CENTRAL BANK OF THE GAMBIA

Monetary Policy Report

May 2026

Preface

The Central Bank of The Gambia Monetary Policy Report summarizes developments and outlook for key economic sectors that informed the decision of the Monetary Policy Committee (MPC). The objective is to keep the public informed of the MPC decision as part of the accountability and transparency obligation in the conduct of monetary policy.

Monetary Policy in The Gambia

The mandate of the Central Bank of The Gambia (CBG) is to achieve and maintain price and financial sector stability as well as create an enabling environment for sustainable economic growth. The Bank continues to operate a monetary targeting framework. Targets for key monetary aggregates are set in line with the Bank's medium-term inflation objective of 5 percent. In addition, the MPC meets to set the monetary policy rate (MPR) to signal the policy stance of the Bank.

Monetary Policy Committee

The Monetary Policy Committee (MPC) was established by the CBG Act 2005 (amended 2018 Act) as the apex monetary policy decision-making body of the Bank. The membership comprises the Governor (Chairman), the two Deputy Governors, heads of Banking, Financial Supervision, and Economic Research Departments of the Bank, and three persons from outside the Bank appointed by the Minister of Finance and Economic Affairs. The MPC meets every quarter to review developments and near-term outlook in the international and domestic economy and set the monetary policy rate. This signals the policy stance of the Bank. The decision-making process is by consensus. The Chairman communicates the decision of the Committee in a press statement and a press conference. The press release and the minutes of each meeting are posted on the Bank's website for wider access by the public.

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Executive Summary

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia met on May 20–21, 2026, to review recent macroeconomic and financial developments. Following its assessment, the Committee decided to maintain the Monetary Policy Rate (MPR) at 14.0 percent. It also kept the required reserve ratio and the standing deposit facility unchanged at 13 percent and 5 percent respectively, while maintaining the standing lending facility at 15.0 percent, equivalent to the MPR plus 1.0 percentage point. This policy stance is intended to consolidate disinflation gains, anchor inflation expectations, and safeguard macroeconomic stability.

Global economic activity remains steady but uneven across regions. Global output is projected at 3.1 percent in 2026 before strengthening slightly to 3.2 percent in 2027, reflecting the economic effects of the conflict in the Middle East, including disruptions to energy supply chains, heightened uncertainty, and tighter global financial conditions. Growth in advanced economies is expected to average around 1.8 percent, while emerging market and developing economies are projected to expand by 4.2 percent, driven mainly by Asia. In Sub-Saharan Africa, growth is projected to strengthen modestly to 4.6 percent. Global inflation is expected to rise temporarily in 2026 due to renewed energy and commodity price pressures linked to the conflict in the Middle East.

Economic activity in The Gambia remained broadly positive through early 2026, driven mainly by external factors, particularly strong tourism arrivals and remittance inflows between December 2025 and March 2026. Growth prospects remain favourable, with the Central Bank projecting real GDP growth of 5.7 percent in 2026, supported by higher public investment, increased private sector activity, stronger demand for tourism services, and robust remittance inflows. However, spillovers from the conflict in the Middle East could weigh on growth.

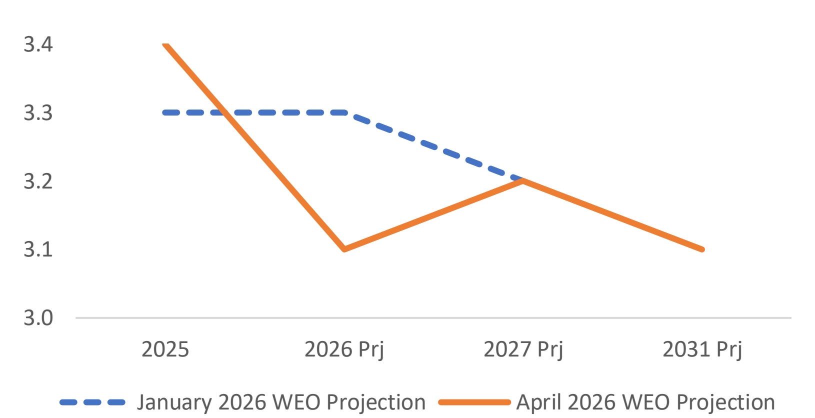
Inflationary pressures are expected to rise temporarily in 2026, reflecting renewed energy and commodity price pressures associated with the conflict in the Middle East, firmer non-food price dynamics, moderate increases in selected food categories, and stronger underlying price pressures, as indicated by core inflation measures. Monetary conditions have strengthened, with robust growth in broad money and reserve money supporting liquidity and helping to anchor inflation expectations. External sector conditions deteriorated, as the current account deficit widened to US$20.1 million) 0.8 percent of GDP) from US$13.2 million (0.5 percent of G) a year earlier. This reflected a resurgence in goods imports, despite stronger remittance inflows and a recovery in tourism services. Foreign exchange market conditions improved, supported by increased foreign exchange supply and remittance inflows, which helped strengthen reserve buffers and maintain relative exchange rate stability despite moderate depreciation pressures.

Fiscal developments point to strong revenue mobilisation, supported by improvements in tax administration, although expenditure pressures remain elevated. The banking sector remains resilient, profitable, and highly liquid, with capital and liquidity ratios well above regulatory requirements. The non-bank financial sector also expanded, supported by growth in assets, deposits, and lending to SMEs and households. In light of prevailing macroeconomic conditions, the MPC emphasised the need to maintain a cautiously tight monetary policy stance to ensure inflation gradually converges toward the 5.0 percent medium-term target while supporting macroeconomic stability and sustainable growth.

Global Economic Developments

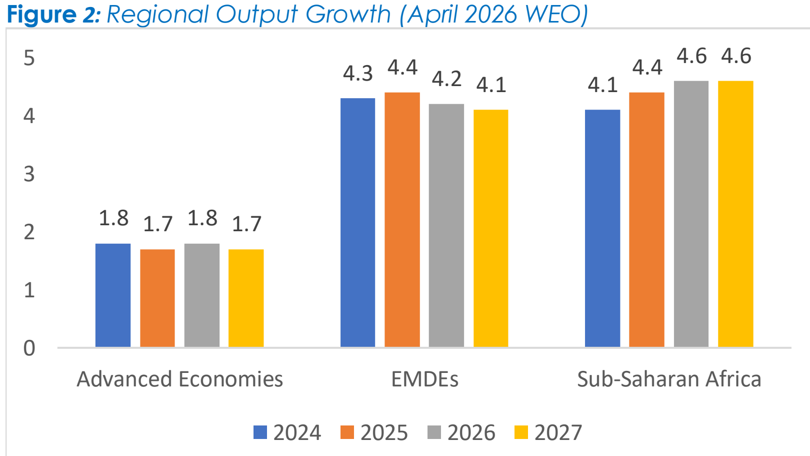
Global economic activity is expected to moderate in 2026 amid rising geopolitical tensions, renewed inflationary pressures, and persistent policy uncertainty. According to the April 2026 IMF World Economic Outlook, global output is projected to expand by 3.1 percent in 2026 before strengthening slightly to 3.2 percent in 2027. The deterioration in the outlook largely reflects the economic consequences of the conflict in the Middle East, including disruptions to energy supply chains, elevated uncertainty, and tighter global financial conditions. Growth among advanced economies remains subdued and is projected to expand modestly as households and firms continue adjusting to higher borrowing costs and weaker external demand. Emerging markets and developing economies continue to record comparatively stronger growth, although the pace of expansion has softened relative to historical norms, like Sub-Saharan Africa, where growth is expected to strengthen moderately, supported by improving domestic demand, ongoing macroeconomic reforms, and easing inflation in several economies.

Figure 1: *Global Output Growth*



Source: April 2026 WEO

Figure 2: *Regional Output Growth (April 2026 WEO)*



Source: April 2026 WEO

Growth prospects vary significantly across regions. Advanced economies are projected to expand by around 1.8 percent in 2026, reflecting moderate activity in the United States and gradual recovery in the euro area. Growth in emerging market and developing economies remains stronger at about 4.2 percent, led by robust expansion in Asia. China's growth is expected to moderate as structural adjustments weigh on domestic demand, while India continues to record strong expansion. In Sub-Saharan Africa, growth is projected to strengthen modestly to about 4.6 percent, supported by improving domestic demand and ongoing macroeconomic stabilisation efforts.

