CENTRAL BANK OF THE GAMBIA

Monetary Policy Report

AUGUST 2026

Preface

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

Monetary Policy in The Gambia

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

Monetary Policy Committee

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

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Executive Summary

The Monetary Policy Committee (MPC) of the Central Bank of The Gambia met on August 19 and 20, 2026. After reviewing global and domestic conditions, the Committee maintained the Monetary Policy Rate at 14.0 percent, the required reserve ratio at 13.0 percent, and the standing deposit and lending facility rates at 5.0 percent and 15.0 percent, respectively. The decision reflected the need for caution as domestic activity remained resilient, headline inflation moderated, underlying and non-food pressures stayed elevated, and external risks persisted.

Global growth is projected to moderate to 3.0 percent in 2026 before recovering to 3.4 percent in 2027. Global inflation is forecast to rise from 4.1 percent in 2025 to 4.7 percent in 2026, before easing to 3.9 percent in 2027, reflecting renewed energy and food-price pressures. Higher energy, food, fertiliser and transport costs pose renewed risks to imported inflation and foreign exchange conditions in The Gambia.

The Gambian economy grew by 5.7 percent in 2025, supported by services and industry, while agricultural growth slowed to 1.3 percent. Construction and tourism retained momentum during the first half of 2026, with second-quarter tourist arrivals grew by 23.0 percent above their corresponding 2019 level. Real GDP is projected to grow by 5.8 percent in 2026, although below-normal rainfall could weaken agriculture, rural incomes and food supply.

Headline inflation eased to 7.0 percent in July 2026 from 7.6 percent in June as food inflation declined to 5.8 percent. However, non-food inflation rose to 8.9 percent, driven mainly by transport costs. Core inflation also moderated but remained elevated. Disinflation therefore remains uneven, with risks of second-round effects from transport and operating costs.

External pressures persisted in Q2 2026. The current account deficit widened to US$34.6 million, or 1.3 percent of GDP, from US$29.7 million in Q1 as the seasonal decline in services outweighed stronger exports and transfers. The goods deficit nevertheless narrowed by 14.7 percent to US$242.5 million. Foreign exchange turnover rose to US$773.7 million, generating excess supply of US$61.5 million and helping contain dalasi depreciation. Gross reserves declined by 4.8 percent to US$606.7 million at end-June.

Fiscal performance improved in the first half of 2026. The overall deficit including grants narrowed to D3.8 billion, or 1.7 percent of GDP, from D6.1 billion a year earlier, supported by higher revenue and lower expenditure. Domestic debt increased to D55.43 billion, or 24.4 percent of GDP, while 76.3 percent is expected to mature within one-year, underscoring rollover risk. Broad money growth slowed to 11.4 percent in June, while reported private sector credit rose by 41.3 percent, partly reflecting improved classification.

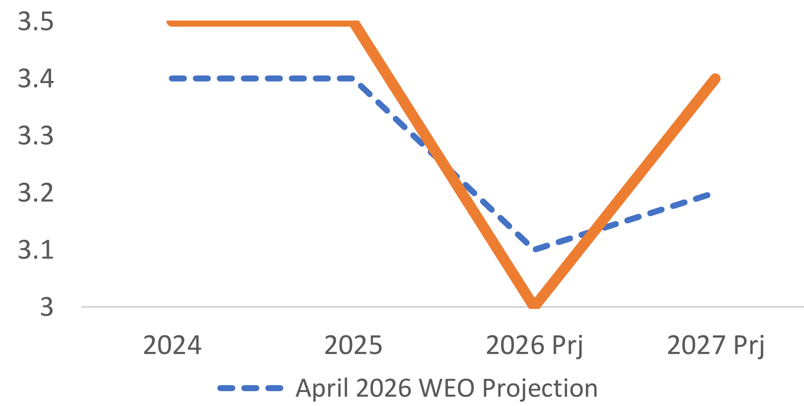
The banking sector remained sound, with a capital adequacy ratio of 25.5 percent, liquidity ratio of 80.0 percent and non-performing loan ratio of 7.9 percent. The non-bank sector also expanded, although credit-union asset quality deteriorated. Business sentiment improved, but concerns about inflation, exchange rate pressures and election-related uncertainty persisted.

Overall, the outlook remains broadly favourable, supported by resilient domestic activity, improving fiscal performance, strong financial-sector buffers and continued foreign exchange inflows. However, inflation remains above target, with persistent non-food and underlying price pressures, while global commodity shocks, exchange rate movements, debt refinancing risks and election-related uncertainty could weaken the outlook. Against this backdrop, the Committee judged that further policy easing would be premature. It therefore maintained the MPR at 14.0 percent and retained the other policy parameters, reaffirming its commitment to price stability and data-dependent policy action when necessary.

Global Economic Developments

Global economic activity is projected to moderate in 2026 before strengthening in 2027, as heightened geopolitical tensions and energy market disruptions are partly offset by robust technology-related investment. According to the July 2026 World Economic Outlook Update, global growth is forecast at 3.0 percent in 2026 and 3.4 percent in 2027, compared with an average of 3.5 percent in 2024 and 2025. Growth in advanced economies is projected at 1.7 percent in 2026 and 1.8 percent in 2027, while emerging market and developing economies are expected to expand by 3.8 percent and 4.5 percent, respectively. Sub-Saharan Africa is projected to grow by 4.3 percent in 2026 and 4.5 percent in 2027, although the regional outlook remains uneven, particularly for energy- and food-importing economies with limited policy space.

Figure 1: *Global Output Growth*

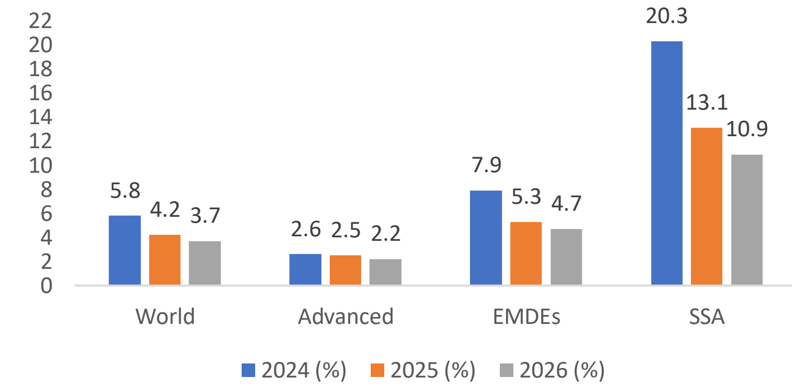


Source: July 2026 WEO Update Projections

World trade volume growth is projected to slow from 5.0 percent in 2025 to 3.5 percent in 2026 before recovering to 4.3 percent in 2027. The slowdown reflects the unwinding of earlier front-loading, the effects of tariffs, and the continued adjustment of global supply chains, partly offset by strong technology-related trade. Global financial conditions have eased from their early-April peaks and remain broadly accommodative, but higher expected policy rates and rising long-term sovereign yields could tighten financing conditions, particularly for highly indebted developing economies.

Global disinflation is expected to pause in 2026. Headline inflation is projected to rise from 4.1 percent in 2025 to 4.7 percent in 2026 before easing to 3.9 percent in 2027, reflecting renewed energy and food price pressures. Consumer price inflation in emerging market and developing economies is projected to increase to 5.8 percent in 2026 before declining to 4.8 percent in 2027. Commodity price assumptions point to increases of about 31.8 percent for oil, 22 percent for natural gas, 26 percent for fertiliser, and 8 percent for food in 2026. These pressures have reduced the scope for rapid monetary easing, even though inflation expectations remain broadly anchored.

Figure 2: *Global Inflation Trends*



Source: July 2026 WEO Update Projections

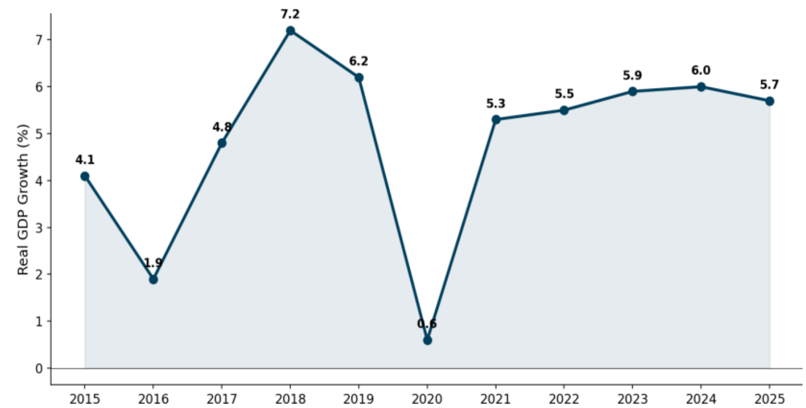
Higher international energy, food, fertiliser, and transport costs present renewed upside risks to imported inflation and could increase foreign exchange demand and external financing pressures. At the same time, the projected recovery in global activity and trade in 2027 may support tourism, remittance inflows, and external demand. This, however, remains subject to significant downside risks, including the renewed conflict in the Middle East, trade fragmentation, a sharp correction in technology-sector valuations, tighter global financial conditions, and extreme weather events.

