CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

MINUTES OF MEETING NO.95 **September 01-02, 2025**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on September 01-02, 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 all nine 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
Mr. Lamin Bojang	Member
Dr. Momodou O. Jallow	Secretary

Report Presenters

Name	Designation
Mr. Alagie B. Sowe	Economist, Economic Research Department
Mr Yaya Jatta	Banking Officer, Banking and Payment Systems Department
Mr. Ebrima Susso	Bank Examiner, Banking Supervision Department
Mr. Karamo Sawaneh	Bank Examiner, Banking Supervision Department
Mrs. Oumie Saho	Cadet Officer, Other Financial Institutions Supervision Department
Mrs. Aminata Ceesay	Cadet Officer, Financial Markets and Reserve Management Department
Ms. Rohey B. Cham	Cadet Economist, Economic Research Department
Mr. Ansou Manneh	Assistant Statistician, Economic Research Department
Dr. Foday Joof	Principal Economist, Economic Research Department
Mr. Saikou Jammeh	Economist, Economic Research Department
Mr. Macodou Njie	Statistician, Economic Research Department
Mrs. Mariama Ceesay	Economist, Economic Research Department
Mr. Modou Joof	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. In his opening statement, the Governor and Chairman of the Committee welcomed Members to the third Monetary Policy Committee Meeting (MPC) for the year 2025.

3. The Governor briefed the Committee on ongoing reforms aimed at strengthening the Bank's legal framework. These reforms include amendments to the CBG Act (2018) to streamline the Bank's mandate, reinforce its institutional and financial autonomy, and enhance its governance structures. The amendments designate price stability as the sole primary mandate of the Bank. This, the governor stressed, is in line with broader reforms to modernise the Bank's monetary policy strategy and align it with regional efforts to harmonise monetary policy under the ECOWAS Revised Roadmap for the establishment of a monetary union.

4. Commenting on recent developments in the domestic economy, the Chairman expressed optimism in the fight against inflation, although the latest inflation reading indicates a slight increase, mirroring the volatile international commodity prices. He, therefore, reiterated his call for decisive actions to address structural bottlenecks in the economy to soften supply constraints and generate higher and sustainable economic growth.

5. On the global front, the Chairman noted and welcomed the positive developments in the global economy, citing that recent efforts are easing trade and geopolitical tensions. This is expected to bring back some stability in the global economic and financial system, safeguard international trade and financial flows, particularly towards emerging and developing countries. Nonetheless, he cautioned that the world is transitioning to a new normal, which requires us to pivot our policies to safeguard our economy and build policy and capital buffers for any potential shocks.

6. In conclusion, the Chairman commended staff and MPC Members for their steadfast commitment to navigating the ongoing economic headwinds. To

deliver on the MPC mandate and ensure inflation stabilises around the Bank's medium-term target, he reiterated the need for monetary policy to stay focused and credible going forward.

Review and Adoption of Minutes of MPC Meeting No. 94

7. The minutes of the MPC Meeting No.94 were reviewed and adopted after minor adjustments.

Matters Arising

8. There were no matters arising discussed in the meeting.

Presentation of Reports

9. Presentations and discussions of reports took place in the following order:
   - Recent Inflation Dynamics and the Role of Monetary Policy
   - 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

Recent Inflation Dynamics and the Role of Monetary Policy

10. The presentation on the paper "Recent inflation dynamics and the role of monetary policy in The Gambia" highlighted key features of the most recent inflation cycle, with the view of examining the main drivers of inflation and the effectiveness of monetary policy in addressing inflation surprises. The report noted that the path of monetary policy taken by the MPC was not only successful in bringing down inflation but also balanced growth objectives to avoid disrupting the fragile recovery process. This has helped sustain macroeconomic stability during these challenging times.

11. Commenting on the presentation, members welcomed and acknowledged the positive role monetary policy had in the fight against inflation and stabilising the economy. The Committee underscored the importance of data-driven policymaking, especially during times of heightened uncertainty. Members urged ERD staff to finalise and consider presenting the paper at the upcoming CBG@55 International Conference.

Global Economic Developments

12. 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 July 2025 update of the World Economic Outlook (WEO) published by the International Monetary Fund (IMF).

13. The report highlighted that global economic activity came out stronger-than-expected in the first half of 2025 owing to tariff-related front-loading, lower effective U.S. tariff rates, improved financial conditions, and fiscal expansion in key economies. Against this backdrop, the International Monetary Fund (IMF), in its World Economic Outlook (WEO) July 2025 update, estimated global growth to expand by 3.0 percent in 2025 and 3.1 percent in 2026, representing a 0.2 and 0.1 percentage points upward revision from the April 2025 WEO projections. Although global growth is broad-based, emerging markets and developing countries are

poised to grow by 4.1 percent in 2025 and 4.0 percent in 2026, mirroring the strong performance of China and India.

14. On the outlook, risks remained tilted to the downside. Further trade fragmentation, geopolitical tensions, and fiscal instability in large economies could reverse recent gains and threaten growth prospects in the near and medium term. Nonetheless, durable tariff reductions and predictable trade frameworks could lift medium-term prospects.