Global trade growth is expected to remain below its historical average over the medium term, weighed down by geopolitical fragmentation, weaker external demand, and continued uncertainty surrounding trade policy. Under the IMF reference scenario, trade growth is projected to ease gradually as supply disruptions subside and global demand stabilises. In an adverse scenario involving prolonged energy market disruptions and tighter financial conditions, trade volumes could weaken more sharply as industrial activity slows, consumer demand declines, and transport costs rise. In a severe scenario, marked by extended disruptions to energy infrastructure and a sharper tightening of global financial conditions, trade growth could slow significantly and approach recessionary levels in several economies, particularly commodity-importing emerging market and developing economies that rely heavily on external demand and global supply chains.

Global inflation is expected to rise temporarily in 2026 following renewed energy and commodity price pressures associated with the conflict in the Middle East. According to IMF projections, global headline inflation is projected at 4.4 percent in 2026 before easing to 3.7 percent in 2027. The increase in inflation largely reflects higher oil and transport costs, disruptions to global supply chains, and rising uncertainty affecting oil production and distribution networks. Energy-intensive sectors, including transportation, manufacturing, and food production, remain particularly exposed to rising input costs. Monetary policy across major economies remains cautious as central banks' balance renewed inflationary pressures against weakening global growth momentum. Although several advanced economy central banks had begun gradually easing monetary policy following earlier progress in disinflation, the resurgence in energy prices and heightened geopolitical uncertainty have complicated the policy outlook. Global financial conditions remain broadly stable but increasingly vulnerable to geopolitical developments and shifts in investor sentiment. Financial markets have remained relatively resilient despite heightened uncertainty, supported by expectations of eventual monetary easing in major central banks in advanced economies and continued investor appetite for selected technology-related assets. Nonetheless, financial market volatility has increased in recent months amid concerns regarding the conflict in the Middle East, rising energy prices, and elevated sovereign debt levels.

Global commodity markets have become more volatile following the escalation of geopolitical tensions in the Middle East. Energy prices have risen sharply due to disruptions to oil production facilities, concerns over maritime transport routes, and uncertainty about future supply conditions. Oil prices are expected to remain elevated in the near term as markets continue to price in geopolitical risk premiums and possible supply disruptions. Natural gas prices have also increased, especially in regions that depend heavily on imported energy. Higher shipping costs and insurance premiums have further added to global energy and transportation price pressures.

Agricultural commodity prices remain exposed to climate-related shocks, adverse weather, and logistical constraints. Food-importing developing economies are particularly vulnerable to higher food and fertilizer costs, which continue to create inflationary and fiscal pressures.

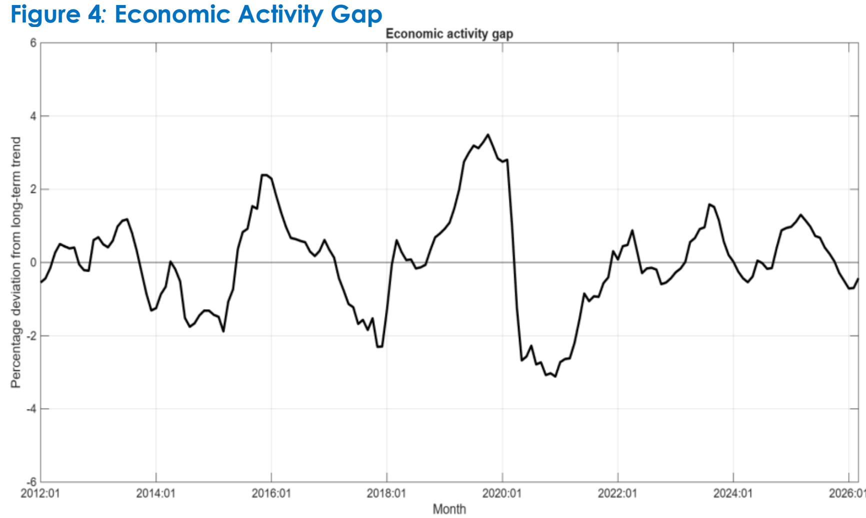
Overall, risks to the global outlook remain firmly tilted to the downside. Geopolitical tensions, high public debt, weaker medium-term productivity growth, and persistent trade fragmentation continue to threaten global economic stability.

The Domestic Economy

Real Sector

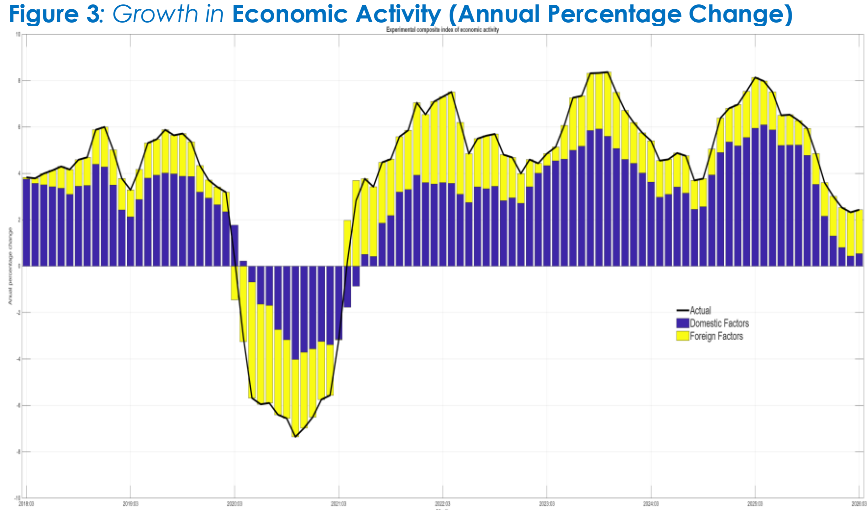
Growth in economic activity broadly remained positive through early 2026, with foreign factors, particularly strong tourism arrivals and remittance inflows, being the primary drivers between December 2025 and March 2026. The activity gap however turned negative from November 2025, indicating that the level of current economic activity is below its long-term trend, though gradual improvements are being observed in March 2026.

Figure 4: Economic Activity Gap



Source: CBG staff calculations

Figure 3: *Growth in* **Economic Activity (Annual Percentage Change)**

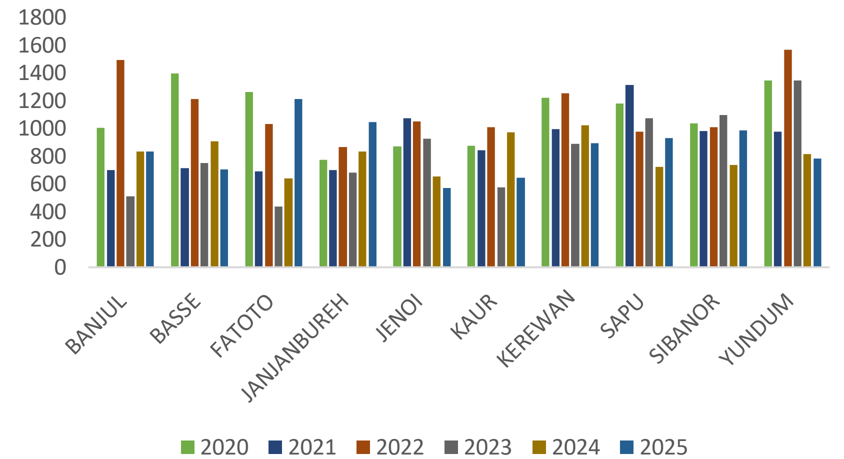


Source: CBG staff calculations

Tourist arrivals reached 83,173 in Q1 2026, the highest first-quarter level in recent years and 13.7 percent above the same period in 2025. The leading source markets were Gambian nationals (19.5 percent), British visitors (18.2

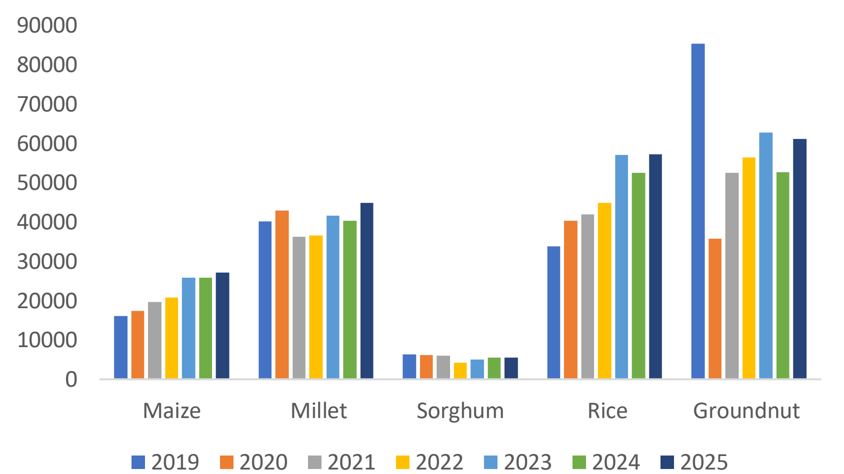
percent), and Dutch visitors (13.5 percent). The estimated tourism receipts totalled D10.96 billion, mainly from hotel income (55.3 percent) and out-of-pocket spending (41.6 percent).