The Domestic Economy

Real Sector

The latest provisional estimates from The Gambia Bureau of Statistics (GBoS) indicate that the Gambian economy grew by 5.7 percent in 2025, supported by strong services activity and sustained investment. Services expanded by 7.6 percent and accounted for 56.8 percent of GDP, while industrial growth strengthened to 6.4 percent from 0.9 percent in 2024. Agriculture, however, slowed to 1.3 percent from 8.8 percent, with growth in fisheries partly offset by contractions in crop production, livestock and forestry. Construction expenditure increased to D39.3 billion from D34.6 billion in 2024, with government investment accounting for 46 percent of the total.

Figure 3: *Real GDP Growth*



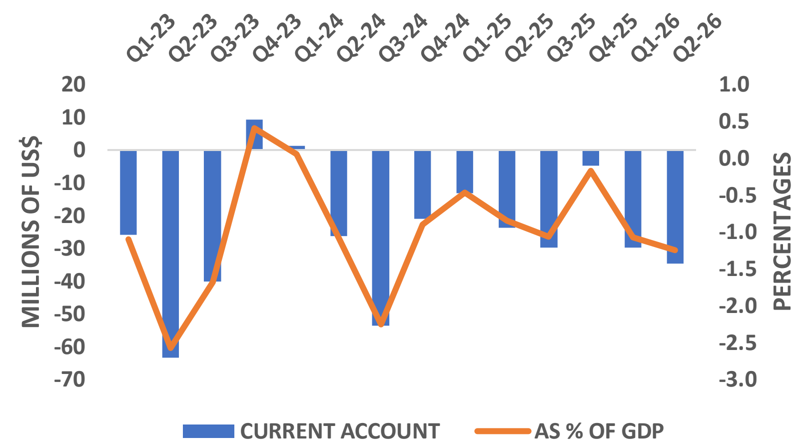
Source: GBoS, CBG staff calculations

Available indicators point to continued support from construction and tourism in the first half of 2026. Commercial bank lending to construction stood at D2.95 billion at end-June, while tourist arrivals reached 126,954 during the first six months. Arrivals in Q2 exceeded the corresponding 2019 level by 23.0 percent, indicating further progress in the recovery of tourism activity. However, below-normal rainfall forecasts in major crop-producing regions pose risks to agricultural output, rural incomes and food prices, highlighting an uneven sectoral outlook.

Balance of Payments

External sector pressures persisted in the second quarter of 2026, reflecting the continued deficit in the goods account and a weaker services balance. Preliminary balance of payments estimates indicate that the current account deficit widened to US$34.6 million (1.3 percent of GDP), from US$29.7 million in the preceding quarter and US$23.7 million a year earlier. The quarterly deterioration was driven primarily by a seasonal decline in the services surplus, which outweighed the improvement in the merchandise trade balance and stronger personal transfer inflows.

Figure 4: *Current Account Balance*



Source: CBG

On a quarterly basis, the goods account deficit narrowed by 14.7 percent to US$242.5 million (8.8 percent of GDP), from US$284.4 million (10.2 percent of GDP). However, the deficit remained slightly above the US$239.9 million recorded in Q2 2025. Total imports (FOB) amounted to US$413.5 million, declining by 2.6 percent quarter-on-quarter but increasing by 19.7 percent year-on-year. The United Kingdom and

Figure 5: *Goods Account*

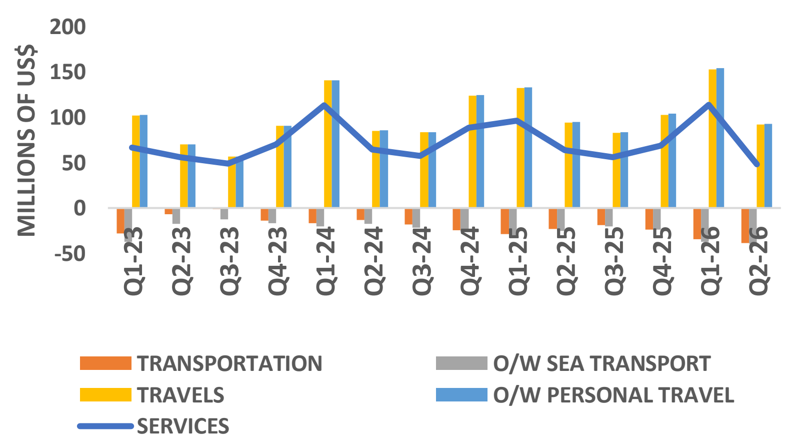
Source: CBG

Senegal were the leading sources of imports, accounting for 25.9 percent and 24.4 percent of the total, respectively.

Exports (FOB) increased by 21.9 percent quarter-on-quarter to US$171.0 million, from US$140.3 million in Q1 2026 and US$105.6 million a year earlier. The increase was driven mainly by higher re-exports, while receipts from edible fruits and oilseeds also supported export performance. Re-exports amounted to US$101.8 million, accounting for 59.5 percent of total exports, with mineral fuels and oils, and vehicles among the main traded items. Export earnings therefore remained heavily dependent on re-export activity.

The services account surplus declined to US$48.2 million in Q2 2026, from US$113.7 million in the preceding quarter and US$63.4 million in the corresponding period of 2025. The quarterly decline reflected lower tourist arrivals during the lean season, underscoring the continued sensitivity of services receipts to seasonal tourism activity.

Figure 6: *Service Account Balance*



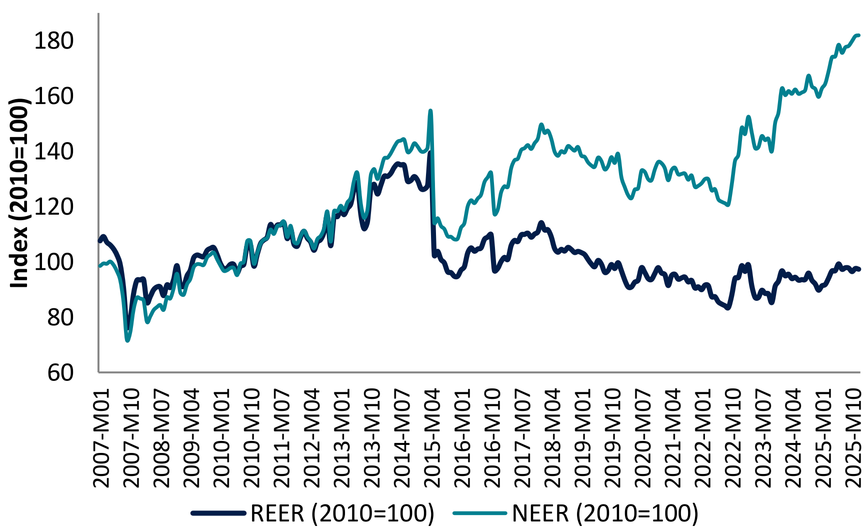
Source: CBG

The secondary income account registered a net inflow of US$165.2 million, up by 11.5 percent from US$148.1 million in the preceding quarter and above US$146.0 million a year earlier. Personal transfers, mainly net workers' remittances, increased to US$156.8 million from US$147.0 million in Q1 2026 and US$134.6 million in Q2 2025, supported partly by seasonal inflows associated with Tobaski.

On the financing side, the capital account surplus moderated to US$26.2 million from US$28.5 million, reflecting lower project fund disbursements. Net financial inflows declined to US$95.4 million from US$130.0 million, although direct investment inflows increased to US$83.3 million from US$78.3 million. Other investment recorded net inflows of US$24.1 million, mainly reflecting domestic banks drawing down deposits held abroad, while net acquisition of reserve assets amounted to US$12.0 million. Overall, stronger exports and personal transfers provided support, but the persistent goods deficit and seasonal services receipts continued to weigh on the external position.