15. The report noted that, although the global disinflation process continued to progress, inflation remains volatile, with significant disparities across countries. The IMF forecast global inflation to decline to 4.2 percent in 2025 and 3.6 percent in 2026, down from 5.8 percent in 2024, reflecting cooling demand, easing energy prices, and the unwinding of pandemic-era supply disruptions. In advanced economies, inflation is projected to average 2.5 percent in 2025 and 2.1 percent in 2026, effectively aligning with central banks' targets. Core inflation, excluding food and energy, has eased significantly, though services inflation remains sticky in economies with tight labour markets. In Sub-Saharan Africa, inflation is forecast to decline from 16.3 percent in 2024 to below 10 percent in 2025, though persistent currency weakness, high transport costs, and climate-related disruptions to food supply continue to drag the disinflation process in the region.

16. On international commodity prices, the presentation indicated that, while some stability was regained after the overlapping shocks, commodity prices remain volatile, shaped by geopolitical developments, climate disruptions, and uneven global demand. Nonetheless, softer supply conditions, coupled with weak import demand, helped to taper commodity prices during the period. The IMF's All Commodity Price Index marginally declined by 0.4 percent in July 2025 from its 3.2 percent increase in March 2025, suggesting some signs of easing. Notwithstanding, significant uncertainties continue to cloud the outlook, with risk tilted to the upside, including the potential deepening of trade fragmentation, geopolitical tensions, and policy divergence. This could have a pass-through effect on inflation globally

and potentially drag the disinflation process, particularly for net commodity importers like The Gambia.

17. The report noted that the FAO Food Price Index (FFPI), which tracks monthly changes in international prices of key global food commodity prices, rose by 1.6 percent in July 2025 compared to its June 2025 level and remains 7.6 percent above its value in July 2024. This increase was largely driven by increases in the price indices of meat and vegetables, which outweighed the decline in the price indices of cereals, oils, dairy and sugar during the period. On the other hand, the presentation indicated some positive developments in international rice prices. The FAO Rice Price Index dropped 1.8 percent in July 2025 when compared to its June level, driven by ample export supplies and weak import demand. The moderation in international rice prices is expected to support the fight against inflation in The Gambia.

18. The presentation concluded, highlighting the implications of recent developments in the global economy on the Gambian economy. It noted that, despite recent improvement in the global economic outlook, uncertainties surrounding international trade and tense geopolitics continue to weigh down growth prospects. This remains a significant risk for a small open economy like The Gambia, which relies heavily on imports, tourism and remittances. Nevertheless, the declining international rice prices were noted as a major positive development that could support the domestic disinflation process. Thus, the report stressed the need for policies to remain focused on sustaining the macroeconomic gains and ensuring the economy is on a strong footing for any potential shocks in the future.

19. Commenting on the presentation, the Members of the Committee welcomed the improvement in the global economy, pointing to its potential positive impact on the domestic economy. Nonetheless, Members were concerned about the still fragile growth outlook, citing heightened uncertainties surrounding international trade, ongoing geopolitical tensions and public policy divergence, which could negatively weigh down economic activity.

20. Furthermore, the Committee noted the positive development in global inflation and the declining international rice prices. It was mentioned that, given the large share of imported food, rice in particular, in the consumer food basket, the decline in international rice prices could support a faster-than-expected disinflation. Nevertheless, the Committee reiterated the need to create policy buffers to stand ready to safeguard the macroeconomic gains registered thus far. In that, Members urged management to consider building international reserve buffers, including calibrating the option of buying gold for reserve building. This will not only create policy buffers for future interventions but also boost business and investor confidence in the Gambian economy.

Domestic Macroeconomic Developments

Banking Sector Developments

21. The presentation on the Banking Sector report provided key updates in the industry since the last MPC. The report covers developments in the industry for the second quarter of 2025 in relation to the first quarter of 2025 and the corresponding period in 2024. The presentation updated the Committee that Access Bank Gambia's acquisition of SCB Gambia has been completed on June 13, 2025, leaving the industry with eleven (11) banks comprising 3 large banks (holding 55.5 percent of industry assets), 1 medium (holding 9.8 percent of industry assets) and 7 small banks with the remaining 34.7 percent of industry assets.

22. The report reveals that the banking industry remains stable, with healthy financial soundness indicators. The sector's overall risk-weighted capital adequacy ratio at 26.3 percent in June 2025 was slightly lower than the 28.4 percent figure reported in March 2025 but remains well-above the 10 percent prudential threshold. Similarly, the presentation noted an improvement in the industry's system-wide liquidity, reaching 78.5 percent, which is marginally higher than the 76.1 percent reported in March 2025, reflecting improvements in government sector investment. The presentation also indicated that the industry remains profitable,

with an ROA of 3.7 percent and total revenue increasing to D5.3 billion in June 2025 from D2.6 billion in March 2025. On asset quality, the presentation showed significant improvement in the industry's non-performing loans (NPLs), which declined to the single digit of 8.9 percent in June 2025 from 13.6 percent reported in March 2025.