Figure 5: Estimated rainfall (2020-2025)



Source: MOA staff calculations

Figure 6: Estimated rainfall (2020-2025)



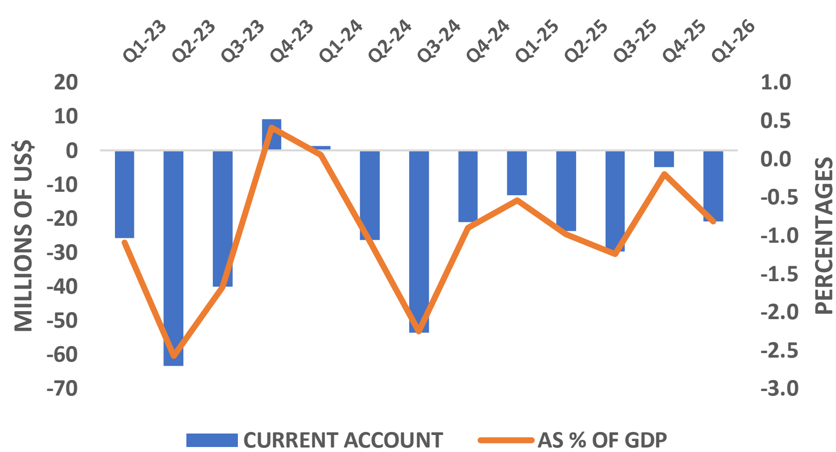
Source: MOA staff calculations

The agricultural sector benefitted from an above-average rainfall, 867.9 mm in 2025, supporting generally favourable crop prospects. However, the DWR projects rainfall of about 700 mm in 2026, below the long-term average of 805.6 mm. If realised, this could reduce yields for groundnut and millet—the crops most sensitive to rainfall—below 2025 levels, tightening domestic food supply and adding near-term pressure on food prices.

Balance of Payments

Preliminary Balance of Payments estimates under the review period indicate that external pressures continue to persist due to a persistent deficit in the goods account. The current account balance deteriorated to a deficit of US$20.83 million (0.8 percent of GDP) in the first quarter of 2026, compared with deficits of US$13.19 million (0.5 percent of GDP) and US$4.83 million (0.2 percent of GDP) in the first and fourth quarters of 2025, respectively. This largely reflects a widening of the goods account deficit by 14.6 percent year-on-year and 8.4 percent quarter-on-quarter, despite improved tourism receipts and stronger secondary income (personal transfers).

Figure 7: *Current Account Balance*



Source: CBG

Quarter-on-quarter, the goods account deficit widened to US$284.37 million (11.2 percent of GDP) in Q1 2026, from US$262.36 million (10.9 percent of GDP) in Q4 2025. The deterioration reflects an 18.0 percent rise in imports (FOB), mainly due to higher purchases of printing-related materials, mineral fuels and oil, cereals, and vehicles.

Figure 8: *Goods Account*

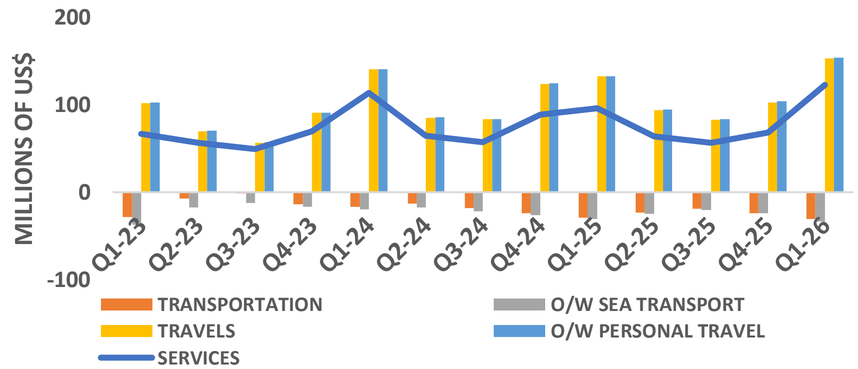
Source: CBG

Total imports (FOB) rose to US$424.65 million (16.7 percent of GDP) in Q1 2026, up from US$359.86 million (15.0 percent of GDP) in Q4 2025. The United Kingdom overtook Belgium as The Gambia's largest trading partner, with imports of over US$228.92 million in Q1 2026, compared with US$170 million from Belgium a year earlier. Within ECOWAS, Senegal remained the leading source of imports, followed closely by Togo.

Exports (FOB) increased to US$140.28 million in the review quarter, up from US$97.50 million in Q4 2025. The increase was driven mainly by higher re-exports, which totalled US$104.06 million (74.2 percent of exports), supported by seasonal trading patterns. Key export items included edible fruits, fish and crustaceans, salt, and iron and steel, broadly in line with the same period last year.

Quarter-on-quarter, the services account surplus is estimated to have increased to US$122.56 million in Q1 2026, from US$68.41 million and US$95.97 million in Q4 2025, Q1 2025 respectively. The improvement mainly reflects higher tourist arrivals during the peak season. Similarly, imports of other services are also on the rise, particularly in freight charges for the importation of merchandise goods.

Figure 9: *Service Account Balance*



Source: CBG

Secondary income inflows totalled US$148.14 million during the review period, down from US$192.0 million in the previous quarter of 2025. This 22.8 percent quarterly decline mainly reflected lower official program grant inflows. However, inflows were 5.9 percent higher than in the corresponding period a year earlier. Personal transfers, mainly net workers' remittances, rose to US$147.0 million in the first quarter of 2026, compared with US$130.8 million in the preceding quarter and US$135.3 million a year earlier. The 12.4 percent increase was partly supported by seasonal festive demand during Ramadan and Lent.

The capital account surplus moderated to US$28.47 million in the first quarter of 2026, from US$44.27 million in the preceding quarter, reflecting lower project fund disbursements. Despite the quarterly decline, inflows were 64.1 percent higher than in the corresponding period a year earlier.

Financial account developments showed higher non-resident liabilities, with inflows rising to US$211.39 million in the review quarter from US$68.72 million in the preceding quarter of 2025, indicating stronger non-resident investment. Direct investment inflows increased to US$78.34 million from US$73.60 million in the previous quarter. Reserve assets rose by US$66.09 million, while other investment recorded an inflow of US$66.96 million, mainly as domestic banks drew down deposits held with banks abroad.

Exchange Rate Developments

The domestic foreign exchange market remained liquid, supported by the Central Bank's prudent monetary policies. Total market turnover, measured by interbank purchases and sales, reached US$2.39 billion, an increase of 9.0 percent relative to the previous quarter. The increase was partly driven by steady private remittance inflows, improved confidence in the macroeconomic outlook, and the gradual recovery of the tourism sector. Supply-side activity rose by 18.21 percent, while demand declined by 4.60 percent, resulting in a slight excess supply and contributing to the relative stability and resilience of the Dalasi against major international currencies.

Remittance inflows remained a key source of foreign exchange supply. From January to March 2026, total remittances to The Gambia amounted to US$246.08 million, up by 17.3 percent from US$209.73 million recorded during the same period in 2025. The Gambia continues to be among the most remittance-dependent economies relative to GDP, with major remittance corridors remaining strong during the review period despite challenging global conditions.

