CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

MINUTES OF MEETING NO. 99 **August 19-20, 2026**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on August 19-20, 2026. The Committee reviewed developments in the global and domestic economy, including emerging risks to the inflation and growth outlook, and decided to maintain the monetary policy rate at 14 percent. All nine (9) Committee Members attended the meeting. Eight (8) voted to maintain the policy rate at its current level, while one member voted in favour of a reduction.

MPC Members Present

Name	Role
Mr. Buah Saidy	Chairman
Dr. Abdoulie Sireh Jallow	Member
Dr. Paul Mendy	Member
Mr. Karamo Jawara	Member
Dr. Momodou O. Jallow	Member
Mrs. Halima Singhateh	Member
Mr. Amadou Ceesay	Member
Mr. Mohamed Gillen	Member
Mr. Lamin Bojang	Member
Mr. Alagie B Sowe	Secretary

Absent with apology

None

Report Presenters

Name	Presentation Topic
Alagie B Sowe	Initial Conditions
Alagie B Sowe	Baseline Forecast
Alagie B Sowe	Alternative Scenarios
Ansou Manneh	World Economic Outlook
Eliman M. Ceesay	Financial Lending Survey
Abdou Malick Jallow	Banking Sector Developments

Lamin O. Manneh	Banking Sector Stress Test
Karamo Sawaneh	Report on Fees and Charges
Mariama Sillah	Report on Outsourcing and Intergroup Transactions
Jackline A. Mendy	Micro-Finance Sector Developments
Alkali Barrow	Micro-Finance Stress Test
Rohey B. Cham	Fiscal Developments
Mariama B. Barry	Domestic Debt Market Developments
Mocodou N. Njie	Balance of Payments Developments (BOP)
Mocodou N. Njie	External Sector Assessment (REER)
Mariama Jorbateh	Development in Fintech & Exchange Bureaus Sector
Momodou Alieu Jallow	Exchange Rate Developments
Ansou Manneh	Monetary Developments
Eliman M. Ceesay	Business Sentiment Survey
Mohamed Nurine Gillen	Real Sector Developments
Ansou Manneh	Inflation Developments
Dr Foday Joof	Press Release/Report Reviewer

Agenda

1. The meeting agenda was adopted as presented below:
    - Adoption of the agenda
    - Opening remarks by the Chairman
    - Review of 98th MPC minutes and matters arising
    - Presentation and deliberation of reports
    - Lunch break
    - Presentation and deliberation of reports
    - Closing

Opening Remarks by the Chairman

2. The Governor and Chairman of the Committee called the meeting to order and welcomed Members to the 99th Meeting of the Monetary Policy Committee (MPC). Following individual silent prayers, the Chairman formally opened the proceedings and underscored the importance of the Committee's deliberations in assessing recent economic and financial developments and their implications for monetary policy. He emphasised the need for objective and evidence-based discussions, particularly in light of prevailing domestic and global economic uncertainties, to ensure that the Committee's decisions continued to support price stability and sustainable economic growth.

Review and Adoption of Minutes of MPC Meeting No. 98

3. The minutes of the MPC Meeting No.98 were reviewed and adopted, subject to minor amendments.

Matters Arising

4. The Committee reviewed the status of action points arising from the previous meeting. The Economic Research Department (ERD) confirmed that the debt projection scenarios, as previously requested by the Committee, would be presented during the fiscal report presentation.

5. On the Real Effective Exchange Rate (REER), the Department reported that it had constructed the REER as part of its work to strengthen external sector assessment, and that it would be presented under the external sector (balance of payments) report.

6. On the Consumer Sentiment Survey (CSS), the Department reported that the questionnaire had been developed and that roll-out was planned for the third quarter of 2026.

7. On outreach to the manufacturing sector, the Department explained that the request had not been sent separately to avoid overburdening respondents since the Business Sentiment Survey (BSS) and the Financial Lending Survey (FLS) had already been issued. The Department indicated that the Business Sentiment and Manufacturing Surveys had been consolidated into a single survey, and that coverage of the manufacturing sector would be increased to improve the surveys' representativeness.

8. On sectoral loan exposure, the Banking Supervision Department (BSD) informed the Committee that this had been incorporated into the stress test report, which would be presented later in the meeting. The Department also reported that it had incorporated external loan exposures into the stress-testing framework to improve the assessment of banking sector vulnerabilities.

9. On commercial banks' data quality, the Committee was informed that significant progress had been made. Since January 2026, the Bank had continued to engage commercial banks on the new reporting template, and the banks had been cooperative. Most of the data challenges have been addressed, although some banks still experienced classification difficulties. The Department emphasised the importance of keeping the "Others" category below 5 percent of total reported items, noting that a

larger share could undermine data quality by masking the underlying composition of transactions and limiting the usefulness of the statistics for analysis and policymaking. To resolve the remaining reporting issues, the Department intends to strengthen engagement with commercial banks through targeted training and ongoing monitoring to ensure accurate classification and enhanced data reporting practices.

10. In particular, the Committee was informed that challenges remained in the valuation of debt instruments using amortization methodology. While banks have reported amortization data on debt instruments, the reported figures still differ from those held by the Banking Department. The Committee was informed that the IMF has been comprehensively briefed on the situation in line with bank program commitments. The department also recommended an urgent request for Technical Assistance (TA) through the appropriate channel to resolve the remaining data inconsistencies.

11. The ERD further informed the Committee that the monetary survey is now compiled entirely using commercial banks' balance sheet data, in line with international best practice. The Department emphasised the importance of maintaining high-quality source data and noted that continuous engagement with commercial banks, supported by regular training and follow-up, would be undertaken to strengthen data accuracy, consistency, and reporting standards.

12. On credit unions, the Committee was informed that modernisation of the supervisory framework has been ongoing since 2023, following a tripartite MOU between the Registrar of Cooperatives, the national credit union association (NACCUG) and the Central Bank. Large credit unions are now directly regulated by the Bank, with the number rising from nine (9) to fourteen (14). Smaller community-based credit unions remain under delegated regulation by the association. In response to a query on the timeline for when other large credit unions can be put under the direct supervision of the bank, the Microfinance Department explained that the usual criteria for migration under the Central Bank's direct supervision are size, assets, deposits, and loans, and that no fixed timeline can be given for an institution's complete migration.

