CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

MINUTES OF MEETING NO.94 **June 11-12, 2025**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on June 11-12, 2025. The Committee reviewed developments in the domestic economy and emerging risks to inflation and growth outlook, and decided to maintain the monetary policy rate at 17.0 percent. The meeting was attended by 8 Members of the Committee.

MPC Members Present

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

Report Presenters

Name	Designation
Mr. Alagie B. Sowe	Economist, Economic Research Department
Mrs. Binta Beyai	Senior Economist, Banking and Payment Systems Department
Mrs. Ya Maram Sosseh	Bank Examiner, Banking Supervision Department
Mr. Nfamara Jeng	Bank Examiner, Banking Supervision Department
Mr. Alkali Barrow	Officer, Other Financial Institutions Supervision Department
Mr. Momodou Alieu Jallow	Officer, Financial Markets and Reserve Management Department
Mrs. Rohey B. Cham	Cadet Economist, Economic Research Department
Mr. Ansou Manneh	Assistant Statistician, Economic Research Department
Dr. Foday Joof	Risk Management Officer, Economic Research Department
Mr. Saikou Jammeh	Economist, Economic Research Department
Mr. Habib Ceesay	Statistician, Economic Research Department
Mrs. Mariama Ceesay	Economist, Economic Research Department
Ousman Saidykhan	Officer, Fintech Department

Agenda

1. The meeting agenda was adopted as presented below:
    - Adoption of the agenda
    - Opening remarks by Chairman
    - Review of minutes of the previous meeting and matters arising
    - Presentation and discussions of reports
    - Lunch Break
    - Presentation and discussion of reports
    - Closing

Opening Remarks by the Chairman

2. The Governor and Chairman of the Committee welcomed Members to the second Monetary Policy Committee Meeting (MPC) for the year 2025. He expressed optimism in the fight against inflation, citing recent declines in headline inflation below 10 percent as a sign of easing inflationary pressures in the economy. He therefore urged all members to continue their commitment to fulfilling the Bank's objective by providing their unreserved support while we navigate this challenging policy environment.

3. Commenting on policy changes in the United States, particularly the decision to impose taxes on remittances, the Chairman emphasised the urgency for developing countries to recalibrate their financing strategies. He underscored the need to look inward and adopt innovative approaches to long-term financing. In light of potential disruptions to remittance inflows as a result of these policy shifts, the Chairman instructed the Financial Markets Department to initiate a strategic buildup of reserves as a precautionary measure. He stated that the release of Karpowership would help ease demand for foreign currency.

4. The Chairman concluded by commending the staff and MPC Members for their commitment and support in delivering the Bank’s mandate. To ensure inflation returns to the Bank’s medium-term target and financial system stability, he reiterated the need for prudent policy calibration going forward.

Review and Adoption of Minutes of MPC Meeting No. 93

5. The minutes of the MPC Meeting No.93 were reviewed and adopted after minor adjustments.

Matters Arising

6. The Committee was informed that Access Bank Gambia Limited had completed the takeover of Standard Chartered Bank Gambia Limited. It was noted that, effective

on Friday, June 13, 2025, Standard Chartered Bank would operate under the Access Bank brand. To ensure a smooth transition, Members requested that the Banking Supervision and Information Technology Departments provide targeted support to Access Bank, especially in areas of system integration with national payment platforms to ensure operational continuity and compliance.

Presentation of Reports

7. Presentations and discussions of reports took place in the following order:
   - Developments in the Global Economy
   - Government Fiscal Operations
   - Domestic Debt Developments
   - External Sector (Balance of Payment and Foreign Exchange Market)
   - Real Sector Developments
   - Business Sentiment Survey
   - Banking Sector Stability Report
   - Stress Testing, and Foreign Currency Net Open Position
   - Non-Bank Financial Sector Developments
   - Financial Markets
   - Monetary Developments
   - Price Developments (Inflation)
   - Staff Assessment and Outlook
     - Assessment of the current economic conditions
     - Baseline forecasts
     - Alternative scenarios

Global Economic Developments

8. The presentation on the Global Economic Developments report highlighted key developments in the global economy since the last MPC and the near-term outlook. The presentation was based on the April 2025 World Economic Outlook (WEO) published by the International Monetary Fund (IMF), the Global Economic Prospects by the World Bank, and the OECD Economic Outlook.

9. According to the report, global economic growth receded, owing to escalating trade tensions and heightened policy uncertainty. Additionally, structural adjustments, waning post-pandemic stimulus, and rising geopolitical frictions continued to weigh down economic activity during the period. Economic performance remained fragmented, with advanced economies lagging while select EMDEs, particularly in Asia and Africa, showed resilience. As a result, the International Monetary Fund (IMF), in its April World Economic Outlook (WEO), estimated global growth at 2.8 percent in 2025, representing a 0.5 percentage point downgrade from its January 2025 projections.

10. Looking ahead, risks to the outlook remain significant, including ongoing geopolitical tensions in Ukraine and the Middle East, heightened geoeconomic and trade fragmentation, as well as policy uncertainties which could potentially weigh on economic activity and dampen growth in the near to medium-term.

11. The presentation indicated that the disinflation process that started in 2024 continued to progress, although disparities across countries remain. The IMF forecast global inflation to decline to 4.3 percent in 2025, down from 5.8 percent in 2024 and 6.7 percent in 2023, reflecting tight monetary policy, normalising energy prices and softer supply conditions. In advanced economies, inflation is projected to average 2.1 percent in 2025, effectively reaching central bank targets. However, inflation in EMDEs remains elevated, reflecting the pass-through effect of currency depreciation. Nonetheless, inflation is projected to continue to gradually fall, from 7.9 percent in 2024 to a projected 5.9 percent in 2025. In sub-Saharan Africa, inflation is forecast to decline from 16.3 percent in 2024 to 9.8 percent in 2025, yet this remains significantly above historical levels.