Exchange rate developments remained broadly stable during the review period, with no significant volatility. The Dalasi remained largely resilient, although it depreciated against the Euro, Swiss Franc, and CFA Franc, while recording marginal appreciation against the U.S. Dollar and Pound Sterling. On a year-on-year basis, from end-March 2025 to end-

March 2026, the Dalasi depreciated moderately against major international currencies: by D1.09 against the U.S. Dollar, D8.97 against the Euro, D4.62 against the British Pound Sterling, D13.75 against the Swiss Franc, and D63.94 per 5,000 units against the CFA Franc. The depreciation against the CFA Franc largely reflects the strength of the Euro and sustained excess demand linked to The Gambia's strong economic and social ties with Senegal.

Figure 10: *Nominal Exchange Rate*

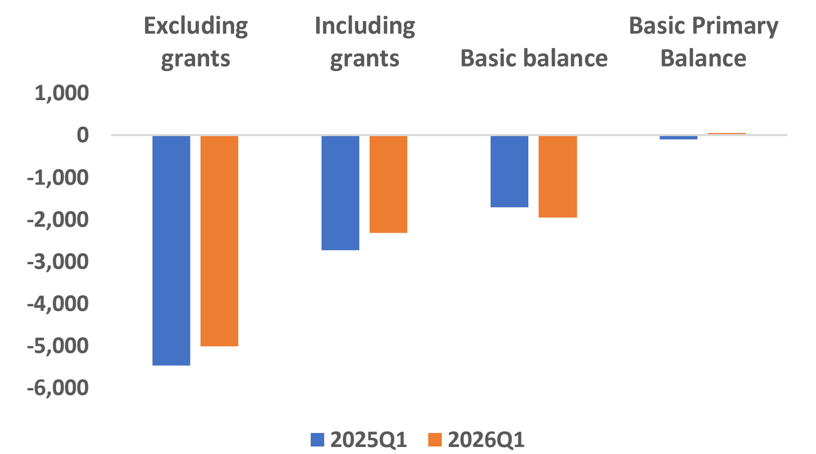
Source: CBG

The absence of CBG intervention in 2026Q1 signals that the exchange rate is moving in line with market fundamentals and that market conditions are orderly. FX currency shipments increased significantly to US$197.79 million to support commercial banks' international-trade operations. In terms of external buffers, reserves stood at US$637.12 million at end-March 2026, a 1.69 percent decline from December 2025, but a strong 32 percent increase year-on-year relative to March 2025. The higher reserve position strengthened the import cover ratio to 5.3 months of import cover, comfortably above the three-month benchmark.

Government Fiscal Operations

Preliminary estimates of government operations indicated strong revenue performance and a slight improvement in fiscal position in the first quarter of 2026 compared to the same period in 2025. The overall deficit, excluding grants, decreased from GMD5.5 billion (3.0 percent of GDP) in 2025Q1 to GMD5.0 billion (2.4 percent of GDP) in 2026Q1. Similarly, the overall budget deficit, including grants narrowed to GMD2.3 billion (1.1 percent of GDP) in 2026, compared to GMD2.7 billion (1.5 percent of GDP) in 2025. Meanwhile, the basic balance deficit increased to GMD1.96 billion (1.0 percent of GDP), from GMD1.7 billion (0.9 percent of GDP) in the same period last year. The primary balance improved to a surplus of GMD48 million (0.02 percent of GDP), from a deficit of 0.1 billion (0.06 percent of GDP) in the same period in 2025.

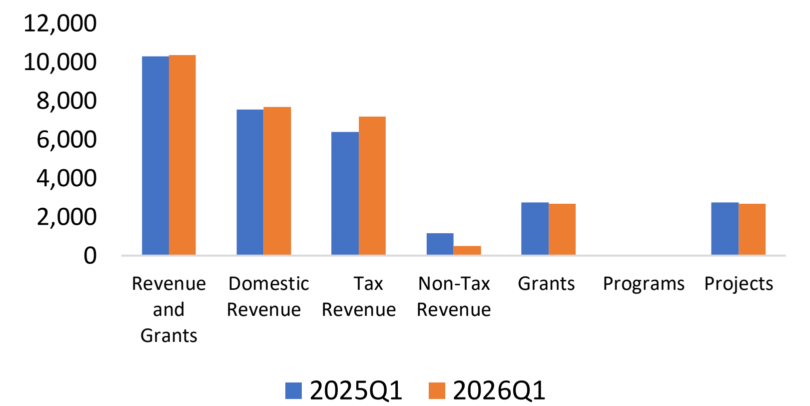
***Figure 11**: The Fiscal Balances (GMD' billion)*



Source: MOFEA & ERD Calculations

Revenue performance during the period also strengthened due to improvements in tax administration. Reforms such as the single-window platform, digital weighbridge, and broadening of the tax base have facilitated smoother revenue collection while reducing obstacles in the clearance and shipment of goods. Additionally, the automation of tax processes has improved administrative efficiency. As a result, total revenue and grants mobilized in the first quarter of 2026 increased to D10.4 billion (5.0 percent of GDP), compared to the same period last year, driven mainly by higher domestic revenue. Domestic revenue rose by rose by 1.7 percent to GMD7.7 billion (3.7 percent of GDP) in the first quarter of 2026, from GMD7.5 billion (4.1 percent of GDP) in 2025Q1. Of the components, tax revenue grew by 12.4 percent to GMD7.2 billion (3.5 percent of GDP), driven by higher collections from indirect taxes. However, non-tax revenue and grants declined by 57.7 percent and 3.7 percent to GMD0.5 billion and GMD2.68 billion, respectively, compared to the same period last year.

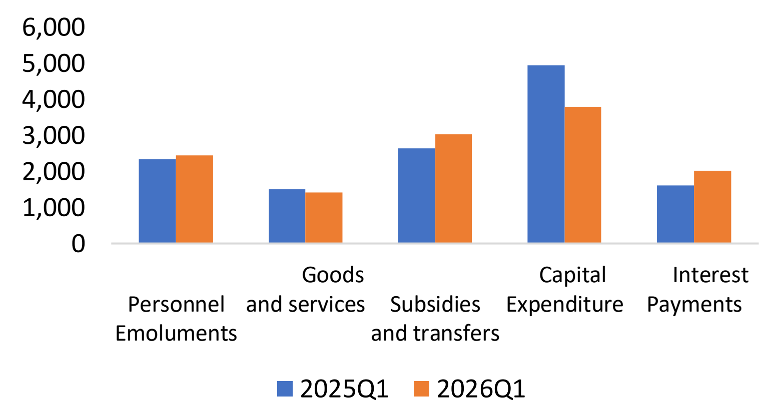
***Figure 12**: Government Receipts – GMD' billion*



Source: MOFEA CBG staff calculations

Total expenditure and net lending in the first quarter of 2026 decreased by 2.5 percent to GMD12.7 billion (6.2 percent of GDP), from GMD13.0 billion (7.1 percent of GDP) in the same period in 2025. Recurrent expenditure continues to be the main driver of total expenditure and net lending, increasing by 10.1 percent to GMD8.9 billion (4.3 percent of GDP) in 2026Q1, compared to GMD8.1 billion (4.4 percent of GDP) during the same period in 2025 and accounted for the bulk (70 percent) of total expenditure and net lending. Other charges—comprising goods and services, and subsidies and transfers—rose by 7.3 percent. Interest payments increased during the period due to the increase in external interest payments by 26.7 percent, and domestic interest payments by 25.2 percent.

