CENTRAL BANK OF THE GAMBIA

MONETARY POLICY COMMITTEE

MINUTES OF MEETING NO.92 **November 25-26, 2024**

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia (CBG) convened on November 25-26, 2024. The Committee reviewed developments in the domestic economy and emerging risks to inflation and growth outlook and decided to maintain the monetary policy rate at 17.0 percent. The meeting was attended by 8 Members of the Committee.

MPC Members Present

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

Report Presenters

Name	Designation
Mrs. Aji Adam Njie	Economist, Economic Research Department
Mr. Alagie B. Sowe	Economist, Economic Research Department

Mrs. Fatou Sanyang	Banking Officer, Banking and Payment Systems Department
Mr. Kajali Jawara	Senior Bank Examiner, Banking Supervision Department
Mr. Karamo Sawaneh	Senior Bank Examiner, Banking Supervision Department
Mr. Pa Lamin Sonko	Officer, Other Financial Institutions Supervision Department
Mr. Momodou A. Jallow	Officer, Financial Markets and Reserve Management Department
Mr. Macodou N. Njie	Statistician, Economic Research Department
Mr. Ansou Manneh	Assistant Statistician, Economic Research Department
Dr. Foday Joof	Risk Management Officer, Economic Research Department
Mr. Saikou Jammeh	Economist, Economic Research Department
Mr. Habib Ceesay	Statistician, Economic Research Department
Mrs. Mariama Ceesay	Economist, Economic Research Department

Agenda

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

Opening Remarks by the Chairman

2. The Governor and Chairman of the Committee welcomed Members to the final Monetary Policy Committee Meeting (MPC) for the year 2024. On behalf of the Committee, he began by congratulating Mr Amadou Ceesay on his appointment as an external member for a two-year term and expressed confidence in working closely with him.

3. Emphasizing the core mandate of the Committee of achieving and maintaining price stability, the Chairman urged Members to remain fully focused on this objective. He reaffirmed the independence of the MPC, stressing that decisions should be guided solely by what each Member deems to be in the best interest of the Gambian economy and the well-being of its people. He underscored the urgency of deploying all available policy tools to ensure inflation returns to the Central Bank's medium-term target of 5 percent.

4. The Governor also flagged the persistent exchange rate pressures which continue to weigh on the disinflation process. Notwithstanding, the Chairman was hopeful that the commencement of the tourist season and the expected budget support would ease foreign currency supply conditions and dampen depreciation pressures. This, coupled with the current stance of monetary policy, the Governor expressed optimism that the inflation would reverse the upward trend observed in recent months.

5. However, to ensure inflation follow this trajectory, it is important to continue tackling supply-side constraints. To this effect, the Governor welcomed the news of the arrival of essential commodities into the country including rice, sugar, and fuel. He noted that this will ease supply conditions and help stabilise prices of food in the economy. In addition, the promising cropping

season is also expected to increase the supply of food and support the expected decline in food prices.

6. Nonetheless, he noted that the uncertainties surrounding the global economy, particularly the ongoing trade fragmentation remain a significant risk to international commodity markets. As a net importing country, he warned that these risks could potentially derail the gains made in the fight against inflation. Therefore, the Chairman reiterated the need to ensure all policy tools are at work, including the use of CBG bills to management the excess liquidity in the system. On this note, the Governor reminded Members to stay focused on safeguarding the macroeconomic gains made while we stair policies towards returning inflation to its target sooner rather than later.

7. In conclusion, he commended staff and MPC Members for their staunch commitment to delivering on the Bank's mandate. He noted that while so much has been achieved, the Committee will not stop until the Bank's mandate is achieved for the betterment of the Gambian people.

Review and Adoption of Minutes of MPC Meeting No. 91

8. The minutes of the MPC Meeting No.91 were reviewed and adopted after minor adjustments.

Presentation of Reports

9. Presentations and discussions of reports took place in the following order:
   - Developments in the Global Economy
   - Government Fiscal Operations
   - Domestic Debt Development
   - External Sector (Balance of Payment and Foreign Exchange Market)

- Real Sector
- Business Sentiment Survey
- Banking Sector (Recent Developments
- Stress Testing, and Foreign Currency Net Open Position
- Non-Bank Financial Sector, Financial Market
- Monetary Sector
- Inflation
- Staff Assessment and Outlook
    - Assessment of the current economic conditions
    - Baseline forecasts
    - Alternative scenarios

Global Economic Developments

10. The presentation on the Global Economic Developments report highlighted key developments since the last MPC and the near-term outlook. The presentation was based on the October 2024 World Economic Outlook (WEO) published by the International Monetary Fund (IMF), Global Economic Prospects by the World Bank and the OECD Economic Outlook.

11. The report revealed that global economic growth remained robust since the last MPC quarter, supported by a steady decline in inflation, offsetting the adverse effects of tight financial conditions. This strong performance was largely explained by the sustained momentum in the services sector, higher household incomes and consumption. In addition, the faster-than-expected recovery in global trade also supported economic activity with many countries registering favourable trade performance. Against this backdrop, the International Monetary Fund (IMF) in its latest WEO in October 2024, maintained the global growth projections for both this year

and 2025 at 3.2 percent, unchanged from the forecast in the July WEO update. Similarly, the World Bank and OECD all expect global growth to remain steady in 2024, while projecting higher growth for 2025.

12. Notwithstanding, prospects of the global economy continue to be clouded with significant uncertainties. The ongoing geopolitical tensions in Ukraine and the Middle East, and the heightened geoeconomic fragmentation could further disrupt global trade and economic activity.