12. The presentation noted that international commodity prices remain volatile, shaped by geopolitical escalation, climate-linked disruptions, and asynchronous global demand. Despite softening in mid-2024, prices across energy, metals, and agriculture have diverged, with some rebounding due to supply constraints,

derailing price normalisation. The IMF's All Commodity Price Index rose by 3.2 percent quarter-on-quarter in March 2025 but remained 0.9 percent below its level one year ago. Notwithstanding, risks are skewed on the upside, with potential increases in trade barriers and geopolitical tensions in the Middle East risking further increases in commodity prices. This could likely make inflation more persistent, particularly for net commodity importers like The Gambia

13. On international food prices, the report noted that the FAO Food Price Index (FFPI), a key measure of global food commodity prices, rose by 0.7 percent in April 2025 compared to its March 2025 level and 7.5 percent above its value in April 2024. This increase was mainly the result of higher price indices of meat, dairy and cereals, which outweighed the decline in the price indices of oils and sugar during the period. However, the FFPI is 20.0 percent below its peak reached in March 2022, indicating that while food prices remain volatile, they have normalised somewhat from the levels seen during the aftermath of the pandemic and the Russia-Ukraine war. Furthermore, the presentation also showed some improved developments in international rice prices during the review period, driven mainly by softer supply conditions and lacklustre import demand. In March 2025, the FAO Rice Price Index fell by 6.1 percent, higher than the 4.7 percent decline in January 2025, a positive development that could potentially support the domestic disinflation process.

14. Against this backdrop, the presentation wrapped up, highlighting the implications of recent developments in the global economy on the Gambian economy. It noted that the fragile growth momentum, compounded by uncertainties surrounding global trade, poses a major risk to the Gambian economy given its reliance on imports, tourism and remittances. Nonetheless, recent declines in rice prices were pointed out as a major positive development that could potentially support the fight against inflation. Thus, the report stressed the need for prudent macroeconomic policy calibration going forward.

15. Commenting on the presentation, the Committee noted with concern the fragile global growth outlook, citing its potential negative implications for the domestic economic recovery process. Notwithstanding, the moderation in global inflation and the recent declines in rice prices were pointed out as encouraging signs that will support the disinflation process in the domestic economy.

16. Additionally, the Committee was concerned about the recently announced tax on remittances by the U.S. Government, indicating its likely impact on remittance inflows to the country, particularly given that the highest (about 26 percent) of remittance inflows into The Gambia come from the U.S. It was noted that this could potentially have serious macroeconomic implications, including dampening private demand (household consumption and investment) and reducing foreign currency supply. This, coupled with the declining Official Development Assistance (ODA), could result in depreciation of the dalasi, which could have significant passthrough effects on inflation and potentially derail the disinflation process. The Committee, therefore, called for vigilance as we navigate this fluid macroeconomic environment. The Committee was informed that the impact of the tax on remittances from the U.S. could potentially be mitigated by the recent pick-up in re-export trade, as well as the possibility of a rising informal channel for sending remittances.

17. Members were also concerned with the further rise in uncertainties surrounding global trade and commodity prices. The Committee highlighted the recent increase in international food prices, which continues to exacerbate the cost-of-living situation in the country and risks reversing gains made in the fight against inflation. Members were informed that the planned interventions to reduce fuel mark-ups, the entry of new suppliers in the fuel sector, and the arrangement to import 10,000 tons of rice into the country are expected to help ease supply bottlenecks and dampen price pressures in the near term.

18. However, Members cautioned that short-term interventions must be targeted to allow for healthy competition and efficient outcomes. Additionally, to ensure sustainability, investment in agriculture must be given priority by the relevant

authorities to boost local production to guarantee food security and reduce the need for imports.

Domestic Macroeconomic Developments

Banking Sector Developments

19. The presentation on the Banking Sector report provided key updates in the industry since the last MPC. The report indicated that the banking sector remained concentrated, with two large banks and one medium-sized bank controlling about 55.3 percent of total industry assets. The remaining nine small banks held 44.7 percent of the industry's assets.

20. According to the report, the banking industry continued to be stable, characterised by healthy financial soundness indicators. The overall risk-weighted capital adequacy ratio at 28.4 percent is well-above the 10 percent prudential threshold. In terms of liquidity, the presentation indicated that the banking industry system-wide liquidity marginally declined from 76.5 percent in December 2024 to 76.1 percent in March 2025, mirroring the moderation in banks' investment in government papers. Notwithstanding, the industry remains liquid and profitable, with total net income increasing by D660 million to reach D1.0 billion in March 2025.

21. On asset quality, the presentation showed that industry non-performing loans (NPLs), although still in double digits, moderated slightly from 14.5 percent in December 2024 to 13.5 percent in March 2025. The NPLs remained elevated, but the industry continued to adequately provide for these loans. Furthermore, the presentation noted that the banking industry's total assets rose from D100.3 billion in December 2024 to D104.5 billion in March 2025. The increase was mainly as a result of higher balances due from other banks, off-balance sheet items (mainly LCs and trade financing), and cash-in-hand during the review period. Government sector investments at 32.4 percent, balances due from other banks at 23.5 percent, gross loans and advances at 17.7 percent, and off-balance-sheet

items at 14.0 percent accounted for the greatest share of the increase in total assets.

22. The report further noted that customer deposits, which remained the main source of funding for banks, increased by 1.5 percent to stand at D67.5 billion in March 2025 from D66.4 billion in December 2024. Demand and savings deposits continued to account for 92.4 percent of total deposits. On financial intermediation, the presentation indicated total loans and advances rose to D18.4 billion in March 2025, from D18.0 billion in December 2024, reflecting a surge in other commercial loans and other loans & advances. Specifically, Other Commercial Loans and Advances accounted for the highest at 32.4 per cent, followed by Other Loans and Advances at 14.7 percent, Distributive trade at 14.2 percent, Manufacturing at 12.6 percent, and Building and Construction at 8.8 per cent. All other categories combined attracted 14.4 percent of gross loans and advances. Despite this improvement in financial intermediation, the loan-to-deposit ratio remains low at 27.3 percent in March 2025.

