

# HIGHLIGHTS



## In Summary:

- Most central banks worldwide continue to maintain broad monetary accommodation to support economic recoveries; however, some others have started to, or signaled intention to raise interest rates to stave off looming inflation.
- According to the Central Bank's Quarterly Index of Real Economic Activity, domestic economic activity contracted in the fourth quarter of 2020 primarily due to sharp declines in the energy sector.
- The domestic energy sector experienced a further deterioration in output over the first four months of 2021. Available indicators show that non-energy activity continued to be negatively affected by public health restrictions to contain COVID-19.
- Headline inflation has remained well contained in early 2021.
- The fallout from the COVID-19 pandemic continues to hinder financial system credit growth. Growth in credit granted by the consolidated system generally decelerated over 2020 before turning negative in 2021.
- In June 2021, the Monetary Policy Committee held the Repo rate constant at 3.50 per cent following a 150 basis point reduction in March 2020.

## INTERNATIONAL DEVELOPMENTS



The International Monetary Fund (IMF), in its April 2021 World Economic Outlook (WEO), forecasted world **growth to recover to 6.0 per cent** in 2021.



The US kept its federal funds rate range **unchanged** despite a pickup in inflation. Monetary policy rates in other advanced economies were **also maintained**.



**Commodity prices have been increasing** during 2021 from their low base in 2020.



Economic conditions displayed signs of improvement in **emerging market and developing economies** led by the faster-than-expected recovery of China.

## DOMESTIC ECONOMIC AND FINANCIAL CONDITIONS

Provisional data for October 2020-March 2021 show a total face value of **\$7.5bn** in bonds raised by the Central Government on the primary bond market, compared with **\$5.6bn** in the same period a year ago.



During the fourth quarter, the energy sector fell by **20.9%** on a year-on-year basis, while activity in the non-energy sector slipped by **2.2%**. Construction activity increased by **4.6%** in the first quarter of 2021 based on higher cement sales.



Gross official reserves stood at **US\$6.7bn** at the end of May 2021 or **8.1** months of prospective imports.



On a year-on-year basis, consumer and business lending declined by **3.3%** and **3.5%** in March 2021, respectively.



## MONETARY POLICY CONSIDERATIONS