***Figure 13**: Expenditures in billions*

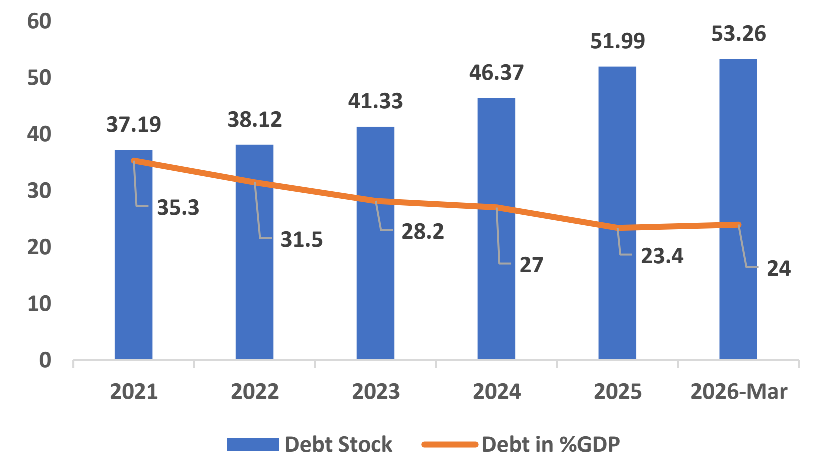


Source: MOFEA CBG staff calculations

Domestic & Public Debt

Domestic debt stock continued its upward trajectory, increasing from GMD51.99 billion as at end December 2025 to GMD53.26 billion in March 2026, representing a 2.4 percent increase in the first quarter of 2026. This reflects government's sustained issuance of short-term securities to meet its financing requirements. Despite the significant increase in nominal debt level, the domestic debt-to-GDP ratio remained stable, rising only marginally from 23.4 percent as at end December 2025 to 24.0 percent in March 2026.

Figure 14: *Domestic debt stock in billions of GMD*



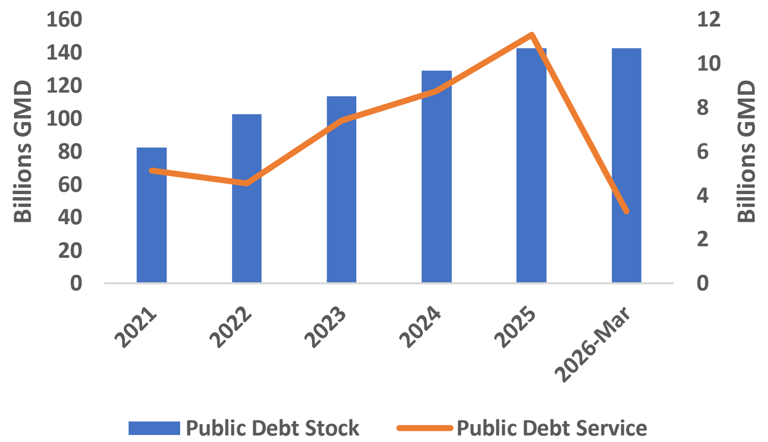
Source: MOFEA CBG staff calculations

Gross domestic borrowing from January–March 2026, amounted to GMD7.15 billion, largely dominated by Treasury and Sukuk bills, which accounted for over 85 percent (GMD6.15 billion) of the total domestic borrowing during the period. During the same period (January–March 2026), total maturities stood at GMD5.98 billion, mainly Treasury and Sukuk bills (oer 87 percent), reflecting the significant reliance on short-term instruments for domestic financing. Overall, this resulted to a new borrowing of GMD1.17 billion.

Public debt stock remained elevated, increasing from GMD128.81 billion in 2024 to GMD142.23 billion in 2025. In the first quarter of 2026 the public debt stock stood at GMD142.40 billion. The increase reflects continued government borrowing to finance fiscal operations and other financing requirements.

Public debt servicing also increased significantly, rising from GMD8.72 billion in 2024 to GMD11.29 billion in 2025, indicating an increase in debt burden. In the first quarter of 2026, public debt service cost stood at GMD3.27 billion. The projected domestic debt service in 2026 is GMD7.35 billion (22.81 percent of revenue), higher than the actual domestic debt service of GMD5.78 billion (20.05 percent of revenue) in 2025, this reflects an increase of about GMD1.62 billion.

Figure 15: *Public debt stock and servicing in billions*

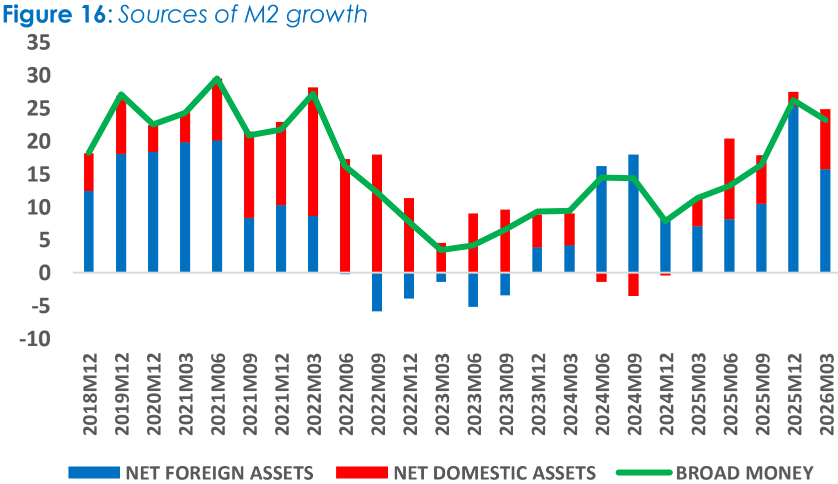


Source: MOFEA & CBG staff calculations

Monetary Aggregates

Monetary developments in the first quarter of 2026 are characterized by a moderation in broad money growth. Year-on-year, broad money supply grew by 23.2 percent in March 2026, relative to a growth rate of 26.2 percent the previous month and 11.3 percent recorded during the same period a year ago. The increase in broad money is driven by an increase in both NFA and NDA of depository corporations, indicating expansion in domestic liquidity. On a quarterly basis,

Figure 16: *Sources of M2 growth*

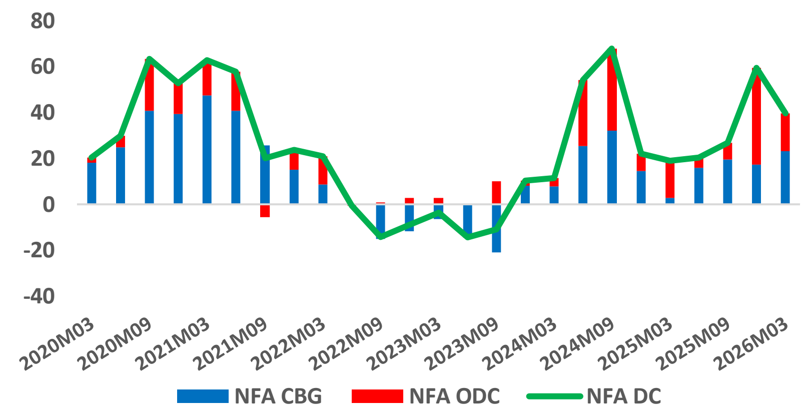


Source: CBG staff calculations

broad money grew by 1.2 percent in the first quarter of 2026, down from 10.5 percent in the fourth quarter of 2025.

The NFA of depository corporations grew significantly by 39.6 percent to D43.9 billion in March 2026, substantially higher than the 19 percent registered in the same period last year. The continued buildup in foreign assets has been supported by foreign currency inflows, signalling an improvement in the banking system's external position. However, on a quarter-on-quarter basis, NFA growth contracted to 15.1 percent in the first quarter of 2026 due to slower growth in gross reserves and claims on non-residents.

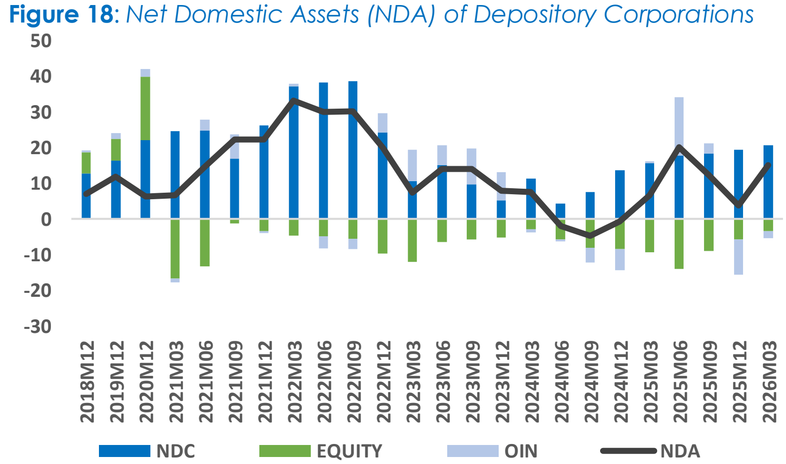
Figure 17: *Net Foreign Assets (NFA) of Depository Corporations*



Source: CBG staff calculations

The Central Bank's NFA position also strengthened considerably during the review period. NFA of the Central Bank increased by 42.5 percent year-on-year to D24.4 billion in March 2026, supported by increases in gross reserves and claims on non-residents. The improvement in reserve buffers enhanced external resilience and supported confidence in the domestic economy. Liabilities to non-residents also increased, largely reflecting IMF-related disbursements under the ECF and RSF arrangements, as well as SDR-related obligations.

