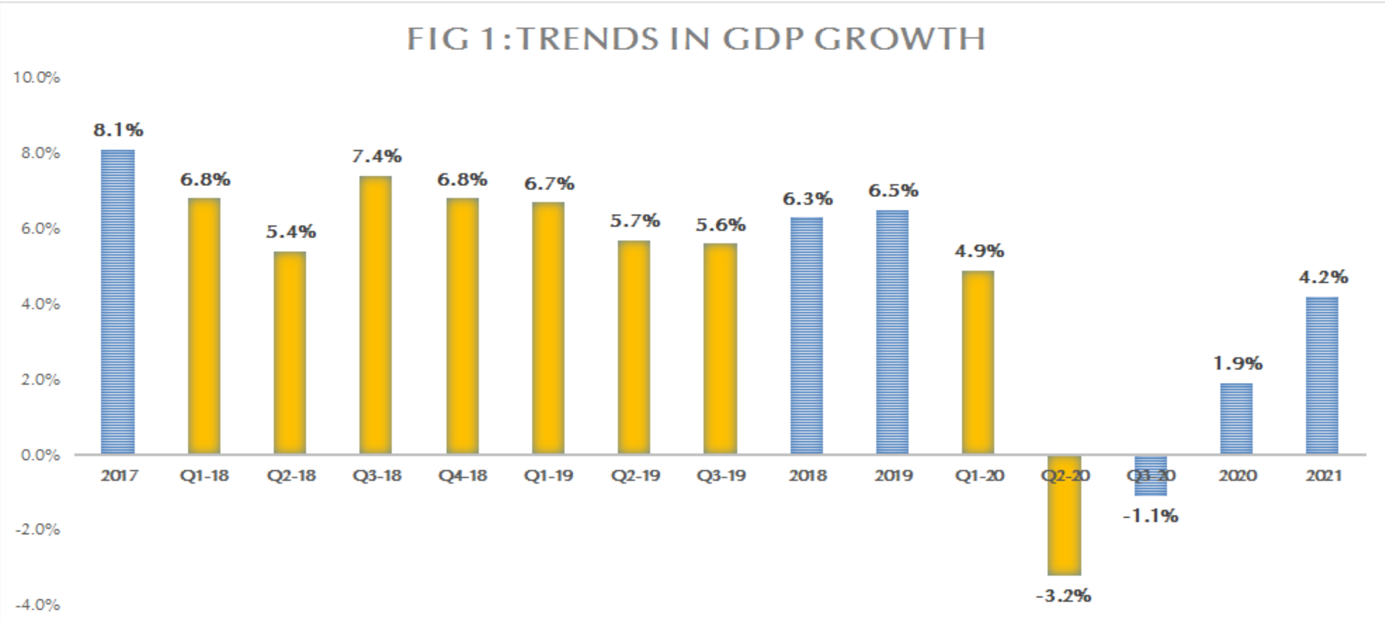
Prospects for 2021 look more positive, and the January update of the IMF's World Economic Outlook projects a rebound in the global economy from the 3.5 percent contraction in 2020 to a 5.5 percent growth in 2021, amid uncertainties. This reflects the stronger than-expected recovery on average across regions in the second

half of the year. The 2021 growth forecast reflects additional policy support in a few large economies and expectations of a vaccine-powered strengthening of activity later in the year, which outweigh the drag on near-term momentum due to rising infections. The growth outlook is particularly large for the advanced economy group, reflecting additional fiscal support—mostly in the United States and Japan—together with expectations of earlier widespread vaccine availability compared to the emerging market and developing economy group.

2. Domestic Economy

Real Sector Developments

- ✓ In Ghana, after recording strong growth of 6.5 percent in 2019 and firm growth of 4.9 percent in the first quarter of 2020, growth was dampened in the second quarter due to COVID-related factors. However, following the lifting of restrictions and strong policy support, signs of recovery begun to emerge in the third quarter.
- ✓ Data released by the Ghana Statistical Service showed that real GDP growth provisionally contracted by 1.1 percent in the third quarter of 2020 compared to the 3.2 percent contraction recorded in the second quarter.
- ✓ In particular, non-oil GDP recorded a more measured contraction of 0.4 percent in the third quarter of 2020, compared to a contraction of 3.4 percent in the second quarter.
- ✓ The BoG's updated Composite Index of Economic Activity (CIEA) recorded an annual growth of 11.9 percent in November 2020, compared with 3.4 percent growth a year ago.
- ✓ The key drivers of economic activity during the period were construction, port activity, imports, manufacturing, and credit to the private sector.
- ✓ Results from the BoG's latest confidence surveys conducted in December 2020 showed improvements in both consumer and business confidence.
- ✓ **Consumer confidence** remained firm at pre-lockdown levels reflecting optimism about current economic conditions following the gradual lifting of the COVID-related restrictions.
- ✓ **Business confidence** improved significantly, reaching pre-lockdown levels, for the first time, as businesses met short-term company targets and expressed positive sentiments about growth prospects.