13. Members were further informed that struggling smaller credit unions are being merged with stronger ones, and that those that had merged had generally remain stable. One or two credit unions have resisted merger, and

it was agreed that the Bank would invite them, together with the Registrar of Cooperatives, to a meeting on the matter.

14. The Committee was also informed that the cost-to-income ratio of Finance Companies (FCs) had declined from approximately 83 percent to below 77 percent following engagement with the Managing Directors (MDs) of large finance companies. However, this remained above the 65 percent threshold, and therefore the Department was encouraged to continue promoting cost discipline.

15. On the possibility of microfinance institutions migrating to microfinance banks, as in some economies within the region, the Department indicated that this does not depend solely on asset size and deposit levels. Instead, a comprehensive evaluation framework is required to determine the viability of such a decision. The Department undertook to engaged the relevant authorities on the possibility of considering a framework allowing microfinance institutions to become microfinance banks. Members noted that any migration would require institutions to meet clear requirements, including capital and governance structures, and would require the Governor's approval.

16. Following a comprehensive review of domestic and international SWAPS, the Economic Research Department (ERD) and the Financial Markets and Reserve Management Department (FMRMD) established that the domestic SWAPS reviewed were not encumbered and therefore remained included in the Bank's Usable Reserve (UR). As these swaps were short-term in nature and reflected on both the asset and liability sides of the balance sheet, they had no impact on Net International Reserve (NIR). By contrast, the encumbered foreign currency assets were excluded from the Banks' UR and NIR calculations.

17. It was agreed that the relevant department would immediately share details of any new swap with ERD, so that its balance sheet treatment could be determined and appropriately recorded. The FMRMD had commenced sharing outstanding swaps with the ERD on a daily basis.

18. The Committee recommended that the gross official reserves reported by the Financial Markets Department (FMD) be reconciled with the figures presented in the monetary survey, to ensure consistency in reporting.

Presentation of Reports and Discussions

19. Presentations and discussions of reports took place in the following order:
    - Assessment of the Current Economic Condition, Outlook and Risks Current economic conditions,
    - Baseline forecast,
    - Risk assessments and Alternative scenarios
- Developments in the Global Economy
- Financial Lending Survey
- Banking Sector Developments and Stress Test
- Report on Fees and Charges
- Report on Bank Outsourcing and Intergroup Transactions
- Non-Bank Financial Sector Developments and Stress Test
- Government Fiscal Operations
- Domestic Debt Market Developments
- External Sector Developments (BOP)
- External Sector Assessment (REER)
- Developments in Mobile Money, Fintech and Exchange Bureaus
- Exchange Rate Developments
- Monetary Developments
- Business Sentiment Survey
- Real Sector Developments
- Price Developments (Inflation)

Current Macroeconomic Conditions, Outlook and Risk Assessment

20. The Staff Assessment of current macroeconomic conditions highlighted an increase in inflationary pressures in June, with year-on-year headline and market inflation increasing further above the target to 7.6 percent and 8.0 percent, respectively. Quarter-on-quarter headline inflation rose because of administered prices, while market inflation reflected supply-side shocks, including the pass-through of higher international commodity prices and second-round effects of higher domestic fuel prices. Underlying cost pressures remained subdued, supported by a stronger real exchange rate and lower domestic demand pressures. Year-on-year headline inflation has since eased to 7.0 percent in July, suggesting a moderation in inflationary pressures.

21. Overall domestic demand pressures have relatively moderated, with the output gap converging to its long-term equilibrium, supported by the accommodative monetary conditions and positive foreign demand. conversely, the contractionary fiscal stance amid ongoing fiscal

consolidation continued to weigh on domestic economic activity. Accommodative monetary conditions stemmed from a negative real interest rate, driven by lower nominal rates relative to expected inflation.

22. The outlook remains broadly positive, although inflation is expected to be slightly more persistent following the recent energy-related supply shock. Real economic growth is projected to remain strong at 5.8 percent in 2026 and 6.2 percent in 2027, supported by private-sector activity, particularly tourism, construction, remittance inflows and sustained public investment. The dalasi is expected to remain relatively stable with depreciation broadly in line with economic fundamentals.

23. Risks to the outlook remain significant and tilted to the upside for inflation and to the downside for economic growth. An escalation of regional conflicts or further disruption to global trade and supply chains could raise energy and commodity prices, intensify imported inflation, and weaken the dalasi. Additional risks include a potential decline in number of tourist arrivals and foreign direct investment (FDI) due to the uncertainties surrounding the upcoming presidential elections, which may impact domestic economic activity and the stability of the domestic currency.

24. Commenting on the presentation, members welcomed the favourable economic growth outlook and the better-than-expected inflation outturn. However, they noted that recent high-frequency indicators suggested some moderation in economic growth momentum. Despite the improvement in inflation, upside risks remain, particularly from global energy prices and potential domestic fuel price adjustments. Members also acknowledged that while inflation has remained above target for an extended period, both model-based and survey-based inflation expectations have shown encouraging signs of moderation.

25. Against this backdrop, members emphasised the need for a cautious approach to further monetary policy easing, particularly following the cumulative 200-basis-point reduction in the policy rate earlier in the year. While recognising that monetary policy cannot directly address supply-side shocks, the Committee cautioned that potential second-round effects, particularly from adjustments in administered prices, could complicate the inflation outlook and derail the disinflation process. Members therefore underscored the importance of maintaining monetary policy credibility and ensuring that future policy decisions remain firmly anchored in the Bank's price stability mandate.

26. In support of effective monetary policy implementation, members highlighted the need to strengthen monetary policy transmission through improved liquidity management, financial market development, digitalisation and payment system reforms. While acknowledging progress in the Bank's monetary policy framework, they noted that structural constraints continue to limit the effectiveness of policy transmission. The Committee welcomed ongoing research into the monetary policy transmission mechanism and emphasised the importance of effective communication in strengthening public confidence and anchoring inflation expectations.