13. The report showed encouraging signs of regional economic prospects. It highlighted strong performances in some advanced economies with the US economy outperforming expectations. This prompted the IMF to revise its 2024 growth forecast upward by 0.2 percentage points from the July projection, bringing it to 2.8 percent. Similarly, the growth outlook for emerging markets and developing economies remained notably stable over the next two years, expected to hover around 4.2 percent, before easing to 3.9 percent by 2029. For sub-Saharan Africa, GDP growth is expected to increase, from an estimated 3.6 percent in 2024 to 4.2 percent by 2025. The presentation indicated that the encouraging growth prospects in the global economy are expected to aid the Gambian economy.

14. On international price developments, the presentation noted that while challenges remain on the path to achieving price stability, global headline inflation is expected to continue its downward trajectory. The report went further to show that global inflation is projected to decline to 5.8 percent in 2024, from 5.9 percent reported in July, before further declining to 4.3 percent by 2025. This disinflationary trend is anticipated to be more pronounced in advanced economies, where inflation is expected to fall by approximately two percentage points from 2023 to 2024, stabilizing around

2 percent by 2025. In contrast, inflation in emerging markets and developing economies is expected to decrease gradually, from 8.1 percent in 2023 to 7.9 percent in 2024, before experiencing a sharper decline to 5.9 percent in 2025. For Sub-Saharan Africa, average consumer prices are forecast to decline, from 16.3 percent this year to 9.8 percent in 2025.

15. The presentation pointed to elevated commodity price pressures. In October 2024, international commodity prices increased, with the IMF All Commodity Price Index rising by 3.0 percent compared to September. This increase was driven by a combination of factors, including unfavourable weather conditions, heightened geopolitical tensions in the Black Sea region, and robust demand in certain markets.

16. Similarly, in October 2024, the FAO Food Price Index (FFPI) reached the highest level since April 2023, after increasing by 2 percent from the September figure. Prices for all commodity items in the index, except for meat, saw increases, led by a 7.3 percent rise in vegetable oils. Compared to the same month last year, the FFPI was 5.5 percent higher, although it remained 20.5 percent below its peak recorded in March 2022. On the positive side, the presentation revealed that international rice prices declined in October, owing mainly to improved supply conditions. The FAO Rice Price Index fell by 5.6 percent in October 2024 from the previous month and was 9.5 percent lower than last year.

17. Finally, the report indicated that the encouraging growth prospects in the global economy, particularly from major trading partners, would improve trade and support the domestic economy. Higher growth in advanced economies including those in the EU and the US means higher incomes and further aiding tourism and remittance inflows. This is critical in providing both

foreign currency supply and supporting private consumption and investment, thus bolstering domestic demand and growth. Nevertheless, the report flagged uncertainties in international commodity prices, economic fragmentation and renewed geopolitical tensions as key factors that could affect the disinflation process.

18. Reacting to the presentation, the Committee welcomed the positive developments in the global economy with the higher growth prospects expected to positively impact the Gambian economy. Members noted that the strong growth outlook for the region, particularly among trading partners, including Senegal, would boost cross-border trade and incomes. This coupled with the expected inflows of remittances and tourism will stimulate domestic demand.

19. The Committee, however, was concerned with the escalating geopolitical tensions in the Middle East and Ukraine which could hamper international trade and global supply chains. The potential revival of a tariff war between the new administration in the US and China could cascade to other countries, thus compounding economic fragmentation. This could hurt global growth prospects and risk disrupting the disinflation process which poses a significant risk to domestic growth outlook and inflation.

20. The Committee lamented the volatility in international commodity prices, highlighting the recent increases as a risk to domestic food inflation. However, Members welcomed the sustained decline in international rice prices, noting its potential to ease inflationary pressures. Despite this, they cautioned that the trajectory of global commodity prices, including rice, would depend largely on evolving trade fragmentation and geopolitical developments. In light of these uncertainties, they stressed the need for proactive policies to mitigate potential risks.

21. Members also underscored the urgency of strengthening domestic interventions to address supply-side challenges. They highlighted the tourism sector's significant potential, emphasizing the need for rebranding and aggressive marketing strategies to enhance Gambia's appeal as a destination. This, they noted, would boost tourist arrivals, create jobs, increase incomes, and strengthen foreign exchange earnings.

22. Additionally, the Committee emphasized the importance of boosting domestic production through targeted agricultural interventions. Members called for diversifying agricultural production beyond traditional rice and groundnut to include high-value crops such as sesame, Wonjo, and Findi. They noted that combining these efforts with effective marketing strategies could attract investment, enhance productivity, and expand export opportunities.

23. The Committee also inquired about the quality of the export data, particularly re-exports. The Economic Research Department (ERD) clarified that it sources export data from the GBoS, including re-export figures. However, due to the informal nature of re-export activity, Members suggested complementing official data with surveys to better capture informal trade activities.

Domestic Macroeconomic Developments

Banking Sector Developments

24. The presentation on Banking Sector Developments provided key updates in the industry since the last MPC. The report indicated that the sector remained concentrated with two large banks and one medium bank

controlling about 57 percent of total industry assets. The remaining nine small banks held 43 percent of the industry assets.

25. The report revealed a stable industry with robust financial soundness indicators. The overall risk-weighted capital adequacy ratio slightly improved, from 24.1 percent in June 2024, to 24.9 percent in September 2024. The presentation also indicated that all banks were within the regulatory capital requirement of 10 percent.

