MONETARY POLICY COMMITTEE

Press Release August 20, 2026

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) met on August 19 and 20, 2026. After assessing domestic and global economic conditions and the near-term outlook, the Committee decided to maintain the Monetary Policy Rate (MPR) at 14 percent. The following is an overview of deliberations that informed the Committee’s decision.

1. Global economic activity is expected to moderate in 2026, reflecting the opposing effects of heightened geopolitical tensions and stronger technology-related activity. According to the July 2026 World Economic Outlook update, the International Monetary Fund (IMF) forecasts global growth at 3.0 percent in 2026, before strengthening to 3.4 percent in 2027. Despite this projected rebound, growth is projected to be below the 3.5 percent average in 2024–25.
2. Growth prospects remain uneven across economies, with advanced economies projected to grow by 1.7 percent in 2026 while emerging market and developing economies are expected to expand by 3.8 percent and 4.5 percent in 2026 and 2027, respectively. Growth in Sub-Saharan Africa is projected at 4.3 percent in 2026, before rising to 4.5 percent in 2027. However, oil-importing and non-resource-intensive economies remain particularly vulnerable to elevated energy and food prices, constrained policy space, and tighter external financing conditions.

3. Global disinflation has stalled, amid renewed energy and food price pressures. The IMF projects headline inflation at 4.7 percent in 2026, an upward revision by 0.3 percent from the April forecast, before easing to 3.9 percent in 2027. The increase reflects higher energy and food prices associated with the Middle East conflict and related supply chain disruptions. Inflationary pressures are expected to be more pronounced in vulnerable energy- and food-importing economies.
4. International commodity prices remain elevated, although they have moderated from their April peaks following some easing in geopolitical tensions. Energy prices remain about 25 percent above pre-war levels, with average petroleum spot price projected at US$89.27 per barrel in 2026. The outlook remains highly sensitive to developments in the Middle East, with renewed escalation posing upside risks to commodity prices, particularly for commodity-importing developing economies.
5. The FAO Food Price Index, which tracks monthly changes in global food prices, rose by 0.6 percent in July 2026, mirroring the partial increase in the price indices for cereals, sugar and vegetable oils. Notwithstanding, the FAO All Rice Price Index remained broadly steady in July, reflecting softer demand for major traded rice varieties during the period.
6. On the domestic front, the Gambian economy continues to demonstrate strong resilience despite heightened global uncertainties and geopolitical tensions. Latest provisional estimates from the Gambia Bureau of Statistics (GBoS) indicate that real GDP grew by 5.7 percent in 2025, attributed to strong performance in tourism, construction, trade, financial services, private investment, and remittance inflows. The Central Bank Composite Index of Economic Activity also points to continued expansion in economic activity through the second quarter of 2026.
7. Against this backdrop, the Central Bank, in its latest forecast round, projects real GDP growth at 5.8 percent in 2026, representing a 0.1 percentage point upward revision from the previous forecast. The

improved outlook reflects stronger-than-anticipated economic activity, supported by continued momentum in services and tourism, as well as ongoing public and private investment and remittance inflows.

8. The outlook is subject to downside risks, particularly from heightened geopolitical uncertainty and adverse weather conditions. The delayed onset and uneven distribution of rainfall could adversely affect agricultural production and yields, with potential implications for domestic food supply, rural incomes, inflation, and overall economic growth.

9. The Central Bank's Business Sentiment Survey for the second quarter of 2026 shows that businesses are cautiously optimistic. Sentiments on production, capital expenditure, and employment improved during the quarter, supported by stronger domestic demand, increased digital services, and continued investment. Despite the positive outlook, expectations of higher inflation and exchange-rate pressures remain. Looking ahead, businesses expect domestic economic conditions to improve. However, they expressed concern about the implications of ongoing geopolitical tensions for business confidence, investment decisions, and overall economic activity.

10. Preliminary Balance of Payments estimates indicate a further weakening in the external position in the second quarter of 2026. Consequently, the current account deficit widened to US$34.6 million (1.3 percent of GDP) in the second quarter of 2026, from US$29.7 million (1.1 percent of GDP) in the preceding quarter and US$23.7 million (0.9 percent of GDP) in the corresponding period of 2025. The deterioration in the current account reflects the seasonal decline in the services account, associated with lower tourist arrivals during the lean period, despite stronger export receipts and increased remittance inflows.