27. Furthermore, the Committee discussed the relatively high level of currency circulating outside the banking system and its implications for liquidity management and monetary policy effectiveness. Members observed that government expenditure patterns, particularly payments associated with infrastructure projects, could contribute to increased currency circulation and delays in the return of liquidity to the banking system. The Committee therefore encouraged further research into the underlying drivers of currency demand, including the stability of the money demand function, to support more effective monetary policy implementation.

28. Building on these discussions, members underscored the importance of effective coordination between monetary and fiscal authorities in supporting macroeconomic stability. Particular emphasis was placed on timely information-sharing regarding government expenditure to improve liquidity forecasting and management, especially during periods of heightened fiscal activity. While recognising the importance of policy coordination, the Committee reaffirmed the Bank's operational independence and its commitment to maintaining price stability while supporting sustainable economic growth.

29. Turning to developments in the real economy, members highlighted the importance of strengthening the assessment of key productive sectors, including agriculture, manufacturing, fisheries and energy, to improve economic growth projections. Particular attention was given to ongoing investments in domestic electricity generation and their potential contribution to economic activity. The Committee encouraged continued engagement with relevant institutions to ensure that emerging developments and major investment projects are adequately reflected in future economic forecasts.

30. In assessing the implications of risks to the economic outlook, a suggestion to combine the four risk scenarios to evaluate their potential cumulative impact was made, particularly given the possibility of multiple election-related risks materialising simultaneously. The ERD explained that while a combined assessment had previously been presented, the scenarios were analysed separately to better identify their respective effects on the exchange rate, economic activity and inflation. The Department further noted that a simple average of the scenarios could be misleading, while a probability-weighted approach, although feasible, would require more complex analysis. Members acknowledged that assessing shocks individually is consistent with standard practice, as overlapping and potentially offsetting effects could complicate the interpretation of combined scenarios. The Committee therefore agreed to retain separate scenario analysis to ensure greater clarity in assessing risks and supporting informed monetary policy decisions.

31. The Committee also discussed the relationship between reported food inflation and households' experience of price developments. It was clarified that a decline in inflation reflects a slower rate of price increases rather than an outright reduction in prices. Members also acknowledged that differences in household consumption patterns and market conditions may influence how consumers experience price changes. The committee therefore underscores the importance of clear public communication on inflation developments.

32. The Committee was informed that the African Export-Import Bank (Afreximbank) intended to develop a financing package for The Gambia. In this regard, the Bank planned to send a technical team to assess its resource requirements and identify potential areas of financing support.

Global Economic Developments

33. The report on Global Economic Developments reviewed developments since the April MPC and highlighted key developments in the global economy. According to the presentation, global growth is projected at 3.0 percent in 2026, recovering to 3.4 percent in 2027, below the 3.5 percent average of previous years. Although growth is weaker, cumulative growth over 2026 and 2027 is broadly unchanged from the April forecast. On inflation, global headline inflation is projected at 4.7 percent, up from 4.4 percent at the April MPC, before declining to 3.9 percent in 2027.

34. This development is shaped by two opposing forces: a negative supply shock due to the Middle East conflict, transmitted through energy and transport costs, and strong technology and AI-related investment, which is providing an offsetting demand and productivity impulse in selected economies. Financial conditions have improved since the April peaks, but monetary conditions have become less supportive as expected policy rates and long-term sovereign yields have risen. This could tighten financing conditions, particularly for highly indebted developing economies.

35. Global trade volume growth is projected to slow from 5.0 percent to 3.5 percent in 2026 before recovering to 4.3 percent in 2027, reflecting the earlier front-loading of trade ahead of tariffs, rerouting of production and supply chains, and shipping disruption. This outlook assumed a gradual normalisation of the Strait of Hormuz by late July, which has not entirely occurred, and renewed disruption would weaken the outlook.

36. Advanced economies are projected to grow by 1.7 percent in 2026 and 1.8 percent in 2027. The United States is projected to grow by 2.3 percent in 2026 and 2.7 percent in 2027, supported by fiscal expansion, accommodative financial conditions, strong AI-related investment and its position as a net energy exporter. The euro area is projected at 0.9 percent and 1.2 percent, weighed down by higher energy prices, weaker consumer confidence and negative carry-over from the first quarter. Japan is projected at 0.6 percent and 0.7 percent, helped by fiscal measures offsetting the energy shock, and the United Kingdom at 1.0 percent and 1.3 percent.

37. Emerging and developing economies are projected to grow by 3.9 percent in 2026. China growth is projected at 4.4 percent, with structural weakness constraining the medium-term outlook, while India is expected to grow by about 6 percent. Growth in Sub-Saharan Africa is projected at 4.3 percent in 2026 and 4.5 percent in 2027, although the outlook is uneven, with oil-importing and non-resource-intensive economies most exposed to higher energy and food prices and constrained by limited fiscal space and external financing.

38. The Middle East conflict continues to threaten energy flows and major shipping routes, with rising freight and insurance costs feeding into production costs. Technology-related trade, centred on semiconductor and AI hardware value chains in North America and Asia, continues to provide some level of offset.

Domestic Macroeconomic and Financial Sector Developments

Financial Lending Survey (FLS)

39. The Committee reviewed the findings of the Financial Lending Survey (FLS) for the second quarter of 2026, which covered 17 financial institutions, comprising 11 commercial banks and six microfinance companies. The survey indicated a moderate improvement in overall credit conditions compared to the previous quarter, with a more optimistic outlook for the third quarter. The Financial Lending Conditions Index (FLCI) stood at 56.2 in the second quarter, with expectations rising to 57.9 for the third quarter, suggesting a further improvement in lending activity and financing conditions in the coming quarter.

40. Personal lending remained the strongest, with net percentage balances (NPBs) for loan demand and supply of 61.1 and 55.6, respectively. Corporate lending conditions were also positive, with demand and supply balances of 22.2 and 23.5, respectively. In contrast, lending to micro, small and medium-sized enterprises (MSMEs) remained relatively subdued, recording demand and supply balances of 16.7 and 11.1, respectively. Looking ahead, financial institutions anticipated stronger credit demand across all three lending segments, although MSME credit supply was expected to remain constrained, as lenders continue to be cautious, especially given the high perceived borrower-related risks.