26. Furthermore, the presentation revealed that liquidity in the industry increased significantly during the review period. Total industry liquidity rose to 81.8 percent in September 2024, from the 76.6 percent reported in June 2024. However, the report showed that industry non-performing loans (NPLs) continued to rise, reaching 16.6 percent in September 2024, from 10.2 percent reported in June and the 8 percent recorded in March this year. Nevertheless, the industry continued to adequately provide for these loans.

27. In addition, the banking industry continued to expand in asset base. Total assets of the sector increased by 8.7 percent to stand at D104.2 billion in September 2024, from D96.2 billion reported in June 2024. This figure is 23.3 percent higher when compared to the same period a year ago. Government sector investments, balances due from other banks, gross loans and advances, and off-balance sheet items continued to account for the greatest share of the increase in total assets. Specifically, government sector investment accounted for 30.6 percent, balances due from other banks at 28.2 percent, loans and advances at 15.1 percent, and off-balance sheet items accounted for 16.3 percent.

28. The report indicated that customer deposits, which continue to be the main source of funding for banks, increased by 5.6 percent to stand at D66.1

billion in September 2024, and it is 18.9 percent higher when compared to September 2023.

29. According to the presentation, total loans and advances increased by 2.7 percent to stand at D16.8 billion in September 2024, from D16.4 billion reported in June 2024. This increase was mainly driven by higher lending in other commercial loans and advances, as well as loans to building and construction sector, which more than offset the marginal decline in lending to other sectors. However, loan-to-deposit ratio remained low and continued to decline, reaching 25.4 percent in September 2024, from the 26.3 percent and 29.2 percent reported in March and June 2024, respectively. This comes with high credit concentration, which continues to be a regulatory focus.

30. The report on the results of the industry-wide stress test exercise once again identified credit concentration as a significant source of vulnerability for the banking system in The Gambia. While the overall market risk of the industry is low, banks' exposure to the sovereign also remains a significant risk to the financial system. Nonetheless, the presentation indicated that the industry is well-capitalized and maintains a comfortable level of liquidity to withstand any potential liquidity shocks.

31. Reacting to the presentation, the Committee welcomed the positive developments in the banking industry, citing the strong performance during the quarter as a sign of resilience and stability of the industry. Furthermore, Members noted the continued expansion of the industry's asset base and rise in profitability.

32. However, Members noted with concern the persistent rise in banks' non-performing loans for the third consecutive quarter. The Committee also

lamented the presence of large borrower and sectoral credit concentration risks. The Committee was informed that facilities that were classified under NPLs were being restructured with the borrowers committing to resume servicing the facilities. In addition, the Central Bank has already instituted measures to enhance the resilient of the banking system, including capital augmentation for banks starting 2025.

33. The Committee also raised concerns about the high non-interest income, mainly coming from fees and other charges on foreign currency transactions. The Committee was informed that a report on this issue was being finalised and will be submitted to Management in due course.

34. On the results of the banking sector stress testing exercise, the Committee commended the BSD for a significant milestone. While the results indicated a stable industry with low interest and exchange rate risks, Members raised concerns regarding elevated credit risk, especially the large borrower concentration risk and the industry exposure to the sovereign.

Developments in Other Financial Institutions

35. The presentation on non-bank financial institutions (NBFIs) provided key highlights of the performance of Finance Companies (FCs) and Credit Unions (CUs) since the last MPC. The non-bank financial sector continues to grow, providing reliable financial services to the low-income groups of The Gambian population. The sector consists of seven Finance Companies, two of which are Islamic microfinance institutions, and fifty-six Credit Unions.

36. The report indicated that the industry's asset base expanded by 5.2 percent in September 2024 to stand at D7.7 billion, compared to D7.2 billion reported in June of this year. This positive development was largely driven

by the robust performance of both FCs and CUs during the review period. Total assets of the FCs and CUs increased by 5.0 percent and 6.3 percent, respectively. On a year-on-year basis, total asset of the industry expanded by 16.9 percent, suggesting improved performance for NBFIs during the review period.

37. Similarly, the presentation showed an increase in the stock of customer deposits in September 2024, which continues to be the main source of funding for NBFIs. From June to September 2024, total deposits significantly increased by 6.0 percent to stand at D5.7 billion. This increase was due to the growth in total deposits of both FCs and CUs by 3.4 percent and 13.6 percent, respectively, mirroring the increase in customer base.

38. The presentation highlighted the critical role the NBFI industry continues to play in the provision of credit to small businesses and low-income households. Loans from both FCs and CUs expanded on a quarter-on-quarter basis, reaching D3.2 billion as of September 2024. The report also highlighted the sectoral distribution of loans where SME trading accounted for 60 percent of total loans issued by FCs, followed by agriculture at 12 percent, construction 10 percent, personal loans at 9 percent, services at 4 percent, and others accounted for the remaining 5 percent.

39. The report mentioned that the sector remained well-capitalized and profitable with both FCs and CUs registering robust financial soundness indicators. FCs reported a capital adequacy ratio of 38 percent in September 2024, which is higher than the 35 percent reported in June 2024 and above regulatory benchmark of 20 percent. Similarly, CUs continues to maintain adequate capital with a CAR of 20 percent in September 2024, which is above the regulatory requirement of 16 percent. In terms of

profitability, both FCs and CUs reported positive ROA and ROE during the review period.

40. Furthermore, the presentation revealed that the sector continued to maintain a comfortable level of liquidity. The liquidity ratio of FCs increased, from 81 percent in June 2024 to 83 percent in September 2024, which was above the regulatory benchmark of 30 percent. On the other hand, the liquidity ratio of CUs marginally dropped to 26 percent in September 2024, from the 29 percent reported in June but remained within the regulatory benchmark bracket of 16-40 percent.