Source: Ghana Statistical Service, GCB Research

In the outlook, the committee noted that, growth has picked up since the sharp contraction in the second quarter. All the high frequency indicators of economic activity have rebounded, consumer and business confidence levels are back at pre-lockdown levels, and there are indications of steady growth in private sector credit.

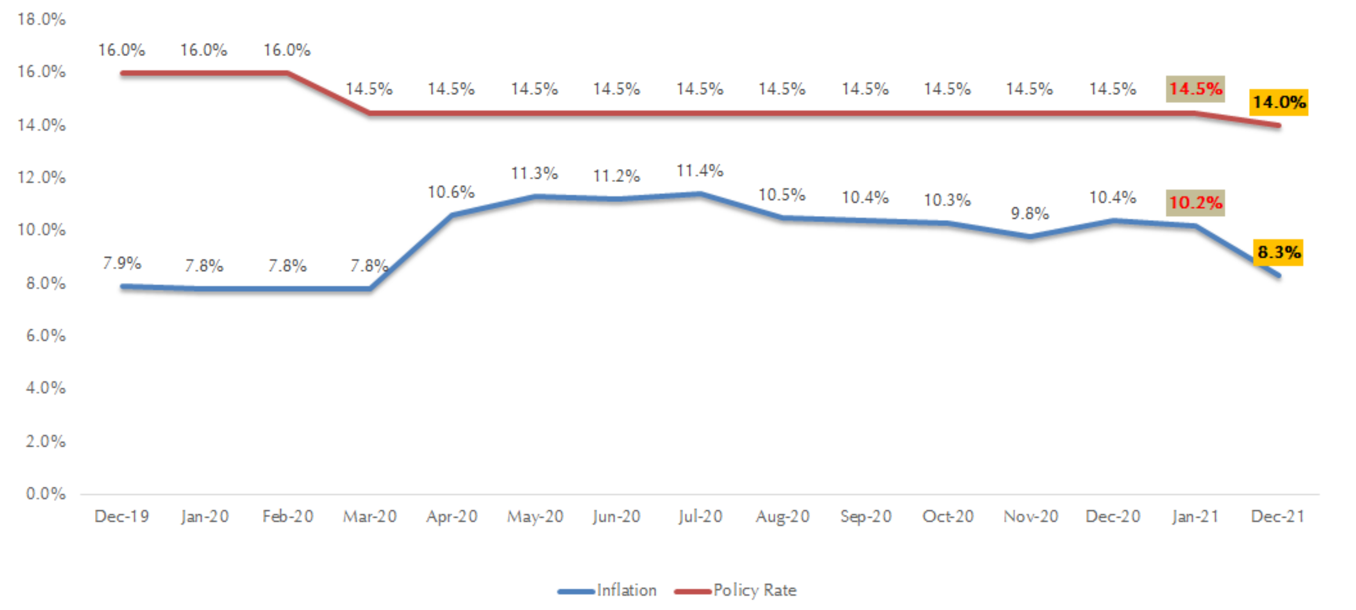
We forecast real GDP growth of 4.2% in 2021, from an estimated growth of 1.9% in 2020. The hydrocarbons sector is expected to be one of the main drivers of growth in 2021. With prices forecast to rise slightly in 2021 as global energy demand recovers, oil production will increase. Gold production, which fell in 2020 despite surging global prices, will rise in 2021 as prices remain elevated and government efforts to curtail illegal mining boost formal activity. Services, which were affected by lockdown measures and falling private consumption in 2020, will recover somewhat in 2021 as most measures are lifted and private consumption picks up. Similarly, the agricultural sector will also register growth, benefiting from government investment in improving cocoa yields. In medium term oil production will rise further (with output at the Pecan oilfield starting in 2024), boosting real GDP growth to an annual average of 3.8%. It is worthy to note that, the renewed threat from the second-wave of the pandemic has again heightened uncertainty and could hamper the recovery process in the near-term.

3. Price Developments

Inflation

- ✓ Price developments in 2020 were broadly driven by COVID-related factors, especially the spike in inflation observed during the second quarter which was on the back of events preceding the partial lockdown.
- ✓ This was followed by the subsequent easing in inflation pressures in the third and last quarters, as the restrictions were removed.
- ✓ Two readings since the last MPC meeting indicated that headline inflation eased from 10.1 percent in October to 9.8 percent in November and then, subsequently rose to 10.4 percent in December 2020.
- ✓ The inflation uptick in December was mainly driven by food inflation, which moved up to 14.1 percent from 11.7 percent in November.
- ✓ Non-food inflation, however, eased to 7.7 percent from 8.3 percent over the same comparative period.
- ✓ Underlying inflation pressures inched up marginally in line with the headline inflation trends. The BoG's core inflation measure, which excludes energy and utility, went up marginally, while inflation expectations of businesses and consumers moderated. Financial sector inflation expectations inched up marginally.