23. Further, the presentation noted that the banking industry's total assets rose from D104.9 billion in March 2025 to D109.9 billion in June 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 other assets during the review period. The industry's government sector investments at 31.3 percent continue to account for the largest share of total assets, followed by balances due from other banks at 23.6 percent, gross loans and advances at 16.6 percent, and off-balance-sheet items at 14.2 percent.

24. In terms of the main source of funding for the industry, the presentation noted an improvement in customer deposits, which increased by 7.8 percent to stand at D71.6 billion in June 2025 from D67.5 billion in March 2025. Once again, demand and savings deposits continued to account for 92.5 percent of total deposits. Furthermore, the report highlighted a slight improvement in financial intermediation. Total loans and advances rose to D19.1 billion in June 2025 from D18.4 billion in March 2025. Industry credit is directed mainly to five sectors, including agriculture at 15 percent, household at 14.2 percent, distributive trade at 13.5 percent, energy at 10.6 percent and building & construction at 10.6 percent. Similarly, private sector credit has increased to D15.3 billion from D13.2 billion in the same period last year. Notwithstanding this improvement in financial intermediation, the loan-to-deposit ratio remains low at 26.6 percent as of June 2025.

25. The presentation on the results of the industry-wide stress test exercise indicated that credit concentration and liquidity remain the major sources of vulnerability in the banking system in The Gambia. Although the overall market risk of the industry

is low, the industry's exposure to the sovereign continues to pose a significant risk to the financial system. Consequently, the report highlighted the need to strengthen capital buffers, diversify funding sources and enhance foreign exchange risk management to safeguard financial system stability.

26. Reacting to the presentation, the Committee noted the sustained stability in the banking industry, with the sector showing healthy financial soundness indicators. Members also welcomed the moderating NPL ratio, describing it as a reflection of the effectiveness of policy measures taken to address the deterioration in asset quality. The Committee also welcomed improvement in financial intermediation, considering it a positive development for the financial system and its support for private-sector-led economic growth.

27. Members were concerned about the industry's exposure to the sovereign, citing that the increasing sovereign guarantees for public enterprises are adding to the already high industry exposure to the government. It was noted that this has potential implications for financial and macroeconomic stability. The Committee was informed that the National Road Authority (NRA) has secured a facility from Afreximbank, for road construction. Part of the facility will be used to liquidate the Agency's outstanding loans with commercial banks. Members were also informed that guarantees involving other public enterprises are short-term in nature and pose very limited risk.

28. The Committee also expressed concern about the high non-interest charges by commercial banks, especially foreign currency transaction-related charges. Members requested that the BSD look into the matter and advise management.

29. Commenting on the banking sector stress-testing exercise, the Committee noted that the overall results of the exercise reveal systemwide stability and resilience. However, Members expressed concern regarding the growing credit, liquidity and exchange rate risks, which could undermine financial stability if not addressed.

Developments in Other Financial Institutions

30. 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, supported by sound financial indicators. The industry remains a key provider of 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.

31. The presentation highlighted that the industry's asset size expanded by 10.0 percent in June 2025 to reach D9.3 billion, from D8.5 billion reported in March 2025. This increase was largely due to expansions in key asset categories, including industry Investment by 10 percent, Cash and Bank Balances by 16 percent. Compared to the corresponding quarter in the prior year, total combined assets of FCs and large CUs grew by 29 percent. Of the total industry asset base, Finance Companies continued to account for 57 percent, while Credit Unions (CUs) contributed the remaining 43 percent.

32. The report noted that the industry customer deposit base continues to grow, expanding by 15 percent to reach D7.1 billion in June 2025, from the D6.2 billion reported in March 2025. Finance Companies maintained their dominance, contributing 55 percent or GMD 3.9 billion of total deposits, while Large Credit Unions accounted for 45 percent or GMD 3.2 billion.

33. In the area of financial intermediation, the presentation indicated that the sector's loan portfolio continued to expand, with the loan-to-deposit ratio reaching 56.9 percent in June 2025. From March 2025 to June 2025, total industry loans grew by 12 percent to reach D4.1 billion, with large CUs accounting for 63 percent while FCs held the remaining 37 percent. Lending from FCs is largely directed to MSMEs (64 percent), construction (11 percent), services (7 percent), agriculture (6.0 percent), personal loans (5.0 percent) and the remaining 7.0 percent of the

industry loan portfolio goes to others. The concentration of credit to the MSME sector highlights the significant role NBFIs are playing in supporting small-scale commerce, particularly those in the low-income category of society.

34. Furthermore, the presentation noted that the industry remains stable, with healthy financial soundness indicators. In June 2025, the report showed that FCs reported a capital adequacy ratio of 37 percent, higher than the prudential threshold of 20 percent, indicating a robust capital buffer. Similarly, the capital adequacy ratio for CUs at 20.0 percent remains above the regulatory requirement of 16 percent.

