



**CENTRAL BANK OF THE GAMBIA**

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# Monetary Policy Report

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**February 2025**

## 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 convened on February 26-27, 2025, to assess economic conditions and set the monetary policy rate. After deliberation, the Committee maintained the Monetary Policy Rate (MPR) at 17.0 percent, to ensure inflation returns to the Bank's medium-term target. All other interest rates also remained unchanged to support active liquidity management and the fight against inflation.

On the external front, the global economy is expected to remain steady, with the International Monetary Fund (IMF) projecting global economic growth at 3.3 per cent for both 2025 and 2026. This encouraging outlook is to be supported by the stronger-than-expected growth in the U.S. and a pickup in China, which have helped offset weaker growth prospects in the Euro Area. However, significant divergence remains, with advanced economies showing mixed trends while Emerging Markets and Developing Economies (EMDEs) growth is expected to remain largely in line with 2024 levels. Growth in Sub-Saharan Africa remains strong, driven by commodity demand, reforms, and infrastructure investment. Although global inflation is gradually easing and is projected at 4.2 percent in 2025, significant disparities remain, with advanced economies reaching their inflation targets faster than EMDEs. Notwithstanding, this outlook is shrouded with significant uncertainties, including renewed trade fragmentation, geopolitical tensions, and volatile international commodity prices.

On the domestic front, the Gambian economy continues its strong performance, with a 7.2 percent average growth in the first three quarters of 2024. This strong growth is supported by solid growth in financial services, redistributive trade, construction, mining & quarrying. In addition, stable remittance inflows, which continue to drive private consumption and strong public and private investment spending, are expected to aid domestic demand. Against this backdrop, CBG staff forecast economic growth at 5.7 percent in 2024, rising to 5.9 percent in 2025. Furthermore, business sentiment remains positive, with improved confidence in near-term economic prospects. However,

downside risks persist, including global trade disruptions, commodity price volatility, and ongoing geopolitical instability.

Domestic inflationary pressures remain elevated, with headline inflation stubbornly remaining at 10.2 percent in January 2025, unchanged from December. Although food inflation eased marginally to 12.7 percent in January 2025, driven by moderation in key food items, non-food inflation on the other hand rose to 7.3 percent due to higher energy costs, particularly in housing and utilities. Core inflation, which excludes volatile food and energy prices, increased to 6.2 percent in January 2025, reflecting persistent underlying price pressures. The Central Bank anticipates inflation to return to single digits by end 2025, contingent on stable global commodity prices.

The external sector remains resilient, despite ongoing Balance of Payments (BoP) Challenges. The current account balance registered a significant improvement, with the deficit narrowing to US\$74.4 million (3.2 percent of GDP) in 2024 from US\$120.1 million in 2023, supported by stable remittance inflows, program grants, and higher tourist arrivals. However, the goods account deficit widened to US\$1025.01 million (44.6 percent of GDP) due to higher import demand. Foreign exchange market activity increased, with total volumes reaching \$2.1 billion in 2024, compared to \$1.9 billion in the previous year. International reserves remained robust at \$515.99 million in January 2025, providing over 4.6 months of import cover.

On the fiscal side, preliminary data on government fiscal operations indicated that the budget deficit including grants widened to D18.9 billion (13.2 percent of GDP) in 2024, up from D17.1 billion (11.9 percent of GDP) in 2023. Similarly, the domestic debt stock increased by 12.2 percent to D46.4 billion (26.9 percent of GDP) in 2024, driven by higher short-term borrowing to finance the budget and meet short-term refinancing needs.

The financial sector continues to function smoothly with robust liquidity and capital adequacy ratios. As of December 2024, with the exception of non-performing loans ratio, all other key financial soundness indicators remained within their prudential and

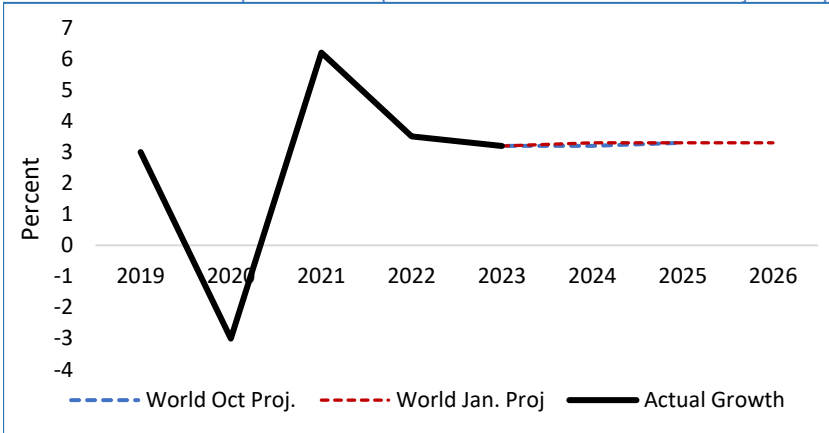
regulatory benchmarks. Furthermore, the industry's total customer deposits increased by 13.1 percent quarter-on-quarter to D66.4 billion during the review period.

The MPC reaffirmed its commitment to maintaining a tight monetary policy stance to anchor inflation expectations and ensure inflation returns to the Bank's medium-term target of 5.0 percent sooner. To aid this process, the Central Bank will employ all the available tools, including the use of CBG bills and other short-term instruments to manage systemic liquidity overhang. In addition, the Committee is of the view that structural reforms to address supply-side challenges, stabilize energy costs, and strengthen food security are critical to maintaining price and macroeconomic stability.

## Global Economic Developments

Global economic growth remains steady as inflation gradually converges closer to central banks targets, with monetary easing supporting activity in both advanced economies and emerging markets and developing economies (EMDEs). In its January 2025 World Economic Outlook Update, the International Monetary Fund (IMF) forecast global growth at 3.3 percent for 2025 and

**Chart 1: Global Output Growth (Jan 2025 vs Oct 2024, WEO Projection)**



Source: IMF, World Economic Outlook, July 2024, CBG staff calculations

2026 respectively. This reflects stronger-than-expected growth in the U.S. and a pickup in China, which have helped offset weaker growth prospects in the Euro Area. However, significant challenges continue to persist, including policy uncertainties, disruptive shifts in trade policies and the impact of geopolitical tensions on international commodity prices, which could weigh on global growth and inflation. On the upside, faster-than-expected disinflation and stronger demand in key markets could provide a much-needed boost, potentially driving global activity beyond current projections.

Nonetheless, growth projections for advanced economies show significant divergence. In the United States, recent data indicate that economic activity continues to expand at a solid pace, supported by strong underlying demand. In the UK, growth is projected at 1.6 percent which reflects the positive effects of increased public investment, which is expected to mitigate the challenges posed by higher taxes. Additionally, rising household incomes and anticipated further interest rate cuts by the Bank of England are contributing to the improved outlook. Furthermore, growth in the Euro Area is expected to improve, albeit slower than previously projected, as geopolitical tensions continue to dampen sentiment. A weaker-than-anticipated performance in late 2024, particularly in manufacturing, along with rising political and policy uncertainty, led to a downward



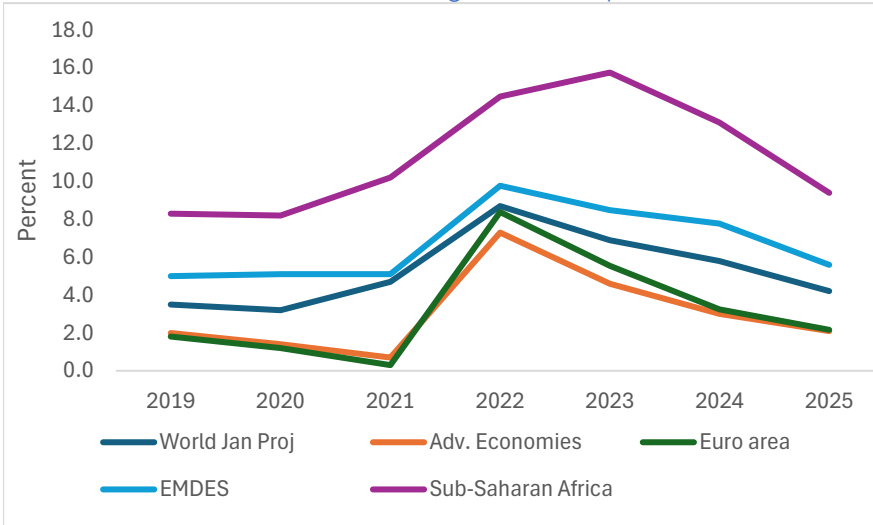
revision of the 2025 growth. However, growth is projected to accelerate in 2026, supported by stronger domestic demand, as financial conditions ease, confidence strengthens, and uncertainty gradually diminishes.

Growth in Emerging Market and Developing Economies (EMDEs) is expected to remain steady in 2025 and 2026, aligning with 2024 levels. China's growth forecast for 2025 has been slightly revised upward to 4.6 percent due to a stronger-than-expected carryover and fiscal stimulus, while India is projected to maintain a stable growth of 6.5 percent. Sub-Saharan Africa region is projected to grow by 4.2 percent in 2025, supported by commodity demand, economic reforms, and investments in key sectors, although 2026 projections have been slightly downgraded. Global financial conditions have eased since mid-2024 due to major central bank rate cuts, while tightening in EMDEs reversed some of these gains. Nonetheless, diverging monetary policies among major economies continue amid inflationary pressures, trade uncertainties, and imbalanced growth trends risking interest rates rising again.