FIG 2: TRENDS IN INFLATION AND POLICY RATE



Source: Bank of Ghana, GCB Research

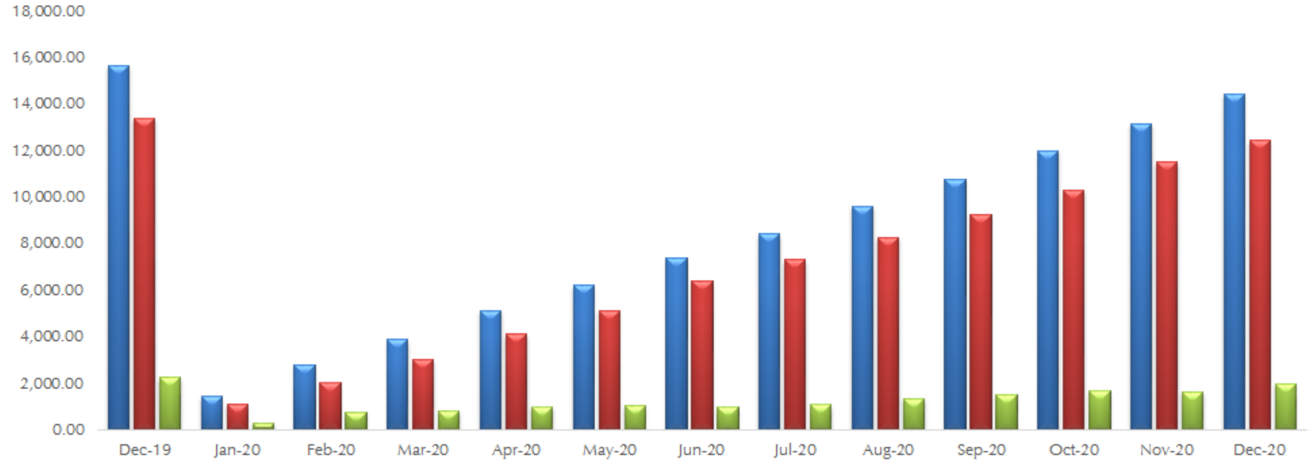
The MPC projects headline inflation to return to target in the second quarter of 2021. From our point of view, inflation will moderate in 2021 to 8.3±0.2%, from 10.4% in 2020, owing to reduced supply-chain disruption and gradually recovering domestic demand. However, risks to inflation in the short to medium-term could emanate from the fiscal expansion and emerging rise in crude oil prices on the international market. From 2022 inflation will pick up owing to higher global commodity prices, ongoing currency depreciation and strengthening domestic demand. Inflation will average 9.1% a year in the medium term, remaining within the official target range of 6-10%, as the central bank tightens monetary policy. For the month of January 2021, we forecast inflation of 10.2±0.2%.

4. External Sector Developments

- ✓ Commodity price trends traded mixed in 2020, influenced by COVID-related global market conditions.
- ✓ Crude oil prices declined by 22.9 percent year-on-year in December 2020, driven mainly by weak demand. Crude oil prices averaged US$50.2 per barrel, compared with US$65.2 per barrel a year ago.
- ✓ In contrast, gold prices went up by 25.4 percent to an average of US$1,857.2 per fine ounce, strongly supported by accommodative monetary policy, increased uncertainty, and the global economic slowdown due to the pandemic.
- ✓ Cocoa prices averaged US$2,581.3 per tonne in December 2020, up by 2.5 percent on a year-on-year basis.
- ✓ These commodity price developments impacted on the trade balance. Total exports contracted by 7.8 percent year on-year to US$14.5 billion in 2020, driven mainly by a significant decline of US$1.6 billion in crude oil export receipts on the back of low prices.
- ✓ Gold and cocoa export earnings on the other hand, went up by 9.1 percent and 2.1 percent respectively, due to favourable prices and production volumes.
- ✓ Total imports went down by US$974 million to US$12.4 billion, underpinned by significant declines in both oil and non-oil imports.
- ✓ Consequently, the trade balance recorded a lower surplus of US$2.0 billion (3.0 percent of GDP) in 2020, compared with US$2.3 billion (3.4 percent of GDP) in 2019.

- ✓ The current account recorded a deficit of US$2.0 billion (3.0 percent of GDP) compared with a deficit of US$1.9 billion (2.8 percent of GDP) in 2019 due to the lower trade surplus and higher services outflows which was moderated by the strong remittance inflows of US$3.6 billion and lower net investment income outflows, notably, profits and dividends.
- ✓ Gross International Reserves at the end of December 2020 was US$8,624.4 million, providing cover for 4.1 months of imports of goods and services. The reserve level compares with the end-December 2019 position of US$8,418.1 million, equivalent to 4.0 months of import cover.

FIG 3: TRENDS IN EXPORTS AND IMPORTS (USD MILLION)



	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Export	15,667.50	1,437.10	2,801.60	3,890.00	5,134.30	6,209.00	7,386.80	8,438.30	9,620.60	10,789.60	12,001.30	13,162.80	14,452.80
Import	13,410.70	1,132.40	2,018.40	3,041.00	4,132.70	5,143.50	6,390.50	7,323.40	8,271.60	9,244.00	10,332.30	11,518.10	12437.4
Trade Balance	2,256.80	304.70	783.20	849.00	1,001.60	1,065.50	996.30	1,114.90	1,349.00	1,545.60	1,669.00	1,644.70	2,015.40

Source: Bank of Ghana

The MPC noted that the current account balance turned out better than earlier anticipated. However, lower-than-projected FDI flows and portfolio reversals resulted in a lower build-up of reserves than earlier projected. The gross reserves at US$8.6 billion, translating into 4.1 months of import cover, will provide adequate cushion against potential external vulnerabilities in 2021.