35. The report indicated that the industry continues to maintain strong liquidity, with FCs reporting a 77.0 percent liquidity ratio as of June 2025, which is lower than the 81.0 percent reported in March 2025 but well-above the 30.0 percent prudential threshold. During the same period, large Credit Unions reported an aggregate liquidity ratio of 27.0 percent in both quarters, which is within the regulatory threshold of 16–40 percent. In terms of asset quality, the sector registered a mixed performance during the review period. Non-performing loans of FCs significantly increased to 15.0 percent in June, from 8.0 percent in March 2025, which is well-above the 5.0 percent regulatory benchmark. On the other hand, non-performing loans of CUs further declined to 2.5 percent in June, from 3.0 percent in March 2025, below the regulatory benchmark of 5.0 percent.

36. Reacting to the presentation, the Committee welcomed the positive developments in 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, Members were concerned over the sudden rise in the non-performing loans of certain FCs. The Microfinance Supervision Department (MSD) was directed to closely monitor the situation to mitigate any potential risks to the financial system. Additionally, the Committee advised that the capital augmentation of one of the FCs be expedited to safeguard the financial stability of the concerned institution.

37. The Committee also noted the important role CUs are playing in the provision of financial services to the low-income cadre of society. To ensure sustainability and system-wide stability, Members called for CBG to strengthen regulatory oversight over NACCUG. This may include reviewing the guidelines and MOU between the two institutions. This will not only permit prudent supervision and regulation but also safeguard depositors' funds and ensure financial stability.

38. The Committee was informed of the launch of the Gambia Finscope Survey for 2025. It was mentioned that CBG is collaborating with Alliance for Financial Inclusion (AF) and GBoS in conducting the survey and that preliminary stakeholder engagements have begun. Data collection is expected to start soon after the training of enumerators, and a draft report is expected before the end of December. The survey will build on the 2019 Fincsope survey and determine the evolution and level of financial inclusion in the country. This is expected to guide policy with rich information to support investment decisions in financial service provision.

Government Fiscal Operations

39. The presentation on the government fiscal report provided key highlights on fiscal operations for the first half of 2025. Preliminary estimates on government operations indicated that, despite strong revenue performance, government's fiscal position deteriorated in June 2025 compared to March 2025. However, on a year-on-year basis (2025Q2 to 2024Q2), government position shows an improvement, largely reflecting improvement in revenue performance and expenditure constrained.

40. The report noted that the overall deficit (excluding grants) rose to D5.4 billion (3.7 percent of GDP) in June 2025, from D2.8 billion (1.6 percent of GDP) in March 2025. Similarly, the overall budget deficit, including grants, also increased to D2.4 billion (1.7 percent of GDP) in June 2025, from D1.3 billion (0.8 percent of GDP) in March 2025. Consequently, the primary balance deteriorated to a deficit of D1.1 billion (0.8 percent of GDP), from D0.5 billion (0.3 percent of GDP) in March 2025.

41. The presentation noted that revenue performance continues to strengthen, thanks to improvements in tax administration as key reforms in the area deepened. In the first half of 2025, total revenue and grants mobilised surged to D19.3 billion (13.5 percent of GDP), marking a substantial 24.5 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 25.2 percent and 43.6 percent to stand at D11.8 billion (8.2 percent of GDP) and D1.9 billion (1.4 percent of GDP), respectively. In a similar vein, official budget support (mainly project grants) rose to D2.9 billion (2.1 percent of GDP) in the second quarter of 2025, compared to D2.6 billion (1.8 percent of GDP) in the same period of 2024.

42. On expenditure and net lending, the report reveals that total government expenditure stood at D24.4 billion (17.0 percent of GDP) relative to D21.8 billion (15.8 percent of GDP) during the same period of 2024. This increase reflects the surge in recurrent expenditure, which rose by 27.1 percent to D16.1 billion (11.2 percent of GDP) to D12.6 billion (8.8 percent of GDP) and continued to account for more than 70 percent of government expenditure. On the other hand, capital expenditure contracted by 9.8 percent in the first six months of 2025 to D8.3 billion (5.8 percent of GDP) from D9.2 billion (6.4 percent of GDP) during the same period in 2024.

43. The presentation concluded with an assessment of climate shocks on long-term macroeconomic performance. To mitigate these risks, investment in climate-resilient (adaptation) infrastructure yields significant long-term economic and fiscal benefits, including substantially reducing output losses, public debt accumulation, and fiscal deficits during and aftermath of a natural disaster. For the economy to maximise these benefits and enhance adaptation spending, the presentation stressed the need to focus on public investment efficiency (PIE). This is not only a climate-resilient strategy but also a sound macro-fiscal policy choice for countries vulnerable to climate shocks like The Gambia.

44. Reacting to the presentation, the Committee commended the ongoing domestic revenue mobilisation efforts, which continue to benefit from the recent tax administration reforms. However, the Committee reiterated the need to complement the progress in revenue mobilisation with fiscal consolidation to narrow the fiscal deficit. It was mentioned that, given the high level of the public debt, fiscal consolidation is one of the most prudent ways to reduce the debt and ensure fiscal sustainability in the medium term. Concerns were also raised about the increase in CBG net claims on the government. The Committee was informed that the recent surge in CBG financing was mainly due to temporary emergency lending to the government to settle NAWEC's liabilities with KARPOWER. It was indicated that this facility will be settled by the end of December through a grant from the World Bank.