41. The report noted that FCs registered a slight improvement in asset quality. The non-performing loans ratio declined to 10 percent in September 2024, which is lower than the 11 percent realised in June 2024. However, this figure is significantly higher than the regulatory benchmark of 5 percent. NPLs for CUs slightly increased during the review period to 4 percent from the 3 percent presented in June 2024.

42. Reacting to the presentation, the Committee noted the positive developments within the NBFIs industry, citing stable capital buffers and comfortable liquidity position. Nonetheless, Members raise concerns with the still elevated NPLs, stressing its potential impact on the industry's overall stability.

43. The Committee was informed that the NBFIs were engaged on the rising NPLs, and that measures have been taken to restructure the affected facilities. In addition, it was also mentioned that NBFIs were working on reviewing their lending strategies with view of improving customer due diligence, among other things.

Government Fiscal Operations

44. The presentation on the fiscal developments report provided key highlights on government operations for the first nine months of 2024. Preliminary estimates indicated a deteriorated government position during the period, despite strong revenue performance.

45. The report indicated that the overall deficit (including grants) widened to D5.8 billion (4.8 percent of GDP) in the first nine months of 2024, from D5.8 billion (4.0 percent of GDP) in the corresponding period a year ago. Similarly, the overall budget deficit, excluding grants, widened to D12.8 billion (8.9 percent of GDP) in the first nine months of 2024, compared to a deficit of D11.2 billion (7.8 percent of GDP) recorded in the same period in 2023. Furthermore, the basic balance deficit worsened to D4.1 billion (2.9 percent of GDP) in the first nine months of 2024, from D2.5 billion (1.7 percent of GDP) in the corresponding period in the previous year. However, the primary balance improved to D 0.8 billion (0.1 percent of GDP), compared to 0.3 billion (0.02 percent of GDP) in the same period in 2023.

46. On revenue mobilisation, the report showed that total revenue performance reached D22.9 billion (16.0 percent of GDP) during the first nine months of 2024, thanks to improved tax administration. This marked a substantial 20.4 percent rise from the corresponding period last year, mirroring the increase in domestic revenue and grants. Domestic revenue, encompassing both tax and non-tax revenue, rose by 24.3 percent to D16.9 billion (11.8 percent of GDP) in the first nine months of 2024, from D13.6 billion (9.5 percent of GDP) reported in the same period last year. This was mainly driven by increased tax and non-tax revenues.

47. The presentation revealed a 26.5 percent rise in tax revenue to D13.2 billion (9.2 percent of GDP) in the first nine months of 2024, from D10.4 billion (7.3 percent of GDP) in the corresponding period a year ago. This increase was largely driven by higher direct and indirect tax revenue performance, which increased by 38.3 percent and 21.1 percent, respectively. Similarly, non-tax revenue surged by 17.1 percent to D3.7 billion (2.6 percent of GDP) in the first nine months of 2024, from D3.2 million (2.2 percent of GDP) in the same period in 2023. On grants, the report indicated an increase of 11.1 percent to stand at D6.0 billion (4.1 percent of GDP) in the first nine months of 2024, from D5.4 billion (3.8 percent of GDP) reported in the same period last year.

48. Turning to expenditure and net lending, the presentation revealed that government total expenditure and net lending for the first nine months of 2024 rose by 19.9 percent to D29.7 billion (20.7 percent of GDP), from D24.8 billion (17.3 percent of GDP) reported in the same period in 2023. This increase was mainly on account of the surge in recurrent expenditure, which accounted for the largest share of total government expenditure during the period.

49. Furthermore, the report indicated that recurrent expenditure, which accounted for 62.3 percent of total expenditure and net lending, significantly rose by 31.9 percent to D18.5 billion (12.9 percent of GDP) in the first nine months of 2024, compared to D14.1 billion (9.8 percent of GDP) in the same period of 2023. All the components of recurrent expenditure showed an increase during the review period. Expenditure on goods and services, and subsidies and transfers expanded by 41.3 percent and 39.8 percent, respectively. Likewise, other charges and personal emoluments increased by 40.4 percent and 2.8 percent, respectively, in the first nine

months of 2024 relative to the same period in 2023. On public investment spending, the report noted a 4.2 percent increase during the period, reaching D11.0 billion (7.8 percent of GDP) in the first nine months of 2024, from D10.8 billion (7.5 percent of GDP), compared to the same period last year.

50. The presentation concluded with a fiscal sustainability assessment, including the implication of primary deficit shock, interest rate shock and climate shock on growth and public debt dynamics. It was shown that primary deficit shock and climate-related shock have more adverse effects on public debt dynamics and economic growth than interest rate shock. The report recommended prudent fiscal policy and investments in climate adaptation infrastructure for both fiscal sustainability and durable economic growth going forward.

51. Reacting to the presentation, the Committee commended the ongoing domestic revenue mobilisation efforts, citing the strong revenue performances as evidence of benefits from recent tax administration reforms. Nonetheless, Members called for prudent fiscal policy calibration to ensure fiscal sustainability. In the same vein, Members reiterated the need to broaden the ongoing revenue measures, while rationalising expenditure to create the much-needed fiscal buffers for critical social spending.

52. Members commended the ERD for the macro-fiscal stress testing exercise and climate shock analysis. The results provided guidance on a fiscal path consistent with a declining public debt-to-GDP ratio, with fiscal savings ensuring sustainability in the medium to longer term. Members noted the implications of climate-related shocks on fiscal sustainability and called for

authorities to take advantage of climate adaptation initiatives to address the country's climate vulnerability and mitigate future shocks. Members noted the policy option on infrastructure investment for climate resilience has a crowding-in effect which has the potential to boost private sector investment and promote sustainable economic growth.