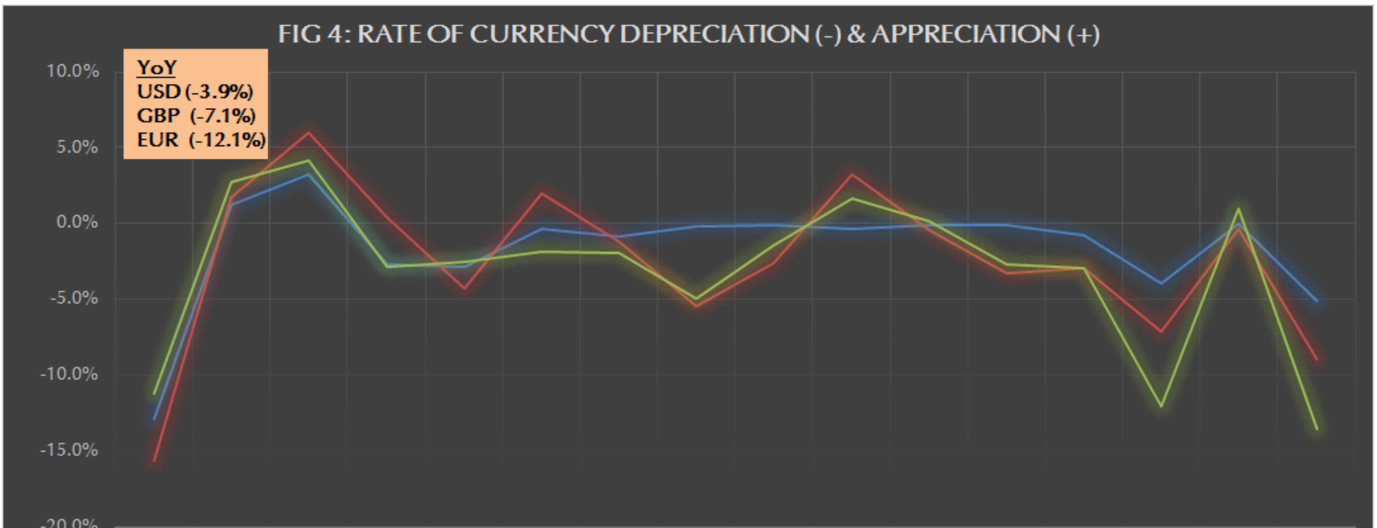
In our view, in 2021, export revenue will increase as oil production picks up and global oil prices rise. In addition, government efforts to formalise small-scale mining and provide large mines with better protection against illegal incursions will, along with new investment, support gold production, and prices will remain elevated in 2021. Ongoing investment to boost productivity and yields in the cocoa sector will also increase export revenue. In the medium term, export revenue will rise steadily, owing primarily to increasing oil production at existing fields, investment to increase cocoa yields and boost productivity and continue rise in gold production volumes.

Imports will rise in 2021 as the economy recovers, with imports of manufacturing inputs rising because of Ghana's limited domestic production base. Goods imports will rise further in the medium term, driven by growth in the domestic economy and demand for capital goods imports to develop the Oil industry, Aluminium industry and Auto industry.

The services account will remain in deficit in the medium term owing to sustained expenditure on technical services for oil and gas projects, although it will narrow gradually as the Pecan oilfield starts up. The primary income deficit will also remain large, owing to interest payments on external debt and profit repatriation. The secondary income account will continue to post large surpluses, underpinned by inflows of workers' remittances (which will recover from 2021, after a sharp drop in 2020). Overall, we forecast that the current-account deficit will narrow to 2.2% of GDP in 2021 (from 3.0% of GDP in 2020), before narrowing gradually over the medium term to 1.5% of GDP as the services and income deficits narrow. The deficits will be financed through external borrowing and foreign direct investment flows.

Exchange Rate Developments

- ✓ The strong foreign exchange reserve position has provided an anchor for exchange rate stability. Cumulatively, the Ghana Cedi depreciated by 3.9 percent against the US dollar in 2020, compared with a depreciation of 12.9 percent in 2019.
- ✓ The Ghana cedi also depreciated by 7.1 percent against the Pound and 12.1 percent against the Euro, compared with 15.7 percent and 11.2 percent over the same comparative period.
- ✓ In January, the cedi was flat against the dollar and appreciated by 1.0% against the EUR. It however depreciated by 0.3% against the GBP.
- ✓ Year-on-Year, the cedi has depreciated by 1.5%, 9.0% and 13.5% respectively against the dollar, GBP and EUR.