Global disinflation remains on track, but signs of slowing progress have emerged in some

countries, with inflation staying persistently high in certain cases due mainly to pressures from service prices. Global headline inflation is projected to ease to 4.2 percent in 2025 and further to 3.5 percent in 2026, with

**Chart 2: Global inflation, annual average consumer price**



Source: IMF, World Economic Outlook, January 2025

advanced economies reaching their inflation targets sooner than emerging markets and developing economies. Inflation in sub-Saharan Africa is expected to decline at a slightly faster pace in 2025 but will remain higher than earlier projected in 2026. International

commodity prices are projected to decline in both 2025 and 2026, according to the World Bank which is expected to aid the disinflation process in SSA. However, despite this sustained downward trend, most commodity prices remain significantly above pre-pandemic levels.

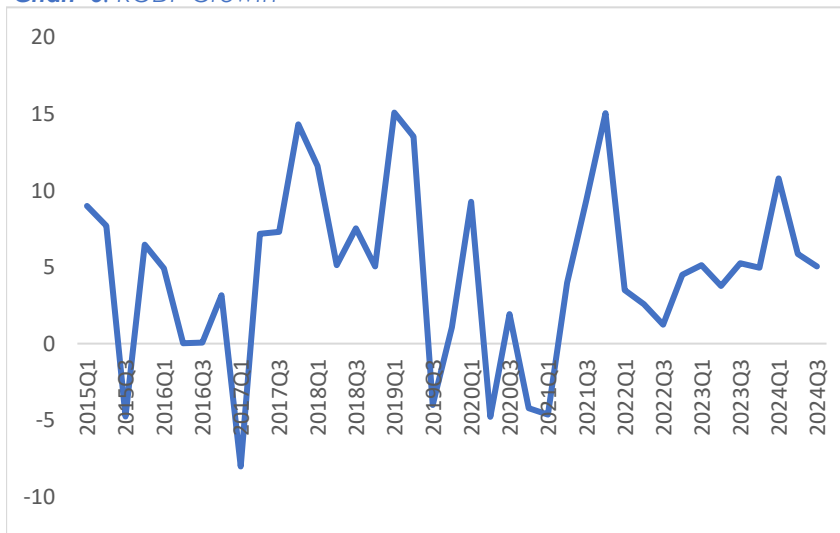
## The Domestic Economy

### Real Sector

Recent data from the Gambia Bureau of Statistics (GBoS) show that the Gambian economy, registered a robust growth averaging around 7.2 percent in the first

three quarters of 2024. This strong performance in real GDP growth was precipitated by solid growth in financial services, redistributive trade, construction, mining & quarrying. In addition, stable

**Chart 3: RGDP Growth**

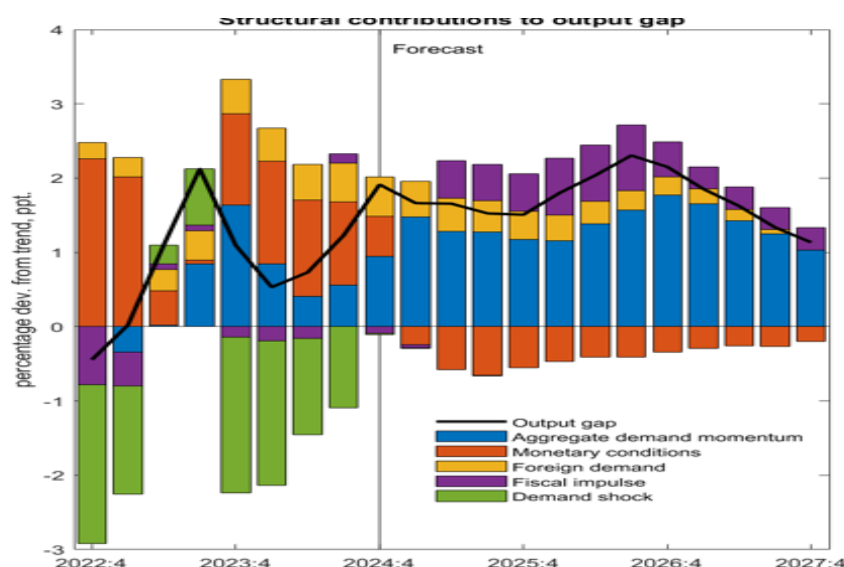


Source: GBoS, CBG staff calculations

remittance inflows and strong public investment aided domestic demand.

Economic growth is expected to strengthen over the medium term, with real GDP growth projected at 5.9 percent in 2025 and 5.3 percent in 2026. These projections represent downward revisions of 0.5 and 1.4 percentage points, respectively, compared to the November 2024 forecast. The downward revision reflects adjustments in key macroeconomic assumptions, including external conditions, fiscal policy adjustments, and

**Chart 4: Structural contribution to output gap**



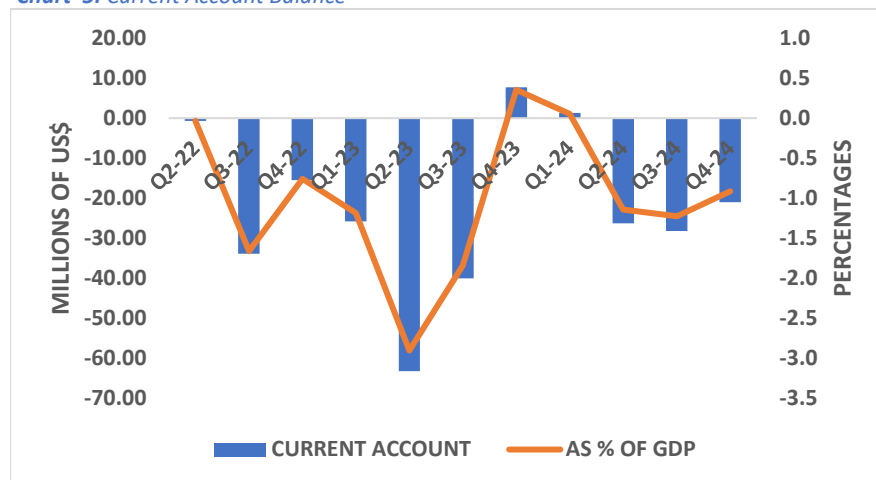
Source: GBoS, CBG staff calculations

domestic economic developments. The projected growth is driven by higher public investment in infrastructure and social services, coupled with rising private sector activity, improved external demand for Gambian services, tourism, and strong remittances inflow which goes to finance private consumption and investment (construction) demand.

## Balance of Payments

Balance of payments pressures continue to persist, mirroring the widening of the trade balance. Preliminary estimates show the current account balance deficit narrowed to US\$21.1million (0.9 percent of GDP) in the fourth quarter of 2024 from US\$28.3 million (1.2 percent of GDP) in the third quarter. In 2024, the current account deficit reached US\$74.4 million (3.2 percent of GDP), a significant improvement compared to US\$120.1 million (5.5 percent of GDP) in the corresponding period of 2023. This improvement is attributed to a rebound in tourism, reduced construction-related imports as major projects near completion, and steady growth in remittance inflows.

**Chart 5: Current Account Balance**



Source: CBG staff calculations

The goods account balance worsened during the fourth quarter of 2024, with the deficit increasing to US\$297.1 million (12.9 percent of GDP) from US\$253.4 million (11.01 percent of GDP) in the previous quarter. This

**Chart 6: Goods Account**



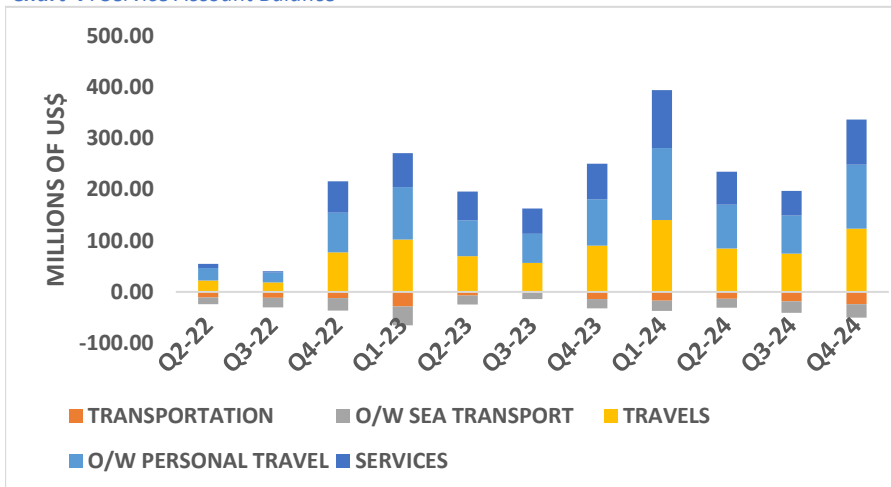
Source: CBG staff calculations

reflects increased demand for imports, particularly electricity, mineral fuel and vehicles.

In 2024, the goods account deficit expanded to US\$1025.01 million (44.6 percent of GDP) compared to US\$877.38 million (40.3 percent of GDP) during the same period in 2023.

Tourist activity showed signs of full recovery, with visitor numbers reaching pre-pandemic levels. This has supported the services account, which registered a surplus of US\$88.5 million in the fourth quarter of 2024, up from US\$48.1 million in the previous quarter.