Domestic Debt Market Developments

53. The presentation of the Domestic Debt Market report highlighted recent developments in the domestic money and bond markets since the last MPC. The report indicated that domestic debt stock increased by 6.1 percent to D43.8 billion in September 2024, from D41.3 billion reported in end 2023. This increase was primarily driven by the increased issuance of medium-term government bonds, during the period.

54. The presentation also highlighted the composition of the total domestic debt, with short-term instruments accounting for the highest share of the debt at 47.9 percent. Medium-term instruments accounted for 34.1 percent, while long-term securities represented 18.0 percent. Although the debt is still concentrated in the short end, the share of medium and long-term securities increased, which are partly used to finance strategic infrastructure projects and redemption of maturing bills. Nevertheless, the composition of the debt stock still poses significant refinancing risks given that close to half of the debt matures within one year. By the end of 2024, domestic debt service was projected to reach D5.2 billion, constituting 28.5 percent of domestic revenue.

55. The report further projected a marked increase in domestic interest expense for 2024. It is projected to reach D4.5 billion, representing 24.3 percent of domestic revenue, compared to the D2.4 billion (13.8 percent

of domestic revenue) reported in 2023. This increase is largely due to higher interest rates and increased stock of borrowing during the period under review.

56. On short-term market interest rates, the report showed a slight increase during the period, mirroring the monetary policy stance, rise in government borrowing and liquidity conditions in the banking system. Nonetheless, market rates remained volatile, with significant spread between the monetary policy rate and other money market interest rates. The weighted average treasury bill rate increased from 10.4 percent in June 2024 to 11.8 percent in October 2024.

57. The presentation also indicated that the interbank market continued to function smoothly with robust activity volumes. Total trade activity volumes in the interbank dalasi market in September 2024 stood at D7.5 billion, compared to D13.8 billion reported in 2023. The weighted average interest rate prevailing in the market declined, from 7.5 percent in December 2023 to 5.2 percent in September 2024.

58. The report further highlighted that monetary policy operations and liquidity management continued to be active during the review period. The Bank's interest rate corridor (the standing deposit and standing lending facilities), registered increased activity during the period. In September 2024, borrowing through the corridor amounted to D4.5 billion, lower than D8.4 billion in September 2023, with an annual interest rate of 18 percent. Similarly, deposits through the corridor amounted to D11.1 billion compared to D9.2 in the same period of 2023, with an interest rate of 3 percent.

59. Reacting to the presentation, the Committee noted with concern the rising domestic debt, which is projected to push up debt servicing in the

immediate term. Noting that that 47.9 percent of the debt was on the short end, Members intimated that this poses significant debt refinancing risks with severe negative implications on domestic resources and fiscal sustainability. Nevertheless, the Committee noted the efforts to elongate debt maturities into the medium-term, which aligns with government debt strategy. This will reduce the re-financing risks and allow government the much-needed fiscal space to embark on critical public investments.

60. Given the current debt situation and tight fiscal space, a proposal resurfaced to write-off government 30-year bond held by the Central Bank. However, Members stated that such a move may impair the balance sheet of the Bank. Other options such as restructuring the facility may be more appropriate given its weight in the central bank balance sheet. The Banking Department was task to look into this proposal and report to the Committee in due course.

Balance of Payments Developments

61. The presentation on the balance of payments provided an update on key developments in the external sector. Preliminary balance of payments estimates for the first nine months of 2024 indicated a moderate current account balance deficit of US$59.9 million (2.8 percent of GDP), a significant improvement from a deficit of US$129.3 million (5.9 percent of GDP) in the corresponding period a year ago. However, quarterly analysis revealed a deterioration in the current account position in the third quarter of 2024, compared to the second quarter. The deficit widened to US$30.3 million (1.4 percent of GDP) in the third quarter, compared to a deficit of US$28.4 million (1.3 percent of GDP) in the second quarter. According to the report, this was mainly on account of the widening trade balance.

62. The presentation indicated that the goods account worsened by 12.7 percent to stand at US$741.1 million in the first nine months of 2024, from US$657.3 million (30.2 percent of GDP) recorded in the corresponding period of 2023. This was due to increasing imports (FOB) by 8.7 percent to reach US$997.7 million (45.8 percent of GDP), reflecting the increased imports (in value) of electricity, minerals and fuel, fertilizer, vehicles and cereals. On the other hand, exports (FOB) declined by 1.5 percent to stand at $256.6 million (11.8 percent of GDP), pushing the goods account to deteriorate during the period.

63. According to the presentation, the services account balance significantly improved during the period, reflecting in large part the rebound in tourism industry. For the first nine months of 2024, the service account surged to a surplus of US$224.1 million compared to US$171.9 million recorded in the same period in 2023. Preliminary projections indicated that tourist arrivals for 2024 will surpass the pre-pandemic levels, thanks to ongoing marketing efforts by Gambia Tourism Board of destination Gambia. This is expected to boost tourism-related income and further improve the services account balance.

64. The report also revealed improvement in the secondary income account, thanks to improved remittance inflows during the period. In the first nine months of 2024, private remittance inflows grew by 4.0 percent to stand at US$588.2 million and projections put total inflows for the entire year higher than a year ago. This increase is expected to continue financing private consumption and investment, improve foreign currency liquidity, support the exchange rate and current account position.