23. The presentation on the results of the industry-wide stress test exercise once again identified credit concentration and liquidity as significant sources of vulnerability in the banking system in The Gambia. While the overall market risk of the industry remained low, banks' exposure to the sovereign also posed a significant risk to the financial system. Nonetheless, the presentation indicated that the high liquidity buffer would cushion the banking system from any potential liquidity shocks.

24. Reacting to the presentation, the Committee noted the positive developments in the banking industry, citing improvements in the financial soundness indicators as evidence of a solid and stable industry. Similarly, Members also welcomed the improvement in financial intermediation, with credit to the private sector experiencing an increase during the period, suggesting a rebound in private-sector-led economic activity. Additionally, it was noted that the industry remains profitable, a positive development for the banking sector that reinforces confidence in the financial system.

25. However, Members were concerned about the industry's exposure to the sovereign, noting its potential implications for financial and macroeconomic stability. The Committee was informed that the government has secured a facility from Afreximbank, part of which will be used to liquidate outstanding loans of the National Roads Authority (NRA). To ensure NRA's ability to service the Afreximbank facility, its account with the Central Bank has been ring-fenced. This measure is expected to reduce the banking sector's exposure to the public sector and create fiscal space for the government to redirect resources toward critical social sectors.

26. The Committee also expressed concern about the still elevated level of non-performing loans in the banking industry, citing the presence of high borrower concentration as a potential risk that could further dilute banks' asset quality. The Committee was informed that the affected facilities have been restructured, and borrowers have resumed servicing the loans. Furthermore, the Committee was briefed on the near completion of the Credit Rating Agency. The agency will be incubated at the Central Bank before transitioning into a standalone private entity. Once fully operational, the agency will provide credit ratings of businesses and individuals, which will help determine customers ' creditworthiness and strengthen risk management across the financial sector.

27. The Committee commended the Banking Supervision Department for providing the Meeting with the findings on the enquiry into the appropriateness of the level of required reserves ratio for commercial banks. The Committee endorsed the recommendation of the Department to maintain the required reserves ratio at 13 percent. Nonetheless, the Department was advised to consider the prudential impact of a potential increase in the ratio and update the Committee on the findings.

28. The Committee welcomed the outcome of the banking sector stress-testing exercise, noting that it pointed to resilience and stability in the industry.

Nonetheless, Members reiterated their concern regarding the elevated credit concentration risk, which is largely due to large borrower concentration and the industry's exposure to the sovereign. Members expressed the need for CBG to encourage banks to engage in loan syndication, thereby limiting their exposure to a single borrower or sector. Additionally, this will effectively spread the risks and returns among participating banks, ensuring system-wide financial stability.

Developments in Other Financial Institutions

29. 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. The non-bank financial sector demonstrated robust growth and resilience during the period, providing reliable financial services to low-income groups in The Gambia. The sector consisted of seven Finance Companies, two of which were Islamic microfinance institutions, and fifty-six Credit Unions.

30. The report indicated that the industry assets rose by 4.0 percent in March 2025 to reach D8.5 billion, compared to D8.2 billion reported in December 2024. This upward trajectory was driven by significant expansions in key asset categories: industry loans by 10 percent, and cash and bank balances by 16 percent, underscoring improved liquidity management across institutions. Compared to the corresponding quarter in the prior year, total combined assets of FCs and large CUs grew by 26 percent. The presentation also noted that Finance Companies continued to account for 57 percent of total assets, maintaining their dominant position in the industry, while Credit Unions (CUs) contributed 43 percent.

31. In terms of source of funding, customer deposits continued to be the key source of funds for the sector. In March 2025, the presentation showed that the customer deposit base expanded by 2 percent to reach D6.2 billion, from the D6.1 billion reported in December 2024. On an annual basis, total deposits of FCs and large CUs surged by 26 percent. Finance Companies maintained their dominance, contributing 53 percent or GMD 3.28 billion of total deposits, driven by their

extensive networks and tailored savings products. Large Credit Unions accounted for 47 percent or GMD 2.91 billion.

32. Furthermore, the report noted the importance the NBFI industry continued to play in the credit market, with the loan-to-deposit ratio reaching 58.6 percent in March 2025. From December 2024 to March 2025, total industry loans grew by 3.0 percent to reach D3.6 billion, with large CUs accounting for 64 percent while FCs held the remaining 36 percent. In terms of sectoral credit allocation, the report showed that most of the loans were extended to petty traders (66 percent), transportation (14 percent), and construction and personal loans combined accounted for 20 percent of the industry loan portfolio. This underscores the pivotal role of NBFIs in supporting small-scale commerce and livelihoods in the low-income cadre of society.

33. In the area of financial stability, the presentation noted that the industry remains stable, with healthy financial soundness indicators. In March 2025, FCs reported a capital adequacy ratio of 37 percent, higher than the 32 percent in December 2024 and the prudential threshold of 20 percent. In a similar vein, the capital adequacy ratio for CUs increased to 22 percent in March 2025, from 20 percent in December 2024 and above the regulatory requirement of 16 percent.

34. Additionally, the report pointed to an industry characterised by ample liquidity, with FCs and CUs registering liquidity ratios of 81.0 percent and 27.0 percent, respectively. In terms of asset quality, the sector registered a mixed performance during the review period. Non-performing loans of FCs marginally increased to 8.0 percent in March 2025, from 7.0 percent in December 2024. On the other hand, non-performing loans of CUs dropped to 3 percent in March 2025, from 4.0 percent in December 2024, which is below the regulatory benchmark of 5.0 percent.