**Chart 7: Service Account Balance**



Source: CBG staff calculations

Furthermore, in 2024, the services surplus increased to US\$314.2 million from US\$241.7 million in the same period of 2023, driven by substantial growth in tourism-related income.

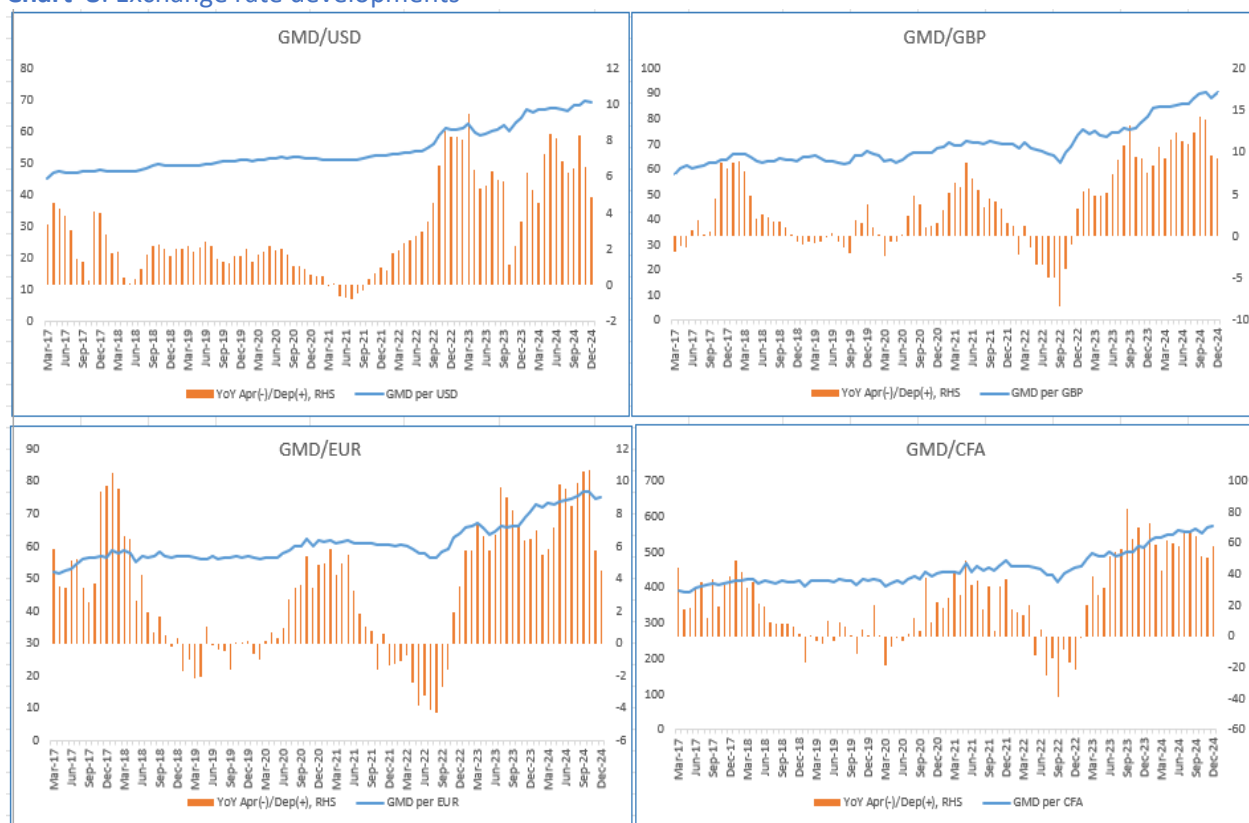
Personal remittances (net) increased to US\$128.2 million in the fourth quarter of 2024 from US\$122.5 million in the third quarter, while cumulative inflows in 2024 increased by 6.0 percent to US\$507.8 million. The capital account surplus improved to US\$39.3 million in the fourth quarter of 2024 from US\$19.1 million in the prior quarter but grew modestly year-on-year, reaching US\$117.9 million compared to US\$142.4 million in 2023, which helped mitigate the deterioration in the current account.

The financial account balance worsens quarter-on-quarter, recording a deficit of US\$196.5 million in the fourth quarter of 2024, compared to a deficit of US\$4.7 million in the previous quarter. In 2024, the financial account reflected higher liabilities with the rest of the world, amounting to US\$337.2 million, up from US\$267.01 million in the corresponding period of 2023, on account of increased direct investment inflows which stood at US\$70.4 million in the review quarter. On the other hand, reserve assets recorded an increase in liabilities of US\$75.3 million while other investments posted a deficit of US\$50.7 million during the same period.

## Exchange Rate Developments

In the domestic FX market, volume of transactions, measured by the aggregate purchases and sales of foreign currency, increased to \$2.13 billion, a 14.1 percent increment from \$1.87 billion recorded in the corresponding period the previous year. The increase is demand-driven, with excess demand for foreign currency increasing to \$96.7 million, compared to \$10.9 million in the prior year, reflecting growing demand pressures to finance the rising import bill. Supply of foreign currency continues to benefit from the stable inflows of private remittances and official inflows. On the demand side, rising imports of energy & electricity, food products, and construction materials continue to weigh on the demand for foreign currency.

**Chart 8: Exchange rate developments**



**Source:** CBG staff calculations

Owing to the persistent supply-demand imbalances in the interbank FX market, the Dalasi continues to be under pressure, depreciating against most major currencies in Q4 2024. From September 2024 to December 2024, it depreciated against the USD by 2.3 percent, GBP by 1.6 percent and CFA Franc by 0.9 percent whilst it appreciated against the EUR

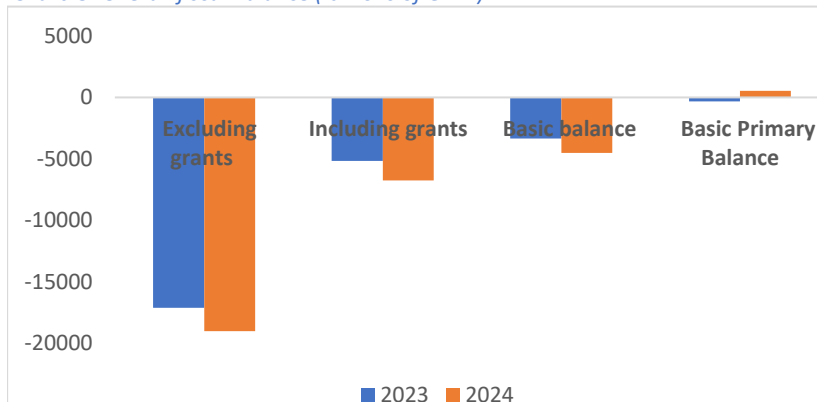
by 0.3 percent. In an endeavour to mitigate excess volatility and enhance liquidity in the domestic foreign exchange market, the Bank intervenes on both sides of the market during the period under review.

## Government Fiscal Operations

Preliminary estimates indicate that despite strong revenue performance, the government's fiscal position worsened in 2024 compared to 2023. The overall budget

deficit, excluding grants, increased from D17.1 billion (11.9 percent of GDP) in 2023 to D18.9 billion (13.2 percent of GDP) in 2024. Similarly, budget deficit including grants widened to D6.7 billion

**Chart 9: Overall fiscal Balance (billions of GMD)**

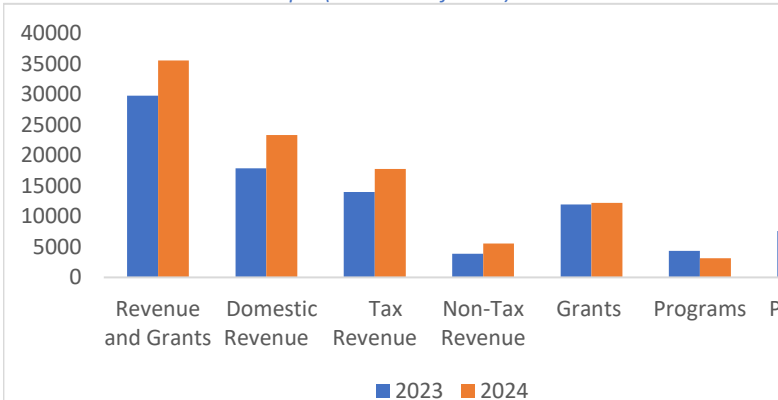


Source: MoFEA & CBG staff calculations

(4.7 percent of GDP) in 2024, compared to D5.1 billion (3.6 percent of GDP) in 2023. The basic balance worsened to D4.5 billion (3.1 percent of GDP) in 2024, from D3.3 billion (2.3 percent of GDP) in the previous year. However, the primary balance improved to D 0.5 billion (0.4 percent of GDP), compared to 0.3 billion (0.2 percent of GDP) in 2023.