45. Commenting on the climate-macro fiscal presentation, Members noted the implications of climate-related shocks on fiscal sustainability and called on authorities to take advantage of climate adaptation initiatives, focusing on public investment efficiency (PIE) to address the country's climate vulnerability. Members noted that infrastructure investment for climate resilience has a crowding-in effect, which has the potential to boost private sector investment and promote sustainable economic growth.

Domestic Debt Market Developments

46. The presentation on the Domestic Debt Market report highlighted recent developments in the domestic money and bond markets since the last MPC. The report noted that the domestic debt stock rose by 11.8 percent year-on-year to stand at D47.1 billion in July 2025. The increase was mainly on account of issuances of short-term treasury bills and treasury bonds to finance the deficit. Notwithstanding, the ratio of domestic debt to GDP continued to decline to stand at 23.5 percent in July 2025 from 26.7 percent reported in the same period in 2024, reflecting the rising nominal GDP (the denominator effect).

47. The report noted that despite efforts to push the domestic holdings into the longer end, short-term instruments continue to account for the highest share of the debt stock at 49.4 percent, while Medium-term instruments and long-term securities accounted for 34.2 percent and 16.4 percent, respectively. This poses significant refinancing risk and further fiscal strains, given that almost half of the debt is maturing within one year (based on original maturity). In fact, the presentation indicated that in July 2025, 11.8 percent of tax revenue (D3.0 billion) went into servicing the debt, and projections have it at 22.3 percent (D5.8 billion) by the end of 2025. Of this amount, domestic interest payment was 86.7 percent or D2.6 billion in July 2025 and expected to reach D5.0 billion (86.2 percent of total debt service) by the end of the year. This is 11.1 percent higher when compared to the interest payments component of debt service reported in 2024.

48. Government securities yields continue to be subdued compared to the monetary policy rate, mirroring liquidity position in the financial system and the government's financing needs. Nevertheless, on average, yields marginally rose, with the weighted average Treasury bill rate increasing to 13.0 percent in July 2025, from 11.8 percent in March 2025. Similarly, the T-bond coupon rate rose from 16.9 percent in March to 18.1 percent in July 2025.

49. Furthermore, the presentation indicated that total trade volumes of transactions in the interbank market remain robust, with activity volumes reaching D11.1 billion from January to July 2025, compared to the D13.1 billion reported in December 2024. The weighted average interest rate in the market stood at 9.0 percent during the period.

50. The presentation highlighted that the Bank's interest rate corridor continues to function smoothly, supporting monetary policy operation and effective liquidity management. From January to July 2025, activity volumes reached D44.3 billion, surpassing the D10.1 billion recorded in the same period of 2024. Borrowing through the corridor amounted to D32.4 billion from January to July 2025, compared to D3.3 billion reported in the same period in 2024. Similarly, deposits

through the corridor increased to D12.0 billion between January and July 2025, relative to D6.8 billion in the same period in 2024.

51. In response to the presentation, the Committee expressed concern over the rebound in domestic debt, noting that the increase would raise debt service obligations and strain domestic resources. Debt service was projected at D5.7 billion in 2025, leaving limited funds for other critical social sectors. This will constrain the fiscal space and pose significant refinancing and fiscal sustainability risks. Members emphasised that expenditure prudence is essential to safeguard fiscal sustainability and expand the fiscal space.

Balance of Payments Developments

52. The presentation on the balance of payments report 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$36.9 million (1.5 percent of GDP) in the first half of 2025, down from a deficit of US$74.7 million (3.3 percent of GDP) in the same period a year ago, due largely to an improvement in the goods and services account.

53. The report highlighted that the trade balance, measured by the goods account balance, narrowed to a deficit of US$488.0 million (20.2 percent of GDP) in the first half of 2025, from a deficit of US$550.6 million (24.0 percent of GDP) in the preceding half of 2024. This improvement was largely explained by a decrease in imports to US$697.7million (28.9 percent of GDP) in the first half of 2025, compared to US$761.2 million (33.2 percent of GDP) in the preceding half of 2024. On the other hand, exports marginally declined to US$209.7 million in the review period, from US$210.6 million in the final half of 2024.

54. Furthermore, the presentation showed that the services account balance is estimated to have registered a surplus of US$159.4 million in the first half of 2025, from US$146.0 million in the previous half, on the back of a strong performance in

the hospitality industry. In addition, the presentation revealed an increase in personal transfers to US$269.9 million in the first half of 2025, from US$250.7 million in the preceding half of 2024. On the other hand, the report noted that the secondary income account declined by 3.7 percent to stand at US$285.9 million, compared to a net inflow of US$297.0 million in the previous half of 2024, reflecting the lower official budget support to the government.

55. The presentation highlighted that, in the first half of 2025, the capital account moderated to a surplus of US$44.4 million, from a surplus of US$58.4 million in the preceding period, attributed to a decline in project funds disbursed during the review period. On a similar note, the financial account balance deteriorated to a deficit of US$207.5 million in the review period, compared to a deficit of US$178.2 million in the preceding half of 2024, reflecting a growth in non-resident investment during the period under review.