35. Reacting to the presentation, the Committee welcomed the positive developments within the NBFIs industry, citing improvements in key financial

indicators as signs of a stable and resilient sector in the financial landscape of the country. However, the Committee noted that the narrow profit margin in the sector raises sustainability concerns about the industry. Members called for close monitoring to ensure appropriate measures are taken should the need arise.

Government Fiscal Operations

36. The presentation on the fiscal developments report provided key highlights on government operations for the first quarter of 2025. Preliminary estimates on government operations indicated an improved fiscal position, supported by strong revenue performance.

37. The presentation noted that the overall deficit (excluding grants) narrowed to D2.8 billion (1.6 percent of GDP) in March 2025, compared to D4.6 billion (2.6 percent of GDP) in the corresponding period in 2024. Similarly, the overall budget deficit, including grants, also narrowed, from D2.4 billion (1.4 percent of GDP) in March 2025 to D1.3 billion (0.8 percent of GDP) in March 2024. Likewise, the primary balance improved to a surplus of D 0.5 billion (0.3 percent of GDP), from a deficit of 0.4 billion (0.2 percent of GDP) in the same period in 2024.

38. In the area of revenue mobilisation, the presentation showed an improvement in revenue performance during the period, thanks to key reforms in tax administration. In March 2025, total revenue surged to D8.8 billion (5.1 percent of GDP), marking a substantial 14.5 percent rise from the same period last year. This increase was largely the result of improvements in tax and non-tax revenue, which increased by 26.2 percent and 78.4 percent to stand at D6.1 billion (3.5 percent of GDP) and D1.3 billion (0.7 percent of GDP), respectively. However, official budget support (mainly project grants) decreased in the first quarter of 2025, recording D1.4 billion (0.8 percent of GDP), down from D2.2 billion (1.2 percent of GDP) in the same period a year ago.

39. Furthermore, the report indicated that government total expenditure and net lending in the first quarter of 2025 slightly declined by 0.2 percent to D10.1 billion

(5.8 percent of GDP), from D10.2 billion (5.7 percent of GDP) in the same period in 2024. Recurrent expenditure continued to be the main driver of total government expenditure, accounting for the bulk (72 percent) of total government expenditure during the period. In March 2025, recurrent expenditure increased modestly by 17.7 percent to D7.2 billion (5.0 percent of GDP), compared to D6.1 billion (4.3 percent of GDP) in the same period of 2024. On the other hand, capital expenditure declined by 26.8 percent to 2.9 billion (1.7 percent of GDP) in the first quarter of 2025, from D3.9 billion (2.3 percent of GDP) compared to the same period in 2024, mirroring the moderation in external financing.

40. The presentation concluded with an assessment of climate shocks on long-term macroeconomic performance. It was noted that adverse climate shocks could have a catastrophic impact on the macroeconomy, including eroding long-term growth, increasing the debt-to-GDP ratio, and worsening the government fiscal position. To mitigate these risks, the report strongly recommended the explicit integration of climate-related risks and natural disasters into fiscal frameworks to improve preparedness. In addition, measures to enhance climate adaptation investment, particularly investments in climate-resilient infrastructure and sustainable land & water management, remain critical going forward.

41. Reacting to the presentation, the Committee commended the ongoing domestic revenue mobilisation efforts, citing the strong revenue performance as evidence of the benefits from recent tax administration reforms. However, Members expressed concerns about the low public investment expenditure, citing its long-term implications on economic growth and development. The Committee was informed that the reason capital investment was low was the recent shift in the mode of financing, noting that the bulk of the ongoing infrastructure development is being financed through the capital market. This shift has helped the government to maintain fiscal discipline while addressing the critical social and infrastructure needs of the country.

42. Members noted the implications of climate-related shocks on fiscal sustainability and called on authorities to take advantage of climate adaptation initiatives to

address the country's climate vulnerability. Members opined that the policy option on infrastructure investment for climate resilience has a crowding-in effect, which has the potential to boost private sector investment and promote sustainable economic growth. Members noted that institutional financing could boost domestic resource availability and deepen the capital market for climate financing options.

Domestic Debt Market Developments

43. The presentation on the Domestic Debt Market report highlighted recent developments in the domestic money and bond markets since the last MPC. In March 2025, the report indicated that the domestic debt stock marginally declined by 1.7 percent to D45.6 billion from D46.4 billion in December 2024, driven by the modest reduction in Treasury bond issuance. Similarly, the ratio of domestic debt to GDP continued to plummet, reflecting the rising nominal GDP effect and a decline in the debt stock.

44. The report noted that, while a large chunk of the debt is still held at the short end of the curve, progress has been made to elongate the debt maturity profile to free up the short-term debt service pressure on the budget. Despite these efforts, in March 2025, short-term instruments accounted for the highest share at 49.2 percent, while Medium-term instruments and long-term securities accounted for 33.8 percent and 17.0 percent, respectively. This cautious approach reflects efforts to manage liquidity needs while preserving fiscal discipline.

45. On debt service, the presentation showed that debt service costs continued to weigh on domestic resources. In March 2025, domestic debt service amounted to D1.6 billion (5.5 percent of domestic revenue), compared to D1.5 billion (6.6 percent of domestic revenue) in the corresponding period in 2024. Similarly, the report indicated that total debt service costs for 2025 are projected at D5.7 billion, higher than the D5.2 billion recorded in 2024. Of this amount, domestic interest payment was projected at D5.0 billion (15.7 percent of domestic revenue) in 2025, higher than D4.5 billion (19.8 percent of domestic revenue) reported in 2024.