41. The survey further revealed that investment opportunities and borrowing costs were the principal drivers of credit demand, while borrower creditworthiness, prevailing economic conditions, collateral requirements and institutional risk appetite continued to influence credit supply and lending standards. Despite improving credit demand, financial institutions generally maintained relatively tight lending standards, reflecting continued caution over credit risks. Sectoral findings indicated relatively favourable lending conditions in trade, transportation, mining and financial services, while fishing, tourism and manufacturing recorded weaker lending sentiment.

42. During the discussion, Members observed that the survey structure covers three segments: household or consumer lending, SME lending and corporate lending. Members noted that some banks classify public sector lending, including lending to government-related agencies, under corporate lending, while others maintain dedicated public sector departments, so the classification is not uniform across banks.

43. Members asked that public sector lending be shown separately from corporate lending; otherwise, it hides a key indicator that is important for understanding credit conditions and the associated risks. The Committee recommended disaggregating corporate lending into private and public-sector components.

Banking Sector Developments and Stress Test

44. Presentation of the banking sector developments indicated continued balance sheet expansion, supported by strong deposit mobilisation and credit growth. Total industry assets increased by 19.5 percent year-on-year to D131.74 billion, while deposits and total loans grew by 20.9 percent and 21.4 percent to D86.58 billion and D22.93 billion, respectively. Private sector credit expanded by 28.9 percent to D19.68 billion, with lending concentrated mainly in energy, households, agriculture, construction and distributive trade. Despite credit growth, government securities continued to account for a significant share of banking sector assets, reflecting banks' preference for relatively low-risk investments.

45. The industry remained adequately capitalised, with the Capital Adequacy Ratio standing at 25.5 percent, significantly above the regulatory minimum of 10 percent. Asset quality improved moderately, as the non-performing loan (NPL) ratio declined to 7.9 percent from 8.9 percent a year earlier.

46. Profitability and liquidity conditions remained favourable during the review period. Net income increased to approximately D1.2 billion from D0.8 billion a year earlier, while return on assets and return on equity improved to 3.7 percent and 31.6 percent, respectively. The industry liquidity ratio increased to 80.0 percent, well above the prudential minimum of 30 percent. However, the loan-to-deposit ratio remained relatively low at 26.4 percent, suggesting continued scope for strengthening financial intermediation and lending to productive sectors.

47. The Committee also reviewed the banking sector stress test results, which assessed the resilience of the 11 commercial banks to credit, liquidity, interest rate and exchange rate shocks. Overall, the results indicated that the banking sector remained broadly resilient, supported by adequate capital and liquidity buffers. Under a simulated 500 percent increase in non-performing loans (NPLs), the industry Capital Adequacy Ratio (CAR) declined from 25.5 percent to 20.2 percent, remaining well above the regulatory minimum of 10 percent. However, few institutions' capital fell

below the minimum capital requirement, highlighting some vulnerabilities within individual institutions.

48. Credit concentration remained the most significant source of vulnerability, particularly exposures to large borrowers. Stress tests involving the default of major borrowers revealed substantial capital impairment among some banks, with the severity increasing under multiple borrower defaults. Nevertheless, isolated sectoral shocks did not breach minimum capital requirements, suggesting concentration risks were more pronounced at the individual borrower level than across economic sectors.

49. Liquidity and market risk assessments indicated continued resilience, although vulnerabilities remained unevenly distributed across institutions. Under a simulated five-day deposit withdrawal scenario, four banks experienced liquidity pressures, while the industry maintained adequate overall liquidity. Similarly, a 750-basis-point interest rate increase had limited impact on banks' capital positions. A simulated 50 percent depreciation of the dalasi also had a relatively modest direct impact on industry capital adequacy, although some institutions experienced foreign exchange losses and increased credit risks.

50. The combined stress scenario involving simultaneous credit deterioration, interest rate increases and exchange rate depreciation revealed significant vulnerabilities in some institutions, with three banks becoming insolvent and two others experiencing capital impairment.

51. The Committee noted that the decline in the non-performing loan (NPL) ratio largely reflected growth in the loan portfolio rather than an actual reduction in the stock of NPLs. Members expressed concern about persistent credit risks, particularly their concentration in a few institutions, and emphasised the need for targeted measures to address them. The Committee recommended that future assessments distinguish between improvements arising from credit expansion and those reflecting genuine improvements in asset quality, while providing greater clarity on strategies to reduce NPLs.

52. Members discussed the adequacy of the assumptions underlying the banking sector stress tests, particularly the 750-basis-point interest rate shock applied to government securities. While acknowledging the importance of assessing banks' sensitivity to changes in market yields, the Committee emphasised the need to ensure that stress scenarios adequately capture

prevailing market conditions and potential vulnerabilities. Accordingly, the Banking Supervision Department (BSD) was requested to review and further justify the stress-test assumptions to strengthen the robustness and reliability of the results.

53. The Committee discussed the transmission of changes in the Monetary Policy Rate (MPR) to commercial banks' lending rates, noting concerns about the limited responsiveness of bank lending rates to policy adjustments. Some banks were shown to be pricing significantly off the policy rate even though lending rates are typically set at the policy rate plus a spread. Members observed that lending rates generally reflect the policy rate plus a risk premium, although pricing practices vary across borrowers and institutions. The Department explained that banks normally price at about 5 percentage points above the rate. It added that the Bank had previously written to banks on pricing, but that this was discouraged as inconsistent with free markets policy. The committee stressed the importance of strengthening monetary policy transmission while preserving market-based interest rate determination.

54. On fees and charges, the Department explained that the Banking Supervision Department had revised its template and had asked all banks to report their charges. The compiled information shows that the charges embedded in digital payments are substantial, and the underlying work is still in progress given the time available. Members stressed the burden of charges on customers, including for digital payments and for visitors using cards, noting that high charges discourage the use of digital channels. They called for coordination with the national payments system that is under development, including on pricing and affordability, and for a review of RTGS and ACH pricing relative to base costs. The Committee recommended that BSD undertake an assessment of bank fees and charges, including their implications for the cost of financial services, digital payment adoption and for financial intermediation.