Revenue collection continued to increase, underpinned by improved tax

**Chart 10: Government Receipts (In billions of GMD)**



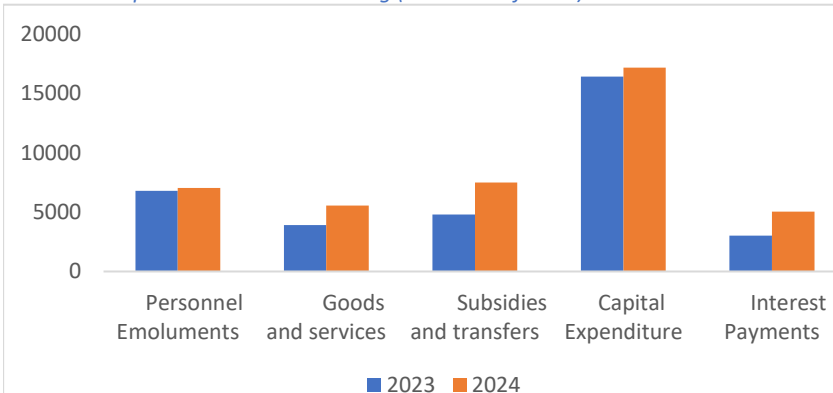
Source: MoFEA & CBG staff calculations

administration, thanks to ongoing reforms in tax administration, including the single window platform, digital weighbridge, and broadening of the tax base. These efforts facilitated better revenue

collection processes while addressing revenue leakages that comes with the manual system. In 2024, total revenue and grants surged by 19.3 percent year-on-year, reaching D35.7 billion, equivalent to 24.7 percent of GDP. The bulk of this increase stemmed from domestic revenue, which grew by 30.5 percent to D23.3 billion or 11.8 percent of GDP, reflecting a strong performance in both tax and non-tax revenue. Tax revenue rose by 27.0 percent to D17.8 billion or 12.4 percent of GDP in 2024, from D13.9 billion or 9.7 percent of GDP in 2023. This was primarily driven by increases in both indirect and direct taxes, which grew by 23.8 percent and 34.1 percent, respectively. Revenue from corporate tax increased by 53.0 percent, while personal tax revenue grew by 10.3 percent. Non-tax revenue expanded by 43.2 percent, reaching D5.5 billion or 3.9 percent of GDP. Grants (programs and projects) increased in 2024, recording D12.2 billion (8.5 percent of GDP), from D11.9 (8.2 percent of GDP) a year ago, of which 75 percent were all project grants.

Total government expenditure and net lending increased by 19.9 percent to D29.7 billion (20.7 percent of GDP), largely driven by a sharp rise in recurrent expenditure, which accounted for 62.3 percent of total spending. Recurrent expenditure surged by 31.9 percent to D18.5 billion or 12.9 percent of GDP. This increase is on account of higher spending on goods & services and subsidies and transfers, which increased by 41.3 percent and 39.8 percent, respectively. Interest payments on domestic debt rose sharply by 86.8 percent, reflecting the increased reliance on domestic financing to finance the fiscal deficit. In the same vein, public investment spending recorded a marginal increase of 4.2

**Chart 11: Expenditure and Net Lending (In billions of GMD)**



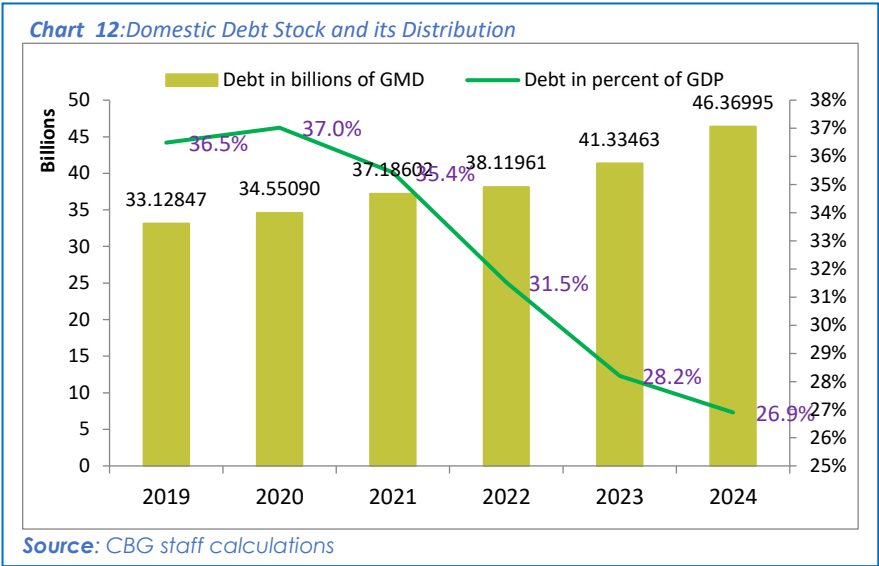
Source: MoFEA & CBG staff calculations



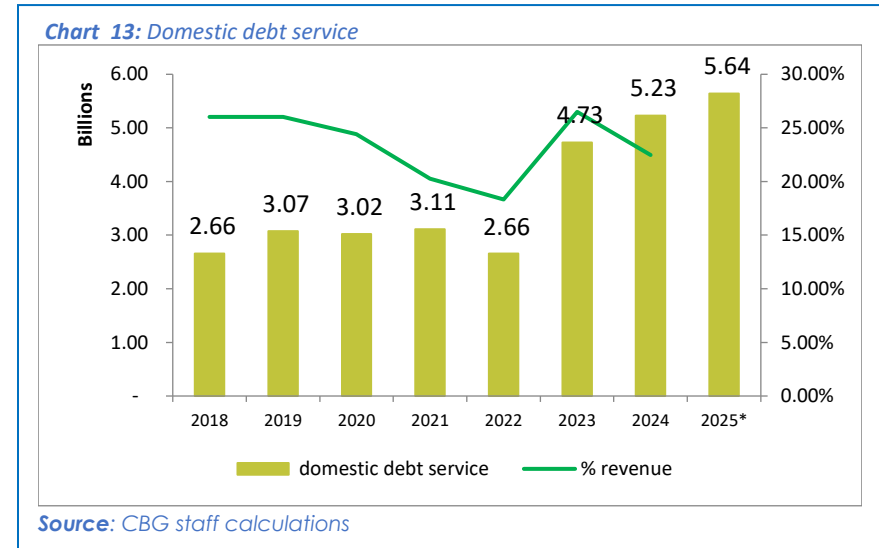
percent, reaching D11.2 billion or 7.8 percent of GDP. However, this was driven by a 23.8 percent rise in government-financed capital projects, as externally financed activities declined slightly by 0.4 percent and loan-funded projects contracted by 14.6 percent.

### Domestic Debt

The domestic debt market continued to expand, with the total debt stock increasing by 12.2 percent (D5.0 billion) from 2023, reaching D46.37 billion in 2024. This significant increase in the nominal value of the debt reflects government's need for additional funds to finance the budget and meet its debt refinancing obligations. However, the ratio of domestic debt to GDP continue to decline reaching 26.9 percent from the 37.0 percent peak recorded in 2020.



In line with the Ministry's debt management strategy to reprofile the debt maturity profile, domestic borrowing was primarily conducted through medium to long-term bond issuance. This led to a decline in the share of short-term debt from 52.67 percent in 2023 to 48.57 percent in 2024 while medium to long-term debt rose from...in 2023 to ... in



2024. This is expected to moderate refinancing and interest rate risks associated with short-term debt.

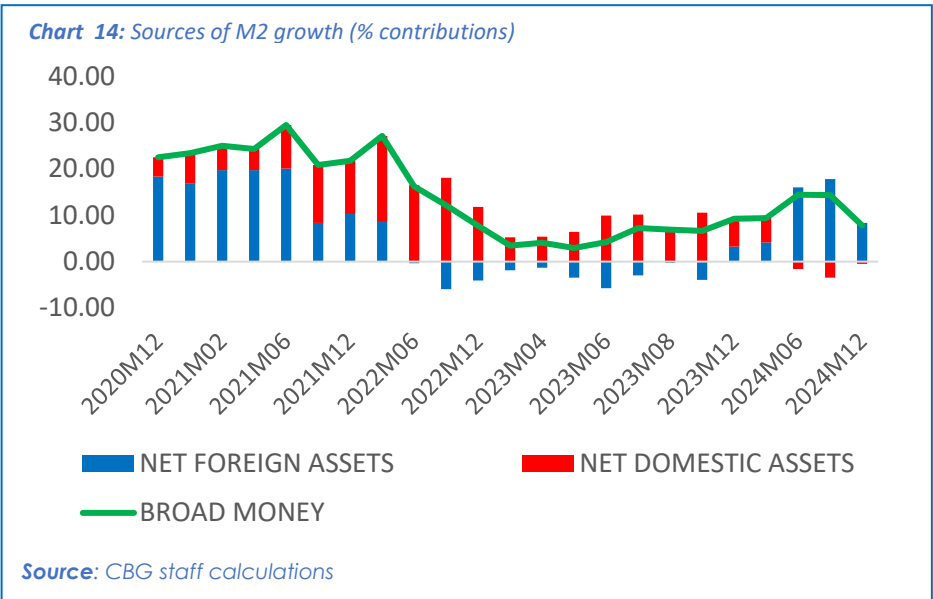
Debt service obligations have also soared, increasing by D504 million from 2023 to D5.2 billion (22.5 percent of domestic revenue) in 2024 (Figure 13). It is projected to further increase to D5.6 billion in 2025. The high proportion of short-term debt amplifies refinancing risks, adding further pressure on government finances.

### Monetary Aggregates

Annual broad money growth moderated to 7.8 percent in 2024, lower than the 9.3 percent growth recorded in 2023. The moderation was driven by the slower growth in depository corporations' NFA, reflecting improved foreign currency liquidity. The primary sources of foreign exchange

continued to be official donor inflows, rebound in tourism receipts, and strong private remittances.