The nominal and real effective exchange rates (NEER and REER) shifted from close co-movement through 2014 to gradual and then pronounced divergence in 2015 and 2022. By December 2025, the NEER had risen to approximately 181, while the REER remained close to 97. This indicates that the substantial nominal depreciation of the dalasi was largely offset by domestic price increases relative to those of The Gambia's trading partners, leaving the real exchange rate—and therefore external price competitiveness—broadly unchanged or slightly weaker relative to the 2010 base year.

Figure 7: *The Gambia: Monthly REER & NEER (2010 =100), Jan 2007 – Dec 2025*



Foreign Exchange Market and Exchange Rate Developments

Activity in The Gambia's domestic foreign exchange market strengthened during the twelve months to end-June 2026. Total FX turnover, measured as purchases plus sales, increased by 11.6 percent to US$2.56 billion from US$2.29 billion in the corresponding period a year earlier. FX purchases, representing market supply, rose by 19.5 percent to US$1.39 billion, while sales increased by 3.6 percent to US$1.17 billion. As a result, excess supply widened to about US$224.45 million from US$37.91 million in the preceding twelve-month period, indicating improved foreign currency availability.

Quarterly market activity also expanded significantly. Total turnover rose by 20.1 percent to US$773.74 million in Q2 2026 from US$644.19 million in Q1 and was 26.0 percent higher than in Q2 2025. Purchases amounted to US$417.59 million, while sales reached US$356.14 million, resulting in excess supply of US$61.45 million. The increase in supply was supported by tourism receipts, project-related disbursements and private remittance inflows, while demand reflected continued foreign currency requirements for imports, particularly food, fuel and construction materials.

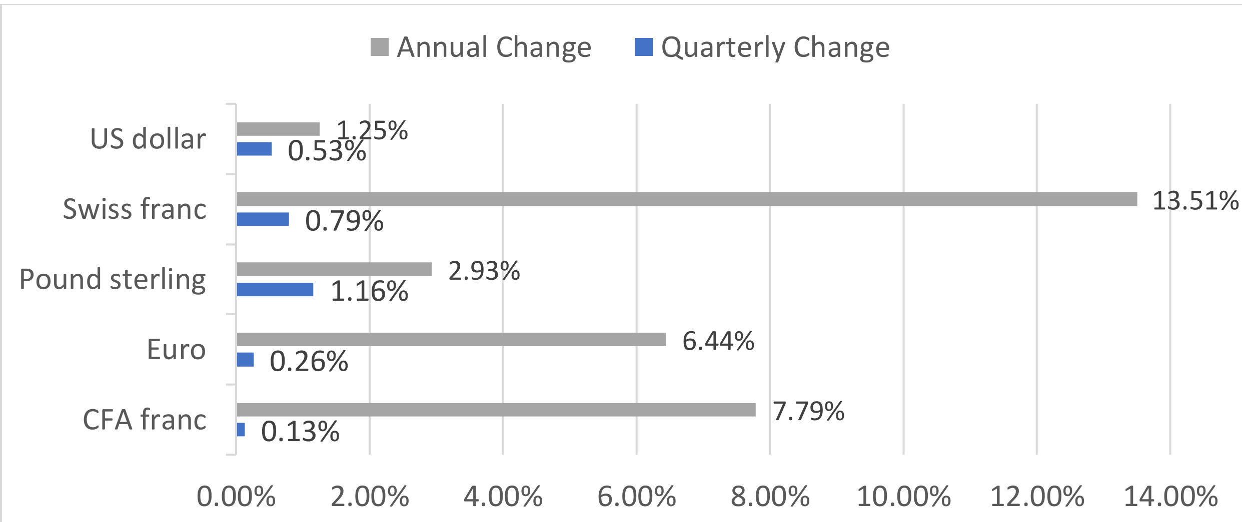
Commercial banks share of total FX transactions increased to 61.92 percent in Q2 2026 from 57.29 percent in Q1, while the share of foreign exchange bureaux declined to 36.82 percent from 41.06 percent. The US dollar remained the dominant traded currency, accounting for 72.38 percent of turnover, followed by the euro at 22.96 percent and pound sterling at 3.75 percent.

Private remittance inflows remained a major source of foreign exchange. Inflows totalled US$262.51 million in Q2 2026, increasing by US$43.45 million, or 19.8 percent, from US$219.06 million in Q2 2025. Cumulative inflows during the first half of 2026 reached US$508.59 million. The United States was the largest remittance corridor, contributing 23.2 percent of total inflows, followed by Italy at 18.9 percent, the United Kingdom at 18.7 percent and Spain at 11.6 percent.

Exchange-rate movements indicate modest depreciation during the quarter. Between end-March and end-June 2026, the dalasi depreciated by 0.5 percent against the US dollar, 0.3 percent against the euro, 1.2 percent against pound sterling, 0.8 percent against the Swiss franc and 0.1 percent against the CFA franc.

On a year-on-year basis, the dalasi depreciated by 1.2 percent against the US dollar, 6.4 percent against the euro, 2.9 percent against pound sterling, 13.5 percent against the Swiss franc and 7.8 percent against the CFA franc. The larger movements against European currencies partly reflected changes in international cross-rates and sustained regional demand for the CFA franc.

***Figure 8**: Nominal Exchange Rates Depreciation (+)/Appreciation (-)*



Source: CBG

Gross international reserves declined by 4.8 percent to US$606.66 million at end-June 2026 from US$637.13 million at end-March, mainly reflecting government-related payments and external debt service. During the quarter, the Central Bank sold EUR3.0 million, equivalent to about US$3.48 million, to provide market liquidity and did not undertake any FX purchases. Commercial banks also shipped US$115.58 million in foreign currency banknotes to replenish their nostro balances.

Overall, stronger market turnover, sustained remittance inflows and excess FX supply helped contain near-term exchange-rate pressures.

Government Fiscal Operations

Preliminary fiscal outturns for the first half of 2026 indicate a marked improvement in the fiscal position relative to the corresponding period in 2025, supported by higher domestic revenue and lower expenditure. The overall deficit excluding grants narrowed by 20.8 percent to D10.2 billion (4.5 percent of GDP) from D12.8 billion (6.4 percent of GDP). Similarly, the overall deficit including grants declined by 37.8 percent to D3.8 billion (1.7 percent of GDP) from D6.1 billion (3.1 percent of GDP), despite a reduction in grant inflows.

Table 1: *The Fiscal Balances (GMD' billion)*

	GMD' Million		Percent of GDP		Year-on-Year Variance (%)
Overall balance	**First Half 2025**	**First Half 2026**	**First Half 2025**	**First Half 2026**	
Excluding grants	-12,813.26	-10,153.41	-6.42	-4.51	-20.76
Including grants	-6,092.97	-3,792.09	-3.05	-1.69	-37.76
Basic balance	-4,341.99	-2,365.57	-2.17	-1.05	-45.52
Basic Primary Balance	-1,710.48	923.97	-0.86	0.41	-154.02

Source: MOFEA & ERD Calculations

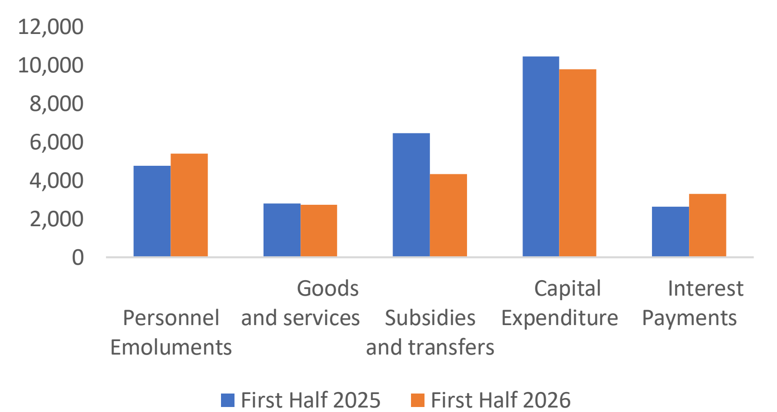
The basic balance deficit improved to D2.4 billion (1.1 percent of GDP) from D4.3 billion (2.2 percent of GDP), while the basic primary balance recorded a surplus of D924 million (0.4 percent of GDP), compared to a deficit of D1.7 billion (0.9 percent of GDP) a year earlier. The overall primary balance, including grants improved to a deficit of D0.5 billion, compared to D3.5 billion in the first half of 2025. Fiscal impulse was negative in both Q1 and Q2 2026, indicating a contractionary fiscal stance.