	FY-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	2020	Jan-21	YoY
USD	-12.9%	1.2%	3.3%	-2.7%	-2.8%	-0.3%	-0.8%	-0.2%	-0.1%	-0.3%	-0.1%	-0.1%	-0.8%	-3.9%	0.0%	-5.1%
GBP	-15.7%	1.7%	6.0%	0.4%	-4.3%	2.0%	-1.2%	-5.4%	-2.6%	3.3%	-0.4%	-3.3%	-2.9%	-7.1%	-0.3%	-9.0%
EUR	-11.2%	2.7%	4.2%	-2.9%	-2.5%	-1.8%	-1.9%	-5.0%	-1.4%	1.7%	0.1%	-2.7%	-3.0%	-12.1%	1.0%	-13.5%

Source: Bank of Ghana & GCB Research.

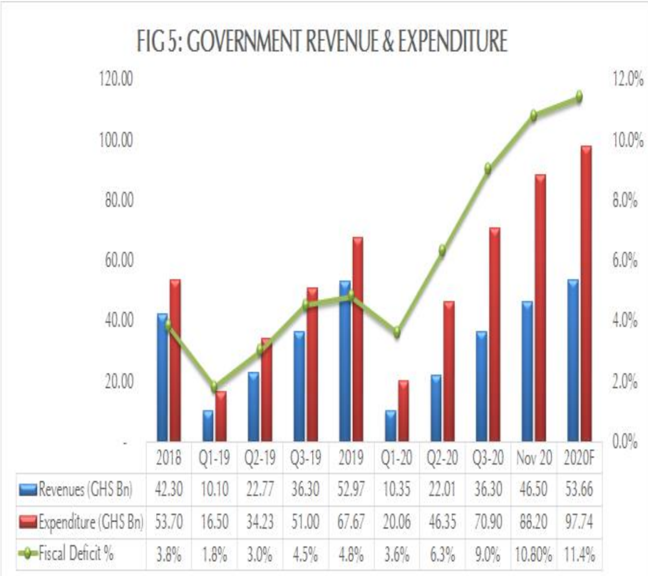
Looking ahead, the cedi came under pressure in 2020—reflecting the pandemic and heightened uncertainty ahead of the elections—and closed 2020 at GH¢5.76:US$1. In 2021 domestic and global sentiment will improve, but we expect the cedi to depreciate further (to GH¢6.02:US$1) as the fiscal damage caused by the pandemic continues to weigh on the currency. We then expect a slower rate of depreciation in the medium term as monetary tightening supports the currency, although the fiscal and current accounts which will remain in deficit would continue to weigh on the cedi. We forecast that the cedi will average GH¢6.34:US$1 in the medium term.

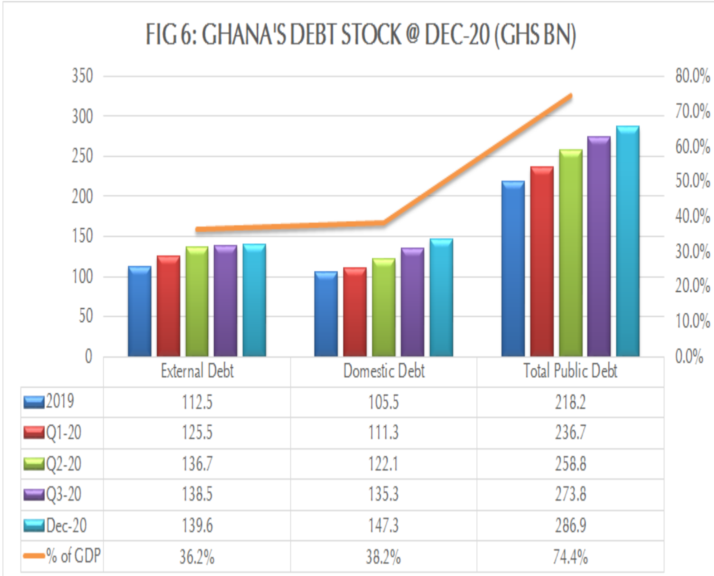
5. Fiscal Developments

Fiscal/Debt Situation

- ✓ On execution of the budget, provisional data released by the Ministry of Finance as at November 2020, showed an overall broad cash budget deficit of 10.8 percent of GDP against the target of 11.4 percent of GDP for the year.
- ✓ The primary balance also recorded a deficit of 4.9 percent of GDP which was marginally above the target of 4.8 percent of GDP.

- ✓ Over the review period, total revenue and grants amounted to GH¢46.5 billion (12.1 percent of GDP), marginally higher than the revised target of GH¢46.0 billion (11.9 percent of GDP).
- ✓ Total expenditures and arrears clearance amounted to GH¢88.2 billion (22.9 percent of GDP) against the revised target of GH¢88.4 billion (22.9 percent of GDP).
- ✓ The elevated fiscal path has impacted the stock of public debt which rose to 74.4 percent of GDP (GH¢286.9 billion) at the end of November 2020 compared with 62.4 percent of GDP (GH¢218.2 billion) at the end of December 2019.
- ✓ Of the total debt stock, domestic debt was GH¢147.3 billion (38.2 percent of GDP), while external debt was GH¢139.6 billion (36.2 percent of GDP).





Source: Bank of Ghana.

Looking ahead and according to the MPC, the prospects of a sharp fiscal correction in 2021 now looks unlikely amidst the second wave of the pandemic which will be requiring additional spending to provide testing, vaccines, etc. To put debt on a sustainable path and to ensure sustainability in policies, some new revenue measures and expenditure rationalization efforts will have to be pursued within the context of the medium-term fiscal framework to allow for the generation of primary surpluses.