Quarter on Quarter, broad money growth increased to 1.9 percent in Q4



2024, up from the 17.3 in Q3 2024. This uptick is primarily attributed to a 7.9 percent increase in currency outside banks, a stark contrast to the 17.3 percent contraction observed in the previous quarter.

As a result of the contraction in net domestic assets (NDA), the NFA of the banking system became the primary driver of money supply growth, contributing 8.3 percentage points to money supply growth, compared to 3.3 percent contribution in 2023. The change in the dynamics means NFA effectively replaced NDA as the main source of liquidity.

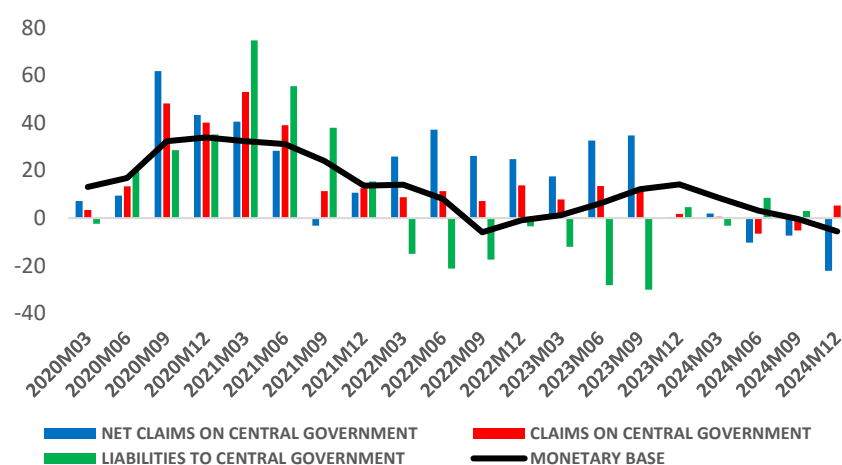
The NFA of depository corporations rebounded since December 2023, driven by improved foreign currency inflows, limiting the need for the Central Bank to intervene in the foreign exchange market. The total NFA of depository corporations grew by 22.6 percent year-on-year to reach D32.1 billion in 2024, compared to a growth of 12.6 percent growth registered in the same period of 2023. Furthermore, quarter-on-quarter analysis indicates a 12.1 percent increase in NFA growth in Q4 2024, compared to a contraction of -2.5 percent growth in Q3 2024, reflecting a 35.1 percent increase in the Central Bank's NFA during the review quarter.

The Central Bank's NFA reached D19.3 billion in 2024, representing a 25.7 percent increase relative to the previous year. This growth is largely attributed to a 21 percent rise in claims on non-residents. However, liabilities to non-residents also grew by 16.5 percent to D18.9 billion, primarily due to IMF program disbursements and SDR allocations. Similarly, the NFA of Other Depository Corporations (ODCs) also continued to recover, growing by 18.2 percent year-on-year, signalling strengthened external financial positions. Claims on non-residents rose by 22.3 percent, from a growth of 3.8 percent in 2023. However, ODCs' liabilities to non-residents also increased by 34.6 percent to D4.8 billion, compared to a 0.9 percent contraction a year ago, reflecting increased external obligations.

The banking system's NDA stood at D44.3 billion in 2024, a 0.8 percent year-on-year contraction. This contraction reflects a decline in growth in other items net (-53.2 percent, up from 83.9 percent a year ago).

Net claims on the government contributed 11 percentage points to NDA growth, compared to 2.7

**Chart 15: CBG net claims gov't growth (Annual Growth Rate)**



Source: CBG staff calculations

percentage points a year ago. Claims on the private sector, which grew by 18.8 percent in 2024, contributed 5.8 percentage points to the growth in NDA, up from 2.6 percentage points.

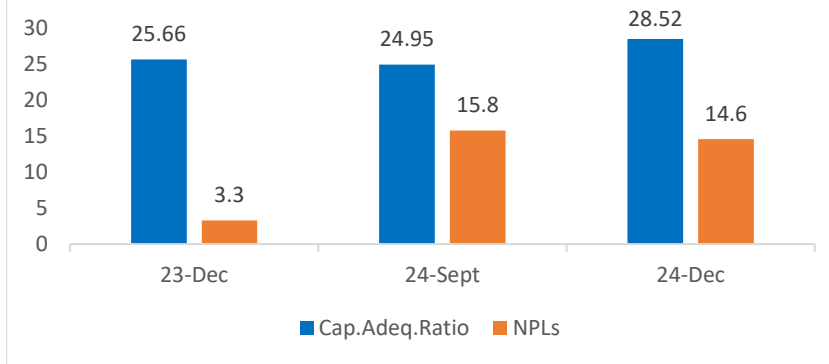
Reserve money (RM), the Bank's operating target, contracted by 5.6 percent year-on-year in 2024, a significant decline from the 14.4 percent growth recorded in 2023. The NDA accounts for 14.4 percent of RM and contributed -22.1 percentage points to RM growth. CBG net claims on government contracted by 22.2 percent year-on-year, compared to 0.3 percent growth a year ago. The contraction in RM also mirrors the declines in currency in circulation and a moderate growth in liabilities to ODCs, pointing to tight liquidity conditions contrasting the volatility in excess liquidity observed in previous years.

Banking Sector

The banking sector remains stable and resilient with robust liquidity and capital adequacy ratios. The risk-weighted capital adequacy ratio of banks increased to 28.5 percent driven by an increase in risk-weighted assets in the review quarter. All the banks met the minimum capital and liquidity requirements of 10 percent and 30 percent, respectively.

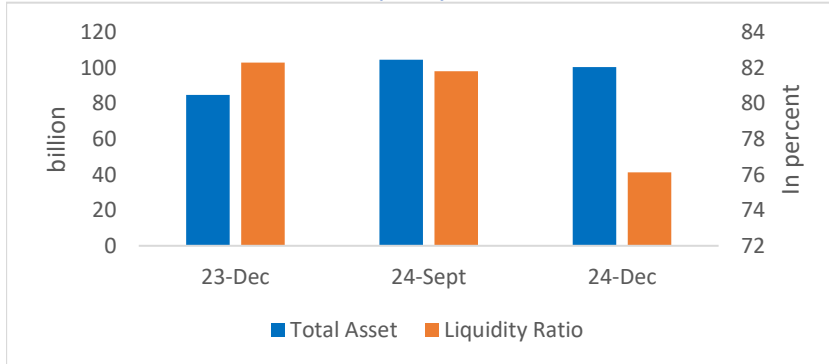
On asset quality, the industry's non-performing loans (NPLs) stood at 14.6 percent of gross loans in December

Chart 16: Capital Adequacy Ratio and NPLs



Source: CBG staff calculations

Chart 17: Total Assets and Liquidity Ratio



Source: CBG staff calculations

2024, lower than 16.6 percent in the previous quarter but higher than 3.3 percent recorded in December 2023. Furthermore, the industry's profitability continued to improve, enhanced by improvements in incomes from securities and incomes on loans and advances. The industry net income increased to D2.8 billion in 2024 a 35.9 percent annual increment. Return on assets (ROA) increased slightly, from 2.6 percent in December 2023 to 3.1 percent in December 2024, similarly, ROE increased to 28.2 percent in December 2024 from 21.7 percent in December 2023 as the industry.

The industry's asset base expanded by 18.4 percent (year-on-year), from D84.8 billion in the December quarter of 2023, to D100.3 billion in the review period, benefiting largely from a rise in the holding of government securities and other assets. During the quarter under review, gross loans and advances extended by commercial banks witnessed an increase of 10.9 percent to 18.8 billion, from 16.9 billion recorded in the same period last year. Nonetheless, loan-to-deposit ratio declined marginally from 28.8 percent to 28.2 percent, highlighting low financial intermediation within the sector. The total customer deposits, which remains to be the main source of funding for banks, grew by 13.1 percent year-on-year to D66.4 billion, from D58.73 billion in December 2023.

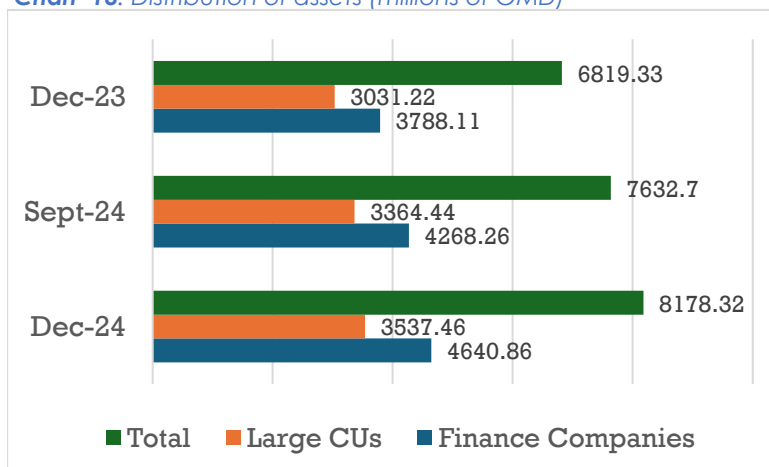
### Non-Bank Financial Sector

The non-bank deposit-taking financial institutions sector is experiencing steady growth, driven by contributions from both Finance Companies and Credit Unions. While Finance Companies currently dominate the sector, Credit Unions are expanding at a faster rate. During the review period, total assets of Finance Companies (FCs) increased by 9 percent, reaching GMD 4.6 billion at end-December 2024, from GMD 4.3 billion at end-September 2024. The increment was primarily driven by an increase in cash and bank balances and gross loans by 17 percent and 21 percent respectively. Similarly, the total assets of the Credit Unions (CU) increased 5 percent to GMD 3.5 billion in the review period from GMD 3.4 billion in the prior quarter, on account of an increase in cash and bank balance and investments.