46. Government securities yields, although low compared to the monetary policy rate, remain relatively stable. The weighted average Treasury bill rate declined from 13.5 percent in December 2024 to 11.8 percent in March 2025. Furthermore, the presentation indicated that total trade volumes of transactions in the interbank market increased to D5.6 billion from January to April 2025, from D5.1 billion recorded during the same period in 2024. The weighted average interest rate in the market slightly edged up to 5.3 percent, compared to 5.0 percent in the same period a year ago.

47. On monetary policy operations and liquidity management, the presentation showed that the Bank's interest rate corridor (the standing deposit and standing lending facilities) registered increased activity. In March 2025, activity volumes reached D17.2 billion, surpassing the D3.3 billion recorded in the same period of 2024. Borrowing through the corridor amounted to D13.98 billion in March 2025, compared to D905.0 million reported in March 2024. Similarly, deposits through the corridor increased to D3.2 billion in March 2025, relative to D2.4 billion in the same period in 2024.

48. Reacting to the presentation, the Committee welcomed the improvement in the domestic debt outlook, noting that the moderation in the debt stock relative to domestic revenue could provide temporary relief to the fiscal position. However, Members raised concerns about the rising interest costs despite strong revenue performance, which pose significant refinancing and fiscal sustainability risks. To ensure debt sustainability and create fiscal space, Members stressed the importance of fiscal consolidation and stronger policy coordination.

49. To deepen the government securities market, the Committee emphasised the need to expand participation to include public non-bank financial institutions, such as Social Security and Housing Finance. Coupled with financing options available through the capital market, this expansion would enhance access to funding for government borrowing while also offering investment opportunities for these institutions.

Balance of Payments Developments

50. The presentation on the balance of payments provided an update on key developments in the external sector since the last MPC. The report noted that preliminary balance of payments estimates indicated that the current account balance narrowed to a deficit of US$13.2 million (0.6 percent of GDP) in March 2025, compared to a deficit of US$21.1 million (0.9 percent of GDP) in the fourth quarter of 2024, due largely to the reduction of the goods account, and a slight growth in the service account.

51. Furthermore, the report highlighted that the trade balance, measured by the goods account balance, narrowed to a deficit of US$248.1 million (10.3 percent of GDP) in the first quarter of 2025, from a deficit of US$297.1 million (13.0 percent of GDP) in the preceding quarter. This was largely explained by a decrease in imports to US$352.2 million (14.6 percent of GDP) in the first quarter of 2025, compared to US$408.4 million (17.8 percent of GDP) in the preceding quarter. Although exports marginally declined to US$104 million in the review period, down from US$111.3 million in the final quarter of 2024. On the other hand, re-exports increased to US$86.9 million (83.5 percent of total exports) during the review period.

52. The presentation showed that the services account balance is estimated to have registered a surplus of US$96.0 million in the first quarter of 2025, compared with US$88.5 million in the previous quarter, on the back of an increase in tourist arrivals. On the other hand, the report noted that the secondary income account declined by 17.6 percent to stand at US$139.9 million in March 2025, down from US$169.7 million reported in the previous quarter, reflecting the lower official inflows as government budget support was delayed.

53. The report noted that the capital account moderated to a surplus of US$17.4 million, from a surplus of US$39.3 million in the preceding quarter. This was attributed to a decline in the substantial amount of project funds disbursed during

the quarter. Similarly, the financial account improved to US$9.7 million in the review quarter, compared to a deficit of US$174.5 million in the preceding quarter of 2024, reflecting a growth in non-resident investment during the quarter under review.

54. Reacting to the presentation, the Committee welcomed the improvement in the country's external sector position, noting that the improvement in the current account balance will somewhat ease BOP pressures. Members, however, stressed the need to invest in the productive sectors of the economy to boost exports. This is not only important for generating foreign currency income but also for limiting imports and ensuring a stable external position. Similarly, the Committee underscored the need to revitalise the re-export sector, benefiting from the strategic location of the country to serve as a regional hub for trade. Members were informed that the Economic Research Department (ERD) plans to conduct a nationwide re-export survey to identify bottlenecks in the sector and advise management.

Foreign Exchange Market Developments

55. The presentation provided key highlights of the foreign exchange market since the last MPC. According to the report, the foreign exchange market remains stable, with solid transaction volumes. From April 2024 to March 2025, total volumes of transactions, measured by aggregate purchases and sales of foreign currency, rose by 15.5 percent to US$2.2 billion, compared to US$1.9 billion recorded in the same period in 2024, reflecting better supply conditions in the market. On a quarter-on-quarter basis, activity volumes rose by 36.9 percent to US$670.1 million in March 2025, higher than the US$489.51 million reported in December 2024 and US$600.9 million in March 2024, respectively.

56. The presentation also highlighted the performance of private remittances during the review period. According to the report, private remittance inflows, which continue to play a significant role in providing foreign exchange liquidity in the domestic economy, increased by 9.9 percent to US$207.90 million in the first quarter of 2025, from US$187.2 million recorded in the previous quarter. Relative to

the corresponding period last year, remittance volumes expanded by 3.9 percent. This strong performance remains critical for the economy, financing private consumption and investment, as well as easing foreign currency supply conditions and supporting the exchange rate. As a result, the dalasi depreciated but only marginally during the review period. From December 2024 to March 2025, the dalasi depreciated against the United States dollar by 1.7 percent, the British pound by 0.2 percent, and the CFA franc by 0.5 percent, respectively. However, it appreciated against the Euro by 1.2 percent during the same period.

57. Commenting on the presentation, the Committee noted the robust activity volumes in the foreign exchange market as a welcome development, citing its impact on the exchange rate during the period. Members also acknowledged the pivotal role private remittance inflows have played, not only in providing foreign currency liquidity in the market but also in influencing aggregate demand. Notwithstanding, to mitigate depreciation pressures and ensure external sector sustainability, Members reiterated the need to prioritise domestic food production to reduce imports and boost exports. Additionally, the Committee underscored the need to improve digitalisation to support a cheaper and more secure formal sending of remittances. It was mentioned that this has the potential to increase inflows and help improve foreign currency liquidity conditions and support a stable exchange rate.