Our standpoint is not different from the MPC as we foresee the widening of the fiscal deficit in 2021 due to expenditures that may arise from the second wave of the pandemic in Ghana. This notwithstanding, we project that fiscal revenue will increase in 2021 owing to a rise in both oil production volumes and global prices this year. Non-oil revenue—which was also hit in 2020 by a smaller tax take due to declining domestic economic activity and lower import duty receipts due to reduced trade flows—will increase in 2021 as the economy recovers and also if the second wave of Covid-19 is contained as quickly as possible not to warrant severe and prolonged restrictions and possible lockdowns. Also, ongoing tax reforms (hint of e-commerce tax)—combined with tax increases—will help to boost government receipts, although many loopholes are likely to remain in place.

In 2021, with the elections over, expenditure will decline and subsidies and coronavirus-support measures will continue to be gradually reduced. The coronavirus vaccine rollout will be financed largely by international partners, with some government funds diverted from other current spending.

In the medium term fiscal tightening will continue, although ongoing infrastructure development and industrialisation projects will prevent a faster reduction in public spending and the removal of the Fiscal Responsibility Act (FRA) reduces the need to avoid fiscal slippages. Deferred debt service will need to be paid over five years from 2022, also keeping spending elevated.

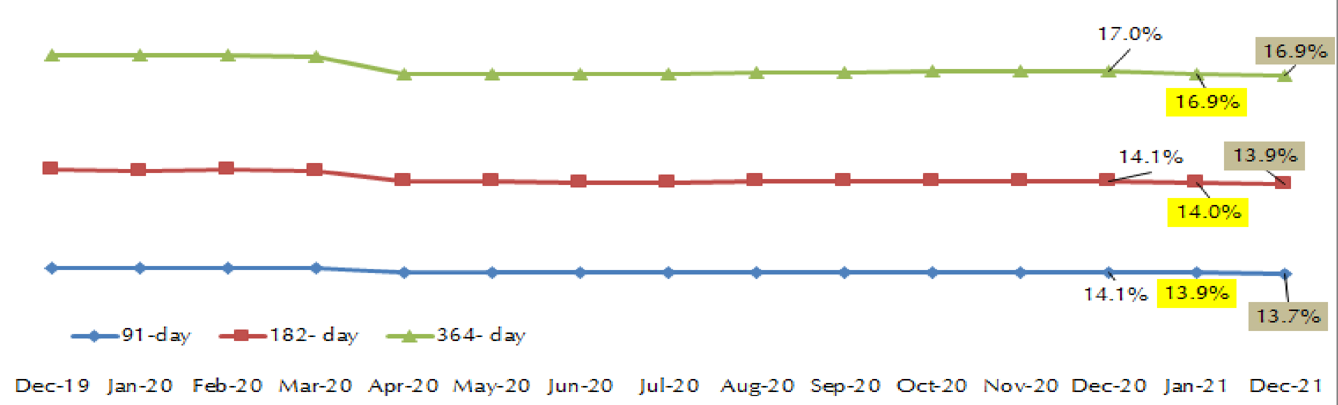
The fiscal deficit will narrow to 9% of GDP in 2021, from 11.4% of GDP in 2020, before narrowing further, to 5.7% of GDP in the medium term, as spending falls and revenue picks up.

The public debt/GDP ratio will decline in 2021, to 74% at year-end, after a soaring fiscal deficit caused it to rise to an estimated 75.5% at end-2020, with the Bank of Ghana playing a greater role in its financing. It will fall further in the medium term, to 68.9%, following further fiscal consolidation and GDP growth. The government will continue to depend on borrowing from both external and domestic sources. Ghana is looking to raise US$5bn in 2021 through two Eurobond issues, with US$3.5bn to be used primarily to roll over existing obligations and US$1.5bn to support government spending.