Revenue and grants performance strengthened moderately. Total revenue and grants rose by 3.6 percent year-on-year to D21.7 billion (9.7 percent of GDP). Domestic revenue increased by 7.8 percent to D15.4 billion (6.8 percent of GDP), supported by continued reforms in tax administration and the digitalisation of revenue collection. Tax revenue grew by 7.7 percent to D13.4 billion (5.9 percent of GDP), reflecting higher direct and indirect tax collections. Non-tax revenue increased by 8.4 percent to D2.0 billion. In contrast, grants declined by 5.3 percent to D6.4 billion (2.8 percent of GDP), with project grants accounting for the entirety of grant inflows during the period under review.

On the expenditure side, total expenditure and net lending declined by 5.7 percent to D25.5 billion (11.3 percent of GDP), from D27.1 billion (13.5 percent of GDP) in the same period of 2025. Recurrent expenditure fell by 5.3 percent to D15.7 billion (7.0 percent of GDP), accounting for 61.7 percent of total spending. Subsidies and transfers declined by 32.8 percent, while expenditure on goods and services decreased by 2.0 percent. However, personal emoluments increased by 13.1 percent to D5.4 billion (2.4 percent of GDP). Interest payments rose by 25.0 percent to D3.3 billion, reflecting a 34.3 percent increase in domestic interest payments, partly offset by a 15.6 percent decline in external interest payments.

Capital expenditure declined by 6.4 percent to D9.8 billion (4.3 percent of GDP), from D10.4 billion (5.2 percent of GDP) a year earlier. The decline reflected lower externally financed capital spending, which fell by 8.1 percent to D7.8 billion. Loan-financed and grant-financed capital outlays decreased by 18.5 percent and 5.3 percent, respectively. In contrast, capital expenditure financed through the Government Local Fund increased slightly by 1.0 percent to D2.0 billion (0.9 percent of GDP).

***Figure 9**: Expenditures in millions*



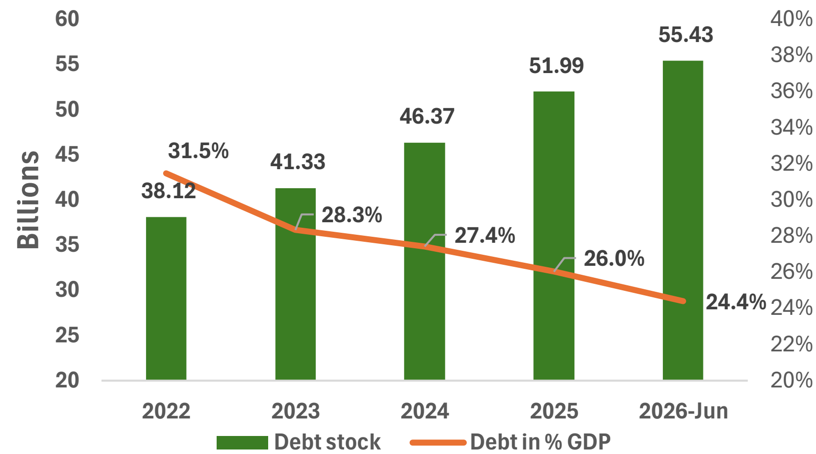
Source: MOFEA CBG staff calculations

Overall, fiscal developments in the first half of 2026 reflect stronger domestic revenue mobilisation and lower expenditure, contributing to narrower fiscal deficits. However, rising personnel costs and domestic interest payments continue to exert pressure on the budget. The reduction in capital spending also highlights the challenge of sustaining fiscal consolidation while preserving investment in development priorities.

Domestic Debt

The total domestic debt stock increased by D3.44 billion to D55.43 billion at end-June 2026 from D51.99 billion at end-2025, representing growth of 6.6 percent. Despite the increase in nominal terms, the ratio of domestic debt to GDP declined to 24.4 percent from 26.0 percent, reflecting faster growth in nominal GDP. The expansion was driven mainly by Treasury bills, which increased by D2.53 billion to D25.95 billion, and Sukuk Al-Salam bills, which rose by D662.64 million to D5.23 billion. Treasury bonds increased by D422.0 million to D16.89 billion, while the stock of the 7 percent 30-year Government bond declined by D179.65 million to D7.37 billion as amortisation continued.

***Figure 10**: Domestic debt stock in billions of GMD*

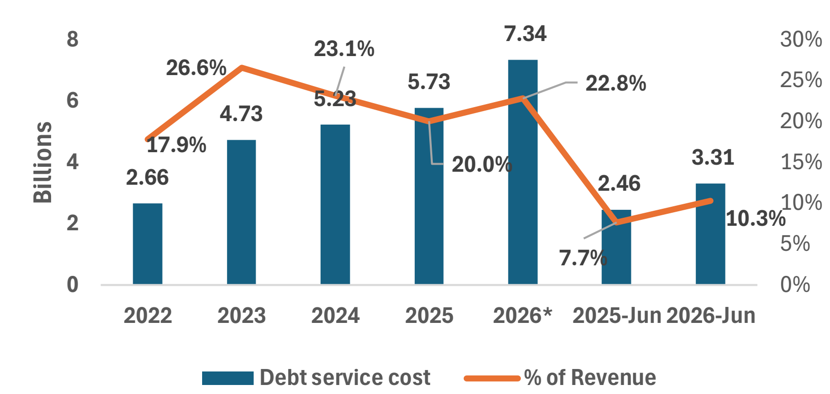


Source: MOFEA CBG staff calculations

The debt portfolio became more concentrated in short-term instruments. Their share increased to 56.2 percent in June 2026 from 53.8 percent at end-2025, while the shares of medium- and long-term debt declined to 30.5 percent and 13.3 percent, respectively. On a remaining-maturity basis, D42.3 billion, equivalent to 76.3 percent of the total stock, is expected to mature within one year. A further D5.77 billion, or 10.4 percent, is due within one to three years, while only 13.3 percent falls in the long-term maturity category. This profile highlights potential rollover risk and the reversal of earlier debt-lengthening efforts.

Gross domestic borrowing during the first half of 2026 amounted to D15.90 billion, increasing by 50.2 percent from D10.58 billion in the corresponding period of 2025. Issuances of Treasury and Sukuk bills rose to D13.40 billion from D9.58 billion, while Treasury bond issuances increased to D2.50 billion from D1.00 billion. Maturities also increased to D12.70 billion from D10.78 billion, absorbing about 79.9 percent of gross borrowing. Consequently, net new borrowing increased to D3.20 billion, compared with net repayments of D194.60 million in the first half of 2025.

***Figure 11**: Domestic Debt servicing in billions GMD*



Source: MOFEA & CBG staff calculations

Domestic debt-service pressures intensified during the review period. Debt service increased by 34.6 percent to D3.31 billion, equivalent to 10.3 percent of domestic revenue, from D2.46 billion, or 7.7 percent of revenue, in the corresponding period of 2025. Interest payments accounted for D2.86 billion, while amortisation amounted to D450.37 million. Interest payments rose by 33.6 percent from D2.14 billion, with D1.24 billion paid on Treasury and Sukuk bills and D1.62 billion on Treasury bonds. For 2026 as a whole, domestic debt service is projected at D7.34 billion, or 22.8 percent of projected revenue, of which interest payments are expected to account for D6.24 billion.

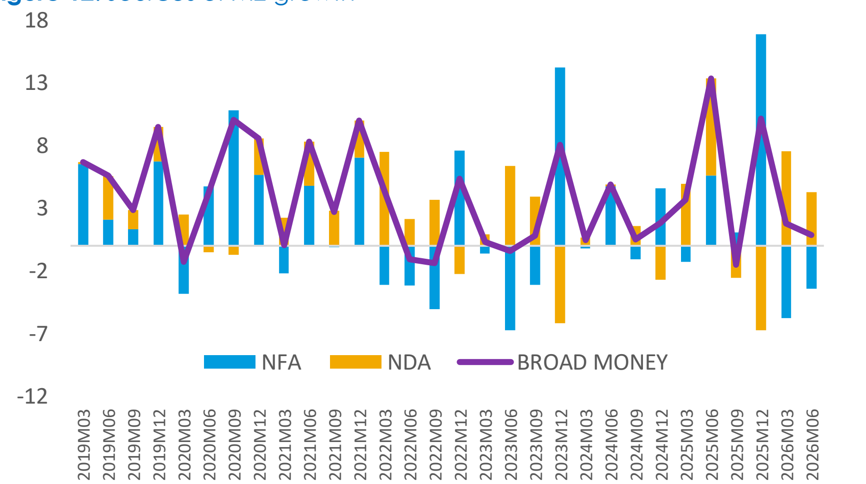
Money-market rates were broadly stable during the first half of 2026, although the 364-day Treasury-bill yield increased, indicating continued pressure at the longer end of the bill market. Interbank placements rose by 52.8 percent to D14.05 billion and the weighted average interbank rate increased to 6.8 percent from 5.6 percent, suggesting higher short-term funding costs.