Total deposits of Finance Companies (FCs) increased by 9 percent to GMD 3.3 billion at end-December 2024, from GMD 3.0 billion at end-September 2024, reflecting expanded

financial inclusion by finance companies. The same trend is seen in the credit unions as their total deposits increased by 3 percent to GMD 2.8 billion in the review quarter from GMD 2.7 billion in the prior quarter, owing to robust deposit mobilization efforts. On the level of financial intermediation, Finance Companies' gross loans and advances saw a 21 percent increase during the review period compared to the previous quarter. The largest chunk of the loans is directed towards SMEs, indicating a industry's strong focus on supporting small

**Chart 18: Distribution of assets (millions of GMD)**

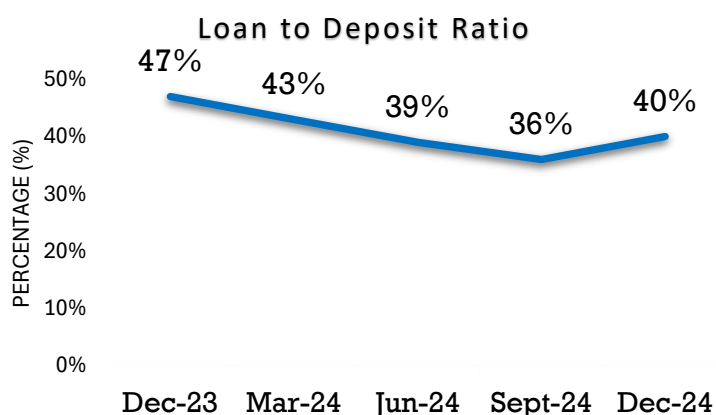


Source: CBG staff calculations

and medium-sized businesses, which are often crucial for economic growth and employment. This is closely followed by personal loans, construction, transportation and agriculture. A similar direction is observed with the credit unions with an increase of 3 percent quarter on quarter.

The risk-weighted capital adequacy ratio of Finance companies stood at 32 percent at end-December 2024, higher than the regulatory benchmark of 20 percent. The loan-to-

**Chart 19: Loan to Deposit Ratio**



Source: CBG staff calculations

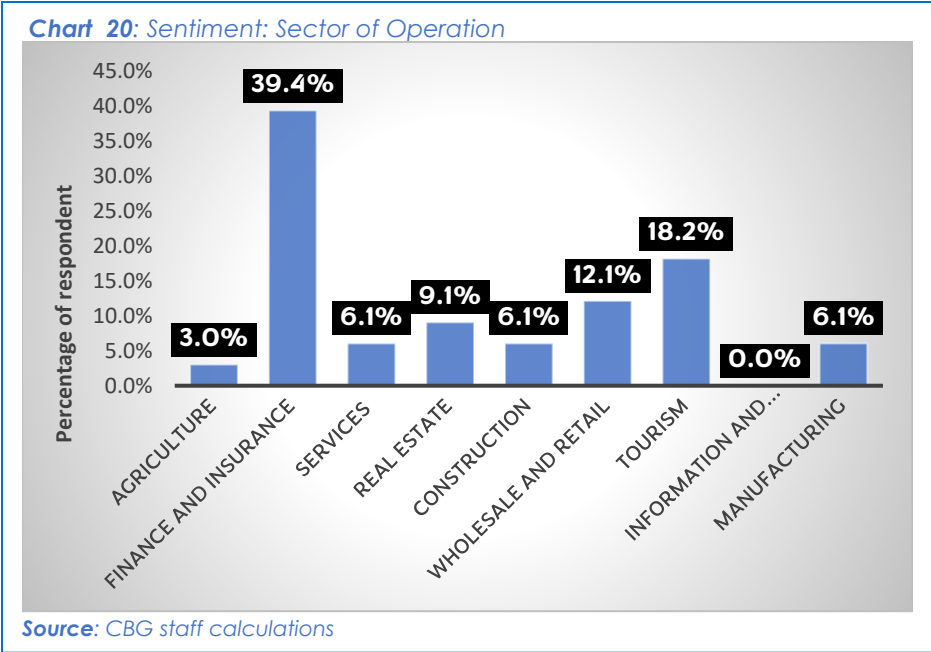
deposit ratio has increased in the review quarter compared to the previous quarter but lower than the corresponding period a year ago. The liquidity ratio stood at 80 percent in the review period and was significantly above the 30 percent prudential requirement. In

terms of asset quality, the non-performing loans of the FCs remained high at 7 percent of

gross loans as at end-December 2024. Similarly, the Credit Unions continues to enjoy healthy financial soundness Indicators, with all CUs meeting the prudential regulatory limits during the period.

### Business Sentiment Survey

The Bank's February 2024 Private Business Sentiment Survey (PBSS) results reveal a mixed yet optimistic outlook among businesses. Most businesses that participated in the survey were optimistic about the near-term growth prospects of the Gambian economy. Most surveyed businesses plan to increase production in the next three months, citing the expected improvement in economic conditions, business confidence, and easing external market factors as the main factors influencing their opinion. The expected strong



consumer demand, recovery in manufacturing and services is also anticipated to further fuelled business confidence and support this favourable growth outlook. Business are also anticipating stronger investment

in both physical and human capital to allow them to engage in the anticipated higher production, suggesting the return of confidence.

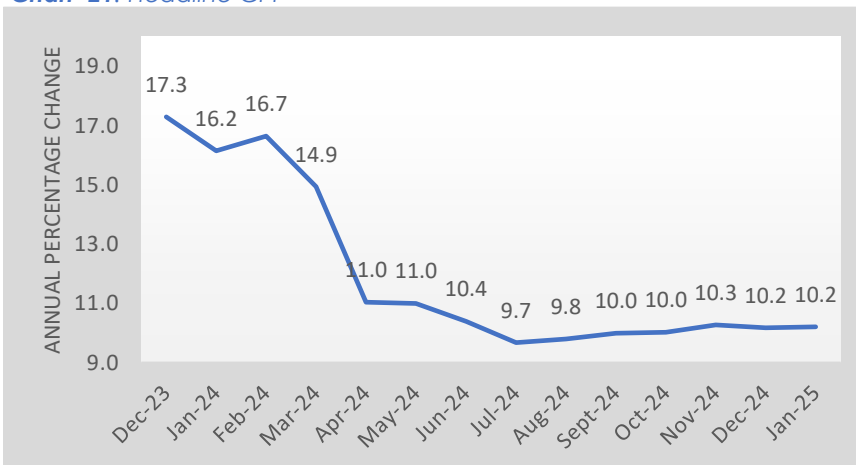
On inflation, although inflation expectations are expected to moderate somewhat in the near-term, businesses see inflationary pressures to remain in the next three months in the absence of policy interventions. Respondents cite the rising fuel prices, increased taxes, and depreciation of the dalasi as the main factors for driving their expectations. Similarly, exchange rate pressures continue to persist, with businesses anticipating further

depreciation of the dalasi, driven by multiple economic factors, including the perceived shortage of foreign supply, which failed to meet the increasing demand for imports. Nevertheless, businesses continue to express confidence in CBG's efforts in stabilizing inflation and the financial system, pointing to strong monetary policy credibility.

## Price Developments

Inflationary pressures remain persistent, with headline inflation stubbornly staggering at 10.2 percent in January 2025, unchanged from December 2024. This marks a notable shift from the earlier downward trajectory observed in mid-2024 when inflation was firmly on the decline after falling from a peak of 18.5 percent in September 2023 to 9.7 percent in July 2024. Although some disinflationary forces—such as moderating global food prices—remain in play, their impact

**Chart 21: Headline CPI**



Source: CBG staff calculations

has been dampened by rising energy costs and persistent exchange rate pressures. The reemergence of inflationary pressures is particularly driven by stiff price of fuel and housing-related prices, largely reflecting structural rigidities in domestic administered prices. Specifically, administered inflation rose from 0.97 percent in June to 1.56 percent in October, before accelerating further to 1.72 percent in January 2025. This increase, reflects ongoing adjustments in regulated prices, including fuel price revisions and utility tariff adjustments.

Although headline inflation remains unchanged at 10.2 percent, food inflation decelerated slightly to 12.7 percent in January 2025 from 12.8 percent recorded in December 2024, supported by the decrease in the consumer prices of most components of the food basket, with the exceptions of Bread cereals and Oil and Fats. However, non-



food inflation rose from 6.6 percent in October 2024 to 7.3 percent in January 2025, signalling persistent inflationary pressures in key non-food sectors. The increase in non-food inflation was driven primarily by the increase in housing, energy, and services prices during the review period.

Furthermore, the Central Bank's core measures of inflation, which excludes volatile components of food and energy prices, indicate a gradual but increasing trend in January 2025. Core 1 inflation that excludes volatile energy products from the headline inflation rose to 4.6 percent in January 2025 from 3.5 percent in December 2024. Core 2 inflation that further excludes volatile food products also increased to 6.2 percent in January 2025, from 5.3 percent in December 2024. The upward movement in core inflation suggests that price pressures are becoming more entrenched in the broader economy, complicating the battle to return inflation to the Bank's medium-term target sooner.