6. Monetary Developments and Debt Market

- ✓ Total liquidity increased significantly during the year driven by government's fiscal stimulus programme, the complementary monetary policy measures implemented during the year to mitigate the impact of the COVID-19 pandemic, and the monetization of government bonds to pay depositors in the SDI sectors, as well as the central bank's purchase of a GH¢10 billion COVID-19 bond issued by the government.
- ✓ As a result, Net domestic assets increased by 42.2 percent year-on-year in 2020, compared with a modest 15.0 percent growth in 2019, while net foreign assets contracted by 12.6 percent, compared with 51.7 percent growth in the same comparative periods.
- ✓ Broad money (M2+) grew by 29.6 percent in 2020, compared with 21.7 percent growth in 2019. The expansion in M2+ was mainly on account of increased growth in net domestic assets of the depository sector. The growth in M2+ reflected in expansion in currency outside banks and domestic deposits.
- ✓ Commercial banks' balance sheets also saw growth during the year due to the expansionary government policy and the increase in deposits mobilised from the SDI sector due to a flight to quality from depositors in the SDI sector.
- ✓ Total deposits increased by 26.8 percent, and net claims on government by commercial banks increased by 44.6 percent.
- ✓ On the other hand, credit extended to the private sector moderated throughout 2020. On an annual basis, net credit to the private sector slowed to 5.8 percent in December 2020 compared with 23.8 percent in the corresponding period in 2019.
- ✓ On a gross basis, credit to the private sector grew by 10.6 percent compared with 18.0 percent over the same comparative period.
- ✓ Interest rates on the money market broadly showed downward trends across the yield curve. The 91-day declined to 14.1 percent in December 2020 from 14.7 percent last year, and the 182-day Treasury bill rate fell to 14.1 percent from 15.2 percent over the same comparative period.
- ✓ On the secondary bond market, yields on 6-year, 7-year, 10-year, and 15-year bonds all declined. The rates on the 20-year bond, however, inched up marginally to 22.3 percent in December 2020 relative to 22.1 percent in December 2019.
- ✓ The weighted average interbank rate declined to 13.6 percent from 15.2 percent, reflecting the reduction in the monetary policy rate in March 2020, and improved liquidity conditions on the market.
- ✓ Similarly, average lending rates of banks declined to 21.1 percent in December 2020 from 23.6 percent recorded in the corresponding period of 2019, consistent with the monetary policy stance.

FIG 7: Interest Rates



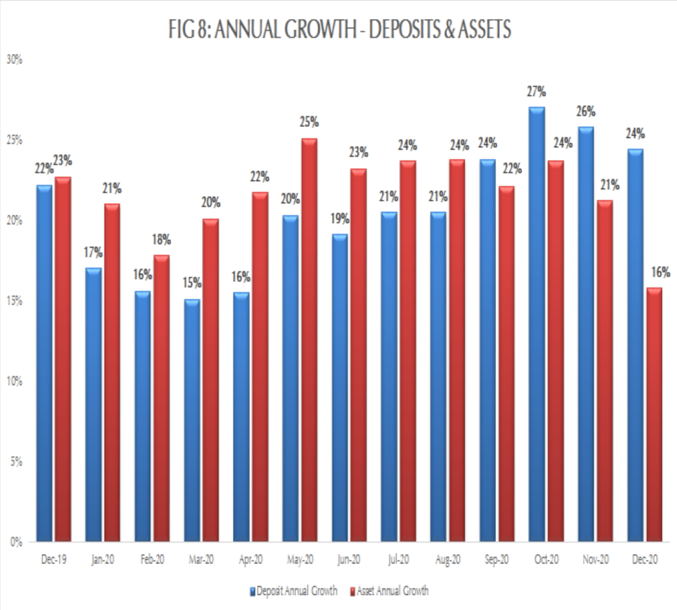
Source: Bank of Ghana & GCB Research.

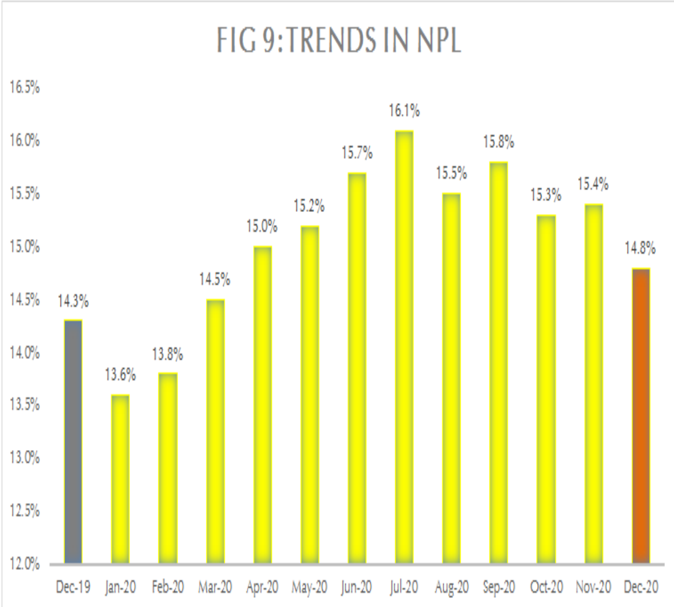
Our expectation is for interest rates to remain steady in 2021 declining marginally on the back of a progressive tightening of monetary policy as domestic demand strengthens and inflationary pressures persist.