Developments in the Fintech Industry

58. The Fintech industry report provided key highlights of the industry for the first quarter of 2025. The presentation focused on Mobile Money Operators (MMOs), Fintech Companies, Forex Bureaus, and Money Transfer Operators (MTOs). Just like NBFIs, a key feature of these institutions is their provision of retail payment and other financial services to low-income populations and the informal sector— groups often considered high-risk by commercial banks and therefore largely excluded from the formal financial system. The report noted that this has played a significant role in supporting financial inclusion in the country. According to the World Bank Findex

Survey, 33 percent of the population have access to formal financial services, an increase from the 19 percent reported in the FinScope Survey 2019.

59. As of December 2024, the industry comprised thirteen licensed Fintech entities, comprising three mobile money operators and ten Fintech companies. According to the presentation, the industry continues to grow, with total registered accounts and active accounts reaching 3.9 million and 2 million in March 2025, from 3.4 million and 1.7 million in December 2024, respectively. Similarly, the presentation indicated that the combined value of cash-in and cash-out transactions rose by 33.2 percent to stand at D37.4 million in March 2025, signifying the growing reliance on digital financial services and the deepening integration of fintech solutions into everyday financial activities.

60. Notwithstanding, the presentation also noted, while significant progress has been made in improving financial inclusion, regulatory concerns remain, including service quality challenges and fraudulent activities. Thus, the report emphasises that for sustainability, fintech firms must prioritise strategic investments in infrastructure, cybersecurity, liquidity management, and customer engagement. With the right interventions, the industry is well-positioned to become a central driver of financial inclusion and economic transformation in the country.

61. Reacting to the presentation, Members acknowledged the transformative role the Fintech sector is playing in the country's financial landscape. The Committee welcomed the growing number of active accounts and increased volumes of transactions, noting the sector's role in increasing financial inclusion, digital payments, and employment. This is an area that the government can leverage to improve tax collections, especially in the informal sector.

62. Nonetheless, concerns were raised about the speed of digitalisation, particularly in the area of interoperability among Fintech companies and between Fintech companies and other financial institutions. Members requested that the Bank look into this matter, as it has great potential to transform the financial landscape. The Committee was informed that the World Bank is supporting the Bank in this area, and

a mission to that effect is on the ground to assess the situation and recommend the next steps. This includes the request for the team to explore the possibilities of hooking the MFIs onto the RTGS/national Switch.

63. On regulations, the Committee was concerned about the growing customer deposit base of Fintech institutions, which is currently not subject to any form of reserve requirement. Members were informed that the Bank is considering this issue, and a guideline is being developed to guide how to treat this emerging reality. Another area that the Committee expressed concern was fraudulent transactions. Specifically, Members were concerned about chargeback funds, which have been one of the main complaints from customers (businesses). It was mentioned that businesses can prevent this problem if they open business accounts. In addition, the Committee was informed that a directive has already been given for all Fintech companies to join the National Switch, which will ensure more security.

Monetary Developments

64. The presentation on Monetary Developments provided key highlights on recent trends in monetary aggregates and the stance of monetary policy since the last MPC. The report mentioned that the MPC maintained the monetary policy rate at 17 percent for eight consecutive meetings to support the disinflation process. The report noted that real interest rates have become more positive, suggesting a tighter monetary policy stance, potentially restraining domestic credit growth in line with the current policy stance.

65. The report indicated that annual money supply growth accelerated to 11.3 percent in March 2025, up from 9.4 percent growth recorded in March 2024. This increase reflects a combined contribution from NFA and NDA of depository corporations, indicating a continued expansion of domestic credit. The NFA was the primary source of liquidity in March 2025, contributing 6.2 percentage points. The NDA's contribution is relatively stable at 5.1 percentage points, compared to 5.2 percent in the same period a year ago.

66. Furthermore, the presentation showed that the Central Bank's NFA reached D16.1 billion in March 2025, marking a modest 0.8 percent growth compared to the previous year. This growth was largely attributed to a 7.5 percent rise in claims on non-residents, driven by increased official inflows from development partners and investments held by the Central Bank. In the same vein, the NFA of other depository corporations rose by 42.5 percent in March 2025, higher than the 9.3 percent recorded in the same period last year, indicating stronger external positions. The growth was driven by a 41.8 percent increase in claims on non-residents, up from 1.6 percent in March 2024.

67. The report showed that private sector credit continued to increase, registering a growth of 15.1 percent in March 2025, compared with 19.3 percent growth in March 2024. It contributed 4.4 percent to the growth in NDA during the review period. Similarly, in March 2025, growth in net claims on government rose to 10.0 percent, from 17.0 percent in December 2024 and 6.0 reported in the same period a year ago.

68. Furthermore, reserve money growth, which is the Bank's operating target in its conduct of monetary policy, contracted by 0.7 percent in March 2025, down from 8.5 percent growth the previous year. The NDA accounted for 32.8 percent of reserve money and contributed a negative 1.2 percentage points to its growth. On the other hand, looking at reserve money growth on a quarter-on-quarter basis, it increased by 6.2 percent in March 2025, up from 0.2 percent in the previous quarter. On the demand side, the contraction in reserve money was primarily driven by a 3.7 percent decline in currency in circulation. In contrast, liabilities to other depository corporations recorded moderate growth, partially offsetting the negative impact of currency in circulation.

69. Reacting to the presentation, the Committee stated that the recent uptick in monetary aggregates suggests the presence of demand-side pressures, which could filter into price and exchange rate pressures if not prudently managed. Thus, Members stressed the need to strengthen monetary operations, including active

liquidity management, to align monetary aggregates with the current monetary policy stance.