Overall, the domestic debt position remains manageable, but the high share of debt maturing within one year, rising net borrowing and the growing interest burden heighten refinancing and fiscal risks. Extending the maturity profile, strengthening domestic revenue and coordinating fiscal borrowing with monetary and liquidity conditions will be important for containing rollover risks and government financing costs.

Monetary Aggregates

Monetary conditions in the second quarter of 2026 were characterised by a marked moderation in broad money growth and a shift in the sources of liquidity from external to domestic assets. Broad money (M2+) stood at D99.9 billion in June 2026, representing annual growth of 11.4 percent, down sharply from 25.1 percent in March. On a quarterly basis, broad money increased by only 0.9 percent, compared with 1.8 percent in Q1. Net domestic assets contributed about 4.3 percentage points to the quarterly expansion, offsetting the 3.4 percentage-point drag from net foreign assets.

Figure 12: *Sources of M2 growth*

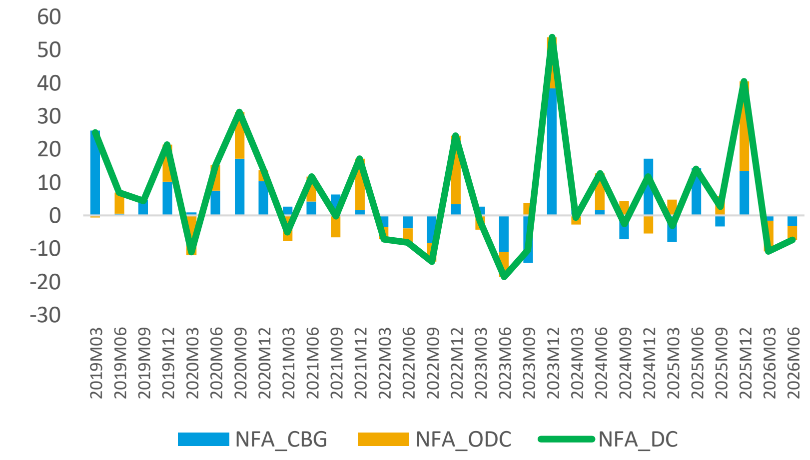


Source: CBG staff calculations

Credit to the private sector increased to D21.1 billion, rising by 41.3 percent year-on-year and 14.9 percent during Q2 2026 compared to the previous quarter. Although the underlying lending conditions remained strong, the annual growth in credit partly reflects improved classification following the introduction of a revised commercial-bank reporting template.

The net foreign assets of depository corporations stood at D42.7 billion in June 2026, 19.1 percent above their level a year earlier. However, NFA contracted by 7.3 percent during the quarter, following a decline of 10.8 percent in Q1. The quarterly contraction reflected a 3.3 percent decline in gross reserves to D44.9 billion, lower other foreign claims, and a 3.8 percent increase in foreign liabilities. At the Central Bank, NFA declined by 6.0 percent during the quarter to D23.0 billion, although it remained 6.8 percent higher year-on-year. Commercial banks' NFA also declined by 8.8 percent in Q2.

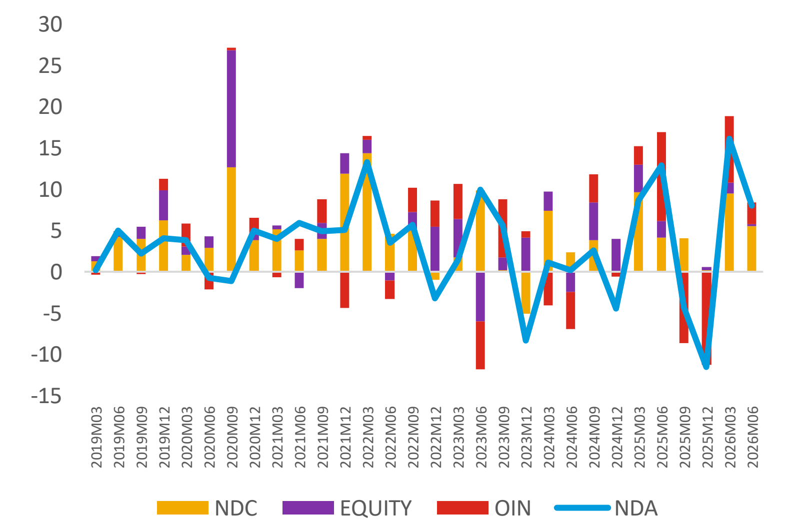
Figure 13: *Net Foreign Assets (NFA) of Depository Corporations*



Source: CBG staff calculations

Meanwhile, the net domestic assets of depository corporations increased to D57.2 billion, representing growth of 6.2 percent year-on-year and 8.0 percent during the quarter. Net claims on central government rose to D52.7 billion, increasing by 6.7 percent annually and 1.4 percent during Q2. The composition of government financing shifted within the banking system, as the Central Bank's net claims on government declined by 11.1 percent year-on-year, while those of commercial banks increased by 14.6

Figure 14: *Net Domestic Assets (NDA) of Depository Corporations*



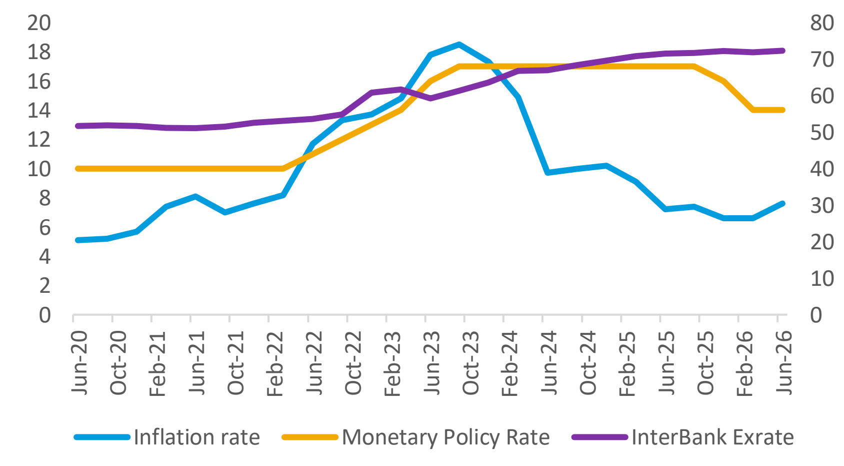
Source: CBG staff calculations

percent. This indicates lower direct Central Bank financing but greater government absorption of commercial-bank resources.

Reserve money, the Bank's operating target, contracted by 11.1 percent year-on-year and 5.0 percent in Q2 2026 to D26.5 billion. The annual decline was driven mainly by a reduction in the Central Bank's net domestic assets, while the quarterly contraction reflected the decline of its net foreign asset position. Currency in circulation rose by 8.3 percent year-on-year but declined by 1.6 percent during the review quarter relative to the previous quarter, while commercial banks' reserve balances were broadly unchanged during 2026Q2. Excess reserves also declined from recent levels, indicating a reduction in industrywide liquidity.

The Monetary Policy Rate remained at 14.0 percent following its reduction from 16.0 percent at the February 2026 MPC meeting. With headline inflation at 7.6 percent in July, the ex-post real policy rate remained positive at approximately6.4 percent. This sizeable positive differential indicates that the monetary policy stance remained relatively tight, despite the earlier easing, and continued to support price stability and help contain second-round inflationary pressures. However, the recent increase in inflation has narrowed the real policy-rate buffer, underscoring the need for continued vigilance when considering further policy easing.