7. Banking Sector Developments

- ✓ The banking sector showed resilience to the first wave of the pandemic supported by strong policy support and regulatory reliefs. Banking sector performance remained strong through end 2020, with robust growth in total assets, deposits and investments.
- ✓ Overall, the impact of COVID-19 on the industry's performance was moderate as banks remained liquid, profitable and well-capitalized.
- ✓ Total assets increased by 15.8 percent, of which Investments in Government bonds rose by 33.4 percent.
- ✓ Solvency and liquidity indicators remained strong. The industry's CAR of 19.8 percent as at end December 2020 was also well above the regulatory minimum threshold.
- ✓ Core liquid assets to short term liabilities were estimated at 27.8 percent in December 2020 compared with 30.5 percent a year ago.
- ✓ Net interest income grew by 20.9 percent to GH¢11.2 billion compared to 24.9 percent a year ago.
- ✓ Net fees and commissions grew by 5.0 percent to GH¢2.3 billion, lower than the growth of 16.5 percent recorded in the prior year, reflecting the dip in growth of credits and other trade finance-related businesses.
- ✓ Operating income rose by 17.9 percent whilst operating expenses rose by 8.2 percent, albeit lower than the respective growth rates of 21.1 percent and 12.1 percent in 2019.
- ✓ Loan loss provisions grew by 28.0 percent, higher than the 23.6 percent a year ago reflecting elevated credit risks in 2020.
- ✓ Profit before tax increased by 27.2 percent to GH¢6.1 billion compared to 34.7 percent a year ago.
- ✓ Implementation of the COVID-related regulatory reliefs and policy measures helped support lending activities. New Advances in 2020 grew by 15.8 percent to GH¢34.4 billion in 2020.
- ✓ Banks provided support and reliefs in the form of loan restructuring and loan repayment moratoria to cushion 16,694 customers severely impacted by the pandemic.
- ✓ Total outstanding loans restructured by banks as at December 2020 amounted to GH¢4.47 billion, representing some 9.4 percent of industry loan portfolio.

- ✓ Non-Performing Loans (NPL) ratio increased from 14.3 percent in December 2019 to 15.7 percent in June 2020 arising from the pandemic-induced repayment challenges, but declined to 14.8 percent in December 2020 due to loan write-offs and increased credits, particularly during the last quarter.





Source: Bank of Ghana

8. Our Outlook for the Policy Rate

Due to the volatile nature of monetary policy in Ghana, our expectation is for a small interest-rate cut in 2021, to 14% (from 14.5% currently), as inflation is forecast to stay within the central bank's 6-10% target range over the year and the authorities remain keen to support access to credit to boost growth from a pandemic troubled economy in 2020. We then expect progressive tightening of monetary policy in the medium term, to 16.5%, as domestic demand strengthens and inflationary pressures start to pick up, although rates will remain low by historical standards.

9. Implications for GCB Bank

1. Data from the MPC indicates pickup in economic growth since the sharp contraction in the second quarter. All the high frequency indicators of economic activity have rebounded, consumer and business confidence levels are back at pre-lockdown levels, and there are indications of steady growth in private sector credit. Going into 2021, we for see a bounce back in oil production from existing oilfields, import trade, the service and industry sector (**Telcos, Banking and Finance, health and medical supplies, Pharmaceuticals, electricity, FMCG, and their value chain**) and agriculture sector benefiting from government efforts to improve cocoa yields will drive the growth. With such growth potential, the Bank is expected to create more appropriate assets and mop up the necessary deposits in these projected growth sectors of the economy. Notwithstanding the above, the renewed threat from the second-wave of the pandemic has again heightened uncertainty and could hamper the recovery process in the near-term. Therefore, we employ business managers as well as Relationship Managers to be weary of Covid stricken sectors like **hotels and restaurants, trade, aviation** etc.
2. Long term bonds and instruments continue to be attractive in price compared to instruments in the short end of the debt market. Our expectation is for this trend to continue this year due to the government strategy of debt reprofiling. We therefore recommend the continuous investment by the Bank in long-term assets. Whilst doing so the mix of long to short dated instruments should be deployed in such a manner to cater for liquidity requirements of the Bank. Also, we expect the marginal easing in rates at the short end of the money market this year to reflect in the pricing of our asset and liability products. A

marginal dip in our pricing together with the mobilisation of current account deposits, we believe would go a long way in reducing our cost of funds and thereby impacting on our button line.

3. In spite of the slowdown in imports by US$974 million as at end 2020 due to the pandemic, our expectation is for a resurgence in import trade in 2021. Barring any unanticipated shocks of lockdowns and prolong restrictions that may arise from the second wave of the Covid-19 pandemic, our expectation is for traders/importers and manufacturing companies to restock for sale and production for the new year. We recommend the continuous financing of the trade needs of our corporate and commercial banking customers through Letters of Credit (LCs) to generate deposits as well as off-balance sheet revenues for the Bank. It is also an opportunity for Fx trading with these clients of the Bank. This we believe will go a long way in enhancing the financial performance of the Bank in 2021.
4. With inflation and interest rates expected to trend downwards in 2021 and a possible cut in the MPC rate to 14%, there is no denying that margins which are already thin, are going to be reedier in the years ahead. This is an indication that strategically, off-balance sheet revenues would become the focal point of supporting revenue targets by banks in the industry. That is why a lot of banks are investing in technology related products and services that would not only make services convenient for their customers but also as an avenue of generating fee income from those transactional related digital solutions. Furthermore, the deployment of the tech related transaction products also serves as a means of mobilizing cheap and stable deposits within the ecosystem. On that basis, we recommend the need for GCB to fast-track the deployment and marketing of our digital products such as Mobile App, PoS, Money wallet multi-currency cards, travel services, batch payment solutions, prestige banking, G-Money etc. to support on-balance sheet revenues.
5. With our expectation of a gradual depreciation of the Cedi to the major foreign currencies in 2021 due to the twin deficit of fiscal and current account, we recommend that the Bank contend with long positions in their forex dealings in the near-term.