70. Furthermore, the Committee was concerned about the rising Central Bank net claims on government, which continue to challenge monetary policy credibility, especially due to its impact on inflation and the exchange rate. In this regard, Members stressed the need for close policy coordination and prudent calibration of fiscal policy going forward.

Business Sentiment Survey

71. The presentation of results from the Business Sentiment Survey evaluated business perception and short-term expectations regarding key macroeconomic indicators since the last MPC meeting. The report indicated that the majority of respondents were of the view that business activities were higher in the first quarter of 2025 compared to the previous quarter. These views were largely shaped by the improvement in the business environment, including better tourism activities, higher remittances that support consumption and construction activities, as well as spillover opportunities from ongoing public sector investment activities. Looking ahead, businesses were optimistic that the strong economic activity would continue, with the majority of respondents anticipating robust economic activity in the next three months. These views were largely shaped by businesses' plans to increase capital expenditure and hiring to support their anticipated expansion in business activities in the coming quarter.

72. Furthermore, the report noted that inflation expectations among businesses remain elevated and are becoming more persistent. This poses a significant risk to the disinflation process. Respondents believed inflation was higher in the first quarter of 2025 compared to the previous quarter. This perception was driven by currency depreciation and rising domestic costs, including energy and taxes. Looking ahead, businesses were more pessimistic. Most respondents expected inflation to rise further as demand peaks during the Tobaski festive period.

Additionally, businesses anticipated further depreciation of the dalasi over the next three months, which could add pressure on inflation. Nonetheless, on the policy front, businesses were optimistic. They believed the Central Bank's efforts to stabilise the economy were yielding results. These efforts are expected to help anchor inflation expectations and support exchange rate stability.

73. Commenting on the presentation, the Committee welcomed the positive view on the prospects of the Gambian economy, indicating that the recovery path remains solid, supported by a robust business environment. Members were optimistic that expectations of higher economic activity in the near-term signal continued growth. This could influence consumption and investment decisions, supporting overall economic performance in 2025. However, Members were concerned about persistently high inflation expectations. They warned of the risk of de-anchoring inflation expectations and advised the Bank to be more proactive in its monetary policy communication to help guide market sentiment.

74. The Committee also requested that the survey target more respondents from other sectors, such as agriculture, focusing on larger entities for a more balanced view.

Real Sector Developments

75. The presentation on Real Sector Developments provided key highlights of the recent growth performance of the Gambian economy. The report noted that preliminary data from the Gambia Bureau of Statistics (GBoS) indicated that the Gambian economy grew by 5.3 percent in 2024, higher than the revised growth of 5.0 percent in 2023. This strong performance was driven by solid growth in financial services, distributive trade, construction, and mining and quarrying. In addition, stable remittance inflows and strong public investment supported domestic demand. Against this backdrop, the presentation showed that CBG staff forecast real GDP growth at 6.5 percent for 2025, with growth projected to average above 5.5 percent in the medium term.

76. Furthermore, the presentation indicated that the Bank's Composite Index of Economic Activity (CIEA) registered stronger growth in 2024, averaging 6.1 percent. Similarly, the index pointed to a robust growth in economic activity in the first quarter of 2025, averaging 6.3 percent. This was driven by higher public infrastructure investment spending, stable remittance inflows, which supported private consumption and investment, a rebound in tourism, and strong foreign demand. Notwithstanding, the report noted that, despite favourable near-term prospects, the outlook is clouded by significant risks, including ongoing trade fragmentation, geopolitical tensions, volatility in commodity prices, and domestic climate-related risks affecting agriculture.

77. Reacting to the presentation, the Committee welcomed the strong performance of the Gambian economy, highlighting the role of ongoing public investment in critical infrastructure and solid private demand (consumption and investment) in continuing to support the growth momentum. However, Members were cautious about the risk surrounding growth prospects and called for authorities to start looking inward for sources of economic prosperity.

78. On the contraction in the agricultural sector in 2024, the Committee was informed that the decline in crop production was due to the flash floods that occurred during the middle of the rainy season in 2024. The incidents wiped out most of the rice fields and destroyed other major crops (groundnuts and millet). The Committee reiterated the need for strategic interventions in the agricultural sector to boost productivity and build value chains that generate jobs and support economic development. Members were informed of planned interventions for the 2025 rainy season by providing inputs, including tractors, fertiliser and seeds. It was mentioned that while these gestures are excellent, timely delivery to farmers remains critical to maximise the benefits and boost growth.

79. The Economic Research Department (ERD) raised concerns about delays in receiving timely data from GBoS. These delays have hindered the ability to conduct robust analysis to inform management and the MPC. It was noted that

GBoS is facing challenges related to limited manpower and funding, which affect its capacity to effectively carry out its mandate. Members called on the relevant authorities to provide adequate funding for GBoS, highlighting the critical role of timely and reliable data in decision-making.

Inflation Developments

80. The presentation on Inflation Developments provided key highlights of recent price trends and the near-term outlook. According to the report, headline inflation declined to 8.1 percent in April 2025, down from 9.1 percent in March, marking the lowest reading since early 2023. Inflation, however, remains above the implicit 5 percent target. This decline in headline inflation was broad-based, with both food and non-food inflation moderating during the review period.

81. Food inflation decelerated to 8.8 percent in April 2025, significantly lower than the 10.4 percent in March 2025 and 20.3 percent reported a year ago. The moderation in food price indices mirrored the decline in all sub-components in the food basket, suggesting a broad easing of food price indices during the period. Similarly, the presentation noted that non-food inflation eased modestly to 7.4 percent in April 2025, driven by lower international oil prices and improved logistics. The moderation was aided by the decline in the price indices of clothing & footwear, transportation, recreation & culture, which more than offset the increases in housing, water, electricity, gas & other fuels.