Figure 15: *Policy rate, Inflation & Exchange rate Movement*



Source: CBG staff calculations

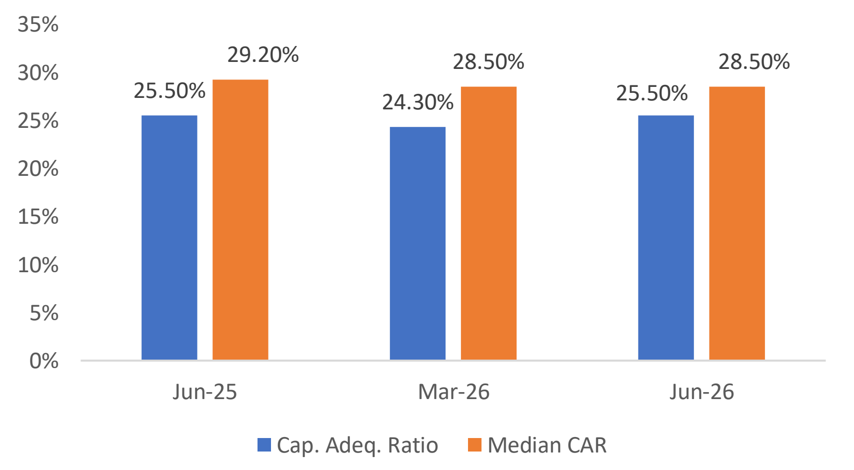
Banking Sector

Banking sector indicators for the second quarter of 2026 point to continued balance-sheet expansion and broadly sound financial conditions. Total industry assets increased by 19.5 percent year-on-year to D131.74 billion, while deposits rose by 20.9 percent to D86.58 billion and total loans expanded by 21.4 percent to D22.93 billion. Relative to GDP, total assets increased to 68.5 percent from 57.3 percent, deposits to 45.0 percent from 37.2 percent, and private sector credit to 10.2 percent from 7.9 percent. The expansion indicates continued financial deepening and depositor confidence.

Private sector credit, which was concentrated in energy, households, agriculture, construction and distributive trade, grew by 28.9 percent to D19.68 billion in June 2025, while loans and advances to government declined to D3.3 billion from D3.6 billion. The asset structure continued to reflect a preference for liquid and government-backed instruments. investments in government securities remained the largest component of industry assets at 31.5 percent, followed by balances due from other banks at 23.3 percent.

On the liabilities side, demand deposits accounted for 57.1 percent of total deposits, up from 53.0 percent a year earlier, while the share of savings deposits declined to 37.3 percent from 39.5 percent.

***Figure 16**: Banking sector Capital Adequacy Ratio*

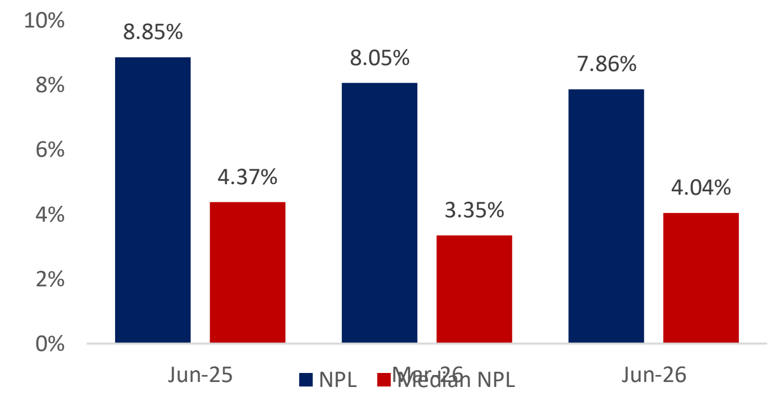


Capital buffers remained strong. Total capital and reserves increased to D15.34 billion from D13.62 billion a year earlier, while Tier 1 capital rose to D14.4 billion from D12.7 billion, supported by paid-up capital, retained earnings and other reserves.

The Capital Adequacy Ratio stood at 25.5 percent, unchanged from June 2025 and 1.2 percentage points above the March 2026 level. The ratio remained well above the prudential minimum of 10 percent, indicating adequate capacity to absorb potential losses.

Asset quality improved in ratio terms, with the non-performing loan ratio declining to 7.9 percent from 8.1 percent in March 2026 and 8.9 percent in June 2025. However, the stock of non-performing loans increased to D1.8 billion from D1.7 billion a year earlier, implying that the decline in the ratio mainly reflected faster growth in total loans. Manufacturing accounted for 56.4 percent of total non-performing loans, followed by distributive trade at 13.1 percent and building and construction at 11.0 percent, highlighting persistent sectoral and large-exposure risks.

Figure 17: *Non-Performing Loans Ratios*

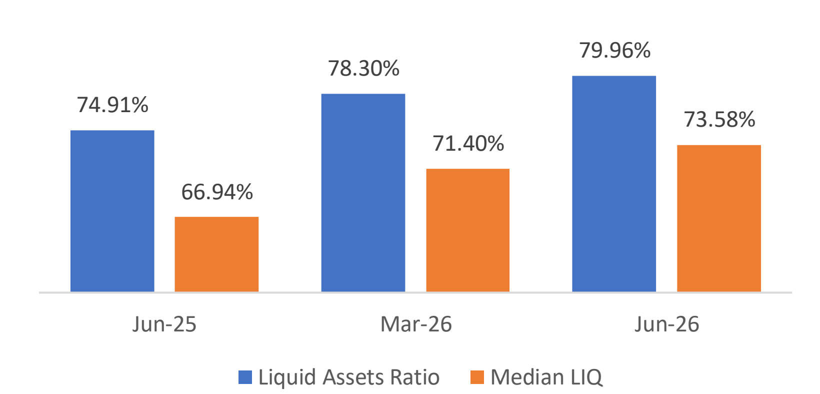


Source: CBG staff calculations

Profitability strengthened on an annual basis. Total revenue increased by 23.7 percent to D3.29 billion, supported by a 28.3 percent rise in interest income to D2.40 billion and growth in non-interest income to D893.2 million. Net income rose to approximately D1.2 billion from D0.8 billion. Return on assets increased marginally to 3.7 percent from 3.6 percent, while return on equity rose to 31.6 percent from 28.7 percent. Both ratios, however, moderated from their March 2026 levels as asset growth outpaced earnings during the quarter.

Liquidity conditions remained comfortable, with the industry liquidity ratio rising to 80.0 percent from 78.3 percent in March 2026 and 74.9 percent a year earlier, well above the 30 percent prudential minimum. The loan-to-deposit ratio increased to 26.4 percent from 24.7 percent in March, but remained low, signalling scope to deepen productive financial intermediation. Market risk remained contained, with the overall net open position narrowing to 1.3 percent long from 3.9 percent in March 2026 and 5.9 percent a year earlier. Overall, the industry remained resilient, although credit concentration and non-performing loan , sovereign exposure and uneven liquidity distribution warrant continued vigilance.

Figure 18: *Liquidity Ratios*



Source: CBG

Non-Bank Financial Sector

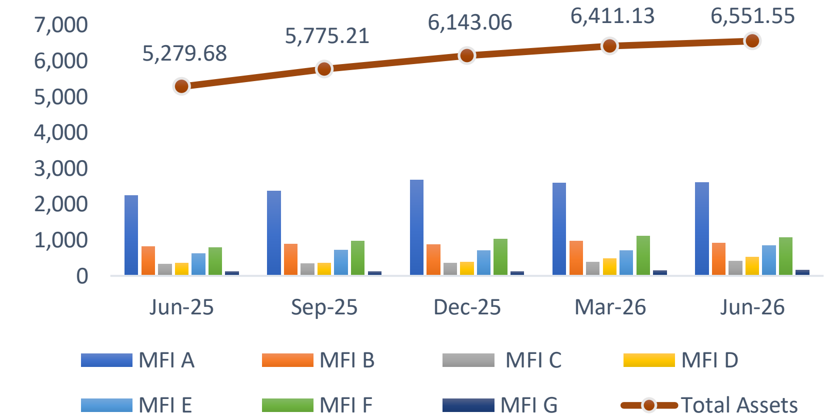
The non-bank financial sector continued to expand in the second quarter of 2026, supported by stronger deposit mobilisation and lending. Total assets of the seven finance companies and 14 credit unions increased by 5.8 percent quarter-on-quarter and 25.9 percent year-on-year to D11.74 billion. Finance companies accounted for D6.55 billion, or 55.8 percent of total assets, while credit unions held D5.19 billion, or 44.2 percent. Finance-company assets increased by 2.2 percent during the quarter and 24.1 percent annually, while credit-union assets rose by 10.8 percent and 28.2 percent, respectively.