Figure 18: *Net Domestic Assets (NDA) of Depository Corporations*



Source: CBG staff calculations

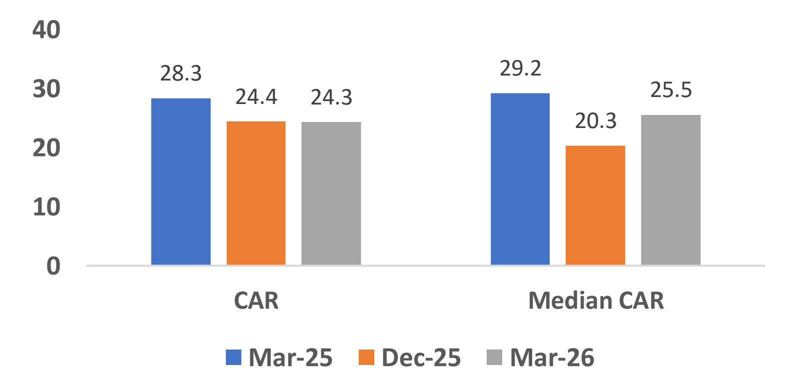
Meanwhile, NDA of the banking system increased by 15.1 percent in March 2026, significantly higher than the 6.7 percent recorded a year earlier. The increase reflected an increased in credit to the public and private sector. Credit to the private sector continues to expand, recording a growth of 35.4 percent in the first quarter of 2026 compared to the previous year. Sectoral distribution of credit showed that the energy sector accounted for the largest share of loans, followed by households, agriculture, building and construction, distributive trade, and tourism. Reserve money grew by 17.2 percent, a reversal from the 0.9 percent contraction recorded in the same period last year. This expansion mainly reflects the increased holding of foreign assets as foreign currency inflows strengthened during the period

The 2026Q1 Financial Lending Survey revealed a favourable lending condition, which is expected to improve further in 2026Q2. Corporate borrowing recorded the strongest demand and supply, while personal lending remained supportive. Lending to micro, small and medium-sized enterprises was relatively weak, although financial institutions expected it to improve significantly in the following quarter. Investment opportunities and borrowing costs mainly influenced loan demand, while economic conditions and perceptions of borrowers' ability to repay affected loan supply. Risk concerns and insufficient collateral were the main reasons for rejecting applications.

Banking Sector

The banking sector remains stable and resilient, supported by strong balance sheet growth and sustained depositor confidence. Total industry assets increased to D129.9 billion (67.6 percent of GDP) in the first quarter of 2026, from D104.8 billion (52.6 percent of GDP) a year earlier. Total customer deposits, the main source of funding for banks, increased by 20 percent to D84.2 billion (43.2 percent of GDP) in the first quarter of 2026.

Figure 19 : *Banking sector Capital Adequacy Ratio*

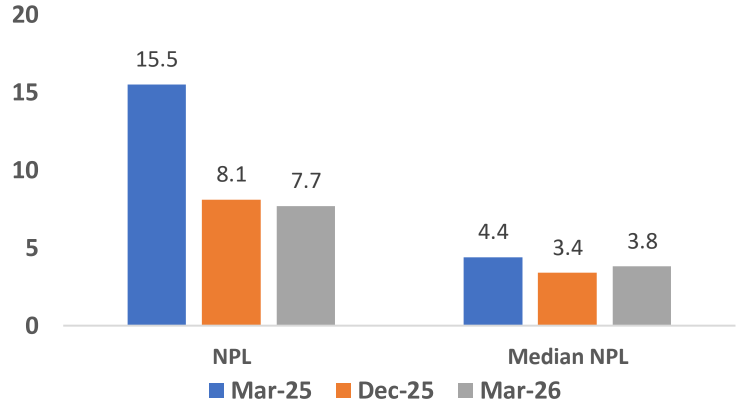


Source: CBG staff calculations

The Capital Adequacy Ratio (CAR) stood at 24.3 percent, a 4.0 percentage point drop from the previous year, but remained well above the prudential minimum of 10 percent. This indicates that the industry remains adequately capitalized and capable of absorbing potential shocks.

Asset quality improved compared to the corresponding period in 2025. Non-performing loan (NPL) ratio declined significantly to 7.7 percent from 15.5 percent in the first quarter of 2025 and 8.1 percent in December 2025, reflecting repayments of loans and enhanced credit risk management. NPL concentration remained highest in Distributive Trade (22.4 percent), Building & Construction (20.1 percent), Public Sector (14.1 percent), Manufacturing (11.4 percent), and Energy (10.6 percent). The downward trend in NPL ratio indicates an improvement in credit quality.

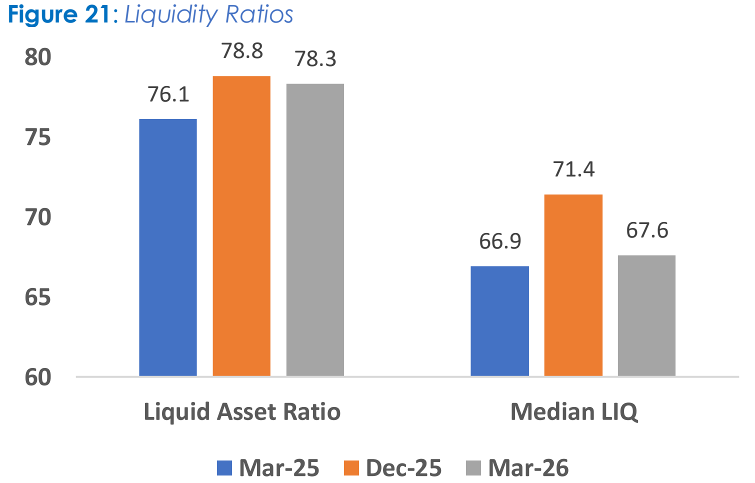
Figure 20: *Non-Performing Loans Ratios*



Source: CBG staff calculations

Liquidity conditions remained robust, supported by increased investment in secured and highly liquid assets. The industry liquidity ratio stood at 78.3 percent in first quarter of 2025, well above the 30 percent prudential minimum. The industry's overall appetite for risk assets appears subdued, as reflected in the relatively low loan-to-deposit ratio of 24.7 percent, and lending remains highly concentrated. Government securities continue to account for a significant share of

Figure 21: *Liquidity Ratios*



Source: CBG

industry assets, reflecting banks' preference for relatively lower-risk investments and the sector's continued exposure to the sovereign. Stress-testing results affirm that the Gambian banking system is resilient, supported by adequate capital and liquidity buffers.

Non-Bank Financial Sector

The non-bank financial sector expanded in 2025, supported by growth in deposits and capital buffers, alongside sustained financial intermediation. Total assets of finance companies and credit unions rose to GMD 11.05 billion at end March 2026. Finance companies accounted for GMD 6.42 billion (58.1 percent) of total assets, while credit unions held GMD 4.63 billion (41.9 per cent), reflecting their complementary roles in advancing financial inclusion and extending credit to unbanked segments of the economy.

The sector remains well-capitalised, as all FCs met the minimum capital requirement of GMD50 million. Total industry capital increased by 7 percent to GMD1.14 billion at end-March 2026 from GMD1.03 billion at end-December 2025. Year-on-year, total capital increased by 27 percent. Credit expansion remained positive. industry gross loans stood at GMD 1.97 billion at end-March 2026, from GMD 1.96 billion at end-December 2025, representing a marginal expansion, and expanded by 52 percent a year ago, gross loans. Lending remained concentrated in petty SME trading, personal loans, and construction activities.