Non-Bank Financial Institutions

55. The presentation on Non-Bank Financial Institutions (NBFIs) provided key highlights of the performance of Finance Companies (FCs) and Credit Unions (CUs) since the last MPC. According to the report, the sector continued to expand in the second quarter of 2026, supported by strong deposit mobilisation and increased lending activity. Total industry assets grew by 6.0 percent quarter-on-quarter to D11.74 billion, comprising D6.55 billion held by seven finance companies and D5.19 billion by 14 credit

unions. Aggregate lending increased by 9.0 percent to D3.02 billion, reflecting continued growth in financial intermediation and the sector's contribution to financial inclusion.

56. Finance companies recorded moderate balance sheet growth, with total assets increasing by 2.0 percent to D6.55 billion, while deposits and loans expanded by 7.0 percent and 10.0 percent to D4.99 billion and D2.17 billion, respectively. Lending remained concentrated in petty trading and small businesses, accounting for 58.0 percent of total loans. The sector remained adequately capitalised and liquid, with capital adequacy and liquidity ratios of 35.0 percent and 71.0 percent, respectively, exceeding their regulatory minimums. The non-performing loan (NPL) ratio improved to 6.0 percent from 7.0 percent in the preceding quarter, although it remained above the prudential benchmark of 5.0 percent. Profitability also strengthened, with net income increasing by 10.0 percent to D65.38 million. However, the relatively high cost-to-income ratio of 77.0 percent and significant investments in government securities continued to constrain operational efficiency and credit intermediation.

57. Credit unions also registered strong growth, with total assets increasing by 11.0 percent to D5.19 billion, while deposits rose by 7.0 percent to D3.99 billion. Gross loans expanded by 13.0 percent to D3.02 billion, largely reflecting increased lending for personal needs, construction and business activities. The loan-to-deposit ratio increased to 76.0 percent from 72.0 percent, indicating stronger financial intermediation relative to finance companies. Capital adequacy improved significantly to 38.0 percent, while the liquidity ratio increased to 36.0 percent, both above their respective regulatory minimums. However, asset quality deteriorated, with the NPL ratio rising to 10.0 percent from 5.0 percent in the preceding quarter, highlighting emerging credit risks.

58. The stress test report indicated that the sector remained broadly resilient under moderate stress conditions, although vulnerabilities persisted in credit quality, capital adequacy and liquidity. Under a simulated 400 percent increase in non-performing loans (NPLs), the industry's average Capital Adequacy Ratio (CAR) declined from 29.0 percent to 19.0 percent, below the regulatory minimum of 20.0 percent, with medium-sized institutions particularly vulnerable. Stress scenarios involving defaults by major borrowers further highlighted significant credit concentration risks, while severe deposit withdrawal scenarios revealed liquidity pressures in some institutions.

59. The Committee expressed concern about the relatively low returns on assets and equity, elevated cost-to-income ratios and persistent asset quality challenges within the non-bank financial sector. The department explained that efficiency indicators have been low for some time, although they remained positive. It was noted that engagement with the regulated entities continues, which has already helped bring the cost-to-income ratio down from 83 percent in June 2026 to 77 percent in the review period. The department stressed that microfinance is inherently more costly than banking because institutions serve fragmented, geographically dispersed customers who are difficult to reach, often lack documentation, and require door-to-door service. Members acknowledged the high operating costs of microfinance activities and encouraged further supervisory efforts to improve operational efficiency. The committee members emphasised the need for continued monitoring of institutional performance and financial sustainability. Accordingly, the Microfinance Supervision Department was requested to undertake a more granular, institution-level assessment of operating costs and income to identify the main sources of inefficiency and distinguish structural cost pressures from institution-specific weaknesses.

Government Fiscal Operations

60. Fiscal developments for the first half of 2026 indicated an improvement in the Government's fiscal position, supported by stronger domestic revenue mobilisation and expenditure rationalisation. The overall fiscal deficit, including grants, narrowed to D3.8 billion (1.7 percent of GDP), from D6.1 billion (3.1 percent of GDP) in the corresponding period of 2025. Similarly, the deficit excluding grants declined to D10.2 billion (4.5 percent of GDP), from D12.8 billion (6.4 percent of GDP). The primary balance also improved, recording a surplus of D924 million (0.4 percent of GDP), compared to a deficit of D1.7 billion (0.9 percent of GDP) a year earlier. Domestic revenue grew by 7.8 percent to D15.4 billion. Tax and non-tax revenues increased by 7.7 percent and 8.4 percent, respectively, while project grants declined by 5.3 percent relative to the same period a year earlier.

61. The fiscal stance remained contractionary, supported by continued expenditure restraint and improved domestic revenue mobilisation. Despite the progress in fiscal consolidation, public debt vulnerabilities remained elevated, with the debt-to-GDP ratio projected to increase from 77.9 percent in 2025 to 79.1 percent in 2026 and further to 90.0 percent by 2030 under the baseline scenario. The debt sustainability assessment highlighted

persistent fiscal deficits, exchange rate depreciation and refinancing pressures as key drivers of the projected debt trajectory. Stress-test results further indicated that adverse shocks to economic growth, interest rates, the exchange rate and the primary balance could significantly worsen debt sustainability.

62. The Department presented four alternative fiscal adjustment scenarios aimed at reducing the public debt-to-GDP ratio to 60 percent over the medium term, taking into account the projected primary surplus of approximately 1.0 percent of GDP. The analysis highlighted the importance of sustained fiscal consolidation, improved domestic revenue mobilisation and prudent debt management in achieving the targeted debt reduction. The Department further explained that the ongoing GDP rebasing exercise is expected to lower the debt-to-GDP ratio through an upward revision of nominal GDP, without necessarily reducing the nominal stock of public debt. However, the exercise is unlikely to be completed before July or August 2027, as data collection and compilation are expected to continue until March 2027, following a six-week extension of the exercise.

63. Reacting to the presentation, members commended the Department for the comprehensive analysis, noting that the presentation addressed an earlier recommendation of the Committee. Members emphasised the importance of strengthening fiscal surveillance, particularly through the regular assessment of revenue performance relative to the size of the economy. Accordingly, the Committee recommended that future presentations include a historical trend of government revenue as a percentage of GDP to help assess revenue mobilisation efforts and their implications for fiscal sustainability.