56. Reacting to the presentation, the Committee welcomed the improvement in the country's current account balance but stressed continued external sector challenges. Members 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.

Foreign Exchange Market Developments

57. The presentation provided key highlights of the foreign exchange market since the last MPC. The report noted that the foreign exchange market continues to function smoothly, characterised by improved liquidity conditions and stable exchange rates. From July 2024 to June 2025, total volumes of transactions, measured by aggregate purchases and sales of foreign currency, grew by 13.4 percent to US$2.3 billion, compared to US$2.0 billion recorded in the same period in 2024, reflecting softer supply conditions in the market. However, when looked at on a quarter-on-quarter basis, activity volumes declined by 8.3 percent to US$614.21 million from US$670.10 million in the first quarter of 2025, suggesting short-term demand pressures continue to linger.

58. Furthermore, the presentation highlighted the performance of private remittance inflows during the review period. In June 2025, private remittance inflows, one of the main sources of foreign currency supply into the country, increased by 4.6 percent to US$217.8 million in the second quarter of 2025, from US$208.2 million recorded in the previous quarter. Relative to the corresponding period last year, remittance inflows increased by 8.1 percent from US$201.50 million in the second quarter of 2024. In addition to providing support to the exchange rate, remittance inflows go to support household consumption and investment, a critical component of domestic demand.

59. On the performance of the dalasi vis-à-vis other major traded currencies in the domestic foreign exchange market, the dalasi continues to hold fort, albeit with some depreciation pressures. From March 2025 to June 2025, the dalasi depreciated against the United States dollar by 2.1 percent, Euro by 10.9 percent, the Great Britain pound by 7.2 percent, and CFA franc by 3.5 percent, respectively. This is in the wake of heightened demand pressures to finance the rising import bill, owing to both increased importation of essential goods and volatile international prices.

60. Reacting to the presentation, the Committee welcomed the positive developments in the domestic foreign exchange market. The robust activity volumes in the foreign exchange market are a sign of a liquid and stable market. Members noted the role private remittance inflows continue to play, not only as one of the main sources of foreign currency supply in the market but also in supporting private consumption and investment.

61. The Committee requested the Financial Markets Department to look into re-export trade financing in order to address concerns of its use for illicit financial flows.

Developments in the Fintech Industry

62. 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.

63. As of December 2024, the industry comprised thirteen licensed Fintech entities, comprising three mobile money operators and ten Fintech companies with a total asset of D1.3 billion and a total of D1.6 billion with Forex Bureaus combined. The presentation highlighted that activity in the industry continues to grow, with total registered accounts and active accounts reaching 4.5 million and 2.3 million in June 2025, from 3.9 million and 2.1 million in March 2025, respectively. Furthermore, the report noted that the combined value of cash-in and cash-out transactions rose by 10.2 percent to stand at D41.2 billion in June 2025, from D37.4 billion in March 2025, reflecting the increased reliance on digital financial services and more financial inclusion.

64. Although the Fintech industry is leading the progress being made in financial inclusion, this drive is largely concentrated, raising financial stability and sustainability concerns. Similarly, the presentation also noted that some regulatory concerns remain, including service quality challenges and fraudulent activities. Thus, the report reiterated the need for the industry to 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.

65. 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.

66. Nonetheless, the Committee emphasised the need for stronger regulatory measures. It was observed that the customer deposit base of FinTech institutions is expanding rapidly, yet these deposits are currently not subject to any reserve requirements. Members requested that the Bank, through the FFBSD, BSD, and Legal Department, develop guidelines or regulations that will address this issue.

Monetary Developments

67. The presentation on Monetary Developments provided key highlights on recent trends in monetary aggregates and the stance of monetary policy since the last MPC. According to the report, due to huge uncertainties surrounding global commodity prices, the MPC decided to maintain the monetary policy rate at 17 percent to ensure inflation is firmly moving toward its target. This, the report noted, has further increased real interest rates, aligning with the tighter monetary policy stance to support the disinflation process.

68. On monetary aggregate developments, the report indicated that annual money supply growth decelerated to 13.2 percent in June 2025, from 14.4 percent in the corresponding period a year ago. The slowdown reflects the moderate growth in NFA of depository corporations, despite the robust expansion in NDA. The NFA remains the main source of liquidity, contributing 7.7 percentage points to the growth in broad money during the review period. Meanwhile, NDA contributed 5.5 percentage points, compared to a negative 1.6 percent in the same period a year ago.

69. The presentation also noted that, in June 2025, the Central Bank's NFA increased to D20.8 billion, growing by 27.0 percent, a slowdown compared to the previous year. This moderate growth was largely driven by a 26.4 percent and 1.6 percent deceleration in claims on non-residents and other claims on non-residents, respectively. Similarly, the NFA of other depository corporations rose by 10.2 percent in June 2025, marking a significant slowdown compared to the 75.3 percent growth recorded in the same period last year. The deceleration reflects a moderate 10.9 percent increase in claims on non-residents, which is lower than the 53.0 percent recorded in June 2024, indicating a slowdown in holdings of foreign assets.