Deposit mobilisation remained strong across both segments. Combined deposits rose by 6.7 percent during the quarter and 25.8 percent year-on-year to D8.97 billion. Finance-company deposits increased to D4.99 billion, representing 55.6 percent of the sector total, while credit-union deposits reached D3.99 billion. Total loans outstanding increased to D5.19 billion. Finance-company loans rose by 9.9 percent quarter-on-quarter and 43.0

percent year-on-year to D2.17 billion, while credit-union loans increased by 12.5 percent and 22.0 percent, respectively, to D3.02 billion.

Financial intermediation remained stronger among credit unions, whose loan-to-deposit ratio increased to 76 percent from 72 percent in March 2026, compared with 43 percent for finance companies. Loans and advances accounted for 58 percent of credit-union assets and were concentrated in personal lending, construction and acquisition, and business ventures. By contrast, finance companies held 35 percent of their assets in Treasury bills and 34 percent in loans and advances, reflecting a more cautious asset allocation. Petty and small-business trading accounted for 58 percent of finance-company loans, followed by personal lending and agriculture.

Figure 19: *Assets Size of Non-Banks Financial Sector*



Source: CBG staff calculations

Finance companies remained adequately capitalised, with the Capital Adequacy Ratio at 35 percent, slightly below 36 percent in March but well above the 20 percent minimum. The liquidity ratio declined to 71 percent from 75 percent, remaining comfortably above the 30 percent benchmark. The non-performing loan ratio improved to 6 percent from 7 percent but remained above the 5 percent prudential limit. Net income increased by 10 percent to D65.38 million, supported by higher loan and other income, although the cost-to-income ratio rose to 77 percent from 74 percent and remained above the 65 percent benchmark.

Credit-union capital and liquidity buffers also strengthened. The capital reserve fund increased by 5 percent to D835 million, while the Capital Adequacy Ratio rose to 38 percent from 20 percent and remained well above the 16 percent minimum. The liquidity ratio increased to 36 percent from 34 percent, exceeding the 30 percent benchmark.

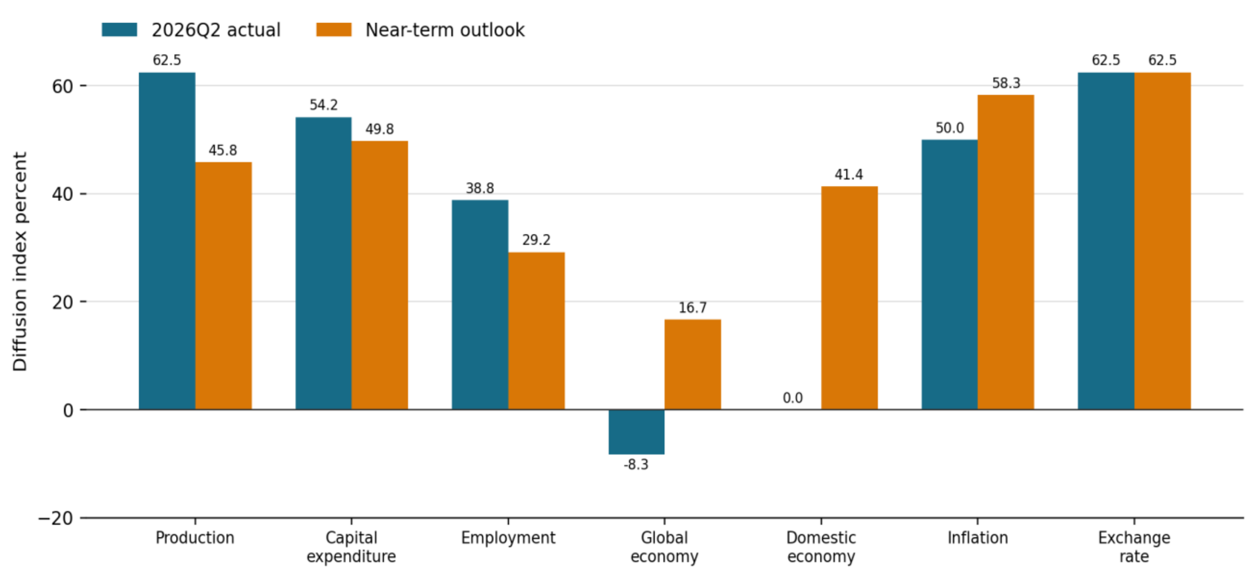
However, asset quality deteriorated sharply, with the non-performing loan ratio rising to 10 percent from 5 percent in March 2026 and 6 percent a year earlier. Return on assets also remained below the benchmark at 0.4 percent.

Overall, the non-bank financial sector remained stable, well capitalised and liquid, with continued growth in deposits and credit supporting financial inclusion. The deterioration in credit-union asset quality, elevated operating costs among finance companies and concentration of assets in a small number of institutions, however, requires closer supervisory attention.

Private Business Sentiment Survey

Production sentiment increased from 40.0 percent in 2026Q1 to 62.5 percent in 2026Q2, while capital-expenditure sentiment rose from 40.0 percent to 54.2 percent. Employment sentiment also improved, from 20.0 percent to 38.8 percent. The three indicators were substantially stronger than the prior expectations for 2026Q2 of 17.1 percent, 20.0 percent and 14.3 percent, respectively, suggesting that business activity performed better than firms had anticipated.

Figure 20: *Sentiment on Current Conditions and Near-Term Expectations*



Source: CBG

Sentiment on the global economy improved from -31.4 percent in 2026Q1 to -8.3 percent in 2026Q2. Although the index remained negative, the outlook of 16.7 percent points to an expected improvement in external conditions. Domestic economic sentiment rose from -2.9 percent to a neutral reading of 0.0 percent and is expected to strengthen to 41.4 percent in the outlook period. This is consistent with the positive expectations for production, investment and employment.

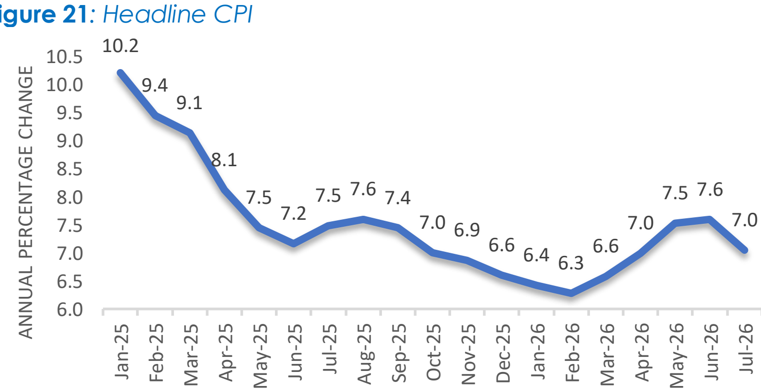
The inflation index declined from 60.0 percent in 2026Q1 to 50.0 percent in 2026Q2, indicating some moderation in reported inflation pressure. However, the outlook index increased to 58.3 percent, showing that firms expect inflation to rise in the near term. The exchange-rate index increased from 51.4 percent to 62.5 percent and remained at 62.5 percent in the outlook. Under the survey's interpretation, this indicates persistent expectations of dalasi depreciation.

The survey presents a broadly favourable signal for near-term economic activity. Stronger production, capital expenditure and employment sentiment indicate continued private-sector expansion, while improving domestic and global economic expectations should support business confidence. Nonetheless, the inflation and exchange-rate results point to material upside risks to the price outlook.

Price Developments

Headline inflation in The Gambia eased to 7.0 percent in July 2026 from 7.6 percent in June, reversing the increase recorded during the second quarter. The moderation was driven primarily by food inflation, which declined to 5.8 percent from 6.6 percent, reflecting slower price increases for bread and cereals, dairy products and non-alcoholic beverages. However, inflation in meat and selected perishables remained elevated. Non-food inflation increased to 8.9 percent from

Figure 21: *Headline CPI*



Source: CBG Staff Calculations

8.7 percent, driven mainly by transport inflation, which accelerated to 16.5 percent, while housing and utilities inflation eased to 3.4 percent. Core inflation also moderated, with Core-1 declining to 6.9 percent from 8.4 percent and Core-2 easing to 7.8 percent from 8.5 percent. Both measures nevertheless remained above their end-2025 levels, indicating persistent underlying price pressures.

During Q2 2026, headline CPI increased by 1.8 percent on a quarterly basis, with non-food prices rising by 3.2 percent compared to a 0.9 percent increase in food prices. Monthly headline inflation stood at 0.45 percent in July, while transport prices rose by only 0.05 percent, indicating that the elevated annual transport rate largely reflects price increases accumulated in earlier months. Market-determined prices contributed approximately 5.4 percentage points to headline inflation in July, while the contribution from administered prices increased to around 1.6 percentage points. Inflationary pressures therefore remain uneven, with easing food and market-price pressures partly offset by persistent transport and administered-price pressures. Higher distribution and operating costs continue to pose risks to further disinflation through their potential effects on food and services prices.