11. The goods account deficit, however, narrowed to US$242.5 million (8.8 percent of GDP) in the second quarter of 2026, from US$284.4 million (10.2 percent of GDP) in the preceding quarter, supported by stronger

exports. Total exports increased by 21.9 percent to US$171.0 million, occasioned by higher re-exports and exports of edible fruits and oil seeds, while imports moderated by 2.6 percent to US$413.5 million. Nonetheless, compared with the corresponding period of 2025, the goods account deficit widened marginally by 1.1 percent, reflecting the continued high import dependence of the economy.

12. The domestic foreign exchange market remained stable and active in the second quarter of 2026, supported by improved foreign currency supply conditions. Aggregate foreign currency purchases and sales increased to US$773.7 million, from US$644.2 million in the first quarter of 2026. Total private remittance inflows amounted to US$265.5 million in the second quarter of 2026, compared to US$219.0 million in the corresponding period of 2025. The increase in market activity was underpinned by sustained private remittance inflows and project-related foreign currency disbursements. Despite the improvement in foreign currency supply conditions, demand pressures continue to persist, partly driven by higher import payments for food, fuel, and construction materials.

13. The Dalasi remained broadly stable during the second quarter of 2026, despite recording marginal depreciation against the major internationally traded currencies in the domestic foreign exchange market. Between end-March and end-June 2026, the Dalasi depreciated by 0.5 percent against the US Dollar, 0.3 percent against the Euro, 1.2 percent against the British Pound, and 0.1 percent against the CFA franc.

14. The Central Bank continues to maintain adequate international reserves, providing an important buffer against external shocks and exchange rate pressures. As at end-July 2026, gross official reserves stood at US$563.9 million, equivalent to 4.3 months of prospective imports of goods and services.

15. Preliminary estimates of government fiscal operations in the first half of 2026 indicate a further improvement in the fiscal position relative to the corresponding period of 2025. The overall deficit, including grants, narrowed to D3.8 billion (1.7 percent of GDP) in the first half of 2026, compared to D6.1 billion (3.1 percent of GDP) in the corresponding period of 2025. Similarly, the overall deficit, excluding grants, narrowed to D10.2 billion (4.5 percent of GDP) from D12.8 billion (6.4 percent of GDP) in the corresponding period of 2025. The improved fiscal position was driven by stronger domestic revenue mobilisation and expenditure rationalisation, reflecting ongoing improvements in tax administration and fiscal consolidation efforts.

16. Government's domestic debt stock increased to D55.43 billion (24.4 percent of GDP) at end-June 2026, from D51.99 billion at end-2025. The increase reflected higher issuance of government securities. The composition of domestic debt remained concentrated in short-term instruments, reaching 56.2 percent of the debt portfolio, from 53.8 percent at end-2025, suggesting continued refinancing and rollover risks.

17. Money market rates remained broadly stable in the first half of 2026, although developments varied across maturities. The 91-day Treasury bill yield declined to 4.0 percent in June 2026, from 6.2 percent in the preceding quarter, while the 182-day yield increased to 7.1 percent from 6.5 percent, and the 364-day yield rose to 14.8 percent from 11.8 percent over the same period. Meanwhile, interbank market activity increased, with the weighted average interbank rate rising to 6.8 percent in the first half of 2026, from 5.6 percent in the corresponding period of 2025, reflecting higher short-term interbank funding costs.

18. Annual money supply growth moderated significantly to 11.4 percent in June 2026, from 25.1 percent in March 2026, reflecting a slowdown in the pace of monetary expansion. Credit to the private

sector continued to expand, increasing by 41.3 percent year-on-year. However, part of this growth reflects improvements in balance-sheet classification and reporting.

19. The banking sector remained stable and resilient in the second quarter of 2026, reflecting continued balance sheet growth, adequate capital and liquidity buffers, and sustained depositor confidence. Total industry assets increased to D131.7 billion (68.5 percent of GDP) at end-June 2026, from D110.3 billion (57.3 percent of GDP) in the corresponding period of 2025. Total customer deposits, the major source of funding for banks, increased to D86.6 billion (45.0 percent of GDP), from D71.6 billion (37.2 percent of GDP) a year earlier.