70. Furthermore, the report noted that credit to the private sector has registered notable improvement over the period. In June 2025, private sector credit growth increased, registering a growth of 21.6 percent in June 2025, significantly higher than the 0.7 percent growth recorded in the corresponding period a year ago. Similarly, growth in net claims on government rose to 14.6 percent in June 2025, from 9.7 percent in March 2025 and 3.4 percent reported in the same period a year ago.

71. The presentation also highlighted developments in reserve money growth, the Bank's operating target in its conduct of monetary policy. It was noted that reserve money growth slowed to 2.0 percent in June, compared to 3.1 percent growth in the same period in 2024. The moderate growth in reserve money reflects the significant contraction in the NDA of the Central Bank, which more than offset the mild increase in CBG NFA. Specifically, NDA accounted for 14.8 percent of reserve money and contributed a negative 16.5 percentage points to its growth during the review period. On a quarter-on-quarter basis, it increased by 1.7 percent in June 2025, from 6.2 percent in March 2025.

72. Reacting to the presentation, the Committee noted that monetary aggregates are broadly in line with the current monetary policy stance. To ensure this is sustained to support disinflation and the exchange rate, monetary operations must stay active to effectively manage liquidity overhang in the system.

73. In addition, the Committee reiterated its concern over 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

74. 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 indicated that domestic economic activity was stronger in the second quarter of 2025 relative to the previous quarter. These views were largely shaped by the improvement in business activities, supported by higher production, higher investment and more employment. On the outlook, businesses were optimistic that economic activity would continue to be robust in the next three months, with the majority of respondents expecting higher activity. These positive prospects are precipitated by a conducive macroeconomic environment, as businesses' plans to increase capital expenditure and hiring to support their anticipated expansion in business activities in the coming quarter.

75. The report also noted the elevated inflation expectations among businesses. In June 2025, the majority of respondents believed inflation was higher in the second quarter of 2025 compared to the previous quarter. These views were largely driven by currency depreciation and rising domestic costs, including energy, taxes and supply chain inefficiencies. On the outlook, the report noted that businesses were pessimistic, with the majority of respondents expecting inflation to rise further in the next three months. The persistence in inflation remains a major risk to the disinflation process.

76. The presentation also indicated that businesses believed that dalasi is weaker in the second quarter of 2025 compared to the previous quarter, and they anticipate further depreciation of the dalasi over the next three months. On the policy front, businesses were optimistic, with the majority of respondents expressing confidence in the Central Bank's efforts to stabilise the economy. This positive view is reassuring efforts are expected to help anchor inflation expectations and support exchange rate stability.

77. Commenting on the presentation, the Committee welcomed the positive view on the prospects of the Gambian economy, which is a sign of improving business and investor confidence in the economy. The positive near-term outlook on growth could influence consumption and investment decisions, supporting overall economic performance in 2025. Nonetheless, the Committee was concerned about persistently high inflation expectations, which have the potential to derail the disinflation process. Members urged the Bank to be more proactive in its monetary policy communication to help guide market sentiment going forward.

78. 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. In addition, ERD was tasked to look into the possibility of conducting a consumer sentiment survey to complement the business sentiment survey to give a more comprehensive picture of expectations on key macroeconomic variables.

Real Sector Developments

79. The presentation on Real Sector Developments provided key highlights of the recent growth performance of the Gambian economy. According to the report, recent 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 economic activity. Against this backdrop, the presentation showed that CBG staff

forecast real GDP growth at 6.4 percent for 2025, with growth projected to average above 5.5 percent in the medium term.

80. Similarly, the presentation also highlighted that the Bank's Composite Index of Economic Activity (CIEA) pointed to stronger economic growth in 2024, averaging 6.1 percent. Furthermore, the CIEA also indicated a robust growth in economic activity in the second quarter of 2025, averaging 6.0 percent, supported by higher public infrastructure investment spending, stable remittance inflows, which supported private consumption and investment, a rebound in tourism, and strong foreign demand. Nonetheless, the report noted that significant risks continue to cloud this positive outlook, as trade fragmentation, geopolitical tensions, volatility in commodity prices, and domestic climate-related risks affecting agriculture continue to weigh on domestic economic activity.

81. Reacting to the presentation, the Committee welcomed the strong performance of the Gambian economy. The robust domestic demand emanating from the ongoing public investment in critical infrastructure and remittance-financed private demand (consumption and investment) continues to aid growth momentum. On the outlook, while members were optimistic about the growth prospects, they were cautious about the risks surrounding growth and urged for macroeconomic policy to stay prudent.

Inflation Developments

82. The presentation on Inflation Developments provided key highlights of recent price trends and the near-term outlook. In July 2025, headline inflation edged up to 7.5 percent, from 7.2 percent in June 2025. This marks six consecutive months of single-digit inflation, but the July uptick signals that Inflation remains volatile. This uptick was largely driven by an increase in food inflation, which more than offset the decline in non-food inflation during the review period.