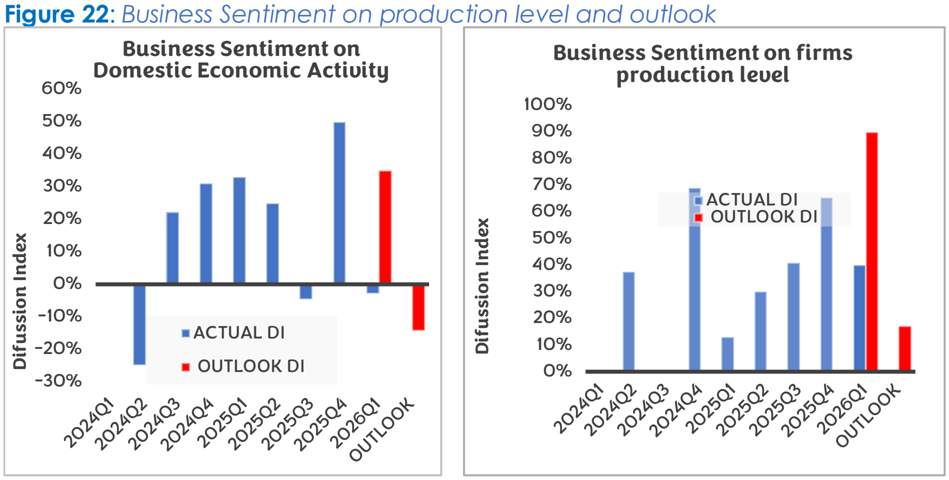
The loan-to-deposit ratio stood at 45 percent for finance companies and 72 percent for credit unions, indicating adequate liquidity buffers across the sector. Capital adequacy remained strong, with the industry CAR at about 36 percent, well above the regulatory minimum. Liquidity ratios also remained comfortable across institutions. Asset quality improved slightly during the period, with the non-performing loan ratio picked up to 7 percent from 6 percent in the previous quarter and remains above the prudential benchmark.

The stress testing assessed the resilience of the microfinance sector to severe shocks in credit quality, capital adequacy, and liquidity. The results indicate that while the sector remains broadly stable and well-capitalised, vulnerabilities emerge under extreme scenarios from sharp increases in non-performing loans, borrower concentration, and large depositor withdrawals. Overall, the MFI sector remains broadly stable, with 4 of 6 institutions maintaining adequate capital buffers under generalized NPL stress. Liquidity positions are adequate sector wide. However, concentration risk remains the most significant systemic vulnerability, requiring urgent supervisory attention.

Business Sentiment Survey

While overall economic activity is perceived to be lower in 2026Q1, Business Sentiment points to a cautiously positive firm-level production, supported by festive-related demand, a recovery in tourism, and strong activity in construction and digital financial services. Similarly, sentiment on Capital expenditure and hiring was also positive, reflecting branch expansion, infrastructure development, and growth in the construction and energy sectors. Businesses Inflation is expectation remained positive, driven by higher fuel prices and supply disruptions associated with global geopolitical tensions.

Figure 22: *Business Sentiment on production level and outlook*

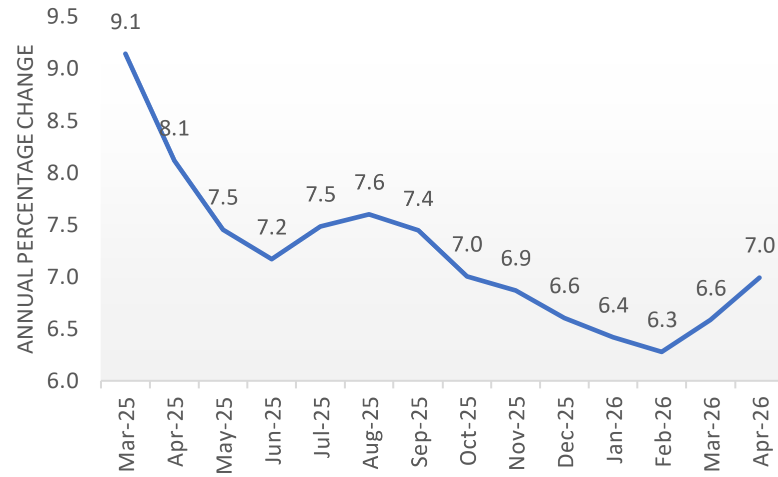


Source: CBG

Price Developments

Inflation developments in the first four months of 2026 show that the disinflation recorded throughout 2025 has stalled, with price pressures gradually firming from the low levels seen at the start of the year. Headline inflation rose to 7.0 percent in April 2026, up from 6.3 percent in January 2026 and 6.3 percent in February 2026. This increase reflects firmer non-food price dynamics, moderate rises in selected food categories, and stronger underlying inflationary pressures, as indicated by core inflation measures.

Figure 23: *Headline CPI*



Source: CBG Staff Calculations

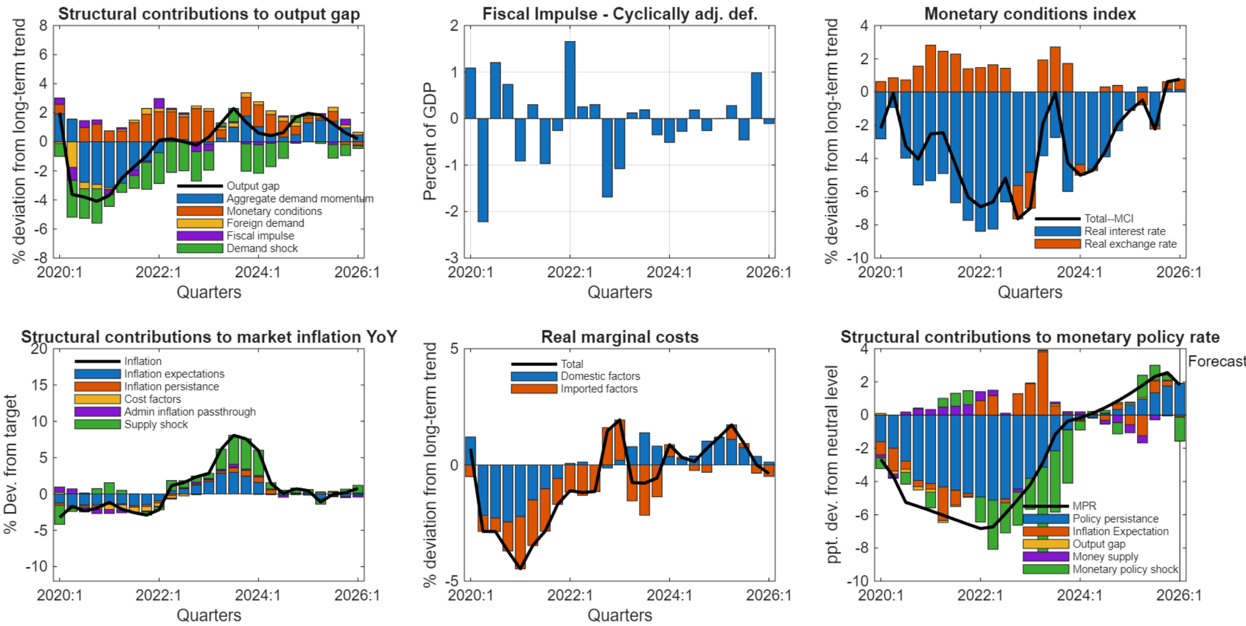
The near-term inflation outlook has become more uncertain following the renewed firming of domestic price pressures and the deterioration in the external economic and political environment.

Summary of Current Economic Conditions, Medium-Term Economic Outlook and Assessment of the Risk to the outlook

Current economic conditions indicate that inflation continued to moderate, averaging 6.2 percent in 2026Q1, compared with 6.6 percent in 2025Q4. However, inflationary pressures resurfaced in March and April, reflecting higher international commodity and energy prices, domestic fuel price adjustments, and heightened geopolitical tensions. Economic activity remained positive, supported by tourism, construction, remittance inflows, and private sector activity. Nonetheless, the output gap narrowed further, reflecting softer domestic and external demand, continued fiscal consolidation, and the effects of tight monetary conditions. The dalasi remained broadly stable during the period.

The medium-term outlook has become less favourable relative to the previous forecast round, particularly for inflation, reflecting persistent external risks and recent developments in the global economy. Headline inflation is projected to average 6.7 percent in 2026, remaining above the medium-term target, before moderating to 5.1 percent in 2027. The slower pace of disinflation reflects persistent supply-side pressures, elevated global energy and commodity prices, geopolitical and regional conflicts, and the continued pass-through of imported inflation to domestic prices.