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

Inflationary pressures re-emerged in 2026Q2, with average headline inflation rising to 7.2 percent from 6.2 percent in 2026Q1, reflecting administered-price adjustments and renewed imported cost pressures associated with higher global commodity and energy prices. Market-price inflation continued to ease and partly offset the increase in administered prices, although inflation expectations and persistence remained important sources of underlying pressure. Economic activity remained resilient, with real GDP growth estimated at 5.1 percent compared with 5.2 percent in the previous quarter, but the output gap narrowed amid weaker demand momentum, softer foreign demand, tight monetary conditions and a contractionary fiscal impulse of 1.3 percent of GDP. Monetary conditions eased slightly as short-term interest rates declined and the dalasi depreciated modestly, while the MPR remained at 14.0 percent.

***Figure 22**: Summary of current economic conditions*

Source: CBG

The baseline outlook remains broadly positive, although inflation is expected to moderate more gradually following the recent increase. Headline inflation is projected to average 6.6 percent in 2026, before declining to 5.4 percent in 2027, while market inflation is expected to follow a similar downward path. Real GDP growth is projected at 5.8 percent in 2026 and 6.2 percent in 2027, supported by private-sector activity, tourism, construction, remittance inflows and improved fiscal support. The dalasi is expected to remain stable with average depreciation in line with economic fundamentals, while monetary policy is projected to remain cautious despite the recent decline in inflation. Risks to the outlook remain tilted to the upside for inflation and to the downside for economic growth. An escalation of regional conflicts or further disruption to global trade and supply chains could raise energy and commodity prices, intensify imported inflation, weaken the dalasi.

Decision

Although domestic economic activity remained resilient and headline inflation moderated in July 2026, the Committee noted that underlying and non-food inflation remained elevated, driven largely by persistent transport and energy costs. The Committee assessed that inflationary risks remained tilted to the upside, particularly given the potential second-round effects of higher transport costs and continued external uncertainty.

Consequently, the Committee considered it necessary to maintain a cautious monetary policy stance to safeguard the disinflation process and support inflation's return to the medium-term target.

Therefore, the Committee decided to maintain the monetary policy rate at 14 percent, the required reserve ratio at 13 percent, the standing deposit facility rate at 5 percent, and the standing lending facility rate at 15 percent, equivalent to the MPR plus 1 percentage point.

Next MPC Meeting

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

APPENDIX

Table 2: Summary of current account balance

	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26	Q2-26
C/ACCOUNT	-26.33	-53.68	-21.06	-13.19	-23.68	-29.79	-4.83	-29.74	-34.60
GOODS	-236.32	-253.44	-297.13	-248.07	-239.92	-210.73	-262.36	-284.37	-242.52
SERVICES	64.30	57.49	88.53	95.97	63.42	56.32	68.41	113.65	48.17
PRIMARY INCOME	12.5	14.4	14.9	-3.1	4.5	-1.8	-2.87	-7.2	-5.4
SECONDARY INCOME	132.6	127.2	169.7	139.9	146.0	126.4	192.0	148.1	165.2
CAPITAL ACCOUNT	28.11	19.08	39.32	17.35	27.02	24.30	44.27	28.47	26.23
FINANCIAL ACCOUNT	-34.3	-3.7	-174.5	-9.7	10.5	-46.7	-68.7	-130.0	-95.4

Source: CBG

Table 3: Summary of goods account balance

	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26	Q2-26
GOODS	-236.32	-253.44	-297.13	-248.07	-239.92	-210.73	-262.36	-284.37	-242.52
EXPORTS	71.32	99.32	111.30	104.12	105.58	99.87	97.50	140.28	170.99
IMPORTS	307.64	352.76	408.43	352.19	345.49	310.60	359.86	424.65	413.51

Source: CBG

Table 4: Summary of services account balance

	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26	Q2-26
SERVICES	64.30	57.49	88.53	95.97	63.42	56.32	68.41	113.65	48.17
TRANSPORTATION	-13.33	-17.82	-24.26	-29.02	-23.34	-18.84	-23.74	-34.30	-38.71
O/W SEA TRANSPORT	-17.39	-21.88	-26.08	-30.72	-24.87	-20.02	-23.72	-37.29	-39.28
TRAVELS	85.12	83.24	123.81	132.46	93.81	82.80	102.72	152.90	91.77
O/W PERSONAL TRAVEL	85.55	83.58	124.64	132.80	94.57	83.54	104.19	153.96	92.81

Source: CBG

Table 5: Summary of capital and financial account balance

	Q2-24	Q3-24	Q4-24	Q1-25	Q2-25	Q3-25	Q4-25	Q1-26	Q2-26
CURRENT ACCOUNT	-26.33	-53.68	-21.06	-13.19	-23.68	-29.79	-4.83	-29.74	-34.60
CAPITAL ACCOUNT	28.11	19.08	39.32	17.35	27.02	24.30	44.27	28.47	26.23
NET LENDING/BORROWING	1.78	-34.59	18.26	4.17	3.33	-5.49	39.45	-1.28	-8.36

Source: CBG

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

	PURCHASES	SALES	MARKET TURNOVER
July 2024 — June 2025	1,164,721,405.00	1,126,813,625.00	2,291,535,030.00
July 2025 — June 2026	1,392,011,402.00	1,167,564,920.00	2,559,576,322.00

Source: CBG

Table 7: Inter-bank Transactions Volumes (in US 'millions)

	Purchases (m)	Sales (m)	Market turnover (m)
Q2 2025	329.07	285.09	614.16
Q3 2025	301.1	249.7	550.8
Q4 2025	322.4	268.4	590.8
Q1 2026	350.93	293.26	644.19
Q2 2026	417.59	356.14	773.74

Source: CBG

Table 8: Quarterly mid-market transaction rates

CURRENCY	Jun-26	Mar-26	Jun-25	Quarterly	Yearly
USD	72.25	71.87	71.36	0.38	0.89
EURO	85.83	85.61	80.64	0.22	5.19
GBP	97.02	95.91	94.26	1.11	2.76
CHF	92.74	92.01	81.70	0.73	11.04
CFA	641.15	640.33	594.80	0.82	46.35

Source: CBG

Table 9: The Overall Budget Balance

	GMD' Million		Percent of GDP		Year-on-Year Variance (%)
Overall balance	**First Half 2025**	**First Half 2026**	**First Half 2025**	**First Half 2026**	
Excluding grants	-12,813.26	-10,153.41	-6.42	-4.51	-20.76
Including grants	-6,092.97	-3,792.09	-3.05	-1.69	-37.76
Basic balance	-4,341.99	-2,365.57	-2.17	-1.05	-45.52
Basic Primary Balance	-1,710.48	923.97	-0.86	0.41	-154.02

Source: CBG

Table 10: Revenue and Grants

Government Receipts	First Half 2025	First Half 2026	Variance (Y-o-Y)
	GMD' million	GMD' million	Y-o-Y percent ∆
Total Revenue & Grants	**20,963.48**	**21,713.79**	**3.58**
Percent of GDP	*10.5*	*9.7*	
Domestic Revenue	**14,243.19**	**15,352.47**	**7.79**
Percent of GDP	*7.1*	*6.8*	
Tax Revenue	**12,400.20**	**13,355.25**	**7.70**
Percent of GDP	6.2	5.9	
Direct Tax	3,950.97	4,293.48	8.7
Personal	1,045.34	1,142.11	9.3
Corporate	2,696.60	2,841.03	5.4
Indirect Tax	8,449.23	9,061.77	7.2
Domestic Tax on goods & services	3,606.83	3,956.62	9.7
Tax on Int'l. Trade	4,842.39	5,105.14	5.4
Duty	2,425.08	2,568.40	5.9
Sales tax on imports	2,417.31	2,536.74	4.9
Non-tax Revenue	**1,842.99**	**1,997.22**	**8.37**
Percent of GDP	1.2	1.1	
Grants	**6,720.28**	**6,361.32**	**-5.34**
Percent of GDP	3.4	2.8	
Program	**0.00**	**0.00**	**0.00**
Projects	**6,720.28**	**6,361.32**	**-5.34**

Source: MoFEA, CBG Staff calculations