83. Food inflation, which had slowed to 7.9 percent in June, rose again to 8.5 percent in July, suggesting persistent volatility in staple and perishable prices. The surge in food price indices mirrored the increase in key components in the food basket, including the price indices of meat, fish, milk-cheese-eggs, fruits & nuts, vegetables and non-alcoholic beverages. Non-food inflation continued to moderate, falling from 7.4 percent in April to 6.1 percent in July 2025, its lowest level in over a year. This moderation was mainly due to the decline in the price indices of house, water, electricity, gas & other fuels, which counterbalanced the increases in other components within the non-food basket.

84. Furthermore, the presentation revealed a rebound in underlying inflationary pressures in the economy as cost factors uptick. Core 1 inflation, which excludes volatile energy products, rose to 7.5 percent in July 2025, up from 7.2 percent in June 2025 but 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 5.8 percent in July 2025, from 5.3 percent in June 2025; however, it remained below its peak of 22.5 percent observed in September 2023. The report highlighted non-energy and non-food-related components as the main drivers of the reversals.

85. Commenting on the presentation, the Committee noted the recent uptick in inflation and the rising underlying inflationary pressures, as both Core 1 and Core 2 inflation reversed trend. The Committee 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.

86. The Committee was informed that the uptick in inflation is judged to be temporary, mirroring the volatility in international commodity prices and one-time adjustment of domestic administered prices. It was mentioned that barring any further surprises on food and energy prices, the disinflation process is expected to progress.

Staff Assessment and Economic Outlook

87. Staff economic assessment indicates the initial conditions of the economy are strong in the second quarter of 2025, with a positive medium-term outlook. In June 2025, Economic activity, measured by the CIEA, pointed to an average growth of 6.0 percent, driven by a rebound in tourism, stable remittances and strong public & private demand. In the near to medium term, ongoing government infrastructure investment and remittance inflows are expected to support aggregate demand and bolster economic growth. In addition, both private and public investment in the agricultural sector is expected to boost agricultural production, create employment and increase incomes, thus aiding growth in 2025 and beyond. Against this backdrop, staff forecast economic growth at 6.4 percent in 2025, with growth expected to average above 5.5 percent in the medium term.

88. On inflation, staff's latest assessment indicated that the uptick in headline inflation is expected to be short-lived, barring any upward adjustment in domestic administered prices and further surprises in global commodity prices. Furthermore, the expected stability in the exchange rate is also going to limit the pass-through effect on imported food inflation, contributing to the moderation in inflation going forward. Consequently, CBG staff forecast headline inflation to average around 7.0 percent by the end of 2025, before declining toward the Bank's target of 5.0 percent in 2026.

89. Notwithstanding the above, staff assessed significant risks continue to shroud the outlook, including domestic fuel price adjustment process, volatility in global commodity prices, domestic supply bottlenecks, and weather-related effects on crop production. As a result, while monetary policy may begin normalising, it must be well-calibrated to consider the full risk surrounding inflation dynamics in the near to medium term. This will ensure inflation expectations are anchored while creating the necessary policy space for any contingencies.

Policy Justification

The global economic performance surpassed expectations. Economic growth prospects for 2025 and 2026 were revised upward, thanks to tariff-related front-loading, lower effective U.S. tariff rates, improved financial conditions, and fiscal expansion in key economies. The continued recovery of the global economy is a positive development for the Gambian economy, especially in the areas of tourism, remittances and trade. Although global disinflation is on track, divergence remains, with inflation in developing economies expected to take longer to return to central banks' targets. This poses some risk to the near-term domestic inflation outlook for The Gambia, which requires monetary policy to stay prudent.

90. The Committee noted and welcomed the strong performance of the Gambian economy in the first half of 2025 and the positive prospects in the near term. Members expressed optimism, citing the ongoing public and private investment and the anticipated better cropping season will support economic growth in 2025 and 2026. Therefore, the Committee strongly believe economic growth in 2025 and 2026 will be robust, averaging above 6 percent.

91. On the exchange rate, the Committee expressed optimism in the dalasi, albeit with some depreciation pressures. Recent reforms have registered notable progress, and the foreign exchange market continues to function smoothly, with improved liquidity conditions. In addition, the Central Bank continues to maintain a comfortable level of international reserve buffers, sufficient to cover up to 4 months of prospective imports of goods and services. This is expected to strengthen market confidence and support the dalasi over the medium term.

92. On monetary policy, the Committee strongly believes that, despite the recent uptick in inflation, the disinflation process will progress, barring any further surprises in international prices. With prudent monetary and supportive fiscal policies, the Committee is of the view that inflation will further decline in 2025, reaching the Bank's medium-term target in 2026. However, Members warned of the significant risks, including ongoing trade fragmentation and heightened geopolitical

uncertainties, that could disrupt the domestic disinflation trajectory. Thus, the Committee calls for vigilance in policy calibration as we navigate this uncertain economic environment.

Decision

93. In light of the above factors and the strong commitment to ensuring inflation returns to the medium-term target, the Monetary Policy Committee resolved to keep the policy stance to ensure inflation returns to the Bank's medium-term target. 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, November 26, 2025**. The meeting will be followed by the policy decision announcement on **Thursday, November 27, 2025**.