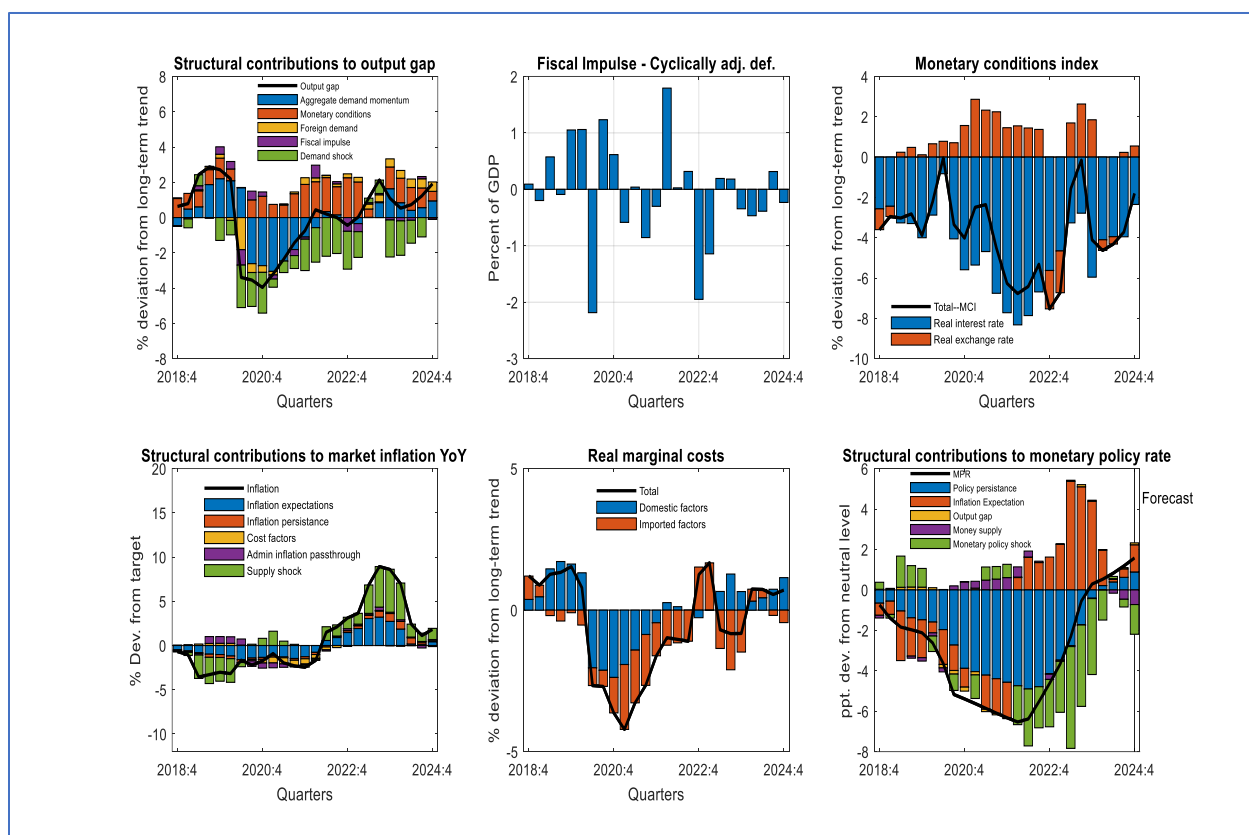
### Assessment of the Medium-Term Economic Outlook

Staff assessment of current economic conditions revealed an increased output gap in the final quarter of 2024, driven by robust domestic demand which was supported by strong public investments and foreign demand. Headline inflation accelerated during the same period, reflecting high food prices and soaring underlying inflationary pressures in the domestic economy. Furthermore, reserve money supply declined reacting to the previously high excess liquidity and expected high inflation. The nominal exchange rate remained relatively stable in quarter four of 2024, despite some depreciation pressures.

On the outlook, economic growth is projected to remain robust, averaging around 5.9 percent and 5.3 percent in 2025 and 2026 respectively. This strong performance is premised on anticipated public investment and buoyant foreign demand over the forecast horizon. Headline inflation is expected to temporarily rise, peaking in mid-2025 before declining to the single digit region by the end of 2025. The initial pick-up in inflation over the forecast horizon mirrors the expected higher global food prices. Nonetheless, the envisaged tight monetary policy path will ensure inflation returns to target. The Dalasi

is expected to remain stable, which is expected to dampen the impact of imported costs and support the projected disinflation process.

**Chart 22: Economic Outlook**



**Source:** CBG staff calculations

Notwithstanding this encouraging outlook, significant uncertainties/risks remain, which could disrupt macroeconomic path envisaged in the baseline. This was capture by staff as potential disruption in international trade and its impact on global commodity prices, domestic inflation and exchange rate pressure. Potentially, this will drive domestic inflation above the baseline forecast and lead to a further depreciation of the dalasi, prompting a tighter monetary policy stance than the baseline. As a result, output in the medium-term will be lower than in the baseline forecast.

## Decision

Although growth and inflation outlook are favourable, the Committee assessed that significant risks remain, particularly the potential impact of trade fragmentation on domestic inflation. To this end, the Committee believed that it was necessary to keep policy tight to ensure that the disinflation process continues, and inflation gradually returns to its medium-term target. Thus, the Committee decided to maintain the monetary policy rate at 17 percent. The Committee also decided to maintain the required reserve (RR) at 13 percent, the interest rate on the standing deposit facility at 4 percent and the standing lending facility at 18.0 percent or 1 percentage point over the MPR.

## Next MPC Meeting

The next Monetary Policy Committee (MPC) meeting is scheduled for Wednesday, May 28, 2025. The meeting will be followed by the announcement of the policy decision on Thursday, May 29, 2025.

## APPENDIX

*Table 1: Global Growth Rates and Forecasts (Percent changes)*

Group Name	Estimates						Projections		
	2017	2018	2019	2020	2021	2022	2023	2024	2025
World	3.8	3.6	2.8	-3.1	6.1	3.5	3.3	3.3	3.3
Advanced economies	2.5	2.5	1.6	-4.5	5.2	2.6	1.7	1.7	1.9
Euro area	2.6	1.9	1.3	-6.3	5.4	3.4	0.5	0.8	1.0
Emerging markets and developing economies	4.8	4.5	3.7	-2.0	6.8	4.1	4.4	4.2	4.2
Emerging and developing Asia	6.6	6.4	5.4	-0.8	7.3	4.5	5.7	5.3	5.0
Emerging and developing Europe	4.1	3.4	2.5	-1.8	6.7	1.2	3.2	3.2	2.2
United States	2.3	3.0	1.4	-3.4	5.7	1.9	2.5	2.8	2.2
United Kingdom	1.7	1.3	1.4	-9.3	7.4	4.3	0.1	0.7	1.5
Sub-Saharan Africa	3.1	3.2	3.2	-1.6	4.6	4.0	3.4	3.6	4.2

*Table 2: Summary of current account balance*

	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
C/ACCOUNT	-15.52	-25.84	-63.33	-40.14	7.72	1.28	-26.33	-28.26	-21.06
GOODS	-197.40	-211.21	-244.35	-201.79	-224.03	-238.12	-236.32	-253.44	-297.13
SERVICES	61.20	66.50	56.08	49.28	69.39	113.30	64.30	48.05	88.53
PRIMARY INCOME	-6.3	-6.5	-6.1	-3.9	-8.0	1.6	13.1	49.9	17.8
SECONDARY INCOME	126.9	125.4	131.1	116.3	170.4	124.5	132.6	127.2	169.7
CAPITAL ACCOUNT	20.5	9.6	51.8	14.2	68.0	31.4	28.11	19.08	39.32
FINANCIAL ACCOUNT	-64.1	-104.7	-38.7	-10.9	-114.7	-101.8	-34.2	-4.7	-196.5

*Table 3: Summary of goods account balance*

	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
GOODS	-197.40	-211.21	-244.35	-201.79	-224.03	-238.12	-236.32	-253.44	-297.13
EXPORTS	7.50	78.97	100.42	81.14	66.55	81.37	71.32	99.32	111.30
IMPORTS	205.00	290.18	344.77	282.93	290.58	319.49	307.64	352.76	408.43

*Table 4: Summary of services account balance*

	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
SERVICES	61.20	66.50	56.08	49.28	69.39	113.30	64.30	48.05	88.53
TRANSPORTATION	-12.00	-28.31	-7.00	-1.38	-13.98	-17.04	-13.33	-18.54	-24.26
O/W SEA TRANSPORT	-24.80	-37.10	-17.70	-12.60	-18.38	-19.95	-17.39	-22.60	-26.08
TRAVELS	77.60	102.10	69.86	56.77	90.42	140.40	85.12	74.51	123.81
O/W PERSONAL TRAVEL	77.60	102.68	70.28	56.97	90.82	140.76	85.55	74.85	124.64

Table 5: Summary of capital and financial account balance

	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
FINANCIAL ACCOUNT	-64.1	-104.7	-38.7	-10.9	-114.7	-101.8	-34.2	-4.7	-196.5
O/W DIRECT INVESTMENT	-58.7	-63.1	-60.0	-48.3	-34.8	-46.8	-60.3	-54.8	-70.4
O/W OTHER INVESTMENT	57.6	-24.7	-24.8	-6.9	29.2	-32.3	31.8	29.2	-50.7
O/W CHANGE IN RESERVE ASSET	-62.9	-16.9	46.1	44.3	-109.2	-22.7	-5.7	20.9	-75.3