Domestic Debt Market Developments

64. The Committee reviewed domestic debt market developments for the second quarter of 2026. The review indicated increased domestic borrowing, rising debt-servicing costs and persistent refinancing risks. The domestic debt stock increased by 6.6 percent to D55.43 billion (24.4 percent of GDP) at end-June 2026, from D52.0 billion at end-2025, with approximately 76.3 percent scheduled to mature within one year based on the concept of remaining maturity.

65. Domestic debt-servicing costs rose by 34.6 percent to D3.31 billion, equivalent to 10.3 percent of domestic revenue, of which interest payments accounted for D2.86 billion. Meanwhile, external debt declined by 2.6

percent to D87.87 billion, bringing total public debt to D143.30 billion. Money market activity strengthened, with interbank placements increasing by 52.8 percent to D14.05 billion, while the weighted average interbank interest rate rose to 6.8 percent from 5.6 percent a year earlier. Government securities yields exhibited mixed movements, with the 91-day and 182-day Treasury bill yields declining to 4.0 percent and 7.1 percent, respectively, while the 364-day yield increased to 14.8 percent.

66. Activity under the Bank's standing facilities shifted, with borrowing through the Standing Credit Facility declining to D21.96 billion from D29.55 billion, while placements under the Standing Deposit Facility increased to D22.90 billion from D4.83 billion, reflecting changing liquidity conditions. These developments underscored the importance of prudent debt management, effective mitigation of refinancing risks and stronger liquidity management to support macroeconomic stability.

External Sector Development (BOP)

67. The external sector presentation, which provided key highlights on developments in the country's Balance of Payments Position during the period, indicated a deterioration in the current account balance despite improvements in merchandise trade and remittance inflows. The current account deficit widened to US$34.60 million (1.25 percent of GDP), compared to US$29.74 million (1.07 percent of GDP) in the preceding quarter and US$23.68 million (0.85 percent of GDP) a year earlier. The deterioration was largely attributed to a seasonal decline in tourism-related services, with the services account surplus falling to US$48.17 million from US$113.65 million in the preceding quarter. The merchandise trade deficit narrowed to US$242.52 million from US$284.37 million, supported by a 21.9 percent increase in exports to US$170.99 million and a 2.6 percent decline in imports to US$413.51 million.

68. Secondary income inflows strengthened during the review period, increasing by 11.5 percent to US$165.17 million, largely reflecting higher workers' remittances. Personal transfers increased to US$156.8 million from US$147.0 million in the preceding quarter. Meanwhile, the capital account surplus moderated to US$26.23 million from US$28.47 million, reflecting lower project-related disbursements. Financial account inflows declined to US$95.35 million from US$129.99 million in the preceding quarter, although foreign direct investment rose to US$83.27 million from US$78.34 million, continuing to support economic activity. Gross official international reserves

stood at US$563.86 million at end-July 2026, equivalent to 4.2 months of prospective imports of goods and services.

69. Further external sector assessment highlighted persistent competitiveness challenges despite the significant nominal depreciation of the dalasi over recent years. Movements in the real effective exchange rate suggested that domestic price developments had offset much of the competitiveness gains associated with nominal depreciation.

70. Members linked the observed improvement in the goods account to domestic efforts to raise domestic food production that began about three years ago noting the benefit of domestic supply initiatives. Members also welcomed the REER analysis as a better measure for a country with multiple trading partners, noting that policy should not entirely rely on a single bilateral exchange rate.

71. The Chairman highlighted domestic electricity generation as key to stabilising administered prices and supporting growth, noting that electricity imports are currently paid for in foreign currency, and that internal generation capacity is needed to support the growth target of 7 to 8 percent. It was reported that efforts are ongoing to increase efficient domestic electricity supply, which will help preserve the economy's foreign currency reserves.

72. The Chairman also highlighted domestic rice production as key to reducing import dependence, recalling that the USD 14 million rice facility was intended to raise domestic rice output substantially within three years. The Committee requested follow-up with the Ministry of Agriculture on the facility. It also requested ERD to follow up on the estimated US$40 million in agricultural financing and assess its implications for rice production, to establish the financing's potential contribution to domestic agricultural output and economic growth.

73. The Committee underscored that sustained development cannot rest on concessional resources alone and that the Bank should continue to support price stability and macroeconomic stability as a foundation for sustained economic growth.

Developments in Mobile Money, Fintech and Exchange Bureaus

74. The fintech sector continued to expand, reflecting increased adoption of digital financial services that continue to support financial inclusion.

Registered mobile money accounts increased from 4.6 million at end-March 2026 to 5.2 million at end-June 2026, while active accounts rose from 2.05 million to 2.13 million, representing 41.1 percent of total registered accounts. The value of cash-in transactions increased to D28.2 billion from D27.0 billion in the preceding quarter, while cash-out transactions rose to D32.1 billion from D30.5 billion. However, the number of active agent outlets declined from 8,698 to 8,430, while agent liquidity balances moderated from D269.20 million to D246.15 million.

75. Notwithstanding these positive developments, the sector continued to face operational and cybersecurity challenges. Failed transactions increased from 627,109 in the first quarter to 724,103 in the second quarter of 2026, reflecting persistent network and system connectivity constraints. Reported fraudulent transactions also increased from 1,454 to 2,449, with the associated value rising from D4.7 million to D7.8 million. Nevertheless, customer complaint resolution improved, with unresolved complaints declining from 1,502 to 533. Meanwhile, escrow balances moderated slightly to D3.92 billion from D3.95 billion in the preceding quarter.

76. Reacting to the presentation, members noted the growing importance of digital financial services in facilitating payments, expanding access to financial services and promoting financial inclusion. Members also underscored the importance of strengthening technological infrastructure, cybersecurity, consumer protection and liquidity management to sustain public confidence in digital financial services and safeguard financial stability.

77. The Committee was informed of the positive development in overall financial inclusion, with the December 2025 Finscope survey indicating a financial inclusion rate of 82.0 percent. It was indicated that a second-generation National Financial Inclusion Strategy was being developed, with support from the World Bank, and is expected to undergo validation in September 2026. The new strategy would place greater emphasis on the effective usage of financial services rather than access alone, recognising that high transaction costs and inadequate supporting infrastructure, particularly electricity, continued to constrain the utilisation of financial services.