20. The industry's capital adequacy ratio increased to 25.5 percent in June 2026, from 24.3 percent in March 2026, well above the regulatory minimum threshold of 10 percent. Similarly, the liquidity ratio increased to 80.0 percent, from 78.3 percent in the previous quarter, and remained significantly above the 30 percent regulatory requirement. The non-performing loan ratio improved further to 7.9 percent, from 8.1 percent in March 2026 and 8.9 percent in the corresponding period of 2025.

21. Fintech and mobile money services continued to expand in scale and usage in the second quarter of 2026, reflecting the growing adoption of digital financial services. Cash-in transactions increased by 4.4 percent to D28.2 billion, while cash-out transactions rose by 5.3 percent to D32.1 billion between the first and second quarters of 2026. These developments underscore the continued expansion and increasing use of fintech platforms in the domestic financial system.

22. Domestic inflationary pressures moderated in July 2026, following the recent uptick in inflation in the past three months. Headline inflation declined to 7.0 percent in July 2026, from 7.6 percent in June and 7.5 percent in May, reflecting easing food-price pressures. However,

inflation remained above the Central Bank's implicit target of 5.0 percent, indicating that overall price pressures remain elevated in the economy.

23. Food inflation declined to 5.8 percent in July 2026, from 6.6 percent in June, reflecting broad-based moderation across several food categories, including bread and cereals, which declined by 1.2 percent. Nonetheless, price pressures remain elevated for oil and fats. Non-food inflation increased to 8.9 percent in July, from 8.7 percent in June, driven by transport inflation, which accelerated to 16.5 percent from 14.5 percent over the same period.

24. Underlying inflationary pressures also moderated in July 2026, although they remain elevated. Core 1 inflation declined to 6.9 percent in July 2026 from 8.4 percent in June, while Core 2 inflation eased to 7.8 percent from 8.5 percent. The moderation suggests some easing in the broad-based price pressures recorded during the second quarter. Nevertheless, the persistence of core inflation, particularly Core 2, alongside strong transport and other non-food price pressures, indicates that upside risks to the inflation outlook remain significant.

25. The Committee observed as follows:

• The global economy continues to demonstrate resilience despite persistent downside risks from geopolitical tensions, trade uncertainty, and disruptions to global energy and supply markets. Global growth is projected to remain above 3.0 percent in 2026 and 2027, although the outlook remains vulnerable to renewed commodity-price shocks, tighter financial conditions, and further escalation of geopolitical tensions.

- The developments in the global economy continue to have significant implications for The Gambia through commodity prices, tourism, remittance inflows, trade, and financial conditions. In particular, elevated energy and transport costs could transmit to domestic prices through higher imports, production, and distribution costs.

- On the domestic front, economic activity remains resilient, and the growth outlook has strengthened. The Central Bank projects real GDP growth of 5.8 percent in 2026, representing a 0.1 percentage point upward revision from the previous forecast, explained by continued expansion in services, tourism, construction, public and private investment, and sustained remittance inflows.

- The external sector remains broadly stable despite persistent Balance of Payments challenges. Foreign exchange market activity strengthened during the second quarter, supported by strong remittance inflows and other foreign currency receipts. The Dalasi remained broadly stable against major currencies, while the Central Bank maintained an adequate international reserve buffer to cushion the economy against external shocks.

- The Committee noted the recent moderation in headline and underlying inflation, driven by easing food-price pressures. However, non-food inflation remains elevated due to persistent transport costs. The Committee therefore assessed that inflationary risks remain tilted to the upside, particularly the potential second-round effects from higher transport and energy prices.

- Against this backdrop, the Committee considered that the combination of stronger domestic economic activity, moderating headline inflation, elevated underlying and non-food price pressures, and persistent external uncertainties warrants a cautious monetary policy stance.

Policy Decisions

In view of the above, the Committee decided as follows:

I. The Monetary Policy Rate (MPR) is maintained at 14 percent.
II. The Required Reserve (RR) ratio of commercial banks is maintained at 13 percent.
III. The interest rate on the standing deposit facility is maintained at 5 percent.
IV. The interest rate on the standing lending facility remains at 15 percent, equivalent to MPR plus 1.0 percentage point.

The Committee remains committed to bringing back inflation to target in the medium-term. We will continue to monitor domestic and external developments and stand ready to respond promptly should conditions call for action.

Information Note

Date for the Next MPC Meeting

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