Table 6: Inter-bank Transactions Volumes (in US 'millions)

QUARTERLY US\$			
	PURCHASES (US\$)	SALES (US\$)	VOLUMES (US\$)
Q4 – 2023	208.32	208.90	417.22
Q1 – 2024	284.70	316.21	600.91
Q2 – 2024	259.42	303.59	563.01
Q3 – 2024	229.82	249.57	479.39
Q4 – 2024	244.12	245.39	489.51

Table 7: Quarterly mid-market transaction rates

PERIOD	USD	EURO	GBP	CFA
Q4 – 2023	62.48	68.52	78.61	510.72
Q1 - 2024	66.77	72.55	84.48	536.85
Q2 – 2024	67.29	73.48	85.27	552.13
Q3 – 2024	67.49	75.80	88.12	559.07
Q4 – 2024	69.05	75.51	89.55	564.27
Q3/Q4 2024	2.3percent	-0.3percent	1.6percent	0.9percent
YOY	10.51percent	10.20percent	13.9percent	10.49percent

Table 8: The Overall Budget Balance

	GMD' million		percent of GDP		Y-o-Y percent
	2023	2024	2023	2024	
Overall balance					
Excluding grants	-17,082.97	-18,981.43	-11.9	-13.2	11.1
Including grants	-5,162.65	-6,756.71	-3.6	-4.7	30.9
Basic balance	-3,339.19	-4,503.36	-2.3	-3.1	-271.1
Basic Primary Balance	-315.79	540.37	-0.2	0.4	-1.3
CBG Financing	-1,054.98	-2,847.48	-0.74	-2.0	169.91

*Table 9: Revenue and Grants*

Government Receipts	2023	2024	2023 -2024
	GMD' million	GMD' million	Y-o-Y percent Δ
Total Revenue & Grants	29,762.44	35,515.90	19.3
Percent of GDP	20.7	24.7	
Domestic Revenue	17,842.13	23,291.18	30.5
Percent of GDP	12.4	16.2	
Tax Revenue	13,980.59	17,760.93	27.0
Percent of GDP	9.7	12.4	
Direct Tax	4,376.73	5,867.78	34.1
Personal	1,630.48	1,798.97	10.3
Corporate	2,474.52	3,786.00	53.0
Indirect Tax	9,603.86	11,893.16	23.8
Domestic Tax on goods & services	2,780.97	3,442.75	23.8
Tax on Int'l. Trade	486.74	680.72	39.9
Duty	807.46	1180.43	46.2
Sales tax on imports	1,825.31	2,034.51	11.5
Non-tax Revenue	3,861.54	5,530.25	43.2
Percent of GDP	2.7	3.9	
Grants	11,920.32	12,224.72	2.6
Grants	2278.23	2043.33	-10.3
Percent of GDP	1.6	1.4	
Program	0	0	0
Projects	2278.23	2043.33	-10.3

*Table 10: Total Expenditure and Net Lending*

Government Expenditures	2023		2024		2023-2024
	GMD' Million	percent of GDP	GMD' Million	percent of GDP	Y-o-Y percent Δ
Expenditure & Net Lending	34,925.09	24.3	42,272.61	29.5	21.0
Current Expenditure	18,519.99	12.9	25,104.84	17.5	35.6
Personal Emoluments	6,804.62	4.7	7,023.86	4.9	3.2
Other Charges	8,691.96	6.1	13,037.23	9.1	50.0
Goods and services	3,902.07	2.7	5,547.17	3.9	42.2
Subsidies and transfers	4,789.90	3.3	7,490.06	5.2	56.4
Interest Payments	3,023.40	2.1	5,043.73	3.5	66.8
External	677.67	0.5	769.67	0.6	13.6
Domestic	2,345.73	1.6	4,274.07	3.0	82.2
Capital Expenditure	16,405.10	11.4	17,167.78	12.0	4.6
Externally Financed	13,743.77	9.6	14,478.07	10.1	5.3
Loans	6,155.01	4.3	5,404.39	3.8	-12.2
Grants	7,588.76	5.3	9,073.68	6.3	19.6
GLF Capital	2,661.32	1.9	2,689.71	1.9	1.1

*Table 11: Summary of Monetary Developments*

Key Monetary Aggregates									
Variable	Level (million)		Annual percent changes					Quarterly percent Changes	
	Q4,2023	Q4,2024	23-Dec	24-Mar	24-Jun	24-Sept	24-Dec	24-Sept	24-Dec
NFA (Banking Sector)	26152.5	32058.8	8.8	11.4	54.9	68.8	22.6	-2.5	12.1
NDA (Banking Sector)	44656.2	44290.8	9.5	8.2	-2.3	-4.6	-0.8	3.1	-4.4
Claims on Gov't, net	41033.4	45939.1	2.7	7.2	4.7	6.2	12.0	3.3	-4.6
Claims on Public Nonfinancial Corporation	4182.5	3481.6	28.0	28.9	30.0	50.8	-16.8	-6.2	5.3
Claims on Private Sector	12726.2	15325.2	9.2	17.4	2.0	3.4	20.4	3.8	18.0
BROAD MONEY	70808.7	76349.7	9.3	9.4	14.4	14.4	7.8	0.9	1.9
Narrow Money	42582.3	45923.0	12.6	11.0	17.8	17.2	7.8	-1.7	1.9
Transferable Deposits	28475.4	33765.4	14.2	15.0	31.2	27.7	18.6	4.9	-0.1
Reserve Money	23887.0	22555.8	14.1	8.5	3.1	-0.3	-5.6	-5.8	0.2

*Table 12: Key Financial Indicators for FCs*

INDICATOR	23-Dec	24-Sept	24-Dec	INCREASE (DECREASE)	PRUDENTIAL/ REQUIREMENT
<b>CAPITAL</b>					
Capital Adequacy Ratio	25.7	25.0	28.5	3.5	10.00percent
<b>ASSET QUALITY</b>					
NPL Ratio	3.3	15.8	14.6	-1.2	Single Digit
<b>EARNINGS</b>					
ROA	2.5	2.3	3.1	0.8	Positive ratio
ROE	21.7	21.0	28.2	7.2	Positive ratio
<b>LIQUIDITY</b>					
Liquid Assets Ratio	82.3	81.8	76.1	-5.7	30.00percent
<b>MARKET RISK</b>					
Net Open Position	4.7	1.4	-6.0	-7.4	+/-25percent

*Table 13: Food Price Development (Annual Percentage Change)*

Y-O-Y INFLATION	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Jan-25
FOOD INFLATION	23.5	25.0	22.5	20.3	14.4	13.0	12.8	12.7
BREAD CEREALS	22.3	24.5	15.3	16.8	11.4	11.9	13.4	14.2
MEAT	15.8	16.3	18.4	10.8	7.5	9.3	10.2	10.6
FISH	32.6	35.9	42.9	32.9	18.8	18.1	15.6	14.4
MILK, CHEESE AND EGGS	27.4	25.9	16.8	14.0	13.8	15.0	17.0	16.4
OILS AND FATS	13.9	9.5	6.7	5.9	0.8	0.8	4.4	4.9
FRUITS & NUTS	14.9	18.2	19.9	22.4	14.8	12.8	12.9	12.1
VEGETABLES	31.8	34.4	33.0	27.9	25.6	16.0	14.1	13.9
SUGAR, JAM, HONEY & SWEETS	19.2	19.9	19.9	21.4	17.2	17.3	8.6	7.7
NON-ALCOHOLIC BEVERAGES	13.2	13.0	12.8	8.6	5.0	4.8	4.8	4.8



*Table 14: Non-Food Price Development (Annual Percentage Change)*

Y-O-Y NON-FOOD INFLATION	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Jan-25
NON-FOOD PRODUCTS AND SERVICES	11.5	11.2	11.2	8.7	5.5	6.3	6.9	7.3
CLOTHING & FOOTWEAR	22.2	31.2	32.3	19.6	15.9	9.9	8.3	8.3
HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	32.0	29.7	29.3	19.6	5.4	14.9	18.4	20.0
HEALTH	2.6	2.3	1.9	0.9	0.4	0.6	0.6	0.6
TRANSPORT	4.7	1.5	3.6	3.3	6.3	5.2	2.9	3.0
COMMUNICATION	0.2	0.1	0.0	-0.1	0.0	0.0	0.0	0.0
RECREATION AND CULTURE	35.4	35.4	6.4	2.7	3.1	3.8	4.1	5.0
NEWSPAPERS, BOOKS AND STATIONERY	45.9	46.0	0.6	0.6	0.2	0.1	0.0	0.0
HOTELS, CAFES, AND RESTAURANTS	21.3	22.1	20.9	15.5	4.6	6.6	8.3	9.7
MISCELLANEOUS GOODS AND SERVICES	3.7	6.8	9.6	8.4	6.8	4.4	4.1	3.1

*Table 15: Annual Core inflation*

Y-o-Y Inflation	Jun-23	Sept-23	Dec-23	Mar-24	Jun-24	Sept-24	Dec-24	Jan-25
Headline Inflation	17.8	18.5	17.3	14.9	10.4	10.0	10.2	10.2
Core 1 Inflation	23.1	24.2	20.8	15.4	4.5	2.2	3.5	4.6
Core 2 Inflation	20.8	22.5	19.2	15.4	5.4	3.1	5.3	6.2