78. On the high cost of card transactions, the Committee was informed that direct negotiations were ongoing with international card networks to

modernise the supporting technological infrastructure and reduce transaction charges.

79. On the regulatory framework for fintech institutions, the Committee was informed that fintech operators do not maintain independent vaults or operate as deposit-taking banks. Rather, customer wallet balances are backed by float accounts maintained with commercial banks and are therefore reflected in the banking system's deposit liabilities. Against this background, Members emphasised the need to strengthen the regulatory and supervisory framework for the 17 licensed fintech entities. The Committee was further informed that preliminary findings from a recent assessment identified weaknesses in certain areas, particularly cybersecurity, for which remedial measures were being developed. Members were also informed that legislation governing virtual assets was under development to address emerging risks associated with digital financial innovation.

Financial Markets and Foreign Reserve Management

80. The Financial Market and Reserve Management Department (FMRMD) presented the developments in international financial markets and foreign reserve management during the second quarter of 2026. Tight global monetary conditions, driven by the high risk of inflationary pressures, continued to influence global interest rates, exchange rates, and the Bank's foreign reserve investment decisions. The report indicated that gross international reserves declined by 4.8 percent to US$606.66 million at end-June 2026, from US$637.13 million at end-March 2026, mainly reflecting government-related external payments and debt-servicing obligations.

81. The reserve portfolio remained within the Bank's approved investment and risk management guidelines. Term deposits accounted for 64.6 percent of total reserves, followed by Special Drawing Rights (14.5 percent), US Treasury bills (11.2 percent) and liquid cash balances (9.8 percent). The US dollar remained the dominant reserve currency, accounting for 62.1 percent of the portfolio, followed by the euro (17.4 percent) and British pound (5.9 percent). During the quarter, investments in term deposits and US Treasury bills generated income of US$4.09 million, equivalent to D294.94 million.

82. Regarding foreign exchange market operations, the Bank intervened in the market through the sale of €3.0 million (approximately US$3.48 million) to provide foreign exchange liquidity and facilitate international trade-related

payments. No foreign exchange purchases were undertaken during the quarter. The limited level of foreign exchange intervention reflected improved liquidity conditions in the market, which enabled market participants to meet foreign currency demand. Meanwhile, foreign currency shipments declined to US$115.58 million from US$179.79 million in the preceding quarter. Despite the lower shipment volume, the Bank generated approximately US$0.20 million in revenue from foreign currency shipment services.

83. Members drew attention to differences in gross official reserves figures between the ERD and FMRMD, noting that these partly reflected differences in definitions. The Committee directed the departments to agree a common definition of reserves and to reconcile their figures before the next MPC meetings and external reporting.

Monetary Developments

84. Monetary developments in the second quarter of 2026 were characterized by a marked moderation in monetary expansion and a shift in the sources of liquidity growth from external to domestic factors. Broad money (M2+) grew by 11.4 percent year-on-year in June 2026, a significant slowdown from 25.1 percent recorded at end-March 2026. On a quarter-on-quarter basis, broad money growth also eased to 0.9 percent, compared with 1.8 percent in the preceding quarter.

85. The moderation in monetary growth was primarily driven by a 7.3 percent contraction in Net Foreign Assets (NFA), reflecting a reduced contribution of foreign inflows to domestic liquidity. This was partly offset by an 8.0 percent increase in Net Domestic Assets (NDA) between March and June 2026, supported by growth in domestic credit and other domestic sources of liquidity. Consequently, the composition of money supply growth shifted towards domestic sources, as the contribution of the external sector weakened during the quarter.

86. Credit to the private sector remained strong, increasing by 41.3 percent year-on-year and 14.9 percent quarter-on-quarter to D21.1 billion at end-June 2026. However, part of the reported increase reflected improvements in data classification following the introduction of revised commercial bank reporting templates, rather than entirely new lending. Meanwhile, net claims on central government increased by 6.7 percent year-on-year to D52.7 billion, reflecting increased commercial bank financing of

government, despite a decline in the Central Bank's net claims on central government.

87. Reserve money, the Bank's operating target, contracted by 11.1 percent year-on-year and 5.0 percent quarter-on-quarter to D26.5 billion at end-June 2026, largely reflecting a reduction in the Central Bank's net domestic assets over the year and declining net foreign assets during the quarter. Banking system excess liquidity also moderated, indicating improved monetary policy operations.

88. The Monetary Policy Rate was maintained at 14 percent, allowing for a positive real policy rate amid persistent exchange rate pressures and inflationary risks. The assessment underscored the need for close monitoring of the banking system liquidity, private sector credit, government financing and exchange rate developments to safeguard price and macroeconomic stability.

89. The Committee recommended strengthening and broadening monetary policy communication to improve public understanding of policy decisions and help anchor inflation expectations. It underscored the importance of clear, consistent and effective communication in enhancing monetary policy credibility and influencing the expectations of economic agents. Moreover, Members reiterated the need to intensify monetary operations and liquidity management to improve monetary transmission.

Business Sentiment Survey

90. . The Committee reviewed the Business Sentiment Survey (BSS) results for the second quarter of 2026, which pointed to a marked improvement in business confidence and economic activity. The production sentiment index rose to 62.5 percent from 40.0 percent in the preceding quarter, while the capital expenditure and employment sentiment indices increased to 54.2 percent and 38.8 percent, respectively, from 40.0 percent and 20.0 percent in the previous quarter. The stronger-than-expected outturns suggest that business conditions and economic activity were more robust than firms had anticipated.

91. Perceptions of the external environment also improved, with sentiment on global economic conditions rising to negative 8.3 percent from negative 31.4 percent in the previous quarter. Similarly, sentiment regarding domestic economic conditions strengthened, improving to a neutral position from negative 2.9 percent. Looking ahead, firms remained optimistic about the

economic outlook, with expectations of further improvements in production, investment, employment, and overall business conditions over the near term.