65. The presentation pointed to a modest improvement in capital account balance during the first nine months of 2024. It grew to a surplus of US$80.0 million, from a surplus of US$75.7 million recorded in the corresponding period of 2023. On the financial account, the first nine months of 2024 indicated a higher incurrence of liabilities with the rest of the world, amounting to US$166.0 million compared to US$154.3 million in the corresponding period of 2023.

66. Reacting to the presentation, the Committee noted with concern the persistent balance of payments challenges, pointing to the persistent deficit in the current account balance, which is a reflection of the wider trade deficit. This continued to pose significant risks to the exchange rate and domestic price stability. Against this backdrop, Members reiterated the urgency of addressing supply-side of the economy, including increasing local agricultural production of basic commodities. This will boost employment, income and help address external balances and exchange rate pressures in the medium to long term.

67. Nevertheless, the Committee welcomed the sustained stable inflows of remittances and near-full rebound in tourism, as this continues to support domestic economic activities and the exchange rate. Notwithstanding, Members raised concern about the eroding re-export trade, citing the important role it used to play in providing foreign exchange earnings for the economy. Members were informed that the ERD has plans to conduct a re-export trade survey when the trading season opens to examine the current trends in re-export. This survey will also try to elicit some of the challenges hindering re-export trade activities.

Foreign Exchange Market Developments

68. The presentation indicated that the foreign exchange market continued to function smoothly despite the decline in activity volumes during the review period. Total volumes of transactions measured by aggregate purchases and sales of foreign currency moderated by 14.9 percent to US$479.4 million in September 2024, from US$563.0 million reported in June 2024 and lower than the US$600.9 million reported in March 2024. However, when compared to the same period of September 2023, activity volumes remain relatively the same at US$2.1 billion.

69. The presentation indicated that, private remittance inflows, which continues to play a significant role in providing foreign exchange liquidity in the domestic economy, moderated in the third quarter of 2024. Private remittance inflows moderated by 9.4 percent in September 2024 to US$182.5 million, from US$201.4 million reported in the second quarter of 2024, on account of the reemergence of the informal channel. However, when compared to the same period last year, remittance inflows grew by 5.2 percent.

70. On exchange rate developments, the report noted that the dalasi remained relatively stable, depreciating around its long-term trend. From June to September 2024, it depreciated against the United States dollar, Euro, Great Britain pound, and CFA franc by 0.3 percent, 3.1 percent, 3.3 percent, and 1.3 percent, respectively. The weakening of the dalasi reflects the persistent demand pressures to finance the importation of goods and services.

71. Commenting on the presentation, the Committee welcomed the sustained inflows of remittances, highlighting their contribution to foreign currency

supply in the economy. However, Members expressed concern over the moderation in transaction volumes despite the overall improvement in economic activity. They were informed that this slowdown largely reflected the seasonal lull in tourism and a decline in re-export trade. Looking ahead, the anticipated rebound in tourism later in the year, along with the expected disbursement of budget support, is expected to enhance foreign currency supply and support exchange rate stability.

72. The Committee lamented the re-emergence of a widening wedge between the official exchange rate and the parallel market rate. Members tasked the FMRMD to investigate the possible causes including the possible foreign currency leakages to neighbouring countries either through elicit re-export trade and/or through remittance outflows.

Monetary Developments

73. The presentation on Monetary Developments provided key highlights on recent developments in monetary aggregates and the stance of monetary policy since the last MPC, in relation the elevated inflation.

74. The presentation highlighted that the MPC maintained the monetary policy rate at 17 percent for the sixth consecutive sitting to battle with the still elevated inflation. Although recent data show some spikes in quarter-on-quarter inflation, the Committee judged these developments to be temporary and decided to keep the MPR unchanged, while continuing to monitor developments in the economy. The positive real interest rates are expected to support the disinflation process and help stabilise the exchange rate going forward.

75. The report showed that annual money supply growth accelerated by 14.4 percent in September 2024, compared to 6.6 percent in the corresponding period of 2023. This reflects the robust recovery in the Net Foreign Assets (NFA) of depository corporations, owing to improved foreign currency liquidity conditions compared to the same period last year. The NFA of depository corporations in September 2024 increased by 68.9 percent to reach D28.6 billion, from the D26.2 billion reported in the same period last year. This increase was mainly due to the substantial inflows of donor funds, recovery in tourism receipts, and increased remittance inflows during the review period. The report revealed that growth in the NFA of deposit corporations contributed 17.8 percentage points to the total growth in annual money supply during this period.

76. Furthermore, the presentation indicated that the NFA of the Central Bank was significantly higher than a year ago, increasing by 62.3 percent in September 2024 to stand at D14.3 billion. This was explained by the marked increase in the claims on non-residents of 36.5 percent as of end- September 2024. Similarly, the NFA of other depository corporations grew annually by 76.0 percent in September 2024 to stand at D14.3 billion, from D8.1 billion reported in the corresponding period in 2023. It mirrored an 82.2 percent increase in commercial banks' claims on non-residents.

77. On the hand, the report showed that credit expansion in the economy continue to moderate in line with the tight monetary policy stance. As of end September 2024, the Net Domestic Assets (NDA) of depository corporations contracted by 4.6 percent (year-on-year) to stand at D46.3 billion. The contraction in NDA reflects the moderation in net claims on government and claims on the private sector, respectively. Net claims on

central government moderated to 6.2 percent (year-on-year), from the 11.0 percent growth reported a year ago. Similarly, the banking system's claims on the private sector growth moderated to 3.4 percent in September 2024, from the 13.9 percent recorded in September 2023.