***Figure 24**: Summary of current economic conditions*



Source: CBG

Table 1: *Summary of economic outlook*

ANNUAL AVERAGES:	2024Y	2025Y	2026Yf	2027Yf	2028Yf
CPI, headline	11	7.6	6.7	5.1	4.7
CPI, market	13	8.7	8.5	5.4	4.6
GDP, constant prices	5.6	6.4	5.7	5.4	3.6

Source: CBG

Despite the less favourable inflation outlook, economic growth is expected to remain resilient, although moderating from the estimated strong performance in 2025. Real GDP growth is projected at 5.7 percent in 2026, compared with 6.4 percent in 2025, supported by continued tourism activity, stable remittance inflows, robust private construction, and other private sector activities.

Overall, risks to the outlook remain tilted towards higher inflation and weaker economic growth. Key downside risks to growth and upside risks to inflation stem primarily from heightened geopolitical tensions, disruptions to global trade and supply chains, elevated international energy and commodity prices, and domestic policy uncertainty. These developments could prolong inflationary pressures, weaken external and domestic demand, and slow the anticipated normalization of monetary policy.

Decision

Against this background, the Committee decided to maintain the Monetary Policy Rate (MPR) at 14 percent. The Committee also kept the Required Reserve Ratio (RRR) at 13 percent and the interest rate on the Standing Deposit Facility at 5 percent, while setting the Standing Lending Facility at 15 percent, equivalent to the MPR plus 1.0 percentage point. The Committee remained committed to bringing inflation back to target over the medium term. We will continue to monitor domestic and external developments and stand ready to respond promptly should conditions call for action.

Next MPC Meeting

The next Monetary Policy Committee (MPC) meeting is scheduled for Wednesday, August 26, 2026. The meeting will be followed by the policy decision announcement on Thursday, August 27, 2026.

APPENDIX

Table 2: Summary of current account balance

	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26
C/ACCOUNT	-25.84	-63.33	-40.14	9.25	1.28	-26.33	-53.68	-21.06	-13.19	-23.68	-29.79	-4.83	-20.83
GOODS	-211.21	-244.35	-201.79	-220.04	-238.12	-236.32	-253.44	-297.13	-248.07	-239.92	-210.73	-262.36	-284.37
SERVICES	66.50	56.08	49.28	69.82	113.30	64.30	57.49	88.53	95.97	63.42	56.32	68.41	122.56
PRIMARY INCOME	-6.5	-6.1	-3.9	-7.9	1.6	12.5	14.4	14.9	-3.1	4.5	-1.8	-2.87	-7.2
SECONDARY INCOME	125.4	131.1	116.3	167.4	124.5	132.6	127.2	169.7	139.9	146.0	126.4	192.0	148.1
CAPITAL ACCOUNT	9.6	51.8	14.2	66.8	31.4	28.11	19.08	39.32	17.35	27.02	24.30	44.27	28.47
FINANCIAL ACCOUNT	-104.7	-38.7	-10.9	-112.7	-101.8	-34.3	-3.7	-174.5	-9.7	10.5	-46.7	-68.7	-211.4

Source: CBG

Table 3: Summary of goods account balance

	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26
GOODS	-211.21	-244.35	-201.79	-220.04	-238.12	-236.32	-253.44	-297.13	-248.07	-239.92	-210.73	-262.36	-284.37
EXPORTS	78.97	100.42	81.14	65.37	81.37	71.32	99.32	111.30	104.12	105.58	99.87	97.50	140.28
IMPORTS	290.18	344.77	282.93	285.41	319.49	307.64	352.76	408.43	352.19	345.49	310.60	359.86	424.65

Source: CBG

Table 4: Summary of services account balance

	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26
SERVICES	66.50	56.08	49.28	69.82	113.30	64.30	57.49	88.53	95.97	63.42	56.32	68.41	122.56
TRANSPORTATION	-28.31	-7.00	-1.38	-13.73	-17.04	-13.33	-17.82	-24.26	-29.02	-23.34	-18.84	-23.74	-30.79
O/W SEA TRANSPORT	-37.05	-17.34	-12.57	-16.97	-19.95	-17.39	-21.88	-26.08	-30.72	-24.87	-20.02	-23.72	-33.79
TRAVELS	102.10	69.86	56.77	90.48	140.40	85.12	83.24	123.81	132.46	93.81	82.80	102.72	152.90
O/W PERSONAL TRAVEL	102.68	70.28	56.97	90.87	140.76	85.55	83.58	124.64	132.80	94.57	83.54	104.19	153.96

Source: CBG

Table 5: Summary of capital and financial account balance

	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26
CURRENT ACCOUNT	-25.84	-63.33	-40.14	9.25	1.28	-26.33	-53.68	-21.06	-13.19	-23.68	-29.79	-4.83	-20.83
CAPITAL ACCOUNT	9.61	51.85	14.21	66.75	31.37	28.11	19.08	39.32	17.35	27.02	24.30	44.27	28.47
NET LENDING/BORROWING	-16.23	-11.48	-25.93	76.00	32.64	1.78	-34.59	18.26	4.17	3.33	-5.49	39.45	7.63

Source: CBG

Table 6: Inter-bank Transaction Volumes, Annual (in US 'millions

Period	Purchases	Sales	Market Turnover
April. 2024-March. 2025	GMD1,102.70	GMD1,149.41	GMD2,252.11
April. 2025-March. 2026	GMD1,303.48	GMD1,096.51	GMD2,399.99

Source: CBG

Table 7: Interbank Transaction Volumes (in US 'millions)

Period	Purchases	Sales	Market Turnover
Q1 – 2025	340.73	329.37	670.1
Q2 – 2025	329.11	285.09	614.2
Q3 – 2025	301.1	249.74	550.8
Q4 – 2025	322.4	268.4	590.8
Q1 – 2026	350.9	293.3	644.2

Source: CBG

Table 8:End of period quarterly exchange rates

CURRENCY	Mar-26	Dec-25	Mar-25	Quarterly %	Yearly %
USD	71.87	72.1	70.78	-0.32	1.54
EURO	85.61	84.62	76.64	1.17	11.7
GBP	95.91	96.4	91.29	-0.51	5.06
CHF	92.01	88.9	78.26	3.5	17.57
CFA	640.33	636.24	576.39	0.64	11.09

Source: CBG

Table 9: The Overall Budget Balance

	GMD' Million		Percent of GDP		Q-o-Q percent
Overall balance	**2025Q1**	**2026Q1**	**2025Q1**	**2026Q1**	
Excluding grants	-5,477.1	-5,018.7	-2.99	-2.44	-8.4
Including grants	-2,738.0	-2,329.8	-1.50	-1.13	-14.9
Basic balance	-1,712.4	-1,965.2	-0.94	-0.96	14.8
Basic Primary Balance	-108.4	48.0	-0.06	0.02	-144.3

Source: CBG

Table 10: Revenue and Grants

Government Receipts	2025Q1 GMD' million	2026Q1 GMD' million	2025-2026 Q-o-Q percent Δ
Total Revenue & Grants	10,282.68	10,363.13	0.78
Percent of GDP	5.6	5.0	
Domestic Revenue	7,543.55	7,674.24	1.73
Percent of GDP	4.1	3.7	
Tax Revenue	6,396.30	7,189.25	12.40
Percent of GDP	3.5	3.5	
Direct Tax	2,202.61	2,650.11	2.5
Personal	525.90	578.38	10.0
Corporate	1,551.00	1,867.24	20.4
Indirect Tax	4,193.69	4,539.14	8.2
Domestic Tax on goods & services	1,801.64	1,996.94	10.8
Tax on Int'l. Trade	2,392.05	2,542.19	6.3
Duty	1,235.01	1,262.78	2.2
Sales tax on imports	1,157.04	1,279.41	10.6
Non-tax Revenue	1,147.25	485.00	-57.73
Percent of GDP	0.6	0.6	
Grants	2,739.14	2,688.89	-1.83
Percent of GDP	1.5	1.3	
Program	0.00	0.00	0.00
Projects	2,739.14	2,688.89	-1.83

Source: MoFEA, CBG Staff calculations and CBG