Real Sector Developments

92. The Committee reviewed real sector developments for the second quarter of 2026, which indicated continued resilience in economic activity, supported by strong performance in services, tourism, construction and investment. The latest provisional estimates from the Gambia Bureau of Statistics (GBoS) indicated that real GDP grew by 5.7 percent in 2025, compared to the revised growth of 6.0 percent in 2024. The moderation was largely attributed to weaker agricultural performance, partly offset by robust growth in services and industry, which expanded by 7.6 percent and 6.4 percent, respectively. Early economic performance indicators, the Composite Index of Economic Activity (CIEA), indicated resilient economic activity in the first half of 2026, supported by private sector credit, remittances, wages and general sales revenues. However, activity levels was assessed to have remained below its long-term trend, with signs of gradual recovery.

93. The tourism sector continued to recover, with tourist arrivals reaching 126,954 during the first half of 2026, an increase of 23.0 percent compared to the corresponding pre-pandemic period in 2019. Estimated out-of-pocket tourism expenditure income during the quarter amounted to D2.7 billion (US$37.5 million), improving foreign currency liquidity and supporting stability of the local currency. Construction activity also remained strong, supported by public infrastructure investment and private sector developments, with commercial bank lending to the sector increasing to D2.95 billion at end-June 2026, from D2.11 billion at end-June 2025. Labour market conditions improved, with labour force participation increasing to 54.5 percent in the first quarter of 2026, from 43.6 percent in 2023, while unemployment declined to 6.2 percent from 7.6 percent. Nevertheless, labour underutilisation remained elevated at 23.6 percent, while informal employment accounted for 85.8 percent of total employment.

94. Agricultural performance remained a key concern, with sectoral growth slowing significantly to 1.3 percent in 2025, compared with growth of 8.8 percent in 2024, reflecting contractions in crop production, livestock and forestry, partly offset by a 6.4 percent expansion in fisheries. Although aggregate crop production increased by 10.7 percent during the 2024/2025 season, the outlook for the 2026/2027 harvest remained

uncertain due to recent climate events. Despite cumulative rainfall exceeding historical averages in some regions, below-normal rainfall forecasts for parts of the country raised concerns about agricultural output, domestic food supply and the resulting impact on inflation dynamics.

Price Developments

95. The final presentation reviewed price developments during the second quarter of 2026, which indicated a moderate increase in inflationary pressures, although early signs of disinflation re-emerged in July. Headline inflation increased to 7.6 percent in June 2026, from 6.6 percent in March, before moderating to 7.0 percent in July. The moderation was largely driven by easing food inflation, which declined to 5.8 percent in July from 6.6 percent in June. In contrast, non-food inflation increased to 8.9 percent from 8.7 percent, mainly reflecting elevated transport costs, with transport inflation accelerating to 16.5 percent from 14.5 percent. On a quarterly basis, headline inflation increased to 1.8 percent in June from 1.5 percent in March, driven by stronger non-food price pressures.

96. Underlying inflationary pressures also moderated in July, although they remained relatively elevated. Core 1 inflation declined to 6.9 percent from 8.4 percent in June, while Core 2 inflation eased to 7.8 percent from 8.5 percent. The contribution of market-determined prices to headline inflation moderated to approximately 5.4 percentage points in July, while administered prices contributed about 1.6 percentage points, reflecting the growing influence of fuel and transport-related price adjustments.

97. Regarding the outlook, the Bank's near-term inflation forecast projected headline inflation to moderate. Food inflation was expected to remain relatively contained, while transport inflation was projected to remain elevated. Overall, the inflation outlook remained broadly stable, although risks are tilted to the upside, particularly from persistent transport costs, potential adjustments in administered prices, exchange-rate pressures and import constraints.

Policy Justification

98. In its assessment of the monetary policy stance, the Committee considered developments in the global economy, where growth was projected to moderate to 3.0 percent in 2026 before recovering to 3.4 percent in 2027. Meanwhile, the global inflation forecast had been revised upwards to 4.7 percent, from 4.4 percent at the April MPC meeting, reflecting persistent inflationary pressures and heightened geopolitical uncertainties. The

ongoing conflict in the Middle East, disruptions to energy supplies and international shipping routes, and elevated transport costs continued to pose significant risks to global inflation and economic activity. Furthermore, tighter global financial conditions and rising sovereign bond yields could constrain access to external financing. These developments present significant upside risks to domestic inflation.

99. Within the domestic economy, the committee noted that economic activity remained resilient, with real GDP projected to expand by 5.8 percent in 2026 and 6.2 percent in 2027, supported by tourism, construction, remittance inflows and public investment. However, domestic demand pressures had moderated, partly reflecting ongoing fiscal consolidation and restrained monetary conditions. Broad money growth slowed to 11.4 percent year-on-year, while reserve money contracted, suggesting a moderation in aggregate monetary expansion. The Committee further observed that the banking and non-bank financial sectors remained broadly resilient, with sufficient capital and liquidity buffers. Meanwhile, the external sector continued to face structural competitiveness challenges.

100. The Committee welcomed the moderation in headline inflation to 7.0 percent in July 2026, from 7.6 percent in June, largely reflecting easing food prices. However, underlying inflationary pressures remained elevated, particularly in non-food prices, driven by persistent transport and energy costs. Members noted that the recent disinflation was not yet sufficiently broad-based, while the potential second-round effects of higher transport and production costs, adjustments in administered prices and continued external uncertainties posed upside risks to the inflation outlook. Consequently, the Committee considered it necessary to maintain a cautious monetary policy stance to consolidate the recent disinflation gains and support the convergence of inflation towards the Bank's medium-term target.

Decision

101. Taking these developments into account, the Committee judged that maintaining the Monetary Policy Rate (MPR) at 14 percent was appropriate to balance the need to safeguard price stability and support economic recovery, particularly following the cumulative 200-basis-point reduction earlier in the year. The Committee emphasised the importance of closely monitoring global and domestic developments and aligning policy implementation accordingly. Members reaffirmed the Bank's commitment

to price stability and adjusting its monetary policy stance when economic conditions warrant.

102. The Committee also decided to maintain the required reserve ratio at 13 percent, the standing deposit facility rate at 5 percent, and the standing lending facility rate at 15 percent, equivalent to the MPR plus 1 percentage point.

Date for the next MPC meeting

103. The next Monetary Policy Committee (MPC) meeting is scheduled for Wednesday, November 25, 2026. The meeting will be followed by the announcement of the policy decision on Thursday, November 26, 2026.