78. The presentation also highlighted developments in reserve money growth, which is the Bank's operating target in its conduct of monetary policy. As of end September 2024, reserve money (RM), contracted to 0.3 percent (year-on-year), from a growth of 12.2 percent recorded the previous year. The deceleration reflects the contraction in CBG net claims on government, contributing negative 24.6 percent to the growth of reserve money during the period.

79. Reacting to the presentation, the Committee noted the improved NFA of the Bank, which is expected to support market confidence. This is also expected to position the Bank to be able to smooth out exchange rate volatility should the need arise. Members also noted that the slowdown in domestic credit is in line with the current monetary policy stance, which is expected to tighten liquidity conditions and help the disinflation process.

80. However, the Committee was concerned about the elevated CBG gross claims on government, which could potentially fuel depreciation pressures and disrupt the disinflation process. Furthermore, Members stressed the need to intensify liquidity management to squeeze out the excess liquidity in the system, which will help stabilise the currency and cool down inflation.

Business Sentiment Survey

81. The presentation of results of the Business Sentiment Survey evaluated businesses' perceptions and short-term expectations regarding key

macroeconomic indicators. The report indicated improved sentiments among businesses about the prospects of business activities and the overall economy. Although inflation expectations as well as depreciation pressures remained, they moderated significantly compared to the previous quarter. The survey results also showed improved optimism about the developments in the global economy, with global growth prospects and inflation expected to be better in the fourth quarter of 2024.

82. The report noted the presence of high but declining inflation expectations, suggesting that businesses are anticipating a continued easing of inflationary pressures in the near term, signalling a more optimistic outlook compared to previous periods. Similarly, although expectations for further dalasi depreciation remain, survey respondents are optimistic that the depreciation pressures will ease somewhat in the near future. This was predicated on respondents' optimism about the upcoming tourist season, which is expected to improve foreign currency liquidity conditions and help stabilise the dalasi.

83. Reacting to the presentation, the Committee welcomed the positive view on the prospects of the Gambian economy, indicating that businesses are starting to feel confident about the macroeconomic situation in the country. Members noted that the optimism about higher business activity, higher investment in labour and capital is expected to support the economy and generate jobs.

84. Similarly, Members welcomed the declining trend in inflation expectations as a good sign for monetary policy. Nonetheless, the Committee cautioned the need to carefully continue to manage expectations through effective monetary policy communications.

Real Sector Developments

85. The presentation on Real Sector Developments provided key highlights on the recent growth performance of the Gambian economy. Real GDP growth was estimated at 4.8 percent in 2023, lower than the revised growth figure of 5.5 percent recorded for 2022. Preliminary data from the Gambia Bureau of Statistics (GBoS) indicated that the Gambian economy grew by 5.9 percent in the second quarter of 2024, which was largely supported by redistributive trade (wholesale and retail trade).

86. The prospects remain favourable with economic growth anticipated to be stronger in 2024. Staff forecast put growth at 5.7 percent for 2024, to be supported by agriculture, services, and construction sectors, including robust public sector investments. In addition, the Bank's Composite Index of Economic Activity (CIEA) also indicated stronger growth in economic activity in 2024, driven by higher public expenditure, alongside stable remittance inflows, which support consumption and investment. Notwithstanding, the presentation noted that this outlook remained clouded with significant risks. The rising global trade fragmentation, geopolitical tensions, volatility in commodity prices, and climate-related risks could potentially weigh on growth prospects in 2024.

87. Reacting to the presentation, the Committee acknowledged the above-average performance of the economy in 2022 and 2023 and welcomed the encouraging prospects for 2024. Citing recent pre-harvest data by the Ministry of Agriculture (MoA), Members were optimistic that the agricultural production in 2024. However, it was brought to the attention of the Committee that the late rains and floods incidents could lower crop yields, particularly rise and groundnut.

88. The Committee was informed that the entrance of local actors in the agricultural sector, including those engaged in rice and vegetable production as well as animal husbandry, are expected to enhance sectoral output, contributing to economic growth and job creation. Additionally, indications were that the anticipated support from the African Development Bank (AfDB) for the rice self-sufficiency project will materialize. The AfDB Board was scheduled to review the proposal between December 2024 and early 2025. If approved, the initiative will boost domestic rice production and create opportunities for private sector participation, fostering additional value chain gains in the sector. Nevertheless, Members reiterated the need to address access to land challenges, citing its potential hinderance to the success of the interventions in the agricultural sector.

Inflation Developments

89. The presentation on Inflation Developments provided key highlights on recent price developments and near-term outlook. The report revealed a stalled in the disinflation process that started at the beginning of the year, with headline inflation showing signs of reversing trend. Headline inflation stood at 10.0 percent in October 2024, unchanged from September but higher than the 9.8 percent reported in August. This rise marks a departure from the steady disinflationary trend observed earlier in the year, with quarterly inflation showing persistent short-term pressures that could challenge the overall inflation outlook.

90. Furthermore, the report also indicated that, although food inflation slightly declined, from 13.0 percent in September 2024 to 12.8 percent in October, it was modest, and its broader disinflationary impact observed earlier was waning. The deceleration in food price inflation was due to the moderation

of the meat, milk, cheese & eggs, fruits and nuts, sugar, jam, honey & sweets sub-components of the food basket, while price indices of items such as bread cereals and fish edged up. Non-food inflation rose to 6.6 percent, on the back of rising energy and housing-related prices, suggesting signs of renewed price pressures in key sectors.