82. However, the report indicated the presence of underlying inflationary pressures in the economy as cost factors crept in. Core 1 inflation, which excludes volatile energy products, rose to 4.6 percent in April 2025, up from 3.4 percent in March 2025. However, it remained well below its peak of 24.2 percent recorded in September 2023. Similarly, Core 2 inflation, which further excludes both volatile energy and food products, increased to 6.9 percent in April 2025, from 5.7 percent in March 2025, but remained below its peak of 22.5 percent observed in September 2023. The report highlighted non-energy and non-food-related components as key pressure points.

83. Reacting to the presentation, the Committee welcomed the deceleration in headline inflation, which was supported by the decline in both food and non-food price indices during the review period. Members noted that the continuous decline in inflation reaching the single-digit region since January 2025 is a sign that the disinflation process is on course and that inflation might reach its medium target sooner than previously anticipated.

84. However, the Committee was concerned about the creeping underlying inflationary pressures, as both Core 1 and Core 2 inflation have reversed trend in recent months. Members warned that this development, combined with uncertainties surrounding international commodity prices and renewed trade fragmentation, could re-ignite price volatility and derail the domestic disinflation process. Members were informed that the uptick in underlying inflationary pressures could be attributed to the recent uptick in administered prices, including the most recent upward revision in pump prices. If international oil prices decline further without additional upward adjustment in domestic pump prices, core inflation may start to ease.

85. Members reiterated their call to allow pump prices to adjust downward in line with global trends. This would create policy space to manoeuvre should the situation change. Thus, close policy coordination and synchronisation remain critical, especially during heightened uncertainties, to avoid unintended consequences on inflation dynamics and macroeconomic stability.

Staff Assessment and Economic Outlook

86. Staff economic assessment indicates strong economic activity in the first quarter of 2025, with a solid medium-term outlook. Economic activity, measured by the CIEA, pointed to an average growth of 6.3 percent, driven by a rebound in tourism and strong public and private demand. On the outlook, public infrastructure investment and remittance inflows are expected to support the anticipated economic expansion. In addition, planned interventions in the agricultural sector (by providing inputs), along with favourable weather conditions, are expected to

boost agricultural production and support growth in 2025 and beyond. Against this backdrop, staff forecast economic growth at 6.5 percent in 2025, with growth expected to average above 5.5 percent in the medium term.

87. Staff assessment indicated that the decline in headline inflation is expected to continue, barring any upward adjustment in domestic administered prices and further surprises in global commodity prices. With the exchange rate expected to be stable and domestic food production expected to strengthen, food inflation is forecast to stay subdued, contributing to easing headline inflation. As a result, staff forecast headline inflation to average around 7.5 percent by the end of 2025, before declining toward the Bank's target of 5.0 percent in early 2026.

88. Despite this favourable outlook, staff warned that significant risks remain, including domestic administered prices adjustment process, volatility in global commodity prices, domestic supply bottlenecks, and weather-related effects on crop production. Therefore, monetary policy should stay focused as the economy navigates this difficult policy environment to support the disinflation process.

Policy Justification

The global economy remained fragile, characterised by significant uncertainties around trade and capital flows, potentially holding back global economic growth in 2025. This could have adverse implications for the Gambian economy, especially in the areas of tourism, remittances and trade. Despite global inflation trending down, recent trade retaliatory tariffs are poised to disrupt the disinflation path and make monetary policy easing more gradual than previously anticipated. This could cloud out the near-term outlook of The Gambia, highlighting the need for careful policy calibration going forward.

89. Members acknowledged the strong performance of the Gambian economy in the first quarter of 2025 and the positive prospects in the near term. The Committee noted that the ongoing public and private investment and the anticipated better

cropping season will bolster economic growth in 2025 and 2026. Against this backdrop, the Committee expected economic growth to remain close to 6 percent this year and next.

90. Members recognised the stability in the exchange rate despite persistent depreciation pressures. This is supported by improvements in foreign currency supply during the period, as remittance inflows and tourism receipts continue to ease foreign currency liquidity conditions in the economy. Furthermore, the Central Bank continues to maintain a comfortable level of international reserve buffers, sufficient to cover about 4 months of prospective imports of goods and services. These developments are expected to strengthen market confidence and support the dalasi over the medium term.

91. On inflation developments, Members recognised the progress made in the fight against inflation, noting that the decline in headline inflation to single digits was precipitated by prudent policy measures and moderating global commodity prices. The Committee expects a further decline in inflation in 2025, reaching the Bank's medium-term target in early 2026. Notwithstanding, ongoing trade fragmentation and heightened geopolitical uncertainties remain significant risks to domestic inflation. Against this backdrop, the Committee stressed the need to keep monetary policy focused to ensure the disinflation process progresses as projected.

Decision

92. In light of the above factors and the strong commitment to ensuring inflation returns to the medium-term target, the Monetary Policy Committee was resolved to keep the policy stance and allow previous policy actions to take course. In this regard, the Committee took the following decisions:
    1. **Monetary Policy Rate (MPR):** Maintain the MPR at 17.0 percent.
    2. **Required Reserve (RR):** The required reserve of commercial banks was maintained at 13.0 percent.
    3. **Standing Deposit Facility (SDF):** The interest rate on the standing deposit facility remains at 4.0 percent.
    4. **Standing Lending Facility (SLF):** The interest rate on the standing lending facility remains at 18.0 percent, aligning with the adjusted MPR.

The Committee remains committed to continuing to monitor domestic and international price developments and stands ready to act should the need arise.

Information Note

Date for the next MPC meeting

The next Monetary Policy Committee (MPC) meeting is slated for **Wednesday, August 27, 2025**. The meeting will be followed by the policy decision announcement on **Thursday, August 28, 2025**.