91. The presentation also highlighted developments in underlying inflationary pressures, measured by core inflation. Core1 inflation, which excludes volatile energy products, recorded a slight increase to 2.6 percent in October, up from 2.2 percent in September 2024. Notwithstanding, it remained well below its peak of 24.2 percent in September 2023. The report noted that this recent increase suggests emerging price pressures in non-energy or food-related components of the CPI. Similarly, Core 2 inflation, which further excludes both volatile energy and food products, also rose to 3.5 percent in October 2024, from 3.1 percent in September 2024 but below its peak of 22.5 percent observed in September 2023. Nevertheless, the report projected the quarter-on-quarter inflationary pressures to be transitory, with the disinflation process is expected to continue next year.

92. Reacting to the presentation, the Committee lamented the disruption in the disinflation process that started at the beginning of the year. Even though food inflation marginally decelerated, the uptick in prices of bread and cereals in the food category raised significant risks to overall inflation as food accounts for more than half of the consumer basket. Members also lamented the rising non-food inflation during the period, citing recent adjustments in the fuel levy as a potential cause. However, Members were informed that Staff forecast suggest that the recent upticks are transitory and that inflation will return to single digits in 2025.

93. The Committee raised concerns about the significant uncertainties surrounding commodity prices, especially food and oil prices, depreciation of the exchange rate, and climate-related shocks which poses upside risks to inflation. To this end, Members reiterated the need for policy to stay focus in bringing back inflation to the Bank's medium-term target. In addition, it was mentioned that during this period of heightened uncertainties, policy coordination and consistency are paramount to avoid any unintended consequences on inflation dynamics and macroeconomic stability.

Staff Assessment and Economic Outlook

94. Staff assessed that economic activity was strong in the first nine months of 2024, which is expected to linger into the end of the year. This strong performance was supported by robust domestic demand as private and public spending and investments are expected to support growth prospects in the medium term. Similarly, agriculture, which accounted for about 24 percent of GDP, is also expected to support the strong growth trajectory, as ongoing investments in the sector will improve productivity in near to medium term. In addition, private remittance inflows and private-sector credit are expected to continue driving household consumption and investment, particularly private construction. Against this backdrop, Staff forecast economic growth at 5.7 percent in 2024, unchanged from the August 2024 forecast.

95. On domestic price development, Staff assessment indicated the resurgence in short-term price pressures, with risks disrupting the disinflation process. Although staff judged these upticks in price pressures as transitory, this has derailed a further decline in inflation. Against this backdrop, the Bank Staff forecast headline inflation to average around 11 percent by the

end of 2024 before declining to the single digits in 2025. Notwithstanding, Staff cautioned that this inflation outlook was shrouded with significant uncertainties including, volatility in global commodity prices, domestic supply bottlenecks and weather-related effect on crop production. Thus, monetary policy was expected to stay the course to ensure the disinflation process proceed as anticipated.

Policy Justification

96. The global economy has improved during the review period and is poised to continue its strong performance, thanks to robust consumer spending and recovery in global trade. Growth prospects were broad-based with many regions registering higher economic activity in the near to medium term. This favourable outlook on the global stage is expected to positively impact the Gambian economy through improved trade, tourism, and remittance inflows. In addition, the stabilising global commodity prices, and the lowering of interest rate in advanced economies will support the disinflation process in the domestic economy and ease depreciation pressures of the exchange rate. However, the Committee acknowledged the significance of risks to the global economy, emphasizing to need for caution in shaping the policy direction.

97. The Committee noted the strong performance of the Gambian economy, with robust economic activity expected for the remainder of 2024 and beyond. This is to be supported by better cropping season, rebound in tourism, robust private sector consumption and investment, and strong public investments. As a result, real GDP growth is forecast at 5.7 percent and 6.4 percent in 2024 and 2025, respectively.

98. The Committee further noted that the domestic foreign exchange market continues to function smoothly, despite persistent demand pressures. With the stable inflows of remittances, rebound in tourism and expected disbursement of budget support, foreign currency supply conditions will improve and help stabilise the exchange rate. In addition, the Central Bank continued to maintain a comfortable level of international reserves, which is expected to strengthen market confidence and ease depreciation pressures. Nevertheless, the persistent current account deficit continued to pose significant balance of payments challenges.

99. On domestic prices, the Committee noted the gains registered in fighting against inflation. However, recent spikes in prices signalled the presence of short-term inflationary pressures in the domestic economy, which called for monetary policy to stay the cause. The Committee assessed that these pressures are transitory. If global commodity prices continue to moderate, especially rice prices, inflation will decline to reach the single digit in 2025. However, with heightened uncertainties and associated risks to domestic inflation, the Committee emphasized the need for monetary policy remain tight to guide the disinflation process, ensuring inflation returns to the Bank's medium-term target in a timely manner.

100. Considering the balance of risks to inflation and growth, the Committee underscored the need for a cautious approach in shaping the monetary policy stance.

Decision

101. In light of the above factors and the strong commitment to ensuring inflation returns to the medium-term target, the Monetary Policy Committee was resolved to keeping the policy stance and allow previous policy actions take course. In this regard, the Committee, took the following decisions:

1. **Monetary Policy Rate (MPR):** maintain the MPR at 17.0 percent.
2. **Required Reserve (RR):** The required reserve of commercial banks was maintained at 13.0 percent.
3. **Standing Deposit Facility (SDF):** Increase the interest rate on the standing deposit facility to 4.0 percent, providing an avenue for banks to park excess reserves.
4. **Standing Lending Facility (SLF):** The interest rate on the standing lending facility remains at 18.0 percent, aligning with the adjusted MPR.

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

Information Note

Date for the next MPC meeting

The next Monetary Policy Committee (MPC) meeting was slated for **Wednesday, February 26, 2025**. The meeting will be followed by the policy decision announcement on **Thursday, February 27, 2025**.